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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.

70th Anniversary

I would like to thank you for participating in today's briefing on our financial results and the direction of our medium-term corporate strategy.

First of all, I would like to express my heart-felt sympathy to everyone in this difficult living environment due to the spread of COVID-19.

I would also like to express my deep respect to medical professionals and all the people engaged in maintaining our living environment.

Despite the impact of the spread of COVID-19, I would like to apologize for the change from April 27, which was scheduled to be announced, to today, and the announcement in this teleconference format.

New coronavirus infection (COVID-19) response policy

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- **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

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We would like to report our policy for preventing the spread of COVID-19, in line with the policies of the governments of each country.

In early March, a Coronavirus Countermeasures Office was established in the HCM’s Head Office to gather information and draft policies from a BCP perspective and implement virus prevention measures for the entire Group.

We place top priority on ensuring the safety of our stakeholders, including customers, partners, employees and their families, as well as on preventing the spread of the disease.

We have been promoting teleworking for a long time by reforming our work style, so we have already established an IT infrastructure.

For this reason, all employees who are not directly involved in production, such as management divisions, are strictly committed to teleworking on a global basis to the extent possible.

In addition, we are continuing production activities at major production sites in Japan and overseas after thoroughly implementing anti-infection measures.

About COVID-19 – Impact on new machine demand and sales

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- **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.

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Next, I would like to talk about the impact of COVID-19 on demand and sales.

The forecast for demand is uncertain because the impact of COVID-19 is spreading worldwide and the construction machinery market is expected to decline significantly in the Americas, Europe, Asia, Africa, and other regions as a whole, and the subsiding of the pandemic cannot be predicted.

In China, however, economic activity has resumed on a full scale, and demand has recovered for compact machinery and is now returning to normal conditions.

New investment in mining machinery is expected to be down due to the uncertainty of the global economy, and demand for new excavators is expected to decline. However, although some facilities have shut down in some areas, facilities in many areas continue to operate as “essential business” that support the social infrastructure. Although there are differences according to region, we recognize that the impact on the operation of mining sites will be limited.

From the perspective of preventing infections, we will continue to support the stable operation of our customers and provide parts & services through ConSite®, a fully automated system that monitors machines remotely and predicts breakdowns.

Policies moving forward

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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

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Next, I would like to explain our policies for the future.

It is uncertain how COVID-19 will affect our business activities, and we believe it is difficult to calculate the future of the market in a fair and reasonable manner at this time.

For this reason, we will not announce the details of measures and numerical targets in the Medium-Term Management Plan, which began this fiscal year. I would like to talk about the direction of the Medium-Term Corporate Strategy only today, after explaining the financial results summary.

Under these circumstances, we will engage in business based on three policies for the current fiscal year.

The first is urgent measures to strengthen profitability. We will carefully select investment projects and postpone plans that are not essential investments. Furthermore, we will strive to reduce overhead costs and enhance cost management. In this challenging business environment, we will strengthen our corporate structure and accelerate growth in times of favorable market conditions.

Second, we will closely monitor signs of recovery in the future and continue to work on inventory rationalization through production adjustments.

Thirdly, the impact of COVID-19 has never been experienced before, as seen by the fact that construction sites have stopped all over the world. Under these circumstances, we have announced our earnings forecasts for Fiscal 2020, and we will continue to disclose information in a timely manner whenever events affect our earnings, and engage in dialogue with our stakeholders.

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Regional Market Environments and Projections

Masafumi Senzaki
Executive Officer, President, Marketing Div.

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This section explains the market environment and outlook by region.

Global Demand Trend for Hydraulic Excavators

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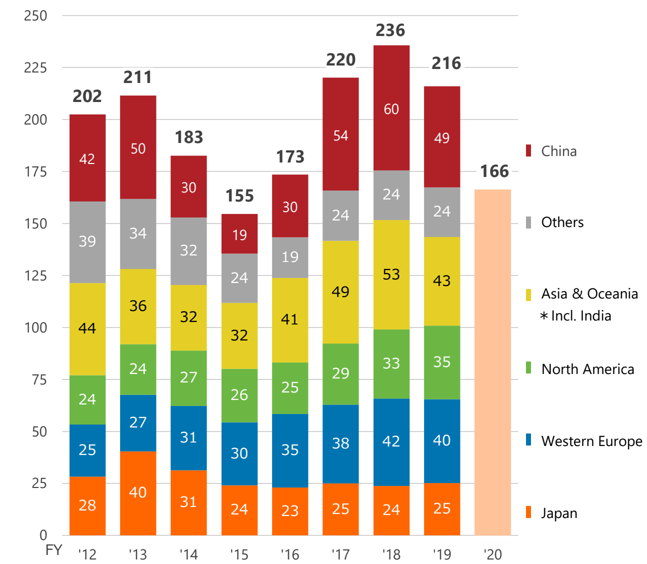
Emerging Countries ratio : FY2019 : 53% (y-y Change : -5%)

※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%	

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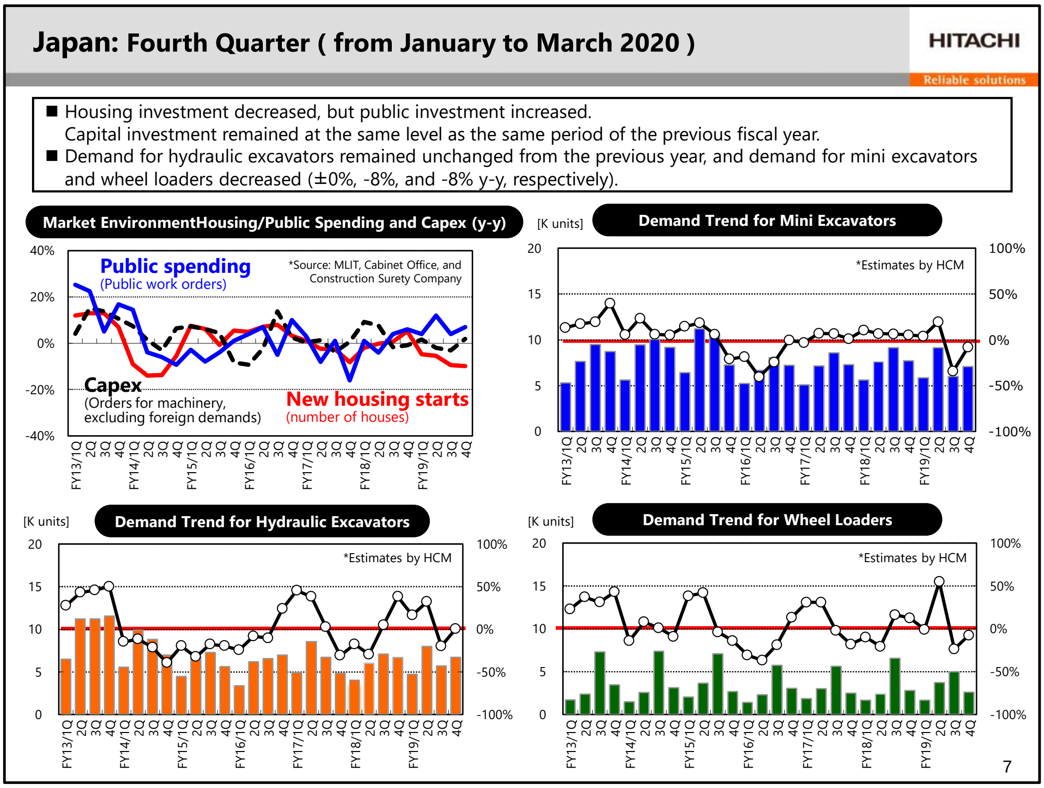
In Fiscal 2019, global demand for hydraulic excavators decreased by 8% from the previous year to 216,000 units. Demand in China, Asia, and Africa decreased by almost 20% due to the combined effects including COVID-19, but demand in Japan and North America remained strong.

In Fiscal 2020, there is a great deal of uncertainty about the impact of COVID-19. Therefore, we will not provide outlooks by region. However, we expect global demand for hydraulic excavators to be 166,000 units, down 23% from the previous year.

With the subsiding of COVID-19 and the effects of various economic stimulus measures, there is a good chance that demand will exceed this level, and we will work to respond quickly to any market environment.

Next, we will explain the results of the 4Q for each region.



The trend of public spending is shown in the graph on the upper left.

Demand was buoyed by robust public works and rental demand, despite a temporary drop in demand in the 3Q as a reaction to the consumption tax hike.

As a result, sales of hydraulic excavators recovered to the same level as the previous year (graph on the bottom left) in the 4Q, while sales of mini excavators and wheel loaders recovered to a decrease of 8% from the previous year (graph on the right).

Europe: Fourth Quarter (from January to March 2020)

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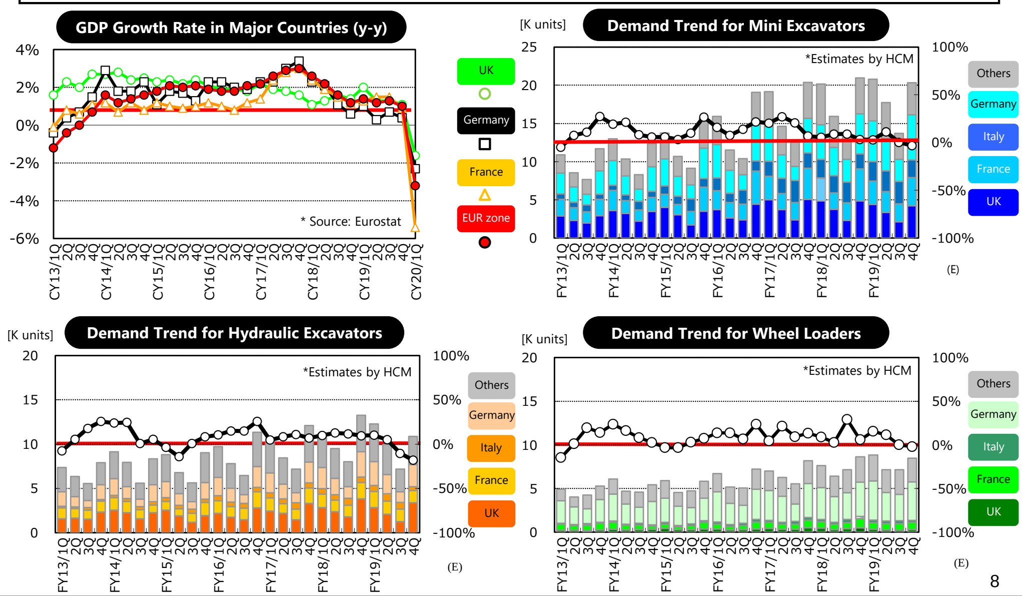
- Throughout the Eurozone, GDP growth rate increased slightly.
- Demand for hydraulic excavators decreased, while demand for mini excavators and wheel loaders decreased slightly (-18%, -3%, and -2% y-y , respectively).



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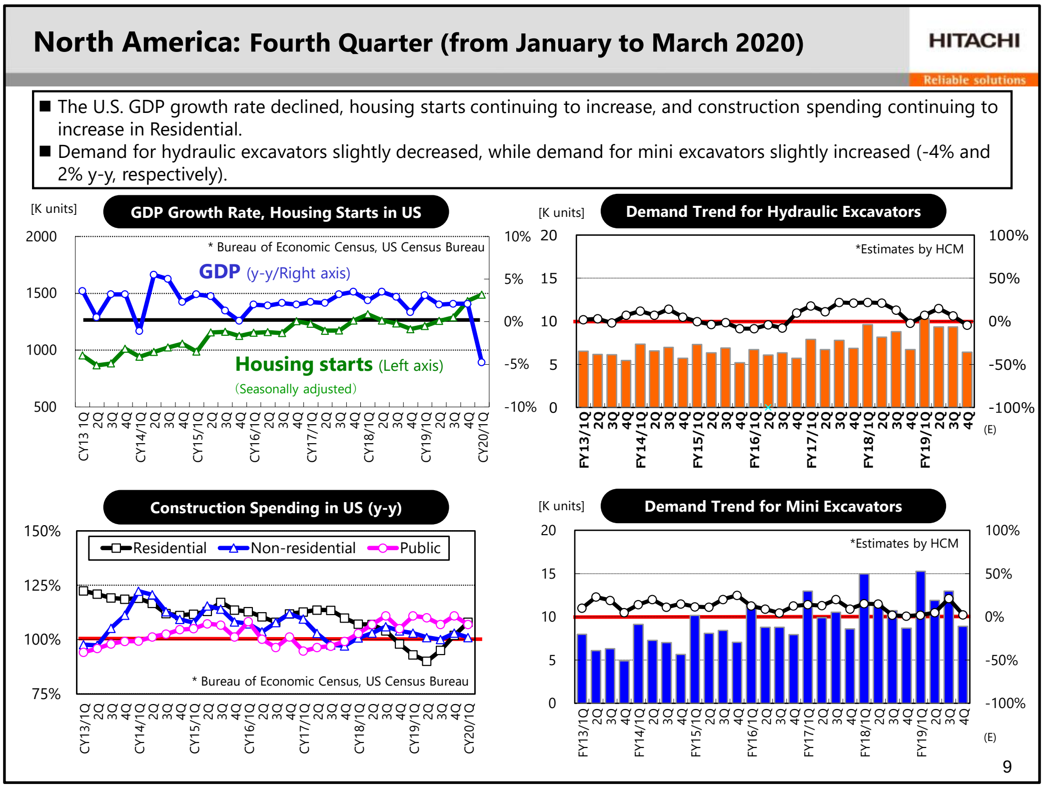
GDP growth in the Eurozone declined sharply in the 1Q of the 2020 calendar year.

Demand for hydraulic excavators decreased by 18%, mini excavators decreased by 3%, and wheel loaders decreased by 2%, reflecting a decline in demand in France and Italy due to the impact of lockdown and other factors, in addition to the downturn in market conditions.

According to the data of the Global e-service installed in our machines, the machine utilization rate deteriorated in some countries from the latter half of March to the first half of May, but thereafter the machine utilization rate returned to its original level.

Regarding new equipment sales, the impact of COVID-19 is expected to be limited because projects in the construction sector are planned to continue. However, as the European market, which has been growing significantly, is expected to enter an adjustment phase, demand is expected to decrease in the first half of the fiscal year and recover from the second half of the fiscal year.



Although housing starts were strong between January and March, U.S. GDP became significantly negative due to the impact of COVID-19.

On the other hand, as construction projects continued to be essential in many states, demand for hydraulic excavators decreased slightly by 4% year-on-year and demand for mini excavators increased slightly by 2% year-on-year.

In Fiscal 2020, we will pay close attention to demand trends after the resumption of economic activities, keeping in mind risks such as a reduction in the number of housing starts, purchases discouraged as a result of the business downtime, and the reduction of inventory levels at distributors.

China: Fourth Quarter (from January to March 2020)

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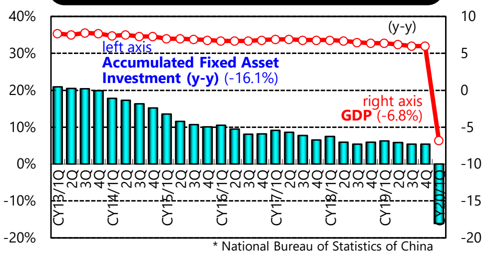
- Negative GDP growth rate of 6.8%.
- Demand for hydraulic excavators decreased (-31% y-y, Foreign manufactures only).

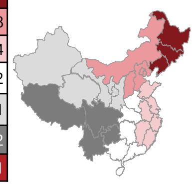
GDP and Fixed Asset Investment



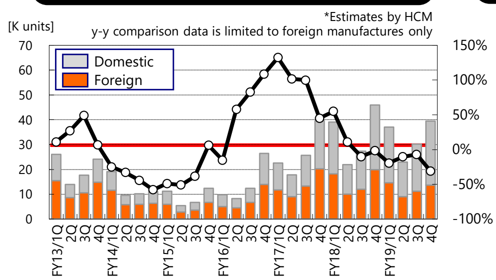
Quarterly Demand for Hydraulic Excavators by Region (y-y)

*Estimates by HCM
*Foreign manufactures only
[%]

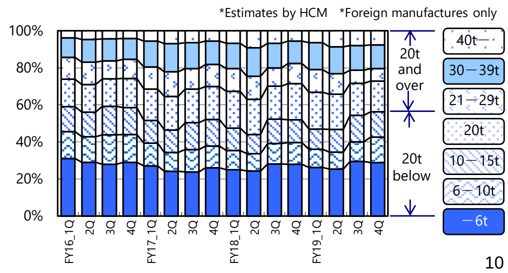
FY19	1Q	2Q	3Q	4Q
North East	-19	-3	+65	+9
North	-6	-30	-21	-48
East	-22	-5	-1	-24
Central South	-12	+2	-8	-32
North West	-6	-17	+7	-41
South West	-37	-21	-16	-32
Total	-19	-10	-7	-31



Demand Trend for Hydraulic Excavators



Demand Composition by Class for Mini Excavators and Hydraulic Excavators



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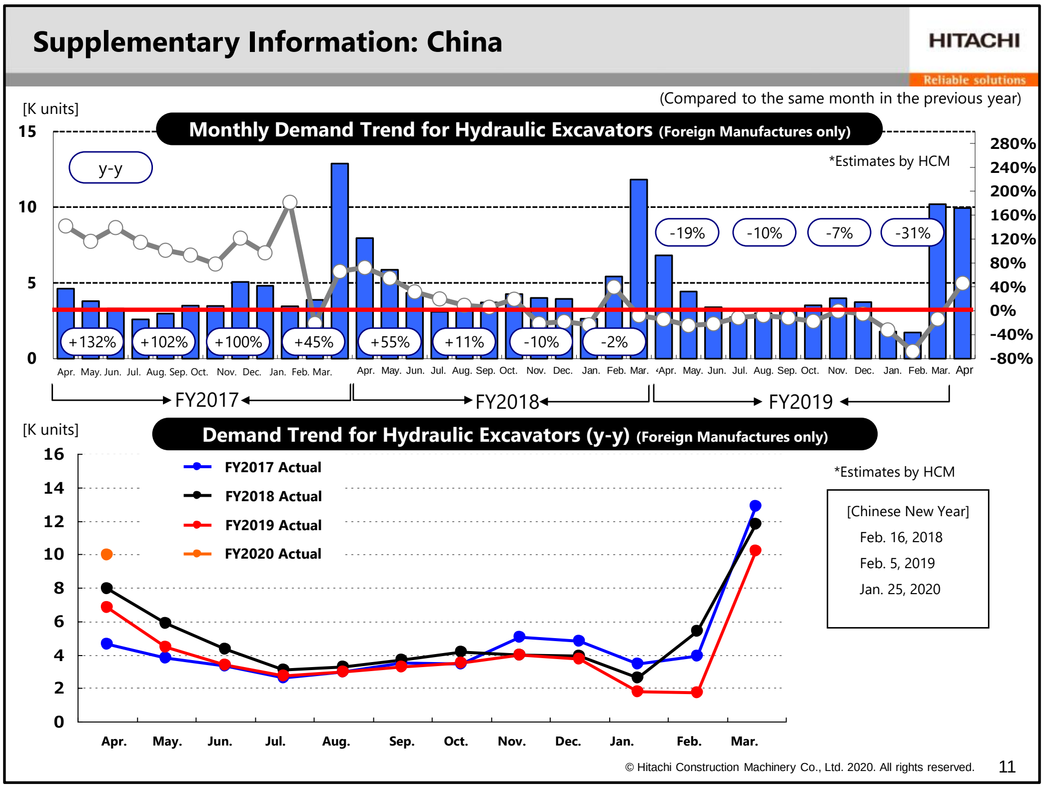
Both GDP growth and fixed asset investment declined sharply in the 1Q of the 2020 calendar year.

Demand for hydraulic excavators, including Chinese manufacturers, decreased by 14% year on year in the 4Q. The breakdown shows that Chinese manufacturers decreased by 2% and foreign manufacturers decreased by 31%.

Information on demand by region and by class is shown in the graphs on the right.



Looking at the monthly trends in demand for hydraulic excavators by foreign manufacturers, although year-on-year demand declined substantially in January and February, the decline in March was 14% and the increase in April was 46% as a result of the falling back of the sales season after the Chinese New Year Holidays.

At present, we believe that we are returning to the normal demand environment, but we will continue to monitor the situation of COVID-19 and the development of economic stimulus measures by the central government of China.

Asia Oceania, and India: Fourth Quarter (from January to March 2020)

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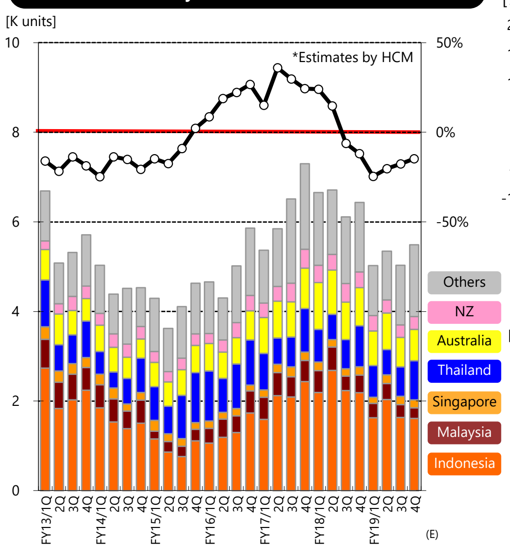
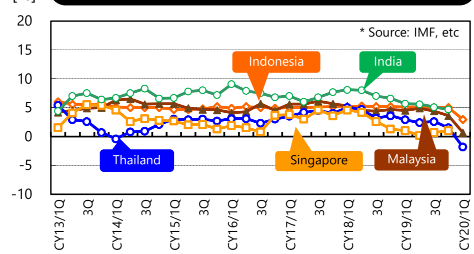
- Demand for hydraulic excavators decreased overall in the Asia Pacific region (-15% y-y).
- Demand for hydraulic excavators decreased in India (-23% y-y).

Demand Trend for Hydraulic Excavators in Asia & Oceania

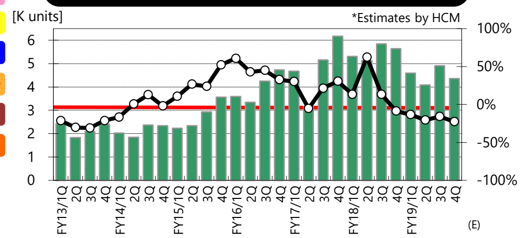


GDP Growth Rate in Major Countries (y-y)



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

Demand Trend for Hydraulic Excavators in India



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Demand for hydraulic excavators in Asia and Oceania decreased by 15% year on year due to sluggish demand in Indonesia, Thailand and Malaysia, etc., which were affected by sluggish prices for coal and palm oil.

Demand for hydraulic excavators in India declined by 23% year on year, reflecting a delay in demand recovery since the election last year and the impact of COVID-19.

The lockdown, which began on March 25, is expected to gradually ease economic activity, so we will closely monitor the timing of future economic stimulus measures and any recovery in demand.

Russia and Middle East: Fourth Quarter (from January to March 2020)

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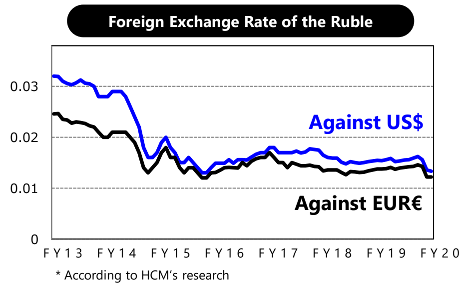
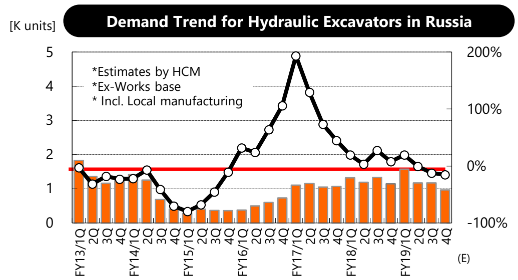
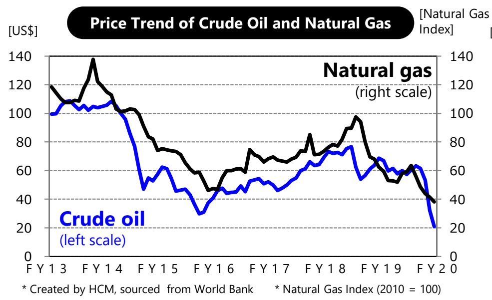
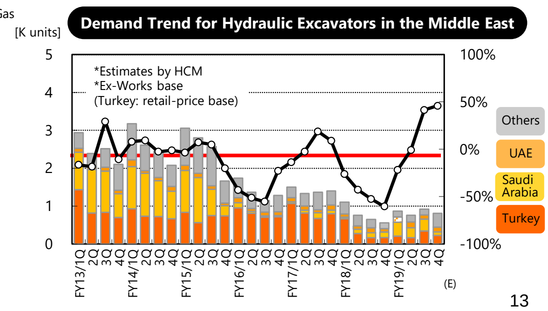
- Demand for hydraulic excavators decreased (-16% y-y) in Russia.
- Demand for hydraulic excavators in the Middle East has turned upward.









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Demand for hydraulic excavators in Russia is on a downward trend, down 16% year on year. Demand for hydraulic excavators in the Middle East remains sluggish in Turkey, affected by the depreciation of the lira. Demand for hydraulic excavators in the Gulf region remains at a low level.

Mining machinery: FY2019 (from April 2019 to March 2020)

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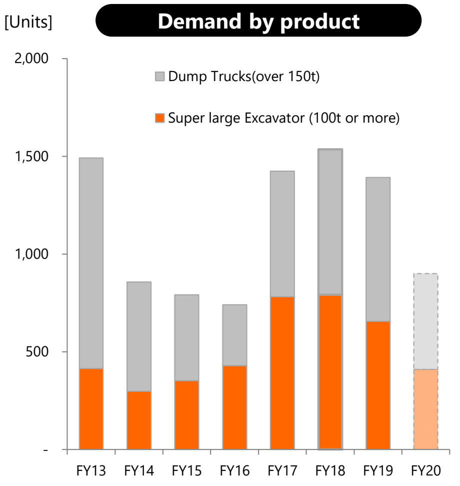
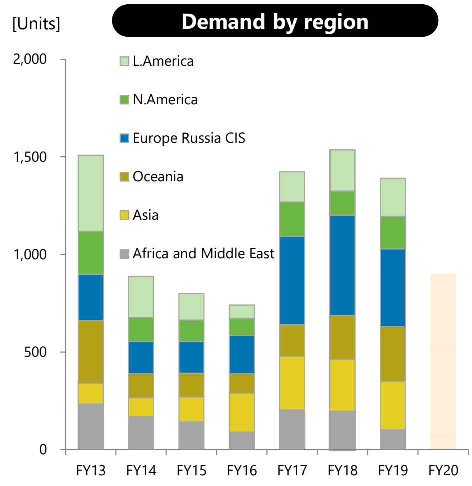
■ Demand for mining machinery in FY2019 decreased due to the impact of falling resource prices (-10% y-on-y).

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





※ According to HCM's research

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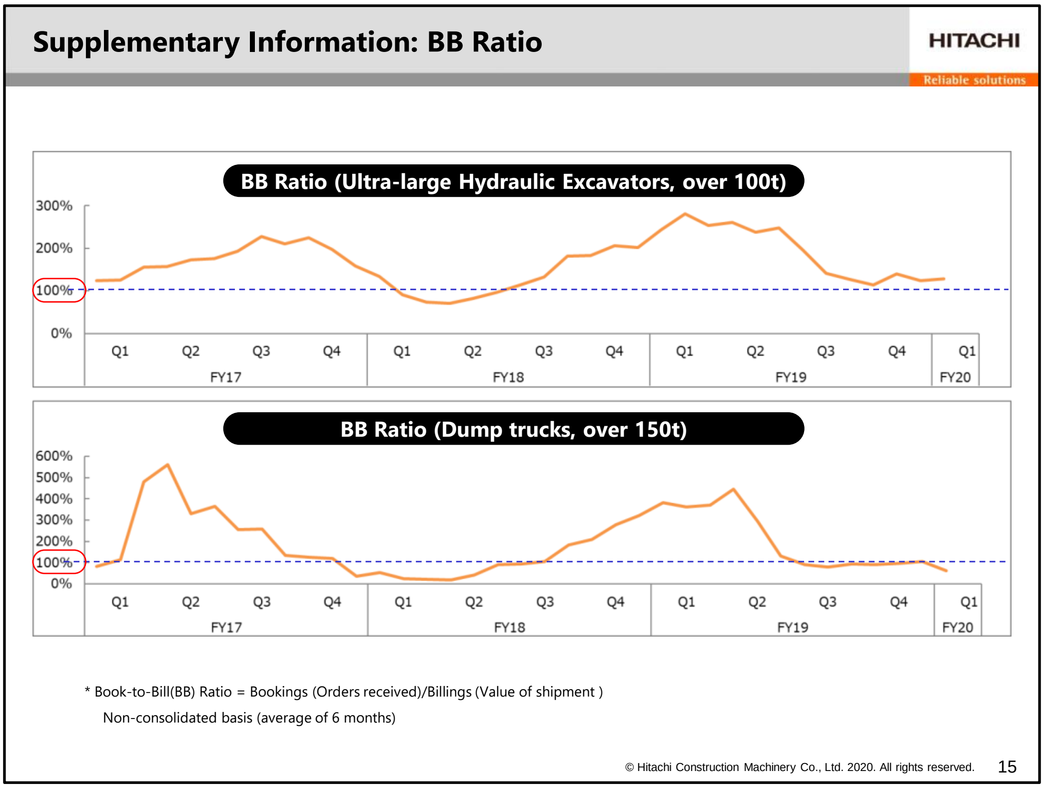
In Fiscal 2019, mining demand is expected to be negative 10% compared to the previous year due to the impact of falling resource prices.

Viewing the demand by product, for excavators in the 100 ton to 250 ton weight, demand from small and medium-sized mining sites or contractors in Indonesia, Russia and CIS declined sharply due to falling fuel coal prices.

For excavators with an operating weight of over 300 tons and dump trucks with a payload weight of over 150 tons, demand from major mining companies remained unchanged from the previous year.

In Fiscal 2020, we cannot predict the impact of COVID-19 on the global economy, but we expect that mining companies will be cautious about capital expenditure and demand will decline significantly.



Ultra-large excavators maintain more than 100% in each class.

Dump trucks fell below 100% due to the impact of COVID-19, which suspended or postponed business negotiations, as well as a review of capital expenditure plans by major mining companies and other factors that prevented us from receiving orders.

Status of major markets

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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

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Each market environment is highly uncertain because of the spread of COVID-19 and the various measures taken to deal with it.

In the midst of this situation, China is rapidly recovering, and although not as large as usual, the market has been moving into a late sales season after the Chinese New Year Holidays for several weeks.

In addition, the mining business has been designated as “essential business” in the Oceanian market. Therefore, we assume that the impact on our businesses will be relatively minor.

In other regions as a whole, deregulation is taking place in developed countries, which had already implemented anti-infectious disease measures, and Japan's Declaration of an Emergency Situation was lifted on May 25. We believe that it is necessary to respond swiftly to changes in case the markets’ rise in the future is halted by second and third waves of COVID-19, etc.

Status of major production plants

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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)

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Production plants in China and Russia were temporarily shut down in accordance with the lockdown policies of their respective governments. However, operations have resumed at present, including in India, where lockdown is continuing.

As a result, as of today, almost all of our production plants around the world, including those in Japan, are in operation, and we are conducting flexible production in line with demand, while taking all possible measures to prevent infectious diseases.

In addition, we have been promoting the diversification of suppliers and the sharing of inventories between our bases, so at this point in time there is no significant impact on the supply chain.

Topic: Supporting and responding to the Spread of COVID-19 (1)

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3 GOOD HEALTH AND WELL-BEING

- 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

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Introduction of support and measures against the spread of COVID-19.

We provided support to the Shanghai Fund in China and provided medical protective equipment to the Ministry of Health, Labour and Welfare in Japan, etc.

Topic: Supporting and responding to the Spread of COVID-19 (2)

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9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

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

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This is an introduction to the promotion video distribution of new products via SNS in China.

We will continue to respond flexibly to changes and strengthen our sales activities.

Topic: AHS commenced at Whitehaven Coal's mine

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- 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

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We have reported that six rigid dump trucks equipped with an Autonomous Haulage System (AHS) started running autonomously at Maules Creek Coal Mine of Whitehaven Coal, Australia.

We aim to achieve 24/7 operation by the end of June 2020.

Topic: Launching official designed model of 6 Japanese pro baseball teams

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- 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 firstfor Japanese construction machinery industry

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This is an introduction to the officially designed model launch for the six Japanese professional baseball teams.

Pro baseball will soon begin, and we will realize our goal of supporting customers nationwide, who contribute to society through infrastructure improvements, together with professional baseball teams, which are firmly rooted in local communities. This is the first time that multiple baseball teams have collaborated together in the construction machinery industry.

We have already received 30 orders and many inquiries.

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

- 3D data management
- Visualization of progress status
- Data sharing

Advanced version:
- Compliant with MLIT volume calculation parameters
  Enables invoicing based on construction progress
- Collaboration with Fukui Computer cloud service CIMPHONY Plus
  Achieves real-time progress management using 3D data

Standard version:
- Easy soil volume measurement without need for specialized equipment or knowledge

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Solution Linkage® Survey, a smartphone-based soil measurement service, was introduced on this page. On page 23, we featured an industry-first smartphone diagnostics application for construction machinery, called ConSite® Health Check.

Through these efforts, we will continue to contribute to reducing the lifecycle costs of our customers.

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

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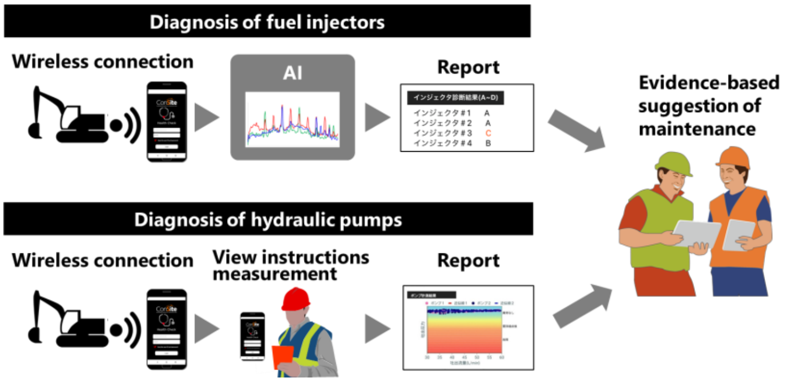
- Developed *ConSite® Health Check*, an app for diagnosing the condition of construction machinery. Began offering in March 2020.
- Service technicians can use a smartphone to quickly diagnose construction machinery based on its operation sound and measurement data. An app able to determine the condition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



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

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Business Results for FY2019 ended March 2020

(April 1, 2019 - March 31, 2020)

Keiichiro Shiojima

Executive Officer, CFO

The following is an explanation of the business results for the fiscal year ended March 31, 2020.

Summary of consolidated results

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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.

In Fiscal 2019, consolidated sales revenue decreased by 10% from the previous year to ¥931.3 bn due to the impact of COVID-19 in the 4Q and the appreciation of the yen.

Adjusted operating income fell 34% to ¥76.6 bn, representing a profit margin of 8.2%.

Operating income was ¥72.8 bn, representing a profit margin of 7.8%.

Net income attributable to owners of the parent decreased by 40% year on year to ¥41.2 bn.

The impact of COVID-19 in the 4Q is estimated to be equivalent to a ¥26.3 bn decrease in revenue.

In Fiscal 2019, the yen appreciated by ¥2.3 against the U.S. dollar, by ¥7.1 against the euro, by ¥0.9 against the yuan, and by ¥6.8 against the Australian dollar compared to the previous fiscal year.

The annual dividend for the fiscal year under review will be ¥60 per share.

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%			

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Revenue in Japan was ¥205.6 bn, roughly the same as in the previous fiscal year, due in part to an increase in demand from the disaster recovery work, etc.

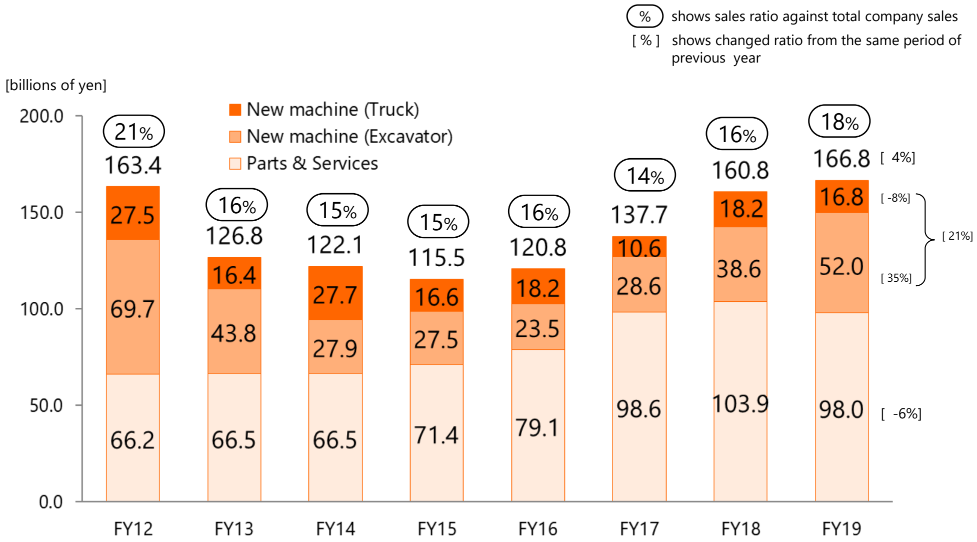
Overseas, revenue in North America was ¥173.4 bn, an increase of ¥4.8 bn, or 3%, compared with the previous fiscal year. In other regions, however, revenue declined.

The overseas revenue ratio decreased by 2 percentage points year-on-year to 78%.

Revenue decreased by ¥102.4 bn year on year to ¥931.3 bn. Due to the appreciation of the yen, revenue decreased by ¥36.2 bn and sales volume on a local-currency basis also decreased by ¥66.1 bn.

Mining revenue

- 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.



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Mining revenue in Fiscal 2019 was ¥166.8 bn, as shown in the bar graph at the right edge of the chart. Despite the appreciation of the yen, revenue rose 4% year on year, marking the fourth consecutive year of higher revenues and a new record high.

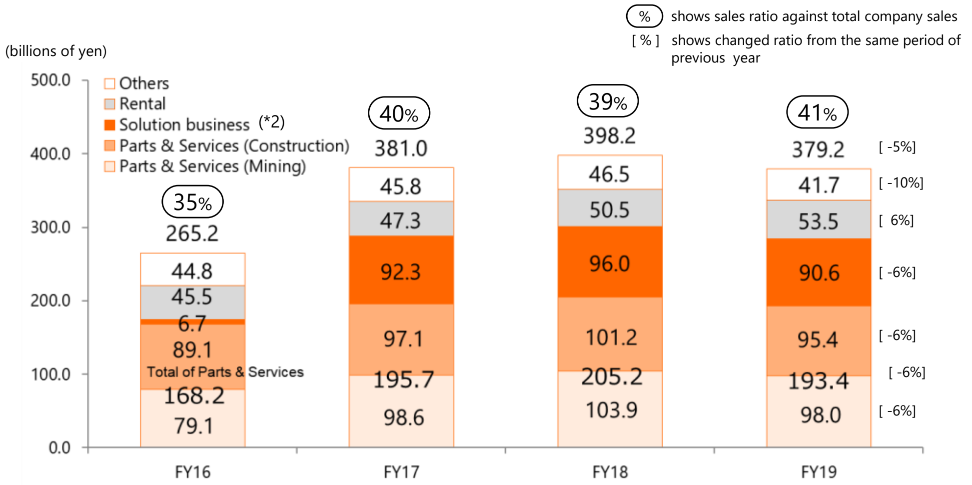
The breakdown shows that while truck sales decreased year on year, excavators showed a substantial 35% increase over the previous year.

Total sales of trucks and excavators increased by 21%, marking the second consecutive year of revenue growth.

Sales of mining parts & services also declined 6% year on year due to the appreciation of the yen, but increased on a local currency basis.

Value chain*1 revenue

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.

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Value chain revenue in Fiscal 2019 decreased by 5% year on year to ¥379.2 bn. While the negative impact of the appreciation of the yen was a factor behind a 4% decline in revenue. On a local currency basis, sales volume remained almost unchanged from the previous year.

Revenue in the solutions business also declined by 6% year on year to ¥90.6 bn due to the appreciation of the yen, but increased on a local currency basis.

Revenue in rentals also increased by 6% year-on-year.

Comparison of consolidated income

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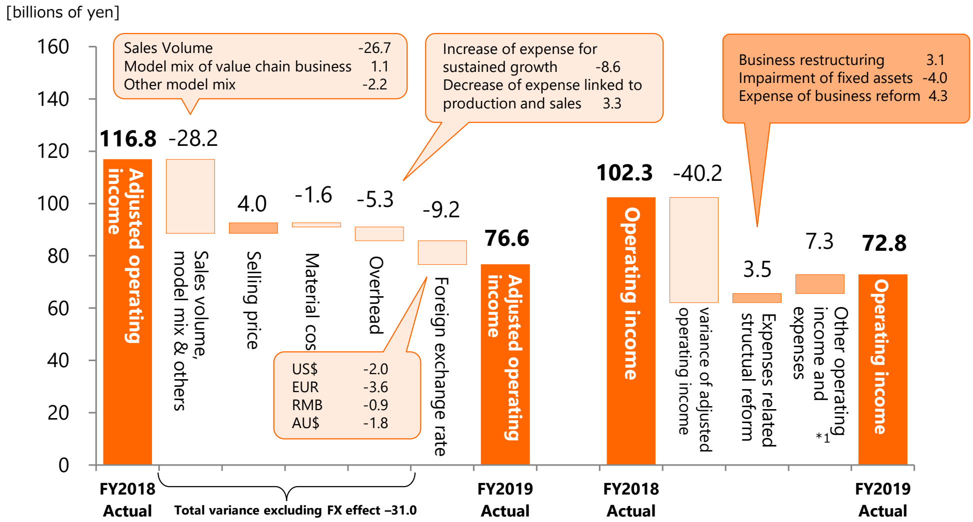
Adjusted operating income decreased by 40.2 billion yen y-y due to the impact of the decreased sales volume and model mix including the impact of COVID-19, increased overheads, increased material costs and the appreciation of the yen despite the improved selling price.



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

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Adjusted operating income fell by ¥40.2 bn from the previous fiscal year.

Compared with the previous fiscal year, which recorded the highest profits, the deterioration of the market environment in China and neighboring Asian countries caused by trade friction between the United States and China was remarkable from the beginning of the fiscal year.

The worsening of plant operations due to typhoon damage in the 3Q returned to normal in the 4Q, but the impact of COVID-19 expanded worldwide, starting in China, resulting in a ¥28.2 bn decline in sales volume and model mix, etc.

Adjusted operating income decreased by ¥40.2 bn from the previous fiscal year to ¥76.6 bn despite an improvement in selling prices of ¥4 bn. This was due to higher material costs in Japan and Indonesia, higher overhead costs of ¥5.3 bn including higher expense for sustained growth such as depreciation and personnel expenses, and an appreciation of the yen of ¥9.2 bn.

Operating income decreased by ¥29.4 bn to ¥72.8 bn.

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.

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In this section, we will briefly explain our non-operating income and expenses.

Financial income and expenses worsened by ¥4.1 bn compared with the previous fiscal year, mainly due to foreign exchange losses.

Share of profits of investments accounted for using the equity method decreased by ¥2 bn year on year.

Net income attributable to owners of the parent decreased by 40% year on year to ¥41.2 bn.

Summary of quarterly consolidated revenue and operating income (ratio)

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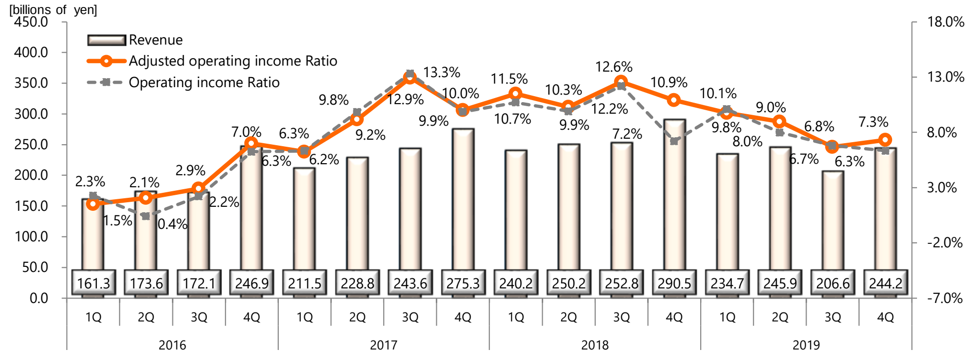
[billions of yen]

	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



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

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Compared with the 4Q of Fiscal 2018, revenues of ¥244.2 bn in the 4Q of Fiscal 2019 declined significantly by ¥46.3 bn, including a decrease in sales volume and a ¥8.2 bn appreciation of the yen.

The adjusted operating income margin was 7.3% for the 4Q of Fiscal 2019.

Consolidated statement of financial position

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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
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
	(23.7%)	(20.0%)	(3.7%)
Net interest-bearing debt	276.8	237.5	39.3
Net D/E Ratio	0.58	0.49	0.10

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At the end of March 2020, there was an increase in lease assets of ¥41.5 bn in accordance with International Financial Reporting Standards (IFRS) 16, which was applied from the current fiscal year.

Total assets were ¥1,167.6 bn, ¥17.7 bn less than at the end of March 2019, because trade receivables including non-current were ¥252.1 bn, a reduction of ¥30.5 bn, and inventories were ¥301.2 bn, a reduction of ¥23.6 bn.

The number of days on hand for trade receivables was 99 days, a slight decrease from the end of the previous fiscal year, while the number of days on hand for inventories was extended by 3 days to 118 days.

On the other hand, the number of days on hand for trade payables was reduced by 14 days to 43 days in accordance with the subcontracting law.

As a result, the number of days on hand for working capital was 171 days, an increase of 16 days from the previous fiscal year-end.

Trade and other payables decreased by ¥89.4 bn from the previous fiscal year-end to ¥188.7 bn.

Therefore, interest-bearing debt increased by ¥34.1 bn from the previous fiscal year-end to ¥338.9 bn.

Total equity was ¥525.1 bn, and equity attributable to owners of the parent ratio was 40.6%, and the net D/E ratio was 0.58.

Consolidated cash flow

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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

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Net cash provided by operating activities was positive at ¥22.7 bn, an improvement of ¥48.4 bn year-on-year.

On the other hand, net cash used in investing activities was an over-expenditure of ¥34.7 bn, mainly due to an increase of ¥5.8 bn in purchases of property, plant and equipment, therefore free cash flow reached a total over-expenditure of ¥12.1bn.

Summary of consolidated earnings forecast

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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	change %
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$)	105.0	108.7	-3.7
Rate (YEN/EURO)	120.0	120.8	-0.8
Rate (YEN/RMB)	15.0	15.7	-0.7
Rate (YEN/AU$)	72.0	74.1	-2.1
Cash dividend per share (yen) *1	to be determined	60	-

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.

Based on the demand environment under the impact of COVID-19, the current consolidated earnings forecast for Fiscal 2020 is ¥770 bn for revenue, ¥40 bn for adjusted operating income, and ¥20 bn for net income attributable to owners of the parent.

These earnings forecasts are based on the assumption that the impacts of COVID-19 will continue until the end of the 2Q. In addition, we have factored in the impact on demand from the 3Q onward.

We forecast exchange rates of ¥105 to the U.S. dollar, ¥120 to the euro, ¥15 to the Chinese yuan, and ¥72 to the Australian dollar for Fiscal 2020.

Mining revenue forecast

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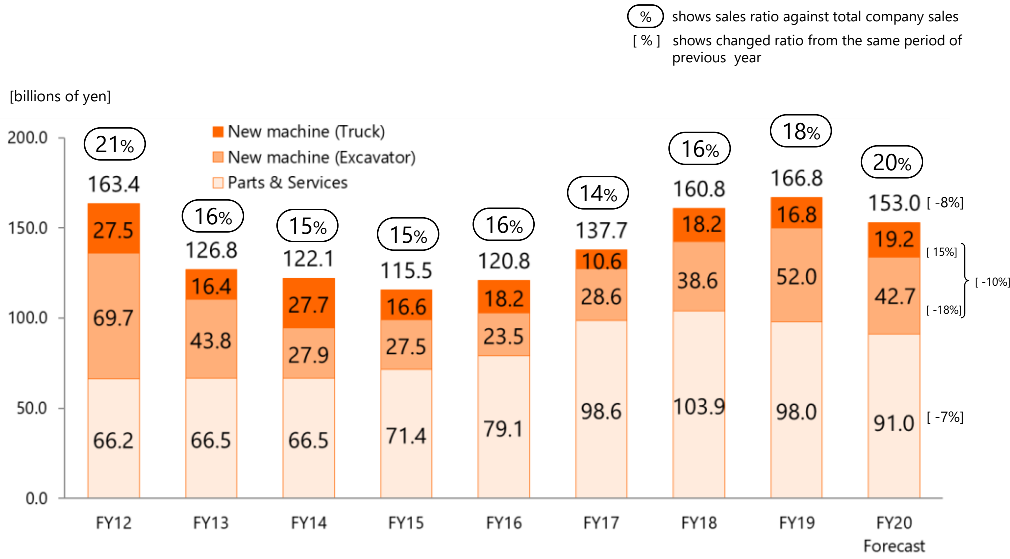
HCM forecasts a decrease in FY2020 mining revenue by 8% to 153.0 billion yen y-y due to the expected appreciation of the yen.



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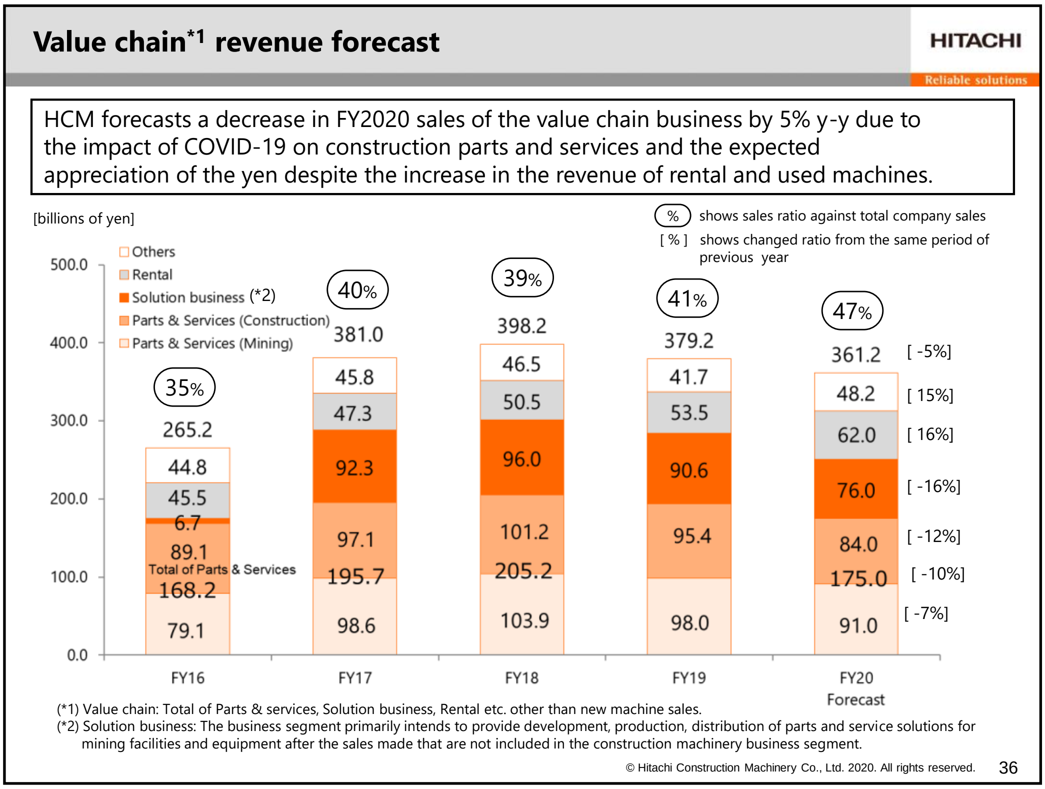
Mining revenue is expected to decrease by 8% year-on-year to ¥153 bn, partly due to the expected appreciation of the yen in Fiscal 2020.

Total sales of trucks and excavators are expected to decrease by 10% year on year, and sales of mining parts and services are also expected to decrease by 7% due to the appreciation of the yen.

We forecast a 2-point increase in sales ratio of mining revenue to 20%.



The value chain revenue forecasts for sales for Fiscal 2020 are expected to decrease by 5% year on year to ¥361.2 bn, partly due to the appreciation of the yen.

In parts & services, we expect sales to d decrease by 10% year on year to ¥175 bn due to a large drop in construction sales due to the impact of COVID-19.

In the Solutions Business, we expect sales to decrease by 16% to ¥76 bn.

Meanwhile, we expect rental revenue to increase by 16% to ¥62 bn due to steady growth in Japan and the United Kingdom, followed by expansion into China, Asia and Australia.

We forecast a 6-point increase in sales ratio of value chain revenue to 47%.

Comparison of consolidated income forecast

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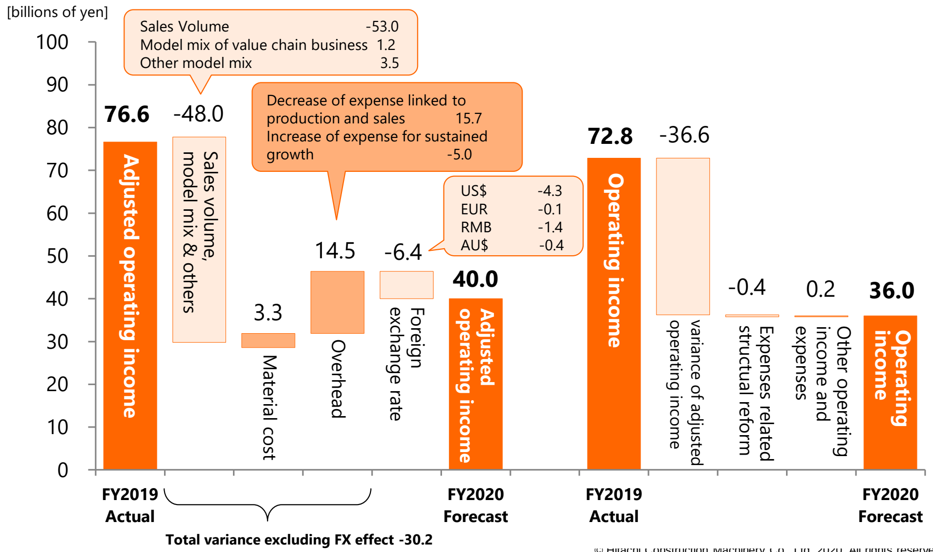
Adjusted operating income for FY2020 is expected to decrease by 36.6 billion yen y-y, although there is a reduction in overheads and material costs due to a decrease in sales volume caused by the impact of COVID-19 and the appreciation of the yen.



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This section explains the factors behind the decline of ¥36.6 bn from the previous fiscal year to ¥40 bn in adjusted operating income for Fiscal 2020.

The impact of the 53 bn decline in sales volume was significant, and the appreciation of the yen of ¥6.4 bn was also a negative factor. On the other hand, we expect an adjusted operating income of ¥40 bn due to a substantial reduction in overhead costs and a reduction in material costs.

We expect operating income to decrease by ¥36.8 bn year-on-year to ¥36 bn due to a decrease in adjusted operating income.

Appendix 1: FX rate and FX sensitivity

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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

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[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

Appendix 3: Segment information

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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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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

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Direction of our Medium-term Corporate Strategy

(FY 2020-2022)

Kotaro Hirano

Executive Officer, President & CEO

This section explains the direction of our medium-term corporate strategy.

Changes in operating environment caused by COVID-19 and our initiatives

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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

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This section explains changes in the operating environment caused by COVID-19 and our initiatives.

In the medium-term management plan that ended in the previous fiscal year, we have explained that our customers' worksites and attitudes have changed greatly on an ongoing basis. I feel that it is becoming ever more important to satisfy customer requirements due to COVID-19.

For example, we believe the style of machinery possession will diversify and customers will hold machinery that can leverage their strengths and rent other machinery, etc.

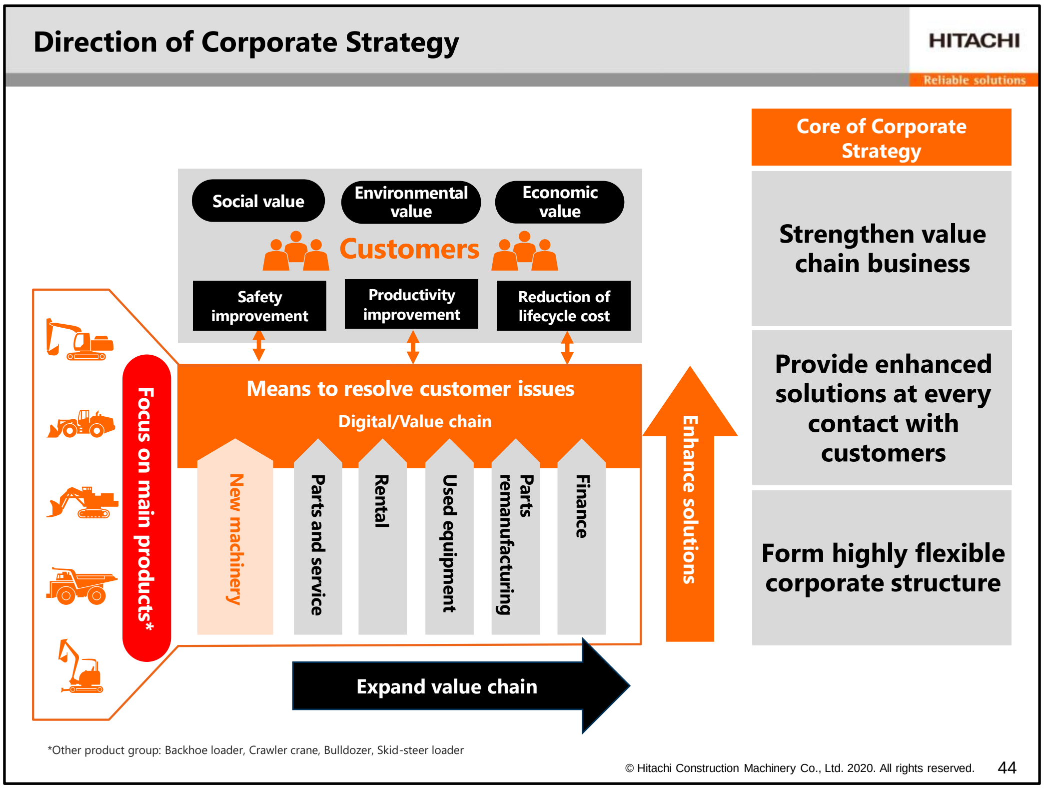
In addition to advanced machinery, we have expanded our customer choice by strengthening our value chain, including rental and used equipment that take advantage of our distinctive strengths as a manufacturer.

We also believe that the need for remote operation will accelerate in order to avoid "3Cs" (closed spaces, crowded places, close contact) at construction sites.

We are promoting the development of ICT machinery and remotely operated construction machinery to respond to remote operation needs.

There is no doubt that customer needs for safety improvement, productivity improvement, and reduction of life cycle costs (including fuel, maintenance, repair and other costs), which have been our business challenges, will increase even further.

In the construction machinery market, we will work to avoid machine downtime and increase operating rates at sites by enhancing the service menu “ConSite” and expanding the parts remanufacturing business. In the mining business, we will promote the sophistication of combining AHS and digital technologies.



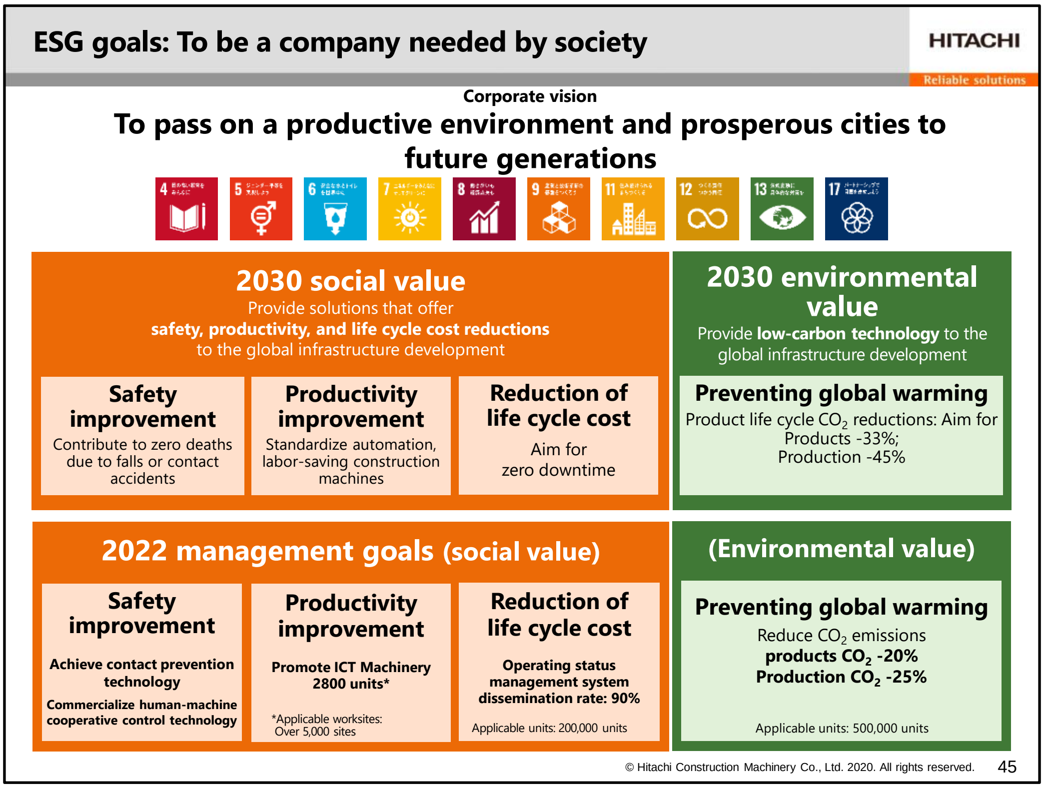
The following is an explanation of the pillars of our medium-term corporate strategy, which we began to implement in the current fiscal year.

Under CONNECT TOGETHER 2019 of the previous medium-term management plan, which began in Fiscal 2017 and ended in Fiscal 2019, we have responded to changes in social trends and customer needs. We shifted from a business model centered on new machinery sales, while we have strengthened our value chain business to target operating machinery worldwide, which includes parts & services, rentals, used equipment, parts remanufacturing, and financing, and we have also worked to stabilize our earnings structure. In addition, in order to create a structure that is resilient to change, we have comprehensively reviewed the business structure of our bases around the world, including Japan, and worked to improve management efficiency.

There has been no change in this direction in the new medium-term corporate strategy.

We believe that it has not changed our customers' management issues of "safety," "productivity," and "reduction of lifecycle costs," and demand will become even stronger due to the impact of COVID-19.

Therefore, under our medium-term corporate strategy, we will concentrate our management resources on our main products, further expand the value chain business, which we focused on in the previous medium-term management plan, and use digital technologies to enhance our solutions to our customers' problems.



Finally, I would like to mention that we are promoting ourselves as a company that is relevant and useful to society.

As the corporate vision itself demonstrates, our business is directly linked to contributing to society and the environment.

We have set our social and environmental values for 2030 and our targets for 2022, the final year of the current medium-term management plan.

Specifically, in terms of social values in 2030, we have set the following goals for the improvement of safety & productivity, as well as life cycle cost reduction, which we have been addressing.

In terms of environmental value in 2030, we will work to prevent global warming by reducing the amount of CO_2 generated from machinery and in manufacturing processes.

In any era, we will continue to provide sustainable value and become a company needed by society by resolving customer issues while accurately grasping changes.

This year was scheduled to mark the 70th anniversary of the start of the development and production of construction machinery.

However, due to the impact of COVID-19, the current fiscal year is likely to see strong headwinds.

In these circumstances, we will proceed with our business operations with a firm eye on the future, and we look forward to your continued guidance and support.

Thank you very much.

Supplementary Information : SDGs

HITACHI
Reliable solutions

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.

HITACHI

Reliable solutions

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.