

**Explanatory Meeting
for Business Results for the Third Quarter ended December 31,
2021**

January 31, 2022

Hidehiko Matsui

Executive Officer, President, Marketing Group

Keiichiro Shiojima

Executive Officer, CFO

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

Summary of Changes in Shareholder Composition

HITACHI

Reliable solutions

Changes in Shareholder Composition and Relationship with Hitachi Group

Japan Industrial Partners and ITOCHU plan to hold 26% shares to support HCM

Continue to use the Hitachi brand and no change in company name, continued to collaborate with Hitachi group in various R&D field

Accelerate Strengthening and Change of management strategy, ensure Growth

Provide enhanced solutions at every contact with customers

Aiming for net zero emissions in collaboration with Hitachi Group and ABB

Electrification



LUMADA

Data utilization

ConSite

Strengthen value chain business

Collaborate with ITOCHU Group in logistics and finance in North America



Form highly flexible corporate structure

Strengthening of management base over the medium to long term with Japan Industrial Partners



asset management

Reestablishing business in North, Central and South America, expand business aiming for over 1 trillion yen consolidated Sales Revenue or more and stable double-digit Operating Income Margin

© Hitachi Construction Machinery Co., Ltd. 2022. All rights reserved. 2

HITACHI

Reliable solutions

1. Regional Market Environments and Projections

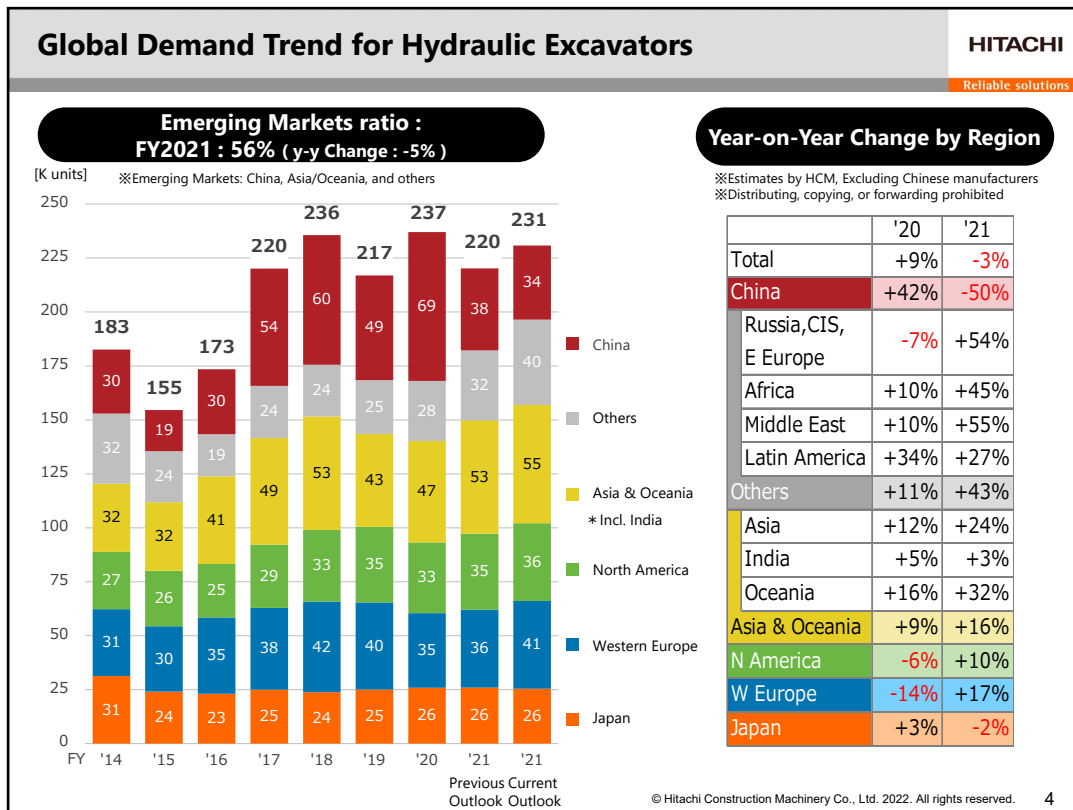
Hidehiko Matsui

Executive Officer, President, Marketing Group

© Hitachi Construction Machinery Co., Ltd. 2022. All rights reserved.

3

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



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

Regarding the demand forecast for FY2021, in addition to the decline in the Chinese market in response to the increase in demand in the previous fiscal year, due in part to lockdowns caused by sporadic COVID-19 infections, demand is expected to be lower than the previous estimate.

On the other hand, in other emerging and developed countries, demand is expected to exceed the previous forecast due to rising resource prices and economic recovery, and the global total demand is 231,000 units, which is an increase from the previous forecast. Compared to the previous year, the total worldwide demand decreased by 3%, and excluding China, it is an increase of 17%.

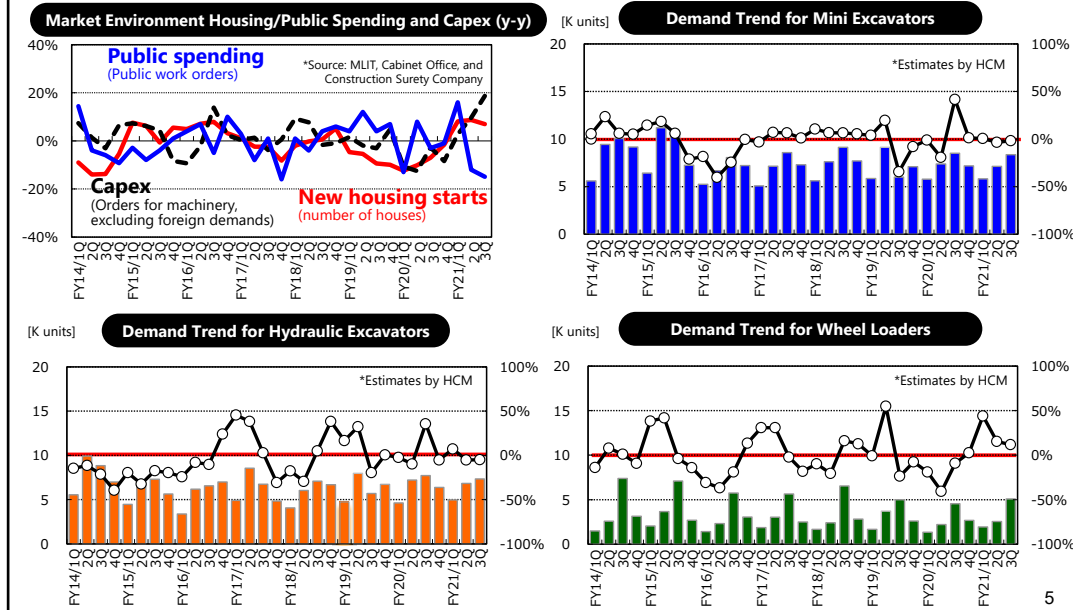
Next, I would like to explain the results of the Q3 of FY2021 for each region.

Japan: Third Quarter (from October to December 2021)

HITACHI

Reliable solutions

- Capital investment continues to increase and Housing investment is strong. Public investment decreased.
- Demand for hydraulic excavators slightly decreased: Hydraulic excavators -5% y-y, Mini excavators -2% y-y, Wheel loaders +12% y-y, respectively.

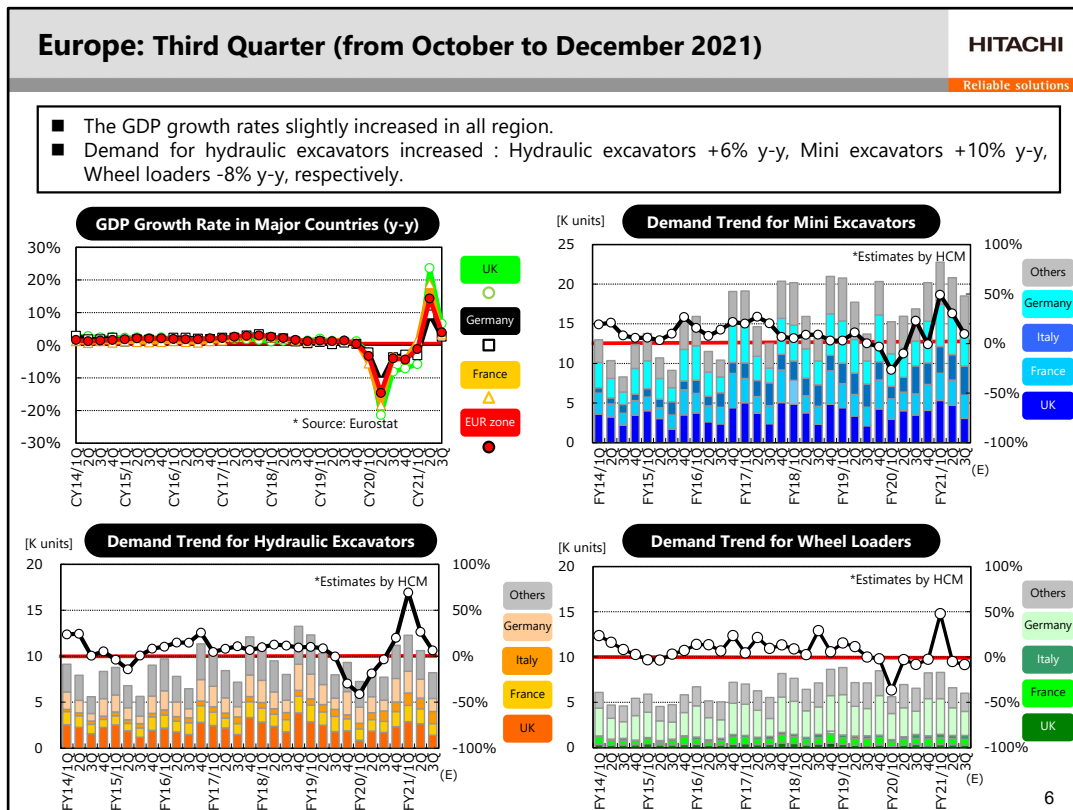


This slide explains the Japanese market.

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

Public spending decreased due to the general convergence of reconstruction demand from the Great East Japan Earthquake in Tohoku.

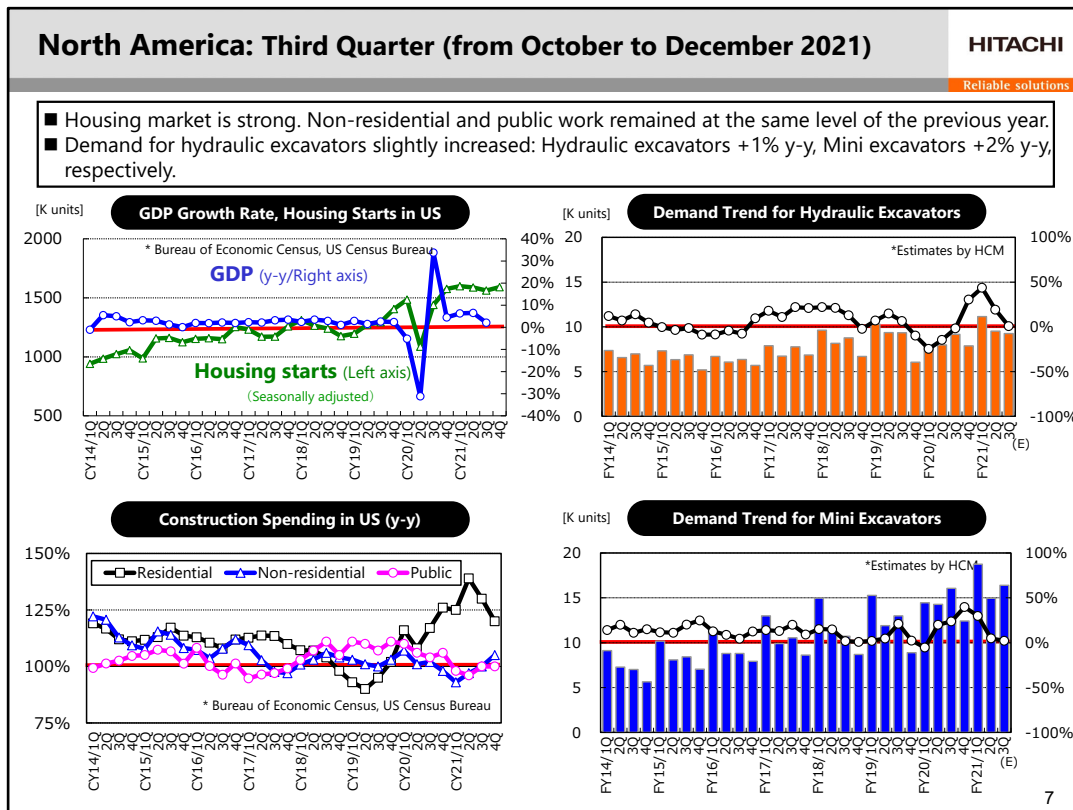
The graph in the lower-left shows that demand in the Q3 of FY2021 for hydraulic excavators decreased by 5% year on year, and for mini excavators in the upper right decreased by 2%. Wheel loaders in the lower right increased by 12% due to increased demand for snow removal, caused by the increase in snowfalls in the previous year and record snowfalls in the current fiscal year.



This slide explains the European market.

The graph in the top left shows that the GDP growth rate in the eurozone has maintained positive growth due to the relaxation of movement restrictions for COVID-19, but growth has slowed due to supply chain problems.

In the Q3 of FY2021, demand for hydraulic excavators in the lower left increased by 6% year on year and mini excavators in the upper right increased by 10% year on year due to the progress of vaccination and the economic recovery due to deregulation of COVID-19. Demand for wheel loaders in the lower right decreased by 8% year on year.



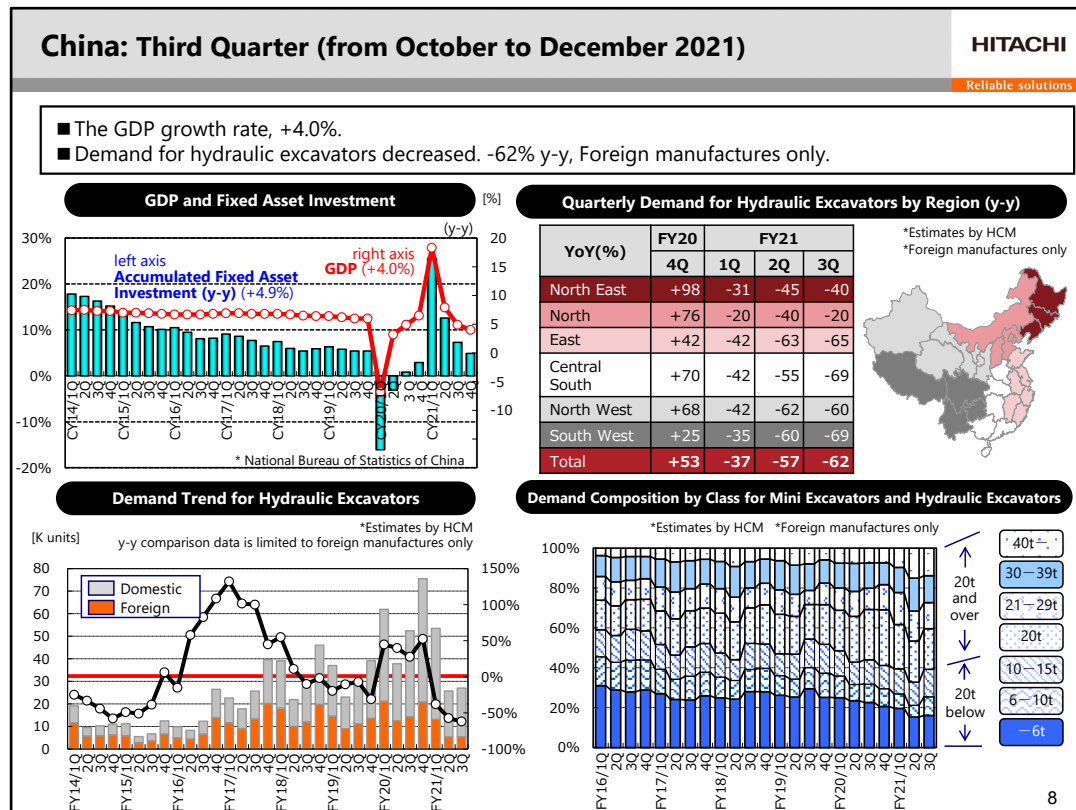
This slide explains the North American market.

The graph in the top left shows that the number of Housing starts has been steady, but the growth rate of GDP in Q3 of FY2021 has slowed due to the impact of the shortage of semiconductors.

The graph in the lower-left shows the rate of construction spending, with residential construction spending remaining at a high level. Public construction spending was on the same level as the previous year, and non-residential construction spending turned positive year on year.

The graph in the top right shows that demand in the Q3 of FY2021 for hydraulic excavators increased by 1% year on year.

The graph in the lower-right shows that demand in the Q3 of FY2021 for mini excavators increased by 2% year on year.



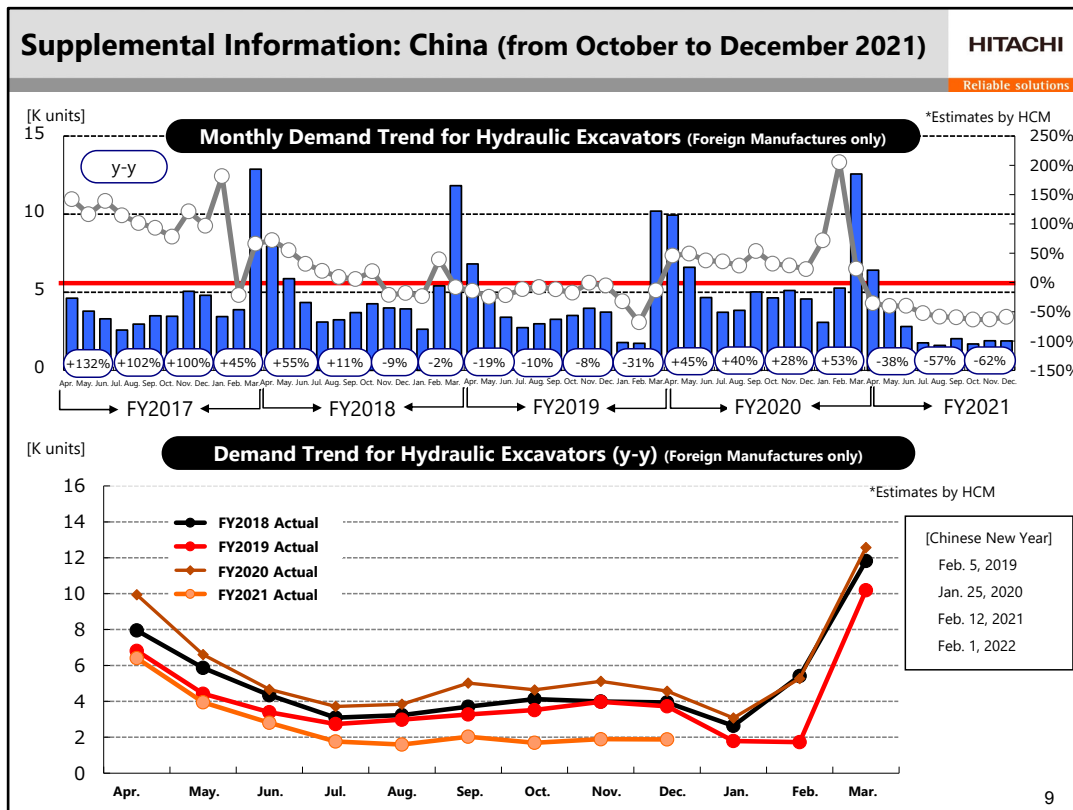
This slide explains the Chinese market.

The graph in the top left shows that the GDP growth rate increased by 4% from October to December 2021. Accumulated fixed asset investment increased by 4.9% year on year, a level lower than usual.

The graph in the lower-left shows that demand in the Q3 of FY2021 for hydraulic excavators including machinery produced by Chinese manufacturers is expected to decrease by 48% year on year. The breakdown demand for machinery produced by Chinese manufacturers decreased by 43% and demand for machinery produced by non-Chinese manufacturers decreased by 62%.

In addition, in the trend of demand by region in the upper right, demand continues to decline in all regions.

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

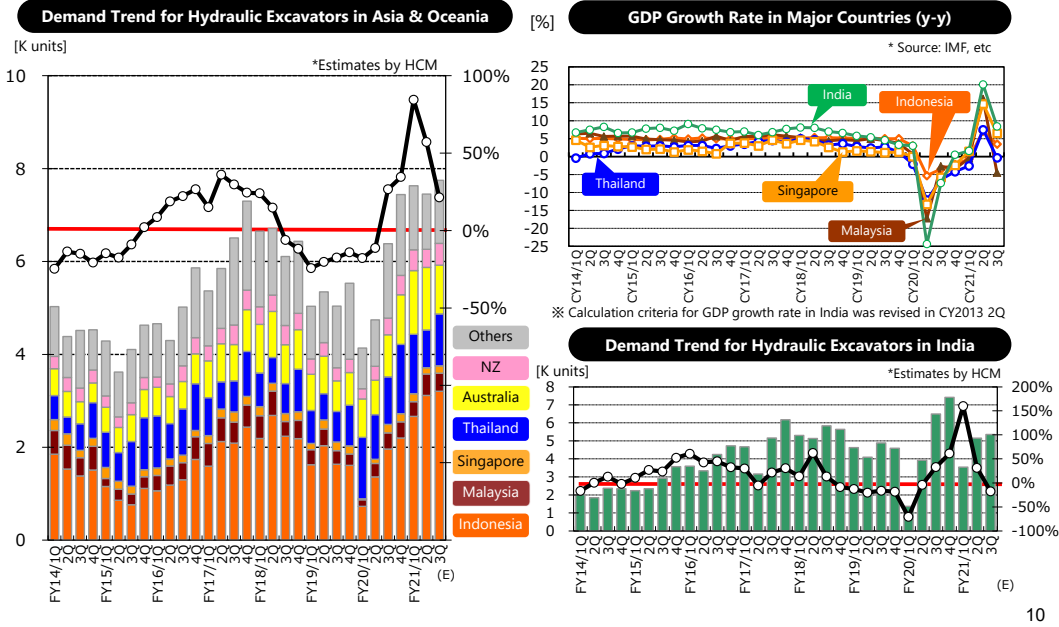


This is a supplement to the Chinese market.

The monthly demand trend for hydraulic excavators produced by non-Chinese manufacturers in the upper graph showed a year-on-year decrease of 62% in the Q3 of FY2021.

Demand continues to decrease due to the expansion of the domestic manufacturer's production ratio, in addition to the decrease in demand due to the reaction to the increase in demand last year.

- Demand for hydraulic excavators overall in the Asia Pacific region, +21% y-y.
- Demand for hydraulic excavators in India, -18% y-y.

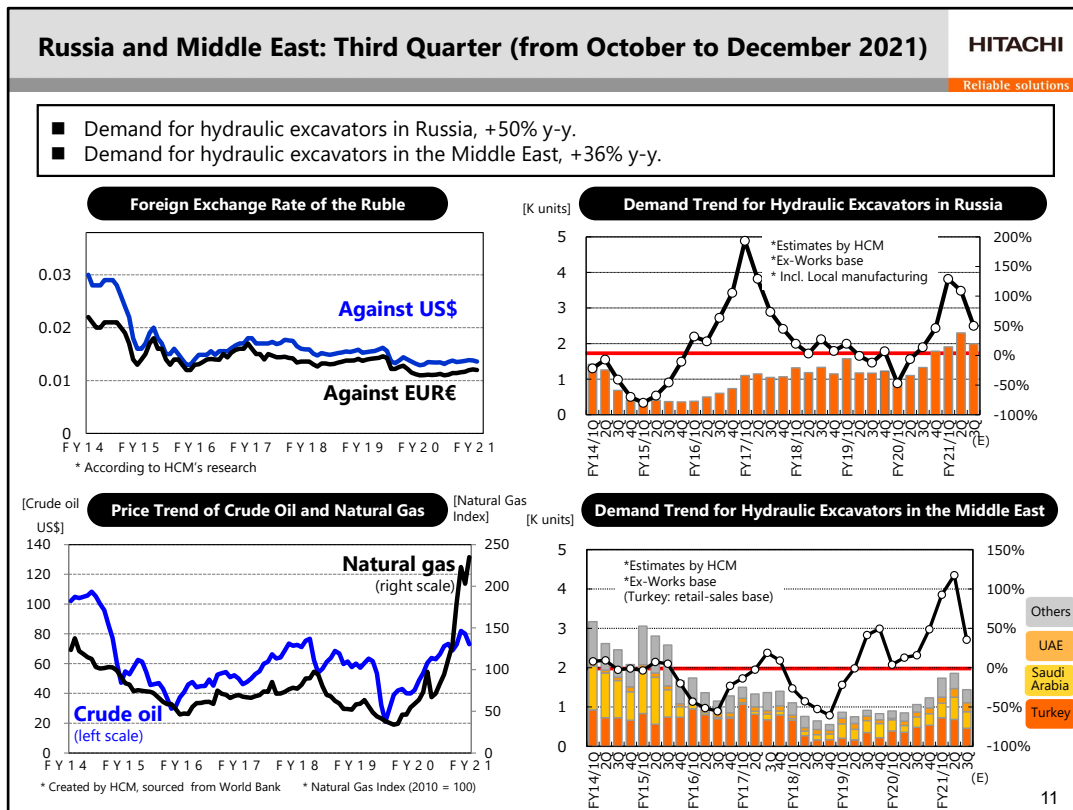


This slide explains the markets in Asia, Oceania and India.

The graph in the top right shows that GDP growth in major countries, which turned to a large increase in the Q2 of FY2021, and slowed down in the Q3 of FY2021. In Malaysia, where the decline is most noticeable, the construction industry's operational restrictions aimed at curbing COVID-19 infections were the cause.

In the left graph, demand in the Q3 of FY2021 for hydraulic excavators in Asia and Oceania increased by 21% year on year, especially in Indonesia and Oceania, against the backdrop of high resource prices and strong construction demand.

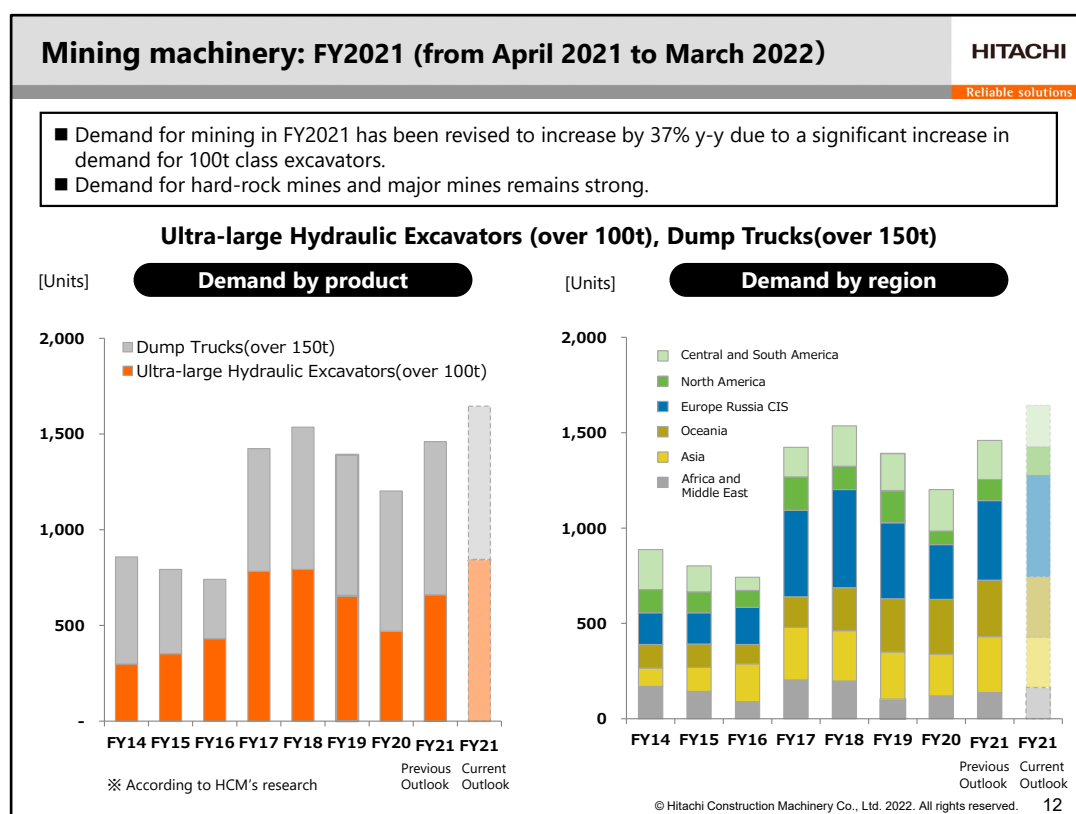
The graph in the lower-right shows that demand in the Q3 of FY2021 for hydraulic excavators in India remains high; however, it decreased by 18% year on year because of the prolonged rainy season in southern India and the re-expansion of COVID-19 infection.



This slide explains the Russia and Middle East market.

The graph in the top right shows that demand in the Q3 of FY2021 for hydraulic excavators in Russia increased by 50% year on year as resource prices remain high.

The graph in the lower-right shows that demand in the Q3 of FY2021 for hydraulic excavators in the Middle East increased by 36% year on year, and demand continues to grow in major countries except Turkey.



Demand for mining in FY2021 will be revised to increase by about 37% from the previous year due to a significant increase in demand for 100-ton excavators for small and medium-sized mines and contractors.

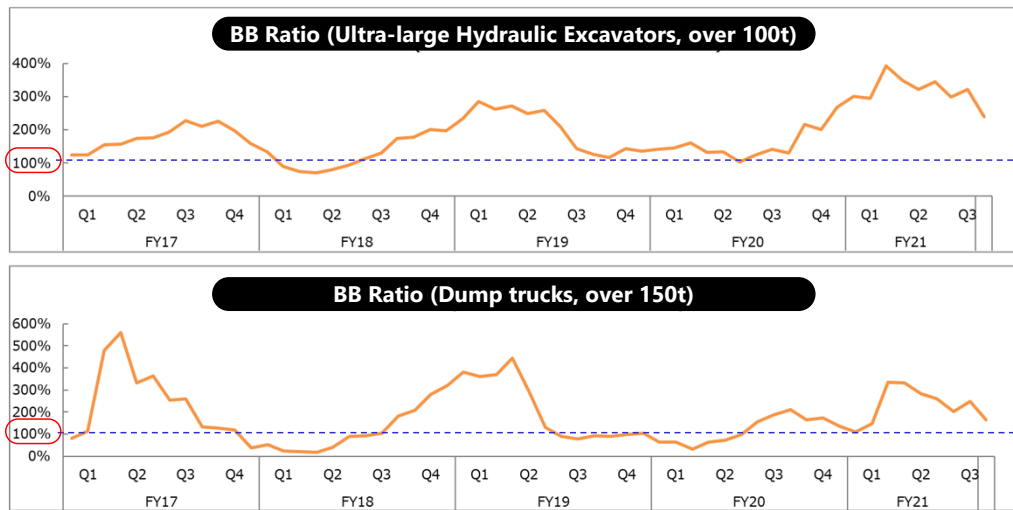
By ore type, sales for hard rocks remained strong.

By region, demand for 100-ton excavators for small and medium-sized mines and contractors in Asia, including Indonesia, and Russia and for construction in North America is increasing.

Supplementary Information: BB Ratio

HITACHI

Reliable solutions



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

© Hitachi Construction Machinery Co., Ltd. 2022. All rights reserved. 13

This slide explains the BB ratio of mining machinery.

Recently, new orders have been coming in steadily, and we have maintained more than 100% for ultra-large excavators and dump trucks.

Topic 1: Business Expansion Strategy for North, Central, and South America toward Full-Scale Self Development



Reliable solutions

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



- Exporting the latest Hitachi brand products from major Japanese production bases to North America one after another
- Plans to expand and upgrade buildings and facilities at Hitachi Construction Machinery America, the regional headquarters for the Americas
- Reallocation of existing parts warehouses and development of a network

Exporting the latest Hitachi brand products one after another



Tsuchiura Works



Hitachinaka-Rinko Works



Banshu Works



Tsukuba Parts Center



Ryugasaki Works



Hitachi Construction Machinery-Tierra





Parts warehouse near Atlanta

Development of parts supply network in North America



H-E PARTS INTERNATIONAL



Hitachi Construction Machinery America Head Office Expansion and Renovation Plan



Utilizing H-E Parts existing base in Chile, the new machineries supply chain in South America.

Bradken bases

H-E Parts bases

© Hitachi Construction Machinery Co., Ltd. 2022. All rights reserved. 14

The Hitachi Construction Machinery Group is steadily putting in place a framework toward full-scale self development of its North and Latin American operations starting since this March.


The following is an explanation of the progress.

First, the latest Hitachi-brand hydraulic excavators, mining machinery, and other products began shipping sequentially from each production base from November. In addition, Hitachi Construction Machinery America (HCMA), the regional headquarters for the Americas, is in the midst of expansion and renovation plans to build a new training center and expand its offices.

In addition, we are preparing a parts warehouse in the suburbs near Atlanta, where HCMA is located, and are developing a parts supply network while utilizing our existing bases in South America.

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


Topic 2: New Hydraulic Excavator ZAXIS-7 Series Released with Expanded Options




Reliable solutions

ZAXIS-7 series launch in Japan this spring following the European market


- The latest hydraulic system achieves both high operability and fuel efficiency, reducing fuel consumption by about 10%*¹.
- ICT-models*² are available in each class.



ZX135USX-7 (ICT-model)
12~13-ton class




ZX200-7
20-ton class



ZX330-7
30-ton class

Expanded 2 options to contribute to improving safety and productivity (Japanese market only)





AERIAL ANGLE STEP IV

Decelerate and stop the machine when some objects are detected

Solution Linkage
Work Viewer Cloud

Records videos of front and surrounds of machine, and supports progress management from the field or office





Machine positions and recorded videos can be checked from the office.

*1: Comparison with conventional ZX-6 series in power mode (PWR)

*2: ICT hydraulic excavators ZX135USX-7, ZX200X-7, and ZX330X-7 for the Japanese market only.

© Hitachi Construction Machinery Co., Ltd. 2022. All rights reserved. 15

The new ZAXIS-7 series of hydraulic excavators is to be launched in April of this year for the Japanese market following the European market.

The latest hydraulic system achieves both high operability and fuel efficiency, reducing fuel consumption by about 10% compared to conventional models.

In addition, these machines have expanded the availability of 2 options which are for the Japanese market only.

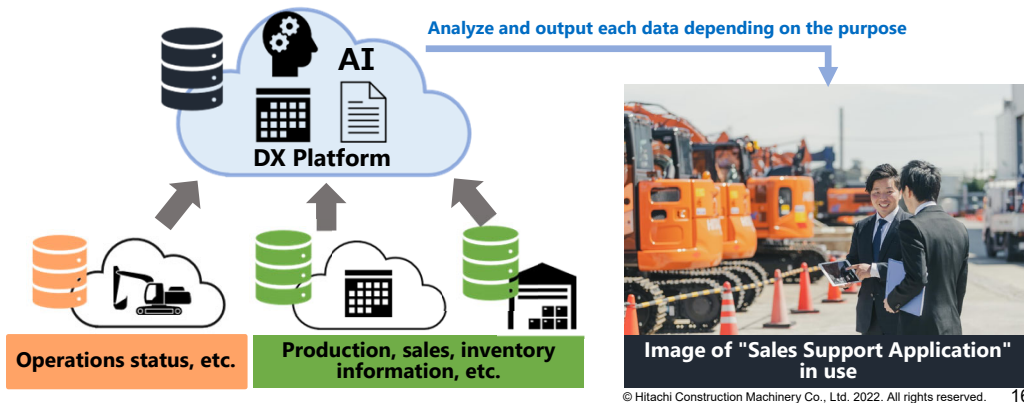
“AERIAL ANGLE STEP IV”, which detects objects and reduces the risk of contact with obstacles by decelerating and stopping the machine, and “Solution Linkage Work Viewer Cloud”, a video sharing solution that supports progress management by allowing users to check machine positions and operation video from a PC in an off-site office other than the construction site that supports progress management, will contribute to improving safety and productivity in the customer’s construction process.

Integrated management of machine operation information, production, sales, and inventory information through the DX platform

- Analyze and output each data depending on the purpose by machine learning and AI.
- In collaboration with Hitachi, Ltd., will continue to contribute to the Lumada business.

"Sales Support Application" using the DX platform will start operating in Japan, with plans to expand globally in the future.

- Application allows sales representatives to check the information of customer's machines status, transaction history, and inventory of machines and parts, all at once.
- AI presents multiple patterns for customer's machine management, based on our knowledge gained through direct communication with customers.
- Customers will be able to make more optimal choices than ever before.



In order to accelerate DX, we have built a "DX platform" with Hitachi, Ltd. to promote the use of data.

The "DX Platform" allows the centralized management of information on the operating status, production, sales, and inventory of construction machinery. In addition, this platform can analyze and output multiple types of data depending on the purpose, utilizing machine learning and AI.

In collaboration with Hitachi, Ltd., we will continue to contribute to the Lumada business in the future.

As the first step in utilizing the "DX platform", we plan to start operating a Sales Support Application in Japan next fiscal year.

This application will allow sales representatives to check the operational status of customers' machines, transaction history, and inventory information of products and parts all at once.

In addition, based on this data and the knowledge gained through direct communication with our customers, AI will present the application with multiple patterns for the future management of customer machines.

As a result, sales representatives will be able to make proposals that are more suitable for customers than ever before.

HITACHI

Reliable solutions

2. Business Results for the Third Quarter ended December 31, 2021
(April 1, 2021 - December 31, 2021)

Keiichiro Shiojima
Executive Officer, CFO

© Hitachi Construction Machinery Co., Ltd. 2022. All rights reserved. 17

Our Financial Results in the Q3 FY2021 are explained by Keiichiro Shiojima, Executive Officer, CFO.

Summary of consolidated results

HITACHI

Reliable solutions

In the 3Q of the current fiscal year, despite the impact of COVID-19, revenue increased by 29% y-y and adjusted operating income increased 235% due to the strong demand and the impact of yen depreciation.

[billions of yen]

	FY2021 1Q-3Q		FY2020 1Q-3Q		change	
Revenue	720.4		558.7		29%	
Adjusted operating income *1	8.5%	61.3	3.3%	18.3	235%	
Operating income	8.6%	61.7	2.7%	15.2	305%	
Income before income taxes	9.2%	66.3	2.1%	11.8	460%	
Net income attributable to owners of the parent	6.4%	46.5	0.6%	3.1	-	
EBIT *2	9.5%	68.5	2.6%	14.4	374%	
FX rate	Rate (YEN/US\$)		111.2		106.1	5.1
	Rate (YEN/EURO)		130.7		122.8	7.9
	Rate (YEN/RMB)		17.2		15.4	1.8
	Rate (YEN/AU\$)		82.7		74.2	8.5

*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"

© Hitachi Construction Machinery Co., Ltd. 2022. All rights reserved.

18

In the Q3 of FY2021, although there were effects such as behavioral constraints caused by the spread of the new variant of the coronavirus, revenue increased by 29% year on year to ¥720.4 billion, supported by strong demand and the weaker yen.

Adjusted operating income increased by 235% year on year to ¥61.3 billion, resulting in an adjusted operating income margin of 8.5%.

Operating income was ¥61.7 billion, resulting in an operating income margin of 8.6%.

Net income attributable to owners of the parent was ¥46.5 billion.

In addition, in the Q3 quarter of FY2021, the yen depreciated ¥5.1 against the U.S. dollar, ¥7.9 against the euro, ¥1.8 against the Chinese yuan, and ¥8.5 against the Australian dollar year on year.

Revenue by geographic region (consolidated)

HITACHI

Reliable solutions

Revenue increased in each region except China y-y, and consolidated revenue increased by 161.6 billion yen.

[billions of yen]

	FY2021 1Q-3Q		FY2020 1Q-3Q		change	
					amount	%
Japan	154.8	21%	142.6	26%	12.1	8%
Asia	58.3	8%	34.6	6%	23.7	68%
India	38.4	5%	32.3	6%	6.1	19%
Oceania	122.5	17%	102.5	18%	20.0	19%
Europe	86.8	12%	54.6	10%	32.2	59%
N.America	136.2	19%	71.4	13%	64.8	91%
L.America	15.7	2%	7.8	1%	7.9	100%
Russia-CIS	25.8	4%	17.3	3%	8.5	49%
M.East	12.7	2%	10.0	2%	2.7	27%
Africa	30.3	4%	24.1	4%	6.2	26%
China	39.0	5%	61.5	11%	-22.5	-37%
Total	720.4	100%	558.7	100%	161.6	29%
Overseas ratio	79%		74%			

© Hitachi Construction Machinery Co., Ltd. 2022. All rights reserved. 19

Total revenue for the Q3 of FY2021 increased year on year in all regions except China.

In particular, market conditions recovered remarkably in North America, Europe, and Asia, and the yen's depreciation also coincided, resulting in a substantial increase in revenue.

Meanwhile, revenue in China fell sharply by ¥22.5 billion year on year..

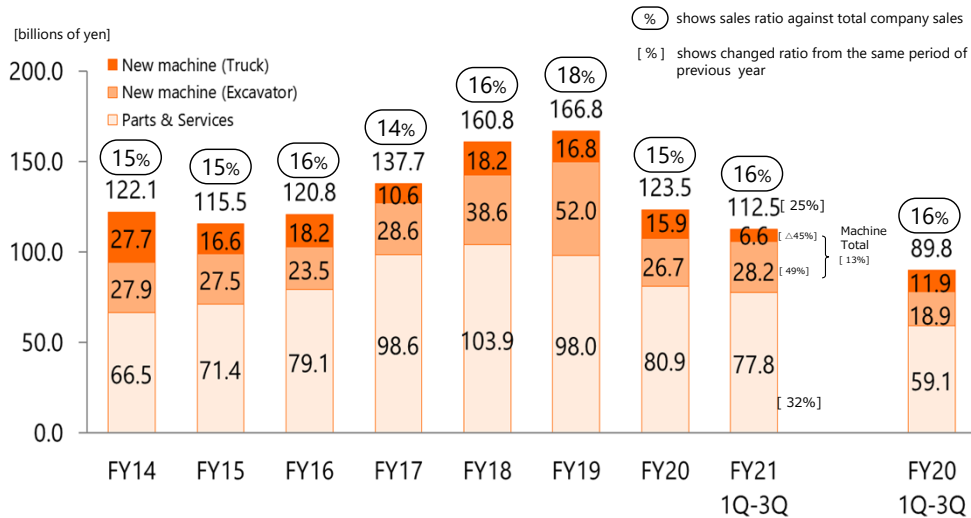
The overseas revenue ratio increased by 5 percentage points year on year to 79%.

Mining revenue

HITACHI

Reliable solutions

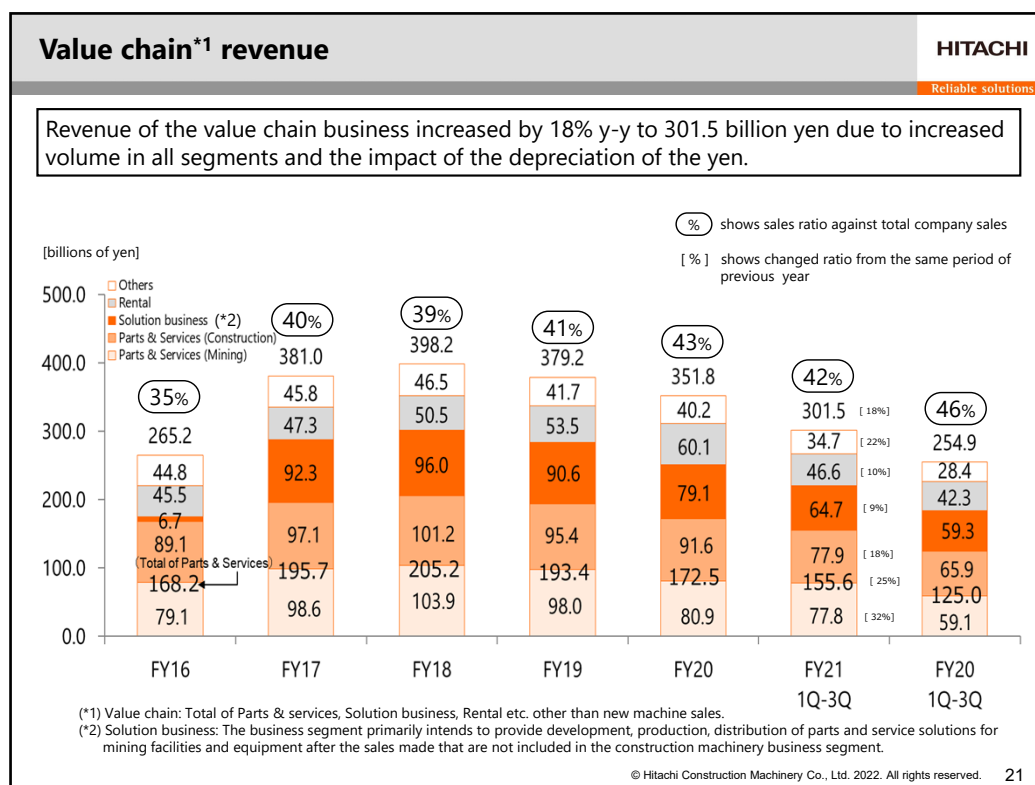
Revenue of mining increased by 25% to 112.5 billion yen y-y due to strong demand of mining excavators, increased sales volume in parts and service and the impact of the depreciation of the yen.



© Hitachi Construction Machinery Co., Ltd. 2022. All rights reserved. 20

Mining revenues for the Q3 of FY2021 increased by 25% year on year to ¥112.5 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 an 11% increase in revenue, and we see a 14% increase in revenue on a local currency basis year on year.

Total sales of new machines increased by 13% year on year. Total sales of trucks decreased by 45%, while total sales of hydraulic excavators increased by 49% year on year. In addition, total sales of mining parts and services also increased by 32% year on year.

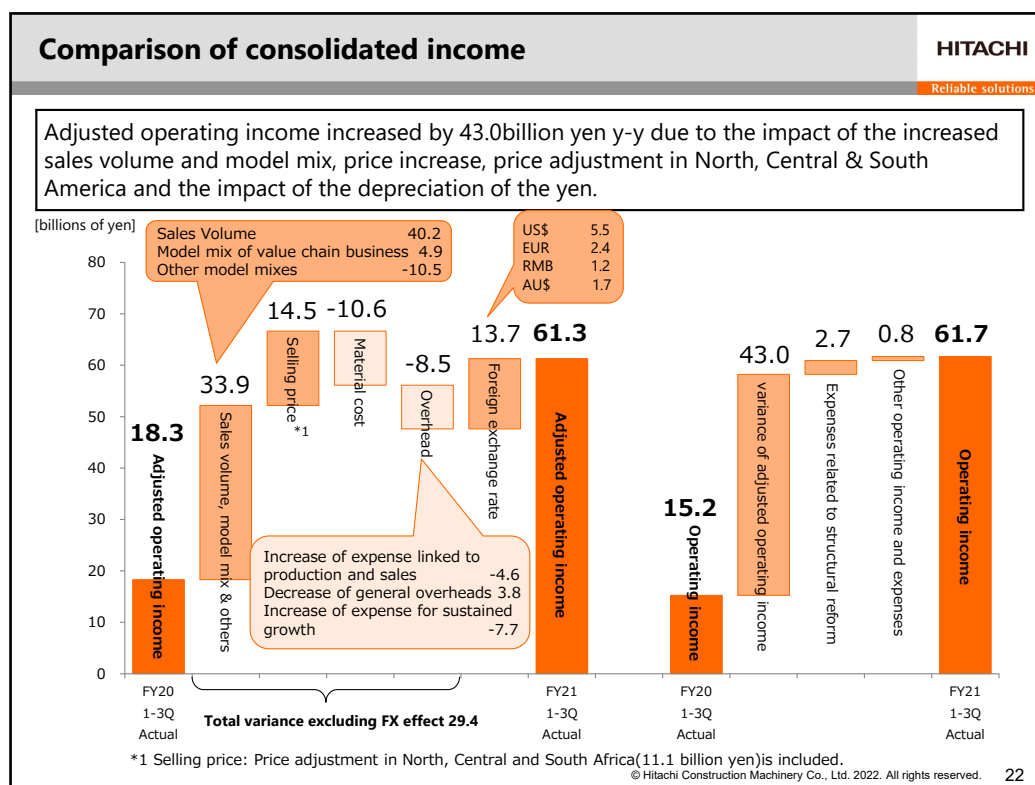


Look at the second bar graph from the right.

As you can see, value chain revenue for the Q3 of FY2021 increased by 18% year on year to ¥301.5 billion.

We have analyzed the impact of the yen's depreciation as a factor behind a 7% increase in revenues, and we see an 11% increase in revenue on a local currency basis year on 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 25% year on year.



I will now explain the factors behind the ¥43.0 billion increase in adjusted operating income year on year.

As I have explained, revenue increased in all regions except China, which contributed to an increase of ¥33.9 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 the improved sales prices in each region, there was a ¥14.5 billion increase in income year on year.

On the other hand, material costs increased by ¥10.6 billion due to soaring steel prices, and overhead costs also increased by ¥8.5 billion due to an increase in production and sales volume year on year.

As a result of the impact of the yen's depreciation (¥13.7 billion), adjusted operating income increased by ¥43.0 billion year on year to ¥61.3 billion.

Compared with the previous year, when losses were recorded mainly at Bradken, no major projects were undertaken in the fiscal year under review, and expenses-related structural reform improved by ¥2.7 billion.

As a result, operating income increased by ¥46.5 billion year on year to ¥61.7 billion.

Consolidated statement of income

HITACHI

Reliable solutions

Net income attributable to owners of the parent increased by 43.3 billion yen to 46.5 billion yen y-y.

[billions of yen]

	FY2021 1Q-3Q		FY2020 1Q-3Q		change	
					amount	%
Revenue		720.4		558.7	161.6	29%
Cost of Sales	(72.7%)	523.8	(75.7%)	423.0	100.9	24%
SGA expenses	(18.8%)	135.2	(21.0%)	117.4	17.8	15%
Adjusted operating income *1	(8.5%)	61.3	(3.3%)	18.3	43.0	235%
Other Income/expenses		0.4		-3.1	3.5	-
Operating income	(8.6%)	61.7	(2.7%)	15.2	46.5	305%
Financial income/expenses		-1.5		-4.1	2.6	-63%
Share of profits of investments accounted for using the equity method		6.1		0.7	5.4	800%
Income before income taxes	(9.2%)	66.3	(2.1%)	11.8	54.4	460%
Income taxes		16.4		5.5	10.9	200%
Net income	(6.9%)	49.9	(1.1%)	6.4	43.5	682%
Net income attributable to owners of the parent	(6.4%)	46.5	(0.6%)	3.1	43.3	-

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

© Hitachi Construction Machinery Co., Ltd. 2022. All rights reserved.

23

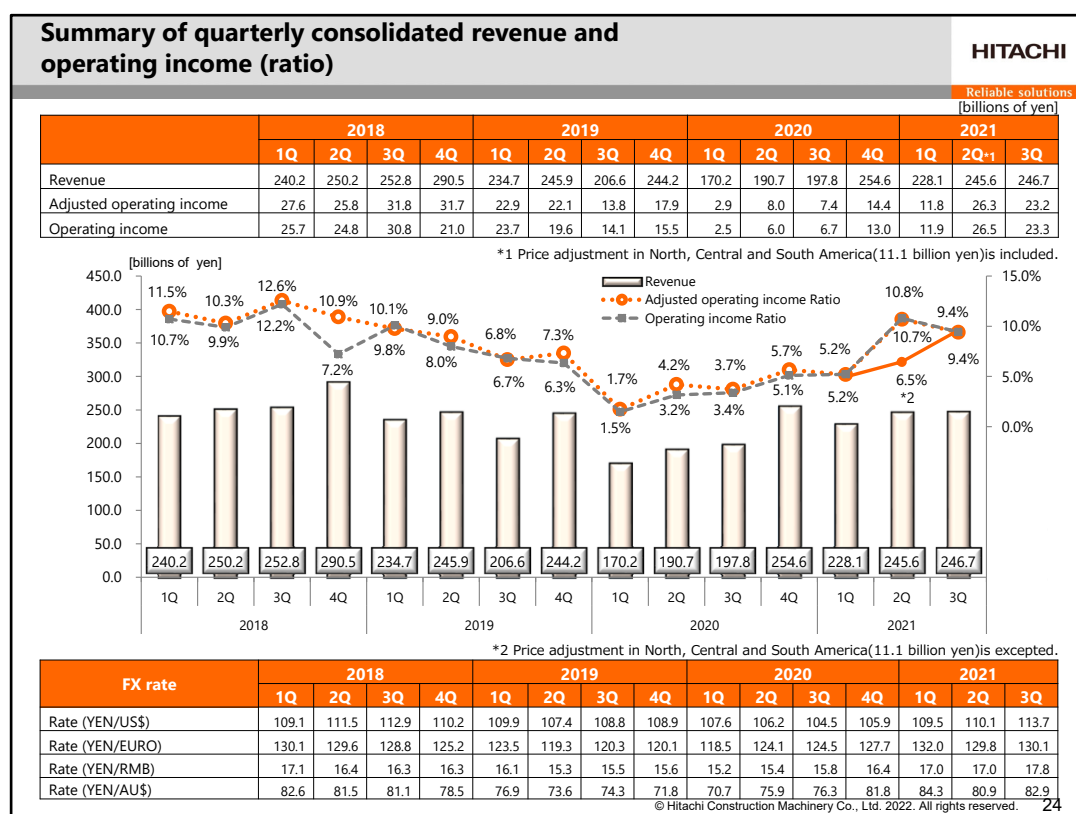
The following is a brief explanation of non-operating income and loss.

Financial income and expenses improved by ¥2.6 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 ¥5.4 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 ¥46.5 billion.



Please see FY2021 Q3 on the right-hand side.

Revenue in the Q3 was ¥246.7 billion, an increase of ¥48.9 billion from ¥197.8 billion in the same period of the previous fiscal year.

Adjusted operating income was 9.4%, 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%. Compared to the previous fiscal year, which was greatly affected by COVID-19, there has been a general improvement since the first quarter.

Consolidated statement of financial position

HITACHI

Reliable solutions

Total assets increased by 81.7 billion yen y-y due to increase by inventories and property, plant and equipment.

					(billions of yen)				
	(A) FY21-3Q	(B) Mar '2021	(C) FY20-3Q	(A)-(B) change		(D) FY21-3Q	(E) Mar '2021	(F) FY20-3Q	(D)-(E) change
Cash and cash equivalents	81.6	80.3	68.4	1.3	Trade and other payables	218.4	199.2	174.1	19.2
Trade receivables	202.3	211.2	172.3	-9.0	Bonds and borrowings	351.2	329.5	335.2	21.7
Inventories	345.4	297.8	308.9	47.7	Total liabilities	689.9	651.3	626.6	38.5
Total current assets	679.5	617.2	586.3	62.3	(Equity attributable to owners of the parent ratio)	(42.8%)	(42.1%)	(41.6%)	(0.6%)
Total non-current assets	622.7	603.4	579.2	19.4	Total equity	612.4	569.2	539.0	43.2
Total assets	1,302.3	1,220.6	1,165.5	81.7	Total liabilities and equity	1,302.3	1,220.6	1,165.5	81.7
Trade receivables incl. non-current	242.2	252.7	210.3	-10.5					
Inventories by products									
Unit	98.8	77.3	85.1	21.5		(27.0%)	(27.0%)	(28.8%)	(-0.0%)
Parts	112.0	102.3	105.0	9.7	Interest-bearing debt	351.2	329.5	335.2	21.7
Raw materials, WIP and etc	134.6	118.2	118.7	16.4	Cash and Cash equivalents	81.6	80.3	68.4	1.3
Total inventories	345.4	297.8	308.9	47.7		(20.7%)	(20.4%)	(22.9%)	(0.3%)
On hand days(divided by revenue)				(Days)	Net interest-bearing debt	269.6	249.2	266.8	20.5
Trade receivables	91	113	96	-22					
Inventories	129	134	140	-5	Net D/E Ratio	0.48	0.48	0.55	0.00
Trade payables	50	49	44	1					
Net working capital	166	194	188	-28					

© Hitachi Construction Machinery Co., Ltd. 2022. All rights reserved. 25

Compared to the end of March 2021, trade receivables including non-current assets decreased by ¥10.5 billion to ¥242.2 billion.

Meanwhile, inventories increased by ¥47.7 billion to ¥3,454 billion.

In addition, due in part to an increase in cash and deposits and an increase in non-current assets, total assets increased by ¥81.7 billion from the end of FY2020 to ¥1,302.3 billion.

From the end of FY2020, days on hand for trade receivables were reduced by 22 days to 91 days, and days on hand for inventories were reduced by 5 days to 129 days.

As a result, net working capital on hand was reduced by 28 days to 166 days.

Total interest-bearing debt on the right-hand side increased by ¥21.7 billion from the end of FY2020 to ¥351.2 billion. Net interest-bearing debt increased by ¥20.5 billion to ¥269.6 billion.

Total equity was ¥612.4 billion, representing a 42.8% of equity attributable to owners of the parent ratio and a net debt/equity ratio was maintained at 0.48.

Consolidated cash flow			HITACHI
			Reliable solutions
Net cash provided by (used in) operating activities totaled a positive 38.6 billion yen.			
[billions of yen]			
	FY2021 1Q-3Q	FY2020 1Q-3Q	change
Net income	49.9	6.4	43.5
Depreciation and amortization	91.2 41.3	44.1 37.7	47.2 3.7
(Increase)decrease in trade/lease receivables	18.6	52.6	-34.1
(Increase)decrease in inventories	-5.2 -42.7	33.8 3.2	-38.9 -45.8
Increase(decrease) in trade payables	18.9	-22.0	40.9
Others, net	-47.4	-21.1	-26.3
Net cash provided by (used in) operating activities	38.6	56.7	-18.1
Cash flow margin for operating activities	5.4%	10.2%	-4.8%
Net cash provided by (used in) investing activities	-26.0	-23.3	-2.8
Free cash flows	12.6	33.5	-20.9
Net cash provided by (used in) financing activities	-13.8	-29.0	15.2

© Hitachi Construction Machinery Co., Ltd. 2022. All rights reserved. 26

In the 3Q of the current fiscal year, operating cash flow was positive at ¥38.6 billion, but decreased by ¥18.1 billion year on year by working capital that swelled due to an increase in sales volume.

Also net cash used in investing activities increased by ¥2.8 billion to ¥26 billion year on year, and free cash flow decreased by ¥20.9 billion to ¥12.6 billion.

Summary of consolidated earnings forecast

HITACHI

Reliable solutions

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

note : < > shows previous forecast as of October 2021

[billions of yen]

	FY2021		FY2020 Actual	change	
	Forecast			amount	%
Revenue	<920.0>	950.0	813.3	136.7	17%
	<8.0%>	(8.8%)	(4.0%)	(4.8%)	
Adjusted operating income	<74.0>	84.0	32.7	51.3	157%
	<8.6%>	(9.3%)	(3.5%)	(5.8%)	
Operating income	<79.0>	88.0	28.2	59.8	212%
	<8.7%>	(9.3%)	(3.1%)	(6.1%)	
Income before income taxes	<80.0>	88.0	25.6	62.4	244%
Net income attributable to owners of the parent	<5.0%>	(5.5%)	(1.3%)	(4.2%)	
	<46.0>	52.0	10.3	41.7	403%
EBIT	<82.9>	91.0	28.7	62.3	
Currency	1Q-3Q Actual	4Q Forecast	Total Forecast	FY2020 Actual	change
Rate (YEN/US\$)	111.2	110.0	110.9	106.0	4.8
Rate (YEN/EURO)	130.7	130.0	130.5	124.6	5.9
Rate (YEN/RMB)	17.2	17.5	17.3	15.7	1.6
Rate (YEN/AU\$)	82.7	80.0	82.0	76.0	5.9
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.

© Hitachi Construction Machinery Co., Ltd. 2022. All rights reserved. 27

In light of the results in the 3Q of the current fiscal year, and the demand environment, which I have explained so far, we have revised upward the previously announced value in October for this fiscal year's earnings forecast.

Specifically, as shown on this page, revenue is ¥950 billion, adjusted operating income is ¥84 billion, and net income attributable to owners of the parent is ¥52 billion. The adjusted operating income rate is expected to be 8.8%.

There will be no change in the lump-sum recording of sales price adjustments of ¥11.1 billion for the Americas, or in the impact of the gain by the transfer of our shareholding of ¥8.2 billion in joint venture companies in the Americas at the end of the current fiscal year, which were included in the previously announced value.

The forecast exchange rates are US dollar: ¥110, euro: ¥130, Chinese yuan: ¥17.5, and Australian dollar: ¥80.

References are also provided on page 32 for foreign exchange sensitivities that affect revenue from the Q4 onward and adjusted operating income.

Consolidated revenue forecast by geographic region

HITACHI

Reliable solutions

Consolidated revenue for FY2021 is expected to increase by 30.0 billion yen from the previous forecast and by 136.7 billion yen compared to the previous year.

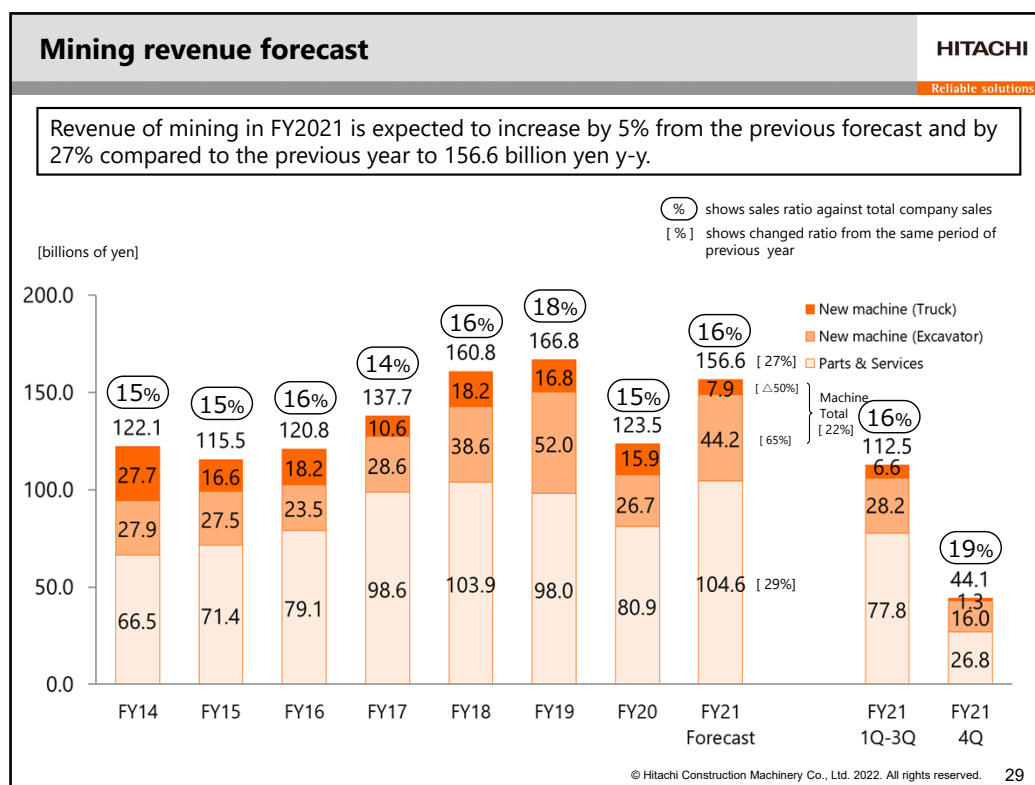
(billions of yen)

	FY2021 Forecast		FY2020 Actual		change	
					amount	%
Japan	206.4	22%	203.3	25%	3.1	2%
Asia	77.9	8%	52.7	6%	25.1	48%
India	54.7	6%	50.0	6%	4.7	9%
Oceania	157.3	17%	139.9	17%	17.4	12%
Europe	112.3	12%	87.8	11%	24.4	28%
N.America	170.9	18%	107.2	13%	63.7	59%
L.America	18.8	2%	10.9	1%	7.9	72%
Russia-CIS	38.6	4%	22.7	3%	15.9	70%
M.East	21.0	2%	16.1	2%	4.9	31%
Africa	39.3	4%	33.6	4%	5.7	17%
China	52.7	6%	89.1	11%	-36.3	-41%
Total	950.0	100%	813.3	100%	136.7	17%
Overseas ratio	78%		75%			

© Hitachi Construction Machinery Co., Ltd. 2022. All rights reserved. 28

I have explained that we will revise our revenue forecast in the fiscal year upward to ¥950 billion again, and this page explains the revenue forecast by region.

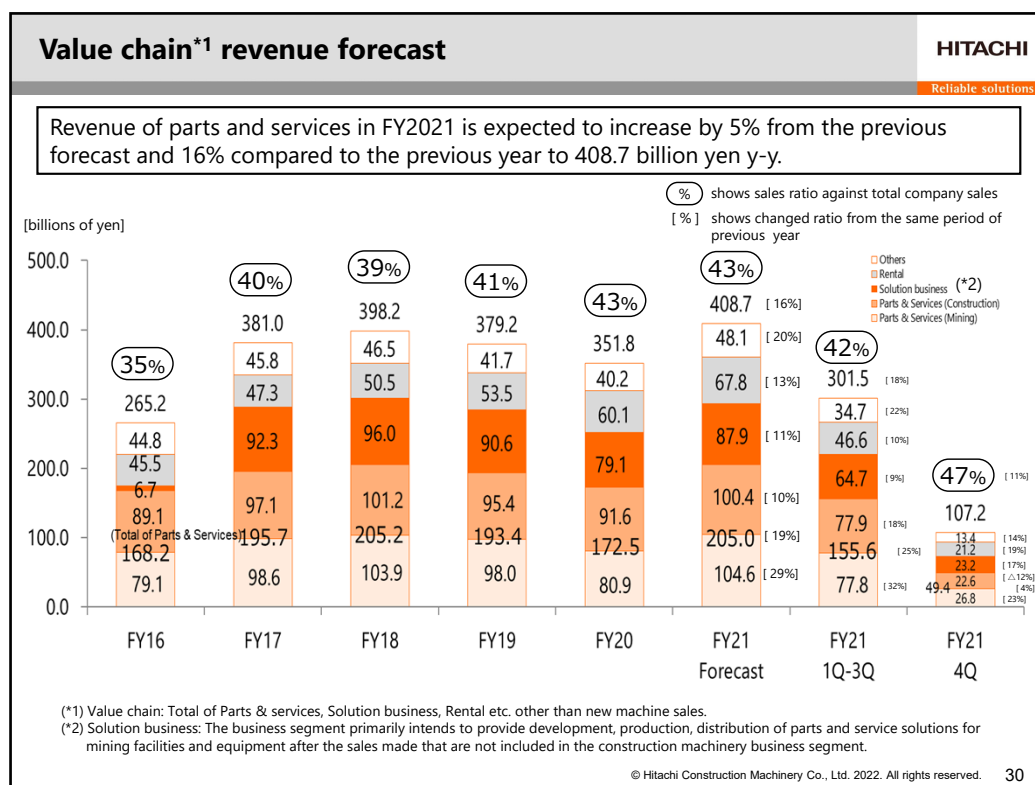
Sales in China are expected to decrease year on year. In all other regions, we forecast a year-on-year increase in sales, mainly in North America, Asia, and Europe.



The mining revenue forecast for FY2021 is also revised upward from the previously announced figure in October, with a 27% year-on-year increase to ¥156.6 billion.

In mining machinery, we expect an increase of 22% year on year in the sales of trucks and excavators in total, and an increase of 29% year on year in the sales of parts and services.

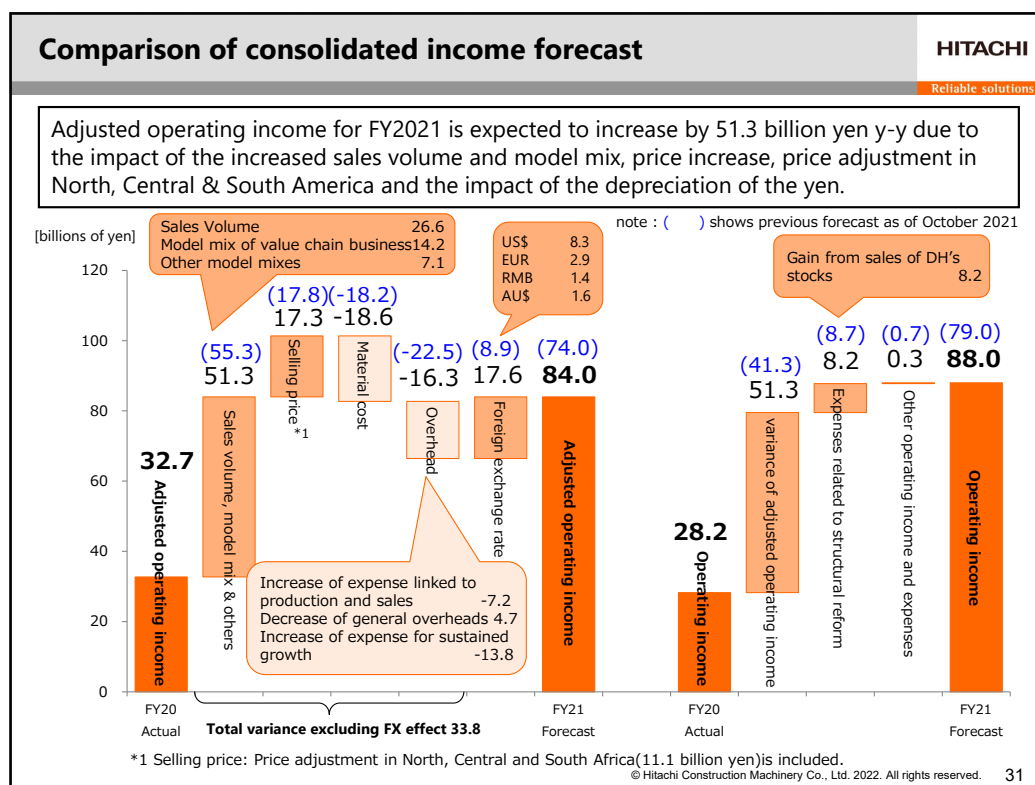
Please refer to "Details of Mining Revenue" by region using reference material 2 on page 33.



The forecast for value chain revenue for FY2021 is also revised upward from the previously announced figure in October, with a 16% year-on-year increase to ¥408.7 billion.

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.



Let me explain the factors behind adjusted operating income for the current fiscal year of ¥84 billion yen, which is expected to increase by ¥51.3 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 profit due to model mix and others are large at ¥51.3 billion. In addition, the price adjustment of ¥11.1 billion in the North, Central, and South America market recorded in the Q2 and the change in the selling price incorporating the increase in sales prices in each region will also contribute to the increase in adjusted operating income of ¥17.3 billion.

On the other hand, with an increase in material costs of ¥18.6 billion due to a sharp rise in steel prices and a decrease in income from an increase in overhead costs of ¥16.3 billion, ultimately adjusted operating income is expected to be ¥84 billion with the addition of a ¥17.6 billion rise in the impact of the depreciation of the yen.

Operating income is expected to increase by ¥59.8 billion year on year to ¥88 billion yen due to an increase in adjusted operating income of ¥51.3 billion and the incorporation of an ¥8.2 billion gain on the transfer of shares of joint venture companies with Deere in connection with structural reforms.

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

Appendix 1: FX rate and FX sensitivity

HITACHI

Reliable solutions

The forecast exchange rate for 4Q of FY2021 was set within the expected fluctuation range for each currency.

FX rate and FX sensitivity

[billions of yen]

Currency	FX rate				FX sensitivity (4Q)		
	FY21			FY20 Actual	Condition	Revenue	Adjusted operating income
	1Q-3Q Actual	4Q Forecast	Total Forecast				
US\$	111.2	110.0	110.9	106.0	Impact by 1 yen depreciation	0.6	0.5
EURO	130.7	130.0	130.5	124.6	Impact by 1 yen depreciation	0.2	0.2
RMB	17.2	17.5	17.3	15.7	Impact by 0.1 yen depreciation	0.1	0.0
AU\$	82.7	80.0	82.0	76.0	Impact by 1 yen depreciation	0.6	0.1

Appendix 2: Detail of mining revenue

HITACHI

Reliable solutions

[billions of yen]

		FY20 Actual			FY21 Forecast			Change		
		1-3Q	4Q	Year	1-3Q	4Q	Year	1-3Q	4Q	Year
America	Excavator	7.9	2.7	10.6	7.8	0.8	8.6	-0.1	-1.9	-2.0
	Dump Truck	0.9	1.2	2.1	2.0	0.7	2.7	1.1	-0.5	0.6
	Total	8.8	3.9	12.7	9.8	1.5	11.3	1.0	-2.4	-1.4
Europe, Africa and Middle East	Excavator	10.8	4.5	15.3	18.0	10.1	28.1	7.2	5.6	12.7
	Dump Truck	9.6	2.6	12.2	12.6	4.6	17.2	3.0	1.9	4.9
	Total	20.4	7.2	27.6	30.6	14.7	45.2	10.2	7.5	17.7
Asia & Oceania	Excavator	36.3	13.4	49.6	52.8	22.7	75.5	16.5	9.3	25.9
	Dump Truck	22.7	8.1	30.8	17.9	4.7	22.6	-4.8	-3.4	-8.2
	Total	59.0	21.5	80.5	70.7	27.4	98.1	11.7	5.9	17.6
China	Excavator	0.4	0.4	0.7	0.5	0.2	0.6	0.1	-0.2	-0.1
	Dump Truck	0.1	0.0	0.1	0.1	0.0	0.1	0.0	0.0	0.0
	Total	0.4	0.4	0.8	0.6	0.2	0.7	0.1	-0.2	-0.1
Japan	Excavator	0.9	0.7	1.6	0.9	0.3	1.2	0.0	-0.3	-0.3
	Dump Truck	0.3	0.1	0.4	0.0	0.0	0.0	-0.3	-0.1	-0.4
	Total	1.2	0.8	2.0	0.9	0.3	1.3	-0.3	-0.4	-0.7
Total	Excavator	56.3	21.6	77.9	80.0	34.0	114.0	23.7	12.5	36.1
	Dump Truck	33.5	12.1	45.6	32.6	10.0	42.6	-1.0	-2.0	-3.0
	Total	89.8	33.7	123.5	112.5	44.1	156.6	22.7	10.4	33.1

© Hitachi Construction Machinery Co., Ltd. 2022. All rights reserved. 33

Appendix 3: Segment information

HITACHI

Reliable solutions

The amortizations of PPA are included in the adjusted operating income of the solution business. The amounts of 0.8 billion yen are included in the FY2021 3Q, and in the 1.1 billion yen in the forecast for FY2021.

(billions of yen)

FY2021 1Q-3Q Actual	Reportable segment				Adjustments*1	Total
	Construction Machinery Business		Solution Business			
Revenue	655.7		67.2		-2.6	720.4
Adjusted operating income	8.6%	56.5	7.2%	4.8	-	8.5% 61.3

[billions of yen]

FY2021 Forecast	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	862.1	87.9	0.0	950.0
Adjusted operating income	8.9% 76.7	8.3% 7.3	-	8.8% 84.0

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

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



SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD

[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.

[Trademark notes]

"Lumada" is registered trademarks of Hitachi, Ltd. "AERIAL ANGLE" "ConSite" "Solution Linkage" is registered trademarks of Hitachi Construction Machinery Co., Ltd.

END**For further inquiries:**

Corporate Brand & Communications Div.

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