

Q: Could you summarize the results of FY2021?

A: The market environment was affected by behavioral constraints in some regions due to the spread of the new variant of the coronavirus, but the market environment remained strong in major regions other than China. Global demand for hydraulic excavators was 24,3000 units (an increase of +2% year on year), the largest ever. Revenue increased to ¥1.025 trillion (an increase of +26% year on year), reflecting the sales of new construction and mining machinery as well as an increase in the value chain business centered on parts and services, including the impact of foreign exchange rates and other factors. Adjusted operating income was ¥93.5 billion (an increase of 186% year on year) due to an increase in revenue against the backdrop of a favorable market environment, an adjustment amount due to the determination of sales prices for the Americas recorded in the 2Q, an improvement in profitability due to an improvement in production capacity utilization rates, and the impact of foreign exchange rates, despite the impact of an increase in costs, mainly steel prices. Net income attributable to owners of the parent increased significantly to ¥75.8 billion (an increase of +633% year on year) due to an increase in adjusted operating income, a gain on the transfer of shares of an equity-method affiliate following the dissolution of a joint venture with Deere, an increase in investment income from an overseas equity-method affiliate, and a gain on the sale of land adjacent to the Hitachinaka works in the 4Q.

Q: What are your thoughts on the impact on Hitachi Construction Machinery's business in response to the situation in Russia and Ukraine?

A: In FY2022, demand for Russia/CIS is expected to decrease significantly, and our revenue by region is also expected to decrease significantly in Russia/CIS to ¥13.6 billion (a decrease of -65% compared to the previous year). Regarding our business in Russia, for the time being, we will gradually suspend the production of LLC Hitachi Construction Machinery Eurasia (manufacturing and sales subsidiary), which is the regional headquarters of Russia/CIS, and will gradually suspend exports from Japan to Russia. We will endeavor to collect information and make appropriate decisions by maintaining close contact between our bases around the world.

Q: This is the final year of the medium-term management plan. Can you summarize the outlook for FY2022?

A: As a result of the background explained above, in FY2021 we achieved our medium-term management plan target of ¥1 trillion in revenues ahead of schedule. In FY2022, however, we are forecasting that we will carefully consider a variety of risks, including the situation in Russia and Ukraine. Demand for hydraulic excavators is expected to maintain the momentum of the previous fiscal year in regions such as North America, Asia, Japan, and Oceania. However, demand is expected to decline in China, where market conditions remain sluggish, and in Russia/CIS and Europe, where conditions in Russia and Ukraine are affected, and global demand is forecast to be 22,4000 units, a decrease of -8% compared to the previous fiscal year. For the full year, we forecast revenue of ¥960.0 billion (a decrease of -6% year on year), adjusted operating profit of ¥80.0 billion (a decrease of -14% year on year), and profit attributable to owners of the parent of ¥45 billion (a decrease of -41% year on year). Specifically, in the mining business, in regions other than Russia, sales of both new machinery and parts and services are expected to be firm against the backdrop of favorable conditions that have continued since the previous fiscal year. However, in the construction business, new machinery sales are expected to decrease, and the impact of the prolonged procurement risk of semiconductors and increased costs, particularly steel prices, is carefully considered. The main reason for the large negative margin in the profit items was the impact of the one-time booking of profits in

FY2021, as mentioned above. These forecasts are based on the following exchange rates: ¥120 to one U.S. dollar, ¥130 to one euro, ¥19 to one Chinese yuan, and ¥ 80 to one Australian dollar.

Although this fiscal year is the final year of the Medium-Term Management Plan, we will continue to pursue initiatives aimed at enhancing enterprise value by steadily advancing various measures, such as expanding North, Central, and South America and taking on new challenges to realize the Circular Economy, with a further eye on the future as our perspective.

Q: You have started full-scale self-development in North, Central and South America, how about the evaluation of the beginning?

A: In March 2022, we began full-scale self-development in the North, Central, and South American markets.

In FY2021, we focused on creating a system for independent development and worked to build an organizational structure, a sales and supply system, and a network of distributors. As a result, sales to distributors in March got off to a good start. Leveraging this foundation, in FY2022 we will continue to provide support through the fulfillment of initial inventories at distributors and the training of service personnel in order to promote business smoothly. In Central and South America, we will strengthen our mining sales and service structure. We will also proceed with specific studies on the local production system.