

Explanatory Meeting for Business Results for the Third Quarter ended December 31, 2022

January 27, 2023

Keiichiro Shiojima

Vice President and Executive Officer & CFO

Hidehiko Matsui

Executive Officer & CMO

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

1. Regional Market Environments and Projections

Hidehiko Matsui
Executive Officer & CMO

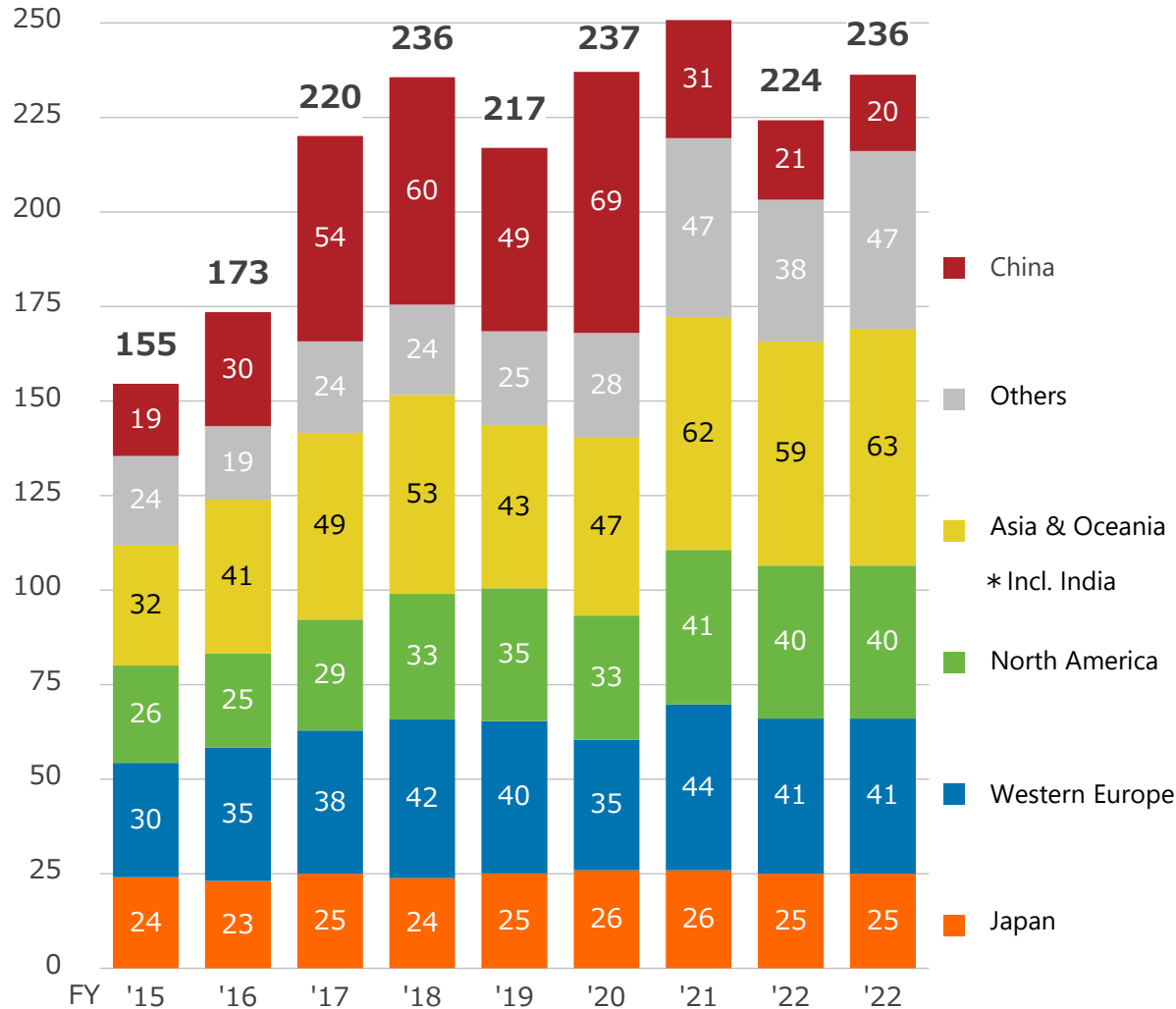
Global Demand Trend for Hydraulic Excavators

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Reliable solutions

Emerging Markets ratio:
FY22 55% (y-y Change : -1%)

[K units] ※Emerging Markets: China, Asia/Oceania, and others **251**



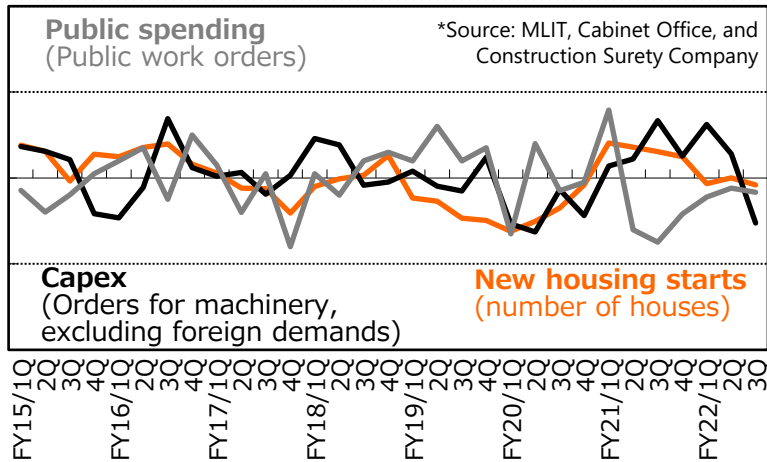
Year-on-Year Change by Region

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

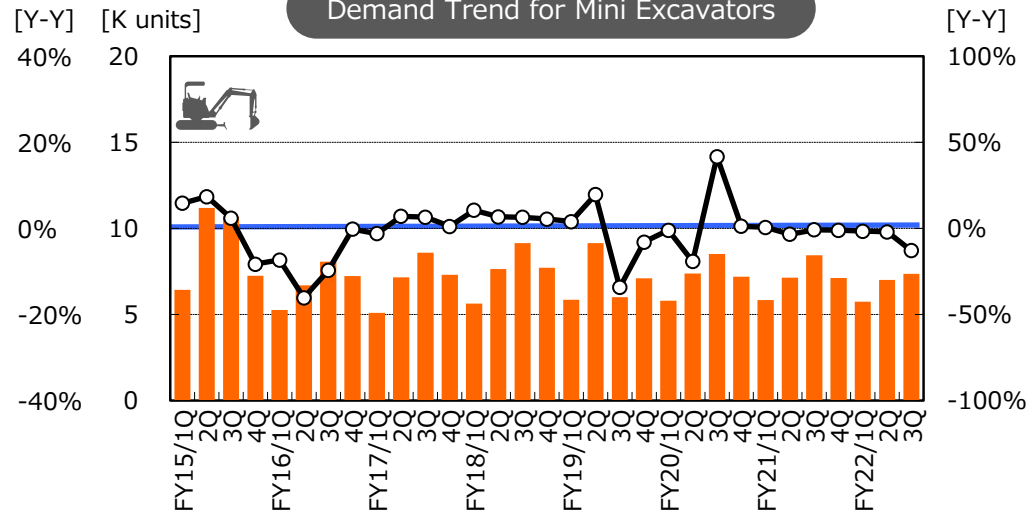
	'21	'22
Total	+6%	-6%
China	-55%	-35%
Russia, CIS, E Europe	+81%	-15%
Africa	+70%	-13%
Middle East	+77%	+18%
Latin America	+59%	+8%
Others	+70%	-2%
Asia	+47%	-1%
India	+9%	+6%
Oceania	+43%	+3%
Asia & Oceania	+31%	+1%
N America	+25%	-1%
W Europe	+27%	-6%
Japan	+0%	-4%

- Housing investment & Public spending saw slight decreases while Capex fell.
- Demand for Hydraulic excavators decreased:
Hydraulic Excavators -10%, Mini Excavators -13%, Wheel Loaders +5% y-y, respectively.

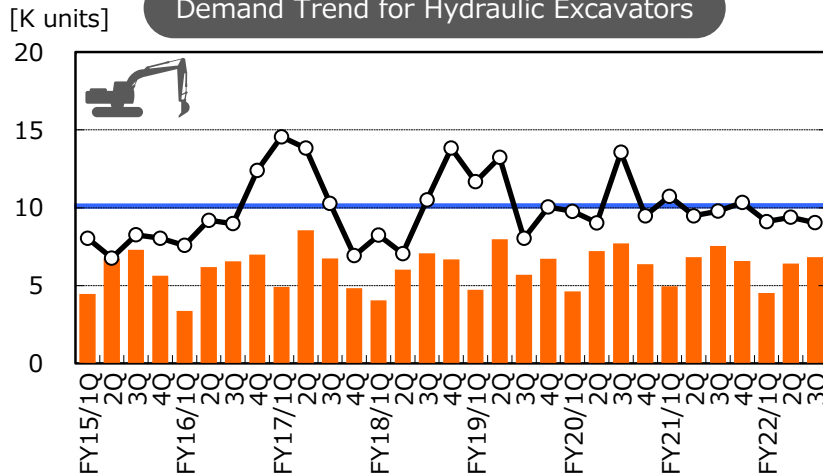
Market Environment Housing, Capex, Public Spending



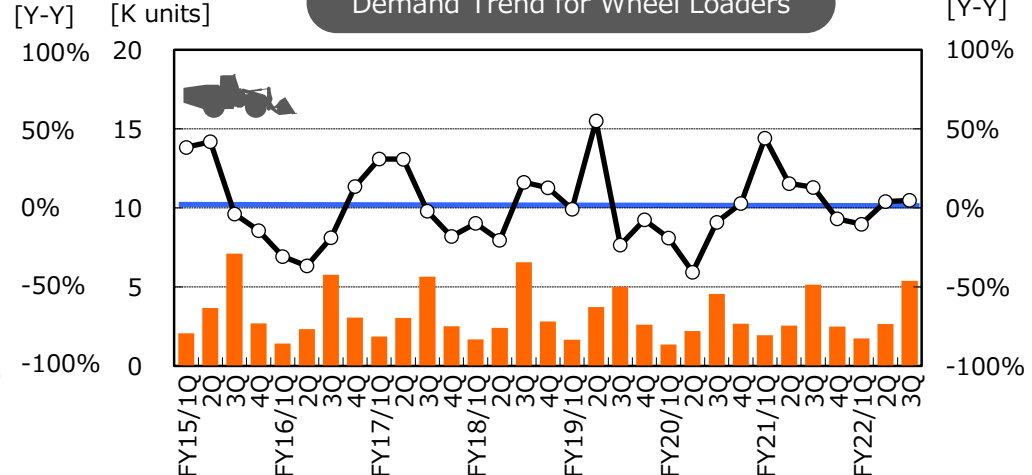
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



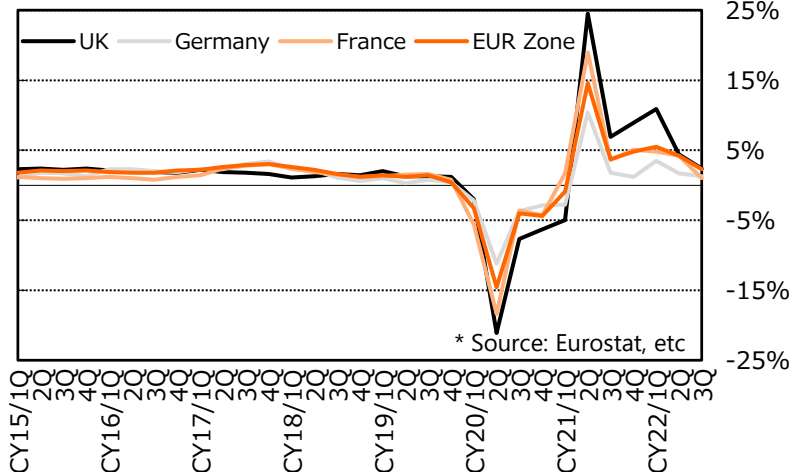
Demand Trend for Wheel Loaders



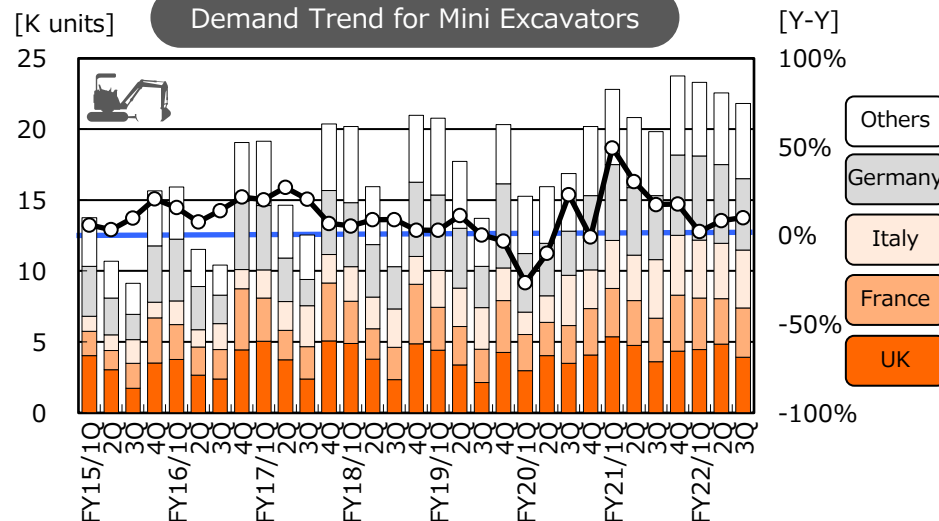
Europe: Third Quarter (Oct to Dec 2022)

- GDP growth rate in CY22 3Q slowed.
- Demand for Hydraulic excavators increased:
Hydraulic Excavators +4%, Mini Excavators +10%, Wheel Loaders +10% y-y, respectively.

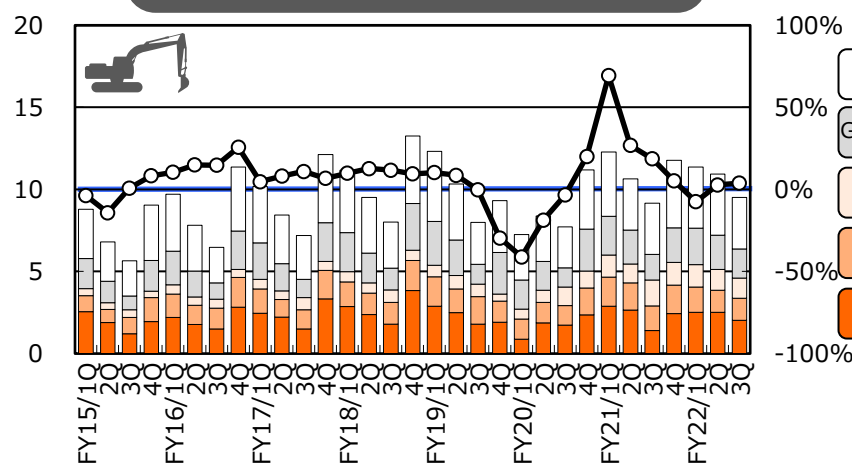
GDP Growth Rate in Major Countries



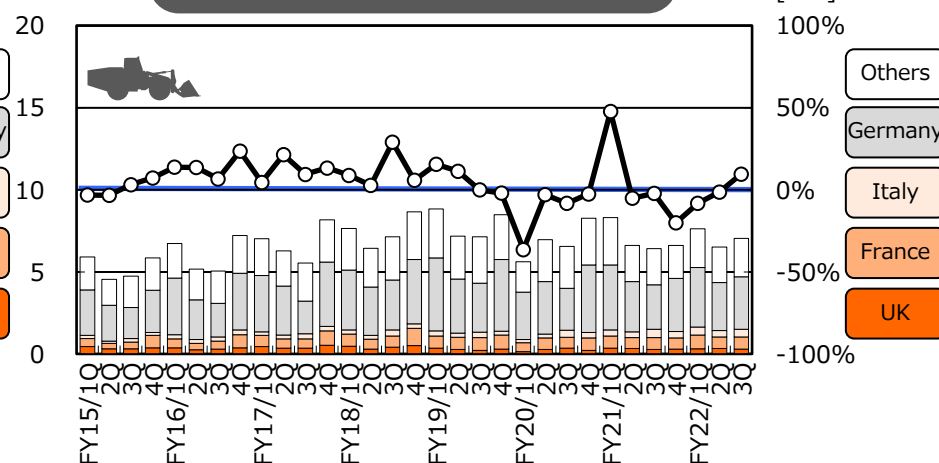
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

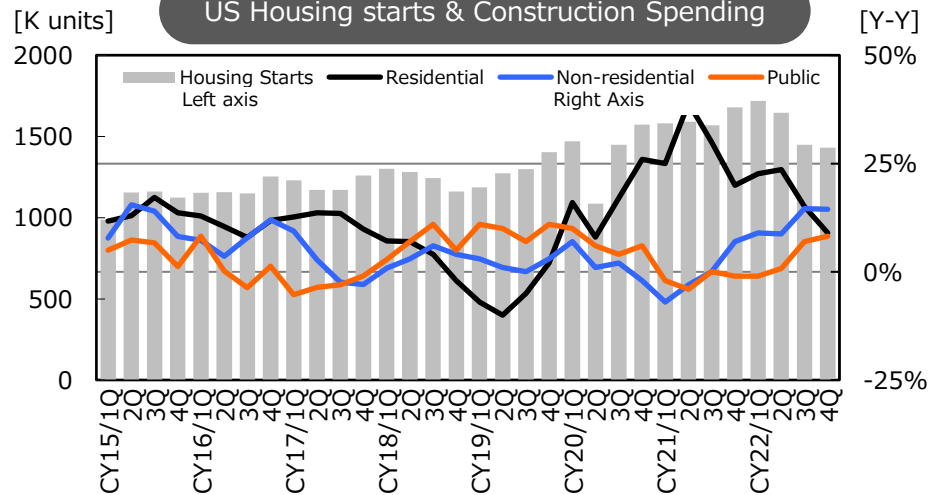


Demand Trend for Wheel Loaders



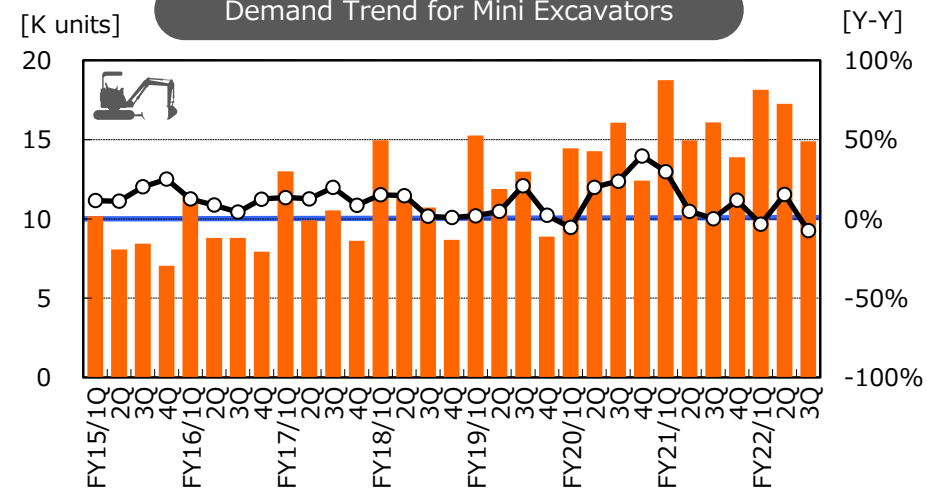
- Housing market continues to show signs of weakness. Construction spending increased in Non-residential & Public.
- Demand for Hydraulic excavators decreased slightly:
Hydraulic Excavators -3%, Mini Excavators -7%, Wheel Loaders -7% y-y, respectively.

US Housing starts & Construction Spending

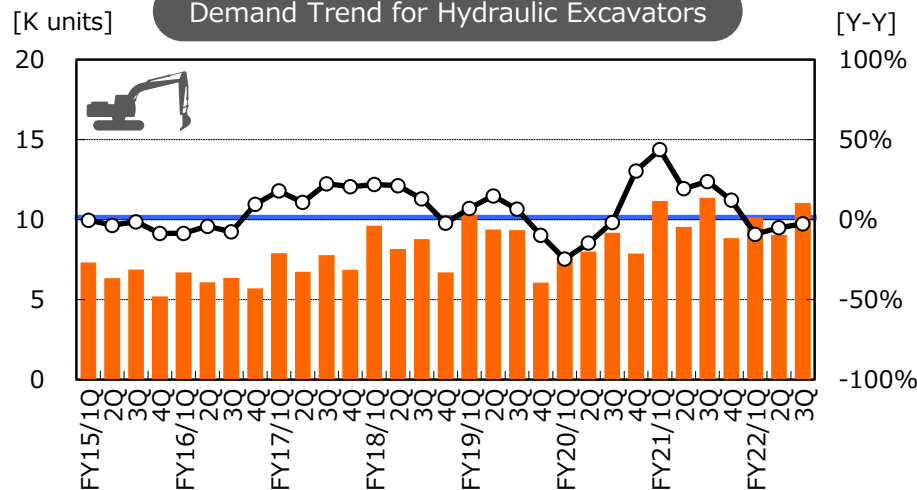


* Bureau of Economic Census, US Census Bureau

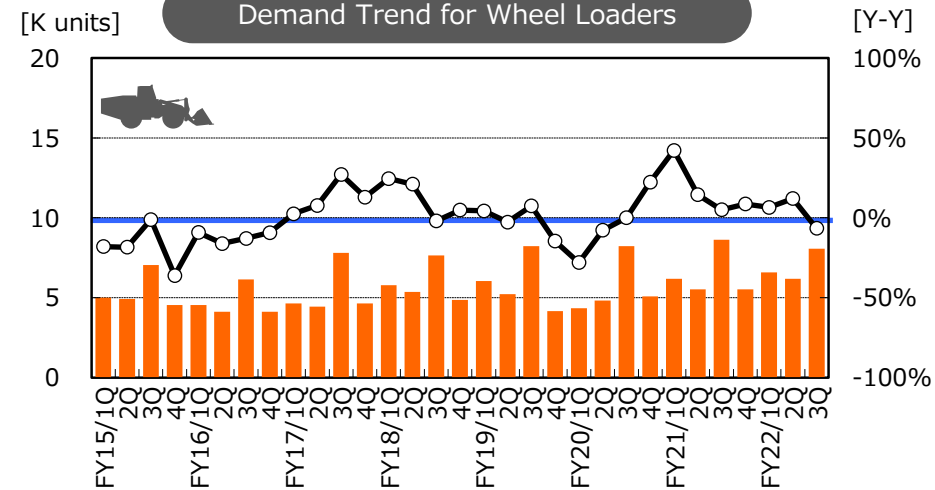
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



Demand Trend for Wheel Loaders



*Demand is Hitachi Construction Machinery estimates.

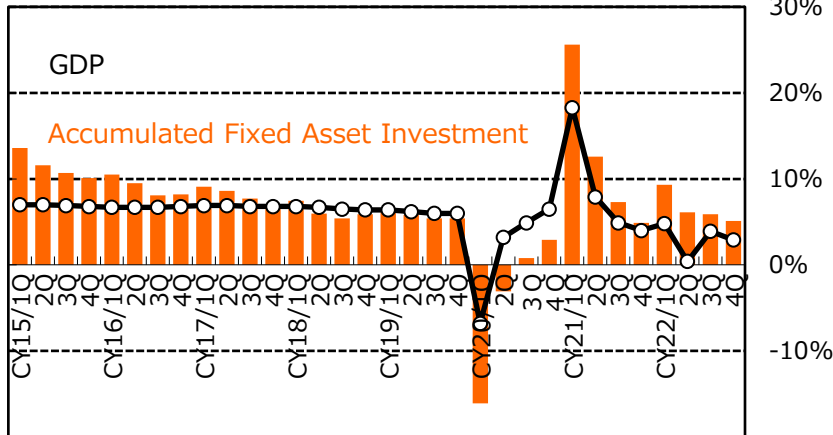
China: Third Quarter (Oct to Dec 2022)

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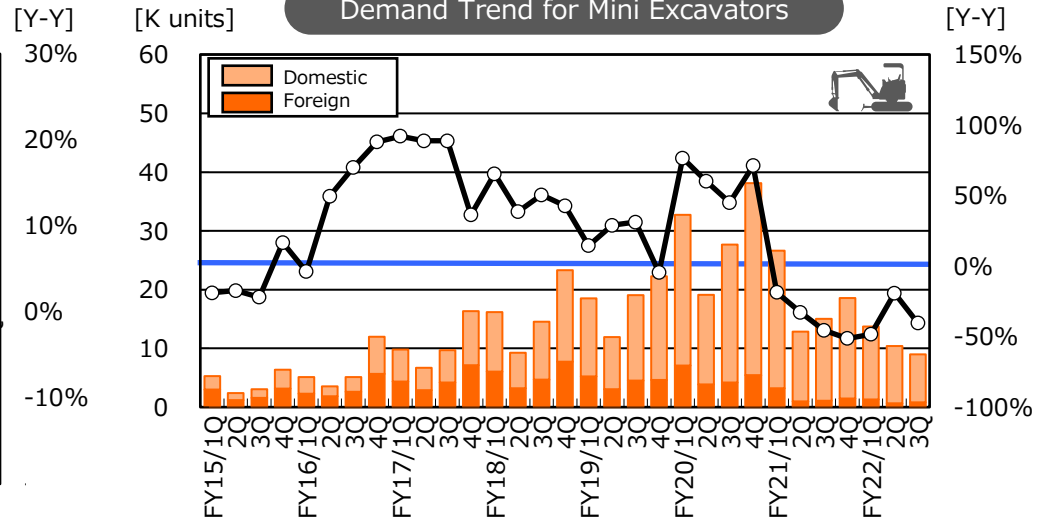
- GDP growth rate slowed to +2.9%.
- Demand for Hydraulic excavators decreased significantly:
Hydraulic Excavators -16%, Mini Excavators -40% y-y, respectively. (Includes domestic manufacturers)

GDP and Fixed Asset Investment

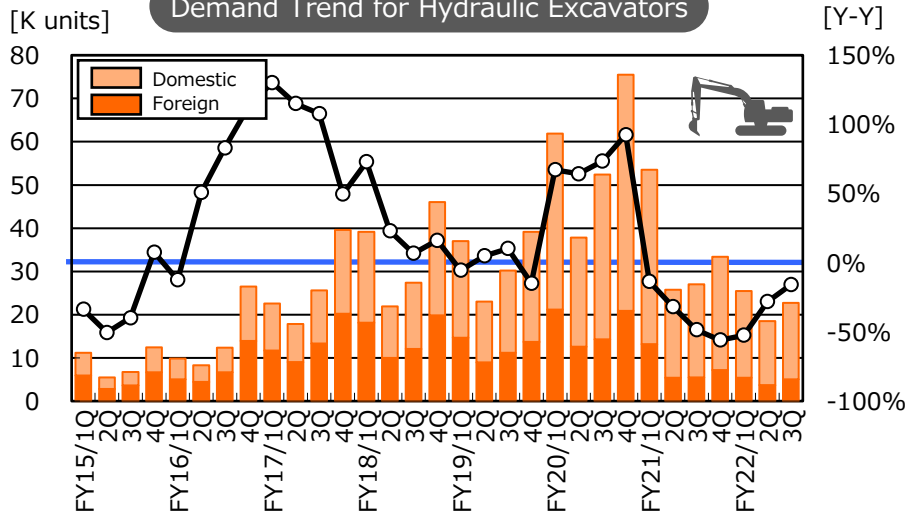


* National Bureau of Statistics of China

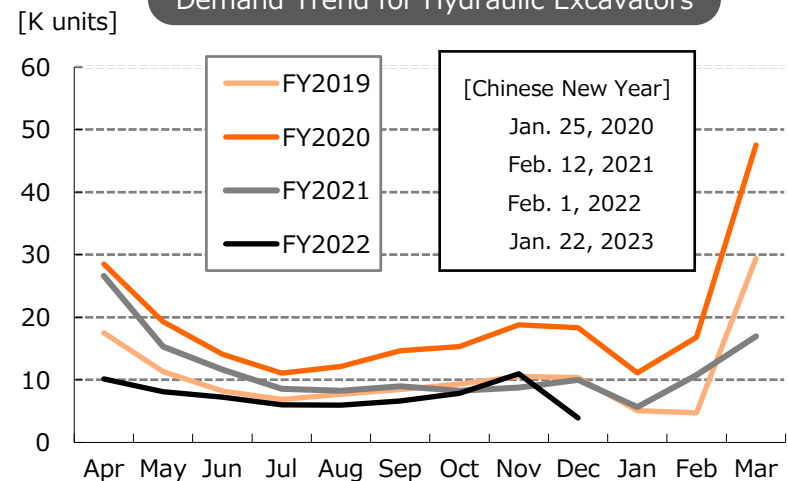
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



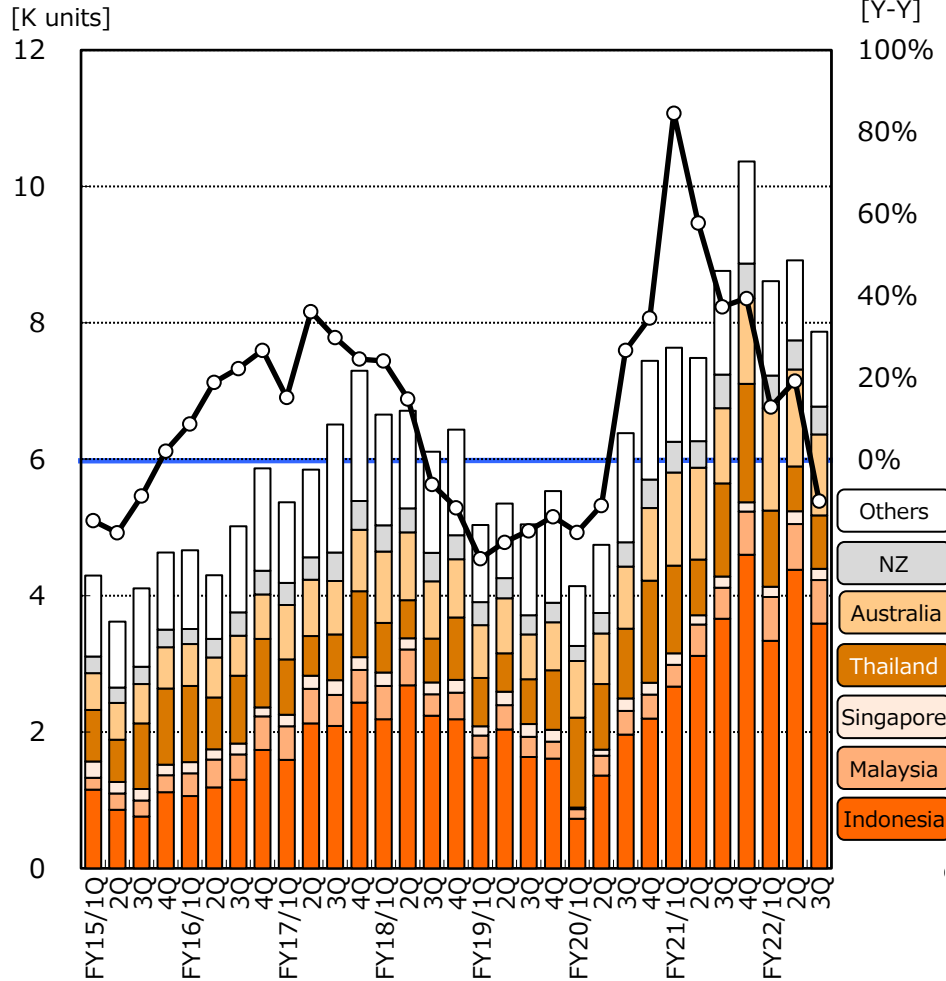
Demand Trend for Hydraulic Excavators



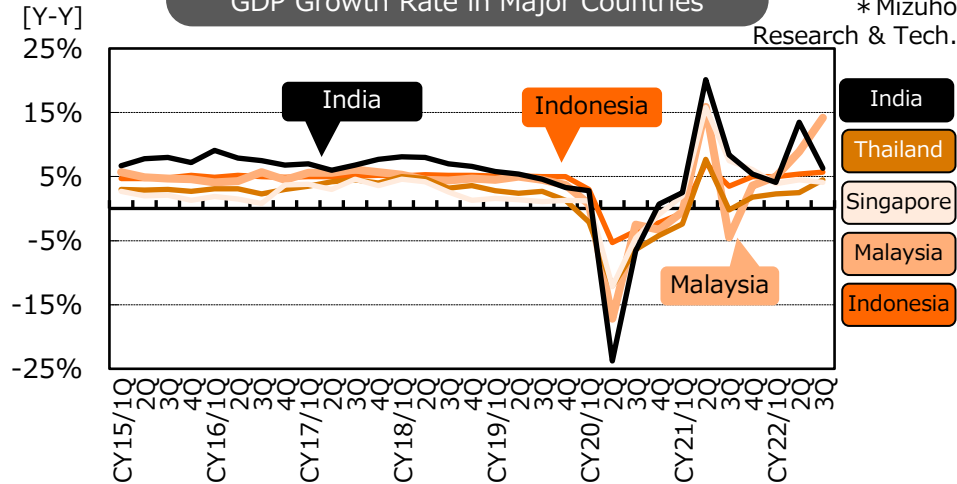
*Demand is Hitachi Construction Machinery estimates.

- Demand for Hydraulic excavators decreased in the Asia & Oceania region -10% y-y.
- Demand in India increased. +4% y-y.

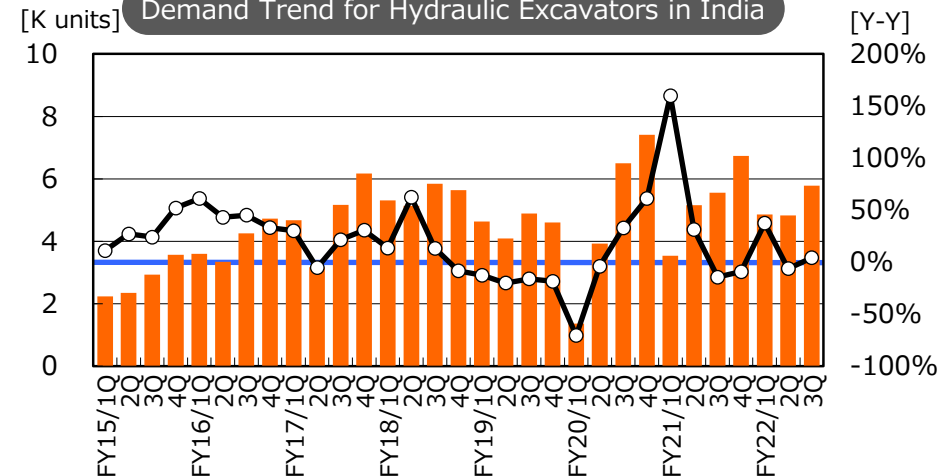
Demand Trend for Hydraulic Excavators in Asia & Oceania



GDP Growth Rate in Major Countries

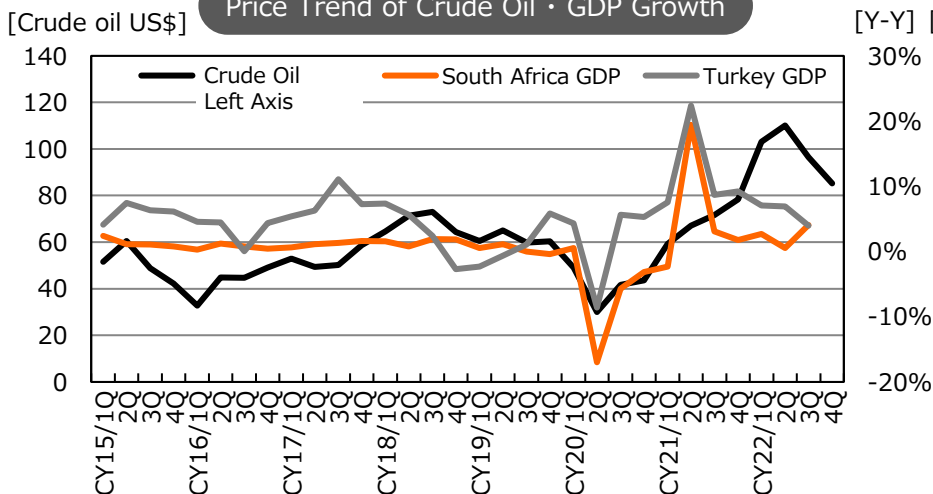


Demand Trend for Hydraulic Excavators in India

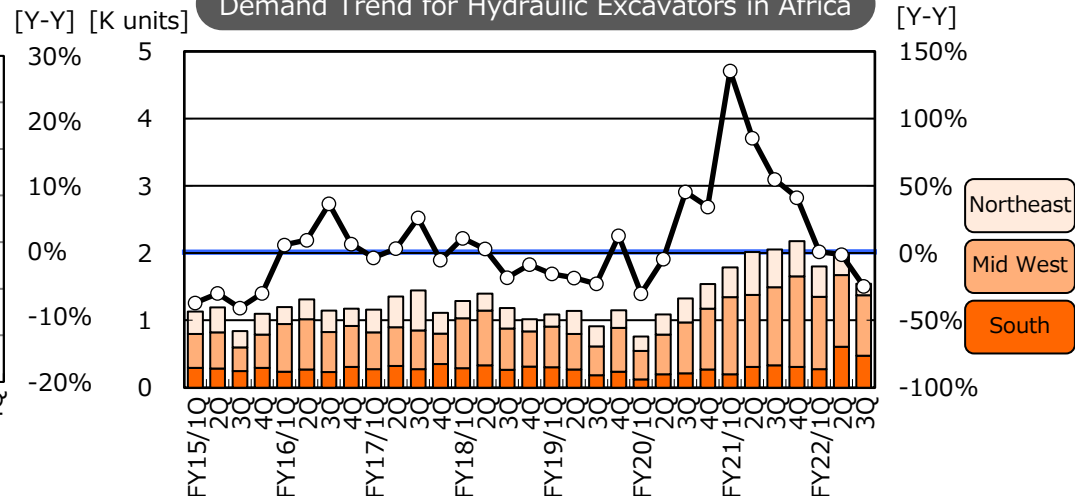


- Demand for Hydraulic excavators decreased significantly in Russia -35%, Africa -25% y-y, respectively.
- Demand for Hydraulic excavators increased in the Middle East +6% y-y.

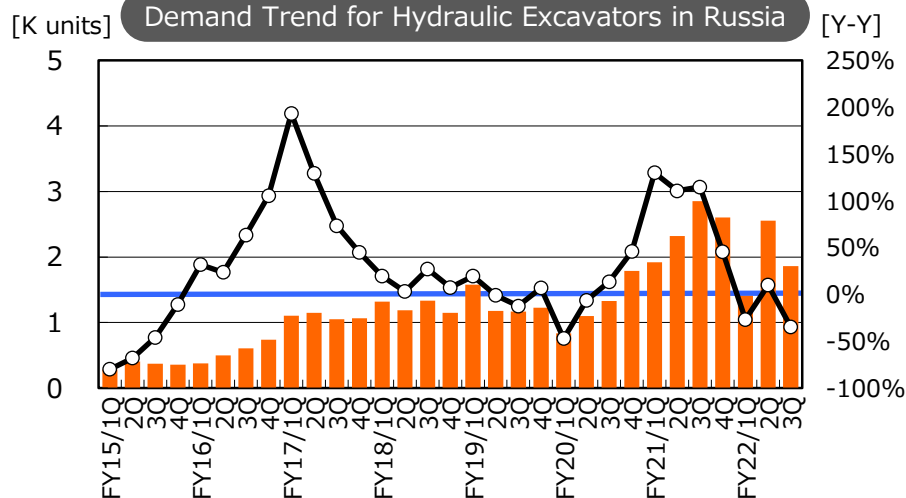
Price Trend of Crude Oil · GDP Growth



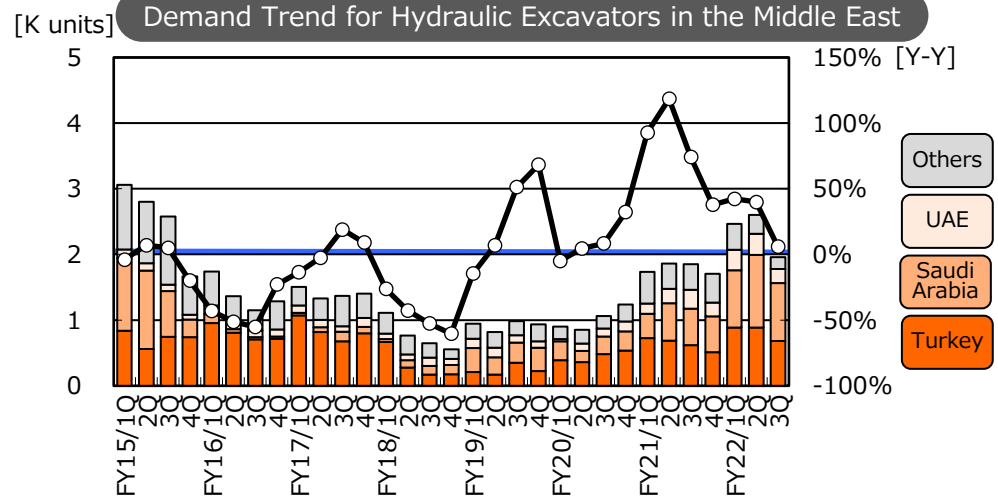
Demand Trend for Hydraulic Excavators in Africa



Demand Trend for Hydraulic Excavators in Russia



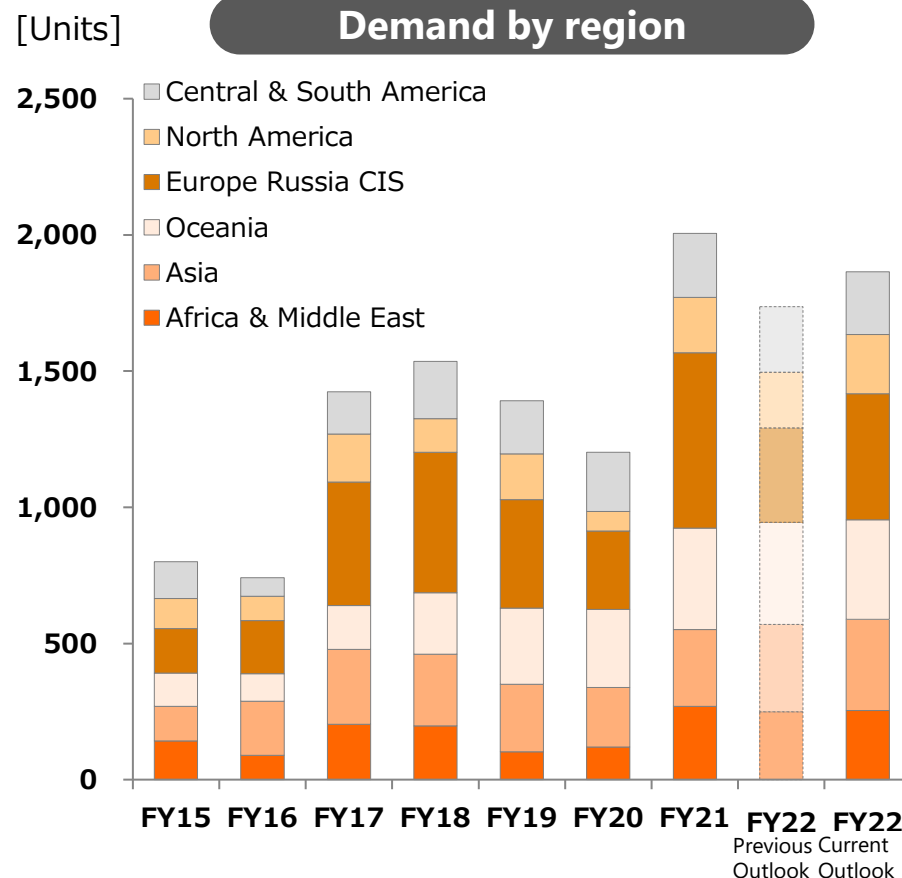
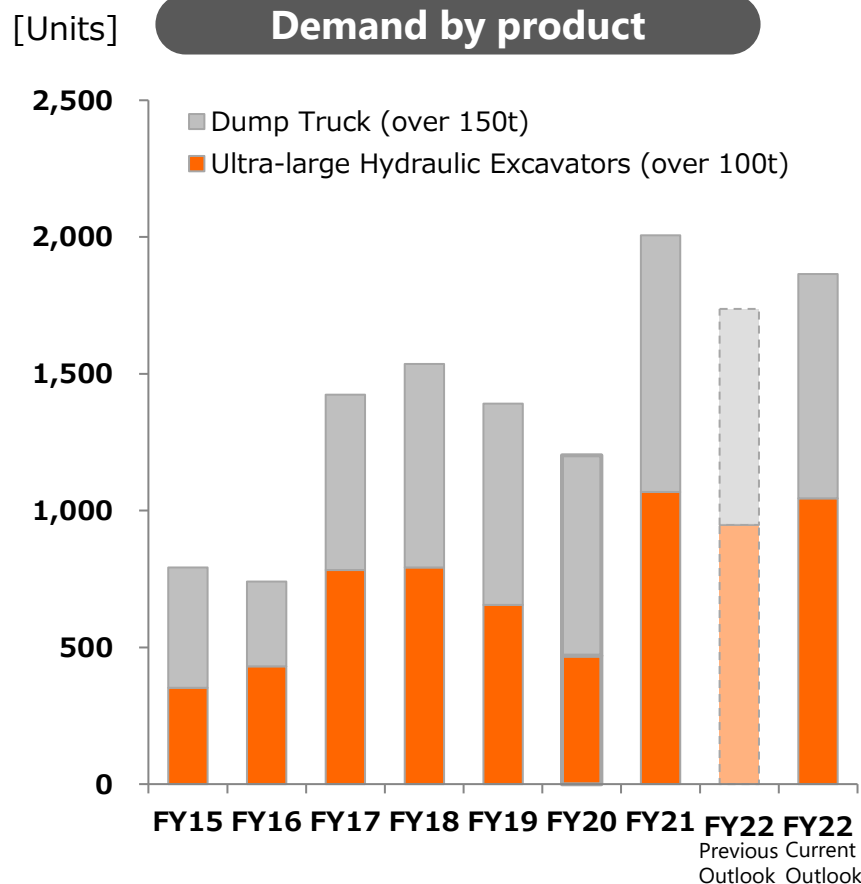
Demand Trend for Hydraulic Excavators in the Middle East



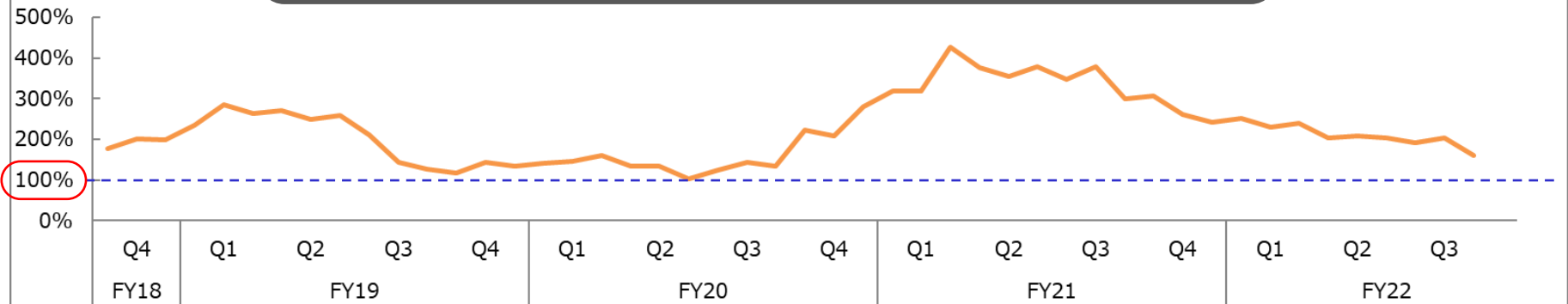
*Demand is Hitachi Construction Machinery estimates.

- Demand remains strong in Africa, Oceania & Asia including Indonesia. Demand decreased in Russia.
- Demand forecasts have been revised up to a range of +0% to -10% y-y. (Previously -10% to -15% y-y)

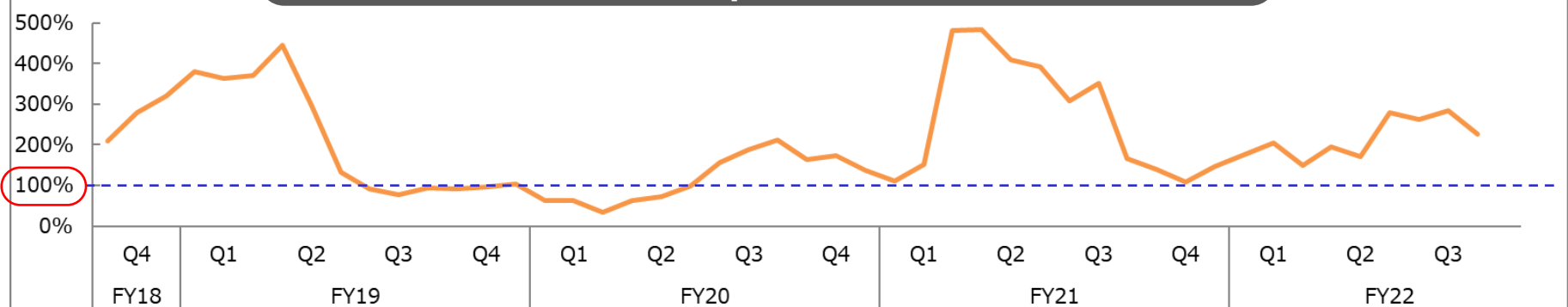
Ultra-large Hydraulic Excavators (over 100t), Dump Trucks(over 150t)



BB Ratio (Ultra-large Hydraulic Excavators, over 100t)



BB Ratio (Dump trucks, over 150t)



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

Hitachi Construction Machinery Introduced Sustainable Finance*¹ for the First Time

- A Positive-impact finance loan agreement was signed (December 2022).
- Received the following four evaluations in terms of contribution to the achievement of the SDGs through business activities, products, and services.

Contribution to Carbon Neutrality

13 CLIMATE ACTION

Contribution to Improving Safety and Productivity at Workplaces

8 DECENT WORK AND ECONOMIC GROWTH

Minimizing Environmental Impact, Realizing a Recycling-Oriented Society

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

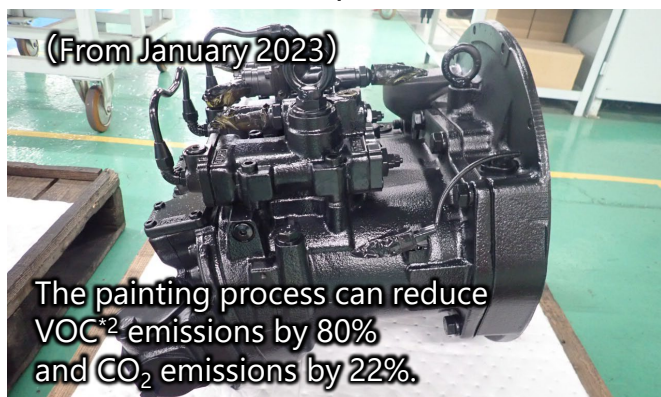
Promotion of Global Human Resource Management

5 GENDER EQUALITY**10** REDUCED INEQUALITIES

*¹ A financing scheme that guides the promotion of solutions to environmental and social issues from a financial perspective.

Promoting manufacturing that contributes to reducing environmental impact

- Utilizing water-based paint for some of the remanufactured parts.
- At the Bradken India Works, the ratio of renewable energy consumed at the entire facility is approximately 75%.

**12** RESPONSIBLE CONSUMPTION AND PRODUCTION**13** CLIMATE ACTION

*² VOC (volatile organic compounds): A generic term for volatile organic compounds and one of the causes of air pollution.

In the North American markets, excavators equipped with ConSite are highly rated and sales activities are accelerating

- Awarded “Top 100 New Products of 2022” by the US trade publication *Construction Equipment*.
- Will exhibit at CONEXPO, one of the world's three major construction machinery exhibitions, in March 2023.



First appearance and award as
Hitachi Construction Machinery America



CONEXPO special website of
Hitachi Construction Machinery America

First order from the Canadian mining company Lundin Mining's copper and gold mines in Brazil for three ultra-large hydraulic excavators

- Strengthening of the sales and support structure for the mining business led to orders.
- Deliveries will be phased in from November 2022 and completed by the end of 2023.



EX2600-7 delivered in November 2022

2. Business Results for the Third Quarter ended December 31, 2022

(April 1, 2022 - December 31, 2022)

Keiichiro Shiojima

Vice President and Executive Officer & CFO

Summary of consolidated results

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In 1Q-3Q of the year, revenue increased by 25% y-y and adjusted operating income increased by 42% y-y, supported by strong sales growth mainly in the Americas. Net income attributable to owners of the parent increased by 151% substantially excluding the profit associated with Americas business restructuring in the previous fiscal year.

[billions of yen]

		FY2022 1Q-3Q		FY2021 1Q-3Q		change
Revenue		902.7		720.4		25%
Adjusted operating income *1		9.7%	87.2	8.5%	61.3	42%
Operating income		9.7%	87.4	8.6%	61.7	42%
Income before income taxes		7.8%	70.8	9.2%	66.3	7%
Net income attributable to owners of the parent		4.8%	43.1	6.4%	46.5	-7%
EBIT *2		8.3%	74.8	9.5%	68.5	9%
FX rate	Rate (YEN/US\$)	137.0		111.2		25.8
	Rate (YEN/EURO)	140.5		130.7		9.8
	Rate (YEN/RMB)	19.9		17.2		2.7
	Rate (YEN/AU\$)	93.4		82.7		10.7

*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"

Revenue by geographic region (consolidated)

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Reliable solutions

Although revenue in China decreased y-y, revenue in other overseas increased significantly, including depreciation of the yen. Consolidated total revenue increased by 182.4 billion yen.

[billions of yen]

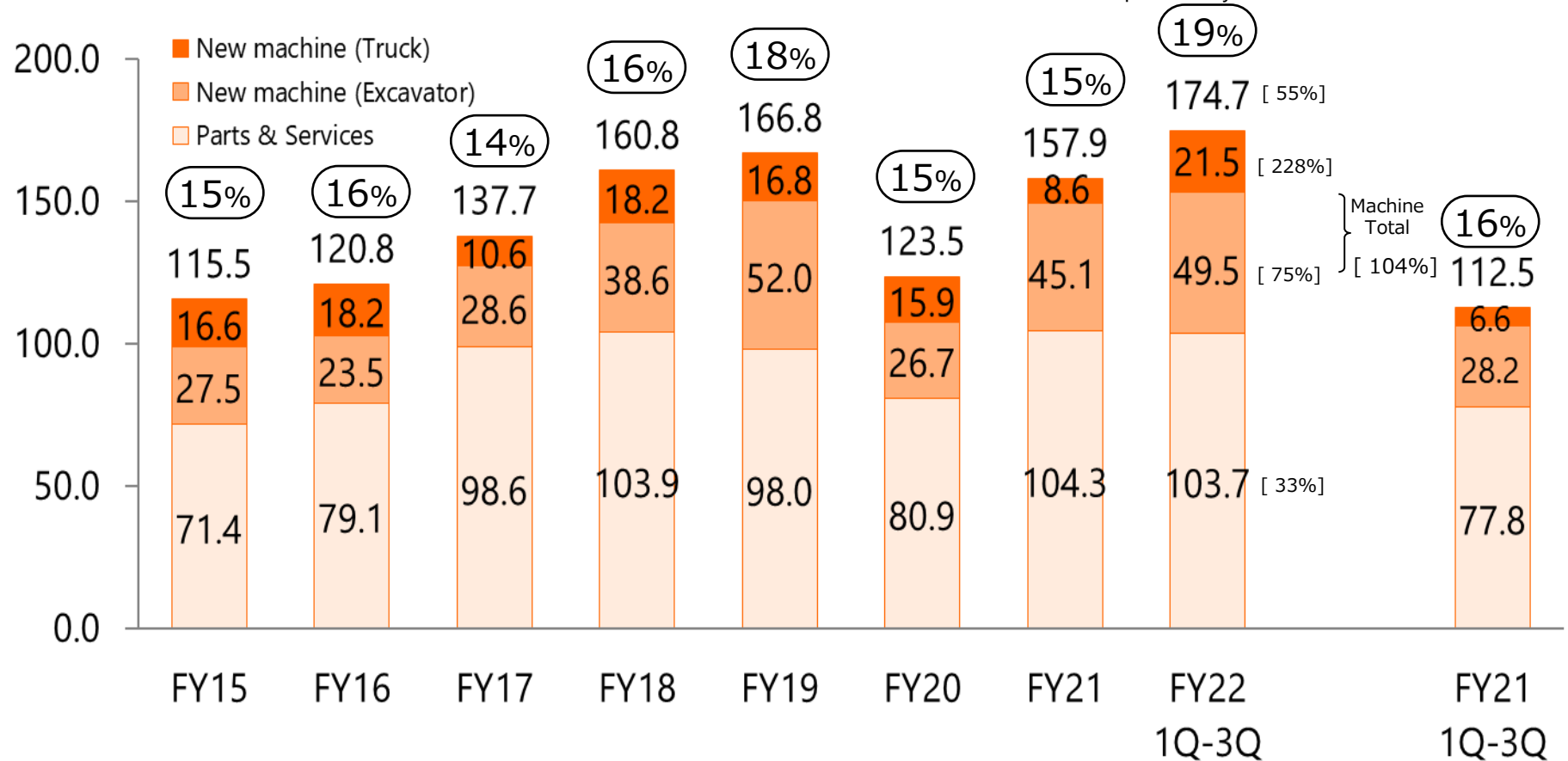
	FY2022 1Q-3Q		FY2021 1Q-3Q		change	
					amount	%
Japan	156.0	17%	154.8	21%	1.2	1%
Asia	82.0	9%	58.3	8%	23.7	41%
India	50.6	6%	38.4	5%	12.2	32%
Oceania	170.0	19%	122.5	17%	47.6	39%
Europe	109.1	12%	86.8	12%	22.3	26%
N. America	197.3	22%	136.2	19%	61.1	45%
L. America	24.3	3%	15.7	2%	8.6	55%
Russia-CIS	29.1	3%	25.8	4%	3.2	13%
M. East	18.5	2%	12.7	2%	5.8	45%
Africa	36.9	4%	30.3	4%	6.6	22%
China	29.1	3%	39.0	5%	-9.9	-25%
Total	902.7	100%	720.4	100%	182.4	25%
Overseas ratio	83%		79%			

Revenue of mining increased by 55% to 174.7 billion yen y-y due to significant increase in new machinery sales, capturing robust demand. Parts and services also grew significantly.

[billions of yen]

(%) shows sales ratio against total company sales

[%] shows changed ratio from the same period of previous year

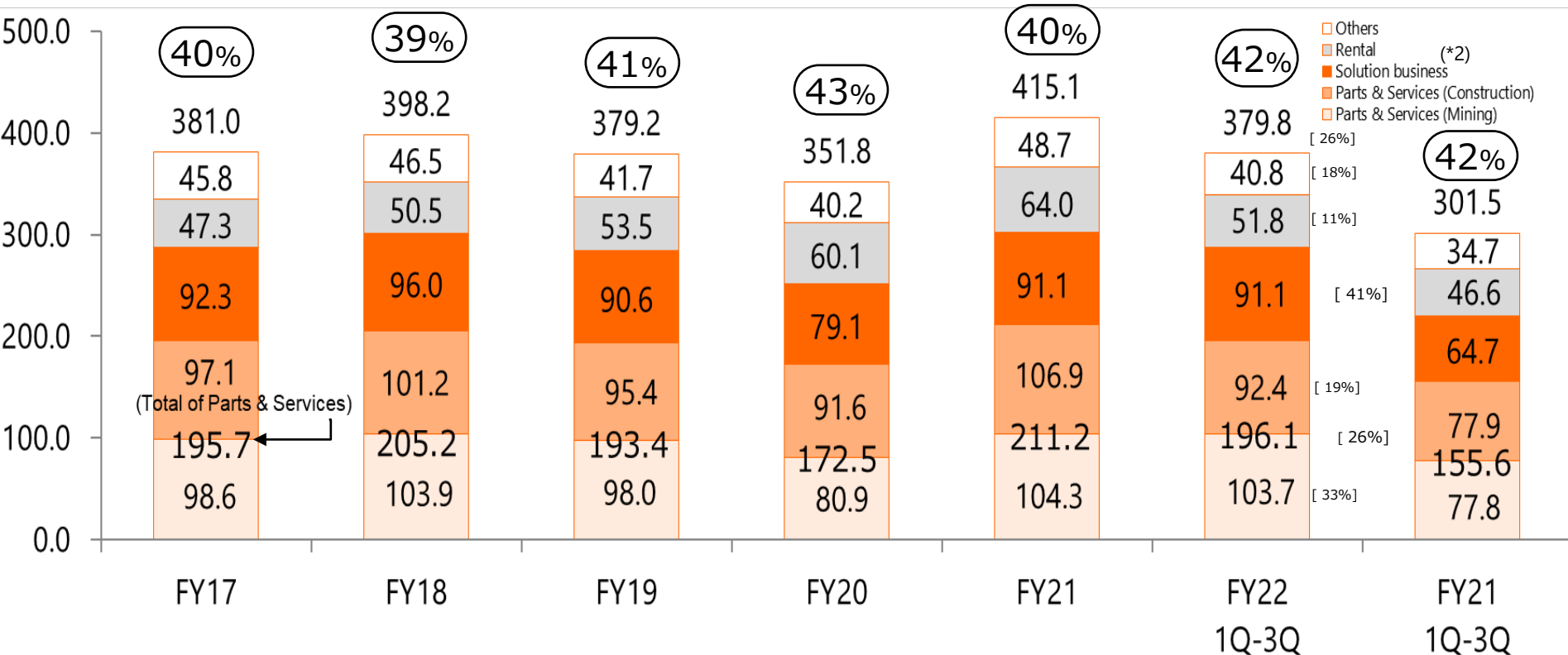


Revenue of the value chain business increased by 26% to 379.8 billion yen y-y due to expanded sales volume, especially parts and services as well as solution business.

[billions of yen]

(%) shows sales ratio against total company sales

[%] shows changed ratio from the same period of previous year



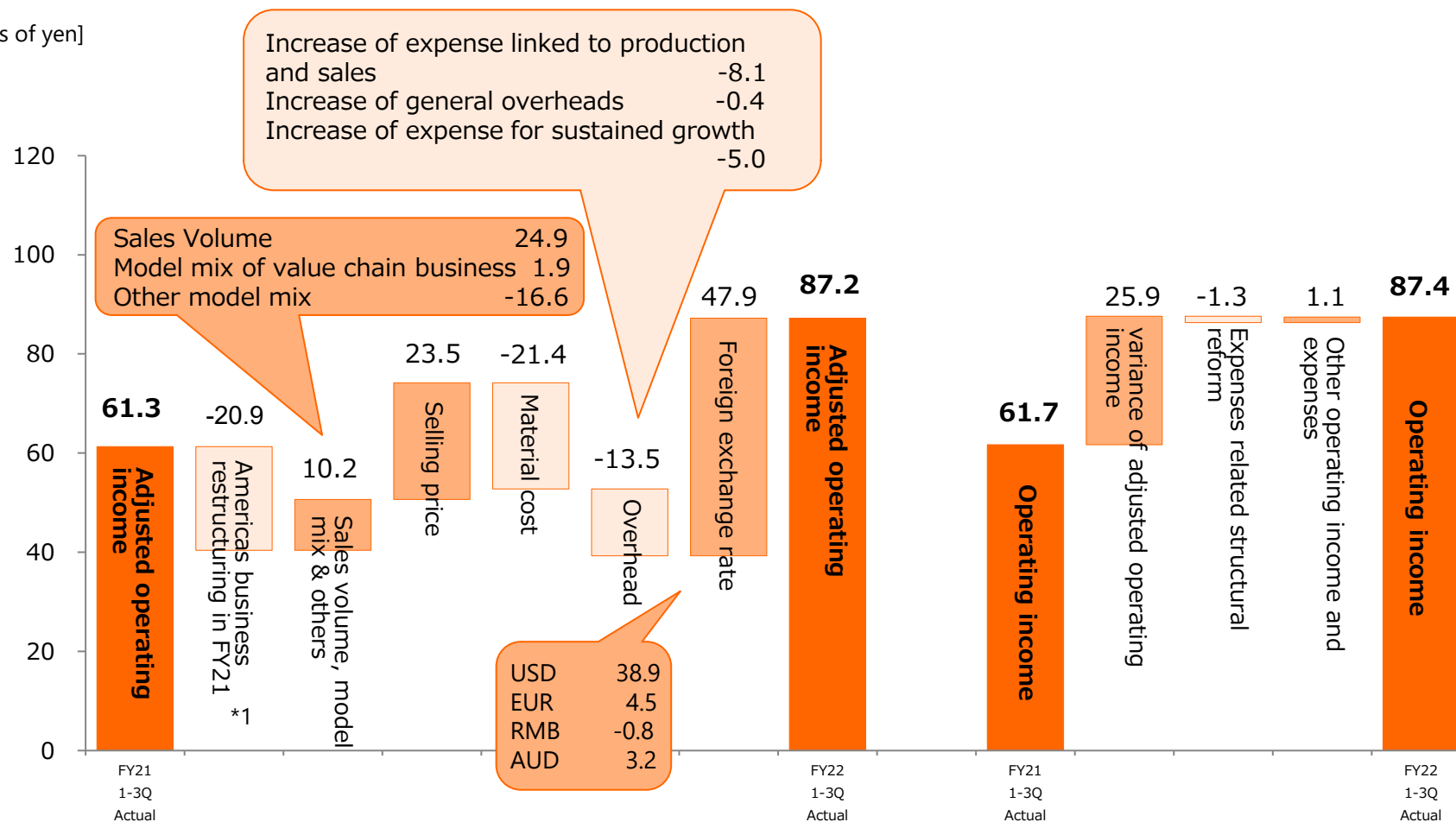
(*1) Value chain: Total of Parts & Services, Solution business, Rental etc. other than new machine sales.

(*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.

Comparison of consolidated income

Adjusted operating income increased by 25.9 billion yen y-y due to the impact of the increased sales volume, selling price increase, and the currency impact despite the absence of profit from Americas business restructuring in the previous year.

[billions of yen]



*1 Price adjustment and profit-sharing

Net income attributable to owners of the parent decreased by 3.4 billion yen y-y due to the negative impact of FX and share of profits of investments accounted for using the equity methods, although adjusted operating income increased by 25.9 billion yen y-y.

[billions of yen]

	FY2022 1Q-3Q		FY2021 1Q-3Q		change	
					amount	%
Revenue		902.7		720.4	182.4	25%
Cost of Sales	(70.8%)	639.5	(72.7%)	523.8	115.6	22%
SGA expenses	(19.5%)	176.1	(18.8%)	135.2	40.8	30%
Adjusted operating income *1	(9.7%)	87.2	(8.5%)	61.3	25.9	42%
Other Income/expenses		0.2		0.4	-0.2	-47%
Operating income	(9.7%)	87.4	(8.6%)	61.7	25.7	42%
Financial income/expenses		-11.2		-1.5	-9.7	647%
Share of profits of investments accounted for using the equity method		-5.4		6.1	-11.5	-
Income before income taxes	(7.8%)	70.8	(9.2%)	66.3	4.5	7%
Income taxes		25.1		16.4	8.7	53%
Net income	(5.1%)	45.7	(6.9%)	49.9	-4.2	-8%
Net income attributable to owners of the parent	(4.8%)	43.1	(6.4%)	46.5	-3.4	-7%

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

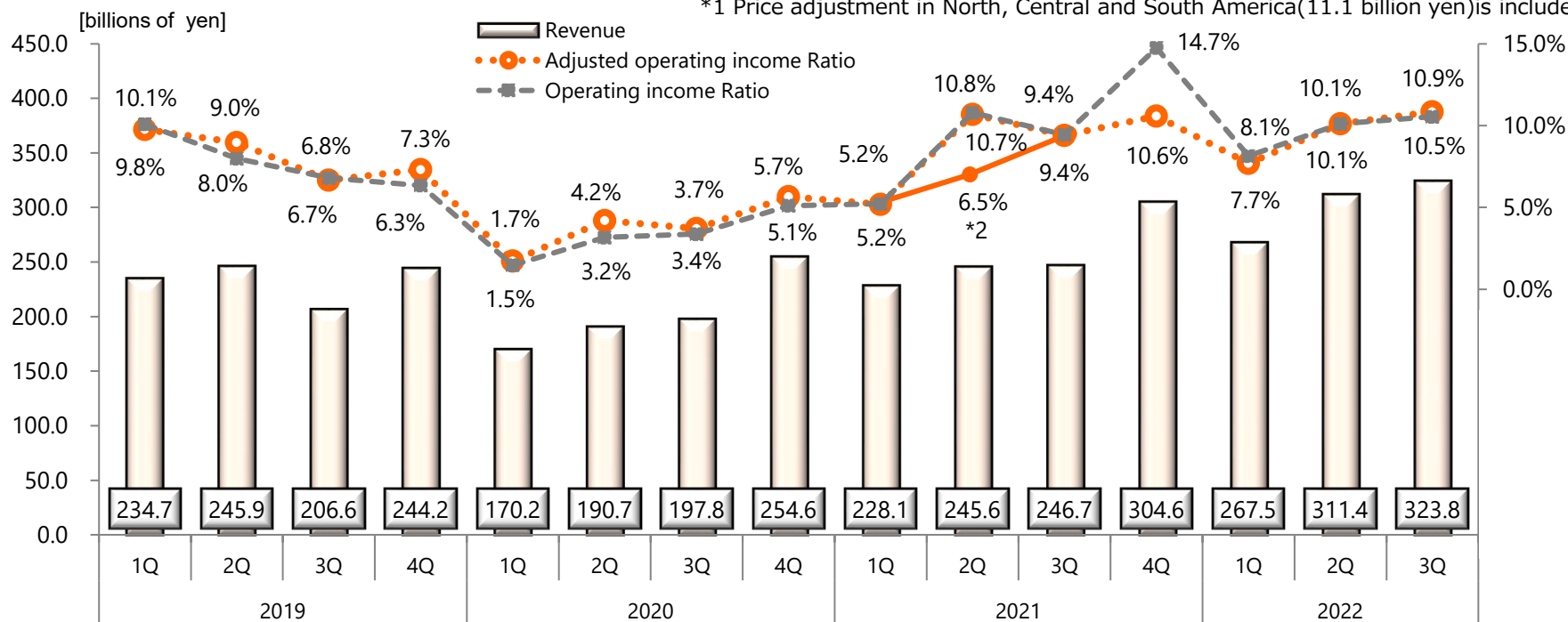
Summary of quarterly consolidated revenue and operating income (ratio)

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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	3Q
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	323.8
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	35.1
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	34.2

*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	3Q
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	141.6
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	144.3
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	19.9
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	92.9

Consolidated statement of financial position

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Total assets increased by 177.6 billion yen from the end of last fiscal year due to increase by cash and cash equivalents, inventories and depreciation of the yen, and the recording of claims for reimbursement of subrogation payments to North American affiliates.

(billions of yen)

	(A) FY22-3Q	(B) Mar '2022	(C) FY21-3Q	(A)-(B) change		(D) FY22-3Q	(E) Mar '2022	(F) FY21-3Q	(D)-(E) change
Cash and cash equivalents	112.6	94.3	81.6	18.4	Trade and other payables	269.5	252.2	218.4	17.3
Trade receivables	248.7	266.3	202.3	-17.5	Bonds and borrowings	500.1	353.1	351.2	146.9
Inventories	456.1	368.3	345.4	87.8	Total liabilities	906.9	741.6	689.9	165.2
Total current assets	870.6	764.4	679.5	106.3	(Equity attributable to owners of the parent ratio)	(39.9%)	(43.4%)	(42.8%)	(-3.5%)
Total non-current assets	716.5	645.2	622.7	71.3	Total equity	680.3	667.9	612.4	12.4
Total assets	1,587.2	1,409.6	1,302.3	177.6	Total liabilities and equity	1,587.2	1,409.6	1,302.3	177.6
Trade receivables incl. non-current	288.3	309.0	242.2	-20.7					
Inventories by products									
Unit	141.7	108.9	98.8	32.8		(31.5%)	(25.1%)	(27.0%)	(6.5%)
Parts	151.6	132.6	112.0	19.0	Interest-bearing debt	500.1	353.1	351.2	146.9
Raw materials, WIP and etc	162.7	126.8	134.6	36.0	Cash and Cash equivalents	112.6	94.3	81.6	18.4
Total inventories	456.1	368.3	345.4	87.8		(24.4%)	(18.4%)	(20.7%)	(6.0%)
On hand days(divided by revenue)				(Days)	Net interest-bearing debt	387.4	258.9	269.6	128.6
Trade receivables	87	110	91	-23					
Inventories	138	131	129	7	Net D/E Ratio	0.61	0.42	0.48	0.19
Trade payables	50	51	50	-1					
Net working capital	170	186	166	-16					

Operating cash flow was negative at 46.0 billion yen due to the deterioration of working capital, etc. Free cash flow was negative at 75.3 billion yen when combined with negative investment cash flow.

[billions of yen]

	FY2022 1Q-3Q		FY2021 1Q-3Q		change	
Net income		45.7		49.9		-4.2
Depreciation and amortization	92.4	46.8	91.2	41.3	1.2	5.4
(Increase)decrease in trade/lease receivables		34.3		18.6		15.7
(Increase)decrease in inventories	-29.4	-81.8	-5.2	-42.7	-24.2	-39.1
Increase(decrease) in trade payables		18.1		18.9		-0.8
Payments for performance of guarantee obligation		-53.5		0.0		-53.5
Others, net		-55.5		-47.4		-8.1
Net cash provided by (used in) operating activities		-46.0		38.6		-84.6
Cash flow margin for operating activities		-5.1%		5.4%		-10.5%
Net cash provided by (used in) investing activities		-29.4		-26.0		-3.3
Free cash flows		-75.3		12.6		-87.9
Net cash provided by (used in) financing activities		94.7		-13.8		108.5

Summary of consolidated earnings forecast

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The consolidated income statement for FY2022 is expected to increase revenue by 20% y-y by reflecting the 3Q result.

note : < > shows previous forecast as of October 2022

[billions of yen]

	FY2022		FY2021		change	
	Forecast		Actual		amount	%
Revenue	<1,160.0>	1,230.0		1,025.0	205.0	20%
Adjusted operating income	<9.5%>	(9.8%)		(9.1%)	(0.6%)	
	<110.0>	120.0		93.5	26.5	28%
Operating income	<9.1%>	(9.6%)		(10.4%)	(-0.8%)	
	<106.0>	118.0		106.6	11.4	11%
Income before income taxes	<9.1%>	(8.2%)		(10.8%)	(-2.6%)	
	<106.0>	101.0		110.9	-9.9	-9%
Net income attributable to owners of the parent	<5.8%>	(5.0%)		(7.4%)	(-2.4%)	
	<67.0>	62.0		75.8	-13.8	-18%
EBIT	<110.4>	106.6		114.0	-7.4	

Currency	1Q-3Q Actual	4Q Forecast	Total Forecast	FY2021 Actual	change
Rate (YEN/USD)	137.0	130.0	134.9	112.6	22.3
Rate (YEN/EUR)	140.5	140.0	140.3	130.6	9.7
Rate (YEN/RMB)	19.9	19.5	19.8	17.5	2.4
Rate (YEN/AUD)	93.4	90.0	92.6	83.0	9.5
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.

Consolidated revenue forecast by geographic region

HITACHI

Reliable solutions

Revenue for this fiscal year is expected to increase by 20% y-y due to strong sales trends in the Americas and other regions, despite declines in Russia and China.

[billions of yen]

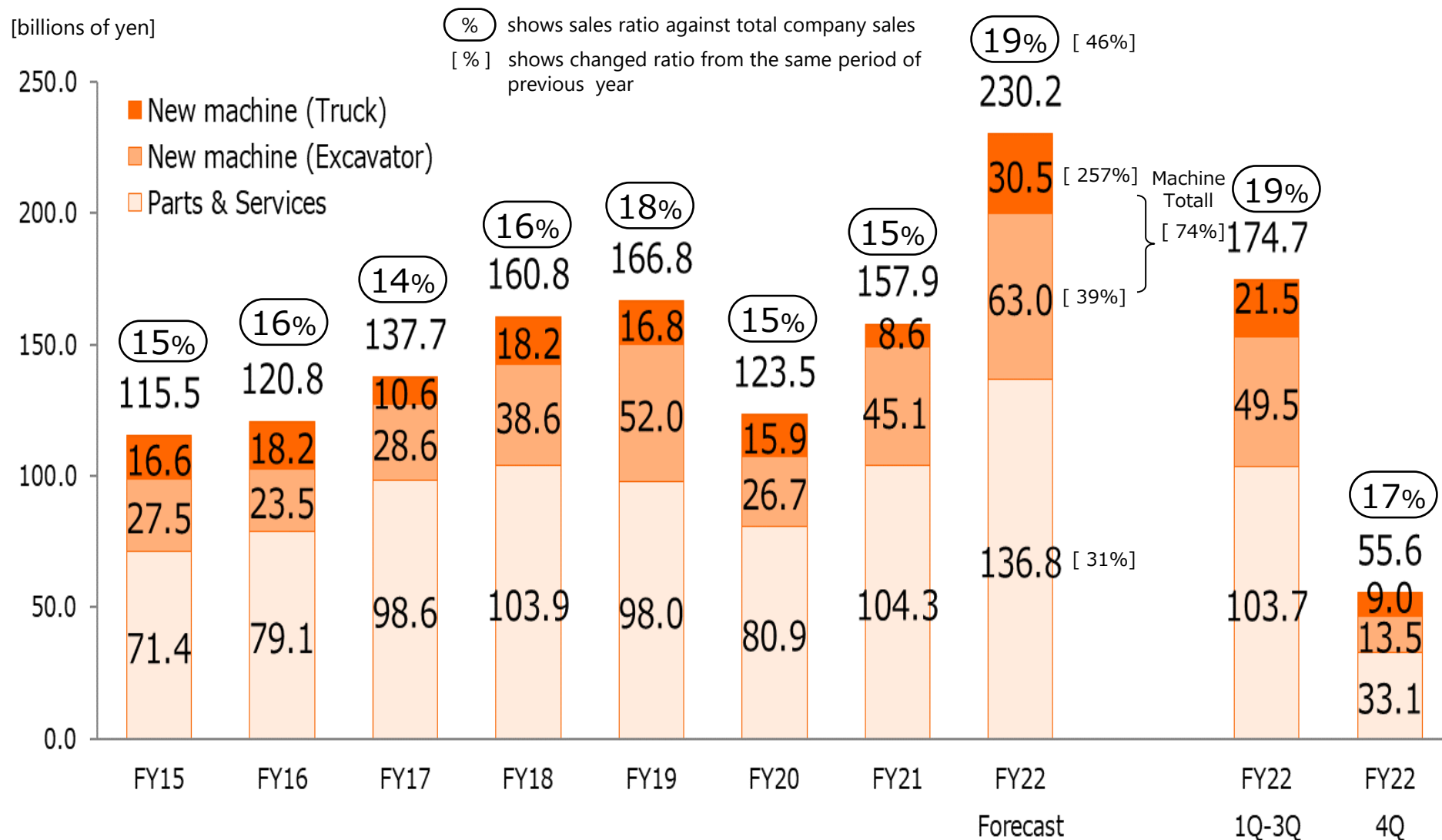
	FY2022 Forecast		FY2021 Actual		change	
					amount	%
Japan	221.8	18%	216.9	21%	4.9	2%
Asia	117.7	10%	86.4	8%	31.3	36%
India	67.7	6%	57.2	6%	10.5	18%
Oceania	219.2	18%	167.7	16%	51.5	31%
Europe	155.0	13%	124.2	12%	30.8	25%
N. America	263.1	21%	196.4	19%	66.7	34%
L. America	33.7	3%	22.7	2%	10.9	48%
Russia-CIS	36.1	3%	38.6	4%	-2.5	-7%
M. East	24.1	2%	19.2	2%	4.9	26%
Africa	52.8	4%	43.5	4%	9.3	22%
China	38.8	3%	52.1	5%	-13.3	-26%
Total	1,230.0	100%	1,025.0	100%	205.0	20%
Overseas ratio	82%		79%			

Mining revenue forecast

HITACHI

Reliable solutions

Revenue of mining in this fiscal year is expected to increase by 46% to 230.2 billion yen y-y.

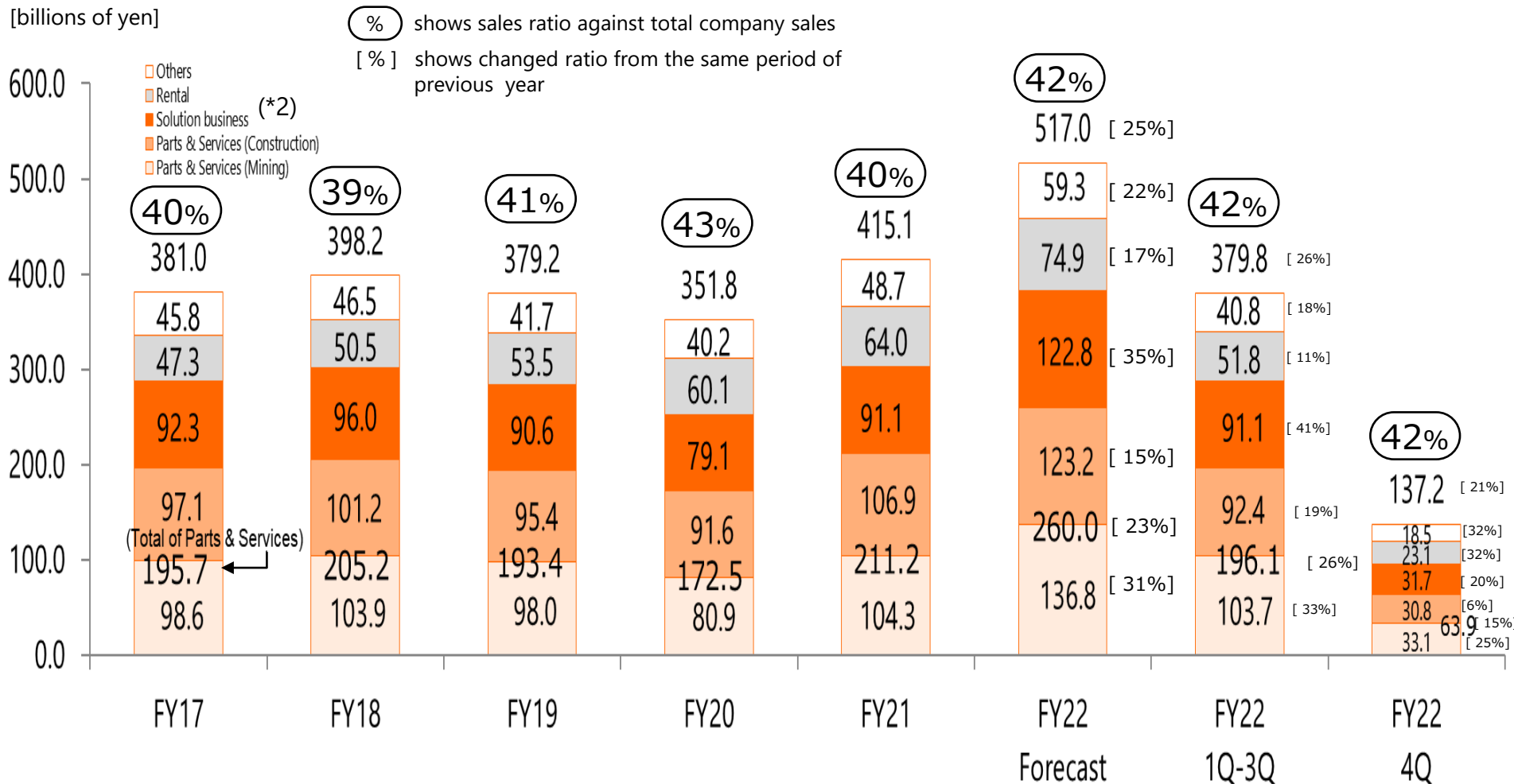


Value chain*1 revenue forecast

HITACHI

Reliable solutions

Revenue of the value chain in this fiscal year is expected to increase by 25% to 517 billion yen y-y.



(*1) Value chain: Total of Parts & services, Solution business, Rental etc. other than new machine sales.

(*2) Solution business: The business segment primarily intends to provide development, production, distribution of parts and service solutions for mining facilities and equipment after the sales made that are not included in the construction machinery business segment.

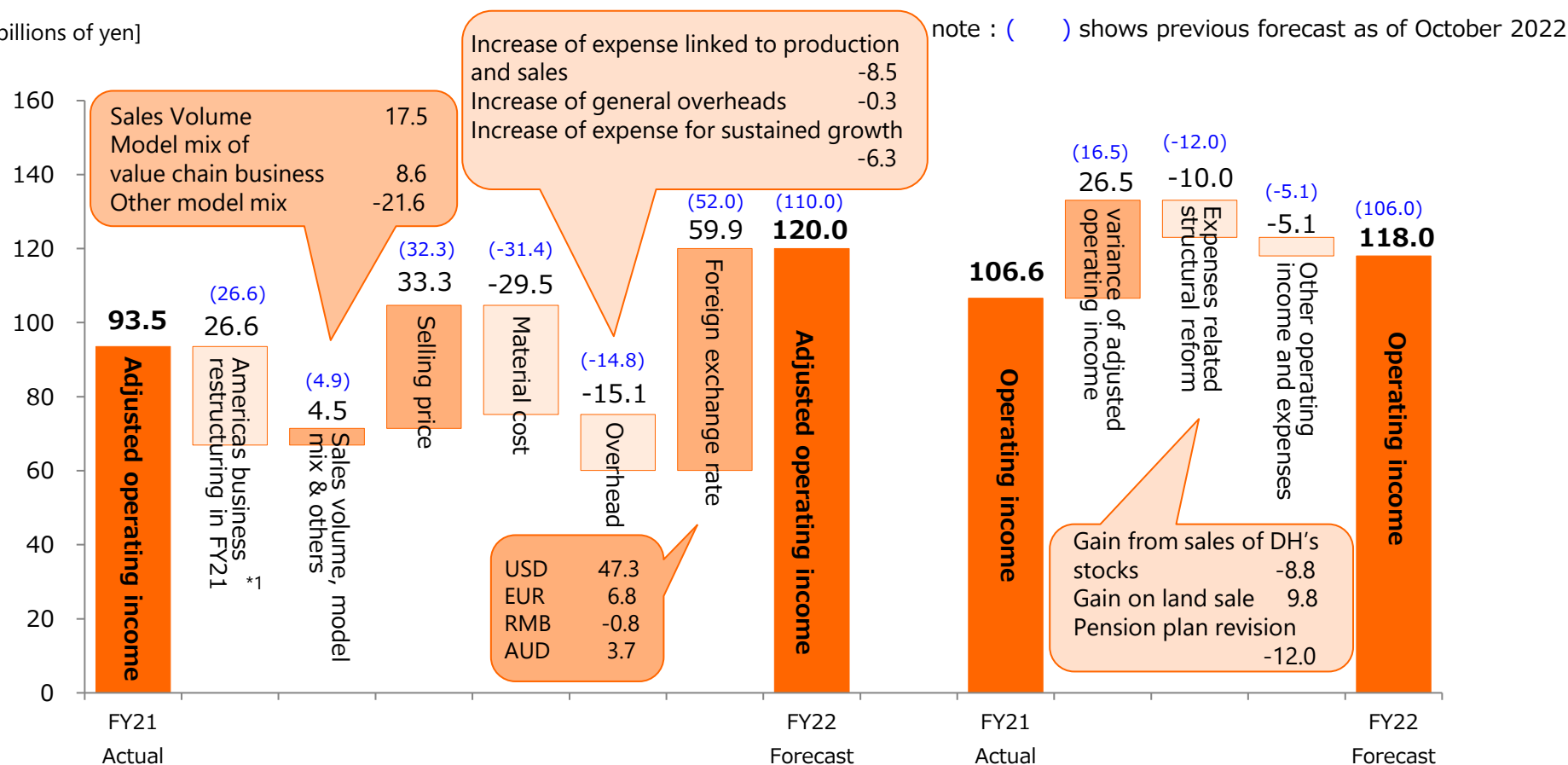
Comparison of consolidated income forecast

HITACHI

Reliable solutions

Adjusted operating income increased by 26.5 billion yen y-y due to selling price increase and the currency impact despite the absence of profit from Americas business restructuring in the previous year.

[billions of yen]



*1 Price adjustment and profit-sharing

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 (4Q)		
	FY22			FY21 Actual	Condition	Revenue	Adjusted operating income
	1Q-3Q Actual	4Q Forecast	Total Forecast				
USD	137.0	130.0	134.9	112.6	Impact by 1 yen depreciation	0.8	0.5
EUR	140.5	140.0	140.3	130.6	Impact by 1 yen depreciation	0.3	0.2
RMB	19.9	19.5	19.8	17.5	Impact by 0.1 yen depreciation	0.0	0.1
AUD	93.4	90.0	92.6	83.0	Impact by 1 yen depreciation	0.6	0.1

Appendix 2: Detail of mining revenue

HITACHI

Reliable solutions

[billions of yen]

		FY22 Forecast			FY21 Actual			Change		
		1-3Q	4Q	Year	1-3Q	4Q	Year	1-3Q	4Q	Year
America	Excavator	20.9	8.0	28.9	13.1	6.3	19.5	13.1	6.3	19.5
	Dump Truck	3.2	0.9	4.1	1.2	0.2	1.5	1.2	0.2	1.5
	Total	24.2	8.9	33.0	14.4	6.6	21.0	14.4	6.6	21.0
Europe, Africa and Middle East	Excavator	26.9	5.8	32.7	8.9	-3.6	5.3	8.9	-3.6	5.3
	Dump Truck	17.1	5.5	22.6	4.5	0.3	4.8	4.5	0.3	4.8
	Total	44.0	11.4	55.4	13.4	-3.4	10.1	13.4	-3.4	10.1
Asia & Oceania	Excavator	72.3	23.0	95.3	19.5	0.2	19.7	19.5	0.2	19.7
	Dump Truck	32.7	12.0	44.7	14.8	6.9	21.7	14.8	6.9	21.7
	Total	105.0	35.1	140.0	34.3	7.1	41.4	34.3	7.1	41.4
China	Excavator	0.6	0.1	0.8	0.1	0.0	0.2	0.1	0.0	0.2
	Dump Truck	0.1	0.1	0.2	0.0	0.1	0.1	0.0	0.1	0.1
	Total	0.7	0.2	0.9	0.2	0.1	0.3	0.2	0.1	0.3
Japan	Excavator	0.8	0.1	0.9	-0.1	-0.3	-0.4	-0.1	-0.3	-0.4
	Dump Truck	0.0	0.0	0.0	0.0	-0.0	0.0	0.0	-0.0	0.0
	Total	0.8	0.1	0.9	-0.1	-0.3	-0.4	-0.1	-0.3	-0.4
Total	Excavator	121.5	37.0	158.6	41.6	2.7	44.2	41.6	2.7	44.2
	Dump Truck	53.2	18.5	71.7	20.6	7.5	28.1	20.6	7.5	28.1
	Total	174.7	55.6	230.2	62.1	10.2	72.3	62.1	10.2	72.3

Appendix 3: Segment information

The amortizations of PPA are included in the adjusted operating income of the solution business : 0.9 billion yen in FY2022 1Q-3Q, and 1.2 billion yen in the forecast for FY2022.

[billions of yen]

FY2022 1Q-3Q Actual	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	811.6	95.6	-4.5	902.7
Adjusted operating income	9.8% 79.6	8.0% 7.6	-	9.7% 87.2

[billions of yen]

FY2022 Forecast	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	1,107.2	127.3	-4.5	1,230.0
Adjusted operating income	9.8% 108.4	9.1% 11.6	-	9.8% 120.0

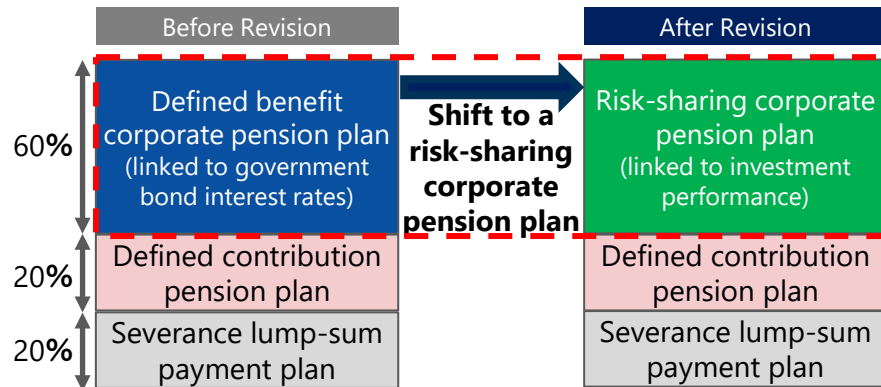
*1: Adjustments represent eliminations of intersegment transactions and amounts of companies that do not belong to any operation segment.

Appendix 4: Shift to a Risk-Sharing Corporate Pension Plan (Scheduled to be implemented on March 1, 2023)

1. Purpose of Pension Plan Revision (Shift to a Risk-Sharing Corporate Pension Plan)

To improve benefit levels while ensuring the sustainability of the system amid concerns that benefit levels will decline due to the continuing low-interest-rate environment

2. Summary of Pension Plan Revision



- Change in benefit amount from “Government bond interest rates-linked” to “Investment performance-linked”. This change increases employee benefits and the likelihood of contributing to the improvement of human capital.
- Shift from a defined benefit corporate pension plan to a risk-sharing corporate pension plan. This shift eliminates management risk due to unexpected increase in contribution burden and realizes a pension plan that is sustainable over the medium to long term.

3. Impact of Pension Plan Revision on Business Performance

- Since risk-sharing corporate pension plans are classified as defined contribution plans, the difference between the retirement benefit obligations related to the portion transferred to the revised plan and the amount of assets transferred to the revised plan corresponding to the decrease in retirement benefit obligations at the time of transition, ¥12 billion, is expected to be recognized as a settlement loss (expected to be recognized in financial results in 4Q FY22). There are no cash outflows due to this plan revision.
- The Company’s policy is not to take the above-mentioned temporary loss into account for the purpose of calculating the consolidated dividend payout ratio, since it will be a one-time treatment under the revised plan.
- The impact on consolidated results from FY23 onward is expected to be negligible, although there will be a risk reserve contribution.

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

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