

# I. Summary of consolidated results

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- Revenue increased by 31% compared to the previous year due to the increase in sales volume.
- Adjusted operating income increased by 14.3 billion yen to 16.8 billion yen year on year due to consolidation of the solution business.

(billions of yen)				
		FY2017 1Q	FY2016 1Q	change
Revenue		211.5	161.3	31%
Adjusted operating income *1		16.8	2.4	584%
Operating income		16.9	3.7	362%
Income before income taxes		17.4	1.5	-
Net income attributable to owners of the parent		9.6	-1.6	-
EBIT *2		18.1	1.7	943%
F X	Rate (YEN/US\$)	111.1	108.1	3.0
	Rate (YEN/EURO)	122.2	122.0	0.2
	Rate (YEN/RMB)	16.2	16.5	-0.3

\*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"

- Revenues in all regions except Japan and the Middle East have increased compared to those of the previous year.
- Revenue increased by 70% or 14.3 billion yen in Oceania year on year, by 116% or 14.2 billion yen in China year on year, and by 51% or 10.9 billion yen in the North America year on year.

(billions of yen)

	FY2017 1Q (ratio)	FY2016 1Q (ratio)	change	
			amount	%
Japan	40.4 (19%)	42.2 (26%)	-1.8	-4%
Asia	15.0 (7%)	13.0 (8%)	2.0	15%
India	15.5 (7%)	9.6 (6%)	5.9	62%
Oceania	34.8 (16%)	20.5 (13%)	14.3	70%
Europe	25.6 (12%)	23.9 (15%)	1.7	7%
N.America	32.3 (15%)	21.5 (13%)	10.9	51%
L.America	3.8 (2%)	0.8 (0%)	3.1	405%
Russia-CIS	4.7 (2%)	3.9 (2%)	0.7	18%
M.East	3.5 (2%)	6.8 (4%)	-3.3	-49%
Africa	9.4 (4%)	6.9 (4%)	2.5	37%
China	26.5 (13%)	12.3 (8%)	14.2	116%
Total	211.5	161.3	50.2	31%

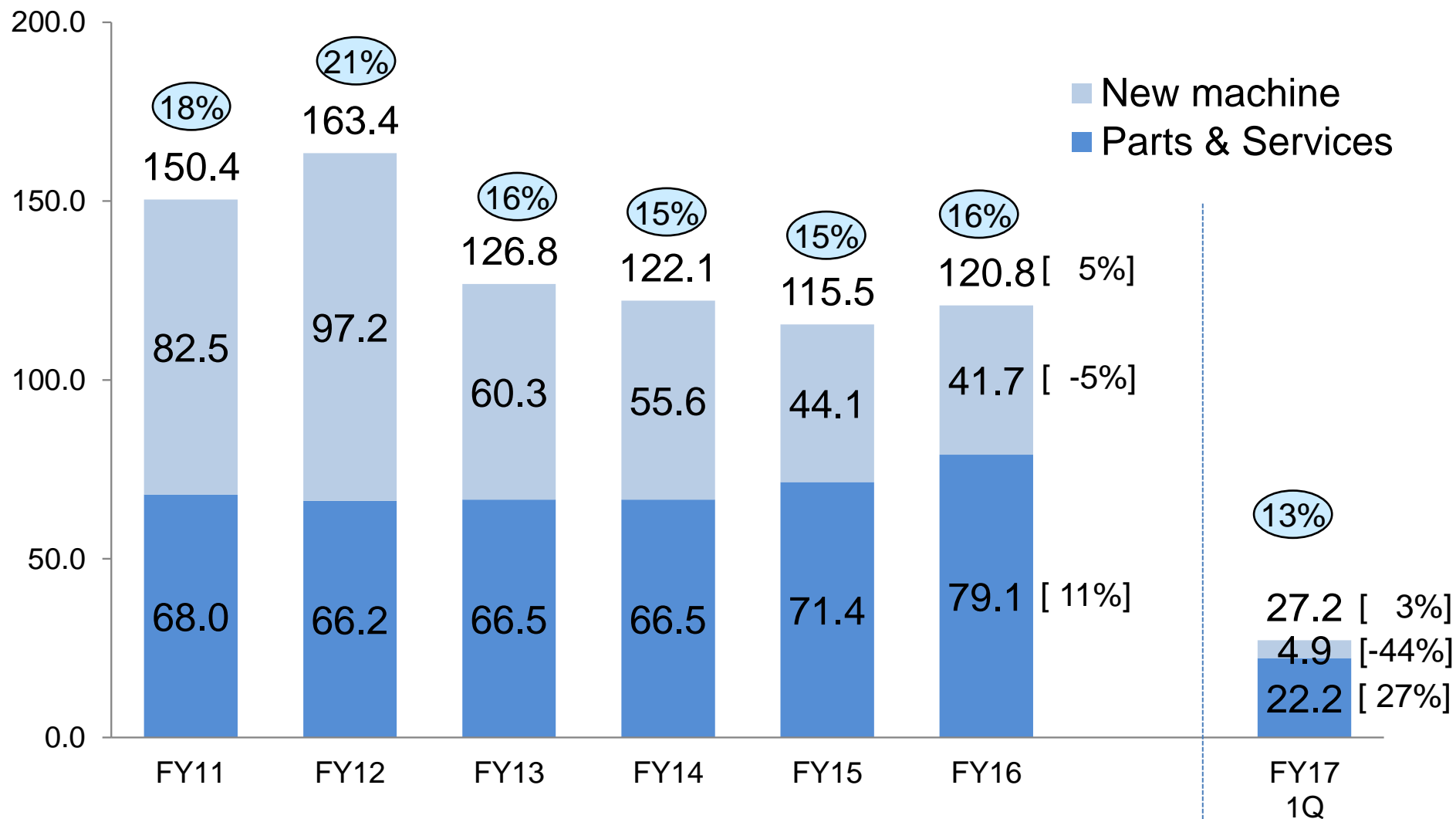
Overseas revenue  
ratio 81%

Overseas revenue  
ratio 74%

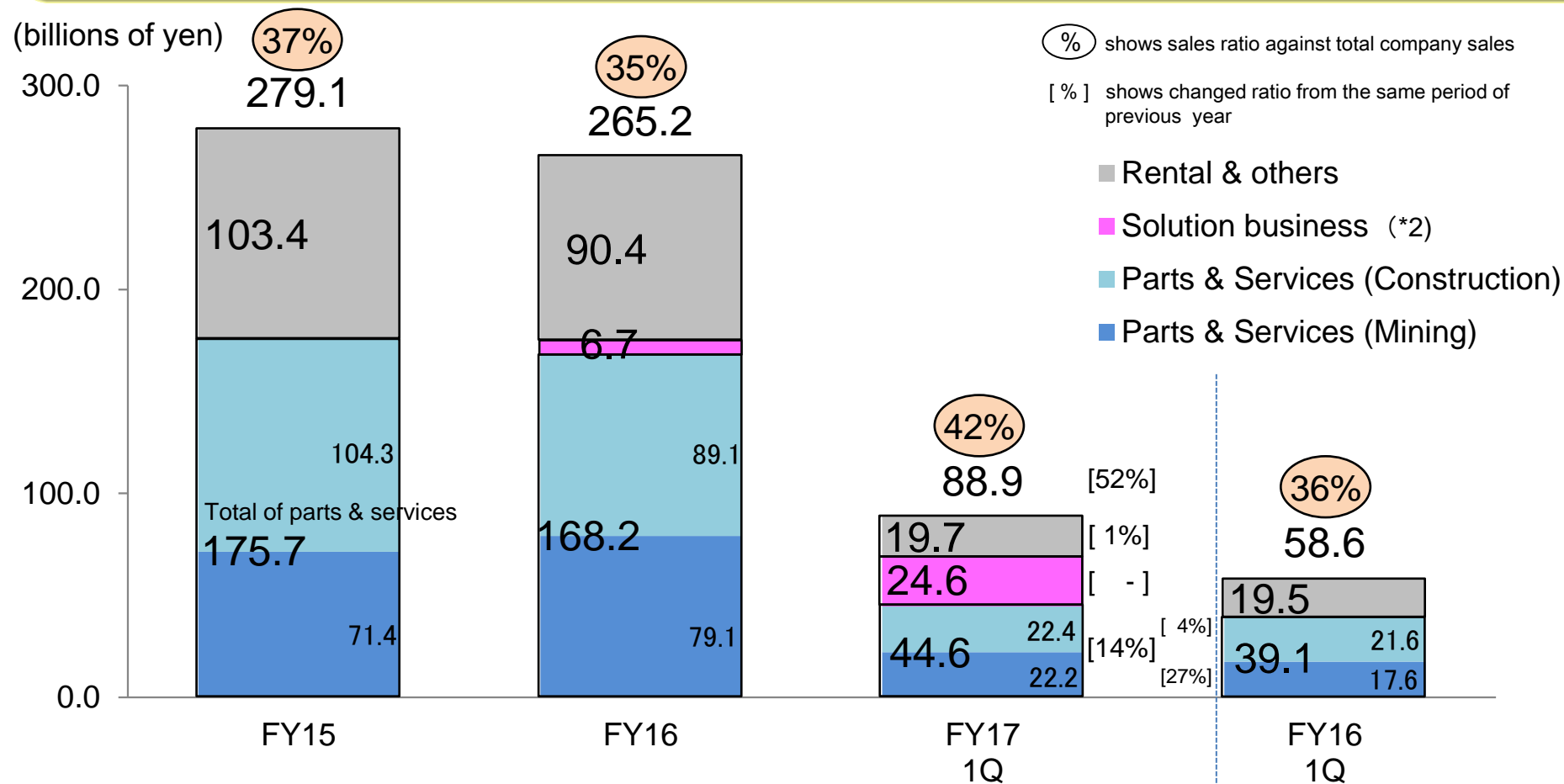
(billions of yen)

(%) shows sales ratio against total company sales

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



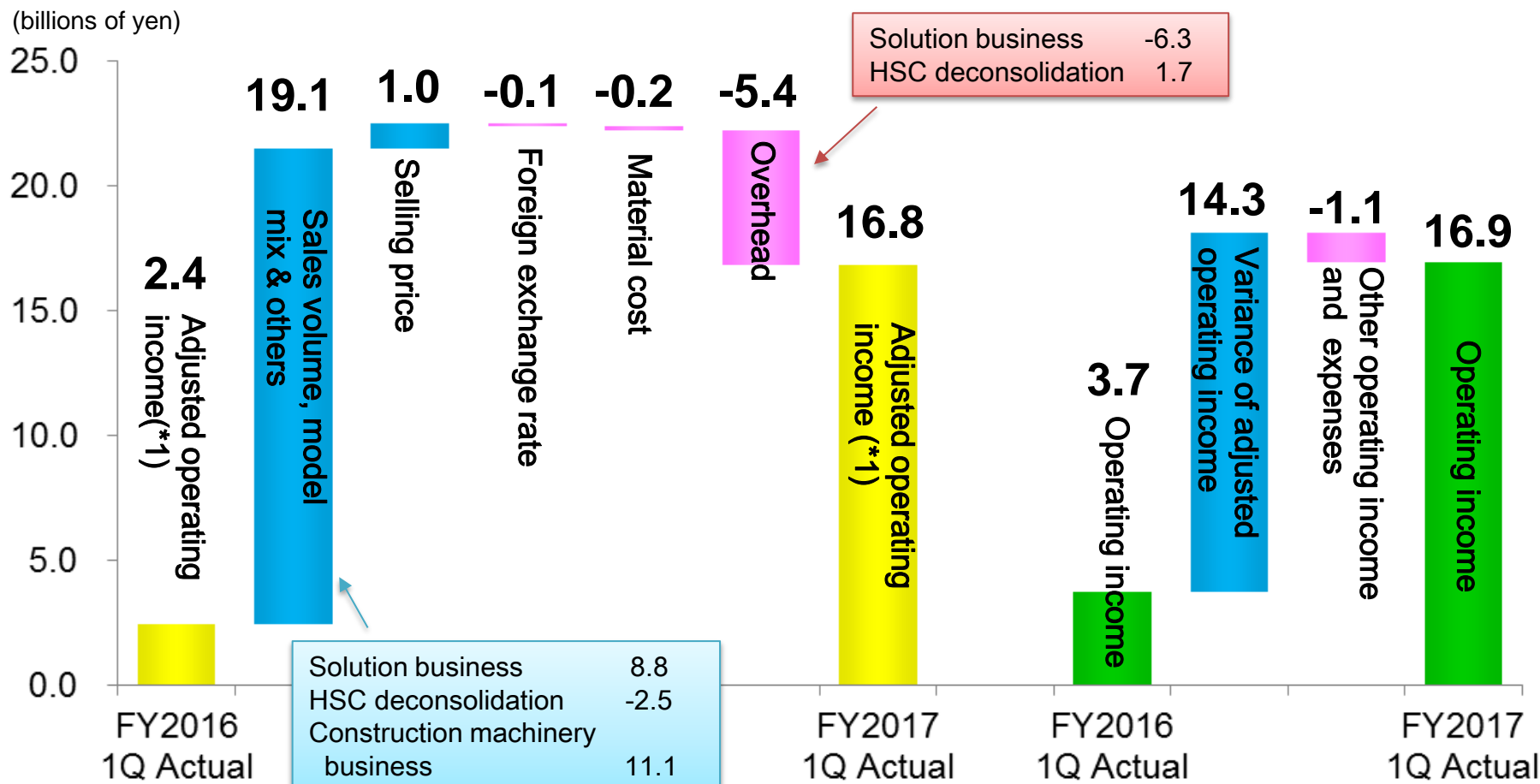
- Sales of value chain business have dramatically increased by 30.3 billion yen year on year due to the increase in the sales of parts and service and solution business, which is composed of H-E Parts group companies and Bradken group companies. Also, ratio in total sales has increased by 6%.



(\*1) Value chain: Total of parts & services, solution business, rental etc. other than new machine sales.

(\*2) Solution business: Primarily intend to manufacture and sell aftermarket parts, and provide services are not included in the construction machinery business segment.

- Adjusted operating income has increased by 14.3 billion yen year on year due to the increased sales volume and the incorporation of the solution business.



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

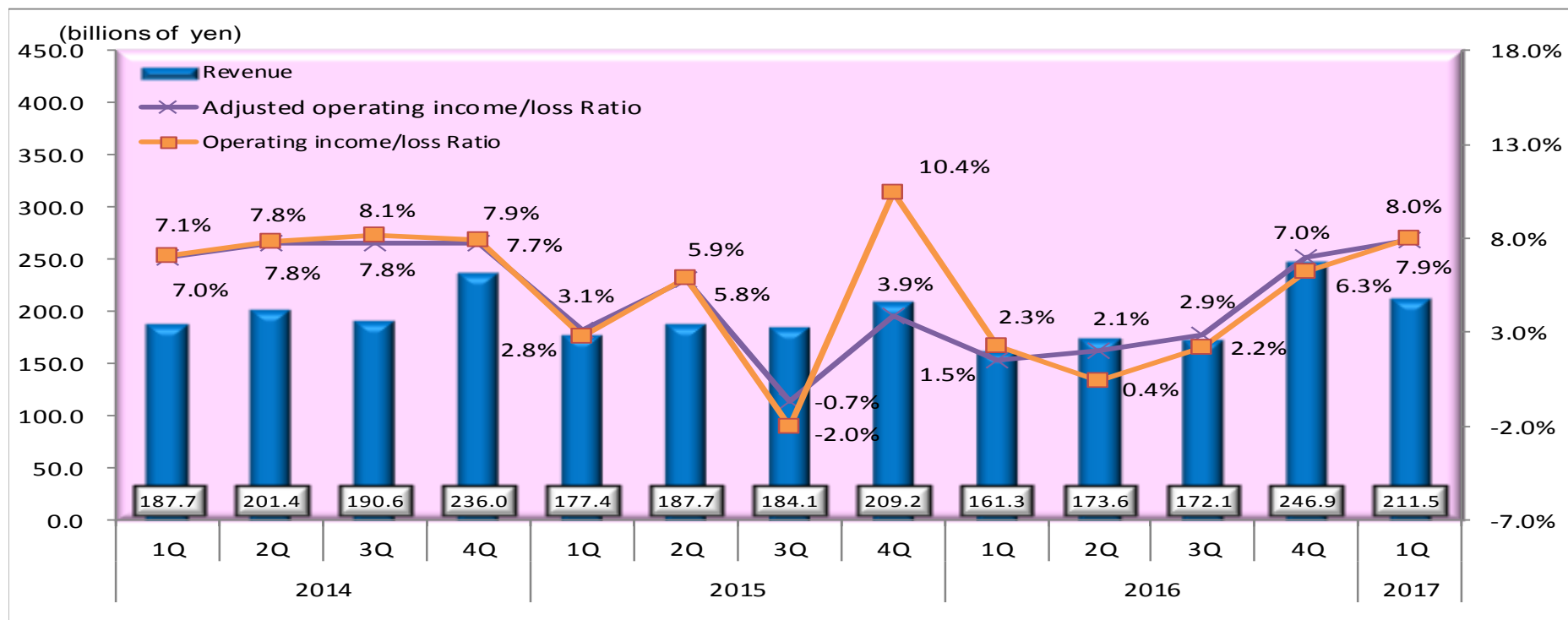
- Operating income increased by 13.3 billion yen to 16.9 billion yen year on year due to the increase in sales volume and the consolidation of the solution business.
- Net income attributable to owners of the parent increased by 11.2 billion yen to 9.6 billion yen compared year on year to the reduction of financial costs and the increase in operating income.

(billions of yen)

	FY2017 1Q		FY2016 1Q		change	
					amount	%
Revenue		211.5		161.3	50.2	31%
Cost of Sales	(73.6%)	155.6	(77.1%)	124.3	31.3	25%
SGA expenses	(18.5%)	39.1	(21.4%)	34.5	4.6	13%
Adjusted operating income *1	(7.9%)	16.8	(1.5%)	2.4	14.3	584%
Other Income/expenses		0.2		1.2	-1.1	-87%
Operating income	(8.0%)	16.9	(2.3%)	3.7	13.3	362%
Financial income/expenses		-0.5		-2.2	1.8	-79%
Share of profits of investments accounted for using the equity method		0.9		0.0	0.9	-
Income before income taxes	(8.2%)	17.4	(0.9%)	1.5	15.9	-
Income taxes		6.0		2.5	3.5	141%
Net income	(5.4%)	11.4	(-0.6%)	-1.0	12.4	-
Net income attributable to owners of the parent	(4.5%)	9.6	(-1.0%)	-1.6	11.2	-
Comperhensive income		14.7		-28.2	42.9	-

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

	2014				2015				2016				2017
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Revenue	187.7	201.4	190.6	236.0	177.4	187.7	184.1	209.2	161.3	173.6	172.1	246.9	211.5
Adjusted operating income/loss	13.1	15.7	14.8	18.3	5.5	11.0	-1.2	8.1	2.4	3.6	5.0	17.3	16.8
Operating income/loss	13.2	15.8	15.5	18.6	4.9	11.1	-3.8	21.8	3.7	0.7	3.8	15.5	16.9



FX rate	2014				2015				2016				2017
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Rate (YEN/US\$)	102.2	103.9	114.5	119.1	121.4	122.2	121.5	115.5	108.1	102.4	109.3	113.6	111.1
Rate (YEN/EURO)	140.1	137.8	143.1	134.2	134.2	136.0	133.0	127.2	122.0	114.3	117.8	121.1	122.2
Rate (YEN/RMB)	16.4	16.9	16.8	19.1	19.6	19.3	18.9	17.6	16.5	15.4	16.0	16.6	16.2

- Total assets increased by 28.1 billion yen compared to the previous fiscal year-end by the increase of 18.4 billion yen in inventories.
- Days of net working capital on hand were reduced by 9 days compared to the previous fiscal year-end.

(billions of yen)

	(A) FY17-1Q	(B) FY16-4Q	(C) FY16-1Q	(A)-(B) change
Cash and cash equivalents	72.8	65.5	78.9	7.4
Trade receivables	177.5	184.5	144.4	-7.0
Inventories	250.8	232.4	241.3	18.4
Total current assets	550.0	527.0	508.3	22.9
Total non-current assets	477.8	472.6	360.4	5.2
Total assets	1,027.7	999.6	868.8	28.1

Trade receivables incl. non-current	211.2	215.7	166.5	-4.5
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## Inventories by products

Unit	62.1	49.8	64.0	12.3
Parts	89.6	86.3	87.8	3.3
Other	99.1	96.3	89.6	2.8
Total inventories	250.8	232.4	241.3	18.4

On hand days(divided by revenue) ( Days )

Trade receivables	96	104	82	-8
Inventories	114	112	119	2
Trade payables	66	64	55	2
Net working capital	142	151	143	-9

	(D) FY17-1Q	(E) FY16-4Q	(F) FY16-1Q	(D)-(E) change
Trade and other payables	233.5	227.3	191.7	6.2
Bonds and borrowings	271.2	248.7	206.3	22.5
Total current liabilities	564.3	549.2	443.8	15.1
(Equity attributable to owners of the parent ratio)	(39.9%)	(40.0%)	(42.7%)	(-0.0%)
Total equity	463.5	450.4	425.0	13.0
Total liabilities and equity	1,027.7	999.6	868.8	28.1

Interest-bearing debt	(26.4%) 271.2	(24.9%) 248.7	(23.7%) 206.3	(1.5%) 22.5
Cash and Cash equivalents	72.8	65.5	78.9	7.4
Interest-bearing debt, net	(19.3%) 198.3	(18.3%) 183.2	(14.7%) 127.4	(1.0%) 15.1

Net D/E Ratio	0.48	0.46	0.34	0.02
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- Net cash provided by (used in) operating activities decreased by 11.4 billion yen to a positive 9.4 billion yen year on year by the increase in working capital despite the increase of net income.
- Free cash flow was a negative 12.3 billion yen due to 17.6 billion yen of acquisition shares to acquire 100% ownership of the Bradken group.

(billions of yen)

	FY2017 1Q		FY2016 1Q		change	
Net income		11.4		-1.0		12.4
Depreciation and amortization	20.1	8.7	7.6	8.7	12.4	0.0
(Increase)decrease in trade/lease receivables		7.9		24.2		-16.3
(Increase)decrease in inventories		-15.0		-7.6		-7.4
Increase(decrease) in trade payables	3.2	10.3	27.9	11.4	-24.7	-1.1
Others, net		-13.9		-14.8		0.8
Net cash provided by (used in) operating activities		9.4		20.8		-11.4
Cash flow margin for operating activities		4.4%		12.9%		-8.5%
Net cash provided by (used in) investing activities		-21.7		-4.6		-17.2
Free cash flows		-12.3		16.3		-28.6
Net cash provided by (used in) financing activities		19.2		-10.3		29.4

# II. Consolidated earnings forecast

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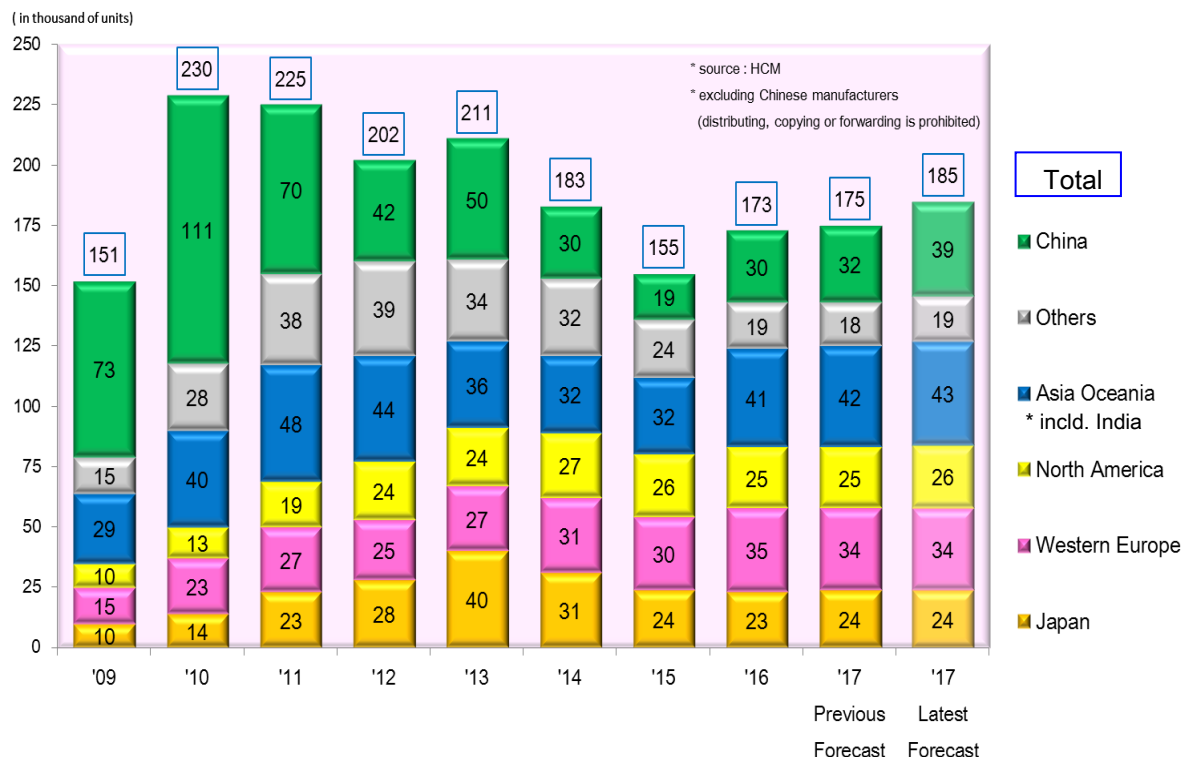
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- HCM expects the FY2017 global demand for hydraulic excavators to grow by 7% to 185K units year on year due to increase in China, India, North America and Japan despite the decrease in Western Europe.

The ratio of emerging countries in FY2017 : 55%(+3% of previous year)

\*Emerging countries : China, Asia/Oceania and others



year on year change by region

	'16	'17 Previous Forecast	'17 Latest Forecast
Total	+12%	+1%	+7%
China	+58%	+6%	+29%
Russia-CIS & E.Europe	+23%	-13%	+14%
Africa	+13%	-12%	-12%
Middle East	-45%	+3%	+3%
Latin America	-15%	-2%	-2%
Others	-18%	-6%	+0%
India	+44%	+16%	+16%
Indonesia	+36%	+14%	+14%
Others	+16%	-9%	-5%
Asia & Oceania	28%	+4%	+5%
North America	-4%	+1%	+5%
Western Europe	+17%	-5%	-5%
Japan	-4%	4%	+4%

- Global economy, foreign exchange and worldwide demand for excavators are still uncertain although demand in 1Q improved. Also taking into account that the Purchase Price Allocation (PPA) for new acquisition of H-E Parts and Bradken is still ongoing, HCM forecasts FY2017 Income Statement the same as previous forecast.

(billions of yen)

		FY2017 Forecast	FY2016 Actual	Change	
				amount	%
Revenue		(810.0) 810.0	753.9	56.1	7%
Adjusted operating income *1		(46.0) (5.7%) 46.0	(3.7%) 28.3	17.7	63%
Operating income		(44.0) (5.4%) 44.0	(3.1%) 23.6	20.4	86%
Income before income taxes		(37.0) (4.6%) 37.0	(3.2%) 23.9	13.1	55%
Net income attributable to owners of the parent		(18.0) (2.2%) 18.0	(1.1%) 8.0	10.0	124%
EBIT *2		(40.7) 40.5	24.7	15.9	
F X	Rate (YEN/US\$)	(105.0) 106.3	108.7	-2.4	
	Rate (YEN/EURO)	(110.0) 113.0	118.9	-5.8	
	Rate (YEN/RMB)	(15.0) 15.3	16.2	-0.9	
Cash dividend per share (yen) *3		to be determined	12	-	

note : ( ) shows previous forecast as of April 2017□

FX sensitivity of adjusted operating income (2-4Q) (Impact by 1 yen for US\$ and EURO, 0.1 yen for RMB depreciation)

US\$ (1.0)	(1.1)	0.8
EURO (1.0)	(0.6)	0.5
RMB (0.1)	(0.2)	0.2

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\*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": Under the company's policy for stable distribution of retained earnings linked to consolidated performance, the company aims for its consolidated dividend payout ratio to be around 30% or more.

# Sales forecast by geographic region (consolidated) (12)

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- Compared with the previous fiscal year, HCM forecasts an increase in total revenues for FY2017 due to an increase in revenue in North America and Oceania considering the impact of consolidation of H-E Parts group companies and Bradken group companies despite the decrease in revenue in Japan, Europe, Russia-CIS and the Middle East.

(billions of yen)

	FY2017 Forecast	FY2016 Actual	change	
			amount	%
Japan	192.9 (24%)	226.0 (30%)	-33.1	-15%
Asia	65.7 (8%)	62.2 (8%)	3.5	6%
India	57.7 (7%)	48.6 (6%)	9.1	19%
Oceania	129.7 (16%)	96.4 (13%)	33.4	35%
Europe	80.5 (10%)	87.6 (12%)	-7.1	-8%
N.America	114.2 (14%)	78.5 (10%)	35.7	45%
L.America	10.6 (1%)	7.0 (1%)	3.6	51%
Russia-CIS	17.7 (2%)	19.5 (3%)	-1.8	-9%
M.East	21.4 (3%)	22.7 (3%)	-1.4	-6%
Africa	41.5 (5%)	34.1 (5%)	7.4	22%
China	78.2 (10%)	71.5 (9%)	6.7	9%
Total	810.0 (100%)	753.9 (100%)	56.1	7%

Overseas revenue ratio

76%

70%

# Mining revenue forecast

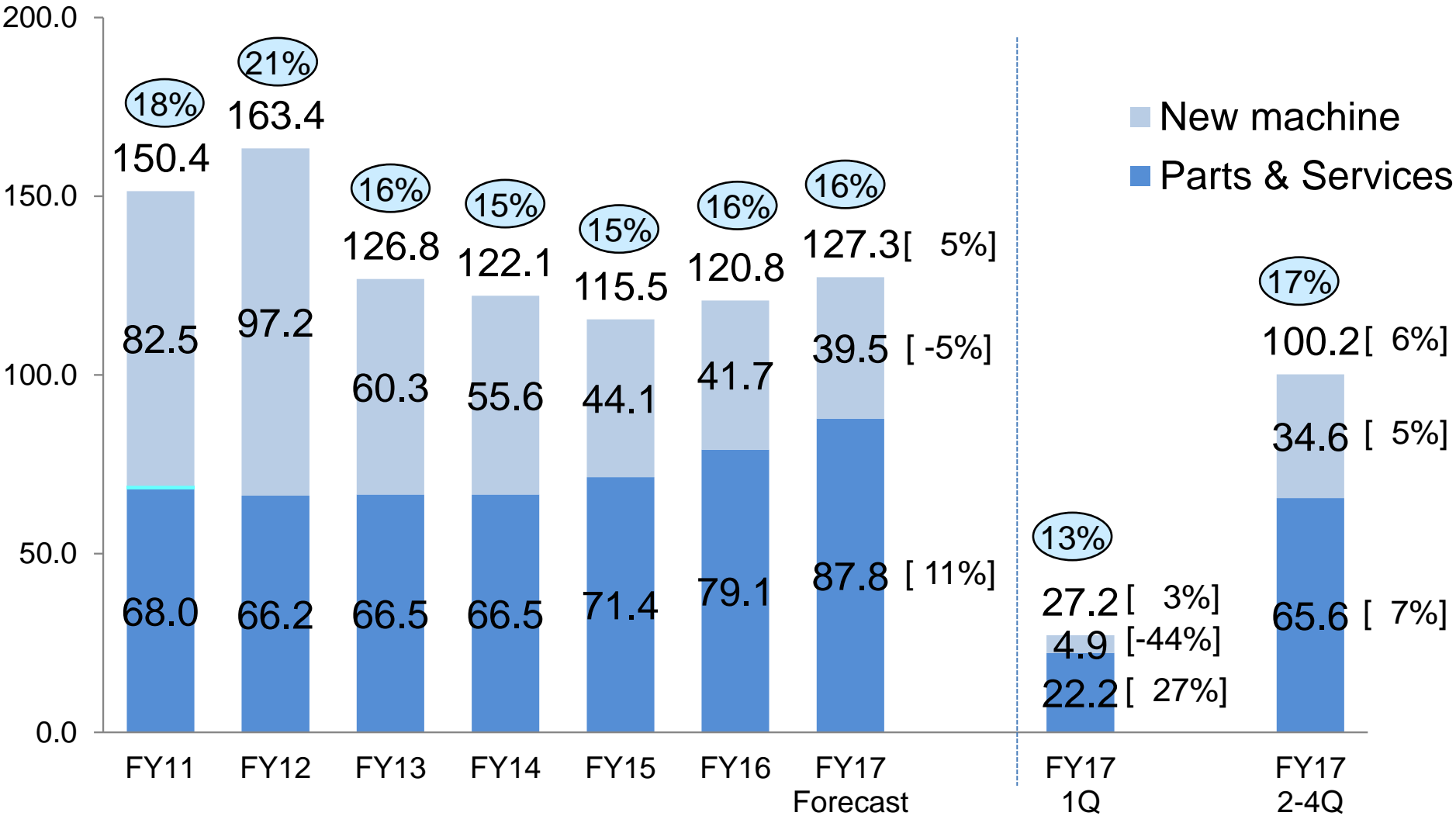
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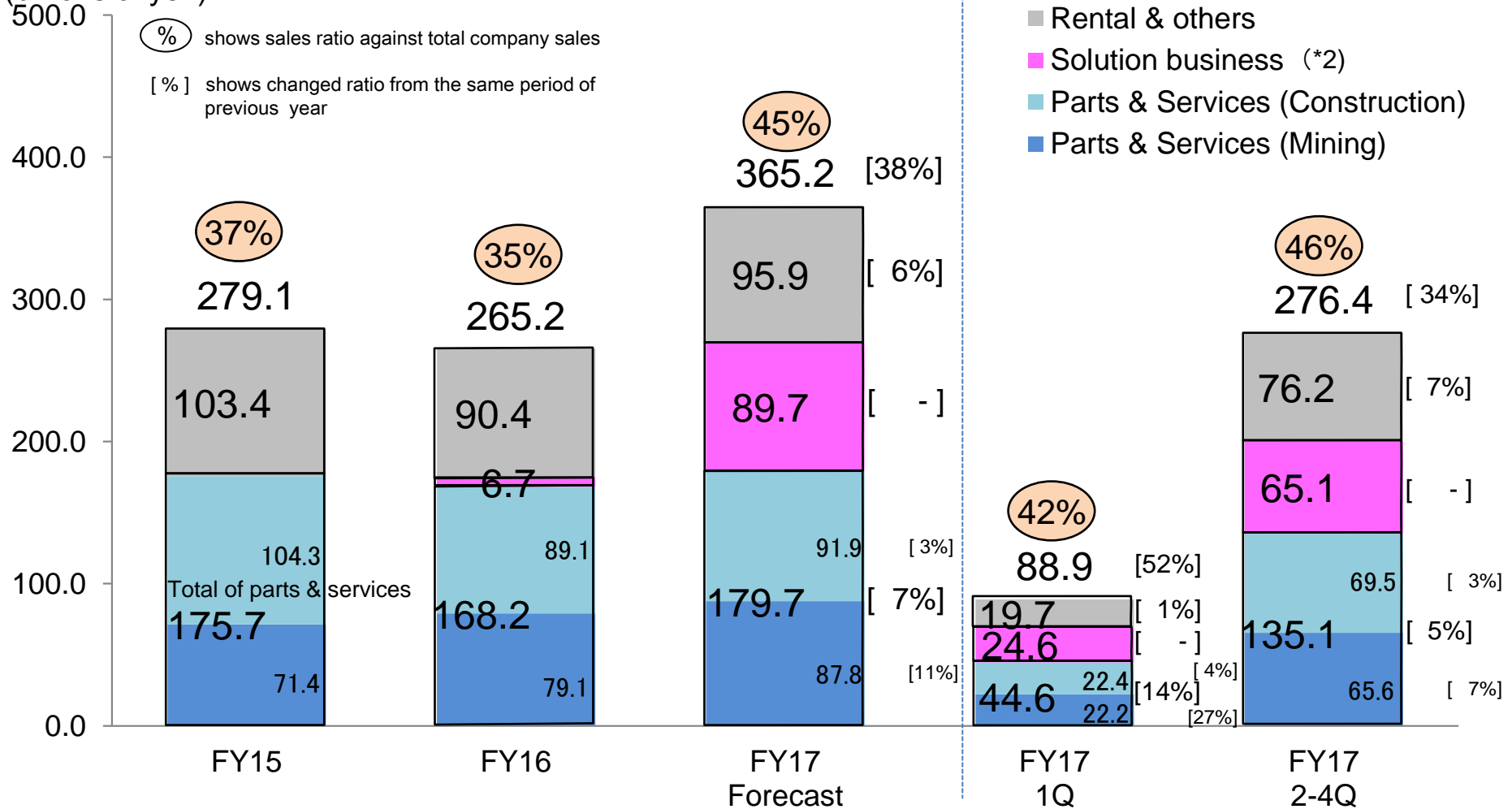
(billions of yen)

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



- HCM forecasts a large increase in FY2017 sales of value chain business by 38% compared to FY2016 due to the increase in the sales of parts and service and solution business, which is composed of H-E Parts group companies and Bradken group companies. Also, ratio in total sales is to increase by 10% year on year.

(billions of yen)



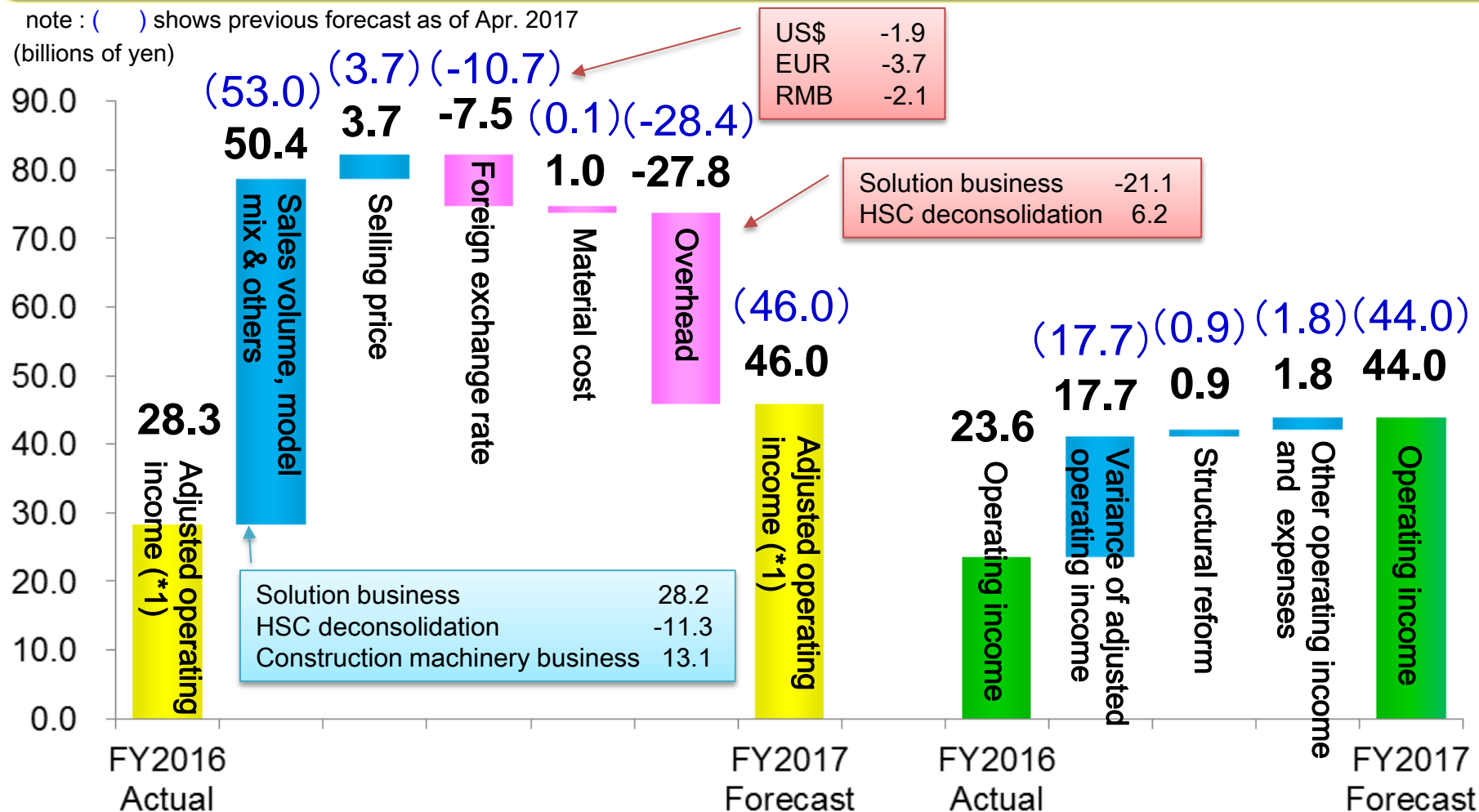
(\*1) Value chain: Total of parts & service, solution business, rental etc. other than new machine sales.

(\*2) Solution business: Primarily intend to manufacture and sell aftermarket parts, and provide services are not included in the construction machinery business segment.

- HCM forecasts FY2017 adjusted operating income to increase by 17.7 billion yen compared to FY2016 due to the consolidation of H-E Parts group companies and Bradken group companies, as well as sales volume increase in hydraulic excavators, while it is negatively influenced by the appreciation of the Japanese yen.

note : ( ) shows previous forecast as of Apr. 2017

(billions of yen)



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

### [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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 **Hitachi Construction Machinery Co., Ltd**  
Public Relations Strategy office





# <Appendix 1> Detail of mining revenue

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(billions of yen)

		FY16 Actual			FY17 Forecast			Change from FY16		
		1Q	2-4Q	Year	1Q	2-4Q	Year	1Q	2-4Q	Year
America	Excavator	3.1	7.0	10.1	3.0	7.7	10.7	-0.1	0.7	0.6
	Dump Truck	1.0	5.0	6.0	1.8	5.2	6.9	0.8	0.1	0.9
	Total	4.1	12.0	16.1	4.8	12.8	17.7	0.7	0.9	1.5
Europe, Africa and Middle East	Excavator	2.5	12.8	15.3	3.4	13.9	17.3	0.9	1.1	2.0
	Dump Truck	4.4	14.3	18.6	3.0	13.3	16.3	-1.4	-1.0	-2.4
	Total	6.9	27.0	33.9	6.4	27.2	33.5	-0.5	0.1	-0.4
Asia & Oceania	Excavator	11.9	35.2	47.1	11.4	43.0	54.4	-0.5	7.8	7.2
	Dump Truck	2.4	18.7	21.1	3.9	15.2	19.1	1.5	-3.5	-2.0
	Total	14.4	53.9	68.3	15.3	58.2	73.5	1.0	4.3	5.2
China	Excavator	0.4	0.8	1.2	0.3	1.0	1.3	-0.1	0.3	0.2
	Dump Truck	0.1	0.1	0.2	0.0	0.1	0.2	-0.1	0.0	-0.1
	Total	0.5	0.9	1.4	0.3	1.1	1.5	-0.2	0.3	0.1
Japan	Excavator	0.5	0.6	1.1	0.3	0.8	1.2	-0.2	0.2	0.0
	Dump Truck	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total	0.5	0.6	1.1	0.3	0.8	1.2	-0.2	0.2	0.0
Total	Excavator	18.5	56.3	74.8	18.5	66.4	84.8	-0.1	10.1	10.0
	Dump Truck	7.9	38.1	46.0	8.7	33.8	42.5	0.8	-4.4	-3.5
	Total	26.4	94.4	120.8	27.2	100.2	127.3	0.8	5.7	6.5

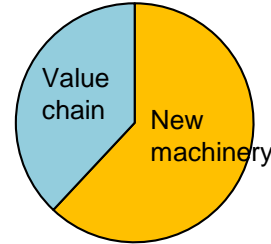
# <Appendix 2> Deepening Value Chain

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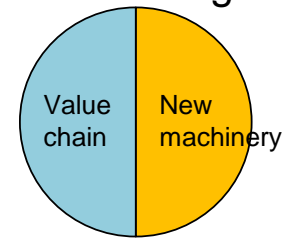
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## Value chain business ratio

Current



FY2019 target



### Other product group

- ✓ Backhoe loader
- ✓ Skid-steer loader
- ✓ Bulldozer
- ✓ Crawler crane

### Main products



Products

Marketing

R&D

Production

Procurement

Logistics

New machinery

Finance

Rental

Used machinery

Service

Parts

Parts recycling

Customer interests: Safety and productivity improvement, reduction of life cycle cost

Value chain