

Notice regarding merger of consolidated subsidiary (simple/short-form merger)

Tokyo, Japan December 25, 2018 ---- At the Board of Directors Meeting held on December 25, 2018, Hitachi Construction Machinery Co., Ltd. (TSE: 6305; "HCM") agreed to implement an absorption-type merger ("MERGER") of KCM Corporation ("KCM"), which is a full subsidiary, on April 1, 2019, as part of the restructuring of the main domestic bases of the HCM Group to strengthen global competitiveness. Since MERGER is an absorption-type merger of a wholly-owned subsidiary, disclosures contained herein omits certain matters and details.

1. Purpose of MERGER

There is currently vigorous demand in the construction machinery industry, both in the strong domestic market and in major overseas markets. In this environment surrounding HCM, competition on a global scale is becoming more intense, making an optimal production system an urgent necessity. Under these circumstances, the HCM Group has decided to implement MERGER of KCM as a result of numerous fundamental examinations of optimal development and production systems, for the purpose of establishing unification of the R&D department and a consistent production system of everything from parts to completed products within FY2022, in order to strengthen global competitiveness as announced on September 27, 2018.

2. Summary of MERGER

(1) Schedule of MERGER

Date of decision approved by the Board of Directors at HCM and KCM: December 25, 2018

Conclusion date of merger agreement: December 25, 2018

Effective date: April 1, 2019(scheduled)

MERGER is deemed to be a simple merger pursuant to Article 796, Paragraph 2 of the Companies Act of Japan, and it is deemed to be a short-form merger pursuant to Article 784, Paragraph 1 of the Companies Act of Japan. As such, HCM and KCM will not hold shareholders' meetings to obtain approval for MERGER.

(2) Form of MERGER

An absorption-type merger method shall be employed with HCM as the surviving company, and KCM as the merged company to be dissolved.

(3) Details of Allocation under MERGER

HCM will not allot shares or other assets to KCM as consideration for MERGER.

(4) Treatment of Share Options and Bonds with Share Options of the Absorbed Company in Conjunction with MERGER

KCM has not issued any stock acquisition rights or bonds with stock acquisition rights.

3. Profiles of the Parties of the Merger (As of March 31, 2018)

	Surviving Company	Absorbed company
(1) Corporate name	Hitachi Construction Machinery Co., Ltd.	KCM Corporation
(2) Address	16-1 Higashiueno 2-choume, Taito-ku, Tokyo	2680 Oka, Inami-cho, Kako-gun, Hyogo
(3) Name and position of the representative	Kotaro Hirano President, Executive Officer	Shoji Iino President, Director
(4) Business	Manufacturing, sales and service of construction machinery	Design, manufacturing, sales and rentals of construction machinery
(5) Capital	Millions of yen 81,577	Millions of yen 1,500
(6) Date of establishment	October 1, 1970	January 5, 2009
(7) Number of Shares Issued	215,115,038	4,049
(8) Fiscal Year-end	March 31	March 31
(9) Major shareholders and shareholding ratio	Hitachi, Ltd. 50.8%	Hitachi Construction Machinery Co., Ltd. 100.0%

	Surviving Company	Absorbed company
(10) Business results and financial conditions for the last fiscal year		
Fiscal Year-end*1	March 2018(Consolidated)	March 2018(Non-consolidated)
Total equity attributable to owners of the parent (Net assets)	Millions of yen 448,502	Millions of yen 4,418
Total assets (Total assets)	Millions of yen 1,089,796	Millions of yen 25,236
Equity per share attributable to owners of the parent (Net assets per share)	Yen 2,109.04	Yen 1,091,334.34
Revenue (Net sales)	Millions of yen 959,153	Millions of yen 57,391
Adjusted Operating income*2 (Operating income)	Millions of yen 93,582	Millions of yen 879
Income before income taxes(Income before income taxes)	Millions of yen 95,612	Millions of yen 1,405
Net income attributable to owners of the parent (Net income)	Millions of yen 60,004	Millions of yen 1,209
Net income attributable to owners of the Parent per share (basic) (Net income per share)	Yen 282.16	Yen 298,633.04

*1. Consolidated financial statement is adopted to the International Financial Reporting Standards (IFRS). Non-consolidated one is adopted to Japanese GAAP and its title is described within ().

*2. "Adjusted operating income" is calculated by excluding "Other income" and "Other expenses" from "Operating Income" listed in Consolidated Statements of Income. "Adjusted operating income" is Hitachi group's common profit index to show actual business conditions excluding impact of business restructuring.

4. Situation following MERGER

There will be no changes to HCM's company name, location, name and title of representative, business, stated capital and book-closing date in line with MERGER.

5. Impact on Financial Results

Since MERGER involves a consolidated subsidiary that is 100% owned by HCM, MERGER will have no impact on HCM's consolidated financial results.

(Reference)

Consolidated earnings forecast for the full year ending March 31, 2019 (Published on October 25, 2018)

	Revenue	Adjusted Operating income*	Operating income	Income before income taxes	Net income attributable to owners of the parent	Net income attributable to owners of the parent per share
Consolidated earnings forecast (March 31, 2019)	Millions of yen 980,000	Millions of yen 91,000	Millions of yen 86,000	Millions of yen 84,000	Millions of yen 51,000	Yen 239.82

* "Adjusted operating income" is calculated by excluding "Other income" and "Other expenses" from "Operating Income" listed in Consolidated Statements of Income. "Adjusted operating income" is Hitachi group's common profit index to show actual business conditions excluding impact of business restructuring.

About Hitachi Construction Machinery Co., Ltd.

Hitachi, Construction Machinery Co., Ltd., (TSE: 6305), headquartered in Tokyo, Japan, is a global Construction Machinery company with approximately 20,000 employees worldwide. Fiscal 2017 (ended March 31, 2018) consolidated revenues totaled 959 billion yen. Hitachi Construction Machinery will focus more than ever on the Construction and Mining Machinery Business, which includes Hydraulic Excavators, Wheel Loaders, Rigid Dump Trucks, Compaction Equipment, Applications and Mine Management Systems. For more information on Hitachi Construction Machinery, please visit the company's website at <https://www.hitachicm.com/global//>.

#

Information contained in this news release is current as of the date of the press announcement, but may be subject to change without prior notice.
