

FAQ: Results for FY2015

Q1: Please tell us about the possible effects of foreign exchange fluctuations on operating income for FY2016.

A1: Structurally speaking, one Japanese yen will translate into JPY2.5 billion for the US dollar, JPY0.4 billion for euro, and JPY0.3 billion for the Australian dollar. With respect to renminbi, 0.1 Japanese yen will translate into JPY30 million. Practically speaking, however, these effects will be limited to a small number of cases for realization, because of inventory and other factors. In case of the US dollar, we believe the effect will stop around JPY0.6 billion.

Q2: Please update us on the mining equipment business.

A2: As major commodity prices have remained sluggish, we haven't seen any changes in major mining companies' stance on curtailing new capital investment. While there is a specified amount of renewal demand, we believe demand for equipment will slide one more level. In view of the fact that the production volume of minerals and the machine utilization rate are relatively stable, we believe sales of parts and service revenues should be steady as FY2015.

Q3: Please tell us about the current market condition and outlook for construction equipment in China.

A3: In FY2015, demand for seven major products drastically dropped by 36% from FY2014. In the fourth quarter of FY2015, demand upturned and registered 1% year-on-year growth. However, when the effects of pre-buys before new emission control regulations became effective are removed, demand still remains on a declining trend. The Chinese government will provide fiscal stimulus through government spending and other measures again in FY2016, but we believe it will take some more time for the recovery of demand for new equipment. At present, we are projecting that FY2016 demand will decline by 20% to 25% from FY2015.

Q4: Please explain the dividend policy and plan.

A4: With respect to cash dividend, in FY2015 we plan to pay JPY58 per share, including the interim dividend of JPY29, which translates into a consolidated payout ratio of 39.8%. In FY2016, we will raise the payout ratio by 10 points and set the goal of a consolidated payout ratio of 40% and no decrease of dividends, as long as the ratio does not surpass 60%. In FY2016, we plan to pay annual dividends of JPY58 per share, the same amount for FY2015, which should translates into a consolidated payout ratio of 59.4%.

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