

Overview of the New Medium-term Management Plan

The Hitachi Construction Machinery Group has formulated a new medium-term management plan, “BUILDING THE FUTURE 2025,” which spans a period of three years, with the aim of achieving further growth and transformation into a true solutions provider.

BUILDING THE FUTURE 2025

- **Delivering Innovative Solutions for Customer Needs**
- **Enhancing the Value Chain Business**
- **Expanding Business in the Americas**
- **Strengthening Human Capital and Corporate Capabilities**

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Our Goals under the New Medium-term Management Plan

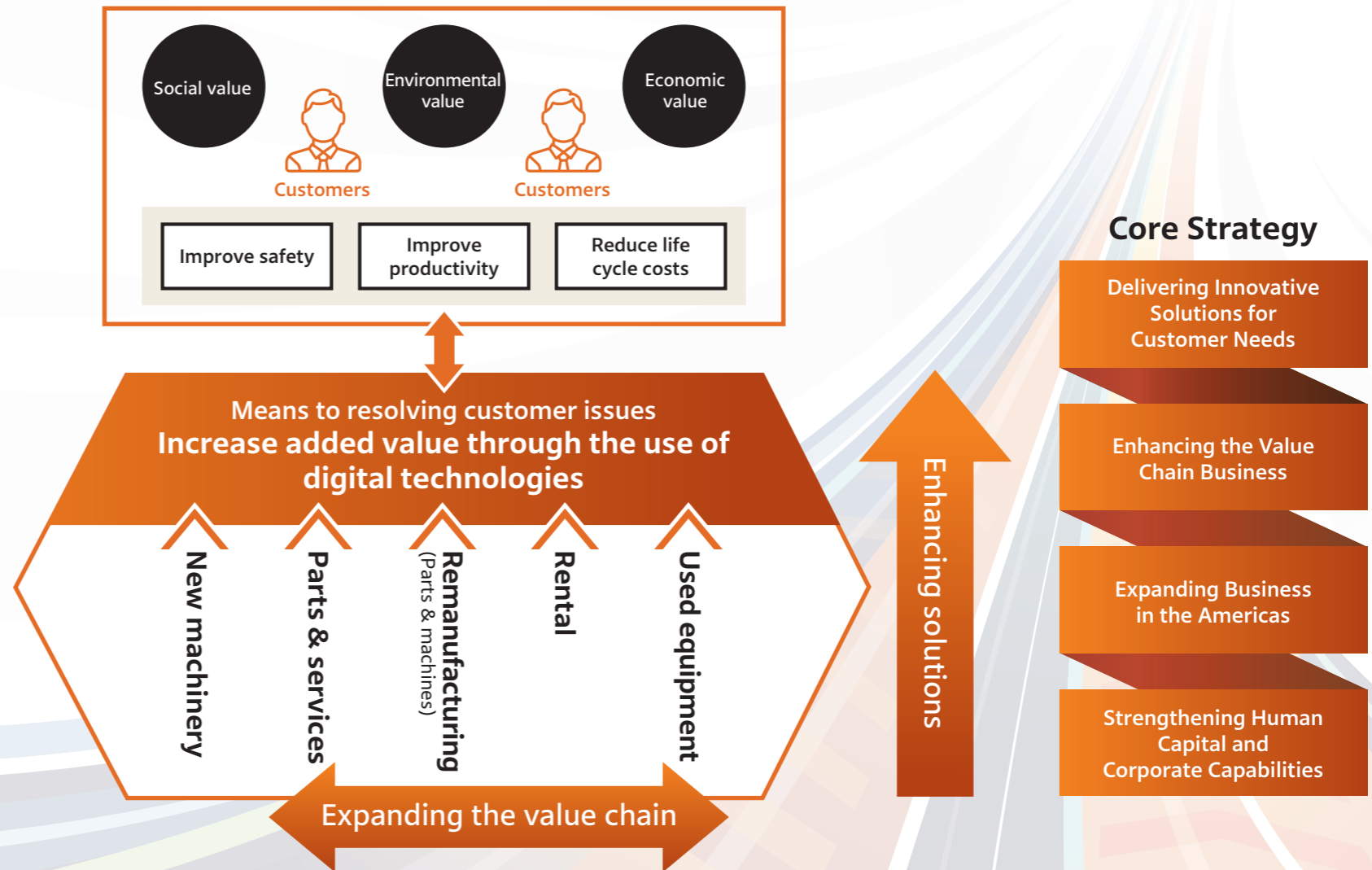
Our customers today typically confront three management challenges, namely, “improving safety and productivity,” “reducing life cycle costs” and “implementing environmental measures.” These challenges are expected to be as relevant 10 years from now as they are at present. At the same time, the details of these challenges and the specific solutions aimed at addressing them may evolve significantly due to technological innovation and other developments. For example, progress in the technological advancement and popularization of autonomous driving systems is expected to give rise to novel safety issues. Moreover, the electrification of vehicles could lead to the materialization of major issues regarding energy supply and management.

In line with the new medium-term management plan, we have identified a vision of “growing as a true solutions provider by delivering innovative solutions.” This vision is designed to publicly express our determination to provide our customers with innovative solutions that help them resolve the constantly evolving issues they are confronting.

Through the promotion of the endeavors described above, we will strive to “meet expectations from customers, co-create innovative products, services, solutions and together, we continue to create new values.” By doing so, we will fulfill our mission, a key component of our Group identity established in 2022.

Here, we introduce four strategic pillars supporting the new medium-term management plan.

Growing as a true solutions provider by delivering innovative solutions



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Delivering Innovative Solutions for Customer Needs

The first pillar of the new medium-term management plan is “delivering innovative solutions for customer needs.”

For our customers, “improving safety and productivity,” “reducing life cycle costs” and “implementing environmental measures” will remain ongoing challenges. On the other hand, rapidly advancing technological innovation is expected to result in customers confronting even more complex issues in the course of pursuing solutions to these challenges.

To help customers resolve these challenges, the Hitachi Construction Machinery

Group needs to promote the coordination of diverse data and the updating of its products via the use of digital technologies.

To this end, we have categorized our offerings into “Solution 1.0,” “Solution 2.0” and “Solution 3.0.” In the Solution 1.0 category, we will focus on delivering conventional data-driven services. At the same time, we have defined the Solution 2.0 category as the provision of upgraded products supported by more sophisticated modes of data utilization.

Specific examples of the latter include initiatives undertaken by the compact and the construction businesses. While striving to further expand the scope of Solution 1.0, we endeavor to deepen that of Solution 2.0 through the upgrading of products via the introduction of coordinated safety measures and highly sophisticated autonomous operating systems. In these and other ways, we will deliver innovative solu-

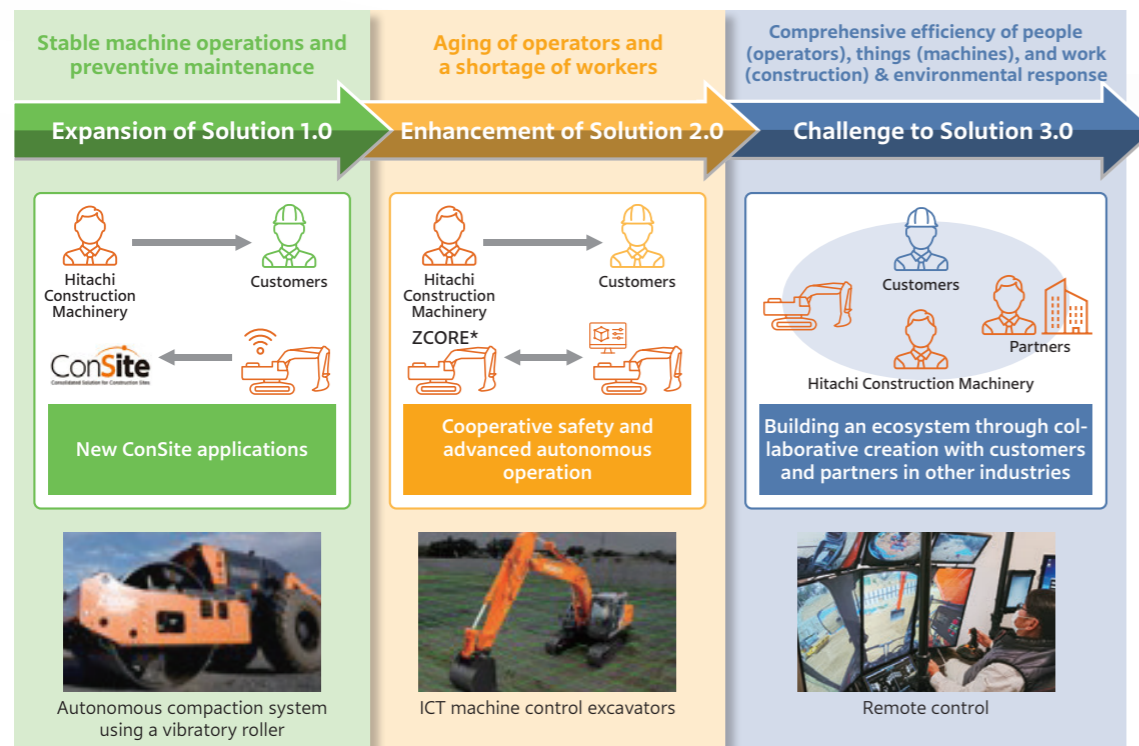
tions for customer needs.

In the Solution 3.0 category, we will deliver added value via, for example, collaboration involving customers as well as partners from different sectors. The Hitachi Construction Machinery Group has been an industry forerunner in this area. Under the new medium-term management plan, we will further accelerate these initiatives.

In the mining business, we will accelerate collaboration between Hitachi Construction Machinery Group members and partners from different sectors by leveraging a diverse range of touchpoints, from Pit to Plant, all of which are within the realm of our operations.

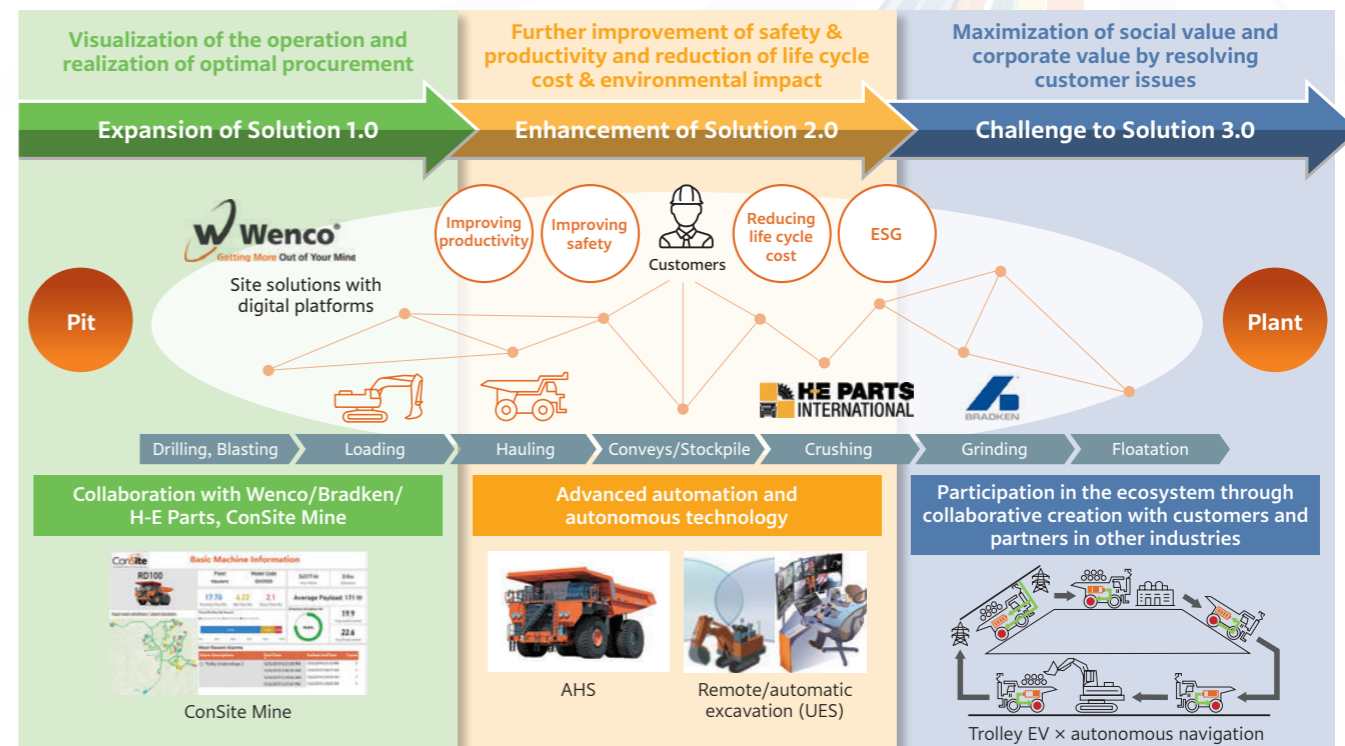
Through the upgrading of our products, we will thus promote efforts to help customers address the challenges of “improving safety and productivity,” “reducing life cycle costs” and “implementing environmental measures.”

Compact and Construction Business



*ZCORE: A system platform designed to support autonomous construction machinery

Mining Business



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Enhancing the Value Chain Business

The second pillar is “enhancing the value chain business.”

The Hitachi Construction Machinery Group has identified a vision of “ensuring a prosperous land and society for the future.” In the value chain business, we will focus more than ever on helping create a sustainable society.

In fiscal 2022, sales revenue from the value chain business accounted for 40.6% of consolidated sales revenue. However, we will aim to raise this ratio to 50% or more in fiscal 2025. To achieve this aim, we will implement the initiatives described below.

In the parts and service business, we will take advantage of ConSite, which is backed by cutting-edge ICT technologies, to deliver solution proposals aimed at lengthening the product life of construction machinery, maximizing its operating

hours, and improving operational efficiency. At the same time, we will expand the remanufacturing business and, to this end, boost the production capacities of our remanufacturing bases to contribute to the facilitation of resource recirculation across society. We will thus establish an optimal remanufacturing structure enabling us to serve markets around the globe, including those in North America, Africa and elsewhere. With regard to machine remanufacturing, which refreshes the used vehicle as a whole, we will roll out our know-how at each base, building on the track record we have accumulated thus far. By doing so, we will get this business on a track.

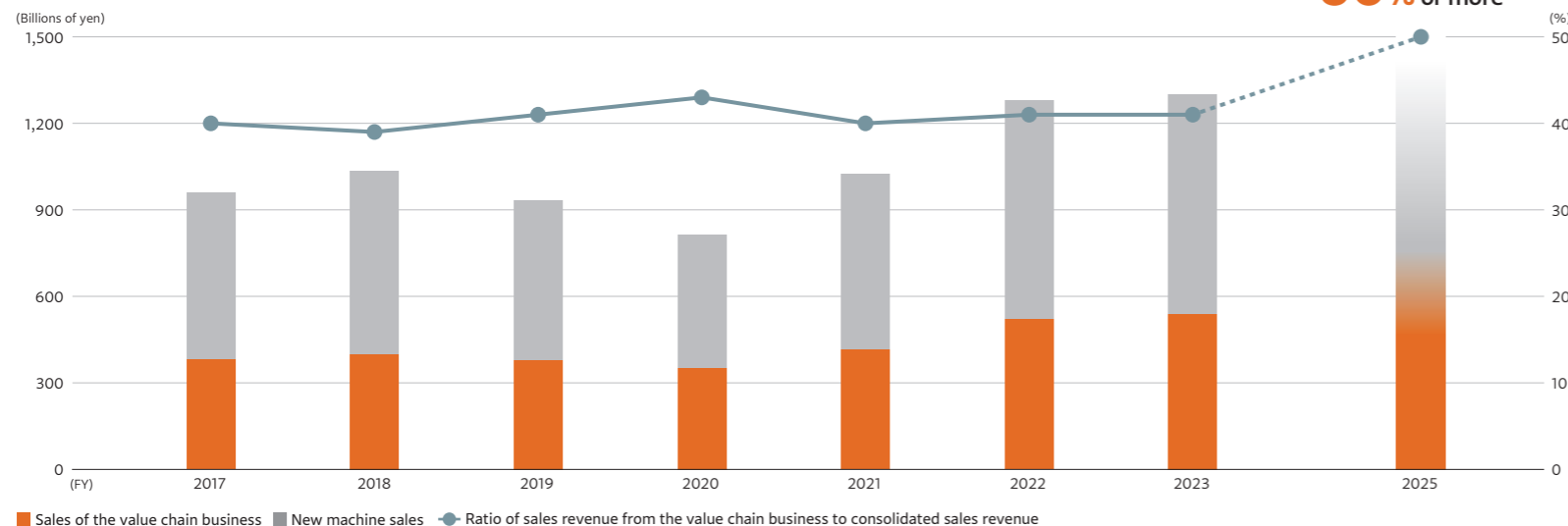
In the mining business, we will strengthen the value chain business for mining from Pit to Plant, including the mineral processing areas of Bradken and H-E Parts.

In the rental and used equipment business, we launched operations in France in fiscal 2023. Through these and other endeavors, we will expand the rental business

in countries abroad in a way that aligns with differing market conditions. Moreover, we will provide PREMIUM USED, high-quality used machines with a manufacturer’s warranty, and otherwise deliver used machines with greater value. We will thus help customers resolve a challenge of “reducing life cycle costs.”

Operating Results Trend of the Value Chain Business

The value chain business serves as a stable source of robust revenue insulated from fluctuations in demand for new machines



Expanding Business in the Americas

Our business in the Americas has made a smoother-than-anticipated start and is expected to achieve considerable growth going forward.

Over the course of the new medium-term management plan period ending in fiscal 2025, we aim to achieve sales revenue of ¥300.0 billion or more solely from independent business expansion in the Americas. To achieve this target, we will expand sales of new machines as well as the value chain business to secure a more stable revenue volume.

In the compact and the construction businesses, we will push ahead with the development of an independent sales network in Latin America, building on progress made thus far in fiscal 2022 in the development of our network in North America.

In the mining business, we will expand sales of ultra-large hydraulic excavators for use at construction sites and stone crushing sites in North America. Meanwhile, in Latin America, we will reinforce our service and support structure. Furthermore, we will enhance our dump truck supply structure for the Americas as a whole.

In the value chain business, we will focus on expanding the rental business. Specifically, we will undertake a “Rental-To-Rental” business through which we lease the types of machines rarely owned by major dealers or rental companies. We will also support small local companies handling general rental services.

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Strengthening Human Capital and Corporate Capabilities

The final pillar is “strengthening human capital and corporate capabilities.” As we have identified “delivering innovative solutions” as a banner under which we strive to upgrade the Hitachi Construction Machinery as a whole, we need to enhance human capital and corporate capabilities supporting this endeavor. As a solutions provider, we will nurture human resources and develop organizational strength, with the aim of ensuring that we fully realize our potential both as individuals and as a team.

To that end, we will enhance our global business structure, which ranges from research & development to manufacturing, supply and sales to the provision of services. Furthermore, we will continue striving to improve our profit structure in order to secure the ability to take on the radical changes currently affecting our operating environment.

Specifically, we will place utmost priority on strengthening human resources, upgrading the organizational structure and transforming our corporate culture.

With regard to the strengthening of human resources, we will provide our employees at home and abroad with robust training programs and opportunities so that they can earn success on the global stage.

As for upgrading the organizational structure, we will further upgrade the business unit system, which was introduced in 2022, in order to facilitate even closer horizontal collaboration based on the principle of Customer Interest First. In doing so, we will enhance the performance management of Group companies worldwide, facilitate even speedier decision making and improve our profit structure.

In terms of transforming our corporate culture, we will promote the use of a system for monitoring the status of management plan targets. This will, in turn, help us facilitate the entrenchment of a culture of making every effort to accomplish the goal of each management plan measure. We will also implement human resource management measures aimed at supporting the execution of business strategies and the strengthening of management foundations. In addition, we will push ahead with open innovation and agile development.

indicator, to 13% or more. We have also identified an additional target of achieving an EBITDA margin of 18% or more. The EBITDA margin is an indicator for measuring our capabilities to generate cash from sales.

Moreover, we have incorporated the operating cash flow margin and ROIC as new indicators for measuring efficiency. With the assumed weighted average capital cost (WACC) set at the 7% level, we have defined the amount of spread required by investors as 2% or more while also identifying the ROIC target of 9% or more. Through the pursuit of these targets, we will stay conscious of the efficiency of allocated capital in the course of business management, with the aim of improving capital profitability.

With regard to shareholder returns, we will aim for a consolidated dividend payout ratio of around 30% to 40%, striving to maximize shareholders’ interests through the maintenance of a stable and constant stream of dividends.

Simultaneously, in addition to formulating targets for the reduction of CO₂ emissions as environmental impact reduction, we will identify indicators for diversity, equity and inclusion and provide diverse human resources around the globe with robust opportunities to harness their competencies and unique strengths to the fullest. In these ways, we will strive to improve corporate value.

Targets of the Medium-term Management Plan

As part of quantitative targets stipulated under the new medium-term management plan, we aim to raise the adjusted operating income ratio, which is a profitability

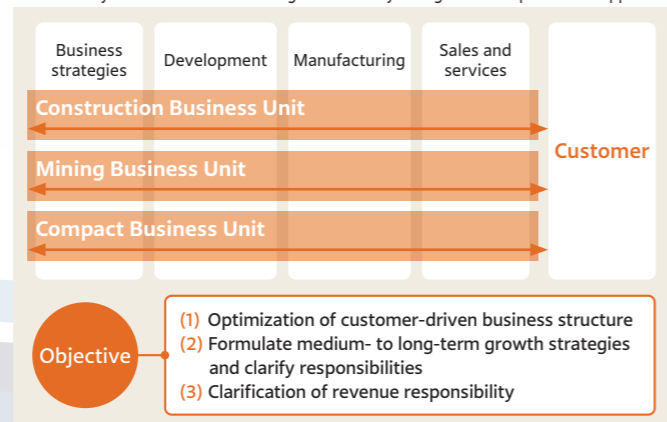
Upgrading the Business Unit System

Each business unit is responsible and accountable for operating its business and expected to focus on meeting the needs of customers in an integrated manner through processes ranging from development and manufacturing to after-sales services. Reduce silo-based functional divisions, speed up decision-making in business planning, and clarify performance responsibility.

- President and COO
- Construction Business Unit
- Mining Business Unit
- Compact Business Unit
- Spare Parts & Service Business Unit
- Rental & Used Equipment Business Unit
- Power & Info Control Platform Business Unit
- New Business Creation Unit

Business Unit System Based on a Customer-driven Approach

Smoothly resolve issues confronting customers by taking a cross-departmental approach



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 ₂ emissions (total; compared with the 2010 level)	Production (Scope 1+2)	-40%
		Product (Scope 3)	-22%	-21.9%
	Diversity, equity & inclusion	Localization ratio of GM or higher in overseas group companies ^{*1}	75%	72%
		Ratio of managers by gender (consolidated) ^{*1}	Women 13% Men 15%	Women 11.2% Men 16.0%

*1: Newly established indicators in the new medium-term management plan

*2: Dividing operating cash flow into thirds, we aim to allocate these thirds to maintenance and strengthening investment, prior investment and shareholder return & debt payment, 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%.