

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.)

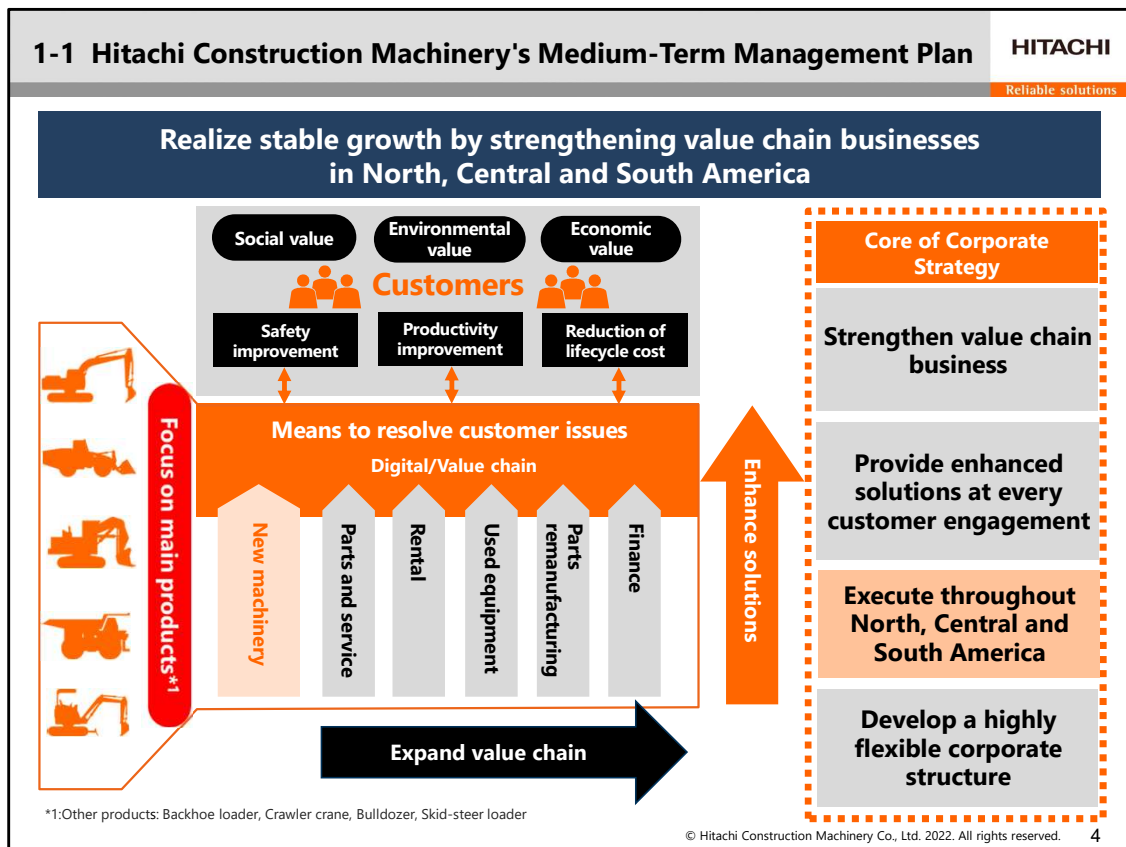
 **Hitachi Construction Machinery Co., Ltd.**

Table of Contents: Today's Agenda		HITACHI
		Reliable solutions
1	Strong Launch and Growth of Business in the Americas	
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This is Hirano, President and CEO. This is today's agenda, which consists of three points. First, I will explain the strong launch and growth of business in the Americas. Next, Mr. Ishii, Senior Vice President and Executive Officer, President of Mining Business Unit & General Manager of America Business Div., and Chairman of Hitachi Construction Machinery Americas Inc., will explain the compact and construction business activities and mining business activities.

1. Strong Launch and Growth of Business in the Americas

I will explain the strong launch and growth of business in the Americas.



This is the overview of Hitachi Construction Machinery's medium-term management plan, which might be familiar to you.

Four cores of corporate strategy are shown on the right.

We announced the termination of joint venture with Deere in August 2021 and started our own business in North, Central and South Americas in full-fledged manner in March this year.

We will strengthen our own value chain business in North, Central and South Americas to achieve stable growth.

We believe Hitachi Construction Machinery has a larger growth potential in Americas market compared to other peers,
and therefore, we hold this meeting today, wishing to deepen the understanding of all of you, our important stakeholders.

1-2 Changes in past and present commercial distribution

(New machinery, Parts and Services)

HITACHI

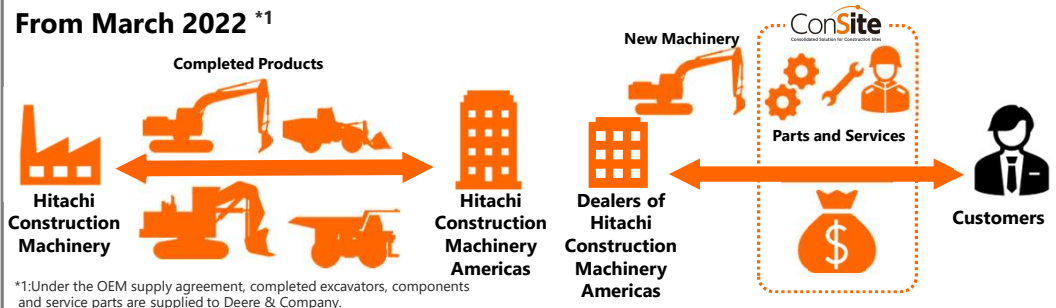
Reliable solutions

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

By February 2022



From March 2022 ^{*1}



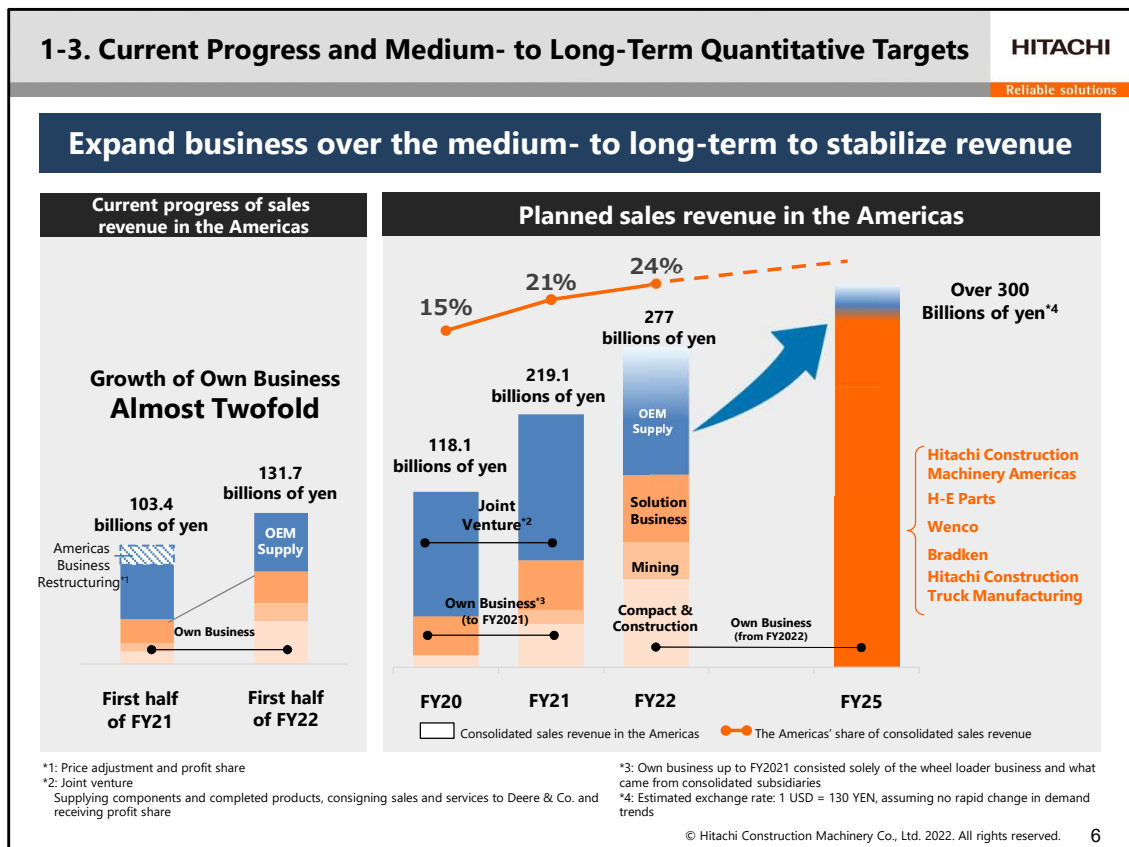
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This slide shows the changes in past and present commercial distribution, between the time we had a joint venture with Deere & Company and the present when Hitachi Construction Machinery started our own business.

Previously, we had an alliance with Deere & Company and established manufacturing joint ventures in the US and Brazil, and we were responsible for development and manufacturing of hydraulic excavators and Deere & Company was responsible for distribution and services.

In March 2022, this joint venture was terminated and Hitachi Construction Machinery acquired sales and service rights.

And since then, we have been developing, manufacturing, selling and servicing Hitachi Construction Machinery brand products independently.



Current progress is solid. Within the sales revenue in the Americas in the first half FY22, own business sales revenue has almost doubled year on year.

In Compact & Construction, sales of hydraulic excavators and parts & services increased, in particular, in North America, utilizing ConSite.

In Mining also, sales of ultra-large hydraulic excavators and parts & services increased, with closer contact with distribution dealers.

Current progress in orders is solid as well. We have already received all orders for the planned sales for FY22,

and from the initial year, the orders received in Americas in the ultra-large hydraulic excavators are effectively equivalent to those in our major region, Australia.

Tie-up with dealers with whom we had worked together prior to the alliance with Deere & Company has been recovering rapidly from the initial year.

The active sales promotion activities with dealers led to the robust ramp-up.

Mid-to-long term quantitative target up to FY25 is shown on the right.

The Americas' share of consolidated sales revenue will grow to 24% in FY22. And sales revenue in FY2025 will be approximately 300 billion yen in own business alone.

Aiming over 300 billion yen including OEM to Deere & Company, we will expand business over the mid-to-long term and stabilize the earnings.

1-4. Summary of Progress in the Americas Business		HITACHI
		Reliable solutions
Current medium-term management plan period: Embarked on development for own business with a better start		
Core measures		Achievement of core measures
Prompt construction of network for sales, service and rental	▶	<ul style="list-style-type: none"> • 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	▶	<ul style="list-style-type: none"> • Market launch of the excavators equipped with ConSite • Conducting promotional activities
Total support across product lifecycle with ConSite	▶	<ul style="list-style-type: none"> • 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		
<ul style="list-style-type: none"> • 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 		
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This table summarizes the qualitative progress of the Americas business.

When the dissolution of our alliance with Deere & Company was announced in August last year, we set these three points on the left as core measures for the Americas business in the current medium-term management plan period.

All of them have made a better start in developing own business.

For prompt construction of network for sales, service and rental, we have established a dealership network at an early stage,

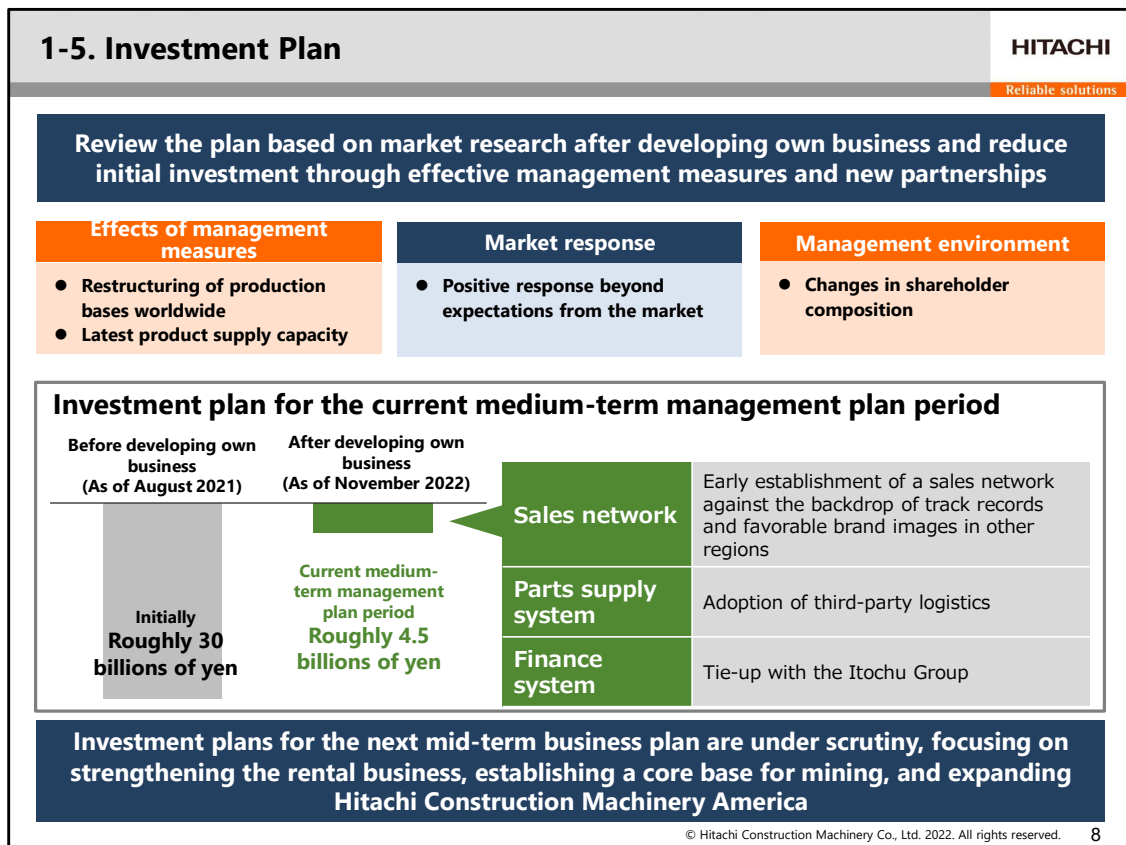
as we could continue the contracts with many dealers that had been selling our products due to our track records and favorable brand images in other regions.

Also, we are aggressively growing in penetration in the rental segment through dealers and independent rental companies.

As a product strategy, the latest excavators equipped with ConSite are launched in the market, and we are actively conducting promotional activities.

In North America, the ConSite contract rate is as high as over 95%, and two service parts warehouses are already in operation.

In the next medium-term management plan period, we will ensure our growth with new partners such as ITOCHU Corporation and Japan Industrial Partners. as well as intra-group collaboration by "Planning for expansion of operational bases for service and parts remanufacturing", "Efforts to develop and introduce electrified products", and "Determining the best location and timing for manufacturing bases".



At the time we announced the dissolution of the alliance with Deere & Company, our investment plan was initially estimated as roughly 30 billion yen, but now we expect to reduce the amount to "approximately 4.5 billion yen" during the current medium-term management plan period.

There are three reasons for the reduction of the investment amount.

The first reason is the effect of management measures implemented so far.

The company aims to achieve efficient manufacturing by reorganizing its production bases worldwide, and has strengthened our system to supply latest products from Japan.

The second reason is positive response from the market beyond our expectations due to our track records and a good brand image in other regions.

The third reason is the shareholder composition has changed in the management environment, and ITOCHU Corporation and Japan Industrial Partners have become our new partners.

These three factors enable us to promptly build a sales network, to outsource the parts supply system to a third party for the entire logistics operations, and to lower initial costs for the finance system by establishing a joint venture with ITOCHU Corporation and Tokyo Century Group.

Investment plans for the next medium-term management plan are currently under scrutiny, focusing on strengthening the rental business, establishing a core base for mining, and expanding operations of 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



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



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This is Ishii, Senior Vice President and Executive Officer.

I serve as the chairperson of Hitachi Construction Machinery Americas concurrently, and as shown on this slide, with CEO, Mr. Al Quinn, we are reinforcing the structure of Hitachi Construction Machinery Americas.

Mobilizing people with a wide range of experiences and skills to cover all products, we are building an additional office building, to be completed in December 2023.

The command center to monitor the operating status at construction and mining sites through service solution, ConSite,

and training facilities with the three times larger space than the previous one will be established.

2. Compact and Construction Business Activities

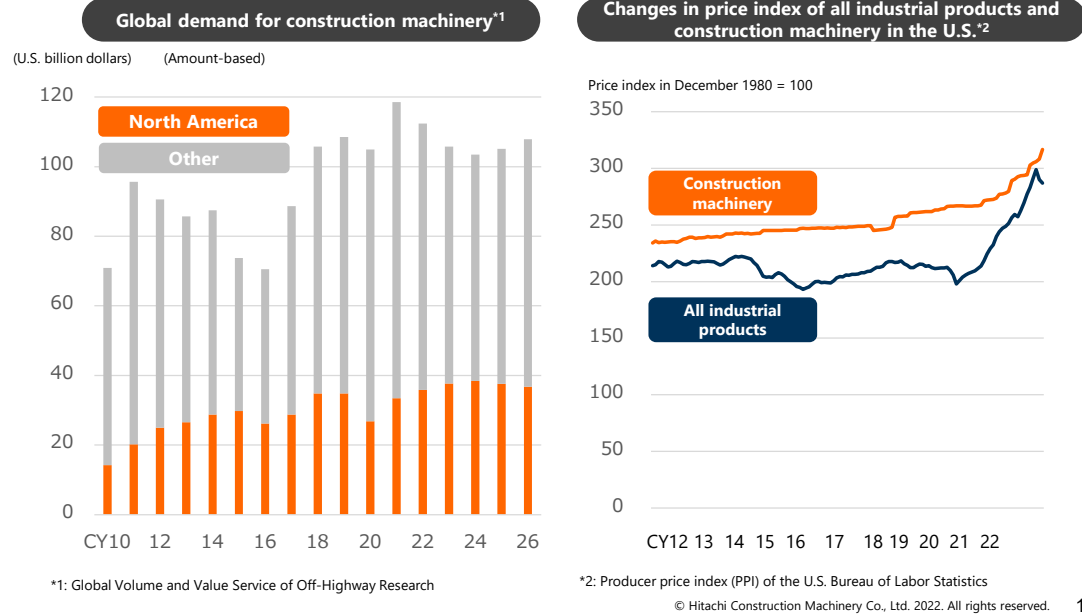
I will explain the compact and construction business activities.

2-1. Business Environment

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Reliable solutions

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



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Left chart shows the global demand for construction machinery.

While global demand is volatile, North American market remains relatively stable at a high level.

Right chart shows changes in price index of all industrial products and construction machinery in the US.

Price index of construction machinery stays higher than all industrial products, indicating that the high added-value models and services are recognized in the market.

2-2. Product Strategy

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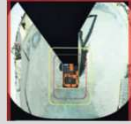
Reliable solutions

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

Safety improvement

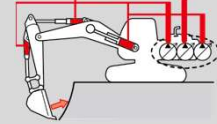
AERIAL ANGLE

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



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This is the most advanced hydraulic excavator that Hitachi Construction Machinery launched in North American market where high added-value models and services are recognized.

With AERIAL ANGLE, which displays the area around the machine on the monitor, visibility and safety improved.

And with the latest high-efficiency hydraulic system, excavation speed and operating performance improved, which led to improved productivity.

Furthermore, ConSite enables 24-hour remote monitoring the construction machinery condition, and ConSite OIL is equipped as standard which monitors the oil degradation level.

We will promote sales expansion by launching attractive products that will address the customers' key interests of safety improvement, productivity improvement and reduction of lifecycle cost.

2-3. Sales and Service Network

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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

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This slide shows sales and service network to sell products and provide after-sales services.

By contracting preferentially with Hitachi brand dealers and dealers that deal in a full lineup of our products, we were able to establish sales network that covers approximately 80% of the North American market quickly.

We will keep close communication with dealers and work together in active sales promotion activities.

Please watch the video.



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We have received voices from dealers and customers who have high expectation for Hitachi Construction Machinery, so let me share with you through video presentation.

(Video clip)

I felt firsthand, listening to voices from dealers and customers in America, that our own business of Hitachi Construction Machinery is welcomed, and advanced products manufactured by a mother plant in Japan won high trust.

We will continue to promote businesses, paying heed to voices from our dealers and customers.

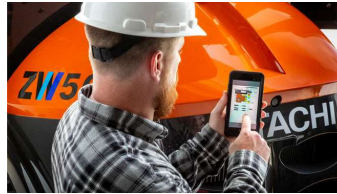
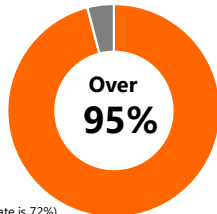
2-4. Parts and Service Business

HITACHI

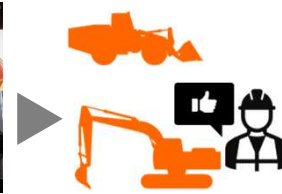
Reliable solutions

Provide the newest service solutions utilizing ConSite

ConSite contract rate in North America



Emergency alerts includes troubleshooting



Quick response in the field

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



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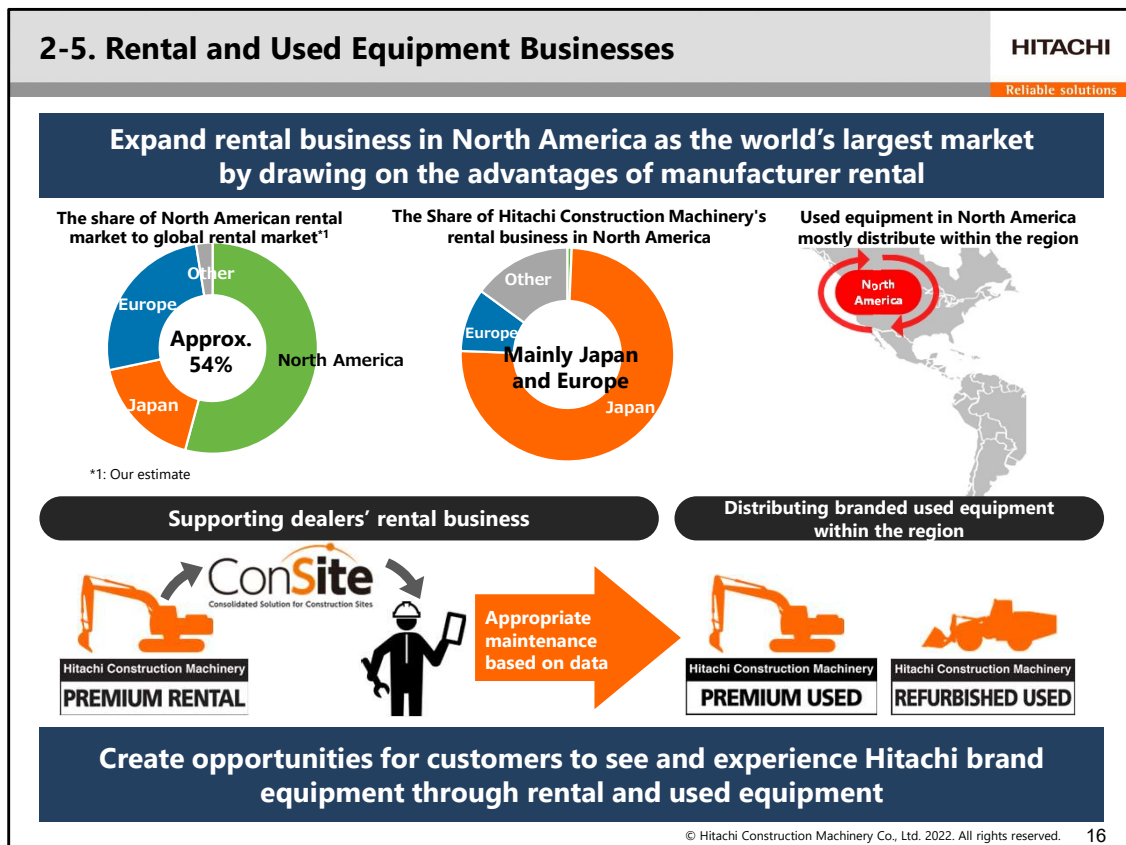
This is parts & service business.

In our parts & service business, we provide the latest service solutions utilizing ConSite. ConSite contract rate in North America is as high as over 95%, and that supports dealers to provide maintenance and services for the customers' machinery quickly.

And with the extremely robust sales of parts, we are promoting phased expansion of parts supply network.

Following the mother warehouse in North America, Jackson Parts Warehouse, McDonough Parts Warehouse started operation in October 2022, supplying parts to all Americas.

We will continue to add parts warehouses to expand parts supply network.

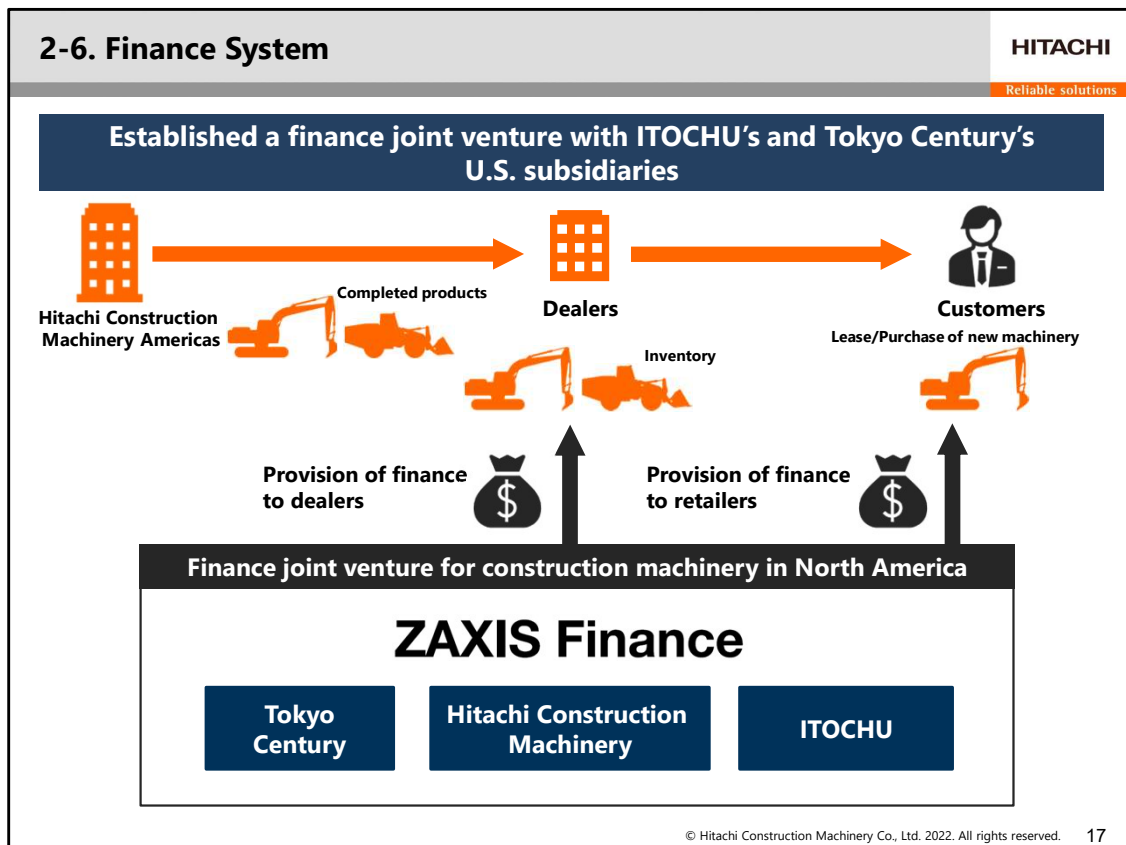


In rental business as well, North America is the world's largest market. Whereas Japan and Europe account for major part of sales revenue of Hitachi Construction Machinery's rental business.

We will leverage the strength of a manufacturer, to provide appropriate maintenance through ConSite, and support the rental business of dealers to expand rental business in North America.

And In North America, as used equipments are mostly distributed within the region, we can pick up the quality used equipments with proper maintenance using data and distribute those used equipment in the region.

Besides new equipment sales, we will create opportunities for customers to use Hitachi Construction Machinery's products, through rental and used equipment, and lead them to expand sales in future.



This slide shows the expansion of finance system.

In North America, captive finance to manage its products exclusively is prevalent.

Finance is required at the time of purchase by customers and restocking the inventory by dealers.

ITOCHU, Tokyo Century, and Hitachi Construction Machinery will invest through their US subsidiaries to establish a finance joint venture for construction machinery in North America in this December.

It will start operation within 2023 with the brand name of ZAXIS Finance, providing finance menu for dealers and retail customers.

Three companies have a track record of establishing and operating finance joint venture in Thailand and Indonesia, and taking advantage of these experiences,

Hitachi Construction Machinery will build further alliances with new partners to expand finance business in North America.

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3. Mining Business Activities

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I will explain the mining business activities.

In mining business, we will strive to increase our presence in Americas market to the achieved levels in other markets in the world, leveraging the expertise and knowhow of the group companies.

3-1. Business Environment

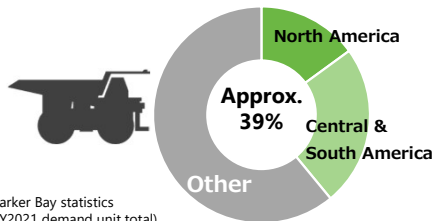
HITACHI

Reliable solutions

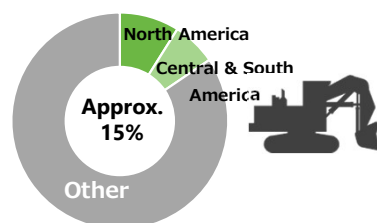
The Americas account for 40% of the global demand for dump trucks and 20% for ultra-large hydraulic excavators

Ratio of North, Central, and South Americas to global market for mining machinery*1

Dump trucks (over150t)



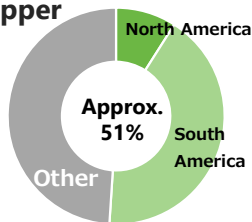
Ultra-large hydraulic excavators (over100t)



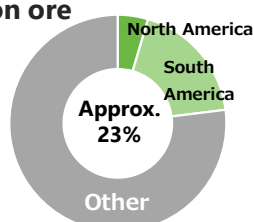
*1: WSS/Parker Bay statistics
(FY2010-FY2021 demand unit total)

Mostly hard rocks such as copper, iron ore, and gold are mined*2

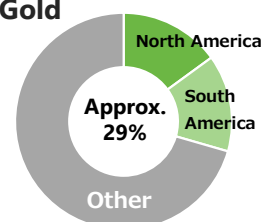
Copper



Iron ore



Gold



*2: Calculated by us based on Parker Bay statistics

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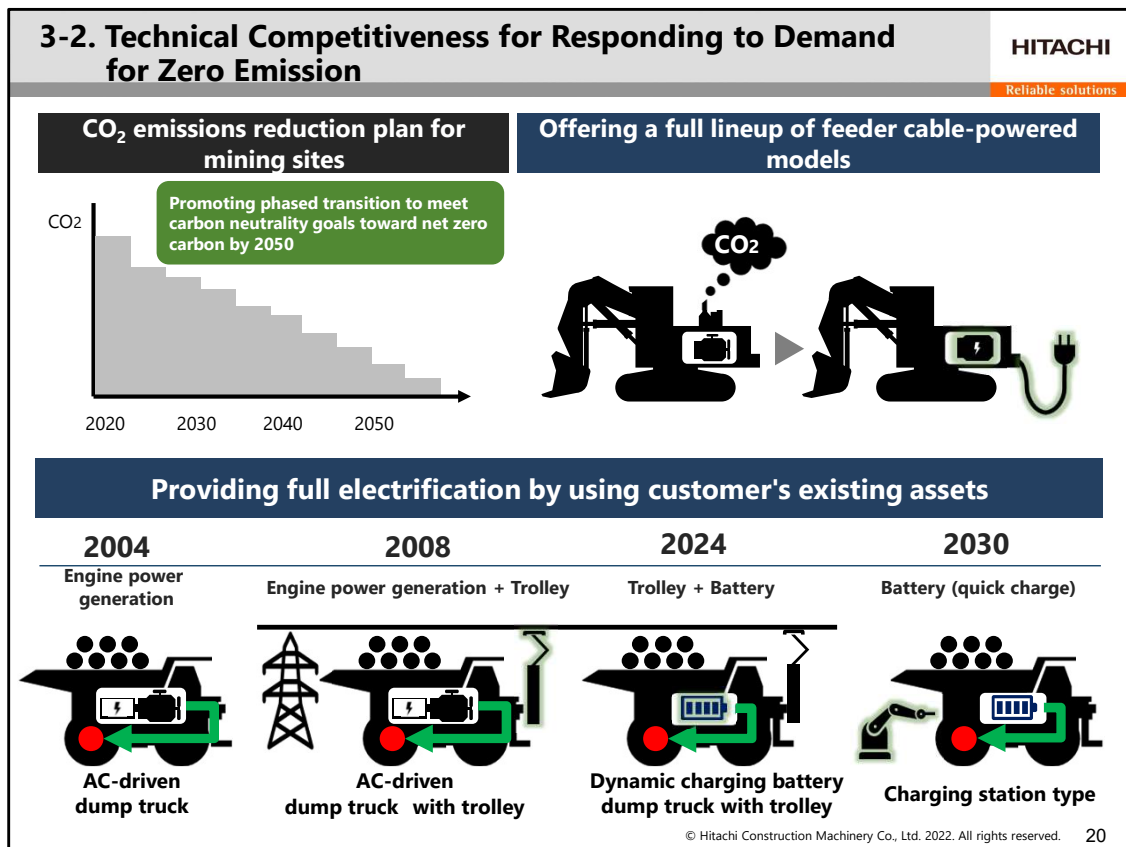
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The upper part shows the ratio of North, Central and South America to the global demand for mining machinery.

By product, the demand from the Americas accounts for about 40% for dump trucks, and about 20% for ultra-large hydraulic excavators, so it is a huge market.

The lower part shows the ratio of North and South America in the market by mineral.

Particularly in the South American market, hard rocks with sustainable growth potential such as copper, iron ore and gold are mined in high volume, and the market is expected to continue to grow.



This slide shows our product strategy.

Many of the leading mining customers are aiming for net zero emissions by 2050, and plan to decarbonize in stages.

The trend to strive for zero-emission at mining sites is accelerating especially among major mining companies, and the shift to EVs is expected to accelerate further going forward.

Under such a market circumstance, the company has a product lineup with technical advantages to respond to the demand for zero emissions.

For ultra-large hydraulic excavators, we offer a full lineup of feeder cable-powered models ranging from 190 to 800 tons.

For dump trucks, we are jointly developing a full battery dump truck with ABB.

The feature of this full battery dump truck is our AC-driven dump trucks owned by customers can be modified in stages to be full battery dump trucks.

Although we are a latecomer to the dump truck market, we are able to offer dump trucks with high level of technology by focusing on AC-driven dump trucks.

The technological base for the full electrification, such as AC-driven dump trucks with trolley has already competed.

Earlier mentioned mining company's plan to decarbonize in stages fit well with our proposal to fully electrify customers' assets in stages, and we are receiving a lot of attention and inquiries from all over the world.

We will continue to leverage the knowledge and know-how of Hitachi Construction Machinery and ABB to accelerate the speed of development.

3-3. Remanufacturing Business (1)

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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

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Next is the remanufacturing business in mining.

Mining machinery is required to operate 24/7 with stability, even under the toughest conditions,

therefore it is necessary to provide a quick and reliable maintenance service with remanufactured parts.

So far, each dealer has conducted remanufacturing business as much as they could, but from 2023 onwards, Hitachi Construction Machinery Americas will lead the remanufacturing business by utilizing know-how and facilities of the group companies and collaborating with dealers.

Specifically, Hitachi Construction Machinery Americas will manage the remanufacturing business across the Americas,

and Hitachi Construction Truck Manufacturing will remanufacture parts for ultra-large hydraulic excavators and dump trucks.

Also, H-E Parts will remanufacture cooling systems and engines of mining machinery, which they are good at.

For a system that enables prompt supply of remanufactured parts, we are considering establishing a parts remanufacturing plant in the future.

3-4. Remanufacturing Business (2)

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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)

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One of the strengths of our group in deploying the remanufacturing business in the Americas is the engineering capacity and existing work sites of H-E Parts.

We will make full use of such resources to promote remanufactured parts.

H-E Parts has supplied about 80% of the 40 major mining companies, and contributes to solving customers' problems by longer life and improved performance of components.

They already established extensive track records in remanufacturing of cooling systems and engines in Australia and North America,

and in Zambia, they operate a parts remanufacturing plant in collaboration with Hitachi Construction Machinery.

With such experiences, they have started collaboration with Hitachi Construction Machinery Americas.

**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



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

Phase 2: Body (dump bed)



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



Mining operation management system introduced
at mines worldwide



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This slide shows the value chain business.

The company supplies cast parts developed and manufactured by our group company Bradken, to the Americas, and dealers propose those parts to customers as repair parts.

We start with buckets, GET, and suspension, and in the future, we intend to supply bodies of dump trucks.

We have already accelerated this collaboration such as customer visits by Bradken with dealers.

Our AHS is operated based on Wenco's system, and we will propose Wenco's mining operation management system to support efficient mining operations.

3-6. Support System

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Reliable solutions

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



This figure shows our full support system for customers.

In mining business, we will fully leverage the knowledge and know-how of the group companies I have explained so far,

and provide a full support system only a manufacturer can provide to support customers' mining operations with dealers.

4. Summary

I will summarize the presentation.

Today's Key Points		HITACHI
		Reliable solutions
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.	

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Lastly, I will reiterate today's key points.

First point is strong launch and growth of business in the Americas, and we aim to achieve steady growth with a stronger value chain business in the Americas to reach sales of over 300 billion yen in FY 2025.

Second point is Compact and Construction business activities.

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

Third point is mining business activities.

With ongoing focus on North America with an increasing focus on Central and South America, we will promote market development with full support to dealers, and technical advantages that respond to zero emission needs.

We will expand the parts and service business by leveraging knowledge and know-how of group companies to raise our presence in the North, Central and South American markets to the level of other markets in the world.

This concludes my presentation. Thank you.

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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