

## Consolidated Financial Results for the Second Quarter Ended September 30, 2023 (IFRS)

October 26, 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: November 13, 2023

Scheduled date of commencement of payment of dividends: November 30, 2023

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 2023 (April 1, 2023 to September 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	%
September 30, 2023	674,100	16.4	82,379	58.2	84,754	53.6	62,712	64.1	57,500	61.2
September 30, 2022	578,902	22.2	52,068	36.7	55,192	29.7	38,223	12.5	35,681	11.9

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, 2023	270.38	270.38
September 30, 2022	167.79	167.79

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

September 30, 2023: ¥1,177 million September 30, 2022: ¥1,474 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, 2023	1,760,841	779,506	735,625	41.8
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	—	85.00			
March 31, 2024 (Projection)			—	—	—

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: Yes

(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	1,360,000	6.3	160,000	17.9	151,000	34.0	98,000	39.7	460.81

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

September 2023	2,441,399
March 2023	2,465,562
  - [3] Average number of common shares outstanding during the fiscal year (shares)
 

September 2023	212,666,966
September 2022	212,650,394

#### 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.

# Index of the Attachment

- 1. Management Performance and Financial Conditions
  - (1) Management Results.....2
  - (2) Outlook for the Fiscal Year Ending March 2024 .....5
  - (3) Analysis of Financial Condition .....6
  
- 2. Consolidated Financial Statements
  - (1) Consolidated Balance Sheets.....8
  - (2) Consolidated Statements of Income and Comprehensive Income
    - Consolidated Statements of Income .....9
    - Consolidated Statements of Comprehensive Income .....10
  - (3) Consolidated Statements of Changes in Equity .....11
  - (4) Consolidated Statements of Cash Flows.....13
  - (5) Notes on Consolidated Financial Statements
    - (Notes on the Preconditions for a Going Concern) .....14
    - (Segment Information) .....14

## **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:

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

During the 1H of the fiscal year under review (April 1, 2023 to September 30, 2023), demand for hydraulic excavators remained strong in North America, while continuing to decline sharply year on year in China and beginning to slow down in Asia, Western Europe, and other regions.

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 as well as the 1Q in overall revenue to ¥674,100 million (an increase of 16.4% year on year), a record high for the 1H.

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 ¥82,379 million (an increase of 58.2% year on year), a record high for the 1H as well as for revenue. Accordingly, net income attributable to owners of the parent amounted to ¥57,500 million (an increase of 61.2% year on year), also a record high for the 1H.

Business results by segment are described below.

#### **① Construction Machinery Business**

During the 1H of the fiscal year under review, revenue was ¥602,043 million (an increase of 15.9% year on year) and adjusted operating income was ¥74,308 million (an increase of 56.6% year on year), a significant year-on-year increase in both revenue and adjusted operating income.

Due to the continued strong performance of our full-scale independent development in the Americas from the previous fiscal year, not only new machinery sales of both construction and mining but also the 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.

During the 1H of the fiscal year under review, revenue was ¥74,672 million (an increase of 19.3% year on year) due to the strong performance of the mining market environment. Adjusted operating income was ¥8,071 million (an increase of 75.2% year on year) mainly due to an increase in revenue, 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 revenue and adjusted operating income.

The above revenues of segments ① and ② are the 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- September 30, 2023)		FY2022 (April 1, 2022- September 30, 2022)		Increase (Decrease)	
	Revenue (A)	Proportion (%)	Revenue (B)	Proportion (%)	(A)-(B)	(A)/(B)-1 (%)
North America	162,984	24.2	115,061	19.9	47,923	41.7
Central and South America	18,780	2.8	16,635	2.9	2,145	12.9
The Americas	181,764	27.0	131,696	22.7	50,068	38.0
Europe	90,656	13.4	74,743	12.9	15,913	21.3
Russia-CIS	13,446	2.0	20,516	3.5	(7,070)	(34.5)
Africa	29,117	4.3	24,624	4.3	4,493	18.2
Middle East	15,487	2.3	12,729	2.2	2,758	21.7
Russia-CIS, Africa, and the Middle East	58,050	8.6	57,869	10.0	181	0.3
Asia	61,863	9.2	52,008	9.0	9,855	18.9
India	35,539	5.3	30,597	5.3	4,942	16.2
Oceania	128,777	19.1	113,788	19.7	14,989	13.2
Asia and Oceania	226,179	33.6	196,393	33.9	29,786	15.2
China	15,293	2.3	18,724	3.2	(3,431)	(18.3)
Sub-total	571,942	84.8	479,425	82.8	92,517	19.3
Japan	102,158	15.2	99,477	17.2	2,681	2.7
Total	674,100	100.0	578,902	100.0	95,198	16.4

(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 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 Asia, Europe, and other regions as well. On the other hand, demand is expected to remain strong in North America, where the effects of infrastructure investment by the US government are expected. As a result of taking these factors into account, we have revised downward our full-year forecast for global demand for hydraulic excavators to approximately 213 thousand units (down 13% from the same period of the previous year), a downward revision of 6% from our previous July 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, overall, we expect the market environment to remain generally high overall, particularly in mining. 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. Taking into careful consideration risks such as continued tightness of marine transportation, material and logistics costs that remain high, and other factors, based on the results of the 1H, we are further revising upward our consolidated earnings forecast for the fiscal year ending March 31, 2024 (April 1, 2023 to March 31, 2024) as of April 2023, which is the highest in our history. The exchange rates assumed for the third quarter and beyond in this forecast are also revised to ¥135 to the US dollar, ¥145 to the euro, ¥18.4 to the Chinese yuan, and ¥86 to the Australian dollar, based on actual conditions.

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.”

### Consolidated Earnings Forecast for the Full Year Ending March 31, 2024

	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 1,300,000	Millions of yen 140,000	Millions of yen 136,000	Millions of yen 131,000	Millions of yen 82,000	Yen 385.57
Forecast (B)	1,360,000	160,000	156,000	151,000	98,000	460.81
Change (B)-(A)	60,000	20,000	20,000	20,000	16,000	—
Change	4.6%	14.3%	14.7%	15.3%	19.5%	—
(Reference) FY2022	1,279,468	135,701	133,310	112,661	70,175	330.00

#### 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.

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

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

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

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

Current assets amounted to ¥ 1,000,148 million, an increase of 10.0%, or ¥ 91,243 million, from the previous fiscal year-end.

This was mainly due to an increase of ¥ 101,170 million in inventory although there was a decrease of ¥ 21,695 million in trade receivables.

Non-current assets amounted to ¥ 760,693 million, an increase of 5.9%, or ¥ 42,595 million, from the previous fiscal year-end. This was due mainly to an increase of ¥ 16,224 million in property, plant and equipment.

As a result, total assets increased by 8.2%, or ¥ 133,838 million, from the previous fiscal year-end to ¥ 1,760,841 million.

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

Current liabilities amounted to ¥ 674,697 million, an increase of 9.7%, or ¥ 59,827 million, from the previous fiscal year-end.

This was mainly due to an increase of ¥ 34,949 million in bonds and borrowings.

Non-current liabilities amounted to ¥ 306,638 million, a decrease of 1.4%, or ¥ 4,455 million, from the previous fiscal year-end. This was mainly due to a decrease of ¥ 5,369 million in bonds and borrowings although there was an increase of ¥ 2,776 million in lease liabilities.

As a result, total liabilities increased by 6.0%, or ¥ 55,372 million, from the previous fiscal year-end to ¥ 981,335 million.

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

Total equity increased by 11.2%, or ¥ 78,466 million, from the previous fiscal year-end to ¥ 779,506 million. This was mainly due to retained earnings 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 ¥ 104,680 million, a decrease of ¥ 7,312 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 ¥ 62,712 million in net income, and included ¥ 28,732 million in depreciation, a ¥ 28,217 million decrease in trade receivables and contract assets, while an ¥ 67,571 million increase in inventories and a ¥ 35,501 million income tax paid as cash outflow.

As a result, net cash provided by operating activities for the second quarter totaled to an inflow of ¥ 28,149 million, an increase inflow of ¥ 20,648 million year on year.

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

Net cash used in investing activities for the second quarter amounted to ¥ 27,006 million, an increase of ¥ 5,100 million year on year. This was mainly due to an outlay of ¥ 19,665 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 inflow of ¥ 1,143 million.

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

Net cash used in financing activities for the second quarter amounted to ¥ 12,881 million. While there was ¥ 33,791 million in proceeds from long-term debt and bond, this was due mainly to a decrease of ¥ 26,354 payments on long-term debt and bond and a ¥ 16,275 million dividends paid (including dividends paid to non-controlling interests), net as cash outflow.

As a result, cash for financing activities for the second quarter produced a decreased inflow of ¥ 27,583 million year on year.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Millions of yen)

	Second quarter As of Sep. 30, 2023 (A)	Previous fiscal year-end As of Mar. 31, 2023 (B)	(A)-(B)
<b>Assets</b>			
Current assets			
Cash and cash equivalents	104,680	111,992	(7,312)
Trade receivables	279,401	301,096	(21,695)
Contract assets	5,596	4,221	1,375
Inventories	551,952	450,782	101,170
Income tax receivables	1,138	974	164
Other financial assets	37,404	29,863	7,541
Other current assets	19,977	9,977	10,000
Total current assets	1,000,148	908,905	91,243
Non-current assets			
Property, plant and equipment	433,301	417,077	16,224
Right-of-use-asset	66,813	65,305	1,508
Intangible assets	41,359	39,704	1,655
Goodwill	44,288	40,421	3,867
Investments accounted for using the equity method	22,030	16,508	5,522
Trade receivables	44,385	39,253	5,132
Deferred tax assets	24,655	21,349	3,306
Other financial assets	78,496	73,391	5,105
Other non-current assets	5,366	5,090	276
Total non-current assets	760,693	718,098	42,595
<b>Total assets</b>	<b>1,760,841</b>	<b>1,627,003</b>	<b>133,838</b>
<b>Liabilities</b>			
Current liabilities			
Trade and other payables	259,291	244,034	15,257
Lease liabilities	11,487	11,649	(162)
Contract liabilities	16,928	13,320	3,608
Bonds and borrowings	345,893	310,944	34,949
Income taxes payable	13,827	19,215	(5,388)
Other financial liabilities	23,484	12,883	10,601
Other current liabilities	3,787	2,825	962
Total current liabilities	674,697	614,870	59,827
Non-current liabilities			
Trade and other payables	6,080	7,562	(1,482)
Lease liabilities	62,925	60,149	2,776
Contract liabilities	9,571	9,611	(40)
Bonds and borrowings	191,154	196,523	(5,369)
Retirement and severance benefit	21,742	20,715	1,027
Deferred tax liabilities	8,094	6,882	1,212
Other financial liabilities	1,760	5,649	(3,889)
Other non-current liabilities	5,312	4,002	1,310
Total non-current liabilities	306,638	311,093	(4,455)
<b>Total liabilities</b>	<b>981,335</b>	<b>925,963</b>	<b>55,372</b>
<b>Equity</b>			
Equity attributable to owners of the parent			
Common stock	81,577	81,577	-
Capital surplus	75,741	75,724	17
Retained earnings	507,954	463,174	44,780
Accumulated other comprehensive income	73,419	42,611	30,808
Treasury stock, at cost	(3,066)	(3,094)	28
Total Equity attribute to owners of the parent	735,625	659,992	75,633
Non-controlling interests	43,881	41,048	2,833
<b>Total equity</b>	<b>779,506</b>	<b>701,040</b>	<b>78,466</b>
<b>Total liabilities and equity</b>	<b>1,760,841</b>	<b>1,627,003</b>	<b>133,838</b>

## (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, 2023 (A)	Second quarter Six months ended Sep. 30, 2022 (B)	(A)/(B)×100 (%)
Revenue	674,100	578,902	116
Cost of sales	(464,029)	(414,121)	112
Gross profit	210,071	164,781	127
Selling, general and administrative expenses	(127,692)	(112,713)	113
Adjusted operating income	82,379	52,068	158
Other income	2,260	3,225	70
Other expenses	(1,796)	(2,031)	88
Operating income	82,843	53,262	156
Financial income	7,711	4,925	157
Financial expenses	(6,977)	(4,469)	156
Share of profits of investments accounted for using the equity method	1,177	1,474	80
Income before income taxes	84,754	55,192	154
Income taxes	(22,042)	(16,969)	130
Net income	62,712	38,223	164
Net income attributable to			
Owners of the parent	57,500	35,681	161
Non-controlling interests	5,212	2,542	205
Total net income	62,712	38,223	164
EPS attributable to owners of the parent			
Net income per share (Basic) (yen)	270.38	167.79	161
Net income per share (Diluted) (yen)	270.38	167.79	161

(Rounded off to the nearest million)

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Second quarter Six months ended Sep. 30, 2023 (A)	Second quarter Six months ended Sep. 30, 2022 (B)	(A)/(B)×100 (%)
Net income	62,712	38,223	164
Other comprehensive income			
Items that cannot be reclassified into net income			
Net gains and losses from financial assets measured at fair value through OCI	1,345	(803)	-
Other comprehensive income of equity method associates	-	3	-
Items that can be reclassified into net income			
Foreign currency translation adjustments	32,921	33,204	99
Cash flow hedges	(1,083)	(499)	217
Other comprehensive income of equity method associates	1,431	1,280	112
Other comprehensive income, net of taxes	34,614	33,185	104
Comprehensive income	97,326	71,408	136
Comprehensive income attributable to			
Owners of the parent	88,347	64,538	137
Non-controlling interests	8,979	6,870	131

(Rounded off to the nearest million)

**(3) Consolidated Statements of Changes in Equity**  
**Consolidated cumulative quarter**  
**Second quarter six months ended Sep. 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			57,500			
Other comprehensive income				-	1,345	(1,040)
Comprehensive income	-	-	57,500	-	1,345	(1,040)
Acquisition of treasury stock						
Dividends to stockholders of the Company			(12,759)			
Share-based payment transactions		47				
Transfer to retained earnings			39		(39)	
Change in liabilities for written put options over non-controlling interests		(30)				
Transaction with owners	-	17	(12,720)	-	(39)	-
Balance at end of period	81,577	75,741	507,954	(666)	8,488	(1,246)

(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				57,500	5,212	62,712
Other comprehensive income	30,542	30,847		30,847	3,767	34,614
Comprehensive income	30,542	30,847	-	88,347	8,979	97,326
Acquisition of treasury stock			(3)	(3)		(3)
Dividends to stockholders of the Company				(12,759)	(6,028)	(18,787)
Share-based payment transactions			31	78		78
Transfer to retained earnings		(39)		-		-
Change in liabilities for written put options over non-controlling interests				(30)	(118)	(148)
Transaction with owners	-	(39)	28	(12,714)	(6,146)	(18,860)
Balance at end of period	66,843	73,419	(3,066)	735,625	43,881	779,506

**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)			
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)
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

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

##### Consolidated cumulative quarter

(Millions of yen)

	Second quarter Six months ended Sep. 30, 2023 (A)	Second quarter Six months ended Sep. 30, 2022 (B)
Net income	62,712	38,223
Depreciation	28,732	26,780
Amortization of intangible asset	4,119	3,861
Impairment losses	98	140
Income tax expense	22,042	16,969
Equity in net earnings of associates	(1,177)	(1,474)
(Gain) loss on sales of property, plant and equipment	(289)	(1,333)
Financial income	(7,711)	(4,925)
Financial expense	6,977	4,469
(Increase) decrease in trade receivables and contract assets	28,217	24,295
(Increase) decrease in lease receivables	4,750	6,253
(Increase) decrease in inventories	(67,571)	(43,200)
Increase (decrease) in trade payables	872	(3,136)
Increase (decrease) in retirement and severance benefit	192	428
Other	(13,732)	(35,382)
<b>Subtotal</b>	<b>68,231</b>	<b>31,968</b>
Interest received	1,605	1,295
Dividends received	606	779
Interest paid	(6,792)	(3,445)
Income tax paid	(35,501)	(23,096)
<b>Net cash provided by (used in) operating activities</b>	<b>28,149</b>	<b>7,501</b>
Capital expenditures	(19,665)	(21,342)
Proceeds from sale of property, plant and equipment	546	1,987
Acquisition of intangible assets	(4,224)	(3,061)
Acquisition of investments in securities and other financial assets(including investments in associates)	(3,717)	(226)
Sales of investments in securities and other financial assets (including investments in associates)	99	373
(Increase) decrease in short-term loan receivables, net	(15)	(2)
Other	(30)	365
<b>Net cash provided by (used in) investing activities</b>	<b>(27,006)</b>	<b>(21,906)</b>
Increase (decrease) in short-term debt, net	1,918	44,011
Proceeds from long-term debt and bond	33,791	12,855
Payments on long-term debt	(26,354)	(16,067)
Payments on lease payables	(5,958)	(6,096)
Dividends paid to owners of the parent	(12,753)	(13,840)
Dividends paid to non-controlling interests	(3,522)	(6,159)
Other	(3)	(2)
<b>Net cash provided by (used in) financing activities</b>	<b>(12,881)</b>	<b>14,702</b>
Effect of exchange rate changes on cash and cash equivalents	4,426	8,752
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(7,312)</b>	<b>9,049</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>111,992</b>	<b>94,257</b>
<b>Cash and cash equivalents at end of period</b>	<b>104,680</b>	<b>103,306</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 Specialized Parts Service 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, 2023

(Millions of yen)

	Reportable segment			Adjustments (*1,2)	Total
	Construction Machinery Business	Specialized Parts & Service Business	Total		
Revenue					
External customers	602,015	72,085	674,100	-	674,100
Intersegment transactions	28	2,587	2,615	(2,615)	-
Total revenues	602,043	74,672	676,715	(2,615)	674,100
Adjusted operating income	74,308	8,071	82,379	-	82,379
Operating income	74,705	8,138	82,843	-	82,843
Financial income	-	-	-	7,711	7,711
Financial expenses	-	-	-	(6,977)	(6,977)
Share of profits of investments accounted for using the equity method	1,177	-	1,177	-	1,177
Income (loss) before income taxes	75,882	8,138	84,020	734	84,754

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, 2022

(Millions of yen)

	Reportable segment			Adjustments (*1,2)	Total
	Construction Machinery Business	Specialized Parts & Service 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.

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