

Explanatory Meeting for Business Results for the Second Quarter ended September 30, 2020 and Direction of our Medium-term Corporate Strategy

October 27, 2020

Kotaro Hirano

Executive Officer, President & CEO

Masafumi Senzaki

Executive Officer, President, Marketing Div.

Keiichiro Shiojima

Executive Officer, CFO

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

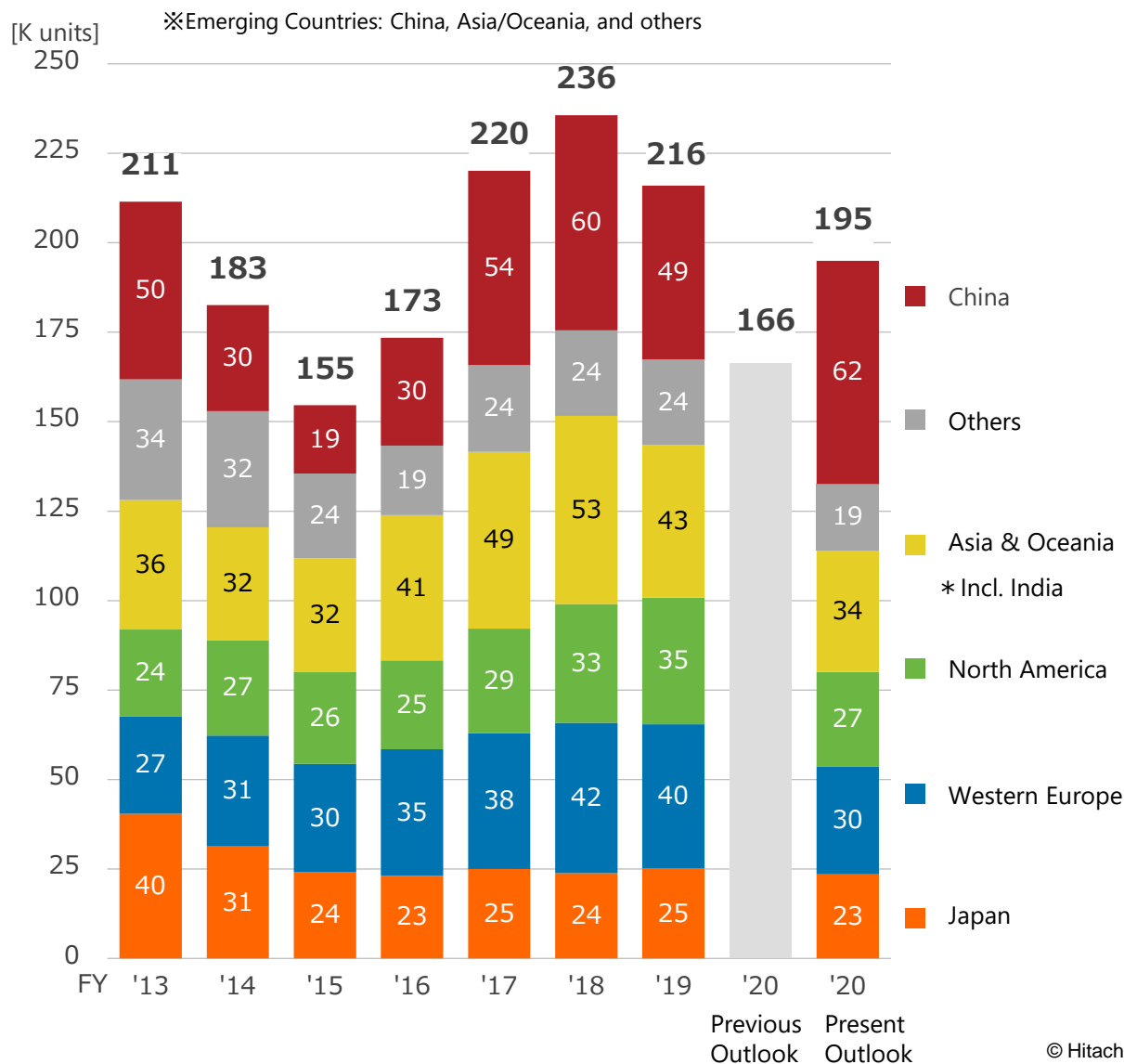


1. Regional Market Environments and Projections

Masafumi Senzaki

Executive Officer, President, Marketing Div.

Emerging Countries ratio : FY2020 : 59% (y-y Change : +6%)



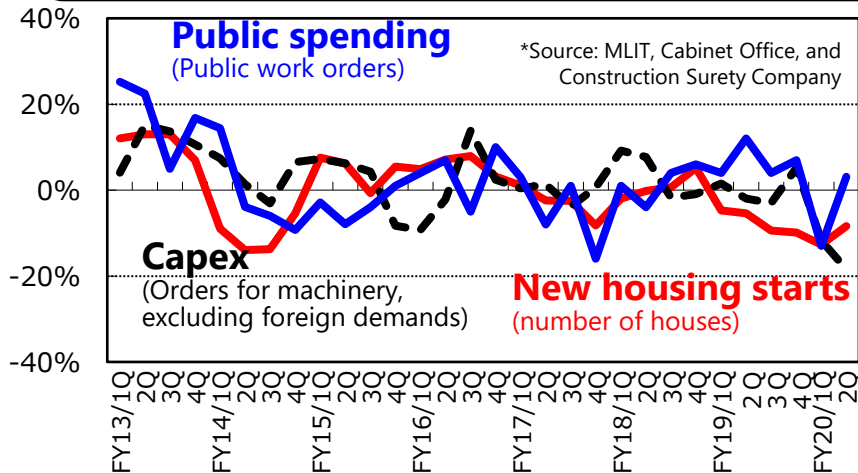
Year-on-Year-Change

※Estimates by HCM, Excluding Chinese manufacturers
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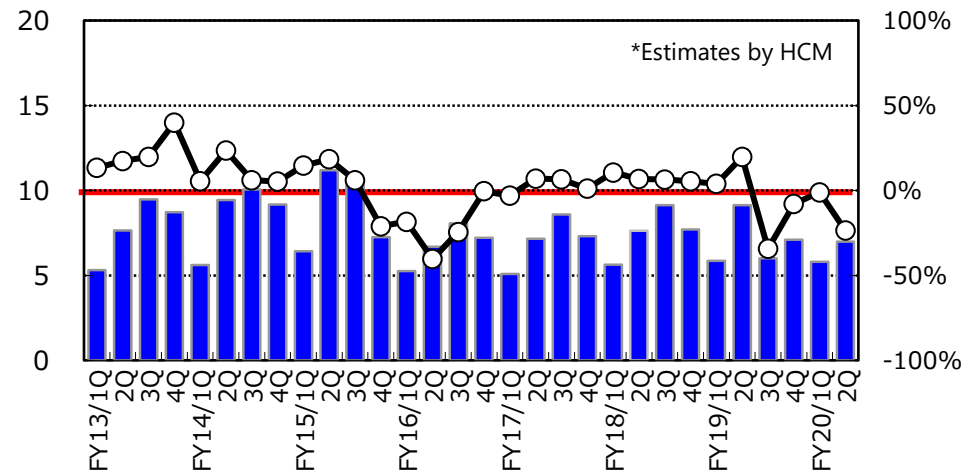
	'19	'20
Total	-8%	-10%
China	-19%	+29%
Russia,CIS, E Europe	+2%	-31%
Africa	-12%	-29%
Middle East	+10%	-11%
Latin	+13%	-21%
Others	+3%	-25%
Asia	-19%	-22%
India	-17%	-23%
Oceania	-22%	-9%
Asia & Oceania	-18%	-21%
N America	+5%	-24%
W Europe	-4%	-25%
Japan	+5%	-7%

- Housing investment and capital investment significantly decreased y-y. Public investment increased slightly.
- Demand decreased: Hydraulic excavators -11% (YTD -8%), Mini excavators -24%, Wheel loaders -40% y-y.

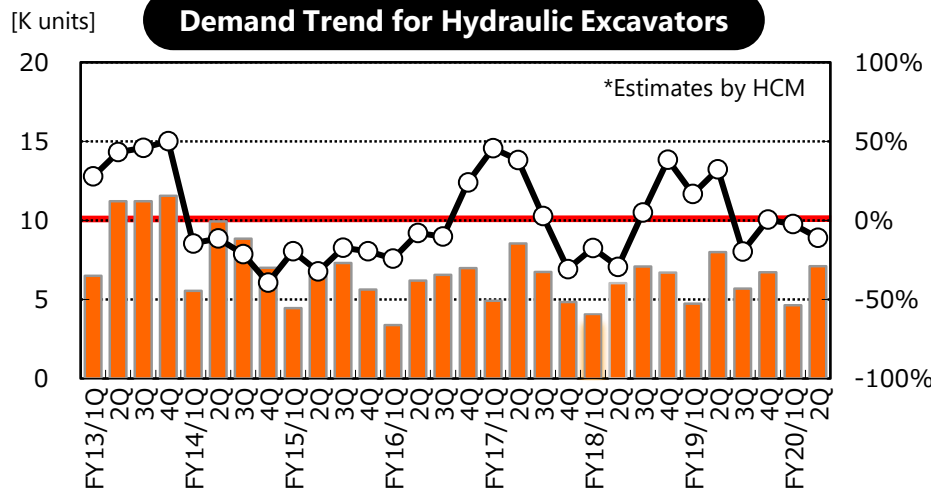
Market Environment Housing/Public Spending and Capex (y-y)



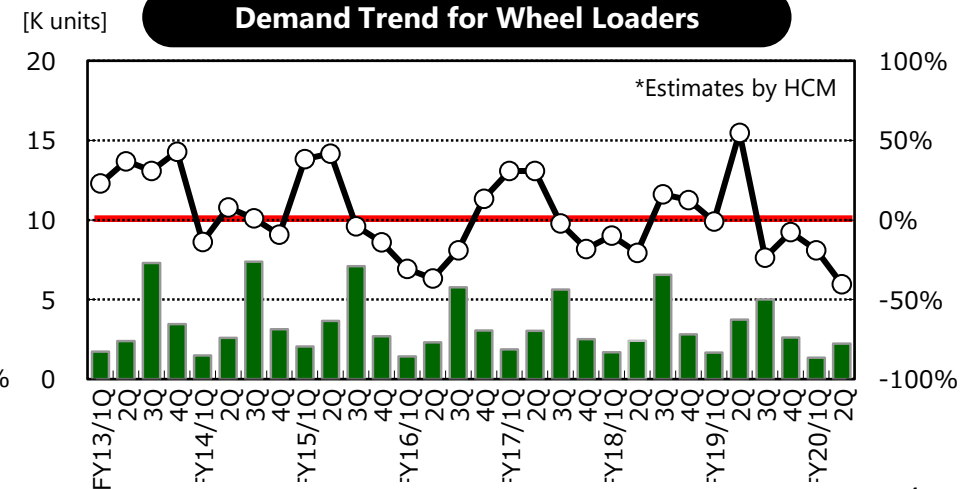
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

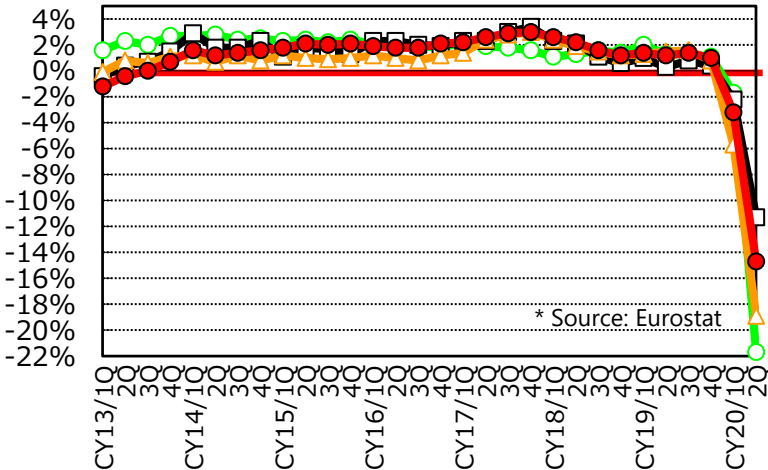


Demand Trend for Wheel Loaders

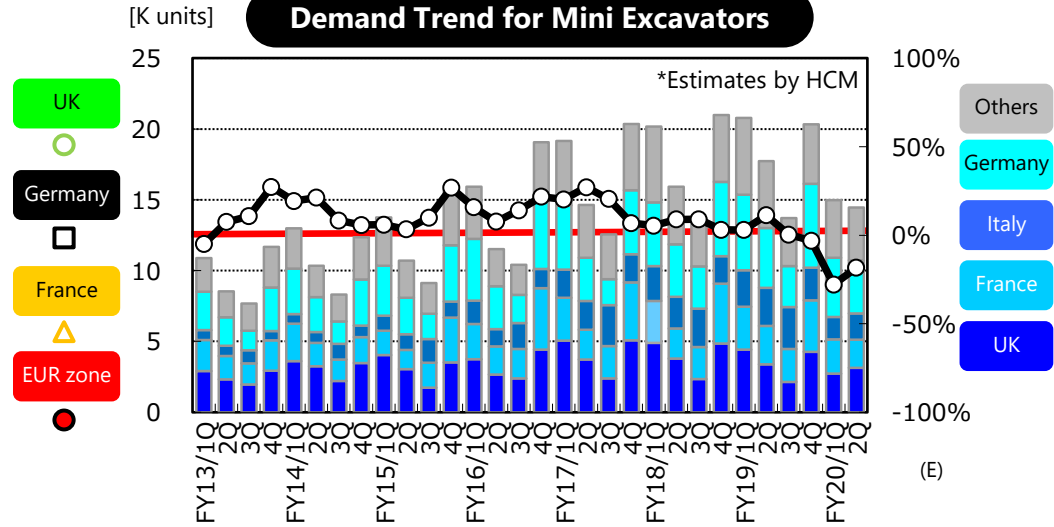


- Throughout the Eurozone, GDP growth rate significantly decreased.
- Demand decreased: Hydraulic excavators -23% (YTD -32%), Mini excavators -18%, Wheel loaders -16% y-y.

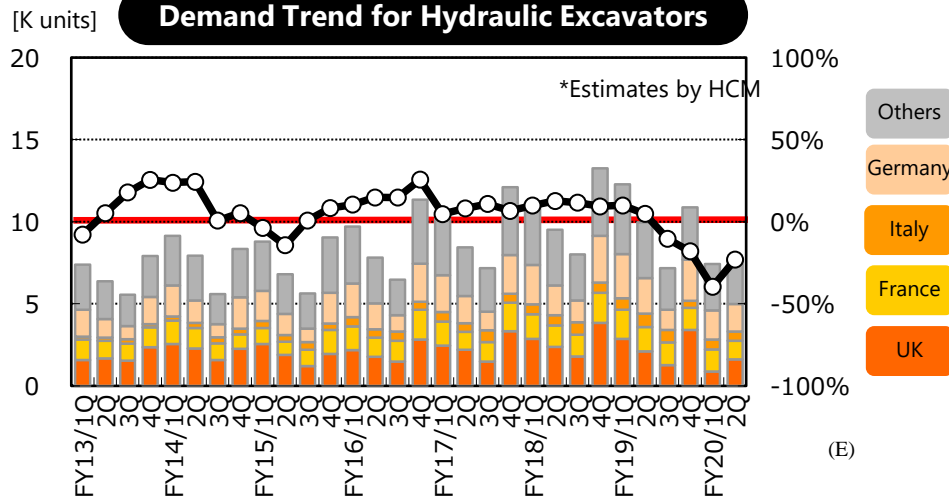
GDP Growth Rate in Major Countries (y-y)



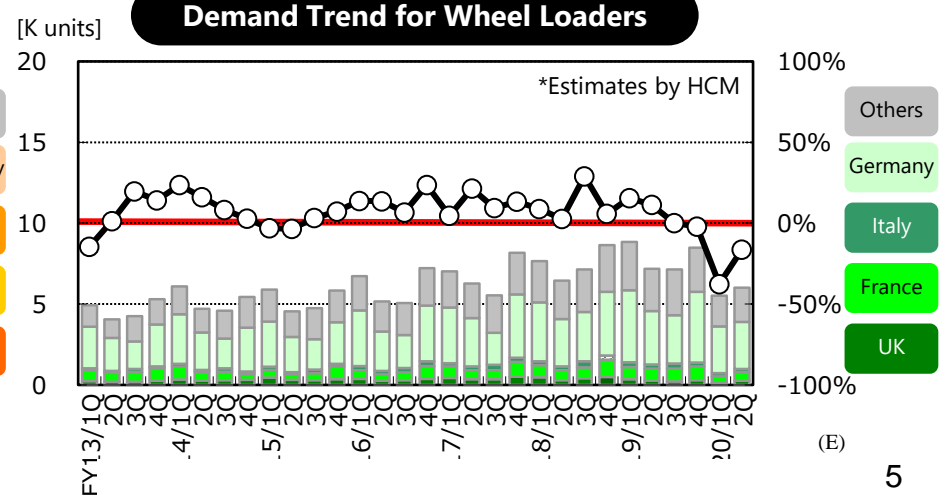
Demand Trend for Mini Excavators



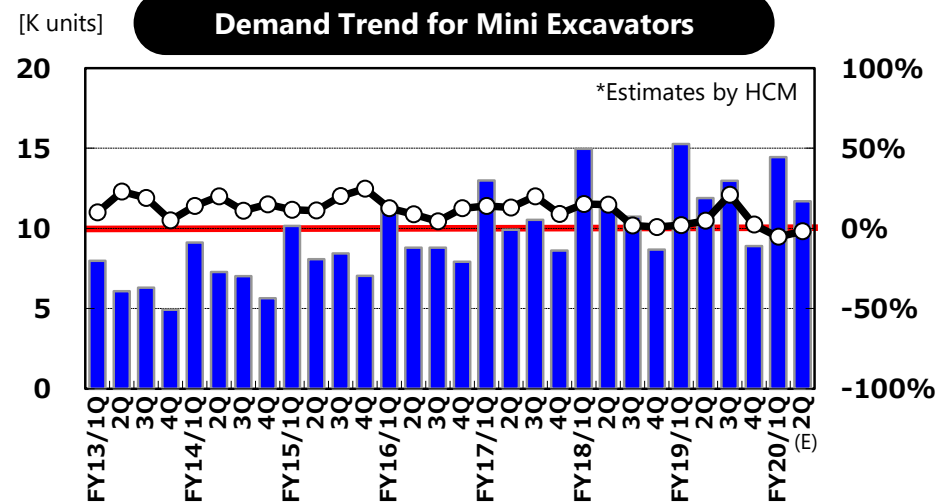
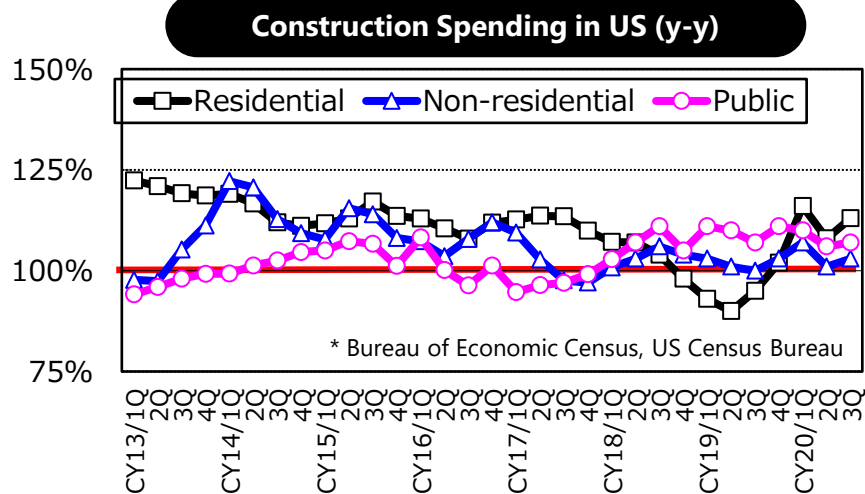
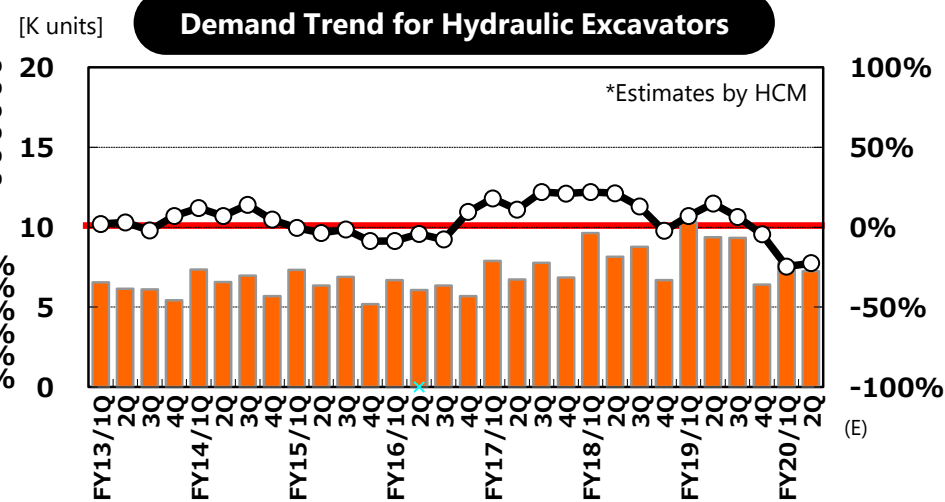
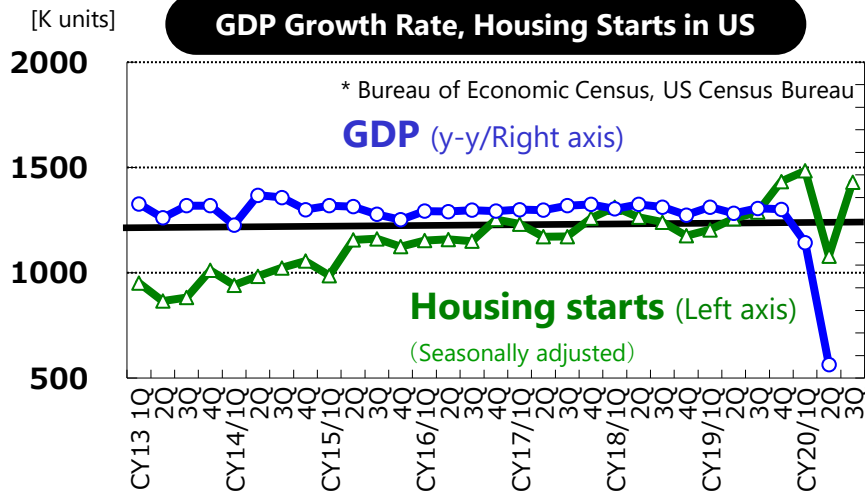
Demand Trend for Hydraulic Excavators



Demand Trend for Wheel Loaders

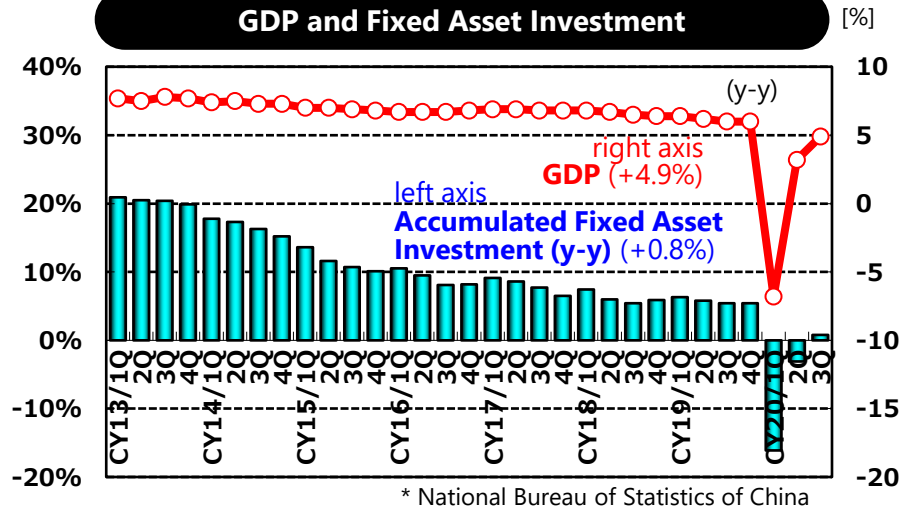


- Housing starts increased. Construction investment increased in Residential, Non-residential, and Public works.
- Demand decreased: Hydraulic excavators -23% (YTD -24%) and Mini excavators -2% y-y.



- The GDP growth rate was +4.9%.
- Demand for hydraulic excavators in China was +40% y-y (YTD +43%), Foreign manufactures only.

GDP and Fixed Asset Investment

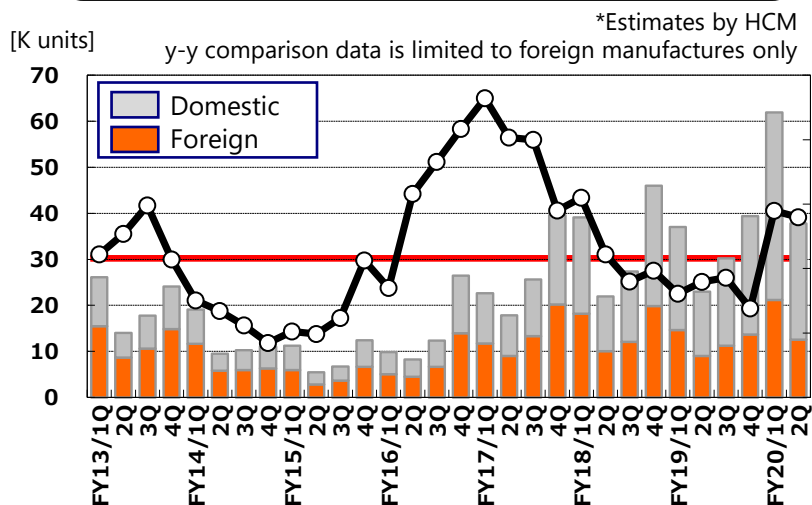


Quarterly Demand for Hydraulic Excavators by Region (y-y)

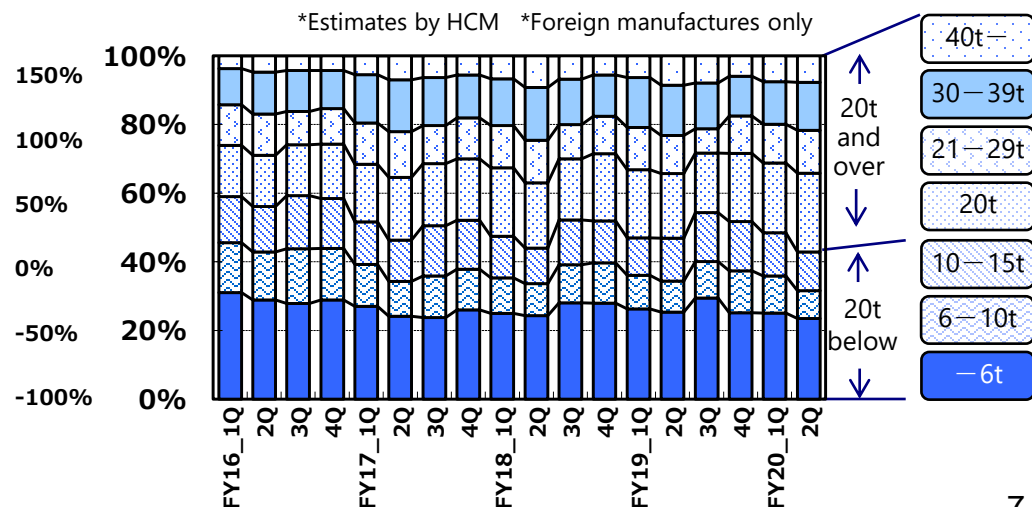
FY19	3Q	4Q	1Q	2Q
North East	+65	+9	+150	+112
North	-21	-48	+37	+40
East	-1	-24	+59	+57
Central South	-8	-32	+42	+22
North West	+7	-41	+29	+64
South West	-16	-32	+28	+21
Total	-7	-31	+45	+40

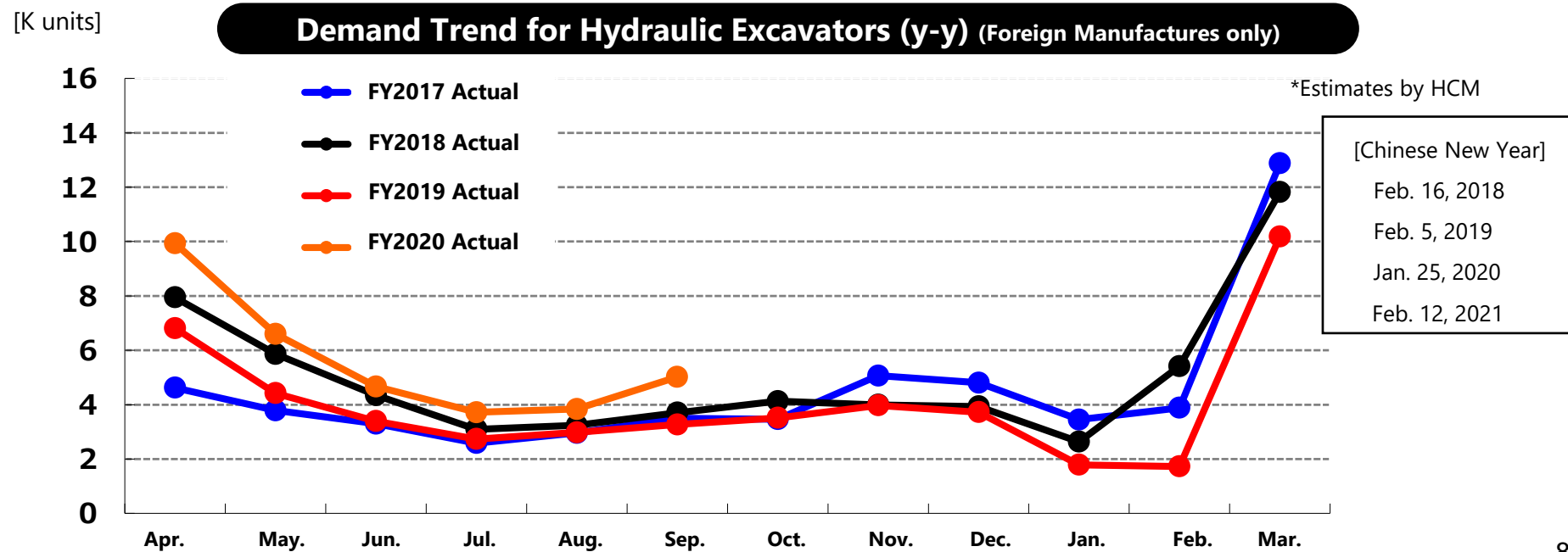
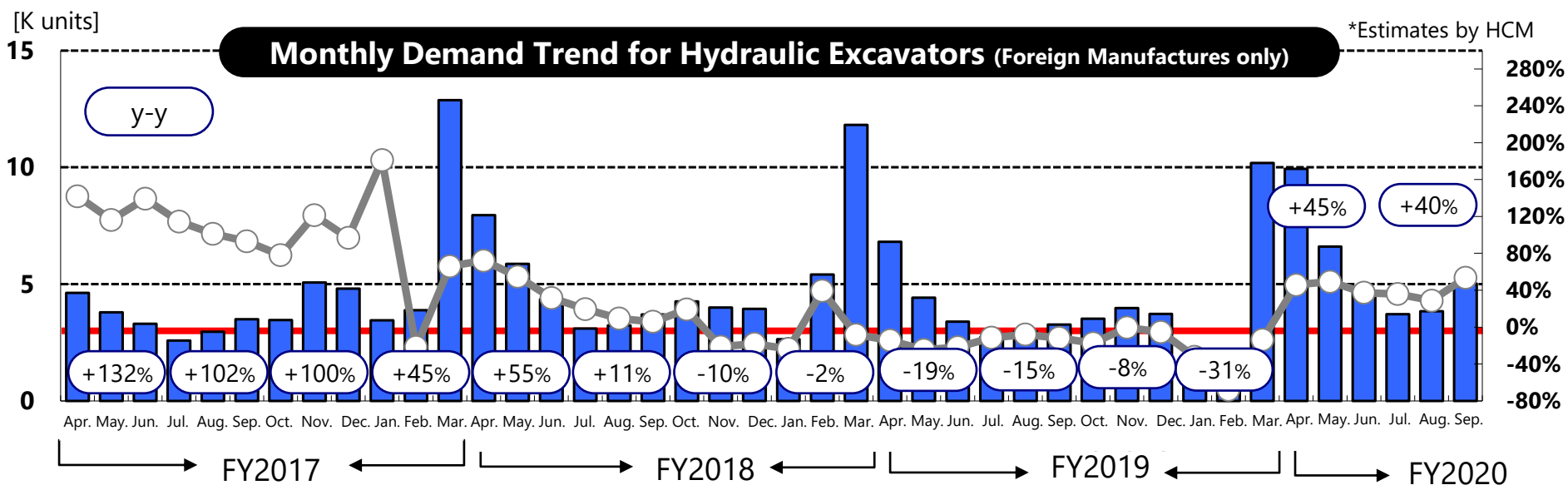


Demand Trend for Hydraulic Excavators



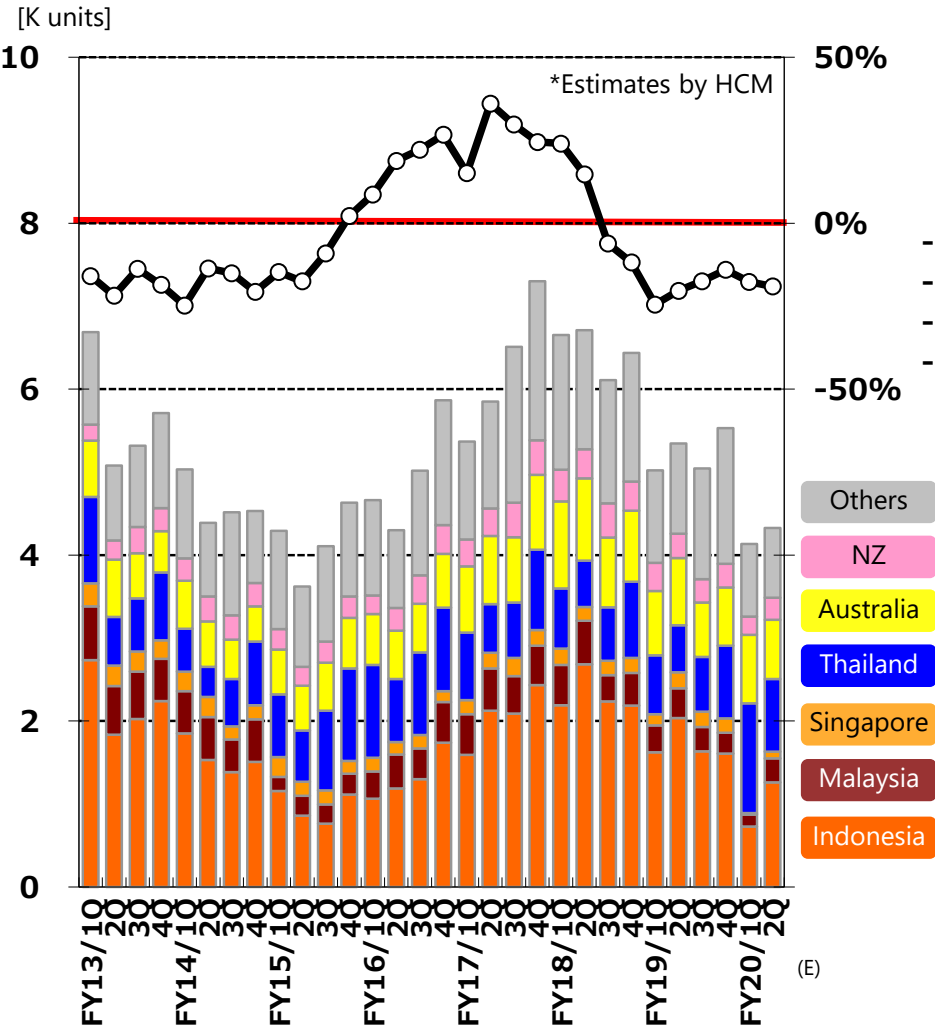
Demand Composition by Class for Mini Excavators and Hydraulic Excavators



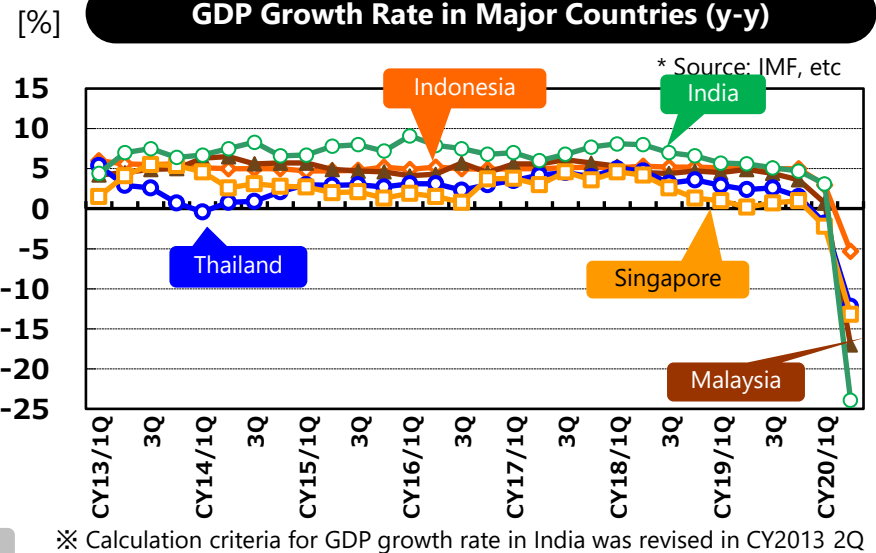


- Demand for hydraulic excavators decreased overall in the Asia Pacific region, -19% y-y (YTD -18%)
- Demand for hydraulic excavators in India was -13% y-y (YTD -44%)

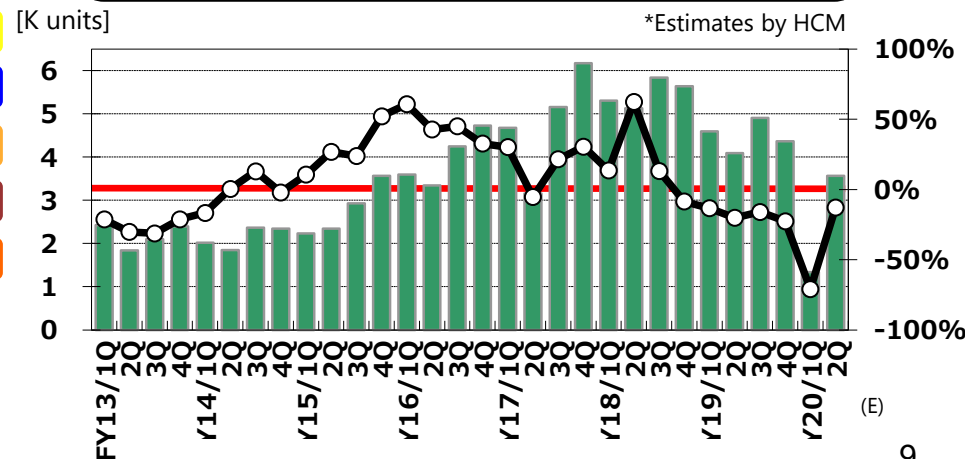
Demand Trend for Hydraulic Excavators in Asia & Oceania



GDP Growth Rate in Major Countries (y-y)

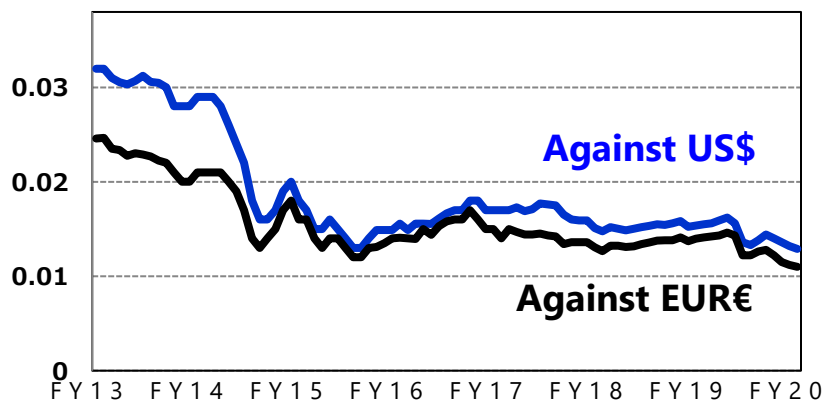


Demand Trend for Hydraulic Excavators in India



- Demand for hydraulic excavators in Russia was -15% y-y (YTD -33%)
- Demand for Hydraulic excavators in the Middle East was $\pm 0\%$ y-y (YTD -3%)

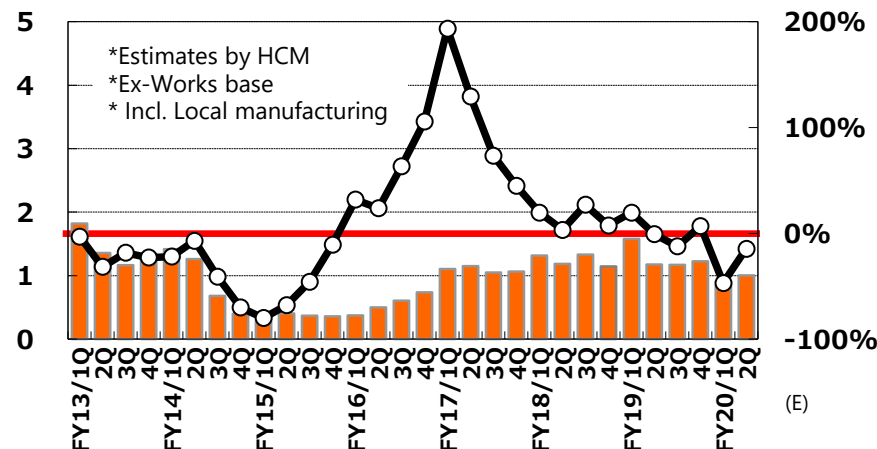
Foreign Exchange Rate of the Ruble



* According to HCM's research

[K units]

Demand Trend for Hydraulic Excavators in Russia

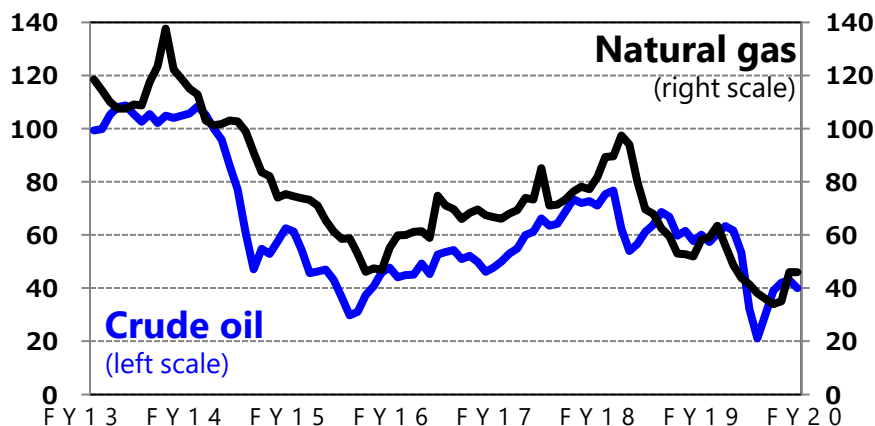


(E)

[US\$]

Price Trend of Crude Oil and Natural Gas

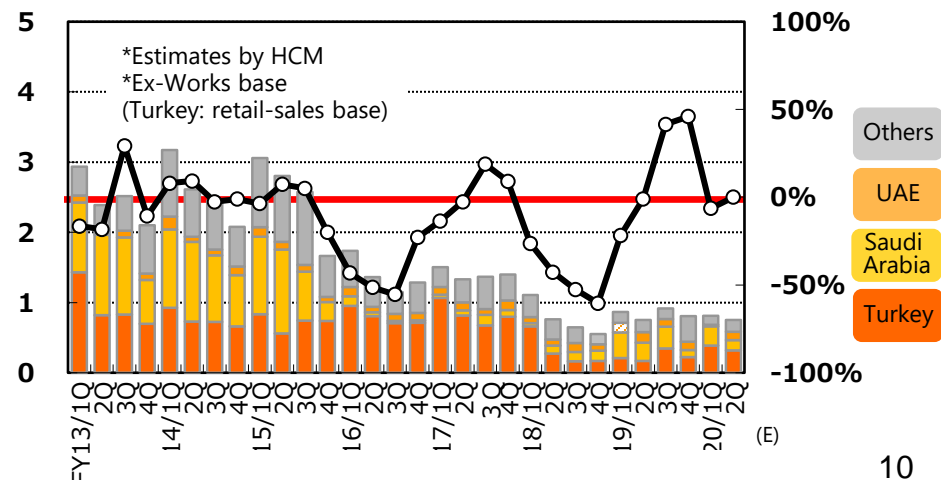
[Natural Gas Index]



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

[K units]

Demand Trend for Hydraulic Excavators in the Middle East



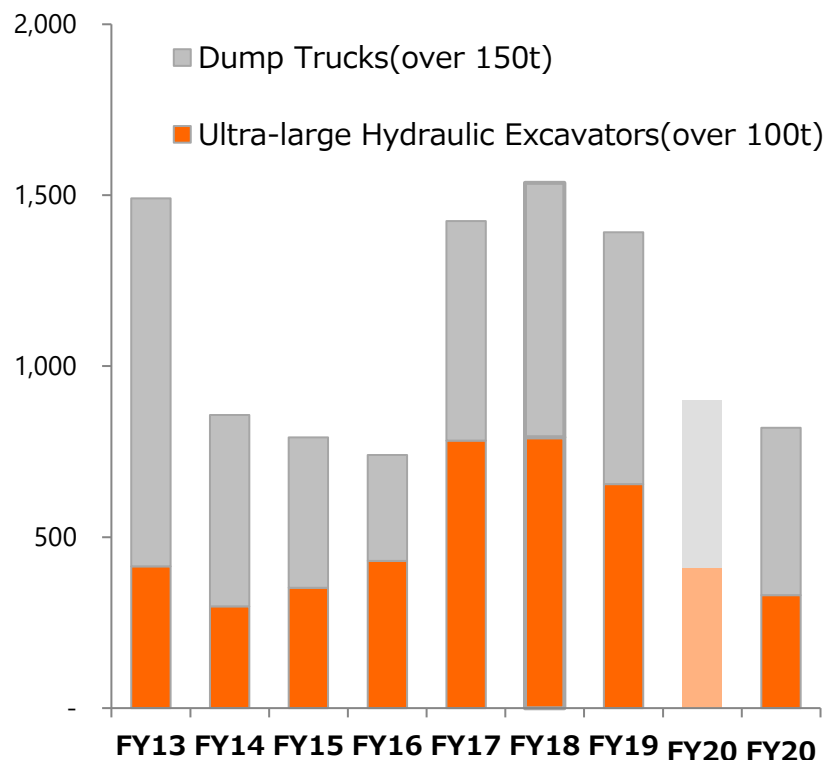
(E)

- Demand for small and medium-sized mining sites and contractors declined in Indonesia and Russia due to sluggish crude oil and thermal coal prices.
- Demand forecast for mining machinery in FY2020 is expected to change to -40% y-y (previous -35%).

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

[Units]

Demand by product

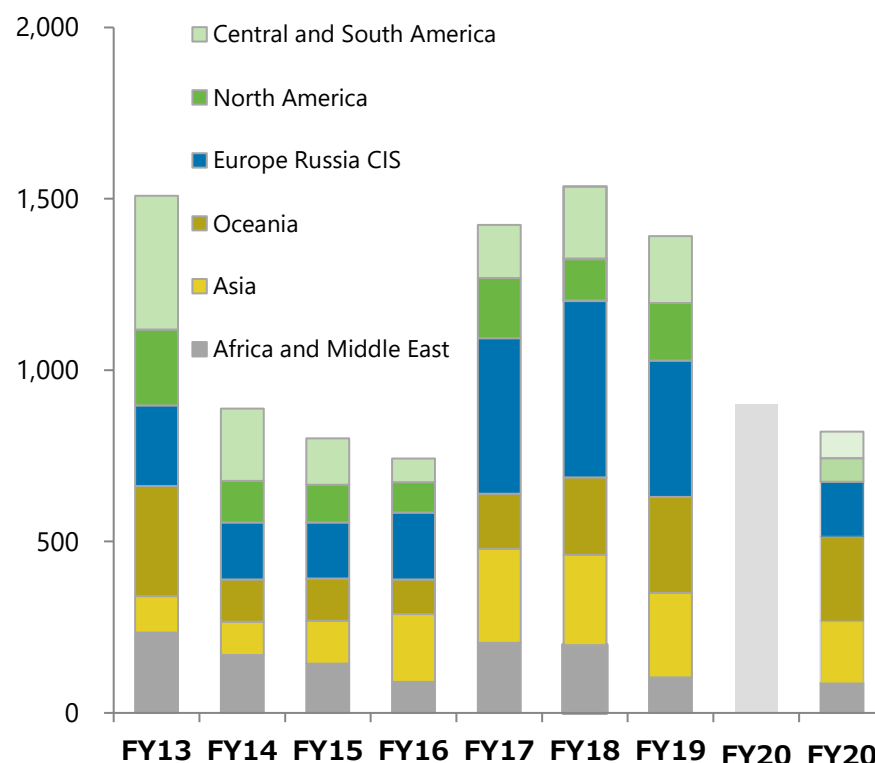


※ According to HCM's research

Previous Outlook Present Outlook

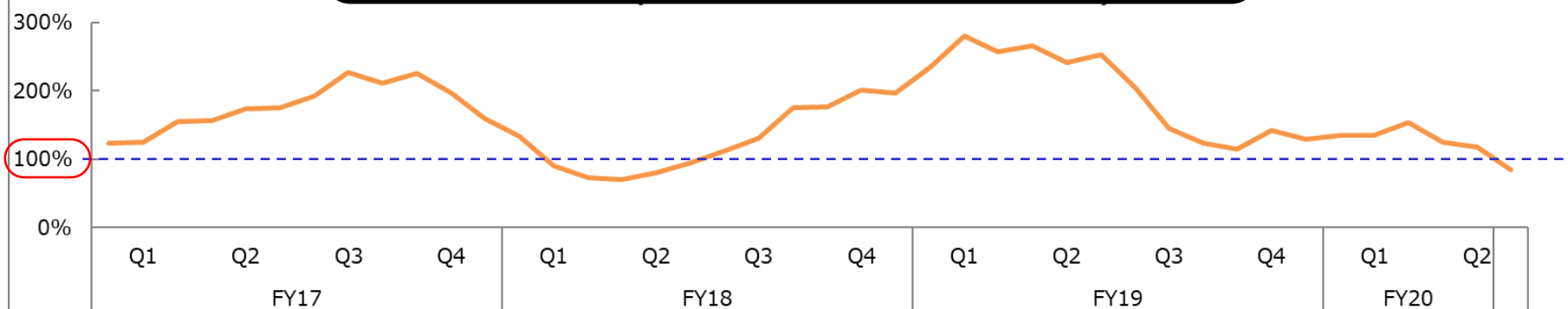
[Units]

Demand by region

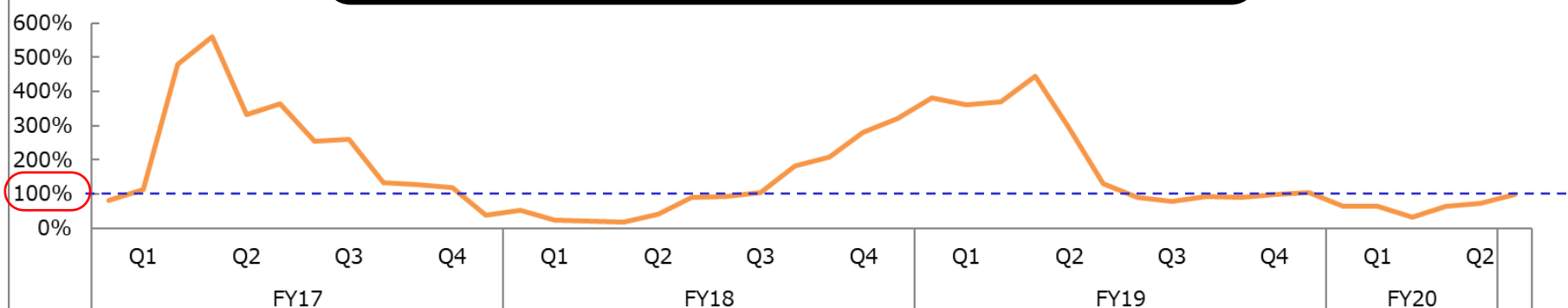


Previous Outlook Present Outlook

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



BB Ratio (Dump trucks, over 150t)

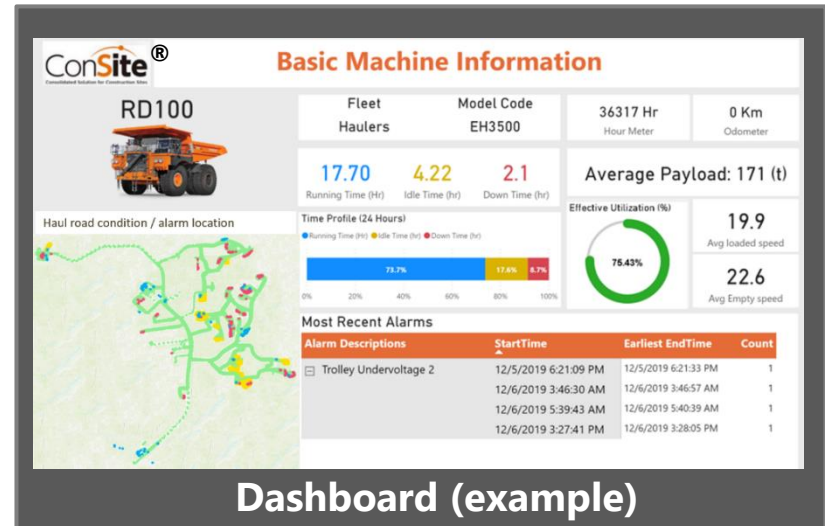
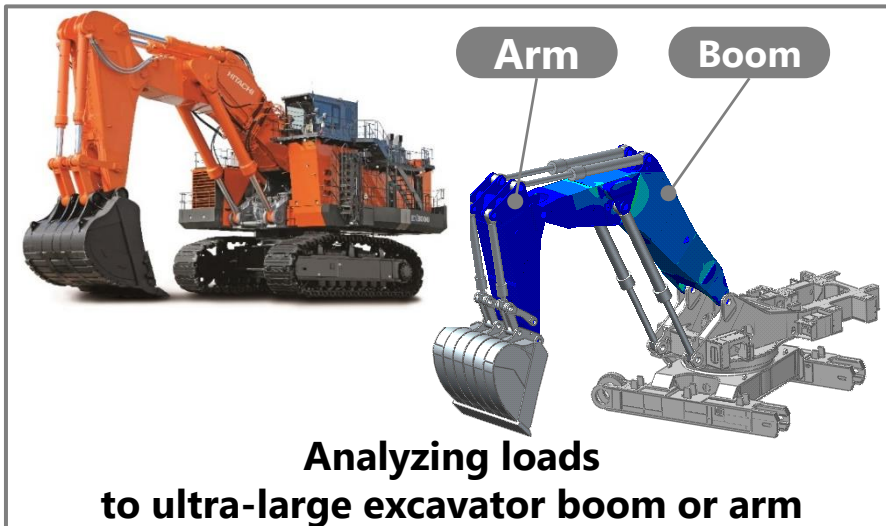


* Book-to-Bill(BB) Ratio = Bookings (Orders received)/Billings (Value of shipment)

Non-consolidated basis (average of 6 months)

Developed “ConSite® Mine” remotely monitoring mining machinery on 24/7 basis, with Wenco. Releases in 2021.

- Visualize prediction the **occurrence of cracks in the boom or arm** by utilizing IoT, AI and applied analysis technologies
- Analyzing operator's **operational patterns and fuel consumption**
- Improving productivity and safety, reducing life-cycle costs



Investment in the Chrysalix Venture Capital's Fund

- Accelerating **collaboration with startups** that possess the latest technologies such as **robotics, IoT, and AI**
- **Championing open innovation** directed at the streamlining of overall mining operations

Mini Excavator for Civil construction use released for Chinese Market in October 2020

- Respond to self-employed charter operators' needs from test marketing
- Best suited specifications and structure for urban civil construction and **better cost performance**



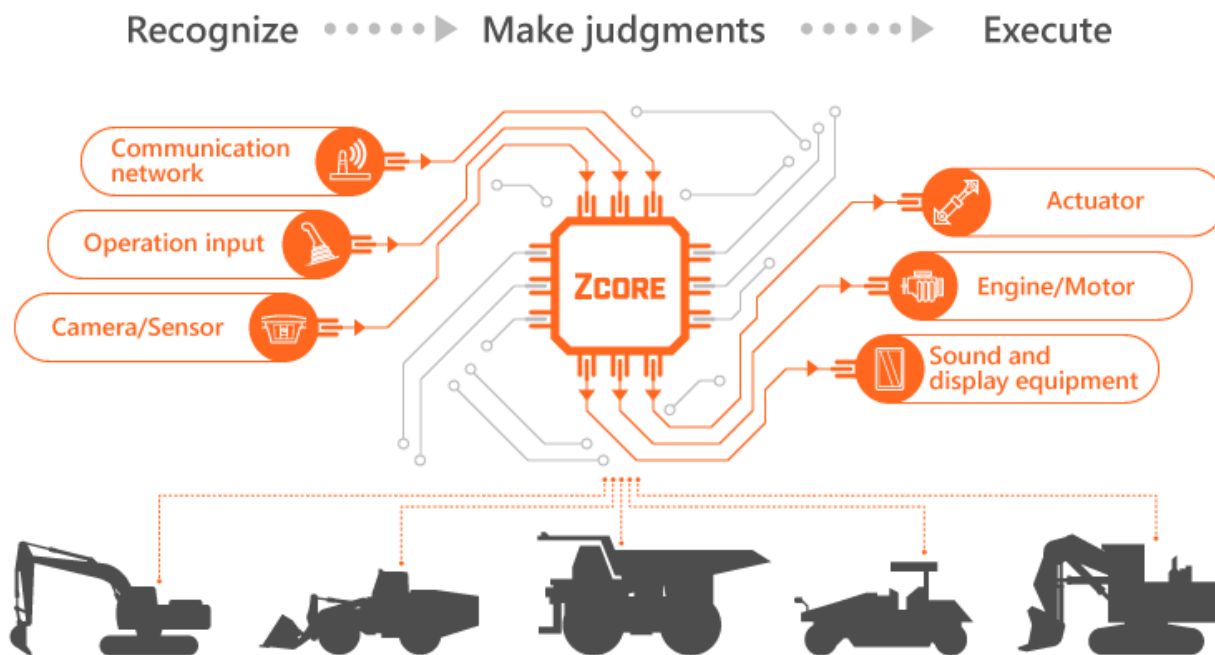
EX2000-7 Ultra-Large Hydraulic Excavator releasing in October 2021

- An entirely new hydraulic circuit will reduce **fuel consumption by up to 19%** with no loss in productivity
- Far-reaching **expansion of functionalities** for supporting mining operations, such as ConSite® Mine, Remote Operation System, Operation Support System and Autonomous Operation function



Development of a System Platform "ZCORE®" for Autonomous Construction Equipment

- Enabled the machinery to **recognize, judge and execute**, which operators conventionally do
- Easy addition and **customization of functions**, adapting various customer needs more quickly
- Applied to all kinds of our construction machinery, regardless of product type or size



2. Business Results for the Second Quarter ended September 30, 2020

(April 1, 2020 - September 30, 2020)

Keiichiro Shiojima

Executive Officer, CFO

Revenue decreased by 25% and adjusted operating income decreased by 76% y-y due to the impact of COVID-19 and the appreciation of the yen, 9.6 billion yen.

[billions of yen]

		FY2020 1Q-2Q	FY2019 1Q-2Q	change
Revenue		360.9	480.6	-25%
Adjusted operating income *1		3.0% 10.9	9.4% 45.0	-76%
Operating income		2.4% 8.5	9.0% 43.3	-80%
Income before income taxes		1.3% 4.8	8.6% 41.1	-88%
Net income attributable to owners of the parent		0.1% 0.2	5.2% 25.2	-99%
EBIT *2		1.8% 6.5	9.0% 43.4	-85%
FX rate	Rate (YEN/US\$)	107.0	108.6	-1.6
	Rate (YEN/EURO)	121.8	121.4	0.4
	Rate (YEN/RMB)	15.2	15.8	-0.5
	Rate (YEN/AU\$)	73.3	75.2	-2.0
Cash dividend per share (yen) *3		10	36	-26

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

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

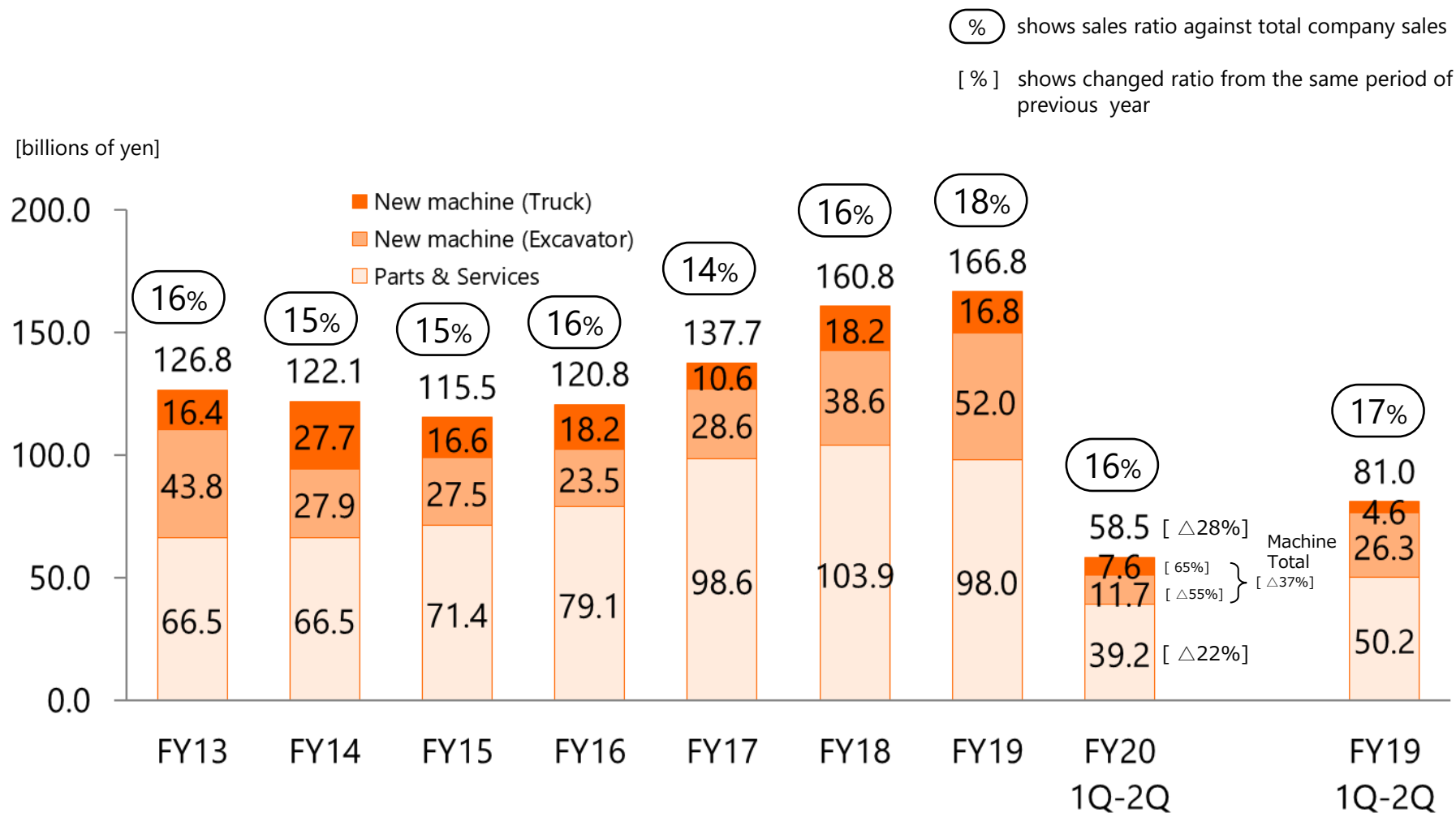
*3 "Cash dividend per share": The Company will pay dividends linked to its consolidated business results twice, interim and year end, in the fiscal year and aim to achieve a consolidated dividend payout ratio of approx. 30% or more.

Revenue decreased in each region except the Middle East y-y, consolidated revenue decreased significantly by 119.7 billion yen.

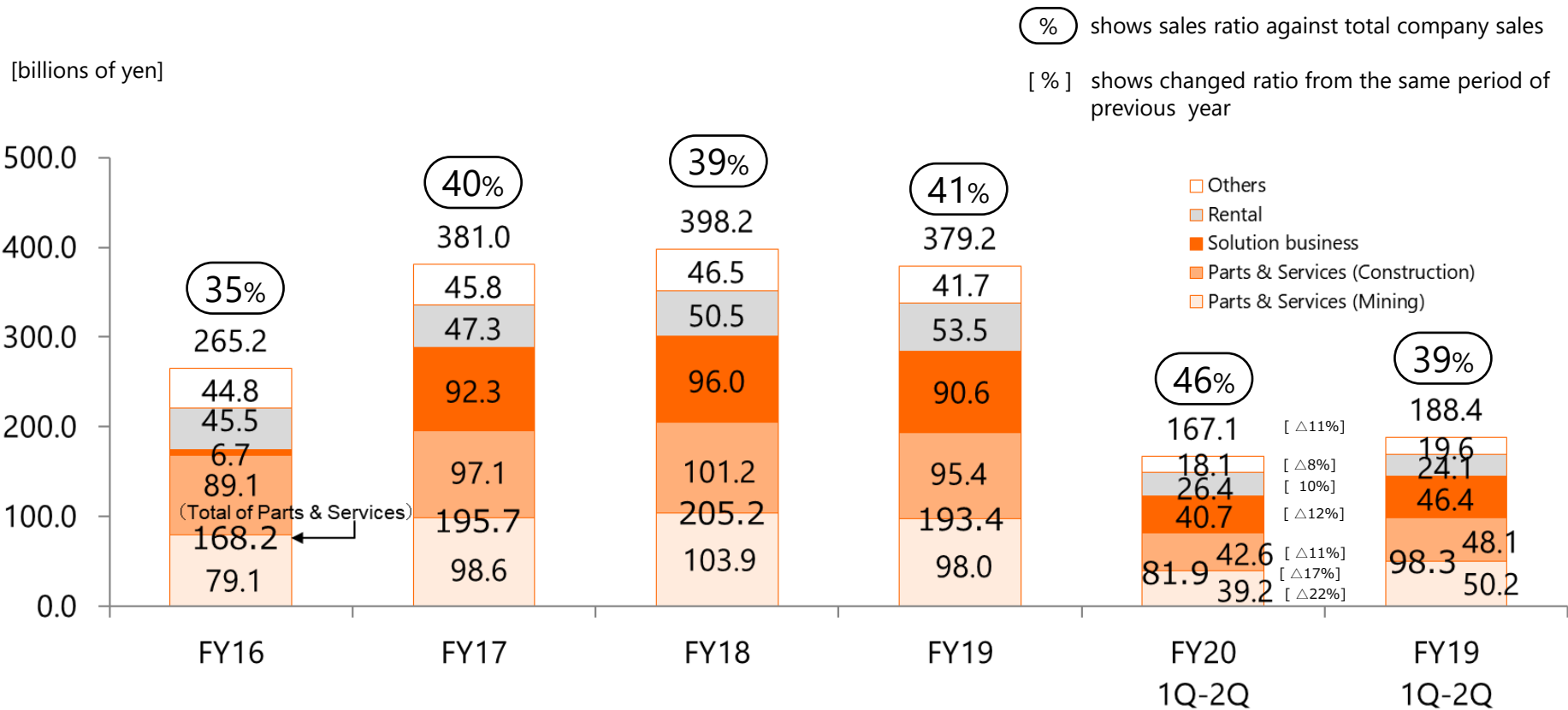
[billions of yen]

	FY2020 1Q-2Q		FY2019 1Q-2Q		change	
					amount	%
Japan	91.1	25%	99.9	21%	-8.9	-9%
Asia	21.3	6%	40.9	9%	-19.5	-48%
India	16.0	4%	24.6	5%	-8.6	-35%
Oceania	69.4	19%	76.3	16%	-6.9	-9%
Europe	34.0	9%	55.8	12%	-21.8	-39%
N.America	47.7	13%	92.1	19%	-44.5	-48%
L.America	5.2	1%	7.2	2%	-2.1	-29%
Russia-CIS	9.9	3%	18.0	4%	-8.1	-45%
M.East	8.6	2%	3.9	1%	4.8	124%
Africa	15.5	4%	18.8	4%	-3.3	-18%
China	42.3	12%	43.1	9%	-0.8	-2%
Total	360.9	100%	480.6	100%	-119.7	-25%
Overseas ratio	75%		79%			

Revenue of mining in FY2020 2Q decreased by 28% to 58.5 billion yen y-y, partly due to the impact of the appreciation of the yen, 4.1 billion yen.



Revenue of the value chain business in FY2020 2Q decreased by 11% to 167.1 billion yen y-y, partly due to the impact of the appreciation of the yen, 4.9 billion yen 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.

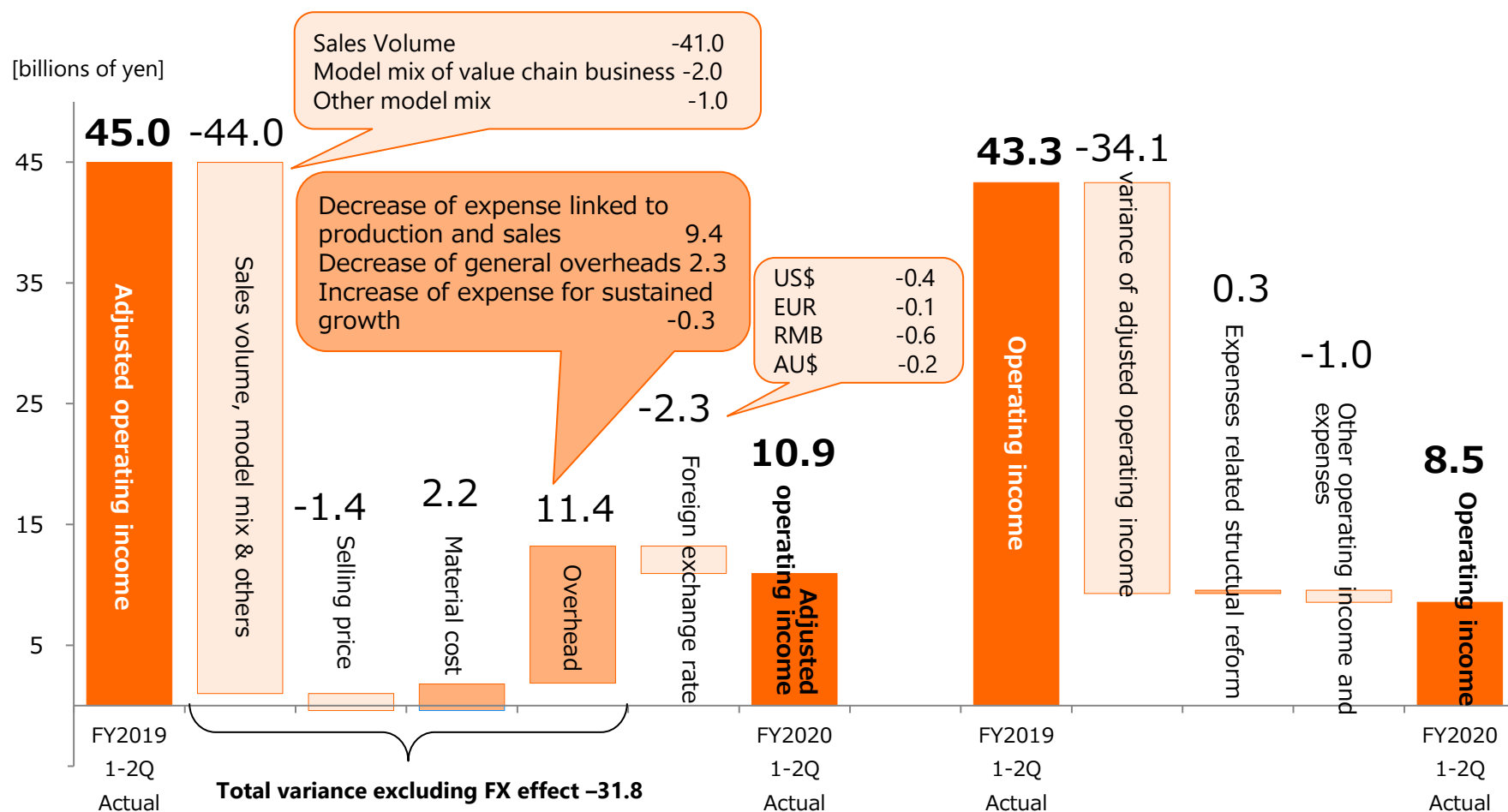
(*2) Solution business: The business segment primarily intends to provide development, production, distribution of parts and service solutions for mining facilities and equipment after the sales made that are not included in the construction machinery business segment.

Comparison of consolidated income

HITACHI

Reliable solutions

Adjusted operating income decreased by 34.1 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 the selling price and the appreciation of the yen despite the decreased overheads and material costs.



Consolidated statement of income

HITACHI

Reliable solutions

- SGA expenses decreased by -12.0 billion yen to 76.6 billion yen y-y.
- Financial income/expenses improved by 0.4 billion yen to -3.8 billion yen y-y.

[billions of yen]

	FY2020 1Q-2Q		FY2019 1Q-2Q		change	
					amount	%
Revenue		360.9		480.6	-119.7	-25%
Cost of Sales	(75.8%)	273.4	(72.2%)	347.0	-73.6	-21%
SGA expenses	(21.2%)	76.6	(18.4%)	88.6	-12.0	-14%
Adjusted operating income *1	(3.0%)	10.9	(9.4%)	45.0	-34.0	-76%
Other Income/expenses		-2.4		-1.7	-0.7	44%
Operating income	(2.4%)	8.5	(9.0%)	43.3	-34.8	-80%
Financial income/expenses		-3.8		-4.2	0.4	-9%
Share of profits of investments accounted for using the equity method		0.1		2.0	-2.0	-97%
Income before income taxes	(1.3%)	4.8	(8.6%)	41.1	-36.4	-88%
Income taxes		2.6		12.7	-10.1	-79%
Net income	(0.6%)	2.2	(5.9%)	28.4	-26.3	-92%
Net income attributable to owners of the parent	(0.1%)	0.2	(5.2%)	25.2	-25.0	-99%

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

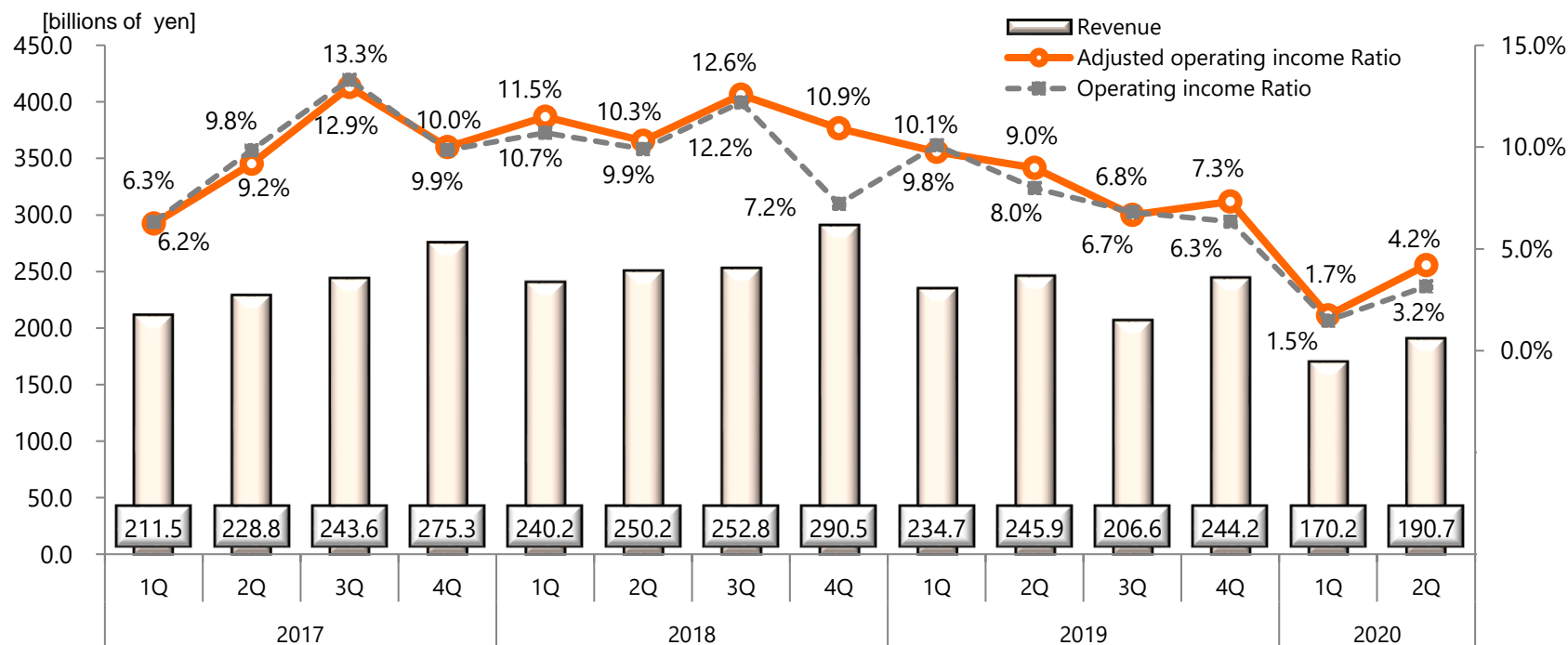
Summary of quarterly consolidated revenue and operating income (ratio)

HITACHI

Reliable solutions

[billions of yen]

	2017				2018				2019				2020	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
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	190.7
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	8.0
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	6.0



FX rate	2017				2018				2019				2020	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
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	106.2
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	124.1
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	15.4
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	75.9

Consolidated statement of financial position

HITACHI

Reliable solutions

Total assets decreased by 26.0 billion yen y-y due to decreased trade receivables of 38.6 billion yen and inventories of 4.6 billion yen.

[billions of yen]

	(A) FY20-2Q	(B) Mar '2020	(C) FY19-2Q	(A)-(B) change
Cash and cash equivalents	65.1	62.2	58.3	2.9
Trade receivables	173.9	212.5	218.7	-38.6
Inventories	296.6	301.2	328.3	-4.6
Total current assets	570.4	612.8	646.9	-42.4
Total non-current assets	571.2	554.8	547.9	16.4
Total assets	1,141.5	1,167.6	1,194.8	-26.0
Trade receivables incl. non-current	210.7	252.1	261.2	-41.4
Inventories by products				
Unit	75.6	76.2	93.2	-0.7
Parts	106.9	103.0	104.9	4.0
Raw materials, WIP and etc	114.1	122.0	130.3	-7.9
Total inventories	296.6	301.2	328.3	-4.6
On hand days(divided by net sales)				(Days)
Trade receivables	95	99	93	-4
Inventories	133	118	117	15
Trade payables	38	43	45	-5
Net working capital	187	171	163	16

	(D) FY20-2Q	(E) Mar '2020	(F) FY19-2Q	(D)-(E) change
Trade and other payables	161.8	188.7	210.1	-26.9
Bonds and borrowings	337.3	338.9	341.0	-1.7
Total liabilities	611.2	642.5	664.5	-31.3
(Equity attributable to owners of the parent ratio)	(41.9%)	(40.6%)	(40.0%)	(1.4%)
Total equity	530.3	525.1	530.3	5.2
Total liabilities and equity	1,141.5	1,167.6	1,194.8	-26.0
Interest-bearing debt	(29.5%) 337.3	(29.0%) 338.9	(28.5%) 341.0	(0.5%) -1.7
Cash and Cash equivalents	65.1	62.2	58.3	2.9
Net interest-bearing debt	(23.8%) 272.2	(23.7%) 276.8	(23.7%) 282.7	(0.1%) -4.6
Net D/E Ratio	0.57	0.58	0.59	-0.02

- Net cash provided by (used in) operating activities improved by 47.5 billion yen to positive 37.8 billion yen y-y due to improved working capital.
- Free cash flows improved by 50.0 billion yen to positive 20.8 billion yen y-y.

[billions of yen]

	FY2020 1Q-2Q		FY2019 1Q-2Q		change	
Net income		2.2		28.4		-26.3
Depreciation and amortization	26.7	24.6	50.0	21.6	-23.3	3.0
(Increase)decrease in trade/lease receivables		47.3		7.2		40.0
(Increase)decrease in inventories	28.9	11.4	-34.4	-17.6	63.4	29.0
Increase(decrease) in trade payables		-29.8		-24.1		-5.7
Others, net		-17.9		-25.3		7.4
Net cash provided by (used in) operating activities		37.8		-9.7		47.5
Cash flow margin for operating activities		10.5%		-2.0%		12.5%
Net cash provided by (used in) investing activities		-17.0		-19.5		2.5
Free cash flows		20.8		-29.2		50.0
Net cash provided by (used in) financing activities		-18.7		22.8		-41.5

Summary of consolidated earnings forecast

HITACHI

Reliable solutions

Based on the uncertain market conditions due to the impact of COVID-19 and 16.3 billion yen of the negative impact of forex, consolidated sales revenue is expected to decrease by 17% and adjusted operating income by 48%.

[billions of yen]

	FY2020 Forecast	FY2019 Actual	change	
			Amount	%
Revenue	770.0	931.3	-161.3	-17%
Adjusted operating income	(5.2%) 40.0	(8.2%) 76.6	(-3.0%) -36.6	-48%
Operating income	(4.7%) 36.0	(7.8%) 72.8	(-3.1%) -36.8	-51%
Income before income taxes	(4.4%) 34.0	(7.2%) 67.1	(-2.8%) -33.1	-49%
Net income attributable to owners of the parent	(2.6%) 20.0	(4.4%) 41.2	(-1.8%) -21.2	-51%
EBIT	37.6	71.6	-34.0	

Currency	1Q-2Q Actual	3Q-4Q Forecast	Total Forecast	FY2019 Actual	change	For FX sensitivity, please refer to appendix 1.
Rate (YEN/US\$)	107.0	105.0	105.8	108.7	-2.9	
Rate (YEN/EURO)	121.8	120.0	120.7	120.8	-0.1	
Rate (YEN/RMB)	15.2	15.0	15.1	15.7	-0.5	
Rate (YEN/AU\$)	73.3	72.0	72.6	74.1	-1.5	

Cash dividend per share (yen) *1	to be determined	60	-
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*1 "Cash dividend per share": The Company will pay dividends linked to its consolidated business results twice, interim and year end, in the fiscal year and aim to achieve a consolidated dividend payout ratio of approx. 30% or more.

Consolidated for revenue forecast by geographic region

HITACHI

Reliable solutions

Due to the impact of COVID-19 and 16.3 billion yen of the negative impact of forex, consolidated sales revenue is expected to decrease by 161.3 billion yen y-y.

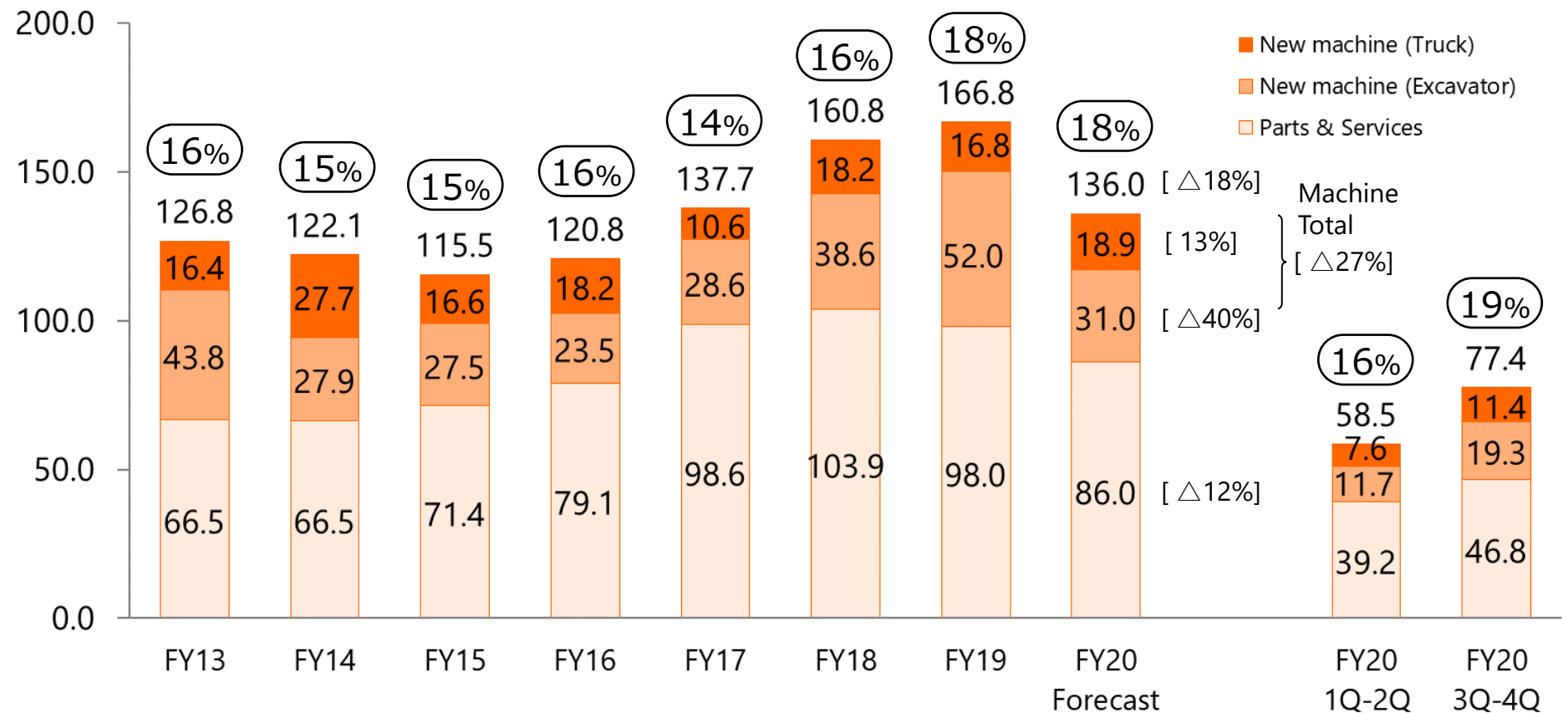
(billions of yen)

	FY2020 Forecast		FY2019 Actual		change	
					amount	%
Japan	196.3	25%	205.6	22%	-9.3	-5%
Asia	51.7	7%	85.9	9%	-34.3	-40%
India	34.6	4%	50.7	5%	-16.2	-32%
Oceania	140.7	18%	146.0	16%	-5.2	-4%
Europe	77.0	10%	103.6	11%	-26.6	-26%
N.America	107.4	14%	173.4	19%	-66.0	-38%
L.America	11.6	2%	12.9	1%	-1.3	-10%
Russia-CIS	27.6	4%	32.6	4%	-5.1	-16%
M.East	14.7	2%	7.6	1%	7.2	95%
Africa	32.2	4%	38.0	4%	-5.8	-15%
China	76.2	10%	75.0	8%	1.2	2%
Total	770.0	100%	931.3	100%	-161.3	-17%
Overseas ratio	75%		78%			

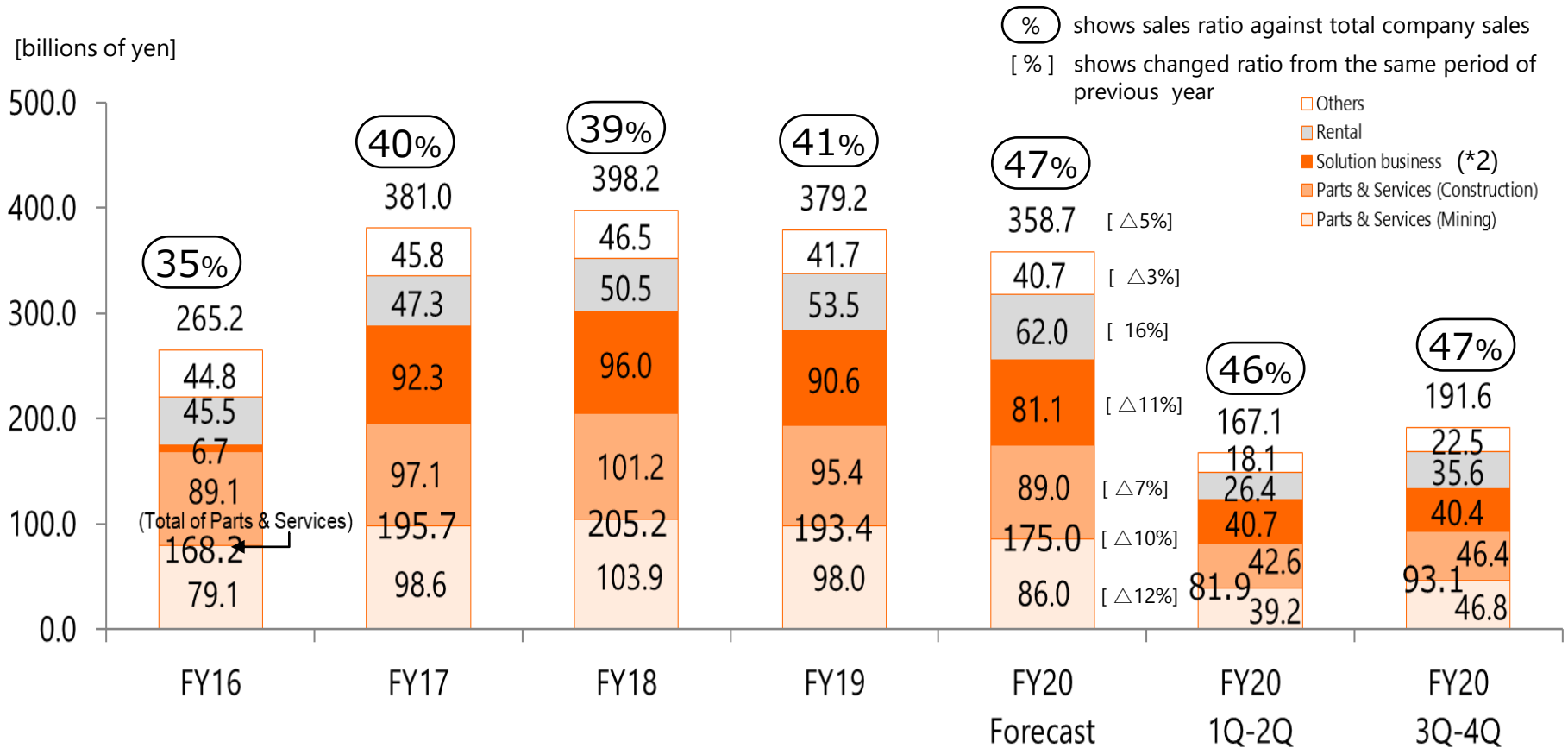
Revenue of mining in FY2020 is expected to decrease by 18% to 136.0 billion yen y-y, partly due to the impact of the appreciation of the yen, 5.2 billion yen.

(%) 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 parts and services and the expected appreciation of the yen, 7.5 billion yen despite an 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

14

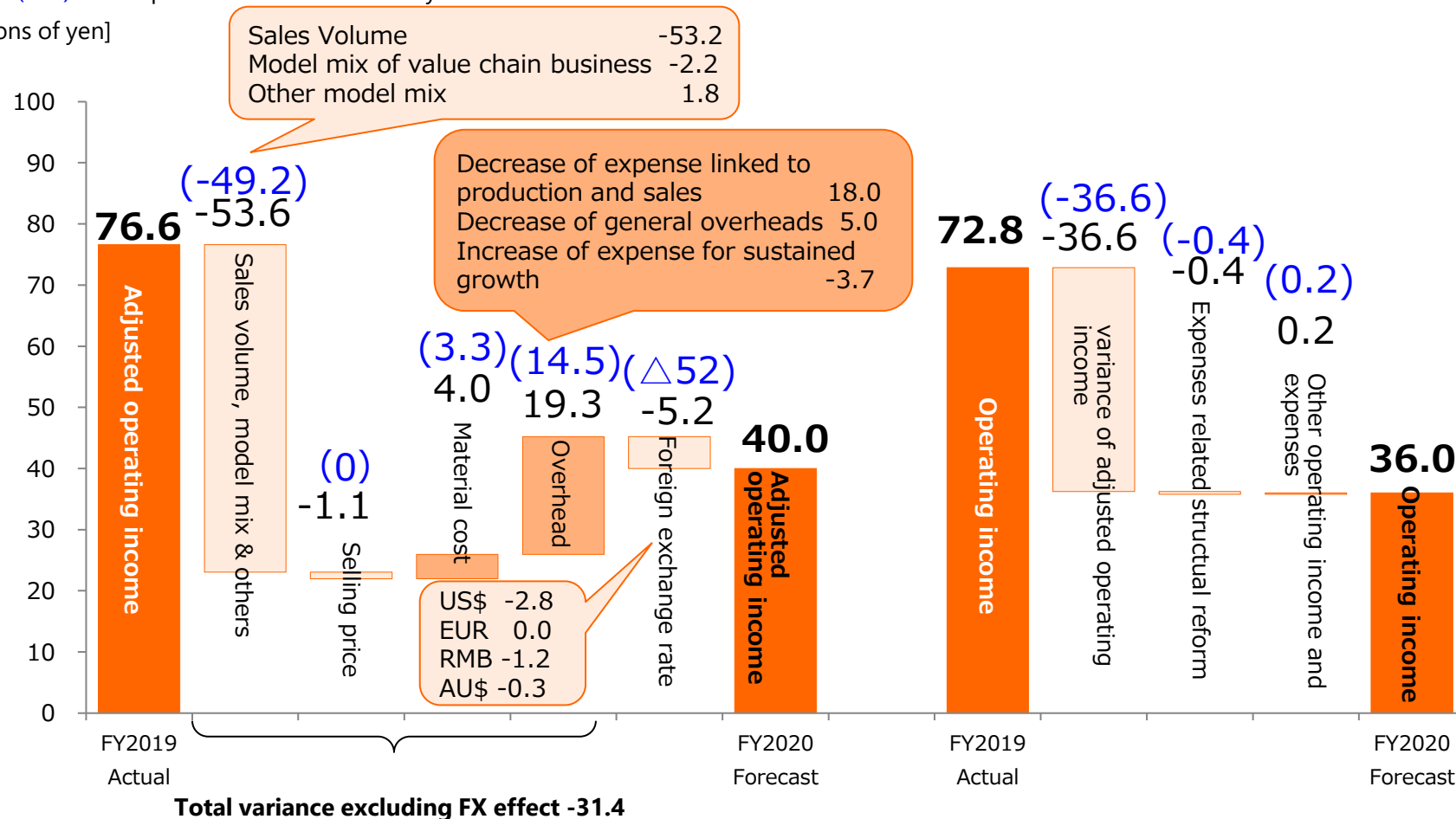
HITACHI

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 July 2020

[billions of yen]



The forecast exchange rate for FY2020 3Q-4Q was set within the expected fluctuation range for each currency.

[billions of yen]

Currency	FX rate				FX sensitivity (3Q-4Q)		
	FY20			FY19 Actual	Condition	Revenue	Adjusted operating income
	1Q-2Q	3Q-4Q	Total				
	Actual	Forecast	Forecast				
US\$	107.0	105.0	105.8	108.7	Impact by 1 yen depreciation	0.8	0.6
EURO	121.8	120.0	120.7	120.8	Impact by 1 yen depreciation	0.3	0.3
RMB	15.2	15.0	15.1	15.7	Impact by 0.1 yen depreciation	0.3	0.1
AU\$	73.3	72.0	72.6	74.1	Impact by 1 yen depreciation	1.0	0.1

Appendix 2: Detail of mining revenue

HITACHI

Reliable solutions

[billions of yen]

		FY19 Actual			FY20 Forecast			Change		
		1-2Q	3-4Q	Year	1-2Q	3-4Q	Year	1-2Q	3-4Q	Year
America	Excavator	6.7	11.5	18.2	4.9	6.7	11.6	-1.9	-4.8	-6.7
	Dump Truck	2.2	1.7	3.9	0.6	1.8	2.4	-1.6	0.2	-1.4
	Total	9.0	13.2	22.1	5.4	8.6	14.0	-3.5	-4.6	-8.1
Europe, Africa and Middle East	Excavator	11.8	11.2	23.0	7.1	12.7	19.7	-4.7	1.5	-3.2
	Dump Truck	6.1	6.8	12.9	5.7	9.8	15.5	-0.4	3.0	2.6
	Total	18.0	17.9	35.9	12.8	22.5	35.3	-5.2	4.5	-0.6
Asia & Oceania	Excavator	40.1	33.3	73.4	23.9	29.8	53.6	-16.2	-3.5	-19.8
	Dump Truck	12.7	20.2	32.9	15.4	14.1	29.5	2.7	-6.1	-3.4
	Total	52.8	53.5	106.3	39.3	43.9	83.2	-13.5	-9.6	-23.2
China	Excavator	0.4	0.2	0.6	0.3	0.8	1.1	-0.1	0.6	0.5
	Dump Truck	0.0	0.1	0.1	0.0	0.1	0.1	-0.0	0.0	-0.0
	Total	0.4	0.3	0.8	0.3	0.9	1.2	-0.1	0.6	0.5
Japan	Excavator	0.8	0.8	1.7	0.4	1.6	2.0	-0.4	0.8	0.3
	Dump Truck	0.0	0.0	0.0	0.3	0.0	0.3	0.3	-0.0	0.3
	Total	0.8	0.8	1.7	0.6	1.6	2.3	-0.2	0.8	0.6
Total	Excavator	59.9	57.0	116.9	36.6	51.6	88.1	-23.4	-5.4	-28.8
	Dump Truck	21.1	28.7	49.8	22.0	25.9	47.9	0.9	-2.9	-2.0
	Total	81.0	85.7	166.8	58.5	77.4	136.0	-22.5	-8.3	-30.8

The amortizations of PPA are included in the adjusted operating income of the solution business. The amounts of 0.5 billion yen are included in the second quarter of FY2020, and in the 1.1 billion yen in the forecast for FY2020.

[billions of yen]

FY2020 1Q-2Q Actual	Reportable segment		Adjustments*1	Total
	Construction Machinery Business	Solution Business		
Revenue	320.2	42.1	-1.4	360.9
Adjusted operating income	2.2% 7.1	9.0% 3.8	-	3.0% 10.9

[billions of yen]

FY2020 Forecast	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	688.9	81.1	0.0	770.0
Adjusted operating income	4.9% 33.6	7.9% 6.4	-	5.2% 40.0

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

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

HITACHI

Reliable solutions

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

1.Capital Expenditure (Based on completion)

[billion of yen]

	FY2017	FY2018	FY2019	FY2020 1Q-2Q	FY2020 3Q-4Q	FY2020
	Actual	Actual	Actual	Actual	Forecast	Forecast
Capital Expenditure	18.7	30.4	47.2	16.5	44.2	60.6
Assets held for operating lease	23.1	27.2	36.9	19.8	25.1	44.9
Total	41.8	57.6	84.1	36.2	69.3	105.5

2.Depreciation (tangible and intangible fixed assets)

[billion of yen]

	FY2017	FY2018	FY2019	FY2020 1Q-2Q	FY2020 3Q-4Q	FY2020
	Actual	Actual	Actual	Actual	Forecast	Forecast
Capital Expenditure	27.5	26.8	34.2	17.0	17.0	34.0
Assets held for operating lease	10.3	10.1	12.0	7.6	8.1	15.7
Total	37.8	37.0	46.1	24.6	25.1	49.7

3.R&D expenses

[billion of yen]

	FY2017	FY2018	FY2019	FY2020 1Q-2Q	FY2020 3Q-4Q	FY2020
	Actual	Actual	Actual	Actual	Forecast	Forecast
Total of consolidation	24.6	24.8	23.7	10.9	10.7	21.6

3. Direction of our Medium-term Corporate Strategy

(FY 2020-2022)

Kotaro Hirano

Executive Officer, President & CEO

Changes caused by COVID-19

Due to lack of market transparency,

- Further diversification of customer needs such as ownership, rentals or used equipment
- Increasing and accelerating need for remote operations to avoid the 3Cs (closed spaces, crowded places, close contact)
- Increased need for improved safety and productivity at construction sites and mining operations, and reduction of life cycle costs

Our initiatives

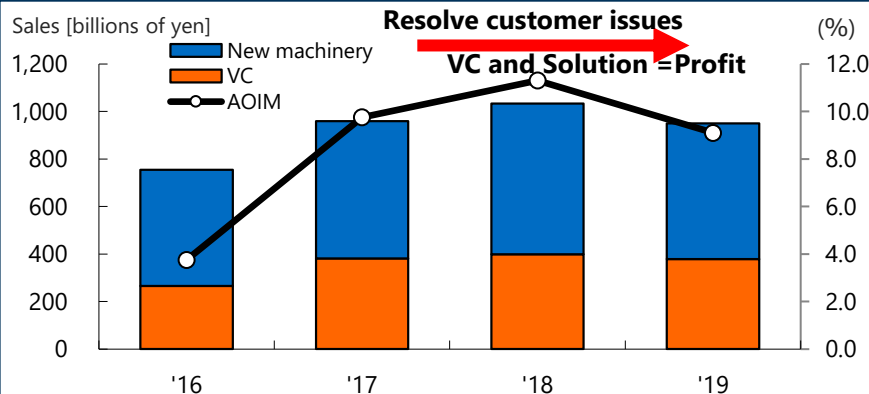
- Promote the expansion of options such as rental and used equipment
- Accelerate the development and provision of ICT machinery and development of remotely operated construction machinery to respond to remote operation needs
- Enhance product and service menu (ConSite[®]) and expand the parts remanufacturing business to avoid machine downtime and increase operating rates at construction sites. In the mining business, promote advancements by combining AHS and digital technology

CONNECT TOGETHER 2019

Deepen the value chain

- Parts and service (ConSite®)
- Acquisition of Bradken /H-E Parts
- US & UK : start of rental business
- Certified used equipment

Global Restructuring Efficiency at overseas sites

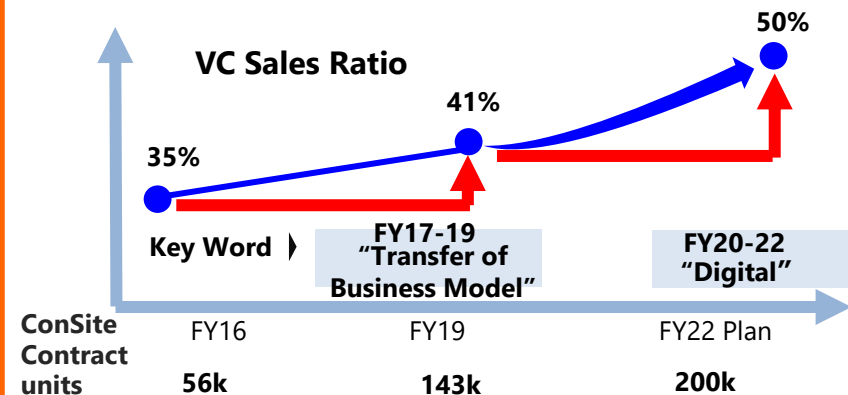


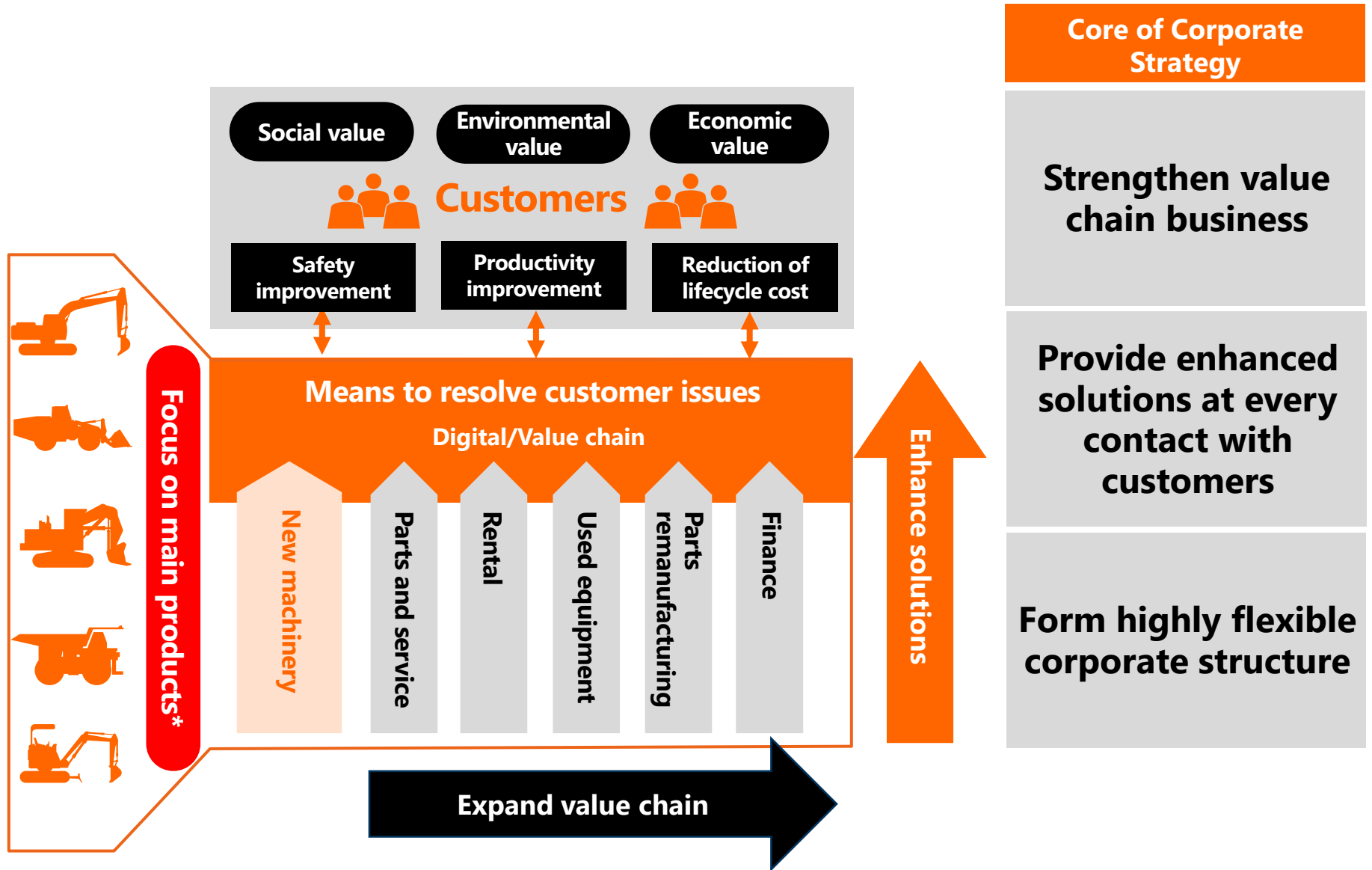
Realizing Tomorrow's Opportunities 2022

Value chain + digital Enhance solutions

- Parts and service (ConSite® + parts remanufacturing + Bradken /H-E Parts)
- Digital Mining
- Rental + used equipment → Global

Efficiency in development, marketing and production Global corporation





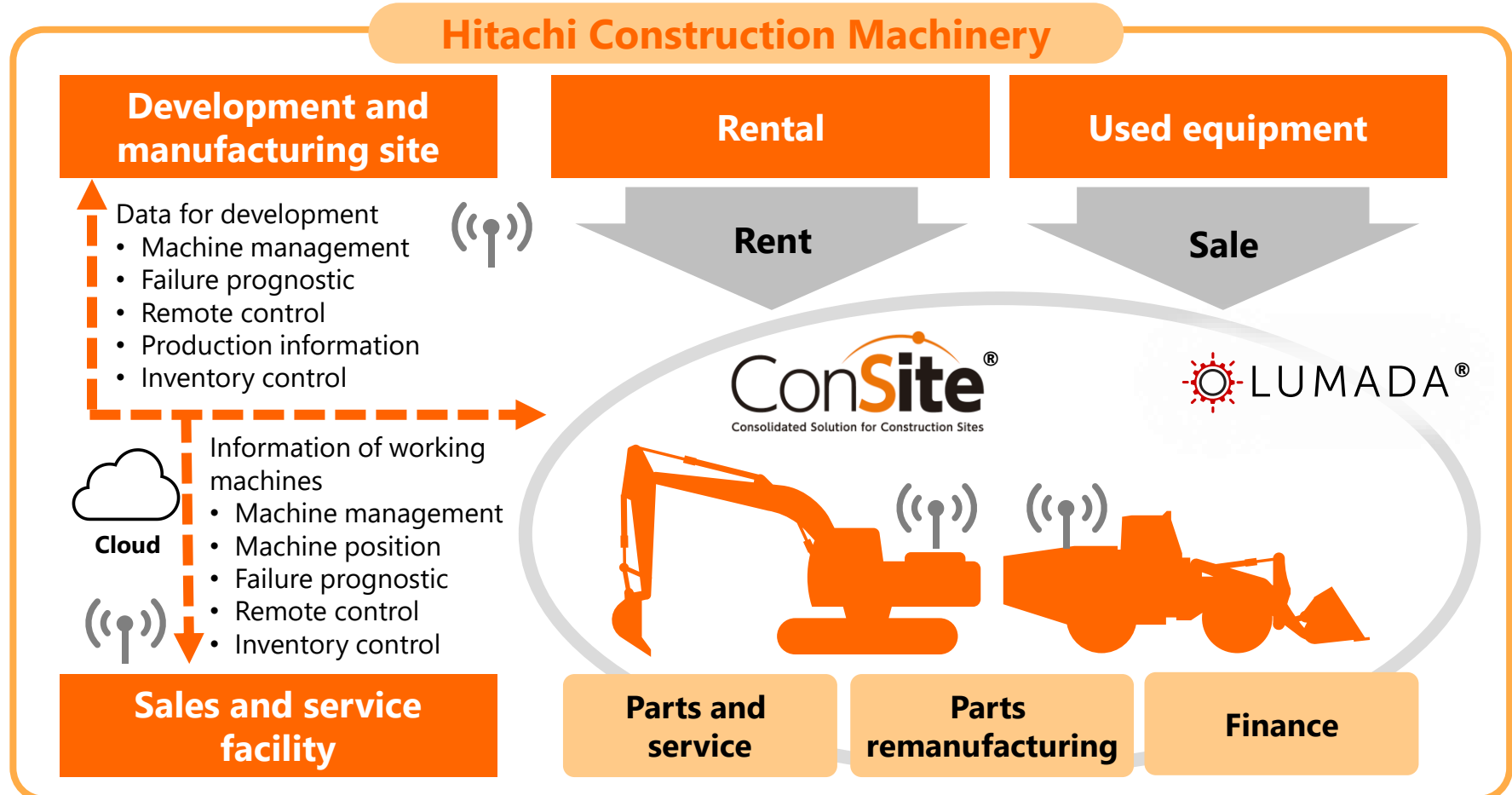
*Other product group: Backhoe loader, Crawler crane, Bulldozer, Skid-steer loader

Provide machinery in the best condition utilizing machine operation data

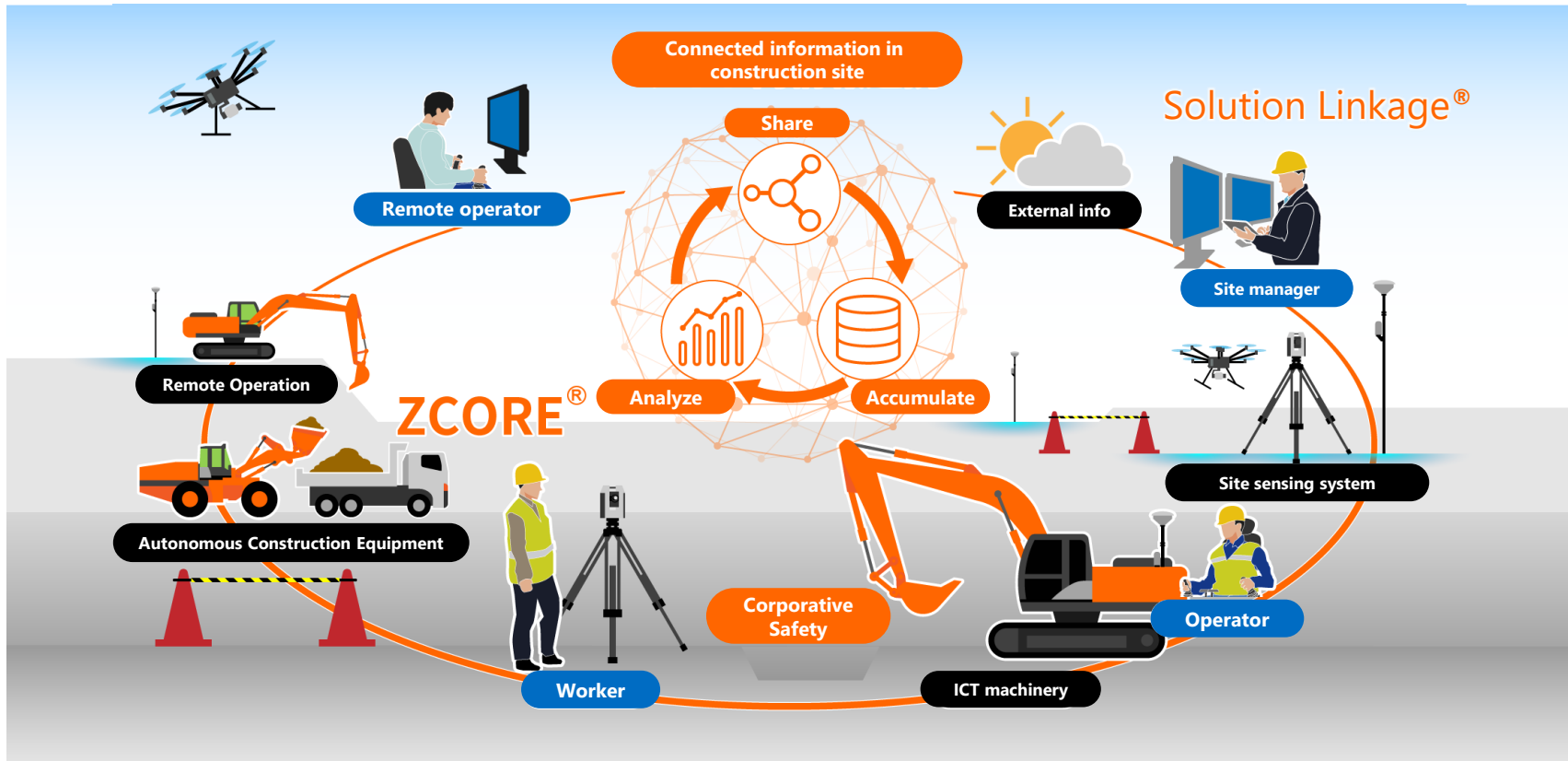
Grasp information at all stages of machine lifecycles, and utilize the data for development, manufacturing, service

Contribute to the resolution of customer issues by providing high-quality machines with manufacturer warranty, and providing failure prognostic

Hitachi Construction Machinery



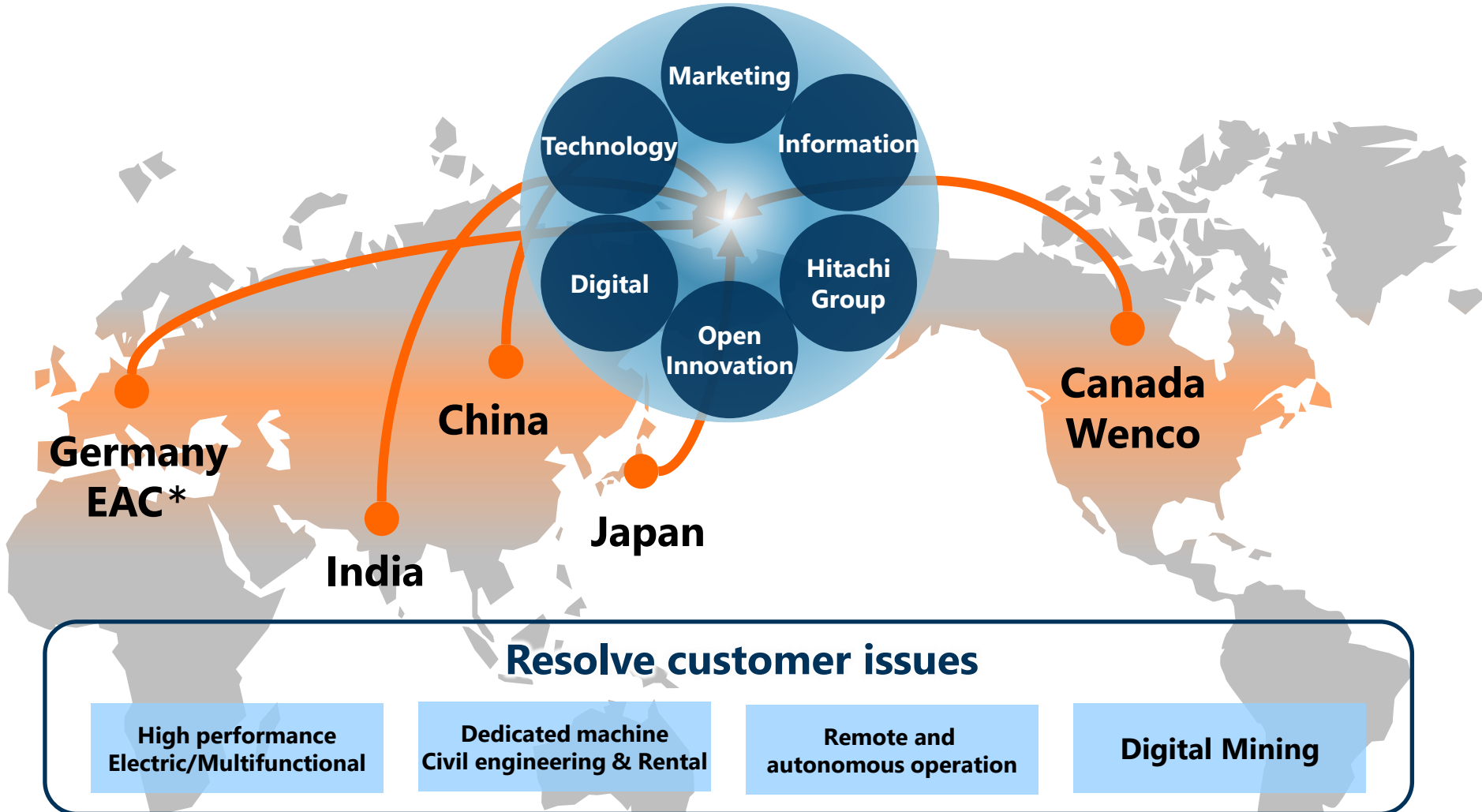
The vision of Hitachi Construction Machinery...
Safe and productive sites by Information sharing of people,
machines and construction environments



Development of a System Platform "ZCORE[®]" for Autonomous Construction Equipment

- Easy addition and customization of functions
- Utilization on the autonomous hydraulic excavators, wheel loaders and rigid dump trucks.

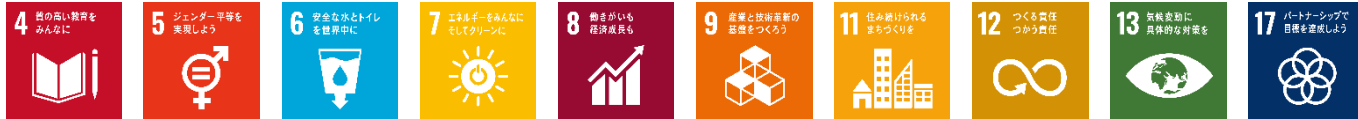
Promoting a global collaboration system
for marketing, development, information and digital



* EAC : European Application Center

Corporate vision

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



2030 social value

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

Safety improvement

Contribute to zero deaths
due to falls or contact
accidents

Productivity improvement

Standardize automation,
labor-saving construction
machines

Reduction of life cycle cost

Aim for
zero downtime

2030 environmental value

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

Preventing global warming

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

2022 management goals (social value)

Safety improvement

Achieve contact prevention
technology
Commercialize human-machine
cooperative control technology

Productivity improvement

Promote ICT Machinery
2800 units*

*Applicable worksites:
Over 5,000 sites

Reduction of life cycle cost

Operating status
management system
dissemination rate: 90%

Applicable units: 200,000 units

(Environmental value)

Preventing global warming

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

Applicable units: 500,000 units

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



Cautionary Statement

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

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

END

For further inquiries:

Corporate Brand & Communications Div.

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