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Explanatory Meeting for Business Results for the Third Quarter ended December 31, 2020

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

January 29, 2021

Masafumi Senzaki
Executive Officer, President, Marketing Div.

Keiichiro Shiojima
Executive Officer, CFO

Hitachi Construction Machinery Co., Ltd.

70th Anniversary

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1. Regional Market Environments and Projections

Masafumi Senzaki
Executive Officer, President, Marketing Div.

Impact of COVID-19

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- **Impact on demand**

Compact is back on course for recovery; Construction is expected to recover in FY2021 2H.*
*except the Chinese market

Compact	There is strong demand in North America and other markets, and Compact is back on course for recovery.
Construction	The Chinese market has been recovering ahead of the others and led global demand in FY2020. The other markets have been on a recovery path, but full-ledged recovery is expected in FY2021 2H.
Mining	A positive effect is expected from the current resource price upswing; however, full-ledged recovery has been pushed to FY2021 2H.
Parts and Service	Small and medium-sized construction machinery has been recovering, while mining machinery is expected to take until FY2021 2H for full-ledged recovery.

- **Impact on marketing and service activities**

Normal business activities continued generally. Online communication and other measures have been used in areas where in-person sales and service activities are restrained.

- **Impact on major production base**

Normal production has continued as of this moment. A BCM system is being built and implemented so that production can continue even if the impact of the spread of infections occurs.

- **Impact on result**

FY2020 forecast: Impact would be decrease of 160 billion yen for revenue, and 47 billion yen for AOI.

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First of all, I would like to explain about impact of COVID-19 on HCM.

With regard to the impact on demand, compact products are currently on a recovery trend, particularly in North America and other.

In terms of construction products, we expect a full-scale recovery in the second half of FY2021, taking into account uncertainties such as the re-expansion of COVID-19, although some countries other than China seem to see a recovery.

In the mining business, although resource prices are on an upward trend, full-scale recovery is expected in the second half of FY 2021. Parts and service are also expected to recover in the second half of FY2021.

Although demand is gradually recovering, we anticipate a recovery from small machinery, leading to a full-fledged recovery in demand for large-sized machinery in the future.

Subsequently, our marketing and production activities are generally in operation as usual.

Finally, in terms of the impact on business performance in FY2020, as I mentioned at the beginning of the fiscal year, compared to the budget formulated in February last year before taking into account the impact of COVID-19, we have factored in the impact of revenue of 160 billion yen and adjusted operating income of about 47 billion yen.

Global Demand Trend for Hydraulic Excavators

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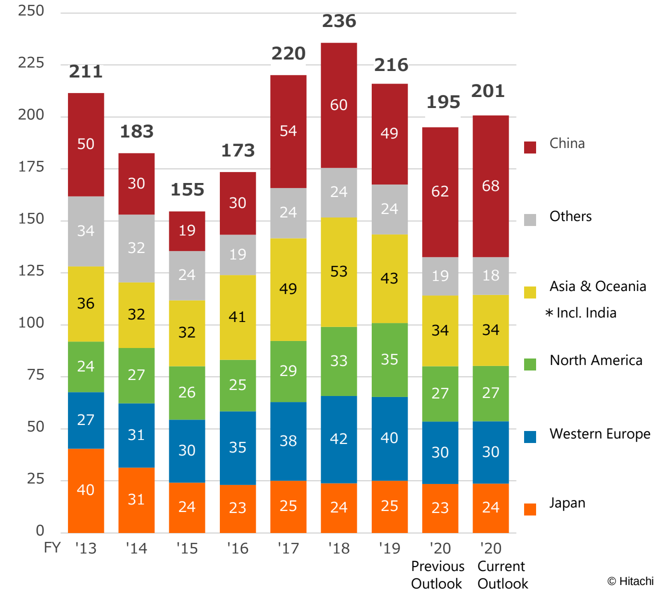
Emerging Markets ratio : FY2020 : 60% (y-y Change : +7%)

[K units] ※Emerging Markets: China, Asia/Oceania, and others



Year-on-Year-Change

※Estimates by HCM, Excluding Chinese manufacturers
※Distributing, copying, or forwarding prohibited

	'19	'20
Total	-8%	-7%
China	-19%	+40%
Russia,CIS, E Europe	+2%	-33%
Africa	-12%	-29%
Middle East	+10%	-11%
Latin	+13%	-22%
Others	+3%	-26%
Asia	-19%	-22%
India	-17%	-22%
Oceania	-22%	-9%
Asia & Oceania	-18%	-21%
N America	+5%	-24%
W Europe	-4%	-25%
Japan	+5%	-6%

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The demand forecast for FY20 was changed from the previous forecast of 195,000 units to 201,000 units, an increase of 6,000 units, and a decrease of 7% from the previous year.

Demand forecast for each region is shown above.

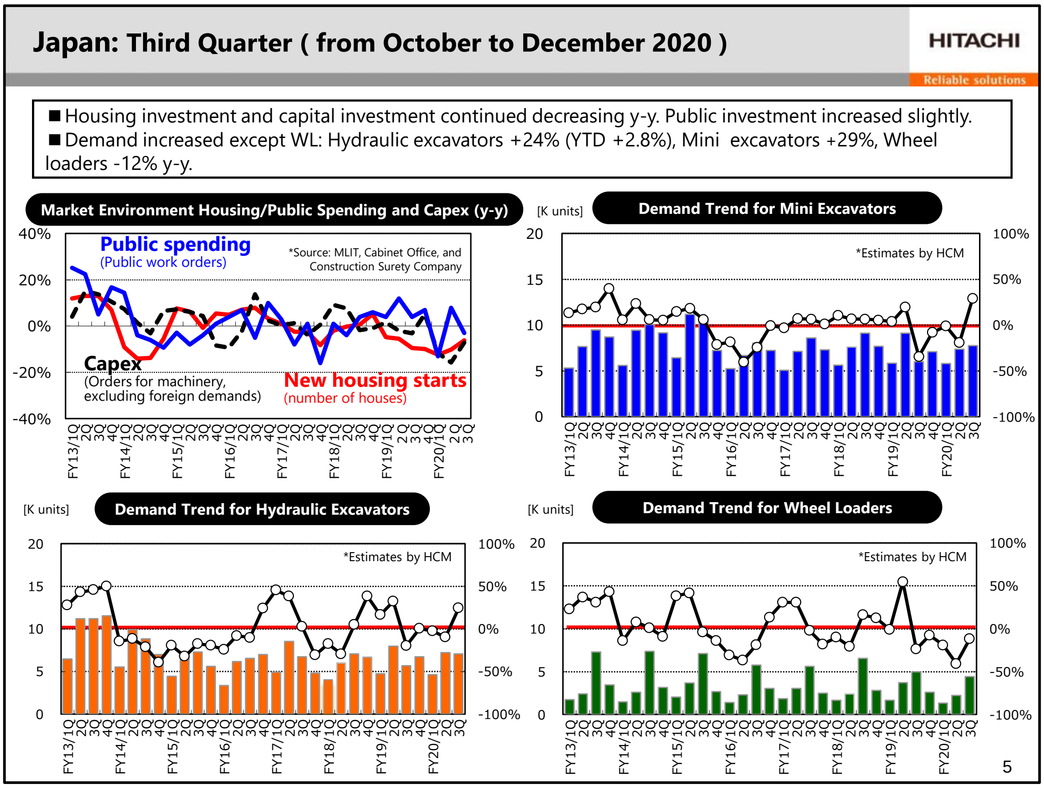
In China, the forecast was revised upward to 68,000 units, up 6,000 from the previous forecast, owing to a sharp rise in demand from October to December and an increasing trend in demand, including demand in the Chinese New Year.

On the other hand, due to the mixed situation in other regions, we have not revised the previous forecast in other regions significantly.

Currently, we are seeing signs of a recovery in demand in some countries other than China. However, uncertainty remains high regarding the re-expansion of COVID-19 and the timing of vaccination, and we anticipate a negative side of the outlook for stagnant economic activity in each country.

We will continue to closely monitor future market conditions and demand trends, and work to respond flexibly not only in sales but also in production and supply.

Next, I would like to explain the actual demand in each region up to the 3Q.



New housing starts in the top left remained down year-on-year in the 3Q, but improved from the previous term, with public spending down 3%.

Demand for hydraulic excavators rose sharply by 24% year-on-year, reflecting a reactionary decline following the impact of typhoon No. 19 in the 3Q of FY2019. Mini excavators in the upper right rose significantly 29% year on year.
This is also considered to be a reaction to the last fiscal year's demand before the consumption tax hike.
Wheel loaders at the lower right were down 12%.

Europe: Third Quarter (from October to December 2020)

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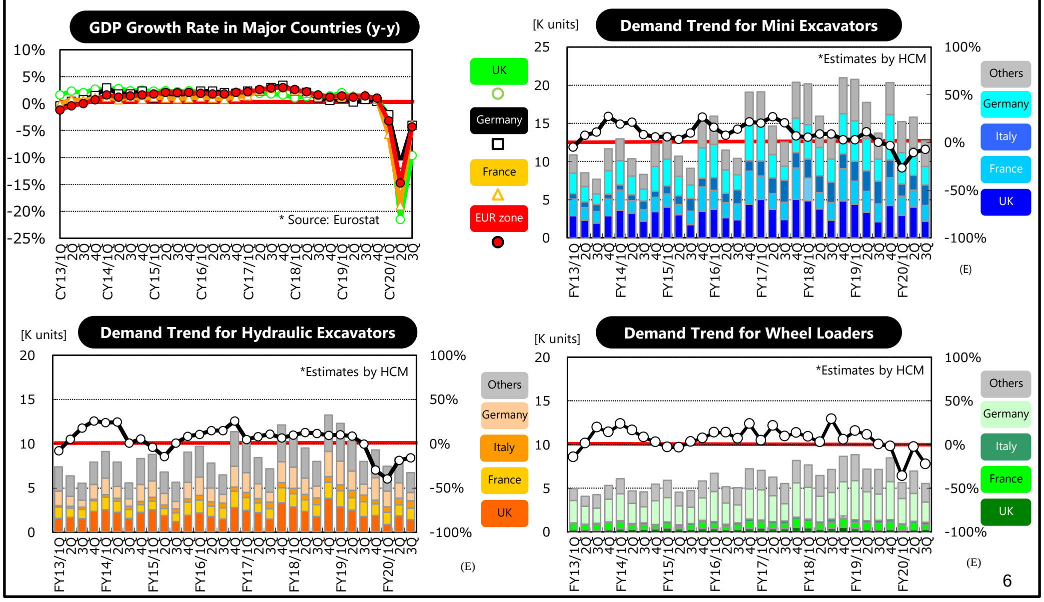
- Throughout the Eurozone, GDP growth rate increased compared to 2Q, still negative growth y-y.
- Demand decreased: Hydraulic excavators -16% (YTD -26%), Mini excavators -7%, Wheel loaders -23% y-y.



In the 3Q of CY2020, the Eurozone GDP growth rate was still negative year-on-year, but recovered from the previous term in each country.

In the 3Q of FY2020, demand for all three products, namely hydraulic excavators, mini excavators, and wheel loaders, continued to fall below the previous fiscal year's level. However, the pace of decline in hydraulic excavators and mini excavators is on a recovery trend.

North America: Third Quarter (from October to December 2020)

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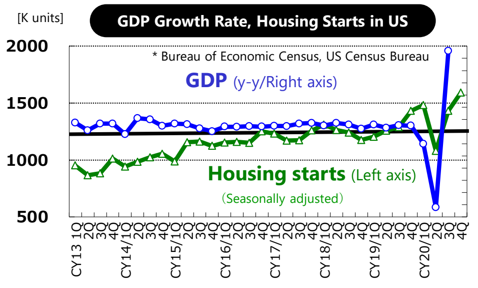
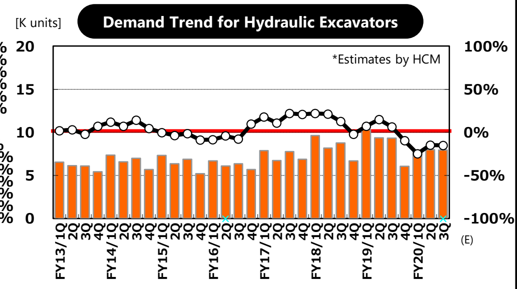
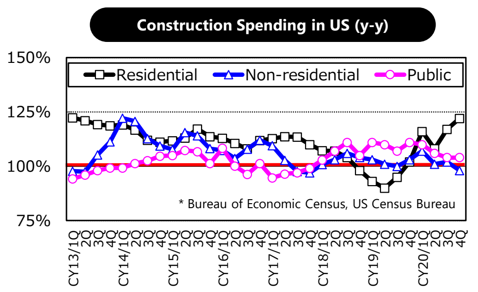
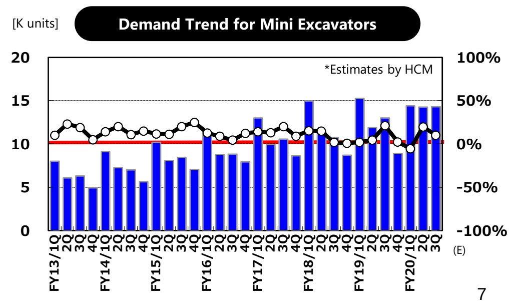
- Housing starts increased. Construction investment increased in Residential, leveling-off in Non-residential, and Public works.
- Demand decreased: Hydraulic excavators -15% (YTD -18%), Mini excavators +10% y-y.









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The graph at the top left and the number of housing starts continued to increase year on year, and GDP recovered substantially year on year.

In construction spending at the lower left, residential continued to increase year-on-year, and non-residential and public works remained almost flat.

Demand for hydraulic excavators declined 15% year on year in the 3Q, and has not yet returned to the previous fiscal year's level.

On the other hand, demand of mini excavators remained solid, increasing 10% and remaining at a high level of demand.

China: Third Quarter (from October to December 2020)

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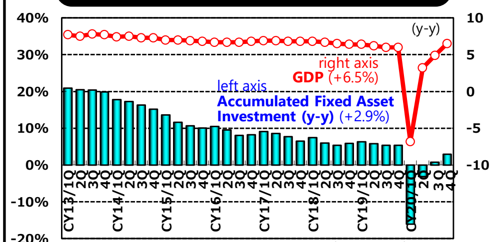
- The GDP growth rate was +6.5%.
- Demand for hydraulic excavators in China kept increased. +28% y-y (YTD +38%), Foreign manufactures only.

GDP and Fixed Asset Investment

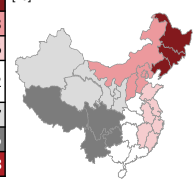


* National Bureau of Statistics of China

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

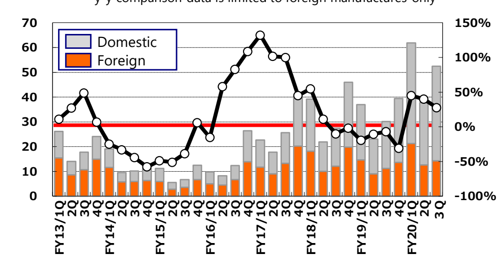
*Estimates by HCM
*Foreign manufactures only
[%]

FY19	4Q	1Q	2Q	3Q
North East	+9	+150	+112	+27
Northe	-48	+37	+40	+23
East	-24	+59	+57	+36
Central South	-32	+42	+22	+22
North West	-41	+29	+64	+27
South West	-32	+28	+21	+26
Total	-31	+45	+40	+28



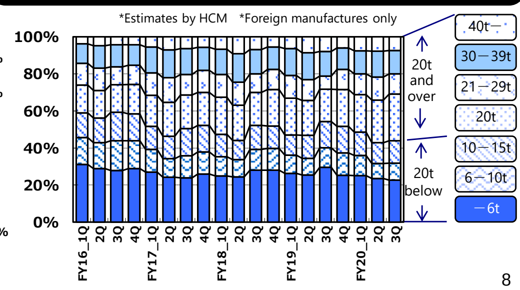
Demand Trend for Hydraulic Excavators

*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



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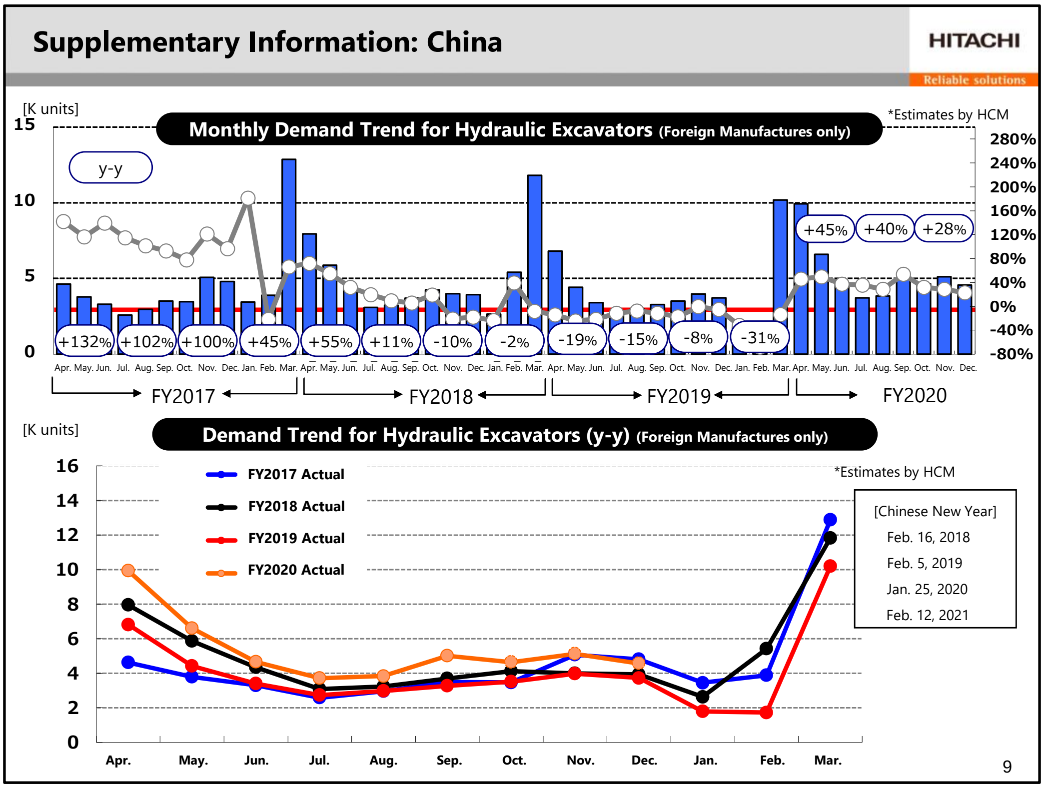
The GDP growth rate from October to December was positive 6.5%. Investment in fixed assets was up 2.9% year on year, a further recovery from the previous term.

Demand for hydraulic excavators remained at a high level, with a year-on-year increase of 73% in total demand, including Chinese manufacturers, in the 3Q.

The breakdown shows that Chinese manufacturers doubled and foreign manufacturer increased by 28%.

In addition, in the trend of demand by region on the upper right, all regions have a positive growth rate.

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



This is a supplement to the Chinese market. Demand for above graphs and hydraulic excavators by foreign manufacturers by month rose 28% year on year in the 3Q of FY2020.

Demand has been at a high level since April last year, and we assume that this situation will continue in the fourth quarter, when we reach Chinese New Year.

Asia Oceania, and India: Third Quarter (from October to December 2020)

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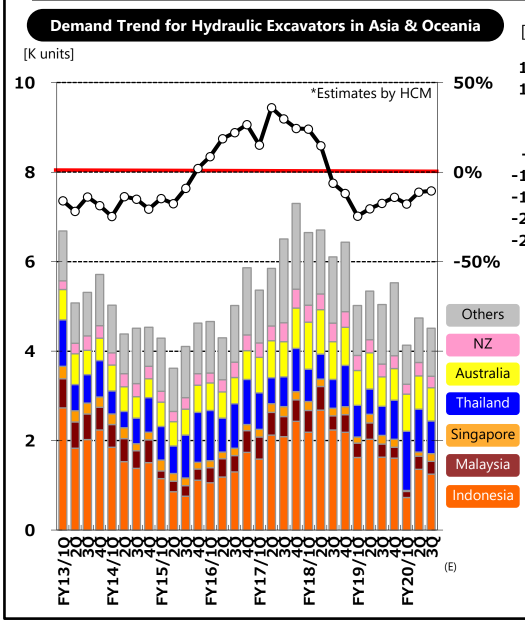
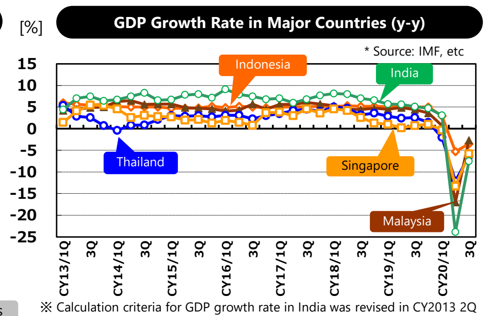
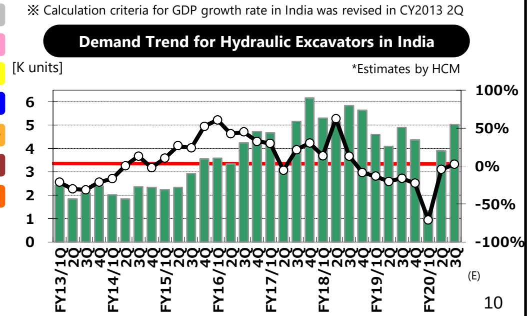
■ Demand for hydraulic excavators decreased overall in the Asia Pacific region, -10% y-y (YTD -13%)
■ Demand for hydraulic excavators in India was +3% y-y (YTD -24%)







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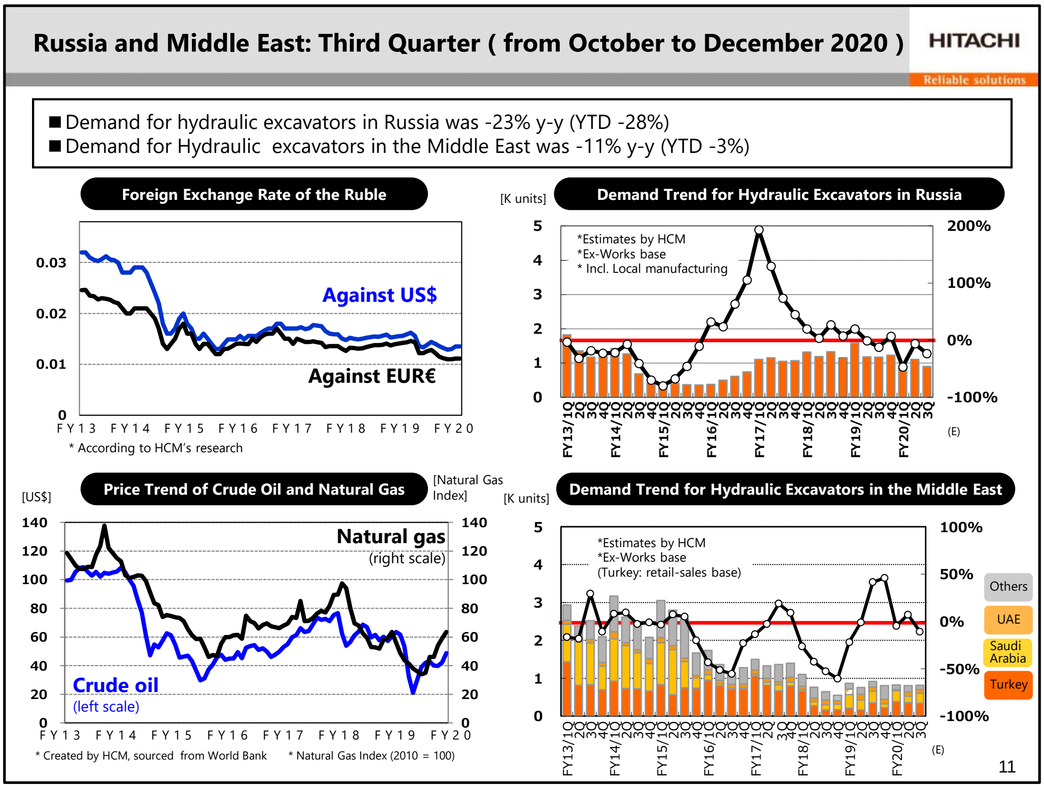
Viewing the left-hand graph, demand for hydraulic excavators in Asia and Oceania declined 10% year on year.

Demand from October to December 2020 increased in Australia and Thailand, and growth rate turned positive year-on-year. Demand in Thailand is firm due to government budgets.

Demand in Indonesia and Malaysia is also expected to recover gradually as commodity prices are trending upward.

However, uncertainty remains, such as the re-expansion of COVID-19 viral infections in Southeast Asia, and we will continue to respond to fluctuations in demand by capturing country-specific conditions.

Demand for hydraulic excavators in India in the graph at the right bottom recovered further from the previous fiscal year due to economic stimulus measures implemented by public investment, and turned positive year on year.



Viewing in the upper right graph, demand for hydraulic excavators in Russia is down about 20% year-on-year partly due to delays in some projects owing to financial difficulties and delays in the recovery of crude oil prices.

Viewing the right bottom graph, demand for hydraulic excavators in the Middle East remained at a low level, declining approximately 10% year on year.

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

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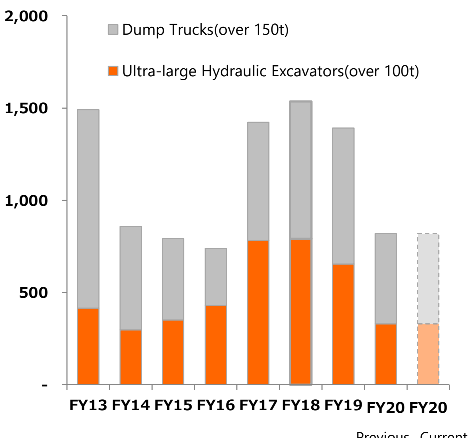
- Demand forecast for mining machinery in FY2020 remained unchanged at -40% y-y.
- Demand for coal mining is still weak, demand for hard rock mining remains steady.

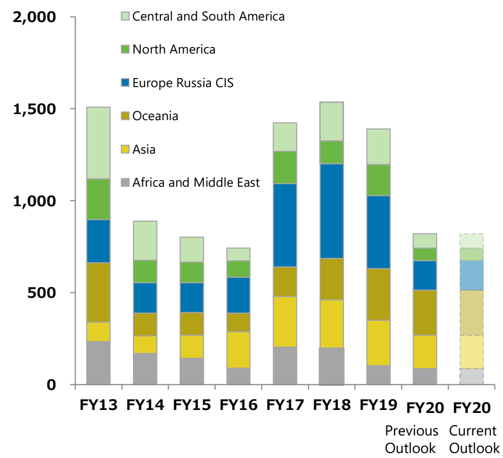
Ultra-large Hydraulic Excavators (over 100t), Dump Trucks(over 150t)

[Units] **Demand by product**



※ According to HCM's research

[Units] **Demand by region**



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Demand for mining machinery in FY2020 is expected to remain unchanged from previous forecast and decline 40% from the previous fiscal year.

By mine type, demand for coal mining is still sluggish.

However, demand for mining machinery such as hydraulic excavators over 300 tons and trucks over 150 tons mainly for hard locks mining site such as iron ore, copper, and gold mines which have been traded at high prices, has remained almost unchanged compared to the previous year.

Supplementary Information: BB Ratio

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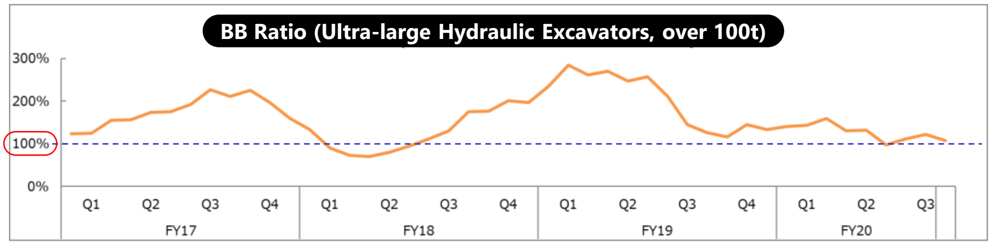

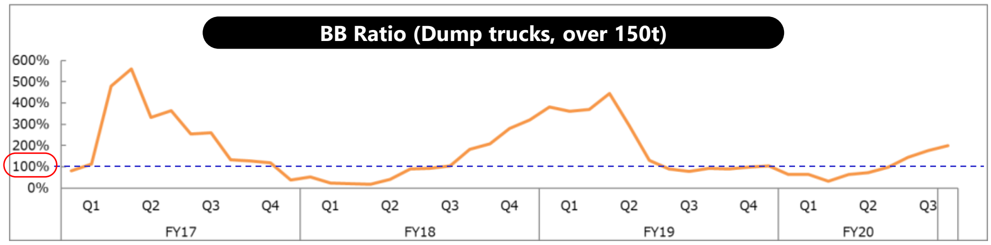

* Book-to-Bill(BB) Ratio = Bookings (Orders received)/Billings (Value of shipment)
Non-consolidated basis (average of 6 months)

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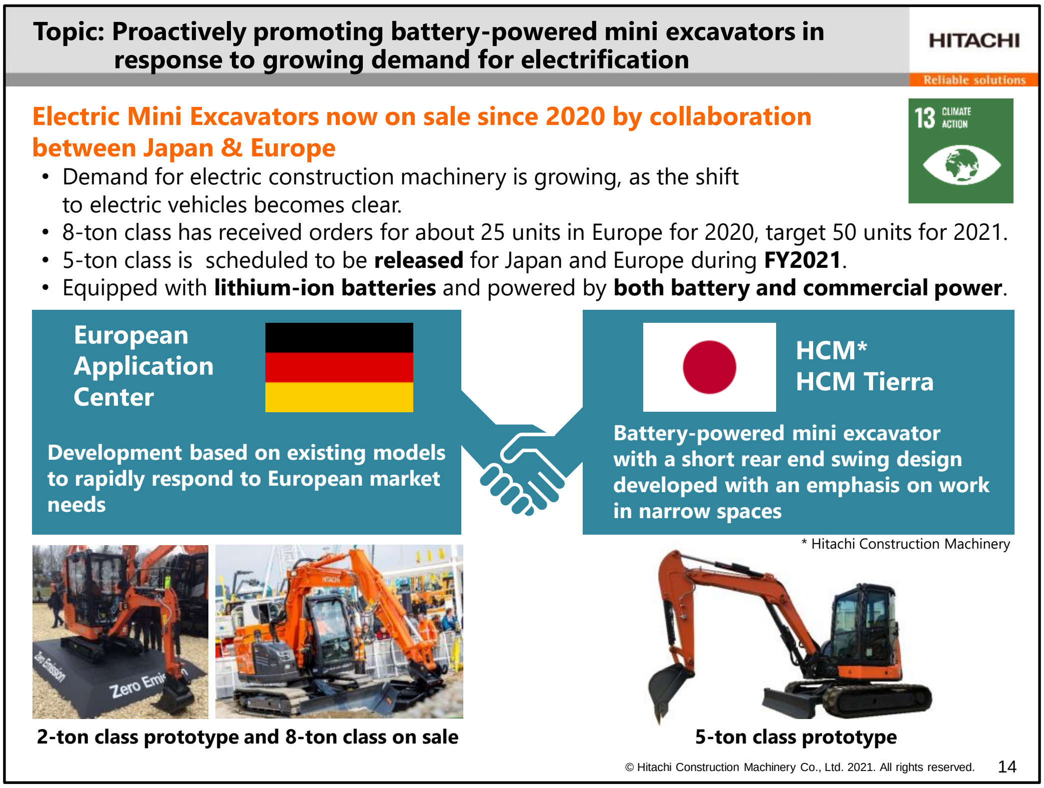
Although sales of ultra-large excavators fell below 100% in the 100 ton class for small and medium coal mines and contractors, we have secured more than 100% in the class that exceeds 150 tons for hard lock customers.

As shown in the graph, we also maintain more than 100% in the ultra-large excavators as a whole.

In dump trucks, we also received orders in Australia and South America in the 3Q, maintaining a BB ratio of 100% or more.



Recently, the shift to electric vehicles becomes clear, and demand for electric construction machinery is growing.

Our group has already developed 2-ton, 5-ton, and 8-ton battery-powered mini excavators in collaboration with EAC in Europe and Hitachi Construction Machinery Tierra, which develops, manufactures, and sells mini excavators and other compact equipment.

In response to the growing demand for electrification, we have started to launch the 8-ton class in Europe in 2020 and have received orders for about 25 units. We have also set a target of receiving orders for 50 units in 2021.

The 5-ton class has received good evaluations in user tests at customers' sites, and is scheduled to be released for Japan and Europe during FY 2021.

Both models are equipped with lithium-ion batteries and can be powered by both battery and commercial power.

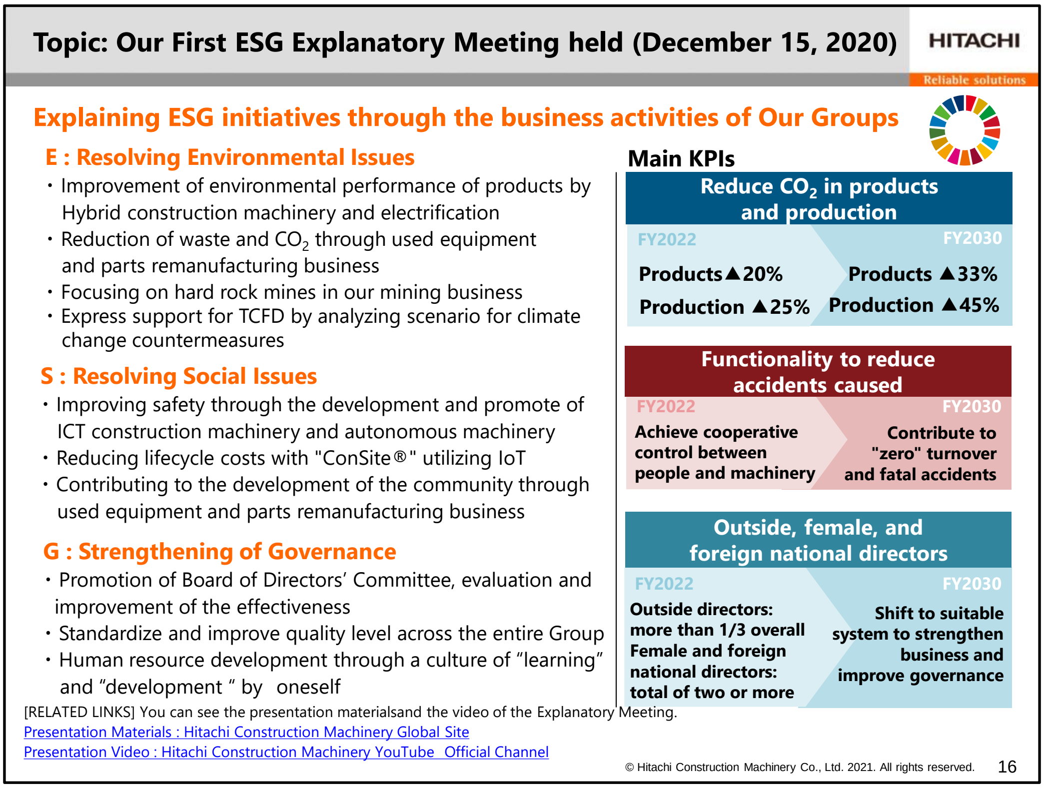
Since the number of self-employed operators has been increasing in the Chinese market, we are strengthening the system.

First, in terms of product development, we have expanded our product lineup of excavator for civil construction use that mainly target self-employed operators.

We will utilize the operating data of the three models for new product development and sales strategy in the future.

We are strengthening our sales and service system by supporting dealers in their nearby regions and holding seminars for them.

Furthermore, we collaborate on rental and used equipment businesses, selling our rental equipment as high-quality used equipment "PREMIUM USED".



On December 15, 2020, we held our first ESG Explanatory Meeting for the media, analysts and institutional investors introducing our ESG initiatives and specific KPIs through our business activities.

We received high evaluations from participants who attended, such as, "Hitachi construction Machinery is proactively working to solve environmental and external issues" and "I was able to confirm that the entire company is consistently undertaking these initiatives under the leadership of top management".

We will continue to promote the resolution of environmental and social issues and the strengthening of governance through our business activities with our corporate vision in line with the SDGs, "To pass on a productive environment and prosperous cities to future generations".

Please click the below to view the presentation materials and video of the Meeting.

Presentation Material

https://www.hitachicm.com/global/wp-content/uploads/2020/12/20201215-HCM-ESG-E.pdf

Presentation Video：https://youtu.be/LkfXVjja2K0

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2. Business Results for the Third Quarter ended December 31, 2020

(April 1, 2020 - December 31, 2020)

Keiichiro Shiojima

Executive Officer, CFO

Summary of consolidated results

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Revenue decreased by 19% and adjusted operating income decreased by 69% y-y due to the impact of COVID-19 and the appreciation of the yen, 13.7 billion yen.

[billions of yen]

		FY2020 1Q-3Q		FY2019 1Q-3Q		change
Revenue			558.7		687.2	-19%
Adjusted operating income *1		3.3%	18.3	8.5%	58.7	-69%
Operating income		2.7%	15.2	8.3%	57.4	-73%
Income before income taxes		2.1%	11.8	8.1%	55.8	-79%
Net income attributable to owners of the parent		0.6%	3.1	5.1%	35.1	-91%
EBIT *2		2.6%	14.4	8.6%	59.3	-76%
FX rate	Rate (YEN/US$)		106.1		108.6	-2.5
	Rate (YEN/EURO)		122.8		121.1	1.7
	Rate (YEN/RMB)		15.4		15.7	-0.3
	Rate (YEN/AU$)		74.2		74.9	-0.7

*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 1-3Q of Fiscal 2020 was largely influenced by the effects of COVID-19 and the stronger Yen, which resulted in a decrease of 19% from the same period of the previous year to ¥558.7 billion.

Adjusted operating income fell 69% year on year to ¥18.3 billion, representing a profit margin of 3.3%. Operating income was ¥15.2 billion, representing a profit margin of 2.7%.

Net income attributable to owners of the parent decreased by 91% year-on-year to ¥3.1 million.

In the cumulative 3Q, the yen appreciated by ¥2.5 against the U.S. dollar, depreciated by ¥1.7 against the euro, and appreciated by ¥0.3 against the yuan, by ¥0.7 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 China and the Middle East y-y, consolidated revenue decreased significantly by 128.5 billion yen.

[billions of yen]

	FY2020 1Q-3Q		FY2019 1Q-3Q		change	
					amount	%
Japan	142.6	26%	145.4	21%	-2.8	-2%
Asia	34.6	6%	64.1	9%	-29.5	-46%
India	32.3	6%	38.6	6%	-6.3	-16%
Oceania	102.5	18%	108.4	16%	-5.9	-5%
Europe	54.6	10%	73.6	11%	-19.0	-26%
N.America	71.4	13%	130.0	19%	-58.7	-45%
L.America	7.8	1%	10.2	1%	-2.3	-23%
Russia-CIS	17.3	3%	25.0	4%	-7.7	-31%
M.East	10.0	2%	4.9	1%	5.1	105%
Africa	24.1	4%	28.3	4%	-4.3	-15%
China	61.5	11%	58.7	9%	2.9	5%
Total	558.7	100%	687.2	100%	-128.5	-19%
Overseas ratio	74%		79%			

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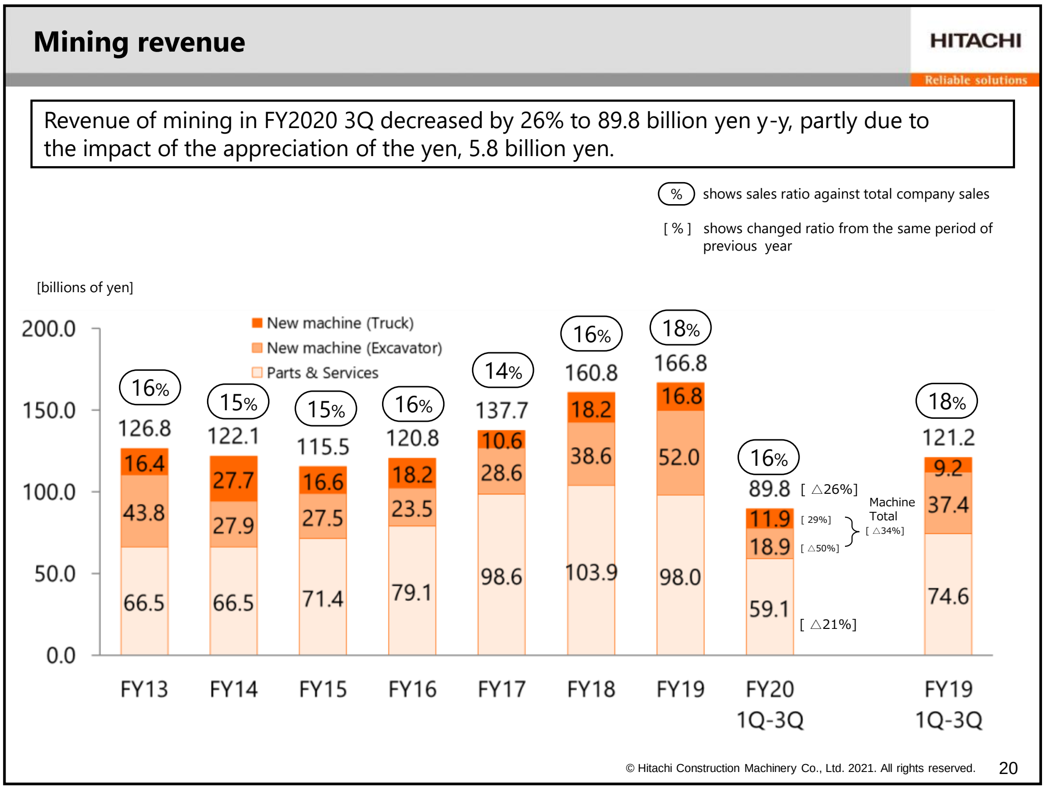
Revenue in the consolidated cumulative 3Q of FY 2020 was largely influenced by the effects of COVID-19, which resulted in a decrease to 128.5 billion from the same period of the previous year.

The impact of exchange rates at a negative ¥13.7 billion is included in the above numbers, based on our analysis.

Revenue in each region for the consolidated cumulative 3Q of FY2020 decreased year on year in all regions except China and Middle East.

Especially in Asia and North America showed a significant decrease of revenue in the consolidated cumulative 3Q of FY2020, while showing an increase of revenue in the 3Q itself from the same period of the previous year. The 3Q three-month revenue also increased from the same period of the previous year in all regions except Latin America and Africa.

As a result, the overseas revenue ratio decreased by 5 percentage points year on year to 74%.



In the 3Q, mining revenue amounted to ¥89.8 billion, a decrease of 26% from the same period of the previous fiscal year.

Included in above figure is an analysis of the impact of exchange rates at a negative ¥5.8 billion.

The breakdown shows that while the truck sales increased by 29%, the excavator sales declined by 50% from the same period of the previous fiscal year, due to fewer deliveries, as a result total revenue of new machine decreased by 34%.

Parts & services for mining also decreased by 21% year-on-year.

As a result, the revenue ratio of mining business for the 1-3Q of Fiscal 2020 decreased by 2 percentage points year on year to 16%.

Value chain*1 revenue

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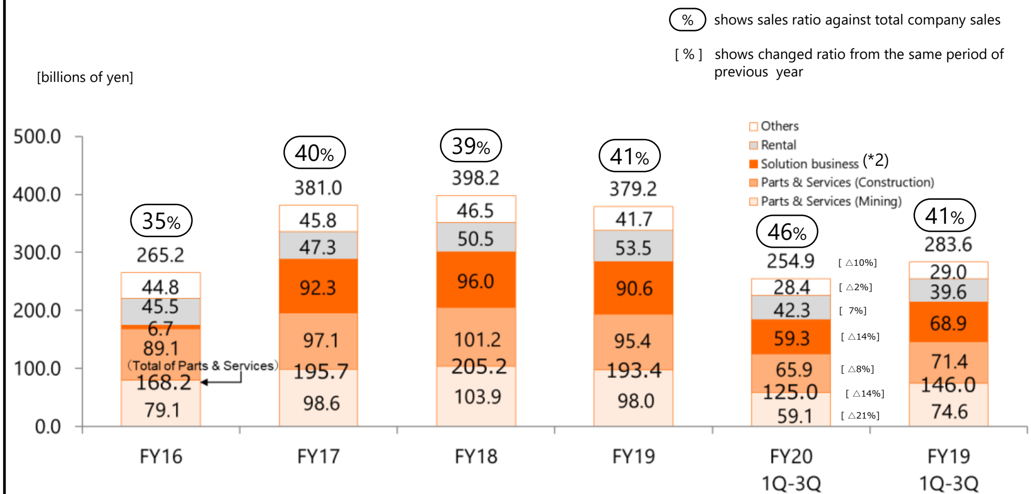
Revenue of the value chain business in FY2020 3Q decreased by 10% to 254.9 billion yen y-y, partly due to the impact of the appreciation of the yen, 6.3 billion yen despite an increase in revenue of rental by 7% y-y.



(*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.

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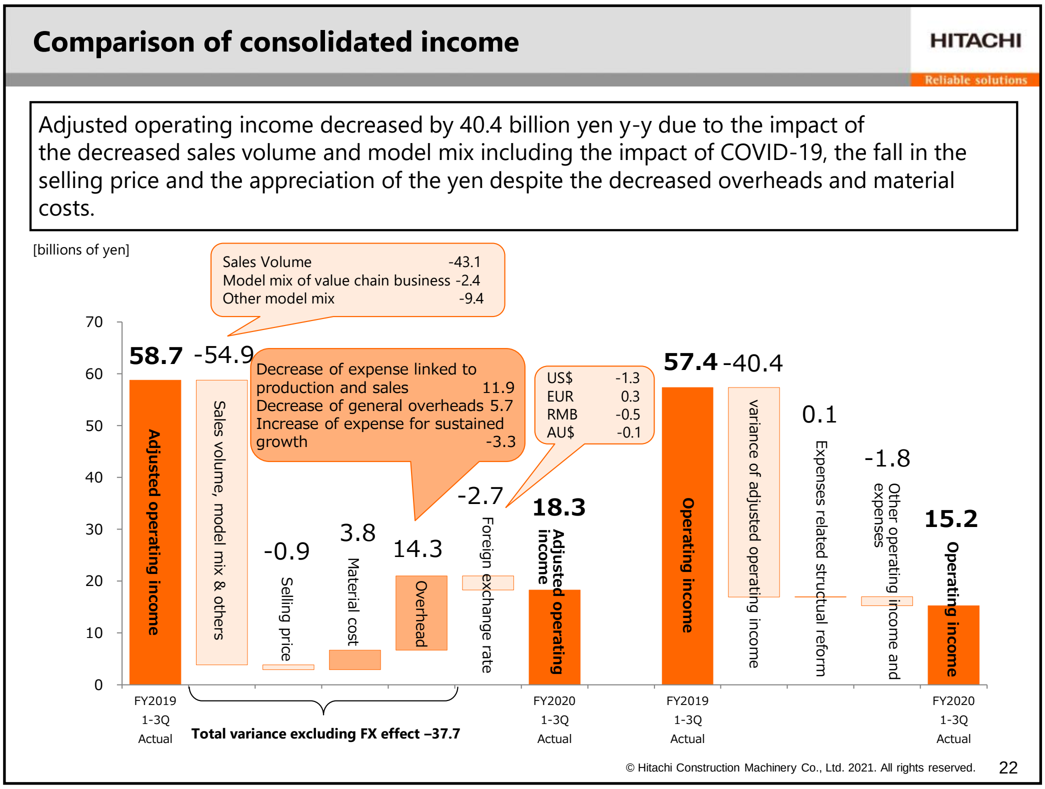
The value chain revenue for 3Q decreased by 10% year-on-year to ¥254.9 billion.

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 8% year on year.

Revenue in the rental business increased by 7% year on year due to the effects of measures taken to date. On the other hand, revenue in the parts and service business decreased by 14%.

As a result, the revenue ratio of value chain business for the 1-3Q of Fiscal 2020 increased by 5 percentage points year on year to 46%.



The factors behind the ¥40.4 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 to ¥54.9 in terms of sales volume and model mix & others.

In addition, there was a ¥0.9 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 ¥3.8 billion due to the effects of improvements in Japan and Australia and overhead costs by ¥14.3 billion, mainly in expense linked to production and sales, in response to a significant decrease in revenue.

Adjusted operating income decreased by ¥40.4 billion year on year to ¥18.3 billion due to the ¥ 2.7 billion of the negative exchange impact of appreciation of the yen.

While expense related structural reform improved by ¥0.1 billion, other operating income and expenses decreased by ¥1.8 billion. This was mainly attributable to a decrease of ¥300 million in compensation for leave of business by COVID-19.

As a result, operating income decreased by ¥15.2 billion year on year to 42.1 billion.

Consolidated statement of income

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■ SGA expenses decreased by -14.5 billion yen to 117.4 billion yen y-y.
■ Financial income/expenses improved by 0.2 billion yen to -4.1 billion yen y-y.

[billions of yen]

	FY2020 1Q-3Q		FY2019 1Q-3Q		change	
					amount	%
Revenue		558.7		687.2	-128.5	-19%
Cost of Sales	(75.7%)	423.0	(72.3%)	496.5	-73.5	-15%
SGA expenses	(21.0%)	117.4	(19.2%)	131.9	-14.5	-11%
Adjusted operating income *1	(3.3%)	18.3	(8.5%)	58.7	-40.4	-69%
Other Income/expenses		-3.1		-1.4	-1.7	122%
Operating income	(2.7%)	15.2	(8.3%)	57.4	-42.1	-73%
Financial income/expenses		-4.1		-4.3	0.2	-4%
Share of profits of investments accounted for using the equity method		0.7		2.7	-2.1	-75%
Income before income taxes	(2.1%)	11.8	(8.1%)	55.8	-44.0	-79%
Income taxes		5.5		16.3	-10.9	-67%
Net income	(1.1%)	6.4	(5.8%)	39.5	-33.1	-84%
Net income attributable to owners of the parent	(0.6%)	3.1	(5.1%)	35.1	-32.0	-91%

*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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Financial income and expenses improved by ¥200 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 ¥2.1 billion year on year.

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

Income tax decreased to ¥10.9 billion year on year.

Non-consolidated financial results of HCM did not benefit from tax-effect accounting because it adjusted production in the first half of the fiscal year in order to cope with the decline in demand caused by the impact of COVID-19, and the nominal tax rate for corporate tax is still high year-on-year.

However, in the 3Q, improvement was made (partly due to an improvement in the deficit in taxable income on a non-consolidated basis).

However, the proportion of outflows of non-controlling interests remained large, and profit attributable to owners of parent decreased 91% year on year to ¥3.1 billion.

Summary of quarterly consolidated revenue and operating income (ratio)

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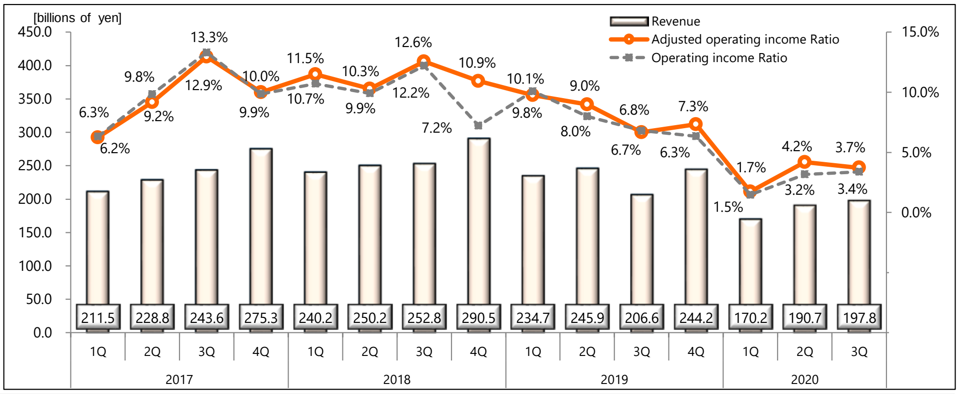
[billions of yen]

	2017				2018				2019				2020		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
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	197.8
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	7.4
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	6.7



FX rate	2017				2018				2019				2020		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Rate (YEN/US$)	111.1	111.0	113.0	108.3	109.1	111.5	112.9	110.2	109.9	107.4	108.8	108.9	107.6	106.2	104.5
Rate (YEN/EURO)	122.2	130.4	133.0	133.2	130.1	129.6	128.8	125.2	123.5	119.3	120.3	120.1	118.5	124.1	124.5
Rate (YEN/RMB)	16.2	16.6	17.1	17.1	17.1	16.4	16.3	16.3	16.1	15.3	15.5	15.6	15.2	15.4	15.8
Rate (YEN/AU$)	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	76.3

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Revenue of ¥197.8 billion in the 3Q of Fiscal 2020 declined by ¥8.8 billion compared with ¥206.6 billion in the 3Q of Fiscal 2019, but increased by ¥7.1 billion compared with the 2Q of Fiscal 2020.

The adjusted operating income margin was 3.7%.

Due to COVID-19 impact, there was a decrease in profits due to difference in model mix and regional composition. However, it has generally been on an improving trend since the 1Q.

Consolidated statement of financial position

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Trade receivables at the end of the quarter were significantly reduced by 40.3 billion yen from the end of the previous fiscal year.

(billions of yen)

	(A) FY20-3Q	(B) Mar '2020	(C) FY19-3Q	(A)-(B) change
Cash and cash equivalents	68.4	62.2	63.7	6.3
Trade receivables	172.3	212.5	189.7	-40.3
Inventories	308.9	301.2	343.4	7.7
Total current assets	586.3	612.8	645.2	-26.5
Total non-current assets	579.2	554.8	563.4	24.5
Total assets	1,165.5	1,167.6	1,208.6	-2.0
Trade receivables incl. non-current	210.3	252.1	226.1	-41.8
Inventories by products				
Unit	85.1	76.2	100.8	8.9
Parts	105.0	103.0	112.9	2.0
Raw materials, WIP and etc	118.7	122.0	129.6	-3.3
Total inventories	308.9	301.2	343.4	7.7
On hand days (divided by net sales)				(Days)
Trade receivables	96	99	84	-3
Inventories	140	118	128	22
Trade payables	44	43	46	1
Net working capital	188	171	164	17

	(D) FY20-3Q	(E) Mar '2020	(F) FY19-3Q	(D)-(E) change
Trade and other payables	174.1	188.7	198.6	-14.7
Bonds and borrowings	335.2	338.9	342.2	-3.8
Total liabilities	626.6	642.5	662.9	-15.9
(Equity attributable to owners of the parent ratio)	(41.6%)	(40.6%)	(40.5%)	(1.1%)
Total equity	539.0	525.1	545.7	13.9
Total liabilities and equity	1,165.5	1,167.6	1,208.6	-2.0
	(28.8%)	(29.0%)	(28.3%)	(-0.3%)
Interest-bearing debt	335.2	338.9	342.2	-3.8
Cash and Cash equivalents	68.4	62.2	63.7	6.3
	(22.9%)	(23.7%)	(23.0%)	(-0.8%)
Net interest-bearing debt	266.8	276.8	278.5	-10.0
Net D/E Ratio	0.55	0.58	0.57	-0.03

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Compared with March 2020 of the previous fiscal year-end, trade receivables including non-current were ¥210.3 billion, a reduction of ¥41.8 billion.

Inventories were ¥308.9 billion, an increase of ¥7.7 billion from the end of the previous fiscal year, conversely, we have analyzed a reduction of 3.2 billion yen excluding the effect of foreign exchange rate.

As a result, total assets were ¥1.1655 trillion, a reduction of ¥2.0 billion from the previous fiscal year-end.

As for the number of days on hand, trade receivables decreased by 3 days from the previous fiscal year-end to 96 days, while inventories were extended by 22 days to 140 days.

As a result, the number of days on hand for net working capital was 188 days, an increase of 17 days from the previous fiscal year-end.

Total interest-bearing debt decreased by ¥3.8 billion from the previous fiscal year-end to ¥335.2 billion. On the other hand, net interest-bearing debt decreased by ¥10 billion to ¥266.8 billion, partly due to the accumulation of ¥6.3 billion in cash and deposits.

Total equity was ¥539.0 billion, and equity attributable to owners of the parent ratio was 41.6%, and the net D/E ratio was 0.55.

Consolidated cash flow

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■ Net cash provided by (used in) operating activities improved by 36.3 billion yen to positive 56.7 billion yen y-y due to improved working capital.
■ Free cash flows improved by 41.6 billion yen to positive 33.5 billion yen y-y.

[billions of yen]

	FY2020 1Q-3Q		FY2019 1Q-3Q		change	
Net income		6.4		39.5		-33.1
Depreciation and amortization	44.1	37.7	72.7	33.2	-28.6	4.5
(Increase)decrease in trade/lease receivables		52.6		50.9		1.8
(Increase)decrease in inventories	33.8	3.2	-6.0	-23.5	39.8	26.6
Increase(decrease) in trade payables		-22.0		-33.4		11.4
Others, net		-21.1		-46.2		25.1
Net cash provided by (used in) operating activities		56.7		20.5		36.3
Cash flow margin for operating activities		10.2%		3.0%		7.2%
Net cash provided by (used in) investing activities		-23.3		-28.5		5.3
Free cash flows		33.5		-8.1		41.6
Net cash provided by (used in) financing activities		-29.0		5.4		-34.4

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Net cash provided by operating activities for the 3Q of the current fiscal year was positive at ¥56.7 billion, an improvement of ¥36.3 billion year on year.

Net cash used in investing activities decreased by ¥5.3 billion year on year to ¥23.3 billion. As a result, free cash flow improved by ¥41.6 billion year on year to ¥33.5 billion.

Summary of consolidated earnings forecast

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Consolidated earnings forecast for FY2020 remains unchanged from October forecast.

[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-3Q Actual	4Q Forecast	Total Forecast	FY2019 Actual	change
Rate (YEN/US$)	106.1	105.0	105.7	108.7	-3.0
Rate (YEN/EURO)	122.8	120.0	121.8	120.8	1.0
Rate (YEN/RMB)	15.4	15.0	15.3	15.7	-0.4
Rate (YEN/AU$)	74.2	72.0	73.6	74.1	-0.5
Cash dividend per share (yen) *1	to be determined			60	-

For FX sensitivity, please refer to appendix 1.

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

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Based on the demand environment for Fiscal 2020 and the results for the 3Q of the year, as well as the world's forecasts for economic conditions and exchange rates, we will keep the previous forecast unchanged for now.

Specifically, the figures announced in last October 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 4Q onwards remain unchanged.

Please refer to Appendix 1. on page 32, which shows the exchange sensitivities affecting sales revenues and adjusted operating income from the 4Q onwards.

Consolidated revenue forecast by geographic region

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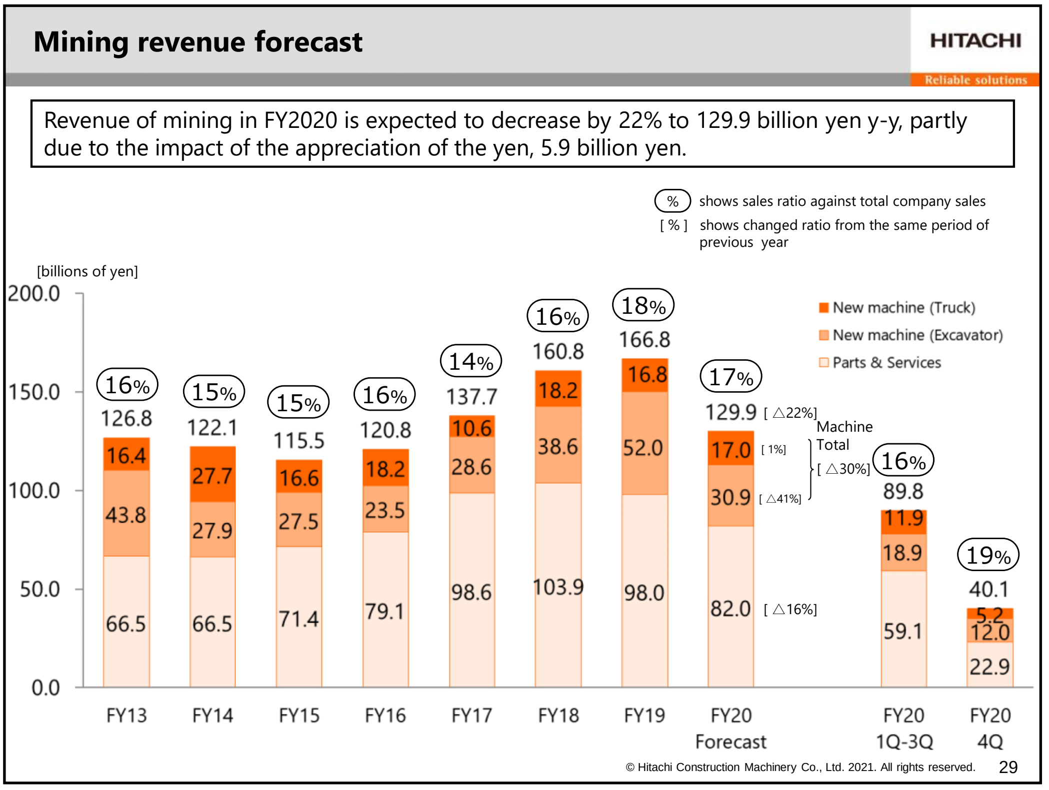
Due to the impact of COVID-19 and 16.5 billion yen of the negative impact of forex, consolidated sales revenue is expected to decrease by 161.3 billion yen y-y.

(billions of yen)

	FY2020 Forecast		FY2019 Actual		change	
					amount	%
Japan	196.4	26%	205.6	22%	-9.2	-4%
Asia	48.9	6%	85.9	9%	-37.0	-43%
India	43.5	6%	50.7	5%	-7.2	-14%
Oceania	136.4	18%	146.0	16%	-9.6	-7%
Europe	75.5	10%	103.6	11%	-28.1	-27%
N.America	107.4	14%	173.4	19%	-66.0	-38%
L.America	11.7	2%	12.9	1%	-1.2	-9%
Russia-CIS	24.7	3%	32.6	4%	-7.9	-24%
M.East	12.0	2%	7.6	1%	4.4	59%
Africa	31.3	4%	38.0	4%	-6.8	-18%
China	82.3	11%	75.0	8%	7.3	10%
Total	770.0	100%	931.3	100%	-161.3	-17%
Overseas ratio	74%		78%			

Regional revenue forecasts for Fiscal 2020 are as below.

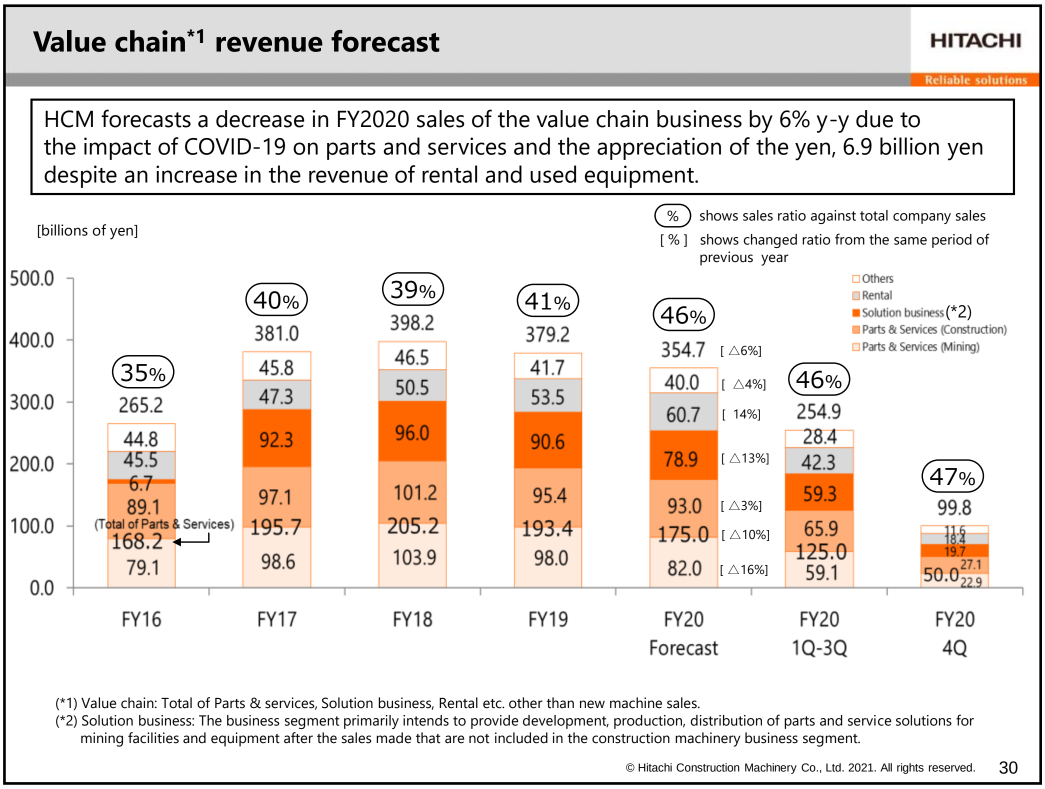
In the Middle East and China, we forecast a year-on-year increase in sales, while in Asia, Europe, North America, and Russia-CIS including the impact of the yen's appreciation, we forecast a substantial decline in sales of more than 20% compared to the previous year.



Mining revenue for Fiscal 2020 are expected to fall 22% year on year to ¥129.9 billion, a decrease of ¥6.1 billion from the previous October release.

Total sales of new machine; excavators and trucks are expected to decrease by 30% year-on-year. Sales of mining parts & services are also expected to decrease by 16% 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 33.



The value chain revenue forecasts for sales for Fiscal 2020 are expected to decrease by 6% year on year to ¥354.7 billion, down ¥4.0 billion from the previous October release.

In the current forecast, we have left the previously announced figures for parts & services unchanged, with sales down 10% year on year to ¥175.0 billion. However, the amount for mining is expected to reduce by 4.0 billion yen, and the same amount is expected to increase for construction, as in the case of new hydraulic excavator sales, which have been recovering from the beginning of 3Q.

On the other hand, both figures are downwardly revised, with rental sales down 14% year on year to ¥60.7 billion, and in the solution business with sales down 13% year on year to ¥78.9 billion.

However, "Others" mainly includes used equipment, software business, and finance, we have revised down this category by 4% year on year to ¥40.0 billion.

Sales ratio of value chain revenue are secured at 46%, up 5 percentage points from the previous year.

Comparison of consolidated income forecast

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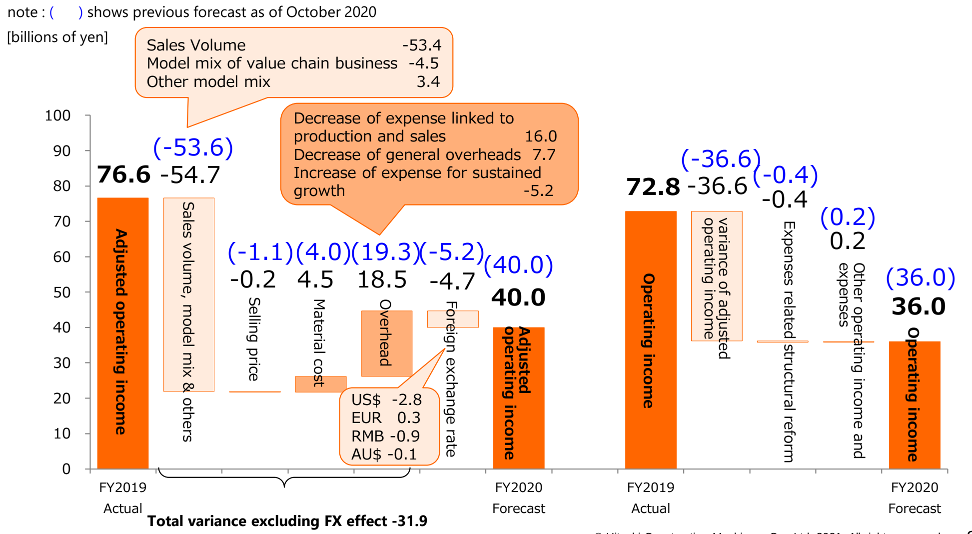
Adjusted operating income for FY2020 is expected to decrease by 36.6 billion yen y-y due to a decrease in sales volume and model mix caused by the impact of the COVID-19, the fall in the selling price and the appreciation of the yen, although there is a reduction in overheads cost and material cost.



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We explain why adjusted operating income for Fiscal 2020 declined by ¥36.6 billion from the previous year to ¥40.0 billion.

The negative impact of the ¥54.7 billion decline in sales volume, model mix and others, the ¥200 million decline of selling price and the ¥4.7 billion 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 ¥40.0 billion due to the ¥18.5 billion of significant reduction in overhead costs and the ¥4.5 of reduction in materials costs.

The forecast for operating income remains unchanged at ¥36.0 billion, a decrease of ¥36.8 billion from the previous fiscal year due to the decrease in adjusted operating income.

Appendix 1: FX rate and FX sensitivity

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

FX rate and FX sensitivity

[billions of yen]

Currency	FX rate		FX sensitivity (4Q)		
	FY20 Forecast	FY19 Actual	Condition	Revenue	Adjusted operating income
US$	105.7	108.7	Impact by 1 yen depreciation	0.4	0.3
EURO	121.8	120.8	Impact by 1 yen depreciation	0.2	0.1
RMB	15.3	15.7	Impact by 0.1 yen depreciation	0.2	0.1
AU$	73.6	74.1	Impact by 1 yen depreciation	0.5	0.1

Appendix 2: Detail of mining revenue

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		FY19 Actual			FY20 Forecast			Change		
		1-3Q	4Q	Year	1-3Q	4Q	Year	1-3Q	4Q	Year
America	Excavator	11.2	7.1	18.2	7.9	3.4	11.3	-3.3	-3.7	-6.9
	Dump Truck	3.0	0.8	3.9	0.9	1.6	2.5	-2.1	0.7	-1.4
	Total	14.2	7.9	22.1	8.8	5.0	13.8	-5.4	-2.9	-8.3
Europe, Africa and Middle East	Excavator	16.8	6.2	23.0	10.8	6.5	17.3	-6.0	0.3	-5.7
	Dump Truck	9.9	3.0	12.9	9.6	3.9	13.5	-0.4	0.9	0.6
	Total	26.7	9.2	35.9	20.4	10.4	30.8	-6.3	1.2	-5.1
Asia & Oceania	Excavator	57.1	16.3	73.4	36.3	17.0	53.3	-20.8	0.7	-20.1
	Dump Truck	21.3	11.7	32.9	22.7	6.6	29.3	1.4	-5.1	-3.6
	Total	78.3	28.0	106.3	59.0	23.6	82.6	-19.4	-4.4	-23.8
China	Excavator	0.6	0.1	0.6	0.4	0.4	0.8	-0.2	0.3	0.2
	Dump Truck	0.1	0.0	0.1	0.1	0.0	0.1	-0.1	0.0	-0.1
	Total	0.7	0.1	0.8	0.4	0.4	0.9	-0.2	0.4	0.1
Japan	Excavator	1.3	0.4	1.7	0.9	0.7	1.6	-0.4	0.3	-0.1
	Dump Truck	0.0	0.0	0.0	0.3	0.0	0.3	0.3	-0.0	0.3
	Total	1.3	0.4	1.7	1.2	0.7	1.9	-0.1	0.3	0.2
Total	Excavator	86.9	30.1	116.9	56.3	28.0	84.3	-30.6	-2.1	-32.6
	Dump Truck	34.3	15.5	49.8	33.5	12.1	45.6	-0.8	-3.4	-4.2
	Total	121.2	45.6	166.8	89.8	40.1	129.9	-31.4	-5.5	-36.9

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 0.3 billion yen are included in the third quarter of FY2020, and in the 1.1 billion yen in the forecast for FY2020.

[billions of yen]

FY2020 1Q-3Q Actual	Reportable segment				Adjustments*1	Total	
	Construction Machinery Business		Solution Business				
Revenue		499.5		61.6	-2.4		558.7
Adjusted operating income	2.6%	12.9	8.7%	5.4	-	3.3%	18.3

[billions of yen]

FY2020 Forecast	Reportable segment				Adjustments *1	Total	
	Construction Machinery Business		Solution Business				
Revenue		691.1		78.9	0.0		770.0
Adjusted operating income	4.8%	33.5	8.2%	6.5	-	5.2%	40.0

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

Supplementary Information : SDGs

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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.

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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

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