Consolidated Financial Results for the Second Quarter Ended September 30, 2018 (IFRS)

October 25, 2018

Listed company: Hitachi Construction Machinery Co., Ltd. (HCM)
Stock exchange: Tokyo (first section) Code number: 6305
URL https://www.hitachicm.com/global/
Representative: Kotaro Hirano, President and Executive Officer
Scheduled date for submission of the Quarterly Securities Report: November 13, 2018
Scheduled date of commencement of payment of dividends: November 30, 2018
Supplementary materials to the financial statements have been prepared: Yes
Presentation will be held to explain the financial statements: Yes (for institutional investors, analysts and journalists)

1. Consolidated results for the second quarter ended September (April 1, 2018 to September 30, 2018)

(1) Consolidated results

(Rounded off to the nearest million)

	Revenue		Adjusted Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent		Comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2018	490,413	11.4	53,358	55.9	48,714	32.7	34,884	31.3	30,243	30.2	32,807	(13.8)
September 30, 2017	440,276	31.5	34,221	467.9	36,713	907.2	26,578	571.3	23,226	925.4	38,049	—

"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. "Operating income" for the second quarter ended September is as below.

September 30, 2018: ¥50,503 million YoY 40.7 % September 30, 2017: ¥35,898 million YoY 722.0%

Note. During the fiscal year ended March 31, 2018, the company finalized the provisional accounting treatment for business combinations. Numbers in September, 2017 results are reflected important revisions resulted from the completion of the provisional accounting treatment.

	Net income attributable to owners of the Parent per share (basic)	Net income attributable to owners of the Parent per share (diluted)
	Yen	Yen
September 30, 2018	142.22	142.22
September 30, 2017	109.22	109.22

References: Share of profits (losses) of investments accounted for using the equity method
September 30, 2018: ¥1,739million September 30, 2017: ¥2,197million

(2) Consolidated financial position

	Total assets	Total equity	Total equity attributable to owners of the parent	Equity attributable to owners of the parent ratio
	Millions of yen	Millions of yen	Millions of yen	%
September 30, 2018	1,124,563	525,258	466,725	41.5
March 31, 2018	1,089,796	505,030	448,502	41.2

2. Dividends status

	Cash dividends per share				
	First Quarter	Second Quarter	Third Quarter	Year end	Total
	Yen	Yen	Yen	Yen	Yen
March 31, 2018	—	36.00	—	49.00	85.00
March 31, 2019	—	43.00			
March 31, 2019 (Projection)			—	—	—

Year-end dividends for the fiscal year ending March 2019 are to be determined.
Note: Changes involving the dividend states for the fiscal year ending March 2019: None

(English translation of "KESSAN TANSHIN" originally issued in the Japanese language.)

3. Consolidated earnings forecast for the full year ending March 2019 (April 1, 2018 to March 31, 2019)

	Revenue		Adjusted Operating income		Income before income taxes		Net income attributable to owners of the parent		Net income attributable to owners of the parent per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
March 31, 2019	980,000	2.2	91,000	(2.8)	84,000	(12.1)	51,000	(15.0)	239.82

Notes: 1) The percentages indicated show changes from the same period of the previous fiscal year.
2) Changes in consolidated earnings forecast: Yes
"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. Cumulated "Operating income" for projected consolidated result ending March 2019 is as below.
March 31, 2019: ¥86,000million YoY (10.2) %

*Notes

(1) Important changes in the scope of the consolidation during period(changes involving specific subsidiaries accompanying changes in the scope of consolidation): None

(2) Changes in accounting policies; changes in accounting estimates

[1] Changes in accounting policies required by IFRS	Yes
[2] Changes in accounting policies other than those in [1]	None
[3] Changes in accounting estimates	None

(3) Number of outstanding shares (common shares)

[1] Number of outstanding shares (including treasury shares)

September	2018	215,115,038
March	2018	215,115,038

[2] Number of treasury shares

September	2018	2,459,276
March	2018	2,457,970

[3] Average number of common shares outstanding during the fiscal year (shares)

September	2018	212,656,472
September	2017	212,660,061

Indication of audit procedure implementation status

This earnings report is exempt from audit procedure.

Explanation on the appropriate use of results forecasts and other important items

Any forward-looking statements in the report, including results forecasts, are based on certain assumptions that were deemed rational as well as information currently available to the Company at this time. However, various factors could cause actual results to differ materially. Please refer to ''1. Management Performance and Financial Conditions, (3) Outlook for the Fiscal Year Ending March 2019'' of the attachment for conditions serving as assumptions for results forecasts.

Index of the Attachment

(English translation of “KESSAN TANSHIN” originally issued in the Japanese language.)

1. Management Performance and Financial Conditions
(1) Management Results

Note. During the fiscal year ended March 31, 2018, the company finalized the provisional accounting treatment for business combinations. Numbers in September, 2017 results are reflected important revisions resulted from the completion of the provisional accounting treatment.

The HCM Group launched a new mid-term management plan, "CONNECT TOGETHER 2019," in April 2017. We are promoting the development of "Solution Linkage" utilizing ICT and IoT to offer solutions to customer's challenges on safety, productivity, and life-cycle costs. And, to expand the source of revenue besides new machine sales in addition to the existing parts & service business, we are expanding the value chain (Parts & services, Solution business, Rental etc. other than new machine sales) by enhancing the parts & service business for mining machines and facilities provided by H-E Parts and Bradken, HCM's consolidated subsidiary which we acquired in FY2016, and by entry into the Rental business in North America through ACME. Additionally, as we announced in September 2018, we work to restructure the main domestic bases to strengthen technical capability and product development further to create a more efficient production system. At the same time, we are working to optimize capital investments and reduce fixed costs, establishing a high profit structure.

Consolidated revenue for this term (April 1, 2018 to September 30, 2018) increased by 11.4% year on year to ¥490,413 million due to increased sales of new machines mainly in the Americas, Asia and Oceania, China and Europe, as well as increased sales of the value chain business mainly from parts & services.
Adjusted operating income increased by 55.9% year on year to ¥53,358 million, operating income increased by 40.7% to ¥50,503 million, and net income attributable to the owners of the parent increased by 30.2% to ¥30,243million due to a decrease in the cost of sales and SGA, in addition to the contribution of parts & service business and mining business.

Business results by segment are described below.

1. Construction machinery business
Demand for hydraulic excavators increased globally year on year except in Japan, the Middle East, and Africa. We promoted enhancement of the parts & service business through a globally launched service called "ConSite," which assists customers in managing their machines comprehensively, as well as expansion of the parts supply network to improve the profit structure. We added the newly launched "ConSite OIL," the first service in the industry to predict problems of engines and hydraulic equipment by remotely inspecting the condition of its oil by oil sensors installed in each machine, as well as "ConSite Shot" which assists sales dealers in issuing inspection reports of machines at work sites and in making proposals, and "ConSite Pocket" which assists customers in confirming information instantly such as working data and emergency alerts in the case of failure via Smartphone, to the menus of "ConSite," to contribute to reducing customers' lifecycle costs. In the Amsterdam factory of Hitachi Construction Machinery Europe, we opened the ICT demonstration sites where customers can experience ICT construction. Also, we decided to introduce the ICT Hydraulic Excavators to the European market, which will be the first time in the overseas market, to strive to spread the ICT construction, in addition to the Japanese market.
As for mining machinery, demand grew year on year by the increased CAPEX of mining companies. We are focusing on expanding sales of the well-accepted AC-3 series rigid dump

trucks equipped with an advanced vehicle body stability-assist function, in addition to offering a fleet management system and aggressively developing an autonomous haulage system to optimize the mining operations that we promote jointly with Whitehaven Coal in Australia, by taking advantage of the Hitachi Group's strengths. Furthermore, we have been working to establish a highly controlled customer support system for higher customer satisfaction by proposing the replacements of main parts in a timely manner to enlarge revenue from parts & services.
Consolidated revenue of the construction machinery business for this term (April 1, 2018 to September 30, 2018) increased by 12.3% year on year to ¥442,088 million, and adjusted operating income increased by 47.0% to ¥50,586 million.

2. Solution business
This segment consists of H-E Parts and Bradken, which we acquired in FY2016. H-E Parts mainly provides services and solutions required for machinery and equipment for mining. Bradken supplies wear parts for fixed mining plants and mobile mining equipment, and also provides maintenance and servicing for them.
Consolidated revenue of the solution business for this term (April 1, 2018 to September 30, 2018) increased by 5.2% year on year to ¥49,047 million because of the steady contribution to its revenue from solutions for mining machines in the Americas, Europe, and Russia-CIS etc. Adjusted operating income increased to ¥2,772 million (Adjusted operating loss for the same period of the previous year was ¥199 million including PPA expense) and it includes expenses of amortization for intangible assets due to Purchase Price Allocation (PPA).

The above revenues of segments 1 and 2 are figures before inter-segment adjustment.

The following table summarizes the consolidated results for this term ended September 2018.

(Millions of yen)

	Current consolidated cumulative second quarter (April 1,2018- September 30, 2018) (A)	Previous consolidated cumulative second quarter (April 1,2017- September 30, 2017) (B)	Year-on-year change	
			(A)-(B)	(A)/(B)-1 (%)
Revenue	490,413	440,276	50,137	11.4
Adjusted operating income*	53,358	34,221	19,137	55.9
Operating income	50,503	35,898	14,605	40.7
Income before income taxes	48,714	36,713	12,001	32.7
Net income attributable to owners of the parent	30,243	23,226	7,017	30.2

(Rounded off to the nearest million)

* "Adjusted operating income" is the Hitachi Group's common profit index, calculated by excluding "Other income" and "Other expenses" from "Operating income."

The following table summarizes consolidated net revenue by geographic area.

	Current consolidated cumulative second quarter (April 1,2018- September 30, 2018)		Previous consolidated cumulative second quarter (April 1,2017- September 30, 2017)		Increase (Decrease)	
	Revenue (Millions of yen) (A)	Proportion (%)	Revenue (Millions of yen) (B)	Proportion (%)	Change (Millions of yen) (A)-(B)	% Change (%) (A)/(B)-1
North America	79,292	16.2	65,108	14.8	14,184	21.8
Central and South America	8,292	1.7	7,438	1.7	854	11.5
The Americas	87,584	17.9	72,546	16.5	15,038	20.7
Europe	53,298	10.9	49,274	11.2	4,024	8.2
Russia-CIS	15,010	3.1	11,884	2.7	3,126	26.3
Africa	19,603	4.0	21,333	4.8	(1,730)	(8.1)
Middle East	7,901	1.6	9,110	2.1	(1,209)	(13.3)
Russia-CIS, Africa, and the Middle East	42,514	8.7	42,327	9.6	187	0.4
Asia	39,552	8.1	34,752	7.9	4,800	13.8
India	31,903	6.5	27,220	6.2	4,683	17.2
Oceania	88,912	18.1	71,761	16.3	17,151	23.9
Asia and Oceania	160,367	32.7	133,733	30.4	26,634	19.9
China	56,916	11.6	48,268	11.0	8,648	17.9
Sub-total	400,679	81.7	346,148	78.6	54,531	15.8
Japan	89,734	18.3	94,128	21.4	(4,394)	(4.7)
Total	490,413	100.0	440,276	100.0	50,137	11.4

(Rounded off to the nearest million)

(2) Analysis of Financial Condition

[1] Status of Assets, Liabilities, and Net Assets

(a) Assets

Current assets at the end of the second quarter amounted to ¥629,324 million, an increase of 5.3%, or ¥31,495 million, from the previous fiscal year-end. This was due mainly to an increase of ¥47,401 million in inventories despite a decrease of ¥18,885 million in cash and cash equivalents. Non-current assets amounted to ¥495,239 million, an increase of 0.7%, or ¥3,272 million, from the previous fiscal year-end. This was due mainly to an increase of ¥2,947 million in intangible assets despite a decrease of ¥1,249 million in trade receivables.

As a result, total assets increased 3.2%, or ¥34,767 million, from the previous fiscal year-end to ¥1,124,563 million.

(b) Liabilities

Current liabilities amounted to ¥428,170 million, an increase of 16.9%, or ¥61,748 million, from the previous fiscal year-end. This was primarily due to an increase of ¥101,086 million in bonds and borrowings despite a decrease of ¥30,322 million in trade and other payables.

Non-current liabilities decreased by 21.6%, or ¥47,209 million, from the previous fiscal year-end to ¥171,135 million. This was mainly due to a decrease of ¥42,126 million in bonds and borrowings.

As a result, total liabilities increased by 2.5%, or ¥14,539 million, from the previous fiscal year-end to ¥599,305 million.

(c) Equity

Total equity increased by 4.0%, or ¥20,228 million, from the previous fiscal year-end to ¥525,258 million.

[2] Analysis of the Status of Consolidated Cash Flows

Cash and cash equivalents at the end of the second quarter totaled ¥63,044 million, a decrease of ¥18,885 million from the beginning of the fiscal year. Statement and factors relating to each cash flow category are as follows:

(Net cash provided by (used in) operating activities)

Net cash provided by (used in) operating activities for the second quarter based on ¥34,884 million in net income, and included ¥15,597 million in depreciation, a ¥7,143 million decrease of trade receivables as cash inflow, a ¥34,191 million decrease in trade payables, a ¥47,734 million increase in inventories, and a ¥18,567 million income tax paid as cash outflow.

As a result, net cash used in operating activities for the second quarter totaled ¥46,762 million, a decrease of ¥76,203 million year on year.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities for the second quarter amounted to ¥11,281 million, a decrease of ¥11,862 million year on year. This was mainly due to a ¥10,550 million of capital expenditures.

As a result, free cash flows, the sum of net cash used in operating activities and net cash used in investing activities, amounted to an outflow of ¥58,043 million.

(Net cash provided by (used in) financing activities)

Net cash provided by financing activities for the second quarter amounted ¥40,429 million, an increase of ¥37,553 million year on year. This was due mainly to an increase of ¥49,841 million in short-term debt and an increasing of ¥6,807 million in proceeds from long-term debt and bond, an outlay of ¥13,236 million in dividends paid (including dividends paid to non-controlling interests).

(3) Outlook for the Fiscal Year Ending March 2019

Regarding global hydraulic excavator demand in FY2018 (from April 1, 2018 to March 31, 2019), it will remain the same as we forecast as of the release of the first quarter, while the demand situation for the second quarter varies depending on regions. As for mining machinery, continuous increased demand for ultra large dump trucks and excavators is expected as we originally estimate, led by an expected continuing increase in miners' capital spending.

Under the above-mentioned circumstances, we will improve competitiveness by offering solutions to our customers through enhancement of the mining business and value chain centering on parts and service. Also, we work to restructure the main domestic bases to strengthen technical capability and product development further to create a more efficient production system. At the same time, we are working to optimize capital investments and reduce fixed costs, establishing a high profit structure.

Under these circumstances, we revise the consolidated earnings forecast for FY2018 for the HCM group (From April 1, 2018 to March 31, 2019) as follows in accordance with the results of the second quarter/six months ended September 2018.

The assumed foreign exchange rate applied after October onward is also unchanged and is ¥100 for one US dollar, ¥120 for one euro, and ¥15.5 for one Chinese Yuan.

Consolidated Earnings Forecast for the Full Year Ending March 31, 2019

	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 (basic)
Previous forecast (A)	¥Millions 950,000	¥Millions 84,000	¥Millions 82,000	¥Millions 80,000	¥Millions 49,000	Yen 230.42
Forecast (B)	980,000	91,000	86,000	84,000	51,000	239.82
Change (B)-(A)	30,000	7,000	4,000	4,000	2,000	
% Change	3.2	8.3	4.9	5.0	4.1	
(Reference) FY2017	¥Millions 959,153	¥Millions 93,582	¥Millions 95,737	¥Millions 95,612	¥Millions 60,004	Yen 282.16

Notes:

Any forward-looking statements in the report, including results forecasts, are based on certain assumptions that were deemed rational as well as information currently available to the Company at this time. However, various factors may cause actual results to differ materially. The company presented "Adjusted operating income", Hitachi group's common profit index to show actual business conditions excluding impact of business restructuring, in the column of "Operating income" for the projected consolidated results ended March 2017.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Second quarter As of Sep. 30, 2018 (A)	Previous fiscal year-end As of Mar. 31, 2018 (B)	(A)-(B)
Assets			
Current assets			
Cash and cash equivalents	63,044	81,929	(18,885)
Trade receivables	214,068	219,599	(5,531)
Inventories	303,024	255,623	47,401
Other financial assets	31,912	29,923	1,989
Other current assets	14,098	10,342	3,756
Subtotal	626,146	597,416	28,730
Assets held for sale	3,178	413	2,765
Total current assets	629,324	597,829	31,495
Non-current assets			
Property, plant and equipment	299,782	299,987	(205)
Intangible assets	40,695	37,748	2,947
Goodwill	35,253	35,016	237
Investments accounted for using the equity method	29,725	29,549	176
Trade receivables	40,143	41,392	(1,249)
Deferred tax assets	17,543	17,463	80
Other financial assets	21,043	20,148	895
Other non-current assets	11,055	10,664	391
Total non-current assets	495,239	491,967	3,272
Total assets	1,124,563	1,089,796	34,767
Liabilities			
Current liabilities			
Trade and other payables	237,908	268,230	(30,322)
Bonds and borrowings	170,978	69,892	101,086
Income taxes payable	6,161	11,000	(4,839)
Other financial liabilities	9,443	11,584	(2,141)
Other current liabilities	3,680	5,716	(2,036)
Total current liabilities	428,170	366,422	61,748
Non-current liabilities			
Trade and other payables	16,448	18,839	(2,391)
Bonds and borrowings	118,647	160,773	(42,126)
Retirement and severance benefit	17,258	17,341	(83)
Deferred tax liabilities	11,274	11,314	(40)
Other financial liabilities	1,066	2,354	(1,288)
Other non-current liabilities	6,442	7,723	(1,281)
Total non-current liabilities	171,135	218,344	(47,209)
Total liabilities	599,305	584,766	14,539
Equity			
Equity attributable to owners of the parent			
Common stock	81,577	81,577	-
Capital surplus	81,991	81,991	-
Retained earnings	299,002	279,201	19,801
Accumulated other comprehensive income	7,229	8,802	(1,573)
Treasury stock, at cost	(3,074)	(3,069)	(5)
Total Equity attribute to owners of the parent	466,725	448,502	18,223
Non-controlling interests	58,533	56,528	2,005
Total equity	525,258	505,030	20,228
Total liabilities and equity	1,124,563	1,089,796	34,767

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated cumulative quarter
Consolidated Statements of Income

(Millions of yen)

	Second quarter Six months ended Sep. 30, 2018 (A)	Second quarter Six months ended Sep. 30, 2017 (B)	(A)/(B)×100 (%)
Revenue	490,413	440,276	111
Cost of sales	(350,246)	(325,927)	107
Gross profit	140,167	114,349	123
Selling, general and administrative expenses	(86,809)	(80,128)	108
Adjusted operating income	53,358	34,221	156
Other income	2,576	3,552	73
Other expenses	(5,431)	(1,875)	290
Operating income	50,503	35,898	141
Financial income	2,896	1,594	182
Financial expenses	(6,424)	(2,976)	216
Share of profits of investments accounted for using the equity method	1,739	2,197	79
Income before income taxes	48,714	36,713	133
Income taxes	(13,830)	(10,135)	136
Net income	34,884	26,578	131

Net income attributable to			
Owners of the parent	30,243	23,226	130
Non-controlling interests	4,641	3,352	138
Total net income	34,884	26,578	131

EPS attributable to owners of the parent			
Net income per share (Basic) (yen)	142.22	109.22	130
Net income per share (Diluted) (yen)	142.22	109.22	130

(Rounded off to the nearest million)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Second quarter Six months ended Sep. 30, 2018 (A)	Second quarter Six months ended Sep. 30, 2017 (B)	(A)/(B)×100 (%)
Net income	34,884	26,578	131
Other comprehensive income			
Items that cannot be reclassified into net income			
Net gains and losses from financial assets measured at fair value through OCI	193	1,705	11
Remeasurements of defined benefit obligations	77	111	69
Other comprehensive income of equity method associates	-	-	-
Items that can be reclassified into net income			
Foreign currency translation adjustments	(1,734)	10,788	-
Cash flow hedges	(88)	(711)	12
Other comprehensive income of equity method associates	(525)	(422)	124
Other comprehensive income, net of taxes	(2,077)	11,471	-
Comprehensive income	32,807	38,049	86
Comprehensive income attributable to			
Owners of the parent	28,616	33,210	86
Non-controlling interests	4,191	4,839	87

(Rounded off to the nearest million)

(3) Consolidated Statements of Changes in Equity

Consolidated cumulative quarter

Second quarter six months ended Sep. 30, 2018

(Millions of yen)

	Equity attributable to owners of the parent					
				Accumulated other comprehensive income		
	Common stock	Capital surplus	Retained earnings	Remeasurements of defined benefit obligations	Net gains and losses from financial assets measured at fair value through OCI	Cash flow hedges
Balance at beginning of period	81,577	81,991	279,201	(1,232)	8,992	149
Cummulative impact of change in accounting policy			32			
Balance at beginning of period reflected change in accounting policy	81,577	81,991	279,233	(1,232)	8,992	149
Net income			30,243			
Other comprehensive income				95	193	(88)
Comprehensive income	-	-	30,243	95	193	(88)
Acquisition of treasury stock						
Sale of treasury stock						
Dividends to stockholders of the Company			(10,420)			
Transfer to retained earnings			(54)		54	
Expiration of subscription rights						
Transaction with owners	-	-	(10,474)	-	54	-
Balance at end of period	81,577	81,991	299,002	(1,137)	9,239	61

(Millions of yen)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Accumulated other comprehensive income		Treasury stock, at cost	Total		
	Foreign currency translation adjustments	Total				
Balance at beginning of period	893	8,802	(3,069)	448,502	56,528	505,030
Cummulative impact of change in accounting policy		-		32		32
Balance at beginning of period reflected change in accounting policy	893	8,802	(3,069)	448,534	56,528	505,062
Net income		-		30,243	4,641	34,884
Other comprehensive income	(1,827)	(1,627)		(1,627)	(450)	(2,077)
Comprehensive income	(1,827)	(1,627)	-	28,616	4,191	32,807
Acquisition of treasury stock		-	(5)	(5)		(5)
Sale of treasury stock		-		-		-
Dividends to stockholders of the Company		-		(10,420)	(2,186)	(12,606)
Transfer to retained earnings		54		-		-
Expiration of subscription rights		-		-		-
Transaction with owners	-	54	(5)	(10,425)	(2,186)	(12,611)
Balance at end of period	(934)	7,229	(3,074)	466,725	58,533	525,258

Consolidated cumulative quarter

Second quarter six months ended Sep. 30, 2017

(Millions of yen)

	Equity attributable to owners of the parent					
				Accumulated other comprehensive income		
	Common stock	Capital surplus	Retained earnings	Remeasurements of defined benefit obligations	Net gains and losses from financial assets measured at fair value through OCI	Cash flow hedges
Balance at beginning of period	81,577	82,553	228,026	(949)	7,571	(14)
Net income			23,226			
Other comprehensive income				133	1,705	(711)
Comprehensive income	-	-	23,226	133	1,705	(711)
Acquisition of treasury stock						
Sale of treasury stock						
Dividends to stockholders of the Company			(1,701)			
Transfer to retained earnings			22		(22)	
Expiration of subscription rights		(498)	498			
Transaction with owners	-	(498)	(1,181)	-	(22)	-
Balance at end of period	81,577	82,055	250,071	(816)	9,254	(725)

(Millions of yen)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Accumulated other comprehensive income		Treasury stock, at cost	Total		
	Foreign currency translation adjustments	Total				
Balance at beginning of period	3,910	10,518	(3,055)	399,619	50,811	450,430
Net income				23,226	3,352	26,578
Other comprehensive income	8,857	9,984		9,984	1,487	11,471
Comprehensive income	8,857	9,984	-	33,210	4,839	38,049
Acquisition of treasury stock		-	(6)	(6)		(6)
Sale of treasury stock		-		-		-
Dividends to stockholders of the Company		-		(1,701)	(1,700)	(3,401)
Transfer to retained earnings		(22)		-		-
Expiration of subscription rights		-		-		-
Transaction with owners	-	(22)	(6)	(1,707)	(1,700)	(3,407)
Balance at end of period	12,767	20,480	(3,061)	431,122	53,950	485,072

(4) Consolidated Statements of Cash Flows
Consolidated cumulative quarter

(Millions of yen)

	Second quarter Six months ended Sep. 30, 2018	Second quarter Six months ended Sep. 30, 2017
Net income	34,884	26,578
Depreciation	15,597	16,068
Amortization of intangible asset	2,267	3,022
Impairment losses	1,224	271
Income tax expense	13,830	10,135
Equity in net earnings of associates	(1,739)	(2,197)
(Gain) loss on sales of property, plant and equipment	(238)	(348)
Financial income	(2,896)	(1,594)
Financial expense	6,424	2,976
(Increase) decrease in trade receivables	7,143	(4,014)
(Increase) decrease in lease receivables	(1,184)	(4,738)
(Increase) decrease in inventories	(47,734)	(16,773)
Increase (decrease) in trade payables	(34,191)	23,892
Increase (decrease) in retirement and severance benefit	(96)	19
Other	(21,623)	(15,101)
Subtotal	(28,332)	38,196
Interest received	1,240	1,357
Dividends received	1,565	1,019
Interest paid	(2,668)	(2,810)
Income tax paid	(18,567)	(8,321)
Net cash provided by (used in) operating activities	(46,762)	29,441
Capital expenditures	(10,550)	(7,941)
Proceeds from sale of property, plant and equipment	2,920	4,049
Acquisition of intangible assets	(3,620)	(1,907)
Acquisition of investments in securities and other financial assets (including investments in associates)	(45)	(17,625)
Proceeds from sales investments in securities and other financial assets (including investments in associates)	0	424
(Increase) decrease in short-term loan receivables, net	158	(147)
Collection of long-term loan receivables	17	21
Other	(161)	(17)
Net cash provided by (used in) investing activities	(11,281)	(23,143)
Increase (decrease) in short-term debt, net	49,841	(31,138)
Proceeds from long-term debt and bond	27,126	67,962
Payments on long-term debt	(20,319)	(28,982)
Payments on lease payables	(2,978)	(2,298)
Dividends paid to owners of the parent	(10,430)	(1,705)
Dividends paid to non-controlling interests	(2,806)	(957)
Other	(5)	(6)
Net cash provided by (used in) financing activities	40,429	2,876
Effect of exchange rate changes on cash and cash equivalents	(1,271)	1,773
Net increase (decrease) in cash and cash equivalents	(18,885)	10,947
Cash and cash equivalents at beginning of period	81,929	65,455
Cash and cash equivalents at end of period	63,044	76,402

(5)Notes on Consolidated Financial Statements

(Notes on the Preconditions for a Going Concern)
There are no relevant items.

(Changes in Accounting Policies)
Beginning from the fiscal year 2018, the Group has adopted IFRS 9 “Financial instruments” (Amended in July 2014) though the Group adopted IFRS 9 “Financial instruments” (issued in November 2009, amended in October 2010) in the previous fiscal year. When applying IFRS 9, the group applied retrospectively as a transition measure and recognized the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings of this fiscal year. The effect of the application of this standard on the Group’s opening balance of retained earnings, and interim consolidated financial statements is immaterial.

Beginning from the fiscal year 2018, the group has adopted IFRS 15 “Revenues from contracts with customers”. When applying IFRS 15, the group applied retrospectively as a transition measure and recognized the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings of this fiscal year. The effect of the application of this standard on the Group’s opening balance of retained earnings, and interim consolidated financial statements is immaterial.

(Segment Information)
1) Overview of business segments
The operating segments of the Group are the components for which separate financial information is available and that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The reportable segments are determined based on the operating segment.

Taking into consideration the nature of products and services as well as categories, types of customers, and economic characteristics in a comprehensive manner, the company determines to classify two reportable segments as follows: The Construction Machinery Business Segment primarily intends to provide customers with a series of total life cycle solutions related to construction machinery such as the manufacture and sale of hydraulic excavators, ultra-large hydraulic excavators, and wheeled loaders, as well as the sale of parts related to these products. The Solution Business Segment primarily intends to provide services, production, and distribution parts that are not included in the Construction Machinery Business Segment.

2) Revenue, profit or loss, and other items of business segments

For the second quarter six months ended Sep. 30, 2018

(Millions of yen)

	Reportable segment			Adjustments (*1)	Total
	Construction Machinery Business	Solution Business	Total		
Revenue					
External customers	441,602	48,811	490,413	-	490,413
Intersegment transactions	486	236	722	(722)	-
Total revenues	442,088	49,047	491,135	(722)	490,413
Adjusted operating income	50,586	2,772	53,358	-	53,358
Operating income	50,349	154	50,503	-	50,503
Financial income	-	-	-	2,896	2,896
Financial expenses	-	-	-	(6,424)	(6,424)
Share of profits (losses) of investments accounted for using the equity method	1,739	-	1,739	-	1,739
Income (loss) before income taxes	52,088	154	52,242	(3,528)	48,714

Note (*1): Adjustments represent eliminations of intersegment transactions, and amounts of companies that do not belong to any operating segment.

For the second quarter six months ended Sep. 30, 2017

(Millions of yen)

	Reportable segment			Adjustments (*1)	Total
	Construction Machinery Business	Solution Business	Total		
Revenue					
External customers	393,767	46,509	440,276	-	440,276
Intersegment transactions	-	96	96	(96)	-
Total revenues	393,767	46,605	440,372	(96)	440,276
Adjusted operating income(loss)	34,420	(199)	34,221	-	34,221
Operating income	35,497	401	35,898	-	35,898
Financial income	-	-	-	1,594	1,594
Financial expenses	-	-	-	(2,976)	(2,976)
Share of profits (losses) of investments accounted for using the equity method	2,197	-	2,197	-	2,197
Income before income taxes	37,694	401	38,095	(1,382)	36,713

Note (*1): Adjustments represent eliminations of intersegment transactions, and amounts of companies that do not belong to any operating segment.

Note: During the fiscal year ended March 31, 2018, the company finalized the provisional accounting treatment for business combinations. Numbers are reflected important revisions resulted from the completion of the provisional accounting treatment.

(Important subsequent events)

There are no relevant items.