



October 3, 2016

**To whom it may concern:**

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**Notice on Execution of Agreement with Regard to Acquisition of Share in Australian Corporation “Bradken Limited” and Scheduled Commencement of Share Takeover Offer for the Acquisition**

Hitachi Construction Machinery Co., Ltd. (the “**Company**”) hereby announces that today it has decided to implement a takeover offer (the “**Takeover Offer**”) for all issued shares of common stock in Bradken Limited, which conducts metal casting and operates manufacture and distribution services for metal casting products (Australian Stock Exchange: BKN; Head office: Newcastle, Australia; Chairman: Phillip Arnall; “**Bradken**”). The Company and Bradken have executed a “Bid Implementation Agreement” related to the implementation of the Takeover Offer as follows.

The Takeover Offer is an amicable one, and the approval of Bradken’s board of directors has been obtained in relation to the Takeover Offer (subject to an independent expert concluding that the Takeover Offer is fair and reasonable and there being no superior offer).

The Company will make a public announcement in Australia regarding the Takeover Offer in accordance with Australian takeover offer regulations. The Takeover Offer does not fall under a takeover offer provided for under Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

**Details**

**1. Purpose of the Acquisition and Takeover Offer**

Demand for construction machinery and mining machinery has decelerated in China, Indonesia, the CIS, and other emerging countries and has stagnated in advanced countries,

and the market climate continues to be austere. Faced with these conditions, the Company has promoted its “GROW TOGETHER 2016” Mid-term Management Plan and proactively sought to streamline management, including through establishing a global support framework, in order to flexibly adapt to changes in the operating environment.

In the future, the Company intends to pursue growth through alliances and acquisitions in its core business of manufacturing and distributing construction and mining equipment, together with the associated value chains. This will be combined with an ongoing focus on streamlining operations.

Bradken’s business is wide-ranging across the value chain globally. Its operations include a mining equipment business, a business for wear parts in mining, and a maintenance service business, as well as a manufacturing business of industrial products for mining and infrastructure. The Company believes that the acquisition of Bradken will complement and bolster the parts service business in the Company’s mining business and expects further improvement in business income stability and profitability through mutual utilization of a global network.

## **2. Management Policy After Acquisition**

After the acquisition, the Company will utilize Bradken’s management independence to maintain and develop Bradken’s brand and its existing framework of manufacture and distribution. The Company will continue to push through the structural reforms currently promoted by Bradken as planned and will endeavor to improve rates of return for individual businesses.

## **3. Outline of the Takeover Offer**

### **(1) Takeover offer period (scheduled)**

The Takeover Offer is scheduled to commence in middle to late October 2016. The takeover offer period is scheduled to continue for six weeks from the commencement (the “**Takeover Offer Period**”).

If the conditions of the acquisition are not satisfied, the Company may extend the Takeover Offer period, so long as it does not exceed a period of six months from the commencement.

### **(2) Class of share certificates, etc. to be purchased**

Common shares

### **(3) Takeover offer price**

AUD 3.25 per common share

Note: The offer price was determined through negotiations with Bradken by reference to advice from external advisers, comprehensively taking into account a range of factors such as Bradken’s business results and the potential value of its technology.

(4) Funds required for takeover offer

Approximately AUD 689 million

The amount necessary for conducting payment related to the purchase of all issued shares in Bradken (on a fully diluted basis\*) is stated above. The Company intends that funds for making the acquisition will be procured from funds on hand and bank loans.

\* Calculated based on inclusion of common shares issued as a result of (a) exercise of rights under the Share Rights Plan for officers and employees of the Bradken group for the acquisition of the shares in Bradken and (b) exercise of conversion rights of Redeemable Preference Shares.

(5) Conditions of takeover offer

The Takeover Offer will be conducted on the conditions that more than 50% of the total amount of issued shares in Bradken (on a fully diluted basis) are tendered, that clearance is obtained from competition law authorities in each of Australia, the USA, and Canada and the Foreign Investment Review Board of Australia, and that other requirements ordinarily stipulated for similar transactions are satisfied. Procurement of funds is not a condition for the completion of the Takeover Offer.

**4. Minimum number of shares to be acquired**

The Company will consummate the Takeover Offer if more than 50% of the total amount of the shares in Bradken (on a fully diluted basis) are tendered.

**5. Change in Number of the Shares in Bradken Held by the Company Due to the Takeover Offer**

Ratio of the shares held before the Takeover Offer: 0%

Ratio of the shares held after the Takeover Offer: 100%\*

\* Based on the assumption that the Company purchases 100% of the shares in Bradken (on a fully diluted basis)

**6. Outline of the Target Company**

(1) Name	Bradken Limited
(2) Address	20 McIntosh Drive, Mayfield West, New South Wales, 2304, Australia
(3) Representative's name and title	Phillip Arnall, Chairman
(4) Description of business	Metal casting and manufacture and distribution services for metal casting products
(5) Stated capital	AUD 549,671 thousand (as of June 30, 2016)

(6) Year of establishment	1922
(7) Major shareholders and shareholding ratios	Litespeed Master Fund Ltd.: 12.9% Paradice Investment Management Pty. Ltd.: 7.8% Delta Partners, LP: 5.4%
(8) Total number of issued shares*	211,848,761 shares (as of 30 September, 2016)
(9) Relationship between listed company and target company	
Capital relationship	The listed company and the target company do not have any capital relationship that requires stating.
Personnel relationship	The listed company and the target company do not have any personnel relationship that requires stating.
Business relationship	The listed company and the target company do not have any business relationship that requires stating.
Status as related party	The target company is not a related party of the listed company.

\* Note: On a fully diluted basis.

#### 7. Business Performance for Most Recent Business Years (Unit: Millions of AUD)

Accounting period	Business year ending June 2014	Business year ending June 2015	Business year ending June 2016
Sales	1,138	968	821
EBITDA (adjusted)*	173	136	108
EBITDA (unadjusted)	143	110	49
Net income (unadjusted)	21	(241)	(196)
Total assets	1,530	1,524	1,053
Net assets	730	539	336

\* Note: Impairment and restructuring expenses are excluded.

#### 8. Schedule

Middle to late October 2016: commencement of the Takeover Offer (scheduled)

Early to middle December 2016: expiration of the Takeover Offer Period (scheduled)

#### 9. Future Outlook

We will make an announcement in a timely manner once the result of the Takeover Offer becomes clear. Bradken will become a consolidated subsidiary of the Company if the Takeover Offer is successfully completed. The Company will promptly disclose details regarding the effect of these events on the Company's consolidated business performance in accordance with the status of progress with the acquisition.

End.