

Hitachi Construction Machinery's Competitive Edge

The Hitachi Construction Machinery Group has accumulated its capital over a 70-year history. These six types of capital constitute the competitive edge that enables us to meet the expectations of stakeholders and form the source from which we create sustainable value.

(Note) Unless otherwise stated, figures are as of the end of fiscal year 2020.

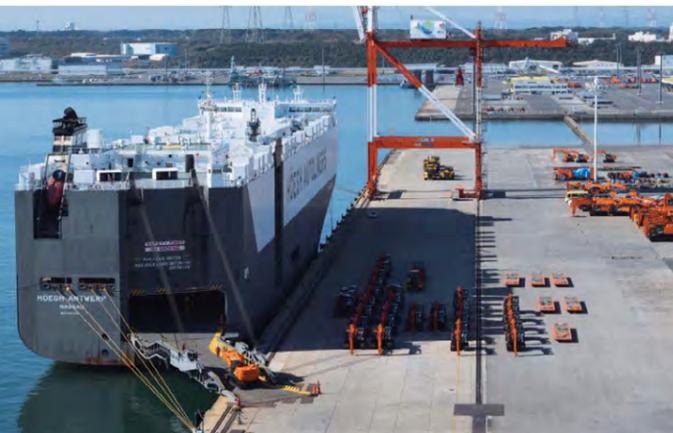


Financial Capital

Extremely sound financial base that supports sustainable growth

- Parent company shareholders' equity (equity capital): 514.3 billion yen
- Net interest-bearing liabilities*: 249.2 billion yen
- Dividend payout ratio: 41.1% (FY2020 actual results)
- Profitability stemming from an increase in corporate and shareholder value as well as the ability to generate cash flow

*Net interest-bearing liabilities = Interest-bearing liabilities – the balance of cash and cash equivalents at the end of the period



Manufacturing Capital

Establishment of a system to provide global products, services, and solutions

- Development of construction machinery that has supported both social infrastructure development and industries around the world over the course of 70 years
- Provision of innovative and highly *reliable solutions*
- Development and provision of ICT and IoT-based solutions
- Assuring quality uniformity around the world through the *Made by Hitachi* global manufacturing system.
- Increased investment in our global bases (50 billion yen by FY2027)
- Production bases: 14 in Japan, 15 overseas
- Expansion of our global parts remanufacturing business



Intellectual Capital

Possession of knowledge and expertise related to construction and mining machinery

- Research and development expenses: 24.8 billion yen (FY2020 actual)
- Overseas patent application ratio: 30% or more
- Improvement of welding techniques and technology on a global scale by holding international skills competitions
- Knowledge and technology related to construction machinery and mining, various patent rights, and expertise related to on-site operations

Human Capital

Employees from diverse backgrounds working with the Kenkijin Spirit

- Consolidated number of employees: 24,873
- Diverse regional workforce: Japan 39.5%, Asia/Oceania 37.4%, China 10.7%, Europe 2.8%, Russia-CIS/Africa/Middle East 4.8%, Americas 4.8%
- The *Kenkijin Spirit* is a globally shared set of values and code of conduct.
- Number of participants in the *Self-Improvement Program* for assistant managers and above, including senior executives: more than 2,000 in total, including groups in Japan and overseas (as of June 2021)
- Four independent outside directors (including two female directors)
- Skilled employees with high levels of expertise



Social and Relationship Capital

A Global network, the power of the One Hitachi brand and the trust it inspires

- Sales network composed of nine global business units (Japan, Asia, Oceania, China, India, Europe and the Middle East, Russia-CIS, Africa, and the Americas)
- Comprehensive strength and brand power of One Hitachi
- Operating in over 100 countries and regions worldwide. A network that connects production sites, headquarters, and domestic and overseas distributors



Natural Capital

Reduction of environmental impact throughout the entire value chain

- Focusing on environmental management since the establishment of the Environmental Division in 1991
- Obtained SBT certification (2019)
- Number of environmentally conscious products: 259 models in total
- Recycling rate (Japan): 83.3% (FY2020 results)
- Development capabilities related to electric construction machinery fostered through collaboration with Europe, a leader in environmental policies and regulations
- Energy-saving and carbon-reduction technologies cultivated over many years that contribute to achieving carbon neutrality
- Reduction of CO₂ emissions and development of water-saving activities at production factories

