

Medium-term Management Plan “Realizing Tomorrow’s Opportunities 2022”

(FY 2020-2022)

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Executive Officer, President & CEO

CONNECT TOGETHER 2019

Deepen the value chain

- Parts and service (ConSite®)
- Acquisition of Bradken /H-E Parts
- US & UK : start of rental business
- Certified used equipment

Global Restructuring

Efficiency at overseas sites

Realizing Tomorrow's Opportunities 2022

Value chain + Enhance digital solutions

- Parts and service (ConSite® + parts remanufacturing + Bradken/H-E Parts)
- Digital Mining
- Rental +used equipment
→Global

Efficiency in development, marketing and production

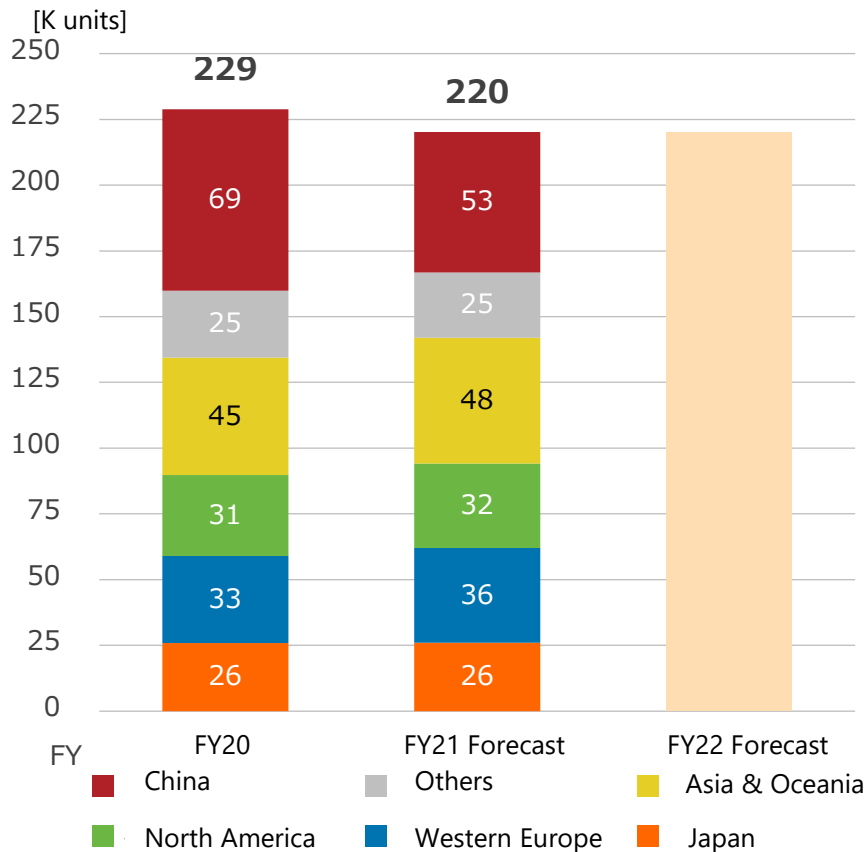
Global cooperation

Performance deteriorated in FY2020 due to the impact of COVID-19

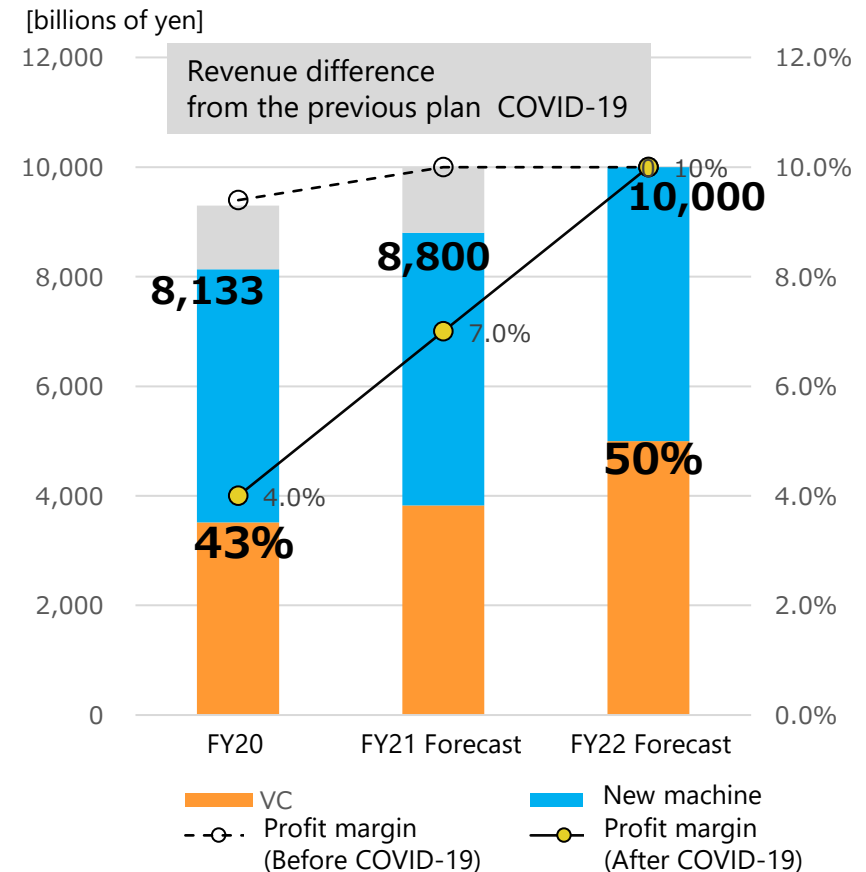
Full-fledged recovery in market conditions other than China is expected to occur from the second half of FY2021 onward

Performance grows due to expansion of the value chain and deepening of solutions

Demand Trend for Hydraulic Excavators



Revenue and Adjusted Operating Income Ratio



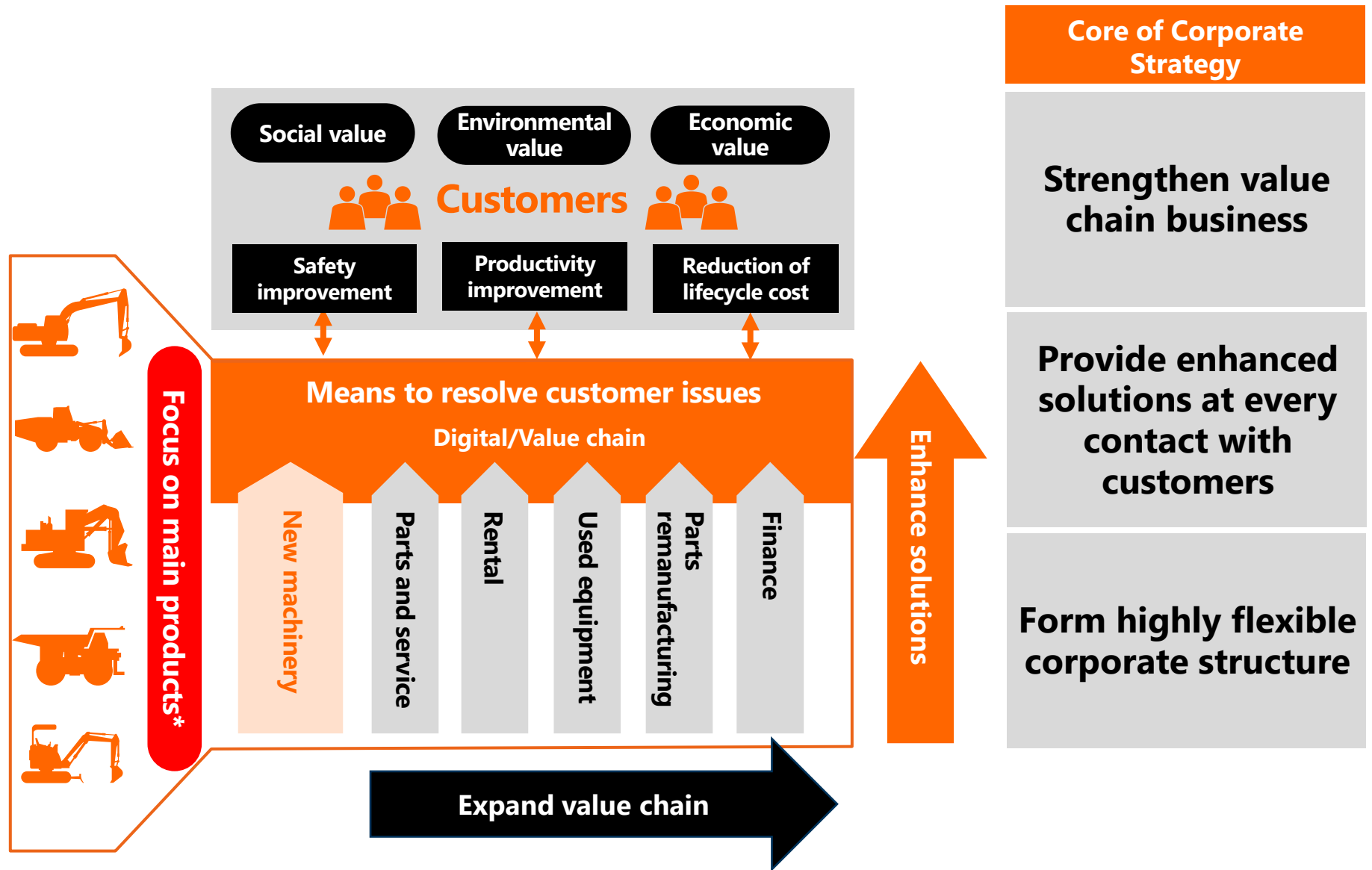
Global restructuring of production sites is almost completed

Restructuring domestic production sites and development bases is on-going

	Initial plan	Reviewed plan
Investment plan	Invest 42 billion yen by 2022	Invest 50 billion yen by 2027 Restructuring functions at Tsuchiura Works and Ryugasaki Works
Profit contribution from production-related restructuring	6 billion yen / year	

Development of Collaborative Construction Equipment and accelerate the promotion of technological development for reducing CO2 emissions R&D expense ratio raised to 4%; Development of bases in Japan, Europe and North America + Open innovation

	Main research and development themes
Achieve collaborative control between people and machinery	<ul style="list-style-type: none"> • Achieve "Collaborative safety" and advanced autonomous operation system platform "ZCORE" • Operation support system • Site safety
Initiatives for reducing CO2 emissions	<ul style="list-style-type: none"> • New drive systems such as batteries, fuel cells, hydrogen, etc. • New technology development for "Net Zero Emissions"



*Other product group: Backhoe loader, Crawler crane, Bulldozer, Skid-steer loader

Strengthen value chain business (Rental and Used equipment)

Social value

Reduction of
lifecycle cost

HITACHI

Reliable solutions

- Differentiation by high-quality rental machines and provide business globally
- Expansion as guaranteed and refurbished used equipment

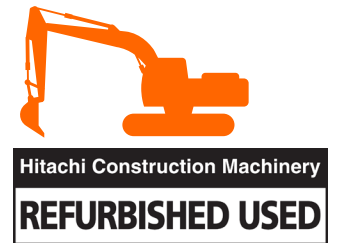


Expand rental business in various places

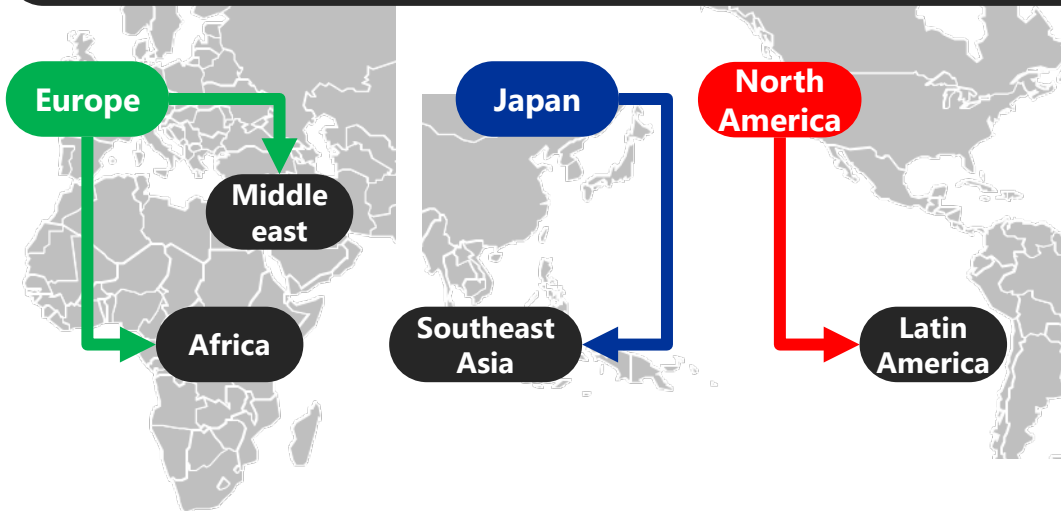


Proper
maintenance by
data utilization

Used equipment with brands



Distributing high-quality rental machines as used equipment around the world



Expand the used equipment business sales revenue

FY2022

FY2030

Used equipment
280%

Compared to FY2010

Adoption of products
and services that
meet regional needs

Strengthen value chain business (Parts & Service)

Social value

Reduction of
lifecycle cost

HITACHI

Reliable solutions

- Expanding services with ConSite menu, increasing touch point with customers
- Increasing the choice of service parts for various parts brands
- Strengthening traceability and make parts distribution more efficient



Expanding services with ConSite



Customers

Increasing
touch point

Strengthening traceability
Efficiency in parts distribution

Selectable from various parts brands

Hitachi Construction Machinery

GENUINE PARTS

Hitachi Construction Machinery

REMANUFACTURED

Hitachi Construction Machinery

SELECTED PARTS



Expand parts remanufacturing businesses sales revenue

FY2022

**Parts remanufacturing
420%**

Compared to FY2010

FY2030

**Adoption of products
and services that meet
regional needs**

Life cycle cost reductions

FY2022

**ConSite®
Adoption rate 90%**

FY2030

**Aim for
"zero" downtime**

Advancement of construction machinery and improvement of safety

Safety
improvement

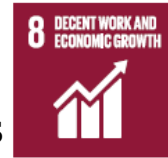
Social value

Productivity
improvement

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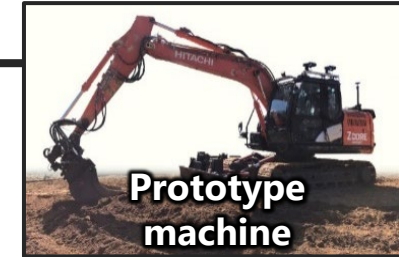
Reliable solutions

Aiming to realize "the optimal relationship between people and machinery" by enhancing site safety as a whole through Collaborative Construction Equipment, operation support systems, and various solutions



Collaborative Construction Equipment

- Developed "ZCORE", a system platform that realizes both Collaborative safety and advanced autonomous operation



Operation support system

- Surrounding recognition and automatic braking
- Excavation status judgment and automatic loading
- Operator status monitoring



Site safety

- Site safety management and risk analysis
- Cooperation with disaster information, risk prediction

Functionality to reduce accidents caused by HCM products

FY2022

Achieve collaborative control between people and machinery

FY2030

Contribute to "zero" overturn and fatal accidents

Long-term initiatives for reducing CO2 emissions



Compact

Battery powered

- 8t class: Orders for 25 units in FY2020, the target for FY2021 is 50 units
- 5t class: Under evaluation test period, scheduled to be released in Japan and Europe in FY2021



Launched in Europe



Under evaluation test in the market

Construction

Fuel cell powered

Hydrogen engine



Collaboration with research institutes, universities and partner companies

Mining

ABB collaboration

All electrification in the mine

Improving the efficiency of the entire mine



Digital mine promoted by ABB



Reducing CO2 emissions from products

FY2022

▲ 20%

Compared to FY2010

FY2030

▲ 33%

- Expanding sales of trolley type with ABB electric infrastructure
- Applying ABB Digital Solution to Machines

Summary of KPI for these three years plan

HITACHI

Reliable solutions

Realizing Tomorrow's Opportunities

	KPI	Previous medium-term plan FY2019 result	Current medium-term plan FY2022 target
Growth	<ul style="list-style-type: none"> • Revenue • Value chain ratio 	<ul style="list-style-type: none"> • 931.3 billion yen • 40% 	<ul style="list-style-type: none"> • 1 trillion yen • 50%
Profitability	Adjusted operating income ratio	8.2%	More than 10%
Safety	Net D/E Ratio	0.58	Less than 0.5
Efficiency	ROE	8.6%	More than 10%
ESG *Compared to FY2010	Social value Environmental value Economic value	ConSite adoption rate 73% parts remanufacturing businesses sales revenue 296%* Reducing CO2 emissions from products -15.9%*	ConSite adoption rate 90% parts remanufacturing businesses sales revenue 420%* Reducing CO2 emissions from products -20%*
Shareholder return	Dividend payout ratio	31%	30% or more

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 Construction Machinery Group
Mid-term Management Plan

HITACHI

Reliable solutions

Realizing Tomorrow's Opportunities 2022



Delivering greater customer benefit through value chain solutions.



Creating unique value through customer focused solutions.



Challenge to Change

Safety, Health and Compliance | Continuous Improvement by PDCA | Kenkijin Spirit

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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