

Corporate Vision

FY2022-2Q

Public Relations & Investor Relations Dept.

Corporate Brand & Communications Group

 **Hitachi Construction Machinery Co., Ltd.**

1

Company Outline

2

Management Plan

3

Explanatory Meeting Material for Business Results for the Second Quarter ended September 30, 2022

Company Name	Hitachi Construction Machinery Co., Ltd. Stock Exchange Listings : Tokyo (#6305)
Major Operations	Manufacturing , sales and service of construction equipment, transportation equipment, and other machines and devices.
Established	1 October 1970
Capital	81.6 billion yen
Subsidiaries Affiliates	80 companies (Japan 7, Overseas 73) 22 companies (Japan 3, Overseas 19)
Number of Employees	Consolidated : 24,987 Non-Consolidated : 5,496

(As of March 31, 2022)



President and Executive Officer, CEO
Kotaro Hirano

Corporate vision

**To pass on a productive environment
and prosperous cities to future generations...**

Hitachi Construction Machinery Group helps to create comfortable living spaces

Shared values and code of conduct: Kenkijin spirit



3C

Challenge

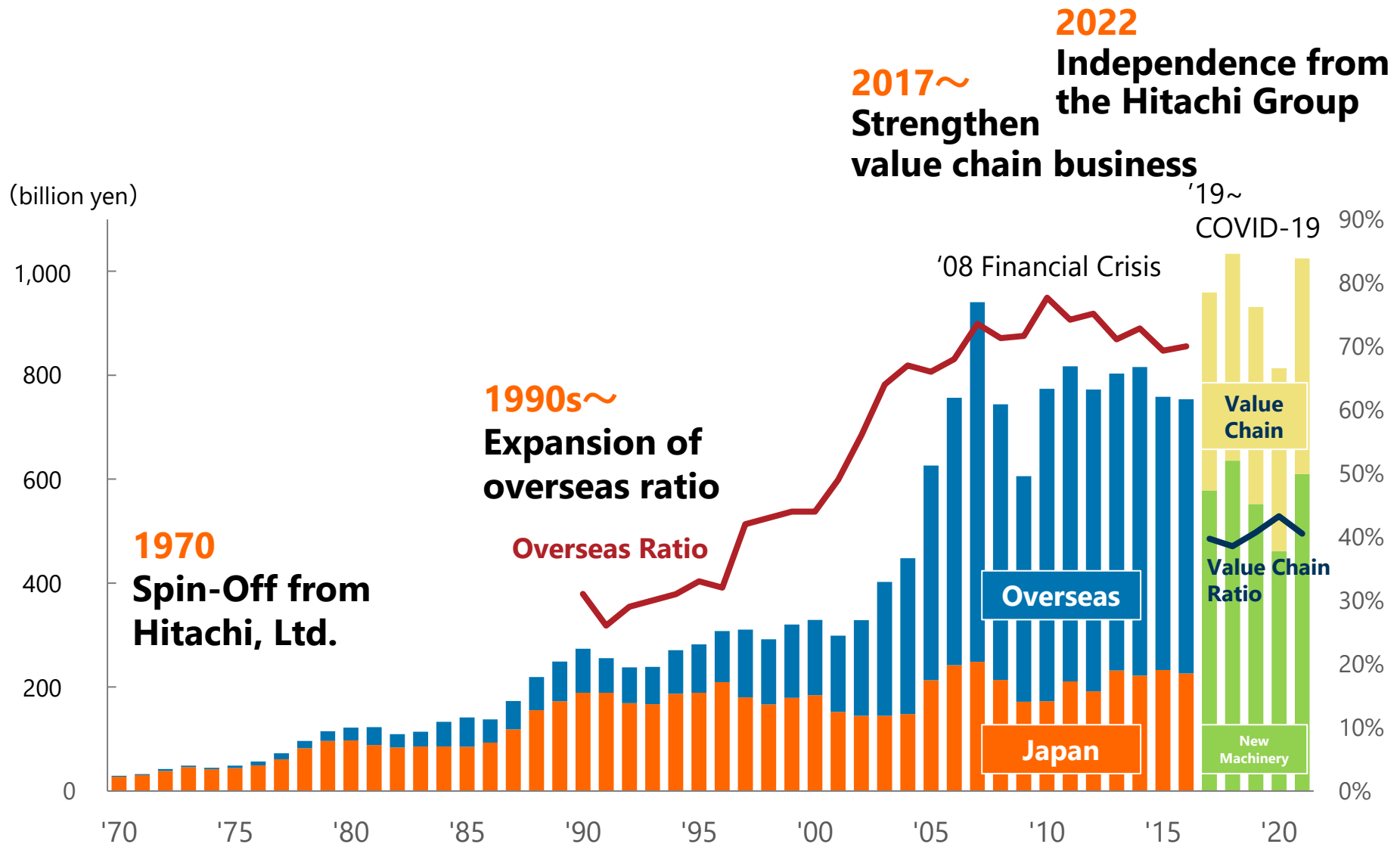
Spirit of challenge

Customer

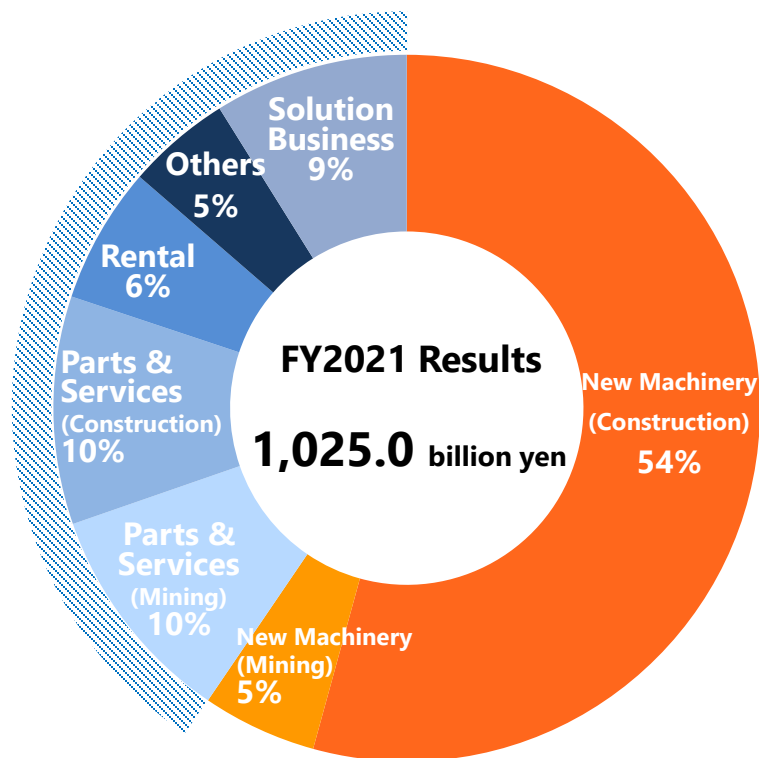
Individual customer orientation

Communication

Open atmosphere



※Value chain: parts and services, rental, used equipment, remanufactured parts, financing, etc..



Value Chain Ratio 40%

Construction

Hydraulic Excavator



Mini Excavator



Wheel Loader



Mining

Rigid Dump Truck



Ultra-large Hydraulic Excavator

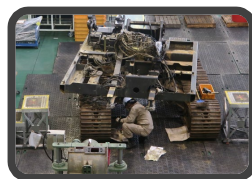


Value Chain ※Businesses other than new machinery sales

Services utilizing digital technology



Remanufacturing business



Mine management system



Solution business

HE PARTS INTERNATIONAL

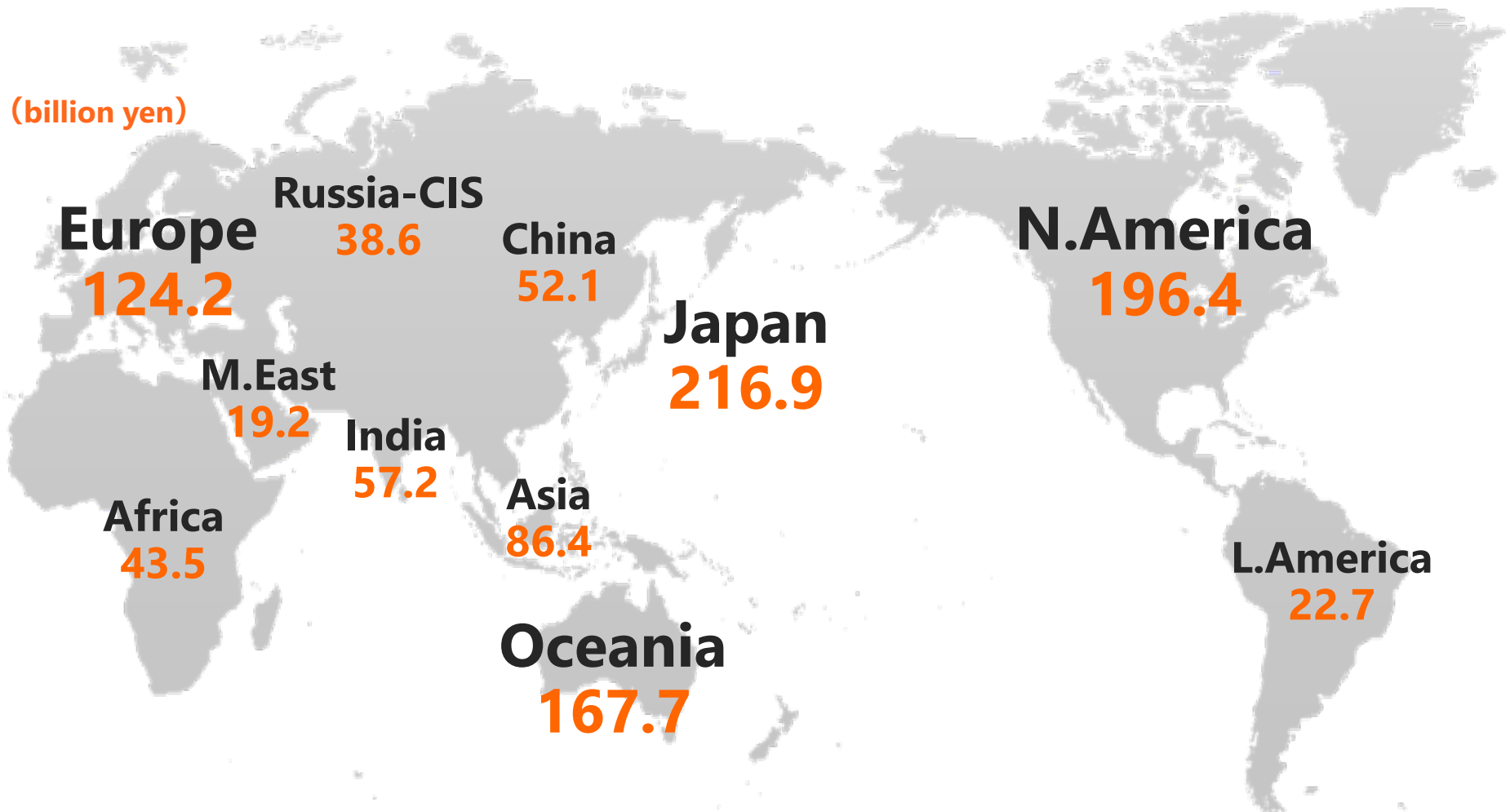


BRADKEN



FY2021 Results

1,025.0 billion yen Overseas Ratio 79%

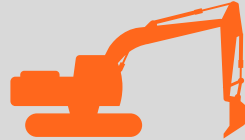


**Production Base****Sales & Service Office****R&D Base****Remanufacturing Base ***

*Remanufacturing of parts and bodies



Product Appeal



We developed Japan's first hydraulic excavator using domestically produced technology. Our unique R&D and advanced production technologies not only provide superior safety, reliability, and durability, but also provide products that meet the needs of the times, such as environmentally conscious products.

Digital Solution



Providing optimal solutions for customers' operational efficiency and asset management through the use of ICT and IoT technologies.

Global Network

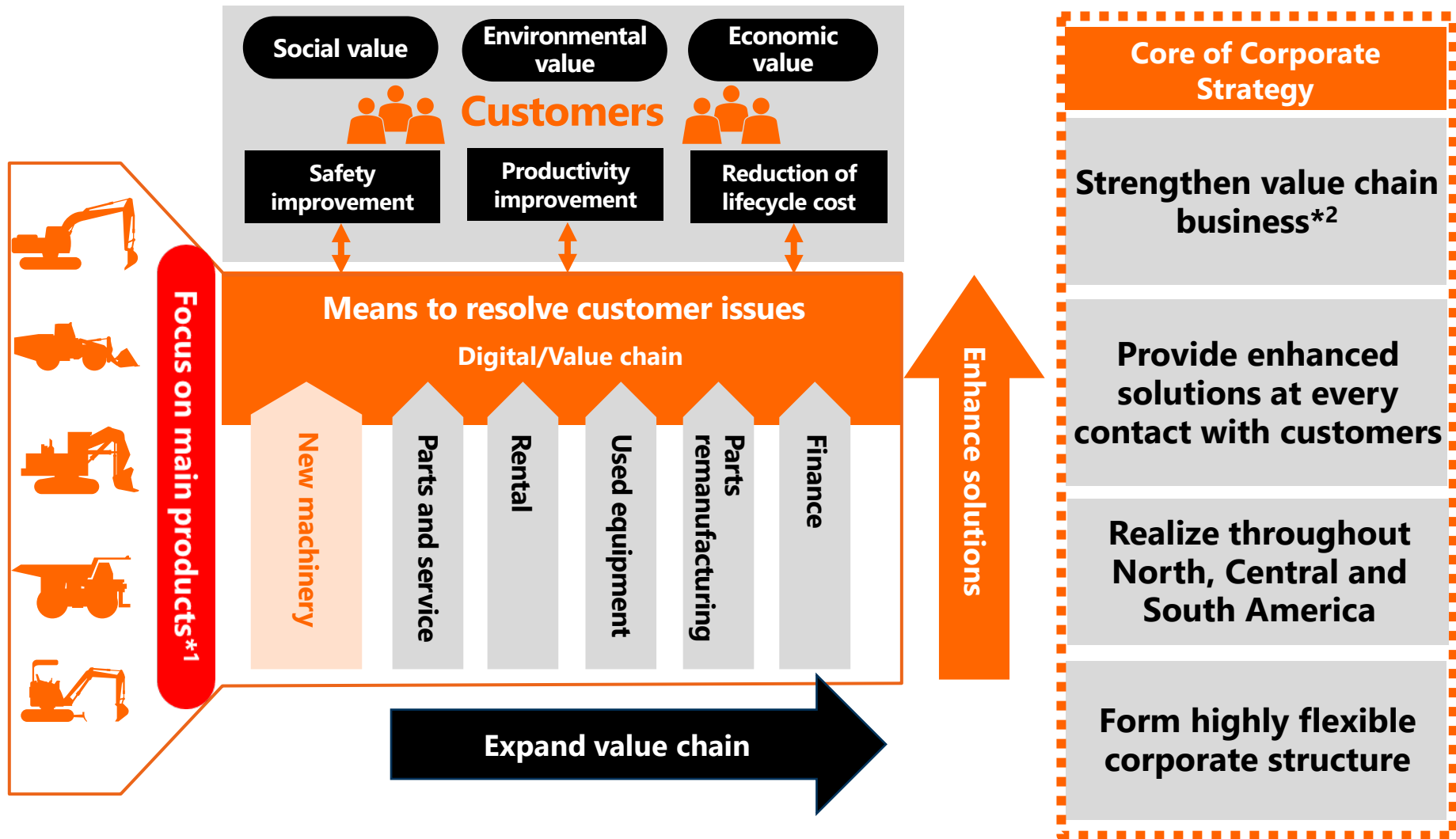


We have production and sales bases globally. Building deep contact with customers based on direct sales and services.

1 Company Outline

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3 Explanatory Meeting Material for Business Results for the Second Quarter ended September 30, 2022



*1:Other products: Backhoe loader, Crawler crane, Bulldozer, Skid-steer loader

*2:value chain businesses: parts and service, rental, used equipment, remanufactured parts, financing, etc.

Core of Corporate Strategy

Strengthen value chain business

Provide enhanced solutions at every contact with customers

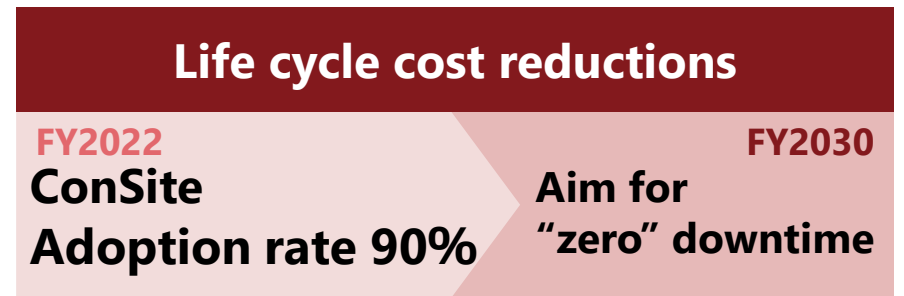
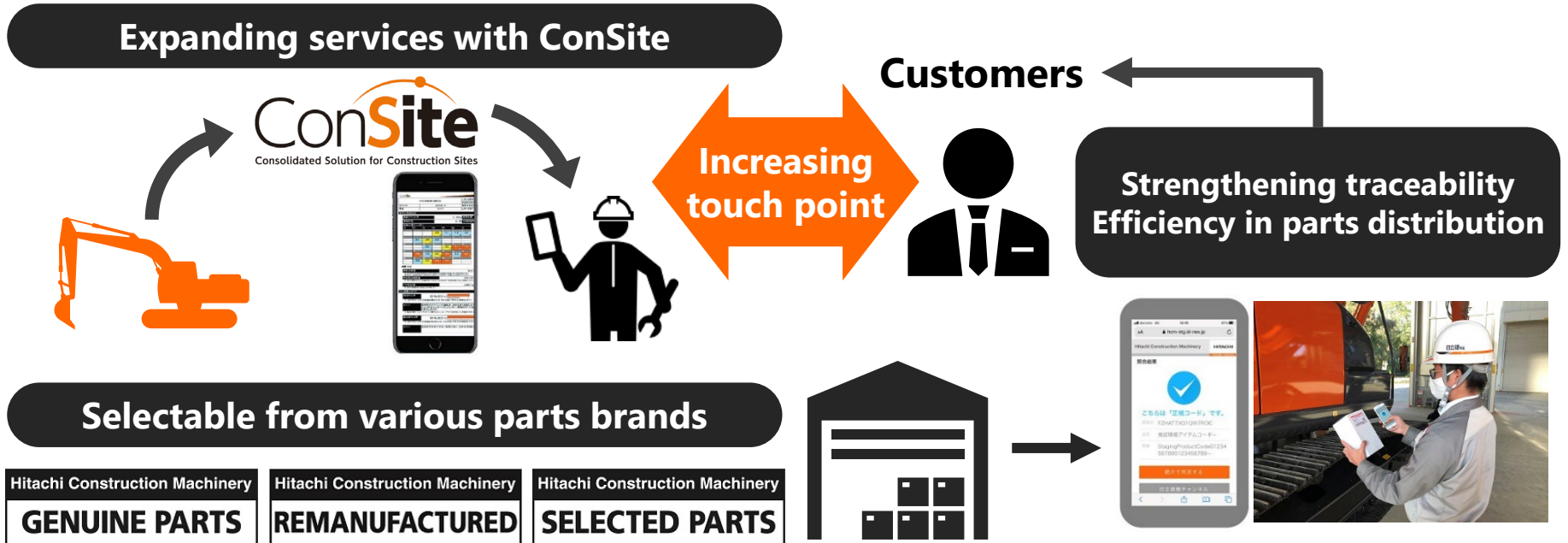
Realize throughout North, Central and South America

Form highly flexible corporate structure

Key Strategies

- Strengthening rental/used equipment and remanufacturing businesses and expanding ConSite
 - Expansion of environmentally friendly products
 - Electric excavators, fully electric dump trucks, etc.
 - Investment in advanced development areas
 - Advancement and safety improvement of construction machinery (autonomy and driving support)
-
- Full-scale launch to further penetrate the market while reorganizing the supervising system and establishing a distributor network
 - Expanding value chain businesses and providing solutions through the introduction of ConSite in North America
 - Strengthen mining business in Latin America
-
- Restructuring bases to improve production efficiency

- Expanding services with ConSite menu, increasing touch point with customers
- Increasing the choice of service parts for various parts brands
- Strengthening traceability and make parts distribution more efficient



- Differentiation by high-quality rental machines and provide business globally
- Expansion as guaranteed and refurbished used equipment

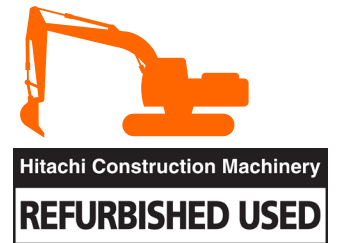


Expand rental business in various places

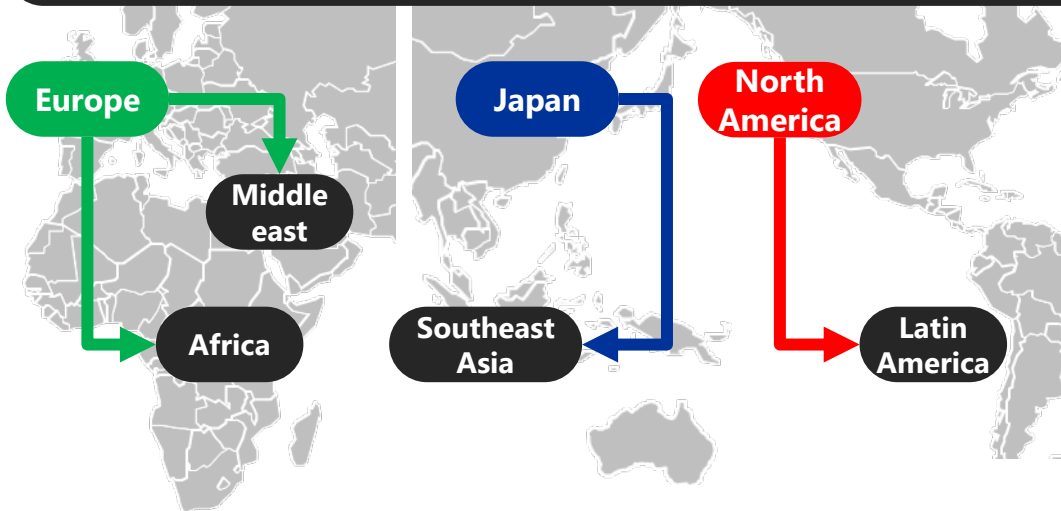


Proper
maintenance by
data utilization

Used equipment with brands



Distributing high-quality rental machines as used equipment around the world



Expand the used equipment business sales revenue

FY2022

FY2030

Used equipment
280%

Compared to FY2010

Adoption of products
and services that
meet regional needs

Strengthen value chain business

Aiming for conversion to recycling-oriented business model through the business

HITACHI

Reliable solutions

Undertaking the **4Rs**
across the entire
company

Reduce

Waste generation
control



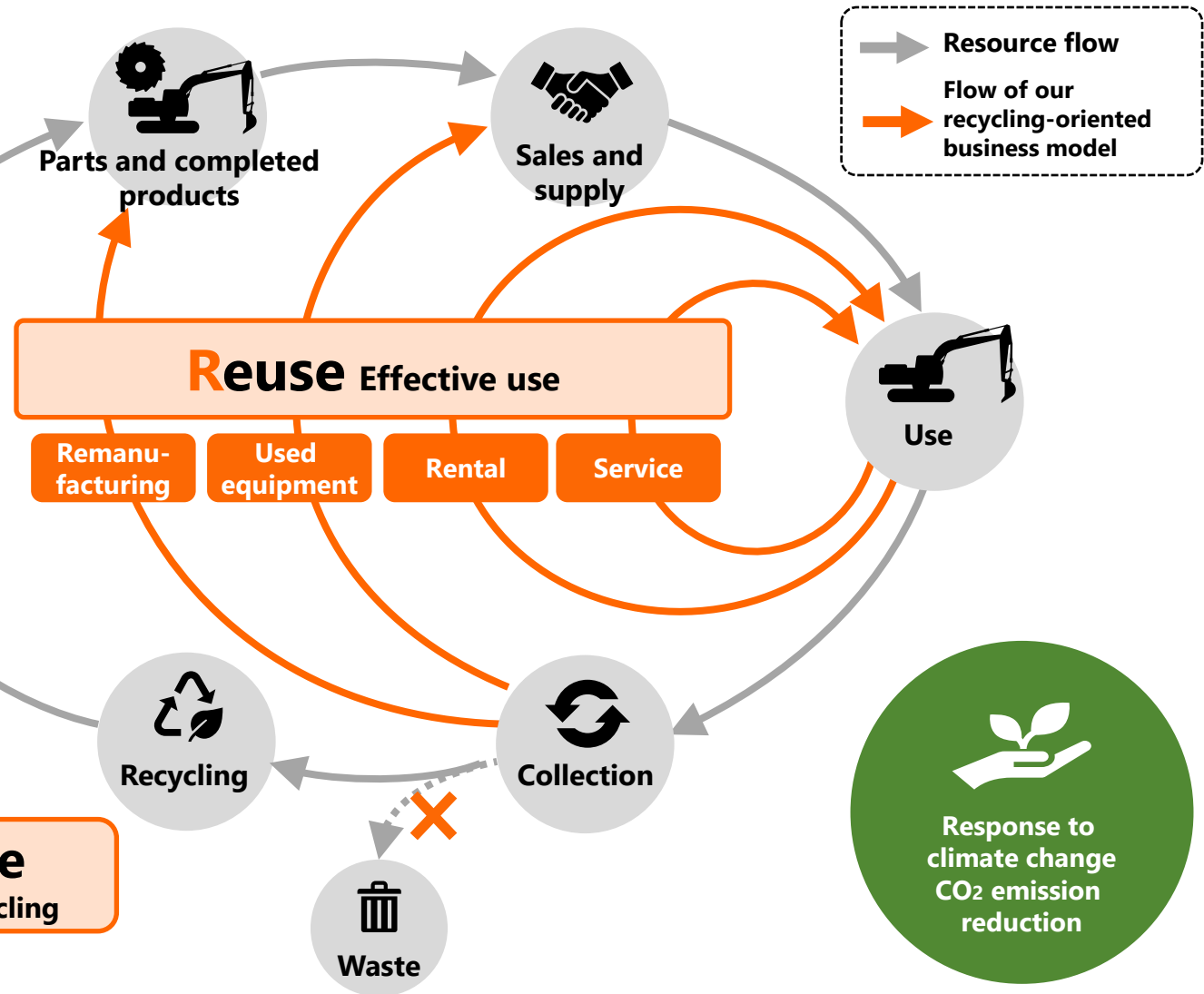
Development
and
production

Renewable

Use of renewable
resources

Recycle

Resource recycling



Long-term initiatives for reducing CO₂ emissions

Compact

Battery powered

- 5t class: Orders received from June 2022, with an aim to sell 50 units by FY2024.
- 2t class: Scheduled to be released sequentially

Construction

Battery powered

- 8t class: Orders received from 2020, with an aim to sell 70 units by FY2022.
- 13t class: Scheduled to be released sequentially

Fuel cell powered

Hydrogen engine

Collaboration with research institutes, universities and partner companies

Mining

ABB collaboration

All electrification in the mine

Improving the efficiency of the entire mine



Digital mine promoted by ABB



- Expanding sales of trolley type with ABB electric infrastructure
- Applying ABB Digital Solution to Machines



Developing in Europe, where demand for electrification is strong



2t class 5t class



8t class



13t class

Reducing CO₂ emissions from products

FY2022

▲ 20%
Compared to FY2010

FY2030

▲ 33%

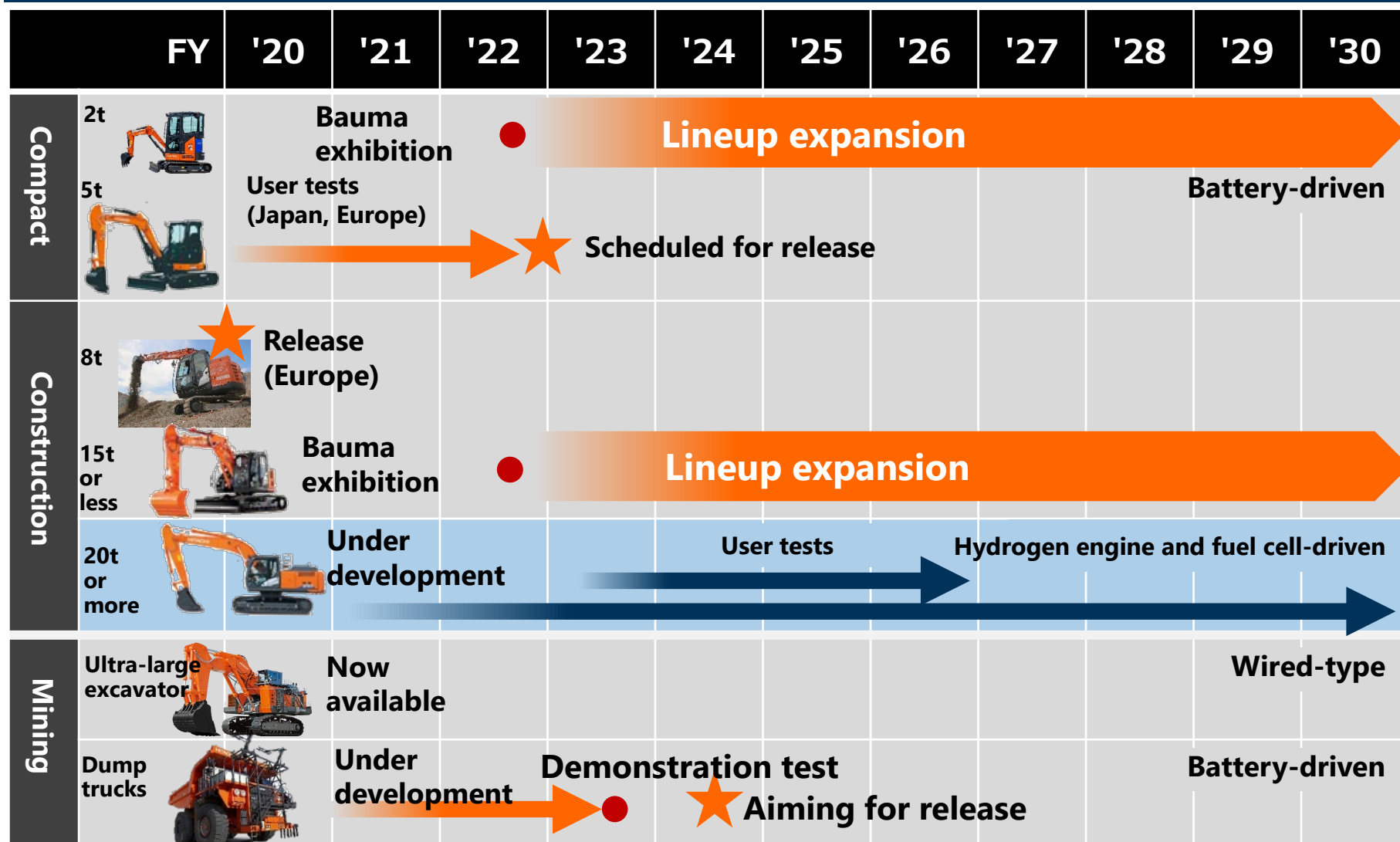
Toward the realization of a sustainable society

Environmentally Friendly Products Development Roadmap

HITACHI

Reliable solutions

Expand the number of environmentally-friendly products
and accelerate the speed through open innovation



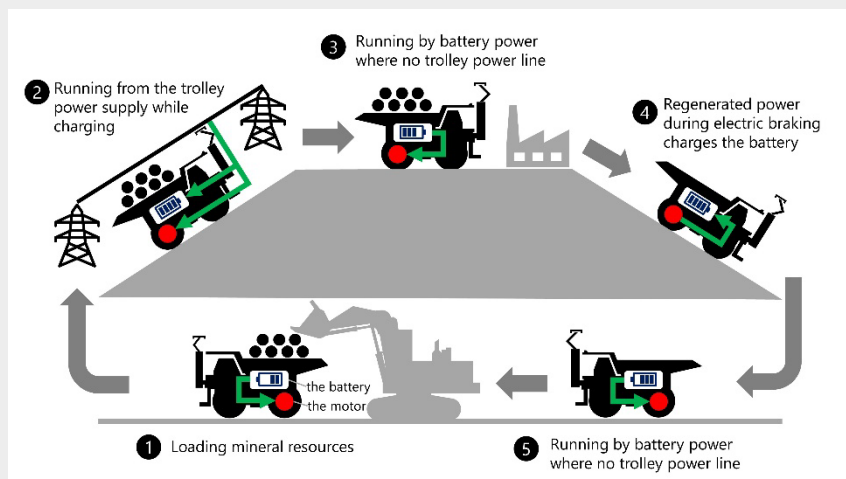
Toward the realization of a sustainable society

Fully-Electric Dump Truck Being Jointly Developed With ABB

HITACHI

Reliable solutions

Using a fully electric dump truck with trolley charging



Merits for customers

- Limits the required battery capacity through the dual use of a trolley feed and battery running
- The battery charges during trolley traveling, so there is no need for charging equipment or stopping for charging
- Shortening the development period through open innovation with ABB



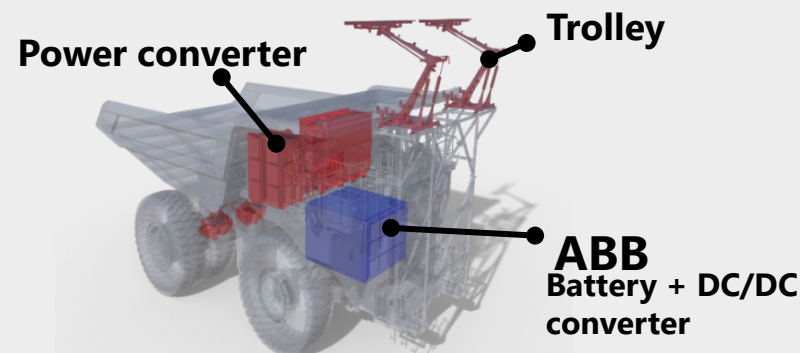
Effect of CO2 reduction in a simulation with the EH3500AC-3

Diesel engine-type

6.8t/day, 20-hour operation

Fully electric-type

6.8t reduction

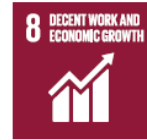


Contributions to the environment

- Reducing the CO2 emissions of the many dump trucks in operation at mining sites

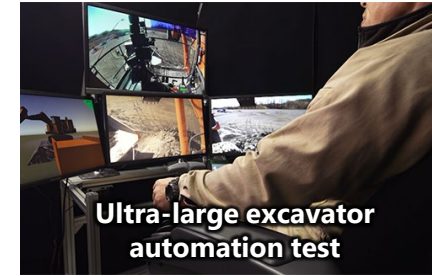


Aiming to realize “the optimal relationship between people and machinery” by enhancing site safety as a whole through Collaborative Construction Machinery, operation support systems, and various solutions



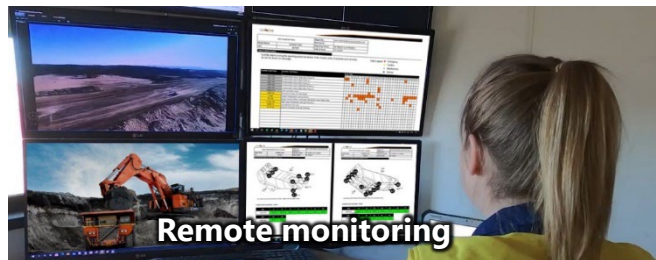
Advancement of construction machinery

- Developed "ZCORE", a system platform that realizes both Collaborative safety and advanced autonomous operation
- Excavation status judgment and automatic loading



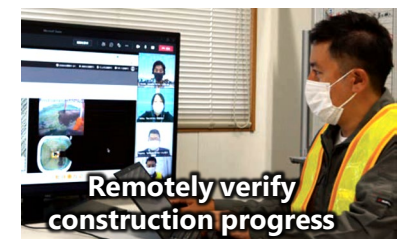
Improvement of safety/Providing various solutions

- Surrounding recognition and automatic braking
- Operator status monitoring
- Site safety management and risk analysis
- Cooperation with disaster information, risk prediction



ConSite
Consolidated Solution for Construction Sites

**ConSite
Mine**



Restructuring of North, Central and South American operations after dissolution of joint venture with Deere (from March 2022)

Current medium-term management Plan period (~FY2022)

1. Prompt construction of network for sales, services and rental
2. Market launch of the newest excavators
3. Total support across product life cycle with ConSite®

Future (FY2023~)

1. Planning for expansion of operational bases for product manufacturing, services and parts remanufacturing
2. Efforts to develop and introduce electrified products

Invest approx. 30 billion yen in parts and services network development and rental business expansion, etc.

Business Expansion

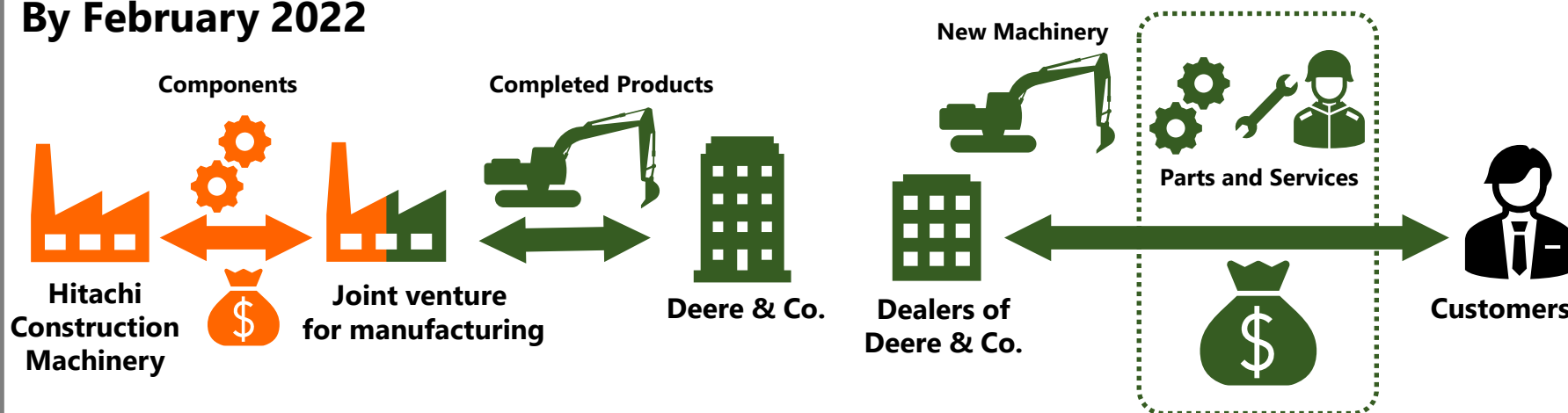
**Improve Customer
Satisfaction**

**Stabilization of
Revenue**

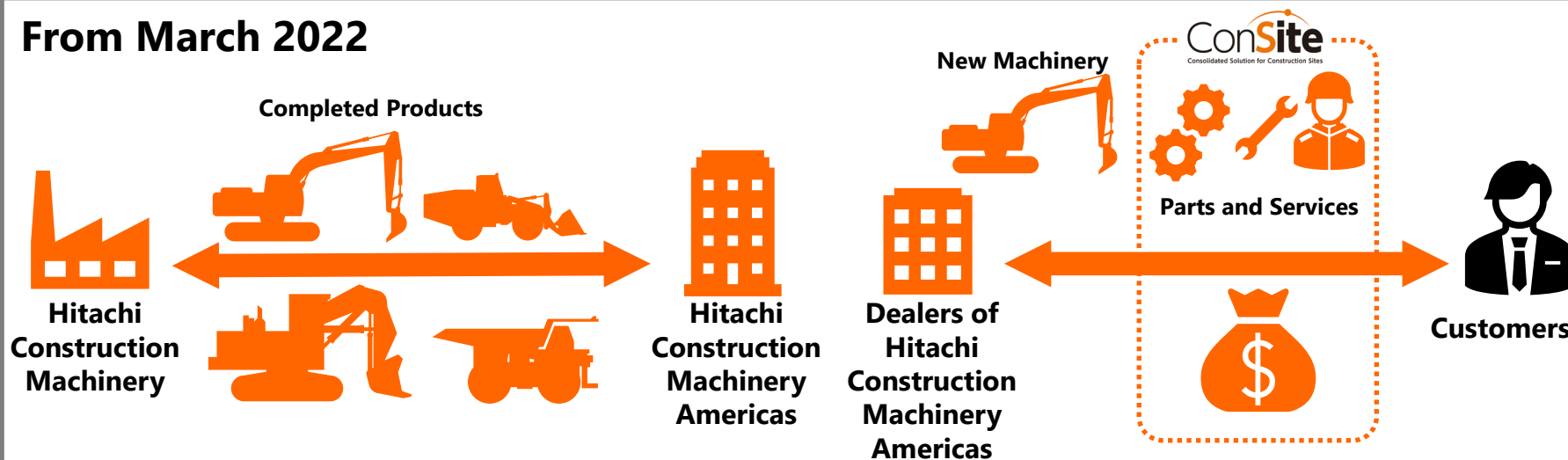
Reestablishing business in North, Central and South America, expand business aiming for over 1 trillion yen consolidated Sales Revenue or more and stable double-digit Operating Income Margin

Take in highly profitable parts and services businesses mainly in North America

By February 2022



From March 2022



Changes in Shareholder Composition and Relationship with Hitachi Group

Japan Industrial Partners and ITOCHU plan to hold 26% shares to support HCM
Continue to use the Hitachi brand and no change in company name, continued to collaborate with Hitachi group in various R&D field

Accelerate Strengthening and Change of management strategy, ensure Growth

Provide enhanced solutions at every contact with customers

Aiming for net zero emissions in collaboration with Hitachi Group and ABB

Electrification



 **LUMADA**

Data utilization

 **ConSite**
Consolidated Solution for Construction Sites

Strengthen value chain business

Collaborate with ITOCHU Group in logistics and finance in North America



Form highly flexible corporate structure

Strengthening of management base over the medium to long term with Japan Industrial Partners



Reestablishing business in North, Central and South America, expand business aiming for over 1 trillion yen consolidated Sales Revenue or more and stable double-digit Operating Income Margin

The business environment has changed compared with the time of planning. It is now planned to take on new challenges with management decisions.

Changes in the business environment

- COVID-19 impact and geopolitical risks
- Soaring material prices and supply chain disruptions
- Yen depreciation (¥109 (20/3) ⇒ ¥125 (22/3))

Management decisions and new challenges

- Dissolution of the joint venture with Deere
- Start of full-scale proprietary development in North, Central, and South America
- Change in the shareholder composition

KPI		Previous medium-term plan	Current medium-term plan			
		FY2019	FY2020*	FY2021	FY2022	
		Result			Target	Outlook (as of July)
Growth	<ul style="list-style-type: none"> • Revenue • Value chain ratio 	931.3 billion yen 41%	813.3 billion yen 43%	1.025 trillion yen 40%	1 trillion yen 50%	1.160 trillion yen 44%
Profitability	Adjusted operating income ratio	8.2% (7.8%)	4.0% (3.5%)	9.1% (10.4%)	More than 10% (-)	9.5% (9.1%)
Safety	Net D/E ratio	0.58	0.49	0.42	Less than 0.5	Less than 0.5
Efficiency	ROE	8.6%	2.1%	13.5%	More than 10%	More than 10%
Shareholder return	Dividend payout ratio	31%	41.1%	30.8%	approx. 30% or more	approx. 30% or more

*KPI of FY2020 is recalculated using retrospectively adjusted figures for consolidated financial statements due to changes in accounting policies.

Our business growth related to realizing a sustainable society improves our enterprise value.

KPI		Previous medium-term plan	Current medium-term plan			
		FY2019	FY2020	FY2021	FY2022	
		Result			Target	Outlook
ESG *Compared to FY2010	• ConSite adoption rate	73%	75%	72%	90%	90%
	• Parts remanufacturing businesses sales revenue	296%*	308%*	402%*	420%*	420%*
	• Reducing CO2 emissions from products	-15.9%*	-16.5%*	-21.4%*	-20%*	-20%*

Contribution to reducing the environmental load due to a global business model that remanufactures entire machines.

Remanufacture of ultra-large hydraulic excavators (EX1200) by Hitachi Construction Machinery Zambia



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1. Regional Market Environments and Projections

Hidehiko Matsui
Executive Officer & CMO

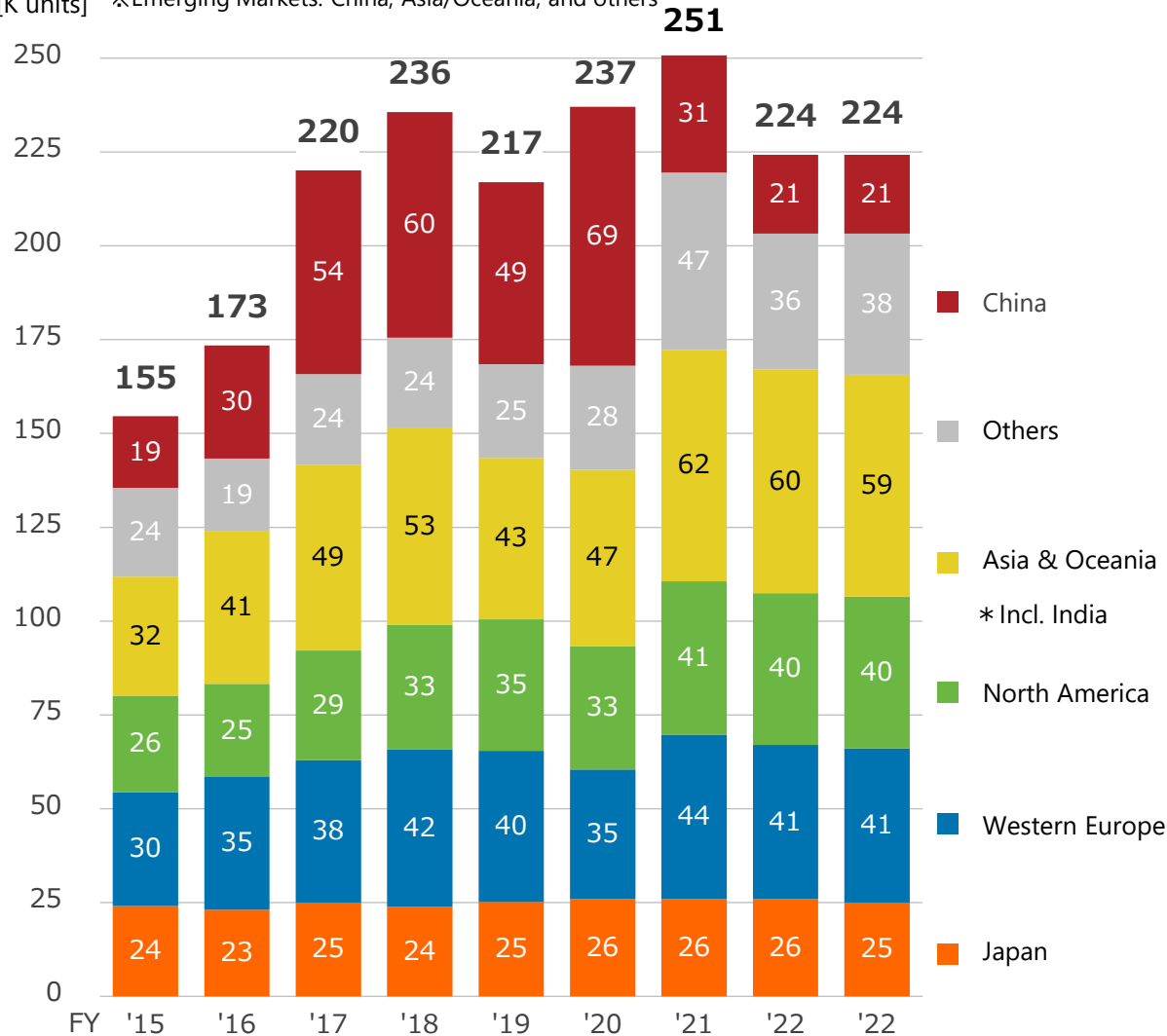
Global Demand Trend for Hydraulic Excavators

HITACHI

Reliable solutions

Emerging Markets ratio:
FY22 52% (y-y Change : -3%)

[K units] ※Emerging Markets: China, Asia/Oceania, and others



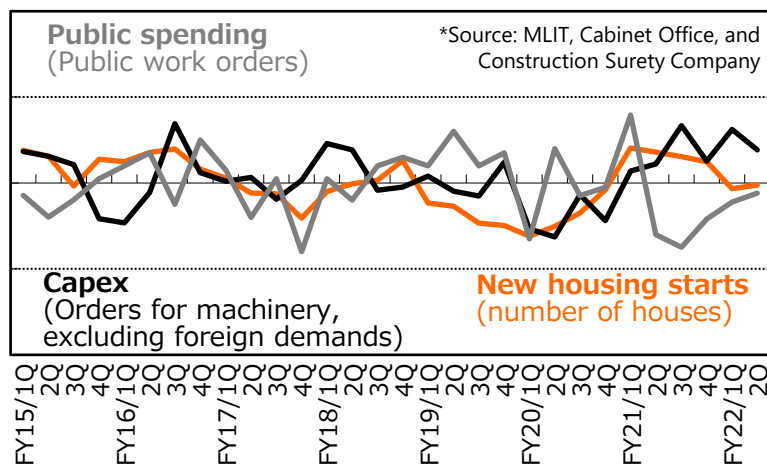
Year-on-Year Change by Region

※Estimates by HCM, Excluding Chinese manufacturers
※Distributing, copying, or forwarding prohibited

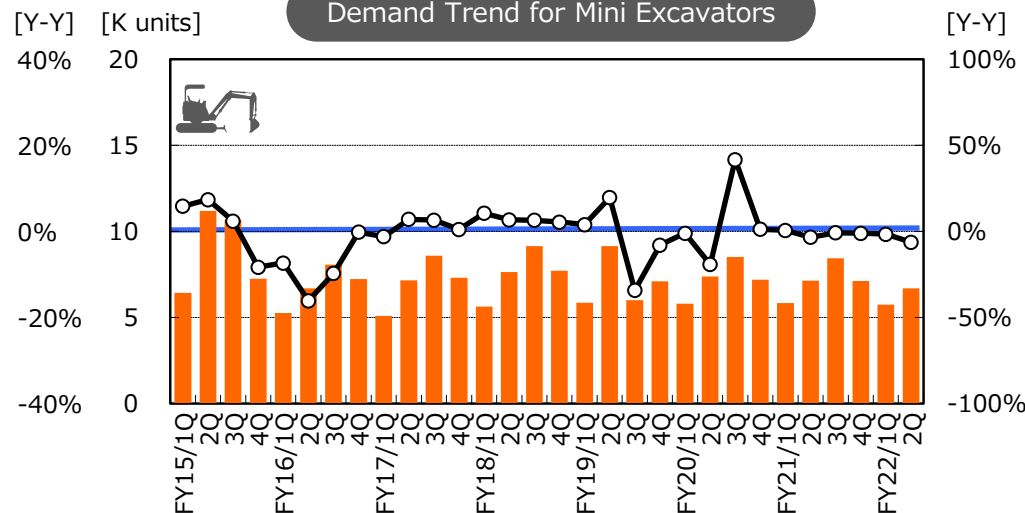
	'21	'22
Total	+6%	-11%
China	-55%	-33%
Russia,CIS, E Europe	+81%	-29%
Africa	+70%	-25%
Middle East	+77%	-0%
Latin America	+59%	-19%
Others	+70%	-20%
Asia	+47%	-3%
India	+9%	-6%
Oceania	+43%	-5%
Asia & Oceania	+31%	-4%
N America	+25%	-1%
W Europe	+27%	-6%
Japan	+0%	-4%

- Housing investment & Public spending remained flat. Capex remains strong.
- Demand for Hydraulic excavators decreased: Hydraulic Excavators -8%, Mini Excavators -6%, Wheel Loaders +1% y-y, respectively.

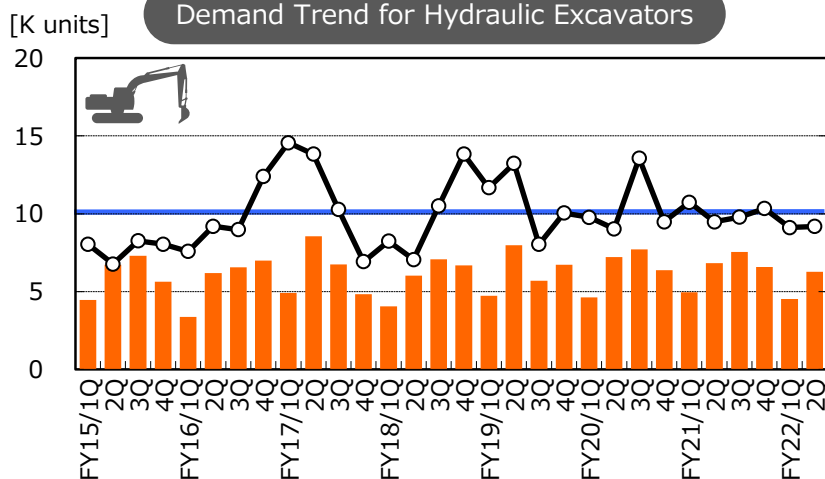
Market Environment Housing, Capex, Public Spending



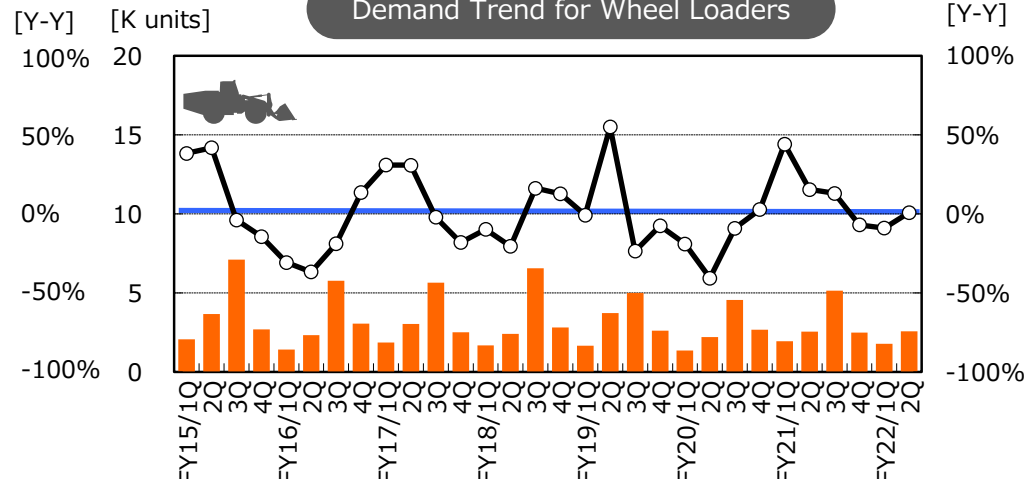
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



Demand Trend for Wheel Loaders



- GDP growth rate in CY22 2Q slowed.
- Demand for Hydraulic excavators decreased: Hydraulic Excavators -5%, Mini Excavators -2%, Wheel Loaders -2% y-y, respectively.

GDP Growth Rate in Major Countries

[Y-Y]

25%

15%

5%

-5%

-15%

-25%

Source: Eurostat, etc

UK Germany France EUR Zone

CY15/10

CY16/10

CY17/10

CY18/10

CY19/10

CY20/10

CY21/10

CY22/10

CY22/2Q

Demand Trend for Mini Excavators

[K units]

25

20

15

10

5

0

FY15/10

FY16/10

FY17/10

FY18/10

FY19/10

FY20/10

FY21/10

FY22/10

FY22/2Q

Others

Germany

Italy

France

UK

[Y-Y]

100%

50%

0%

-50%

-100%

Demand Trend for Hydraulic Excavators

[K units]

20

15

10

5

0

FY15/10

FY16/10

FY17/10

FY18/10

FY19/10

FY20/10

FY21/10

FY22/10

FY22/2Q

Others

Germany

Italy

France

UK

[Y-Y]

100%

50%

0%

-50%

-100%

Demand Trend for Wheel Loaders

[K units]

20

15

10

5

0

FY15/10

FY16/10

FY17/10

FY18/10

FY19/10

FY20/10

FY21/10

FY22/10

FY22/2Q

Others

Germany

Italy

France

UK

[Y-Y]

100%

50%

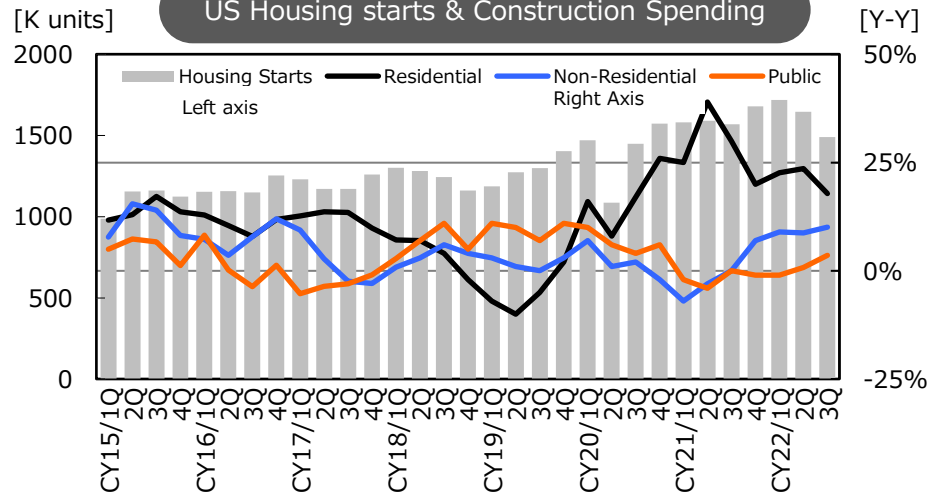
0%

-50%

-100%

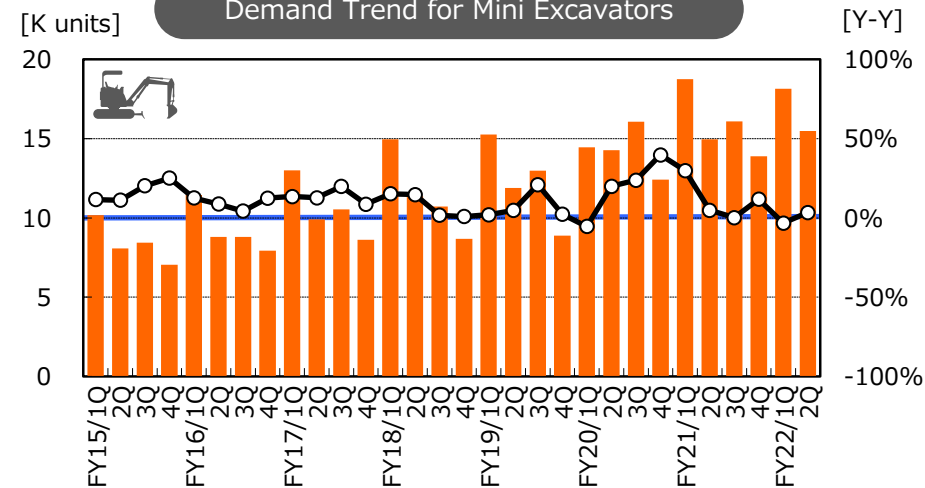
- Housing market shows signs of weakness. Construction spending increased in Non-residential & Public.
- Demand for Hydraulic excavators remained flat: Hydraulic Excavators 0%, Mini Excavators +3%, Wheel Loaders +3% y-y, respectively.

US Housing starts & Construction Spending

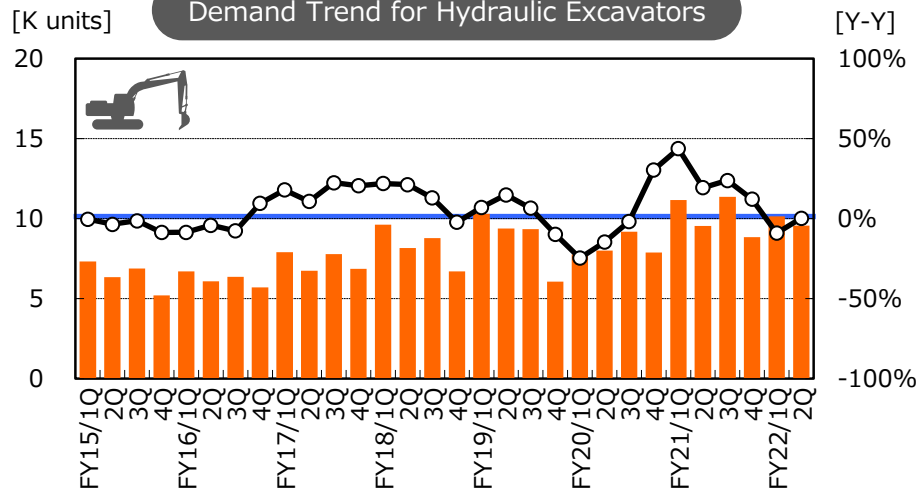


* Bureau of Economic Census, US Census Bureau

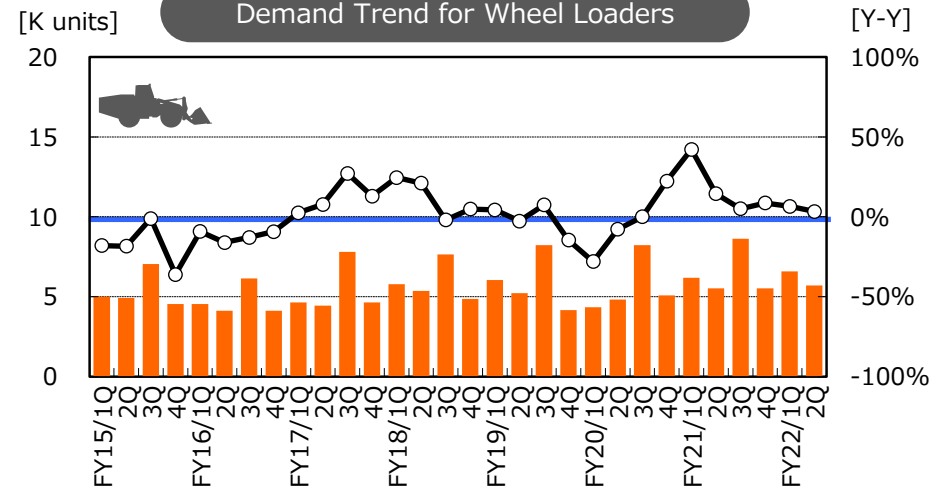
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



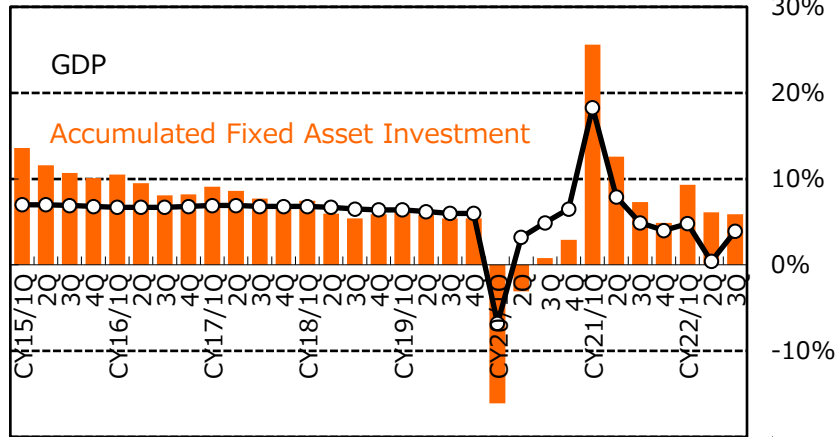
Demand Trend for Wheel Loaders



*Demand is Hitachi Construction Machinery estimates.

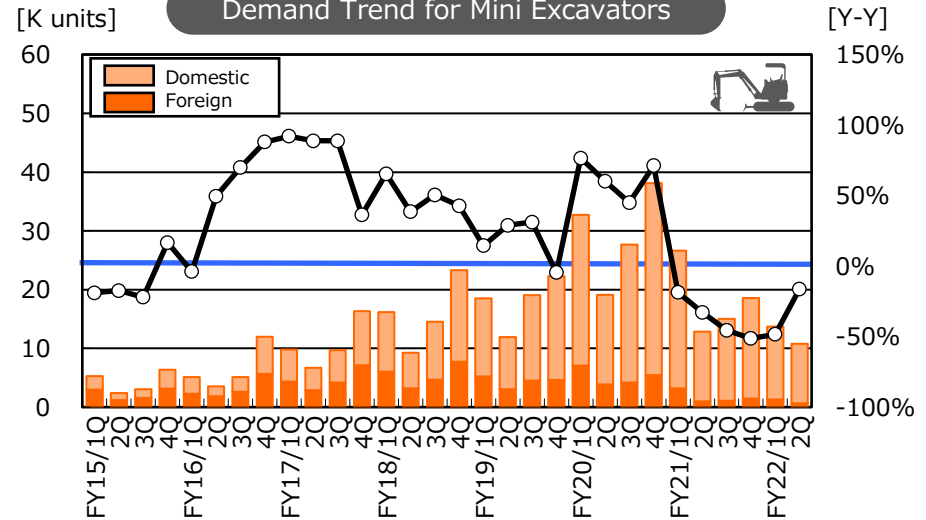
- GDP growth rate rebounded to +3.9%.
- Demand for Hydraulic excavators decreased significantly: Hydraulic Excavators -28%, Mini Excavators -16% y-y, respectively. (Includes domestic manufacturers)

GDP and Fixed Asset Investment

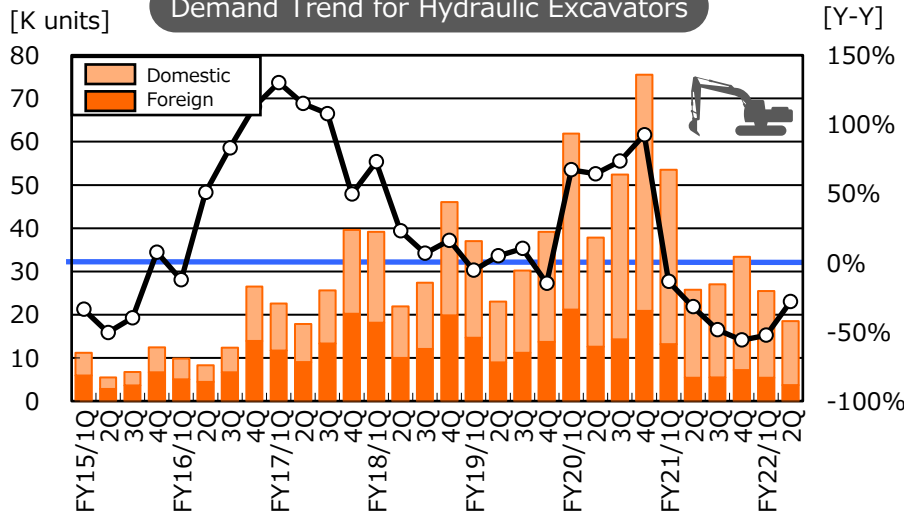


* National Bureau of Statistics of China

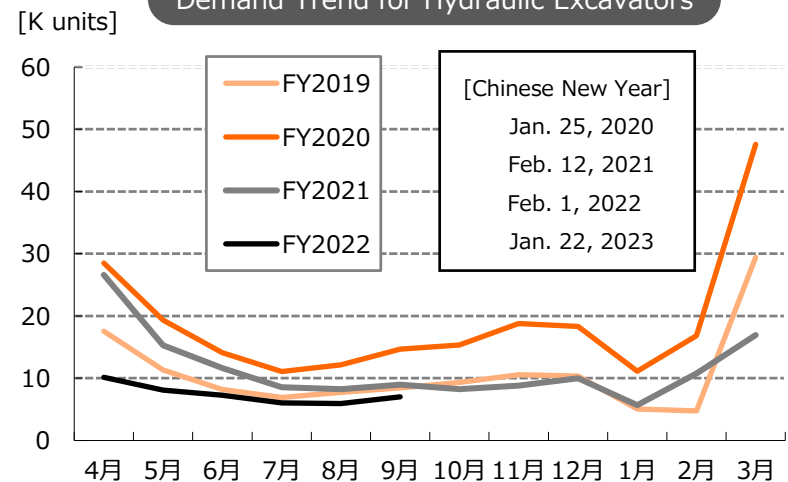
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



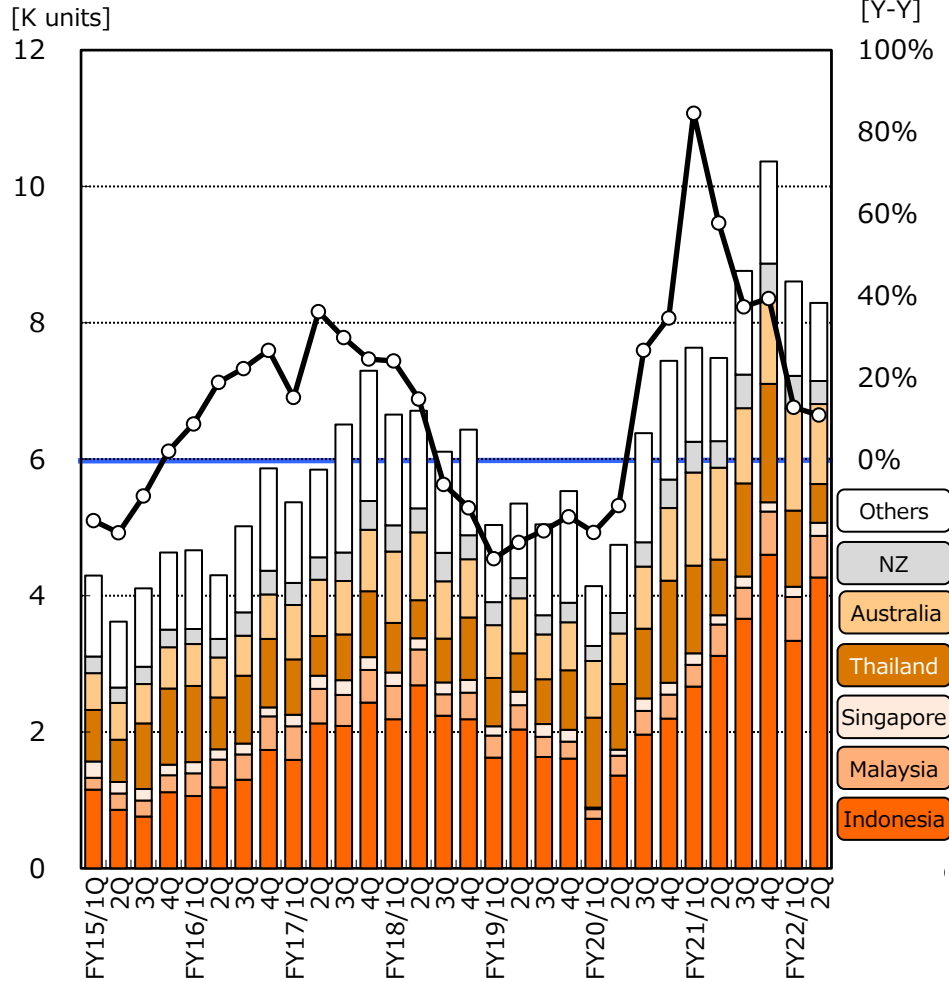
Demand Trend for Hydraulic Excavators



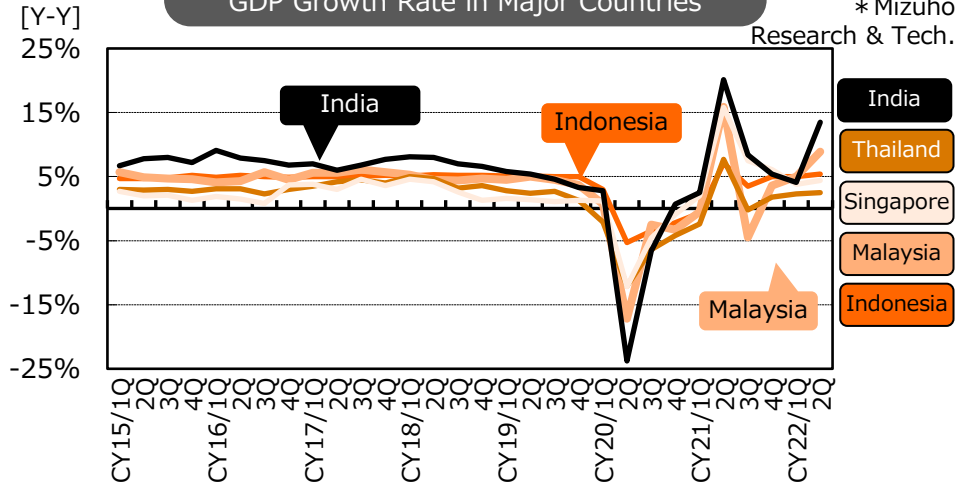
[Chinese New Year]
Jan. 25, 2020
Feb. 12, 2021
Feb. 1, 2022
Jan. 22, 2023

- Demand for Hydraulic excavators increased in the Asia & Oceania region +11% y-y.
- Demand in India remained flat. +0% y-y.

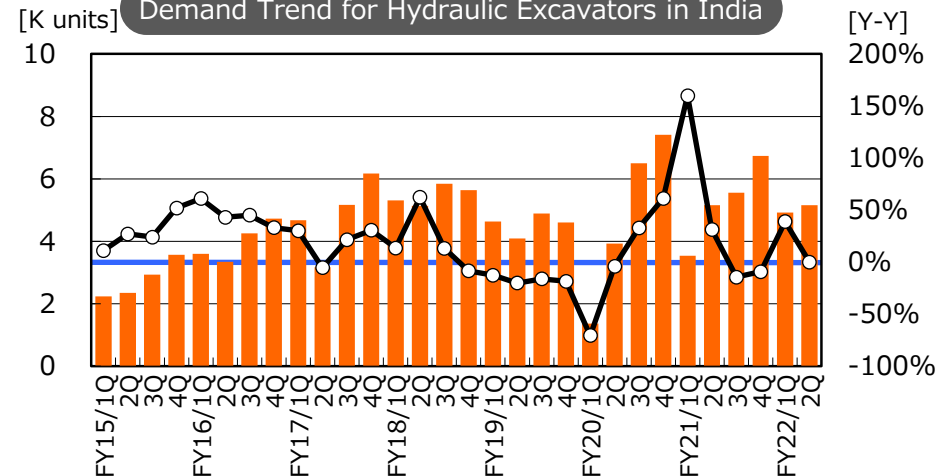
Demand Trend for Hydraulic Excavators in Asia & Oceania



GDP Growth Rate in Major Countries



Demand Trend for Hydraulic Excavators in India



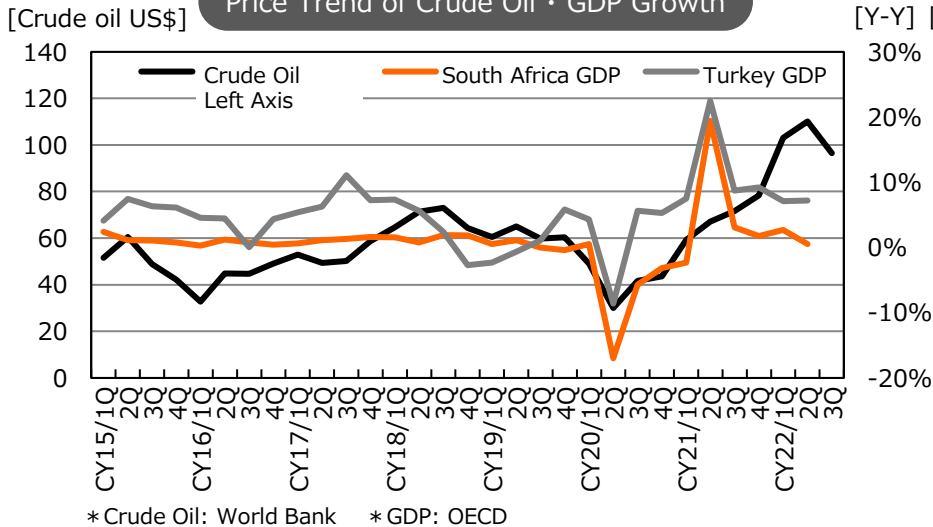
Russia, Middle East, Africa: Second Quarter (July to Sept 2022)

HITACHI

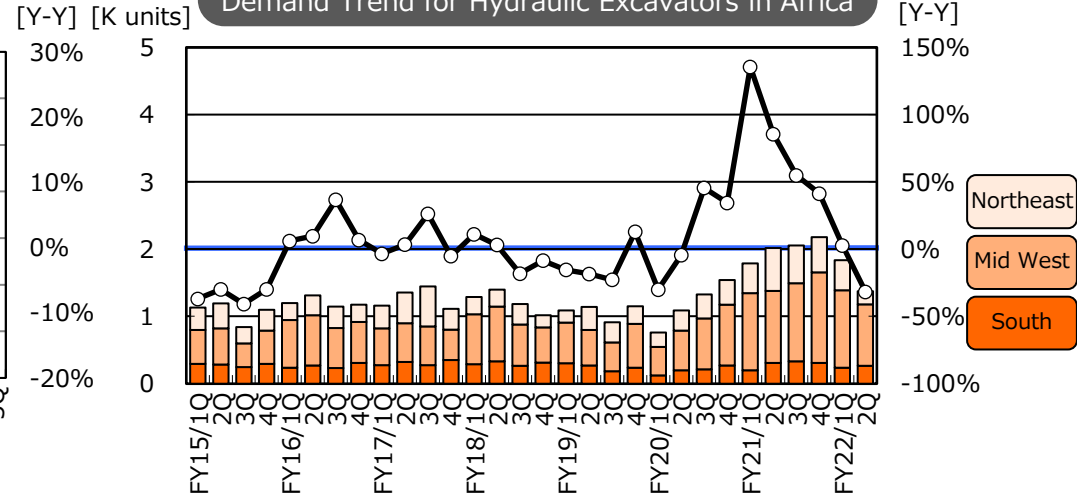
Reliable solutions

- Demand for Hydraulic excavators decreased significantly in Russia -18%, Africa -32% y-y, respectively.
- Demand for Hydraulic excavators decreased in the Middle East -8% y-y.

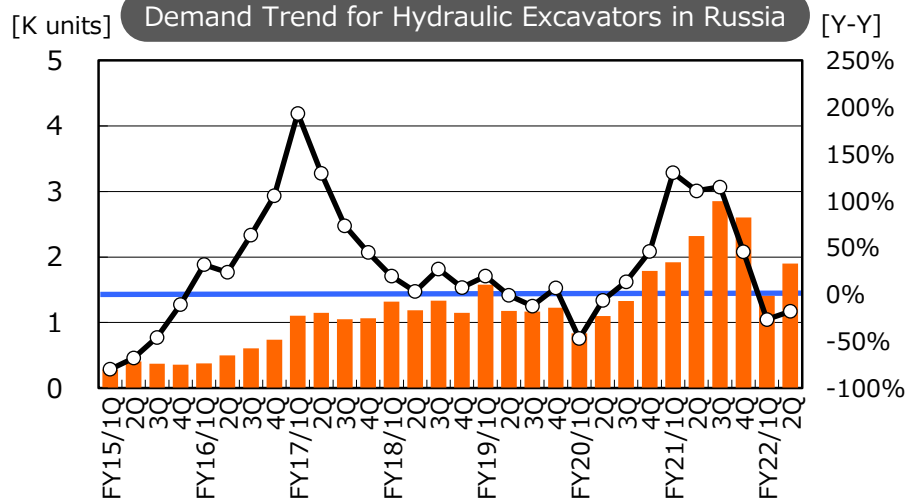
Price Trend of Crude Oil · GDP Growth



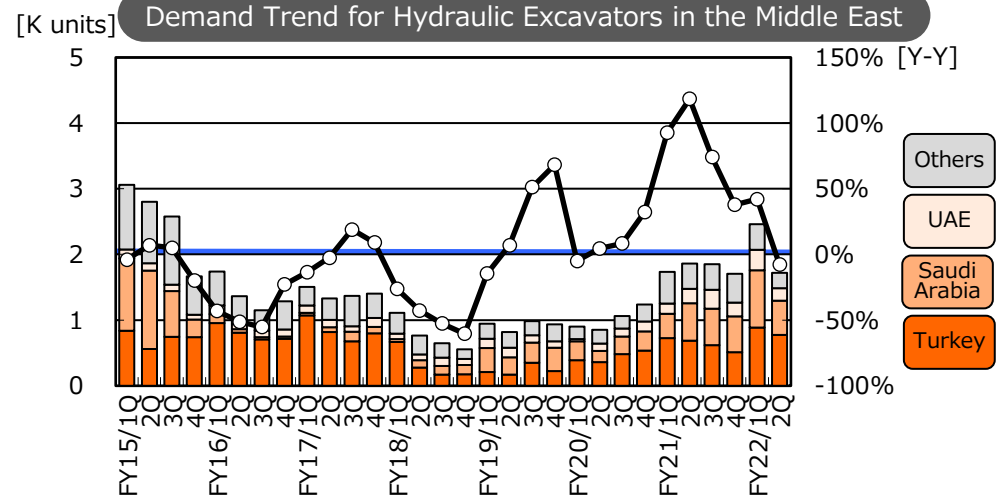
Demand Trend for Hydraulic Excavators in Africa



Demand Trend for Hydraulic Excavators in Russia



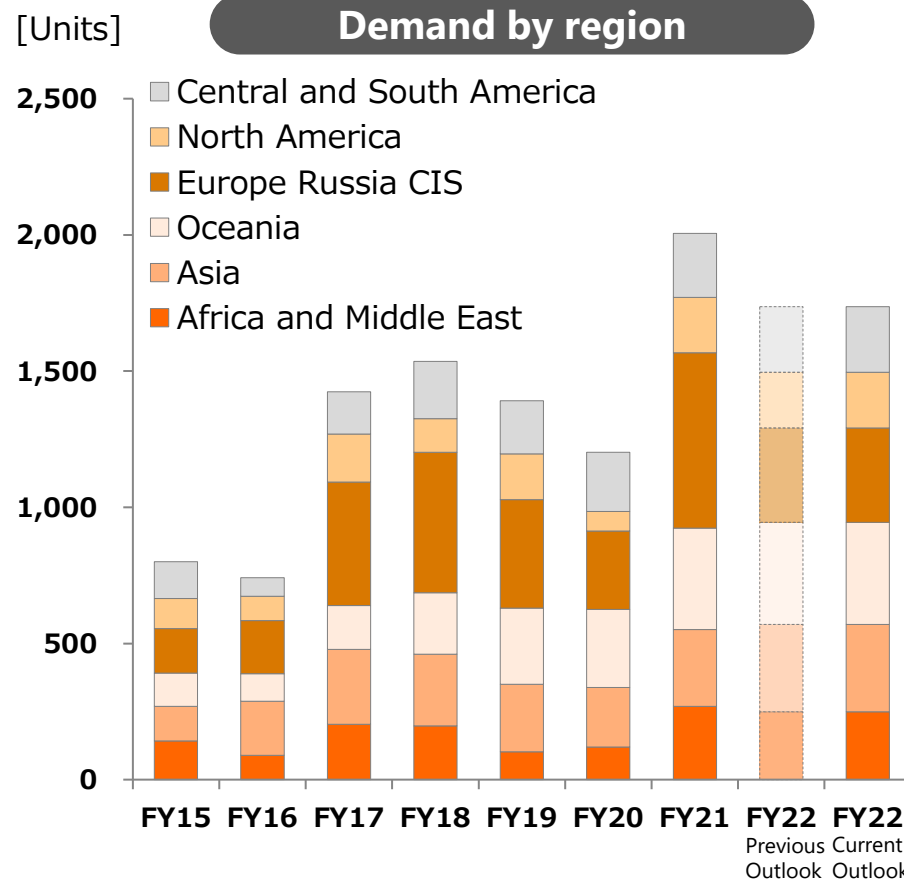
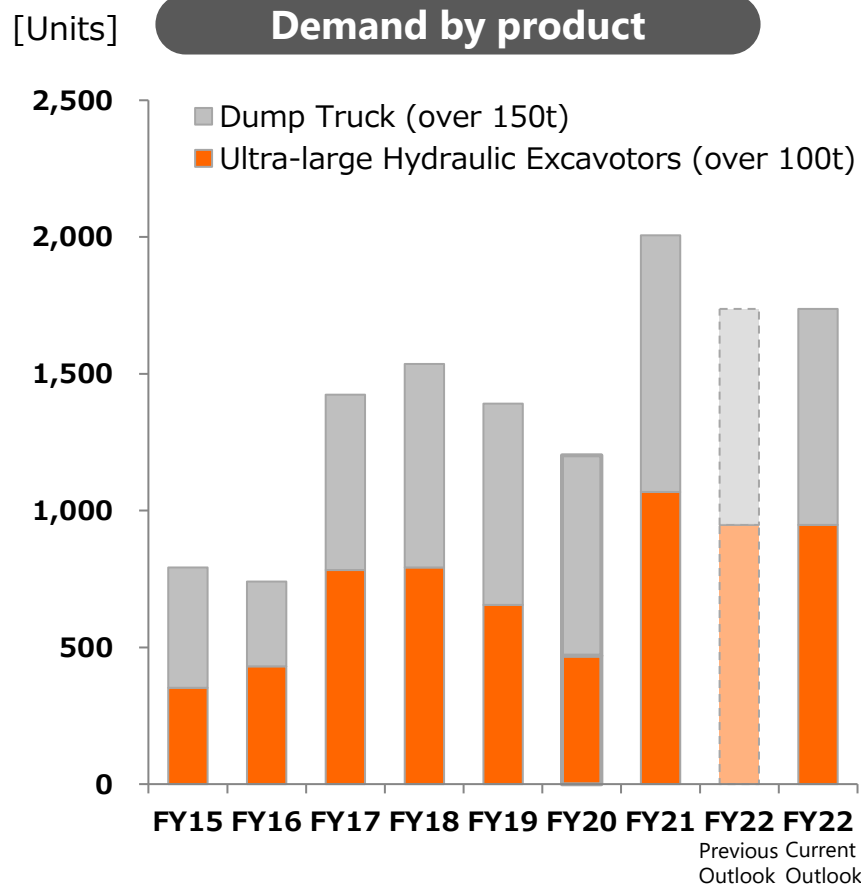
Demand Trend for Hydraulic Excavators in the Middle East



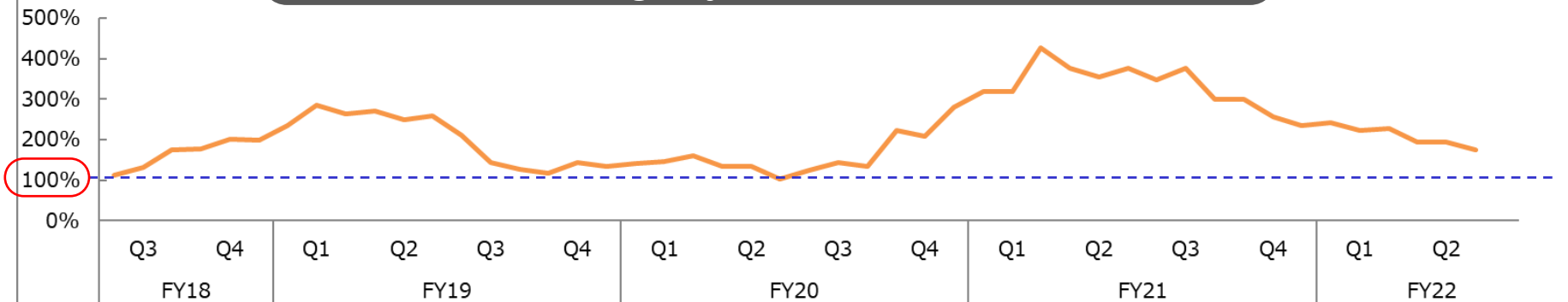
*Demand is Hitachi Construction Machinery estimates.

- Demand forecasts have not changed since our last report. (y-y: -10% to -15%)
- Demand increased y-y in Africa, Oceania & Asia including Indonesia.
- Demand decreased in Russia & CIS.

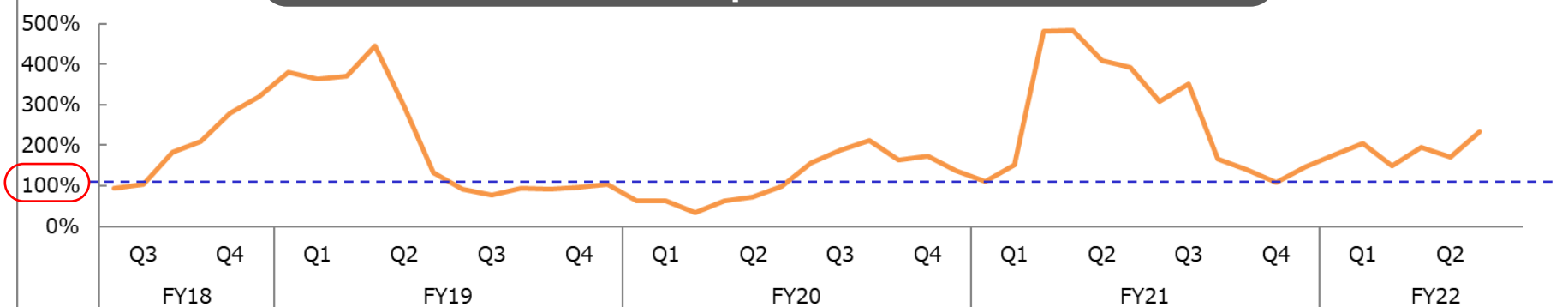
Ultra-large Hydraulic Excavators (over 100t), Dump Trucks(over 150t)



BB Ratio (Ultra-large Hydraulic Excavators, over 100t)



BB Ratio (Dump trucks, over 150t)



* Book-to-Bill(BB) Ratio = Bookings (Orders received)/Billings (Value of shipment)

Non-consolidated basis (average of 6 months)

Topic 1: Strengthening the structure in response to the European advanced market

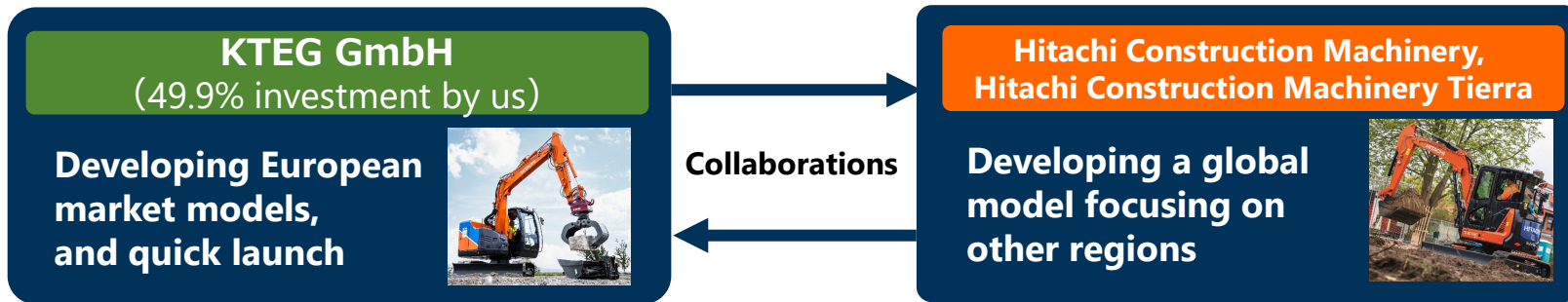
HITACHI

Reliable solutions

Strengthening the system to accelerate the market launch of zero-emission construction machinery, assist systems, and special-application products

- KTEG* will be responsible for product marketing, development, production, sales, and services.
- European and Japanese development teams collaborate and contribute quickly to overcoming challenges.

* After the business transfer, EAC European Application Center GmbH will be renamed "KTEG GmbH."



Fulfilling the lineup of battery-powered mini and compact excavators for civil construction use

- The same workload as engine-powered models is maintained.
- Long operating hours are achieved by use of battery power in conjunction with a commercial power supply.

Four models displayed at bauma 2022



2-tonne class



5-tonne class



8-tonne class



13-tonne class

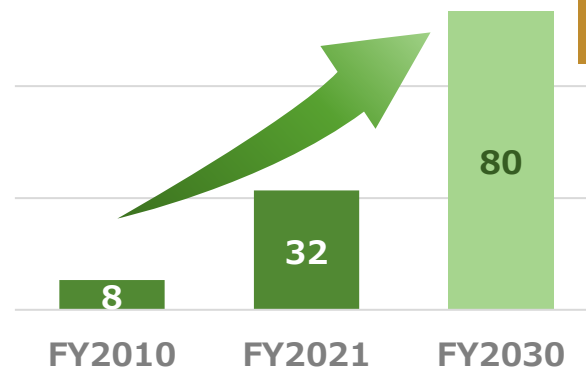
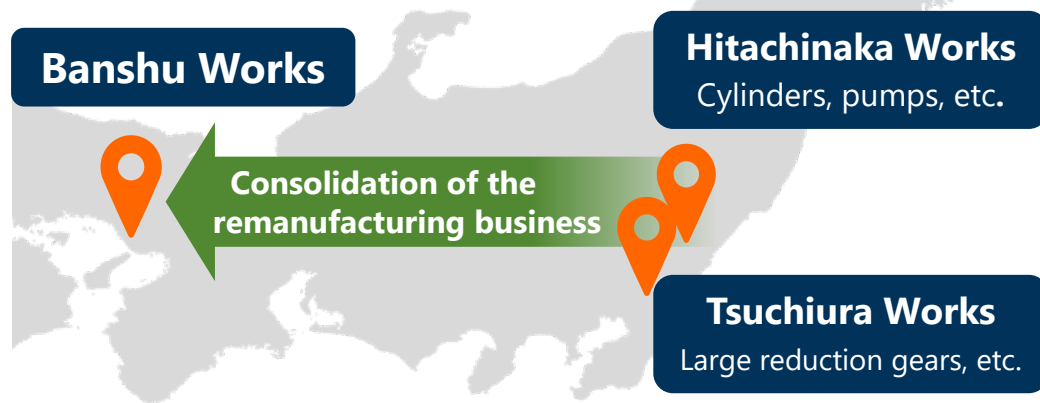
Topic 2: Strengthening value chain businesses through radical domestic and international restructuring

HITACHI

Reliable solutions

Expansion and efficiency of the remanufacturing business

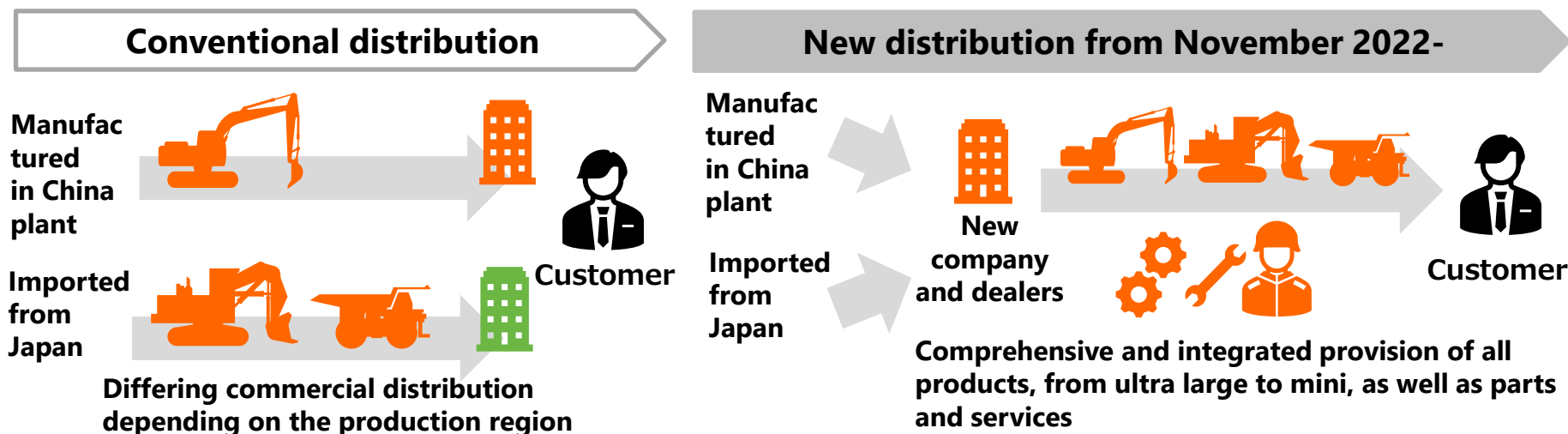
Banshu Works as the mother plant for the remanufacturing business and strengthening of global collaboration (from 2024-).



Global parts remanufacturing business
Sales transition target (billions of yen)



Review of business structure in China to establish a comprehensive sales and service structure



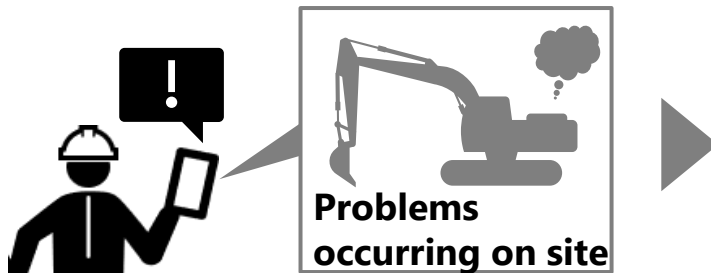
ConSite Center strengthening value chain business in the Thai market

- Responding to customer inquiries 24/7 based on hydraulic excavator operating data.
- Support for repair and maintenance of up to 47-ton-class hydraulic excavators, and storage of 500,000 spare parts.



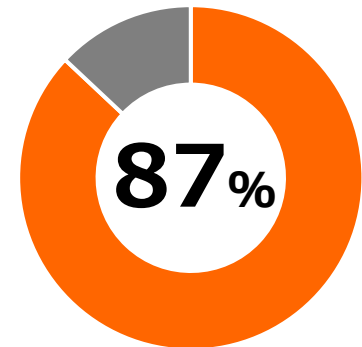
Expansion of parts and service business based on high ConSite adoption rate

- Increased number of construction projects in Southeast Asian markets, including infrastructure development.



Prompt repair and maintenance is important for stable machine operation.

ConSite adoption rate in Southeast Asia



(as of March, 2022)

2. Business Results for the Second Quarter ended September 30, 2022 (April 1, 2022 - September 30, 2022)

Keiichiro Shiojima

Executive Officer, CFO

Summary of consolidated results

HITACHI

Reliable solutions

In 1Q-2Q of the year, revenue increased by 22% y-y and adjusted operating income increased by 37% y-y, supported by strong worldwide demand, especially in the Americas. Net income attributable to owners of the parent increased by 113% substantially excluding the profit associated with Americas business restructuring in the previous fiscal year.

[billions of yen]

		FY2022 1Q-2Q	FY2021 1Q-2Q	change
Revenue		578.9	473.7	22%
Adjusted operating income *1		9.0% 52.1	8.0% 38.1	37%
Operating income		9.2% 53.3	8.1% 38.4	39%
Income before income taxes		9.5% 55.2	9.0% 42.6	30%
Net income attributable to owners of the parent		6.2% 35.7	6.7% 31.9	12%
EBIT *2		9.9% 57.4	9.3% 43.9	31%
FX rate	Rate (YEN/US\$)	134.1	109.8	24.3
	Rate (YEN/EURO)	138.7	131.0	7.6
	Rate (YEN/RMB)	19.9	17.0	19.9
	Rate (YEN/AU\$)	93.7	82.6	11.1
Cash dividend per share (yen) *3		50	45	5

*1 "Adjusted operating income" is presented as revenues less cost of sales as well as selling, general and administrative expenses.

*2 "EBIT" stands for Earnings Before Interests and Taxes, and is calculated by excluding "Interest income" and "Interest expenses" from "Income before income taxes"

*3 "Cash dividend per share": The Company will pay dividends linked to its consolidated business results twice, interim and year end, in the fiscal year and aim to achieve a consolidated dividend payout ratio of approx. 30% or more.

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Revenue by geographic region (consolidated)

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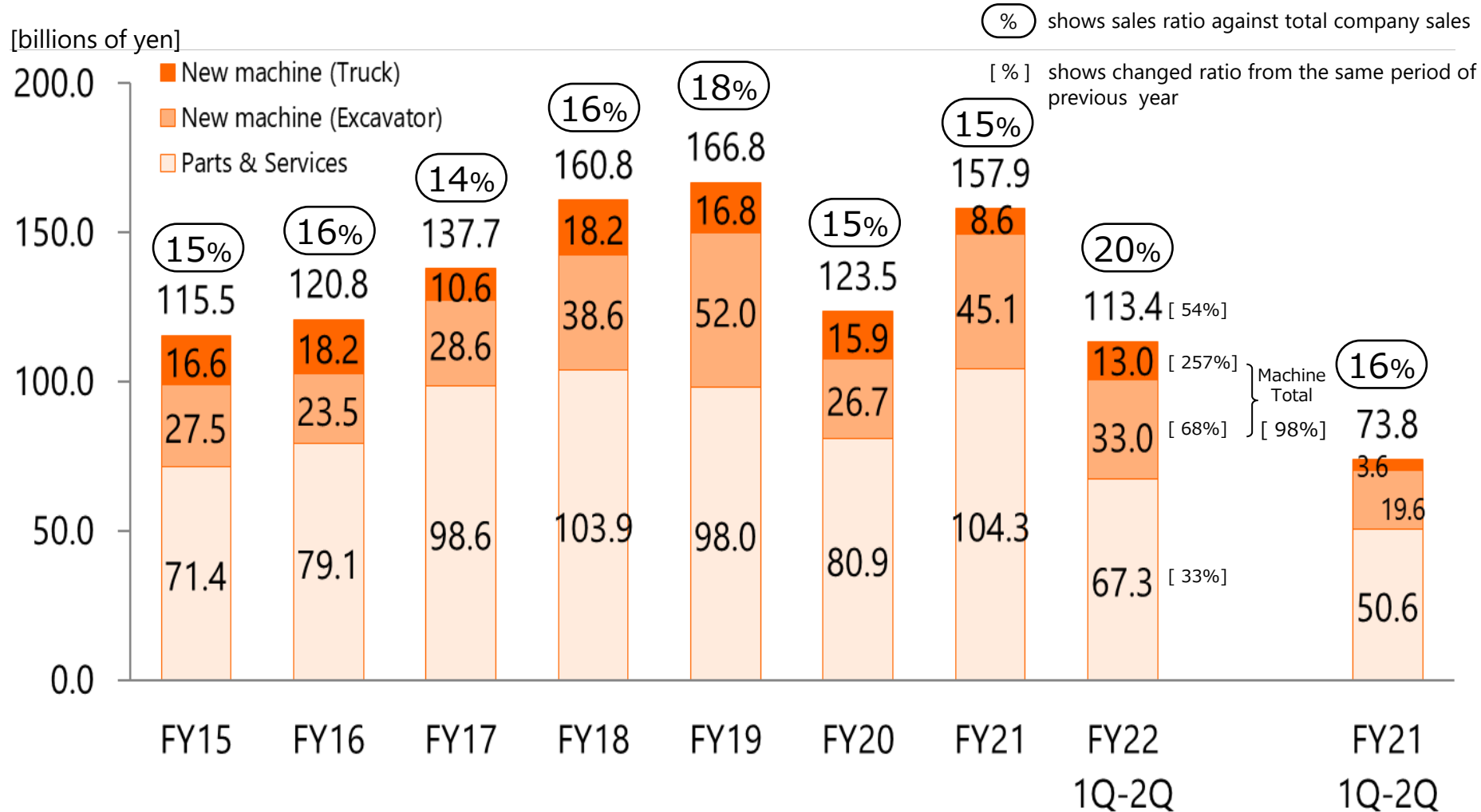
Reliable solutions

Although revenue in China decreased y-y, revenue in other overseas increased significantly, including depreciation of the yen. Consolidated total revenue increased by 105.2 billion yen.

[billions of yen]

	FY2022 1Q-2Q		FY2021 1Q-2Q		change	
					amount	%
Japan	99.5	17%	96.9	20%	2.6	3%
Asia	52.0	9%	35.7	8%	16.3	46%
India	30.6	5%	23.4	5%	7.2	31%
Oceania	113.8	20%	80.8	17%	33.0	41%
Europe	74.7	13%	58.4	12%	16.3	28%
N.America	115.1	20%	93.2	20%	21.8	23%
L.America	16.6	3%	10.2	2%	6.4	63%
Russia-CIS	20.5	4%	16.5	3%	4.0	25%
M.East	12.7	2%	10.2	2%	2.5	25%
Africa	24.6	4%	19.3	4%	5.3	28%
China	18.7	3%	29.1	6%	-10.4	-36%
Total	578.9	100%	473.7	100%	105.2	22%
Overseas ratio	83%		80%			

Revenue of mining increased by 54% to 113.4 billion yen y-y due to strong demand of units, as well as increased sales volume in parts and services.

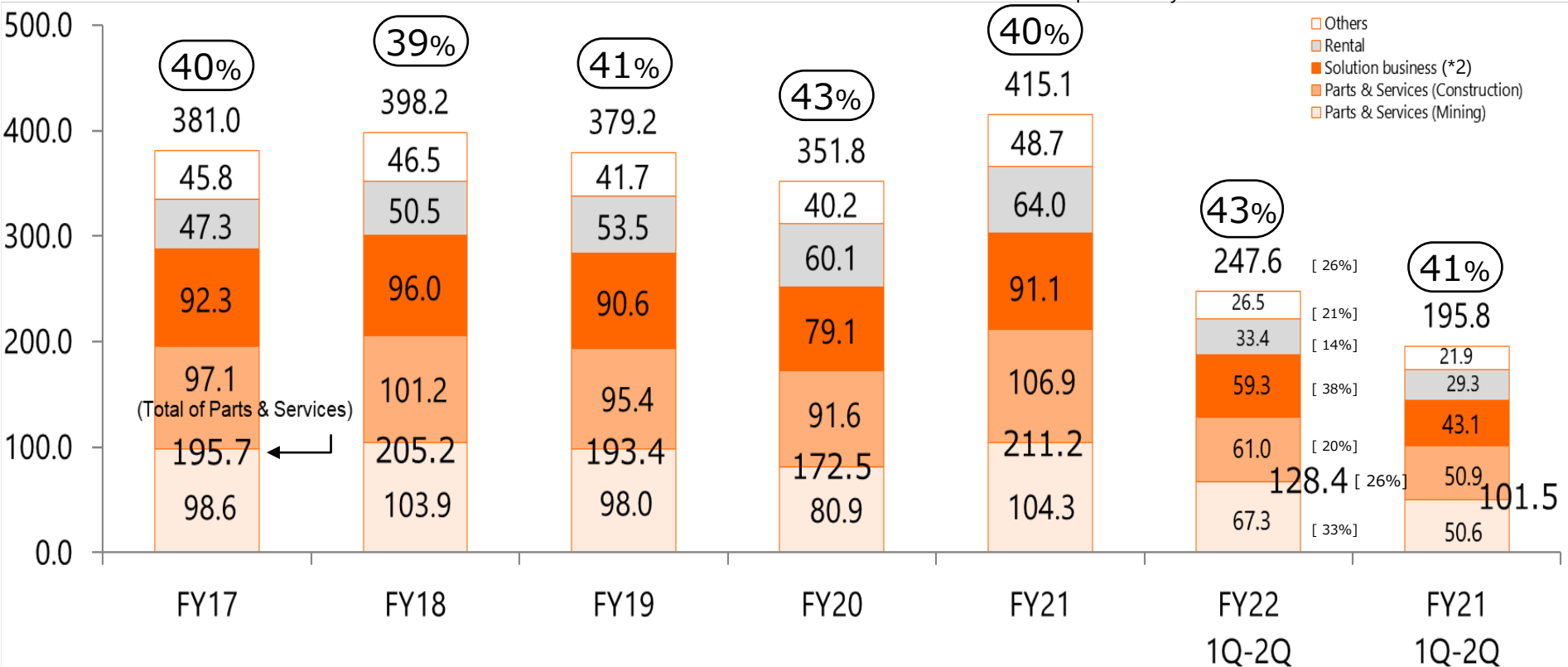


Revenue of the value chain business increased by 26% y-y to 247.6 billion yen due to increased volume in all segments.

[billions of yen]

(%) shows sales ratio against total company sales

[%] shows changed ratio from the same period of previous year



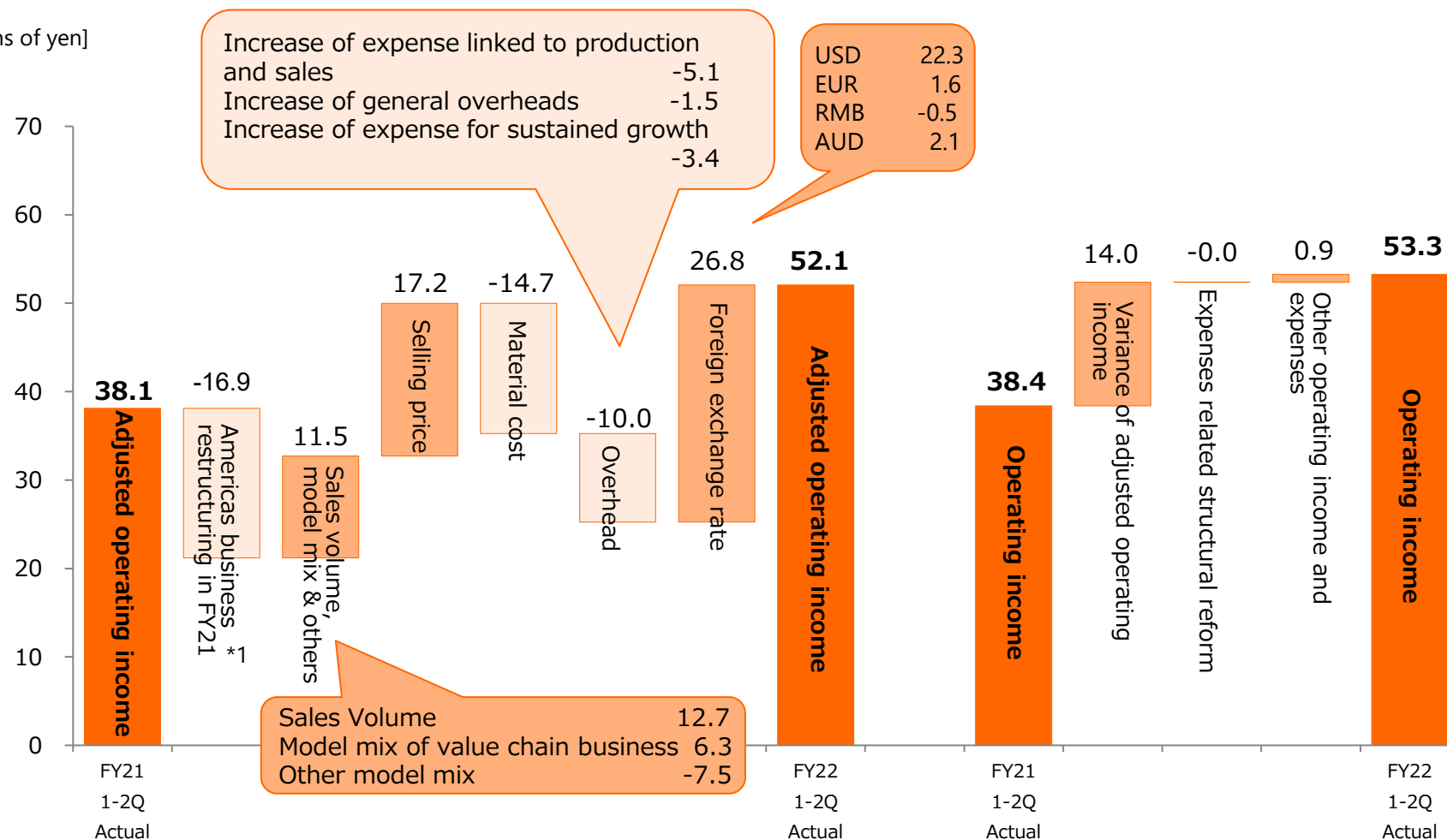
(*1) Value chain: Total of Parts & services, Solution business, Rental etc. other than new machine sales.

(*2) Solution business: The business segment primarily intends to provide development, production, distribution of parts and service solutions for mining facilities and equipment after the sales made that are not included in the construction machinery business segment.

Comparison of consolidated income

Adjusted operating income increased by 14.0 billion yen y-y due to the impact of the increased sales volume, price increase, and the currency impact despite the absence of profit from Americas business restructuring in the previous year.

[billions of yen]



*1 Price adjustment and profit-sharing

Net income attributable to owners of the parent increased by 12% to 35.7 billion yen y-y. Net income attributable to owners of the parent increased by 113% substantially excluding the profit associated with Americas business restructuring in the previous fiscal year.

[billions of yen]

	FY2022 1Q-2Q		FY2021 1Q-2Q		change	
					amount	%
Revenue		578.9		473.7	105.2	22%
Cost of Sales	(71.5%)	414.1	(73.2%)	346.9	67.2	19%
SGA expenses	(19.5%)	112.7	(18.7%)	88.7	24.0	27%
Adjusted operating income *1	(9.0%)	52.1	(8.0%)	38.1	14.0	37%
Other Income/expenses		1.2		0.3	0.9	299%
Operating income	(9.2%)	53.3	(8.1%)	38.4	14.9	39%
Financial income/expenses		0.5		-0.5	1.0	-
Share of profits of investments accounted for using the equity method		1.5		4.7	-3.2	-68%
Income before income taxes	(9.5%)	55.2	(9.0%)	42.6	12.6	30%
Income taxes		17.0		8.6	8.4	98%
Net income	(6.6%)	38.2	(7.2%)	34.0	4.2	12%
Net income attributable to owners of the parent	(6.2%)	35.7	(6.7%)	31.9	3.8	12%

*Adjusted operating income" is presented as revenues less cost of sales as well as selling, general and administrative expenses.

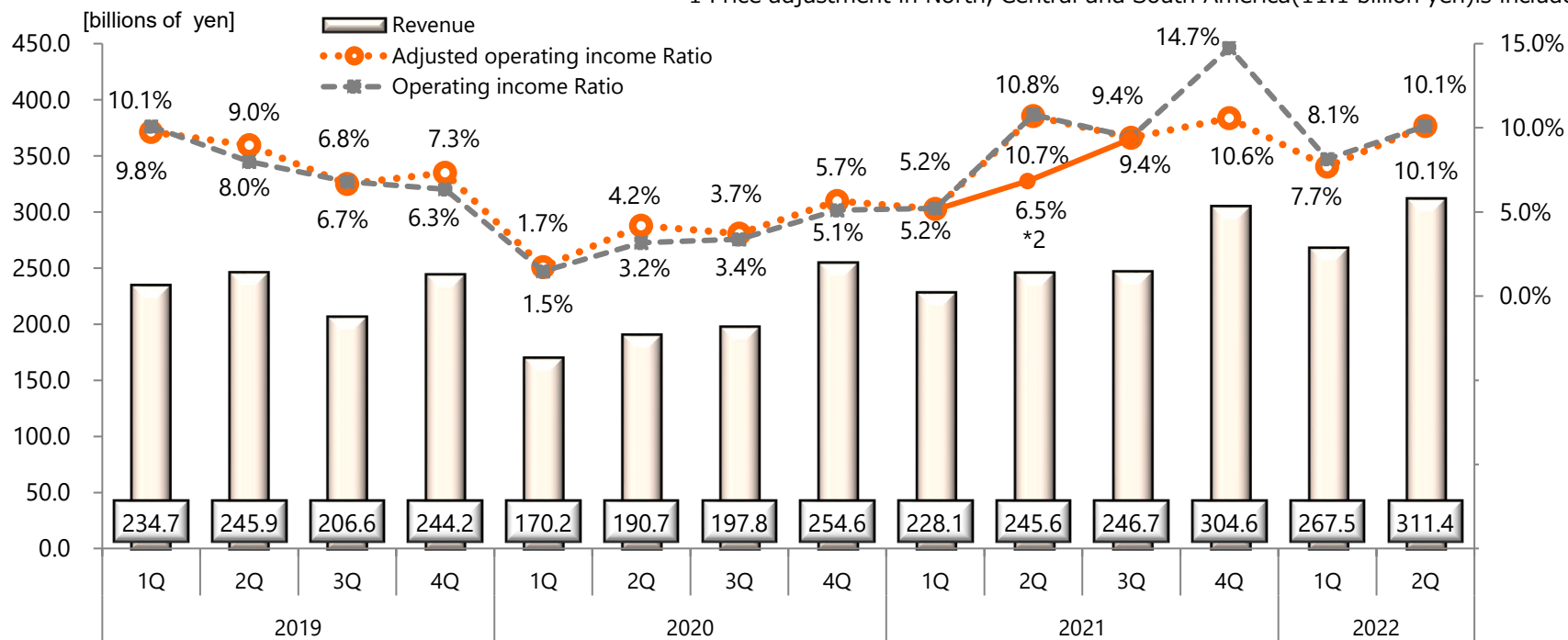
Summary of quarterly consolidated revenue and operating income (ratio)

HITACHI

Reliable solutions
[billions of yen]

	2019				2020				2021				2022	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q*1	3Q	4Q	1Q	2Q
Revenue	234.7	245.9	206.6	244.2	170.2	190.7	197.8	254.6	228.1	245.6	246.7	304.6	267.5	311.4
Adjusted operating income	22.9	22.1	13.8	17.9	2.9	8.0	7.4	14.4	11.8	26.3	23.2	32.2	20.6	31.5
Operating income	23.7	19.6	14.1	15.5	2.5	6.0	6.7	13.0	11.9	26.5	23.3	44.9	21.8	31.5

*1 Price adjustment in North, Central and South America(11.1 billion yen)is included.



*2 Price adjustment in North, Central and South America(11.1 billion yen)is excepted.

FX rate	2019				2020				2021				2022	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Rate (YEN/US\$)	109.9	107.4	108.8	108.9	107.6	106.2	104.5	105.9	109.5	110.1	113.7	116.2	129.6	138.4
Rate (YEN/EURO)	123.5	119.3	120.3	120.1	118.5	124.1	124.5	127.7	132.0	129.8	130.1	130.4	138.1	139.3
Rate (YEN/RMB)	16.1	15.3	15.5	15.6	15.2	15.4	15.8	16.4	17.0	17.0	17.8	18.3	19.6	20.2
Rate (YEN/AU\$)	76.9	73.6	74.3	71.8	70.7	75.9	76.3	81.8	84.3	80.9	82.9	84.0	92.6	94.5

Consolidated statement of financial position

HITACHI

Reliable solutions

Total assets increased by 128.3 billion yen from the end of last fiscal year due to increase by Inventories and depreciation of the yen.

[billions of yen]

	(A) FY22-2Q	(B) Mar '2022	(C) FY21-2Q	(A)-(B) change		(D) FY22-2Q	(E) Mar '2022	(F) FY21-2Q	(D)-(E) change
Cash and cash equivalents	103.3	94.3	87.7	9.0	Trade and other payables	256.0	252.2	206.4	3.8
Trade receivables	264.4	266.3	199.1	-1.9	Bonds and borrowings	417.4	353.1	336.4	64.3
Inventories	441.4	368.3	309.4	73.2	Total liabilities	817.4	741.6	658.6	75.7
Total current assets	852.8	764.4	645.8	88.4	(Equity attributable to owners of the parent ratio)	(43.1%)	(43.4%)	(43.3%)	(-0.3%)
Total non-current assets	685.2	645.2	608.4	40.0	Total equity	720.6	667.9	595.6	52.6
Total assets	1,537.9	1,409.6	1,254.1	128.3	Total liabilities and equity	1,537.9	1,409.6	1,254.1	128.3
Trade receivables incl. non-current	307.8	309.0	240.2	-1.2					
Inventories by products									
Unit	133.8	108.9	80.2	24.9		(27.1%)	(25.1%)	(26.8%)	(2.1%)
Parts	158.5	132.6	101.3	25.9	Interest-bearing debt	417.4	353.1	336.4	64.3
Raw materials, WIP and etc	149.1	126.8	128.0	22.4	Cash and Cash equivalents	103.3	94.3	87.7	9.0
Total inventories	441.4	368.3	309.4	73.2		(20.4%)	(18.4%)	(19.8%)	(2.1%)
On hand days(divided by revenue)				(Days)	Net interest-bearing debt	314.1	258.9	248.6	55.2
Trade receivables	99	110	95	-11					
Inventories	143	131	122	12	Net D/E Ratio	0.47	0.42	0.46	0.05
Trade payables	48	51	45	-4					
Net working capital	190	186	168	4					

Though operating cash flow was positive at 7.5 billion yen, investment cash flow was negative at 21.9 billion yen and free cash flow was negative at 14.4 billion yen.

[billions of yen]

	FY2022 1Q-2Q		FY2021 1Q-2Q		Change	
Net income		38.2		34.0		4.2
Depreciation and amortization	68.9	30.6	61.2	27.2	7.7	3.5
(Increase)decrease in trade/lease receivables		30.5		13.7		16.9
(Increase)decrease in inventories	-15.8	-43.2	5.1	-12.2	-20.9	-31.0
Increase(decrease) in trade payables		-3.1		3.6		-6.8
Others, net		-45.6		-38.2		-7.4
Net cash provided by (used in) operating activities		7.5		28.1		-20.6
Cash flow margin for operating activities		1.3%		5.9%		-4.6%
Net cash provided by (used in) investing activities		-21.9		-15.9		-6.0
Free cash flows		-14.4		12.2		-26.6
Net cash provided by (used in) financing activities		14.7		-5.6		20.3

Summary of consolidated earnings forecast

HITACHI

Reliable solutions

The consolidated income statement for FY2022 is expected to increase revenue by 13% y-y associated with depreciation of the yen although considering Russian business and supply chain constraint risk.

note : < > shows previous forecast as of July 2022

[billions of yen]

	FY2022 Forecast		FY2021 Actual	change	
				amount	%
Revenue	<1,040.0>	1,160.0	1,025.0	135.0	13%
Adjusted operating income	<9.0%> <94.0>	(9.5%) 110.0	(9.1%) 93.5	(0.4%) 16.5	18%
Operating income	<8.7%> <90.0>	(9.1%) 106.0	(10.4%) 106.6	(-1.3%) -0.6	-1%
Income before income taxes	<8.7%> <90.0>	(9.1%) 106.0	(10.8%) 110.9	(-1.7%) -4.9	-4%
Net income attributable to owners of the parent	<5.5%> <57.0>	(5.8%) 67.0	(7.4%) 75.8	(-1.6%) -8.8	-12%
EBIT	<95.0>	110.4	114.0	-3.6	

Currency	1Q-2Q Actual	3Q-4Q Forecast	Total Forecast	FY2021 Actual	change
Rate (YEN/USD)	134.1	130.0	131.8	112.6	19.2
Rate (YEN/EUR)	138.7	140.0	139.4	130.6	8.8
Rate (YEN/RMB)	19.9	19.5	19.6	17.5	2.2
Rate (YEN/AUD)	93.7	90.0	91.9	83.0	8.8
Cash dividend per share (yen) *1	to be determined			110	-

For FX sensitivity, please refer to appendix 1.

*1 "Cash dividend per share": The Company will pay dividends linked to its consolidated business results twice, interim and year end, in the fiscal year and aim to achieve a consolidated dividend payout ratio of approx. 30% or more.

Consolidated revenue forecast by geographic region

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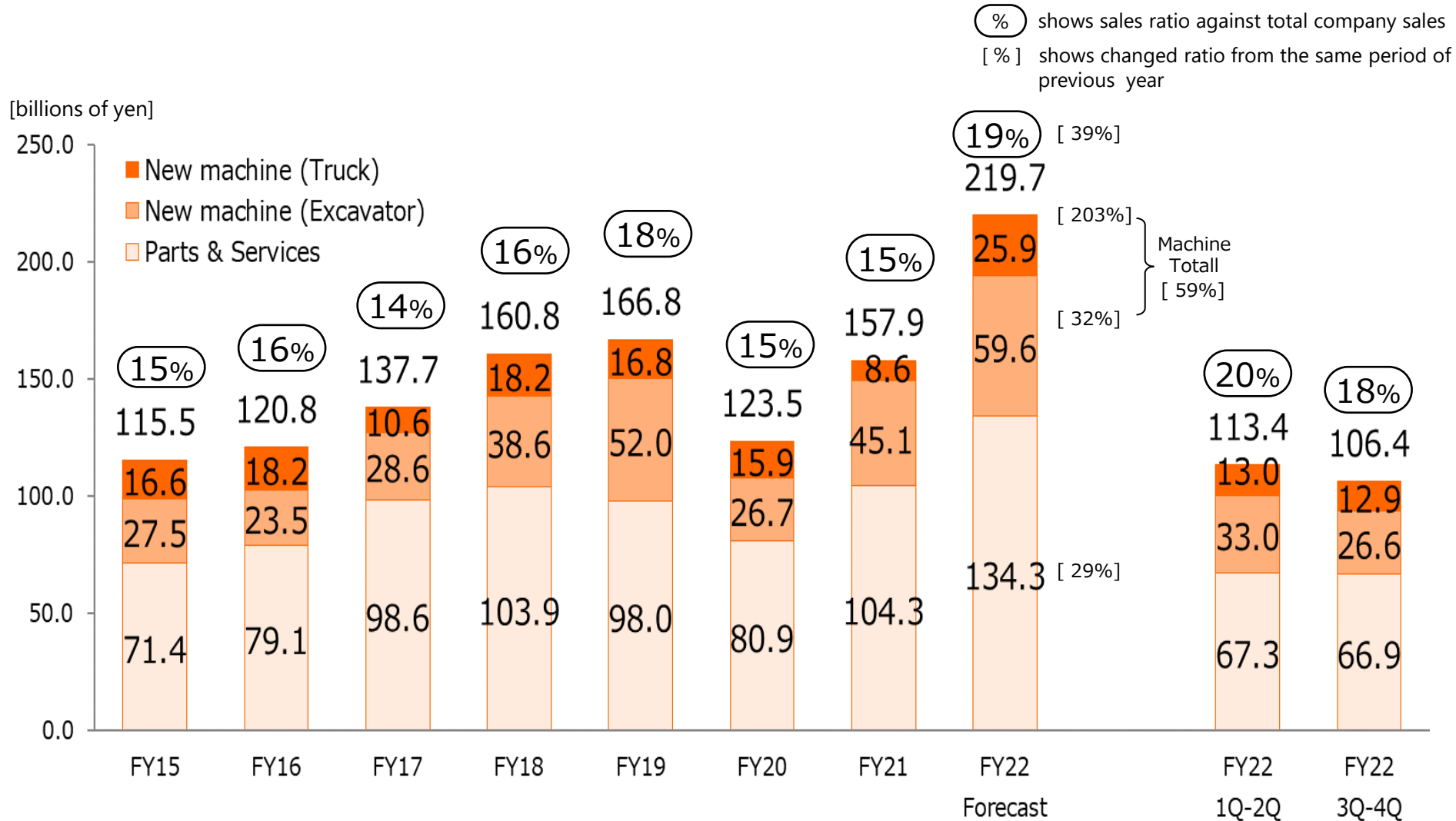
Reliable solutions

Revenue for this fiscal year is expected to increase by 13% y-y due to strong demand trends in other regions, despite significant declines in Russia and China.

[billions of yen]

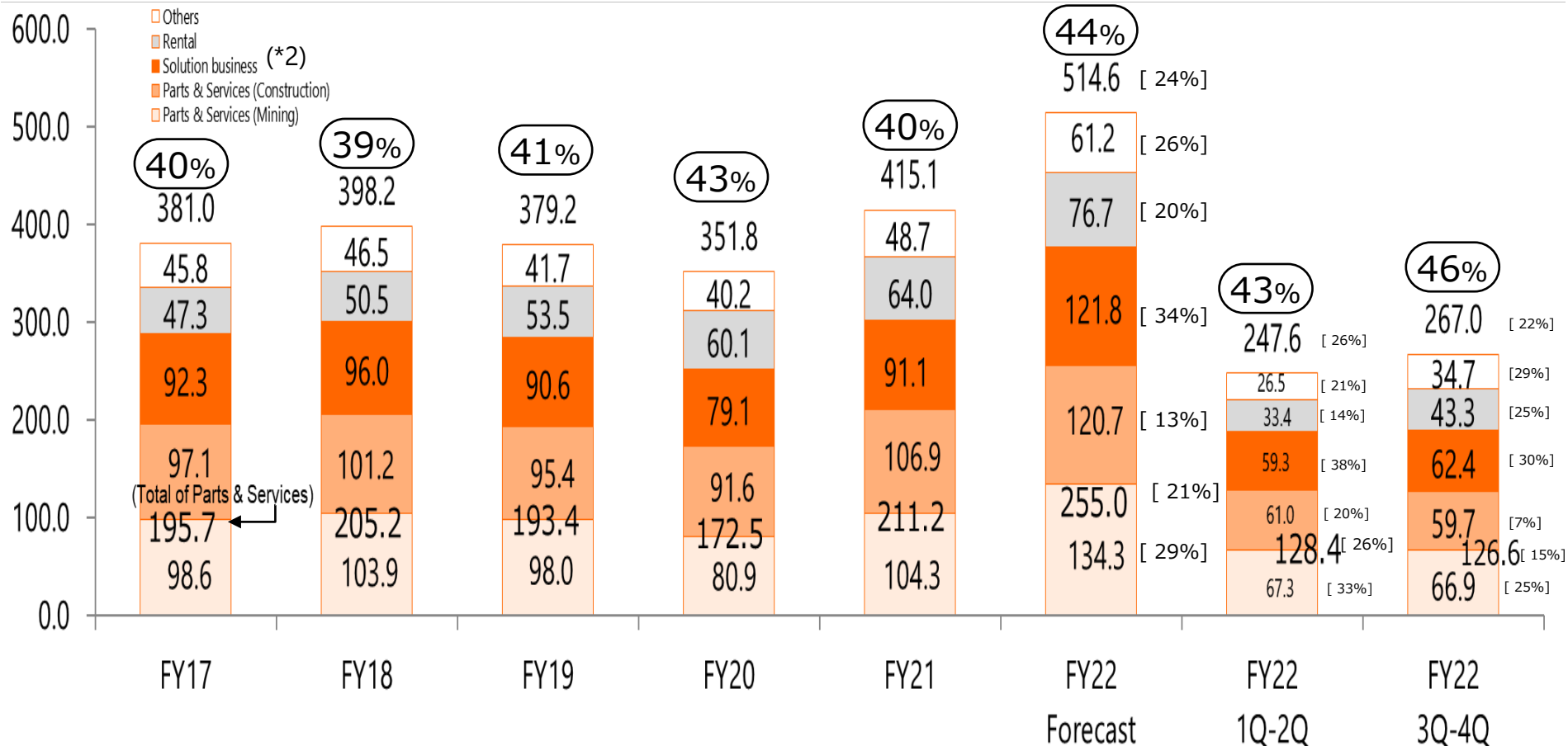
	FY2022 Forecast		FY2021 Actual		change	
					amount	%
Japan	217.8	19%	216.9	21%	0.9	0%
Asia	114.1	10%	86.4	8%	27.6	32%
India	61.9	5%	57.2	6%	4.7	8%
Oceania	209.4	18%	167.7	16%	41.7	25%
Europe	140.3	12%	124.2	12%	16.1	13%
N.America	243.8	21%	196.4	19%	47.4	24%
L.America	33.2	3%	22.7	2%	10.5	46%
Russia-CIS	29.8	3%	38.6	4%	-8.8	-23%
M.East	22.3	2%	19.2	2%	3.1	16%
Africa	52.8	5%	43.5	4%	9.3	21%
China	34.6	3%	52.1	5%	-17.5	-34%
Total	1,160.0	100%	1,025.0	100%	135.0	13%
Overseas ratio	81%		79%			

Revenue of mining in this fiscal year is expected to increase by 39% from the previous year to 219.7 billion yen y-y.



Revenue of the value chain in this fiscal year is expected to increase by 24% from the previous year to 514.6 billion yen y-y.

[billions of yen]

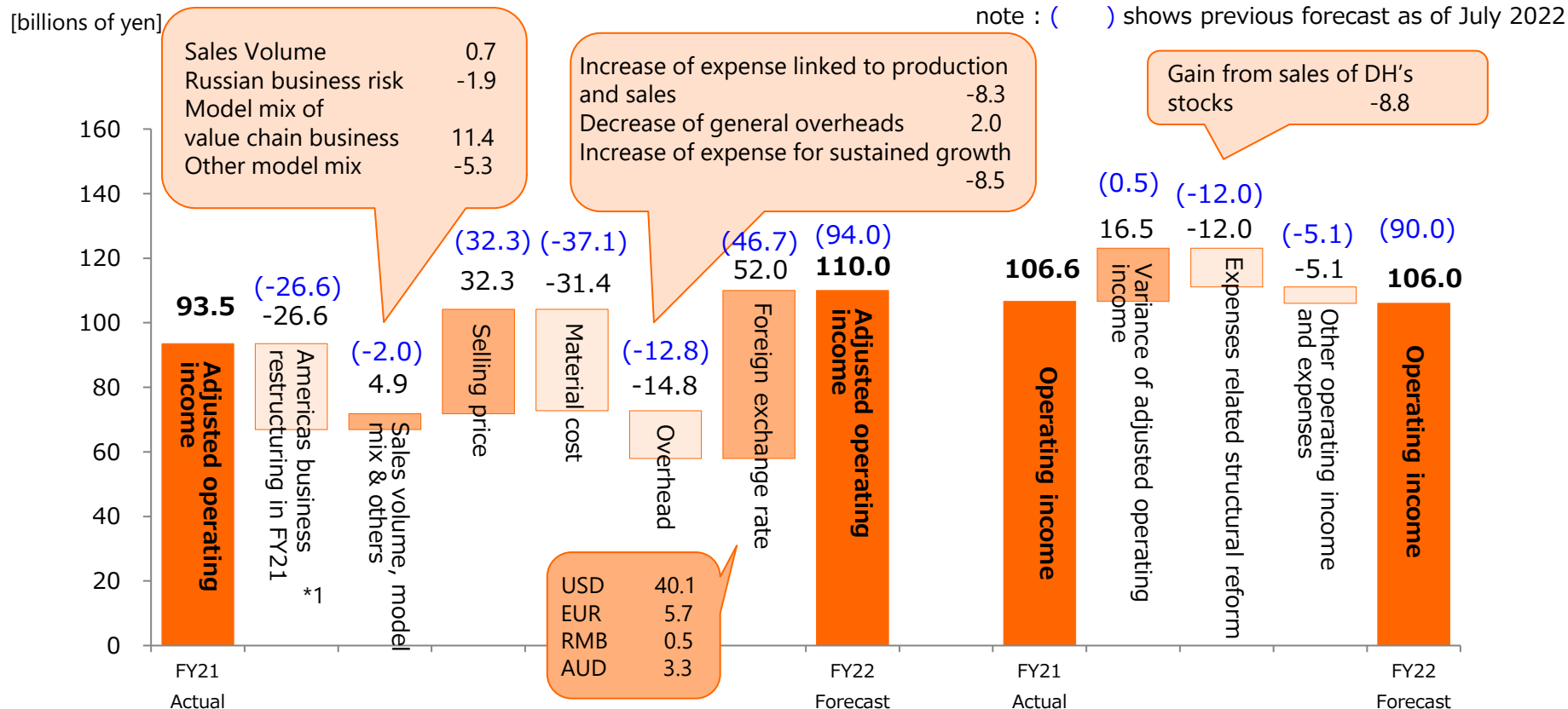


(*1) Value chain: Total of Parts & services, Solution business, Rental etc. other than new machine sales.

(*2) Solution business: The business segment primarily intends to provide development, production, distribution of parts and service solutions for mining facilities and equipment after the sales made that are not included in the construction machinery business segment.

Comparison of consolidated income forecast

Adjusted operating income increased by 16.5 billion yen y-y due to the sales price increase and the currency impact despite the absence of profit from Americas business restructuring in the previous year besides the supply chain constraint risk and Russian business risk.



*1 Price adjustment and profit-sharing

The forecast exchange rate of major currencies for this fiscal year is unchanged from the previous announcement.

FX rate and FX sensitivity

[billions of yen]

Currency	FX rate				FX sensitivity (3Q-4Q)		
	FY22			FY21 Actual	Condition	Revenue	Adjusted operating income
	1Q-2Q Actual	3Q-4Q Forecast	Total Forecast				
USD	134.1	130.0	131.8	112.6	Impact by 1 yen depreciation	1.5	1.1
EUR	138.7	140.0	139.4	130.6	Impact by 1 yen depreciation	0.4	0.4
RMB	19.9	19.5	19.6	17.5	Impact by 0.1 yen depreciation	0.1	0.1
AUD	93.7	90.0	91.9	83.0	Impact by 1 yen depreciation	1.3	0.2

Appendix 2: Detail of mining revenue

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Reliable solutions

[billions of yen]

		FY22 Forecast			FY21 Actual			Change		
		1-2Q	3-4Q	Year	1-2Q	3-4Q	Year	1-2Q	3-4Q	Year
America	Excavator	13.4	15.4	28.8	6.4	3.1	9.4	7.0	12.3	19.4
	Dump Truck	2.1	2.1	4.2	1.4	1.3	2.6	0.7	0.8	1.5
	Total	15.5	17.5	33.0	7.7	4.3	12.0	7.7	13.2	20.9
Europe, Africa and Middle East	Excavator	17.7	14.2	31.9	11.7	15.7	27.5	6.0	-1.5	4.4
	Dump Truck	11.6	11.6	23.1	7.9	9.9	17.8	3.7	1.7	5.3
	Total	29.3	25.8	55.0	19.6	25.6	45.3	9.6	0.1	9.8
Asia & Oceania	Excavator	47.1	42.8	89.9	34.1	41.5	75.6	13.0	1.3	14.3
	Dump Truck	20.5	19.7	40.2	11.3	11.7	23.1	9.2	7.9	17.1
	Total	67.7	62.5	130.1	45.4	53.3	98.7	22.3	9.2	31.5
China	Excavator	0.2	0.5	0.7	0.3	0.3	0.6	-0.1	0.2	0.1
	Dump Truck	0.1	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.0
	Total	0.3	0.5	0.8	0.3	0.3	0.7	-0.0	0.2	0.1
Japan	Excavator	0.6	0.2	0.8	0.7	0.6	1.3	-0.1	-0.4	-0.5
	Dump Truck	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	0.0
	Total	0.6	0.2	0.8	0.7	0.6	1.3	-0.1	-0.4	-0.5
Total	Excavator	79.1	73.0	152.1	53.2	61.2	114.4	25.9	11.8	37.7
	Dump Truck	34.3	33.4	67.6	20.6	22.9	43.6	13.6	10.4	24.1
	Total	113.4	106.4	219.7	73.8	84.1	157.9	39.5	22.3	61.8

The amortizations of PPA are included in the adjusted operating income of the solution business : 0.6 billion yen in FY2022 1Q-2Q, and 1.2 billion yen in the forecast for FY2022.

[billions of yen]

FY2022 1Q-2Q Actual	Reportable segment				Adjustments*1	Total
	Construction Machinery Business		Solution Business			
Revenue	519.6		62.6		-3.2	578.9
Adjusted operating income	9.1%	47.5	7.4%	4.6	-	9.0% 52.1

[billions of yen]

FY2022 Forecast	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	1,038.2	121.8	0.0	1,160.0
Adjusted operating income	9.4% 98.0	9.9% 12.0	-	9.5% 110.0

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

Appendix4 : Actual and forecast of consolidated capital expenditures, depreciation, and R&D expenses

HITACHI

Reliable solutions

Capital expenditures for FY2022 include more than the usual, mainly for the construction of new domestic factory facilities and the expansion of the rental business.

1.Capital Expenditure (Based on completion)

[billion of yen]

	FY2019	FY2020	FY2021	FY2022 1Q-2Q	FY2022 3Q-4Q	FY2022
	Actual	Actual	Actual	Actual	Forecast	Forecast
Capital Expenditure	47.2	34.7	45.3	34.9	42.7	77.6
Assets held for operating lease	36.9	38.6	44.3	21.5	29.6	51.1
Total	84.1	73.4	89.6	56.4	72.3	128.7

2.Depreciation (tangible and intangible fixed assets)

[billion of yen]

	FY2019	FY2020	FY2021	FY2022 1Q-2Q	FY2022 3Q-4Q	FY2022
	Actual	Actual	Actual	Actual	Forecast	Forecast
Capital Expenditure	34.2	35.3	37.6	19.9	20.5	40.3
Assets held for operating lease	12.0	14.9	17.9	10.8	11.1	21.9
Total	46.1	50.2	55.5	30.6	31.6	62.3

3.R&D expenses

[billion of yen]

	FY2019	FY2020	FY2021	FY2022 1Q-2Q	FY2022 3Q-4Q	FY2022
	Actual	Actual	Actual	Actual	Forecast	Forecast
Total of consolidation	23.7	24.8	25.5	11.7	15.3	27.0

We have chosen to align our activities with 10 of the 17 SDG's.
Topics in this explanatory material are shown together with their corresponding SDG icon.



Cautionary Statement

This material contains forward-looking statements that reflect management's views and assumptions in the light of information currently available with respect to certain future events, including expected financial position, operating results, and business strategies. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured.

Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, changes in the economic conditions in the Company's principal markets; changes in demand for the Company's products, changes in exchange rates, and the impact of regulatory changes and accounting principles and practices.

Trademark notice

AERIAL ANGLE, ConSite and Solution Linkage are registered trademark of Hitachi Construction Machinery Co., Ltd.

END



**ZAXIS-7 series of hydraulic excavators
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