

Hitachi Construction Machinery Co., Ltd.

Financial Results for the First Quarter
Ended June 30, 2017

Consolidated Financial Results for the First Quarter Ended June 30, 2017 (IFRS)

July 27, 2017

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: August 9, 2017

Scheduled date of commencement of payment of dividends: —

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 first quarter ended June 2017 (April 1, 2017 to June 30, 2017)

(1) Consolidated results

(Rounded off to the nearest million)

	Revenue		Adjusted Operating income		Income before income taxes		Net income (loss)		Net income (loss) attributable to owners of the parent		Comprehensive income (loss)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2017	211,499	31.1	16,763	584.5	17,376	—	11,396	—	9,554	—	14,724	—
June 30, 2016	161,302	(9.1)	2,449	(55.4)	1,470	(70.3)	(1,012)	—	(1,600)	—	(28,156)	—

"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 first quarter ended June 2017 is as below.

June 30, 2017 ¥16,919 million YoY 361.5 %

June 30, 2016 ¥3,666 million YoY (25.9%)

	Net income attributable to owners of the Parent per share (basic)	Net income attributable to owners of the Parent per share (diluted)
June 30, 2017	Yen 44.93	Yen 44.93
June 30, 2016	(7.52)	(7.52)

References:

Share of profits (losses) of investments accounted for using the equity method June 30, 2017: ¥ 915 million, June 30, 2016: ¥30 million.

(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	%
June 30, 2017	1,027,742	463,450	410,362	39.9
March 31, 2017	999,601	450,430	399,619	40.0

2. Dividends status

	Cash dividends per share				
	First Quarter	Second Quarter	Third Quarter	Year end	Total
March 31, 2017	Yen —	Yen 4.00	Yen —	Yen 8.00	Yen 12.00
March 31, 2018	—				
March 31, 2018 (Projection)		—	—	—	—

Dividends for the fiscal year ending March 2018 are to be determined.

Note: Changes involving the dividend states for the fiscal year ending March 2018: None

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

3. Projected consolidated results for the fiscal year ending March 2018 (April 1, 2017 to March 31, 2018)

	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, 2018	810,000	7.4	46,000	62.7	37,000	55.1	18,000	124.4	84.64

Notes: 1) The percentages indicated show changes from the same period of the previous fiscal year.
2) Changes in consolidated earnings forecast: None

"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 2018 is as below.

Year end ¥44,000 million YoY 86.3%

*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	None
[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 at fiscal year-end (including treasury shares)		
	June 2017: 215,115,038	March 2017: 215,115,038
[2] Number of treasury shares at fiscal year-end		
	June 2017: 2,455,055	March 2017: 2,454,022
[3] Average number of common shares outstanding during the fiscal year (shares)		
	June 2017: 212,660,521	June 2016: 212,663,072

Indication of audit procedure implementation status

This earnings report is exempt from audit procedure based upon the Financial Instruments and Exchange Act. It is under the audit procedure process at the time of disclosure of this report.

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 31, 2018" of the attachment for conditions serving as assumptions for results forecasts.

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1. Management Performance and Financial Conditions

(1) Management Results

The HCM Group launched a new mid-term management plan, “CONNECT TOGETHER 2019” in April 2017. We are promoting the develop and offer the solution by utilizing ICT and IoT as “Solution Linkage” to resolve the customer’s challenges on “Safety,” “Productivity” and “Life-cycle costs.” And, to expand the source of revenue besides new machine sales, we are expanding the value chain business by enhancement of the parts and service business for mining machines and facilities provided by H-E Parts and Bradken, HCM’s consolidated subsidiary we acquired in the previous fiscal year. Additionally, we are working on securing profit by the establishment of a global management support scheme, the expansion of its market share, cost reduction, and the enhancement of operational efficiency.

Consolidated revenue for this term (April 1, 2017 to June 30, 2017) increased by 31.1% year on year to ¥211,499 million due to demand increase mainly in China, consolidation of H-E Parts and Bradken, while we saw negative impact of the stock transfer of Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd which became an equity-method affiliate of HCM on March 31, 2017. Adjusted operating income increased by 584.5% year on year to ¥16,763 million, operation income increased by 361.5% to ¥16,919 million, and net income attributable to owners of the parent was ¥9,554 million (¥-1,600 million in the first quarter ended June 2016) due to a decrease in cost of sales and SGA, contribution of solution business and parts & service business.

Business results by segments are as below.

1. Construction machinery business

Demand for hydraulic excavators increased mainly in China and India, while sluggish demand continued in the Middle East and Africa. We promoted the enhancement of the parts and service business through a globally launched service solution called “ConSite,” as well as expansion of the parts supply network to enlarge sales and revenue. In Japan, for i-Construction promoted by the Ministry of Land, Infrastructure, Transport and Tourism, the HCM group has been working to promote the smart construction by providing its workshop to customers at ICT demonstration site we established in Hitachi-Naka City of Ibaraki prefecture, and offering solution for efficient construction process.

As for mining machinery, the demand exceeded year on year by increased capex by some mining company. 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, development of an autonomous haulage system to optimize mining operations, by taking advantage of Hitachi Group’s strengths. Furthermore, we have been working to establish a highly controlled customer support system to enlarge revenue from parts and services.

Consolidated revenue of the construction machinery business for this term (April 1, 2017 to July 30, 2017) increased by 16.0% year on year to ¥187,177 million, and adjusted operating income increased by 490.9% to ¥14,471 million.

2. Solution business

This segment consists of H-E Parts and Bradken. H-E Parts mainly provides services and solutions required for machinery or equipment for mining. Bradken conducts wear parts for mining fixed plants and mining mobile plants, and it also provides maintenance and service for them.

Consolidated revenue of the solution business for this term (April 1, 2017 to June 30, 2017) was ¥24,585 million, and adjusted operating income was ¥2,292 million because of the steady contribution of its revenue from solutions for mining machines in Australia & Latin America,

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

The following table summarizes the consolidated results for this term ended June 2017.

(Millions of yen)

	June 2017 (A)	June 2016 (B)	Year-on-year change	
			(A)-(B)	(A)/(B)-1 (%)
Revenue	211,499	161,302	50,197	31.1
Adjusted operating income*	16,763	2,449	14,314	584.5
Operating income	16,919	3,666	13,253	361.5
Income before income taxes	17,376	1,470	15,906	1,082.0
Net income (loss) attributable to owners of the parent	9,554	(1,600)	11,154	—

(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 first quarter (April 1, 2017- June 30, 2017)		Previous consolidated cumulative first quarter (April 1, 2016- June 30, 2016)		Increase (Decrease)	
	Revenue (Millions of yen) (A)	Proportion (%)	Revenue (Millions of yen) (B)	Proportion (%)	Amount of change (A)-(B)	% Change (A)/(B)-1 (%)
North America	32,339	15.3	21,484	13.3	10,855	50.5
Central and South America	3,848	1.8	762	0.5	3,086	405.0
The Americas	36,187	17.1	22,246	13.8	13,941	62.7
Europe	25,577	12.1	23,885	14.8	1,692	7.1
Russia-CIS	4,654	2.2	3,940	2.4	714	18.1
Africa	9,444	4.5	6,918	4.3	2,526	36.5
Middle East	3,451	1.6	6,751	4.2	(3,300)	(48.9)
Russia-CIS, Africa and the Middle East	17,549	8.3	17,609	10.9	(60)	(0.3)
Asia	14,966	7.1	12,976	8.0	1,990	15.3
India	15,472	7.3	9,579	5.9	5,893	61.5
Oceania	34,835	16.5	20,490	12.7	14,345	70.0
Asia and Oceania	65,273	30.9	43,045	26.7	22,228	51.6
China	26,506	12.5	12,284	7.6	14,222	115.8
Sub-total	171,092	80.9	119,069	73.8	52,023	43.7
Japan	40,407	19.1	42,233	26.2	(1,826)	(4.3)
Total	211,499	100.0	161,302	100.0	50,197	31.1

(Rounded off to the nearest million)

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

(2) Analysis of Financial Condition

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

(a) Assets

Current assets at the end of the first quarter amounted to ¥549,953 million, an increase of 4.4%, or ¥22,942 million, from the previous fiscal year-end. This was due mainly to an increase of ¥18,442 million in inventories, ¥2,034 million in other financial assets, and ¥1,933 million in other current assets.

Non-current assets amounted to ¥477,789 million, an increase of 1.1%, or ¥5,199 million, from the previous fiscal year-end. This was due mainly to an increase of ¥2,448 million in trade receivables and ¥1,964 million in deferred tax assets.

As a result, total assets increased 2.8%, or ¥28,141 million, from the previous fiscal year-end to ¥1,027,742 million.

(b) Liabilities

Current liabilities amounted to ¥389,733 million, a decrease of 2.4%, or ¥9,600 million, from the previous fiscal year-end. This was primarily due to a decrease of ¥15,133 million in other financial liabilities despite an increase of ¥6,440 million in trade and other payables.

Non-current liabilities increased by 16.5%, or ¥24,721 million, from the previous fiscal year-end to ¥174,559 million. This was mainly due to an increase of ¥25,805 million in bonds and borrowings.

As a result, total liabilities increased by 2.8%, or ¥15,121 million, from the previous fiscal year-end to ¥564,292 million.

(c) Equity

Total equity increased by 2.9%, or ¥13,020 million, from the previous fiscal year-end to ¥463,450million.

[2] Analysis of the Status of Consolidated Cash Flows

Cash and cash equivalents at the end of the first quarter totaled ¥72,844 million, an increase of ¥7,389 million from the beginning of the fiscal year. Statement and factors relating to each cash flow category are as follows:

(Net cash provided by operating activities)

Net cash provided by operating activities for the first quarter based on ¥11,396 million in net income, and included ¥7,832 million in depreciation, a ¥10,861 million decrease in trade receivables, a ¥10,315 million increase in accounts and notes payables as cash inflow, a ¥2,947 million increase in lease receivables, a ¥14,989 million increase in inventories, and a ¥5,624 million of income tax paid as cash outflow.

As a result, net cash provided by operating activities for the first quarter totaled ¥9,386 million, a decrease of ¥11,434 million year on year.

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

Net cash used in investing activities for the first quarter amounted to ¥21,724 million, an increase of ¥17,161 million year on year. This was mainly due to outlay of ¥2,966 million for capital expenditures, and of ¥17,625 million for acquisition of investments in securities and other financial assets (including investments in associates).

As a result, free cash flows, the sum of net cash provided by investing activities and net cash provided by (used in) investing activities, amounted to an outflow of ¥12,338 million.

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

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

Net cash provided by financing activities for the first quarter totaled ¥19,151 million, an increase of ¥29,406 million year on year. This was due mainly to an increase of ¥13,807 million in short-term debt, an increase of ¥8,185 million in long-term borrowings and bonds, ¥1,709 million in dividends paid (including dividends paid to non-controlling interests).

(3) Outlook for the Fiscal Year Ending March 31, 2018

Under these circumstances, the previous consolidated earnings forecast for FY2017 for the HCM group (From April 1, 2017 to March 31, 2018) remains unchanged because of uncertainty in the global economy and currency fluctuations, and the results of the ongoing Purchase Price Allocation (PPA) for newly consolidated H-E Parts and Bradken.

The assumed foreign exchange rate applied after July onward is also unchanged and is ¥105 for one US dollar, ¥110 for one euro, and ¥15 for one Chinese yuan.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	First quarter As of Jun. 30, 2017 (A)	Previous fiscal year-end As of Mar. 31, 2017 (B)	(A)-(B)
Assets			
Current assets			
Cash and cash equivalents	72,844	65,455	7,389
Trade receivables	177,482	184,460	(6,978)
Inventories	250,807	232,365	18,442
Other financial assets	33,851	31,817	2,034
Other current assets	14,770	12,837	1,933
Subtotal	549,754	526,934	22,820
Assets held for sale	199	77	122
Total current assets	549,953	527,011	22,942
Non-current assets			
Property, plant and equipment	291,287	292,143	(856)
Intangible assets	16,041	15,906	135
Goodwill	58,306	57,103	1,203
Investments accounted for using the equity method	22,500	23,126	(626)
Trade receivables	33,727	31,279	2,448
Deferred tax assets	24,472	22,508	1,964
Other financial assets	19,837	19,354	483
Other non-current assets	11,619	11,171	448
Total non-current assets	477,789	472,590	5,199
Total assets	1,027,742	999,601	28,141
Liabilities			
Current liabilities			
Trade and other payables	212,162	205,722	6,440
Bonds and borrowings	150,531	153,883	(3,352)
Income taxes payable	5,069	4,063	1,006
Other financial liabilities	14,563	29,696	(15,133)
Other current liabilities	7,408	5,969	1,439
Total current liabilities	389,733	399,333	(9,600)
Non-current liabilities			
Trade and other payables	21,332	21,604	(272)
Bonds and borrowings	120,623	94,818	25,805
Retirement and severance benefit	17,058	16,768	290
Deferred tax liabilities	6,851	7,620	(769)
Other financial liabilities	1,082	577	505
Other non-current liabilities	7,613	8,451	(838)
Total non-current liabilities	174,559	149,838	24,721
Total liabilities	564,292	549,171	15,121
Equity			
Equity attributable to owners of the parent			
Common stock	81,577	81,577	-
Capital surplus	82,055	82,553	(498)
Retained earnings	236,377	228,026	8,351
Accumulated other comprehensive income	13,411	10,518	2,893
Treasury stock, at cost	(3,058)	(3,055)	(3)
Total Equity attribute to owners of the parent	410,362	399,619	10,743
Non-controlling interests	53,088	50,811	2,277
Total equity	463,450	450,430	13,020
Total liabilities and equity	1,027,742	999,601	28,141

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

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated cumulative quarter

Consolidated Statements of Income

(Millions of yen)

	First quarter Three months ended Jun. 30, 2017 (A)	First quarter Three months ended Jun. 30, 2016 (B)	(A)/(B)×100 (%)
Revenue	211,499	161,302	131
Cost of sales	(155,619)	(124,305)	125
Gross profit	55,880	36,997	151
Selling, general and administrative expenses	(39,117)	(34,548)	113
Adjusted operating income	16,763	2,449	684
Other income	1,865	1,694	110
Other expenses	(1,709)	(477)	358
Operating income	16,919	3,666	462
Financial income	857	885	97
Financial expenses	(1,315)	(3,111)	42
Share of profits (losses) of investments accounted for using the equity method	915	30	-
Income before income taxes	17,376	1,470	-
Income taxes	(5,980)	(2,482)	241
Net income (loss)	11,396	(1,012)	-
Net income (loss) attributable to			
Owners of the parent	9,554	(1,600)	-
Non-controlling interests	1,842	588	313
Total net income (loss)	11,396	(1,012)	-
EPS attributable to owners of the parent			
Net income (loss) per share (Basic) (yen)	44.93	(7.52)	-
Net income (loss) per share (Diluted) (yen)	44.93	(7.52)	-

(Rounded off to the nearest million)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	First quarter As of Jun. 30, 2017 (A)	First quarter As of Jun. 30, 2016 (B)	(A)/(B)×100 (%)
Net income (loss)	11,396	(1,012)	-
Other comprehensive income			
Items that cannot be reclassified into net income			
Net gains and losses from financial assets measured at fair value through OCI	468	(485)	-
Remeasurements of defined benefit obligations	(59)	(6)	983
Other comprehensive income of equity method associates	-	-	-
Items that can be reclassified into net income			
Foreign currency translation adjustments	3,985	(26,794)	-
Cash flow hedges	(614)	1,063	-
Other comprehensive income of equity method associates	(452)	(922)	49
Other comprehensive income, net of taxes	3,328	(27,144)	-
Comprehensive income	14,724	(28,156)	-
Comprehensive income attributable to			
Owners of the parent	12,447	(23,215)	-
Non-controlling interests	2,277	(4,941)	-

(Rounded off to the nearest million)

(3) Consolidated Statements of Changes in Equity
Consolidated cumulative quarter
First quarter three months ended Jun. 30, 2017

(Millions of yen)

	Equity attributable to owners of the parent					
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income		
				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 (loss)			9,554			
Other comprehensive income				(37)	468	(614)
Comprehensive income	-	-	9,554	(37)	468	(614)
Acquisition of treasury stock						
Sale of treasury stock						
Dividends to stockholders of the Company			(1,701)			
Expiration of subscription rights		(498)	498			
Transaction with owners	-	(498)	(1,203)	-	-	-
Balance at end of period	81,577	82,055	236,377	(986)	8,039	(628)

(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 (loss)		-		9,554	1,842	11,396	
Other comprehensive income	3,076	2,893		2,893	435	3,328	
Comprehensive income	3,076	2,893	-	12,447	2,277	14,724	
Acquisition of treasury stock		-	(3)	(3)		(3)	
Sale of treasury stock		-		-		-	
Dividends to stockholders of the Company		-		(1,701)		(1,701)	
Expiration of subscription rights		-		-		-	
Transaction with owners	-	-	(3)	(1,704)	-	(1,704)	
Balance at end of period	6,986	13,411	(3,058)	410,362	53,088	463,450	

First quarter three months ended Jun. 30, 2016

(Millions of yen)

	Equity attributable to owners of the parent					
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income		
				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	84,095	222,721	(4,000)	4,660	77
Net income (loss)			(1,600)			
Other comprehensive income				(6)	(484)	1,063
Comprehensive income	-	-	(1,600)	(6)	(484)	1,063
Acquisition of treasury stock						
Sale of treasury stock						
Dividends to stockholders of the Company			(2,127)			
Expiration of subscription rights		(267)	267			
Transaction with owners	-	(267)	(1,860)	-	-	-
Balance at end of period	81,577	83,828	219,261	(4,006)	4,176	1,140

(Millions of yen)

	Equity attributable to owners of the parent					
	Accumulated other comprehensive income		Treasury stock, at cost	Total	Non-controlling interests	Total equity
	Foreign currency translation adjustments	Total				
Balance at beginning of period	9,884	10,621	(3,051)	395,963	60,853	456,816
Net income (loss)		-		(1,600)	588	(1,012)
Other comprehensive income	(22,188)	(21,615)		(21,615)	(5,529)	(27,144)
Comprehensive income	(22,188)	(21,615)	-	(23,215)	(4,941)	(28,156)
Acquisition of treasury stock		-	0	-		-
Sale of treasury stock		-		-		-
Dividends to stockholders of the Company		-		(2,127)	(1,550)	(3,677)
Expiration of subscription rights		-		-		-
Transaction with owners	-	-	-	(2,127)	(1,550)	(3,677)
Balance at end of period	(12,304)	(10,994)	(3,051)	370,621	54,362	424,983

(4) Consolidated Statements of Cash Flows
Consolidated cumulative quarter

(Millions of yen)

	First quarter Three months ended Jun. 30, 2017	First quarter Three months ended Jun. 30, 2016
Net income (loss)	11,396	(1,012)
Depreciation	7,832	7,860
Amortization of intangible asset	831	790
Impairment losses	236	-
Income tax expense	5,980	2,482
Equity in net earnings of associates	(915)	(30)
Gain (loss) on sales of property, plant and equipment	(56)	(46)
Financial income	(857)	(885)
Financial expense	1,315	3,111
(Increase) decrease in trade receivables	10,861	20,265
(Increase) decrease in lease receivables	(2,947)	3,926
(Increase) decrease in inventories	(14,989)	(7,635)
Increase (decrease) in trade payables	10,315	11,379
Increase (decrease) in retirement and severance benefit	(235)	(103)
Other	(13,627)	(12,209)
Subtotal	15,140	27,893
Interest received	666	744
Dividends received	773	122
Interest paid	(1,569)	(959)
Income tax paid	(5,624)	(6,980)
Net cash provided by operating activities	9,386	20,820
Capital expenditures	(2,966)	(4,179)
Proceeds from sale of property, plant and equipment	676	146
Acquisition of intangible assets	(697)	(589)
Acquisition of investments in securities and other financial assets (including investments in associates)	(17,625)	-
(Increase) decrease in short-term loan receivables, net	(1,103)	45
Collection of long-term loan receivables	6	16
Other	(15)	(2)
Net cash provided by (used in) investing activities	(21,724)	(4,563)
Increase (decrease) in short-term debt, net	13,807	(471)
Proceeds from long-term debt and bond	17,945	2,094
Payments on long-term debt	(9,760)	(6,909)
Payments on lease payables	(1,129)	(1,347)
Dividends paid to owners of the parent	(1,701)	(2,130)
Dividends paid to non-controlling interests	(8)	(1,492)
Other	(3)	-
Net cash provided by (used in) financing activities	19,151	(10,255)
Effect of exchange rate changes on cash and cash equivalents	576	(6,203)
Net increase (decrease) in cash and cash equivalents	7,389	(201)
Cash and cash equivalents at beginning of period	65,455	79,110
Cash and cash equivalents at end of period	72,844	78,909

(5)Notes on Consolidated Financial Statements

(Notes on the Preconditions for a Going Concern)

There are no relevant items.

(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 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.

The company discloses its reportable segment as the Construction Machinery Business Segment and Solution Business Segment from the previous fiscal year as a result of the company consolidating the H-E Parts International LLC group (“H-E Parts”) and Bradken Limited group (“Bradken”), which compose the Solution Business Segment in the fourth quarter ended March 2017.

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

For the first quarter three months ended Jun. 30, 2016

Since the Group’s line of business is 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, there is no operating segment to be segregated. Therefore, the company omitted disclosure of business segments.

For the first quarter three months ended Jun. 30, 2017

(Millions of yen)

	Reportable segment			Adjustments (*1)	Total
	Construction Machinery Business	Solution Business	Total		
Revenue					
External customers	186,936	24,563	211,499	-	211,499
Intersegment transactions	241	22	263	(263)	-
Total revenues	187,177	24,585	211,762	(263)	211,499
Adjusted operating income	14,471	2,292	16,763	-	16,763
Operating income	14,269	2,650	16,919	-	16,919
Financial income	-	-	-	857	857
Financial expenses	-	-	-	(1,315)	(1,315)
Share of profits (losses) of investments accounted for using the equity method	915	-	915	-	915
Income before income taxes	15,184	2,650	17,834	(458)	17,376

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