

# Corporate Vision

## FY2022-3Q

Public Relations & Investor Relations Dept.

Corporate Brand & Communications Group

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

**1**

## **Company Outline**

**2**

## **Management Plan**

**3**

## **Explanatory Meeting Material for Business Results for the Third Quarter ended December 31, 2022**

<b>Company Name</b>	Hitachi Construction Machinery Co., Ltd. Stock Exchange Listings : Tokyo (#6305)
<b>Major Operations</b>	Manufacturing , sales and service of construction equipment, transportation equipment, and other machines and devices.
<b>Established</b>	1 October 1970
<b>Capital</b>	81.6 billion yen
<b>Subsidiaries Affiliates</b>	80 companies (Japan 7, Overseas 73) 22 companies (Japan 3, Overseas 19)
<b>Number of Employees</b>	Consolidated : 24,987 Non-Consolidated : 5,496

(As of March 31, 2022)



President and Executive Officer, CEO  
**Kotaro Hirano**

## **Corporate vision**

**To pass on a productive environment  
and prosperous cities to future generations...**

**Hitachi Construction Machinery Group helps to create comfortable living spaces**

### **Shared values and code of conduct: Kenkijin spirit**



**3C**

**Challenge**

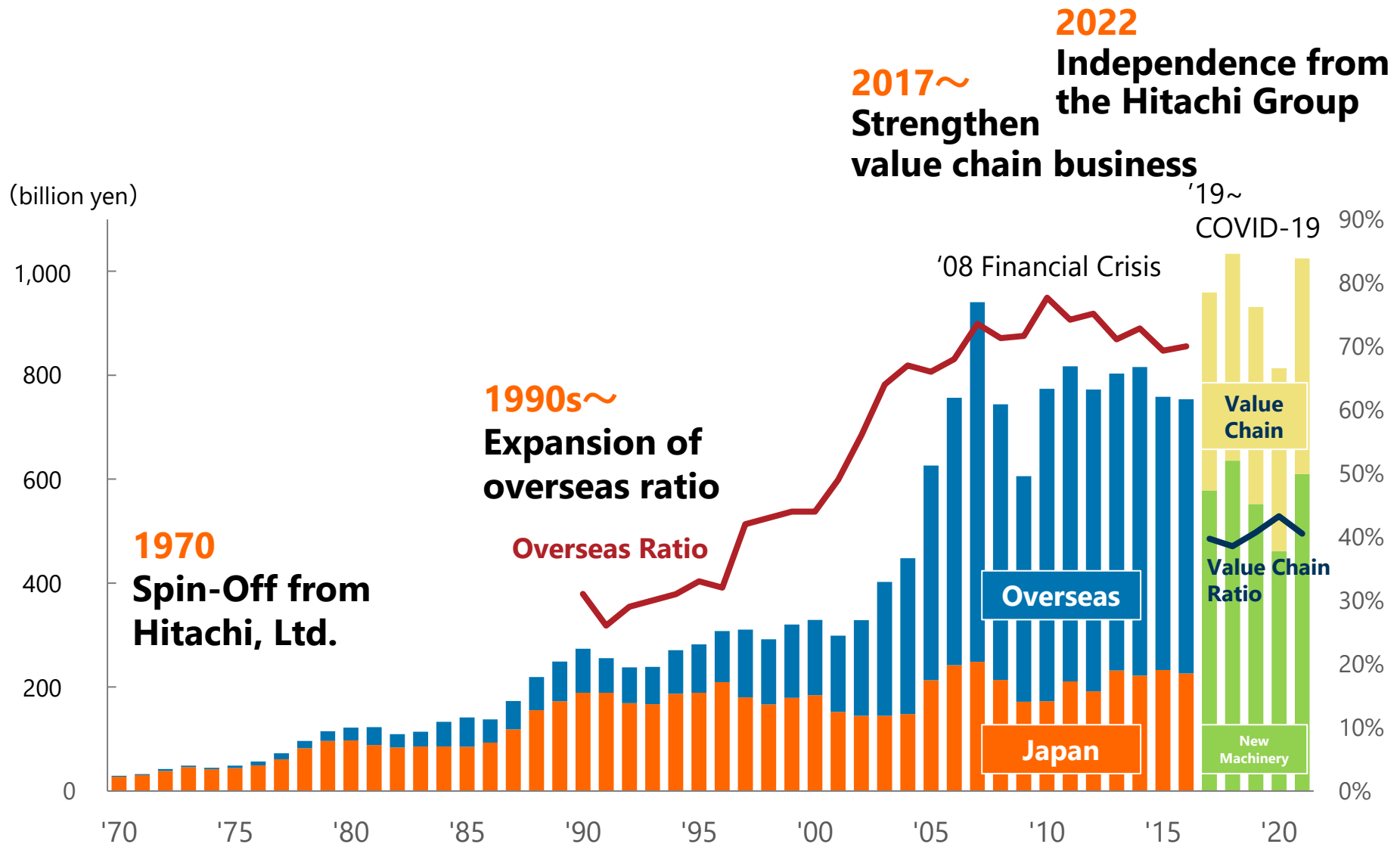
Spirit of challenge

**Customer**

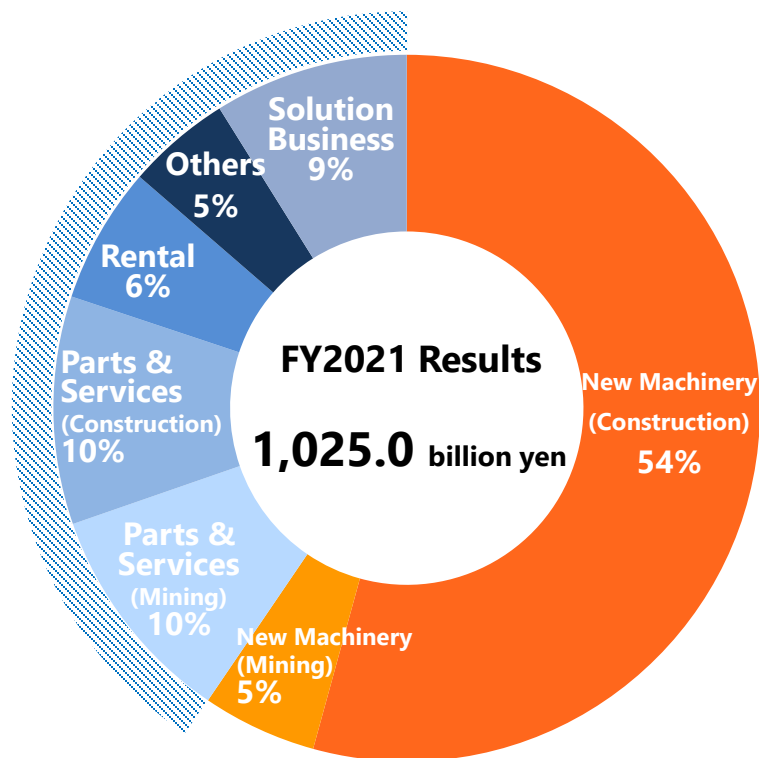
Individual customer orientation

**Communication**

Open atmosphere



※Value chain: parts and services, rental, used equipment, remanufactured parts, financing, etc..



**Value Chain Ratio 40%**

## Construction

**Hydraulic Excavator**



**Mini Excavator**



**Wheel Loader**



## Mining

**Rigid Dump Truck**



**Ultra-large Hydraulic Excavator**

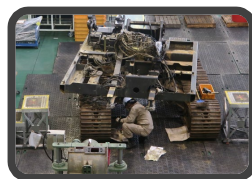


## Value Chain ※Businesses other than new machinery sales

Services utilizing digital technology



Remanufacturing business



Mine management system



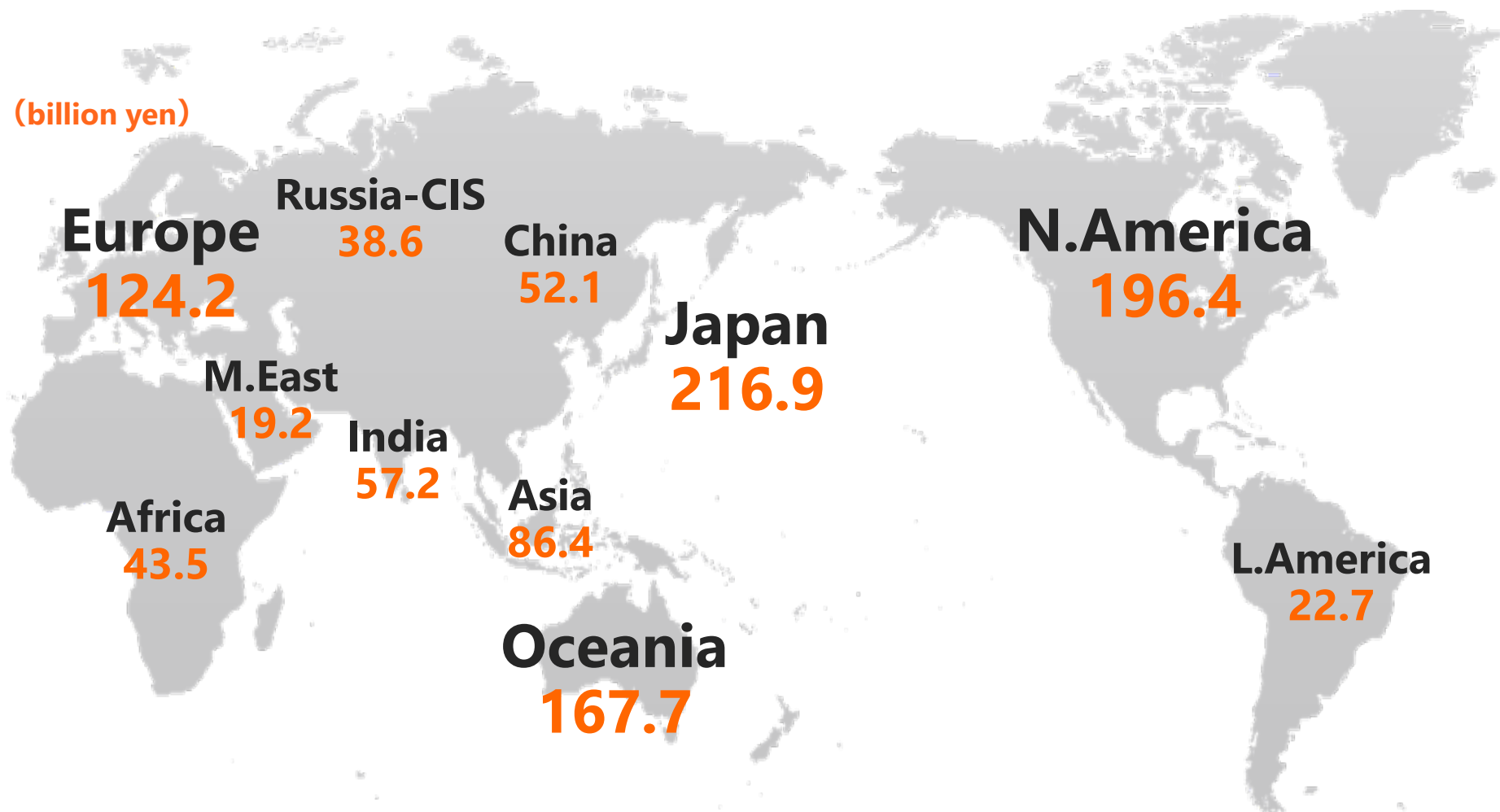
Solution business



## FY2021 Results

**1,025.0 billion yen Overseas Ratio 79%**

(billion yen)



**Production Base****Sales & Service Office****R&D Base****Remanufacturing Base \***

\*Remanufacturing of parts and bodies





## Product Appeal



We developed Japan's first hydraulic excavator using domestically produced technology. Our unique R&D and advanced production technologies not only provide superior safety, reliability, and durability, but also provide products that meet the needs of the times, such as environmentally conscious products.

## Digital Solution



Providing optimal solutions for customers' operational efficiency and asset management through the use of ICT and IoT technologies.

## Global Network



We have production and sales bases globally. Building deep contact with customers based on direct sales and services.

**1**

## Company Outline

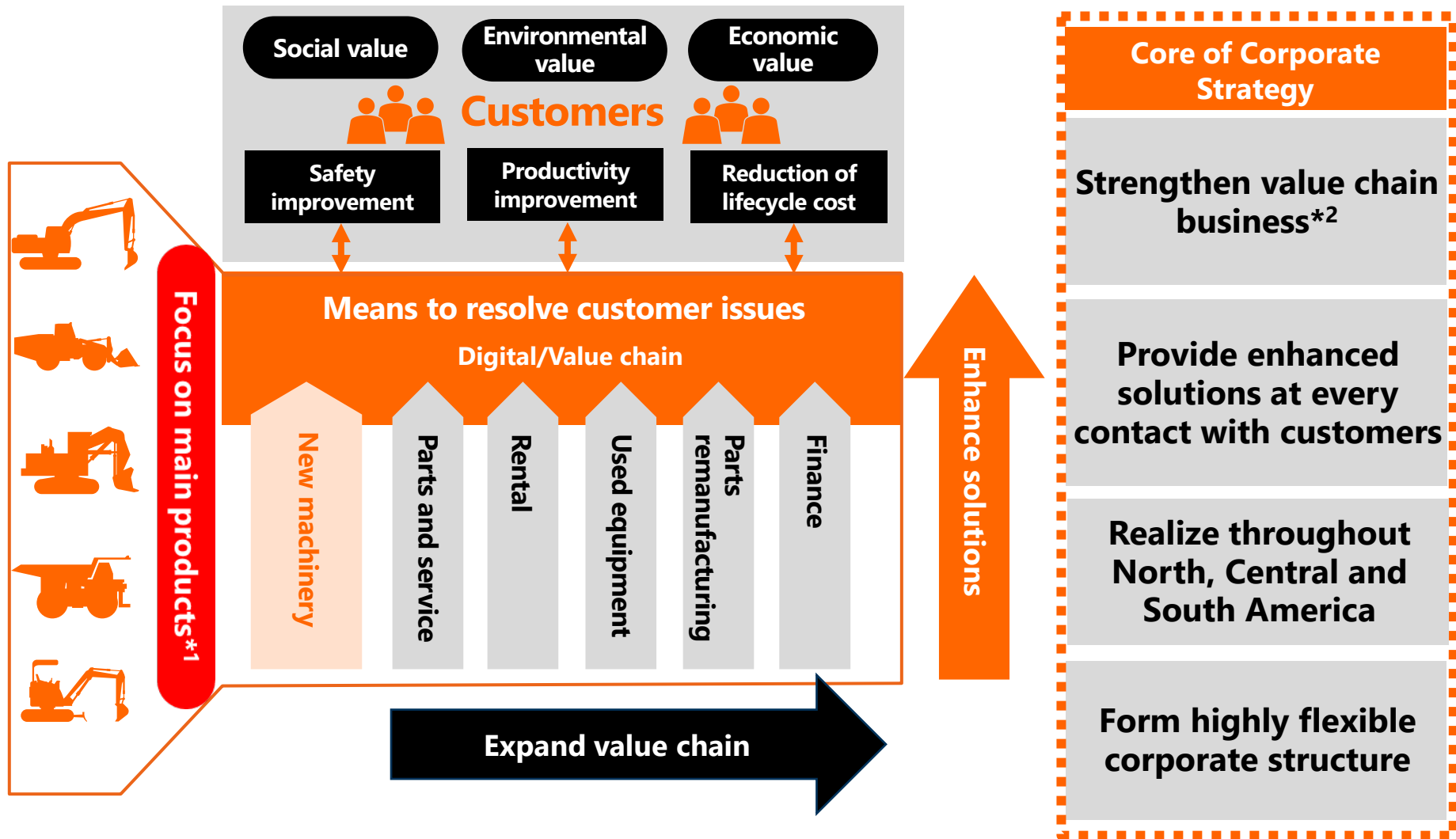
**2**

## Management Plan

**3**

## Explanatory Meeting Material for Business Results for the Third Quarter ended December 31, 2022

Term : FY2020-FY2022



\*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.

# Continuing to promote efforts to improve our enterprise value centered on the "Core of Corporate Strategy "

HITACHI

Reliable solutions

## 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

- 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

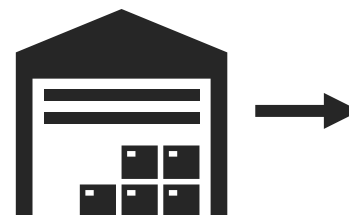
**GENUINE PARTS**

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**

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

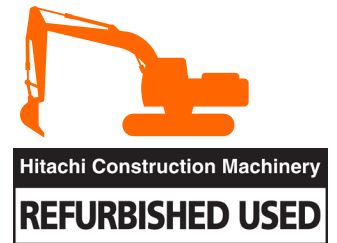


## Expand rental business in various places

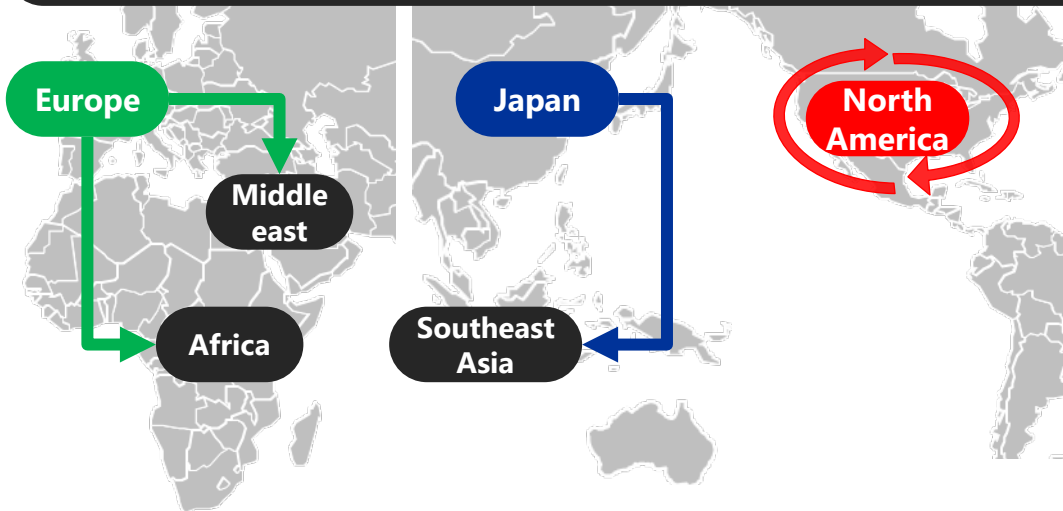


Proper  
maintenance by  
data utilization

## 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

Aiming for conversion to recycling-oriented business model through the business

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Undertaking the **4Rs**  
across the entire  
company

## Reduce

Waste generation  
control

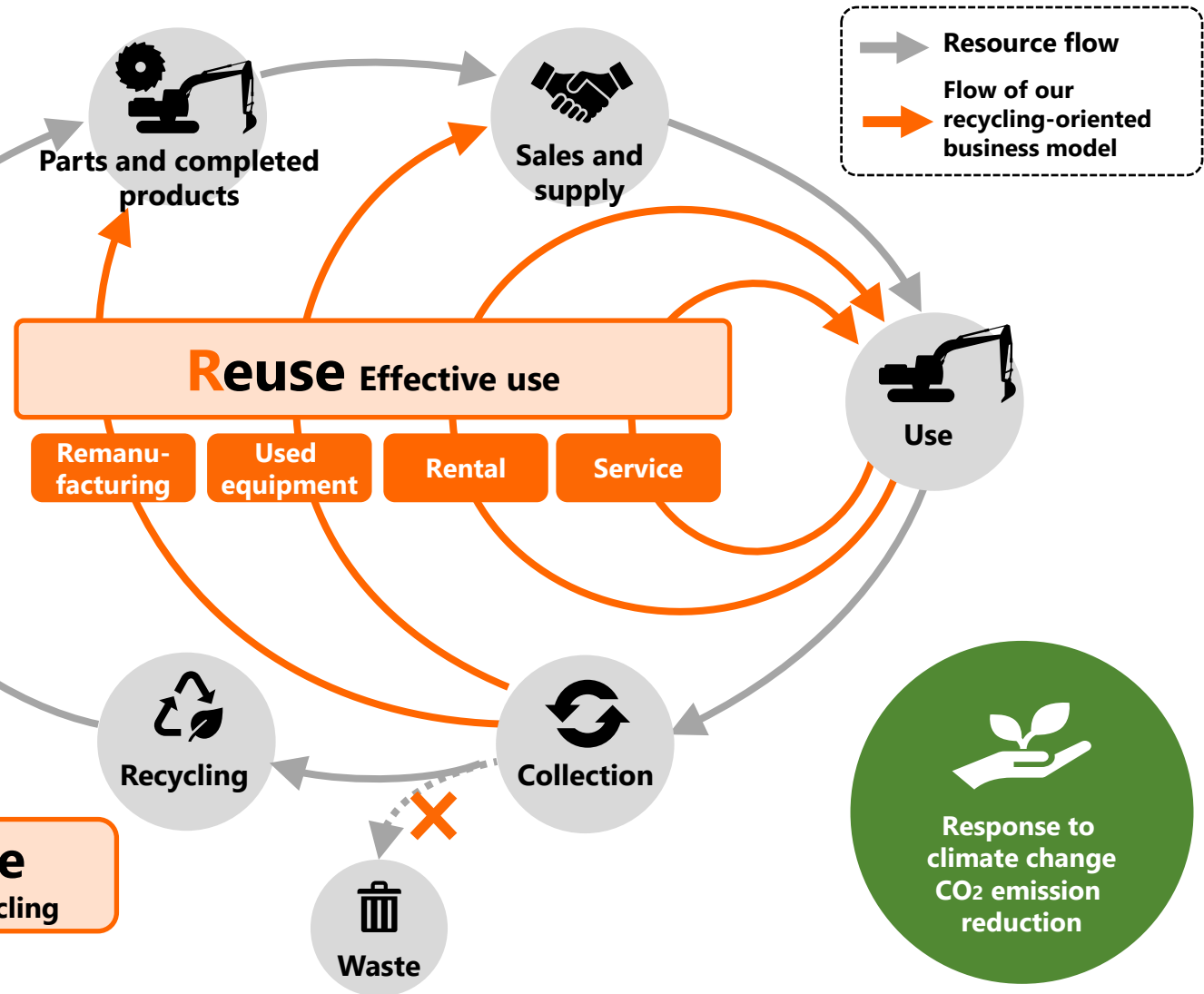
Development  
and  
production

## Renewable

Use of renewable  
resources

## Recycle

Resource recycling



## Long-term initiatives for reducing CO<sub>2</sub> emissions

### Compact

#### Battery powered

- 2t class: Released in January 2023
- 5t class: Scheduled for release at the end of March 2023. Aiming for a cumulative total of 50 sales by FY2024

Developing in Europe, where demand for electrification is strong



### Construction

#### Battery powered

- 8t class: Released in 2020. Aiming for a cumulative total of 100 orders by CY2023
- 13t class: Released in November 2022

#### 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 CO<sub>2</sub> 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



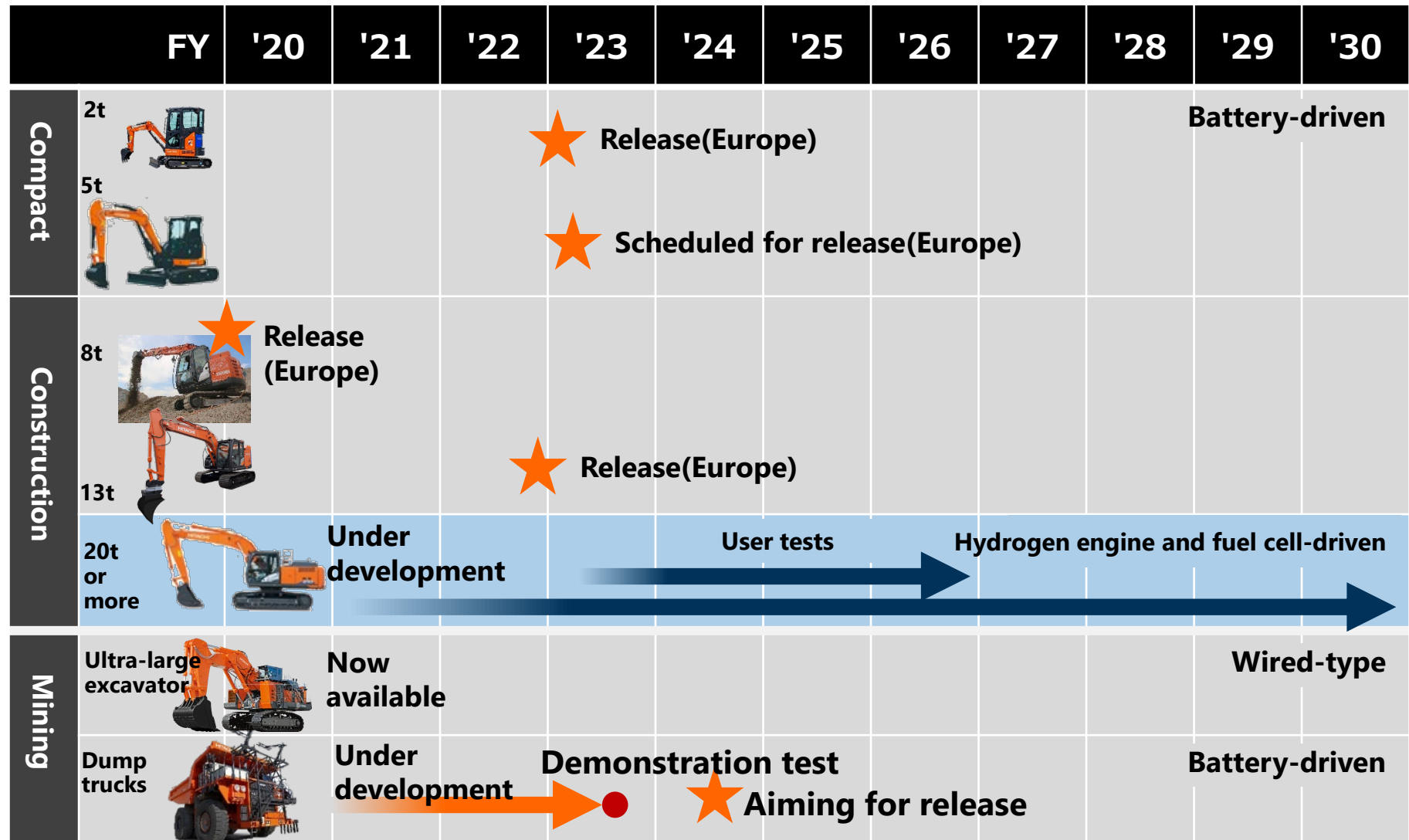
# Toward the realization of a sustainable society

## Environmentally Friendly Products Development Roadmap

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Expand the number of environmentally-friendly products  
and accelerate the speed through open innovation



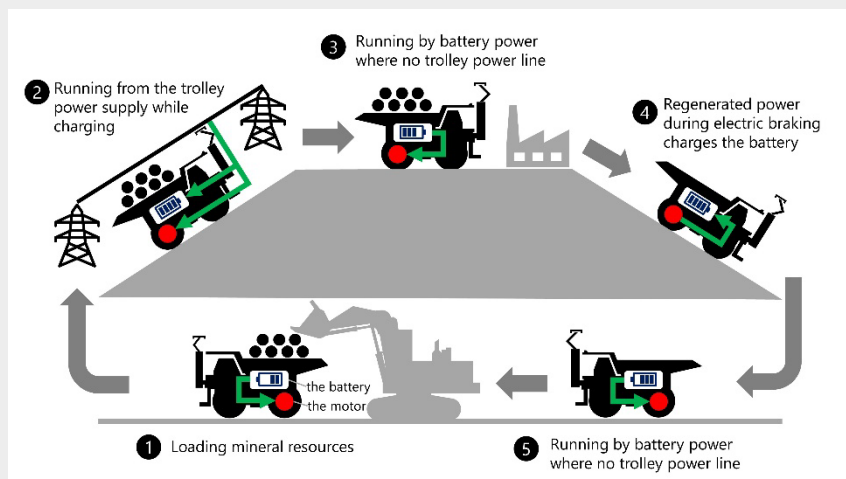
# Toward the realization of a sustainable society

## Fully-Electric Dump Truck Being Jointly Developed With ABB

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### Using a fully electric dump truck with trolley charging



### Merits for customers

- Limits the required battery capacity through the dual use of a trolley feed and battery running
- The battery charges during trolley traveling, so there is no need for charging equipment or stopping for charging
- Shortening the development period through open innovation with ABB



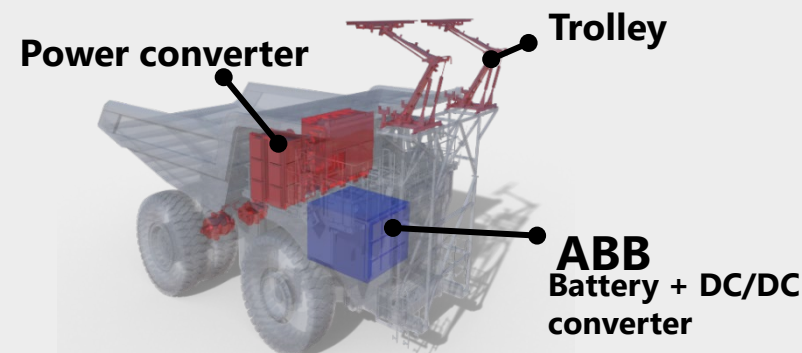
### Effect of CO2 reduction in a simulation with the EH3500AC-3

Diesel engine-type

6.8t/day, 20-hour operation

Fully electric-type

6.8t reduction

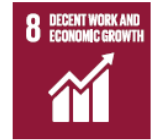


### Contributions to the environment

- Reducing the CO2 emissions of the many dump trucks in operation at mining sites

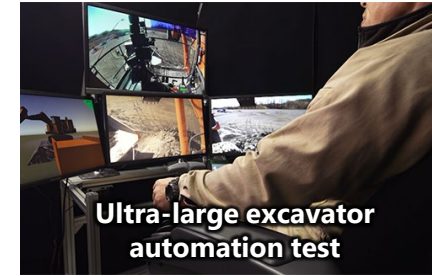


Aiming to realize “the optimal relationship between people and machinery” by enhancing site safety as a whole through Collaborative Construction Machinery, operation support systems, and various solutions



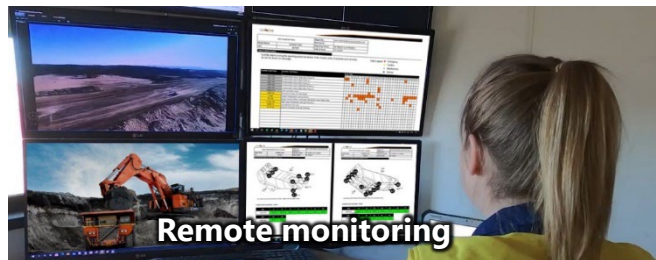
## Advancement of construction machinery

- Developed "ZCORE", a system platform that realizes both Collaborative safety and advanced autonomous operation
- Excavation status judgment and automatic loading



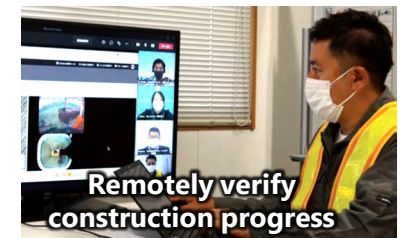
## Improvement of safety/Providing various solutions

- Surrounding recognition and automatic braking
- Operator status monitoring
- Site safety management and risk analysis
- Cooperation with disaster information, risk prediction



**ConSite**  
Consolidated Solution for Construction Sites

**ConSite  
Mine**



## Restructuring of North, Central and South American operations after dissolution of joint venture with Deere (from March 2022)

### Current medium-term management Plan period (~FY2022)

1. Prompt construction of network for sales, services and rental
2. Market launch of the newest excavators
3. Total support across product life cycle with ConSite®

### Future (FY2023~)

1. Planning for expansion of operational bases for product manufacturing, services and parts remanufacturing
2. Efforts to develop and introduce electrified products

**Business Expansion**

**Improve Customer  
Satisfaction**

**Stabilization of  
Revenue**

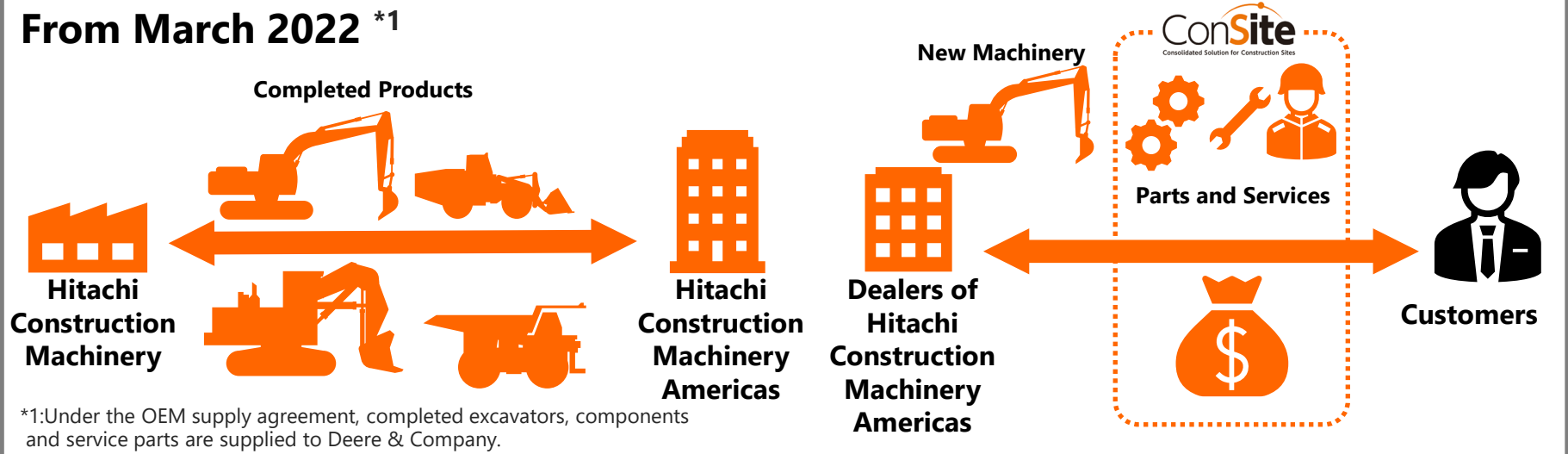
**Expand business scale through restructuring of North, Central and South America business. Increase revenue and achieve stable double-digit operating income margin**

Acquire sales and service rights and develop own product and service business

By February 2022



From March 2022 <sup>\*1</sup>



<sup>\*1</sup>:Under the OEM supply agreement, completed excavators, components and service parts are supplied to Deere & Company.

## Changes in Shareholder Composition and Relationship with Hitachi Group

**Japan Industrial Partners and ITOCHU plan to hold 26% shares to support HCM**  
**Continue to use the Hitachi brand and no change in company name, continued to collaborate with Hitachi group in various R&D field**

## Accelerate Strengthening and Change of management strategy, ensure Growth

**Provide enhanced solutions at every contact with customers**

**Aiming for net zero emissions in collaboration with Hitachi Group and ABB**

Electrification



 **LUMADA**

Data utilization

 **ConSite**  
Consolidated Solution for Construction Sites

**Strengthen value chain business**

**Collaborate with ITOCHU Group in logistics and finance in North America**



**Form highly flexible corporate structure**

**Strengthening of management base over the medium to long term with Japan Industrial Partners**



**Through restructuring of North, Central and South America business, increase revenue and achieve stable double-digit operating income margin.**



**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 (as of July)
Growth	<ul style="list-style-type: none"> <li>• Revenue</li> <li>• Value chain ratio</li> </ul>	931.3 billion yen 41%	813.3 billion yen 43%	1.025 trillion yen 40%	1 trillion yen 50%	1.23 trillion yen 42%
Profitability	Adjusted operating income ratio	8.2% (7.8%)	4.0% (3.5%)	9.1% (10.4%)	More than 10% (-)	9.8% (9.6%)
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 10%
Shareholder return	Dividend payout ratio	31%	41.1%	30.8%	approx. 30% or more	approx. 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





## **1** Company Outline

## **2** Management Plan

## **3** Explanatory Meeting Material for Business Results for the Third Quarter ended December 31, 2022

# 1. Regional Market Environments and Projections

**Hidehiko Matsui**  
Executive Officer & CMO

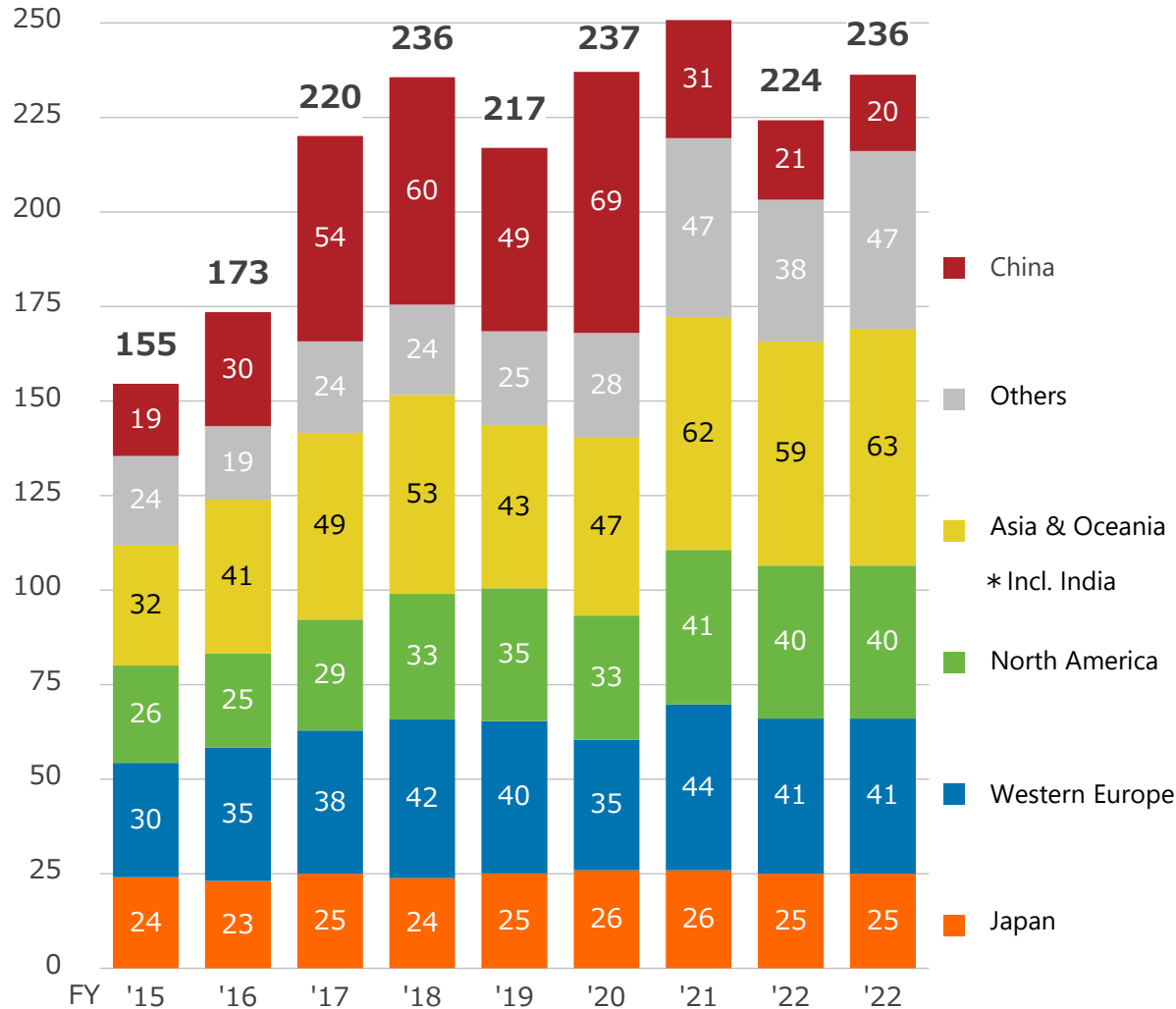
# Global Demand Trend for Hydraulic Excavators

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**Emerging Markets ratio:**  
FY22 55% ( y-y Change : -1%)

[K units] ※Emerging Markets: China, Asia/Oceania, and others **251**



## Year-on-Year Change by Region

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

	'21	'22
Total	+6%	-6%
China	-55%	-35%
Russia, CIS, E Europe	+81%	-15%
Africa	+70%	-13%
Middle East	+77%	+18%
Latin America	+59%	+8%
Others	+70%	-2%
Asia	+47%	-1%
India	+9%	+6%
Oceania	+43%	+3%
Asia & Oceania	+31%	+1%
N America	+25%	-1%
W Europe	+27%	-6%
Japan	+0%	-4%

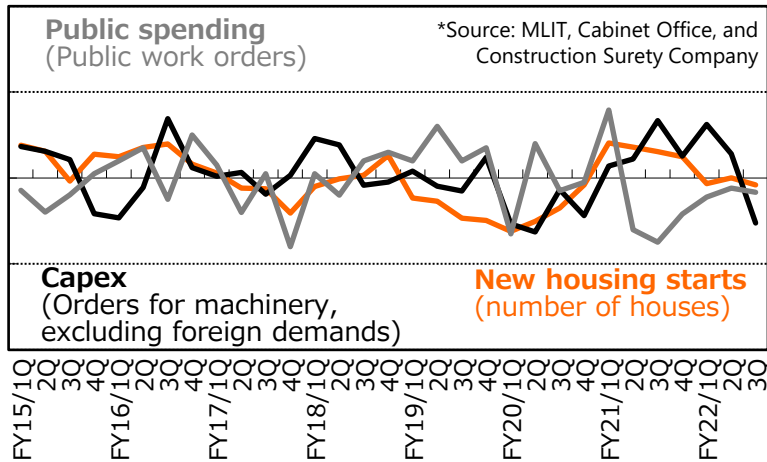
Previous Outlook Current Outlook

\*Demand values are Hitachi Construction Machinery estimates

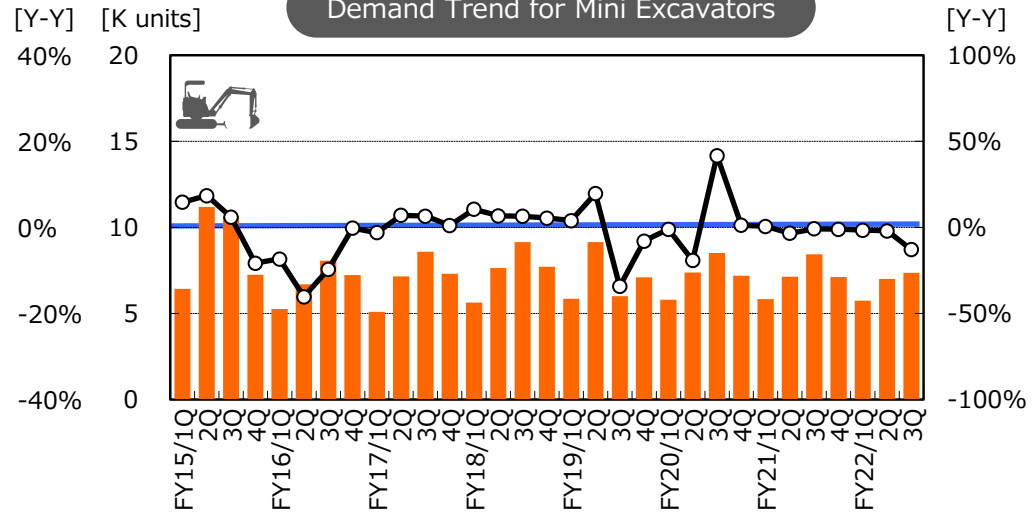
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- Housing investment & Public spending saw slight decreases while Capex fell.
- Demand for Hydraulic excavators decreased:  
Hydraulic Excavators -10%, Mini Excavators -13%, Wheel Loaders +5% y-y, respectively.

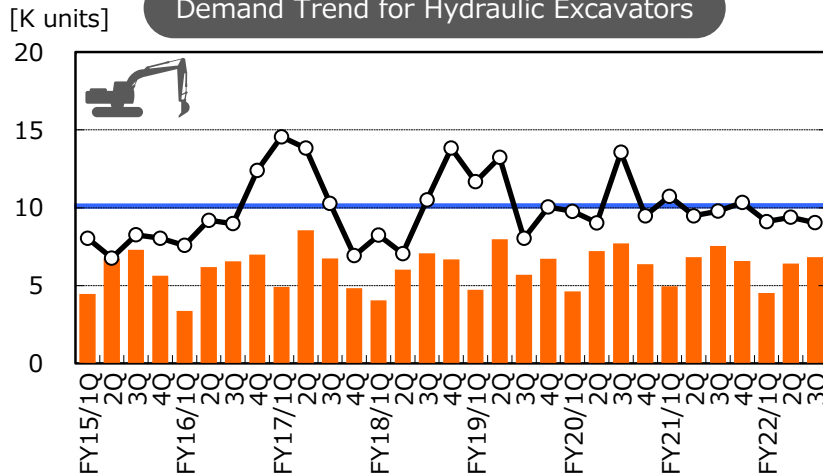
Market Environment Housing, Capex, Public Spending



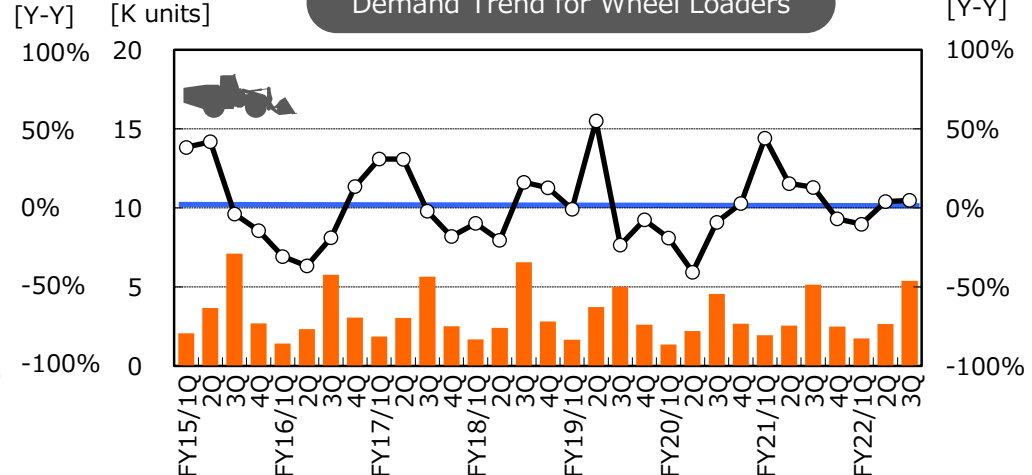
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



Demand Trend for Wheel Loaders

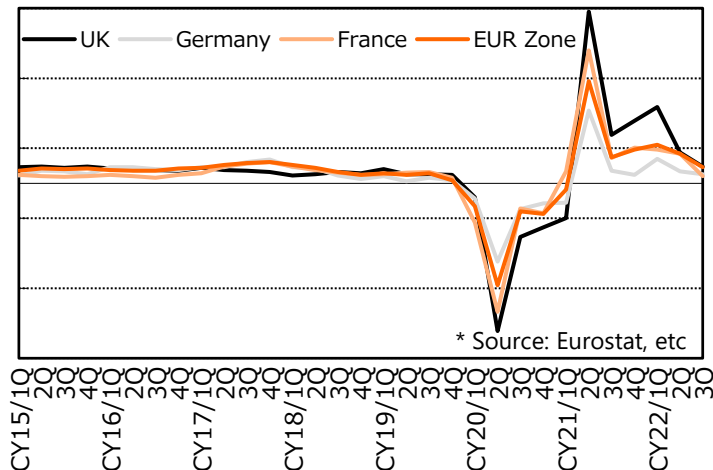


- GDP growth rate in CY22 3Q slowed.
- Demand for Hydraulic excavators increased:  
Hydraulic Excavators +4%, Mini Excavators +10%, Wheel Loaders +10% y-y, respectively.

GDP Growth Rate in Major Countries

[Y-Y]

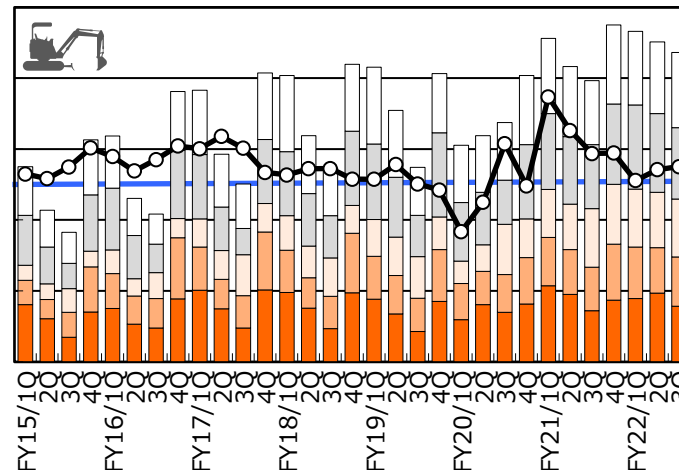
25%  
15%  
5%  
-5%  
-15%  
-25%



Demand Trend for Mini Excavators

[K units]

25  
20  
15  
10  
5  
0

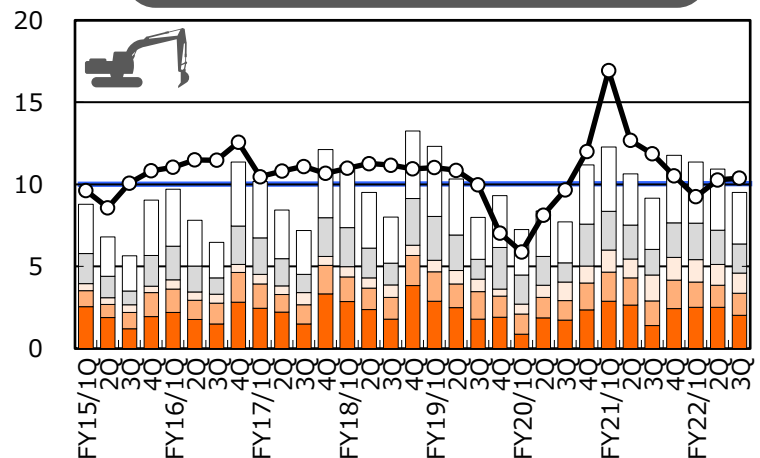


[Y-Y]

100%  
50%  
0%  
-50%  
-100%

Demand Trend for Hydraulic Excavators

[K units]

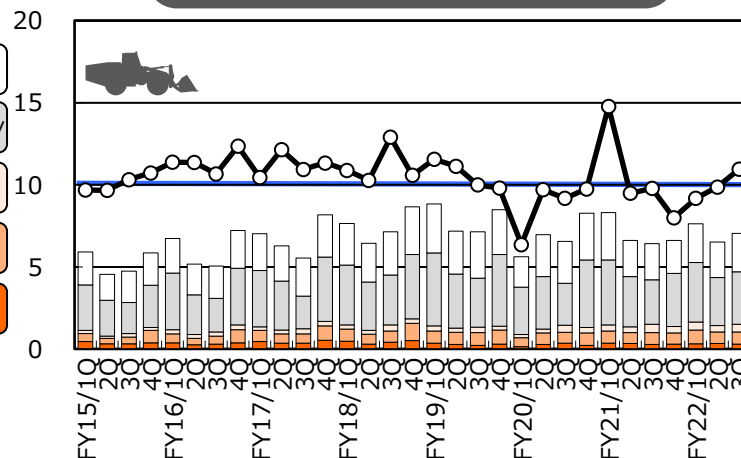


[Y-Y]

100%  
50%  
0%  
-50%  
-100%

Demand Trend for Wheel Loaders

[K units]

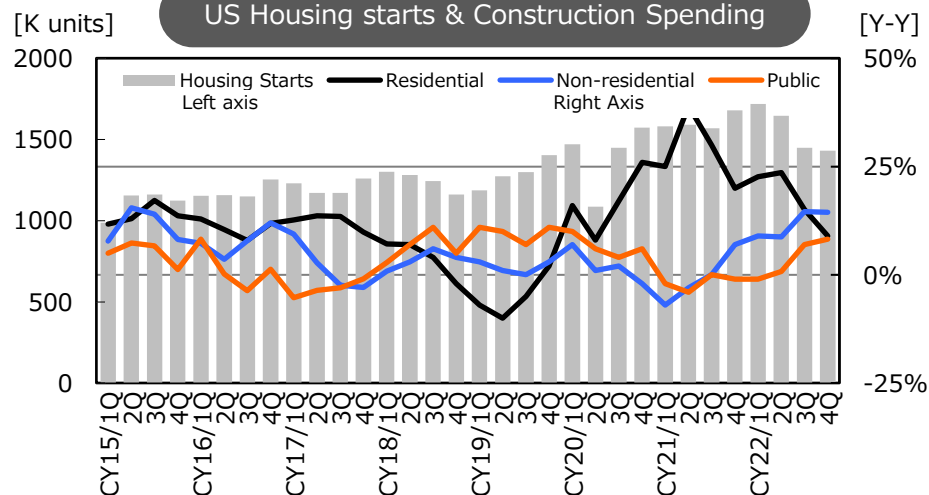


[Y-Y]

100%  
50%  
0%  
-50%  
-100%

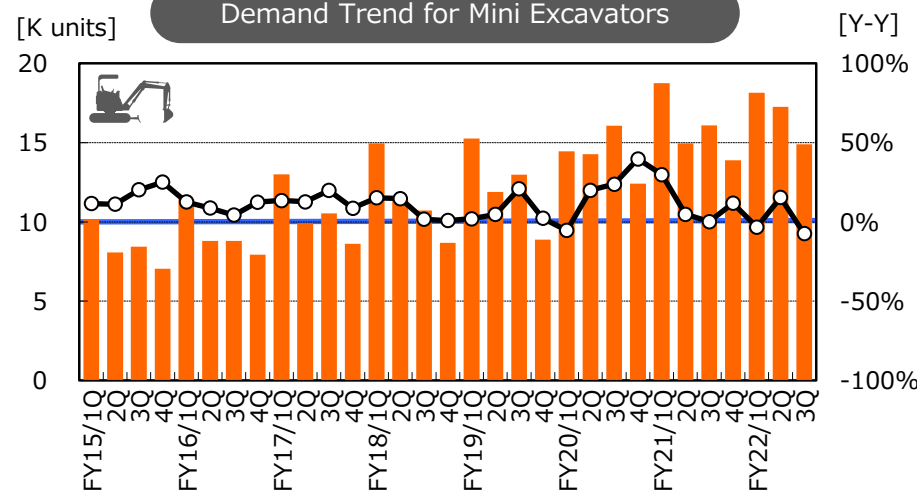
- Housing market continues to show signs of weakness. Construction spending increased in Non-residential & Public.
- Demand for Hydraulic excavators decreased slightly:  
Hydraulic Excavators -3%, Mini Excavators -7%, Wheel Loaders -7% y-y, respectively.

US Housing starts & Construction Spending

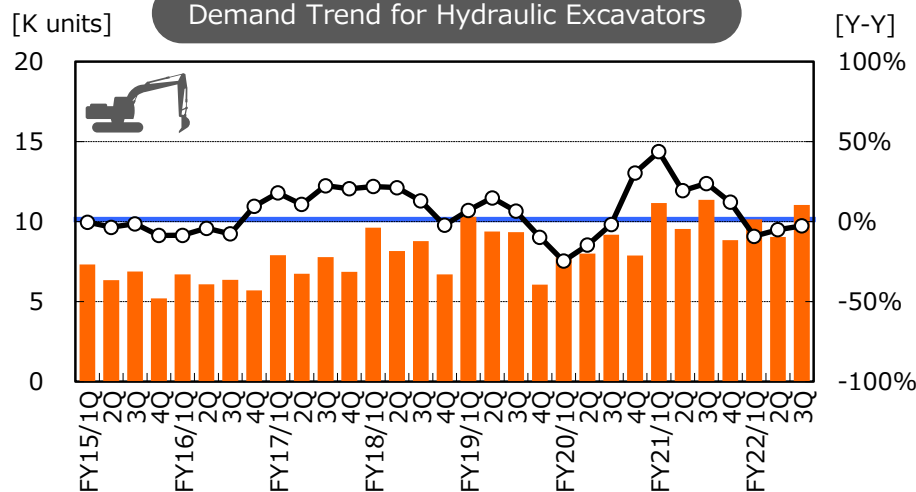


\* Bureau of Economic Census, US Census Bureau

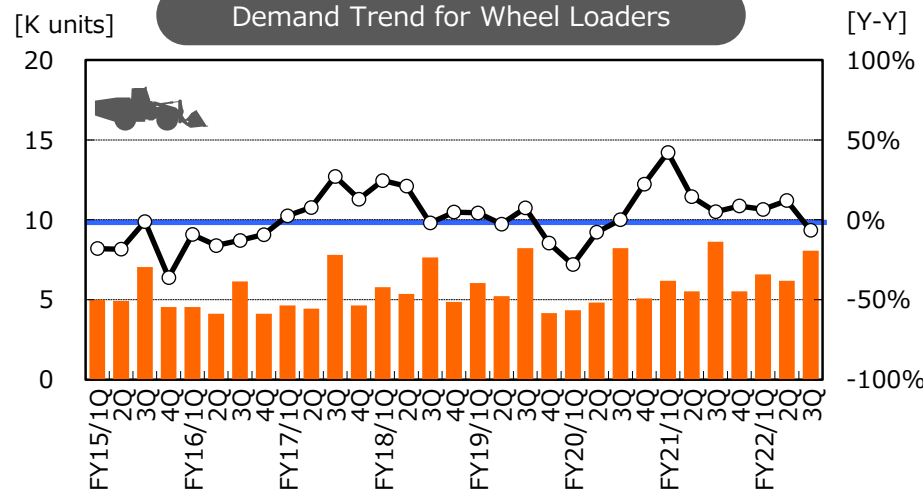
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



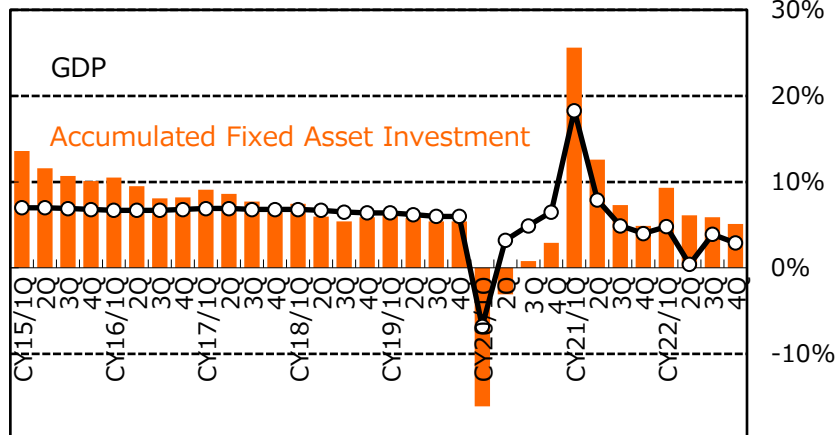
Demand Trend for Wheel Loaders



\*Demand is Hitachi Construction Machinery estimates.

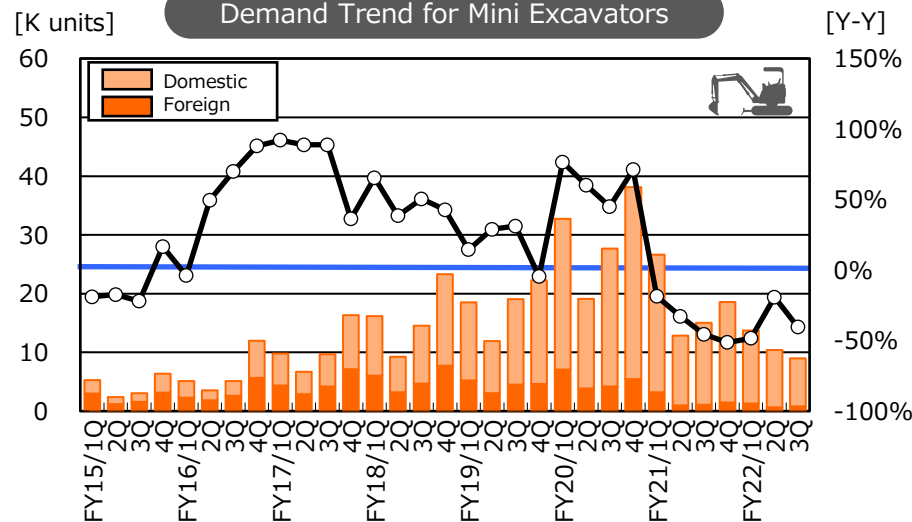
- GDP growth rate slowed to +2.9%.
- Demand for Hydraulic excavators decreased significantly:  
Hydraulic Excavators -16%, Mini Excavators -40% y-y, respectively. (Includes domestic manufacturers)

GDP and Fixed Asset Investment

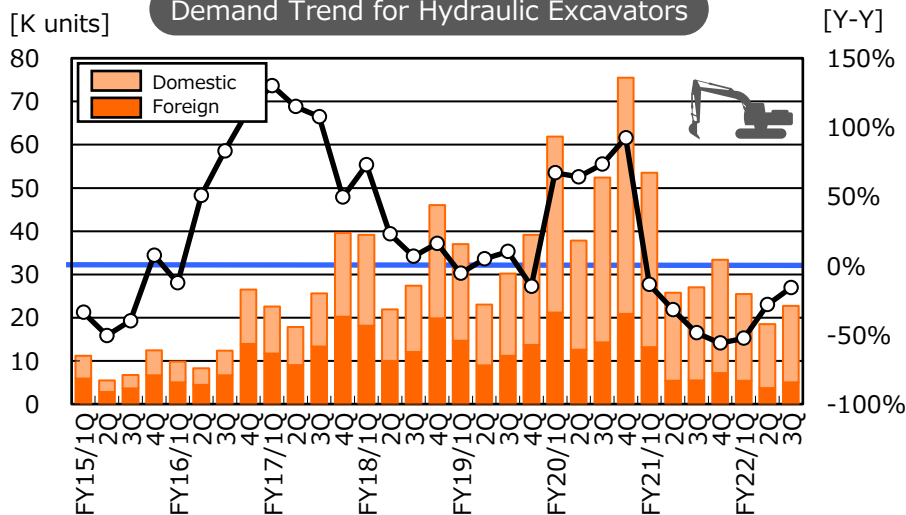


\* National Bureau of Statistics of China

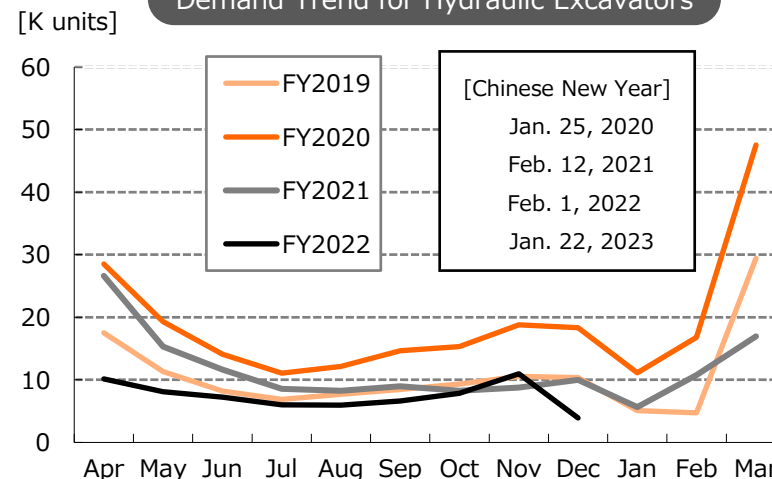
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



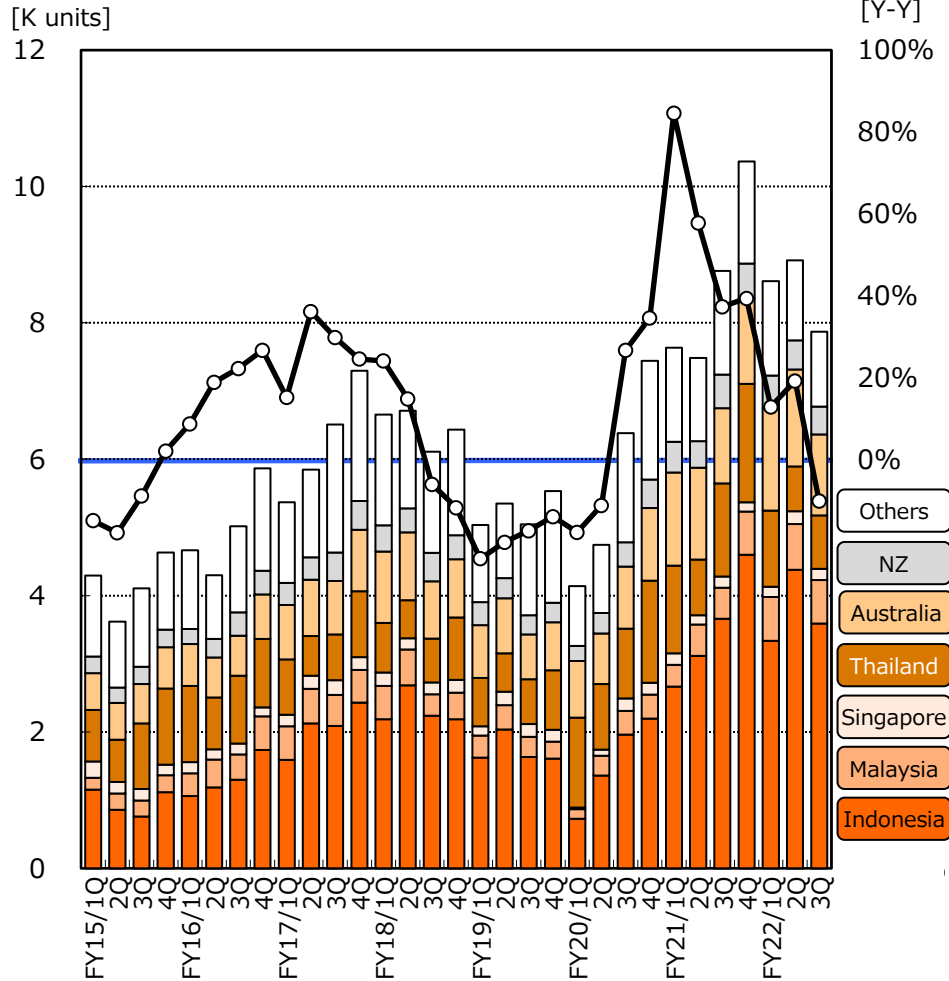
Demand Trend for Hydraulic Excavators



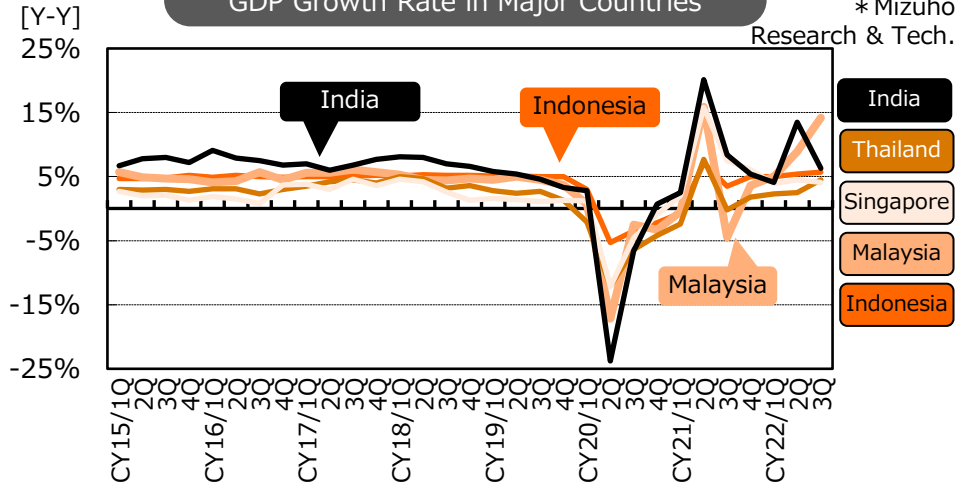
[Chinese New Year]  
Jan. 25, 2020  
Feb. 12, 2021  
Feb. 1, 2022  
Jan. 22, 2023

- Demand for Hydraulic excavators decreased in the Asia & Oceania region -10% y-y.
- Demand in India increased. +4% y-y.

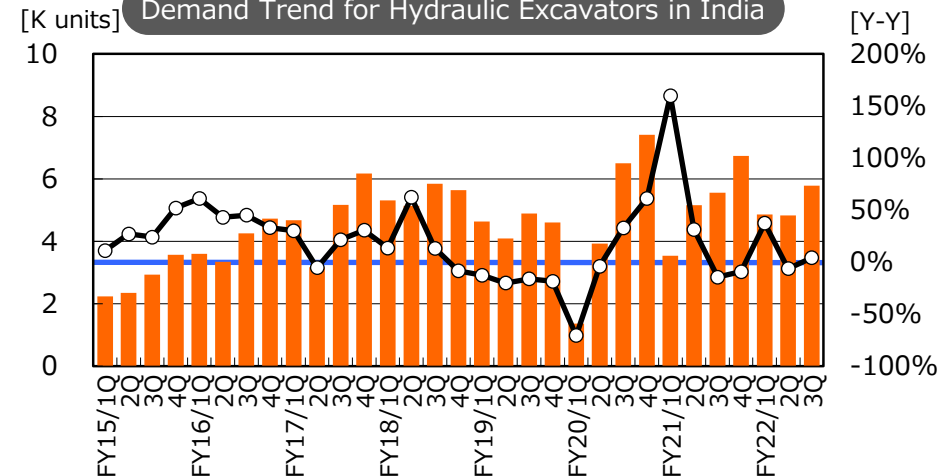
Demand Trend for Hydraulic Excavators in Asia & Oceania



GDP Growth Rate in Major Countries



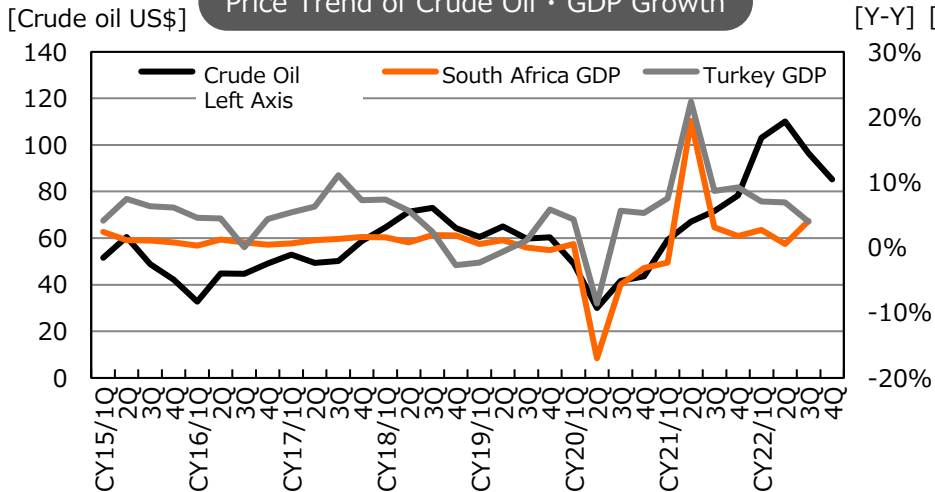
Demand Trend for Hydraulic Excavators in India





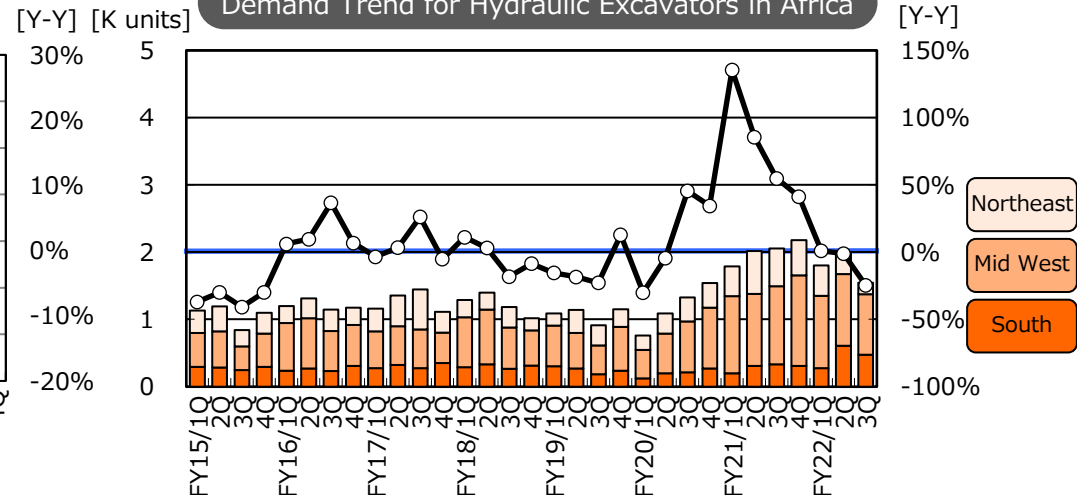
- Demand for Hydraulic excavators decreased significantly in Russia -35%, Africa -25% y-y, respectively.
- Demand for Hydraulic excavators increased in the Middle East +6% y-y.

Price Trend of Crude Oil · GDP Growth

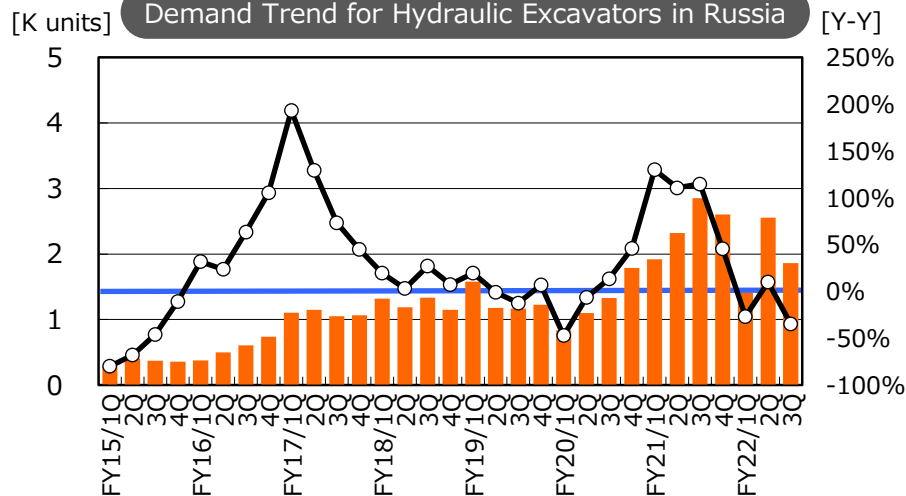


\* Crude Oil: World Bank \* GDP: OECD

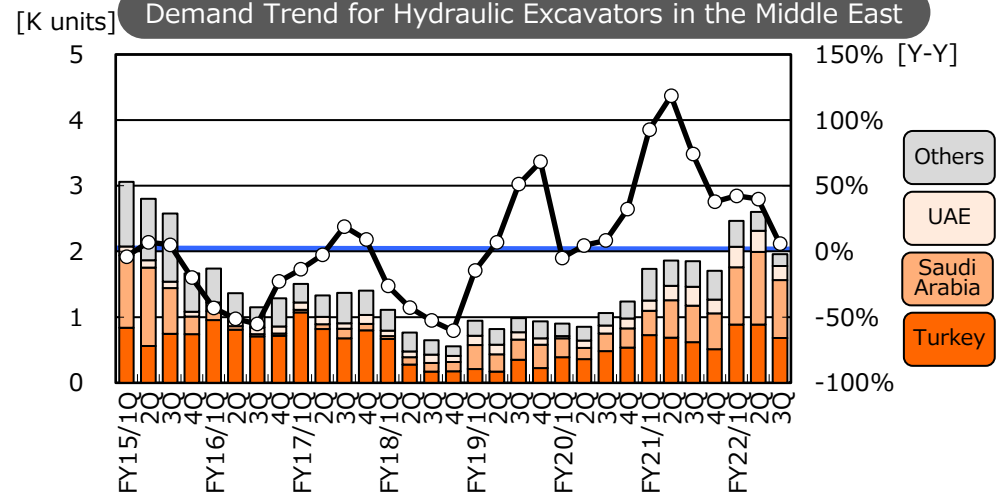
Demand Trend for Hydraulic Excavators in Africa



Demand Trend for Hydraulic Excavators in Russia



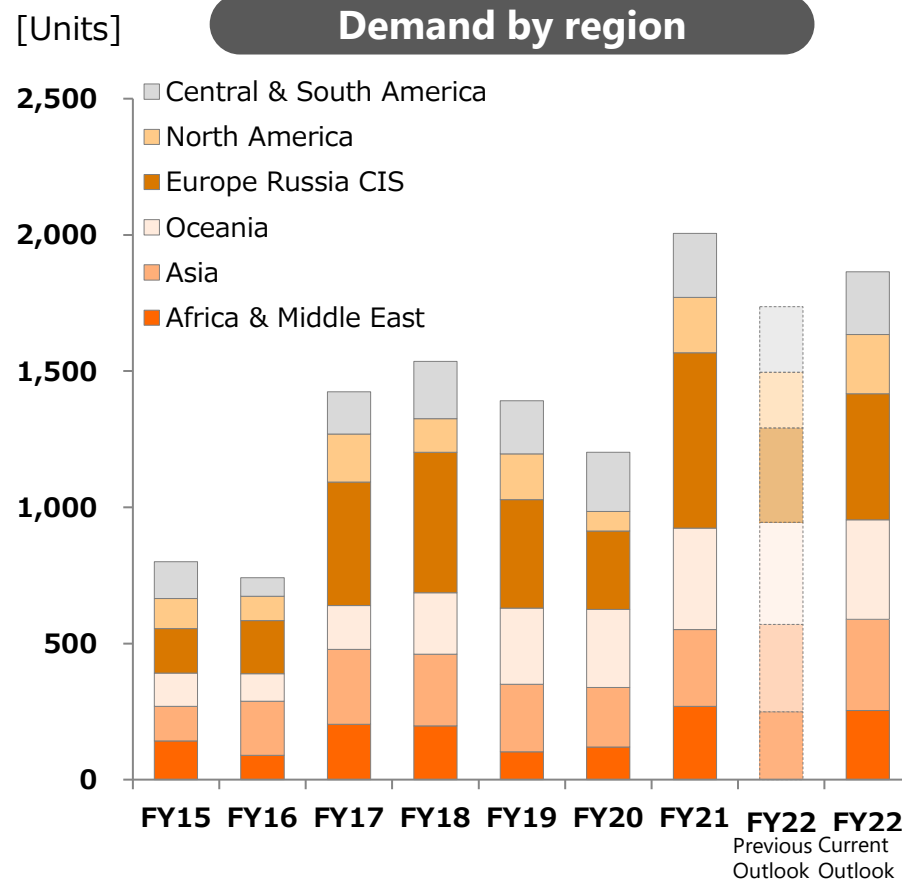
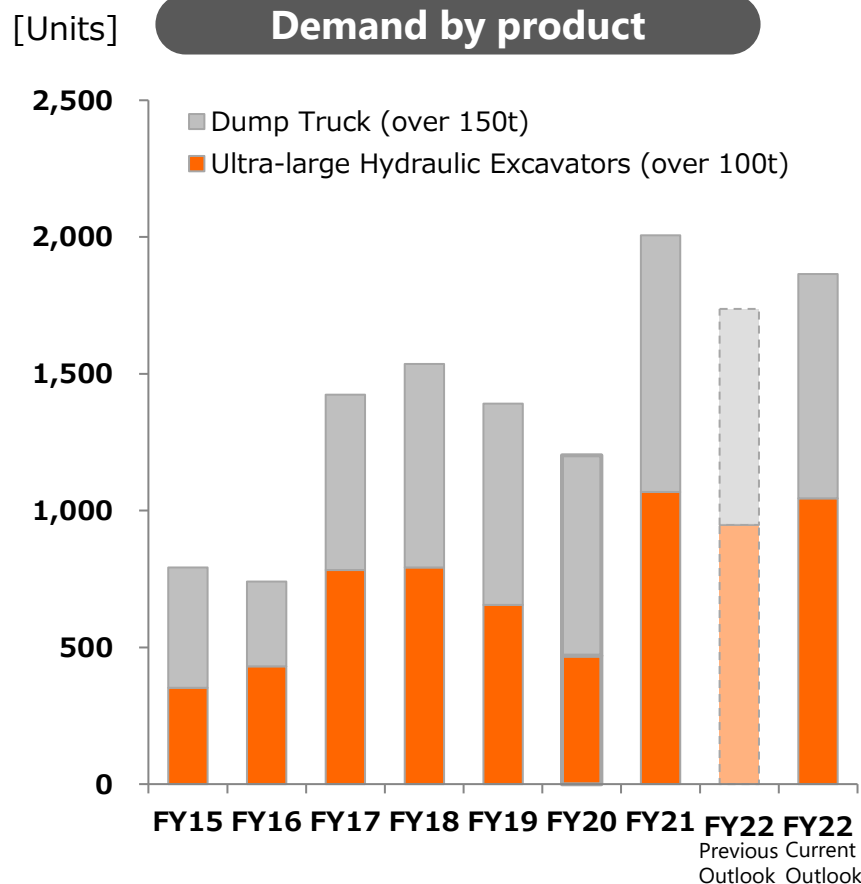
Demand Trend for Hydraulic Excavators in the Middle East



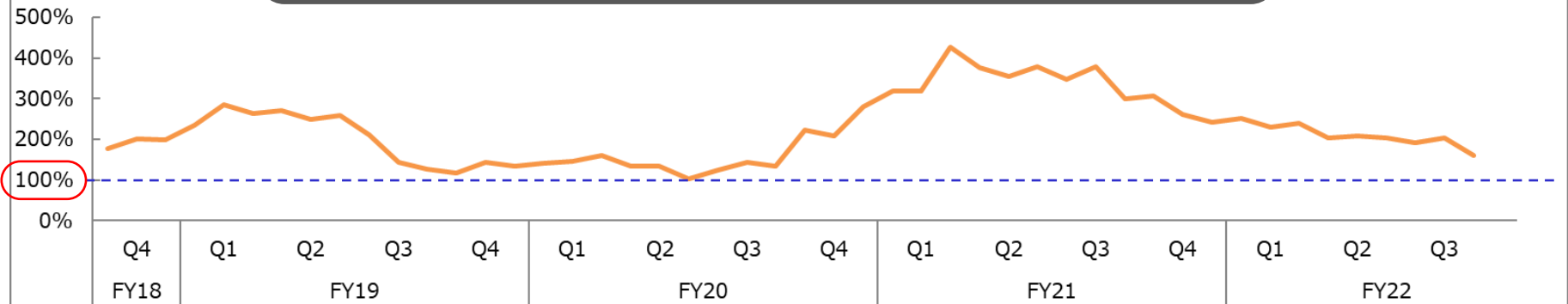
\*Demand is Hitachi Construction Machinery estimates.

- Demand remains strong in Africa, Oceania & Asia including Indonesia. Demand decreased in Russia.
- Demand forecasts have been revised up to a range of +0% to -10% y-y. (Previously -10% to -15% y-y)

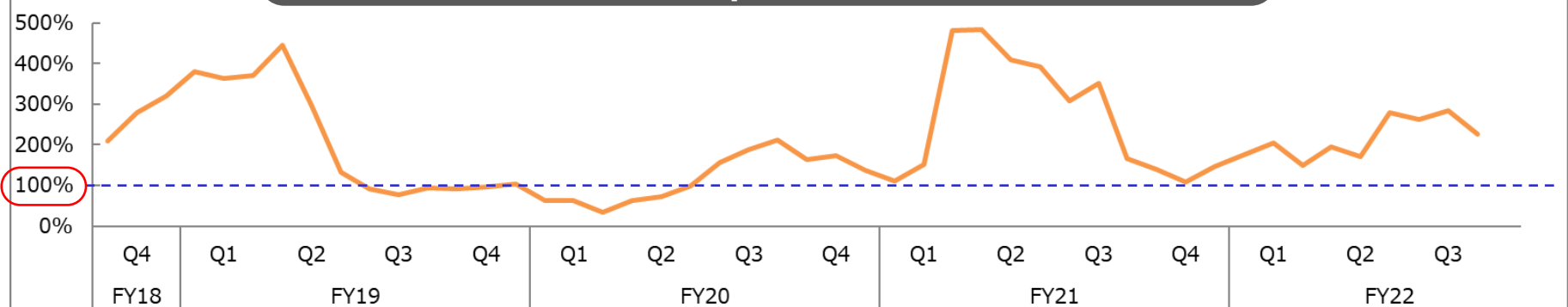
## Ultra-large Hydraulic Excavators (over 100t), Dump Trucks(over 150t)



## BB Ratio (Ultra-large Hydraulic Excavators, over 100t)



## BB Ratio (Dump trucks, over 150t)



\* Book-to-Bill(BB) Ratio = Bookings (Orders received)/Billings (Value of shipment )

Non-consolidated basis (average of 6 months)

## Hitachi Construction Machinery Introduced Sustainable Finance\*<sup>1</sup> for the First Time

- A Positive-impact finance loan agreement was signed (December 2022).
- Received the following four evaluations in terms of contribution to the achievement of the SDGs through business activities, products, and services.

### Contribution to Carbon Neutrality

**13** CLIMATE ACTION

### Contribution to Improving Safety and Productivity at Workplaces

**8** DECENT WORK AND ECONOMIC GROWTH

### Minimizing Environmental Impact, Realizing a Recycling-Oriented Society

**12** RESPONSIBLE CONSUMPTION AND PRODUCTION

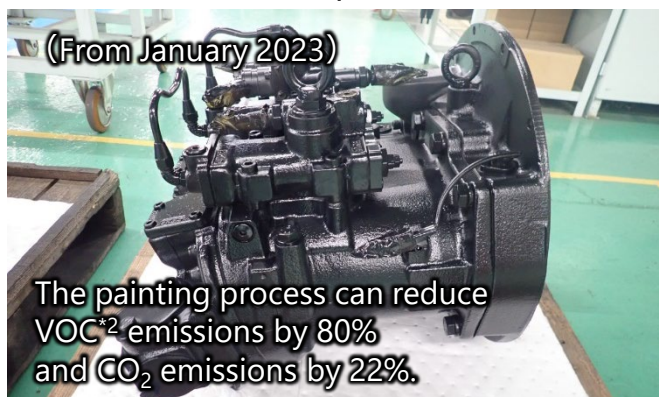
### Promotion of Global Human Resource Management

**5** GENDER EQUALITY**10** REDUCED INEQUALITIES

\*<sup>1</sup> A financing scheme that guides the promotion of solutions to environmental and social issues from a financial perspective.

## Promoting manufacturing that contributes to reducing environmental impact

- Utilizing water-based paint for some of the remanufactured parts.
- At the Bradken India Works, the ratio of renewable energy consumed at the entire facility is approximately 75%.

**12** RESPONSIBLE CONSUMPTION AND PRODUCTION**13** CLIMATE ACTION

\*<sup>2</sup> VOC (volatile organic compounds): A generic term for volatile organic compounds and one of the causes of air pollution.

### In the North American markets, excavators equipped with ConSite are highly rated and sales activities are accelerating

- Awarded “Top 100 New Products of 2022” by the US trade publication *Construction Equipment*.
- Will exhibit at CONEXPO, one of the world's three major construction machinery exhibitions, in March 2023.



First appearance and award as  
Hitachi Construction Machinery America



CONEXPO special website of  
Hitachi Construction Machinery America

### First order from the Canadian mining company Lundin Mining's copper and gold mines in Brazil for three ultra-large hydraulic excavators

- Strengthening of the sales and support structure for the mining business led to orders.
- Deliveries will be phased in from November 2022 and completed by the end of 2023.



EX2600-7 delivered in November 2022

## **2. Business Results for the Third Quarter ended December 31, 2022**

(April 1, 2022 - December 31, 2022)

**Keiichiro Shiojima**

Vice President and Executive Officer & CFO



# Summary of consolidated results

HITACHI

Reliable solutions

In 1Q-3Q of the year, revenue increased by 25% y-y and adjusted operating income increased by 42% y-y, supported by strong sales growth mainly in the Americas. Net income attributable to owners of the parent increased by 151% substantially excluding the profit associated with Americas business restructuring in the previous fiscal year.

[billions of yen]

		FY2022 1Q-3Q		FY2021 1Q-3Q		change
Revenue		902.7		720.4		25%
Adjusted operating income *1		9.7%	87.2	8.5%	61.3	42%
Operating income		9.7%	87.4	8.6%	61.7	42%
Income before income taxes		7.8%	70.8	9.2%	66.3	7%
Net income attributable to owners of the parent		4.8%	43.1	6.4%	46.5	-7%
EBIT *2		8.3%	74.8	9.5%	68.5	9%
FX rate	Rate (YEN/US\$)	137.0		111.2		25.8
	Rate (YEN/EURO)	140.5		130.7		9.8
	Rate (YEN/RMB)	19.9		17.2		2.7
	Rate (YEN/AU\$)	93.4		82.7		10.7

\*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"

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# Revenue by geographic region (consolidated)

HITACHI

Reliable solutions

Although revenue in China decreased y-y, revenue in other overseas increased significantly, including depreciation of the yen. Consolidated total revenue increased by 182.4 billion yen.

[billions of yen]

	FY2022 1Q-3Q		FY2021 1Q-3Q		change	
					amount	%
Japan	156.0	17%	154.8	21%	1.2	1%
Asia	82.0	9%	58.3	8%	23.7	41%
India	50.6	6%	38.4	5%	12.2	32%
Oceania	170.0	19%	122.5	17%	47.6	39%
Europe	109.1	12%	86.8	12%	22.3	26%
N. America	197.3	22%	136.2	19%	61.1	45%
L. America	24.3	3%	15.7	2%	8.6	55%
Russia-CIS	29.1	3%	25.8	4%	3.2	13%
M. East	18.5	2%	12.7	2%	5.8	45%
Africa	36.9	4%	30.3	4%	6.6	22%
China	29.1	3%	39.0	5%	-9.9	-25%
Total	902.7	100%	720.4	100%	182.4	25%
Overseas ratio	83%		79%			

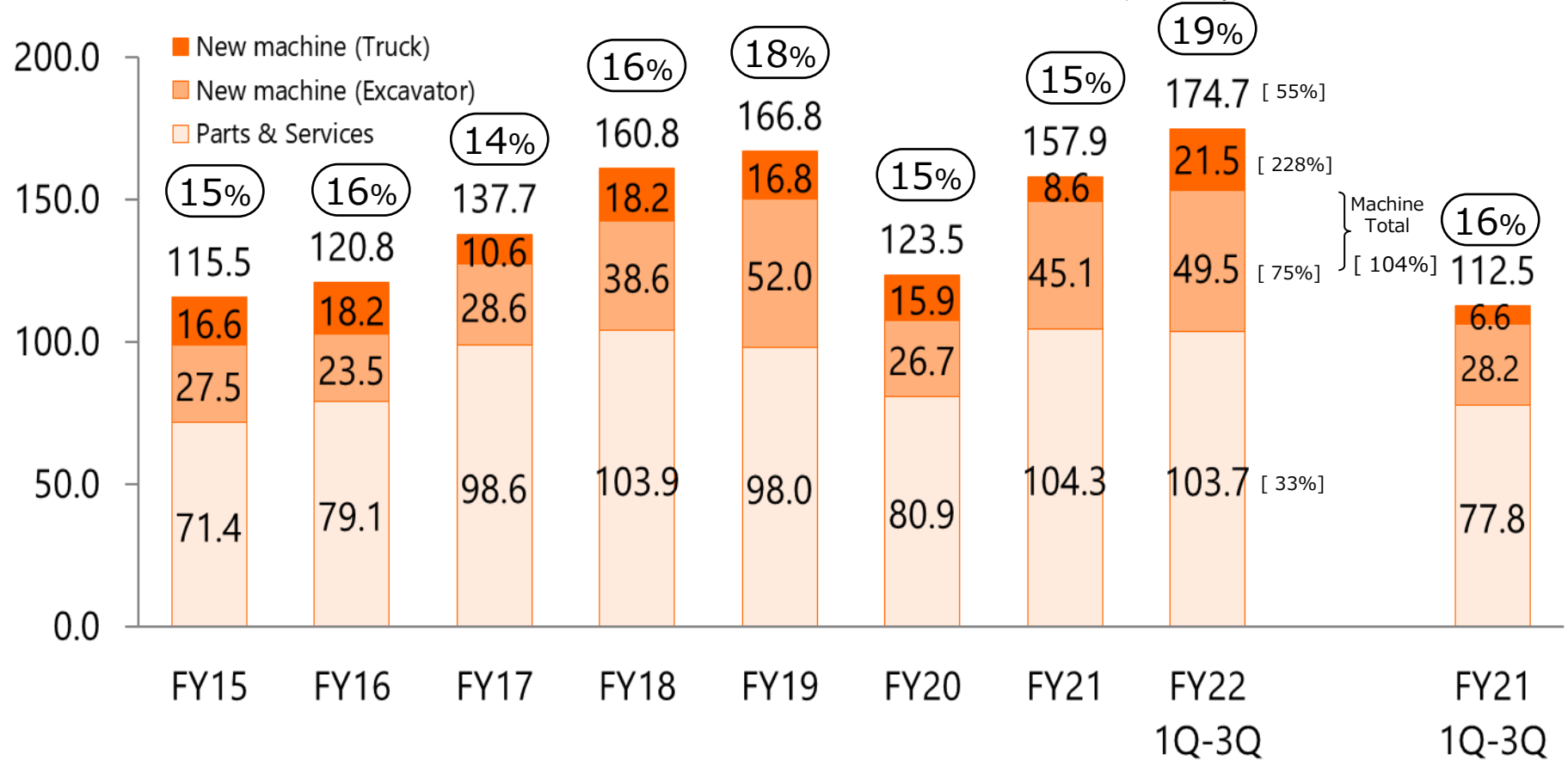


Revenue of mining increased by 55% to 174.7 billion yen y-y due to significant increase in new machinery sales, capturing robust demand. Parts and services also grew significantly.

[billions of yen]

(%) shows sales ratio against total company sales

[ % ] shows changed ratio from the same period of previous year

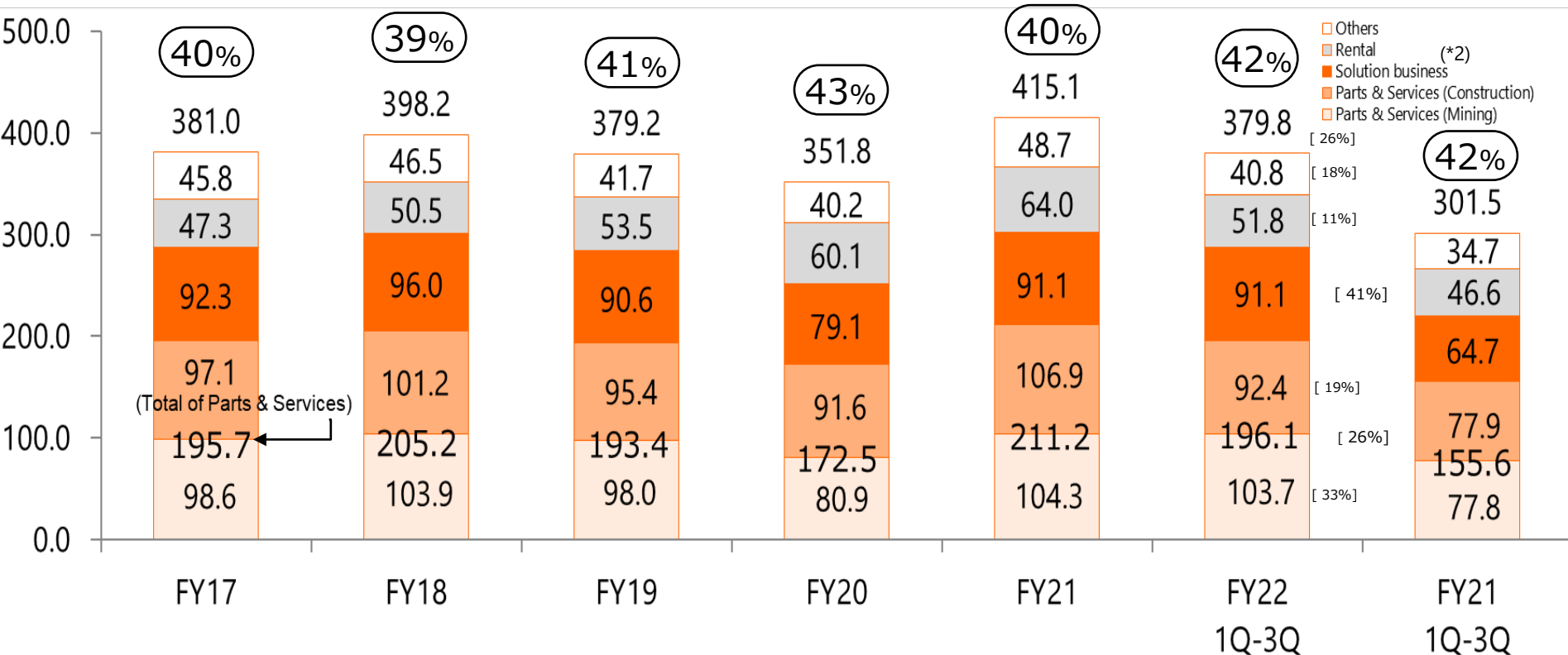


Revenue of the value chain business increased by 26% to 379.8 billion yen y-y due to expanded sales volume, especially parts and services as well as solution business.

[billions of yen]

(%) shows sales ratio against total company sales

[ % ] shows changed ratio from the same period of previous year



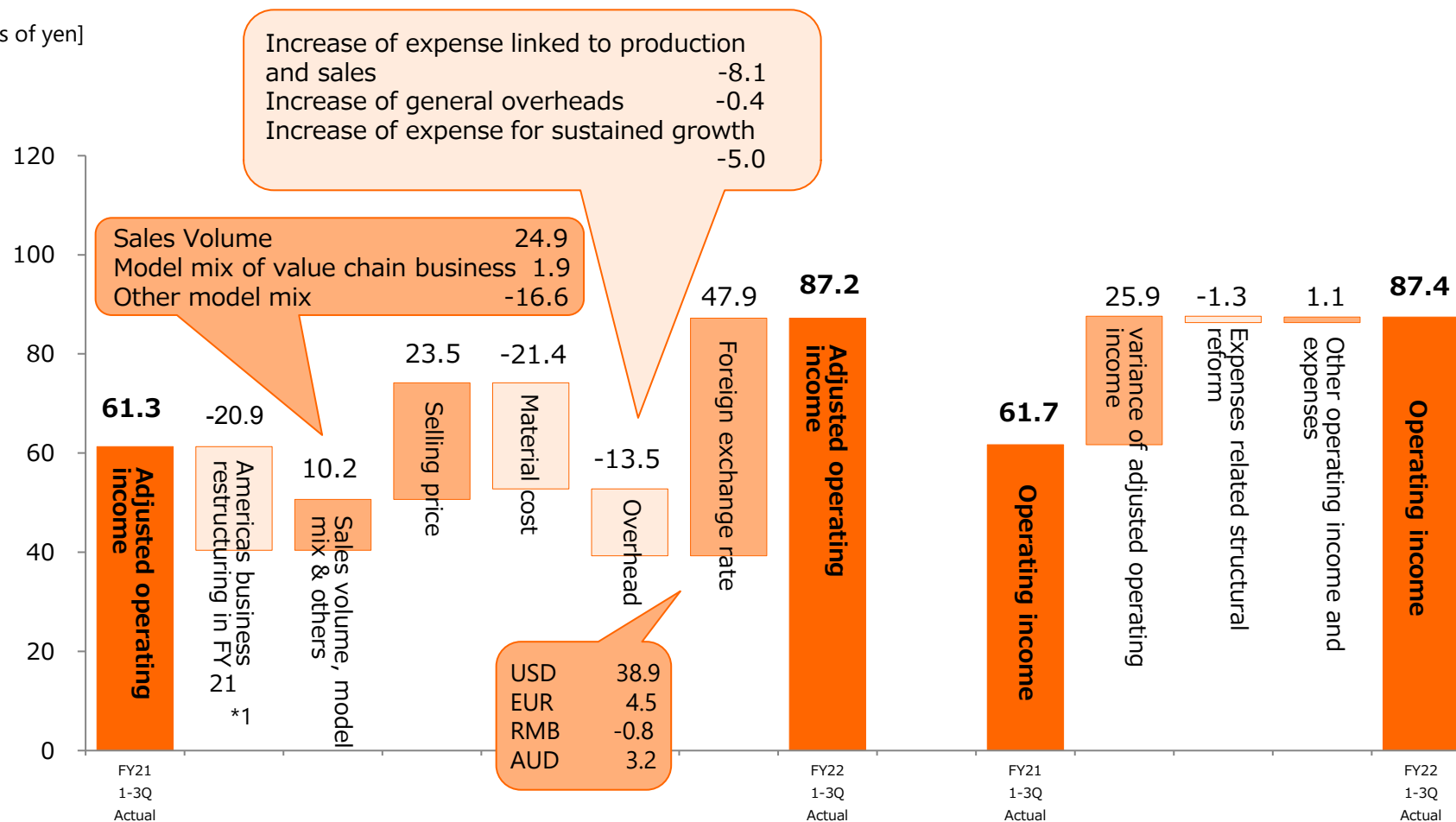
(\*1) Value chain: Total of Parts & Services, Solution business, Rental etc. other than new machine sales.

(\*2) Solution 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.

# Comparison of consolidated income

Adjusted operating income increased by 25.9 billion yen y-y due to the impact of the increased sales volume, selling price increase, and the currency impact despite the absence of profit from Americas business restructuring in the previous year.

[billions of yen]



\*1 Price adjustment and profit-sharing

Net income attributable to owners of the parent decreased by 3.4 billion yen y-y due to the negative impact of FX and share of profits of investments accounted for using the equity methods, although adjusted operating income increased by 25.9 billion yen y-y.

[billions of yen]

	FY2022 1Q-3Q		FY2021 1Q-3Q		change	
					amount	%
Revenue		902.7		720.4	182.4	25%
Cost of Sales	(70.8%)	639.5	(72.7%)	523.8	115.6	22%
SGA expenses	(19.5%)	176.1	(18.8%)	135.2	40.8	30%
Adjusted operating income *1	(9.7%)	87.2	(8.5%)	61.3	25.9	42%
Other Income/expenses		0.2		0.4	-0.2	-47%
Operating income	(9.7%)	87.4	(8.6%)	61.7	25.7	42%
Financial income/expenses		-11.2		-1.5	-9.7	647%
Share of profits of investments accounted for using the equity method		-5.4		6.1	-11.5	-
Income before income taxes	(7.8%)	70.8	(9.2%)	66.3	4.5	7%
Income taxes		25.1		16.4	8.7	53%
Net income	(5.1%)	45.7	(6.9%)	49.9	-4.2	-8%
Net income attributable to owners of the parent	(4.8%)	43.1	(6.4%)	46.5	-3.4	-7%

\*Adjusted operating income" is presented as revenues less cost of sales as well as selling, general and administrative expenses.

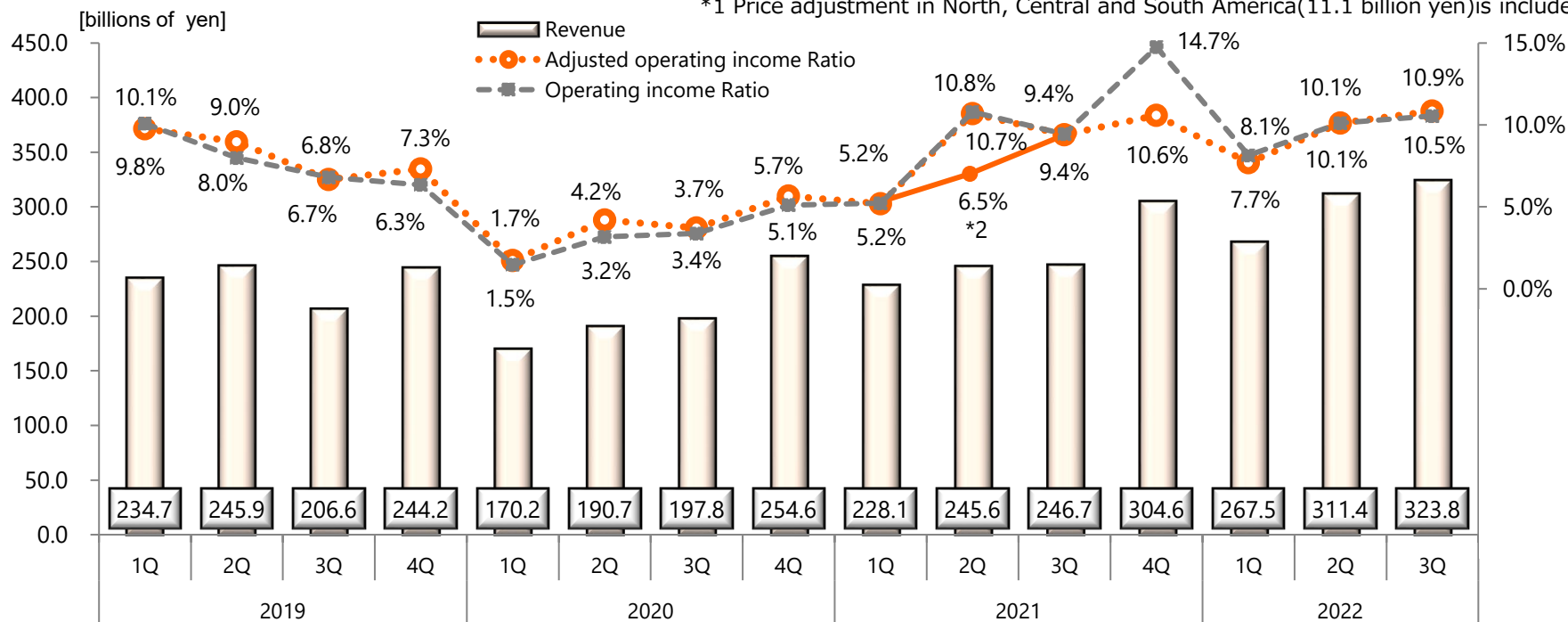
# Summary of quarterly consolidated revenue and operating income (ratio)

HITACHI

Reliable solutions  
[billions of yen]

	2019				2020				2021				2022		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q*1	3Q	4Q	1Q	2Q	3Q
Revenue	234.7	245.9	206.6	244.2	170.2	190.7	197.8	254.6	228.1	245.6	246.7	304.6	267.5	311.4	323.8
Adjusted operating income	22.9	22.1	13.8	17.9	2.9	8.0	7.4	14.4	11.8	26.3	23.2	32.2	20.6	31.5	35.1
Operating income	23.7	19.6	14.1	15.5	2.5	6.0	6.7	13.0	11.9	26.5	23.3	44.9	21.8	31.5	34.2

\*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	2019				2020				2021				2022		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Rate (YEN/US\$)	109.9	107.4	108.8	108.9	107.6	106.2	104.5	105.9	109.5	110.1	113.7	116.2	129.6	138.4	141.6
Rate (YEN/EURO)	123.5	119.3	120.3	120.1	118.5	124.1	124.5	127.7	132.0	129.8	130.1	130.4	138.1	139.3	144.3
Rate (YEN/RMB)	16.1	15.3	15.5	15.6	15.2	15.4	15.8	16.4	17.0	17.0	17.8	18.3	19.6	20.2	19.9
Rate (YEN/AU\$)	76.9	73.6	74.3	71.8	70.7	75.9	76.3	81.8	84.3	80.9	82.9	84.0	92.6	94.5	92.9

# Consolidated statement of financial position

HITACHI

Reliable solutions

Total assets increased by 177.6 billion yen from the end of last fiscal year due to increase by cash and cash equivalents, inventories and depreciation of the yen, and the recording of claims for reimbursement of subrogation payments to North American affiliates.

(billions of yen)

	(A) FY22-3Q	(B) Mar '2022	(C) FY21-3Q	(A)-(B) change		(D) FY22-3Q	(E) Mar '2022	(F) FY21-3Q	(D)-(E) change
Cash and cash equivalents	112.6	94.3	81.6	18.4	Trade and other payables	269.5	252.2	218.4	17.3
Trade receivables	248.7	266.3	202.3	-17.5	Bonds and borrowings	500.1	353.1	351.2	146.9
Inventories	456.1	368.3	345.4	87.8	Total liabilities	906.9	741.6	689.9	165.2
Total current assets	870.6	764.4	679.5	106.3	(Equity attributable to owners of the parent ratio)	(39.9%)	(43.4%)	(42.8%)	(-3.5%)
Total non-current assets	716.5	645.2	622.7	71.3	Total equity	680.3	667.9	612.4	12.4
Total assets	1,587.2	1,409.6	1,302.3	177.6	Total liabilities and equity	1,587.2	1,409.6	1,302.3	177.6
Trade receivables incl. non-current	288.3	309.0	242.2	-20.7					
Inventories by products									
Unit	141.7	108.9	98.8	32.8		(31.5%)	(25.1%)	(27.0%)	(6.5%)
Parts	151.6	132.6	112.0	19.0	Interest-bearing debt	500.1	353.1	351.2	146.9
Raw materials, WIP and etc	162.7	126.8	134.6	36.0	Cash and Cash equivalents	112.6	94.3	81.6	18.4
Total inventories	456.1	368.3	345.4	87.8		(24.4%)	(18.4%)	(20.7%)	(6.0%)
On hand days(divided by revenue)				(Days)	Net interest-bearing debt	387.4	258.9	269.6	128.6
Trade receivables	87	110	91	-23					
Inventories	138	131	129	7	Net D/E Ratio	0.61	0.42	0.48	0.19
Trade payables	50	51	50	-1					
Net working capital	170	186	166	-16					

Operating cash flow was negative at 46.0 billion yen due to the deterioration of working capital, etc. Free cash flow was negative at 75.3 billion yen when combined with negative investment cash flow.

[billions of yen]

	FY2022 1Q-3Q		FY2021 1Q-3Q		change	
Net income		45.7		49.9		-4.2
Depreciation and amortization	92.4	46.8	91.2	41.3	1.2	5.4
(Increase)decrease in trade/lease receivables		34.3		18.6		15.7
(Increase)decrease in inventories	-29.4	-81.8	-5.2	-42.7	-24.2	-39.1
Increase(decrease) in trade payables		18.1		18.9		-0.8
Payments for performance of guarantee obligation		-53.5		0.0		-53.5
Others, net		-55.5		-47.4		-8.1
Net cash provided by (used in) operating activities		-46.0		38.6		-84.6
Cash flow margin for operating activities		-5.1%		5.4%		-10.5%
Net cash provided by (used in) investing activities		-29.4		-26.0		-3.3
Free cash flows		-75.3		12.6		-87.9
Net cash provided by (used in) financing activities		94.7		-13.8		108.5

# Summary of consolidated earnings forecast

HITACHI

Reliable solutions

The consolidated income statement for FY2022 is expected to increase revenue by 20% y-y by reflecting the 3Q result.

note : < > shows previous forecast as of October 2022

[billions of yen]

	FY2022		FY2021		change	
	Forecast		Actual		amount	%
Revenue	<1,160.0>	1,230.0		1,025.0	205.0	20%
Adjusted operating income	<9.5%>	(9.8%)		(9.1%)	(0.6%)	
	<110.0>	120.0		93.5	26.5	28%
Operating income	<9.1%>	(9.6%)		(10.4%)	(-0.8%)	
	<106.0>	118.0		106.6	11.4	11%
Income before income taxes	<9.1%>	(8.2%)		(10.8%)	(-2.6%)	
	<106.0>	101.0		110.9	-9.9	-9%
Net income attributable to owners of the parent	<5.8%>	(5.0%)		(7.4%)	(-2.4%)	
	<67.0>	62.0		75.8	-13.8	-18%
EBIT	<110.4>	106.6		114.0	-7.4	

Currency	1Q-3Q Actual	4Q Forecast	Total Forecast	FY2021 Actual	change
Rate (YEN/USD)	137.0	130.0	134.9	112.6	22.3
Rate (YEN/EUR)	140.5	140.0	140.3	130.6	9.7
Rate (YEN/RMB)	19.9	19.5	19.8	17.5	2.4
Rate (YEN/AUD)	93.4	90.0	92.6	83.0	9.5
Cash dividend per share (yen) *1	to be determined			110	-

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 aim to achieve a consolidated dividend payout ratio of approx. 30% or more.



# Consolidated revenue forecast by geographic region

HITACHI

Reliable solutions

Revenue for this fiscal year is expected to increase by 20% y-y due to strong sales trends in the Americas and other regions, despite declines in Russia and China.

[billions of yen]

	FY2022 Forecast		FY2021 Actual		change	
					amount	%
Japan	221.8	18%	216.9	21%	4.9	2%
Asia	117.7	10%	86.4	8%	31.3	36%
India	67.7	6%	57.2	6%	10.5	18%
Oceania	219.2	18%	167.7	16%	51.5	31%
Europe	155.0	13%	124.2	12%	30.8	25%
N. America	263.1	21%	196.4	19%	66.7	34%
L. America	33.7	3%	22.7	2%	10.9	48%
Russia-CIS	36.1	3%	38.6	4%	-2.5	-7%
M. East	24.1	2%	19.2	2%	4.9	26%
Africa	52.8	4%	43.5	4%	9.3	22%
China	38.8	3%	52.1	5%	-13.3	-26%
Total	1,230.0	100%	1,025.0	100%	205.0	20%
Overseas ratio	82%		79%			

# Mining revenue forecast

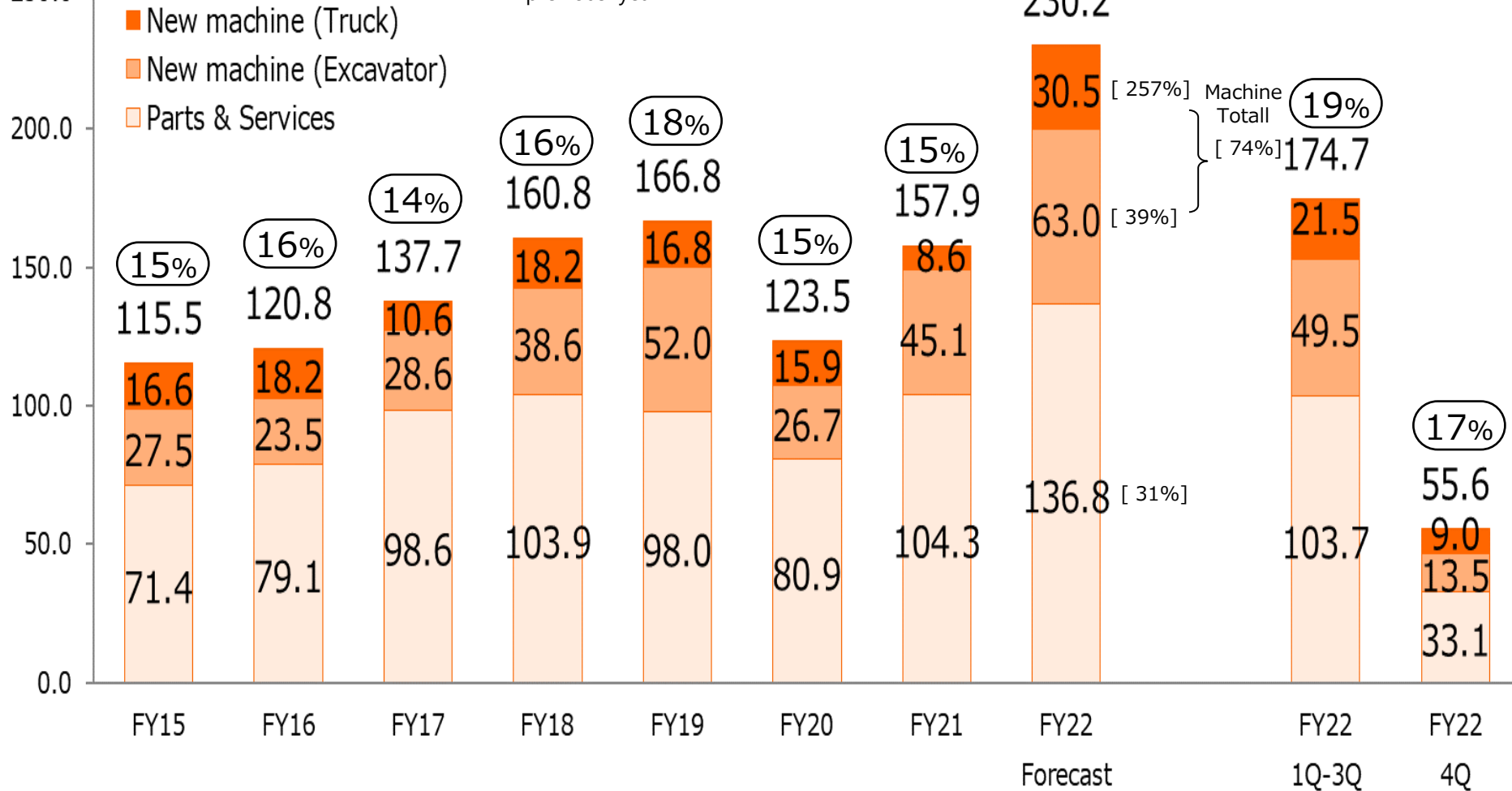
HITACHI

Reliable solutions

Revenue of mining in this fiscal year is expected to increase by 46% to 230.2 billion yen y-y.

[billions of yen]

(%) shows sales ratio against total company sales  
[%] shows changed ratio from the same period of previous year

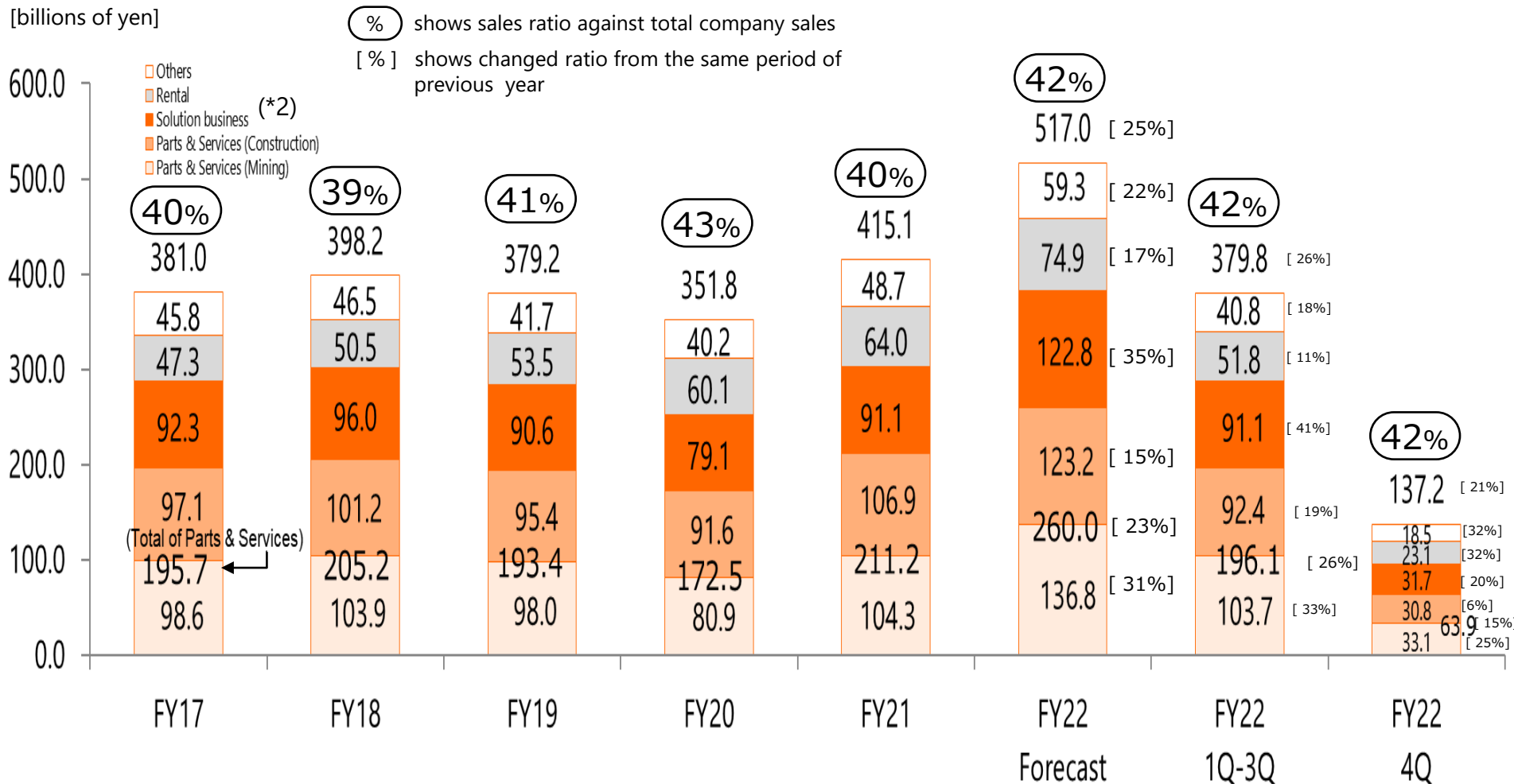


# Value chain\*1 revenue forecast

HITACHI

Reliable solutions

Revenue of the value chain in this fiscal year is expected to increase by 25% to 517 billion yen y-y.



(\*1) Value chain: Total of Parts & services, Solution business, Rental etc. other than new machine sales.

(\*2) Solution 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.

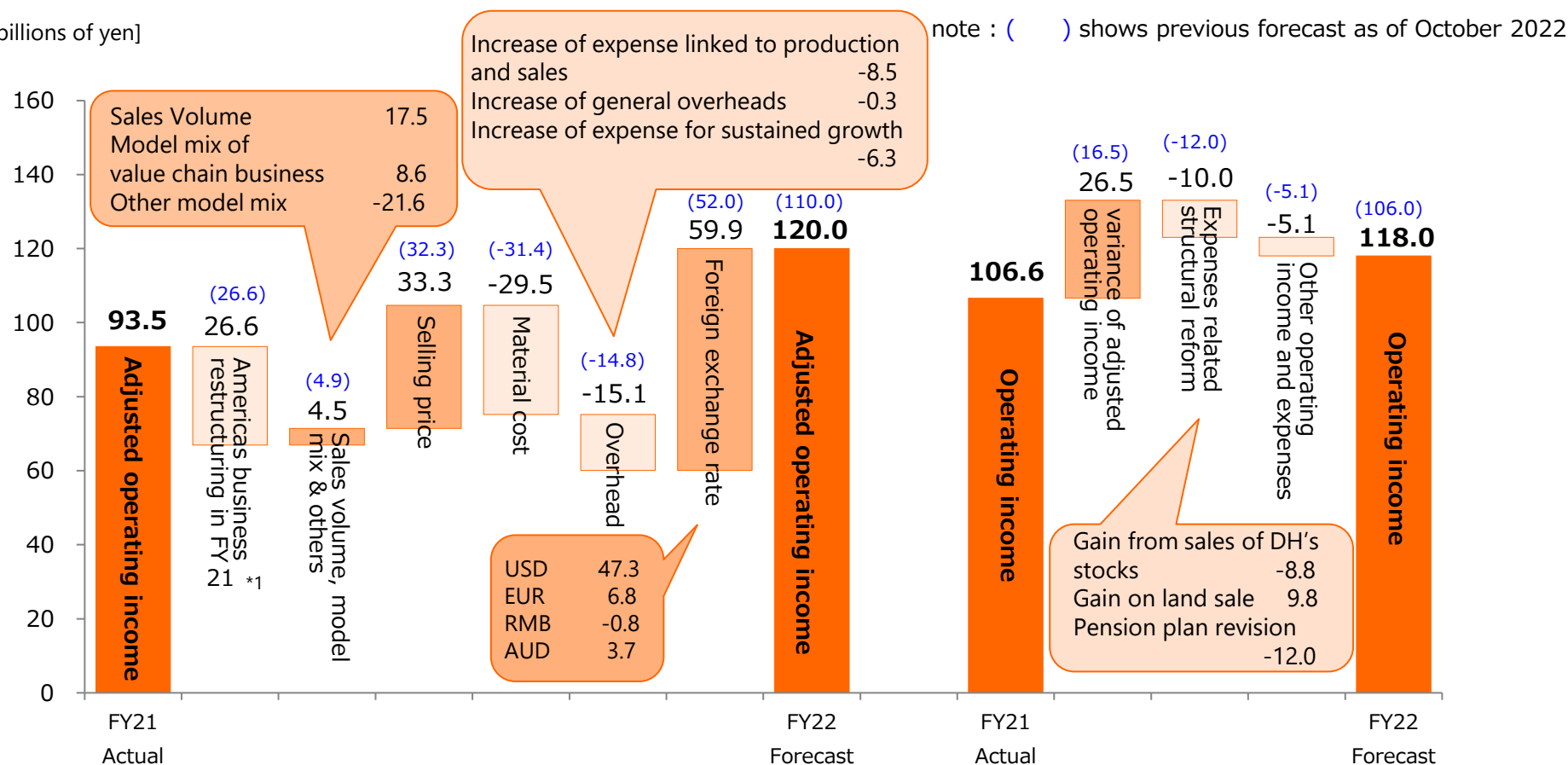
# Comparison of consolidated income forecast

HITACHI

Reliable solutions

Adjusted operating income increased by 26.5 billion yen y-y due to selling price increase and the currency impact despite the absence of profit from Americas business restructuring in the previous year.

[billions of yen]



\*1 Price adjustment and profit-sharing

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

## FX rate and FX sensitivity

[billions of yen]

Currency	FX rate				FX sensitivity (4Q)		
	FY22			FY21 Actual	Condition	Revenue	Adjusted operating income
	1Q-3Q Actual	4Q Forecast	Total Forecast				
USD	137.0	130.0	134.9	112.6	Impact by 1 yen depreciation	0.8	0.5
EUR	140.5	140.0	140.3	130.6	Impact by 1 yen depreciation	0.3	0.2
RMB	19.9	19.5	19.8	17.5	Impact by 0.1 yen depreciation	0.0	0.1
AUD	93.4	90.0	92.6	83.0	Impact by 1 yen depreciation	0.6	0.1

## Appendix 2: Detail of mining revenue

HITACHI

Reliable solutions

[billions of yen]

		FY22 Forecast			FY21 Actual			Change		
		1-3Q	4Q	Year	1-3Q	4Q	Year	1-3Q	4Q	Year
America	Excavator	20.9	8.0	28.9	13.1	6.3	19.5	13.1	6.3	19.5
	Dump Truck	3.2	0.9	4.1	1.2	0.2	1.5	1.2	0.2	1.5
	Total	24.2	8.9	33.0	14.4	6.6	21.0	14.4	6.6	21.0
Europe, Africa and Middle East	Excavator	26.9	5.8	32.7	8.9	-3.6	5.3	8.9	-3.6	5.3
	Dump Truck	17.1	5.5	22.6	4.5	0.3	4.8	4.5	0.3	4.8
	Total	44.0	11.4	55.4	13.4	-3.4	10.1	13.4	-3.4	10.1
Asia & Oceania	Excavator	72.3	23.0	95.3	19.5	0.2	19.7	19.5	0.2	19.7
	Dump Truck	32.7	12.0	44.7	14.8	6.9	21.7	14.8	6.9	21.7
	Total	105.0	35.1	140.0	34.3	7.1	41.4	34.3	7.1	41.4
China	Excavator	0.6	0.1	0.8	0.1	0.0	0.2	0.1	0.0	0.2
	Dump Truck	0.1	0.1	0.2	0.0	0.1	0.1	0.0	0.1	0.1
	Total	0.7	0.2	0.9	0.2	0.1	0.3	0.2	0.1	0.3
Japan	Excavator	0.8	0.1	0.9	-0.1	-0.3	-0.4	-0.1	-0.3	-0.4
	Dump Truck	0.0	0.0	0.0	0.0	-0.0	0.0	0.0	-0.0	0.0
	Total	0.8	0.1	0.9	-0.1	-0.3	-0.4	-0.1	-0.3	-0.4
Total	Excavator	121.5	37.0	158.6	41.6	2.7	44.2	41.6	2.7	44.2
	Dump Truck	53.2	18.5	71.7	20.6	7.5	28.1	20.6	7.5	28.1
	Total	174.7	55.6	230.2	62.1	10.2	72.3	62.1	10.2	72.3

The amortizations of PPA are included in the adjusted operating income of the solution business : 0.9 billion yen in FY2022 1Q-3Q, and 1.2 billion yen in the forecast for FY2022.

[billions of yen]

FY2022 1Q-3Q Actual	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	811.6	95.6	-4.5	902.7
Adjusted operating income	9.8% 79.6	8.0% 7.6	-	9.7% 87.2

[billions of yen]

FY2022 Forecast	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	1,107.2	127.3	-4.5	1,230.0
Adjusted operating income	9.8% 108.4	9.1% 11.6	-	9.8% 120.0

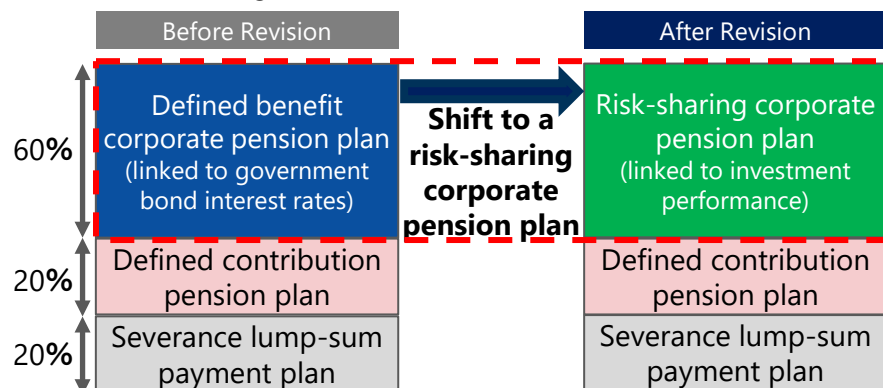
\*1: Adjustments represent eliminations of intersegment transactions and amounts of companies that do not belong to any operation segment.

# Appendix 4: Shift to a Risk-Sharing Corporate Pension Plan (Scheduled to be implemented on March 1, 2023)

## 1. Purpose of Pension Plan Revision (Shift to a Risk-Sharing Corporate Pension Plan)

To improve benefit levels while ensuring the sustainability of the system amid concerns that benefit levels will decline due to the continuing low-interest-rate environment

## 2. Summary of Pension Plan Revision



- Change in benefit amount from “Government bond interest rates-linked” to “Investment performance-linked”. This change increases employee benefits and the likelihood of contributing to the improvement of human capital.
- Shift from a defined benefit corporate pension plan to a risk-sharing corporate pension plan. This shift eliminates management risk due to unexpected increase in contribution burden and realizes a pension plan that is sustainable over the medium to long term.

## 3. Impact of Pension Plan Revision on Business Performance

- Since risk-sharing corporate pension plans are classified as defined contribution plans, the difference between the retirement benefit obligations related to the portion transferred to the revised plan and the amount of assets transferred to the revised plan corresponding to the decrease in retirement benefit obligations at the time of transition, ¥12 billion, is expected to be recognized as a settlement loss (expected to be recognized in financial results in 4Q FY22). There are no cash outflows due to this plan revision.
- The Company’s policy is not to take the above-mentioned temporary loss into account for the purpose of calculating the consolidated dividend payout ratio, since it will be a one-time treatment under the revised plan.
- The impact on consolidated results from FY23 onward is expected to be negligible, although there will be a risk reserve contribution.



**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.**



## 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

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# END

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