

## Consolidated Financial Results for the First Quarter Ended June 30, 2020 (IFRS)

July 27, 2020

Listed company: Hitachi Construction Machinery Co., Ltd. (HCM)

Stock exchange: Tokyo (first section) Code number: 6305

URL <https://www.hitachim.com/global/>

Representative: Kotaro Hirano, Executive Officer, President & CEO

Scheduled date for submission of the Quarterly Securities Report: August 7, 2020

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)

(Rounded off to the nearest million)

### 1. Consolidated results for the first quarter ended June (April 1, 2020 to June 30, 2020)

#### (1) Consolidated results

(The percentages indicated show changes from the same period of the previous fiscal year)

	Revenue		Adjusted Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2020	170,157	(27.5)	2,940	(87.2)	1,787	(91.7)	1,194	(92.3)	201	(98.5)
June 30, 2019	234,696	(2.3)	22,902	(17.0)	21,626	(13.6)	15,538	(15.1)	13,646	(13.1)

Note: "Adjusted operating income" is presented as revenues less cost of sales as well as selling, general and administrative expenses.

	Net income attributable to owners of the Parent per share (basic)	Net income attributable to owners of the Parent per share (diluted)
	Yen	Yen
June 30, 2020	0.95	0.95
June 30, 2019	64.17	64.17

References: Share of profits (losses) of investments accounted for using the equity method

June 30, 2020: ¥105million June 30, 2019: ¥713million

#### (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, 2020	1,155,878	529,407	476,273	41.2
March 31, 2020	1,167,567	525,111	473,537	40.6

### 2. Dividends status

	Cash dividends per share				
	First Quarter	Second Quarter	Third Quarter	Year end	Total
	Yen	Yen	Yen	Yen	Yen
March 31, 2020	—	36.0	—	24.0	60.0
March 31, 2021	—	—	—	—	—
March 31, 2021 (Projection)	—	—	—	—	—

Interim and year-end dividends for the fiscal year ending March 2021 are to be determined.

Note: Changes involving the dividend states for the fiscal year ending March 2021: None

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

### 3. Consolidated earnings forecast for the full year ending March 2021(April 1, 2020 to March 31, 2021)

(The percentages indicated show changes from the same period of the previous fiscal year)

	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, 2021	770,000	(17.3)	40,000	(47.8)	34,000	(49.3)	20,000	(51.4)	94.05

Notes: Changes in consolidated earnings forecast: None

#### \*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 (including treasury shares)
 

June 2020	215,115,038
March 2020	215,115,038
  - [2] Number of treasury shares
 

June 2020	2,462,089
March 2020	2,461,867
  - [3] Average number of common shares outstanding during the fiscal year (shares)
 

June 2020	212,653,069
June 2019	212,654,664

#### 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, (2) Outlook for the Fiscal Year Ending March 2021” of the attachment for conditions serving as assumptions for results forecasts.

# Index of the Attachment

1. Management Performance and Financial Conditions .....	2
(1) Management Results.....	2
(2) Outlook for the Fiscal Year Ending March 2021 .....	4
(3) Analysis of Financial Condition .....	5
2. Consolidated Financial Statements.....	7
(1) Consolidated Balance Sheets .....	7
(2) Consolidated Statements of Income and Comprehensive Income.....	8
Consolidated Statements of Income .....	8
Consolidated Statements of Comprehensive Income .....	9
(3) Consolidated Statements of Changes in Equity .....	10
(4) Consolidated Statements of Cash Flows.....	12
(5) Notes on Consolidated Financial Statements.....	13
(Notes on the Preconditions for a Going Concern) .....	13
(Segment Information) .....	13

## **1. Management Performance and Financial Conditions**

### **(1) Management Results**

As the direction of the Medium-Term Management Strategy, the HCM Group is working to further strengthen the value chain business in which it has been engaged. To this end, the Group is utilizing digital technologies to provide more in-depth solutions at every point of contact with customers, and is working to build a corporate structure that is resilient to change.

During the 1Q of the current fiscal year (April 1, 2020 to June 30, 2020), rental revenues from the value chain business, on which we focus, increased year on year, but declined significantly to 170,157 million yen (a decrease of 27.5% year on year), mainly due to the decline in demand for hydraulic excavators, which was affected by the impact of the new coronavirus infection (COVID-19) and the impact of the yen's appreciation compared with the same period of the previous fiscal year.

In terms of consolidated income items, adjusted operating income was 2,940 million yen (a decrease of 87.2%) and profit attributable to owners of the parent was 201 million yen (a decrease of 98.5%) due to a decrease in revenue and the impact of yen appreciation, etc.

Business results by segment are described below.

#### 1. Construction machinery business

Demand for hydraulic excavators in the 1Q of the current fiscal year was significantly lower than that in the same period of the previous fiscal year in regions other than China and Japan. Demand for mining machinery also fell sharply as mining companies curtailed new capital expenditure, particularly from small-and medium-sized mining companies.

As a result, despite increases in sales of dump trucks, rentals, and used equipment, revenue for the 1Q of the current fiscal year amounted to 150,223 million yen, (a decrease of 28.9%), due to the decline in sales of new machinery as a result of the slowdown in markets because of the impact of COVID-19 and the impact of the appreciation of the yen.

Adjusted operating income was 963 million yen, (a decrease of 95.4%) due to a decrease in revenue.

#### 2. Solution business

This business is mainly comprised of Bradken, a company that provides parts services for mining equipment and machinery after-sales, and H-E Parts, a company that provides service solutions.

In the 1Q of the current fiscal year, despite a decrease in demand due to the effects of COVID-19 and the impact of the appreciation of the yen, revenue was 20,377 million yen (a decrease of 15.2%) supported by firm demand for maintenance services centered on mining.

Despite the benefits of business restructuring, adjusted operating income was 1,977 million yen, (a decrease of 8.7%), due to a decline in revenue and the impact of the stronger yen.

The above revenues of segment 1 and 2 are figures before intersegment adjustments.

The following table summarizes consolidated net revenue by geographic area:

	FY2020		FY2019		Increase (Decrease)	
	(April 1, 2020- June 30, 2020)		(April 1, 2019- June 30, 2019)			
	Revenue	Proportion	Revenue	Proportion	(A)-(B)	(A)/(B)-1
	(A)	(%)	(B)	(%)		(%)
North America	27,908	16.4	47,135	20.1	(19,227)	(40.8)
Central and South America	2,807	1.6	3,750	1.6	(943)	(25.1)
The Americas	30,715	18.1	50,885	21.7	(20,170)	(39.6)
Europe	13,548	8.0	28,231	12.0	(14,683)	(52.0)
Russia-CIS	4,311	2.5	10,060	4.3	(5,749)	(57.1)
Africa	6,200	3.6	8,314	3.5	(2,114)	(25.4)
Middle East	3,339	2.0	1,714	0.7	1,625	94.8
Russia-CIS, Africa, and the Middle East	13,850	8.1	20,088	8.6	(6,238)	(31.1)
Asia	9,197	5.4	16,742	7.1	(7,545)	(45.1)
India	4,779	2.8	13,424	5.7	(8,645)	(64.4)
Oceania	33,086	19.4	37,975	16.2	(4,889)	(12.9)
Asia and Oceania	47,062	27.7	68,141	29.0	(21,079)	(30.9)
China	25,050	14.7	26,475	11.3	(1,425)	(5.4)
Sub-total	130,225	76.5	193,820	82.6	(63,595)	(32.8)
Japan	39,932	23.5	40,876	17.4	(944)	(2.3)
Total	170,157	100.0	234,696	100.0	(64,539)	(27.5)

(Rounded off to the nearest million)

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

## **(2) Outlook for the Fiscal Year Ending March 2021**

The outlook for demand for hydraulic excavators for the fiscal year ending March 2021 is currently expected to decrease by 23% year-on-year to approximately 166 k units worldwide, as projected at the time of the previous announcement in May, despite the continued slowdown in markets due to the impact of COVID-19 in many regions.

In mining machinery, demand is expected to decline as customers are expected to curtail their new investment due to the uncertainty of the global economy. Some mining facilities are shut down in some areas, while others continue to operate as Essential Business that supports social infrastructure in some countries and regions. We believe that demand for maintenance services related to machinery and equipment at mining companies is persistent in our parts service business and solution business as well.

Based on the above forecasts of market conditions, the consolidated financial forecast for the fiscal year ending March 2021 (April 1, 2020 to March 31, 2021) has been left unchanged from the forecast announced on May 28, 2020, after consideration of the impact of a decline in demand accompanying the expansion of COVID-19 and a variety of other concerns at this point in time.

As for the foreign exchange rates for the 2Q onward, which are assumptions for the forecasts for the current fiscal year, the Company will maintain the rates of ¥105 to one US dollar, ¥120 to one euro, ¥15 to one Chinese yuan, and ¥72 to one Australian dollar.

### **(3) Analysis of Financial Condition**

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

##### **(a) Assets**

Current assets at the end of the fiscal year amounted to ¥ 593,266 million, a decrease of 3.2%, or ¥ 19,513 million, from the previous fiscal year-end. This was due mainly to a decrease of ¥ 36,350 million in trade receivables although there was an increase of ¥ 9,028 million in inventories and ¥ 8,834 million in cash and cash equivalents. Non-current assets amounted to ¥ 562,612 million, an increase of 1.4%, or ¥ 7,824 million, from the previous fiscal year-end. This was due mainly to an increase of ¥ 5,562 million in property, plant and equipment.

As a result, total assets decreased by 1.0%, or ¥ 11,689 million, from the previous fiscal year-end to ¥ 1,155,878 million.

##### **(b) Liabilities**

Current liabilities amounted to ¥ 369,602 million, a decrease of 0.5%, or ¥ 1,764 million, from the previous fiscal year-end. This was mainly due to a decrease of ¥ 20,851 million in trade and other payables although there was an increase of ¥ 18,210 million in bonds and borrowings. Non-current liabilities decreased by 5.2%, or ¥ 14,221 million, from the previous fiscal year-end to ¥ 256,869 million. This was mainly due to a decrease of ¥ 13,273 million in bonds and borrowings.

As a result, total liabilities decreased by 2.5%, or ¥ 15,985 million, from the previous fiscal year-end to ¥ 626,471 million.

##### **(c) Equity**

Total equity increased by 0.8%, or ¥ 4,296 million, from the previous fiscal year-end to ¥ 529,407 million.

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

## **[2] Analysis of the Status of Consolidated Cash Flows**

Cash and cash equivalents at the end of first quarter totaled ¥ 70,999 million, an increase of ¥ 8,834 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 ¥ 1,194 million in net income, and included ¥ 10,975 million in depreciation, a ¥ 39,820 million decrease in trade receivables and contract assets, a ¥ 19,183 million decrease in trade payables, a ¥ 2,815 million increase in inventories, and a ¥ 2,214 million income tax paid as cash outflow.

As a result, net cash provided by operating activities for the first quarter totaled to an inflow of ¥ 21,441 million, an increase inflow of ¥ 37,765 million year on year.

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

Net cash used in investing activities for the first quarter amounted to ¥ 9,270 million, a decrease of ¥ 1,734 million year on year. This was mainly due to an outlay of ¥ 8,257 million for capital expenditure and so forth.

As a result, free cash flows, the sum of net cash provided by operating activities and net cash used in investing activities, amounted to an inflow of ¥ 12,171 million.

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

Net cash used in financing activities for the first quarter amounted to ¥ 4,284 million. This was due mainly to a decrease of ¥ 744 million in long-term debt, a decrease of ¥ 3,586 million in lease liabilities and ¥ 552 million dividends paid (including dividends paid to non-controlling interests) as cash outflow.

As a result, cash for financing activities for the first quarter produced a decreased inflow of ¥ 22,309 million year on year.

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



## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	First quarter As of Jun. 30, 2020 (A)	Previous fiscal year-end As of Mar. 31, 2020 (B)	(A)-(B)
<b>Assets</b>			
Current assets			
Cash and cash equivalents	70,999	62,165	8,834
Trade receivables	171,493	207,843	(36,350)
Contract assets	4,723	4,701	22
Inventories	310,250	301,222	9,028
Other financial assets	19,999	20,309	(310)
Other current assets	15,742	16,539	(797)
Subtotal	593,206	612,779	(19,573)
Assets held for sale	60	-	60
Total current assets	593,266	612,779	(19,513)
Non-current assets			
Property, plant and equipment	321,027	315,465	5,562
Right-of-use-asset	57,709	57,853	(144)
Intangible assets	39,670	37,883	1,787
Goodwill	32,270	30,538	1,732
Investments accounted for using the equity method	33,357	33,177	180
Trade receivables	39,116	39,572	(456)
Deferred tax assets	14,712	15,094	(382)
Other financial assets	16,199	16,394	(195)
Other non-current assets	8,552	8,812	(260)
Total non-current assets	562,612	554,788	7,824
<b>Total assets</b>	<b>1,155,878</b>	<b>1,167,567</b>	<b>(11,689)</b>
<b>Liabilities</b>			
Current liabilities			
Trade and other payables	153,021	173,872	(20,851)
Lease liabilities	12,290	12,996	(706)
Contract liabilities	6,479	6,593	(114)
Bonds and borrowings	178,657	160,447	18,210
Income taxes payable	4,815	4,756	59
Other financial liabilities	11,989	10,019	1,970
Other current liabilities	2,351	2,683	(332)
Total current liabilities	369,602	371,366	(1,764)
Non-current liabilities			
Trade and other payables	5,021	5,965	(944)
Lease liabilities	47,604	47,795	(191)
Contract liabilities	2,032	2,282	(250)
Bonds and borrowings	165,223	178,496	(13,273)
Retirement and severance benefit	16,978	17,084	(106)
Deferred tax liabilities	4,950	6,119	(1,169)
Other financial liabilities	3,737	3,255	482
Other non-current liabilities	11,324	10,094	1,230
Total non-current liabilities	256,869	271,090	(14,221)
<b>Total liabilities</b>	<b>626,471</b>	<b>642,456</b>	<b>(15,985)</b>
<b>Equity</b>			
Equity attributable to owners of the parent			
Common stock	81,577	81,577	-
Capital surplus	80,412	80,475	(63)
Retained earnings	342,765	347,668	(4,903)
Accumulated other comprehensive income	(25,398)	(33,101)	7,703
Treasury stock, at cost	(3,083)	(3,082)	(1)
Total Equity attribute to owners of the parent	476,273	473,537	2,736
Non-controlling interests	53,134	51,574	1,560
<b>Total equity</b>	<b>529,407</b>	<b>525,111</b>	<b>4,296</b>
<b>Total liabilities and equity</b>	<b>1,155,878</b>	<b>1,167,567</b>	<b>(11,689)</b>

## (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, 2020 (A)	First quarter Three months ended Jun. 30, 2019 (B)	(A)/(B)×100 (%)
Revenue	170,157	234,696	73
Cost of sales	(130,582)	(167,782)	78
Gross profit	39,575	66,914	59
Selling, general and administrative expenses	(36,635)	(44,012)	83
Adjusted operating income	2,940	22,902	13
Other income	772	1,532	50
Other expenses	(1,200)	(760)	158
Operating income	2,512	23,674	11
Financial income	889	632	141
Financial expenses	(1,719)	(3,393)	51
Share of profits of investments accounted for using the equity method	105	713	15
Income before income taxes	1,787	21,626	8
Income taxes	(593)	(6,088)	10
Net income	1,194	15,538	8
Net income attributable to			
Owners of the parent	201	13,646	1
Non-controlling interests	993	1,892	52
Total net income	1,194	15,538	8
EPS attributable to owners of the parent			
Net income per share (Basic) (yen)	0.95	64.17	1
Net income per share (Diluted) (yen)	0.95	64.17	1

(Rounded off to the nearest million)

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	First quarter Three months ended Jun. 30, 2020 (A)	First quarter Three months ended Jun. 30, 2019 (B)	(A)/(B)×100 (%)
Net income	1,194	15,538	8
Other comprehensive income			
Items that cannot be reclassified into net income			
Net gains and losses from financial assets measured at fair value through OCI	103	304	34
Remeasurements of defined benefit obligations	-	-	-
Other comprehensive income of equity method associates	(1)	1	-
Items that can be reclassified into net income			
Foreign currency translation adjustments	8,699	(12,665)	-
Cash flow hedges	(195)	539	-
Other comprehensive income of equity method associates	(312)	(34)	918
Other comprehensive income, net of taxes	8,294	(11,855)	-
Comprehensive income	9,488	3,683	258
Comprehensive income attributable to			
Owners of the parent	7,904	3,972	199
Non-controlling interests	1,584	(289)	-

(Rounded off to the nearest million)

**(3) Consolidated Statements of Changes in Equity**  
**Consolidated cumulative quarter**  
**First quarter three months ended Jun. 30, 2020**

(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	80,475	347,668	(1,933)	5,700	228
Net income			201			
Other comprehensive income					102	(195)
Comprehensive income	-	-	201	-	102	(195)
Acquisition of treasury stock						
Dividends to stockholders of the Company			(5,104)			
Gains/losses on change in equity						
Transfer to retained earnings						
Change in liabilities for written put options over non-controlling interests		(63)				
Transaction with owners	-	(63)	(5,104)	-	-	-
Balance at end of period	81,577	80,412	342,765	(1,933)	5,802	33

(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	(37,096)	(33,101)	(3,082)	473,537	51,574	525,111
Net income		-		201	993	1,194
Other comprehensive income	7,796	7,703		7,703	591	8,294
Comprehensive income	7,796	7,703	-	7,904	1,584	9,488
Acquisition of treasury stock		-	(1)	(1)		(1)
Dividends to stockholders of the Company		-		(5,104)	(28)	(5,132)
Gains/losses on change in equity		-		-		-
Transfer to retained earnings		-		-		-
Change in liabilities for written put options over non-controlling interests		-		(63)	4	(59)
Transaction with owners	-	-	(1)	(5,168)	(24)	(5,192)
Balance at end of period	(29,300)	(25,398)	(3,083)	476,273	53,134	529,407

**Consolidated cumulative quarter**  
**First quarter three months ended Jun. 30, 2019**

(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	81,991	328,344	(2,330)	7,118	213
Cummulative impact of change in accounting policy			(1,447)			
Balance at beginning of period reflected change in accounting policy	81,577	81,991	326,897	(2,330)	7,118	213
Net income			13,646			
Other comprehensive income				1	304	539
Comprehensive income	-	-	13,646	1	304	539
Acquisition of treasury stock						
Dividends to stockholders of the Company			(12,121)			
Gains/losses on change in equity			(150)			
Transfer to retained earnings			(1)	3	(2)	
Change in liabilities for written put options over non-controlling interests		(1,480)				
Transaction with owners	-	(1,480)	(12,272)	3	(2)	-
Balance at end of period	81,577	80,511	328,271	(2,326)	7,420	752

(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	(7,429)	(2,428)	(3,077)	486,407	56,254	542,661
Cummulative impact of change in accounting policy				(1,447)	(39)	(1,486)
Balance at beginning of period reflected change in accounting policy	(7,429)	(2,428)	(3,077)	484,960	56,215	541,175
Net income		-		13,646	1,892	15,538
Other comprehensive income	(10,518)	(9,674)		(9,674)	(2,181)	(11,855)
Comprehensive income	(10,518)	(9,674)	-	3,972	(289)	3,683
Acquisition of treasury stock			(1)	(1)		(1)
Dividends to stockholders of the Company				(12,121)		(12,121)
Gains/losses on change in equity				(150)		(150)
Transfer to retained earnings			1	-		-
Change in liabilities for written put options over non-controlling interests				(1,480)	36	(1,444)
Transaction with owners	-	1	(1)	(13,752)	36	(13,716)
Balance at end of period	(17,947)	(12,101)	(3,078)	475,180	55,962	531,142

**(4) Consolidated Statements of Cash Flows**  
**Consolidated cumulative quarter**

(Millions of yen)

	First quarter Three months ended Jun. 30, 2020 (A)	First quarter Three months ended Jun. 30, 2019 (B)
Net income	1,194	15,538
Depreciation	10,975	9,753
Amortization of intangible asset	777	957
Impairment losses	24	-
Income tax expense	593	6,088
Equity in net earnings of associates	(105)	(713)
(Gain) loss on sales of property, plant and equipment	(12)	(169)
Financial income	(889)	(632)
Financial expense	1,719	3,393
(Increase) decrease in trade receivables and contract assets	39,820	6,315
(Increase) decrease in lease receivables	2,031	132
(Increase) decrease in inventories	(2,815)	(20,850)
Increase (decrease) in trade payables	(19,183)	(8,287)
Increase (decrease) in retirement and severance benefit	(280)	66
Other	(9,879)	(16,853)
<b>Subtotal</b>	<b>23,970</b>	<b>(5,262)</b>
Interest received	481	511
Dividends received	511	3,221
Interest paid	(1,307)	(1,445)
Income tax paid	(2,214)	(13,349)
<b>Net cash provided by (used in) operating activities</b>	<b>21,441</b>	<b>(16,324)</b>
Capital expenditures	(8,257)	(9,258)
Proceeds from sale of property, plant and equipment	189	251
Acquisition of intangible assets	(1,093)	(2,324)
Proceeds from sales investments in securities and other financial assets (including investments in associates)	-	347
(Increase) decrease in short-term loan receivables, net	4	(16)
Collection of long-term loan receivables	1	3
Other	(114)	(7)
<b>Net cash provided by (used in) investing activities</b>	<b>(9,270)</b>	<b>(11,004)</b>
Increase (decrease) in short-term debt, net	599	63,637
Proceeds from long-term debt and bond	4,419	5,324
Payments on long-term debt	(5,163)	(35,939)
Payments on lease payables	(3,586)	(2,892)
Dividends paid to owners of the parent	(550)	(12,125)
Dividends paid to non-controlling interests	(2)	-
Other	(1)	20
<b>Net cash provided by (used in) financing activities</b>	<b>(4,284)</b>	<b>18,025</b>
Effect of exchange rate changes on cash and cash equivalents	947	(1,555)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>8,834</b>	<b>(10,858)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>62,165</b>	<b>67,347</b>
<b>Increase (decrease) in cash and cash equivalents associated with transfer to assets held for sale</b>	<b>-</b>	<b>(4)</b>
<b>Cash and cash equivalents at end of period</b>	<b>70,999</b>	<b>56,485</b>

## **(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 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.

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

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

For the first quarter three months ended Jun. 30, 2020

(Millions of yen)

	Reportable segment			Adjustments (*1,2)	Total
	Construction Machinery Business	Solution Business	Total		
Revenue					
External customers	150,222	19,935	170,157	-	170,157
Intersegment transactions	1	442	443	(443)	-
Total revenues	150,223	20,377	170,600	(443)	170,157
Adjusted operating income	963	1,977	2,940	-	2,940
Operating income (loss)	881	1,631	2,512	-	2,512
Financial income	-	-	-	889	889
Financial expenses	-	-	-	(1,719)	(1,719)
Share of profits (losses) of investments accounted for using the equity method	105	-	105	-	105
Income (loss) before income taxes	986	1,631	2,617	(830)	1,787

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

Note (\*2): Intersegment transactions are recorded at the same prices used in arm's length transactions.

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



For the first quarter three months ended Jun. 30, 2019

(Millions of yen)

	Reportable segment			Adjustments (*1,2)	Total
	Construction Machinery Business	Solution Business	Total		
Revenue					
External customers	211,269	23,427	234,696	-	234,696
Intersegment transactions	2	597	599	(599)	-
Total revenues	211,271	24,024	235,295	(599)	234,696
Adjusted operating income	20,736	2,166	22,902	-	22,902
Operating income	21,448	2,226	23,674	-	23,674
Financial income	-	-	-	632	632
Financial expenses	-	-	-	(3,393)	(3,393)
Share of profits (losses) of investments accounted for using the equity method	713	-	713	-	713
Income (loss) before income taxes	22,161	2,226	24,387	(2,761)	21,626

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

Note (\*2): Intersegment transactions are recorded at the same prices used in arm's length transactions.

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