

Global Business Expansion

CMO Message

We will offer value to customers above and beyond their expectations through products & service developed to meet customer needs in each regional market.

Progress with the Medium-term Management Plan

In March 2022, Hitachi Construction Machinery made an announcement about the termination of the joint venture relationship with Deere & Company and the start of independent business expansion in the Americas. Subsequently, in FY2023, we were able to substantially boost sales in the region, being supported by favorable local market conditions. In the same fiscal year, we also took on the challenge of reforming the rental business in Japan based on the policy of becoming a true solutions provider by offering innovative solutions to customers, as upheld in the medium-term management plan. In the Japanese rental market, demand is greatest for hydraulic excavators in the 20-ton class, which are relatively cheap. In order to increase our presence in this fiercely competitive market, we decided to make effective use of our ability to provide solutions as our strength. Accordingly, we worked to transform the comprehensive rental business into a unique “Kenki-solution” rental business to provide customers, particularly those in our focus industries, with optimal rental machines, thereby offering more service value to them. Further, we succeeded in reducing fixed costs by starting to conduct the business mainly through medium-sized bases. We will continue to reform and expand the value chain business, including the used equipment and rental business, above and beyond our customers’ expectations.

Market Trends and Our Growth Strategies

The global construction machinery market is still in its growth stage on an overall basis. In FY2022, a shortage of semiconductor devices caused upheavals in the supply chain at the same time as market demand for the machines increased. The Hitachi Construction Machinery Group

was among the suppliers that were unable to meet the demand. The market disruption was mitigated in FY2023 even as demand for construction machinery in emerging economies increased in connection with infrastructure improvement and resource development. Demand for our products is likewise expected to expand in India, although the government will take some time to complete its budget following the national election. In Australia and South Africa, demand from the mining industry remained brisk for the exploitation of coal and iron ore deposits and the excavation of hard rock. In Europe, however, demand for houses dropped due to a rise in lending interest rates from 2023, and this has affected demand for construction machinery. In North America, local demand has remained brisk. It is predicted that interest rates will stabilize going forward, and we will continue to monitor the trend. In Japan, we cannot expect a substantial increase in public investment and construction demand, but the market will continue to be stable. In China, construction demand has dramatically decreased along with the stagnation of urban civil engineering projects and the market may take several years to recover.

The Hitachi Construction Machinery Group has been formulating growth strategies fit for each regional market. In particular, we have been embracing our biggest challenge for achieving growth in the Americas. Specifically, we increased the number of dealers who constitute our local dealer network from eight to 24 to build a network that covers 80% of the North American market. Also, in the Central and South American market, where we previously focused on the sale of mining machines, we took our first step toward selling construction machinery. The Americas represents a vast market and we will firmly increase the presence of the Hitachi brand and the Group in this market

Vice President and Executive Officer, CMO
President of Global Marketing Group,
General Manager of China Business Div.

Hidehiko Matsui



by meeting diverse needs of local customers, including those for parts, services, rental machines and premium used equipment, through the appropriate assignment of dealers.

Message to Our Stakeholders

In FY2023, following the lifting of restrictions on overseas travel linked to COVID-19, I visited the Group’s bases around the world. Through the visits, I noted that these bases have different systems and cultures and that what local customers expect from the Hitachi brand also differs by country and region. Hitachi Construction Machinery upholds the principle of “Customer Interest First,” and I regard it as my mission as Chief Marketing & Sales Officer (CMO) to work tirelessly to identify products and services that can contribute to our customers’ businesses and to use new insights to come up with novel proposals, thereby helping the company develop new products and services that can meet market needs. Another of my important roles is to demonstrate leadership for the achievement of the medium-term management plan, as we have promised our stakeholders, including our shareholders and investors. Some might say that you can increase your profitability simply by cutting off an unprofitable business, but this would only narrow the business scope of our dealers. We will therefore focus not only on profit margin but also on profit size. I would like to lead Hitachi Construction Machinery to be an enterprise that can return even more profit to shareholders by increasing its capital value and efficiency.

Americas

Hitachi Construction Machinery embarked on an independent business expansion in the Americas in March 2022. After dissolving its long-standing business partnership with Deere & Company, it established Hitachi Construction Machinery Americas Inc. as its regional headquarters for the Americas and has been developing sales channels. Hitachi Construction Machinery Americas was able to get off to a very strong start, thanks largely to monetary policy in the U.S. at the time as well as the administration's infrastructure investment policy, which both led to high demand for construction machinery. Consequently, both FY2022 and 2023 saw significant growth in performance. Sales revenue exceeded five times that of the period before the company's independent business expansion began, and the Americas accounted for 27% of the Group's total revenue, far exceeding other regions.

North America: Business Strategy

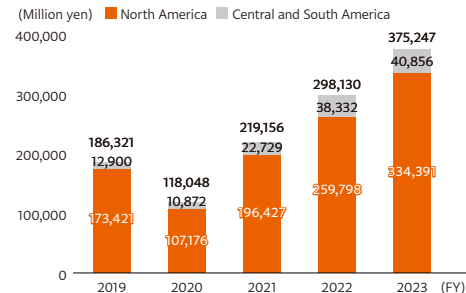
The business model for the Americas business since the 2022 launch involves the distribution of finished machinery manufactured in Japan through the Hitachi Construction Machinery Americas dealer network. Support, parts and services are provided by official dealers, through which a variety of service solutions centered around "ConSite" are offered. The Americas business has gotten off to a much better start than expected, establishing a system that facilitates the direct distribution of products, services and solutions to customers as value in this huge market. Before the partnership was dissolved, the supply of products under the Hitachi Construction Machinery brand was limited. When we embarked on the independent business expansion, we were determined to work from scratch to build trust in the brand under the banner of the Reliable Orange color. Happily for us, our brand recognition in the market turned out to be greater than expected, which we view as a testament to the trust we have gained from our customers through 45 years of business in the Americas.

There was significant demand in FY2022, and we rushed our production to meet customer expectations. Unfortunately, we were temporarily unable to deliver products due to difficulties in procuring semiconductors and other components. From the second half of FY2023, operations returned to normal and our products were stocked at each dealer. One of the main strategies aimed at improving our presence in the Americas, the Group's largest market, is to expand our value chain business. Utilizing our network of Group companies and dealers that already covers around 80% of the North American market, we are offering rental machinery, parts and ConSite service solutions. We will continue to earn even more trust from our customers by demonstrating how Hitachi Construction Machinery can contribute to their business not only with new products but also throughout the product life cycle.

- Direct access to North, Central and South American markets
- Established brand presence of over 45 years
- Shorter production lead time

Strengths	Weaknesses (Issues)
Opportunities	Risks
<ul style="list-style-type: none"> Growth in demand for construction machinery in Central and South America Growing momentum for electric and zero-emissions machinery 	<ul style="list-style-type: none"> Increase in purchase costs due to progressive yen depreciation Change in the business environment due to change of government

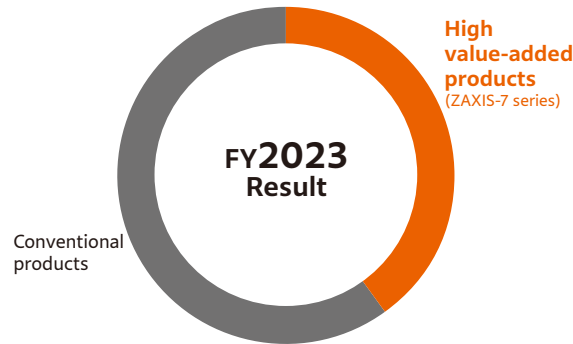
Sales Revenue by Region (Americas)



Launch of the ZAXIS-7 Series in the Americas

In August 2023, the high value-added ZAXIS-7 series was released in the North American market. In conjunction with this, Hitachi Construction Machinery Americas held a training session on the operability and features of the ZAXIS-7 series for approximately 100 sales and service staff from across North America. Offering higher added value than the conventional ZAXIS-6 series, ZAXIS-7 enables dealers to accommodate the needs of a wider range of customers. The ZAXIS-7 series has been selling well since its launch, accounting for nearly 40% of the total number of units sold in FY2023.

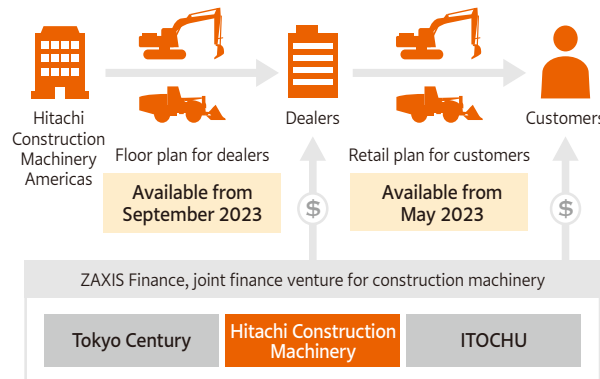
■ Sales of high value-added products in Americas



Upgrading Finance Business and Expanding Rental Business

ZAXIS Financial Services Americas, LLC. ("ZAXIS Finance"), a joint venture finance company funded by the U.S. subsidiaries of ITOCHU Corporation, Tokyo Century Corporation and Hitachi Construction Machinery Co., Ltd., began offering retail finance to U.S. customers in May 2023 and floor plan financing to U.S. dealers in September 2023. This should enable Hitachi Construction Machinery Americas to accelerate sales while controlling the increase in accounts receivable.

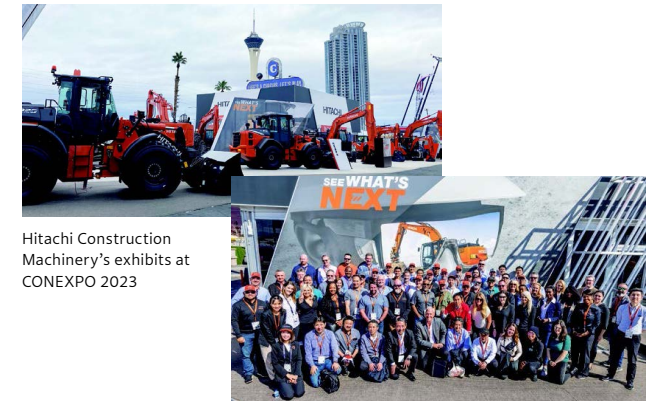
Hitachi Construction Machinery Americas is also aiming to expand its rental business. In the Americas, wholesale rentals are operated by the group company ACME Lift Company ("ACME") and retail rentals are operated by dealers. Although customers have rental needs, it is difficult for agencies and rental companies to invest in them due to the size of capital expenditures and investment efficiency. The wholesale rental service made available through ACME will provide services that meet customer needs while keeping asset growth in check. Allowing us to realize a rental business capable of delivering the products a customer requires in a timely manner.



Participating for the First Time in CONEXPO 2023, the Largest Construction Machinery Trade Show in North America

Hitachi Construction Machinery Americas took part in CONEXPO 2023 for the first time under the Hitachi Construction Machinery brand. The largest construction machinery trade show in North America, CONEXPO 2023 was held from March 14 to 18, 2023 and attracted 139,000 visitors over the five days. By showcasing its construction machinery and its parts and services business, Hitachi Construction Machinery Americas was able to highlight its ability to provide cutting-edge products, services and solutions in the Americas market, based on the track record cultivated by Hitachi Construction Machinery in the global market. Around 2,000 construction machinery manufacturers from around the world took part in the exhibition, making it a valuable opportunity to grasp global trends.

At the media conference and IR meeting, Hitachi Construction Machinery Americas' Chairman Sonosuke Ishii and CEO AI Quinn spoke about the company's achievements in the Americas and its future strategies, attracting the attention of industry journalists and analysts.



Central and South America: Business Strategies

In the Central and South American market, Hitachi Construction Machinery has been conducting business mainly in the mining sector. Like Africa, this region is characterized by its large number of countries, a diversity of languages and differing regulations. The Central and South American market is expected to grow due to the high demand for mining equipment, particularly dump trucks. We are therefore working to expand our service infrastructure for our eight dealers in South America, such as by establishing service support bases and remanufacturing plants. In countries like Brazil, where the market is large but import tariffs on finished products are high, it is also essential to cultivate the market by using the rental business as a foothold. From the perspective of strengthening the value chain business, we are planning to introduce well maintained used machinery from Japan to South America as a way to expand our business.

As part of the independent business expansion in the Americas, we are aiming to expand our construction business also in the Central and South American market and have started to expand the network of dealers to consolidate our sales system.

Establishing a Local Production and Service System for Dump Trucks in the Americas Market

Hitachi Construction Machinery has decided to begin full-scale production of dump trucks in FY2026 at Hitachi Construction Truck Manufacturing Ltd. (head office: Ontario, Canada), a group company responsible for the production and remanufacturing of dump truck maintenance and service parts. This will establish a local production and service framework for AC-driven dump trucks for mining in the Americas market.

For dump trucks produced in Canada, mainframes, welding structures and components such as engines and radiators will be locally sourced to improve the local procurement rate. Other key components will be imported from Japan to ensure the same level of reliability as Japan-made models. Engineers, including designers, will be present at Hitachi Construction Truck Manufacturing to flexibly respond to specification changes on individual trucks and deliver quality products and services that cater to customer needs.



Hitachi Construction Truck Manufacturing Ltd. (Ontario, Canada)

Bradken Purchases a Peruvian Foundry from Funtec

Bradken Pty Ltd (headquarters: New South Wales, Australia), a Hitachi Construction Machinery Group company that manufactures parts for mining equipment, purchased the land, buildings and facilities necessary for a foundry from Fundacion Tecnologica S.A. ("Funtec;" Chilca, Peru), a manufacturer of steel casting for mining sites in the Republic of Peru.

Bradken aims to rapidly supply products and further expand its mill liner business to respond to the vigorous demand in South America, the largest market for mill liners in the world, with a focus on Peru and Chile, where hard rock is mined in abundance. Bradken will make a capital investment in the foundry, with the first production run of large mill liners expected in 2026.



Foundry of Funtec (Chilca, Peru)

Seizing the Future in the Americas

Hitachi Construction Machinery Americas Opens New Headquarters Facilities Comprising Office Building and Conference & Training Center

Hitachi Construction Machinery Americas Inc., the regional headquarters for the Americas, held an opening ceremony on February 19, 2024 to celebrate the completion of its new office building and conference & training center in Newnan, Georgia. Designed and constructed with environmental friendliness in mind, the new buildings are equipped with the latest facilities. The company will use the new headquarters facilities to strengthen its proposal-making capability and support system for customers and dealers and further accelerate its business development.

The two new buildings were constructed on the site of a former wheel loader assembly and manufacturing factory and parts warehouse, with some of the structure and materials of the old buildings being reused. The conference & training center will be used to provide customers and dealers with training on the operation, maintenance and servicing of products. The office building will house the sales, parts and services, and administrative departments. In addition to the work space for employees, a command center will be set up to monitor the operating status of construction and mining machinery using the ConSite service solution tool. In addition, the building will serve as a hub to oversee parts remanufacturing and rental businesses, with a view to enhancing the company's support system and offering a broader range of service menus.



A full view of Hitachi Construction Machinery Americas' new facilities

Voice of Regional General Manager

Toward the Second Phase of Independent Business Expansion in the Americas Aiming to Achieve Sales Growth by Reinforcing a Structure to Enhance Operational Quality



Senior Vice President and Executive Officer
General Manager of America Business Div.
Chairman of Hitachi Construction Machinery
Americas Inc.
Sonosuke Ishii

This year marks the third year since the start of our independent business expansion in the Americas in March 2022. In February 2024, the new company facilities were completed to serve as the headquarters for our Americas operations. We held a grand opening ceremony with a number of dignitaries and business partners in attendance. Since then, we have received numerous visits from customers and dealers, held meetings and discussions, and provided various training sessions, strengthening our activities as the regional headquarters.

Although staffed with highly motivated personnel, our organization is still young, having been established only two and a half years ago. We are therefore promoting team-building and other activities necessary for new organizations, such as cross-cultural communication training. As our area of responsibility covers not only North America but also Central and South America, we have built up a workforce representing a diverse range of nationalities, including Puerto Rico, Brazil, Colombia and Venezuela, so that we can serve

customers and dealers in a manner that aligns with regional characteristics, including language. In addition, to allow us to interact effectively with the large number of geographically dispersed dealers spread across the vast land of the United States, we have also appointed regional staff on a remote basis to collect detailed customer and dealer information and respond to their requirements promptly.

We are aiming for a substantial year-on-year increase in sales in FY2024. We expect sales for the overall construction and compact market in North America to be on par with the previous year. As we are aware that competitors have completed replenishing their inventories, which had been running low following the pandemic, the competition is certain to intensify. Going forward, the expectation of our customers and dealers will shift from merely meeting delivery times to offering superior services. We will work on improving and reinforcing our operational quality as an initiative for the second phase of the independent business expansion in the Americas.

Our network of dealers in North America now covers around 80% of the market. We aim to cultivate the remaining market, develop new dealers and further expand our business operation. We have completed the deployment of staff in South America, where demand for mining equipment is currently high, while the head office in North America has also increased its staff and resumed production of dump trucks in Canada. Going forward, we will work to strengthen and review our partnerships with dealers. At the same time, in collaboration with group companies actively operating in the South American mining market, such as Bradken, H-E Parts and Wenco, we aim to establish a system that will enable the Hitachi Construction Machinery Group to comprehensively respond to the needs of the mining market.

Europe



- Having marketing and development bases close to customers

- Expansion of direct sales and service networks

Strengths

Weaknesses (Issues)

Opportunities

Risks

- Growing momentum for electrified and zero-emissions machinery and for the sharing economy

- Intensifying geopolitical risks
- Inflation and the restraint of infrastructure investment

The Hitachi Construction Machinery Group has operated in Europe for many years, having established Hitachi Construction Machinery (Europe) in 1972 as its regional headquarters to meet the demands of the market in cooperation with dealers. In 2018, the Group established the European Application Center (EAC), which develops electrified and applied products tailored to meet the market's specific characteristics. The EAC has working ever since to offer cutting-edge construction machinery and solutions.

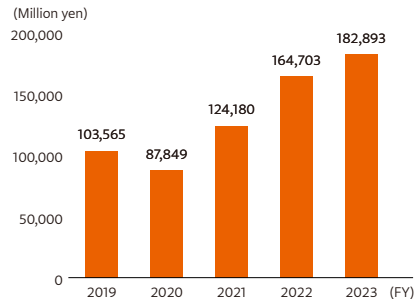
Establishing a Marketing and Development System to Respond to Changes in Demand in the Environmentally Advanced European Market

The EU has published a policy to effectively ban the sale of new gasoline-powered vehicles by 2035. In response, the Group established the EAC, which is responsible for the development of electrified products in Germany, as a development base with marketing functions to build a system that is highly attuned to local needs. The rate of use of electrically powered construction machinery varies from country to country, but the rapid shift toward EVs in Germany in particular is also affecting the construction machinery industry. Moreover, the switch from engine-driven to battery-driven mini excavators for use at work sites in densely populated urban areas has provided the advantage of noise reduction. This has led to new developments in the market, with not only construction machinery manufacturers but also dealers working independently to launch sales of electric construction machinery powered by swappable batteries.

In order to respond to this trend, Hitachi Construction Machinery has worked in collaboration with the EAC on the electrification of construction machinery that meets customer needs while still using components of existing machines. At bauma, the international construction machinery trade fair held once every three years in the German city of Munich, Hitachi Construction Machinery's electric products have attracted a great deal of attention from visitors from around the world.

In the U.K. market, we have a sales and service system directly managed by the manufacturer, and are strengthening our rental business and developing a business with high asset efficiency based on the concept of resource recycling. We have just started implementing a new business model, in which rented products with relatively short service years are sold as PREMIUM USED machinery (guaranteed used machinery) within Europe.

Sales Revenue by Region (Europe)



Voice of Regional General Manager

Reinforcing the Value Chain Business with Asset Efficiency in Mind in the Relatively Stable Market

Representative Executive Officer,
Senior Vice President and Executive Officer
President of Construction Business Unit
General Manager of EMEA Business Div.
Chairman of Hitachi Construction Machinery (Europe) N.V.

Yusuke Kajita



In Europe, demand from four major countries (Germany, the U.K., France and Italy) accounts for nearly 70% of the market, so it is essential to pay close attention to the trends in Germany and the U.K., in particular. The market is characterized by a serious shortage of labor and strong environmental regulations, along with strong needs for digitalization, a wide range of attachments, and electric machines that can help achieve zero emissions. Hitachi Construction Machinery (Europe) works closely with 39 direct and independent dealers across Europe to accurately understand end-user needs and provides solutions that combine hardware, digital technology and software to differentiate ourselves from competitors. We maintain an appropriate level of dealer inventory to increase sales prices and to expand our market share. In addition, at KTEG, a joint venture funded jointly with Hitachi Construction Machinery's German distributor, efforts are being made to develop products that meet the advanced needs of the European market. The outcomes of the effort will be deployed not only in Europe, but also in North America and Japan. We are also strengthening our efforts to capture the needs for rental machines and equipment through the R2R* program in collaboration with a British subsidiary rental company and dealers. Furthermore, we will expand our business through reconstruction projects in Eastern Europe, capturing small-scale mining demand and expanding sales of spare parts.

*R2R (Rent to Rent): A business model in which a rental company leases machinery to dealers and other rental companies

TOPICS – Europe

Launch of an Energy Storage System Business for Electric Construction Machinery

In October 2023, Hitachi Construction Machinery launched a business to provide energy storage systems for electric construction machinery in Europe. In collaboration with Alfen B.V. (“Alfen”), a manufacturer of energy storage systems (head office: the Netherlands), and ITOCHU Corporation, the company will sell and rent the storage systems in 14 European countries, including the Netherlands, the United Kingdom, and France.

Demand for electric construction machinery, which has a low environmental impact and produces less noise, is growing across Europe, but the lack of charging facilities near construction sites poses a challenge to widespread use.

With a length of three meters, Alfen’s charging equipment is about the size of a small container and can be transported by truck. ITOCHU Corporation provides financing to Hitachi Construction Machinery and its dealers, and supports the expansion of the rental business without increasing the Group’s assets. Hitachi Construction Machinery estimates that the proportion of electric construction machinery in the European construction machinery market will grow to between 15% and 22% by 2030 and, through the provision of these storage systems and other initiatives, we aim to overcome the obstacles to electrification one by one.



Hitachi Construction Machinery’s battery-driven excavators powered by Alfen’s mobile storage system

TOPICS – Europe

Acquisition of French Dealer Cobemat SAS

Hitachi Construction Machinery (Europe) N.V. (headquarters: the Netherlands), the European regional headquarters of Hitachi Construction Machinery, has concluded a share transfer agreement with Cobemat, a leading dealer in France. Cobemat became a wholly owned subsidiary on April 1, 2023, and was rebranded as Hitachi Construction Machinery France S.A.S.

Cobemat began working with Hitachi Construction Machinery (Europe) as the authorized Hitachi dealer in 2003. Having gradually expanded its sales area, it now cover approximately 50% of the French market, including the capital Paris, where major construction companies are based. With the conclusion of this contract, the company plans to operate at six locations as a sales and service subsidiary directly overseen by the Hitachi Construction Machinery Group. The company will strengthen its competitiveness through a sales and service system directly managed by the manufacturer; accelerate value chain businesses such as parts and servicing, rentals, and used machinery; and propose optimal solutions to address customer issues and needs concerning products able to support ICT and contribute to zero emissions. It will also expand its business by growing the size of its rental fleet, focusing on medium- and large-sized hydraulic excavators and wheel loaders, and providing high-quality rental equipment and used machinery that has been properly serviced and maintained by the Hitachi Construction Machinery Group.



Then Hitachi Construction Machinery (Europe) President Takaharu Ikeda (left) and then Cobemat owner Xavier Beaulieu (right)

Russia, CIS, Africa and Middle East



- Africa: Remanufacturing business of Hitachi Construction Machinery Zambia
- CIS: Solid sales and service networks mainly for mining equipment
- Middle East: Multi-sourcing and presence in the mining industry

- Africa: A lineup of construction equipment
- CIS: Building logistics
- Middle East: Finance and rental businesses

Strengths

Weaknesses (Issues)

Opportunities

Risks

- Africa: Accelerating shift to electrification at mines
- CIS: Growing demand for mining equipment
- Middle East: Electrification of used machinery

- Africa: Sovereign risk
- CIS: Penetration of neighboring Chinese brands
- Middle East: Situations in the Middle East, high distribution cost

CIS, Africa and the Middle East have vast land areas and are rich in oil, natural gas and other natural resources. These regions have active demands for construction and mining equipment for urban civil engineering, pipeline construction and mine sites. Hitachi Construction Machinery has built a strong reputation for its Reliable Orange brand in these regions over many years.

Africa: Strong expectations for the demand increase at Copper Mines in Zambia and Democratic Republic of The Congo

Although the coal industries is in adverse circumstances due to the trend of decarbonization, demand for coal export to India is strong and the situation in coal mines in the territories are supported by this. In contrast, the global trends toward decarbonization and electrification are driving brisk demand for copper, and there are high expectations for increased investment in mining equipment in the so-called Copper Belt region, particularly in Zambia and the Democratic Republic of the Congo (DRC). There are ongoing concerns, however, about the business risks inherent in this area.

Hitachi Construction Machinery's business operations in the region are driven by Hitachi Construction Machinery Zambia, which meets the needs of copper mine developers in Zambia and the DRC through its remanufacturing business. In addition, we are seeking to expand business opportunities and establish competitive commercial terms through collaboration with ITOCHU Corporation in response to the accelerating trend toward electrification in the mining industry. In the construction business, the challenge is to expand the product lineup for increasing the earnings of independent dealers.

In FY2023, we captured multiple large orders for mining equipment in the DRC, Zambia and South Africa. In FY2024, we will successfully complete these deliveries and engage them to our value chain business.

CIS: Capturing Demand for Mining Equipment by Building Efficient Logistics

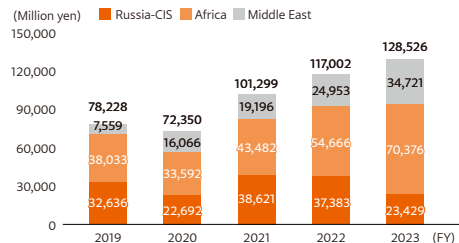
In CIS market, Eurasian Machinery, a Hitachi Construction Machinery Group dealer in Central Asia, has established solid sales and service networks mainly for mining equipment. With exploiting abundant underground resources, we expect continuous demand for mining equipment. Nevertheless, given its great distance from Hitachi Construction Machinery Group's global production footprints, our challenge is to build efficient logistics. In addition, leveraging reliability of Hitachi Construction Machinery's mining equipment, we continue to maintain and strengthen our competitiveness over neighboring Chinese brands, which have been aggressively penetrating the market in last years.

Middle East: A Promising Market with Abundant Natural Resources and Potential for Economic Growth

The economies of the Middle East are heavily dependent on oil, natural gas and other energy resources. At the same time, opportunities for environmental businesses, such as business related to renewable energy, are expanding. In addition, e-commerce is growing in tandem with the rapid digitalization of society. Compared with Japan and developed countries in Europe and the U.S., the average age of this region is younger and the potential for future economic growth is high.

Hitachi Construction Machinery has a long-established network of dealers in the Middle Eastern market, and its high-quality used construction machinery from Japan is well regarded. In FY2023, we launched the ZAXIS-7 series of hydraulic excavators and the ZW-7 series of wheel loaders in Turkey. The ZAXIS-7G series has also been introduced to the rest of the Middle Eastern market and ConSite has been highly acclaimed. We also aim to be a solutions provider that offers a range of Reliable Solutions: the BX100 backhoe loader, the ZV650W walk behind roller made in Japan, Drilling equipment for mining exploration made in Turkey, and the electric conversion of diesel excavators.

Sales Revenue by Region (Russia, CIS, Africa and Middle East)



Voice of Regional General Manager

Reinforcing After-Sales Services for Greater Customer Satisfaction

General Manager of Russia & CIS Business Div.
President of LLC Hitachi Construction Machinery Eurasia
Atsuo Hashimoto



Kazakhstan, Uzbekistan and other Central Asian countries that form the core of CIS market have achieved significant economic growth in last years, and exploitation of underground resources such as oil, gas and minerals has been particularly active. In addition, with young and vital populations, these countries are actively promoting to attract foreign investments, laying out such an investing environment.

Since 2018, Hitachi Construction Machinery has shown its commitment to the markets of Kazakhstan, Uzbekistan and other countries in the region by establishing Eurasian Machinery as its affiliate and dealer. Furthermore, by strengthening its component remanufacturing base in Kazakhstan, the company has helped customers in Central Asia to reduce their running costs and contribute to the circular economy in the region.

We will continue to meet the demand for mining equipment, which is growing with underground resource exploitation in the region. In the after-sales service field, we will further strengthen our parts and service bases in each locations, including customers' mining sites to meet their satisfaction.

Going forward, we will work with Hitachi Construction Machinery Group companies around the world to circulate remanufactured components outside CIS region. We aim to contribute to electrification in mines and the reduction of CO₂ emissions in the region through our ultra-large electric hydraulic excavators and trolley-powered dump trucks.

Voice of Regional General Manager (Africa)

Ensuring Successful Delivery of Large Orders for Mining Equipment to Secure a Stable Revenue Base

General Manager of Africa Business Div.
President of Hitachi Construction Machinery Africa (Pty.) Ltd.
Toshiya Hasemi



The business in the African region has always the concerns of political instability, financial difficulties and inadequate infrastructure. When developing our activities in the region, we therefore must pay close attention to risk management. Nevertheless, we aspire to take on new challenges (regions, products, projects) while we keep strengthening and stabilizing the foundations of our existing businesses.

For our robust business foundations, we are committed to successfully complete the delivery of large orders for mining equipment between FY2023 and FY2024 and then leverage these orders to secure stable earnings from the parts and services business over the next 10 years. To underpin this strategy, it is essential to secure appropriately skilled personnel. Although we currently rely on support from overseas engineers, we plan to actively promote on-site training and the use of local talent in the future.

As for a growth strategy, we have high expectations for the initiatives the Japanese government is taking as part of the Global South strategy in the region, which is highly dependent on China fund. In particular, in terms of initiatives to reduce greenhouse gases, we have delivered electric hydraulic excavators and trolley-powered dump trucks to mining sites, and are conducting proof-of concept tests of full-battery driven dump trucks at mining sites in Zambia. By highlighting that these machines are environmentally superior and significantly contribute to reducing fuel consumption at mining sites, we hope to establish ourselves as a solution provider.

Voice of Regional General Manager (Middle East)

Capturing the Growing Needs in the Mining Industry to Drive Growth

President of Hitachi Construction Machinery Middle East Corp. FZE
Manabu Arami



Hitachi Construction Machinery Middle East Corporation has offices in Dubai, the U.A.E. and Istanbul, Turkey, and provides marketing, sales and after-sales services in the Middle East and East Africa through local dealers.

The newly launched ZAXIS-7 and ZAXIS-7G series have been developed to provide customers with safety, environmental performance, high productivity and low life cycle costs. Since 2021, we have been conducting Value Based Selling (VBS) training to improve dealer capabilities and enhance their ability to make value-based proposals to customers. More than 100 dealer staff in total have received the training so far. In 2024, we held a dealer meeting in January and new product training sessions in June to strengthen our relation with dealers. We also take part in exhibitions as a way to increase brand recognition in each market. To ensure that customers satisfaction, we are increasing the efficiency of the supply of service parts and improving availability by expanding the parts warehouse and introducing a warehouse management system (WMS). In addition, with the mining industry booming in many countries, we exhibited at the Future Minerals Forum held in Saudi Arabia and discussed changes in mining and quarrying regulations and "net zero emissions mining." The world is changing, and the Middle East is changing along with it. Recognizing this change as an opportunity, Hitachi Construction Machinery Middle East will continue to listen to the voices of our customers and provide Reliable Solutions under the slogan, "One Team for creating customer value."

Asia and Pacific



- Development, production, sales and service system directly managed by the manufacturer
- Established presence as the Hitachi Construction Machinery brand
- New approaches to succeed amid intensifying market competition

Strengths

Weaknesses (Issues)

Opportunities

Risks

- Growing demand for high-quality machines and services
- Expansion of Chinese construction machinery manufacturers

Hitachi Construction Machinery has a long history of business in the Asian region, where the population is rapidly increasing. We have established a network of affiliates, subsidiaries and dealers as a solid basis for product sales and the value chain business. In Indonesia, we have established production, development and parts remanufacturing bases to serve as a business hub for Asia. In the Oceania region, Hitachi Construction Machinery has established a solid presence, particularly in the mining and construction industries.

Indonesia: Cumulative Shipment of 50,000 Units of Medium-Size Hydraulic Excavators

In December 2023, Hitachi Construction Machinery Indonesia achieved cumulative shipments of 50,000 units of medium-size hydraulic excavators ranging from 11 to 30 tons. The company began producing these excavators at its first factory in 1993, shipping 222 units in that year. Thereafter, production steadily increased as demand in the Southeast Asian market grew. In addition to their use in urban civil engineering in Southeast Asia, Hitachi Construction Machinery's hydraulic excavators are highly rated for their durability and quality in sites that require heavy duty equipment in the agriculture, forestry and mining industries. To respond to the growing demand for higher-quality products, the company launched the ZAXIS-7G series of medium- and large-size hydraulic excavators in February 2024. Hitachi Construction Machinery Indonesia will continue to develop and produce products that meet the needs of customers in Southeast Asia and surrounding areas as well as expand into the Middle East, Africa, Europe and other regions.

Indonesia consists of a chain of islands stretching 5,000 km from east to west. This geography makes the timely supply of maintenance parts particularly important in the country. To meet this need, a new parts remanufacturing plant for medium- and large-size hydraulic excavators was built on the premises of Hitachi Construction Machinery Indonesia's first factory, and operations began in June 2021. The widespread use of ConSite, not only in Indonesia but also in other Southeast Asian countries such as Malaysia, Thailand, the Philippines and Vietnam, has enabled the timely supply of high-quality remanufactured parts, contributing to the stable operation of our customers' machinery and reducing their life cycle costs.

Oceania: Verification Test of Operator Assist System for Ultra-Large Hydraulic Excavators at Australian Mine Site

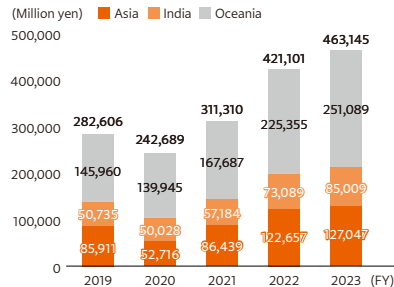
Hitachi Construction Machinery has developed an Operator Assist System aimed at supporting the digging and loading operations of ultra-large hydraulic excavators. It commenced a verification test at one of Rio Tinto's mine sites in late March 2024 with a view to commercialization. The verification test is being performed at one of the mining giant's iron ore mines in the Pilbara region of Western Australia. Sensors, monitors and other equipment are attached to an EX3600-7 ultra-large hydraulic backhoe excavator (operating weight of 360 tons) to conduct a performance verification of digging and loading tasks by the Operator Assist System and verification of the usability of the monitor display installed in the operator cab.

Mines producing iron ore, copper and other mineral resources are required to maintain stable operations 24 hours a day, 365 days a year. The operators of ultra-large hydraulic excavators at these sites are tasked with efficiently digging up materials and repeatedly loading them onto dump trucks while carefully avoiding contact and collisions with surrounding machinery. The Operator Assist System contributes to reducing operator burden, improving safety and productivity and reducing fuel consumption at mine sites. Conducting the testing on the customer's site will demonstrate the practical application of the Operator Assist System and help to improve the accuracy of the system going forward.



EX3600-7 ultra-large hydraulic backhoe excavator

Sales Revenue by Region (Asia and Oceania)



Voice of Regional General Manager (Asia)

Maintaining a High Market Share in a Market with High Growth Potential

General Manager of Asia Business Div.
CEO and Director of PT Hexindo Adiperkasa
Tbk (Indonesia)

Yasumasa Zaizen



The Asian region is a market with high growth potential, with development being underway in many countries in addition to the demand coming from major cities such as Singapore. Palm plantations and pulpwood forestry, which take advantage of the tropical climate, are also thriving, and many construction machines are operating day and night. The region is also blessed with mineral resources and is a major market for mining equipment. The Asia Business Division has two production factories in Indonesia, one for medium-size machines (10 to 30 tons) and the other for mining equipment. Both factories supply machinery mainly to within the Asian region. Producing products close to the market reduces transportation costs and allows us to reflect unique local needs in product design in a timely manner. Our products designed for palm plantations and forestry in particular have been highly acclaimed by our customers and we have maintained a substantial market share. In addition, we have a component remanufacturing plant in Kalimantan, where many mines are located, as a support base for mining products, supporting customers' 24/7 operation. In Indonesia, Malaysia and Thailand, where our products are in high demand, our directly managed dealers are engaged in sales and service, enabling us to quickly respond to customer requests in close cooperation with production factories.

In FY2024, we will release the 7G series featuring excellent fuel efficiency, in addition to the 5G series, which has been well received for its high durability. Depending on demand, models from both the 5G and 7G series will be offered in different countries. By meticulously catering to the requirements of our customers sites, we intend to achieve tremendous progress this year.

Voice of Regional General Manager (India)

Maintaining Market Share by Offering High Value-Added Products and Services

Executive Officer
General Manager of India Business Div. and
President & Director of Tata Hitachi Construction
Machinery Company Private Limited

Sandeep Singh



India, recognized as the fastest-growing large economy, is currently focusing on extensive infrastructure development. This has led with diverse requirements for construction equipment. The presence of nearly all major construction equipment including three Chinese manufacturers in the country has resulted in a highly competitive industry landscape.

Tata Hitachi Construction Machinery, as the market leader in Excavators, addresses the varied needs of its customers through a strategic approach involving two key product series: the EX series and the ZAXIS series. This strategy is bolstered by our extensive network of dealers with strong after sales support, ensuring we reach and serve customers in every region of the country.

We are committed to maintaining this approach in FY24 and beyond, by strengthening value-added products such as Used Equipment and Rentals designed to enhance customer profitability.

Voice of Regional General Manager (Oceania)

Remaining a Supplier of Choice by Developing Innovative Solutions

Executive Officer
General Manager of Oceania Business Div. and
President & Director of Hitachi Construction Machinery
Oceania Pty., Ltd, President & Director of Hitachi
Construction Machinery Australia Pty., Ltd.

Ray Kitic



Hitachi Construction Machinery's Oceania business units continue their strong commercial performance in the Construction and Mining sectors. Central to our long-term success and resilience is a key focus on value chain. Our Value Chain ratios have continuously exceeded 50% of total turnover for many years. In particular, the parts and services streams underpin the resilience and commercial returns irrespective of external market conditions. We continue to strive to be the supplier of choice, by remaining agile and developing innovative solutions such as Modularisation, where we reduce costs, increase equipment availability, simplify the repair process, and more importantly create a safer working environment on customer sites. We partner with key customers, rather than being a mere supplier.

Our remanufacturing facilities are integral in our path towards driving the circular economy. Within these facilities we continue to evolve and further refine reuse procedures to provide not only the lowest cost offering, but importantly reduce our impact on the environment. The increased focus and often aspirational targets on decarbonisation from our customers align perfectly with our core value of reducing our carbon footprint. Our partnered solutions are being delivered by utilising the vast global capability with collaborating with external partners.

China



- Establishment of the regional headquarters
- Long-standing production bases and supplier network
- Differentiation from Chinese manufacturers

Strengths	Weaknesses (Issues)
<ul style="list-style-type: none"> Steady demand for large construction machinery and mining equipment Demand for electric machinery 	<ul style="list-style-type: none"> Prolonged real estate recession Overseas expansion by Chinese manufacturers
Opportunities	Risks

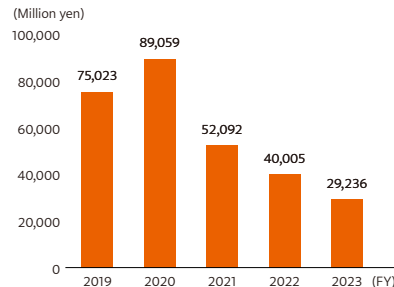
Hitachi Construction Machinery (China) started full-scale production in 1995 in the Chinese city of Hefei. Today, its production capacity has expanded to be second only to Japan. In 2013, it also started local production of hydraulic machinery parts, establishing a business foundation based on local production for local consumption while serving as an indispensable supply base for Europe and the rest of Asia.

Implementing Strategies in Procurement, Production and Sales

The Chinese construction machinery market fell sharply in 2019 due to the spread of COVID-19 and in 2021 due to lockdowns. While demand for Chinese produced machinery has recovered to a certain extent, demand for machinery from foreign manufacturers, including our company, fell sharply again in FY2023. The worsening real estate slowdown since 2021 is expected to linger for some time. In addition, Chinese construction machinery manufacturers are expanding exports to Southeast Asia and other parts of the world in order to sustain GDP growth amid the limited growth in domestic demand. As the overall production capacity of Chinese manufacturers is sufficient to meet worldwide demand, we view this as a major cause for concern. Hitachi Construction Machinery is thus confronted with the challenge of securing and retaining good customers. Hitachi Construction Machinery Distribution (China) Co., Ltd. began operations in November 2022 as a sales and service company in China. It is currently undergoing an organizational restructuring with the aim of strengthening its business.

Meanwhile, we recognize that China is an important production base. The production bases in China have the longest history of any of our overseas factories, and they also have large-scale production capacities and engineering capabilities. In addition, there are many excellent procurement partners for electrification, which makes the country a strategically important area for procurement. We will develop business strategies in a manner that aligns with the changing operational environment in terms of production and sales as well as procurement.

Sales Revenue by Region (China)



Voice of Regional General Manager

Preparing Ourselves for a Market Recovery through Structural Reform and Implementing Business Strategies that Anticipate Change

Vice President and Executive Officer, CMO
President of Global Marketing Group,
General Manager of China Business Div.

Hidehiko Matsui

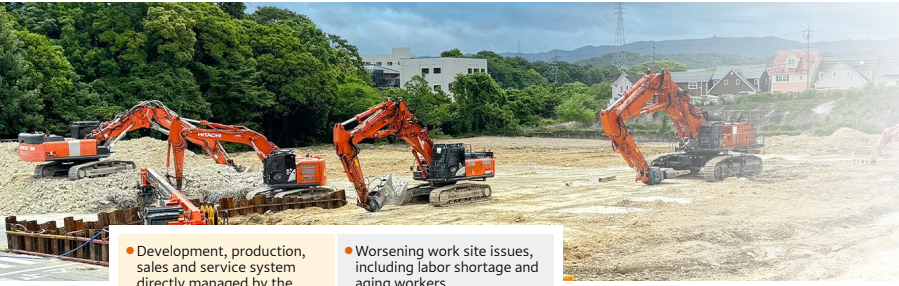


As is evident from the real estate slump, the Chinese market is slowing down, which has significantly impacted the demand for construction machinery. Demand for hydraulic excavators has been sluggish since FY2021, and both domestic and foreign manufacturers have suffered a significant decline in sales. We expect it will take some time for demand to recover. Despite this, there is a certain level of demand for construction machinery for agriculture, forestry and mining. Our company is therefore developing sales strategies with a focus on large-size hydraulic excavators for mining, which require high functionality, durability and reliability.

In FY2023, we worked to reform the business structure of our sales companies and dealers. We established a new company to oversee the sales and service operations in November 2022, and promoted reforms at each dealer, such as strengthening efforts in the mining industry or reviewing the rental business, as appropriate. We believe that the market as a whole will eventually recover despite the current slowdown. We therefore continue to push forward with structural reforms, while also implementing business strategies that will allow us to respond quickly to change.

Our China business revolves around Hitachi Construction Machinery (China), a development and manufacturing company located in Hefei, Anhui Province. The machinery produced at the company's factory is sold not only in the Chinese market but also in various regions such as Europe, Southeast Asia and Africa. China also plays a role as a supplier of products, and we see it as a promising strategic region for procurement as the shift to EVs advances in the future. We are committed to firmly establishing our business in the Chinese market.

Japan



- Development, production, sales and service system directly managed by the manufacturer
- Established customer base and brand presence
- Worsening work site issues, including labor shortage and aging workers

Strengths

Weaknesses (Issues)

Opportunities

Risks

- Growing momentum for electrified and zero-emissions machinery and for sharing economy
- Progressive yen depreciation, rising costs of raw materials and energy
- Curbing infrastructure investment

Since its founding in the 1950s as a Japanese construction machinery manufacturer, Hitachi Construction Machinery has accumulated experience and a proven track record in the global market over the past 70 years. We have established a system for developing unique technologies overseas based on our integrated product, service and solution development system in Japan. In addition, we continue to provide Reliable Solutions to solve the issues facing our customers at construction sites in the Japanese market, where the population is both aging and declining.

Co-Creating Zero-Emissions Construction Sites Together with Customers and Partners

In recent years, there has been growing interest among construction companies in electric construction machinery that emits no CO₂ or other greenhouse gases when in operation. However, construction machinery is sometimes used in places where no recharging facilities or temporary power sources are available. In order to achieve zero emissions at construction sites, it is therefore necessary to propose solutions tailored to the customer, including not only the introduction of electric construction equipment but also the development of infrastructure such as charging facilities and their efficient operation.

With this in mind, in May 2024 we opened the “ZERO EMISSION EV-LAB” research facility in Ichikawa City, Chiba Prefecture, with the aim of promoting collaborative creation with customers and partners to achieve zero emissions at work sites. The lab features battery-powered electric excavators manufactured by the Hitachi Construction Machinery Group, as well as mobile energy storage systems and other related construction equipment. Furthermore, Isuzu Motors Limited, ITOCHU Corporation and Kyushu Electric Power Co., Inc. will work together as ZERO EMISSION EV-LAB partners to promote the establishment of zero-emissions business models. The EV-Lab features a demo area that can simulate sites where electrically powered construction machinery and equipment are in operation and a communication area for exchanging views and brainstorming new ideas with visitors. We will make the facility into a venue where we can explore related issues and the possibilities for achieving zero emissions across all construction sites in collaboration with customers and partners all over the world.

Voice of Regional General Manager

Living Up to Our Aspiration to be “the First Choice for Enduring Partnership” by Solving Issues of a Customer

Executive Officer,
General Manager of Japan Business Div. and
President & Representative Director of
Hitachi Construction Machinery Japan Co., Ltd.
Masaaki Hirose



The construction industry in Japan is facing a number of challenges, including a shortage of workers, an aging workforce and environmental issues. Against this background, we propose the best solutions to meet the challenges faced by our customers. In particular, to address the pressing issues of a shortage of manpower and an aging workforce, it is urgent to improve productivity at construction sites. We contribute to the enhancement of productivity and safety with the “P-Line” attachment-changing system, which allows the operator to change attachments by himself/herself, and the “Solution Linkage MG” retrofit kit, which provides 3D guidance to the operator using ICT and IoT. In terms of environmental considerations, we contribute to achieving carbon neutrality, focusing on the use of battery-powered electric excavators and remanufactured parts. Through these solutions, we will expand our business while at the same time working to achieve sustainable growth and enhance our corporate value, with a focus on “establishing a business model as a manufacturer’s rental service,” “strengthening collaboration with business partners” and “expanding the ICT solutions business.”

We strive to create new value through collaboration with our stakeholders and to live up to our aspiration to “Be the first choice for enduring partnership.”

Sales Revenue by Region (Japan)

