

Toward Enhancing Corporate Value

10th March 2025

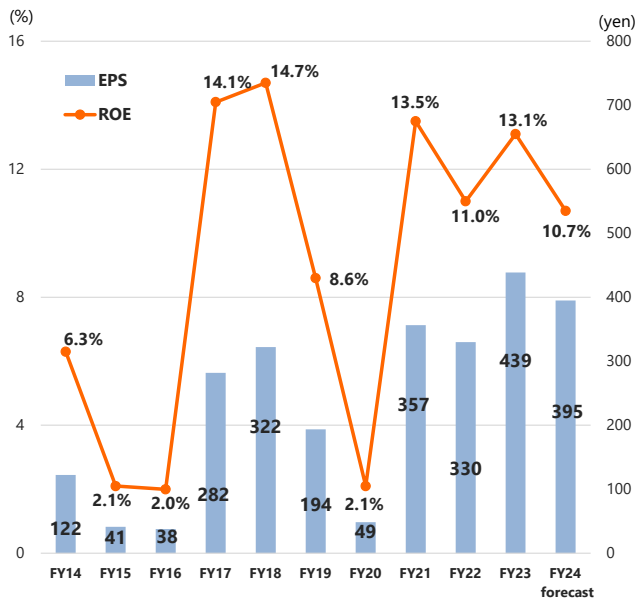
🌐Hitachi Construction Machinery Co., Ltd.

Good afternoon, everyone. I am Masafumi Senzaki, President of the company.

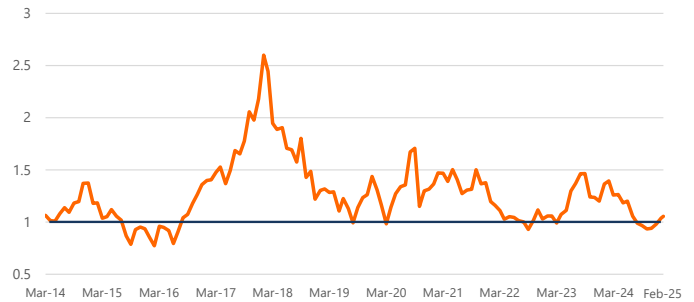
Thank you very much for taking the time to attend today's meeting. Today, I would like to talk under the title, "Toward Enhancing Corporate Value". Our current medium-term management plan will reach its final year next fiscal year. As we approach the final year, I would like to take this opportunity to once again summarize the business structure reform initiatives that we have been promoting up to now. I would also like to explain to and gain understanding from the capital market and the media on where we intend to be headed for, and thereby ask for their kind support.

Trends in Our Corporate Value

ROE/EPS



PBR

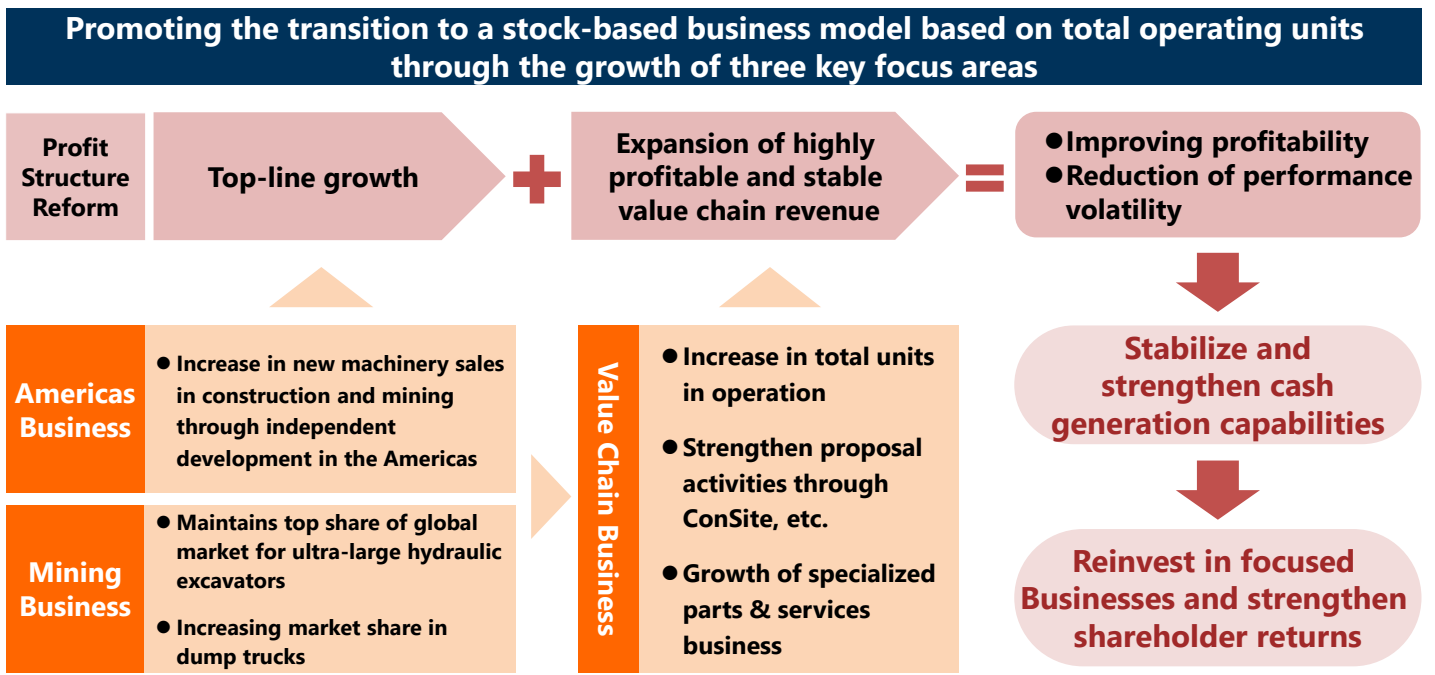


PER



© Hitachi Construction Machinery Co., Ltd. 2025. All rights reserved.

This slide shows the trends in various indicators of our corporate value. Excluding FY2019 and FY2020, which were affected by the Covid-19 pandemic, our ROE has been consistently in the double digits since we began to fully engage in value chain business, while being affected by market fluctuations to some extent. On the other hand, our PBR has been recently around 1.0 times, and our PER is also at a low level. I believe that this kind of evaluation is unbalanced, and I think that it may be due to the fact that we have not always been able to fully explain our business and growth strategies, or that we have not had enough dialogue with you. Based on this reflection, starting today, I would like to enhance opportunities for dialogues with you, and I myself would like to attend the quarterly earnings announcement meetings and engage in dialogues, so that we can incorporate your views into our management.



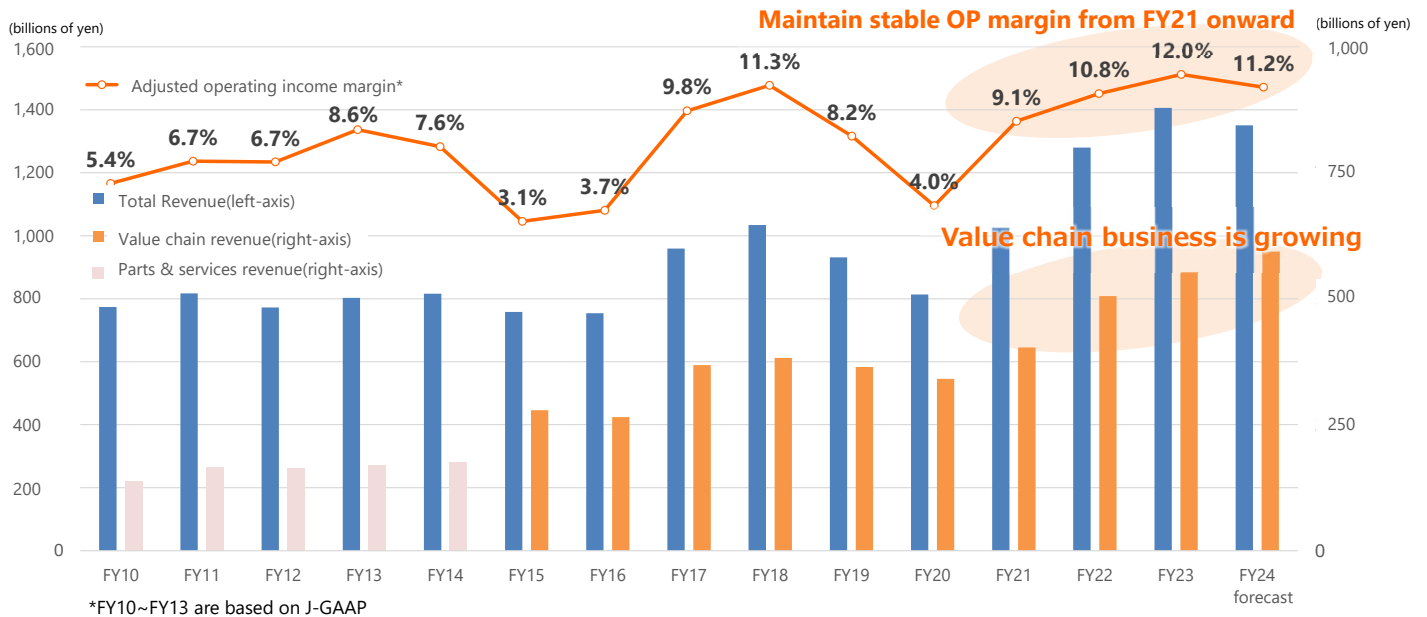
First of all, this slide summarizes the flow of the profit structure reform we are promoting. The orange section at the bottom shows the key focus areas that we have set out in our current medium-term management plan, namely, the Americas, mining, and the value chain businesses. Through these, we aim to strengthen our cash-generation capabilities, reinvest that cash in our focused businesses to achieve sustainable growth, and at the same time, strengthen shareholder returns to meet your expectations.

From the next slide, I will explain four items.

The first is the current status of our profit structure reform, the second is the business characteristics of both the “new machinery” and “value chain” businesses that support our profit structure reform, the third is the probability of growth in the parts and services business, which supports profitability improvement, and the fourth is our approach to cash allocation.

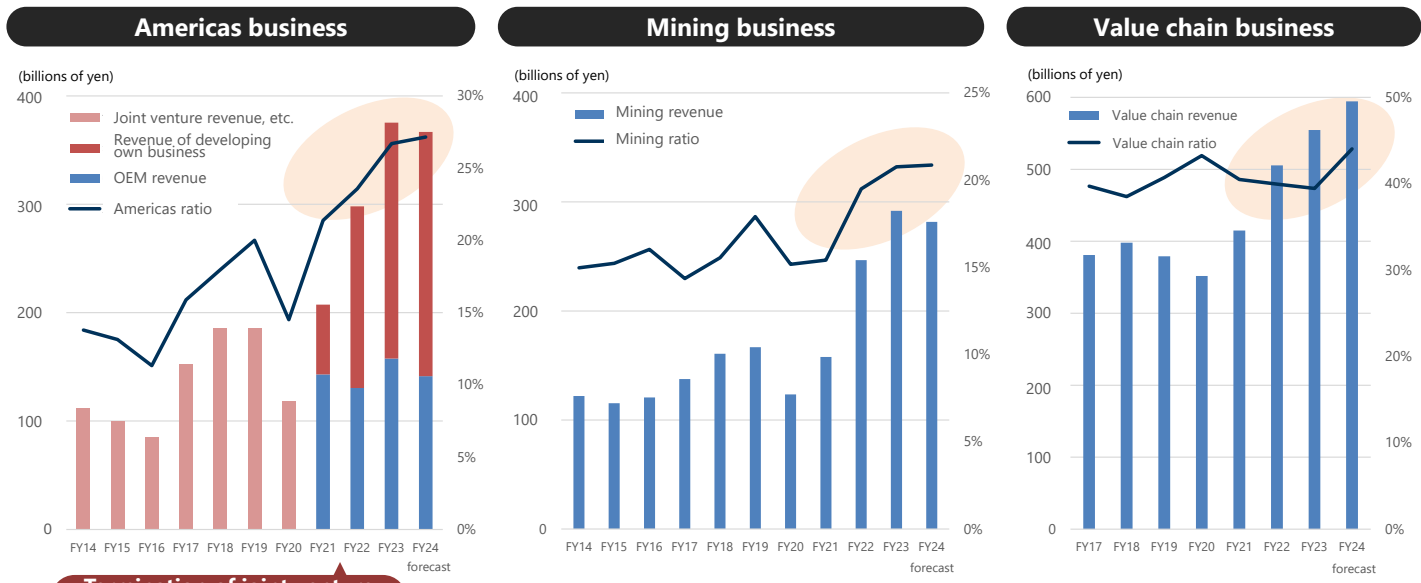
Profit Structure Reform : Track Record

Transforming the profit structure to ensure stable income margins through the growth of value chain business



This slide shows the track record of our profits since 2010. Although we were affected by the Covid-19 pandemic in FY2020, we have maintained a stable income margin since FY2021 thanks to the growth of our value chain business, which we have been focusing on. Although global demand for hydraulic excavators in FY2024 is expected to be 206,000 units, the lowest level since 2017, we plan to maintain double-digit profit margin levels even in this environment.

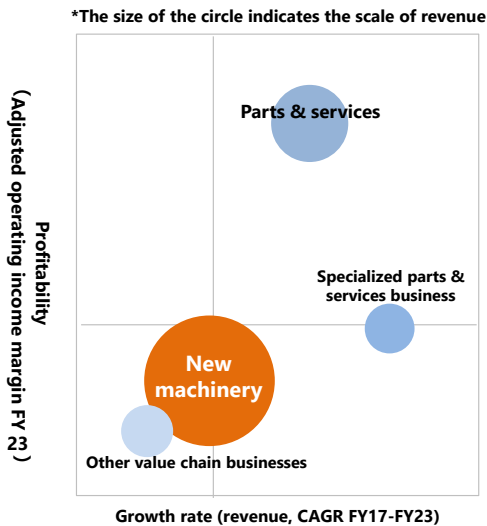
While new machinery sales are expected to be weak, the mining and value chain business is expected to remain at a record high level.



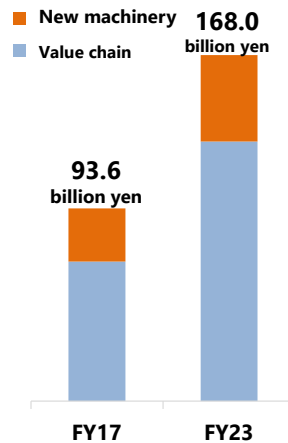
While new machinery sales are expected to be weak, the mining business in the middle of the graph and value chain business on the right are expected to remain at record high levels. The reason we have acquired the ability to generate earnings even in this difficult market environment is because the growth of our focused businesses, such as the Americas and mining, has contributed to the improvement of our profit structure.

The value chain business, centered on parts and services, contributes to profits. New machinery sales, rentals, and used equipment business serve as its source

Profitability by business



Trends in adjusted operating income

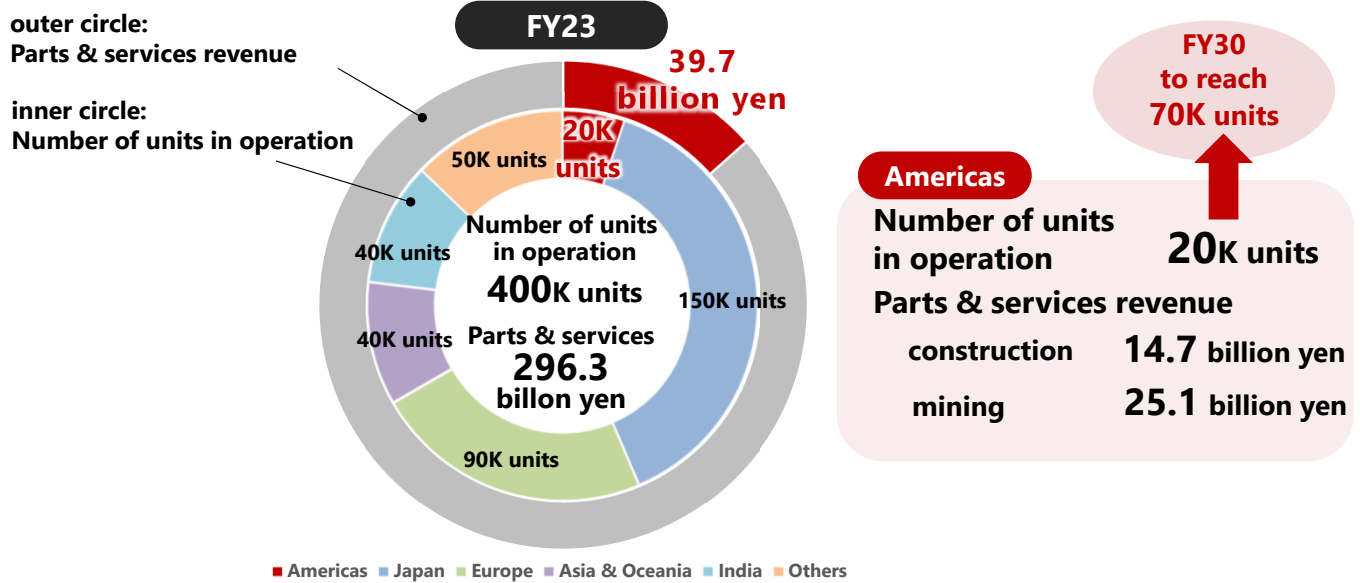


Approach by business

Business	Approach
New machinery	<ul style="list-style-type: none"> With an increase in the number of units in operation, it becomes a source of parts & services business.
Rental and used equipment	<ul style="list-style-type: none"> Contributing to an increase in the number of units in operation through a different approach to new machinery. It becomes a source of parts & services business.
Parts & services	<ul style="list-style-type: none"> With high profitability and stability, it is the main source of profit.
Specialized parts & services	<ul style="list-style-type: none"> Approach to other OEM's machinery and mineral processing fields. Expand the scope of our value chain business

Next, I will explain the growth rate and profitability of adjusted operating income by business. While the new machinery business, which focuses on Americas and small and medium-sized construction machinery, are posting significant revenue, the parts & services, which is at the core of the value chain business, is showing even higher growth rates and profit margins. By strengthening Americas and mining businesses, we have been able to and will continue to increase the number of units in operation, which is the source of our parts and services business, thereby seeking to achieve growth in the top line, while, at the same time, reducing the cyclicity of our business by expanding our parts and service business. I think this structure clearly shows that the key to improving profitability lies in expanding our value chain business, centered on parts and services business.

The number of units in operation is increasing due to an expansion of market share in the Americas. Parts & services business is also expected to grow



The next slide shows the number of units in operation – our install base that will become the target of our value chain business centered on parts & services business.

The size of the parts & services business is approximately 300 billion yen based on the install base of 400,000 units in operation globally.

The red portion indicates the relatively smaller scale in the Americas.

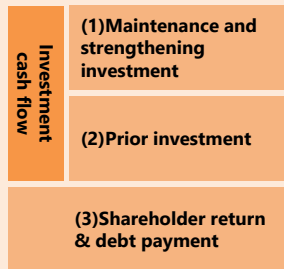
In the Americas, there are about 20,000 units in operation today, generating parts services business of approximately 40 billion yen. By 2030, the units in operation are expected to reach 70,000.

The forecast of parts & services revenue is currently under review. From structural point of view, however, you see there is significant room for growth here.

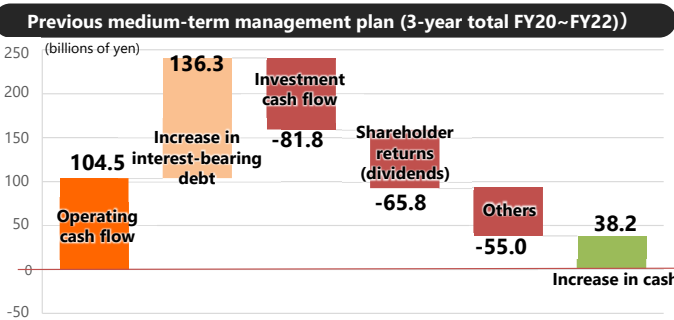
Enhancing cash generation through profit structure reform. Prioritizing maintenance, reinforcement, and growth investments, while strengthening shareholder returns under a certain level of financial soundness

Basic approach

We aim to allocate one-third of operating cash flow to
 (1) Maintenance and strengthening investment
 (2) Prior investment
 (3) Shareholder return & debt payment respectively.



- The main focus is on maintaining and strengthening production facilities. Strict adherence to financial discipline
- Focusing on investing in key focus areas. M&A is managed using strict investment criteria
- Considering increasing dividends and share buybacks, assuming a certain level of financial soundness (maintaining credit ratings, etc.)



© Hitachi Construction Machinery Co., Ltd. 2025. All rights reserved.

Next, I will explain how we have used the cash generated through profit structure reform. Our basic approach is to maintain financial discipline while balancing business investments including upfront investments such as in M&As to expand our business with enhancements to shareholder returns.

The bottom left of the slide shows the cash flow over the three-year, previous mid-term plan period, and the bottom right shows the cash flow over the first two years of the current mid-term plan.

Please pay particular attention to the operating cash flow, shareholder returns, and changes in cash and deposits.

We have generated approximately double the cash in the first two years of the current mid-term plan of the total cash generated in the three years of the previous mid-term plan, demonstrating strengthened cash generation capability.

Shareholder returns in the first two years of the current mid-term plan are expected to exceed those of the previous mid-term plan.

While cash and deposits increased during the previous mid-term plan, they are expected to decrease in the recent two years, as we've been efficiently allocating cash to growth investments and shareholder returns.

We are still in a growth phase, and will continue to invest in sustainable growth while promoting stable shareholder returns.

Ensuring stable dividends is a fundamental premise, but depending on the situation, we will also consider share buybacks as a measure to enhance corporate value.

Transforming into a Solution Provider



© Hitachi Construction Machinery Co., Ltd. 2025. All rights reserved.

Lastly, I'd like to explain what sort of company we're aiming to become. We have three core machinery products: hydraulic excavators, dump trucks, and wheel loaders. These three types of machinery actually represent 60% of the construction machinery on-site. We are not aiming to possess a full lineup of machinery products like our competitors. Our approach is 'open' and 'digital.' On actual construction sites, machines from various manufacturers are in use. Customers don't necessarily expect one company to supply all; they have the needs to manage machines from multiple manufacturers in an integrated manner. We aim to meet these needs through open collaboration with external partners and leveraging digital technology. We will continue to be a construction machinery manufacturer providing core products with world-class reliability, leveraging digital technologies and openly collaborating with various partners. As a 'solution provider,' we take a different approach from the manufacturers who try to offer a full lineup of products. Our company does not even possess engines. We aim to pursue our ideals with a 'light asset' approach tailored to our scale. Starting in April, we will welcome Mr. Nishizawa, the current CTO of Hitachi, as our new CTO. We intend to secure a truly unique position among construction machinery manufacturers by providing solutions that make full use of digital data and capabilities, including AI. To this end, I've requested him to come onboard and extend his support. We are currently engaging in discussions on our next management plan based on these concepts. That's all I have to say for now. We will now have time for discussions with you. We plan to incorporate the feedback received during this session into our future discussions to refine our thinking and KPIs as well. Thank you.

END

Cautionary Statement

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

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

Trademark notice

LANDCROS, AERIAL ANGLE, ConSite, Solution Linkage and ZCORE are registered trademark of Hitachi Construction Machinery Co., Ltd.

©Hitachi Construction Machinery Co., Ltd.