

Consolidated Financial Results for the Third Quarter Ended December 31, 2024 (IFRS)

January 27, 2025

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 for 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 31, 2024 (April 1, 2024 to December 31, 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	%
December 31, 2024	991,277	(1.7)	104,488	(15.0)	100,226	(8.9)	69,338	(12.3)	61,878	(12.9)
December 31, 2023	1,008,241	—	122,882	—	110,065	—	79,030	73.0	71,074	65.1

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, 2024	290.92	290.92
December 31, 2023	334.20	334.20

References: Share of profits (losses) of investments accounted for using the equity method December 31, 2024: ¥2,529 million December 31, 2023: ¥1,651 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-3Q of the 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-3Q of the previous fiscal year is also presented in the same manner, these percentages of increase/decrease from the 1Q-3Q of the 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	%
December 31, 2024	1,867,552	857,949	809,885	43.4
March 31, 2024	1,835,672	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	—	65.00	—		
March 31, 2025 (Projection)				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	1,350,000	(4.0)	151,000	(10.1)	135,000	(15.9)	84,000	(10.0)	394.92

Notes: Changes in consolidated earnings forecast: Yes

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)

December 2024	215,115,038
March 2024	215,115,038

[2] Number of treasury shares

December 2024	2,411,008
March 2024	2,442,175

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

December 2024	212,697,957
December 2023	212,668,898

Review of the accompanying semi-annual 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.

(Other)

During the third quarter of the fiscal year ending March 31, 2025, the Company finalized the provisional accounting treatment for business combinations. Revision of the initial allocated amounts of acquisition cost is reflected in the consolidated balance sheets as of March 2024. For details, please refer to the attached document "2. Consolidated Financial Statements, (5) Notes on Consolidated Financial Statements (Business combination)."

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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 the sustainable growth and enhancement of corporate value through 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 the fiscal year under review (April 1, 2024 to December 31, 2024), demand for hydraulic excavators declined particularly in North America and Western Europe, due to the sustained high interest rates and other factors.

Mining demand remained challenging for small mining hydraulic excavators for Asia. On the other hand, ultra-large machinery remained relatively firm.

In the Americas business, revenue from independent development decreased from the same period of the previous year, when it grew significantly, due to a lull in inventory buildup by dealers. However, our market share in North America based on retail sales to end customers increased year on year. Amidst weakening demand for new machinery, the parts and services business, which we are focusing on, is performing well against the backdrop of steady maintenance demand. As a result of these factors, revenue decreased slightly to ¥991,277 million (a decrease of 1.7% year on year).

As for consolidated income items, the continued reduction of production costs and increase in sales prices, as well as the impact of the weakening yen, supported income. On the other hand, there was a decrease in sales volume due to the deteriorating market conditions, and an increase in indirect costs due to growth investments such as R&D and personnel expenses. As a result, adjusted operating income decreased to ¥104,488 million (a decrease of 15.0% year on year). Net income attributable to owners of the parent was ¥61,878 million (a decrease of 12.9% year on year), due to factors such as an increase in interest expenses. However, operating cash flow and free cash flow have increased year on year due to a reduction in working capital.

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-3Q 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-3Q of the fiscal year under review, revenue was ¥900,246 million (a decrease of 1.7% year on year) and adjusted operating income was ¥94,331 million (a decrease of 15.6% year on year), respectively.

In both the construction and mining businesses, the value chain business centered on parts and services performed well, but revenue and adjusted operating income declined, mainly due to the decrease in sales volume in North America and Europe as well as higher R&D and personnel expenses.

[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 ¥97,807 million (an increase of 1.0% year on year), but revenue after adjustment between segments was down year on year. Adjusted operating income decreased to ¥10,157 million (a decrease of 9.1% year on year), mainly due to the impact of decreased revenue and an increase in personnel expenses.

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

The following table summarizes consolidated net revenue by geographic area:

(Millions of yen)

	FY2024 (April 1, 2024- December 31, 2024)		FY2023 (April 1, 2023- December 31, 2023)		Increase (Decrease)	
	Revenue (A)	Proportion (%)	Revenue (B)	Proportion (%)	(A)-(B)	(A)/(B)-1 (%)
North America	217,920	22.0	240,294	23.8	(22,374)	(9.3)
Central and South America	33,673	3.4	29,889	3.0	3,784	12.7
The Americas	251,593	25.4	270,183	26.8	(18,590)	(6.9)
Europe	108,953	11.0	127,343	12.6	(18,390)	(14.4)
Russia-CIS	12,872	1.3	17,122	1.7	(4,250)	(24.8)
Africa	64,478	6.5	46,548	4.6	17,930	38.5
Middle East	24,480	2.5	21,530	2.1	2,950	13.7
Russia-CIS, Africa, and the Middle East	101,830	10.3	85,200	8.5	16,630	19.5
Asia	84,325	8.5	94,937	9.4	(10,612)	(11.2)
India	60,762	6.1	58,585	5.8	2,177	3.7
Oceania	203,298	20.5	190,809	18.9	12,489	6.5
Asia and Oceania	348,385	35.1	344,331	34.2	4,054	1.2
China	23,754	2.4	21,309	2.1	2,445	11.5
Sub-total	834,515	84.2	848,366	84.1	(13,851)	(1.6)
Japan	156,762	15.8	159,875	15.9	(3,113)	(1.9)
Total	991,277	100.0	1,008,241	100.0	(16,964)	(1.7)

(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-3Q of the 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

Demand for hydraulic excavators for the full year ending March 2025 is expected to decline, particularly in North America and Western Europe, where interest rates remain high. On the other hand, demand is currently recovering in Southeast Asia and India. In China, demand, which had been declining until recently, is expected to bottom out and increase slightly compared to the previous fiscal year. Although the demand environment remains challenging in North America and Western Europe, we have factored in a recovery in emerging countries, and we have revised our full-year forecast for global demand for hydraulic excavators upwards by approximately 7 thousand units from the previous forecast announced in October, to approximately 206 thousand units (down 8% year on year).

Demand for mining machinery for the full year is expected to decline, particularly for small mining excavators for Asia, because thermal coal prices are settling down and the investment appetite for mining machinery among small and medium-sized miners is expected to decline. We will maintain our previous forecast for demand for new machinery. On the other hand, we expect demand for maintenance to remain strong, due to steady operating units and other factors.

The challenging business environment persists, with factors such as a decline in demand for new machinery and rising material costs due to inflation. In response to these factors, we are promoting cost reductions and increasing sales prices. At the same time, our value chain business, centered on parts and services, is performing well. These are underpinning our earnings. Taking the above points into consideration, the consolidated earnings forecast for the fiscal year ending March 2025 (April 1, 2024 to March 31, 2025) is expected to show a decrease in revenue and income year on year, but there are no changes to the forecast for revenue and adjusted operating income from the previous forecast announced in October. On the other hand, due to the fact that we have factored in an improvement in other operating income and expenses in the current quarter, income items from operating income to net income attributable to owners of the parent will increase from the previous forecast announced in October.

We will continue to promote the development of our own business in the Americas, which we are focusing on, and we will also work to further grow our mining and value chain businesses, in order to continue to transform our business into a stable profit structure that is not dependent on demand for new machinery.

The exchange rates for the 4Q, which form the basis for this earnings forecast, remain unchanged from the previous forecast (USD ¥141, EUR ¥155, CNY ¥19.8, AUD ¥96).

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”.

In addition, under the new concept “LANDCROS”, which was established to reflect the Hitachi Construction Machinery Group's desire to deliver innovative solutions for every stakeholder, we will utilize open innovation to provide industry-leading solutions based on a “Customer Interest First” policy, and we will aim for sustainable growth by solving customer issues.

Consolidated Earnings Forecast for the Full Year Ending March 31, 2025

	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 1,350,000	Millions of yen 151,000	Millions of yen 150,000	Millions of yen 127,000	Millions of yen 80,000	Yen 376.12
Forecast (B)	1,350,000	151,000	162,000	135,000	84,000	394.92
Change (B)-(A)	—	—	12,000	8,000	4,000	—
Change (%)	—	—	8.0	6.3	5.0	—
(Reference) FY2023	1,405,928	168,028	162,690	160,476	93,294	438.68

(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 actual results to differ materially.

(3) Analysis of Financial Condition

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

(Note) During the third quarter of the fiscal year ending March 31, 2025, the Company finalized the provisional accounting treatment for business combinations. Revision of the initial allocated amounts of acquisition cost is reflected in the consolidated balance sheets as of March 2024.

(Assets)

Current assets amounted to ¥ 1,064,270 million, a decrease of 1.2%, or ¥ 12,890 million, from the previous fiscal year-end. This was mainly due to a decrease of ¥ 58,904 million in trade receivables although there was an increase of ¥ 31,197 million in inventories.

Non-current assets amounted to ¥ 803,282 million, an increase of 5.9%, or ¥ 44,770 million, from the previous fiscal year-end. This was mainly due to an increase of ¥ 33,906 million in property, plant and equipment⁸⁴³.

As a result, total assets increased by 1.7%, or ¥ 31,880 million, from the previous fiscal year-end to ¥ 1,867,552 million.

(Liabilities)

Current liabilities amounted to ¥ 700,900 million, a decrease of 3.7%, or ¥ 27,302 million, from the previous fiscal year-end. This was mainly due to a decrease of ¥ 30,074 million in trade and other payables.

Non-current liabilities amounted to ¥ 308,703 million, an increase of 5.3%, or ¥ 15,646 million, from the previous fiscal year-end. This was mainly due to an increase of ¥ 17,920 million in bonds and borrowings although there was a decrease of ¥ 1,908 million in trade and other payables.

As a result, total liabilities decreased by 1.1%, or ¥ 11,656 million, from the previous fiscal year-end to ¥ 1,009,603 million.

(Equity)

Total equity increased by 5.3%, or ¥ 43,536 million, from the previous fiscal year-end to ¥ 857,949 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 ¥ 143,158 million, a decrease of ¥ 372 million from the beginning of the fiscal year. Statement and factors relating to each cash flow category are as follows:

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

Net cash provided by operating activities for the third quarter based on ¥ 67,921 million in net income, and included ¥ 48,317 million in depreciation, a ¥ 66,962 million decrease in trade receivables and contract assets, while a ¥ 24,827 million decrease in trade payables and a ¥ 41,550 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 ¥ 83,153 million, an increase inflow of ¥ 54,504 million year on year.

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

Net cash used in investing activities for the third quarter amounted to ¥ 51,926 million, an increase of ¥ 7,020 million year on year. This was mainly due to an outlay of ¥ 25,988 million for capital expenditures and ¥ 16,414 million in payments for transfer of business.

As a result, free cash flows, the sum of net cash provided by operating activities and net cash used in investing activities, amounted to an inflow of ¥ 31,227 million.

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

Net cash used in financing activities for the third quarter amounted to ¥ 33,340 million. While there was an increase of ¥ 47,911 million in proceeds from long-term debt and bond and ¥ 31,673 million increase in short-term debt, net, this was mainly due to ¥ 60,384 payments on long-term debt and bond and a ¥ 35,405 million dividends paid (including dividends paid to non-controlling interests)

As a result, cash for financing activities for the third quarter produced an increased outflow of ¥ 49,252 million year on year.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of Dec. 31, 2024 (A)	As of Mar. 31, 2024 (B)	(A)-(B)
Assets			
Current assets			
Cash and cash equivalents	143,158	143,530	(372)
Trade receivables	246,275	305,179	(58,904)
Contract assets	676	552	124
Inventories	583,516	552,319	31,197
Income tax receivables	3,794	2,994	800
Other financial assets	43,788	33,538	10,250
Other current assets	24,822	19,200	5,622
Subtotal	1,046,029	1,057,312	(11,283)
Assets held for sale	18,241	19,848	(1,607)
Total current assets	1,064,270	1,077,160	(12,890)
Non-current assets			
Property, plant and equipment	499,515	465,609	33,906
Right-of-use-asset	67,882	66,973	909
Intangible assets	47,717	43,630	4,087
Goodwill	60,315	58,271	2,044
Investments accounted for using the equity method	24,638	23,844	794
Trade receivables	46,353	47,196	(843)
Deferred tax assets	27,953	26,222	1,731
Other financial assets	23,493	21,177	2,316
Other non-current assets	5,416	5,590	(174)
Total non-current assets	803,282	758,512	44,770
Total assets	1,867,552	1,835,672	31,880
Liabilities			
Current liabilities			
Trade and other payables	232,310	262,384	(30,074)
Lease liabilities	12,192	11,711	481
Contract liabilities	12,853	14,314	(1,461)
Bonds and borrowings	404,846	396,302	8,544
Income taxes payable	10,890	15,210	(4,320)
Other financial liabilities	19,305	19,164	141
Other current liabilities	3,811	3,679	132
Subtotal	696,207	722,764	(26,557)
Liabilities held for sale	4,693	5,438	(745)
Total current liabilities	700,900	728,202	(27,302)
Non-current liabilities			
Trade and other payables	1,812	3,720	(1,908)
Lease liabilities	61,589	62,531	(942)
Contract liabilities	9,092	9,439	(347)
Bonds and borrowings	197,200	179,280	17,920
Retirement and severance benefit	22,595	22,505	90
Deferred tax liabilities	10,756	9,581	1,175
Other financial liabilities	934	629	305
Other non-current liabilities	4,725	5,372	(647)
Total non-current liabilities	308,703	293,057	15,646
Total liabilities	1,009,603	1,021,259	(11,656)
Equity			
Equity attributable to owners of the parent			
Common stock	81,577	81,577	-
Capital surplus	75,768	75,965	(197)
Retained earnings	560,535	526,307	34,228
Accumulated other comprehensive income	95,036	82,600	12,436
Treasury stock, at cost	(3,031)	(3,069)	38
Total Equity attribute to owners of the parent	809,885	763,380	46,505
Non-controlling interests	48,064	51,033	(2,969)
Total equity	857,949	814,413	43,536
Total liabilities and equity	1,867,552	1,835,672	31,880

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated cumulative quarter

Consolidated Statements of Income

(Millions of yen)

	Nine months ended Dec. 31, 2024 (A)	Nine months ended Dec. 31, 2023 (B)	(A)/(B)×100 (%)
Continuing operations			
Revenue	991,277	1,008,241	98
Cost of sales	(676,617)	(689,988)	98
Gross profit	314,660	318,253	99
Selling, general and administrative expenses	(210,172)	(195,371)	108
Adjusted operating income	104,488	122,882	85
Other income	21,308	3,560	599
Other expenses	(9,719)	(4,555)	213
Operating income	116,077	121,887	95
Financial income	4,769	4,867	98
Financial expenses	(23,149)	(18,340)	126
Share of profits of investments accounted for using the equity method	2,529	1,651	153
Income before income taxes	100,226	110,065	91
Income taxes	(32,305)	(31,004)	104
Net income from continuing operations	67,921	79,061	86
Discontinued operations			
Net income from discontinued operations	1,417	(31)	-
Net income	69,338	79,030	88
Net income attributable to			
Owners of the parent	61,878	71,074	87
Non-controlling interests	7,460	7,956	94
Total net income	69,338	79,030	88
EPS attributable to owners of the parent			
Continuing operations	284.26	334.35	85
Discontinued operations	6.66	(0.15)	-
Net income per share (Basic) (yen)	290.92	334.20	87
Continuing operations	284.26	334.35	85
Discontinued operations	6.66	(0.15)	-
Net income per share (Diluted) (yen)	290.92	334.20	87

(Rounded off to the nearest million)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended Dec. 31, 2024 (A)	Nine months ended Dec. 31, 2023 (B)	(A)/(B)×100 (%)
Net income	69,338	79,030	88
Other comprehensive income			
Items that cannot be reclassified into net income			
Net gains and losses from financial assets measured at fair value through OCI	833	1,758	47
Items that can be reclassified into net income			
Foreign currency translation adjustments	12,914	22,190	58
Cash flow hedges	186	14	1,329
Other comprehensive income of equity method associates	(434)	1,052	-
Other comprehensive income, net of taxes	13,499	25,014	54
Comprehensive income	82,837	104,044	80
Comprehensive income attributable to			
Owners of the parent	74,314	93,603	79
Non-controlling interests	8,523	10,441	82

(Rounded off to the nearest million)

(3) Consolidated Statements of Changes in Equity
Consolidated cumulative quarter
For the nine months ended Dec. 31, 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			61,878			
Other comprehensive income				-	833	166
Comprehensive income	-	-	61,878	-	833	166
Acquisition of treasury stock						
Dividends to stockholders of the Company			(27,650)			
Share-based payment transactions		104				
Decrease in capital of consolidated subsidiaries		(318)				
Change in liabilities for written put options over non-controlling interests		17				
Transaction with owners	-	(197)	(27,650)	-	-	-
Balance at end of period	81,577	75,768	560,535	(396)	9,493	(28)

(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				61,878	7,460	69,338
Other comprehensive income	11,437	12,436		12,436	1,063	13,499
Comprehensive income	11,437	12,436	-	74,314	8,523	82,837
Acquisition of treasury stock		-	(2)	(2)		(2)
Dividends to stockholders of the Company		-		(27,650)	(7,454)	(35,104)
Share-based payment transactions		-	40	144		144
Decrease in capital of consolidated subsidiaries		-		(318)	(4,022)	(4,340)
Change in liabilities for written put options over non-controlling interests		-		17	(16)	1
Transaction with owners	-	-	38	(27,809)	(11,492)	(39,301)
Balance at end of period	85,967	95,036	(3,031)	809,885	48,064	857,949

For the 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

(4) Consolidated Statements of Cash Flows

Consolidated cumulative quarter

(Millions of yen)

	Nine months ended Dec. 31, 2024 (A)	Nine months ended Dec. 31, 2023 (B)
Net income	67,921	79,061
Net income from discontinued operations	1,417	(31)
Depreciation	48,317	44,640
Amortization of intangible asset	6,982	6,231
Impairment losses	2,195	108
Gains or loss on business restructuring	-	2,011
Income tax expense	32,372	30,871
Equity in net earnings of associates	(2,529)	(1,651)
(Gain) loss on sales of property, plant and equipment	(1,019)	(493)
Financial income	(4,769)	(4,867)
Financial expense	23,173	18,338
(Increase) decrease in trade receivables and contract assets	66,962	47,461
(Increase) decrease in lease receivables	686	6,187
Increase (decrease) in inventories	(1,421)	(97,440)
(Increase) decrease in trade payables	(24,827)	2,285
(Increase) decrease in retirement and severance benefit	(180)	328
Other	(82,466)	(43,461)
Subtotal	132,814	89,578
Interest received	4,083	2,542
Dividends received	1,560	1,222
Interest paid	(13,754)	(10,740)
Income tax paid	(41,550)	(53,953)
Net cash provided by (used in) operating activities	83,153	28,649
Capital expenditures	(25,988)	(35,015)
Proceeds from sale of property, plant and equipment	1,437	772
Acquisition of intangible assets	(9,812)	(6,912)
Acquisition of investments in securities and other financial assets(including investments in associates)	(1,158)	(3,854)
Sales of investments in securities and other financial assets (including investments in associates)	-	129
Increase (decrease) in short-term loan receivables, net	(17)	-
Collection of long-term loan receivables	47	13
Payments for transfer of business	(16,414)	-
Other	(21)	(39)
Net cash (provided by) used in investing activities	(51,926)	(44,906)
Increase (decrease) in short-term debt, net	31,673	55,754
Proceeds from long-term debt and bond	47,911	41,302
Payments on long-term debt and bond	(60,384)	(33,826)
Payments on lease payables	(11,919)	(9,279)
Dividends paid to owners of the parent	(27,644)	(30,831)
Dividends paid to non-controlling interests	(7,761)	(6,611)
Payments for acquisition of shares of subsidiaries from non-controlling interests	(3,623)	(592)
Payments for a paid-in capital reduction to non-controlling interests	(1,591)	-
Other	(2)	(5)
Net cash (provided by) used in financing activities	(33,340)	15,912
Effect of exchange rate changes on cash and cash equivalents	1,741	2,295
Net (increase) decrease in cash and cash equivalents	(372)	1,950
Cash and cash equivalents at beginning of period	143,530	111,992
Cash and cash equivalents at end of period	143,158	113,942

(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.

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

For the nine months ended Dec. 31, 2024

(Millions of yen)

	Reportable segment			Adjustments (*1,2)	Total
	Construction Machinery Business	Specialized Parts & Service Business	Total		
Revenue					
External customers	900,186	91,091	991,277	-	991,277
Intersegment transactions	60	6,716	6,776	(6,776)	-
Total revenues	900,246	97,807	998,053	(6,776)	991,277
Adjusted operating income	94,331	10,157	104,488	-	104,488
Operating income	106,692	9,385	116,077	-	116,077
Financial income	-	-	-	4,769	4,769
Financial expenses	-	-	-	(23,149)	(23,149)
Share of profits of investments accounted for using the equity method	2,529	-	2,529	-	2,529
Income (loss) before income taxes	109,221	9,385	118,606	(18,380)	100,226

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.

For the 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	92,544	1,008,241	-	1,008,241
Intersegment transactions	36	4,291	4,327	(4,327)	-
Total revenues	915,733	96,835	1,012,568	(4,327)	1,008,241
Adjusted operating income	111,709	11,173	122,882	-	122,882
Operating income	110,862	11,025	121,887	-	121,887
Financial income	-	-	-	4,867	4,867
Financial expenses	-	-	-	(18,340)	(18,340)
Share of profits of investments accounted for using the equity method	1,651	-	1,651	-	1,651
Income (loss) before income taxes	112,513	11,025	123,538	(13,473)	110,065

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.

(Business combination)

(Allocation of the acquisition cost to the acquired assets and liabilities from the acquisition of ACME was completed.)

On March 12, 2024, the Company acquired additional shares of ACME through Hitachi Construction Machinery Investment U.S.A. Corporation, a consolidated subsidiary of the Company, and made ACME a 100% subsidiary. The Company completed the allocation of the acquisition cost in the third quarter ended December 31, 2024, although it recognized the amounts of acquired assets and liabilities on a provisional basis since the allocation of the acquisition cost was not completed in the previous fiscal year. Consideration of the share acquisition of ACME and fair value of assets acquired and liabilities assumed are as follows.

(Millions of yen)

Category	Total amount
Cash and cash equivalents	18,166
Trade receivables	2,083
Other current assets	147
Non-current assets (except goodwill)	27,071
Total assets	47,467
Current liabilities	2,200
Non-current liabilities	62,027
Total liabilities	64,227
Consideration paid (cash)	—
Fair value of shares that the Company had already had upon acquisition of control	172
Total consideration of acquisition	172
Goodwill	16,932

The goodwill primarily reflects excess earning power and synergies with existing operations.

The Company retroactively revised the figures on the consolidated balance sheet as of March 2024 which are disclosed as comparative information. The goodwill on the acquisition date was increased by ¥6,532 million as the main component of the revision from the provisional amount. This was due to a ¥5,506 million decrease in property, plants, and equipment, a ¥441 million increase in other current liabilities, a ¥378 million increase in other non-current liabilities, and a ¥207 million increase in deferred tax liabilities.