

Corporate Vision FY2023-2Q

Public Relations & Investor Relations Dept.
Corporate Brand & Communications Group

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

1

Company Outline

2

Medium-term Management Plan BUILDING THE FUTURE 2025

3

Explanatory Meeting Material for Business Results for the Second Quarter ended September 30, 2023

Company Name	Hitachi Construction Machinery Co., Ltd. Stock Exchange Listings : Tokyo (#6305)
Major Operations	Manufacturing , sales and service of construction equipment, transportation equipment, and other machines and devices.
Established	1 October 1970
Capital	81.6 billion yen
Subsidiaries Affiliates	79 companies (Japan 7, Overseas 72) 23 companies (Japan 3, Overseas 20)
Number of Employees	Consolidated : 25,430 Non-Consolidated : 5,621

(As of March 31, 2023)



**Chairman and
Executive Officer, CEO
Kotaro Hirano**

**President and
Executive Officer, COO
Masafumi Senzaki**

- 1950** ● Developed cable-operated shovel and started the mass production of construction machinery.
- 1965** ● Developed the first hydraulic excavator in Japan made purely with domestic technologies.
- 1970** ● **Separated from Hitachi, Ltd.
Established Hitachi Construction Machinery Co., Ltd.** } **First Start-up**
- 1973** ● Launched the largest Japanese-made hydraulic excavator (at the time) equipped with a proprietary technology.
- 1988** ● Started a joint venture with Deere & Company in the Americas. Launched of wheel loaders.
- 2000** ● Launched the world's first hydraulic excavator equipped with satellite communication function.
- 2008** ● Launched one of the largest Japanese-made rigid dump trucks(at the time) which employed an AC drive system driven.
- 2013** ● Launched service solution ConSite
- 2016** ● Made H-E Parts International LLC(U.S.A.), a provider of comprehensive solutions for mining machinery, a consolidated subsidiary.
- 2017** ● Made Bradken Pty.Ltd. (Australia), a manufacturer of parts for mining machinery, a consolidated subsidiary.



2022
Mar

Started full-scale independent business development in the Americas

Dissolution of joint venture with Deere & Company

Aug

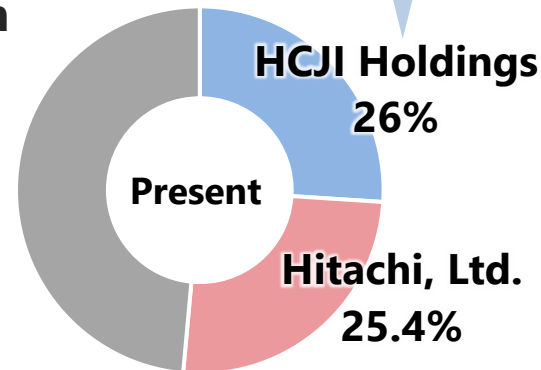
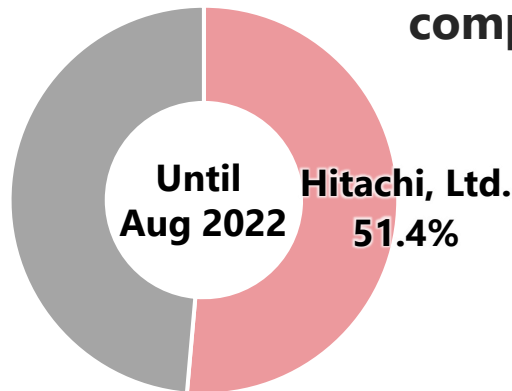
Independence from Hitachi Group

Approximately half of the Company's shares held by Hitachi, Ltd. are sold to Japan Industrial Partners and ITOCHU Corporation

Second Start-up

Independence from Hitachi Group

Change in shareholder composition



Japan Industrial Partners and ITOCHU Corporation to make a 50-50 investment

Details

- ✓ Continued use of Hitachi brand
- ✓ Continued collaboration with Hitachi Group in R&D and parts trading, including IoT
- ✓ Working with new partners in North America and various other areas

Construction / Mining Machinery

Compact



Construction



Mining



Value Chain Business

... Businesses other than new machinery sales

Parts & Services



Providing service solutions utilizing ConSite

Rental / Used Equipment



Providing quality rental and used equipment

Remanufacturing (Parts & machines)



Utilizing existing resources to meet customer needs

Specialized Parts & Service Business



Manufacturing and sale of consumable parts for mining machinery

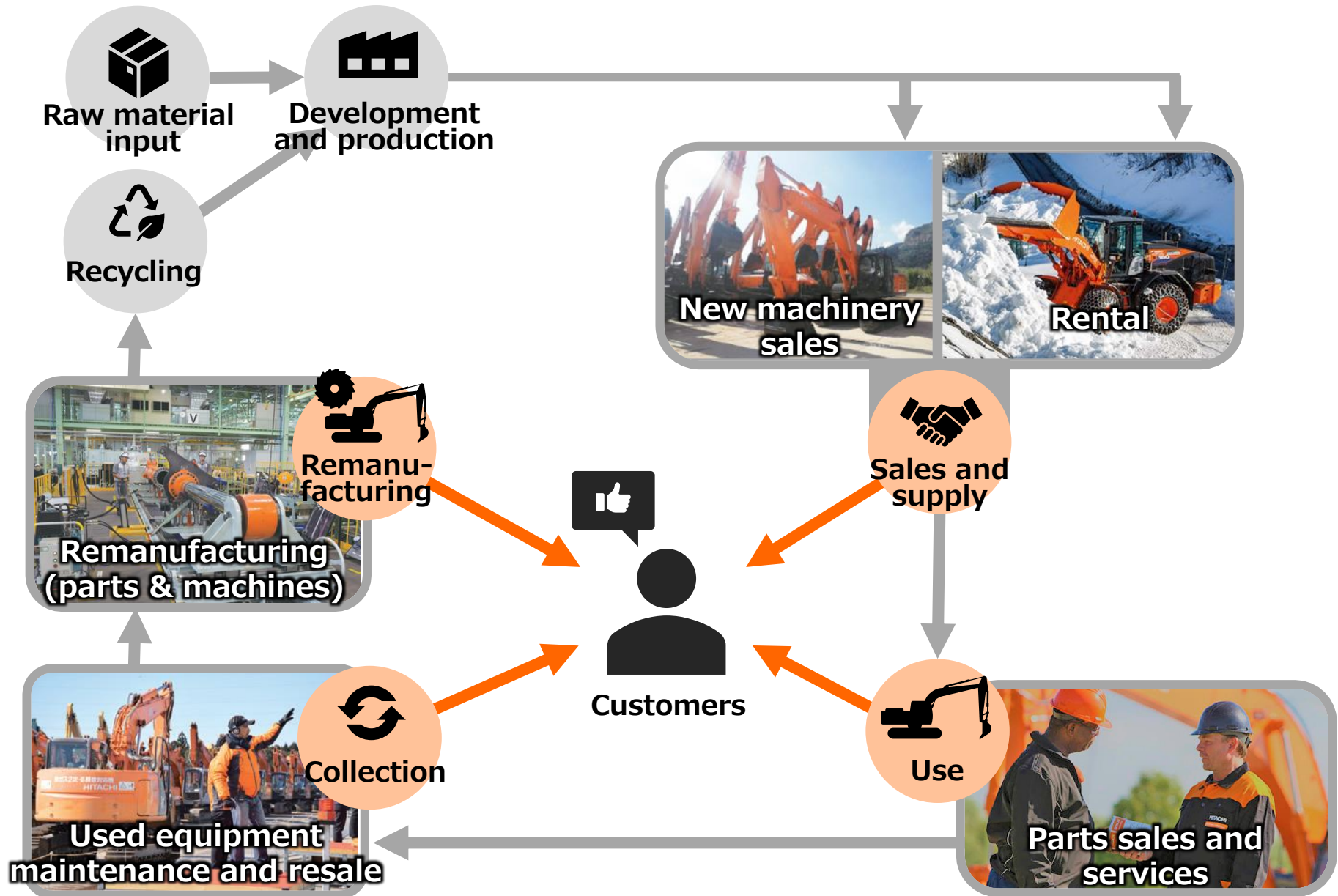


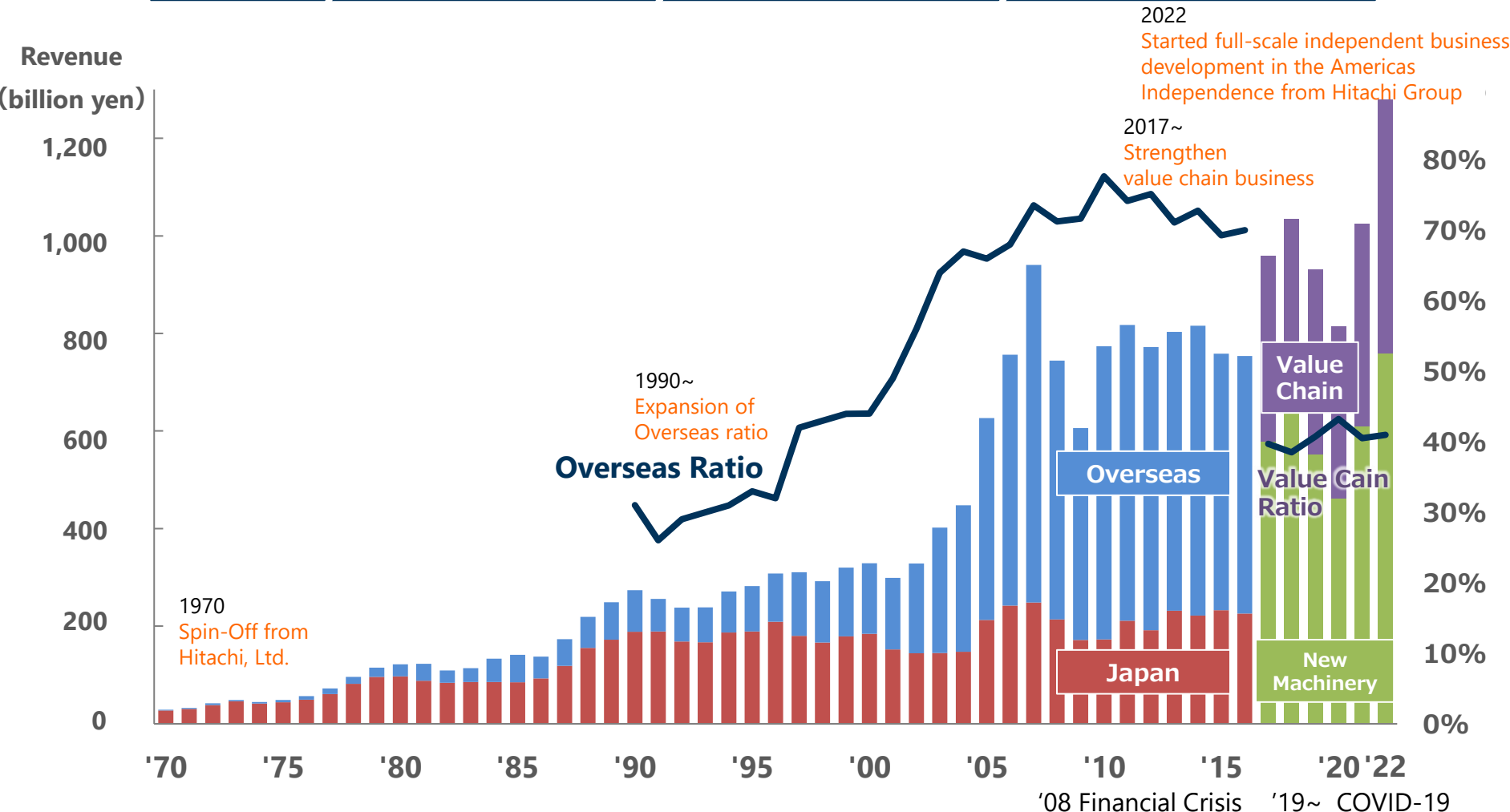
After-sales service business for mining machinery

Providing a "Value Chain" at various contacts with customers

HITACHI

Reliable Solutions

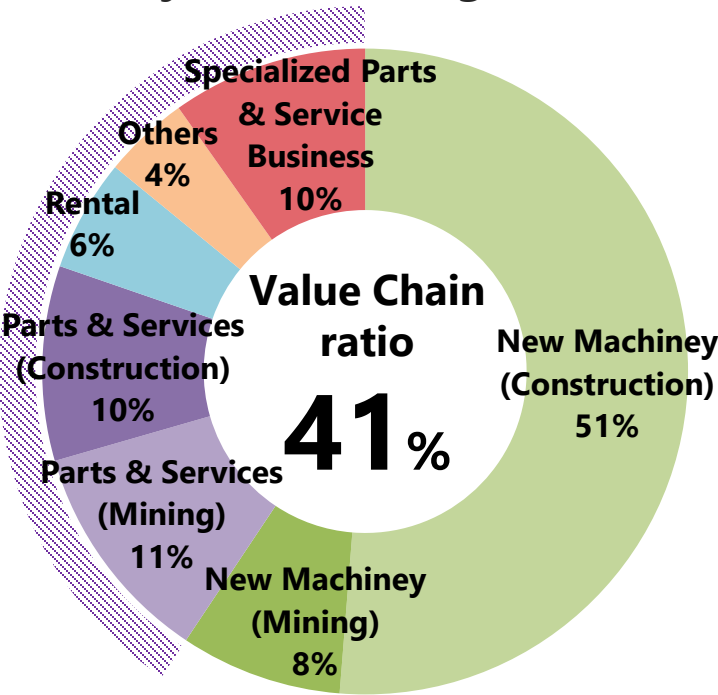




* Value chain: Businesses other than new machinery sales, such as parts and service, specialized parts & service business, rental, and used equipment

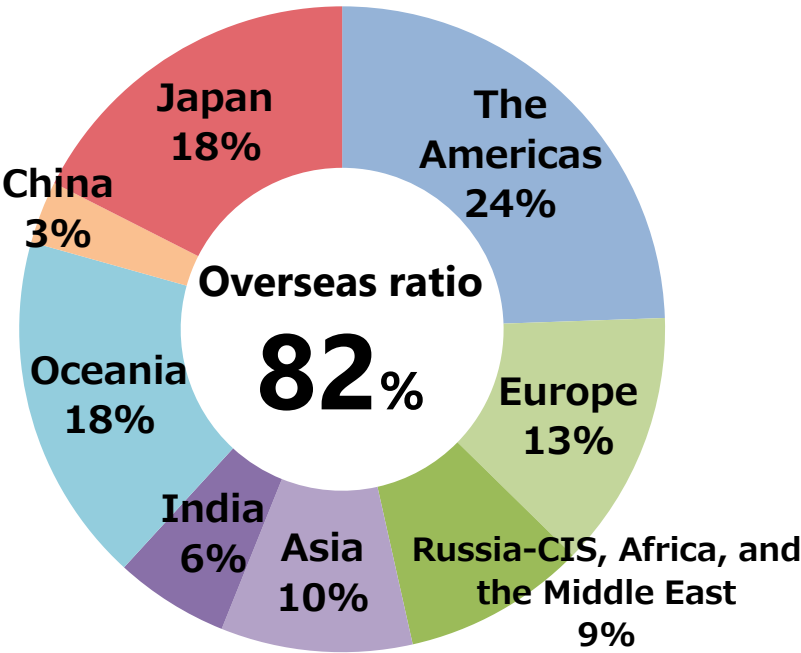
Revenue in FY2022: 1,279.5 billion yen

Revenue ratio
by Business Segment



 **Value Chain ratio**

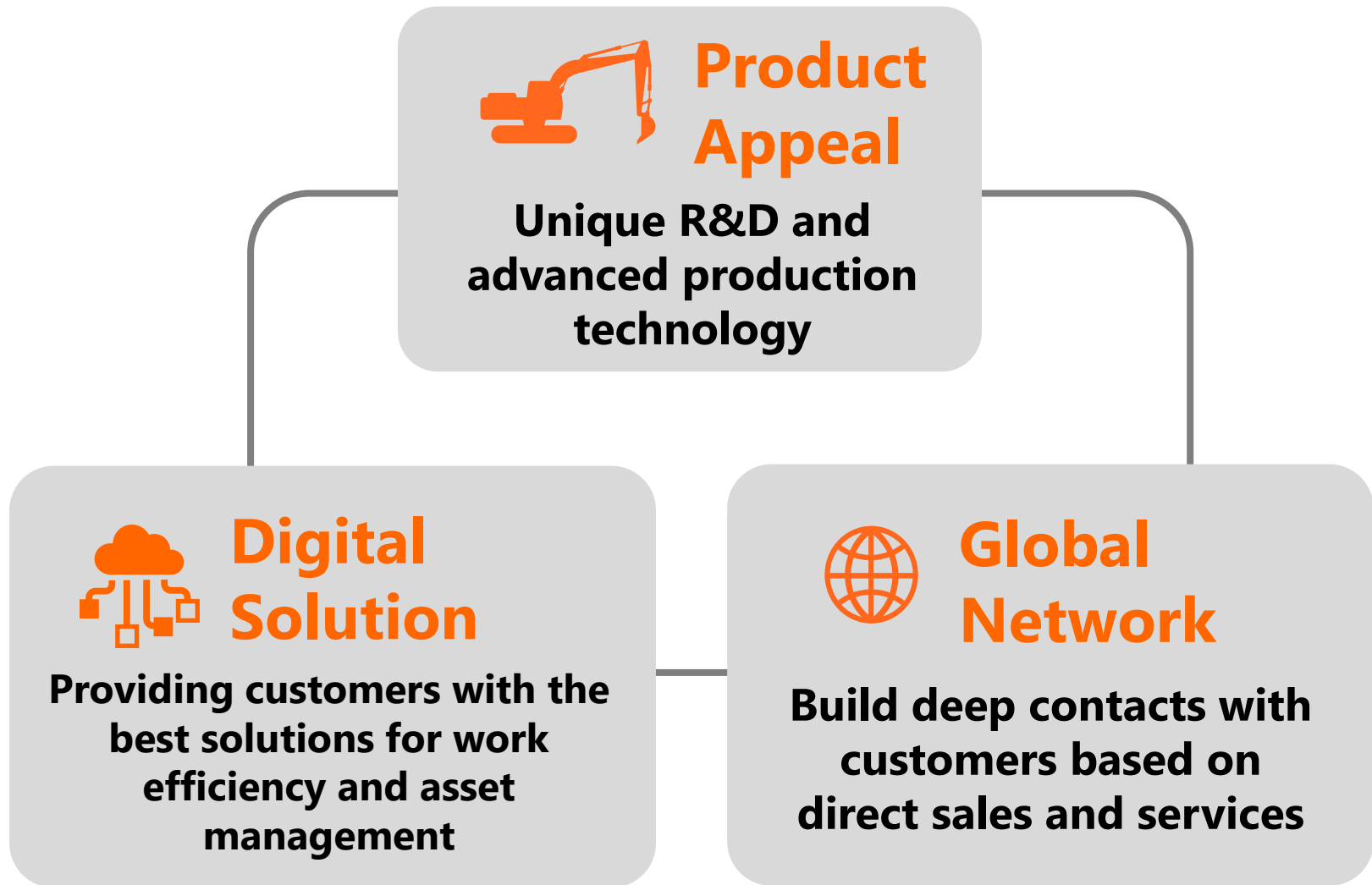
Revenue ratio
by Region



**Production Base****Sales & Service Office****R&D Base****Remanufacturing Base ***

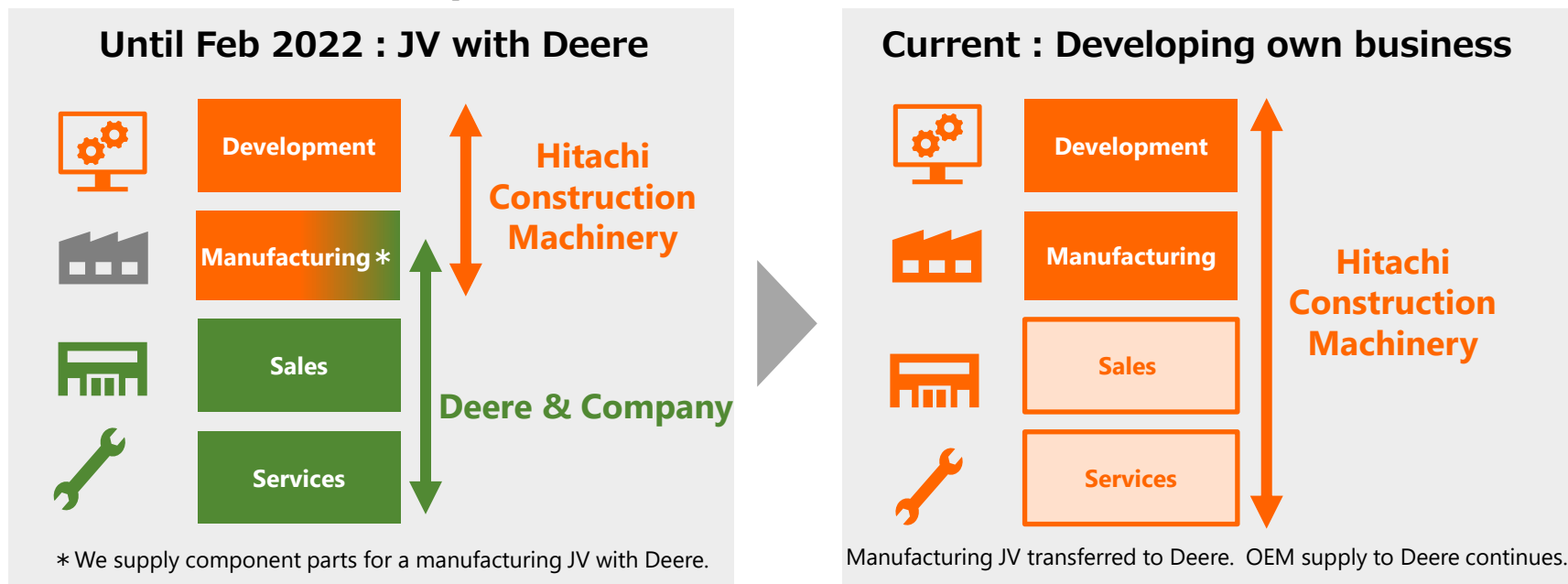
*Remanufacturing of parts and bodies





(Appendix-1) Reestablishment of the Americas' business

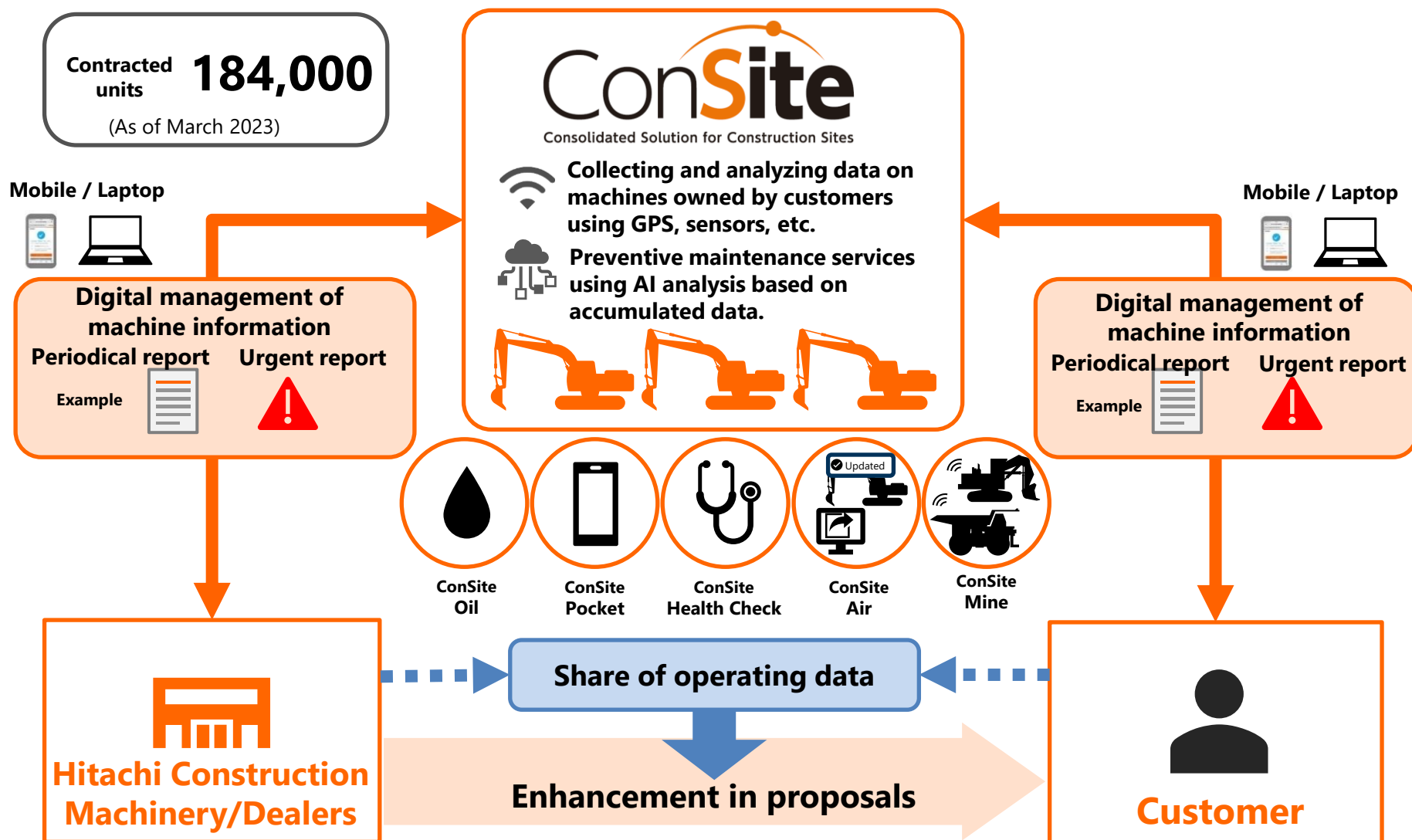
Dissolution of JV with Deere & Company, a major U.S. agricultural machinery manufacturer. Shifting to a business structure that integrates all processes from development to sales and services on its own



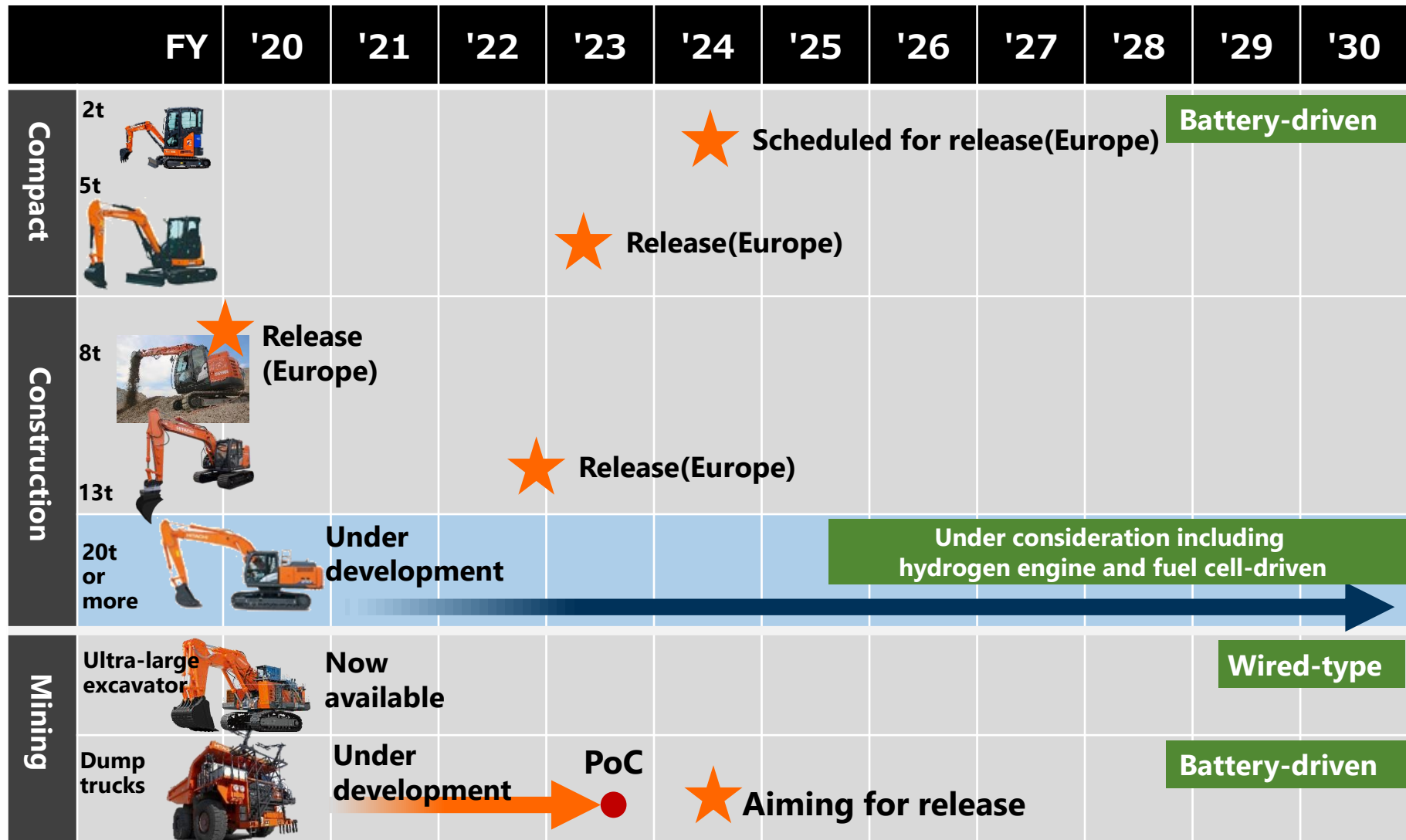
Expanding Opportunities through developing own business

- Introduce the latest machine equipped with the new hydraulic system and ConSite
- Full-scale development of the value chain business
- Strengthen the mining business, for which after-sales service is important.

Expanding revenue of parts and services by utilizing ConSite



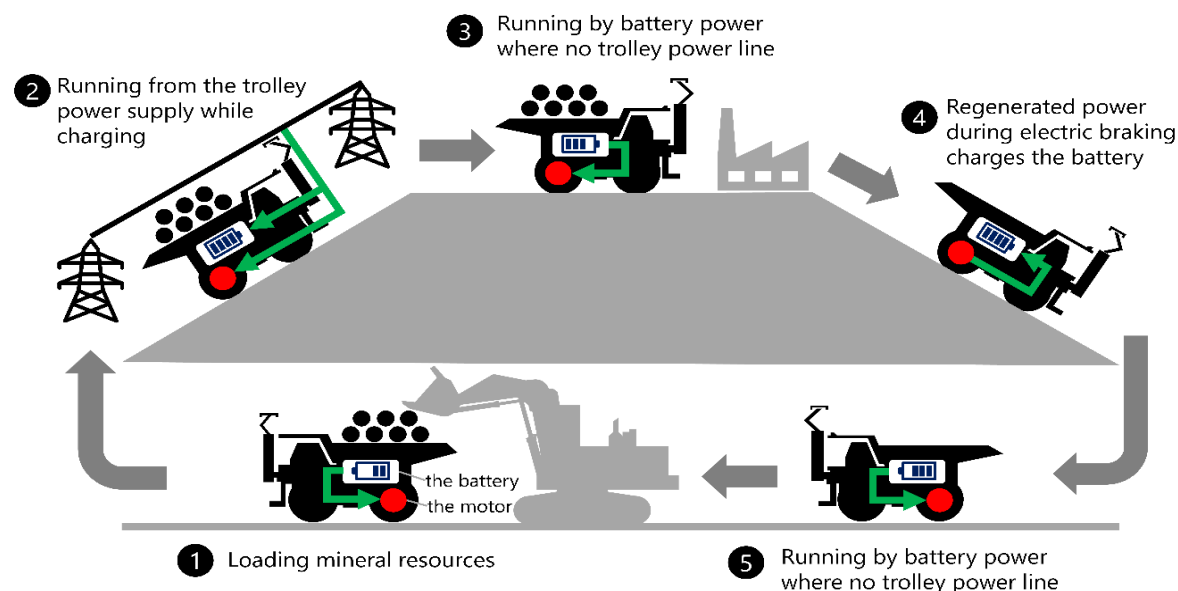
Expand lineup and accelerate development speed through open innovation



Beginning Joint Development of a Fully Electric Dump Truck with ABB

2023: Scheduled to begin PoC at customer's mine

2024: Aiming for launch



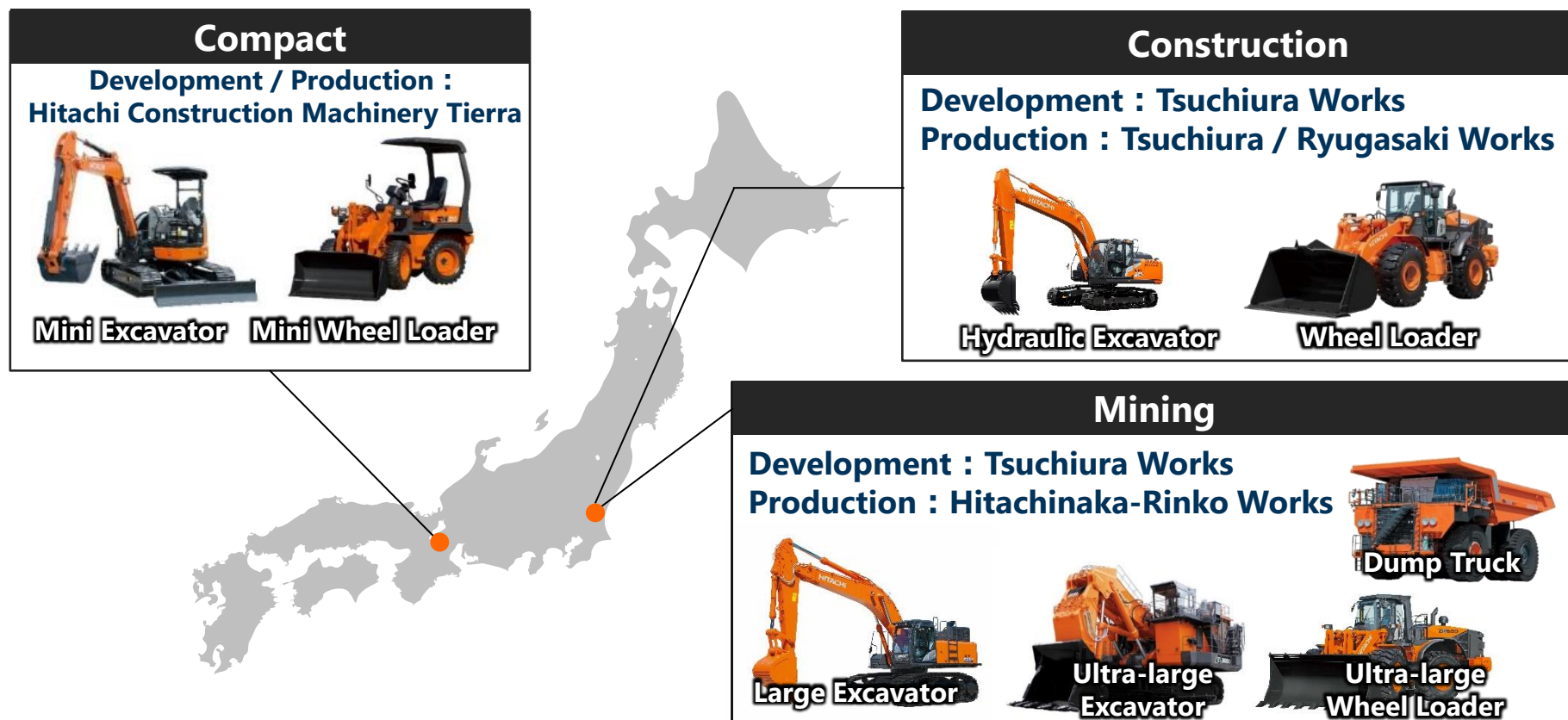
Rigid dump truck model with trolley



Digital Mining promoted by ABB

Phased reorganization of development and production bases starting in FY2018 Scheduled to be completed in FY2027

Major development and production bases of complete machinery after reorganization



Consolidation of development and production bases into three business areas

Shift to customer orientation and improvement of production efficiency

1 Company Outline

2 Medium-term Management Plan **BUILDING THE FUTURE 2025**

3 Explanatory Meeting Material for Business Results for the Second Quarter ended September 30, 2023

- 1. Business Environment**
- 2. Group Identity of Hitachi Construction Machinery**
- 3. Core Strategy of the Medium-term Management Plan**
 - 1) Delivering Innovative Solutions for Customer Needs**
 - 2) Enhancing Value Chain Business**
 - 3) Expanding Business in the Americas**
 - 4) Strengthening Human Capital and Corporate Capabilities**
- 4. Toward the Realization of a Sustainable Society**
 - 1) Initiatives toward Carbon Neutrality**
 - 2) Initiatives of the Circular Economy**
- 5. Targets of the Medium-term Management Plan**

Changes in the social, technological, and economic environment

- Aging and a shortage of workers in secondary industry
- Broadly defined software, shift to utilization value, and progress in digital technology
- Acceleration of economic transformation to realize a sustainable global environment
- Emergence of geopolitical risks

Changes in the competitive environment

- Accelerating development of decarbonization technologies including electrification in developed countries and mining markets
- Firm establishment of conversion of customer needs "from hardware products to solutions"
- Rise of Chinese manufacturers in emerging countries
- Competition or cooperation with other industries with digitization

Capital structure changes

- **Hitachi, Ltd.** — Collaborative creation with the Hitachi Group in various R&D fields to accelerate environmental responses and the circular economy
- **ITOCHU Corporation** — Acceleration of business expanding in North America and promotion of business
- **Japan Industrial Partners, Inc.** — Strengthening of the medium- to long-term management foundation and enhancement of corporate capabilities

Hitachi Construction Machinery is entering a new phase of growth with various changes

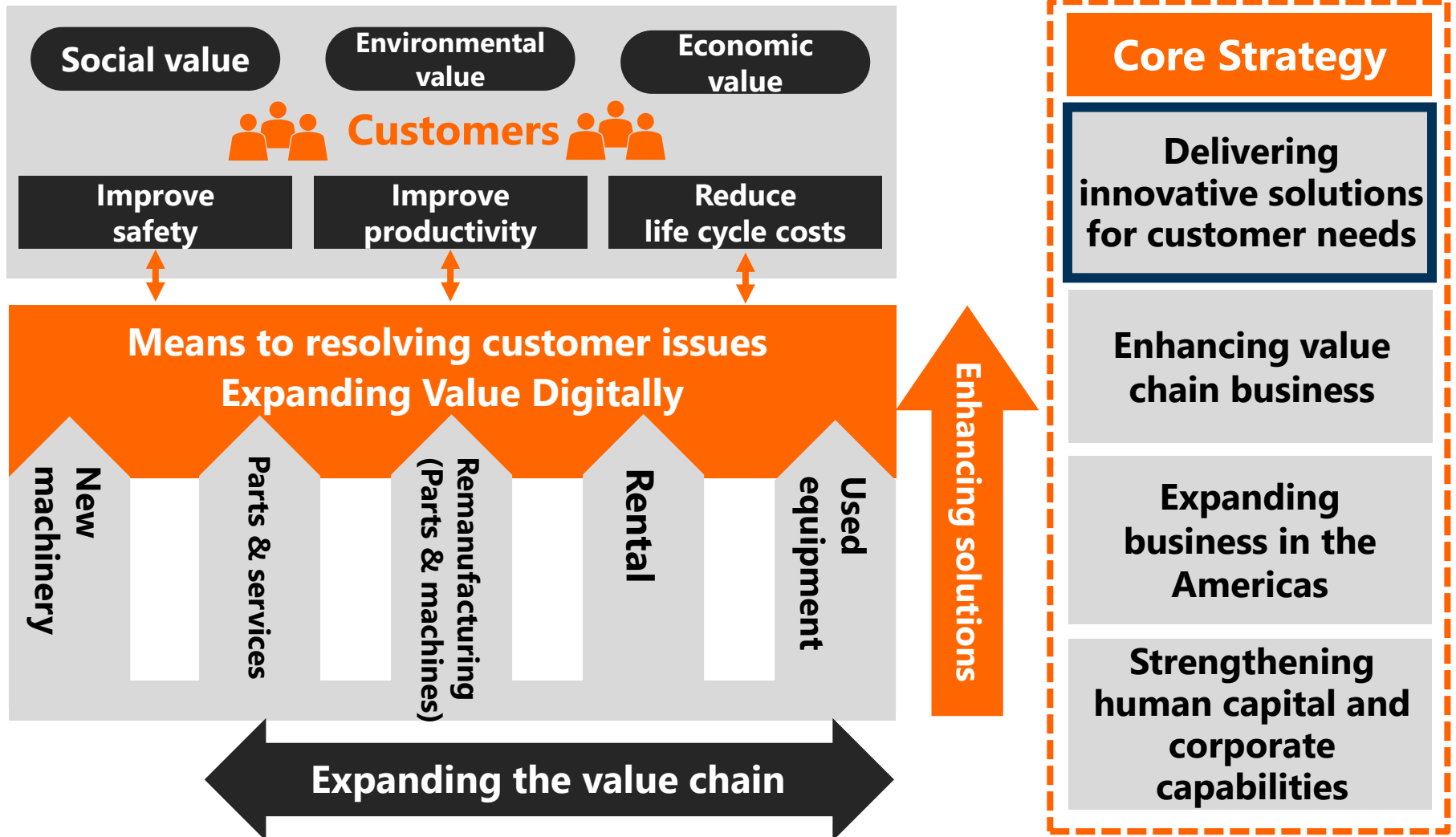
Formulating our own group identity in response to business environmental changes

Reliable Solutions We are a reliable solutions partner with/for our customers



3. Core Strategy of the Medium-term Management Plan

**Growing as a true solutions provider
by delivering innovative solutions**



3. 1) Delivering Innovative Solutions for Customer Needs Compact and Construction Business

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Reliable Solutions

**Customers' issues have never changed.
However, the solutions are getting more and more complicated.**

**Stable machine operations and
preventive maintenance**

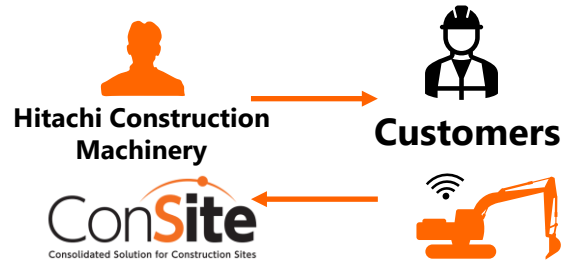
**Aging of operators and
a shortage of workers**

**Comprehensive efficiency of people
(operators), things (machines), and work
(construction) & environmental response**

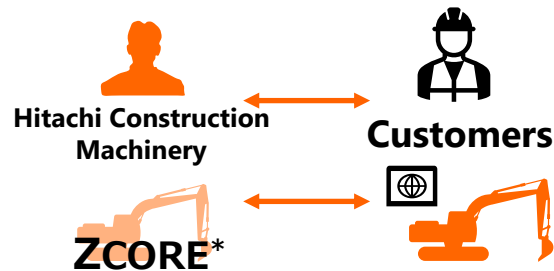
**Expansion of
Solution 1.0**

**Enhancement of
Solution 2.0**

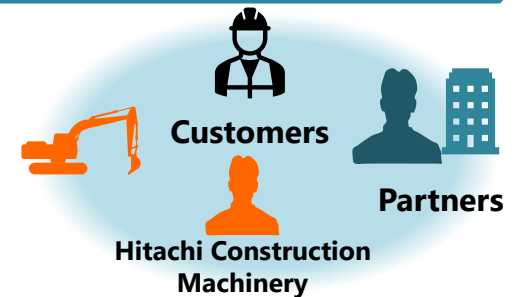
**Challenge to
Solution 3.0**



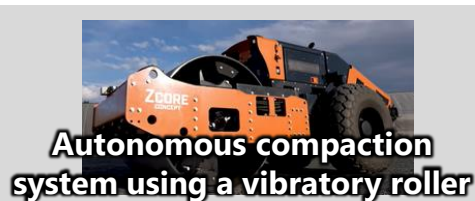
New ConSite applications



Cooperative safety and advanced
autonomous operation



Building an ecosystem through
collaborative creation with customers
and partners in other industries



**Delivering solutions for customer issues through product evolution,
various data collaboration and digital utilization**

*ZCORE: Machine control platform for digital and connected features

3. 1) Delivering Innovative Solutions for Customer Needs Mining Business

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Reliable Solutions

Visualization of the operation
and realization of optimal
procurement

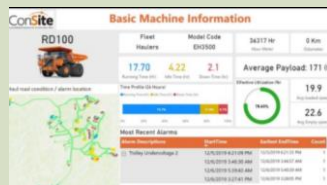
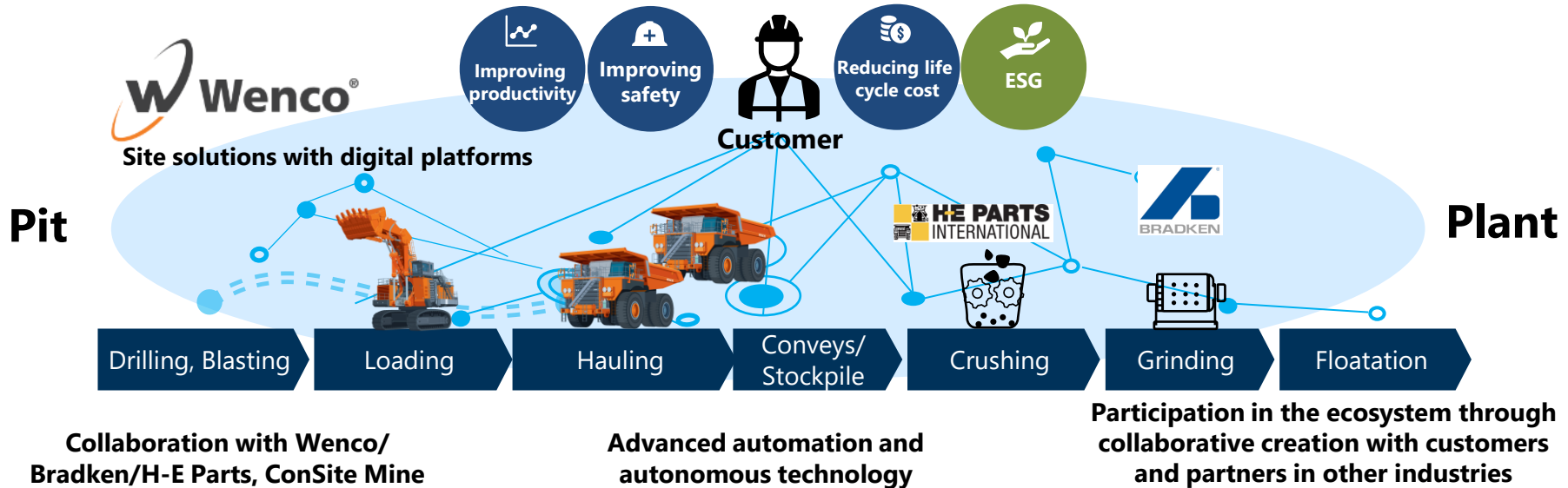
Further improvement of safety &
productivity and reduction of LCC* &
environmental impact

Maximization of social value and
corporate value by resolving
customer issues

Expansion of
Solution 1.0

Enhancement of
Solution 2.0

Challenge to
Solution 3.0



ConSite Mine



AHS



Remote/automatic
excavation (UES)



Trolley EV X
autonomous navigation

Delivering solutions for customer needs by data collaboration with a variety of touchpoints from pit to plant and product evolution using digital means

*LCC: Life cycle cost

3. 2) Enhancing Value Chain Business

Expanding value chain business by further strengthening our solutions and proposal capabilities to meet customer expectations

Parts and services business

- Proposing solutions for extension of machine service life, maximization of operating time, and improvement of working efficiency by utilizing ConSite to monitor every single machine in the world.
- Offering service parts with quality and price that meet customer needs by enhancement of the lineup
- Expansion of remanufacturing capacity and establishment of a global optimum production system
- Carrying out the machine remanufacturing business on a full scale

Mining business/ Cooperation with Bradken and H-E Parts

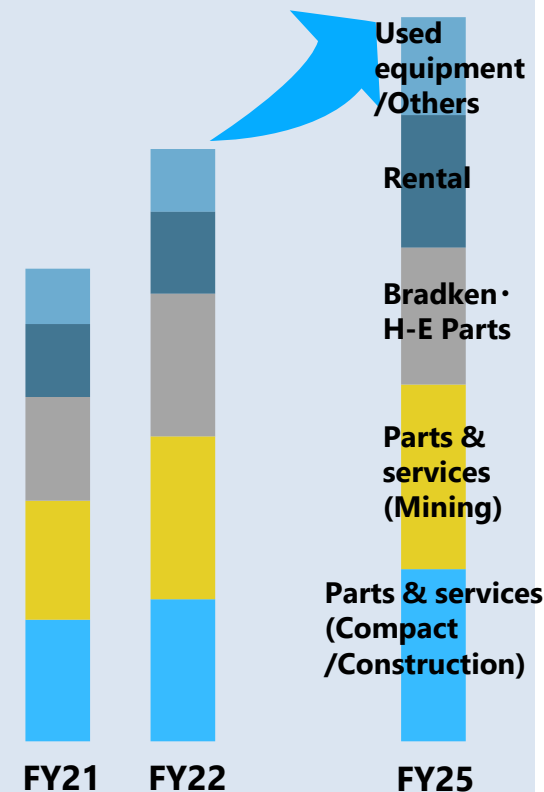
- Further strengthening of mining value chain business from pit to plant (consumable parts, etc.)
- Promoting a global expansion of high-profit businesses (remanufacturing business for mining machinery, consumable parts business in the mineral processing area, etc.)

Rental and used equipment business

- Expanding overseas rental business suit to different market environment
- Promoting sales strategies for high-value-added used equipment
- Increasing used equipment value by PREMIUM USED/ REFURBISHED USED

Planned revenue of value chain business

Value chain ratio
50% or more



3. 3) Expanding Business in the Americas

Expanding business and stabilizing revenue Contributing to global growth

Compact & construction business

- Establishing an own sales network in Central & South America
- Diversifying sales channels
- Enhancing finance business

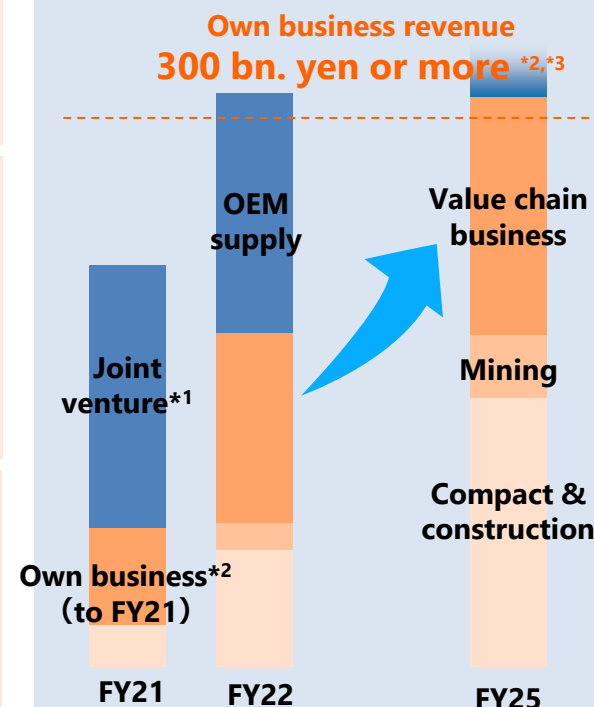
Mining business

- Expanding sales of ultra-large excavators for construction and quarry sites in addition to mining sites
- Enhancing support systems in South America
- Strengthening the dump truck support system

Value chain business

- Building an operational base for parts remanufacturing
- Expanding rental business
- Selling young, good-quality used equipment from Japan

Planned revenue in the Americas



*1: Joint venture business involves supplying components and completed products, and consigning sales and services to Deere & Co., and receiving profit share.

*2: Own business up to FY2021 consisted solely of the wheel loader business and what came from consolidated subsidiaries.

*3: The investment policy of the Americas business is to be up to 100 billion yen, evaluating where to invest heavily while looking at the business environment.

Strengthening our business structure globally, all the way from R&D to production, supply, sales, and services

Human capital · Organization · Culture

- Providing education and opportunities for human capital to play an active role globally
- Sophistication of global performance management through the business unit system
- A culture that accomplishes initiatives through the management system for the business plan

R&D system

- Global collaboration and strengthening of open innovation
- Transforming the corporate culture through agile development
- Responding to paradigm shifts in construction machinery

Revenue structure

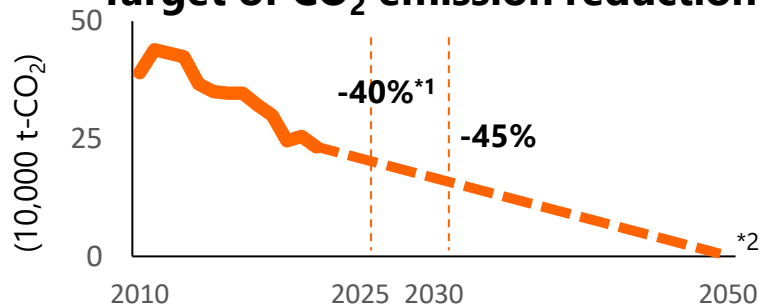
- Continuing to promote total cost reduction activities in all divisions through the business unit system
- Improving profitability by increasing production efficiency in domestic business restructuring
- Strengthening the global supply system for products and service parts
- Increasing efficiency by leveraging DX and deploying the rental and used equipment management system globally
- Strengthening indirect cost controls to respond quickly to market changes

4. 1) Initiatives toward Carbon Neutrality

Strengthening efforts to realize the 1.5°C scenario and achieving carbon neutrality by 2050

Production (Scope 1+2)

Target of CO₂ emission reduction



*1: Compared to FY2010

*2: Graph image is for illustrative purposes only; actual results through FY2022

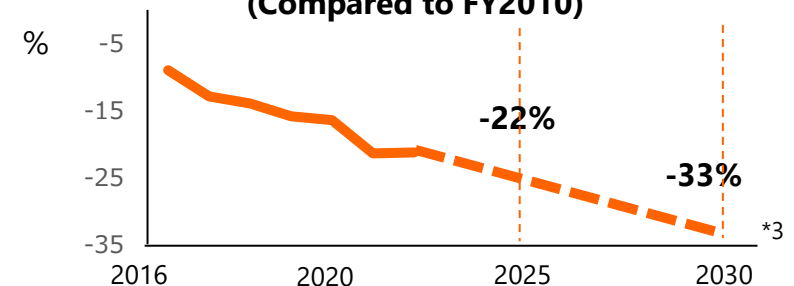
- Increasing productivity/ Introduction of energy-saving equipment
- Developing thorough energy-saving and CO₂ reduction activities
- Active use of renewable energy



Utilizing wind power and solar power

Products (Scope 3)

Target of CO₂ reduction ratio (Compared to FY2010)



*3: Graph image is for illustrative purposes only; actual results through FY2022

- Expansion of decarbonized products (such as electric construction machines)
- Providing ICT and IoT solutions
- Expansion of used equipment and remanufacturing businesses



Electrified products

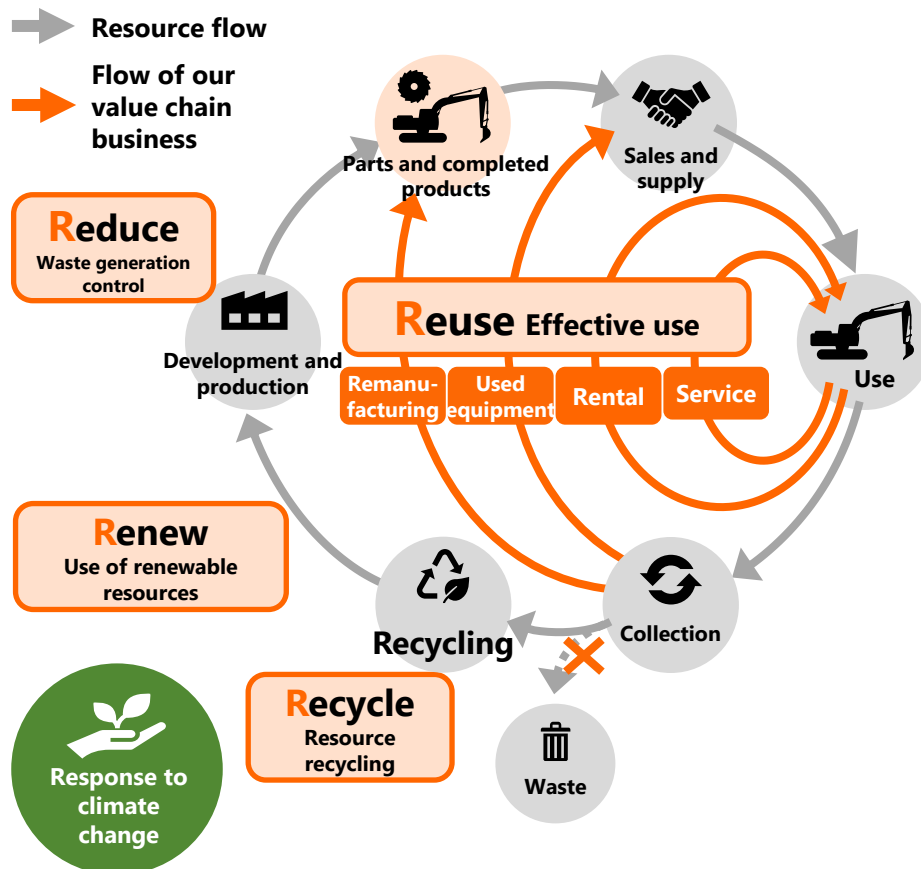


Remanufacturing business

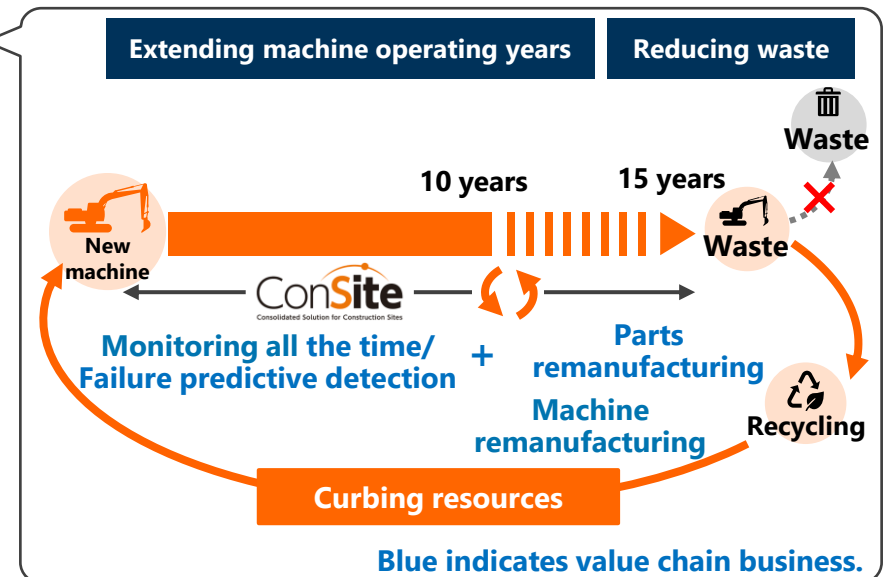
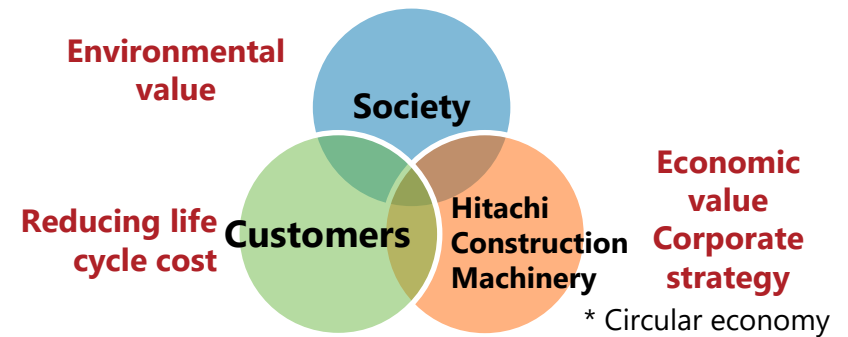
4. 2) Initiatives of the Circular Economy

Expanding value chain business to extend our product life cycle one and a half fold, and then maximizing customer value and minimizing resource consumption

Undertaking the 4Rs across the entire company



Significance of our initiatives for CE*



5. Targets of the Medium-term Management Plan

KPI			Medium-term Management Plan FY2025 targets	Reference FY2022 results
Growth	• Value chain ratio		50% or more	40.6%
	• Own business revenue in the Americas		300.0 billion yen or more	182.0 billion yen
	• R&D/Revenue ratio		3% or more	1.9%
Profitability	• Adjusted operating income ratio		13% or more	10.6%
	• EBITDA margin ^{*1}		18% or more	14.2%
Safety	• Net D/E ratio		0.40 or less	0.60
Efficiency	• Operating cash flow margin ^{*1}		10% or more	-2.0%
	• ROE		13% or more	11.0%
	• ROIC ^{*1*3}		9% or more	8.4%
Shareholder return ^{*2}	• Consolidated dividend payout ratio		Stable and continuous implementation with a consolidated dividend payout ratio of 30%-40% as a guide	33.3%
ESG	• Reducing environmental impact and CO ₂ (total)	Production (Scope 1+2)	-40% VS. FY2010	Scheduled to be published in “Integrated Report 2023”
		Product (Scope 3)	-22% VS. FY2010	
	• Diversity, equity & inclusion	• Localization ratio of GM or higher in overseas group companies ^{*1}	75%	72% ^{*4}
		• Ratio of managers by gender (consolidated) ^{*1}	Women 13% Men 15%	Women 10.4% ^{*5} Men 14.9%

*1: Newly established indicators in this medium-term management plan

*2: We aim to allocate one-third of operating cash flow to maintenance and strengthening investment, prior investment, and shareholder return & debt payment respectively, based on our fund allocation policy.

*3: The level of capital cost (WACC) to be compared in the ROIC target is recognized at about 7%.

*4: As of August 2022

*5: As of June 2022

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Explanatory Meeting Material for Business Results for the Second Quarter ended September 30, 2023

1. Regional Market Environments and Projections

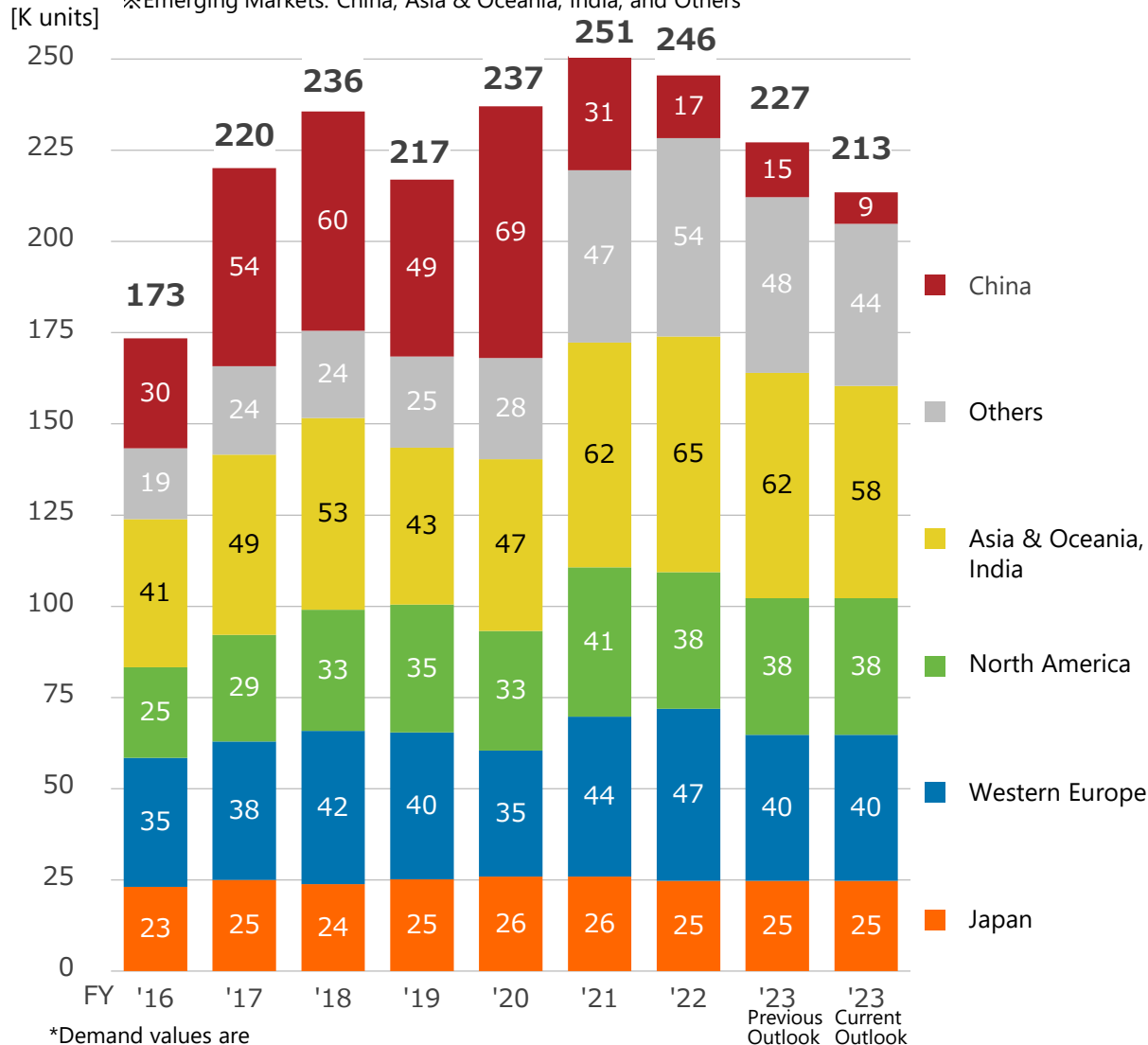
Global Demand Trend for Hydraulic Excavators

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Reliable Solutions

Emerging Markets ratio:
FY23 52% (y-y Change : -3%)

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



*Demand values are Hitachi Construction Machinery estimates

Year-on-Year Change by Region

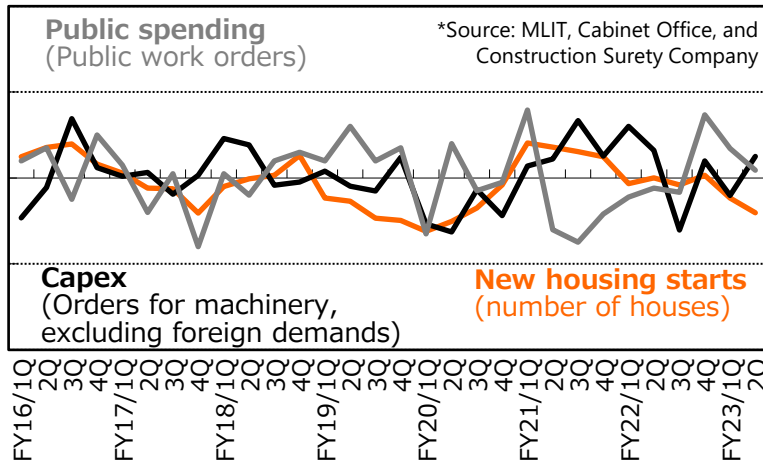
※Estimates by HCM, Excluding Chinese manufacturers
※Distributing, copying, or forwarding prohibited

	'22	'23
Total	-2%	-13%
China	-45%	-50%
Russia, CIS, E Europe	+2%	-20%
Africa	-9%	-17%
Middle East	+65%	-2%
Latin America	+18%	-27%
Others	+15%	-18%
Asia	-2%	-18%
India	+14%	±0%
Oceania	+9%	-3%
Asia & Oceania, India	+5%	-10%
N America	-8%	±0%
W Europe	+7%	-15%
Japan	-4%	±0%

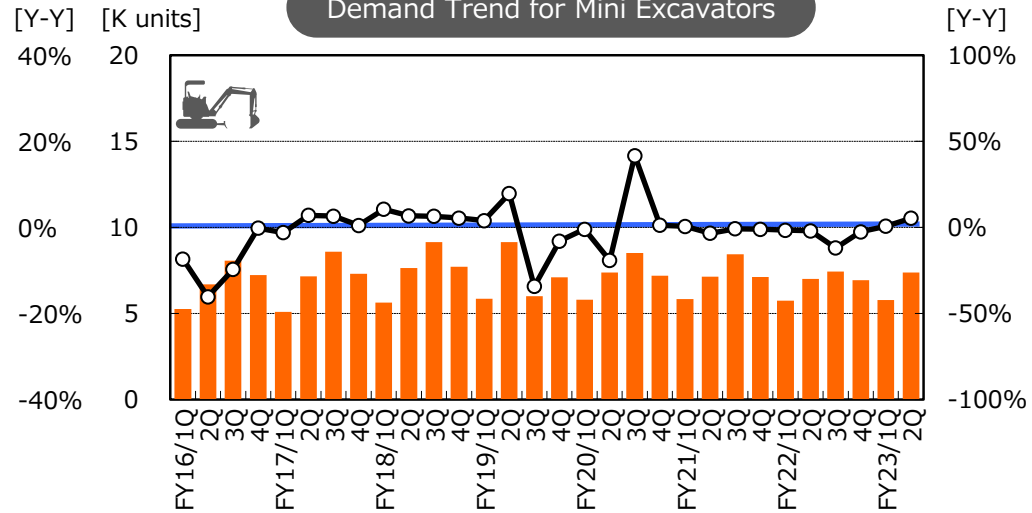
Japan: Second Quarter (Jul to Sep 2023)

- New housing starts decreased & Public spending and Capex increased.
- Demand for Hydraulic excavators decreased:
Hydraulic Excavators -3%, Mini Excavators +5%, Wheel Loaders +18% y-y.

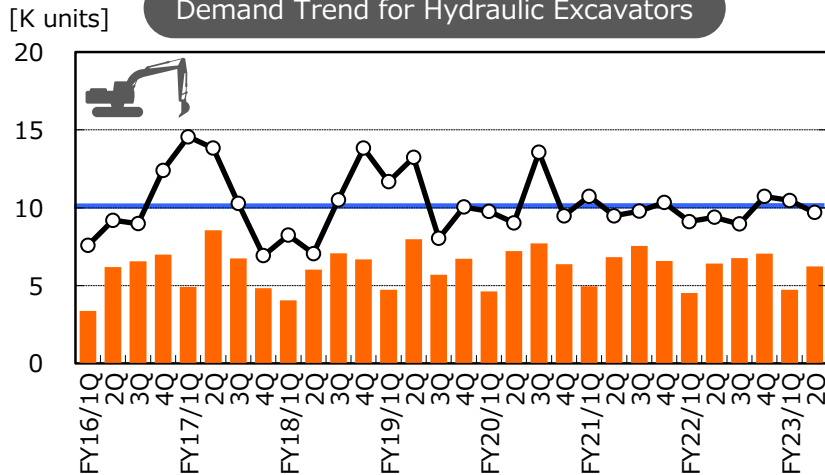
Market Environment Housing, Capex, Public Spending



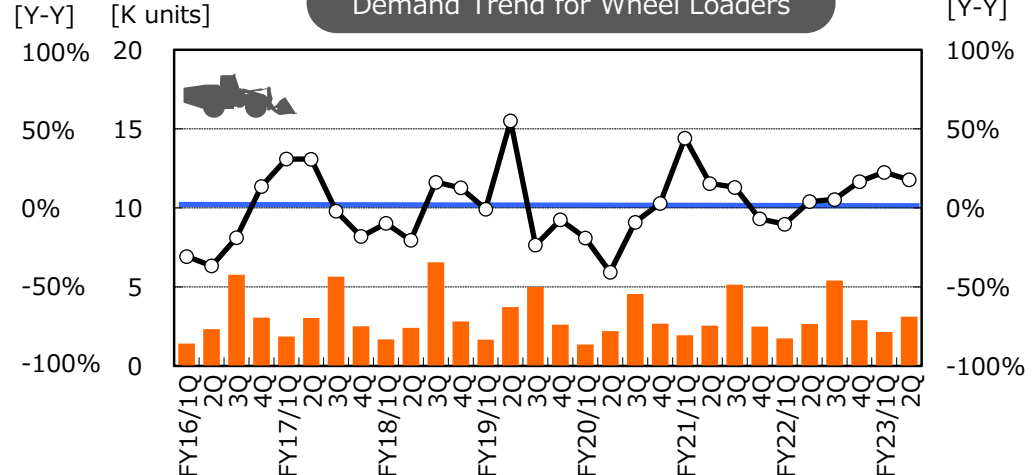
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



Demand Trend for Wheel Loaders

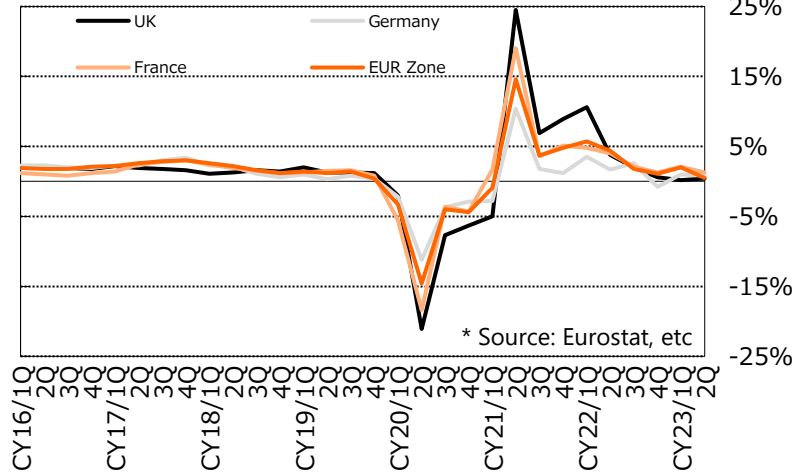


*Demand values are Hitachi Construction Machinery estimates

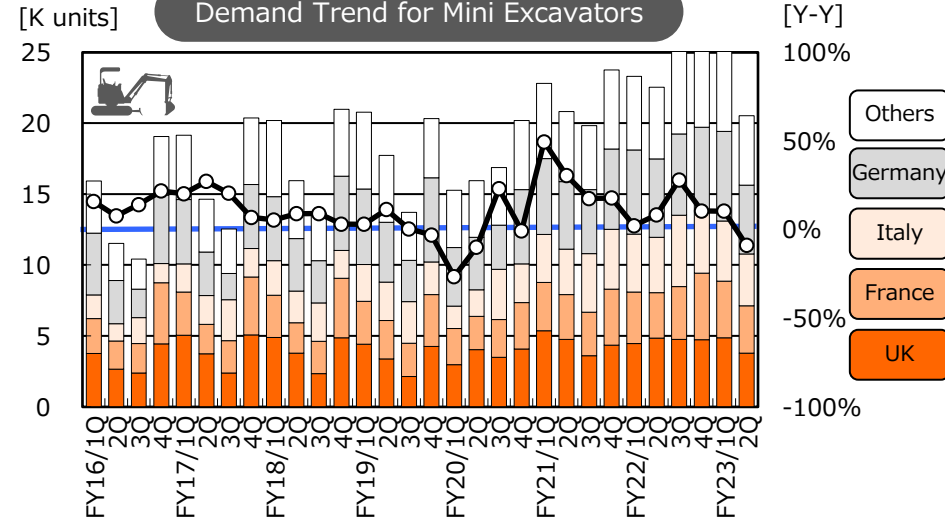
Europe: Second Quarter (Jul to Sep 2023)

- GDP growth rate in CY23 2Q slowed.
- Demand for Hydraulic excavators decreased:
Hydraulic Excavators -12%, Mini Excavators -9%, Wheel Loaders -9% y-y.

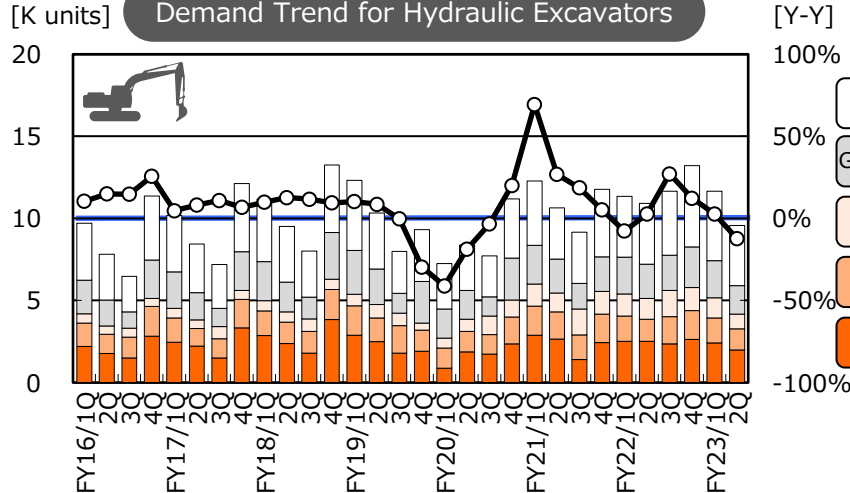
GDP Growth Rate in Major Countries



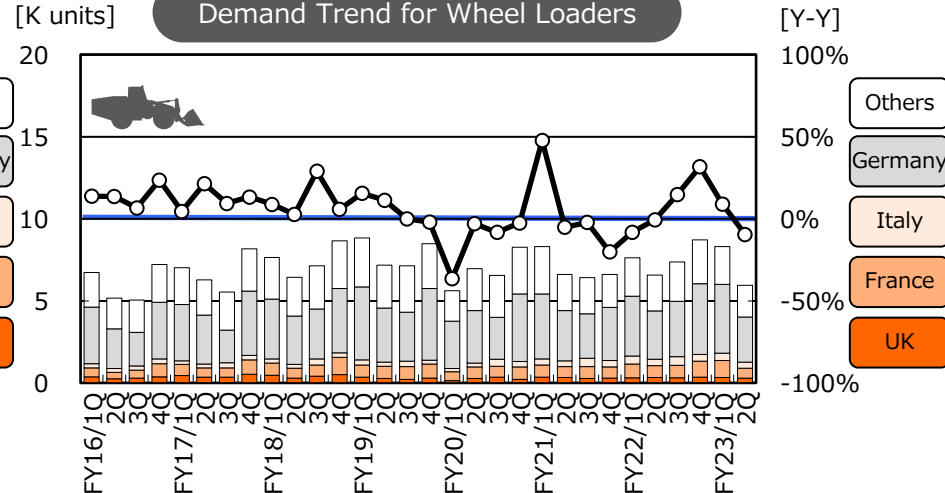
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



Demand Trend for Wheel Loaders

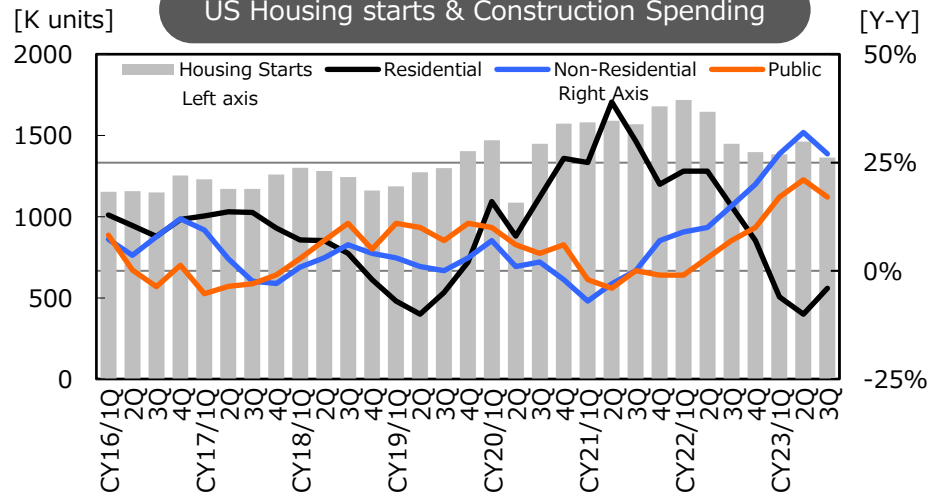


*Demand values are
Hitachi Construction Machinery estimates

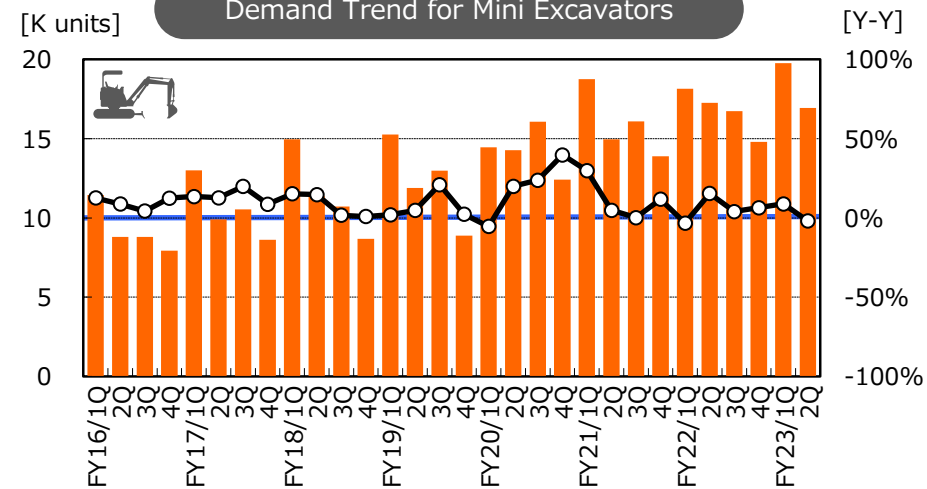
North America: Second Quarter (Jul to Sep 2023)

- Housing Starts decreased. Non-residential and public works significantly increased.
- Demand for Hydraulic excavators slightly increased:
Hydraulic Excavators +2%, Mini Excavators -2%, Wheel Loaders -4% y-y.

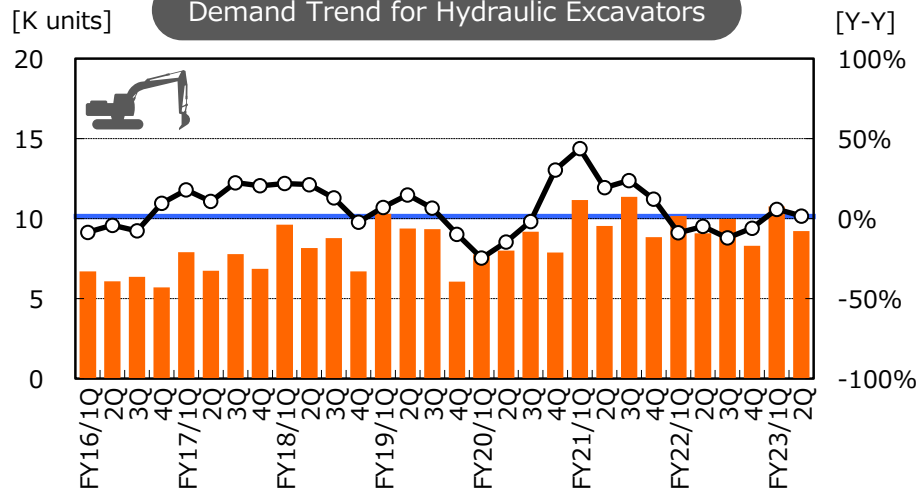
US Housing starts & Construction Spending



Demand Trend for Mini Excavators

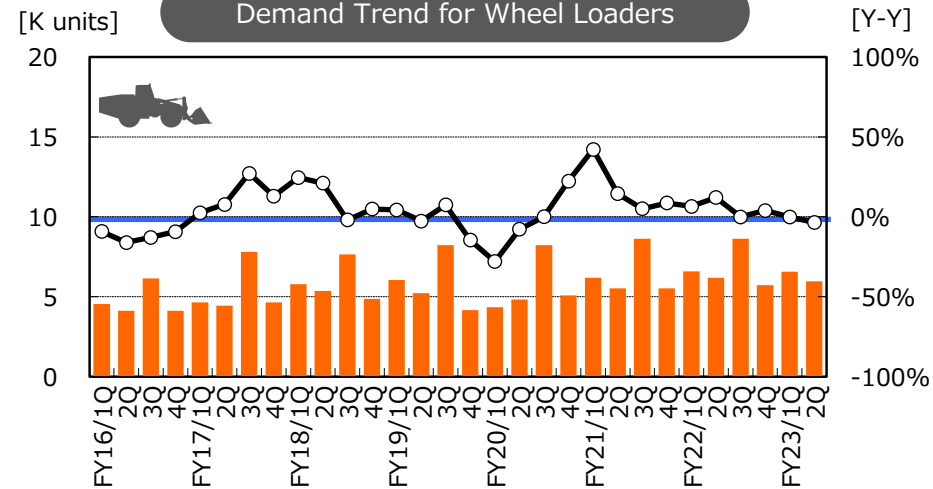


Demand Trend for Hydraulic Excavators



*Demand values are
Hitachi Construction Machinery estimates

Demand Trend for Wheel Loaders



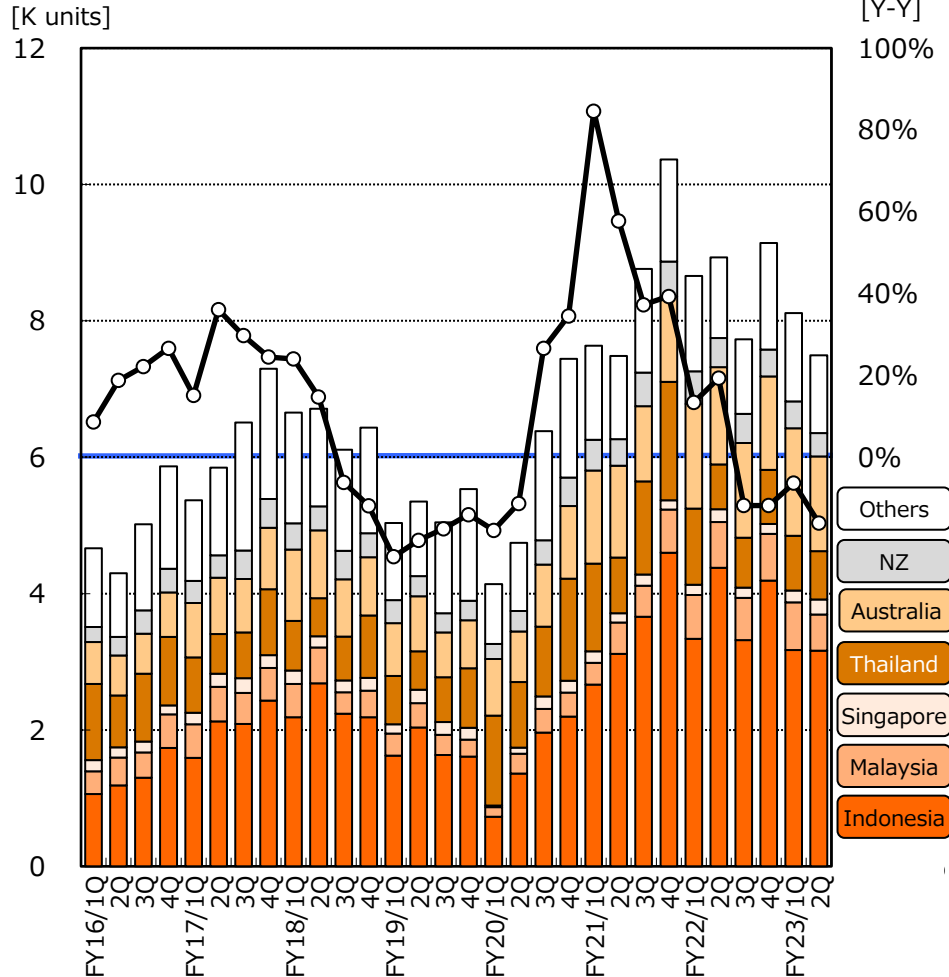
Asia Pacific & China: Second Quarter (Jul to Sep 2023)

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Reliable Solutions

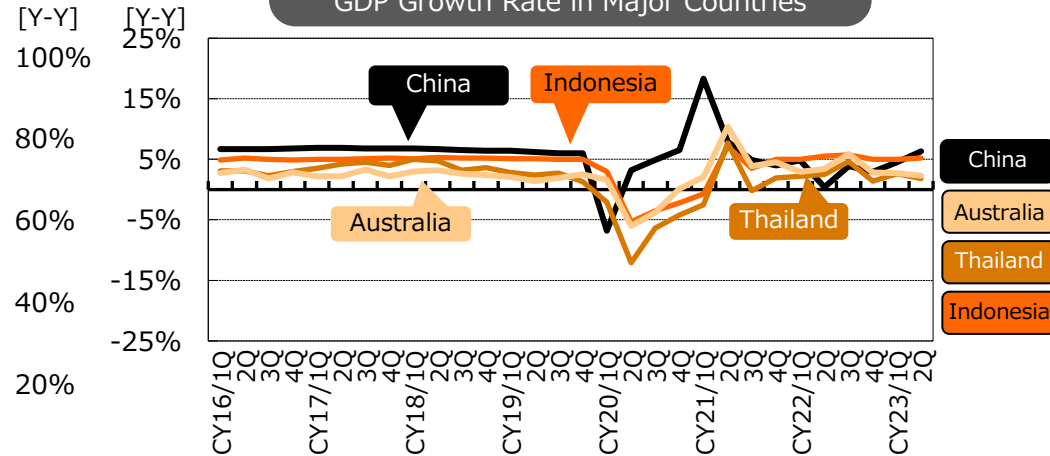
- Demand for Hydraulic excavators in the Asia & Oceania region decreased -16% y-y.
- Demand for Hydraulic excavators in China decreased -41% y-y. (Domestic :-39%, Foreign :-48%)

Demand Trend for Hydraulic Excavators in Asia & Oceania



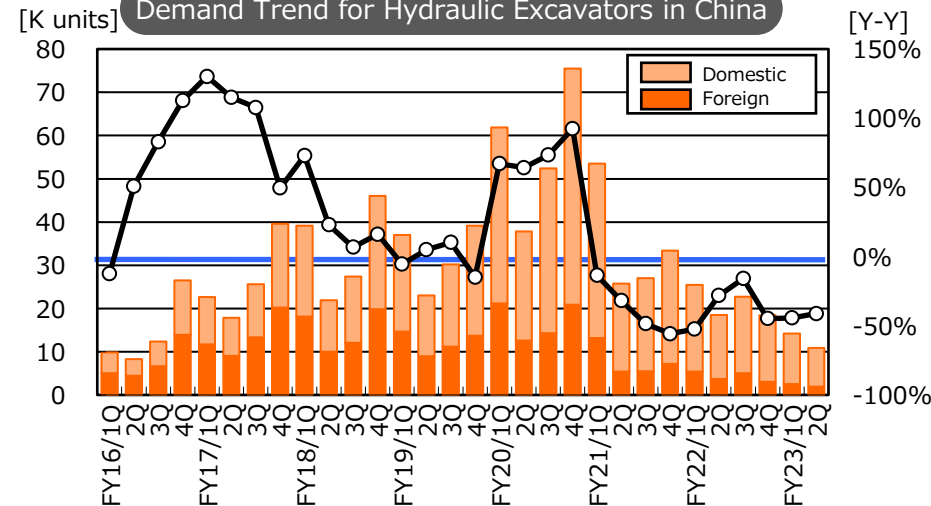
*Demand values are Hitachi Construction Machinery estimates

GDP Growth Rate in Major Countries



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

Demand Trend for Hydraulic Excavators in China



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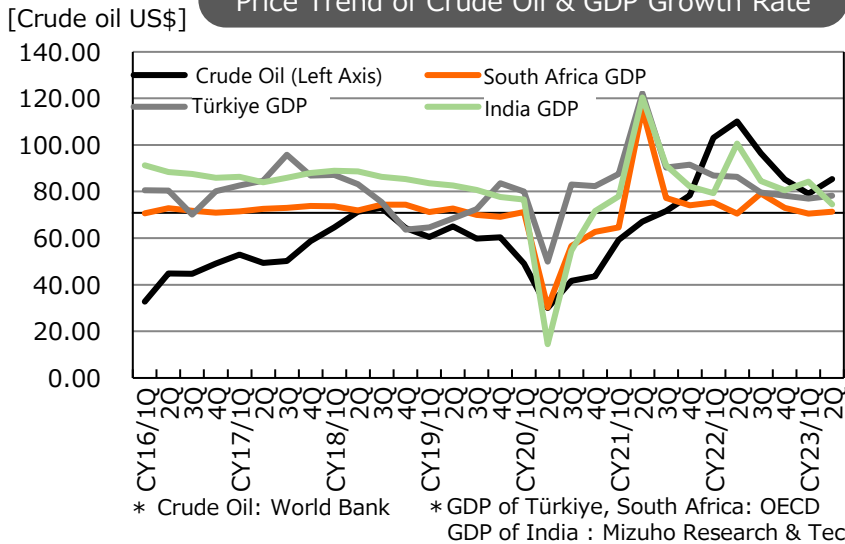
India, Middle East, Africa: Second Quarter (Jul to Sep 2023)

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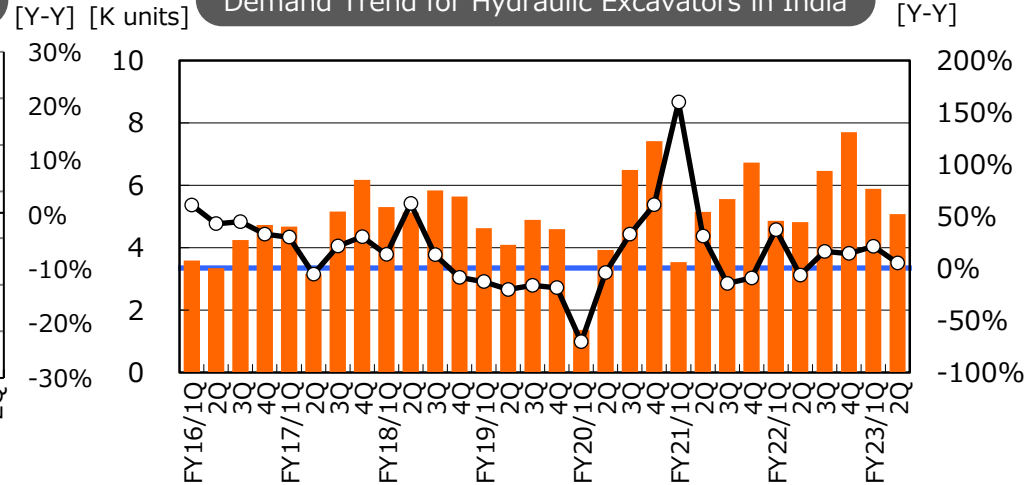
Reliable Solutions

- Demand for Hydraulic excavators increased in India +5% y-y.
- Demand for Hydraulic excavators decreased in Africa -15% y-y.
- Demand for Hydraulic excavators increased in the Middle East +8% y-y.

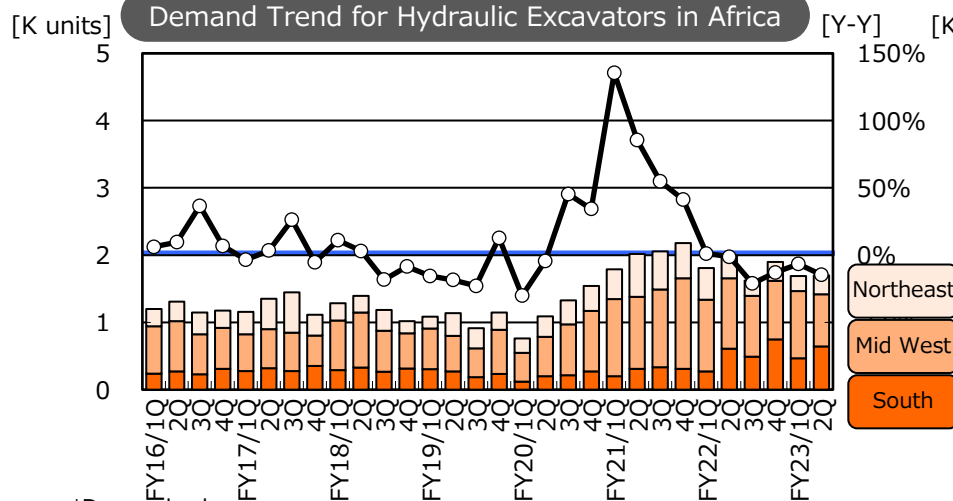
Price Trend of Crude Oil & GDP Growth Rate



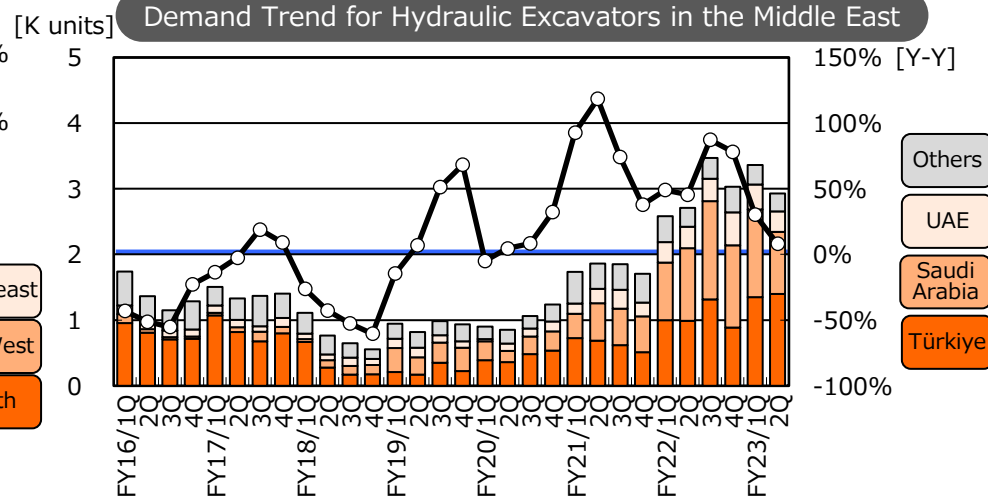
Demand Trend for Hydraulic Excavators in India



Demand Trend for Hydraulic Excavators in Africa



Demand Trend for Hydraulic Excavators in the Middle East

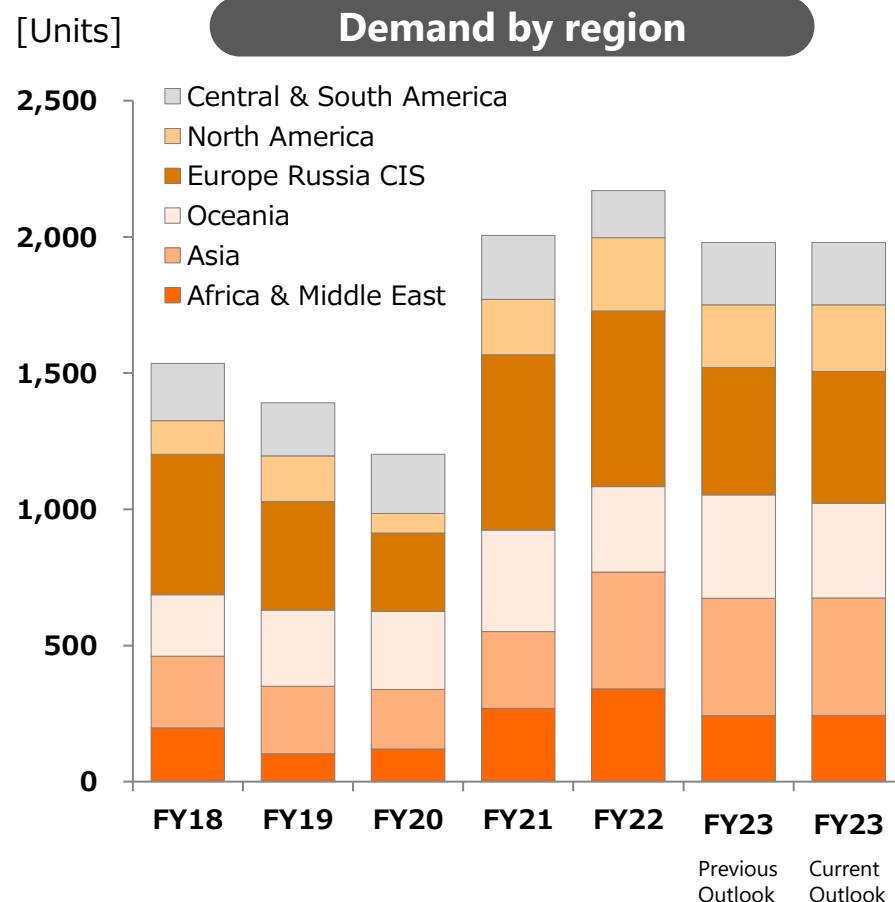
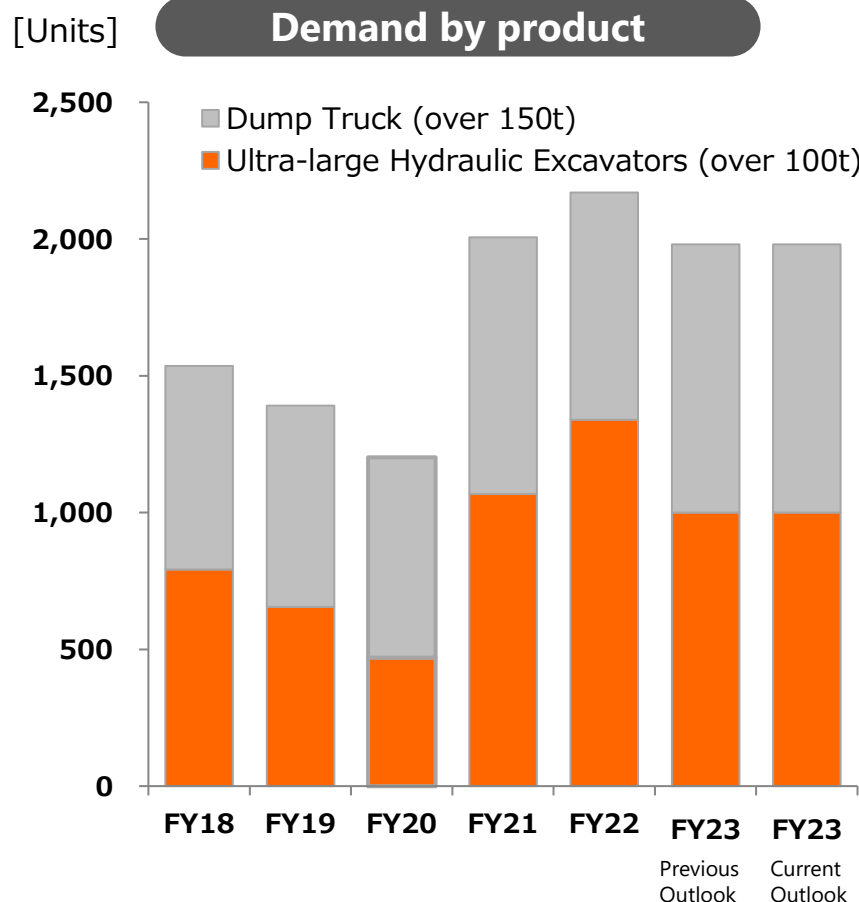


*Demand values are
Hitachi Construction Machinery estimates

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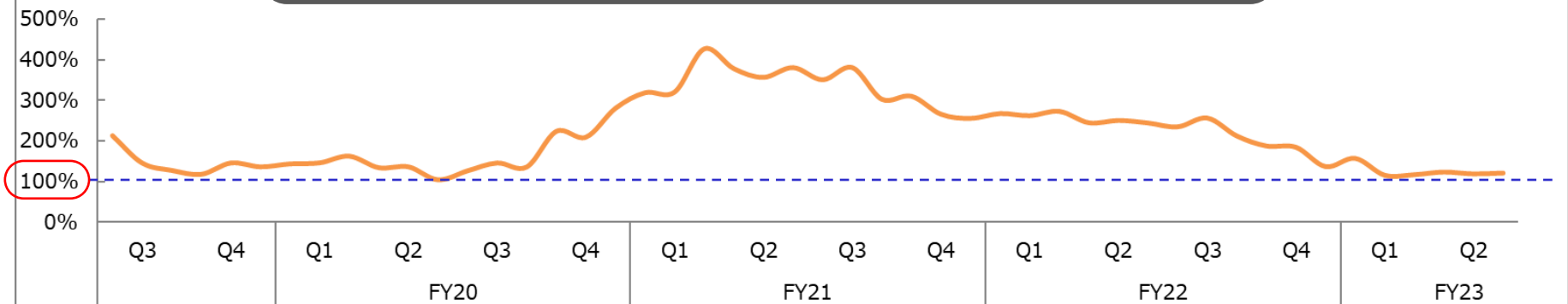
- Demand for dump trucks for hard rock mining increased mainly in the Americas and Oceania.
- FY23 demand forecasts have been "flat to -10%" y-y. (same as previous forecast)

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

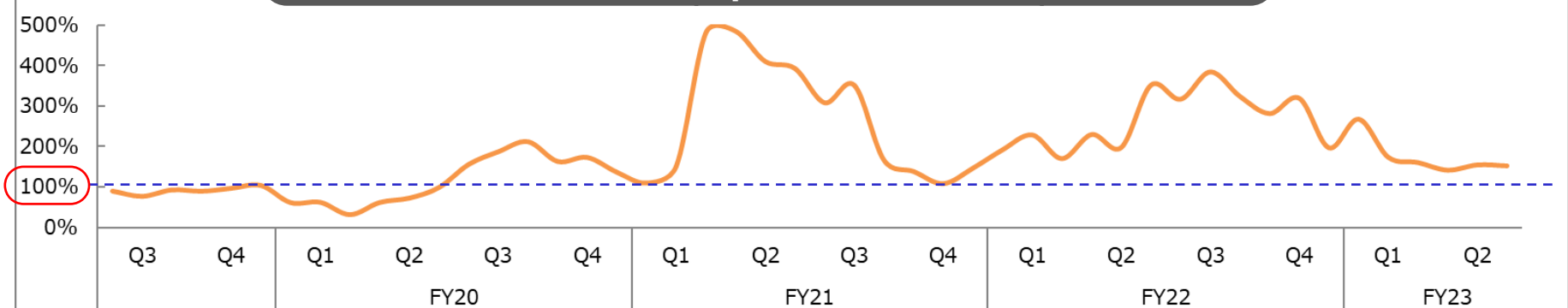


*Demand values are Hitachi Construction Machinery estimates

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)

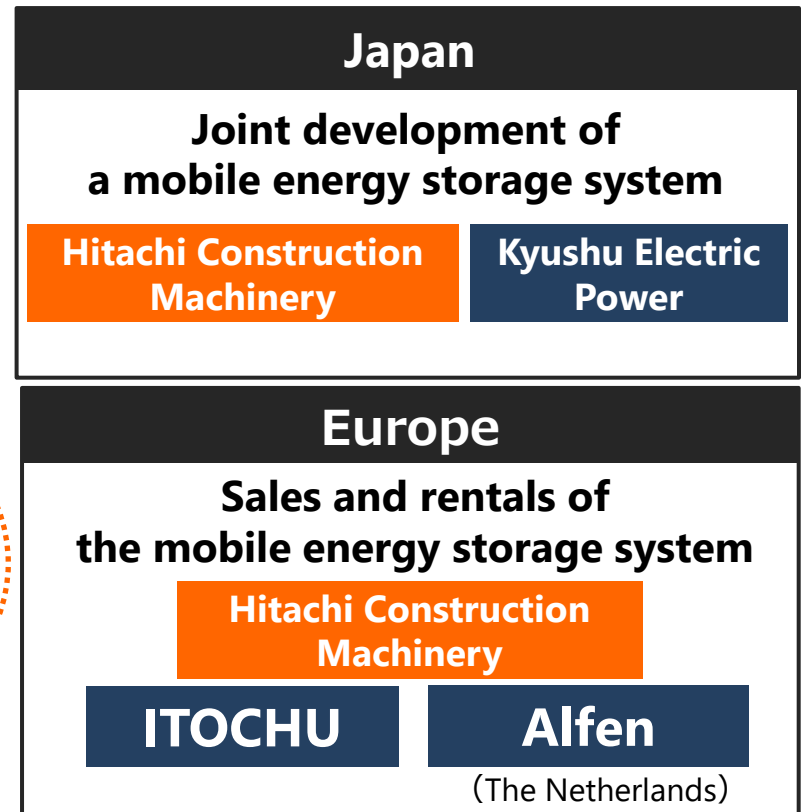
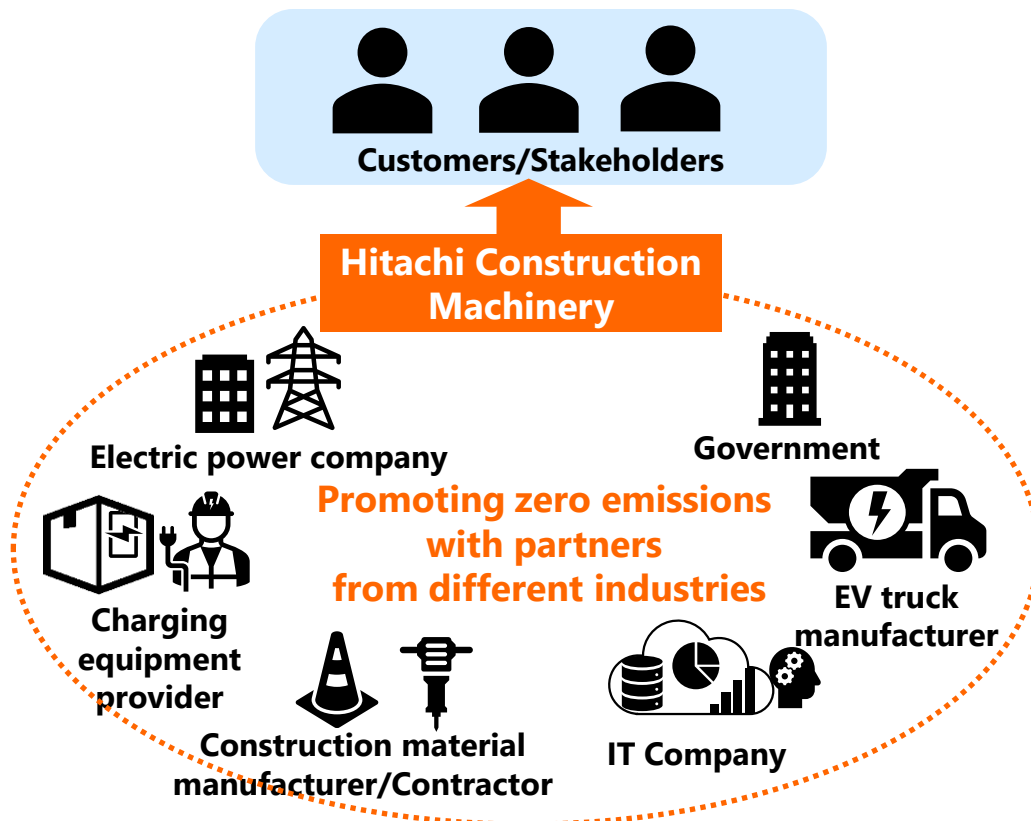
Non-consolidated basis (average of 6 months)



Topic 1: Started working with business partners to promote zero emissions

Promotion of zero emissions at construction sites through the introduction of electrified construction equipment and the development and efficient operation of infrastructure such as charging equipment

- Establishment of the “Zero Emissions Business Planning Project” within the New Business Creation Unit
- Promotion of open innovation and value creation with business partners around the world
- Aiming to provide electricity supply solutions for construction sites in Japan and Europe



Topic 2: Progress in the Americas business in delivery of the latest models and finance expansion

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In August 2023, we started delivery of its newest ZAXIS-7 series, and hosted a training session on the new series for dealers in USA and a tour of bases in Japan.

- About 100 total dealer sales and service professionals from across North America gathered for this session in September.
- Dealers toured the Tsuchiura works and other main sites in October.

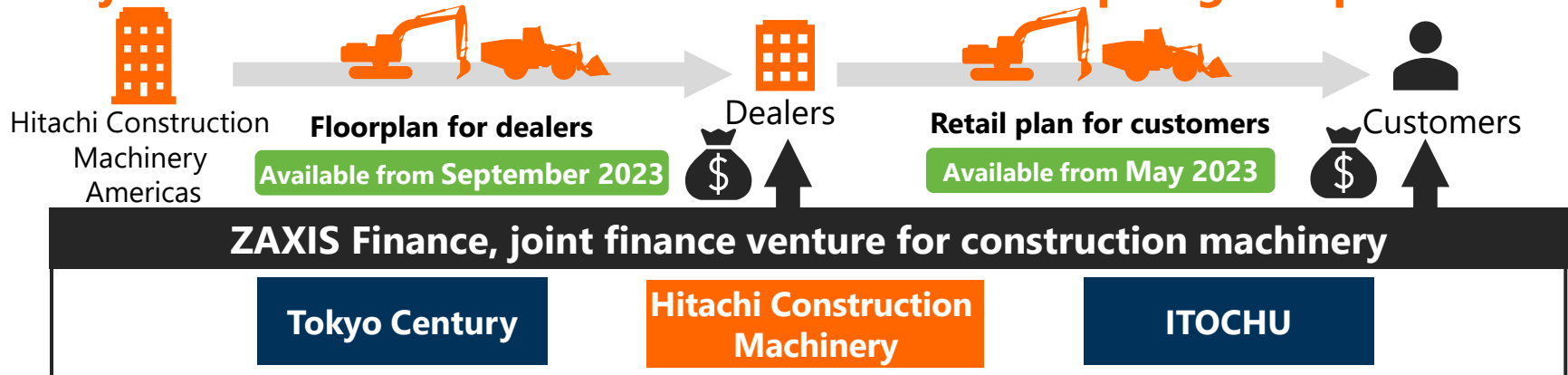


A training session on the operability and features of the latest models in Atlanta, USA.



A tour of bases in Ibaraki, Japan

The joint finance venture with the ITOCHU Group begins operations.



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

Summary of consolidated results

In the 1Q-2Q of the year, revenue increased by 16% y-y, adjusted operating income increased by 58% y-y, and net income attributable to owners of the parent increased by 61%, supported by firm sales growth worldwide, especially in the Americas.

[billions of yen]

		FY2023 1Q-2Q	FY2022 1Q-2Q	change
Revenue		674.1	578.9	16%
Adjusted operating income *1		12.2% 82.4	9.0% 52.1	58%
Operating income		12.3% 82.8	9.2% 53.3	56%
Income before income taxes		12.6% 84.8	9.5% 55.2	54%
Net income attributable to owners of the parent		8.5% 57.5	6.2% 35.7	61%
EBIT *2		13.3% 89.9	9.9% 57.4	57%
FX rate	Rate (YEN/USD)	140.9	134.1	6.8
	Rate (YEN/EUR)	153.5	138.7	14.9
	Rate (YEN/RMB)	19.7	19.9	-0.2
	Rate (YEN/AUD)	93.3	93.7	-0.4
Cash dividend per share (yen) *3		85	50	35

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

*2 "EBIT" stands for Earnings Before Interests and Taxes, and is calculated by excluding "Interest income" and "Interest expenses" from "Income before income taxes"

*3 "Cash dividend per share": The Company will pay dividends linked to its consolidated business results twice, interim and year end, in the fiscal year and aim to maximize shareholder returns based on a stable and continuous dividend payout ratio of approx. 30% to 40%.

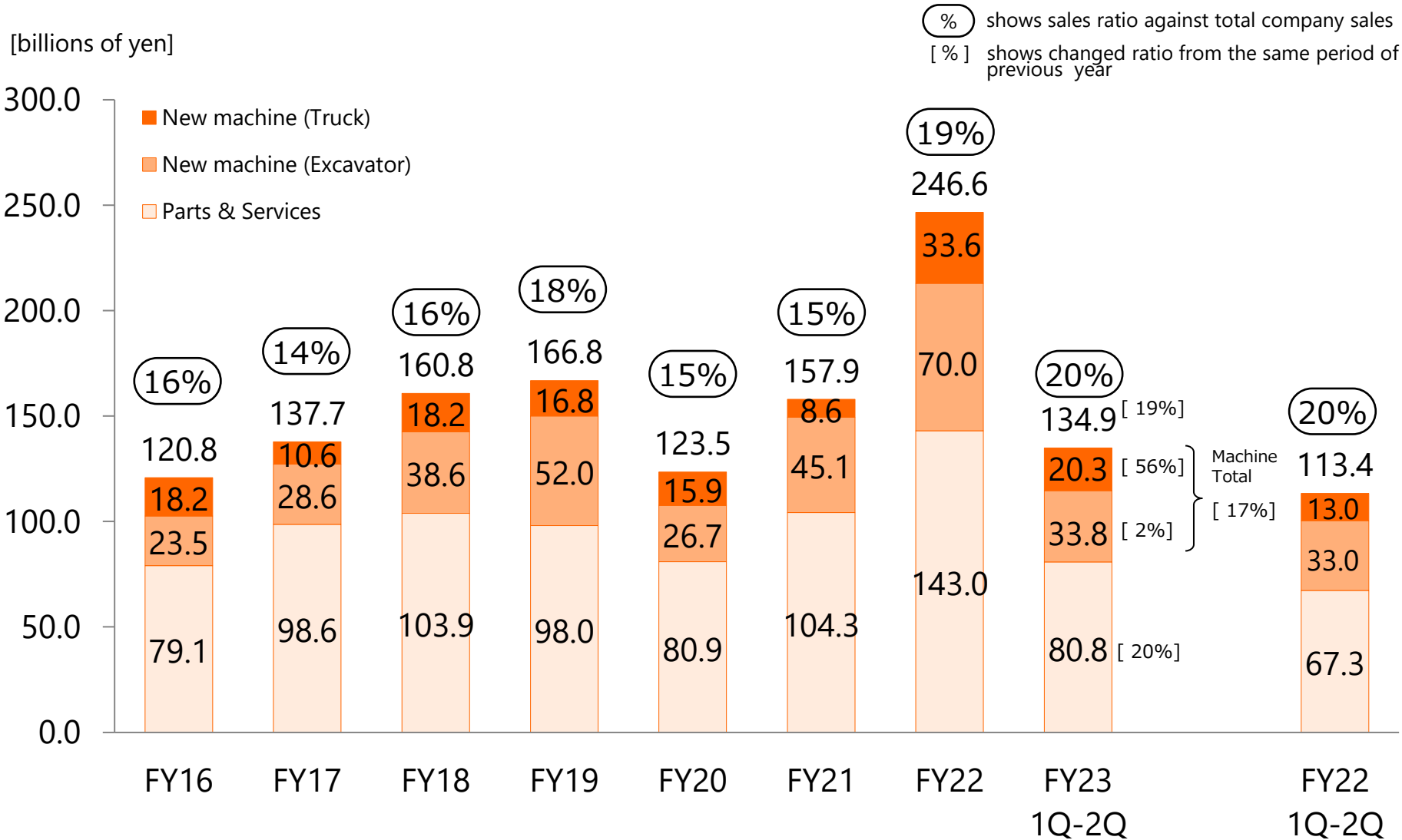
Revenue by geographic region (consolidated)

Although revenue in Russia-CIS and China decreased y-y, own deploying business in the Americas increased significantly. Including the effect of depreciation of the yen, consolidated total revenue increased by 95.2 billion yen.

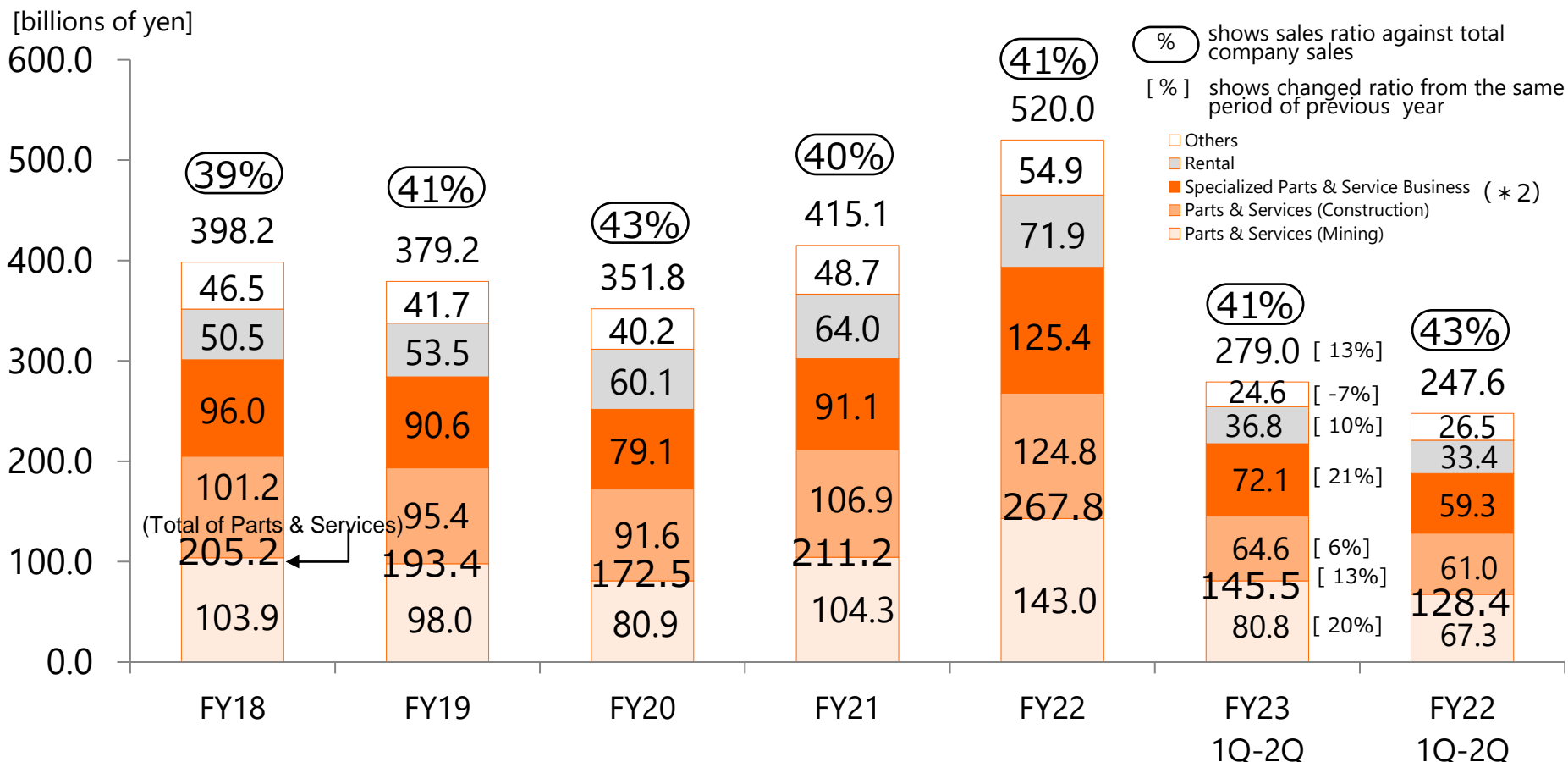
[billions of yen]

		FY2023 1Q-2Q		FY2022 1Q-2Q		change	
						amount	%
Japan		102.2	15%	99.5	17%	2.7	3%
Asia		61.9	9%	52.0	9%	9.9	19%
India		35.5	5%	30.6	5%	4.9	16%
Oceania		128.8	19%	113.8	20%	15.0	13%
Europe		90.7	13%	74.7	13%	15.9	21%
	N. America	163.0	24%	115.1	20%	47.9	42%
	L. America	18.8	3%	16.6	3%	2.1	13%
The Americas		181.8	27%	131.7	23%	50.1	38%
(Developing own business)		(107.5)	(16%)	(74.5)	(13%)	(33.0)	(44%)
Russia-CIS		13.4	2%	20.5	4%	-7.1	-34%
M. East		15.5	2%	12.7	2%	2.8	22%
Africa		29.1	4%	24.6	4%	4.5	18%
China		15.3	2%	18.7	3%	-3.4	-18%
Total		674.1	100%	578.9	100%	95.2	16%
Overseas ratio		85%		83%			

Revenue of mining increased by 19% to 134.9 billion yen y-y due to a significant increase in new machinery as well as parts and services sales.



Revenue of the value chain business increased by 13% y-y to 279.0 billion yen due to expanding sales volume, especially parts and services as well as specialized parts & service and rental business.



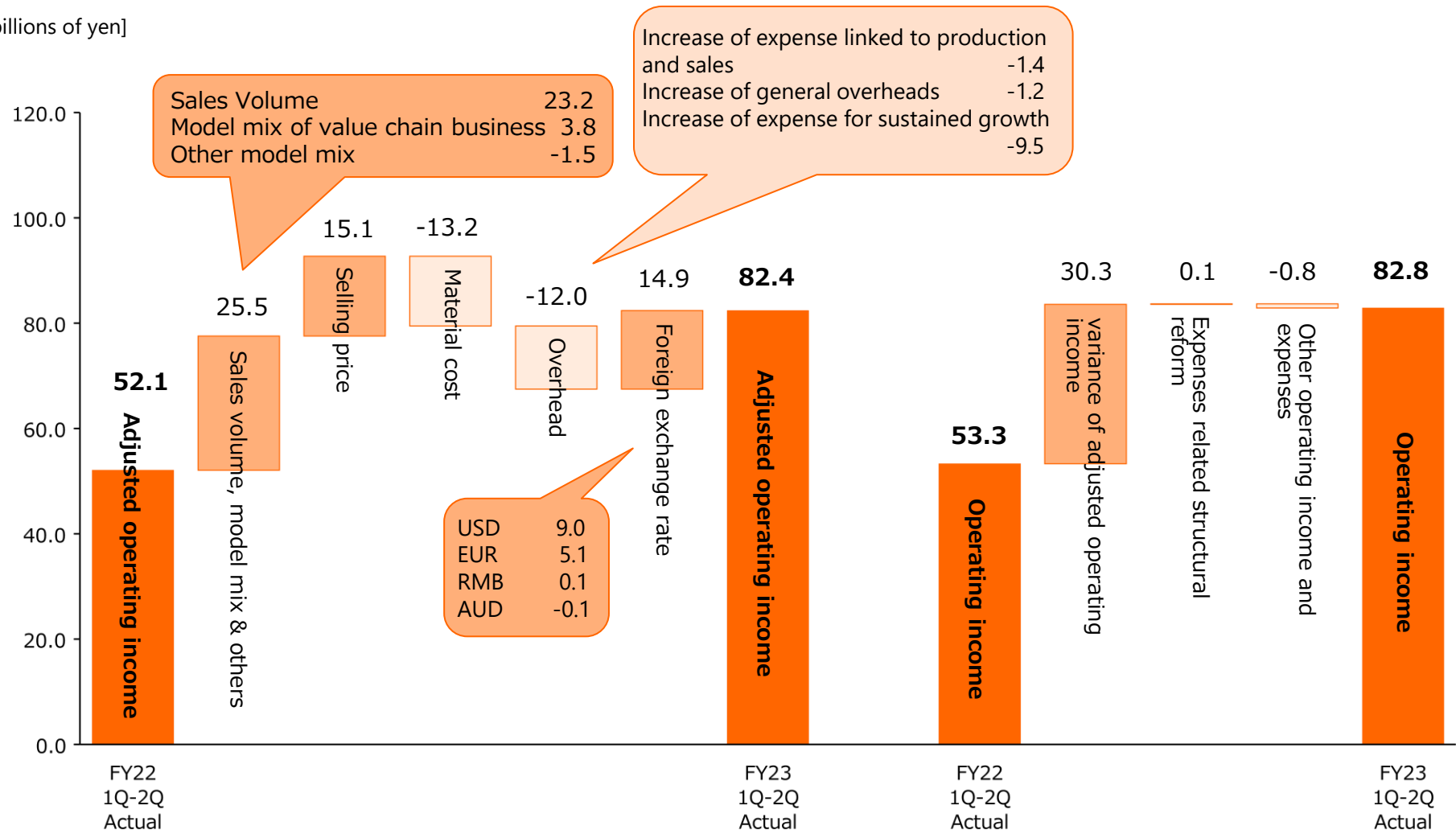
(*1) Value chain: Total of Parts & services, Specialized parts & service business, Rental etc. other than new machine sales.

(*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 30.3 billion yen y-y due to the impact of an increase in sales volume, a sales price increase of more than the material cost impact, and currency impact.

[billions of yen]



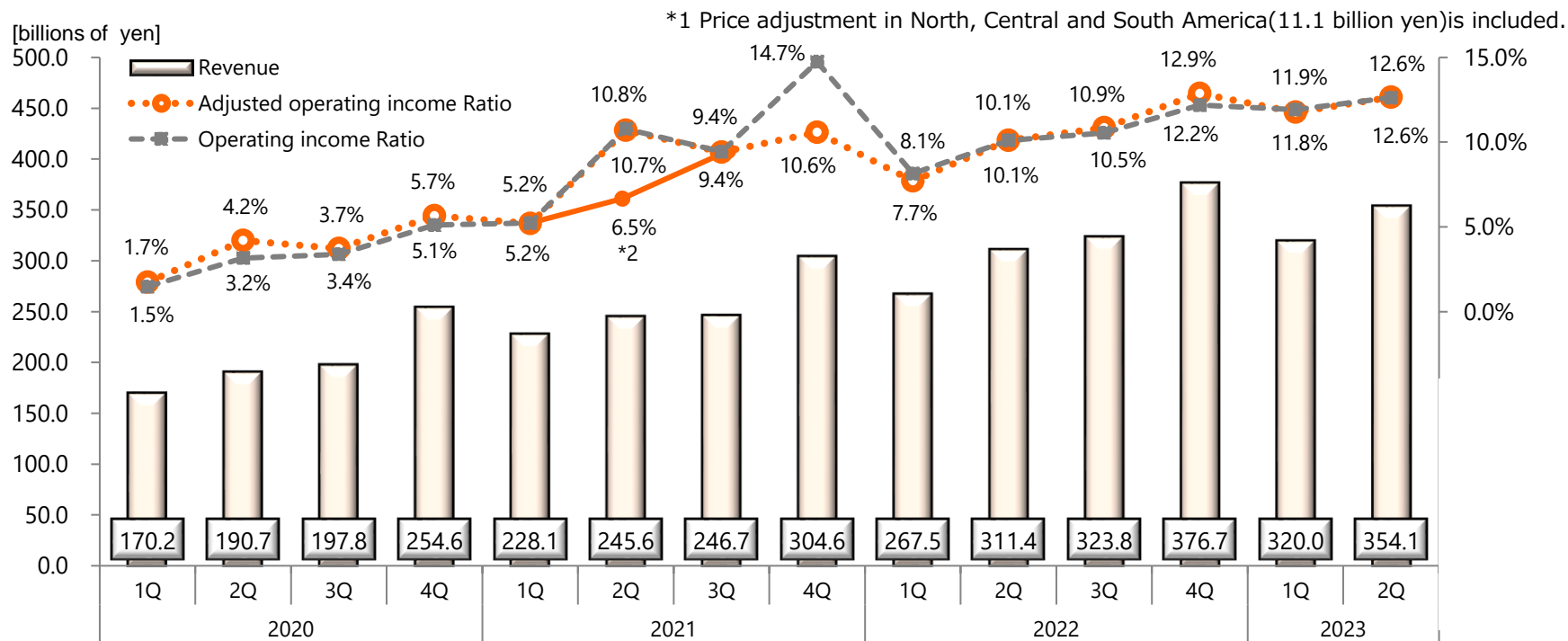
Summary of quarterly consolidated revenue and operating income (ratio)

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[billions of yen]

	2020				2021				2022				2023	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
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	354.1
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	44.8
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	44.7



*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	2Q
Rate (YEN/USD)	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	144.6
Rate (YEN/EUR)	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	157.3
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	19.9
Rate (YEN/AUD)	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	94.7

Consolidated statement of financial position

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Total assets increased by 133.8 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) FY23-2Q	(B) Mar '2023	(C) FY22-2Q	(A)-(B) change		(D) FY23-2Q	(E) Mar '2023	(F) FY22-2Q	(D)-(E) change
Cash and cash equivalents	104.7	112.0	103.3	-7.3	Trade and other payables	291.9	274.5	256.0	17.3
Trade receivables	285.0	305.3	264.4	-20.3	Bonds and borrowings	537.0	507.5	417.4	29.6
Inventories	552.0	450.8	441.4	101.2	Total liabilities	981.3	926.0	817.4	55.4
Total current assets	1,000.1	908.9	852.8	91.2	(Equity attributable to owners of the parent ratio)	(41.8%)	(40.6%)	(43.1%)	(1.2%)
Total non-current assets	760.7	718.1	685.2	42.6	Total equity	779.5	701.0	720.6	78.5
Total assets	1,760.8	1,627.0	1,537.9	133.8	Total liabilities and equity	1,760.8	1,627.0	1,537.9	133.8
Trade receivables incl. non-current	329.4	344.6	307.8	-15.2					
Inventories by products									
Unit	201.9	142.5	133.8	59.4		(30.5%)	(31.2%)	(27.1%)	(-0.7%)
Parts	172.8	158.6	158.5	14.2	Interest-bearing debt	537.0	507.5	417.4	29.6
Raw materials, WIP and etc	177.2	149.6	149.1	27.6	Cash and Cash equivalents	104.7	112.0	103.3	-7.3
Total inventories	552.0	450.8	441.4	101.2		(24.6%)	(24.3%)	(20.4%)	(0.2%)
On hand days(divided by revenue)				[Days]	Net interest-bearing debt	432.4	395.5	314.1	36.9
Trade receivables	87	98	99	-11					
Inventories	147	129	143	18	Net D/E Ratio	0.59	0.60	0.47	-0.01
Trade payables	45	47	48	-2					
Net working capital	184	176	190	8					

Operating cash flow was positive at 28.1 billion yen. Free cash flow was positive at 1.1 billion yen.

[billions of yen]

	FY2023 1Q-2Q		FY2022 1Q-2Q		change	
Net income		62.7		38.2		24.5
Depreciation and amortization	95.6	32.9	68.9	30.6	26.7	2.2
(Increase)decrease in trade/lease receivables		33.0		30.5		2.4
(Increase)decrease in inventories	-33.7	-67.6	-15.8	-43.2	-17.9	-24.4
Increase(decrease) in trade payables		0.9		-3.1		4.0
Others, net		-33.7		-45.6		11.9
Net cash provided by (used in) operating activities		28.1		7.5		20.6
Cash flow margin for operating activities		4.2%		1.3%		2.9%
Net cash provided by (used in) investing activities		-27.0		-21.9		-5.1
Free cash flows		1.1		-14.4		15.5
Net cash provided by (used in) financing activities		-12.9		14.7		-27.6

Summary of consolidated earnings forecast

The consolidated earnings forecast for FY2023 is changed upward from the previous one as of July and revenue is expected to increase by 6% y-y, adjusted operating income by 18% y-y, and net income attributable to owners of the parent by 40% y-y.

note : < > shows previous forecast as of July 2023

[billions of yen]

	FY2023		FY2022 Actual	change	
	Forecast			amount	%
Revenue	<1,300.0>	1,360.0	1,279.5	80.5	6%
Adjusted operating income	<10.8%> <140.0>	(11.8%) 160.0	(10.6%) 135.7	(1.2%) 24.3	18%
Operating income	<10.5%> <136.0>	(11.5%) 156.0	(10.4%) 133.3	(1.1%) 22.7	17%
Income before income taxes	<10.1%> <131.0>	(11.1%) 151.0	(8.8%) 112.7	(2.3%) 38.3	34%
Net income attributable to owners of the parent	<6.3%> <82.0>	(7.2%) 98.0	(5.5%) 70.2	(1.7%) 27.8	40%
EBIT	<137.2>	161.2	119.0	42.3	

Currency	1Q-2Q Actual	3Q-4Q Forecast	Total Forecast	FY2022 Actual	change	For FX sensitivity, please refer to appendix 1.
Rate (YEN/USD)	140.9	135.0	137.6	135.4	2.1	
Rate (YEN/EUR)	153.5	145.0	149.0	141.0	8.0	
Rate (YEN/RMB)	19.7	18.4	18.9	19.7	-0.8	
Rate (YEN/AUD)	93.3	86.0	90.0	92.7	-2.7	
Cash dividend per share (yen) *1	to be determined			110	-	

*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 80.5 billion yen y-y due to expanding own deploying business in the Americas and the impact of the yen's depreciation despite the reduction in Russia CIS, China and Latin Americas sales.

[billions of yen]

		FY2023 Forecast		FY2022 Actual		change	
						amount	%
Japan		227.3	17%	224.0	18%	3.3	1%
Asia		123.1	9%	122.7	10%	0.4	0%
India		73.9	5%	73.1	6%	0.8	1%
Oceania		234.5	17%	225.4	18%	9.1	4%
Europe		174.1	13%	164.9	13%	9.2	6%
America	N. America	333.6	25%	274.1	21%	59.4	22%
	L. America	36.9	3%	38.3	3%	-1.4	-4%
		370.5	27%	312.5	24%	58.0	19%
(Developing own business)		(231.3)	(17%)	(182.0)	(14%)	(49.3)	(27%)
Russia-CIS		28.9	2%	37.4	3%	-8.5	-23%
M. East		31.6	2%	25.0	2%	6.7	27%
Africa		64.8	5%	54.7	4%	10.1	19%
China		31.2	2%	40.0	3%	-8.8	-22%
Total		1,360.0	100%	1,279.5	100%	80.5	6%
Overseas ratio		83%		82%			

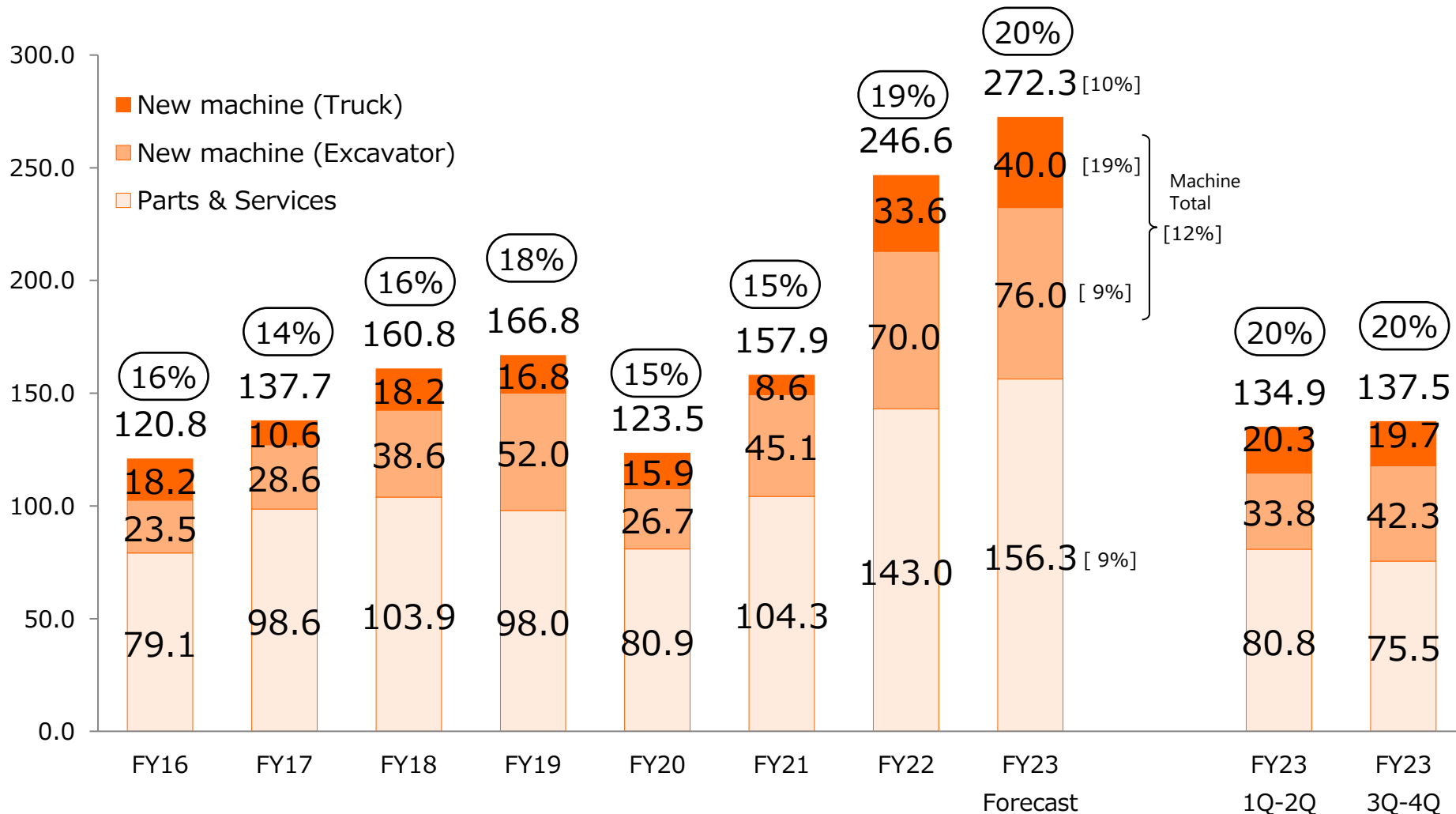
Mining revenue forecast

Revenue of mining for FY2023 is expected to increase by 10% to 272.3 billion yen y-y.

(%) shows sales ratio against total company sales

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

[billions of yen]



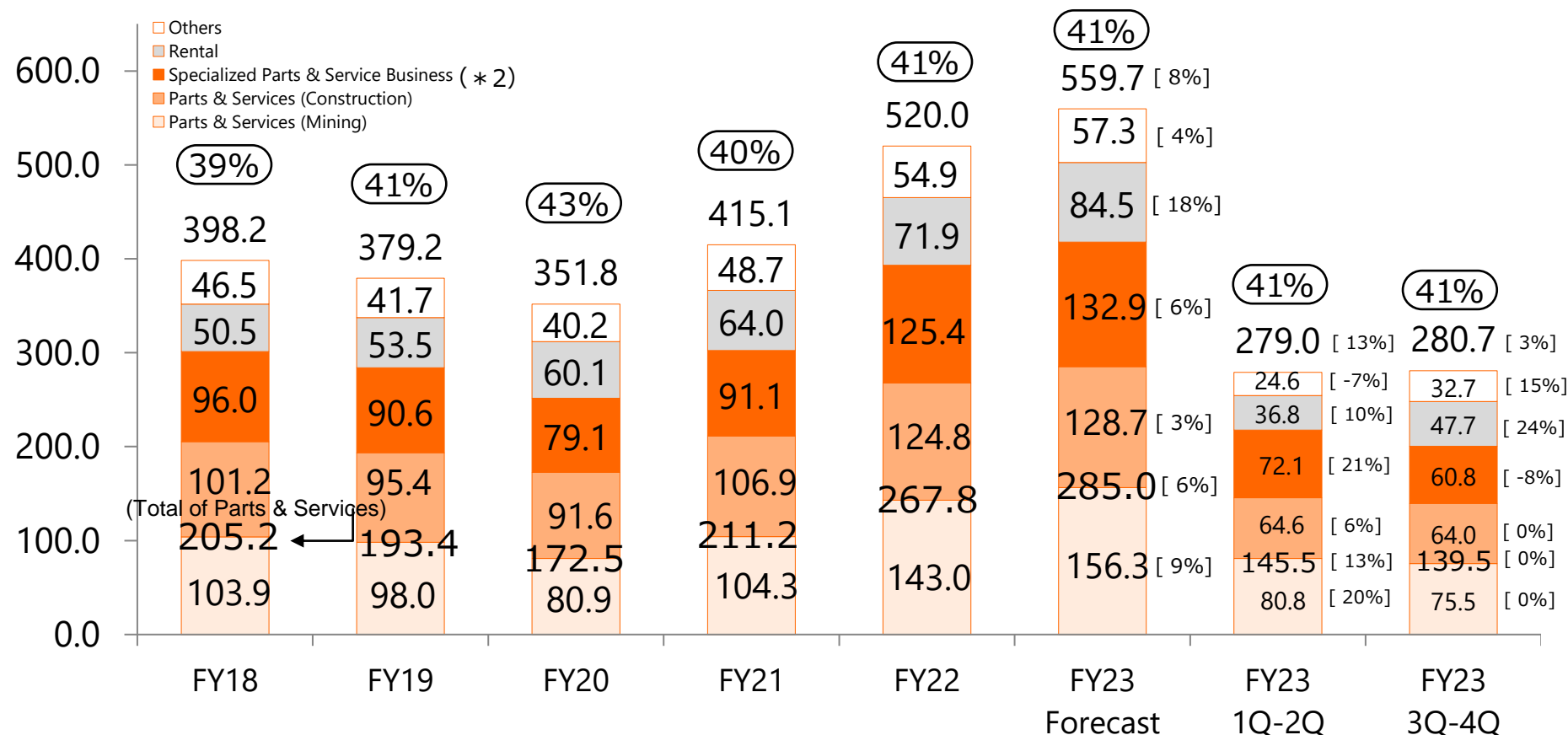
Value chain*1 revenue forecast

Revenue of the value chain for FY2023 is expected to increase by 8% to 559.7 billion yen y-y.

[billions of yen]

(%) shows sales ratio against total company sales

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



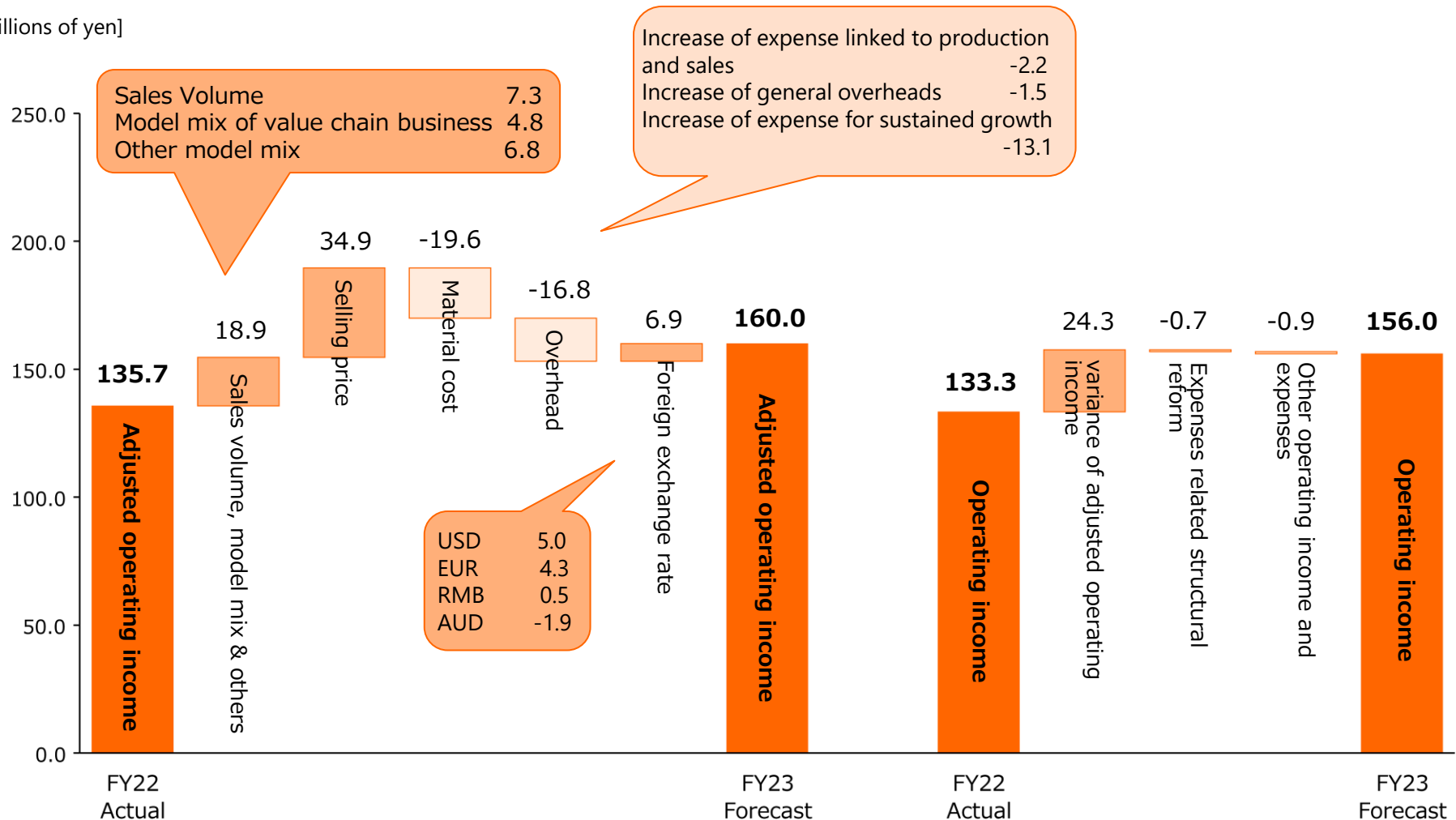
(*1) Value chain: Total of Parts & services, Specialized parts & service business, Rental etc. other than new machine sales.

(*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 24.3 billion yen y-y due to an increase in sales volume, a sales price increase of more than the material cost impact, and currency impact.

[billions of yen]



Appendix 1: FX rate and FX sensitivity

The forecast exchange rate of major currencies for the 3Q-4Q of this fiscal year is changed from the previous announcement, USD by 5 yen and EUR by 15 yen.

FX rate and FX sensitivity

[billions of yen]

Currency	FX rate				FX sensitivity (3Q-4Q)		
	FY23			FY22 Actual	Condition	Revenue	Adjusted operating income
	1Q-2Q Actual	3Q-4Q Forecast	Total Forecast				
USD	140.9	135.0	137.6	135.4	Impact by 1 yen depreciation	1.9	1.4
EUR	153.5	145.0	149.0	141.0	Impact by 1 yen depreciation	0.5	0.3
RMB	19.7	18.4	18.9	19.7	Impact by 0.1 yen depreciation	0.1	-0.1
AUD	93.3	86.0	90.0	92.7	Impact by 1 yen depreciation	1.2	0.2

Appendix 2: Detail of mining revenue

[billions of yen]

		FY23 Forecast			FY22 Actual			Change		
		1-2Q	3-4Q	Year	1-2Q	3-4Q	Year	1-2Q	3-4Q	Year
America	Excavator	14.1	20.1	34.2	13.4	19.3	32.7	0.7	0.8	1.5
	Dump Truck	4.0	4.9	8.9	2.1	2.0	4.1	1.9	2.9	4.8
	Total	18.1	25.0	43.1	15.5	21.4	36.8	2.6	3.7	6.3
Europe, Africa and Middle East	Excavator	13.7	22.1	35.8	17.7	18.0	35.7	-4.0	4.1	0.0
	Dump Truck	12.7	15.2	27.9	11.6	15.4	27.0	1.1	-0.3	0.9
	Total	26.4	37.2	63.6	29.3	33.4	62.7	-2.9	3.8	0.9
Asia & Oceania	Excavator	60.9	53.5	114.4	47.1	50.7	97.8	13.8	2.8	16.6
	Dump Truck	28.4	19.3	47.6	20.5	26.3	46.8	7.8	-7.0	0.8
	Total	89.3	72.7	162.0	67.7	77.0	144.6	21.6	-4.2	17.4
China	Excavator	0.7	1.1	1.8	0.2	1.0	1.3	0.4	0.1	0.5
	Dump Truck	0.0	0.0	0.0	0.1	0.0	0.1	-0.1	-0.0	-0.1
	Total	0.7	1.1	1.8	0.3	1.1	1.4	0.4	0.0	0.4
Japan	Excavator	0.5	1.0	1.4	0.6	0.4	1.0	-0.2	0.6	0.4
	Dump Truck	0.0	0.4	0.4	0.0	0.0	0.0	-0.0	0.4	0.4
	Total	0.5	1.4	1.8	0.6	0.4	1.1	-0.2	0.9	0.8
Total	Excavator	89.8	97.7	187.6	79.1	89.5	168.5	10.8	8.2	19.0
	Dump Truck	45.0	39.8	84.8	34.3	43.8	78.1	10.8	-4.0	6.7
	Total	134.9	137.5	272.3	113.4	133.3	246.6	21.5	4.2	25.7

Appendix 3: Segment information

The amortizations of PPA are included in the adjusted operating income of the specialized parts & service business. The amount of 0.5 billion yen is included in FY2023 1Q-2Q, and the amount of 1.1 billion yen is included in the forecast for FY2023.

[billions of yen]

FY2023 1Q-2Q Actual	Reportable segment		Adjustments *2	Total
	Construction Machinery Business	Specialized Parts & Service Business*1		
Revenue	602.0	74.7	-2.6	674.1
Adjusted operating income	12.3% 74.3	10.8% 8.1	-	12.2% 82.4

[billions of yen]

FY2023 Forecast	Reportable segment		Adjustments *2	Total
	Construction Machinery Business	Specialized Parts & Service Business*1		
Revenue	1,227.1	135.5	-2.6	1,360.0
Adjusted operating income	11.8% 145.4	10.8% 14.6	-	11.8% 160.0

*1 In 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.

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

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The total capital expenditures for FY2023 are expected to be invested mainly for overseas sales bases.

1.Capital Expenditure (Based on completion)

[billion of yen]

	FY2020	FY2021	FY2022	FY2023 1Q-2Q	FY2023 3Q-4Q	FY2023
	Actual	Actual	Actual	Actual	Forecast	Forecast
Capital Expenditure	34.7	45.3	75.1	27.9	41.3	69.2
Assets held for operating lease	38.6	44.3	44.2	26.8	24.4	51.2
Total	73.4	89.6	119.3	54.8	65.7	120.5

2.Depreciation (tangible and intangible fixed assets)

[billion of yen]

	FY2020	FY2021	FY2022	FY2023 1Q-2Q	FY2023 3Q-4Q	FY2023
	Actual	Actual	Actual	Actual	Forecast	Forecast
Capital Expenditure	35.3	37.6	41.3	21.6	22.4	44.1
Assets held for operating lease	14.9	17.9	21.6	11.2	9.1	20.3
Total	50.2	55.5	62.9	32.9	31.5	64.5

3.R&D expenses

[billion of yen]

	FY2020	FY2021	FY2022	FY2023 1Q-2Q	FY2023 3Q-4Q	FY2023
	Actual	Actual	Actual	Actual	Forecast	Forecast
Total of consolidation	24.8	25.5	24.4	14.4	15.5	29.9

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.

Trademark notice

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