

Explanatory Meeting for Business Results for the Fourth Quarter ended March 31, 2022 and Progress of Medium-term Management Plan

April 27, 2022

Kotaro Hirano

President and Executive Officer & CEO

Keiichiro Shiojima

Vice President and Executive Officer & CFO

Hidehiko Matsui

Executive Officer & CMO

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

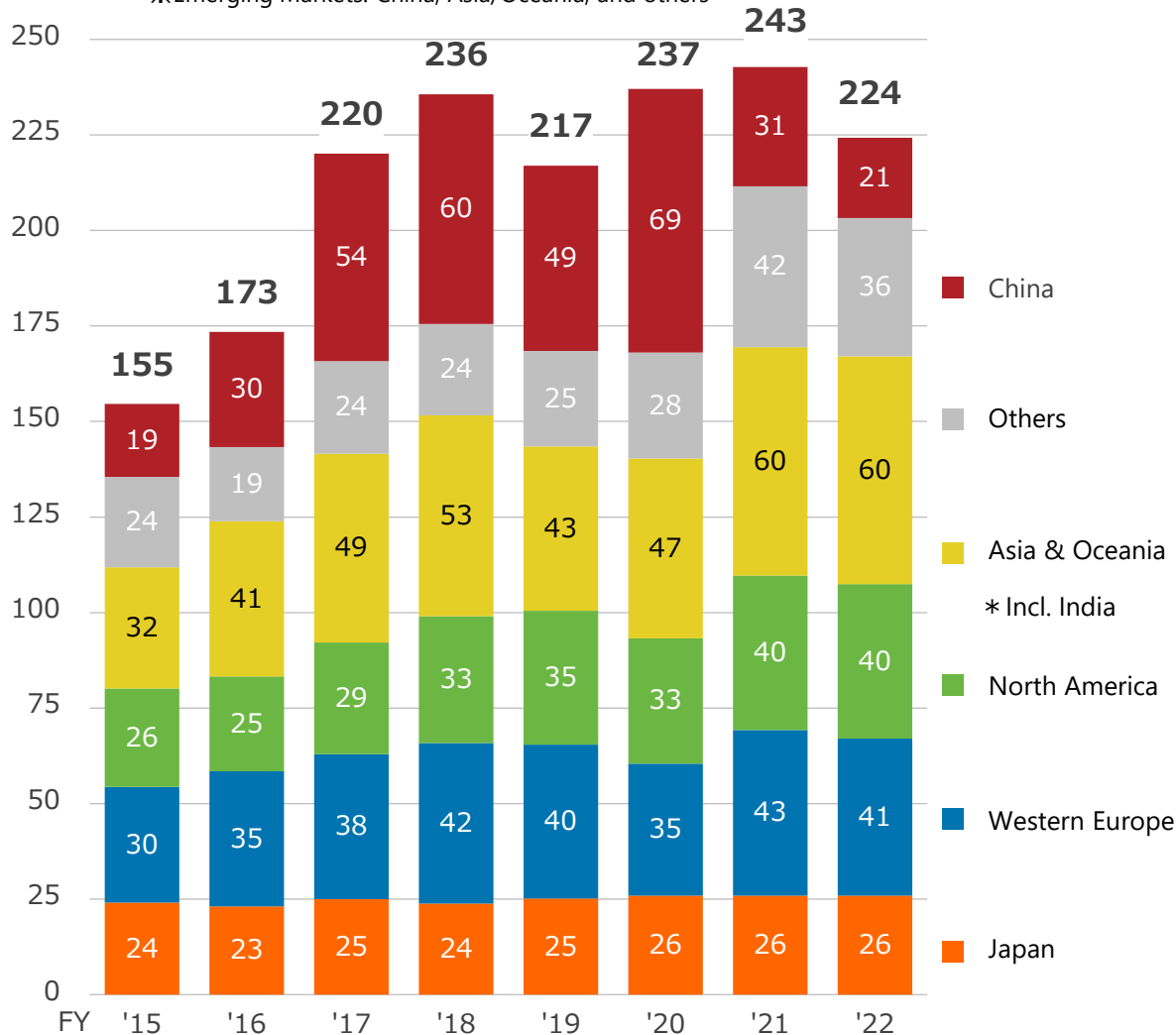
1. Regional Market Environments and Projections

Hidehiko Matsui
Executive Officer & CMO

Emerging Markets ratio : FY2021 : 55% (y-y Change : -6%)

[K units]

※Emerging Markets: China, Asia/Oceania, and others



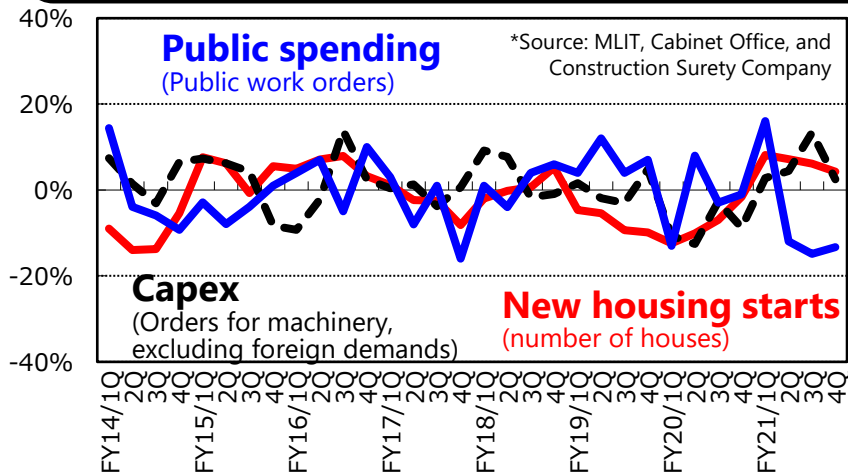
Year-on-Year Change by Region

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

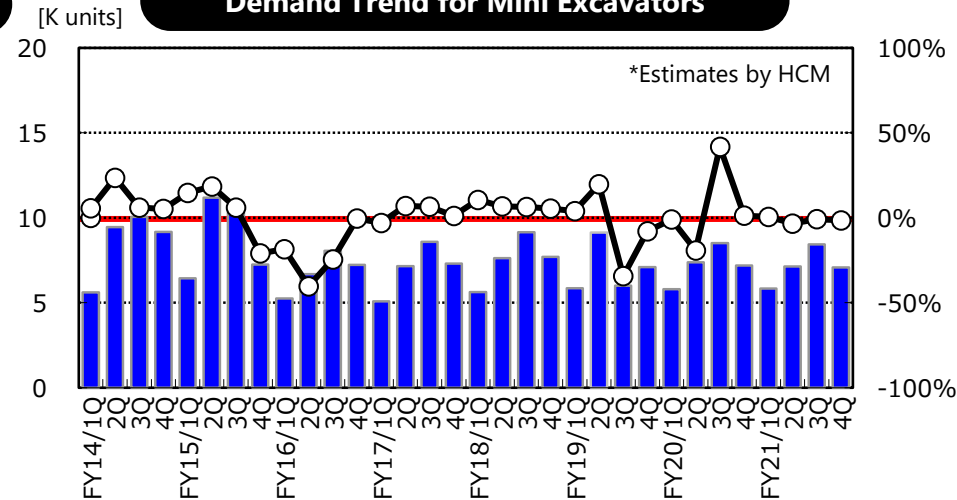
	'21	'22
Total	+2%	-8%
China	-55%	-33%
Russia, CIS, E Europe	+76%	-45%
Africa	+45%	+1%
Middle East	+71%	+3%
Latin America	+27%	+6%
Others	+52%	-14%
Asia	+43%	+0%
India	+7%	-3%
Oceania	+32%	+6%
Asia & Oceania	+27%	-0%
N America	+23%	+0%
W Europe	+25%	-5%
Japan	-0%	+0%

- House investment remained strong. Capital investment stayed flat. Public investment decreased.
- Demand for Hydraulic excavator slightly increased: Hydraulic excavator +3%、Mini excavator -1% WL +7% y-y, respectively.

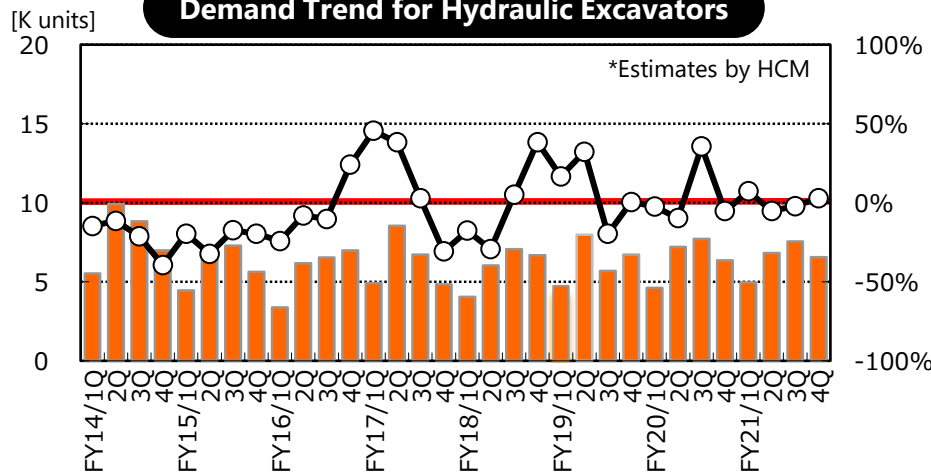
Market Environment Housing, Capex, and Public Spending (y-y)



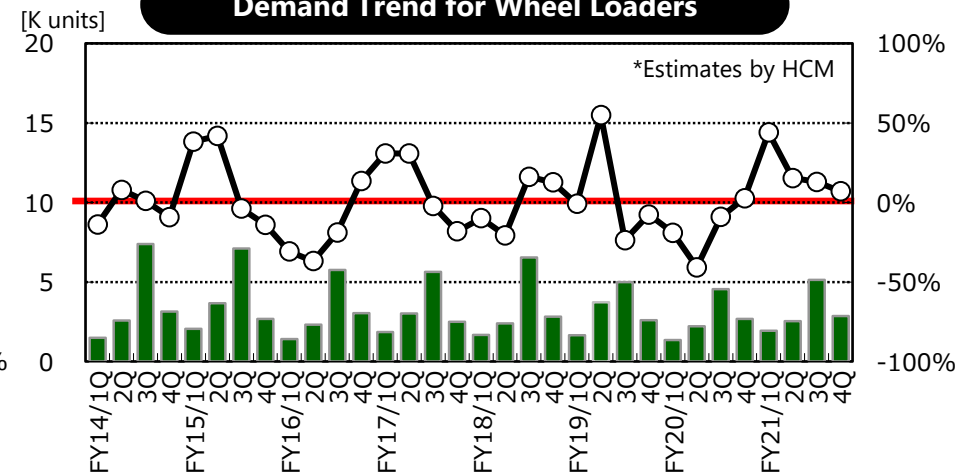
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

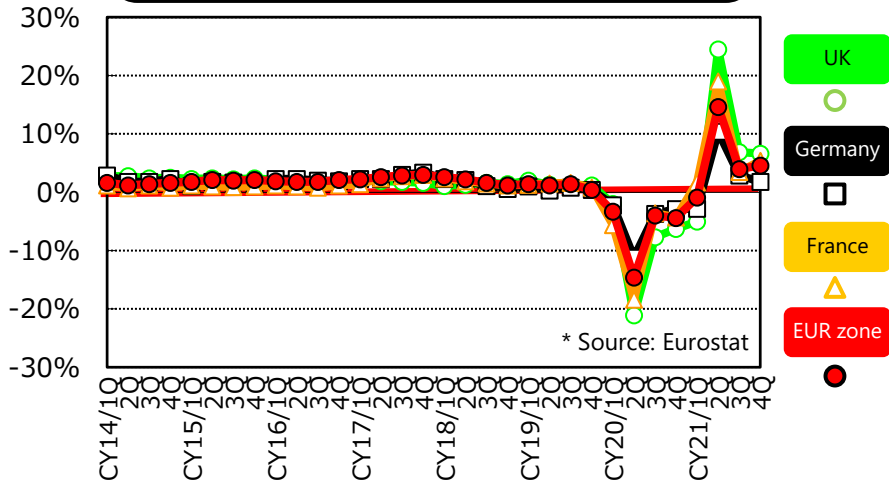


Demand Trend for Wheel Loaders

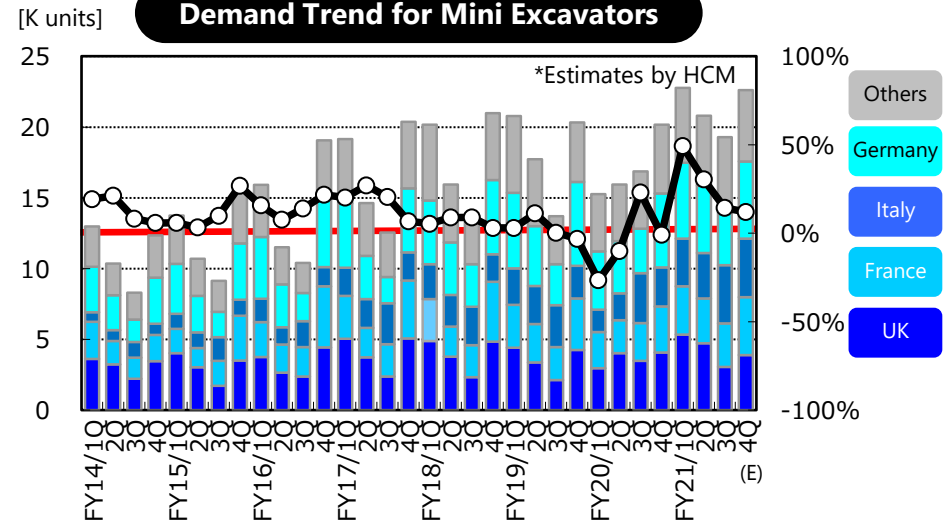


- GDP growth rate in FY21Q4 increased slightly
- Demand for Hydraulic excavator stayed flat: Hydraulic excavator +1%, Mini excavator +12%, WL -13% y-y, respectively.

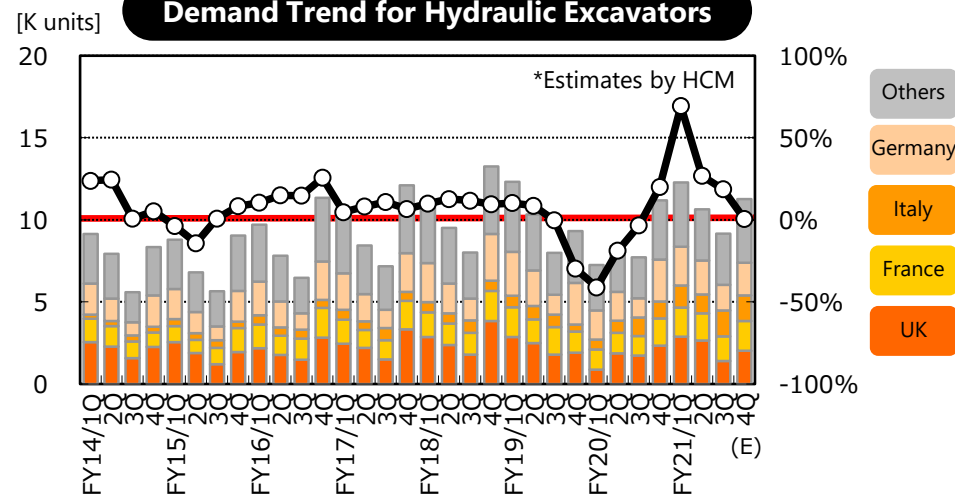
GDP Growth Rate in Major Countries (y-y)



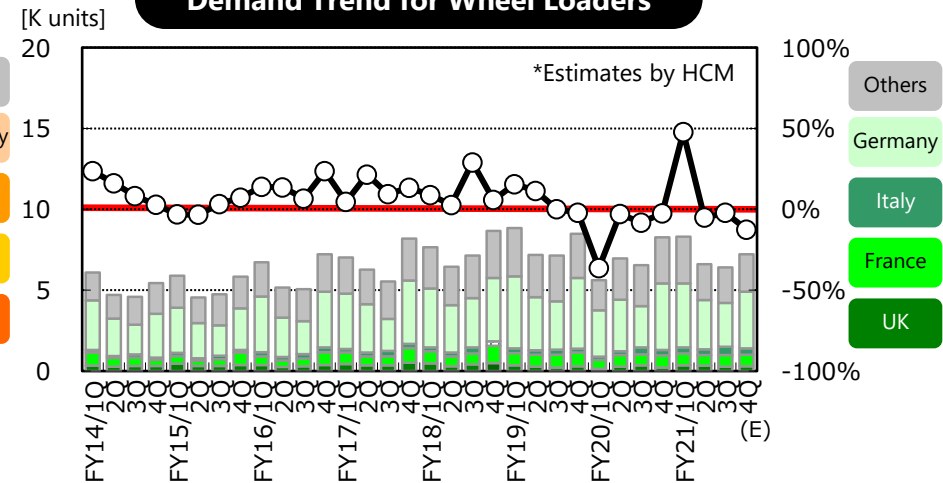
Demand Trend for Mini Excavators



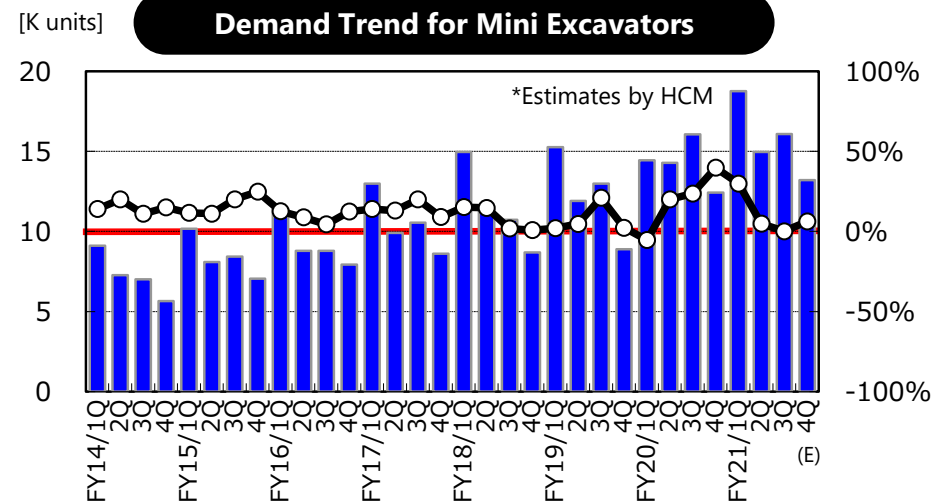
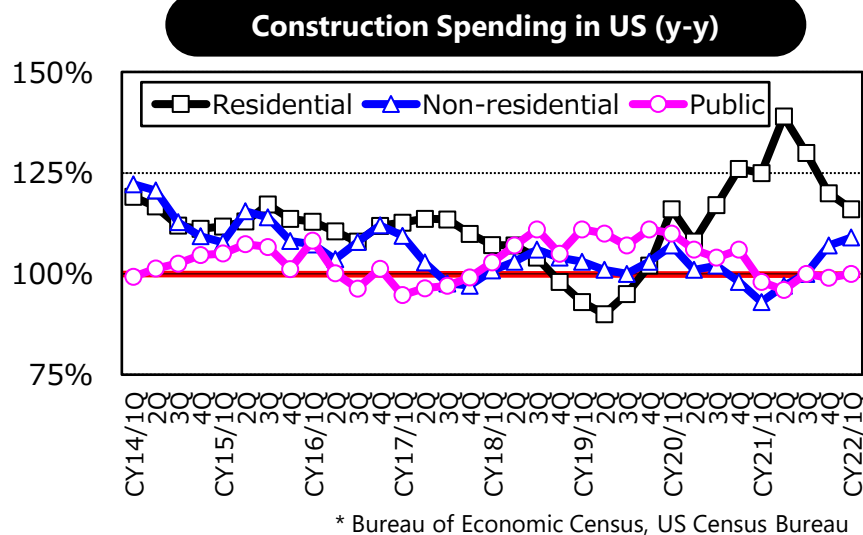
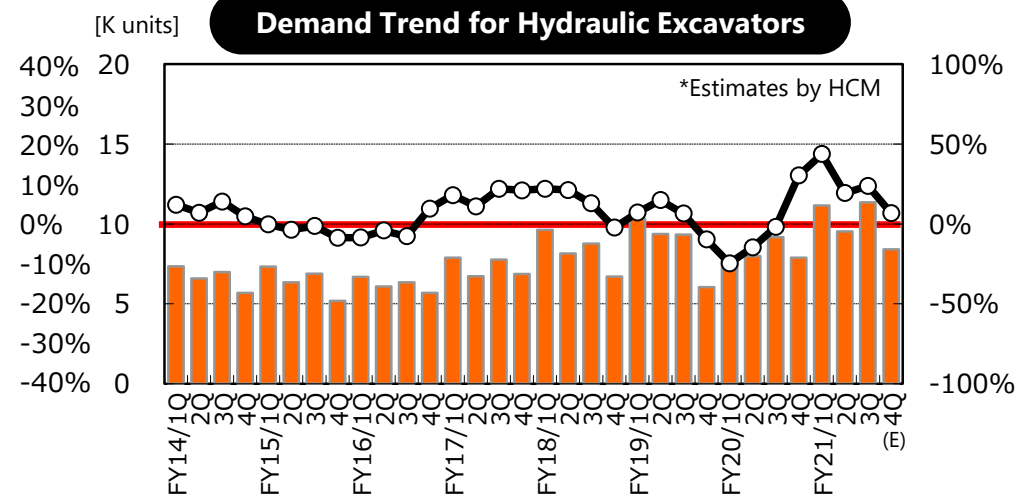
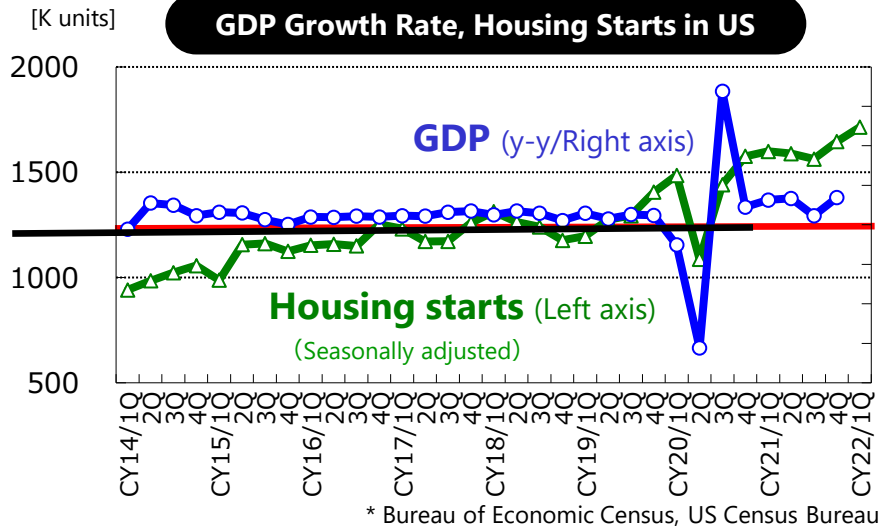
Demand Trend for Hydraulic Excavators



Demand Trend for Wheel Loaders



- Housing market stayed strong. Construction spending increased in Non-residential, stayed flat in public work.
- Demand for Hydraulic excavator increased: Hydraulic excavator +7%, Mini excavator +6% y-y, respectively.






Progress of Self-Development in North and Latin America

After the Announcement of the Termination of Joint Venture Relationship with Deere in August 2021

HITACHI

Reliable solutions

Initiatives for FY2021

-  **1. Establishment of an Organizational Structure**
Launch of the regional headquarters "Hitachi Construction Machinery America" and expansion of functions and human resources
-  **2. Establishment of a Network for Sales and Supply**
Development of a parts supply network/finance collaboration with ITOCHU Group in North America
-  **3. Building a Network of Dealers**
Covering approximately 80% of the demand in North America

Full-scale self-development to begin in March 2022
Sales to dealers off to a good start

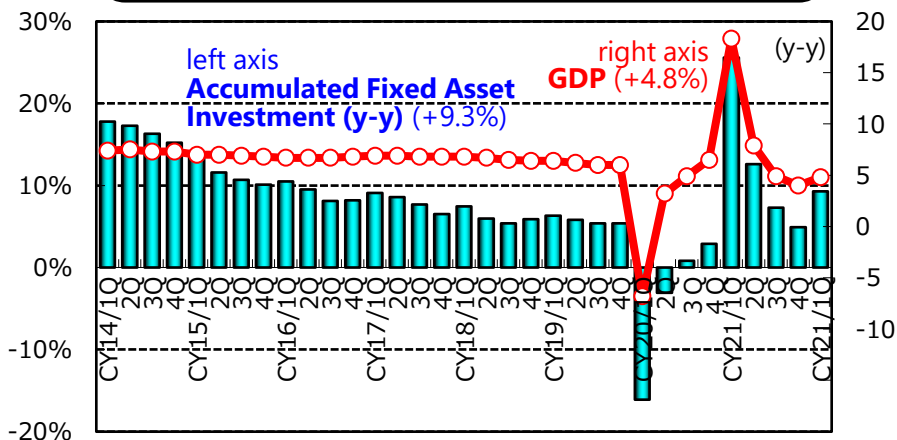


Initiatives for FY2022

- Support for dealers in building sales and service systems (initial stocking, training for mechanics)
- Reinforcement of mining sales and service systems in Latin America
Continued collaboration with the Marubeni Group
- Strengthening of collaboration with the ITOCHU Group in North America
- Consideration of a local production system

- The GDP growth rate was +4.8%.
- Demand for hydraulic excavators decreased. -66% y-y, Foreign manufactures only.

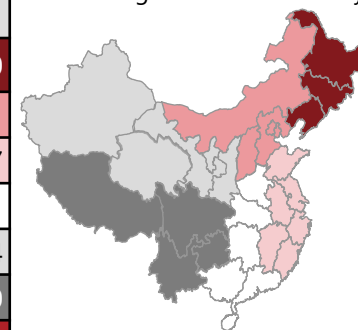
GDP and Fixed Asset Investment



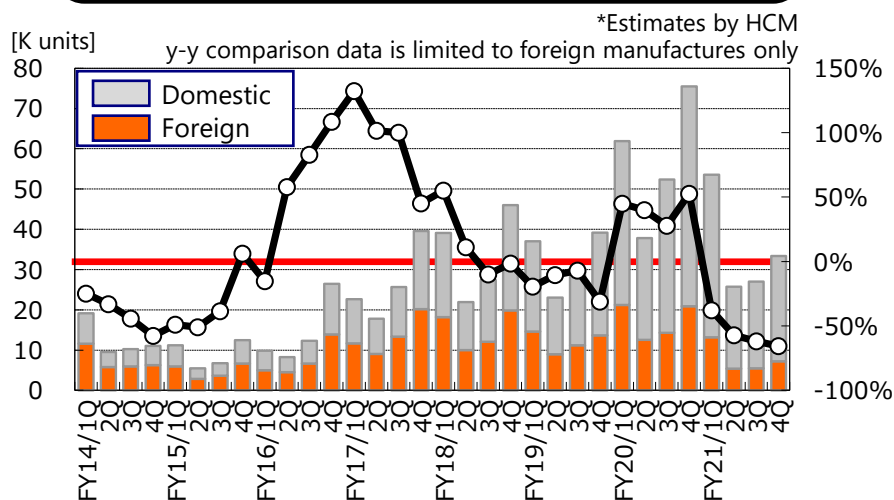
Quarterly Demand for Hydraulic Excavators by Region (y-y)

YoY(%)	FY20	FY21			
	4Q	1Q	2Q	3Q	4Q
North East	+98	-31	-45	-40	-70
North	+76	-20	-40	-20	-51
East	+42	-42	-63	-65	-67
Central South	+70	-42	-55	-69	-71
North West	+68	-42	-62	-60	-54
South West	+25	-35	-60	-69	-70
Total	+53	-37	-57	-62	-66

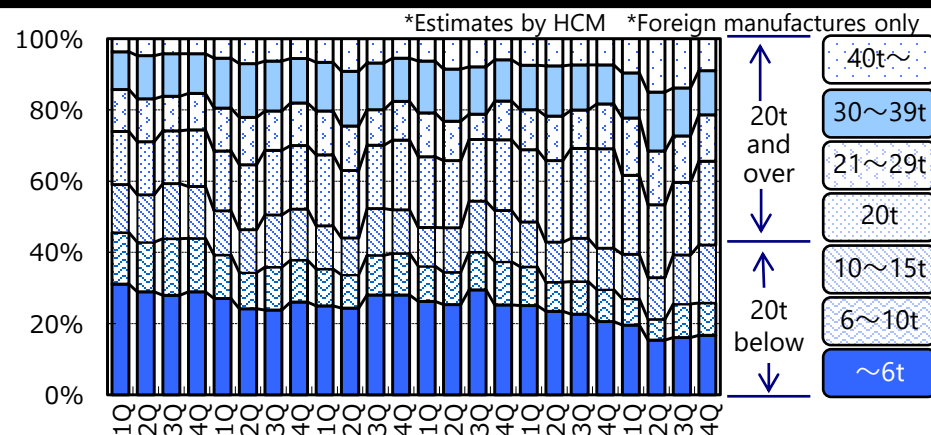
*Estimates by HCM
*Foreign manufactures only



Demand Trend for Hydraulic Excavators



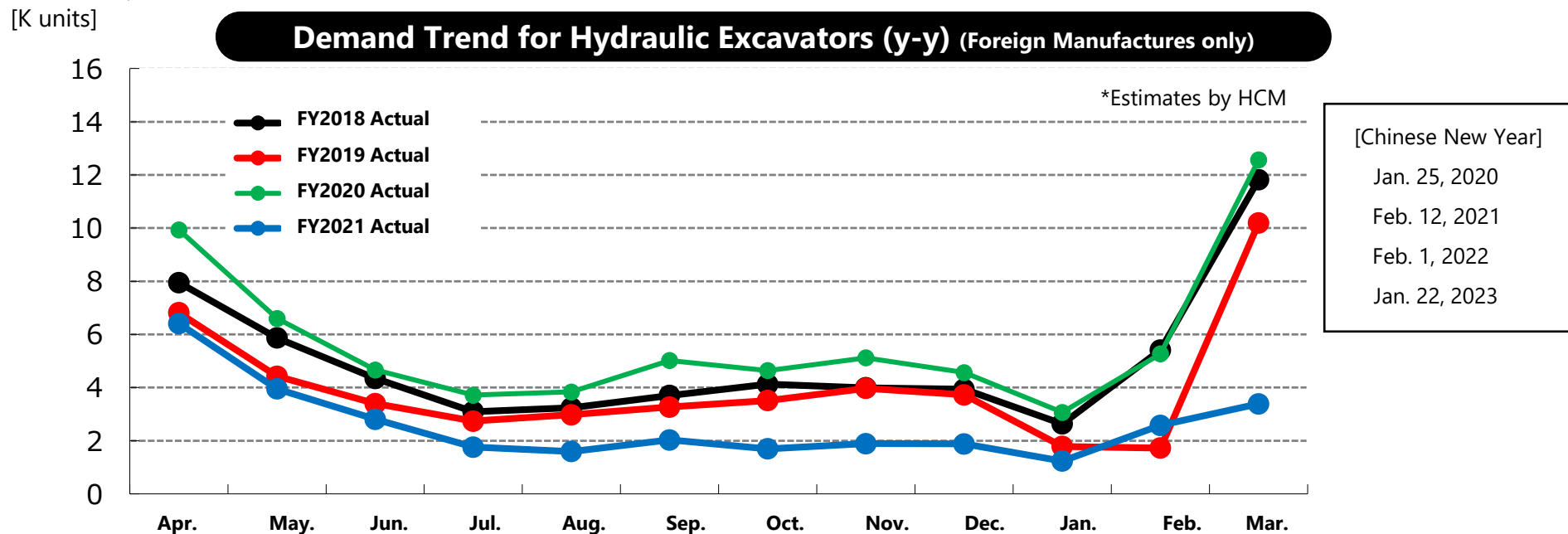
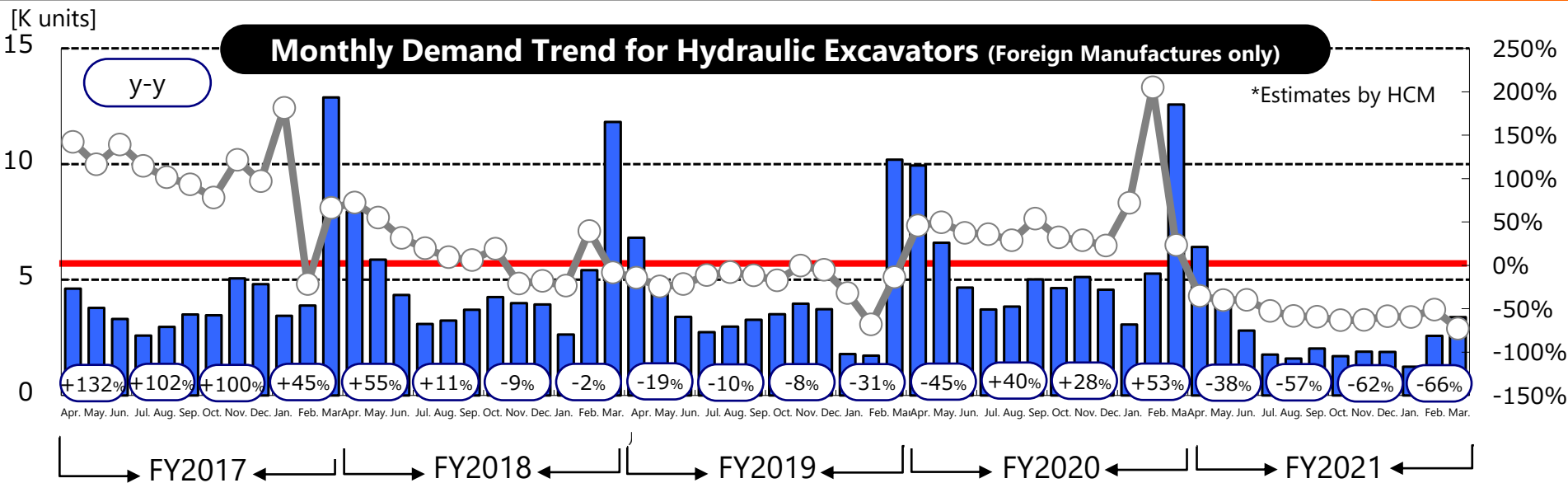
Demand Composition by Class for Mini Excavators and Hydraulic Excavators



Supplemental Information: China(from January to March 2022)

HITACHI

Reliable solutions

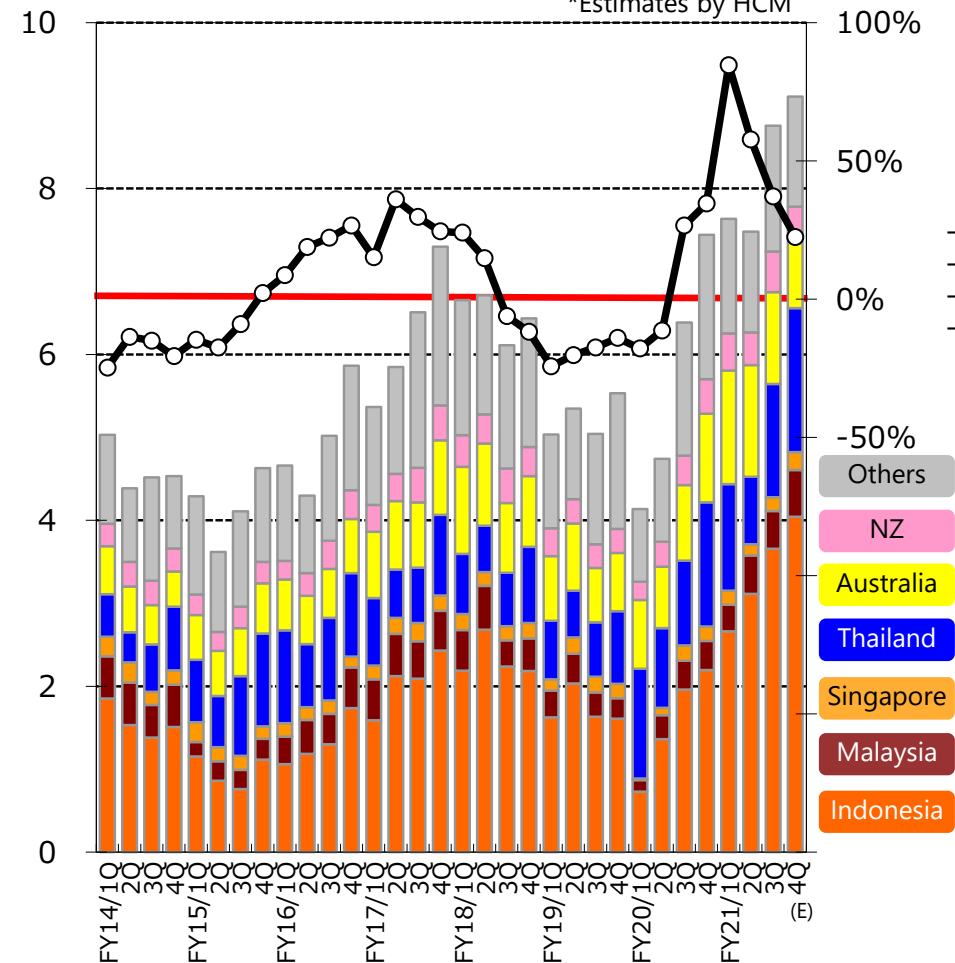


- Demand for hydraulic excavators increased overall in the Asia and Oceania region, +22% y-y.
- Demand for hydraulic excavators in India was -15% y-y.

Demand Trend for Hydraulic Excavators in Asia & Oceania

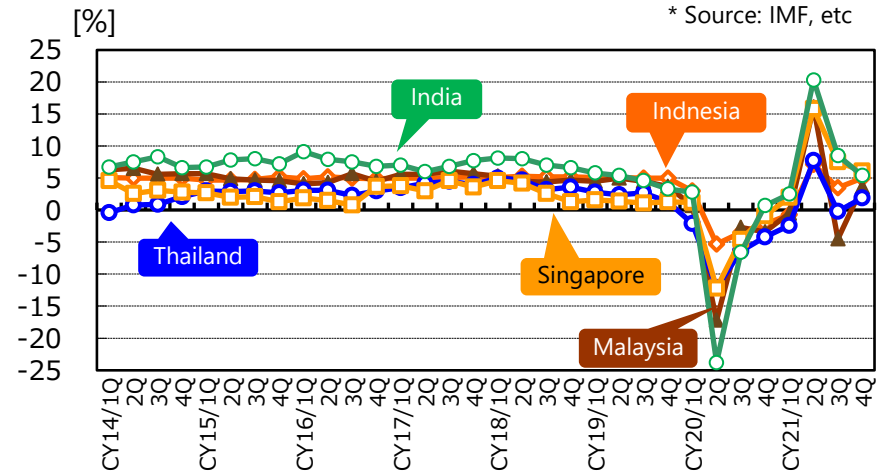
[K units]

*Estimates by HCM



GDP Growth Rate in Major Countries (y-y)

* Source: IMF, etc

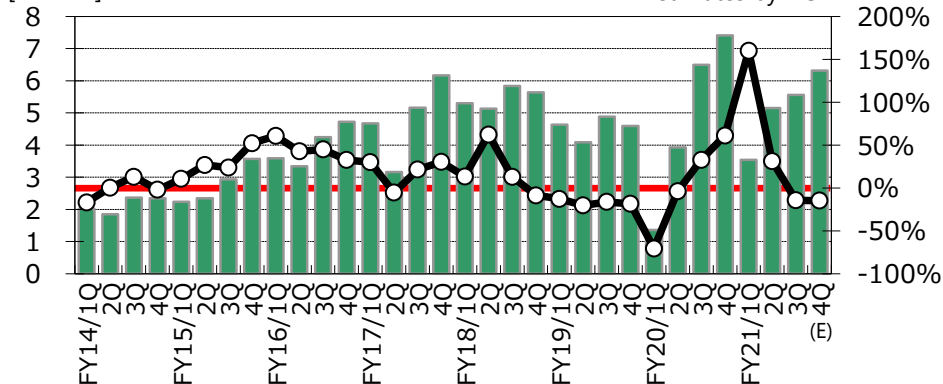


※ Calculation criteria for GDP growth rate in India was revised in CY2013 2Q

Demand Trend for Hydraulic Excavators in India

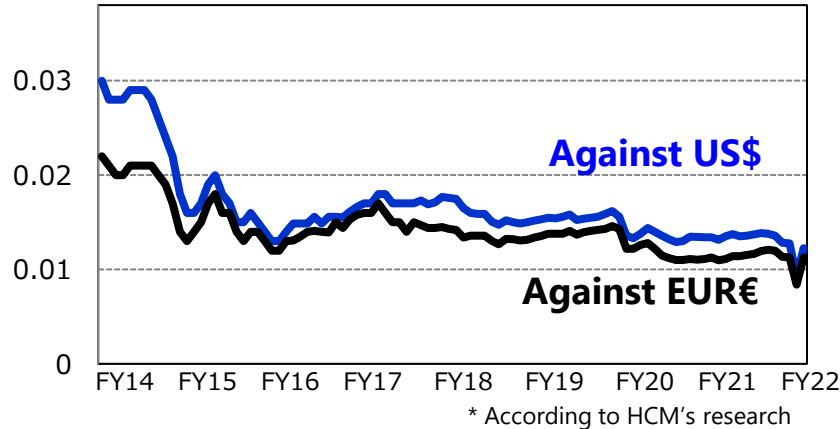
[K units]

*Estimates by HCM

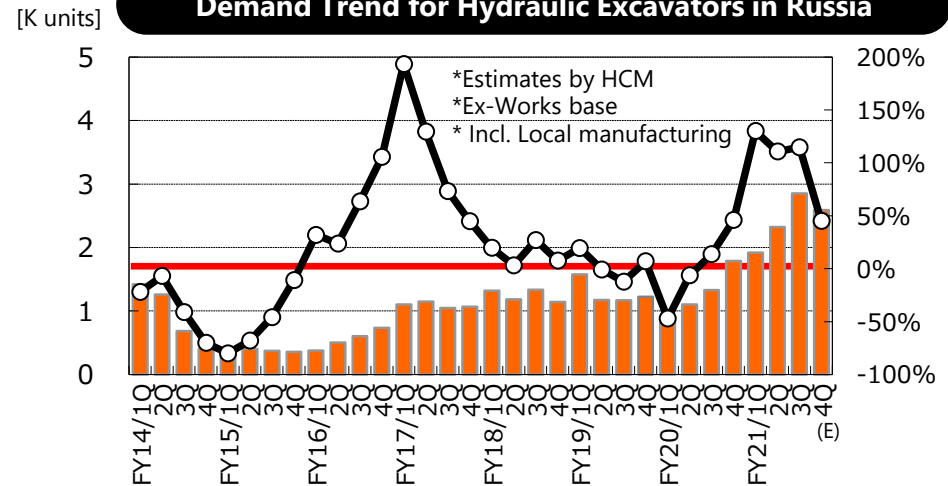


- Demand for hydraulic excavators in Russia was +45% y-y.
- Demand for hydraulic excavators in the Middle East was +18% y-y.

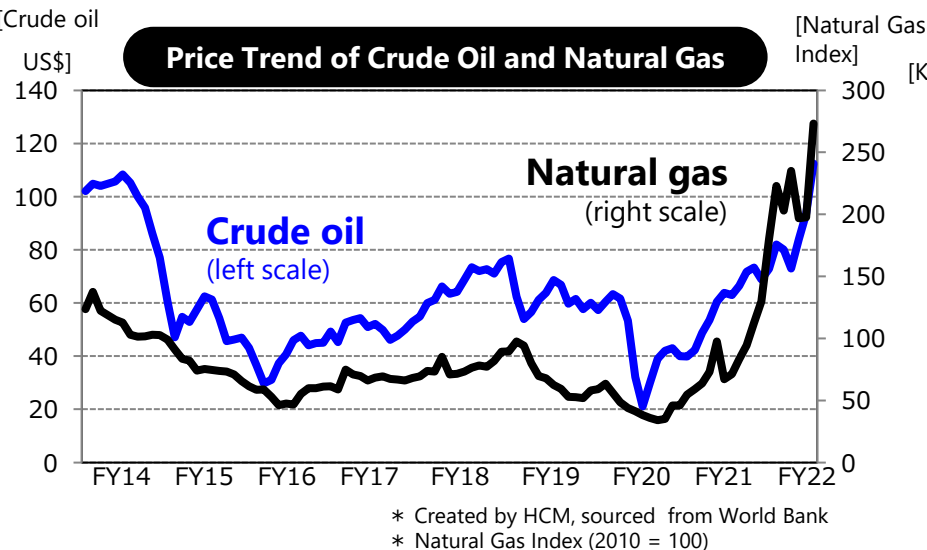
Foreign Exchange Rate of the Ruble



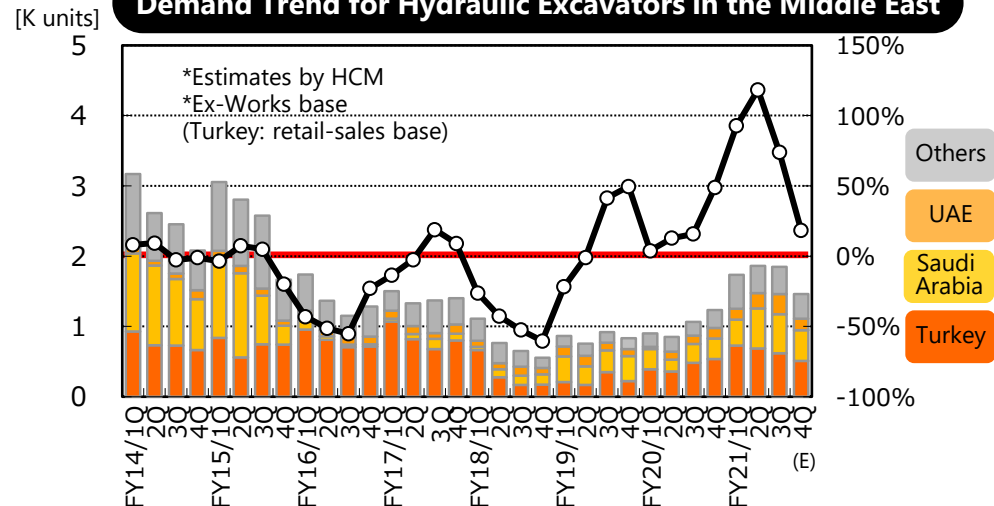
Demand Trend for Hydraulic Excavators in Russia



Price Trend of Crude Oil and Natural Gas



Demand Trend for Hydraulic Excavators in the Middle East

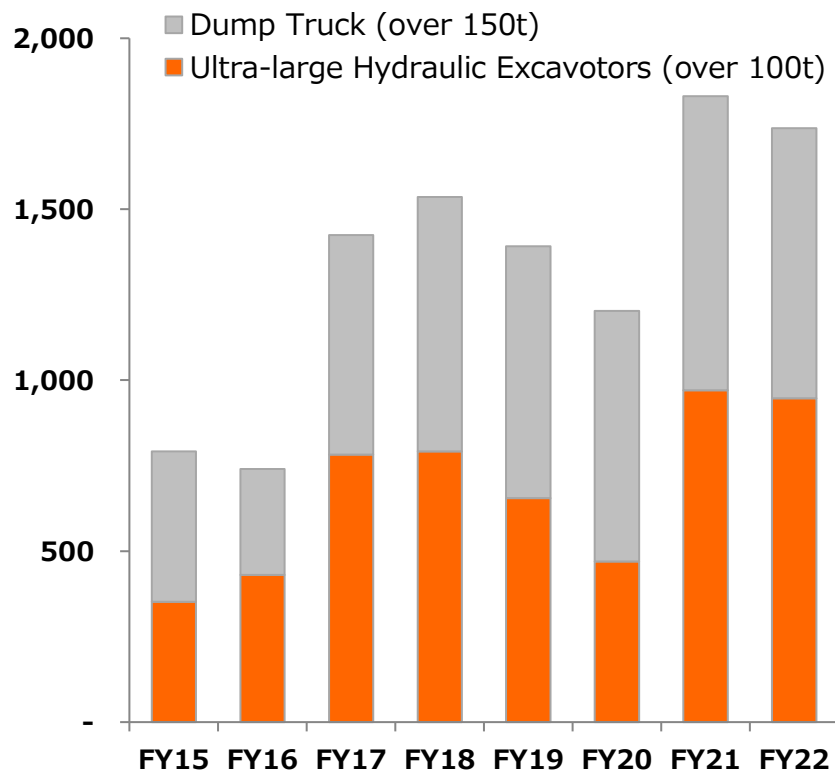


- Demand for mining machinery in FY2021 increased significantly, centered on 100t class excavators, +52% y-y.
- Demand forecast for mining machinery in FY2022 is expected to decrease -5% y-y.

Ultra-large Hydraulic Excavators (over 100t), Dump Trucks(over 150t)

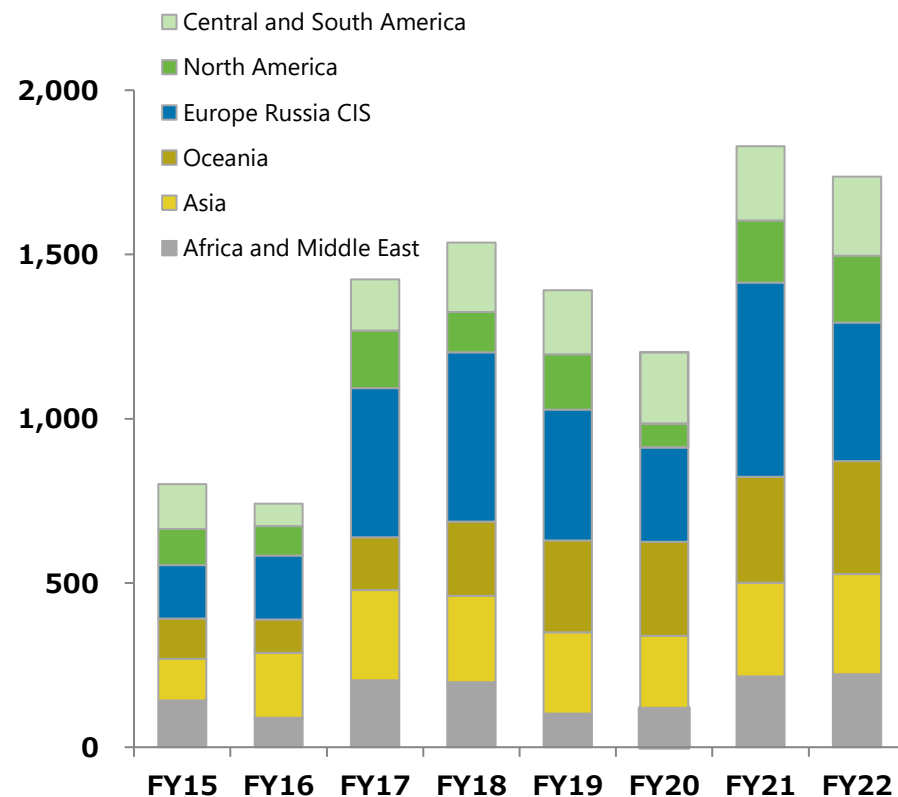
[Units]

Demand by product



[Units]

Demand by region



※ According to HCM's research

BB Ratio (Ultra-large Hydraulic Excavators, over 100t)



BB Ratio (Dump trucks, over 150t)



* Book-to-Bill(BB) Ratio = Bookings (Orders received)/Billings (Value of shipment)

Non-consolidated basis (average of 6 months)

Topic : Continued Launch of Battery-Powered Excavators in Europe, and Increased Development and Production Facility Capacity in Japan

HITACHI

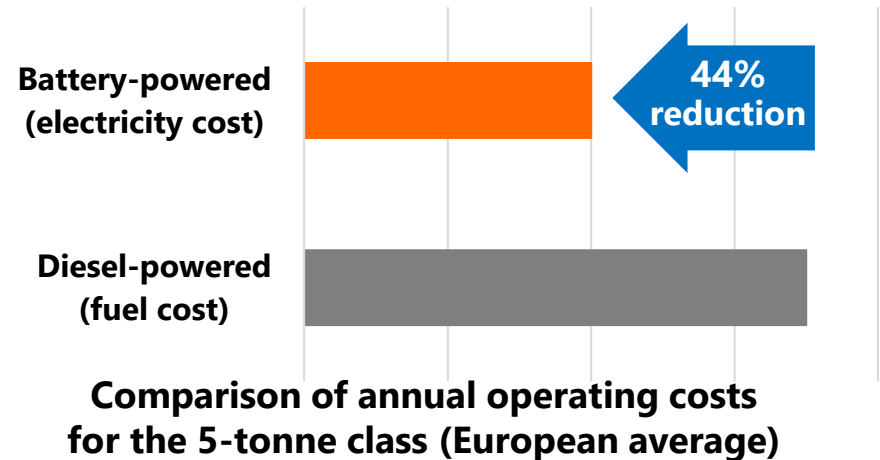
Reliable solutions

Starting to accept orders for 5-tonne-class battery-powered mini excavators in the European market from June 2022

- Long operating time by using both battery power and commercial power
- Expanded lineup that contributes to zero-emission at construction sites
- Expanded capabilities of the test site to conduct advanced testing of battery-powered excavators or others



Battery-powered mini excavator ZX55U-6EB



Comparison of annual operating costs for the 5-tonne class (European average)

Enhancing production facility capacity for compact products

- Utilizing the space after the relocation of the product test site
- Enhancing production facility capacity by approximately 1.3 times by FY2025



Production Line of Hitachi Construction Machinery Tierra

2. Business Results for FY2021 ended March 31, 2022 (April 1, 2021 - March 31, 2022)

Keiichiro Shiojima

Vice President and Executive Officer & CFO

Summary of consolidated results

HITACHI

Reliable solutions

In the current fiscal year, despite the impact of COVID-19, revenue increased by 26% y/y and adjusted operating income increased by 186% due to the strong demand and the impact of yen depreciation.

[billions of yen]

		FY2021 Actual	FY2020 Actual	change
Revenue		1,025.0	813.3	26%
Adjusted operating income *1		(9.1%) 93.5	(4.0%) 32.7	186%
Operating income		(10.4%) 106.6	(3.5%) 28.2	278%
Income before income taxes		(10.8%) 110.9	(3.1%) 25.6	333%
Net income attributable to owners of the parent		(7.4%) 75.8	(1.3%) 10.3	633%
EBIT *2		(11.1%) 114.0	(3.5%) 28.7	297%
FX rate	Rate (YEN/US\$)	112.6	106.0	6.6
	Rate (YEN/EURO)	130.6	124.6	6.0
	Rate (YEN/RMB)	17.5	15.7	1.8
	Rate (YEN/AU\$)	83.0	76.0	7.0
Cash dividend per share (yen) *3		110	20	90

*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)

HITACHI

Reliable solutions

Revenue increased in each region except China y/y, and consolidated revenue increased by 211.6 billion yen.

[billions of yen]

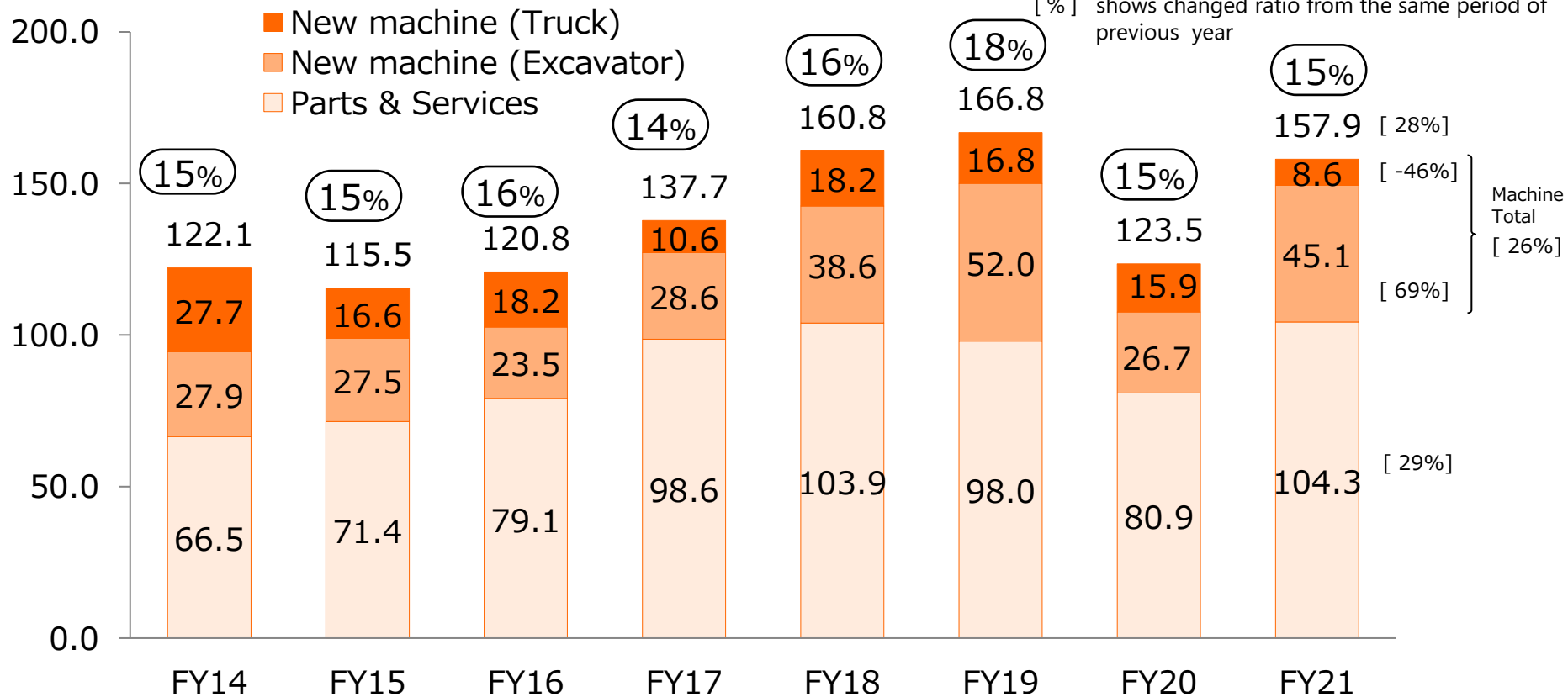
	FY2021 Actual		FY2020 Actual		change	
					amount	%
Japan	216.9	21%	203.3	25%	13.6	7%
Asia	86.4	8%	52.7	6%	33.7	64%
India	57.2	6%	50.0	6%	7.2	14%
Oceania	167.7	16%	139.9	17%	27.7	20%
Europe	124.2	12%	87.8	11%	36.3	41%
N.America	196.4	19%	107.2	13%	89.3	83%
L.America	22.7	2%	10.9	1%	11.9	109%
Russia-CIS	38.6	4%	22.7	3%	15.9	70%
M.East	19.2	2%	16.1	2%	3.1	19%
Africa	43.5	4%	33.6	4%	9.9	29%
China	52.1	5%	89.1	11%	-37.0	-42%
Total	1,025.0	100%	813.3	100%	211.6	26%
Overseas ratio	79%		75%			

Revenue of mining increased by 28% to 157.9 billion yen y/y due to strong demand for mining excavators, increased sales volume in parts and service, and the impact of the depreciation of the yen.

[billions of yen]

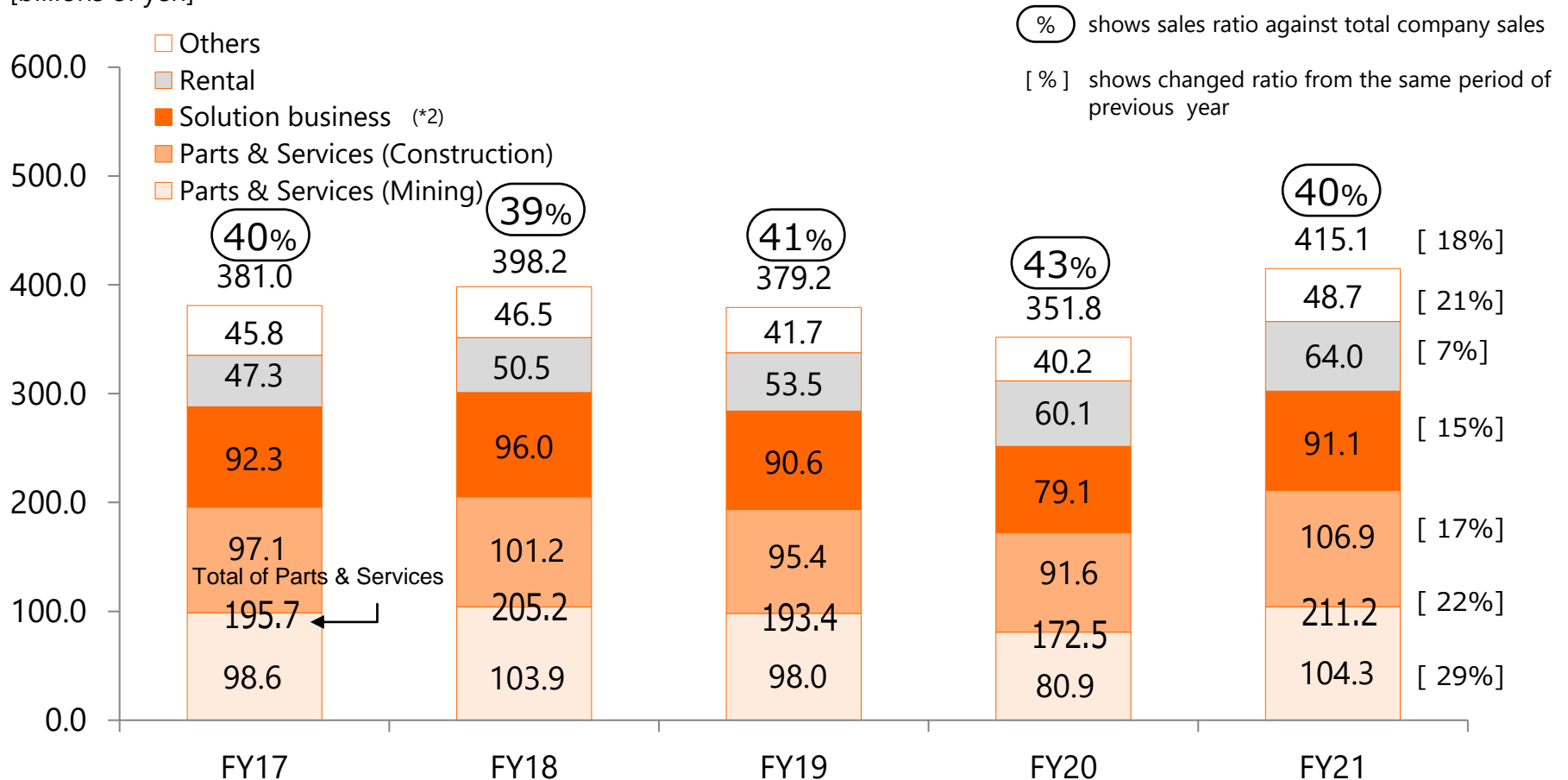
(%) shows sales ratio against total company sales

[%] shows changed ratio from the same period of previous year



Revenue of the value chain business increased by 18% to 415.1 billion yen y/y due to increased volume in all segments and the impact of the depreciation of the yen.

[billions of yen]

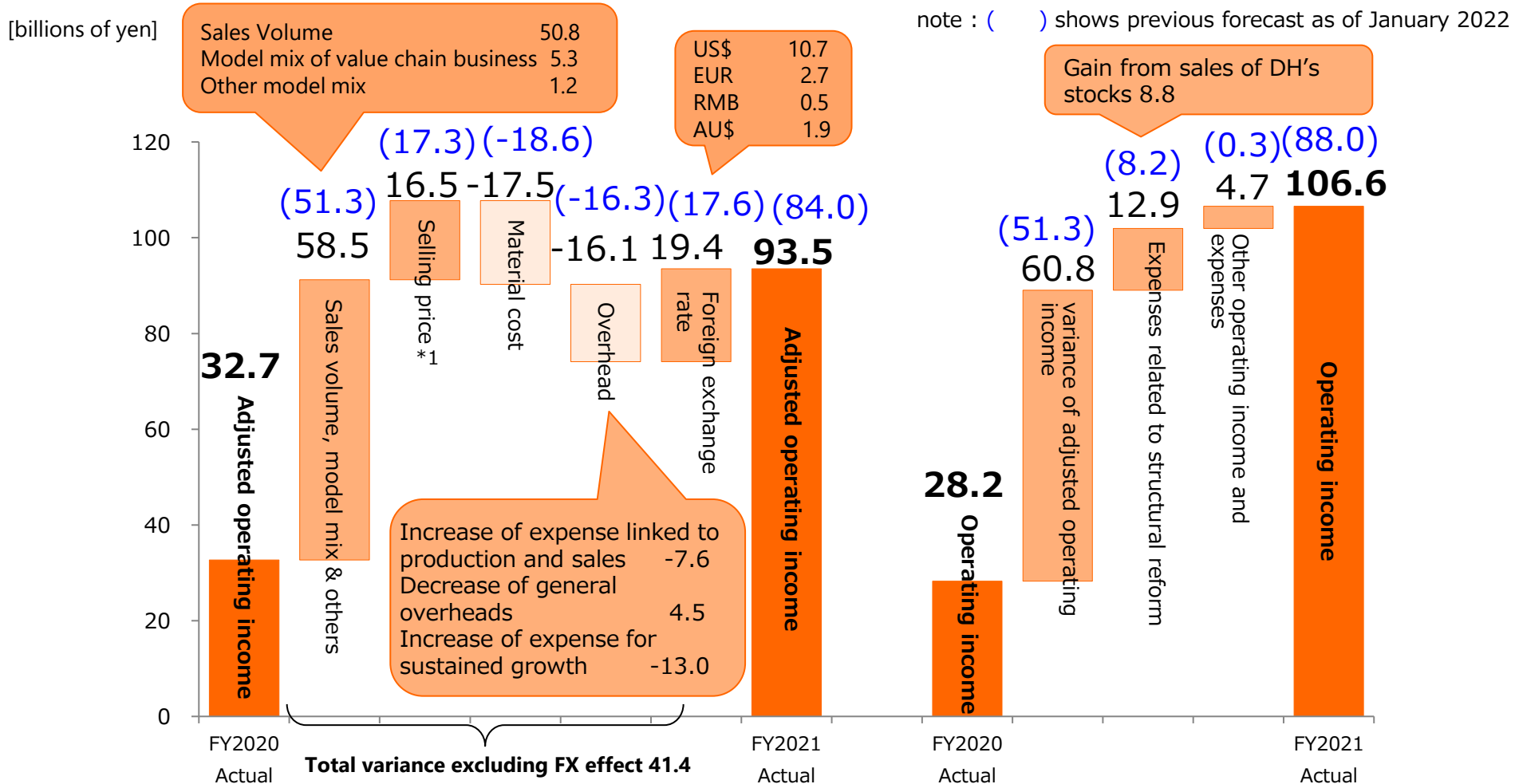


(*1) Value chain: Total of Parts & services, Solution business, Rental etc. other than new machine sales.

(*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 60.8 billion yen y/y due to the impact of the increased sales volume and model mix, a price increase, price adjustment in North, Central & South America, and the impact of the depreciation of the yen.



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

Net income attributable to owners of the parent increased by 65.5 billion yen to 75.8 billion yen y/y.

[billions of yen]

	FY2021 Actual		FY2020 Actual		change	
					amount	%
Revenue		1,025.0		813.3	211.6	26%
Cost of Sales	(72.7%)	745.0	(76.2%)	620.0	125.0	20%
SGA expenses	(18.2%)	186.5	(19.8%)	160.6	25.8	16%
Adjusted operating income *1	(9.1%)	93.5	(4.0%)	32.7	60.8	186%
Other Income/expenses		13.1		-4.5	17.5	-
Operating income	(10.4%)	106.6	(3.5%)	28.2	78.4	278%
Financial income/expenses		-1.9		-4.1	2.1	-52%
Share of profits of investments accounted for using the equity method		6.2		1.4	4.8	336%
Income before income taxes	(10.8%)	110.9	(3.1%)	25.6	85.3	333%
Income taxes		31.0		11.0	20.1	183%
Net income	(7.8%)	79.9	(1.8%)	14.6	65.2	446%
Net income attributable to owners of the parent	(7.4%)	75.8	(1.3%)	10.3	65.5	633%

*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)

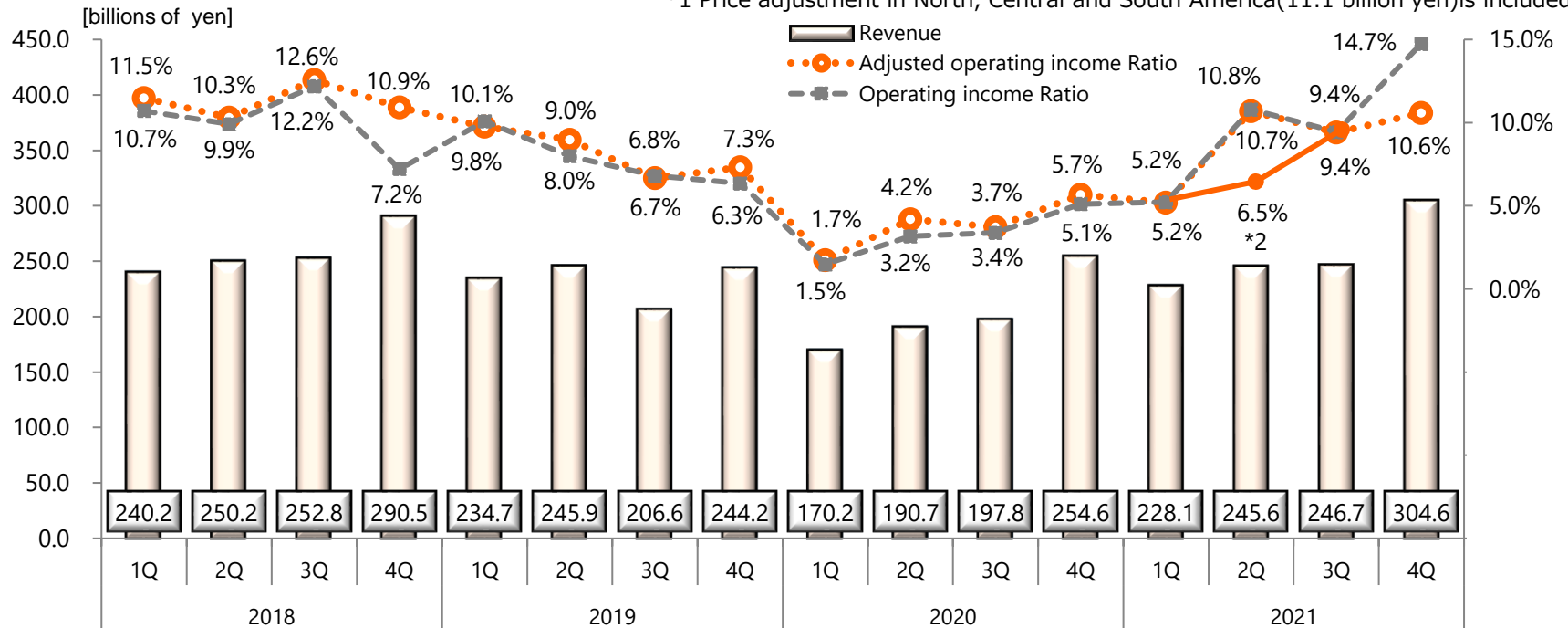
HITACHI

Reliable solutions

[billions of yen]

	2018				2019				2020				2021			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q*1	3Q	4Q
Revenue	240.2	250.2	252.8	290.5	234.7	245.9	206.6	244.2	170.2	190.7	197.8	254.6	228.1	245.6	246.7	304.6
Adjusted operating income	27.6	25.8	31.8	31.7	22.9	22.1	13.8	17.9	2.9	8.0	7.4	14.4	11.8	26.3	23.2	32.2
Operating income	25.7	24.8	30.8	21.0	23.7	19.6	14.1	15.5	2.5	6.0	6.7	13.0	11.9	26.5	23.3	44.9

*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	2018				2019				2020				2021			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Rate (YEN/US\$)	109.1	111.5	112.9	110.2	109.9	107.4	108.8	108.9	107.6	106.2	104.5	105.9	109.5	110.1	113.7	116.2
Rate (YEN/EURO)	130.1	129.6	128.8	125.2	123.5	119.3	120.3	120.1	118.5	124.1	124.5	127.7	132.0	129.8	130.1	130.4
Rate (YEN/RMB)	17.1	16.4	16.3	16.3	16.1	15.3	15.5	15.6	15.2	15.4	15.8	16.4	17.0	17.0	17.8	18.3
Rate (YEN/AU\$)	82.6	81.5	81.1	78.5	76.9	73.6	74.3	71.8	70.7	75.9	76.3	81.8	84.3	80.9	82.9	84.0

Consolidated statement of financial position

HITACHI

Reliable solutions

Total assets increased by 189.7 billion yen y/y due to an increase in inventories and trade receivables and property, plant and equipment.

[billions of yen]

	(A) Mar '2022	(B) Mar '2021	(A)-(B) change
Cash and cash equivalents	94.3	80.3	13.9
Trade receivables	266.3	211.2	55.0
Inventories	368.3	297.8	70.5
Total current assets	764.4	617.2	147.2
Total non-current assets	645.2	602.7	42.5
Total assets	1,409.6	1,219.9	189.7
Trade receivables incl. non-current	309.0	252.7	56.4
Inventories by products			
Unit	108.9	77.3	31.6
Parts	132.6	102.3	30.4
Raw materials, WIP and etc	126.8	118.2	8.5
Total inventories	368.3	297.8	70.5
On hand days(divided by revenue)			(Days)
Trade receivables	110	113	-3
Inventories	131	134	-3
Trade payables	51	49	2
Net working capital	186	194	-8

	(D) Mar '2022	(E) Mar '2021	(D)-(E) change
Trade and other payables	252.2	199.2	53.0
Bonds and borrowings	353.1	329.5	23.6
Total liabilities	741.6	651.3	90.3
(Equity attributable to owners of the parent ratio)	(43.4%)	(42.1%)	(1.3%)
Total equity	667.9	568.6	99.4
Total liabilities and equity	1,409.6	1,219.9	189.7
Interest-bearing debt	(25.1%) 353.1	(27.0%) 329.5	(-2.0%) 23.6
Cash and Cash equivalents	94.3	80.3	13.9
Net interest-bearing debt	(18.4%) 258.9	(20.4%) 249.2	(-2.1%) 9.7
Net D/E Ratio	0.42	0.49	-0.06

Free cash flows is positive at 32.5 billion yen.

[billions of yen]

	FY2021 Actual	FY2020 Actual	change
Net income	79.9	14.6	65.2
Depreciation and amortization	135.3 55.5	64.8 50.2	70.5 5.3
(Increase)decrease in trade/lease receivables	-31.6	23.3	-54.9
(Increase)decrease in inventories	-64.6 -48.2	29.6 25.5	-94.2 -73.7
Increase(decrease) in trade payables	15.1	-19.2	34.3
Others, net	-31.4	-3.0	-28.4
Net cash provided by (used in) operating activities	39.3	91.3	-52.0
Cash flow margin for operating activities	3.8%	11.2%	-7.4%
Net cash provided by (used in) investing activities	-6.9	-32.3	25.4
Free cash flows	32.5	59.1	-26.6
Net cash provided by (used in) financing activities	-25.6	-46.0	20.4

Summary of consolidated earnings forecast

HITACHI

Reliable solutions

Although the consolidated income statement for FY2022 is expected to have a depreciation of the yen at the expected exchange rate of 10.5 billion yen, sales are expected to decrease by 65.0 billion yen y/y, mainly incorporating Russian risks.

[billions of yen]				
	FY2022 Forecast	FY2021 Actual	change	
			amount	%
Revenue	960.0	1,025.0	-65.0	-6%
Adjusted operating income	(8.3%) 80.0	(9.1%) 93.5	(-0.8%) -13.5	-14%
Operating income	(7.9%) 76.0	(10.4%) 106.6	(-2.5%) -30.6	-29%
Income before income taxes	(7.7%) 74.0	(10.8%) 110.9	(-3.1%) -36.9	-33%
Net income attributable to owners of the parent	(4.7%) 45.0	(7.4%) 75.8	(-2.7%) -30.8	-41%
EBIT	76.8	114.0	-37.2	
Currency	FY2022 Forecast	FY2021 Actual	change	
Rate (YEN/US\$)	120.0	112.6	7.4	For FX sensitivity, please refer to appendix 1.
Rate (YEN/EURO)	130.0	130.6	-0.6	
Rate (YEN/RMB)	19.0	17.5	1.5	
Rate (YEN/AU\$)	80.0	83.0	-3.0	
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 achieve a consolidated dividend payout ratio of approx. 30% or more.

Consolidated revenue forecast by geographic region

HITACHI

Reliable solutions

Consolidated revenue for FY2022 is expected to decrease significantly in Russia/CIS and China.

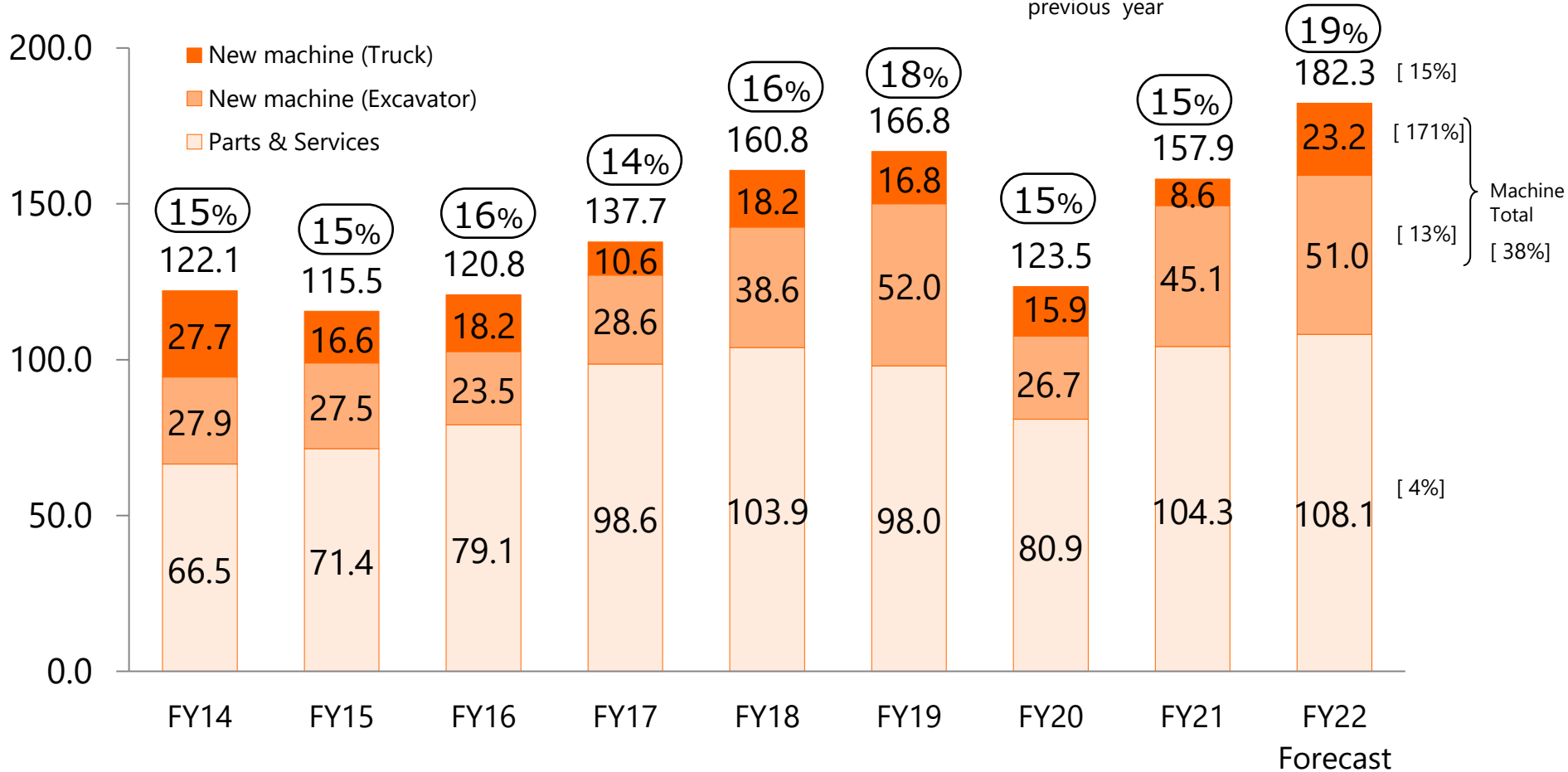
(billions of yen)

	FY2022 Forecast		FY2021 Actual		change	
					amount	%
Japan	202.0	21%	216.9	21%	-14.9	-7%
Asia	89.5	9%	86.4	8%	3.1	4%
India	52.5	5%	57.2	6%	-4.7	-8%
Oceania	162.9	17%	167.7	16%	-4.7	-3%
Europe	115.3	12%	124.2	12%	-8.9	-7%
N.America	208.8	22%	196.4	19%	12.4	6%
L.America	23.8	2%	22.7	2%	1.0	5%
Russia-CIS	13.6	1%	38.6	4%	-25.0	-65%
M.East	17.8	2%	19.2	2%	-1.4	-7%
Africa	41.4	4%	43.5	4%	-2.0	-5%
China	32.4	3%	52.1	5%	-19.7	-38%
Total	960.0	100%	1,025.0	100%	-65.0	-6%
Overseas ratio	79%		79%			

Revenue of mining in FY2022 is expected to increase by 15% to 182.3 billion yen y/y.

[billions of yen]

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



Value chain*¹ revenue forecast

HITACHI

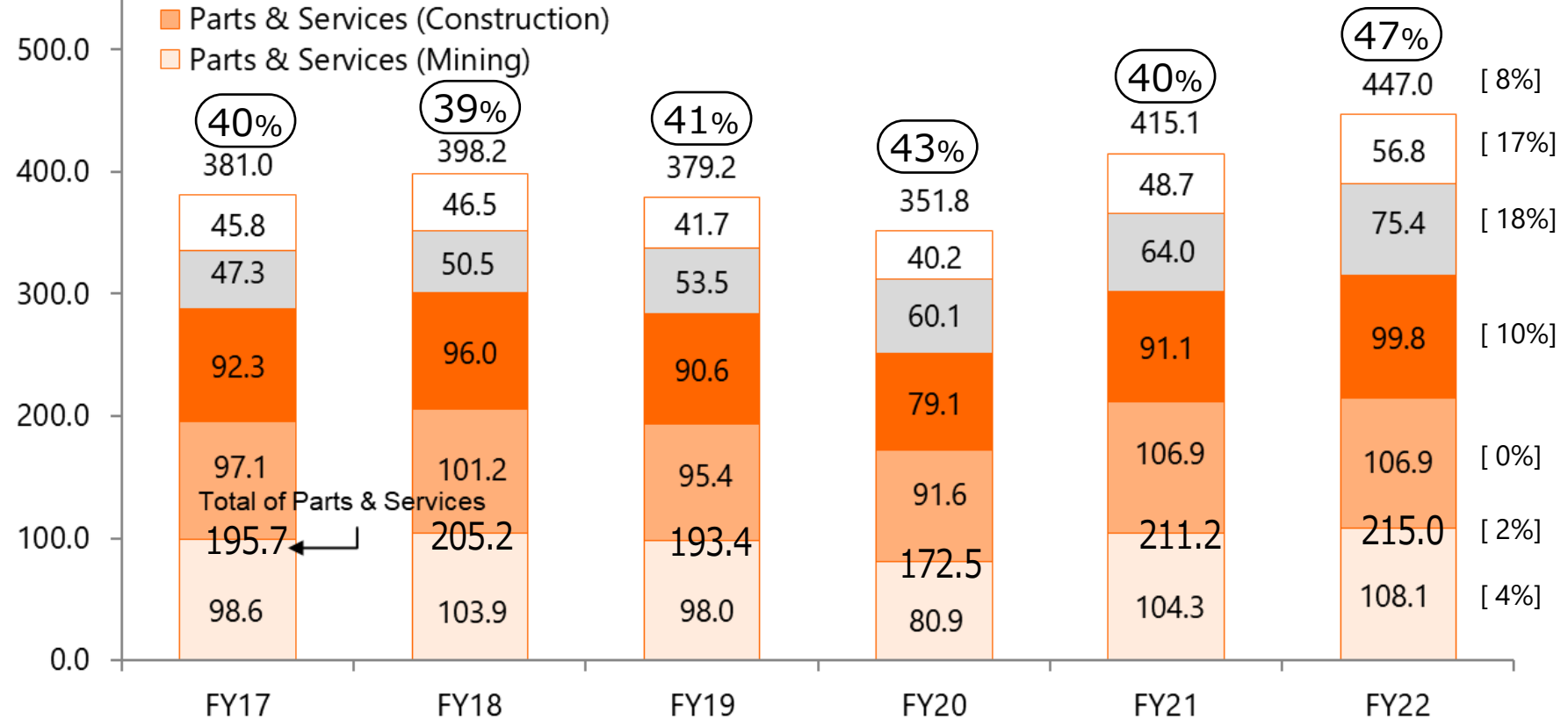
Reliable solutions

Revenue of the value chain in FY2022 is expected to increase by 8% to 447.0 billion yen y/y.

[billions of yen]

- Others
- Rental
- Solution business (*2)
- Parts & Services (Construction)
- Parts & Services (Mining)

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



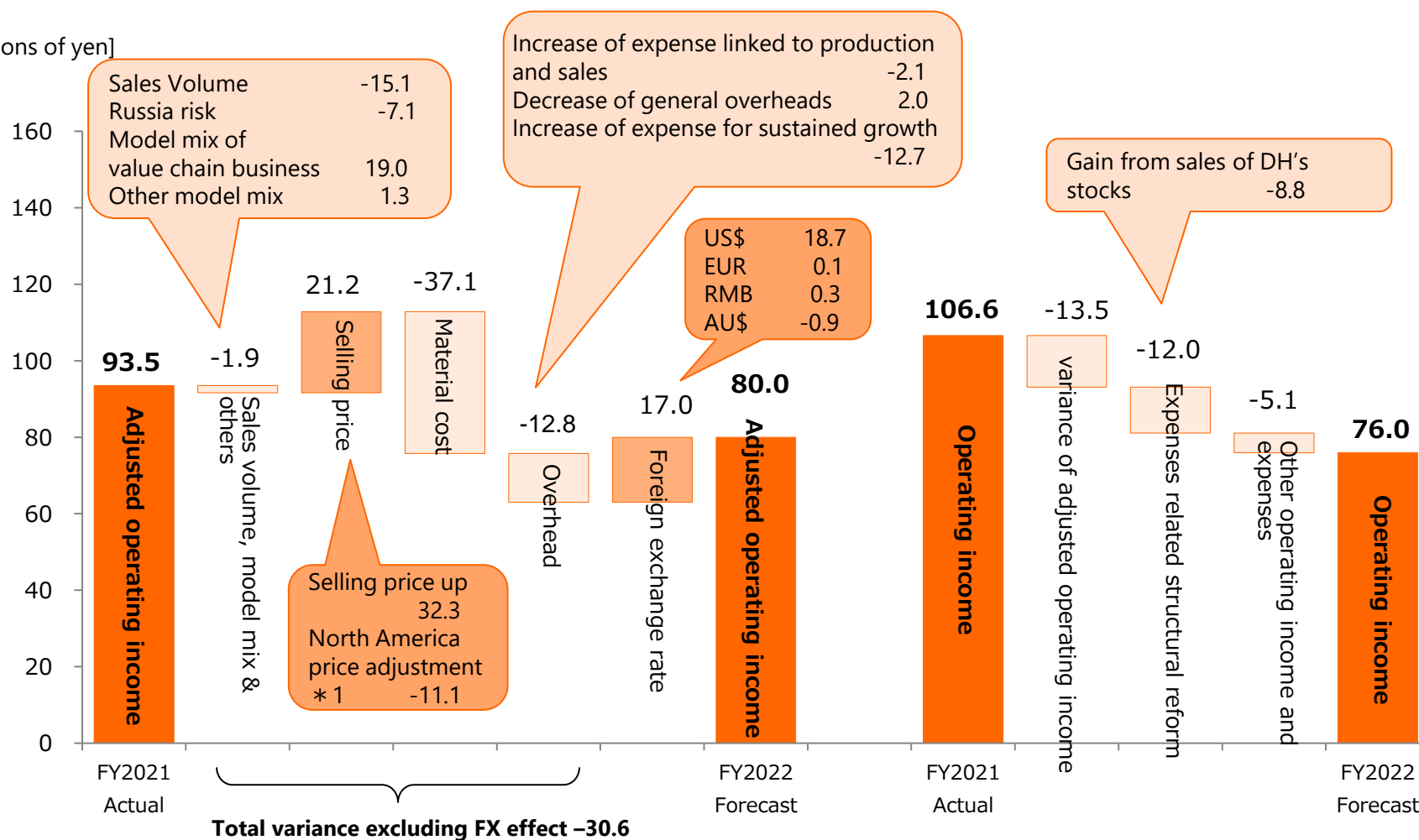
(*1) Value chain: Total of Parts & services, Solution business, Rental etc. other than new machine sales.

(*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 forecast

Adjusted operating income for FY2022 is expected to decrease by 13.5 billion yen y/y due to increasing material costs and Russian risks.

[billions of yen]



*1 Temporary price adjustment between HCM and John Deere does not occur in FY2022.

The forecast exchange rate for FY2022 was set within the expected fluctuation range for each currency.

FX rate and FX sensitivity

[billions of yen]

Currency	FX rate		FX sensitivity (1Q-4Q)		
	FY22 Forecast	FY21 Actual	Condition	Revenue	Adjusted operating income
US\$	120.0	112.6	Impact by 1 yen depreciation	2.5	2.2
EURO	130.0	130.6	Impact by 1 yen depreciation	0.8	0.6
RMB	19.0	17.5	Impact by 0.1 yen depreciation	0.2	0.1
AU\$	80.0	83.0	Impact by 1 yen depreciation	2.3	0.3

Appendix 2: Detail of mining revenue

HITACHI

Reliable solutions

(billions of yen)

		FY20 Actual(A)	FY21 Actual(B)	Change (B)-(A)	FY22 Forecast(C)	Change (C)-(B)
America	Excavator	10.6	9.4	-1.1	20.4	10.9
	Dump Truck	2.1	2.6	0.5	5.1	2.5
	Total	12.7	12.0	-0.6	25.5	13.4
Europe, Africa and Middle East	Excavator	15.3	27.5	12.1	25.9	-1.5
	Dump Truck	12.2	17.8	5.6	21.2	3.4
	Total	27.6	45.3	17.7	47.1	1.8
Asia & Oceania	Excavator	49.6	75.6	26.0	78.7	3.1
	Dump Truck	30.8	23.1	-7.8	29.7	6.6
	Total	80.5	98.7	18.2	108.4	9.7
China	Excavator	0.7	0.6	-0.1	0.7	0.1
	Dump Truck	0.1	0.1	0.0	0.1	0.0
	Total	0.8	0.7	-0.1	0.8	0.2
Japan	Excavator	1.6	1.3	-0.3	0.5	-0.8
	Dump Truck	0.4	0.0	-0.4	0.0	-0.0
	Total	2.0	1.3	-0.7	0.5	-0.8
Total	Excavator	77.9	114.4	36.5	126.2	11.9
	Dump Truck	45.6	43.6	-2.0	56.1	12.5
	Total	123.5	157.9	34.5	182.3	24.4

The amortizations of PPA are included in the adjusted operating income of the solution business. The amounts of 1.1 billion yen are included in FY2021, and another 1.1 billion yen are included in the forecast for FY2022.

[billions of yen]

FY2021 Actual	Reportable segment				Adjustments *1	Total
	Construction Machinery Business		Solution Business			
Revenue	933.9		94.8		-3.7	1,025.0
Adjusted operating income	9.2%	85.9	8.0%	7.6	-	9.1% 93.5

[billions of yen]

FY2022 Forecast	Reportable segment				Adjustments *1	Total
	Construction Machinery Business		Solution Business			
Revenue	860.2		99.8		-	960.0
Adjusted operating income	8.1%	70.0	10.0%	10.0	-	8.3% 80.0

*1: 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

HITACHI

Reliable solutions

Capital investment in FY2022 is specialized in recognizing new buildings in domestic factories and expanding the rental business.

1. Capital Expenditure (Based on completion)

[billion of yen]

	FY2018	FY2019	FY2020	FY2021	FY2022
	Actual	Actual	Actual	Actual	Forecast
Capital Expenditure	30.4	47.2	34.7	45.3	78.6
Assets held for operating lease	27.2	36.9	38.6	44.3	56.2
Total	57.6	84.1	73.4	89.6	134.8

2. Depreciation (tangible and intangible fixed assets)

[billion of yen]

	FY2018	FY2019	FY2020	FY2021	FY2022
	Actual	Actual	Actual	Actual	Forecast
Capital Expenditure	26.8	34.2	35.3	37.6	40.6
Assets held for operating lease	10.1	12.0	14.9	17.9	22.2
Total	37.0	46.1	50.2	55.5	62.8

3. R&D expenses

[billion of yen]

	FY2018	FY2019	FY2020	FY2021	FY2022
	Actual	Actual	Actual	Actual	Forecast
Total of consolidation	24.8	23.7	24.8	25.5	30.6

3. Progress of Medium-term Management Plan “Realizing Tomorrow’s Opportunities 2022”

(FY 2020-2022)

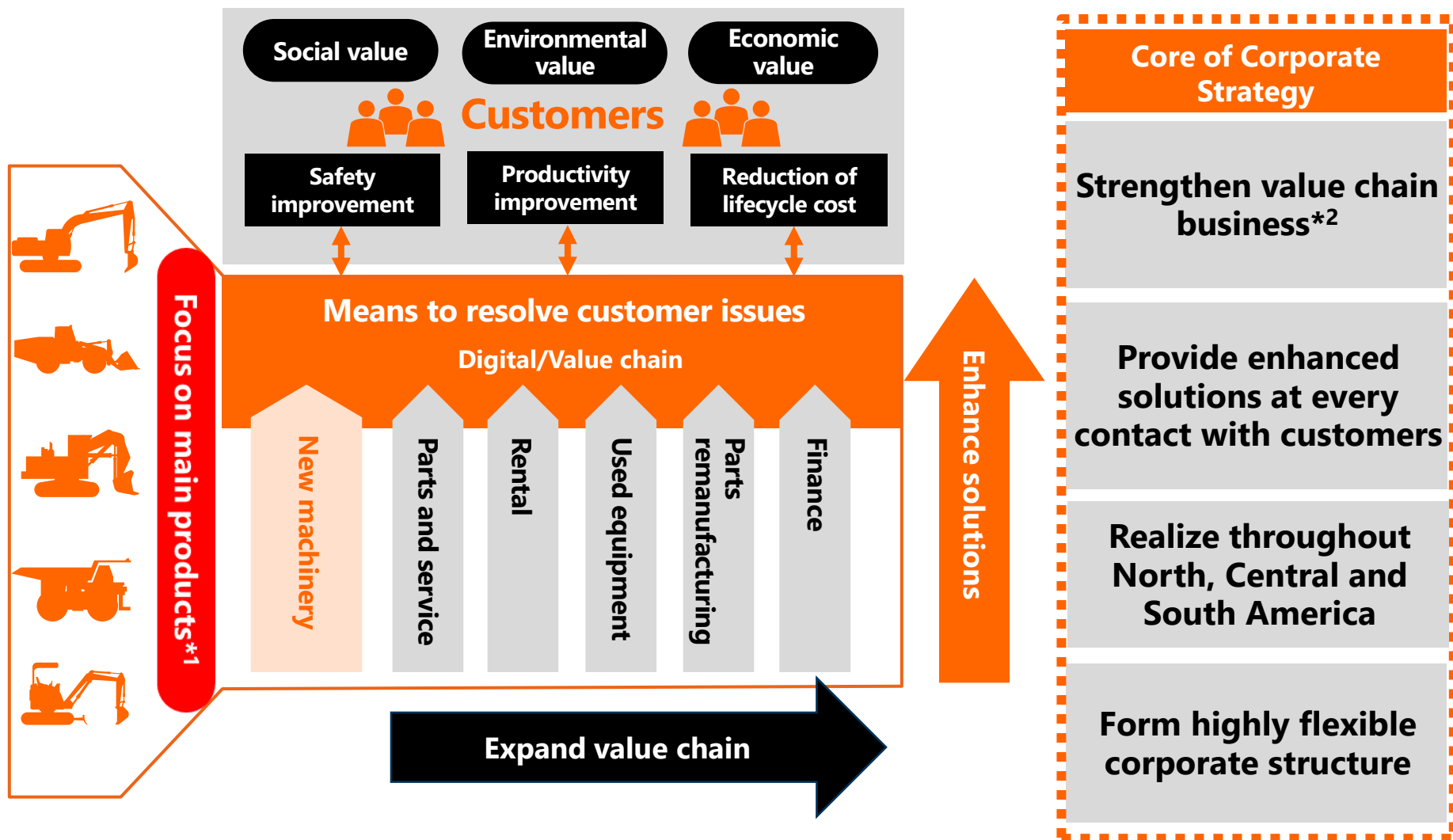
Kotaro Hirano

President and Executive Officer & CEO

Medium-term Management Plan

HITACHI

Reliable solutions



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

*2:value chain businesses: parts and service, rental, used equipment, remanufactured parts, financing, etc.

Continuing to promote efforts to improve our enterprise value centered on the "Core of Corporate Strategy "

HITACHI

Reliable solutions

Core of Corporate Strategy

Strengthen value chain business

Provide enhanced solutions at every contact with customers

Realize throughout North, Central and South America

Form highly flexible corporate structure

Key Strategies

- Strengthening rental/used equipment and remanufacturing businesses and expanding ConSite
 - Expansion of environmentally friendly products
 - Electric excavators, fully electric dump trucks, etc.
 - Investment in advanced development areas
 - Advancement and safety improvement of construction machinery (autonomy and driving support)
-
- Full-scale launch to further penetrate the market while reorganizing the supervising system and establishing a distributor network
 - Expanding value chain businesses and providing solutions through the introduction of ConSite in North America
 - Strengthen mining business in Latin America
-
- Restructuring bases to improve production efficiency

Summary of KPI for this three-year plan

The business environment has changed compared with the time of planning. It is now planned to take on new challenges with management decisions.

Changes in the business environment

- COVID-19 impact and geopolitical risks
- Soaring material prices and supply chain disruptions
- Yen depreciation (¥109 (20/3) ⇒ ¥125 (22/3))

Management decisions and new challenges

- Dissolution of the joint venture with Deere
- Start of full-scale proprietary development in North, Central, and South America
- Change in the shareholder composition

KPI		Previous medium-term plan	Current medium-term plan			
		FY2019	FY2020*	FY2021	FY2022	
		Result			Target	Outlook
Growth	<ul style="list-style-type: none"> • Revenue • Value chain ratio 	931.3 billion yen 40%	813.3 billion yen 43%	1.025 trillion yen 40%	1 trillion yen 50%	960 billion yen 47%
Profitability	Adjusted operating income ratio	8.2% (7.8%)	4.0% (3.5%)	9.1% (10.4%)	More than 10% (-)	8.3% (7.9%)
Safety	Net D/E ratio	0.58	0.49	0.42	Less than 0.5	Less than 0.5
Efficiency	ROE	8.6%	2.1%	13.5%	More than 10%	More than 7%
Shareholder return	Dividend payout ratio	31%	41.1%	30.8%	30% or more	30% or more

*KPI of FY2020 is recalculated using retrospectively adjusted figures for consolidated financial statements due to changes in accounting policies.

Our business growth related to realizing a sustainable society improves our enterprise value.

KPI		Previous medium-term plan	Current medium-term plan			
		FY2019	FY2020	FY2021	FY2022	
		Result			Target	Outlook
ESG *Compared to FY2010	• ConSite adoption rate	73%	75%	72%	90%	90%
	• Parts remanufacturing businesses sales revenue	296%*	308%*	402%*	420%*	420%*
	• Reducing CO2 emissions from products	-15.9%*	-16.5%*	-21.4%*	-20%*	-20%*

Contribution to reducing the environmental load due to a global business model that remanufactures entire machines.

Remanufacture of ultra-large hydraulic excavators (EX1200) by Hitachi Construction Machinery Zambia



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.

[Trademark notes]

"Lumada" is registered trademarks of Hitachi, Ltd. "AERIAL ANGLE" "ConSite" "Solution Linkage" is registered trademarks of Hitachi Construction Machinery Co., Ltd.

END

Corporate Brand & Communications Group

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