

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

(FY 2020-2022)

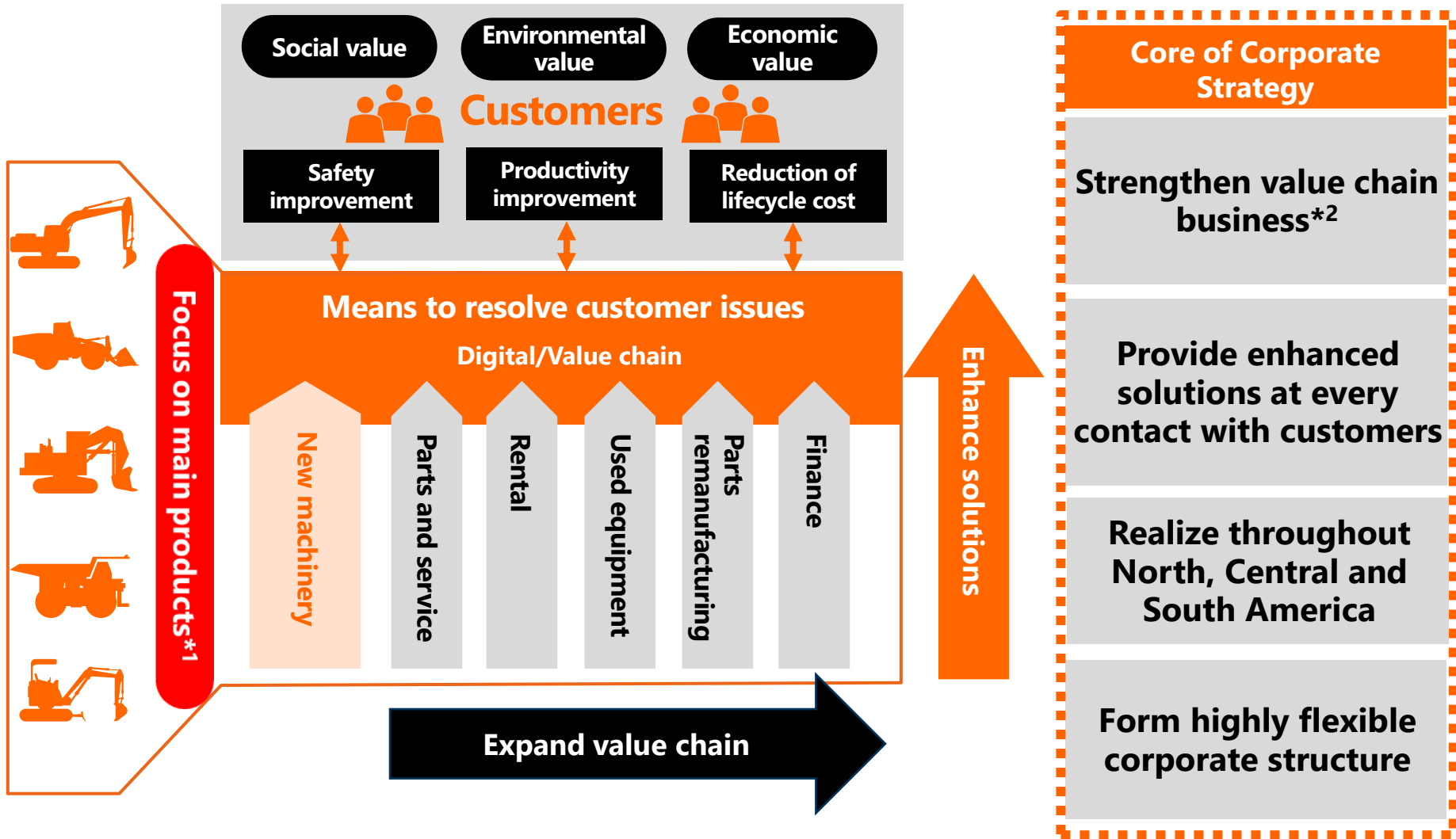
April 27, 2022

Kotaro Hirano

Executive Officer, President & CEO

 **Hitachi Construction Machinery Co., Ltd.**

Medium-term Management Plan



*1:Other products: Backhoe loader, Crawler crane, Bulldozer, Skid-steer loader

*2:value chain businesses: parts and service, rental, used equipment, remanufactured parts, financing, etc.

Core of Corporate Strategy

Strengthen value chain business

Provide enhanced solutions at every contact with customers

Realize throughout North, Central and South America

Form highly flexible corporate structure

Key Strategies

- Strengthening rental/used equipment and remanufacturing businesses and expanding ConSite
- Expansion of environmentally friendly products
 - Electric excavators, fully electric dump trucks, etc.
- Investment in advanced development areas
 - Advancement and safety improvement of construction machinery (autonomy and driving support)
- Full-scale launch to further penetrate the market while reorganizing the supervising system and establishing a distributor network
- Expanding value chain businesses and providing solutions through the introduction of ConSite in North America
- Strengthen mining business in Latin America
- Restructuring bases to improve production efficiency

Summary of KPI for this three-year plan

The business environment has changed compared with the time of planning. It is now planned to take on new challenges with management decisions.

Changes in the business environment

- COVID-19 impact and geopolitical risks
- Soaring material prices and supply chain disruptions
- Yen depreciation (¥109 (20/3) ⇒ ¥125 (22/3))

Management decisions and new challenges

- Dissolution of the joint venture with Deere
- Start of full-scale proprietary development in North, Central, and South America
- Change in the shareholder composition

KPI		Previous medium-term plan	Current medium-term plan			
		FY2019	FY2020*	FY2021	FY2022	
		Result			Target	Outlook
Growth	<ul style="list-style-type: none"> • Revenue • Value chain ratio 	931.3 billion yen 40%	813.3 billion yen 43%	1.025 trillion yen 40%	1 trillion yen 50%	960 billion yen 47%
Profitability	Adjusted operating income ratio	8.2% (7.8%)	4.0% (3.5%)	9.1% (10.4%)	More than 10% (-)	8.3% (7.9%)
Safety	Net D/E ratio	0.58	0.49	0.42	Less than 0.5	Less than 0.5
Efficiency	ROE	8.6%	2.1%	13.5%	More than 10%	More than 7%
Shareholder return	Dividend payout ratio	31%	41.1%	30.8%	30% or more	30% or more

*KPI of FY2020 is recalculated using retrospectively adjusted figures for consolidated financial statements due to changes in accounting policies.

Our business growth related to realizing a sustainable society improves our enterprise value.

KPI		Previous medium-term plan	Current medium-term plan			
		FY2019	FY2020	FY2021	FY2022	
			Result		Target	Outlook
ESG *Compared to FY2010	• ConSite adoption rate	73%	75%	72%	90%	90%
	• Parts remanufacturing businesses sales revenue	296%*	308%*	402%*	420%*	420%*
	• Reducing CO2 emissions from products	-15.9%*	-16.5%*	-21.4%*	-20%*	-20%*

Contribution to reducing the environmental load due to a global business model that remanufactures entire machines.

Remanufacture of ultra-large hydraulic excavators (EX1200) by Hitachi Construction Machinery Zambia



**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.**



SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD

[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 notes]

"Lumada" is registered trademarks of Hitachi, Ltd. "AERIAL ANGLE" "ConSite" "Solution Linkage" is registered trademarks of Hitachi Construction Machinery Co., Ltd.

END

Corporate Brand & Communications Group

 Hitachi Construction Machinery Co., Ltd.