

## Corporate Vision FY2023-1Q

Public Relations & Investor Relations Dept.  
Corporate Brand & Communications Group

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

**1**

## **Company Outline**

**2**

## **Medium-term Management Plan BUILDING THE FUTURE 2025**

**3**

## **Explanatory Meeting Material for Business Results for the First Quarter ended June 30, 2023**

<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>	79 companies (Japan 7, Overseas 72) 23 companies (Japan 3, Overseas 20)
<b>Number of Employees</b>	Consolidated : 25,430 Non-Consolidated : 5,621

(As of March 31, 2023)



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

**President and  
Executive Officer, COO  
Masafumi Senzaki**

- 1950** ● Developed cable-operated shovel and started the mass production of construction machinery.
- 1965** ● Developed the first hydraulic excavator in Japan made purely with domestic technologies.
- 1970** ● **Separated from Hitachi, Ltd.  
Established Hitachi Construction Machinery Co., Ltd.** } **First Start-up**
- 1973** ● Launched the largest Japanese-made hydraulic excavator (at the time) equipped with a proprietary technology.
- 1988** ● Started a joint venture with Deere & Company in the Americas. Launched of wheel loaders.
- 2000** ● Launched the world's first hydraulic excavator equipped with satellite communication function.
- 2008** ● Launched one of the largest Japanese-made rigid dump trucks(at the time) which employed an AC drive system driven.
- 2013** ● Launched service solution ConSite
- 2016** ● Made H-E Parts International LLC(U.S.A.), a provider of comprehensive solutions for mining machinery, a consolidated subsidiary.
- 2017** ● Made Bradken Pty.Ltd. (Australia), a manufacturer of parts for mining machinery, a consolidated subsidiary.



2022  
Mar

**Started full-scale independent business development in the Americas**

Dissolution of joint venture with Deere & Company

Aug

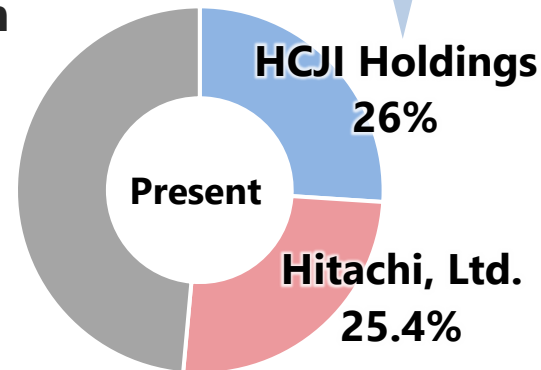
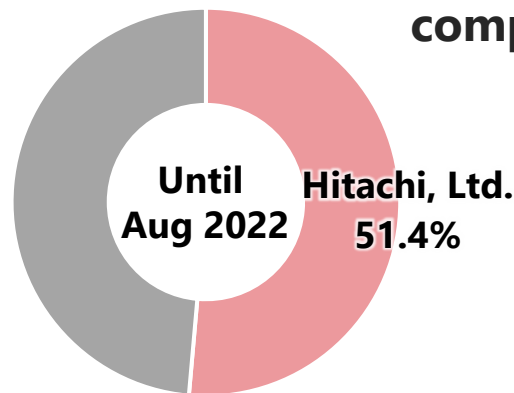
**Independence from Hitachi Group**

Approximately half of the Company's shares held by Hitachi, Ltd. are sold to Japan Industrial Partners and ITOCHU Corporation

**Second Start-up**

## Independence from Hitachi Group

### Change in shareholder composition



Japan Industrial Partners and ITOCHU Corporation to make a 50-50 investment

### Details

- ✓ Continued use of Hitachi brand
- ✓ Continued collaboration with Hitachi Group in R&D and parts trading, including IoT
- ✓ Working with new partners in North America and various other areas

## Construction / Mining Machinery

### Compact



### Construction



### Mining



## Value Chain Business

... Businesses other than new machinery sales

### Parts & Services



Providing service solutions utilizing ConSite

### Rental / Used Equipment



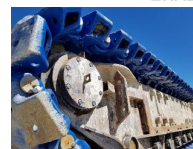
Providing quality rental and used equipment

### Remanufacturing (Parts & machines)



Utilizing existing resources to meet customer needs

### Specialized Parts & Service Business



Manufacturing and sale of consumable parts for mining machinery



After-sales service business for mining machinery

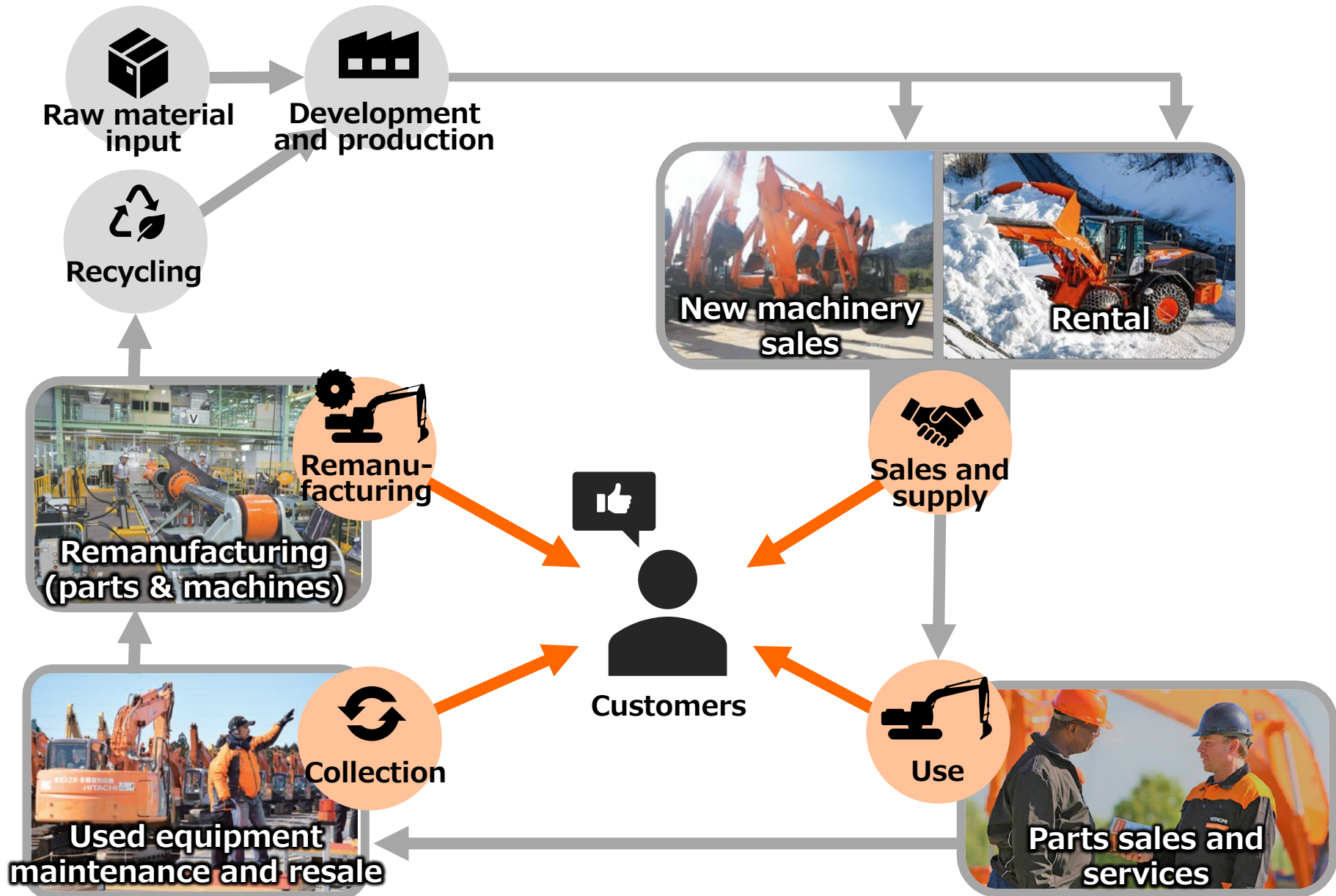


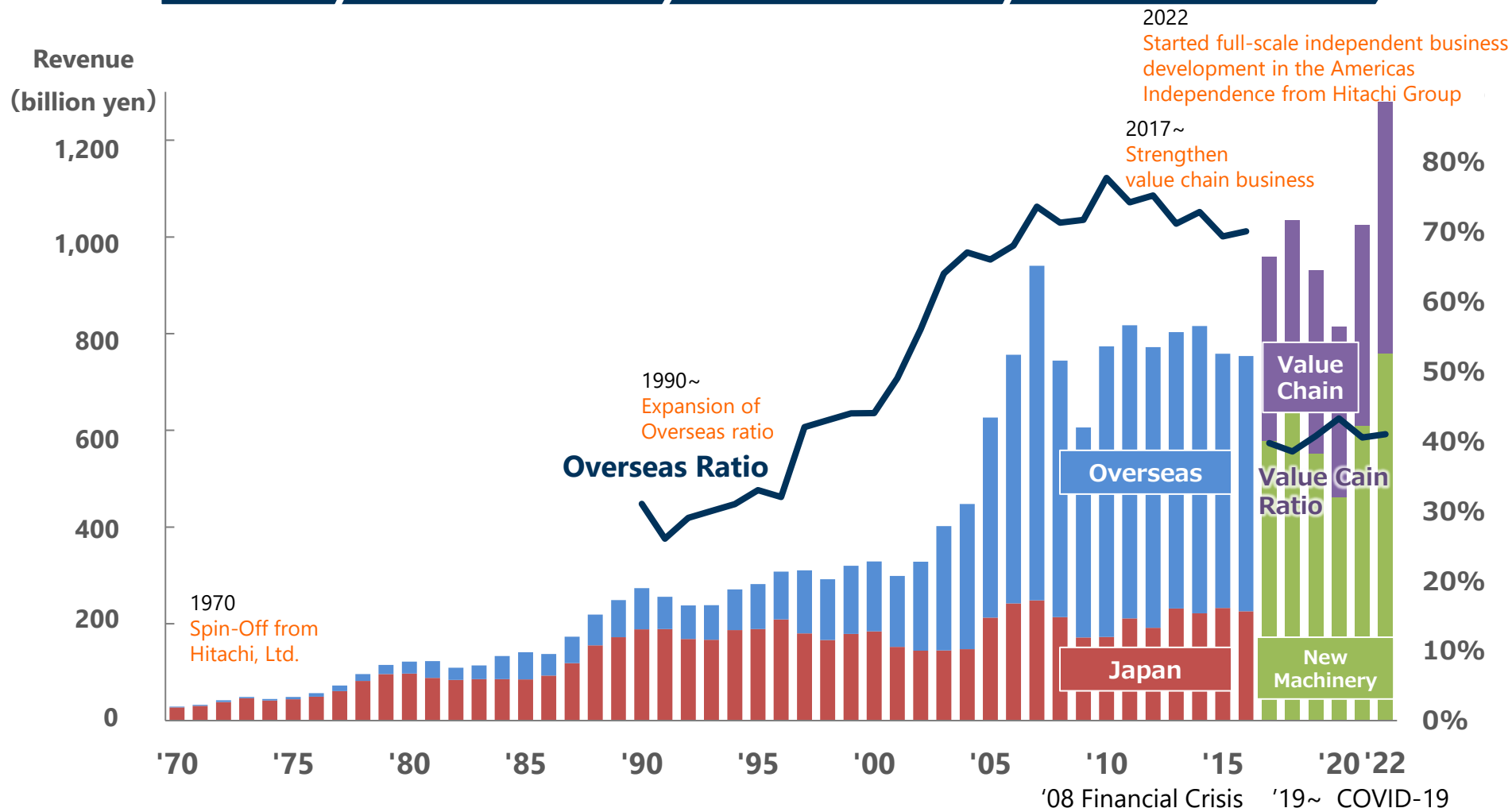


# Providing a "Value Chain" at various contacts with customers

HITACHI

Reliable Solutions



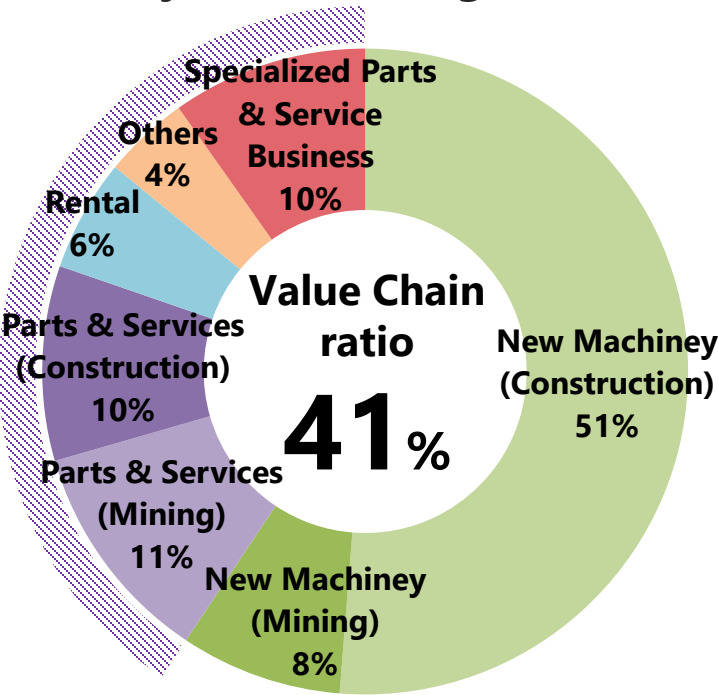


\* Value chain: Businesses other than new machinery sales, such as parts and service, specialized parts & service business, rental, and used equipment



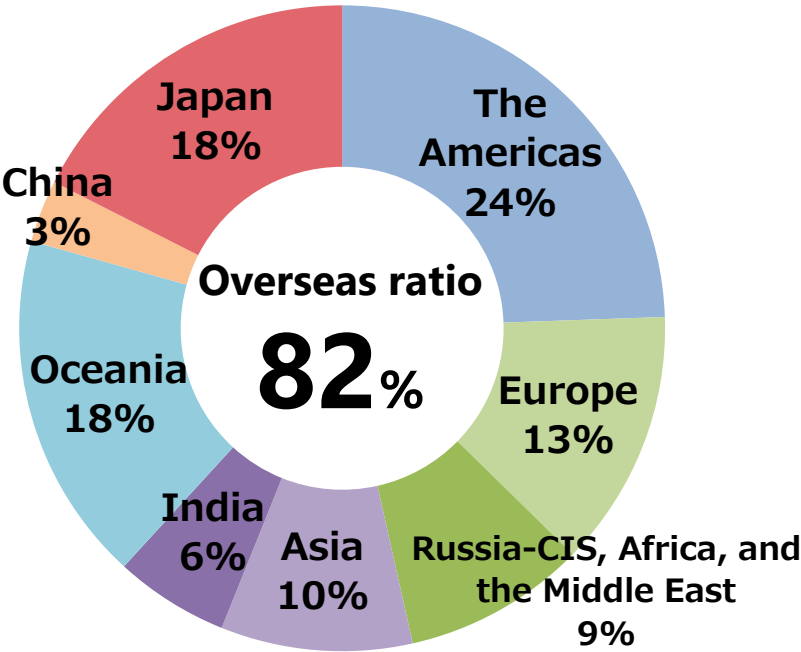
Revenue in FY2022: 1,279.5 billion yen

Revenue ratio  
by Business Segment



 **Value Chain ratio**

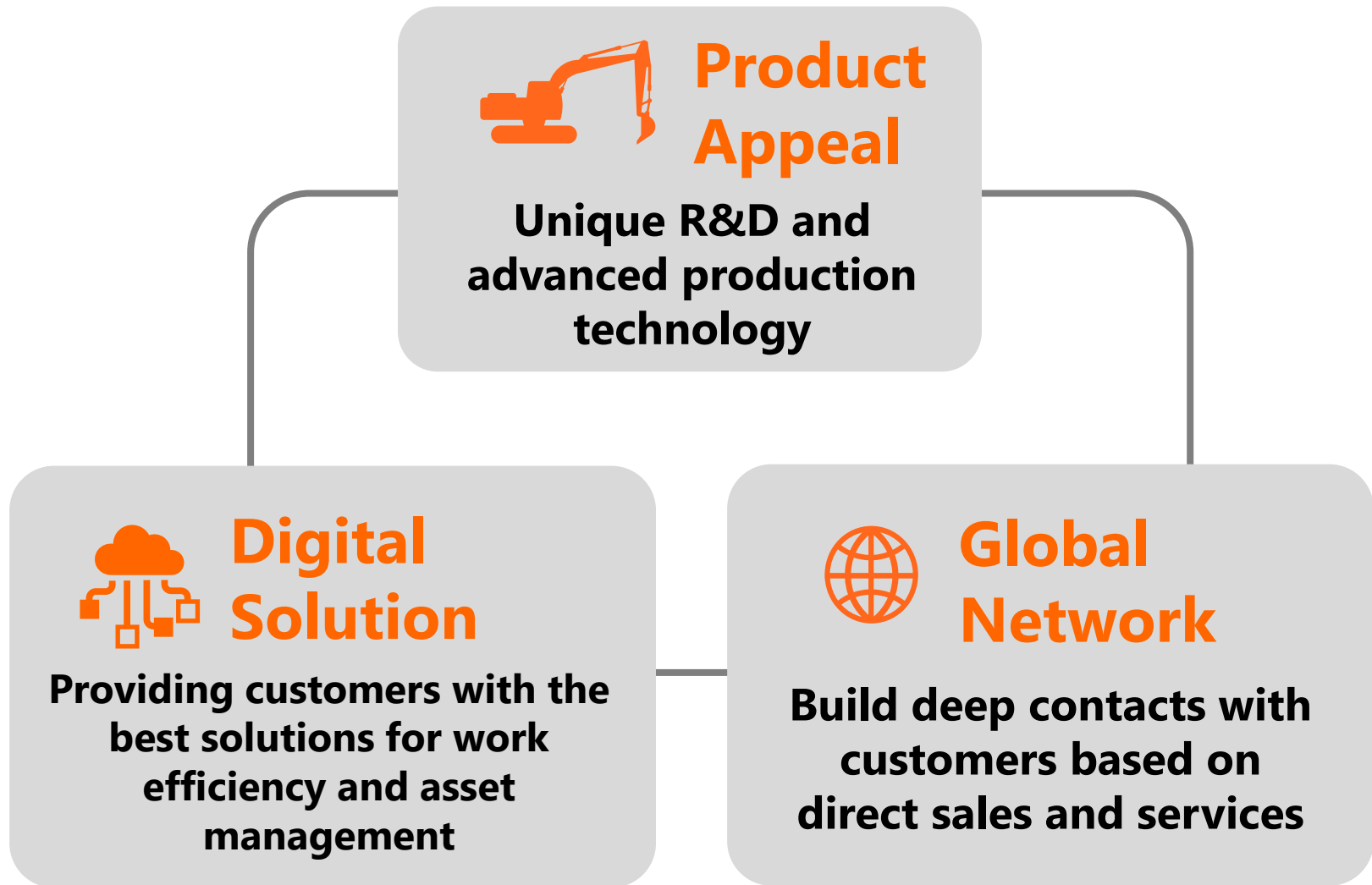
Revenue ratio  
by Region



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

\*Remanufacturing of parts and bodies



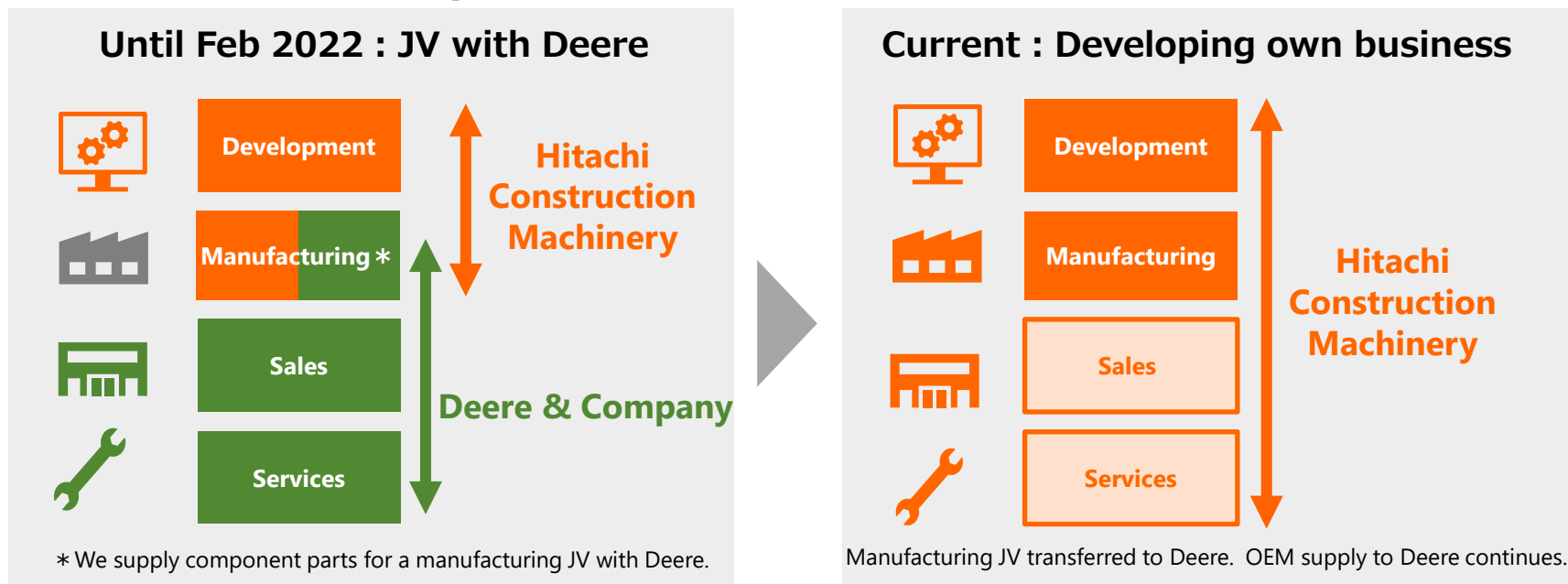


# (Appendix-1) Reestablishment of the Americas' business

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Reliable Solutions

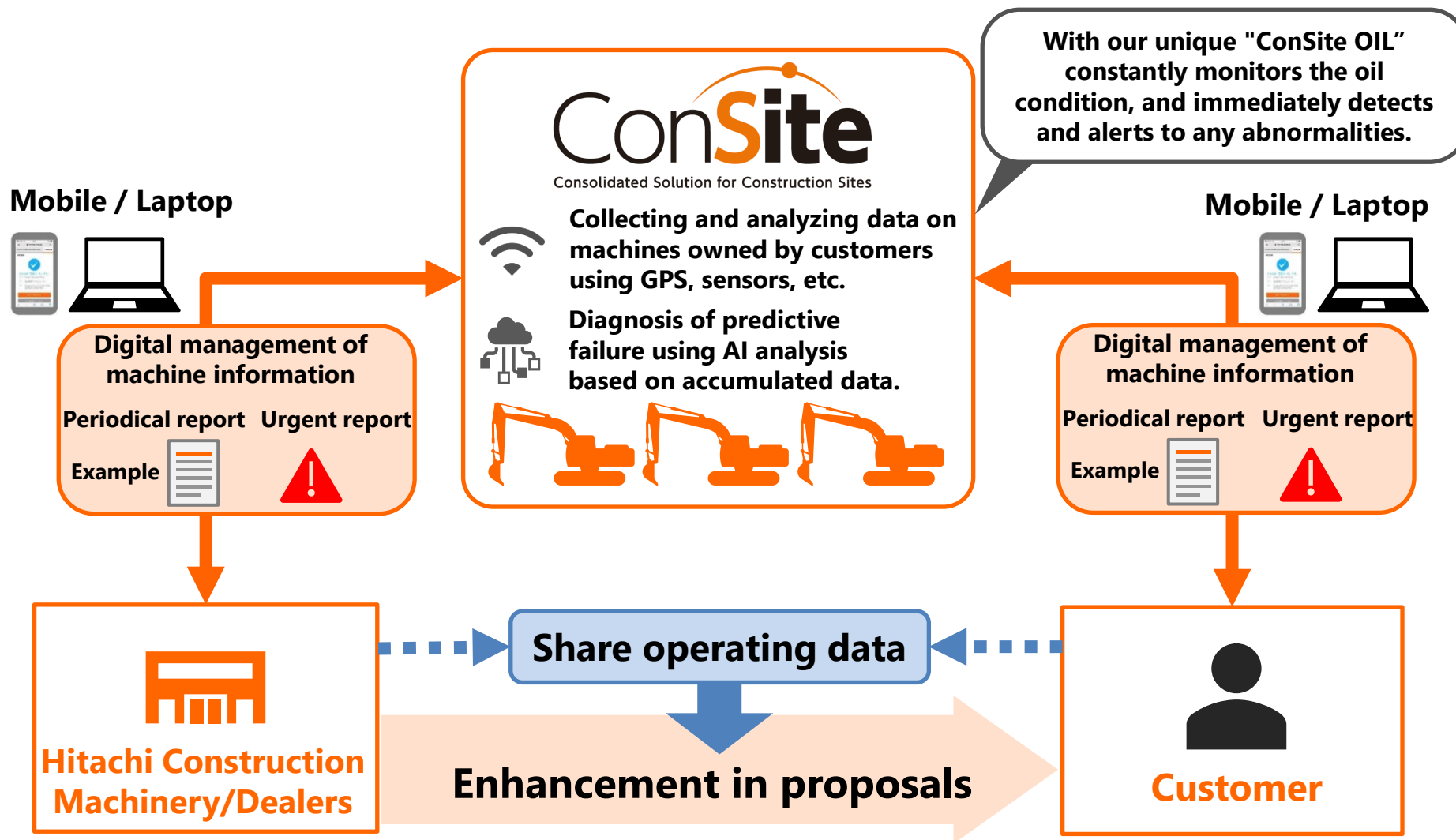
**Dissolution of JV with Deere & Company, a major U.S. agricultural machinery manufacturer. Shifting to a business structure that integrates all processes from development to sales and services on its own**



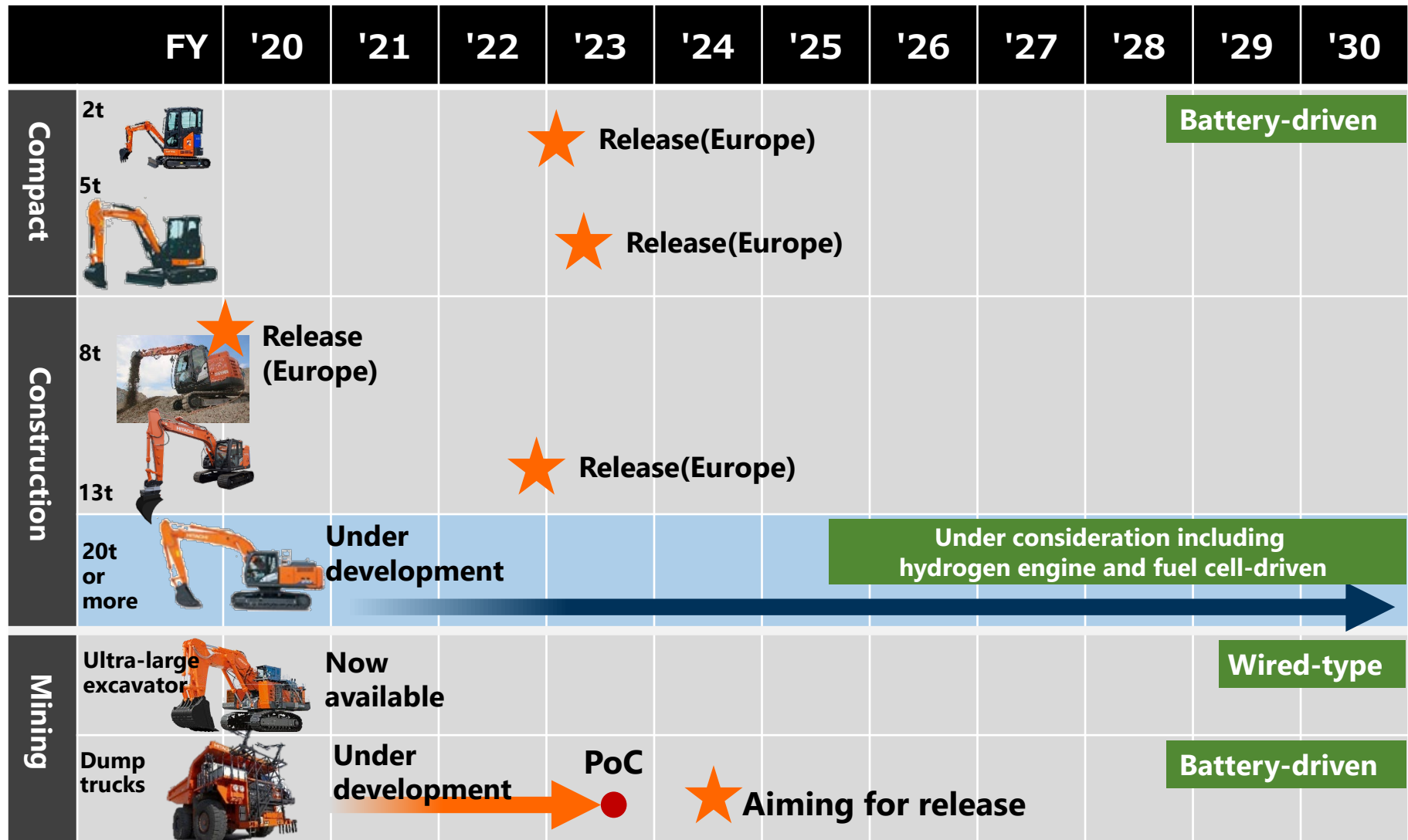
## Expanding Opportunities through developing own business

- Introduce the latest machine equipped with the new hydraulic system and ConSite
- Full-scale development of the value chain business
- Strengthen the mining business, for which after-sales service is important.

## Expanding revenue of parts and services by utilizing ConSite



## Expand lineup and accelerate development speed through open innovation

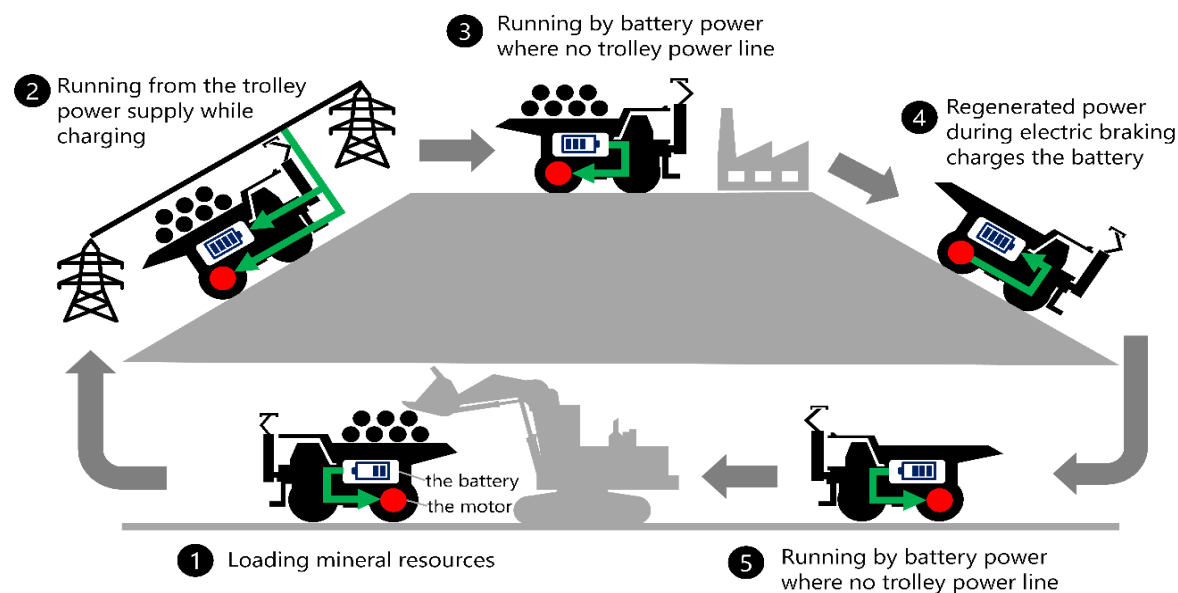




## Beginning Joint Development of a Fully Electric Dump Truck with ABB

**2023: Scheduled to begin PoC at customer's mine**

**2024: Aiming for launch**



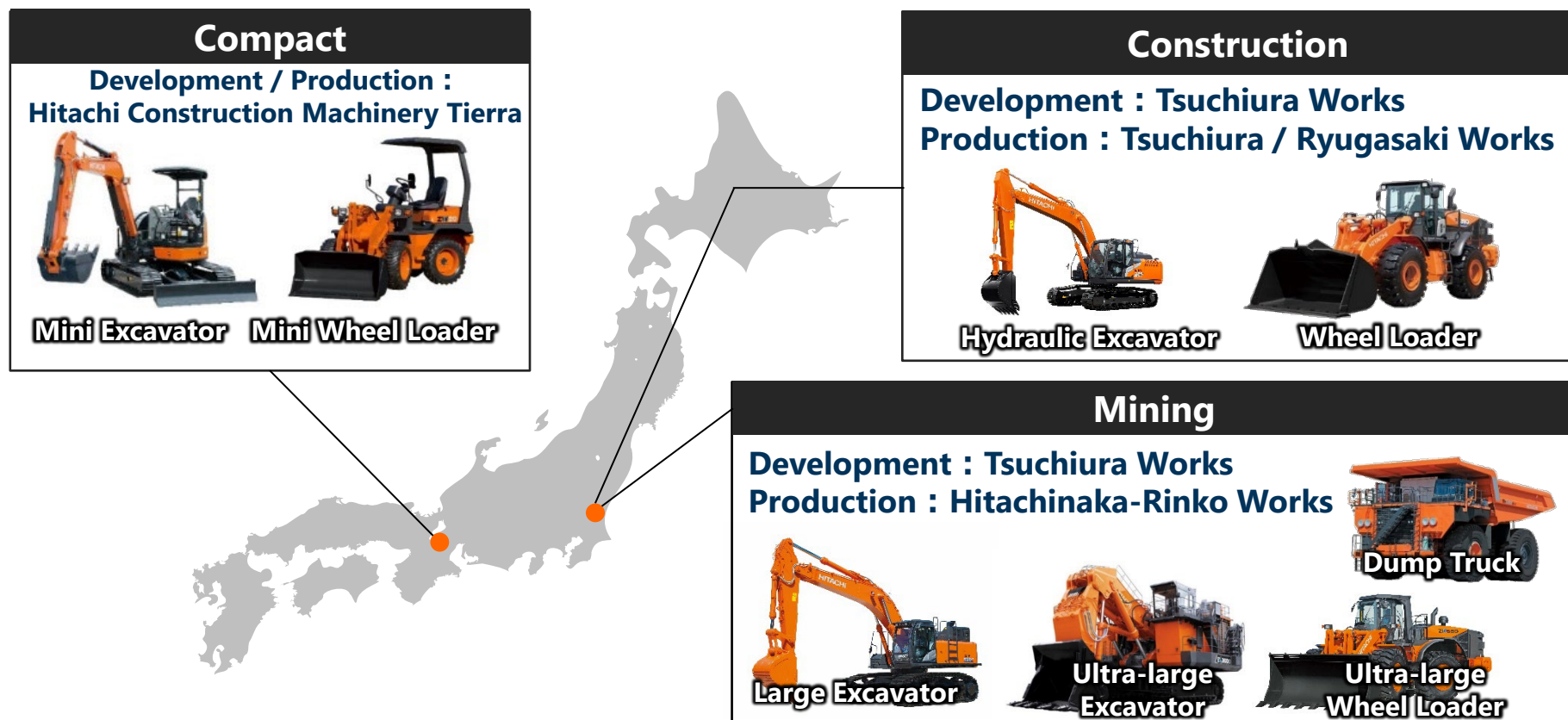
**Rigid dump truck model with trolley**



**Digital Mining promoted by ABB**

## Phased reorganization of development and production bases starting in FY2018 Scheduled to be completed in FY2027

Major development and production bases of complete machinery after reorganization



Consolidation of development and production bases into three business areas

Shift to customer orientation and improvement of production efficiency

**1**

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## **Medium-term Management Plan BUILDING THE FUTURE 2025**

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## Explanatory Meeting Material for Business Results for the First Quarter ended June 30, 2023

- 1. Business Environment**
- 2. Group Identity of Hitachi Construction Machinery**
- 3. Core Strategy of the Medium-term Management Plan**
  - 1) Delivering Innovative Solutions for Customer Needs**
  - 2) Enhancing Value Chain Business**
  - 3) Expanding Business in the Americas**
  - 4) Strengthening Human Capital and Corporate Capabilities**
- 4. Toward the Realization of a Sustainable Society**
  - 1) Initiatives toward Carbon Neutrality**
  - 2) Initiatives of the Circular Economy**
- 5. Targets of the Medium-term Management Plan**

## Changes in the social, technological, and economic environment

- Aging and a shortage of workers in secondary industry
- Broadly defined software, shift to utilization value, and progress in digital technology
- Acceleration of economic transformation to realize a sustainable global environment
- Emergence of geopolitical risks

## Changes in the competitive environment

- Accelerating development of decarbonization technologies including electrification in developed countries and mining markets
- Firm establishment of conversion of customer needs "from hardware products to solutions"
- Rise of Chinese manufacturers in emerging countries
- Competition or cooperation with other industries with digitization

## Capital structure changes

- **Hitachi, Ltd.** — Collaborative creation with the Hitachi Group in various R&D fields to accelerate environmental responses and the circular economy
- **ITOCHU Corporation** — Acceleration of business expanding in North America and promotion of business
- **Japan Industrial Partners, Inc.** — Strengthening of the medium- to long-term management foundation and enhancement of corporate capabilities

**Hitachi Construction Machinery is entering a new phase of growth with various changes**

# Formulating our own group identity in response to business environmental changes

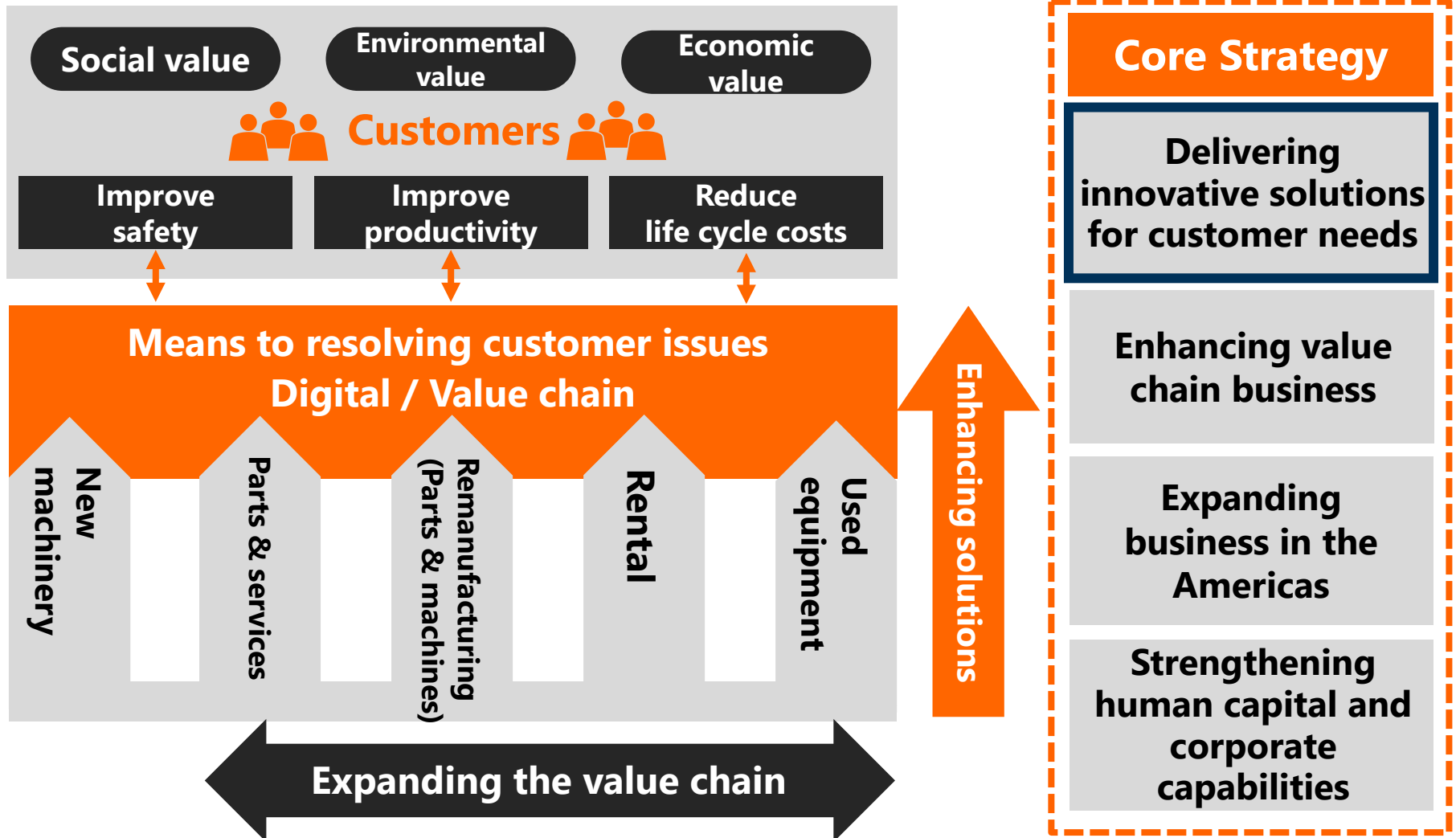
**Reliable Solutions** We are a reliable solutions partner with/for our customers





### 3. Core Strategy of the Medium-term Management Plan

**Growing as a true solutions provider  
by delivering innovative solutions**



### 3. 1) Delivering Innovative Solutions for Customer Needs Compact and Construction Business

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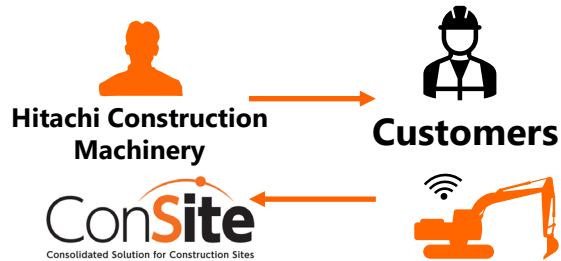
**Customers' issues have never changed.  
However, the solutions are getting more and more complicated.**

**Stable machine operations and  
preventive maintenance**

**Aging of operators and  
a shortage of workers**

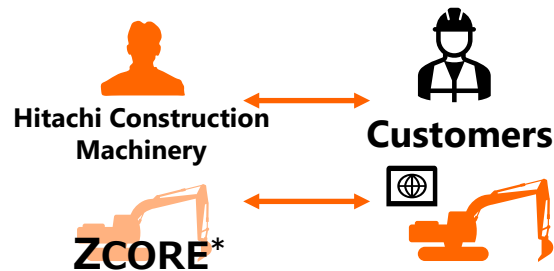
**Comprehensive efficiency of people  
(operators), things (machines), and work  
(construction) & environmental response**

**Expansion of  
Solution 1.0**



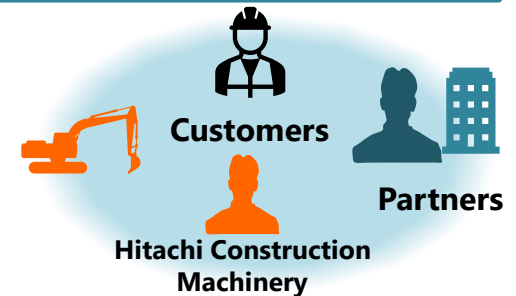
New ConSite applications

**Enhancement of  
Solution 2.0**

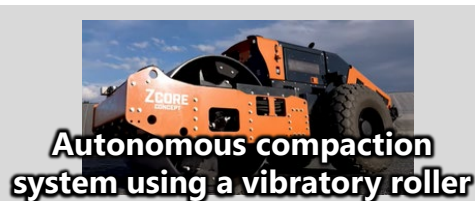


Cooperative safety and advanced  
autonomous operation

**Challenge to  
Solution 3.0**



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



**Delivering solutions for customer issues through product evolution,  
various data collaboration and digital utilization**

\*ZCORE: Machine control platform for digital and connected features

# 3. 1) Delivering Innovative Solutions for Customer Needs Mining Business

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Visualization of the operation and realization of optimal procurement

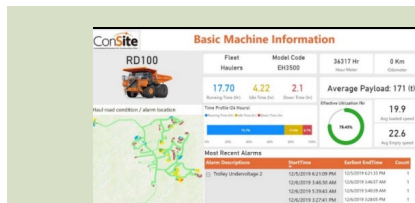
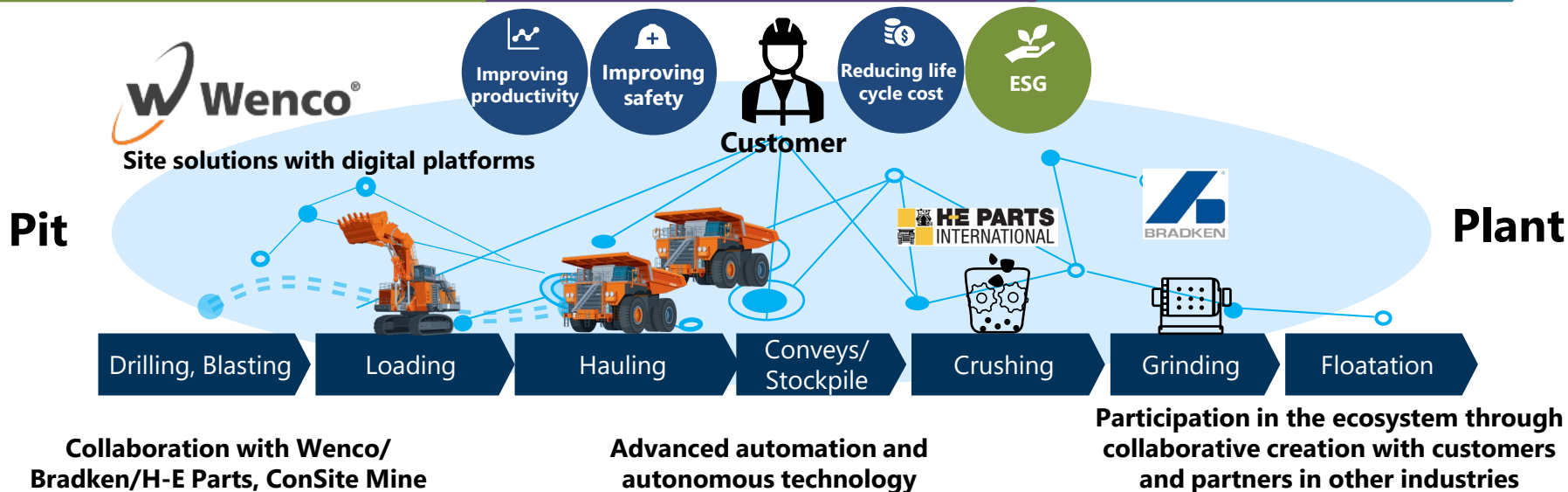
Further improvement of safety & productivity and reduction of LCC\* & environmental impact

Maximization of social value and corporate value by resolving customer issues

Expansion of Solution 1.0

Enhancement of Solution 2.0

Challenge to Solution 3.0



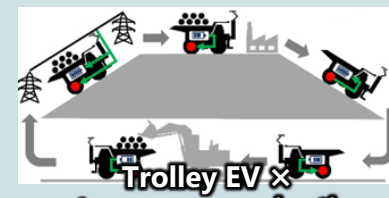
ConSite Mine



AHS



Remote/automatic excavation (UES)



Trolley EV X autonomous navigation

Delivering solutions for customer needs by data collaboration with a variety of touchpoints from pit to plant and product evolution using digital means

\*LCC: Life cycle cost

## 3. 2) Enhancing Value Chain Business

### Expanding value chain business by further strengthening our solutions and proposal capabilities to meet customer expectations

#### Parts and services business

- Proposing solutions for extension of machine service life, maximization of operating time, and improvement of working efficiency by utilizing ConSite to monitor every single machine in the world.
- Offering service parts with quality and price that meet customer needs by enhancement of the lineup
- Expansion of remanufacturing capacity and establishment of a global optimum production system
- Carrying out the machine remanufacturing business on a full scale

#### Mining business/ Cooperation with Bradken and H-E Parts

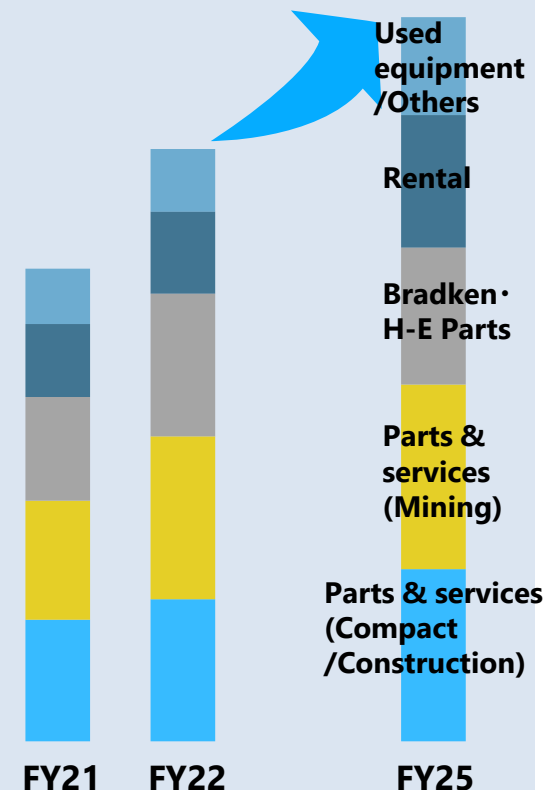
- Further strengthening of mining value chain business from pit to plant (consumable parts, etc.)
- Promoting a global expansion of high-profit businesses (remanufacturing business for mining machinery, consumable parts business in the mineral processing area, etc.)

#### Rental and used equipment business

- Expanding overseas rental business suit to different market environment
- Promoting sales strategies for high-value-added used equipment
- Increasing used equipment value by PREMIUM USED/ REFURBISHED USED

### Planned revenue of value chain business

Value chain ratio  
50% or more



### 3. 3) Expanding Business in the Americas

## Expanding business and stabilizing revenue Contributing to global growth

### Compact & construction business

- Establishing an own sales network in Central & South America
- Diversifying sales channels
- Enhancing finance business

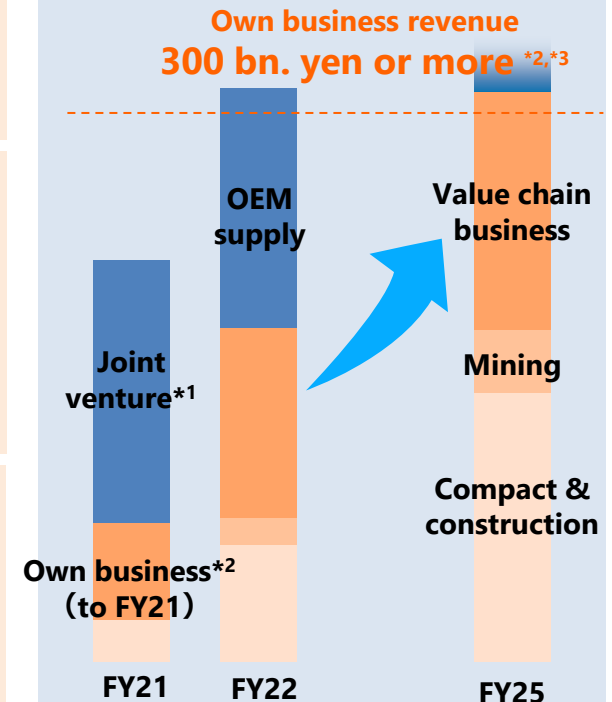
### Mining business

- Expanding sales of ultra-large excavators for construction and quarry sites in addition to mining sites
- Enhancing support systems in South America
- Strengthening the dump truck support system

### Value chain business

- Building an operational base for parts remanufacturing
- Expanding rental business
- Selling young, good-quality used equipment from Japan

### Planned revenue in the Americas



\*1: Joint venture business involves supplying components and completed products, and consigning sales and services to Deere & Co., and receiving profit share.

\*2: Own business up to FY2021 consisted solely of the wheel loader business and what came from consolidated subsidiaries.

\*3: The investment policy of the Americas business is to be up to 100 billion yen, evaluating where to invest heavily while looking at the business environment.

### Strengthening our business structure globally, all the way from R&D to production, supply, sales, and services

#### Human capital · Organization · Culture

- Providing education and opportunities for human capital to play an active role globally
- Sophistication of global performance management through the business unit system
- A culture that accomplishes initiatives through the management system for the business plan

#### R&D system

- Global collaboration and strengthening of open innovation
- Transforming the corporate culture through agile development
- Responding to paradigm shifts in construction machinery

#### Revenue structure

- Continuing to promote total cost reduction activities in all divisions through the business unit system
- Improving profitability by increasing production efficiency in domestic business restructuring
- Strengthening the global supply system for products and service parts
- Increasing efficiency by leveraging DX and deploying the rental and used equipment management system globally
- Strengthening indirect cost controls to respond quickly to market changes

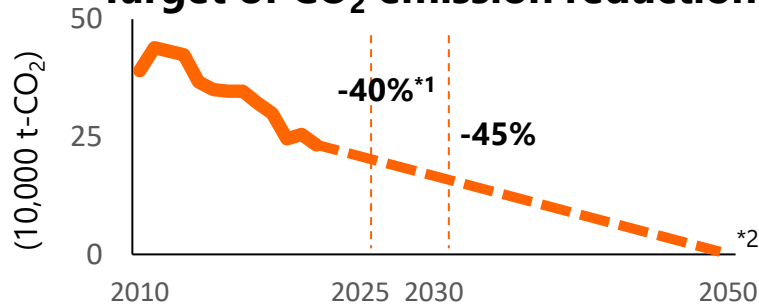


# 4. 1) Initiatives toward Carbon Neutrality

## Strengthening efforts to realize the 1.5°C scenario and achieving carbon neutrality by 2050

### Production (Scope 1+2)

#### Target of CO<sub>2</sub> emission reduction



\*1: Compared to FY2010

\*2: Graph image is for illustrative purposes only; actual results through FY2022

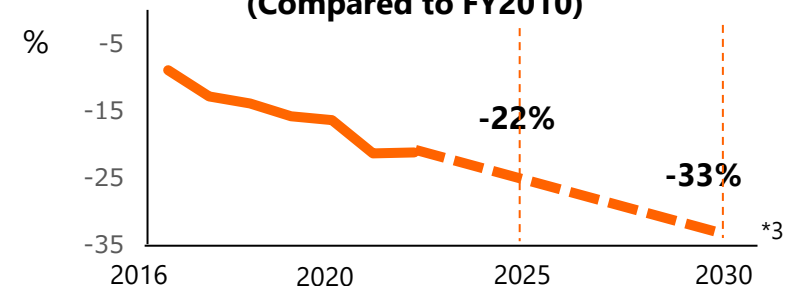
- Increasing productivity/ Introduction of energy-saving equipment
- Developing thorough energy-saving and CO<sub>2</sub> reduction activities
- Active use of renewable energy



Utilizing wind power and solar power

### Products (Scope 3)

#### Target of CO<sub>2</sub> reduction ratio (Compared to FY2010)



\*3: Graph image is for illustrative purposes only; actual results through FY2022

- Expansion of decarbonized products (such as electric construction machines)
- Providing ICT and IoT solutions
- Expansion of used equipment and remanufacturing businesses



Electrified products

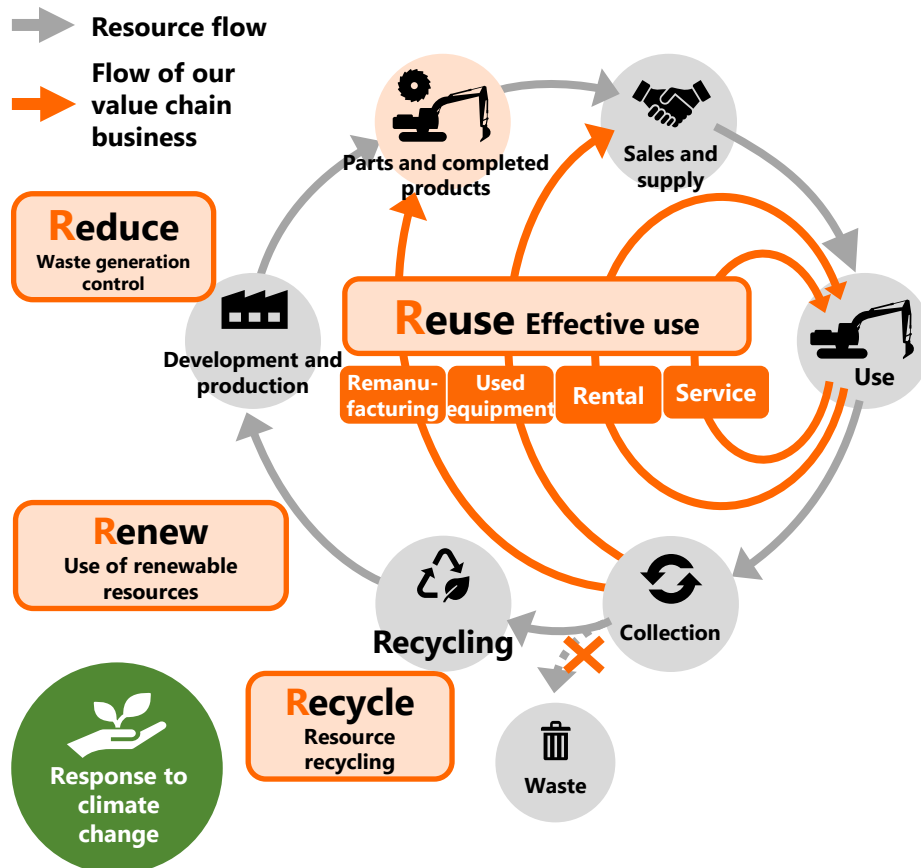


Remanufacturing business

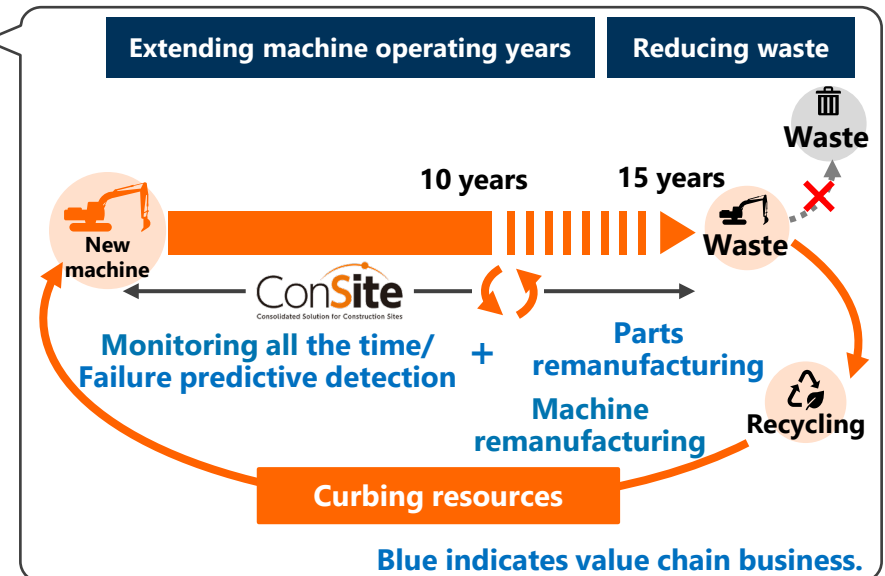
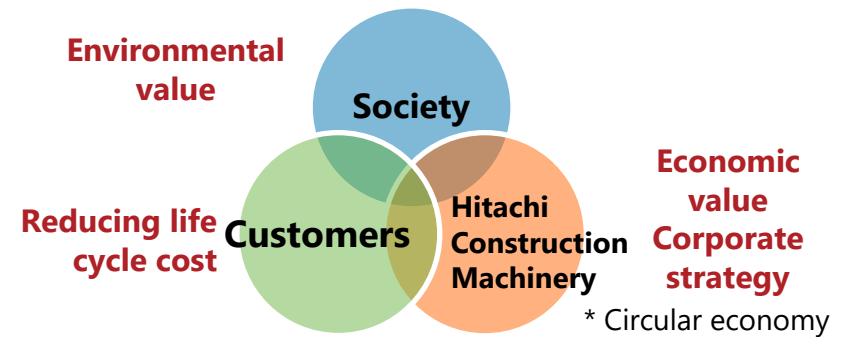
## 4. 2) Initiatives of the Circular Economy

Expanding value chain business to extend our product life cycle one and a half fold, and then maximizing customer value and minimizing resource consumption

Undertaking the 4Rs across the entire company



Significance of our initiatives for CE\*



# 5. Targets of the Medium-term Management Plan

KPI			Medium-term Management Plan FY2025 targets	Reference FY2022 results
Growth	• Value chain ratio		50% or more	40.6%
	• Own business revenue in the Americas		300.0 billion yen or more	182.0 billion yen
	• R&D/Revenue ratio		3% or more	1.9%
Profitability	• Adjusted operating income ratio		13% or more	10.6%
	• EBITDA margin <sup>*1</sup>		18% or more	14.2%
Safety	• Net D/E ratio		0.40 or less	0.60
Efficiency	• Operating cash flow margin <sup>*1</sup>		10% or more	-2.0%
	• ROE		13% or more	11.0%
	• ROIC <sup>*1*3</sup>		9% or more	8.4%
Shareholder return <sup>*2</sup>	• Consolidated dividend payout ratio		Stable and continuous implementation with a consolidated dividend payout ratio of 30%-40% as a guide	33.3%
ESG	• Reducing environmental impact and CO <sub>2</sub> (total)	Production (Scope 1+2)	-40% VS. FY2010	Scheduled to be published in “Integrated Report 2023”
		Product (Scope 3)	-22% VS. FY2010	
	• Diversity, equity & inclusion	• Localization ratio of GM or higher in overseas group companies <sup>*1</sup>	75%	72% <sup>*4</sup>
		• Ratio of managers by gender (consolidated) <sup>*1</sup>	Women 13% Men 15%	Women 10.4% <sup>*5</sup> Men 14.9%

\*1: Newly established indicators in this medium-term management plan

\*2: We aim to allocate one-third of operating cash flow to maintenance and strengthening investment, prior investment, and shareholder return & debt payment respectively, based on our fund allocation policy.

\*3: The level of capital cost (WACC) to be compared in the ROIC target is recognized at about 7%.

\*4: As of August 2022

\*5: As of June 2022

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## Explanatory Meeting Material for Business Results for the First Quarter ended June 30, 2023

## 1. Regional Market Environments and Projections

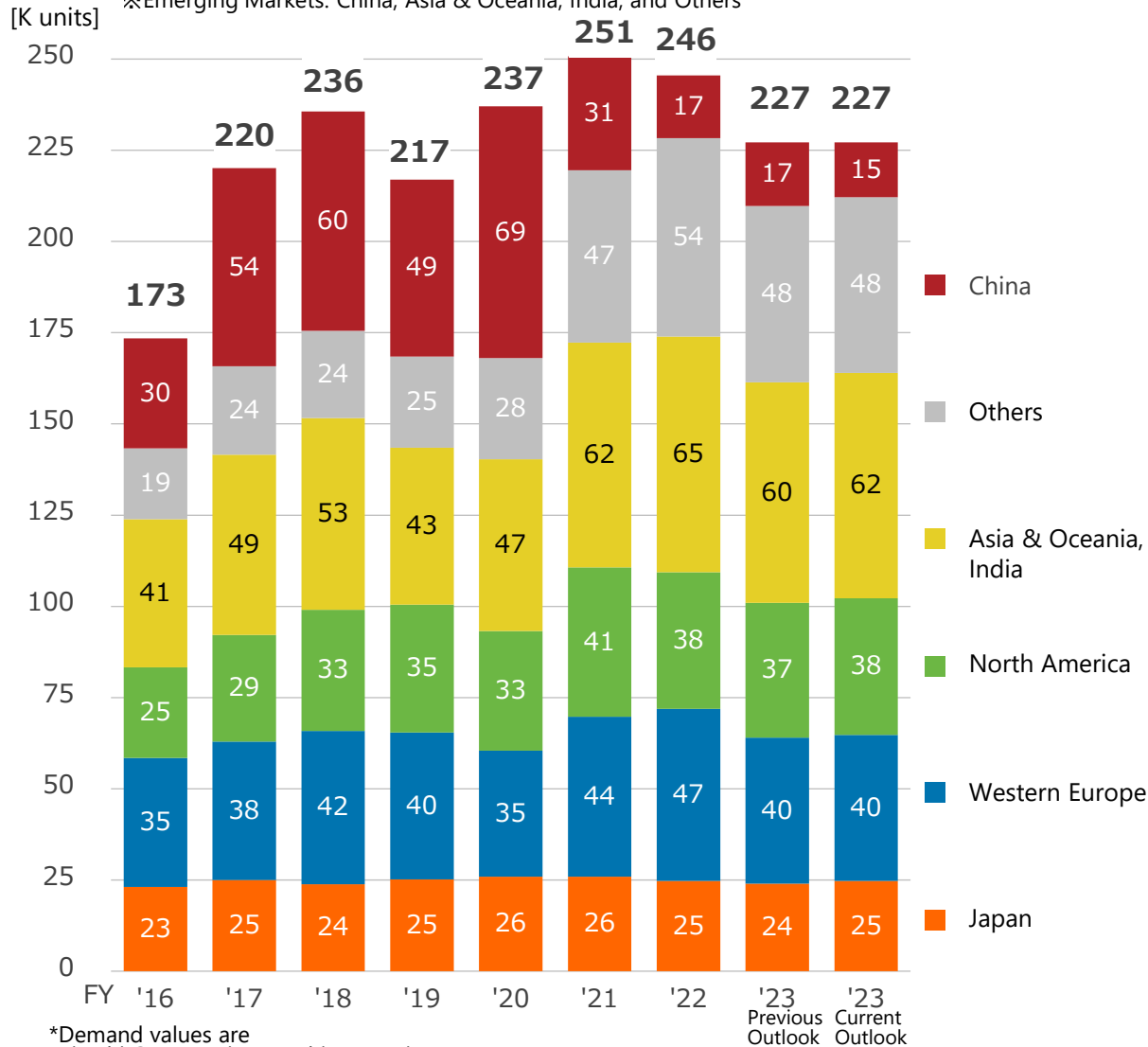
# Global Demand Trend for Hydraulic Excavators

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**Emerging Markets ratio:**  
**FY23 55% ( y-y Change : △1%)**

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



\*Demand values are Hitachi Construction Machinery estimates

## Year-on-Year Change by Region

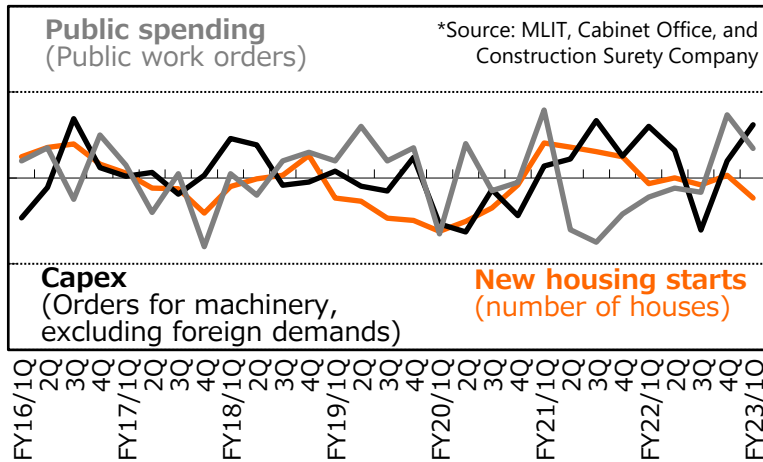
※Estimates by HCM, Excluding Chinese manufacturers  
※Distributing, copying, or forwarding prohibited

	'22	'23
Total	-2%	-7%
China	-45%	-13%
Russia, CIS, E Europe	+2%	-20%
Africa	-9%	-17%
Middle East	+65%	-2%
Latin America	+18%	-8%
Others	+15%	-11%
Asia	-2%	-8%
India	+14%	±0%
Oceania	+9%	±0%
Asia & Oceania, India	+5%	-4%
N America	-8%	±0%
W Europe	+7%	-15%
Japan	-4%	±0%

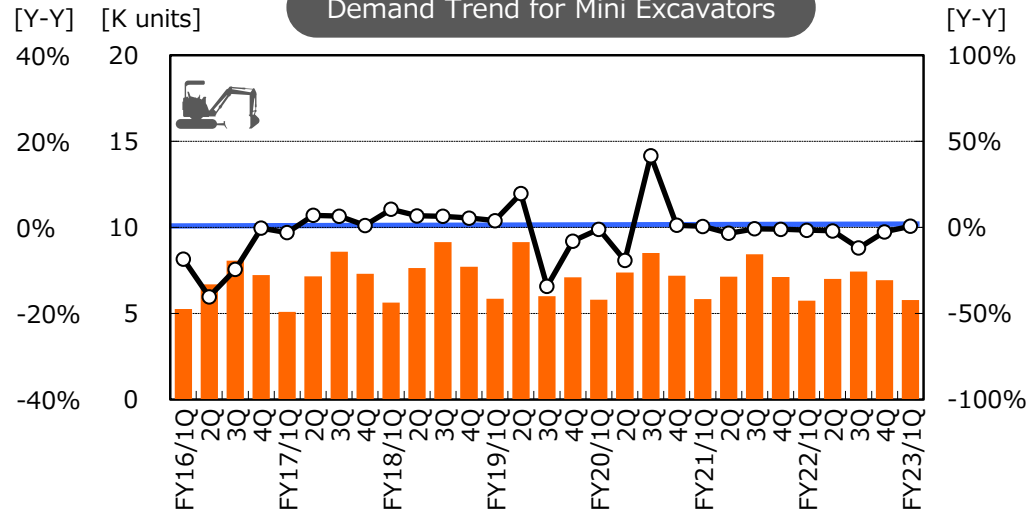
# Japan: First Quarter (Apr to Jun 2023)

- New housing starts decreased & Public spending and Capex increased.
- Demand for Hydraulic excavators increased:  
Hydraulic Excavators +5%, Mini Excavators +1%, Wheel Loaders +22% y-y.

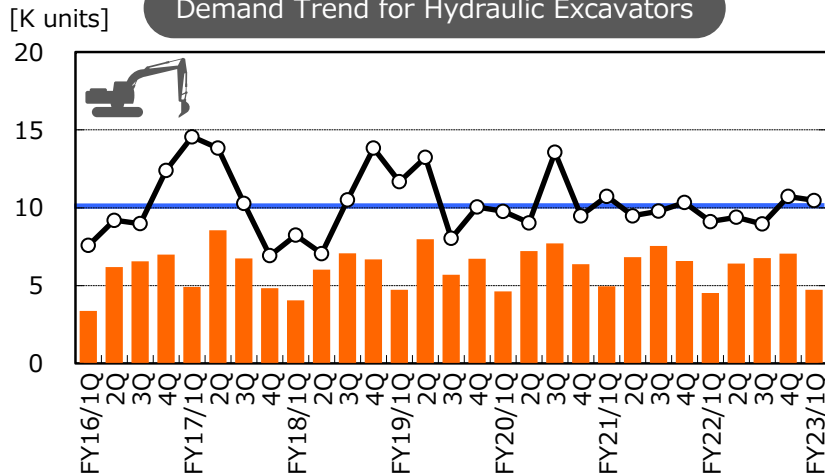
Market Environment Housing, Capex, Public Spending



Demand Trend for Mini Excavators

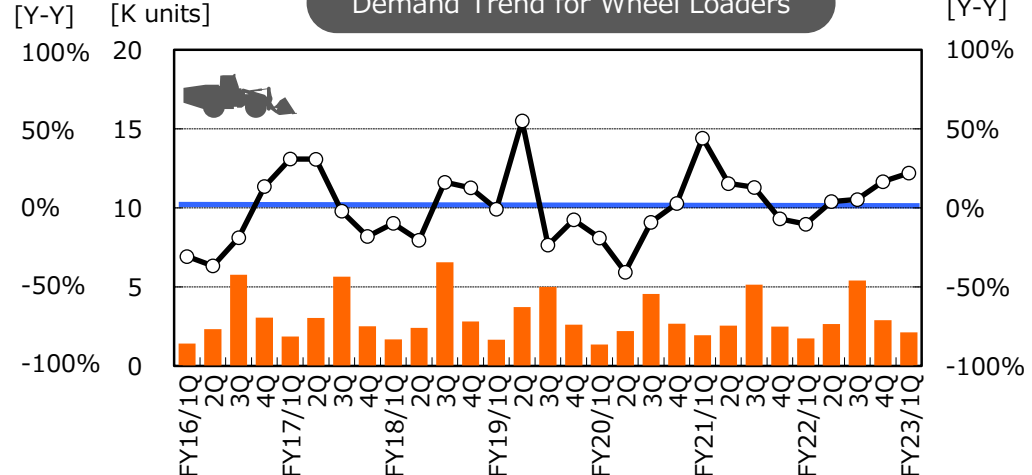


Demand Trend for Hydraulic Excavators



\*Demand values are Hitachi Construction Machinery estimates

Demand Trend for Wheel Loaders



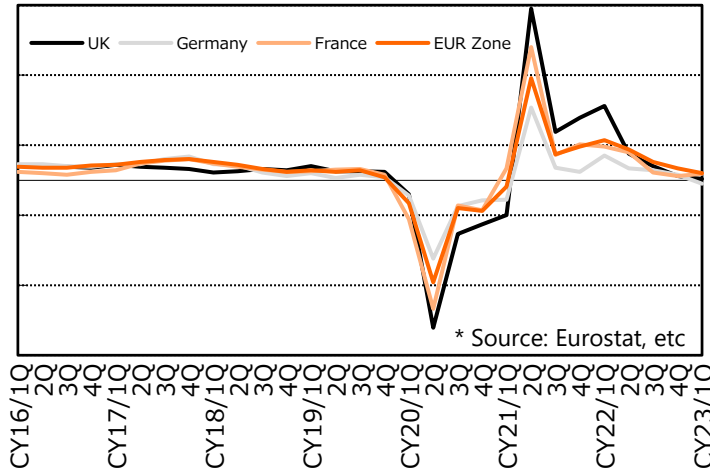
# Europe: First Quarter (Apr to Jun 2023)

- GDP growth rate in CY23 1Q slowed.
- Demand for Hydraulic excavators decreased:  
Hydraulic Excavators -7%, Mini Excavators -2%, Wheel Loaders 0% y-y.

GDP Growth Rate in Major Countries

[Y-Y]

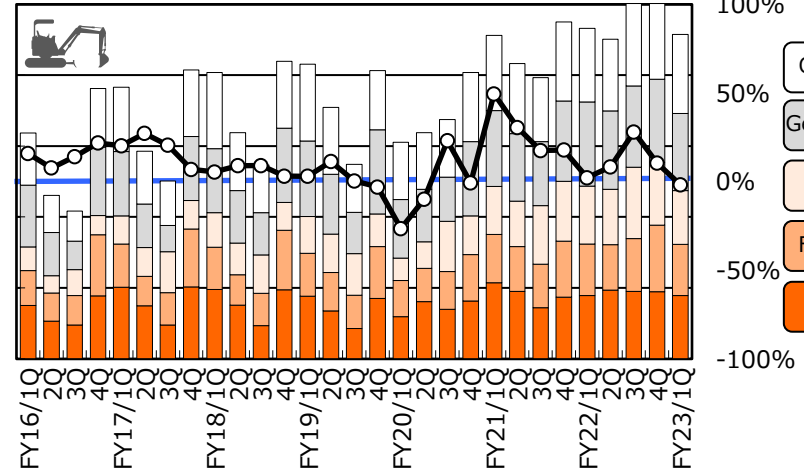
25%  
15%  
5%  
-5%  
-15%  
-25%



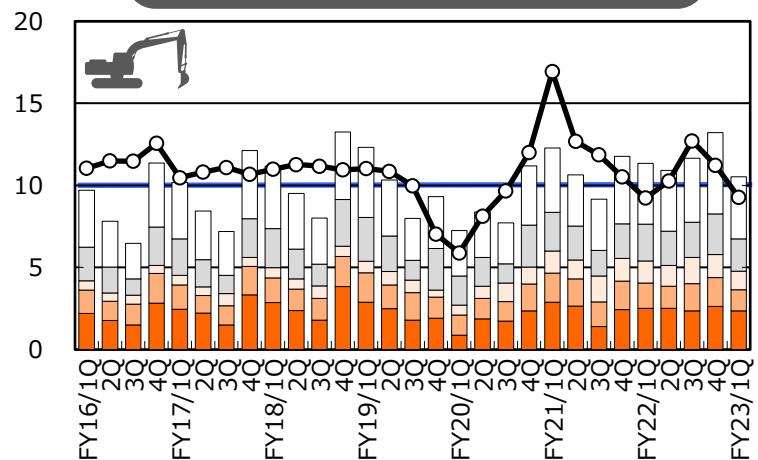
Demand Trend for Mini Excavators

[K units]

25  
20  
15  
10  
5  
0



[K units] Demand Trend for Hydraulic Excavators



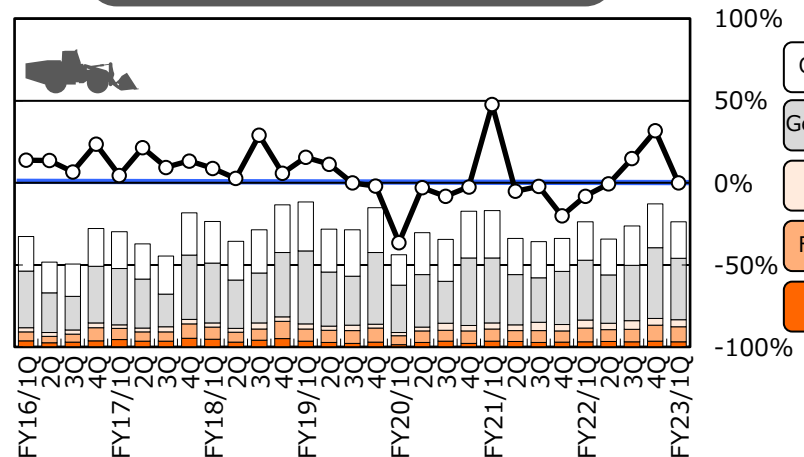
[Y-Y]

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

Demand Trend for Wheel Loaders

[K units]

20  
15  
10  
5  
0



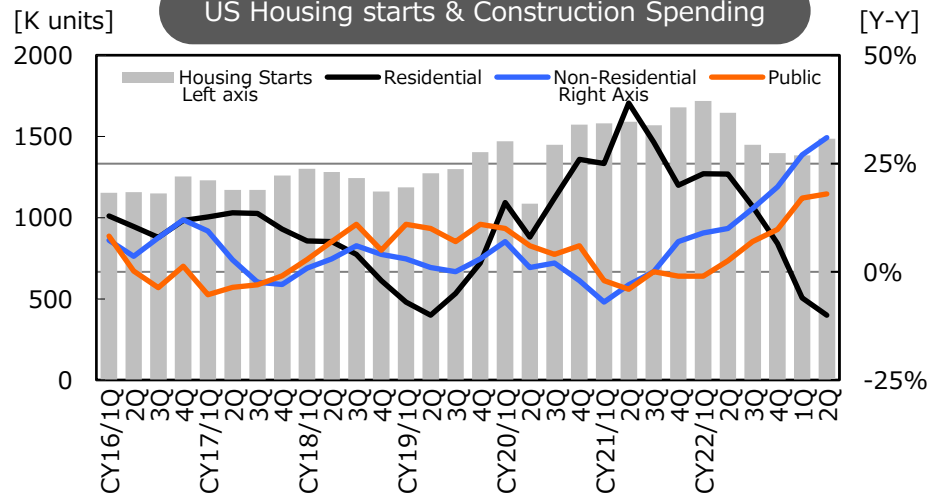
\*Demand values are  
Hitachi Construction Machinery estimates



# North America: First Quarter (Apr to Jun 2023)

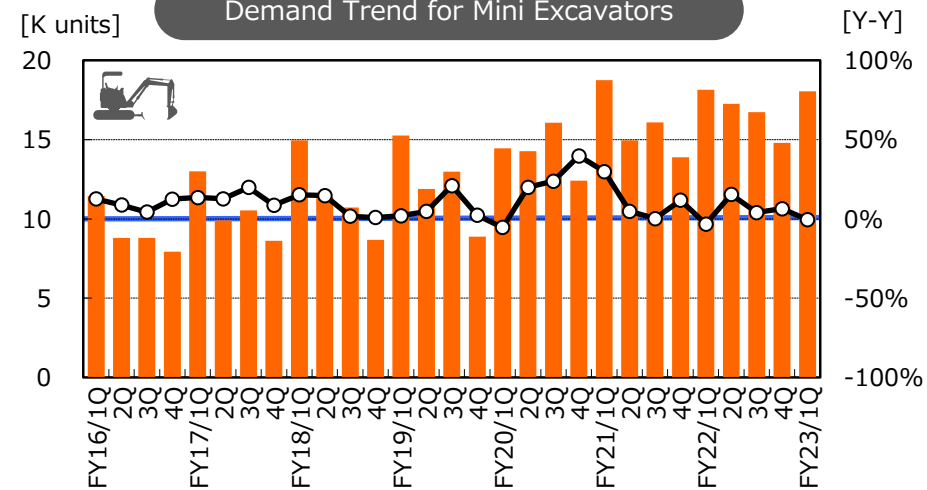
- The housing market is recovering. Non-residential and public works significantly increased.
- Demand for Hydraulic excavators slightly decreased:  
Hydraulic Excavators -3%, Mini Excavators -1%, Wheel Loaders -6% y-y.

US Housing starts & Construction Spending

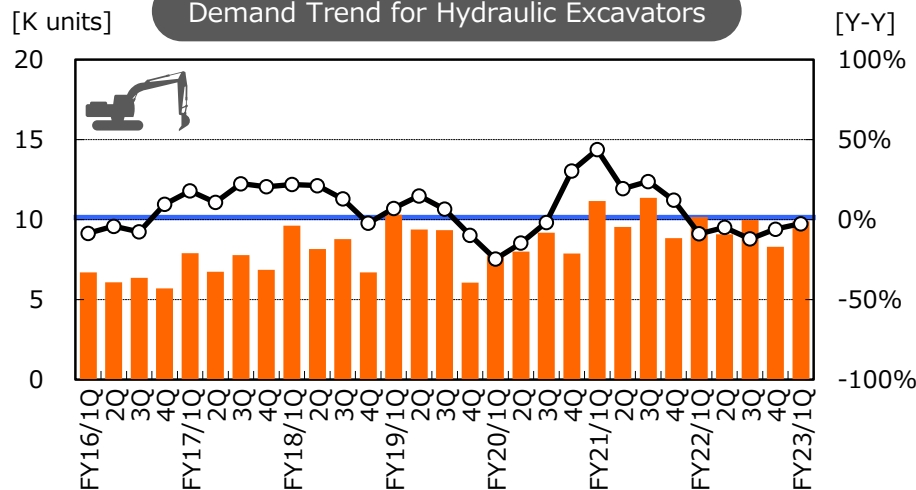


\* Bureau of Economic Census, US Census Bureau

Demand Trend for Mini Excavators

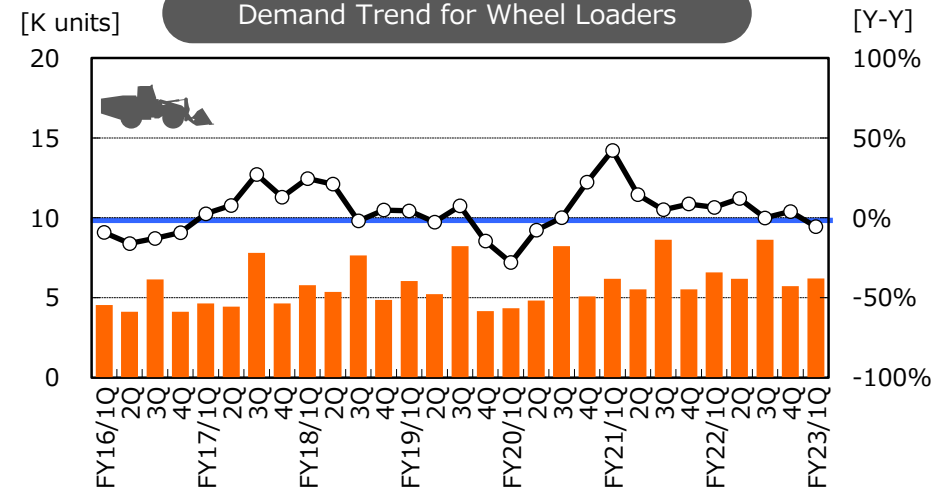


Demand Trend for Hydraulic Excavators



\*Demand values are Hitachi Construction Machinery estimates

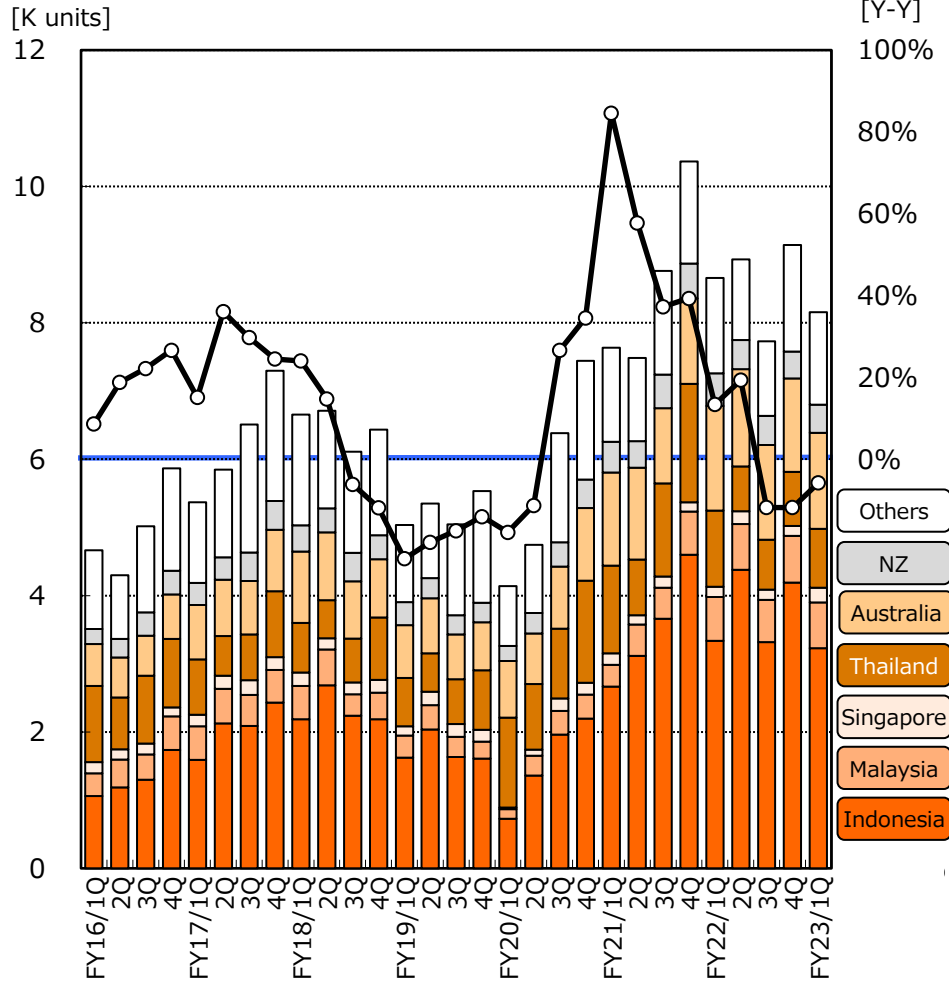
Demand Trend for Wheel Loaders



# Asia Pacific & China: First Quarter (Apr to Jun 2023)

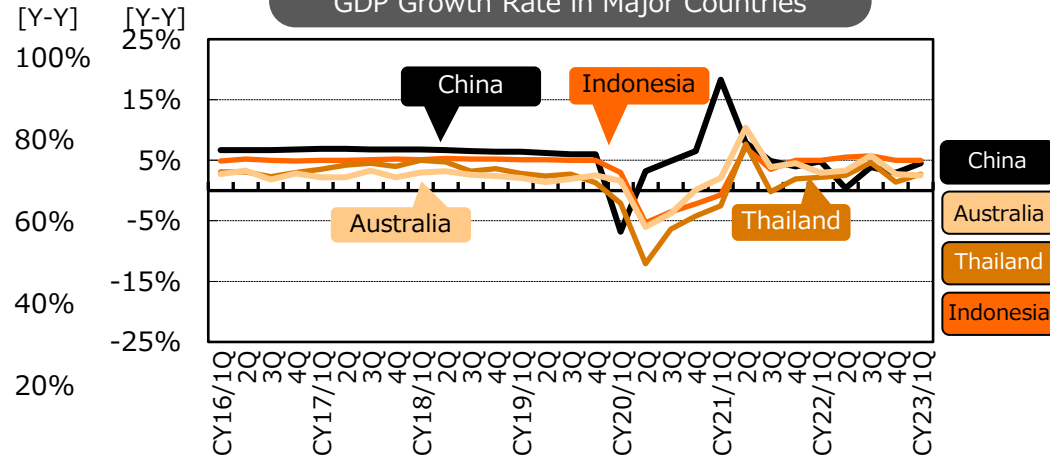
- Demand for Hydraulic excavators in the Asia & Oceania region decreased -6% y-y.
- Demand for Hydraulic excavators in China decreased -44% y-y.

Demand Trend for Hydraulic Excavators in Asia & Oceania



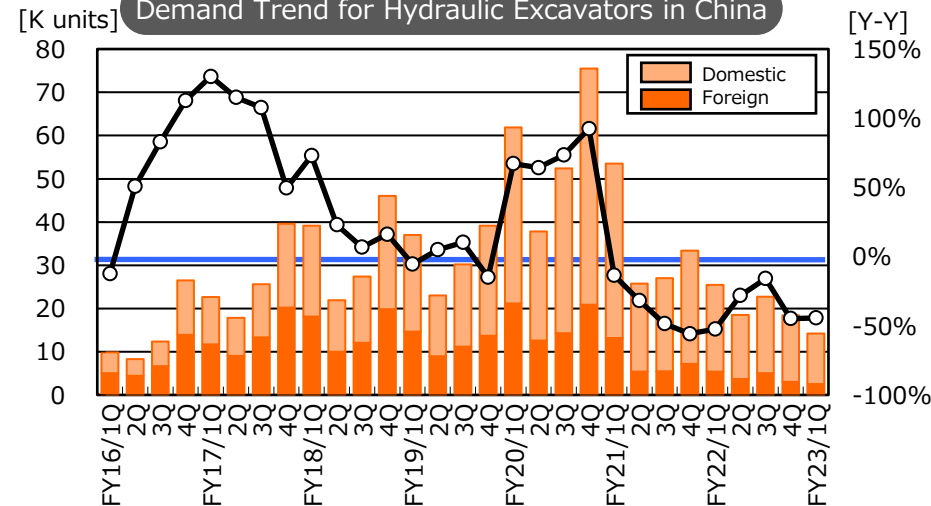
\*Demand values are Hitachi Construction Machinery estimates

GDP Growth Rate in Major Countries



\* China : National Bureau of Statistics of China \* Asia : Mizuho Research & Tech.

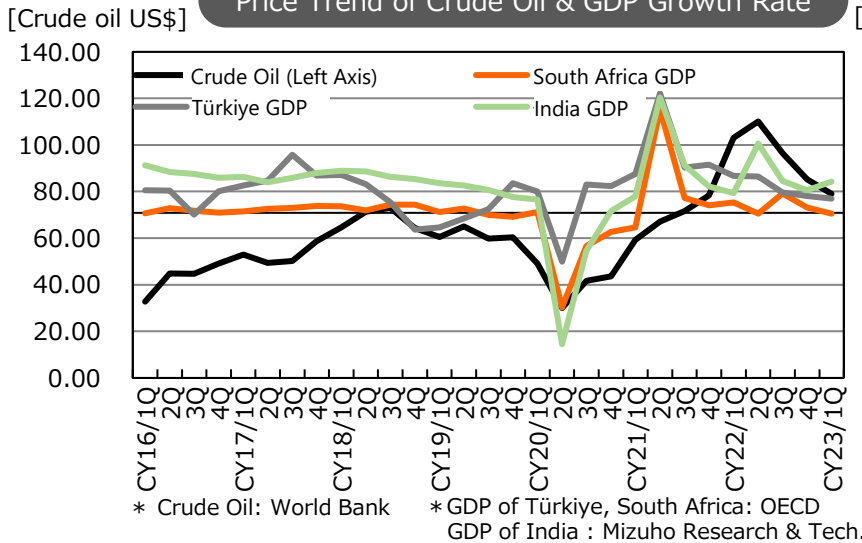
Demand Trend for Hydraulic Excavators in China



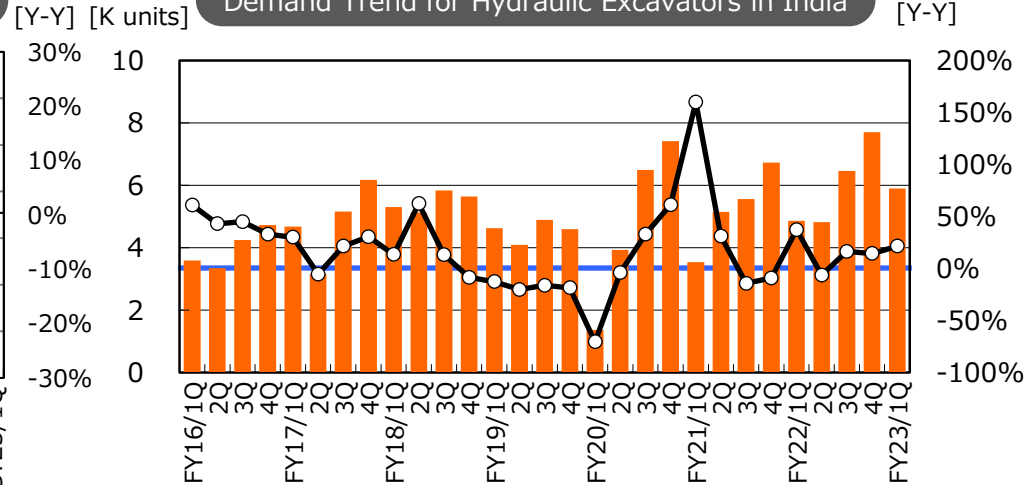
# India, Middle East, Africa: First Quarter (Apr to Jun 2023)

- Demand for Hydraulic excavators increased in India +21% y-y.
- Demand for Hydraulic excavators decreased in Africa -11% y-y.
- Demand for Hydraulic excavators increased in the Middle East +29% y-y.

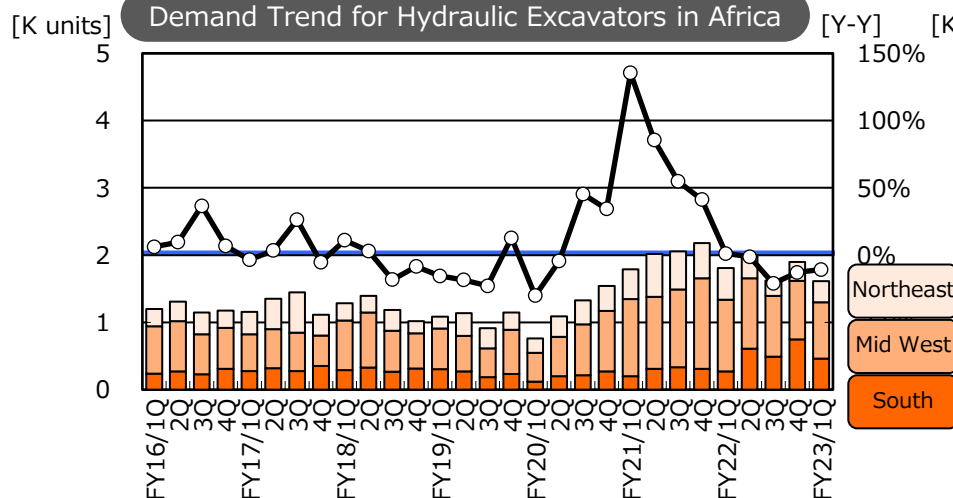
Price Trend of Crude Oil & GDP Growth Rate



Demand Trend for Hydraulic Excavators in India

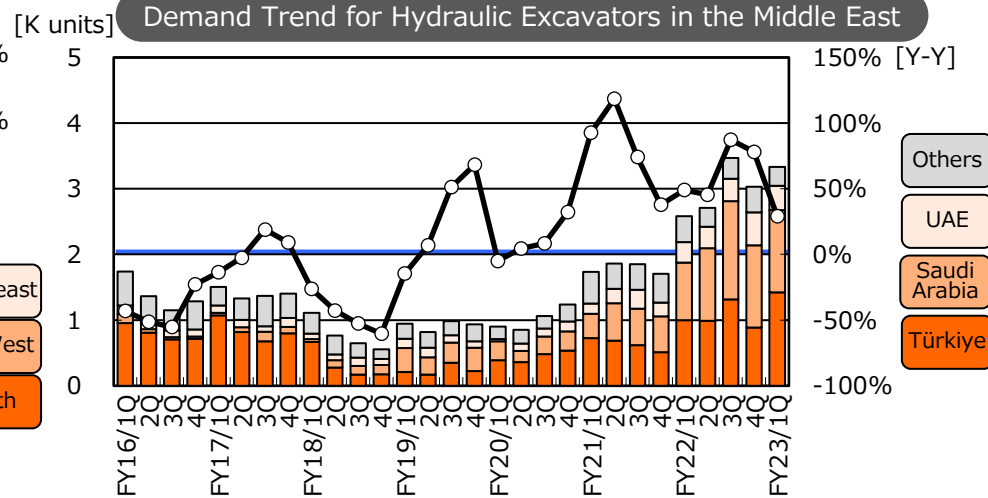


Demand Trend for Hydraulic Excavators in Africa



\*Demand values are Hitachi Construction Machinery estimates

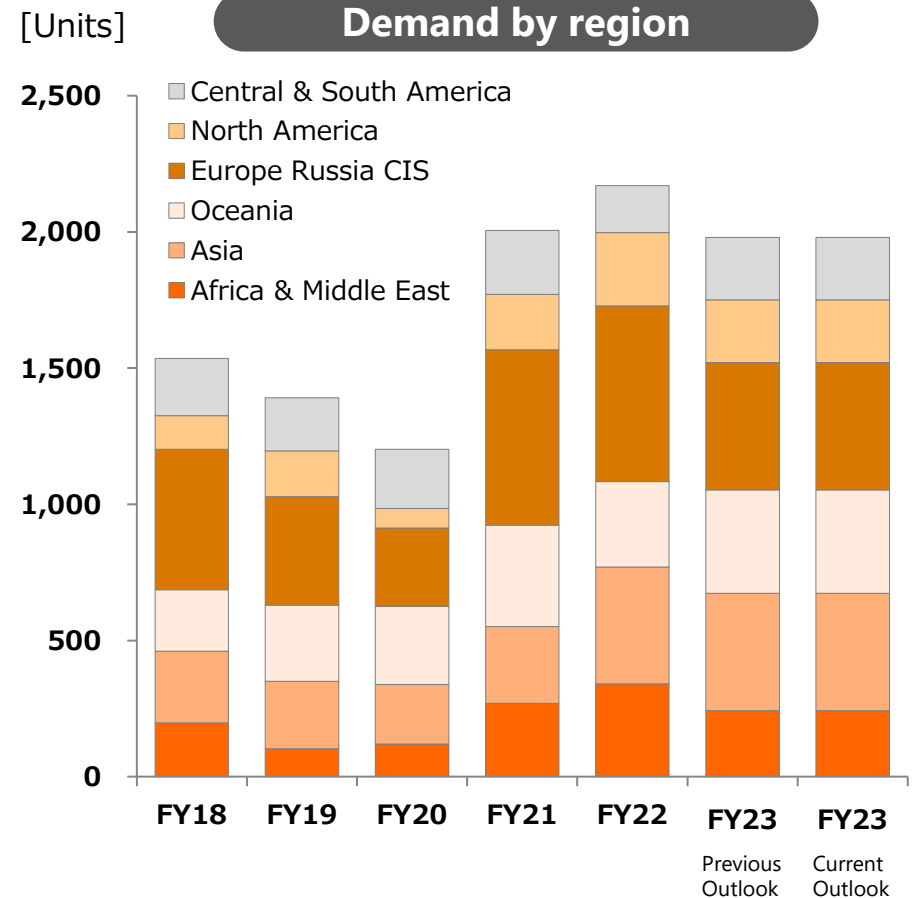
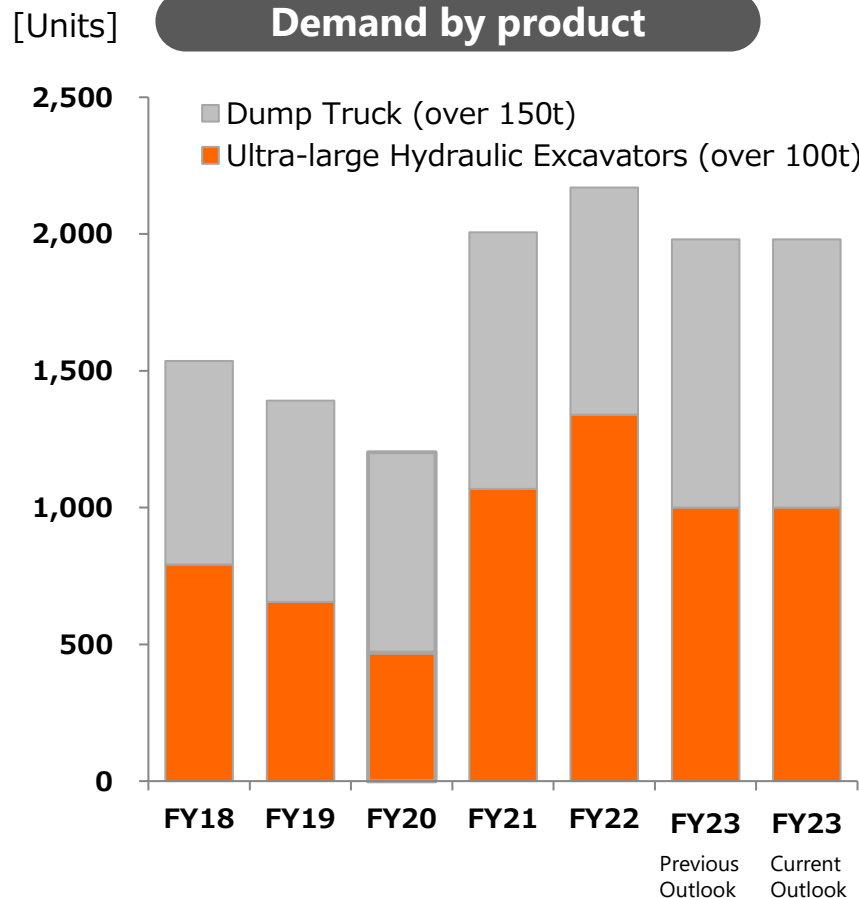
Demand Trend for Hydraulic Excavators in the Middle East



# Mining machinery: FY2023 (April 2023 to March 2024)

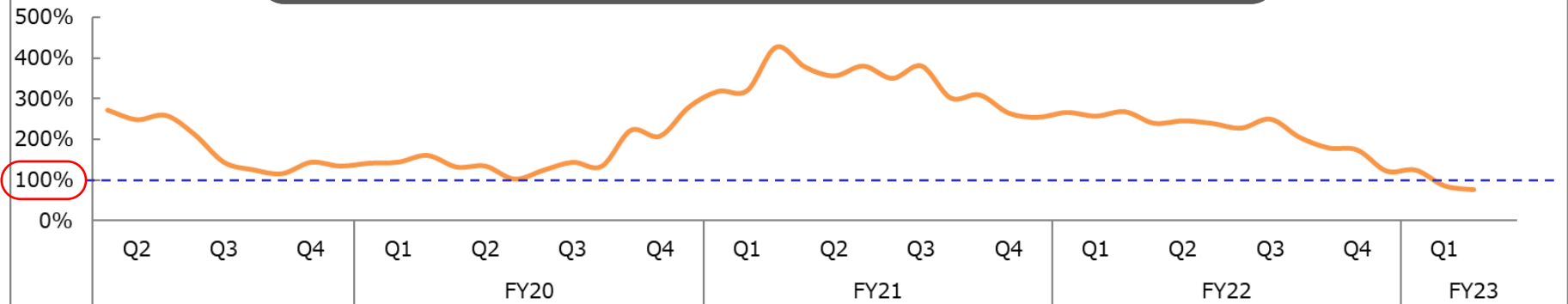
- Global demand for mining in FY23 is almost same as the previous forecast. But as the demand in FY22 increased, FY23 demand forecasts have been revised to "flat to -10%" y-y. (Previously "remain flat")

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

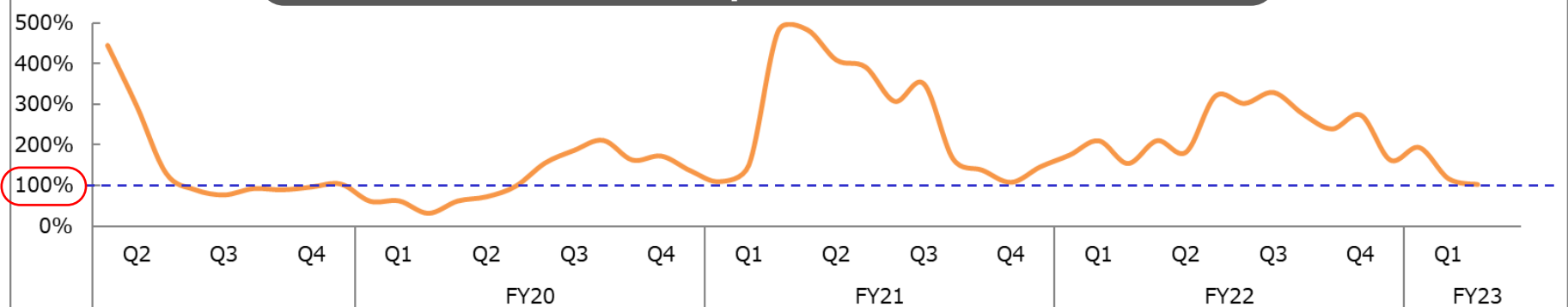


\*Demand values are Hitachi Construction Machinery estimates

## 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)

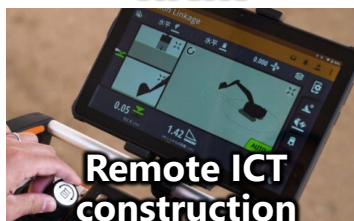
# Topic 1: Enhancement of Remote and Automated Operation Technology

HITACHI

Reliable Solutions

## Development of a hydraulic excavator for remote / automatic operation solutions (May 2023)

Aiming to start sales in Japan by the end of FY2023 to expand the use of remote control and automatic operation



## Partnership with aptpod, Inc. for high-speed data transmission technology (May 2023)

Creation of a digital twin with high real-time performance and joint development of systems for remote control and autonomous operation



High-speed data transmission



Operation / Work instruction





### Start of operation of "Orange Innovation Plaza" at Tsuchiura Works

(May 2023)

- A place where approximately 3,000 people, mostly from R&D departments, gather
- Diverse communication spaces to create collaboration across departmental boundaries

Video available  
on YouTube



9 INDUSTRY, INNOVATION  
AND INFRASTRUCTURE



Orange Innovation Plaza



Communication spaces



### Hitachi Construction Machinery Innovation Summit 2023 (May-June 2023)

- Organized as a meeting place for future business partners to co-create new value
- An event where more than 40 companies with diverse technologies from various industries exhibited and actively exchanged opinions with participating employees



Venue of the Innovation Summit

# Topic 3: Continuing to Promote Support for Türkiye and Syria Earthquake Reconstruction Assistance

HITACHI

Reliable Solutions

## Donation by Hitachi Construction Machinery Middle East of breakers and filters to the Turkish Government Ministry of Agriculture and Forestry (July 2023)



- Breakers are used to dispose of the rubble of buildings destroyed by earthquakes. Various filters essential for periodic maintenance contribute to stable machines.
- The affiliated company "Eurasian Machinery LLP" in Kazakhstan also provides relief supplies to be donated to AFAD (Turkish Agency for Disaster and Emergency Preparedness), and the total donation amount of the Ministry of Agriculture and Forestry and AFAD is worth 35.5 million yen.



Reference photo: The Hitachi Construction Machinery Middle East hydraulic excavator, to which a breaker is attached, from the same manufacturer as the donated breaker



Republic of Türkiye Ministry of Agriculture and Forestry  
Zekeriya Nane (Deputy General Director) [Left]  
Hitachi Construction Machinery Middle East  
Arami Manabu President [Right]



## **2. Business Results** **for the First Quarter ended June 30, 2023** (April 1, 2023 - June 30, 2023)

# Summary of consolidated results

HITACHI

Reliable Solutions

In 1Q of the year, revenue increased by 20%, supported by strong sales growth, especially in the Americas. Adjusted operating income increased by 83% y-y, and net income attributable to owners of the parent increased by 69%.

[billions of yen]

		FY2023 1Q	FY2022 1Q	change
Revenue		320.0	267.5	20%
Adjusted operating income *1		11.8% 37.6	7.7% 20.6	83%
Operating income		11.9% 38.2	8.1% 21.8	75%
Income before income taxes		13.6% 43.6	10.1% 27.0	62%
Net income attributable to owners of the parent		9.8% 31.4	6.9% 18.6	69%
EBIT *2		14.4% 46.2	10.5% 28.1	65%
FX rate	Rate (YEN/US\$)	137.4	129.6	7.8
	Rate (YEN/EURO)	149.5	138.1	11.4
	Rate (YEN/RMB)	19.6	19.6	-0.0
	Rate (YEN/AU\$)	91.8	92.6	-0.8

\*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"

# Revenue by geographic region (consolidated)

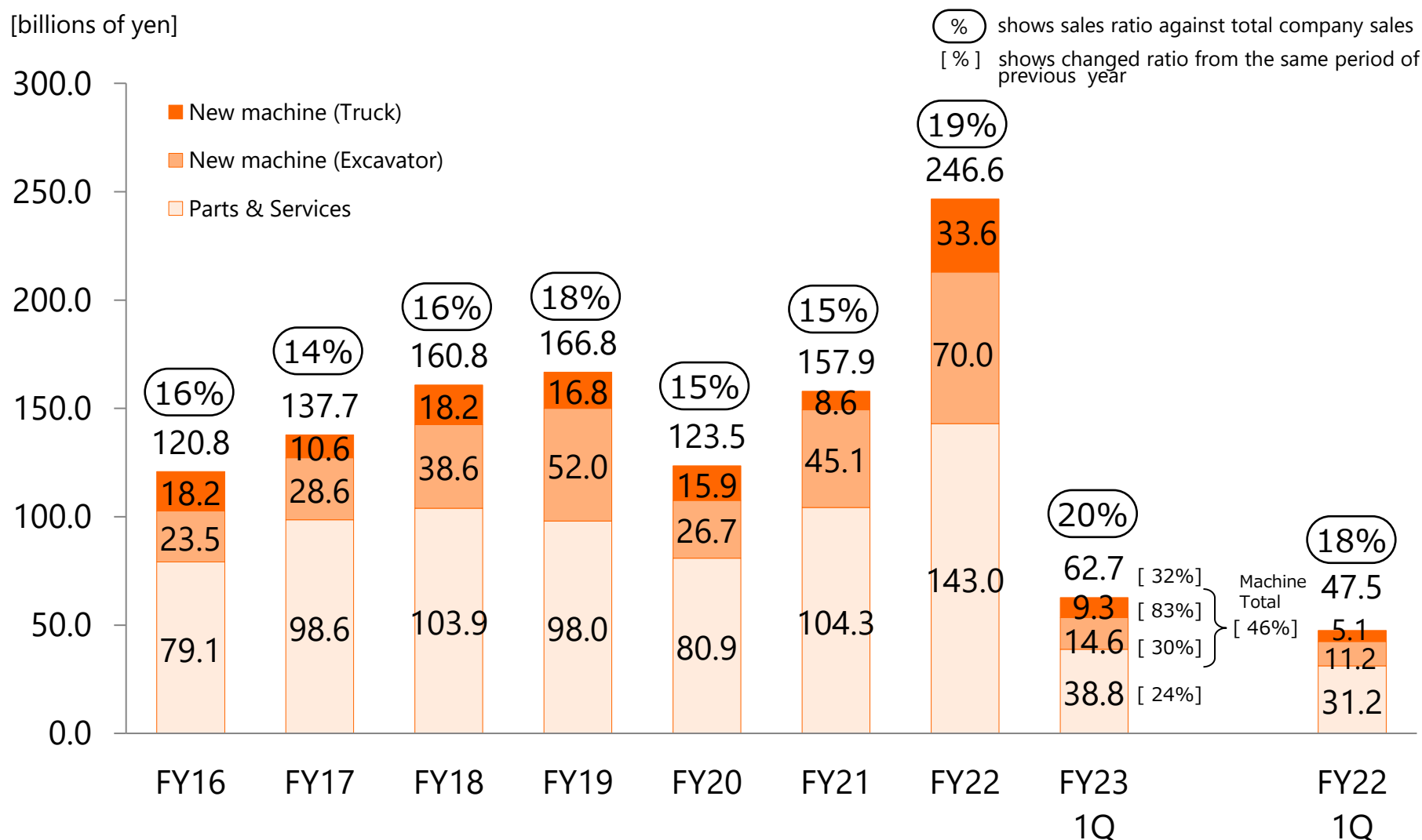
Although revenue in Russia-CIS and China decreased y-y, developing own business in the Americas increased significantly. Including the effect of depreciation of the yen, consolidated total revenue increased by 52.5 billion yen.

[billions of yen]

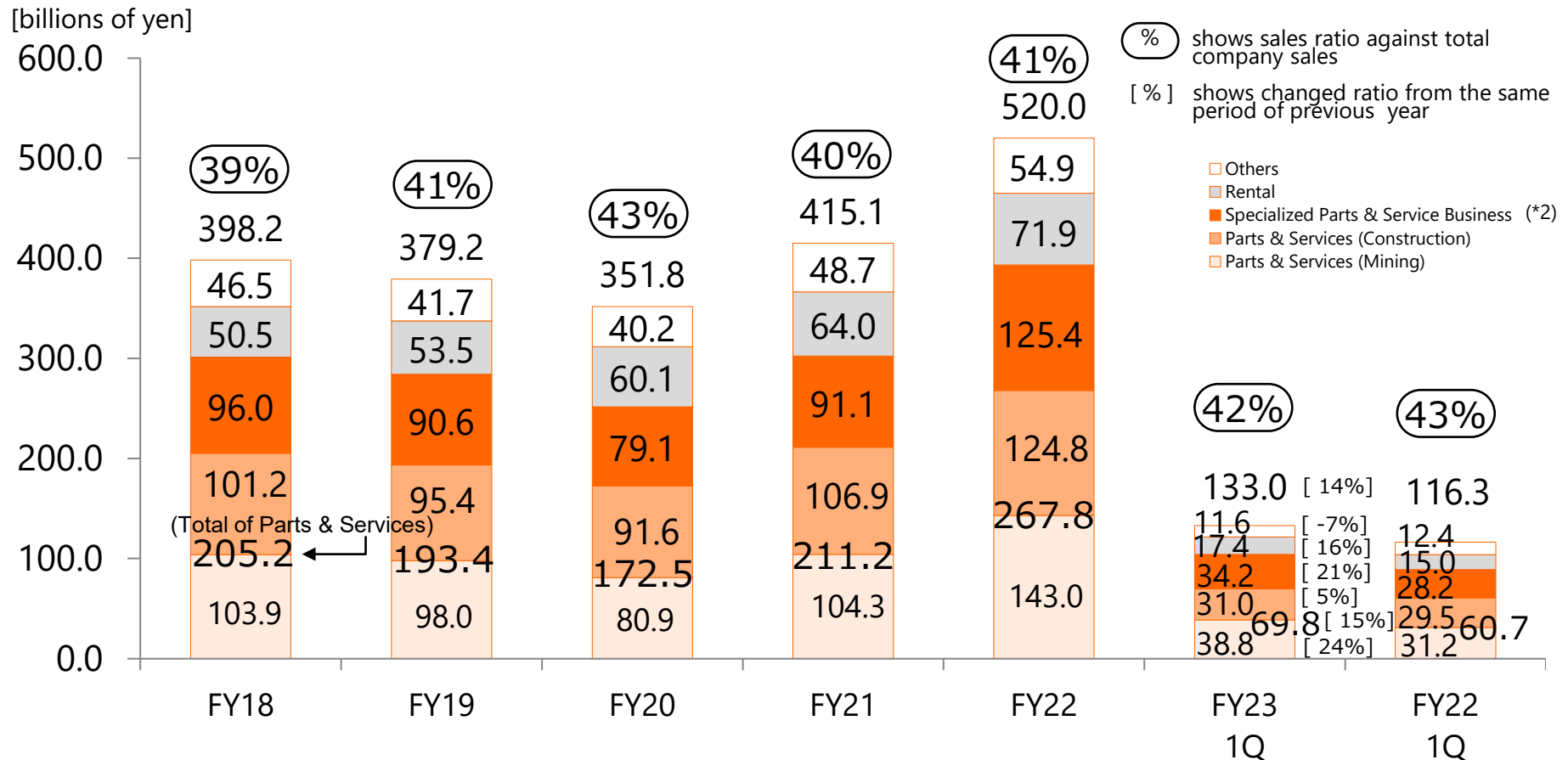
		FY2023 1Q		FY2022 1Q		change	
						amount	%
Japan		44.2	14%	43.0	16%	1.3	3%
Asia		27.8	9%	23.3	9%	4.5	19%
India		16.1	5%	13.3	5%	2.8	21%
Oceania		61.0	19%	50.1	19%	10.9	22%
Europe		44.1	14%	38.8	15%	5.2	13%
	N. America	81.9	26%	53.9	20%	28.0	52%
	L. America	9.0	3%	7.3	3%	1.8	24%
The Americas		90.9	28%	61.1	23%	29.7	49%
(Developing own business)		(56.1)	(18%)	(37.2)	(14%)	(18.9)	(51%)
Russia-CIS		8.2	3%	12.0	4%	-3.8	-31%
M. East		7.5	2%	6.0	2%	1.5	26%
Africa		11.7	4%	10.0	4%	1.7	17%
China		8.5	3%	9.9	4%	-1.4	-14%
Total		320.0	100%	267.5	100%	52.5	20%
Overseas ratio		86%		84%			

Revenue of mining increased by 32% to 62.7 billion yen y-y due to a significant increase in new machinery sales by capturing robust demand and parts & services.

[billions of yen]



Revenue of the value chain business increased by 14% y-y to 133.0 billion yen due to expanding sales volume, especially parts and services as well as specialized parts & service and rental business.



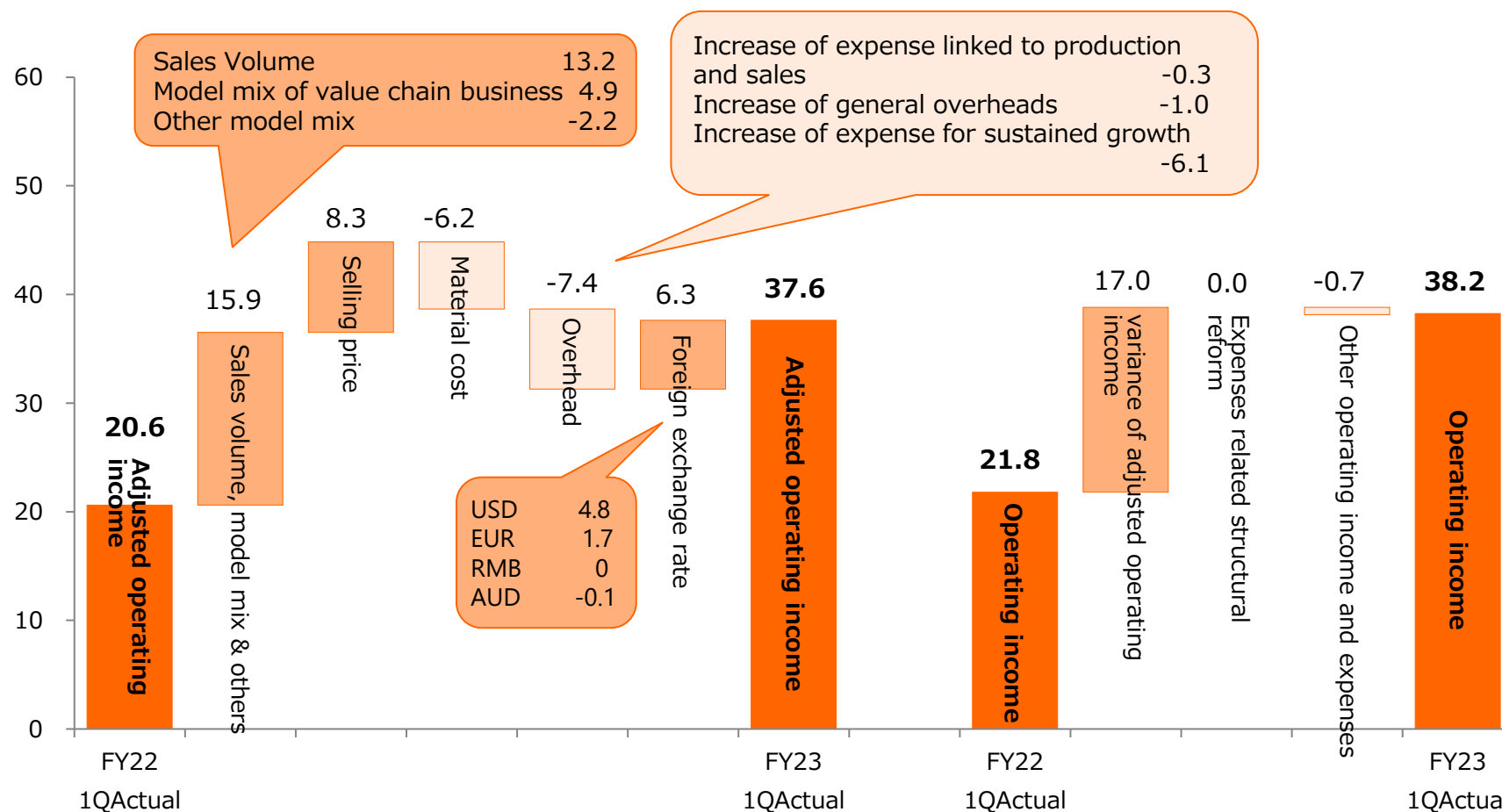
(\*1) Value chain: Total of Parts & services, Specialized parts & service business, Rental etc. other than new machine sales.

(\*2) Specialized parts & service business: The business segment primarily intends to provide development, production, distribution of parts and service solutions for mining facilities and equipment after the sales made that are not included in the construction machinery business segment.

# Comparison of consolidated income

Adjusted operating income increased by 17.0 billion yen y-y due to the impact of increased sales volume, price increase, and currency impact despite increased material costs and overhead costs.

[billions of yen]

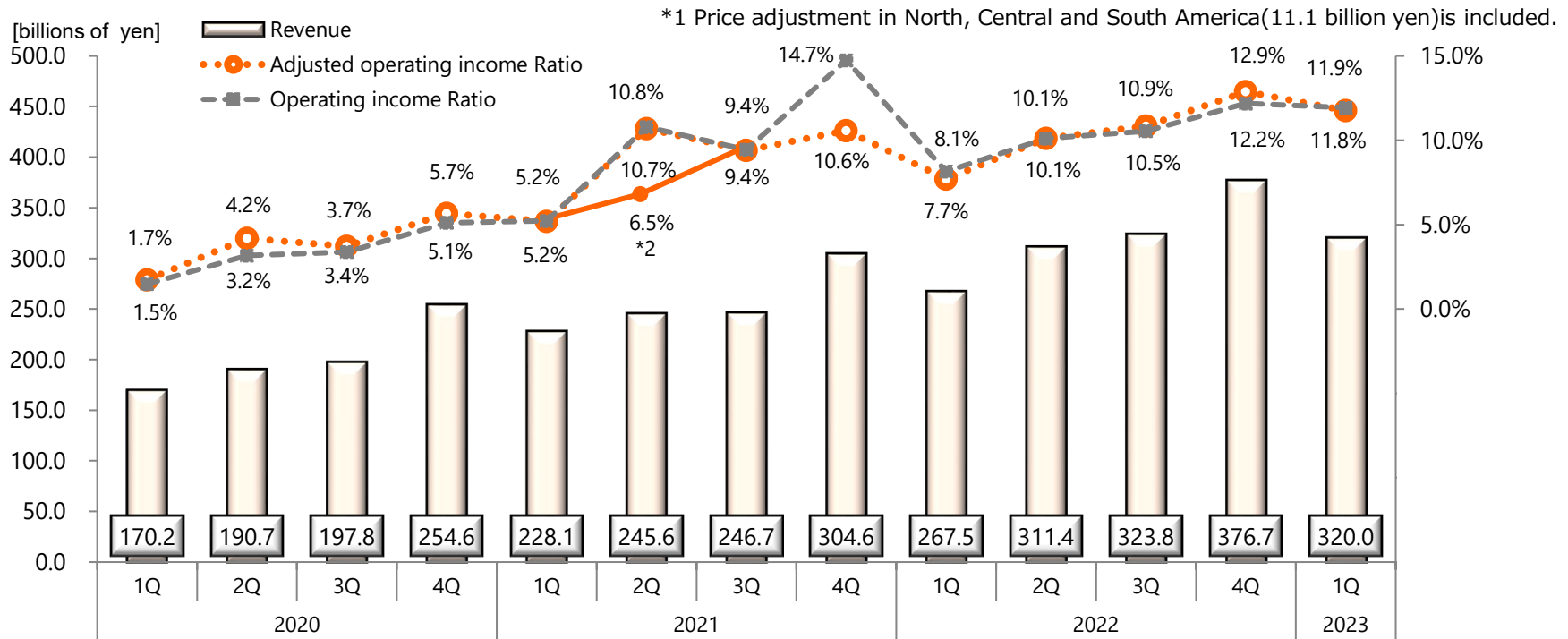


# Summary of quarterly consolidated revenue and operating income (ratio)

**HITACHI**

Reliable Solutions  
[billions of yen]

	2020				2021				2022				2023
	1Q	2Q	3Q	4Q	1Q	2Q*1	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Revenue	170.2	190.7	197.8	254.6	228.1	245.6	246.7	304.6	267.5	311.4	323.8	376.7	320.0
Adjusted operating income	2.9	8.0	7.4	14.4	11.8	26.3	23.2	32.2	20.6	31.5	35.1	48.5	37.6
Operating income	2.5	6.0	6.7	13.0	11.9	26.5	23.3	44.9	21.8	31.5	34.2	45.9	38.2



\*2 Price adjustment in North, Central and South America(11.1 billion yen) is excepted.

FX rate	2020				2021				2022				2023
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Rate (YEN/US\$)	107.6	106.2	104.5	105.9	109.5	110.1	113.7	116.2	129.6	138.4	141.6	132.3	137.4
Rate (YEN/EURO)	118.5	124.1	124.5	127.7	132.0	129.8	130.1	130.4	138.1	139.3	144.3	142.1	149.5
Rate (YEN/RMB)	15.2	15.4	15.8	16.4	17.0	17.0	17.8	18.3	19.6	20.2	19.9	19.3	19.6
Rate (YEN/AU\$)	70.7	75.9	76.3	81.8	84.3	80.9	82.9	84.0	92.6	94.5	92.9	90.6	91.8

# Consolidated statement of financial position

HITACHI

Reliable Solutions

Total assets increased by 108.3 billion yen from the end of last fiscal year due to an increase in inventories and the effect of depreciation of the yen.

[billions of yen]

	(A) FY23-1Q	(B) Mar '2023	(C) FY22-1Q	(A)-(B) change		(D) FY23-1Q	(E) Mar '2023	(F) FY22-1Q	(D)-(E) change
Cash and cash equivalents	107.9	112.0	148.9	-4.1	Trade and other payables	264.9	274.5	245.4	-9.6
Trade receivables	299.5	305.3	251.7	-5.8	Bonds and borrowings	564.8	507.5	437.3	57.3
Inventories	525.1	450.8	419.1	74.3	Total liabilities	985.5	926.0	831.4	59.6
Total current assets	981.6	908.9	861.7	72.7	(Equity attributable to owners of the parent ratio)	(40.6%)	(40.6%)	(41.8%)	(-0.0%)
Total non-current assets	753.7	718.1	671.4	35.6	Total equity	749.7	701.0	701.7	48.7
Total assets	1,735.3	1,627.0	1,533.1	108.3	Total liabilities and equity	1,735.3	1,627.0	1,533.1	108.3
Trade receivables incl. non-current	341.7	344.6	295.4	-2.9					
Inventories by products									
Unit	179.8	142.5	123.4	37.3		(32.5%)	(31.2%)	(28.5%)	(1.4%)
Parts	170.0	158.6	141.4	11.4	Interest-bearing debt	564.8	507.5	437.3	57.3
Raw materials, WIP and etc	175.4	149.6	154.3	25.7	Cash and Cash equivalents	107.9	112.0	148.9	-4.1
Total inventories	525.1	450.8	419.1	74.3	Net interest-bearing debt	(26.3%)	(24.3%)	(18.8%)	(2.0%)
On hand days(divided by revenue)				(Days)	Debt	456.9	395.5	288.4	61.4
Trade receivables	94	98	101	-4					
Inventories	144	129	144	15	Net D/E Ratio	0.65	0.60	0.45	0.05
Trade payables	44	47	51	-3					
Net working capital	189	176	190	13					



Operating cash flow was negative at 12.5 billion yen due to deterioration of working capital, etc. Free cash flow was negative at 28.8 billion yen when combined with negative investment cash flow.

[billions of yen]

	FY2023 1Q		FY2022 1Q		change	
Net income		33.6		19.5		14.0
Depreciation and amortization	50.1	16.6	34.4	14.9	15.7	1.7
(Increase)decrease in trade/lease receivables		18.6		42.8		-24.1
(Increase)decrease in inventories		-46.3		-25.8		-20.5
Increase(decrease) in trade payables	-34.9	-7.2	14.0	-2.9	-48.9	-4.3
Others, net		-27.7		-38.3		10.5
Net cash provided by (used in) operating activities		-12.5		10.2		-22.7
Cash flow margin for operating activities		-3.9%		3.8%		-7.7%
Net cash provided by (used in) investing activities		-16.3		-10.6		-5.7
Free cash flows		-28.8		-0.4		-28.4
Net cash provided by (used in) financing activities		20.9		46.6		-25.7

# Summary of consolidated earnings forecast

The consolidated income statement for FY2023 is unchanged from the previous forecast as of April 2023 and revenue is expected to increase by 2% y-y, adjusted operating income by 3% y-y, and net income attributable to owners of the parent by 17% y-y.

note : < > shows previous forecast as of April 2023

[billions of yen]

	FY2023		FY2022 Actual	change	
	Forecast			amount	%
Revenue	<1,300.0>	1,300.0	1,279.5	20.5	2%
Adjusted operating income	<10.8%> <140.0>	(10.8%) 140.0	(10.6%) 135.7	(0.2%) 4.3	3%
Operating income	<10.5%> <136.0>	(10.5%) 136.0	(10.4%) 133.3	(0.0%) 2.7	2%
Income before income taxes	<10.1%> <131.0>	(10.1%) 131.0	(8.8%) 112.7	(1.3%) 18.3	16%
Net income attributable to owners of the parent	<6.3%> <82.0>	(6.3%) 82.0	(5.5%) 70.2	(0.8%) 11.8	17%
EBIT	<137.2>	137.2	119.0	18.2	

Currency	1Q Actual	2Q-4Q Forecast	Total Forecast	FY2022 Actual	change
Rate (YEN/USD)	137.4	130.0	131.7	135.4	-3.8
Rate (YEN/EUR)	149.5	130.0	133.8	141.0	-7.3
Rate (YEN/RMB)	19.6	18.1	18.4	19.7	-1.4
Rate (YEN/AUD)	91.8	84.0	86.1	92.7	-6.6
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 maximize shareholder returns based on a stable and continuous dividend payout ratio of approx. 30% to 40%.

# Consolidated revenue forecast by geographic region

HITACHI

Reliable Solutions

Consolidated revenue for FY2023 is expected to increase by 20.5 billion yen y-y due to expanding developing own business in the Americas despite the impact of the yen's appreciation.

(billions of yen)

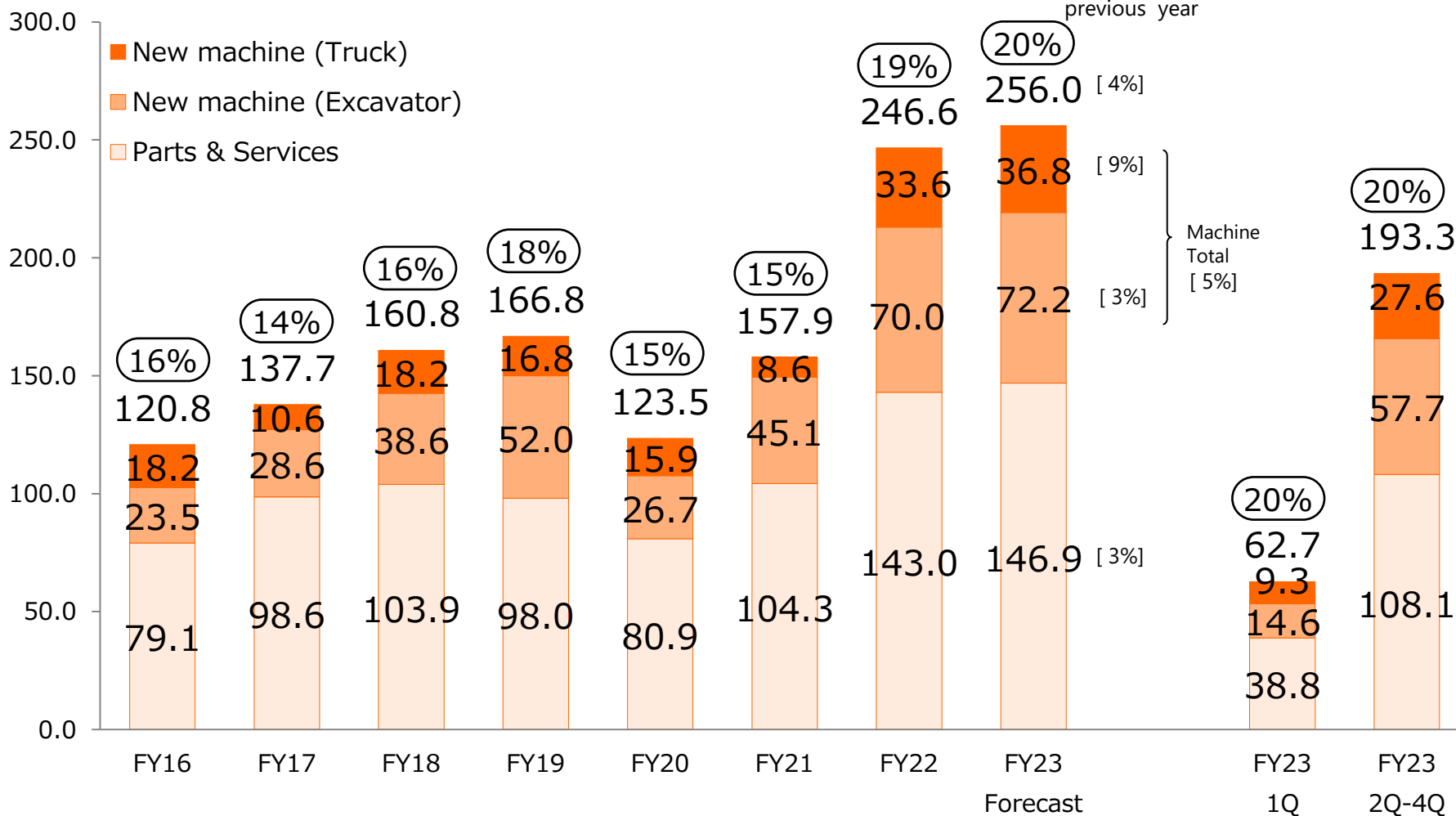
		FY2023 Forecast		FY2022 Actual		change	
						amount	%
Japan		229.6	18%	224.0	18%	5.7	3%
Asia		126.3	10%	122.7	10%	3.6	3%
India		66.9	5%	73.1	6%	-6.2	-8%
Oceania		220.0	17%	225.4	18%	-5.4	-2%
Europe		158.6	12%	164.9	13%	-6.2	-4%
America	N. America	309.3	24%	274.1	21%	35.1	13%
	L. America	32.8	3%	38.3	3%	-5.5	-14%
		342.1	26%	312.5	24%	29.6	9%
(Developing own business)		(211.2)	(16%)	(182.0)	(14%)	(29.2)	(16%)
Russia-CIS		30.4	2%	37.4	3%	-6.9	-19%
M. East		27.9	2%	25.0	2%	2.9	12%
Africa		66.0	5%	54.7	4%	11.3	21%
China		32.2	2%	40.0	3%	-7.8	-20%
Total		1,300.0	100%	1,279.5	100%	20.5	2%
Overseas ratio		82%		82%			

# Mining revenue forecast

Revenue of mining in FY2023 is expected to increase by 4% to 256.0 billion yen y-y.

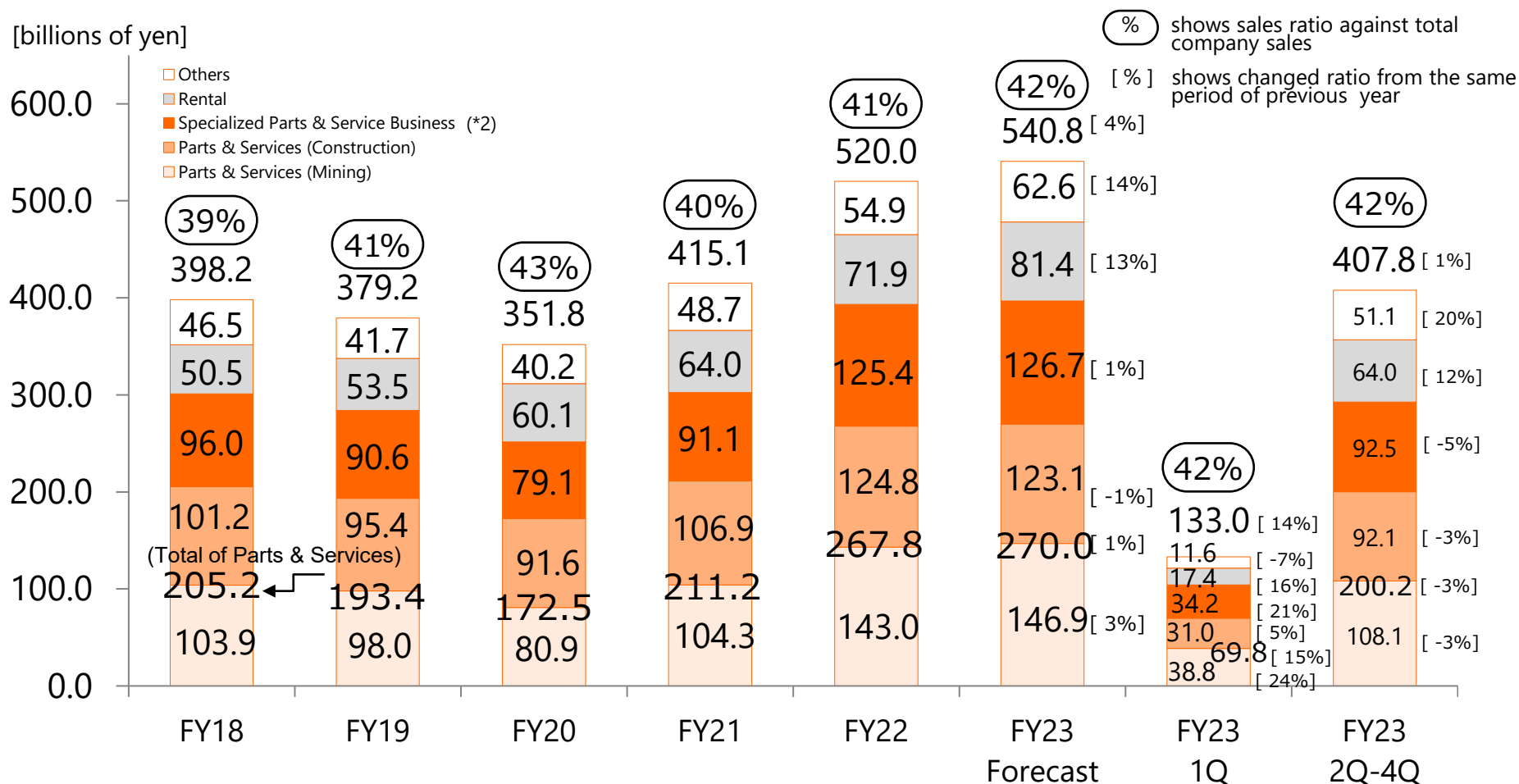
[billions of yen]

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



# Value chain\*1 revenue forecast

Revenue of the value chain in FY2023 is expected to increase by 4% to 540.8 billion yen y-y.

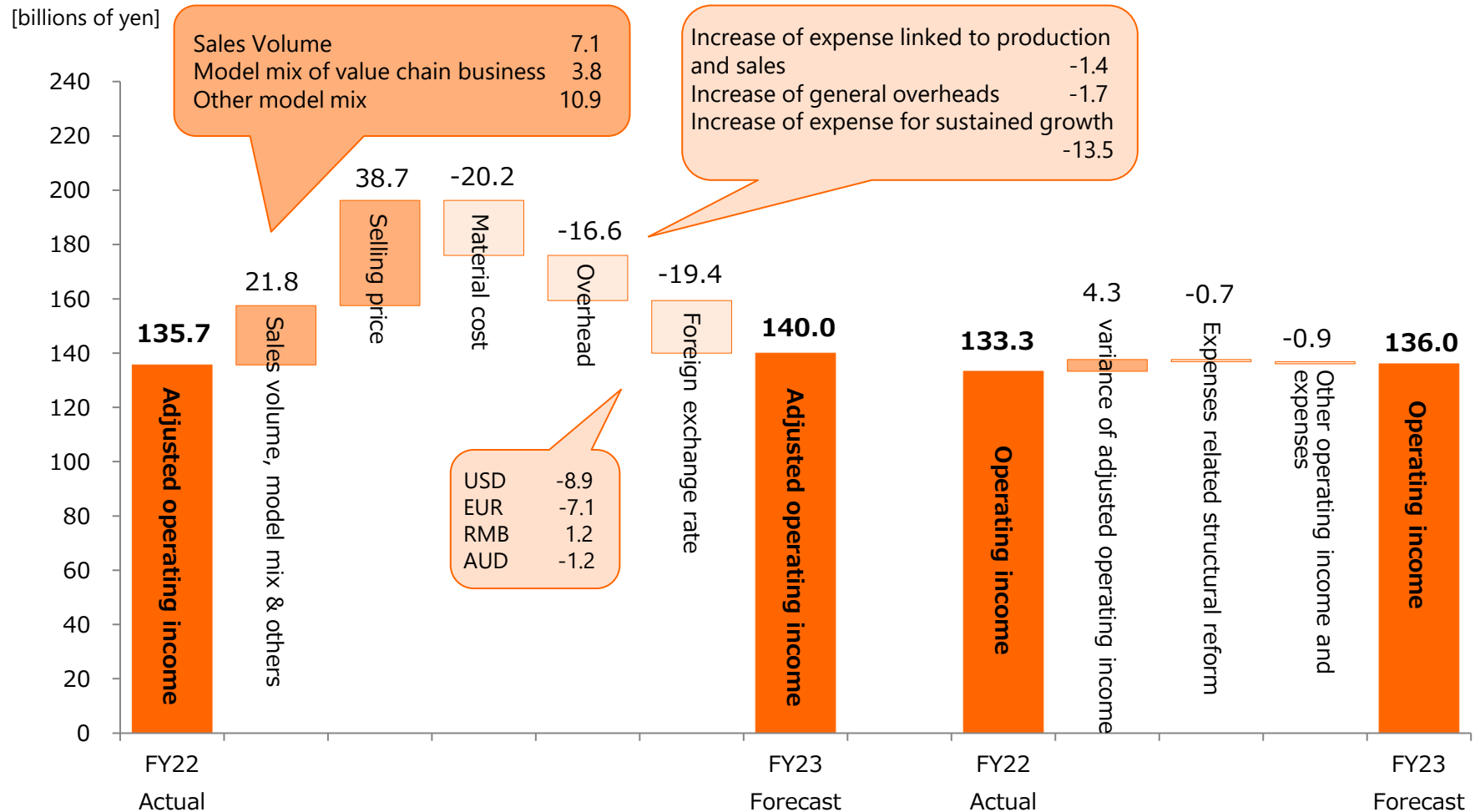


(\*1) Value chain: Total of Parts & services, Specialized parts & service business, Rental etc. other than new machine sales.

(\*2) Specialized parts & service business: The business segment primarily intends to provide development, production, distribution of parts and service solutions for mining facilities and equipment after the sales made that are not included in the construction machinery business segment.

# Comparison of consolidated income forecast

Adjusted operating income increased by 4.3 billion yen y-y due to an increase in sales volume and model mix and selling price increase although there is an increase in overhead costs and material costs and appreciation of the yen.



# Appendix 1: FX rate and FX sensitivity

The forecast exchange rate of major currencies for FY2023 is unchanged from the previous announcement.

## FX rate and FX sensitivity

[billions of yen]

Currency	FX rate				FX sensitivity (2Q-4Q)		
	FY23			FY22 Actual	Condition	Revenue	Adjusted operating income
	1Q Actual	2Q-4Q Forecast	Total Forecast				
USD	137.4	130.0	131.7	135.4	Impact by 1 yen depreciation	2.6	1.9
EUR	149.5	130.0	133.8	141.0	Impact by 1 yen depreciation	0.9	0.7
RMB	19.6	18.1	18.4	19.7	Impact by 0.1 yen depreciation	0.2	-0.1
AUD	91.8	84.0	86.1	92.7	Impact by 1 yen depreciation	1.9	0.3

## Appendix 2: Detail of mining revenue

[billions of yen]

		FY23 Forecast			FY22 Actual			Change		
		1Q	2-4Q	Year	1Q	2-4Q	Year	1Q	2-4Q	Year
America	Excavator	7.9	26.6	34.5	5.8	26.9	32.7	2.1	-0.3	1.8
	Dump Truck	2.4	6.1	8.5	0.9	3.2	4.1	1.5	2.8	4.4
	Total	10.3	32.7	43.0	6.7	30.2	36.8	3.7	2.5	6.2
Europe, Africa and Middle East	Excavator	7.3	29.9	37.3	8.0	27.7	35.7	-0.7	2.2	1.6
	Dump Truck	5.1	21.8	26.9	4.7	22.3	27.0	0.4	-0.5	-0.1
	Total	12.5	51.8	64.2	12.7	50.1	62.7	-0.2	1.7	1.5
Asia & Oceania	Excavator	25.9	76.6	102.4	18.3	79.6	97.8	7.6	-3.0	4.6
	Dump Truck	13.4	29.1	42.5	9.3	37.5	46.8	4.1	-8.5	-4.3
	Total	39.3	105.7	144.9	27.5	117.1	144.6	11.7	-11.4	0.3
China	Excavator	0.3	1.4	1.6	0.2	1.1	1.3	0.1	0.3	0.4
	Dump Truck	0.0	0.0	0.0	0.0	0.1	0.1	0.0	-0.1	-0.1
	Total	0.3	1.4	1.6	0.2	1.2	1.4	0.1	0.2	0.3
Japan	Excavator	0.3	1.5	1.8	0.4	0.6	1.0	-0.1	0.9	0.8
	Dump Truck	0.0	0.4	0.4	0.0	0.0	0.0	0.0	0.4	0.4
	Total	0.3	1.9	2.2	0.4	0.6	1.1	-0.1	1.2	1.1
Total	Excavator	41.7	136.0	177.7	32.6	135.9	168.5	9.1	0.1	9.2
	Dump Truck	20.9	57.4	78.3	14.8	63.2	78.1	6.1	-5.9	0.2
	Total	62.7	193.3	256.0	47.5	199.1	246.6	15.2	-5.8	9.4



## Appendix 3: Segment information

The amortizations of PPA are included in the adjusted operating income of the specialized parts & service business. The amount of 0.3 billion yen is included in FY2023 1Q, and the amount of 1.1 billion yen is included in the forecast for FY2023.

[billions of yen]

FY2023 1Q Actual	Reportable segment		Adjustments*2	Total
	Construction Machinery Business	Specialized Parts & Service Business*1		
Revenue	285.8	35.5	-1.3	320.0
Adjusted operating income	11.8% 33.9	10.6% 3.8	-	11.8% 37.6

[billions of yen]

FY2023 Forecast	Reportable segment				Adjustments*2	Total
	Construction Machinery Business		Specialized Parts & Service Business*1			
Revenue	1,173.3		128.0		-1.3	1,300.0
Adjusted operating income	10.7%	125.8	11.1%	14.2	-	10.8% 140.0

\*1 In the FY2023, the business segment "Solution Business" was renamed "Specialized Parts & Service Business".

The change to this reportable segment name does not have an effect on the segment information.

\*2: Adjustments represent eliminations of intersegment transactions and amounts of companies that do not belong to any operation segment.

**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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