

Consolidated Financial Results for the First Quarter Ended June 30, 2022 (IFRS)

July 28, 2022

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

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

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

Representative: Kotaro Hirano, Executive Officer, President & CEO

Scheduled date for submission of the Quarterly Securities Report: August 5, 2022

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, 2022 to June 30, 2022)

(1) Consolidated results

(The percentages indicated show changes from the same period of the previous fiscal year)

	Revenue		Adjusted Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2022	267,539	17.3	20,599	74.0	26,952	124.5	19,533	149.0	18,568	160.5
June 30, 2021	228,136	34.1	11,838	302.7	12,005	571.8	7,844	557.0	7,127	—

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, 2022	87.32	87.32
June 30, 2021	33.51	33.51

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

June 30, 2022: ¥564million June 30, 2021: ¥1,162million

(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, 2022	1,533,118	701,719	641,016	41.8
March 31, 2022	1,409,560	667,931	611,608	43.4

2. Dividends status

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

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

Note: Changes involving the dividend states for the fiscal year ending March 2023: None

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

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

(The percentages indicated show changes from the same period of the previous fiscal year)

	Revenue		Adjusted Operating income		Income before income taxes		Net income attributable to owners of the parent		Net income attributable to owners of the parent per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
March 31, 2023	1,040,000	1.5	94,000	0.5	90,000	(18.8)	57,000	(24.8)	268.05

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)

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

June 2022	2,464,640
March 2022	2,464,315
 - [3] Average number of common shares outstanding during the fiscal year (shares)

June 2022	212,650,619
June 2021	212,651,818

Indication of audit procedure implementation status

This earnings report is exempt from audit procedure.

Explanation on the appropriate use of results forecasts and other important items

Any forward-looking statements in the report, including results forecasts, are based on certain assumptions that were deemed rational as well as information currently available to the Company at this time. However, various factors could cause actual results to differ materially. Please refer to “1. Management Performance and Financial Conditions, (2) Outlook for the Fiscal Year Ending March 2023” of the attachment for conditions serving as assumptions for results forecasts.

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1. Management Performance and Financial Conditions

(1) Management Results

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

During the 1Q of fiscal year under review (April 1, 2022 to June 30, 2022), demand for hydraulic excavators, as we expected, decreased significantly in China and Russia/CIS, and also decreased in Japan and Western Europe year on year. Despite an increase in some regions, demand for hydraulic excavators remained largely unchanged in other regions, resulting in an overall year on year decrease. In mining machinery demand, customers continued to be motivated to invest with the high level of resource prices that has continued since the previous fiscal year, and demand for overhaul of suspended machines was also firm, following the resumption of mining operations.

In this environment, the Americas business also started favorably, revenue was ¥267,539 million (an increase of 17.3% year on year), mainly due to an increase in new machinery centered on mining and value chain business centered on parts and service, as well as the impact of yen depreciation and other factors.

As for consolidated income items, adjusted operating income increased significantly to ¥20,599 million (an increase of 74.0% year on year), mainly due to an increase in revenue and the impact of foreign exchange rates, despite the impact of an increase in costs mainly steel prices. Net income attributable to owners of the parent was ¥18,568 million (an increase of 160.5% year on year).

As for our business in Russia, for the time being, production at Hitachi Construction Machinery Eurasia LLC (manufacturing and sales subsidiary), our regional headquarters in Russia/CIS, is being suspended. Exports to Russia are being handled appropriately in accordance with the laws of each country.

Business results by segment are described below.

① Construction machinery business

Due to the above background and reasons, for the 1Q of fiscal year under review, revenue was ¥239,366 million (an increase of 15.9% year on year) and adjusted operating income was ¥18,678 million (an increase of 84.1% year on year).

② Solution business

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

For the 1Q of fiscal year under review, revenue was ¥29,148 million (an increase of 29.3% year on year) due to the steady performance of the mining market environment, as well as the impact of exchange rates and other factors. Adjusted operating income was ¥1,921 million (an increase of 13.6% year on year) mainly due to an increase in revenue and the impact of foreign exchange rates, despite the impact of an increase in costs mainly in steel prices.

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

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

The following table summarizes consolidated net revenue by geographic area:

(Millions of yen)

	FY2022 (April 1,2022- June 30, 2022)		FY2021 (April 1,2021- June 30, 2021)		Increase (Decrease)	
	Revenue (A)	Proportion (%)	Revenue (B)	Proportion (%)	(A)-(B)	(A)/(B)-1 (%)
North America	53,890	20.1	42,116	18.5	11,774	28.0
Central and South America	7,259	2.7	4,691	2.1	2,568	54.7
The Americas	61,149	22.9	46,807	20.5	14,342	30.6
Europe	38,843	14.5	31,408	13.8	7,435	23.7
Russia-CIS	12,017	4.5	7,628	3.3	4,389	57.5
Africa	10,021	3.7	9,256	4.1	765	8.3
Middle East	5,969	2.2	6,496	2.8	(527)	(8.1)
Russia-CIS, Africa, and the Middle East	28,007	10.5	23,380	10.2	4,627	19.8
Asia	23,314	8.7	16,257	7.1	7,057	43.4
India	13,286	5.0	9,890	4.3	3,396	34.3
Oceania	50,113	18.7	39,652	17.4	10,461	26.4
Asia and Oceania	86,713	32.4	65,799	28.8	20,914	31.8
China	9,861	3.7	17,535	7.7	(7,674)	(43.8)
Sub-total	224,573	83.9	184,929	81.1	39,644	21.4
Japan	42,966	16.1	43,207	18.9	(241)	(0.6)
Total	267,539	100.0	228,136	100.0	39,403	17.3

(Rounded off to the nearest million)

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(2) Outlook for the Fiscal Year Ending March 2023

In the current fiscal year under review (FY2022), as projected from the beginning of the fiscal year, demand for hydraulic excavators in regions such as North America, Asia, Japan, and Oceania will maintain the momentum of the previous fiscal year. However, demand is expected to decrease significantly in China, where market conditions remain sluggish, and in Russia/CIS, which is affected by the Russian and Ukrainian situation, and it is expected that there will be some impact on Europe's demand. Accordingly, we have not changed the forecast of approximately 224 thousand units (worldwide) previously announced in April.

Demand for mining machinery is expected to remain firm in major regions other than Russia/CIS, against the backdrop of a sharp decline in Russian resources and high resource prices. On the other hand, due to the impact of the Russian and Ukrainian situation, a significant decrease in demand in Russia/CIS is expected. Therefore, overall global demand is expected to be at the same level previously announced in April.

The outlook for demand is in line with our forecast. We have not changed our previously announced severe outlook on the procurement risk of semiconductors and other materials, which is still expected to be prolonged, and the impact of cost increases, mainly steel prices. However, we have changed the forecast for the fiscal year ending March 2023 (April 1, 2022 to March 31, 2023) as follows, mainly due to the change in the assumption of exchange rates of ¥130 to the U.S. dollar, ¥140 to the Euro, ¥19.5 to the Chinese yuan, and ¥90 to the Australian dollar.

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

	Revenue	Adjusted Operating Income	Operating income	Income before income taxes	Net income attributable to owners of the parent	Net income attributable to owners of the parent per share (basic)
Previous forecast (A)	¥Millions 960,000	¥Millions 80,000	¥Millions 76,000	¥Millions 74,000	¥Millions 45,000	Yen 211.61
Forecast (B)	1,040,000	94,000	90,000	90,000	57,000	268.05
Change (B)-(A)	80,000	14,000	14,000	16,000	12,000	—
Change (%)	8.3	17.5	18.4	21.6	26.7	—
(Reference) FY2021	¥Millions 1,024,961	¥Millions 93,518	¥Millions 106,590	¥Millions 110,869	¥Millions 75,826	Yen 356.57

(Rounded off to the nearest million)

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 the actual results to differ materially.

(3) Analysis of Financial Condition

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

(a) Assets

Current assets amounted to ¥ 861,736 million, an increase of 12.7%, or ¥ 97,381 million, from the previous fiscal year-end.

This was mainly due to an increase of ¥ 54,604 million in cash and cash equivalents and ¥ 50,789 million in inventory although there was a decrease of ¥ 15,521 million in trade receivables.

Non-current assets amounted to ¥ 671,382 million, an increase of 4.1%, or ¥ 26,177 million, from the previous fiscal year-end. This was mainly due to an increase of ¥ 15,192 million in property, plant and equipment.

As a result, total assets increased by 8.8%, or ¥ 123,558 million, from the previous fiscal year-end to ¥ 1,533,118 million.

(b) Liabilities

Current liabilities amounted to ¥ 545,672 million, an increase of 19.8%, or ¥ 90,367 million, from the previous fiscal year-end.

This was mainly due to an increase of ¥93,149 million in bonds and borrowings.

Non-current liabilities amounted to ¥ 285,727 million, a decrease of 0.2%, or ¥ 597 million, from the previous fiscal year-end. This was mainly due to a decrease of ¥ 8,977 million in bonds and borrowings although there was an increase of ¥ 7,623 million in lease liabilities.

As a result, total liabilities increased by 12.1%, or ¥ 89,770 million, from the previous fiscal year-end to ¥ 831,399 million.

(c) Equity

Total equity increased by 5.1%, or ¥ 33,788 million, from the previous fiscal year-end to ¥ 701,719 million. This was mainly due to net income and upturn in foreign currency translation adjustments.

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

[2] Analysis of the Status of Consolidated Cash Flows

Cash and cash equivalents at the end of first quarter totaled ¥ 148,861 million, an increase of ¥ 54,604 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 ¥ 19,533 million in net income, and included ¥ 13,009 million in depreciation, a ¥ 39,236 million decrease in trade receivables and contract assets, while an ¥ 25,848 million increase in inventories and a ¥ 14,346 million income tax paid as cash outflow.

As a result, net cash provided by operating activities for the first quarter totaled to an inflow of ¥ 10,215 million, an increase inflow of ¥ 3,528 million year on year.

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

Net cash used in investing activities for the first quarter amounted to ¥ 10,646 million, an increase of ¥ 2,439 million year on year. This was mainly due to an outlay of ¥ 11,049 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 ¥ 431 million.

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

Net cash provided by financing activities for the first quarter amounted to ¥ 46,617 million. While there are a ¥ 13,837 million dividends paid (including dividends paid to non-controlling interests) and a ¥ 3,017 million payments on lease payables, this was due mainly to an increase of ¥ 68,606 million in short-term debt, net as cash inflow.

As a result, cash for financing activities for the first quarter produced an increased inflow of ¥ 53,241 million year on year.

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

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	First quarter As of Jun. 30, 2022 (A)	Previous fiscal year-end As of Mar. 31, 2022 (B)	(A)-(B)
Assets			
Current assets			
Cash and cash equivalents	148,861	94,257	54,604
Trade receivables	245,927	261,448	(15,521)
Contract assets	5,760	4,816	944
Inventories	419,056	368,267	50,789
Income tax receivables	892	1,884	(992)
Other financial assets	29,025	25,262	3,763
Other current assets	12,215	8,421	3,794
Total current assets	861,736	764,355	97,381
Non-current assets			
Property, plant and equipment	399,356	384,164	15,192
Right-of-use-asset	62,870	58,740	4,130
Intangible assets	42,157	42,008	149
Goodwill	41,263	39,071	2,192
Investments accounted for using the equity method	28,033	26,972	1,061
Trade receivables	43,701	42,747	954
Deferred tax assets	17,350	16,099	1,251
Other financial assets	21,233	20,450	783
Other non-current assets	15,419	14,954	465
Total non-current assets	671,382	645,205	26,177
Total assets	1,533,118	1,409,560	123,558
Liabilities			
Current liabilities			
Trade and other payables	215,916	222,841	(6,925)
Lease liabilities	10,983	10,714	269
Contract liabilities	12,397	11,527	870
Bonds and borrowings	267,486	174,337	93,149
Income taxes payable	7,576	15,059	(7,483)
Other financial liabilities	28,402	18,810	9,592
Other current liabilities	2,912	2,017	895
Total current liabilities	545,672	455,305	90,367
Non-current liabilities			
Trade and other payables	7,925	8,495	(570)
Lease liabilities	58,340	50,717	7,623
Contract liabilities	9,163	9,353	(190)
Bonds and borrowings	169,793	178,770	(8,977)
Retirement and severance benefit	17,958	17,622	336
Deferred tax liabilities	10,178	8,865	1,313
Other financial liabilities	5,078	4,986	92
Other non-current liabilities	7,292	7,516	(224)
Total non-current liabilities	285,727	286,324	(597)
Total liabilities	831,399	741,629	89,770
Equity			
Equity attributable to owners of the parent			
Common stock	81,577	81,577	-
Capital surplus	78,445	78,397	48
Retained earnings	419,287	414,541	4,746
Accumulated other comprehensive income	64,798	40,183	24,615
Treasury stock, at cost	(3,091)	(3,090)	(1)
Total Equity attribute to owners of the parent	641,016	611,608	29,408
Non-controlling interests	60,703	56,323	4,380
Total equity	701,719	667,931	33,788
Total liabilities and equity	1,533,118	1,409,560	123,558

(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, 2022 (A)	First quarter Three months ended Jun. 30, 2021 (B)	(A)/(B)×100 (%)
Revenue	267,539	228,136	117
Cost of sales	(193,930)	(172,070)	113
Gross profit	73,609	56,066	131
Selling, general and administrative expenses	(53,010)	(44,228)	120
Adjusted operating income	20,599	11,838	174
Other income	2,193	1,105	198
Other expenses	(1,001)	(1,031)	97
Operating income	21,791	11,912	183
Financial income	6,373	743	858
Financial expenses	(1,776)	(1,812)	98
Share of profits of investments accounted for using the equity method	564	1,162	49
Income before income taxes	26,952	12,005	225
Income taxes	(7,419)	(4,161)	178
Net income	19,533	7,844	249
Net income attributable to			
Owners of the parent	18,568	7,127	261
Non-controlling interests	965	717	135
Total net income	19,533	7,844	249
EPS attributable to owners of the parent			
Net income per share (Basic) (yen)	87.32	33.51	261
Net income per share (Diluted) (yen)	87.32	33.51	261

(Rounded off to the nearest million)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	First quarter Three months ended Jun. 30, 2022 (A)	First quarter Three months ended Jun. 30, 2021 (B)	(A)/(B)×100 (%)
Net income	19,533	7,844	249
Other comprehensive income			
Items that cannot be reclassified into net income			
Net gains and losses from financial assets measured at fair value through OCI	(814)	660	-
Other comprehensive income of equity method associates	1	-	-
Items that can be reclassified into net income			
Foreign currency translation adjustments	28,837	730	3,950
Cash flow hedges	(989)	553	-
Other comprehensive income of equity method associates	980	806	122
Other comprehensive income, net of taxes	28,015	2,749	1,019
Comprehensive income	47,548	10,593	449
Comprehensive income attributable to			
Owners of the parent	43,183	9,606	450
Non-controlling interests	4,365	987	442

(Rounded off to the nearest million)

(3) Consolidated Statements of Changes in Equity
Consolidated cumulative quarter
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)			
Transfer to retained earnings						
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)
Transfer to retained earnings						
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

First quarter three months ended Jun. 30, 2021

(Millions of yen)

	Equity attributable to owners of the parent					
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income		
				Remeasurements of defined benefit obligations	Net gains and losses from financial assets measured at fair value through OCI	Cash flow hedges
Balance at beginning of period	81,577	80,620	350,229	1,669	7,510	(355)
Net income			7,127			
Other comprehensive income					660	553
Comprehensive income	-	-	7,127	-	660	553
Acquisition of treasury stock						
Dividends to stockholders of the Company			(2,127)			
Transfer to retained earnings			164		(164)	
Change in liabilities for written put options over non-controlling interests		6				
Transaction with owners	-	6	(1,963)	-	(164)	-
Balance at end of period	81,577	80,626	355,393	1,669	8,006	198

(Millions of yen)

	Equity attributable to owners of the parent					
	Accumulated other comprehensive income		Treasury stock, at cost	Total	Non-controlling interests	Total equity
	Foreign currency translation adjustments	Total				
Balance at beginning of period	(4,562)	4,262	(3,086)	513,602	54,954	568,556
Net income				7,127	717	7,844
Other comprehensive income	1,266	2,479		2,479	270	2,749
Comprehensive income	1,266	2,479	-	9,606	987	10,593
Acquisition of treasury stock		-	(1)	(1)		(1)
Dividends to stockholders of the Company		-		(2,127)		(2,127)
Transfer to retained earnings		(164)		-		-
Change in liabilities for written put options over non-controlling interests		-		6	(13)	(7)
Transaction with owners	-	(164)	(1)	(2,122)	(13)	(2,135)
Balance at end of period	(3,296)	6,577	(3,087)	521,086	55,928	577,014

(4) Consolidated Statements of Cash Flows

Consolidated cumulative quarter

(Millions of yen)

	First quarter Three months ended Jun. 30, 2022 (A)	First quarter Three months ended Jun. 30, 2021 (B)
Net income	19,533	7,844
Depreciation	13,009	11,499
Amortization of intangible asset	1,907	1,826
Impairment losses	-	45
Income tax expense	7,419	4,161
Equity in net earnings of associates	(564)	(1,162)
(Gain) loss on sales of property, plant and equipment	(1,289)	28
Financial income	(6,373)	(743)
Financial expense	1,776	1,812
(Increase) decrease in trade receivables and contract assets	39,236	14,276
(Increase) decrease in lease receivables	3,514	4,293
(Increase) decrease in inventories	(25,848)	(10,322)
Increase (decrease) in trade payables	(2,877)	886
Increase (decrease) in retirement and severance benefit	(52)	30
Other	(24,325)	(22,586)
Subtotal	25,066	11,887
Interest received	592	505
Dividends received	637	355
Interest paid	(1,734)	(1,086)
Income tax paid	(14,346)	(4,974)
Net cash provided by (used in) operating activities	10,215	6,687
Capital expenditures	(11,049)	(4,659)
Proceeds from sale of property, plant and equipment	1,887	37
Acquisition of intangible assets	(1,340)	(2,723)
Acquisition of investments in securities and other financial assets(including investments in associates)	(127)	(292)
Sales of investments in securities and other financial assets (including investments in associates)	-	370
(Increase) decrease in short-term loan receivables, net	2	88
Payments for acquisition of businesses	-	(1,030)
Other	(19)	2
Net cash provided by (used in) investing activities	(10,646)	(8,207)
Increase (decrease) in short-term debt, net	68,606	(1,499)
Proceeds from long-term debt and bond	5,568	17,750
Payments on long-term debt	(10,702)	(17,848)
Payments on lease payables	(3,017)	(2,888)
Dividends paid to owners of the parent	(13,826)	(2,129)
Dividends paid to non-controlling interests	(11)	(9)
Other	(1)	(1)
Net cash provided by (used in) financing activities	46,617	(6,624)
Effect of exchange rate changes on cash and cash equivalents	8,418	473
Net increase (decrease) in cash and cash equivalents	54,604	(7,671)
Cash and cash equivalents at beginning of period	94,257	80,330
Cash and cash equivalents at end of period	148,861	72,659

(5)Notes on Consolidated Financial Statements

(Notes on the Preconditions for a Going Concern)

There are no relevant items.

(Segment Information)

1) Overview of business segments

The operating segments of the Group are the components for which separate financial information is available and that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The reportable segments are determined based on the operating segment.

Taking into consideration the nature of products and services as well as categories, types of customers, and economic characteristics in a comprehensive manner, the company determines to classify two reportable segments as follows: The Construction Machinery Business Segment primarily intends to provide customers with a series of total life cycle solutions related to construction machinery such as the manufacture and sale of hydraulic excavators, ultra-large hydraulic excavators, and wheeled loaders, as well as the sale of parts related to these products. The Solution Business Segment primarily intends to provide services, production, and distribution parts that are not included in the Construction Machinery Business Segment.

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

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

For the first quarter three months ended Jun. 30, 2022

(Millions of yen)

	Reportable segment			Adjustments (*1,2)	Total
	Construction Machinery Business	Solution 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.

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For the first quarter three months ended Jun. 30, 2021

(Millions of yen)

	Reportable segment			Adjustments (*1,2)	Total
	Construction Machinery Business	Solution Business	Total		
Revenue					
External customers	206,456	21,680	228,136	-	228,136
Intersegment transactions	1	858	859	(859)	-
Total revenues	206,457	22,538	228,995	(859)	228,136
Adjusted operating income	10,147	1,691	11,838	-	11,838
Operating income	10,213	1,699	11,912	-	11,912
Financial income	-	-	-	743	743
Financial expenses	-	-	-	(1,812)	(1,812)
Share of profits of investments accounted for using the equity method	1,162	-	1,162	-	1,162
Income (loss) before income taxes	11,375	1,699	13,074	(1,069)	12,005

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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