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Explanatory Meeting for Business Results for the Second Quarter ended September 30, 2021

October 26, 2021

Hidehiko Matsui
Executive Officer, President, Marketing Div.

Keiichiro Shiojima
Executive Officer, CFO

Hitachi Construction Machinery Co., Ltd.

With the dissolution of the joint venture relationship between the Hitachi Construction Machinery Group and U.S.-based Deere & Company,

we aim to independently deploy the latest products, technologies, and services across the entire North, Central, and South American region starting in March 2022.

The following is an explanation of the progress from the announcement in late August to the present.

First, Hitachi Construction Machinery Loaders America, a consolidated subsidiary in the U.S., was renamed Hitachi Construction Machinery Americas, the regional headquarters, and is currently increasing its workforce.

We are also discussing contract details with leading dealers in North, Central, and South America.

We will strengthen the sales network based on existing Hitachi brand dealers.

In addition, we are preparing hydraulic excavators equipped new a hydraulic system, safety device, and ConSite® for local sales starting in March 2022.

We will launch attractive new products and take in highly profitable parts and service businesses through ConSite® data linkage.

We will continue to put in place a solid structure for full-scale independent development.

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1. Regional Market Environments and Projections

Hidehiko Matsui
Executive Officer, President, Marketing Div.

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The market environments and projections explained by Hidehiko Matsui, Executive Officer, President, Marketing Division.

Global Demand Trend for Hydraulic Excavators

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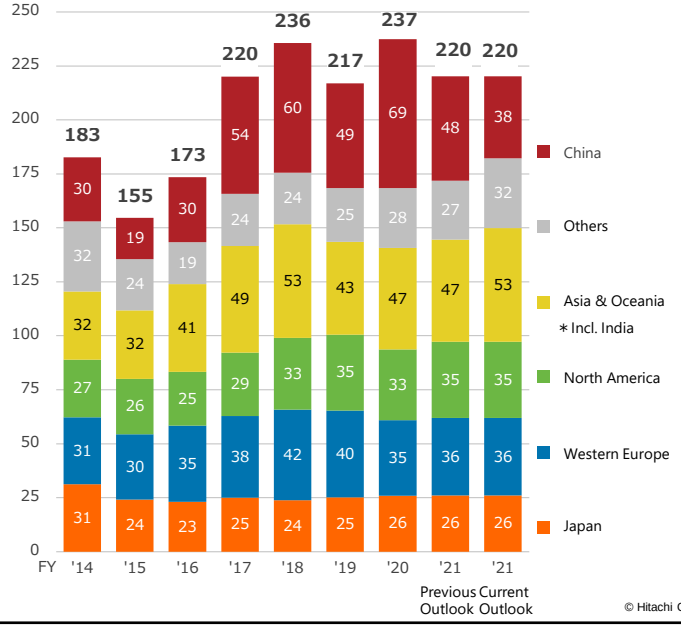
Emerging Markets ratio : FY2021 : 56% (y-y Change : -5%)

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



Year-on-Year Change by Region

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

	'20	'21
Total	+9%	-7%
China	+42%	-45%
Russia,CIS, E Europe	-7%	+24%
Africa	+10%	+10%
Middle East	+10%	+25%
Latin America	+34%	+10%
Others	+11%	+17%
Asia	+12%	+20%
India	+5%	+0%
Oceania	+16%	+20%
Asia & Oceania	+9%	+12%
N America	-6%	+8%
W Europe	-13%	+3%
Japan	+3%	+0%

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I would like to explain the forecast for global demand for hydraulic excavators.

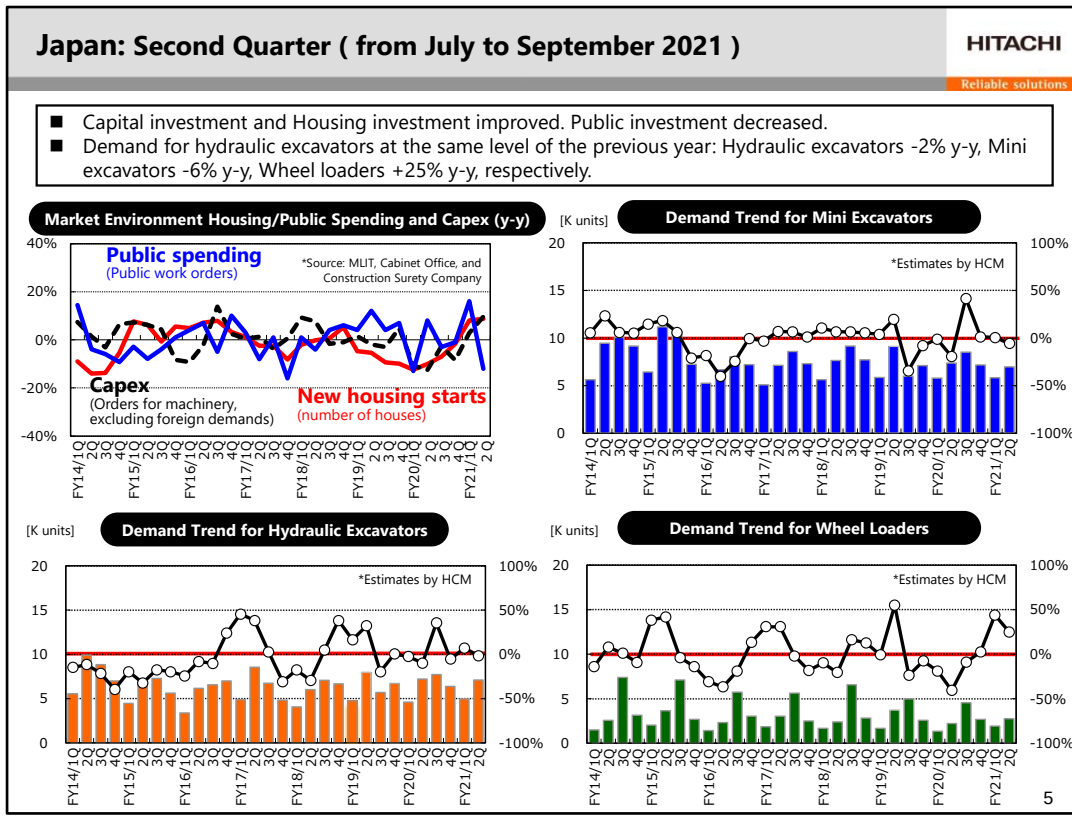
The demand forecast for FY2021 remains strong as expected in the previous forecast, as developed countries have been affected by mitigation policies due to the progress of vaccination, and the housing market and oil and gas market have remained strong.

Also, current demand in emerging markets such as Russia, Middle East, and Asia increased by rising resource prices such as those for crude oil. On the other hand, there has been a reactionary decline following the increase in demand from FY2020 in the Chinese market.

Considering the above, we have left the total global demand for FY2021 as 220,000 units unchanged from the previous forecast.

Global demand decreased by 7% year on year, and global demand excluding China increased by 8%.

Next, I would like to explain the results of the first quarter for each region.

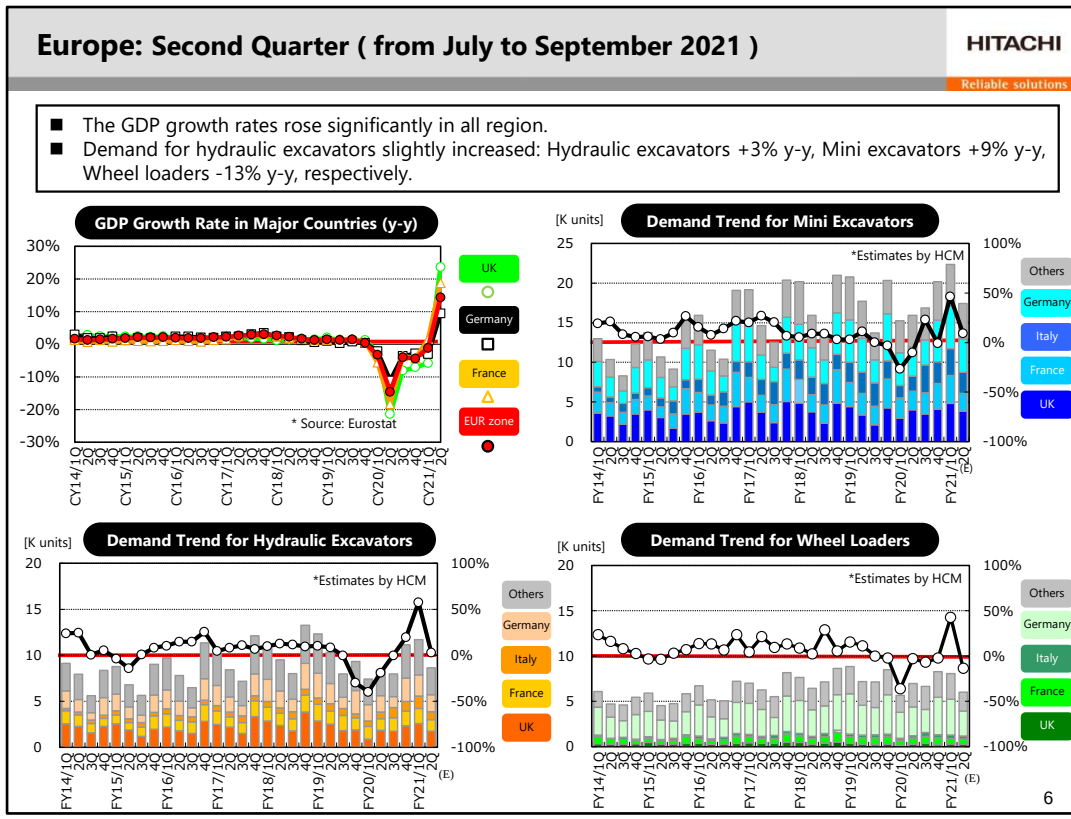


This slide explains the Japanese market.

The graph on the top left shows that new housing starts and capex increased year on year.

However, public spending decreased year on year due to the concentration of orders after a state of emergency was declared in the same period of the previous year, but it has remained at the same level as usual.

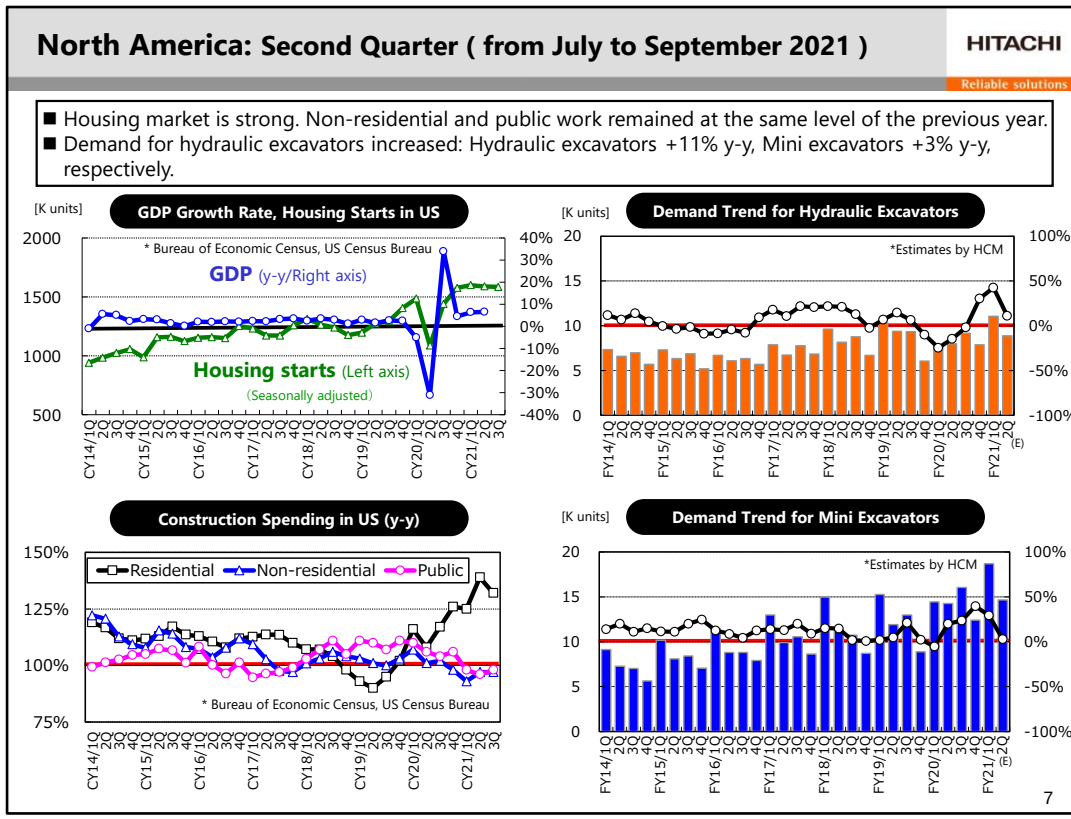
The graph in the lower left shows that demand in Q2 of FY2021 for hydraulic excavators decreased by 2% year on year, and that for mini excavators in the upper right decreased by 6%. Demand for wheel loaders in the lower right increased by 25% due to demand for snow removal remaining strong because of increased snowfall in the previous year.



This slide explains the European market.

The graph on the top left shows that the GDP growth rate in the eurozone for the period from April to June 2021 significantly increased compared to the same period of the previous year, due to the influence of the easing policy by the vaccination progress and the boost of overall consumer spending.

The demand in Q2 of FY2021 continues to recover due to the influence of the supply chain. The graph in the lower left shows that the demand for hydraulic excavators increased by 3% year on year, that for mini excavators in the upper right increased by 9%, and demand for wheel loaders in the lower right decreased by 13%.



This slide explains the North American market.

The graph on the top left shows that the GDP growth rate and housing starts remain strong.

The graph in the lower left shows that the rate of residential construction spending continued to stay at a high level, and both the rates of non-residential construction spending and public construction spending remained at the same level as the previous year.

The graph on the top right shows that demand for hydraulic excavators in Q2 of FY2021 increased by 11% year on year due to the recovery trend continuing as in the European market.

The graph in the lower right shows that demand for mini excavators remains strong, +3% year on year.

China: Second Quarter (from July to September 2021)

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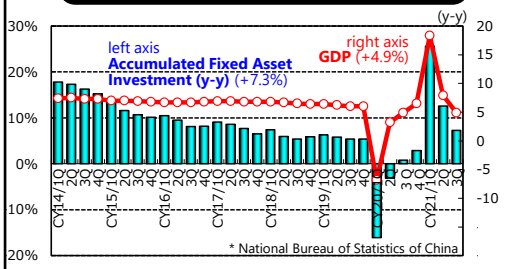
- The GDP growth rate, +4.9%.
- Demand for hydraulic excavators decreased. -57% y-y, Foreign manufactures only.

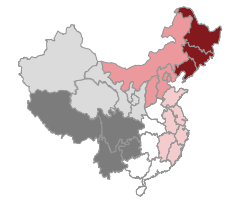
GDP and Fixed Asset Investment



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

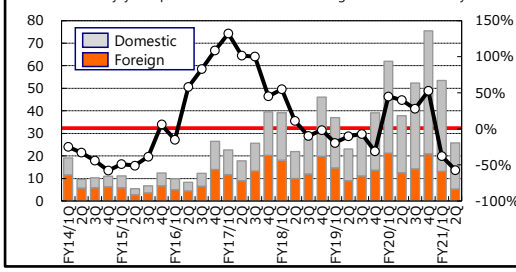
FY20(%)	3Q	4Q	1Q	2Q
North East	+27	+98	-31	-45
North	+23	+76	-20	-40
East	+36	+42	-42	-63
Central South	+22	+70	-42	-55
North West	+27	+68	-42	-62
South West	+26	+25	-35	-60
Total	+28	+53	-37	-57

*Estimates by HCM
*Foreign manufactures only



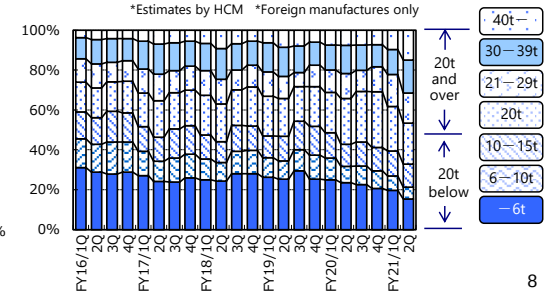
Demand Trend for Hydraulic Excavators

*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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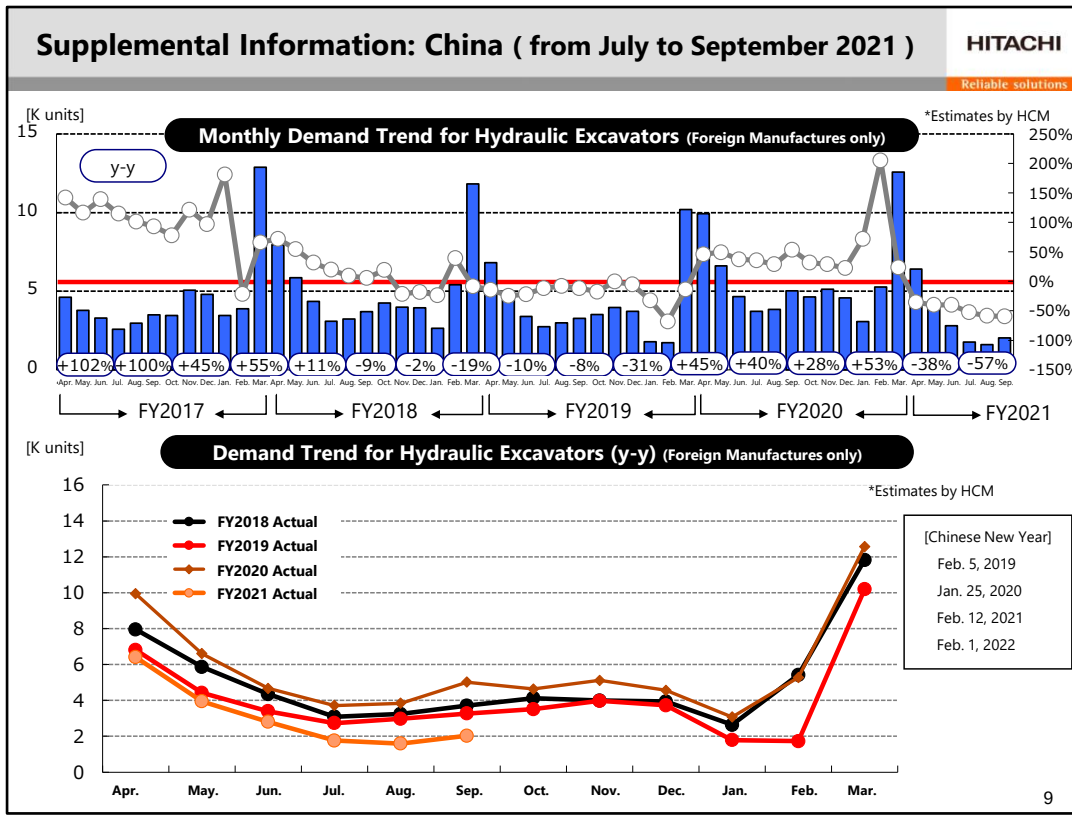
This slide explains the Chinese market.

The graph on the top left shows that the GDP growth rate increased by 4.9% from July to September 2021. Accumulated fixed asset investment increased by 7.3%, its growth is slowing down.

The graph in the lower left shows that demand for hydraulic excavators including machinery produced by Chinese manufacturers in Q2 of FY2021 decreased by 32% year on year. As a breakdown, demand for machinery produced by Chinese manufacturers decreased by 19% and demand for machinery produced by non-Chinese manufacturers decreased by 57%.

In addition, in the trend of demand by region on the upper right, demand declined in all regions.

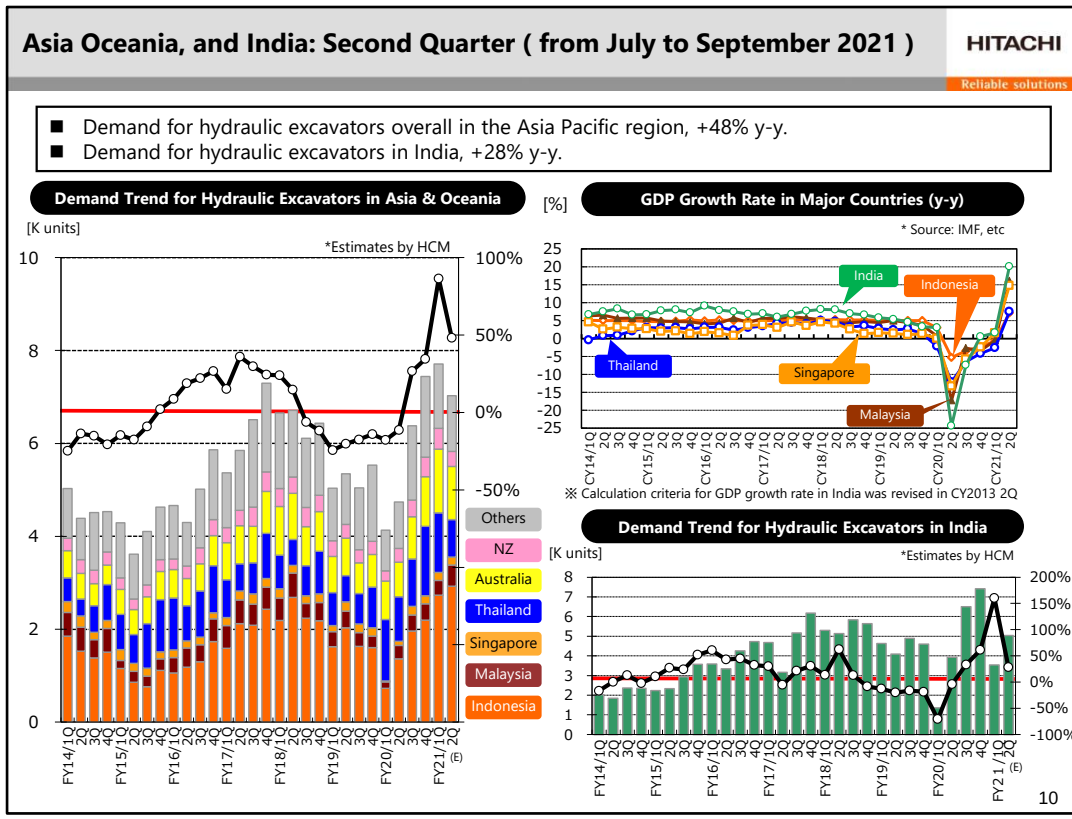
Please refer to the lower right chart for the demand composition by class.



This slide is supplementary information on the Chinese market.

The monthly demand trend for hydraulic excavators produced for non-Chinese manufacturers only in the upper graph showed a year-on-year decrease of 57% in Q2 of FY2021.

Demand, which has been on an increasing trend due to the rapid recovery from COVID-19, due to the excess machinery in the market and has decreased compared to the same period of the previous year.



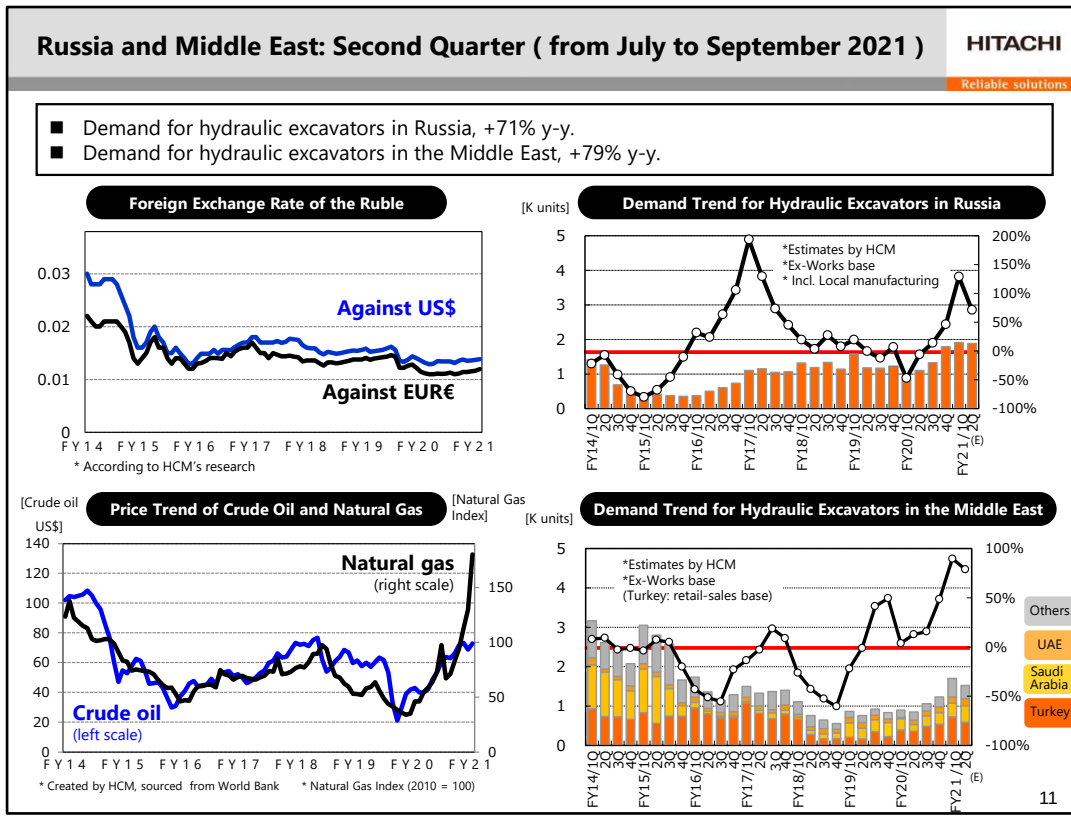
This slide explains the markets in Asia, Oceania, and India.

The graph on the top right shows that GDP growth in major countries is positive in all regions compared to the same period of the previous year.

In the left-hand graph, demand for hydraulic excavators in Asia and Oceania increased 48% year on year due to resource prices remaining at a high level.

In Southeast Asia, although the number of people infected with corona virus increased, demand is increasing compared to the same period of the previous year in all regions except Thailand and Myanmar.

The graph in the lower right shows that demand for hydraulic excavators in India increased by 28% compared to the same period of the previous year. This is due to the influence of the easing policy by the vaccination progress.



This slide explains the Russia and Middle East markets.

The graph on the top right shows that demand for hydraulic excavators in Russia for Q2 of FY2021 increased by 71% due to the economic recovery by deregulation of COVID-19 and rising resource prices.

The graph in the lower right shows that demand for hydraulic excavators in the Middle East increased by 79% year on year by continuing on a recovery trend, significantly in Turkey in Saudi Arabia.

Mining machinery: FY2021 (from April 2021 to March 2022)

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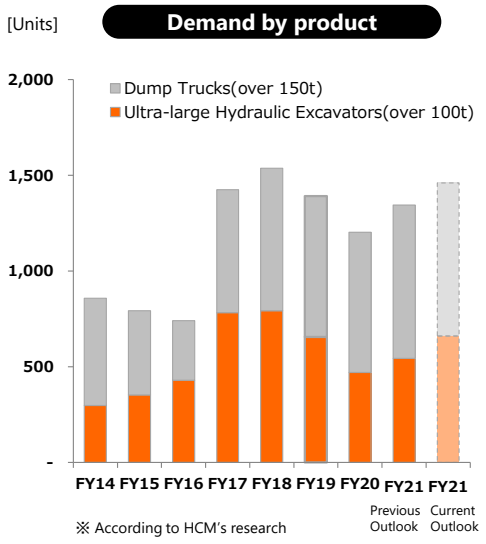
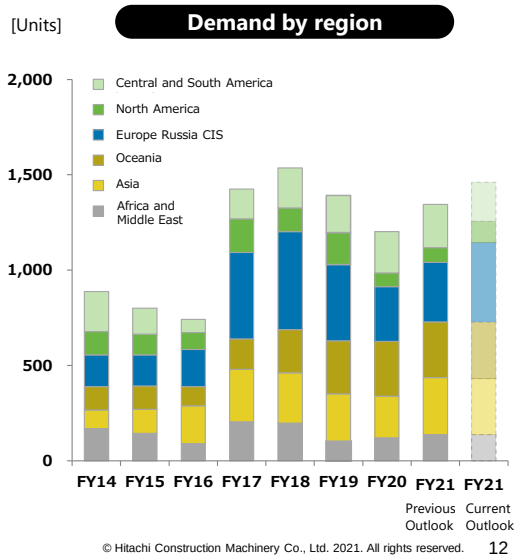
- Demand forecast for mining machinery in FY2021 is expected to increase by 21% y-y.
- Demand from hard-rock mines has been solid. Demand for 100t class hydraulic excavators increased for small and medium sized mines and constructors.

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



※ According to HCM's research



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The mining demand forecast in FY2021 is expected to grow by about 21% year on year against a backdrop of global economic recovery, aggressive infrastructural investment in various countries, and strong resource prices.

By type of mine, we forecast that demand from hard rock mines will remain strong.

By region, demand from small and medium-sized mines in Asia and Russia, including Indonesia, and demand for 100t-class excavators for contractors, is expected to increase.

Supplementary Information: BB Ratio

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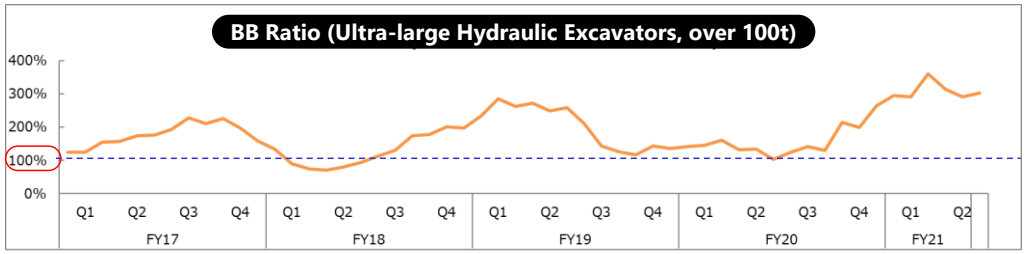

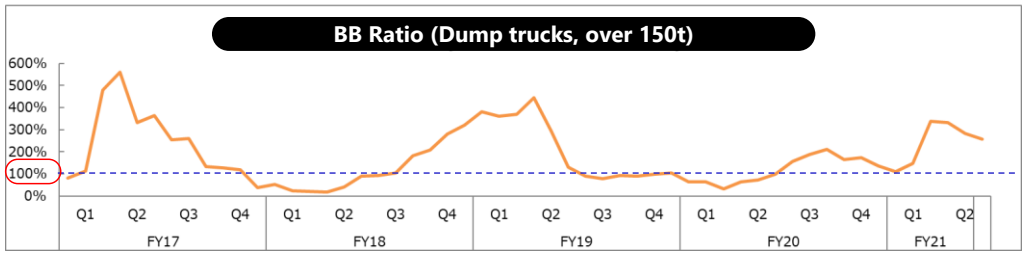

* Book-to-Bill(BB) Ratio = Bookings (Orders received)/Billings (Value of shipment)
Non-consolidated basis (average of 6 months)

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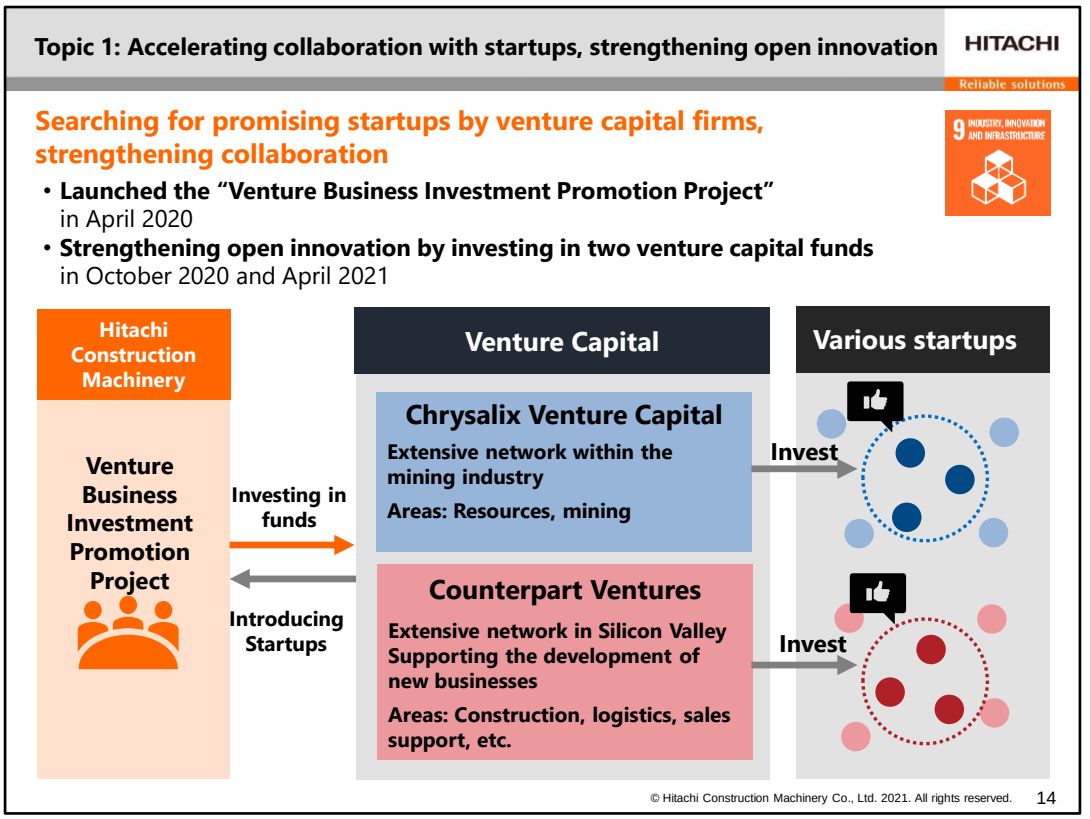
This slide explains the BB ratio of mining machinery.

Continuing from the first quarter, we have maintained more than 100% of ultra-large excavators and dump trucks.

Due to the delivery schedule, most of the new orders, except for some models, are for sale in FY2022.



In recent years, a great number of startups are offering new technologies and services as digital technologies are being utilized in every field.

The strengthening of "open innovation" through the utilization of these startups is being positioned as an important pillar of the company's strategy to deepen its solutions.

Therefore, we launched the "Venture Business Investment Promotion Project" in April 2020,

and have searched for promising startups and strengthened collaboration by investing in two venture capital funds.

First, in October 2020, we invested in the fund of Chrysalix Venture Capital, a Canadian company with an extensive network in the mining industry.

Secondly, in April 2021, we invested in a fund of Counterpart Ventures, a U.S. company with an extensive network in Silicon Valley.

We will strengthen our collaboration with startups to deepen our solutions business and accelerate DX (operational reforms utilizing digital technologies).

Topic 2: Participation in a Human Resource Development Project in Zambia

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Joining the human resource development project for construction machinery operators promoted by the Zambian government, together with the Japanese government and UNIDO (to start in October 2021)

- **Hitachi Construction Machinery Zambia to provide support for the creation of training curricula and materials and the provision of training equipment, with the aim of expanding employment opportunities for young people**
- **Contributing to the creation of 125 construction machinery operators per year**
- **Contributing to the resolution of social issues through our business**

The run-up to commencement of this project, the signing ceremony

Joint declaration issued by UNIDO and Hitachi Construction Machinery

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Next, we are participating in a human resource development project in Zambia.

Together with the Japanese government and UNIDO, Hitachi Construction Machinery will participate in the public-private partnership project advanced by the Government of Zambia to train construction machinery operators.

Our local base of Hitachi Construction Machinery Zambia will contribute to the creation of 125 construction machinery operators per year by providing support in the creation of training curricula and materials and the provision of training equipment with the aim of expanding employment opportunities for young people in Zambia.

At the end of September, UNIDO and Hitachi Construction Machinery announced a joint declaration on collaboration for this project.

Leveraging our business experience in Zambia, we will contribute to solving social issues in emerging countries through active support for this project.

Topic 3: Nakayama finishes 5th in Shooting at Tokyo 2020

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Yukie Nakayama 5th place in Tokyo 2020 Olympics Mixed Trap Shooting

Online debriefing session held to report Tokyo 2020 Olympics results internally

Profile
Joined the company in 1997. After playing softball until high school, switched to clay target shooting when she joined the company. Participating in clay target shooting for 24 years and competed in her fifth Olympics.

Thank you very much for your warm encouragement and support.

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Lastly, we would like to talk about the Tokyo 2020 Olympics, which concluded in August 2021.

Yukie Nakayama, a member of our company, competed in her fifth Olympics and won 5th place in the "Shooting Mixed Trap."

Thank you very much for your warm encouragement and support.

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2. Business Results for the Second Quarter ended September 30, 2021

(April 1, 2021 - September 30, 2021)

Keiichiro Shiojima

Executive Officer, CFO

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Our Financial Results in Q2 FY2021 are explained by Keiichiro Shiojima, Executive Officer, CFO.

Summary of consolidated results

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In the first half of FY2021, despite the impact of COVID-19, revenue increased by 31% y-y and adjusted operating income increased 248%, partly due to the impact of yen depreciation of 24.2 billion yen.

[billions of yen]

		FY2021 1Q-2Q		FY2020 1Q-2Q		change
Revenue			473.7		360.9	31%
Adjusted operating income *1		8.0%	38.1	3.0%	10.9	248%
Operating income		8.1%	38.4	2.4%	8.5	349%
Income before income taxes		9.0%	42.6	1.3%	4.8	790%
Net income attributable to owners of the parent		6.7%	31.9	0.1%	0.2	-
EBIT *2		9.3%	43.9	1.8%	6.5	573%
FX rate	Rate (YEN/US$)		109.8		107.0	2.8
	Rate (YEN/EURO)		131.0		121.8	9.2
	Rate (YEN/RMB)		17.0		15.2	1.7
	Rate (YEN/AU$)		82.6		73.3	9.3
Cash dividend per share (yen) *3			45		10	35

*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.

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In the first half of FY2021, although the effects of COVID-19 remained, total revenue was largely influenced by price adjustments in North, Central, and South America resulting from the dissolution of the joint venture with Deere & Company announced in August, in addition to depreciation of the yen.

As a result, total revenue for the first half of FY2021 increased by 31% year on year to ¥473.7 billion. Adjusted operating income increased by 248% year on year to ¥38.1 billion, resulting in an adjusted operating income margin of 8.0%. Operating income was ¥38.4 billion, resulting in an operating income margin of 8.1%. Net income attributable to owners of the parent was ¥31.9 billion.

The Company's Board of Directors resolved an interim cash dividend of ¥45 per share today.

In the first half of FY2021, the yen depreciated against all main currencies over the previous year: by ¥2.8 against the U.S. dollar, by ¥9.2 against the euro, by ¥1.7 against the Chinese yuan, and by ¥9.3 against the Australian dollar.

Revenue by geographic region (consolidated)

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Revenue increased in each region expect China y-y, consolidated revenue increased by 112.8 billion yen.

[billions of yen]

	FY2021 1Q-2Q		FY2020 1Q-2Q		change	
					amount	%
Japan	96.9	20%	91.1	25%	5.8	6%
Asia	35.7	8%	21.3	6%	14.4	67%
India	23.4	5%	16.0	4%	7.4	46%
Oceania	80.8	17%	69.4	19%	11.3	16%
Europe	58.4	12%	34.0	9%	24.4	72%
N.America	93.2	20%	47.7	13%	45.6	96%
L.America	10.2	2%	5.2	1%	5.0	98%
Russia-CIS	16.5	3%	9.9	3%	6.6	67%
M.East	10.2	2%	8.6	2%	1.6	18%
Africa	19.3	4%	15.5	4%	3.8	25%
China	29.1	6%	42.3	12%	-13.1	-31%
Total	473.7	100%	360.9	100%	112.8	31%
Overseas ratio	80%		75%			

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Total revenue for the first half of FY2021 increased year on year in all regions except China.

Despite not reaching the level before COVID-19, market recovery was particularly marked in North America, Europe, and Asia, and the impact of the yen's depreciation also coincided, resulting in a significant increase in revenue.

Meanwhile, revenue in China decreased sharply by ¥13.1 billion year on year.

The overseas revenue ratio increased by 5 percentage points year on year to 80%.

Mining revenue

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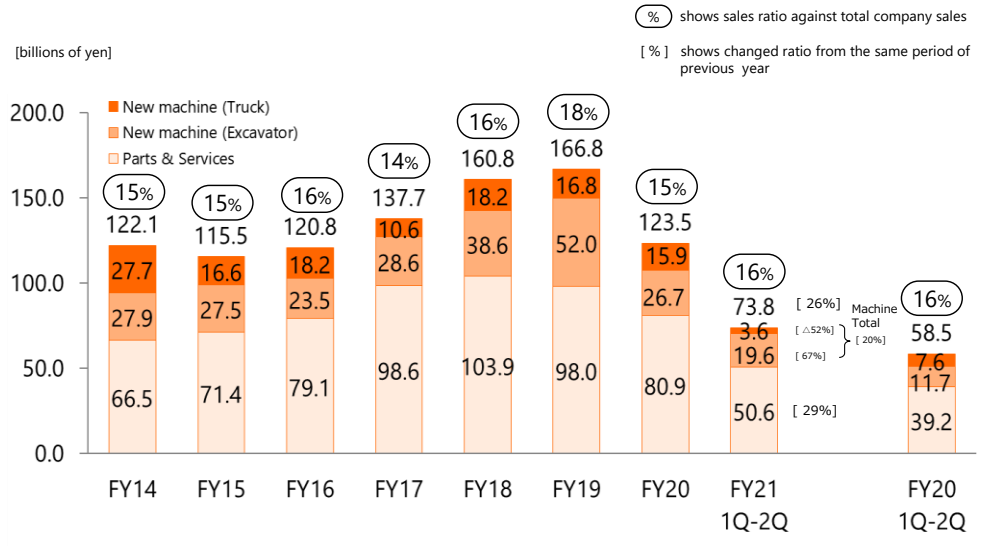
In the first half of FY2021, Revenue of mining increased by 26% to 73.8 billion yen y-y, partly due to the impact of the depreciation of the yen, 5.7 billion yen.



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Mining revenues for the first half of FY2021 increased by 26% year on year to ¥73.8 billion, as shown in the second bar graph from the right.

We have analyzed the impact of the yen's depreciation as a factor behind a 10% increase in revenue, and we see an 16% increase in revenue on a local currency basis over the previous year.

Total sales of new machines increased by 20%. Total sales of trucks decreased by 52%, while Total sales of hydraulic excavators increased by 67%. In addition, Total sales of mining parts and services also increased by 29% year on year.

Value chain[*1] revenue

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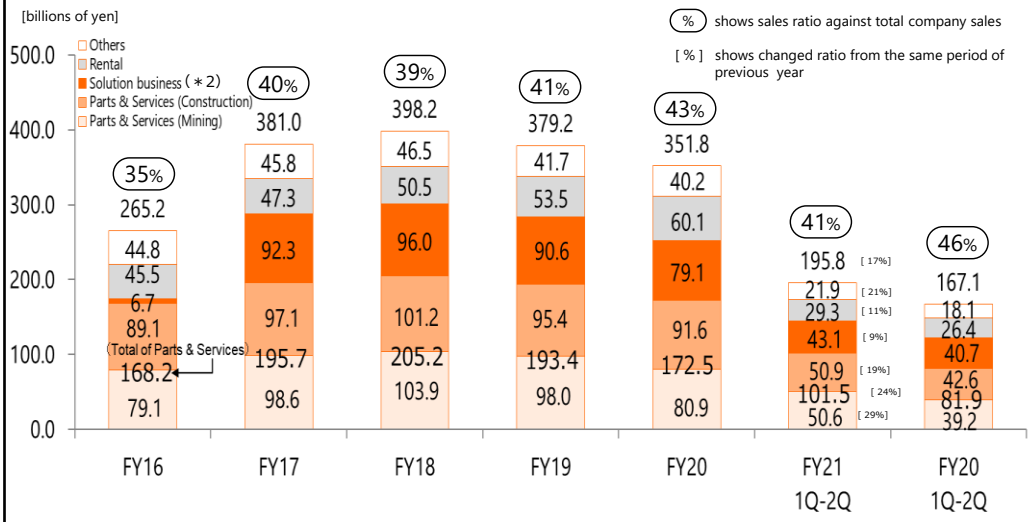
In the first half of FY2021, revenue of the value chain business increased by 17% to 195.8 billion yen y-y, partly due to the impact of the depreciation of the yen, 11.5 billion yen.



(*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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Look at the second bar graph from the right.

As you can see, value chain sales revenue for the first half of FY2021 increased by 17% year on year to ¥195.8 billion.

We have analyzed the impact of the yen's depreciation as a factor behind a 7% increase in revenues, and we see an 10% increase in revenue on a local currency basis over the previous year.

Revenue of parts and services, which consist of mining (the first row from the bottom of the bar graph) and construction (the second row), increased by 24% over the previous year.

Comparison of consolidated income

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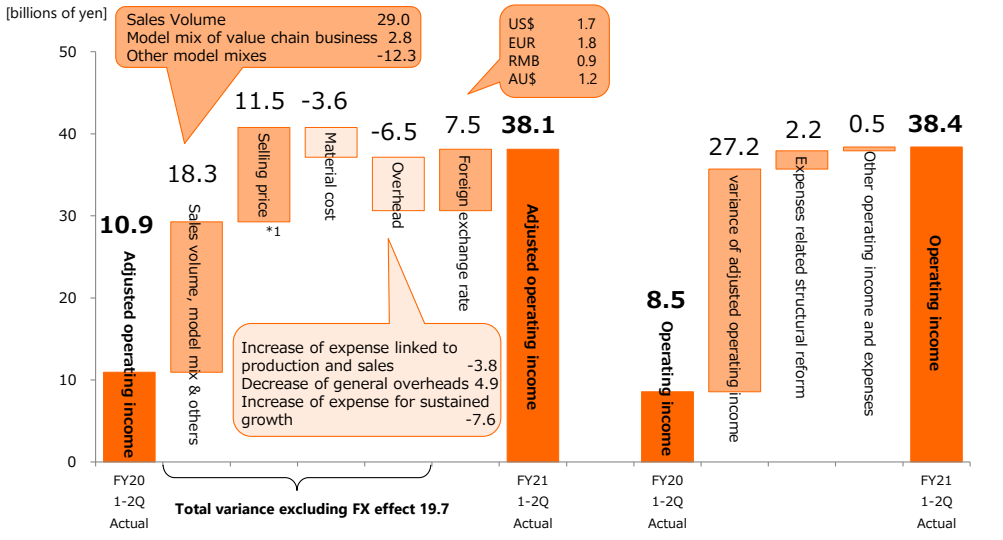
Adjusted operating income increased by 27.2 billion yen y-y due to the increased sales volume, model mix, improved selling price, price adjustment in North, Central & South America and the impact of the depreciation of the yen.



*1 Selling price: Price adjustment in North, Central and South America(11.1 billion yen)is included.

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22

We explain the factors behind the ¥27.2 billion increase in adjusted operating income over the previous year.

As I have explained, revenue increased in all regions except China, which contributed to an increase of ¥18.3 billion in the volume and model mix and others.

As noted, due to ¥11.1 billion reflected in the price adjustments in North, Central, and South America in conjunction with the dissolution of the joint venture with Deere & Company, as well as improved sales prices in each region, there was an ¥11.5 billion increase in income.

On the other hand, material costs increased by ¥3.6 billion due to soaring steel prices, and overhead costs also increased by ¥6.5 billion due to an increase in production and sales volume.

As a result of the impact of the yen's depreciation (¥7.5 billion), adjusted operating income increased by ¥27.2 billion year on year to ¥38.1 billion.

Compared with the previous year, when losses were recorded mainly at Bradken, no major projects were undertaken in the fiscal year under review, expenses-related structural reform improved by ¥2.2 billion.

As a result, operating income increased by ¥29.9 billion year on year to ¥38.4 billion.

Consolidated statement of income

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SGA expenses increased by 12.2 billion yen to 88.7 billion yen y-y.

[billions of yen]

	FY2021 1Q-2Q		FY2020 1Q-2Q		change	
					amount	%
Revenue		473.7		360.9	112.8	31%
Cost of Sales	(73.2%)	346.9	(75.8%)	273.4	73.5	27%
SGA expenses	(18.7%)	88.7	(21.2%)	76.6	12.2	16%
Adjusted operating income *1	(8.0%)	38.1	(3.0%)	10.9	27.2	248%
Other Income/expenses		0.3		-2.4	2.7	-
Operating income	(8.1%)	38.4	(2.4%)	8.5	29.9	349%
Financial income/expenses		-0.5		-3.8	3.3	-87%
Share of profits of investments accounted for using the equity method		4.7		0.1	4.6	-
Income before income taxes	(9.0%)	42.6	(1.3%)	4.8	37.8	790%
Income taxes		8.6		2.6	6.0	228%
Net income	(7.2%)	34.0	(0.6%)	2.2	31.8	-
Net income attributable to owners of the parent	(6.7%)	31.9	(0.1%)	0.2	31.7	-

*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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The following is a brief explanation of non-operating income and loss.

Financial income and expenses improved by ¥3.3 billion year on year, mainly due to foreign exchange gains.

The share of profits of investments accounted for using the equity method also increased by ¥4.6 billion year on year.

This was largely attributable to the improved performance of equity-method affiliates in the Americas.

Net income attributable to owners of the parent was ¥31.9 billion.

Summary of quarterly consolidated revenue and operating income (ratio)

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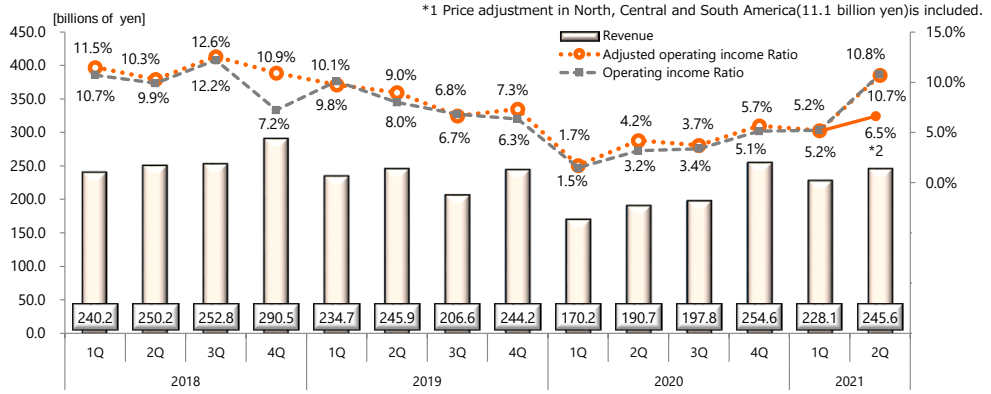
[billions of yen]

	2018				2019				2020				2021	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q *1
Revenue	240.2	250.2	252.8	290.5	234.7	245.9	206.6	244.2	170.2	190.7	197.8	254.6	228.1	245.6
Adjusted operating income	27.6	25.8	31.8	31.7	22.9	22.1	13.8	17.9	2.9	8.0	7.4	14.4	11.8	26.3
Operating income	25.7	24.8	30.8	21.0	23.7	19.6	14.1	15.5	2.5	6.0	6.7	13.0	11.9	26.5

*1 Price adjustment in North, Central and South America(11.1 billion yen)is included.



*2 Price adjustment in North, Central and South America(11.1 billion yen)is excepted.

FX rate	2018				2019				2020				2021	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Rate (YEN/US$)	109.1	111.5	112.9	110.2	109.9	107.4	108.8	108.9	107.6	106.2	104.5	105.9	109.5	110.1
Rate (YEN/EURO)	130.1	129.6	128.8	125.2	123.5	119.3	120.3	120.1	118.5	124.1	124.5	127.7	132.0	129.8
Rate (YEN/RMB)	17.1	16.4	16.3	16.3	16.1	15.3	15.5	15.6	15.2	15.4	15.8	16.4	17.0	17.0
Rate (YEN/AU$)	82.6	81.5	81.1	78.5	76.9	73.6	74.3	71.8	70.7	75.9	76.3	81.8	84.3	80.9

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Please see FY2021 Q2 on the right-hand side.

Including the lump-sum recording of sales price adjustments of ¥11.1 billion for the Americas, which I have mentioned, revenue in Q2 was ¥245.6 billion, an increase of ¥54.9 billion from ¥190.7 billion in the same period of the previous fiscal year.

Adjusted operating income was 10.7%, as shown in the line graph.

As discussed in *2, the actual profit margin excluding the price adjustment reflection of ¥11.1 billion is analyzed to be 6.5%.

Consolidated statement of financial position

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Total assets increased by 33.6 billion yen y-y due to increase by inventories and property, plant and equipment.

[billions of yen]

	(A) FY21-2Q	(B) Mar '2021	(C) FY20-2Q	(A)-(B) change
Cash and cash equivalents	87.7	80.3	65.1	7.4
Trade receivables	199.1	211.2	173.9	-12.1
Inventories	309.4	297.8	296.6	11.7
Total current assets	645.8	617.2	570.4	28.6
Total non-current assets	608.4	603.4	571.2	5.0
Total assets	1,254.1	1,220.6	1,141.5	33.6
Trade receivables incl. non-current	240.2	252.7	210.7	-12.4
Inventories by products				
Unit	80.2	77.3	75.6	2.9
Parts	101.3	102.3	106.9	-1.0
Raw materials, WIP and etc	128.0	118.2	114.1	9.8
Total inventories	309.4	297.8	296.6	11.7
On hand days(divided by revenue)				(Days)
Trade receivables	95	113	95	-18
Inventories	122	134	133	-12
Trade payables	45	49	38	-5
Net working capital	168	194	187	-26

	(D) FY21-2Q	(E) Mar '2021	(F) FY20-2Q	(D)-(E) change
Trade and other payables	206.4	199.2	161.8	7.1
Bonds and borrowings	336.4	329.5	337.3	6.9
Total liabilities	658.6	651.3	611.2	7.2
(Equity attributable to owners of the parent ratio)	(43.3%)	(42.1%)	(41.9%)	(1.2%)
Total equity	595.6	569.2	530.3	26.3
Total liabilities and equity	1,254.1	1,220.6	1,141.5	33.6
	(26.8%)	(27.0%)	(29.5%)	(-0.2%)
Interest-bearing debt	336.4	329.5	337.3	6.9
Cash and Cash equivalents	87.7	80.3	65.1	7.4
	(19.8%)	(20.4%)	(23.8%)	(-0.6%)
Net interest-bearing debt	248.6	249.2	272.2	-0.5
Net D/E Ratio	0.46	0.48	0.57	-0.03

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Compared to the end of March 2021, trade receivables including non-current assets decreased by ¥12.4 billion to ¥240.2 billion.

Meanwhile, inventories increased by ¥11.7 billion to ¥309.4 billion.

In addition, due in part to an increase in cash and deposits and an increase in non-current assets, total assets increased by ¥33.6 billion from the end of FY2020 to 1,254.1 billion.

From the end of FY2020, days on hand for trade receivables were reduced by 18 days to 95 days, and days on hand for inventories were reduced by 12 days to 122 days.

As a result, net working capital on hand was reduced by 26 days to 168 days.

Total interest-bearing debt on the right-hand side increased by ¥6.9 billion from the end of FY2020 to ¥336.4 billion. However, net interest-bearing debt decreased by ¥0.5 billion to ¥248.6 billion, partly due to the accumulation of ¥7.4 billion in cash and deposits.

Total equity was ¥595.6 billion, representing a 43.3% of equity attributable to owners of the parent ratio and a net debt/equity ratio improved along with 0.46.

Consolidated cash flow

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Net cash provided by (used in) operating activities totaled to positive 28.1 billion yen.

[billions of yen]

	FY2021 1Q-2Q		FY2020 1Q-2Q		change	
Net income		34.0		2.2		31.8
Depreciation and amortization	61.2	27.2	26.7	24.6	34.4	2.6
(Increase)decrease in trade/lease receivables		13.7		47.3		-33.6
(Increase)decrease in inventories	5.1	-12.2	28.9	11.4	-23.8	-23.6
Increase(decrease) in trade payables		3.6		-29.8		33.4
Others, net		-38.2		-17.9		-20.3
Net cash provided by (used in) operating activities		28.1		37.8		-9.7
Cash flow margin for operating activities		5.9%		10.5%		-4.6%
Net cash provided by (used in) investing activities		-15.9		-17.0		1.1
Free cash flows		12.2		20.8		-8.6
Net cash provided by (used in) financing activities		-5.6		-18.7		13.1

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In the first half of FY2021, operating cash flow was positive at ¥28.1 billion, but decreased by ¥9.7 billion year on year due to a small reduction in working capital due to an increase in revenues volume.

Although net cash used in investing activities was limited to a year-on-year decrease of ¥1.1 billion to ¥15.9 billion, free cash flow decreased by ¥8.6 billion to ¥12.2 billion.

Summary of consolidated earnings forecast

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Consolidated income statement for FY2021 is revised upward from the previous forecast.

[billions of yen]

	FY2021 Forecast	FY2020 Actual	change amount	change %
Revenue	920.0	813.3	106.7	13%
Adjusted operating income	(8.0%) 74.0	(4.0%) 32.7	(4.0%) 41.3	126%
Operating income	(8.6%) 79.0	(3.5%) 28.2	(5.1%) 50.8	180%
Income before income taxes	(8.7%) 80.0	(3.1%) 25.6	(5.6%) 54.4	213%
Net income attributable to owners of the parent	(5.0%) 46.0	(1.3%) 10.3	(3.7%) 35.7	345%
EBIT	82.9	28.7	54.1	

Currency	1Q-2Q Actual	3Q-4Q Forecast	Total Forecast	FY2020 Actual	change
Rate (YEN/US$)	109.8	105.0	107.2	106.0	1.2
Rate (YEN/EURO)	131.0	125.0	127.9	124.6	3.3
Rate (YEN/RMB)	17.0	16.0	16.4	15.7	0.7
Rate (YEN/AU$)	82.6	80.0	81.3	76.0	5.2
Cash dividend per share (yen) *1	to be determined			20	-

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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In light of the results in the first half of FY2021 and the demand environment, which I have explained so far, we have revised upward the previously announced value in July for this fiscal year's earnings forecast.

Specifically, as shown on this page, revenue is ¥920 billion, adjusted operating income is ¥74 billion, and net income attributable to owners of the parent is ¥46 billion. The adjusted operating income rate is expected to be 8.0%.

In addition to the lump-sum recording of sales price adjustments of ¥11.1 billion for the Americas, the impact of the gain by the transfer of our shareholding of ¥8.2 billion in joint venture companies in the Americas was factored in at the end of the fiscal year under review.

The forecast exchange rate for Q3 onward has not been changed.

References are also provided on page 32 for foreign exchange sensitivities that affect revenue from Q3 onward and adjusted operating income.

Consolidated revenue forecast by geographic region

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Consolidated revenue for FY2021 is expected to increase by 40.0 billion yen from the previous forecast and by 106.7 billion yen compared to the previous year.

(billions of yen)

	FY2021 Forecast		FY2020 Actual		change	
					amount	%
Japan	207.3	23%	203.3	25%	4.0	2%
Asia	72.2	8%	52.7	6%	19.5	37%
India	49.5	5%	50.0	6%	-0.6	-1%
Oceania	155.9	17%	139.9	17%	16.0	11%
Europe	105.2	11%	87.8	11%	17.3	20%
N.America	160.1	17%	107.2	13%	52.9	49%
L.America	16.7	2%	10.9	1%	5.9	54%
Russia-CIS	38.0	4%	22.7	3%	15.3	67%
M.East	21.0	2%	16.1	2%	4.9	30%
Africa	35.3	4%	33.6	4%	1.7	5%
China	58.9	6%	89.1	11%	-30.1	-34%
Total	920.0	100%	813.3	100%	106.7	13%
Overseas ratio	77%		75%			

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I have explained that we will revise our revenue forecast in the fiscal year upward to ¥920 billion, and this page explains the revenue forecast by region.

Sales in China are expected to decrease year on year.

We also expect a slight decrease in sales in India, but we will revise this upward from the previous forecast.

In all other regions, we forecast a year-on-year increase in sales, mainly in North America, Asia, and Europe.

Mining revenue forecast

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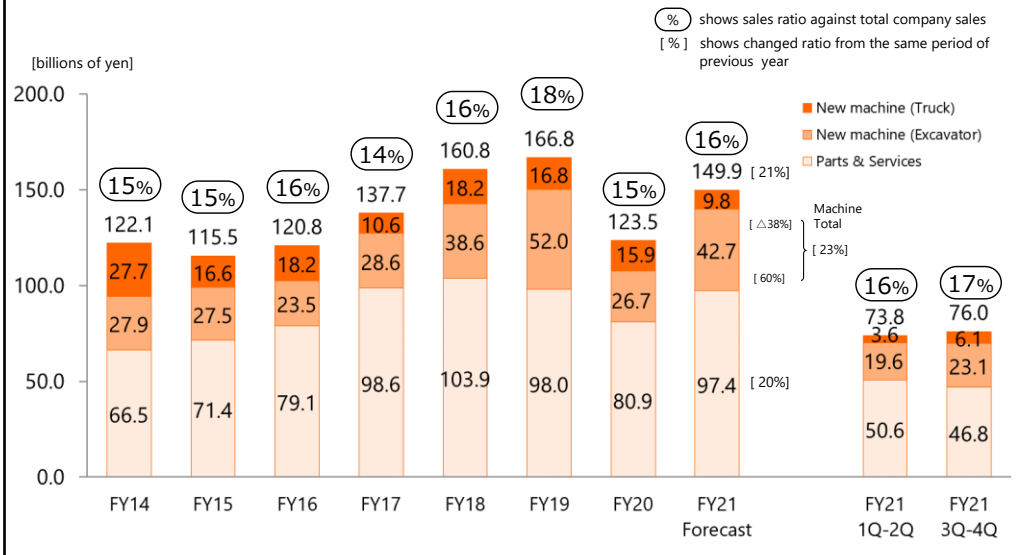
Revenue of mining in FY2021 is expected to increase by 9% from the previous forecast and by 21% compared to the previous year to 149.9 billion yen y-y.



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The mining revenue forecast for FY2021 is also revised upward from the previously announced figure in July, with a 21% year-on-year increase to ¥149.9 billion.

In mining machinery, we expect an increase of 23% year on year in sales of trucks and excavators in total, and an increase of 20% year on year in sales of parts and services.

Please refer to "Details of Mining Revenue" by region as reference material 2 on page 33.

Value chain[*1] revenue forecast

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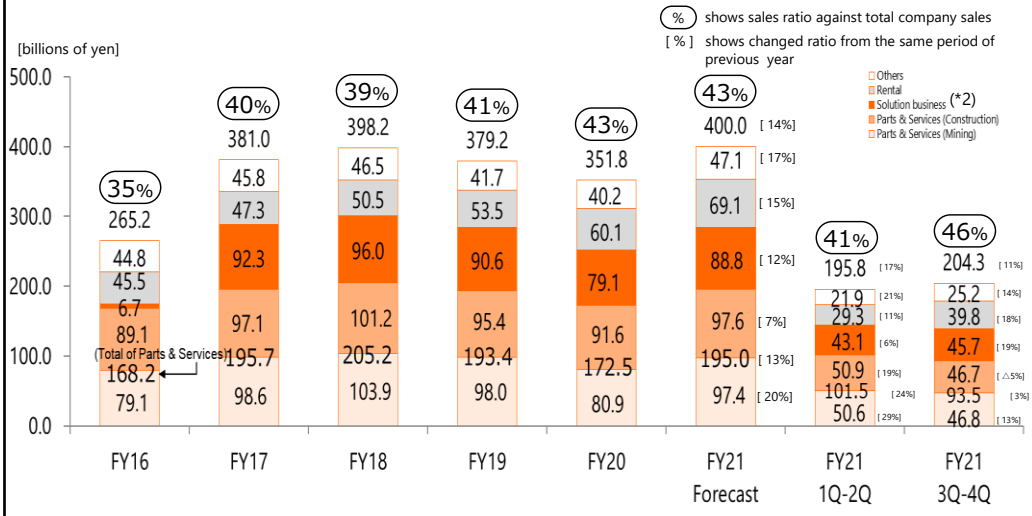
Revenue of value chain in FY2021 is expected to increase by 2% from the previous forecast and by 14% compared to the previous year to 400.0 billion yen y-y.



(*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 forecast for value chain revenue for FY2021 is also revised upward from the previously announced figure in July, with a 14% year-on-year increase to ¥400 billion.

This time, the value chain total amount is expected to be in the ¥400 billion range for the first time.

Individually, we will incorporate year-on-year increases in the parts services, rental, and solution business as well.

The sales composition ratio is expected to be 43%, the same level as the previous year.

Comparison of consolidated income forecast

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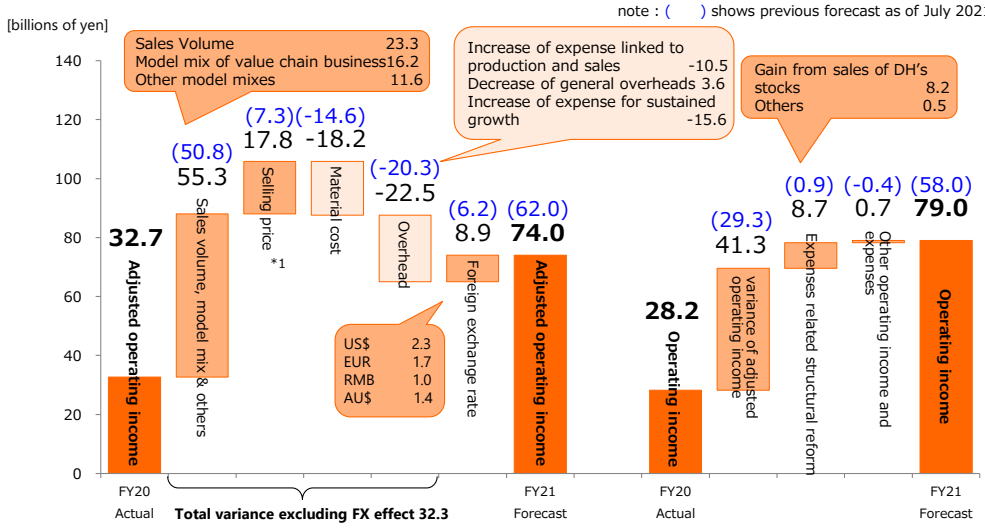
Adjusted operating income for FY2021 is expected to increase by 41.3 billion yen y-y due to an increase in sales volume, model mix, improved selling price, price adjustment in North, Central & South America and the impact of the depreciation of the yen.

note : ( ) shows previous forecast as of July 2021



*1 Selling price: Price adjustment in North, Central and South America(11.1 billion yen)is included.

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Let me explain the factors behind adjusted operating income for the current fiscal year of ¥74 billion, which is expected to increase by ¥41.3 billion year on year.

As shown in this diagram, the increase in sales volume due to the recovery in the market and the increase in the model mix and others of ¥55.3 billion is large. In addition, the lump-sum recording of sales price adjustments of ¥11.1 billion for the Americas in the first half of FY2021 and the change in selling prices incorporating the increase in sales prices in each region will also contribute to the increase in adjusted operating income of ¥17.8 billion.

On the other hand, due to an increase in materials costs of ¥18.2 billion due to soaring steel prices and an increase in overhead costs of ¥22.5 billion, we expect adjusted operating income of ¥74 billion, including an increase of ¥8.9 billion due to depreciation of the yen.

Operating income is expected to increase by ¥50.8 billion year on year to ¥79 billion due to an increase in adjusted operating income of ¥41.3 billion and the incorporation of a ¥8.2 billion gain by the transfer of our shareholding in joint venture companies in the Americas.

Four reference materials are provided on the following pages. Please refer to them.

Appendix 1: FX rate and FX sensitivity

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The forecast exchange rate for FY2021 was set within the expected fluctuation range for each currency.

FX rate and FX sensitivity

[billions of yen]

Currency	FX rate				FX sensitivity (3Q-4Q)		
	FY21			FY20 Actual	Condition	Revenue	Adjusted operating income
	1Q-2Q Actual	3Q-4Q Forecast	Total Forecast				
US$	109.8	105.0	107.2	106.0	Impact by 1 yen depreciation	1.1	0.9
EURO	131.0	125.0	127.9	124.6	Impact by 1 yen depreciation	0.3	0.3
RMB	17.0	16.0	16.4	15.7	Impact by 0.1 yen depreciation	0.2	0.1
AU$	82.6	80.0	81.3	76.0	Impact by 1 yen depreciation	1.1	0.1

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Appendix 2: Detail of mining revenue

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[billions of yen]

		FY20 Actual			FY21 Forecast			Change		
		1-2Q	3-4Q	Year	1-2Q	3-4Q	Year	1-2Q	3-4Q	Year
America	Excavator	4.9	5.7	10.6	6.4	2.6	9.0	1.5	-3.1	-1.6
	Dump Truck	0.6	1.5	2.1	1.4	1.3	2.6	0.8	-0.2	0.5
	Total	5.4	7.2	12.7	7.7	3.9	11.6	2.3	-3.3	-1.1
Europe, Africa and Middle East	Excavator	7.1	8.2	15.3	11.7	13.8	25.5	4.6	5.6	10.2
	Dump Truck	5.7	6.5	12.2	7.9	6.7	14.6	2.2	0.2	2.4
	Total	12.8	14.7	27.6	19.6	20.5	40.1	6.8	5.7	12.5
Asia & Oceania	Excavator	23.9	25.7	49.6	34.1	37.9	71.9	10.2	12.1	22.3
	Dump Truck	15.4	15.5	30.8	11.3	13.1	24.4	-4.1	-2.4	-6.4
	Total	39.3	41.2	80.5	45.4	51.0	96.4	6.1	9.8	15.9
China	Excavator	0.3	0.4	0.7	0.3	0.4	0.7	-0.0	-0.0	-0.1
	Dump Truck	0.0	0.0	0.1	0.0	0.1	0.1	0.0	0.0	0.1
	Total	0.3	0.4	0.8	0.3	0.4	0.8	-0.0	-0.0	-0.0
Japan	Excavator	0.4	1.2	1.6	0.7	0.3	1.0	0.3	-0.9	-0.5
	Dump Truck	0.3	0.1	0.4	0.0	0.0	0.0	-0.3	-0.1	-0.4
	Total	0.6	1.3	2.0	0.7	0.3	1.0	0.1	-1.0	-0.9
Total	Excavator	36.6	41.3	77.9	53.2	54.9	108.1	16.6	13.6	30.3
	Dump Truck	22.0	23.6	45.6	20.6	21.1	41.7	-1.3	-2.5	-3.9
	Total	58.5	64.9	123.5	73.8	76.0	149.9	15.3	11.1	26.4

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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 first half of FY2021, and in the 1.1 billion yen in the forecast for FY2021.

[billions of yen]

FY2021 1Q-2Q Actual	Reportable segment				Adjustments *1	Total	
	Construction Machinery Business		Solution Business				
Revenue		430.6		44.6	-1.5		473.7
Adjusted operating income	8.1%	34.7	7.7%	3.4	-	8.0%	38.1

[billions of yen]

FY2021 Forecast	Reportable segment				Adjustments *1	Total	
	Construction Machinery Business		Solution Business				
Revenue		831.2		88.8	0.0		920.0
Adjusted operating income	8.0%	66.2	8.8%	7.8	-	8.0%	74.0

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

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

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Capital investment in FY2021 is specialized in reorganizing domestic and overseas factories and expanding the rental business.

1.Capital Expenditure （Based on completion） [billion of yen]

	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 1Q-2Q Actual	FY2021 3Q-4Q Forecast	FY2021 Forecast
Capital Expenditure	30.4	47.2	34.7	21.7	33.4	55.1
Assets held for operating lease	27.2	36.9	38.6	26.3	18.2	44.5
Total	57.6	84.1	73.4	48.0	51.6	99.6

2.Depreciation (tangible and intangible fixed assets) [billion of yen]

	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 1Q-2Q Actual	FY2021 3Q-4Q Forecast	FY2021 Forecast
Capital Expenditure	26.8	34.2	35.3	18.6	19.0	37.6
Assets held for operating lease	10.1	12.0	14.9	8.5	10.6	19.1
Total	37.0	46.1	50.2	27.2	29.6	56.7

3.R&D expenses [billion of yen]

	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 1Q-2Q Actual	FY2021 3Q-4Q Forecast	FY2021 Forecast
Total of consolidation	24.8	23.7	24.8	12.5	14.8	27.4

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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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In addition to the safety and environmental measures explained today, We are expanding globally with the 10 SDG's as our priority targets.

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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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