

Consolidated Financial Results for the First Quarter Ended June 30, 2024 (IFRS)

July 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 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 2024 (April 1, 2024 to June 30, 2024)

(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, 2024	328,217	3.9	32,504	(13.5)	39,067	(10.4)	26,689	(20.5)	24,583	(21.8)
June 30, 2023	315,853	—	37,574	—	43,578	—	33,556	71.8	31,419	69.2

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, 2024	115.58	115.58
June 30, 2023	147.74	147.74

References: Share of profits (losses) of investments accounted for using the equity method June 30, 2024: ¥885 million June 30, 2023: ¥721 million

“Net income attributable to owners of parent per share (basic)” and “Net income attributable to owners of parent per share (diluted)” are calculated based on “Net income attributable to owners of parent”.

From the 4Q of the previous fiscal year, the non-core businesses in the Specialized Parts & Service business segment are classified as discontinued operations. As a result, for the 1Q of current and previous fiscal years, revenue, adjusted operating income and income before income taxes are presented in amounts for continuing operations excluding discontinued operations, while net income and net income attributable to owners of the parent are presented as the sum of continuing operations and discontinued operations. Since the 1Q of previous fiscal year is also presented in the same manner, these percentages of increase/decrease from the 1Q of previous fiscal year are not shown.

(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, 2024	1,904,508	862,089	805,432	42.3
March 31, 2024	1,835,005	814,413	763,380	41.6

2. Dividends status

	Cash dividends per share				
	First Quarter	Second Quarter	Third Quarter	Year end	Total
	Yen	Yen	Yen	Yen	Yen
March 31, 2024	—	85.00	—	65.00	150.00
March 31, 2025	—				
March 31, 2025 (Projection)		65.00	—	110.00	175.00

Note: Changes involving the dividend states for the fiscal year ending March 2025: None

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

3. Consolidated earnings forecast for the full year ending March 2025 (April 1, 2024 to March 31, 2025)

(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, 2025	1,370,000	(2.6)	165,000	(1.8)	151,000	(5.9)	98,000	5.0	460.74

Notes: Changes in consolidated earnings forecast: None

From the 4Q of the previous fiscal year, the non-core businesses in the Specialized Parts & Service business segment are classified as discontinued operations. As a result, in the forecast for the fiscal year ending March 31, 2025, revenue, adjusted operating income and income before income taxes are presented in amounts for continuing operations excluding discontinued operations, while net income attributable to owners of the parent and net income attributable to owners of the parent per share are presented as the sum of continuing operations and discontinued operations.

*Notes

(1) Important changes in the scope of the consolidation during period: 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	2024	215,115,038
March	2024	215,115,038

[2] Number of treasury shares

June	2024	2,410,597
March	2024	2,442,175

[3] Average number of common shares outstanding during the fiscal year (shares)

June	2024	212,688,654
June	2023	212,661,889

Review of the accompanying quarterly consolidated financial statements by a certified public accountant or auditing firm

None

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 2025” 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 20255
 - (3) Analysis of Financial Condition6

- 2. Consolidated Financial Statements
 - (1) Consolidated Balance Sheets8
 - (2) Consolidated Statements of Income and Comprehensive Income
 - Consolidated Statements of Income9
 - Consolidated Statements of Comprehensive Income10
 - (3) Consolidated Statements of Changes in Equity11
 - (4) Consolidated Statements of Cash Flows13
 - (5) Notes on Consolidated Financial Statements
 - (Accounting standards complied with)14
 - (Notes on the Preconditions for a Going Concern)14
 - (Segment Information)14

1. Management Performance and Financial Conditions

(1) Management Results

Under the three-year medium-term management plan “BUILDING THE FUTURE 2025,” which concludes in the fiscal year ending March 31, 2026, the Company is committed to sustainable growth and enhancement of corporate value through four management strategies: ①Delivering innovative solutions for customer needs; ②Enhancing value chain business; ③Expanding business in the Americas; and ④Strengthening human capital and corporate capabilities.

During the 1Q of fiscal year under review (April 1, 2024 to June 30, 2024), demand for hydraulic excavators generally declined. In particular, Western Europe has been affected by high interest rates and other factors, and Asia has seen a slowdown in customer appetite for investment. In Japan, public investment and private capital investment remained stable, but demand declined.

Mining demand remained challenging for small mining hydraulic excavators. On the other hand, ultra-large machinery remained relatively firm, due to continued strong appetite for customers’ investment supported by healthy resource prices and continued demand for overhaul and regular maintenance associated with high utilization.

Under these circumstances, the Americas business, which has been undergoing full-scale independent development since March 2022, as well as the mining business and the value chain business, on which we have been focusing our efforts, performed well. In the Americas business, revenue from independent development only slightly increased from the same period of the previous year, when it grew significantly, due to a lull in inventory buildup by dealers. On the other hand, the retail sales share to end customers steadily increased. These results, combined with the impact of foreign exchange rates and other factors, showed an increase in revenue to ¥328,217 million (an increase of 3.9% year on year), a record high for the 1Q for the third year in a row.

As for consolidated income items, despite continued efforts to reduce costs and raise selling prices, as well as the impact of the yen's depreciation, the decrease in sales volume and increases in personnel and R&D expenses had a negative impact. As a result, adjusted operating income decreased to ¥32,504 million (a decrease of 13.5% year on year). Net income attributable to owners of the parent was ¥24,583 million (a decrease of 21.8% year on year), due to a decrease in operating income and an increase in income tax expenses.

As a note, from the 4Q of the fiscal year ended March 31, 2024, the non-core businesses in the Specialized Parts & Service business segment are classified as discontinued operations in line with IFRS accounting standards. As a result, for the 1Q of current and previous fiscal years, revenue, adjusted operating income, operating income, and income before income taxes are presented in amounts for continuing operations excluding discontinued operations, while net income and net income attributable to owners of the parent are presented as the sum of continuing operations and discontinued operations.

Business results by segment are described below.

① Construction Machinery Business

During the 1Q of fiscal year under review, revenue was ¥298,111 million (an increase of 4.3% year on year) and adjusted operating income was ¥29,074 million (a decrease of 14.1% year on year), respectively.

In addition to the continued expansion of the Americas business from the previous fiscal year, both the construction and mining businesses as well as the value chain business centered on parts and services performed well. As a result, revenue increased year on year. However, adjusted operating income declined, mainly due to higher personnel and R&D expenses as well as the decrease in sales volume.

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 of fiscal year under review, revenue was ¥31,802 million (an increase of 1.4% year on year) due to the strong performance of the mining market environment. Adjusted operating income decreased to ¥3,430 million (a decrease of 7.9% year on year), mainly due to an increase in personnel expenses.

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

The following table summarizes consolidated net revenue by geographic area:

(Millions of yen)

	FY2024 (April 1, 2024- June 30, 2024)		FY2023 (April 1, 2023- June 30, 2023)		Increase (Decrease)	
	Revenue (A)	Proportion (%)	Revenue (B)	Proportion (%)	(A)-(B)	(A)/(B)-1 (%)
North America	81,500	24.8	77,725	24.6	3,775	4.9
Central and South America	13,023	4.0	9,012	2.9	4,011	44.5
The Americas	94,523	28.8	86,737	27.5	7,786	9.0
Europe	38,443	11.7	44,065	14.0	(5,622)	(12.8)
Russia-CIS	4,585	1.4	8,244	2.6	(3,659)	(44.4)
Africa	18,164	5.5	11,738	3.7	6,426	54.7
Middle East	11,338	3.5	7,516	2.4	3,822	50.9
Russia-CIS, Africa, and the Middle East	34,087	10.4	27,498	8.7	6,589	24.0
Asia	23,662	7.2	27,773	8.8	(4,111)	(14.8)
India	19,025	5.8	16,062	5.1	2,963	18.4
Oceania	68,799	21.0	60,998	19.3	7,801	12.8
Asia and Oceania	111,486	34.0	104,833	33.2	6,653	6.3
China	7,075	2.2	8,473	2.7	(1,398)	(16.5)
Sub-total	285,614	87.0	271,606	86.0	14,008	5.2
Japan	42,603	13.0	44,247	14.0	(1,644)	(3.7)
Total	328,217	100.0	315,853	100.0	12,364	3.9

(Rounded off to the nearest million)

Note: From the 4Q of the previous fiscal year, the non-core businesses in the Specialized Parts & Service business segment are classified as discontinued operations. As a result, for the 1Q of current and previous fiscal years, revenues are presented in amounts for continuing operations excluding discontinued operations.

(2) Outlook for the Fiscal Year Ending March 2025

Regarding demand for hydraulic excavators for the full year ending March 31, 2025, we expect demand to remain high in Japan and North America, driven by continued stable public investment and private capital investment. On the other hand, demand is expected to decrease significantly from the previous year in Western Europe, which is affected by high interest rates, and in India, where the outlook is uncertain after elections. Demand in China is expected to remain at the same low level as the previous year with no signs of recovery. Taking these factors into consideration, we have revised our forecast for global demand for hydraulic excavators downward slightly to approximately 206 thousand units (down 7% year on year) from our previous full-year forecast announced in April. Demand for mining machinery for the full year is expected to decline for small mining excavators, continuing on from the previous year, as thermal coal prices settle down and small and medium-sized miners are expected to be less willing to invest in mining machinery. On the other hand, demand for large mining machinery is expected to remain firm, with solid demand from major mines and hard rock.

In our consolidated earnings forecast for the fiscal year ending March 31, 2025 (April 1, 2024 to March 31, 2025), we expect delays in marine transportation and high material and logistics costs, as well as higher personnel costs due to enhanced human capital investment for sustainable development. Furthermore, at this point, we are taking a cautious view of market conditions and are factoring into our earnings forecast the risk of declining demand in Europe and elsewhere. We will continue our efforts to reduce costs and raise selling prices, and through the growth of our focused businesses in the Americas, the mining business, and the value chain business, we aim to transform ourselves into a stable profit structure that is less susceptible to the demand for new machinery.

Based on the above assumptions, as well as the fact that the 1Q results were generally in line with the assumptions made at the time of the April announcement, the consolidated earnings forecast for the fiscal year ending March 31, 2025, remains unchanged from the previous April announcement. Based on this earning forecast, we also maintain our plan for shareholder returns with an annual dividend of ¥175 per share.

The exchange rate assumptions for this forecast remain unchanged: ¥141 to the US dollar, ¥152 to the euro, ¥20.1 to the Chinese yuan, and ¥95 to the Australian dollar.

Through the realization of our unique mission, “Meet expectations from customers, co-create innovative products, services, solutions and together, we continue to create new values” we will continue to earnestly strive to realize our corporate vision of “Ensure a prosperous land and society for the future. We contribute toward realizing a safe and sustainable society.” We have also recently established a new concept, "LANDCROS," to reflect the Hitachi Construction Machinery Group's desire to deliver innovative solutions for every stakeholder. The entire Hitachi Construction Machinery Group will work to disseminate and promote this new concept, "LANDCROS," and innovate our corporate culture.

(3) Analysis of Financial Condition

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

(Assets)

Current assets amounted to ¥ 1,120,229 million, an increase of 4.0%, or ¥ 42,679million, from the previous fiscal year-end. This was mainly due to an increase of ¥ 48,730 million in inventory although there was a decrease of ¥ 28,602 million in trade receivables.

Non-current assets amounted to ¥ 784,279 million, an increase of 3.5%, or ¥ 26,824 million, from the previous fiscal year-end. This was due mainly to an increase of ¥ 15,325 million in property, plant and equipment.

As a result, total assets increased by 3.8%, or ¥ 69,503 million, from the previous fiscal year-end to ¥ 1,904,508 million.

(Liabilities)

Current liabilities amounted to ¥ 749,382 million, an increase of 3.0%, or ¥ 21,634 million, from the previous fiscal year-end.

This was mainly due to an increase of ¥ 44,576 million in bonds and borrowings although there was a decrease of ¥ 23,278 million in trade and other payables.

Non-current liabilities amounted to ¥ 293,037 million, an increase of 0.1%, or ¥ 193 million, from the previous fiscal year-end.

This was mainly due to an increase of ¥ 1,509 million in deferred tax liabilities although there was a decrease of ¥ 1,002 million in bonds and borrowings.

As a result, total liabilities increased by 2.1%, or ¥ 21,827 million, from the previous fiscal year-end to ¥ 1,042,419 million.

(Equity)

Total equity increased by 5.9%, or ¥ 47,676 million, from the previous fiscal year-end to ¥ 862,089 million. This was mainly due to retained earnings and upturn in foreign currency translation adjustments.

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

[2] Analysis of the Status of Consolidated Cash Flows

Cash and cash equivalents at the end of first quarter totaled ¥ 156,182 million, an increase of ¥ 12,652 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 ¥ 25,966 million in net income, and included ¥ 16,041 million in depreciation, a ¥ 42,183 million decrease in trade receivables and contract assets, while an ¥ 17,703 million increase in inventories and a ¥ 17,743 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 ¥ 8,315 million, an increase inflow of ¥ 20,815 million year on year.

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

Net cash used in investing activities for the first quarter amounted to ¥ 12,515 million, a decrease of ¥ 3,801 million year on year. This was mainly due to an outlay of ¥ 9,389 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 ¥ 4,200 million.

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

Net cash provided by financing activities for the first quarter amounted to ¥ 7,725 million. While there were ¥ 4,655 payments on long-term debt and bond and a ¥ 13,910 million dividends paid (including dividends paid to non-controlling interests), this was mainly due to an increase of ¥ 29,457 million in short-term debt and ¥ 981 million in proceeds from long-term debt and bond, net as cash inflow.

As a result, cash for financing activities for the first quarter produced a decreased inflow of ¥ 13,176 million year on year.

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

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	First quarter As of Jun. 30, 2024 (A)	Previous fiscal year-end As of Mar. 31, 2024 (B)	(A)-(B)
Assets			
Current assets			
Cash and cash equivalents	156,182	143,530	12,652
Trade receivables	276,577	305,179	(28,602)
Contract assets	270	552	(282)
Inventories	601,049	552,319	48,730
Income tax receivables	3,063	2,994	69
Other financial assets	37,688	33,538	4,150
Other current assets	26,046	19,590	6,456
Subtotal	1,100,875	1,057,702	43,173
Assets held for sale	19,354	19,848	(494)
Total current assets	1,120,229	1,077,550	42,679
Non-current assets			
Property, plant and equipment	486,612	471,287	15,325
Right-of-use-asset	67,689	66,973	716
Intangible assets	46,222	43,630	2,592
Goodwill	56,083	51,536	4,547
Investments accounted for using the equity method	24,729	23,844	885
Trade receivables	47,017	47,196	(179)
Deferred tax assets	28,149	26,222	1,927
Other financial assets	22,202	21,177	1,025
Other non-current assets	5,576	5,590	(14)
Total non-current assets	784,279	757,455	26,824
Total assets	1,904,508	1,835,005	69,503
Liabilities			
Current liabilities			
Trade and other payables	238,652	261,930	(23,278)
Lease liabilities	12,044	11,711	333
Contract liabilities	14,505	14,314	191
Bonds and borrowings	440,878	396,302	44,576
Income taxes payable	11,626	15,210	(3,584)
Other financial liabilities	22,808	19,164	3,644
Other current liabilities	4,032	3,679	353
Subtotal	744,545	722,310	22,235
Liabilities held for sale	4,837	5,438	(601)
Total current liabilities	749,382	727,748	22,235
Non-current liabilities			
Trade and other payables	2,985	3,720	(735)
Lease liabilities	62,920	62,531	389
Contract liabilities	9,161	9,439	(278)
Bonds and borrowings	178,278	179,280	(1,002)
Retirement and severance benefit	22,420	22,505	(85)
Deferred tax liabilities	10,877	9,368	1,509
Other financial liabilities	682	629	53
Other non-current liabilities	5,714	5,372	342
Total non-current liabilities	293,037	292,844	193
Total liabilities	1,042,419	1,020,592	21,827
Equity			
Equity attributable to owners of the parent			
Common stock	81,577	81,577	-
Capital surplus	76,085	75,965	120
Retained earnings	537,066	526,307	10,759
Accumulated other comprehensive income	113,734	82,600	31,134
Treasury stock, at cost	(3,030)	(3,069)	39
Total Equity attribute to owners of the parent	805,432	763,380	42,052
Non-controlling interests	56,657	51,033	5,624
Total equity	862,089	814,413	47,676
Total liabilities and equity	1,904,508	1,835,005	69,503

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	First quarter Three months ended Jun. 30, 2024 (A)	First quarter Three months ended Jun. 30, 2023 (B)	(A)/(B)×100 (%)
Continuing operations			
Revenue	328,217	315,853	104
Cost of sales	(224,408)	(216,570)	104
Gross profit	103,809	99,283	105
Selling, general and administrative expenses	(71,305)	(61,709)	116
Adjusted operating income	32,504	37,574	87
Other income	1,562	1,375	114
Other expenses	(1,251)	(855)	146
Operating income	32,815	38,094	86
Financial income	10,183	8,457	120
Financial expenses	(4,816)	(3,694)	130
Share of profits of investments accounted for using the equity method	885	721	123
Income before income taxes	39,067	43,578	90
Income taxes	(13,101)	(10,100)	130
Net income from continuing operations	25,966	33,478	78
Discontinued operations			
Net income from discontinued operations	723	78	927
Net income	26,689	33,556	80
Net income attributable to			
Owners of the parent	24,583	31,419	78
Non-controlling interests	2,106	2,137	99
Total net income	26,689	33,556	80
EPS attributable to owners of the parent			
Continuing operations	112.18	147.37	76
Discontinued operations	3.40	0.37	919
Net income per share (Basic) (yen)	115.58	147.74	78
Continuing operations	112.18	147.37	76
Discontinued operations	3.40	0.37	919
Net income per share (Diluted) (yen)	115.58	147.74	78

(Rounded off to the nearest million)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	First quarter Three months ended Jun. 30, 2024 (A)	First quarter Three months ended Jun. 30, 2023 (B)	(A)/(B)×100 (%)
Net income	26,689	33,556	80
Other comprehensive income			
Items that cannot be reclassified into net income			
Net gains and losses from financial assets measured at fair value through OCI	622	1,083	57
Items that can be reclassified into net income			
Foreign currency translation adjustments	33,233	26,951	123
Cash flow hedges	182	(1,395)	-
Other comprehensive income of equity method associates	631	1,286	49
Other comprehensive income, net of taxes	34,668	27,925	124
Comprehensive income	61,357	61,481	100
Comprehensive income attributable to			
Owners of the parent	55,717	56,430	99
Non-controlling interests	5,640	5,051	112

(Rounded off to the nearest million)

(3) Consolidated Statements of Changes in Equity

First quarter three months ended Jun. 30, 2024

(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	75,965	526,307	(396)	8,660	(194)
Net income			24,583			
Other comprehensive income				-	622	109
Comprehensive income		-	24,583	-	622	109
Acquisition of treasury stock						
Dividends to stockholders of the Company			(13,824)			
Share-based payment transactions		104				
Change in liabilities for written put options over non-controlling interests		16				
Transaction with owners	-	120	(13,824)	-	-	-
Balance at end of period	81,577	76,085	537,066	(396)	9,282	(85)

(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	74,530	82,600	(3,069)	763,380	51,033	814,413
Net income				24,583	2,106	26,689
Other comprehensive income	30,403	31,134		31,134	3,534	34,668
Comprehensive income	30,403	31,134	-	55,717	5,640	61,357
Acquisition of treasury stock			(1)	(1)		(1)
Dividends to stockholders of the Company				(13,824)		(13,824)
Share-based payment transactions			40	144		144
Change in liabilities for written put options over non-controlling interests				16	(16)	-
Transaction with owners	-	-	39	(13,665)	(16)	(13,681)
Balance at end of period	104,933	113,734	(3,030)	805,432	56,657	862,089

First quarter three months ended Jun. 30, 2023

(Millions of yen)

	Equity attributable to owners of the parent					
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income		
				Remeasurements of defined benefit obligations	Net gains and losses from financial assets measured at fair value through OCI	Cash flow hedges
Balance at beginning of period	81,577	75,724	463,174	(666)	7,182	(206)
Net income			31,419			
Other comprehensive income				-	1,083	(1,380)
Comprehensive income	-	-	31,419	-	1,083	(1,380)
Acquisition of treasury stock						
Dividends to stockholders of the Company			(12,759)			
Share-based payment transactions		47				
Change in liabilities for written put options over non-controlling interests		(14)				
Transaction with owners	-	33	(12,759)	-	-	-
Balance at end of period	81,577	75,757	481,834	(666)	8,265	(1,586)

(Millions of yen)

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

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	First quarter Three months ended Jun. 30, 2024 (A)	First quarter Three months ended Jun. 30, 2023 (B)
Net income	25,966	33,478
Net income from discontinued operations	723	78
Depreciation	16,041	14,532
Amortization of intangible asset	2,296	2,037
Impairment losses	-	6
Income tax expense	13,051	10,078
Equity in net earnings of associates	(885)	(721)
(Gain) loss on sales of property, plant and equipment	(292)	(172)
Financial income	(10,183)	(8,458)
Financial expense	4,826	3,695
(Increase) decrease in trade receivables and contract assets	42,183	15,680
(Increase) decrease in lease receivables	1,107	2,948
Increase (decrease) in inventories	(17,703)	(46,318)
(Increase) decrease in trade payables	(12,924)	(7,191)
(Increase) decrease in retirement and severance benefit	(73)	(1)
Other	(35,711)	(7,601)
Subtotal	28,422	12,070
Interest received	1,307	1,012
Dividends received	688	593
Interest paid	(4,359)	(3,592)
Income tax paid	(17,743)	(22,583)
Net cash provided by (used in) operating activities	8,315	(12,500)
Capital expenditures	(9,389)	(10,965)
Proceeds from sale of property, plant and equipment	408	260
Acquisition of intangible assets	(2,951)	(1,902)
Acquisition of investments in securities and other financial assets(including investments in associates)	(31)	(3,700)
Increase (decrease) in short-term loan receivables, net	(560)	(11)
Collection of long-term loan receivables	16	10
Other	(8)	(8)
Net cash (provided by) used in investing activities	(12,515)	(16,316)
Increase (decrease) in short-term debt, net	29,457	24,509
Proceeds from long-term debt and bond	981	32,498
Payments on long-term debt	(4,655)	(20,219)
Payments on lease payables	(4,147)	(3,055)
Dividends paid to owners of the parent	(13,827)	(12,761)
Dividends paid to non-controlling interests	(83)	(148)
Other	(1)	77
Net cash provided by (used in) financing activities	7,725	20,901
Effect of exchange rate changes on cash and cash equivalents	9,127	3,827
Net increase (decrease) in cash and cash equivalents	12,652	(4,088)
Cash and cash equivalents at beginning of period	143,530	111,992
Cash and cash equivalents at end of period	156,182	107,904

(5) Notes on Consolidated Financial Statements

(Accounting standards complied with)

While the Company's quarterly financial statements (consolidated balance sheets, consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows) have been prepared in accordance with Article 5, Paragraph 2 of the Standards for the Preparation of Quarterly Financial Statements, etc. of the Tokyo Stock Exchange, Inc., certain disclosures and notes required by IAS 34 have been omitted. Therefore, these financial statements are not a set of condensed financial statements in accordance with IAS 34.

(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.

Due to the reclassification of non-core business that was previously included in the Specialized Parts & Service business segment to discontinued operations, we only have presented amounts of continuing operations excluding amounts of discontinued operations.

(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, 2024

(Millions of yen)

	Reportable segment			Adjustments (*1,2)	Total
	Construction Machinery Business	Specialized Parts & Service Business	Total		
Revenue					
External customers	298,094	30,123	328,217	-	328,217
Intersegment transactions	17	1,679	1,696	(1,696)	-
Total revenues	298,111	31,802	329,913	(1,696)	328,217
Adjusted operating income	29,074	3,430	32,504	-	32,504
Operating income	29,384	3,431	32,815	-	32,815
Financial income	-	-	-	10,183	10,183
Financial expenses	-	-	-	(4,816)	(4,816)
Share of profits of investments accounted for using the equity method	885	-	885	-	885
Income (loss) before income taxes	30,269	3,431	33,700	5,367	39,067

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

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

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

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

(Millions of yen)

	Reportable segment			Adjustments (*1,2)	Total
	Construction Machinery Business	Specialized Parts & Service Business	Total		
Revenue					
External customers	285,784	30,069	315,853	-	315,853
Intersegment transactions	12	1,284	1,296	(1,296)	-
Total revenues	285,796	31,353	317,149	(1,296)	315,853
Adjusted operating income	33,850	3,724	37,574	-	37,574
Operating income	34,327	3,767	38,094	-	38,094
Financial income	-	-	-	8,457	8,457
Financial expenses	-	-	-	(3,694)	(3,694)
Share of profits of investments accounted for using the equity method	721	-	721	-	721
Income (loss) before income taxes	35,048	3,767	38,815	4,763	43,578

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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