

Special
Feature

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Upgrading the Value Chain Business



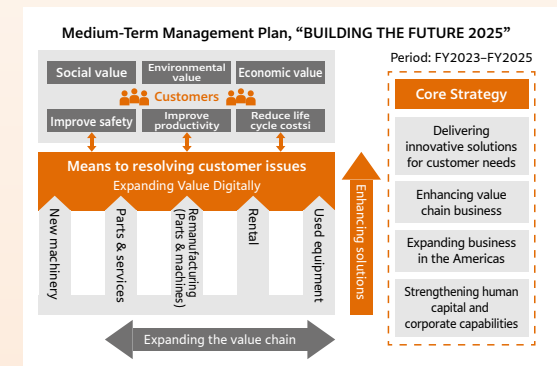
The Hitachi Construction Machinery Group envisions itself as the world's No. 1 solution provider, able to provide innovative solutions that anticipate customers' needs, in addition to supplying construction machinery supported by advanced technology and an integrated service system.

Innovative solutions are refined through ongoing customer interest first (CIF) activities, in which we work closely with each customer to identify their issues and concerns. What is important is to create new value by the application of out-of-the-box thinking to solve customer issues. In this age of rapid change, the issues affecting our customers are also changing day by day. It is important to promptly grasp any change in our customers' challenges by having ongoing contact with them and developing an understanding of their current and future issues and concerns. It is also important to generate and test hypotheses, and take on the challenge of finding solutions. If the results of verification are unsuccessful, we use the failure as a stepping stone to future success. By rapidly iterating this cycle together with our customers and partners, we can achieve tremendous success. A speedy, collaborative activity can itself turn out to be an innovative solution.

This cycle of action is the essence of the "Kenkijin Spirit." We believe that by engaging it effectively we can provide customers with "Reliable Solutions."

Solutions offered by the Hitachi Construction Machinery Group

We want the solutions offered by the Hitachi Construction Machinery Group to bring joy not only to our customers but also to ourselves. Solutions based on this approach are not limited to products (machines) but involve all areas of business, including our value chain business. We work to sophisticate our solutions through the expansion of the value chain business in order to achieve the "Reliable Solutions" aspired to by the Hitachi Construction Machinery Group.



Parts and Service Business: Solutions using “ConSite”

The ConSite service solution tool contributes to the stable operation of machinery by proposing maintenance and parts replacement based on the operational data of each customer’s construction machinery. The service was launched in 2013, and the number of ConSite-equipped machines has now reached 268,000 (as of the end of August 2024). In addition to the regular report and emergency alert distribution functions, we have offered a wide range of applications to strengthen our ability to make proposals to customers. ConSite has thus generated increased sales in parts and servicing.

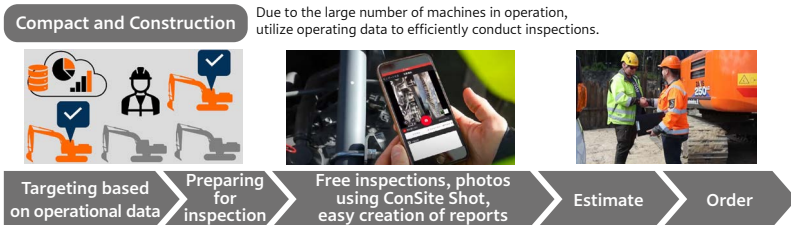
As there are many varieties of compact and construction machinery in operation, operational data is used to efficiently target

machines that require maintenance and servicing. When service staff inspect the targeted machines, they use the “ConSite Shot” inspection report creation app to strategically propose preventive maintenance, parts replacement or repairs.

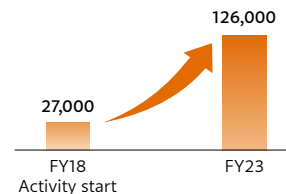
As mining equipment operates 24 hours a day for 365 days, higher levels of reliability and durability are required. In our service proposal activities, we carry out detailed inspections of each machine, and use digital technology to measure operational data and wear, etc., to propose parts replacement or repairs.

We will accelerate these initiatives and increase sales revenue from parts and servicing.

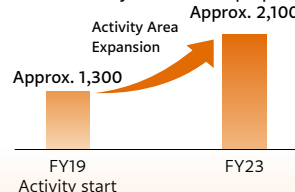
Expanding parts and services sales through proposal of strategic preventive maintenance and parts replacement/repair based on machine operating information



Number of ConSite Shot inspections



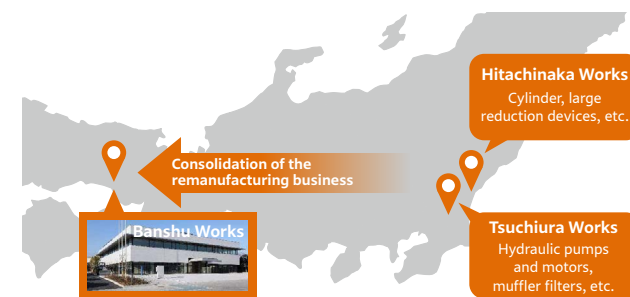
Machines subject to service proposals



Remanufacturing Business: Remanufacturing Parts and Machines

Dating back to the 1970s, our remanufacturing business has a history of around 50 years. Over the decades, we have expanded our lineup of remanufacturing items and advanced our remanufacturing technology. Parts recycling involves remanufacturing used parts to provide them with the same performance level as new parts. We began our overseas expansion at an early stage, and today we are operating our remanufacturing business at 23 locations in 11 countries (including Hitachi Construction Machinery), including Australia, Indonesia and Zambia.

In Japan, the remanufacturing factories are currently located at the Tsuchiura Works and the Hitachinaka Works, which will be consolidated and integrated into the Banshu Works in Hyogo Prefecture by the end of FY2024. The new factory will be used as a mother plant to strengthen global collaboration for remanufacturing. We will address space constraints by consolidating and integrating facilities and work to increase the number of remanufactured parts handled. We also actively engage in machine remanufacturing, which involves purchasing equipment that has been submerged in water and other used machinery and using remanufactured parts to restore it to the same level of functionality as new machines for resale. We are also undertaking the remanufacturing of the main bodies of ultra-large hydraulic excavators used for long periods of time. We are developing this business at multiple overseas locations, including Zambia, Indonesia, South Africa and Turkey.



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Overseas, we are strengthening our remanufacturing business in the Americas. Remanufacturing was previously carried out to the extent that dealers could accommodate it. However, as of FY2023, Hitachi Construction Machinery Americas is overseeing the remanufacturing business in the Americas, with Hitachi Construction Truck Manufacturing engaging in remanufacturing parts for ultra-large hydraulic excavators and dump trucks. In addition, H-E Parts, which specializes in cooling systems and engines for mining equipment, is responsible for the remanufacturing of those components.

In this way, we aim to achieve a resource-recycling business by expanding our capacity both in Japan and overseas. We plan to increase sales revenue for the remanufacturing business from approximately 42 billion yen in FY2023 to approximately 80 billion yen in FY2030.

Deploy chassis remanufacturing knowledge to each region, and contribute to achieving a circular economy.

Before remanufacturing



ZX200-3 that was remanufactured at the Hitachinaka Works (Sold in 2007, suffered water immersion in heavy rain)

After remanufacturing



Before remanufacturing



Ultra-large hydraulic excavator that was remanufactured in Zambia (Sold in 2011, 21,950 operating hours)

After remanufacturing



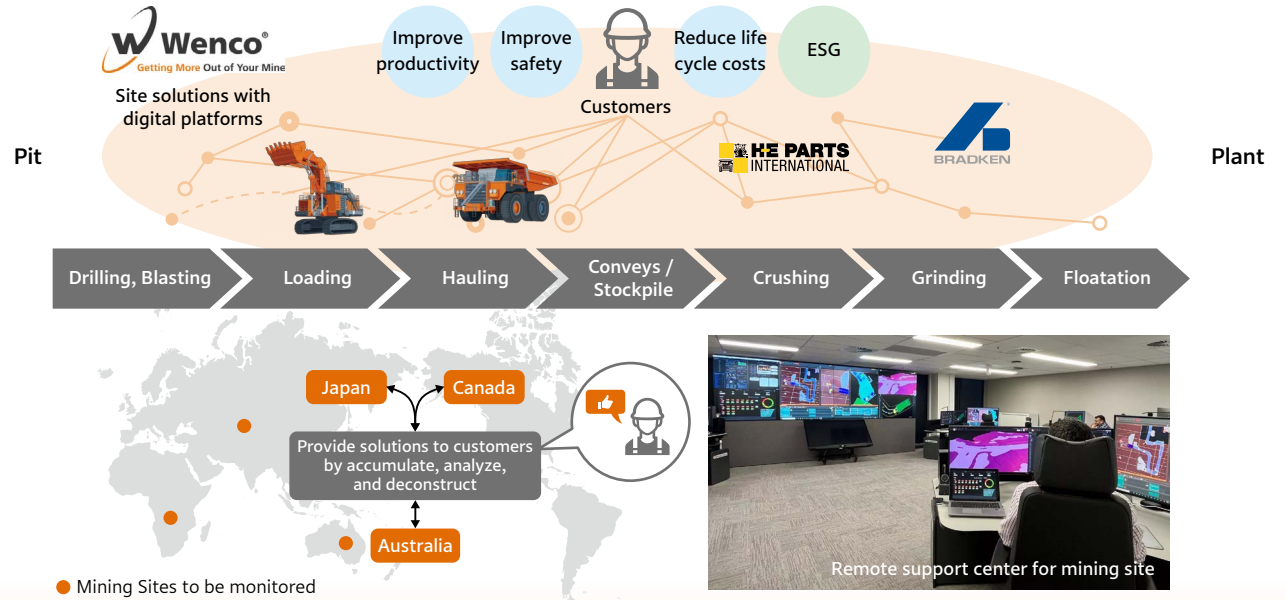
Mining Value Chain Business: Strengthening the Operation from Pit to Plant

In the mining business, we are working to build on-site solutions using digital platforms. We monitor the operational status of multiple mining sites at various touchpoints in our business domain, from mining (pit) to ore dressing (plant) from three bases in Japan, Canada and Australia.

Our personnel specialized in the respective fields of mining equipment, mining operations and software use the latest digital

technology to accumulate and analyze data obtained in real time from multiple mining sites and provide solutions to the issues faced by each customer. At present, the main target of monitoring is the excavation and hauling processes. We aim to gradually expand the monitoring coverage to contribute to the efficient and optimal operation of the entire mining sites of customers.

Contributing to Efficient and Optimal Mining Operations by Expanding the Scope of Monitoring at Multiple Mining Sites



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Rental and Used Equipment Business: Developing a business model to maintain the value of used equipment over the long term

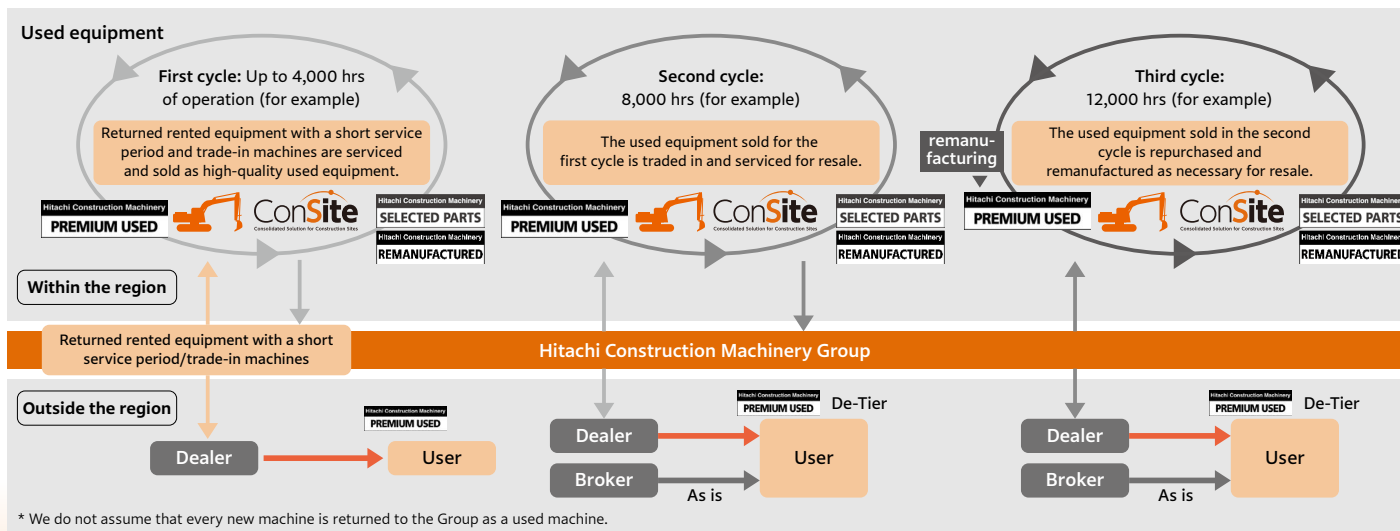
Since starting its rental business 1996, Hitachi Construction Machinery has achieved growth by expanding its service areas to Europe, North America, China, Australia and India. In FY2017, we began offering the “PREMIUM RENTAL” brand overseas. For this business, the Hitachi Construction Machinery Group and authorized new equipment dealers become the owners of rental assets and provide rental customers with construction machinery to suit their needs. After a certain rental period, the equipment is resold as “PREMIUM USED” (used equipment with a warranty). For properly maintained used equipment that is sold in this way, parts remanufacturing, finance and other value chain services can be offered on an ongoing basis, which extends the product service life, reduces customers’ life cycle costs, and

contributes to the preservation of the global environment.

In this way, we have been promoting the business model of “securing high-quality used equipment from the rental business” throughout the Hitachi Construction Machinery Group. Going forward, we will establish a scheme in which remanufactured rental equipment comes back to Hitachi Construction Machinery as used equipment so that our products are circulated around the world as reliable machinery suitable for long-term use. For this business model, we will service and then sell machines that have been leased for a relatively short period and returned, as well as trade-in machines. We define the period after maintenance during which the used machine is in operation as the first cycle. After the first cycle, the machine is traded

in, serviced again and resold for operation in the second cycle. The third cycle is the period during which the machine is in operation as a used machine after being remanufactured as necessary and resold. We envisage this circulation of machines occurring within a region. For each machine offered for resale, efficient preventive and regular maintenance will be provided using ConSite, as is the case with new machines. We will handle these machines as “PREMIUM USED,” for which maintenance is conducted based on their history and condition, to maintain their value over an extended period. With a view to extending the service life of machinery, we thus are transitioning to a resource-recycling business model.

■ Scheme to Ensure that Machines are Returned to Our Group as Used Equipment



- **SELECTED PARTS:** A brand offering after-sales service parts that are inexpensive while still providing performance close to that of genuine parts. The warranty period is the same as that of genuine parts.
- **REMANUFACTURED:** A brand offering genuine remanufactured parts from Hitachi Construction Machinery. The warranty is the same as for new parts.
- **PREMIUM USED:** A brand offering used equipment certified by Hitachi Construction Machinery and sold with a warranty.
- **De-Tier:** To change the specifications to adapt to the fuel properties of the operating area when exporting to countries or regions with different emissions regulations.
- **As is:** The transfer of used equipment in its current state (as is).

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