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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.

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1. Regional Market Environments and Projections

Hidehiko Matsui
Executive Officer & CMO

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

Global Demand Trend for Hydraulic Excavators

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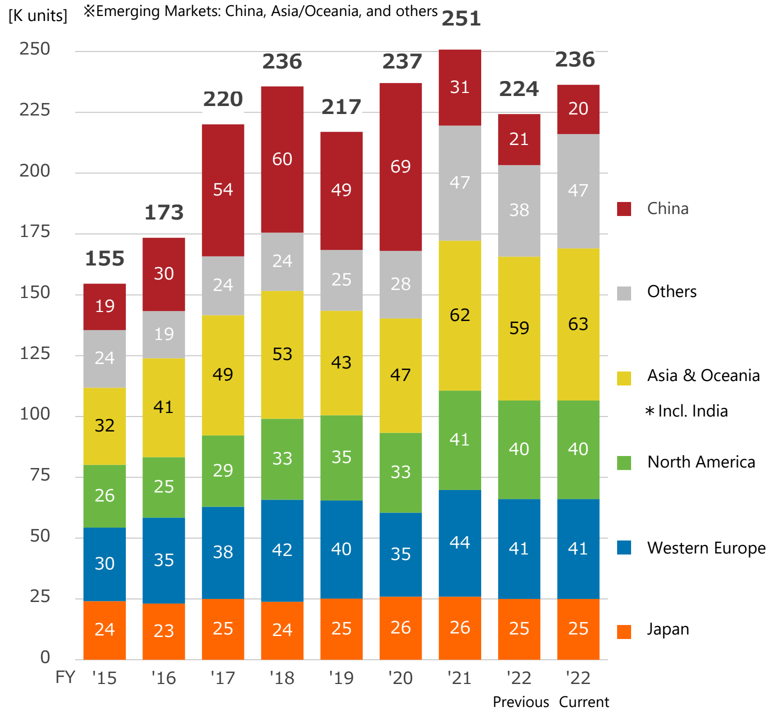
Emerging Markets ratio:
FY22 55%（y-y Change : -1%）

※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%	-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%

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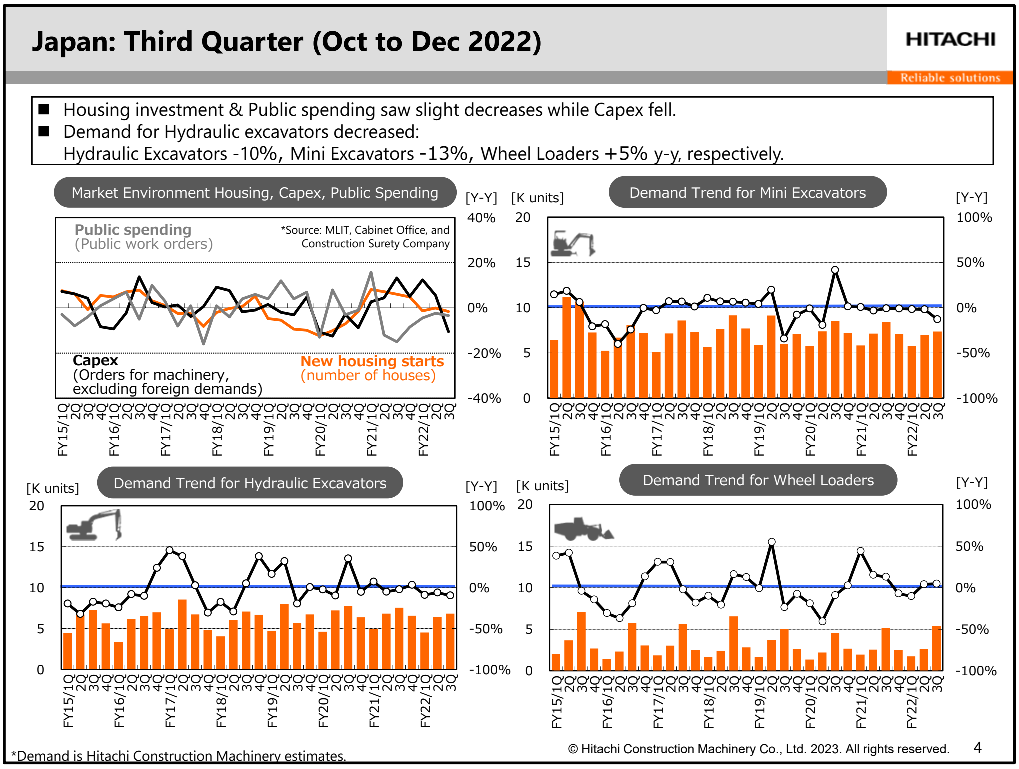
This slide explains the outlook for global demand for hydraulic excavators.

Demand for FY2022 continued to be firm, but demand declined in Japan, W Europe, and other regions due to the impact of the supply chain, rising material costs and interest rates, and accelerated inflation.

On the other hand, demand in emerging countries except China has been increasing compared to the previous forecast, and the total worldwide demand is 236 thousand units, up from the previous forecast.

As a Result, the total worldwide demand is expected to decline 6% year-on-year, while the total worldwide demand excluding China is expected to decline 2% year-on-year.

I would like to explain the results of 3Q for each region at following pages.



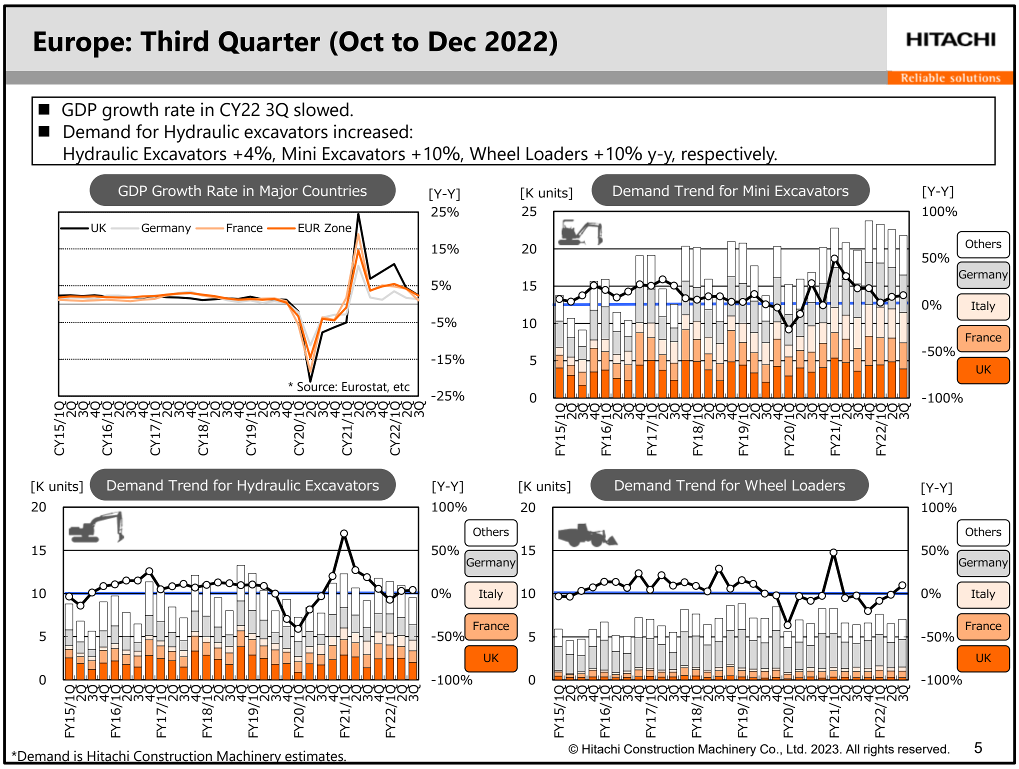
This slide explains the Japanese market.

The graph on the top left shows that housing investment and public spending declined slightly while capex decreased.

The graph on the lower left shows that demand for hydraulic excavators in 3Q decreased by 10% 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 13%.

The graph on the lower right shows that demand for wheel loaders increased by 5%.



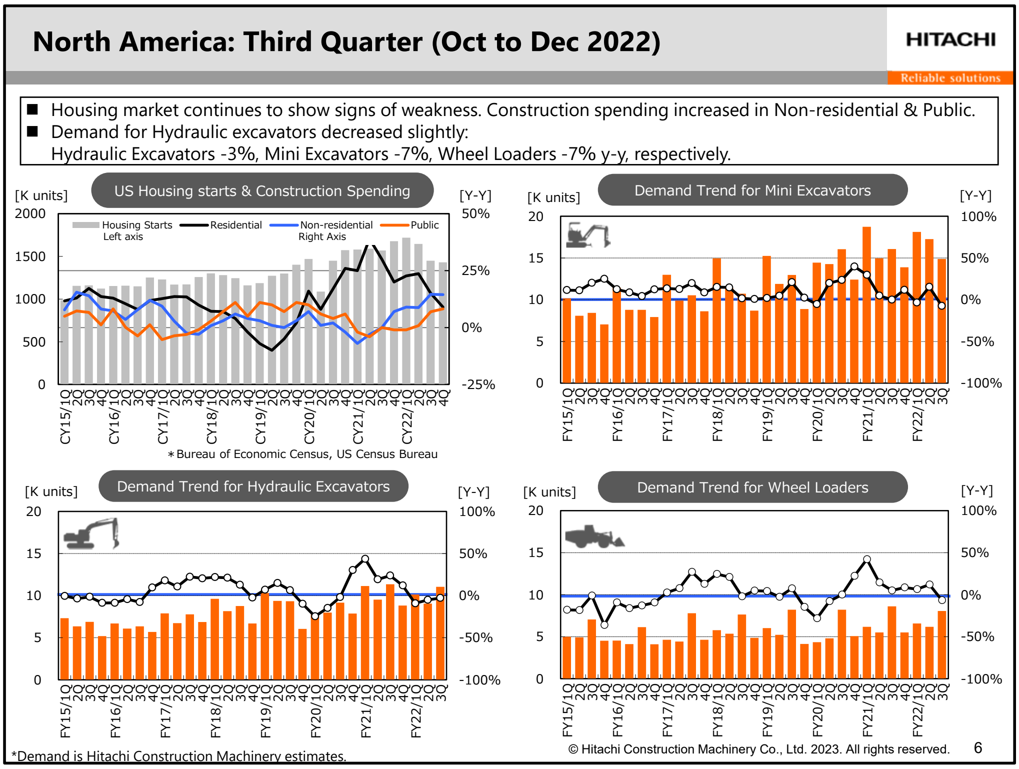
This slide explains the European market.

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

Despite continued high energy prices and the effects of inflation, demand for hydraulic excavators, shown on the lower left, increased by 4% year on year, due in part to increased infrastructure investment by the European Recovery Fund.

The graph on the top right shows that demand for mini excavators increased by 10%.

The graph on the lower right shows that demand for wheel loaders increased by 10%.



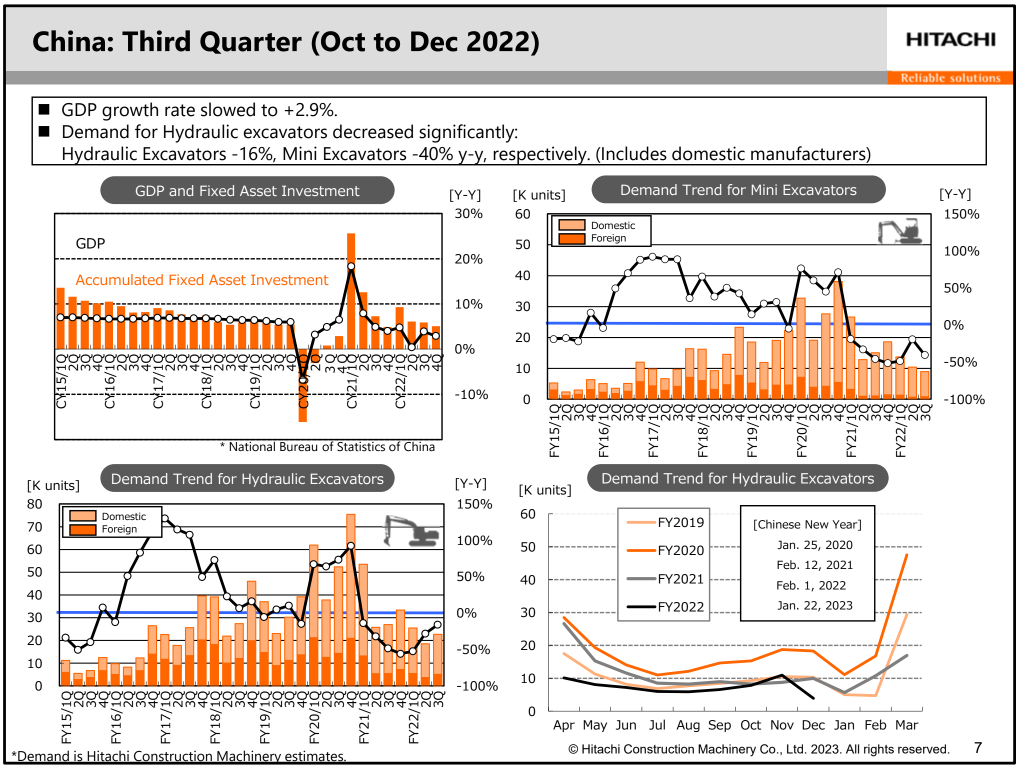
This slide explains the North American market.

The graph on the top left shows that housing starts remained flat. The housing market remains soft due to the continuing impact of rising interest rates.
As for construction investment, both non-residential and public works increased.

The graph on the lower left shows that demand for hydraulic excavators in 3Q decreased by 3% year on year.

The graph on the top right shows that demand for mini excavators decreased by 7%.

The graph on the lower right shows that demand for wheel loaders decreased by 7%.

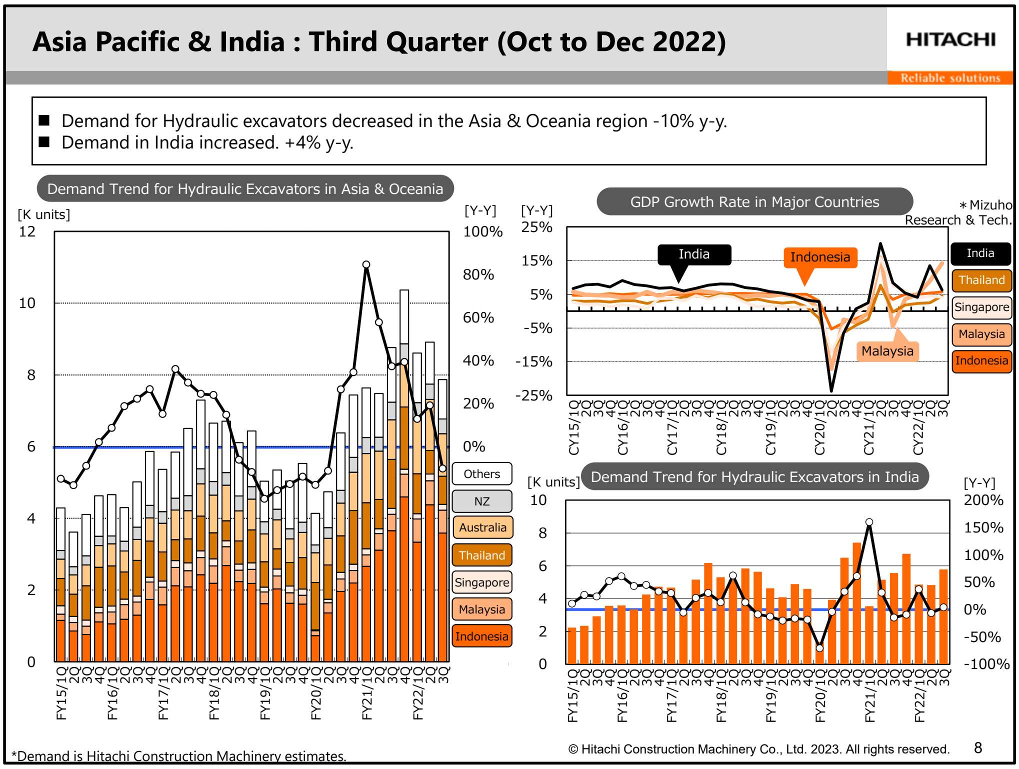


This slide explains the Chinese market.

The graph on the top left shows GDP and fixed assets investment. The GDP growth rate remained tough at 2.9%, while fixed assets investment increased by 5.1%.

Total demand for hydraulic excavators in 3Q including domestic manufacturers, shown on the lower left, decreased by 16% year on year.
Domestic manufacturers' demand for hydraulic excavators decreased by 18% and foreign manufacturers' demand decreased by 7%.

The graph on the top right shows that demand for mini excavators including domestic manufacturers decreased by 40%. Please refer to the graph on the lower right for trends in monthly demand for hydraulic excavators.

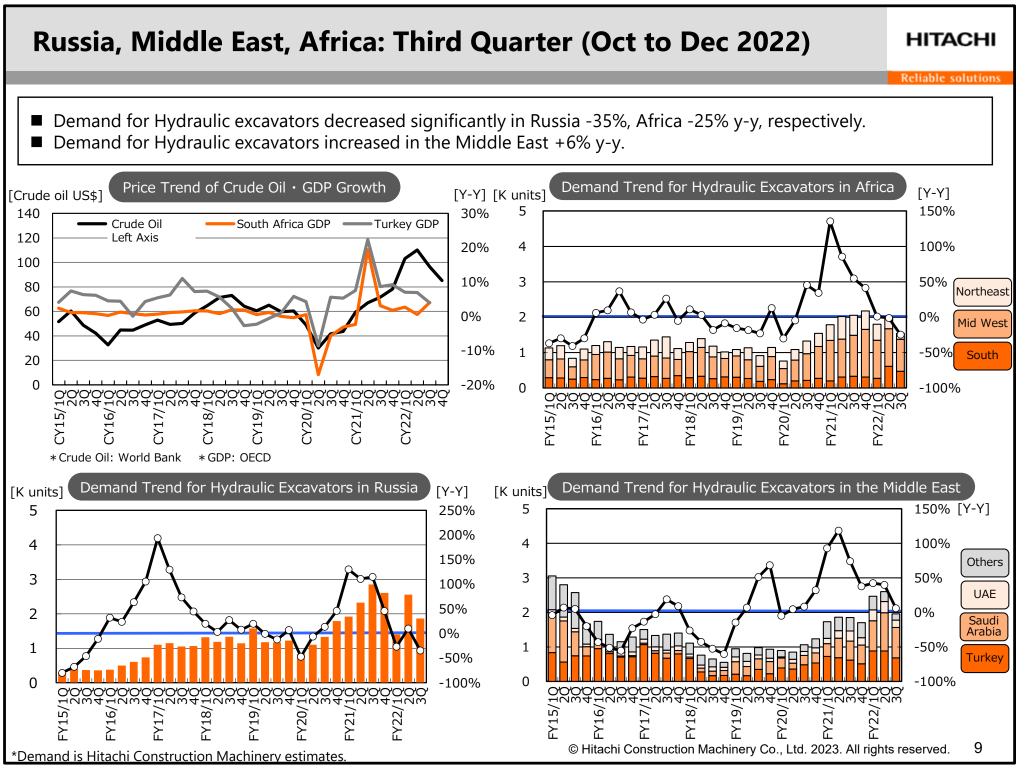


This slide explains the markets in Asia Pacific and India.

As shown on the top right, GDP in major countries remained positive in all regions, although India slowed down from a sharp recovery due to easing of behavioral restrictions.

The graph on the left shows that demand for hydraulic excavators in 3Q in Asia and Oceania decreased by 10% year on year, as demand declined in Thailand and Indonesia due to reduced public works projects after COVID-19 reconstruction, despite continued high resource prices and strong forestry demand.

The graph on the lower right shows that demand for hydraulic excavators in 3Q in India increased by 4% year on year partly due to the convergence of the monsoon.



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 3Q in Russia decreased by 35% year on year due to lower oil prices and the continued impact of the situation in Russia and Ukraine.

The graph on the top right shows that demand for hydraulic excavators in Africa decreased by 25%.

The graph on the lower right shows that demand for hydraulic excavators in the Middle East increased by 6%.

Mining machinery: FY2022 (April 2022 to March 2023)

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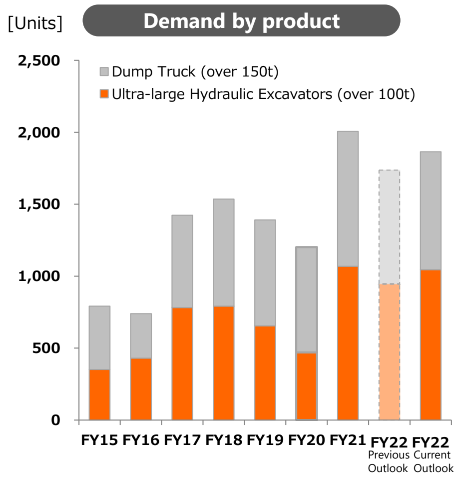
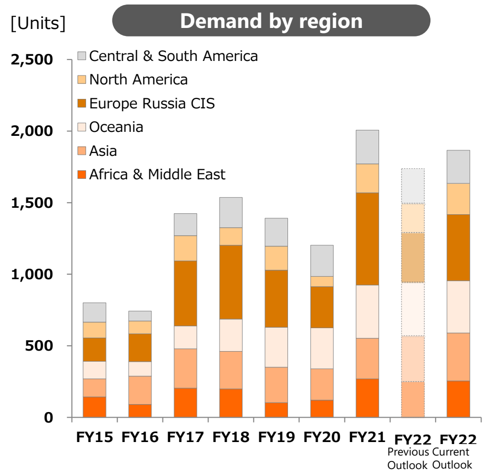
- Demand remains strong in Africa, Oceania & Asia including Indonesia. Demand decreased in Russia.
- Demand forecasts have been revised up to a range of +0% to -10% y-y. (Previously -10% to -15% y-y)

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





*Demand is Hitachi Construction Machinery estimates.

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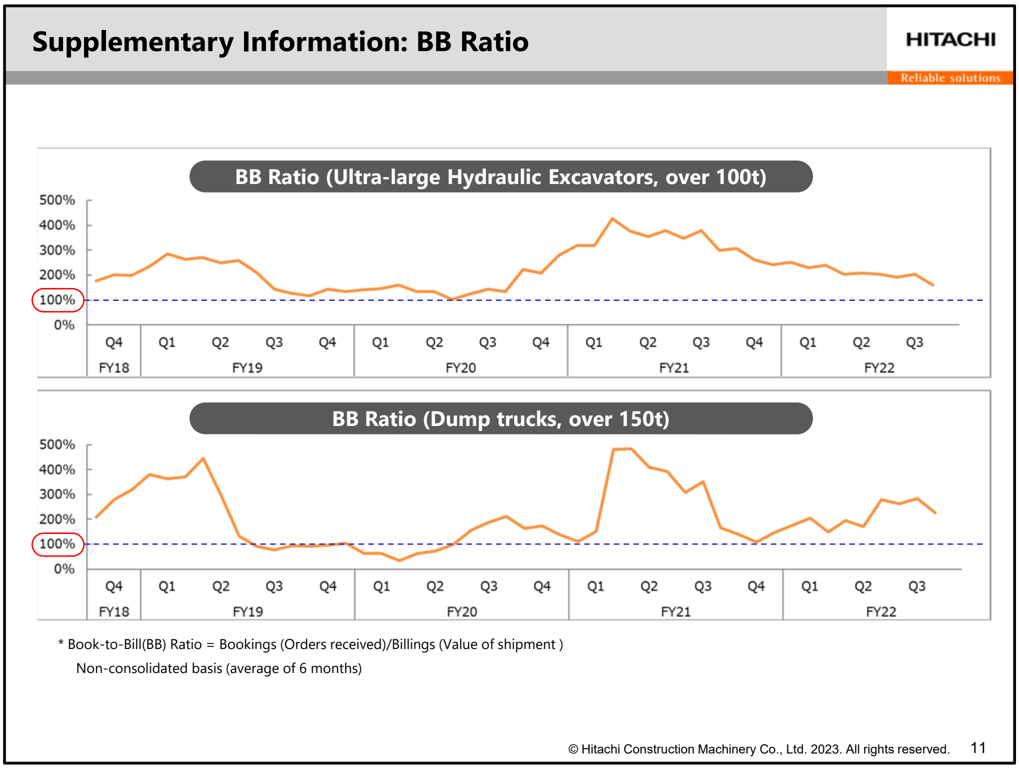
Demand for mining machinery in FY2022 decreased in Russia, and demand in regions other than Russia, mainly in Australia, Africa, and Asia including Indonesia, is expected to remain firm.

In 3Q, demand is increasing in the Asia, Europe, and CIS regions, and we will revise the demand forecast from the previous “-10% to -15%” to “flat to -10%”



This slide explains the BB ratio of mining machinery.

Orders for ultra-large hydraulic excavators in Australia, Asia including Indonesia, and other regions remain firm, with the BB ratio maintaining more than 100%.

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

Topic 1: Aiming to establish a sustainable business model

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

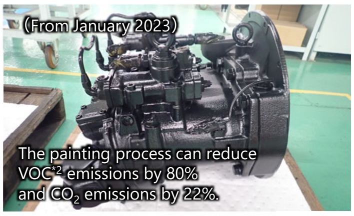
- A Positive-impact finance loan agreement was signed (December 2022).
- Received the following four evaluations in terms of contribution to the achievement of the SDGs through business activities, products, and services.

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.

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From p.12, I would like to explain the topics.
Hitachi Construction Machinery has introduced Sustainable Finance for the first time and signed a positive-impact finance loan agreement with Sumitomo Mitsui Trust Bank, Limited. in December last year.
The loan period is 9 years, and the loan amount is 20 billion yen.
In signing the agreement, we received qualitative and quantitative four evaluations in terms of contribution to the achievement of the SDGs through our business activities, products, and services.

We are also promoting manufacturing that contributes to reducing environmental impact. As part of this effort, Tsuchiura Works began utilizing water-based paint for some of its remanufactured parts in January of this year. By utilizing the paint, the painting process can reduce VOC emissions by 80% and CO2 emissions by 22%.

Moreover, Bradken's Coimbatore, India works is introducing renewable energy.
In addition to existing wind power, new solar power will be utilized. This will raise the ratio of renewable energy use to approximately 75%, with the aim of reducing CO2 emissions by 7,700 tons per year.

We will continue to work together with customers and stakeholders around the world to achieve the SDGs.

Topic 2: Progress in the Americas business

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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

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Next, I will explain the progress of our Americas business.
First, in the Construction business, we received the "Top 100 New Products of 2022" award by the US trade publication *Construction Equipment*.
This is the first appearance and award for Hitachi Construction Machinery America.
Hitachi Construction Machinery America will also exhibit at CONEXPO in Las Vegas in this March.
This will be the first major exhibition since it began independently developing its Americas business, we plan to exhibit content that meets the expectations of our customers and dealers.

In the Mining business, I would like to introduce you to the orders we have received.
We have received an order from the Canadian mining company Lundin Mining for three 200-tonne-class ultra-large hydraulic excavators.

This is Hitachi Construction Machinery America's first order from copper and gold mines in Brazil of this customer.
The order was a result of strengthening our sales and support structure for the Mining business.
The first unit has already been delivered in November 2022 and the remaining two units are scheduled for delivery during 2023.
We will continue to support mining operations by responding promptly to customers' challenges, leading to more orders.

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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

Our Business Results in 1Q-3Q of FY2022 are explained by 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"

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This slide explains a summary of consolidated results for 1Q-3Q.

Revenue in 1Q-3Q of FY2022 was ¥902.7 billion, an increase of 25% year on year, partly due to the effect of depreciation of the yen.
Adjusted operating income increased by 42% year on year to ¥87.2 billion, resulting in an adjusted operating income margin of 9.7%.
Operating income was ¥87.4 billion and the operating income margin was 9.7%.

Net income attributable to owners of the parent decreased by 7% year on year to ¥43.1 billion.
Since the previous fiscal year included a ¥20.9 billion equivalent in special gains from the restructuring of the Americas business, based on real net income, after deducting tax expenses, income increased by 151% compared with the previous fiscal year.

In 1Q-3Q of FY2022, the yen depreciated by ¥25.8 to the U.S. dollar, by ¥9.8 to the euro, by ¥2.7 to the Chinese yuan, and by ¥10.7 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 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%			

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This slide explains revenue by geographic region for 1Q-3Q.

Revenue increased by ¥182.4 billion year on year. Included in this figure is an increase of ¥102.4 billion due to depreciation of the yen.

In all regions except China, revenue increased year on year.
In China, revenue fell sharply by 25% year on year due to a drop in demand caused by COVID-19 re-expansion.

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 4 percentage points year on year to 83%.

Mining revenue

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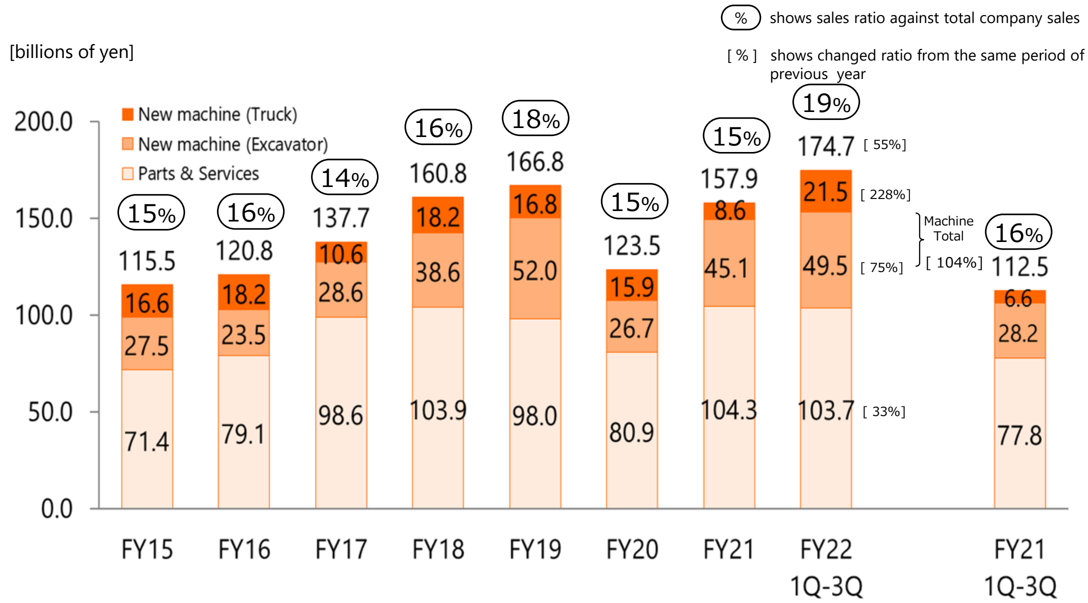
Revenue of mining increased by 55% to 174.7 billion yen y-y due to significant increase in new machinery sales, capturing robust demand. Parts and services also grew significantly.



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This slide explains the mining revenue.

Mining revenues for 1Q-3Q under review increased by 55% year on year, to ¥174.7 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 228% year on year, mainly due to contributions from the Oceania region, and new machinery sales of excavators increased by 75% year on year due to contributions from the Americas and from the Asia and Oceania region.

Revenue of mining parts and services also increased by 33% year on year, with a large contribution from the Americas.

Mining accounted for 19% of consolidated revenue, up 4 percentage points from the previous year.

Value chain[*1] revenue

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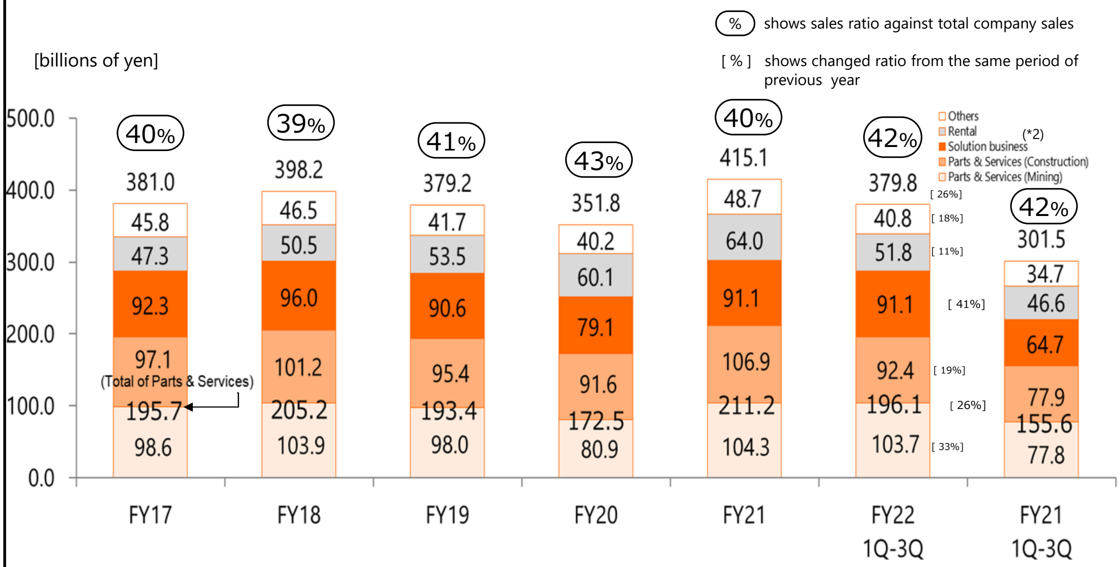
Revenue of the value chain business increased by 26% to 379.8 billion yen y-y due to expanded sales volume, especially parts and services as well as solution business.



(*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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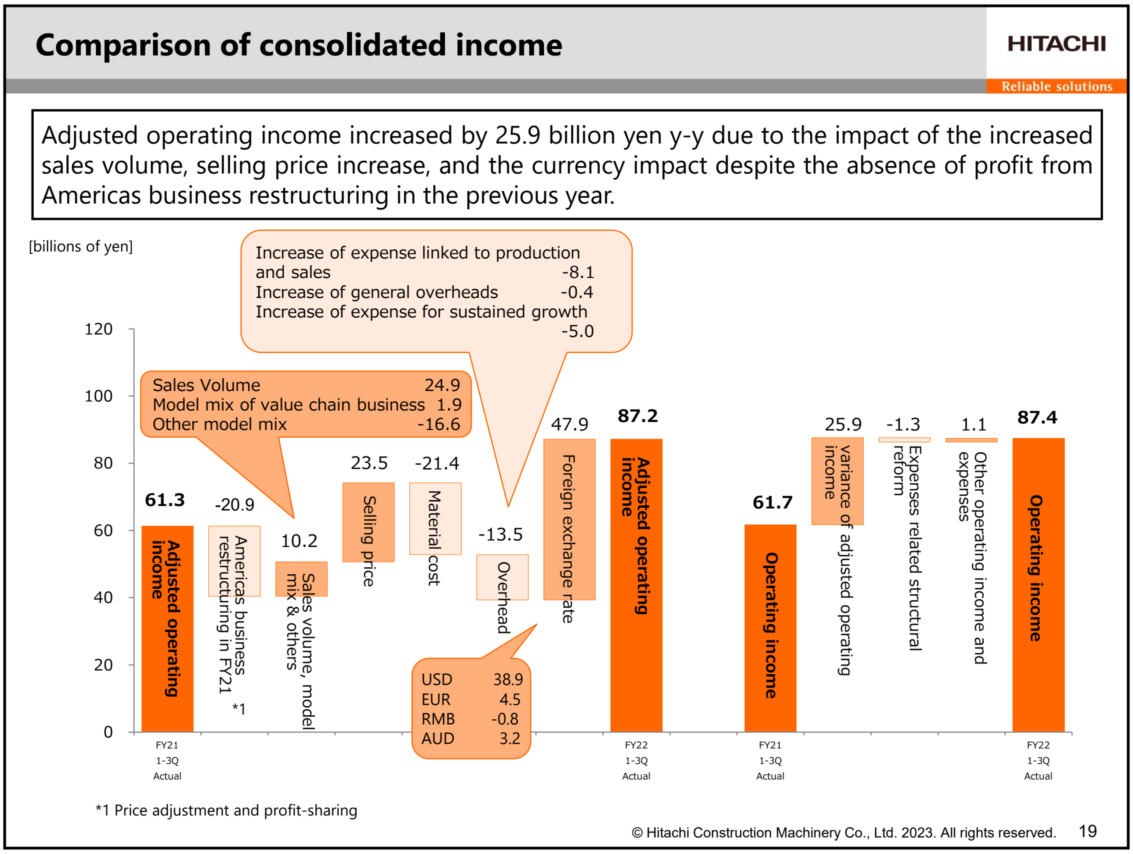
This slide explains the value chain revenue.

Please refer to the second bar chart from the right.
As you can see, the value chain revenue for 1Q-3Q under review increased by 26% year on year to ¥379.8 billion.

The impact of the yen's depreciation is equivalent to 13%, and 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.

On the other hand, the value chain accounted for 42% of consolidated revenue, the same ratio as the previous year, partly due to a large increase in new machinery sales.



This slide provides a comparison of consolidated income for 1Q-3Q.

I will explain the factors behind the ¥25.9 billion increase in adjusted operating income compared to the previous year.
Despite the absence of the ¥20.9 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 ¥10.2 billion increase in income.

This was attributable to an increase of ¥24.9 billion in terms of sales volume and an increase of ¥1.9 billion in the model mix of the value chain business due to an increase in value chain revenue, which was partially offset by a decrease of ¥16.6 billion in other model mix, including a decrease of ¥10.9 billion in shipping and other freight costs.
On the other hand, an improvement in the selling price of ¥23.5 billion absorbed an increase in material costs of ¥21.4 billion.
Overhead expenses increased by ¥13.5 billion mainly due to expenses linked to production and sales but were absorbed by the impact of the yen's depreciation of ¥47.9 billion. As a result, adjusted operating income increased by ¥25.9 billion year on year to ¥87.2 billion.

On the right-hand side of the page, operating income increased by ¥25.7 billion from the previous year to ¥87.4 billion as a result of an increase in adjusted operating income of ¥25.9 billion and the recording of a gain on disposal of real estate in Australia of ¥1.3 billion in other operating income and expenses, and restructuring-related expenses of ¥1.3 billion were incurred including restructuring costs of a sales subsidiary in China.

Consolidated statement of income

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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.

This slide explains the consolidated statement of income. In this page, I provide a brief explanation of non-operating income and expenses.

Financial income and expenses decreased by ¥9.7 billion year on year, mainly due to the recording of foreign exchange losses resulting from the sharp appreciation of the yen.

In addition, the share of profits of investments accounted for using the equity method decreased by ¥11.5 billion mainly due to the inclusion of an impairment loss on a North American rental company, our equity-method affiliate, as a result of a default.

Net income attributable to owners of the parent decreased by ¥3.4 billion to ¥43.1 billion.

Since the previous fiscal year included a ¥20.9 billion equivalent in special gains from the restructuring of the Americas business, based on real net income, after deducting tax expenses, income increased by 151% compared with the previous fiscal year.

Summary of quarterly consolidated revenue and operating income (ratio)

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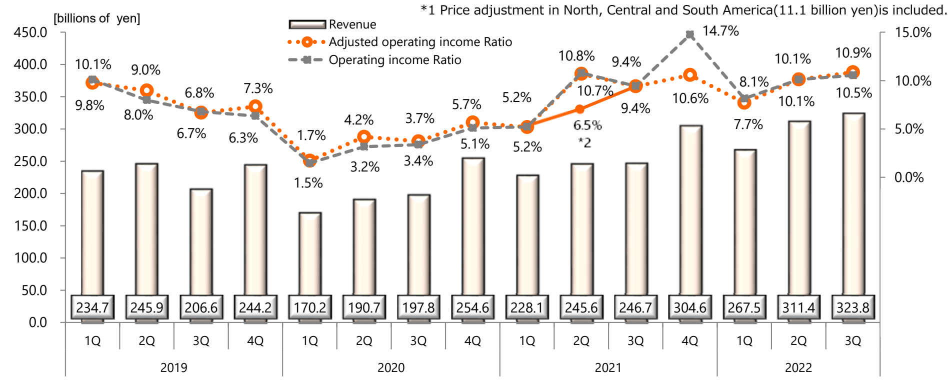
[billions of yen]

	2019				2020				2021				2022		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q*1	3Q	4Q	1Q	2Q	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

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This slide explains quarterly consolidated revenue and operating income.

Please refer to 3Q of the current fiscal year on the right-hand side.
Revenue for the quarter under review was ¥323.8 billion, an increase of ¥77.1 billion from ¥246.7 billion in the same period of the previous fiscal year.

The adjusted operating income margin was 10.9%, as shown in the line graph.

There was a significant improvement compared to the adjusted operating income margin of 9.4% in the same period of the previous year.

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
Cash and cash equivalents	112.6	94.3	81.6	18.4
Trade receivables	248.7	266.3	202.3	-17.5
Inventories	456.1	368.3	345.4	87.8
Total current assets	870.6	764.4	679.5	106.3
Total non-current assets	716.5	645.2	622.7	71.3
Total assets	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
Parts	151.6	132.6	112.0	19.0
Raw materials, WIP and etc	162.7	126.8	134.6	36.0
Total inventories	456.1	368.3	345.4	87.8
On hand days(divided by revenue)				(Days)
Trade receivables	87	110	91	-23
Inventories	138	131	129	7
Trade payables	50	51	50	-1
Net working capital	170	186	166	-16

	(D) FY22-3Q	(E) Mar '2022	(F) FY21-3Q	(D)-(E) change
Trade and other payables	269.5	252.2	218.4	17.3
Bonds and borrowings	500.1	353.1	351.2	146.9
Total liabilities	906.9	741.6	689.9	165.2
(Equity attributable to owners of the parent ratio)	(39.9%)	(43.4%)	(42.8%)	(-3.5%)
Total equity	680.3	667.9	612.4	12.4
Total liabilities and equity	1,587.2	1,409.6	1,302.3	177.6
	(31.5%)	(25.1%)	(27.0%)	(6.5%)
Interest-bearing debt	500.1	353.1	351.2	146.9
Cash and Cash equivalents	112.6	94.3	81.6	18.4
	(24.4%)	(18.4%)	(20.7%)	(6.0%)
Net interest-bearing debt	387.4	258.9	269.6	128.6
Net D/E Ratio	0.61	0.42	0.48	0.19

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

Compared with the end of March 2022 of the previous fiscal year, trade receivables decreased by ¥17.5 billion. Inventories increased by ¥87.8 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 ¥8.0 billion.

In addition, non-current assets increased by ¥71.3 billion due to buildings and leased assets, as well as the recording of claims for reimbursement of subrogation payments to U.S. rental company, our equity-method affiliate.
As a result, total assets increased by ¥177.6 billion from the end of the previous fiscal year to ¥1,587.2 billion.

In terms of days on hand, trade receivables were 87 days, 23 days shorter than at the end of the previous fiscal year, but inventories deteriorated from 7 days to 138 days.
As a result, net working capital on hand was 170 days, 16 days better than at the end of the previous fiscal year.

Interest-bearing debt shown on the right-hand side rose by ¥146.9 billion from the end of the previous fiscal year, and net interest-bearing debt rose by ¥128.6 billion to ¥387.4 billion despite an increase in cash and deposits.
Total equity was ¥680.3 billion, with a ratio of equity attributable to owners of the parent to total assets of 39.3% and a net D/E ratio of 0.61.

Consolidated cash flow

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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

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This slide explains consolidated cash flow.

Operating cash flow for 1Q-3Q of the fiscal year under review remained negative at ¥46.0 billion.

In addition to an increase in working capital due to an increase in inventories, the fulfillment of guarantee obligations to equity-method affiliates resulted in a decrease of ¥84.6 billion from the same period of the previous year.

Net cash provided by investing activities increased by ¥3.3 billion year on year to ¥29.4 billion, resulting in a negative free cash flow of ¥75.3 billion.

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

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I will explain the FY2022 full-year earnings forecasts.

Considering the results and the demand environment in 1Q-3Q 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 October.

Specifically, as shown on this page, revenue is ¥1,230.0 billion, adjusted operating income is ¥120.0 billion, and operating income is ¥118.0 billion, while revising downward income before income taxes of ¥101.0 billion, and net income attributable to owners of the parent is ¥62.0 billion.
The adjusted operating income margin is expected to be 9.8%

While reflecting the increase in sales volume, and reducing the scope of incorporating risks of demand decline and supply chain, etc., logistics costs are expected to increase from the previous forecast.

Since the previous year includes gains from price adjustments and gains from the transfer of shares in a joint venture company related to the restructuring of the Americas business, income before income taxes and below are expected to be lower than the previous year.
Excluding these effects, net income attributable to owners of the parent is expected to increase by 24% year on year in real terms.

The forecast exchange rate for 4Q has not been changed from the previous October.

Please refer to Appendix 1 page 29 for reference, which includes the exchange rate sensitivity that will affect revenue and adjusted operating income for 4Q.

Consolidated revenue forecast by geographic region

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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	change %
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%			

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This slide explains the consolidated revenue forecast by geographic region for FY2022.

The forecast for revenue for the current fiscal year is revised to ¥1,230.0 billion, an increase of ¥205.0 billion from the previous fiscal year. In addition, we analyze the impact of the yen's depreciation as an increase in revenue of ¥124.6 billion.

We anticipate a significant decrease in revenue in China and Russia/CIS, while revenue in North America, Oceania, Asia, and Europe are expected to increase partly due to the significant impact of foreign exchange rates.

The overseas sales ratio is expected to increase by 3 percentage points year on year to 82%.

Mining revenue forecast

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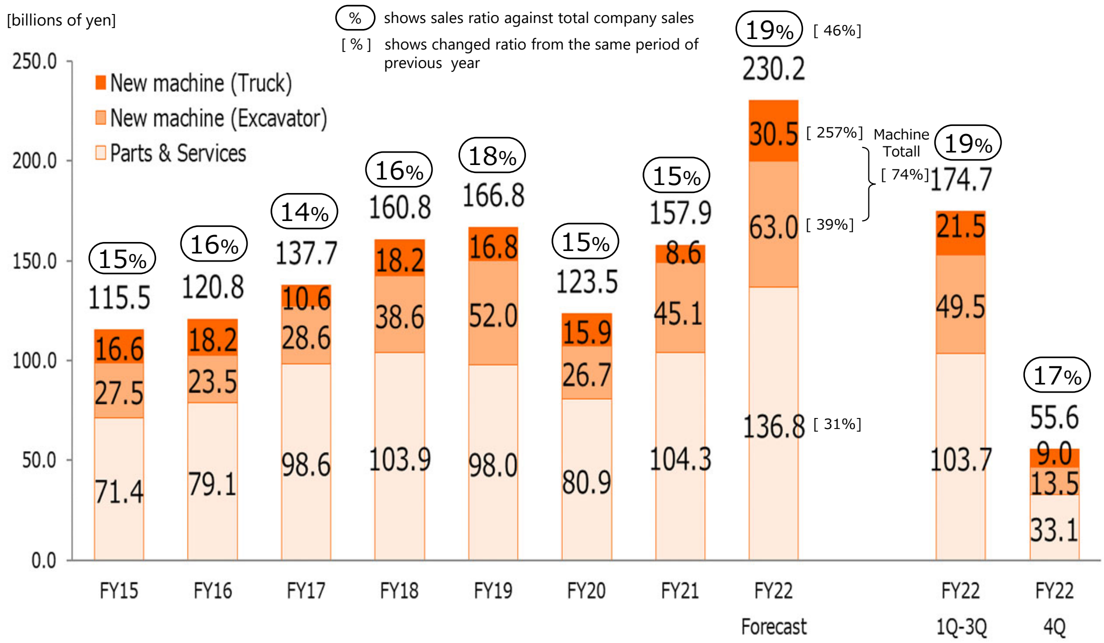
Revenue of mining in this fiscal year is expected to increase by 46% to 230.2 billion yen y-y.



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This slide explains the mining revenue forecast.

Mining revenue for this fiscal year is expected to increase by 46% year on year to ¥230.2 billion.

New machinery sales of trucks and excavators are expected to increase by 74% year on year, and parts and services are expected to increase by 31% 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 30.
In addition to higher sales in Asia and Oceania where we have a strong presence, we expect to increase revenue in the Americas by ¥21.0 billion year on year.

Value chain*1 revenue forecast

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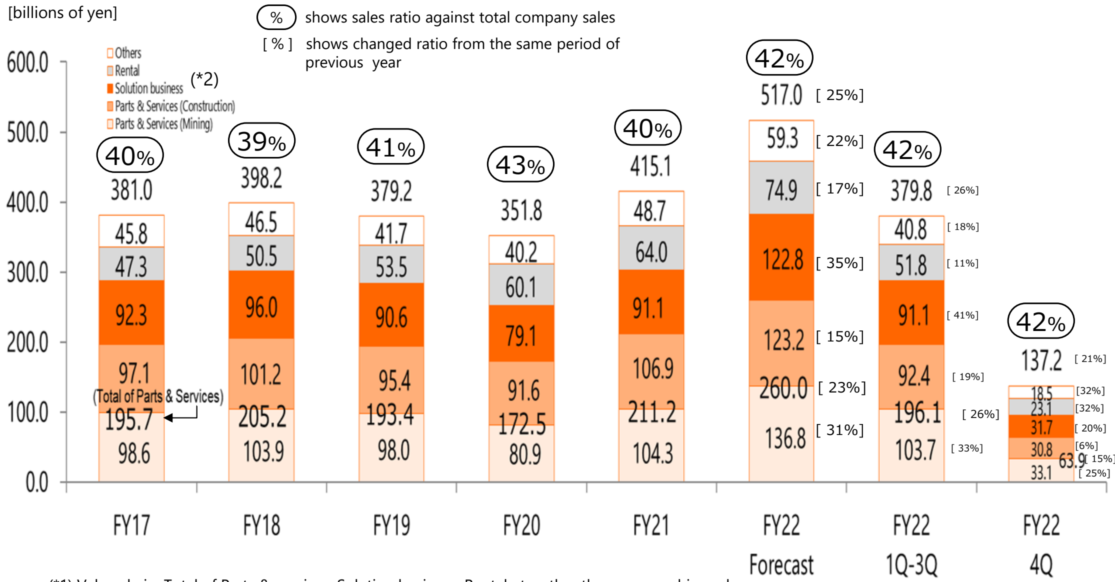
Revenue of the value chain in this fiscal year is expected to increase by 25% to 517 billion yen y-y.



(*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.

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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 October, with a 25% year-on-year increase in revenue to ¥517.0 billion.

Individually, we are forecasting a 23% year-on-year increase in revenue of parts and services for construction and mining to ¥260.0 billion, and we are forecasting a 35% year-on-year increase in revenue of the solution business to ¥122.8 billion.
All other divisions will also incorporate year-on-year increases.

The sales composition ratio is expected to be 42% due to an increase in sales of new machinery.

Comparison of consolidated income forecast

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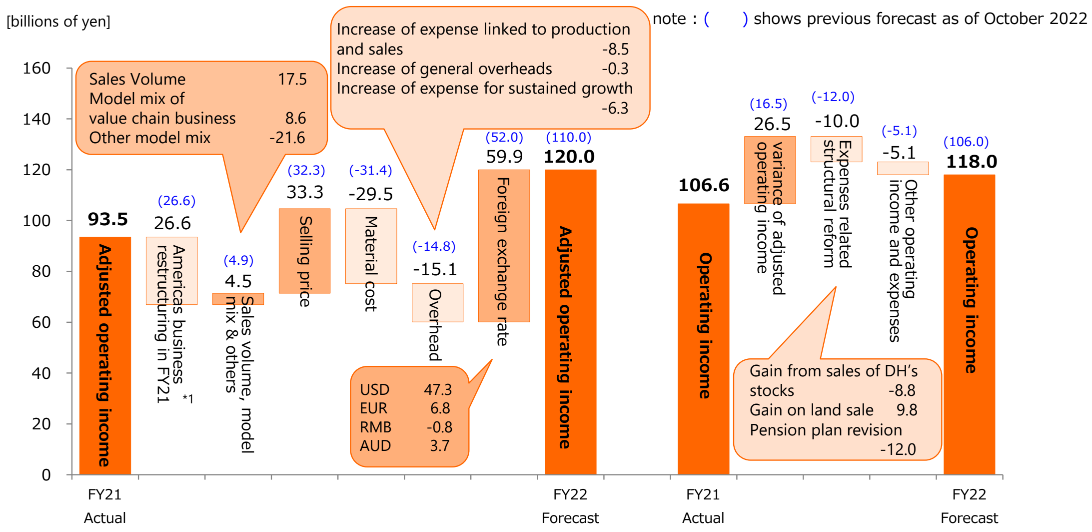
Adjusted operating income increased by 26.5 billion yen y-y due to selling price increase and the currency impact despite the absence of profit from Americas business restructuring in the previous year.



*1 Price adjustment and profit-sharing

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This slide provides a comparison of consolidated income for FY2022.
I will explain the factors behind the forecast ¥26.5 billion year-on-year increase in adjusted operating income for the current fiscal year to ¥120.0 billion.
Although the ¥26.6 billion gains on restructuring in the Americas recorded in the previous fiscal year will disappear, an increase of ¥4.5 billion will be factored into the sales volume, model mix, and others.
Breaking this down, we have factored in an increase of ¥17.5 billion in sales volume and an increase of ¥8.6 billion in value chain business composition.

On the other hand, in terms of other model mix, we expect a decrease of ¥21.6 billion, including additional freight costs.In addition, an improvement of ¥33.3 billion in selling price has been incorporated to absorb a ¥29.5 billion increase in material costs.
While factoring in an increase of ¥15.1 billion in overhead costs, we expect adjusted operating income to increase by ¥26.5 billion from the previous year, with an expected ¥59.9 billion increase in income due to the impact of the yen's depreciation.

Operating income on the right side of the page is expected to increase by ¥11.4 billion from the previous year to ¥118.0 billion due to an increase in adjusted operating income, despite the fact that gains on sales of stocks recorded in the previous year are not expected in the current year, as well as a pension plan revision loss related to structural reform and a gain on sales of domestic real estate.

In March 2023, the Company decided to revise its pension plan from the current defined benefit plan to a risk-sharing plan. As a result of the revision, the portion of the pension plan overfunded amount to be transferred to the plan will be recorded as a loss for accounting purposes, but this will not involve a cash outflow.This accounting loss will be excluded from the calculation of the dividend payout ratio for the current fiscal year.
Please refer the following 4 pages of appendix including the pension plan shifting.

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 (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

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[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

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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)

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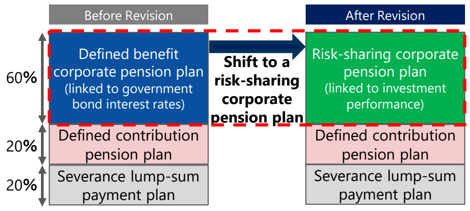
1. Purpose of Pension Plan Revision (Shift to a Risk-Sharing Corporate Pension Plan)

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.

SDGs

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We have chosen to align our activities with 10 of the 17 SDG's.

Topics in this explanatory material are shown together with their corresponding SDG icon.

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Cautionary Statement

This material contains forward-looking statements that reflect management's views and assumptions in the light of information currently available with respect to certain future events, including expected financial position, operating results, and business strategies. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured.

Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, changes in the economic conditions in the Company's principal markets; changes in demand for the Company's products, changes in exchange rates, and the impact of regulatory changes and accounting principles and practices.

Trademark notice

END

Hitachi Construction Machinery Co., Ltd.