

Consolidated Financial Results for the Third Quarter Ended December 31, 2022 (IFRS)

January 27, 2023

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

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

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

Representative: Kotaro Hirano, Executive Officer, President & CEO

Scheduled date for submission of the Quarterly Securities Report: February 13, 2023

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, 2022 to December 31, 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	%
December 31, 2022	902,748	25.3	87,208	42.3	70,788	6.8	45,686	(8.4)	43,055	(7.3)
December 31, 2021	720,366	28.9	61,296	235.0	66,260	460.0	49,900	682.5	46,462	—

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, 2022	202.47	202.47
December 31, 2021	218.49	218.49

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

December 31, 2022: ¥(5,429) million December 31, 2021: ¥6,074 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	%
December 31, 2022	1,587,170	680,293	633,173	39.9
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: None

(English translation of “KESSAN TANSIN” 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	1,230,000	20.0	120,000	28.3	101,000	(8.9)	62,000	(18.2)	291.56

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

December	2022	2,465,422
March	2022	2,464,315
 - [3] Average number of common shares outstanding during the fiscal year (shares)

December	2022	212,650,191
December	2021	212,651,495

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 3Q of fiscal year under review (April 1, 2022 to December 31, 2022), demand for hydraulic excavators continued to decline year on year, in line with our expectations. In terms of region, demand in China and Russia/CIS significantly declined year on year.

On the other hand, demand for mining machinery remained strong in the market as a whole due to continued strong appetite for customers' investment against a backdrop of high resource prices and continued demand for overhaul and regular maintenance associated with high-capacity utilization.

In this environment, revenue was ¥902,748 million (an increase of 25.3% year on year), reflecting a significant year-on-year increase in the value chain business that we have focused on, 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 ¥87,208 million (an increase of 42.3% 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 throughout the 3Q of fiscal year under review mainly due to steel prices. On the other hand, net income attributable to owners of the parent was ¥43,055 million (a decrease of 7.3% year on year), affected by non-operating foreign exchange losses, impairment losses on investments accounted for using the equity method and other factors.

Business results by segment are described below.

①Construction machinery business

During the 3Q of fiscal year under review, revenue was ¥811,644 million (an increase of 23.8% year on year) and adjusted operating income was ¥79,567 million (an increase of 40.9% year on year).

The business impact of procurement and logistics delays that occurred in the 1Q of the current fiscal year improved significantly from 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.

②Solution business

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

During the 3Q of fiscal year under review, revenue was ¥95,625 million (an increase of 42.2% 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 ¥7,641 million (an increase of 58.0% 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

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steel prices.

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 - December 31, 2022)		FY2021 (April 1, 2021 - December 31, 2021)		Increase (Decrease)	
		Revenue (A)	Proportion (%)	Revenue (B)	Proportion (%)	(A)-(B)	(A)/(B)-1 (%)
	North America	197,298	21.9	136,200	18.9	61,098	44.9
	Central and South America	24,305	2.7	15,682	2.2	8,623	55.0
The Americas		221,603	24.5	151,882	21.1	69,721	45.9
Europe		109,091	12.1	86,814	12.1	22,277	25.7
	Russia-CIS	29,084	3.2	25,841	3.6	3,243	12.5
	Africa	36,858	4.1	30,260	4.2	6,598	21.8
	Middle East	18,502	2.0	12,728	1.8	5,774	45.4
Russia-CIS, Africa, and the Middle East		84,444	9.4	68,829	9.6	15,615	22.7
	Asia	81,991	9.1	58,265	8.1	23,726	40.7
	India	50,585	5.6	38,373	5.3	12,212	31.8
	Oceania	170,020	18.8	122,451	17.0	47,569	38.8
Asia and Oceania		302,596	33.5	219,089	30.4	83,507	38.1
China		29,050	3.2	38,992	5.4	(9,942)	(25.5)
Sub-total		746,784	82.7	565,606	78.5	181,178	32.0
Japan		155,964	17.3	154,760	21.5	1,204	0.8
Total		902,748	100.0	720,366	100.0	182,382	25.3

(Rounded off to the nearest million)

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(2) Outlook for the Fiscal Year Ending March 2023

Although overall demand for hydraulic excavators for the current fiscal year (FY2022) is expected to decrease compared to the previous year, we have revised our forecast slightly upward to 236 thousand units (a decrease of 6% year on year) due to higher-than-expected demand in emerging countries. Demand for mining machinery is also expected to be firm in major regions other than Russia, where demand is sluggish. In addition, demand is increasing in Asia, Europe, and other regions, so we have revised our fiscal year forecast upward and now expect a 0% to -10% year-on-year decrease.

We have revised upward our consolidated earnings forecast for the fiscal year ending March 31, 2023 (April 1, 2022 to March 31, 2023) for revenue, adjusted operating income, and operating income, based on the fact that the cumulative 3Q results exceeded the October forecast. On the other hand, we have revised downward income before income taxes and net income attributable to owners of the parent, mainly due to non-operating foreign exchange losses, impairment losses on investments accounted for using the equity method and other factors in the 3Q.

As announced today in the "Notice Regarding a Temporary Loss Due to a Change in Retirement Benefit Plans and Regarding the Target Dividend Payout Ratio," we have decided to revise the retirement benefit plan during the 4Q. Although we plan to record a temporary loss as a structural reform expense, this is a revision to realize a sustainable pension plan over the medium to long term, and there will be no cash outflow due to this plan revision. Since this is a one-time treatment under the plan revision, we intend to exclude this loss in the calculation of the consolidated dividend payout ratio.

The assumed exchange rates for the 4Q remain unchanged from those announced in October (¥130 to the US dollar, ¥140 to the euro, ¥19.5 to the Chinese yuan, and ¥90 to the Australian dollar).

Consolidated Earnings Forecast for the Full Year Ending March 31, 2023

	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 1,160,000	Millions of yen 110,000	Millions of yen 106,000	Millions of yen 106,000	Millions of yen 67,000	Yen 315.07
Forecast (B)	1,230,000	120,000	118,000	101,000	62,000	291.56
Change (B)-(A)	70,000	10,000	12,000	(5,000)	(5,000)	—
Change	6.0%	9.1%	11.3%	(4.7%)	(7.5%)	—
(Reference) FY2021	1,024,961	93,518	106,590	110,869	75,826	356.57

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 Equity

(a) Assets

Current assets amounted to ¥ 870,648 million, an increase of 13.9%, or ¥ 106,293 million, from the previous fiscal year-end.

This was mainly due to an increase of ¥ 87,785 million in inventory and ¥ 18,388 million in cash and cash equivalents although there was a decrease of ¥ 17,744 million in trade receivables.

Non-current assets amounted to ¥ 716,522 million, an increase of 11.1%, or ¥ 71,317 million, from the previous fiscal year-end. This was due mainly to an increase of ¥ 26,003 million in property, plant and equipment and ¥ 51,724 million in other financial assets.

As a result, total assets increased by 12.6%, or ¥ 177,610 million, from the previous fiscal year-end to ¥ 1,587,170 million.

(b) Liabilities

Current liabilities amounted to ¥ 594,483 million, an increase of 30.6%, or ¥ 139,178 million, from the previous fiscal year-end.

This was mainly due to an increase of ¥ 128,449 million in bonds and borrowings.

Non-current liabilities amounted to ¥ 312,394 million, an increase of 9.1%, or ¥ 26,070 million, from the previous fiscal year-end. This was mainly due to an increase of ¥ 18,495 million in bonds and borrowings and ¥ 9,018 million in lease liabilities.

As a result, total liabilities increased by 22.3%, or ¥ 165,248 million, from the previous fiscal year-end to ¥ 906,877 million.

(c) Equity

Total equity increased by 1.9%, or ¥ 12,362 million, from the previous fiscal year-end to ¥ 680,293 million. This was mainly due to an accumulation of retained earnings and upturn in foreign currency translation adjustments.

[2] Analysis of the Status of Consolidated Cash Flows

Cash and cash equivalents at the end of third quarter totaled ¥ 112,645 million, an increase of ¥ 18,388 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 ¥ 45,686 million in net income, and included ¥ 40,874 million in depreciation, a ¥ 25,141 million decrease in trade receivables and contract assets, while an ¥ 81,810 million increase in inventories and a ¥ 29,950 million income tax paid and a ¥ 53,479 million payments for performance of guarantee obligation as cash outflow.

As a result, net cash provided by operating activities for the third quarter totaled to an outflow of ¥ 45,964 million, a decrease inflow of ¥ 84,598 million year on year.

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

Net cash used in investing activities for the third quarter amounted to ¥ 29,372 million, an increase of ¥ 3,335 million year on year. This was mainly due to an outlay of ¥ 33,276 million for capital expenditures.

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 ¥ 75,336 million.

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

Net cash provided by financing activities for the third quarter amounted to ¥ 94,692 million. While there are ¥ 32,637 payments on long-term debt and bond and a ¥ 33,837 million dividends paid (including dividends paid to non-controlling interests), this was due mainly to an increase of ¥ 127,123 million in short-term debt, net as cash inflow.

As a result, cash for financing activities for the third quarter produced an increased inflow of ¥ 108,472 million year on year.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Third quarter As of Dec. 31, 2022(A)	Previous fiscal year-end As of Mar. 31, 2022 (B)	(A)-(B)
Assets			
Current assets			
Cash and cash equivalents	112,645	94,257	18,388
Trade receivables	243,704	261,448	(17,744)
Contract assets	5,015	4,816	199
Inventories	456,052	368,267	87,785
Income tax receivables	3,096	1,884	1,212
Other financial assets	38,076	25,262	12,814
Other current assets	12,060	8,421	3,639
Total current assets	870,648	764,355	106,293
Non-current assets			
Property, plant and equipment	410,167	384,164	26,003
Right-of-use-asset	64,152	58,740	5,412
Intangible assets	40,529	42,008	(1,479)
Goodwill	40,410	39,071	1,339
Investments accounted for using the equity method	14,318	26,972	(12,654)
Trade receivables	39,550	42,747	(3,197)
Deferred tax assets	19,589	16,099	3,490
Other financial assets	72,174	20,450	51,724
Other non-current assets	15,633	14,954	679
Total non-current assets	716,522	645,205	71,317
Total assets	1,587,170	1,409,560	177,610
Liabilities			
Current liabilities			
Trade and other payables	237,906	222,841	15,065
Lease liabilities	10,659	10,714	(55)
Contract liabilities	14,232	11,527	2,705
Bonds and borrowings	302,786	174,337	128,449
Income taxes payable	14,335	15,059	(724)
Other financial liabilities	12,027	18,810	(6,783)
Other current liabilities	2,538	2,017	521
Total current liabilities	594,483	455,305	139,178
Non-current liabilities			
Trade and other payables	7,972	8,495	(523)
Lease liabilities	59,735	50,717	9,018
Contract liabilities	9,375	9,353	22
Bonds and borrowings	197,265	178,770	18,495
Retirement and severance benefit	18,018	17,622	396
Deferred tax liabilities	9,890	8,865	1,025
Other financial liabilities	5,116	4,986	130
Other non-current liabilities	5,023	7,516	(2,493)
Total non-current liabilities	312,394	286,324	26,070
Total liabilities	906,877	741,629	165,248
Equity			
Equity attributable to owners of the parent			
Common stock	81,577	81,577	-
Capital surplus	77,110	78,397	(1,287)
Retained earnings	433,296	414,541	18,755
Accumulated other comprehensive income	44,283	40,183	4,100
Treasury stock, at cost	(3,093)	(3,090)	(3)
Total Equity attribute to owners of the parent	633,173	611,608	21,565
Non-controlling interests	47,120	56,323	(9,203)
Total equity	680,293	667,931	12,362
Total liabilities and equity	1,587,170	1,409,560	177,610

(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, 2022 (A)	Third quarter Nine months ended Dec. 31, 2021 (B)	(A)/(B)×100 (%)
Revenue	902,748	720,366	125
Cost of sales	(639,482)	(523,838)	122
Gross profit	263,266	196,528	134
Selling, general and administrative expenses	(176,058)	(135,232)	130
Adjusted operating income	87,208	61,296	142
Other income	4,947	2,980	166
Other expenses	(4,741)	(2,592)	183
Operating income	87,414	61,684	142
Financial income	4,225	2,458	172
Financial expenses	(15,422)	(3,956)	390
Share of profits of investments accounted for using the equity method	(5,429)	6,074	-
Income before income taxes	70,788	66,260	107
Income taxes	(25,102)	(16,360)	153
Net income	45,686	49,900	92
Net income attributable to			
Owners of the parent	43,055	46,462	93
Non-controlling interests	2,631	3,438	77
Total net income	45,686	49,900	92
EPS attributable to owners of the parent			
Net income per share (Basic) (yen)	202.47	218.49	93
Net income per share (Diluted) (yen)	202.47	218.49	93

(Rounded off to the nearest million)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Third quarter Nine months ended Dec. 31, 2022 (A)	Third quarter Nine months ended Dec. 31, 2021 (B)	(A)/(B)×100 (%)
Net income	45,686	49,900	92
Other comprehensive income			
Items that cannot be reclassified into net income			
Net gains and losses from financial assets measured at fair value through OCI	(554)	78	-
Other comprehensive income of equity method associates	3	6	50
Items that can be reclassified into net income			
Foreign currency translation adjustments	3,739	10,309	36
Cash flow hedges	1,007	(649)	-
Other comprehensive income of equity method associates	753	1,559	48
Other comprehensive income, net of taxes	4,948	11,303	44
Comprehensive income	50,634	61,203	83
Comprehensive income attributable to			
Owners of the parent	47,309	55,728	85
Non-controlling interests	3,325	5,475	61

(Rounded off to the nearest million)

(3) Consolidated Statements of Changes in Equity
Consolidated cumulative quarter
Third quarter nine months ended Dec. 31, 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			43,055			
Other comprehensive income				-	(551)	1,010
Comprehensive income	-	-	43,055	-	(551)	1,010
Acquisition of treasury stock						
Dividends to stockholders of the Company			(24,454)			
Additional purchase of shares of consolidated		(1,375)				
Transfer to retained earnings			154	-	(154)	
Change in liabilities for written put options over non-controlling interests		88				
Transaction with owners	-	(1,287)	(24,300)	-	(154)	-
Balance at end of period	81,577	77,110	433,296	3,243	6,483	662

(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	30,100	40,183	(3,090)	611,608	56,323	667,931
Net income				43,055	2,631	45,686
Other comprehensive income	3,795	4,254		4,254	694	4,948
Comprehensive income	3,795	4,254	-	47,309	3,325	50,634
Acquisition of treasury stock		-	(3)	(3)		(3)
Dividends to stockholders of the Company		-		(24,454)	(5,324)	(29,778)
Additional purchase of shares of consolidated		-		(1,375)	(7,184)	(8,559)
Transfer to retained earnings		(154)		-	-	-
Change in liabilities for written put options over non-controlling interests		-		88	(20)	68
Transaction with owners	-	(154)	(3)	(25,744)	(12,528)	(38,272)
Balance at end of period	33,895	44,283	(3,093)	633,173	47,120	680,293

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	350,229	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)			
Additional purchase of shares of consolidated						
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	385,177	1,669	7,412	(1,004)

(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	(4,562)	4,262	(3,086)	513,602	54,954	568,556
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)
Additional purchase of shares of consolidated		-		-		-
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)	556,343	55,384	611,727

(4) Consolidated Statements of Cash Flows

Consolidated cumulative quarter

(Millions of yen)

	Third quarter Nine months ended Dec. 31, 2022 (A)	Third quarter Nine months ended Dec. 31, 2021 (B)
Net income	45,686	49,900
Depreciation	40,874	35,864
Amortization of intangible asset	5,876	5,462
Impairment losses	149	102
Gains or loss on business restructuring	1,360	-
Income tax expense	25,102	16,360
Equity in net earnings of associates	5,429	(6,074)
(Gain) loss on sales of property, plant and equipment	(1,331)	(41)
Financial income	(4,225)	(2,458)
Financial expense	15,422	3,956
(Increase) decrease in trade receivables and contract assets	25,141	4,800
(Increase) decrease in lease receivables	9,149	13,784
(Increase) decrease in inventories	(81,810)	(42,667)
Increase (decrease) in trade payables	18,148	18,905
Increase (decrease) in retirement and severance benefit	209	276
Other	(64,857)	(46,230)
Subtotal	40,322	51,939
Interest received	1,939	1,337
Dividends received	1,082	947
Interest paid	(5,878)	(3,430)
Income tax paid	(29,950)	(12,159)
Payments for performance of guarantee obligation	(53,479)	-
Net cash provided by (used in) operating activities	(45,964)	38,634
Capital expenditures	(33,276)	(17,586)
Proceeds from sale of property, plant and equipment	2,002	170
Acquisition of intangible assets	(4,690)	(5,220)
Acquisition of investments in securities and other financial assets(including investments in associates)	(1,462)	(2,642)
Sales of investments in securities and other financial assets	7,695	398
(Increase) decrease in short-term loan receivables, net	(4)	228
Collection of long-term loan receivables	15	7
Payments for acquisition of businesses	-	(1,030)
Other	348	(362)
Net cash provided by (used in) investing activities	(29,372)	(26,037)
Increase (decrease) in short-term debt, net	127,123	15,013
Proceeds from long-term debt and bond	51,571	30,583
Payments on long-term debt	(32,637)	(30,571)
Payments on lease payables	(8,966)	(9,038)
Dividends paid to owners of the parent	(24,455)	(11,705)
Dividends paid to non-controlling interests	(9,382)	(8,058)
Payments for acquisition of shares of subsidiaries from non-controlling interests	(8,559)	-
Other	(3)	(4)
Net cash provided by (used in) financing activities	94,692	(13,780)
Effect of exchange rate changes on cash and cash equivalents	(968)	2,454
Net increase (decrease) in cash and cash equivalents	18,388	1,271
Increase (decrease) in cash and cash equivalents associated with transfer to assets held for sale	94,257	80,330
Cash and cash equivalents at end of period	112,645	81,601

(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 TANSIN” originally issued in the Japanese language.)

2) Revenue, profit or loss, and other items of business segments

For the third quarter nine months ended Dec. 31, 2022

(Millions of yen)

	Reportable segment			Adjustments (*1,2)	Total
	Construction Machinery Business	Solution Business	Total		
Revenue					
External customers	811,643	91,105	902,748	-	902,748
Intersegment transactions	1	4,520	4,521	(4,521)	-
Total revenues	811,644	95,625	907,269	(4,521)	902,748
Adjusted operating income	79,567	7,641	87,208	-	87,208
Operating income	79,656	7,758	87,414	-	87,414
Financial income	-	-	-	4,225	4,225
Financial expenses	-	-	-	(15,422)	(15,422)
Share of profits of investments accounted for using the equity method	(5,429)	-	(5,429)	-	(5,429)
Income (loss) before income taxes	74,227	7,758	81,985	(11,197)	70,788

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 TANSIN” originally issued in the Japanese language.)

For 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.

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(Notes on Investments accounted for using the equity method)

During the third quarter of the current consolidated fiscal year, ACME Business Holdco, LLC (hereinafter “ACME”), an U.S. rental company and our equity-method affiliate, defaulted on borrowings from financial institutions, and we, as the guarantor of those obligations, repaid its debt of ¥53,479 million to financial institutions. The Company determined that indication of impairment existed in the share of profits of investments accounted for using the equity method and an impairment test was performed.

In conducting the impairment test, we evaluated the recoverable amount in accordance with fair value less cost to sell. As a result, impairment losses of ¥7,280 million on the investment accounted for using the equity method is categorized in share of profits of investments accounted for using the equity method in the consolidated statements of income.

The amounts of reimbursement claims to ACME arising from the Company's performance of its guarantees to the lenders are categorized in "Other financial assets (non-current)" in the consolidated financial statements.