

# Americas Business Strategy Explanatory Meeting

November 24, 2022

**Kotaro Hirano**

President and Executive Officer, CEO

**Sonosuke Ishii**

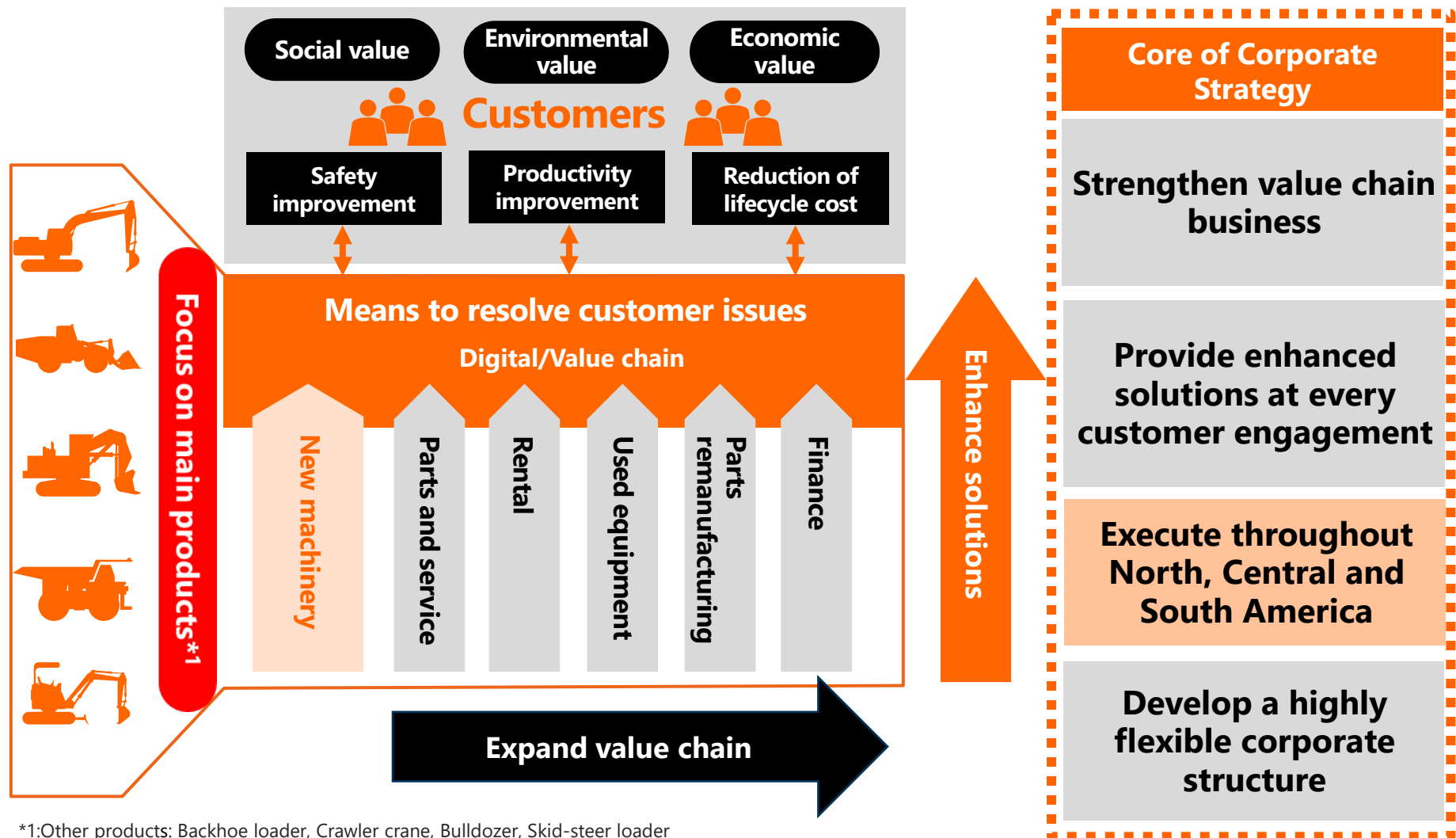
Senior Vice President and Executive Officer, President of Mining Business Unit  
& General Manager of America Business Div.

(Chairman of Hitachi Construction Machinery Americas Inc.)

- 1 Strong Launch and Growth of Business in the Americas**
- 2 Compact and Construction Business Activities**
- 3 Mining Business Activities**

# **1. Strong Launch and Growth of Business in the Americas**

## Realize stable growth by strengthening value chain businesses in North, Central and South America



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

# 1-2 Changes in past and present commercial distribution

(New machinery, Parts and Services)

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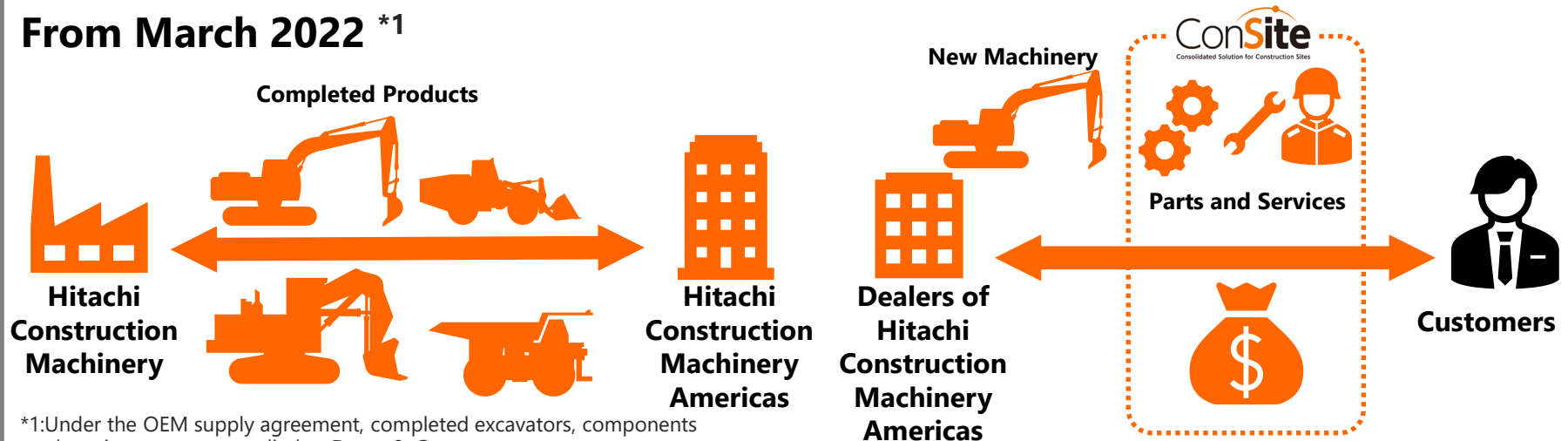
Reliable solutions

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

### By February 2022



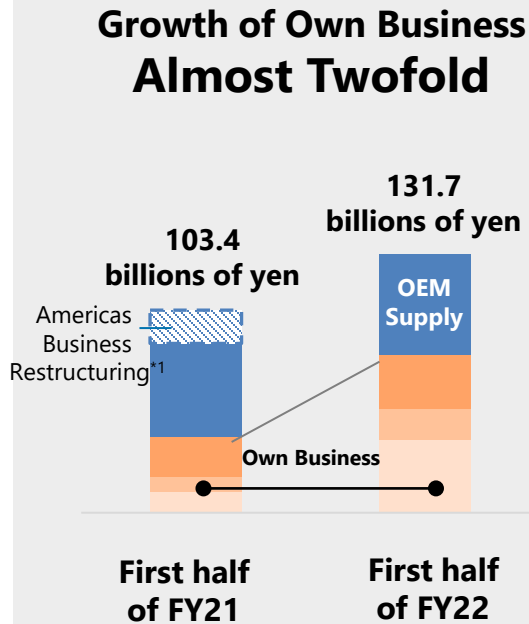
### From March 2022 <sup>\*1</sup>



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

## Expand business over the medium- to long-term to stabilize revenue

### Current progress of sales revenue in the Americas

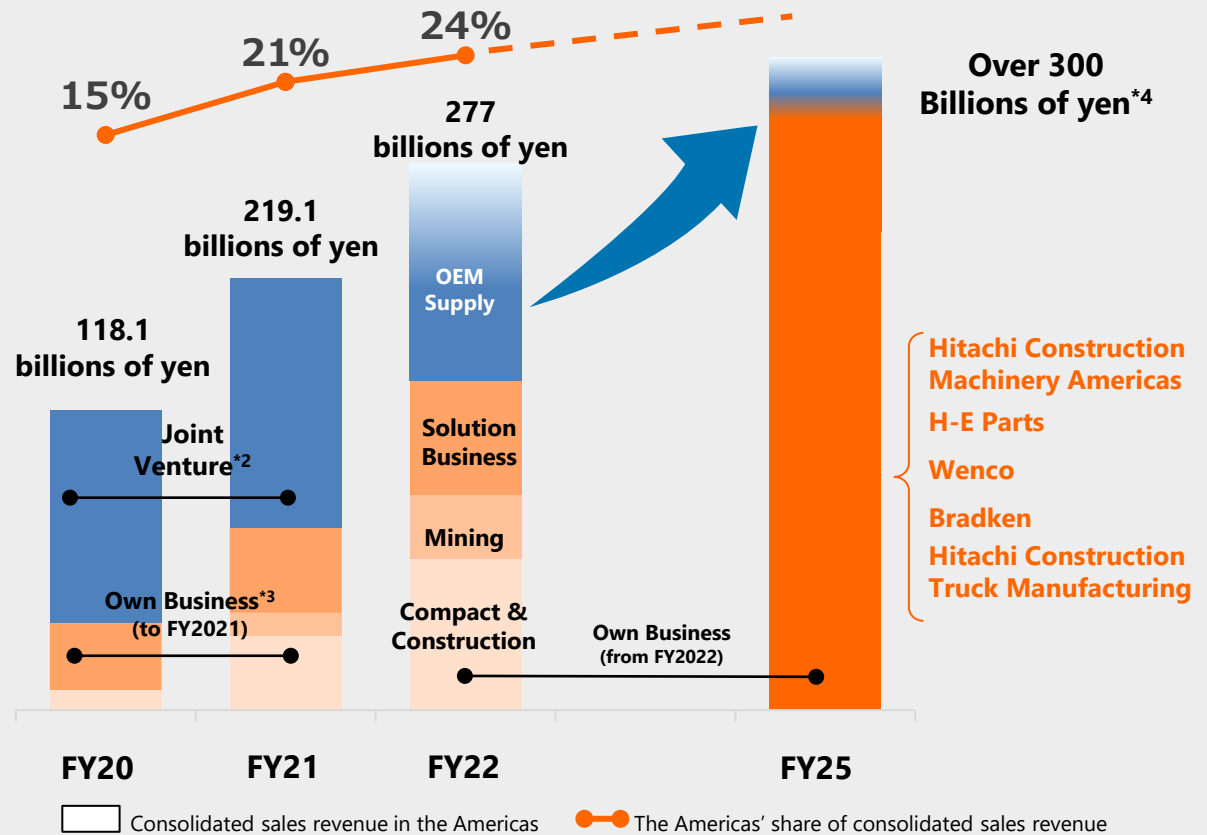


\*1: Price adjustment and profit share

\*2: Joint venture

Supplying components and completed products, consigning sales and services to Deere & Co. and receiving profit share

### Planned sales revenue in the Americas



\*3: Own business up to FY2021 consisted solely of the wheel loader business and what came from consolidated subsidiaries

\*4: Estimated exchange rate: 1 USD = 130 YEN, assuming no rapid change in demand trends

## Current medium-term management plan period: Embarked on development for own business with a better start

### Core measures

**Prompt construction of network for sales, service and rental**



### Achievement of core measures

- Early establishment of a dealership network against the backdrop of track records and favorable brand images in other regions
- Aggressive growth in penetration into rental segment through dealers as well as Independent Rental companies

**Market launch of the newest excavators**



- Market launch of the excavators equipped with ConSite
- Conducting promotional activities

**Total support across product lifecycle with ConSite**



- ConSite contract rate is over 95% in North America
- Two parts warehouses are in operation

## Next medium-term management plan period: Reinforcing growth with new partners and intra-group collaboration

- Planning for expansion of operational bases for service and parts remanufacturing
- Efforts to develop and introduce electrified products
- Determining the best location and timing for manufacturing bases

**Review the plan based on market research after developing own business and reduce initial investment through effective management measures and new partnerships**

## Effects of management measures

- Restructuring of production bases worldwide
- Latest product supply capacity

## Market response

- Positive response beyond expectations from the market

## Management environment

- Changes in shareholder composition

## Investment plan for the current medium-term management plan period

Before developing own business  
(As of August 2021)

Initially  
Roughly 30  
billions of yen

After developing own business  
(As of November 2022)

Current medium-term management plan period  
Roughly 4.5  
billions of yen

Sales network

Early establishment of a sales network against the backdrop of track records and favorable brand images in other regions

Parts supply system

Adoption of third-party logistics

Finance system

Tie-up with the Itochu Group

**Investment plans for the next mid-term business plan are under scrutiny, focusing on strengthening the rental business, establishing a core base for mining, and expanding Hitachi Construction Machinery America**



# 1-6. Reinforcing the Structure of Hitachi Construction Machinery Americas as a Regional Headquarters

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Reliable solutions

**Mobilizing people with a wide range of experiences and skills;  
Building an additional office building**

## U.S.-Japan collaborative spearheading

### Hitachi Construction Machinery Americas



#### Sonosuke Ishii, Chairperson of the Board of Directors

Hitachi Construction Machinery  
Senior Vice President and Executive Officer  
President of Mining Business Unit &  
General Manager of Americas Business Div.



#### CEO Al Quinn



Covering all products and strengthening the functions  
of the regional headquarters

## Building an additional office to be completed in December 2023

Inside view of the Headquarters building



JEFFERSON\_

Command center monitoring the operating  
status at construction and mining sites by  
ConSite



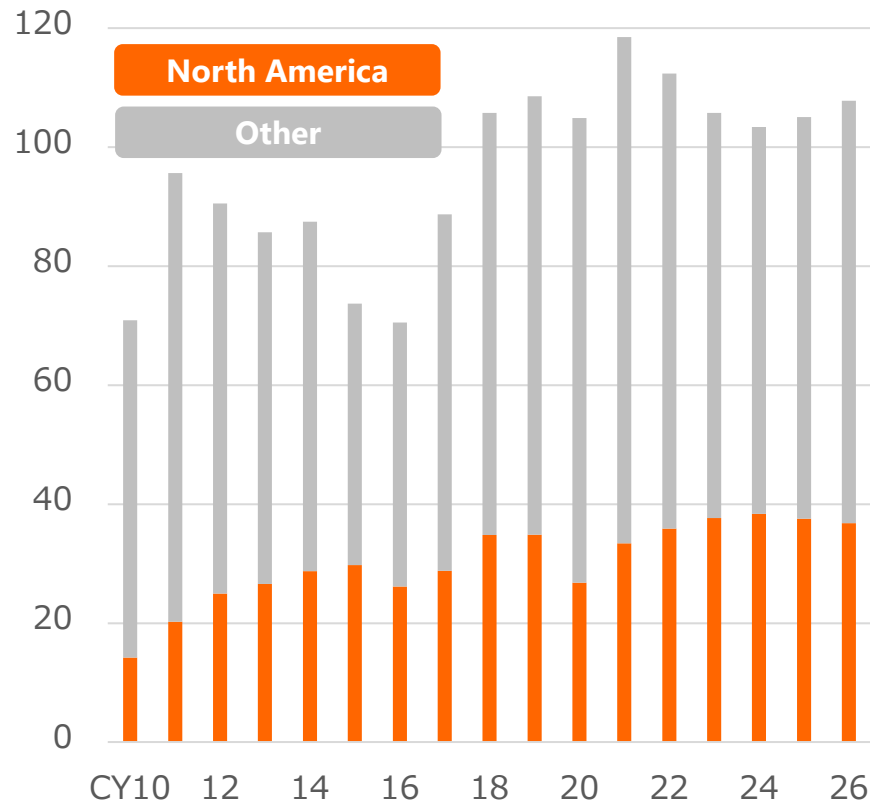
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## **2. Compact and Construction Business Activities**

- North American market remains stable at a high level
- Market where high added-value models and services are recognized

Global demand for construction machinery\*<sup>1</sup>

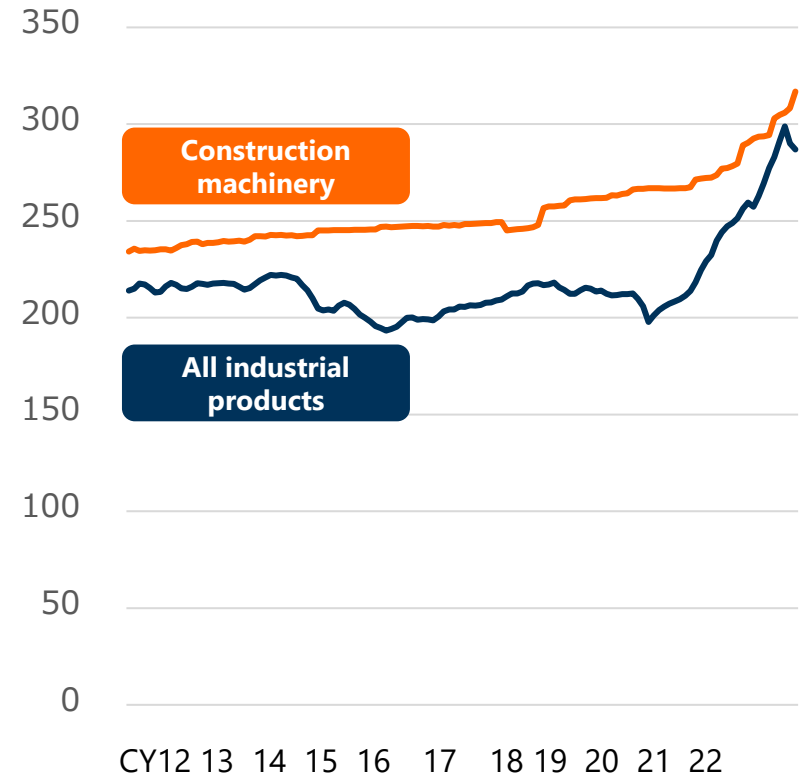
(U.S. billion dollars) (Amount-based)



\*1: Global Volume and Value Service of Off-Highway Research

Changes in price index of all industrial products and construction machinery in the U.S.\*<sup>2</sup>

Price index in December 1980 = 100



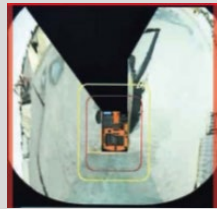
\*2: Producer price index (PPI) of the U.S. Bureau of Labor Statistics

### Launch attractive and newest excavators in North American market and expand sales

#### Safety improvement

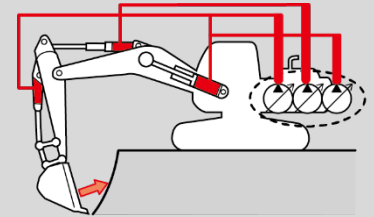
##### AERIAL ANGLE

Displays the area around the machine on the monitor  
Improved visibility and safety



#### Productivity improvement

Latest high-efficiency hydraulic system  
Improved excavation speed and operating performance

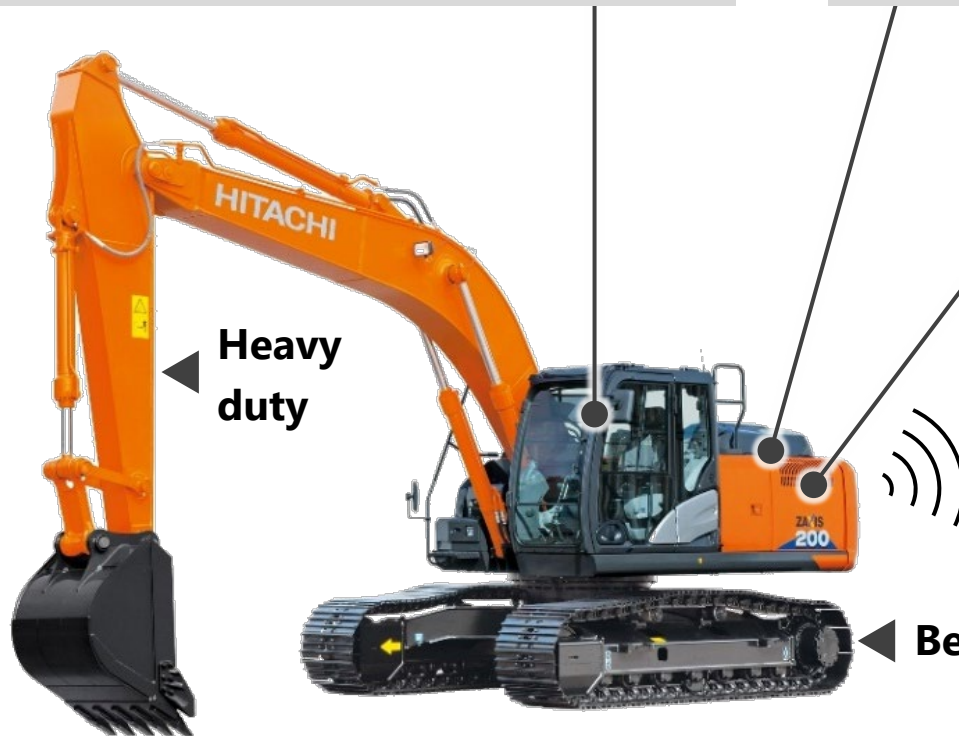


#### Reduction of lifecycle cost

**ConSite**  
Consolidated Solution for Construction Sites



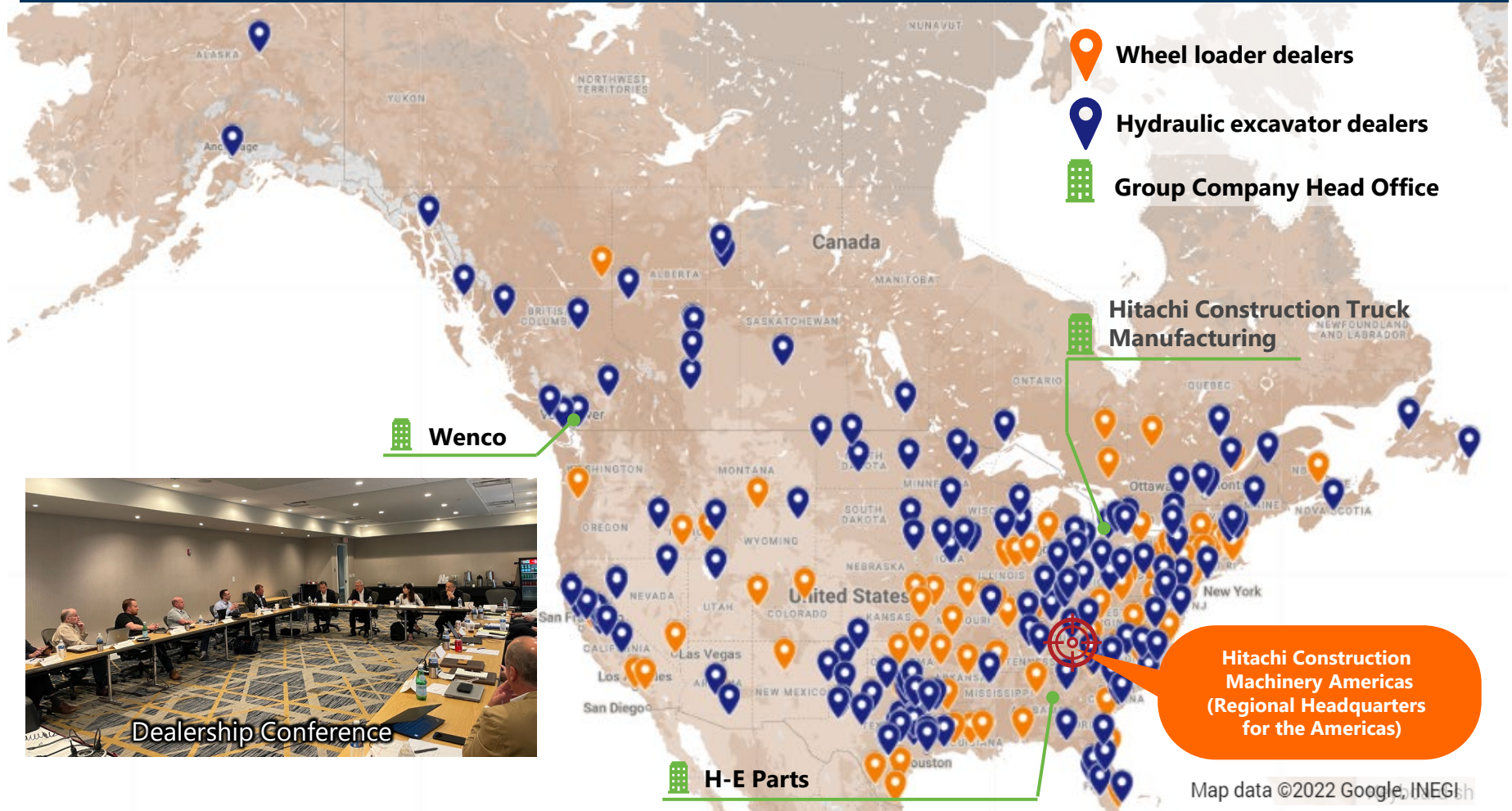
24-hour remote monitoring  
ConSite OIL equipped as standard



**Beefed up Undercarriage**



### Contracting preferentially with Hitachi brand dealers and other dealers that deal in a full lineup



**Established a sales network that covers approx. 80% of the North American market**

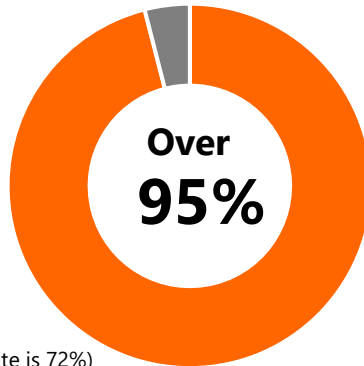
## Please watch the video.



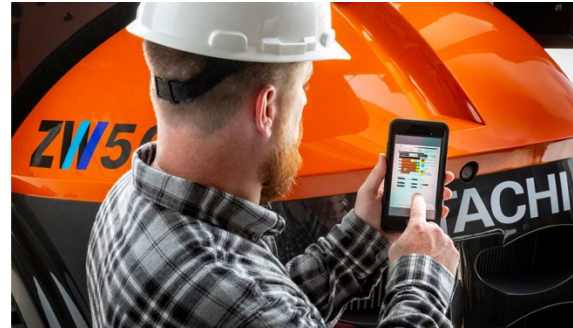


### Provide the newest service solutions utilizing ConSite

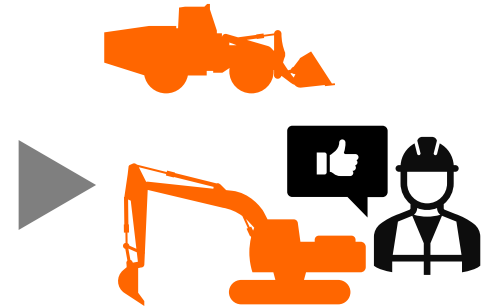
#### ConSite contract rate in North America



(As of March 2022, global contract rate is 72%)



Emergency alerts includes troubleshooting



Quick response in the field

### Following Jackson Parts Warehouse, McDonough Parts Warehouse started operation in October 2022

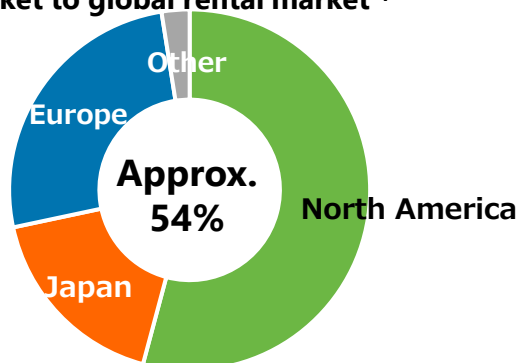
Promoting phased expansion of parts warehouses

Georgia



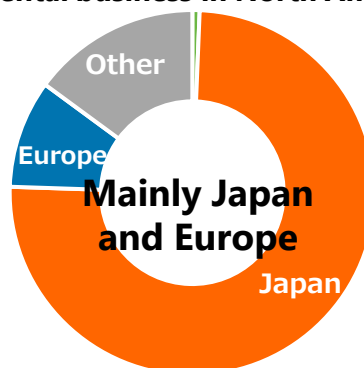
### Expand rental business in North America as the world's largest market by drawing on the advantages of manufacturer rental

The share of North American rental market to global rental market\*1



\*1: Our estimate

The Share of Hitachi Construction Machinery's rental business in North America



Used equipment in North America mostly distribute within the region



#### Supporting dealers' rental business



Appropriate  
maintenance  
based on data

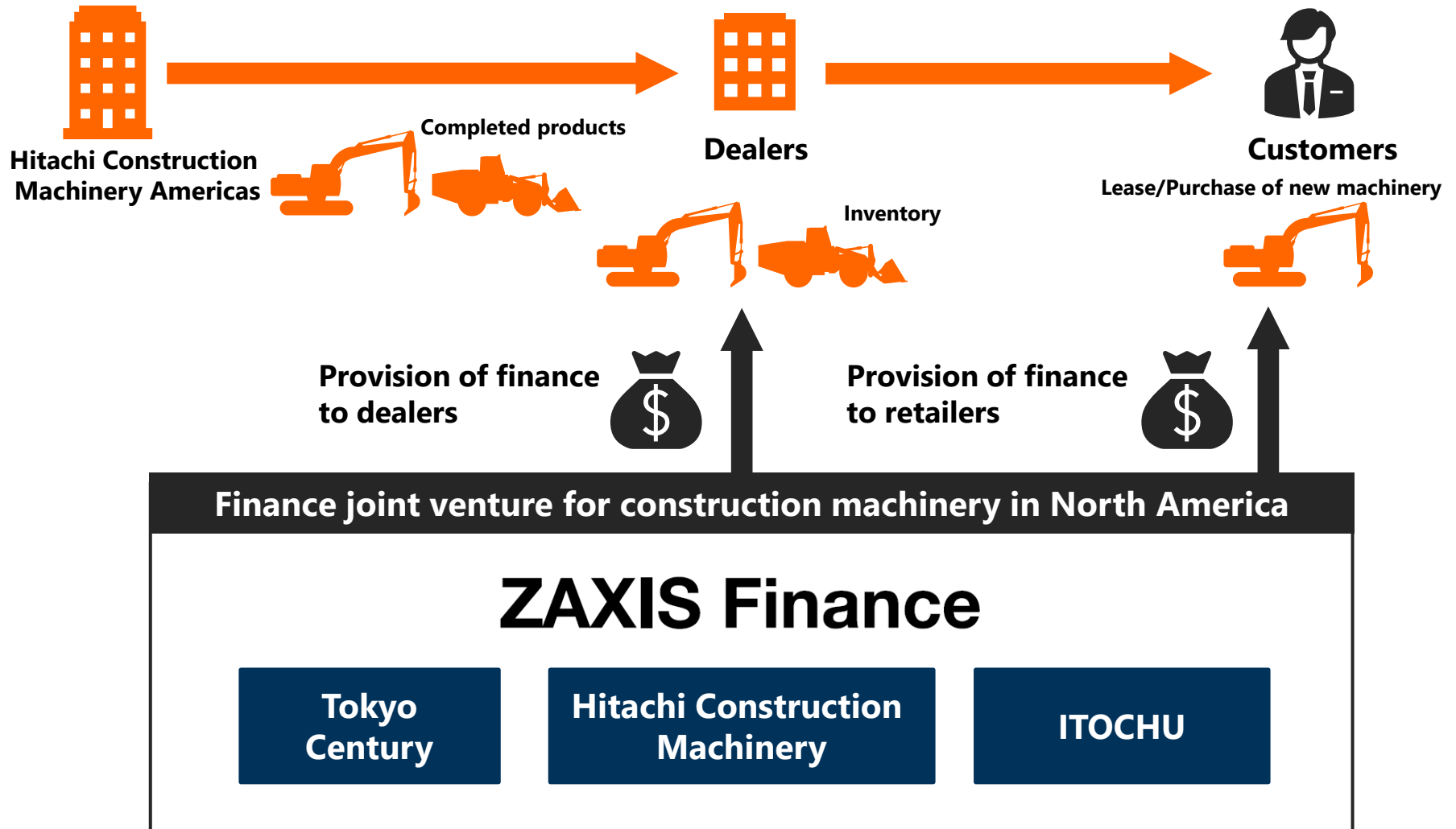
#### Distributing branded used equipment within the region



Create opportunities for customers to see and experience Hitachi brand equipment through rental and used equipment



Established a finance joint venture with ITOCHU's and Tokyo Century's U.S. subsidiaries

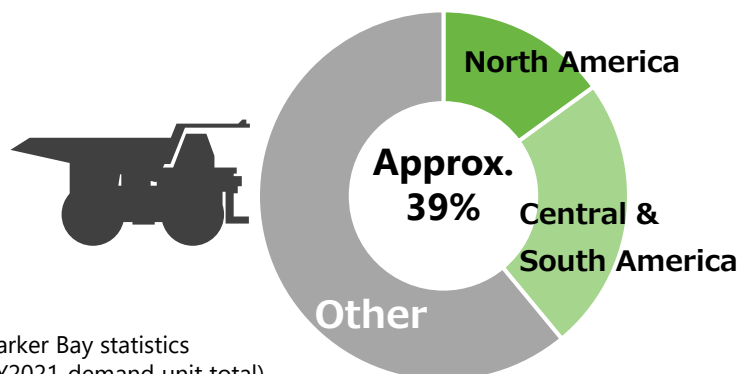


## **3. Mining Business Activities**

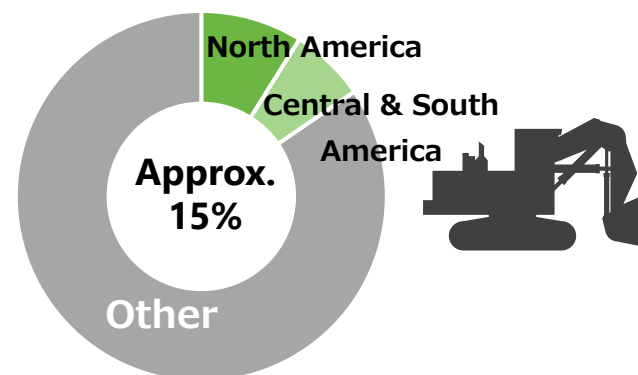
## The Americas account for 40% of the global demand for dump trucks and 20% for ultra-large hydraulic excavators

Ratio of North, Central, and South Americas to global market for mining machinery\*<sup>1</sup>

Dump trucks (over 150t)



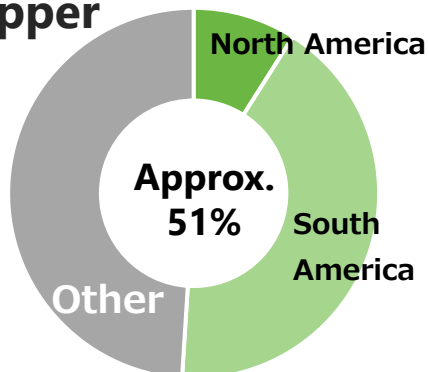
Ultra-large hydraulic excavators (over 100t)



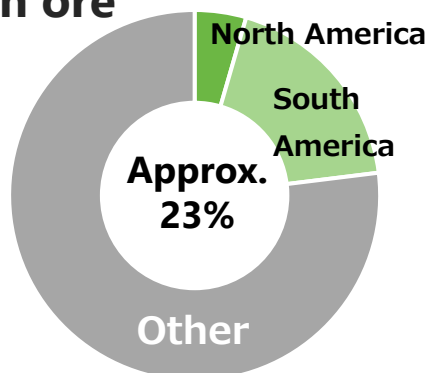
\*1: WSS/Parker Bay statistics  
(FY2010-FY2021 demand unit total)

## Mostly hard rocks such as copper, iron ore, and gold are mined\*<sup>2</sup>

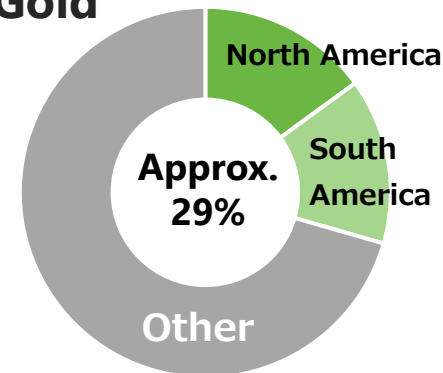
Copper



Iron ore



Gold



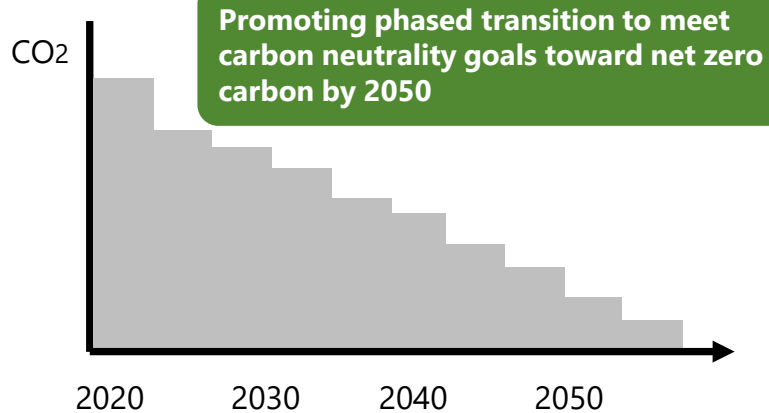
\*2: Calculated by us based on Parker Bay statistics

## 3-2. Technical Competitiveness for Responding to Demand for Zero Emission

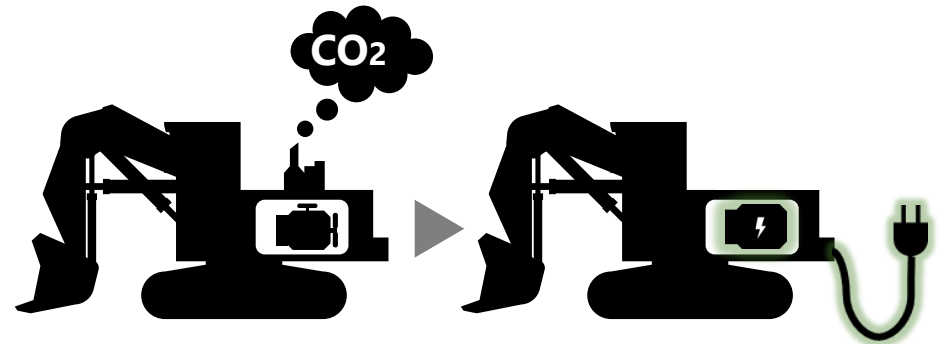
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Reliable solutions

### CO<sub>2</sub> emissions reduction plan for mining sites



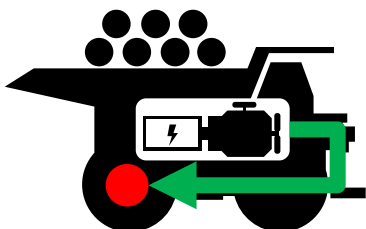
### Offering a full lineup of feeder cable-powered models



### Providing full electrification by using customer's existing assets

2004

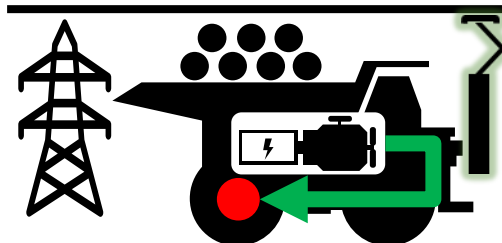
Engine power generation



AC-driven  
dump truck

2008

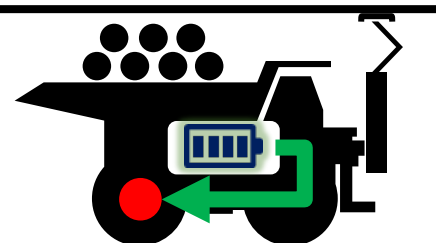
Engine power generation + Trolley



AC-driven  
dump truck with trolley

2024

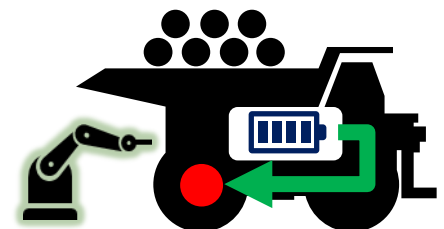
Trolley + Battery



Dynamic charging battery  
dump truck with trolley

2030

Battery (quick charge)



Charging station type

**Since FY2023, Hitachi Construction Machinery Americas has been leading remanufacturing business by drawing on group companies' know-how and facilities**

**Hitachi Construction Machinery Americas**

**Manages remanufacturing business across the Americas**

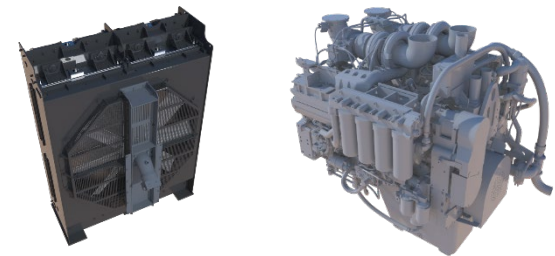
**Hitachi Construction Truck Manufacturing**

**Remanufacturing of parts for ultra-large hydraulic excavators and dump trucks**



**H-E Parts**

**Remanufacturing of cooling systems and engines of mining machinery**



**Startup of parts remanufacturing plant planned for the future**

### Promoting the adoption of remanufactured parts by fully leveraging H-E Parts' engineering capacity and work sites

**Longer life and improved performance of components contribute to solving customers' problems**



Delivered components to approx. 80% of the major 40 mining companies



**Started expanding the lineup of remanufactured parts and collaboration with Hitachi Construction Machinery Americas**



Remanufacturing of cooling systems (Australia)



Remanufacturing of engines (North America and Australia)

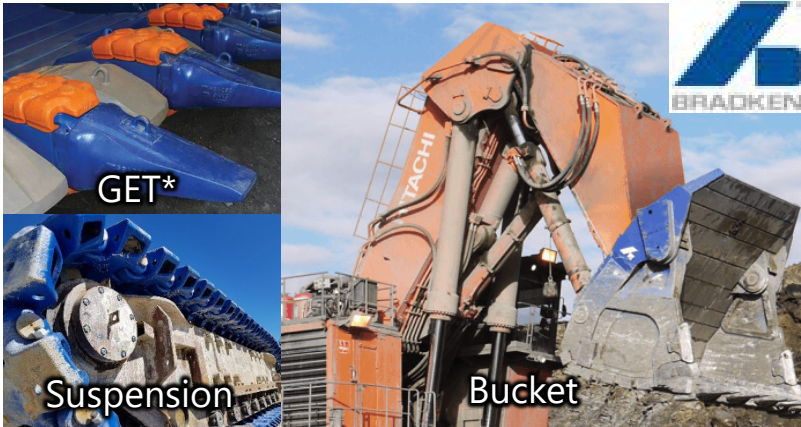


Collaboration with Hitachi Construction Machinery (Zambia)



**Bradken's cast parts are supplied to the Americas;  
local production for local use is considered for the future**

### Phase 1: Bucket, GET, and suspension



### Phase 2: Body (dump bed)



\* Ground Engaging Tools (Wear-resistant materials such as tooth and adapter to be attached to the bucket)

**Wenco's mining operation management system supports efficient  
mining management**



**Hitachi Construction Machinery Group companies collaborate to establish a full support system only the manufacturer can provide**





## 4. Summary

**1**

## **Strong Launch and Growth of Business in the Americas**

Hitachi Construction Machinery aims to achieve steady growth with a stronger value chain business in the Americas to reach sales of over 300 billion yen (approx. 300 billions of yen with own business only) in FY2025.

**2**

## **Compact and Construction Business Activities**

With a sales network that covers the majority of the points of demand in North America and utilizing ConSite, Hitachi Construction Machinery will provide the newest service solutions, including parts and service, rental and used equipment.

**3**

## **Mining Business Activities**

With ongoing focus in North America complimented by an increasing focus on Central and South America, Hitachi Construction Machinery will promote market development by drawing on full support provision to dealers and technical edges that respond to zero emission needs.

Hitachi Construction Machinery will expand value chain business by leveraging group companies' findings and know-how.

## **Cautionary Statement**

This material contains forward-looking statements that reflect management's views and assumptions in the light of information currently available with respect to certain future events, including expected financial position, operating results, and business strategies. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured.

Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, changes in the economic conditions in the Company's principal markets; changes in demand for the Company's products, changes in exchange rates, and the impact of regulatory changes and accounting principles and practices.

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