

## Consolidated Financial Results for the Second quarter Ended September 30, 2021 (IFRS)

October 26, 2021

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, Executive Officer, President & CEO

Scheduled date for submission of the Quarterly Securities Report: November 12, 2021

Scheduled date of commencement of payment of dividends: November 30, 2021

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 second quarter ended September (April 1, 2021 to September 30, 2021)

#### (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	%
September 30, 2021	473,692	31.3	38,102	248.3	42,555	790.5	33,989	—	31,889	—
September 30, 2020	360,902	(24.9)	10,939	(75.7)	4,779	(88.4)	2,168	(92.4)	211	(99.2)

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
September 30, 2021	149.96	149.96
September 30, 2020	0.99	0.99

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

September 30, 2021: ¥4,660million September 30, 2020: ¥66million

#### (2) Consolidated financial position

	Total assets	Total equity	Total equity attributable to owners of the parent	Equity attributable to owners of the parent ratio
	Millions of yen	Millions of yen	Millions of yen	%
September 30, 2021	1,254,138	595,571	543,245	43.3
March 31, 2021	1,220,571	569,245	514,291	42.1

### 2. Dividends status

	Cash dividends per share				
	First Quarter	Second Quarter	Third Quarter	Year end	Total
	Yen	Yen	Yen	Yen	Yen
March 31, 2021	—	10.00	—	10.00	20.00
March 31, 2022	—	45.00	—	—	—
March 31, 2022 (Projection)	—	—	—	—	—

Year-end dividends for the fiscal year ending March 2022 are to be determined.

Note: Changes involving the dividend states for the fiscal year ending March 2022: Yes

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

### 3. Consolidated earnings forecast for the full year ending March 2022(April 1, 2021 to March 31, 2022)

(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, 2022	920,000	13.1	74,000	126.2	80,000	212.8	46,000	344.9	216.32

Notes: Changes in consolidated earnings forecast: Yes

#### \*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)
 

September 2021	215,115,038
March 2021	215,115,038
  - [2] Number of treasury shares
 

September 2021	2,463,719
March 2021	2,463,047
  - [3] Average number of common shares outstanding during the fiscal year (shares)
 

September 2021	212,651,625
September 2020	212,652,965

#### 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 2022” 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 2022 .....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**

In order to further strengthen our value chain business, which we have been focusing on since FY2017, the Consolidated Group has been working to use cutting-edge digital technologies at every point of contact with customers under “Realizing Tomorrow’s Opportunities 2022,” the medium-term management plan from FY2020. In this way, we are providing deepened solutions and working to transform ourselves into a corporate structure that is resilient to changes.

During 2Q of the current fiscal year (April 1, 2021 to September 30, 2021), revenue increased significantly to ¥473,692 million (an increase of 31.3% year on year). This was due to an increase in new machinery sales and parts and service, and a steady increase in rentals and used equipment in the value chain business on which we have been focusing, as well as a recovery trend in the mining business, against a background of a recovery from COVID-19 showing mainly in the U.S. and Europe while the ongoing impact remained in some regions.

In conjunction with a decision to terminate and dissolve the joint venture relationship with Deere & Company announced in August, the sales prices for the Americas, which had been provisionally recorded during the period of the discussion, were determined, and therefore the adjustment amount of 11.1 billion was recorded in revenue and the respective income items for this period under review.

As for consolidated income items, adjusted operating income improved significantly to ¥38,102 million (an increase of 248.3% year on year), due to an increase in revenue resulting from market recovery from the COVID-19 impact and lump-sum recording by determining the sales prices for the Americas, despite the impact of an increase in costs centered on steel prices. Profit attributable to owners of the parent company improved significantly to ¥31,889 million due to an increase in adjusted operating income and an increase in equity in earnings of affiliates of overseas bases.

Business results by segment are described below.

#### 1. Construction Machinery Business

In 2Q of the fiscal year under review, demand for hydraulic excavators in China declined significantly year on year partly due to the excess machinery in the market. However, demand for hydraulic excavators in all other major regions other than China is on a recovery trend. As a result, overall demand increased year on year.

In mining machinery, operations at some mining sites were shut down due to COVID-19, but operations are returning to normal and both new machinery and parts services are on a recovery track.

Consequently, revenue in 2Q of the fiscal year under review grew in both the sales of new construction machinery and mining machinery and the sales of value chain business consisting largely of parts and service. In addition to the above, affected by exchange rates and other factors, revenue was ¥430,607 million (an increase of 34.5% year on year).

Adjusted operating income increased significantly to ¥34,685 million (an increase of 384.5% year on year) due to an increase in revenue and the lump-sum recording of sales price determination for the Americas.

#### 2. Solution Business

This segment consists primarily of Bradken Pty Limited and its subsidiaries, which are engaged in the parts service business in the after-sales of mining facilities and machinery, and H-E Parts International LLC and its subsidiaries, which provide service solutions.

During 2Q of the current fiscal year, revenue was 44,613 million (an increase of 6.0% year on year), due to the continued recovery of the mining market and the effects of exchange rates.

On the other hand, adjusted operating income remained at ¥3,417 million (a decrease of 9.6% year on year), due to the impact of increased costs, mainly for steel materials.

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

The following table summarizes consolidated net revenue by geographic area:

(Millions of yen)

	FY2021		FY2020		Increase (Decrease)	
	(April 1,2021- September 30, 2021)		(April 1,2020- September 30, 2020)			
	Revenue	Proportion	Revenue	Proportion	(A)-(B)	(A)/(B)-1
	(A)	(%)	(B)	(%)		(%)
North America	93,233	19.7	47,654	13.2	45,579	95.6
Central and South America	10,206	2.2	5,164	1.4	5,042	97.6
The Americas	103,439	21.8	52,818	14.6	50,621	95.8
Europe	58,406	12.3	34,045	9.4	24,361	71.6
Russia-CIS	16,476	3.5	9,873	2.7	6,603	66.9
Africa	19,276	4.1	15,456	4.3	3,820	24.7
Middle East	10,222	2.2	8,627	2.4	1,595	18.5
Russia-CIS, Africa, and the Middle East	45,974	9.7	33,956	9.4	12,018	35.4
Asia	35,694	7.5	21,335	5.9	14,359	67.3
India	23,379	4.9	15,961	4.4	7,418	46.5
Oceania	80,750	17.0	69,445	19.2	11,305	16.3
Asia and Oceania	139,823	29.5	106,741	29.6	33,082	31.0
China	29,133	6.2	42,273	11.7	(13,140)	(31.1)
Sub-total	376,775	79.5	269,833	74.8	106,942	39.6
Japan	96,917	20.5	91,069	25.2	5,848	6.4
Total	473,692	100.0	360,902	100.0	112,790	31.3

(Rounded off to the nearest million)

## **(2) Outlook for the Fiscal Year Ending March 2022**

In the fiscal year ending March 2022, demand for hydraulic excavators is expected to drop significantly in China due to sluggish market conditions, but is expected to increase in other regions as market conditions recover compared to the fiscal year ended March 2021. As forecast in the announcement in April, we expect that the total demand for hydraulic excavators worldwide in numbers of units will remain at approximately 220 thousand units (a decrease of 7% over the previous fiscal year).

Demand for mining machinery increased due to the global economic recovery, and capital investment by mining companies and mining contractors resumed amid rising resource prices. As new machinery orders have started to increase, we expect parts and service and solutions businesses to gradually recover.

In light of these circumstances, we have revised our consolidated earnings forecast for the fiscal year ending March 31, 2022 (April 1, 2021 to March 31, 2022), taking into account the impact of the yen's depreciation in actual results, the lump-sum recording of the adjustment amount resulting from the determination of sales prices for the Americas, and the expected gain by the transfer of our shareholding in joint venture companies in the Americas, together with a further increase in steel prices and an impact related to temporary increase in inventory for own business development in the Americas.

For more information, please refer to the "Revisions to the Consolidated Earnings Forecast" as announced today (October 26, 2021).

The assumed foreign exchange rates applied after October onward is unchanged from the announcement of the forecast of financial results for the fiscal year ending March 31, 2022 on July 28, 2021: 105 yen to one US dollar, 125 yen to one euro, 16 yen to one Chinese yuan, and 80 yen 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 second quarter amounted to ¥ 645,785 million, an increase of 4.6%, or ¥ 28,592 million, from the previous fiscal year-end. This was mainly due to an increase of ¥ 11,681 million in inventories. Non-current assets amounted to ¥ 608,353 million, an increase of 0.8%, or ¥ 4,975 million, from the previous fiscal year-end. This was mainly due to an increase of ¥ 11,767 million in property, plant and equipment although there was a decrease of ¥ 6,083 million in investments accounted for using the equity method.

As a result, total assets increased by 2.8%, or ¥ 33,567 million, from the previous fiscal year-end to ¥ 1,254,138 million.

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

Current liabilities amounted to ¥ 374,026 million, an increase of 0.4%, or ¥ 1,572 million, from the previous fiscal year-end. This was mainly due to an increase of ¥ 3,428 million in trade and other payables. Non-current liabilities amounted to ¥ 284,541 million, an increase of 2.0%, or ¥ 5,669 million, from the previous fiscal year-end. This was mainly due to an increase of ¥ 10,942 million in bonds and borrowings and ¥ 3,316 million in lease liabilities although there was a decrease of ¥ 10,247 million in other non-current liabilities.

As a result, total liabilities increased by 1.1%, or ¥ 7,241 million, from the previous fiscal year-end to ¥ 658,567 million.

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

Total equity increased by 4.6%, or ¥ 26,326 million, from the previous fiscal year-end to ¥ 595,571 million. This was mainly due to improve retained earnings.

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

Cash and cash equivalents at the end of second quarter totaled ¥ 87,738 million, an increase of ¥ 7,408 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 second quarter based on ¥ 33,989 million in net income and ¥ 23,549 million in depreciation and included a ¥ 5,656 million decrease in trade receivables and contract assets, a ¥ 12,206 million increase in inventories, and a ¥ 7,963 million income tax paid as cash outflow.

As a result, net cash provided by operating activities for the second quarter totaled to an inflow of ¥ 28,095 million, a decrease inflow of ¥ 9,669 million year on year.

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

Net cash used in investing activities for the second quarter amounted to ¥ 15,889 million, a decrease of ¥ 1,070 million year on year. This was mainly due to an outlay of ¥ 11,201 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 ¥ 12,206 million.

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

Net cash used in financing activities for the second quarter amounted to ¥ 5,605 million. This was mainly due to a decrease of ¥ 5,895 million in lease liabilities and ¥ 6,306 million dividends paid (including dividends paid to non-controlling interests) although there was an increase of ¥ 6,341 million in short-term loan receivables as cash outflow.

As a result, cash for financing activities for the second quarter produced a decreased inflow of ¥ 13,068 million year on year.



## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	Secand quarter As of Sep. 30, 2021 (A)	Previous fiscal year-end As of Mar. 31, 2021 (B)	(A)-(B)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	87,738	80,330	7,408
Trade receivables	194,076	206,371	(12,295)
Contract assets	5,048	4,845	203
Inventories	309,447	297,766	11,681
Income tax receivables	636	4,025	(3,389)
Other financial assets	21,584	16,172	5,412
Other current assets	11,871	7,083	4,788
Subtotal	630,400	616,592	13,808
Assets held for sale	15,385	601	14,784
<b>Total current assets</b>	645,785	617,193	28,592
<b>Non-current assets</b>			
Property, plant and equipment	357,614	345,847	11,767
Right-of-use-asset	59,888	59,410	478
Intangible assets	40,029	41,576	(1,547)
Goodwill	35,517	35,406	111
Investments accounted for using the equity method	24,951	31,034	(6,083)
Trade receivables	41,096	41,436	(340)
Deferred tax assets	16,940	16,052	888
Other financial assets	18,887	18,643	244
Other non-current assets	13,431	13,974	(543)
<b>Total non-current assets</b>	608,353	603,378	4,975
<b>Total assets</b>	1,254,138	1,220,571	33,567
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	184,101	180,673	3,428
Lease liabilities	12,187	12,489	(302)
Contract liabilities	10,581	8,820	1,761
Bonds and borrowings	146,183	150,262	(4,079)
Income taxes payable	6,186	4,632	1,554
Other financial liabilities	10,740	13,970	(3,230)
Other current liabilities	1,829	1,608	221
Subtotal	371,807	372,454	(647)
Liabilities held for sale	2,219	-	2,219
<b>Total current liabilities</b>	374,026	372,454	1,572
<b>Non-current liabilities</b>			
Trade and other payables	8,997	7,697	1,300
Lease liabilities	50,258	46,942	3,316
Contract liabilities	2,705	2,050	655
Bonds and borrowings	190,168	179,226	10,942
Retirement and severance benefit	17,884	17,748	136
Deferred tax liabilities	6,306	6,925	(619)
Other financial liabilities	3,755	3,569	186
Other non-current liabilities	4,468	14,715	(10,247)
<b>Total non-current liabilities</b>	284,541	278,872	5,669
<b>Total liabilities</b>	658,567	651,326	7,241
<b>Equity</b>			
<b>Equity attributable to owners of the parent</b>			
Common stock	81,577	81,577	-
Capital surplus	79,289	80,620	(1,331)
Retained earnings	380,844	350,918	29,926
Accumulated other comprehensive income	4,623	4,262	361
Treasury stock, at cost	(3,088)	(3,086)	(2)
<b>Total Equity attribute to owners of the parent</b>	543,245	514,291	28,954
<b>Non-controlling interests</b>	52,326	54,954	(2,628)
<b>Total equity</b>	595,571	569,245	26,326
<b>Total liabilities and equity</b>	1,254,138	1,220,571	33,567

## (2) Consolidated Statements of Income and Comprehensive Income

### Consolidated cumulative quarter

### Consolidated Statements of Income

(Millions of yen)

	Second quarter Six months ended Sep. 30, 2021 (A)	Second quarter Six months ended Sep. 30, 2020 (B)	(A)/(B)×100 (%)
Revenue	473,692	360,902	131
Cost of sales	(346,889)	(273,412)	127
Gross profit	126,803	87,490	145
Selling, general and administrative expenses	(88,701)	(76,551)	116
Adjusted operating income	38,102	10,939	348
Other income	1,950	1,688	116
Other expenses	(1,651)	(4,078)	40
Operating income	38,401	8,549	449
Financial income	1,805	1,139	158
Financial expenses	(2,311)	(4,975)	46
Share of profits of investments accounted for using the equity method	4,660	66	7,061
Income before income taxes	42,555	4,779	890
Income taxes	(8,566)	(2,611)	328
Net income	33,989	2,168	1,568
Net income attributable to			
Owners of the parent	31,889	211	15,113
Non-controlling interests	2,100	1,957	107
Total net income	33,989	2,168	1,568
EPS attributable to owners of the parent			
Net income per share (Basic) (yen)	149.96	0.99	15,147
Net income per share (Diluted) (yen)	149.96	0.99	15,147

(Rounded off to the nearest million)

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Second quarter Six months ended Sep. 30, 2021 (A)	Second quarter Six months ended Sep. 30, 2020 (B)	(A)/(B)×100 (%)
Net income	33,989	2,168	1,568
Other comprehensive income			
Items that cannot be reclassified into net income			
Net gains and losses from financial assets measured at fair value through OCI	(115)	475	-
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	(533)	11,249	-
Cash flow hedges	31	(68)	-
Other comprehensive income of equity method associates	1,385	(602)	-
Other comprehensive income, net of taxes	769	11,053	7
Comprehensive income	34,758	13,221	263
Comprehensive income attributable to			
Owners of the parent	32,414	10,148	319
Non-controlling interests	2,344	3,073	76

(Rounded off to the nearest million)

**(3) Consolidated Statements of Changes in Equity**  
**Consolidated cumulative quarter**  
**Second quarter six months ended Sep. 30, 2021**

(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	80,620	350,918	1,669	7,510	(355)
Net income			31,889			
Other comprehensive income					(114)	31
Comprehensive income	-	-	31,889	-	(114)	31
Acquisition of treasury stock						
Dividends to stockholders of the Company			(2,127)			
Gains/losses on change in equity						
Transfer to retained earnings			164		(164)	
Change in liabilities for written put options over non-controlling interests		(1,331)				
Transaction with owners	-	(1,331)	(1,963)	-	(164)	-
Balance at end of period	81,577	79,289	380,844	1,669	7,232	(324)

(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	(4,562)	4,262	(3,086)	514,291	54,954	569,245
Net income				31,889	2,100	33,989
Other comprehensive income	608	525		525	244	769
Comprehensive income	608	525	-	32,414	2,344	34,758
Acquisition of treasury stock			(2)	(2)		(2)
Dividends to stockholders of the Company				(2,127)	(4,947)	(7,074)
Gains/losses on change in equity						
Transfer to retained earnings		(164)				
Change in liabilities for written put options over non-controlling interests				(1,331)	(25)	(1,356)
Transaction with owners	-	(164)	(2)	(3,460)	(4,972)	(8,432)
Balance at end of period	(3,954)	4,623	(3,088)	543,245	52,326	595,571

**Second quarter six months ended Sep. 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			211			
Other comprehensive income					474	(68)
Comprehensive income	-	-	211	-	474	(68)
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		(80)				
Transaction with owners	-	(80)	(5,104)	-	-	-
Balance at end of period	81,577	80,395	342,775	(1,933)	6,174	160

(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				211	1,957	2,168
Other comprehensive income	9,531	9,937		9,937	1,116	11,053
Comprehensive income	9,531	9,937	-	10,148	3,073	13,221
Acquisition of treasury stock			(2)	(2)		(2)
Dividends to stockholders of the Company				(5,104)	(2,805)	(7,909)
Gains/losses on change in equity						
Transfer to retained earnings						
Change in liabilities for written put options over non-controlling interests				(80)	2	(78)
Transaction with owners	-	-	(2)	(5,186)	(2,803)	(7,989)
Balance at end of period	(27,565)	(23,164)	(3,084)	478,499	51,844	530,343

#### (4) Consolidated Statements of Cash Flows

##### Consolidated cumulative quarter

(Millions of yen)

	Second quarter Six months ended Sep. 30, 2021 (A)	Second quarter Six months ended Sep. 30, 2020 (B)
Net income	33,989	2,168
Depreciation	23,549	22,252
Amortization of intangible asset	3,624	2,325
Impairment losses	51	1,250
Income tax expense	8,566	2,611
Equity in net earnings of associates	(4,660)	(66)
(Gain) loss on sales of property, plant and equipment	5	143
Financial income	(1,805)	(1,139)
Financial expense	2,311	4,975
(Increase) decrease in trade receivables and contract assets	5,656	42,719
(Increase) decrease in lease receivables	8,016	4,563
(Increase) decrease in inventories	(12,206)	11,394
Increase (decrease) in trade payables	3,618	(29,756)
Increase (decrease) in retirement and severance benefit	177	(254)
Other	(34,299)	(16,511)
<b>Subtotal</b>	<b>36,592</b>	<b>46,674</b>
Interest received	896	934
Dividends received	763	676
Interest paid	(2,193)	(2,710)
Income tax paid	(7,963)	(7,810)
<b>Net cash provided by (used in) operating activities</b>	<b>28,095</b>	<b>37,764</b>
Capital expenditures	(11,201)	(14,811)
Proceeds from sale of property, plant and equipment	118	234
Acquisition of intangible assets	(3,954)	(2,282)
Acquisition of investments in securities and other financial assets(including investments in associates)	(384)	-
Sales of investments in securities and other financial assets (including investments in associates)	370	-
(Increase) decrease in short-term loan receivables, net	188	-
Collection of long-term loan receivables	6	15
Payments for acquisition of businesses	(1,030)	-
Other	(2)	(115)
<b>Net cash provided by (used in) investing activities</b>	<b>(15,889)</b>	<b>(16,959)</b>
Increase (decrease) in short-term debt, net	6,341	(8,135)
Proceeds from long-term debt and bond	24,345	15,434
Payments on long-term debt	(24,088)	(12,608)
Payments on lease payables	(5,895)	(6,171)
Dividends paid to owners of the parent	(2,136)	(5,145)
Dividends paid to non-controlling interests	(4,170)	(2,046)
Other	(2)	(2)
<b>Net cash provided by (used in) financing activities</b>	<b>(5,605)</b>	<b>(18,673)</b>
Effect of exchange rate changes on cash and cash equivalents	807	803
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>7,408</b>	<b>2,935</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>80,330</b>	<b>62,165</b>
<b>Cash and cash equivalents at end of period</b>	<b>87,738</b>	<b>65,100</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 second quarter six months ended Sep. 30, 2021

(Millions of yen)

	Reportable segment			Adjustments (*1,2)	Total
	Construction Machinery Business	Solution Business	Total		
Revenue					
External customers	430,602	43,090	473,692	-	473,692
Intersegment transactions	5	1,523	1,528	(1,528)	-
Total revenues	430,607	44,613	475,220	(1,528)	473,692
Adjusted operating income	34,685	3,417	38,102	-	38,102
Operating income	34,829	3,572	38,401	-	38,401
Financial income	-	-	-	1,805	1,805
Financial expenses	-	-	-	(2,311)	(2,311)
Share of profits of investments accounted for using the equity method	4,660	-	4,660	-	4,660
Income (loss) before income taxes	39,489	3,572	43,061	(506)	42,555

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 second quarter six months ended Sep. 30, 2020

(Millions of yen)

	Reportable segment			Adjustments (*1,2)	Total
	Construction Machinery Business	Solution Business	Total		
Revenue					
External customers	320,214	40,688	360,902	-	360,902
Intersegment transactions	2	1,383	1,385	(1,385)	-
Total revenues	320,216	42,071	362,287	(1,385)	360,902
Adjusted operating income	7,159	3,780	10,939	-	10,939
Operating income	7,287	1,262	8,549	-	8,549
Financial income	-	-	-	1,139	1,139
Financial expenses	-	-	-	(4,975)	(4,975)
Share of profits (losses) of investments accounted for using the equity method	66	-	66	-	66
Income (loss) before income taxes	7,353	1,262	8,615	(3,836)	4,779

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.)