

## Answers to Main Questions for the Third Quarter of Fiscal 2019

---

### **Q: Would you provide a summary of the total results for the third quarter of fiscal 2019?**

A: The total revenue for the 9 months of fiscal 2019 decreased by 8% year on year to ¥687.2 billion, and adjusted operating income decreased by 31% year on year to ¥58.7 billion, with a profit margin of 8.5%, partly due to the slowdown in the construction machinery market and the production decrease by typhoon damage from some suppliers last October, and the yen appreciation against the previous year. Mining revenue of new machinery increased by 21%, and overall mining revenue increased by 5% to ¥121.2 billion, including the yen appreciation impact.

On the financial side, inventories increased by ¥18.5 billion compared to the previous fiscal year-end to ¥343.4 billion. Viewing the number of days of inventory on hand, trade receivables reduced by 16 days from the previous fiscal year-end, while inventories increased by 13 days to 128 days, and net working capital increased by 9 days to 164 days from the previous fiscal year-end. As a result, interest-bearing debt increased by ¥37.4 billion from the previous fiscal year-end, while total equity increased by ¥3.1 billion.

Regarding cash flow for the 9 months of fiscal 2019, net cash provided by operating activities was ¥20.5 billion, an improvement of ¥69.6 billion year on year due to an improvement in working capital. However, free cash flow was an over-expenditure of ¥8.1 billion, partly due to an increase in cash used in investing activities.

### **Q: Would you provide a summary of the outlook for fiscal 2019?**

A: Regarding the market outlook for fiscal 2019, the global demand for hydraulic excavators will decrease by 10% year-on-year, expected to decrease by 5,000 units from the October forecast based on the situation during the third quarter. On the other hand, demand for mining machinery is expected to be at about the same level as the previous fiscal year. We have left our initial business forecasts unchanged, and forecast revenue of ¥950 billion (down 8% year-on-year), adjusted operating income of ¥86 billion (down 26% year-on-year), and profit attributable to owners of parent of ¥48 billion (down 30% year-on-year). As we have a high ratio of overseas business operations and settle in various currencies, regarding forecast exchange rates, we have adopted a lower limit of assumed fluctuation range for each currency, leaving the exchange rates unchanged at ¥100 to the U.S. dollar, ¥110 to the euro, ¥14.5 to the yuan, and ¥70 to the Australian dollar. The impact of the typhoon that occurred in the third quarter is expected to recover in the fourth quarter, and no impact is expected on the annual forecast.

As we are now in the final year of the "Connect Together 2019" medium-term management plan, we are working to achieve our goals, including deepening the value chain.

### **Q: Could you elaborate on your outlook for construction machinery demand?**

A: Global demand for hydraulic excavators, our major products, decreased year on year in China, Asia, India, Oceania, the Middle East and Africa amid growing global uncertainty, despite solid demand in Japan and North America in the third quarter of fiscal 2019. The global demand is expected to decrease by 10% to 212,000 units in the outlook for the entire fiscal 2019. With regard to the demand environment for mining machinery, demand from major mining companies that own large-scale mines remained at the same level as the previous year, but demand from medium-sized mining companies declined.

**Q: The outbreak of new virus has been spreading in China since January of this year. Could you tell us about the current status of business sites and manufacturing bases, as well as the outlook for the future?**

A: We have postponed the initial schedule of the start of the spring-season opening of the sales and manufacturing base in China under the direction of the city authorities. As for the impact on business performance, it is difficult to say at the present stage during the Chinese New Year Holiday. However, since the central government has issued regulations on the movement of people and goods in China, we expect that the negative impact on economic activity as a whole will appear for a while. We intend to consider careful measures with a focus on safety and health in the first place by paying close attention to new regulations by the Chinese government after the Chinese New Year Holiday.