

# **Business Results for FY2018 (April 1,2018-March 31,2019)**

April 24, 2019

**Tetsuo Katsurayama**

Senior Vice President, Executive Officer  
CFO

 **Hitachi Construction Machinery Co., Ltd.**

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# Summary of consolidated results

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- Revenue increased by 8% to 1,033.7 billion yen compared to the previous year due to the increase in sales volume.
- Adjusted operating income and net income attributable to the owners of the parent were the record highest level ever.

note: < > shows previous forecast as of Jan 2019

(billions of yen)

		FY2018 Actual		FY2017 Actual		change
	<1,000.0>					
Revenue			1,033.7	959.2		8%
Adjusted operating income *1	<100.0>	(11.3%)	116.8	(9.8%)	93.6	25%
Operating income	<94.0>	(9.9%)	102.3	(10.0%)	95.7	7%
Income before income taxes	<92.0>	(9.9%)	102.7	(10.0%)	95.6	7%
Net income attributable to owners of the parent	<58.0>	(6.6%)	68.5	(6.3%)	60.0	14%
EBIT *2	<94.9>	(10.2%)	105.6	(10.2%)	98.1	8%
FX rate	Rate (YEN/US\$)	<107.9>	111.0	110.9		0.1
	Rate (YEN/EURO)	<126.6>	127.9	130.1		-2.2
	Rate (YEN/RMB)	<16.2>	16.6	16.8		-0.2
	Rate (YEN/AU\$)	<81.0>	80.9	85.7		-4.8
Cash dividend per share (yen) *3	<TBD>		100	85		15

\*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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- For FY2018, we recorded ¥1,033.7 billion (8% year-on-year increase) in terms of sales revenue and ¥116.8 billion (25% year-on-year increase) in adjusted operating income, and the margin was 11.3%. Operating income was ¥102.3 billion.

- Net income attributable to owners of the parent was ¥68.5 billion, a 14% increase year-on-year.

- We recorded the highest ever sales revenue, adjusted operating income, and current year's net income attributable to owners of the parent.

- The currency exchange rates of FY2018 were, as shown, 10 sen weaker yen to U.S. dollar, 2 yen 20 sen stronger yen to Euro, 20 sen stronger yen to Yuan, and 4 yen 80 sen stronger yen to Australian dollar.

- In today's board meeting we also resolved to discuss an annual dividend for FY2018 of ¥100 at the board meeting in May.

## Revenue by geographic region (consolidated) ② HITACHI

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- Revenue for FY2018 increased in all regions except for in the Middle East and China, excluding the impact of foreign exchange.
- Total revenue increased by 74.6 billion yen compared to the previous year. The factors were the strong appreciation of the yen resulting in -27 billion yen and an increase in sales volume of 101.6 billion yen.

(billions of yen)

	FY2018 Actual		FY2017 Actual		change	
	amount	%	amount	%	amount	%
Japan	206.1	20%	193.2	20%	12.9	7%
Asia	88.5	9%	75.4	8%	13.1	17%
India	67.9	7%	65.1	7%	2.9	4%
Oceania	163.9	16%	151.9	16%	12.0	8%
Europe	111.6	11%	104.2	11%	7.5	7%
N.America	168.7	16%	136.3	14%	32.3	24%
L.America	17.1	2%	16.1	2%	1.0	6%
Russia-CIS	34.4	3%	27.4	3%	7.0	26%
M.East	11.8	1%	23.1	2%	-11.4	-49%
Africa	43.8	4%	44.8	5%	-1.0	-2%
China	119.9	12%	121.6	13%	-1.7	-1%
Total	1,033.7	100%	959.2	100%	74.6	8%

Overseas ratio

80%

80%

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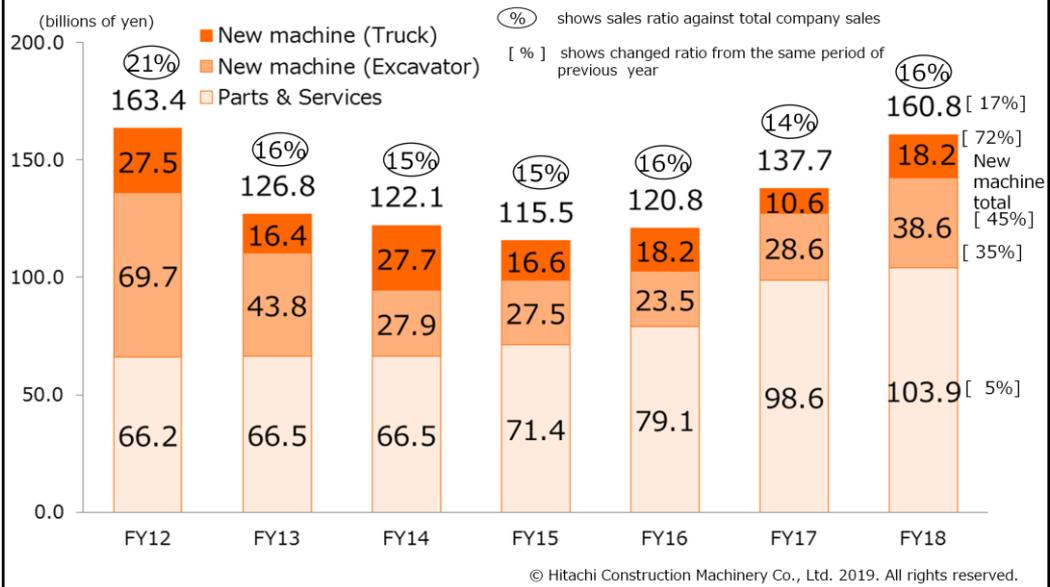
- All regions except for China and the Middle East experienced an increase in the FY2018 revenue, excluding the stronger yen effect of the currency exchange rates.

In particular, the sales revenues in Japan, Asia, Oceania, and North America increased by over ¥10 billion year-on-year, respectively.

- The increase in the total FY2018 sales revenue was ¥74.6 billion, an 8% increase; however, since this counts in the decrease of ¥27 billion due to stronger yen in currency exchange rates, the increase in revenue was ¥101.6 billion aside from the influence of the stronger yen.

# Mining revenue

■ Revenue of mining in FY2018 increased by 17% to 160.8 billion yen year on year.  
 ■ In particular, revenue of trucks (new machine) dramatically increased by 72%.



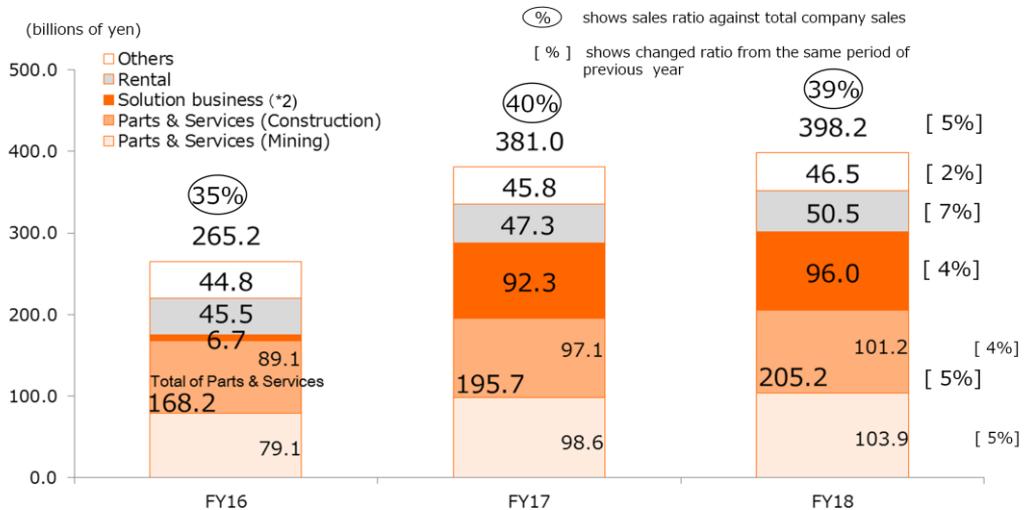
- The mining-related sales revenue for FY2018 was ¥160.8 billion, as shown in the rightmost bar graph, and increased by 17% year-on-year despite the stronger yen effect of the currency exchange rates.

- In particular, the sales of new machines showed a significant increase year-on-year: 72% increase in trucks and 35% increase in excavators, with a total of a 45% increase in mining machineries.

- In addition, the parts and service business for mining maintained a steady performance: a 5% year-on-year increase to ¥103.9 billion.

# Value chain revenue <sup>(\*1)</sup>

■ Revenue of the value chain business in FY2018 increased by 5% or 17.2 billion yen year on year.



(\*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.

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- The value chain sales of FY2018 totaled ¥398.2 billion, which is a 5% increase year-on-year.

- Parts and service business, solution business, and rental all showed a steady increase year-on-year, 5%, 4%, and 7%, respectively.

# Comparison of consolidated profit & loss

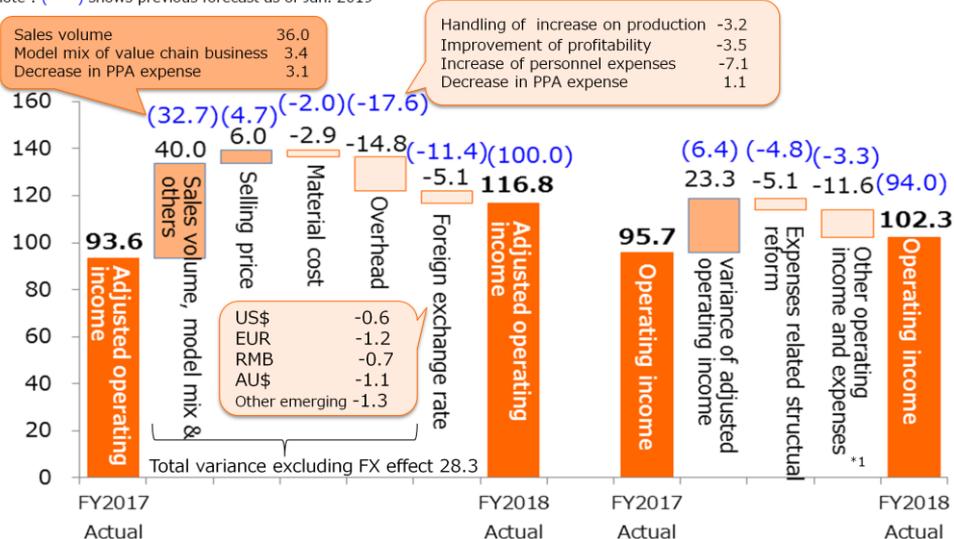
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■ Adjusted operating income increased by 23.3 billion yen year on year mainly due to an increased sales volume and selling price.

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



\*1 Other operating income and expenses :FY18 includes 8.8 billion yen of

provision to the excess in payment of value added tax in China.

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- The adjusted operating income of FY2018 was ¥116.8 billion, which is an increase of ¥23.3 billion compared with that of FY2017. This is due to the increase in sales volume, an improvement in selling prices in Europe and the Americas, India and Indonesia, the increase in materials cost and overhead cost, and the stronger yen effect in currency exchange rates for Euro and emerging economies' currencies.

- As for other incomes and expenditures, the structural reform-related expenses showed an increase of ¥5.1 billion over the previous year, which was primarily due to the integration and abolishment of factories to improve Bradken's management efficiency.

- The increase of ¥11.6 billion in operating cost includes the expenditure of ¥8.8 billion to deal with the problem of collecting the extra tax from excess payment for previous years in China.

# Consolidated statement of income

■ Net income attributable to the owners of the parent increased by 14% to 68.5 billion yen compared to the previous year.

(billions of yen)

	FY2018		FY2017		change	
	Actual		Actual		amount	%
Revenue	1,033.7		959.2		74.6	8%
Cost of Sales	(71.2%) 735.5		(72.5%) 695.3		40.2	6%
SGA expenses	(17.5%) 181.4		(17.8%) 170.3		11.1	7%
Adjusted operating income *1	(11.3%) 116.8		(9.8%) 93.6		23.3	25%
Other Income/expenses	-14.5		2.2		-16.7	-
Operating income	(9.9%) 102.3		(10.0%) 95.7		6.6	7%
Financial income/expenses	-4.3		-4.5		0.2	-4%
Share of profits of investments accounted for using the equity method	4.7		4.4		0.4	8%
Income before income taxes	(9.9%) 102.7		(10.0%) 95.6		7.1	7%
Income taxes	28.5		26.4		2.1	8%
Net income	(7.2%) 74.2		(7.2%) 69.2		5.0	7%
Net income attributable to owners of the parent	(6.6%) 68.5		(6.3%) 60.0		8.5	14%
Comprehensive income	61.9		67.7		-5.8	-9%

\*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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- The financial results for FY2018 recorded a minus ¥4.3 billion, which is mostly the same as the previous year.

- However, the equity in earnings of affiliates was ¥4.7 billion, keeping steady thanks to Deere-Hitachi, our North American joint venture, alongside ¥68.5 billion in income attributable to our parent company shareholders, which is ¥8.5 billion more than that from the previous year, recording a 14% increase.

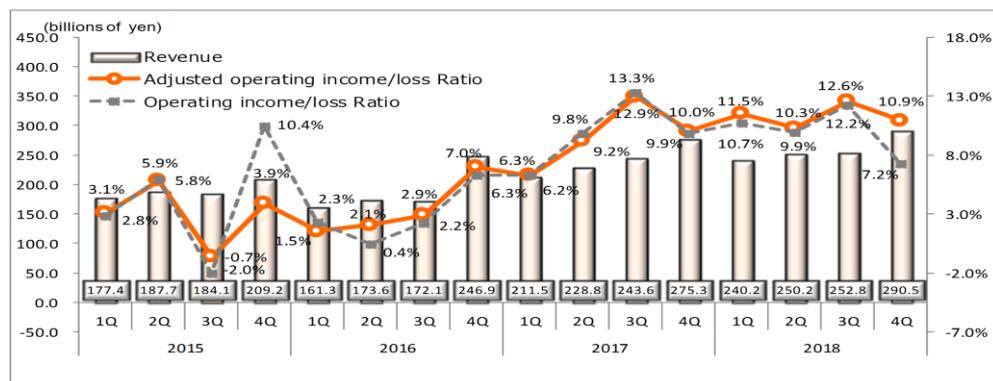
## Summary of quarterly consolidated revenue and operating income/loss (ratio)

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(billions of yen)

	2015				2016				2017				2018			
	1Q	2Q	3Q	4Q												
Revenue	177.4	187.7	184.1	209.2	161.3	173.6	172.1	246.9	211.5	228.8	243.6	275.3	240.2	250.2	252.8	290.5
Adjusted operating income/loss	5.5	11.0	-1.2	8.1	2.4	3.6	5.0	17.3	13.2	21.0	31.5	27.5	27.6	25.8	31.8	31.7
Operating income/loss	4.9	11.1	-3.8	21.8	3.7	0.7	3.8	15.5	13.4	22.5	32.4	27.1	25.7	24.8	30.8	21.0



FX rate	2015				2016				2017				2018			
	1Q	2Q	3Q	4Q												
Rate (YEN/US\$)	121.4	122.2	121.5	115.5	108.1	102.4	109.3	113.6	111.1	111.0	113.0	108.3	109.1	111.5	112.9	110.2
Rate (YEN/EURO)	134.2	136.0	133.0	127.2	122.0	114.3	117.8	121.1	122.2	130.4	133.0	133.2	130.1	129.6	128.8	125.2
Rate (YEN/RMB)	19.6	19.3	18.9	17.6	16.5	15.4	16.0	16.6	16.2	16.6	17.1	17.1	17.1	16.4	16.3	16.3
Rate (YEN/AU\$)	94.4	88.8	87.4	83.2	80.6	77.6	81.9	86.2	83.4	87.6	86.8	85.3	82.6	81.5	81.1	78.5

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- During the three months of the 4th quarter of FY2018, we recorded ¥290.5 billion and ¥31.7 billion in adjusted operating income, turning out an adjusted operating income margin of 10.9%.

- The changes in the adjusted operating income margin are shown as the bold line in the line graph. We have turned out over-10% adjusted operating income margin for six consecutive quarters since the 3rd quarter in FY2017.

# Consolidated statement of financial position

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- Trade receivables including non-current increased by 21.6 billion yen compared to the previous fiscal year-end due to the increased revenues.
- Inventories increased by 69.2 billion yen compared to the previous fiscal year-end.

(billions of yen)

	(A)	(B)	(A)-(B)		(D)	(E)	(D)-(E)
	Mar '2019	Mar '2018	change		Mar '2019	Mar '2018	change
Cash and cash equivalents	67.3	81.9	-14.6	Trade and other payables	275.8	287.1	-11.3
Trade receivables	238.2	219.6	18.6	Bonds and borrowings	304.8	230.7	74.1
Inventories	324.8	255.6	69.2	Total current liabilities	642.6	584.8	57.8
Total current assets	673.9	597.8	76.1	(Equity attributable to owners of the parent ratio)	(41.0%)	(41.2%)	(-0.1%)
Total non-current assets	511.4	492.0	19.4	Total equity	542.7	505.0	37.6
Total assets	1,185.3	1,089.8	95.5	Total liabilities and equity	1,185.3	1,089.8	95.5
Trade receivables incl. non-current	282.6	261.0	21.6				
Inventories by products							
Unit	89.3	56.7	32.6	Interest-bearing debt	(25.7%)	(21.2%)	(4.6%)
Parts	102.2	93.5	8.7	Cash and Cash equivalents	67.3	81.9	-14.6
Raw materials, WIP and etc	133.3	105.5	27.9	Net interest-bearing debt	(20.0%)	(13.6%)	(6.4%)
Total inventories	324.8	255.6	69.2	Debt	237.5	148.7	88.7
On hand days(divided by net sales)			(Days)				
Trade receivables	100	99	1	Net D/E Ratio	0.49	0.33	0.16
Inventories	115	97	18				
Trade payables	57	71	-14				
Net working capital	155	125	30				

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- The total assets at the end of March 2019 are ¥1,185.3 billion, as shown in Column A in Debit, an increase of ¥95.5 billion from the end of the fiscal year ended in March 2018. Out of which operating receivables, including non-current assets, account for ¥282.6 billion, an increase of ¥21.6 billion over the end of previous year.

- The inventory was ¥324.8 billion, an increase of ¥69.2 billion over the end of previous year. This includes the increased inventory of mining machinery to be delivered in FY2019, but is also a result of uncompromising pricing and sales conditions even during the Chinese New Year selling season.

- The number of days of operating receivables on hand was 100 days, mostly the same as that from the end of the previous fiscal year, but the number of days of inventories on hand increased by 18 days to a total of 115 days.

- The number of days of operating payables on hand was 57 days, shorter by 14 days from the end of the previous year, due to earlier payment to domestic partners.

- Due to such increases in assets, our interest-bearing debt increased by ¥74.1 billion to ¥304.8 billion as shown in Column C in Credit, and we recorded a net DE ratio of 0.49.

- On the other hand, the total assets amounted to ¥542.7 billion, an increase of ¥37.6 billion from the end of the previous year, with the ownership ratio attributable to our parent company shareholders being 41.0%.

## Consolidated cash flow

■ Net cash provided by (used in) operating activities was a negative 25.7 billion yen due to the increase in inventories and the decrease in trade payables by the earlier payment to a particular supplier domestically.

(billions of yen)

	FY2018 Actual		FY2017 Actual		change	
Net income		74.2		69.2		5.0
Depreciation and amortization	111.1	37.0	107.1	37.8	4.1	-0.9
(Increase)decrease in trade/lease receivables		-26.2		-41.8		15.5
(Increase)decrease in inventories		-76.5		-24.7		-51.8
Increase(decrease) in trade payables	-121.3	-18.6	-13.1	53.3	-108.2	-71.9
Others, net		-15.5		-9.4		-6.1
Net cash provided by (used in) operating activities		-25.7		84.5		-110.2
Cash flow margin for operating activities		-2.5%		8.8%		-11.3%
Net cash provided by (used in) investing activities		-30.3		-37.6		7.2
Free cash flows		-56.0		47.0		-103.0
Net cash provided by (used in) financing activities		43.9		-30.5		74.4

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- The operating cash flow for FY2018 was an over-expenditure of ¥25.7 billion compared to the previous year due to the combination of exceeding expenditure of operating funds and increase in the payment of corporate taxes despite the increased profits for this term.

- While the investment cash flow for FY2018 decreased year-on-year, over-expenditure of ¥56 billion was also recorded for free cash flow.

## Summary of consolidated earnings forecast

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■ HCM forecasts a decrease in FY2019 consolidated revenue by 8% and adjusted operating income by 26%. Revenue will remain mostly unchanged and the adjusted operating income will increase year on year excluding the impact of the expected strong exchange rate of the yen.

(billions of yen)

	FY2019 Forecast		FY2018 Actual		change	
					amount	%
Revenue		950.0		1,033.7	-83.7	-8%
Adjusted operating income	(9.1%)	86.0	(11.3%)	116.8	-30.8	-26%
Operating income	(8.6%)	82.0	(9.9%)	102.3	-20.3	-20%
Income before income taxes	(8.4%)	80.0	(9.9%)	102.7	-22.7	-22%
Net income attributable to owners of the parent	(5.1%)	48.0	(6.6%)	68.5	-20.5	-30%
EBIT		83.5		105.6	-22.1	
Currency	FY2019 Forecast		FY2018 Actual		change	
Rate (YEN/US\$)		100.0		111.0	-11.0	
Rate (YEN/EURO)		110.0		127.9	-17.9	
Rate (YEN/RMB)		15.0		16.6	-1.6	
Rate (YEN/AU\$)		77.0		80.9	-3.9	
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.

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- Our business performance forecast for FY2019 takes into consideration the global trend of the hydraulic excavator demand.

- We forecast a sales revenue of ¥950 billion, an adjusted operating income of ¥86 billion, and the income for this year that is attributable to our parent company shareholders to be ¥48 billion.

- The currency exchange rates that we used for the estimations are the bottom of each currency's possible fluctuation range, taking into account the unclear prospects of the global economy.

- Specifically, we used the currency exchange rates: ¥100 for U.S. Dollar, ¥110 for Euro, ¥15 for Chinese Yuan, and ¥77 for Australian Dollar.

- In Reference 1, we also listed the foreign exchange sensitivity for each major currency that affects our sales revenue and adjusted operating income for your reference.

- Aside from the influence of the stronger yen in the currency exchange rates, our sales revenue is expected to stay at the same level as the previous year while our adjusted operating income is expected to increase.

■ HCM forecasts a decrease in FY2019 total revenue by 83.7 billion yen compared to the previous year due to the 82.8 billion yen of the negative impact of foreign exchange.

(billions of yen)

	FY2019 Forecast		FY2018 Actual		change	
	amount	%	amount	%	amount	%
Japan	210.6	22%	206.1	20%	4.5	2%
Asia	88.4	9%	88.5	9%	-0.1	-0%
India	66.7	7%	67.9	7%	-1.2	-2%
Oceania	146.7	15%	163.9	16%	*1 -17.2	*1 -10%
Europe	86.5	9%	111.6	11%	-25.1	-23%
N.America	164.0	17%	168.7	16%	-4.6	-3%
L.America	14.0	1%	17.1	2%	-3.1	-18%
Russia-CIS	33.3	4%	34.4	3%	-1.1	-3%
M.East	13.1	1%	11.8	1%	1.3	11%
Africa	30.3	3%	43.8	4%	-13.5	-31%
China	96.4	10%	119.9	12%	-23.6	-20%
Total	950.0	100%	1,033.7	100%	-83.7	-8%
Overseas ratio	78%		80%			

\*1 Includes the impact of the termination of the commercial truck and bus business other than construction machinery in New Zealand

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- The consolidated sales is a decrease of ¥83.7 billion year-on-year, of which ¥82.8 billion is due to the stronger yen effect in our expected currency exchange rates. Therefore, substantially, we are looking at similar figures to the previous year.

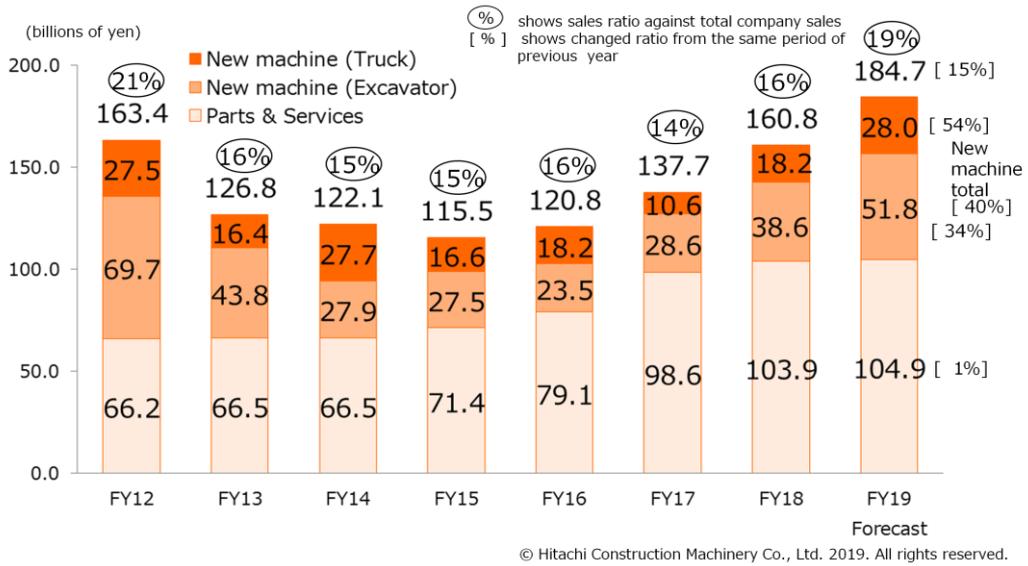
- Based on our expectation of a relatively steady performance in Japan, we are forecasting a 2 point decrease in the overseas sales revenue ratio, to 78%.

## Mining revenue forecast

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■ HCM forecasts an increase in FY2019 mining revenue by 15% to 184.7 billion yen year on year despite the expected strong appreciation of the yen.



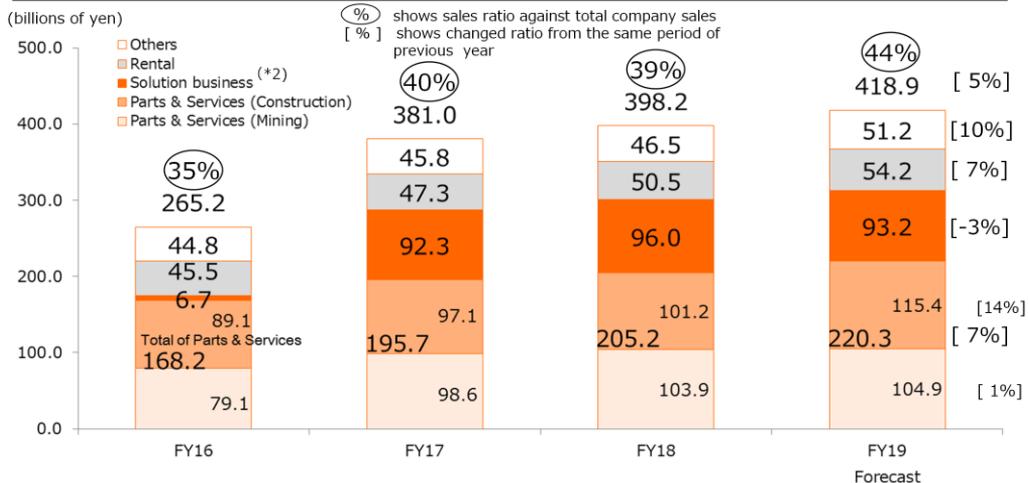
- We are receiving steady orders for over-300 ton ultra-large mining excavators and trucks. The mining-related sales revenue for FY2019 is expected to be ¥184.7 billion, a 15% year-on-year increase even with the stronger yen effect in expected currency exchange rates.

- The sales of mining machinery are showing a steady growth of 40% year-on-year increase. We are also expecting a 1% year-on-year increase in parts and service for mining even with the stronger yen effect in the expected currency exchange rates.

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

# Value chain revenue forecast <sup>(\*1)</sup>

■ HCM forecasts an increase in FY2019 sales of the value chain business by 5% 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, and aim for 44% of composition ratio with a 6% increase.



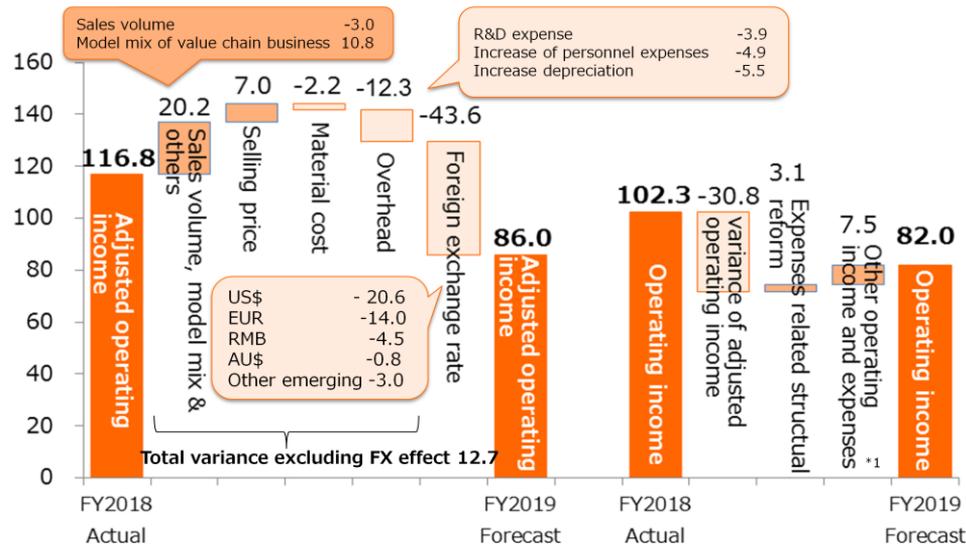
(\*1) Value chain: Total of Parts & services, Solution business, Rental etc. other than new machine sales.  
 (\*2) Solution business: The business segment primarily intends to provide development, production, distribution of parts and service solutions for mining facilities and equipment after the sales made that are not included in the construction machinery business segment.  
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- We forecast the value chain sales revenue for FY2019 to be ¥418.9 billion, a 5% year-on-year increase including the stronger yen effect in the expected currency exchange rates.

- We also expect a 7% increase in both parts and service business and rental business, contributing to a steady year-on-year increase in sales.

- We expect a 6 point increase in sales ratio, to 44%.

■ HCM forecasts FY2019 adjusted operating income will increase by 12.7 billion yen, excluding the expected strong appreciation of the yen due to an increase in the value chain business and an improvement of the selling price despite a decrease in the sales volume.



\*1 Other operating income and expenses :FY18 includes 8.8 billion yen of provision to the excess in payment of value added tax in China. © Hitachi Construction Machinery Co., Ltd. 2019. All rights reserved.

- The below is the reason why the adjusted operating income for FY2019 is going to be ¥86 billion, a decrease of ¥30.8 billion.

- As we have overviewed, we are expecting an increase in income of ¥12.7 billion for our business, where the increase in R&D expenditures, personnel costs, depreciation, and other overhead costs along with material costs are offset by raised selling prices and value chain composition differences.

- We are also expecting other operating incomes and expenses to stabilize during FY2019 compared to FY2018.

[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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The graphic features three icons at the top: a shield for '安全性向上' (Safety Improvement), a gear for '生産性向上' (Productivity Improvement), and a cycle for 'ライフサイクルコスト削減' (Lifecycle Cost Reduction). Below these is the title 'Solution Linkage' in a large font. Underneath the title are four boxes representing different solutions: 'AHSソリューション (自律走行システム)' with the AHS logo, '輸送管理ソリューション' with the Wenco logo, 'ICT施工ソリューション (I-Construction建設)' with the ICT logo, and 'サービスソリューション' with the ConSite logo. At the bottom of the graphic is a 'Global e-Service' button and a footer with 'One Hitachi', '日立建機', and 'オープンイノベーション'.

## <Appendix 1> 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 (1Q-4Q)		
	FY19 Forecast	FY18 Actual	Condition	Revenue	Adjusted operating income
US\$	100.0	111.0	Impact by 1 yen depreciation	2.4	2.0
EURO	110.0	127.9	Impact by 1 yen depreciation	0.7	0.8
RMB	15.0	16.6	Impact by 0.1 yen depreciation	0.6	0.3
AU\$	77.0	80.9	Impact by 1 yen depreciation	2.1	0.2

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## <Appendix 2> Detail of mining revenue

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(billions of yen)

		FY17 Actual(A)	FY18 Actual(B)	Change (B)-(A)	FY19 Forecast(C)	Change (C)-(B)
America	Excavator	13.6	14.6	0.9	14.1	-0.5
	Dump Truck	7.8	7.0	-0.7	7.0	-0.1
	Total	21.4	21.6	0.2	21.0	-0.6
Europe, Africa and Middle East	Excavator	18.2	24.8	6.5	26.8	2.0
	Dump Truck	15.9	17.0	1.1	21.4	4.4
	Total	34.1	41.8	7.7	48.2	6.4
Asia & Oceania	Excavator	58.7	63.8	5.1	77.9	14.1
	Dump Truck	21.1	31.5	10.4	33.3	1.8
	Total	79.8	95.3	15.5	111.2	15.9
China	Excavator	1.9	1.0	-0.9	1.3	0.3
	Dump Truck	0.1	0.1	0.1	0.1	-0.0
	Total	2.0	1.1	-0.9	1.4	0.3
Japan	Excavator	0.5	1.0	0.5	2.9	1.9
	Dump Truck	0.0	0.0	0.0	0.0	-0.0
	Total	0.5	1.0	0.5	2.9	1.8
Total	Excavator	92.9	105.1	12.1	122.9	17.9
	Dump Truck	44.8	55.7	10.9	61.7	6.0
	Total	137.7	160.8	23.0	184.7	23.9

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## <Appendix 3> Segment information

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■ The amortizations of PPA (amount of 1.2 billion yen in FY2018) are included in the adjusted operating income of the solution business.

(billions of yen)

<Actual> FY2018	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	937.7	96.8	-0.9	1,033.7
Adjusted operating income	11.8% 111.0	6.0% 5.9	-	11.3% 116.8

(billions of yen)

<Forecast> FY2019	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	856.8	93.2	-	950.0
Adjusted operating income	9.0% 77.2	9.5% 8.8	-	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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## <Appendix 4> 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)

	FY2015	FY2016	FY2017	FY2018	FY2019
	Actual	Actual	Actual	Actual	Forecast
Capital Expenditure	21.0	14.1	18.7	30.4	70.1
Assets held for operating lease	14.1	16.5	23.1	27.2	36.9
Total	35.2	30.7	41.8	57.6	107.0

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

	FY2015	FY2016	FY2017	FY2018	FY2019
	Actual	Actual	Actual	Actual	Forecast
Capital Expenditure	23.7	22.4	27.5	26.8	31.9
Assets held for operating lease	11.8	11.5	10.3	10.1	13.9
Total	35.4	34.0	37.8	37.0	45.9

### 3. R&D expenses (billion of yen)

	FY2015	FY2016	FY2017	FY2018	FY2019
	Actual	Actual	Actual	Actual	Forecast
Total of consolidation	18.8	19.3	24.6	24.8	28.7

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