

**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

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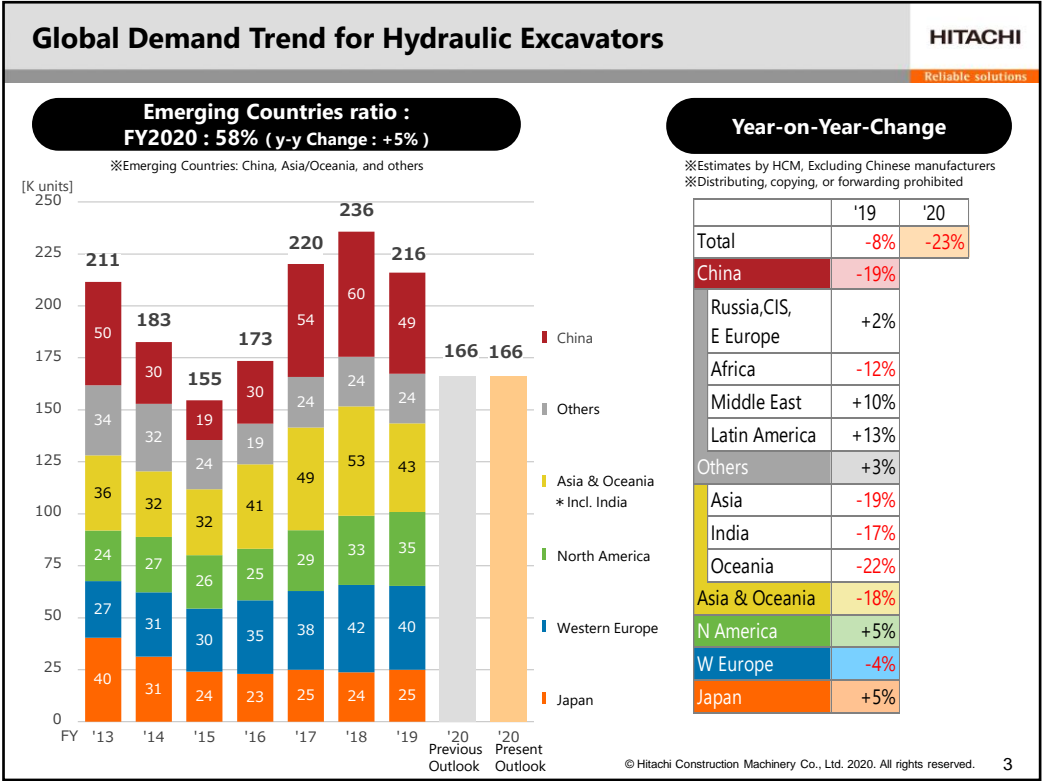
I would like to thank you for participating in today's briefing on our financial results.

First of all, I would like to express my condolences to those who lost their lives in the Heavy Rain in July 2020, and also express my sympathy to those who suffered great damage.

I pray that the disaster-stricken areas will recover as soon as possible.

Regional Market Environments and Projections

Masafumi Senzaki
Executive Officer, President, Marketing Div.



In Fiscal 2020, we expect global demand for hydraulic excavators to be 166,000 units, down 23% from the previous year, same as previous forecast.

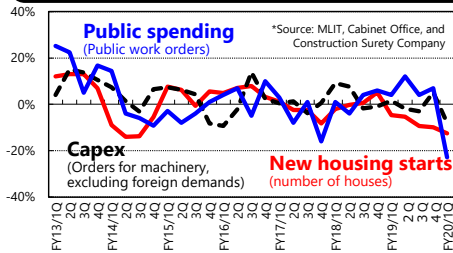
Although China showed signs of recovery in the 1Q, we will remain unchanged from the previous forecast for the full fiscal year, as the period of convergence of COVID-19 in the world and the economic environment remain uncertain. In addition, we will not provide outlooks by region, again this time.

Going forward, while closely monitoring the future of COVID-19, we will ascertain the state of economic activities in each country and work to respond swiftly to changes in the market environment.

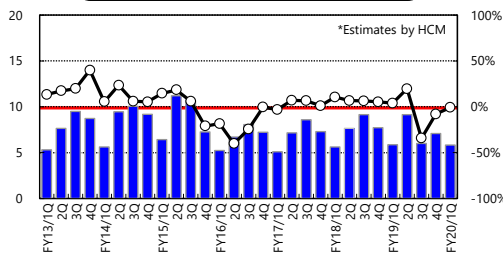
Next, we will explain the results of the 1Q for each region.

- 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).

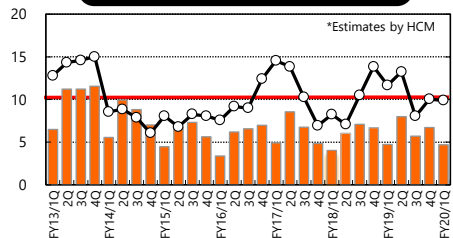
Market EnvironmentHousing/Public Spending and Capex (y-y)



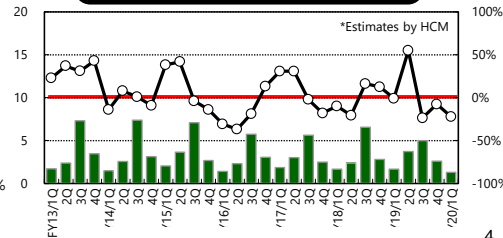
[K units] Demand Trend for Mini Excavators



[K units] Demand Trend for Hydraulic Excavators



[K units] Demand Trend for Wheel Loaders



Public investment, housing investment and capital investment significantly decreased in the 1Q.

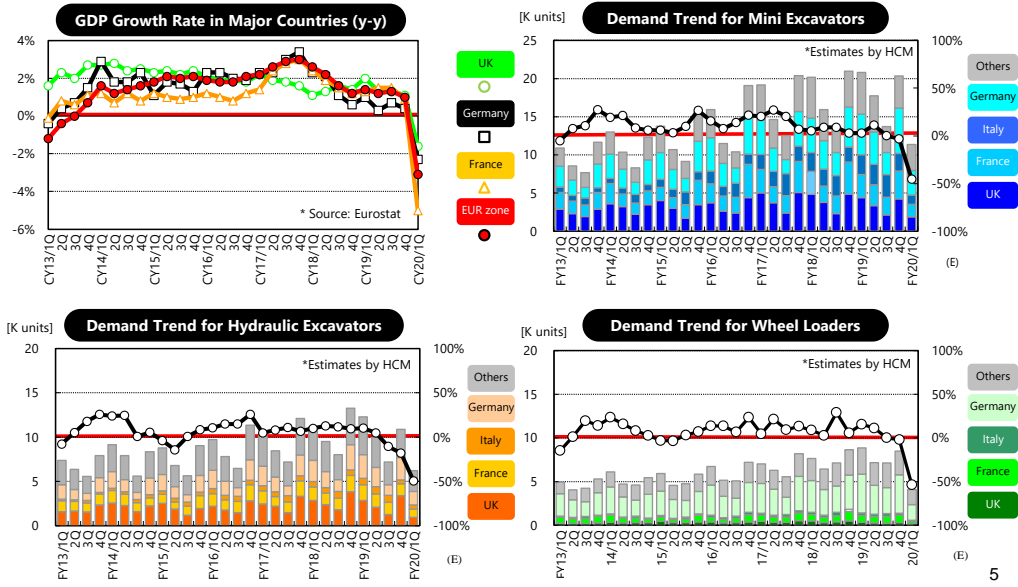
Demand for hydraulic excavators and mini-excavators declined slightly from the previous fiscal year, but demand for wheel loaders declined significantly by 22% from the previous fiscal year.

Europe: First Quarter (from April to June 2020)

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Reliable solutions

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

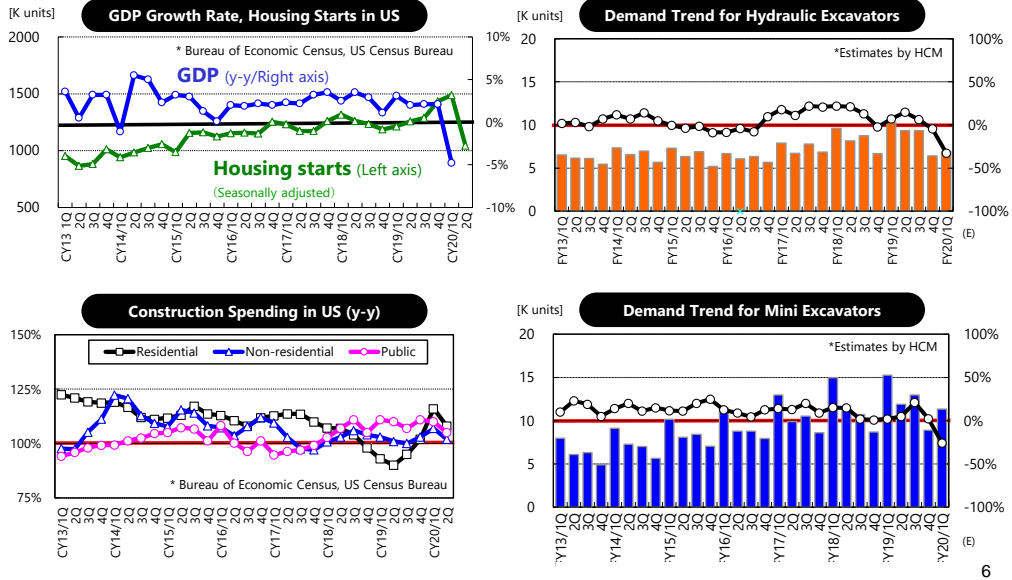
In the 1Q, due to the delayed recovery from COVID-19, demand for three products, hydraulic excavators, mini excavators and wheel loaders, dropped significantly by around 50%.

North America: First Quarter (from April to June 2020)

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Reliable solutions

- 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).



Housing starts declined year on year.

Construction investment continued to increase year on year, although the growth rate declined.

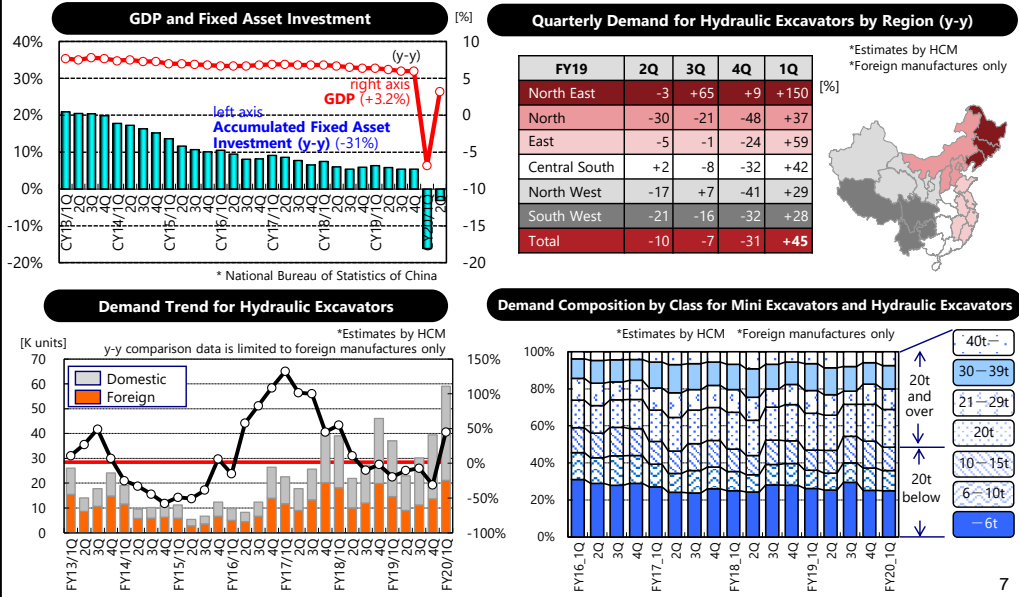
On the other hand, demand for construction machinery for the 1Q declined by around 30% year on year due to the influence of COVID-19. However, we will continue to respond by closely watching the market for construction investment and other factors.

China: First Quarter (from April to June 2020)

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Reliable solutions

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

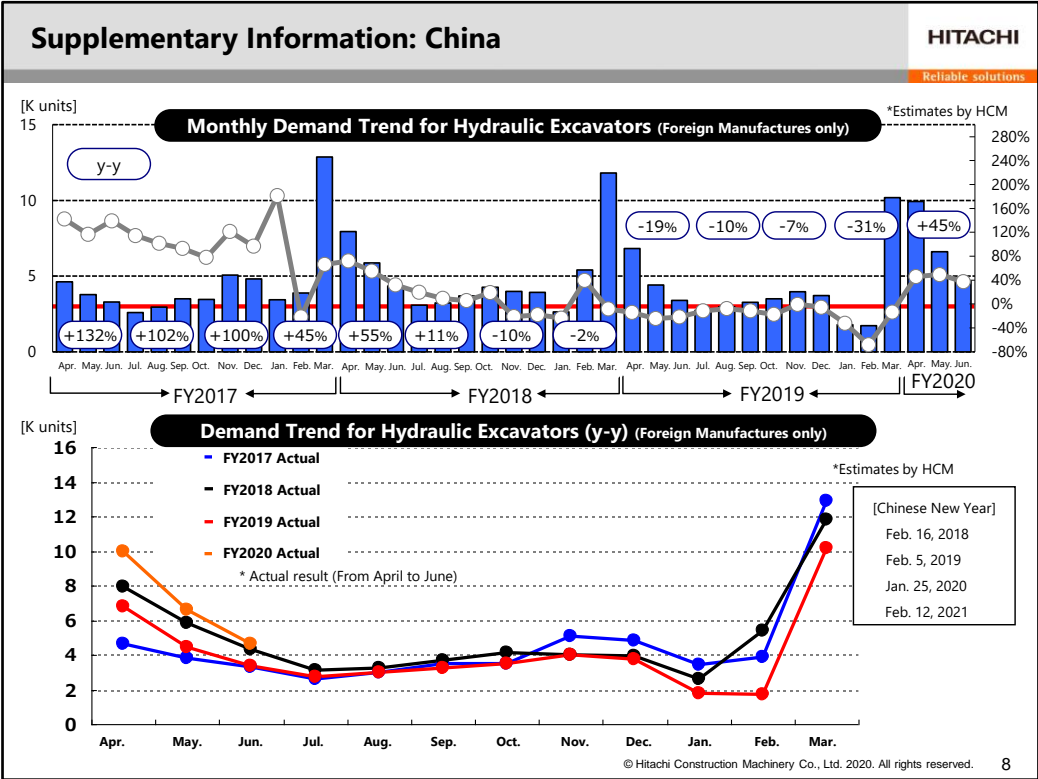


The GDP growth rate for the period from April to June turned positive at 3.2%, and fixed asset investment decreased by 3.1% from the same period of the previous year although recovered from the 4Q of Fiscal 2019, when it declined sharply.

Demand for hydraulic excavators, including Chinese manufacturers, increased by 67% year on year in the 1Q.

The breakdown shows that Chinese manufacturers increased by 82% and foreign manufacturers increased by 45%.

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

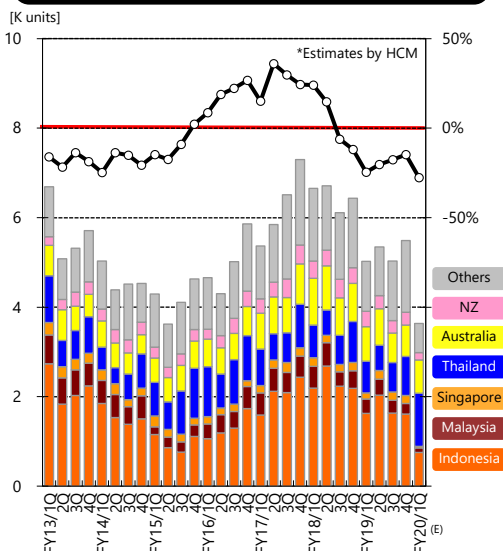


Looking at the monthly trends in demand for hydraulic excavators by foreign manufacturers, it increased by 45% year on year in the 1Q of Fiscal 2020 as a result of the falling back of the sales season after the Chinese New Year Holidays by the effects of COVID-19.

We believe that the demand environment in June has stabilized as usual.

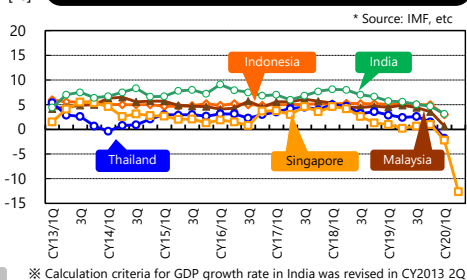
- Demand for hydraulic excavators decreased overall in the Asia Pacific region (-28% y-y).
- Demand for hydraulic excavators decreased in India (-74% y-y).

Demand Trend for Hydraulic Excavators in Asia & Oceania

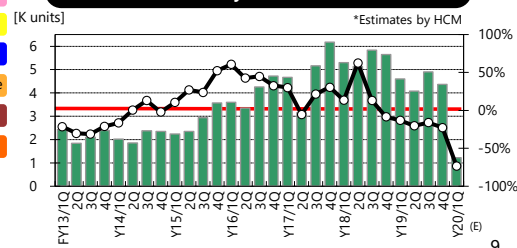


[%]

GDP Growth Rate in Major Countries (y-y)



Demand Trend for Hydraulic Excavators in India



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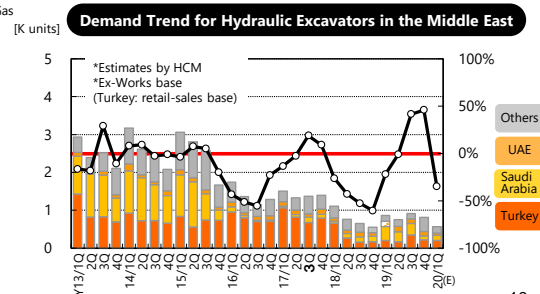
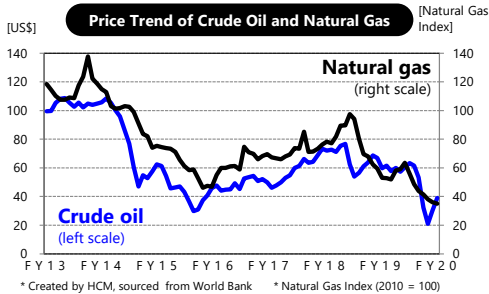
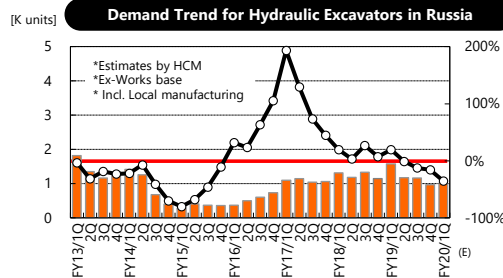
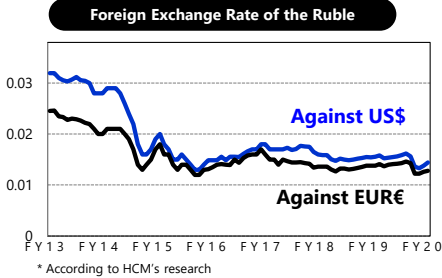
Demand for hydraulic excavators in Asia and Oceania decreased by 28% year on year.

In terms of demand by country, in Thailand, a significant increase was seen due to the government's boom in infrastructure projects. In Australia, the impact of COVID-19 was relatively small, resulting in a slight decrease.

However in Indonesia, a significant decline evidenced by the impact of COVID-19 and decline in commodities' prices. The situation varied from country to country. In addition, the decline of demand slowed in Fiscal 2020, partly due to the addition of China manufacturers to the statistics in some countries.

Demand for hydraulic excavators in India decreased by 74% year on year due to the significant impact of the lockdown of COVID-19.

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



Demand for hydraulic excavators in Russia declined by 47% year on year, due in part to the impact of falling crude oil prices, despite the relatively minor impact of COVID-19.

Demand for hydraulic excavators in the Middle East also declined by 35% year on year, and the number of hydraulic excavators remained at a low level.

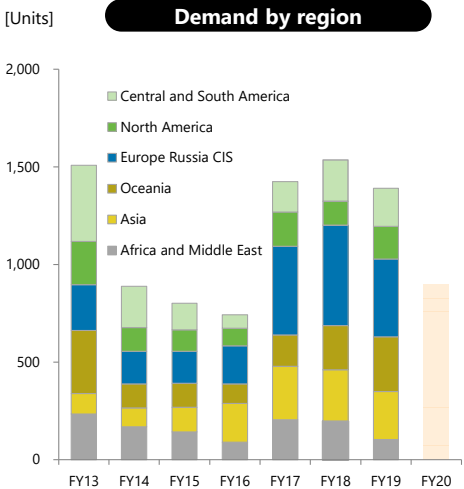
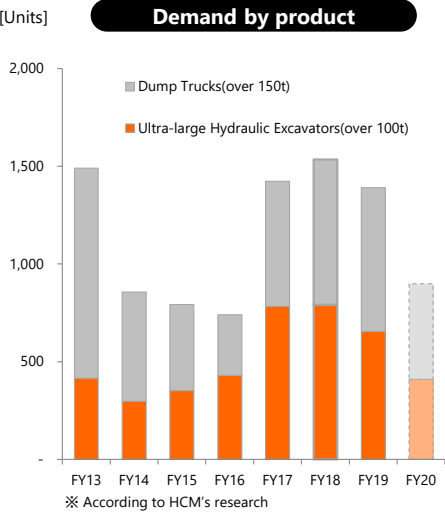
Mining machinery: FY2020 (from April 2020 to March 2021)

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Reliable solutions

- 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).

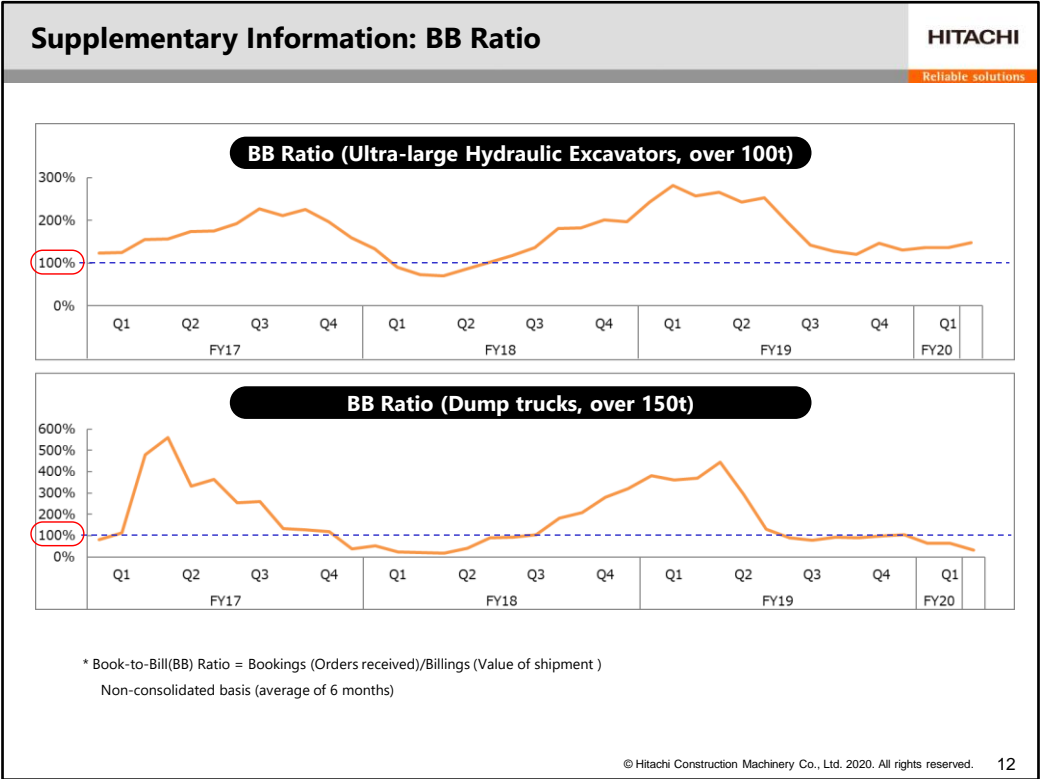
Ultra-large Hydraulic Excavators (over 100t), Dump Trucks(over 150t)



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The impact of the spread of COVID-19 on mining demand remains uncertain. In addition to COVID-19, the decline in thermal coal prices has led to a decline in demand for small and medium-sized mines and contractors in Indonesia and Russia. There are also concerns that capital investment by major mining companies will be curbed, resulting in a further decline in overall demand for mining.

For this reason, we expect the mining demand will decrease by 35%, same as previous forecast, and we will continue to adjust our sales and production systems while keeping a close watch on demand trends.



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

Dump trucks were affected by COVID-19, and major mining companies reviewed and restrained capital expenditure plans, which resulted in delays or cancellations of business negotiations. As a result, new orders also declined, falling below 100%.

Status of major markets		HITACHI
		Reliable solutions
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%)	

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This section summarizes the outlook for major markets in Fiscal 2020.

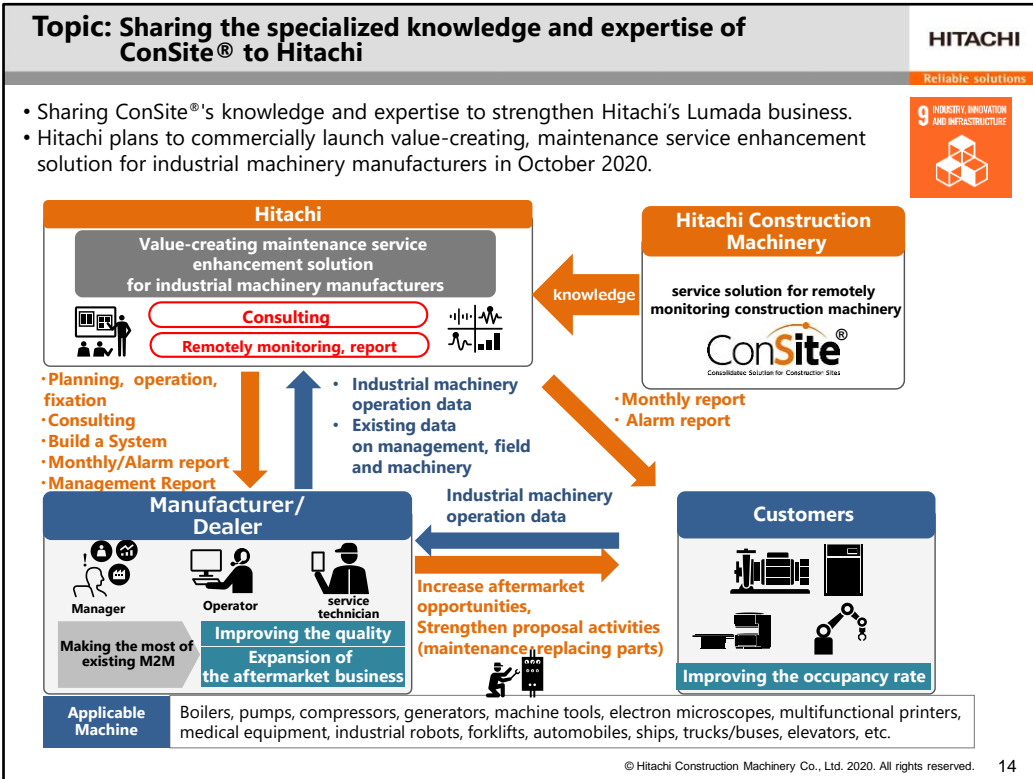
In Japan, the results for the 1Q were basically unchanged from the previous year, but the outlook is concerned about the second wave of COVID-19 and the economic uncertainty caused by the impact.

In Europe and the United States, despite deregulation trends, we also concerned about the impact of the second wave on the economy.

On the other hand, in China, the market began to move several weeks behind as a result of the falling back of the sales season after the Chinese New Year by the impact of COVID-19, then the market quickly recovered and returned to the same level of demand as usual.

In the Oceania market, construction machinery is expected to gradually recover, but mining machinery is becoming increasingly uncertain.

As a whole, we do not expect the demand to turn positive y-y by the end of the fiscal year due to the prolonged impact of COVID-19.



Introduction to the ConSite.

ConSite is a service solution for remotely monitoring construction machinery, we shared our unique knowledge and expertise of ConSite with Hitachi, Ltd.

Hitachi, Ltd. plans to commercially launch value-creating, maintenance service enhancement solution for industrial machinery manufacturers .

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.

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Verification tests for the autonomous ultra-large hydraulic excavators will begin in fiscal 2021 at a mine in Australia.

In 1992, we used a remote-controlled unmanned excavator in the reconstruction work at Mount Unzen Fugen-dake volcanic eruption.

In 2013, we led the industry by advancing the development of technologies for long-distance remote control by remotely operating a hydraulic excavator located over an Internet connection from approximately 800 km away.

We respond to user needs utilizing the knowledge and experience from our many years of research and development in the remotely control technology.

Autonomous operation features can be retrofittable onto the EX-7 series. It is expected that customers will effectively utilize their existing machines.

Reliable solutions

- | Brand | | Feature | Warranty |
|-------|--|--|------------------------------|
| 1 | Genuine Parts
<div> <div>Hitachi Construction Machinery</div> <div>GENUINE PARTS</div> </div> | • Same as new machinery parts | The warranty term is 12month |
| 2 | Parts produced by certified suppliers
<div> <div>Hitachi Construction Machinery</div> <div>SELECTED PARTS</div> </div> | <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
<div> <div>Hitachi Construction Machinery</div> <div>REMANUFACTURED</div> </div> | <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 |

A new parts brand "SELECTED PARTS"



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Customers can select aftermarket parts for each machine's life, machine's job application, and their budget.

Business Results for the First Quarter ended June 30, 2020
(April 1, 2020 - June 30, 2020)

Keiichiro Shiojima

Executive Officer, CFO

Summary of consolidated results

HITACHI

Reliable solutions

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"

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Revenue for the 1Q of Fiscal 2020 was largely influenced by the effects of COVID-19 and the stronger Yen, which resulted in a decrease of 27% from the same period of the previous year to ¥170.2 bn. Adjusted operating income fell 87% year on year to ¥2.9 bn, representing a profit margin of 1.7%. Operating income was ¥2.5 bn, representing a profit margin of 1.5%.

Net income attributable to owners of the parent decreased by 99% year on year to ¥0.2 bn.

In the 1Q, the significant yen appreciated by ¥2.3 against the U.S. dollar, by ¥5 against the euro, by ¥0.9 against the yuan, and by ¥6.3 against the Australian dollar compared to the previous fiscal year .

Revenue by geographic region (consolidated)

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Reliable solutions

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

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Revenue in Japan decreased by 2% year on year to ¥39.9 bn.

Overseas revenue also decreased year on year in all regions except the Middle East. In particular, in North America, Europe, Asia and India, the impact of the lockdown of COVID-19 was significant, and combined with the impact of the stronger yen, revenues fell sharply.

Revenue in China and Oceania decreased compared with the same period in the previous fiscal year, despite the early convergence and lifting of lockdown of COVID-19 compared with other regions.

As a result, the overseas revenue ratio decreased by 6 percentage points year on year to 77%.

Revenue decreased by ¥64.5 bn year on year to ¥170.2 bn, but it included a decrease of ¥8.5 bn due to the impact of the appreciation of the yen and as a result, sales volume on a local-currency basis decreased by ¥56.1 bn.

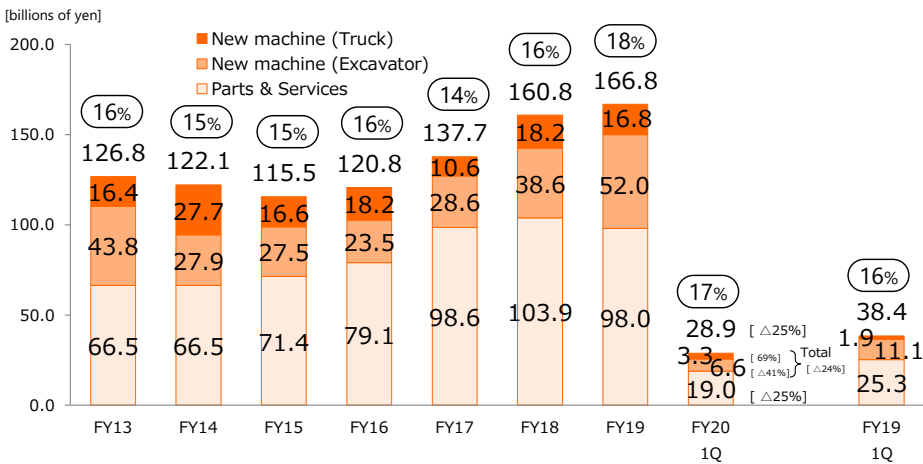
Mining revenue

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Reliable solutions

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



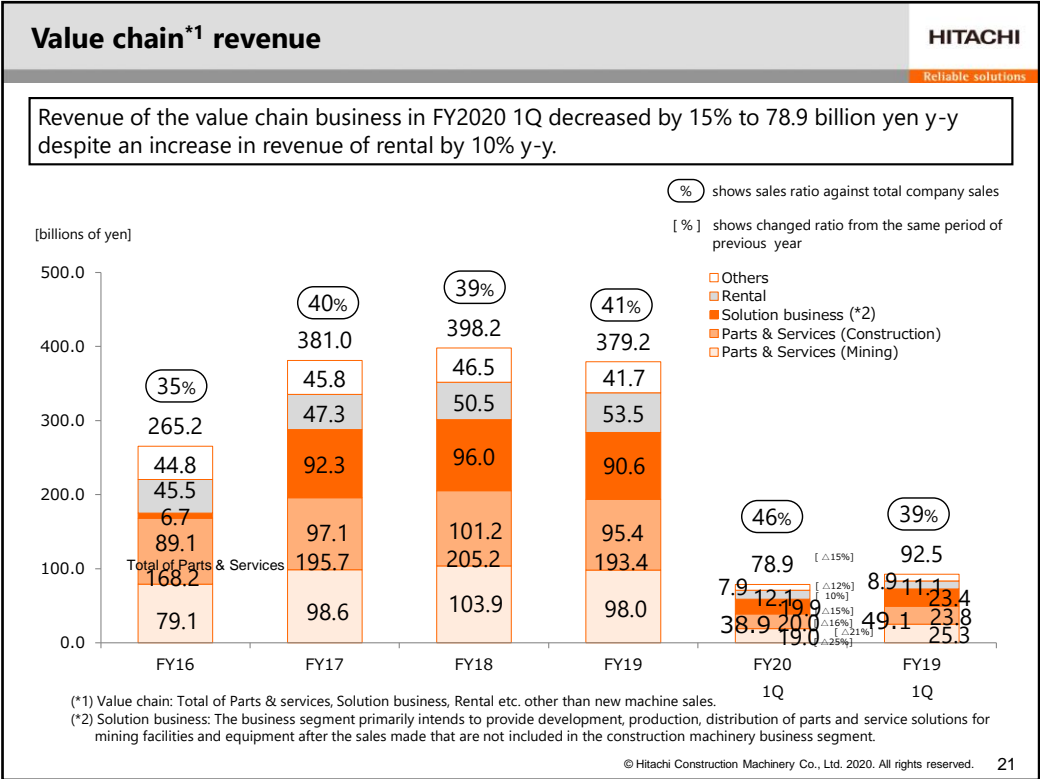
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In the 1Q, mining revenue amounted to ¥28.9 bn, a decrease of 25% from the same period of the previous fiscal year, due in part to the impact of the appreciation of yen.

The breakdown shows that while the truck sales increased by 69% due to contributions from the Oceania region, the excavator sales declined by 41% in the 1Q, due to fewer deliveries as a result total revenue of new machine decreased by 24%.

On the other hand, sales of mining parts & services also decreased by 25% year on year.

For details on results by region, refer to Appendix 2. on page 32.



Value chain revenue in the 1Q was ¥78.9 bn, down 15% from the same period of the previous fiscal year.

We are analyzing the impact of the appreciation of the yen as a negative factor of around 5%, and on a local currency basis, income fell 10% year on year.

Revenue in the rental business increased by 10% year on year due to the effects of measures taken to date.

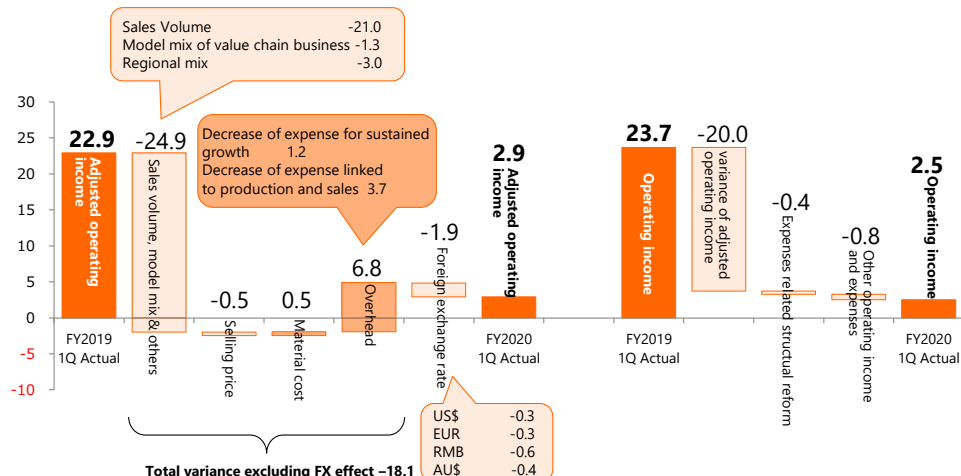
Comparison of consolidated income

HITACHI

Reliable solutions

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]



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The factors behind the ¥20 bn year on year decline in adjusted operating income were as follows.

Sales fell sharply in the 1Q of the fiscal year because demand worldwide declined sharply due to the impact of COVID-19 as explained before.

As a result, adjusted operating income declined by ¥24.9 bn in terms of volume and composition.

In response to the substantial decline in sales, including the impact of COVID-19, overhead costs, mainly expense linked to production and sales, were reduced by ¥6.8 bn. However, with the impact of the yen's appreciation of ¥1.9 bn, adjusted operating income decreased by ¥20 bn year on year to ¥2.9 bn.

Operating income decreased by ¥21.2 bn year on year to ¥2.5 bn.

Consolidated statement of income

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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.

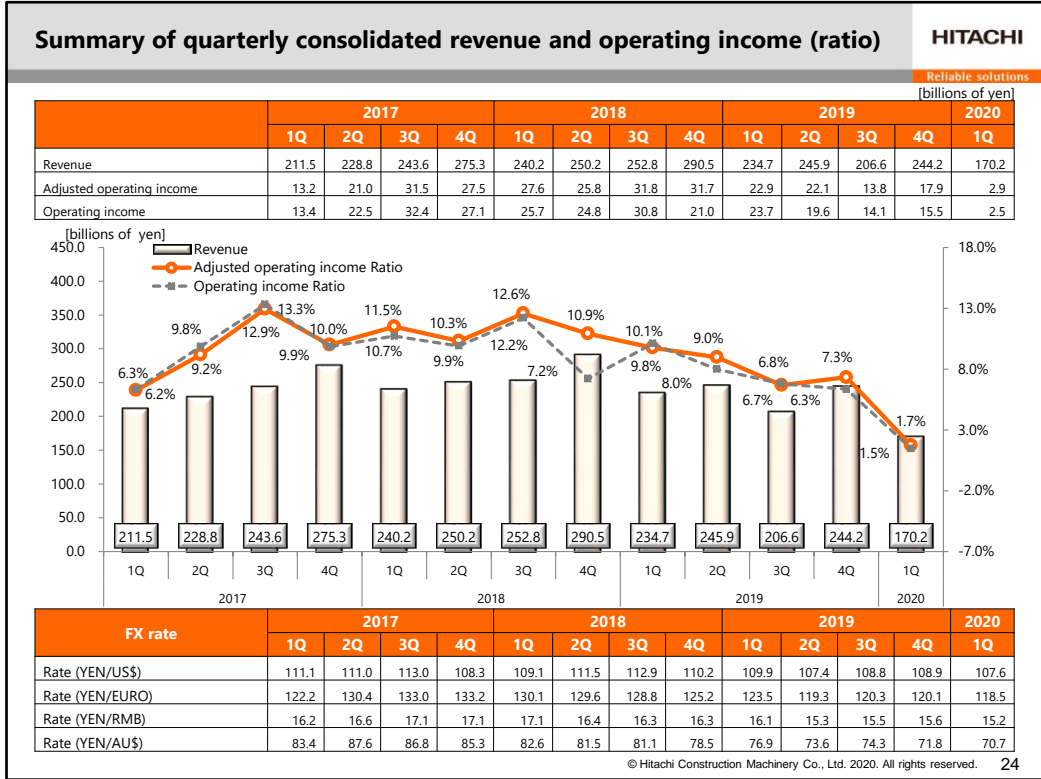
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In this section, we will briefly explain the non-operating income and expenses.

Financial income and expenses improved by ¥1.9 bn year on year, mainly due to the impact of a decrease in foreign exchange losses.

On the other hand, share of profits of investments accounted for using the equity method decreased by ¥0.6 bn year on year.

Net income attributable to owners of the parent decreased by 99% year on year to ¥0.2 bn.



Compared with the 1Q of Fiscal 2019, revenues of ¥170.2 bn in the 1Q of Fiscal 2020 declined significantly by ¥64.5 bn, including a decrease in sales volume and a ¥8.5 bn appreciation of the yen.

The adjusted operating income margin was 1.7% for the 1Q.

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	Interest-bearing debt	(29.8%)	(29.0%)	(27.6%)	(0.7%)
Parts	108.4	103.0	104.5	5.4	Cash and Cash equivalents	343.9	338.9	333.3	4.9
Others	118.4	122.0	137.3	-3.6	Net interest-bearing debt	71.0	62.2	56.5	8.8
Total inventories	310.3	301.2	337.5	9.0	Debt	(23.6%)	(23.7%)	(22.9%)	(-0.1%)
On hand days(divided by revenue)						272.9	276.8	276.8	-3.9
(Days)									
Trade receivables	91	99	95	-8	Net D/E Ratio	0.57	0.58	0.58	-0.01
Inventories	131	118	120	13					
Trade payables	40	43	52	-3					
Net working capital	178	171	160	8					

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Compared with March 2020 of the previous year-end, trade receivables including non-current were ¥215.3 bn, a reduction of ¥36.8 bn.

Meanwhile, inventories increased by ¥9 bn mainly due to the impact of foreign exchange fluctuations, while cash and deposits increased by ¥8.8 bn, total assets decreased by ¥11.7 bn from the previous fiscal year-end to ¥1,155.9 bn.

As for the number of days on hand, trade receivables decreased by 8 days from the previous fiscal year-end to 91 days, while inventories extended by 13 days to 131 days.

As a result, the number of days on hand for working capital was 178 days, an increase of 8 days from the previous fiscal year-end.

Total interest-bearing debt increased by ¥4.9 bn from the previous fiscal year-end to ¥343.9 bn. On the other hand, net interest-bearing debt decreased by ¥3.9 bn to ¥272.9 bn due to an increase in cash and deposits by ¥8.8 bn.

Total equity was ¥529.4 bn, and equity attributable to owners of the parent ratio was 41.2%, and the net D/E ratio was 0.57.

Consolidated cash flow

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- 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
(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
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

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Net cash provided by operating activities for the 1Q was positive at ¥21.4 bn, an improvement of ¥37.8 bn year on year.

Net cash used in investing activities decreased by ¥1.7 bn year on year to ¥9.3 bn. As a result, free cash flow improved by ¥39.5 bn year on year to ¥12.2 bn.

Summary of consolidated earnings forecast

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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]

					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	
Rate (YEN/US\$)	107.6	105.0	105.6	108.7	-3.1	For FX sensitivity, please refer to appendix 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/AUS\$)	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.

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Next, we will explain earnings forecasts for Fiscal 2020.

Based on demand environment of Fiscal 2020 and the 3-month track record, we will keep the previous forecast unchanged for now.

Specifically, the figures announced in this May have been left unchanged at ¥770 bn for revenue, ¥40 bn for adjusted operating income, and ¥20 bn for net income attributable to owners of parent.

The exchange rate forecast for the 2Q onwards remain unchanged.

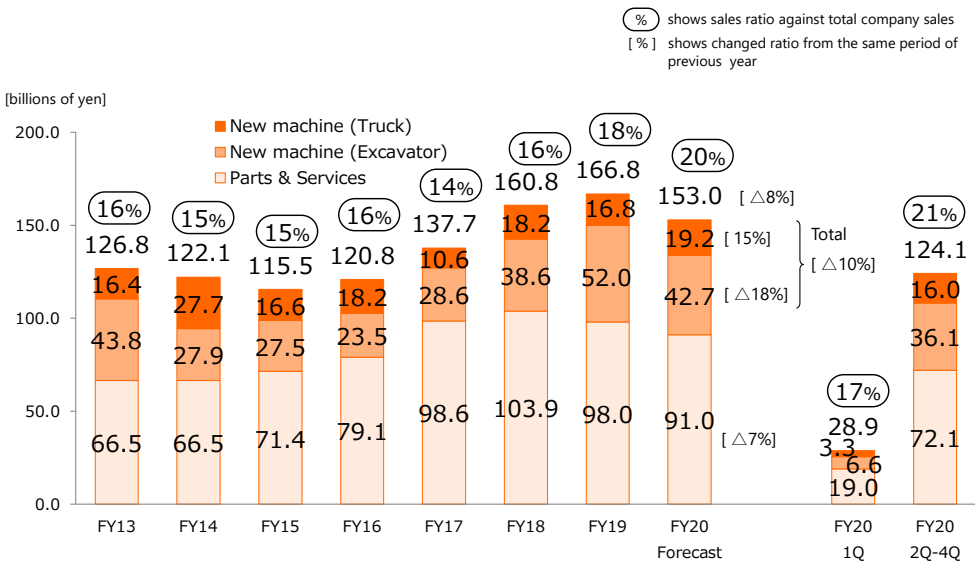
Please refer to Appendix 1. on page 31, which shows the exchange sensitivities affecting sales revenues and adjusted operating income from the 2Q onwards.

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.



Mining revenues for Fiscal 2020 are expected to fall 8% from the previous year to ¥153 bn as same as the previous May release.

Total sales of new machine; excavators and trucks are expected to decline by 10% year on year. sales of mining parts & services are also expected to decline by 7% due to the impact of the appreciation of the yen.

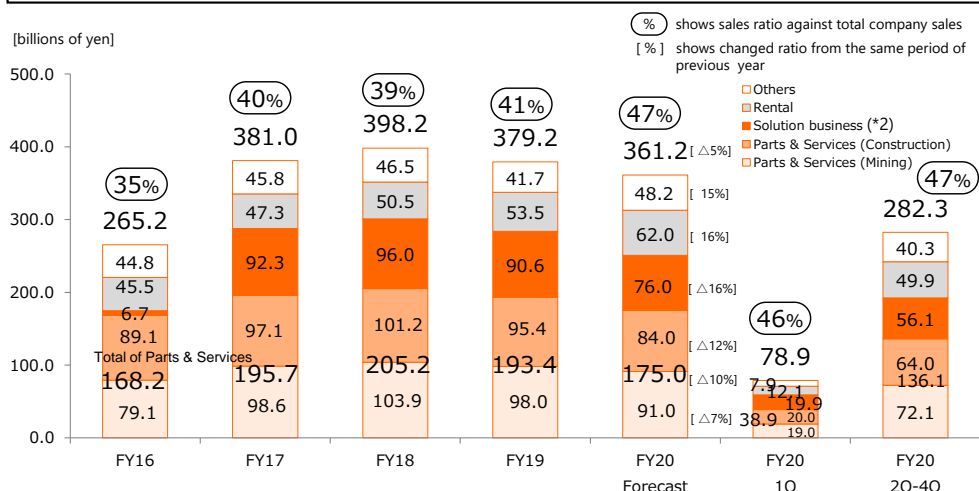
We forecast a 2-point increase in sales ratio of mining revenue to 20%.

Value chain*1 revenue forecast

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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.



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The value chain revenue forecasts for sales for Fiscal 2020 are expected to decrease by 5% year on year to ¥361.2 bn as same as the previous May release. The breakdown by business segment remains unchanged.

We forecast a 10% year on year decline in sales of parts & services to ¥175 bn.

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

In the Rental, sales are expected to increase by 16% to ¥62 bn, reflecting growth in China, Asia, Australia and other regions.

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

Comparison of consolidated income forecast

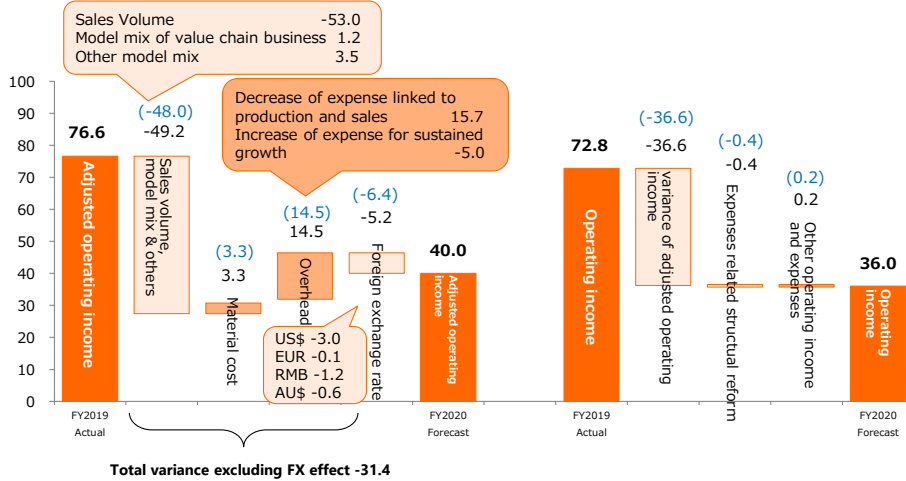
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Adjusted operating income for FY2020 is expected to decrease by 36.6 billion yen y-y due to a decrease in sales volume caused by the impact of COVID-19 and the appreciation of the yen, although there is a reduction in overheads costs and material costs.

note : () shows previous forecast as of May 2020

[billions of yen]



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We explain why adjusted operating income for Fiscal 2020 declined by ¥36.6 bn from the previous year to ¥40 bn.

The negative impact of the ¥53 bn decline in sales volume and the ¥5.2 bn impact of the yen's appreciation will be major factors behind the decline in profits. On the other hand, the forecast for adjusted operating income remains unchanged at ¥40 bn due to significant reductions in overhead costs and materials costs.

The forecast for operating income remains unchanged at ¥36 bn, a decrease of ¥36.8 bn from the previous fiscal year due to the decrease in adjusted operating income.

Please refer to the 3 reference materials provided on page 31 and thereafter.

Appendix 1: FX rate and FX sensitivity

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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

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[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

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 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.**