

Explanatory Meeting for Business Results for the First Quarter ended June 30, 2023

July 27, 2023

Keiichiro Shiojima

Vice President and Executive Officer, CFO

Hidehiko Matsui

Vice President and Executive Officer, CMO

1. Regional Market Environments and Projections

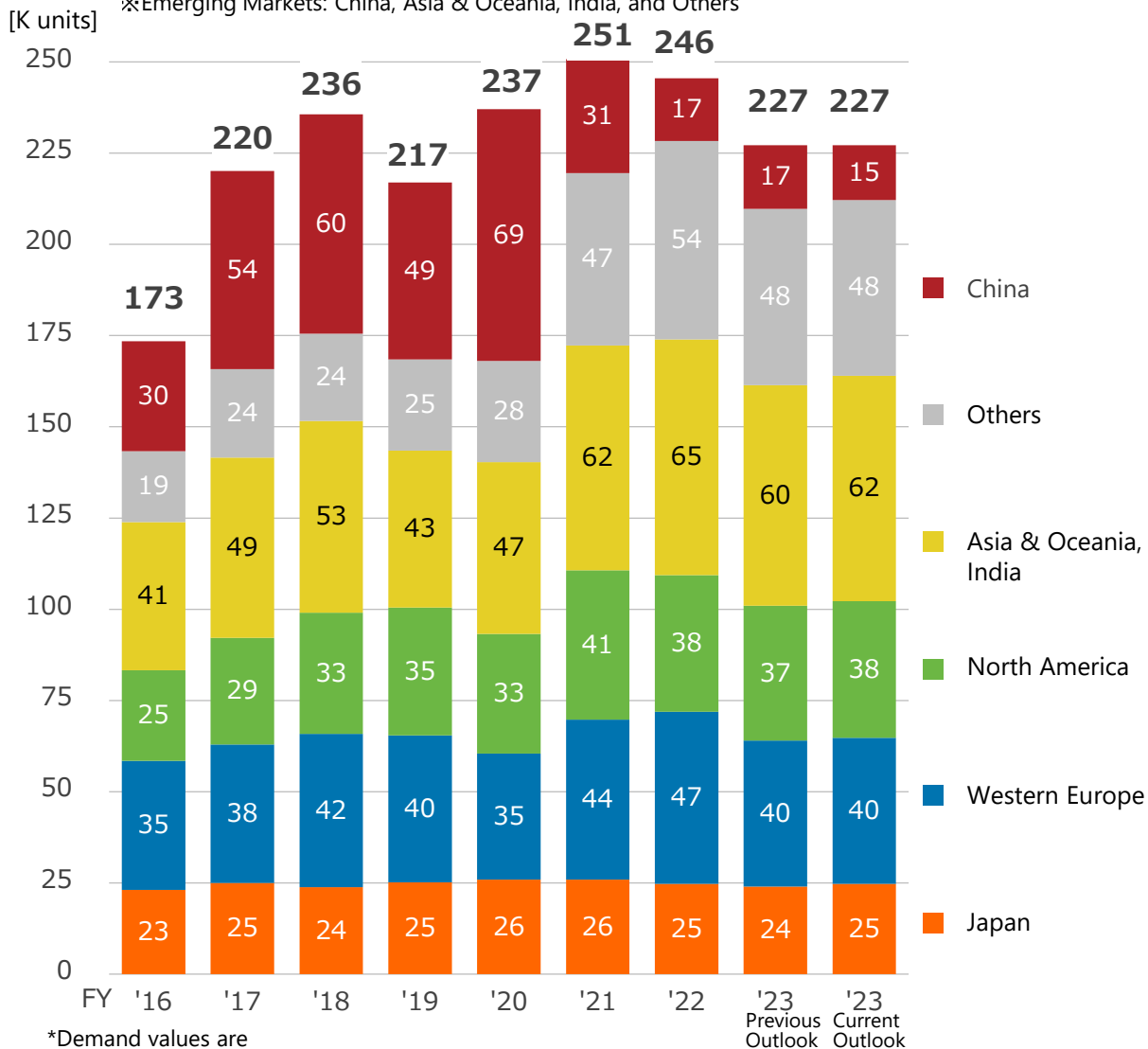
Hidehiko Matsui

Vice President and Executive Officer, CMO

Global Demand Trend for Hydraulic Excavators

**Emerging Markets ratio:
FY23 55% (y-y Change : Δ 1%)**

※Emerging Markets: China, Asia & Oceania, India, and Others



*Demand values are Hitachi Construction Machinery estimates

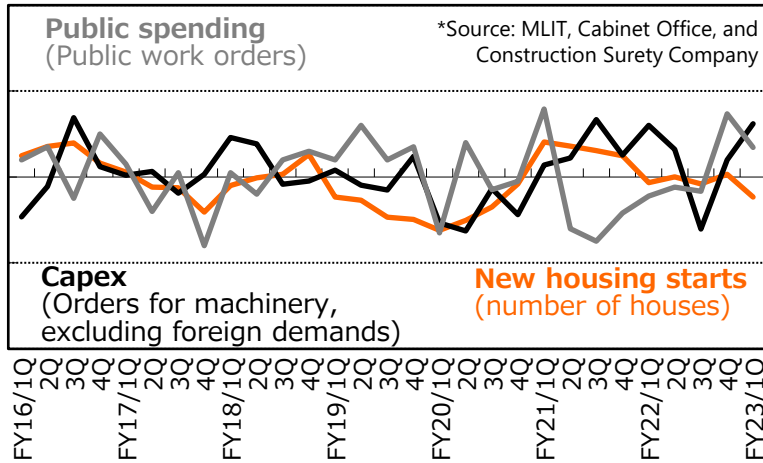
Year-on-Year Change by Region

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

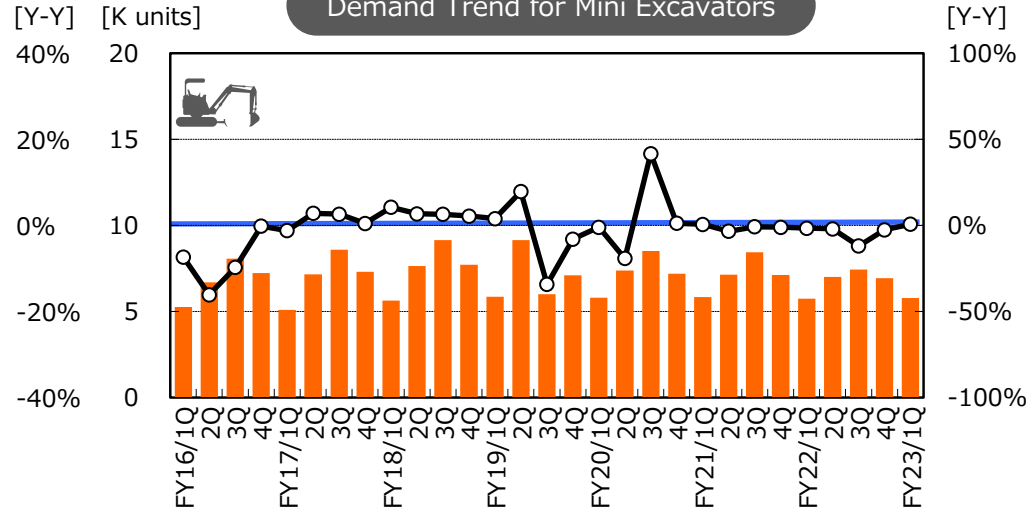
	'22	'23
Total	-2%	-7%
China	-45%	-13%
Russia, CIS, E Europe	+2%	-20%
Africa	-9%	-17%
Middle East	+65%	-2%
Latin America	+18%	-8%
Others	+15%	-11%
Asia	-2%	-8%
India	+14%	\pm 0%
Oceania	+9%	\pm 0%
Asia & Oceania, India	+5%	-4%
N America	-8%	\pm 0%
W Europe	+7%	-15%
Japan	-4%	\pm 0%

- New housing starts decreased & Public spending and Capex increased.
- Demand for Hydraulic excavators increased:
Hydraulic Excavators +5%, Mini Excavators +1%, Wheel Loaders +22% y-y.

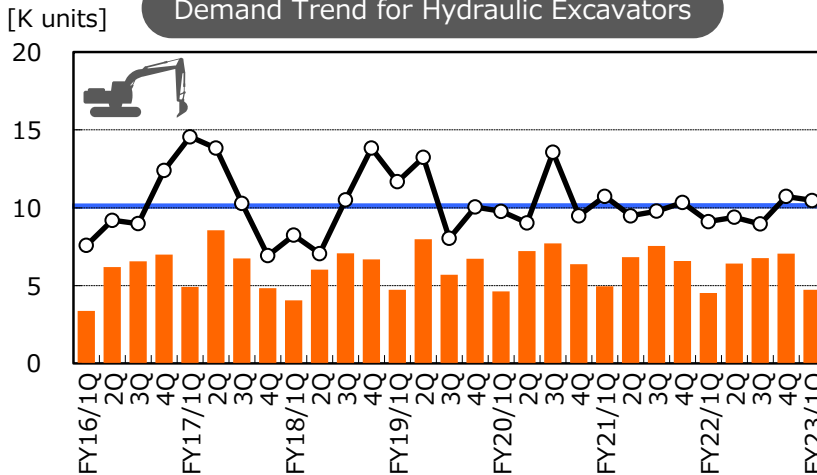
Market Environment Housing, Capex, Public Spending



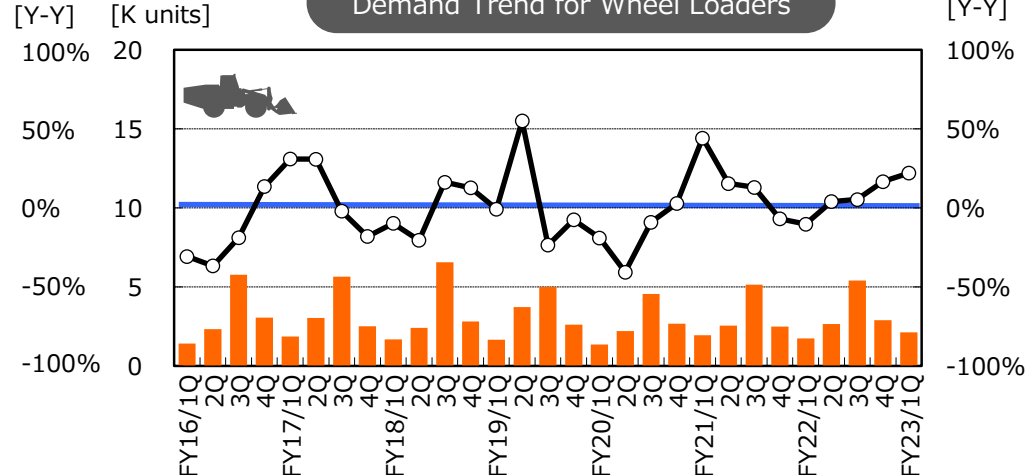
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



Demand Trend for Wheel Loaders

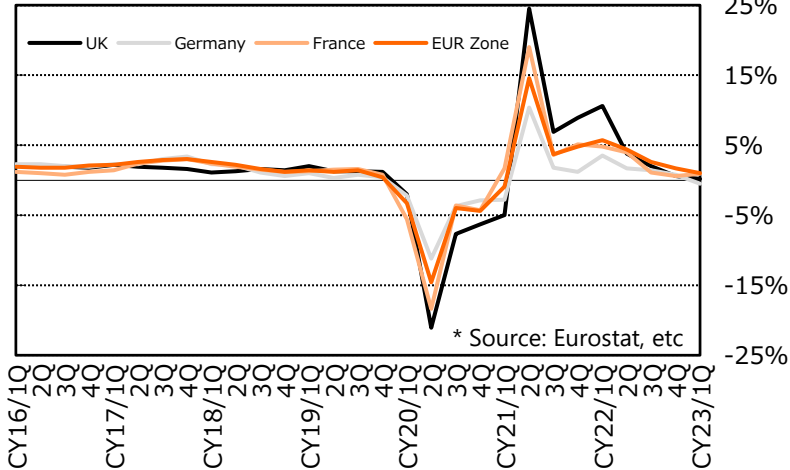


*Demand values are Hitachi Construction Machinery estimates

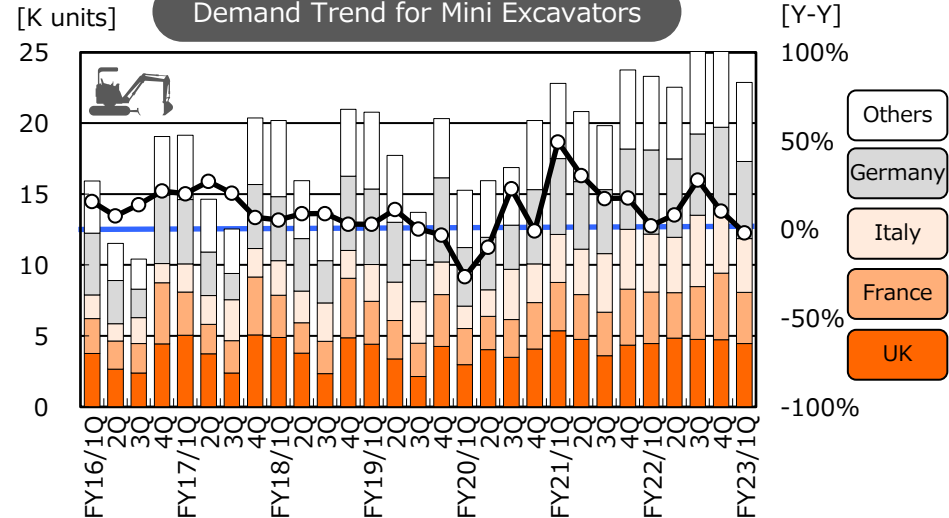
Europe: First Quarter (Apr to Jun 2023)

- GDP growth rate in CY23 1Q slowed.
- Demand for Hydraulic excavators decreased: Hydraulic Excavators -7%, Mini Excavators -2%, Wheel Loaders 0% y-y.

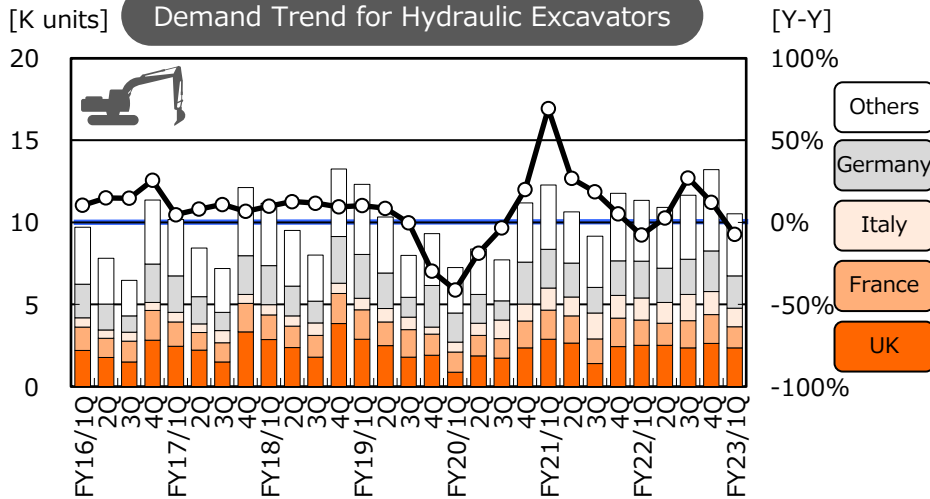
GDP Growth Rate in Major Countries



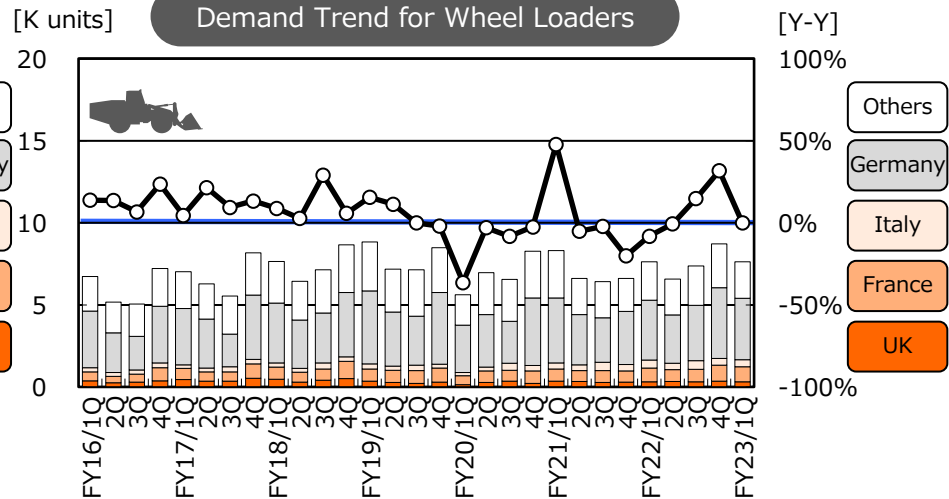
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



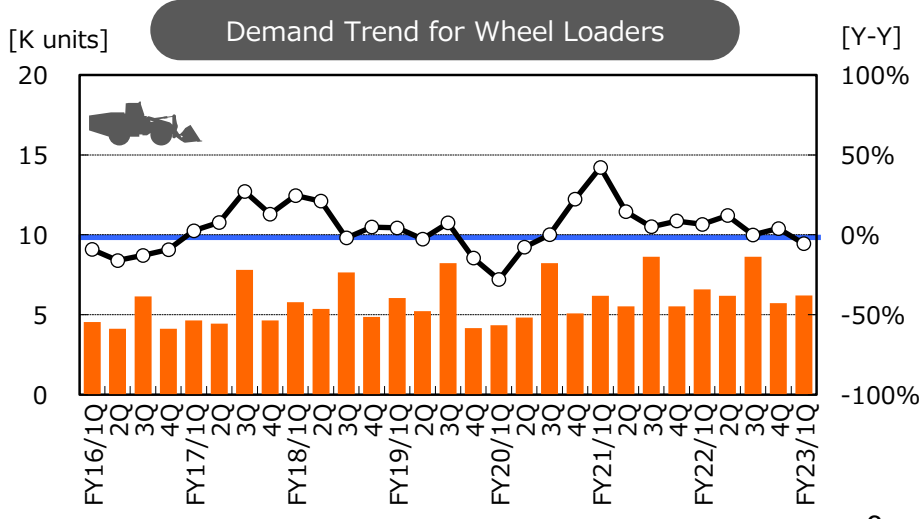
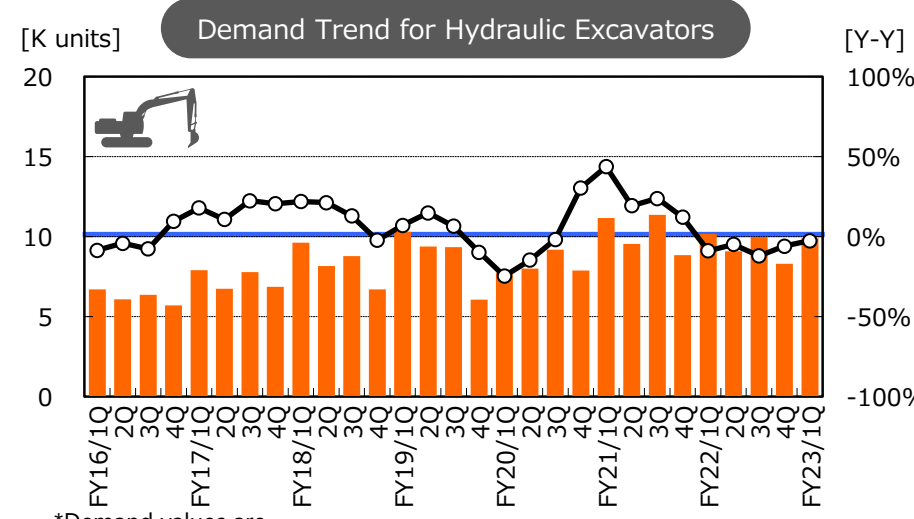
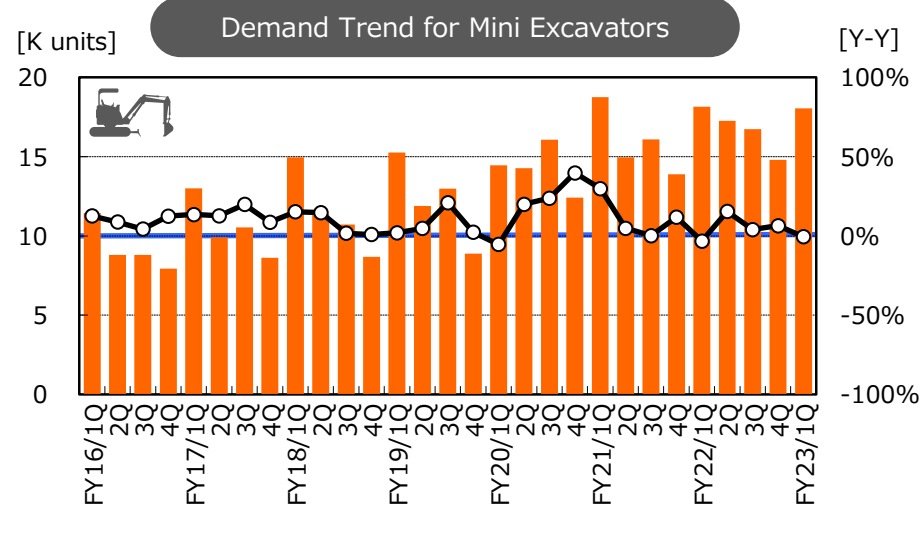
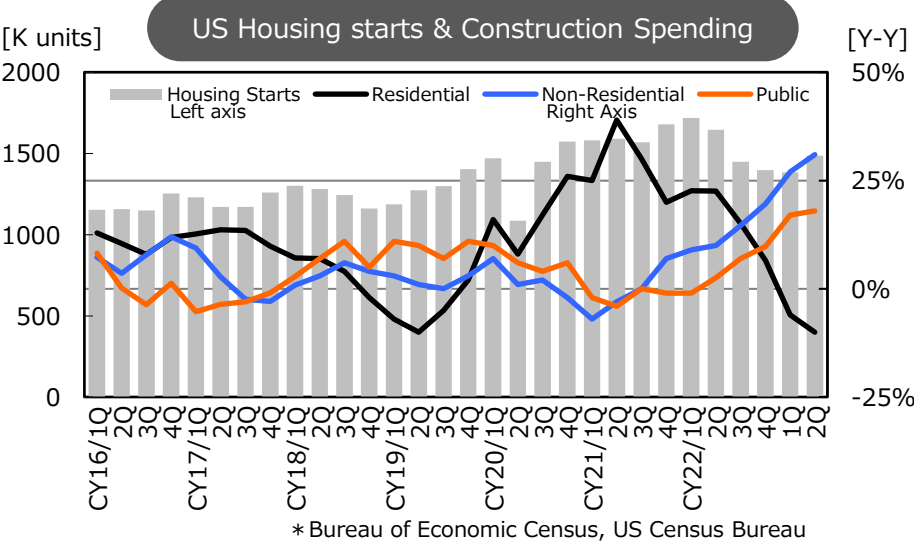
Demand Trend for Wheel Loaders



*Demand values are Hitachi Construction Machinery estimates

North America: First Quarter (Apr to Jun 2023)

- The housing market is recovering. Non-residential and public works significantly increased.
- Demand for Hydraulic excavators slightly decreased: Hydraulic Excavators -3%, Mini Excavators -1%, Wheel Loaders -6% y-y.

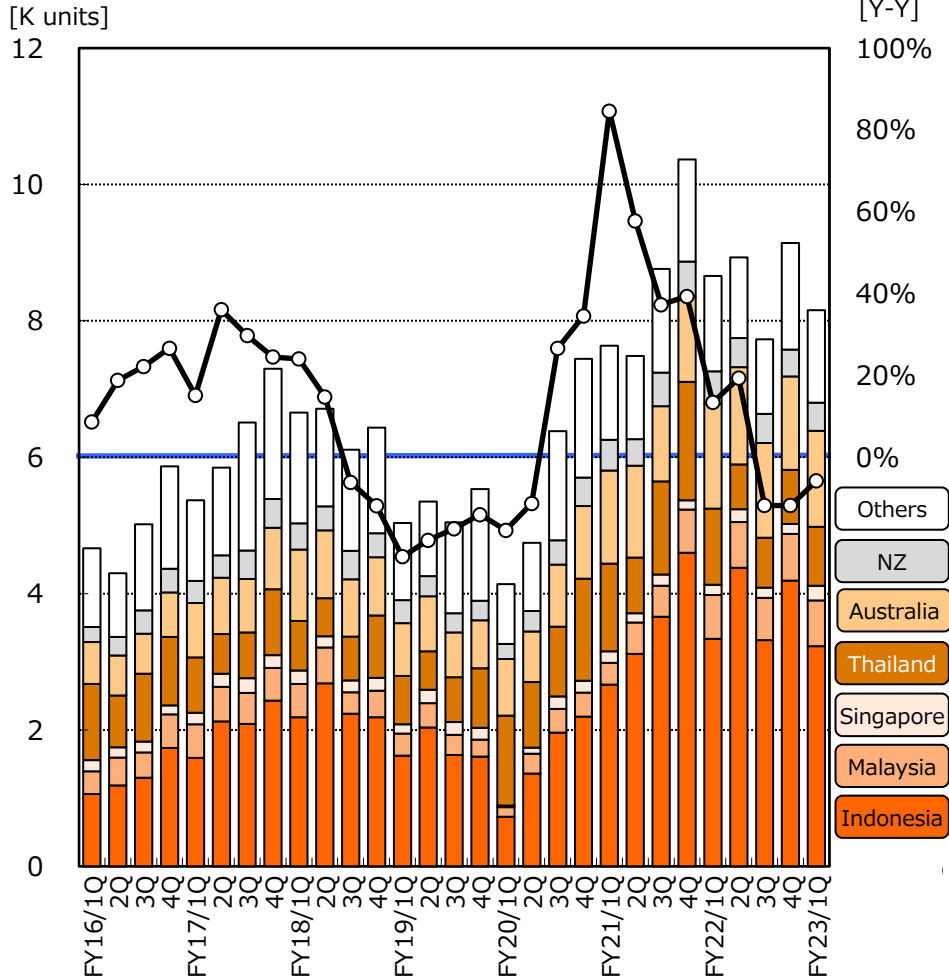


*Demand values are Hitachi Construction Machinery estimates

Asia Pacific & China: First Quarter (Apr to Jun 2023)

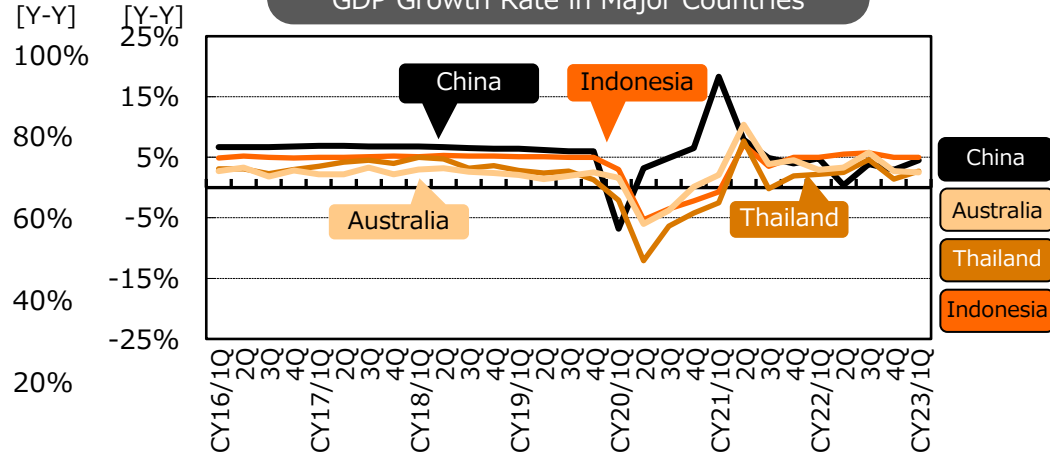
- Demand for Hydraulic excavators in the Asia & Oceania region decreased -6% y-y.
- Demand for Hydraulic excavators in China decreased -44% y-y.

Demand Trend for Hydraulic Excavators in Asia & Oceania



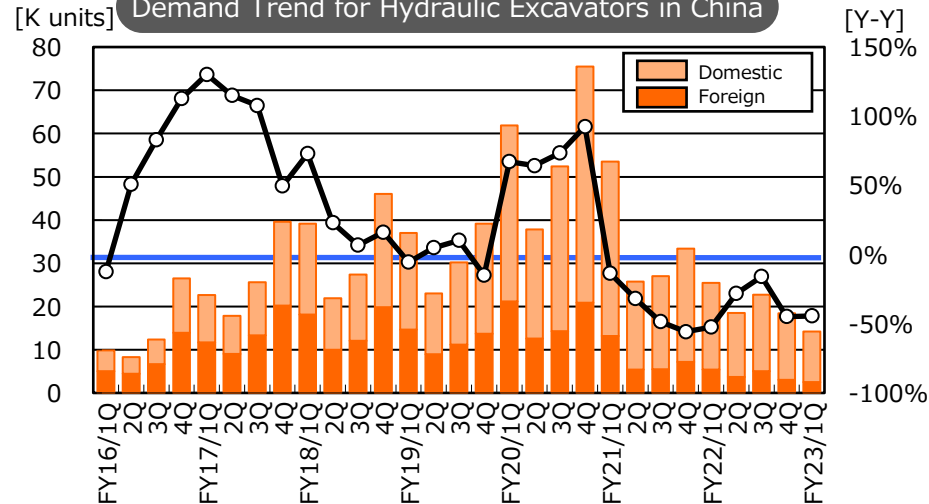
*Demand values are Hitachi Construction Machinery estimates

GDP Growth Rate in Major Countries



* China : National Bureau of Statistics of China * Asia : Mizuho Research & Tech.

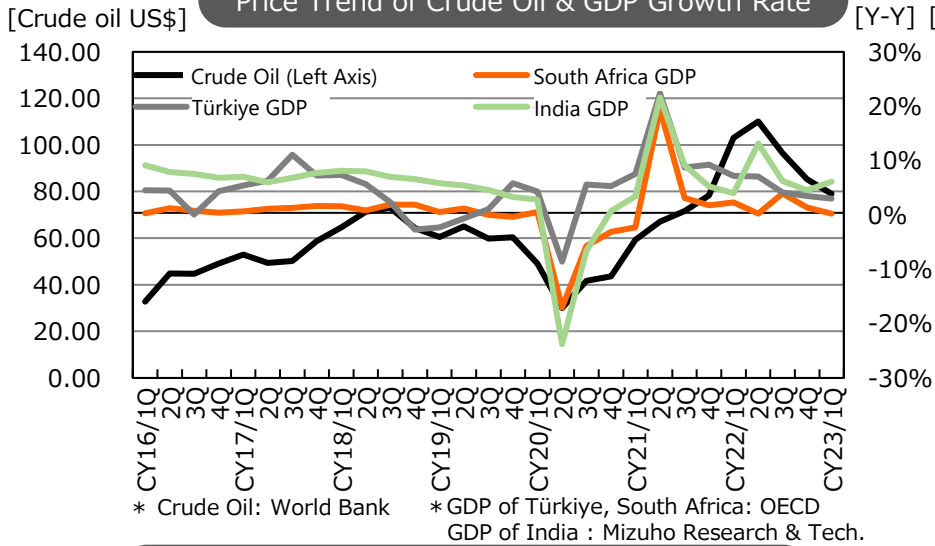
Demand Trend for Hydraulic Excavators in China



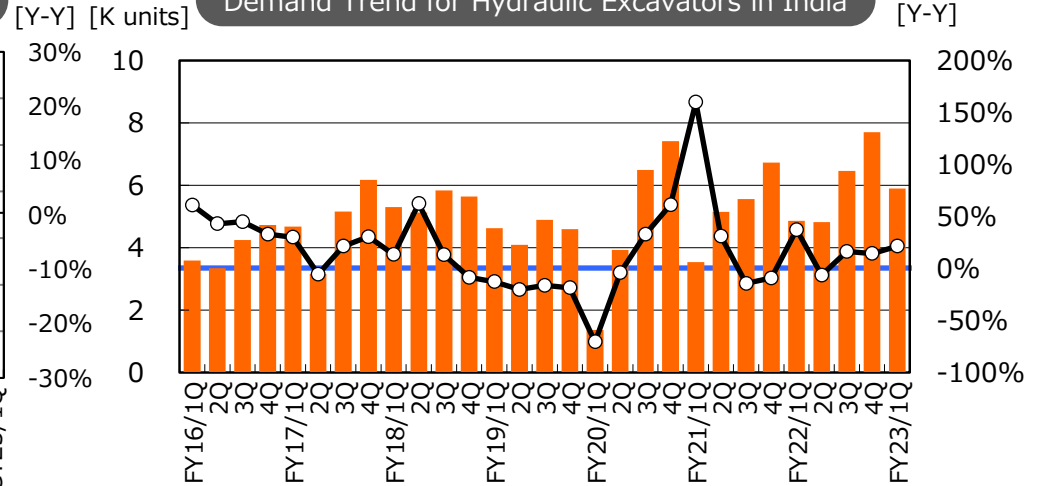
India, Middle East, Africa: First Quarter (Apr to Jun 2023)

- Demand for Hydraulic excavators increased in India +21% y-y.
- Demand for Hydraulic excavators decreased in Africa -11% y-y.
- Demand for Hydraulic excavators increased in the Middle East +29% y-y.

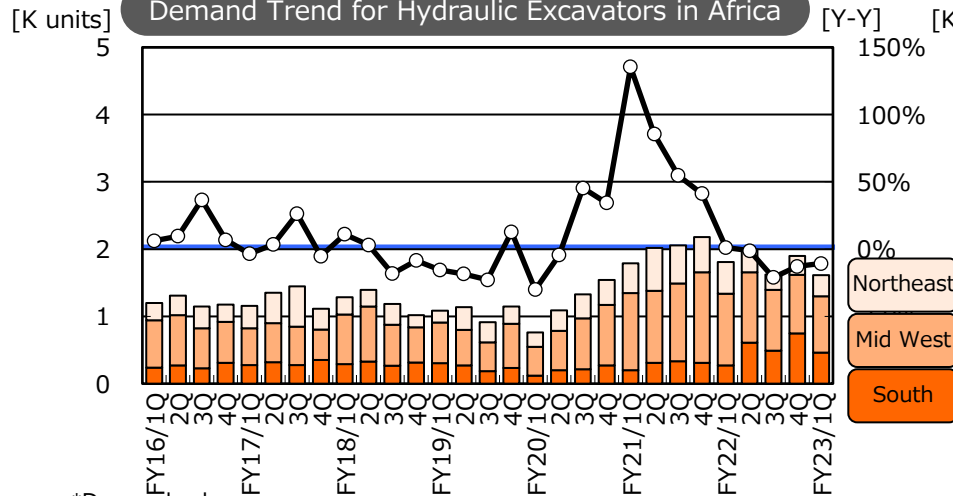
Price Trend of Crude Oil & GDP Growth Rate



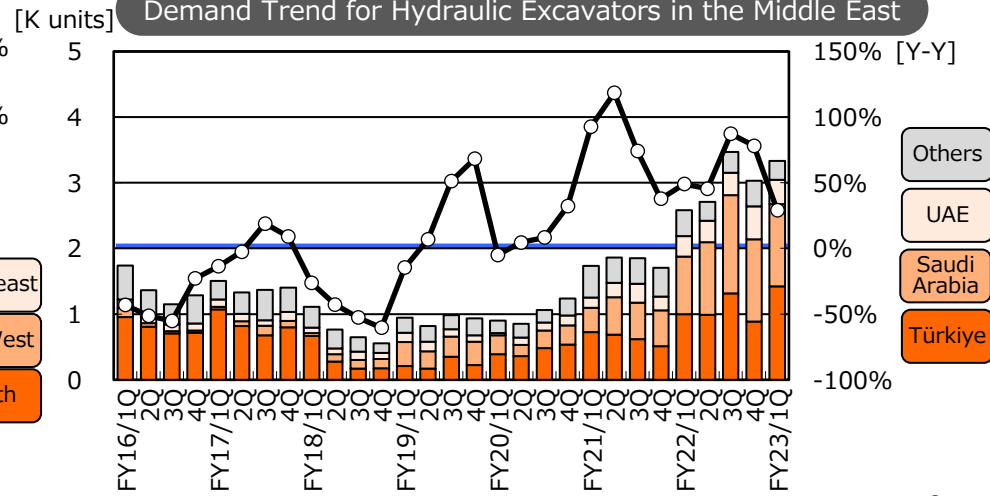
Demand Trend for Hydraulic Excavators in India



Demand Trend for Hydraulic Excavators in Africa



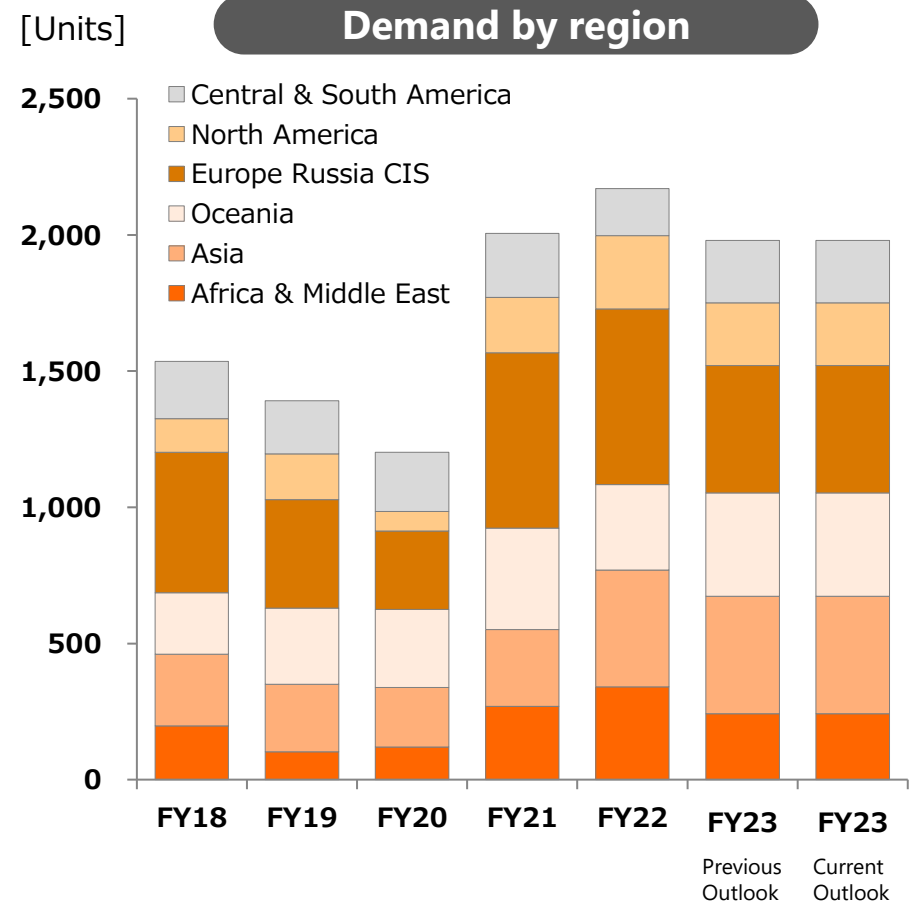
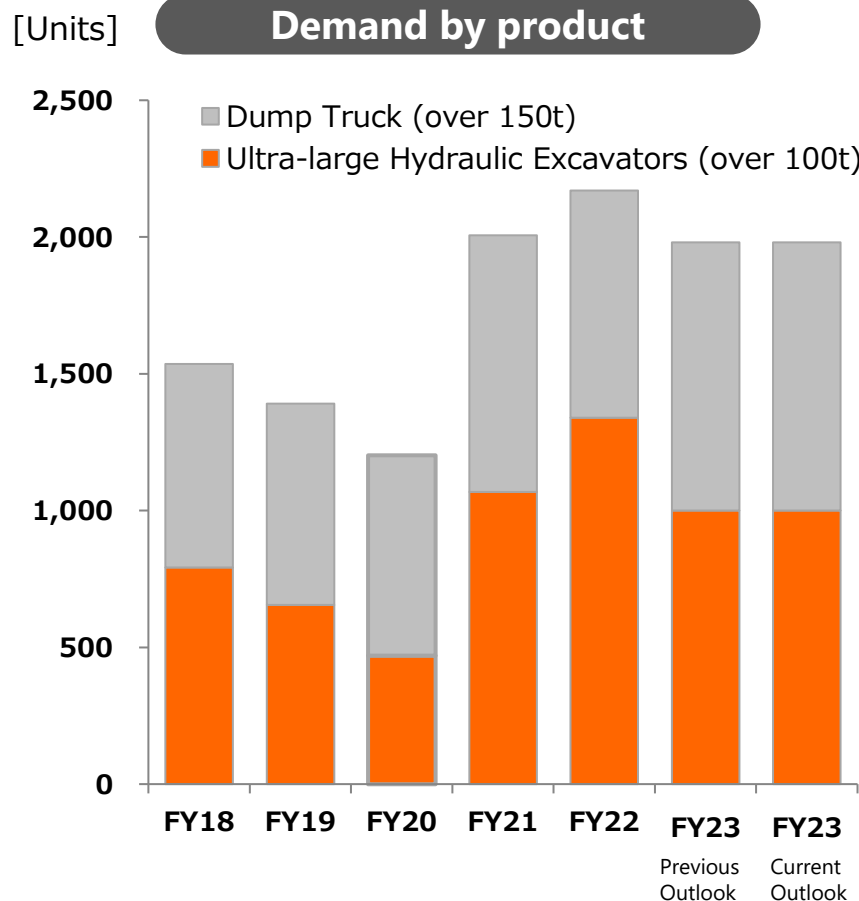
Demand Trend for Hydraulic Excavators in the Middle East



*Demand values are Hitachi Construction Machinery estimates

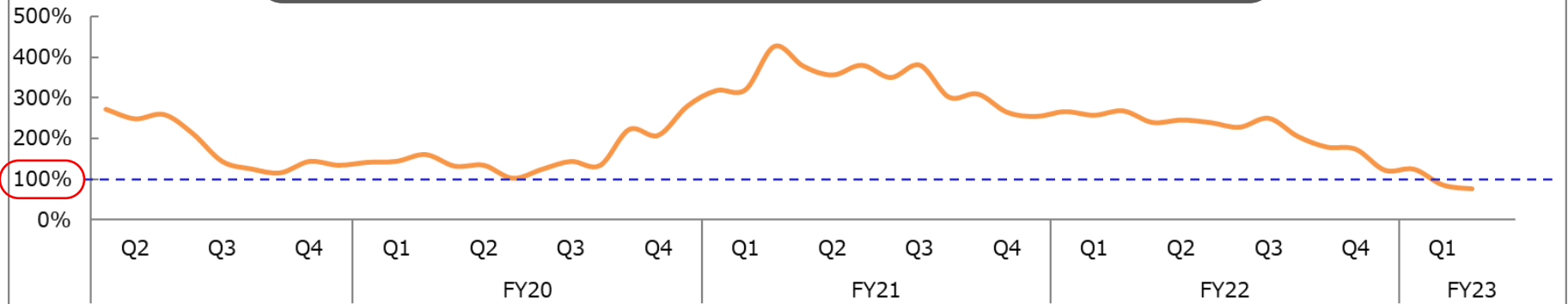
■ Global demand for mining in FY23 is almost same as the previous forecast. But as the demand in FY22 increased, FY23 demand forecasts have been revised to “flat to -10%” y-y. (Previously “remain flat”)

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

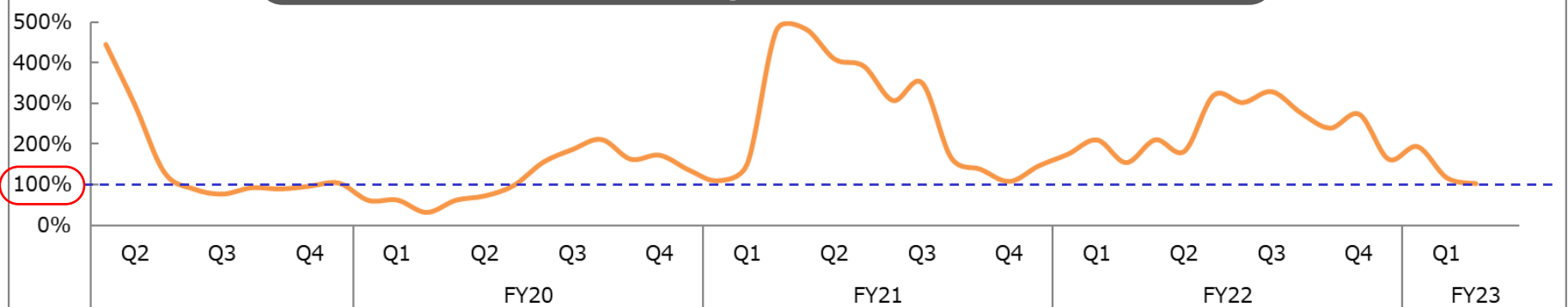


*Demand values are Hitachi Construction Machinery estimates

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)



Topic 1: Enhancement of Remote and Automated Operation Technology

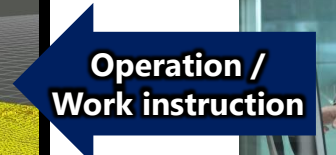
Development of a hydraulic excavator for remote / automatic operation solutions (May 2023)

Aiming to start sales in Japan by the end of FY2023 to expand the use of remote control and automatic operation



Partnership with aptpod, Inc. for high-speed data transmission technology (May 2023)

Creation of a digital twin with high real-time performance and joint development of systems for remote control and autonomous operation



Start of operation of "Orange Innovation Plaza" at Tsuchiura Works

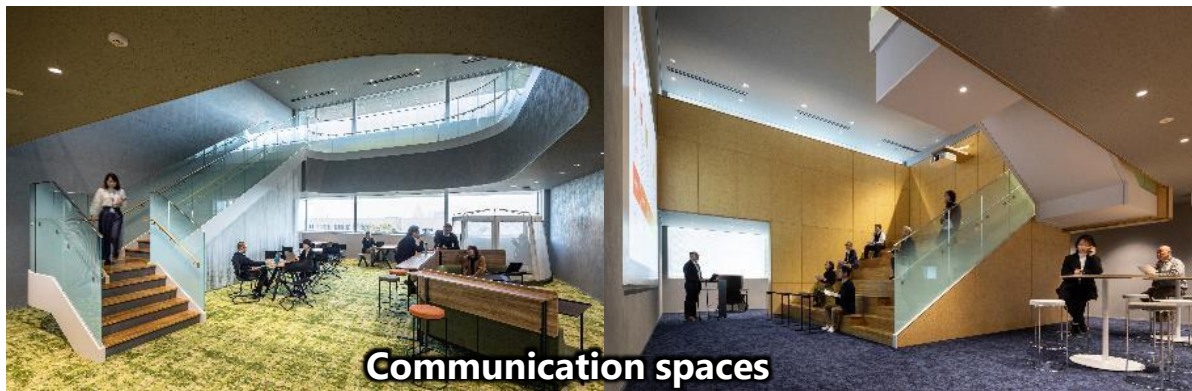
(May 2023)

- A place where approximately 3,000 people, mostly from R&D departments, gather
- Diverse communication spaces to create collaboration across departmental boundaries

Video available on YouTube



Orange Innovation Plaza



Communication spaces

Hitachi Construction Machinery Innovation Summit 2023

(May-June 2023)

- Organized as a meeting place for future business partners to co-create new value
- An event where more than 40 companies with diverse technologies from various industries exhibited and actively exchanged opinions with participating employees



Venue of the Innovation Summit

Donation by Hitachi Construction Machinery Middle East of breakers and filters to the Turkish Government Ministry of Agriculture and Forestry

(July 2023)

- Breakers are used to dispose of the rubble of buildings destroyed by earthquakes. Various filters essential for periodic maintenance contribute to stable machines.
- The affiliated company “Eurasian Machinery LLP” in Kazakhstan also provides relief supplies to be donated to AFAD (Turkish Agency for Disaster and Emergency Preparedness), and the total donation amount of the Ministry of Agriculture and Forestry and AFAD is worth 35.5 million yen.



Reference photo: The Hitachi Construction Machinery Middle East hydraulic excavator, to which a breaker is attached, from the same manufacturer as the donated breaker



Republic of Türkiye Ministry of Agriculture and Forestry
Zekeriya Nane (Deputy General Director) [Left]
Hitachi Construction Machinery Middle East
Arami Manabu President [Right]

2. Business Results **for the First Quarter ended June 30, 2023** (April 1, 2023 - June 30, 2023)

Keiichiro Shiojima

Vice President and Executive Officer, CFO

Summary of consolidated results

In 1Q of the year, revenue increased by 20%, supported by strong sales growth, especially in the Americas. Adjusted operating income increased by 83% y-y, and net income attributable to owners of the parent increased by 69%.

[billions of yen]

		FY2023 1Q		FY2022 1Q		change
Revenue			320.0		267.5	20%
Adjusted operating income *1		11.8%	37.6	7.7%	20.6	83%
Operating income		11.9%	38.2	8.1%	21.8	75%
Income before income taxes		13.6%	43.6	10.1%	27.0	62%
Net income attributable to owners of the parent		9.8%	31.4	6.9%	18.6	69%
EBIT *2		14.4%	46.2	10.5%	28.1	65%
FX rate	Rate (YEN/US\$)		137.4		129.6	7.8
	Rate (YEN/EURO)		149.5		138.1	11.4
	Rate (YEN/RMB)		19.6		19.6	-0.0
	Rate (YEN/AU\$)		91.8		92.6	-0.8

*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)

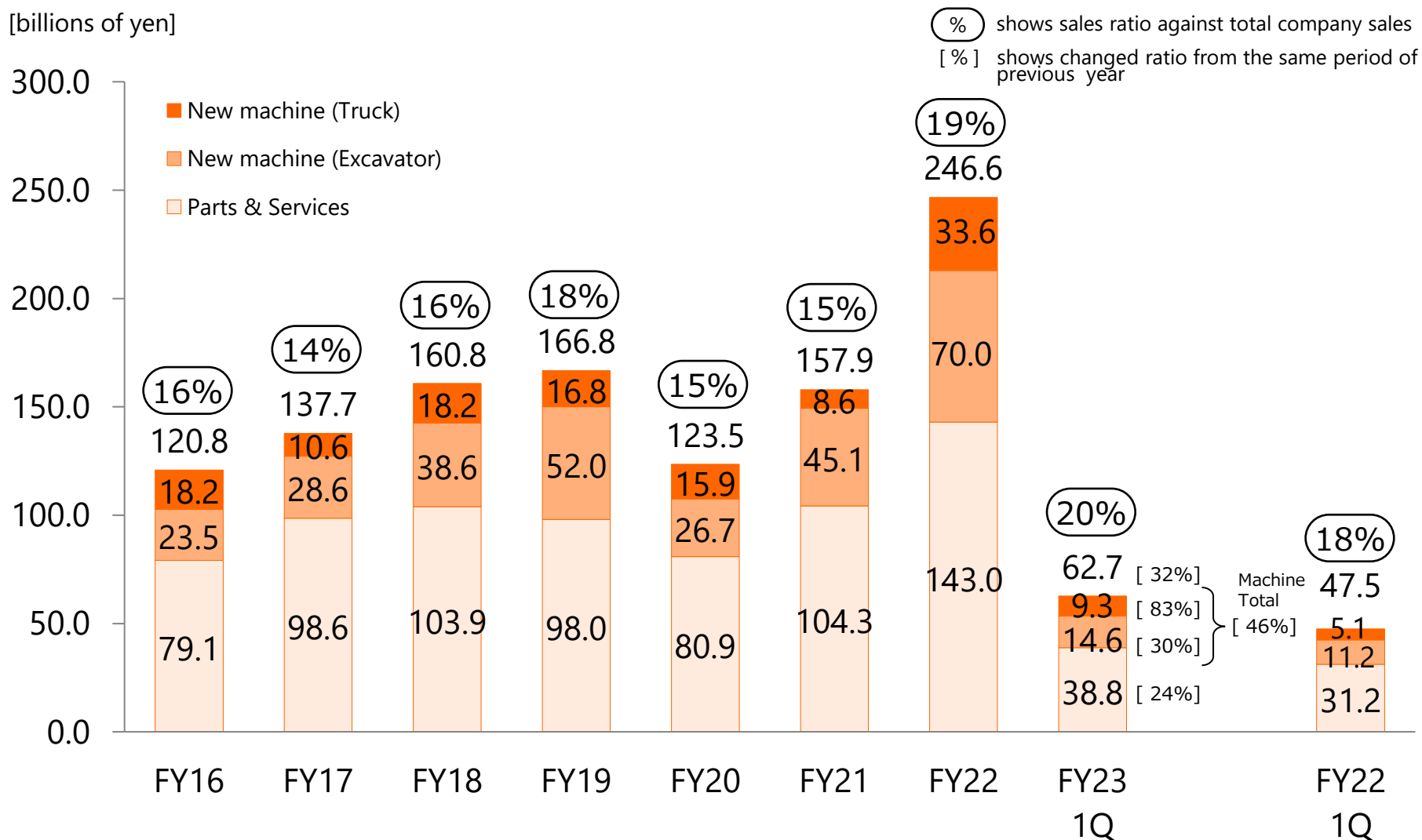
Although revenue in Russia-CIS and China decreased y-y, developing own business in the Americas increased significantly. Including the effect of depreciation of the yen, consolidated total revenue increased by 52.5 billion yen.

[billions of yen]

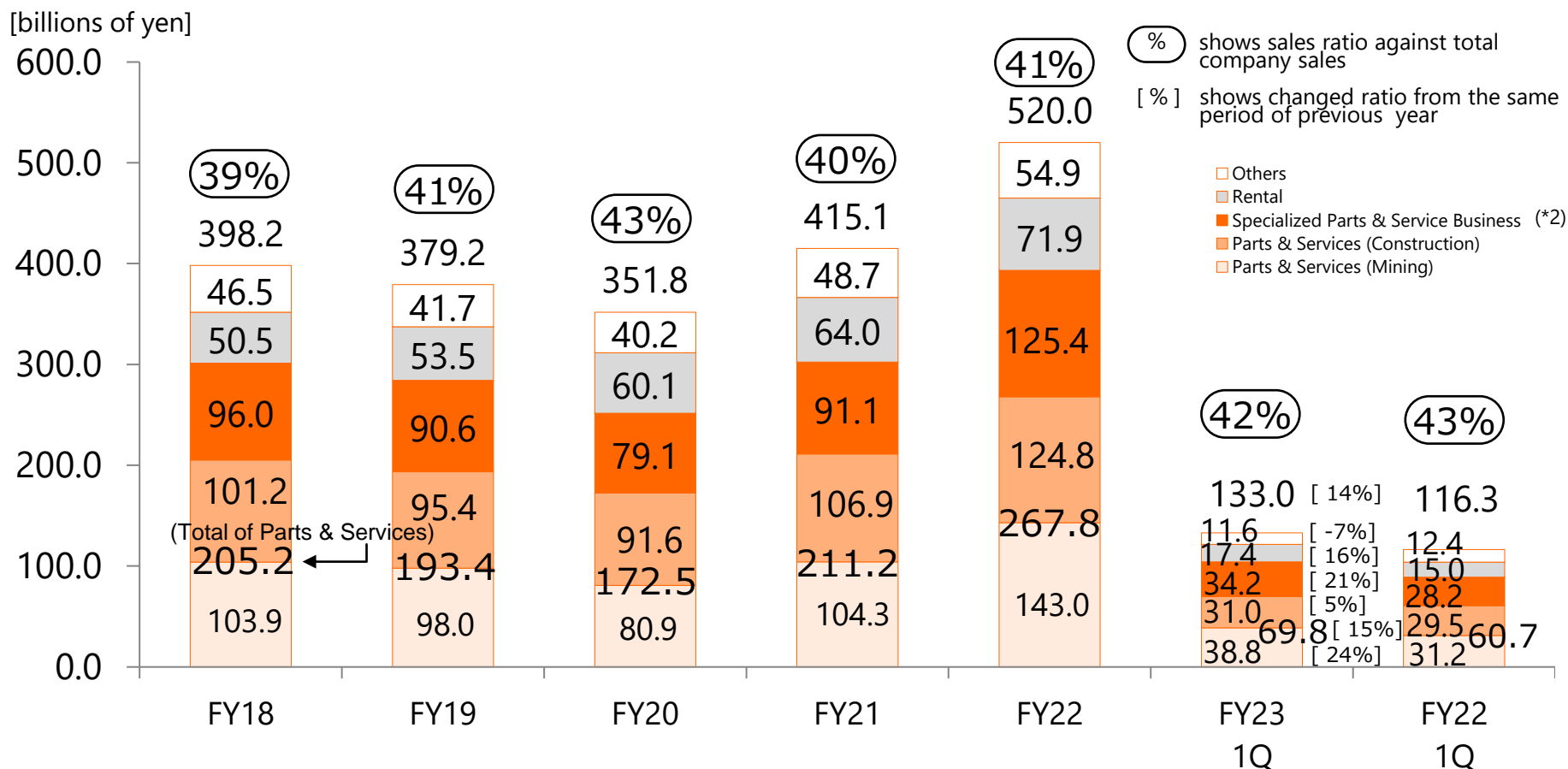
		FY2023 1Q		FY2022 1Q		change	
						amount	%
Japan		44.2	14%	43.0	16%	1.3	3%
Asia		27.8	9%	23.3	9%	4.5	19%
India		16.1	5%	13.3	5%	2.8	21%
Oceania		61.0	19%	50.1	19%	10.9	22%
Europe		44.1	14%	38.8	15%	5.2	13%
	N. America	81.9	26%	53.9	20%	28.0	52%
	L. America	9.0	3%	7.3	3%	1.8	24%
The Americas (Developing own business)		90.9 (56.1)	28% (18%)	61.1 (37.2)	23% (14%)	29.7 (18.9)	49% (51%)
Russia-CIS		8.2	3%	12.0	4%	-3.8	-31%
M. East		7.5	2%	6.0	2%	1.5	26%
Africa		11.7	4%	10.0	4%	1.7	17%
China		8.5	3%	9.9	4%	-1.4	-14%
Total		320.0	100%	267.5	100%	52.5	20%
Overseas ratio		86%		84%			

Revenue of mining increased by 32% to 62.7 billion yen y-y due to a significant increase in new machinery sales by capturing robust demand and parts & services.

[billions of yen]



Revenue of the value chain business increased by 14% y-y to 133.0 billion yen due to expanding sales volume, especially parts and services as well as specialized parts & service and rental business.



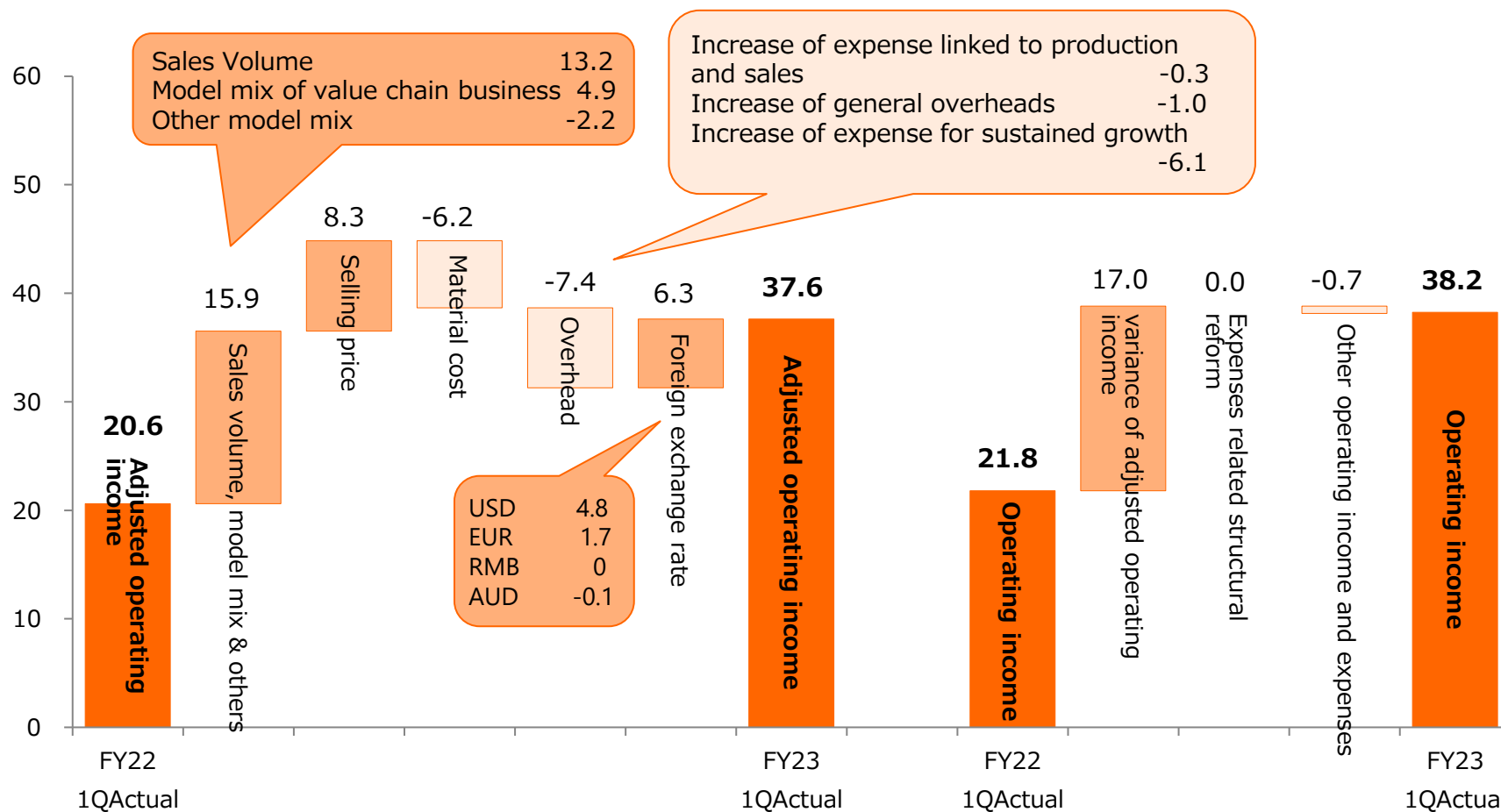
(*1) Value chain: Total of Parts & services, Specialized parts & service business, Rental etc. other than new machine sales.

(*2) Specialized parts & service 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

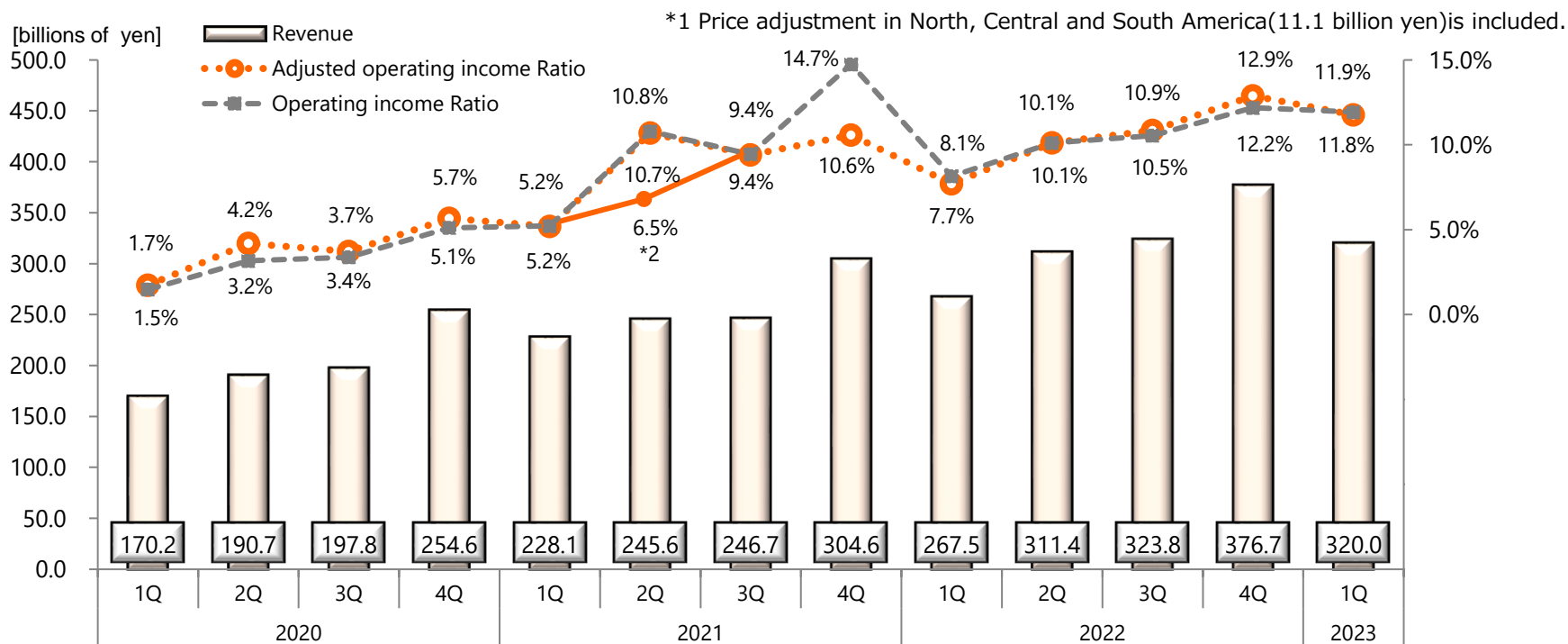
Adjusted operating income increased by 17.0 billion yen y-y due to the impact of increased sales volume, price increase, and currency impact despite increased material costs and overhead costs.

[billions of yen]



Summary of quarterly consolidated revenue and operating income (ratio)

	2020				2021				2022				2023
	1Q	2Q	3Q	4Q	1Q	2Q*1	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Revenue	170.2	190.7	197.8	254.6	228.1	245.6	246.7	304.6	267.5	311.4	323.8	376.7	320.0
Adjusted operating income	2.9	8.0	7.4	14.4	11.8	26.3	23.2	32.2	20.6	31.5	35.1	48.5	37.6
Operating income	2.5	6.0	6.7	13.0	11.9	26.5	23.3	44.9	21.8	31.5	34.2	45.9	38.2



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

FX rate	2020				2021				2022				2023
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Rate (YEN/US\$)	107.6	106.2	104.5	105.9	109.5	110.1	113.7	116.2	129.6	138.4	141.6	132.3	137.4
Rate (YEN/EURO)	118.5	124.1	124.5	127.7	132.0	129.8	130.1	130.4	138.1	139.3	144.3	142.1	149.5
Rate (YEN/RMB)	15.2	15.4	15.8	16.4	17.0	17.0	17.8	18.3	19.6	20.2	19.9	19.3	19.6
Rate (YEN/AU\$)	70.7	75.9	76.3	81.8	84.3	80.9	82.9	84.0	92.6	94.5	92.9	90.6	91.8

Consolidated statement of financial position

HITACHI

Reliable Solutions

Total assets increased by 108.3 billion yen from the end of last fiscal year due to an increase in inventories and the effect of depreciation of the yen.

[billions of yen]

	(A) FY23-1Q	(B) Mar '2023	(C) FY22-1Q	(A)-(B) change		(D) FY23-1Q	(E) Mar '2023	(F) FY22-1Q	(D)-(E) change
Cash and cash equivalents	107.9	112.0	148.9	-4.1	Trade and other payables	264.9	274.5	245.4	-9.6
Trade receivables	299.5	305.3	251.7	-5.8	Bonds and borrowings	564.8	507.5	437.3	57.3
Inventories	525.1	450.8	419.1	74.3	Total liabilities	985.5	926.0	831.4	59.6
Total current assets	981.6	908.9	861.7	72.7	(Equity attributable to owners of the parent ratio)	(40.6%)	(40.6%)	(41.8%)	(-0.0%)
Total non-current assets	753.7	718.1	671.4	35.6	Total equity	749.7	701.0	701.7	48.7
Total assets	1,735.3	1,627.0	1,533.1	108.3	Total liabilities and equity	1,735.3	1,627.0	1,533.1	108.3
Trade receivables incl. non-current	341.7	344.6	295.4	-2.9					
Inventories by products									
Unit	179.8	142.5	123.4	37.3		(32.5%)	(31.2%)	(28.5%)	(1.4%)
Parts	170.0	158.6	141.4	11.4	Interest-bearing debt	564.8	507.5	437.3	57.3
Raw materials, WIP and etc	175.4	149.6	154.3	25.7	Cash and Cash equivalents	107.9	112.0	148.9	-4.1
Total inventories	525.1	450.8	419.1	74.3	Net interest-bearing debt	(26.3%)	(24.3%)	(18.8%)	(2.0%)
On hand days(divided by revenue)				(Days)	Debt	456.9	395.5	288.4	61.4
Trade receivables	94	98	101	-4					
Inventories	144	129	144	15	Net D/E Ratio	0.65	0.60	0.45	0.05
Trade payables	44	47	51	-3					
Net working capital	189	176	190	13					

Consolidated cash flow

Operating cash flow was negative at 12.5 billion yen due to deterioration of working capital, etc. Free cash flow was negative at 28.8 billion yen when combined with negative investment cash flow.

[billions of yen]

	FY2023 1Q		FY2022 1Q		change	
Net income		33.6		19.5		14.0
Depreciation and amortization	50.1	16.6	34.4	14.9	15.7	1.7
(Increase)decrease in trade/lease receivables		18.6		42.8		-24.1
(Increase)decrease in inventories		-46.3		-25.8		-20.5
Increase(decrease) in trade payables	-34.9	-7.2	14.0	-2.9	-48.9	-4.3
Others, net		-27.7		-38.3		10.5
Net cash provided by (used in) operating activities		-12.5		10.2		-22.7
Cash flow margin for operating activities		-3.9%		3.8%		-7.7%
Net cash provided by (used in) investing activities		-16.3		-10.6		-5.7
Free cash flows		-28.8		-0.4		-28.4
Net cash provided by (used in) financing activities		20.9		46.6		-25.7

Summary of consolidated earnings forecast

The consolidated income statement for FY2023 is unchanged from the previous forecast as of April 2023 and revenue is expected to increase by 2% y-y, adjusted operating income by 3% y-y, and net income attributable to owners of the parent by 17% y-y.

note : < > shows previous forecast as of April 2023

[billions of yen]

	FY2023 Forecast		FY2022 Actual	change	
				amount	%
Revenue	<1,300.0>	1,300.0	1,279.5	20.5	2%
Adjusted operating income	<10.8%> <140.0>	(10.8%) 140.0	(10.6%) 135.7	(0.2%) 4.3	3%
Operating income	<10.5%> <136.0>	(10.5%) 136.0	(10.4%) 133.3	(0.0%) 2.7	2%
Income before income taxes	<10.1%> <131.0>	(10.1%) 131.0	(8.8%) 112.7	(1.3%) 18.3	16%
Net income attributable to owners of the parent	<6.3%> <82.0>	(6.3%) 82.0	(5.5%) 70.2	(0.8%) 11.8	17%
EBIT	<137.2>	137.2	119.0	18.2	

Currency	1Q	2Q-4Q	Total	FY2022 Actual	change
	Actual	Forecast	Forecast		
Rate (YEN/USD)	137.4	130.0	131.7	135.4	-3.8
Rate (YEN/EUR)	149.5	130.0	133.8	141.0	-7.3
Rate (YEN/RMB)	19.6	18.1	18.4	19.7	-1.4
Rate (YEN/AUD)	91.8	84.0	86.1	92.7	-6.6
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 maximize shareholder returns based on a stable and continuous dividend payout ratio of approx. 30% to 40%.

Consolidated revenue forecast by geographic region

Consolidated revenue for FY2023 is expected to increase by 20.5 billion yen y-y due to expanding developing own business in the Americas despite the impact of the yen's appreciation.

(billions of yen)

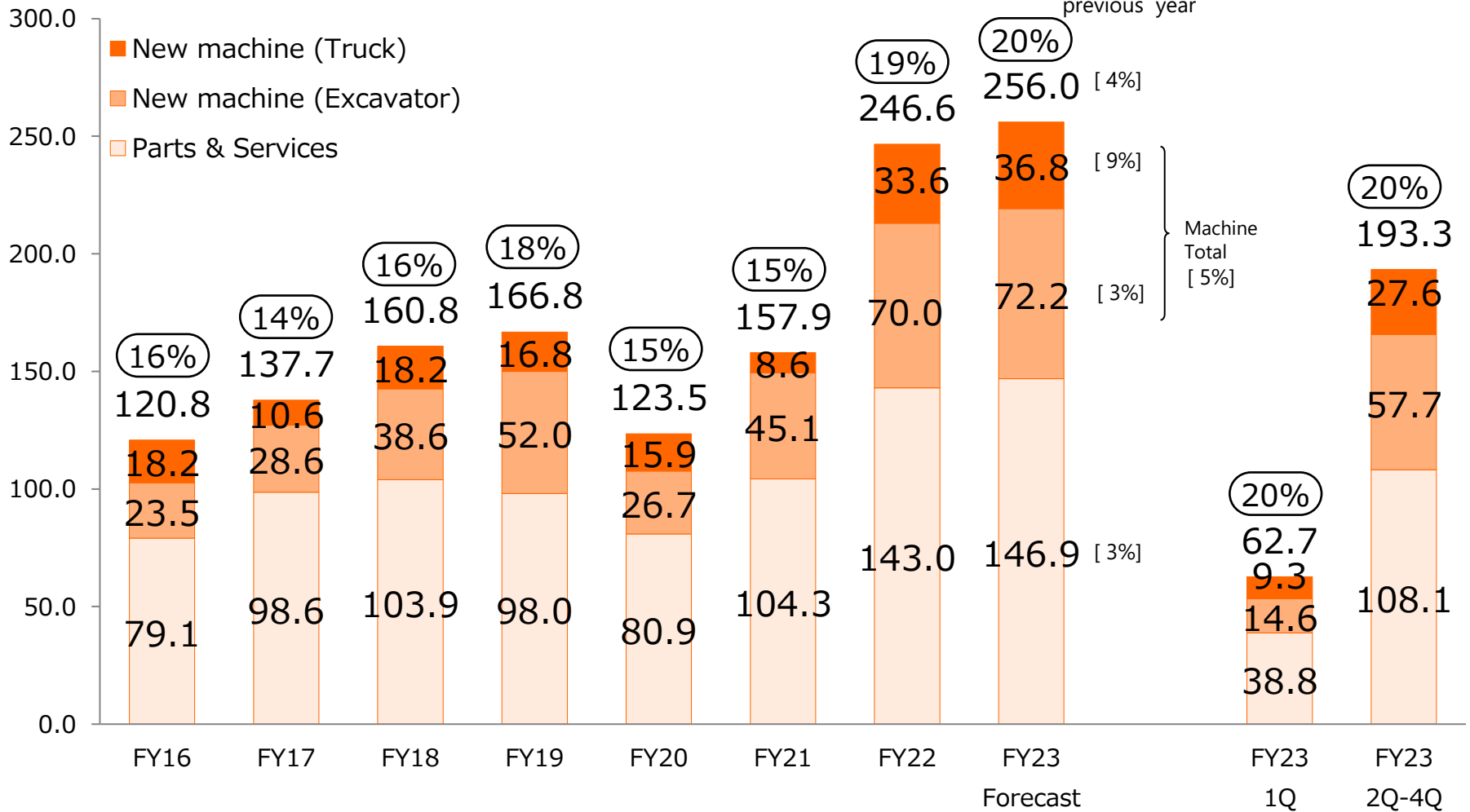
		FY2023 Forecast		FY2022 Actual		change	
						amount	%
Japan		229.6	18%	224.0	18%	5.7	3%
Asia		126.3	10%	122.7	10%	3.6	3%
India		66.9	5%	73.1	6%	-6.2	-8%
Oceania		220.0	17%	225.4	18%	-5.4	-2%
Europe		158.6	12%	164.9	13%	-6.2	-4%
America	N. America	309.3	24%	274.1	21%	35.1	13%
	L. America	32.8	3%	38.3	3%	-5.5	-14%
		342.1	26%	312.5	24%	29.6	9%
(Developing own business)		(211.2)	(16%)	(182.0)	(14%)	(29.2)	(16%)
Russia-CIS		30.4	2%	37.4	3%	-6.9	-19%
M. East		27.9	2%	25.0	2%	2.9	12%
Africa		66.0	5%	54.7	4%	11.3	21%
China		32.2	2%	40.0	3%	-7.8	-20%
Total		1,300.0	100%	1,279.5	100%	20.5	2%
Overseas ratio		82%		82%			

Mining revenue forecast

Revenue of mining in FY2023 is expected to increase by 4% to 256.0 billion yen y-y.

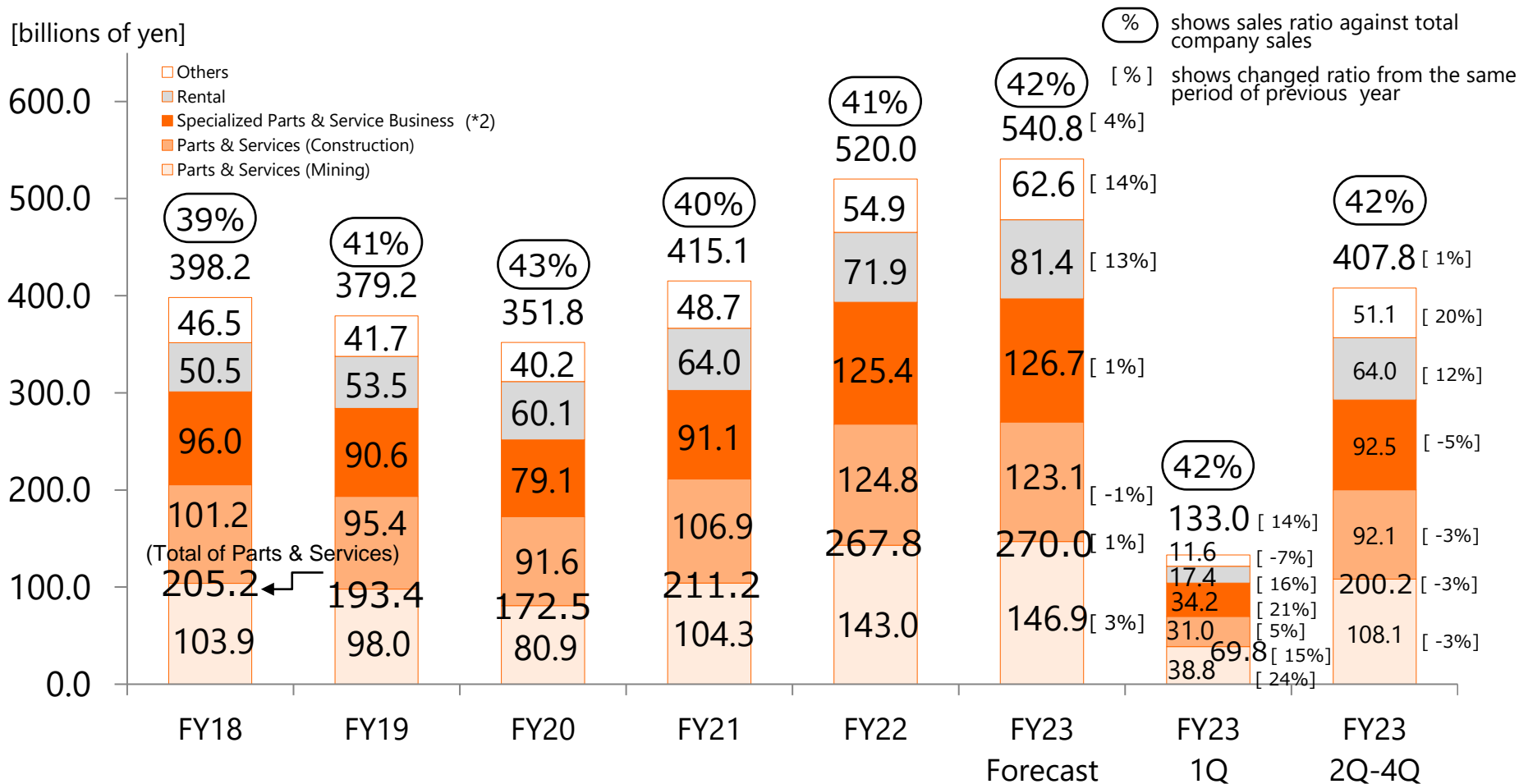
[billions of yen]

(%) shows sales ratio against total company sales
 [%] shows changed ratio from the same period of previous year



Value chain*1 revenue forecast

Revenue of the value chain in FY2023 is expected to increase by 4% to 540.8 billion yen y-y.

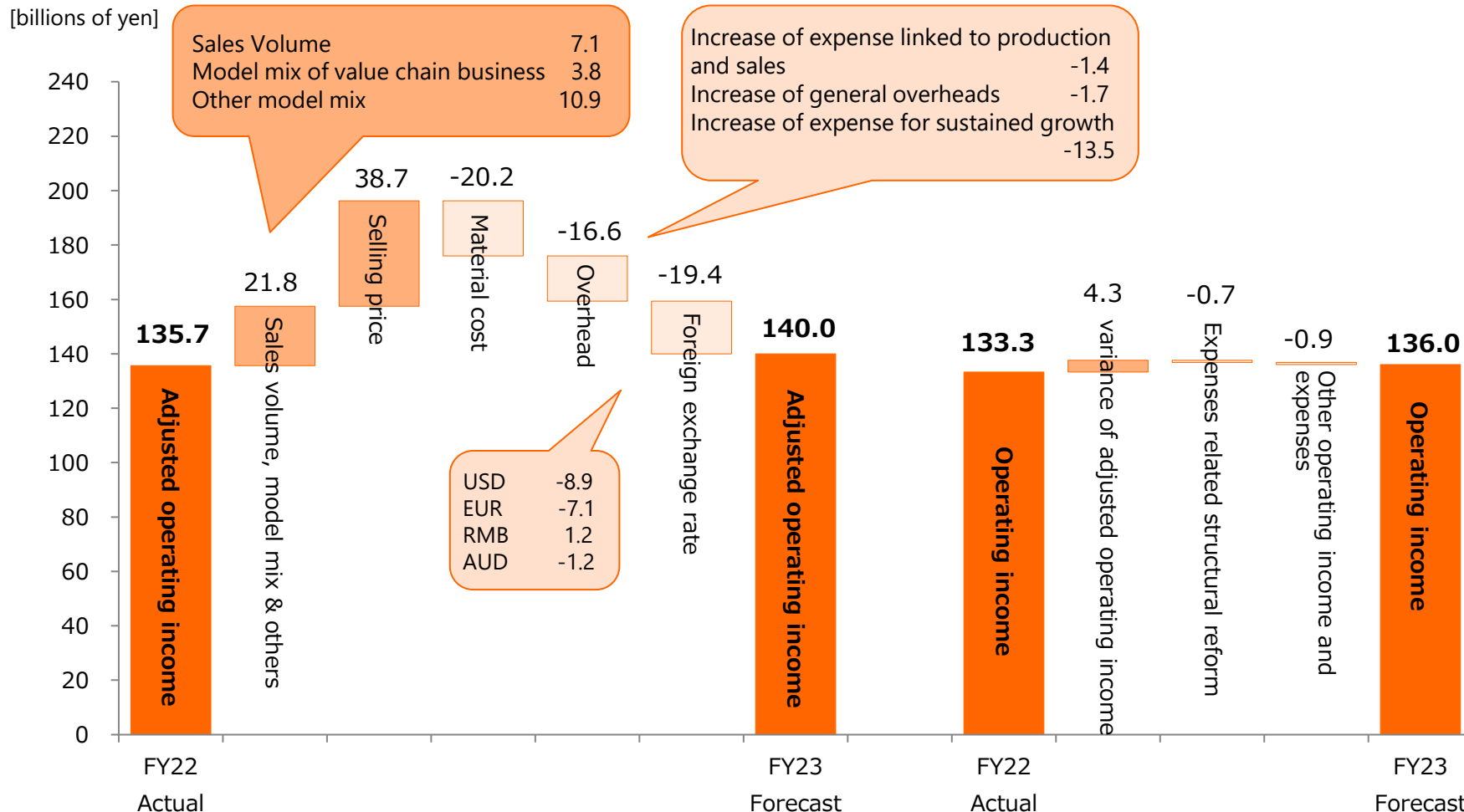


(*1) Value chain: Total of Parts & services, Specialized parts & service business, Rental etc. other than new machine sales.

(*2) Specialized parts & service 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

Adjusted operating income increased by 4.3 billion yen y-y due to an increase in sales volume and model mix and selling price increase although there is an increase in overhead costs and material costs and appreciation of the yen.



Appendix 1: FX rate and FX sensitivity

The forecast exchange rate of major currencies for FY2023 is unchanged from the previous announcement.

FX rate and FX sensitivity

[billions of yen]

Currency	FX rate				FX sensitivity (2Q-4Q)		
	FY23			FY22 Actual	Condition	Revenue	Adjusted operating income
	1Q Actual	2Q-4Q Forecast	Total Forecast				
USD	137.4	130.0	131.7	135.4	Impact by 1 yen depreciation	2.6	1.9
EUR	149.5	130.0	133.8	141.0	Impact by 1 yen depreciation	0.9	0.7
RMB	19.6	18.1	18.4	19.7	Impact by 0.1 yen depreciation	0.2	-0.1
AUD	91.8	84.0	86.1	92.7	Impact by 1 yen depreciation	1.9	0.3

Appendix 2: Detail of mining revenue

[billions of yen]

		FY23 Forecast			FY22 Actual			Change		
		1Q	2-4Q	Year	1Q	2-4Q	Year	1Q	2-4Q	Year
America	Excavator	7.9	26.6	34.5	5.8	26.9	32.7	2.1	-0.3	1.8
	Dump Truck	2.4	6.1	8.5	0.9	3.2	4.1	1.5	2.8	4.4
	Total	10.3	32.7	43.0	6.7	30.2	36.8	3.7	2.5	6.2
Europe, Africa and Middle East	Excavator	7.3	29.9	37.3	8.0	27.7	35.7	-0.7	2.2	1.6
	Dump Truck	5.1	21.8	26.9	4.7	22.3	27.0	0.4	-0.5	-0.1
	Total	12.5	51.8	64.2	12.7	50.1	62.7	-0.2	1.7	1.5
Asia & Oceania	Excavator	25.9	76.6	102.4	18.3	79.6	97.8	7.6	-3.0	4.6
	Dump Truck	13.4	29.1	42.5	9.3	37.5	46.8	4.1	-8.5	-4.3
	Total	39.3	105.7	144.9	27.5	117.1	144.6	11.7	-11.4	0.3
China	Excavator	0.3	1.4	1.6	0.2	1.1	1.3	0.1	0.3	0.4
	Dump Truck	0.0	0.0	0.0	0.0	0.1	0.1	0.0	-0.1	-0.1
	Total	0.3	1.4	1.6	0.2	1.2	1.4	0.1	0.2	0.3
Japan	Excavator	0.3	1.5	1.8	0.4	0.6	1.0	-0.1	0.9	0.8
	Dump Truck	0.0	0.4	0.4	0.0	0.0	0.0	0.0	0.4	0.4
	Total	0.3	1.9	2.2	0.4	0.6	1.1	-0.1	1.2	1.1
Total	Excavator	41.7	136.0	177.7	32.6	135.9	168.5	9.1	0.1	9.2
	Dump Truck	20.9	57.4	78.3	14.8	63.2	78.1	6.1	-5.9	0.2
	Total	62.7	193.3	256.0	47.5	199.1	246.6	15.2	-5.8	9.4

Appendix 3: Segment information

The amortizations of PPA are included in the adjusted operating income of the specialized parts & service business. The amount of 0.3 billion yen is included in FY2023 1Q, and the amount of 1.1 billion yen is included in the forecast for FY2023.

[billions of yen]

FY2023 1Q Actual	Reportable segment				Adjustments*2	Total
	Construction Machinery Business		Specialized Parts & Service Business*1			
Revenue	285.8		35.5		-1.3	320.0
Adjusted operating income	11.8%	33.9	10.6%	3.8	-	11.8% 37.6

[billions of yen]

FY2023 Forecast	Reportable segment				Adjustments*2	Total
	Construction Machinery Business		Specialized Parts & Service Business*1			
Revenue	1,173.3		128.0		-1.3	1,300.0
Adjusted operating income	10.7%	125.8	11.1%	14.2	-	10.8% 140.0

*1 In the FY2023, the business segment "Solution Business" was renamed "Specialized Parts & Service Business".

The change to this reportable segment name does not have an effect on the segment information.

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

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



SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD

Cautionary Statement

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

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

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July 27, 2023