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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.

70th Anniversary

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

1. Regional Market Environments and Projections

Masafumi Senzaki
Executive Officer, President, Marketing Div.

Global Demand Trend for Hydraulic Excavators

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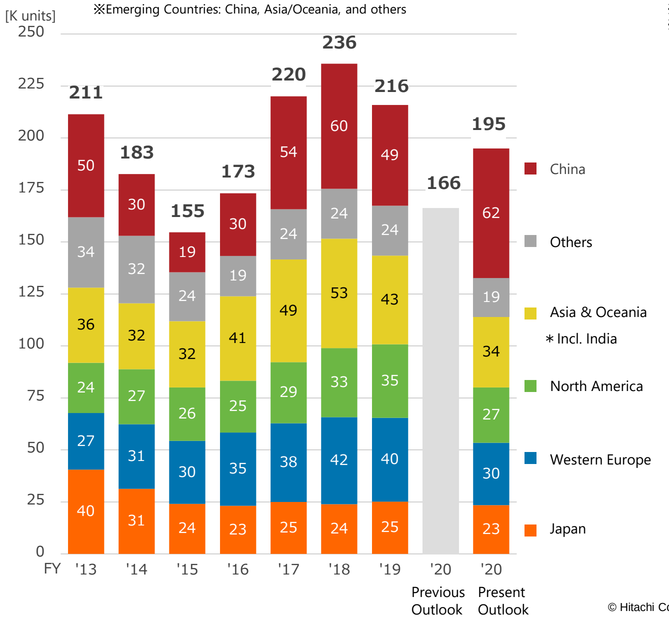
Emerging Countries ratio : FY2020 : 59% (y-y Change : +6%)

※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%	-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%

 3

The demand forecast for Fiscal 2020 is now revised upward from the previous announcement of 166,000 units, down 23% from the previous year, to 195,000 units, down 10% from the previous year.

By region, the recovery in China in particular is expected to increase by 29% from the previous year faster than expected.

One of the main factors behind this is the late demand surge after the Chinese New Year Holidays and investment in infrastructure-related fields due to the government's economic policy and economic support, which have led global demand significantly.

In Japan, demand is expected to decrease by 7% from the previous year due to the fact that demand is not significantly affected by COVID-19. In Oceania, demand is expected to decrease by 9% despite the lock-down. In the rest of the world, demand is expected to decrease by about 25% to 30% due to the impact of the significant economic stagnation.

With the exception of Indonesia and some other regions, the pace of recovery is currently accelerating, but we do not expect overall demand to recover to the previous fiscal year's level.

In response to this situation, we will continue to monitor the impact of COVID-19 and the accompanying economic activities of each country, and work to respond quickly to changes in the marketplace.

In the following pages, we will explain the results and outlook for each region up to the 2Q.

Japan: Second Quarter (from July to September 2020)

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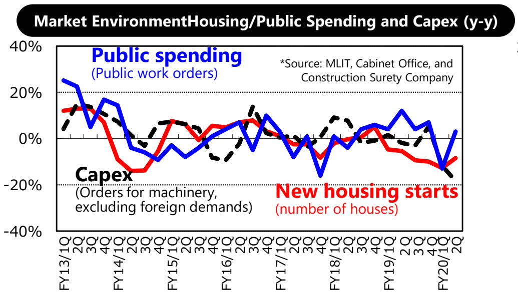
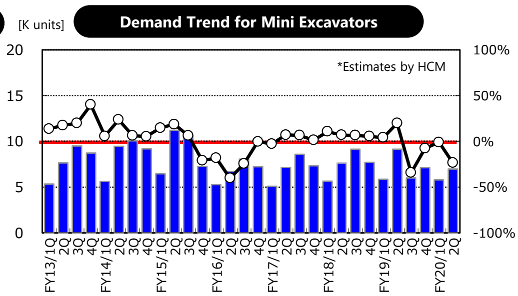
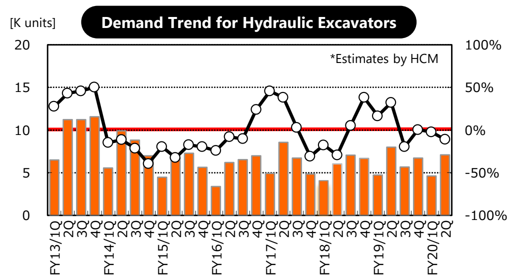
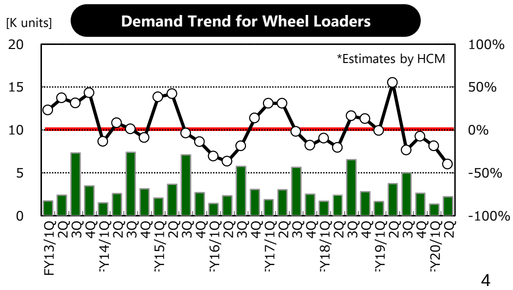
- Housing investment and capital investment significantly decreased y-y. Public investment increased slightly.
- Demand decreased: Hydraulic excavators -11% (YTD -8%), Mini excavators -24%, Wheel loaders -40% y-y.









4

Housing and capital investment in the 2Q fell sharply from the previous fiscal year, but public investment turned positive by 3%.

In terms of demand, hydraulic excavators were down 11% year on year, mini excavators were down 24%, and wheel loaders were down 40%.

In particular, in the mini excavators and wheel loaders, we saw an increase in demand in the 2Q prior to the consumption tax hike last year, and this time we believe this is a major decline in reaction to this increase.

Europe: Second Quarter (from July to September 2020)

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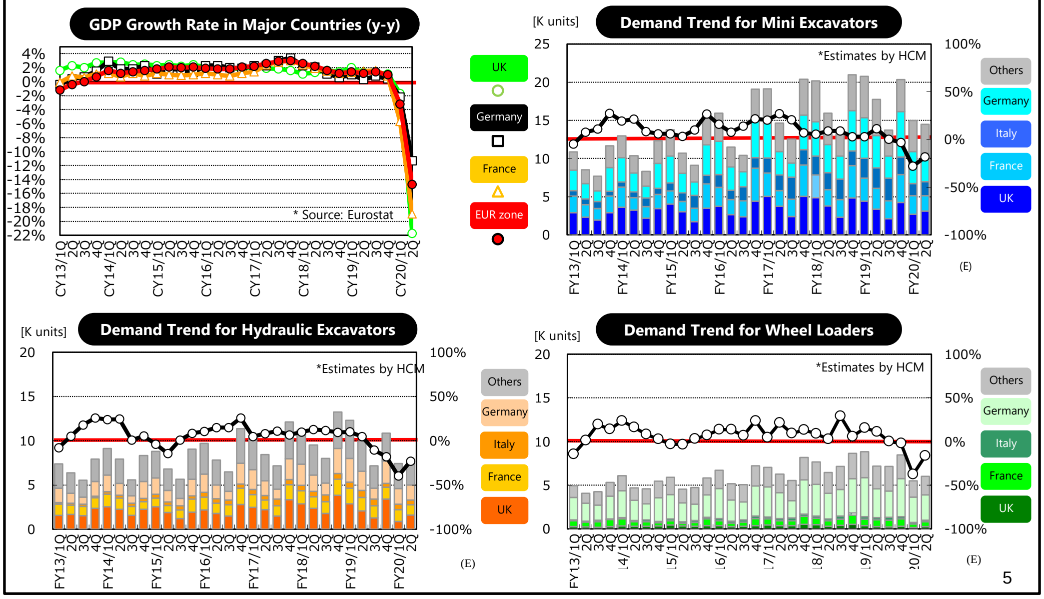
■ Throughout the Eurozone, GDP growth rate significantly decreased.
■ Demand decreased: Hydraulic excavators -23% (YTD -32%), Mini excavators -18%, Wheel loaders -16% y-y.



5

GDP growth in the Eurozone deteriorated further, and declined sharply in the 2Q of the 2020 calendar year.

In the 2Q, demand for all three products, hydraulic excavators, mini excavators, and wheel loaders, declined by around 20% from the previous year, and the scale of the decline improved from the previous quarter.

North America: Second Quarter (from July to September 2020)

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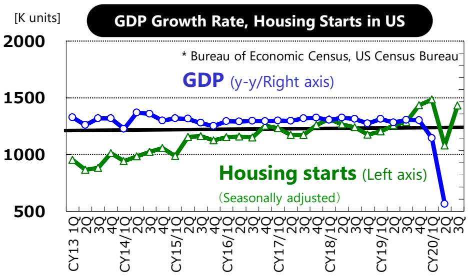
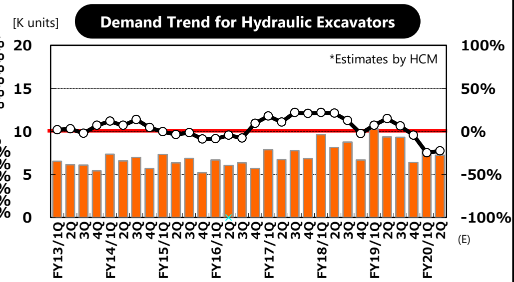
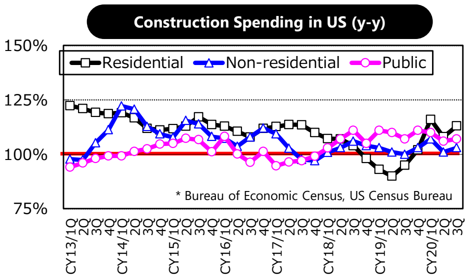
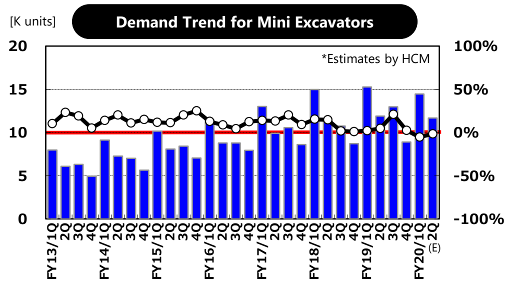
- Housing starts increased. Construction investment increased in Residential, Non-residential, and Public works.
- Demand decreased: Hydraulic excavators -23% (YTD -24%) and Mini excavators -2% y-y.









6

Housing starts increased year on year, but GDP declined significantly.

Construction investment continued to increase year on year.

In the 2Q, demand for hydraulic excavators declined by 23% year on year due to the impact of COVID-19. However, demand of mini excavators were about the same level as the previous year due to robust housing construction investment.

We will continue to closely monitor the relationship between market conditions, such as construction investment, and demand.

China: Second Quarter (from July to September 2020)

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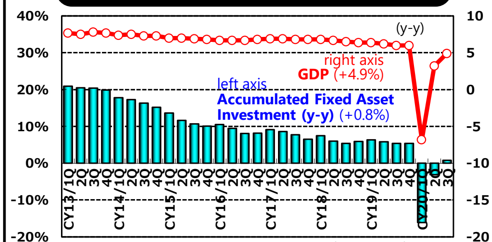
- The GDP growth rate was +4.9%.
- Demand for hydraulic excavators in China was +40% y-y (YTD +43%), Foreign manufactures only.

GDP and Fixed Asset Investment



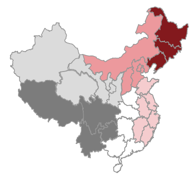
* National Bureau of Statistics of China

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

*Estimates by HCM
*Foreign manufactures only

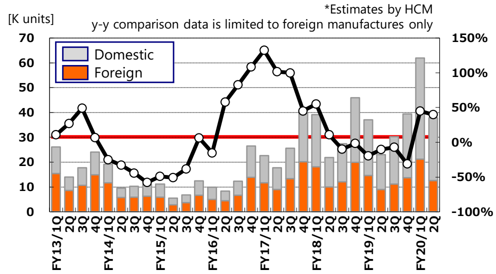
[%]

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**



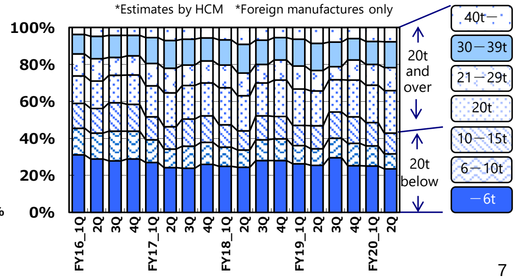
Demand Trend for Hydraulic Excavators

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



Demand Composition by Class for Mini Excavators and Hydraulic Excavators

*Estimates by HCM *Foreign manufactures only



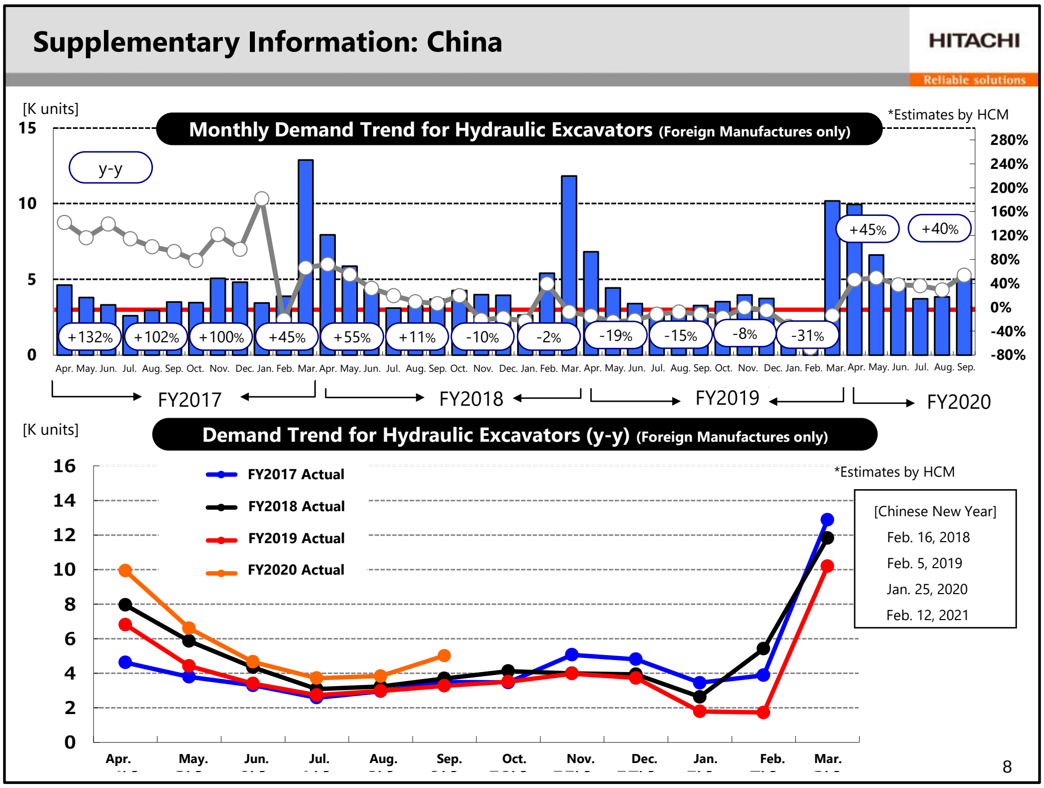
7

The GDP growth rate for the period from July to September was positive 4.9%, and fixed asset investment recovered further from the previous quarter, with a year-on-year increase of 0.8%, the first increase since 4Q in CY 2019.

Demand for hydraulic excavators, including Chinese manufacturers, increased by 64% year on year in the 2Q.

The breakdown shows that Chinese manufacturers increased by 80% and foreign manufacturers increased by 40%.

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



In the 2Q of Fiscal 2020, the monthly demand for hydraulic excavators by foreign manufacturers increased by 40% year on year.

Since April, demand has significantly exceeded the previous year's level, and has been recovering ahead of our expectations from the impact of COVID-19.

Asia Oceania, and India: Second Quarter (from July to September 2020)

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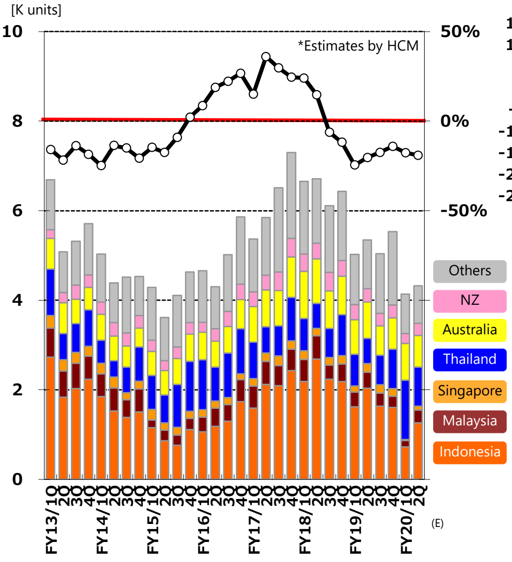
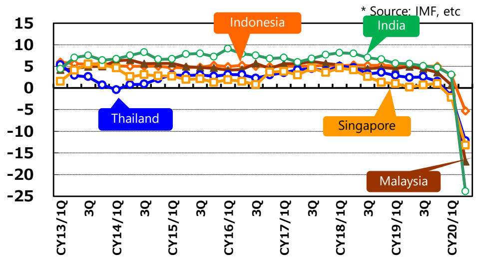
- Demand for hydraulic excavators decreased overall in the Asia Pacific region, -19% y-y (YTD -18%)
- Demand for hydraulic excavators in India was -13% y-y (YTD -44%)

Demand Trend for Hydraulic Excavators in Asia & Oceania

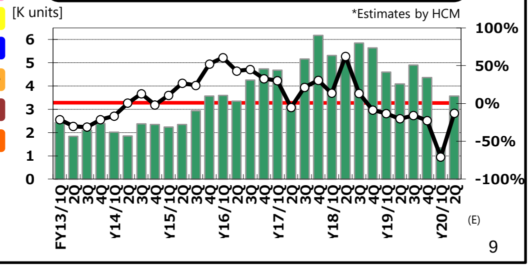


GDP Growth Rate in Major Countries (y-y)



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

Demand Trend for Hydraulic Excavators in India



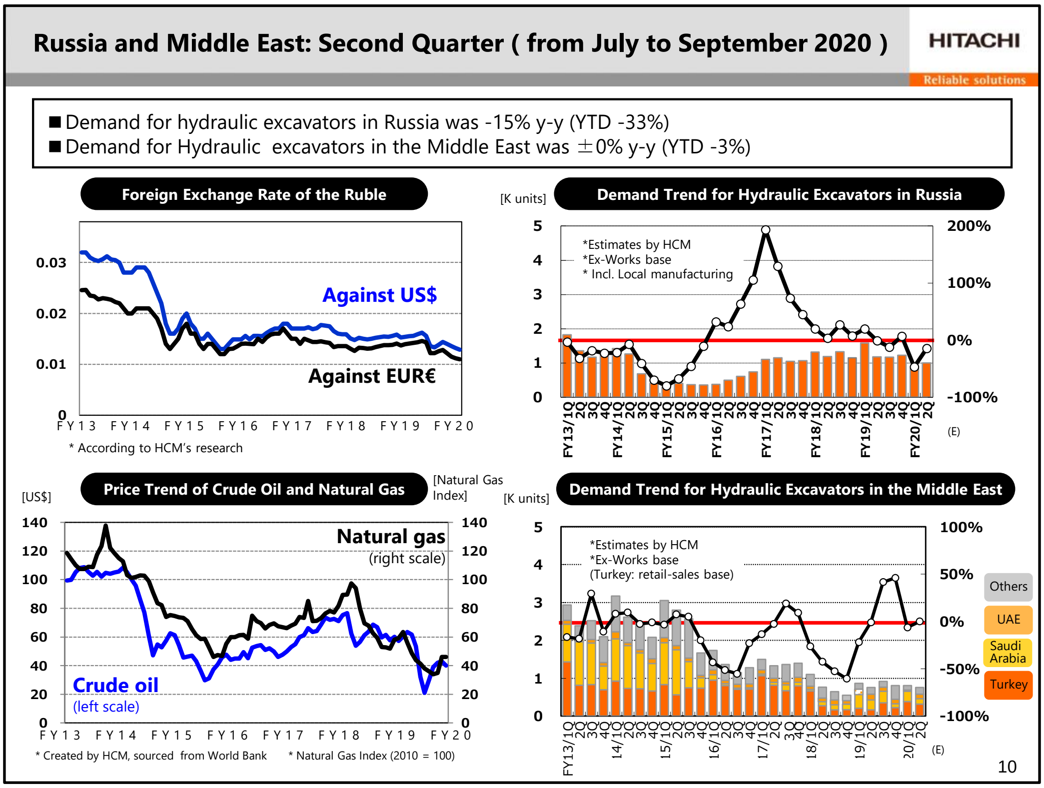
9

Demand for hydraulic excavators in Asia and Oceania decreased by 19% year on year.

By country, demand in Thailand has been on an increasing trend compared to last year due to the government's subsidy policy. In Indonesia, on the other hand, although there was a recovery from the previous quarter, there was still a year-on-year decrease due to the impact of COVID-19 and sluggish commodity prices.

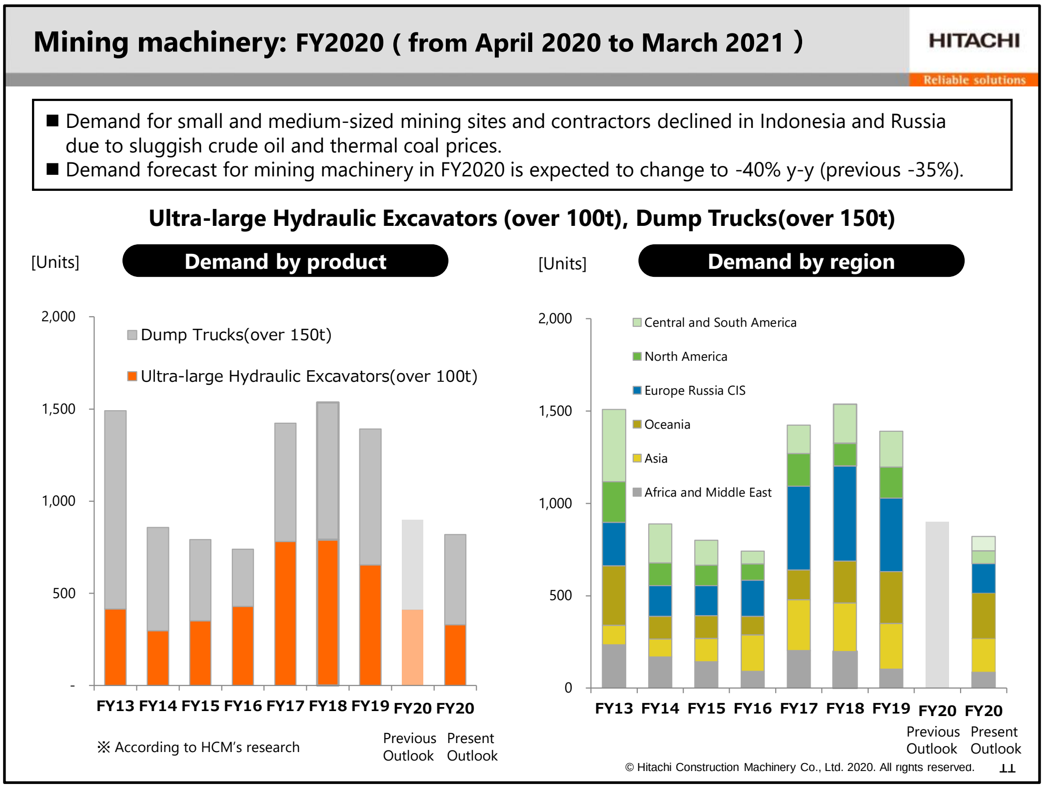
Since the recovery situation varies by country, we will continue to respond by capturing the situation by country.

Demand for hydraulic excavators in India has been recovering from the previous quarter, down 13% year on year, as economic activity gradually resumed due to the unlocking of lock-down.



Demand for hydraulic excavators in Russia declined by 15% year on year, due in part to delays related to various projects and the impact of low crude oil prices.

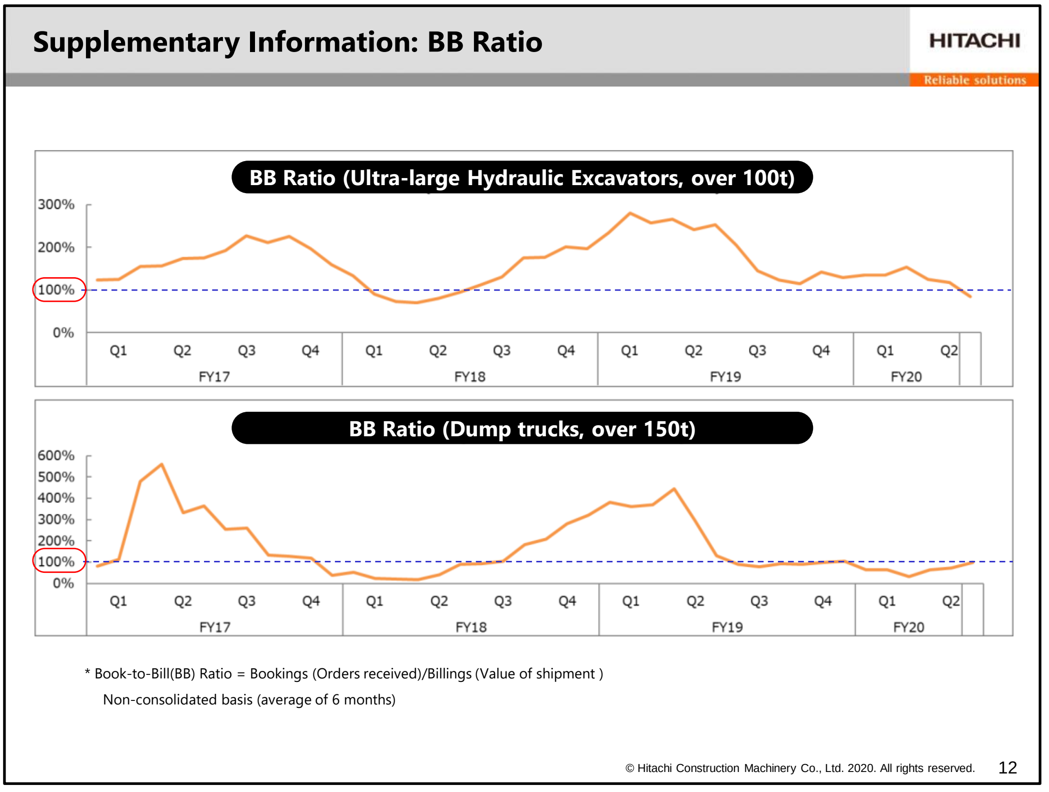
Demand for hydraulic excavators in the Middle East remained at a low level, although there was no increase or decrease from the same period of the previous fiscal year.



In addition to the delayed global economic recovery from COVID-19, crude oil and thermal coal prices have declined due to the accelerated conversion to alternative fuels. Demand for small and medium-sized mines and contractors in Indonesia, Russia and other coal-producing countries is declining.

The policy of major mining companies to restrain capital investment continues, and we anticipate a decrease in overall mining demand.

Consequently, we have revised our forecast that the mining demand for the Fiscal 2020 will decline by 40% year on year, though our previous forecast was down 35% year on year.



Ultra-large excavators fell below 100% due to a decrease in new orders on a non-consolidated basis for the same period as the Company proceeded with local inventory adjustments. We expect to maintain over 100% in the 3Q, including local inventory replenishment and new orders.

Dump trucks remained at 100% with orders from gold mining customers.

Topic: Digital Solutions to Resolve Problems at Mine Sites

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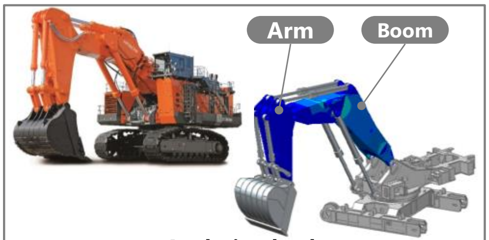
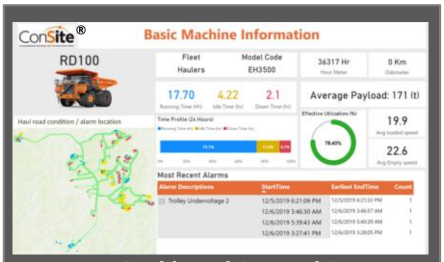
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

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



Analyzing loads
to ultra-large excavator boom or arm



Dashboard (example)

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

 13

In recent years, there has been an increase in the need for solutions that solve management issues for the mine as a whole, as well as the enhancement of the performance of machinery.

Here are two recent developments that meet these needs.

The first is to develop ConSite Mine.

Developed jointly with Wenco, a Canadian affiliate, we will use IoT and AI to remotely monitor mining machinery.

By using AI and applied analysis technologies, we can visualize prediction the occurrence of cracks in booms or arms of ultra-large hydraulic excavators and analyze operator's operation data and fuel consumption, thereby contributing to improved safety and productivity as well as reduction of life cycle cost.

The second is venture capital investment in funds.

By leveraging the extensive network of venture capital Chrysalix in the mining field, we will strengthen our open innovation with startups, which have the latest technologies for mines, such as robotics, IoT, and AI.

Topic: Product Development Reflecting Market Needs

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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

 14

Next, I would like to introduce two topics of product development that reflect ever-changing market needs.

In October 2020, we released a ZX60C-5A specializing in civil construction use for the Chinese market.

Based on preliminary test marketing, we are realizing optimal specifications and structures for urban civil engineering and high cost-performance, reflecting the needs of individual charter customers, which are on the rise in the Chinese market.

In the mining business, we plan to release a ultra-large hydraulic excavator EX2000-7 in October 2021.

The hydraulic circuit has been renewed to reduce fuel consumption by up to 19% with no loss in productivity.

Furthermore, we will respond to the functional expansion that will support mining sites in the future, including ConSite Mine introduced earlier, remote operation system and operation support system, as well as autonomous operation function.

Topic: System Platform for Autonomous Construction Machinery

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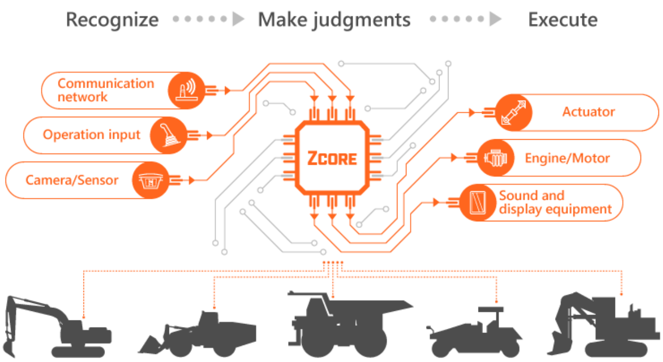
Development of a System Platform "ZCORE® " for Autonomous Construction Equipment

- 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



 15

In August, we developed ZCORE, a system-platform for autonomous construction equipment.
ZCORE aims to realize "cooperative safety" aimed at improving safety and productivity by "cooperation between humans and machinery." It enables machinery to "recognize, judge, and execute", which operators conventionally do at construction sites.
ZCORE is applicable to all of our construction machinery, and the use of ZCORE allows us to quickly develop autonomous construction machinery and to add and customize of functions to adapt our customers' needs.

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

(April 1, 2020 - September 30, 2020)

Keiichiro Shiojima

Executive Officer, CFO

Summary of consolidated results

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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.

 17

Revenue for the 2Q of Fiscal 2020 was largely influenced by the effects of COVID-19 and the stronger Yen, which resulted in a decrease of 25% from the same period of the previous year to ¥360.9 billion. Adjusted operating income fell 76% year on year to ¥10.9 billion, representing a profit margin of 3.0%. Operating income was ¥8.5 billion, representing a profit margin of 2.4%.

Net income attributable to owners of the parent decreased by 99% year-on-year to ¥200 million.

Our Board of Directors resolved interim cash dividend is ¥10 per share, today.

In the 2Q, the yen depreciated by ¥1.6 against the U.S. dollar, by ¥0.4 against the euro, and appreciated by ¥0.5 against the yuan, by ¥2 against the Australian dollar, respectively, compared to the previous fiscal year .

Revenue by geographic region (consolidated)

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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%			

 18

Overseas revenue decreased year on year in all regions except the Middle East.

In particular, in Asia, Europe and North America, the impact of COVID-19 was significant, and combined with the impact of the stronger yen, revenues fell sharply.

Revenue in China decreased by ¥800 million year on year, but excluding FX effect, revenue increased by ¥300 million.

Revenue in Japan, despite the impact of COVID-19, was ¥91.1 billion due to an increase in demand from the disaster recovery work, etc, decreased by ¥8.9 billion, or 9%, year on year.

As a result, the overseas revenue ratio decreased by 4 percentage points year on year to 75%.

Mining revenue

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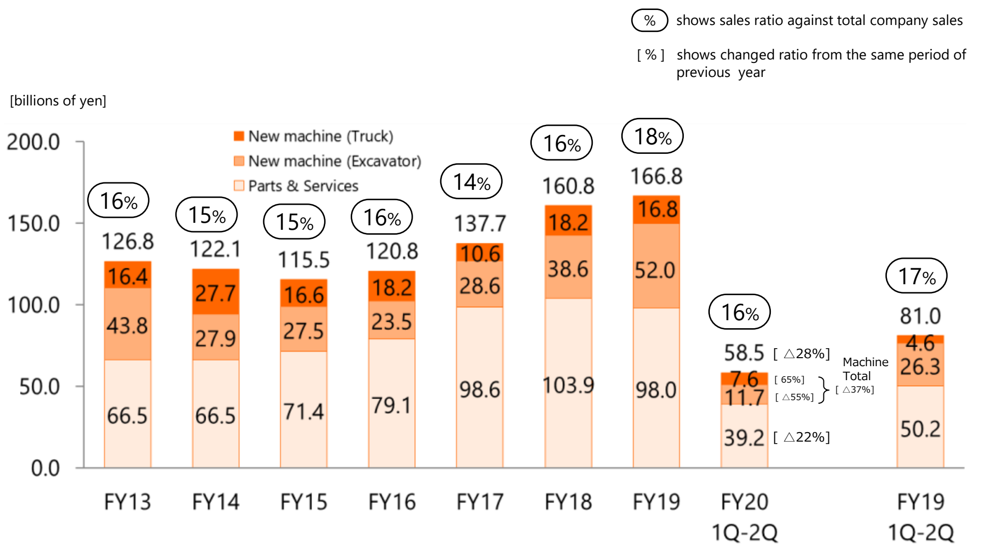
Revenue of mining in FY2020 2Q decreased by 28% to 58.5 billion yen y-y, partly due to the impact of the appreciation of the yen, 4.1 billion yen.



 19

In the 2Q, mining revenue amounted to ¥58.5 billion, a decrease of 28% 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 65%, the excavator sales declined by 55% from the same period of the previous fiscal year, due to fewer deliveries, as a result total revenue of new machine decreased by 37%.

On the other hand, parts & services for mining also decreased by 22% year-on-year.

Value chain[*1] revenue

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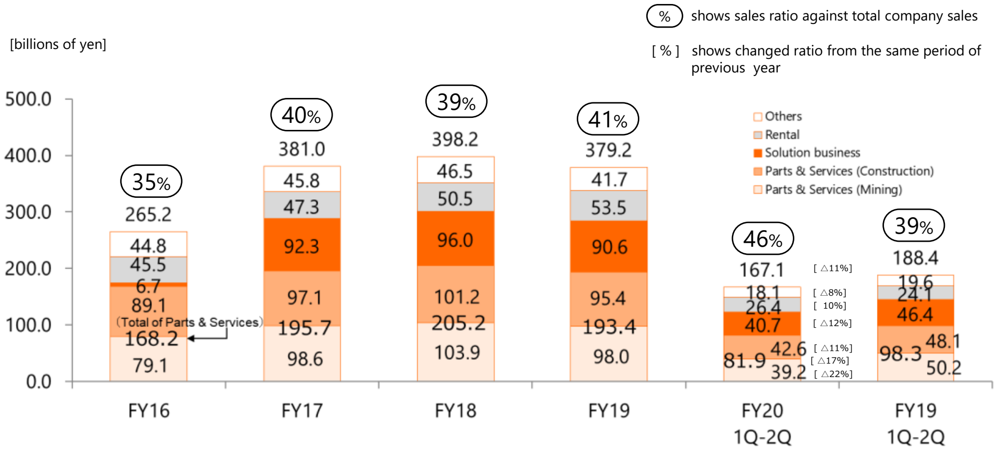
Revenue of the value chain business in FY2020 2Q decreased by 11% to 167.1 billion yen y-y, partly due to the impact of the appreciation of the yen, 4.9 billion yen despite an increase in revenue of rental by 10% y-y.



(*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.

 20

The value chain revenue for 2Q decreased by 11% year-on-year to ¥167.1 billion.

We are analyzing the impact of the appreciation of the yen as a negative factor of around 2%, and on a local currency basis, income fell 9% 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

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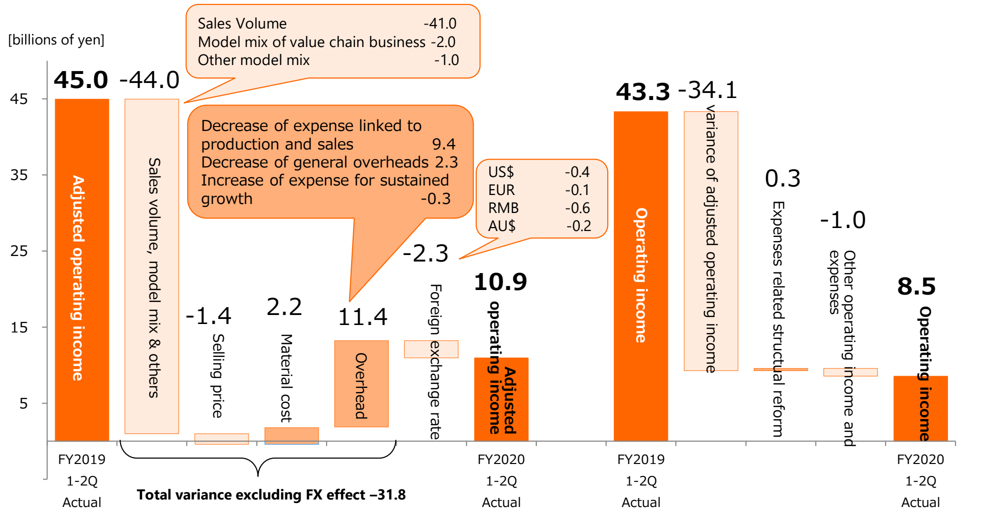
Adjusted operating income decreased by 34.1 billion yen y-y due to the impact of the decreased sales volume and model mix including the impact of COVID-19, the fall in the selling price and the appreciation of the yen despite the decreased overheads and material costs.



 21

The factors behind the ¥34.1 billion year on year decline in adjusted operating income were as follows.

The impact of COVID-19 continued to be significant, and worldwide demand declined drastically, therefore our revenues fell sharply. As a result, adjusted operating income declined by ¥44 billion in terms of sales volume and model mix & others.

In addition, there was a ¥1.4 billion decrease due to fluctuations in selling prices, mainly due to a reduction in selling prices in China. On the other hand, we reduced material costs by ¥2.2 billion due to the effects of improvements in Japan and Australia and overhead costs by ¥11.4 billion, mainly in expense linked to production and sales, in response to a significant decrease in revenue.

Adjusted operating income decreased by ¥34.1 billion year on year to ¥10.9 billion due to the ¥ 2.3 billion of the negative exchange impact of appreciation of the yen.

Other operating income and expenses decreased by ¥1 billion. This was mainly attributable to a decrease of ¥300 million in compensation for leave of business by COVID-19, compared to the previous year when gains on sales of property, plant and equipment worked positively by 700 million.

As a result, operating income decreased by ¥34.8 billion year on year to ¥8.5 billion.

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.

 22

Financial income and expenses improved by ¥400 million year on year, mainly due to a decrease in interest expenses.

On the other hand, share of profits of investments accounted for using the equity method decreased by ¥2 billion year on year.

COVID-19 crisis caused the performance of equity-method affiliates to deteriorate, particularly in the Americas.

Net income attributable to owners of the parent decreased by 99% year on year to ¥200 million.

In the 2Q, non-consolidated financial results of HCM recorded a deficit in taxable income due to production adjustments in order to cope with the decline in demand caused by the impact of COVID-19, and there was a considerable burden of corporate taxes on a consolidated basis without the benefit of tax-effect accounting. In addition, there was a large percentage of non-controlling interests' income and loss accounted for.

Summary of quarterly consolidated revenue and operating income (ratio)

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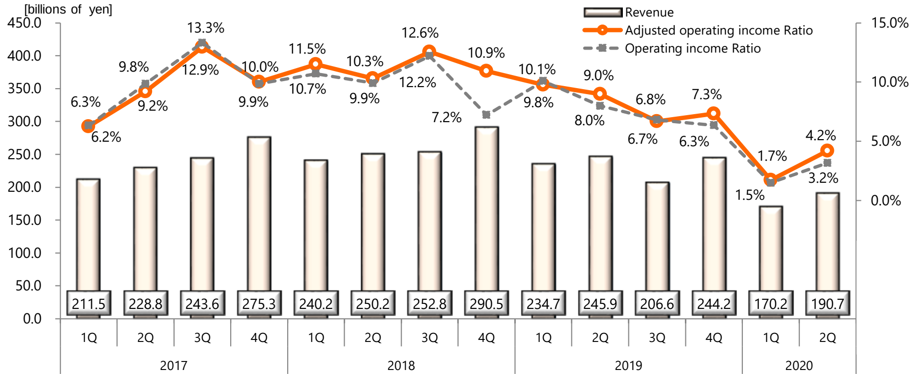
[billions of yen]

	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

 23

Revenue of ¥190.7 billion in the 2Q of Fiscal 2020 declined significantly by ¥55.2 billion compared with ¥245.9 billion in the 2Q of Fiscal 2019, but increased by ¥20.5 billion compared with the 1Q of Fiscal 2020.

The adjusted operating income margin was 4.2% for the 2Q.

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
	(29.5%)	(29.0%)	(28.5%)	(0.5%)
Interest-bearing debt	337.3	338.9	341.0	-1.7
Cash and Cash equivalents	65.1	62.2	58.3	2.9
	(23.8%)	(23.7%)	(23.7%)	(0.1%)
Net interest-bearing debt	272.2	276.8	282.7	-4.6
Net D/E Ratio	0.57	0.58	0.59	-0.02

 24

Compared with March 2020 of the previous fiscal year-end, trade receivables including non- current were ¥210.7 billion, a reduction of ¥41.4 billion.

Inventories also declined to ¥296.6 billion, below ¥300 billion, a decrease of ¥4.6 billion from the end of the previous fiscal year.

As a result, total assets were ¥1.1415 trillion, a reduction of ¥26 billion from the previous fiscal year-end.

As for the number of days on hand, trade receivables decreased by 4 days from the previous fiscal year-end to 95 days, while inventories were extended by 15 days to 133 days.

As a result, the number of days on hand for net working capital was 187 days, an increase of 16 days from the previous fiscal year-end.

Total interest-bearing debt decreased by ¥1.7 billion from the previous fiscal year-end to ¥337.3 billion. On the other hand, net interest-bearing debt decreased by ¥4.6 billion to ¥272.2 billion, partly due to the accumulation of ¥2.9 billion in cash and deposits.

Total equity was ¥530.3 billion, and equity attributable to owners of the parent ratio was 41.9%, and the net D/E ratio was 0.57.

Consolidated cash flow

HITACHI
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- 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

 25

Net cash provided by operating activities for the first half of the current fiscal year was positive at ¥37.8 billion, an improvement of ¥47.5 billion year on year.

Net cash used in investing activities decreased by ¥2.5 billion year on year to ¥17 billion. As a result, free cash flow improved by ¥50 billion year on year to ¥20.8 billion.

Summary of consolidated earnings forecast

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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	change %
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	
Rate (YEN/US$)	107.0	105.0	105.8	108.7	-2.9	For FX sensitivity, please refer to appendix 1.
Rate (YEN/EURO)	121.8	120.0	120.7	120.8	-0.1	
Rate (YEN/RMB)	15.2	15.0	15.1	15.7	-0.5	
Rate (YEN/AU$)	73.3	72.0	72.6	74.1	-1.5	
Cash dividend per share (yen) *1	to be determined			60	-	

*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.

 26

Based on the demand environment for Fiscal 2020 and the results for the first half of the year, as well as the world's forecasts for the future and exchange rates, we will keep the previous forecast unchanged for now.

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

The exchange rate forecast for the 3Q 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 3Q onwards.

Consolidated for revenue forecast by geographic region

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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%			

 27

Regional revenue forecasts for Fiscal 2020 are as below.

In the Middle East and China, we forecast a year-on-year increase in sales, while in Asia, India, Europe, and North America, including the impact of the yen's appreciation, we forecast a substantial decline in sales of more than 20% compared to the previous year.

Mining revenue forecast

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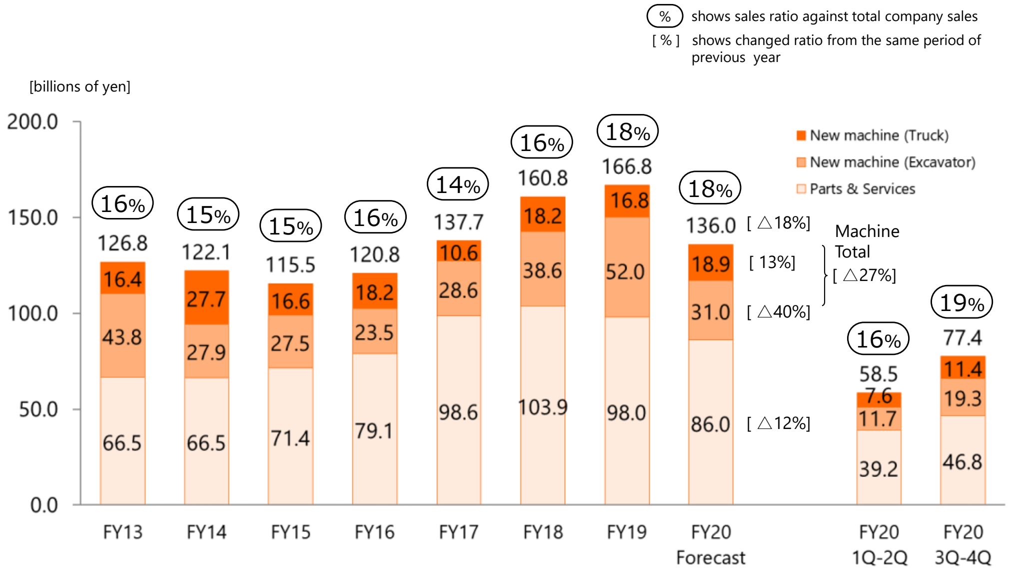
Reliable solutions

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.



 28

Mining revenue for Fiscal 2020 are expected to fall 18% year on year to ¥136 billion, down from the previous July release.

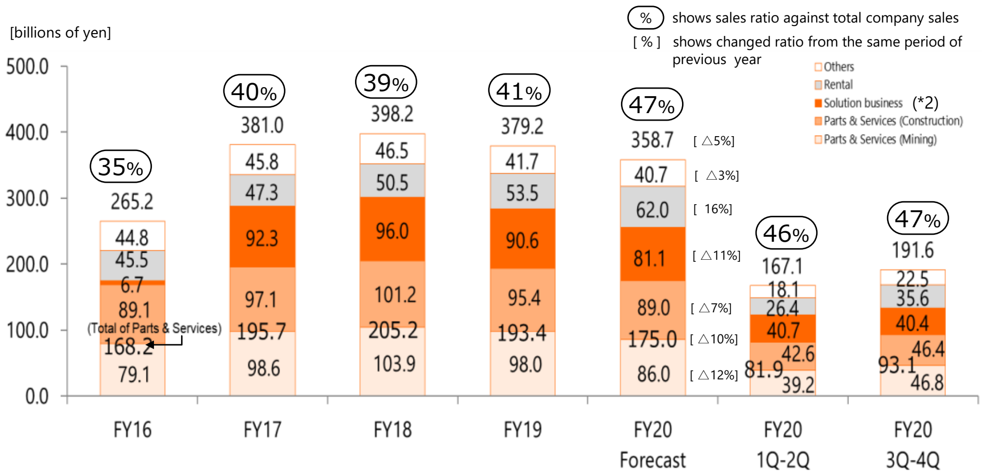
Total sales of new machine; excavators and trucks are expected to decrease by 27% year-on-year. Sales of mining parts & services are also expected to decrease by 12% year on year, including the impact of the yen's appreciation in the forecast exchange rate.

Please refer to "Detail of mining revenue " by region as Appendix 2. on page 32

Value chain*1 revenue forecast

HITACHI
Reliable solutions

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.

 29

The value chain revenue forecasts for sales for Fiscal 2020 are expected to decrease by 5% year on year to ¥358.7 billion, down ¥2.5 billion from the previous July release.

In the current forecast, we have left the previously announced figures for parts & services and rental unchanged, with sales down 10% year on year to ¥175 billion and rental sales up 16% to ¥62 billion. In the solutions business, we have revised up the previously announced figures by ¥5.1 billion, with sales down 11% year on year to ¥81.1 billion.

However, "Others" mainly includes used equipment, software business, and finance, we have revised down this category by 3% year on year to ¥40.7 billion.

Sales ratio of value chain revenue remains unchanged from the previous July release at 47%, up 6 percentage points from the previous year.

Comparison of consolidated income forecast

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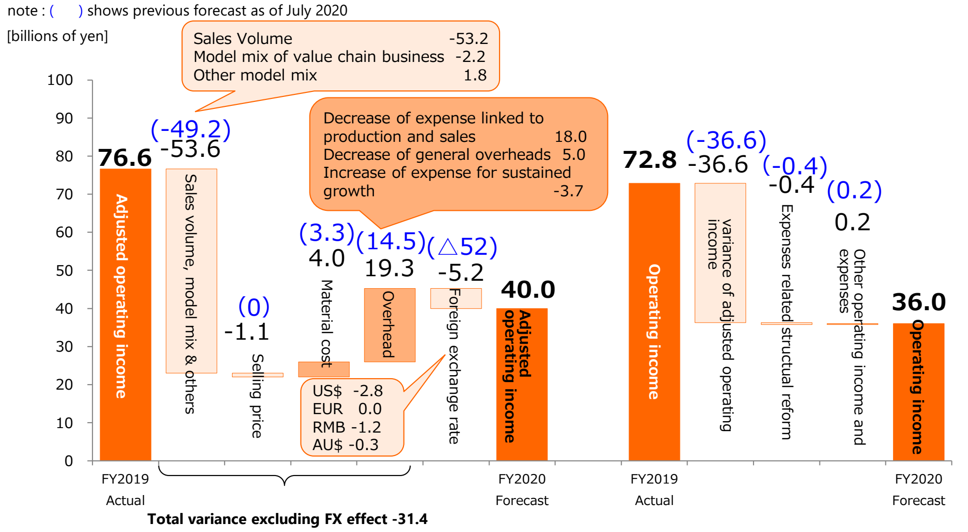
Adjusted operating income for FY2020 is expected to decrease by 36.6 billion yen y-y due to a decrease in sales volume caused by the impact of COVID-19 and the appreciation of the yen, although there is a reduction in overheads costs and material costs.



 30

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

The negative impact on earnings is mainly due to the decrease in sales volume due to the impact of COVID-19 and model mix & others of ¥53.6 billion. In addition, fluctuations in selling prices of ¥1.1 billion and the impact of the yen's appreciation forecast of ¥5.2 billion will also have a negative impact on earnings. On the other hand, adjusted operating income of ¥40 billion will be left unchanged by compensating for the reduction in material costs by ¥4 billion and a substantial reduction in overhead costs by ¥19.3 billion.

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

Appendix 1: FX rate and FX sensitivity

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The forecast exchange rate for FY2020 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 Actual	3Q-4Q Forecast	Total 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

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[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

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 0.5 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

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

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3. Direction of our Medium-term Corporate Strategy

(FY 2020-2022)

Kotaro Hirano
Executive Officer, President & CEO

 35

I discussed the direction of the Medium-Term Management Plan at the explanatory meeting for business results in May, and today I will explain our measures, positioning it as a sequel.

Under the current uncertain environment, it is difficult to calculate the future of the market properly and rationally. Therefore, we will continue to postpone the announcement of the details of measures and numerical targets in the medium-term management plan starting in the current fiscal year, and we will announce them when we see a little more in the future.

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

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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

 36

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

Customers' critical issues include improving site safety, improving productivity, and reducing lifecycle costs, such as fuel and maintenance costs. It is demanding even greater solutions to these issues than ever before due to COVID-19.

The expansion of our value chain, which we have been pursuing in our previous medium-term plan, is aimed at solving the problems of these customers, and further promotion is required.

Our achievements over the past 3 years and our initiatives for the next 3 years

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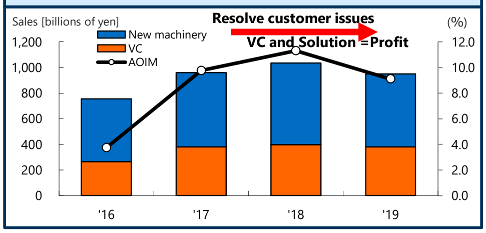
CONNECT TOGETHER 2019

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



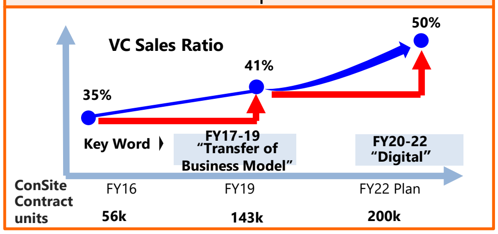
Realizing Tomorrow's Opportunities 2022

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



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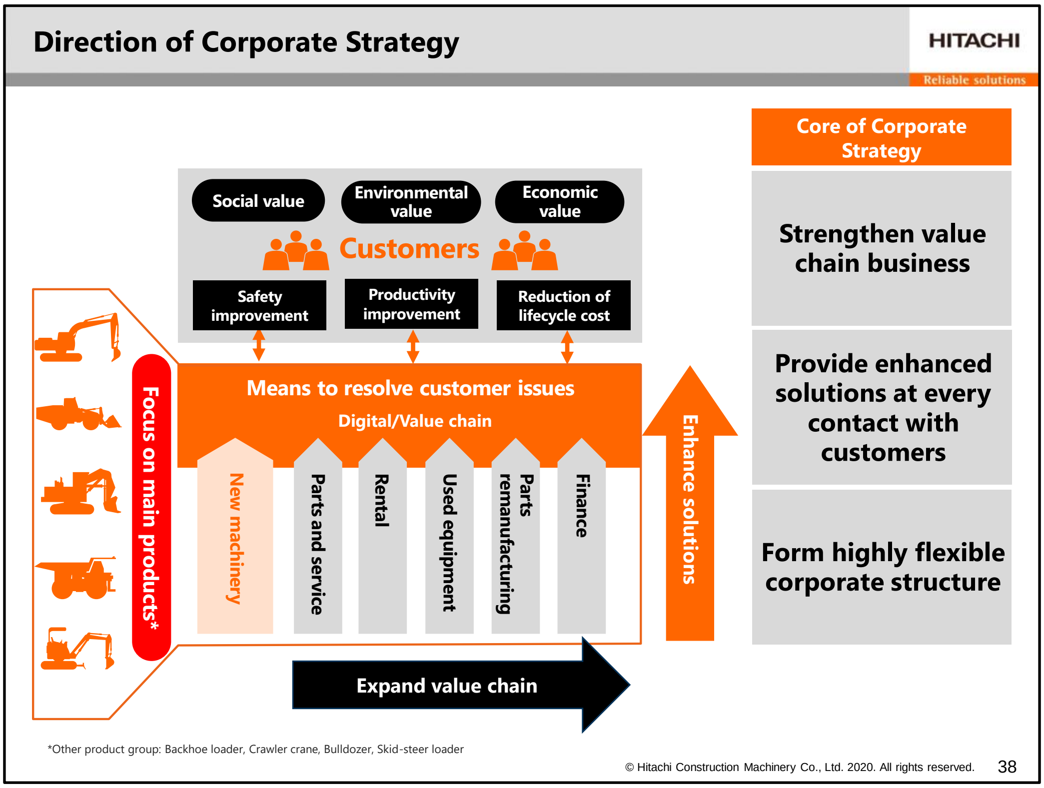
Under the previous medium-term management plan, we not only focused our management resources on the business of existing major products, but also transformed our business model from a business model centered on new machinery sales to a "value chain business" targeting machineries operated worldwide.
In addition, we have worked to stabilize our earnings structure and at the same time restructure our operations at locations around the world, including Japan, in an effort to improve management efficiency.

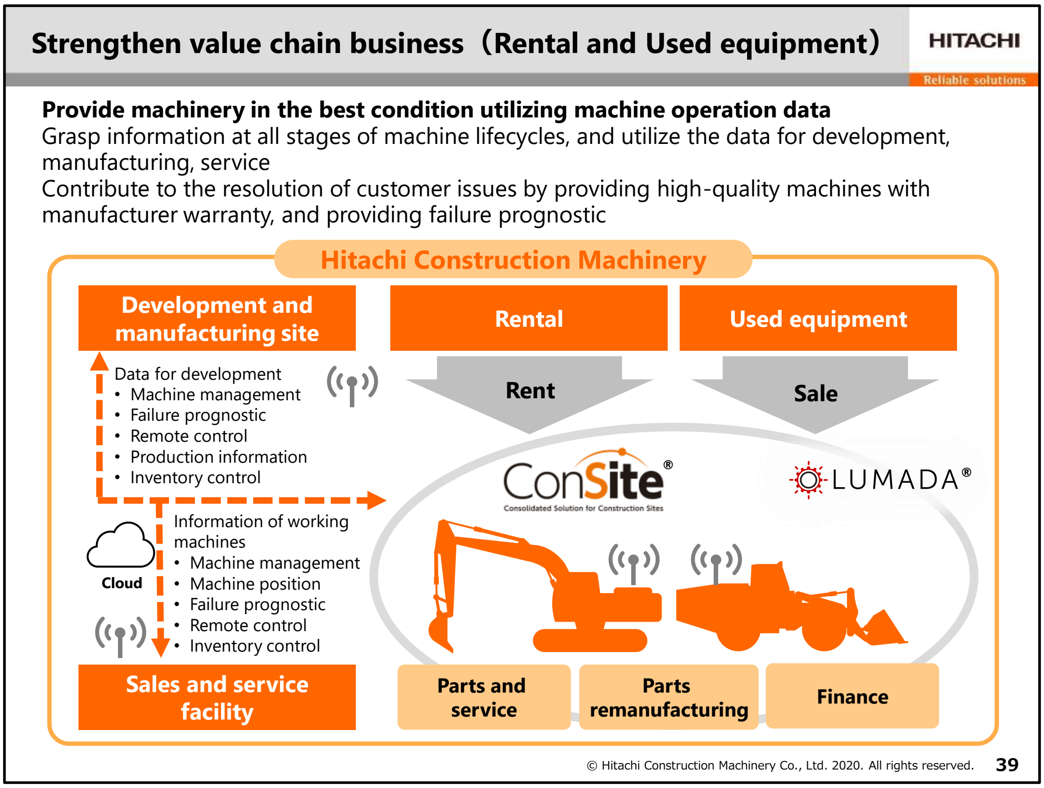
Under the current medium-term plan, which ends in Fiscal 2022, we will deepen the solutions we provide at every point of contact with customers by utilizing digital technologies in the value chain business that we focused on under the previous medium-term plan, with the aim of achieving a 50% share of sales.



The medium-term corporate strategy, which we have been implementing since this fiscal year, has remained unchanged in its basic direction to date.

The three pillars of our corporate strategy are "strengthening value chain businesses," "providing enhanced solutions at every point of contact with customers," and "forming highly flexible corporate structure.“

In the following slides, we will explain measures for each of the pillars of corporate strategy.



The first is to strengthen our value chain business. Today, I will explain the rentals and used equipment in the value chain.

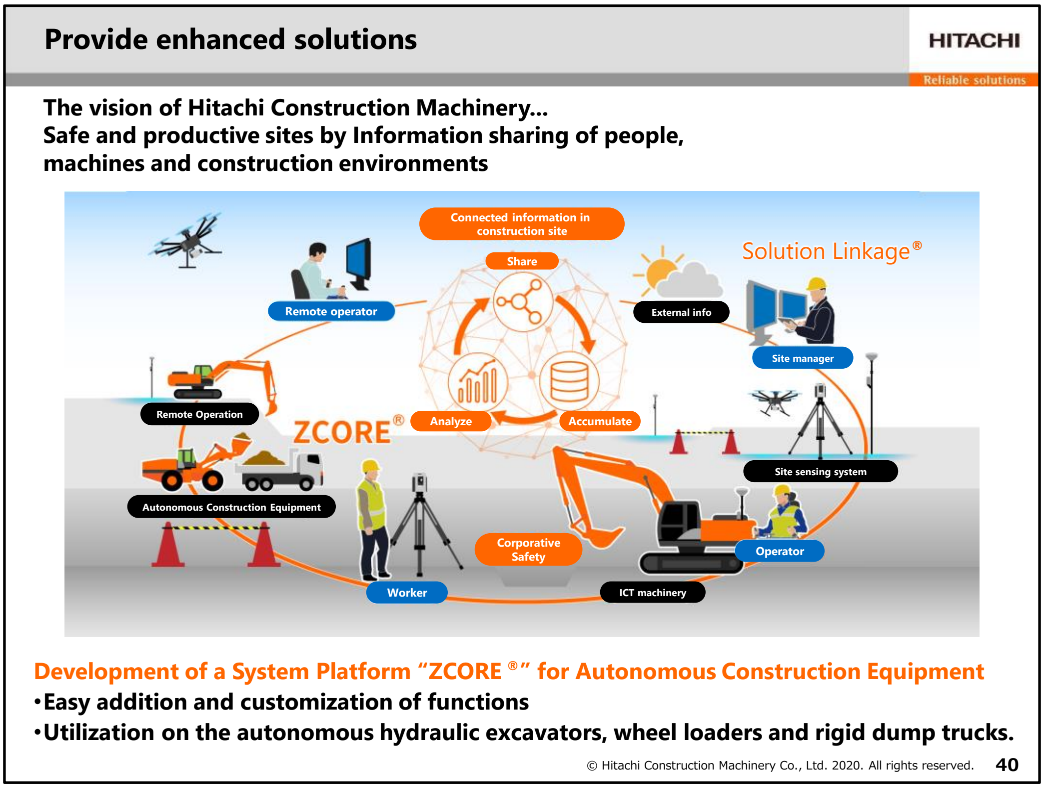
In construction machinery, a variety of machines have been developed, including emission-compatible machines, ICT construction machinery, and battery-compatible machines. It is also a burden for customers to possess all of these machines in line with the work site, and there is a growing trend toward renting machines that are best suited to the work site.

However, customers do not rent all machines, but they own the main machines and rent the machines required for individual sites.

Construction machinery manufacturers like us can use the latest construction machinery to conduct global rental business and use rental machine operating information and failure status for development and production. In addition, we will supply high-quality rental machinery with high-quality maintenance utilizing this information and develop a rental business worldwide that can also provide prefailure diagnosis.

By expanding our rental business around the world, we intend to increase the volume of used equipment guaranteed by manufacturers and undertake maintenance even after the resale of used equipment.

In this way, we believe that developing our rental business as a manufacturer will also lead to value for our customers.



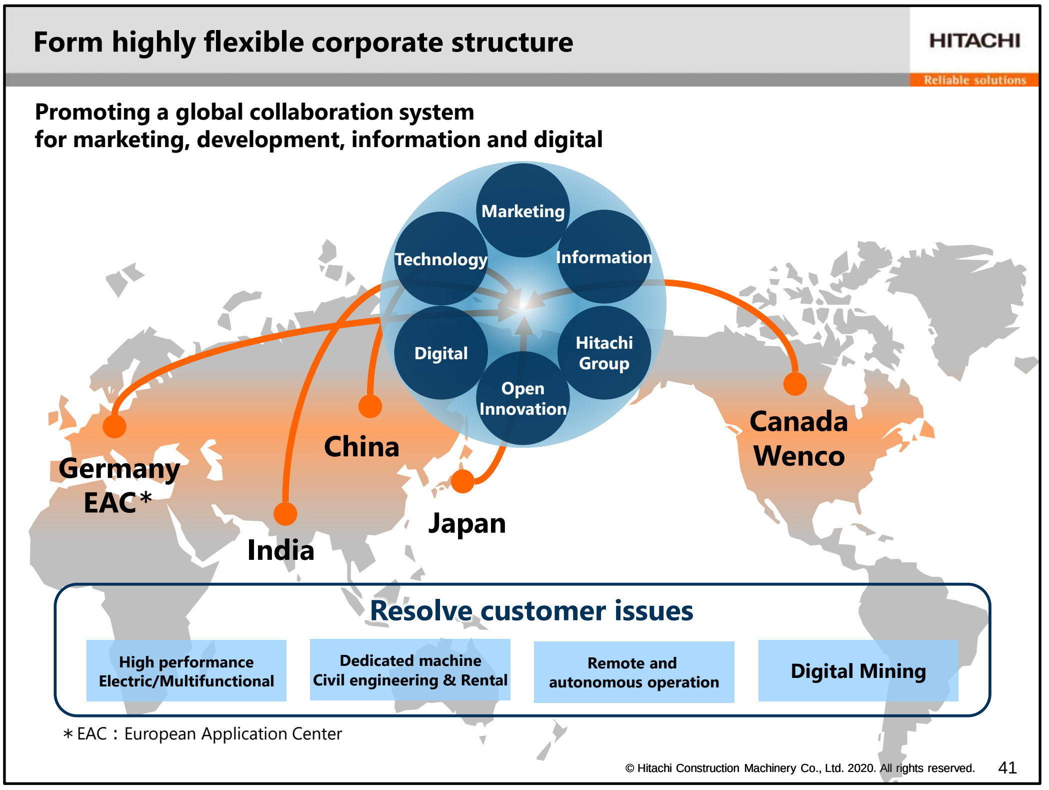
The second is the provision of deepened solutions.

We hope to realize safety and high productivity by sharing information on "people, machinery, and construction environment" in a field where people and machinery work together. In the future, we believe that "cooperative construction machinery" that autonomously operates in a cooperative safety context will be needed.

In the construction industry, against the backdrop of a decrease in the production working population and the aging of skilled workers, improving productivity through labor saving is becoming an issue.

One of the solutions is the development of autonomously operated construction machinery. However, in order to realize autonomous construction machinery, it is also necessary to ensure the safety of people working in the vicinity.

The platform ZCORE announced in August will enable the machine to conduct "awareness, judgment, and execution" conducted by operators at the work site. We will prepare for the future autonomy of our various construction machinery.



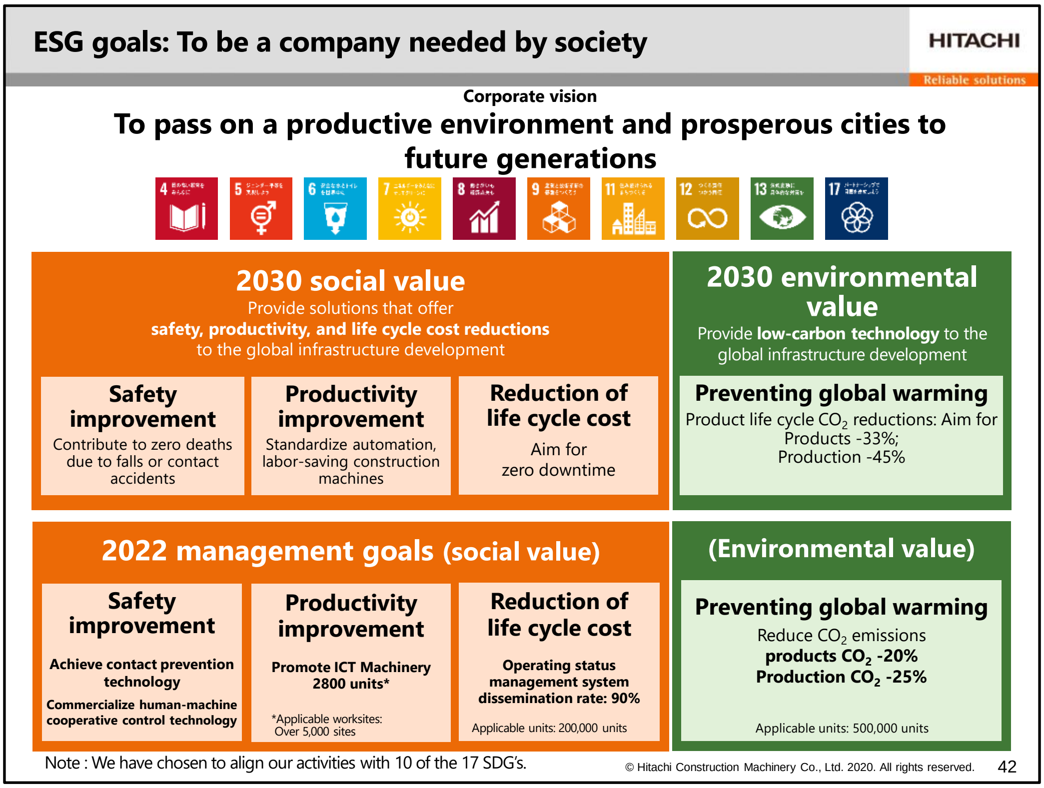
Next, I would like to explain our measures to strengthen our development capabilities as part of "Forming highly flexible corporate structure.“

The development of the value chain business that we promote is largely based on the excellence of our products and solutions.

The products are subject to various requirements depending on the country, region, and industry. Accordingly, we believe it is important to strengthen our product development capabilities across the board and to strengthen external collaboration in fields such as close information collaboration and digital, in order to link these outstanding products to the value chain and provide solutions to our customers.

In order to promptly link this system to the development of machineries and services that lead to solutions to customers' problems, we will identify the ever-changing market needs around the world, share information in Japan and around the world, and promote an integrated management system that includes marketing, development and design, information collaboration, and the promotion of digitalization.

By strengthening our development capabilities in this way, we aim to create a corporate structure that can respond flexibly to changes.



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

As the corporate vision “To pass on a productive environment and prosperous cities to future generations” itself demonstrates, our business is directly linked to contributing to society and the environment.

Our ongoing efforts to improve safety, improve productivity, and reduce lifecycle costs are precisely the pursuit of social value, and we have set each goal set out here for 2030.

This fiscal year, we plan to hold our first ESG briefing, so at that time, we will explain the details of our ESG initiatives.

COVID-19 continues to make a challenging business environment.
In this environment, we will continue to work hard to manage our business with a firm eye on the future, and we look forward to your continued guidance and support.

Supplementary Information : SDGs

HITACHI
Reliable solutions

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

HITACHI
Reliable solutions

Cautionary Statement

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

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

END

For further inquiries:

Corporate Brand & Communications Div.

Hitachi Construction Machinery Co., Ltd.