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Explanatory Meeting for Business Results for the First Quarter ended June 30, 2019

1. Regional Market Environments and Projections

Masafumi Senzaki

Executive Officer President, Marketing Div.

2. Business Results for the First Quarter ended June 30, 2019

(April 1-June 30,2019)

Tetsuo Katsurayama

Senior Vice President, Executive Officer, CFO

July 25, 2019

Hitachi Construction Machinery Co., Ltd.

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1. Regional Market Environments and Projections

Masafumi Senzaki
Executive Officer　President, Marketing Div.

Global Demand Trend for Hydraulic Excavators

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※Estimates by HCM, Excluding Chinese manufacturers
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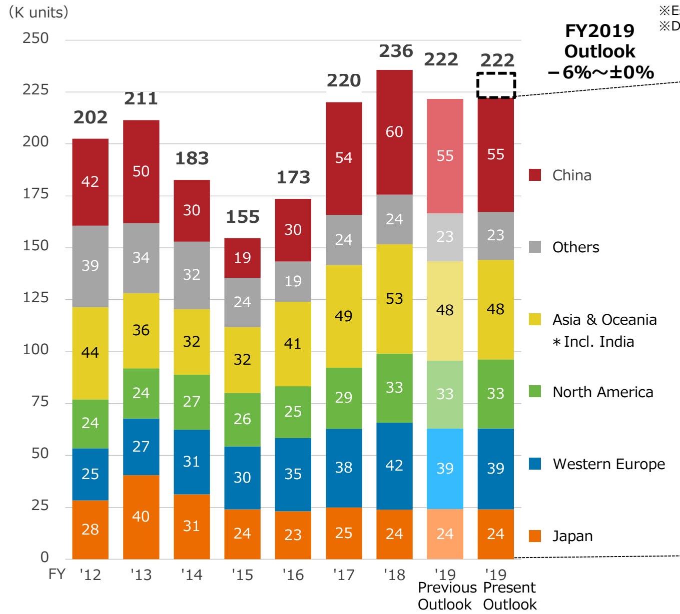

Year-on-Year Change

	'18	'19
Total	+7%	-6%
China	+11%	-9%
Russia,CIS, E Europe	+31%	-13%
Africa	-4%	+0%
Middle East	-45%	-2%
Latin America	+5%	-5%
Others	-1%	-6%
India	+14%	-4%
Indonesia	+13%	-18%
Others	-3%	-9%
Asia & Oceania	+6%	-9%
N America	+13%	+0%
W Europe	+11%	-7%
Japan	-5%	+1%

■ **Emerging Countries ratio FY2019 : 57% (Y-o-Y Change:-1%)**

※Emerging Countries: China, Asia/Oceania, and others

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Our FY2019 forecast for global demand of hydraulic excavators is 220,000 units, which remains unchanged from our previous forecast.

Although there are some regions where the results have decreased from the previous year, the market slowdown does not appear to be worse than we forecast. Breaking it down by region, we expect:

- ➢ 55,000 units in China, a 9% decrease
- ➢ 48,000 units in Asia & Oceania, a 9% decrease
- ➢ 33,000 units in North America, about the same as FY2018
- ➢ 39,000 units in Western Europe, a 7% decrease
- ➢ 24,000 units in Japan, unchanged from FY2018

We will implement measures considering the possibility of a rise in demand similar to what we saw in FY2018.

<Japan>

First Quarter
(from April to June 2019)

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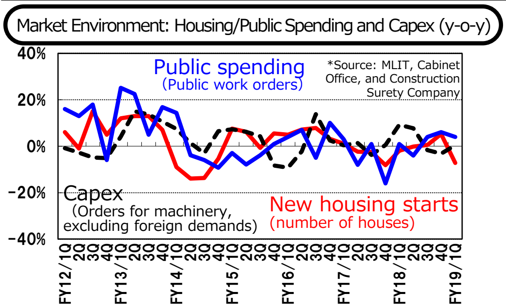
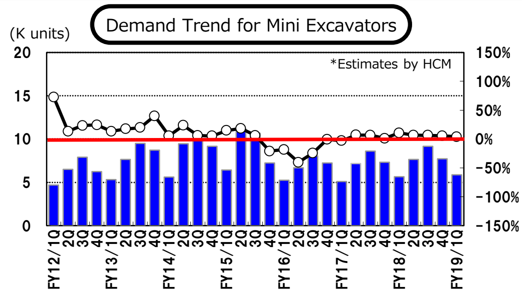
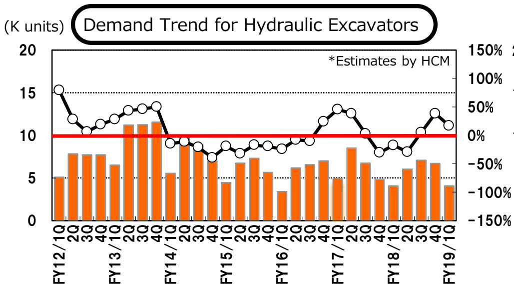
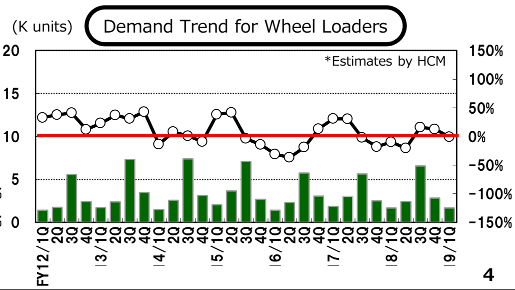
- Public investment increased, capital investment remained flat, housing investment decreased y-o-y, a mixture of strong and weak economic indicators.
- Demand for hydraulic excavators and mini excavators increased, while demand for wheel loaders slightly decreased (17% 4%, and -1% y-o-y, respectively.)









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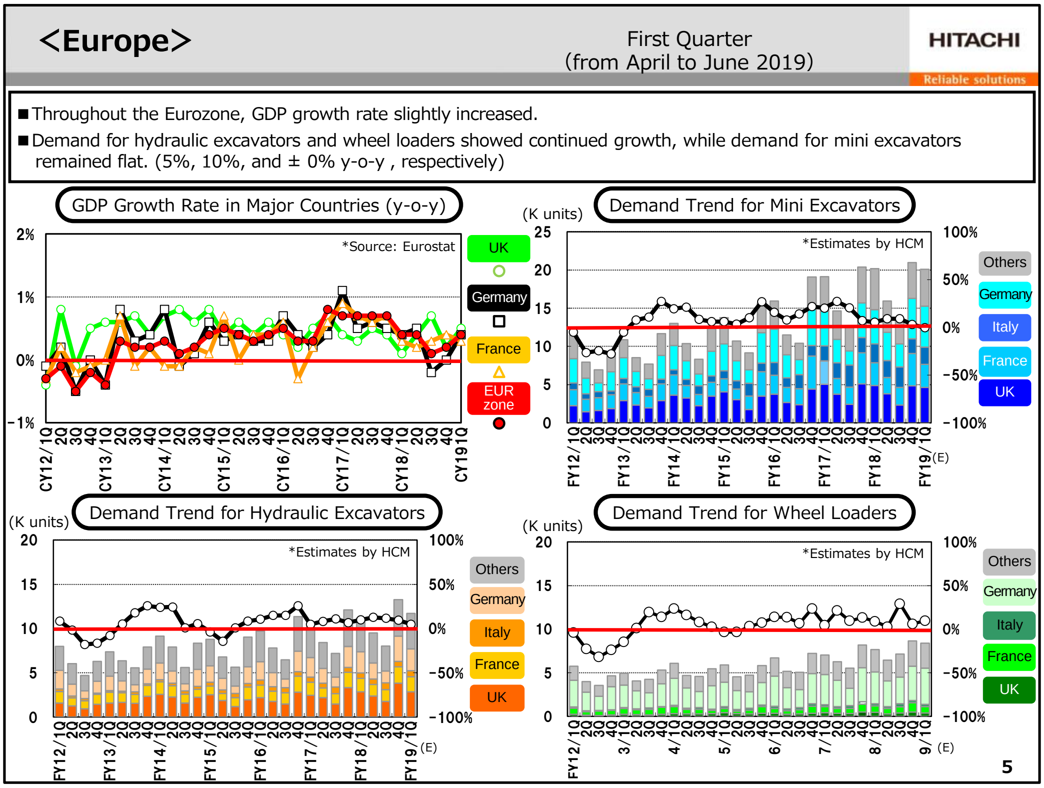
In the first quarter, public investments increased year-on-year due to the effects of disaster recovery work. However, because capital investments stayed at the same level and housing investments decreased, a mixture of strong and weak economic indicators.

There was a 17% year-on-year increase in demand for hydraulic excavators, due to the steady construction work in urban areas, as well as the recovery work following the torrential rains in Western Japan and typhoons last year.

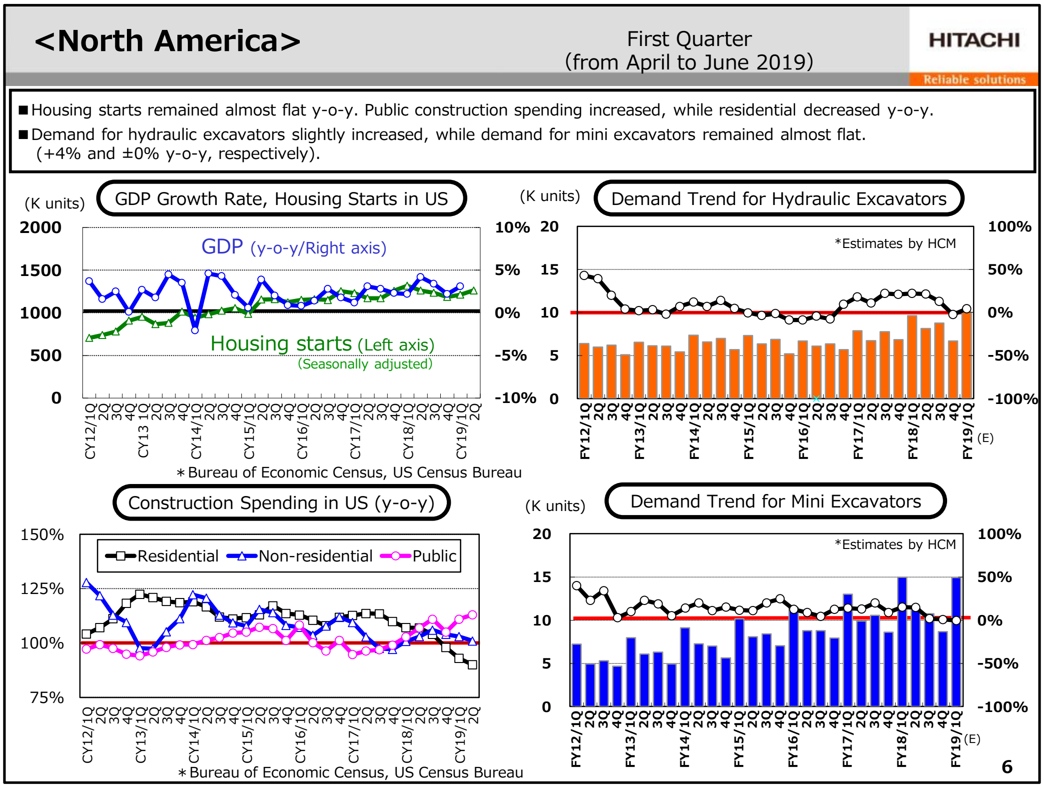
Mini excavator demand increased by 4%, while wheel loader demand decreased by 1% compared to the same quarter in FY2018.



In the first quarter of CY2019, the GDP in the entire Euro zone was slight increase.

Hydraulic excavators continued to see increased demand, a 5% increase year-on-year in Europe as a whole, bolstered by residential and non-residential associated with construction spending. In particular, significant increases were observed in France and Italy.

Mini excavators remained flat and wheel loaders increased by 10% compared to the same quarter in FY2018.

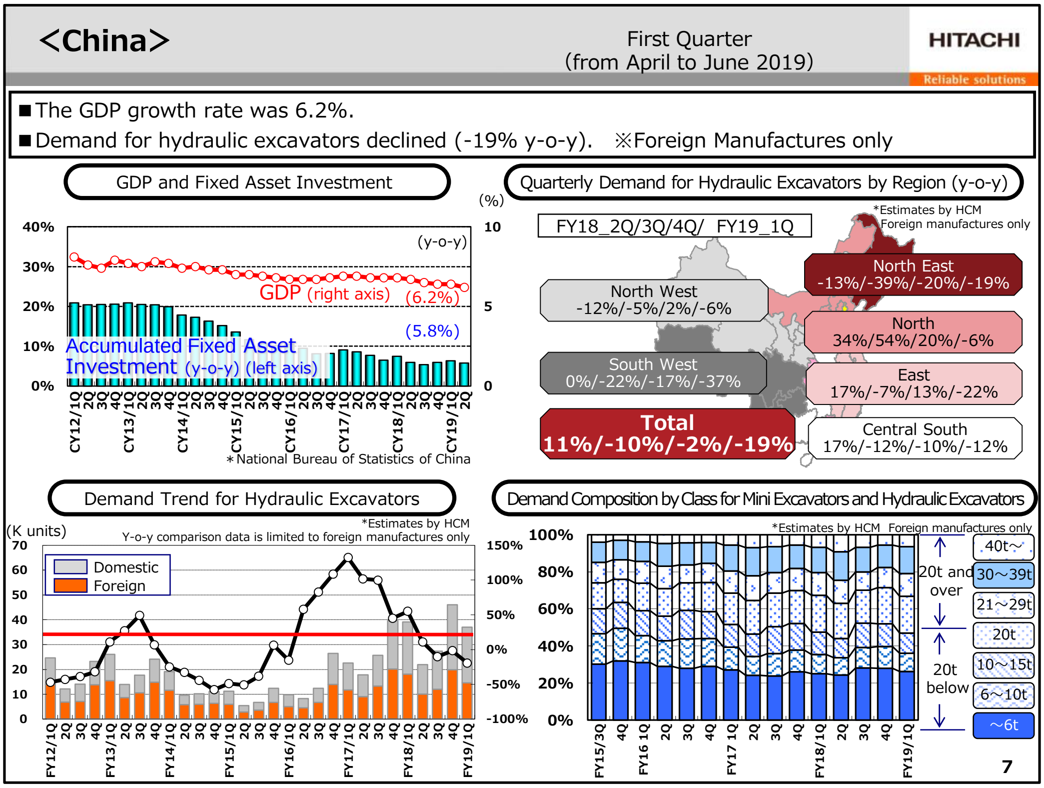


In the first quarter of CY2019, the GDP in the U.S. was 3.1%, and the number of housing starts remained about the same as in the same quarter of FY2018.

As for construction spending in the U.S., there was an increase in investments for public works, but a decrease in investments for residential.

For residential, construction investments have continued to decrease since the peak that occurred in the same quarter of last year, and we are paying close attention to that trend.

Hydraulic excavator demand increased by 4% compared to the same quarter last year, while mini excavator demand remained about the same.



GDP growth rate was 6.2% in the second quarter of CY2019, and the growth of fixed asset investment from January to June was 5.8%.

Hydraulic excavator demand on the whole, including for machines of domestic manufacturers, has decreased since May. Looking at only the demand for machines of foreign capital manufacturers, there was a 19% year-on-year decrease in the first quarter.

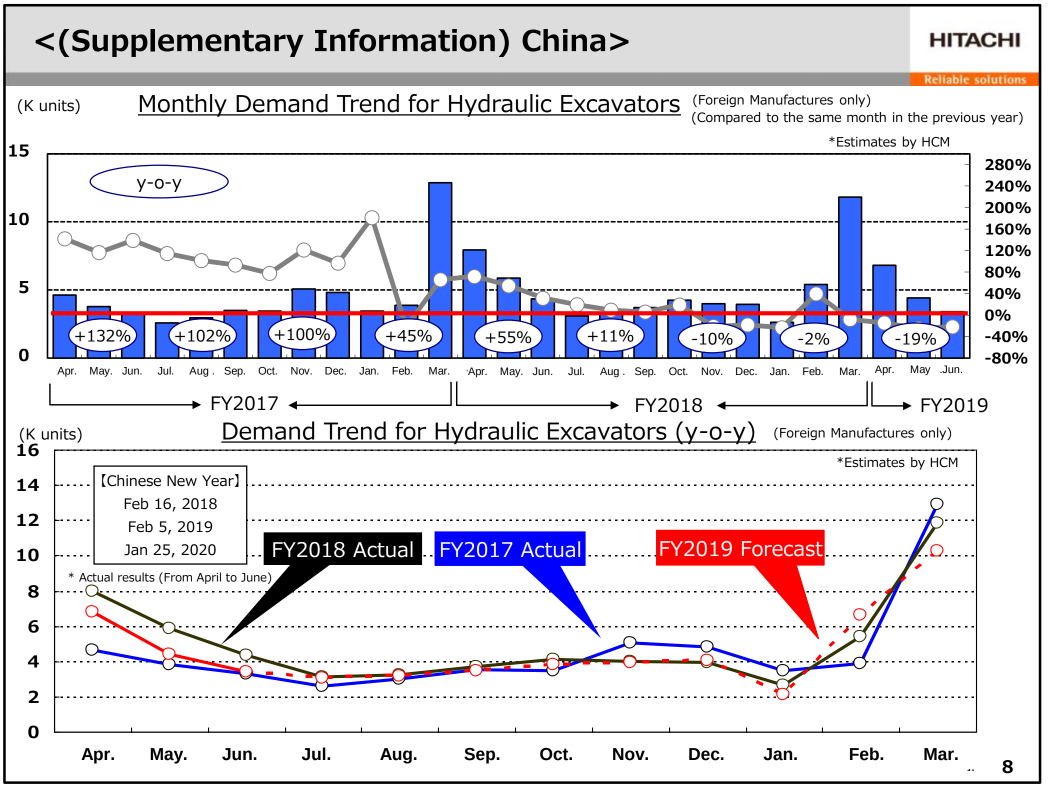
Looking at the hydraulic excavator demand by region, a 22% decrease was observed in East China, where the demand composition ratio is the highest.

South Middle China and South West, which have the next highest demand composition ratios, saw decreases of 12% and 37% respectively.

In the South West region, there was a significant decrease in demand due to the downward rebound following the increase in demand that accompanied the government's large-scale agricultural development project.

As for the demand composition ratio by class, there was a slight increase in the over-20 ton classes.

With greater priority placed on productivity and safety at mining and quarry sites, there is a trend toward larger machines.



The hydraulic excavator demand by month for foreign capital showed a continuing downward trend from November 2018 on except for an increase in demand in February after Chinese New Year.

Compared to previous year by month, demand forecast for July and beyond will decrease slightly. As a result, demand forecast for FY 2019 has been set 55,000 units by a 9 % year-on-year decrease as the same to which we announced in April 2019.

Although expect to higher construction spending by Central government for attribution to worse trade war between China and U.S, it has been taking time for investing implementation and to appear the positive impact as a hydraulic excavator demand, and we are paying attention to a timing for it.

<Asia, Oceania, and India>

First Quarter
(from April to June 2019)

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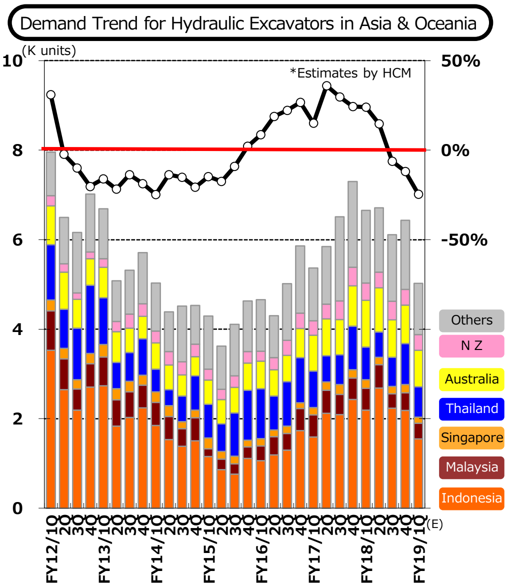
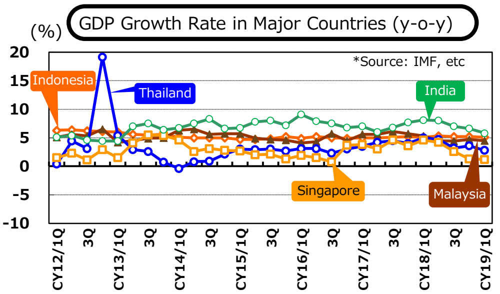
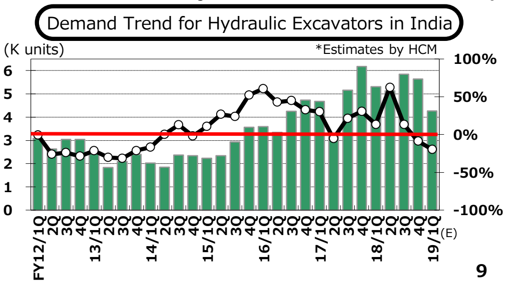
- Demand for hydraulic excavators decreased overall in the Asia Pacific region (-25% y-o-y).
- Demand for hydraulic excavators decreased in India (-20% y-o-y).





* Calculation criteria for GDP growth rate in India was revised in CY2013 2Q



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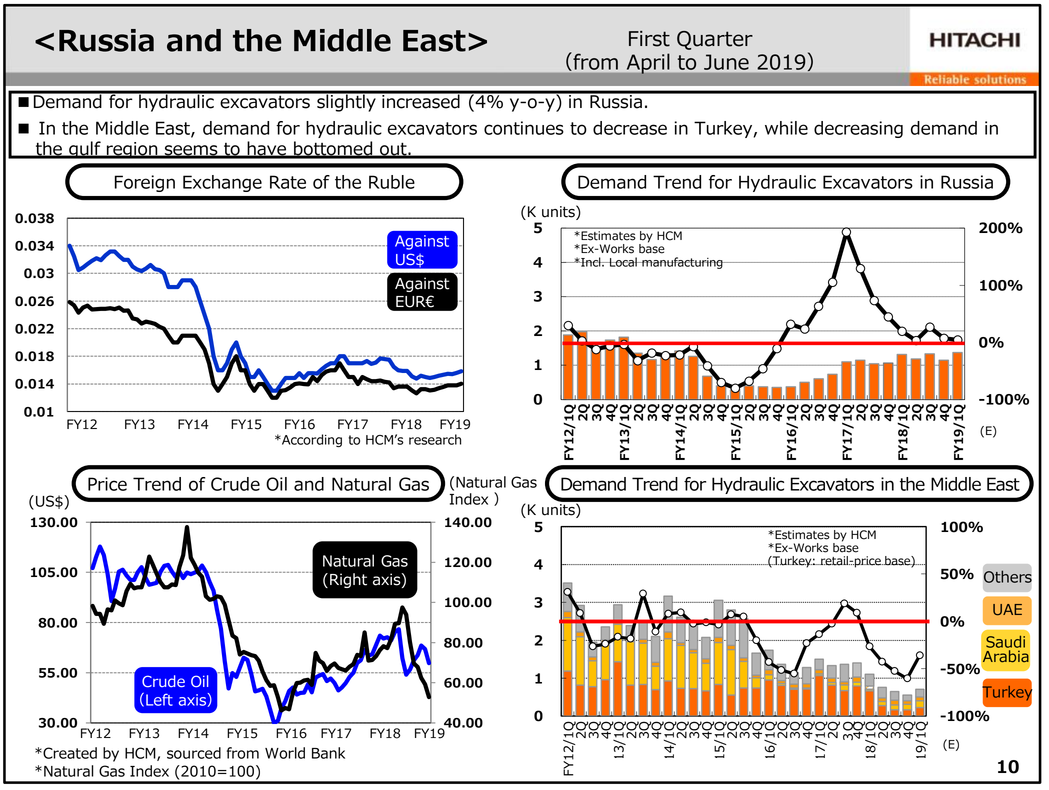
In the first quarter, the hydraulic excavator demand in the Asia＆Oceania region showed a 25% year-on-year decrease on the whole, with decreases in Indonesia, which was affected by the election, as well as in other countries such as Malaysia and Australia.

In India, the hydraulic excavator demand decreased compared to the same quarter of the previous year due to the temporary effect of the election. Moving forward, we expect the demand to recover with the establishment of the new government spending budget.



The hydraulic excavator demand in Russia increased by 4% year-on-year.

The hydraulic excavator demand in the Middle East continued to fall compared to the previous year due to the weakened Turkish lira, but there are signs that the situation in the Gulf region has bottomed out.

<Mining Machinery>

FY2019 (from April 2019 to March 2020)

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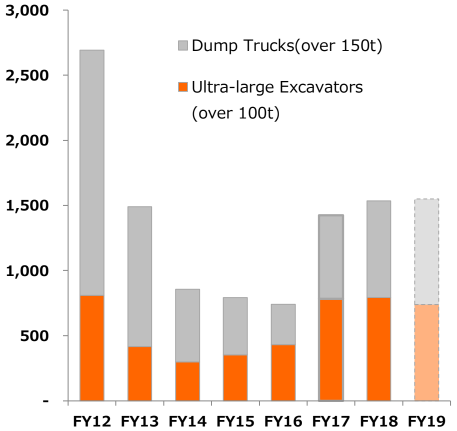
■ Demand for mining machinery in FY2019 is expected to be almost flat without significantly rising or falling.

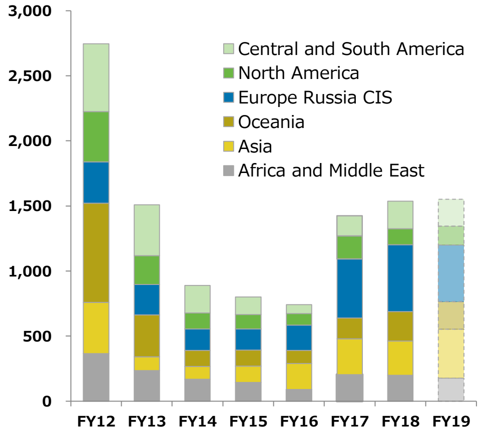
■ Demand for ultra-large hydraulic excavators (operating weight 100t-250t) for medium and small sized mining sites and contractors is expected to decrease, while the sentiment for ultra-large hydraulic excavators (over 300t) and dump trucks (payload over 150t) for major mining companies is bullish.

Ultra-large Hydraulic Excavators (over 100t), Dump Trucks (over 150t)

(Units) Demand by product



(Units) Demand by region



※ According to HCM's research

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In FY2019, investments will be suppressed in small to medium sized mines and small-scale contractors due to the forecast decrease in the price of low-grade coal.

For ultra-large hydraulic excavators, there appears to be a decrease in demand for small to medium class machines in the 100-ton to 250-ton weight classes.

On the other hand, demand for major mines is strong and is expected to remain at a high level, due to the renewed demand for high-grade coal, iron ore, and copper, as well as expanded production.

Overall, FY2019 demand is expected to remain about the same as that of FY2018.

<(Supplementary Information) BB Ratio>

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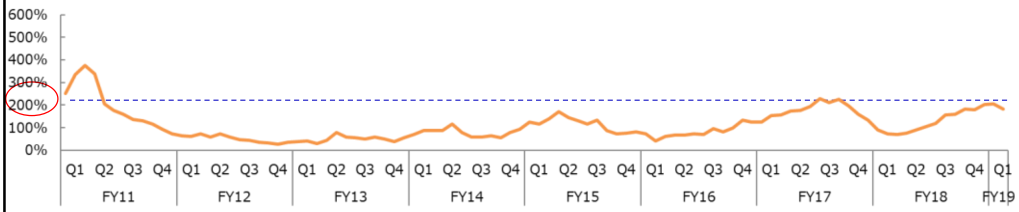
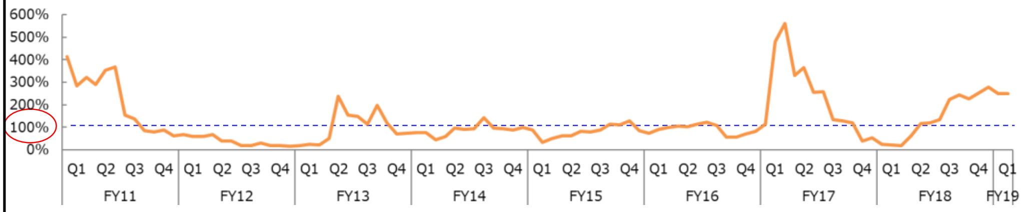
BB Ratio (Ultra-large Hydraulic Excavators, over 100t)



BB Ratio (Dump Trucks, over 150t)



※ Book-to-Bill(BB)Ratio = Bookings (Orders received)/Billings (Value of shipment)
Non-consolidated basis (average of 6 months)

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The BB ratio of ultra-large hydraulic excavators and dump trucks remains at 100% or higher thanks to steady orders, particularly of ultra-large models for major mines.

《Topic》An Order of Large Hydraulic Excavators in China

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21 Unit Order of Large Hydraulic Excavators for Heavy Digging

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Hitachi Construction Machinery (Shanghai) received a major order for the Chinese rental market from Kanamoto (China).
This order should expand and strengthen our value chain business in China.

The delivery ceremony of large hydraulic excavators（July,9）

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We recently received 21 unit order from Kanamoto (China) Co., Ltd. for large hydraulic excavators for heavy digging, as machines for the Chinese rental market, and we held a delivery ceremony at our factory in China.

We will take the opportunity provided by this order to expand and strengthen the value chain for the Chinese market.

《Topic》 Strengthen Our Solution Offerings Via Joint Investment in a Training Center

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4 QUALITY EDUCATION

Develop and Provide Training Which Covers All Stages of ICT Construction

Joint investment in the Hitachi Construction Machinery Operators Training Center together with OUTSOURCING and their subsidiary PEO, Ltd. We will develop and provide training which covers all stages of ICT construction including surveying, design and planning, construction, inspection, and data delivery in addition to the training previously provided by the Training Center to customers engaged in ICT construction.

Joint Investment

Out-Sourcing! Group	×	Hitachi Construction Machinery Co., Ltd.
Provider of HR Outsourcing Services [Education/Development]		Provider of Solutions for ICT Construction

We recently established the Joint investment company in the Hitachi Construction Machinery Operators Training Center together with OUTSOURCING Group. Although we previously operated the Training Center independently, this new collaboration allows us to combine the human resource operations expertise that is the strength of OUTSOURCING Group, with the ICT construction solutions that we provide. As a result, we will be able to develop and provide training which covers all stages of ICT construction including surveying, design and planning, construction, inspection, and data delivery in addition to the training previously provided by the Training Center to customers engaged in ICT construction.

As a result, we can support the productivity improvement efforts of customers who are engaged in ICT construction operations.

《Supplementary Information》

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We have chosen to align our activities with 10 of the 17 SDG's.

Topics in this explanatory material are shown together with their corresponding SDG icon.

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2. Business Results for the First Quarter ended June 30, 2019

(April 1-June 30,2019)

Tetsuo Katsurayama

Senior Vice President, Executive Officer, CFO

Summary of consolidated results

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■Revenue decreased by 2% and adjusted operating income decreased by 17% compared to the previous year due to the negative exchange impact of appreciation of the Japanese yen.

(billions of yen)

		FY2019 1Q		FY2018 1Q		change
Revenue			234.7		240.2	-2%
Adjusted operating income *1		9.8%	22.9	11.5%	27.6	-17%
Operating income		10.1%	23.7	10.7%	25.7	-8%
Income before income taxes		9.2%	21.6	10.4%	25.0	-14%
Net income attributable to owners of the parent		5.8%	13.6	6.5%	15.7	-13%
EBIT *2		9.7%	22.8	10.7%	25.6	-11%
FX rate	Rate (YEN/US$)		109.9		109.1	0.8
	Rate (YEN/EURO)		123.5		130.1	-6.6
	Rate (YEN/RMB)		16.1		17.1	-1.1
	Rate (YEN/AU$)		76.9		82.6	-5.7

*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"

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For the first quarter of FY2019, we recorded ¥234.7 billion (2% year-on-year decrease) in terms of sales revenue, and ¥22.9 billion (17% year-on-year decrease) in adjusted operating income, with a margin of 9.8%. Operating income was ¥23.7 billion with a margin of 10.1%.

The net income attributable to owners of the parent was ¥13.6 billion, a 13% year-on-year decrease.

In comparison to the same quarter of the previous year, the currency exchange rates in the first quarter changed as follows: 0.8 yen lower against the U.S. dollar, 6.6 yen higher against the Euro, 1.1 yen higher against the Yuan, and 5.7 yen higher against the Australian dollar.

Revenue by geographic region (consolidated)

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■Although revenue increased in N.America, Russia-CIS, and Japan compared to the previous year, revenue in other regions decreased.

(billions of yen)

	FY2019 1Q		FY2018 1Q		change amount	change %
Japan	40.9	17%	39.5	16%	1.4	4%
Asia	16.7	7%	18.2	8%	-1.5	-8%
India	13.4	6%	16.6	7%	-3.2	-19%
Oceania	38.0	16%	42.0	17%	-4.0	-10%
Europe	28.2	12%	28.6	12%	-0.4	-1%
N.America	47.1	20%	38.3	16%	8.8	23%
L.America	3.8	2%	4.8	2%	-1.0	-21%
Russia-CIS	10.1	4%	6.2	3%	3.9	62%
M.East	1.7	1%	4.4	2%	-2.7	-61%
Africa	8.3	4%	9.4	4%	-1.1	-12%
China	26.5	11%	32.2	13%	-5.7	-18%
Total	234.7	100%	240.2	100%	-5.5	-2%
Overseas ratio	83%		84%			

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North America recorded a sales revenue of ¥47.1 billion, which is an increase of ¥8.8 billion (23% year-on-year increase). Russia-CIS recorded an increase of ¥3.9 billion (62% year-on-year increase), and Japan recorded an increase of ¥1.4 billion (4% year-on-year increase). The other countries and regions experienced a year-on-year decrease in revenue.

As a result, the percentage of overseas sales revenue saw a year-on-year decrease of 1 point, to 83%.

Furthermore, the total sales revenue was ¥234.7 billion, which is a ¥5.5 billion decrease compared to the same quarter of FY2018. However, if the ¥7.5 billion decrease in revenue due to the stronger yen in the currency exchange rates is excluded, there was actually an increase of ¥2 billion in sales volume.

Mining revenue

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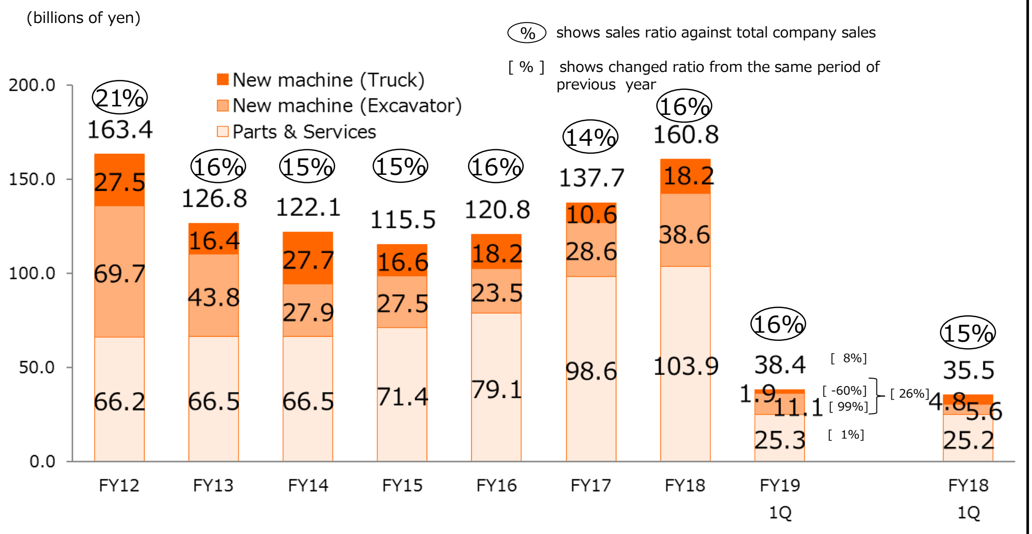
■Revenue of mining in FY2019 1Q increased by 8% to 38.4billion yen year on year.
■In particular, revenue of new mining machinery increased by 26% year on year.

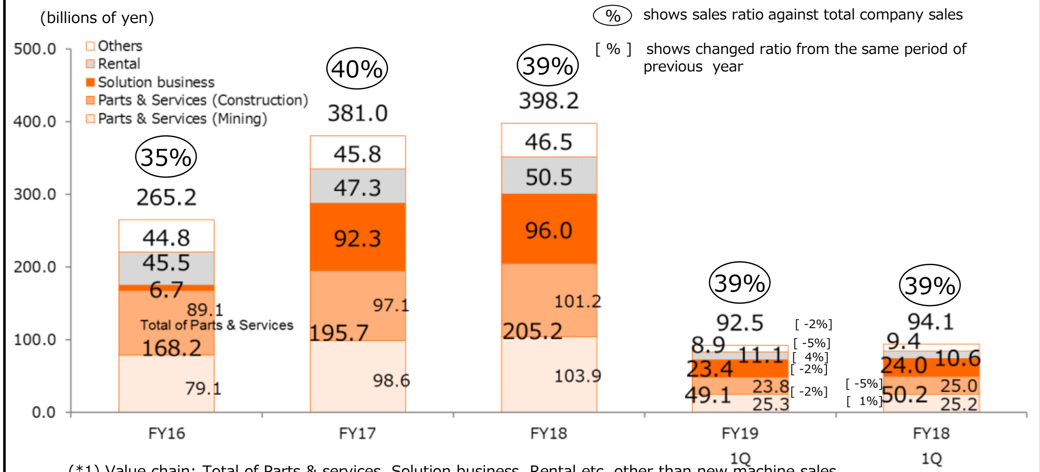


The mining-related sales revenue for the first quarter of FY2019 was ¥38.4 billion, which is an 8% year-on-year increase.

In particular, new machine sales increased by 26%, with sales of excavators showing a dramatic 99% year-on-year increase, and mining-related parts and services recording a 1% year-on-year increase, despite the effects of the stronger yen in the currency exchange rates.

Value chain revenue (*1)

■ Revenue of the value chain business in FY2019 1Q decreased by 1.6 billion yen year on year due to the impact of the strong exchange rate of the yen (-3.5 billion yen), while the revenue increased by 1.9 billion yen year on year excluding the impact of the strong exchange rate of the yen.



(*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.

The value chain revenue decreased by ¥1.6 billion (2% year-on-year decrease), to ¥92.5 billion. However, since this includes the revenue decrease of ¥3.5 billion (4% decrease year-on-year) due to the stronger yen in the currency exchange rates, there was an actual increase of ¥1.9 billion (2% year-on-year increase) if the influence of the stronger yen is excluded.

Comparison of consolidated profit & loss

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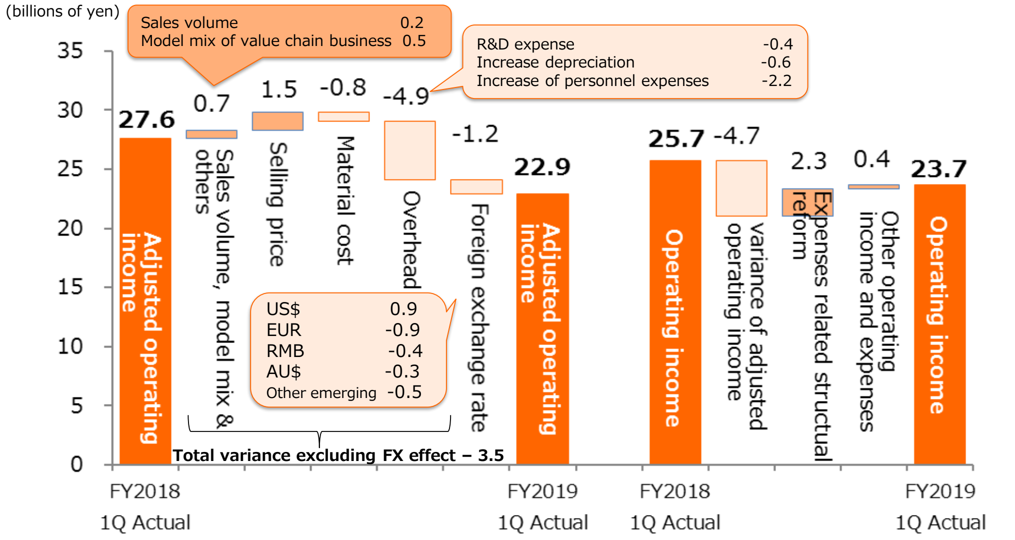
■ Adjusted operating income decreased by 4.7 billion yen year on year mainly due to the impact of the strong exchange rate of the yen and increased overheads despite the improved sales volume, model mix, and selling price.



The adjusted operating income of the first quarter of FY2019 was ¥22.9 billion, which is a year-on-year decrease of ¥4.7 billion. This is due to increased overhead expenditures such as personnel expenses, as well as the effects of the stronger yen in the currency exchange rates, which were partially offset by the increase in sales volume, model mix of value chain business, and improved selling prices in areas such as Europe and India.

As for other operating incomes and expenses, there were some reductions and improvements in the structural reform-related expenses, but the operating income decreased by ¥2 billion, to ¥23.7 billion.

Consolidated statement of income

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■Operating income decreased by 8% or 2.0 billion yen to 23.7 billion yen year on year.
■Net income attributable to owners of the parent decreased by 13% or 2.1 billion yen to 13.6 billion yen year on year.

(billions of yen)

	FY2019 1Q		FY2018 1Q		change amount	change %
Revenue		234.7		240.2	-5.5	-2%
Cost of Sales	(71.5%)	167.8	(70.8%)	170.0	-2.2	-1%
SGA expenses	(18.8%)	44.0	(17.7%)	42.6	1.4	3%
Adjusted operating income *1	(9.8%)	22.9	(11.5%)	27.6	-4.7	-17%
Other Income/expenses		0.8		-1.9	2.6	-
Operating income	(10.1%)	23.7	(10.7%)	25.7	-2.0	-8%
Financial income/expenses		-2.8		-1.0	-1.7	165%
Share of profits of investments accounted for using the equity method		0.7		0.4	0.4	104%
Income before income taxes	(9.2%)	21.6	(10.4%)	25.0	-3.4	-14%
Income taxes		6.1		6.7	-0.6	-10%
Net income	(6.6%)	15.5	(7.6%)	18.3	-2.8	-15%
Net income attributable to owners of the parent	(5.8%)	13.6	(6.5%)	15.7	-2.1	-13%
Comprehensive income		3.7		14.4	-10.8	-74%

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

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In the first quarter of FY2019, the financial income and expenses decreased to negative ¥2.8 billion, which is a ¥1.7 billion decrease compared to the same period of FY2018. This is mainly due to currency exchange losses due to the stronger yen, and a rise in interest costs due to the increase in interest-bearing debt.

However, the net income attributable to the owners of the parent decreased to ¥13.6 billion, which is a ¥2.1 billion decrease compared to the same period in FY2018, due to factors such as the increase in share of profits of investments accounted for using equity method and the decrease in income taxes.

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

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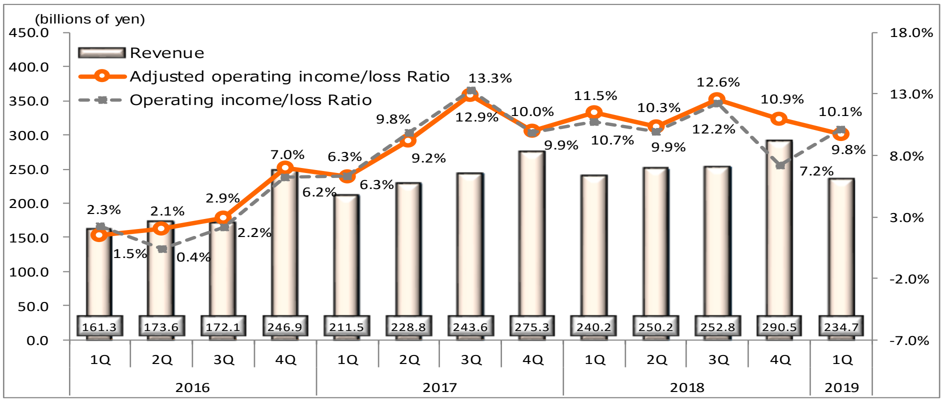
(billions of yen)

	2016				2017				2018				2019
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Revenue	161.3	173.6	172.1	246.9	211.5	228.8	243.6	275.3	240.2	250.2	252.8	290.5	234.7
Adjusted operating income/loss	2.4	3.6	5.0	17.3	13.2	21.0	31.5	27.5	27.6	25.8	31.8	31.7	22.9
Operating income/loss	3.7	0.7	3.8	15.5	13.4	22.5	32.4	27.1	25.7	24.8	30.8	21.0	23.7



FX rate	2016				2017				2018				2019
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Rate (YEN/US$)	108.1	102.4	109.3	113.6	111.1	111.0	113.0	108.3	109.1	111.5	112.9	110.2	109.9
Rate (YEN/EURO)	122.0	114.3	117.8	121.1	122.2	130.4	133.0	133.2	130.1	129.6	128.8	125.2	123.5
Rate (YEN/RMB)	16.5	15.4	16.0	16.6	16.2	16.6	17.1	17.1	17.1	16.4	16.3	16.3	16.1
Rate (YEN/AU$)	80.6	77.6	81.9	86.2	83.4	87.6	86.8	85.3	82.6	81.5	81.1	78.5	76.9

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The adjusted operating income ratio is 9.8%, and the operating income ratio is 10.1%.

As for the currency exchange rates, the trend is toward a stronger yen.

Consolidated statement of financial position

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■Although lease assets increased by 40.0 billion yen from the previous year end due to the impact of adoption IFRS 16, total assets increased by 23.9 billion yen year on year by decreasing cash and accounts receivable.

(billions of yen)

	(A) FY19-1Q	(B) Mar '2019	(C) FY18-1Q	(A)-(B) change
Cash and cash equivalents	56.5	67.3	81.1	-10.9
Trade receivables	221.6	238.2	204.8	-16.6
Inventories	337.5	324.8	281.9	12.7
Total current assets	661.4	673.9	616.0	-12.5
Total non-current assets	547.8	511.4	486.4	36.4
Total assets	1,209.2	1,185.3	1,102.4	23.9
Trade receivables incl. non-current	266.8	282.6	246.0	-15.8
Inventories by products				
Unit	95.8	89.3	67.2	6.4
Parts	104.5	102.2	96.4	2.3
Other	137.3	133.3	118.4	4.0
Total inventories	337.5	324.8	281.9	12.7
On hand days(divided by revenue)				(Days)
Trade receivables	95	100	91	-5
Inventories	120	115	104	5
Trade payables	52	57	62	-5
Net working capital	160	155	130	5

	(D) FY19-1Q	(E) Mar '2019	(F) FY18-1Q	(D)-(E) change
Trade and other payables	224.5	275.8	263.1	-51.3
Bonds and borrowings	333.3	304.8	274.4	28.5
Total liabilities	678.1	642.6	593.4	35.5
(Equity attributable to owners of the parent ratio)	(39.3%)	(41.0%)	(40.9%)	(-1.7%)
Total equity	531.1	542.7	509.0	-11.5
Total liabilities and equity	1,209.2	1,185.3	1,102.4	23.9
	(27.6%)	(25.7%)	(24.9%)	(1.8%)
Interest-bearing debt	333.3	304.8	274.4	28.5
Cash and Cash equivalents	56.5	67.3	81.1	-10.9
	(22.9%)	(20.0%)	(17.5%)	(2.9%)
Net interest-bearing debt	276.8	237.5	193.3	39.4
Net D/E Ratio	0.58	0.49	0.43	0.09

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Due to the application of International Financial Reporting Standard (IFRS) No. 16 at the end of June 2019, we recorded an increase of approximately ¥40 billion in lease assets compared to the end of FY2018, and the total assets increased to ¥1,209.2 billion, which is ¥23.9 billion higher than at the end of FY2018.

That is, we improved the efficiency of the cash and cash equivalents, which decreased by ¥10.9 billion. In addition, the total trade receivables including non-current are ¥266.8 billion, which is a ¥15.8 billion decrease compared to the end of FY2018.

Our inventories increased by ¥12.7 billion, to ¥337.5 billion.

The number of days of trade receivables on hand decreased by 5 days compared to the end of FY2018, but the number of days of inventories on hand was extended by 5 days, to 120 days. As a result, the number of days of net working capital on hand was extended to 160 days, which is an increase of 5 days compared to the end of FY2018.

For these reasons, the interest-bearing debt increased by ¥28.5 billion compared to that of the end of FY2018, and the total equity also marked a decrease of ¥11.5 billion, mainly as a result of the negative effects of the exchange rate changes on foreign operations, due to the stronger yen in the currency exchange rates.

As a result, the ratio of equity attributable to the owners of the parent was 39.3%, and we recorded a net D/E ratio of 0.58.

Consolidated cash flow

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■Net cash provided by (used in) operating activities improved by 10.5 billion yen to compared to the previous year despite a negative 16.3 billion yen.

(billions of yen)

	FY2019 1Q		FY2018 1Q		change	
Net income		15.5		18.3		-2.8
Depreciation and amortization	26.2	10.7	27.2	8.9	-1.0	1.8
(Increase)decrease in trade/lease receivables		6.4		12.7		-6.3
(Increase)decrease in inventories		-20.9		-28.0		7.1
Increase(decrease) in trade payables	-22.7	-8.3	-30.2	-15.0	7.5	6.7
Others, net		-19.9		-23.8		3.9
Net cash provided by (used in) operating activities		-16.3		-26.8		10.5
Cash flow margin for operating activities		-7.0%		-11.2%		4.2%
Net cash provided by (used in) investing activities		-11.0		-4.8		-6.2
Free cash flows		-27.3		-31.6		4.3
Net cash provided by (used in) financing activities		18.0		31.7		-13.7

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An over-expenditure of ¥16.3 billion was recorded for the operating cash flow, which is an improvement of ¥10.5 billion compared to the same quarter of FY2018.

Furthermore, the investment cash flow expenditure increased, and an over-expenditure of ¥27.3 billion was recorded for the free cash flow.

Summary of consolidated earnings forecast

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■ The FY2019 consolidated earnings forecast remain unchanged from the previous forecast, considering the uncertain prospects of the economic conditions and foreign exchanges.

(billions of yen)

	FY2019 Forecast	FY2018 Actual	change amount	change %
Revenue	950.0	1,033.7	-83.7	-8%
Adjusted operating income	(9.1%) 86.0	(11.3%) 116.8	(-2.3%) -30.8	-26%
Operating income	(8.6%) 82.0	(9.9%) 102.3	(-1.3%) -20.3	-20%
Income before income taxes	(8.4%) 80.0	(9.9%) 102.7	(-1.5%) -22.7	-22%
Net income attributable to owners of the parent	(5.1%) 48.0	(6.6%) 68.5	(-1.6%) -20.5	-30%
EBIT	83.5	105.6	-22.1	

Currency	1Q Actual	2Q-4Q Foreast	Total Foreast	FY2018 Actual	change
Rate (YEN/US$)	109.9	100.0	102.2	111.0	-8.8
Rate (YEN/EURO)	123.5	110.0	113.3	127.9	-14.6
Rate (YEN/RMB)	16.1	15.0	15.3	16.6	-1.3
Rate (YEN/AU$)	76.9	77.0	77.0	80.9	-4.0
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.

Considering the FY2019 demand for hydraulic excavators, along with the global economic conditions and currency exchange trends, our current forecast for FY2019 business performance is the same as that we announced in April 2019. We expect the sales revenue of ¥950 billion, adjusted operating income of ¥86 billion, and income attributable to the owners of the parent of ¥48 billion.

Furthermore, the currency exchange rate forecast for the second quarter and beyond has been set the same as in April 2019, and the sensitivity of each currency, in terms of its effect on the revenue and adjusted operating income, is also listed for your reference in Appendix 1.

Consolidated for revenue forecast by geographic region

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■ HCM forecasts a decrease in FY2019 total revenue by 83.7 billion yen compared to the previous year due to the 67.3 billion yen of the negative impact of foreign exchange.

(billions of yen)

	FY2019 Forecast		FY2018 Actual		change	
					amount	%
Japan	206.6	22%	206.1	20%	0.5	0%
Asia	87.8	9%	88.5	9%	-0.7	-1%
India	65.6	7%	67.9	7%	-2.3	-3%
Oceania	148.3	16%	163.9	16%	-15.6	-10%
Europe	89.8	9%	111.6	11%	-21.8	-20%
N.America	165.0	17%	168.7	16%	-3.6	-2%
L.America	14.1	1%	17.1	2%	-3.0	-18%
Russia-CIS	34.7	4%	34.4	3%	0.3	1%
M.East	12.5	1%	11.8	1%	0.7	6%
Africa	31.4	3%	43.8	4%	-12.4	-28%
China	94.2	10%	119.9	12%	-25.7	-21%
Total	950.0	100%	1,033.7	100%	-83.7	-8%
Overseas ratio	78%		80%			

The FY2019 revenue is expected to decrease by ¥83.7 billion year-on-year, of which ¥67.3 billion is due to the effect of the stronger yen in the currency exchange rates. The total revenue forecast is for ¥950 billion, which is an 8% year-on-year decrease.

In Europe, Africa, and China, we are forecasting a revenue decrease of at least 20%, which includes the effect of the stronger yen in the currency exchange rates.

Mining revenue forecast

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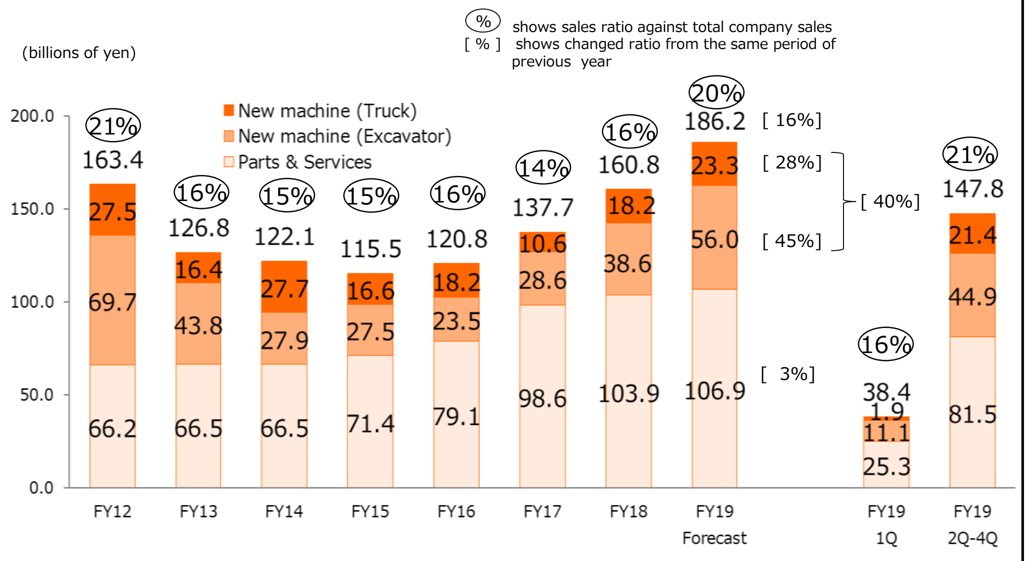
■ HCM forecasts an increase in FY2019 mining revenue by 16% to 186.2 billion yen year on year despite the expected strong appreciation of the yen.



The mining-related sales revenue for FY2019 is expected to be ¥186.2 billion, a 16% year-on-year increase, even when factoring in the expected 10% decrease in revenue due to the stronger yen in the currency exchange rates.

Steady growth is expected in the sales of mining machinery, with a forecast for a 40% year-on-year increase in the total sales of trucks and excavators, even with the expected 11% decrease due to the stronger yen in the currency exchange rates. We are also expecting a 3% year-on-year increase in parts and service for mining, even with the expected 9% decrease due to the stronger yen in the currency exchange rates.

The breakdown of the mining-related sales revenue by region is provided in Appendix 2 for your reference.

Value chain revenue forecast

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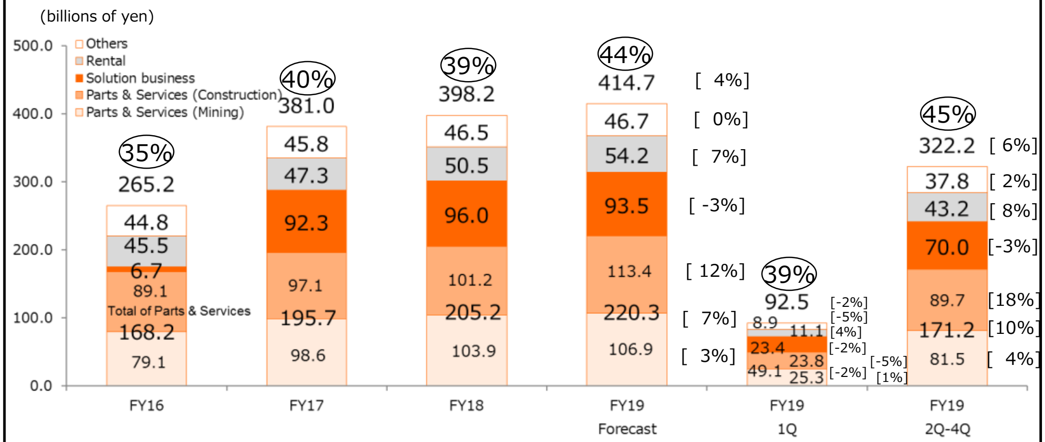
■HCM forecasts an increase in FY2019 sales of the value chain business by 4% compared to the previous year mainly due to the increase in the revenue of parts & services and rental business despite the expected strong appreciation of the yen.



(*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.

The FY2019 value chain sales revenue is expected to be ¥414.7 billion, which is a 4% year-on-year increase, even when factoring in the expected 6% decrease in revenue due to the stronger yen in the currency exchange rates.

In the parts and service business, the forecast is for ¥220.3 billion, which is a 7% increase even when factoring in the expected 8% decrease in revenue due to the stronger yen in the currency exchange rates. In the solution business, the forecast is for a 3% decrease to ¥93.5 billion, which can actually be considered an increase in light of the expected 6% decrease in revenue due to the stronger yen in the currency exchange rates. In the rental business, the forecast is for ¥54.2 billion, which is a 7% increase.

In terms of the sales ratio, we are expecting a 5 point year-on-year increase, to 44%.

Comparison of consolidated profit & loss forecast

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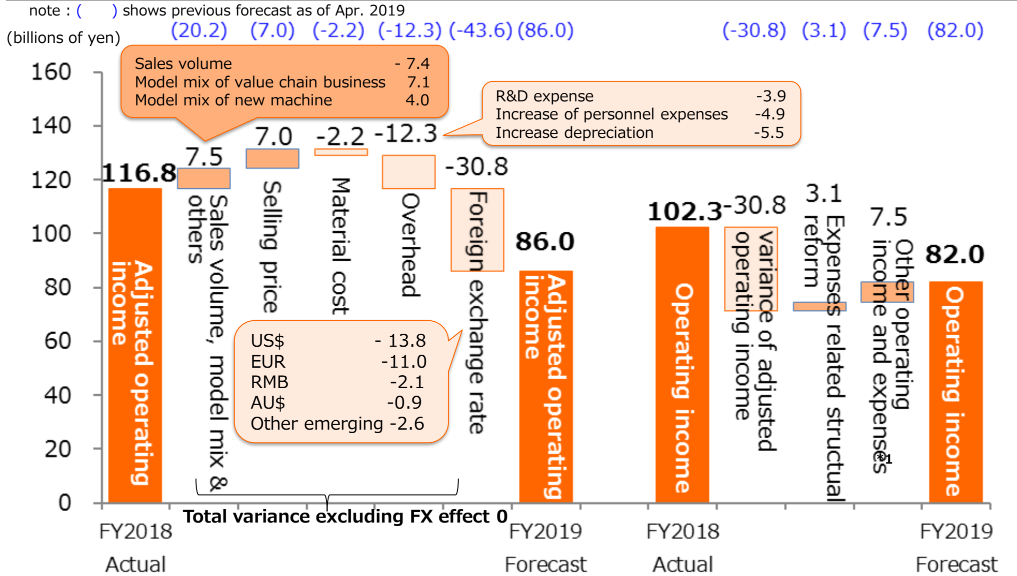
■ HCM forecasts that FY2019 adjusted operating income will remain mostly unchanged excluding the impact of the expected strong exchange rate of the yen (-30.8 billion yen).

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



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

We are expecting the FY2019 adjusted operating income to decrease by ¥30.8 billion, to ¥86 billion. The reasons are that model mix of value chain business and others, along with the improved selling prices, are able to offset the decreased sales volume, increased material costs, and increased overhead expenditures, but not the amount of reduction due to the expected appreciation of the yen.

The operating income is expected to be ¥82 billion, which is a decrease of ¥20.3 billion, due to improvements in other operating incomes and expenses, including the structural reform-related expenses.

<Appendix1> 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 (2Q-4Q)		
	FY19			FY18 Actual	Condition	Revenue	Adjusted operating income
	1Q Actual	2Q-4Q Forecast	Total Forecast				
US$	109.9	100.0	102.2	111.0	Impact by 1 yen depreciation	1.8	1.3
EURO	123.5	110.0	113.3	127.9	Impact by 1 yen depreciation	0.5	0.6
RMB	16.1	15.0	15.3	16.6	Impact by 0.1 yen depreciation	0.4	0.1
AU$	76.9	77.0	77.0	80.9	Impact by 1 yen depreciation	1.6	0.2

<Appendix2> Detail of mining revenue

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(billions of yen)

		FY18 Actual			FY19 Forecast			Change		
		1Q	2-4Q	Year	1Q	2-4Q	Year	1Q	2-4Q	Year
America	Excavator	2.7	11.9	14.6	3.4	13.0	16.4	0.8	1.1	1.9
	Dump Truck	1.7	5.3	7.0	1.3	4.4	5.7	-0.4	-0.9	-1.3
	Total	4.4	17.2	21.6	4.7	17.4	22.1	0.4	0.2	0.5
Europe, Africa and Middle East	Excavator	6.6	18.1	24.8	5.8	22.4	28.2	-0.8	4.3	3.5
	Dump Truck	2.9	14.1	17.0	3.0	15.5	18.6	0.1	1.4	1.5
	Total	9.5	32.2	41.8	8.8	38.0	46.8	-0.7	5.7	5.0
Asia & Oceania	Excavator	11.8	52.0	63.8	18.0	64.7	82.7	6.2	12.7	18.9
	Dump Truck	9.6	21.9	31.5	6.0	26.5	32.5	-3.6	4.6	1.0
	Total	21.4	73.9	95.3	24.0	91.2	115.2	2.6	17.3	19.9
China	Excavator	0.1	0.8	1.0	0.2	0.8	1.0	0.1	-0.0	0.1
	Dump Truck	0.0	0.1	0.1	0.0	0.1	0.1	0.0	-0.0	-0.0
	Total	0.2	0.9	1.1	0.2	0.9	1.1	0.1	-0.0	0.0
Japan	Excavator	0.1	0.9	1.0	0.6	0.3	0.9	0.5	-0.6	-0.1
	Dump Truck	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	-0.0	-0.0
	Total	0.1	0.9	1.0	0.6	0.3	0.9	0.5	-0.6	-0.1
Total	Excavator	21.3	83.7	105.1	28.0	101.2	129.3	6.7	17.5	24.2
	Dump Truck	14.2	41.5	55.7	10.3	46.6	56.9	-3.8	5.1	1.2
	Total	35.5	125.2	160.8	38.4	147.8	186.2	2.8	22.6	25.4

<Appendix 3> Segment information

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■The amortizations of PPA are included in the adjusted operating income of the solution business. The amounts of 0.3 billion yen are included in the first quarter of 2019, and in the 1.4-billion-yen forecast for FY2019.

(billions of yen)

<Actual> FY2019 1Q	Reportable segment				Adjustments *1	Total	
	Construction Machinery Business		Solution Business				
Revenue		211.3		24.0	-0.6		234.7
Adjusted operating income	9.8%	20.7	9.0%	2.2	-	9.8%	22.9

(billions of yen)

<Forecast> FY2019	Reportable segment				Adjustments *1	Total	
	Construction Machinery Business		Solution Business				
Revenue		856.5		93.5	0.0		950.0
Adjusted operating income	9.0%	76.8	9.9%	9.2	-	9.1%	86.0

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

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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

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