

Consolidated Financial Results for the Third Quarter Ended December 31, 2023 (IFRS)

January 26, 2024

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: February 14, 2024

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 2023 (April 1, 2023 to December 31, 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	%
December 31, 2023	1,020,369	13.0	122,784	40.8	109,901	55.3	79,030	73.0	71,074	65.1
December 31, 2022	902,748	25.3	87,208	42.3	70,788	6.8	45,686	(8.4)	43,055	(7.3)

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, 2023	334.20	334.20
December 31, 2022	202.47	202.47

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

December 31, 2023: ¥1,651 million December 31, 2022: ¥(5,429) 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, 2023	1,773,965	768,709	722,779	40.7
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: No

(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	1,400,000	9.4	171,000	26.0	142,000	26.0	88,000	25.4	413.79

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

December	2023	2,441,936
March	2023	2,465,562
 - [3] Average number of common shares outstanding during the fiscal year (shares)

December	2023	212,668,898
December	2022	212,650,191

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 20245
 - (3) Analysis of Financial Condition7

- 2. Consolidated Financial Statements
 - (1) Consolidated Balance Sheets.....9
 - (2) Consolidated Statements of Income and Comprehensive Income
 - Consolidated Statements of Income10
 - Consolidated Statements of Comprehensive Income11
 - (3) Consolidated Statements of Changes in Equity12
 - (4) Consolidated Statements of Cash Flows.....14
 - (5) Notes on Consolidated Financial Statements
 - (Notes on the Preconditions for a Going Concern)15
 - (Segment Information)15

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 1Q-3Q of fiscal year under review (April 1, 2023 to December 31, 2023), demand for hydraulic excavators remained strong in North America and Japan, although there were signs of a slowdown in Asia, Western Europe, and other regions, following China, where market conditions are sluggish.

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, the high level of production activity has continued 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 revenue to ¥1,020,369 million (an increase of 13.0% year on year), a record high for the 1Q-3Q.

As for consolidated income items, adjusted operating income increased significantly as a result of cost reduction activities and efforts to raise selling prices, 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 ¥122,784 million (an increase of 40.8% year on year), a record high for the 1Q-3Q as well as for revenue. Accordingly, net income attributable to owners of the parent amounted to ¥71,074 million (an increase of 65.1% year on year), also a record high for the 1Q-3Q, despite non-operating foreign exchange losses.

Business results by segment are described below.

① Construction Machinery Business

During the 1Q-3Q of the fiscal year under review, revenue was ¥915,733 million (an increase of 12.8% year on year) and adjusted operating income was ¥111,709 million (an increase of 40.4% year on year), a significant year-on-year increase in both revenue and adjusted operating income.

Due to the continued strong expansion 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 1Q-3Q of the fiscal year under review, revenue was ¥108,963 million (an increase of 13.9% year on year) due to the strong performance of the mining market environment. Adjusted operating income was ¥11,075 million (an increase of 44.9% year on year) mainly due to an increase in revenue, the impact of foreign exchange rates, and growth 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- December 31, 2023)		FY2022 (April 1, 2022- December 31, 2022)		Increase (Decrease)	
	Revenue (A)	Proportion (%)	Revenue (B)	Proportion (%)	(A)-(B)	(A)/(B)-1 (%)
North America	252,418	24.7	197,298	21.9	55,120	27.9
Central and South America	29,889	2.9	24,305	2.7	5,584	23.0
The Americas	282,307	27.7	221,603	24.5	60,704	27.4
Europe	127,347	12.5	109,091	12.1	18,256	16.7
Russia-CIS	17,122	1.7	29,084	3.2	(11,962)	(41.1)
Africa	46,548	4.6	36,858	4.1	9,690	26.3
Middle East	21,530	2.1	18,502	2.0	3,028	16.4
Russia-CIS, Africa, and the Middle East	85,200	8.3	84,444	9.4	756	0.9
Asia	94,937	9.3	81,991	9.1	12,946	15.8
India	58,585	5.7	50,585	5.6	8,000	15.8
Oceania	190,809	18.7	170,020	18.8	20,789	12.2
Asia and Oceania	344,331	33.7	302,596	33.5	41,735	13.8
China	21,309	2.1	29,050	3.2	(7,741)	(26.6)
Sub-total	860,494	84.3	746,784	82.7	113,710	15.2
Japan	159,875	15.7	155,964	17.3	3,911	2.5
Total	1,020,369	100.0	902,748	100.0	117,621	13.0

(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

For the fiscal year ending March 31, 2024, demand for hydraulic excavators is expected to remain strong in North America, where the effects of government infrastructure investment and other factors are expected. On the other hand, the slowdown is continuing in China, where market conditions are sluggish, as well as in Asia, Western Europe, and Latin America. 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 212 thousand units (down 14% from the same period of the previous year), a slight downward revision of one thousand units from our previous October 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 remain 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, we expect the market environment to remain generally high overall, particularly in mining. Although the business environment remains challenging due to the constricted marine transportation, as well as high material and logistics costs, we expect our business performance to remain strong through continuous cost reduction activities and price increases, and by accelerating growth in our focused-on Americas, mining, and value chain businesses.

For the consolidated earnings forecast for the fiscal year ending March 31, 2024 (April 1, 2023 to March 31, 2024), we have upwardly revised both revenue and adjusted operating income, aiming for record-high performance, based on the consolidated results for the 1Q-3Q and a review of assumed exchange rates in the 4Q. On the other hand, we have revised downward net income attributable to owners of the parent due to additional one-time restructuring costs associated with the business portfolio review, aiming for further sustainable growth, as well as non-operating foreign exchange losses.

The exchange rates assumed for the 4Q in this forecast are revised to ¥140 to the US dollar, ¥150 to the euro, ¥19.5 to the Chinese yuan, and ¥95 to the Australian dollar, based on actual market 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 1,360,000	Millions of yen 160,000	Millions of yen 156,000	Millions of yen 151,000	Millions of yen 98,000	Yen 460.81
Forecast (B)	1,400,000	171,000	157,000	142,000	88,000	413.79
Change (B)-(A)	40,000	11,000	1,000	(9,000)	(10,000)	—
Change (%)	2.9	6.9	0.6	(6.0)	(10.2)	—
(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.

(3) Analysis of Financial Condition

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

(Assets)

Current assets amounted to ¥ 1,012,045 million, an increase of 11.3%, or ¥ 103,140 million, from the previous fiscal year-end. This was mainly due to an increase of ¥ 119,065 million in inventory although there was a decrease of ¥ 47,205 million in trade receivables.

Non-current assets amounted to ¥ 761,920 million, an increase of 6.1%, or ¥ 43,822 million, from the previous fiscal year-end. This was due mainly to an increase of ¥ 19,393 million in property, plant and equipment.

As a result, total assets increased by 9.0%, or ¥ 146,962 million, from the previous fiscal year-end to ¥ 1,773,965 million.

(Liabilities)

Current liabilities amounted to ¥ 703,853 million, an increase of 14.5%, or ¥ 88,983 million, from the previous fiscal year-end. This was mainly due to an increase of ¥ 87,348 million in bonds and borrowings.

Non-current liabilities amounted to ¥ 301,403 million, a decrease of 3.1%, or ¥ 9,690 million, from the previous fiscal year-end. This was mainly due to a decrease of ¥ 10,818 million in bonds and borrowings although there was an increase of ¥ 2,966 million in lease liabilities.

As a result, total liabilities increased by 8.6%, or ¥ 79,293 million, from the previous fiscal year-end to ¥ 1,005,256 million.

(Equity)

Total equity increased by 9.7%, or ¥ 67,669 million, from the previous fiscal year-end to ¥ 768,709 million. This was mainly due to 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 ¥ 113,942 million, an increase of ¥ 1,950 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 ¥ 79,030 million in net income, and included ¥ 44,640 million in depreciation, a ¥ 47,461 million decrease in trade receivables and contract assets, while an ¥ 97,440 million increase in inventories and a ¥ 53,953 million income tax paid as cash outflow.

As a result, net cash provided by operating activities for the third quarter totaled to an inflow of ¥ 28,649 million, an increase inflow of ¥ 74,613 million year on year.

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

Net cash used in investing activities for the third quarter amounted to ¥ 44,906 million, an increase of ¥ 15,534 million year on year. This was mainly due to an outlay of ¥ 35,015 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 ¥ 16,257 million.

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

Net cash provided by financing activities for the third quarter amounted to ¥ 15,912 million. While there were ¥ 33,826 payments on long-term debt and bond and a ¥ 37,442 million dividends paid (including dividends paid to non-controlling interests), this was mainly due to an increase of ¥ 55,754 million in short-term debt and ¥ 41,302 million in proceeds from long-term debt and bond, net as cash inflow.

As a result, cash for financing activities for the third quarter produced a decreased inflow of ¥ 78,780 million year on year.

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

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Third quarter As of Dec. 31, 2023 (A)	Previous fiscal year-end As of Mar. 31, 2023 (B)	(A)-(B)
Assets			
Current assets			
Cash and cash equivalents	113,942	111,992	1,950
Trade receivables	253,891	301,096	(47,205)
Contract assets	5,083	4,221	862
Inventories	569,847	450,782	119,065
Income tax receivables	5,730	974	4,756
Other financial assets	39,223	29,863	9,360
Other current assets	24,329	9,977	14,352
Total current assets	1,012,045	908,905	103,140
Non-current assets			
Property, plant and equipment	436,470	417,077	19,393
Right-of-use-asset	66,281	65,305	976
Intangible assets	41,906	39,704	2,202
Goodwill	43,626	40,421	3,205
Investments accounted for using the equity method	22,364	16,508	5,856
Trade receivables	43,270	39,253	4,017
Deferred tax assets	26,293	21,349	4,944
Other financial assets	76,138	73,391	2,747
Other non-current assets	5,572	5,090	482
Total non-current assets	761,920	718,098	43,822
Total assets	1,773,965	1,627,003	146,962
Liabilities			
Current liabilities			
Trade and other payables	246,942	244,034	2,908
Lease liabilities	11,146	11,649	(503)
Contract liabilities	14,272	13,320	952
Bonds and borrowings	398,292	310,944	87,348
Income taxes payable	11,451	19,215	(7,764)
Other financial liabilities	18,181	12,883	5,298
Other current liabilities	3,569	2,825	744
Total current liabilities	703,853	614,870	88,983
Non-current liabilities			
Trade and other payables	5,294	7,562	(2,268)
Lease liabilities	63,115	60,149	2,966
Contract liabilities	9,355	9,611	(256)
Bonds and borrowings	185,705	196,523	(10,818)
Retirement and severance benefit	21,597	20,715	882
Deferred tax liabilities	9,017	6,882	2,135
Other financial liabilities	2,246	5,649	(3,403)
Other non-current liabilities	5,074	4,002	1,072
Total non-current liabilities	301,403	311,093	(9,690)
Total liabilities	1,005,256	925,963	79,293
Equity			
Equity attributable to owners of the parent			
Common stock	81,577	81,577	-
Capital surplus	75,718	75,724	(6)
Retained earnings	503,451	463,174	40,277
Accumulated other comprehensive income	65,101	42,611	22,490
Treasury stock, at cost	(3,068)	(3,094)	26
Total Equity attribute to owners of the parent	722,779	659,992	62,787
Non-controlling interests	45,930	41,048	4,882
Total equity	768,709	701,040	67,669
Total liabilities and equity	1,773,965	1,627,003	146,962

(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, 2023 (A)	Third quarter Nine months ended Dec. 31, 2022 (B)	(A)/(B)×100 (%)
Revenue	1,020,369	902,748	113
Cost of sales	(701,153)	(639,482)	110
Gross profit	319,216	263,266	121
Selling, general and administrative expenses	(196,432)	(176,058)	112
Adjusted operating income	122,784	87,208	141
Other income	3,574	4,947	72
Other expenses	(4,637)	(4,741)	98
Operating income	121,721	87,414	139
Financial income	4,867	4,225	115
Financial expenses	(18,338)	(15,422)	119
Share of profits of investments accounted for using the equity method	1,651	(5,429)	-
Income before income taxes	109,901	70,788	155
Income taxes	(30,871)	(25,102)	123
Net income	79,030	45,686	173
Net income attributable to			
Owners of the parent	71,074	43,055	165
Non-controlling interests	7,956	2,631	302
Total net income	79,030	45,686	173
EPS attributable to owners of the parent			
Net income per share (Basic) (yen)	334.20	202.47	165
Net income per share (Diluted) (yen)	334.20	202.47	165

(Rounded off to the nearest million)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Third quarter Nine months ended Dec. 31, 2023 (A)	Third quarter Nine months ended Dec. 31, 2022 (B)	(A)/(B)×100 (%)
Net income	79,030	45,686	173
Other comprehensive income			
Items that cannot be reclassified into net income			
Net gains and losses from financial assets measured at fair value through OCI	1,758	(554)	-
Other comprehensive income of equity method associates	-	3	-
Items that can be reclassified into net income			
Foreign currency translation adjustments	22,190	3,739	593
Cash flow hedges	14	1,007	1
Other comprehensive income of equity method associates	1,052	753	140
Other comprehensive income, net of taxes	25,014	4,948	506
Comprehensive income	104,044	50,634	205
Comprehensive income attributable to			
Owners of the parent	93,603	47,309	198
Non-controlling interests	10,441	3,325	314

(Rounded off to the nearest million)

(3) Consolidated Statements of Changes in Equity
Consolidated cumulative quarter
Third quarter nine months ended Dec. 31, 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			71,074			
Other comprehensive income				-	1,758	(47)
Comprehensive income	-	-	71,074	-	1,758	(47)
Acquisition of treasury stock						
Dividends to stockholders of the Company			(30,836)			
Share-based payment transactions		47				
Change in scope of consolidation						
Transfer to retained earnings			39		(39)	
Change in liabilities for written put options over non-controlling interests		(53)				
Transaction with owners	-	(6)	(30,797)	-	(39)	-
Balance at end of period	81,577	75,718	503,451	(666)	8,901	(253)

(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				71,074	7,956	79,030
Other comprehensive income	20,818	22,529		22,529	2,485	25,014
Comprehensive income	20,818	22,529	-	93,603	10,441	104,044
Acquisition of treasury stock			(5)	(5)		(5)
Dividends to stockholders of the Company				(30,836)	(6,096)	(36,932)
Share-based payment transactions			31	78		78
Change in scope of consolidation					620	620
Transfer to retained earnings		(39)				
Change in liabilities for written put options over non-controlling interests				(53)	(83)	(136)
Transaction with owners	-	(39)	26	(30,816)	(5,559)	(36,375)
Balance at end of period	57,119	65,101	(3,068)	722,779	45,930	768,709

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 subsidiaries		(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					
	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				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 subsidiaries				(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

(4) Consolidated Statements of Cash Flows

Consolidated cumulative quarter

(Millions of yen)

	Third quarter Nine months ended Dec. 31, 2023 (A)	Third quarter Nine months ended Dec. 31, 2022 (B)
Net income	79,030	45,686
Depreciation	44,640	40,874
Amortization of intangible asset	6,231	5,876
Impairment losses	108	149
Gains or loss on business restructuring	2,011	1,360
Income tax expense	30,871	25,102
Equity in net earnings of associates	(1,651)	5,429
(Gain) loss on sales of property, plant and equipment	(493)	(1,331)
Financial income	(4,867)	(4,225)
Financial expense	18,338	15,422
(Increase) decrease in trade receivables and contract assets	47,461	25,141
(Increase) decrease in lease receivables	6,187	9,149
(Increase) decrease in inventories	(97,440)	(81,810)
Increase (decrease) in trade payables	2,285	18,148
Increase (decrease) in retirement and severance benefit	328	209
Other	(43,461)	(64,857)
Subtotal	89,578	40,322
Interest received	2,542	1,939
Dividends received	1,222	1,082
Interest paid	(10,740)	(5,878)
Income tax paid	(53,953)	(29,950)
Payments for performance of guarantee obligation	-	(53,479)
Net cash provided by (used in) operating activities	28,649	(45,964)
Capital expenditures	(35,015)	(33,276)
Proceeds from sale of property, plant and equipment	772	2,002
Acquisition of intangible assets	(6,912)	(4,690)
Acquisition of investments in securities and other financial assets(including investments in associates)	(3,854)	(1,462)
Sales of investments in securities and other financial assets (including investments in associates)	129	7,695
(Increase) decrease in short-term loan receivables, net	-	(4)
Collection of long-term loan receivables	13	15
Other	(39)	348
Net cash (provided by) used in investing activities	(44,906)	(29,372)
Increase (decrease) in short-term debt, net	55,754	127,123
Proceeds from long-term debt and bond	41,302	51,571
Payments on long-term debt	(33,826)	(32,637)
Payments on lease payables	(9,279)	(8,966)
Dividends paid to owners of the parent	(30,831)	(24,455)
Dividends paid to non-controlling interests	(6,611)	(9,382)
Payments for acquisition of shares of subsidiaries from non-controlling interests	(592)	(8,559)
Other	(5)	(3)
Net cash provided by (used in) financing activities	15,912	94,692
Effect of exchange rate changes on cash and cash equivalents	2,295	(968)
Net increase (decrease) in cash and cash equivalents	1,950	18,388
Cash and cash equivalents at beginning of period	111,992	94,257
Cash and cash equivalents at end of period	113,942	112,645

(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.

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

For the third quarter nine months ended Dec. 31, 2023

(Millions of yen)

	Reportable segment			Adjustments (*1,2)	Total
	Construction Machinery Business	Specialized Parts & Service Business	Total		
Revenue					
External customers	915,697	104,672	1,020,369	-	1,020,369
Intersegment transactions	36	4,291	4,327	(4,327)	-
Total revenues	915,733	108,963	1,024,696	(4,327)	1,020,369
Adjusted operating income	111,709	11,075	122,784	-	122,784
Operating income	110,862	10,859	121,721	-	121,721
Financial income	-	-	-	4,867	4,867
Financial expenses	-	-	-	(18,338)	(18,338)
Share of profits of investments accounted for using the equity method	1,651	-	1,651	-	1,651
Income (loss) before income taxes	112,513	10,859	123,372	(13,471)	109,901

Note (*1): Adjustments represent eliminations of intersegment transactions and amounts of companies that do not belong to any operating segment.

Note (*2): Intersegment transactions are recorded at the same prices used in arm's length transactions.

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

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

(Millions of yen)

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

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