

FY2020-2022 Medium-term Management Plan

Realizing Tomorrow's Opportunities 2022

Positioning of the New Medium-term Management Plan

The Hitachi Construction Machinery Group has formulated its medium-term management plan, "Realizing Tomorrow's Opportunities 2022", which will end in FY2022. This plan serves as an intermediate step toward 2030. During the previous medi-

um-term management plan, we shifted from a business model focused on new machines sales to a value chain business targeting machines operating worldwide. In this medium-term plan, we will solve customers' issues by leveraging digital technologies to deepen the value chain business that was our focus during the previous medium-term plan.

CONNECT TOGETHER 2019	Realizing Tomorrow's Opportunities 2022
Deepening the Value Chain <ul style="list-style-type: none"> Parts and services <ul style="list-style-type: none"> ConSite® Acquired Bradken and H-E Parts Launched rental business in the US and UK Developed certified used equipment business 	Deepening the Value Chain & Digital Solutions <ul style="list-style-type: none"> Parts and services <ul style="list-style-type: none"> ConSite® Parts remanufacturing Bradken / H-E Parts Digital mining Global expansion of rental and used machines
Rebuilding Global Structures Improved efficiency of overseas sites	Greater Efficiency in Development Marketing and Production Global collaboration





Quantitative Goals and Achievements

There was severe deterioration from FY2019 to the first half of FY2020 in the market environment for hydraulic excavators, our mainstay product, due to impact from the spread of COVID-19. While there is gradual recovery here, a full-scale recovery of market conditions is expected to start in the second half of

FY2021. In the first half of FY2020, business performance deteriorated due to factors like major production adjustments. However, the actions we have taken so far are expected to reap results and bring us into recovery in FY2021. We will also promote initiatives that take into account ESG-related indicators as key management indicators.

Management indicators	Previous medium-term plan CONNECT TOGETHER 2019	New medium-term plan Realizing Tomorrow's Opportunities 2022		
	FY2019 results	FY2020 results	FY2021 forecast	FY2022 targets
Sales revenue	931.3 billion yen	813.3 billion yen	880.0 billion yen	1 trillion yen
Value chain ratio	41%	43%	43%	50%
Adjusted operating income ratio	8.2%	4.0%	7.0%	10% or more
Net D/E ratio	0.58	0.48	(No target set)	0.5 or less
ROE	8.6%	2.1%	(No target set)	10% or more
Social value ConSite® adoption rate	73%	75%	(No target set)	90%
Economic value Parts remanufacturing business sales revenue * Vs. FY2010	296%	308%	352%	420%
Environmental value Reducing CO ₂ emissions from products (total) * Vs. FY2010	-15.9%	-16.5%	-21.0%	-20.0%
Dividend payout ratio	31.0%	41.1%	30% or more	30% or more

Key Strategies and Directions

Focus themes	Directions	Targets
Strengthening value chain business (rental and used machines) 	<ul style="list-style-type: none"> Utilizing ConSite® to ascertain operation data for each machines, providing each in their best possible conditions Providing manufacturer maintenance and repairs for rental machines, selling a strong selection of grades to the used machines market 	Expand the used machines business sales revenue FY2022: Used machines 280% vs. FY2010 FY2030: Adoption of products and services that meet regional needs
Strengthen value chain business (parts & service) 	<ul style="list-style-type: none"> Increasing the ConSite® adoption rate to 90%, using proactive approaches to customers to target zero machine downtime, while simultaneously linking this to expansion of the parts & service business In addition to the usual genuine parts, establishing certifications for what are called "Selected Parts" to meet the diverse needs of our customers while expanding the parts remanufacturing business globally Strengthening traceability, promoting inventory and delivery optimization, and expanding the parts service business 	Expand parts remanufacturing business sales revenue FY2022: Parts remanufacturing 420% vs. FY2010 FY2030: Adoption of products and services that meet regional needs Life cycle cost reductions FY2022: ConSite® Adoption rate 90% FY2030: Aim for "zero" downtime
Advancement of construction machinery and improvement of safety 	<ul style="list-style-type: none"> Improving safety through evolving construction machines, and providing deeper solutions Improving site safety as a whole through providing cooperative construction equipment, operation support systems, and various solutions, aiming for "zero" overturn and fatal accidents in the construction site. 	Functionality to reduce accidents caused by our products FY2022: Achieve cooperative control between people and machines FY2030: Contribute to "zero" overturn and fatal accidents
Realizing a sustainable society 	<ul style="list-style-type: none"> Complying with regional engine exhaust gas regulations as we seek drastic technological innovation to reduce CO₂. 	Reducing CO₂ emissions from products FY2022: -20% vs. FY2010 FY2030: -33% vs. FY2010