

## Corporate Vision FY2022-4Q

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 Fourth Quarter ended March 31, 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

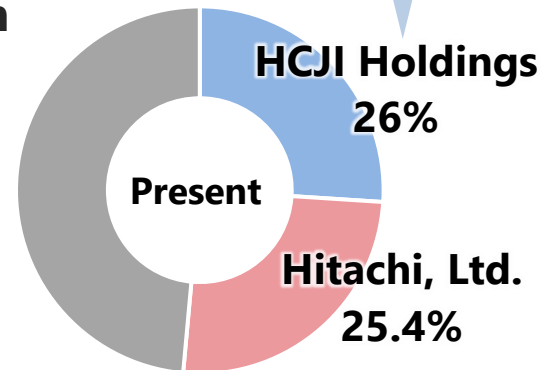
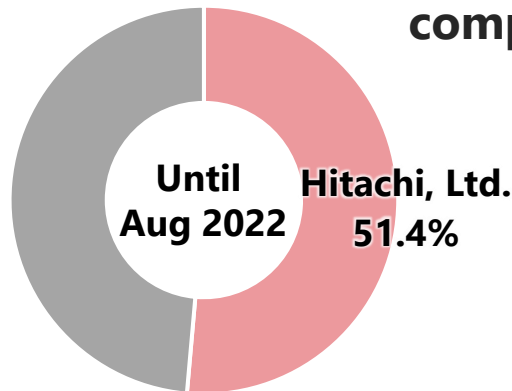
**Independence from Hitachi Group**

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

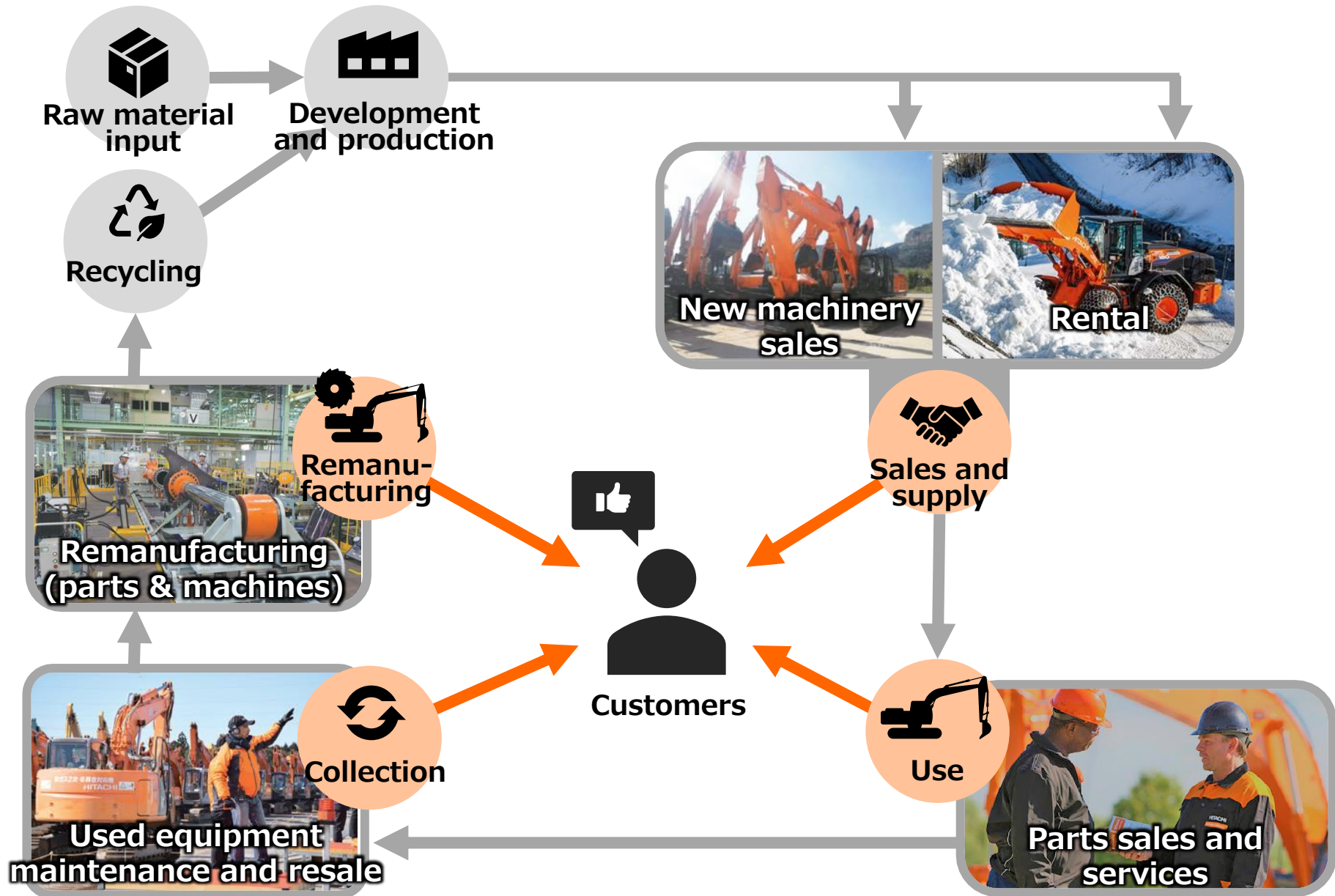


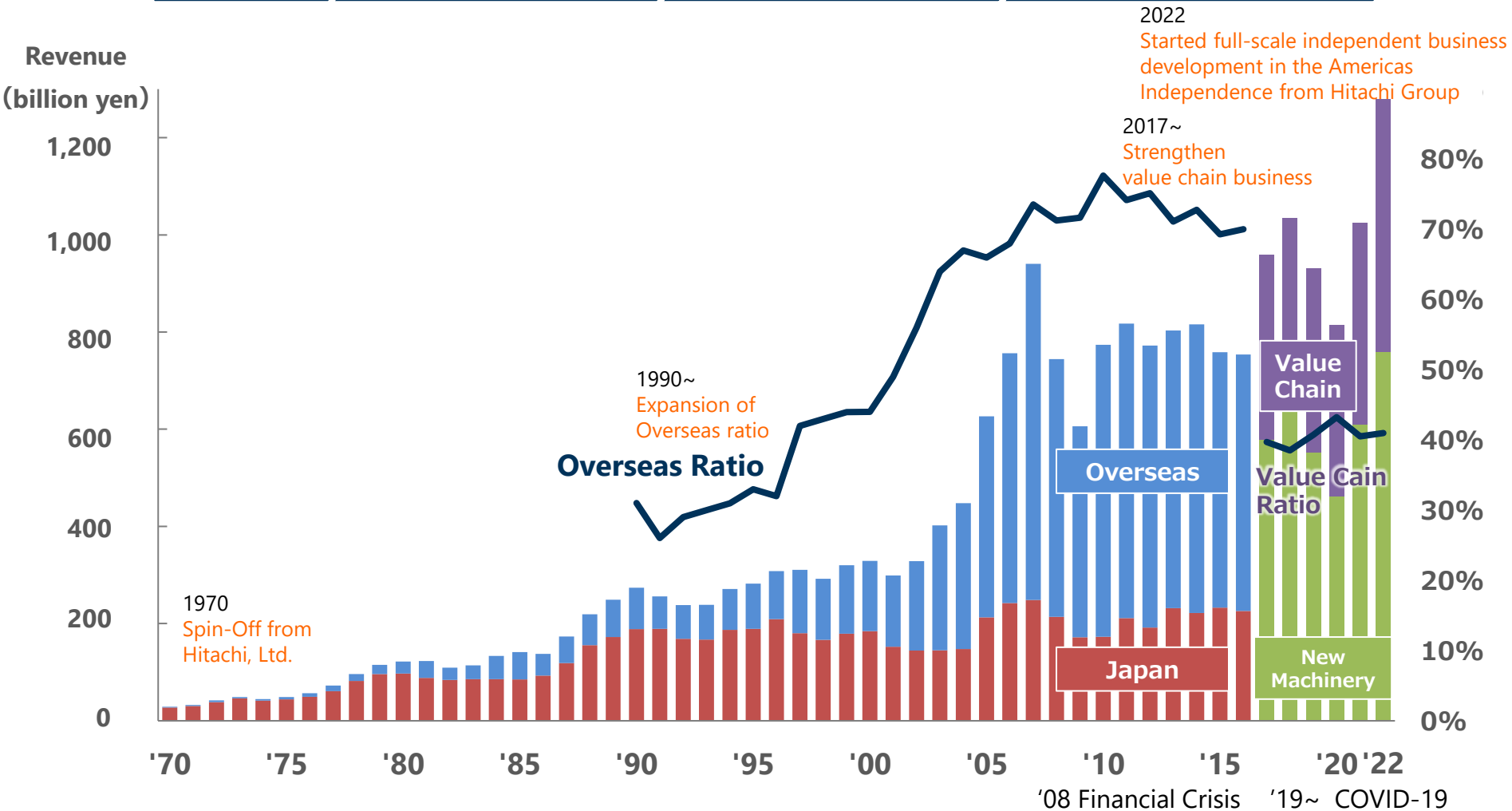


# Providing a "Value Chain" at various contacts with customers

HITACHI

Reliable Solutions



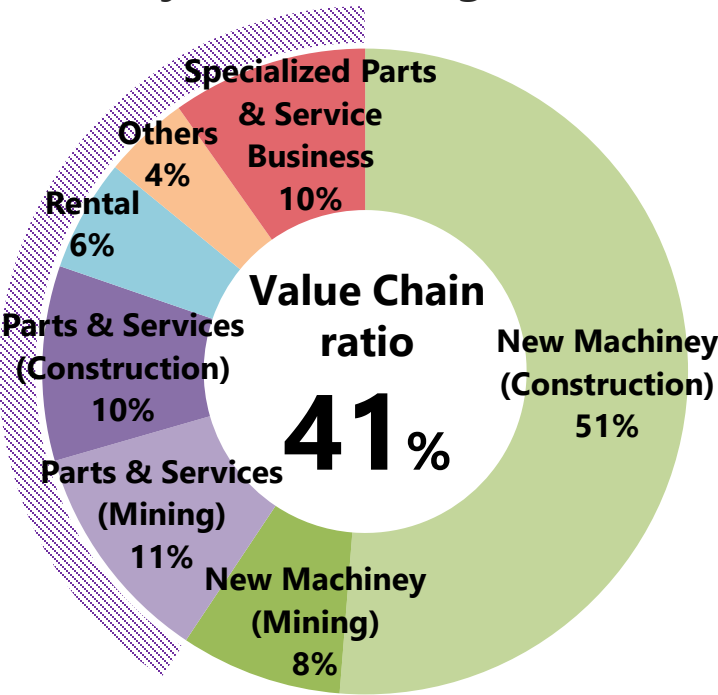


\* Value chain: Businesses other than new machinery sales, such as parts and service, specialized parts & service business, rental, and used equipment



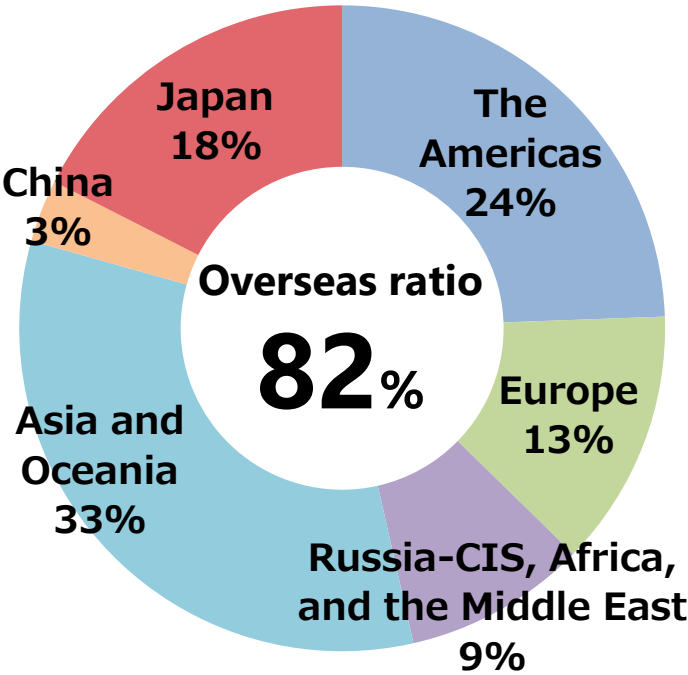
Revenue in FY2022: 1,279.5 billion yen

Revenue ratio  
by Business Segment



 Value Chain ratio

Revenue ratio  
by Region





Production Base



Sales & Service Office



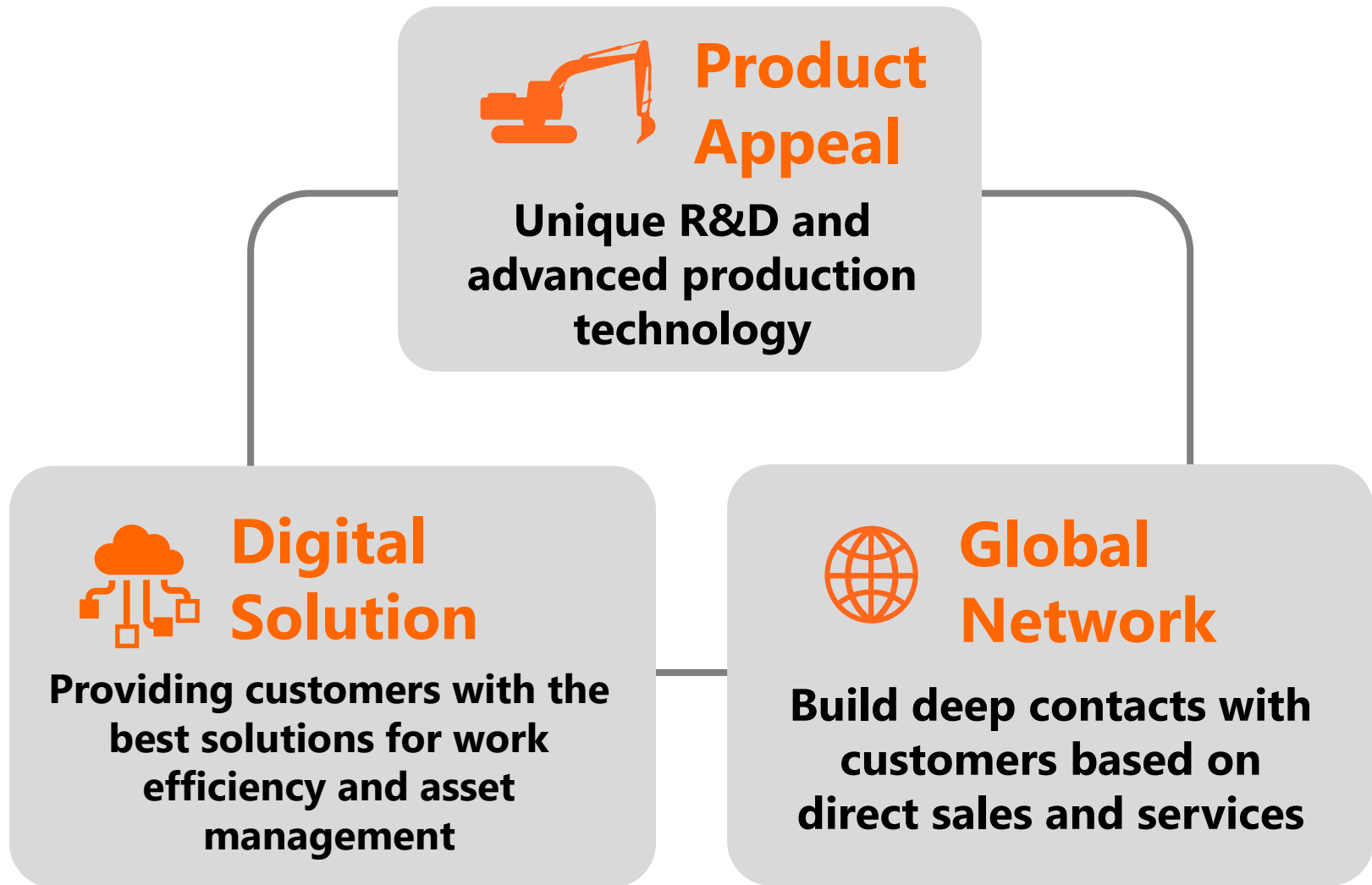
R&D Base



Remanufacturing Base \*

\*Remanufacturing of parts and bodies



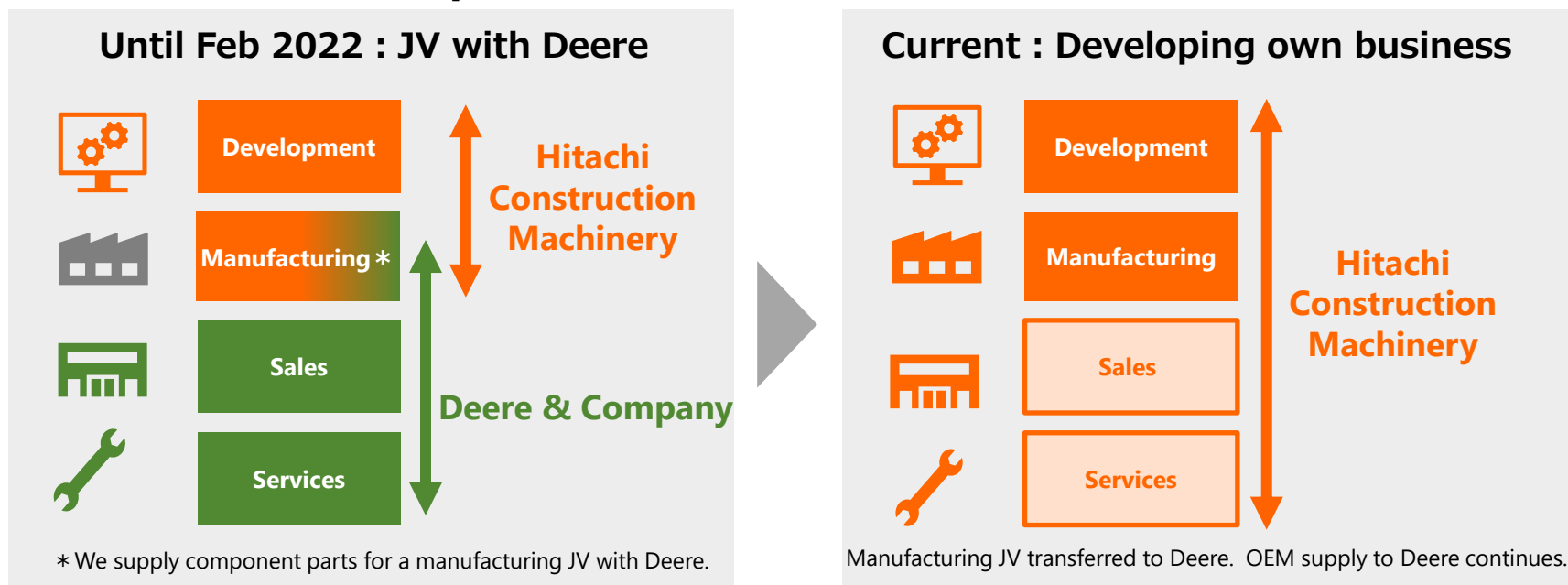


# (Appendix-1) Reestablishment of the Americas' business

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Reliable Solutions

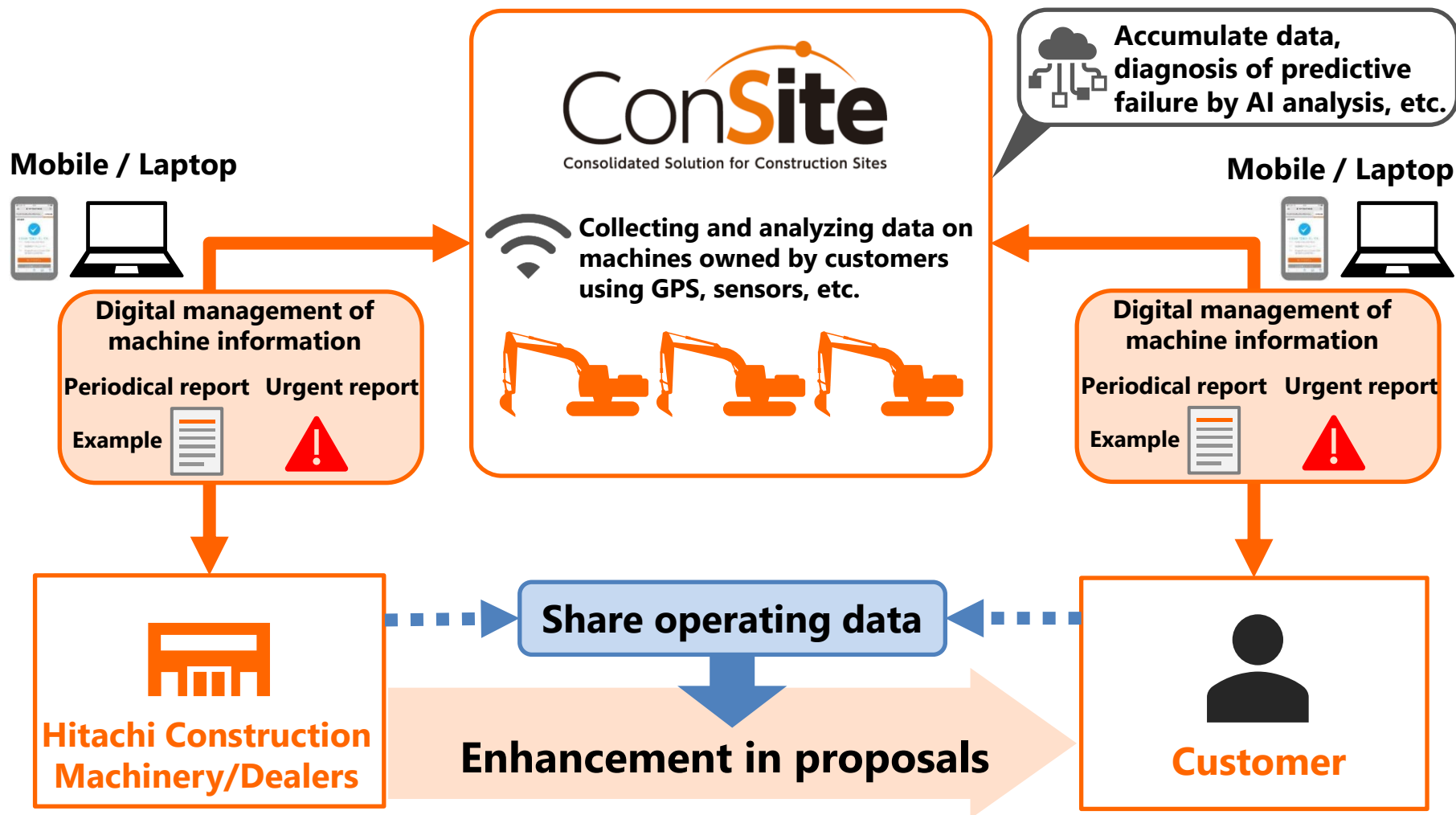
**Dissolution of JV with Deere & Company, a major U.S. agricultural machinery manufacturer. Shifting to a business structure that integrates all processes from development to sales and services on its own**



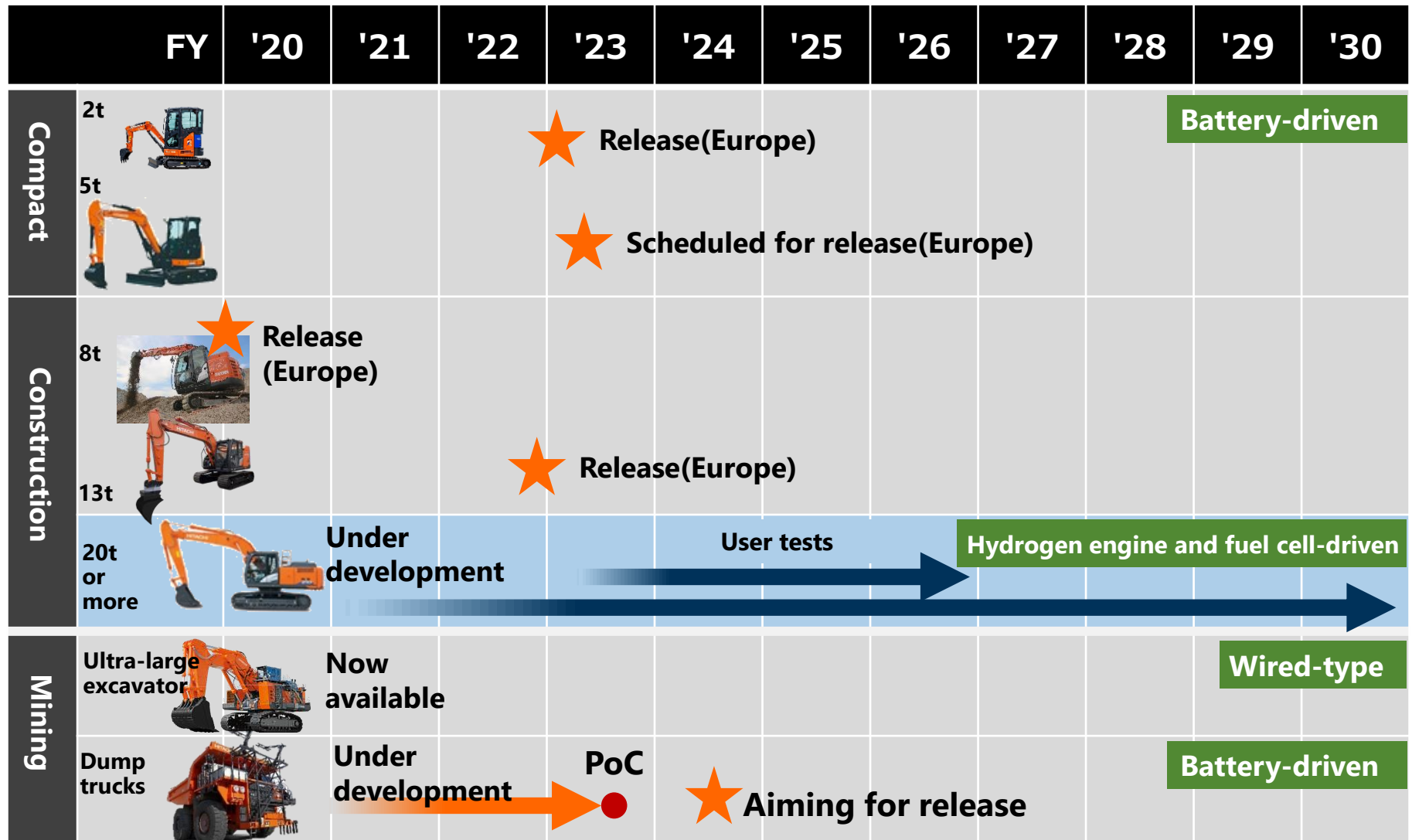
## Expanding Opportunities through developing own business

- 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



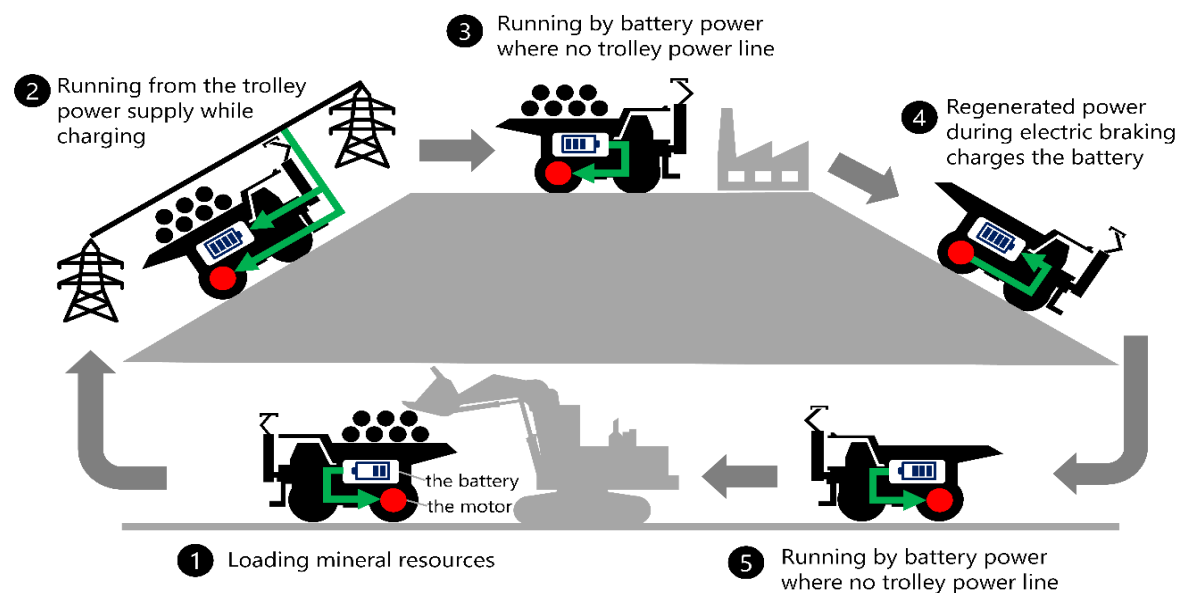
## Expand lineup and accelerate development speed through open innovation



## 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**

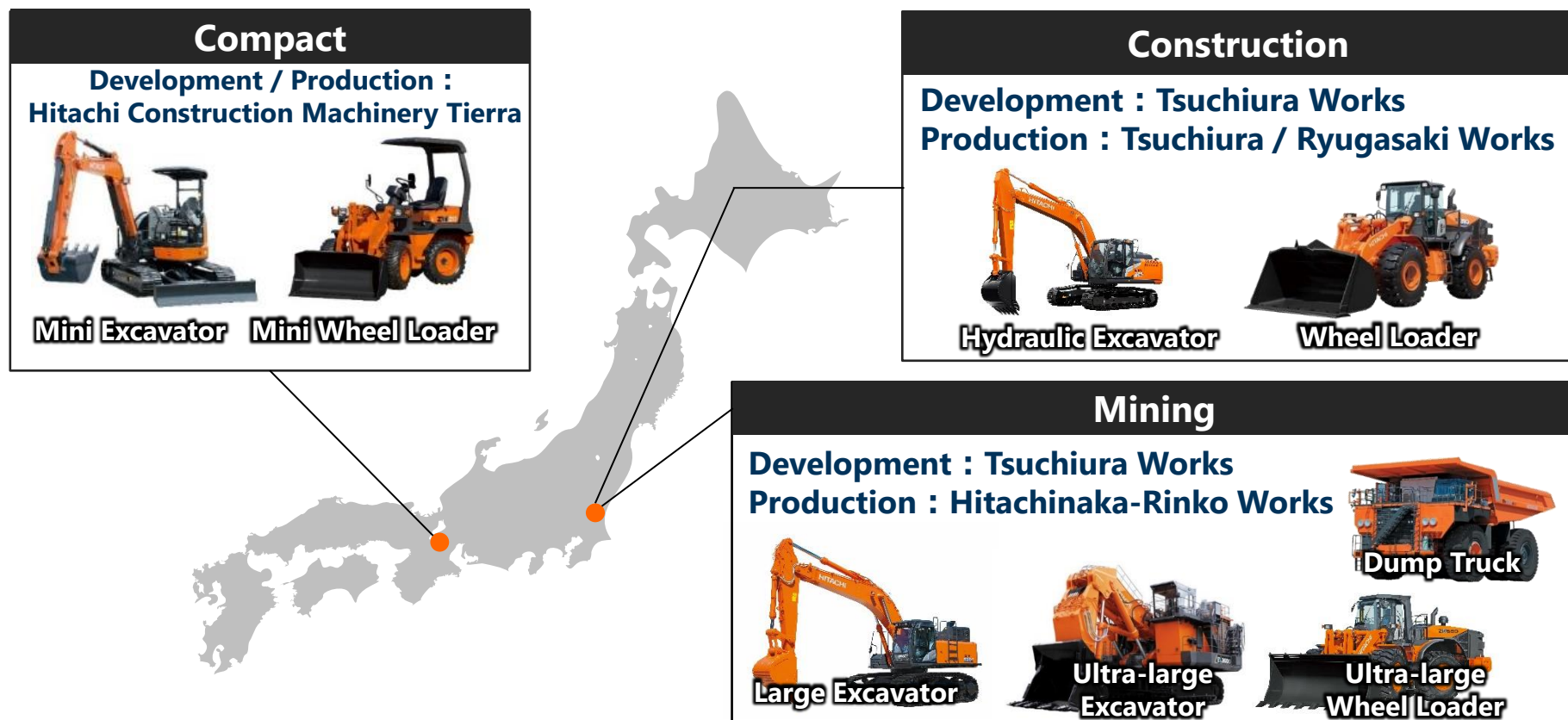


**Digital Mining promoted by ABB**



## 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** Company Outline

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

## **3** Explanatory Meeting Material for Business Results for the Fourth Quarter ended March 31, 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**

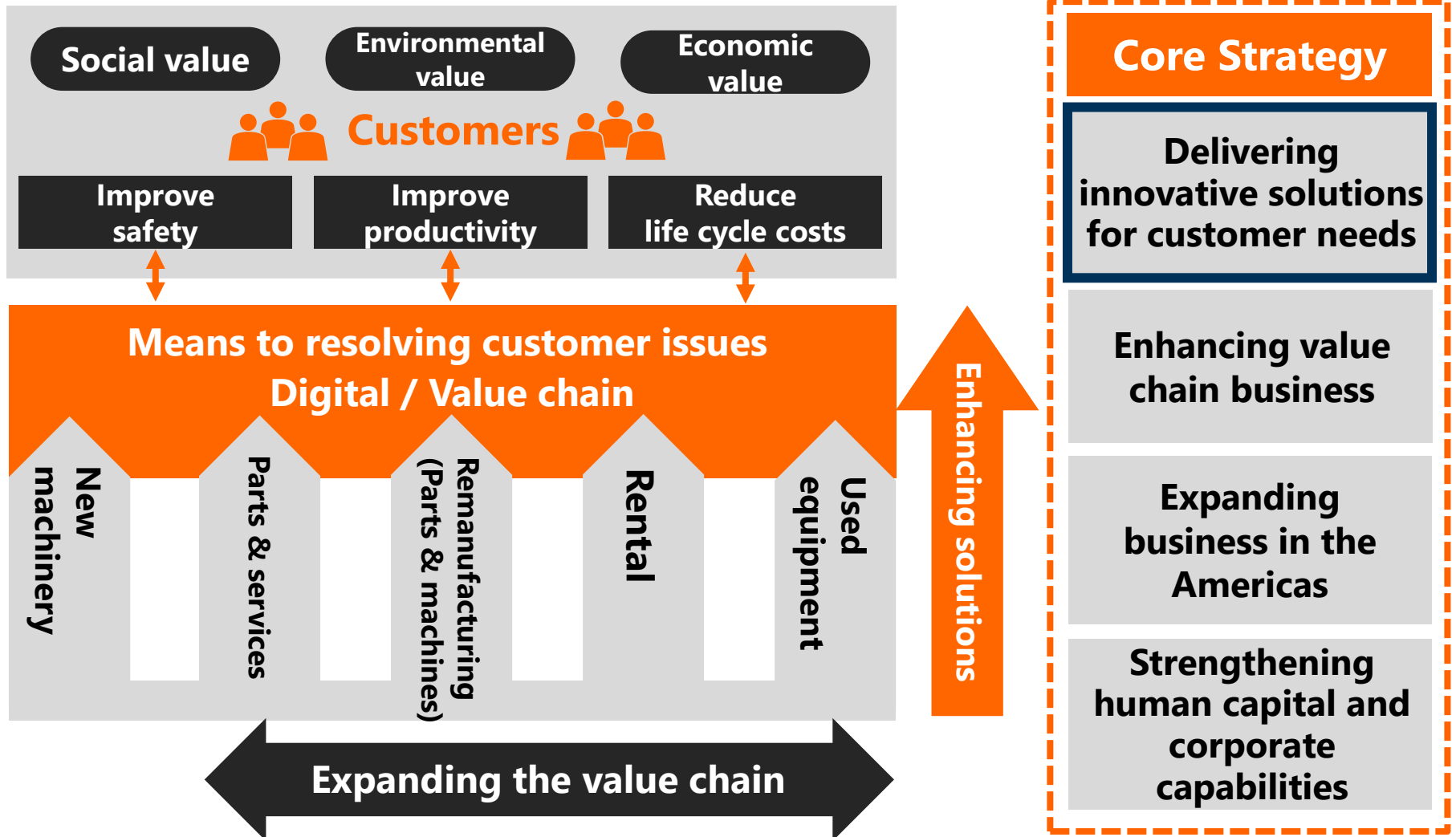
# Formulating our own group identity in response to business environmental changes

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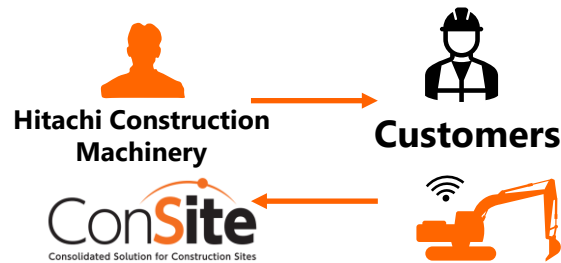
**Customers' issues have never changed.  
However, the solutions are getting more and more complicated.**

**Stable machine operations and  
preventive maintenance**

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

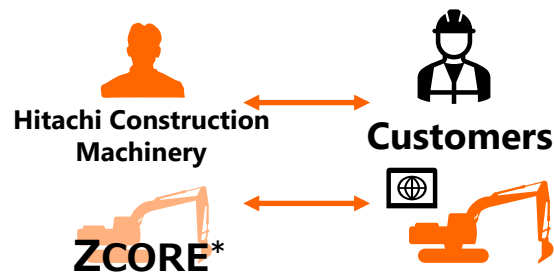
**Comprehensive efficiency of people  
(operators), things (machines), and work  
(construction) & environmental response**

**Expansion of  
Solution 1.0**



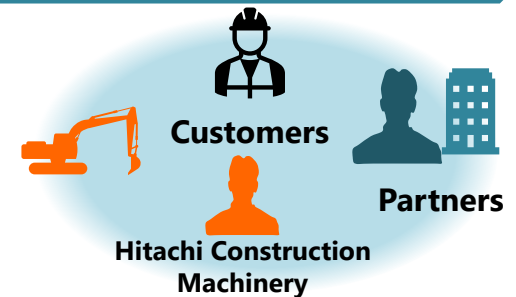
New ConSite applications

**Enhancement of  
Solution 2.0**

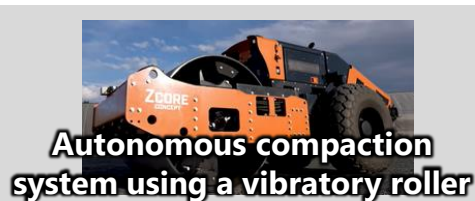


Cooperative safety and advanced  
autonomous operation

**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

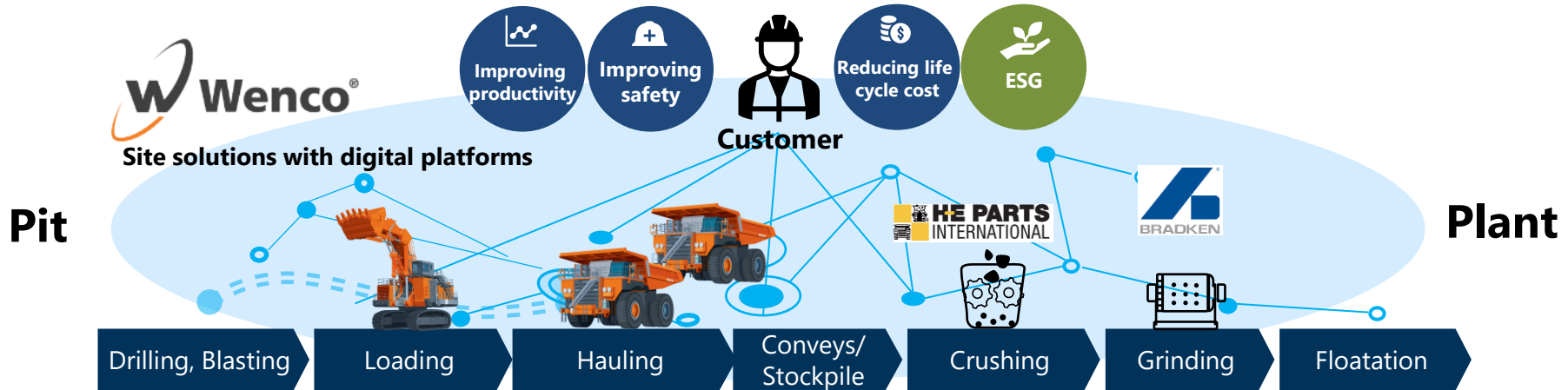
Further improvement of safety & productivity and reduction of LCC\* & environmental impact

Maximization of social value and corporate value by resolving customer issues

Expansion of Solution 1.0

Enhancement of Solution 2.0

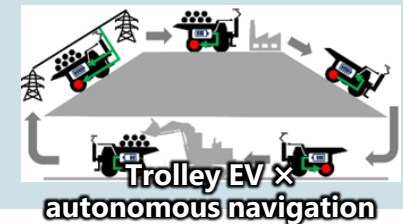
Challenge to Solution 3.0



Collaboration with Wenco/Bradken/H-E Parts, ConSite Mine

Advanced automation and autonomous technology

Participation in the ecosystem through collaborative creation with customers and partners in other industries



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

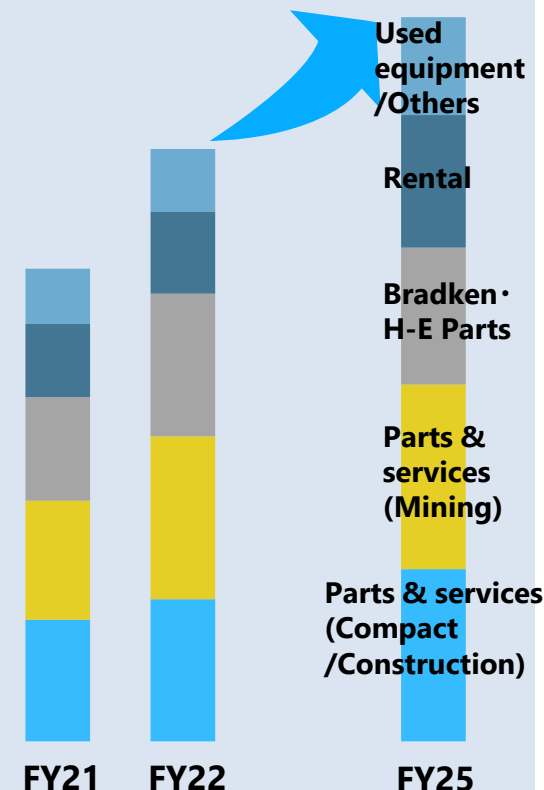
- Further strengthening of mining value chain business from pit to plant (consumable parts, etc.)
- Promoting a global expansion of high-profit businesses (remanufacturing business for mining machinery, consumable parts business in the mineral processing area, etc.)

#### 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

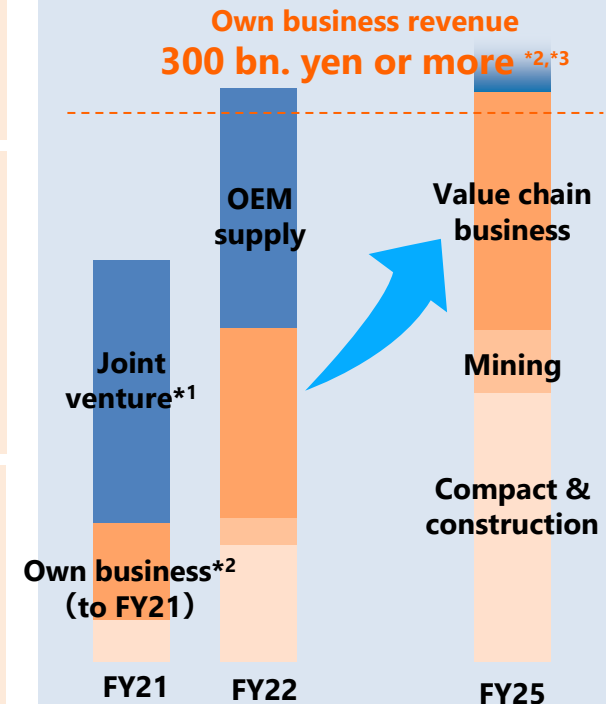
#### Mining business

- 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

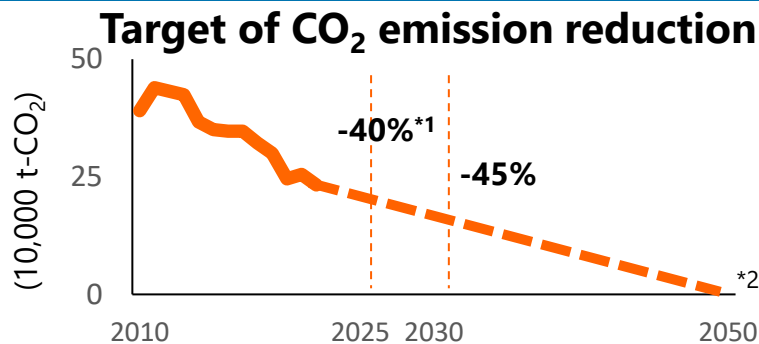
- Global collaboration and strengthening of open innovation
- Transforming the corporate culture through agile development
- Responding to paradigm shifts in construction machinery

#### 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

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

### Production (Scope 1+2)



\*1: Compared to FY2010

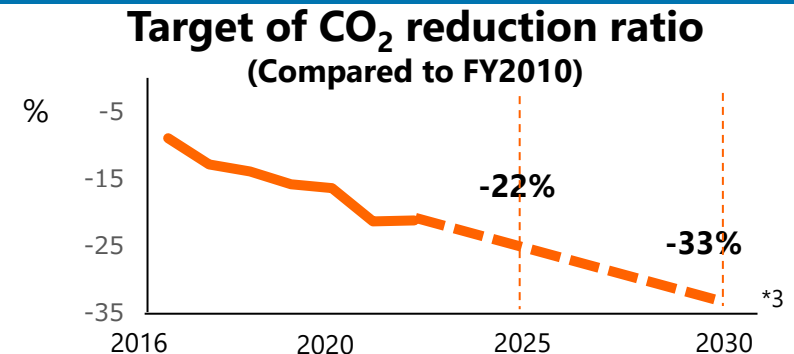
\*2: Graph image is for illustrative purposes only; actual results through FY2022

- 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)



\*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

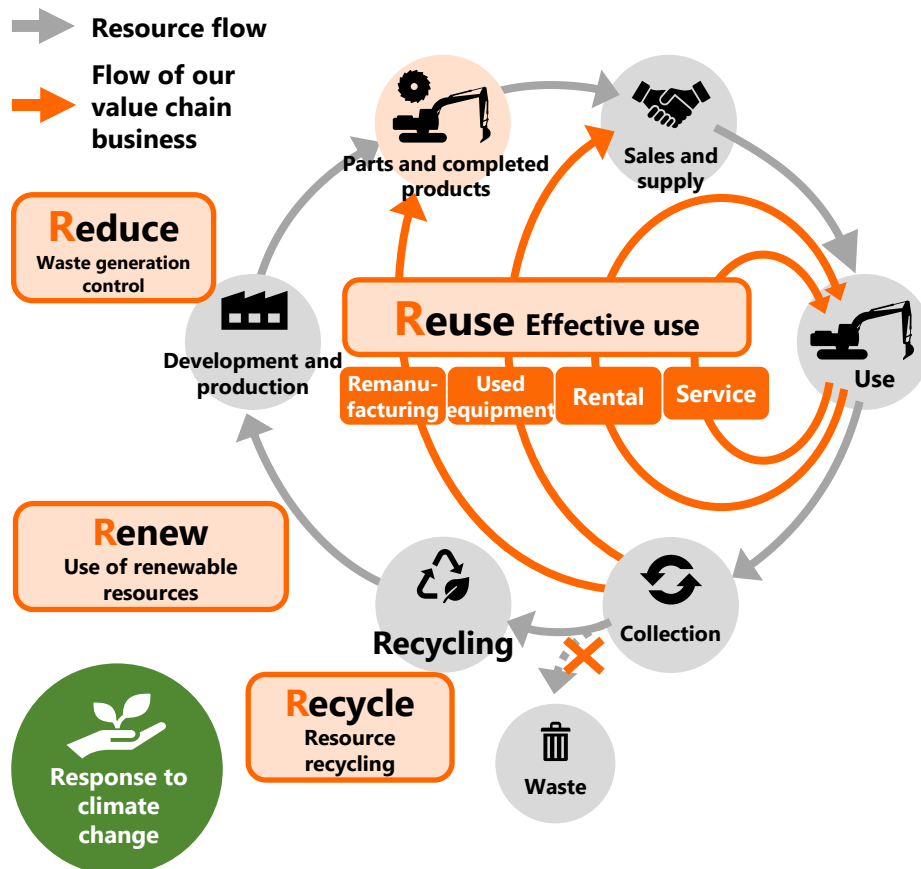


Remanufacturing business

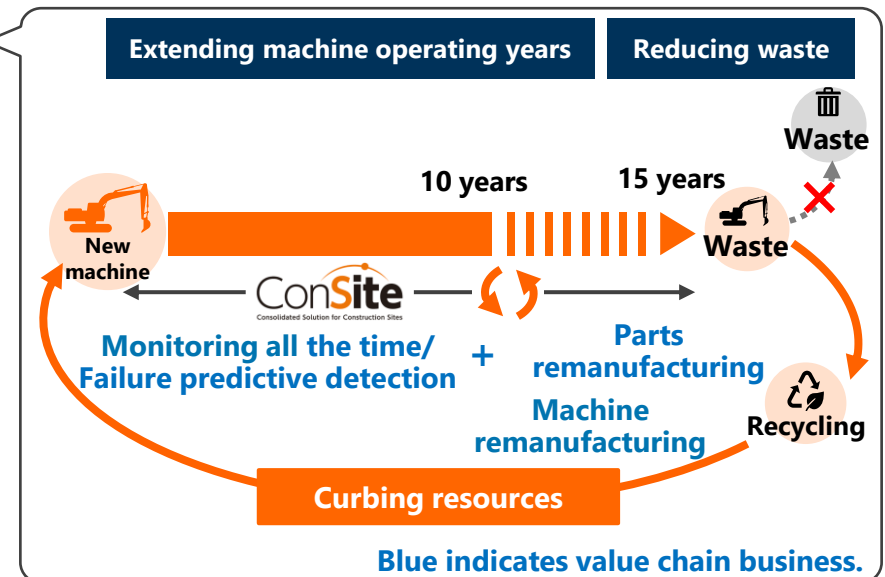
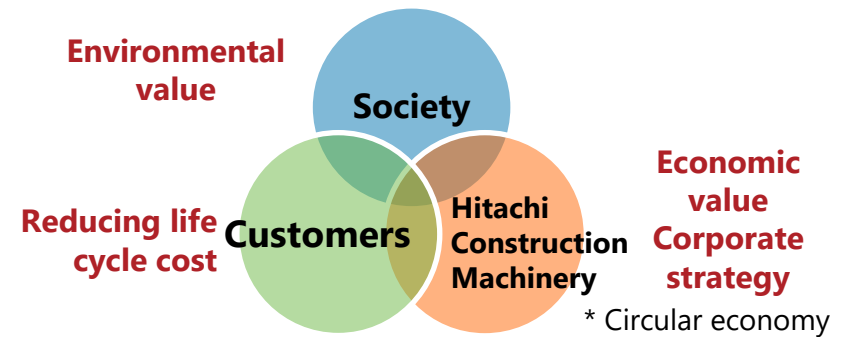
## 4. 2) Initiatives of the Circular Economy

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*1		18% or more	14.2%
Safety	• Net D/E ratio		0.40 or less	0.60
Efficiency	• Operating cash flow margin*1		10% or more	-2.0%
	• ROE		13% or more	11.0%
	• ROIC*1*3		9% or more	8.4%
Shareholder return*2	• 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*1	75%	72%*4
		• Ratio of managers by gender (consolidated)*1	Women 13% Men 15%	Women 10.4%*5 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



**1**

## Company Outline

**2**

## Medium-term Management Plan BUILDING THE FUTURE 2025

**3**

## Explanatory Meeting Material for Business Results for the Fourth Quarter ended March 31, 2023

## 1. Regional Market Environments and Projections

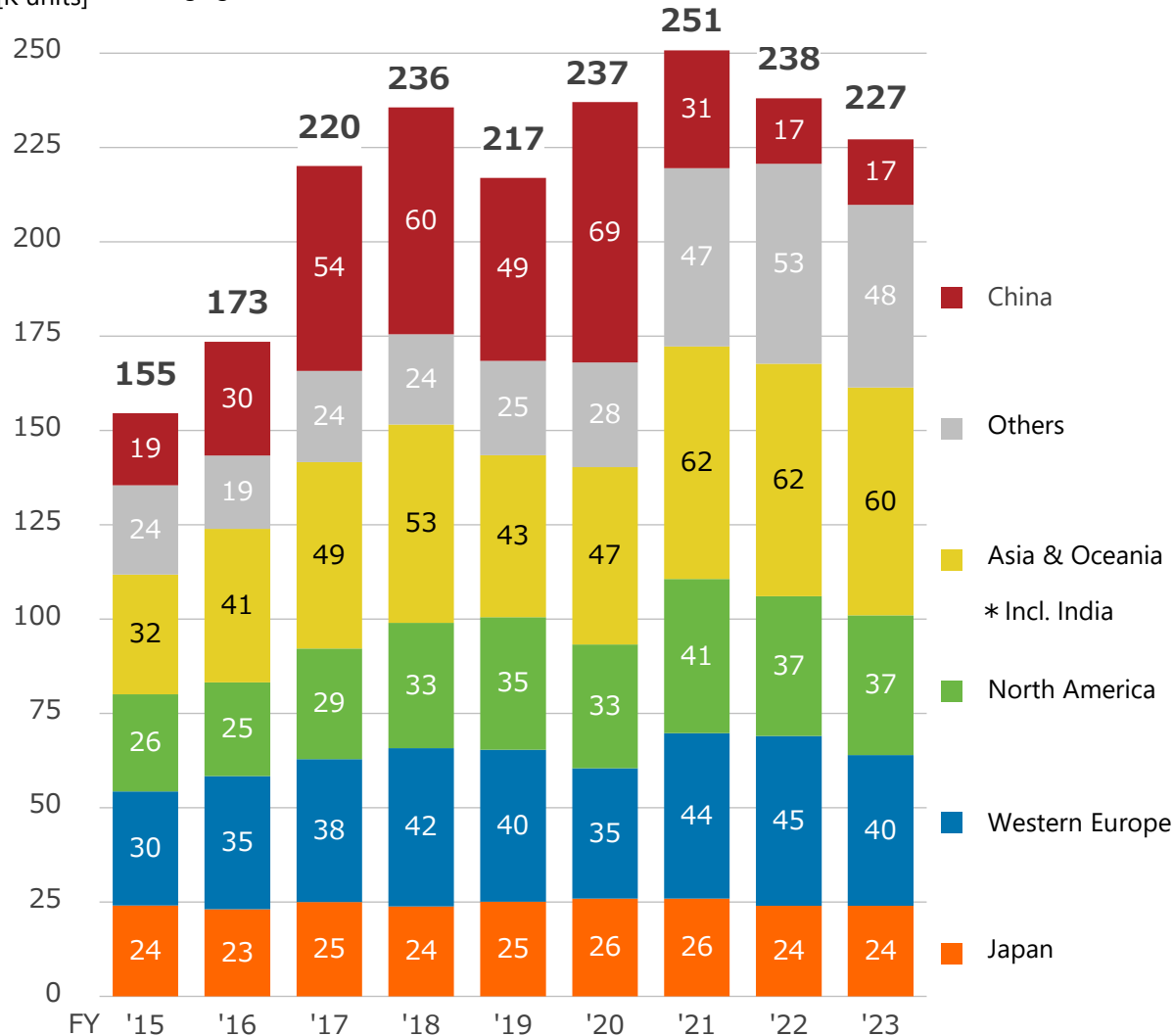
# Global Demand Trend for Hydraulic Excavators

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**Emerging Markets ratio:**  
FY22 55% ( y-y Change : 0%)

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



\*Demand values are Hitachi Construction Machinery estimates

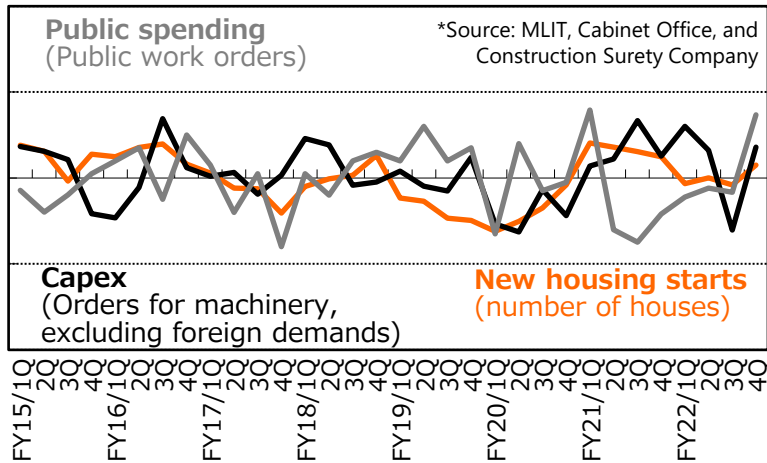
## Year-on-Year Change by Region

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

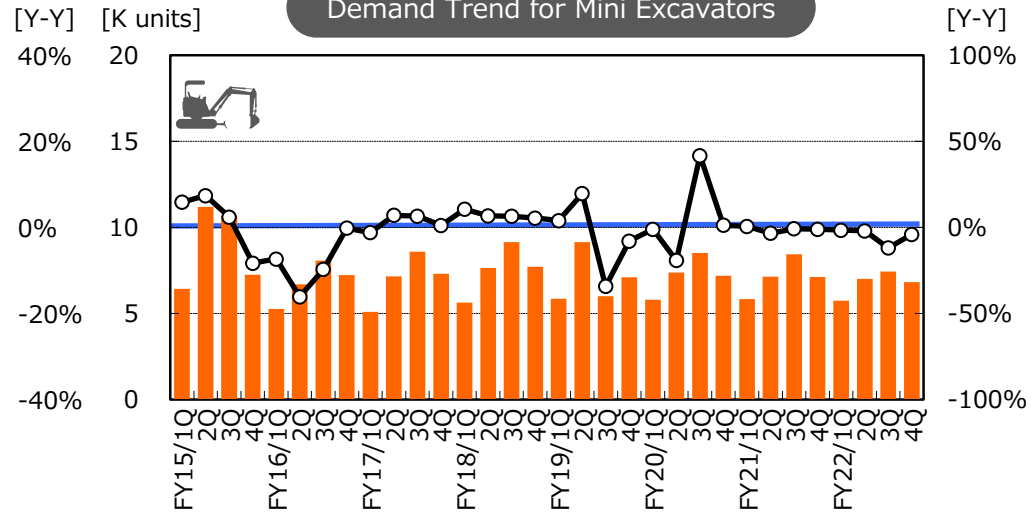
	'22	'23
Total	-5%	-5%
China	-44%	-0%
Russia, CIS, E Europe	+1%	-15%
Africa	-17%	-2%
Middle East	+43%	-10%
Latin America	+24%	-5%
Others	+12%	-9%
Asia	-6%	-4%
India	+7%	+0%
Oceania	+8%	+0%
Asia & Oceania	+0%	-2%
N America	-9%	+0%
W Europe	+3%	-11%
Japan	-7%	+0%

- New housing starts slightly increased & Public spending and Capex increased.
- Demand for Hydraulic excavators decreased:  
Hydraulic Excavators -4%, Mini Excavators -4%, Wheel Loaders -12% y-y, respectively.

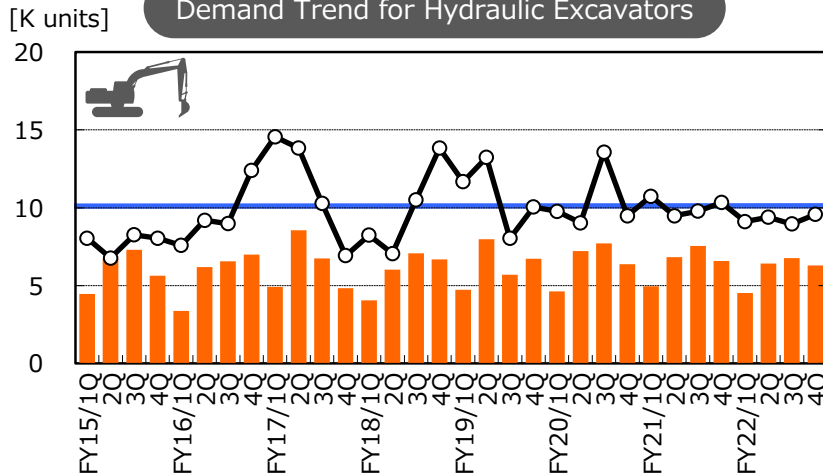
Market Environment Housing, Capex, Public Spending



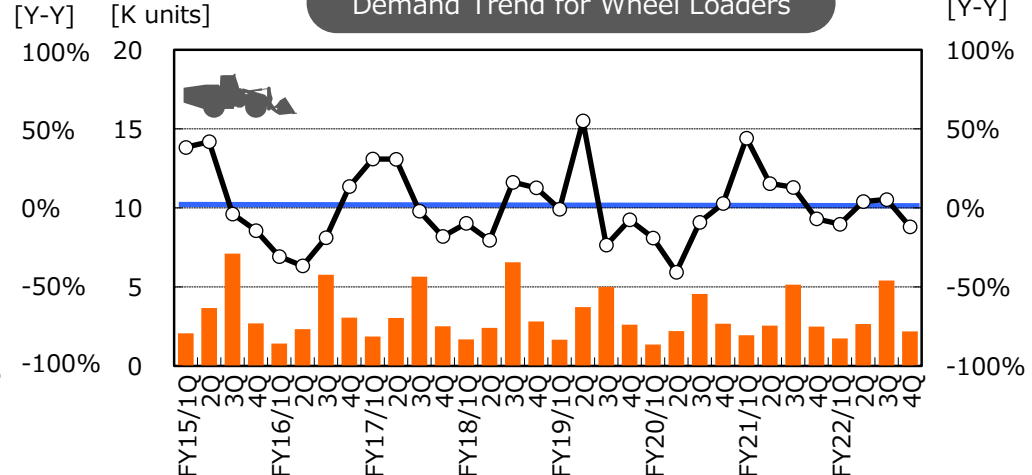
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



Demand Trend for Wheel Loaders



\*Demand is Hitachi Construction Machinery estimates.

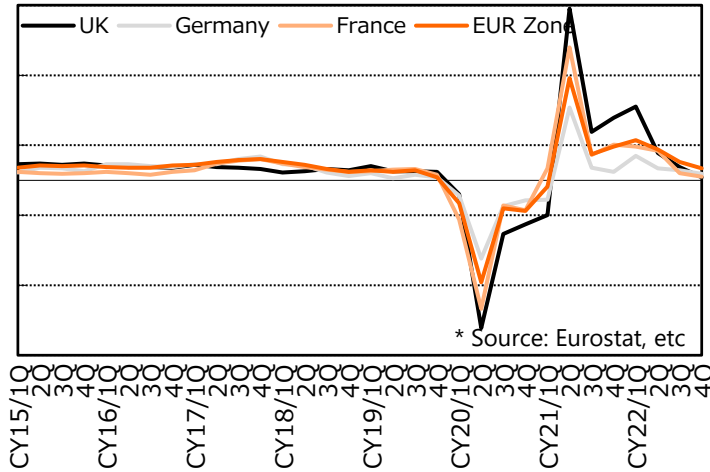
# Europe: Forth Quarter (Jan to Mar 2023)

- GDP growth rate in CY22 4Q slowed.
- Demand for Hydraulic excavators decreased:  
Hydraulic Excavators -5%, Mini Excavators -2%, Wheel Loaders -6% y-y, respectively.

GDP Growth Rate in Major Countries

[Y-Y]

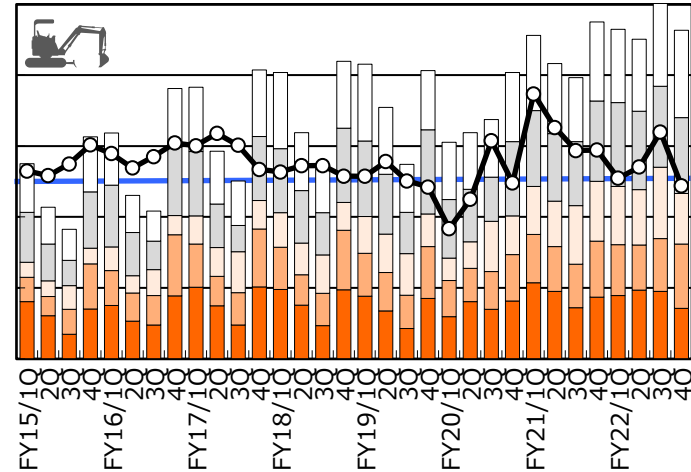
25%  
15%  
5%  
-5%  
-15%  
-25%



Demand Trend for Mini Excavators

[K units]

25  
20  
15  
10  
5  
0



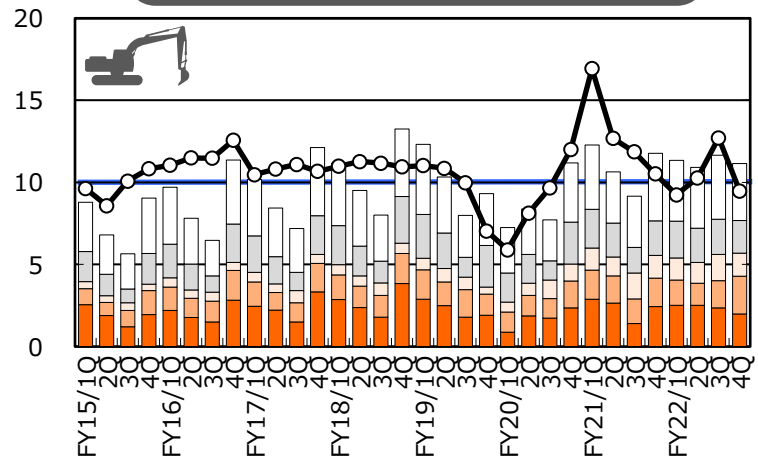
[Y-Y]

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



Demand Trend for Hydraulic Excavators

[K units]



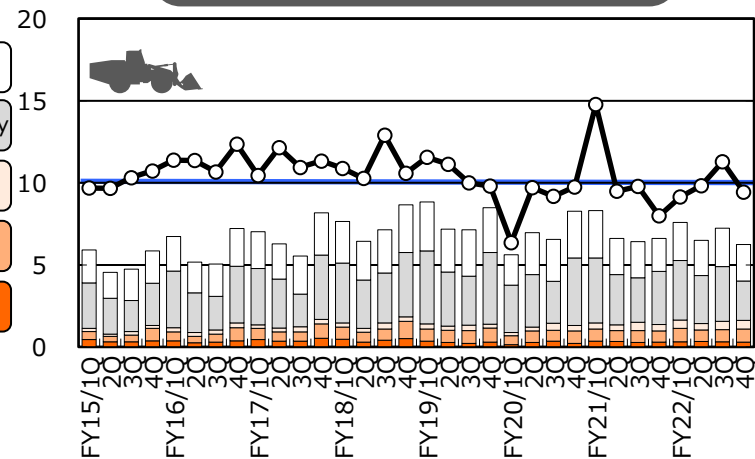
[Y-Y]

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



Demand Trend for Wheel Loaders

[K units]



[Y-Y]

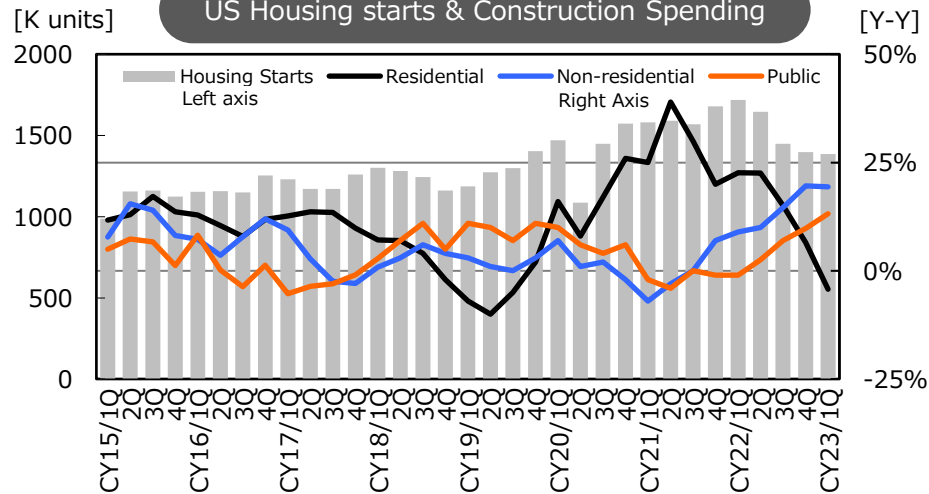
100%  
50%  
0%  
-50%  
-100%



\*Demand is Hitachi Construction Machinery estimates.

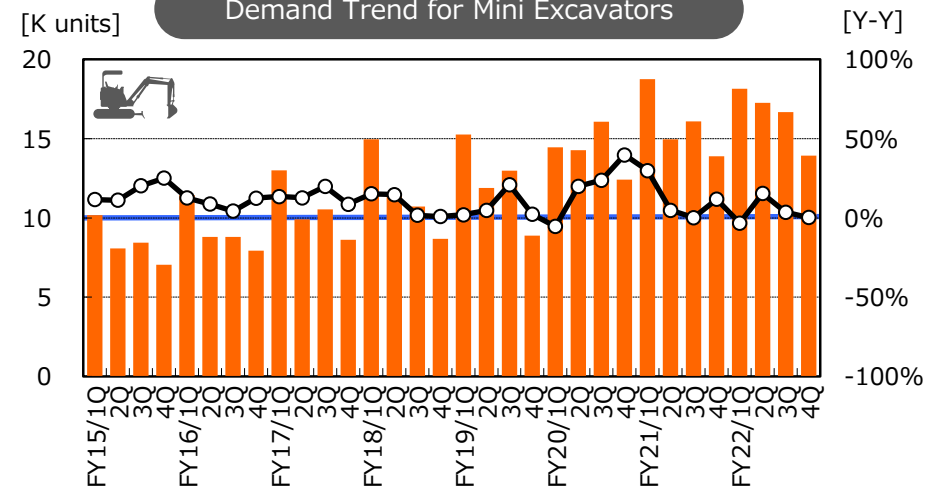
- Housing market continued to show signs of weakness. Construction spending increased in Non-residential & Public.
- Demand for Hydraulic excavators decreased:  
Hydraulic Excavators -10%, Mini Excavators 0%, Wheel Loaders -16% y-y, respectively.

US Housing starts & Construction Spending

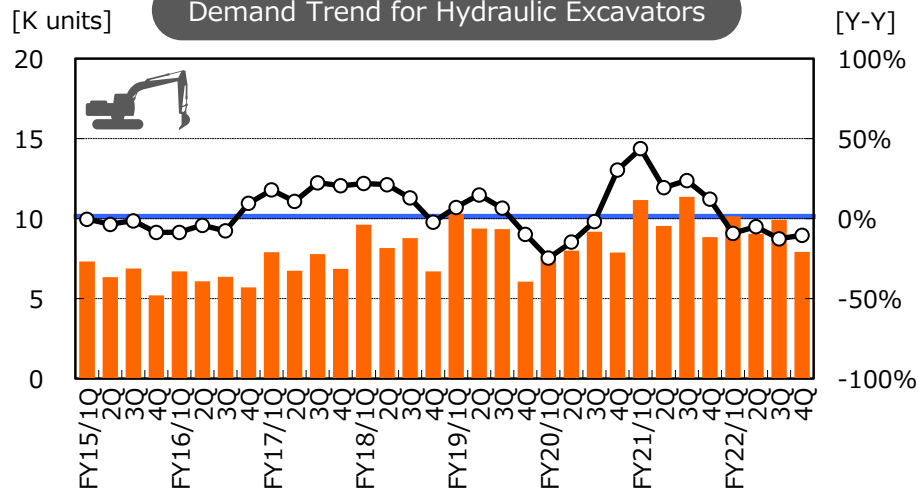


\* Bureau of Economic Census, US Census Bureau

Demand Trend for Mini Excavators

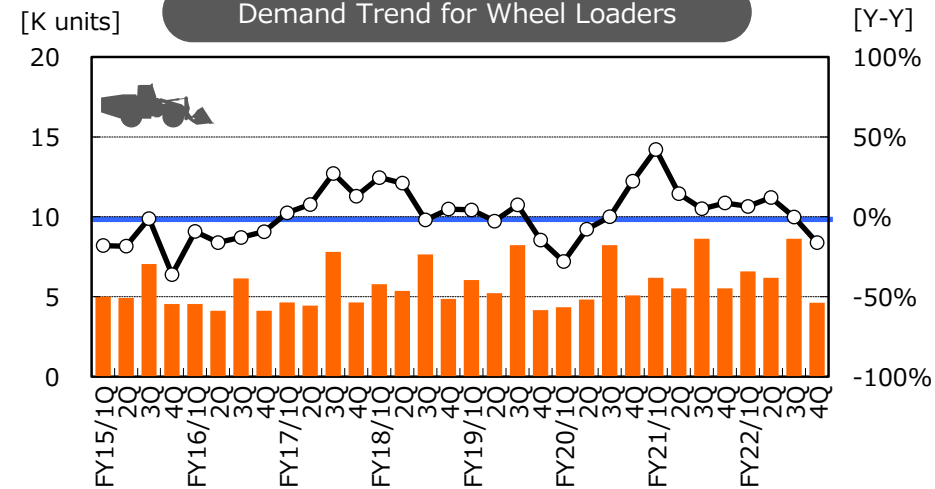


Demand Trend for Hydraulic Excavators



\*Demand is Hitachi Construction Machinery estimates.

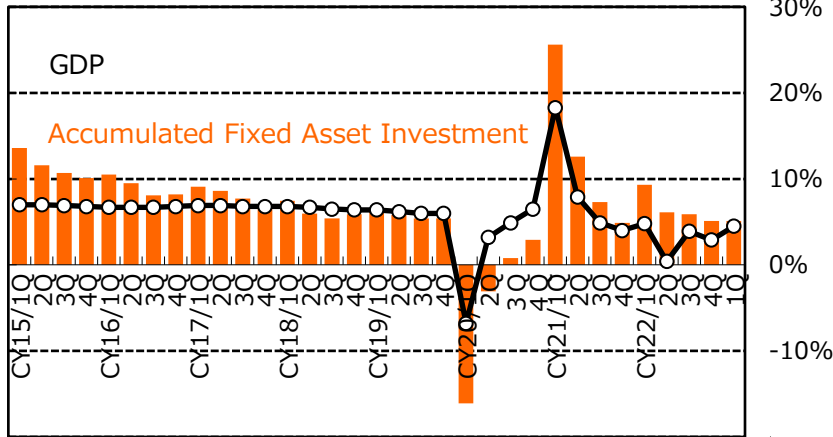
Demand Trend for Wheel Loaders



# China: Forth Quarter (Jan to Mar 2023)

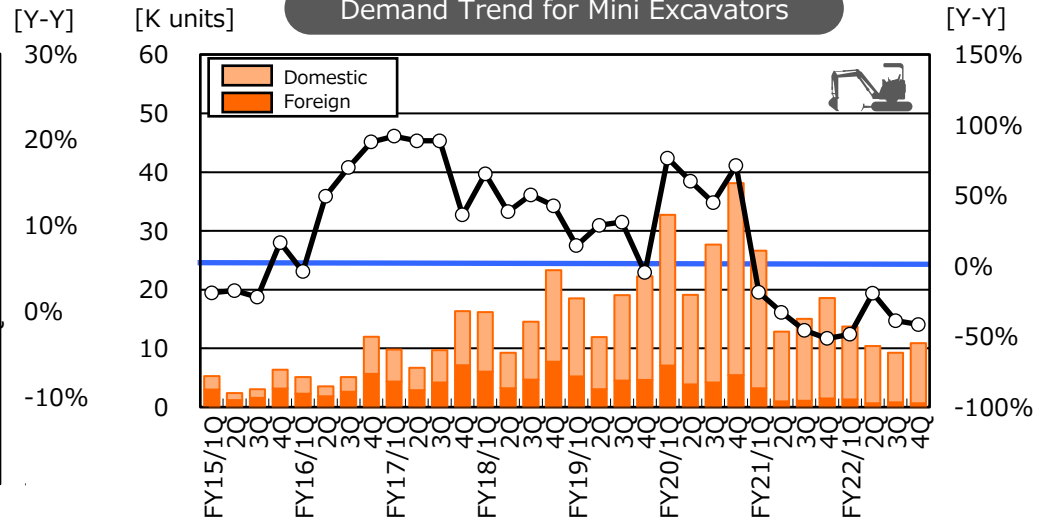
- GDP growth rate increased to +4.5%.
- Demand for Hydraulic excavators decreased significantly:  
Hydraulic Excavators -29%, Mini Excavators -41% y-y, respectively. (Includes domestic manufacturers)

GDP and Fixed Asset Investment

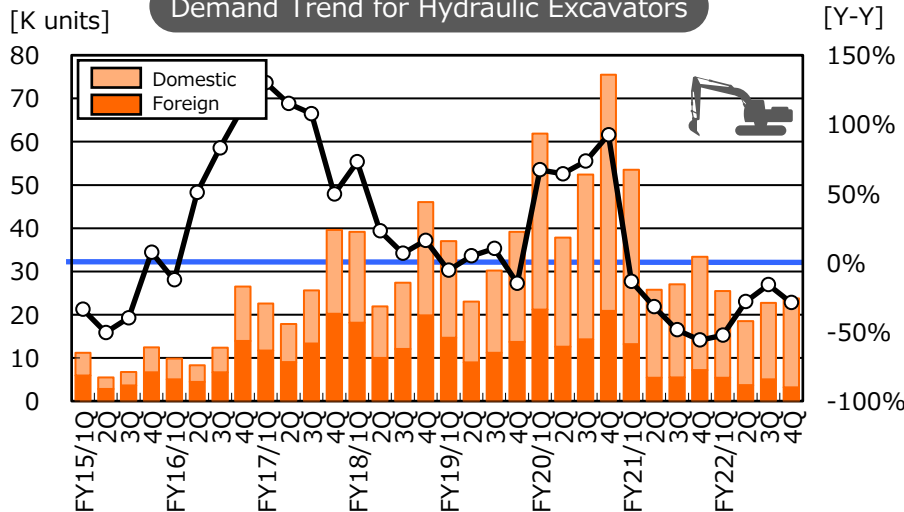


\* National Bureau of Statistics of China

Demand Trend for Mini Excavators

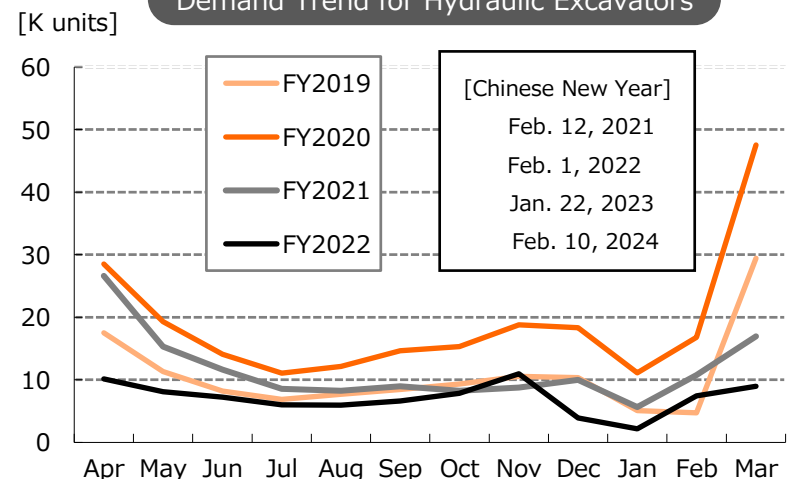


Demand Trend for Hydraulic Excavators



\*Demand is Hitachi Construction Machinery estimates.

Demand Trend for Hydraulic Excavators





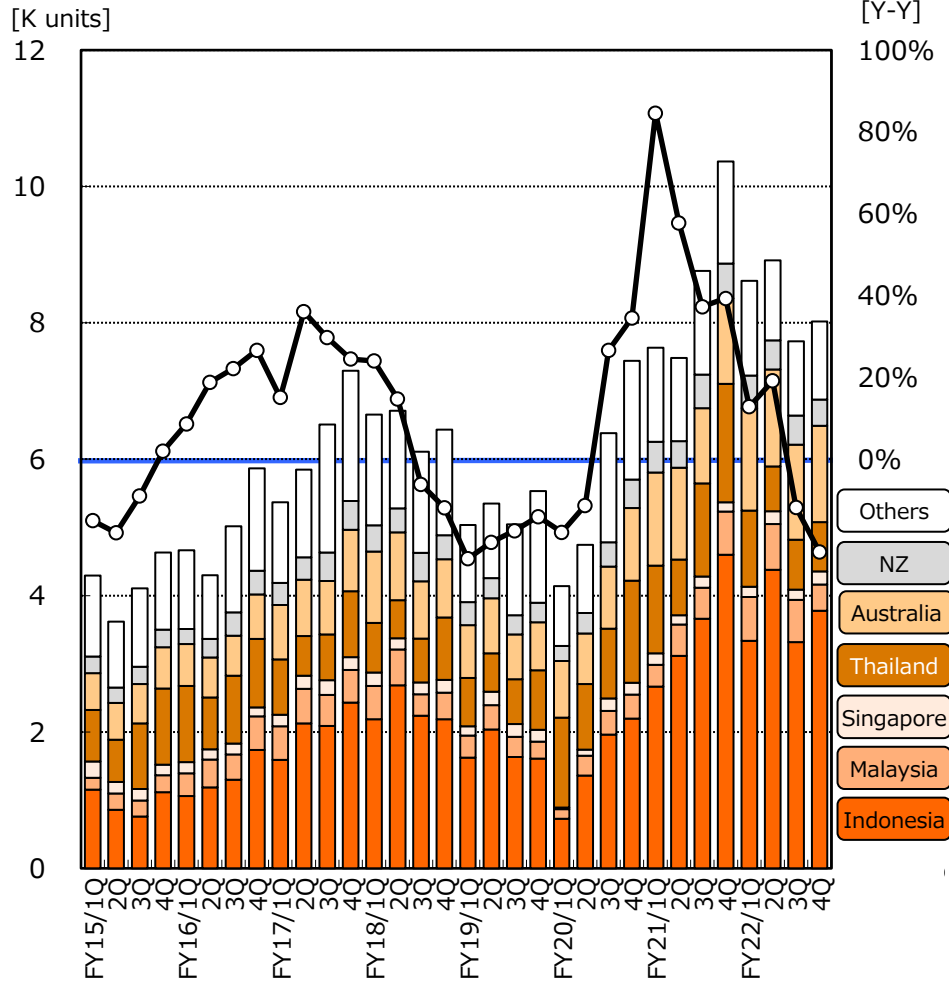
# Asia Pacific & India: Forth Quarter (Jan to Mar 2023)

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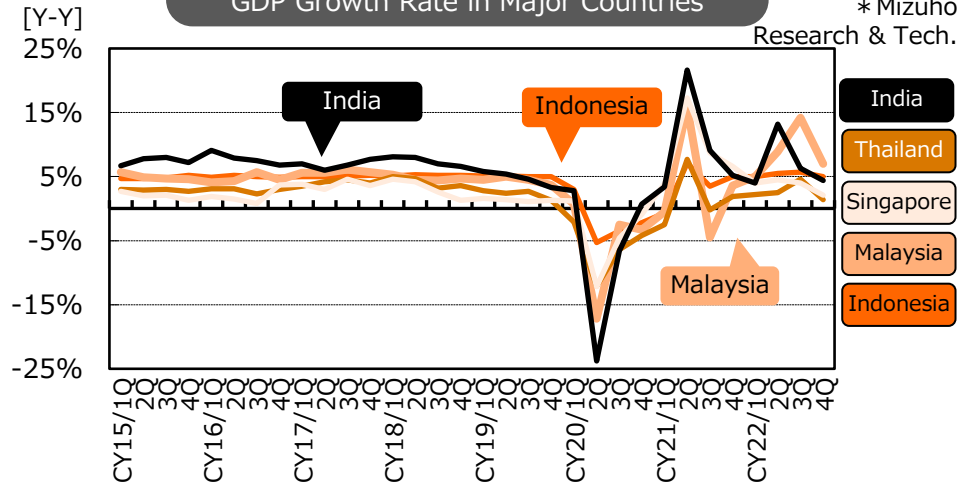
Reliable Solutions

- Demand for Hydraulic excavators decreased in the Asia & Oceania region -23% y-y.
- Demand in India decreased. -6% y-y.

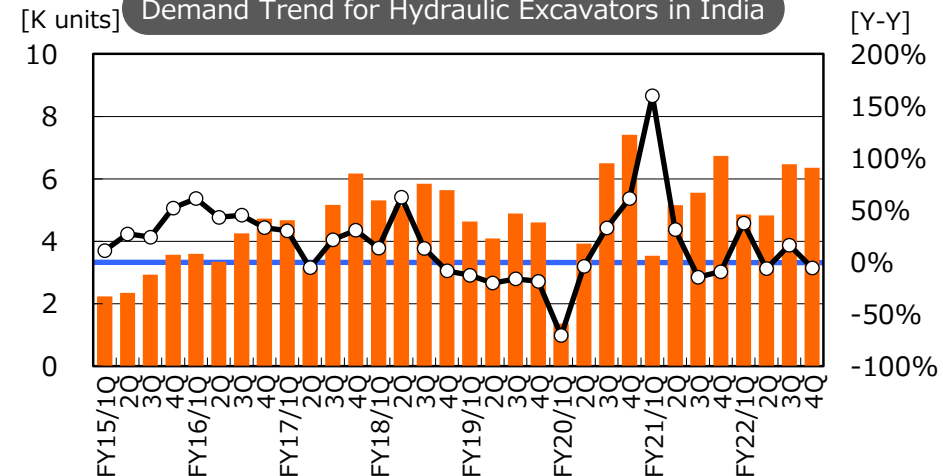
Demand Trend for Hydraulic Excavators in Asia & Oceania



GDP Growth Rate in Major Countries



Demand Trend for Hydraulic Excavators in India



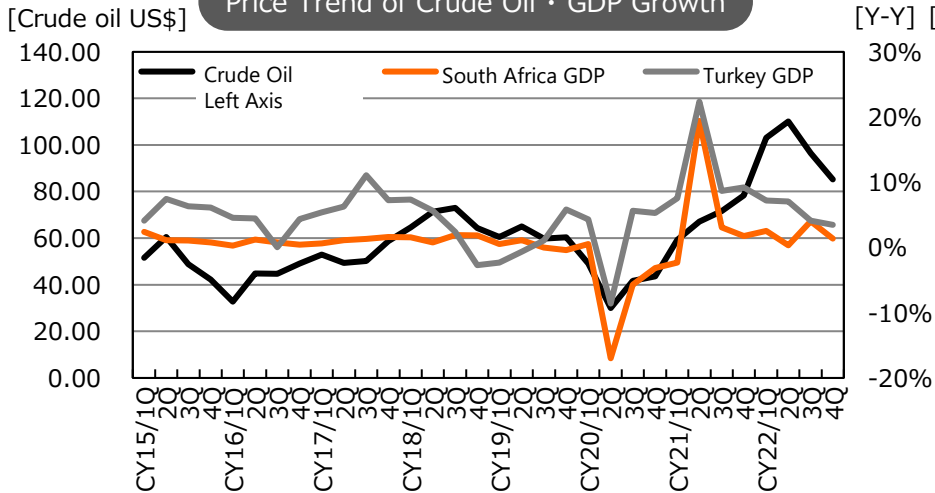
\*Demand is Hitachi Construction Machinery estimates.

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# Russia, Middle East, Africa: Forth Quarter (Jan to Mar 2023)

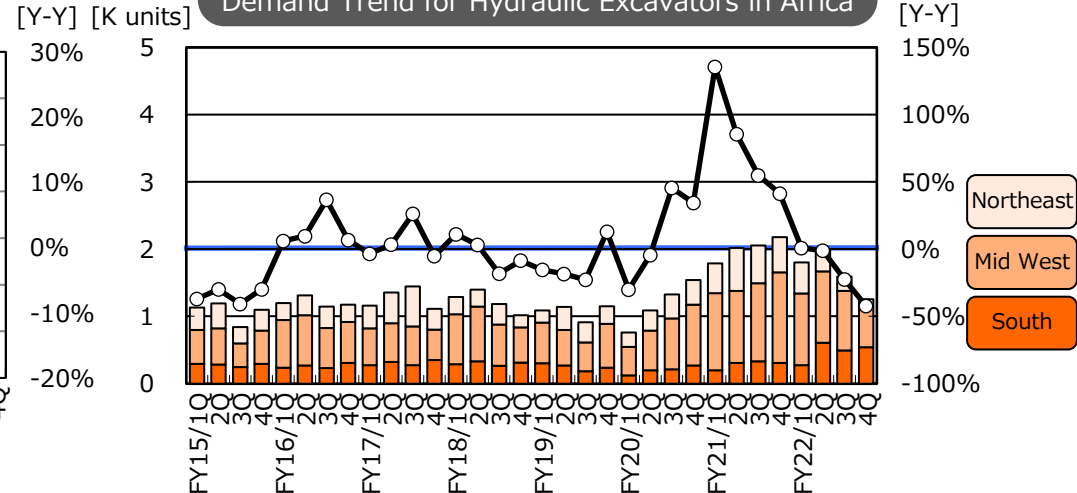
- Demand for Hydraulic excavators decreased in Russia -12%, Africa -42% y-y, respectively.
- Demand for Hydraulic excavators increased in the Middle East +23% y-y.

Price Trend of Crude Oil · GDP Growth

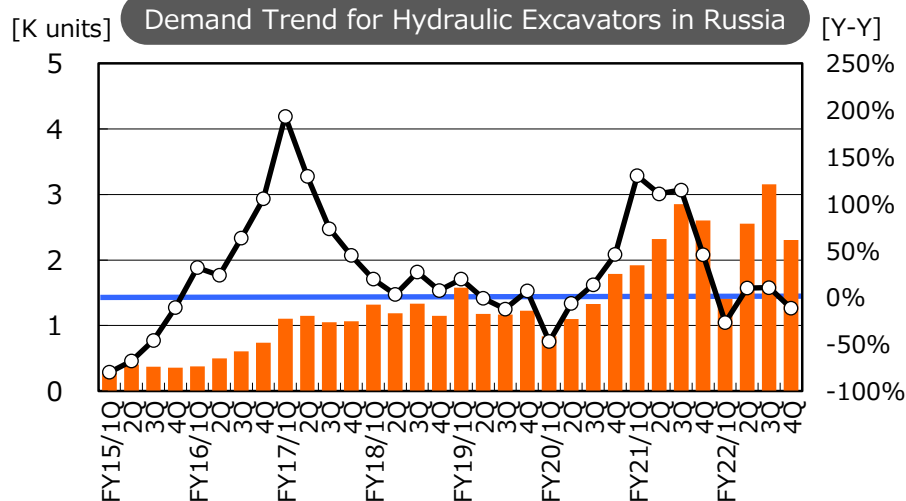


\*Crude Oil: World Bank \*GDP: OECD

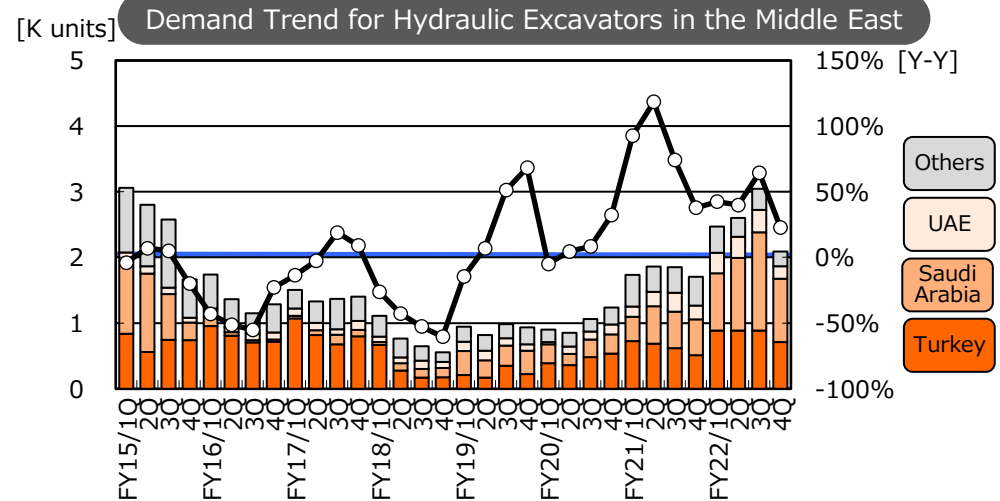
Demand Trend for Hydraulic Excavators in Africa



Demand Trend for Hydraulic Excavators in Russia



Demand Trend for Hydraulic Excavators in the Middle East



\*Demand is Hitachi Construction Machinery estimates.

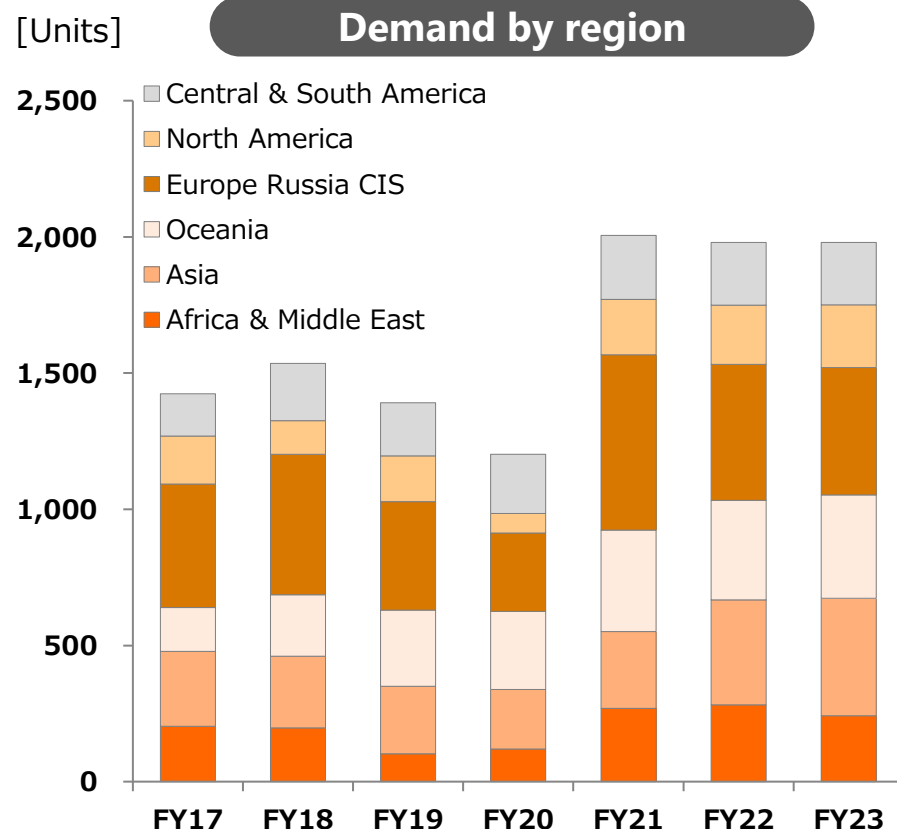
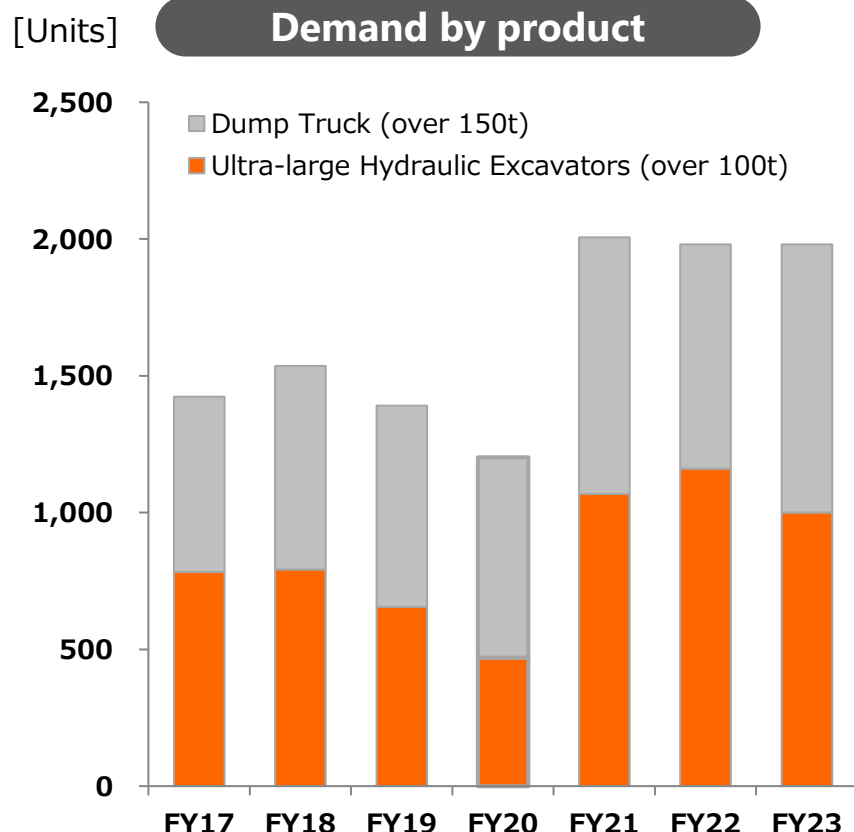
# Mining machinery: FY2022 (April 2022 to March 2023)

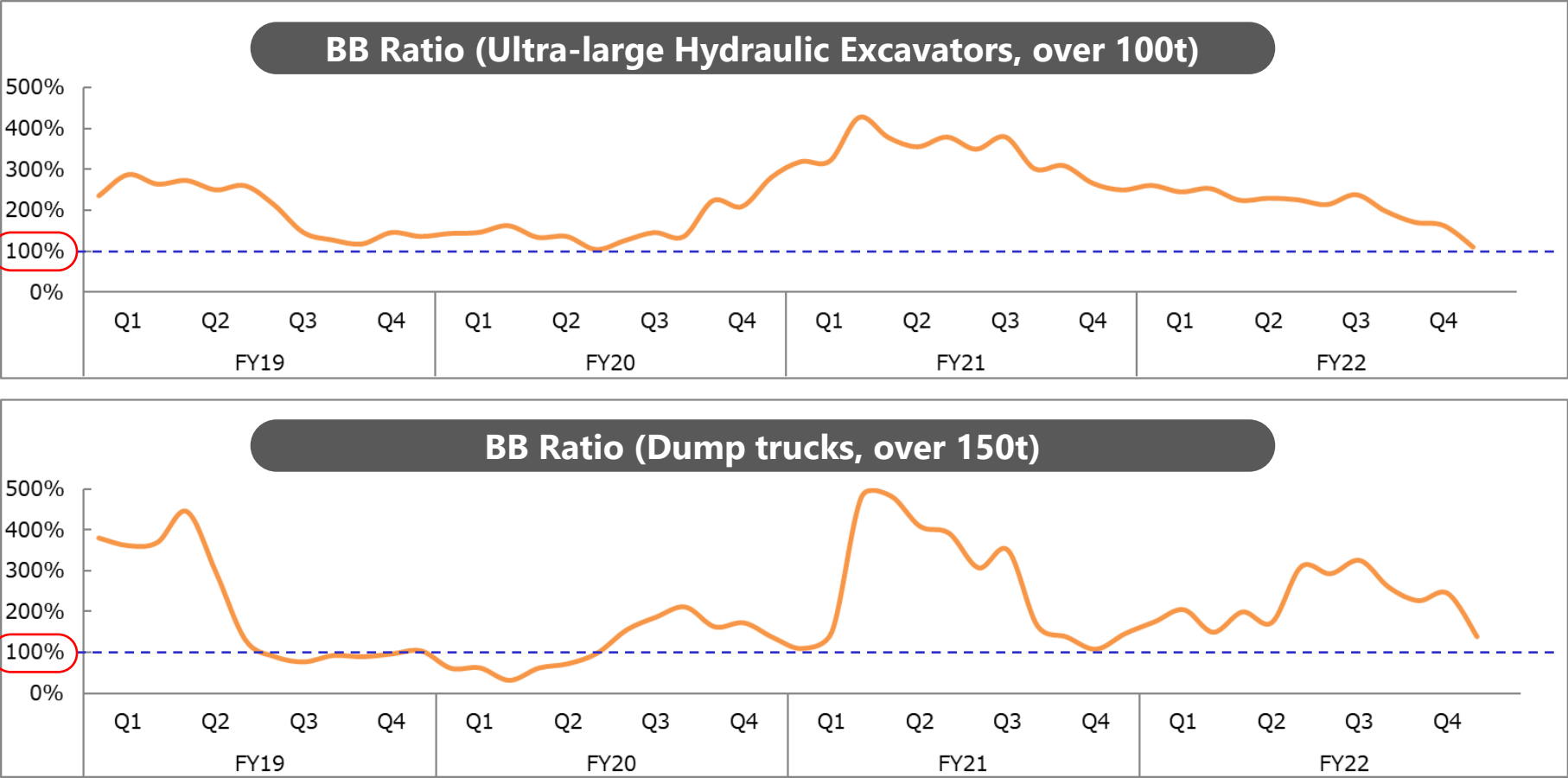
HITACHI

Reliable Solutions

- Demand for FY22 increased in Ultra-large Excavators mainly in the 100t class, decreased in Dump trucks as demand decreased in Russia. The overall demand is forecasted as same level as FY21.
- Demand for FY23 is forecasted as same level as FY22.

## Ultra-large Hydraulic Excavators (over 100t), 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: Toward the Realization of a Circular Economy

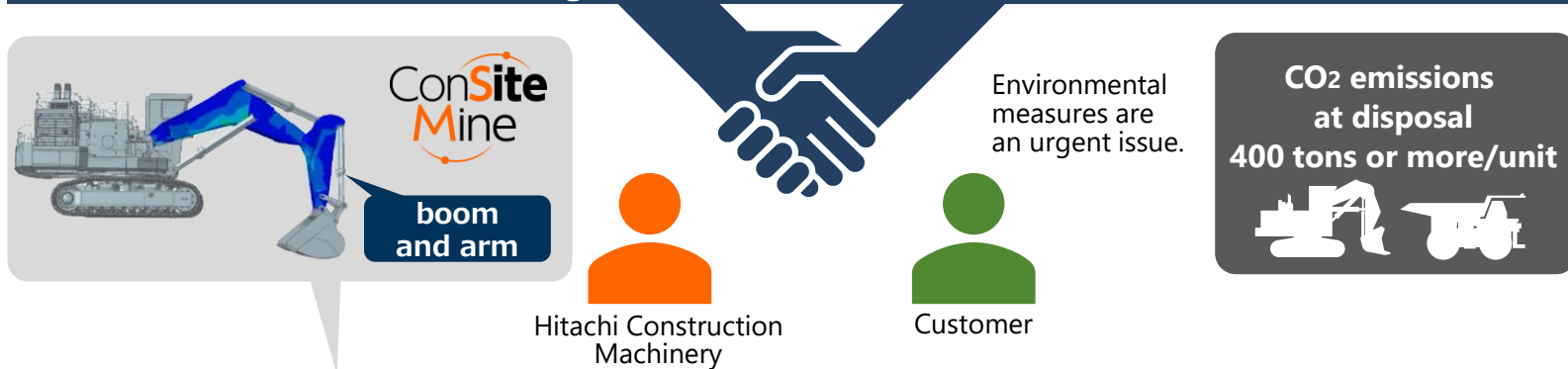
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## Durability tests will be carried out from August 2023 at the Australian mine in Rio Tinto.

- An enhanced boom and arm for its range of ultra-large hydraulic excavators was developed whose improved durability will extend service life by 1.5 times compared to previous models.

Longer service life and reduced CO<sub>2</sub> emissions of ultra-large hydraulic excavators through collaboration with customers



Monitoring the accumulated load and verifying durability under actual operation loads



Providing operational data and sharing the needs of mine sites



### POC of a full battery dump truck at First Quantum Minerals' mine site in Zambia will begin in January 2024.

- 41 Hitachi Construction Machinery diesel trolley trucks at the mine site are currently operated, which means much of the required infrastructure for the POC is already in place.

**Received additional orders for 40 rigid dump trucks and 6 electric ultra-large hydraulic excavators for the mine**  
**Largest business deal in recent years**



Hitachi Construction Machinery (diesel) trolley truck at Kansanshi copper-gold mine



Additional orders for EH4000AC-3 (left) and EX5600-7E

## **2. Business Results for FY2022 ended March 31, 2023**

(April 1, 2022 - March 31, 2023)



# Summary of consolidated results

In the current fiscal year, revenue increased by 25% y-y and adjusted operating income increased by 45% y-y, supported by strong sales growth worldwide, especially in the Americas. Net income attributable to owners of the parent increased by 40% substantially excluding the profit associated with Americas business restructuring in the previous fiscal year.

note : < > shows previous forecast as of Jan 2023

note : < > shows excluded profit from Americas business restructuring in the previous year

[billion of yen]

		FY2022 Actual	FY2021 Actual	change	
				amount	%
Revenue		< 1,230.0 > 1,279.5	< 998.4 > 1,025.0	254.5	25%
Adjusted operating income *1		< 9.8% > (10.6%) < 120.0 > 135.7	< 6.7% > (9.1%) < 66.9 > 93.5	(1.5%) 42.2	45%
Operating income		< 9.6% > (10.4%) < 118.0 > 133.3	< 7.1% > (10.4%) < 71.2 > 106.6	(0.0%) 26.7	25%
Income before income taxes		< 8.2% > (8.8%) < 101.0 > 112.7	< 8.2% > (10.8%) < 75.5 > 110.9	(-2.0%) 1.8	2%
Net income attributable to owners of the parent		< 5.8% > (5.5%) < 62.0 > 70.2	< 5.0% > (7.4%) < 50.0 > 75.8	(-1.9%) -5.7	-7%
EBIT *2		< 106.6 > 119.0	< 78.6 > 114.0	5.0	
FX Rate	Rate (YEN/US\$)	< 134.9 > 135.4	112.6	22.8	
	Rate (YEN/EURO)	< 140.3 > 141.0	130.6	10.4	
	Rate (YEN/RMB)	< 19.8 > 19.7	17.5	2.2	
	Rate (YEN/AU\$)	< 92.6 > 92.7	83.0	9.7	
Cash dividend per share (yen) *3		< TBD > 110	110	-	

\*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"

\*3 "Cash dividend per share": The Company will pay dividends linked to its consolidated business results twice, interim and year end, in the fiscal year and aim to achieve a consolidated dividend payout ratio of approx. 30% or more.



# Revenue by geographic region (consolidated)

Revenue increased significantly in each region except China and Russia/CIS y-y, including the effect of the depreciation of yen. Consolidated total revenue increased by 254.5 billion yen.

[billions of yen]

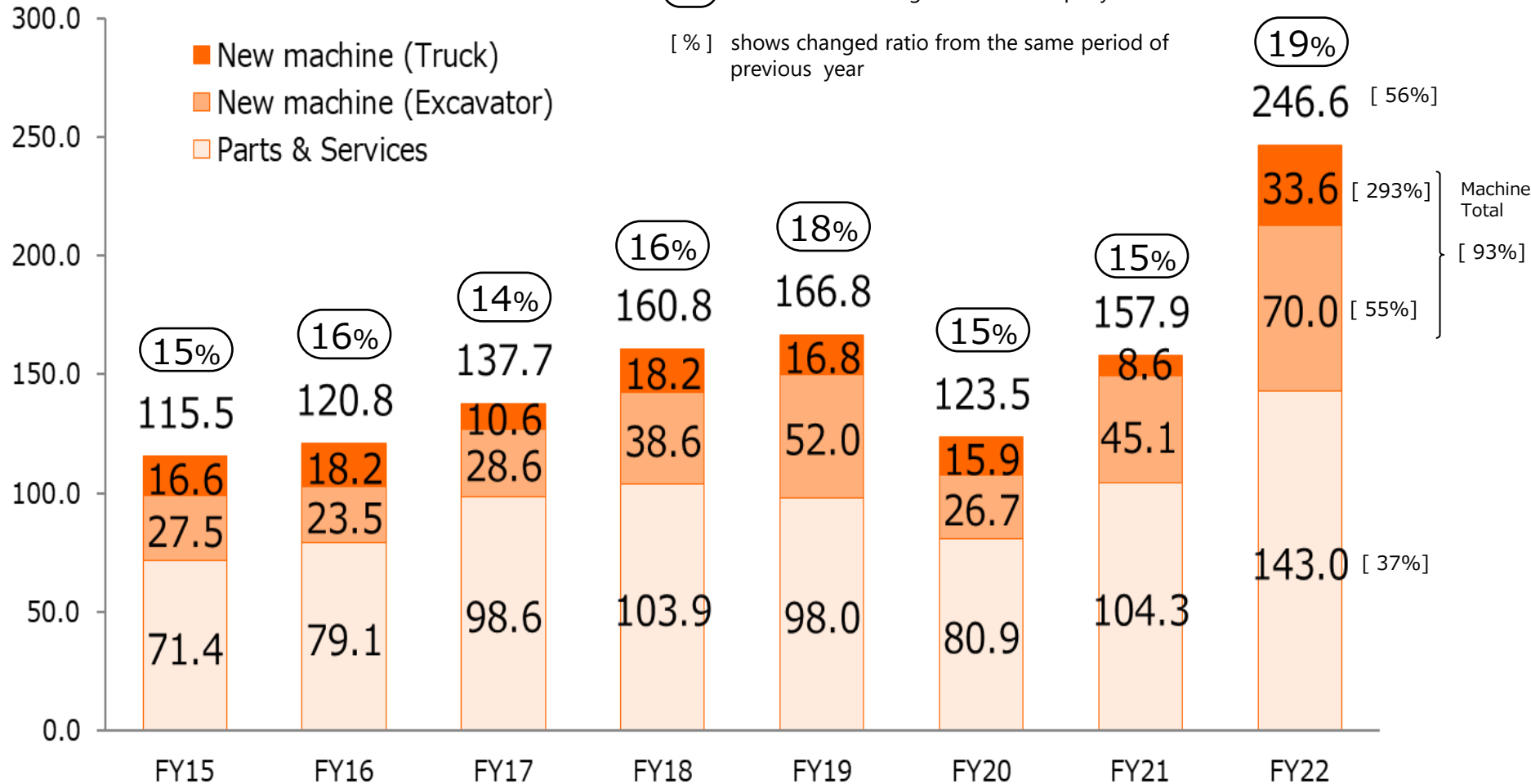
			FY2022 Actual		FY2021 Actual		change	
							amount	%
Japan			224.0	18%	216.9	21%	7.1	3%
Asia			122.7	10%	86.4	8%	36.2	42%
India			73.1	6%	57.2	6%	15.9	28%
Oceania			225.4	18%	167.7	16%	57.7	34%
Europe			164.9	13%	124.2	12%	40.7	33%
	N. America		274.1	21%	196.4	19%	77.7	40%
	L. America		38.3	3%	22.7	2%	15.6	69%
The Americas			312.5	24%	219.2	21%	93.3	43%
(Developing own business)			(182.0)	(14%)	(76.0)	(7%)	(106.0)	(139%)
Russia-CIS			37.4	3%	38.6	4%	-1.2	-3%
M. East			25.0	2%	19.2	2%	5.8	30%
Africa			54.7	4%	43.5	4%	11.2	26%
China			40.0	3%	52.1	5%	-12.1	-23%
Total			1,279.5	139%	1,025.0	126%	254.5	25%
Overseas ratio			82%		79%			

Revenue of mining increased by 56% to 246.6 billion yen y-y due to significant increase in new machinery sales, capturing robust demand. Parts and services also grew significantly.

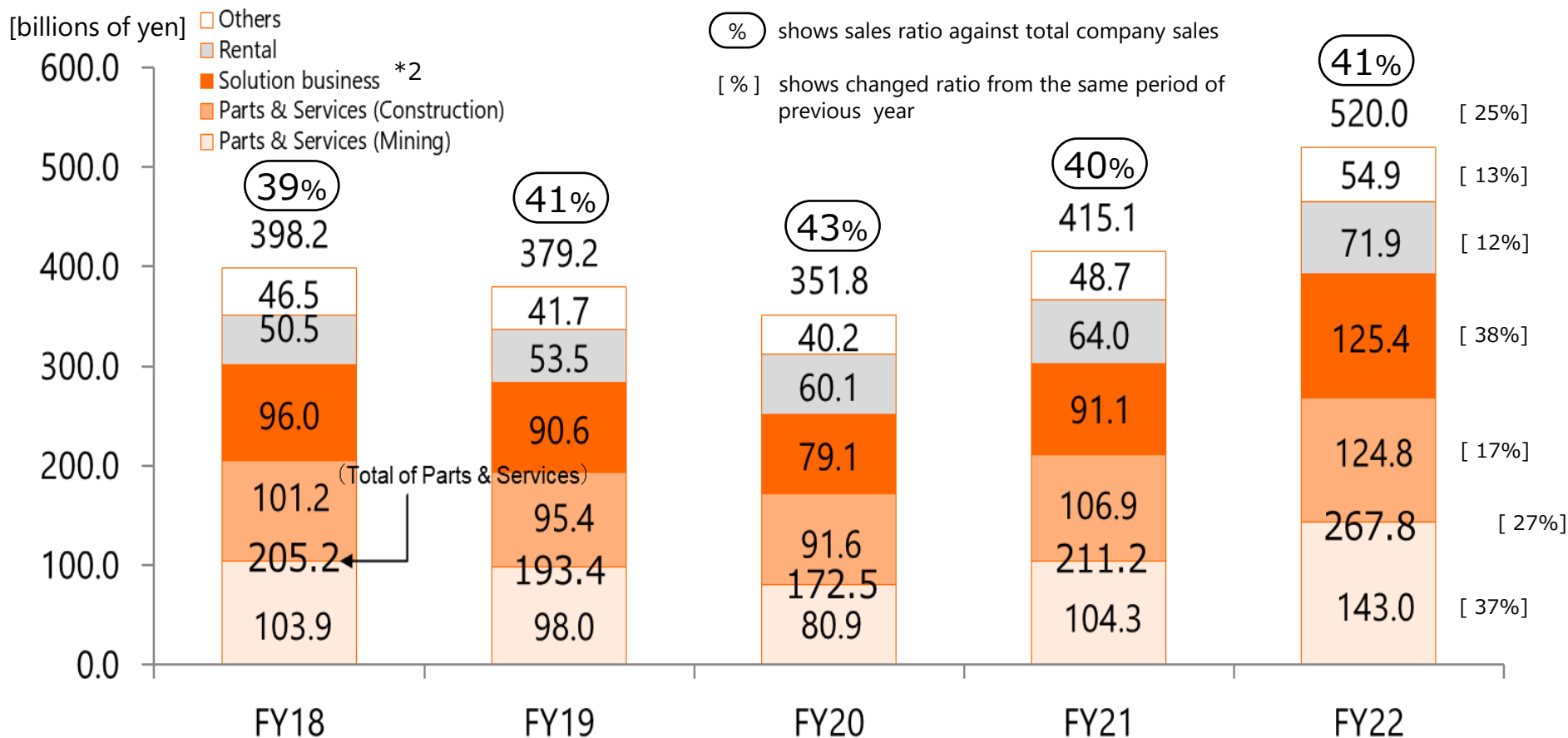
[billions of yen]

- New machine (Truck)
- New machine (Excavator)
- Parts & Services

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



Revenue of the value chain business increased by 25% to 520.0 billion yen y-y due to expanded sales volume, especially parts and services as well as solution business.



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

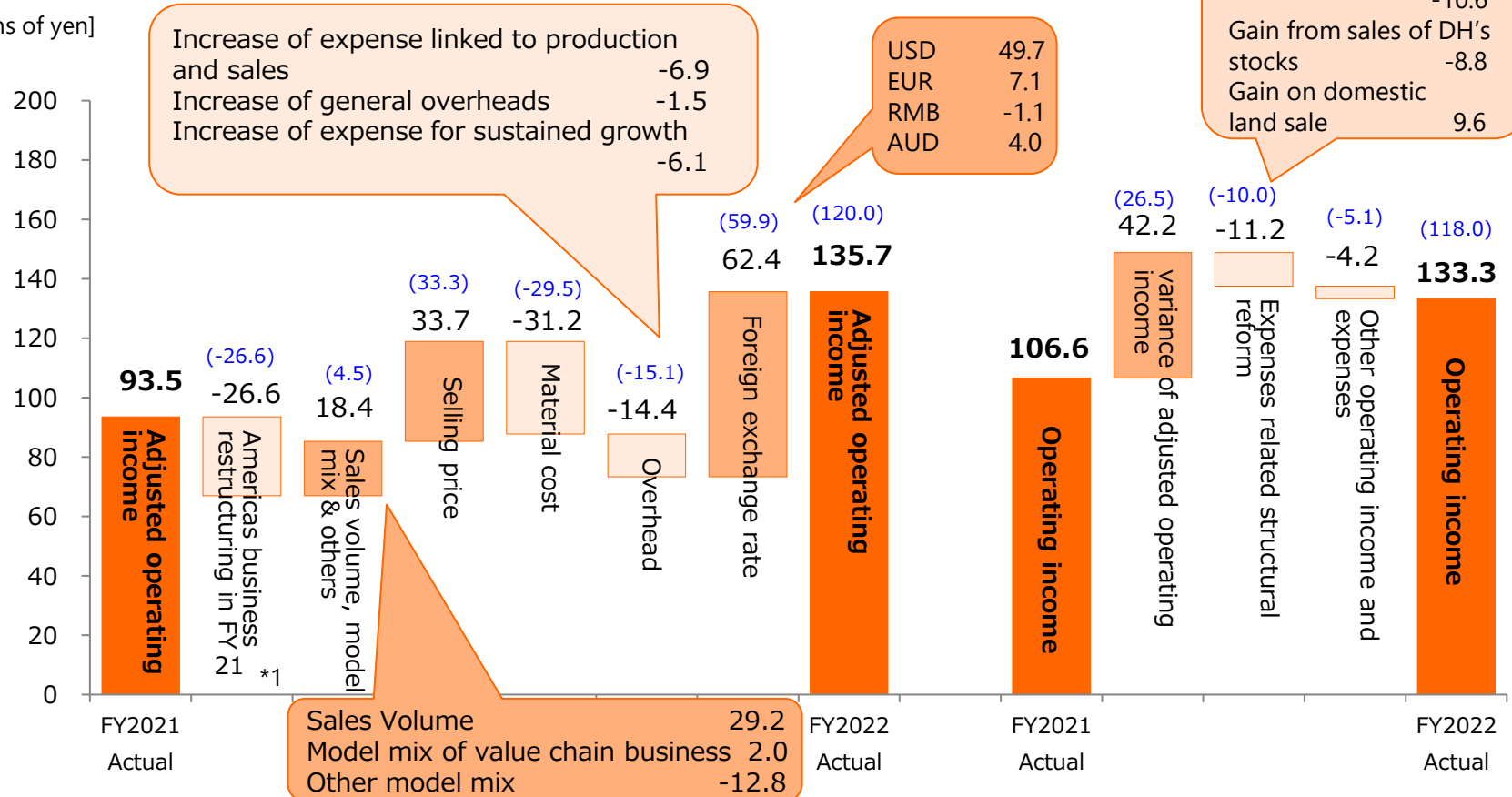
(\*2) Solution business: The business segment primarily intends to provide development, production, distribution of parts and service solutions for mining facilities and equipment after the sales made that are not included in the construction machinery business segment.

# Comparison of consolidated income

Adjusted operating income increased by 42.2 billion yen y-y due to the impact of the increased sales volume, selling price increase and the currency impact despite the absence of profit from Americas business restructuring in the previous year.

note : ( ) shows previous forecast as of January 2023

[billions of yen]



\*1 Price adjustment and profit-sharing

# Consolidated statement of income

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Net income attributable to owners of the parent decreased by 5.7 billion yen y-y due to the settlement loss with transition of the pension plan and share of profits of investments accounted for using the equity method, although adjusted operating income increased by 42.2 billion yen.

[billions of yen]

	FY2022		FY2021		change	
	Actual		Actual		amount	%
Revenue		1,279.5		1,025.0	254.5	25%
Cost of Sales	(70.5%)	901.5	(72.7%)	745.0	156.5	21%
SGA expenses	(18.9%)	242.2	(18.2%)	186.5	55.8	30%
Adjusted operating income *1	(10.6%)	135.7	(9.1%)	93.5	42.2	45%
Other Income/expenses		-2.4		13.1	-15.5	-
Operating income	(10.4%)	133.3	(10.4%)	106.6	26.7	25%
Financial income/expenses		-15.1		-1.9	-13.2	677%
Share of profits of investments accounted for using the equity method		-5.5		6.2	-11.8	-
Income before income taxes	(8.8%)	112.7	(10.8%)	110.9	1.8	2%
Income taxes		36.9		31.0	5.9	19%
Net income	(5.9%)	75.7	(7.8%)	79.9	-4.1	-5%
Net income attributable to owners of the parent	(5.5%)	70.2	(7.4%)	75.8	-5.7	-7%

\*1 Adjusted operating income" is presented as revenues less cost of sales as well as selling, general and administrative expenses.

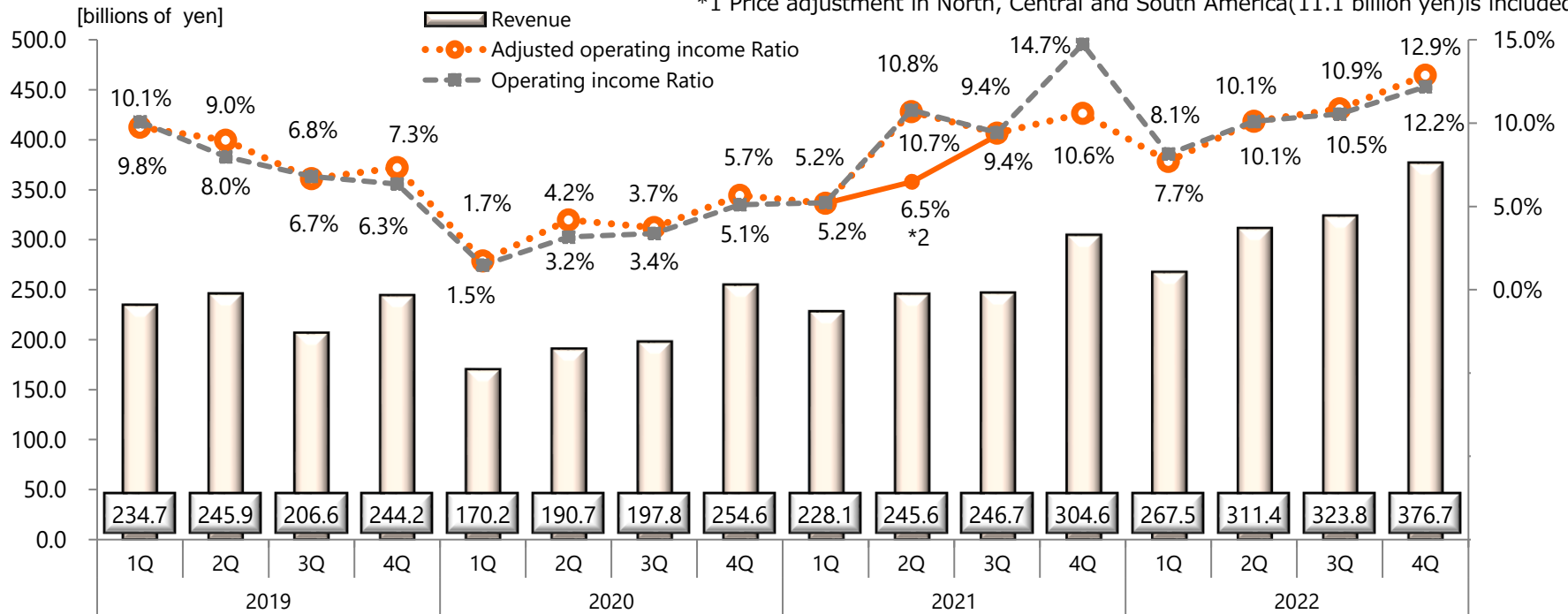
# Summary of quarterly consolidated revenue and operating income (ratio)

HITACHI

Reliable Solutions  
[billions of yen]

	2019				2020				2021				2022			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q*1	3Q	4Q	1Q	2Q	3Q	4Q
Revenue	234.7	245.9	206.6	244.2	170.2	190.7	197.8	254.6	228.1	245.6	246.7	304.6	267.5	311.4	323.8	376.7
Adjusted operating income	22.9	22.1	13.8	17.9	2.9	8.0	7.4	14.4	11.8	26.3	23.2	32.2	20.6	31.5	35.1	48.5
Operating income	23.7	19.6	14.1	15.5	2.5	6.0	6.7	13.0	11.9	26.5	23.3	44.9	21.8	31.5	34.2	45.9

\*1 Price adjustment in North, Central and South America(11.1 billion yen)is included.



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

FX rate	2019				2020				2021				2022			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Rate (YEN/US\$)	109.9	107.4	108.8	108.9	107.6	106.2	104.5	105.9	109.5	110.1	113.7	116.2	129.6	138.4	141.6	132.3
Rate (YEN/EURO)	123.5	119.3	120.3	120.1	118.5	124.1	124.5	127.7	132.0	129.8	130.1	130.4	138.1	139.3	144.3	142.1
Rate (YEN/RMB)	16.1	15.3	15.5	15.6	15.2	15.4	15.8	16.4	17.0	17.0	17.8	18.3	19.6	20.2	19.9	19.3
Rate (YEN/AU\$)	76.9	73.6	74.3	71.8	70.7	75.9	76.3	81.8	84.3	80.9	82.9	84.0	92.6	94.5	92.9	90.6

# Consolidated statement of financial position

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Total assets increased by 217.4 billion yen y-y from the end of last fiscal year due to increase by trade receivables, inventories and depreciation of yen, and the posting of claims for subrogated repayments to North American affiliate.

				[billions of yen]			
	(A) Mar '2023	(B) Mar '2022	(A)-(B) change		(D) Mar '2023	(E) Mar '2022	(D)-(E) change
Cash and cash equivalents	112.0	94.3	17.7	Trade and other payables	274.5	252.2	22.3
Trade receivables	305.3	266.3	39.1	Bonds and borrowings	507.5	353.1	154.4
Inventories	450.8	368.3	82.5	Total liabilities	926.0	741.6	184.3
Total current assets	908.9	764.4	144.6	(Equity attributable to owners of the parent ratio)	(40.6%)	(43.4%)	(-2.8%)
Total non-current assets	718.1	645.2	72.9	Total equity	701.0	667.9	33.1
Total assets	1,627.0	1,409.6	217.4	Total liabilities and equity	1,627.0	1,409.6	217.4
Trade receivables incl. non-current	344.6	309.0	35.6				
Inventories by products							
Unit	142.5	108.9	33.6		(31.2%)	(25.1%)	(6.1%)
Parts	158.6	132.6	26.0	Interest-bearing debt	507.5	353.1	154.4
Raw materials, WIP and etc	149.6	126.8	22.9	Cash and Cash equivalents	112.0	94.3	17.7
Total inventories	450.8	368.3	82.5		(24.3%)	(18.4%)	(5.9%)
On hand days (divided by revenue)			(Days)	Net interest-bearing debt	395.5	258.9	136.6
Trade receivables	98	110	-12				
Inventories	129	131	-2	Net D/E Ratio	0.60	0.42	0.18
Trade payables	47	51	-5				
Net working capital	176	186	-10				

Operating cash flow was negative at 26.1 billion yen due to the deterioration of working capital and payments for performance of guarantee obligation. Free cash flow was negative at 68.8 billion yen when combined with negative investment cash flow.

[billions of yen]

	FY2022 Actual	FY2021 Actual	change
Net income	75.7	79.9	-4.1
Depreciation and amortization	138.6 62.9	135.3 55.5	3.3 7.4
(Increase)decrease in trade/lease receivables	-19.9	-31.6	11.7
(Increase)decrease in inventories	-79.8 -75.4	-64.6 -48.2	-15.1 -27.2
Increase(decrease) in trade payables	15.5	15.1	0.4
Payments for performance of guarantee obligation	-53.5	0.0	-53.5
Others, net	-31.5	-31.4	-0.1
Net cash provided by (used in) operating activities	-26.1	39.3	-65.5
Cash flow margin for operating activities	-2.0%	3.8%	-5.8%
Net cash provided by (used in) investing activities	-42.6	-6.9	-35.8
Free cash flows	-68.8	32.5	-101.2
Net cash provided by (used in) financing activities	87.1	-25.6	112.7



# Summary of consolidated earnings forecast

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Consolidated revenue for FY2023 is expected to increase by 2% y-y, despite the impact of the yen's appreciation of 81.1 billion yen.

[billions of yen]

	FY2023 Forecast	FY2022 Actual	change	
			amount	%
Revenue	1,300.0	1,279.5	20.5	2%
Adjusted operating income	(10.8%) 140.0	(10.6%) 135.7	(0.2%) 4.3	3%
Operating income	(10.5%) 136.0	(10.4%) 133.3	(0.0%) 2.7	2%
Income before income taxes	(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	(5.5%) 70.2	(0.8%) 11.8	17%
EBIT	137.2	119.0	18.2	
Rate (YEN/USD)	130.0	135.4	-5.4	For FX sensitivity, please refer to appendix 1.
Rate (YEN/EUR)	130.0	141.0	-11.0	
Rate (YEN/RMB)	18.1	19.7	-1.6	
Rate (YEN/AUD)	84.0	92.7	-8.7	
Cash dividend per share (yen) *1	to be determined	110	-	

\*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

Consolidated revenue for FY2023 is expected to increase by 20.5 billion yen y-y, despite the impact of the yen's appreciation of 81.1 billion yen.

[billions of yen]

		FY2023 Forecast		FY2022 Actual		change	
						amount	%
Japan		230.6	18%	224.0	18%	6.6	3%
Asia		129.5	10%	122.7	10%	6.9	6%
India		66.0	5%	73.1	6%	-7.1	-10%
Oceania		214.7	17%	225.4	18%	-10.6	-5%
Europe		155.9	12%	164.9	13%	-9.0	-5%
	N. America	303.8	23%	274.1	21%	29.6	11%
	L. America	37.1	3%	38.3	3%	-1.2	-3%
The Americas		340.9	26%	312.5	24%	28.4	9%
(Developing own business)		(209.4)	(16%)	(182.0)	(14%)	(27.4)	(15%)
Russia-CIS		30.9	2%	37.4	3%	-6.5	-17%
M. East		26.3	2%	25.0	2%	1.4	5%
Africa		65.6	5%	54.7	4%	11.0	20%
China		39.5	3%	40.0	3%	-0.5	-1%
Total		1,300.0	100%	1,279.5	100%	20.5	2%
Overseas ratio		82%		82%			

# Mining revenue forecast

Revenue of mining for FY2023 is expected to increase by 3% to 253.1 billion yen y-y, despite the impact of the yen's appreciation of 18.4 billion yen.

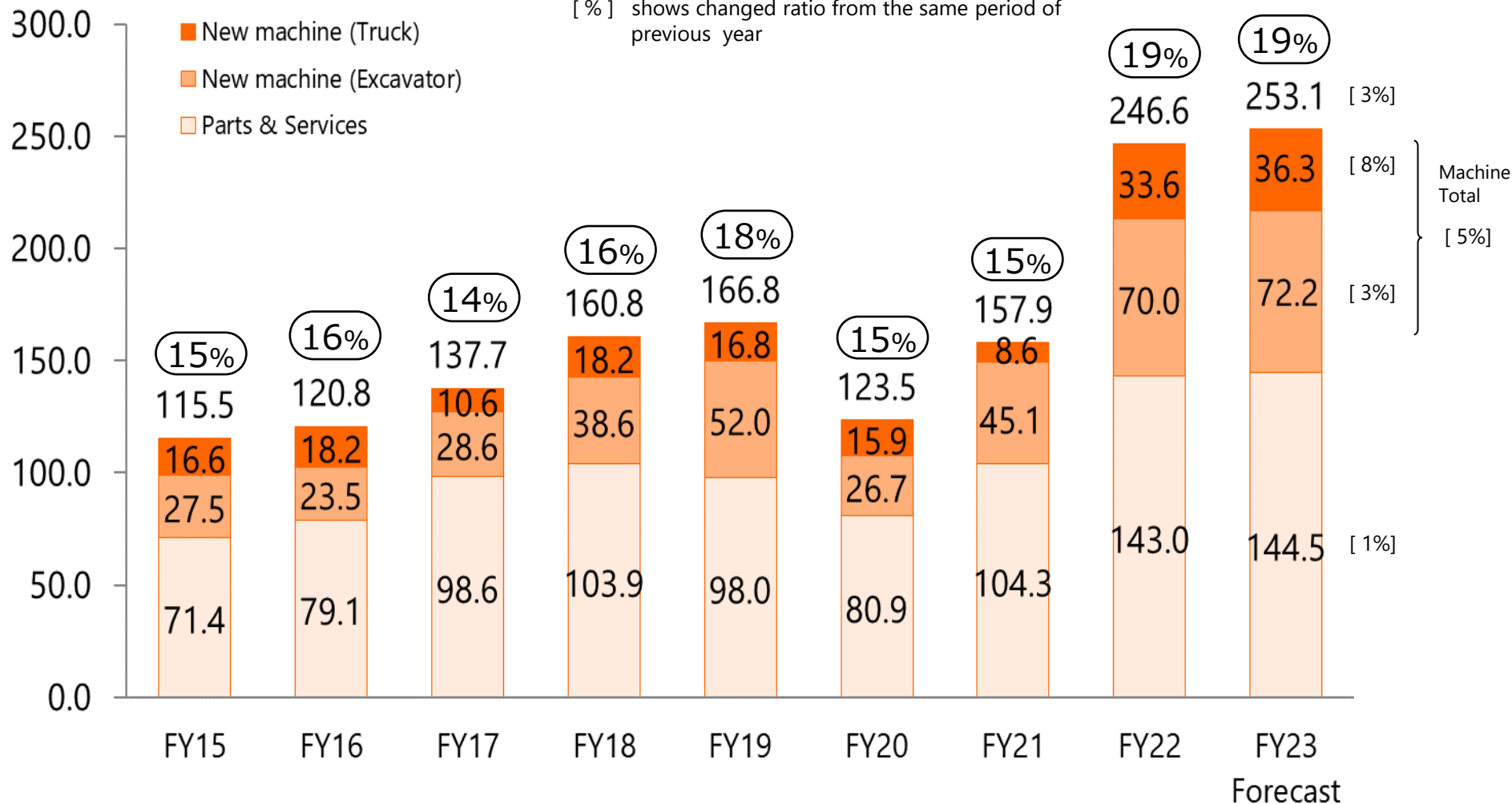
[billions of yen]

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

■ New machine (Truck)

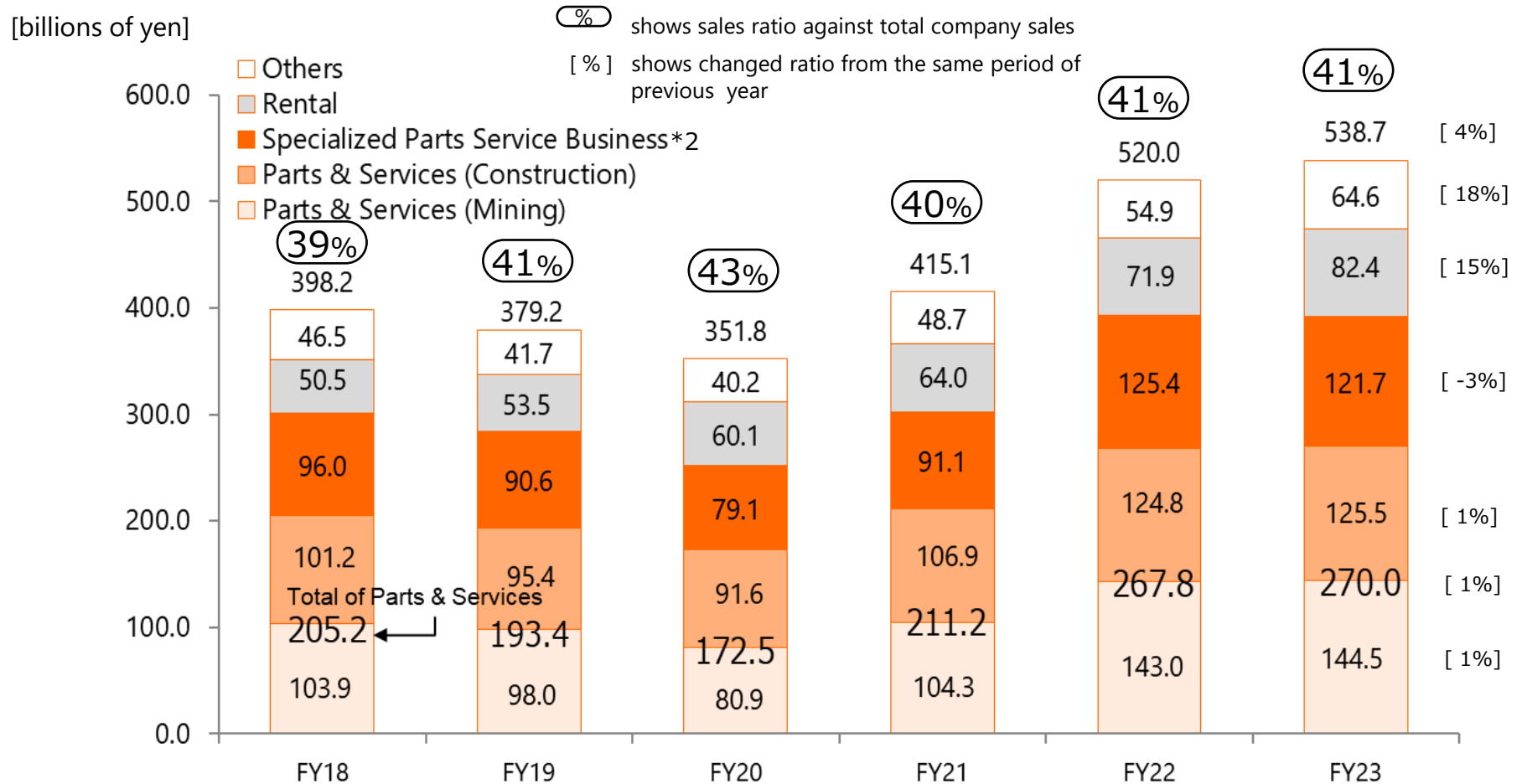
■ New machine (Excavator)

■ Parts & Services



# Value chain\*1 revenue forecast

Revenue of the value chain for FY2023 is expected to increase by 4% to 538.7 billion yen y-y, despite the impact of the yen's appreciation of 31.7 billion yen.



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

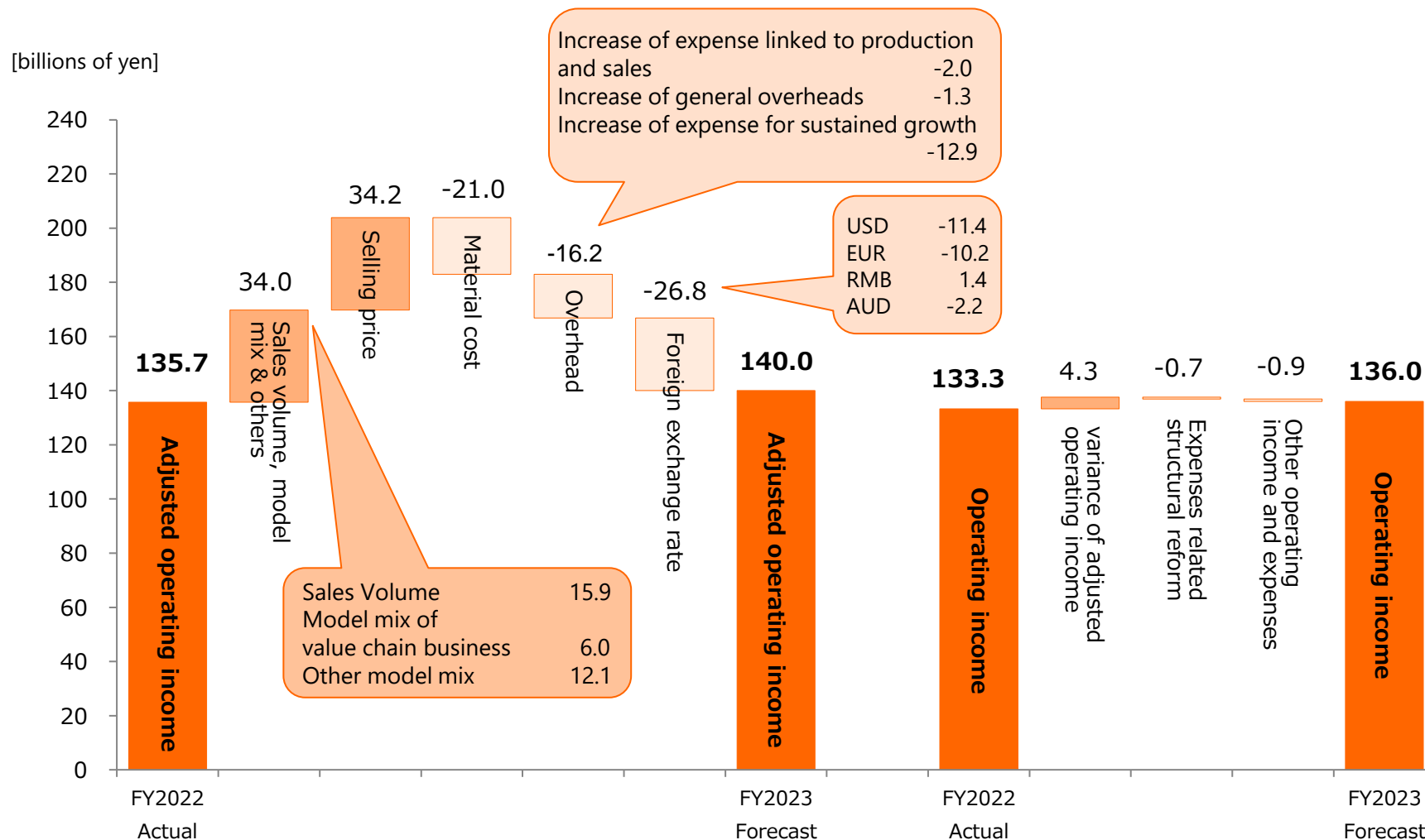
(\*2) FY2023 forecast, the business segment "Solution Business" was renamed "Specialized Parts & Service Business".

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

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 for FY2023 is expected to increase by 4.3 billion yen y-y due to an increase in sales volume and model mix and selling price increase, although there are increases in material costs, overhead costs and appreciation of the yen.



# Appendix 1: FX rate and FX sensitivity

The forecast exchange rate of major currencies for FY2023 is set within the expected fluctuation range for each currency.

## FX rate and FX sensitivity

[billions of yen]

Currency	FX rate		FX sensitivity (1Q-4Q)		
	FY23 Forecast	FY22 Actual	Condition	Revenue	Adjusted operating income
US\$	130.0	135.4	Impact by 1 yen depreciation	3.5	2.4
EURO	130.0	141.0	Impact by 1 yen depreciation	1.2	1.0
RMB	18.1	19.7	Impact by 0.1 yen depreciation	0.3	-0.1
AU\$	84.0	92.7	Impact by 1 yen depreciation	2.6	0.4

## Appendix 2: Detail of mining revenue

[billions of yen]

		FY22 Actual(A)	FY21 Actual(B)	Change (A)-(B)	FY23 Forecast(C)	Change (C)-(A)
The Americas	Excavator	32.7	9.4	23.3	38.7	5.9
	Dump Truck	4.1	2.6	1.5	10.0	5.9
	Total	36.8	12.0	24.8	48.7	11.8
Europe, Africa and Middle East	Excavator	35.7	27.5	8.2	33.7	-2.0
	Dump Truck	27.0	17.8	9.2	30.6	3.6
	Total	62.7	45.3	17.5	64.3	1.6
Asia & Oceania	Excavator	97.8	75.6	22.2	98.9	1.1
	Dump Truck	46.8	23.1	23.7	38.3	-8.6
	Total	144.6	98.7	46.0	137.2	-7.5
China	Excavator	1.3	0.6	0.7	1.5	0.3
	Dump Truck	0.1	0.1	0.0	0.0	-0.1
	Total	1.4	0.7	0.7	1.5	0.2
Japan	Excavator	1.0	1.3	-0.3	1.0	0.0
	Dump Truck	0.0	0.0	0.0	0.3	0.3
	Total	1.1	1.3	-0.2	1.4	0.3
Total	Excavator	168.5	114.4	54.2	173.8	5.3
	Dump Truck	78.1	43.6	34.5	79.2	1.2
	Total	246.6	157.9	88.7	253.1	6.5

## Appendix 3: Segment information

The amortizations of PPA are included in the adjusted operating income of the solution business : 1.1 billion yen in FY2022, and 1.1 billion yen in the forecast for FY2023.

[billions of yen]

FY2022 Actual	Reportable segment		Adjustments*1	Total
	Construction Machinery Business	Solution Business		
Revenue	1,154.1	131.2	-5.8	1,279.5
Adjusted operating income	10.7% 124.0	9.0% 11.7	-	10.6% 135.7

[billions of yen]

FY2023 Forecast	Reportable segment		Adjustments *2	Total
	Construction Machinery Business	Specialized Parts & Service Business *1		
Revenue	1,178.3	121.7	-	1,300.0
Adjusted operating income	10.7% 126.2	11.4% 13.8	-	10.8% 140.0

\*1 In the FY2023 forecast, 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.



# Appendix4 : Actual and forecast of consolidated capital expenditures, depreciation, and R&D expenses

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The total capital expenditures for FY2023 are expected to expand the value chains, mainly including assets held for operating lease.

## 1. Capital Expenditure (Based on completion)

[billion of yen]

	FY2019	FY2020	FY2021	FY2022	FY2023
	Actual	Actual	Actual	Actual	Forecast
Capital Expenditure	47.2	34.7	45.3	75.1	64.6
Assets held for operating lease	36.9	38.6	44.3	44.2	54.3
Total	84.1	73.4	89.6	119.3	118.9

## 2. Depreciation (tangible and intangible fixed assets)

[billion of yen]

	FY2019	FY2020	FY2021	FY2022	FY2023
	Actual	Actual	Actual	Actual	Forecast
Capital Expenditure	34.2	35.3	37.6	41.3	41.8
Assets held for operating lease	12.0	14.9	17.9	21.6	20.1
Total	46.1	50.2	55.5	62.9	61.9

## 3. R&D expenses

[billion of yen]

	FY2019	FY2020	FY2021	FY2022	FY2023
	Actual	Actual	Actual	Actual	Forecast
Total of consolidation	23.7	24.8	25.5	24.4	29.6

**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.

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