

Explanatory Meeting for Business Results for FY2019 ended March 31, 2020 and Direction of our Medium-term Corporate Strategy

May 28, 2020

Kotaro Hirano

Executive Officer, President & CEO

Masafumi Senzaki

Executive Officer, President, Marketing Div.

Keiichiro Shiojima

Executive Officer, CFO

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



- **Established Coronavirus Countermeasures Office to promote global response measures**

In early March, we established a Coronavirus Countermeasures Office in the Hitachi Construction Machinery head office to gather information and draft policies from a BCP perspective and implement virus prevention measures for the entire Group.

- **Prioritize health and safety and preventing the spread of infection inside and outside the company**

Placing safety first, we make the health and safety of all stakeholders, including our customers, partners, Group employees, and their families, our highest priority

- **Use tele-working and domestic production plants to continue production activities**

To reinforce working from home or tele-working for indirect workers while also meeting the needs of our customers throughout the world, we will continue production activities by focusing on collaborating with major production plants in Japan

● Impact on new machine demand

COVID-19 is impacting the entire world. Demand for construction machinery has decreased significantly and there are ongoing concerns due to lack of market transparency. New investments in mining machinery are down due to a lack of certainty about the global economy and moving forward we expect to see a decline in new machinery demand.

● Status of our sales and services

Operations have stopped at construction sites in some regions due to pandemic prevention measures implemented by various countries. However, customers in many regions are still operating due to their positioning as essential businesses. We will continue to implement all necessary measures to prevent the spread of infection while engaging in sales and service activities to respond to the needs of our customers around the world. Through our fully-automated ConSite® system, which remotely monitors machinery to predict malfunctions, we will support the stable operations of customers and continue to provide parts and services.

Due to the lack of market transparency as of the end of May, we have decided to forego announcing a new Medium-term Management Plan, which would have started this fiscal year. We will limit our briefing to an explanation of the direction of our medium-term corporate strategy.

- **Emergency measures to strengthen profitability**

We will forego plans for non-essential investments, enhance cost management, optimize plants, and further promote business selection

- **Promote optimization of inventory based on market trends**

Pay attention to market trend such as recovery trends while working continuously to optimize inventory by adjusting production activities

- **Timely and appropriate information disclosure**

Flexibly revise policies based on changes in the market environment, ensure timely and appropriate announcements related to matters impacting earnings, and maintain dialogue with stakeholders

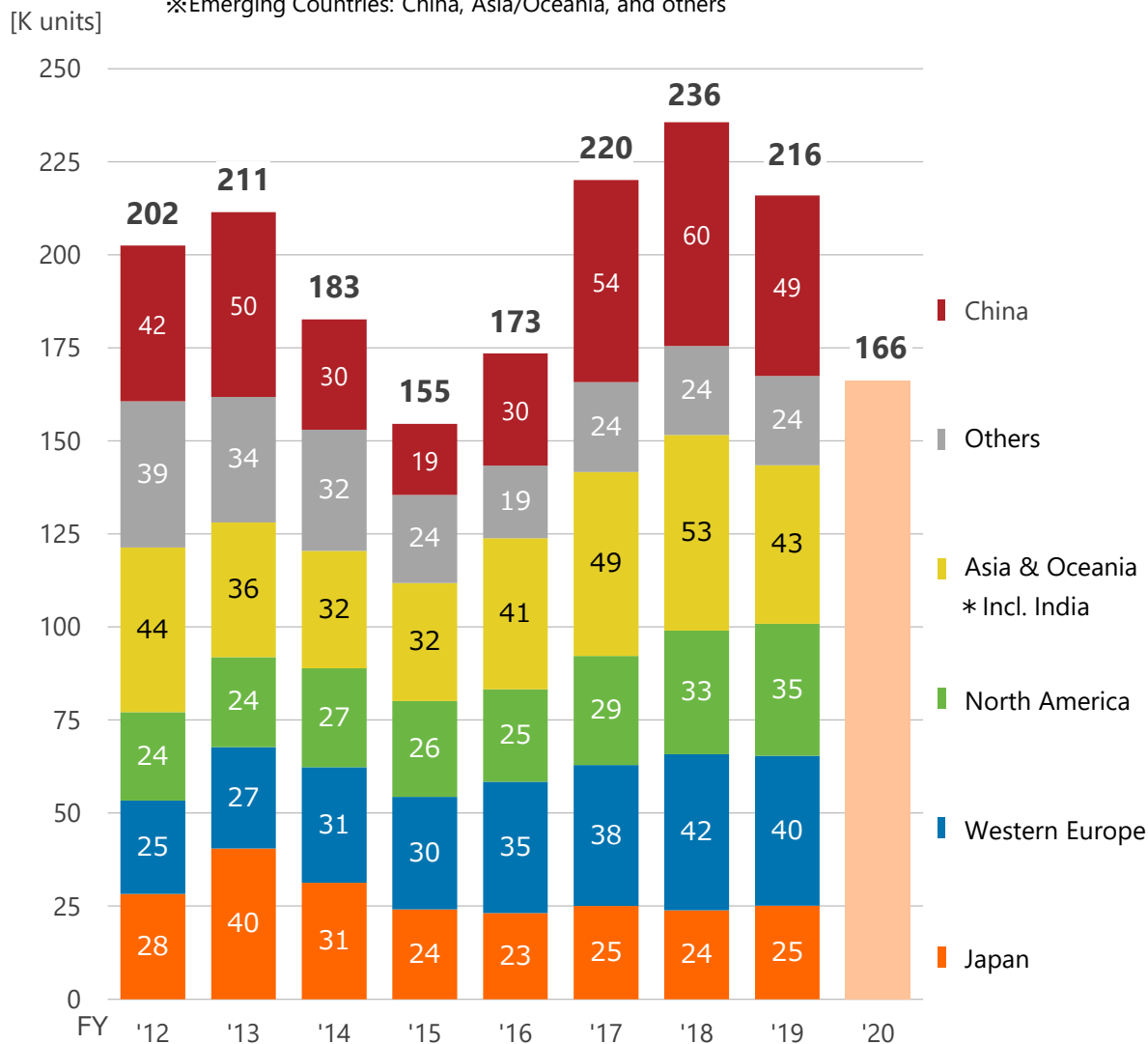
Regional Market Environments and Projections

Masafumi Senzaki

Executive Officer, President, Marketing Div.

Emerging Countries ratio : FY2019 : 53% (y-y Change : -5%)

※Emerging Countries: China, Asia/Oceania, and others



Year-on-Year-Change

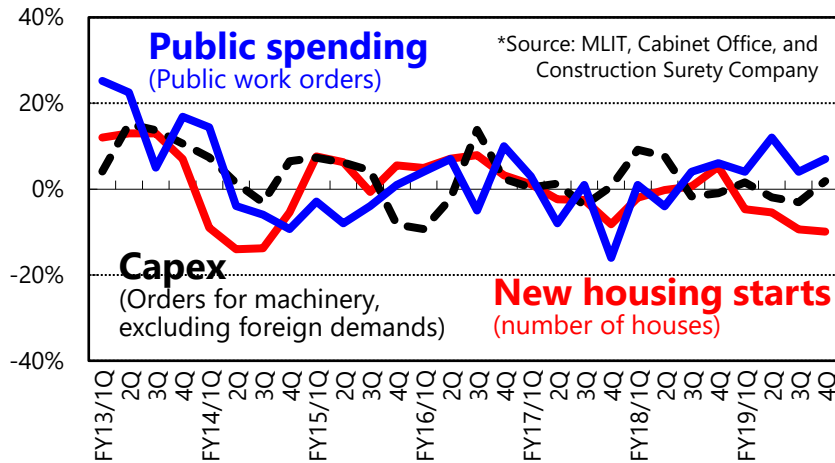
※Estimates by HCM, Excluding Chinese manufacturers

※Distributing, copying, or forwarding prohibited

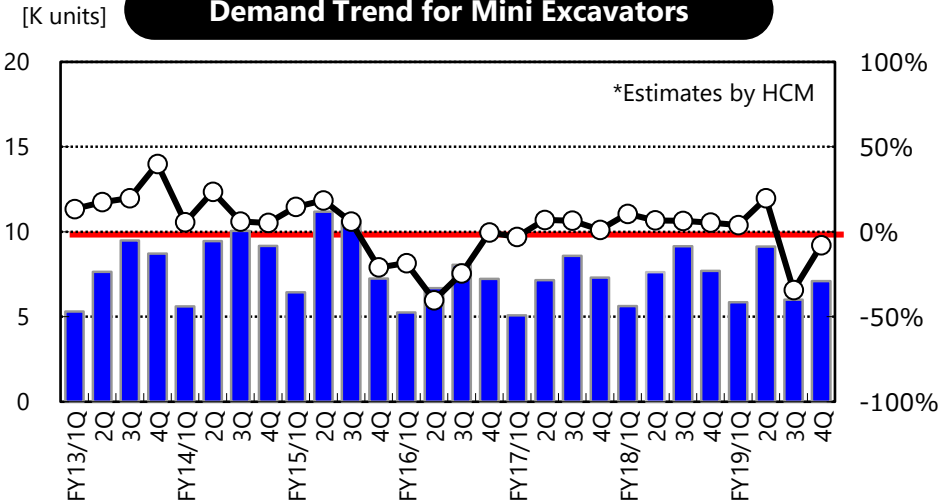
	'18	'19	'20
Total	+7%	-8%	-23%
China	+11%	-19%	
Russia,CIS, E Europe	+31%	-1%	
Africa	-4%	-17%	
Middle East	-45%	+9%	
Latin America	+5%	+10%	
Others	-1%	+0%	
India	+14%	-18%	
Indonesia	+13%	-26%	
Others	-3%	-17%	
Asia & Oceania	+6%	-19%	
N America	+13%	+6%	
W Europe	+11%	-4%	
Japan	-5%	+5%	

- Housing investment decreased, but public investment increased.
Capital investment remained at the same level as the same period of the previous fiscal year.
- Demand for hydraulic excavators remained unchanged from the previous year, and demand for mini excavators and wheel loaders decreased ($\pm 0\%$, -8% , and -8% y-y, respectively).

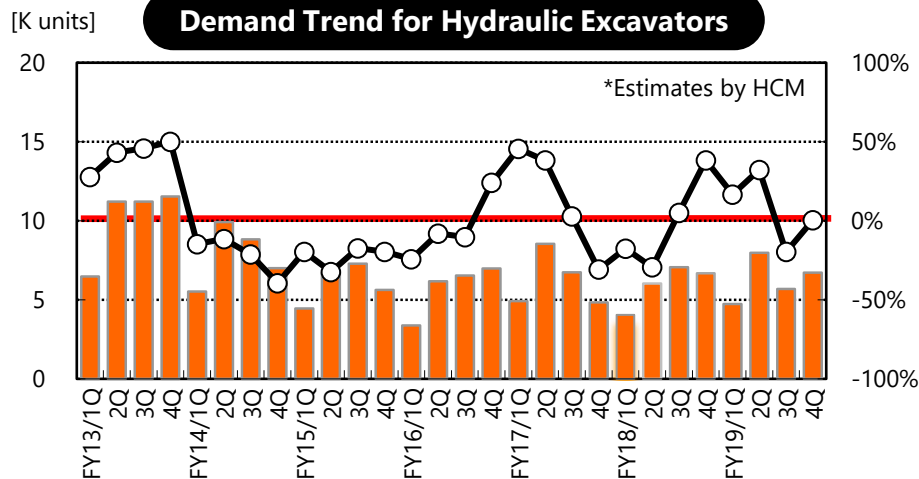
Market Environment Housing/Public Spending and Capex (y-y)



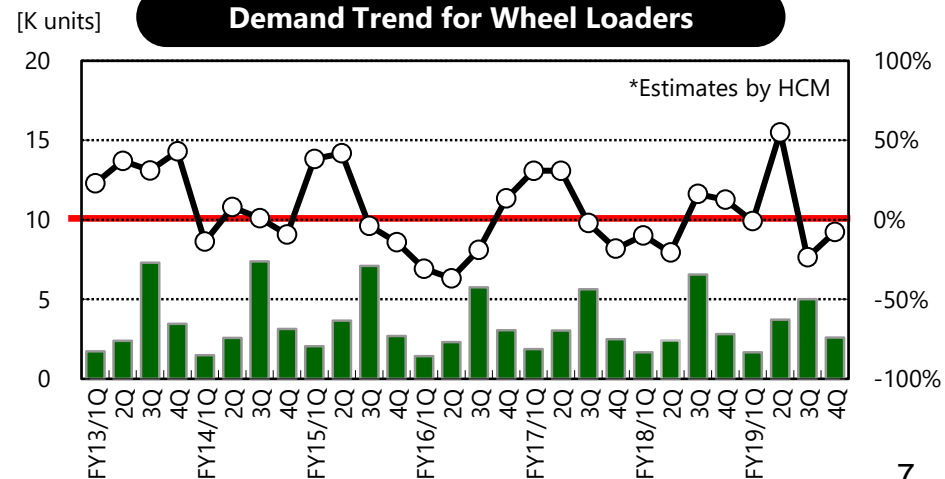
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

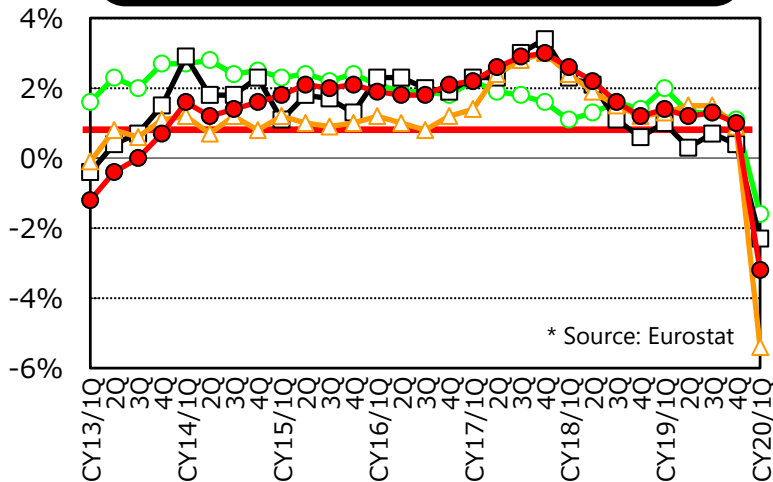


Demand Trend for Wheel Loaders

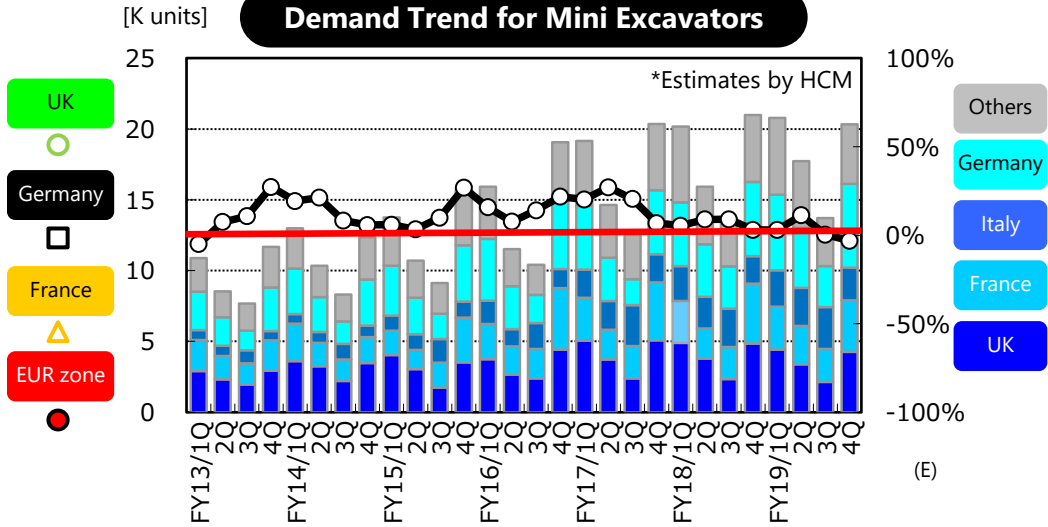


- Throughout the Eurozone, GDP growth rate increased slightly.
- Demand for hydraulic excavators decreased, while demand for mini excavators and wheel loaders decreased slightly (-18%, -3%, and -2% y-y , respectively).

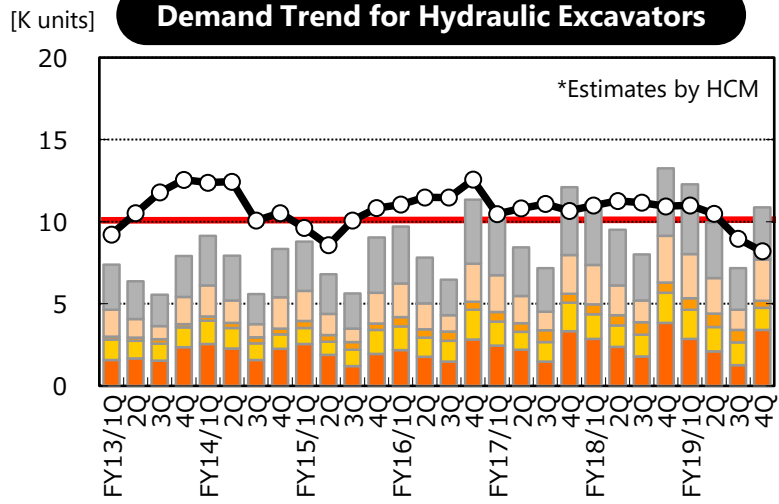
GDP Growth Rate in Major Countries (y-y)



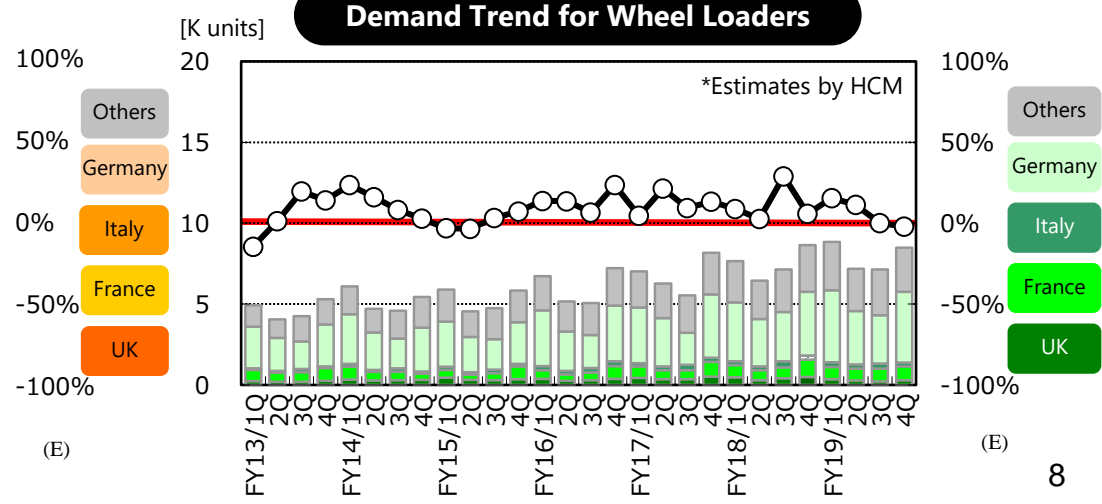
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



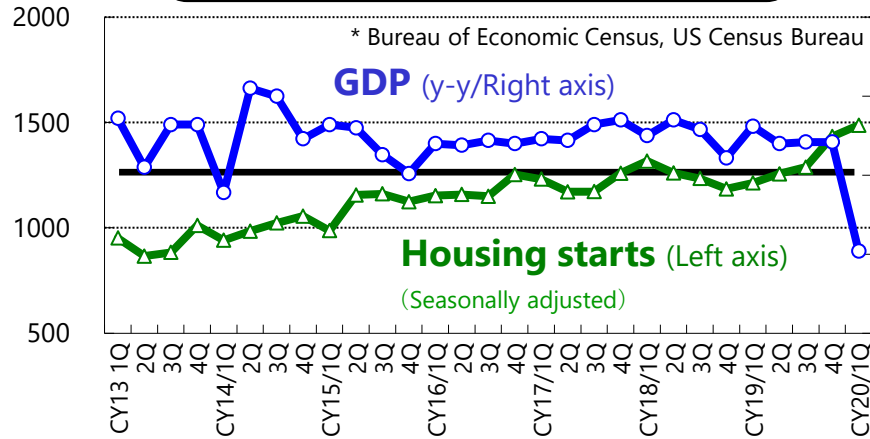
Demand Trend for Wheel Loaders



- The U.S. GDP growth rate declined, housing starts continuing to increase, and construction spending continuing to increase in Residential.
- Demand for hydraulic excavators slightly decreased, while demand for mini excavators slightly increased (-4% and 2% y-y, respectively).

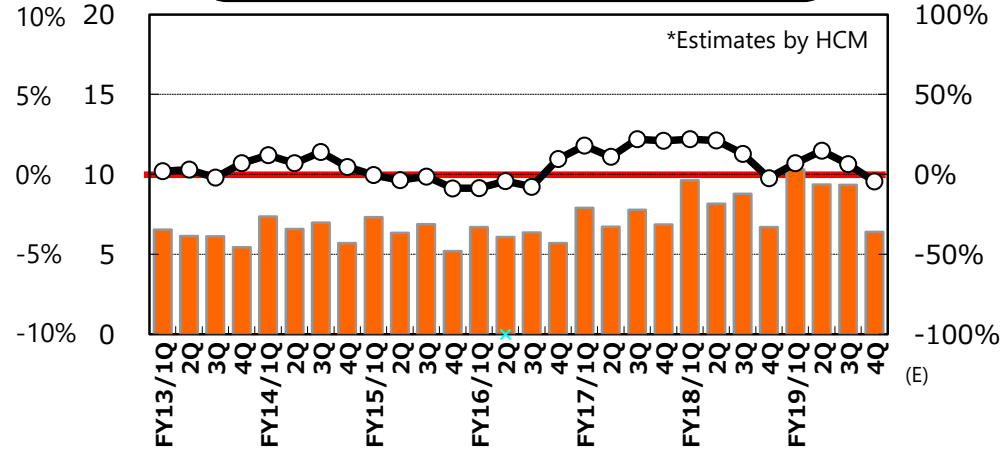
[K units]

GDP Growth Rate, Housing Starts in US

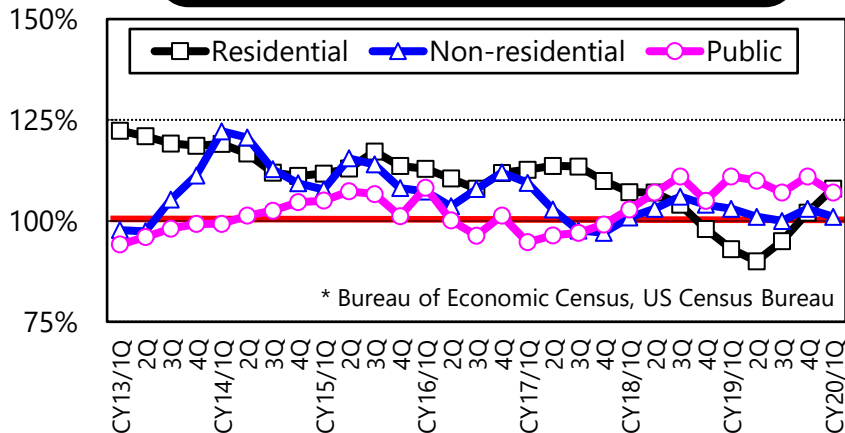


[K units]

Demand Trend for Hydraulic Excavators

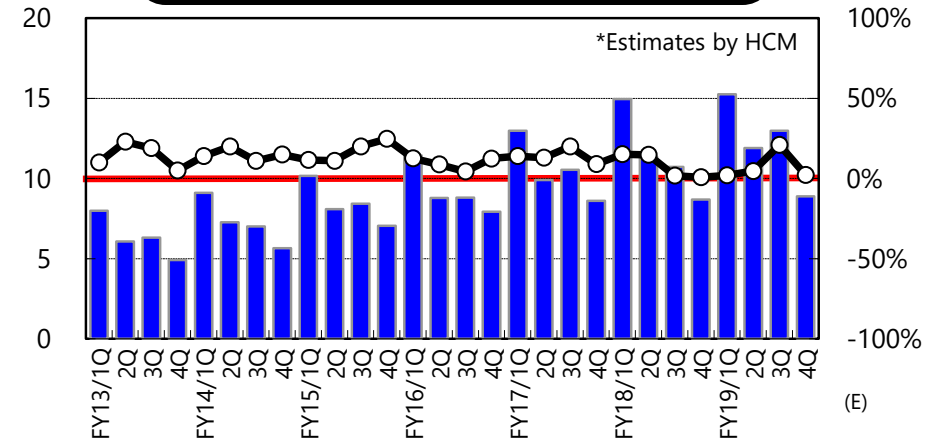


Construction Spending in US (y-y)



[K units]

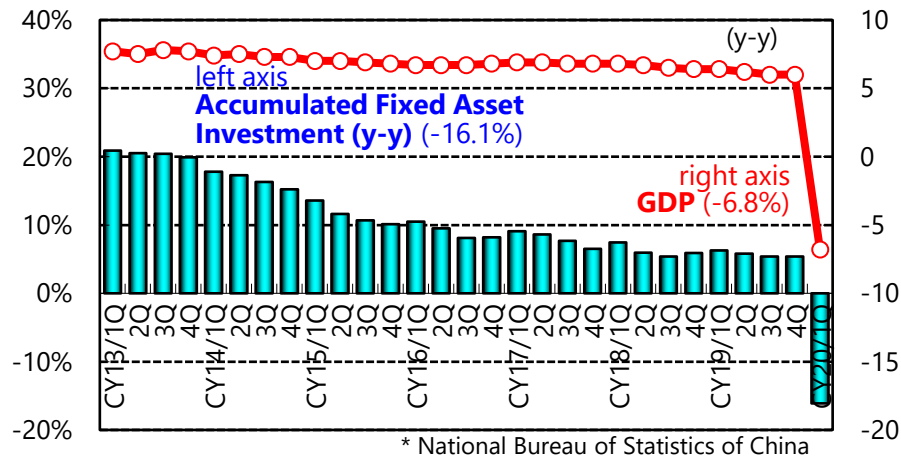
Demand Trend for Mini Excavators



- Negative GDP growth rate of 6.8%.
- Demand for hydraulic excavators decreased (-31% y-y, Foreign manufactures only).

GDP and Fixed Asset Investment

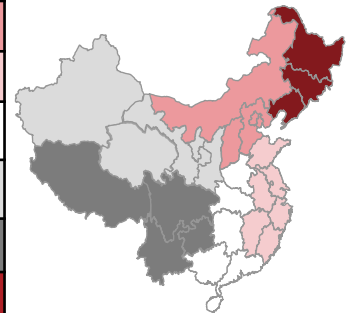
[%]



Quarterly Demand for Hydraulic Excavators by Region (y-y)

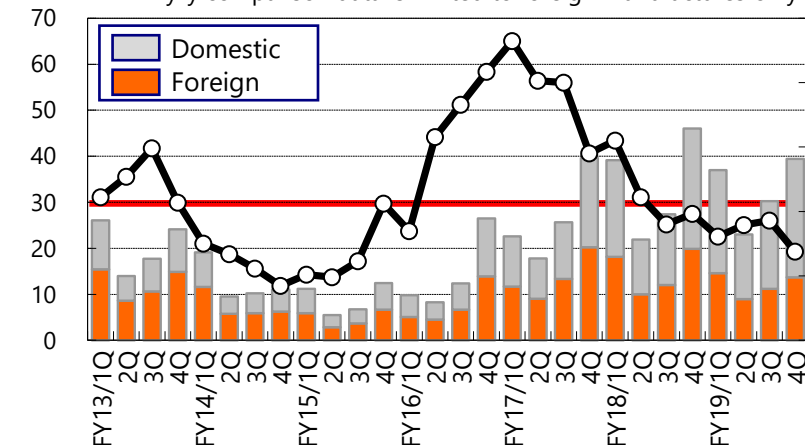
FY19	1Q	2Q	3Q	4Q
North East	-19	-3	+65	+9
North	-6	-30	-21	-48
East	-22	-5	-1	-24
Central South	-12	+2	-8	-32
North West	-6	-17	+7	-41
South West	-37	-21	-16	-32
Total	-19	-10	-7	-31

*Estimates by HCM
*Foreign manufactures only



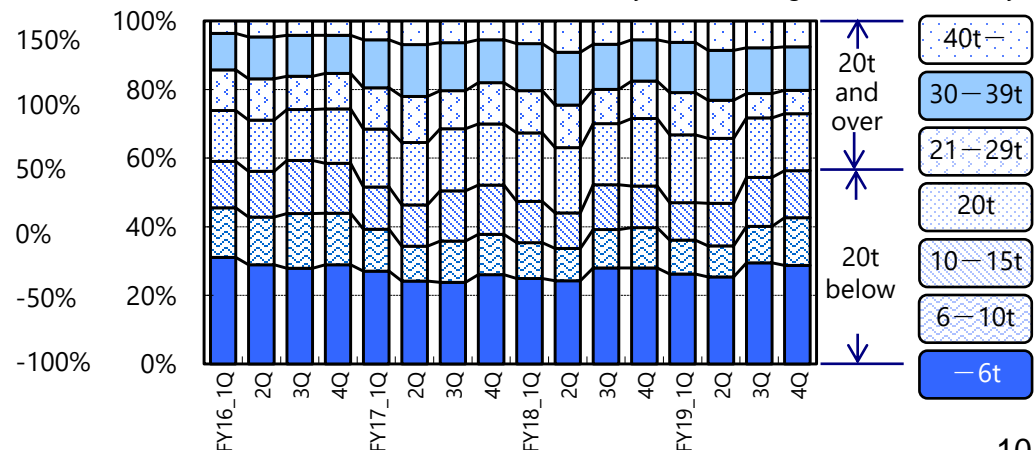
Demand Trend for Hydraulic Excavators

*Estimates by HCM
y-y comparison data is limited to foreign manufactures only

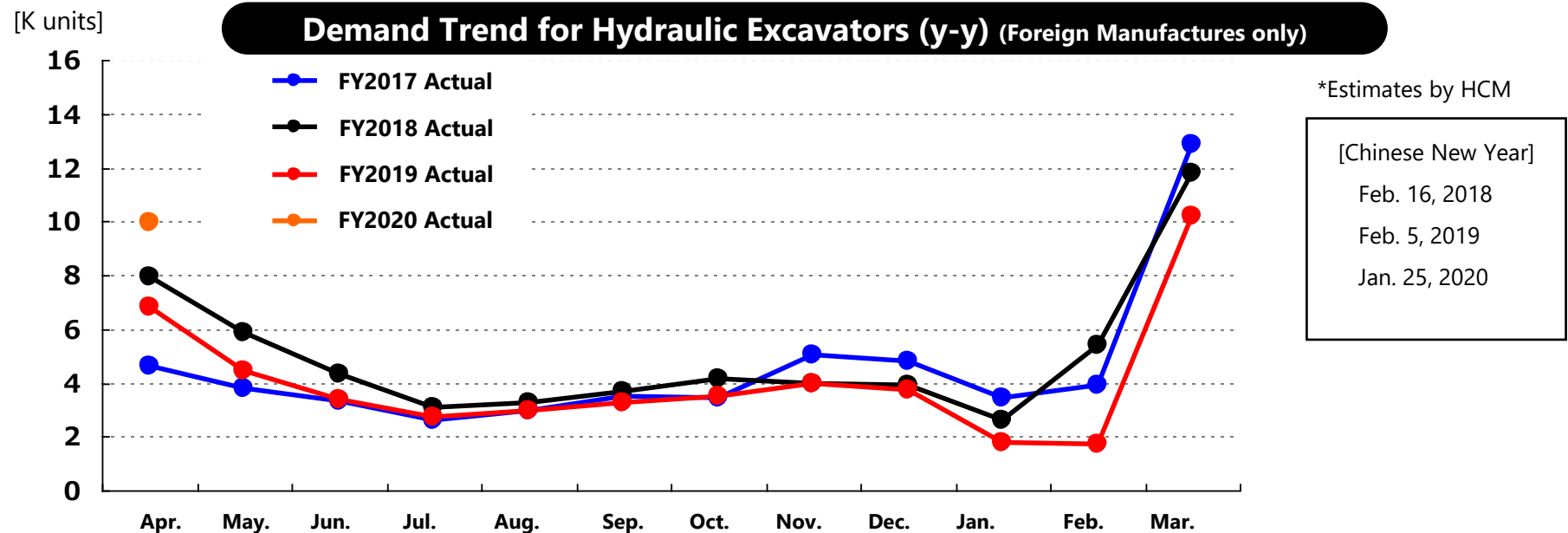
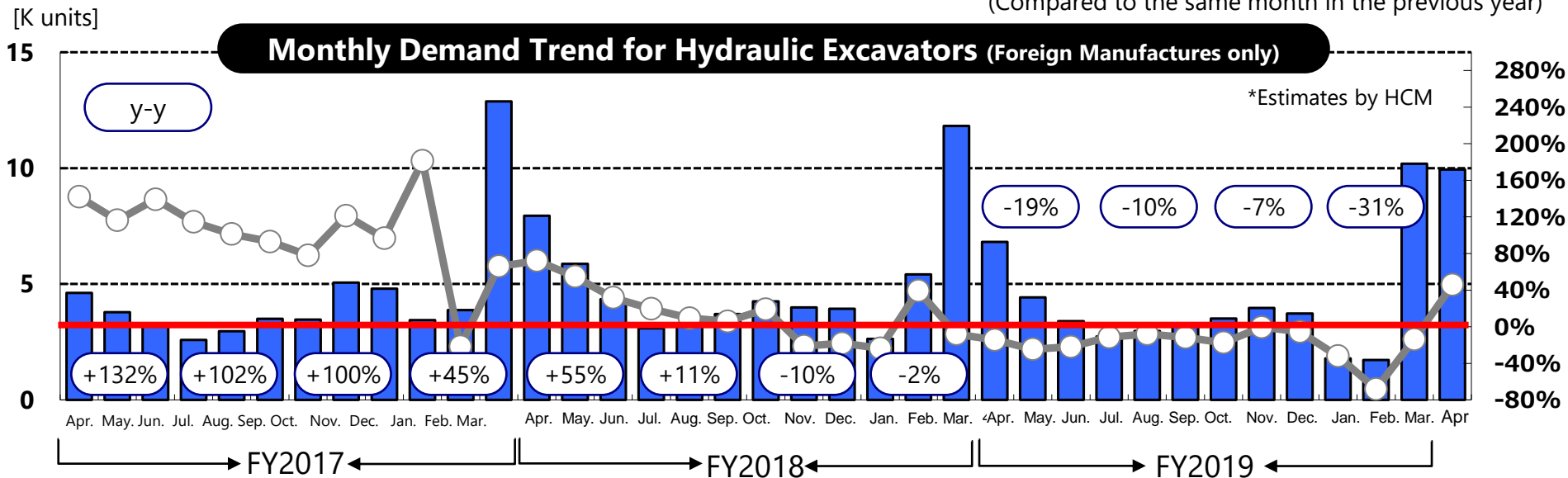


Demand Composition by Class for Mini Excavators and Hydraulic Excavators

*Estimates by HCM *Foreign manufactures only

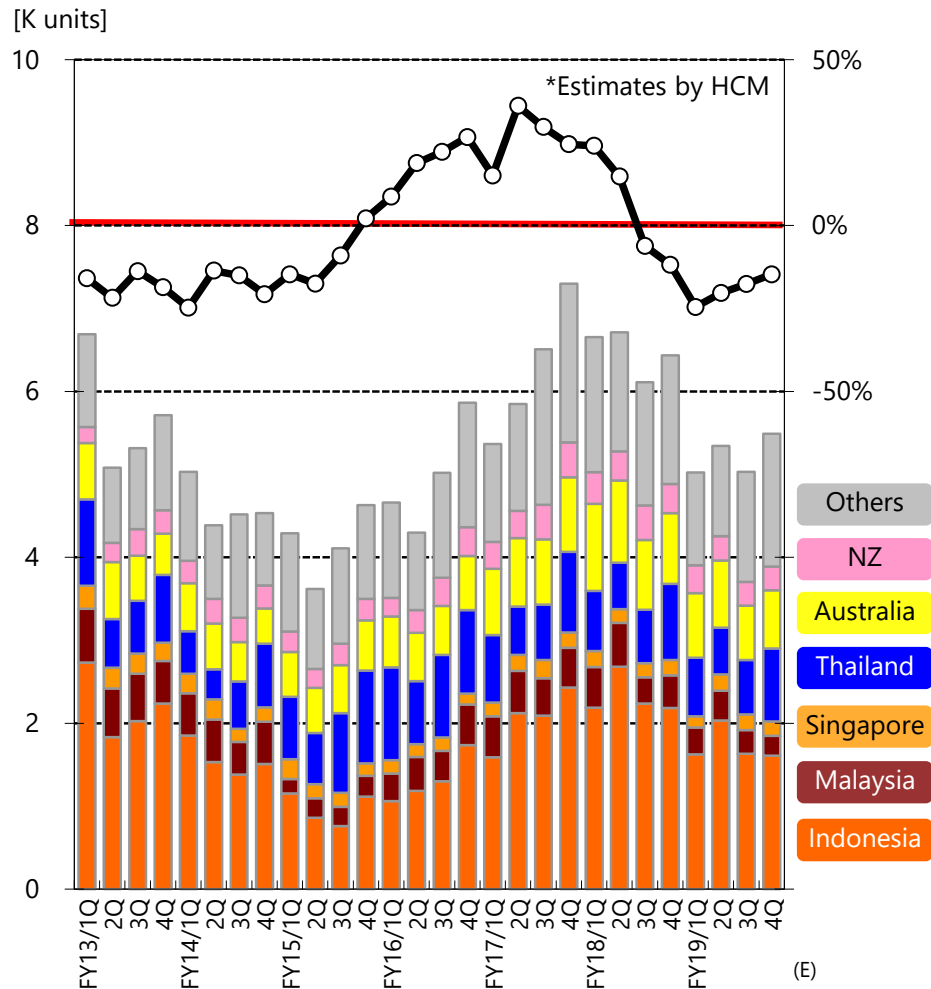


(Compared to the same month in the previous year)

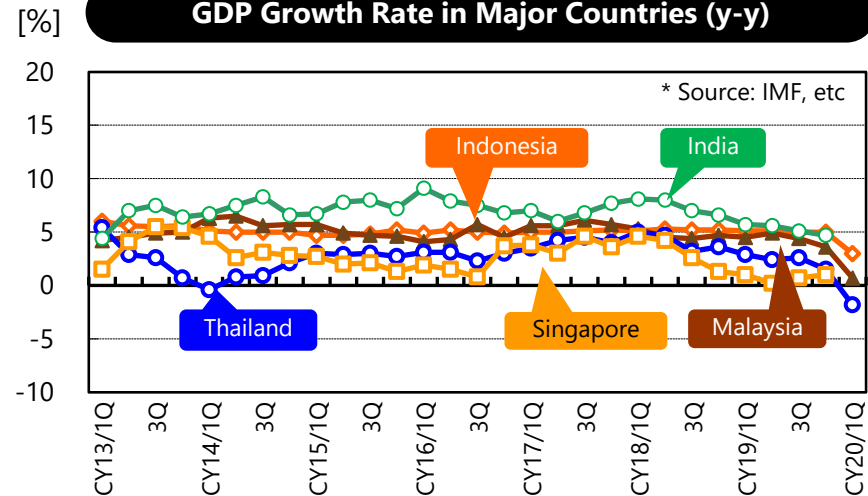


- Demand for hydraulic excavators decreased overall in the Asia Pacific region (-15% y-y).
- Demand for hydraulic excavators decreased in India (-23% y-y).

Demand Trend for Hydraulic Excavators in Asia & Oceania

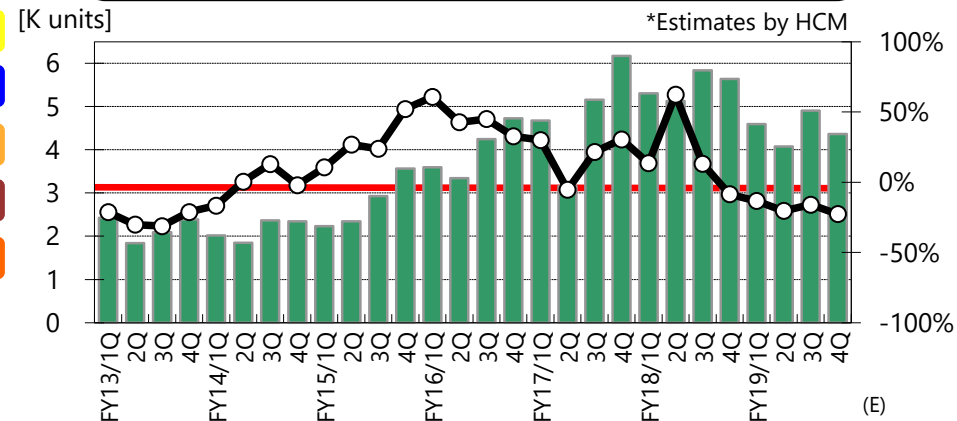


GDP Growth Rate in Major Countries (y-y)



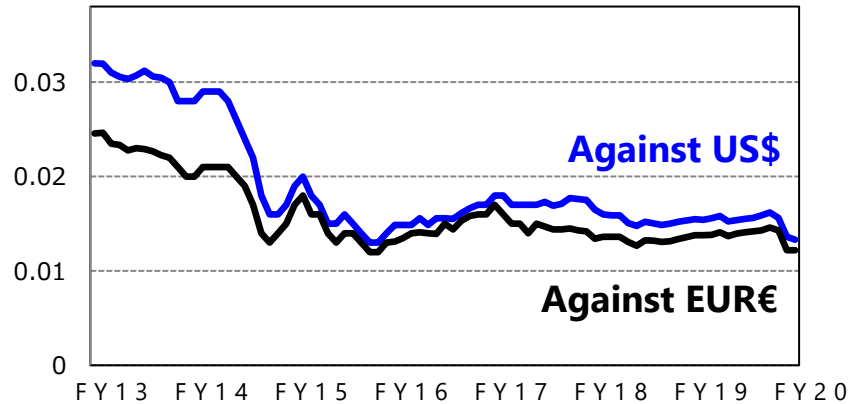
※ Calculation criteria for GDP growth rate in India was revised in CY2013 2Q

Demand Trend for Hydraulic Excavators in India



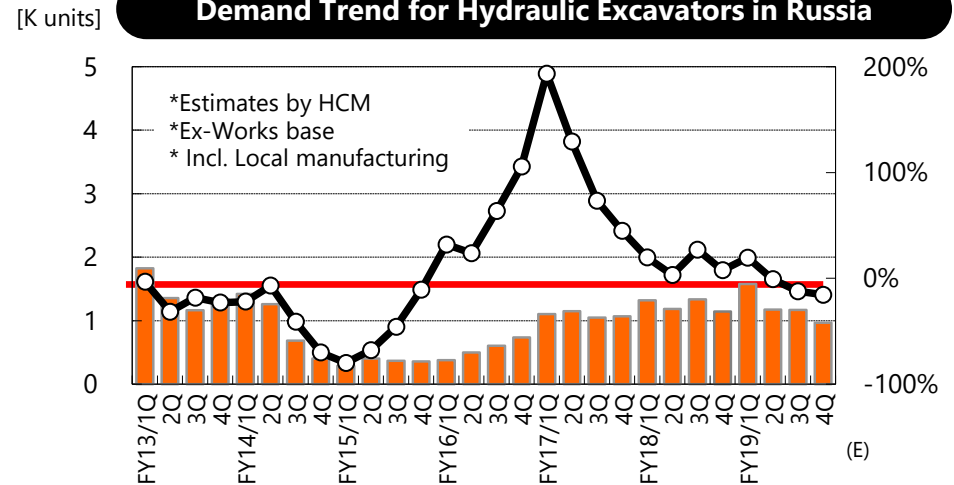
- Demand for hydraulic excavators decreased (-16% y-y) in Russia.
- Demand for hydraulic excavators in the Middle East has turned upward.

Foreign Exchange Rate of the Ruble

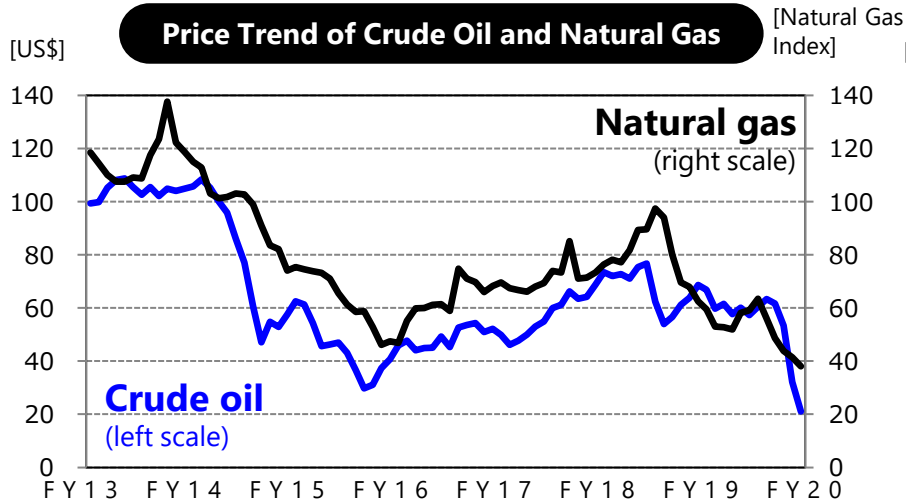


* According to HCM's research

Demand Trend for Hydraulic Excavators in Russia

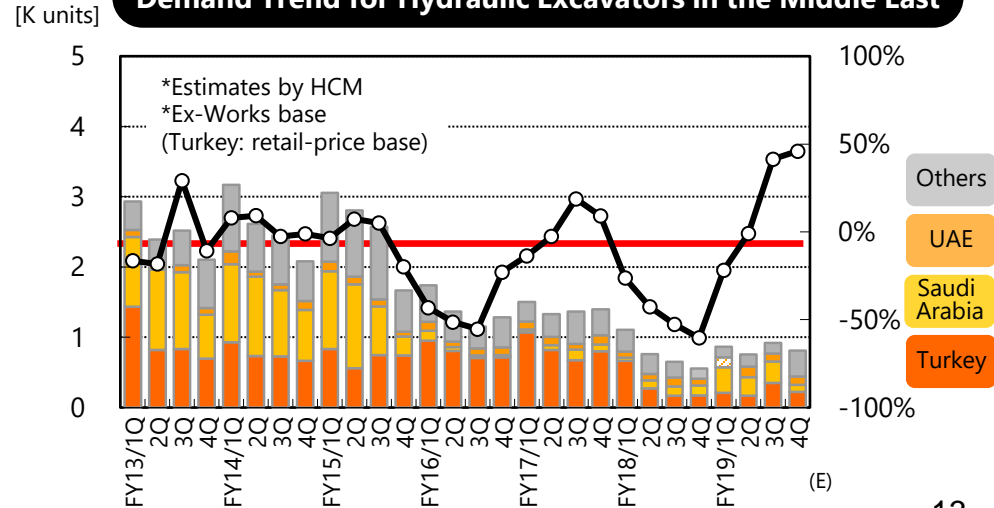


Price Trend of Crude Oil and Natural Gas



* Created by HCM, sourced from World Bank * Natural Gas Index (2010 = 100)

Demand Trend for Hydraulic Excavators in the Middle East

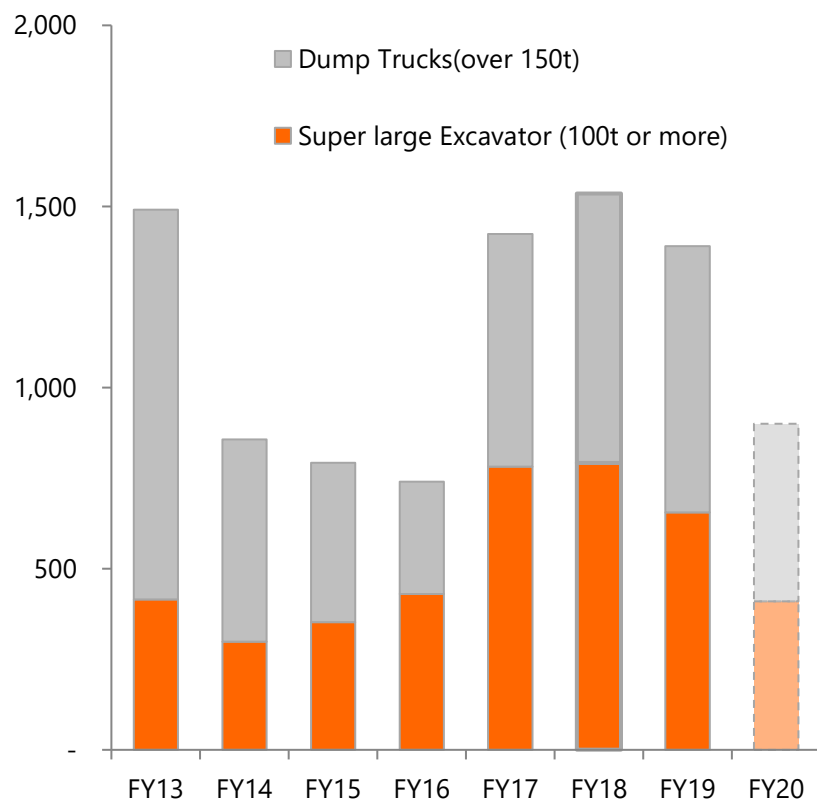


■ Demand for mining machinery in FY2019 decreased due to the impact of falling resource prices (-10% y-on-y).

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

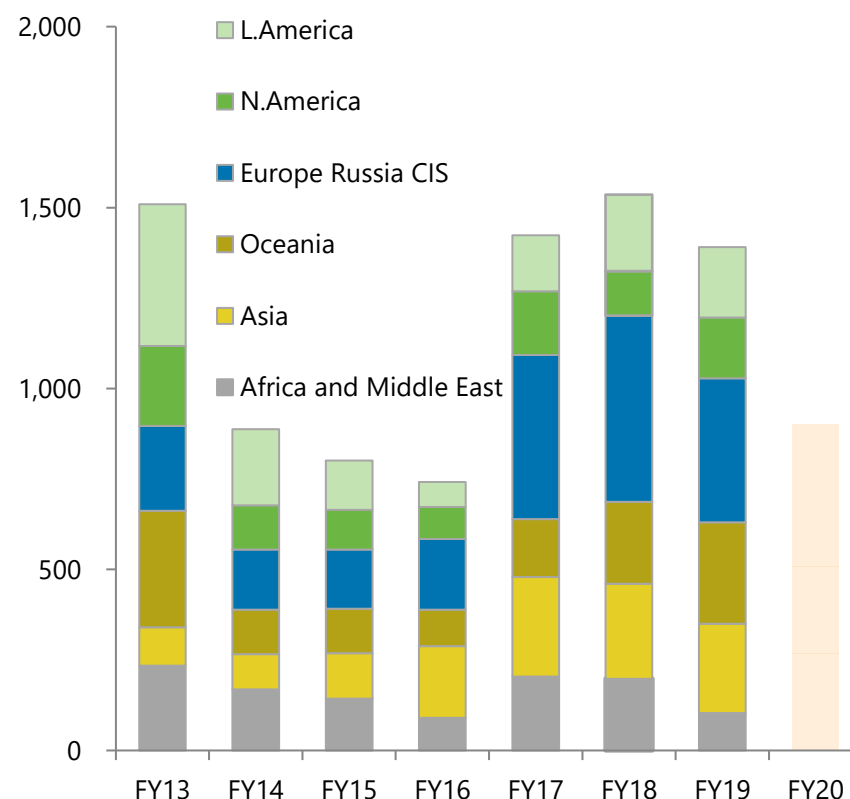
[Units]

Demand by product

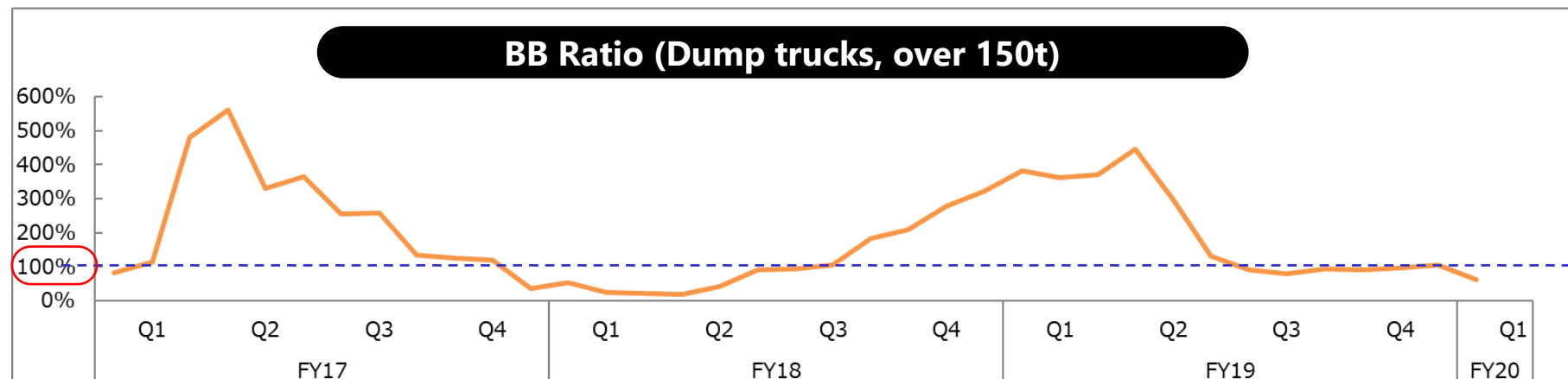
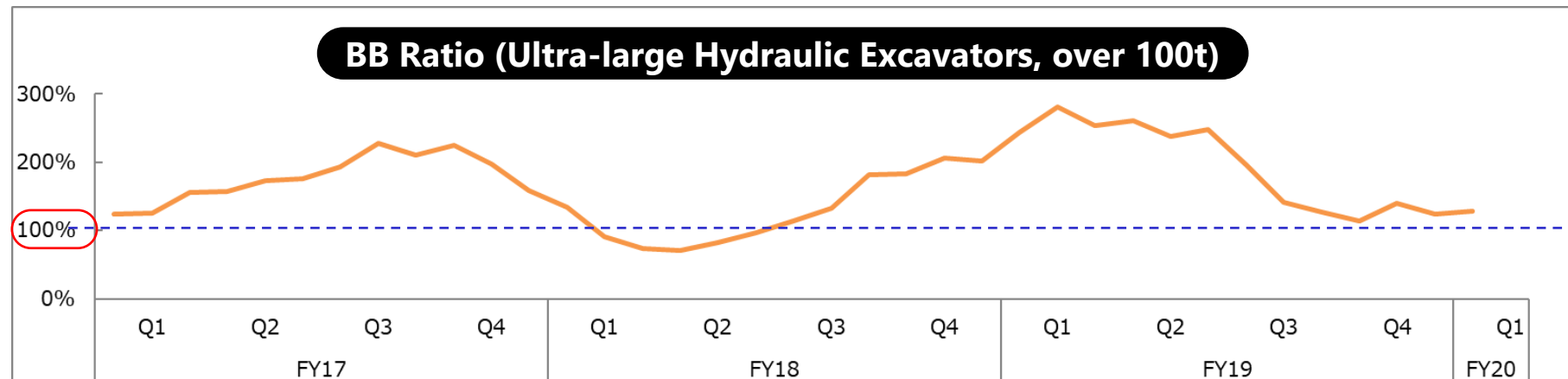


[Units]

Demand by region



※ According to HCM's research



* Book-to-Bill(BB) Ratio = Bookings (Orders received)/Billings (Value of shipment)
Non-consolidated basis (average of 6 months)

Region	Market trends
Japan	Emergency status declaration lifted on May 25 but there are ongoing concerns due to lack of market transparency
Western Europe	Regulations easing in each country but there are ongoing concerns due to lack of market transparency
China	Demand returning beginning with small-size machinery as market conditions begin to return to normal. Part of post-Lunar New Year sales season pushed back to FY20, expecting additional policies at National People's Congress
North America	Trending towards easing of regulations but there are ongoing concerns due to lack of market transparency
Asia	Trending towards easing of regulations but there are ongoing concerns due to lack of market transparency
India	Ongoing concerns due to lack of market transparency but Modi administration economic policies expected to drive recovery
Oceania	Mining is an essential business that is not significantly impacted by the coronavirus and general construction machinery is expected to recovery gradually

Region	Plant name	Location	Status	Production resumption
Japan	Hitachi Construction Machinery, Hitachi Construction Machinery Tierra, etc. (total of 7 plants)	Ibaraki Prefecture, etc.	Operating	Continuing operations
Europe	Hitachi Construction Machinery Europe	Netherlands	Operating	Continuing operations
China	Hitachi Construction Machinery China	Anhui Province	Operating	Operating since mid-March
Asia and Oceania	Tata Hitachi Construction Machinery	India	Operating	Operating since beginning of May
	Hitachi Construction Machinery Indonesia	Indonesia	Operating	Continuing operations
Russia, CIS	Hitachi Construction Machinery Eurasia	Russia	Operating	Operating since early April

*Plant operations adjusted continuously based on status (Updated details available on website)

- Donated 10 million yuan (approx. 15 million yen) to the Shanghai Charity Foundation in China
- Continuing production while disinfecting and practicing 3Cs
- #StaySafe video promotion for health and safety by Hitachi Construction Machinery (Europe)
- Provided PPE for the MHLW through the *Keidanren* (Japan Federation of Economic Organizations) (N95 masks: Approx. 10,700, surgical masks: Approx. 20,800, goggles, and other PPE)



**Cooperation with
Hitachi Construction Machinery
(Shanghai)**



Promotion via social media

Hitachi Construction Machinery (Shanghai)

Sales promotion for the ZX60C-5A, specifically for the Chinese market, by social media live broadcasting.

- Broadcast date: May 22, 2020, 12:30 to 13:30 (local time in China)
- Broadcast channel (social media): DOU YIN, WEIZAN
- Impact: Approx. 17,000 likes on Hitachi Construction Machinery (Shanghai) official DOU YIN
Approx. 40,000 visitors to WEIZAN, 3,800 comments
Follow-up by sales dealers is scheduled



Social media live broadcasting



Product introduction with actual machine

- Six rigid dump trucks equipped AHS (Autonomous Haulage System) in operation at Maules Creek mine owned by Whitehaven Coal in Australia.
- Whitehaven aims to have 24/7 operation by June 2020.



The dump truck EH5000AC-3 equipped with AHS

- Inspired by the desire to support the customer, contributing to society through infrastructure development in Japan, together with local pro baseball teams
- Applicable for mini excavators and mini wheel loaders
- Launching special design model is a first for our company
- Simultaneous collaboration with multiple pro baseball teams is a first for Japanese construction machinery industry



Topic: Soil volume measurement service Solution Linkage® Survey product line expansion

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- Enhanced the functions of soil volume measurement services using smartphone, expanded to two product lines



9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



8 DECENT WORK AND
ECONOMIC GROWTH



Advanced version:

- Compliant with MLIT volume calculation parameters
Enables invoicing based on construction progress
- Collaboration with Fukui Computer cloud service CIMP HONY Plus
Achieves **real-time progress management** using 3D data

Standard version:

- Easy soil volume measurement** without need for specialized equipment or knowledge

Topic: Launched provision of industry-first*1 smartphone app for diagnosing the condition of construction machinery

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- Developed *ConSite® Health Check*, an app for diagnosing the condition of construction machinery. Began offering in March 2020.
- Service technicians can **use a smartphone to quickly diagnose construction machinery based on its operation sound and measurement data**. An app able to determine the condition of machinery is a construction machinery industry first.*1

9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE

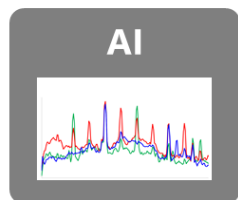


8 DECENT WORK AND
ECONOMIC GROWTH



Diagnosis of fuel injectors

Wireless connection



Report

インジェクタ診断結果(A~D)	
インジェクタ #1	A
インジェクタ #2	A
インジェクタ #3	C
インジェクタ #4	B

Evidence-based suggestion of maintenance



Diagnosis of hydraulic pumps

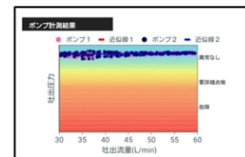
Wireless connection



View instructions measurement



Report



*1: March 23, 2020, Hitachi Construction Machinery research

Business Results for FY2019 ended March 2020

(April 1, 2019 - March 31, 2020)

Keiichiro Shiojima

Executive Officer, CFO

Consolidated sales revenue decreased by 10% and adjusted operating income decreased by 34% y-y due to the impact of COVID-19 and the appreciation of the yen.

[billions of yen]

		FY2019 Actual	FY2018 Actual	change
Revenue <950.0>		931.3	1,033.7	-10%
Adjusted operating income *1 <86.0>		(8.2%) 76.6	(11.3%) 116.8	-34%
Operating income <82.0>		(7.8%) 72.8	(9.9%) 102.3	-29%
Income before income taxes <80.0>		(7.2%) 67.1	(9.9%) 102.7	-35%
Net income attributable to owners of the parent <48.0>		(4.4%) 41.2	(6.6%) 68.5	-40%
EBIT *2 <83.5>		(7.7%) 71.6	(10.2%) 105.6	-32%
FX rate	Rate (YEN/US\$) <106.4>	108.7	111.0	-2.3
	Rate (YEN/EURO) <117.9>	120.8	127.9	-7.1
	Rate (YEN/RMB) <15.3>	15.7	16.6	-0.9
	Rate (YEN/AU\$) <73.7>	74.1	80.9	-6.8
Cash dividend per share (yen) *3 <TBD>		60	100	-40

*1 "Adjusted operating income" is calculated by excluding "Other income" and "Other expenses" from "Operating Income" listed in Consolidated Statements of Income.

*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.

Revenue by geographic region (consolidated)

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Revenue decreased due to the appreciation of the yen, 36.2 billion yen y-y, despite the revenue increase in North America y-y.

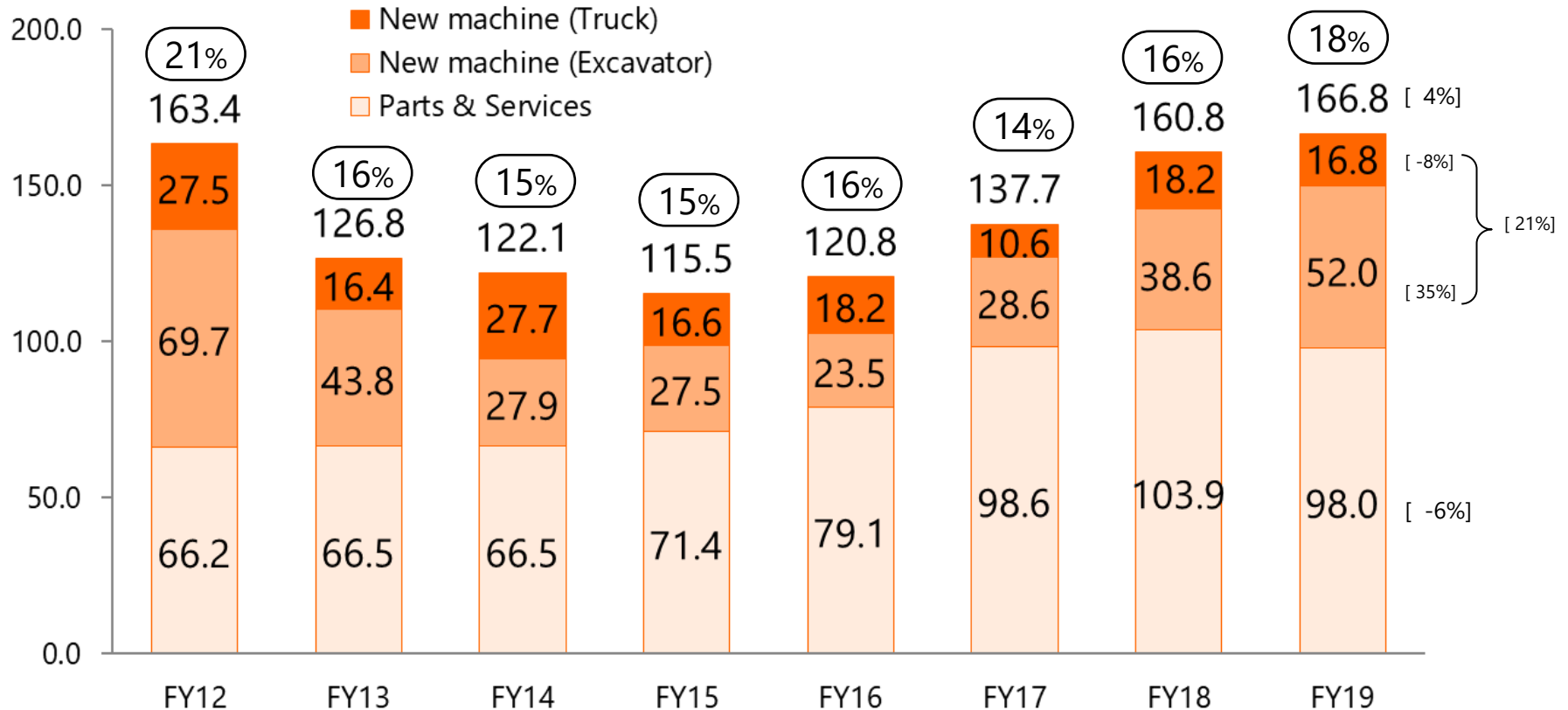
[billions of yen]

	FY2019 Actual		FY2018 Actual		change	
					amount	%
Japan	205.6	22%	206.1	20%	-0.5	0%
Asia	85.9	9%	88.5	9%	-2.6	-3%
India	50.7	5%	67.9	7%	-17.2	-25%
Oceania	146.0	16%	163.9	16%	-18.0	-11%
Europe	103.6	11%	111.6	11%	-8.1	-7%
N.America	173.4	19%	168.7	16%	4.8	3%
L.America	12.9	1%	17.1	2%	-4.2	-24%
Russia-CIS	32.6	4%	34.4	3%	-1.8	-5%
M.East	7.6	1%	11.8	1%	-4.2	-36%
Africa	38.0	4%	43.8	4%	-5.8	-13%
China	75.0	8%	119.9	12%	-44.9	-37%
Total	931.3	100%	1,033.7	100%	-102.4	-10%
Overseas ratio	78%		80%			

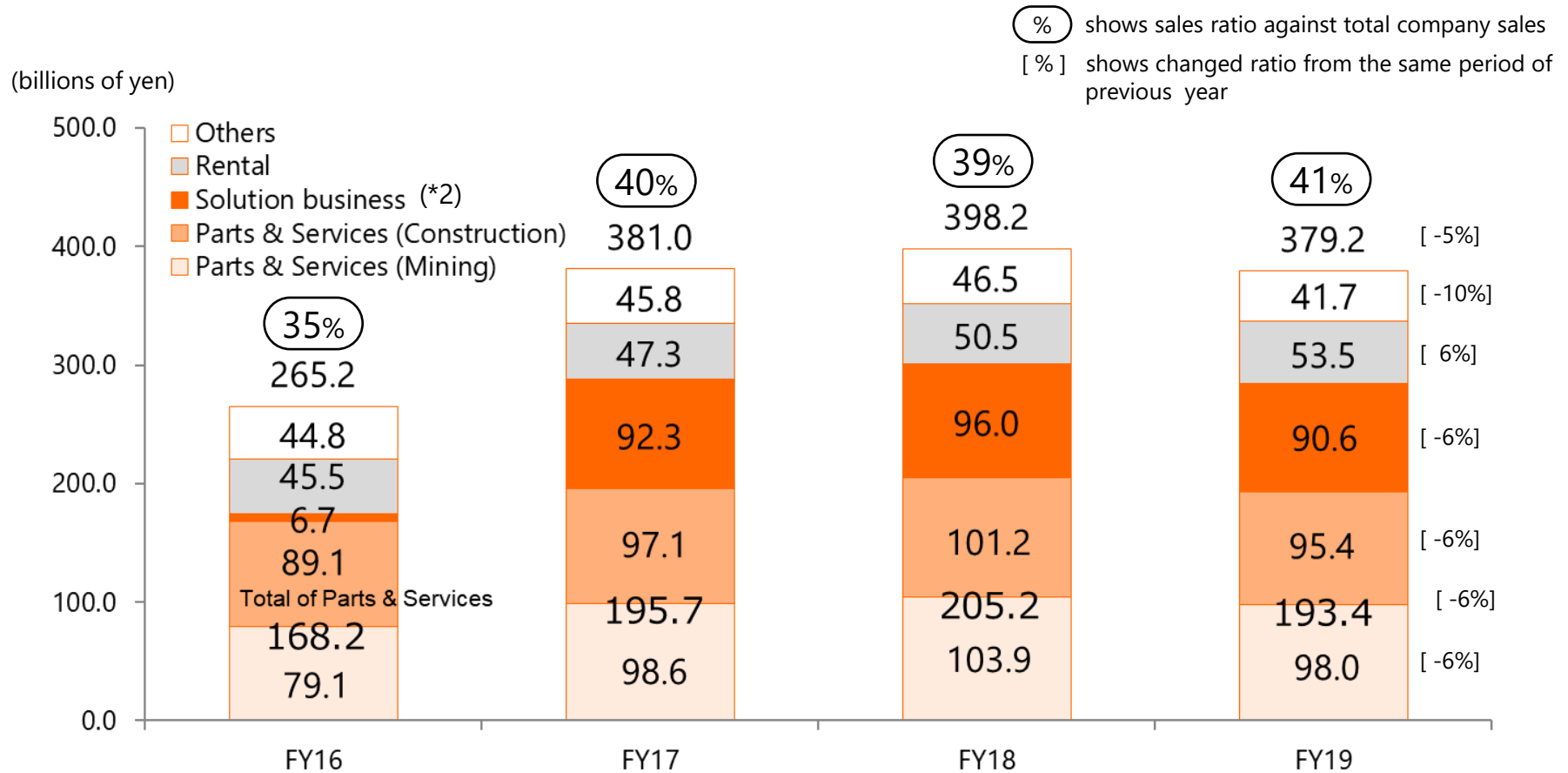
- Revenue in the FY2019 increased by 4% to 166.8 billion yen y-y despite the appreciation of the yen, 10.6 billion yen.
- In particular, revenue of new mining machinery increased by 21% y-y.

(%) shows sales ratio against total company sales
 [%] shows changed ratio from the same period of previous year

[billions of yen]



Revenue in the FY2019 decreased by 5% to 379.2 billion yen y-y due to the impact of COVID-19 and the appreciation of the yen, 17.5 billion yen.



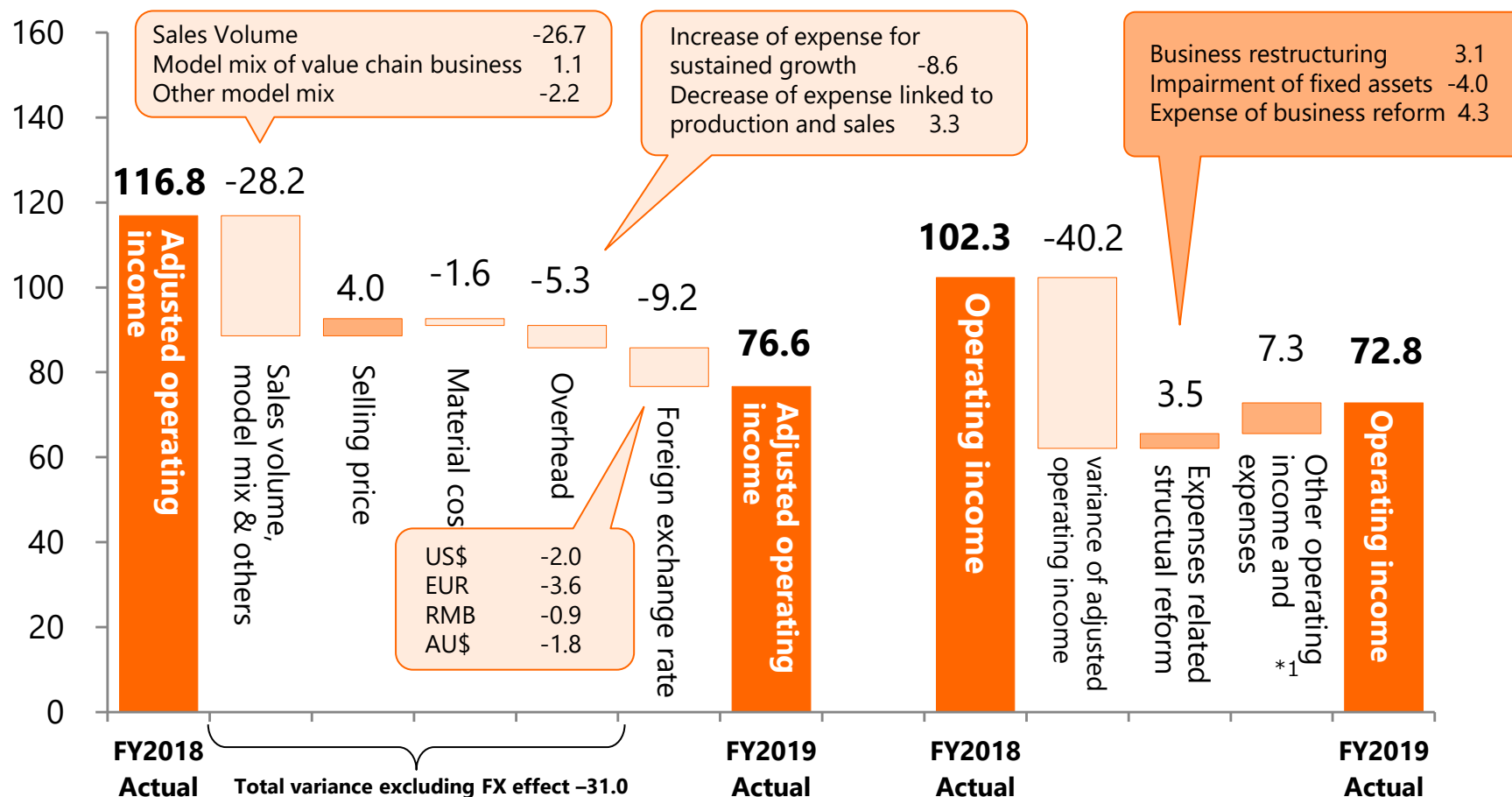
(*1) Value chain: Total of Parts & services, Solution business, Rental etc. other than new machine sales.

(*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

Adjusted operating income decreased by 40.2 billion yen y-y due to the impact of the decreased sales volume and model mix including the impact of COVID-19, increased overheads, increased material costs and the appreciation of the yen despite the improved selling price.

[billions of yen]



*1 Other operating income and expenses :FY18 includes 8.8 billion yen of provision to the duplicated payment of value added tax in China.

Consolidated statement of income

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- Operating income decreased by 29% or 29.4 billion yen to 72.8 billion yen y-y.
- Net income attributable to owners of the parent decreased by 40% or 27.4 billion yen to 41.2 billion yen y-y.

[billions of yen]

	FY2019 Actual	FY2018 Actual	change	
			amount	%
Revenue	931.3	1,033.7	-102.4	-10%
Cost of Sales	(73.1%) 680.6	(71.2%) 735.5	-54.9	-7%
SGA expenses	(18.7%) 174.1	(17.5%) 181.4	-7.2	-4%
Adjusted operating income *1	(8.2%) 76.6	(11.3%) 116.8	-40.2	-34%
Other Income/expenses	-3.8	-14.5	10.8	-74%
Operating income	(7.8%) 72.8	(9.9%) 102.3	-29.4	-29%
Financial income/expenses	-8.4	-4.3	-4.1	96%
Share of profits of investments accounted for using the equity method	2.7	4.7	-2.0	-43%
Income before income taxes	(7.2%) 67.1	(9.9%) 102.7	-35.6	-35%
Income taxes	22.3	28.5	-6.2	-22%
Net income	(4.8%) 44.8	(7.2%) 74.2	-29.4	-40%
Net income attributable to owners of the parent	(4.4%) 41.2	(6.6%) 68.5	-27.4	-40%

*1 "Adjusted operating income" is calculated by excluding "Other income" and "Other expenses" from "Operating Income" listed in Consolidated Statements of Income.

Summary of quarterly consolidated revenue and operating income (ratio)

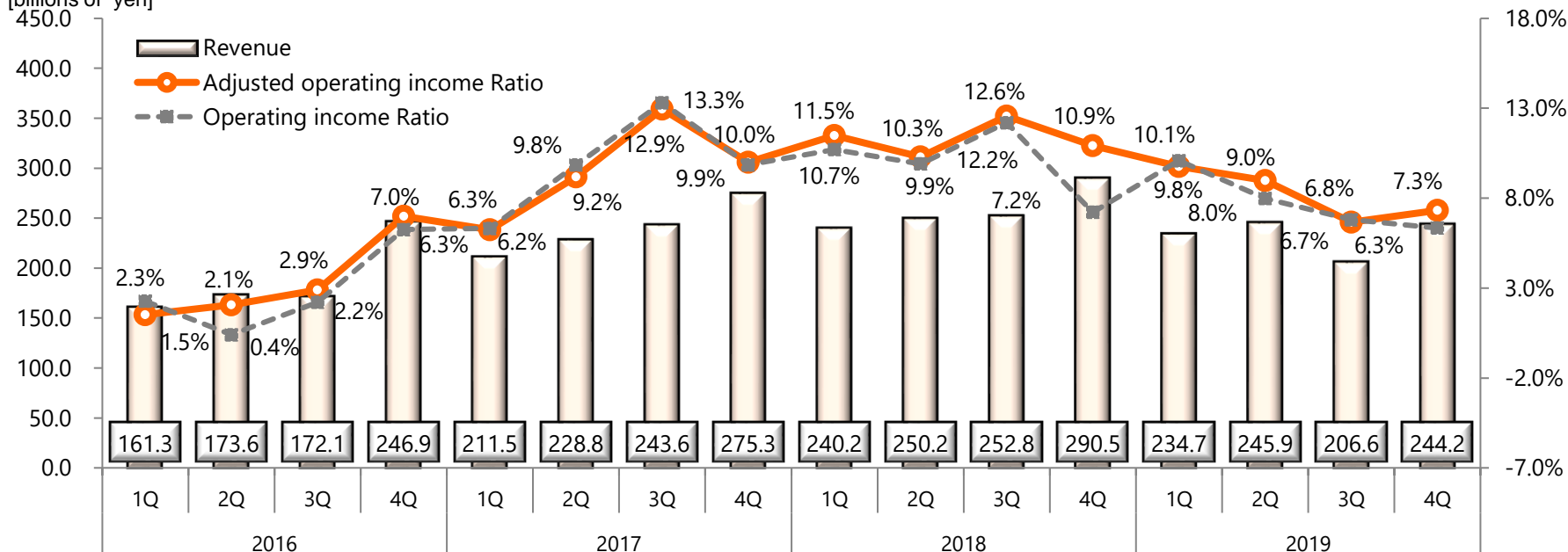
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[billions of yen]

	2016				2017				2018				2019			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Revenue	161.3	173.6	172.1	246.9	211.5	228.8	243.6	275.3	240.2	250.2	252.8	290.5	234.7	245.9	206.6	244.2
Adjusted operating income	2.4	3.6	5.0	17.3	13.2	21.0	31.5	27.5	27.6	25.8	31.8	31.7	22.9	22.1	13.8	17.9
Operating income	3.7	0.7	3.8	15.5	13.4	22.5	32.4	27.1	25.7	24.8	30.8	21.0	23.7	19.6	14.1	15.5

[billions of yen]



FX rate	2016				2017				2018				2019			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Rate (YEN/US\$)	108.1	102.4	109.3	113.6	111.1	111.0	113.0	108.3	109.1	111.5	112.9	110.2	109.9	107.4	108.8	108.9
Rate (YEN/EURO)	122.0	114.3	117.8	121.1	122.2	130.4	133.0	133.2	130.1	129.6	128.8	125.2	123.5	119.3	120.3	120.1
Rate (YEN/RMB)	16.5	15.4	16.0	16.6	16.2	16.6	17.1	17.1	17.1	16.4	16.3	16.3	16.1	15.3	15.5	15.6
Rate (YEN/AU\$)	80.6	77.6	81.9	86.2	83.4	87.6	86.8	85.3	82.6	81.5	81.1	78.5	76.9	73.6	74.3	71.8

Consolidated statement of financial position

HITACHI

Reliable solutions

Total assets decreased by 17.7 billion yen y-y due to decreased current assets such as accounts receivable and inventories by a total of 61.1 billion yen, although lease assets increased by 41.5 billion yen y-y due to the impact of the adoption of IFRS 16.

[billions of yen]

	(A) Mar '2020	(B) Mar '2019	(A)-(B) change
Cash and cash equivalents	62.2	67.3	-5.2
Trade receivables	212.5	238.2	-25.7
Inventories	301.2	324.8	-23.6
Total current assets	612.8	673.9	-61.1
Total non-current assets	554.8	511.4	43.4
Total assets	1,167.6	1,185.3	-17.7

Trade receivables incl. non-current	252.1	282.6	-30.5
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Inventories by products			
Unit	76.2	89.3	-13.1
Parts	103.0	102.2	0.8
Raw materials, WIP and etc	122.0	133.3	-11.3
Total inventories	301.2	324.8	-23.6

On hand days(divided by net sales)			(Days)
Trade receivables	99	100	-1
Inventories	118	115	3
Trade payables	43	57	-14
Net working capital	171	155	16

	(D) Mar '2020	(E) Mar '2019	(D)-(E) change
Trade and other payables	188.7	278.1	-89.4
Bonds and borrowings	338.9	304.8	34.1
Total liabilities	642.5	642.6	-0.1
(Equity attributable to owners of the parent ratio)	(40.6%)	(41.0%)	(-0.5%)
Total equity	525.1	542.7	-17.6
Total liabilities and equity	1,167.6	1,185.3	-17.7

	(29.0%)	(25.7%)	(3.3%)
Interest-bearing debt	338.9	304.8	34.1
Cash and Cash equivalents	62.2	67.3	-5.2
Net interest-bearing debt	276.8	237.5	39.3

Net D/E Ratio	0.58	0.49	0.10
---------------	------	------	------

Net cash provided by (used in) operating activities improved by 48.4 billion yen to positive 22.7 billion yen y-y due to improved working capital.

[billions of yen]

	FY2019 Actual	FY2018 Actual	change
Net income	44.8	74.2	-29.4
Depreciation and amortization	90.9 46.1	111.1 37.0	-20.2 9.2
(Increase)decrease in trade/lease receivables	9.9	-26.2	36.1
(Increase)decrease in inventories	0.1	-76.5	76.6
Increase(decrease) in trade payables	-22.8 -32.8	-121.3 -18.6	98.5 -14.2
Others, net	-45.4	-15.5	-29.9
Net cash provided by (used in) operating activities	22.7	-25.7	48.4
Cash flow margin for operating activities	2.4%	-2.5%	4.9%
Net cash provided by (used in) investing activities	-34.7	-30.3	-4.4
Free cash flows	-12.1	-56.0	44.0
Net cash provided by (used in) financing activities	11.0	43.9	-32.9

Summary of consolidated earnings forecast

HITACHI

Reliable solutions

Based on the uncertain market conditions due to the impact of COVID-19 and 16.6 billion yen of the negative impact of forex, consolidated sales revenue is expected to decrease by 17% and adjusted operating income by 48%.

[billions of yen]

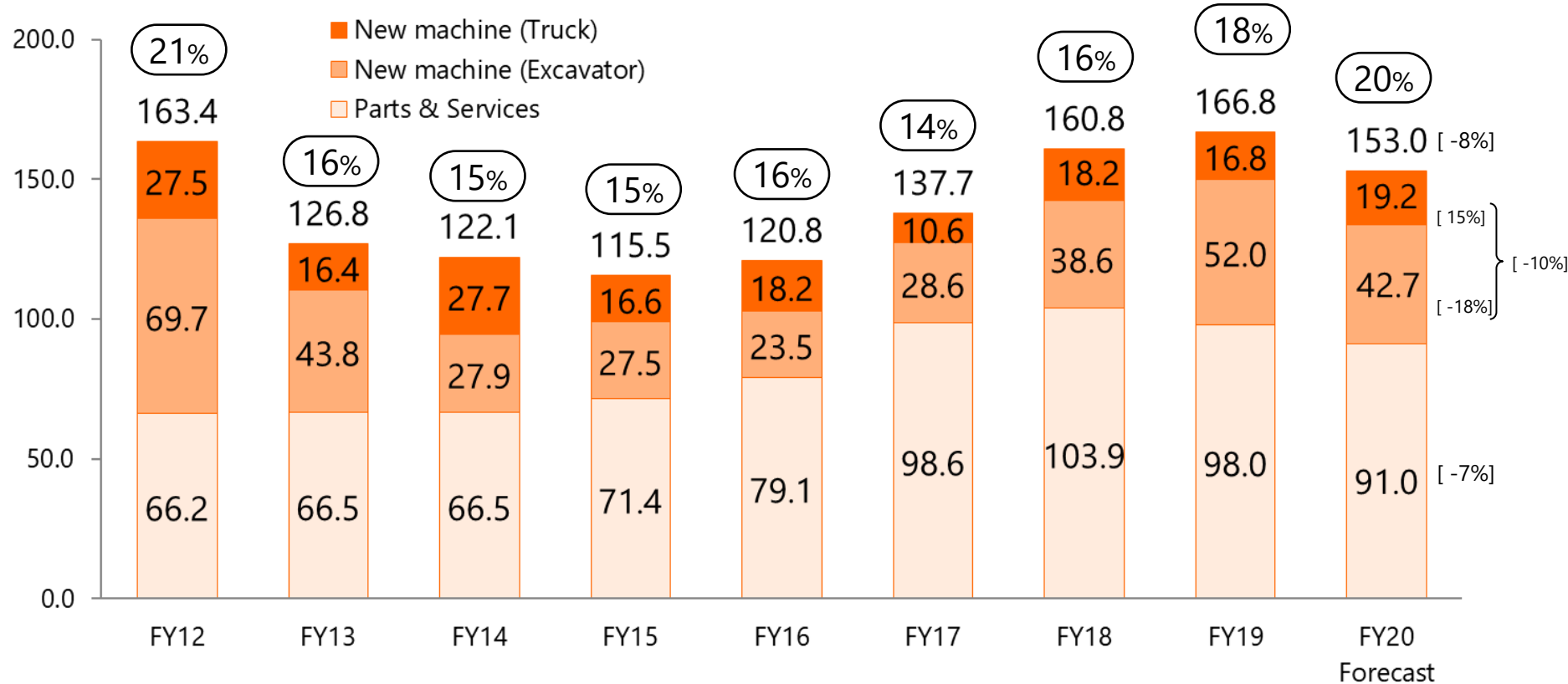
	FY2020 Forecast	FY2019 Actual	change	
			amount	%
Revenue	770.0	931.3	-161.3	-17%
Adjusted operating income	(5.2%) 40.0	(8.2%) 76.6	-36.6	-48%
Operating income	(4.7%) 36.0	(7.8%) 72.8	-36.8	-51%
Income before income taxes	(4.4%) 34.0	(7.2%) 67.1	-33.1	-49%
Net income attributable to owners of the parent	(2.6%) 20.0	(4.4%) 41.2	-21.2	-51%
EBIT	37.6	71.6	-34.0	
Currency	FY2020 Forecast	FY2019 Actual	change	
Rate (YEN/US\$)	105.0	108.7	-3.7	For FX sensitivity, please refer to appendix 1.
Rate (YEN/EURO)	120.0	120.8	-0.8	
Rate (YEN/RMB)	15.0	15.7	-0.7	
Rate (YEN/AU\$)	72.0	74.1	-2.1	
Cash dividend per share (yen) *1	to be determined	60	-	

*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.

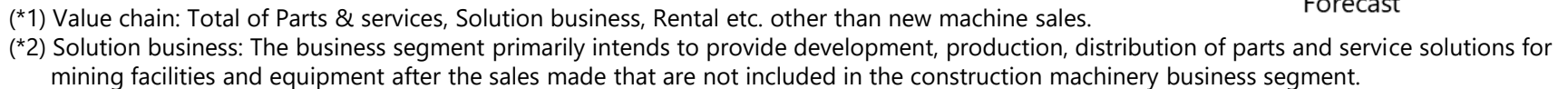
HCM forecasts a decrease in FY2020 mining revenue by 8% to 153.0 billion yen y-y due to the expected appreciation of the yen.

(%) shows sales ratio against total company sales
[%] shows changed ratio from the same period of previous year

[billions of yen]

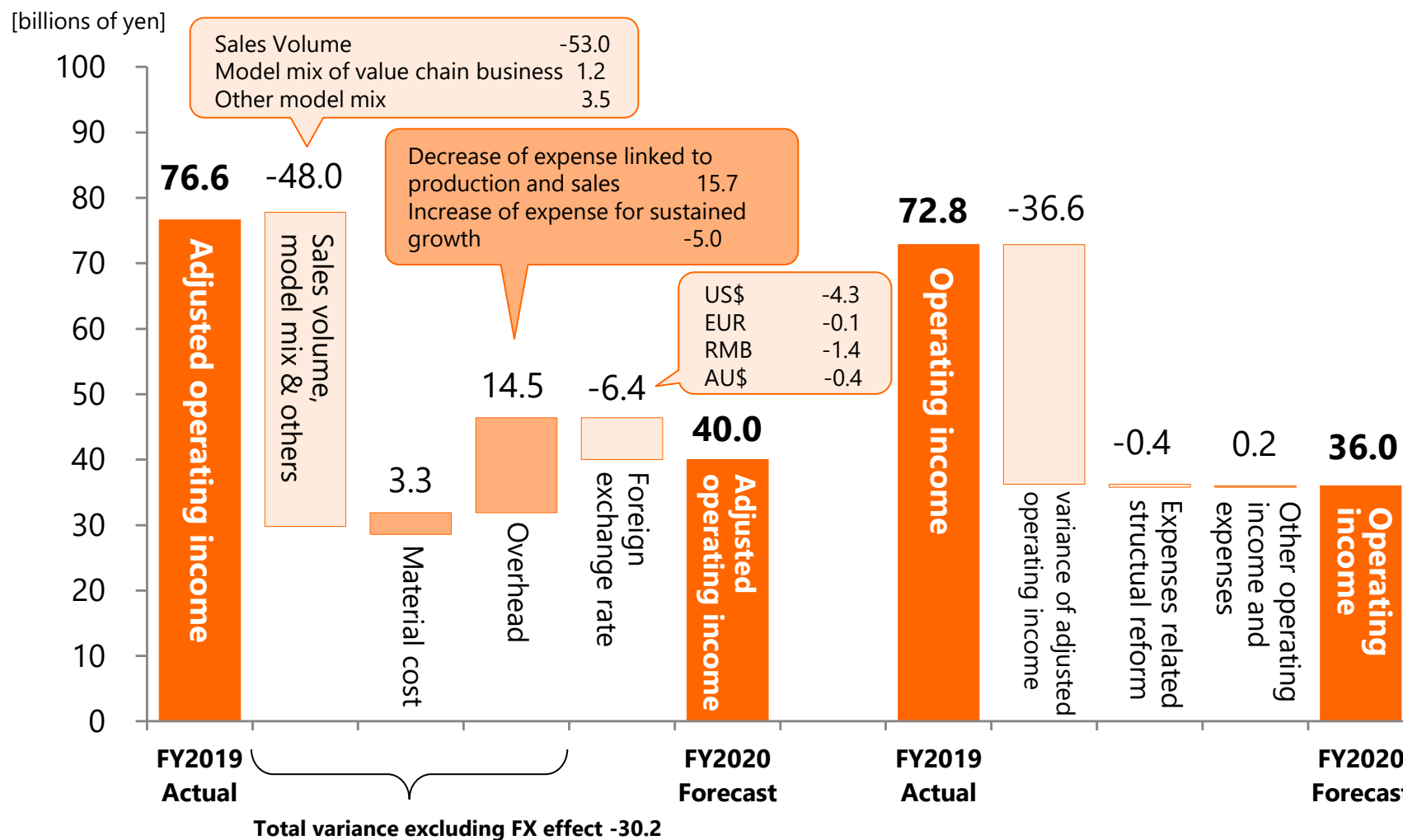


(%) shows sales ratio against total company sales
[%] shows changed ratio from the same period of previous year



Comparison of consolidated income forecast

Adjusted operating income for FY2020 is expected to decrease by 36.6 billion yen y-y, although there is a reduction in overheads and material costs due to a decrease in sales volume caused by the impact of COVID-19 and the appreciation of the yen.



The forecast exchange rate for FY2020 was set within the expected fluctuation range for each currency.

FX rate and FX sensitivity

[billions of yen]

Currency	FX rate		FX sensitivity (1Q-4Q)		
	FY20 Forecast	FY19 Actual	Condition	Revenue	Adjusted operating income
US\$	105.0	108.7	Impact by 1 yen depreciation	1.7	1.2
EURO	120.0	120.8	Impact by 1 yen depreciation	0.5	0.4
RMB	15.0	15.7	Impact by 0.1 yen depreciation	0.5	0.2
AU\$	72.0	74.1	Impact by 1 yen depreciation	1.9	0.2

Appendix 2: Detail of mining revenue

HITACHI

Reliable solutions

[billions of yen]

		FY18 Actual(A)	FY19 Actual(B)	Change (B)-(A)
America	Excavator	14.6	18.2	3.7
	Dump Truck	7.0	3.9	-3.2
	Total	21.6	22.1	0.5
Europe, Africa and Middle East	Excavator	24.8	23.0	-1.8
	Dump Truck	17.0	12.9	-4.1
	Total	41.8	35.9	-5.9
Asia & Oceania	Excavator	63.8	73.4	9.6
	Dump Truck	31.5	32.9	1.4
	Total	95.3	106.3	11.1
China	Excavator	1.0	0.6	-0.3
	Dump Truck	0.1	0.1	0.0
	Total	1.1	0.8	-0.3
Japan	Excavator	1.0	1.7	0.7
	Dump Truck	0.0	0.0	-0.0
	Total	1.0	1.7	0.6
Total	Excavator	105.1	116.9	11.9
	Dump Truck	55.7	49.8	-5.9
	Total	160.8	166.8	6.0

The amortizations of PPA are included in the adjusted operating income of the solution business. The amounts of 1.0 billion yen are included in FY2019, and in the 1.3 billion yen forecast for FY2020.

[billions of yen]

FY2019 Actual	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	840.8	92.0	-1.4	931.3
Adjusted operating income	8.2% 68.5	8.8% 8.1	-	8.2% 76.6

[billions of yen]

FY2020 Forecast	Reportable segment				Adjustments *1	Total
	Construction Machinery Business		Solution Business			
Revenue	694.0		76.0		-	770.0
Adjusted operating income	5.1%	35.4	6.1%	4.6	-	5.2% 40.0

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

Appendix 4: Actual and forecast of consolidated capital expenditures, depreciation, and R&D expenses

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Reliable solutions

Capital investment in FY2020 is specialized in reorganizing domestic and oversea factories and expanding the rental business.

1. Capital Expenditure (Based on completion)

[billion of yen]

	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Forecast
Capital Expenditure	14.1	18.7	30.4	47.2	64.9
Assets held for operating lease	16.5	23.1	27.2	36.9	43.1
Total	35.2	30.7	57.6	84.1	108.0

2. Depreciation (tangible and intangible fixed assets)

[billion of yen]

	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Forecast
Capital Expenditure	22.4	27.5	26.8	34.2	33.9
Assets held for operating lease	11.5	10.3	10.1	12.0	15.6
Total	35.4	34.0	37.0	46.1	49.5

3. R&D expenses

[billion of yen]

	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Forecast
Total of consolidation	19.3	24.6	24.8	23.7	21.8

Direction of our Medium-term Corporate Strategy

(FY 2020-2022)

Kotaro Hirano

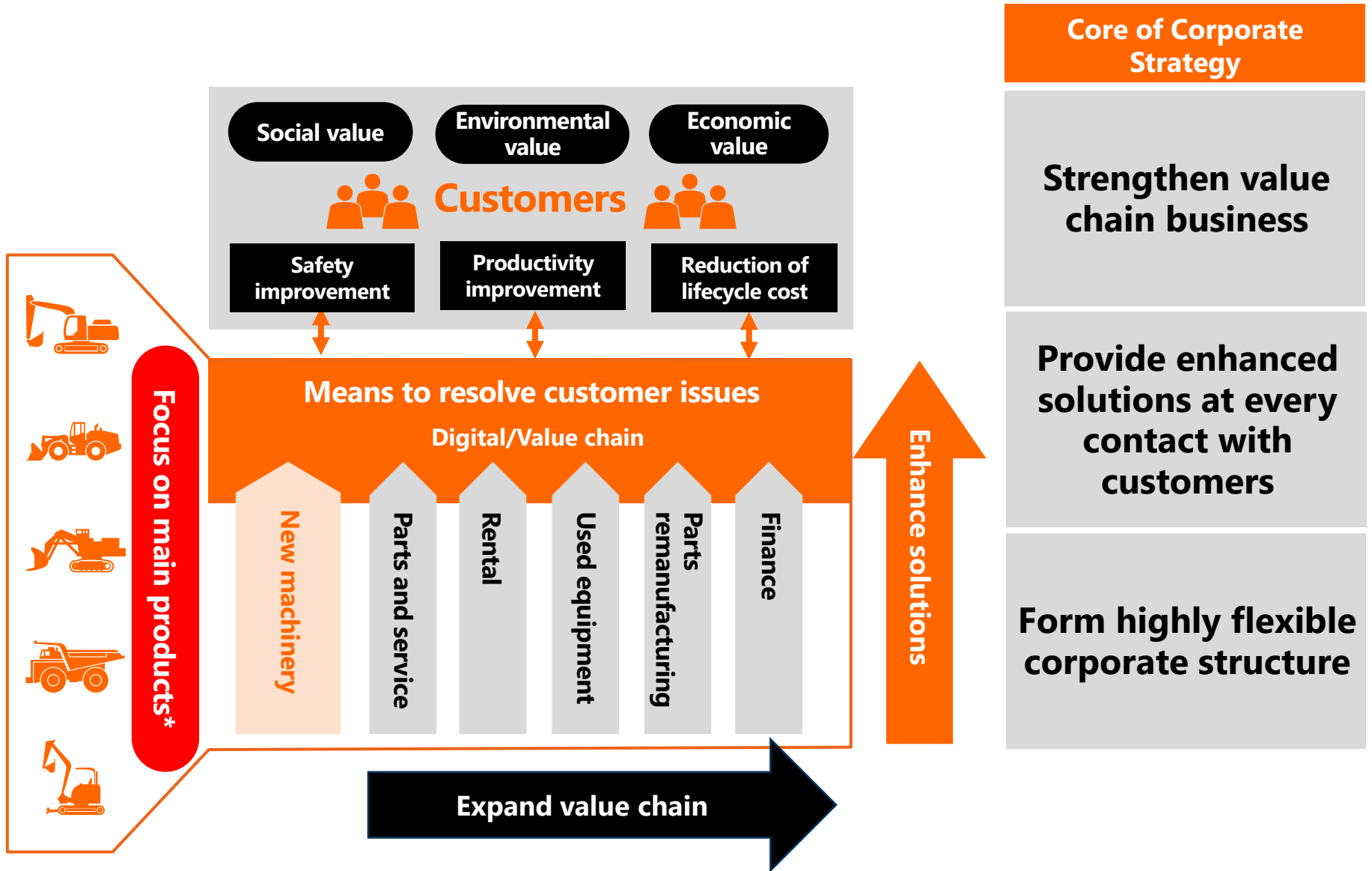
Executive Officer, President & CEO

Changes caused by COVID-19

- Further diversification of customer needs such as ownership, rentals or used equipment, due to lack of market transparency
- Changes in construction site workstyles to avoid the 3Cs (closed spaces, crowded places, close contact), increasing and accelerating need for remote operations
- Lack of transparency about end of pandemic and concerns about declining operations leading to increased need for improved safety and productivity at construction sites and mining operations, and reduction of life cycle costs

Our initiatives

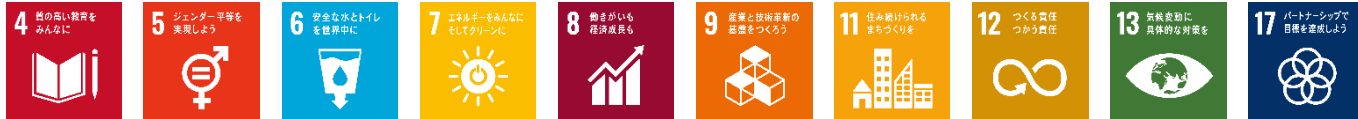
- In addition to advanced machinery that enables the confirmation of operating status, also promote the expansion of options such as rental and used equipment
- Avoid the 3Cs at construction sites and accelerate the development and provision of ICT machinery and development of remotely operated construction machinery to respond to remote operation needs
- Enhance product and service menu (ConSite®) and expand the parts remanufacturing business to avoid machine downtime and increase operating rates at construction sites. In the mining business, promote advancements by combining AHS and digital technology



*Other product group: Backhoe loader, Crawler crane, Bulldozer, Skid-steer loader

Corporate vision

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



2030 social value

Provide solutions that offer
safety, productivity, and life cycle cost reductions
to the global infrastructure development

Safety improvement

Contribute to zero deaths
due to falls or contact
accidents

Productivity improvement

Standardize automation,
labor-saving construction
machines

Reduction of life cycle cost

Aim for
zero downtime

2030 environmental value

Provide **low-carbon technology** to the
global infrastructure development

Preventing global warming

Product life cycle CO₂ reductions: Aim for
Products -33%;
Production -45%

2022 management goals (social value)

Safety improvement

Achieve contact prevention
technology
Commercialize human-machine
cooperative control technology

Productivity improvement

Promote ICT Machinery
2800 units*

*Applicable worksites:
Over 5,000 sites

Reduction of life cycle cost

Operating status
management system
dissemination rate: 90%

Applicable units: 200,000 units

(Environmental value)

Preventing global warming

Reduce CO₂ emissions
products CO₂ -20%
Production CO₂ -25%

Applicable units: 500,000 units

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.

END

For further inquiries:

Corporate Brand & Communications Div.

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