

## Consolidated Financial Results for the Third Quarter Ended December 31, 2021 (IFRS)

January 31, 2022

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: February 14, 2022

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 third quarter ended December (April 1, 2021 to December 31, 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	%
December 31, 2021	720,366	28.9	61,296	235.0	66,260	460.0	49,900	682.5	46,462	—
December 31, 2020	558,727	(18.7)	18,298	(68.9)	11,833	(78.8)	6,377	(83.9)	3,126	(91.1)

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
December 31, 2021	218.49	218.49
December 31, 2020	14.70	14.70

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

December 31, 2021: ¥6,074million December 31, 2020: ¥675million

#### (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	%
December 31, 2021	1,302,267	612,416	557,032	42.8
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: None

(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	950,000	16.8	84,000	156.8	88,000	244.0	52,000	402.9	244.53

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)
 

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

December	2021	2,463,916
March	2021	2,463,047
  - [3] Average number of common shares outstanding during the fiscal year (shares)
 

December	2021	212,651,495
December	2020	212,652,785

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.

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## **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.

In the 3Q of the current fiscal year (April 1, 2021 to December 31, 2021), although there were effects such as behavioral constraints caused by the spread of the new variant of the coronavirus in some regions, the market environment remained on a recovery trend in major regions other than China. Revenue increased to ¥720,366 million (an increase of 28.9% year on year) due to an increase in the value chain business centered on parts and services in addition to new machinery sales, and a steady recovery in the mining business.

As for consolidated income items, adjusted operating income was ¥61,296 million (an increase of 235.0% year on year) due to an increase in revenue against the backdrop of a favorable market environment, an adjustment amount due to sales price determination for the Americas recorded in the 2Q, and being affected by exchange rates, despite the impact of an increase in costs, mainly for steel materials. Profit attributable to owners of the parent company improved significantly to ¥46,462 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 the 3Q of the fiscal year under review, demand for hydraulic excavators in China declined significantly year on year, while demand in major regions other than China was on a recovery trend. As a result, overall demand increased year on year.

In mining machinery, demand for both new machinery sales and parts services steadily increased. This was due to the operation of the mine, which was affected by COVID-19, and has returned to almost normal, and the recovery of the investment motivation of customers with the tailwind of strong resource prices, as well as the demand for overhaul of suspended machines as mines restart.

Consequently, revenue in the 3Q of the fiscal year under review grew in both the sales of new machinery (construction and mining) and the value chain business centered on parts and services. In addition to the above, affected by exchange rates and other factors, revenue was ¥655,715 million (an increase of 31.3% year on year).

Adjusted operating income increased significantly to ¥56,460 million (an increase of 336.7% year on year), due to an increase in revenue, an adjustment amount due to sales price determination for the Americas recorded in the 2Q, and the impact of foreign exchange rates.

#### 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.

In the 3Q of the current fiscal year, revenue was ¥67,245 million (an increase of 9.1% 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 ¥4,836 million (a decrease of 9.9% year on year), due to the impact of increased costs, mainly for steel materials.

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

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

The following table summarizes consolidated net revenue by geographic area.

(Millions of yen)

	FY2021 (April 1, 2021 - December 31, 2021)		FY2020 (April 1, 2020 - December 31, 2020)		Increase (Decrease)	
	Revenue (A)	Proportion (%)	Revenue (B)	Proportion (%)	(A)-(B)	(A)/(B)-1 (%)
North America	136,200	18.9	71,357	12.8	64,843	90.9
Central and South America	15,682	2.2	7,822	1.4	7,860	100.5
The Americas	151,882	21.1	79,179	14.2	72,703	91.8
Europe	86,814	12.1	54,619	9.8	32,195	58.9
Russia-CIS	25,841	3.6	17,300	3.1	8,541	49.4
Africa	30,260	4.2	24,094	4.3	6,166	25.6
Middle East	12,728	1.8	10,010	1.8	2,718	27.2
Russia-CIS, Africa, and the Middle East	68,829	9.6	51,404	9.2	17,425	33.9
Asia	58,265	8.1	34,591	6.2	23,674	68.4
India	38,373	5.3	32,277	5.8	6,096	18.9
Oceania	122,451	17.0	102,489	18.3	19,962	19.5
Asia and Oceania	219,089	30.4	169,357	30.3	49,732	29.4
China	38,992	5.4	61,522	11.0	(22,530)	(36.6)
Sub-total	565,606	78.5	416,081	74.5	149,525	35.9
Japan	154,760	21.5	142,646	25.5	12,114	8.5
Total	720,366	100.0	558,727	100.0	161,639	28.9

(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 2022

In the fiscal year ending March 2022, demand for hydraulic excavators has declined significantly in China due to the sluggish market environment, but the market environment has continued to recover more than initially expected in other major regions. Based on this, we have revised the demand forecast for hydraulic excavators for the fiscal year ending March 2022 upward from the previous 220 thousand units (a decrease of 7% year on year) to approximately 231 thousand units (a decrease of 3% year on year) worldwide.

Demand for mining machinery has been strong for both new machinery and parts services due to the operation of the mine, which was affected by COVID-19, and has returned to almost normal, and the recovery of the investment motivation of customers with the tailwind of strong resource prices, as well as the demand for overhaul of suspended machines as mines restart. We expect this trend to continue in the future.

Based on these outlooks and the results up to the 3Q of the current fiscal year, we have revised the forecasts for the fiscal year ending March 2022 (from April 1, 2021 to March 31, 2022) upwards as shown below.

The assumed exchange rates for the 4th Quarter are ¥110 to one US dollar, ¥130 to one euro, ¥17.5 to one Chinese yuan, and ¥80 to one Australian dollar.

### Consolidated Earnings Forecast for the Full Year Ending March 31, 2022

	Revenue	Adjusted Operating income	Operating income	Income before income taxes	Net income attributable to owners of the parent	Net income attributable to owners of the parent per share (basic)
Previous forecast (A)	Millions of yen 920,000	Millions of yen 74,000	Millions of yen 79,000	Millions of yen 80,000	Millions of yen 46,000	Yen 216.32
Forecast (B)	950,000	84,000	88,000	88,000	52,000	244.53
Change (B)-(A)	30,000	10,000	9,000	8,000	6,000	—
Change (%)	3.3	13.5	11.4	10.0	13.0	—
(Reference) FY2020	Millions of yen 813,331	Millions of yen 32,710	Millions of yen 28,235	Millions of yen 25,578	Millions of yen 10,340	Yen 48.62

(Rounded off to the nearest million)

(NOTE)The above forecasts are based on information available at the time of disclosure of these materials. Actual results may differ from these forecasts due to various factors.

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

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

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

Current assets at the end of the third quarter amounted to ¥ 679,525 million, an increase of 10.1%, or ¥ 62,332 million, from the previous fiscal year-end. This was mainly due to an increase of ¥ 47,666 million in inventories. Non-current assets amounted to ¥ 622,742 million, an increase of 3.2%, or ¥ 19,364 million, from the previous fiscal year-end. This was mainly due to an increase of ¥ 23,143 million in property, plant and equipment although there was a decrease of ¥ 4,599 million in investments accounted for using the equity method.

As a result, total assets increased by 6.7%, or ¥ 81,696 million, from the previous fiscal year-end to ¥ 1,302,267 million.

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

Current liabilities amounted to ¥ 412,399 million, an increase of 10.7%, or ¥ 39,945 million, from the previous fiscal year-end. This was mainly due to an increase of ¥ 19,586 million in bonds and borrowings and ¥ 13,898 million in trade and other payables. Non-current liabilities amounted to ¥ 277,452 million, a decrease of 0.5%, or ¥ 1,420 million, from the previous fiscal year-end. This was mainly due to increases of ¥ 3,780 million in lease liabilities and ¥ 2,137 million in bonds and borrowings although there was a decrease of ¥ 10,054 million in other non-current liabilities.

As a result, total liabilities increased by 5.9%, or ¥ 38,525 million, from the previous fiscal year-end to ¥ 689,851 million.

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

Total equity increased by 7.6%, or ¥ 43,171 million, from the previous fiscal year-end to ¥ 612,416 million. This was mainly due to improve retained earnings.

(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 the third quarter totaled ¥ 81,601 million, an increase of ¥ 1,271 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 third quarter based on ¥ 49,900 million in net income and included ¥ 35,864 million in depreciation, a ¥ 42,667 million increase in inventories, and a ¥ 12,159 million income tax paid as cash outflow.

As a result, net cash provided by operating activities for the third quarter totaled to an inflow of ¥ 38,634 million, a decrease inflow of ¥ 18,102 million year on year.

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

Net cash used in investing activities for the third quarter amounted to ¥ 26,037 million, an increase of ¥ 2,778 million year on year. This was mainly due to an outlay of ¥ 17,586 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 ¥ 12,597 million.

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

Net cash used in financing activities for the third quarter amounted to ¥ 13,780 million. This was mainly due to a decrease of ¥ 19,763 million in dividends paid (including dividends paid to non-controlling interests) and ¥ 9,038 million in lease liabilities although there was an increase of ¥15,013 million in short-term loan receivables as cash inflow.

As a result, cash for financing activities for the third quarter produced a decreased outflow of ¥ 15,187 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)

	Third quarter As of Dec. 31, 2021 (A)	Previous fiscal year-end As of Mar. 31, 2021 (B)	(A)-(B)
<b>Assets</b>			
Current assets			
Cash and cash equivalents	81,601	80,330	1,271
Trade receivables	196,754	206,371	(9,617)
Contract assets	5,506	4,845	661
Inventories	345,432	297,766	47,666
Income tax receivables	957	4,025	(3,068)
Other financial assets	23,973	16,172	7,801
Other current assets	10,452	7,083	3,369
Subtotal	664,675	616,592	48,083
Assets held for sale	14,850	601	14,249
Total current assets	679,525	617,193	62,332
Non-current assets			
Property, plant and equipment	368,990	345,847	23,143
Right-of-use-asset	59,514	59,410	104
Intangible assets	40,750	41,576	(826)
Goodwill	36,792	35,406	1,386
Investments accounted for using the equity method	26,435	31,034	(4,599)
Trade receivables	39,913	41,436	(1,523)
Deferred tax assets	16,960	16,052	908
Other financial assets	19,784	18,643	1,141
Other non-current assets	13,604	13,974	(370)
Total non-current assets	622,742	603,378	19,364
Total assets	1,302,267	1,220,571	81,696
<b>Liabilities</b>			
Current liabilities			
Trade and other payables	194,571	180,673	13,898
Lease liabilities	11,219	12,489	(1,270)
Contract liabilities	11,932	8,820	3,112
Bonds and borrowings	169,848	150,262	19,586
Income taxes payable	8,622	4,632	3,990
Other financial liabilities	12,584	13,970	(1,386)
Other current liabilities	1,404	1,608	(204)
Subtotal	410,180	372,454	37,726
Liabilities held for sale	2,219	-	2,219
Total current liabilities	412,399	372,454	39,945
Non-current liabilities			
Trade and other payables	8,951	7,697	1,254
Lease liabilities	50,722	46,942	3,780
Contract liabilities	2,982	2,050	932
Bonds and borrowings	181,363	179,226	2,137
Retirement and severance benefit	18,123	17,748	375
Deferred tax liabilities	6,788	6,925	(137)
Other financial liabilities	3,862	3,569	293
Other non-current liabilities	4,661	14,715	(10,054)
Total non-current liabilities	277,452	278,872	(1,420)
Total liabilities	689,851	651,326	38,525
<b>Equity</b>			
Equity attributable to owners of the parent			
Common stock	81,577	81,577	-
Capital surplus	79,332	80,620	(1,288)
Retained earnings	385,866	350,918	34,948
Accumulated other comprehensive income	13,346	4,262	9,084
Treasury stock, at cost	(3,089)	(3,086)	(3)
Total Equity attribute to owners of the parent	557,032	514,291	42,741
Non-controlling interests	55,384	54,954	430
Total equity	612,416	569,245	43,171
Total liabilities and equity	1,302,267	1,220,571	81,696

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

### Consolidated cumulative quarter

### Consolidated Statements of Income

(Millions of yen)

	Third quarter Nine months ended Dec. 31, 2021 (A)	Third quarter Nine months ended Dec. 31, 2020 (B)	(A)/(B)×100 (%)
Revenue	720,366	558,727	129
Cost of sales	(523,838)	(422,988)	124
Gross profit	196,528	135,739	145
Selling, general and administrative expenses	(135,232)	(117,441)	115
Adjusted operating income	61,296	18,298	335
Other income	2,980	3,025	99
Other expenses	(2,592)	(6,089)	43
Operating income	61,684	15,234	405
Financial income	2,458	1,754	140
Financial expenses	(3,956)	(5,830)	68
Share of profits of investments accounted for using the equity method	6,074	675	900
Income before income taxes	66,260	11,833	560
Income taxes	(16,360)	(5,456)	300
Net income	49,900	6,377	782
Net income attributable to			
Owners of the parent	46,462	3,126	1,486
Non-controlling interests	3,438	3,251	106
Total net income	49,900	6,377	782
EPS attributable to owners of the parent			
Net income per share (Basic) (yen)	218.49	14.70	1,486
Net income per share (Diluted) (yen)	218.49	14.70	1,486

(Rounded off to the nearest million)

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Third quarter Nine months ended Dec. 31, 2021 (A)	Third quarter Nine months ended Dec. 31, 2020 (B)	(A)/(B)×100 (%)
Net income	49,900	6,377	782
Other comprehensive income			
Items that cannot be reclassified into net income			
Net gains and losses from financial assets measured at fair value through OCI	78	681	11
Remeasurements of defined benefit obligations	-	-	-
Other comprehensive income of equity method associates	6	(1)	-
Items that can be reclassified into net income			
Foreign currency translation adjustments	10,309	17,892	58
Cash flow hedges	(649)	(180)	361
Other comprehensive income of equity method associates	1,559	(751)	-
Other comprehensive income, net of taxes	11,303	17,641	64
Comprehensive income	61,203	24,018	255
Comprehensive income attributable to			
Owners of the parent	55,728	18,805	296
Non-controlling interests	5,475	5,213	105

(Rounded off to the nearest million)

**(3) Consolidated Statements of Changes in Equity**  
**Consolidated cumulative quarter**  
**Third quarter nine months ended Dec. 31, 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			46,462			
Other comprehensive income				-	84	(649)
Comprehensive income	-	-	46,462	-	84	(649)
Acquisition of treasury stock						
Dividends to stockholders of the Company			(11,696)			
Transfer to retained earnings			182		(182)	
Change in liabilities for written put options over non-controlling interests		(1,288)				
Transaction with owners	-	(1,288)	(11,514)	-	(182)	-
Balance at end of period	81,577	79,332	385,866	1,669	7,412	(1,004)

(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				46,462	3,438	49,900
Other comprehensive income	9,831	9,266		9,266	2,037	11,303
Comprehensive income	9,831	9,266	-	55,728	5,475	61,203
Acquisition of treasury stock			(3)	(3)		(3)
Dividends to stockholders of the Company				(11,696)	(5,007)	(16,703)
Transfer to retained earnings		(182)				
Change in liabilities for written put options over non-controlling interests				(1,288)	(38)	(1,326)
Transaction with owners	-	(182)	(3)	(12,987)	(5,045)	(18,032)
Balance at end of period	5,269	13,346	(3,089)	557,032	55,384	612,416

**Consolidated Statements of Changes in Equity**  
**Consolidated cumulative quarter**  
**Third quarter nine months ended Dec. 31, 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			3,126			
Other comprehensive income					680	(180)
Comprehensive income	-	-	3,126	-	680	(180)
Acquisition of treasury stock						
Dividends to stockholders of the Company			(7,231)			
Transfer to retained earnings						
Change in liabilities for written put options over non-controlling interests		(102)				
Transaction with owners	-	(102)	(7,231)	-	-	-
Balance at end of period	81,577	80,373	343,563	(1,933)	6,380	48

(Millions of yen)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Accumulated other comprehensive income		Treasury stock, at cost	Total		
	Foreign currency translation adjustments	Total				
Balance at beginning of period	(37,096)	(33,101)	(3,082)	473,537	51,574	525,111
Net income				3,126	3,251	6,377
Other comprehensive income	15,179	15,679		15,679	1,962	17,641
Comprehensive income	15,179	15,679	-	18,805	5,213	24,018
Acquisition of treasury stock			(3)	(3)		(3)
Dividends to stockholders of the Company				(7,231)	(2,805)	(10,036)
Transfer to retained earnings						
Change in liabilities for written put options over non-controlling interests				(102)	(1)	(103)
Transaction with owners	-	-	(3)	(7,336)	(2,806)	(10,142)
Balance at end of period	(21,917)	(17,422)	(3,085)	485,006	53,981	538,987

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

##### Consolidated cumulative quarter

(Millions of yen)

	Third quarter Nine months ended Dec. 31, 2021 (A)	Third quarter Nine months ended Dec. 31, 2020 (B)
Net income	49,900	6,377
Depreciation	35,864	33,723
Amortization of intangible asset	5,462	3,951
Impairment losses	102	1,257
Gains or loss on business restructuring	-	464
Income tax expense	16,360	5,456
Equity in net earnings of associates	(6,074)	(675)
(Gain) loss on sales of property, plant and equipment	(41)	99
Financial income	(2,458)	(1,754)
Financial expense	3,956	5,830
(Increase) decrease in trade receivables and contract assets	4,800	48,572
(Increase) decrease in lease receivables	13,784	4,066
(Increase) decrease in inventories	(42,667)	3,176
Increase (decrease) in trade payables	18,905	(22,043)
Increase (decrease) in retirement and severance benefit	276	(239)
Other	(46,230)	(20,953)
<b>Subtotal</b>	<b>51,939</b>	<b>67,307</b>
Interest received	1,337	1,453
Dividends received	947	714
Interest paid	(3,430)	(4,003)
Income tax paid	(12,159)	(8,735)
<b>Net cash provided by (used in) operating activities</b>	<b>38,634</b>	<b>56,736</b>
Capital expenditures	(17,586)	(20,102)
Proceeds from sale of property, plant and equipment	170	332
Acquisition of intangible assets	(5,220)	(3,156)
Acquisition of investments in securities and other financial assets(including investments in associates)	(2,642)	(172)
Sales of investments in securities and other financial assets	398	-
(Increase) decrease in short-term loan receivables, net	228	1
Collection of long-term loan receivables	7	19
Payments for acquisition of businesses	(1,030)	-
Other	(362)	(181)
<b>Net cash provided by (used in) investing activities</b>	<b>(26,037)</b>	<b>(23,259)</b>
Increase (decrease) in short-term debt, net	15,013	(22,739)
Proceeds from long-term debt and bond	30,583	32,084
Payments on long-term debt	(30,571)	(18,821)
Payments on lease payables	(9,038)	(8,851)
Dividends paid to owners of the parent	(11,705)	(7,267)
Dividends paid to non-controlling interests	(8,058)	(3,370)
Other	(4)	(3)
<b>Net cash provided by (used in) financing activities</b>	<b>(13,780)</b>	<b>(28,967)</b>
Effect of exchange rate changes on cash and cash equivalents	2,454	1,743
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,271</b>	<b>6,253</b>
<b>Increase (decrease) in cash and cash equivalents associated with transfer to assets held for sale</b>	<b>80,330</b>	<b>62,165</b>
<b>Cash and cash equivalents at end of period</b>	<b>81,601</b>	<b>68,418</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 the third quarter nine months ended Dec. 31, 2021

(Millions of yen)

	Reportable segment			Adjustments (*1,2)	Total
	Construction Machinery Business	Solution Business	Total		
Revenue					
External customers	655,709	64,657	720,366	-	720,366
Intersegment transactions	6	2,588	2,594	(2,594)	-
Total revenues	655,715	67,245	722,960	(2,594)	720,366
Adjusted operating income	56,460	4,836	61,296	-	61,296
Operating income	56,570	5,114	61,684	-	61,684
Financial income	-	-	-	2,458	2,458
Financial expenses	-	-	-	(3,956)	(3,956)
Share of profits of investments accounted for using the equity method	6,074	-	6,074	-	6,074
Income (loss) before income taxes	62,644	5,114	67,758	(1,498)	66,260

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 third quarter nine months ended Dec. 31, 2020

(Millions of yen)

	Reportable segment			Adjustments (*1,2)	Total
	Construction Machinery Business	Solution Business	Total		
Revenue					
External customers	499,477	59,250	558,727	-	558,727
Intersegment transactions	3	2,358	2,361	(2,361)	-
Total revenues	499,480	61,608	561,088	(2,361)	558,727
Adjusted operating income	12,928	5,370	18,298	-	18,298
Operating income (loss)	12,407	2,827	15,234	-	15,234
Financial income	-	-	-	1,754	1,754
Financial expenses	-	-	-	(5,830)	(5,830)
Share of profits (losses) of investments accounted for using the equity method	675	-	675	-	675
Income (loss) before income taxes	13,082	2,827	15,909	(4,076)	11,833

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.

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