

Explanatory Meeting for Business Results for the First Quarter ended June 30, 2020

- 1. Regional Market Environments and Projections**
- 2. Business Results Outline**

July 27, 2020

Masafumi Senzaki

Executive Officer, President, Marketing Div.

Keiichiro Shiojima

Executive Officer, CFO

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



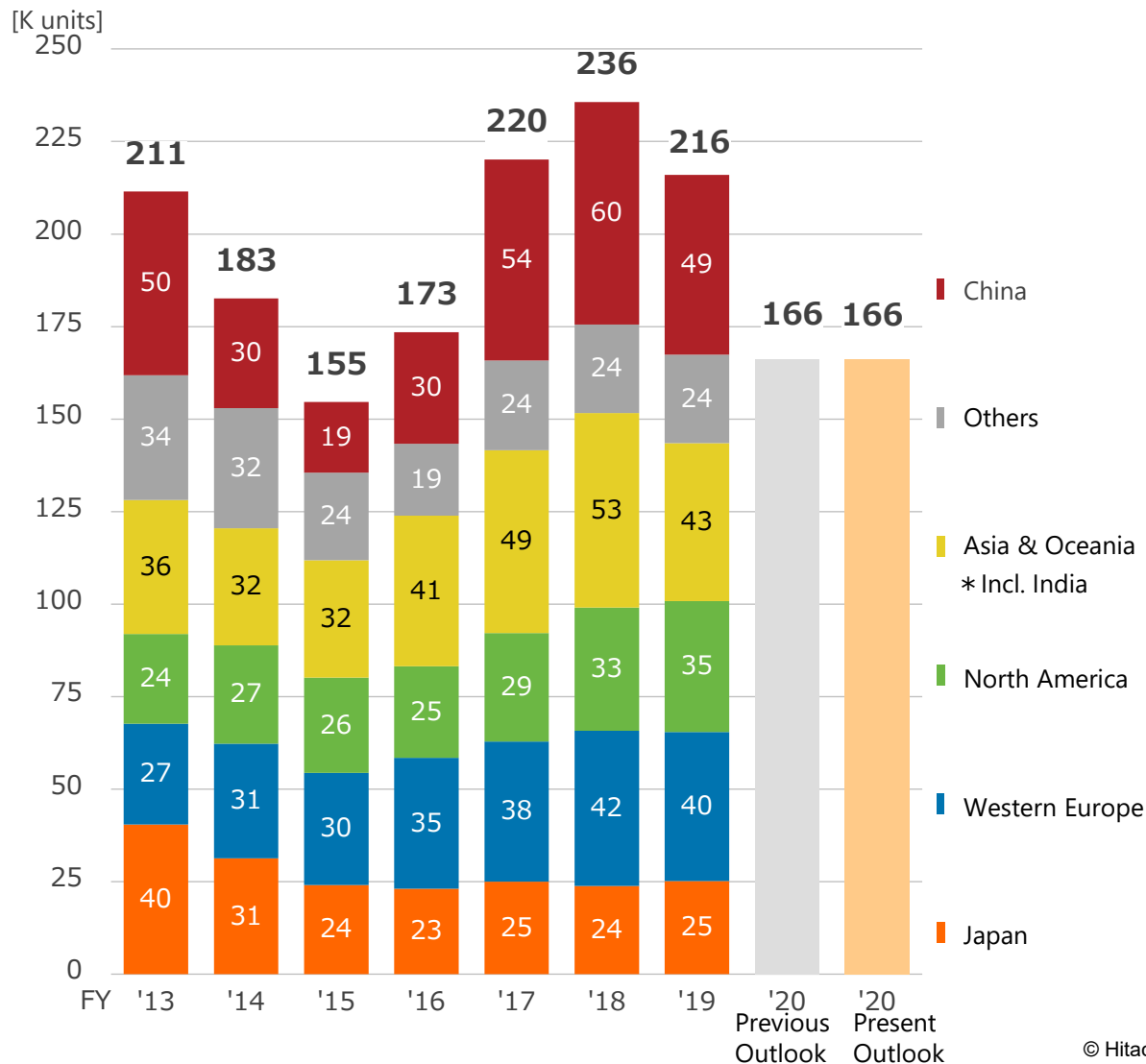
Regional Market Environments and Projections

Masafumi Senzaki

Executive Officer, President, Marketing Div.

Emerging Countries ratio : FY2020 : 58% (y-y Change : +5%)

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



Year-on-Year-Change

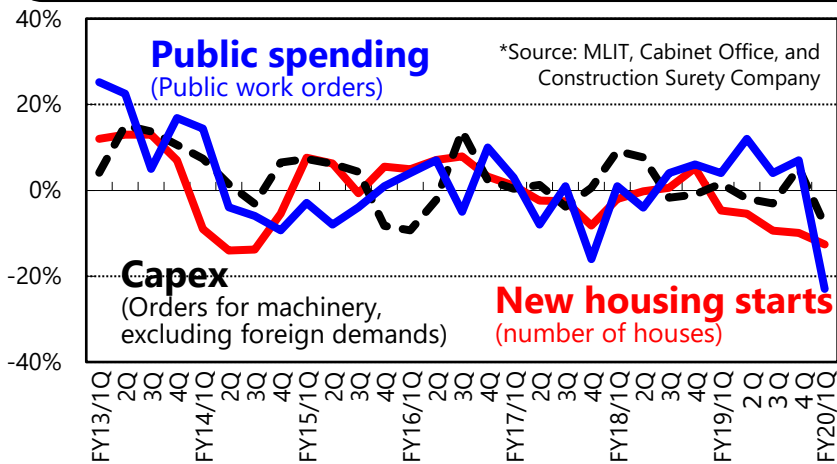
※Estimates by HCM, Excluding Chinese manufacturers

※Distributing, copying, or forwarding prohibited

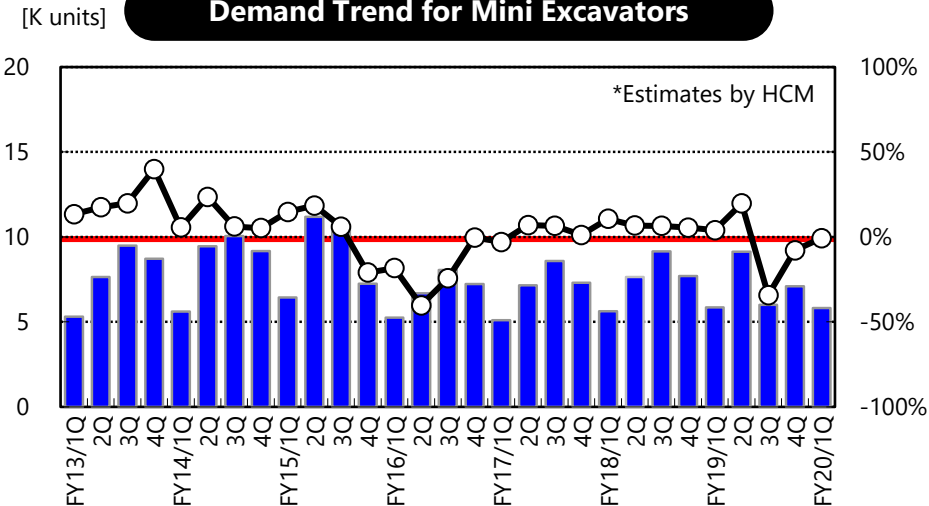
	'19	'20
Total	-8%	-23%
China	-19%	
Russia,CIS, E Europe	+2%	
Africa	-12%	
Middle East	+10%	
Latin America	+13%	
Others	+3%	
Asia	-19%	
India	-17%	
Oceania	-22%	
Asia & Oceania	-18%	
N America	+5%	
W Europe	-4%	
Japan	+5%	

- Housing investment, public investment, and capital investment significantly decreased.
- Demand for hydraulic excavators and mini excavators slightly decreased, demand for wheel loaders decreased (-1%, -1%, and -22% y-y, respectively).

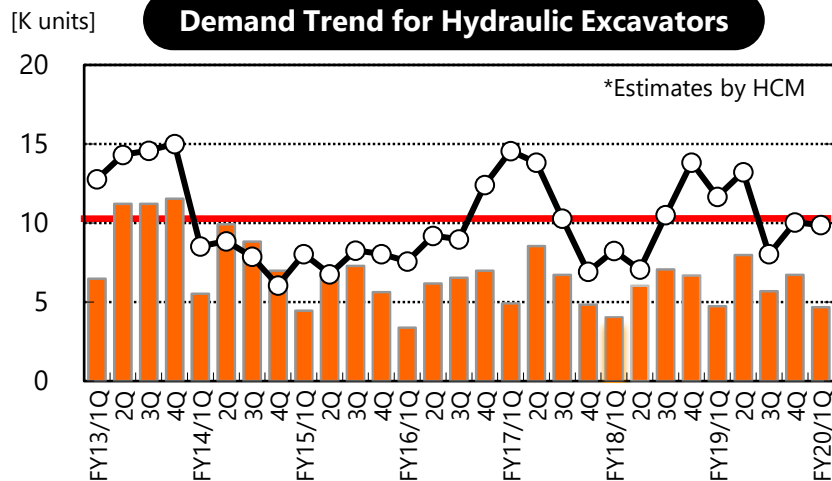
Market Environment Housing/Public Spending and Capex (y-y)



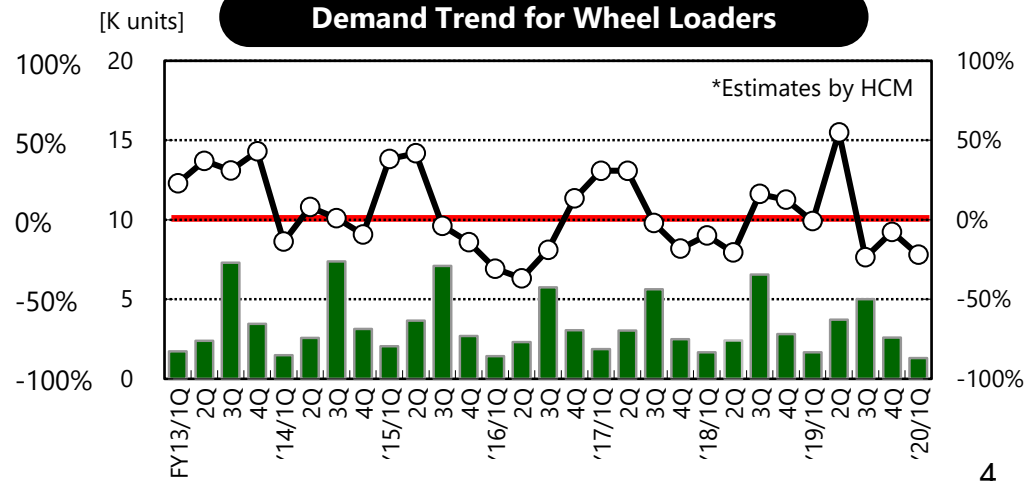
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

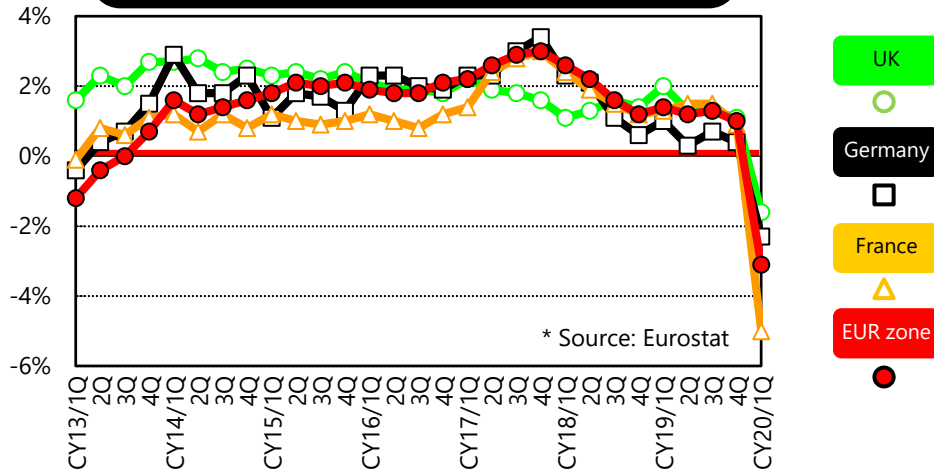


Demand Trend for Wheel Loaders

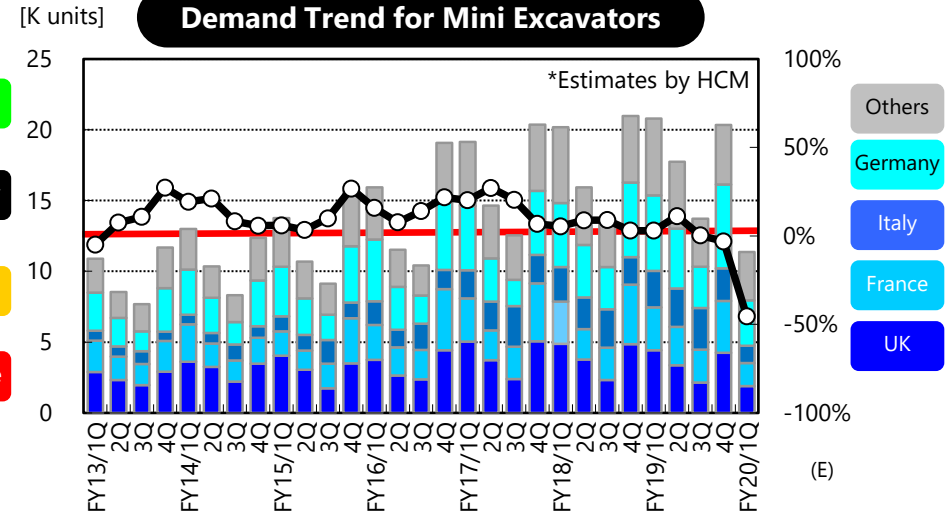


- Throughout the Eurozone, GDP growth rate decreased.
- Demand for hydraulic excavators, mini excavators and wheel loaders decreased (-49%, -45%, and -54% y-y, respectively).

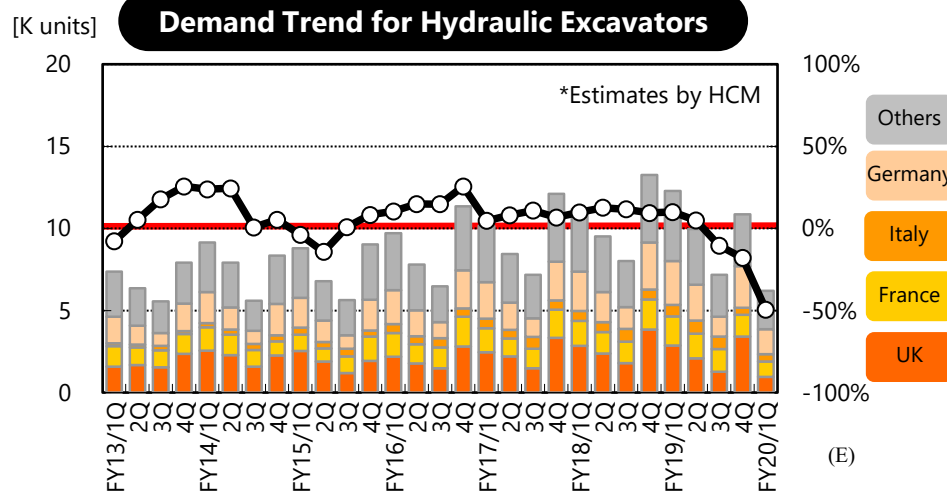
GDP Growth Rate in Major Countries (y-y)



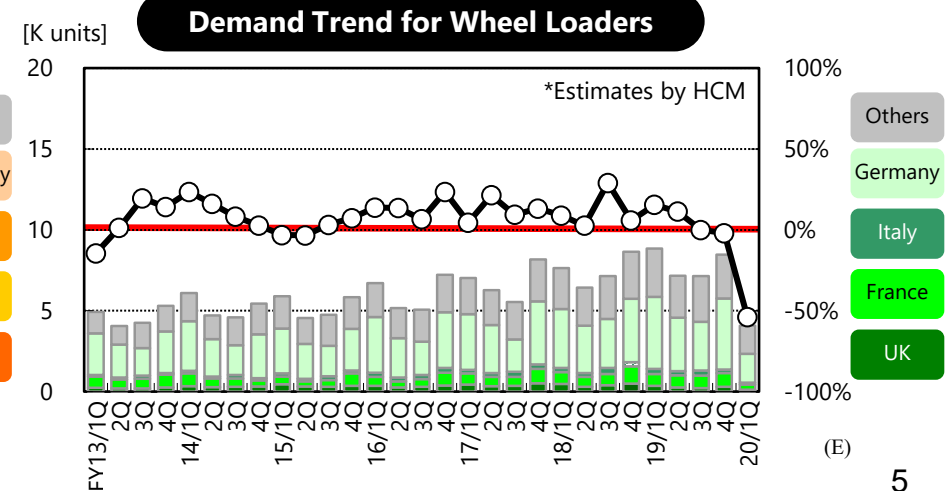
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



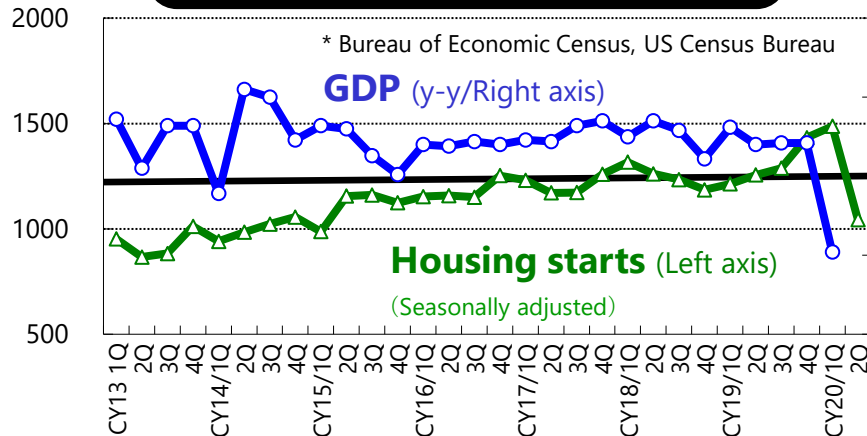
Demand Trend for Wheel Loaders



- Housing starts decreased, and construction investment decreased in Residential, Non-residential, and Public works.
- Demand for hydraulic excavators and mini excavators significantly decreased (-33% and -26% y-y, respectively).

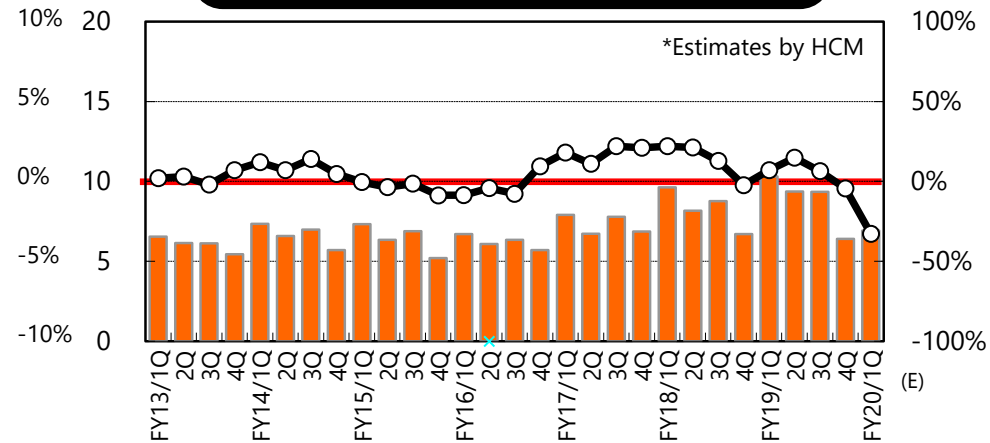
[K units]

GDP Growth Rate, Housing Starts in US

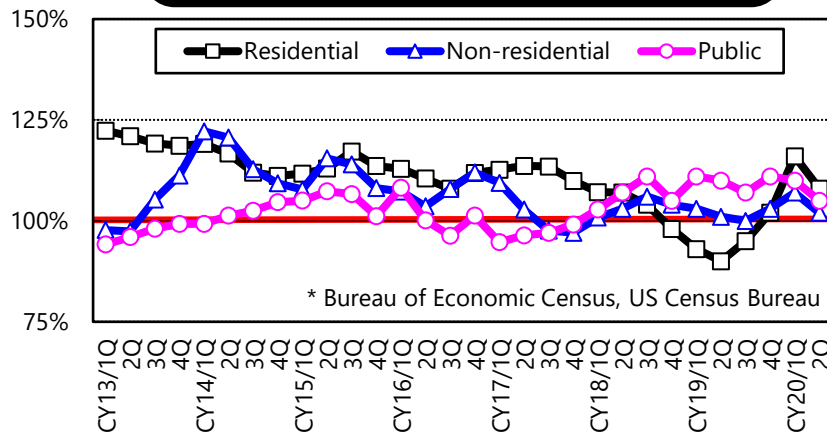


[K units]

Demand Trend for Hydraulic Excavators

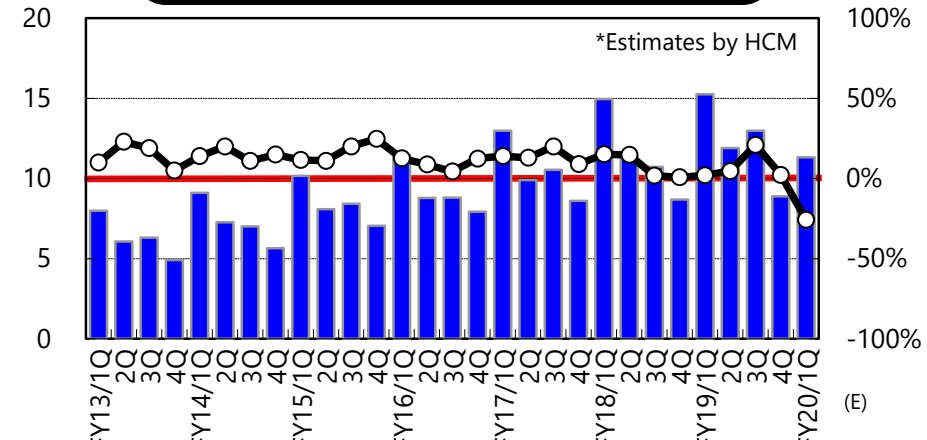


Construction Spending in US (y-y)



[K units]

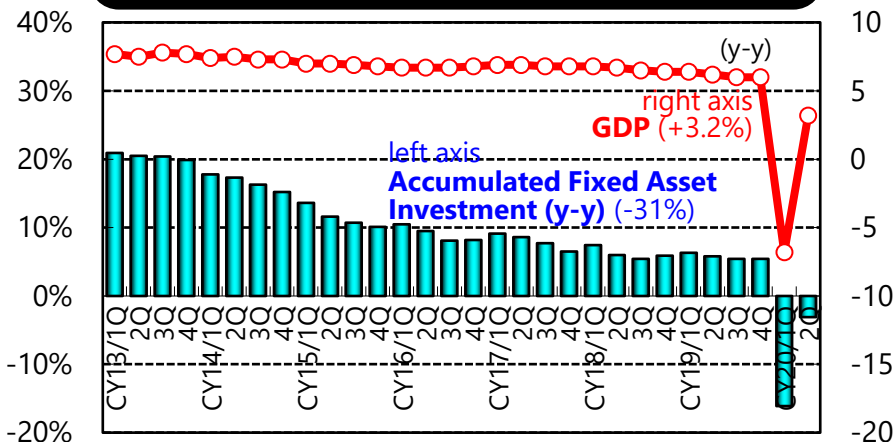
Demand Trend for Mini Excavators



- The GDP growth rate was 3.2%.
- Demand for hydraulic excavators increased (+45% y-y, Foreign manufactures only).

GDP and Fixed Asset Investment

[%]



* National Bureau of Statistics of China

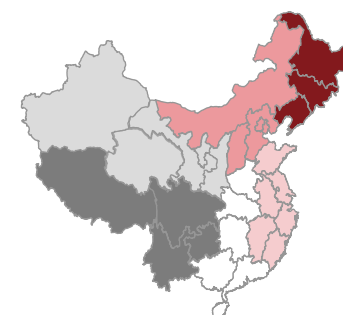
Quarterly Demand for Hydraulic Excavators by Region (y-y)

FY19	2Q	3Q	4Q	1Q
North East	-3	+65	+9	+150
North	-30	-21	-48	+37
East	-5	-1	-24	+59
Central South	+2	-8	-32	+42
North West	-17	+7	-41	+29
South West	-21	-16	-32	+28
Total	-10	-7	-31	+45

*Estimates by HCM

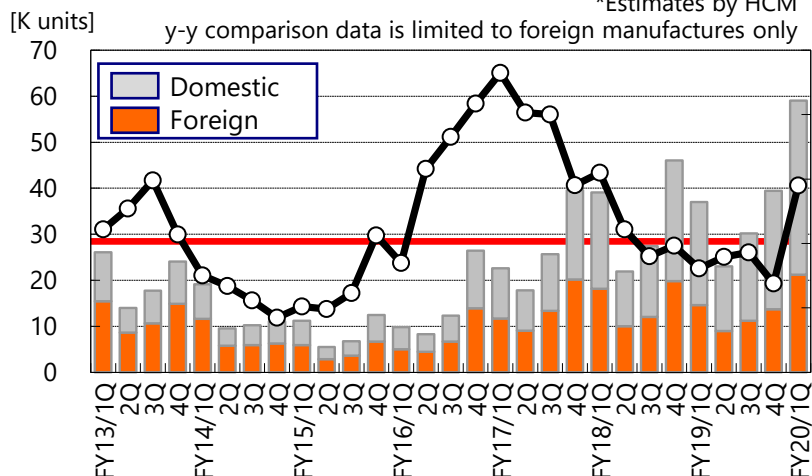
*Foreign manufactures only

[%]



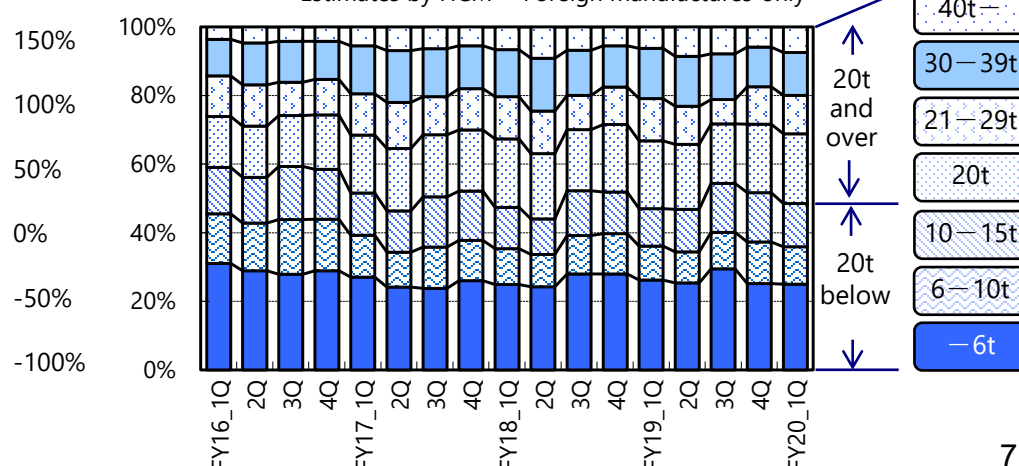
Demand Trend for Hydraulic Excavators

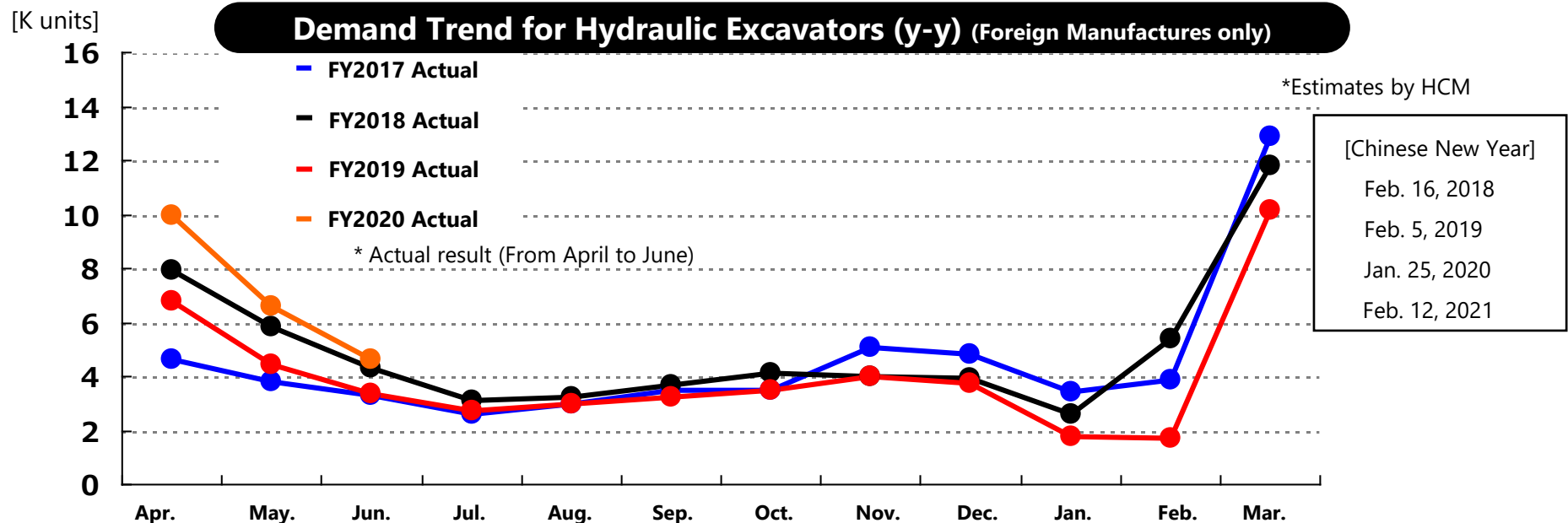
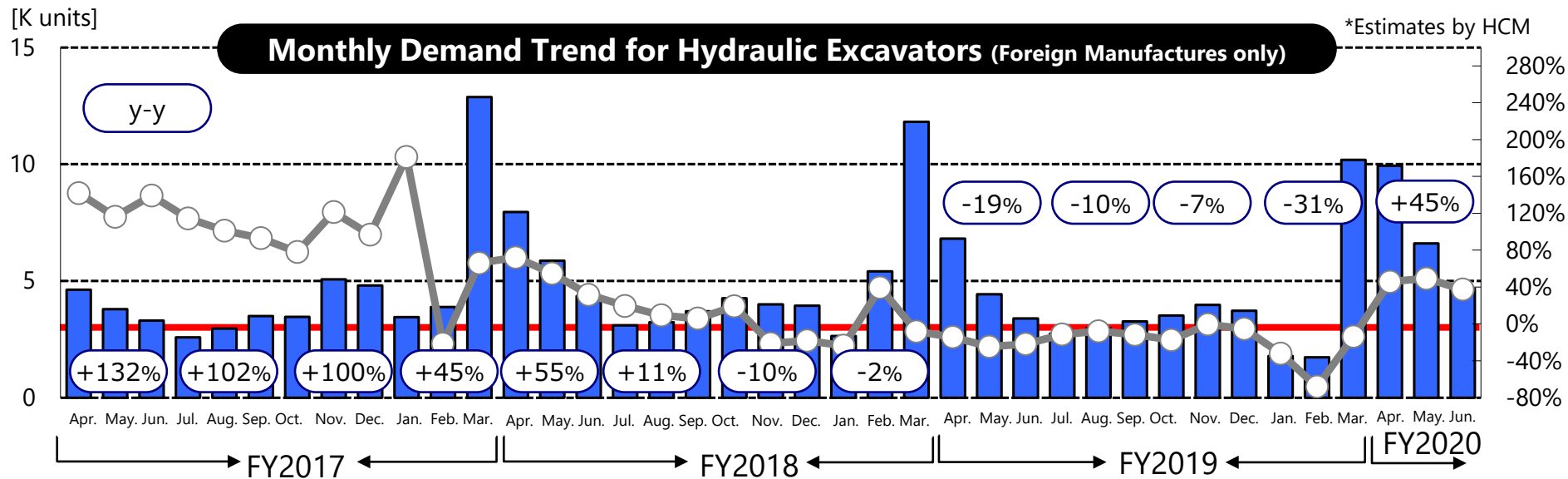
*Estimates by HCM



Demand Composition by Class for Mini Excavators and Hydraulic Excavators

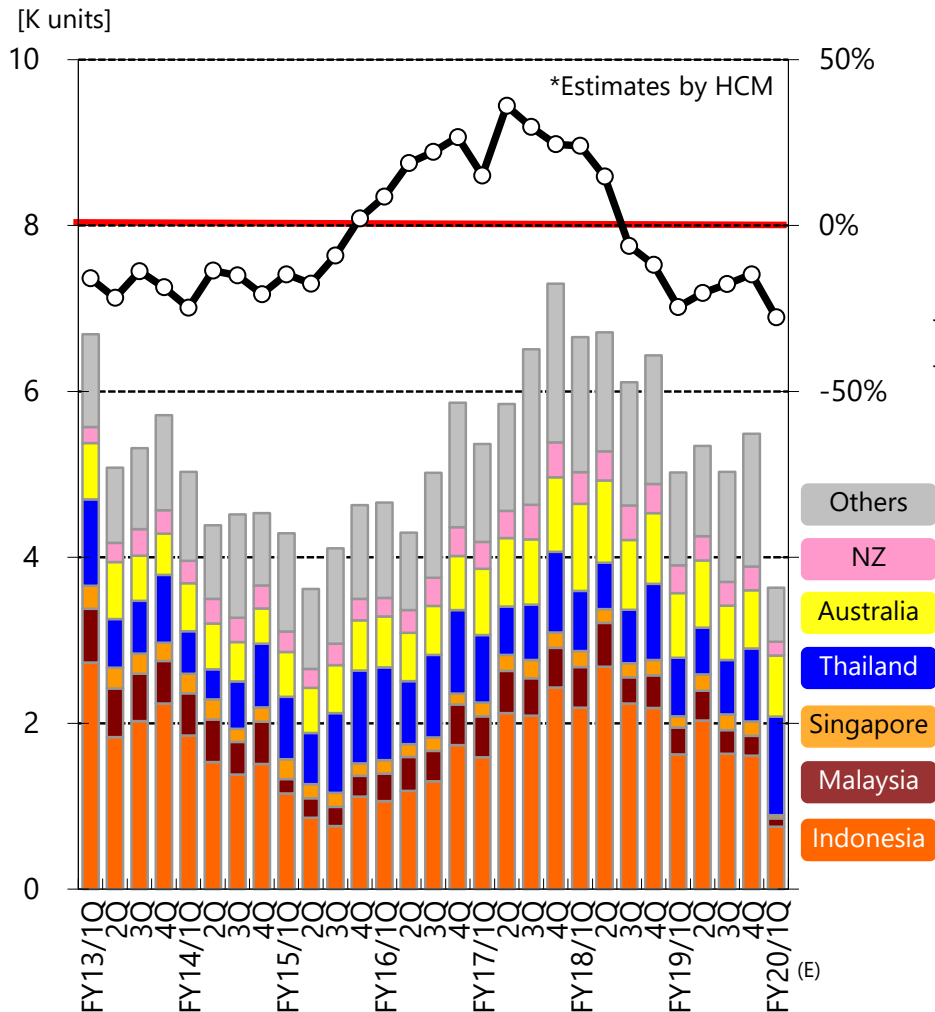
*Estimates by HCM *Foreign manufactures only



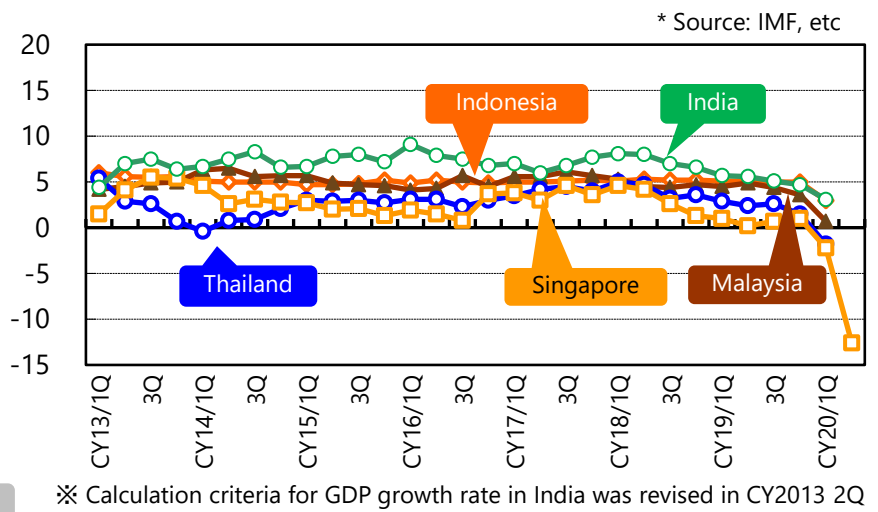


- Demand for hydraulic excavators decreased overall in the Asia Pacific region (-28% y-y).
- Demand for hydraulic excavators decreased in India (-74% y-y).

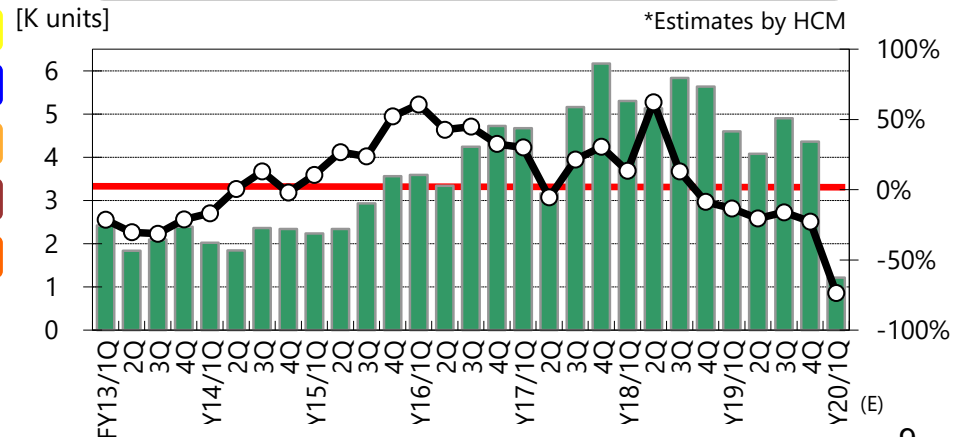
Demand Trend for Hydraulic Excavators in Asia & Oceania



GDP Growth Rate in Major Countries (y-y)

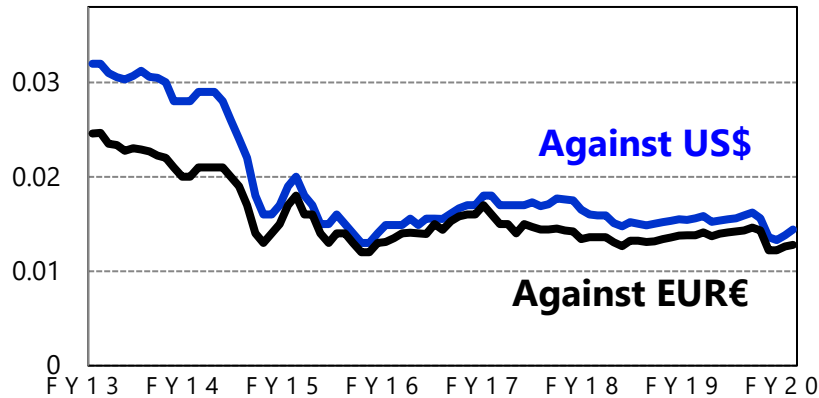


Demand Trend for Hydraulic Excavators in India



- Demand for hydraulic excavators decreased (-47% y-y) in Russia.
- Demand for hydraulic excavators in the Middle East has turned downward (-35% y-y).

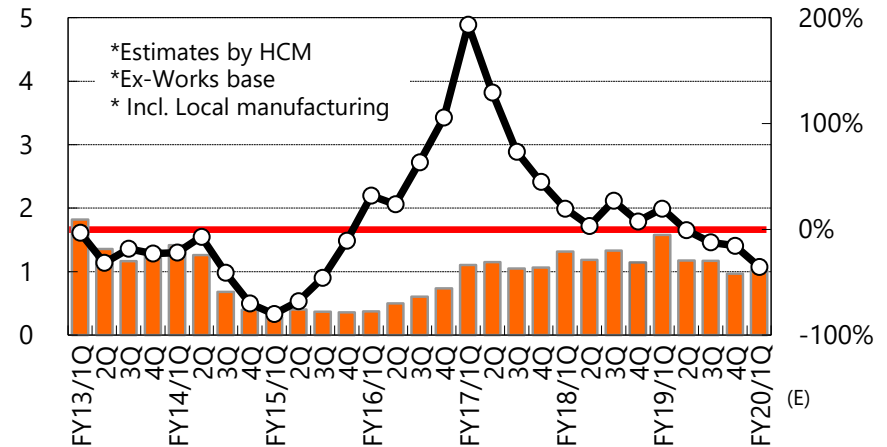
Foreign Exchange Rate of the Ruble



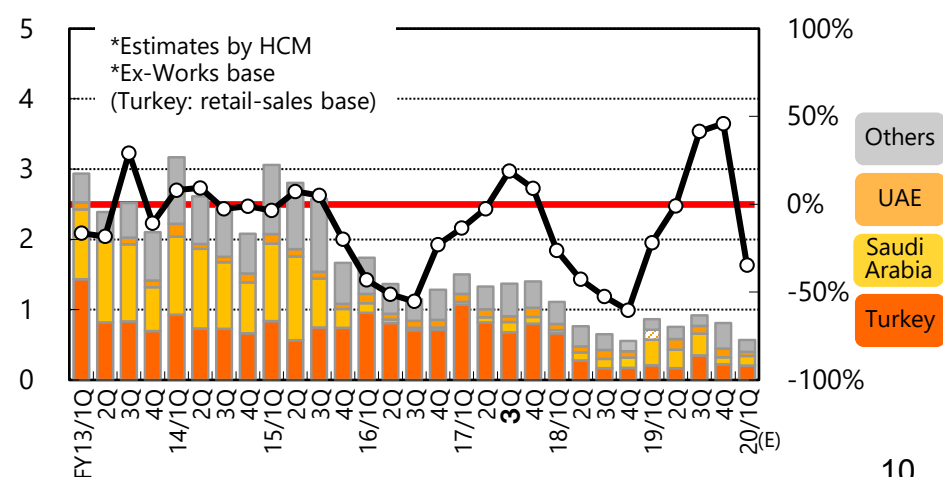
* According to HCM's research

[K units]

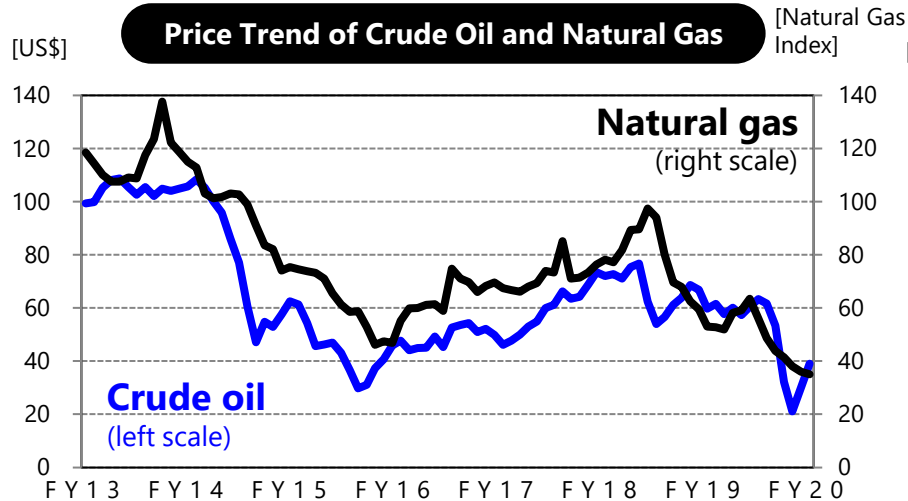
Demand Trend for Hydraulic Excavators in Russia



Demand Trend for Hydraulic Excavators in the Middle East



Price Trend of Crude Oil and Natural Gas



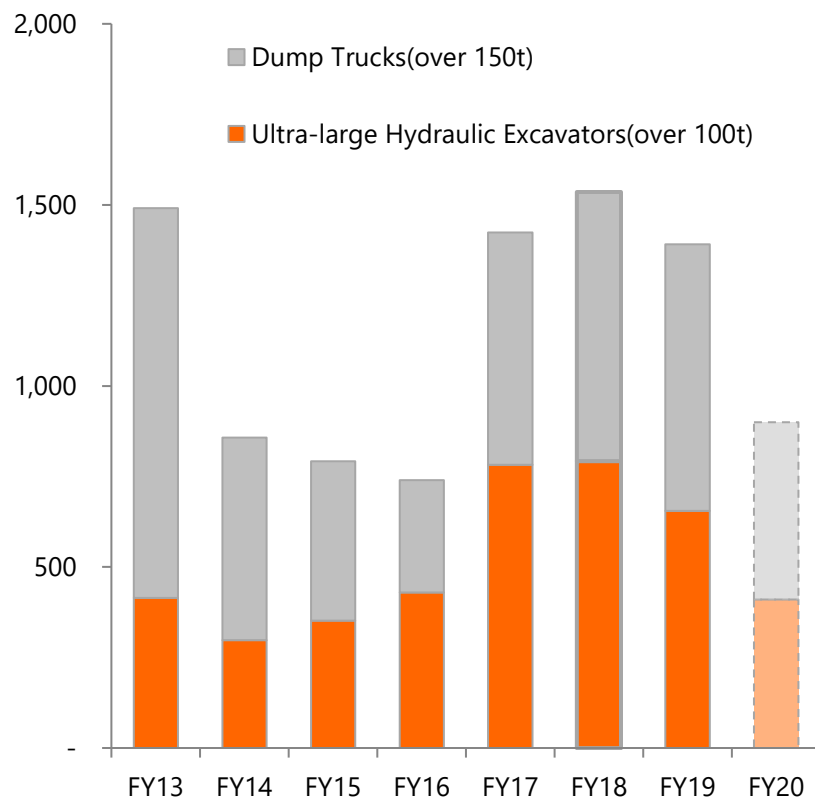
* Created by HCM, sourced from World Bank * Natural Gas Index (2010 = 100)

- The impact of the spread of COVID-19 on mining demand remains uncertain.
- There are concerns that demand for small-and medium-sized mining sites and contractors will decrease due to falling prices for thermal coal, and demand for major mining companies will decrease due to restrained capital investment. The previous forecast has been left unchanged (-35% y-y).

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

[Units]

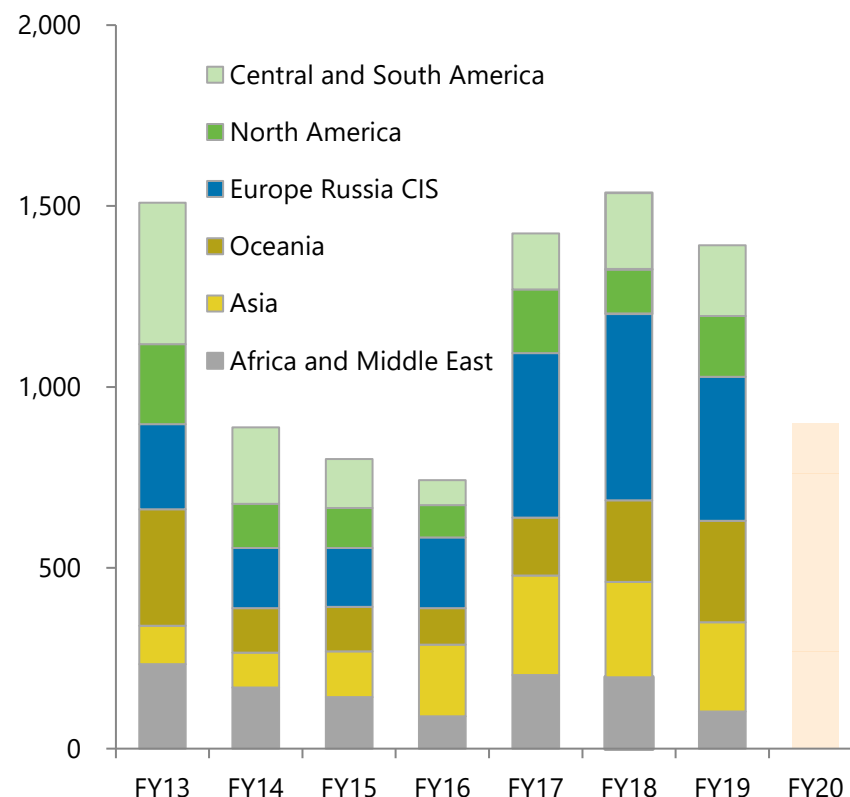
Demand by product



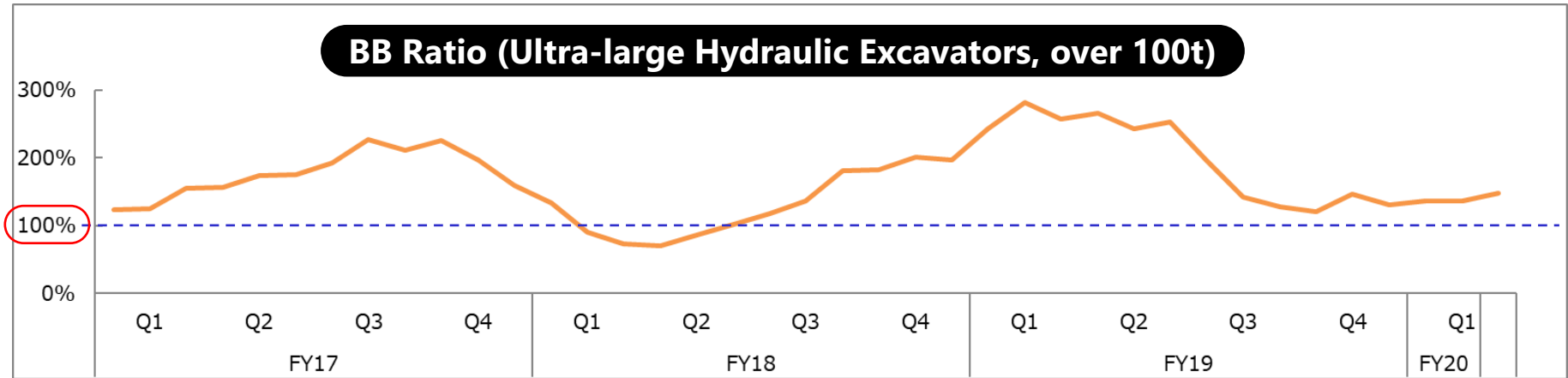
※ According to HCM's research

[Units]

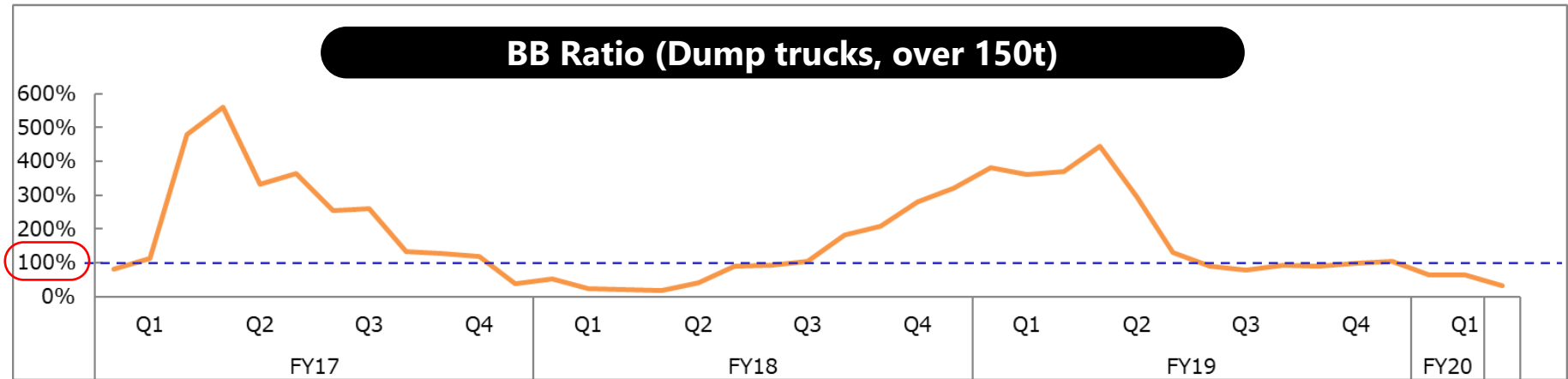
Demand by region



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



BB Ratio (Dump trucks, over 150t)



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

Non-consolidated basis (average of 6 months)

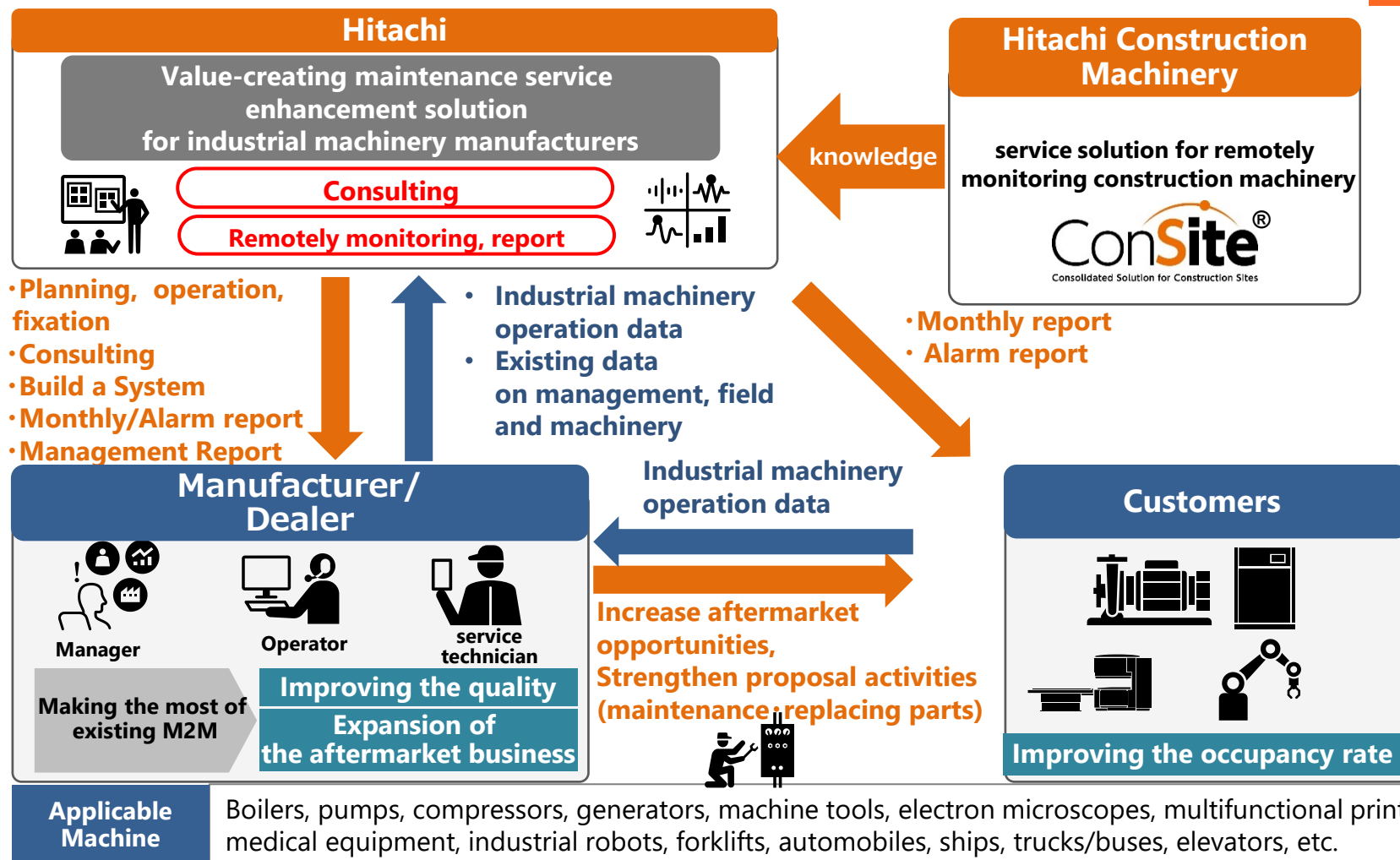
Region	Market trends
Japan	1 Q demand was almost flat y-y, but there are ongoing concerns due to lack of market transparency
Western Europe	Regulations easing in each country but there are ongoing concerns due to lack of market transparency
China	Part of post-Lunar New Year sales season pushed back to FY2020, and demand returning as market conditions return to normal
North America	There are ongoing concerns due to the impact of second wave and lack of market transparency
Asia	Situation varies depending on the country, but there are ongoing concerns overall due to impact of COVID-19 and demand in Indonesia due to sluggish commodity price
India	Some cities has been placed on lockdown again and there are ongoing concerns due to the spread of COVID-19 and lack of market transparency
Oceania	Construction machinery is expected to recovery gradually, but there are concerns for mining due to a lack of market transparency
Total	1Q demand was within our expected range, and demand is not expected to return to positive y-y within FY2020. Demand forecast for FY2020 is expected to decrease by 23% y-y. (1H: -25%, 2H: -20%)

Topic: Sharing the specialized knowledge and expertise of ConSite® to Hitachi

HITACHI

Reliable solutions

- Sharing ConSite®'s knowledge and expertise to strengthen Hitachi's Lumada business.
- Hitachi plans to commercially launch value-creating, maintenance service enhancement solution for industrial machinery manufacturers in October 2020.



Topic: Verification Tests to Start Directed at the Development of Autonomous Ultra-Large Hydraulic Excavators

HITACHI

Reliable solutions

- Verification tests start at **an Australian mine** from FY 2021
- Utilizing the knowledge from many years of research and development in the remotely control technology to cater to the needs of customers
- Effective use of customer-owned equipment to **retrofit** onto the EX-7 series






Ultra-large hydraulic excavator, EX3600-7(right), that will be used in the verification tests.

Topic: Global Reorganization of Parts Brand Classifications of Aftermarket Parts

HITACHI

Reliable solutions

- Reorganized three brand categories for aftermarket parts.
- Established a **global parts supply channel to supply quality parts with our warranty.**
- Customers are able to select parts for each machine's life, job application, and their budget.

Brand		Feature	Warranty
1	Genuine Parts	 <ul style="list-style-type: none"> • Same as new machinery parts 	The warranty term is 12month
2	Parts produced by certified suppliers	 <ul style="list-style-type: none"> • Bucket parts and other consumables • Compatible with genuine parts and supply at a low cost for aftermarket only 	The warranty term is 12month
3	Remanufactured Parts	 <ul style="list-style-type: none"> • Hydraulic equipment such as cylinders and motors • Disassembled and reconditioned at the remanufacturing plant • Quick delivery and low cost 	Same warranty as new

※ Labeling will be changed to the above logo design from January 2021.

A new parts brand "SELECTED PARTS"



Business Results for the First Quarter ended June 30, 2020

(April 1, 2020 - June 30, 2020)

Keiichiro Shiojima

Executive Officer, CFO

Revenue decreased by 27% and adjusted operating income decreased by 87% y-y due to the impact of COVID-19 and the appreciation of the yen, 8.5 billion yen.

[billions of yen]

		FY2020 1Q	FY2019 1Q	change
Revenue		170.2	234.7	-27%
Adjusted operating income *1		(1.7%) 2.9	(9.8%) 22.9	-87%
Operating income		(1.5%) 2.5	(10.1%) 23.7	-89%
Income before income taxes		(1.1%) 1.8	(9.2%) 21.6	-92%
Net income attributable to owners of the parent		(0.1%) 0.2	(5.8%) 13.6	-99%
EBIT *2		(1.6%) 2.7	(9.7%) 22.8	-88%
FX rate	Rate (YEN/US\$)	107.6	109.9	-2.3
	Rate (YEN/EURO)	118.5	123.5	-5.0
	Rate (YEN/RMB)	15.2	16.1	-0.9
	Rate (YEN/AU\$)	70.7	76.9	-6.3

*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"

Revenue by geographic region (consolidated)

HITACHI

Reliable solutions

Revenue decreased in each region except the Middle East y-y, consolidated revenue decreased significantly by 64.5 billion yen.

[billions of yen]

	FY2020 1Q		FY2019 1Q		change	
					amount	%
Japan	39.9	23%	40.9	17%	-0.9	-2%
Asia	9.2	5%	16.7	7%	-7.5	-45%
India	4.8	3%	13.4	6%	-8.6	-64%
Oceania	33.1	19%	38.0	16%	-4.9	-13%
Europe	13.5	8%	28.2	12%	-14.7	-52%
N.America	27.9	16%	47.1	20%	-19.2	-41%
L.America	2.8	2%	3.8	2%	-0.9	-25%
Russia-CIS	4.3	3%	10.1	4%	-5.7	-57%
M.East	3.3	2%	1.7	1%	1.6	95%
Africa	6.2	4%	8.3	4%	-2.1	-25%
China	25.1	15%	26.5	11%	-1.4	-5%
Total	170.2	100%	234.7	100%	-64.5	-27%

Overseas ratio

77%

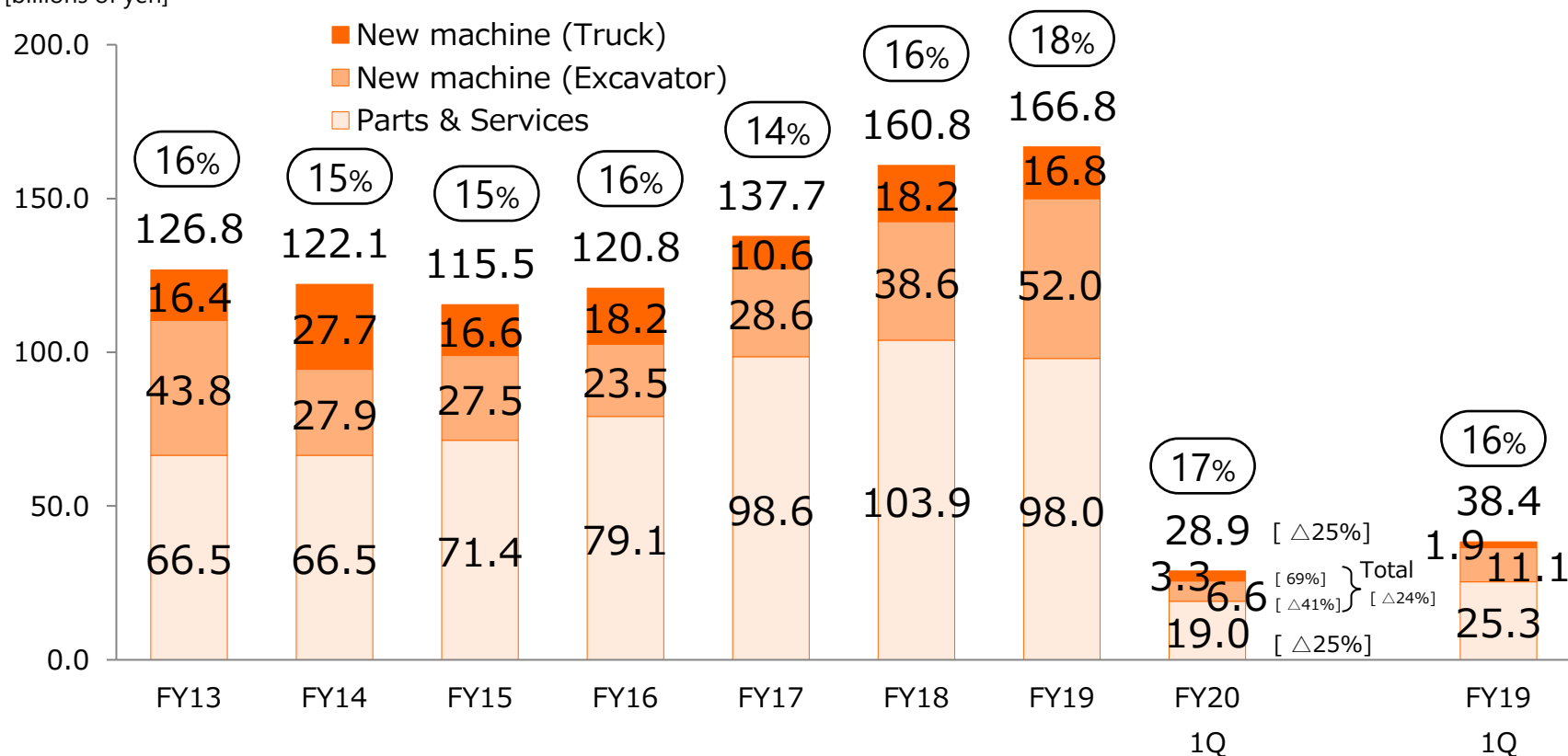
83%

Revenue of mining in FY2020 1Q decreased by 25% to 28.9 billion yen y-y, partly due to the impact of the appreciation of the yen, 3.0 billion yen.

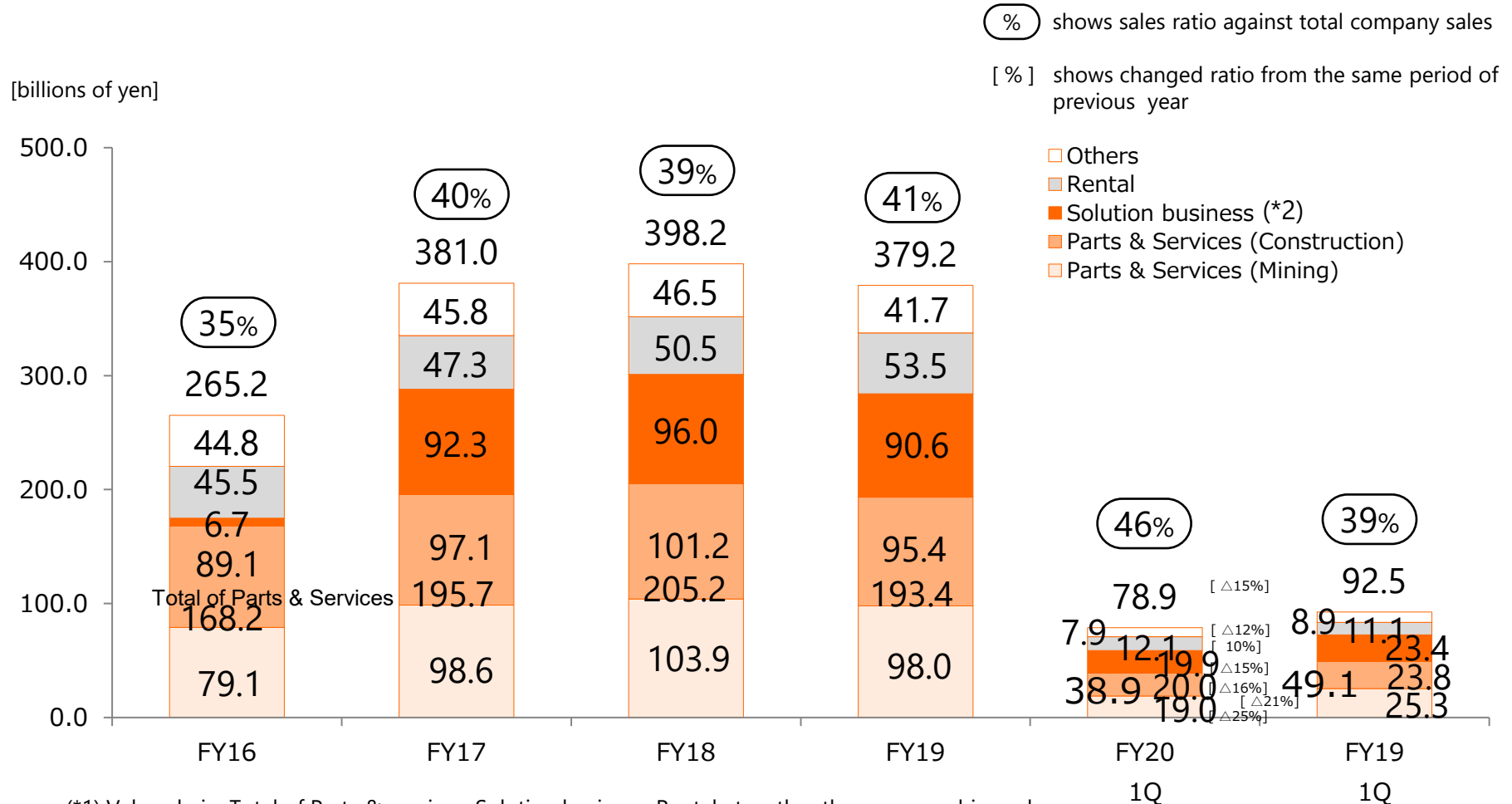
(%) shows sales ratio against total company sales

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

[billions of yen]



Revenue of the value chain business in FY2020 1Q decreased by 15% to 78.9 billion yen y-y despite an increase in revenue of rental by 10% y-y.

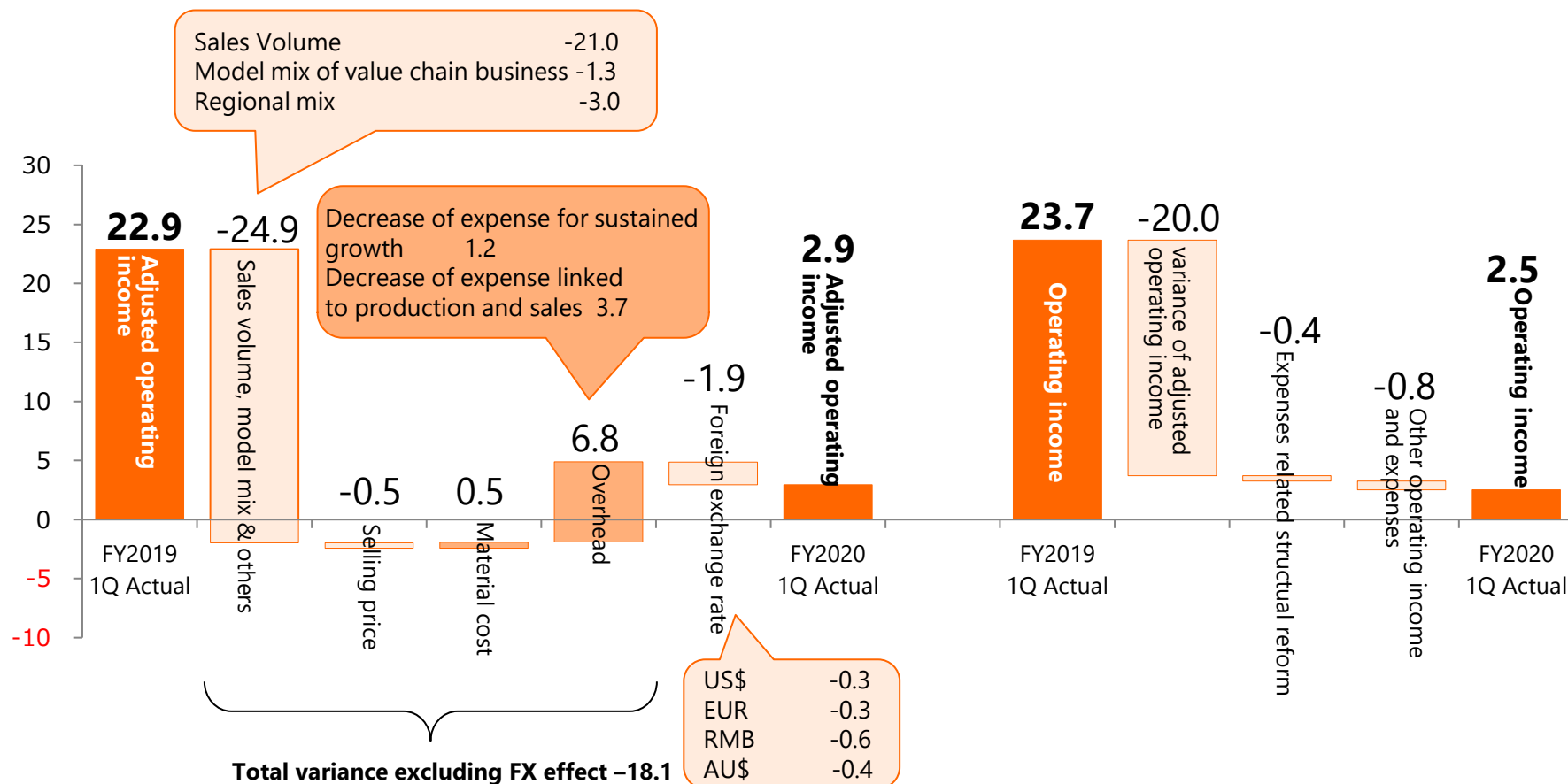


(*1) Value chain: Total of Parts & services, Solution business, Rental etc. other than new machine sales.

(*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.

Adjusted operating income decreased by 20.0 billion yen y-y due to the impact of the decreased sales volume and model mix including the impact of COVID-19, the fall in selling price and the appreciation of the yen despite the decreased overheads and material costs.

[billions of yen]



Consolidated statement of income

HITACHI

Reliable solutions

- SGA expenses decreased by -7.4 billion yen to 36.6 billion yen y-y.
- Financial income/expenses improved by 1.9 billion yen to -0.8 billion yen y-y.

[billions of yen]

<> shows previous forecast as of May 2020	FY2020 1Q		FY2019 1Q		change	
					amount	%
Revenue		170.2		234.7	-64.5	-27%
Cost of Sales	(76.7%)	130.6	(71.5%)	167.8	-37.2	-22%
SGA expenses	(21.5%)	36.6	(18.8%)	44.0	-7.4	-17%
Adjusted operating income *1	(1.7%)	2.9	(9.8%)	22.9	-20.0	-87%
Other Income/expenses		-0.4		0.8	-1.2	-
Operating income	(1.5%)	2.5	(10.1%)	23.7	-21.2	-89%
Financial income/expenses		-0.8		-2.8	1.9	-70%
Share of profits of investments accounted for using the equity method		0.1		0.7	-0.6	-85%
Income before income taxes	(1.1%)	1.8	(9.2%)	21.6	-19.8	-92%
Income taxes		0.6		6.1	-5.5	-90%
Net income	(0.7%)	1.2	(6.6%)	15.5	-14.3	-92%
Net income attributable to owners of the parent	(0.1%)	0.2	(5.8%)	13.6	-13.4	-99%

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

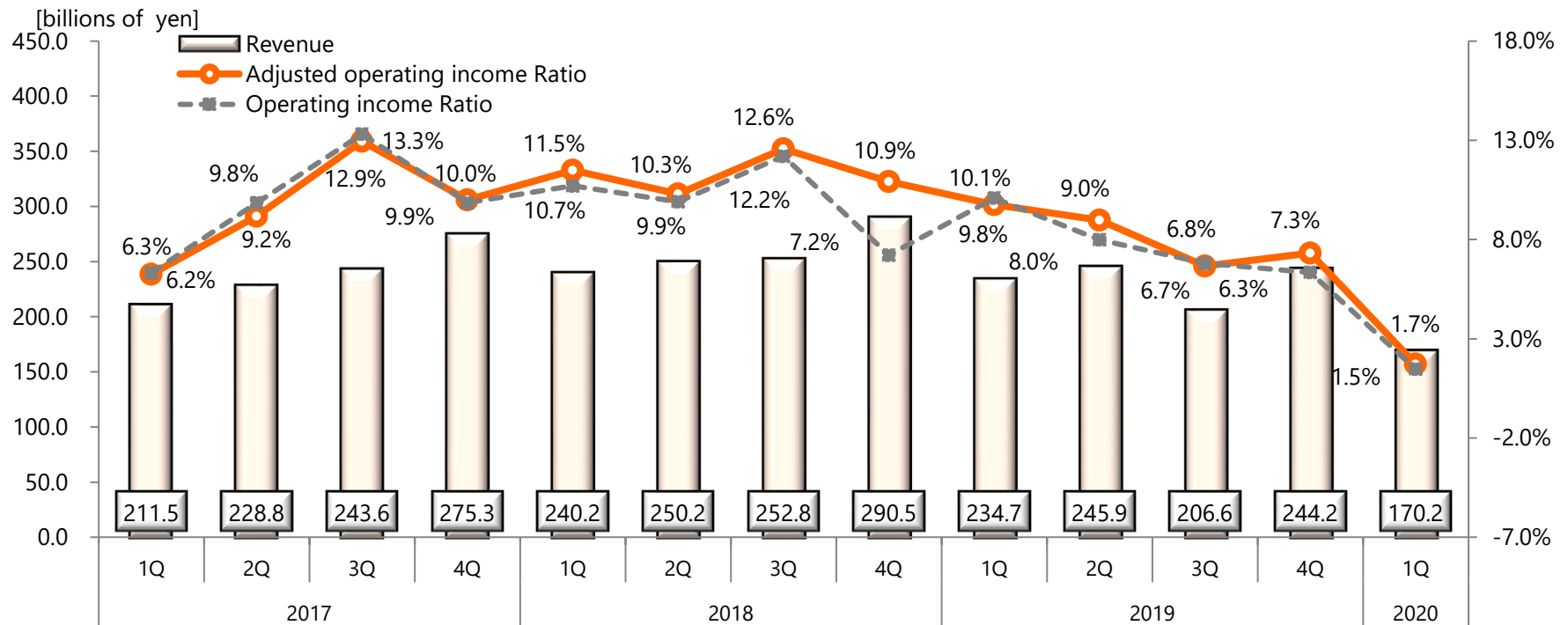
Summary of quarterly consolidated revenue and operating income (ratio)

HITACHI

Reliable solutions

[billions of yen]

	2017				2018				2019				2020
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Revenue	211.5	228.8	243.6	275.3	240.2	250.2	252.8	290.5	234.7	245.9	206.6	244.2	170.2
Adjusted operating income	13.2	21.0	31.5	27.5	27.6	25.8	31.8	31.7	22.9	22.1	13.8	17.9	2.9
Operating income	13.4	22.5	32.4	27.1	25.7	24.8	30.8	21.0	23.7	19.6	14.1	15.5	2.5



FX rate	2017				2018				2019				2020
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Rate (YEN/US\$)	111.1	111.0	113.0	108.3	109.1	111.5	112.9	110.2	109.9	107.4	108.8	108.9	107.6
Rate (YEN/EURO)	122.2	130.4	133.0	133.2	130.1	129.6	128.8	125.2	123.5	119.3	120.3	120.1	118.5
Rate (YEN/RMB)	16.2	16.6	17.1	17.1	17.1	16.4	16.3	16.3	16.1	15.3	15.5	15.6	15.2
Rate (YEN/AU\$)	83.4	87.6	86.8	85.3	82.6	81.5	81.1	78.5	76.9	73.6	74.3	71.8	70.7

Consolidated statement of financial position

HITACHI

Reliable solutions

Total assets decreased by 11.7 billion yen y-y due to decreased trade receivables of 36.3 billion yen, increased cash and deposits, etc.

					[billions of yen]				
	(A) FY20-1Q	(B) Mar '2020	(C) FY19-1Q	(A)-(B) change		(D) FY20-1Q	(E) Mar '2020	(F) FY19-1Q	(D)-(E) change
Cash and cash equivalents	71.0	62.2	56.5	8.8	Trade and other payables	166.6	188.7	226.9	-22.2
Trade receivables	176.2	212.5	221.6	-36.3	Bonds and borrowings	343.9	338.9	333.3	4.9
Inventories	310.3	301.2	337.5	9.0	Total liabilities	626.5	642.5	678.1	-16.0
Total current assets	593.3	612.8	661.4	-19.5	(Equity attributable to owners of the parent ratio)	(41.2%)	(40.6%)	(39.3%)	(0.6%)
Total non-current assets	562.6	554.8	547.8	7.8	Total equity	529.4	525.1	531.1	4.3
Total assets	1,155.9	1,167.6	1,209.2	-11.7	Total liabilities and equity	1,155.9	1,167.6	1,209.2	-11.7
Trade receivables incl. non-current	215.3	252.1	266.8	-36.8					
Inventories by products									
Unit	83.5	76.2	95.8	7.3		(29.8%)	(29.0%)	(27.6%)	(0.7%)
Parts	108.4	103.0	104.5	5.4	Interest-bearing debt	343.9	338.9	333.3	4.9
Others	118.4	122.0	137.3	-3.6	Cash and Cash equivalents	71.0	62.2	56.5	8.8
Total inventories	310.3	301.2	337.5	9.0	Net interest-bearing debt	(23.6%)	(23.7%)	(22.9%)	(-0.1%)
On hand days(divided by revenue)				(Days)	Debt	272.9	276.8	276.8	-3.9
Trade receivables	91	99	95	-8					
Inventories	131	118	120	13	Net D/E Ratio	0.57	0.58	0.58	-0.01
Trade payables	40	43	52	-3					
Net working capital	178	171	160	8					

- Net cash provided by (used in) operating activities improved by 37.8 billion yen to positive 21.4 billion yen y-y due to improved working capital.
- Free cash flows improved by 39.5 billion yen to positive 12.2 billion yen y-y.

[billions of yen]

	FY2020 1Q		FY2019 1Q		change	
Net income		1.2		15.5		-14.3
Depreciation and amortization	12.9	11.8	26.2	10.7	-13.3	1.0
(Increase)decrease in trade/lease receivables		41.9		6.4		35.4
(Increase)decrease in inventories		-2.8		-20.9		18.0
Increase(decrease) in trade payables	19.9	-19.2	-22.7	-8.3	42.5	-10.9
Others, net		-11.4		-19.9		8.5
Net cash provided by (used in) operating activities		21.4		-16.3		37.8
Cash flow margin for operating activities		12.6%		-7.0%		19.6%
Net cash provided by (used in) investing activities		-9.3		-11.0		1.7
Free cash flows		12.2		-27.3		39.5
Net cash provided by (used in) financing activities		-4.3		18.0		-22.3

Summary of consolidated earnings forecast

HITACHI

Reliable solutions

Based on the uncertain market conditions due to the impact of COVID-19 and 17.0 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]

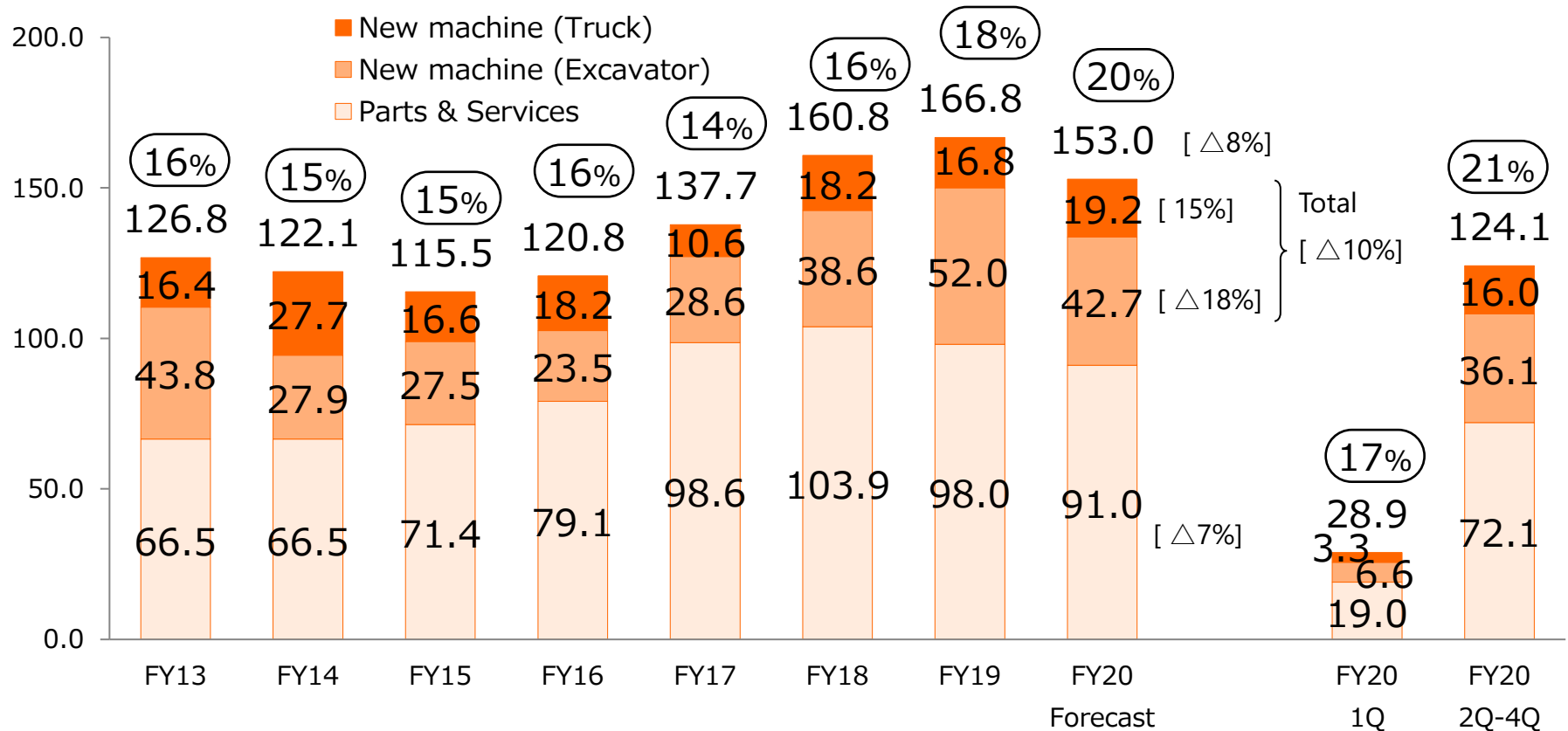
	FY2020 Forecast			FY2019 Actual	change	
					amount	%
Revenue	770.0			931.3	-161.3	-17%
	(5.2%)			(8.2%)	(-3.0%)	
Adjusted operating income	40.0			76.6	-36.6	-48%
	(4.7%)			(7.8%)	(-3.1%)	
Operating income	36.0			72.8	-36.8	-51%
	(4.4%)			(7.2%)	(-2.8%)	
Income before income taxes	34.0			67.1	-33.1	-49%
	(2.6%)			(4.4%)	(-1.8%)	
Net income attributable to owners of the parent	20.0			41.2	-21.2	-51%
EBIT	37.6			71.6	-34.0	
Currency	1Q Actual	2Q-4Q Forecast	Total Forecast	FY2019 Actual	change	For FX sensitivity, please refer to appendix 1.
Rate (YEN/US\$)	107.6	105.0	105.6	108.7	-3.1	
Rate (YEN/EURO)	118.5	120.0	119.8	120.8	-1.1	
Rate (YEN/RMB)	15.2	15.0	15.1	15.7	-0.6	
Rate (YEN/AU\$)	70.7	72.0	71.7	74.1	-2.4	
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.

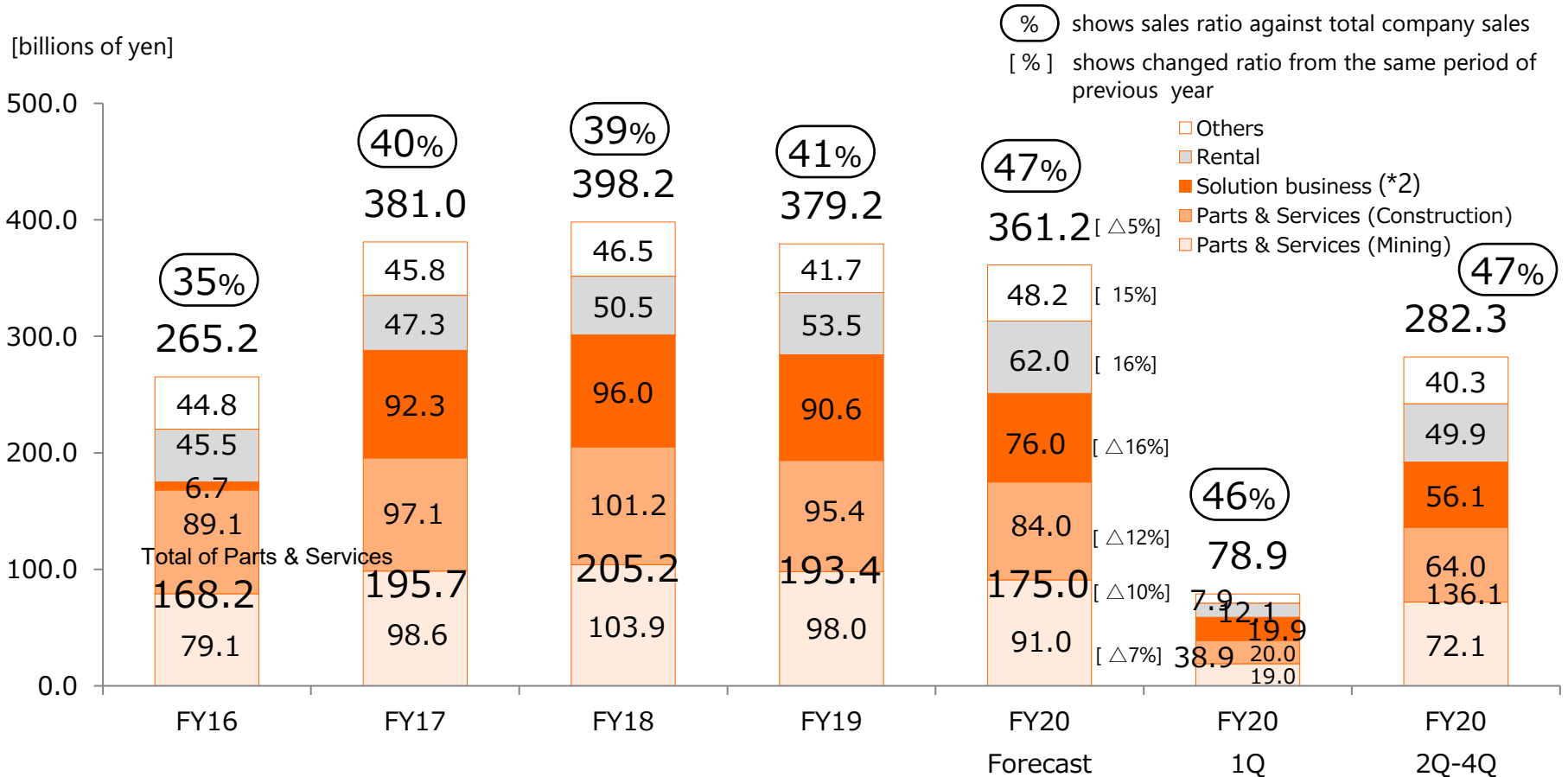
HCM forecasts a decrease in FY2020 mining revenue by 8% to 153.0 billion yen y-y due to the expected appreciation of the yen.

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

[billions of yen]



HCM forecasts a decrease in FY2020 sales of the value chain business by 5% y-y due to the impact of COVID-19 on construction parts and services and the expected appreciation of the yen despite the increase in the revenue of rental and used equipment.



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

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

Comparison of consolidated income forecast

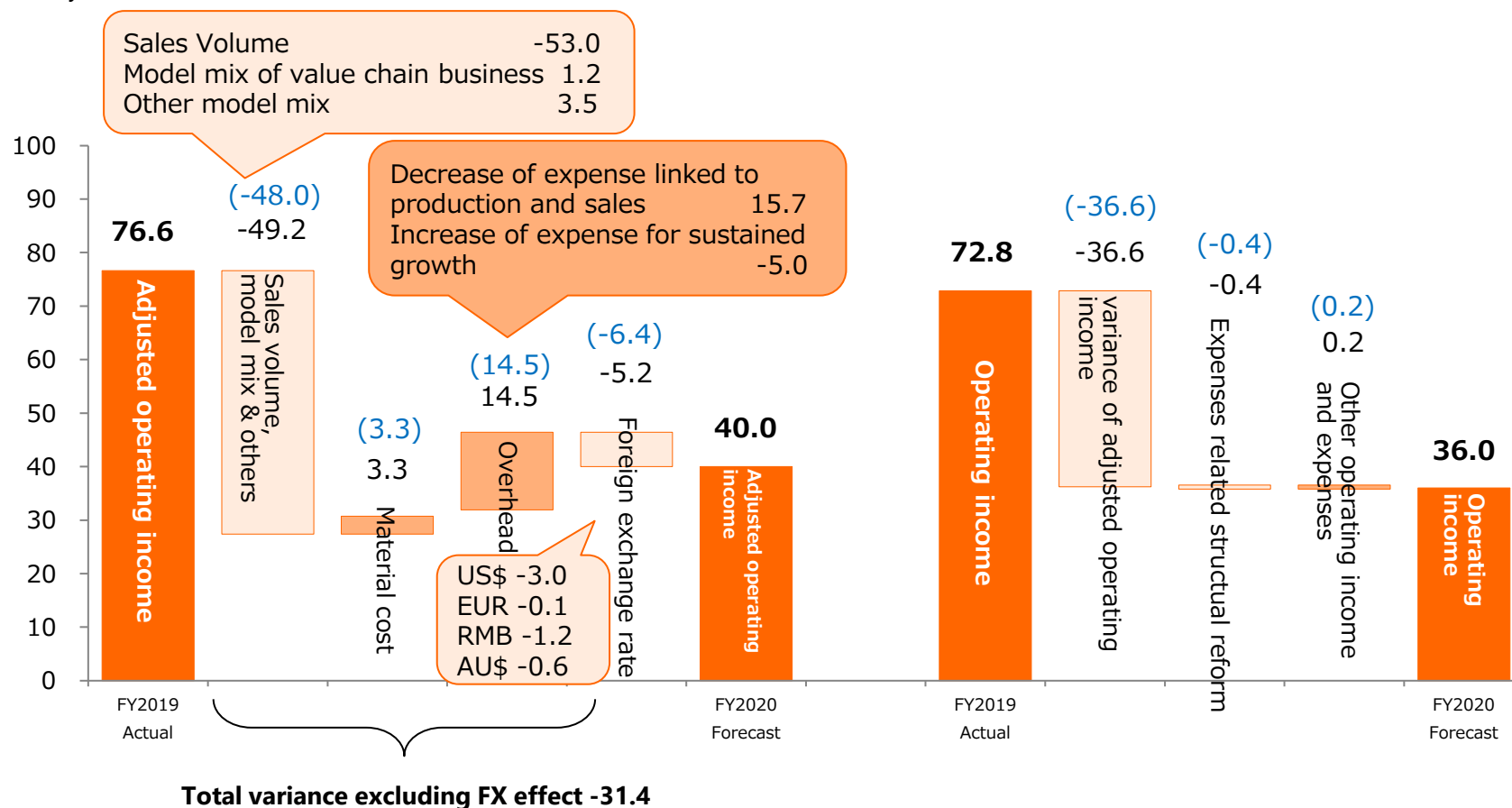
HITACHI

Reliable solutions

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

note : () shows previous forecast as of May 2020

[billions of yen]



The forecast exchange rate for FY2020 2Q-4Q was set within the expected fluctuation range for each currency.

[billions of yen]

Currency	FX rate				FX sensitivity (2Q-4Q)		
	FY20			FY19 Actual	Condition	Revenue	Adjusted operating income
	1Q Actual	2Q-4Q Forecast	Total Forecast				
US\$	107.6	105.0	105.6	108.7	Impact by 1 yen depreciation	1.0	0.8
EURO	118.5	120.0	119.8	120.8	Impact by 1 yen depreciation	0.4	0.3
RMB	15.2	15.0	15.1	15.7	Impact by 0.1 yen depreciation	0.4	0.1
AU\$	70.7	72.0	71.7	74.1	Impact by 1 yen depreciation	1.5	0.2

Appendix 2: Detail of mining revenue

HITACHI

Reliable solutions

[billions of yen]

		FY19 1Q	FY20 1Q	Change
America	Excavator	3.4	3.2	-0.2
	Dump Truck	1.3	0.3	-1.0
	Total	4.7	3.5	-1.2
Europe, Africa and Middle East	Excavator	5.8	3.2	-2.6
	Dump Truck	3.0	2.0	-1.1
	Total	8.8	5.2	-3.6
Asia & Oceania	Excavator	18.0	11.9	-6.1
	Dump Truck	6.0	7.7	1.7
	Total	24.0	19.7	-4.3
China	Excavator	0.2	0.2	0.0
	Dump Truck	0.0	0.0	-0.0
	Total	0.2	0.2	-0.0
Japan	Excavator	0.6	0.3	-0.4
	Dump Truck	0.0	0.0	0.0
	Total	0.6	0.3	-0.3
Total	Excavator	28.0	18.9	-9.2
	Dump Truck	10.3	10.0	-0.3
	Total	38.4	28.9	-9.5

The amortizations of PPA are included in the adjusted operating income of the solution business. The amounts of 0.2 billion yen are included in the first quarter of FY2020, and 1.2 billion yen in the forecast for FY2020.

[billions of yen]

FY2020 1Q Actual	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	150.2	20.4	-0.4	170.2
Adjusted operating income	0.6% 1.0	9.7% 2.0	-	1.7% 2.9

[billions of yen]

FY2020 Forecast	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	694.0	76.0	0.0	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.

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.**