

Financial Results for FY2023

Quantitative Review of the Management Results for FY2023

- Sales revenue increased by 11% year on year, being propelled by a steady increase in sales, mainly in the Americas.
- Adjusted operating income and net income attributable to owners of the parent both hit a new record with a 23% increase and a 33% increase, respectively.

(billions of yen)

	Result for FY2023	Result for FY2022	Year-on-year change	
Continuing operations	Revenue	1,405.9	1,264.9	11%
	Adjusted operating income ^{*1}	168.0	136.6	23%
	Operating income	162.7	135.7	20%
	Income before income taxes	160.5	115.0	40%
	Profit from continuing operations	116.3	77.5	50%
Loss from discontinued operations	-11.8	1.7	—	
Net income attributable to owners of the parent	93.3	70.2	33%	
EBIT ^{*2}	167.5	121.3	38%	
Dividend per share ^{*3}	150 yen	110 yen	40 yen	

*1: "Adjusted operating income" is presented as revenues less cost of sales as well as selling, general and administrative expenses

*2: We calculate EBIT according to the following formula: Income before income taxes - Interest earned + Interest paid (EBIT stands for earnings before interest and taxes.)

*3: We pay dividends twice per fiscal year as interim and year-end dividends based on the principle that we distribute surplus funds in accordance with consolidated business results. We will work to maximize shareholder returns by continuing to pay dividends at the consolidated payout ratio of 30% to 40%.

Changes made in relation to information disclosure

For our financial performance for the fourth quarter of FY2023 onward, **non-core operations** in the specialized parts and service business segment **are categorized into "discontinued operations"** in line with the International Financial Reporting Standards (IFRS). (We have also recalculated the results for the previous years and the full-year forecast for FY2024 based on this categorization.)

- For sales revenue, adjusted operating income, operating income and income before income taxes, **the amounts shown are for continuing operations, excluding the amounts for discontinued operations.**
- For net income attributable to owners of the parent, **the total amount is shown by summing the amount for continuing operations and that for discontinued operations.**

Qualitative Review of the Management Results for FY2023

Core strategy	Major achievement
Delivering innovative solutions for customer needs	<ul style="list-style-type: none"> ■ Co-creation with partners across industries for net zero emissions at construction sites <ul style="list-style-type: none"> • Expanded collaboration for mobile charging equipment, which constitutes infrastructure indispensable for electric construction machinery. Specifically, began joint development with Kyushu Electric Power for the Japanese market. Also started the sale and rental of equipment supplied by Alfen B.V. of the Netherlands for the European market with financial support and cooperation from ITOCHU Corporation. • Decided to establish the ZERO EMISSION EV-LAB in Ichikawa City, Chiba Prefecture as a research base for co-creation with partner companies. ■ Expansion of the monitoring scope at multiple mining sites to contribute to higher on-site efficiency and the optimization of the entire operation at each mining site <ul style="list-style-type: none"> • Remotely monitored mining operations conducted at multiple mines at various points in the mining process from mineral extraction to mineral processing from three bases in Japan, Canada and Australia.
Enhancing the value chain business	<ul style="list-style-type: none"> ■ Consolidation of the remanufacturing bases in Japan and enhancement of the global remanufacturing bases to build a resource remanufacturing based business model <ul style="list-style-type: none"> • Located the consolidated remanufacturing base at the Banshu Works in Hyogo Prefecture and enhanced global cooperation to make it a mother factory for the remanufacturing business. • In the Americas, Hitachi Construction Machinery Americas supervised the remanufacturing business and Hitachi Construction Truck Manufacturing remanufactured the parts recovered from end-of-life super-large hydraulic excavators and dump trucks. Also, H-E Parts engaged in the remanufacturing of the cooling systems and engines of mining machinery.
Expanding business in the Americas	<ul style="list-style-type: none"> ■ Start of the sale of high value-added products <ul style="list-style-type: none"> • Started to deliver the ZAXIS-7 series as high value-added products to customers and steadily expanded sales. ■ Launch of operation by the joint venture financing company established with the ITOCHU Group <ul style="list-style-type: none"> • ZAXIS Finance was established as a joint venture between ITOCHU Corporation, Tokyo Century and U.S. subsidiaries of Hitachi Construction Machinery. This JV started to offer financing services to our local customers in May 2023 and to our dealers in September of the same year, in the U.S.
Strengthening human capital and corporate capabilities	<ul style="list-style-type: none"> ■ Acquisition of certification for the ISO 30414 human capital-related information disclosure guidelines ahead of other machinery manufacturers (in November 2023) and publication of <i>Human Capital Report 2023</i> ■ Formulation of a team of around 3,000 people, mainly researchers and developers, at the Tsuchiura Works to promote innovation ■ Organization of the first round of the KENKI BUSINESS CHALLENGE (KβC), which encourages employees to reshape the corporate culture by taking on the challenge of creating a new business

Financial Results for FY2023

Consolidated sales revenue by region

- We increased sales revenue in all regions excluding Russia & CIS and China by a total of 141 billion yen.

(billions of yen)

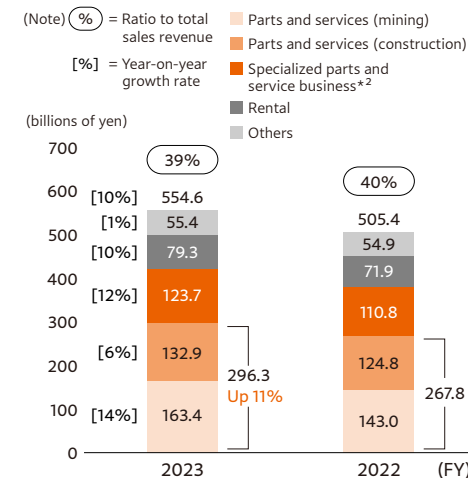
	Result for FY2023		Result for FY2022		Year-on-year comparison		
	Monetary amount	Change	Monetary amount	Change	Monetary amount	Change	
Japan	226.9	16%	224.0	18%	2.9	1%	
Asia	127.0	9%	122.7	10%	4.4	4%	
India	85.0	6%	73.1	6%	11.9	16%	
Oceania	251.1	18%	225.4	18%	25.7	11%	
Europe	182.9	13%	164.7	13%	18.2	11%	
The Americas	North America	334.4	24%	259.8	21%	74.6	29%
	Central and South America	40.9	3%	38.3	3%	2.5	7%
Gained through independent expansion	375.2 (217.5)	27% (15%)	298.1 (167.6)	24% (13%)	77.1 (49.8)	26% (30%)	
Russia & CIS	23.4	2%	37.4	3%	-14.0	-37%	
Middle East	34.7	2%	25.0	2%	9.8	39%	
Africa	70.4	5%	54.7	4%	15.7	29%	
China	29.2	2%	40.0	3%	-10.8	-27%	
Total	1,405.9	100%	1,264.9	100%	141.0	11%	
Overseas sales revenue ratio	84%	—	82%	—	—	—	

Changes in Sales Revenue in the Value Chain Business*1

- In FY2023, sales revenue increased by 10% year on year to 554.6 billion yen, thereby hitting a new record.
- Sales revenue from parts and services increased by 11% year on year. We also achieved better year-on-year results in other segments.
- Sales revenue in the value chain business accounts for 39% of our consolidated sales revenue, down one percentage point year on year due to the substantial growth of new vehicle sales.

*1: The value chain business is composed of all businesses other than the sale of new equipment and includes the sale of parts and services. It also includes the specialized parts and service business and the rental business.

*2: In the specialized parts and service business, we develop, manufacture and sell parts and offer service solutions as part of our after-sale services for mining equipment and machines that are not handled in the construction machinery business segment.



Consolidated cash flow

- For FY2023, operating cash flow amounted to 73 billion yen and free cash flow calculated by deducting the amount spent on investment was also positive at 34 billion yen.

(billions of yen)

	Result for 2023	Result for 2022	Year-on-year change
Cash flow from operating activities	73.0	-26.1	99.2
Operating cash flow margin	5.2%	-2.1%	7.3%
Cash flow related to investment activities	-39.0	-42.6	3.6
Free cash flow	34.0	-68.8	102.8
Cash flow related to financial activities	-8.9	87.1	-96.0