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Explanatory Meeting
for Business Results for the Fourth Quarter ended March 31, 2022
and Progress of Medium-term Management Plan

April 27, 2022

Kotaro Hirano
President and Executive Officer & CEO

Keiichiro Shiojima
Vice President and Executive Officer & CFO

Hidehiko Matsui
Executive Officer & CMO

Hitachi Construction Machinery Co., Ltd.

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1. Regional Market Environments and Projections

Hidehiko Matsui

Executive Officer & CMO

The market environments and projections explained by Hidehiko Matsui, Executive Officer, CMO.

Global Demand Trend for Hydraulic Excavators

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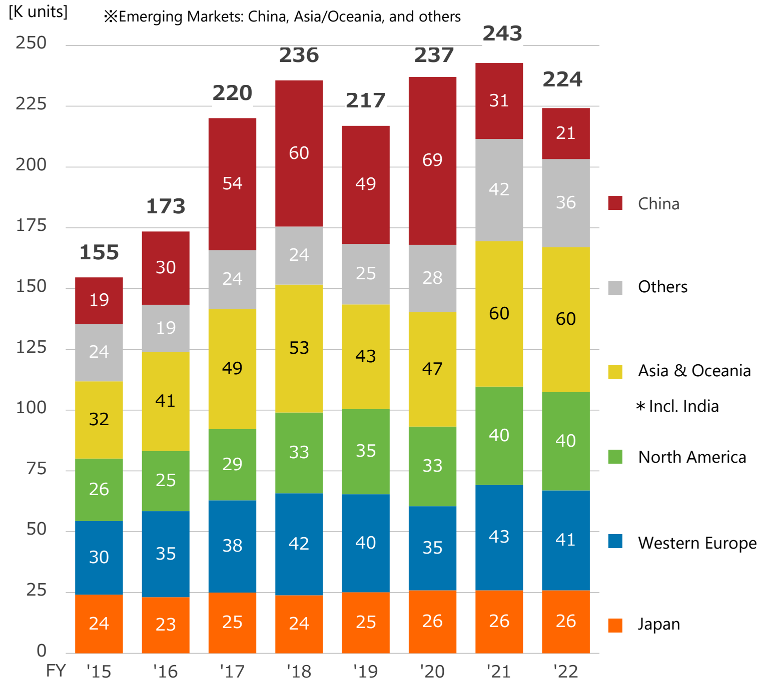
Emerging Markets ratio : FY2021 : 55% (y-y Change : -6%)

※Emerging Markets: China, Asia/Oceania, and others



Year-on-Year Change by Region

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

	'21	'22
Total	+2%	-8%
China	-55%	-33%
Russia,CIS, E Europe	+76%	-45%
Africa	+45%	+1%
Middle East	+71%	+3%
Latin America	+27%	+6%
Others	+52%	-14%
Asia	+43%	+0%
India	+7%	-3%
Oceania	+32%	+6%
Asia & Oceania	+27%	-0%
N America	+23%	+0%
W Europe	+25%	-5%
Japan	-0%	+0%

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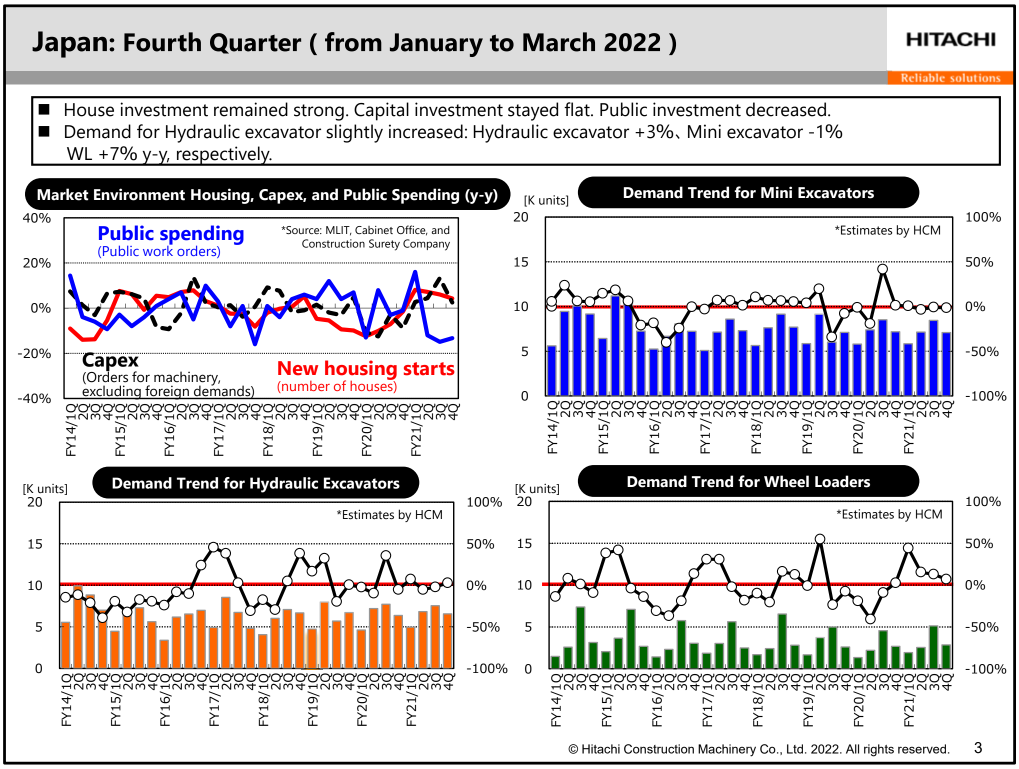
Demand in FY2021 increased by +2% to 243,000 units from 237,000 units in FY2020.
Demand in each region is as you can see.
In FY2021, demand in China decreased significantly due to the reactionary decline from the increase in demand last year and the impact of the spread of COVID-19.

Due to a significant increase in demand due to the recovery in demand from COVID-19 and rising resource prices in other emerging countries and developed countries other than Japan, demand for all regions increased by +2% year-on-year.

Demand for FY2022 is expected to continue to be steady in Oceania, the Middle East, and Latin America due to the promotion of infrastructure development and high resource pricing, despite the continued impact of the supply chain.

On the other hand, in the Chinese market, demand decreased by -33% year-on-year, continuing from FY2021, and demand for Russia CIS is expected to decrease significantly due to the influence of the situation in Russia and Ukraine

The total worldwide demand decreased by -8%, and excluding China, it is a decrease of -4% compared to the previous year. Also excluding China and Russia CIS, it is a decrease of -1% compared to the previous year.
Next, I would like to explain the results of the 4Q of FY2021 for each region.

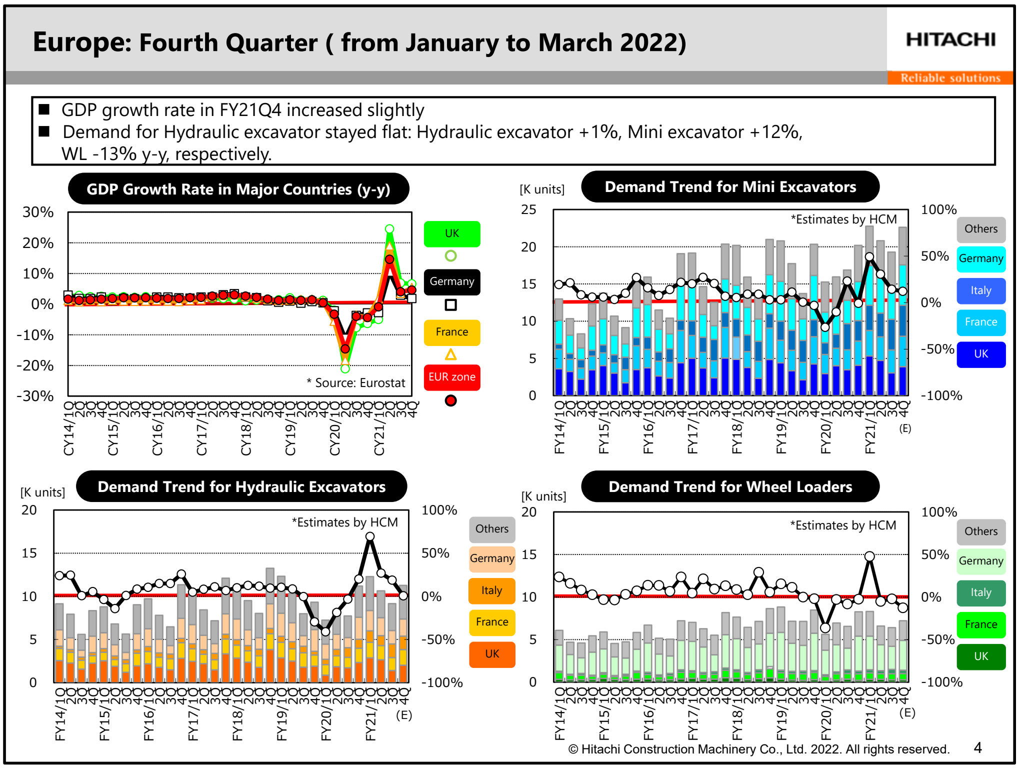


This slide explains the Japanese market.

The graph in the top left shows that housing investment remains strong in the 4Q. Capex investment is about the same as the previous year, and public spending decreased due to the impact of the decline in reconstruction demand from the Great East Japan Earthquake in Tohoku.

The graph in the lower left shows that demand for hydraulic excavators in the 4Q stayed strong, both private investment and public investment, and increased by +3% year-on-year.

The graph in the upper right shows that demand for mini excavators decreased by -1%, and wheel loaders in the lower right increased by +7%.

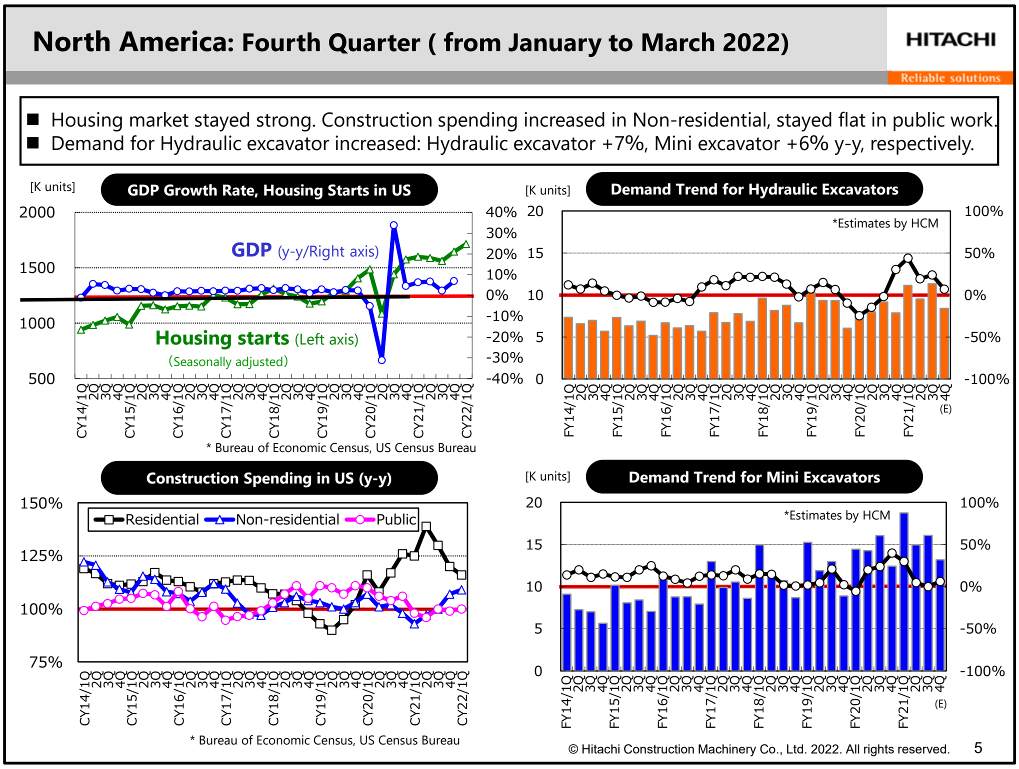


This slide explains the European market.

The graph in the top left shows that the GDP growth rate has been declining in Germany and other countries due to movement restrictions because of the spread of COVID-19 infection, but the euro area continues to recover.

Although the COVID-19 infection and the impact of the supply chain continue, demand remains strong due to infrastructure investment by the European Reconstruction Fund.

In the 4Q of FY2021, demand for hydraulic excavators in the lower left increased by +1% year on year.
Mini excavators in the upper right increased by +12% year on year.
Wheel loaders in the lower right decreased by -13% year on year.



This slide explains the North American market.

The graph in the top left shows that GDP is accelerating growth in housing investment and capital investment, and the number of housing starts increased at a high level.

The graph in the lower left shows that the rate of construction spending, it is still at a high level although the rate of residential construction spending has slowed. The number of non-residential construction spending has increased, and public construction spending has remained at the same level as the previous year.

The graph in the top right shows that demand in the 4Q of FY2021 for hydraulic excavators increased by +7% year on year.
The graph in the lower right shows that demand in the 4Q of FY2021 for mini excavators increased by +6% year on year, remaining strong.

Progress of Self-Development in North and Latin America

After the Announcement of the Termination of Joint Venture Relationship with Deere in August 2021

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Initiatives for FY2021

1. **Establishment of an Organizational Structure**
   Launch of the regional headquarters "Hitachi Construction Machinery America" and expansion of functions and human resources
2. **Establishment of a Network for Sales and Supply**
   Development of a parts supply network/finance collaboration with ITOCHU Group in North America
3. **Building a Network of Dealers**
   Covering approximately 80% of the demand in North America

Full-scale self-development to begin in March 2022
Sales to dealers off to a good start

Hitachi Construction Machinery America Inc.

Initiatives for FY2022

- Support for dealers in building sales and service systems (initial stocking, training for mechanics)
- Reinforcement of mining sales and service systems in Latin America
  Continued collaboration with the Marubeni Group
- Strengthening of collaboration with the ITOCHU Group in North America
- Consideration of a local production system

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Now see page 7.

Finally, in 2022 March, we began full-scale self-development in the North and Latin American markets.

In FY2021, we focused on building a system for self-development.

The first is the establishment of an organizational structure. Hitachi Construction Machinery America Inc. was established as a regional headquarters, and its functions and human resources were expanded.

The second is the establishment of a network for sales and supply. We are developing a supply network for service parts and considering a financing collaboration with the ITOCHU Group in North America.

The third is building a dealers' network. We have established a dealers' network that covers approximately 80% of the demand areas in North America, mainly through dealers who have been handling Hitachi brand products for some time.

Sales to dealers in March 2022 are off to a good start.

We will use these foundations to ensure a smooth business start-up in FY2022.

We will continue to support our dealers by filling their initial stocking and providing training for mechanics.

In Latin America, we will strengthen our mining sales and service system in cooperation with the Marubeni Group. Furthermore, in North America, we will promote the strengthening of cooperation with the ITOCHU Group.

We will also proceed with specific studies on the local production system.

China: Fourth Quarter (from January to March 2022)

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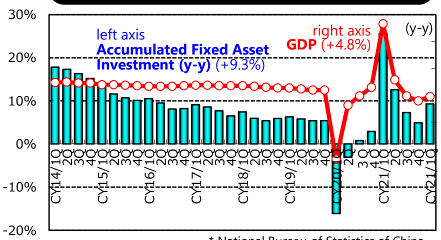
- The GDP growth rate was +4.8%.
- Demand for hydraulic excavators decreased. -66% y-y, Foreign manufactures only.

GDP and Fixed Asset Investment

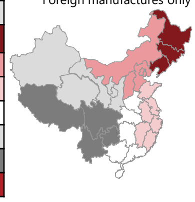


* National Bureau of Statistics of China

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

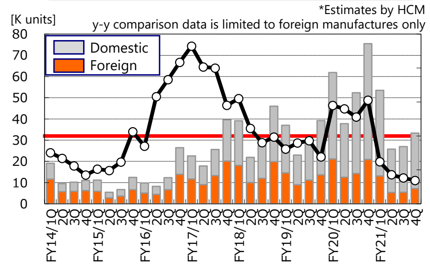
YoY(%)	FY20	FY21			
	4Q	1Q	2Q	3Q	4Q
North East	+98	-31	-45	-40	-70
North	+76	-20	-40	-20	-51
East	+42	-42	-63	-65	-67
Central South	+70	-42	-55	-69	-71
North West	+68	-42	-62	-60	-54
South West	+25	-35	-60	-69	-70
Total	+53	-37	-57	-62	-66

*Estimates by HCM
*Foreign manufactures only



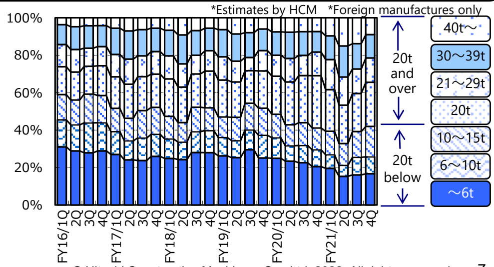
Demand Trend for Hydraulic Excavators

*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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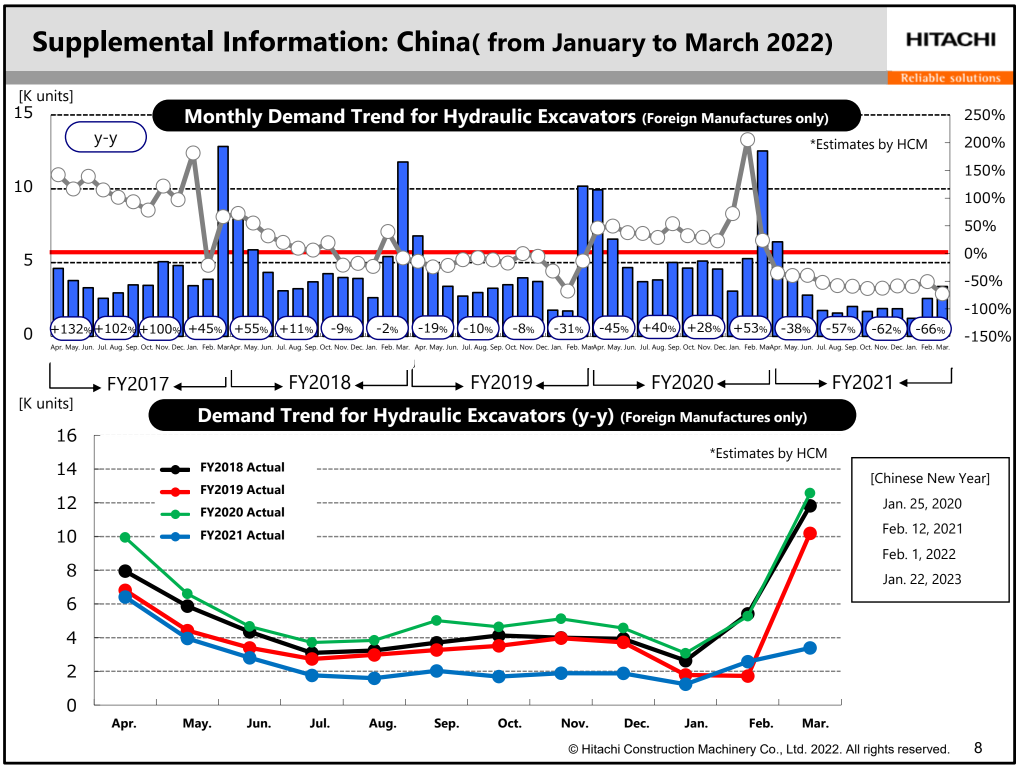
This slide explains the Chinese market.

The graph in the top left shows that the GDP growth rate increased by +4.8% from January to March 2022. Accumulated fixed asset investment increased by +9.3% year on year.

The graph in the lower left shows that demand in the Q4 of FY2021 for hydraulic excavators including machinery produced by Chinese manufacturers is expected to decrease by -56% year on year. The breakdown demand for machinery produced by Chinese manufacturers decreased by
-52% and demand for machinery produced by non-Chinese manufacturers decreased by -66%.

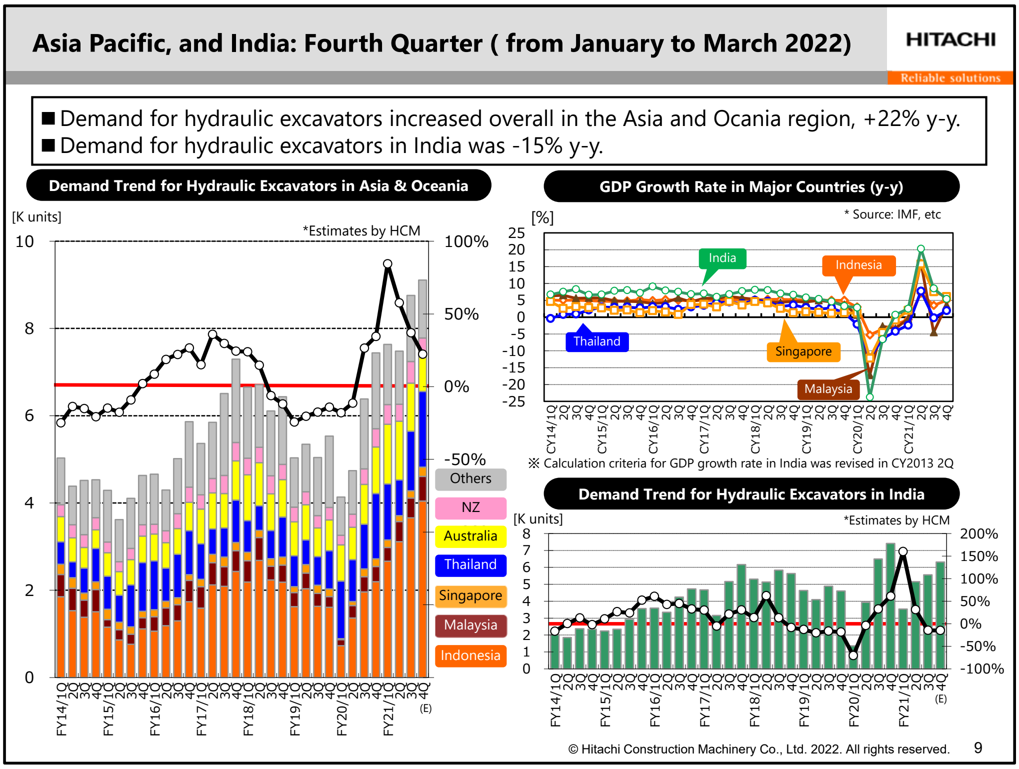
In addition, in the trend of demand by region in the upper right, demand continues to decline in all regions.
Please refer to the lower right chart for the demand composition by class.



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 -66% in the 4Q of FY2021.

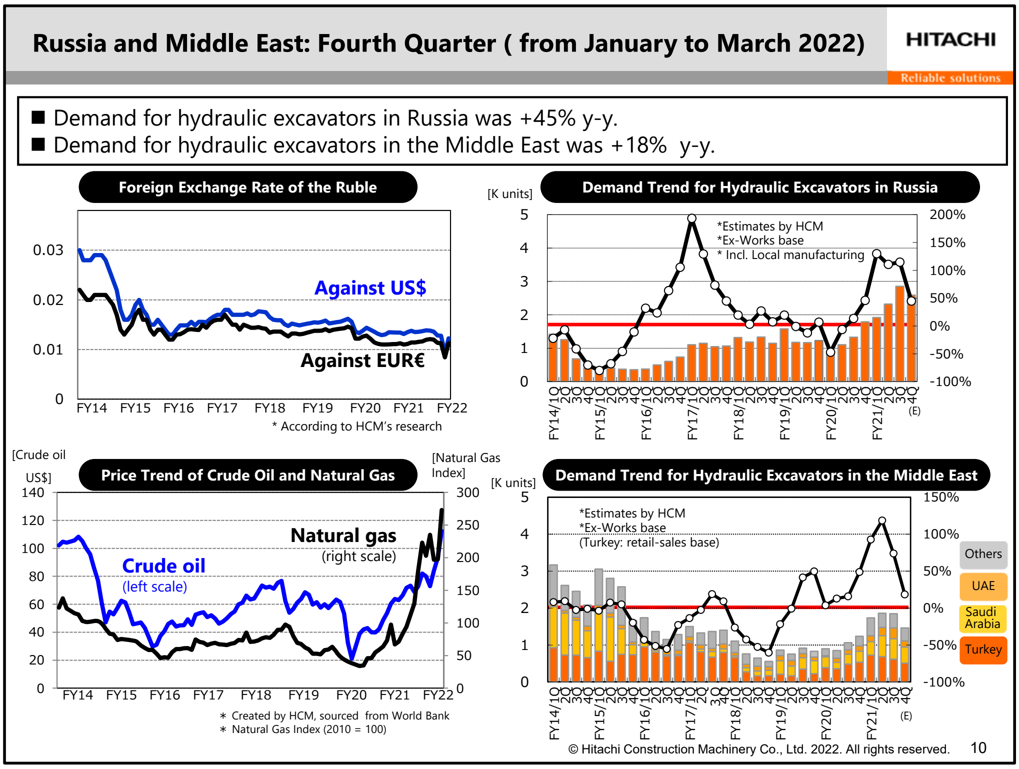
The market has not risen since last year’s Chinese New Year , and the market has continued to decline due to the continued sense of surplus machinery due to the reaction to the increase in demand in FY2020 and the rapid spread of COVID-19 infections.



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

In the upper right, the GDP of major countries increased in the 4Q.
Singapore continues to grow at a high growth rate, partly due to a significant recovery in exports.
In other regions as well, due to the decrease in COVID-19 infections and deregulation of operations, the level has recovered to the level before COVID-19, and India's growth has slowed but the recovery trend is continuing.

In the left graph, demand in the 4Q of FY2021 for hydraulic excavators in Asia and Oceania increased by +22% year on year, especially in Indonesia, due to high resource prices and strong forestry demand.
In the lower right, demand for hydraulic excavators in India decreased by -15% year on year but is currently on a recovery trend due to a decrease in COVID-19 infections.

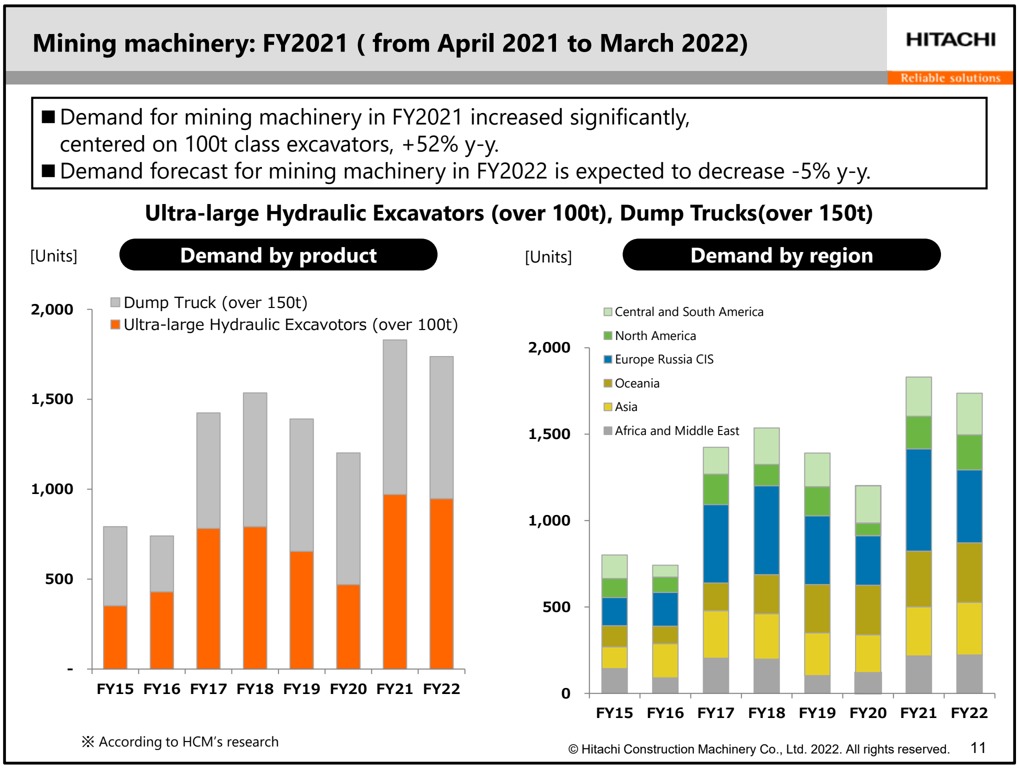


This slide explains the Russia and Middle East market.

The graph in the top right shows that demand in the 4Q of FY2021 for hydraulic excavators in Russia increased by +45% year on year as resource prices remain high.

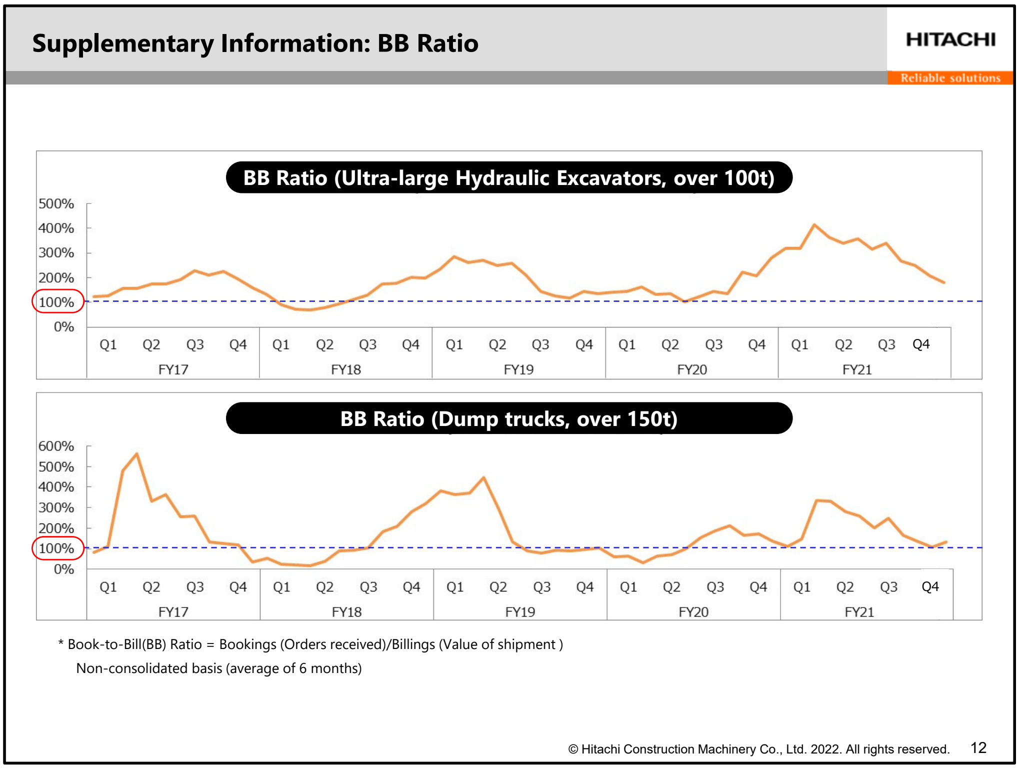
On the other hand, due to economic sanctions on Russia centered on Western countries, as announced on March 4, 2022, Hitachi Construction Machinery has decided to suspend local production in Russia and machine export from Japan for the time being in view of the situation in Russia and Ukraine.

The graph in the lower right shows that demand in the 4Q of FY2021 for hydraulic excavators in the Middle East increased by +18% year on year, due to the impact of the supply chain, although it will remain strong due to rising resource prices and recovery from COVID-19.



Demand for mining in FY2021 increased by about +52% from the previous year due to a significant increase in demand for 100-ton excavators for small and medium-sized mines and contractors.

Due to various sanctions caused by Russia's invasion of Ukraine in FY2022, mining demand for Russia, which is the largest demand area, will decrease, but demand in other regions is still strong, and global demand is expected to decrease by -5% from the previous year.



This slide explains the BB ratio of mining machinery.

Even amid tight sea shipping, the 4Q was the highest shipment value of the year.

On the other hand, new orders are still going well, exceeding the shipment value for both ultra-large excavators and dump trucks, and maintaining 100% or more.

Topic : Continued Launch of Battery-Powered Excavators in Europe, and Increased Development and Production Facility Capacity in Japan

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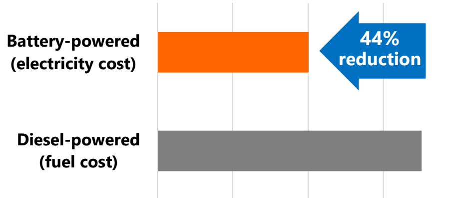
13 CLIMATE ACTION

Starting to accept orders for 5-tonne-class battery-powered mini excavators in the European market from June 2022

- Long operating time by using both battery power and commercial power
- Expanded lineup that contributes to zero-emission at construction sites
- Expanded capabilities of the test site to conduct advanced testing of battery-powered excavators or others

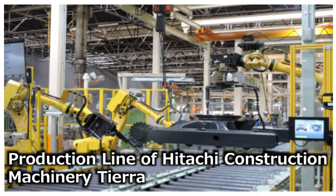
Battery-powered mini excavator ZX55U-6EB



Comparison of annual operating costs for the 5-tonne class (European average)

Enhancing production facility capacity for compact products

- Utilizing the space after the relocation of the product test site
  Enhancing production facility capacity by approximately 1.3 times by FY2025



Production Line of Hitachi Construction Machinery Tierra

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We will continue with an explanation of the topic.

Hitachi Construction Machinery will start taking orders for the 5-tonne-class battery-powered mini excavator in the European market in June.

The main feature of this product is that it can use both battery power and commercial power.

This expansion of the lineup follows the 8-tonne class already on the market as part of the Hitachi Construction Machinery Group.

Hitachi Construction Machinery Tierra, which develops and produces compact products, will expand the functions of its test site for advanced testing, such as for battery-powered excavators.

We will continuously expand our lineup of battery-powered excavators and contribute to zero-emission construction sites.

At the same time, Hitachi Construction Machinery Tierra will increase its production capacity to approximately 1.3 times the current level by FY2025 to meet the increasing demand for compact products in the North American and European markets.

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2. Business Results for FY2021 ended March 31, 2022 (April 1, 2021 - March 31, 2022)

Keiichiro Shiojima
Vice President and Executive Officer & CFO

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Our Business Results in the 4Q FY2021 are explained by Keiichiro Shiojima, Executive Officer, CFO.

Summary of consolidated results

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In the current fiscal year, despite the impact of COVID-19, revenue increased by 26% y/y and adjusted operating income increased by 186% due to the strong demand and the impact of yen depreciation.

[billions of yen]

			FY2021 Actual		FY2020 Actual	change
Revenue		＜950.0＞		1,025.0	813.3	26%
Adjusted operating income *1		＜84.0＞	(9.1%)	93.5	(4.0%) 32.7	186%
Operating income		＜88.0＞	(10.4%)	106.6	(3.5%) 28.2	278%
Income before income taxes		＜88.0＞	(10.8%)	110.9	(3.1%) 25.6	333%
Net income attributable to owners of the parent		＜52.0＞	(7.4%)	75.8	(1.3%) 10.3	633%
EBIT *2		＜91.0＞	(11.1%)	114.0	(3.5%) 28.7	297%
FX rate	Rate (YEN/US$)	＜110.9＞		112.6	106.0	6.6
	Rate (YEN/EURO)	＜130.5＞		130.6	124.6	6.0
	Rate (YEN/RMB)	＜17.3＞		17.5	15.7	1.8
	Rate (YEN/AU$)	＜82.0＞		83.0	76.0	7.0
Cash dividend per share (yen) *3		<TBD>		110	20	90

*1 "Adjusted operating income" is presented as revenues less cost of sales as well as selling, general and administrative expenses.
*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 FY2021, despite the impact of restrictions on behavior caused by COVID-19, revenue increased by 26% year on year to ¥1,025.0 billion. This was due in part to an increase in prices for the Americas, which were recorded in the 2Q, as well as an increase in foreign exchange rates.

Adjusted operating income increased by 186% year on year to ¥93.5 billion, resulting in an adjusted operating income margin of 9.1%. Operating income was ¥106.6 billion, resulting in an operating income margin of 10.4%.
Net income attributable to owners of the parent increased by 633% year on year to ¥75.8 billion. In addition, the yen depreciated by ¥6.6 to the U.S. dollar, by ¥6.0 to the euro, by ¥1.8 to the Chinese yuan, and by ¥7.0 to the Australian dollar compared with the previous fiscal year.

The annual dividend for the fiscal year will be ¥110 per share, a record high.

Revenue by geographic region (consolidated)

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Revenue increased in each region except China y/y, and consolidated revenue increased by 211.6 billion yen.

[billions of yen]

	FY2021 Actual		FY2020 Actual		change amount	change %
Japan	216.9	21%	203.3	25%	13.6	7%
Asia	86.4	8%	52.7	6%	33.7	64%
India	57.2	6%	50.0	6%	7.2	14%
Oceania	167.7	16%	139.9	17%	27.7	20%
Europe	124.2	12%	87.8	11%	36.3	41%
N.America	196.4	19%	107.2	13%	89.3	83%
L.America	22.7	2%	10.9	1%	11.9	109%
Russia-CIS	38.6	4%	22.7	3%	15.9	70%
M.East	19.2	2%	16.1	2%	3.1	19%
Africa	43.5	4%	33.6	4%	9.9	29%
China	52.1	5%	89.1	11%	-37.0	-42%
Total	1,025.0	100%	813.3	100%	211.6	26%
Overseas ratio	79%		75%			

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Total revenue increased year on year in all regions except China.

Market conditions recovered notably in North America, Europe, and Asia, and the yen's depreciation also coincided, resulting in a substantial increase in sales. Meanwhile, revenue in China decreased by ¥37 billion yen compared with the previous fiscal year.

The overseas revenue ratio increased 4 percentage points year on year to 79%.

Mining revenue

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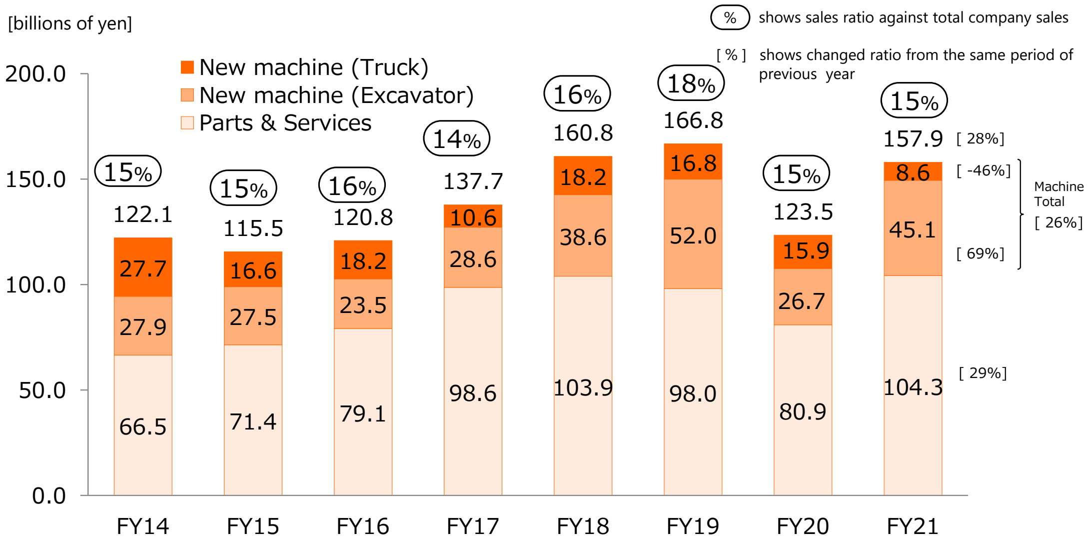
Revenue of mining increased by 28% to 157.9 billion yen y/y due to strong demand for mining excavators, increased sales volume in parts and service, and the impact of the depreciation of the yen.



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In the fiscal year under review, mining revenue was ¥157.9 billion, an increase of 28% year on year, as shown in the bar graph on the right.

We have analyzed the yen's depreciation as a factor behind a 10% increase in revenues, which on a local currency basis was an 18% increase over the previous year.

Total sales of new machines increased by 26%, total sales of trucks decreased by 46%, while total sales of hydraulic excavators increased by 69%. Parts and services also increased by 29%.

Value chain*1 revenue

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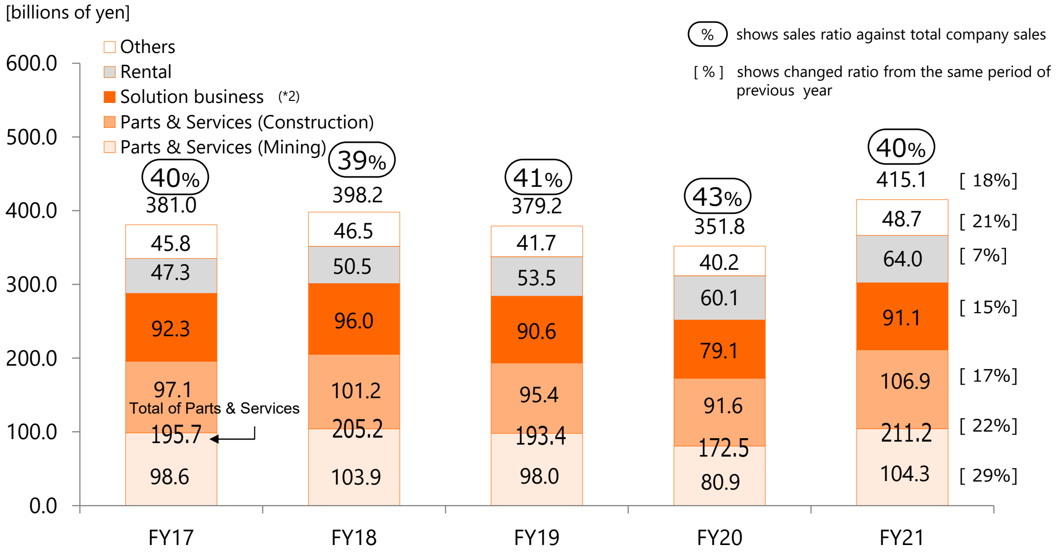
Revenue of the value chain business increased by 18% to 415.1 billion yen y/y due to increased volume in all segments and the impact of the depreciation of the yen.



(*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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Please refer to the bar graph on the right.

In the fiscal year under review, value chain revenue increased by 18% to ¥415.1 billion from the previous fiscal year.

We have analyzed the yen's depreciation as a factor behind a 7% increase in revenues, which on a local currency basis was an 11% increase over the previous year.

All divisions were able to exceed the previous year's results, and the total amount reached a record high.

Comparison of consolidated income

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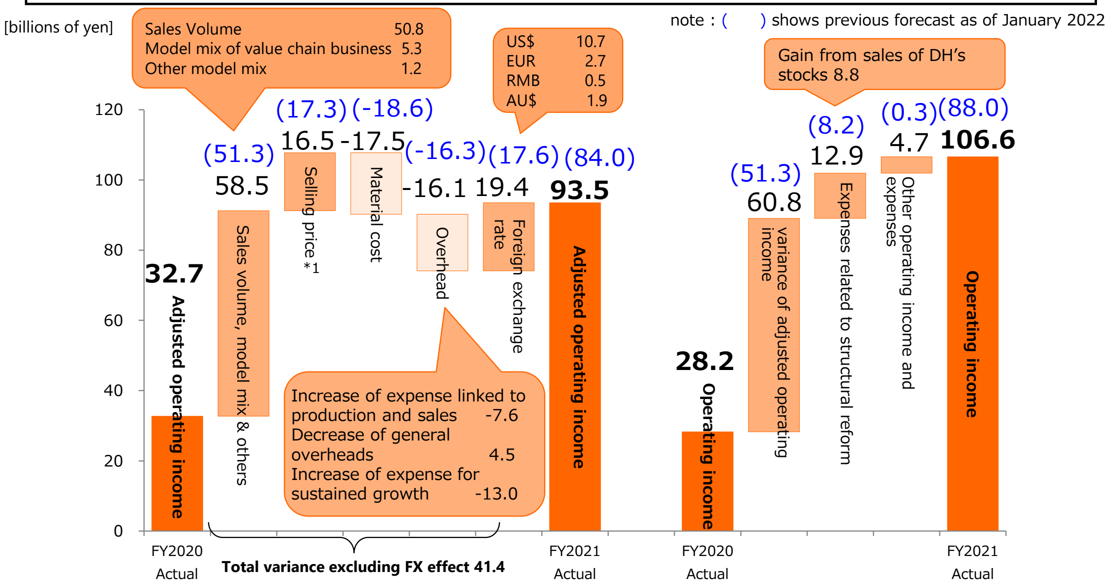
Adjusted operating income increased by 60.8 billion yen y/y due to the impact of the increased sales volume and model mix, a price increase, price adjustment in North, Central & South America, and the impact of the depreciation of the yen.



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

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We explain the factors behind the ¥60.8 billion increase in adjusted operating income compared to the previous year.
As I have explained, revenue increased in all regions except China, which contributed to an increase of ¥58.5 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 ¥16.5 billion increase in income year on year.

On the other hand, material costs increased by ¥17.5 billion due to soaring steel prices, and overhead costs also increased by ¥16.1 billion due to an increase in production and sales volume year on year. As a result of the impact of the yen's depreciation (¥19.4 billion), adjusted operating income increased by ¥60.8 billion year on year to ¥93.5 billion.

On the right-hand side of the page, operating income increased ¥78.4 billion year on year to ¥106.6 billion due to an increase in adjusted operating income of ¥60.8 billion and the incorporation of an ¥8.8 billion gain on the transfer of shares of a joint venture with Deere & Company in connection with structural reforms.

Consolidated statement of income

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Net income attributable to owners of the parent increased by 65.5 billion yen to 75.8 billion yen y/y.

[billions of yen]

	FY2021 Actual		FY2020 Actual		change amount	change %
Revenue		1,025.0		813.3	211.6	26%
Cost of Sales	(72.7%)	745.0	(76.2%)	620.0	125.0	20%
SGA expenses	(18.2%)	186.5	(19.8%)	160.6	25.8	16%
Adjusted operating income *1	(9.1%)	93.5	(4.0%)	32.7	60.8	186%
Other Income/expenses		13.1		-4.5	17.5	-
Operating income	(10.4%)	106.6	(3.5%)	28.2	78.4	278%
Financial income/expenses		-1.9		-4.1	2.1	-52%
Share of profits of investments accounted for using the equity method		6.2		1.4	4.8	336%
Income before income taxes	(10.8%)	110.9	(3.1%)	25.6	85.3	333%
Income taxes		31.0		11.0	20.1	183%
Net income	(7.8%)	79.9	(1.8%)	14.6	65.2	446%
Net income attributable to owners of the parent	(7.4%)	75.8	(1.3%)	10.3	65.5	633%

"Adjusted operating income" is presented as revenues less cost of sales as well as selling, general and administrative expenses.

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

Financial income and expenses improved by ¥2.1 billion year on year, mainly due to foreign exchange gains.
The share of profit of investments accounted for using the equity method also increased by ¥4.8 billion.

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

Net income attributable to owners of the parent increased by ¥65.5 billion year on year to ¥75.8 billion.

Summary of quarterly consolidated revenue and operating income (ratio)

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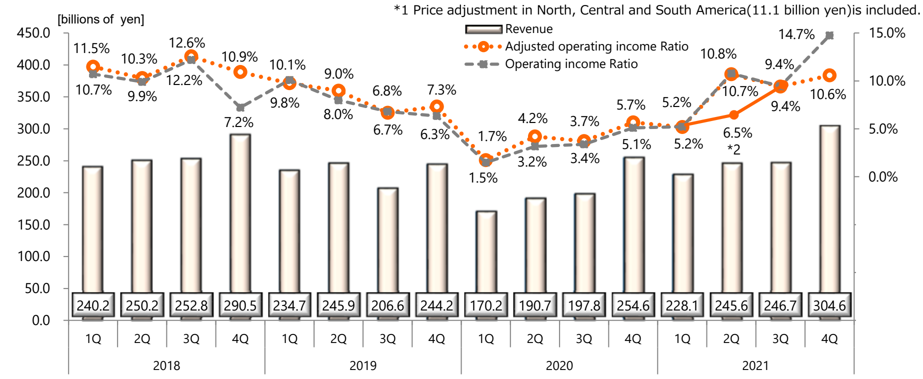
[billions of yen]

	2018				2019				2020				2021			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q*1	3Q	4Q
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	246.7	304.6
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	23.2	32.2
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	23.3	44.9

*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	3Q	4Q
Rate (YEN/US$)	109.1	111.5	112.9	110.2	109.9	107.4	108.8	108.9	107.6	106.2	104.5	105.9	109.5	110.1	113.7	116.2
Rate (YEN/EURO)	130.1	129.6	128.8	125.2	123.5	119.3	120.3	120.1	118.5	124.1	124.5	127.7	132.0	129.8	130.1	130.4
Rate (YEN/RMB)	17.1	16.4	16.3	16.3	16.1	15.3	15.5	15.6	15.2	15.4	15.8	16.4	17.0	17.0	17.8	18.3
Rate (YEN/AU$)	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	82.9	84.0

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Please refer to the 4Q of FY2021 on the right-hand side.

Revenue for the 4Q of FY2021 was ¥304.6 billion, a record high for the quarterly amount. The adjusted operating income margin was 10.6%, as shown in the line graph.

As discussed in Note 2, price adjustments of ¥11.1 billion were accumulated in the North, Central, and South American market in the 2Q of FY2021, but margins have improved since the third quarter without special items.

Consolidated statement of financial position

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Total assets increased by 189.7 billion yen y/y due to an increase in inventories and trade receivables and property, plant and equipment.

[billions of yen]

	(A) Mar '2022	(B) Mar '2021	(A)-(B) change
Cash and cash equivalents	94.3	80.3	13.9
Trade receivables	266.3	211.2	55.0
Inventories	368.3	297.8	70.5
Total current assets	764.4	617.2	147.2
Total non-current assets	645.2	602.7	42.5
Total assets	1,409.6	1,219.9	189.7
Trade receivables incl. non-current	309.0	252.7	56.4
Inventories by products			
Unit	108.9	77.3	31.6
Parts	132.6	102.3	30.4
Raw materials, WIP and etc	126.8	118.2	8.5
Total inventories	368.3	297.8	70.5
On hand days(divided by revenue)			(Days)
Trade receivables	110	113	-3
Inventories	131	134	-3
Trade payables	51	49	2
Net working capital	186	194	-8

	(D) Mar '2022	(E) Mar '2021	(D)-(E) change
Trade and other payables	252.2	199.2	53.0
Bonds and borrowings	353.1	329.5	23.6
Total liabilities	741.6	651.3	90.3
(Equity attributable to owners of the parent ratio)	(43.4%)	(42.1%)	(1.3%)
Total equity	667.9	568.6	99.4
Total liabilities and equity	1,409.6	1,219.9	189.7
	(25.1%)	(27.0%)	(-2.0%)
Interest-bearing debt	353.1	329.5	23.6
Cash and Cash equivalents	94.3	80.3	13.9
	(18.4%)	(20.4%)	(-2.1%)
Net interest-bearing debt	258.9	249.2	9.7
Net D/E Ratio	0.42	0.49	-0.06

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Trade receivables and inventories increased by ¥56.4 billion and ¥70.5 billion, respectively, from the previous fiscal year-end.

The increase due to the depreciation of the yen is analyzed to be ¥17.3 billion and ¥23.9 billion, respectively.
Total assets amounted to ¥1,409.6 billion, an increase of ¥189.7 billion from the end of the previous fiscal year, due to the addition of operating assets for lease and the acquisition of non-current assets.

On the other hand, terms of days on hand for both trade receivables and inventories were reduced by three days from the end of the previous fiscal year to 110 days and 131 days, respectively. As a result, net working capital on hand was reduced by 8 days to 186 days.

Total interest-bearing debt on the right side rose ¥23.6 billion from the end of the previous fiscal year, to ¥353.1 billion.

On the other hand, net interest-bearing debt increased by only ¥9.7 billion to ¥258.9 billion, partly due to the accumulation of ¥13.9 billion cash and deposits.
Total equity was ¥667.9 billion, and the ratio of equity attributable to owners of the parent was 43.4%, the net debt equity ratio improved to 0.42.

Consolidated cash flow

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Free cash flows is positive at 32.5 billion yen.

[billions of yen]

	FY2021 Actual		FY2020 Actual		change	
Net income		79.9		14.6		65.2
Depreciation and amortization	135.3	55.5	64.8	50.2	70.5	5.3
(Increase)decrease in trade/lease receivables		-31.6		23.3		-54.9
(Increase)decrease in inventories	-64.6	-48.2	29.6	25.5	-94.2	-73.7
Increase(decrease) in trade payables		15.1		-19.2		34.3
Others, net		-31.4		-3.0		-28.4
Net cash provided by (used in) operating activities		39.3		91.3		-52.0
Cash flow margin for operating activities		3.8%		11.2%		-7.4%
Net cash provided by (used in) investing activities		-6.9		-32.3		25.4
Free cash flows		32.5		59.1		-26.6
Net cash provided by (used in) financing activities		-25.6		-46.0		20.4

In the fiscal year under review, operating cash flow was a positive ¥39.3 billion, but working capital expanded due to an increase in the volume of sales, resulting in a decrease in revenue of ¥52.0 billion year on year.

On the other hand, cash flow from investing activities decreased ¥25.4 billion year on year, due in part to proceeds from the transfer of shares in joint ventures with Deere & Company. However, free cash flow decreased ¥26.6 billion to ¥32.5 billion.

Summary of consolidated earnings forecast

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Although the consolidated income statement for FY2022 is expected to have a depreciation of the yen at the expected exchange rate of 10.5 billion yen, sales are expected to decrease by 65.0 billion yen y/y, mainly incorporating Russian risks.

[billions of yen]

	FY2022 Forecast	FY2021 Actual	change amount	change %
Revenue	960.0	1,025.0	-65.0	-6%
Adjusted operating income	(8.3%) 80.0	(9.1%) 93.5	(-0.8%) -13.5	-14%
Operating income	(7.9%) 76.0	(10.4%) 106.6	(-2.5%) -30.6	-29%
Income before income taxes	(7.7%) 74.0	(10.8%) 110.9	(-3.1%) -36.9	-33%
Net income attributable to owners of the parent	(4.7%) 45.0	(7.4%) 75.8	(-2.7%) -30.8	-41%
EBIT	76.8	114.0	-37.2	

Currency	FY2022 Forecast	FY2021 Actual	change
Rate (YEN/US$)	120.0	112.6	7.4
Rate (YEN/EURO)	130.0	130.6	-0.6
Rate (YEN/RMB)	19.0	17.5	1.5
Rate (YEN/AU$)	80.0	83.0	-3.0
Cash dividend per share (yen) *1	to be determined	110	-

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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Taking into account the demand environment in FY2022 explained by Executive Officer & CMO Matsui, as well as the results in FY2021 and the future economic status and exchange trends worldwide, the forecast for FY2022 is revenue of ¥960.0 billion, adjusted operating income of ¥80.0 billion, and net income attributable to owners of the parent company of ¥45.0 billion.

In addition to Russia/CIS and Europe, which are affected by the situation in Ukraine, this forecast incorporates the risk of declining demand and revenue in China, where market conditions remain sluggish, as well as the risk of further cost increases, including material costs, due to soaring resource prices.

The forecast exchange rates are US dollar: ¥120, euro: ¥130, Chinese yuan: ¥19, and Australian dollar: ¥80.

Please see Appendix 1 for your reference. Currency sensitivity, which affects revenue and adjusted operating income, is also presented on page 30.

Consolidated revenue forecast by geographic region

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Consolidated revenue for FY2022 is expected to decrease significantly in Russia/CIS and China.

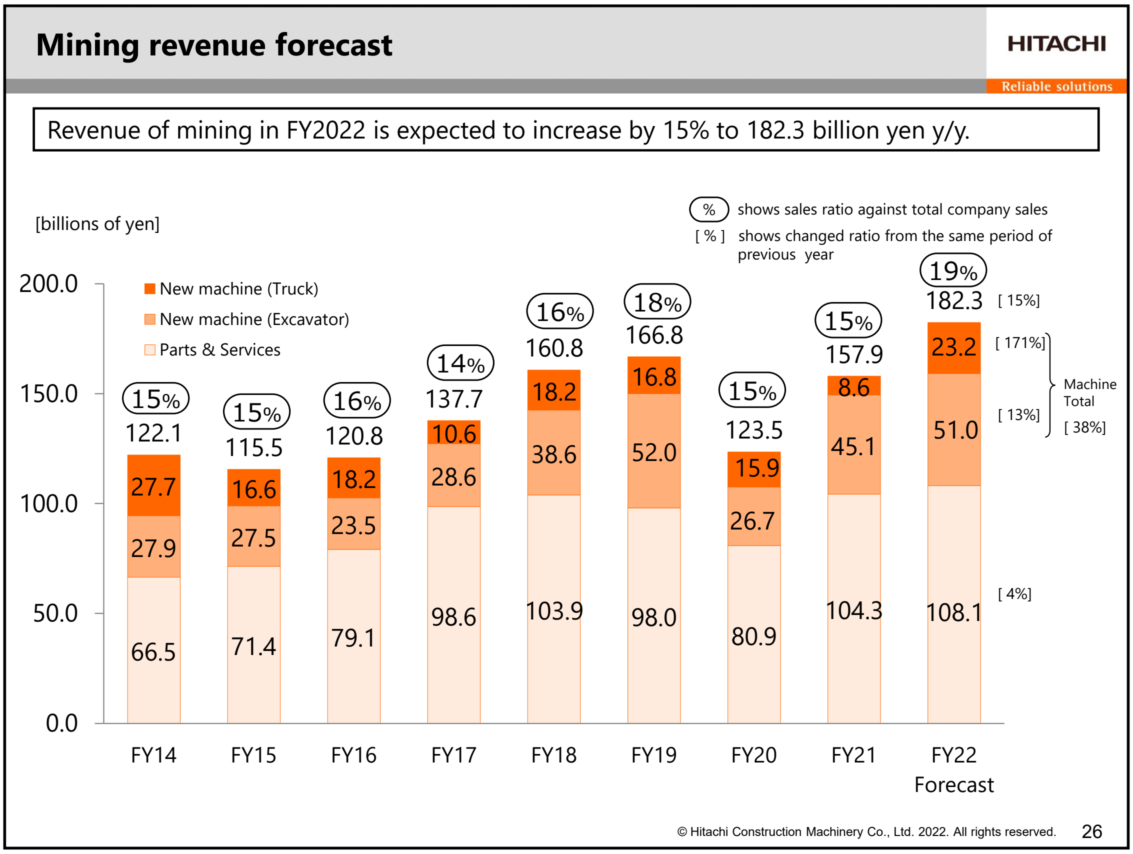
(billions of yen)

	FY2022 Forecast		FY2021 Actual		change amount	change %
Japan	202.0	21%	216.9	21%	-14.9	-7%
Asia	89.5	9%	86.4	8%	3.1	4%
India	52.5	5%	57.2	6%	-4.7	-8%
Oceania	162.9	17%	167.7	16%	-4.7	-3%
Europe	115.3	12%	124.2	12%	-8.9	-7%
N.America	208.8	22%	196.4	19%	12.4	6%
L.America	23.8	2%	22.7	2%	1.0	5%
Russia-CIS	13.6	1%	38.6	4%	-25.0	-65%
M.East	17.8	2%	19.2	2%	-1.4	-7%
Africa	41.4	4%	43.5	4%	-2.0	-5%
China	32.4	3%	52.1	5%	-19.7	-38%
Total	960.0	100%	1,025.0	100%	-65.0	-6%
Overseas ratio	79%		79%			

Revenue for FY2022 is expected to decrease by ¥65.0 billion year on year, or 6%, to ¥960.0 billion. In addition, we analyze the impact of the yen's depreciation as an increase in revenue of ¥10.5 billion.

While revenues in Russia/CIS and China are expected to decline significantly, revenue in North America is expected to increase due in large part to the impact of foreign exchange rates.

The overseas sales ratio is expected to be 79%, the same as in the previous year.



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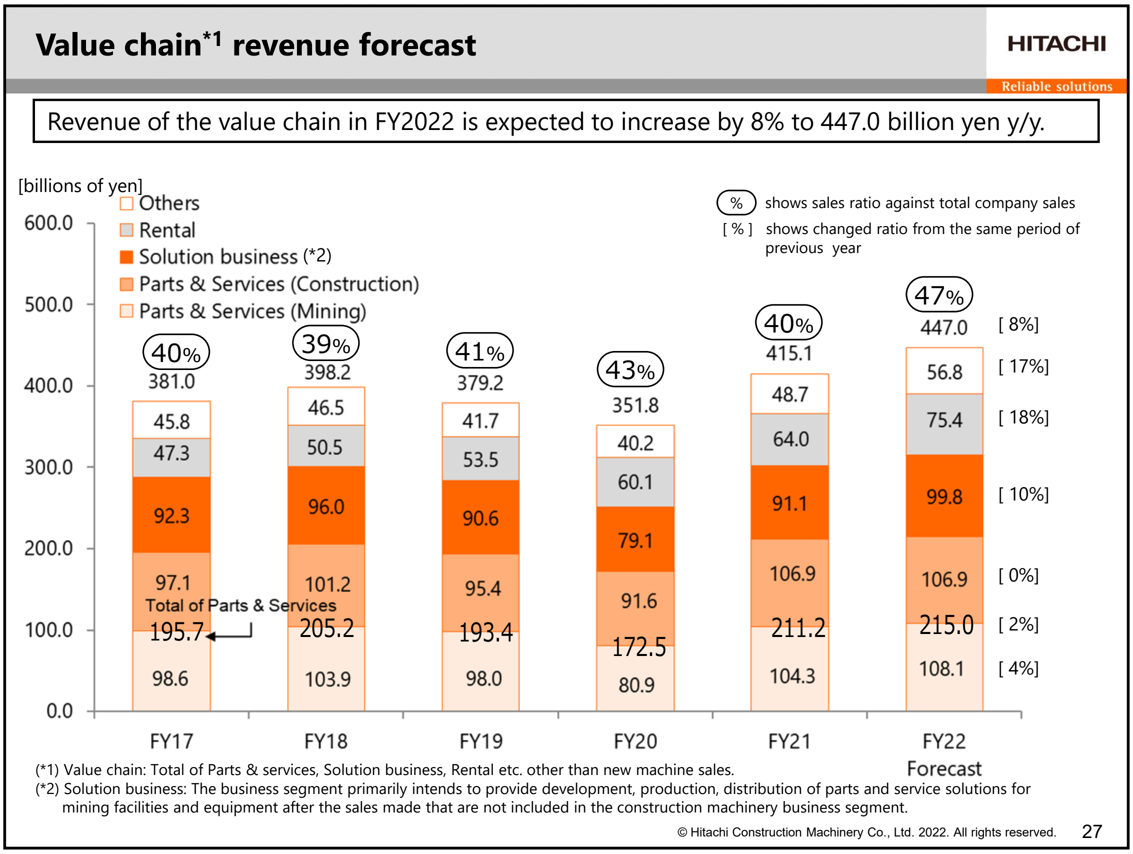
In FY2022, mining revenues are expected to increase 15% year on year to ¥182.3 billion.

Total sales of new machines for trucks and excavators are expected to increase 38% year on year, and parts and services are also expected to increase 4% year on year.

The sales composition ratio is also expected to increase by 4 points year on year to 19%.

Please refer to "Appendix 2: Details of mining revenue" on page 31.



Value chain revenue for FY2022 is expected to increase 8% year on year, to ¥447.0 billion.

Rental business (the second row from the top of the bar graph) is expected to increase by 18% year on year to ¥75.4 billion, while the solution business (the third row) is also expected to increase by 10% year on year to ¥99.8 billion.

In parts and services, we expect a 2% year-on-year increase in total sales for construction and mining to ¥215.0 billion.

The sales composition ratio is expected to increase by 7 percentage points year on year to 47%.

Comparison of consolidated income forecast

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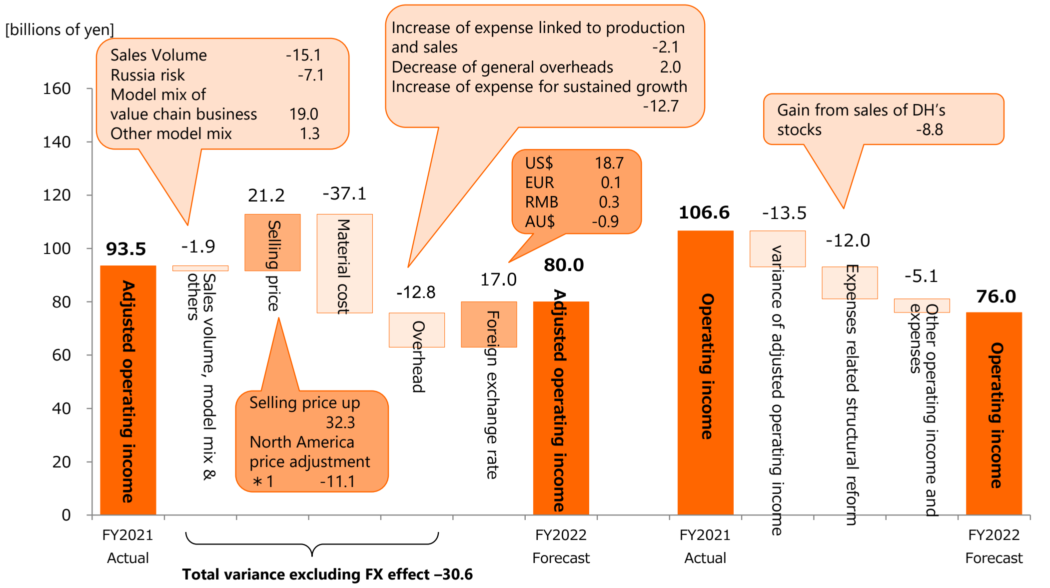
Adjusted operating income for FY2022 is expected to decrease by 13.5 billion yen y/y due to increasing material costs and Russian risks.



*1 Temporary price adjustment between HCM and John Deere does not occur in FY2022.

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Let me explain the factors behind the adjusted operating income for FY2022 of ¥800 billion, which is expected to decrease by ¥13.5 billion year on year.

First, we will incorporate a decrease of ¥1.9 billion due to sales volume, model mix, and others.
Breaking this down, as noted, we expect an increase in profits due to an increase in the value chain configuration ratio as a percentage of total sales, while factoring in a decrease in profits due to factors such as the impact of the Ukrainian situation, and the impact will be largely offset.

We also expect an increase of ¥21.2 billion due to an improvement in selling prices, while factoring in a decrease of ¥37.1 billion due to an increase in material costs such as steel prices that exceeded this increase.
Although the impact of the yen's depreciation is expected to have an increase of ¥17.0 billion, adjusted operating income is expected to decrease by ¥13.5 billion year on year.

The operating income on the right-hand side of the page is also expected to decrease by ¥30.6 billion to ¥76.0 billion year on year due to the decrease in adjusted operating income and the absence of extraordinary gains such as gains on sales of stocks enjoyed in FY2021. Please refer to the reference materials on page 30 onward for 4 sheets.

Appendix 1: FX rate and FX sensitivity

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The forecast exchange rate for FY2022 was set within the expected fluctuation range for each currency.

FX rate and FX sensitivity

[billions of yen]

Currency	FX rate		FX sensitivity (1Q-4Q)		
	FY22 Forecast	FY21 Actual	Condition	Revenue	Adjusted operating income
US$	120.0	112.6	Impact by 1 yen depreciation	2.5	2.2
EURO	130.0	130.6	Impact by 1 yen depreciation	0.8	0.6
RMB	19.0	17.5	Impact by 0.1 yen depreciation	0.2	0.1
AU$	80.0	83.0	Impact by 1 yen depreciation	2.3	0.3

Appendix 2: Detail of mining revenue

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(billions of yen)

		FY20 Actual(A)	FY21 Actual(B)	Change (B)-(A)	FY22 Forecast(C)	Change (C)-(B)
America	Excavator	10.6	9.4	-1.1	20.4	10.9
	Dump Truck	2.1	2.6	0.5	5.1	2.5
	Total	12.7	12.0	-0.6	25.5	13.4
Europe, Africa and Middle East	Excavator	15.3	27.5	12.1	25.9	-1.5
	Dump Truck	12.2	17.8	5.6	21.2	3.4
	Total	27.6	45.3	17.7	47.1	1.8
Asia & Oceania	Excavator	49.6	75.6	26.0	78.7	3.1
	Dump Truck	30.8	23.1	-7.8	29.7	6.6
	Total	80.5	98.7	18.2	108.4	9.7
China	Excavator	0.7	0.6	-0.1	0.7	0.1
	Dump Truck	0.1	0.1	0.0	0.1	0.0
	Total	0.8	0.7	-0.1	0.8	0.2
Japan	Excavator	1.6	1.3	-0.3	0.5	-0.8
	Dump Truck	0.4	0.0	-0.4	0.0	-0.0
	Total	2.0	1.3	-0.7	0.5	-0.8
Total	Excavator	77.9	114.4	36.5	126.2	11.9
	Dump Truck	45.6	43.6	-2.0	56.1	12.5
	Total	123.5	157.9	34.5	182.3	24.4

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 1.1 billion yen are included in FY2021, and another 1.1 billion yen are included in the forecast for FY2022.

[billions of yen]

FY2021 Actual	Reportable segment				Adjustments *1	Total	
	Construction Machinery Business		Solution Business				
Revenue		933.9		94.8	-3.7		1,025.0
Adjusted operating income	9.2%	85.9	8.0%	7.6	-	9.1%	93.5

[billions of yen]

FY2022 Forecast	Reportable segment				Adjustments *1	Total	
	Construction Machinery Business		Solution Business				
Revenue		860.2		99.8	-		960.0
Adjusted operating income	8.1%	70.0	10.0%	10.0	-	8.3%	80.0

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

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

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Capital investment in FY2022 is specialized in recognizing new buildings in domestic factories and expanding the rental business.

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

	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Forecast
Capital Expenditure	30.4	47.2	34.7	45.3	78.6
Assets held for operating lease	27.2	36.9	38.6	44.3	56.2
Total	57.6	84.1	73.4	89.6	134.8

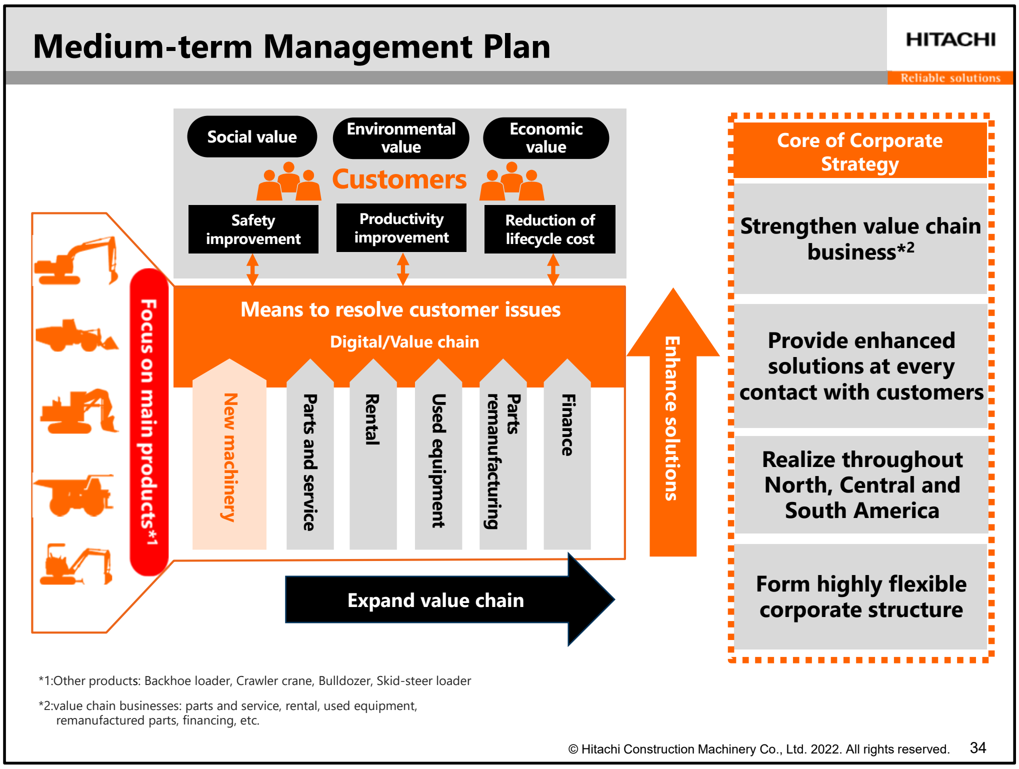
2. Depreciation (tangible and intangible fixed assets) [billion of yen]

	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Forecast
Capital Expenditure	26.8	34.2	35.3	37.6	40.6
Assets held for operating lease	10.1	12.0	14.9	17.9	22.2
Total	37.0	46.1	50.2	55.5	62.8

3. R&D expenses [billion of yen]

	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Forecast
Total of consolidation	24.8	23.7	24.8	25.5	30.6

The progress of the medium-term management plan is explained by Kotaro Hirano, President and Executive Officer & CEO.



This is the overview of the Hitachi Construction Machinery Medium-Term Management Plan.
Our customers' construction and mining site issues are changing dramatically. The trends of worker shortage, aging population, and inflation are being seen not only in Japan, but throughout the world. It is now crucial that we manufacturers respond to a variety of challenges, including improving site safety, improving productivity, lowering lifecycle costs such as fuel efficiency, and responding to environmental issues.
To address this issue, we have responded not only to our products, but also to the entire value chain by accelerating repair services and expanding our lineup of rentals, used equipment, remanufacturing, and financing.
More recently, we have been deepening our solutions by using AI to pre-detect failures and monitor on-site work.

The four pillars of our management strategy on the right are shown here.
In last August, we announced the dissolution of our joint venture with Deere, and we began developing our own business in North, Central and South America in this March. Finally, we have established a business environment in North, Central and South America to provide our own value chain business and solutions, and we have established the conditions for taking on challenges globally.

Continuing to promote efforts to improve our enterprise value centered on the "Core of Corporate Strategy "

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Core of Corporate Strategy	Key Strategies
Strengthen value chain business **Provide enhanced solutions at every contact with customers**	■ Strengthening rental/used equipment and remanufacturing businesses and expanding ConSite ■ Expansion of environmentally friendly products - Electric excavators, fully electric dump trucks, etc. ■ Investment in advanced development areas - Advancement and safety improvement of construction machinery (autonomy and driving support)
Realize throughout North, Central and South America	■ Full-scale launch to further penetrate the market while reorganizing the supervising system and establishing a distributor network ■ Expanding value chain businesses and providing solutions through the introduction of ConSite in North America ■ Strengthen mining business in Latin America
Form highly flexible corporate structure	■ Restructuring bases to improve production efficiency

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This fiscal year will be the final year of the current medium-term management plan. From our perspective, we will continue to promote initiatives aimed at enhancing enterprise value centered on the four pillars of our management strategy while looking further ahead.
First, we will accelerate our efforts for decarbonization through our value chain businesses. In the rental, used equipment, and parts remanufacturing businesses, we will promote the Circular Economy and expand environmentally friendly products, including electric excavators and fully-electric dump trucks, which will be jointly developed with ABB. To realize these goals, we will make solid investments in advanced development areas.
Our proprietary expansion in North, Central and South America from March was first prepared for the foreseeable future, and we were able to make a quick start beyond what we had planned. Going forward, we will further strengthen the structure of the holding company in the U.S. and rebuild our distributor network, and we will make fully-fledged efforts to further penetrate the market. We will also seek partners that can enhance our presence in the world's largest and most advanced markets, and at the same time leverage our ConSite and other cutting-edge service solutions. We will also strengthen our mining business in Central and South America.
In terms of forming highly flexible corporate structure, in addition to continuing to reorganize development and production bases, we introduced a business unit system in April. We will clarify segments such as compact, construction, and mining to facilitate swift, integrated decision-making from sales to development, design, and manufacturing. We will work at a high speed.

Summary of KPI for this three-year plan

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The business environment has changed compared with the time of planning.
It is now planned to take on new challenges with management decisions.

Changes in the business environment

- COVID-19 impact and geopolitical risks
- Soaring material prices and supply chain disruptions
- Yen depreciation (¥109 (20/3) ⇒ ¥125 (22/3))

Management decisions and new challenges

- Dissolution of the joint venture with Deere
- Start of full-scale proprietary development in North, Central, and South America
- Change in the shareholder composition

KPI		Previous medium-term plan	Current medium-term plan			
		FY2019	FY2020*	FY2021	FY2022	
		Result			Target	Outlook
Growth	• Revenue	931.3 billion yen	813.3 billion yen	1.025 trillion yen	1 trillion yen	960 billion yen
	• Value chain ratio	40%	43%	40%	50%	47%
Profitability	Adjusted operating income ratio	8.2% (7.8%)	4.0% (3.5%)	9.1% (10.4%)	More than 10% (-)	8.3% (7.9%)
Safety	Net D/E ratio	0.58	0.49	0.42	Less than 0.5	Less than 0.5
Efficiency	ROE	8.6%	2.1%	13.5%	More than 10%	More than 7%
Shareholder return	Dividend payout ratio	31%	41.1%	30.8%	30% or more	30% or more

*KPI of FY2020 is recalculated using retrospectively adjusted figures for consolidated financial statements due to changes in accounting policies.

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This is a summary of the quantitative targets and results for the three-year plan.
Compared to the spring of FY2020 when the plan was formulated, the business environment is currently undergoing major changes.
In FY2020, COVID-19 broke out, and due to a global lockdown, demand temporarily declined, and we also drastically slowed down production. However, with the subsequent recovery in global demand, we switched to a system of increased production, and in the second half of FY2021, the production and sales cycle settled at normal levels. This year, however, there are new issues that must be addressed, for example geopolitical risks such as the Russia and Ukraine situation and supply chain disruptions due to the re-expansion of the COVID-19 infection center in China. Regarding foreign exchange rates, although the yen is depreciating, this has affected the rise in resource and energy prices, leading to higher material and transportation costs. We have been making efforts to improve production efficiency and increase selling prices, but the situation is difficult from a management perspective.
During this period, however, major management decisions and associated new challenges have begun. One major management decision was the unwinding of our joint venture with Deere, and in March of this year we began fully-fledged proprietary development in North, Central and South America. The Americas business in the future will be a major change that will affect our future. In addition, as announced in January, we will proceed with our business under a new shareholder structure. Specifically, a special purpose company in which Japan Industrial Partners and ITOCHU are equally owned will become the largest shareholder and support our growth.
We were able to achieve the targets of the current medium-term plan one year ahead of schedule for several items. In FY2022, we incorporated a number of uncertainties into our business results, including issues related to geopolitics and supply chains, and further increases in materials and transport costs. However, we want to firmly take on new challenges, such as the development of the North and Latin America business. In this way, the business environment is changing dramatically, but what is important is how we respond to customer issues. We will make various management decisions promptly and will continue to do our best in the future to respond to the improvement of customer satisfaction.

Initiatives to Realize the Circular Economy

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Our business growth related to realizing a sustainable society improves our enterprise value.

KPI		Previous medium-term plan	Current medium-term plan			
		FY2019	FY2020	FY2021	FY2022	
		Result			Target	Outlook
ESG *Compared to FY2010	• ConSite adoption rate • Parts remanufacturing businesses sales revenue • Reducing CO_2 emissions from products	73% 296%* -15.9%*	75% 308%* -16.5%*	72% 402%* -21.4%*	90% 420%* -20%*	90% 420%* -20%*

Contribution to reducing the environmental load due to a global business model that remanufactures entire machines.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Remanufacture of ultra-large hydraulic excavators (EX1200) by Hitachi Construction Machinery Zambia

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Finally, we will introduce our efforts to realize the Circular Economy. Through our business, we actively promote activities that contribute to ESG/ SDGs.

In the remanufacturing business, we will build a new business model to remanufacture the entire machine, in addition to the remanufacturing of parts that we have done so far. We have already remanufactured several 20t hydraulic excavators in Japan and sold them to customers. This photo shows an example of remanufacturing a mining machine in Zambia, Africa. The volume of scrap and CO2 savings reduced by the regeneration of massive mining machines will be larger than that of construction machines. The content of the work is unique to the manufacturer and reflects not only the restoration of the original state of a pure new machine, but also the minor change of the product, and it has become a product of high value to the customer. We also expect future sales demand as a machinery due to a recovery in demand for resources.

We will continue to establish and promote a sustainable resource recycling-oriented business model that simultaneously contributes to solving social and environmental issues with our customers.

This concludes my presentation.

SDGs

HITACHI
Reliable solutions

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

HITACHI
Reliable solutions

[Cautionary Statement]
This material contains forward-looking statements that reflect management's views and assumptions in the light of information currently available with respect to certain future events, including expected financial position, operating results, and business strategies. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured.
Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, changes in the economic conditions in the Company's principal markets; changes in demand for the Company's products, changes in exchange rates, and the impact of regulatory changes and accounting principles and practices.

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