

**Consolidated Financial Results for the Year Ended March 31, 2022
(IFRS)**

April 27, 2022

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

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

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

Representative: Kotaro Hirano, Executive Officer, President & CEO

Scheduled date of ordinary General Meeting of Shareholders: June 27, 2022

Scheduled date of commencement of payment of dividends: May 31, 2022

Scheduled date for submission of Securities Report: June 28, 2022

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 year ended March 2022 (April 1, 2021 to March 31, 2022)

(1) Consolidated results

	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	%
March 31, 2022	1,024,961	26.0	93,518	185.9	110,869	333.5	79,864	446.0	75,826	633.3
March 31, 2021	813,331	(12.7)	32,710	(57.3)	25,578	(61.9)	14,627	(67.3)	10,340	(74.9)

Notes: "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)	Profit on equity attributable to owners of the parent	Ratio of income before income taxes	Operating income to Revenue
	Yen	Yen	%	%	%
March 31, 2022	356.57	356.57	13.5	8.4	10.4
March 31, 2021	48.62	48.62	2.1	2.1	3.5

References: Share of profits (losses) of investments accounted for using the equity method; March 31, 2022: ¥6,224million, March 31, 2021: ¥1,428million
"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 per share".

(2) Consolidated financial position

	Total assets	Total equity	Total equity attributable to owners of the parent	Equity attributable to owners of the parent ratio	Equity per share attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	%	Yen
March 31, 2022	1,409,560	667,931	611,608	43.4	2,876.11
March 31, 2021	1,219,882	568,556	513,602	42.1	2,415.22

(3) Consolidated cash flows

	Net cash from operating activities	Net cash from investing activities	Net cash from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2022	39,317	(6,854)	(25,615)	94,257
March 31, 2021	91,339	(32,281)	(46,011)	80,330

2. Dividends status

	Cash dividends per share					Dividends paid (Total)	Dividend Payout Ratio (Consolidated)	Dividend attributable to owners of the parent (Consolidated)
	First Quarter	Second Quarter	Third Quarter	Year end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2021	—	10.00	—	10.00	20.00	4,253	41.1	0.9
March 31, 2022	—	45.00	—	65.00	110.00	23,392	30.9	4.2
March 31, 2023 (Projection)	—	—	—	—	—	—	—	—

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

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

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

	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	960,000	(6.3)	80,000	(14.5)	74,000	(33.3)	45,000	(40.7)	211.61

Notes: The percentages indicated show changes from the same period of the previous fiscal year.

*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	Yes
[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)

March 2022 215,115,038

March 2021 215,115,038

[2] Number of treasury shares

March 2022 2,463,315

March 2021 2,463,047

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

March 2022 212,651,357

March 2021 212,652,631

(Reference) Non-consolidated Financial Results

1. Non-consolidated results for the year ended March 2022(April 1, 2021 to March 31, 2022)

(1) Non-consolidated results (Rounded off to the nearest million)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2022	551,859	40.5	17,744	—	57,073	537.6	67,589	456.7
March 31, 2021	392,842	(18.6)	(23,550)	—	8,951	(74.0)	12,142	(64.1)

Notes: The percentages indicated show changes from the same period of the previous fiscal year.

	Net income per share	Net income per share (Diluted)
	Yen	Yen
March 31, 2022	317.84	317.84
March 31, 2021	57.10	57.10

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2022	715,436	356,424	49.8	1,676.09
March 31, 2021	609,918	300,991	49.3	1,415.42

(Reference) Total equity at fiscal year-end March 2022: ¥356,424 million March 2021: ¥300,991million

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 order to further strengthen our value chain business, which we have been focusing on since FY2017, the Consolidated Group has been working to use cutting-edge digital technologies at every point of contact with customers under “Realizing Tomorrow’s Opportunities 2022,” the medium-term management plan from FY2020. In this way, we are providing deepened solutions and working to transform ourselves into a corporate structure that is resilient to changes.

In addition, with the dissolution of the joint venture with Deere & Company (“Deere”), we started full-scale independent business in North, and central and South America in March 2022.

We are aiming to further improve our enterprise value by providing the value chain business and deepened solutions that we have been focusing on throughout the world’s largest North, Central and South American markets, and by establishing a system to proactively develop our business globally.

During the fiscal year under review (April 1, 2021 to March 31, 2022), although there were effects such as behavioral constraints caused by the spread of the new variant of the coronavirus in some regions, the market environment remained strong in major regions other than China. Revenue increased to ¥1,024,961 million (an increase of 26.0% year on year) due to an increase in the value chain business centered on parts and services in addition to new machinery sales for construction and mining, the addition of the impact of foreign exchange rates, and other factors.

As for consolidated income items, adjusted operating income was ¥93,518 million (an increase of 185.9% year on year) due to an increase in revenue against the backdrop of a favorable market environment, an adjustment amount due to sales price determination for the Americas recorded in the 2Q, an improvement in profitability due to enhanced production capacity utilization rates, 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 company improved significantly to ¥75,826 million (an increase of 633.3% year on year) due to an increase in adjusted operating income, gain on transfer of equity-method affiliates (Deere-Hitachi Construction Machinery Corporation and Deere-Hitachi Máquinas de Construção do Brasil S.A.) due to the dissolution of the joint venture with Deere, and an increase in equity in earnings of affiliates of overseas bases, as well as gains on the sale of land adjacent to the Hitachinaka works in the 4Q.

Business results by segment are described below.

① Construction machinery business

During the fiscal year under review (April 1, 2021 to March 31, 2022), demand for hydraulic excavators in China declined significantly year on year, while demand in major regions other than China remained strong. As a result, overall demand increased year on year.

In mining machinery, demand for both new machinery sales and parts and services remained strong. This was due to the operation of the mines, which was affected by COVID-19, returning to almost normal, the recovery of investment motivation of customers with the tailwind of strong resource prices, and the demand for overhaul of suspended machines as mines restart.

Consequently, revenue in the fiscal year under review (April 1, 2021 to March 31, 2022) grew in the sales of new machinery (construction and mining) and the value chain business centered on parts and services. In addition to the above, affected by exchange rates and other factors, revenue was ¥933,864 million (an increase of 27.2% year on year).

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

Adjusted operating income increased significantly to ¥85,941 million (an increase of 233.1% year on year), due to an increase in revenue, an adjustment amount due to sales price determination for the Americas recorded in the 2Q, an improvement in profitability due to an improvement in production capacity utilization rates, and the impact of foreign exchange rates.

② Solution Business

This segment consists primarily of Bradken Pty Limited and its subsidiaries, which are engaged in the parts and service 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 fiscal year under review (April 1, 2021 to March 31, 2022), revenue was ¥94,822 million (an increase of 15.0% year on year), due to the favorable conditions of the mining market environment and the effects of exchange rates.

Adjusted operating income was ¥7,577 million (an increase of 9.6% 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 segment ① and ② are the figures before intersegment adjustments.

The following table summarizes consolidated net revenue by geographic area:

	FY2021 (April 1, 2021- March 31, 2022)		FY2020 (April 1, 2020- March 31, 2021)		Increase (Decrease)	
	Revenue (A)	Proportion (%)	Revenue (B)	Proportion (%)	(A)-(B)	(A)/(B)-1 (%)
North America	196,427	19.2	107,176	13.2	89,251	83.3
Central and South America	22,729	2.2	10,872	1.3	11,857	109.1
The Americas	219,156	21.4	118,048	14.5	101,108	85.6
Europe	124,180	12.1	87,849	10.8	36,331	41.4
Russia-CIS	38,621	3.8	22,692	2.8	15,929	70.2
Africa	43,482	4.2	33,592	4.1	9,890	29.4
Middle East	19,196	1.9	16,066	2.0	3,130	19.5
Russia-CIS, Africa, and the Middle East	101,299	9.9	72,350	8.9	28,949	40.0
Asia	86,439	8.4	52,716	6.5	33,723	64.0
India	57,184	5.6	50,028	6.2	7,156	14.3
Oceania	167,687	16.4	139,945	17.2	27,742	19.8
Asia and Oceania	311,310	30.4	242,689	29.8	68,621	28.3
China	52,092	5.1	89,059	10.9	(36,967)	(41.5)
Sub-total	808,037	78.8	609,995	75.0	198,042	32.5
Japan	216,924	21.2	203,336	25.0	13,588	6.7
Total	1,024,961	100.0	813,331	100.0	211,630	26.0

(Rounded off to the nearest million)

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

(2) Outlook for the Fiscal Year Ending March 2023

In the fiscal year ending March 2023, demand for hydraulic excavators will maintain the momentum of last year in regions such as North America, Asia, Japan and Oceania, but will decline sharply in China, where market conditions continue to be 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.

Based on this, global demand for the fiscal year ending March 2023 is expected to be approximately 224 thousand units (a decrease of 8% year on year).

Demand for mining machinery is expected to remain strong in major regions other than Russia, against the backdrop of a sharp decline in Russian resources and resource prices that remain at high levels. On the other hand, we expect a significant decline in demand in Russia due to the Russian and Ukrainian situation, so we anticipate the global demand to decrease by 5% from the previous year.

Regarding our business in Russia, for the time being, we will gradually suspend the production of LLC Hitachi Construction Machinery Eurasia (manufacturing and sales subsidiary), which is the regional headquarters of Russia/CIS, and will gradually suspend exports from Japan to Russia.

In addition to the above situation, we have carefully considered the prolonged procurement risk of semiconductors and the impact of cost increases centered on steel prices, and at present, the forecasts for the fiscal year ending March 2023 (from April 1, 2022 to March 31, 2023) is as follows.

These forecasts are based on the following exchange rates: ¥120 to one US dollar, ¥130 to one euro, ¥19 to one Chinese yuan, and ¥80 to one 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)
Forecast	Millions of yen 960,000	Millions of yen 80,000	Millions of yen 76,000	Millions of yen 74,000	Millions of yen 45,000	Yen 211.61
Change	-64,961	-13,518	-30,590	-36,869	-30,826	—
Change (%)	-6.3	-14.5	-28.7	-33.3	-40.7	—
(Reference) FY2021	Millions of yen 1,024,961	Millions of yen 93,518	Millions of yen 106,590	Millions of yen 110,869	Millions of yen 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 actual results to differ materially.

(3) Analysis of Financial Condition

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

(a) Assets

Current assets at the end of the fiscal year amounted to ¥ 764,355 million, an increase of 23.8%, or ¥ 147,162 million, from the previous fiscal year-end. This was mainly due to an increase of ¥ 55,048 million in trade receivables and contract assets and ¥ 70,501 million in inventories.

Non-current assets amounted to ¥ 645,205 million, an increase of 7.1%, or ¥ 42,516 million, from the previous fiscal year-end. This was due mainly to an increase of ¥ 38,317 million in property, plant and equipment.

As a result, total assets increased by 15.5%, or ¥ 189,678 million, from the previous fiscal year-end to ¥ 1,409,560 million.

(b) Liabilities

Current liabilities amounted to ¥ 455,305 million, an increase of 22.2%, or ¥ 82,851 million, from the previous fiscal year-end. This was mainly due to an increase of ¥ 42,168 million in trade and other payables and ¥ 24,075 million in Bonds and borrowings.

Non-current liabilities amounted to ¥ 286,324 million, an increase of 2.7%, or ¥ 7,452 million, from the previous fiscal year-end. This was mainly due to an increase of ¥ 7,303 million in Contract liabilities.

As a result, total liabilities increased by ¥ 90,303 million, from the previous fiscal year-end to ¥ 741,629 million.

(c) Equity

Total equity increased by 17.5%, or ¥ 99,375 million, from the previous fiscal year-end to ¥ 667,931 million. This was mainly due to net income 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 the fiscal year totaled ¥ 94,257 million, an increase of ¥ 13,927 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 fiscal year based on ¥ 79,864 million in net income and ¥ 48,164 million in depreciation and included a ¥ 15,092 million decrease in trade payables, a ¥ 50,316 million increase in trade receivables and contract assets, a ¥ 48,167 million increase in inventories, and a ¥ 18,842 million income tax paid as cash outflow.

As a result, net cash provided by operating activities for the fiscal year totaled to an inflow of ¥ 39,317 million, a decrease inflow of ¥ 52,022 million year on year.

Net cash provided by (used in) investing activities

Net cash used in investing activities for the fiscal year amounted to ¥ 6,854 million, a decrease of ¥ 25,427 million year on year. This was mainly due to the proceeds from sales of ¥ 22,592 million for our holding shares of Deere-Hitachi Construction Machinery Corp. and Deere-Hitachi Maquinas de Construcao do Brasil S.A. as our equity-method affiliates and so forth although there was an outlay of ¥ 27,924 million for capital expenditure, ¥ 6,616 million for intangible assets.

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 ¥ 32,463 million.

Net cash provided by (used in) financing activities

Net cash used in financing activities for the fiscal year amounted to ¥ 25,615 million. While a ¥ 21,314 million increase in short-term debt, net, this was due mainly to a decrease of ¥ 13,673 million in long-term debt and bond and ¥ 20,552 million dividends paid (including dividends paid to non-controlling interests) as cash outflow.

As a result, cash for financing activities for the fiscal year produced a decreased outflow of ¥ 20,396 million year on year.

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

(Reference) The following table describes HCM's cash flow indicator indices:

	March 2022	March 2021	March 2020
Equity attributable to owners of the parent ratio (%)	43.4	42.1	40.6
Equity attributable to owners of the parent ratio on a market price basis (%)	48.2	61.8	39.9
Interest-bearing debt to operating cash flow ratio (%)	9.0	3.6	14.9
Interest coverage ratio (times)	8.3	17.3	3.3

Notes:

Equity attributable to owners of the parent ratio: Equity attributable to owners of the parent/total assets

Equity attributable to owners of the parent ratio on a market price basis: Share market price/total assets

Interest-bearing debt to operating cash flow ratio: Interest-bearing debt/cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities/interest paid

1. Indices are calculated using consolidated figures.
2. The share market price is calculated by multiplying the closing price at the end of the period by the number of outstanding shares at the end of the period (after excluding treasury stock).
3. Cash flows from operating activities reflect cash flows from operating activities as detailed in the Consolidated Statements of Cash Flows. Interest-bearing debt reflects all debt for which the Company is paying interest as detailed in the Consolidated Balance Sheets. Interest payments reflect interest paid as detailed in the Consolidated Statements of Cash Flows.

(4) Dividend Policy

The Company will work to bolster its internal reserves while considering maintenance and strengthening of its financial structure and implementation plans for upfront investments, including investments for technology development and facilities based on medium- and long-term business strategies. At the same time, the Company will, in principle, pay dividends of surplus linked to its consolidated business results twice a year as interim and year-end dividends and aim to achieve a consolidated dividend payout ratio of approx. 30% or more.

With the aim of enabling the execution of a flexible capital policy, the Company will acquire treasury stock in consideration of necessity, financial conditions, and stock price movement, etc.

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

2. Our Fundamental Position Concerning Selection of Accounting Standards Policy

The HCM Group has been actively promoting global business development and aims to further increase its enterprise value by building a management foundation that can accelerate management visualization and management enhancement as well as governance reinforcement. As part of these efforts and for the purpose of improving the international comparability of financial statements in the capital markets by introducing IFRS, which is a global standard, and unifying the accounting methods within the Group, HCM voluntarily adopts the International Financial Reporting Standards (IFRS) from the presentation of the consolidated financial statements in its annual securities report for the fiscal year ended March 31, 2015.

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

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Current fiscal year As of Mar. 31, 2022 (A)	Previous fiscal year-end As of Mar. 31, 2021 (B)	(A)-(B)
Assets			
Current assets			
Cash and cash equivalents	94,257	80,330	13,927
Trade receivables	261,448	206,371	55,077
Contract assets	4,816	4,845	(29)
Inventories	368,267	297,766	70,501
Income tax receivables	1,884	4,025	(2,141)
Other financial assets	25,262	16,172	9,090
Other current assets	8,421	7,083	1,338
Subtotal	764,355	616,592	147,763
Assets held for sale	-	601	(601)
Total current assets	764,355	617,193	147,162
Non-current assets			
Property, plant and equipment	384,164	345,847	38,317
Right-of-use-asset	58,740	59,410	(670)
Intangible assets	42,008	40,601	1,407
Goodwill	39,071	35,406	3,665
Investments accounted for using the equity method	26,972	31,034	(4,062)
Trade receivables	42,747	41,436	1,311
Deferred tax assets	16,099	16,338	(239)
Other financial assets	20,450	18,643	1,807
Other non-current assets	14,954	13,974	980
Total non-current assets	645,205	602,689	42,516
Total assets	1,409,560	1,219,882	189,678
Liabilities			
Current liabilities			
Trade and other payables	222,841	180,673	42,168
Lease liabilities	10,714	12,489	(1,775)
Contract liabilities	11,527	8,820	2,707
Bonds and borrowings	174,337	150,262	24,075
Income taxes payable	15,059	4,632	10,427
Other financial liabilities	18,810	13,970	4,840
Other current liabilities	2,017	1,608	409
Total current liabilities	455,305	372,454	82,851
Non-current liabilities			
Trade and other payables	8,495	7,697	798
Lease liabilities	50,717	46,942	3,775
Contract liabilities	9,353	2,050	7,303
Bonds and borrowings	178,770	179,226	(456)
Retirement and severance benefit	17,622	17,748	(126)
Deferred tax liabilities	8,865	6,925	1,940
Other financial liabilities	4,986	3,569	1,417
Other non-current liabilities	7,516	14,715	(7,199)
Total non-current liabilities	286,324	278,872	7,452
Total liabilities	741,629	651,326	90,303
Equity			
Equity attributable to owners of the parent			
Common stock	81,577	81,577	-
Capital surplus	78,397	80,620	(2,223)
Retained earnings	414,541	350,229	64,312
Accumulated other comprehensive income	40,183	4,262	35,921
Treasury stock, at cost	(3,090)	(3,086)	(4)
Total Equity attribute to owners of the parent	611,608	513,602	98,006
Non-controlling interests	56,323	54,954	1,369
Total equity	667,931	568,556	99,375
Total liabilities and equity	1,409,560	1,219,882	189,678

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Current fiscal year For the year ended Mar. 31, 2022 (A)	Previous fiscal year For the year ended Mar. 31, 2021 (B)	(A)/(B)×100 (%)
Revenue	1,024,961	813,331	126
Cost of sales	(744,973)	(619,988)	120
Gross profit	279,988	193,343	145
Selling, general and administrative expenses	(186,470)	(160,633)	116
Adjusted operating income	93,518	32,710	286
Other income	17,212	5,067	340
Other expenses	(4,140)	(9,542)	43
Operating income	106,590	28,235	378
Financial income	4,459	3,658	122
Financial expenses	(6,404)	(7,743)	83
Share of profits of investments accounted for using the equity method	6,224	1,428	436
Income before income taxes	110,869	25,578	433
Income taxes	(31,005)	(10,951)	283
Net income	79,864	14,627	546
Net income attributable to			
Owners of the parent	75,826	10,340	733
Non-controlling interests	4,038	4,287	94
Total net	79,864	14,627	546
EPS attributable to owners of the parent			
Net income per share (Basic) (yen)	356.57	48.62	733
Net income per share (Diluted) (yen)	356.57	48.62	733

(Rounded off to the nearest million)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Current fiscal year For the year ended Mar. 31, 2022 (A)	Previous fiscal year For the year ended Mar. 31, 2021 (B)	(A)/(B)×100 (%)
Net income	79,864	14,627	546
Other comprehensive income			
Items that cannot be reclassified into net income			
Net gains and losses from financial assets measured at fair value through OCI	(142)	1,952	-
Remeasurements of defined benefit obligations	1,616	3,576	45
Other comprehensive income of equity method associates	2	(1)	-
Items that can be reclassified into net income			
Foreign currency translation adjustments	39,724	38,611	103
Cash flow hedges	7	(583)	-
Other comprehensive income of equity method associates	1,102	(722)	-
Other comprehensive income, net of taxes	42,309	42,833	99
Comprehensive income	122,173	57,460	213
Comprehensive income attributable to			
Owners of the parent	111,929	47,844	234
Non-controlling interests	10,244	9,616	107

(Rounded off to the nearest million)

(3) Consolidated Statements of Changes in Equity

Year ended March 31, 2022

(Millions of yen)

	Equity attributable to owners of the parent					
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income		
				Remeasurements of defined benefit obligations	Net gains and losses from financial assets measured at fair value through OCI	Cash flow hedges
Balance at beginning of period	81,577	80,620	350,918	1,669	7,510	(355)
Net income			75,826			
Other comprehensive income				1,574	(140)	7
Comprehensive income	-	-	75,826	1,574	(140)	7
Acquisition of treasury stock						
Dividends to stockholders of the Company			(11,696)			
Transfer to retained earnings			182		(182)	
Change in liabilities for written put options over non-controlling interests		(2,223)				
Transaction with owners	-	(2,223)	(11,514)	-	(182)	-
Balance at end of period	81,577	78,397	415,230	3,243	7,188	(348)

(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)	514,291	54,954	569,245
Net income		-		75,826	4,038	79,864
Other comprehensive income	34,662	36,103		36,103	6,206	42,309
Comprehensive income	34,662	36,103	-	111,929	10,244	122,173
Acquisition of treasury stock			(4)	(4)		(4)
Dividends to stockholders of the Company				(11,696)	(8,826)	(20,522)
Transfer to retained earnings		(182)		-		-
Change in liabilities for written put options over non-controlling interests				(2,223)	(49)	(2,272)
Transaction with owners	-	(182)	(4)	(13,923)	(8,875)	(22,798)
Balance at end of period	30,100	40,183	(3,090)	612,297	56,323	668,620

Year ended March 31, 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	80,475	347,668	(1,933)	5,700	228
Cummulative impact of change in accounting policy			(689)			
Balance at beginning of period reflected change in accounting policy	81,577	80,475	346,979	(1,933)	5,700	228
Net income			10,340			
Other comprehensive income				3,602	1,951	(583)
Comprehensive income	-	-	10,340	3,602	1,951	(583)
Acquisition of treasury stock						
Dividends to stockholders of the Company			(7,231)			
Transfer to retained earnings			141		(141)	
Change in liabilities for written put options over non-controlling interests		145				
Transaction with owners	-	145	(7,090)	-	(141)	-
Balance at end of period	81,577	80,620	350,229	1,669	7,510	(355)

(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	(37,096)	(33,101)	(3,082)	473,537	51,574	525,111
Cummulative impact of change in accounting policy		-		(689)		(689)
Balance at beginning of period reflected change in accounting policy	(37,096)	(33,101)	(3,082)	472,848	51,574	524,422
Net income		-		10,340	4,287	14,627
Other comprehensive income	32,534	37,504		37,504	5,329	42,833
Comprehensive income	32,534	37,504	-	47,844	9,616	57,460
Acquisition of treasury stock		-	(4)	(4)		(4)
Dividends to stockholders of the Company		-		(7,231)	(6,219)	(13,450)
Transfer to retained earnings		(141)		-		-
Change in liabilities for written put options over non-controlling interests		-		145	(17)	128
Transaction with owners	-	(141)	(4)	(7,090)	(6,236)	(13,326)
Balance at end of period	(4,562)	4,262	(3,086)	513,602	54,954	568,556

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Current fiscal year For the year ended Mar. 31, 2022 (A)	Previous fiscal year For the year ended Mar. 31, 2021 (B)
Net income	79,864	14,627
Depreciation	48,164	44,412
Amortization of intangible asset	7,316	5,765
Impairment losses	196	1,391
Income tax expense	31,005	10,951
Gains or loss on business restructuring	(8,755)	425
Equity in net earnings of associates	(6,224)	(1,428)
(Gain) loss on sales of property, plant and equipment	(4,597)	43
Financial income	(4,459)	(3,658)
Financial expense	6,404	7,743
(Increase) decrease in trade receivables and contract assets	(50,316)	21,164
(Increase) decrease in lease receivables	18,745	2,137
(Increase) decrease in inventories	(48,167)	25,501
Increase (decrease) in trade payables	15,092	(19,237)
Increase (decrease) in retirement and severance benefit	(498)	163
Other	(24,130)	(8,568)
Subtotal	59,640	101,431
Interest received	1,769	2,058
Dividends received	1,479	3,300
Interest paid	(4,729)	(5,289)
Income tax paid	(18,842)	(10,161)
Net cash provided by (used in) operating activities	39,317	91,339
Capital expenditures	(27,924)	(28,311)
Proceeds from sale of property, plant and equipment	8,923	389
Acquisition of intangible assets	(6,616)	(4,893)
Acquisition of investments in securities and other financial assets(including investments in associates)	(2,642)	(315)
Sales of investments in securities and other financial assets (including investments in associates)	22,592	884
(Increase) decrease in short-term loan receivables, net	187	(72)
Collection of long-term loan receivables	66	40
Payments for acquisition of businesses	(1,030)	
Other	(410)	(3)
Net cash provided by (used in) investing activities	(6,854)	(32,281)
Increase (decrease) in short-term debt, net	21,314	(42,150)
Proceeds from long-term debt and bond	36,487	51,273
Payments on long-term debt	(50,160)	(32,069)
Payments on lease payables	(12,699)	(11,534)
Dividends paid to owners of the parent	(11,695)	(7,273)
Dividends paid to non-controlling interests	(8,857)	(4,255)
Other	(5)	(3)
Net cash provided by (used in) financing activities	(25,615)	(46,011)
Effect of exchange rate changes on cash and cash equivalents	7,079	5,118
Net increase (decrease) in cash and cash equivalents	13,927	18,165
Cash and cash equivalents at beginning of period	80,330	62,165
Cash and cash equivalents at end of period	94,257	80,330

(5) Notes on Consolidated Financial Statements

(Notes on the Preconditions for a Going Concern)

There are no relevant items.

(Changes to accounting policies)

The Group used to recognize an intangible asset in relation to the configuration or customization costs in a cloud computing arrangement based on IAS 38 “Intangible Assets”. The Group changed its accounting policies from the beginning of FY2021 to recognize the costs as an expense when it receives a configuration or customization service, taking into account the discussions held by the IFRS Interpretations Committee to finalize the agenda decision published in April 2021.

This change to the accounting policies has been applied retrospectively and the consolidated financial statements for FY2020 have been adjusted accordingly.

The effects on the statement of financial position for FY2020 are as follows: ¥689 million decrease in assets due to a ¥975 million decrease in derecognition of intangible assets and a ¥286 million increase in deferred tax assets, and a ¥689 million decrease in equity due to an adjustment of the beginning balance of retained earnings. And the effect on the consolidated statements of income, net income attributable to owners of the parent per share (basic) and net income attributable to owners of the parent per share (diluted) is immaterial.

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

(Important matters for compiling consolidated financial statements)

1. Scope of consolidation

Numbers of consolidated subsidiaries: 80

(1) Main consolidated subsidiaries

- 1) Hitachi Construction Machinery Japan Co., Ltd.
- 2) Hitachi Construction Machinery Tierra Co., Ltd.
- 3) Hitachi Construction Machinery Camino Co., Ltd.
- 4) Hitachi Construction Machinery (China) Co., Ltd.
- 5) Hitachi Construction Machinery (Shanghai) Co., Ltd.
- 6) Tata Hitachi Construction Machinery Company Private Limited.
- 7) Hitachi Construction Machinery Asia and Pacific Pte. Ltd.
- 8) P.T. Hitachi Construction Machinery Indonesia
- 9) Hitachi Construction Machinery (Europe) N.V.
- 10) Hitachi Construction Machinery Holding U.S.A. Corporation
- 11) Hitachi Construction Truck Manufacturing Ltd.
- 12) H-E Parts International LLC
- 13) Bradken Pty Limited

(2) Number of companies included in consolidation during the fiscal year ended March 31, 2022: 1

- 1) Increase by Merger: 1

(3) Number of companies excluded from consolidation during the fiscal year ended March 31, 2022: 2

- 1) Decrease by liquidation: 2

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

2. Application of the equity method

Numbers of affiliates accounted for by the equity method: 22

(1) Main affiliates subject to the equity method

- 1) P.T. Hexa Finance Indonesia
- 2) HTC Leasing Company Limited
- 3) Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd.

(2) Number of companies including equity-method affiliates during the fiscal year ended March 31, 2022: 1

- 1) Increase by newly established: 1

(3) Number of companies excluded from equity-method affiliates during the fiscal year ended March 31, 2022: 2

- 1) Decrease by sales of shares: 2
 - Deere-Hitachi Construction Machinery Corp.
 - Deere-Hitachi Maquinas de Construcao do Brasil S.A.

(4) Number of affiliates not accounted for by the equity method: 3

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

3. Date of settlement of accounts for consolidated subsidiaries

Below is a list of the consolidation subsidiaries that settle their accounts on a date different from the rest of the consolidated group.

- 1) Hitachi Construction Machinery Holding U.S.A. Corporation
 - 2) Hitachi Construction Machinery (China) Co., Ltd.
 - 3) Hitachi Construction Machinery (Shanghai) Co., Ltd.
- Others: 19

To create the consolidated financial statement, which is made by provisional account settlement as of March 31, the company uses the financial statements of these subsidiaries.

(Segment Information)

1. Reportable 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 year ended March 31, 2022

(Millions of yen)

	Reportable segment			Adjustments (*1,2)	Total
	Construction Machinery Business	Solution Business	Total		
Revenue					
External customers	933,857	91,104	1,024,961	-	1,024,961
Intersegment transactions	7	3,718	3,725	(3,725)	-
Total revenues	933,864	94,822	1,028,686	(3,725)	1,024,961
Adjusted operating income	85,941	7,577	93,518	-	93,518
Operating income	98,660	7,930	106,590	-	106,590
Financial income	-	-	-	4,459	4,459
Financial expenses	-	-	-	(6,404)	(6,404)
Share of profits (losses) of investments accounted for using the equity method	6,244	-	6,224	-	6,224
Income before income taxes	104,884	7,930	112,814	(1,945)	110,869
Segment assets	1,241,160	168,494	1,409,654	(94)	1,409,560
Segment liabilities	665,616	76,107	741,723	(94)	741,629
Other items:					
Depreciation and amortization	(50,505)	(4,975)	(55,480)	-	(55,480)
Impairment losses	(156)	(40)	(196)	-	(196)
Business structure reform expenses	(461)	(134)	(595)	-	(595)
Investments accounted for using the equity method	26,972	-	26,972	-	26,972

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 year ended March 31, 2021

(Millions of yen)

	Reportable segment			Adjustments (*1,2)	Total
	Construction Machinery Business	Solution Business	Total		
Revenue					
External customers	734,191	79,140	813,331	-	813,331
Intersegment transactions	16	3,297	3,313	(3,313)	-
Total revenues	734,207	82,437	816,644	(3,313)	813,331
Adjusted operating income	25,798	6,912	32,710	-	32,710
Operating income	23,638	4,597	28,235	-	28,235
Financial income	-	-	-	3,658	3,658
Financial expenses	-	-	-	(7,743)	(7,743)
Share of profits (losses) of investments accounted for using the equity method	1,428	-	1,428	-	1,428
Income before income taxes	25,066	4,597	29,663	(4,085)	25,578
Segment assets	1,103,899	116,839	1,220,738	(856)	1,219,882
Segment liabilities	583,693	68,489	652,182	(856)	651,326
Other items:					
Depreciation and amortization	(45,316)	(4,861)	(50,177)	-	(50,177)
Impairment losses	(168)	(1,223)	(1,391)	-	(1,391)
Business structure reform expenses	(2,288)	(1,251)	(3,539)	-	(3,539)
Investments accounted for using the equity method	31,034	-	31,034	-	31,034

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.)

2. Information on products and services

The following tables show revenue from outside customers by product and service for the year ended March 31, 2022 and 2021.

(Millions of yen)

	For the year ended March 31, 2022	For the year ended March 31, 2021
Mining machinery	157,946	123,456
Construction machinery and others	867,015	689,875
Total	1,024,961	813,331

(Note on consolidated statements of income)

The main components of other income for the year ended March 31, 2022 and 2021 are as follows:

(Millions of yen)

	For the year ended March 31, 2022	For the year ended March 31, 2021
Gain on sales of property, plants, and equipment	4,691	187
Subsidy income	232	321
Gain on business restructuring (*1)	8,755	39
Other	3,534	4,520
Total	17,212	5,067

Note (*1):

Gain on business restructuring for the year ended March 31, 2022 is mainly recognized for sales of the Company's portion of shares of stock in Deere-Hitachi Construction Machinery Corp. and Deere-Hitachi Maquinas de Construcao do Brasil S.A., equity-method affiliates of the Group.

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

The main components of other expenses for the year ended March 31, 2022 and 2021 are as follows:

(Millions of yen)

	For the year ended March 31, 2022	For the year ended March 31, 2021
Loss on sales of property, plants, and equipment	94	230
Loss on disposal of property, plants, and equipment	1,413	750
Impairment losses	196	1,391
Business structure reform expenses (*1)	595	3,539
Other	1,842	3,632
Total	4,140	9,542

Note (*1): Business structure reform expenses

Business structure improvement expenses recognized for the year ended March 31, 2022 and 2021 include a special severance payment and so forth.

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

(Earnings per share)

A calculation of the basic and diluted earnings per share (attributable to owners of the parent) for the years ended March 31, 2022 and 2021 are as follows:

(Millions of yen)

	For the year ended March 31, 2022	For the year ended March 31, 2021
Net income attributable to owners of the parent	75,826	10,340
Net income attributable to owners of the Parent (diluted)	75,826	10,340

(Number of shares)

	For the year ended March 31, 2022	For the year ended March 31, 2021
Weighted average number of common shares outstanding	212,651,357	212,652,631
Dilutive effect of stock options	-	-
Weighted average number of common shares outstanding - diluted	212,651,357	212,652,631

(Yen)

	For the year ended March 31, 2022	For the year ended March 31, 2021
Net income attributable to owners of the parent per share (basic)	356.57	48.62
Net income attributable to owners of the parent per share (diluted)	356.57	48.62

	For the year ended March 31, 2022	For the year ended March 31, 2021
Summary of dilutive shares not included the calculation of diluted earnings per share (attributed to owners of the parent) due to no dilutive effect	-	-

(Important subsequent events)

There are no relevant items.

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