

Consolidated Financial Results for the Second quarter Ended September 30, 2022 (IFRS)

October 26, 2022

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

Stock exchange: Tokyo (Prime Market) Code number: 6305

URL <https://www.hitachicm.com/global/en/>

Representative: Kotaro Hirano, Executive Officer, President & CEO

Scheduled date for submission of the Quarterly Securities Report: November 11, 2022

Scheduled date of commencement of payment of dividends: November 30, 2022

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, 2022 to September 30, 2022)

(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, 2022	578,902	22.2	52,068	36.7	55,192	29.7	38,223	12.5	35,681	11.9
September 30, 2021	473,692	31.3	38,102	248.3	42,555	790.5	33,989	—	31,889	—

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, 2022	167.79	167.79
September 30, 2021	149.96	149.96

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

September 30, 2022: ¥1,474 million September 30, 2021: ¥4,660 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	%
September 30, 2022	1,537,907	720,555	662,525	43.1
March 31, 2022	1,409,560	667,931	611,608	43.4

2. Dividends status

	Cash dividends per share				
	First Quarter	Second Quarter	Third Quarter	Year end	Total
	Yen	Yen	Yen	Yen	Yen
March 31, 2022	—	45.00	—	65.00	110.00
March 31, 2023	—	50.00	—	—	—
March 31, 2023 (Projection)	—	—	—	—	—

Year-end dividends for the fiscal year ending March 2023 are to be determined.

Note: Changes involving the dividend states for the fiscal year ending March 2023: Yes

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

3. Consolidated earnings forecast for the full year ending March 2023(April 1, 2022 to March 31, 2023)

(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, 2023	1,160,000	13.2	110,000	17.6	106,000	(4.4)	67,000	(11.6)	315.07

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 2022	215,115,038
March 2022	215,115,038
 - [2] Number of treasury shares

September 2022	2,465,062
March 2022	2,464,315
 - [3] Average number of common shares outstanding during the fiscal year (shares)

September 2022	212,650,394
September 2021	212,651,625

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 2023” 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 the three-year medium-term management plan entitled "Realizing Tomorrow's Opportunities 2022", which ends in FY2022, the Consolidated Group is currently working to achieve sustainable growth and improve enterprise value through four management strategies: ①Strengthen value chain business; ②Provide enhanced solutions at every contact with customers; ③Form highly flexible corporate structure; and a new one ④Realize strategies throughout North, Central and South America.

During the 2Q of fiscal year under review (April 1, 2022 to September 30, 2022), demand for hydraulic excavators declined year on year, in line with our expectations. In terms of region, demand in China and Russia/CIS significantly declined year on year, while demand in major developed countries such as Japan, Western Europe, and North America also declined.

Demand from mining remained strong due to customers' continued strong appetite for investment against a backdrop of high resource prices and continued demand for overhaul of suspended machines following the resumption of mining operations.

In this environment, revenue was ¥578,902 million (an increase of 22.2% year on year), reflecting a significant year-on-year increase in the value chain business, centered on parts and services, in addition to new machinery sales for construction and mining, as well as the impact of yen depreciation and other factors.

As for consolidated income items, adjusted operating income increased significantly to ¥52,068 million (an increase of 36.7% year on year) mainly due to an increase in revenue and the impact of yen depreciation and other factors, despite the absence of adjustment amount due to the determination of sales prices for the Americas, which is a one-time profit recorded in the 2Q of the previous fiscal year, and an increase in costs mainly due to steel prices. Net income attributable to owners of the parent was ¥35,681 million (an increase of 11.9% year on year).

Business results by segment are described below.

① Construction machinery business

During the 2Q of fiscal year under review, revenue was ¥519,554 million (an increase of 20.7% year on year) and adjusted operating income was ¥47,460 million (an increase of 36.8% year on year).

The business impact of procurement and logistics delays that occurred in the 1Q of the current fiscal year improved significantly in the 2Q. The Americas business, which began full-scale independent development in the current fiscal year, also performed better than expected. Supported by strong orders in various regions, both new machinery sales for construction and mining and the value chain business, centered on parts and services, performed well significantly growing year on year.

② Solution business

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

During the 2Q of fiscal year under review, revenue was ¥62,592 million (an increase of 40.3% year on year) due to the strong performance of the mining market environment, as well as the impact of exchange rates and other factors. Adjusted operating income was ¥4,608 million (an increase of 34.9% year on year) mainly due to an increase in revenue and the impact of foreign exchange rates, despite the impact of an increase in costs mainly in steel prices.

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

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

The following table summarizes consolidated net revenue by geographic area:

(Millions of yen)

	FY2022 (April 1,2022- September 30, 2022)		FY2021 (April 1,2021- September 30, 2021)		Increase (Decrease)	
	Revenue (A)	Proportion (%)	Revenue (B)	Proportion (%)	(A)-(B)	(A)/(B)-1 (%)
North America	115,061	19.9	93,233	19.7	21,828	23.4
Central and South America	16,635	2.9	10,206	2.2	6,429	63.0
The Americas	131,696	22.7	103,439	21.8	28,257	27.3
Europe	74,743	12.9	58,406	12.3	16,337	28.0
Russia-CIS	20,516	3.5	16,476	3.5	4,040	24.5
Africa	24,624	4.3	19,276	4.1	5,348	27.7
Middle East	12,729	2.2	10,222	2.2	2,507	24.5
Russia-CIS, Africa, and the Middle East	57,869	10.0	45,974	9.7	11,895	25.9
Asia	52,008	9.0	35,694	7.5	16,314	45.7
India	30,597	5.3	23,379	4.9	7,218	30.9
Oceania	113,788	19.7	80,750	17.0	33,038	40.9
Asia and Oceania	196,393	33.9	139,823	29.5	56,570	40.5
China	18,724	3.2	29,133	6.2	(10,409)	(35.7)
Sub-total	479,425	82.8	376,775	79.5	102,650	27.2
Japan	99,477	17.2	96,917	20.5	2,560	2.6
Total	578,902	100.0	473,692	100.0	105,210	22.2

(Rounded off to the nearest million)

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(2) Outlook for the Fiscal Year Ending March 2023

In the current fiscal year under review (FY2022), we expect demand for hydraulic excavators to remain unchanged from the beginning of the fiscal year, reaching approximately 224 thousand units worldwide (a decrease of 11% year on year). Demand for mining machinery is expected to remain strong in major regions other than Russia, maintaining the forecast from the beginning of the fiscal year.

Although we expect demand for hydraulic excavators to continue to decline year on year in the second half of the year and procurement and logistics risks to potentially persist, we revised the consolidated earnings forecasts for the fiscal year ending March 2023 (from April 1, 2022 to March 31, 2023) upward, taking into account the fact that the first-half results exceeded the July forecast and that the value chain business, centered on parts and services, will continue to grow in the second half.

For more information, please refer to the “Revisions to the Consolidated Earnings Forecast” as announced today (October 26, 2022).

The assumed exchange rates for the third quarter and beyond remain unchanged from those announced in July (¥130 to the US dollar, ¥140 to the euro, ¥19.5 to the Chinese yuan, and ¥90 to the Australian dollar).

Notes:

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 may cause actual results to differ materially.

(3) Analysis of Financial Condition

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

(a) Assets

Current assets amounted to ¥ 852,751 million, an increase of 11.6%, or ¥ 88,396 million, from the previous fiscal year-end.

This was mainly due to an increase of ¥ 73,156 million in inventory and ¥ 9,049 million in cash and cash equivalents although there was a decrease of ¥ 2,739 million in trade receivables.

Non-current assets amounted to ¥ 685,156 million, an increase of 6.2%, or ¥ 39,951 million, from the previous fiscal year-end. This was due mainly to an increase of ¥ 23,984 million in property, plant and equipment.

As a result, total assets increased by 9.1%, or ¥ 128,347 million, from the previous fiscal year-end to ¥ 1,537,907 million.

(b) Liabilities

Current liabilities amounted to ¥ 530,354 million, an increase of 16.5%, or ¥ 75,049 million, from the previous fiscal year-end.

This was mainly due to an increase of ¥ 73,218 million in bonds and borrowings.

Non-current liabilities amounted to ¥ 286,998 million, an increase of 0.2%, or ¥ 674 million, from the previous fiscal year-end. This was mainly due to an increase of ¥ 8,437 million in lease liabilities although there was a decrease of ¥ 8,952 million in bonds and borrowings.

As a result, total liabilities increased by 10.2%, or ¥ 75,723 million, from the previous fiscal year-end to ¥ 817,352 million.

(c) Equity

Total equity increased by 7.9%, or ¥ 52,624 million, from the previous fiscal year-end to ¥ 720,555 million. This was mainly due to net income and upturn in foreign currency translation adjustments.

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

[2] Analysis of the Status of Consolidated Cash Flows

Cash and cash equivalents at the end of second quarter totaled ¥ 103,306 million, an increase of ¥ 9,049 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 ¥ 38,223 million in net income, and included ¥ 26,780 million in depreciation, a ¥ 24,295 million decrease in trade receivables and contract assets, while an ¥ 43,200 million increase in inventories and a ¥ 23,096 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 ¥ 7,501 million, a decrease inflow of ¥ 20,594 million year on year.

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

Net cash used in investing activities for the second quarter amounted to ¥ 21,906 million, an increase of ¥ 6,017 million year on year. This was mainly due to an outlay of ¥ 21,342 million for purchase of property, plant and equipment.

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 outflow of ¥ 14,405 million.

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

Net cash provided by financing activities for the second quarter amounted to ¥ 14,702 million. While there are ¥ 16,067 payments on long-term debt and bond and a ¥ 19,999 million dividends paid (including dividends paid to non-controlling interests), this was mainly due to an increase of ¥ 44,011 million in short-term debt, net as cash inflow.

As a result, cash for financing activities for the second quarter produced an increased inflow of ¥ 20,307 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)

	Second quarter As of Sep. 30, 2022 (A)	Previous fiscal year-end As of Mar. 31, 2022 (B)	(A)-(B)
Assets			
Current assets			
Cash and cash equivalents	103,306	94,257	9,049
Trade receivables	258,709	261,448	(2,739)
Contract assets	5,646	4,816	830
Inventories	441,423	368,267	73,156
Income tax receivables	1,310	1,884	(574)
Other financial assets	28,729	25,262	3,467
Other current assets	13,628	8,421	5,207
Total current assets	852,751	764,355	88,396
Non-current assets			
Property, plant and equipment	408,148	384,164	23,984
Right-of-use-asset	63,698	58,740	4,958
Intangible assets	42,097	42,008	89
Goodwill	42,076	39,071	3,005
Investments accounted for using the equity method	29,207	26,972	2,235
Trade receivables	43,453	42,747	706
Deferred tax assets	18,467	16,099	2,368
Other financial assets	22,354	20,450	1,904
Other non-current assets	15,656	14,954	702
Total non-current assets	685,156	645,205	39,951
Total assets	1,537,907	1,409,560	128,347
Liabilities			
Current liabilities			
Trade and other payables	225,479	222,841	2,638
Lease liabilities	10,723	10,714	9
Contract liabilities	13,344	11,527	1,817
Bonds and borrowings	247,555	174,337	73,218
Income taxes payable	10,312	15,059	(4,747)
Other financial liabilities	20,108	18,810	1,298
Other current liabilities	2,833	2,017	816
Total current liabilities	530,354	455,305	75,049
Non-current liabilities			
Trade and other payables	7,910	8,495	(585)
Lease liabilities	59,154	50,717	8,437
Contract liabilities	9,264	9,353	(89)
Bonds and borrowings	169,818	178,770	(8,952)
Retirement and severance benefit	18,653	17,622	1,031
Deferred tax liabilities	10,271	8,865	1,406
Other financial liabilities	4,851	4,986	(135)
Other non-current liabilities	7,077	7,516	(439)
Total non-current liabilities	286,998	286,324	674
Total liabilities	817,352	741,629	75,723
Equity			
Equity attributable to owners of the parent			
Common stock	81,577	81,577	-
Capital surplus	78,600	78,397	203
Retained earnings	436,603	414,541	22,062
Accumulated other comprehensive income	68,837	40,183	28,654
Treasury stock, at cost	(3,092)	(3,090)	(2)
Total Equity attribute to owners of the parent	662,525	611,608	50,917
Non-controlling interests	58,030	56,323	1,707
Total equity	720,555	667,931	52,624
Total liabilities and equity	1,537,907	1,409,560	128,347

(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, 2022 (A)	Second quarter Six months ended Sep. 30, 2021 (B)	(A)/(B)×100 (%)
Revenue	578,902	473,692	122
Cost of sales	(414,121)	(346,889)	119
Gross profit	164,781	126,803	130
Selling, general and administrative expenses	(112,713)	(88,701)	127
Adjusted operating income	52,068	38,102	137
Other income	3,225	1,950	165
Other expenses	(2,031)	(1,651)	123
Operating income	53,262	38,401	139
Financial income	4,925	1,805	273
Financial expenses	(4,469)	(2,311)	193
Share of profits of investments accounted for using the equity method	1,474	4,660	32
Income before income taxes	55,192	42,555	130
Income taxes	(16,969)	(8,566)	198
Net income	38,223	33,989	112
Net income attributable to			
Owners of the parent	35,681	31,889	112
Non-controlling interests	2,542	2,100	121
Total net income	38,223	33,989	112
EPS attributable to owners of the parent			
Net income per share (Basic) (yen)	167.79	149.96	112
Net income per share (Diluted) (yen)	167.79	149.96	112

(Rounded off to the nearest million)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Second quarter Six months ended Sep. 30, 2022 (A)	Second quarter Six months ended Sep. 30, 2021 (B)	(A)/(B)×100 (%)
Net income	38,223	33,989	112
Other comprehensive income			
Items that cannot be reclassified into net income			
Net gains and losses from financial assets measured at fair value through OCI	(803)	(115)	698
Other comprehensive income of equity method associates	3	1	300
Items that can be reclassified into net income			
Foreign currency translation adjustments	33,204	(533)	-
Cash flow hedges	(499)	31	-
Other comprehensive income of equity method associates	1,280	1,385	92
Other comprehensive income, net of taxes	33,185	769	4,315
Comprehensive income	71,408	34,758	205
Comprehensive income attributable to			
Owners of the parent	64,538	32,414	199
Non-controlling interests	6,870	2,344	293

(Rounded off to the nearest million)

(3) Consolidated Statements of Changes in Equity
Consolidated cumulative quarter
Second quarter six months ended Sep. 30, 2022

(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	78,397	414,541	3,243	7,188	(348)
Net income			35,681			
Other comprehensive income				-	(800)	(493)
Comprehensive income	-	-	35,681	-	(800)	(493)
Acquisition of treasury stock						
Dividends to stockholders of the Company			(13,822)			
Gains/losses on change in equity						
Transfer to retained earnings			203		(203)	
Change in liabilities for written put options over non-controlling interests		203				
Transaction with owners	-	203	(13,619)	-	(203)	-
Balance at end of period	81,577	78,600	436,603	3,243	6,185	(841)

(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	30,100	40,183	(3,090)	611,608	56,323	667,931
Net income				35,681	2,542	38,223
Other comprehensive income	30,150	28,857		28,857	4,328	33,185
Comprehensive income	30,150	28,857	-	64,538	6,870	71,408
Acquisition of treasury stock			(2)	(2)		(2)
Dividends to stockholders of the Company				(13,822)	(5,155)	(18,977)
Gains/losses on change in equity						
Transfer to retained earnings		(203)				
Change in liabilities for written put options over non-controlling interests				203	(8)	195
Transaction with owners	-	(203)	(2)	(13,621)	(5,163)	(18,784)
Balance at end of period	60,250	68,837	(3,092)	662,525	58,030	720,555

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	350,229	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	380,155	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)	513,602	54,954	568,556
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)	542,556	52,326	594,882

(4) Consolidated Statements of Cash Flows

Consolidated cumulative quarter

(Millions of yen)

	Second quarter Six months ended Sep. 30, 2022 (A)	Second quarter Six months ended Sep. 30, 2021 (B)
Net income	38,223	33,989
Depreciation	26,780	23,549
Amortization of intangible asset	3,861	3,624
Impairment losses	140	51
Income tax expense	16,969	8,566
Equity in net earnings of associates	(1,474)	(4,660)
(Gain) loss on sales of property, plant and equipment	(1,333)	5
Financial income	(4,925)	(1,805)
Financial expense	4,469	2,311
(Increase) decrease in trade receivables and contract assets	24,295	5,656
(Increase) decrease in lease receivables	6,253	8,016
(Increase) decrease in inventories	(43,200)	(12,206)
Increase (decrease) in trade payables	(3,136)	3,618
Increase (decrease) in retirement and severance benefit	428	177
Other	(35,382)	(34,299)
Subtotal	31,968	36,592
Interest received	1,295	896
Dividends received	779	763
Interest paid	(3,445)	(2,193)
Income tax paid	(23,096)	(7,963)
Net cash provided by (used in) operating activities	7,501	28,095
Capital expenditures	(21,342)	(11,201)
Proceeds from sale of property, plant and equipment	1,987	118
Acquisition of intangible assets	(3,061)	(3,954)
Acquisition of investments in securities and other financial assets(including investments in associates)	(226)	(384)
Sales of investments in securities and other financial assets (including investments in associates)	373	370
(Increase) decrease in short-term loan receivables, net	(2)	188
Payments for acquisition of businesses	-	(1,030)
Other	365	4
Net cash provided by (used in) investing activities	(21,906)	(15,889)
Increase (decrease) in short-term debt, net	44,011	6,341
Proceeds from long-term debt and bond	12,855	24,345
Payments on long-term debt and bond	(16,067)	(24,088)
Payments on lease payables	(6,096)	(5,895)
Dividends paid to owners of the parent	(13,840)	(2,136)
Dividends paid to non-controlling interests	(6,159)	(4,170)
Other	(2)	(2)
Net cash provided by (used in) financing activities	14,702	(5,605)
Effect of exchange rate changes on cash and cash equivalents	8,752	807
Net increase (decrease) in cash and cash equivalents	9,049	7,408
Cash and cash equivalents at beginning of period	94,257	80,330
Cash and cash equivalents at end of period	103,306	87,738

(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, 2022

(Millions of yen)

	Reportable segment			Adjustments (*1,2)	Total
	Construction Machinery Business	Solution Business	Total		
Revenue					
External customers	519,553	59,349	578,902	-	578,902
Intersegment transactions	1	3,243	3,244	(3,244)	-
Total revenues	519,554	62,592	582,146	(3,244)	578,902
Adjusted operating income	47,460	4,608	52,068	-	52,068
Operating income	48,533	4,729	53,262	-	53,262
Financial income	-	-	-	4,925	4,925
Financial expenses	-	-	-	(4,469)	(4,469)
Share of profits of investments accounted for using the equity method	1,474	-	1,474	-	1,474
Income (loss) before income taxes	50,007	4,729	54,736	456	55,192

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, 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.

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