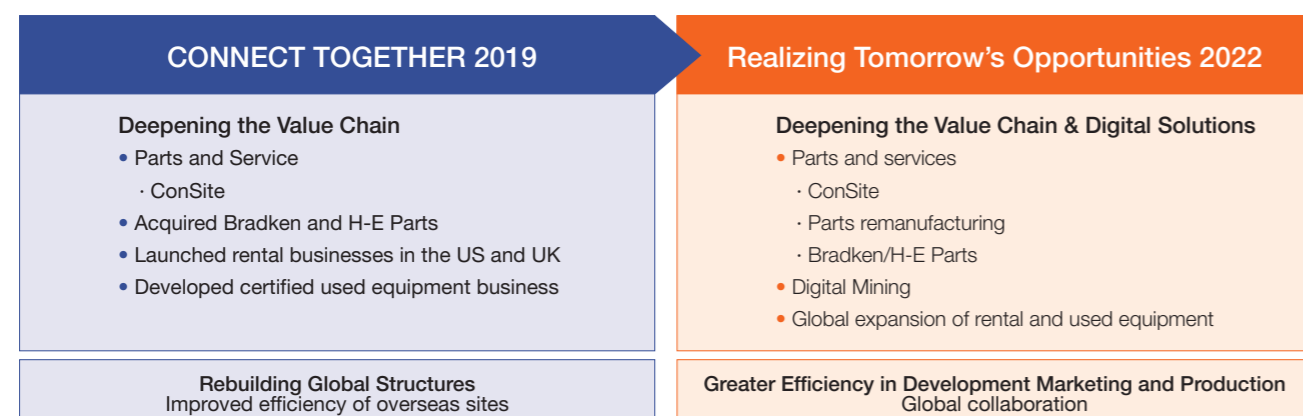


# FY2020-2022 Medium-term Management Plan

## Positioning of the Medium-term Management Plan

The Hitachi Construction Machinery Group has formulated a medium-term management plan, "Realizing Tomorrow's Opportunities 2022", which will end in FY2022. This plan serves as an intermediate step toward 2030. During the previous medi-

um-term management plan, we shifted from a business model focused on new machines sales to a value chain business targeting machines operating worldwide. In this medium-term plan, we will solve customer challenges by leveraging digital technologies to deepen the value chain business which was our focus during the previous medium-term plan.





## Quantitative Goals and Achievements

Even with the outbreak of COVID-19 in FY2020, we shifted to a system supporting production increases as global demand recovered. By the second half of FY2021, our production and sales cycle had recovered to pre-pandemic levels. Now, new challeng-

es have emerged, including geopolitical risks such as the situation in Russia and Ukraine, and supply chain disruptions, mainly in China due to the re-emergence of infections. Despite uncertainties due to rising materials prices and transportation costs, we will continue to take on new challenges throughout FY2021, including expansion in the North, Central, and South American markets.

Management indicators	Previous Plan: CONNECT TOGETHER 2019	Current Plan: Realizing Tomorrow's Opportunities 2022			
	FY2019 Results	FY2020 Results	FY2021 Results	FY2022 Forecast (As of July 2022)	FY2022 targets
Sales Revenue	931.3 billion yen	813.3 billion yen	1.025 trillion yen	1.040 trillion yen	1 trillion yen
Value Chain Ratio	41%	43%	40%	47%	50%
Adjusted operating income ratio	8.2%	4.0%	9.1%	9.0%	10% or more
Net D/E ratio	0.58	0.49	0.42	0.5 or less	0.5 or less
ROE	8.6%	2.1%	13.5%	9% or more	10% or more
Social value ConSite adoption rate	73%	75%	72%	90%	90%
Economic value Parts remanufacturing business sales revenue * Vs. FY2010	296%	308%	402%	420%	420%
Environmental Value Reducing CO <sub>2</sub> emissions from products (Total) * Vs. FY2010	-15.9%	-16.5%	-21.4%	-20.0%	-20.0%
Consolidated Dividend Payout Ratio	31.0%	41.1%	30.9%	30% or more	30% or more

## Key Strategies and Directions

Pillars of business strategy	Key Initiatives	Targets
Strengthen value chain business 	<ul style="list-style-type: none"> <li>Strengthen rental, and used equipment, and remanufacturing businesses; expand ConSite</li> </ul>	<b>Expand the used equipment business sales revenue</b> FY2022: <b>Used equipment 280%</b> vs. FY2010 FY2030: <b>Adoption of products and services that meet regional needs</b>
Provide enhanced solutions at every contact with customers 	<ul style="list-style-type: none"> <li>Expand environmentally friendly products                             <ul style="list-style-type: none"> <li>Electric excavators, fully electric dump trucks, etc.</li> </ul> </li> <li>Invest in advanced development fields                             <ul style="list-style-type: none"> <li>More advanced construction machinery and improved safety (automatic/autonomous, driver-assistance)</li> </ul> </li> </ul>	<b>Expand parts remanufacturing business sales revenue</b> FY2022: <b>Parts remanufacturing 420%</b> vs. FY2010 FY2030: <b>Adoption of products and services that meet regional needs</b>
Achieve strategies across North, Central, and South America 	<ul style="list-style-type: none"> <li>Rebuild our distributor network by establishing a control structure, and launch full-scale efforts to grow our presence in the market</li> <li>Expand the value chain business and provide solutions by introducing ConSite in North America</li> <li>Strengthen sales and service structure for mining in Latin America</li> </ul>	<b>Life cycle cost reductions</b> FY2022: <b>ConSite adoption rate 90%</b> FY2030: <b>Aiming for zero downtime</b>
Form highly flexible corporate structure 	<ul style="list-style-type: none"> <li>Reorganize locations to improve production efficiency</li> </ul>	<b>Stabilize earnings by expanding proprietary businesses</b> FY2022 - <b>Establish a stable profit structure by increasing the ratio of proprietary businesses significantly, excluding OEM supply operations (new machinery sales, parts and service, rental, used equipment sales, etc.).</b>
		<b>Strengthen corporate structure further</b> FY2022 - <b>Pursue cost reductions, lead-time reductions, fixed cost reductions, and other initiatives to create a structure that secures profits regardless of demand fluctuations</b>