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Explanatory Meeting for Business Results for the Second Quarter ended September 30, 2024

October 25, 2024

Hitachi Construction Machinery Co., Ltd.

LANDCROS Japanese Excellence—Reliable Solutions

Before the explanation for the market situations and the financial results, Senzaki, President and COO would like to give a brief summary of the current situation.

The results for the 1H of this year, excluding non-operating income items, were largely in line with our expectations, including the effects of foreign exchange. Our mining and value chain businesses, which we are focusing on, continue to be strong. While our business in the Americas, particularly in North America, was affected by the stagnation of the general construction machinery market and the impact of dealers reducing their inventories, we were able to maintain the same level of revenue as the previous year. Non-operating income items decreased year on year due to the temporary and rapid appreciation of the yen at the end of September, but overall, we have been able to steadily implement the measures of our medium-term management plan even in a challenging demand environment. With the tailwind of foreign exchange, we are progressing almost as expected.
With regard to the outlook for the current fiscal year, due to the stagnation in investment appetite, it is difficult to predict a recovery in demand in North America within the current fiscal year. In light of this situation, we have revised our sales revenue forecast for North America in the 2H of the fiscal year and have slightly revised our overall performance forecast downward for the current fiscal year.
However, in the North American market, we are steadily increasing our retail market share even in this demand environment. We expect our own business to grow even on a local currency basis, and the initiatives we have been taking since we started developing our own business are steadily starting to bear fruit. In addition, the value chain business, which we have been focusing on, is expanding at a pace that exceeds our initial plan for the year.
Despite the current difficult situation, we are steadily improving our earnings structure through long-term growth in the three areas of the Americas, value chain, and mining.

As we move towards the final year of our medium-term management plan and beyond, we will focus even more on these three areas without being daunted by headwinds and aim to achieve an even stronger earnings structure.
Thank you for your support.

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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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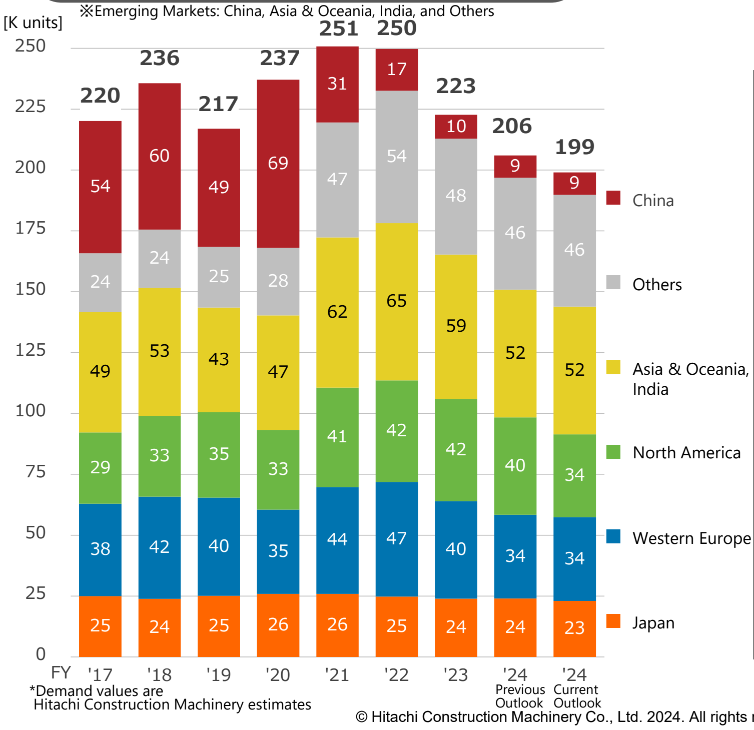
Emerging Markets ratio:
FY24 54%（y-y Change : +2%）

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



*Demand values are Hitachi Construction Machinery estimates

Year-on-Year Change by Region

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

	'23	'24
Total	-11%	-11%
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%	-19%
W Europe	-15%	-14%
Japan	-3%	-4%

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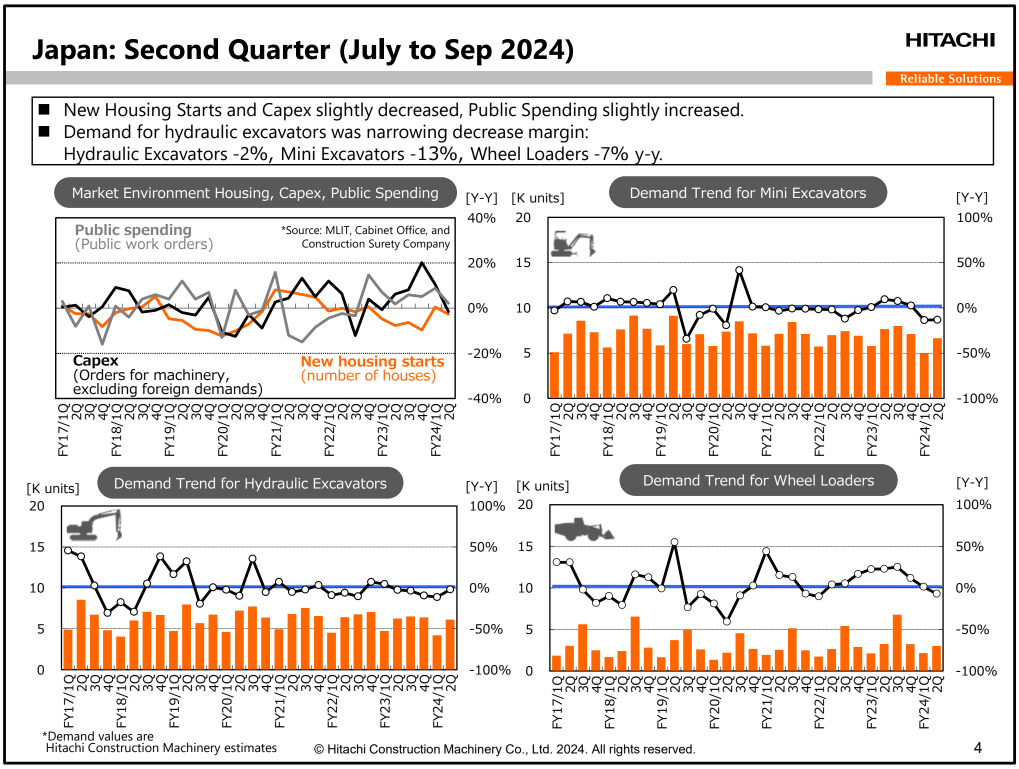
This slide explains the outlook for global demand for hydraulic excavators.

Demand for FY2024 is forecasted to decrease in North America and Japan from the previous outlook.

Compared to FY2023, demand for FY2024 is expected to continually decrease mainly in Western Europe, along with emerging countries and Japan, and to significantly decrease in North America.

Worldwide demand is forecasted to decrease by 11% year on year to 199 thousand units.

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



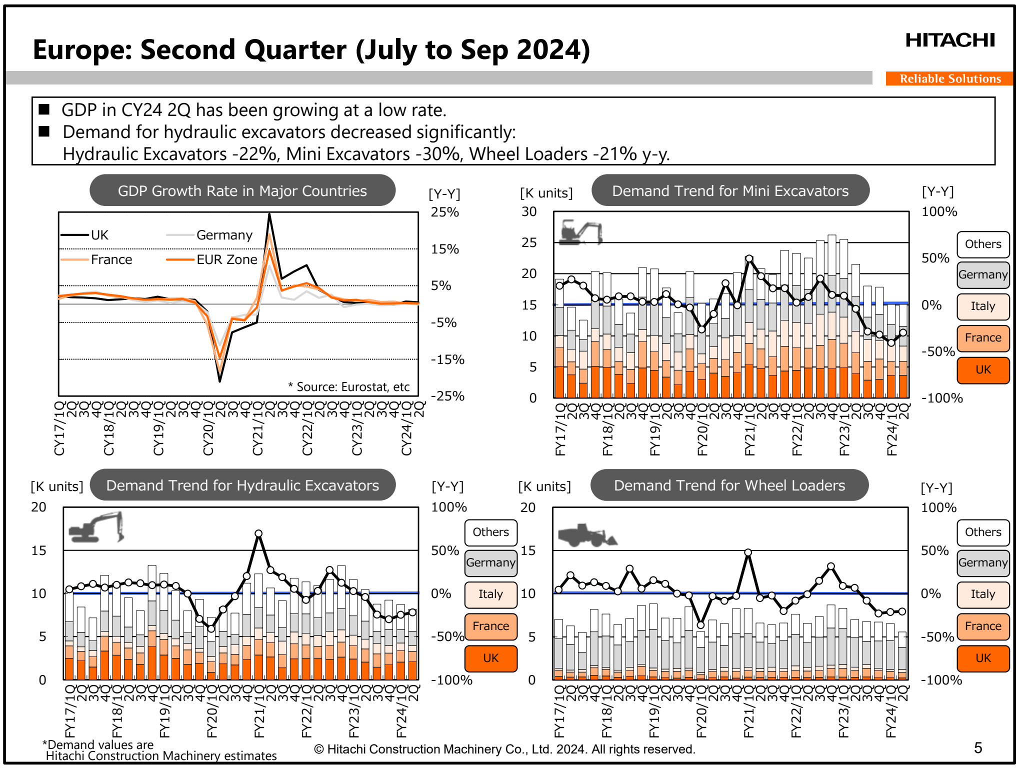
This slide explains the Japanese market.

The graph on the top left shows that new housing starts and capex slightly decreased, and public spending slightly increased in 2Q year on year.

The graph on the lower left shows that demand for hydraulic excavators in 2Q decreased by 2% year on year but narrowing decrease margin.

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 decreased by 7%.



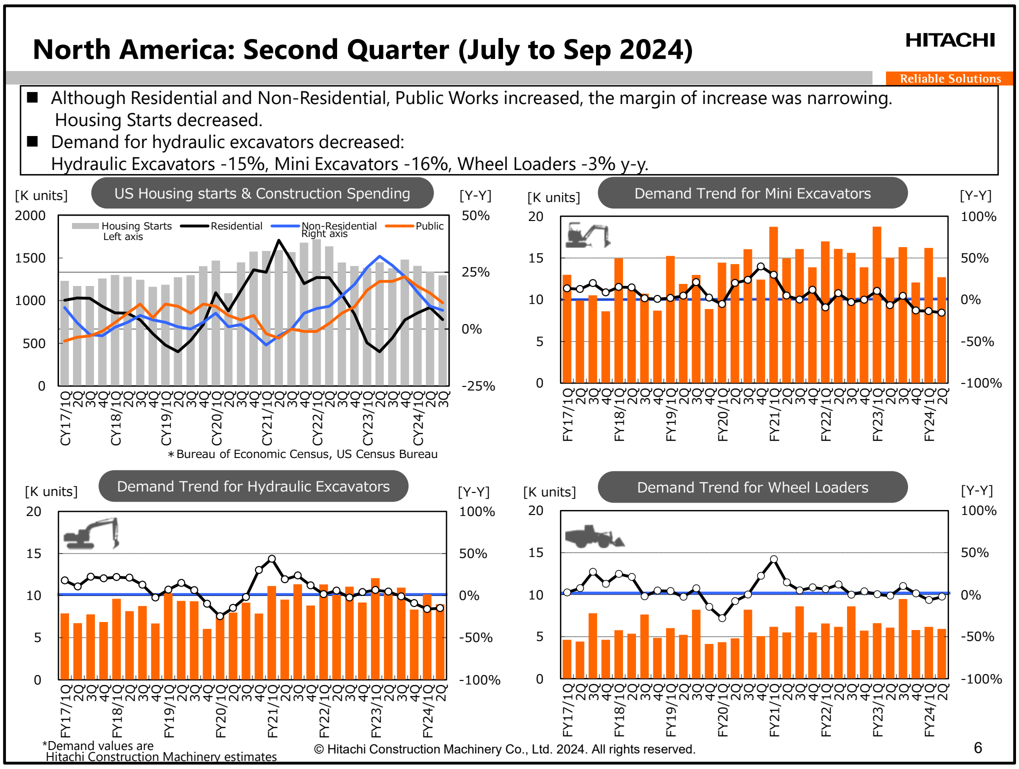
This slide explains the European market.

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 2Q decreased significantly by 22% year on year due to continued market slowdown.

The graph on the top right shows that demand for mini excavators decreased significantly by 30%.

The graph on the lower right shows that demand for wheel loaders also decreased significantly by 21%, mainly in Germany.



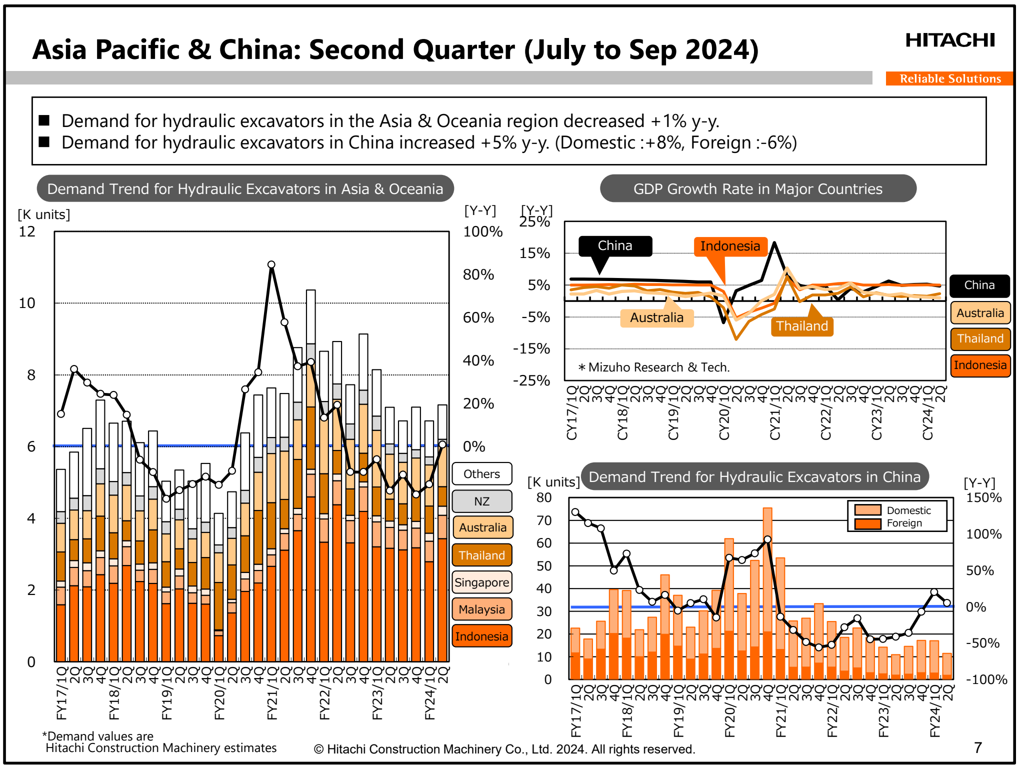
This slide explains the North American market.

The graph on the top left shows that residential, non-residential and public works increased but the margin of increase is narrowing.
Housing starts decreased from the previous quarter.

The graph on the lower left shows that demand for hydraulic excavators in 2Q decreased significantly by 15% year on year, and continues decreasing.

The graph on the top right shows that demand for mini excavators decreased significantly by 16%.

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

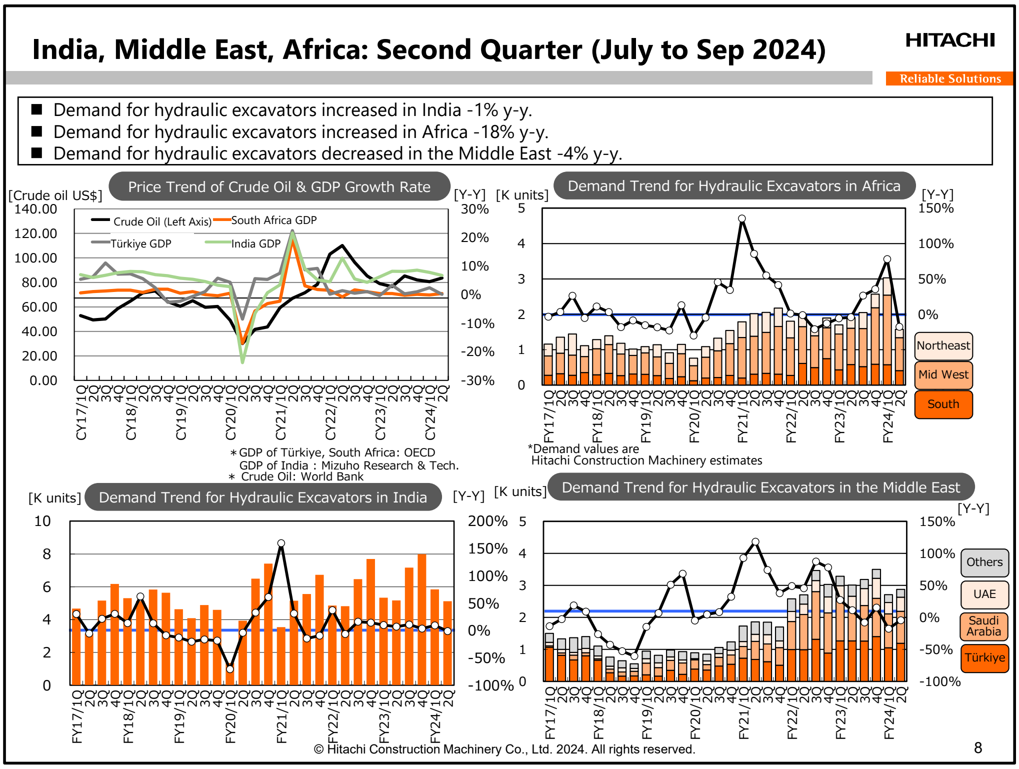


This slide explains the markets in Asia Pacific and China.

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 2Q in Asia Pacific increased by 1% year on year, because of demand increase in Indonesia.

The graph on the lower right shows that total demand for hydraulic excavators in China including domestic manufacturers increase by 5% year on year.
As a breakdown, domestic manufacturers’ demand for hydraulic excavators increased by 8% and foreign manufacturers’ demand decreased by 6%.



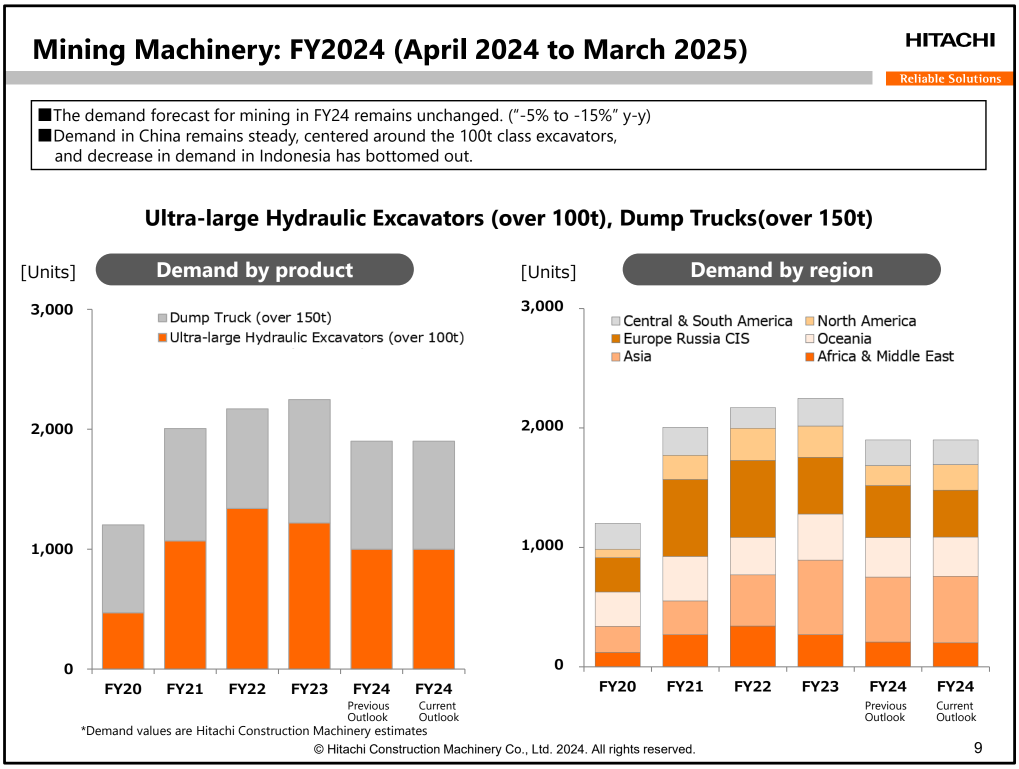
This slide explains the markets in India, the Middle East, and Africa.

The graph on the top left shows that crude oil prices increased from the previous quarter to $83, but it is currently around $75.
GDP in India increased, slightly increased in Türkiye and in South Africa.

The graph on the lower left shows that demand for hydraulic excavators in 2Q in India decreased by 1% year on year.

The graph on the top right shows the demand for hydraulic excavators in Africa in 2Q decreased significantly by 18% year on year.

The graph on the lower right shows that demand for hydraulic excavators in the Middle East decreased by 4% compared to the same period of the previous year when the demand was high.

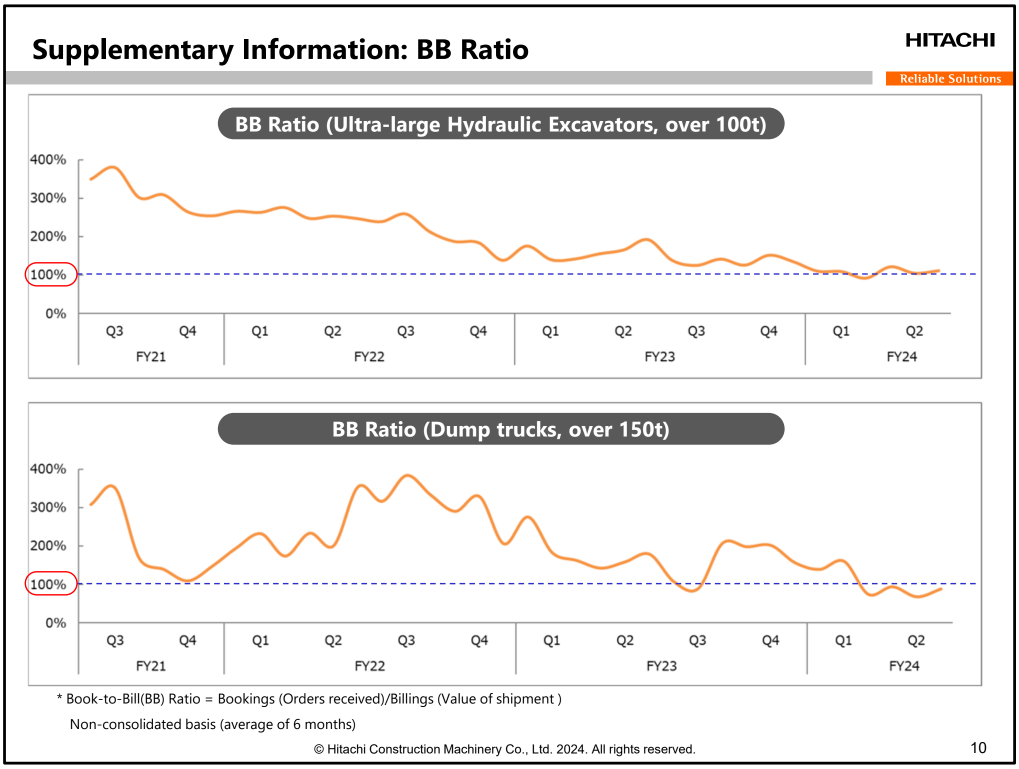


This slide explains the demand forecast for mining machinery.

The demand forecast for mining in FY24 remains unchanged from the previous "-5% to -15%" year on year.

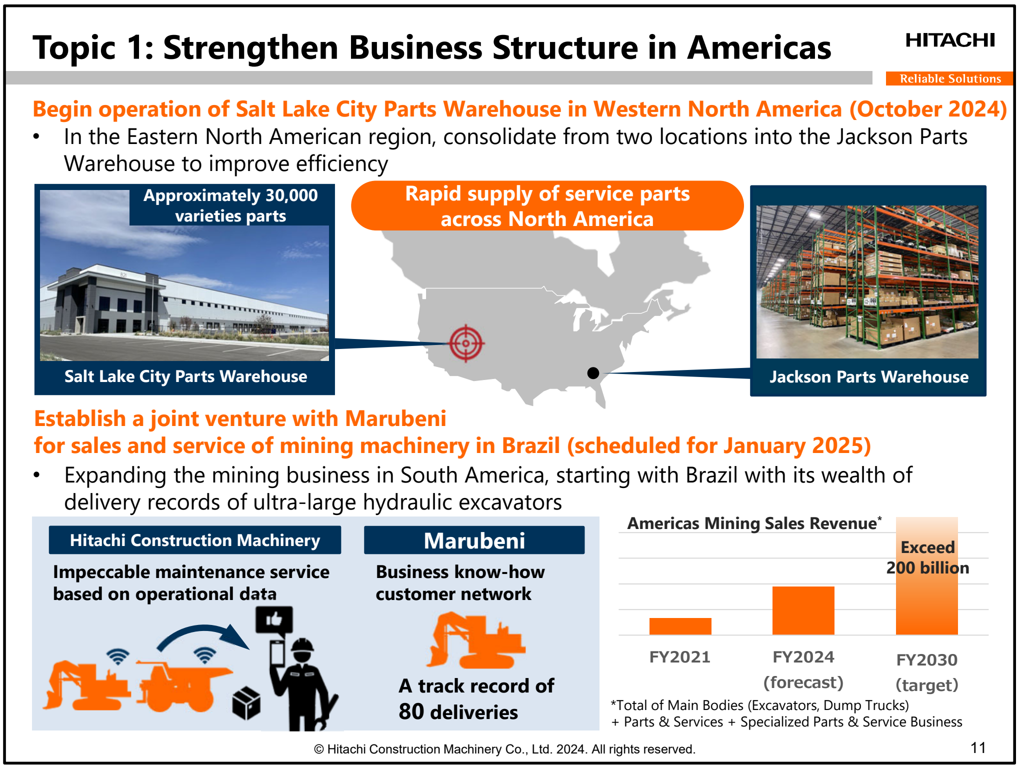
Demand in China remains steady, centered around the 100t class excavators.

In Indonesia, demand had stalled due to the impact of regulations for natural resources exporting companies mandating increased deposit of foreign exchange earnings in domestic bank. With each company completed its obligation, equipment procurement activities have resumed, and the decrease in demand has bottomed out.



This slide explains the BB ratio of mining machinery.

Ultra-large hydraulic excavators in 2Q maintained 100% or more, because of new orders mainly in Americas, Australia, Central Asia.
Although dump trucks fall below 100%, it shows improvement from last time because of progress in orders in North America and Australia.
Orders from customers for local inventory are also in progress, and we expect orders for machine inventory to continue to be placed.



Next, I will explain the topics.
The first topic is strengthening the business structure in the Americas.
In October, Hitachi Construction Machinery began operations of the Salt Lake City Parts Warehouse in the western North American market.
This warehouse handles 30,000 types of parts.
By strategically placing parts warehouses in optimal locations, we aim to reduce lead times and quickly supply to the entire North American region.
The Eastern North American region currently has two locations as our main warehouse, the existing Jackson Parts Warehouse and the McDonough Parts Warehouse, but by January of next year, it is planned to consolidate them into the Jackson Parts Warehouse.

On the other hand, as the first step in expanding sales and parts service in the mining business in Central and Latin America, Hitachi Construction Machinery plans to establish a mining machinery sales and service company, 'ZAMine Brazil', in collaboration with Marubeni Corporation by January 2025.
Marubeni has been handling Hitachi Construction Machinery's mining machinery since 2017 and has a rich track record of delivering approximately 80 units of ultra-large hydraulic excavators in Brazil.
The company plans to build a system to provide full maintenance and services in the customer network that Marubeni has nurtured through many years of business in Brazil.
We aim to expand the mining business in South America, starting with Brazil, which has a wealth of delivery records of ultra-large hydraulic excavators.

Topic 2: Mining Business

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Exhibiting at MINExpo 2024, the World's Largest Mining Machinery Trade Show (September 2024)

- First exhibition after own operation in the Americas, and started spread of the new concept "LANDCROS"
- Panel discussions with customers and industry stakeholders to explore "Open Solutions"


View of the booth

New concept LANDCROS attached on cab

Started operation of mining machinery component remanufacturing plant in Kazakhstan (October 2024)

- Hitachi Construction Machinery, certified as a remanufacturing plant, is also strengthening the parts & service business in the Central Asia market
- Aiming to reduce lead times and establish a resource-recycling business model through the use of recycled parts


Ribbon-cutting ceremony


Interior view of the plant

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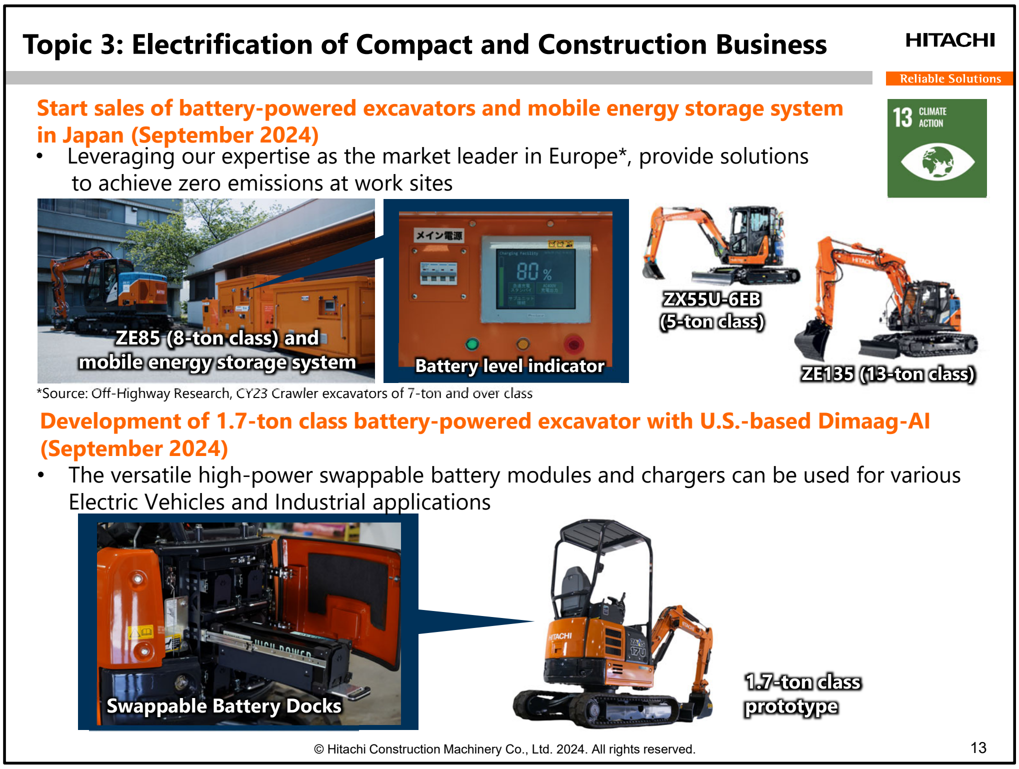
Next, I will explain the mining business.

We exhibited at MINExpo held from September 24th to 26th in Las Vegas. The U.S. MINExpo is one of the world's largest exhibitions related to mining, and it was our first exhibition since we started our own operations in the Americas.
At our booth, we exhibited under the theme of three "zeros": "Zero Emission," "Zero Entry," and "Zero Downtime." Stickers of the new concept 'LANDCROS,' established in July this year, have been placed on the cabin to work on the promotion and dissemination of the new concept.

Another topic is the strengthening of the remanufacturing business structure in Central Asia. In October, Eurasian Machinery enhanced the functions of the component repair center established in the Karaganda region of the Republic of Kazakhstan and started operation as a Hitachi Construction Machinery-certified remanufacturing plant. We aim to reduce lead times through the use of remanufactured parts and establish a sustainable resource-circulating business model in the Central Asia region, where medium- to long-term growth is expected.



Finally, I will explain our efforts to electrify our compact and construction businesses.

In September 2024, Hitachi Construction Machinery began selling three models of battery-powered excavators in the 5t, 8t, and 13t classes, as well as a mobile energy storage system, in Japan.
The battery-powered excavators are models that are already being sold in the European market, and the mobile energy storage system was developed jointly with Kyushu Electric Power Co., Inc.

Last year, our company became the market leader in Europe for battery-powered excavators in the 7t and over class.
We will continue to provide solutions to achieve zero emissions at work sites, while making use of this expertise.

Also, we are collaborating with Silicon Valley startup Dimaag,-AI Inc. of the U.S. on the development of a 1.7-ton class battery-powered electric excavator.
We plan to complete a prototype of a mini excavator made by Hitachi Construction Machinery that incorporates Dimaag's electrification system by the end of the year.
Dimaag's battery modules are replaceable and highly versatile, and can be used as batteries for a variety of electric products, such as lawnmowers.
Through this collaboration, we plan to expand our lineup of electric products.

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2. Business Results for the Second Quarter ended September 30, 2024

(April 1, 2024 – September 30, 2024)

Keiichiro Shiojima

Vice President and Executive Officer, CFO

Our Business Results in the 1H 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 2Q of the year, revenue remained at the same level. However, adjusted operating income decreased by 13% y-y due to region and model mix, increase in policy overhead. Net income attributable to owners of the parent decreased by 45% due to deterioration in the financial profit and loss from the impact of appreciation of the yen at the end of September.

[billions of yen]

	FY2024 1Q-2Q		FY2023 1Q-2Q		change
Continuing operation					
Revenue		665.7		665.8	-0%
Adjusted operating income *1	10.7%	71.3	12.4%	82.4	-13%
Operating income	10.6%	70.8	12.4%	82.9	-15%
Income before income taxes	8.2%	54.5	12.7%	84.8	-36%
Net income from continuing operation	5.3%	35.1	9.4%	62.7	-44%
Net income from discontinued operation		1.1		0.0	-
Net income attributable to owners of the parent	4.8%	31.7	8.6%	57.5	-45%
EBIT *2	9.2%	61.2	13.5%	90.0	-32%
FX rate: Rate (YEN/USD)		152.7		140.9	11.8
FX rate: Rate (YEN/EUR)		166.0		153.5	12.5
FX rate: Rate (YEN/RMB)		21.1		19.7	1.4
FX rate: Rate (YEN/AUD)		101.3		93.3	8.1
Cash dividend per share (yen) *3		65		85	-20

*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%.

This slide provides a summary of the consolidated results for the 1H.
In the 1H of FY2024, we secured revenue of ¥665.7 billion, almost the same amount as the previous year, despite a decrease in demand in each region.

In terms of income, the prolonged slump in the US market has become apparent, and adjusted operating income decreased by 13% year on year to ¥71.3 billion, resulting in an adjusted operating income margin of 10.7%. Operating income was ¥70.8 billion, resulting in an operating income margin of 10.6%.

Despite the challenging environment, with demand declining in Europe, Asia, and the Americas, revenue remained at the same level as the previous year thanks to growth in the mining and value chain businesses. On the other hand, adjusted operating income deteriorated due to a decrease in sales volume, other model mix, and an increase in strategic expenses.
In addition, in non-operating income and expenses, the rapid appreciation of the yen at the end of the 1H of FY2024 led to a temporary valuation loss on foreign exchange, mainly on claims in emerging countries, which had a significant impact on the decrease in income before income taxes.
We believe this was a temporary special factor and do not expect it to have a significant impact in the 2H of FY2024.

With regard to the interim dividend, the board of directors today resolved to pay a dividend of ¥65 per share, in line with the forecast at the time of the April announcement.

In the 1H, the yen depreciated by ¥11.8 to the U.S. dollar, by ¥12.5 to the euro, by ¥1.4 to the yuan, and by ¥8.1 to the Australian dollar compared with the previous year.

Revenue by geographic region (consolidated)

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Although revenue in Oceania and Africa increased y-y, revenue in Europe, Asia, and North America decreased. Consolidated revenue remained at the same level y-y.

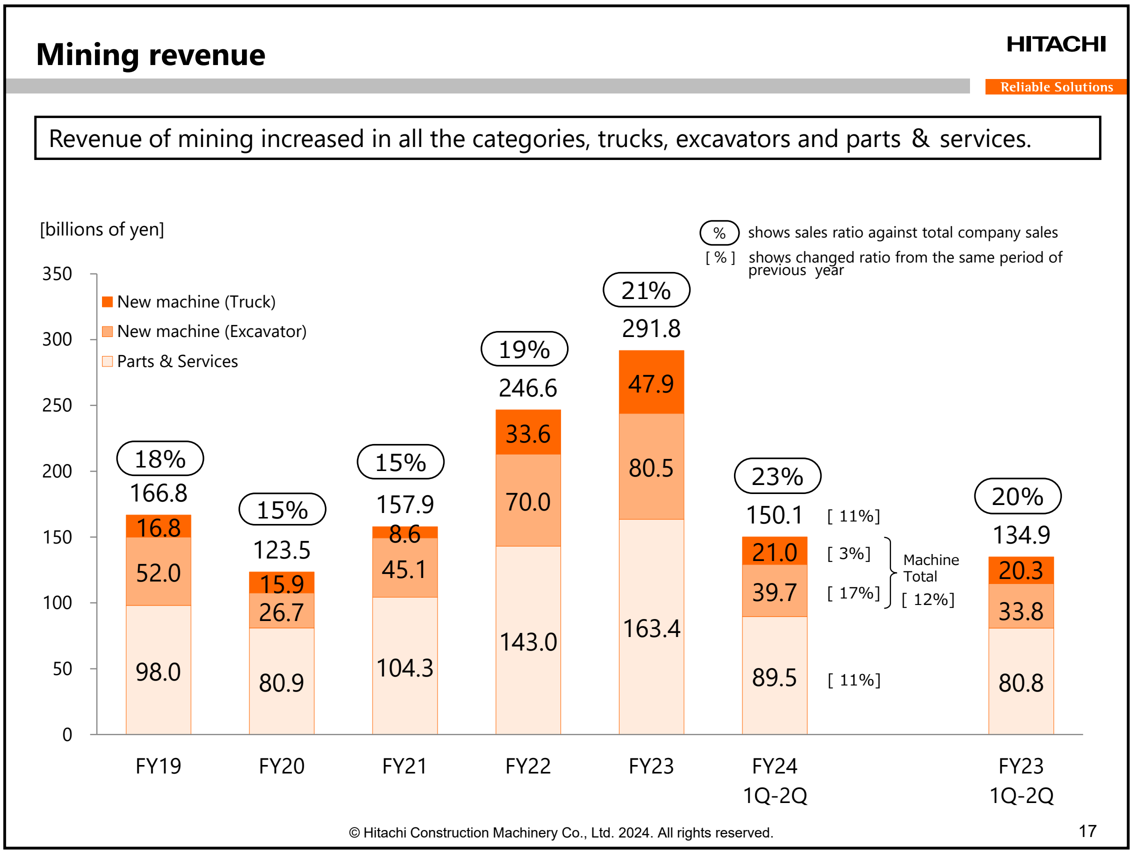
[billions of yen]

		FY2024 1Q-2Q		FY2023 1Q-2Q		change	
						amount	%
Japan		99.8	15%	102.2	15%	-2.3	-2%
Asia		53.6	8%	61.9	9%	-8.2	-13%
India		37.1	6%	35.5	5%	1.6	4%
Oceania		141.2	21%	128.8	19%	12.4	10%
Europe		78.0	12%	90.7	14%	-12.6	-14%
	N. America	146.6	22%	154.7	23%	-8.1	-5%
	L. America	23.7	4%	18.8	3%	4.9	26%
The Americas		170.3	26%	173.4	26%	-3.2	-2%
(Developing own business)		(94.6)	(14%)	(99.2)	(15%)	(-4.5)	(-5%)
Russia-CIS		9.6	1%	13.4	2%	-3.8	-29%
M. East		19.9	3%	15.5	2%	4.4	29%
Africa		41.3	6%	29.1	4%	12.2	42%
China		14.8	2%	15.3	2%	-0.5	-3%
Total		665.7	100%	665.8	100%	-0.0	-0%
Overseas ratio		85%		85%			

* FY2023 & FY2024 revenue presented only continuing operation retroactively.

This slide explains revenue by geographic region for the 1H.
By region, we secured year-on-year revenue growth in Oceania and Africa against a backdrop of strong mining demand, while revenue declined in Europe, Asia, and North America.
Included in this figure is an increase of ¥39.3 billion in revenue due to depreciation of the yen.

The ratio of overseas revenue to total revenue was 85%, the same level as the previous year.

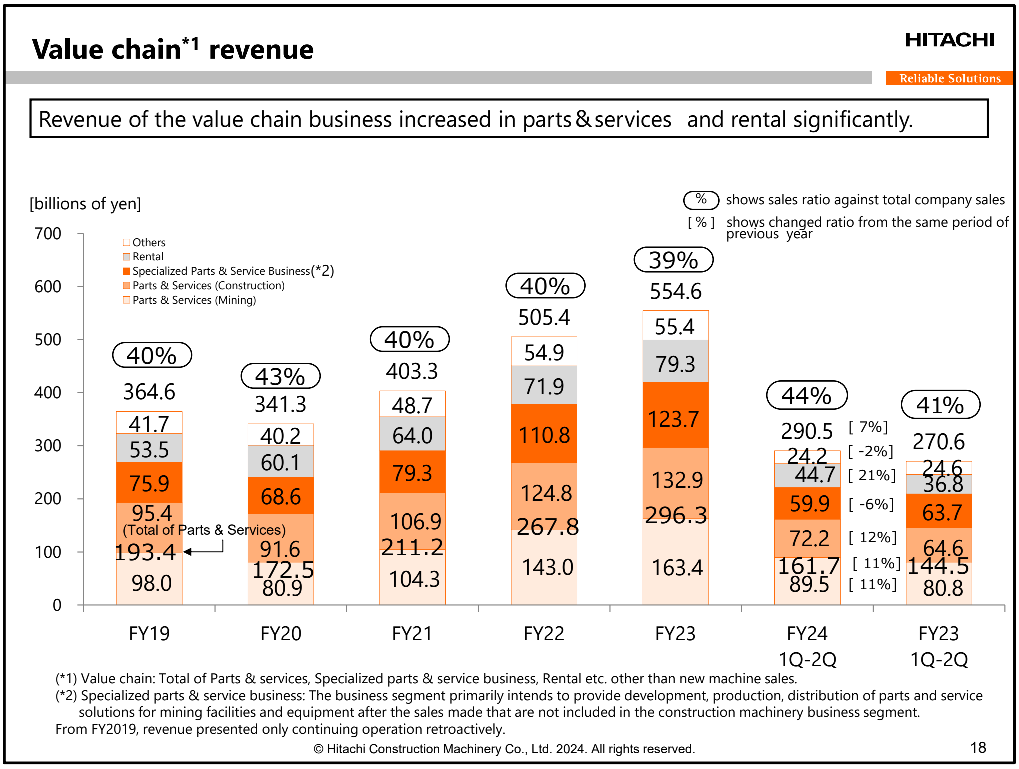


This slide explains the mining revenue.
Mining revenue in the 1H of FY2024 was ¥150.1 billion, an 11% increase over the previous year, as shown in the second bar graph from the right.

Revenue of new trucks increased by 3% year on year mainly due to contributions from Africa and Latin America.
Revenue of new excavators increased by 17% year on year due to contributions from Oceania, China, and Africa.

Revenue of parts & services increased by 11% thanks to a significant contribution from Latin America, where we are focusing our efforts, in addition to our stronghold of Oceania and Africa.
As a result, we recorded the highest earnings for the 1H of the year. We see the growth in Latin America as a very positive trend.

Mining revenue accounted for 23% of consolidated revenue, and the ratio increased 3 percentage points year on year.

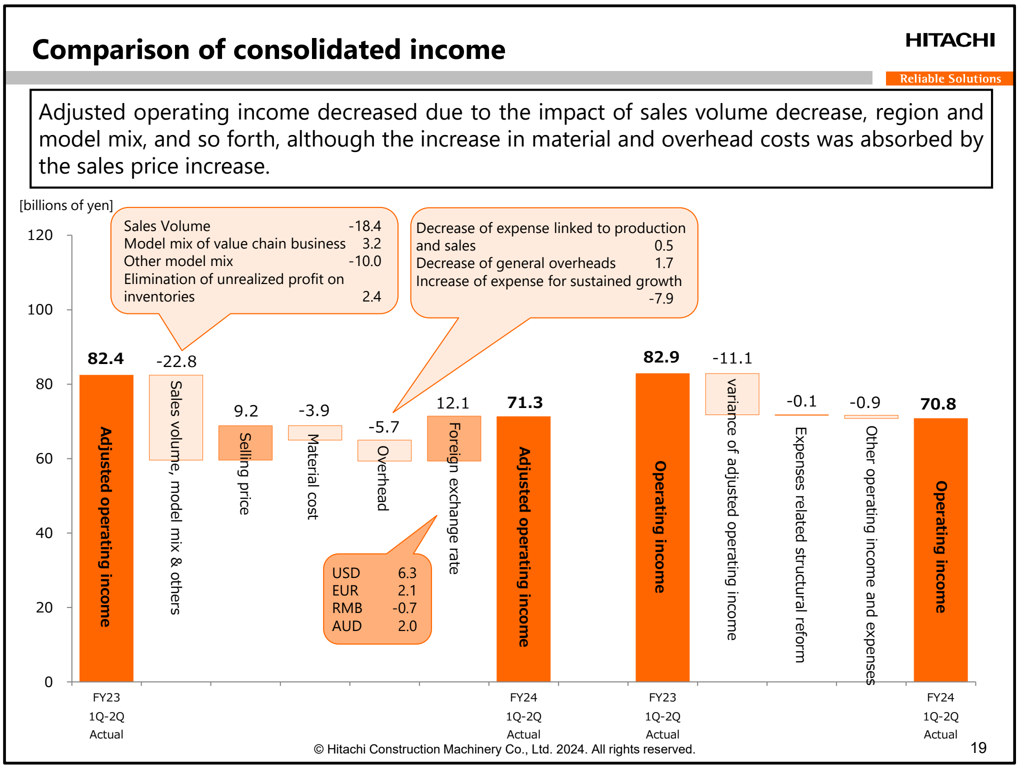


This slide explains the value chain revenue.
Please refer to the second bar graph from the right.

Revenue from the value chain in the 1H of FY2024 rose 7% year on year to ¥290.5 billion.

Revenue from our mainstay parts & services increased by a steady 11% and rental business increased 21% over the previous year. The rental business benefited from the contribution of a newly consolidated subsidiary in the North American business, on which we are focusing. As a result, the value chain revenue reached a record high in the 1H.

The value chain accounted for 44% of consolidated revenue, up 3 percentage points from the previous year. Amidst the challenging environment for new machinery sales, our value chain business is also steadily contributing to our performance.



This slide presents a comparison of consolidated income for the 1H.

I will explain the factors behind the ¥11.1 billion decrease in adjusted operating income compared to the previous year.
Please note that from this point onward, we have changed the description in the “Sales volume, model mix & others”. Previously, unrealized inventory profits were included in the “Other model mix”, but they are now classified as a separate item.

From the left side of the page, we analyze the factors behind the decrease in income of ¥22.8 billion as sales volume, model mix, and others.
The decrease in sales volume was a factor in the ¥18.4 billion decrease in income. While the model mix of the value chain business led to an increase in income of ¥3.2 billion, the decrease in sales in North America, Europe, and Asia, where income margins are relatively high, led to a deterioration in the model mix & others, and this was the main factor in the ¥10 billion decrease in income.

On the other hand, we realized a ¥9.2 billion improvement in the selling price, which absorbed a ¥3.9 billion increase in material costs and ¥5.7 billion increase in overheads mainly due to personnel and R&D expenses.

As a result of these factors, adjusted operating income decreased by ¥11.1 billion to ¥71.3 billion. As shown on the right-hand side of the page, operating income decreased by ¥12.1 billion from the previous year to ¥70.8 billion because of a decrease in adjusted operating income.

Summary of quarterly consolidated revenue and operating income (ratio)

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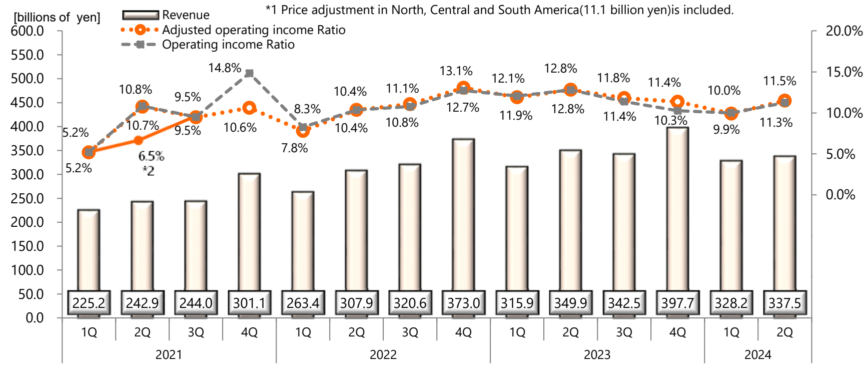
[billions of yen]

	2021				2022				2023				2024	
	1Q	2Q*1	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
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	337.5
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	38.8
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	38.0

*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	2Q
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	149.4
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	164.0
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	20.8
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	100.0

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

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This slide explains the quarterly consolidated revenue and operating income.
Please refer to the 2Q of FY2024 on the rightmost side of the bar graph.

Revenue for the quarter was ¥337.5 billion, and adjusted operating income was ¥38.8 billion. Due to a decrease in new machinery sales volume caused by a decline in demand in the construction machinery main markets of North America, Europe, and Asia, revenue decreased by ¥12.4 billion and income decreased by ¥6.1 billion compared to the same period last year.
On the other hand, the adjusted operating income margin improved to 11.5%, an improvement on the last two quarters.

Over the past few years, the expansion of our key businesses, including the Americas, has allowed our top line to exceed ¥300 billion. As a result, we have been able to enjoy the benefits of volume effects, and we have developed a considerable earning power even in a sluggish market.

Consolidated statement of financial position

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Total assets decreased by 82.5 billion yen from the end of last fiscal year due to a decrease in trade receivables and inventories, an effect of appreciation of the yen.

[billions of yen]

	(A) FY24-2Q	(B) Mar '2024	(C) FY23-2Q	(A)-(B) change
Cash and cash equivalents	144.7	143.5	104.7	1.1
Trade receivables	240.2	305.7	285.0	-65.5
Inventories	543.4	552.3	552.0	-8.9
Total current assets	1,003.6	1,077.6	1,000.1	-74.0
Total non-current assets	749.0	757.5	760.7	-8.5
Total assets	1,752.5	1,835.0	1,760.8	-82.5
Trade receivables incl. non-current	285.0	352.9	329.4	-67.9
Inventories by products				
Unit	219.2	229.7	201.9	-10.4
Parts	169.2	172.8	172.8	-3.6
Raw materials, WIP and etc	155.0	149.9	177.2	5.1
Total inventories	543.4	552.3	552.0	-8.9
On hand days(divided by revenue)				[Days]
Trade receivables	74	92	87	-18
Inventories	141	143	147	-2
Trade payables	33	44	45	-11
Net working capital	178	187	184	-9

	(D) FY24-2Q	(E) Mar '2024	(F) FY23-2Q	(D)-(E) change
Trade and other payables	240.4	289.4	291.9	-49.0
Bonds and borrowings	554.0	575.6	537.0	-21.5
Total liabilities	936.2	1,020.6	981.3	-84.4
(Equity attributable to owners of the parent ratio)	(43.9%)	(41.6%)	(41.8%)	(2.3%)
Total equity	816.3	814.4	779.5	1.9
Total liabilities and equity	1,752.5	1,835.0	1,760.8	-82.5
Interest-bearing debt	(31.6%) 554.0	(31.4%) 575.6	(30.5%) 537.0	(0.2%) -21.5
Cash and Cash equivalents	144.7	143.5	104.7	1.1
Net interest-bearing debt Debt	(23.4%) 409.4	(23.5%) 432.1	(24.6%) 432.4	(-0.2%) -22.7
Net D/E Ratio	0.53	0.57	0.59	-0.03

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This slide explains the consolidated balance sheet as of the end of September 2024.
Compared with the end of March 2024 of the previous fiscal year, trade receivables decreased by ¥67.9 billion and inventories decreased by ¥8.9 billion.
Non-current assets also decreased by ¥8.5 billion due to investment restraint and the impact of the exchange rate. As a result, total assets decreased by ¥82.5 billion from the end of the previous fiscal year to ¥1,752.5 billion.

As a result of focusing on reducing inventory and adjusting production at our factories, we were able to reduce inventory by ¥57.7 billion in the 2Q. In terms of the days on hand, we were able to reduce trade receivables by 18 days from the end of the previous fiscal year to 74 days, and we were also able to reduce inventory by 2 days to 141 days.
As a result, the number of days of net working capital on hand was 178 days, a reduction of 9 days compared to the end of the previous fiscal year.

Interest-bearing debt on the right-hand side decreased ¥21.5 billion from the end of the previous fiscal year, and net interest-bearing debt decreased ¥22.7 billion to ¥409.4 billion.
Total equity was ¥816.3 billion and the equity attributable to owners of the parent ratio was 43.9%.
The net D/E ratio improved to 0.53.

Consolidated cash flow

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Operating cash flow and free cash flow were positive and improved significantly y-y.

[billions of yen]

	FY2024 1Q-2Q		FY2023 1Q-2Q		change	
Net income		36.2		62.7		-26.5
Depreciation and amortization	73.0	36.9	95.6	32.9	-22.5	4.0
(Increase)decrease in trade/lease receivables		63.6		33.0		30.7
(Increase)decrease in inventories	28.1	7.0	-33.7	-67.6	61.8	74.5
Increase(decrease) in trade payables		-42.6		0.9		-43.4
Others, net		-36.7		-33.7		-3.1
Net cash provided by (used in) operating activities		64.4		28.1		36.2
Cash flow margin for operating activities		9.7%		4.2%		5.4%
Net cash provided by (used in) investing activities		-23.3		-27.0		3.7
Free cash flows		41.0		1.1		39.9
Net cash provided by (used in) financing activities		-36.4		-12.9		-23.5

This slide explains the consolidated cash flow for the 1H.
Operating cash flow for the 1H was positive at ¥64.4 billion due to initiatives such as inventory reduction. Trade receivable collection and inventory reduction progressed, and working capital was reduced, resulting in an improvement of ¥36.2 billion compared to the previous year.

By reducing expenditures to ¥23.3 billion, a decrease of ¥3.7 billion compared to the previous year, we were also able to secure ¥41 billion in free cash flow.

Summary of consolidated earnings forecast

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Consolidated revenue for this fiscal year is changed downward from the previous one as of July and revenue is expected to decrease by 4% y-y, adjusted operating income by 10% y-y, and net income attributable to owners of the parent by 14% y-y.

(billions of yen)

	FY2024 Forecast		FY2023 Actual	change amount	change %
Continuing operation					
Revenue	<1,370.0>	1,350.0	1,405.9	-55.9	-4%
Adjusted operating income	<12.0%> <165.0>	(11.2%) 151.0	(12.0%) 168.0	(-0.8%) -17.0	-10%
Operating income	<11.8%> <161.0>	(11.1%) 150.0	(11.6%) 162.7	(-0.5%) -12.7	-8%
Income before income taxes	<11.0%> <151.0>	(9.4%) 127.0	(11.4%) 160.5	(-2.0%) -33.5	-21%
Net income from continuing operation	<106.4>	89.0	116.3	-27.3	-23%
Net income from discontinued operation	<0.7>	0.0	-11.8	11.8	-
Net income attributable to owners of the parent	<7.2%> <98.0>	(5.9%) 80.0	(6.6%) 93.3	(-0.7%) -13.3	-14%
EBIT	<165.4>	139.8	167.5	-27.6	

Currency	1Q-2Q Actual	3Q-4Q Forecast	Year Forecast	FY2023 Actual	change
Rate (YEN/USD)	152.7	141.0	145.5	144.8	0.7
Rate (YEN/EUR)	166.0	155.0	159.9	157.0	2.9
Rate (YEN/RMB)	21.1	19.8	20.4	20.1	0.2
Rate (YEN/AUD)	101.3	96.0	98.7	95.0	3.6
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 demand environment and results for the 1H of the year that we have explained, we will make a slight downward revision to the earnings forecast for the current fiscal year, which we left unchanged in July.

Specifically, we have revised our forecast for revenue to ¥1,350 billion, a decrease of ¥20 billion compared to the previous forecast, and adjusted operating income to ¥151 billion, a decrease of ¥14 billion. As a result, we have revised our forecast for net income attributable to owners of the parent to ¥80 billion. We expect the adjusted operating income margin to be 11.2%.

The downward revision is based on the cautious assumption that the market recovery that had been expected to begin in the 2H of the year will be delayed until the following fiscal year or later, mainly in North America, and that this will result in a decrease in the sales volume in major markets, including Europe and Asia.

The assumed exchange rate for the 2H of the year is unchanged at ¥141 to the US dollar, while the exchange rates for the euro and other major currencies have been revised to a weaker yen as shown here.

Based on these exchange rate settings, we assume that there will be no foreign exchange valuation losses in the 2H of the year.

Although we have revised down the net income attributable to owners of the parent as a result, we will maintain our initial forecast of an annual dividend of ¥175, and hope to meet the expectations of our shareholders.

Please refer to Appendix 1 for reference. Currency sensitivity, which affects revenue and adjusted operating income for the 3Q onward, is presented on page 29.

Consolidated revenue forecast by geographic region

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The forecast is changed downward from the previous one as of July in North America and Oceania.

(billions of yen)

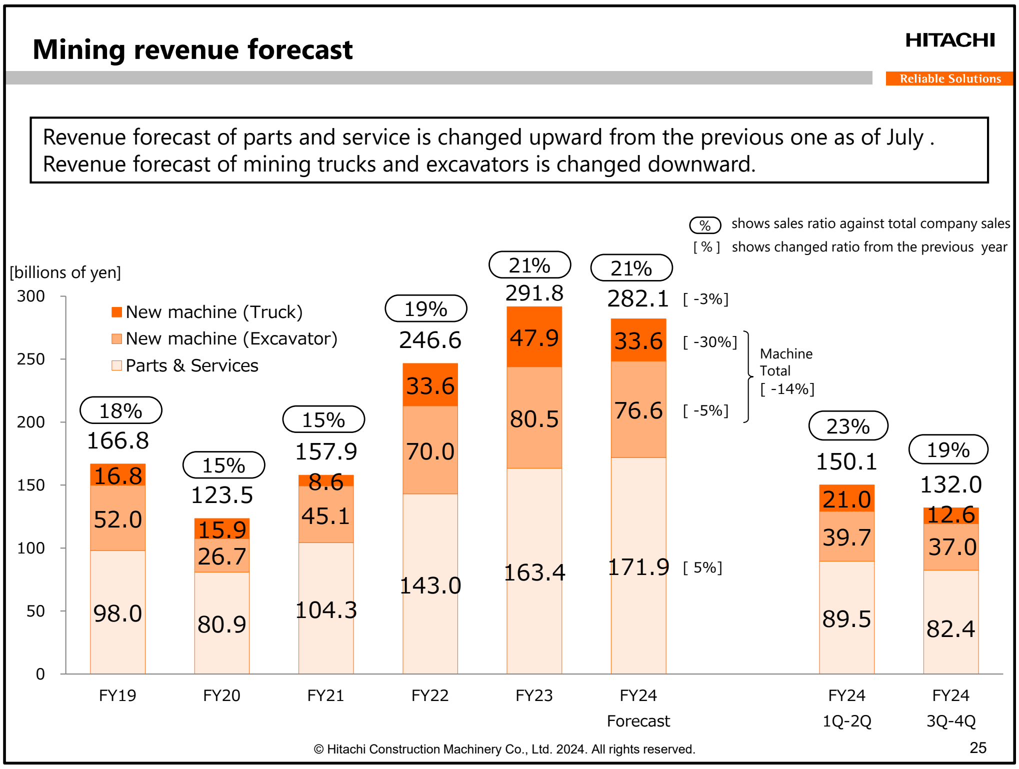
		FY2024 Forecast		FY2023 Actual		change amount	change %
Japan		223.0	17%	226.9	16%	-3.9	-2%
Asia		117.6	9%	127.0	9%	-9.5	-7%
India		86.9	6%	85.0	6%	1.9	2%
Oceania		257.1	19%	251.1	18%	6.0	2%
Europe		146.4	11%	182.9	13%	-36.4	-20%
America	N. America	320.6	24%	334.4	24%	-13.8	-4%
	L. America	41.4	3%	40.9	3%	0.5	1%
		362.0	27%	375.2	27%	-13.3	-4%
(Developing own business)		(224.6)	(17%)	(217.5)	(15%)	(7.2)	(3%)
Russia-CIS		22.2	2%	23.4	2%	-1.2	-5%
M. East		30.7	2%	34.7	2%	-4.1	-12%
Africa		73.6	5%	70.4	5%	3.2	5%
China		30.5	2%	29.2	2%	1.3	4%
Total		1,350.0	100%	1,405.9	100%	-55.9	-4%
Overseas ratio		83%		84%			

* FY2023 & FY2024 revenue presented only continuing operation retroactively.

This slide explains the consolidated revenue forecast by geographic region for FY2024.
The revenue forecast of ¥1,350.0 billion, which is ¥20.0 billion lower than the previous forecast, represents a decrease of ¥55.9 billion from the previous year and includes an increase of ¥15.2 billion from the impact of yen depreciation.

Sales volumes in Asia and Europe are expected to decrease significantly, and although the market share is increasing in North America as planned, sales volumes are expected to decrease due to sufficient dealer inventory levels. On the other hand, we are factoring in an increase in sales in Oceania, Africa, and India.

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 ¥282.1 billion. Although we have revised our forecast downward by ¥2.4 billion compared with the previous forecast as of July 2024, we will continue to maintain high levels of revenue.
Compared to the previous forecast, we have factored in a decrease in sales of trucks in Oceania due to a change in orders from sales to rental contracts, as well as an increase in sales of parts & services in Africa and Latin America.

New machinery sales of trucks and excavators are expected to decrease by 14% year on year, and parts & services are expected to increase by 5% 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 30.

Value chain*1 revenue forecast

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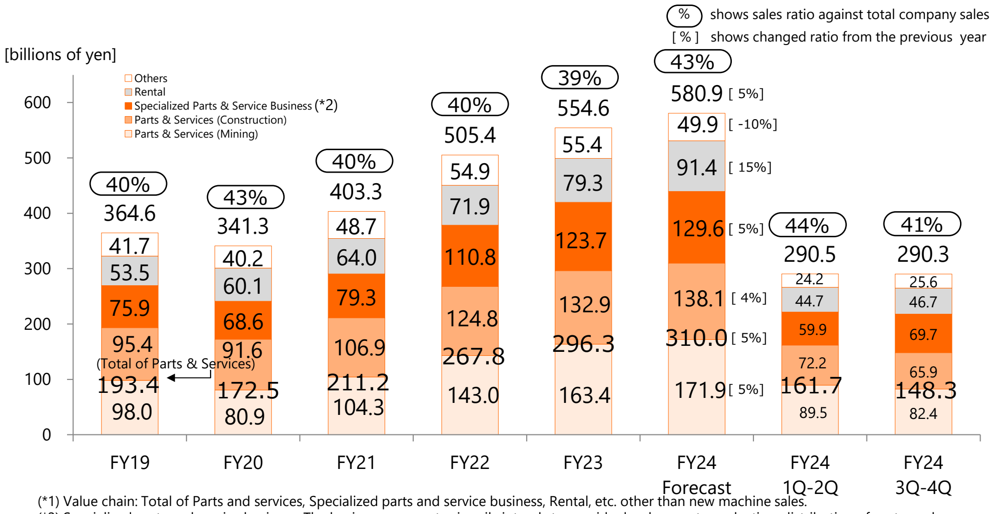
Value chain revenue forecast is changed upward from the previous one as of July. Revenue from parts & services, specialized parts & service business, and rental is expected to increase.

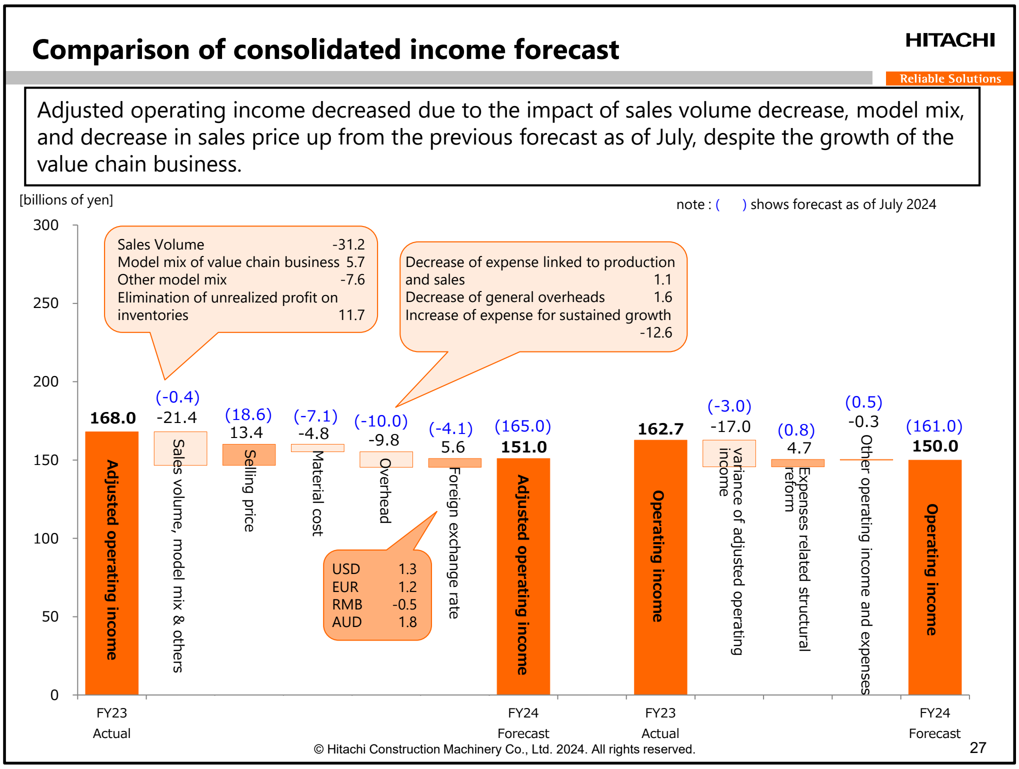


(*1) Value chain: Total of Parts and services, Specialized parts and service business, Rental, etc. other than new machine sales.
(*2) Specialized parts and service business: The business segment primarily intends to provide development, production, distribution of parts, and service solutions for mining 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 5% year on year to ¥580.9 billion. We have revised our forecast upwards by ¥11.3 billion, mainly in the areas of parts & services, specialized parts & service business, and rental business. We will continue to aim to achieve record-high revenue.

Individually, we are forecasting a 5% year-on-year increase in revenue of parts & services for construction and mining to ¥310.0 billion, a 5% year-on-year increase in revenue of specialized parts & service business to ¥129.6 billion, and a 15% year-on-year increase in revenue of the rental business to ¥91.4 billion.
The fact that the value chain business is providing significant support for overall performance, even though sales revenue from new machinery is not growing, confirms the direction in which we should be heading.

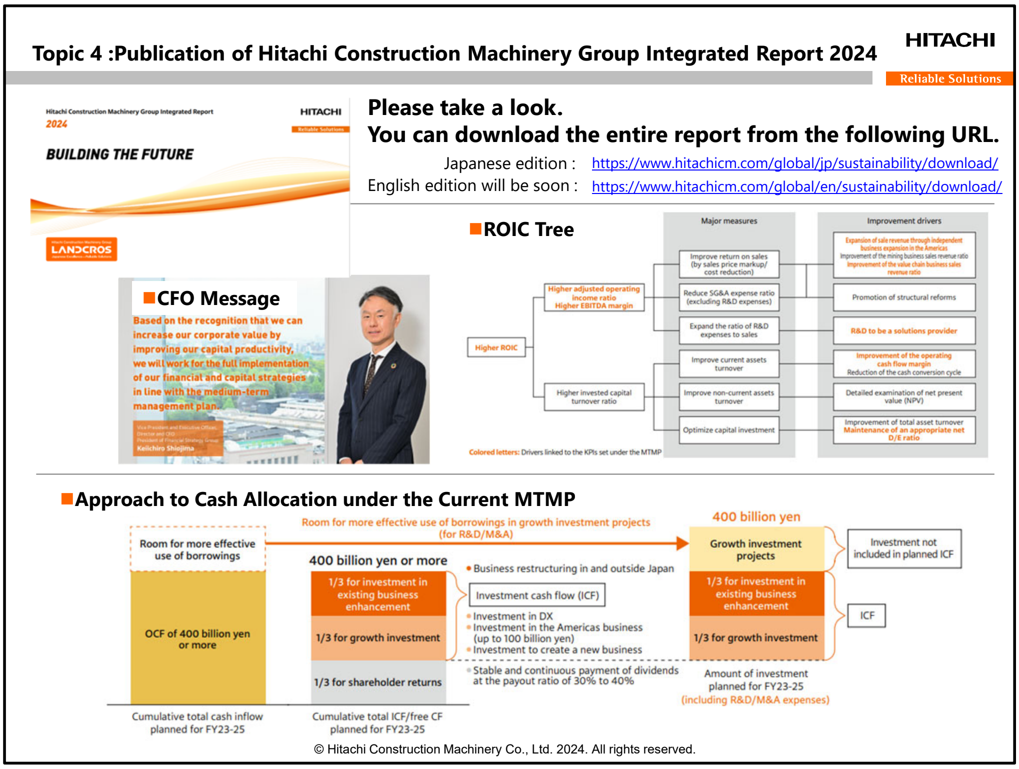
The sales composition ratio is expected to be 43%, up 4 percentage points from the previous year.



This slide provides a comparison of the consolidated income forecast for FY2024.
I will explain the factors behind the forecast ¥17.0 billion year-on-year decrease in adjusted operating income from the previous year to ¥151.0 billion.

A decrease of ¥21.4 billion will be factored into the sales volume, model mix, and others. The breakdown shows that the ¥31.2 billion decrease in profit is due to changes in the sales volume for a large proportion of the decrease. In addition, we have factored in a ¥7.6 billion decrease in profit due to a deterioration in the model mix. This is due to a decrease in sales to North America and mining machinery, both of which have relatively high profitability.
On the other hand, as inventory will be reduced, we expect the elimination of unrealized profit on inventories to boost profits by ¥11.7 billion.
Although the improvement in the sales price will be reduced to ¥13.4 billion, it will absorb most of the ¥4.8 billion increase in material costs and the ¥9.8 billion increase in overhead costs.

Due to the significant positive impact of foreign exchange in the 1H of the fiscal year, we expect an increase in profits of ¥5.6 billion for the full year. However, as a result of the above, adjusted operating income will decrease by ¥17 billion year-on-year.
In terms of operating income on the right side of the page, although we have factored in a ¥4.7 billion increase due to structural reform costs, which do not currently anticipate large projects, we expect a ¥12.7 billion year-on-year decrease to ¥150 billion due to the large decrease in adjusted operating income.



Lastly, we are pleased to introduce the 2024 edition of our Integrated Report, published this September.

We have expanded the scope of information disclosure to help deepen your understanding of our group's growth story.
In addition to messages from our CEO and COO, this edition features our focus on the value chain business and human capital management. It highlights the activities we are promoting to become a "true solutions provider".

In the section I was responsible for, which covers financial and capital strategies, we have included diagrams for the first time, such as cash allocation and the ROIC tree, to provide detailed explanations.
Additionally, the IR information section now includes updates on our interactions with investors.

We hope you will take the time to read it.
Please refer to the following 4 pages of the appendix.

Appendix 1: FX rate and FX sensitivity

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The forecast exchange rate of major currencies for this fiscal year is changed from the previous announcement as of July 2024. EUR and AUD for depreciation of the yen, CNY for appreciation of the yen.

FX rate and FX sensitivity (billions of yen)

Currency	FX rate				FX sensitivity (3Q-4Q)		
	FY24			FY23 Actual	Condition	Revenue	Adjusted operating income
	1Q-2Q Actual	3Q-4Q Forecast	Total Forecast				
USD	152.7	141.0	145.5	144.8	Impact by 1 yen depreciation	1.8	1.1
EUR	166.0	155.0	159.9	157.0	Impact by 1 yen depreciation	0.4	0.2
RMB	21.1	19.8	20.4	20.1	Impact by 0.1 yen depreciation	0.1	0.0
AUD	101.3	96.0	98.7	95.0	Impact by 1 yen depreciation	1.3	0.2

Appendix 2: Detail of mining revenue

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(billions of yen)

		FY23 Actual			FY24 Forecast			Change		
		1-2Q	3-4Q	Year	1-2Q	3-4Q	Year	1-2Q	3-4Q	Year
America	Excavator	15.1	21.0	36.1	14.1	22.1	36.2	1.0	-1.1	-0.1
	Dump Truck	6.8	3.5	10.4	4.0	7.0	10.9	2.9	-3.4	-0.5
	Total	22.0	24.5	46.5	18.1	29.1	47.1	3.9	-4.5	-0.6
Europe, Africa and Middle East	Excavator	14.3	17.5	31.8	13.7	20.6	34.3	0.6	-3.1	-2.5
	Dump Truck	24.1	15.8	39.8	12.7	22.9	35.6	11.4	-7.2	4.2
	Total	38.3	33.3	71.6	26.4	43.6	70.0	12.0	-10.3	1.7
Asia & Oceania	Excavator	65.0	51.4	116.5	60.9	59.1	120.1	4.1	-7.7	-3.6
	Dump Truck	20.7	18.9	39.5	28.4	22.5	50.8	-7.7	-3.6	-11.3
	Total	85.7	70.3	156.0	89.3	81.6	170.9	-3.6	-11.3	-14.9
China	Excavator	3.4	3.4	6.8	0.7	1.8	2.5	2.7	1.6	4.3
	Dump Truck	0.1	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.1
	Total	3.5	3.5	7.0	0.7	1.8	2.5	2.8	1.6	4.5
Japan	Excavator	0.6	0.4	1.0	0.5	0.4	0.9	0.2	-0.0	0.1
	Dump Truck	0.0	0.0	0.0	0.0	0.4	0.4	0.0	-0.4	-0.4
	Total	0.6	0.4	1.0	0.5	0.8	1.3	0.2	-0.4	-0.3
Total	Excavator	98.5	93.8	192.2	89.8	104.2	194.0	8.6	-10.4	-1.8
	Dump Truck	51.7	38.2	89.9	45.0	52.7	97.8	6.6	-14.5	-7.9
	Total	150.1	132.0	282.1	134.9	156.9	291.8	15.2	-24.9	-9.7

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 : 0.6 billion yen in FY2024 2Q, and 1.2 billion yen in the forecast for FY2024.

[billions of yen]

FY2024 1Q-2Q Actual	Reportable segment				Adjustments *1	Total	
	Construction Machinery Business		Specialized Parts & Service Business				
Revenue		605.8		64.5	-4.6		665.7
Adjusted operating income	10.6%	64.3	10.9%	7.0	-	10.7%	71.3

[billions of yen]

FY2024 Forecast	Reportable segment				Adjustments *1	Total	
	Construction Machinery Business		Specialized Parts & Service Business				
Revenue		1,220.4		134.2	-4.6		1,350.0
Adjusted operating income	11.0%	133.8	12.8%	17.2	-	11.2%	151.0

*1: 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 FY2024 are expected to expand for the reorganization of factories in Japan.

1.Capital Expenditure　(Based on completion)　[billion of yen]

	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 1Q-2Q Actual	FY2024 3Q-4Q Forecast	FY2024 Forecast
Capital Expenditure	45.3	75.1	58.7	24.0	43.2	67.2
Assets held for operating lease	44.3	44.2	50.3	29.2	54.1	83.3
Total	89.6	119.3	109.0	53.3	97.2	150.5

2.Depreciation (tangible and intangible fixed assets)　[billion of yen]

	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 1Q-2Q Actual	FY2024 3Q-4Q Forecast	FY2024 Forecast
Capital Expenditure	36.9	40.5	43.7	24.1	23.7	47.7
Assets held for operating lease	17.9	21.6	23.5	12.8	13.7	26.5
Total	54.8	62.1	67.2	36.9	37.3	74.2

3.R&D expenses　[billion of yen]

	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 1Q-2Q Actual	FY2024 3Q-4Q Forecast	FY2024 Forecast
Total of consolidation	25.5	24.4	31.4	17.2	18.2	35.4

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.

New "LANDCROS" Concept

HITACHI

Reliable Solutions

Hitachi Construction Machinery Group

LANDCROS

Japanese Excellence—Reliable Solutions

Solutions Beyond Machinery

LANDCROS is our desire:

delivering innovative solutions for all stakeholders.

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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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October 25, 2024

Hitachi Construction Machinery Co., Ltd.