HITACHI

Reliable Solutions

Explanatory Meeting for Business Results for the Year ended March 31, 2024 and Progress of Medium-term Management Plan

April 24, 2024

Masafumi Senzaki
President and Executive Officer, COO

Keiichiro Shiojima
Vice President and Executive Officer, CFO

Hidehiko Matsui
Vice President and Executive Officer, CMO

Hitachi Construction Machinery Co., Ltd.

HITACHI

Reliable Solutions

1. Regional Market Environments and Projections

Hidehiko Matsui
Vice President and Executive Officer, CMO

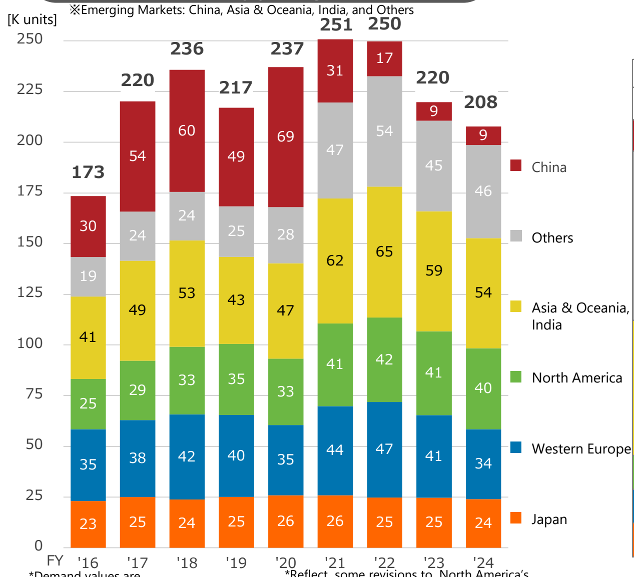
Regional Market Environments and Projections explained by Hidehiko Matsui, Vice President and Executive Officer, CMO

Global Demand Trend for Hydraulic Excavators

HITACHI
Reliable Solutions

Emerging Markets ratio: FY23 51%（y-y Change : -4%)

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



*Demand values are Hitachi Construction Machinery estimates

*Reflect some revisions to North America's statistic data after FY22 retrospectively

Year-on-Year Change by Region

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

	'23	'24
Total	-12%	-5%
China	-46%	±0%
Russia, CIS, E Europe	-20%	±0%
Africa	±0%	-4%
Middle East	-2%	-2%
Latin America	-33%	+14%
Others	-18%	+3%
Asia	-18%	-3%
India	+7%	-15%
Oceania	-12%	-3%
Asia & Oceania,India	-8%	-8%
N America	-1%	-3%
W Europe	-14%	-15%
Japan	±0%	-3%

3

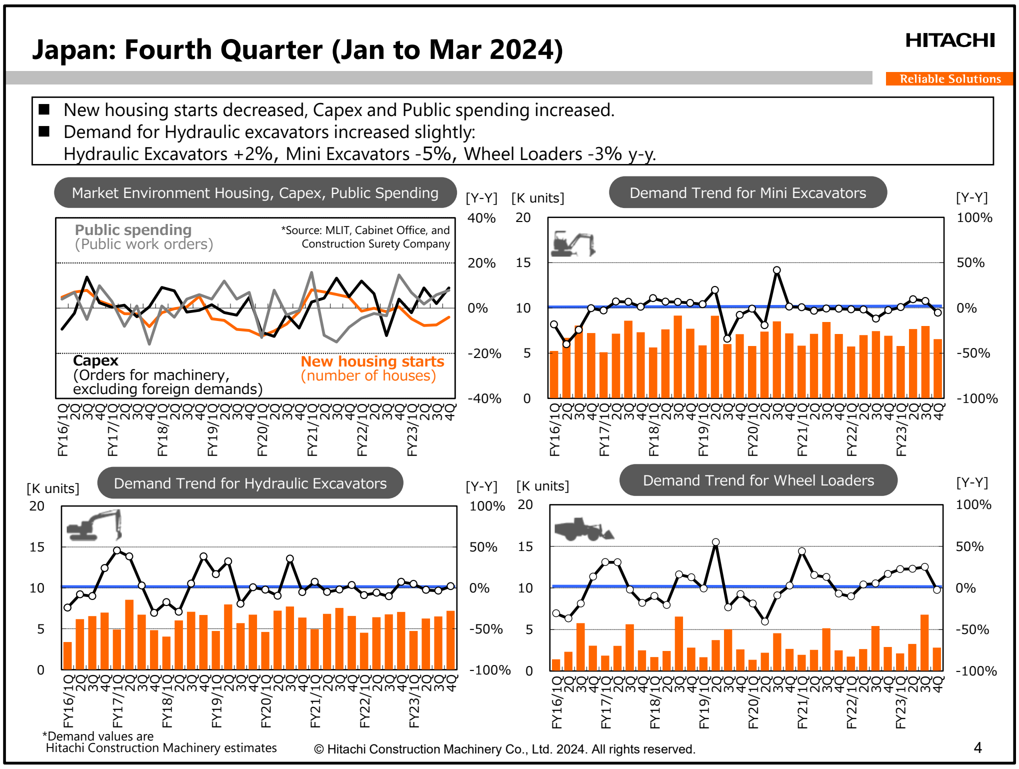
This slide explains the outlook for global demand for hydraulic excavators.

Demand in FY23 decreased by 12% to 220 thousand units from 250 thousand units in FY22. Demand in each region is as you can see.

Demand for FY23 is, in developed countries, remain flat in Japan and decreased slightly in U.S. and decreased in Western Europe.
In emerging countries, in addition to China where the real estate market is slowing down, other regions such as Russia, Central and South America, and Asia/Oceania/India also decreased, and overall regional demand decreased by 12%.

Demand for FY24 is, in developed countries, in Japan and U.S. decrease slightly and continue to decrease in Western Europe.
In emerging countries, remain flat in China, in other regions increase slightly and decrease in Asia/Oceania/India. Overall regional demand is forecasted to decrease by 5% year-on-year to 208,000 units.

The result of 4Q for each region is explained in the following pages.



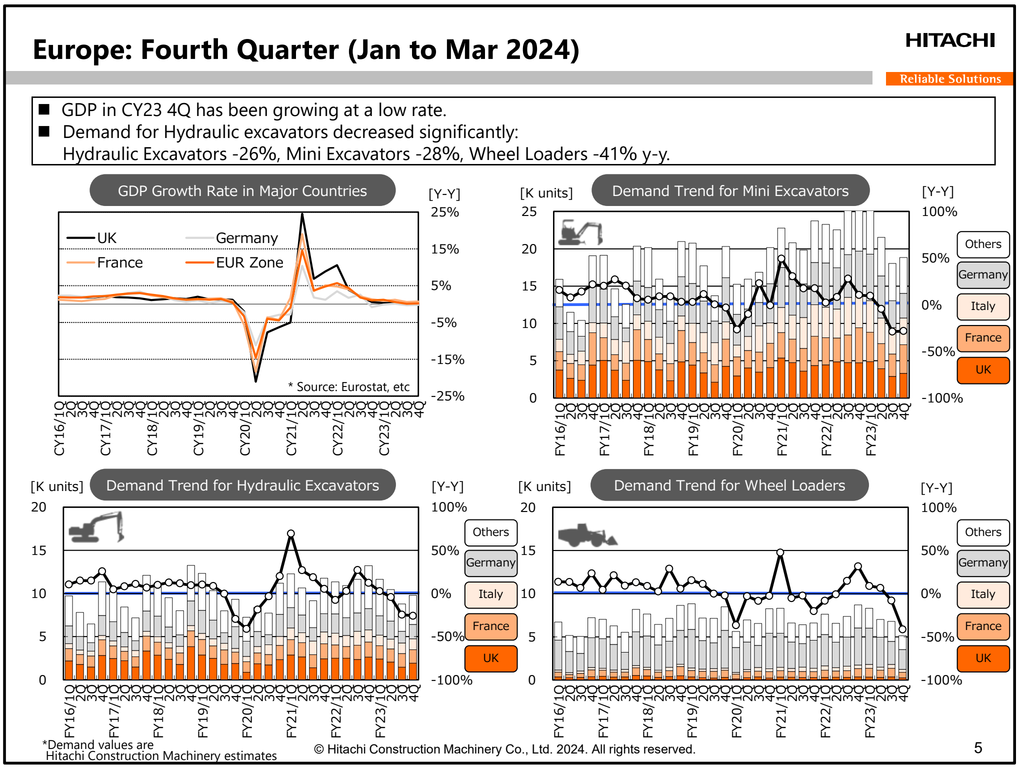
This slide explains the Japanese market.

The graph on the top left shows that capex and public spending increased in 4Q year-on-year while new housing stars decreased, and the market remained steady.

The graph on the lower left shows that demand for hydraulic excavators in 4Q was steady and increased by 2% year-on-year.

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

The graph on the lower right shows that demand for wheel loaders decreased by 3%.



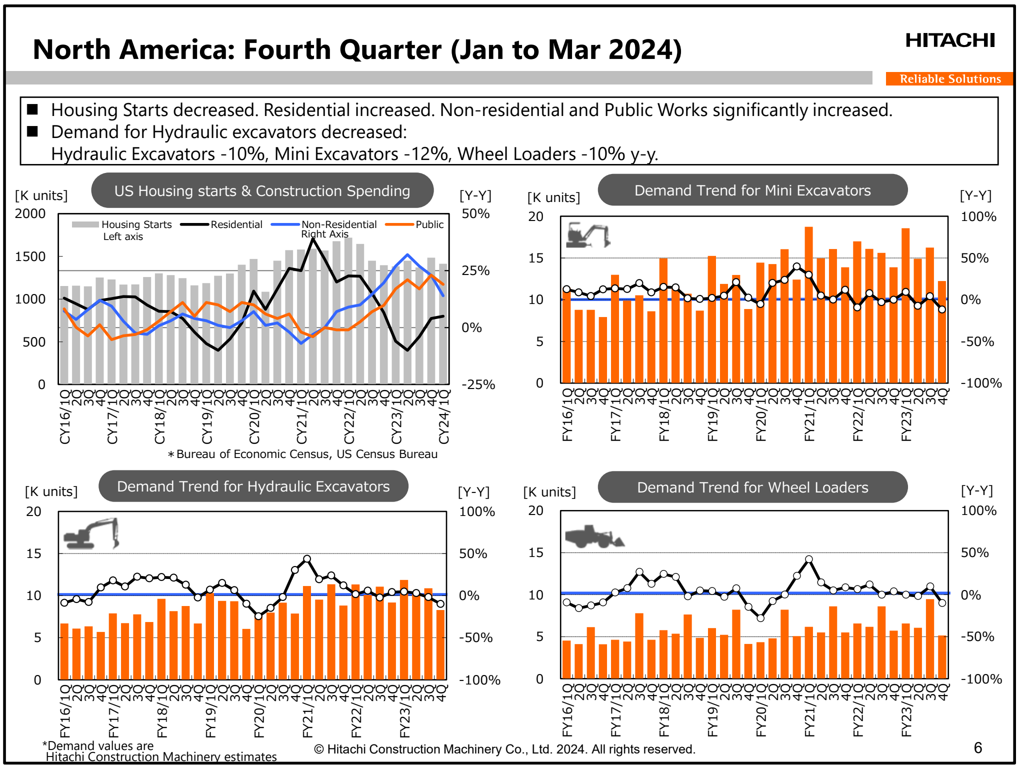
This slide explains the European market.

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 4Q decreased significantly by 26% year-on-year due to further market slowdown.

The graph on the top right shows that demand for mini excavators decreased by 28%.

The graph on the lower right shows that demand for wheel loaders also decreased significantly by 41%, mainly in Germany.



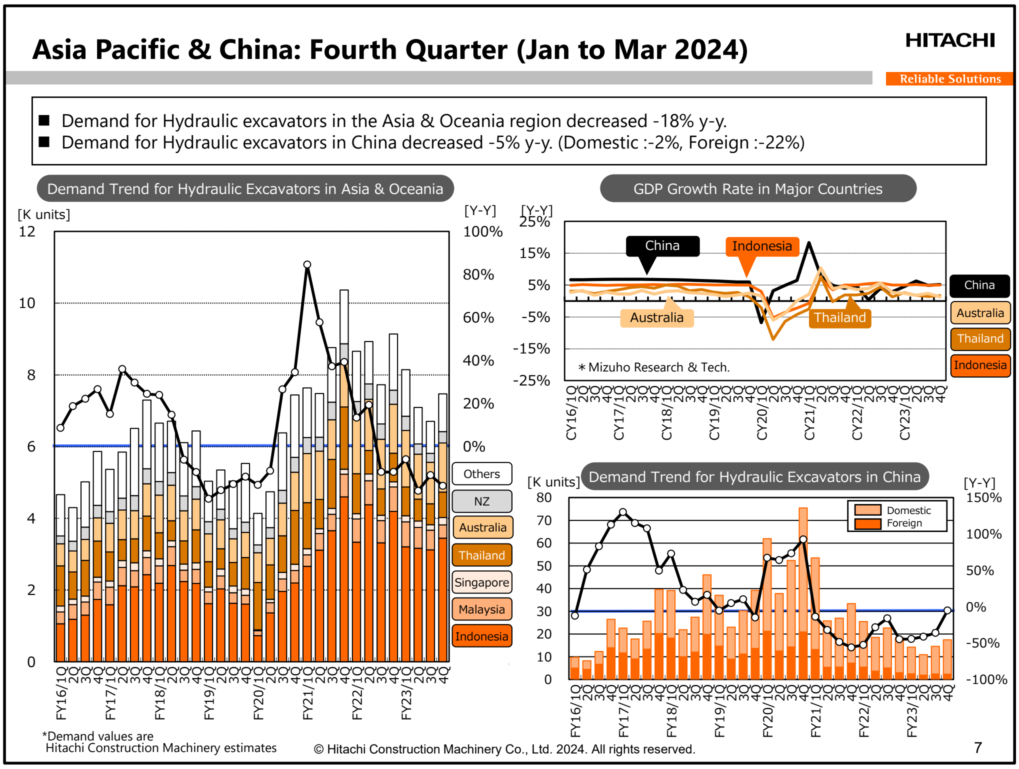
This slide explains the North American market.

The graph on the top left shows that housing starts decreased from the previous quarter, but residential investment increased year-on-year.
Public works and Non-residential investment significantly increased.

The graph on the lower left shows that demand for hydraulic excavators in 4Q decreased by 10% compared to the same period of the previous year, partly due to the situation that distributors' inventories are being filled.

The graph on the top right shows that demand for mini excavators decreased by 12%.

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

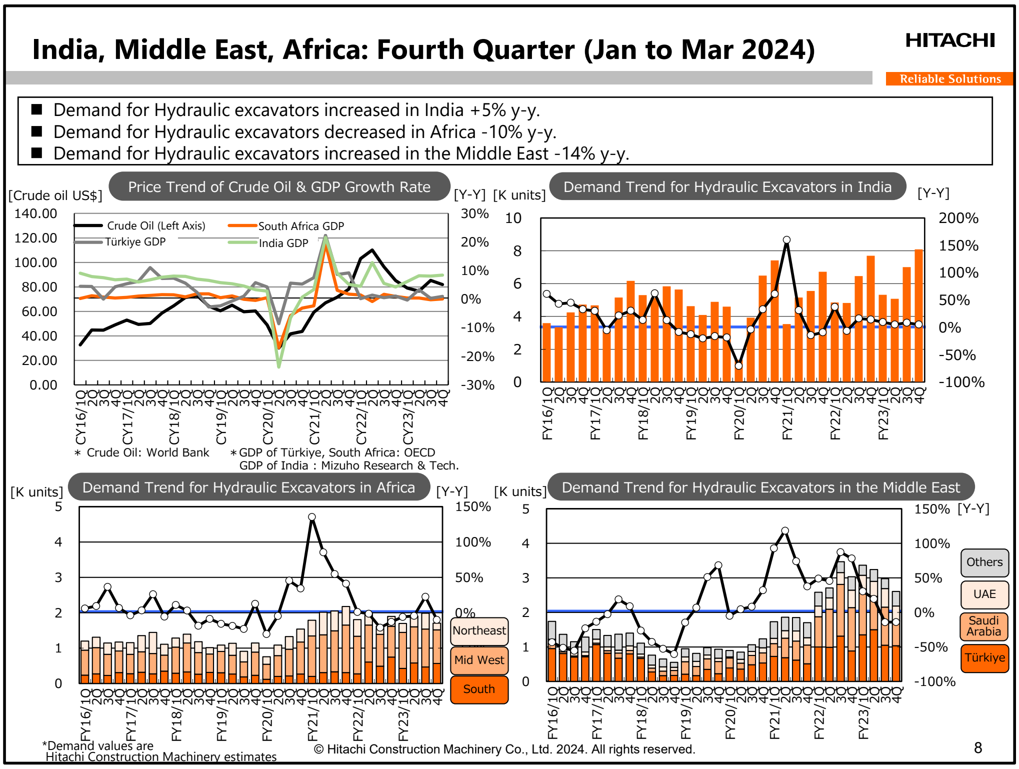


This slide explains the markets in Asia Pacific and China.

As shown on the top right, although GDP growth in major countries remained positive, GDP growth in Australia and Thailand is slow.
And also, economy remain weak in China although GDP growth in 4Q is 5.2%.

The graph on the left shows that demand for hydraulic excavators in 4Q in Asia Pacific decreased by 18% year-on-year including decrease in Indonesia.

The graph on the lower right shows that total demand for hydraulic excavators in China including domestic manufacturers decreased by 5% year-on-year, but the negative range has been reduced.
As a breakdown, domestic manufacturers' demand for hydraulic excavators decreased by 2% and foreign manufacturers' demand decreased by 22%.



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

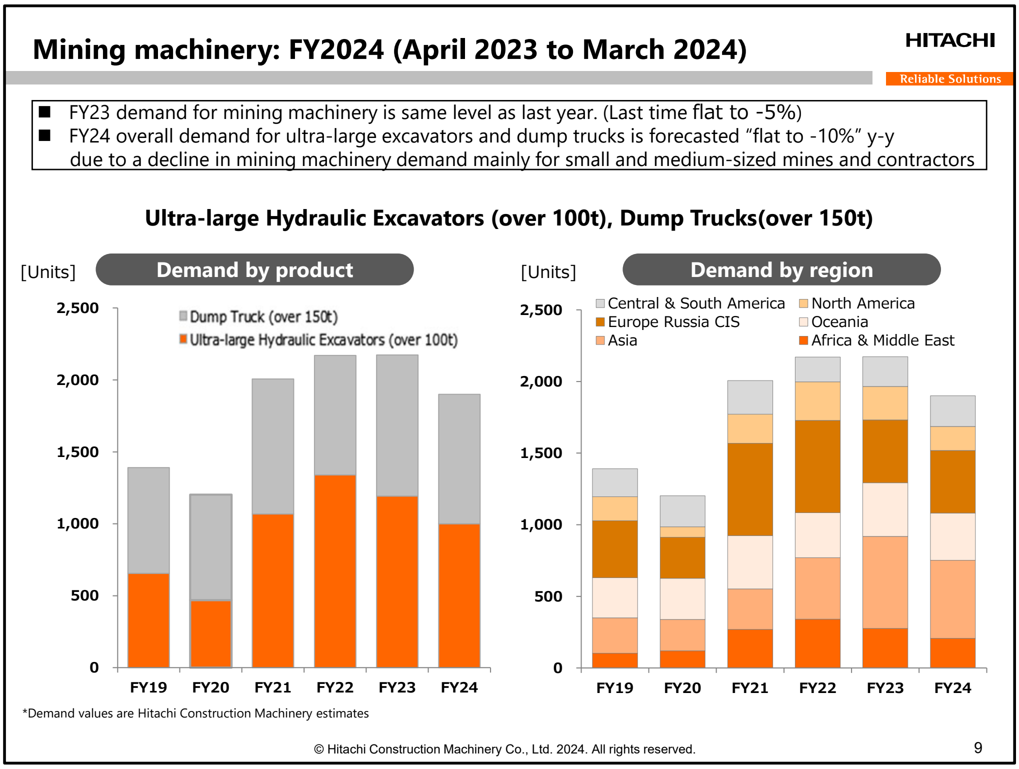
The graph on the top left shows that crude oil prices decreased by $3.3 from the previous quarter to $82.

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

The graph on the top right shows that demand for hydraulic excavators in 4Q in India increased by 5% year-on-year and continues to increase.

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

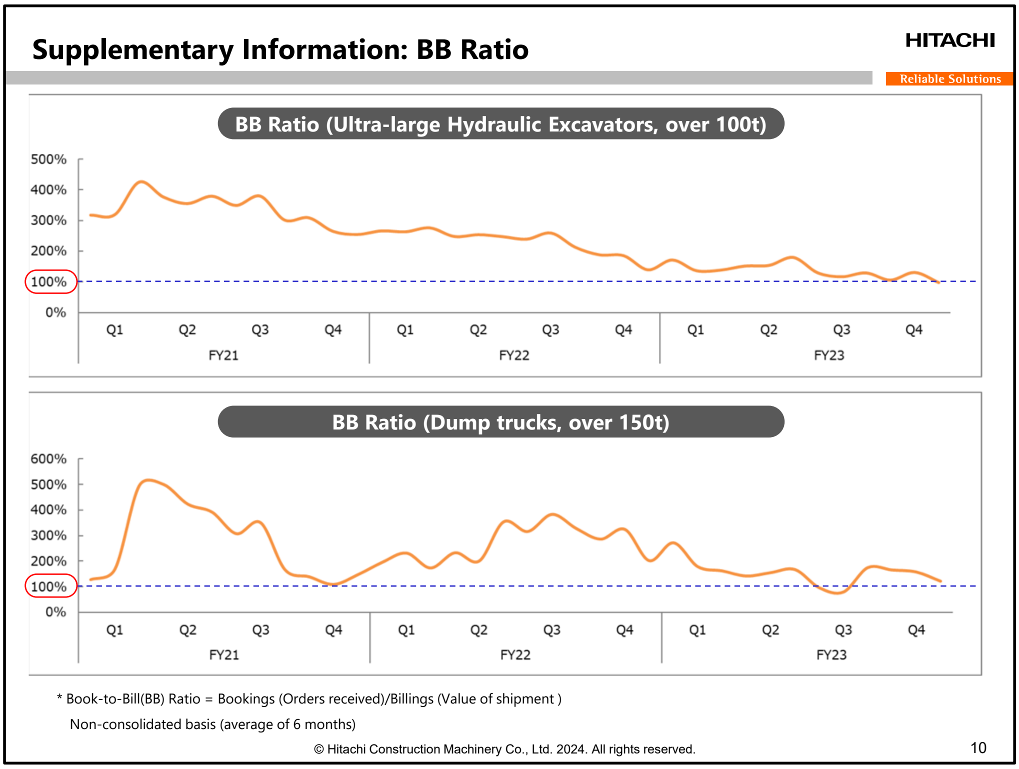
The graph on the lower right shows that demand for hydraulic excavators in the Middle East decreased by 14% compared to the same period of the previous year when the demand was high.



This slide explains the demand forecast for mining machinery.

Ultra-large hydraulic excavator's overheated demand caused by the soaring resource prices in FY22 has calmed down, demand has been reduced compared to the previous year, mainly for 100t class products.
On the other hand, dump trucks increased year-on-year, especially for hard rock, due to planned investments by major mines and resource majors, and overall mining demand was flat year-on-year.

FY24 overall demand for ultra-large hydraulic excavators and dump trucks is forecasted "flat to -10%" year-on-year.



This slide explains the BB ratio of mining machinery.

In 4Q, both order receiving activity and shipments went well.

Regarding the ultra-large hydraulic excavators, we received orders for 100-ton class mainly in China and Asia and orders for 360-ton class and over mainly in Australia and the Americas.

The BB ratio of dump trucks maintained 100% or more, since we have also received additional orders for dump trucks from copper mines in Africa.

In the last slide, I will explain the most recent topic in the Americas business.
In February 2024, Hitachi Construction Machinery Americas, the regional headquarters, opened the new office building and conference & training center on the site.
We are strengthening proposal capabilities and dealer and customer support with the new regional headquarters as the starting point.

And Hitachi Construction Truck Manufacturing in Canada has been responsible for assembling dump trucks for the Americas since fiscal year 2022. The company will begin full-scale production in fiscal year 2026 with a higher local parts procurement rate to meet the strong demand for dump trucks in mines in the Americas.

In South America, we have received many inquiries in Peru, Chile, Brazil, Colombia, and other countries, and have received orders from mining sites in Peru and Chile.

We will produce near these areas of demand and supply products that meet the needs of our customers speedily.
And we will increase the local procurement rate to improve cost competitiveness.
The production target is 50 units per year, and the plan is to increase the overall production capacity of dump trucks in the Hitachi Construction Machinery Group by approximately 30%.

HITACHI

Reliable Solutions

2. Business Results for the Year ended March 31, 2024

(April 1, 2023 - March 31, 2024)

Keiichiro Shiojima

Vice President and Executive Officer, CFO

Our Business Results in the 4Q of FY2023 and forecast for FY2024 are explained by Keiichiro Shiojima, Vice President and Executive Officer, CFO.

Changes in disclosure – Consolidated Results for FY2023

HITACHI
Reliable Solutions

Ⅰ Changes in disclosure

➢Effective from FY2023 Q4, non-core business of the Specialized Parts & Service business segment is classified as a discontinued operation in accordance with IFRS accounting standards.
The actual from FY2019 to FY2023 and the forecast for FY2024 are presented accordingly.

・Revenue, adjusted operating income, operating income, income before income tax
Presented excluding the discontinued operation

・Net income attributable to owners of the parent
Presented including the discontinued operation

Ⅱ FY2023 Actual (Continuing operation)

➢Revenue	1,405.9 billion of yen	YoY +11%
Adjusted operating income	168.0 billion of yen	YoY +23%

➢The North America business showed increased sales and profits to remain steady.
➢There was a sales price increase of more than the material cost impact.

≪Reference≫ Non-core business (Discontinued operation)

Revenue 16.9 billion of yen

Before I give an overview of the financial results for FY2023, I would like to explain the changes in the disclosure of consolidated results.

In the 4Q of this fiscal year, we made an institutional decision to sell the non-core business of the Specialized Parts & Service business segment, and classified this business as “discontinued operations.”

In accordance with IFRS, only the amount of “Continuing operations” excluding “Discontinued operations” is presented in the income statement from revenue to income before income taxes, and the net income attributable to owners of the parent is presented as the total amount of “Discontinued operations” combined.

In addition, for the purpose of reasonable comparisons, we have retroactively restated the FY2022 financial results for the previous fiscal year.

Summary of consolidated results

HITACHI
Reliable Solutions

This current fiscal year, revenue increased by 11% y-y, adjusted operating income increased by 23% y-y, supported by strong sales growth worldwide especially in the Americas and net income attributable to owners of the parent increased by 33%, all record high.

Note : < >shows previous forecast as of January 2024

[billions of yen]

		FY2023 Actual		FY2022 Actual		change
Continuing operation						
Revenue	< 1,400.0 >		1,405.9		1,264.9	11%
Adjusted operating income *1	< 171.0 >	(12.0%)	168.0	(10.8%)	136.6	23%
Operating income	< 157.0 >	(11.6%)	162.7	(10.7%)	135.7	20%
Income before income taxes	< 142.0 >	(11.4%)	160.5	(9.1%)	115.0	40%
Net income from continuing operation		(8.3%)	116.3	(6.1%)	77.5	50%
Net loss from discontinued operation			-11.8		-1.7	-
Net income attributable to owners of the parent	< 88.0 >	(6.6%)	93.3	(5.5%)	70.2	33%
EBIT *2	< 152.7 >	(11.9%)	167.5	(9.6%)	121.3	38%
FX rate: Rate (YEN/USD)	< 142.2 >		144.8		135.4	9.4
FX rate: Rate (YEN/EUR)	< 153.5 >		157.0		141.0	16.0
FX rate: Rate (YEN/RMB)	< 19.7 >		20.1		19.7	0.4
FX rate: Rate (YEN/AUD)	< 94.4 >		95.0		92.7	2.3
Cash dividend per share (yen) *3	< TBD >		150		110	40

*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 stable and continuous dividend payout ratio of approx. 30% to 40%.

14

This slide explains summary of consolidated results.
Revenue in FY2023 was ¥1,405.9 billion, an increase of 11% from the previous year, supported by firm sales growth worldwide, especially in the Americas and the impact of the yen's depreciation.

Adjusted operating income increased by 23% year on year to ¥168.0 billion, resulting in an adjusted operating income margin of 12.0%.
Operating income was ¥162.7 billion, resulting in an operating income margin of 11.6%.

Despite a net loss from discontinued operations of 11.8 billion yen, including impairment losses, net income attributable to owners of the parent increased by 33% year on year to ¥93.3 billion.

These are all record high.

In FY2023, the yen depreciated by ¥9.4 to the U.S. dollar, by ¥16.0 to the euro, by ¥0.4 to the yuan and by ¥2.3 to the Australian dollar compared with the previous year.

The Board of Directors today approved an annual dividend of ¥150 per share for the current fiscal year. This is a ¥40 increase over the previous year, and is the highest dividend ever paid.

Revenue by geographic region (consolidated)

HITACHI
Reliable Solutions

Revenue increased y-y in all the region except Russia/CIS and China. Consolidated total revenue increased by 141.0 billion yen.

[billions of yen]

		FY2023 Actual		FY2022 Actual		change amount	change %
Japan		226.9	16%	224.0	18%	2.9	1%
Asia		127.0	9%	122.7	10%	4.4	4%
India		85.0	6%	73.1	6%	11.9	16%
Oceania		251.1	18%	225.4	18%	25.7	11%
Europe		182.9	13%	164.7	13%	18.2	11%
	N. America	334.4	24%	259.8	21%	74.6	29%
	L. America	40.9	3%	38.3	3%	2.5	7%
The Americas		375.2	27%	298.1	24%	77.1	26%
Developing own business		(217.5)	(15%)	(167.6)	(13%)	(49.8)	(30%)
Russia-CIS		23.4	2%	37.4	3%	-14.0	-37%
M. East		34.7	2%	25.0	2%	9.8	39%
Africa		70.4	5%	54.7	4%	15.7	29%
China		29.2	2%	40.0	3%	-10.8	-27%
Total		1,405.9	100%	1,264.9	100%	141.0	11%
Overseas ratio		84%		82%			

* FY2022 & FY2023 revenue presented only continuing operation retroactively.

This slide explains revenue by geographic region.
Revenue in FY2023 increased by ¥141.0 billion.
Included in this figure is an increase of ¥56.0 billion in revenue due to depreciation of the yen.

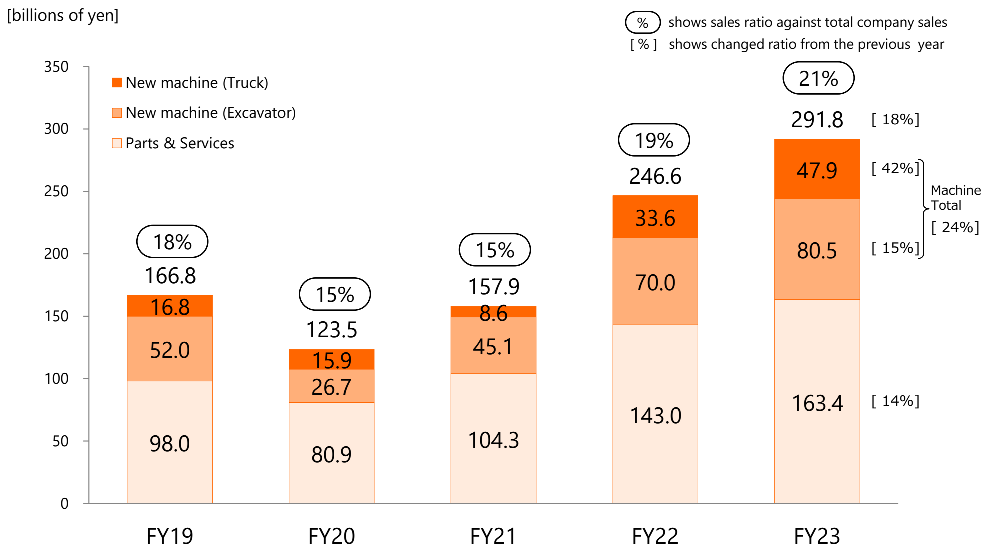
By region, revenue increased year on year in all regions except Russia-CIS and China.
In the Americas, the focused independent development was a major driving force, growing from ¥298.1 billion yen in the previous fiscal year to ¥375.2 billion yen in the current fiscal year, and from 24% to 27% in terms of the composition.

As a result, the overseas revenue ratio increased 2 percentage point year on year to 84%.

Mining revenue

HITACHI
Reliable Solutions

Revenue of mining increased by 18% to a record high revenue of 291.8 billion yen y-y due to a significant increase in trucks as well as excavators, and parts and services sales.



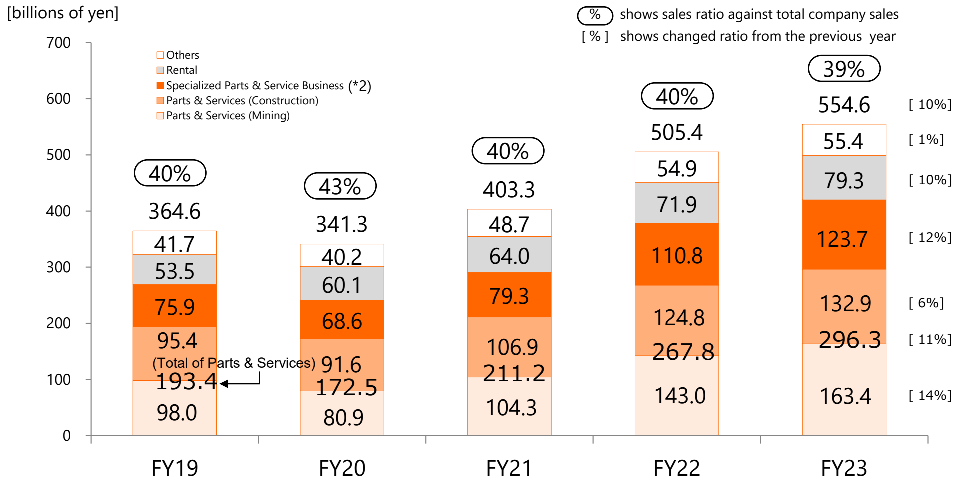
This slide explains the mining revenue.
Mining business achieved a record revenue in FY2023 of ¥291.8 billion, a significant 18% increase over the previous year, as shown in the rightmost bar graph.
As for regions, growth in Asia Pacific and the Americas contributed to the increase.

Mining revenue accounted for 21% of consolidated revenue, the ratio increased 2 percentage points year on year.

Value chain*1 revenue

HITACHI
Reliable Solutions

Revenue of the value chain business increased by 10% y-y to 554.6 billion yen, which is record-high revenue.



(*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.

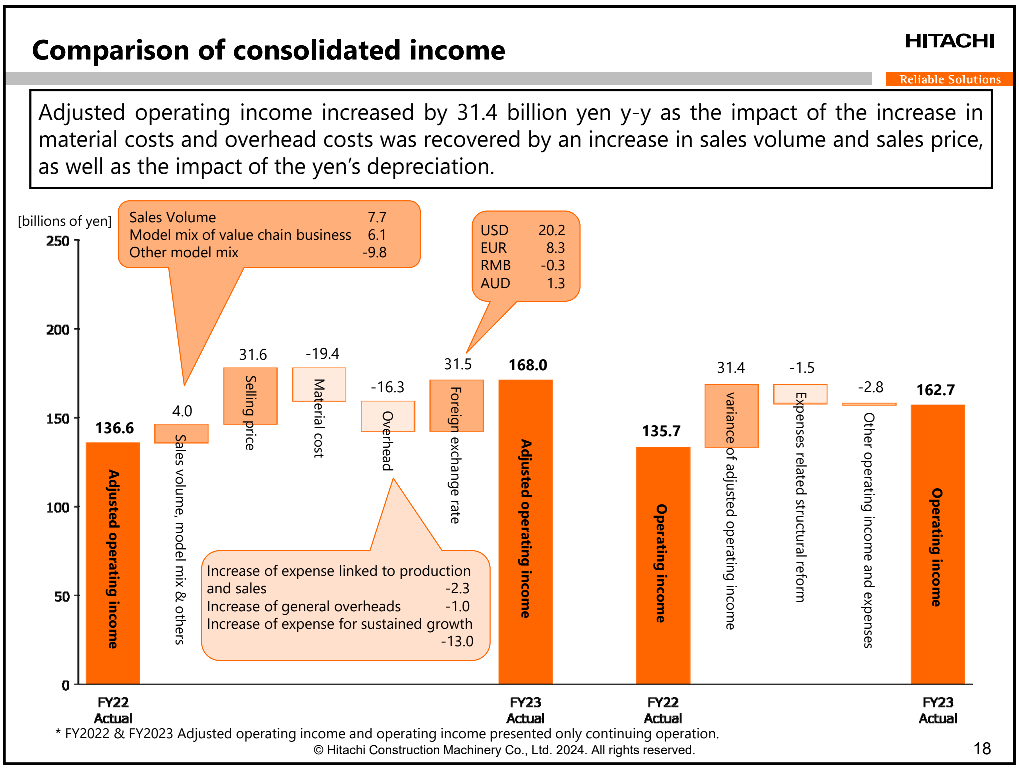
17

This slide explains the value chain revenue.
Please refer to the rightmost bar graph.
The value chain business also achieved a record revenue in FY2023 of ¥554.6 billion, a 10% increase over the previous year.

We have analyzed the impact of the yen's depreciation as a 3% equivalent factor in the increase in revenue, and we consider that sales in local currency terms have grown steadily, increasing 7% year on year.

Parts & services revenue rose 11% year on year, and all other divisions posted year-on-year increases.

The value chain accounted for 39% of consolidated revenue, down 1 percentage point 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.



This slide explains comparison of consolidated income for FY2023.
I will explain the factors behind the ¥31.4 billion increase in adjusted operating income compared to the previous year.

First, we analyze the factors behind the increase in income of ¥4.0 billion as sales volume, model mix, and others.
As indicated in the note, while there was an increase of ¥7.7 billion in sales volume and ¥6.1 billion in model mix of value chain business, there was a decrease of ¥9.8 billion in other model mix, including an increase of ¥1.2 billion in logistics costs, such as ocean freight charges.

In addition, we realized a ¥31.6 billion improvement in selling price, which absorbed a ¥19.4 billion increase in material costs.
Overhead expenses increased by ¥16.3 billion mainly due to increase of expense for sustained growth, which are personnel expenses and R&D expenses, but were absorbed by the impact of the yen's depreciation of ¥31.5 billion.

As a result, adjusted operating income increased to ¥168.0 billion.

As shown on the right-hand side of the page, operating income increased by ¥27.0 billion from the previous year to ¥162.7 billion as a result of an increase in adjusted operating income.

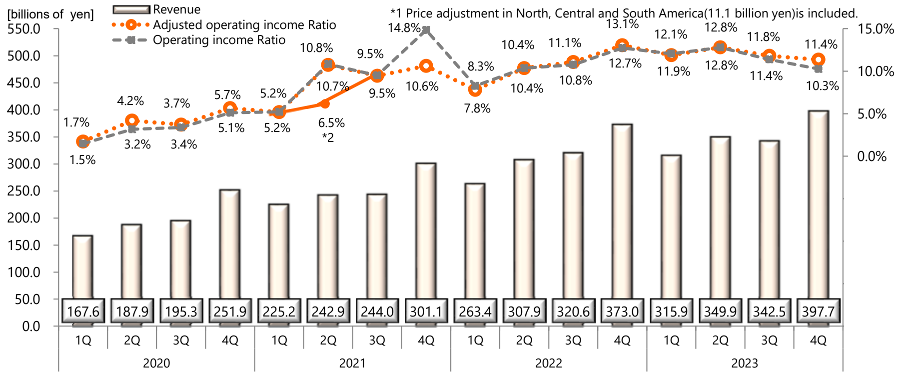
Summary of quarterly consolidated revenue and operating income (ratio)

HITACHI
Reliable Solutions

[billions of yen]

	2020				2021				2022				2023			
	1Q	2Q	3Q	4Q	1Q	2Q*1	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Revenue	167.6	187.9	195.3	251.9	225.2	242.9	244.0	301.1	263.4	307.9	320.6	373.0	315.9	349.9	342.5	397.7
Adjusted operating income	2.9	7.9	7.3	14.4	11.7	26.1	23.1	32.0	20.6	31.9	35.5	48.7	37.6	44.9	40.5	45.1
Operating income	2.4	6.0	6.6	12.9	11.7	26.3	23.2	44.7	21.8	31.9	34.5	47.5	38.1	44.8	39.0	40.8

*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	2020				2021				2022				2023			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
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	147.9	148.6
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	159.1	161.3
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	20.4	20.6
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	96.3	97.7

From FY2020, 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 Q4 of FY2023 on the rightmost of the bar graph.

Revenue for the quarter was ¥397.7 billion, the highest quarterly amount ever.

The adjusted operating income margin, as shown in the line graph, was 11.4%.

Consolidated statement of financial position

HITACHI
Reliable Solutions

Total assets increased by 208.0 billion yen y-y from the end of last fiscal year due to increase in inventories and depreciation of the yen.

[billions of yen]

	(A) Mar '2024	(B) Mar '2023	(A)-(B) change
Cash and cash equivalents	143.5	112.0	31.5
Trade receivables	305.7	305.3	0.4
Inventories	552.3	450.8	101.5
Total current assets	1,077.6	908.9	168.6
Total non-current assets	757.5	718.1	39.4
Total assets	1,835.0	1,627.0	208.0
Trade receivables incl. non-current	352.9	344.6	8.4
Inventories by products			
Unit	229.7	142.5	87.1
Parts	172.8	158.6	14.2
Raw materials, WIP and etc	149.9	149.6	0.2
Total inventories	552.3	450.8	101.5
On hand days(divided by revenue)			[Days]
Trade receivables	92	98	-7
Inventories	143	129	15
Trade payables	44	47	-2
Net working capital	187	176	10

	(C) Mar '2024	(D) Mar '2023	(C)-(D) change
Trade and other payables	289.4	274.5	14.9
Bonds and borrowings	575.6	507.5	68.1
Total liabilities	1,020.6	926.0	94.6
(Equity attributable to owners of the parent ratio)	(41.6%)	(40.6%)	(1.0%)
Total equity	814.4	701.0	113.4
Total liabilities and equity	1,835.0	1,627.0	208.0
Interest-bearing debt	(31.4%) 575.6	(31.2%) 507.5	(0.2%) 68.1
Cash and Cash equivalents	143.5	112.0	31.5
Net interest-bearing debt	(23.5%) 432.1	(24.3%) 395.5	(-0.8%) 36.6
Net D/E Ratio	0.57	0.60	-0.03

 20

This slide explains consolidated balance sheet as of the end of March 2024. Compared with the end of March 2023 of the previous fiscal year, trade receivables increased by ¥8.4 billion. Inventories also increased by ¥101.5 billion especially in response to the increase in Americas sales volume.
The amount equivalent to the increase due to the impact of the yen's depreciation was analyzed to be ¥19.9 billion and ¥41.2 billion, respectively.
Non-current assets also increased by ¥39.4 billion due to investments in buildings, equipment, and rental assets for business expansion, as well as the currency translation impact. In addition, a North American rental company, which had been accounted for by the equity-method affiliate, was also included in the consolidation.

As a result, total assets increased by ¥208.0 billion from the end of the previous fiscal year to ¥1,835 billion.

In terms of days on hand, trade receivables were 92 days, 7 days reduction from the end of the previous fiscal year, but inventories were 143 days, 15 days increase. As a result, net working capital on hand was 187 days, 10 days more than at the end of the previous fiscal year.

Interest-bearing debt on the right-hand side rose ¥68.1 billion from the end of the previous fiscal year, and net interest-bearing debt rose ¥36.6 billion to ¥432.1 billion.

Total equity was ¥814.4 billion and the equity attributable to owners of the parent ratio was 41.6%. The net D/E ratio was 0.57.

Consolidated cash flow

HITACHI
Reliable Solutions

Operating cash flow was positive at 73.0 billion yen. Free cash flow including investment cash flow expenditures was also positive at 34.0 billion yen.

[billions of yen]

	FY2023 Actual		FY2022 Actual		change	
Net income (incudes discontinued operations)		104.5		75.7		28.7
Depreciation and amortization	172.6	68.1	138.6	62.9	34.0	5.2
(Increase)decrease in trade/lease receivables		2.5		-19.9		22.3
(Increase)decrease in inventories	-60.2	-63.7	-79.8	-75.4	19.5	11.6
Increase(decrease) in trade payables		1.0		15.5		-14.4
Payments for performance of guarantee obligation		0.0		-53.5		-53.5
Others, net		-39.3		-31.5		-7.8
Net cash provided by (used in) operating activities		73.0		-26.1		99.2
Cash flow margin for operating activities		5.2%		-2.1%		7.3%
Net cash provided by (used in) investing activities		-39.0		-42.6		3.6
Free cash flows		34.0		-68.8		102.8
Net cash provided by (used in) financing activities		-8.9		87.1		-96.0

This slide explains consolidated cash flow.
Operating cash flow for FY2023 was positive at ¥73.0 billion.
Although working capital expanded due to increase in inventories, the increase in FFO contributed to ¥99.2 billion improvement from the previous year.

Net cash used in investing activities was negative at ¥39.0 billion, a reduction of ¥3.6 billion expenses from the previous fiscal year.

As a result, free cash flow was positive at ¥34.0 billion.

Summary of consolidated earnings forecast

HITACHI
Reliable Solutions

Although revenue is expected to decrease y-y due to the impact of the yen's appreciation set in the forecast rate, net income attributable to owners of the parent company is expected to increase by reducing non-operating costs. The annual dividend is planned to be 175 yen per share.

(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	0.5	-11.8	12.3	-
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	FY2024 Forecast	FY2023 Actual	change
Rate (YEN/USD)	141.0	144.8	-3.8
Rate (YEN/EUR)	152.0	157.0	-5.0
Rate (YEN/RMB)	20.1	20.1	0.0
Rate (YEN/AUD)	95.0	95.0	0.0
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%.

22

I will explain the FY2024 full-year earnings forecasts.
Taking into account the demand environment for FY2024 as explained by Vice President and Executive Officer CMO's Matsui earlier, as well as the actual results for FY2023, the future global economic situation, and exchange rate trends, the forecast for the current fiscal year is 1,370 billion in sales revenue, ¥165 billion in adjusted operating income, and ¥98 billion in net income attributable to owners of the parent.

Adjusted operating income margin is expected to be 12.0%.

The assumed exchange rates are ¥141 to the US dollar, ¥152 to the euro, ¥20.1 to the Chinese yuan, and ¥95 to the Australian dollar.

We expect record-high net income attributable to owners of the parent in the bottom line due to independent development in the Americas, business expansion in the mining and value chain businesses, and improvement in non-operating income and expenses despite the assumption of the decline in demand, especially in Europe and a strong yen exchange rate.

The annual dividend is expected to be ¥175 per share.

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

Consolidated revenue forecast by geographic region

HITACHI
Reliable Solutions

Consolidated revenue for FY2024 is expected to decrease by 35.9 billion yen y-y especially due to a decrease in demand in Europe and the impact of the yen's appreciation of 31.4 billion yen by the forecast rate, despite expanding own deploying business in the Americas.

(billions of yen)

		FY2024 Forecast		FY2023 Actual		change	
						amount	%
Japan		224.2	16%	226.9	16%	-2.7	-1%
Asia		121.2	9%	127.0	9%	-5.9	-5%
India		80.5	6%	85.0	6%	-4.5	-5%
Oceania		251.9	18%	251.1	18%	0.9	0%
Europe		147.7	11%	182.9	13%	-35.2	-19%
America	N. America	358.7	26%	334.4	24%	24.3	7%
	L. America	37.8	3%	40.9	3%	-3.0	-7%
		396.5	29%	375.2	27%	21.3	6%
(Developing own business)		(251.5)	(18%)	(217.5)	(15%)	(34.0)	(16%)
Russia-CIS		18.3	1%	23.4	2%	-5.1	-22%
M. East		35.5	3%	34.7	2%	0.8	2%
Africa		63.2	5%	70.4	5%	-7.1	-10%
China		30.9	2%	29.2	2%	1.6	6%
Total		1,370.0	100%	1,405.9	100%	-35.9	-3%
Overseas ratio		84%		84%			

＊Presented only continuing operation retroactively.

This slide explains the consolidated revenue forecast by geographic region.
The forecast for revenue for FY2024 is expected to decrease by ¥35.9 billion year on year to ¥1,370.0 billion. Due to the assumed exchange rate, the impact of a decrease in revenue of ¥31.4 billion is included.

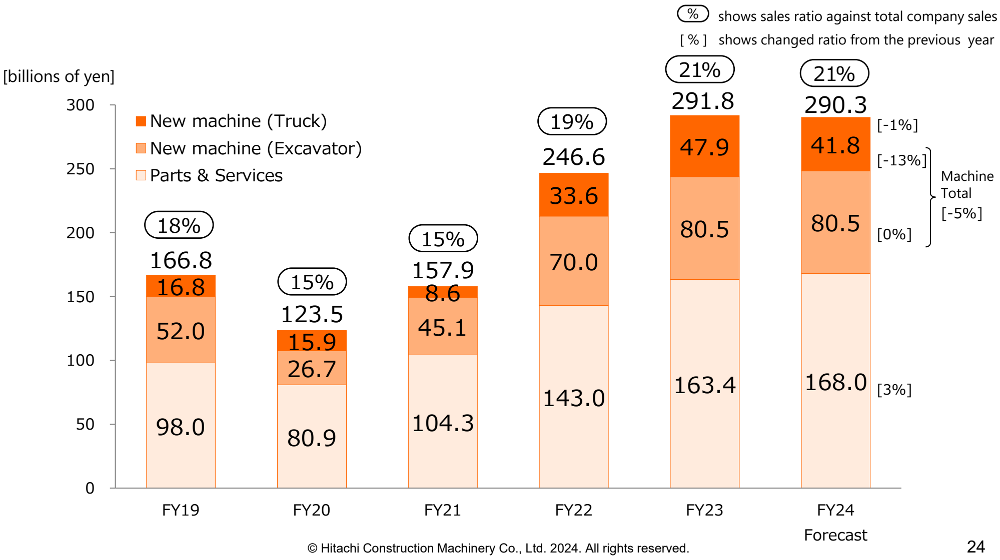
While sales are expected to increase in the Americas, where the expansion of own business development is incorporated, and in Oceania, etc., sales are expected to decrease in Europe, Asia, India, Africa, and other regions.

The overseas sales ratio is expected to be 84%, the same as the previous year.

Mining revenue forecast

HITACHI
Reliable Solutions

Revenue of mining for FY2024 is expected to decrease by 1% to 290.3 billion yen y-y due to the impact of the yen's appreciation of 5.4 billion yen by the forecast rate and decrease in truck sales, despite the parts and service revenue increase.



This slide explains the mining revenue forecast.
Mining revenue for FY2024 is expected to decrease by 1% year on year to ¥290.3 billion.
Due to the assumed exchange rate, the impact of a decrease in revenue of ¥5.4 billion is included.
New machinery sales of trucks and excavators are expected to decrease by 5% year on year, while parts & services are expected to increase by 3% year on year.

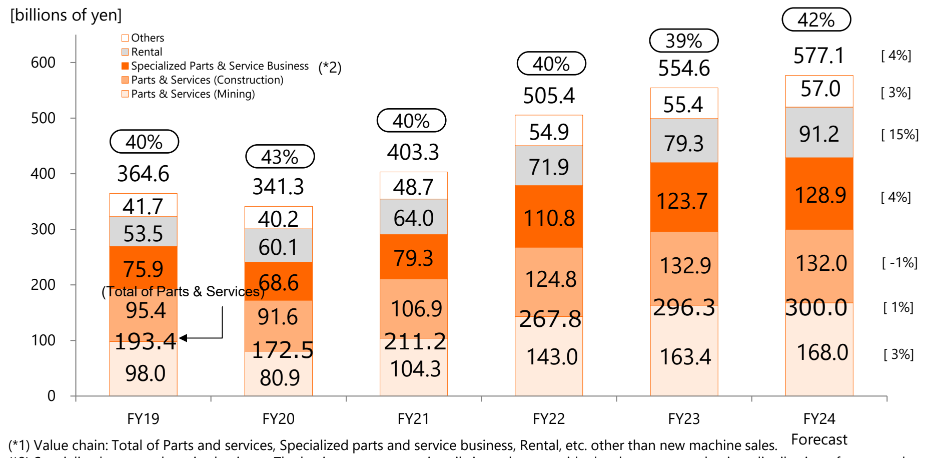
The sales composition ratio is expected to be 21%, the same level as the previous year.

Please refer to "Appendix 2: Detail of mining revenue" on page 28.
Revenues are expected to decrease in Asia & Oceania and Europe, Africa and Middle East, while expected to increase in the Americas.

Value chain*1 revenue forecast

HITACHI
Reliable Solutions

Revenue of the value chain for FY2024 is expected to increase by 4% to 577.1 billion yen y-y, despite the impact of the yen's appreciation of 9.8 billion yen by the forecast rate.

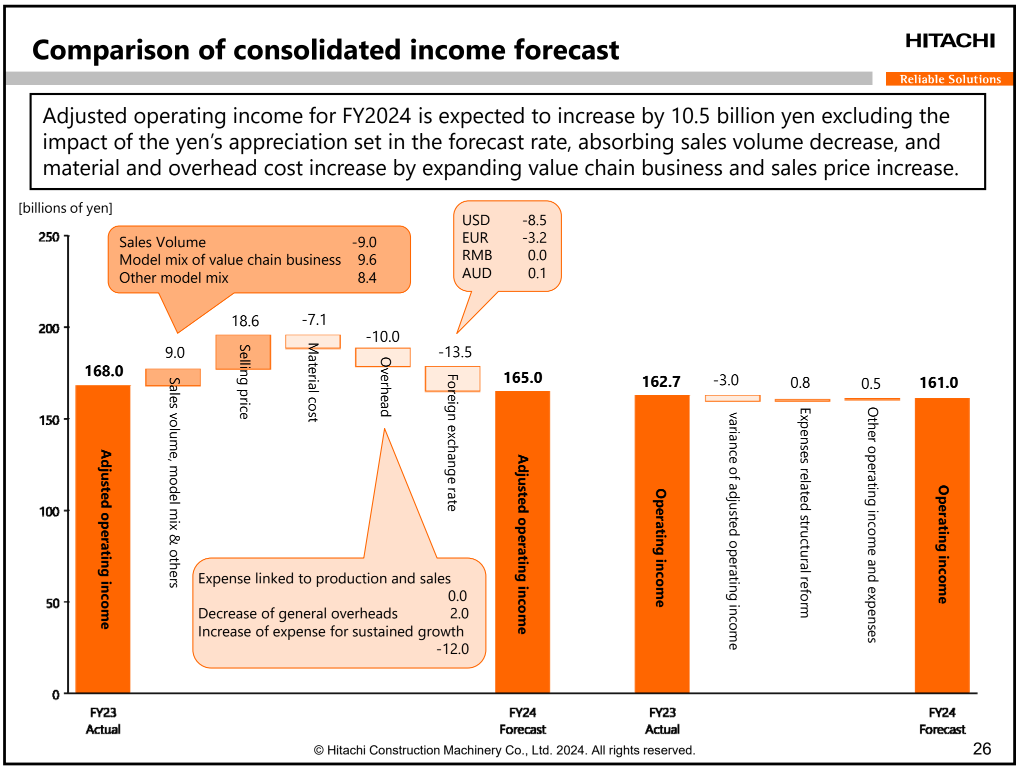


(*1) Value chain: Total of Parts and services, Specialized parts and service business, Rental, etc. other than new machine sales.
(*2) Specialized parts and service business: The business segment primarily intends to provide development, production, distribution of parts, and service solutions for mining 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 forecast.
The forecast for value chain revenue for FY2024 is expected to increase by 4% year on year to ¥577.1 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 ¥9.8 billion is included.

Individually, we are forecasting an 1% year-on-year increase in revenue of parts & services for construction and mining to ¥300.0 billion, and we are forecasting a 15% year-on-year increase in revenue of the rental business to ¥91.2 billion.

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



This slide provides a comparison of consolidated income forecast.
I will explain the factors behind the forecast ¥3 billion year on year decrease in adjusted operating income from the previous year to ¥165.0 billion.

An increase of ¥9 billion will be factored into the sales volume, model mix and others. Breaking this down, we have factored in a decrease of ¥9 billion in sales volume, an increase of ¥9.6 billion in value chain business composition and an increase of ¥8.4 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 ¥10 billion increase in overhead costs.

The estimated ¥13.5 billion negative impact of the yen's appreciation set in the forecast rate will result in a ¥3.0 billion decrease in adjusted operating income from the previous year, but excluding the foreign exchange impact, it will be ¥10.5 billion higher than the previous year.

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 4 pages of appendix.

This concludes my explanation.

Appendix 1: FX rate and FX sensitivity

HITACHI
Reliable Solutions

The forecast exchange rate of major currencies for FY2024 was set within the expected fluctuation range for each currency.

FX rate and FX sensitivity (billions of yen)

Currency	FX rate		FX sensitivity (1Q-4Q)		
	FY24 Forecast	FY23 Actual	Condition	Revenue	Adjusted operating income
USD	141.0	144.8	Impact by 1 yen depreciation	3.8	2.5
EUR	152.0	157.0	Impact by 1 yen depreciation	1.0	0.6
RMB	20.1	20.1	Impact by 0.1 yen depreciation	0.2	0.0
AUD	95.0	95.0	Impact by 1 yen depreciation	2.8	0.5

Appendix 2: Detail of mining revenue

HITACHI

Reliable Solutions

(billions of yen)

		FY23 Actual(A)	FY22 Actual(B)	Change (A)-(B)	FY24 Forecast(C)	Change (C)-(A)
America	Excavator	36.2	32.7	3.5	41.7	5.5
	Dump Truck	10.9	4.1	6.8	7.8	-3.1
	Total	47.1	36.8	10.3	49.5	2.3
Europe, Africa and Middle East	Excavator	34.3	35.7	-1.4	31.7	-2.7
	Dump Truck	35.6	27.0	8.6	32.7	-2.9
	Total	70.0	62.7	7.2	64.4	-5.6
Asia & Oceania	Excavator	120.1	97.8	22.2	120.6	0.6
	Dump Truck	50.8	46.8	4.0	47.6	-3.2
	Total	170.9	144.6	26.3	168.2	-2.6
China	Excavator	2.5	1.3	1.2	6.5	4.0
	Dump Truck	0.0	0.1	-0.1	0.0	0.0
	Total	2.5	1.4	1.2	6.5	4.0
Japan	Excavator	0.9	1.0	-0.1	1.7	0.8
	Dump Truck	0.4	0.0	0.4	0.0	-0.4
	Total	1.3	1.1	0.2	1.7	0.4
Total	Excavator	194.0	168.5	25.5	202.2	8.2
	Dump Truck	97.8	78.1	19.7	88.1	-9.6
	Total	291.8	246.6	45.2	290.3	-1.4

Appendix 3: Segment information

HITACHI
Reliable Solutions

Amortizations of PPA are included in the adjusted operating income of the Specialized Parts & Service business : 1.2 billion yen in FY2023, and 1.2 billion yen in the forecast for FY2024.

[billions of yen]

FY2023 Actual	Reportable segment				Adjustments *2	Total	
	Construction Machinery Business		Specialized Parts & Service Business *1				
Revenue		1,282.3		129.9	-6.3		1,405.9
Adjusted operating income	12.0%	153.5	11.2%	14.5	-	12.0%	168.0

[billions of yen]

FY2024 Forecast	Reportable segment				Adjustments *2	Total	
	Construction Machinery Business		Specialized Parts & Service Business *1				
Revenue		1,241.1		128.9	-		1,370.0
Adjusted operating income	11.9%	147.3	13.7%	17.7	-	12.0%	165.0

*1 In the FY2023, the business segment "Solution Business" was renamed "Specialized Parts & Service Business".
The change to this reportable segment name does not have an effect on the segment information.
*2: Adjustments represent eliminations of intersegment transactions and amounts of companies that do not belong to any operation segment.

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

HITACHI
Reliable Solutions

The total capital expenditures for FY2024 are expected to expand for reorganization of factories in Japan.

1. Capital Expenditure （Based on completion）

[billion of yen]

	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Forecast
Capital Expenditure	34.7	45.3	75.1	58.7	67.2
Assets held for operating lease	38.6	44.3	44.2	50.3	52.6
Total	73.4	89.6	119.3	109.0	119.8

2. Depreciation (tangible and intangible fixed assets)

[billion of yen]

	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Forecast
Capital Expenditure	34.6	36.9	40.5	43.7	48.1
Assets held for operating lease	14.9	17.9	21.6	23.5	34.8
Total	49.5	54.8	62.1	67.2	82.9

3. R&D expenses

[billion of yen]

	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Forecast
Total of consolidation	24.8	25.5	24.4	31.4	36.3

HITACHI

Reliable Solutions

3. Achieving the Midterm Management Plan FY2025 Targets BUILDING THE FUTURE 2025

FY2023 – 2025

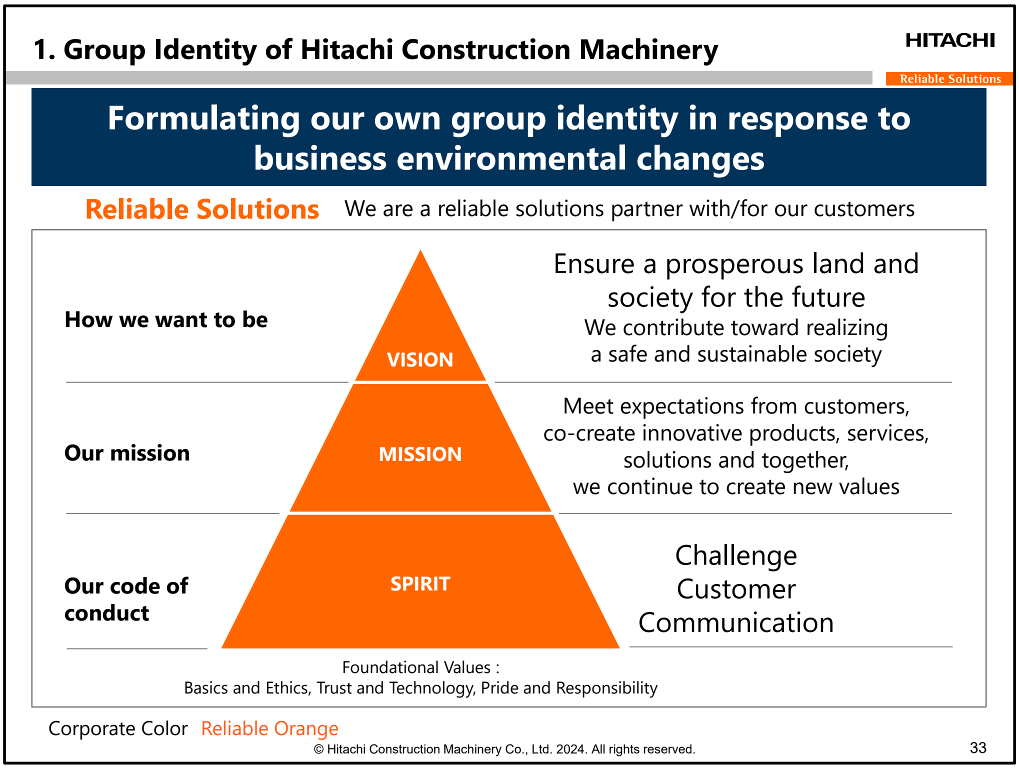
Masafumi Senzaki

President and Executive Officer, COO

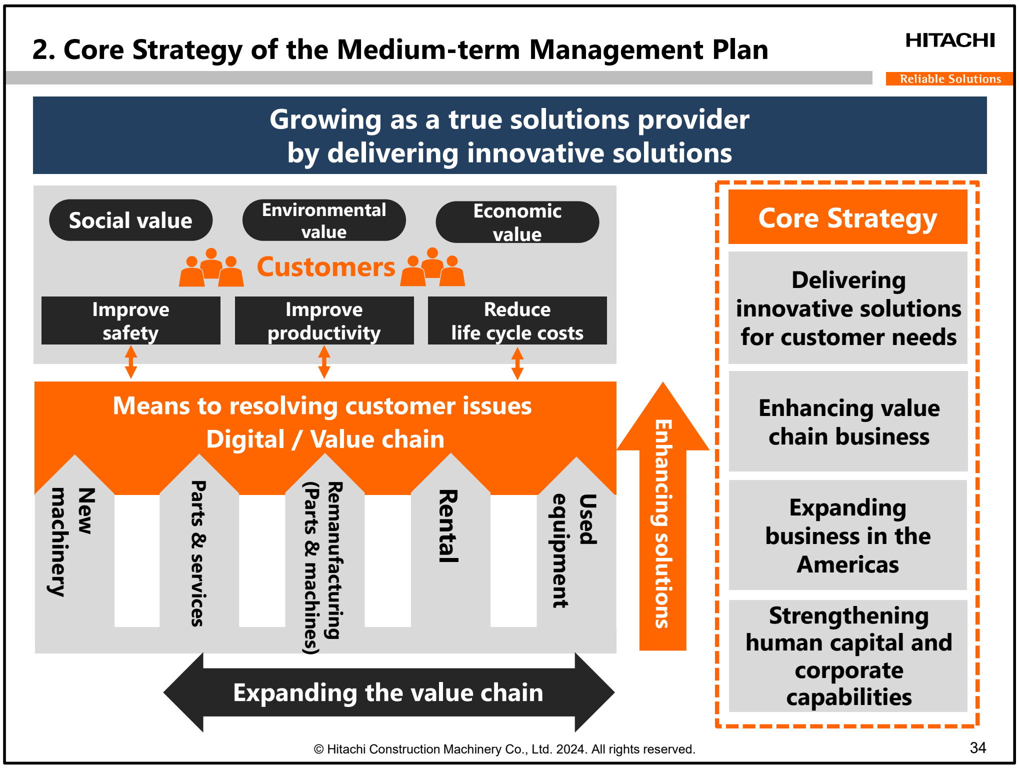
The progress of the medium-term management plan is explained by Masafumi Senzaki, President and Executive Officer & COO.

Table of Contents

HITACHI
Reliable Solutions



The slide explains the Group identity of Hitachi Construction Machinery.
In response to business environmental changes such as the Group's independent business expansion in the Americas and capital structure, we formulated our own group identity in 2022.
As stated in the mission, we will promptly respond to customers' expectations and issues, and co-create innovative products, services and solutions based on our outstanding technologies with the cooperation of our customers and collaborative partners.
Through these efforts, we will create a new value to connect our vision of a prosperous land and society for the future, and contribute to the realization of a safe and sustainable society.



This slide explains the core strategy of the medium-term management plan.
In this medium-term management plan, we have set the four “core strategies” shown here, and by giving top priority to "innovative solutions", we aim to become a true solutions provider.

That is the mission in our group identity “Meet expectations from customers, co-create innovative products, services, solutions and together, we continue to create new values”.
On the next page, we will explain the overview the medium-term management plan for the four “core strategies” on the right.

3. Overview of the Medium-term Management Plan

HITACHI
Reliable Solutions

Core Strategy	Key initiatives
Delivering innovative solutions for customer needs	■ Building an ecosystem through collaborative creation with customers and partners in other industries (Report 1) ■ Offering site solutions with a digital platform (Report 2)
Enhancing value chain business	■ Expanding remanufacturing capacity and establishing a global optimum production system (Report 3) ■ Expanding overseas rental business suited to different market environments
Expanding business in the Americas	■ Diversifying sales channels and enhancing finance business in the Americas (Report 4) ■ Establishing an own sales network in Central & South America
Strengthening human capital and corporate capabilities	■ Providing education and opportunities for human capital to play an active role globally (Report 5) ■ Transforming the corporate culture through agile development

This slide explains the overview of the medium-term management plan. We will report the results of the five initiatives in FY2023 on the next page and after.

Report 1 **Building an ecosystem through collaborative creation with customers and partners in other industries**

HITACHI
Reliable Solutions

Collaboration with partners in other industries toward realizing zero emissions at construction sites

Expanded cooperation on mobile energy storage systems

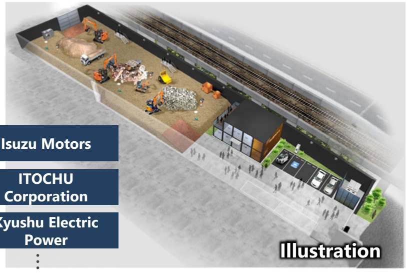
Japanese market	European market
Joint development	Sales, rentals
Kyushu Electric Power	ITOCHU Corporation
	Alfen B.V.

Mobile energy storage system from Alfen

Establishment of the ZERO EMISSION EV-LAB by collaboration with partners

- Permanent demo area that recreates a construction site and a communication area for visitors
- In addition to electric excavators, mobile energy storage systems, EV trucks, compaction equipment, and carrier dump trucks are scheduled to be installed

Partner companies
- Isuzu Motors
- ITOCHU Corporation
- Kyushu Electric Power
- ⋮



Illustration

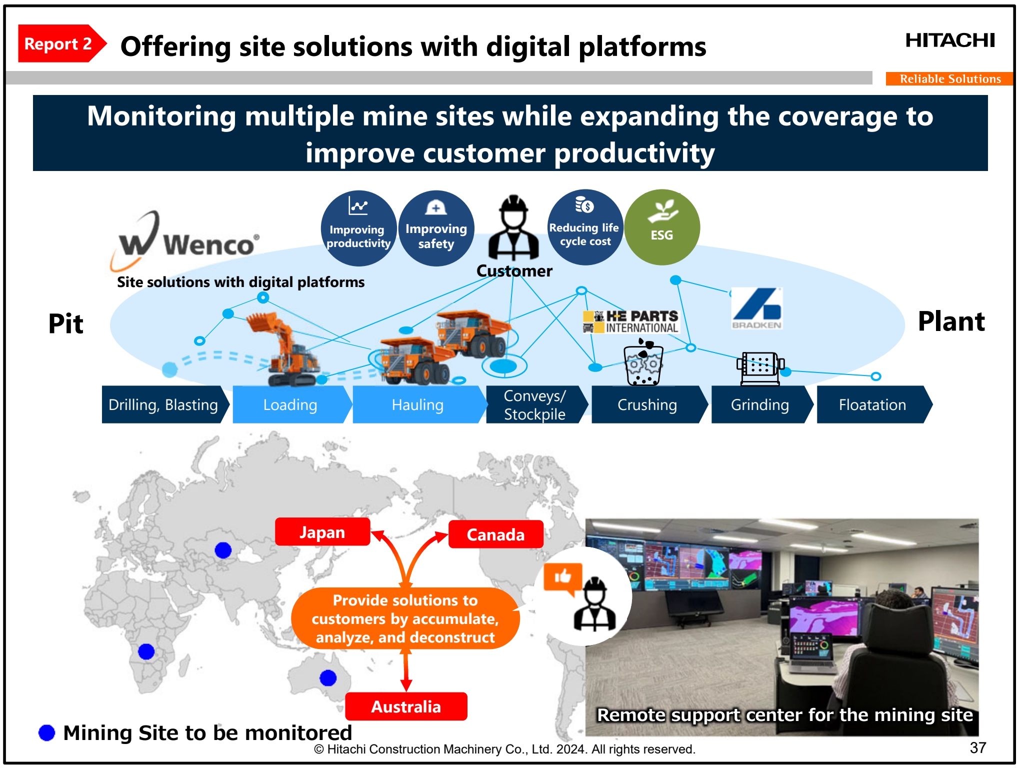
 36

First, this slide explains our efforts to build an ecosystem through collaborative creation with customers and partners in other industries in the Construction and Compact business.

I would like to introduce our approach to achieving zero emissions at construction sites.
We have started to develop and sell electric excavators, but the penetration rate in the construction and civil engineering industry as a whole is not high.
This is because there are still many issues at actual construction sites that cannot be solved by providing only hardware products.
In order to provide solutions to these issues, it is difficult for HCM to respond alone, and collaboration with partner companies in different industries is essential.

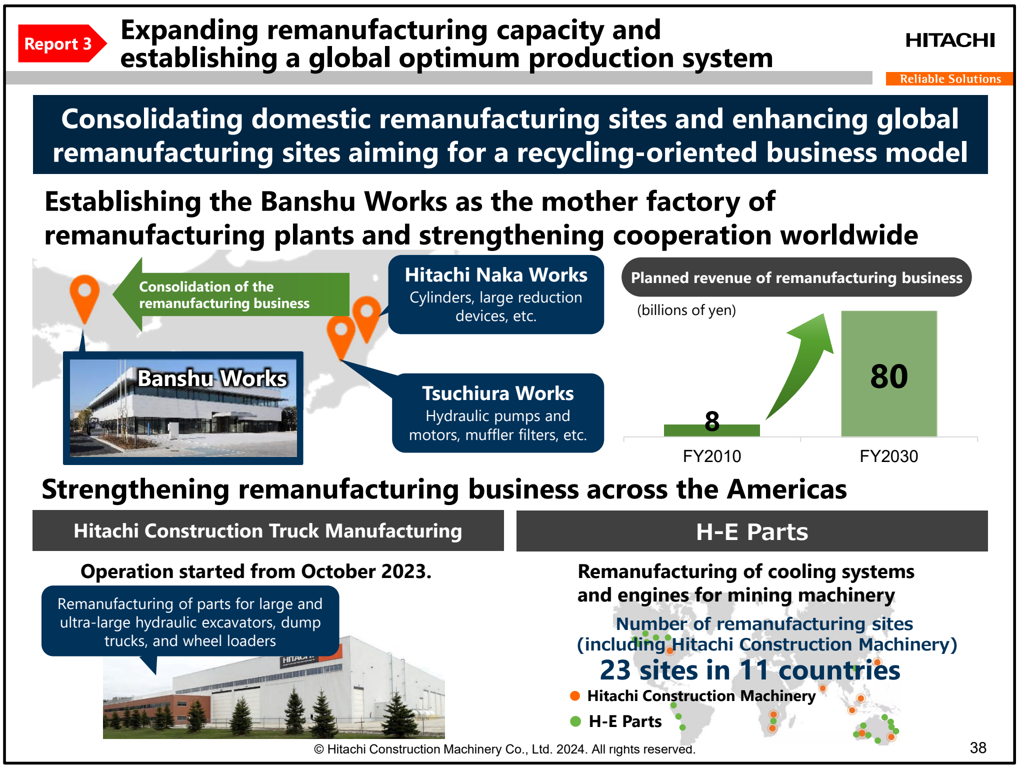
As some specific initiatives, at the top, you see cooperation on a mobile energy storage system, which is an essential infrastructure for electric construction machinery.
For the Japanese market, we have started joint development with Kyushu Electric Power.
For the European market, we have received financial support and cooperation from ITOCHU Corporation, and will start sales and rental of portable recharging facilities from Alfen in the Netherlands.
(Demonstrations of electric construction machinery and Alfen's mobile energy storage system have already been carried out at eight customer sites in six countries, including Sweden and Denmark, and verification testing has already begun.)

Moving to the bottom of the slide, the ZERO EMISSION EV-LAB will be set up in May 2024 as a place to realize collaborative creation with business partners.
It will feature a demo area that replicates a site where electric construction machinery and equipment is in operation, and a communication area where visitors can exchange opinions and generate new ideas, allowing us to explore the challenges and possibilities of zero emission on construction sites with customers and partners in other industries.
In addition to the companies listed here, we will consider collaborating with a wide range of partners.



This slide explains offering site solutions with digital platforms in the Mining business.
We are monitoring the operating status at multiple mine sites from three bases in Japan, Canada, and Australia at various touchpoints of our business area, from mining (Pit) to mineral processing (Plant).

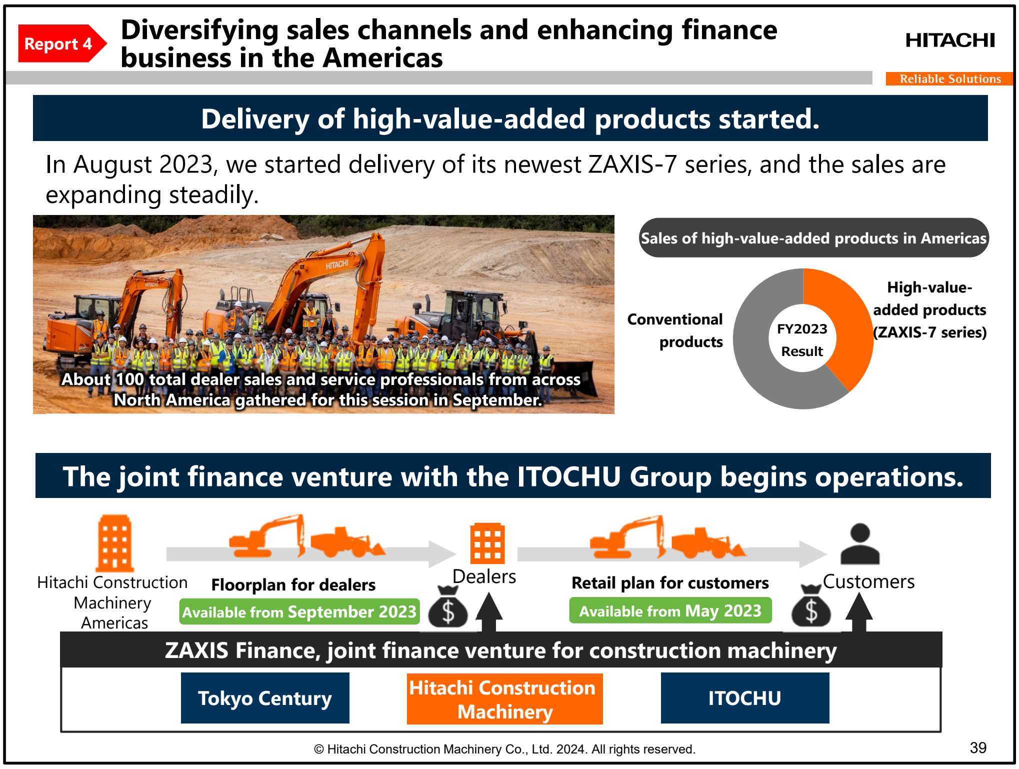
Experts in who are well versed in specialized fields such as mining machinery, mine management, and software make full use of advanced digital technologies to accumulate, analyze, and deconstruct all kinds of data acquired in real time from multiple mine sites, and provide solutions to the issues faced by each customer.
At present, the main monitoring scope is the loading and hauling processes, but we are gradually expanding the scope and aiming to contribute to the efficiency and optimization of the entire mine.
(In the future, we will evolve as a core base responsible for collaboration in the mining solution business, and utilize various digital technologies and accumulated know-how to create new value from the customer's perspective and provide continuous support.)



Next, this slide shows our efforts to expand remanufacturing capacity and establish a global optimum production system.

In Japan, we will consolidate and integrate our remanufacturing plants, which are currently dispersed between Tsuchiura Works and Hitachi Naka Works, into Banshu Works in Hyogo Prefecture by the end of FY2024, in order to strengthen global collaboration as the mother plant for the remanufacturing business.
We plan to increase sales to approximately 80 billion yen in FY2030, by improving space constraints and increasing the volume of remanufactured parts handled through consolidation and integration.

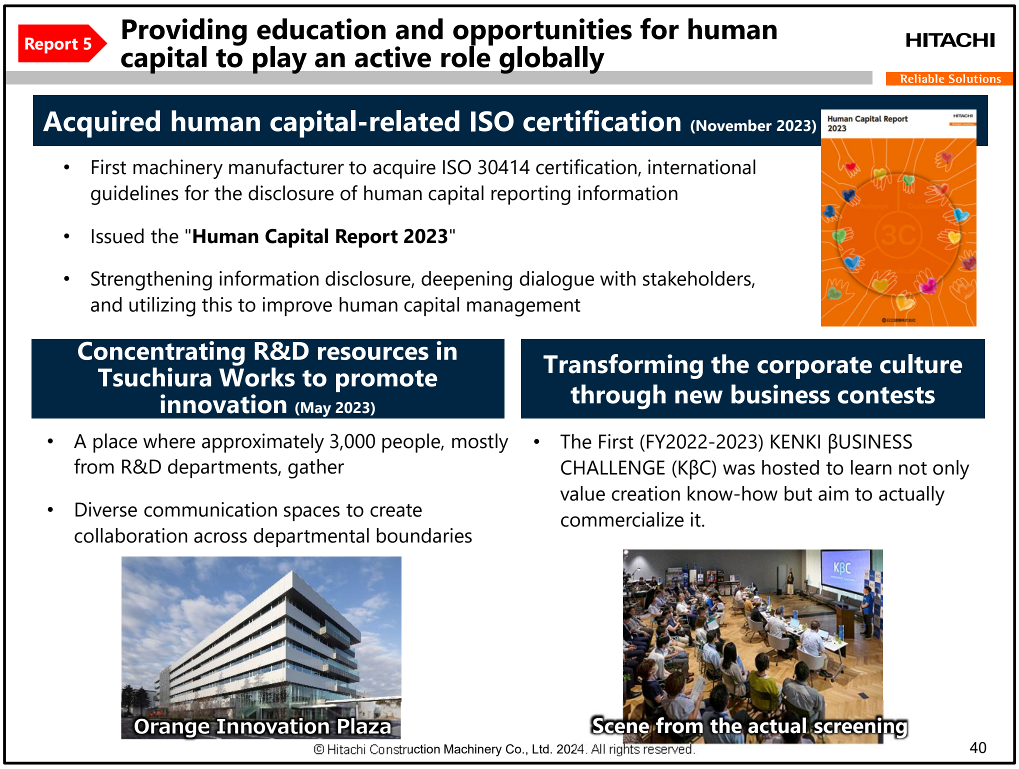
Overseas, we are strengthening remanufacturing business across the Americas. Before, the remanufacturing business was carried out to the extent that each distributor could handle it, but from FY2023, Hitachi Construction Machinery Americas oversees the remanufacturing business in the Americas.
Hitachi Construction Truck Manufacturing began remanufacturing parts for large and ultra-large hydraulic excavators, dump trucks, and wheel loaders. And H-E Parts is responsible for the remanufacturing of cooling systems and engines for mining equipment.



This slide shows diversifying sales channels and enhancing finance business in the Americas.

In August 2023, we started sales of the high-value-added products, the ZAXIS-7 series. Moreover, 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 and sales are expanding steadily.
By providing ZAXIS-7, a high-value-added product, in addition to the conventional ZAXIS-6 product, dealers can provide products and services that meet customer needs and diversify sales channels.

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.



I would like to explain about providing education and opportunities for human capital to play an active role globally.

First, at the top part, there is the acquisition of human capital-related ISO certification.
We recognize that our human capital strategy is the most important issue for achieving medium- to long-term growth.
We have recently acquired ISO 30414 certification, an international guideline for the disclosure of information on human capital.
In line with this, we have issued our Human Capital Report for the first time.
We are the first machinery manufacturer to acquire this certification and will actively disseminate a variety of information based on the guidelines.
By strengthening information disclosure and deepening dialogue with our stakeholders, we will continuously improve our human capital strategy.
Next, at the bottom-left part, there is concentrating R&D resources and promoting innovation. In May 2023, the “Orange Innovation Plaza” started operation at Tsuchiura Works. Approximately 3,000 people mainly gather under one roof to work on development for the next generation. A variety of communication spaces, designed with input from young employees, will help foster cross-departmental collaboration.
In addition, at the bottom-right part, we started an effort to build a corporate culture that can continuously create new businesses by firmly establishing the innovation mindset.
The Kenki βusiness Challenge, or KβC for short, launched in 2023, is a prime example of systems to not only learn the know-how of value creation but also to realize full-fledged commercialization of new businesses. By holding this event on an ongoing basis each year, we aim to encourage employees to continually challenge themselves and create new businesses.

4. Targets of the Medium-term Management Plan

HITACHI
Reliable Solutions

KPI			Medium-term Management Plan FY2025 targets	FY2023 results
Growth	・Value chain ratio		50% or more	39.4%
	・Own business revenue in the Americas		300.0 billion yen or more	217.5 billion yen
	・R&D/Revenue ratio		3% or more	2.2%
Profitability	・Adjusted operating income ratio		13% or more	12.0%
	・EBITDA margin*1		18% or more	16.8%
Safety	・Net D/E ratio		0.40 or less	0.57
Efficiency	・Operating cash flow margin*1		10% or more	5.2%
	・ROE		13% or more	13.1%
	・ROIC*1*3		9% or more	9.8%
Shareholder return*2	・Consolidated dividend payout ratio		Stable and continuous implementation with a consolidated dividend payout ratio of 30%-40% as a guide	34.2%
ESG	• Reducing environmental impact and CO_2 (total)	Production (Scope 1+2)	-40% vs. FY2010	Scheduled to be published in "Integrated Report 2024"
		Product (Scope 3)	-22% vs. FY2010	
	• Diversity, equity & inclusion	• Localization ratio of GM or higher in overseas group companies*1	75%	71%*4
		• Ratio of managers by gender (consolidated) *1	Women 13% Men 15%	Women 11%*5 Men 16%

*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 2023
*5: Outlook for result of FY2023

41

Finally, targets of the Midterm-term Management Plan.
Earlier, Mr. Shiojima stated the planned figures for FY 2024, and there is no change to the targets for FY 2025 from the initial plan figures announced last fiscal year.

In terms of profitability, we have set an adjusted operating income ratio of 13% or more and aim for an EBITDA margin of 18% or more as an indicator of our ability to generate cash, which is the ability to earn on sales.

In terms of efficiency, we will stably maintain our ROIC target of 9% or more, develop our business with an awareness of the operational efficiency of invested capital, and improve capital profitability.
In addition, in order to return profits to shareholders, we will maximize shareholder returns based on "stable and continuous implementation with a consolidated dividend payout ratio of 30%-40% as a guide".
Next, for ESG-related items, in addition to CO2 reduction targets as the environmental impact reduction, we have established indicators for diversity, equity and inclusion and will work toward them.

This concludes the explanation of the progress of the Medium-term Management Plan "BUILDING THE FUTURE 2025." Thank you very much.

SDGs

Reliable Solutions

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.

HITACHI

Reliable Solutions

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

April 24, 2024

Hitachi Construction Machinery Co., Ltd.