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Explanatory Meeting
for Business Results for the Second Quarter ended September 30, 2022

October 26, 2022

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

 2

Regional Market Environments and Projections explained by Hidehiko Matsui, Executive Officer, CMO

Global Demand Trend for Hydraulic Excavators

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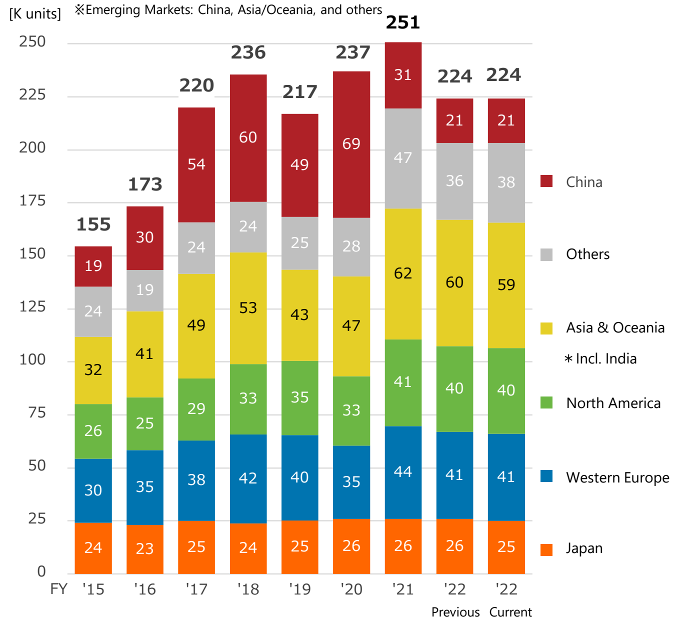
Emerging Markets ratio:
FY22 52%（y-y Change : -3%）

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



*Demand values are Hitachi Construction Machinery estimates

Year-on-Year Change by Region

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

	'21	'22
Total	+6%	-11%
China	-55%	-33%
Russia,CIS, E Europe	+81%	-29%
Africa	+70%	-25%
Middle East	+77%	-0%
Latin America	+59%	-19%
Others	+70%	-20%
Asia	+47%	-3%
India	+9%	-6%
Oceania	+43%	-5%
Asia & Oceania	+31%	-4%
N America	+25%	-1%
W Europe	+27%	-6%
Japan	+0%	-4%

 3

This slide explains the outlook for global demand for hydraulic excavators.

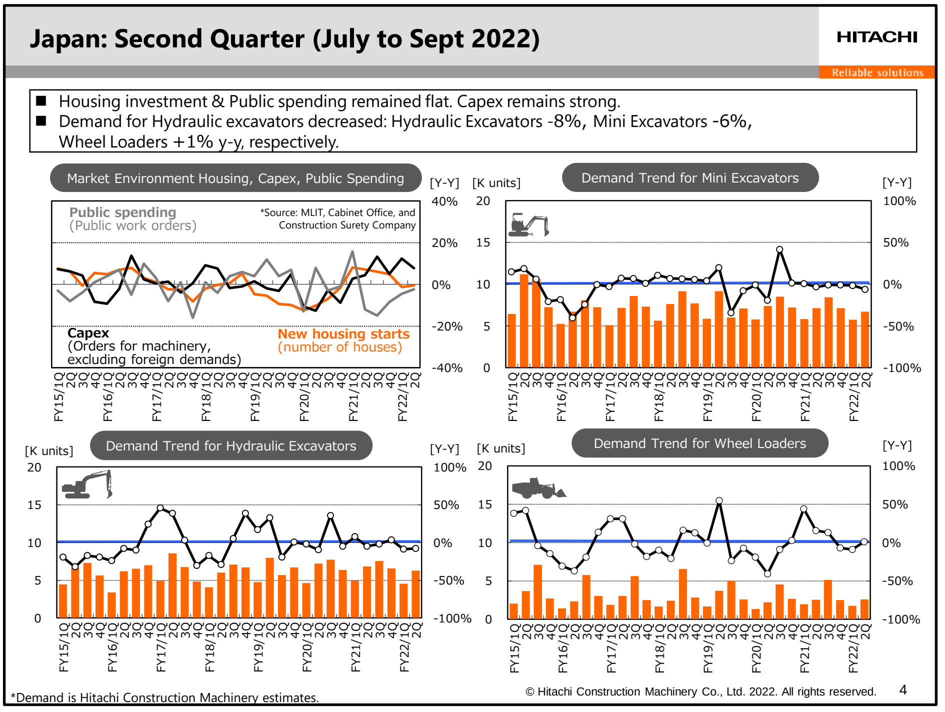
Demand for FY2022 continued to be strong, but demand declined in Japan, Asia and Oceania, Africa, and Latin America due to the impact of the supply chain, rising material costs and interest rates, and accelerated inflation.

On the other hand, while the impact of the Russian and Ukrainian situation continues, current demand in Russia and CIS has increased from the previous estimate.

As for the world, 224thousand units have been left unchanged this time, the same as last time.

Worldwide demand is expected to decrease by 11% year on year. Excluding China, demand is expected to decrease by 7% year on year. Excluding China and Russia/CIS, demand is expected to decrease by 6%.

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



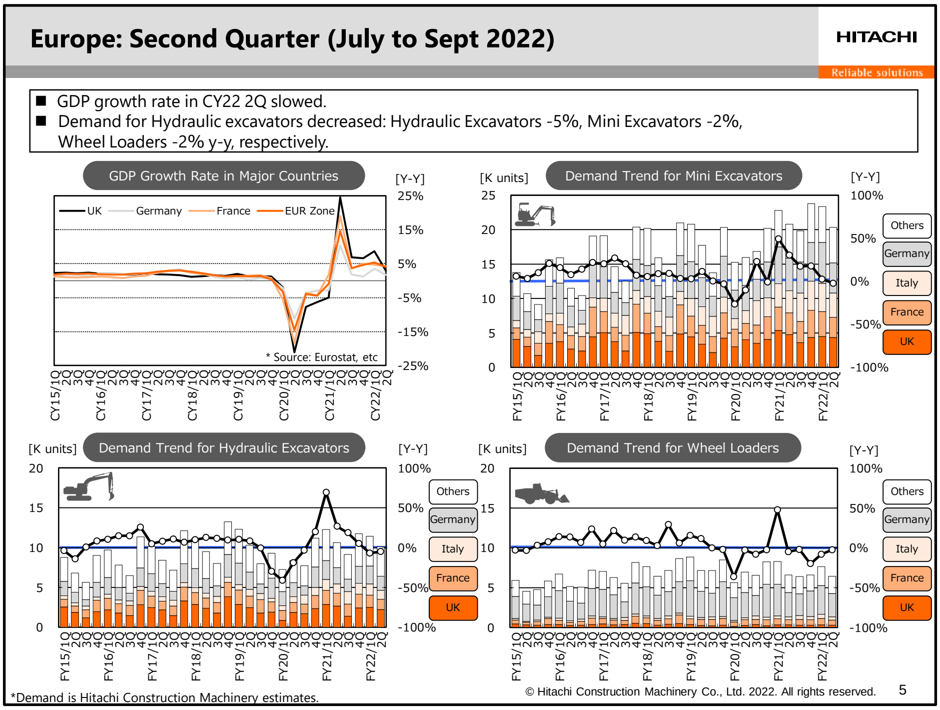
This slide explains the Japanese market.

The graph on the top left shows that housing investment and public spending remained unchanged in 2Q, and that capital expenditure remained firm.

The graph on the lower left shows that demand for hydraulic excavators in 2Q decreased by 8% year on year due to the ongoing impact of the supply chain.

The graph on the top right shows that demand for mini excavators decreased by 6%.

The graph on the lower right shows that demand for wheel loaders increased by 1%.



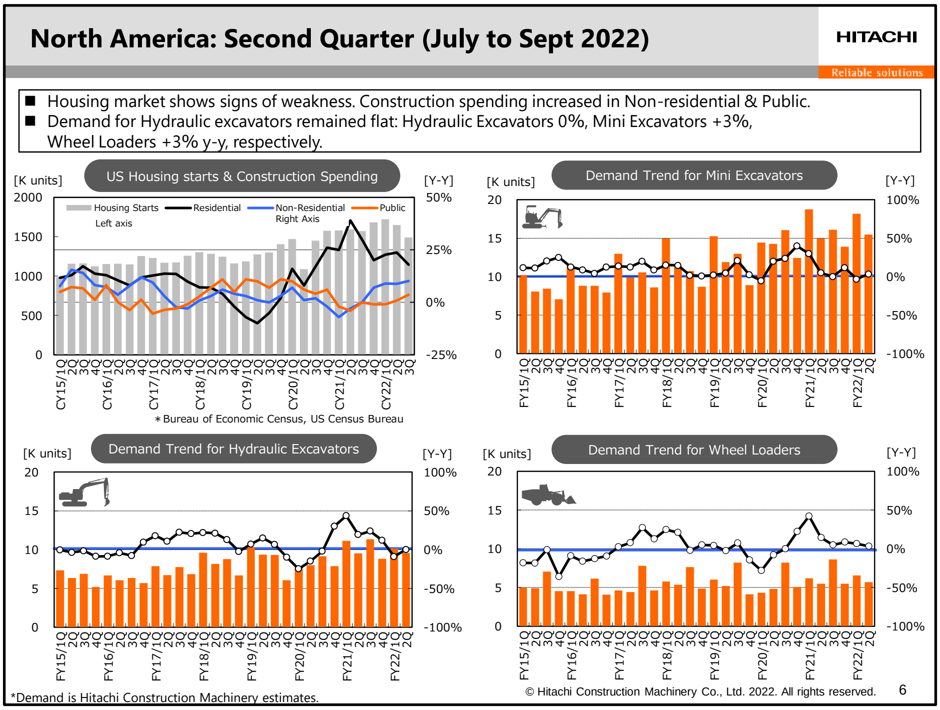
This slide explains the European market.

The graph on the top left shows that the GDP growth rate slowed across the Eurozone.

Despite an increase in infrastructure investment by the European Reconstruction Fund, rapid
inflation and the continuing impact of supply chain disruption have resulted in demand for hydraulic excavators in 2Q decreasing by 5% year on year as shown on the lower left.

The graph on the top right shows that demand for mini excavators decreased by 2%.

The graph on the lower right shows that demand for wheel loaders decreased by 2%.



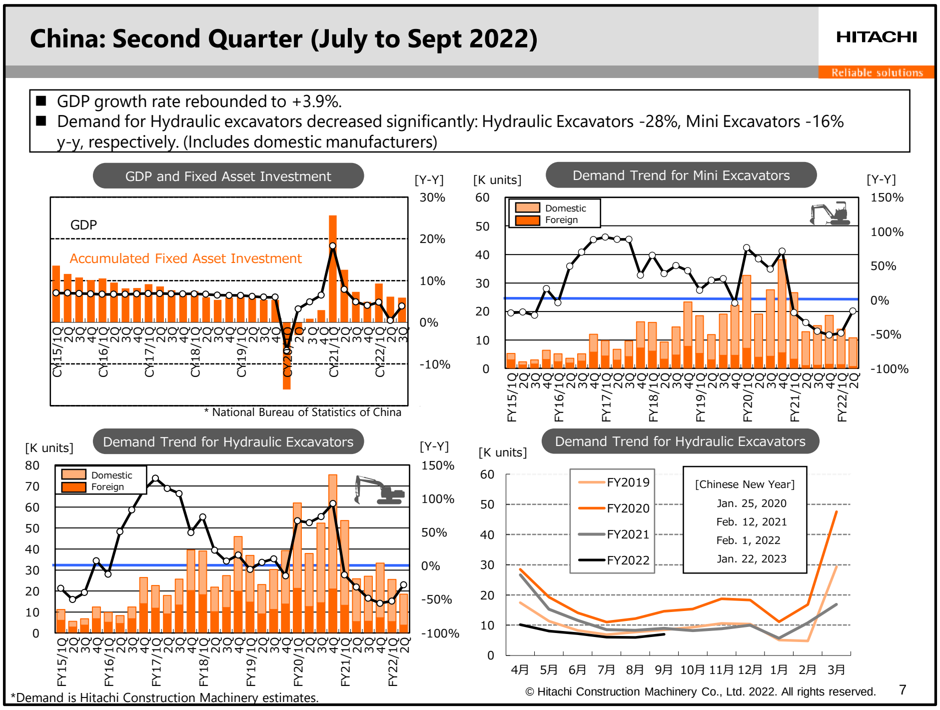
This slide explains the North American market.

The graph on the top left shows that housing starts declined partly due to an increase in interest rates.
Regarding other construction spending, both non-residential and public works increased.

The graph on the lower left shows that demand for hydraulic excavators in 2Q remained flat year on year.

The graph on the top right shows that demand for mini excavators increased by 3%.

The graph on the lower right shows that demand for wheel loaders increased by 3%.



This slide explains the Chinese market.

The graph on the top left shows that GDP growth rate rebounded to 3.9% and investment in fixed assets increased by 5.9% due to a reaction to the economic downturn caused by the lockdown in the previous fiscal year and accelerated investment in infrastructure.

Total demand for hydraulic excavators including domestic manufacturers, shown on the lower left, decreased by 28% year on year narrowed decreasing ratio in 2Q.
Domestic manufacturers’ demand for hydraulic excavators decreased by 27% and foreign manufacturers’ demand decreased by 31%.

The graph on the top right shows that demand for mini excavators decreased by 16%.

Please refer to the graph on the lower right for trends in monthly demand for hydraulic excavators.

Asia Pacific & India: Second Quarter (July to Sept 2022)

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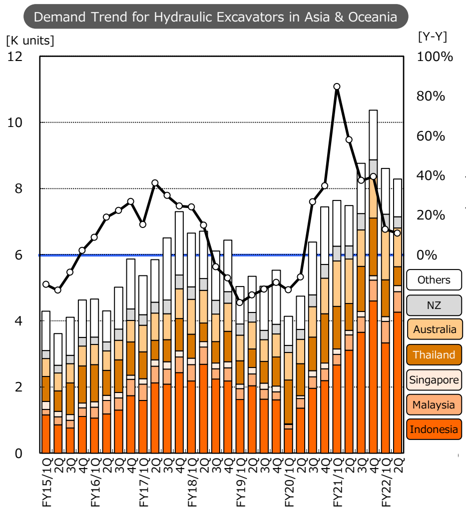
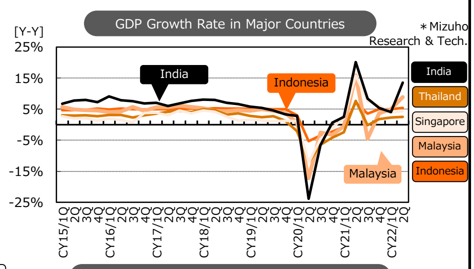
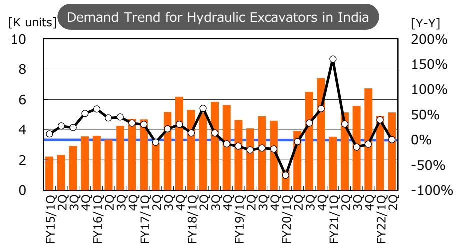
- Demand for Hydraulic excavators increased in the Asia & Oceania region +11% y-y.
- Demand in India remained flat. +0% y-y.







*Demand is Hitachi Construction Machinery estimates.

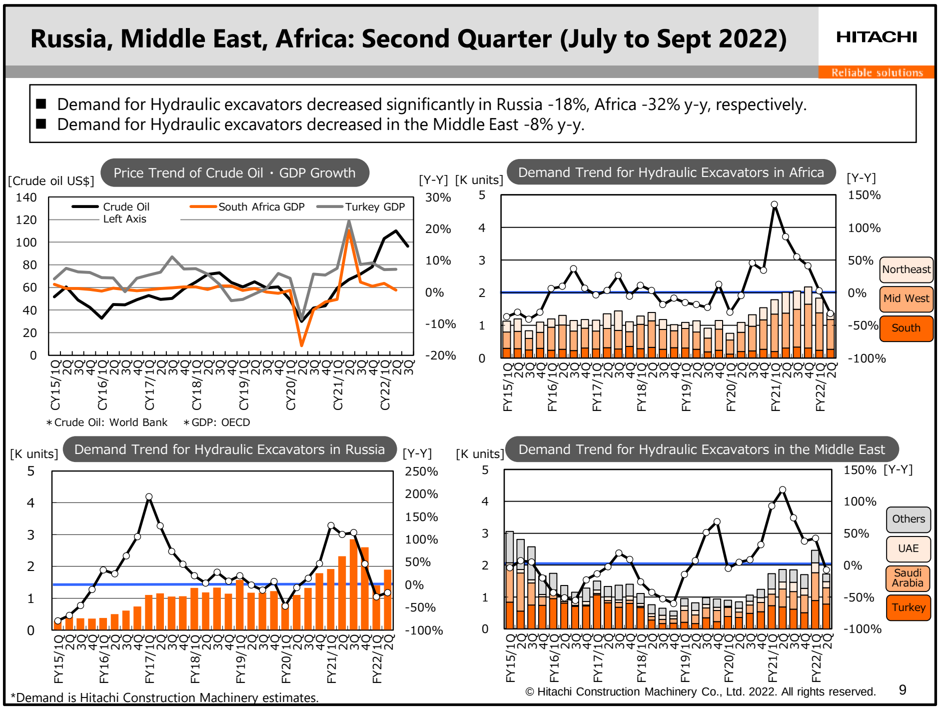
 8

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

On the top right, GDP in major countries was positive year on year in all regions.
India is recovering steadily, partly due to the relaxation of behavioral restrictions.
In Malaysia, consumer spending accelerated, and the high growth rate continued.

The graph on the left shows that demand for hydraulic excavators in 2Q in Asia ＆Oceania increased by 11% year on year, mainly in Indonesia, against a backdrop of maintaining a high level of resource prices and strong forestry demand.

The graph on the lower right shows that demand for hydraulic excavators in 2Q in India did not grow year on year due to the impact of monsoons and other factors.



This slide explains the markets in Russia, the Middle East, and Africa.

The graph on the lower left shows that demand for hydraulic excavators in 2Q in Russia decreased by 18% year on year due to the continued impact of the Russian and Ukrainian situation.

The graph on the top right shows that demand for hydraulic excavators in Africa decreased by 32% due to the impact of inflation and other factors.

The graph on the lower right shows that demand for hydraulic excavators in the Middle East decreased by 8%.

Mining machinery: FY2022 (April 2022 to March 2023)

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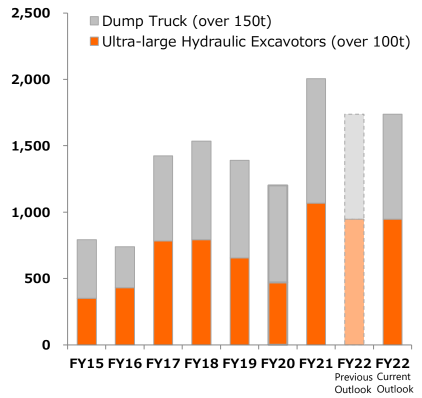
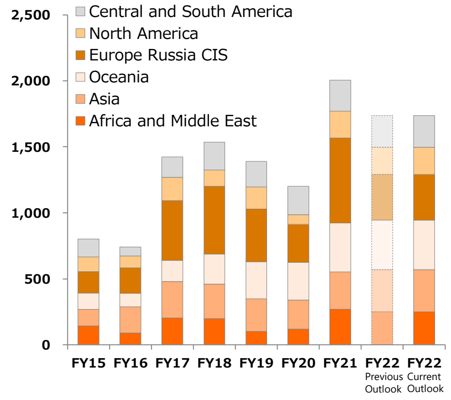
- Demand forecasts have not changed since our last report. (y-y: -10% to -15%)
- Demand increased y-y in Africa, Oceania & Asia including Indonesia.
- Demand decreased in Russia & CIS.

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

[Units] **Demand by product**



[Units] **Demand by region**

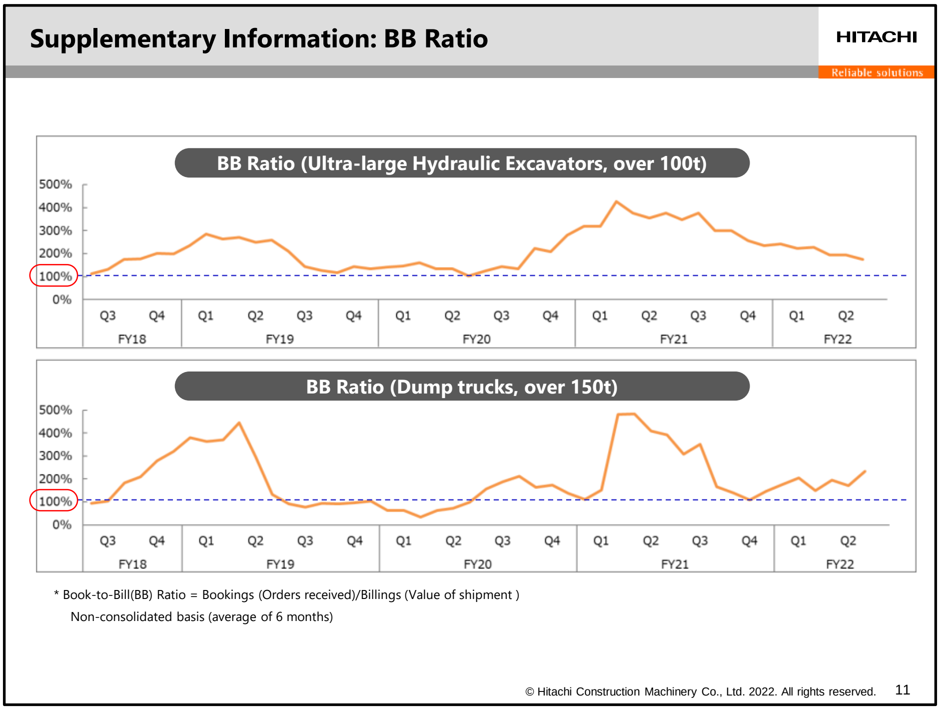


*Demand is Hitachi Construction Machinery estimates.

 10

Demand for mining in FY2022 decreased in the Russian and CIS regions, while demand in other regions, mainly in Australia, Africa, and Asia including Indonesia, remained strong.

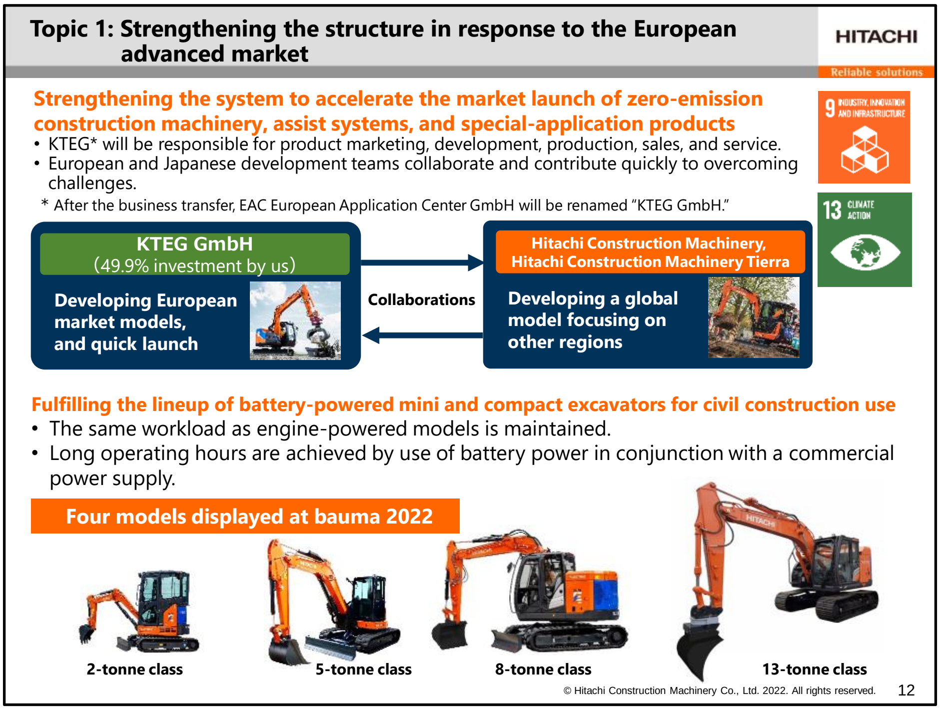
The demand for FY2022 is unchanged from the previous forecast and is to be in the range of negative 10% to 15% compared to the previous year.



This slide explains the BB ratio of mining machinery.

Orders for ultra-large hydraulic excavators in Australia, Asia (including Indonesia), and other regions remain strong, BB ratio maintains more than 100%.

BB ratio for dump trucks also remained above 100% with strong orders in Australia, Asia, and Africa.

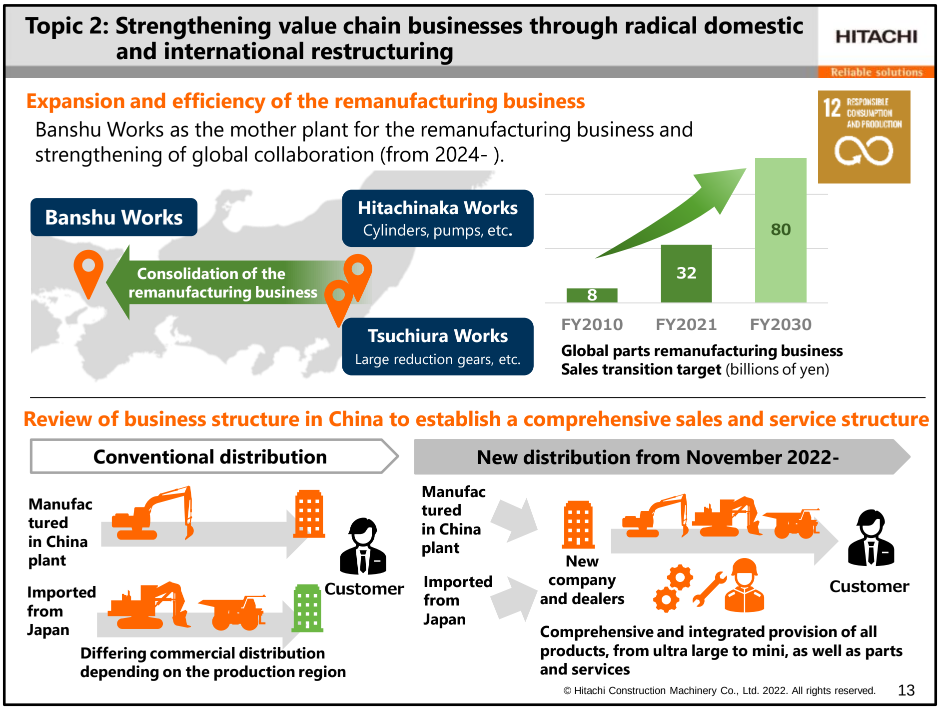


Hitachi Construction Machinery is strengthening its structure in response to the European advanced market.
EAC, the previous development company of zero-emission construction machinery, assist systems, and special-application products, will be responsible for product marketing, development, production, sales, and service.
EAC will be renamed "KTEG GmbH."

KTEG strengthened its structure, and will be able to quickly develop and introduce the suitable products into the European advanced market.
Furthermore, Hitachi Construction Machinery and Hitachi Construction Machinery Tierra will aim to develop and mass produce high-quality and cost-competitive global models with a view to expanding into other regions.

With these structures, the Hitachi Construction Machinery Group is expanding its lineup of battery-powered mini and compact excavators for civil construction use for which there is strong demand for electrification.
As main features, our battery powered excavators realized the same workload as engine-powered models and long operating hours by using conjunction with commercial electricity supply.
Four models are displayed at bauma 2022, the world's leading trade fair for construction machinery in Munich, Germany, from 24 October.

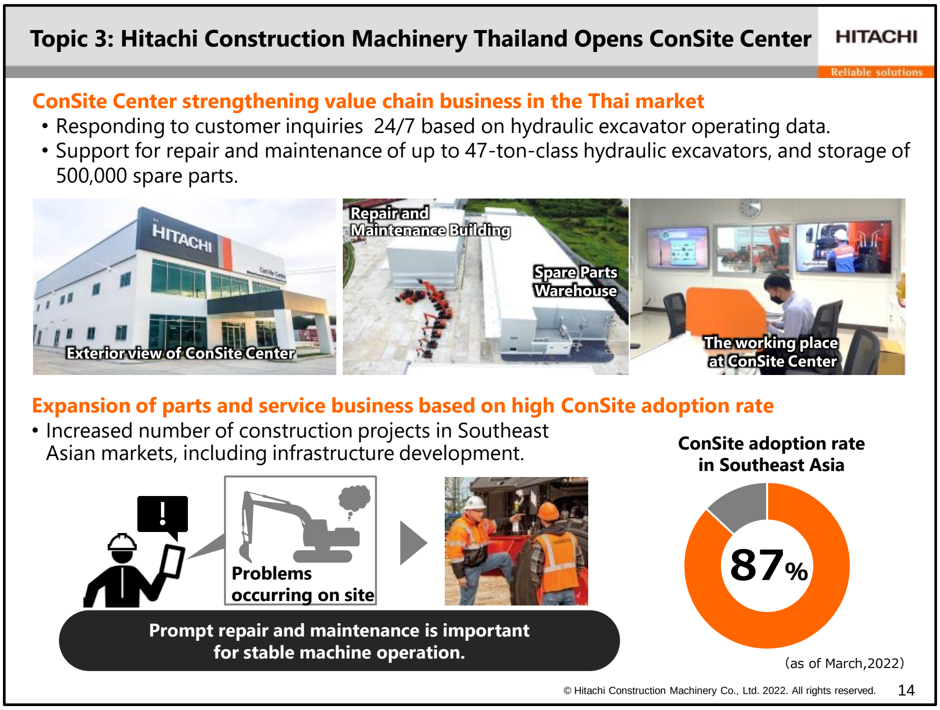
We will continue to collaborate in Europe and Japan to contribute to overcoming social, environmental, and customer challenges.



Next, I will explain how we will strengthen our value chain businesses through radical domestic and international restructuring.

The remanufacturing business operated at the Tsuchiura and Hitachinaka Works in Ibaraki Prefecture will be consolidated at the Banshu Works in Hyogo Prefecture by around 2024.
As shown in the bar graph on the right, we aim to increase sales in the parts remanufacturing business globally by 80 billion by FY2030. Through this consolidation into the Banshu Works as the mother plant, we will strengthen our global collaboration of remanufacturing business more than ever .

In addition, we reviewed the business structure in China and we will establish a comprehensive sales and service structure.
Previously, construction machinery manufactured in our China plants and mining machinery imported from Japan had different commercial distribution channels.
From November, the newly established Hitachi Construction Machinery Distribution (China) and dealers will deal with compact, construction, and mining machinery and all our products, and provide customers with a complete range of parts and services.



Next on page 14.
Hitachi Construction Machinery (Thailand) opened a service base, ConSite Center, in August to strengthen its value chain business in Southeast Asia.
We respond to customer inquiries 24/7, based on our "ConSite Alarm" service solution for remote monitoring of construction equipment and on machine operating data, at ConSite Center.
The facility includes a "Repair and Maintenance Building," which provides support for repair and maintenance of up to 47-ton -class hydraulic excavators, as well as a warehouse that can store 500,000 spare parts.

In recent years, the number of construction projects such as infrastructure development has been increasing in Southeast Asia due to economic growth, and there is demand for enhanced after-sales service to ensure the stable operation of hydraulic excavators.

Hitachi Construction Machinery Group will expand its parts and service business based on ConSite, which has a high adoption rate of 87%, and the service headquarter ConSite Center.

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2. Business Results for the Second Quarter ended September 30, 2022
(April 1, 2022 - September 30, 2022)

Keiichiro Shiojima
Executive Officer, CFO

 15

Our Business Results in 1H of FY2022 are explained by Keiichiro Shiojima, Vice President and Executive Officer, CFO.

Summary of consolidated results

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In 1Q-2Q of the year, revenue increased by 22% y-y and adjusted operating income increased by 37% y-y, supported by strong worldwide demand, especially in the Americas. Net income attributable to owners of the parent increased by 113% substantially excluding the profit associated with Americas business restructuring in the previous fiscal year.

[billions of yen]

		FY2022 1Q-2Q		FY2021 1Q-2Q		change
Revenue			578.9		473.7	22%
Adjusted operating income *1		9.0%	52.1	8.0%	38.1	37%
Operating income		9.2%	53.3	8.1%	38.4	39%
Income before income taxes		9.5%	55.2	9.0%	42.6	30%
Net income attributable to owners of the parent		6.2%	35.7	6.7%	31.9	12%
EBIT *2		9.9%	57.4	9.3%	43.9	31%
FX rate	Rate (YEN/US$)		134.1		109.8	24.3
	Rate (YEN/EURO)		138.7		131.0	7.6
	Rate (YEN/RMB)		19.9		17.0	19.9
	Rate (YEN/AU$)		93.7		82.6	11.1
Cash dividend per share (yen) *3			50		45	5

*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.

 16

This slide explains summary of consolidated results for 1H.

Revenue in 1H of FY2022 was ¥578.9 billion, an increase of 22% year on year, partly due to the effect of depreciation of the yen.
Adjusted operating income increased by 37% year on year to ¥52.1 billion, resulting in an adjusted operating income margin of 9.0%.
The operating income was ¥53.3 billion and the operating income margin was 9.2%.

Net income attributable to owners of the parent increased by 12% year on year to ¥35.7 billion.
Since the previous fiscal year included a ¥16.9 billion equivalent in special gains from the restructuring of the Americas business, based on real net income, after deducting tax expenses, income increased by 113% compared with the previous fiscal year.
The interim dividend was resolved at ¥50 per share at our Board of Directors meeting today.
In 1H the yen depreciated by ¥24.3 to the U.S. dollar, by ¥7.6 to the euro, by ¥2.9 to the Chinese yuan, and by ¥11.1 to the Australian dollar compared with the previous year.

Revenue by geographic region (consolidated)

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Although revenue in China decreased y-y, revenue in other overseas increased significantly, including depreciation of the yen. Consolidated total revenue increased by 105.2 billion yen.

[billions of yen]

	FY2022 1Q-2Q		FY2021 1Q-2Q		change	
					amount	%
Japan	99.5	17%	96.9	20%	2.6	3%
Asia	52.0	9%	35.7	8%	16.3	46%
India	30.6	5%	23.4	5%	7.2	31%
Oceania	113.8	20%	80.8	17%	33.0	41%
Europe	74.7	13%	58.4	12%	16.3	28%
N.America	115.1	20%	93.2	20%	21.8	23%
L.America	16.6	3%	10.2	2%	6.4	63%
Russia-CIS	20.5	4%	16.5	3%	4.0	25%
M.East	12.7	2%	10.2	2%	2.5	25%
Africa	24.6	4%	19.3	4%	5.3	28%
China	18.7	3%	29.1	6%	-10.4	-36%
Total	578.9	100%	473.7	100%	105.2	22%
Overseas ratio	83%		80%			

 17

This slide explains revenue by geographic region for 1H.

Revenue increased by ¥105.2 billion year on year. Included in this figure is an increase of ¥64.8 billion due to depreciation of the yen.
In all regions except China, revenue increased year on year.

In China, revenue fell sharply by 36% year on year due to continued zero-COVID policy and a decline in demand due to the impact of lockdowns.

Meanwhile, in North America, Asia, Oceania, and Europe, we continued to capture robust demand, resulting in a significant year-on-year increase in revenue.

As a result, the overseas revenue ratio increased 3 percentage points year on year to 83%.

Mining revenue

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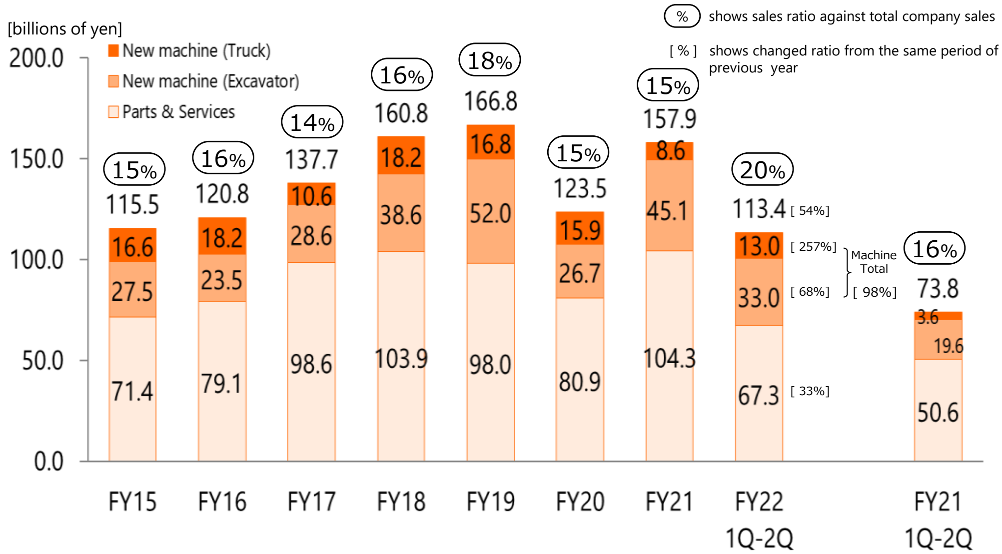
Revenue of mining increased by 54% to 113.4 billion yen y-y due to strong demand of units, as well as increased sales volume in parts and services.



 18

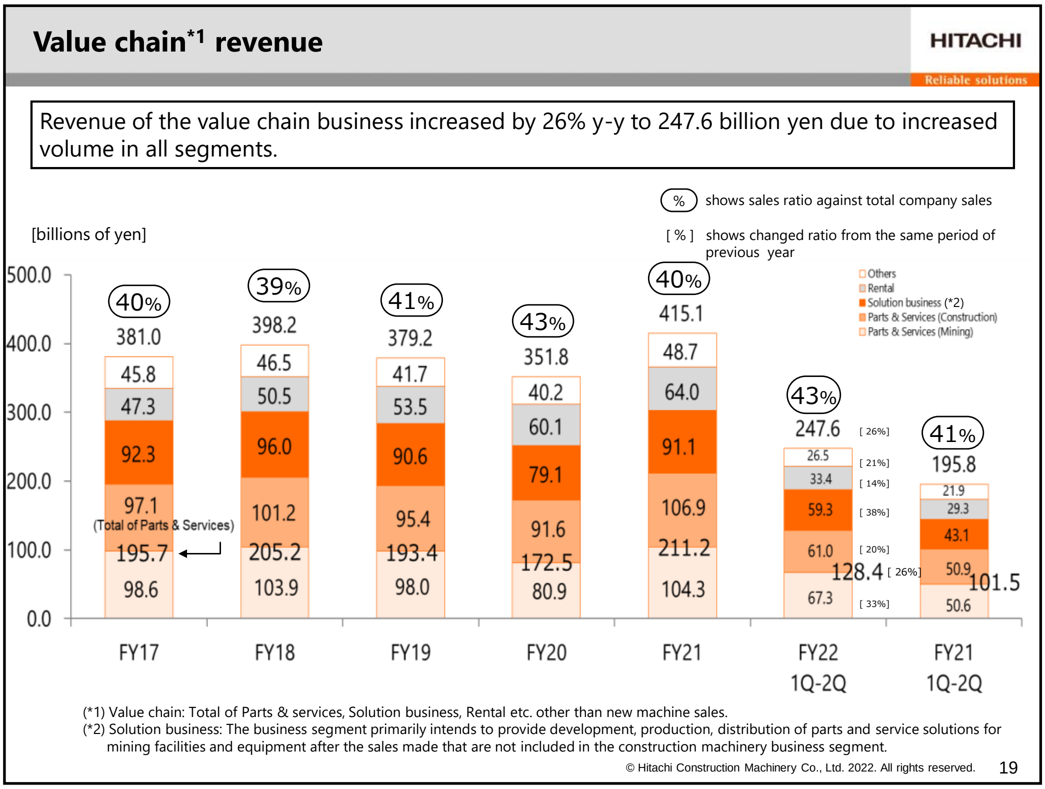
This slide explains the mining revenue.

Mining revenues for the 1H under review increased by 54% year on year, to ¥113.4 billion, as shown in the second bar graph from the right, due in part to the impact of the yen's depreciation.

Revenue of new machinery sales of trucks increased by 257% year on year, mainly due to contributions from the Oceania region, and new machinery sales of excavators increased by 68% due to contributions from the Oceania region and the Americas.

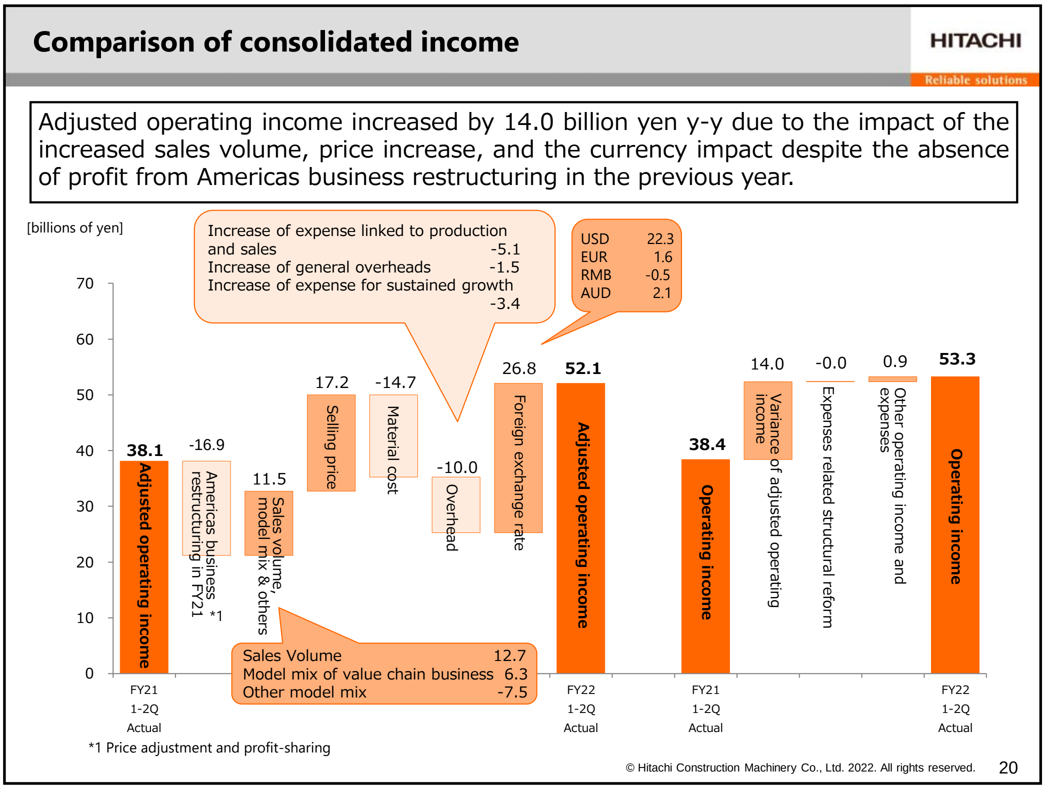
Revenue of mining parts and services also increased by 33%, contributed by significant sales growth in the Americas.

Mining accounted for 20% of consolidated revenue, up 4 percentage points from the previous year.



This slide explains the value chain revenue.

Please refer to the second bar chart from the right.
As you can see, the value chain revenue for the 1H under review increased by 26% year on year to ¥247.6 billion.
The impact of the yen's depreciation is equivalent to 13%, revenue increased by 13% compared to the previous year on a local currency basis.
In addition to a 26% year-on-year increase in parts and services revenues, all business achieved year-on-year growth.
The value chain accounted for 43% of consolidated revenue, up 2 percentage points from the previous year.



This slide provides a comparison of consolidated income for 1H.
I will explain the factors behind the ¥14.0 billion increase in adjusted operating income compared to the previous year.
Despite the absence of the ¥16.9 billion profit from restructuring of the Americas business in the previous fiscal year, the increase in sales volume, model mix, and others is analyzed as a factor behind the ¥11.5 billion increase in income.
This was attributable to an increase of ¥12.7 billion in terms of sales volume and an increase of ¥6.3 billion in the model mix of value chain business due to an increase in value chain revenue, which was partially offset by a decrease of ¥7.5 billion in other model mix, including a decrease of ¥7.4 billion in shipping and other freight costs.
On the other hand, an improvement in selling price of ¥17.2 billion absorbed an increase in material costs of ¥14.7 billion.
Overhead expenses increased by ¥10.0 billion mainly due to expenses linked to production
and sales but were absorbed by the impact of the yen's depreciation of ¥26.8 billion. As a result, adjusted operating income increased by ¥14.0 billion year on year to ¥52.1 billion.
On the right-hand side of the page, operating income increased ¥14.9 billion from the previous year to ¥53.3 billion as a result of an increase in adjusted operating income of ¥14.0 billion and the recording of a gain on disposal of real estate in Australia of ¥1.3 billion in other operating income and expenses.

Consolidated statement of income

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Net income attributable to owners of the parent increased by 12% to 35.7 billion yen y-y. Net income attributable to owners of the parent increased by 113% substantially excluding the profit associated with Americas business restructuring in the previous fiscal year.

[billions of yen]

	FY2022 1Q-2Q		FY2021 1Q-2Q		change	
					amount	%
Revenue		578.9		473.7	105.2	22%
Cost of Sales	(71.5%)	414.1	(73.2%)	346.9	67.2	19%
SGA expenses	(19.5%)	112.7	(18.7%)	88.7	24.0	27%
Adjusted operating income *1	(9.0%)	52.1	(8.0%)	38.1	14.0	37%
Other Income/expenses		1.2		0.3	0.9	299%
Operating income	(9.2%)	53.3	(8.1%)	38.4	14.9	39%
Financial income/expenses		0.5		-0.5	1.0	-
Share of profits of investments accounted for using the equity method		1.5		4.7	-3.2	-68%
Income before income taxes	(9.5%)	55.2	(9.0%)	42.6	12.6	30%
Income taxes		17.0		8.6	8.4	98%
Net income	(6.6%)	38.2	(7.2%)	34.0	4.2	12%
Net income attributable to owners of the parent	(6.2%)	35.7	(6.7%)	31.9	3.8	12%

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

This slide explains the consolidated statement of income.

Financial income and expenses improved by ¥1.0 billion year on year, mainly due to the recording of foreign exchange gains.

On the other hand, share of profits of investments accounted for using the equity method decreased by ¥3.2 billion mainly due to a decrease in operating income in the Americas.

Net income attributable to owners of the parent increased by ¥3.8 billion to ¥35.7 billion.
Since the previous fiscal year included a ¥16.9 billion equivalent in special gains from the restructuring of the Americas business, based on real net income, after deducting tax expenses, net income increased 113% compared with the previous fiscal year.

Summary of quarterly consolidated revenue and operating income (ratio)

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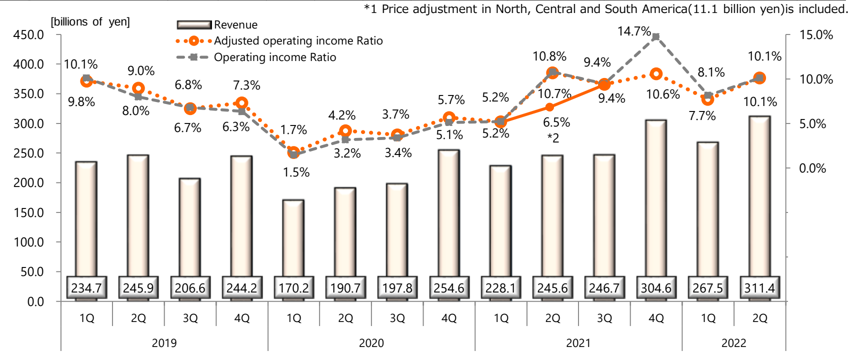
[billions of yen]

	2019				2020				2021				2022	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q*1	3Q	4Q	1Q	2Q
Revenue	234.7	245.9	206.6	244.2	170.2	190.7	197.8	254.6	228.1	245.6	246.7	304.6	267.5	311.4
Adjusted operating income	22.9	22.1	13.8	17.9	2.9	8.0	7.4	14.4	11.8	26.3	23.2	32.2	20.6	31.5
Operating income	23.7	19.6	14.1	15.5	2.5	6.0	6.7	13.0	11.9	26.5	23.3	44.9	21.8	31.5

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



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

FX rate	2019				2020				2021				2022	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Rate (YEN/US$)	109.9	107.4	108.8	108.9	107.6	106.2	104.5	105.9	109.5	110.1	113.7	116.2	129.6	138.4
Rate (YEN/EURO)	123.5	119.3	120.3	120.1	118.5	124.1	124.5	127.7	132.0	129.8	130.1	130.4	138.1	139.3
Rate (YEN/RMB)	16.1	15.3	15.5	15.6	15.2	15.4	15.8	16.4	17.0	17.0	17.8	18.3	19.6	20.2
Rate (YEN/AU$)	76.9	73.6	74.3	71.8	70.7	75.9	76.3	81.8	84.3	80.9	82.9	84.0	92.6	94.5

 22

This slide explains quarterly consolidated revenue and operating income.

Please refer to the second quarter of the current fiscal year on the right-hand side.
Revenue for the quarter under review was ¥311.4 billion, an increase of ¥65.8 billion from ¥245.6 billion in the same period of the previous fiscal year.

The adjusted operating income margin was 10.1%, as shown in the line graph. As noted in ※2, there was a significant improvement compared to the actual income margin of 6.5%, which excludes the impact of the Americas price adjustment of ¥11.1 billion in the prior year period.

Consolidated statement of financial position

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Total assets increased by 128.3 billion yen from the end of last fiscal year due to increase by Inventories and depreciation of the yen.

[billions of yen]

	(A) FY22-2Q	(B) Mar '2022	(C) FY21-2Q	(A)-(B) change
Cash and cash equivalents	103.3	94.3	87.7	9.0
Trade receivables	264.4	266.3	199.1	-1.9
Inventories	441.4	368.3	309.4	73.2
Total current assets	852.8	764.4	645.8	88.4
Total non-current assets	685.2	645.2	608.4	40.0
Total assets	1,537.9	1,409.6	1,254.1	128.3
Trade receivables incl. non-current	307.8	309.0	240.2	-1.2
Inventories by products				
Unit	133.8	108.9	80.2	24.9
Parts	158.5	132.6	101.3	25.9
Raw materials, WIP and etc	149.1	126.8	128.0	22.4
Total inventories	441.4	368.3	309.4	73.2
On hand days(divided by revenue)				(Days)
Trade receivables	99	110	95	-11
Inventories	143	131	122	12
Trade payables	48	51	45	-4
Net working capital	190	186	168	4

	(D) FY22-2Q	(E) Mar '2022	(F) FY21-2Q	(D)-(E) change
Trade and other payables	256.0	252.2	206.4	3.8
Bonds and borrowings	417.4	353.1	336.4	64.3
Total liabilities	817.4	741.6	658.6	75.7
(Equity attributable to owners of the parent ratio)	(43.1%)	(43.4%)	(43.3%)	(-0.3%)
Total equity	720.6	667.9	595.6	52.6
Total liabilities and equity	1,537.9	1,409.6	1,254.1	128.3
	(27.1%)	(25.1%)	(26.8%)	(2.1%)
Interest-bearing debt	417.4	353.1	336.4	64.3
Cash and Cash equivalents	103.3	94.3	87.7	9.0
	(20.4%)	(18.4%)	(19.8%)	(2.1%)
Net interest-bearing debt	314.1	258.9	248.6	55.2
Net D/E Ratio	0.47	0.42	0.46	0.05

 23

This slide explains the consolidated balance sheet as of the end of September 2022.

Compared with the end of March 2022 of the previous fiscal year, trade receivables decreased by ¥1.9 billion.
Inventories increased by ¥73.2 billion due to an increase in inventories of completed machinery shipped from Japan as a result of supply chain improvements, in addition to measures to increase sales volume and expand inventories in the Americas. The equivalent increase due to the impact of the yen's depreciation was analyzed to be ¥29.3 billion.
In addition, non-current assets increased by ¥40.0 billion due to buildings and leased assets. As a result, total assets increased by ¥128.3 billion from the end of the previous fiscal year to ¥1,537.9 billion.
In terms of days on hand, trade receivables were 99 days, 11 days shorter than at the end of the previous fiscal year, but inventories deteriorated for 12 days to 143 days.
As a result, net working capital on hand was 190 days, 4 days worse than at the end of the previous fiscal year.
Interest-bearing debt shown on the right-hand side rose by ¥64.3 billion from the end of the previous fiscal year, but net interest-bearing debt rose by ¥55.2 billion to ¥314.1 billion due in part to an increase in cash and deposits.
Total equity was ¥720.6 billion, with a ratio of equity attributable to owners of the parent to total assets of 43.1% and a net D/E ratio of 0.47.

Consolidated cash flow

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Though operating cash flow was positive at 7.5 billion yen, investment cash flow was negative at 21.9 billion yen and free cash flow was negative at 14.4 billion yen.

[billions of yen]

	FY2022 1Q-2Q		FY2021 1Q-2Q		Change	
Net income		38.2		34.0		4.2
Depreciation and amortization	68.9	30.6	61.2	27.2	7.7	3.5
(Increase)decrease in trade/lease receivables		30.5		13.7		16.9
(Increase)decrease in inventories	-15.8	-43.2	5.1	-12.2	-20.9	-31.0
Increase(decrease) in trade payables		-3.1		3.6		-6.8
Others, net		-45.6		-38.2		-7.4
Net cash provided by (used in) operating activities		7.5		28.1		-20.6
Cash flow margin for operating activities		1.3%		5.9%		-4.6%
Net cash provided by (used in) investing activities		-21.9		-15.9		-6.0
Free cash flows		-14.4		12.2		-26.6
Net cash provided by (used in) financing activities		14.7		-5.6		20.3

This slide explains consolidated cash flow.

Operating cash flow for the 1H of the fiscal year under review remained positive at ¥7.5 billion.
Working capital increased due to an increase in inventories, resulting in a year-on-year decrease of ¥20.6 billion.
Net cash provided by investing activities increased by ¥6.0 billion year on year to ¥21.9 billion, resulting in a negative free cash flow of ¥14.4 billion.

Summary of consolidated earnings forecast

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The consolidated income statement for FY2022 is expected to increase revenue by 13% y-y associated with depreciation of the yen although considering Russian business and supply chain constraint risk.

note : < > shows previous forecast as of July 2022

[billions of yen]

	FY2022 Forecast		FY2021 Actual	change amount	change %
Revenue	<1,040.0>	1,160.0	1,025.0	135.0	13%
Adjusted operating income	<9.0%> <94.0>	(9.5%) 110.0	(9.1%) 93.5	(0.4%) 16.5	18%
Operating income	<8.7%> <90.0>	(9.1%) 106.0	(10.4%) 106.6	(-1.3%) -0.6	-1%
Income before income taxes	<8.7%> <90.0>	(9.1%) 106.0	(10.8%) 110.9	(-1.7%) -4.9	-4%
Net income attributable to owners of the parent	<5.5%> <57.0>	(5.8%) 67.0	(7.4%) 75.8	(-1.6%) -8.8	-12%
EBIT	<95.0>	110.4	114.0	-3.6	

Currency	1Q-2Q Actual	3Q-4Q Forecast	Total Forecast	FY2021 Actual	change
Rate (YEN/USD)	134.1	130.0	131.8	112.6	19.2
Rate (YEN/EUR)	138.7	140.0	139.4	130.6	8.8
Rate (YEN/RMB)	19.9	19.5	19.6	17.5	2.2
Rate (YEN/AUD)	93.7	90.0	91.9	83.0	8.8
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.

I will explain the FY2022 full-year earnings forecasts.
Considering the results and the demand environment in the first half of the fiscal year, which I have explained so far, we will upwardly revise our forecasts for the current fiscal year, following on from the previous July.
Specifically, as shown in this page, revenue is ¥1,160.0 billion, adjusted operating income is ¥110.0 billion, and net income attributable to owners of the parent is ¥67.0 billion. The adjusted operating income margin is expected to be 9.5%.
In addition to the increase in sales volume, we continue to incorporate risks such as the prolonged situation in Ukraine, which will reduce demand, rising material costs, and the supply chain. Supply chain risks have been reduced from the July forecast. On the other hand, we have factored in additional risks related to logistics cost increases.
In connection with the restructuring of the Americas business in the previous fiscal year, in addition to the price adjustments, the recording of a gain on the transfer of shares in a joint venture was included at the end of the fiscal year. As a result, operating income and below will decrease year on year. Excluding the impact of these factors, net income attributable to owners of the parent is essentially expected to increase by 34% year on year.
The forecast exchange rate for the third quarter onward has not been changed from the previous July.
Please refer to page 30 Appendix 1 for reference, which includes the exchange rate sensitivity that will affect revenue and adjusted operating income from the third quarter onward.

Consolidated revenue forecast by geographic region

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Revenue for this fiscal year is expected to increase by 13% y-y due to strong demand trends in other regions, despite significant declines in Russia and China.

[billions of yen]

	FY2022 Forecast		FY2021 Actual		change	
					amount	%
Japan	217.8	19%	216.9	21%	0.9	0%
Asia	114.1	10%	86.4	8%	27.6	32%
India	61.9	5%	57.2	6%	4.7	8%
Oceania	209.4	18%	167.7	16%	41.7	25%
Europe	140.3	12%	124.2	12%	16.1	13%
N.America	243.8	21%	196.4	19%	47.4	24%
L.America	33.2	3%	22.7	2%	10.5	46%
Russia-CIS	29.8	3%	38.6	4%	-8.8	-23%
M.East	22.3	2%	19.2	2%	3.1	16%
Africa	52.8	5%	43.5	4%	9.3	21%
China	34.6	3%	52.1	5%	-17.5	-34%
Total	1,160.0	100%	1,025.0	100%	135.0	13%
Overseas ratio	81%		79%			

 26

This slide explains the consolidated revenue forecast by geographic region for FY2022.
The forecast for revenue for the current fiscal year is revised to ¥1,160.0 billion, an increase of ¥135.0 billion from the previous fiscal year. In addition, we analyze the impact of the yen's depreciation as an increase in revenue of ¥111.9 billion.
We anticipate a significant decrease in revenue in China and Russia/CIS, while revenue in North America, Oceania, and Asia are expected to increase partly due to the significant impact of foreign exchange rates.
The overseas sales ratio is expected to increase by 2 percentage points year on year to 81%.

Mining revenue forecast

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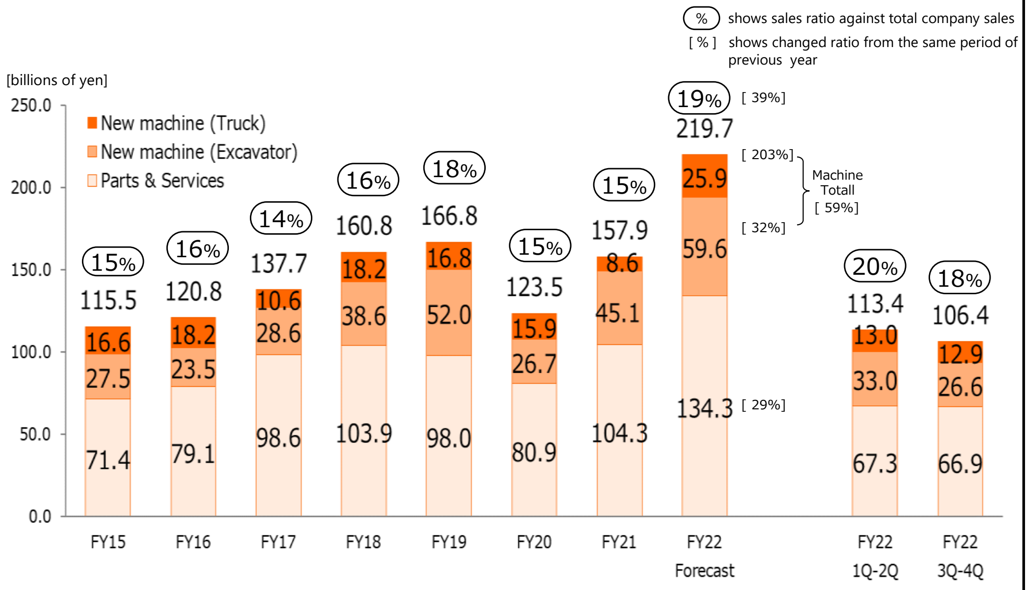
Revenue of mining in this fiscal year is expected to increase by 39% from the previous year to 219.7 billion yen y-y.



 27

This slide explains the mining revenue forecast.

Mining revenue for this fiscal year is expected to increase by 39% year on year to ¥219.7 billion.

New machinery sales of trucks and excavators are expected to increase by 59% year on year, and parts and services are expected to increase by 29% year on year.

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

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

In addition to higher sales in Asia and Oceania where we have a strong presence, we expect to increase sales in the Americas by ¥20.9 billion year on year.

Value chain*1 revenue forecast

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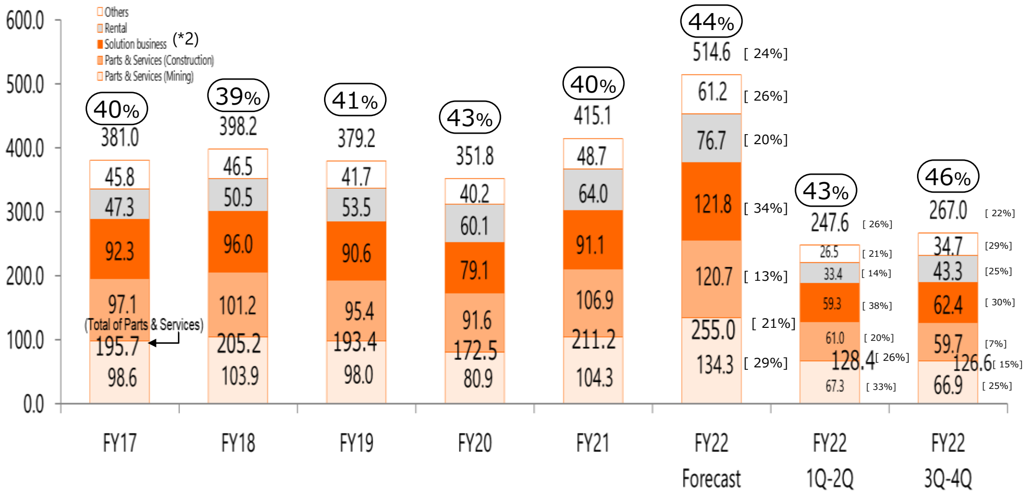
Revenue of the value chain in this fiscal year is expected to increase by 24% from the previous year to 514.6 billion yen y-y.

[billions of 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.

 28

This slide explains the value chain revenue forecast.

The forecast for value chain revenue for the current fiscal year is also revised upward from the previously announced figure in July, with a 24% year-on-year increase in revenue to ¥514.6 billion.
This time, the total value chain is expected to be in the ¥500.0 billion range for the first time.

Individually, we are forecasting a 21% year-on-year increase in revenue of parts and services for construction and mining to ¥255.0 billion. And we are forecasting a 34% year-on-year increase in revenue of the solutions business to ¥121.8 billion. All other divisions will also incorporate year-on-year increases.

The sales composition ratio is also expected to increase by 4 percentage points year on year to 44%.

Comparison of consolidated income forecast

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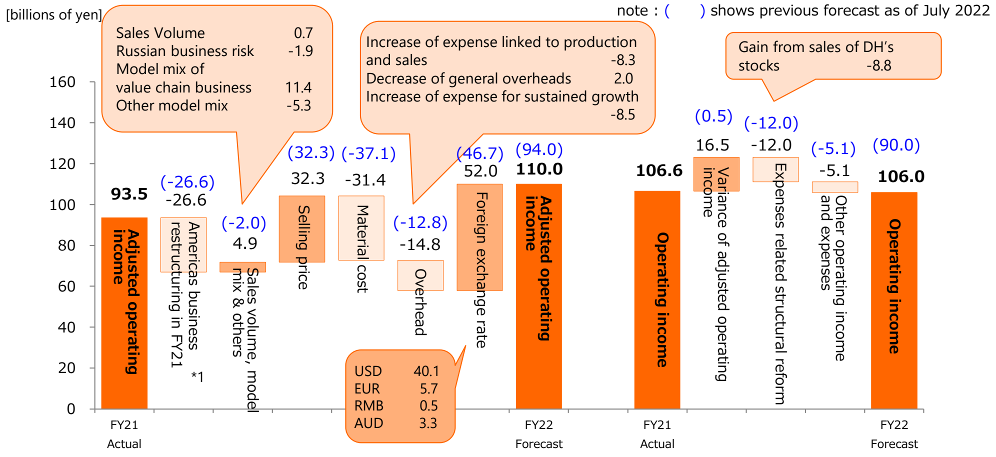
Adjusted operating income increased by 16.5 billion yen y-y due to the sales price increase and the currency impact despite the absence of profit from Americas business restructuring in the previous year besides the supply chain constraint risk and Russian business risk.



*1 Price adjustment and profit-sharing

 29

This slide provides a comparison of consolidated income for FY2022. I will explain the factors behind the forecast ¥16.5 billion year-on-year increase in adjusted operating income for the current fiscal year to ¥110.0 billion.

Although the ¥26.6 billion gains on restructuring in the Americas recorded in the previous fiscal year will disappear, an increase of ¥4.9 billion will be factored into the sales volume, model mix, and others.
Breaking this down, we will mitigate risks such as reduced demand and supply chain disruption, which were carefully factored in until the previous plan. Therefore, we have factored in an increase of ¥0.7 billion in sales volume and an increase of ¥11.4 billion in value chain business composition. On the other hand, in terms of other model mix, we expect a decrease of ¥5.3 billion, including additional freight costs.
In addition, we will incorporate an absorption of an increase in material costs of ¥31.4 billion due to an improvement in selling prices of ¥32.3 billion.
While factoring in an increase of ¥14.8 billion in overhead costs, we expect adjusted operating income to increase by ¥16.5 billion from the previous year, with an expected ¥52.0 billion increase in income due to the impact of the yen's depreciation.

Regarding the operating income on the right-hand side of the page, we forecast a decrease of ¥0.6 billion from the previous fiscal year to ¥106.0 billion since no extraordinary gains such as gains on sales of stocks recorded in the previous fiscal year will be recorded in the current fiscal year.

Appendix 1: FX rate and FX sensitivity

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The forecast exchange rate of major currencies for this fiscal year is unchanged from the previous announcement.

FX rate and FX sensitivity

[billions of yen]

Currency	FX rate				FX sensitivity (3Q-4Q)		
	FY22			FY21 Actual	Condition	Revenue	Adjusted operating income
	1Q-2Q Actual	3Q-4Q Forecast	Total Forecast				
USD	134.1	130.0	131.8	112.6	Impact by 1 yen depreciation	1.5	1.1
EUR	138.7	140.0	139.4	130.6	Impact by 1 yen depreciation	0.4	0.4
RMB	19.9	19.5	19.6	17.5	Impact by 0.1 yen depreciation	0.1	0.1
AUD	93.7	90.0	91.9	83.0	Impact by 1 yen depreciation	1.3	0.2

Appendix 2: Detail of mining revenue

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[billions of yen]

		FY22 Forecast			FY21 Actual			Change		
		1-2Q	3-4Q	Year	1-2Q	3-4Q	Year	1-2Q	3-4Q	Year
America	Excavator	13.4	15.4	28.8	6.4	3.1	9.4	7.0	12.3	19.4
	Dump Truck	2.1	2.1	4.2	1.4	1.3	2.6	0.7	0.8	1.5
	Total	15.5	17.5	33.0	7.7	4.3	12.0	7.7	13.2	20.9
Europe, Africa and Middle East	Excavator	17.7	14.2	31.9	11.7	15.7	27.5	6.0	-1.5	4.4
	Dump Truck	11.6	11.6	23.1	7.9	9.9	17.8	3.7	1.7	5.3
	Total	29.3	25.8	55.0	19.6	25.6	45.3	9.6	0.1	9.8
Asia & Oceania	Excavator	47.1	42.8	89.9	34.1	41.5	75.6	13.0	1.3	14.3
	Dump Truck	20.5	19.7	40.2	11.3	11.7	23.1	9.2	7.9	17.1
	Total	67.7	62.5	130.1	45.4	53.3	98.7	22.3	9.2	31.5
China	Excavator	0.2	0.5	0.7	0.3	0.3	0.6	-0.1	0.2	0.1
	Dump Truck	0.1	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.0
	Total	0.3	0.5	0.8	0.3	0.3	0.7	-0.0	0.2	0.1
Japan	Excavator	0.6	0.2	0.8	0.7	0.6	1.3	-0.1	-0.4	-0.5
	Dump Truck	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	0.0
	Total	0.6	0.2	0.8	0.7	0.6	1.3	-0.1	-0.4	-0.5
Total	Excavator	79.1	73.0	152.1	53.2	61.2	114.4	25.9	11.8	37.7
	Dump Truck	34.3	33.4	67.6	20.6	22.9	43.6	13.6	10.4	24.1
	Total	113.4	106.4	219.7	73.8	84.1	157.9	39.5	22.3	61.8

Appendix 3: Segment information

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The amortizations of PPA are included in the adjusted operating income of the solution business : 0.6 billion yen in FY2022 1Q-2Q, and 1.2 billion yen in the forecast for FY2022.

[billions of yen]

FY2022 1Q-2Q Actual	Reportable segment				Adjustments*1	Total	
	Construction Machinery Business		Solution Business				
Revenue		519.6		62.6	-3.2		578.9
Adjusted operating income	9.1%	47.5	7.4%	4.6	-	9.0%	52.1

[billions of yen]

FY2022 Forecast	Reportable segment				Adjustments *1	Total	
	Construction Machinery Business		Solution Business				
Revenue		1,038.2		121.8	0.0		1,160.0
Adjusted operating income	9.4%	98.0	9.9%	12.0	-	9.5%	110.0

*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 expenditures for FY2022 include more than the usual, mainly for the construction of new domestic factory facilities and the expansion of the rental business.

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

	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 1Q-2Q Actual	FY2022 3Q-4Q Forecast	FY2022 Forecast
Capital Expenditure	47.2	34.7	45.3	34.9	42.7	77.6
Assets held for operating lease	36.9	38.6	44.3	21.5	29.6	51.1
Total	84.1	73.4	89.6	56.4	72.3	128.7

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

	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 1Q-2Q Actual	FY2022 3Q-4Q Forecast	FY2022 Forecast
Capital Expenditure	34.2	35.3	37.6	19.9	20.5	40.3
Assets held for operating lease	12.0	14.9	17.9	10.8	11.1	21.9
Total	46.1	50.2	55.5	30.6	31.6	62.3

3.R&D expenses　[billion of yen]

	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 1Q-2Q Actual	FY2022 3Q-4Q Forecast	FY2022 Forecast
Total of consolidation	23.7	24.8	25.5	11.7	15.3	27.0

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.

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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END

GOOD DESIGN AWARD 2022

ZAXIS-7 series of hydraulic excavators
GOOD DESIGN AWARD 2022 (Oct 2022)

Hitachi Construction Machinery Co., Ltd.