

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.

Index of the Attachment

| | |
|---|----|
| 1. Management Performance and Financial Conditions | 2 |
| (1) Management Results..... | 2 |
| (2) Analysis of Financial Condition | 4 |
| (3) Outlook for the Fiscal Year Ending March 31, 2018 | 5 |
| 2. Consolidated Financial Statements..... | 6 |
| (1) Consolidated Balance Sheets..... | 6 |
| (2) Consolidated Statements of Income and Comprehensive Income..... | 7 |
| Consolidated Statements of Income | 7 |
| Consolidated Statements of Comprehensive Income | 8 |
| (3) Consolidated Statements of Changes in Equity | 9 |
| (4) Consolidated Statements of Cash Flows..... | 11 |
| (5) Notes on Consolidated Financial Statements..... | 12 |
| Notes on the Preconditions for a Going Concern | 12 |
| Segment Information..... | 12 |

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 TANSHIN” 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 | Total equity | | |
| | 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.