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

October 26, 2023

Keiichiro Shiojima
Vice President and Executive Officer, CFO

Hidehiko Matsui
Vice President and Executive Officer, CMO

Hitachi Construction Machinery Co., Ltd.

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1. Regional Market Environments and Projections

Hidehiko Matsui
Vice President and Executive Officer, CMO

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

Global Demand Trend for Hydraulic Excavators

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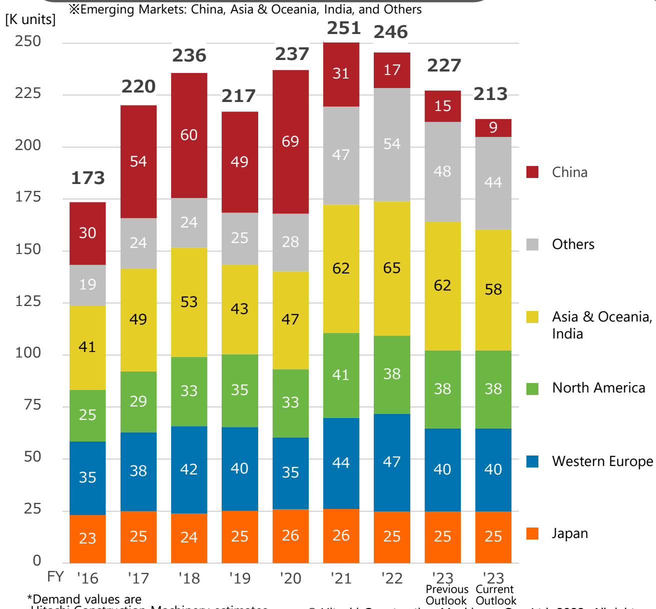
Emerging Markets ratio: FY23 52% （y-y Change : -3%）

※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
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	'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%

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

Demand for FY2023 decreased in Asia and Oceania and significantly decreased in China and Latin America from the previous outlook.
And global demand is forecasted to decrease by 13% year on year to 213 thousand units.

Although there is a risk of a recurrence of inflation globally, the US economy has remained strong.

The result of 2Q for each region is explained in the following pages.

Japan: Second Quarter (Jul to Sep 2023)

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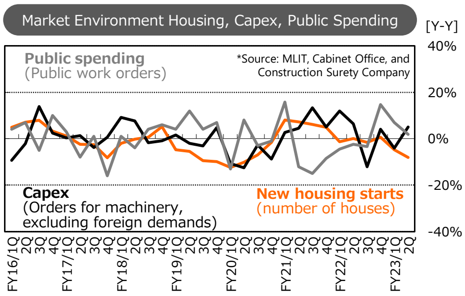
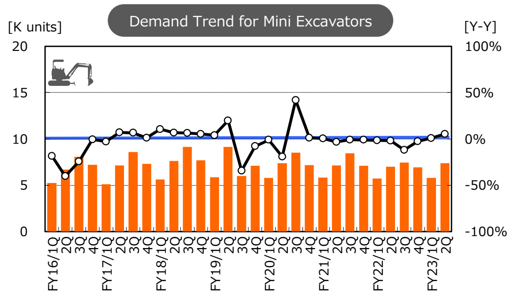
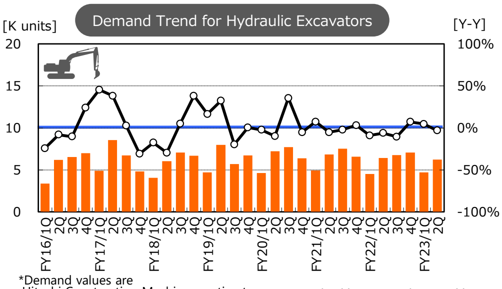
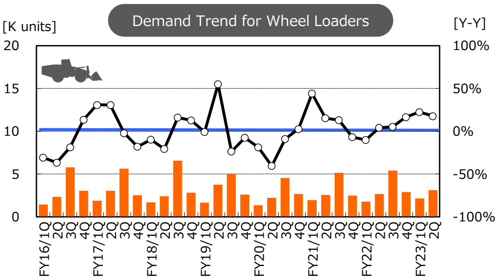
- New housing starts decreased & Public spending and Capex increased.
- Demand for Hydraulic excavators decreased:
  Hydraulic Excavators -3%, Mini Excavators +5%, Wheel Loaders +18% y-y.









*Demand values are Hitachi Construction Machinery estimates

This slide explains the Japanese market.

The graph on the top left shows that capex and public spending in 2Q increased from the previous quarter while new housing starts decreased.

The graph on the lower left shows that demand for hydraulic excavators in 2Q decreased by 3% year on year under a slightly slowing market.

The graph on the top right shows that demand for mini excavators increased by 5%.

The graph on the lower right shows that demand for wheel loaders increased by 18%.

Europe: Second Quarter (Jul to Sep 2023)

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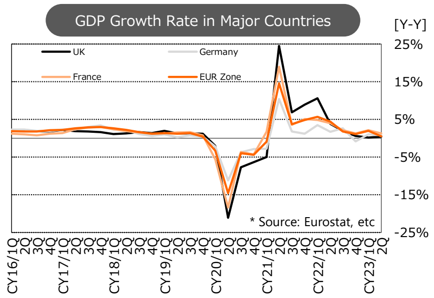
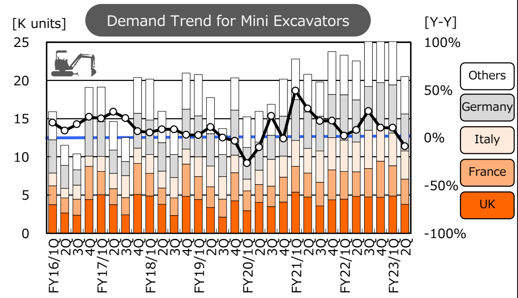
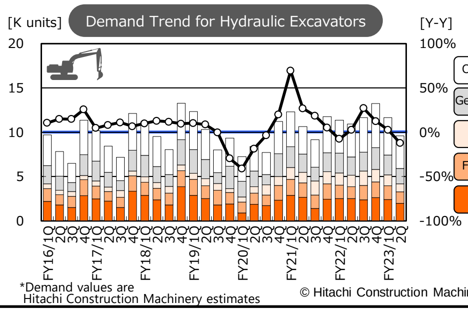
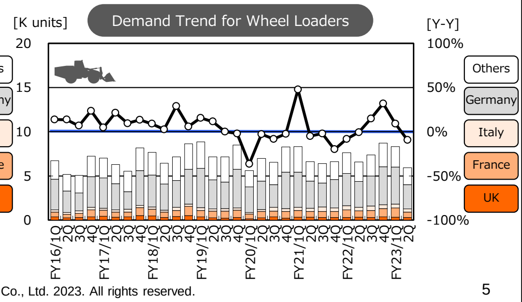
- GDP growth rate in CY23 2Q slowed.
- Demand for Hydraulic excavators decreased:
  Hydraulic Excavators -12%, Mini Excavators -9%, Wheel Loaders -9% y-y.









*Demand values are Hitachi Construction Machinery estimates

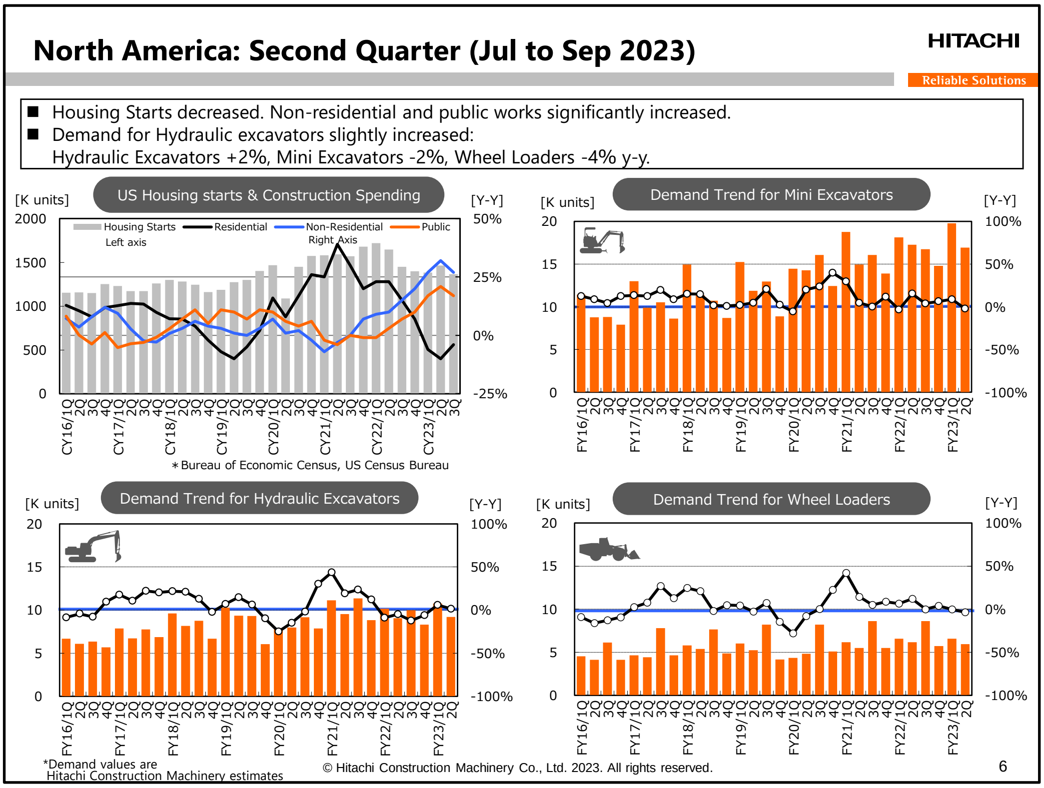
This slide explains the European market.

The graph on the top left shows that the GDP growth rate slowed across the Eurozone partly due to continuing inflation.

The graph on the lower left shows that demand for hydraulic excavators in 2Q decreased by 12% year on year due to market slowdown.

The graph on the top right shows that demand for mini excavators decreased by 9%.

The graph on the lower right shows that demand for wheel loaders also decreased by 9%.



This slide explains the North American market.

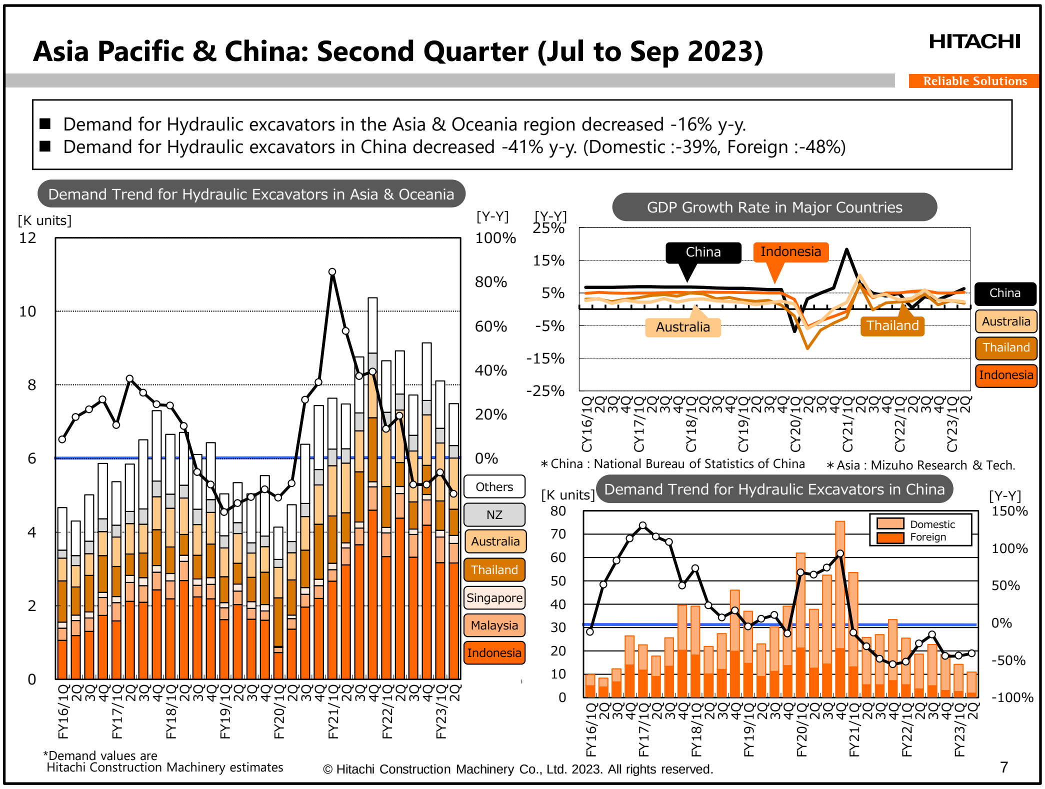
The graph on the top left shows that housing starts decreased from the previous quarter partly due to rising interest rates.
Residential investment decreased year on year, but the negative range has been reduced and a high level of investment has continued.

Non-residential and public works have significantly increased year on year although the positive range has been reduced.

The graph on the lower left shows that demand for hydraulic excavators in 2Q increased by 2% year on year.

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

The graph on the lower right shows that demand for wheel loaders decreased by 4%.



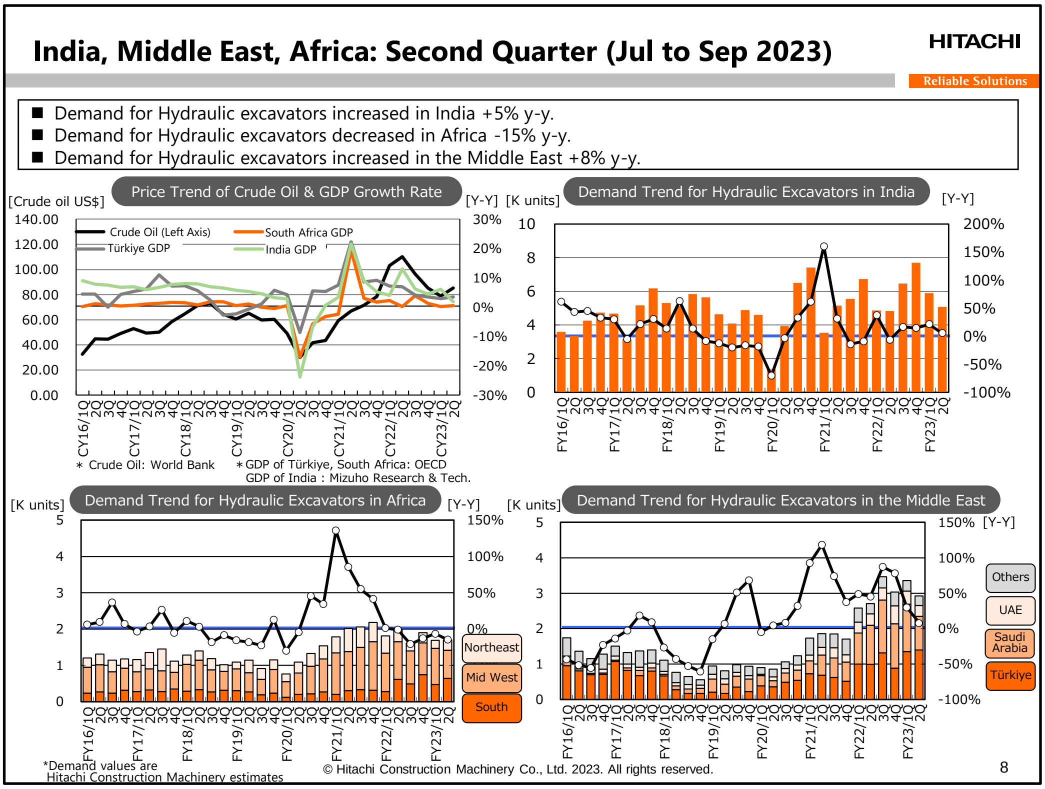
This slide explains the markets in Asia Pacific and China.

As shown on the top right, GDP growth in major countries remained positive. Growth in China has slowed, as seen in the year on year growth of only 6.3% from the same period last year that experienced a lockdown.

The graph on the left shows that demand for hydraulic excavators in 2Q in Asia Pacific decreased by 16% year on year mainly due to demand decrease in Indonesia.

The graph on the lower right shows that total demand for hydraulic excavators in China including domestic manufacturers decreased by 41% year on year.

As a breakdown, domestic manufacturers' demand for hydraulic excavators decreased by 39% and foreign manufacturers' demand decreased by 48%.



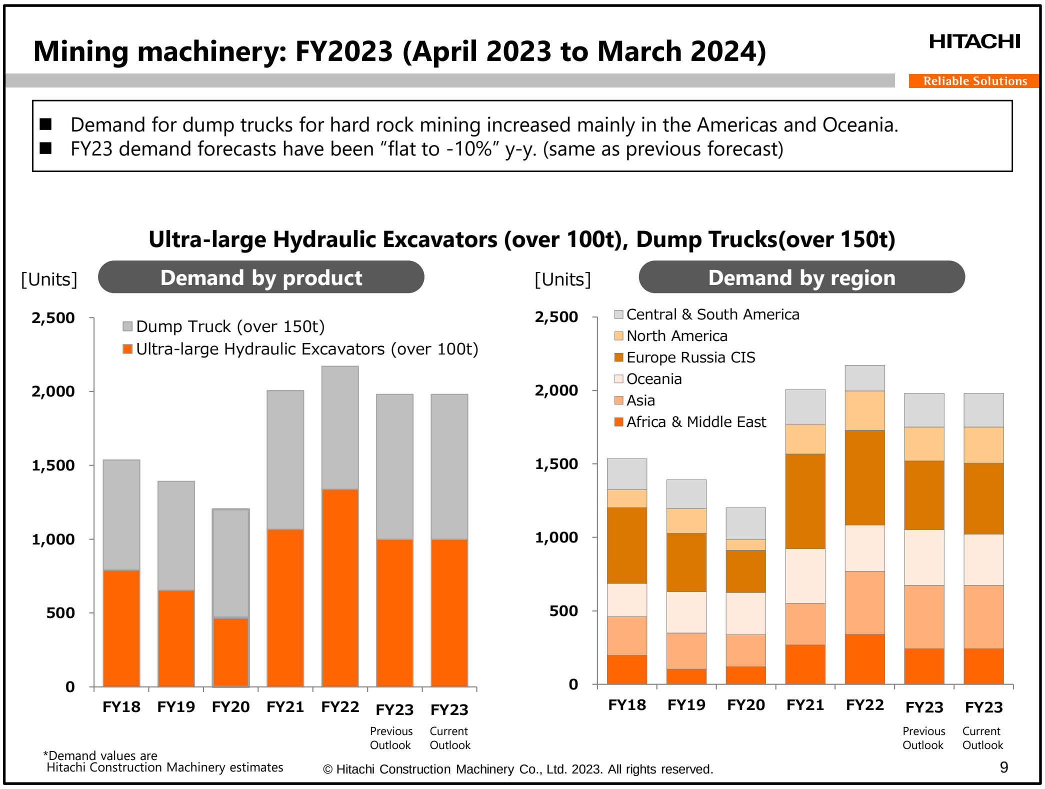
This slide explains the markets in India, the Middle East, and Africa.

The graph on the top left shows that crude oil prices increased partly due to production reduction in oil-producing countries, and that GDP growth increased in Türkiye and increased slightly in India and South Africa.

The graph on the top right shows that demand for hydraulic excavators in 2Q in India increased by 5% year on year.

The graph on the lower left shows that demand for hydraulic excavators in Africa decreased by 15%.

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

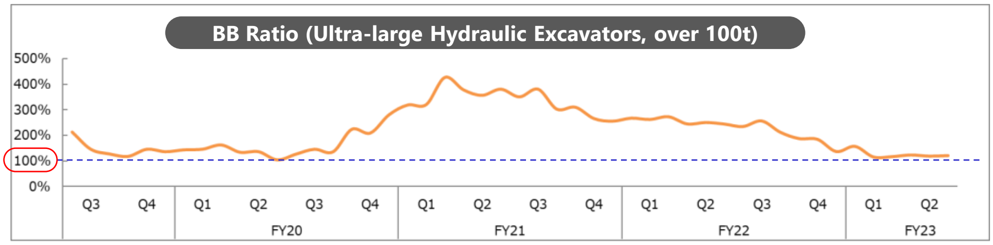


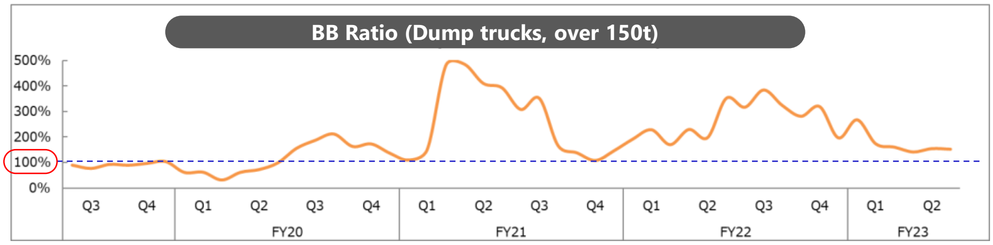
This slide explains the demand forecast for mining machinery.

Under sharp fluctuations in commodity prices, demand for 100t-class ultra-large excavators for small and medium-sized mining companies and contractors decreased slightly. On the other hand, demand for hard rock mining at major mining companies increased mainly in the Americas and Oceania.

As demand fluctuation for ultra-large excavators and dump trucks is still within our original expectation, we will keep our FY2023 demand forecasts of "flat to -10%" year on year.

Supplementary Information: BB Ratio

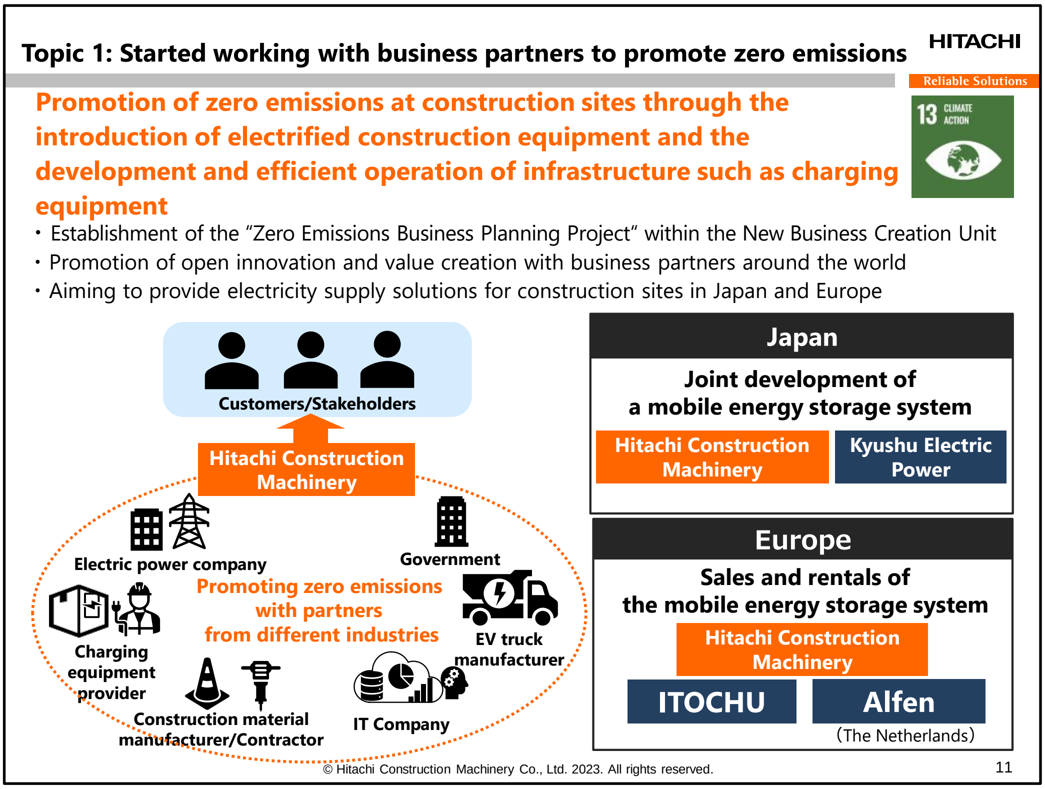




* Book-to-Bill(BB) Ratio = Bookings (Orders received)/Billings (Value of shipment)
Non-consolidated basis (average of 6 months)

This slide explains the BB ratio of mining machinery.

Although some orders were prolonged due to the sharp fluctuations in commodity prices in 1Q, order receiving activity including the prolonged orders went well backed by recovery in commodity prices in 2Q.
As a result, the BB ratio of both ultra-large hydraulic excavators and dump trucks was maintained at 100% or more.



Continuing on page 11, I will explain the topics.
First, I will introduce our initiatives to promote zero emissions at construction sites.

In order to promote zero emissions at construction sites, it is necessary not only to introduce electrified construction machinery, but also to improve infrastructure such as recharging facilities and to operate them more efficiently.

In October 2023, we established the "Zero Emissions Business Planning Project" within the New Business Creation Unit.
Through this initiative, we aim to promote open innovation and value creation with our business partners around the world.

Specifically, for the Japanese market, we will begin joint development of a mobile energy storage system for construction sites with Kyushu Electric Power by the end of fiscal 2023.
For the European market, with financial support and cooperation from ITOCHU, we will start sales and rentals of the mobile energy storage system from Alfen in the Netherlands in 2024.
We already offer four models of battery-powered mini and small excavators and a mobile energy storage system in the European market together with KTEG.
Through this collaboration with Alfen, we are now able to expand our lineup and service menu.

By increasing the number of our business partners, we will continue to accelerate our efforts to achieve zero emissions throughout the construction site.

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

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9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

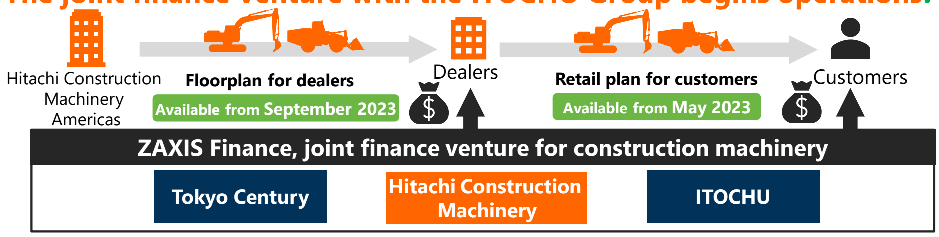
In August 2023, we started delivery of its newest ZAXIS-7 series, and hosted a training session on the new series for dealers in USA and a tour of bases in Japan.

- 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.



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I will explain the progress in the Americas business.

In August 2023, we started sales of its newest ZAXIS-7 series.
We are engaging with dealers through direct communication, and fostering closer collaboration for sales expansion of the latest models.
This September, about 100 dealer sales and service professionals from all over North America gathered and we hosted a training session on the operability and features of the ZAXIS-7 series.

This October, dealers toured the Tsuchiura works and other main sites in Japan to deepen their understanding of Japanese manufacturing.
We will engage with dealers through direct communication, fostering closer collaboration and driving sales of our latest models in the North American market.

At the same time, our sales support structures are being developed.
ZAXIS Finance, a joint finance venture with each US subsidiary of ITOCHU, Tokyo Century, and Hitachi Construction Machinery, began offering finance to US customers in May 2023 and to US dealers in September.
The start of company operations will allow Hitachi Construction Machinery America to accelerate sales while reducing the increase in trade receivables.

We will continue to strengthen our structures in the Americas, our key market, with the aim of achieving further growth.

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2. Business Results for the Second Quarter ended September 30, 2023

(April 1, 2023 - September 30, 2023)

Keiichiro Shiojima

Vice President and Executive Officer, CFO

Our business results in 1H of FY2023 and forecast for FY2023 are explained by Keiichiro Shiojima, Vice President and Executive Officer, CFO.

Summary of consolidated results

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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%.

This slide provides a summary of consolidated results for 1H.

Revenue in 1H of FY2023 was ¥674.1 billion, an increase of 16% from the previous year, supported by firm sales growth worldwide, especially in the Americas.

Adjusted operating income increased by 58% year on year to ¥82.4 billion, resulting in an adjusted operating income margin of 12.2%.
Operating income was ¥82.2 billion, resulting in an operating income margin of 12.3%.

Net income attributable to owners of the parent increased by 61% year on year to ¥57.5 billion.

We were able to maintain a high level of production in response to the firm demand environment, and, in addition, we were able to grow our developing own business in the Americas, as well as the mining and value chain business; as a result, we achieved the highest performance in revenue and profit ever for 1H.

The interim dividend was resolved at ¥85 per share at our Board of Directors meeting today.

In 1H, the yen depreciated by ¥6.8 to the US dollar and by ¥14.9 to the euro compared with the previous year. On the other hand, the Chinese yuan and Australian dollar appreciated slightly against the yen by 0.2 yen and 0.4 yen, respectively, compared with the previous year.

Revenue by geographic region (consolidated)

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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	change %
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%			

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This slide explains revenue by geographic region for 1H.

Revenue in 1H of FY2023 increased by ¥95.2 billion over the previous year's record high.
Included in this figure is an increase of ¥15.9 billion in revenue due to depreciation of the yen.

By region, revenue increased year on year in all regions except Russia-CIS and China.

In particular, revenue in the Americas increased significantly by 38% year on year, driven largely by the growth of focused-on developing own business.
In Europe, although demand is beginning to show signs of slowing down, sales of backlogged orders proceeded and revenue increased. In addition, revenue in Asia and Oceania also increased due to strong performance in the mining business.

As a result, the overseas revenue ratio increased by 2 percentage points year on year to 85%.

Mining revenue

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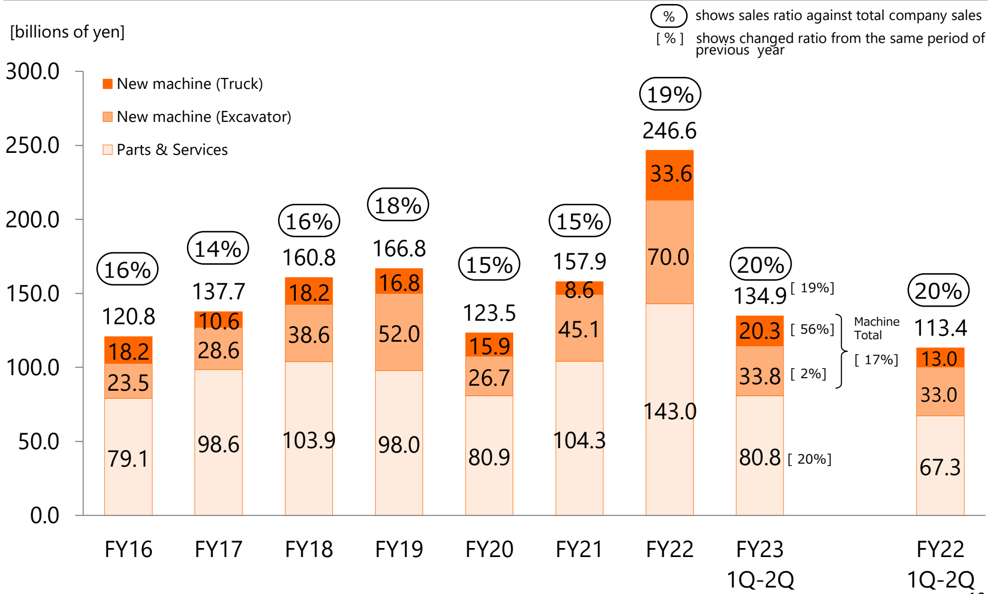
Revenue of mining increased by 19% to 134.9 billion yen y-y due to a significant increase in new machinery as well as parts and services sales.



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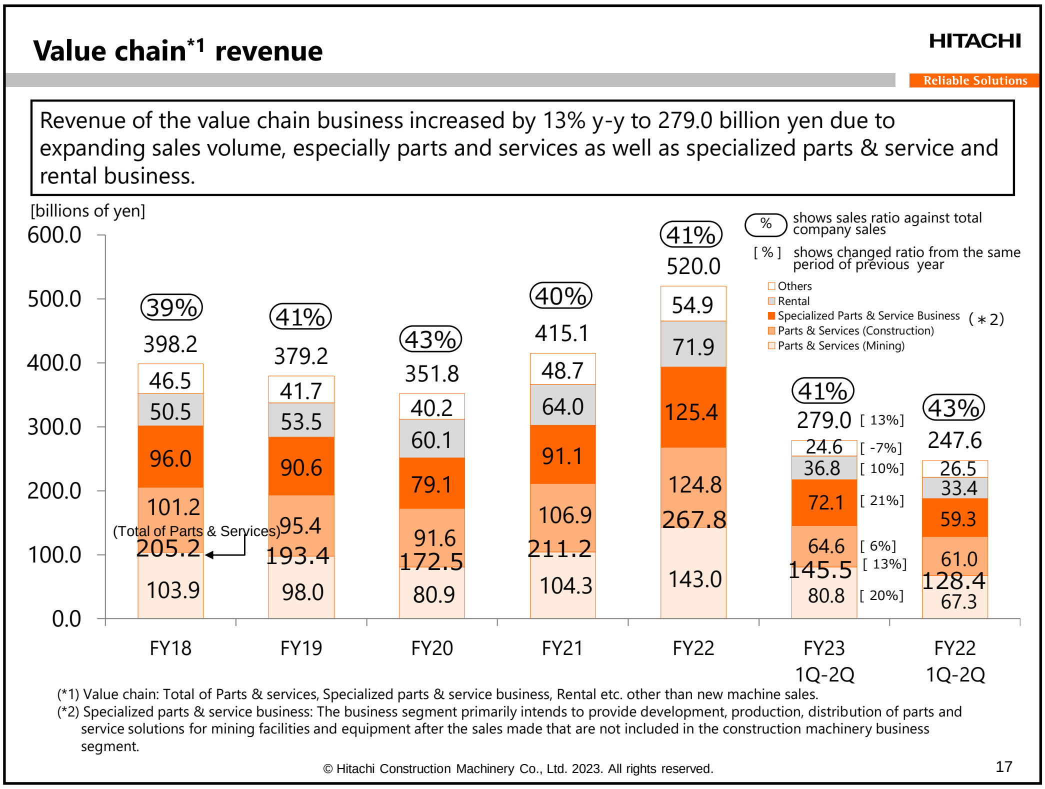
This slide explains the mining revenue.

Mining revenue in 1H of FY2023 was ¥134.9 billion, a significant 19% increase over the previous year, as shown in the second bar graph from the right.

Revenue of new trucks increased by 56% year on year, mainly due to contributions from Asia and the Americas. Revenue of new excavators increased by 2%, almost on par with the previous year due to contributions from Oceania. Revenue of mining parts & services also increased by 20% year on year due to contributions from Oceania and Asia.
As a result, mining revenue reached a record high in 1H.

Mining revenue accounted for 20% of consolidated revenue, remaining at the same level as the previous year.



This slide explains the value chain revenue.

Please refer to the second bar graph from the right.

Revenue from the value chain in 1H of FY2023 rose by 13% year on year to ¥279.0 billion.
We have analyzed the impact of the yen’s depreciation as a 1% equivalent factor in the increase in revenue, and we consider that sales in local currency terms, which indicate our capabilities, have grown steadily, increasing by 12% year on year.

Parts & services revenue rose by 13% year on year, while the specialized parts & service business supported by the mining market and rental business also achieved revenue growth of 21% and 10%, respectively.
As a result, value chain revenue reached a record high in 1H.

The value chain accounted for 41% of consolidated revenue, down 2 percentage points from the previous year. This was due to significant growth in new machinery sales, and we will continue to make further solid efforts in the value chain business.

Comparison of consolidated income

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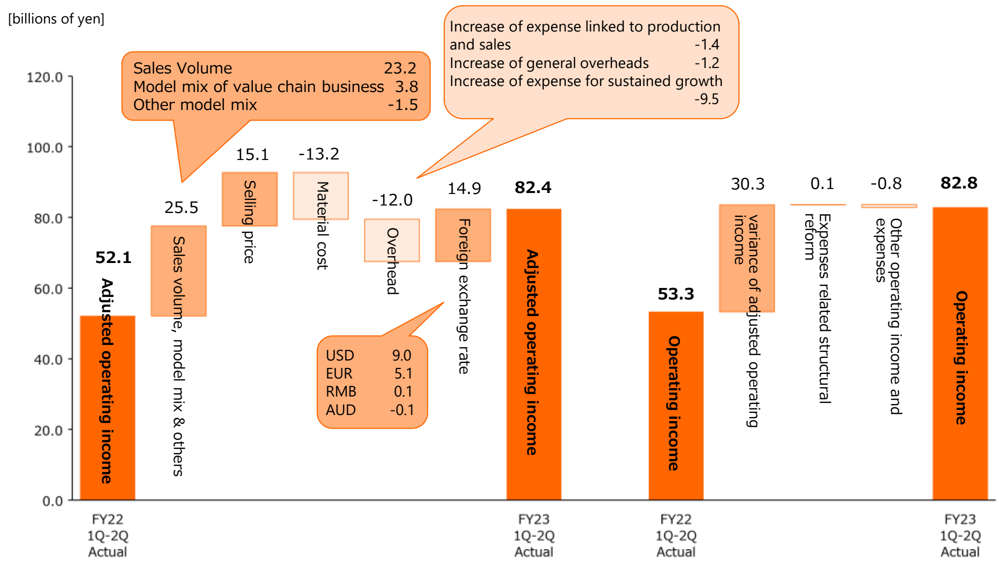
Adjusted operating income increased by 30.3 billion yen y-y due to the impact of an increase in sales volume, a sales price increase of more than the material cost impact, and currency impact.



This slide provides a comparison of consolidated income for 1H.

I will explain the factors behind the ¥30.3 billion increase in adjusted operating income compared to the previous year.

First, we analyze the factors behind the increase in income of ¥25.5 billion as sales volume, model mix, and others.
As indicated in the footnote, while there was an increase of ¥23.2 billion in sales volume and ¥3.8 billion in the model mix of the value chain business, there was a decrease of ¥1.5 billion in other model mix, including an increase of ¥2.5 billion in shipping and other freight costs, such as ocean freight charges.

In addition, we realized an ¥15.1 billion improvement in selling price, which absorbed a ¥13.2 billion increase in material costs.
Overhead expenses increased by ¥12.0 billion mainly due to personnel expenses and R&D expenses, but were absorbed by the impact of the yen’s depreciation of ¥14.9 billion.
As a result, adjusted operating income increased by ¥30.3 billion year on year to ¥82.4 billion.

As shown on the right-hand side of the page, operating income increased by ¥29.5 billion from the previous year to ¥82.8 billion as a result of an increase in adjusted operating income.
Profit indicators for 1H were all record highs, reflecting the growth in revenue and efforts to raise selling prices, etc.

Summary of quarterly consolidated revenue and operating income (ratio)

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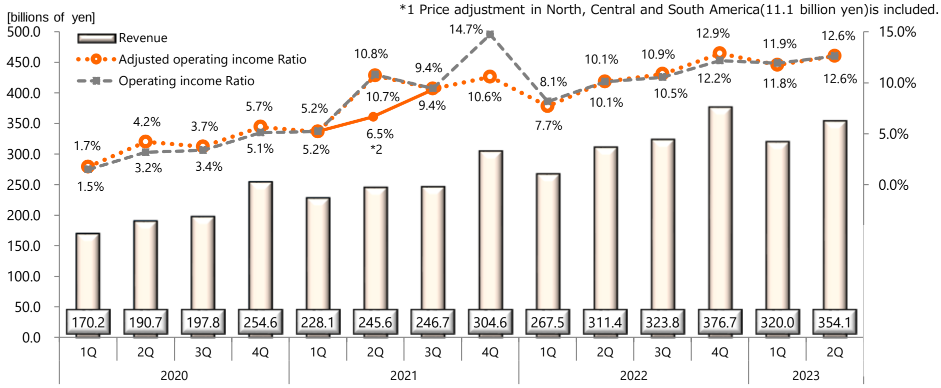
[billions of yen]

	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

*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	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

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This slide explains quarterly consolidated revenue and operating income.

Please refer to 2Q of FY2023 in the rightmost section of the bar graph.

Revenue for the quarter was ¥354.1 billion and adjusted operating income was ¥44.8 billion, the highest 2Q revenue and adjusted operating income ever recorded.
The adjusted operating income margin, as shown in the line graph, was 12.6%, also a significant improvement compared to 10.1% in the same period of the previous year.

We determined this achievement to be due to the factory's utilization rate also increasing and productivity improving.

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
Cash and cash equivalents	104.7	112.0	103.3	-7.3
Trade receivables	285.0	305.3	264.4	-20.3
Inventories	552.0	450.8	441.4	101.2
Total current assets	1,000.1	908.9	852.8	91.2
Total non-current assets	760.7	718.1	685.2	42.6
Total assets	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
Parts	172.8	158.6	158.5	14.2
Raw materials, WIP and etc	177.2	149.6	149.1	27.6
Total inventories	552.0	450.8	441.4	101.2
On hand days(divided by revenue)				[Days]
Trade receivables	87	98	99	-11
Inventories	147	129	143	18
Trade payables	45	47	48	-2
Net working capital	184	176	190	8

	(D) FY23-2Q	(E) Mar '2023	(F) FY22-2Q	(D)-(E) change
Trade and other payables	291.9	274.5	256.0	17.3
Bonds and borrowings	537.0	507.5	417.4	29.6
Total liabilities	981.3	926.0	817.4	55.4
(Equity attributable to owners of the parent ratio)	(41.8%)	(40.6%)	(43.1%)	(1.2%)
Total equity	779.5	701.0	720.6	78.5
Total liabilities and equity	1,760.8	1,627.0	1,537.9	133.8
	(30.5%)	(31.2%)	(27.1%)	(-0.7%)
Interest-bearing debt	537.0	507.5	417.4	29.6
Cash and Cash equivalents	104.7	112.0	103.3	-7.3
	(24.6%)	(24.3%)	(20.4%)	(0.2%)
Net interest-bearing debt	432.4	395.5	314.1	36.9
Net D/E Ratio	0.59	0.60	0.47	-0.01

This slide explains the consolidated balance sheet as of the end of September 2023.

Compared with the end of March 2023 of the previous fiscal year, trade receivables declined by ¥20.3 billion, partly due to the expansion of securitization of receivables.
Inventories increased by ¥101.2 billion mainly due to new machinery and semi-finished goods inventories at production sites, in response to the increase in sales volume.
The amount equivalent to the increase due to the impact of the yen's depreciation was analyzed to be ¥15.5 billion and ¥33.0 billion, respectively.

Non-current assets also increased by ¥42.6 billion due to investments in buildings, equipment, and rental assets for business expansion, as well as the currency translation impact.
As a result, total assets increased by ¥133.8 billion from the end of the previous fiscal year to ¥1,760.8 billion.

In terms of days on hand, trade receivables were 87 days, a 11-day reduction from the end of the previous fiscal year, but inventories were 147 days, a 18-day increase. As a result, net working capital on hand was 184 days, 8 days more than at the end of the previous fiscal year.

Interest-bearing debt on the right-hand side rose by ¥29.6 billion from the end of the previous fiscal year, and net interest-bearing debt rose by ¥36.9 billion to ¥432.4 billion.
The overall scale of the balance sheet is growing along with business expansion in the Americas, mining, and value chain, but we believe we are in control of this through various measures.
Total equity was ¥779.5 billion and the equity attributable to owners of the parent ratio was 41.8%. The net D/E ratio was 0.59.

Consolidated cash flow

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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

This slide explains consolidated cash flow for 1H.

Operating cash flow for 1H was positive at ¥28.1 billion.
Although working capital expanded due to an increase in inventories, the increase in FFO contributed to a ¥20.6 billion improvement from the previous year.

Net cash used in investing activities was negative at ¥27.0 billion, an increase of ¥5.1 billion from the previous fiscal year, while free cash flow was positive at ¥1.1 billion due to the liquidation of receivables and other measures.

Summary of consolidated earnings forecast

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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 Forecast		FY2022 Actual	change amount	change %
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	
Rate (YEN/USD)	140.9	135.0	137.6	135.4	2.1	For FX sensitivity, please refer to appendix 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%.

I will explain the FY2023 full-year earnings forecasts.

Taking into account the first-half results and demand environment that we have explained, we have further revised upward our forecast for FY2023 to the record high that we had previously left unchanged in July.

Revenue is ¥1,360.0 billion, adjusted operating income is ¥160.0 billion, and net income attributable to owners of the parent is ¥98.0 billion, and the adjusted operating income margin is expected to be 11.8%.

Considering the ongoing depreciation of the yen, we revised the exchange rate forecasts for the second half: US dollar: ¥135, euro: ¥145, and others as you can see in the table.

In the second half, while carefully factoring in the slowdown in demand in Europe and Asia, we plan to steadily grow our focused-on businesses in the Americas, mining, and value chain, and to increase revenue and income on a local currency basis, which is a measure of our capabilities.

Please refer to Appendix 1 for reference. Currency sensitivity, which affects revenue and adjusted operating income for 3Q onward, is presented on page 27.

Consolidated revenue forecast by geographic region

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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%			

This slide explains the consolidated revenue forecast by geographic region for FY2023.

The forecast for revenue for FY2023 has been revised to ¥1,360.0 billion, an increase of ¥80.5 billion from the previous fiscal year.
Due to the assumed exchange rate, the impact of a decrease in revenue of ¥0.2 billion is included.

In China and Russia-CIS, and also in Latin America, revenue is expected to decline significantly, while revenue is expected to increase in North America, Africa, and Oceania.

The overseas sales ratio is expected to be 83%, up 1 percentage point from the previous year.

Mining revenue forecast

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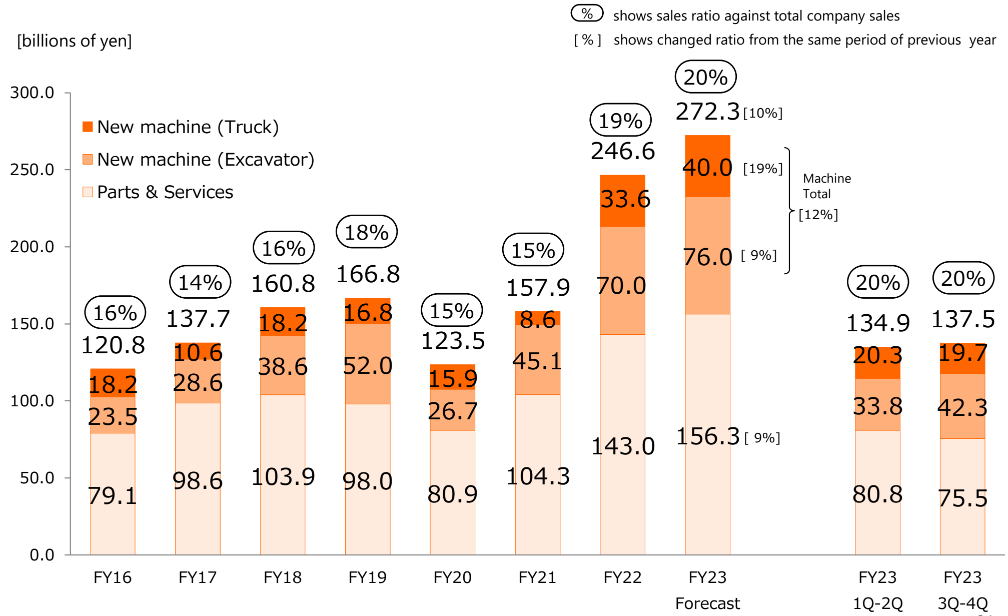
Revenue of mining for FY2023 is expected to increase by 10% to 272.3 billion yen y-y.



24

This slide explains the mining revenue forecast.

Mining revenue for FY2023 is expected to increase by 10% year on year to ¥272.3 billion. We aim to set a new record high in revenue.
Due to the assumed exchange rate, the impact of a decrease in revenue of ¥6.0 billion is included.
New machinery sales of trucks and excavators are expected to increase by 12% year on year, and parts & services are expected to increase by 9% year on year.

The sales composition ratio is expected to increase by 1 percentage point year on year to 20%.

Please refer to “Appendix 2: Detail of mining revenue” on page 28.

Revenue in Asia and Oceania is expected to increase by ¥17.4 billion, and revenue in the Americas is also expected to increase by ¥6.3 billion over the previous year.

Value chain[*1] revenue forecast

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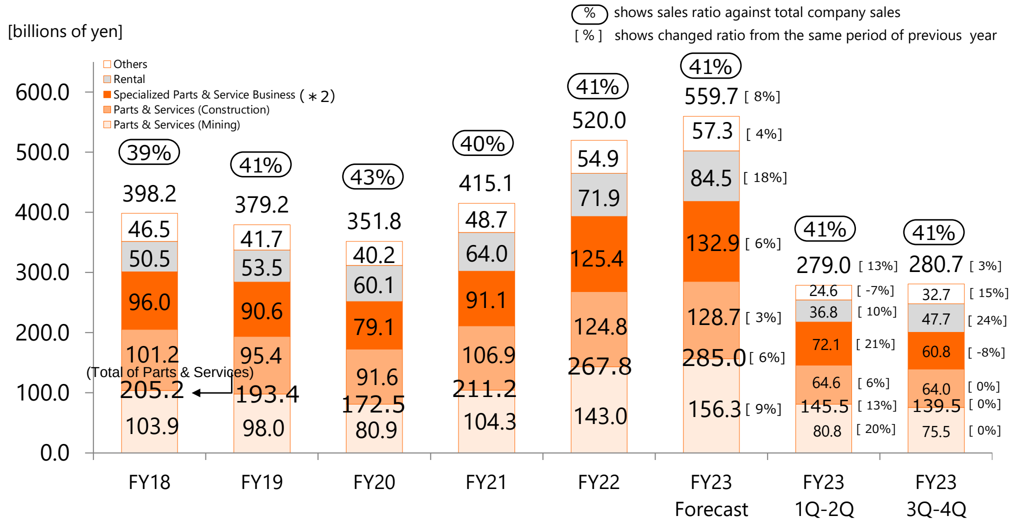
Revenue of the value chain for FY2023 is expected to increase by 8% to 559.7 billion yen y-y.



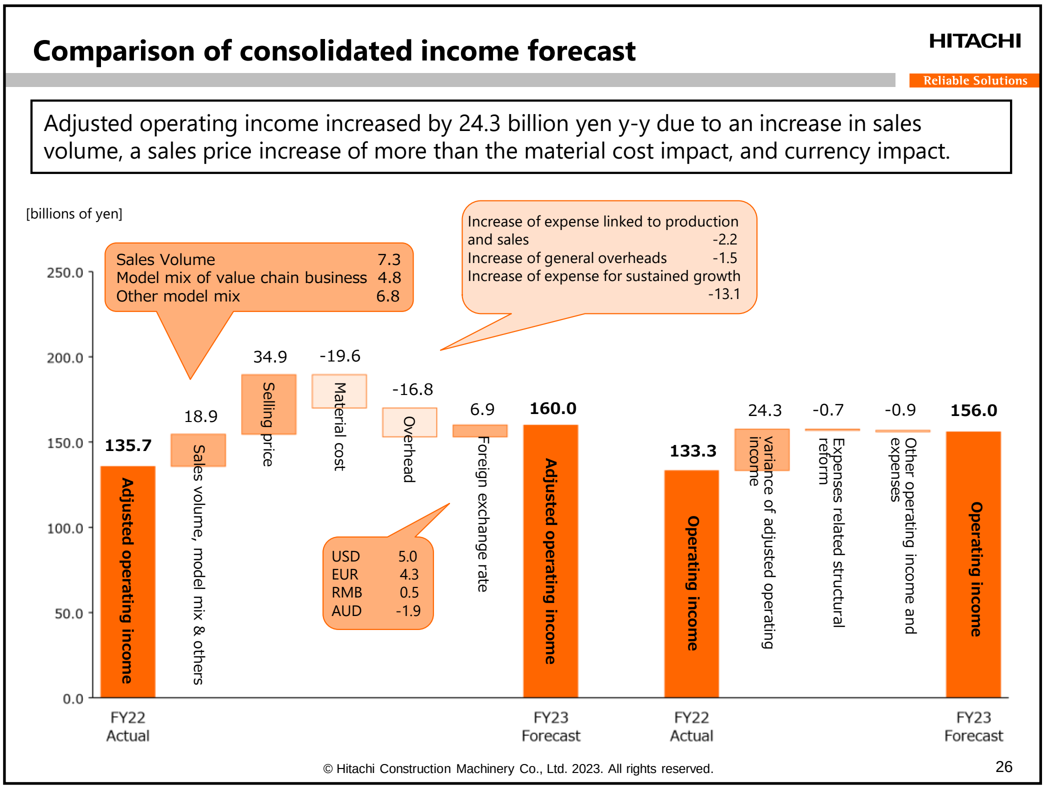
(*1) Value chain: Total of Parts & services, Specialized parts & service business, Rental etc. other than new machine sales.
(*2) Specialized parts & service business: The business segment primarily intends to provide development, production, distribution of parts and service solutions for mining facilities and equipment after the sales made that are not included in the construction machinery business segment.

This slide explains the value chain revenue forecast.

The forecast for value chain revenue for FY2023 is expected to increase by 8% year on year to ¥559.7 billion. We aim to set a new record high in revenue. Due to the assumed exchange rate, the impact of a decrease in revenue of ¥6.5 billion is included.

Individually, we are forecasting a 6% year-on-year increase in revenue of parts & services for construction and mining to ¥285.0 billion, and we are forecasting a 18% year-on-year increase in revenue of the rental business to ¥84.5 billion.

The sales composition ratio is expected to be 41%, the same level as the previous year.



This slide provides a comparison of consolidated income forecast for FY2023.

I will explain the factors behind the forecast ¥24.3 billion year on year increase in adjusted operating income from the previous year to ¥160.0 billion.

An increase of ¥18.9 billion will be factored into the sales volume, model mix, and others. Breaking this down, we have factored in an increase of ¥7.3 billion in sales volume, an increase of ¥4.8 billion in the value chain business composition and an increase of ¥6.8 billion in other model mix.

In addition, an improvement of ¥34.9 billion in selling price and the ¥6.9 billion increase effect of yen depreciation in foreign exchange has been incorporated to absorb a ¥19.6 billion increase in material costs and ¥16.8 billion increase in overhead costs.
Due to these factors, we expect adjusted operating income to increase by ¥24.3 billion from the previous year.

Operating income on the right-hand side of the page is expected to increase by ¥22.7 billion from the previous year to ¥156.0 billion due to an increase in adjusted operating income.

Please refer to the following four pages of the appendix.

We were able to achieve record-high results in both revenue and profit indicators in the current interim financial results. In the second half of FY2023, there are signs of a slowdown in the markets in Europe and Asia, but we will continue to implement various measures and plan to achieve a record-high forecast for the full fiscal year.

Appendix 1: FX rate and FX sensitivity

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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

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[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

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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: Construction Machinery Business		Reportable segment: Specialized Parts & Service Business*1		Adjustments *2	Total	
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: Construction Machinery Business		Reportable segment: Specialized Parts & Service Business*1		Adjustments *2	Total	
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 Actual	FY2021 Actual	FY2022 Actual	FY2023 1Q-2Q Actual	FY2023 3Q-4Q Forecast	FY2023 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 Actual	FY2021 Actual	FY2022 Actual	FY2023 1Q-2Q Actual	FY2023 3Q-4Q Forecast	FY2023 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 Actual	FY2021 Actual	FY2022 Actual	FY2023 1Q-2Q Actual	FY2023 3Q-4Q Forecast	FY2023 Forecast
Total of consolidation	24.8	25.5	24.4	14.4	15.5	29.9

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

October 26, 2023

Hitachi Construction Machinery Co., Ltd.