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Explanatory Meeting for Business Results for the First Quarter ended June 30, 2024

July 26, 2024

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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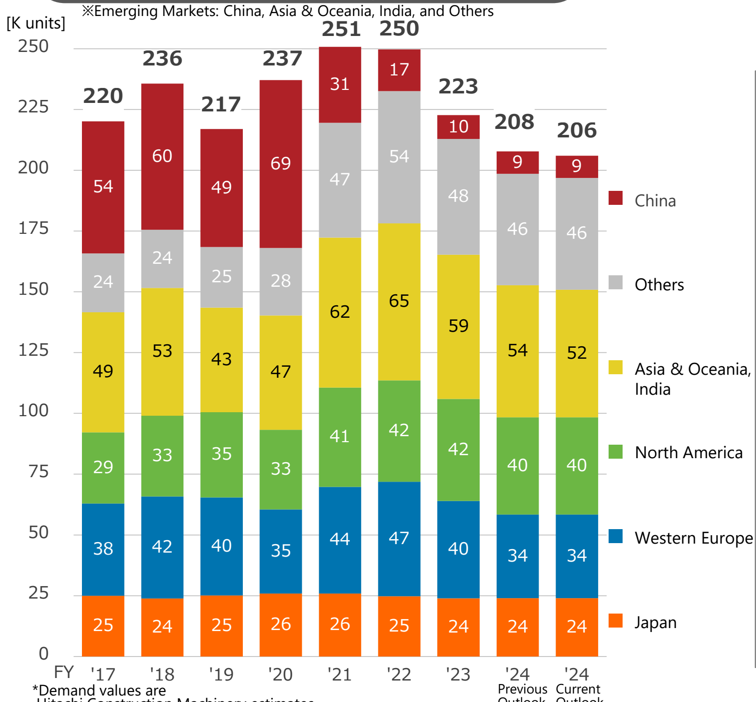
Emerging Markets ratio:
FY24 52%（y-y Change : ±0%)

※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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	'23	'24
Total	-11%	-7%
China	-43%	-6%
Russia, CIS, E Europe	-16%	-4%
Africa	+13%	-15%
Middle East	+10%	-13%
Latin America	-33%	+14%
Others	-12%	-4%
Asia	-17%	-8%
India	+8%	-16%
Oceania	-18%	-10%
Asia & Oceania,India	-8%	-12%
N America	+1%	-5%
W Europe	-15%	-14%
Japan	-3%	±0%

3

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

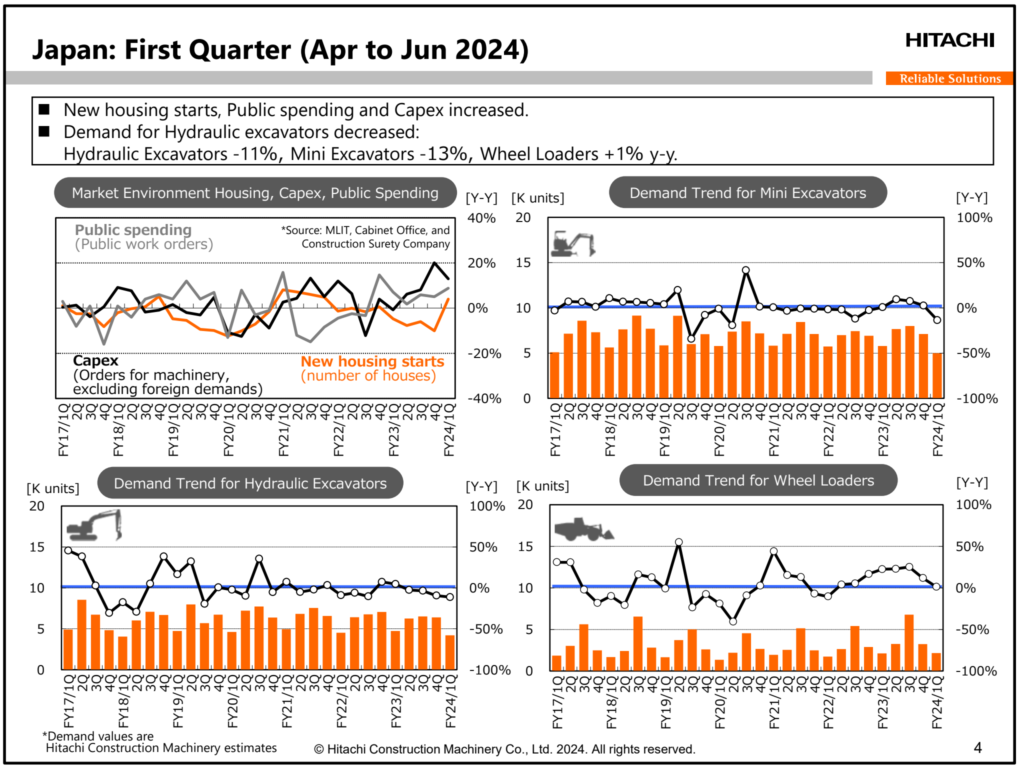
Demand for FY23 decreased by 11% year-on-year to 223 thousand units, increased from the previous outlook.

Demand for FY24 is forecasted to decrease mainly in Australia/New Zealand/Indonesia, totaling 2 thousand units decrease for whole Asia Pacific region from the previous outlook.

Compared to FY23, demand for FY24 is expected to remain flat in Japan, decrease continually in Western Europe and decrease overall in North America and emerging countries.

Worldwide demand is forecasted to decrease by 7% year-on-year to 206 thousand units.

The result of 1Q for each region is explained in the following pages.



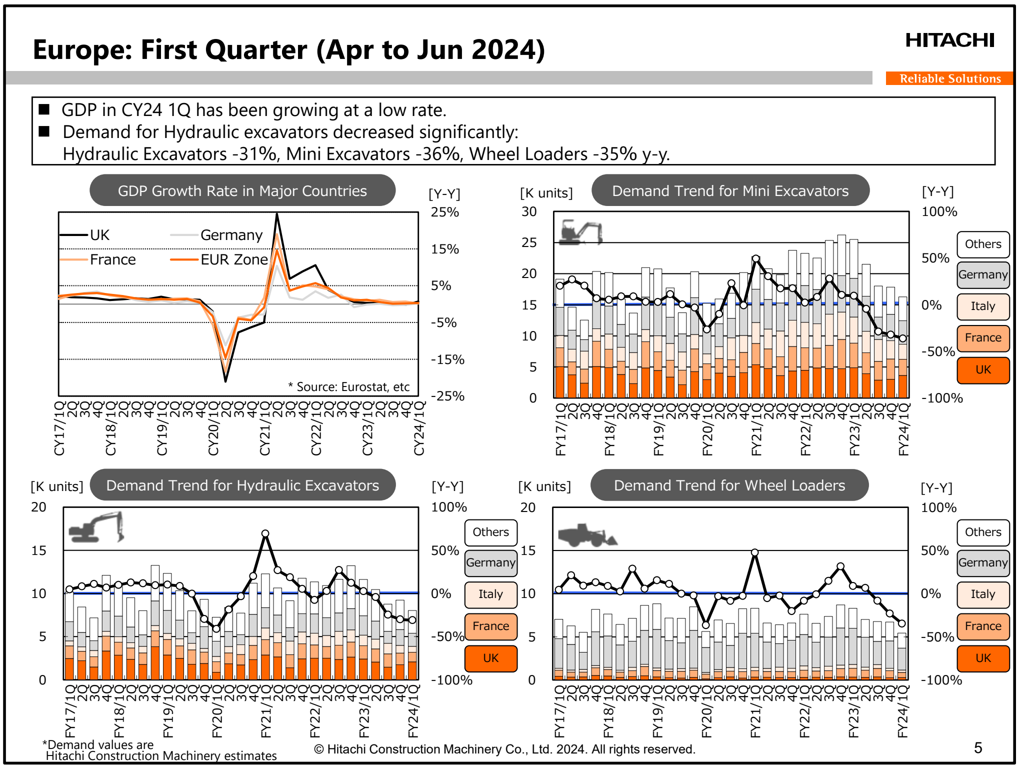
This slide explains the Japanese market.

The graph on the top left shows that public spending and capex continued to increase in 1Q year on year, and new housing starts turned to increase.

The graph on the lower left shows that demand for hydraulic excavators in 1Q decreased by 11% year on year but steady.

The graph on the top right shows that demand for mini excavators decreased by 13%.

The graph on the lower right shows that demand for wheel loaders increased by 1%.



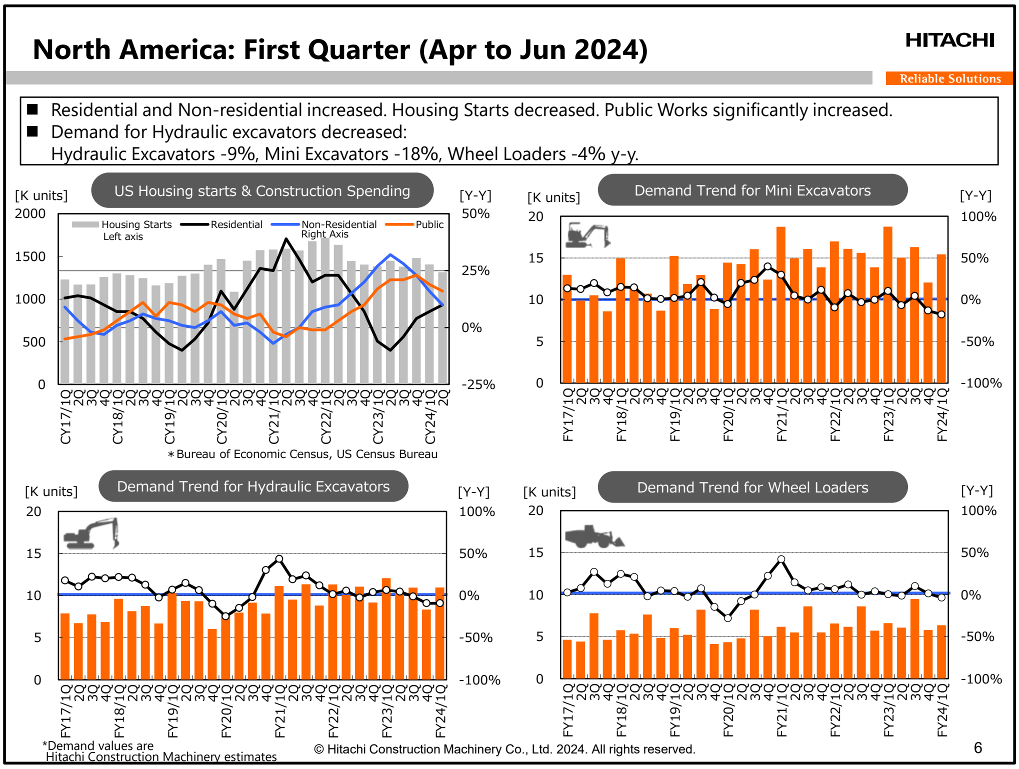
This slide explains the European market.

The graph on the top left shows that the GDP has been growing at a low rate across the Eurozone partly due to continuing inflation and high interest rates.

The graph on the lower left shows that demand for hydraulic excavators in 1Q decreased significantly by 31% year on year due to continued market slowdown.

The graph on the top right shows that demand for mini excavators decreased by 36%.

The graph on the lower right shows that demand for wheel loaders also decreased significantly by 35%, mainly in Germany.



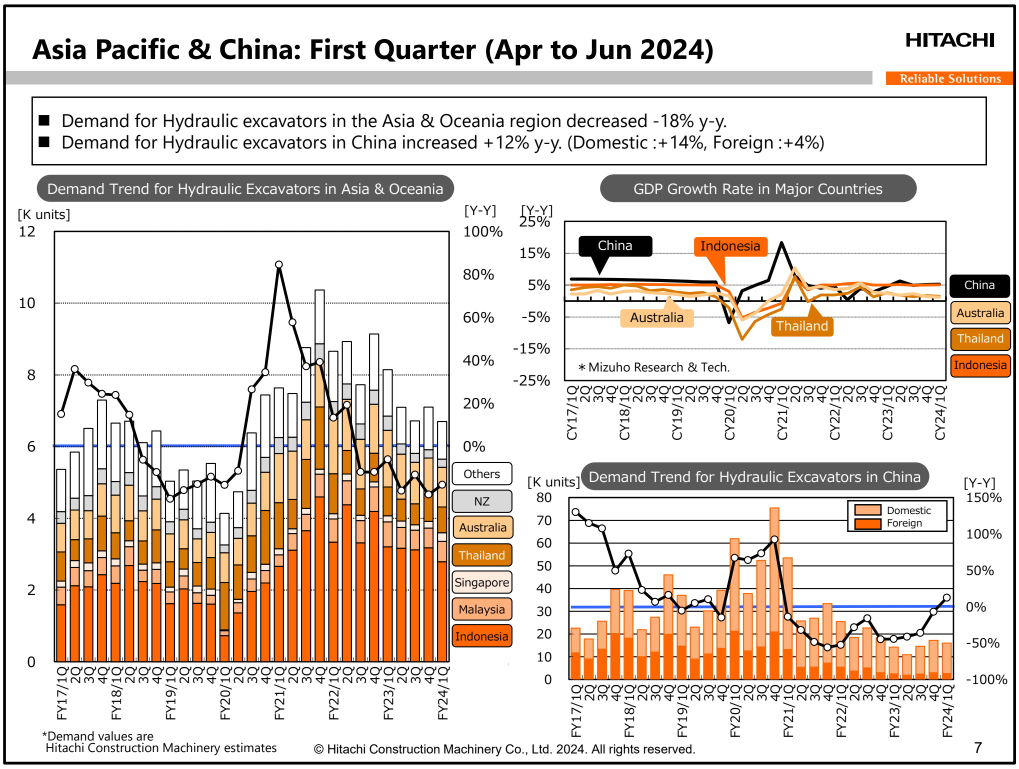
This slide explains the North American market.

The graph on the top left shows that housing starts decreased from the previous quarter, but residential and non-residential investment continues to increase year on year.
Public works investment also continues to increase significantly.

The graph on the lower left shows that demand for hydraulic excavators in 1Q decreased by 9% compared to the same period of the previous year, but high level of demand continues.

The graph on the top right shows that demand for mini excavators decreased by 18%.

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

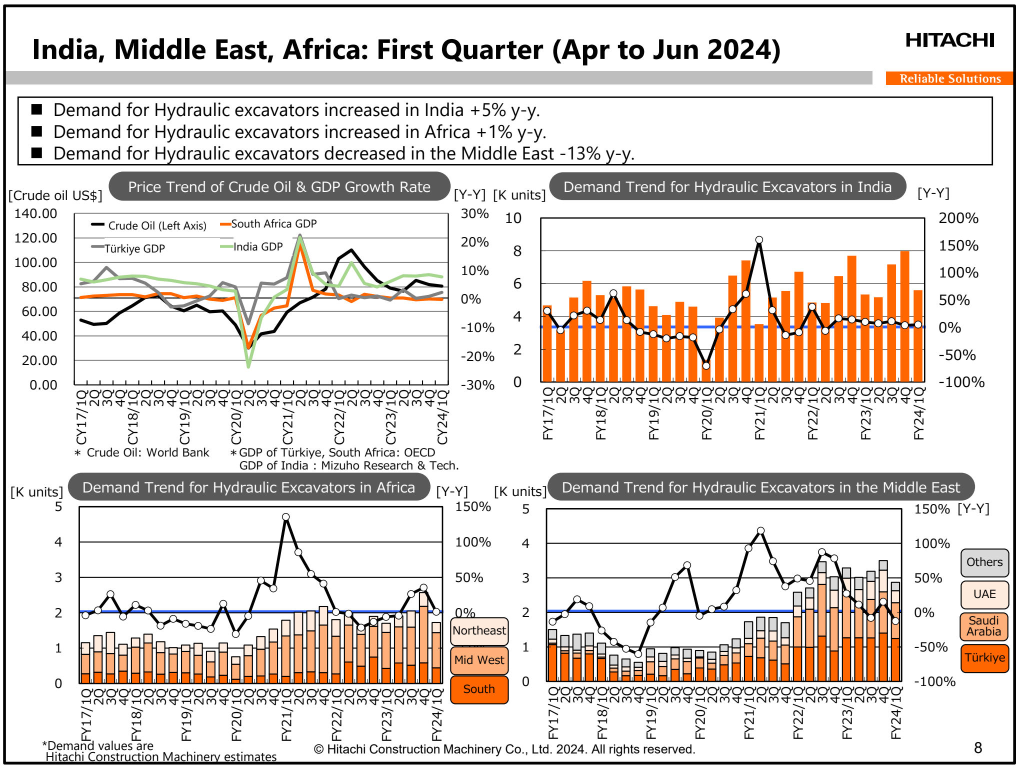


This slide explains the markets in Asia Pacific and China.

As shown on the top right, although GDP growth in major countries remains positive, GDP growth in Australia and Thailand is slow.
Also, the economy in China shows slow recovery.

The graph on the left shows that demand for hydraulic excavators in 1Q in Asia Pacific decreased by 18% year on year , primarily due to a decrease in demand in Indonesia, centered around the mining and civil engineering segments, and a decrease in demand in Australia, attributed to rising construction costs.

The graph on the lower right shows that total demand for hydraulic excavators in China including domestic manufacturers turned to increase by 12% year on year. As a breakdown, domestic manufacturers’ demand for hydraulic excavators increased by 14% and foreign manufacturers’ demand increased by 4%.



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

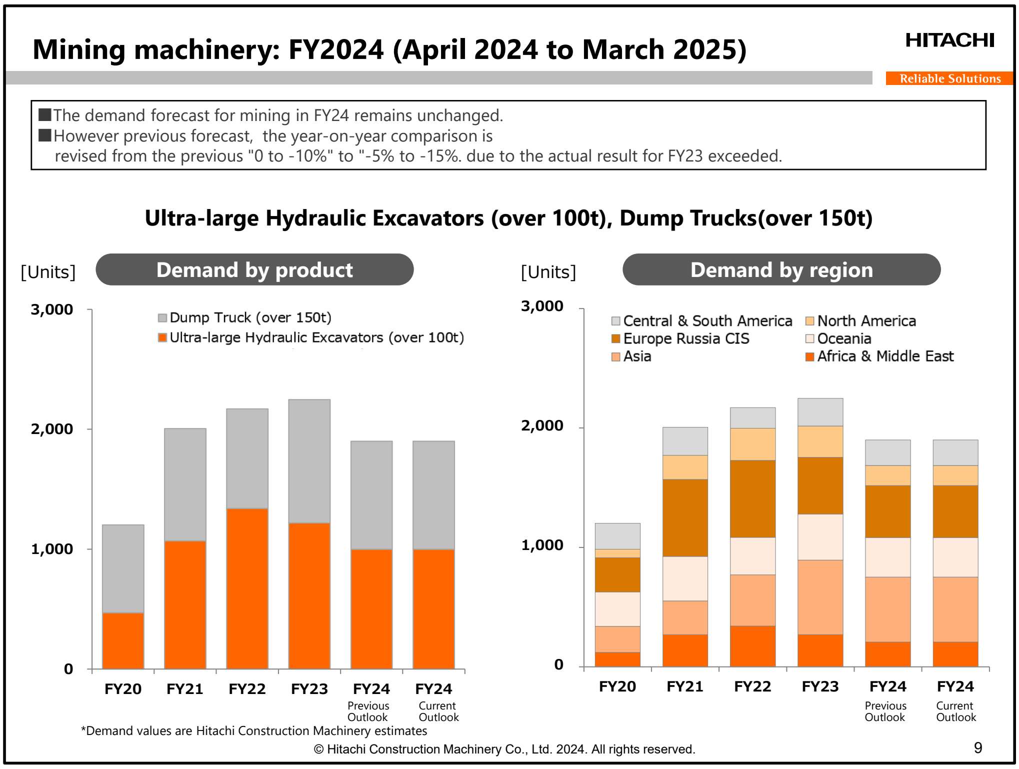
The graph on the top left shows that crude oil prices decreased by $1 from the previous quarter to $81.

GDP in India increased, slightly increased in Türkiye, and slightly decreased in South Africa.

The graph on the top right shows that demand for hydraulic excavators in 1Q in India increased by 5% year on year and continues to increase.

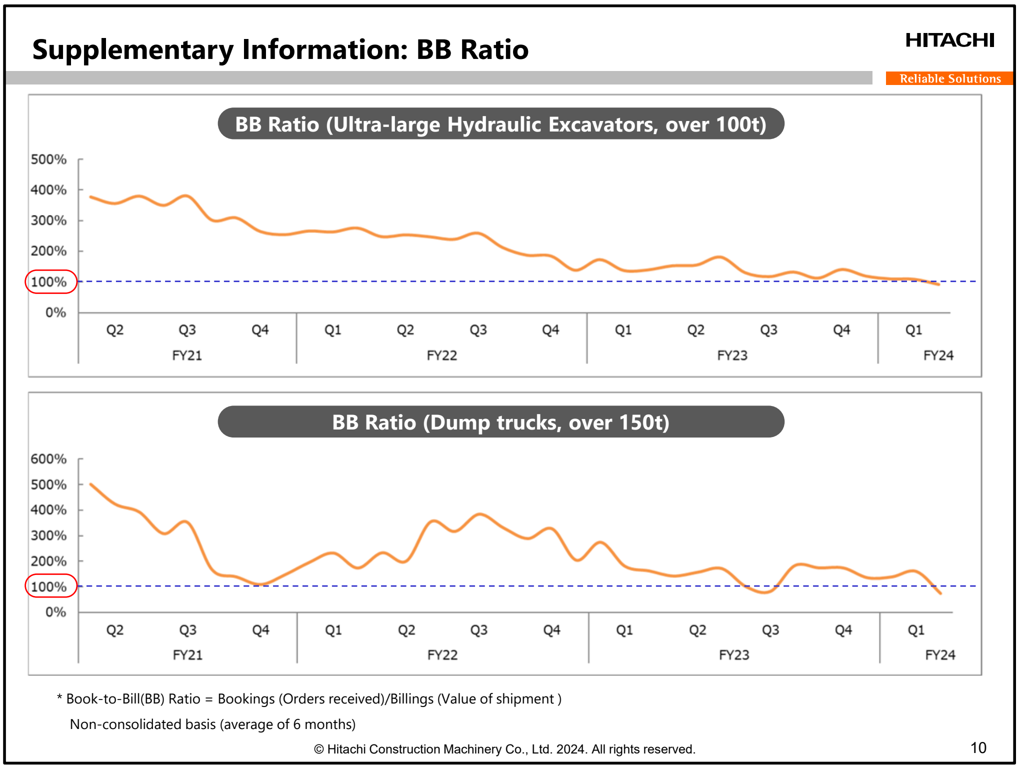
The graph on the lower left shows the demand for hydraulic excavators in Africa in 1Q. Although there was a temporary increase in demand by construction projects mainly in the mid-west part of Africa in the previous period, it increased by 1% year on year.

The graph on the lower right shows that demand for hydraulic excavators in the Middle East decreased by 13% compared to the same period of the previous year when the demand was high.



This slide explains the demand forecast for mining machinery.

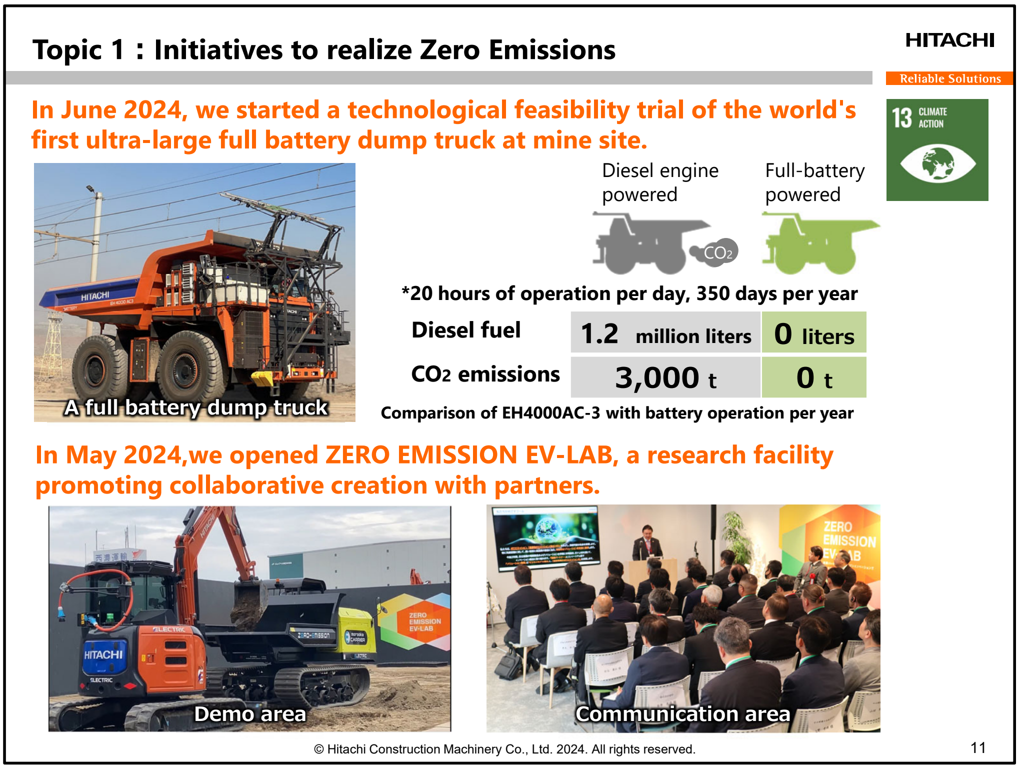
The demand forecast for mining in FY24 remains unchanged. However, due to the actual result for FY23 exceeded the previous, the year-on-year comparison is revised from the previous "0 to -10%" to "-5% to -15%."



This slide explains the BB ratio of mining machinery.

In 1Q, both excavators and dump trucks fell below 100%.

For ultra-large hydraulic excavators mainly for the 100t class, new orders are secured in China and in the CIS, but for ultra-large excavators more than 300t class and dump trucks, business discussions for the purchases beyond the fiscal year 2025 are currently underway with major mining companies and resource majors, resulting in a fall below 100%.



Next, I will explain the topics.
The first topic is our initiatives to realize Zero Emissions.

In June 2024, we started a technological feasibility trial of the world's first ultra-large full battery dump truck at the First Quantum Minerals' Kansanshi copper and gold mine in the Republic of Zambia.
This is the first time in the world that an Original Equipment Manufacturer has conducted a feasibility trial of a full battery dump truck with a 200-ton payload capacity at a customer's mine site.
If our EH4000AC-3 rigid dump truck is compared to a full-battery type, our new full battery dump truck will eliminate the usage of around 1,200,000 liters of diesel fuel per year, eliminating 3,000 metric tons of CO2 emissions.
We are taking on the challenge of achieving true decarbonization in Zambia, a country rich in renewable energy.

In May 2024, we opened ZERO EMISSION EV-LAB, a research facility promoting collaborative creation with partners at Ichikawa, Chiba, Japan.
EV-LAB consists of a demo area recreating a construction site located in Oslo, the capital city of Norway, which is leading the world in the transition to electrification as well as a communication area for exchanging opinions.
We will work with many partners to achieve zero emissions.

Topic 2： Efforts for the 2024 problem of logistics

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Building a sustainable business structure to address driver shortages through three measures

13 CLIMATE ACTION

Introduced Truck Reservation System to 9 sites in Japan (June 2024~)	Introduced Relay transportation between Kanto and Kansai (May 2024~)	Started rail transportation with containers of original design (May 2024~)

Keep truck waiting time within **30** minutes

Reduces CO_2 emissions by **43** tons per year

 12

Next, I will explain our efforts to solve the 2024 problem of logistics.

Through three measures, we are building a sustainable business structure to address the shortage of drivers.

First of all, we have sequentially introduced a truck reservation system to 9 sites in Japan from June 2024.
We aim to reduce the waiting time to deliver parts or ship products to less than 30 minutes.

Second, we have introduced relay transportation between the Kanto and Kansai regions, Japan. Wing van trailers loaded with cargo in Ibaraki Prefecture and the Kansai region exchange cargo in Shizuoka Prefecture and return to the departure point. This allows drivers who stayed overnight in long-distance transportation to now go home on a day trip.
At the same time, we have introduced wing van trailers with a higher load capacity than before to reduce the number of tracks required.

Third, we started rail transportation by transporting parts from a supplier in Hyogo Prefecture to a base in the Ibaraki area. This is expected to reduce CO2 emissions by approximately 43 tons per year.
The container was created with the original design painted in our corporate color "Reliable Orange". The front and back are decorated with illustrations of a hydraulic excavator.

Finally, I will explain the new concept.

In July 2024, Hitachi Construction Machinery has established the new "LANDCROS" concept to reflect Hitachi Construction Machinery Group's desire to deliver innovative solutions for every stakeholder including customers, dealers, suppliers, and partners.

"LANDCROS” embodies the following five ‘desires’ gathered from employee surveys.

1. We want to cross with our customers on their journey.
2. We want to be a reliable presence for our customers.
3. We want to openly co-create new businesses and value with our customers and partners, and develop together.
4. We want to propose innovative solutions to our customers and various stakeholders.
5. We want to connect with land through machines and contribute to ensure a prosperous land and society for the future.

Going forward, the newly established concept will be affixed to business cards and construction machinery across the entire Hitachi Construction Machinery Group to broadly disseminate and promote the "LANDCROS" as new concept.

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2. Business Results for the First Quarter ended June 30, 2024

(April 1, 2024 – June 30, 2024)

Keiichiro Shiojima

Vice President and Executive Officer, CFO

Our Business Results in the 1Q of FY2024 and forecast for FY2024 are explained by Keiichiro Shiojima, Vice President and Executive Officer, CFO.

Summary of consolidated results

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In 1Q of the year, revenue increased by 4% y-y due to business expansion in the Americas and the impact of depreciation of the yen. However, adjusted operating income decreased by 13% y-y and net income attributable to owners of the parent decreased by 22%, due to the sales decrease in Europe and Asia.

[billions of yen]

		FY2024 1Q		FY2023 1Q		change
Continuing operation						
	Revenue		328.2		315.9	4%
	Adjusted operating income *1	9.9%	32.5	11.9%	37.6	-13%
	Operating income	10.0%	32.8	12.1%	38.1	-14%
	Income before income taxes	11.9%	39.1	13.8%	43.6	-10%
	Net income from continuing operation	7.9%	26.0	10.6%	33.5	-22%
Net income from discontinued operation			0.7		0.1	827%
Net income attributable to owners of the parent		7.5%	24.6	9.9%	31.4	-22%
EBIT *2		12.9%	42.4	14.6%	46.1	-8%
FX rate	Rate (YEN/USD)		155.9		137.4	18.5
	Rate (YEN/EUR)		167.9		149.5	18.4
	Rate (YEN/RMB)		21.5		19.6	1.9
	Rate (YEN/AUD)		102.7		91.8	11.0

*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"

This slide explains summary of consolidated results for the 1Q.
Revenue in the 1Q of FY2024 was ¥328.2 billion, an increase of 4% from the previous year, supported by expansion of Americas business and the impact of yen depreciation.

Adjusted operating income decreased by 13% year on year to ¥32.5 billion, resulting in an adjusted operating income margin of 9.9%.
Operating income was ¥32.8 billion, resulting in an operating income margin of 10.0%.

Net income attributable to owners of the parent decreased by 22% year on year to ¥24.6 billion.
Despite a difficult environment of declining demand mainly in Europe and Asia, growth in the Americas, mining, and value chain businesses contributed to the record-high 1Q revenue. On the other hand, adjusted operating income and the other income listed below were down from the previous year due to lower sales volume.

In the 1Q, the yen depreciated by ¥18.5 to the U.S. dollar, by ¥18.4 to the euro, by ¥1.9 to the yuan and by ¥11.0 to the Australian dollar compared with the previous year.

Revenue by geographic region (consolidated)

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There was a market slowdown in Europe and Asia; however, revenue increased in the Americas, Oceania etc.

[billions of yen]

		FY2024 1Q		FY2023 1Q		change amount	change %
Japan		42.6	13%	44.2	14%	-1.6	-4%
Asia		23.7	7%	27.8	9%	-4.1	-15%
India		19.0	6%	16.1	5%	3.0	18%
Oceania		68.8	21%	61.0	19%	7.8	13%
Europe		38.4	12%	44.1	14%	-5.6	-13%
	N. America	81.5	25%	77.7	25%	3.8	5%
	L. America	13.0	4%	9.0	3%	4.0	45%
The Americas (Developing own business)		94.5 (53.4)	29% (16%)	86.7 (51.9)	27% (16%)	7.8 (1.4)	9% (3%)
Russia-CIS		4.6	1%	8.2	3%	-3.7	-44%
M. East		11.3	3%	7.5	2%	3.8	51%
Africa		18.2	6%	11.7	4%	6.4	55%
China		7.1	2%	8.5	3%	-1.4	-16%
Total		328.2	100%	315.9	100%	12.4	4%
Overseas ratio		87%		86%			

* FY2023 & FY2024 revenue presented only continuing operation retroactively.

16

This slide explains revenue by geographic region for the 1Q.
Revenue in the 1Q of FY2024 increased by ¥12.4 billon year on year.
Included in this figure is an increase of ¥28.7 billion in revenue due to depreciation of the yen.

By region, revenue declined year on year mainly in Europe, Asia, and Russia-CIS.
On the other hand, revenue increased in the Americas, where we are expanding our own development, as well as in Oceania and Africa due to strong mining demand.
As a result, the overseas revenue ratio increased 1 percentage point year on year to 87%. This was a record high for the 1Q.

Mining revenue

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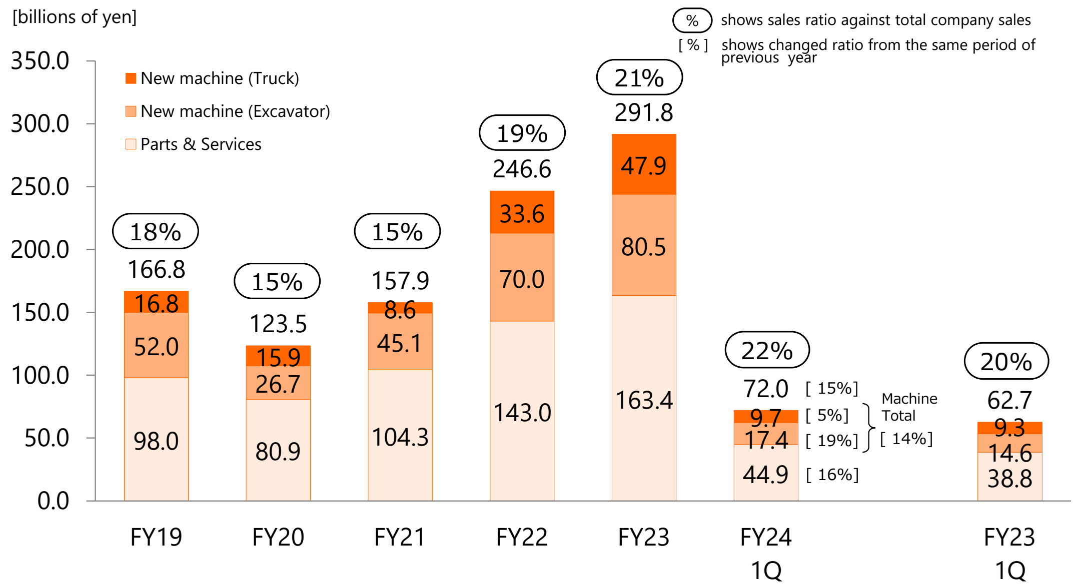
Revenue of mining increased in all the categories, trucks, excavators, parts and services.



 17

This slide explains the mining revenue.
Mining revenue in the 1Q of FY2024 was ¥72.0 billion, a 15% increase over the previous year, as shown in the second bar graph from the right.

Revenue of new trucks increased by 5% year on year mainly due to contributions from Africa and Latin America. Revenue of new excavators increased by 19% year on year due to contributions from Oceania, Latin America and Africa.

Revenue of mining parts＆services also increased by 16% year on year due to contributions from Oceania and Latin America.

Mining revenue accounted for 22% of consolidated revenue, the ratio increased 2 percentage points year on year.

Value chain[*1] revenue

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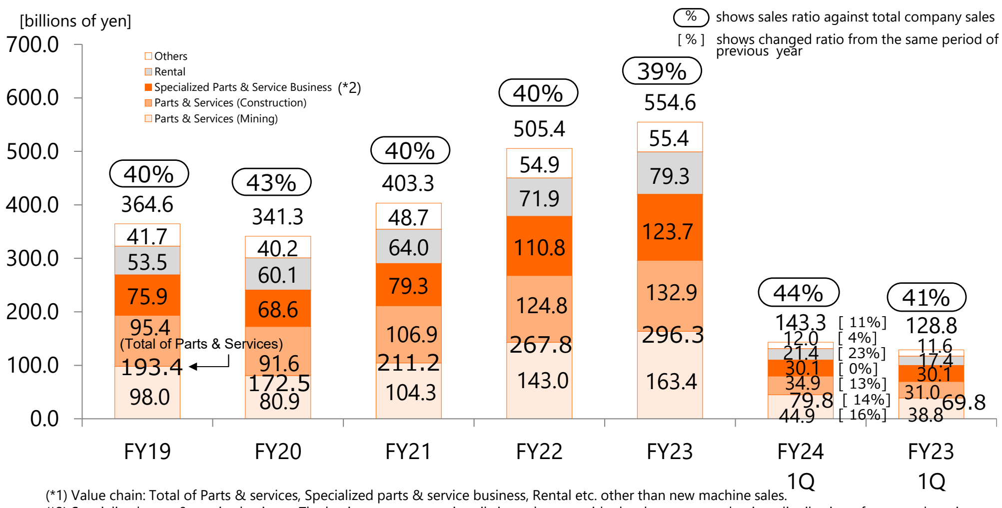
Revenue of the value chain business increased in all the categories including parts and service which significantly increased.



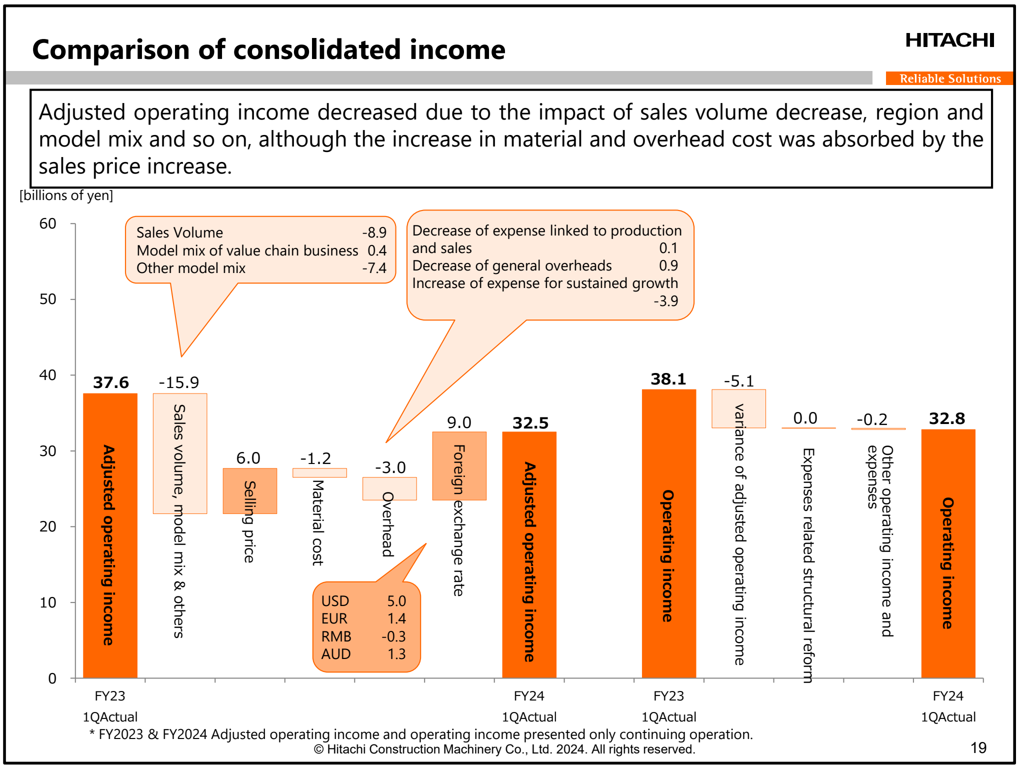
(*1) Value chain: Total of Parts & services, Specialized parts & service business, Rental etc. other than new machine sales.
(*2) Specialized parts & service business: The business segment primarily intends to provide development, production, distribution of parts and service solutions for mining facilities and equipment after the sales made that are not included in the construction machinery business segment.
From FY2019, revenue presented only continuing operation retroactively.

This slide explains the value chain revenue.
Please refer to the second bar graph from the right.

Revenue from the value chain in the 1Q of FY2024 rose 11% year on year to ¥143.3 billion.

Revenue of parts＆services increased 14% and rental business increased 23% over the previous year. As a result, the value chain revenue reached a record high in the 1Q.

The value chain accounted for 44% of consolidated revenue, up 3 percentage points from the previous year.



This slide explains comparison of consolidated income for the 1Q.
I will explain the factors behind the ¥5.1 billion decrease in adjusted operating income compared to the previous year.

From left side of page, we analyze the factors behind the decrease in income of ¥15.9 billion as sales volume, model mix, and others.
The decrease in sales volume was a factor in the ¥8.9 billion decrease in income, while the improvement in mix due to the increase in value chain revenue was a factor in the ¥0.4 billion increase in income.
In addition, there was a major impact of a model mix & others of ¥7.4 billion in lower income, mainly due to deferred profit from unrealized profit adjustments on inventories.

On the other hand, we realized a ¥6.0 billion improvement in selling price, which absorbed a ¥1.2 billion increase in material costs and ¥3.0 billion increase in overhead mainly due to higher costs for sustained growth such as personnel and R&D expenses.

Despite a ¥9.0 billion positive impact from yen depreciation, adjusted operating income was ¥32.5 billion.
As shown on the right-hand side of the page, operating income decreased by ¥5.3 billion from the previous year to ¥32.8 billion as a result of a decrease in adjusted operating income.

Summary of quarterly consolidated revenue and operating income (ratio)

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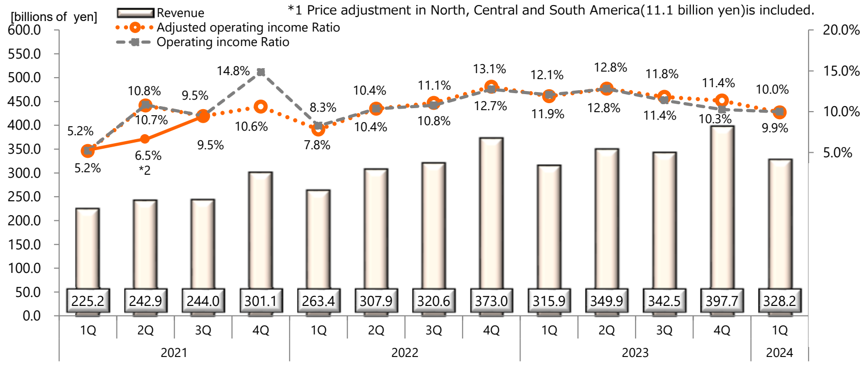
[billions of yen]

	2021				2022				2023				2024
	1Q	2Q *1	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Revenue	225.2	242.9	244.0	301.1	263.4	307.9	320.6	373.0	315.9	349.9	342.5	397.7	328.2
Adjusted operating income	11.7	26.1	23.1	32.0	20.6	31.9	35.5	48.7	37.6	44.9	40.5	45.1	32.5
Operating income	11.7	26.3	23.2	44.7	21.8	31.9	34.5	47.5	38.1	44.8	39.0	40.8	32.8

*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	2021				2022				2023				2024
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Rate (YEN/USD)	109.5	110.1	113.7	116.2	129.6	138.4	141.6	132.3	137.4	144.6	147.9	148.6	155.9
Rate (YEN/EUR)	132.0	129.8	130.1	130.4	138.1	139.3	144.3	142.1	149.5	157.3	159.1	161.3	167.9
Rate (YEN/RMB)	17.0	17.0	17.8	18.3	19.6	20.2	19.9	19.3	19.6	19.9	20.4	20.6	21.5
Rate (YEN/AUD)	84.3	80.9	82.9	84.0	92.6	94.5	92.9	90.6	91.8	94.7	96.3	97.7	102.7

From FY2021, revenue, adjusted operating income and operating income presented only continuing operation retroactively.

This slide explains quarterly consolidated revenue and operating income. Please refer to the 1Q of FY2024 on the rightmost of the bar graph.

Revenue for the quarter was ¥328.2 billion, the highest 1Q revenue ever recorded. The adjusted operating income margin, as shown in the line graph, was 9.9% due to a large amount of profit deferral from unrealized profit adjustments on inventories.

Consolidated statement of financial position

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Inventories increased with the impact of depreciation of the yen; however, trade receivables reduced.

[billions of yen]

	(A) FY24-1Q	(B) Mar '2024	(C) FY23-1Q	(A)-(B) change
Cash and cash equivalents	156.2	143.5	107.9	12.7
Trade receivables	276.8	305.7	299.5	-28.9
Inventories	601.0	552.3	525.1	48.7
Total current assets	1,120.2	1,077.6	981.6	42.7
Total non-current assets	784.3	757.5	753.7	26.8
Total assets	1,904.5	1,835.0	1,735.3	69.5
Trade receivables incl. non-current	323.9	352.9	341.7	-29.1
Inventories by products				
Unit	262.8	229.7	179.8	33.2
Parts	180.1	172.8	170.0	7.3
Raw materials, WIP and etc	158.2	149.9	175.4	8.3
Total inventories	601.0	552.3	525.1	48.7
On hand days(divided by revenue)				[Days]
Trade receivables	83	92	94	-8
Inventories	155	143	144	11
Trade payables	42	44	44	-3
Net working capital	193	187	189	6

	(D) FY24-1Q	(E) Mar '2024	(F) FY23-1Q	(D)-(E) change
Trade and other payables	265.3	289.4	264.9	-24.1
Bonds and borrowings	619.2	575.6	564.8	43.6
Total liabilities	1,042.4	1,020.6	985.5	21.8
(Equity attributable to owners of the parent ratio)	(42.3%)	(41.6%)	(40.6%)	(0.7%)
Total equity	862.1	814.4	749.7	47.7
Total liabilities and equity	1,904.5	1,835.0	1,735.3	69.5
Interest-bearing debt	(32.5%) 619.2	(31.4%) 575.6	(32.5%) 564.8	(1.1%) 43.6
Cash and Cash equivalents	156.2	143.5	107.9	12.7
Net interest-bearing debt Debt	(24.3%) 463.0	(23.5%) 432.1	(26.3%) 456.9	(0.8%) 30.9
Net D/E Ratio	0.57	0.57	0.65	0.00

21

This slide explains consolidated balance sheet as of the end of June 2024.
Compared with the end of March 2024 of the previous fiscal year, trade receivables declined by ¥28.9 billion while inventories increased by ¥48.7 billion mainly due to new machinery in response to the increase in sales volume in the Americas and the mining business.

The amount equivalent to the increase due to the impact of the yen's depreciation was analyzed to be ¥13.6 billion and ¥29.2 billion, respectively.
Non-current assets also increased by ¥26.8 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 ¥69.5 billion from the end of the previous fiscal year to ¥1,904.5 billion. Likewise, the impact of yen's depreciation was analyzed as a factor increasing total assets by ¥81.2 billion, resulting in a reduction in total assets in real terms.

In terms of days on hand, trade receivables were 83 days, an 8-day reduction from the end of the previous fiscal year, but inventories were 155 days, an 11-day increase. As a result, net working capital on hand was 193 days, 6 days more than at the end of the previous fiscal year.

Interest-bearing debt on the right-hand side rose ¥43.6 billion from the end of the previous fiscal year, and net interest-bearing debt rose ¥30.9 billion to ¥463.0 billion.
Total equity was ¥862.1 billion and the equity attributable to owners of the parent ratio was 42.3%. The net D/E ratio was 0.57, the same level as at the end of the previous fiscal year.

Consolidated cash flow

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Operating cash flow was positive, free cash flow was negative; however, it improved from the same period of the previous year.

[billions of yen]

	FY2024 1Q		FY2023 1Q		change	
Net income (incudes discontinued operations)		26.7		33.6		-6.9
Depreciation and amortization	45.0	18.3	50.1	16.6	-5.1	1.8
(Increase)decrease in trade/lease receivables		43.3		18.6		24.7
(Increase)decrease in inventories	12.7	-17.7	-34.9	-46.3	47.5	28.6
Increase(decrease) in trade payables		-12.9		-7.2		-5.7
Others, net		-49.4		-27.7		-21.6
Net cash provided by (used in) operating activities		8.3		-12.5		20.8
Cash flow margin for operating activities		2.5%		-4.0%		6.5%
Net cash provided by (used in) investing activities		-12.5		-16.3		3.8
Free cash flows		-4.2		-28.8		24.6
Net cash provided by (used in) financing activities		7.7		20.9		-13.2

This slide explains consolidated cash flow for the 1Q.
Operating cash flow for the 1Q was positive at ¥8.3 billion.
While FFO was ¥45.0 billion, a decrease of ¥5.1 billion from the previous year, working capital was reduced by ¥12.7 billion, as the increase in inventories was absorbed by the accelerated collection of trade receivables.

In terms of investment cash flow, the Company continued to invest in fixed assets, spending ¥12.5 billion while decreasing ¥3.8 billion from the previous year. As a result, free cash flow was negative ¥4.2 billion.

Summary of consolidated earnings forecast

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The consolidated income statement for FY2024 is unchanged from the previous forecast as of April 2024 and revenue is expected to decrease by 3% y-y, and adjusted operating income by 2% y-y. Net income attributable to owners of the parent is expected to increase by 5% y-y.

(billions of yen)

	FY2024 Forecast	FY2023 Actual	change amount	change %
Continuing operation				
Revenue	1,370.0	1,405.9	-35.9	-3%
Adjusted operating income	(12.0%) 165.0	(12.0%) 168.0	(0.1%) -3.0	-2%
Operating income	(11.8%) 161.0	(11.6%) 162.7	(0.2%) -1.7	-1%
Income before income taxes	(11.0%) 151.0	(11.4%) 160.5	(-0.4%) -9.5	-6%
Net income from continuing operation	106.4	116.3	-9.8	-8%
Net income from discontinued operation	0.7	-11.8	12.5	-
Net income attributable to owners of the parent	(7.2%) 98.0	(6.6%) 93.3	(0.5%) 4.7	5%
EBIT	165.4	167.5	-2.1	

Currency	1Q Actual	2Q-4Q Forecast	Total Forecast	FY2023 Actual	change
Rate (YEN/USD)	155.9	141.0	143.9	144.8	-0.9
Rate (YEN/EUR)	167.9	152.0	155.6	157.0	-1.4
Rate (YEN/RMB)	21.5	20.1	20.4	20.1	0.3
Rate (YEN/AUD)	102.7	95.0	96.9	95.0	1.9
Cash dividend per share (yen) *1			175	150	25

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 aims to maximize shareholder returns based on a stable and continuous dividend payout ratio of approx. 30% to 40%.

I will explain the FY2024 full-year earnings forecasts.
Taking into account the 1Q result and demand environment that we have explained, we have remained our forecast for FY2024 we had announced in April.

In detail, we have remained our forecasts for revenue, adjusted operating income and net income attributable to owners of the parent to ¥1,370.0 billion, ¥165.0 billion, ¥98.0 billion, respectively. Adjusted operating income margin is expected to be 12.0%, which is also unchanged compared with the previous outlook.

The forecast exchange rates for the 2Q onward remain unchanged: ¥141 to the US dollar, ¥152 to the euro, ¥20.1 to the Chinese yuan, and ¥95 to the Australian dollar.

In addition to lower demand in Europe, we expect lower demand in Asia & Oceania, and under the assumption of the impact of yen appreciation, we expect record-high net income attributable to owners of the parent due to our own developing business in the Americas, the mining business, business expansion in the value chain business including parts & services, and improvement in non-operating income.

The annual dividend forecast of ¥175 per share remains unchanged.

Please refer to Appendix 1 for reference. Currency sensitivity, which affects revenue and adjusted operating income for the 2Q onward, is presented on page 28.

Consolidated revenue forecast by geographic region

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Consolidated revenue for this fiscal year is unchanged from the previous forecast as of April 2024 as the sales in Africa and Oceania are expected to increase, despite the sales decrease in Europe and Asia.

(billions of yen)

		FY2024 Forecast		FY2023 Actual		change amount	change %
Japan		227.1	17%	226.9	16%	0.2	0%
Asia		115.4	8%	127.0	9%	-11.6	-9%
India		86.3	6%	85.0	6%	1.3	2%
Oceania		260.3	19%	251.1	18%	9.2	4%
Europe		140.2	10%	182.9	13%	-42.7	-23%
America	N. America	351.5	26%	334.4	24%	17.1	5%
	L. America	37.4	3%	40.9	3%	-3.4	-8%
		388.9	28%	375.2	27%	13.7	4%
(Developing own business)		(252.8)	(18%)	(217.5)	(15%)	(35.3)	(16%)
Russia-CIS		20.0	1%	23.4	2%	-3.5	-15%
M. East		33.4	2%	34.7	2%	-1.4	-4%
Africa		68.2	5%	70.4	5%	-2.1	-3%
China		30.2	2%	29.2	2%	1.0	3%
Total		1,370.0	100%	1,405.9	100%	-35.9	-3%
Overseas ratio		83%		84%			

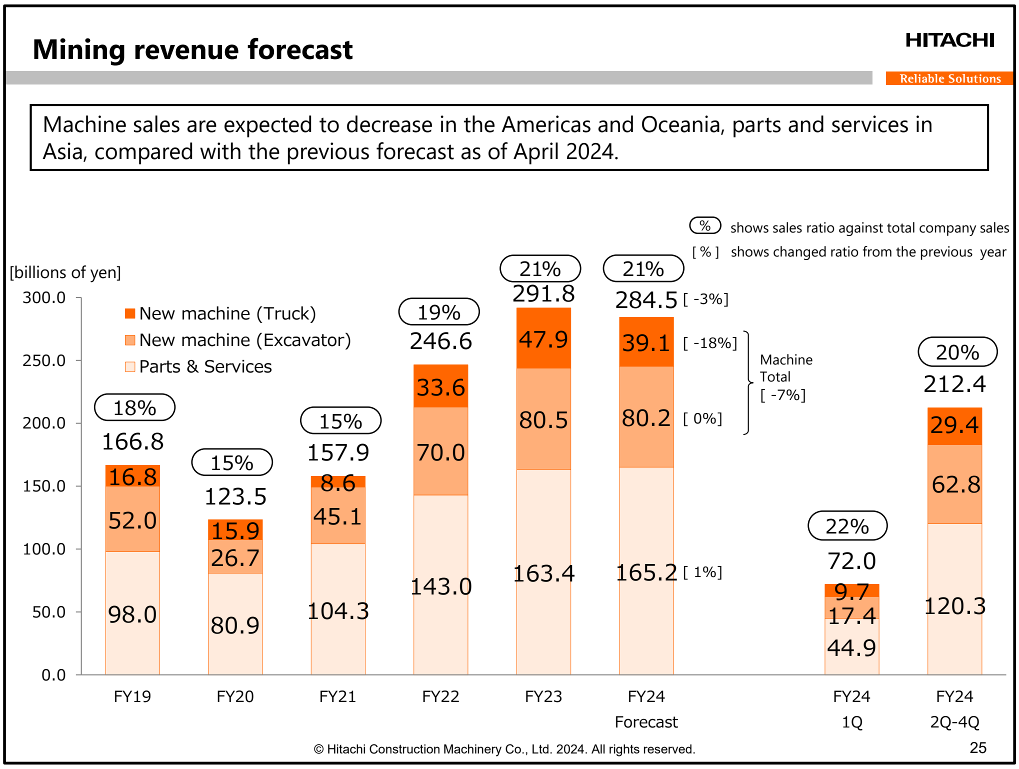
* FY2023 & FY2024 revenue presented only continuing operation retroactively.

24

This slide explains the consolidated revenue forecast by geographic region for FY2024.
The forecast for revenue for FY2024 is to ¥1,370.0 billion, a decrease of ¥35.9 billion, or 3%, from the previous fiscal year, which unchanged from our previous April forecast.

This forecast includes the impact of yen appreciation as a factor of ¥3.2 billion decrease in revenue.
While revenues in Europe and Asia are expected to decline further due to slowing market conditions, we have factored in revenue growth revisions in Africa and Oceania, where the mining business is robust.

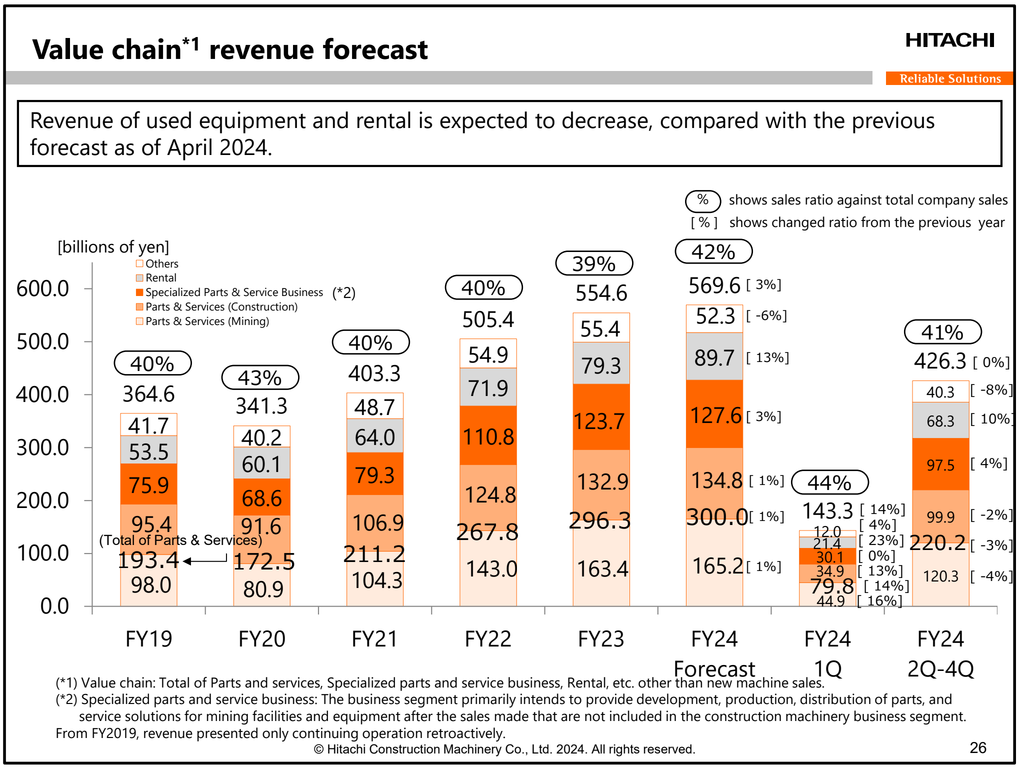
The overseas sales ratio is expected to be 83%, down 1 percentage point from the previous year.



This slide explains the mining revenue forecast.
Mining revenue for FY2024 is expected to decrease by 3% year on year to ¥284.5 billion. We have revised our forecast downward by ¥5.8 billion compared with the previous forecast as of April 2024.
New machinery sales of trucks and excavators are expected to decrease by 7% year on year, and parts & services are expected to increase by 1% year on year.

The sales composition ratio is expected to remain 21% compared with the previous year.

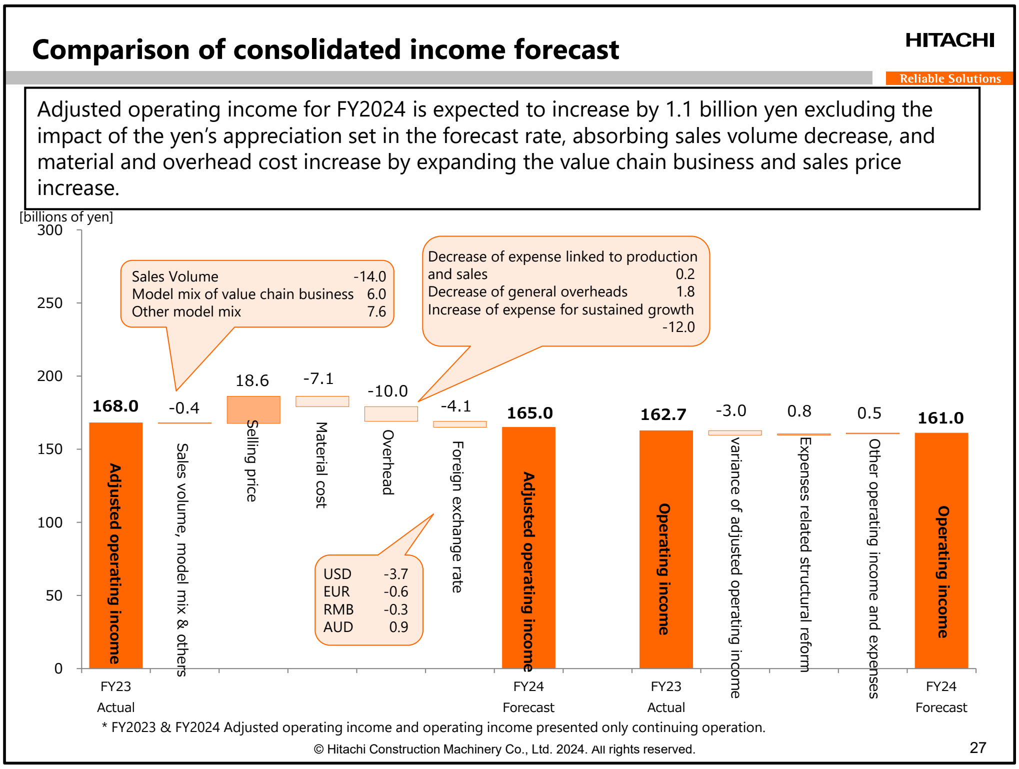
Please refer to “Appendix 2: Detail of mining revenue” on page 29.
In addition to lower revenues in Asia & Oceania, Europe, Africa and the Middle East, we expect a slight decline in the Americas, while we forecast an increase in China.



This slide explains the value chain revenue forecast.
The forecast for value chain revenue for FY2024 is expected to increase by 3% year on year to ¥569.6 billion. We have revised our forecast downward by ¥7.5 billion compared with the previous forecast as of April 2024, mainly in used equipment and rental, but we continue to aim for a record-high revenue.

Individually, we are forecasting a 1% year-on-year increase in revenue of parts & services for construction and mining to ¥300.0 billion, and we are forecasting a 13% year-on-year increase in revenue of the rental business to ¥89.7 billion.

The sales composition ratio is expected to be 42%, up 3 percentage points from the previous year.



This slide provides a comparison of consolidated income forecast for FY2024.
I will explain the factors behind the forecast ¥3.0 billion year-on-year decrease in adjusted operating income from the previous year to ¥165.0 billion.

A decrease of ¥0.4 billion will be factored into the sales volume, model mix and others. Breaking this down, we have factored in a decrease of ¥14.0 billion in sales volume, an increase of ¥6.0 billion in value chain business composition and an increase of ¥7.6 billion in other model mix.

In addition, an improvement of ¥18.6 billion in selling price has been incorporated to absorb a ¥7.1 billion increase in material costs and a ¥10.0 billion increase in overhead costs.
Due to a ¥4.1 billion of the impact of the yen's appreciation set in the forecast rate, we expect adjusted operating income to decrease by ¥3.0 billion from the previous year.
However, it is expected to increase by ¥1.1 billion excluding the impact of the yen's appreciation.

Operating income on the right side of the page is expected to decrease by ¥1.7 billion from the previous year to ¥161.0 billion due to a decrease in adjusted operating income.

Please refer the following 3 pages of appendix.

Appendix 1: FX rate and FX sensitivity

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The forecast exchange rate of major currencies for this fiscal year is unchanged from the previous announcement as of April 2024.

FX rate and FX sensitivity (billions of yen)

Currency	FX rate				FX sensitivity (2Q-4Q)		
	FY24			FY23 Actual	Condition	Revenue	Adjusted operating income
	1Q Actual	2Q-4Q Forecast	Total Forecast				
USD	155.9	141.0	143.9	144.8	Impact by 1 yen depreciation	2.5	1.5
EUR	167.9	152.0	155.6	157.0	Impact by 1 yen depreciation	0.6	0.3
RMB	21.5	20.1	20.4	20.1	Impact by 0.1 yen depreciation	0.1	0.0
AUD	102.7	95.0	96.9	95.0	Impact by 1 yen depreciation	2.0	0.3

Appendix 2: Detail of mining revenue

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(billions of yen)

		FY24 Forecast			FY23 Actual			Change		
		1Q	2-4Q	Year	1Q	2-4Q	Year	1Q	2-4Q	Year
America	Excavator	8.4	29.9	38.3	7.9	28.3	36.2	0.5	1.6	2.0
	Dump Truck	3.9	4.2	8.1	2.4	8.5	10.9	1.5	-4.3	-2.8
	Total	12.3	34.1	46.4	10.3	36.8	47.1	1.9	-2.7	-0.8
Europe, Africa and Middle East	Excavator	6.4	22.8	29.2	7.3	27.0	34.3	-0.9	-4.2	-5.1
	Dump Truck	11.1	23.8	34.9	5.1	30.5	35.6	6.0	-6.7	-0.7
	Total	17.5	46.6	64.2	12.5	57.5	70.0	5.1	-10.9	-5.8
Asia & Oceania	Excavator	30.4	88.5	118.9	25.9	94.2	120.1	4.5	-5.6	-1.1
	Dump Truck	9.8	36.7	46.5	13.4	37.4	50.8	-3.6	-0.7	-4.4
	Total	40.1	125.3	165.4	39.3	131.6	170.9	0.9	-6.3	-5.5
China	Excavator	1.7	5.0	6.7	0.3	2.2	2.5	1.4	2.7	4.2
	Dump Truck	0.1	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.1
	Total	1.8	5.0	6.8	0.3	2.2	2.5	1.5	2.8	4.3
Japan	Excavator	0.3	1.4	1.8	0.3	0.6	0.9	-0.0	0.8	0.8
	Dump Truck	0.0	0.0	0.0	0.0	0.4	0.4	-0.0	-0.4	-0.4
	Total	0.3	1.4	1.8	0.3	1.0	1.3	-0.0	0.5	0.4
Total	Excavator	47.2	147.6	194.8	41.7	152.3	194.0	5.5	-4.6	0.8
	Dump Truck	24.8	64.8	89.6	20.9	76.8	97.8	3.9	-12.1	-8.2
	Total	72.0	212.4	284.5	62.7	229.1	291.8	9.4	-16.7	-7.3

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 : 0.3 billion yen in FY2024 1Q, and 1.2 billion yen in the forecast for FY2024.

[billions of yen]

FY2024 1Q Actual	Reportable segment				Adjustments*1	Total	
	Construction Machinery Business		Specialized Parts & Service Business				
Revenue		298.1		31.8	-1.7		328.2
Adjusted operating income	9.8%	29.1	10.8%	3.4	-	9.9%	32.5

[billions of yen]

FY2024 Forecast	Reportable segment				Adjustments *1	Total	
	Construction Machinery Business		Specialized Parts & Service Business				
Revenue		1,242.4		129.3	-1.7		1,370.0
Adjusted operating income	11.9%	147.8	13.3%	17.2	-	12.0%	165.0

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

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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END

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 26, 2024

Hitachi Construction Machinery Co., Ltd.