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Explanatory Meeting for Business Results for the Second Quarter ended September 30, 2019

1. Regional Market Environments and Projections
2. Business Results Outline
3. Q&A

Kotaro Hirano
Representative Executive Officer
Executive Officer, President & CEO
Tetsuo Katsurayama
Senior Vice President, Executive Officer, CFO
Masafumi Senzaki
Executive Officer President, Marketing Div.

October 28, 2019

Hitachi Construction Machinery Co., Ltd.

We hereby extend our sincere condolences to the people affected by extensive wind and flood damage especially in eastern Japan due to typhoon Hagibis in Japan.

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Due to the recent Typhoon No. 19 (Hagibis), flooding damage occurred across a wide region of eastern Japan.

I would like to express my sincere condolences to all of those who have suffered significant damage.

Regarding the effect of the typhoon on the company, there was flooding damage at some business offices of Hitachi Construction Machinery Japan subsidiaries in Nagano and Fukushima Prefectures. However, there were no casualties, and we are working to get the business offices up and running again. Five production plants in Ibaraki Prefecture suffered slight damage with no impact on their operation.

However, because the supply of parts from partners affected by the disaster has been disrupted, production has been suspended on some lines since October 23, and we are currently making adjustments regarding the timing of the full-scale resumption of production.

In addition to addressing the full-scale resumption of production as soon as possible, the entire Group is united as one in expending every possible effort to avoid inconveniencing our customers and society.

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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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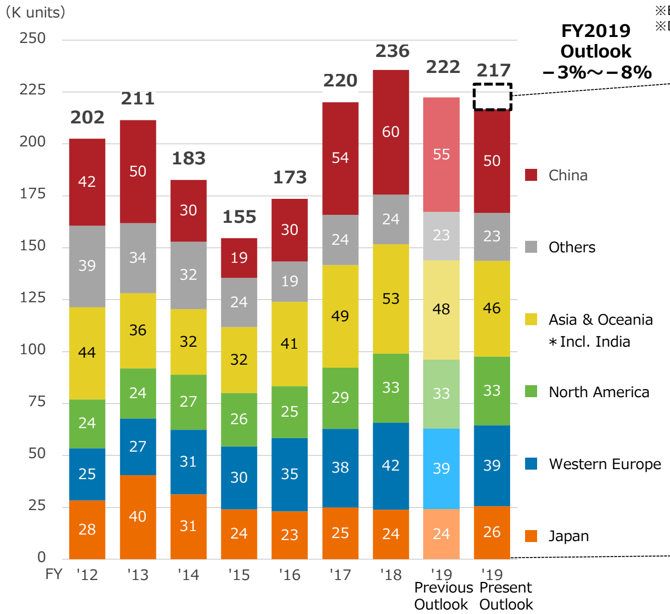

Year-on-Year Change

	'18	'19
Total	+7%	-8%
China	+11%	-17%
Russia,CIS, E Europe	+31%	-13%
Africa	-4%	+0%
Middle East	-45%	-2%
Latin	+5%	-5%
Others	-1%	-6%
India	+14%	-11%
Indonesia	+13%	-18%
Others	-3%	-9%
Asia & Oceania	+6%	-12%
N America	+13%	-0%
W Europe	+11%	-7%
Japan	-5%	+7%

■ **Emerging Countries ratio FY2019 : 55% (Y-o-Y Change:-3%)**

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

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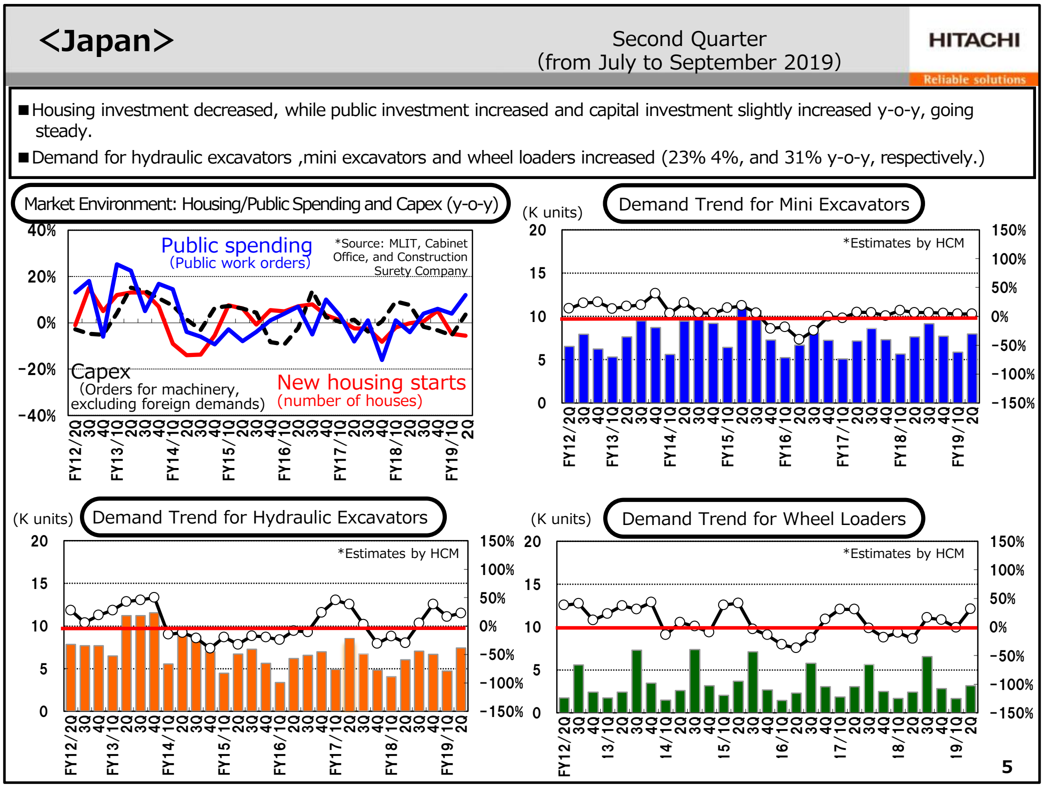
The global demand for hydraulic excavators in FY2019 has been revised downward from the previous forecast of 222,000 units by 5,000 units to 217,000 units for a year on year decrease of 8%.

- In China, we see no significant changes in the expansion of infrastructure investment initiated by the Chinese government, but based on the current decrease in demand and the risks due to trade frictions between the US and China, the previous forecast has being lowered by 5,000 units to 50,000 units for a year on year decrease of 17%.
- In Asia and Oceania, due to the delay in demand recovery in India, the previous forecast has been lowered by 2,000 units to 46,000 units for a year on year decrease of 12%.
- The previous forecast for Japan has increased by 2,000 units to 26,000 units for a year on year increase of 7%.
- North America remains unchanged from the previous fiscal year at 33,000 units.
- Western Europe decreased by 7% to 39,000 units.

While there are supply chain issues due to the typhoon, we will deploy various measures in view of the possibility of better than expected demand in Japan and North America, etc.

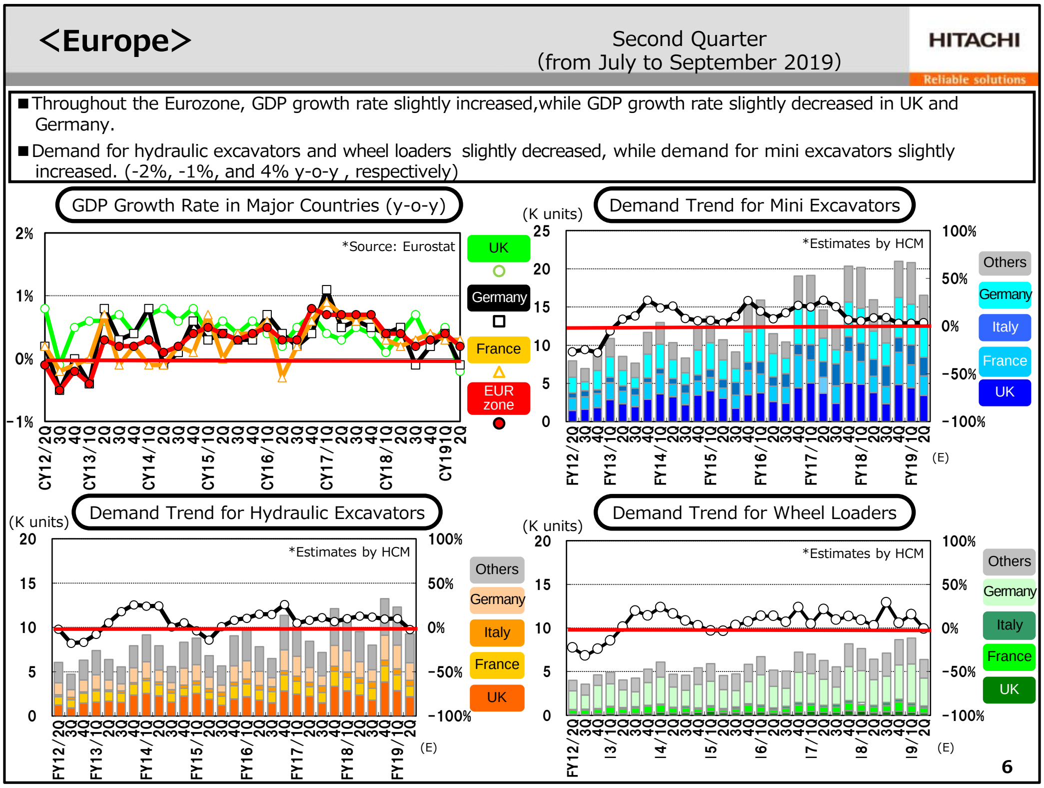


Housing investment in the second quarter decreased year on year, but public investment increased due to continued disaster recovery construction while capital investment increased slightly to post stable growth overall.

Hydraulic excavators increased by 23% year on year due to the continued disaster recovery construction and rental demand.

The demand for mini excavators increased by 4%.

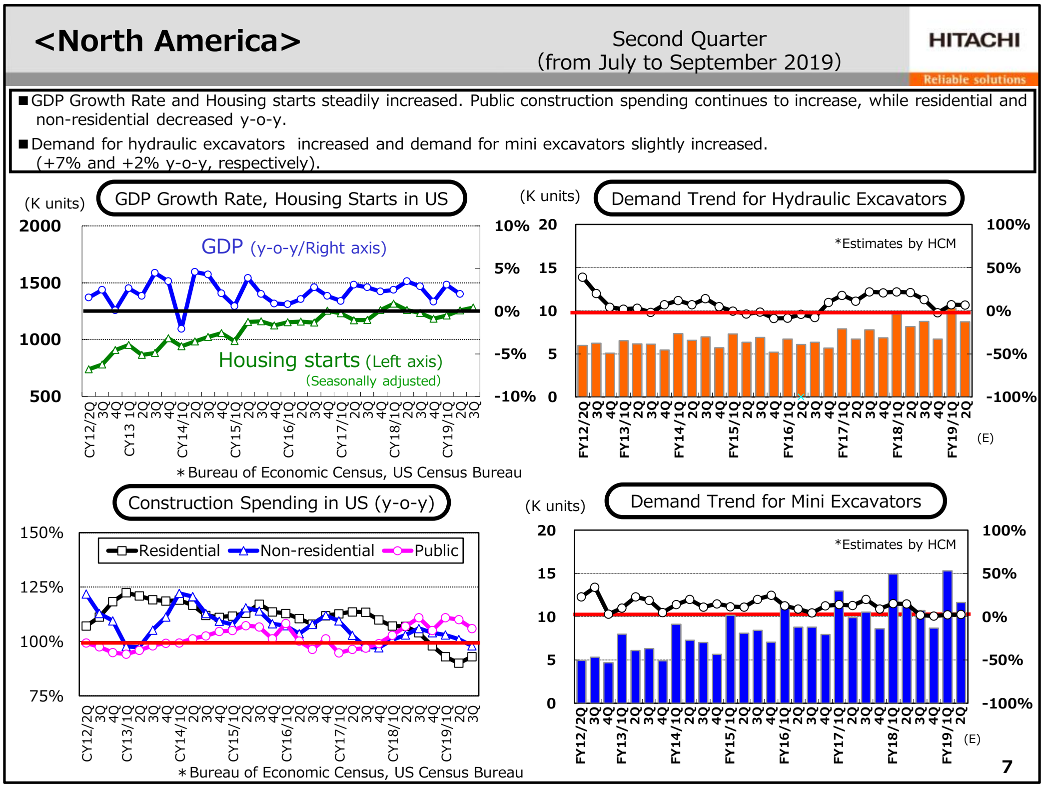
The demand for wheel loaders increased by 31% due to the introduction of new models by HCM and other companies and the front loading of snow removal demand.



The GDP for the entire Eurozone increased slightly during the second quarter of the 2019 calendar year, but the UK and Germany experienced negative growth.

The demand for hydraulic excavators reflects the uncertain prospects of the economic situation and turned negative with a 2% decrease year on year. Demand decreased particularly in the UK.

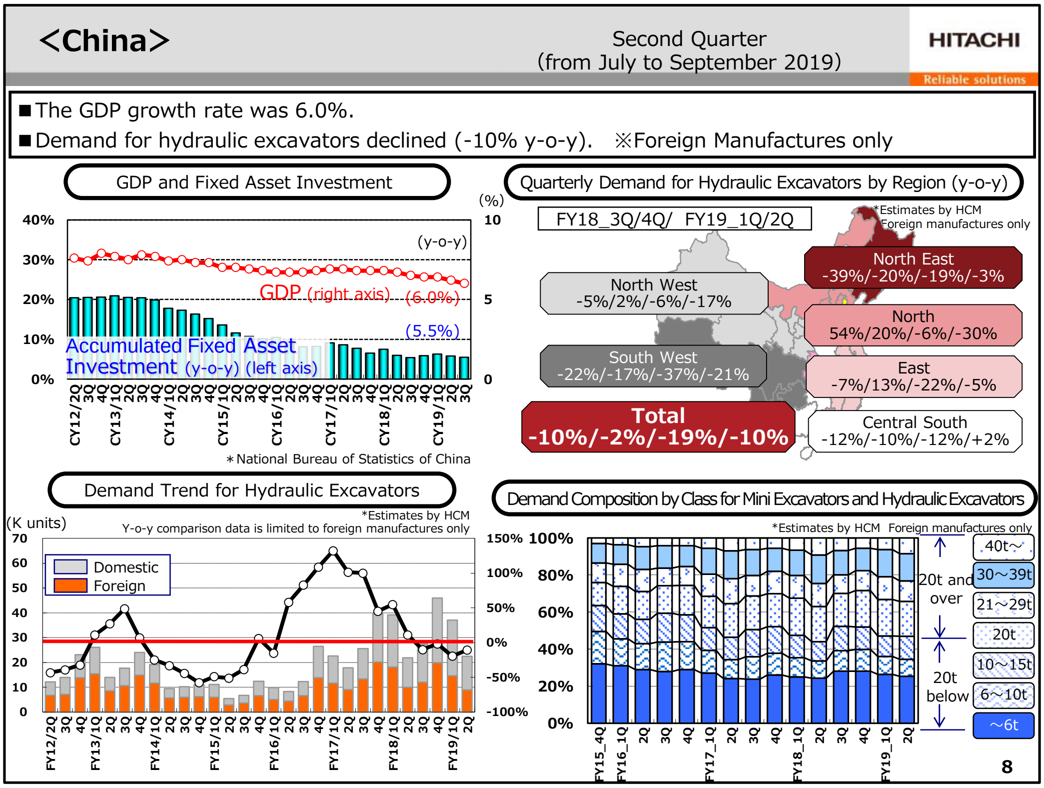
The demand for mini excavators increased by 4% and decreased by 1% for wheel loaders.



US GDP increased by 2.1% during the second quarter of the 2019 calendar year, and the number of housing starts continued to increase year on year.

While construction spending in the US continues to increase in public works, it decreased in non-residential, and the ratio of the decrease occupied by residential.

While the trade friction problems between the US and China are cause for concern, the overall market is steady. As a result of the economic situation, the high-level demand environment is continuing with the demand for hydraulic excavators increasing by 7% year on year and demand for mini excavators increasing by 2%.

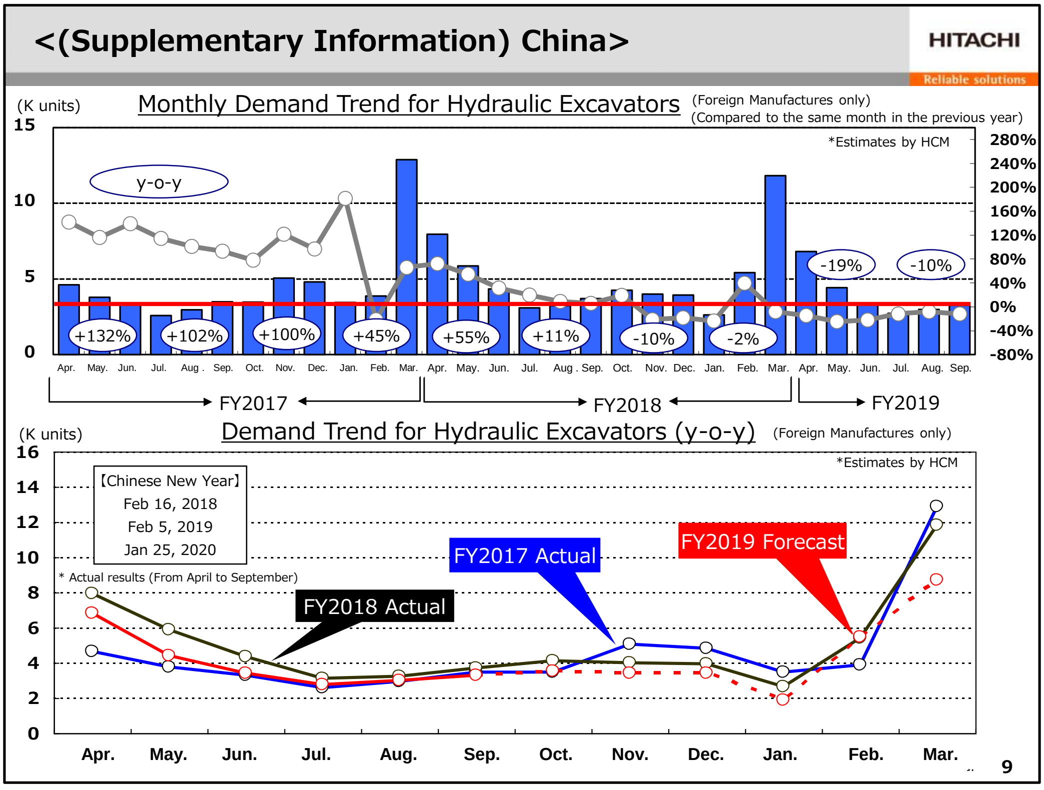


GDP growth rate in the third quarter of the 2019 calendar year increased by 6.0%, and fixed asset investment increased by 5.5% from January to September.

Regarding the demand for hydraulic excavators, the total demand including domestically produced units in the second quarter increased by 3% year on year, but demand decreased by 10% among foreign manufactures only.

Viewing the demand for hydraulic excavators by region, it decreased by 5% in eastern China, which has the highest demand composition ratio, and increased by 2% in central southern China, which has the next highest demand composition ratio. However, other regions have continued to decrease.

There are no significant changes in the demand composition ratio by class, and we continue to see a trend towards large-size machinery emphasizing productivity and safety at mining and quarry sites as seen during the previous term.



Looking at the monthly demand trends for hydraulic excavators by foreign manufactures only, the demand has continued to trend below the previous year since last November with the exception of the demand growth after the Chinese New Year in February.

When the monthly demand trend is overlaid and compared with the previous year, the demand is forecast to continue to fall below the previous year from October onwards. The previous forecast has been revised to expect a 17% decrease year on year to 50,000 units for the full year.

With China experiencing a slowdown in economic growth due to the impact of the trade friction between the US and China, the economic stimulus policies by the central government are promising. However, there is a time lag between the implementation of that investment and a positive effect on construction machinery demand, and we are watching carefully for the time when demand increases again.

<Asia, Oceania, and India>

Second Quarter
(from July to September 2019)

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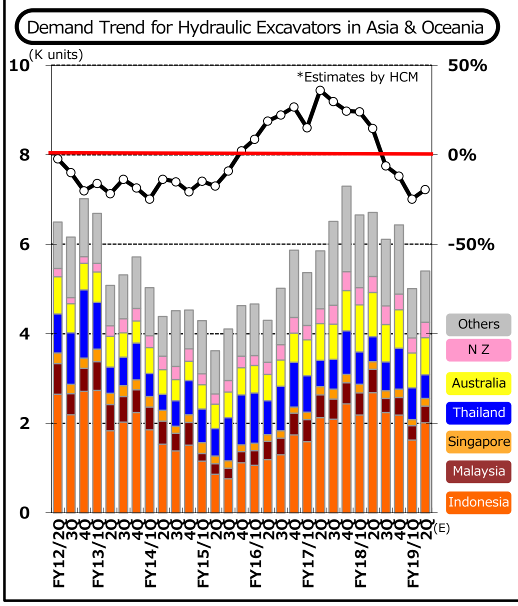
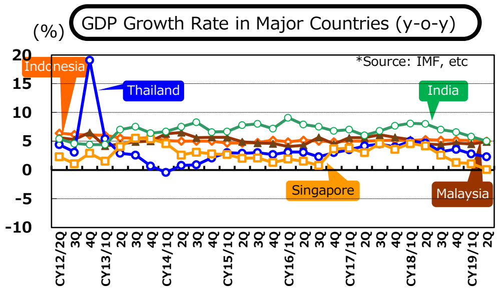
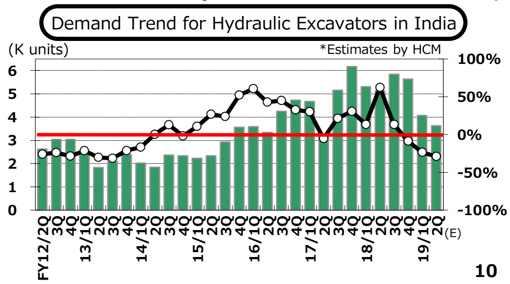
- ■ Demand for hydraulic excavators decreased overall in the Asia Pacific region (-19% y-o-y).
- ■ Demand for hydraulic excavators decreased in India (-29% y-o-y).





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



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The demand for hydraulic excavators in Asia and Oceania continues to decrease in countries such as Indonesia, Malaysia, and Australia for an overall year on year decrease of 19%.

The demand for hydraulic excavators in India has decreased year on year due to the delay in demand recovery after the election. However, we expect that the demand will recover during the second half of FY2019 with the new government budget and the economic stimulus policies announced in August.

<Russia and the Middle East>

Second Quarter
(from July to September 2019)

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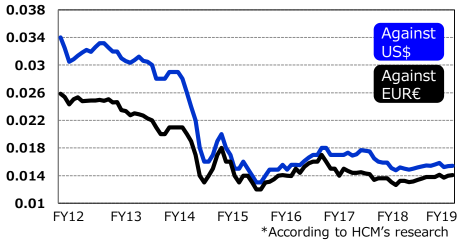
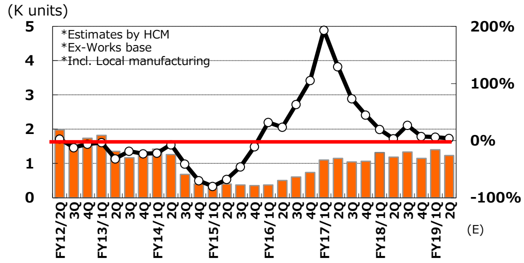
- Demand for hydraulic excavators slightly increased (4% y-o-y) in Russia.
- In the Middle East, demand for hydraulic excavators continued to decrease in Turkey, while demand for hydraulic excavators in the gulf region turned to increase.

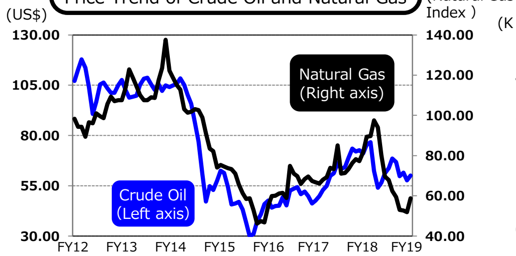
Foreign Exchange Rate of the Ruble



Demand Trend for Hydraulic Excavators in Russia

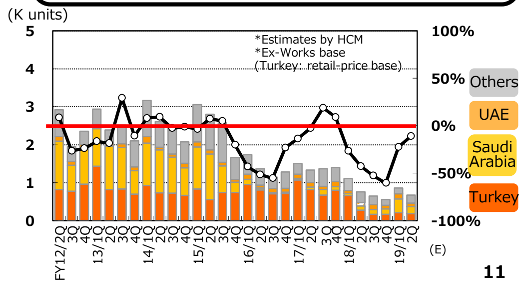


Price Trend of Crude Oil and Natural Gas



*Created by HCM, sourced from World Bank
*Natural Gas Index (2010=100)

Demand Trend for Hydraulic Excavators in the Middle East



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The demand for hydraulic excavators in Russia remains stable and has increased slightly by 4% year on year.

The demand for hydraulic excavators in the Middle East continues to stagnate due to the impact of factors such as the weakening of the Turkish lira, but it has started increasing in the Gulf region.

<Mining Machinery>

FY2019 (from April 2019 to March 2020)

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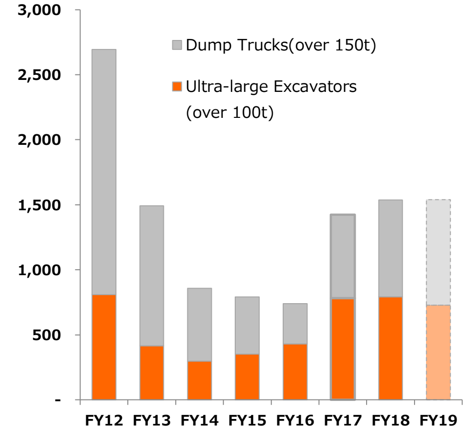
■ Demand for mining machinery in FY2019 is expected to be almost flat without significantly rising or falling.

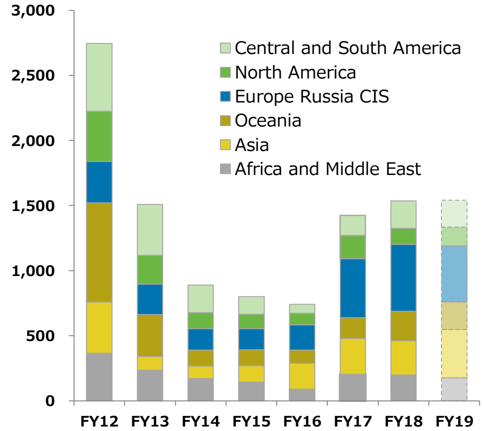
■ Demand for ultra-large hydraulic excavators (operating weight 100t-250t) for medium and small sized mining sites and contractors is expected to decrease, while the sentiment for ultra-large hydraulic excavators (over 300t) and dump trucks (payload over 150t) for major mining companies is bullish.

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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There are no significant changes in the demand forecast for FY2019 since the previous report, and the demand is almost flat with the previous fiscal year.

Viewing the demand by product, in the 100-ton to 250-ton weight classes excavators, inquiries and demand have dropped from small to medium-sized mining sites and contractors due to the impact of the price drop in low-grade coal.

In high-grade coal, iron ore, and copper, the sentiment toward increasing the number of vehicles continues to remain strong due to replacement demand and production expansion centered on major mines. We are forecasting that excavators with an operating weight of over 300 tons and dump trucks with a payload weight of over 150 tons will continue to maintain a high level of demand.

<(Supplementary Information) BB Ratio>

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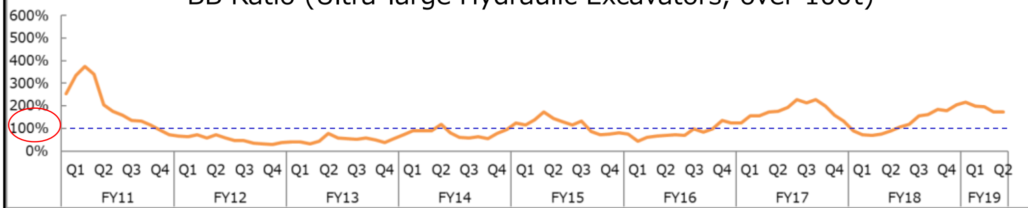
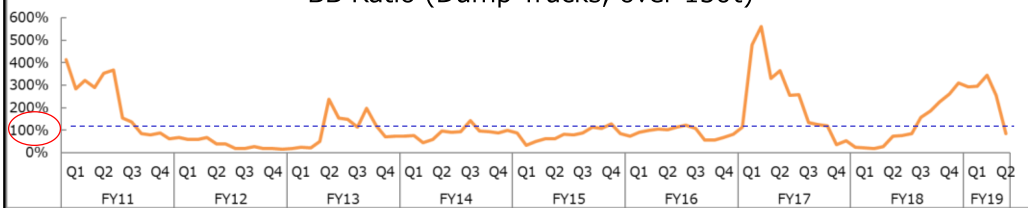
BB Ratio (Ultra-large Hydraulic Excavators, over 100t)



BB Ratio (Dump Trucks, over 150t)



⇒ BB Ratio of dump trucks declined temporarily, because an ongoing major contract didn't decide by second quarter. We expect the ratio to improve in second half of the year

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

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Regarding ultra-large hydraulic excavators, orders focusing on ultra-large models for major mines are proceeding, and we are maintaining a ratio of 100% or more.

While shipments of dump trucks are proceeding smoothly, multiple business discussions did not reach the final contract stage, and we are slightly below 100%. We expect that the BB ratio will recover with the official orders scheduled in Q3.

《Topic》 Bradken Begins Shipment of Genuine Dump Bodies for Rigid Dump Trucks of the Hitachi Construction Machinery Group

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- ■ Some deliveries started in September. Cooperation of genuine parts will expand from the second half of the year.
- ■ Increasing the load capacity of rigid dump trucks by lightweight dump bodies contributes to addressing the customer issue of "improving productivity."
- ■ The first genuine parts appeared by collaboration with Hitachi Construction Machinery's development & quality assurance know-how and Bradken's production techniques. We will strengthen consolidated business though our further cooperation.

EH5000AC-3 Rigid Dump Truck

Dump body manufactured at Bradken's Ipswich factory, in Australia.
Weight reduced by 10%.（Delivery started in September 2019.）

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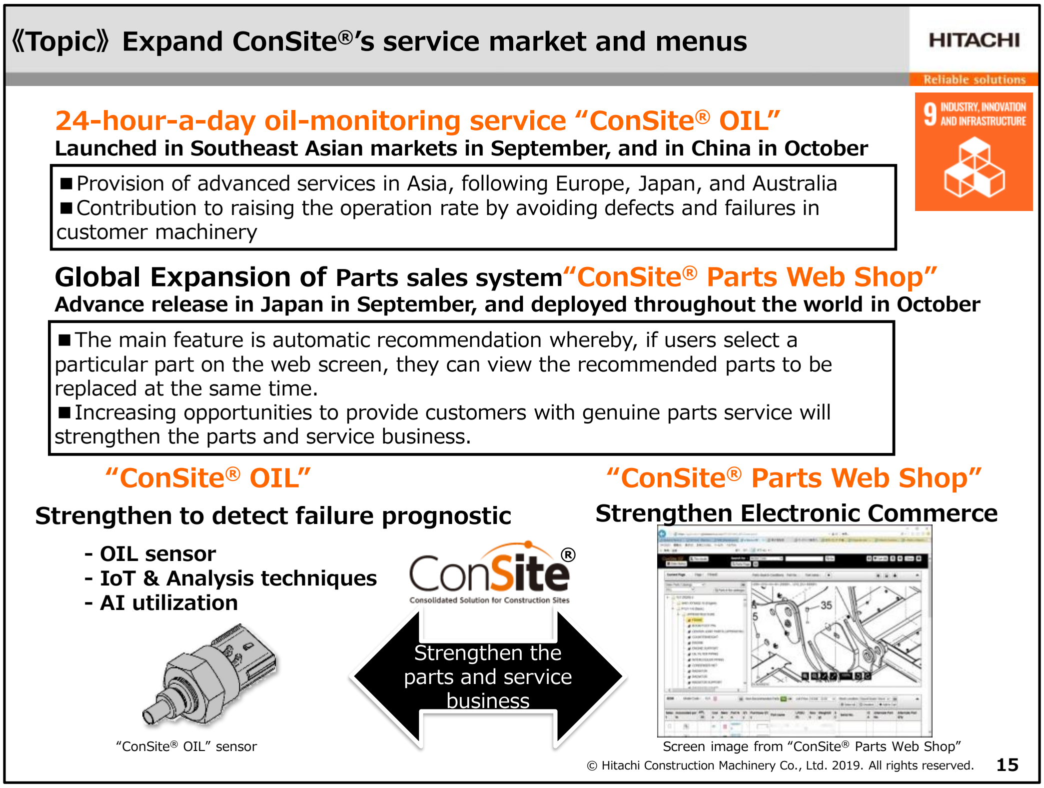
Bradken, our 100% wholly-owned subsidiary which manufactures parts for mining machinery, recently received orders for genuine dump bodies for Hitachi Construction Machinery rigid dump trucks and started manufacturing and shipping them from the company's plant in Australia.

As a result of this development, a new system was established at Bradken to manufacture dump bodies designed by Hitachi Construction Machinery. Going forward, we will continue to develop synergies with Bradken to strengthen our solution business for the mining industry.



ConSite OIL has been introduced to Europe, Japan, Oceania, etc. to prevent machine downtime by monitoring the oil 24 hours a day. The service is being sequentially deployed in Southeast Asia starting from September and in China from October.

We also started deploying the "ConSite® Parts Web Shop" system, which allows distributors to offer genuine parts from the web at any time, as part of our "measures to strengthen the parts and service business through e-commerce" by linking detected failures to repair proposals and orders. One of the system's advantages is the ability to display on a mobile device the parts which are related to the failure location and are recommended for simultaneous replacement. This makes it easy to create estimates and offer proposals on site that limit the repair costs. We started introducing the system in the Japanese market in September. It will be sequentially deployed to global markets starting in October.

《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 Second Quarter ended September 30, 2019
(April 1-September 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 16% compared to the previous year due to the negative exchange impact of appreciation of the Japanese yen.

(billions of yen)

		FY2019 1Q-2Q		FY2018 1Q-2Q		change
Revenue			480.6		490.4	-2%
Adjusted operating income *1		9.4%	45.0	10.9%	53.4	-16%
Operating income		9.0%	43.3	10.3%	50.5	-14%
Income before income taxes		8.6%	41.1	9.9%	48.7	-16%
Net income attributable to owners of the parent		5.2%	25.2	6.2%	30.2	-17%
EBIT *2		9.0%	43.4	10.2%	49.9	-13%
FX rate	Rate (YEN/US$)		108.6		110.3	-1.8
	Rate (YEN/EURO)		121.4		129.9	-8.4
	Rate (YEN/RMB)		15.8		16.8	-1.1
	Rate (YEN/AU$)		75.2		82.0	-6.8
Cash dividend per share (yen) *3			36		43	-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"
*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.

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The revenue for the second quarter of FY2019 decreased by 2% year on year to 480.6 billion yen, adjusted operating income decreased by 16% year on year to 45.0 billion yen with a profitability of 9.4%, and the operating income was 43.3 billion yen with a profitability of 9.0%.

The net income attributable to owners of the parent decreased by 17% year on year to 25.2 billion yen.

As a result, the earnings-per-share through the second quarter was 118.5 yen. Therefore, the interim dividend was set at 36 yen at the company's Board of Directors meeting today.

Furthermore, due to a significant appreciation of the Japanese yen, the exchange rates through the second quarter of FY2019 when viewed on a year on year basis then yen has strengthened by 1.8 yen against the US dollar, 8.4 yen against the euro, 1.1 yen against the yuan, and 6.8 yen against the Australian dollar.

Revenue by geographic region (consolidated)

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Revenue decreased compared to the previous year due to the negative exchange impact of appreciation of the Japanese yen despite increased revenue in Japan, Asia, Europe, Russia-CIS and N. America compared to the previous year.

(billions of yen)

	FY2019 1Q-2Q		FY2018 1Q-2Q		change amount	change %
Japan	99.9	21%	89.7	18%	10.2	11%
Asia	40.9	9%	39.6	8%	1.3	3%
India	24.6	5%	31.9	7%	-7.3	-23%
Oceania	76.3	16%	88.9	18%	-12.6	-14%
Europe	55.8	12%	53.3	11%	2.5	5%
N.America	92.1	19%	79.3	16%	12.8	16%
L.America	7.2	2%	8.3	2%	-1.1	-13%
Russia-CIS	18.0	4%	15.0	3%	3.0	20%
M.East	3.9	1%	7.9	2%	-4.1	-51%
Africa	18.8	4%	19.6	4%	-0.8	-4%
China	43.1	9%	56.9	12%	-13.8	-24%
Total	480.6	100%	490.4	100%	-9.9	-2%
Overseas ratio	79%		82%			

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Japan increased by 10.2 billion yen to 99.9 billion yen due to disaster recovery construction, etc. for a year on year increase of 11%.

In overseas markets, North America increased by 12.8 billion yen to 92.1 billion yen for a year on year increase of 16% despite the significant yen appreciation. Asia, Europe, Russia-CIS also increased year on year, but other overseas regions posted a year on year decrease.

Because Japan is doing well, the ratio of overseas revenue dropped by 3 points year on year to 79%.

Furthermore, while the total revenue decreased by 9.9 billion yen year on year to 480.6 billion yen, yen appreciation impact on exchange rates accounts for 19.6 billion yen, which means that there was a net increase of 9.7 billion yen in terms of local currency.

Mining revenue

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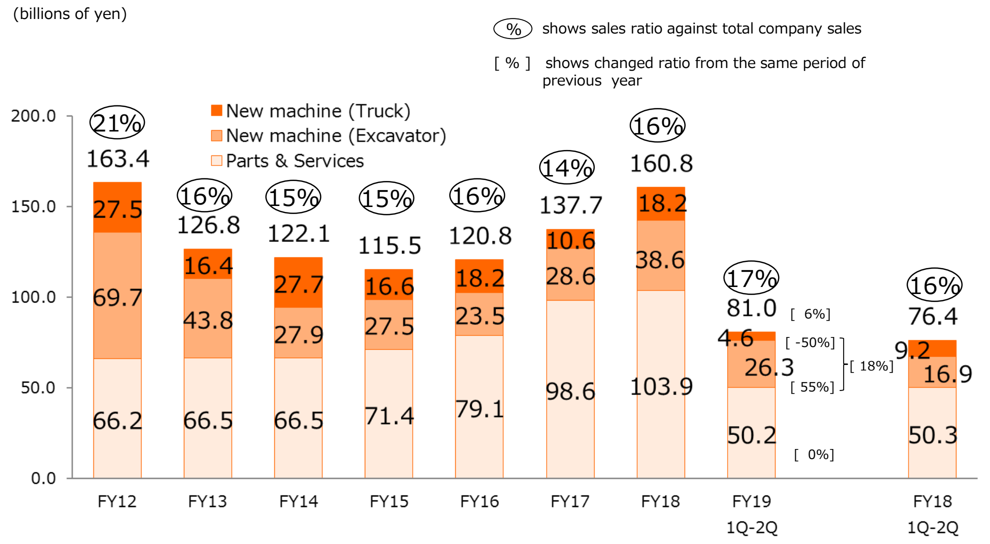
■Revenue of mining in FY2019 2Q increased by 6% to 81.0 billion yen year on year.
■In particular, revenue of new mining machinery increased by 18% year on year.



Mining revenue through the second quarter of FY2019 increased by 6% year on year to 81.0 billion yen as shown in the second bar from the right in the graph.

New machine sales increased by 18% and while deliveries of trucks significantly decreased year on year due to the low number of deliveries through the second quarter, excavator revenue, on the other hand, significantly increased by 55% year on year.

Part and services from mining also achieved the same level of revenue year on year despite the significant yen appreciation impact on exchange rates.

Value chain revenue (*1)

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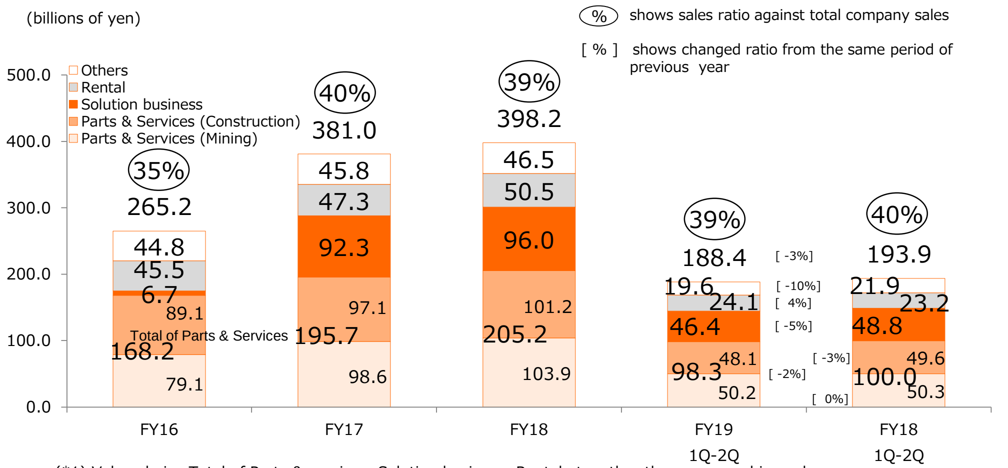
Revenue of the value chain business in the FY2019 2Q decreased by 3% to 188.4 billion yen year on year due to the impact of the strong exchange rate of the yen, -8.9 billion yen.



(*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.

As shown in the second bar from the right in the graph, the value chain revenue in the second quarter decreased by 3% year on year to 188.4 billion yen. However, because yen appreciation impact on exchange rates accounts for 5% of the decrease, the value chain revenue actually increased.

Comparison of consolidated income

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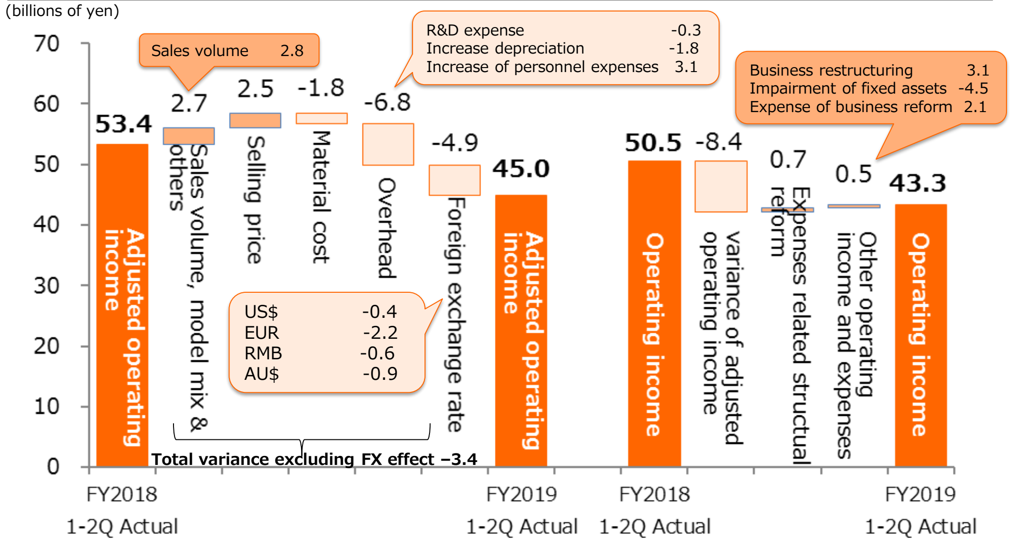
Adjusted operating income decreased by 8.4 billion yen year on year due to the impact of increased material costs, strong exchange rate of the yen, and increased overheads despite the increased sales volume and model mix and improved selling price.



In the area of adjusted operating income, sales volume increased, and the selling price improved year on year.

However, it decreased by 8.4 billion yen year on year to 45.0 billion yen due to increases in material costs in India and other countries, an increase in overhead costs due to depreciation and improvements in employee working conditions, and yen appreciation impact on exchange rates which became particularly prominent during the second quarter.

Regarding operating income and expenses, a fixed asset impairment occurred in association with changes in the North American business environment of H-E Parts, but profits associated with changes in the shareholding of the training center and other business reform as well as other operating income and expenses also improved for a year on year decrease of 7.2 billion yen to 43.3 billion yen.

Consolidated statement of income

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■Operating income decreased by 14% or 7.2 billion yen to 43.3 billion yen year on year.
■Net income attributable to owners of the parent decreased by 17% or 5.0 billion yen to 25.2 billion yen year on year.

(billions of yen)

	FY2019 1Q-2Q		FY2018 1Q-2Q		change	
					amount	%
Revenue		480.6		490.4	-9.9	-2%
Cost of Sales	(72.2%)	347.0	(71.4%)	350.2	-3.2	-1%
SGA expenses	(18.4%)	88.6	(17.7%)	86.8	1.8	2%
Adjusted operating income *1	(9.4%)	45.0	(10.9%)	53.4	-8.4	-16%
Other Income/expenses		-1.7		-2.9	1.2	-42%
Operating income	(9.0%)	43.3	(10.3%)	50.5	-7.2	-14%
Financial income/expenses		-4.2		-3.5	-0.7	19%
Share of profits of investments accounted for using the equity method		2.0		1.7	0.3	17%
Income before income taxes	(8.6%)	41.1	(9.9%)	48.7	-7.6	-16%
Income taxes		12.7		13.8	-1.1	-8%
Net income	(5.9%)	28.4	(7.1%)	34.9	-6.4	-18%
Net income attributable to owners of the parent	(5.2%)	25.2	(6.2%)	30.2	-5.0	-17%

*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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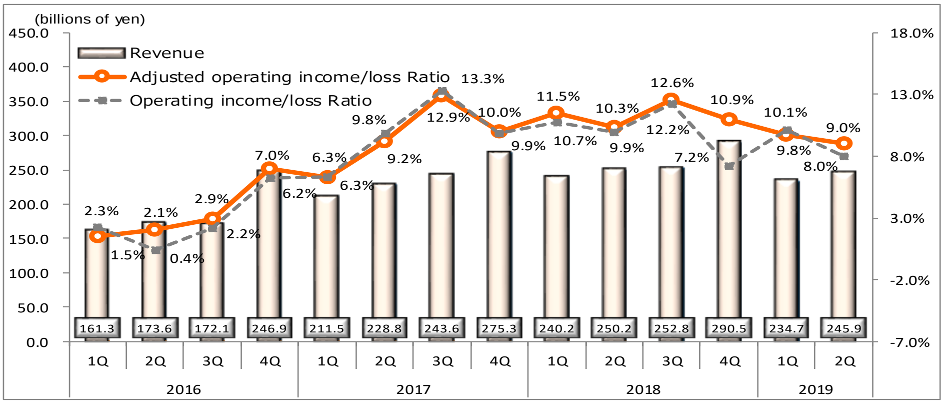
Financial income and expenses decreased by 700 million yen year on year to minus 4.2 billion yen primarily due to yen appreciation impact on exchange rates and the worsening of interest income and expenses.

However, the share of profits of investments accounted for using the equity method and income attributable to non-controlling interests also improved year on year such that the net income attributable to owners of the parent decreased by 17% year on year to 25.2 billion yen.

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

(billions of yen)

	2016				2017				2018				2019	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
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	245.9
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	22.1
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	19.6



FX rate	2016				2017				2018				2019	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Rate (YEN/US$)	108.1	102.4	109.3	113.6	111.1	111.0	113.0	108.3	109.1	111.5	112.9	110.2	109.9	107.4
Rate (YEN/EURO)	122.0	114.3	117.8	121.1	122.2	130.4	133.0	133.2	130.1	129.6	128.8	125.2	123.5	119.3
Rate (YEN/RMB)	16.5	15.4	16.0	16.6	16.2	16.6	17.1	17.1	17.1	16.4	16.3	16.3	16.1	15.3
Rate (YEN/AU$)	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	73.6

The adjusted operating income ratio was 9% for the second quarter of FY2019.

As shown by the quarterly exchange rates in the table at the bottom, the further strengthening of the yen against various currencies was one factor.

Consolidated statement of financial position

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Although lease assets increased by 36.5 billion yen from the previous year end due to the impact of adoption IFRS 16, total assets increased by 9.6 billion yen year on year by decreasing cash and accounts receivables.

(billions of yen)

	(A) FY19-2Q	(B) Mar '2019	(C) FY18-2Q	(A)-(B) change
Cash and cash equivalents	58.3	67.3	63.0	-9.1
Trade receivables	218.7	238.2	214.1	-19.6
Inventories	328.3	324.8	303.0	3.5
Total current assets	646.9	673.9	629.3	-27.0
Total non-current assets	547.9	511.4	495.2	36.5
Total assets	1,194.8	1,185.3	1,124.6	9.6
Trade receivables incl. non-current	261.2	282.6	254.2	-21.4
Inventories by products				
Unit	93.2	89.3	79.5	3.9
Parts	104.9	102.2	100.2	2.7
Raw materials, WIP and etc	130.3	133.3	123.3	-3.1
Total inventories	328.3	324.8	303.0	3.5
On hand days(divided by net sales)				(Days)
Trade receivables	93	100	92	-7
Inventories	117	115	110	2
Trade payables	45	57	54	-12
Net working capital	163	155	144	8

	(D) FY19-2Q	(E) Mar '2019	(F) FY18-2Q	(D)-(E) change
Trade and other payables	210.1	278.1	256.7	-68.0
Bonds and borrowings	341.0	304.8	289.6	36.2
Total liabilities	664.5	642.6	599.3	21.9
(Equity attributable to owners of the parent ratio)	(40.0%)	(41.0%)	(41.5%)	(-1.1%)
Total equity	530.3	542.7	525.3	-12.3
Total liabilities and equity	1,194.8	1,185.3	1,124.6	9.6
	(28.5%)	(25.7%)	(25.8%)	(2.8%)
Interest-bearing debt	341.0	304.8	289.6	36.2
Cash and Cash equivalents	58.3	67.3	63.0	-9.1
	(23.7%)	(20.0%)	(20.1%)	(3.6%)
Net interest-bearing debt	282.7	237.5	226.6	45.2
Net D/E Ratio	0.59	0.49	0.49	0.10

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At the end of September 2019, lease assets increased by ¥36.5 billion due to the impact of adopting the IFRS 16 international accounting standards from this fiscal year.

However, as shown in the column (A) on the left side, "total assets" were 1,194.8 billion yen for an increase of 9.6 billion yen from the previous fiscal year-end.

In comparison with March 2019 at the end of the previous fiscal year, the efficiency of cash and cash equivalents improved by 9.1 billion yen, and trade receivables including non-current contracted by 21.4 billion yen to 261.2 billion yen.

Meanwhile, total inventories increased by 3.5 billion yen from the previous fiscal year-end to 328.3 billion yen.

The number of days of the trade receivables on hand reduced by 7 days to 93 days from the previous fiscal year-end.

Meanwhile, the number of days of inventories on hand increased by 2 days to 117 days from the previous fiscal year-end, and trade payables on hand reduced by 12 days due to the acceleration of domestic payments and the impact of inventory adjustments.

As a result, the number of days of net working capital on hand increased by 8 days to 163 days from the previous fiscal year-end.

Therefore, the interest-bearing debt increased by 36.2 billion yen from the previous fiscal year-end as shown in the margins on the right side. Total equity decreased by 12.3 billion yen from the previous fiscal year-end due to the worsening of foreign operation translation adjustments caused primarily by yen appreciation impact.

The equity attributable to owners of the parent ratio was 40.0%, and the net D/E ratio was 0.59.

Consolidated cash flow

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Net cash provided by (used in) operating activities improved by 37.0 billion yen compared to the previous year despite a negative 9.7 billion yen.

(billions of yen)

	FY2019 1Q-2Q		FY2018 1Q-2Q		change	
Net income		28.4		34.9		-6.4
Depreciation and amortization	50.0	21.6	52.7	17.9	-2.7	3.7
(Increase)decrease in trade/lease receivables		7.2		6.0		1.3
(Increase)decrease in inventories		-17.6		-47.7		30.1
Increase(decrease) in trade payables	-34.4	-24.1	-76.0	-34.2	41.5	10.1
Others, net		-25.3		-23.5		-1.8
Net cash provided by (used in) operating activities		-9.7		-46.8		37.0
Cash flow margin for operating activities		-2.0%		-9.5%		7.5%
Net cash provided by (used in) investing activities		-19.5		-11.3		-8.2
Free cash flows		-29.2		-58.0		28.8
Net cash provided by (used in) financing activities		22.8		40.4		-17.6

The operating cash flow through the second quarter was still an over-expenditure of 9.7 billion yen, but the situation improved by 37.0 billion yen year on year.

However, there was also an increase in fixed asset investment within the investment cash flows, and free cash flows reached a total over-expenditure of 29.2 billion yen.

Summary of consolidated earnings forecast

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The FY2019 consolidated statement of income forecast remains 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-2Q Actual	3Q-4Q Foreast	Total Foreast	FY2018 Actual	change
Rate (YEN/US$)	108.6	100.0	104.1	111.0	-6.9
Rate (YEN/EURO)	121.4	110.0	115.5	127.9	-12.4
Rate (YEN/RMB)	15.8	14.5	15.1	16.6	-1.5
Rate (YEN/AU$)	75.2	70.0	72.7	80.9	-8.3
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.

In view of the demand environment during FY2019 as well as the performance during the first half of the year, the future of the global economic situation, and exchange rate trends, the earnings forecast for the current fiscal year at the current time is being left unchanged from the figures previously announced in July with revenue at 950.0 billion yen, adjusted operating income at 86.0 billion yen and the net income attributable to owners of the parent at 48.0 billion yen.

The exchange rate forecast for the third and fourth quarters is being set to the lower limit for the expected range of fluctuation for each currency. The outlook for the US dollar and the euro is unchanged from July. However, the Chinese yuan is being revised due to the strengthening yen from 15 to 14.5 yen and the Australian dollar from 77 to 70 yen.

In Appendix 1, we have listed the exchange rate sensitivities which have an impact on the revenue and the adjusted operating income during the third and fourth quarters.

Consolidated 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 66.0 billion yen of negative impact of foreign exchange.

(billions of yen)

	FY2019 Forecast		FY2018 Actual		change	
					amount	%
Japan	211.7	22%	206.1	20%	5.6	3%
Asia	86.3	9%	88.5	9%	-2.2	-2%
India	61.6	6%	67.9	7%	-6.4	-9%
Oceania	148.9	16%	163.9	16%	-15.0	-9%
Europe	90.8	10%	111.6	11%	-20.9	-19%
N.America	165.4	17%	168.7	16%	-3.3	-2%
L.America	14.3	2%	17.1	2%	-2.8	-16%
Russia-CIS	32.6	3%	34.4	3%	-1.8	-5%
M.East	11.8	1%	11.8	1%	0.0	0%
Africa	33.1	3%	43.8	4%	-10.7	-25%
China	93.7	10%	119.9	12%	-26.3	-22%
Total	950.0	100%	1,033.7	100%	-83.7	-8%
Overseas ratio	78%		80%			

The total revenue for FY2019 is forecast to decrease by 83.7 billion yen to 950.0 billion yen, an 8% year on year decrease, due to the 66.0 billion yen negative impact of the appreciation of the yen.

A significant decrease in revenue of 20% or more is forecast for Africa and China due to the negative impact of the appreciation of the yen.

Mining revenue forecast

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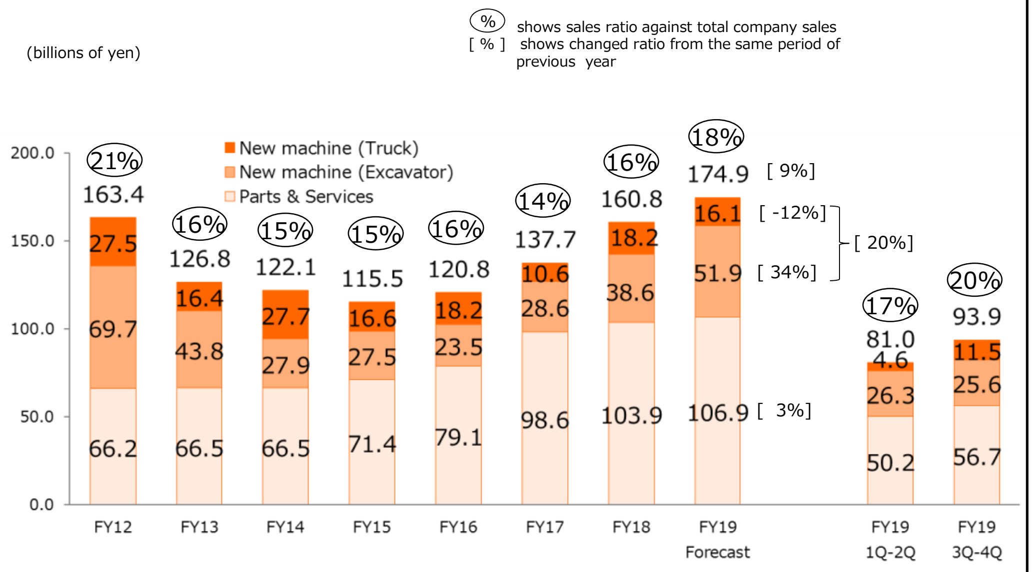
HCM forecasts an increase in FY2019 mining revenue by 9% to 174.9 billion yen year on year despite the expected strong appreciation of the yen.



Mining revenue for FY2019 is forecast to increase by 9% year on year to 174.9 billion yen even when factoring in the revenue decrease due to the expected impact of the strong appreciation of the yen on exchange rates.

The total revenue for mining machine units, which includes trucks and excavators, is favorable with a year on year increase of 20% despite the expected impact of the strong appreciation of the yen on exchange rates. Revenue from parts and services for mining is forecast to increase by 3% year on year despite the expected impact of the strong appreciation of the yen on exchange rates.

In Appendix 2, we have listed the mining revenue breakdown by region.

Value chain(*1) revenue forecast

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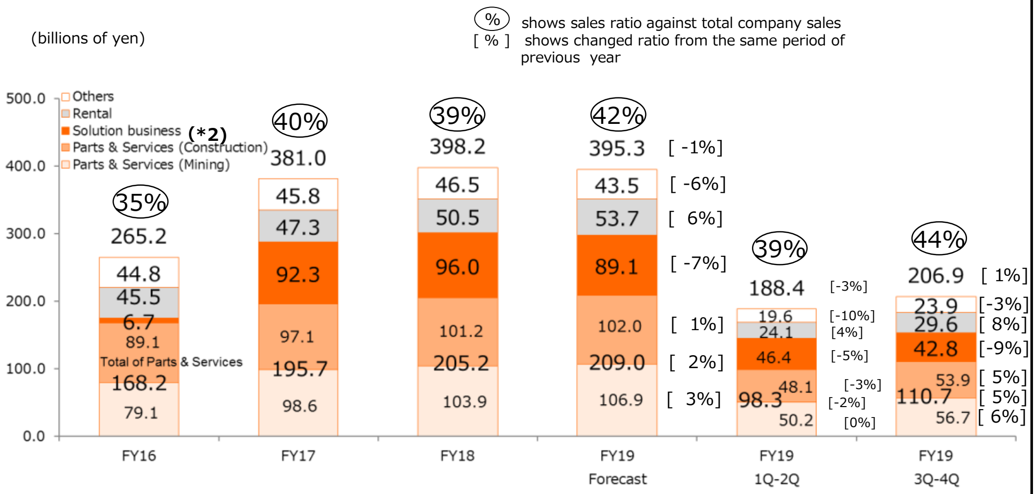
HCM forecasts a decrease in FY2019 sales of the value chain business by 1% compared to the previous year due to the expected strong appreciation of the yen despite the increase in the revenue of parts & service.



(*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 for FY2019 is forecast to decrease by 1% year on year to 395.3 billion yen. However, when the 7% decrease in revenue due to the expected impact of the strong yen appreciation on exchange rates is factored in, the revenue is forecast to actually increase.

Parts and services revenue is forecast to increase by 2% to 209.0 billion yen even including the expected impact of the appreciation of the yen on exchange rates. The solution business revenue is forecast to decrease by 7% to 89.1 billion yen, but it will actually increase due to the expected impact of the appreciation of the yen on exchange rates. Rental revenue is also expected to increase by 6% to 53.7 billion yen.

The sales ratio is expected to increase by 3 points year on year to 42%.

Comparison of consolidated income forecast

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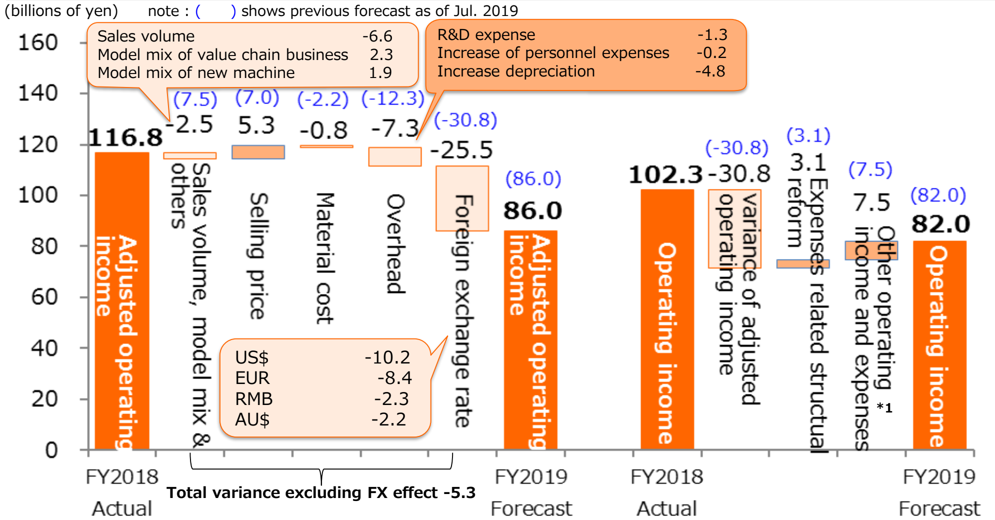
Adjusted operating income for FY2019 remains unchanged from the previous forecast due to improvement in selling price, despite the negative impact of yen appreciation and the impact of decrease in profit due to decrease in sales volume and increase in overhead costs.

(billions of yen) note : ( ) shows previous forecast as of Jul. 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.

By covering the expected yen appreciation impact on exchange rates of 25.5 billion yen, the decrease in sales volume of 6.6 billion yen, the increase in overhead costs of 7.3 billion yen, and other income lowering factors with improvements in the selling price, the adjusted operating income for FY2019 is unchanged at 86.0 billion yen.

Due to other improvements in operating income and expenses, the operating income forecast will be unchanged with a decrease of 20.3 billion yen to 82.0 billion yen.

<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. This time, the forecast exchange rate of the Chinese yuan and Australian dollar was rationally changed.

FX rate and FX sensitivity (billions of yen)

Currency	FX rate				FX sensitivity (3Q-4Q)		
	FY19			FY18 Actual	Condition	Revenue	Adjusted operating income
	1Q-2Q Actual	3Q-4Q Forecast	Total Forecast				
US$	108.6	100.0	104.1	111.0	Impact by 1 yen depreciation	1.1	0.9
EURO	121.4	110.0	115.5	127.9	Impact by 1 yen depreciation	0.3	0.4
RMB	15.8	14.5	15.1	16.6	Impact by 0.1 yen depreciation	0.3	0.1
AU$	75.2	70.0	72.7	80.9	Impact by 1 yen depreciation	1.0	0.1

<Appendix2> Detail of mining revenue

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(billions of yen)

		FY18 Actual			FY19 Forecast			Change		
		1-2Q	3-4Q	Year	1-2Q	3-4Q	Year	1-2Q	3-4Q	Year
America	Excavator	6.4	8.1	14.6	6.7	10.8	17.6	0.3	2.7	3.0
	Dump Truck	3.4	3.6	7.0	2.2	2.5	4.8	-1.2	-1.1	-2.3
	Total	9.8	11.8	21.6	9.0	13.4	22.3	-0.9	1.6	0.7
Europe, Africa and Middle East	Excavator	11.7	13.0	24.8	11.8	14.1	25.9	0.1	1.1	1.2
	Dump Truck	6.8	10.2	17.0	6.1	6.7	12.8	-0.7	-3.5	-4.2
	Total	18.6	23.2	41.8	18.0	20.8	38.7	-0.6	-2.4	-3.0
Asia & Oceania	Excavator	29.1	34.7	63.8	40.1	39.8	79.9	11.0	5.1	16.1
	Dump Truck	18.0	13.5	31.5	12.7	19.5	32.2	-5.3	6.0	0.7
	Total	47.1	48.1	95.3	52.8	59.3	112.1	5.7	11.1	16.8
China	Excavator	0.5	0.4	1.0	0.4	0.3	0.7	-0.1	-0.1	-0.2
	Dump Truck	0.0	0.1	0.1	0.0	0.1	0.1	0.0	-0.0	-0.0
	Total	0.6	0.5	1.1	0.4	0.4	0.9	-0.1	-0.1	-0.2
Japan	Excavator	0.3	0.7	1.0	0.8	0.1	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	0.3	0.7	1.0	0.8	0.1	0.9	0.5	-0.6	-0.1
Total	Excavator	48.2	56.9	105.1	59.9	65.1	125.0	11.8	8.2	20.0
	Dump Truck	28.3	27.4	55.7	21.1	28.8	49.9	-7.2	1.4	-5.8
	Total	76.4	84.3	160.8	81.0	93.9	174.9	4.6	9.6	14.1

<Appendix3> Segment information

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The amortizations of PPA are included in the adjusted operating income of the solution business. The amount of 0.5 billion yen is included in the second quarter of 2019, and in the 1.1-billion-yen forecast for FY2019.

(billions of yen)

<Actual> FY2019 1Q-2Q	Reportable segment				Adjustments *1	Total	
	Construction Machinery Business		Solution Business				
Revenue		434.2		47.5	-1.1		480.6
Adjusted operating income	9.4%	40.9	8.7%	4.1	-	9.4%	45.0

(billions of yen)

<Forecast> FY2019	Reportable segment				Adjustments *1	Total	
	Construction Machinery Business		Solution Business				
Revenue		860.9		89.1	0.0		950.0
Adjusted operating income	8.9%	76.8	10.3%	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.

<Appendix4> 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)

	FY2016	FY2017	FY2018	FY2019 1Q-2Q	FY2019 3Q-4Q	FY2019
	Actual	Actual	Actual	Actual	Forecast	Forecast
Capital Expenditure	14.1	18.7	30.4	19.7	52.1	71.8
Assets held for operating lease	16.5	23.1	27.2	16.8	18.7	35.5
Total	30.7	41.8	57.6	36.6	70.8	107.3

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

	FY2016	FY2017	FY2018	FY2019 1Q-2Q	FY2019 3Q-4Q	FY2019
	Actual	Actual	Actual	Actual	Forecast	Forecast
Capital Expenditure	22.4	27.5	26.8	16.6	15.8	32.4
Assets held for operating lease	11.5	10.3	10.1	5.0	7.3	12.3
Total	34.0	37.8	37.0	21.6	23.2	44.8

3.R&D expenses (billion of yen)

	FY2016	FY2017	FY2018	FY2019 1Q-2Q	FY2019 3Q-4Q	FY2019
	Actual	Actual	Actual	Actual	Forecast	Forecast
Total of consolidation	19.3	24.6	24.8	12.4	13.7	26.1

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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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