

Consolidated Financial Results for the First Quarter Ended June 30, 2023 (IFRS)

July 27, 2023

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

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

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

Representative: Masafumi Senzaki, President and Executive Officer, COO

Scheduled date for submission of the Quarterly Securities Report: August 9, 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 first quarter ended June (April 1, 2023 to June 30, 2023)

(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	%
June 30, 2023	320,006	19.6	37,626	82.7	43,634	61.9	33,556	71.8	31,419	69.2
June 30, 2022	267,539	17.3	20,599	74.0	26,952	124.5	19,533	149.0	18,568	160.5

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
June 30, 2023	147.74	147.74
June 30, 2022	87.32	87.32

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

June 30, 2023: ¥721 million June 30, 2022: ¥564 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	%
June 30, 2023	1,735,276	749,746	703,726	40.6
March 31, 2023	1,627,003	701,040	659,992	40.6

2. Dividends status

	Cash dividends per share				
	First Quarter	Second Quarter	Third Quarter	Year end	Total
	Yen	Yen	Yen	Yen	Yen
March 31, 2023	—	50.00	—	60.00	110.00
March 31, 2024	—	—	—	—	—
March 31, 2024 (Projection)	—	—	—	—	—

Interim and year-end dividends for the fiscal year ending March 2024 are to be determined.

Note: Changes involving the dividend states for the fiscal year ending March 2024: None

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

3. Consolidated earnings forecast for the full year ending March 2024(April 1, 2023 to March 31, 2024)

(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, 2024	1,300,000	1.6	140,000	3.2	131,000	16.3	82,000	16.9	385.57

Notes: Changes in consolidated earnings forecast: None

*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)

June 2023	215,115,038
March 2023	215,115,038
 - [2] Number of treasury shares

June 2023	2,440,858
March 2023	2,465,562
 - [3] Average number of common shares outstanding during the fiscal year (shares)

June 2023	212,661,889
June 2022	212,650,619

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 2024” of the attachment for conditions serving as assumptions for results forecasts.

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1. Management Performance and Financial Conditions

(1) Management Results

The company newly formulated the three-year medium-term management plan entitled “BUILDING THE FUTURE 2025,” which began in the fiscal year ending March 31, 2024 and ends in the fiscal year ending March 31, 2026. We are committed to sustainable growth and improvement of enterprise value under four management strategies:

①Delivering innovative solutions for customer needs; ②Enhancing value chain business; ③Expanding business in the Americas; and ④Strengthening human capital and corporate capabilities.

During the 1Q of fiscal year under review (April 1, 2023 to June 30, 2023), demand for hydraulic excavators continued to decline sharply year on year in China, while demand in other regions remained high and comparable to the same period of the previous year, although there were signs of slowdown in Western Europe.

Demand for mining machinery remained firm overall, 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 utilization.

Under these circumstances, production activities have been at a high level since the beginning of the period, and revenue significantly increased year on year in the Americas business, which has been undergoing full-scale independent development since March 2022; in addition, the mining business and the value chain business, on which we have been focusing our efforts, also grew significantly. These results, combined with the impact of foreign exchange rates and other factors, resulted in a significant increase in overall revenue to ¥320,006 million (an increase of 19.6% year on year), a record high for the 1Q.

As for consolidated income items, adjusted operating income increased significantly as a result of ongoing cost reduction activities and promotion of selling price increases, in addition to increased revenue and foreign exchange effects and other factors, despite the impact of increased costs, mainly in material and logistics costs. As a result, adjusted operating income was ¥37,626 million (an increase of 82.7% year on year), a record high for the 1Q as well as for revenue. Accordingly, net income attributable to owners of the parent amounted to ¥31,419 million (an increase of 69.2% year on year).

Business results by segment are described below.

① Construction Machinery Business

During the 1Q of fiscal year under review, revenue was ¥285,796 million (an increase of 19.4% year on year) and adjusted operating income was ¥33,850 million (an increase of 81.2% year on year), a significant year-on-year increase in both revenues and adjusted operating income.

Due to the continued strong performance of our full-scale independent development in the Americas from the previous fiscal year and robust orders in other regions, not only new machinery sales of both construction and mining but also value chain business centered on parts and services performed well, resulting in a significant year-on-year increase in earnings.

② Specialized Parts & Service 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 of mining facilities and machinery, and H-E Parts International LLC and its subsidiaries, which provide service solutions.

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

During the 1Q of fiscal year under review, revenue was ¥35,506 million (an increase of 21.8% year on year) due to the strong performance of the mining market environment. Adjusted operating income was ¥3,776 million (an increase of 96.6% year on year) mainly due to an increase in revenue and the impact of foreign exchange rates and an increase in profitable businesses as a result of business structural reforms that have been undertaken so far. This demonstrates a significant year-on-year increase in both revenues and adjusted operating income.

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

Notes: The reportable segment “Solution Business” was renamed “Specialized Parts & Service Business” from the fiscal year ending March 31, 2024. This is only a change in segment name and does not have an effect on the segment information.

The following table summarizes consolidated net revenue by geographic area:

(Millions of yen)

	FY2023 (April 1,2023- June 30, 2023)		FY2022 (April 1,2022- June 30, 2022)		Increase (Decrease)	
	Revenue (A)	Proportion (%)	Revenue (B)	Proportion (%)	(A)-(B)	(A)/(B)-1 (%)
North America	81,878	25.6	53,890	20.1	27,988	51.9
Central and South America	9,012	2.8	7,259	2.7	1,753	24.1
The Americas	90,890	28.4	61,149	22.9	29,741	48.6
Europe	44,065	13.8	38,843	14.5	5,222	13.4
Russia-CIS	8,244	2.6	12,017	4.5	(3,773)	(31.4)
Africa	11,738	3.7	10,021	3.7	1,717	17.1
Middle East	7,516	2.3	5,969	2.2	1,547	25.9
Russia-CIS, Africa, and the Middle East	27,498	8.6	28,007	10.5	(509)	(1.8)
Asia	27,773	8.7	23,314	8.7	4,459	19.1
India	16,062	5.0	13,286	5.0	2,776	20.9
Oceania	60,998	19.1	50,113	18.7	10,885	21.7
Asia and Oceania	104,833	32.8	86,713	32.4	18,120	20.9
China	8,473	2.6	9,861	3.7	(1,388)	(14.1)
Sub-total	275,759	86.2	224,573	83.9	51,186	22.8
Japan	44,247	13.8	42,966	16.1	1,281	3.0
Total	320,006	100.0	267,539	100.0	52,467	19.6

(Rounded off to the nearest million)

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(2) Outlook for the Fiscal Year Ending March 2024

Regarding demand for hydraulic excavators in the fiscal year ending March 31, 2024, market conditions are expected to remain sluggish in China, and there are signs of economic slowdown in Europe as well. On the other hand, demand is expected to be at the same level as the previous fiscal year in major regions other than Europe, including North America, where the effects of infrastructure investment by the US government are expected. As a result of taking these factors into account, we maintain our full-year forecast for global demand for hydraulic excavators of approximately 227 thousand units, unchanged from our previous April forecast.

Demand for mining machinery is expected to decline for small mining excavators as the price of thermal coal settles down and the willingness to invest in small and medium-sized mines is expected to decline. However, the market for ultra-large mining machinery, which is the core of our business, is expected to be firm and at a high level similar to the previous year, backed by rising infrastructure investment aimed at stimulating the economy after COVID-19 and resource prices that remain at a high level.

As described above, although we anticipate a decrease in demand for some regions and products in the market environment, overall, we expect to maintain the same high level as the previous fiscal year. In addition to these market trends, we are continuing our efforts to reduce costs and raise selling prices, and we expect our business performance to remain strong, especially in our focused-on Americas business, mining business, and value chain business. On the other hand, taking into careful consideration risks such as concerns about the economic slowdown in Europe, the continued tightness of marine transportation, rising material and logistics costs, and other factors, the consolidated earnings forecast for the fiscal year ending March 31, 2024 (April 1, 2023 to March 31, 2024) remains unchanged from the previous forecast announced in April at this time. The exchange rates assumed in this forecast are also unchanged at ¥130 to the U.S. dollar, ¥130 to the euro, ¥18.1 to the Chinese yuan, and ¥84 to the Australian dollar.

We will continue to work earnestly to realize our corporate vision of “Ensure a prosperous land and society for the future. We contribute toward realizing a safe and sustainable society.” through the realization of our newly formulated mission of “Meet expectations from customers, co-create innovative products, services, solutions and together, we continue to create new values.”

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 ¥ 981,626 million, an increase of 8.0%, or ¥ 72,721 million, from the previous fiscal year-end. This was mainly due to an increase of ¥ 74,333 million in inventory although there was a decrease of ¥ 6,623 million in trade receivables.

Non-current assets amounted to ¥ 753,650 million, an increase of 5.0%, or ¥ 35,552 million, from the previous fiscal year-end. This was mainly due to an increase of ¥ 12,614 million in property, plant and equipment.

As a result, total assets increased by 6.7%, or ¥ 108,273 million, from the previous fiscal year-end to ¥ 1,735,276 million.

(b) Liabilities

Current liabilities amounted to ¥ 644,183 million, an increase of 4.8%, or ¥ 29,313 million, from the previous fiscal year-end. This was mainly due to an increase of ¥ 27,182 million in bonds and borrowings.

Non-current liabilities amounted to ¥ 341,347 million, an increase of 9.7%, or ¥ 30,254 million, from the previous fiscal year-end. This was mainly due to an increase of ¥ 30,156 million in bonds and borrowings.

As a result, total liabilities increased by 6.4%, or ¥ 59,567 million, from the previous fiscal year-end to ¥ 985,530 million.

(c) Equity

Total equity increased by 6.9%, or ¥ 48,706 million, from the previous fiscal year-end to ¥ 749,746 million. This was mainly due to net income and upturn in foreign currency translation adjustments.

(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 first quarter totaled ¥ 107,904 million, a decrease of ¥ 4,088 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 first quarter based on ¥ 33,556 million in net income, and included ¥ 14,532 million in depreciation, a ¥ 15,680 million decrease in trade receivables and contract assets, while an ¥ 46,318 million increase in inventories and a ¥ 22,583 million income tax paid as cash outflow.

As a result, net cash provided by operating activities for the first quarter totaled to an outflow of ¥ 12,500 million, a decrease inflow of ¥ 22,715 million year on year.

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

Net cash used in investing activities for the first quarter amounted to ¥ 16,316 million, an increase of ¥ 5,670 million year on year. This was mainly due to an outlay of ¥ 10,965 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 ¥ 28,816 million.

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

Net cash provided by financing activities for the first quarter amounted to ¥ 20,901 million. This was mainly due to an increase of ¥ 32,498 million in proceeds from long-term debt and bond and ¥ 24,509 million in short-term debt, while there were ¥ 20,219 payments on long-term debt and bond and a ¥ 12,909 million dividends paid (including dividends paid to non-controlling interests).

As a result, net cash provided by financing activities for the first quarter produced a decreased inflow of ¥ 25,716 million year on year.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	First quarter As of Jun. 30, 2023 (A)	Previous fiscal year-end As of Mar. 31, 2023 (B)	(A)-(B)
Assets			
Current assets			
Cash and cash equivalents	107,904	111,992	(4,088)
Trade receivables	294,473	301,096	(6,623)
Contract assets	5,010	4,221	789
Inventories	525,115	450,782	74,333
Income tax receivables	1,570	974	596
Other financial assets	31,413	29,863	1,550
Other current assets	16,141	9,977	6,164
Total current assets	981,626	908,905	72,721
Non-current assets			
Property, plant and equipment	429,691	417,077	12,614
Right-of-use-asset	65,704	65,305	399
Intangible assets	41,030	39,704	1,326
Goodwill	43,759	40,421	3,338
Investments accounted for using the equity method	21,314	16,508	4,806
Trade receivables	42,226	39,253	2,973
Deferred tax assets	22,789	21,349	1,440
Other financial assets	81,807	73,391	8,416
Other non-current assets	5,330	5,090	240
Total non-current assets	753,650	718,098	35,552
Total assets	1,735,276	1,627,003	108,273
Liabilities			
Current liabilities			
Trade and other payables	233,626	244,034	(10,408)
Lease liabilities	11,668	11,649	19
Contract liabilities	14,722	13,320	1,402
Bonds and borrowings	338,126	310,944	27,182
Income taxes payable	9,207	19,215	(10,008)
Other financial liabilities	33,579	12,883	20,696
Other current liabilities	3,255	2,825	430
Total current liabilities	644,183	614,870	29,313
Non-current liabilities			
Trade and other payables	6,779	7,562	(783)
Lease liabilities	61,801	60,149	1,652
Contract liabilities	9,764	9,611	153
Bonds and borrowings	226,679	196,523	30,156
Retirement and severance benefit	21,404	20,715	689
Deferred tax liabilities	7,967	6,882	1,085
Other financial liabilities	1,458	5,649	(4,191)
Other non-current liabilities	5,495	4,002	1,493
Total non-current liabilities	341,347	311,093	30,254
Total liabilities	985,530	925,963	59,567
Equity			
Equity attributable to owners of the parent			
Common stock	81,577	81,577	-
Capital surplus	75,757	75,724	33
Retained earnings	481,834	463,174	18,660
Accumulated other comprehensive income	67,622	42,611	25,011
Treasury stock, at cost	(3,064)	(3,094)	30
Total Equity attribute to owners of the parent	703,726	659,992	43,734
Non-controlling interests	46,020	41,048	4,972
Total equity	749,746	701,040	48,706
Total liabilities and equity	1,735,276	1,627,003	108,273

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated cumulative quarter

Consolidated Statements of Income

(Millions of yen)

	First quarter Three months ended Jun. 30, 2023 (A)	First quarter Three months ended Jun. 30, 2022 (B)	(A)/(B)×100 (%)
Revenue	320,006	267,539	120
Cost of sales	(220,324)	(193,930)	114
Gross profit	99,682	73,609	135
Selling, general and administrative expenses	(62,056)	(53,010)	117
Adjusted operating income	37,626	20,599	183
Other income	1,379	2,193	63
Other expenses	(855)	(1,001)	85
Operating income	38,150	21,791	175
Financial income	8,458	6,373	133
Financial expenses	(3,695)	(1,776)	208
Share of profits of investments accounted for using the equity method	721	564	128
Income before income taxes	43,634	26,952	162
Income taxes	(10,078)	(7,419)	136
Net income	33,556	19,533	172
Net income attributable to			
Owners of the parent	31,419	18,568	169
Non-controlling interests	2,137	965	221
Total net income	33,556	19,533	172
EPS attributable to owners of the parent			
Net income per share (Basic) (yen)	147.74	87.32	169
Net income per share (Diluted) (yen)	147.74	87.32	169

(Rounded off to the nearest million)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	First quarter Three months ended Jun. 30, 2023 (A)	First quarter Three months ended Jun. 30, 2022 (B)	(A)/(B)×100 (%)
Net income	33,556	19,533	172
Other comprehensive income			
Items that cannot be reclassified into net income			
Net gains and losses from financial assets measured at fair value through OCI	1,083	(814)	-
Other comprehensive income of equity method associates	-	1	-
Items that can be reclassified into net income			
Foreign currency translation adjustments	26,951	28,837	93
Cash flow hedges	(1,395)	(989)	141
Other comprehensive income of equity method associates	1,286	980	131
Other comprehensive income, net of taxes	27,925	28,015	100
Comprehensive income	61,481	47,548	129
Comprehensive income attributable to			
Owners of the parent	56,430	43,183	131
Non-controlling interests	5,051	4,365	116

(Rounded off to the nearest million)

(3) Consolidated Statements of Changes in Equity
Consolidated cumulative quarter
First quarter three months ended Jun. 30, 2023

(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	75,724	463,174	(666)	7,182	(206)
Net income			31,419			
Other comprehensive income					1,083	(1,380)
Comprehensive income	-	-	31,419	-	1,083	(1,380)
Acquisition of treasury stock						
Dividends to stockholders of the Company			(12,759)			
Share-based payment transactions		47				
Change in liabilities for written put options over non-controlling interests		(14)				
Transaction with owners	-	33	(12,759)	-	-	-
Balance at end of period	81,577	75,757	481,834	(666)	8,265	(1,586)

(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	36,301	42,611	(3,094)	659,992	41,048	701,040
Net income				31,419	2,137	33,556
Other comprehensive income	25,308	25,011		25,011	2,914	27,925
Comprehensive income	25,308	25,011	-	56,430	5,051	61,481
Acquisition of treasury stock			(1)	(1)		(1)
Dividends to stockholders of the Company				(12,759)		(12,759)
Share-based payment transactions			31	78		78
Change in liabilities for written put options over non-controlling interests				(14)	(79)	(93)
Transaction with owners	-	-	30	(12,696)	(79)	(12,775)
Balance at end of period	61,609	67,622	(3,064)	703,726	46,020	749,746

First quarter three months ended Jun. 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			18,568			
Other comprehensive income				-	(813)	(989)
Comprehensive income	-	-	18,568	-	(813)	(989)
Acquisition of treasury stock						
Dividends to stockholders of the Company			(13,822)			
Change in liabilities for written put options over non-controlling interests		48				
Transaction with owners	-	48	(13,822)	-	-	-
Balance at end of period	81,577	78,445	419,287	3,243	6,375	(1,337)

(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				18,568	965	19,533
Other comprehensive income	26,417	24,615		24,615	3,400	28,015
Comprehensive income	26,417	24,615	-	43,183	4,365	47,548
Acquisition of treasury stock		-	(1)	(1)		(1)
Dividends to stockholders of the Company		-		(13,822)	9	(13,813)
Change in liabilities for written put options over non-controlling interests		-		48	6	54
Transaction with owners	-	-	(1)	(13,775)	15	(13,760)
Balance at end of period	56,517	64,798	(3,091)	641,016	60,703	701,719

(4) Consolidated Statements of Cash Flows
Consolidated cumulative quarter

(Millions of yen)

	First quarter Three months ended Jun. 30, 2023 (A)	First quarter Three months ended Jun. 30, 2022 (B)
Net income	33,556	19,533
Depreciation	14,532	13,009
Amortization of intangible asset	2,037	1,907
Impairment losses	6	-
Income tax expense	10,078	7,419
Equity in net earnings of associates	(721)	(564)
(Gain) loss on sales of property, plant and equipment	(172)	(1,289)
Financial income	(8,458)	(6,373)
Financial expense	3,695	1,776
(Increase) decrease in trade receivables and contract assets	15,680	39,236
(Increase) decrease in lease receivables	2,948	3,514
(Increase) decrease in inventories	(46,318)	(25,848)
Increase (decrease) in trade payables	(7,191)	(2,877)
Increase (decrease) in retirement and severance benefit	(1)	(52)
Other	(7,601)	(24,325)
Subtotal	12,070	25,066
Interest received	1,012	592
Dividends received	593	637
Interest paid	(3,592)	(1,734)
Income tax paid	(22,583)	(14,346)
Net cash provided by (used in) operating activities	(12,500)	10,215
Capital expenditures	(10,965)	(11,049)
Proceeds from sale of property, plant and equipment	260	1,887
Acquisition of intangible assets	(1,902)	(1,340)
Acquisition of investments in securities and other financial assets(including investments in associates)	(3,700)	(127)
(Increase) decrease in short-term loan receivables, net	(11)	2
Other	2	(19)
Net cash provided by (used in) investing activities	(16,316)	(10,646)
Increase (decrease) in short-term debt, net	24,509	68,606
Proceeds from long-term debt and bond	32,498	5,568
Payments on long-term debt	(20,219)	(10,702)
Payments on lease payables	(3,055)	(3,017)
Dividends paid to owners of the parent	(12,761)	(13,826)
Dividends paid to non-controlling interests	(148)	(11)
Other	77	(1)
Net cash provided by (used in) financing activities	20,901	46,617
Effect of exchange rate changes on cash and cash equivalents	3,827	8,418
Net increase (decrease) in cash and cash equivalents	(4,088)	54,604
Cash and cash equivalents at beginning of period	111,992	94,257
Cash and cash equivalents at end of period	107,904	148,861

(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 Specialized Parts & Service Business Segment primarily intends to provide services, production, and distribution parts that are not included in the Construction Machinery Business Segment.

The reportable segment "Solution Business" was renamed "Specialized Parts & Service Business" from the fiscal year ending March 31, 2024. This is only a change in segment name and does not have an effect on the segment information.

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

For the first quarter three months ended Jun. 30, 2023

(Millions of yen)

	Reportable segment			Adjustments (*1,2)	Total
	Construction Machinery Business	Specialized Parts & Service Business	Total		
Revenue					
External customers	285,784	34,222	320,006	-	320,006
Intersegment transactions	12	1,284	1,296	(1,296)	-
Total revenues	285,796	35,506	321,302	(1,296)	320,006
Adjusted operating income	33,850	3,776	37,626	-	37,626
Operating income	34,327	3,823	38,150	-	38,150
Financial income	-	-	-	8,458	8,458
Financial expenses	-	-	-	(3,695)	(3,695)
Share of profits of investments accounted for using the equity method	721	-	721	-	721
Income (loss) before income taxes	35,048	3,823	38,871	4,763	43,634

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 first quarter three months ended Jun. 30, 2022

(Millions of yen)

	Reportable segment			Adjustments (*1,2)	Total
	Construction Machinery Business	Specialized Parts & Service Business	Total		
Revenue					
External customers	239,365	28,174	267,539	-	267,539
Intersegment transactions	1	974	975	(975)	-
Total revenues	239,366	29,148	268,514	(975)	267,539
Adjusted operating income	18,678	1,921	20,599	-	20,599
Operating income	19,795	1,996	21,791	-	21,791
Financial income	-	-	-	6,373	6,373
Financial expenses	-	-	-	(1,776)	(1,776)
Share of profits of investments accounted for using the equity method	564	-	564	-	564
Income (loss) before income taxes	20,359	1,996	22,355	4,597	26,952

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.)