

# Corporate Vision

## FY2021-2Q

1. Management Plan
2. Business Results
3. Company Outline and Topics

Business Expansion Strategy for North, Central, and South America toward Full-Scale Own Development are on pages 53 to 55.

Public Relations & Investor Relations Dept.  
Corporate Brand & Communications Div.

 **Hitachi Construction Machinery Co., Ltd.**

# **Medium-term Management Plan**

## **“Realizing Tomorrow’s Opportunities 2022”**

(FY 2020-2022)

**Kotaro Hirano**

Executive Officer, President & CEO

## **CONNECT TOGETHER 2019**

### **Deepen the value chain**

- Parts and service (ConSite®)
- Acquisition of Bradken /H-E Parts
- US & UK : start of rental business
- Certified used equipment

### **Global Restructuring**

Efficiency at overseas sites

## **Realizing Tomorrow's Opportunities 2022**

### **Value chain + Enhance digital solutions**

- Parts and service (ConSite® + parts remanufacturing + Bradken/H-E Parts)
- Digital Mining
- Rental +used equipment  
→Global

### **Efficiency in development, marketing and production**

Global cooperation

# Impact of COVID-19 on the business

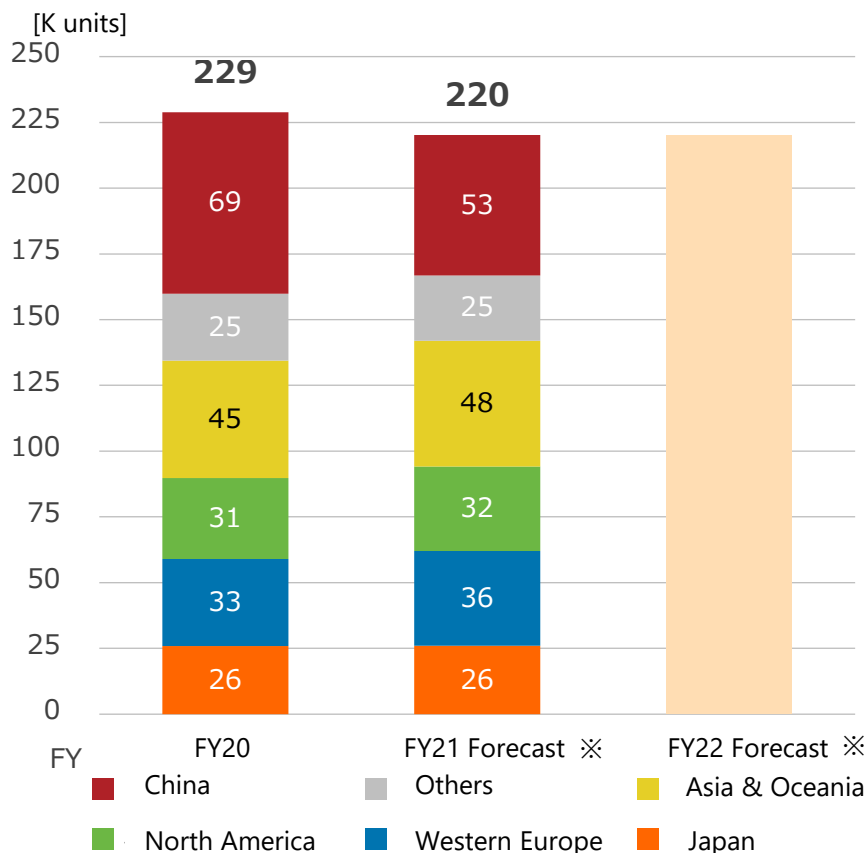
Performance deteriorated in FY2020 due to the impact of COVID-19

Full-fledged recovery in market conditions other than China is expected to occur from the second half of FY2021 onward

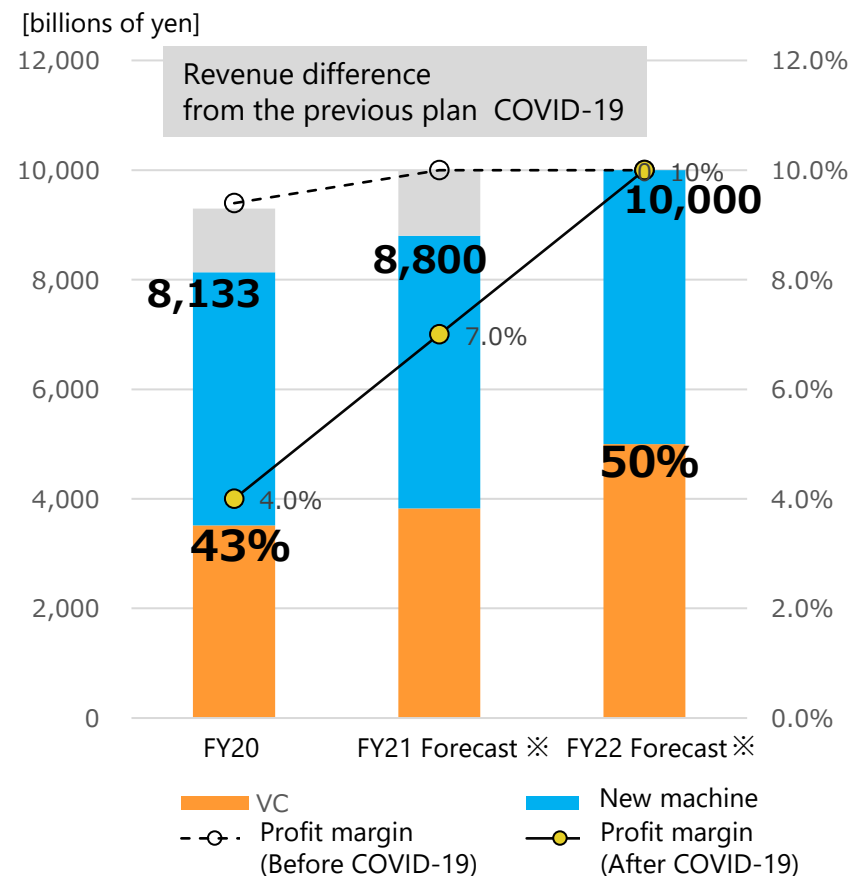
Performance grows due to expansion of the value chain and deepening of solutions

※As of April 2021

## Demand Trend for Hydraulic Excavators



## Revenue and Adjusted Operating Income Ratio



# Strengthen development of digital and advanced technologies

Reliable solutions

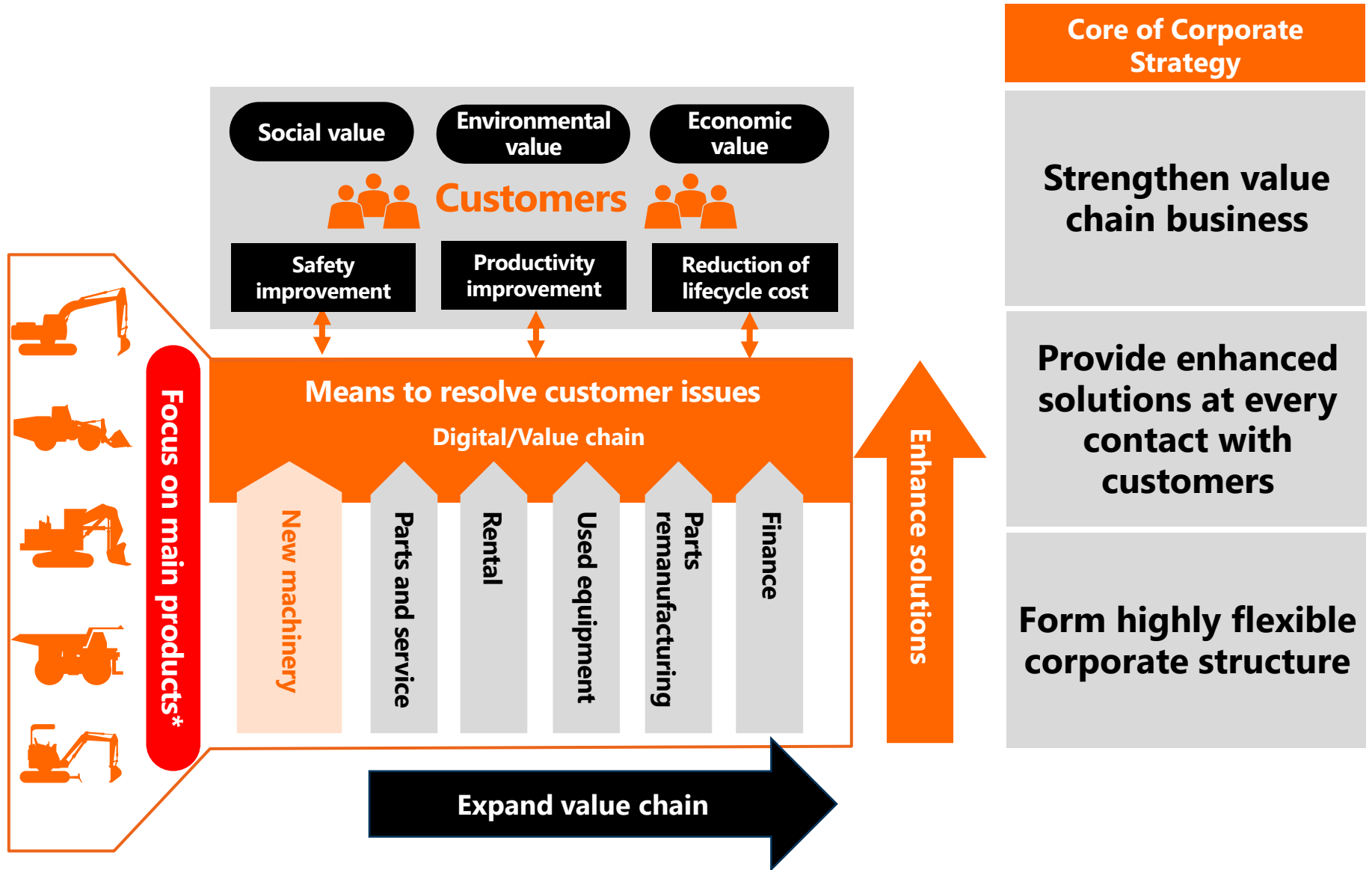
**Global restructuring of production sites is almost completed**

**Restructuring domestic production sites and development bases is on-going**

	Initial plan	Reviewed plan
Investment plan	Invest 42 billion yen by 2022	Invest 50 billion yen by 2027 Restructuring functions at Tsuchiura Works and Ryugasaki Works
Profit contribution from production-related restructuring	6 billion yen / year	

**Development of Collaborative Construction Equipment and accelerate the promotion of technological development for reducing CO2 emissions R&D expense ratio raised to 4%; Development of bases in Japan, Europe and North America + Open innovation**

	Main research and development themes
Achieve collaborative control between people and machinery	<ul style="list-style-type: none"> <li>• Achieve "Collaborative safety" and advanced autonomous operation system platform "ZCORE"</li> <li>• Operation support system</li> <li>• Site safety</li> </ul>
Initiatives for reducing CO2 emissions	<ul style="list-style-type: none"> <li>• New drive systems such as batteries, fuel cells, hydrogen, etc.</li> <li>• New technology development for "Net Zero Emissions"</li> </ul>



\*Other product group: Backhoe loader, Crawler crane, Bulldozer, Skid-steer loader

# Strengthen value chain business (Rental and Used equipment)

Social value

Reduction of  
lifecycle cost

Management Plan

HITACHI

Reliable solutions

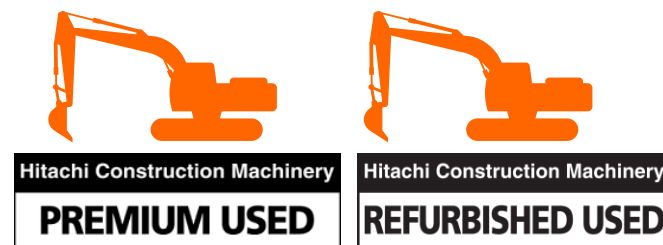
- Differentiation by high-quality rental machines and provide business globally
- Expansion as guaranteed and refurbished used equipment



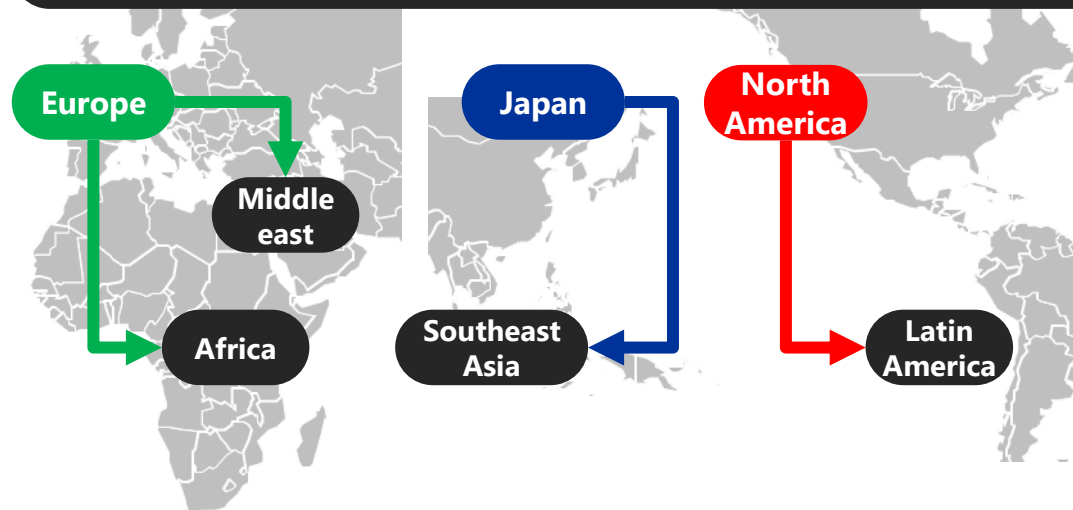
Expand rental business in various places



Used equipment with brands



Distributing high-quality rental machines as used equipment around the world



Expand the used equipment business  
sales revenue

FY2022

FY2030

Used equipment  
280%

Compared to FY2010

Adoption of products  
and services that  
meet regional needs

- Expanding services with ConSite menu, increasing touch point with customers
- Increasing the choice of service parts for various parts brands
- Strengthening traceability and make parts distribution more efficient



## Expanding services with ConSite



Customers

Increasing  
touch point



Strengthening traceability  
Efficiency in parts distribution

## Selectable from various parts brands

Hitachi Construction Machinery

**GENUINE PARTS**

Hitachi Construction Machinery

**REMANUFACTURED**

Hitachi Construction Machinery

**SELECTED PARTS**



## Expand parts remanufacturing businesses sales revenue

**FY2022**

**Parts remanufacturing  
420%**

Compared to 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

Social value

Safety improvement

Management Plan

Productivity improvement

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Reliable solutions

Aiming to realize "the optimal relationship between people and machinery" by enhancing site safety as a whole through Collaborative Construction Equipment, operation support systems, and various solutions



## Collaborative Construction Equipment

- Developed "ZCORE", a system platform that realizes both Collaborative safety and advanced autonomous operation



## Operation support system

- Surrounding recognition and automatic braking
- Excavation status judgment and automatic loading
- Operator status monitoring



## Site safety

- Site safety management and risk analysis
- Cooperation with disaster information, risk prediction

Functionality to reduce accidents caused by HCM products

FY2022

Achieve collaborative control between people and machinery

FY2030

Contribute to "zero" overturn and fatal accidents

## Long-term initiatives for reducing CO2 emissions



### Compact

#### Battery powered

- 8t class: Orders for 25 units in FY2020, the target for FY2021 is 50 units
- 5t class: Under evaluation test period, scheduled to be released in Japan and Europe in FY2021



Launched in Europe



Under evaluation test in the market

### Construction

#### Fuel cell powered

#### Hydrogen engine



Collaboration with research institutes, universities and partner companies

### Mining

ABB collaboration

All electrification in the mine

Improving the efficiency of the entire mine



### Reducing CO2 emissions from products

FY2022

▲ 20%

Compared to FY2010

FY2030

▲ 33%

- Expanding sales of trolley type with ABB electric infrastructure
- Applying ABB Digital Solution to Machines

## Realizing Tomorrow's Opportunities

	KPI	Previous medium-term plan FY2019 result	Current medium-term plan FY2022 target
<b>Growth</b>	<ul style="list-style-type: none"> <li>• Revenue</li> <li>• Value chain ratio</li> </ul>	<ul style="list-style-type: none"> <li>• 931.3 billion yen</li> <li>• 40%</li> </ul>	<ul style="list-style-type: none"> <li>• 1 trillion yen</li> <li>• 50%</li> </ul>
<b>Profitability</b>	Adjusted operating income ratio	8.2%	More than 10%
<b>Safety</b>	Net D/E Ratio	0.58	Less than 0.5
<b>Efficiency</b>	ROE	8.6%	More than 10%
<b>ESG</b> *Compared to FY2010	Social value Environmental value Economic value	ConSite adoption rate 73% parts remanufacturing businesses sales revenue 296%* Reducing CO2 emissions from products -15.9%*	ConSite adoption rate 90% parts remanufacturing businesses sales revenue 420%* Reducing CO2 emissions from products -20%*
<b>Shareholder return</b>	Dividend payout ratio	31%	30% or more

Hitachi Construction Machinery Group  
Mid-term Management Plan

HITACHI

Reliable solutions

# Realizing Tomorrow's Opportunities 2022



Delivering greater customer benefit through value chain solutions.



Creating unique value through customer focused solutions.



Challenge to Change

Safety, Health and Compliance | Continuous Improvement by PDCA | Kenkijin Spirit

# Corporate Vision

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Business Expansion Strategy for North, Central, and South America toward Full-Scale Own Development are on pages 53 to 55.

# **Explanatory Meeting for Business Results for the Second Quarter ended September 30, 2021**

October 26, 2021

**Hidehiko Matsui**

Executive Officer, President, Marketing Div.

**Keiichiro Shiojima**

Executive Officer, CFO

 **Hitachi Construction Machinery Co., Ltd.**

# 1. Regional Market Environments and Projections

**Hidehiko Matsui**

Executive Officer, President, Marketing Div.

# Global Demand Trend for Hydraulic Excavators

Business Results

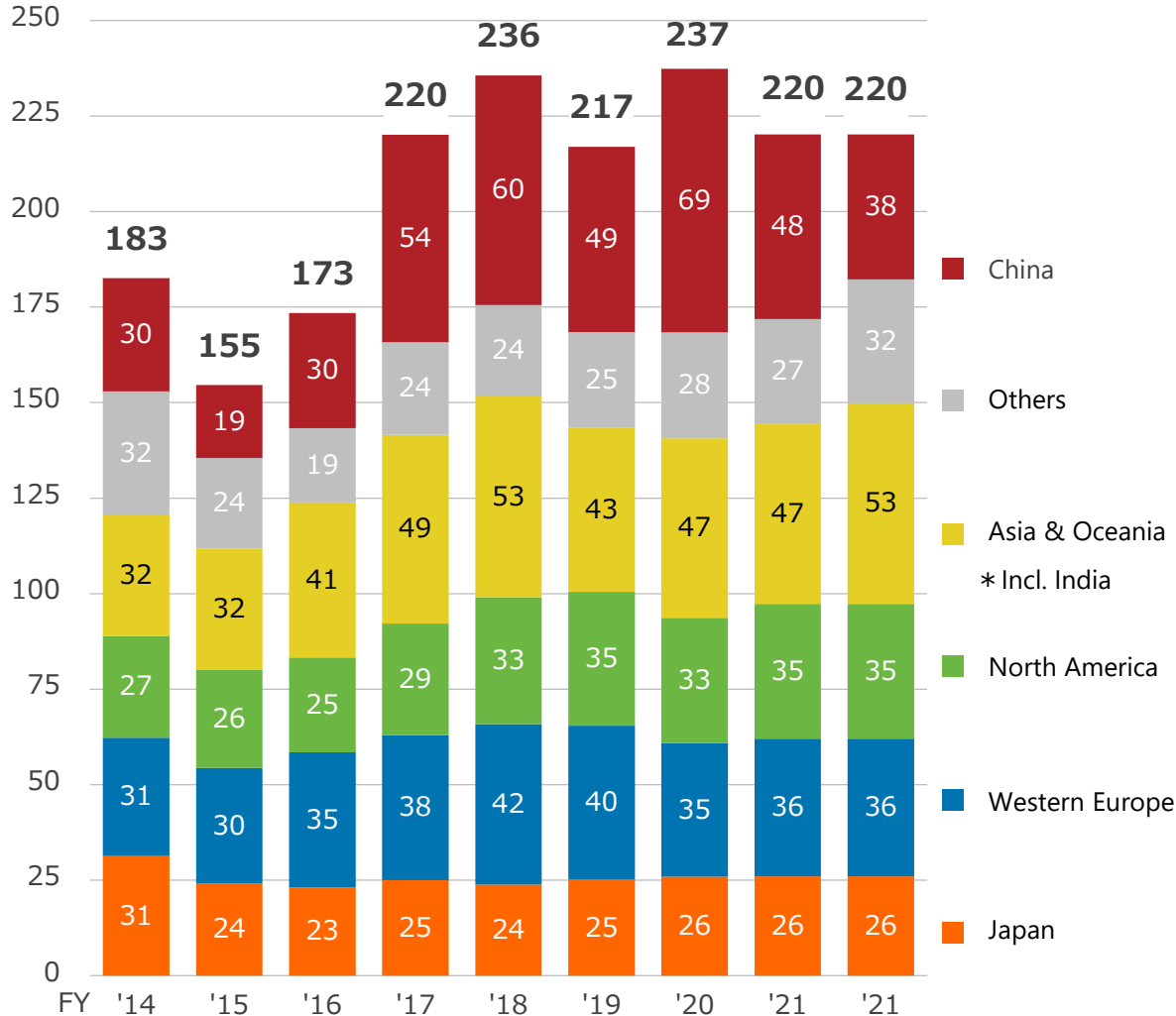
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**Emerging Markets ratio :**  
**FY2021 : 56% ( y-y Change : -5% )**

[K units]

※Emerging Markets: China, Asia/Oceania, and others



Previous Current  
Outlook Outlook

## Year-on-Year Change by Region

※Estimates by HCM, Excluding Chinese manufacturers  
※Distributing, copying, or forwarding prohibited

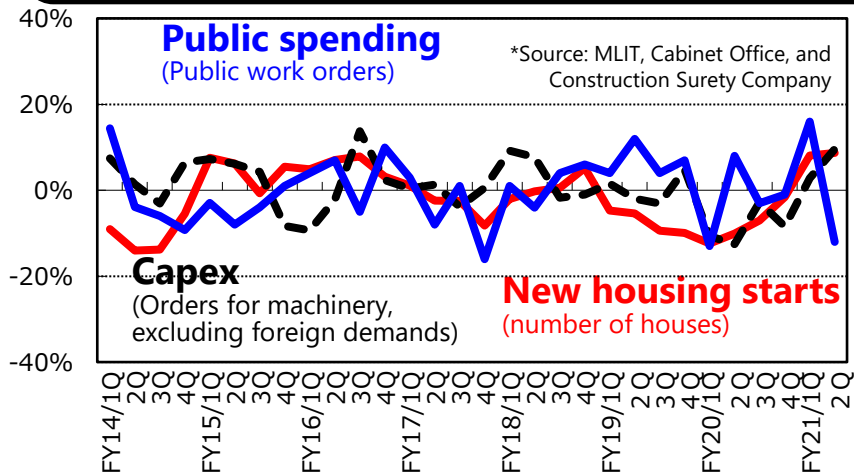
	'20	'21
Total	+9%	-7%
China	+42%	-45%
Russia,CIS, E Europe	-7%	+24%
Africa	+10%	+10%
Middle East	+10%	+25%
Latin America	+34%	+10%
Others	+11%	+17%
Asia	+12%	+20%
India	+5%	+0%
Oceania	+16%	+20%
Asia & Oceania	+9%	+12%
N America	-6%	+8%
W Europe	-13%	+3%
Japan	+3%	+0%



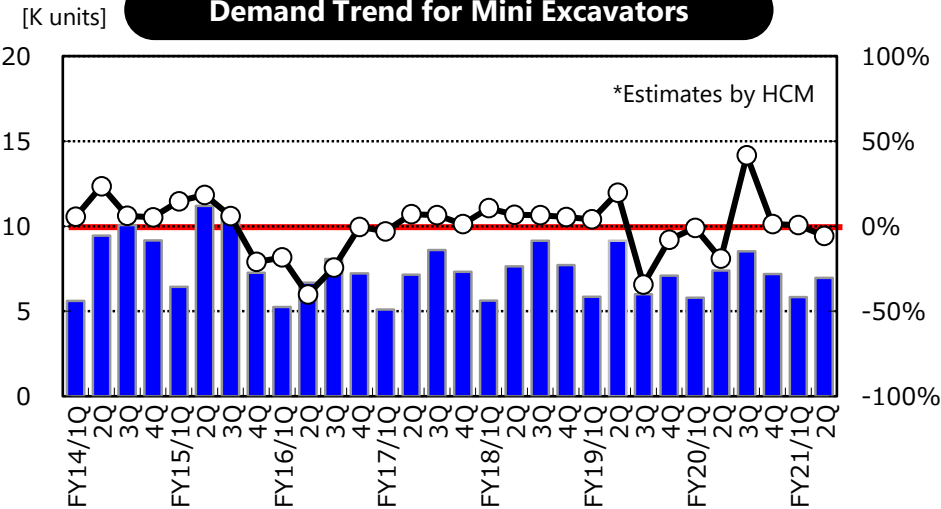
# Japan: Second Quarter ( from July to September 2021 )

- Capital investment and Housing investment improved. Public investment decreased.
- Demand for hydraulic excavators at the same level of the previous year: Hydraulic excavators -2% y-y, Mini excavators -6% y-y, Wheel loaders +25% y-y, respectively.

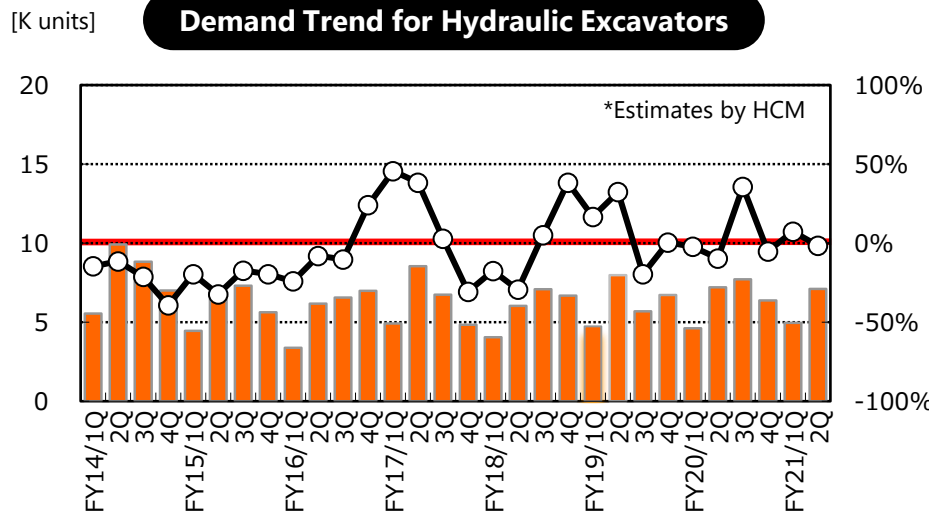
## Market Environment Housing/Public Spending and Capex (y-y)



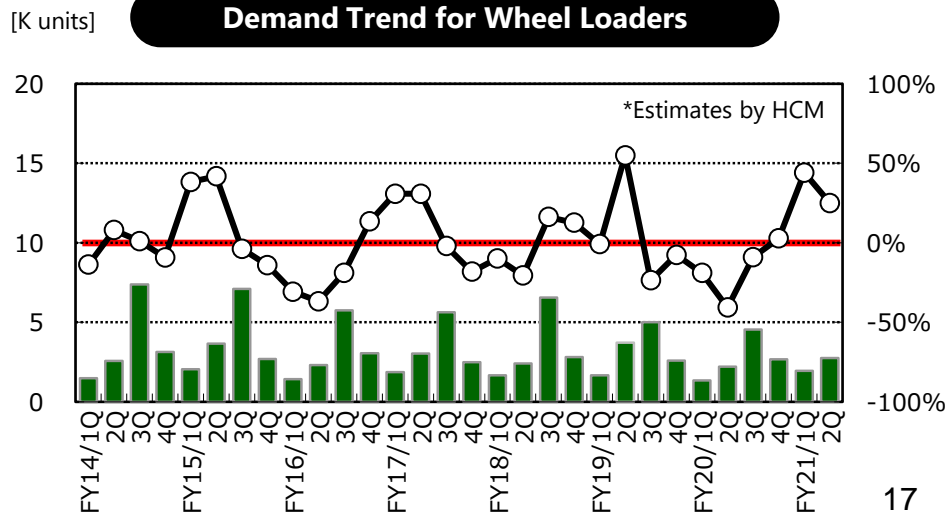
## Demand Trend for Mini Excavators



## Demand Trend for Hydraulic Excavators



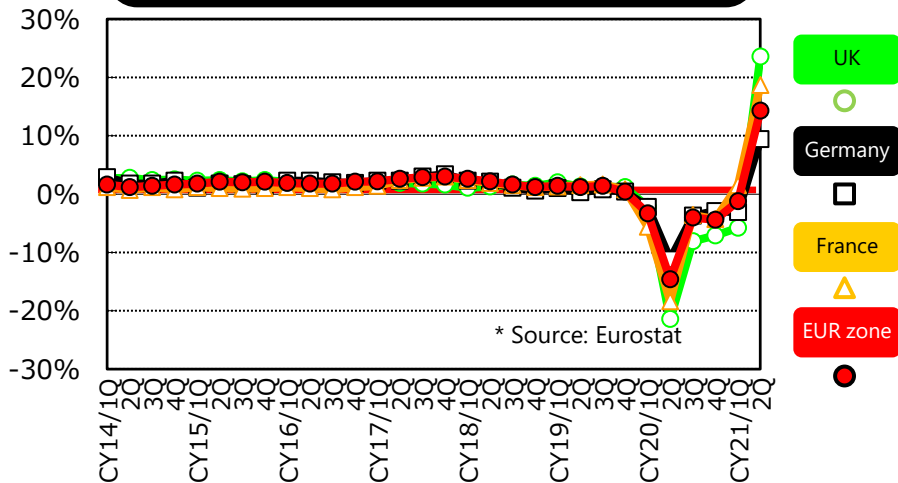
## Demand Trend for Wheel Loaders



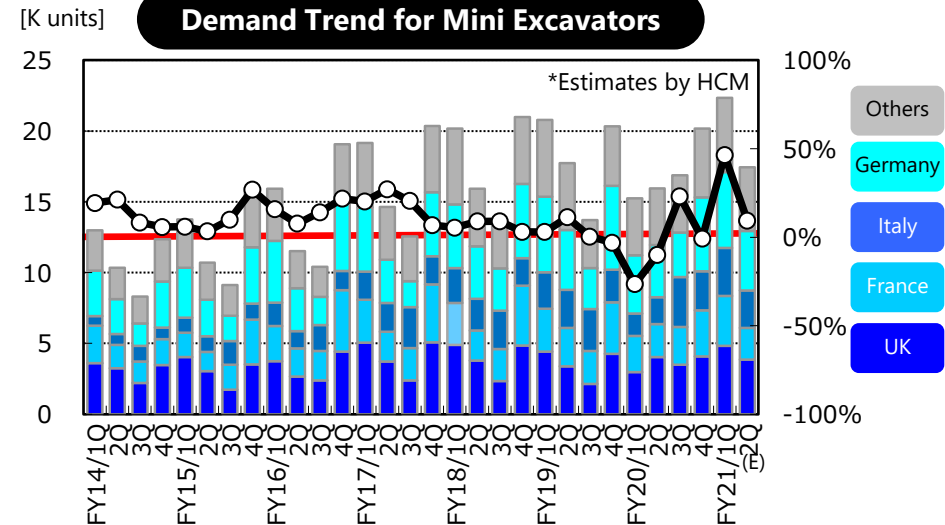
# Europe: Second Quarter ( from July to September 2021 )

- The GDP growth rates rose significantly in all region.
- Demand for hydraulic excavators slightly increased: Hydraulic excavators +3% y-y, Mini excavators +9% y-y, Wheel loaders -13% y-y, respectively.

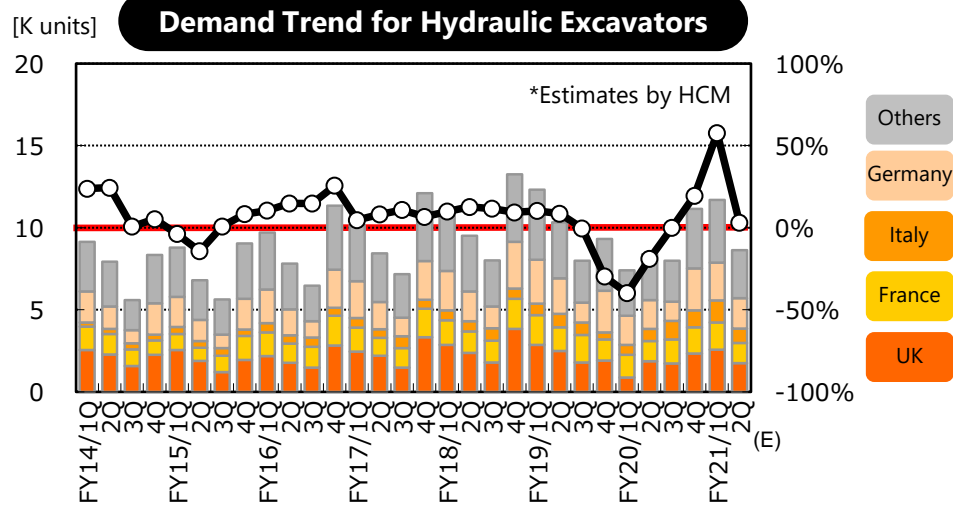
GDP Growth Rate in Major Countries (y-y)



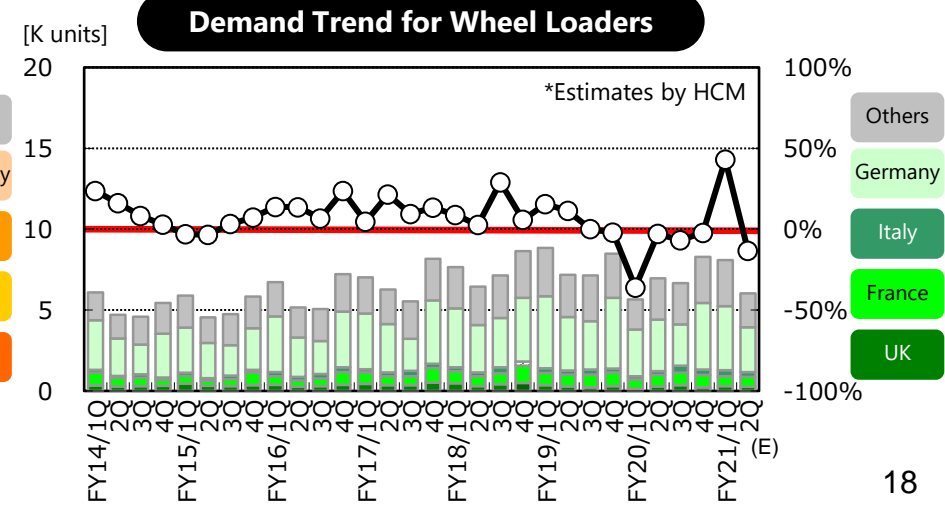
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



Demand Trend for Wheel Loaders



# North America: Second Quarter ( from July to September 2021 )

Business Results

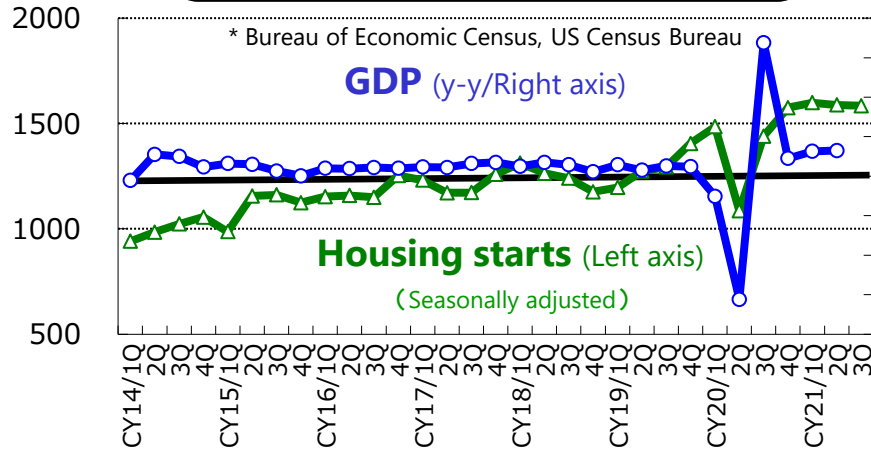
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Reliable solutions

- Housing market is strong. Non-residential and public work remained at the same level of the previous year.
- Demand for hydraulic excavators increased: Hydraulic excavators +11% y-y, Mini excavators +3% y-y, respectively.

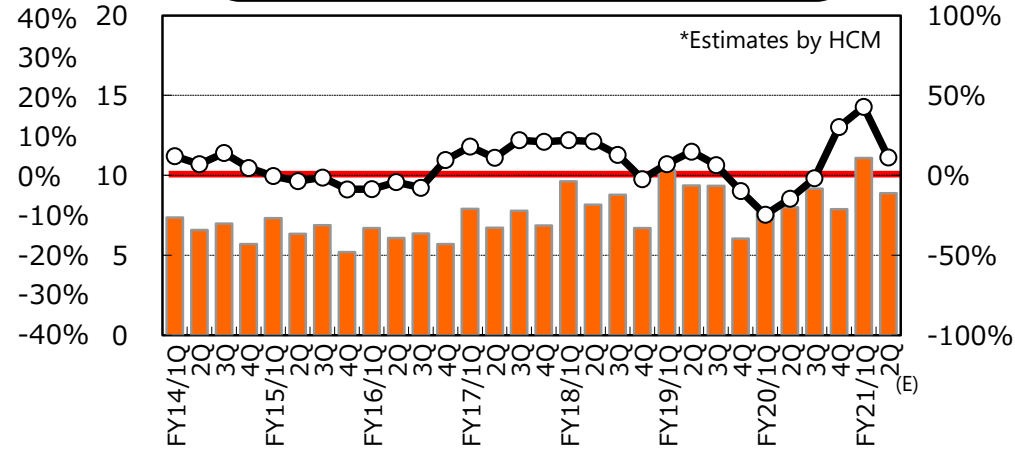
[K units]

**GDP Growth Rate, Housing Starts in US**

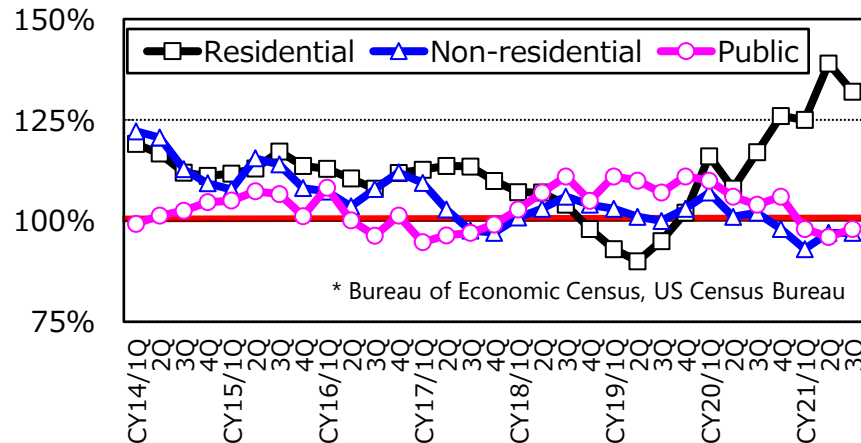


[K units]

**Demand Trend for Hydraulic Excavators**

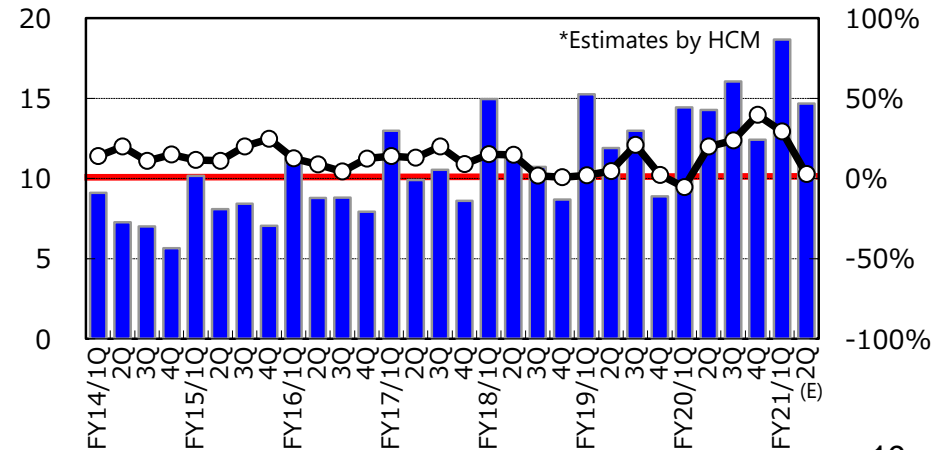


**Construction Spending in US (y-y)**



[K units]

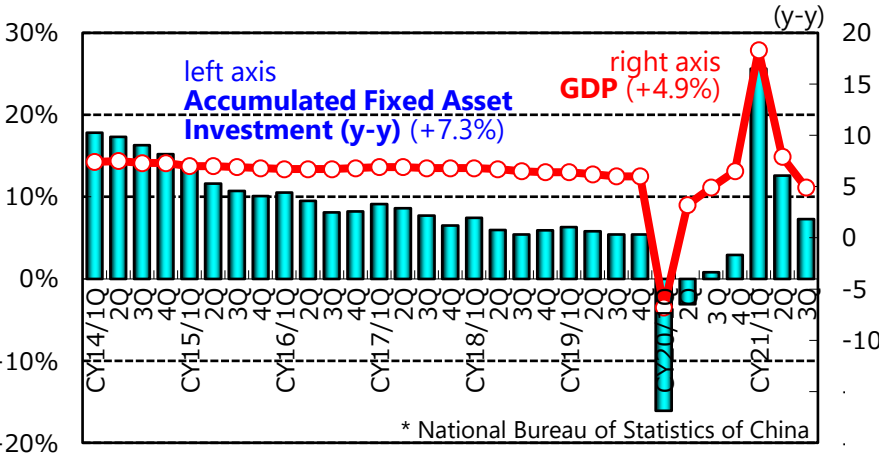
**Demand Trend for Mini Excavators**



# China: Second Quarter ( from July to September 2021 )

- The GDP growth rate, +4.9%.
- Demand for hydraulic excavators decreased. -57% y-y, Foreign manufactures only.

## GDP and Fixed Asset Investment

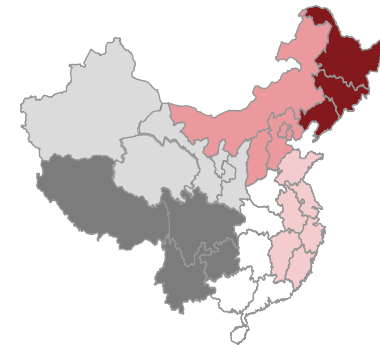


## Quarterly Demand for Hydraulic Excavators by Region (y-y)

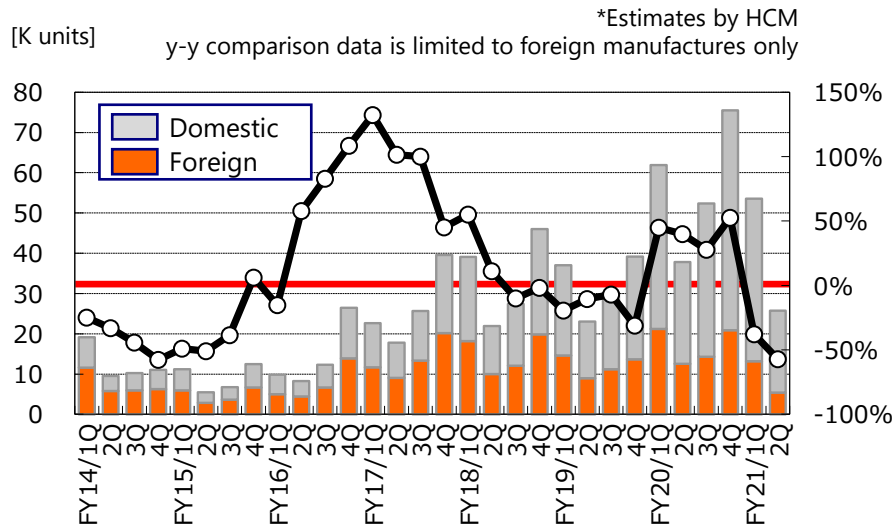
FY20(%)	3Q	4Q	1Q	2Q
North East	+27	+98	-31	-45
North	+23	+76	-20	-40
East	+36	+42	-42	-63
Central South	+22	+70	-42	-55
North West	+27	+68	-42	-62
South West	+26	+25	-35	-60
Total	+28	+53	-37	-57

\*Estimates by HCM

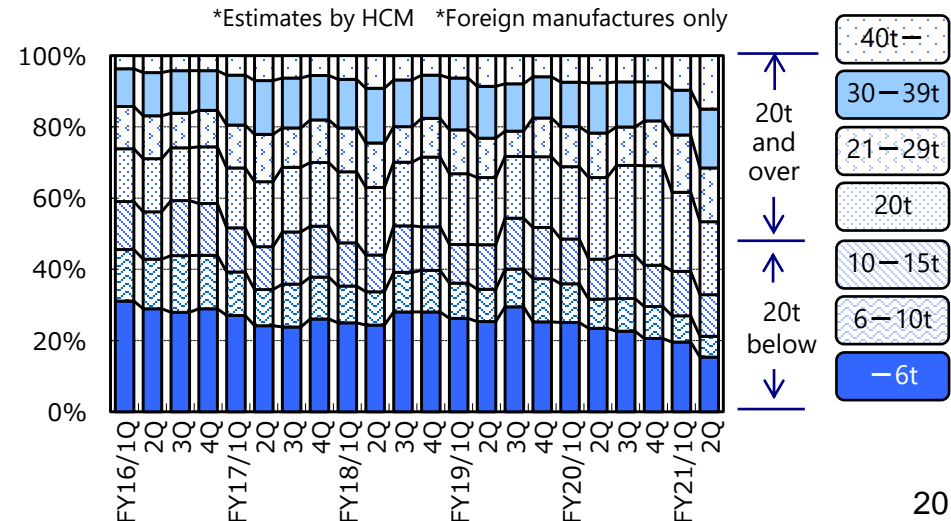
\*Foreign manufactures only

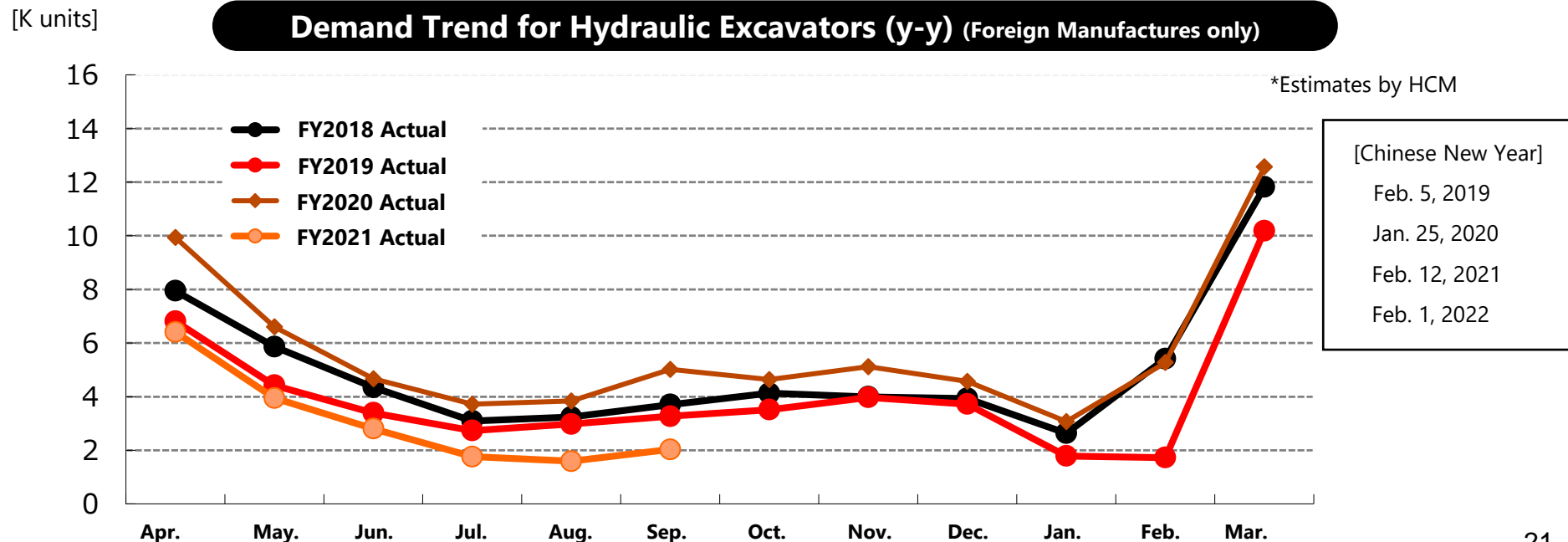
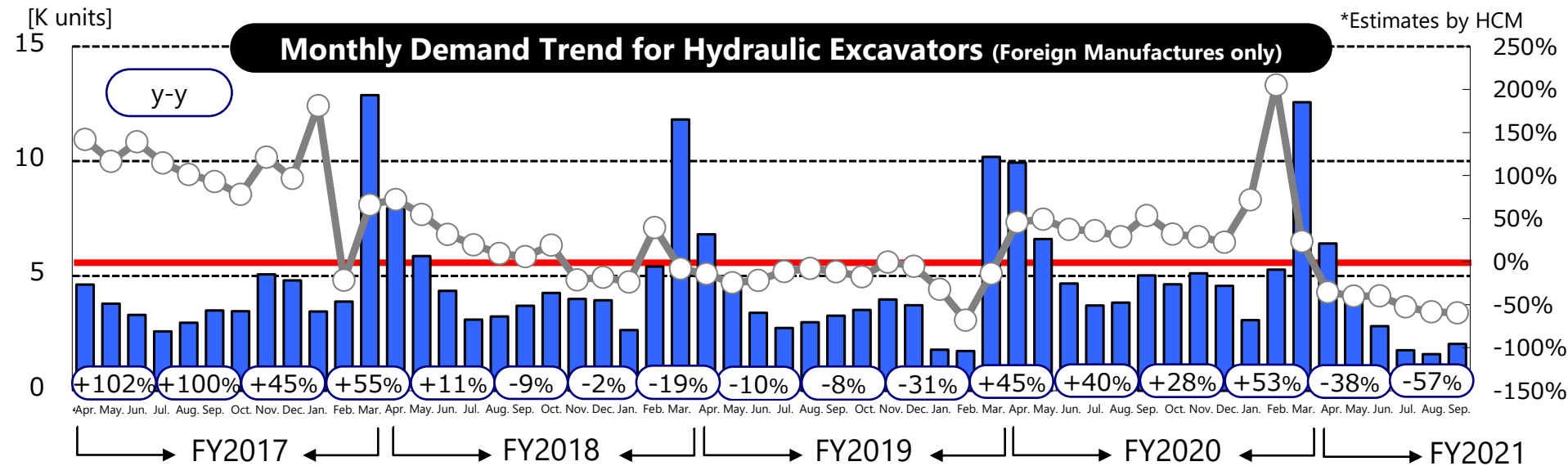


## Demand Trend for Hydraulic Excavators



## Demand Composition by Class for Mini Excavators and Hydraulic Excavators



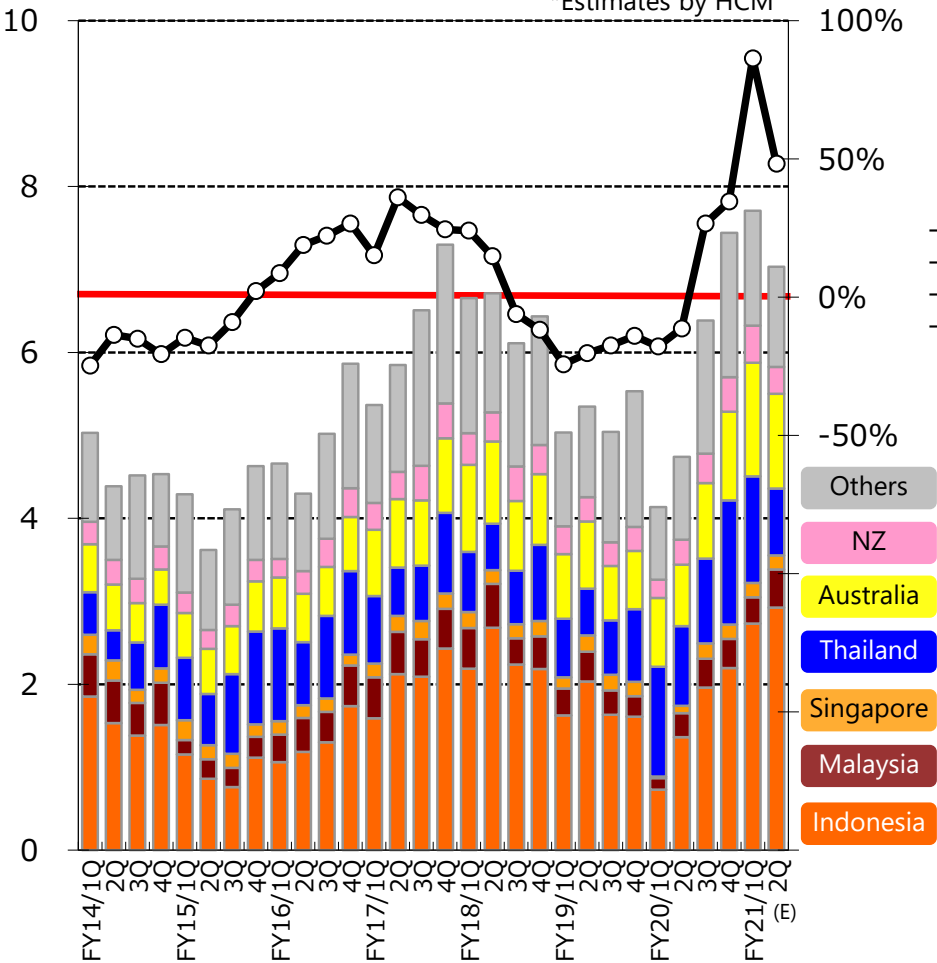


- Demand for hydraulic excavators overall in the Asia Pacific region, +48% y-y.
- Demand for hydraulic excavators in India, +28% y-y.

### Demand Trend for Hydraulic Excavators in Asia & Oceania

[K units]

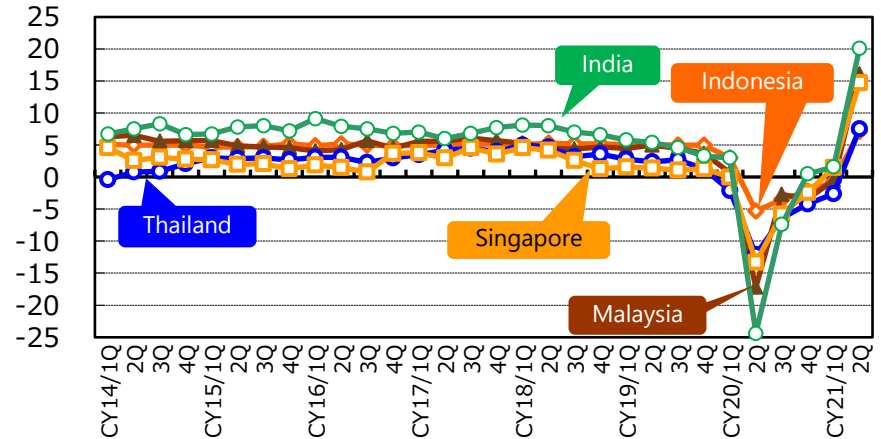
\*Estimates by HCM



[%]

### GDP Growth Rate in Major Countries (y-y)

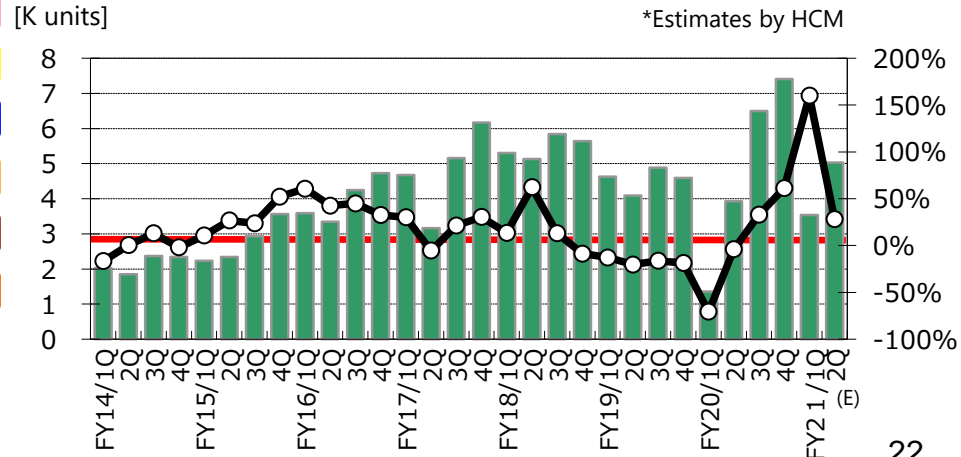
\* Source: IMF, etc



※ Calculation criteria for GDP growth rate in India was revised in CY2013 2Q

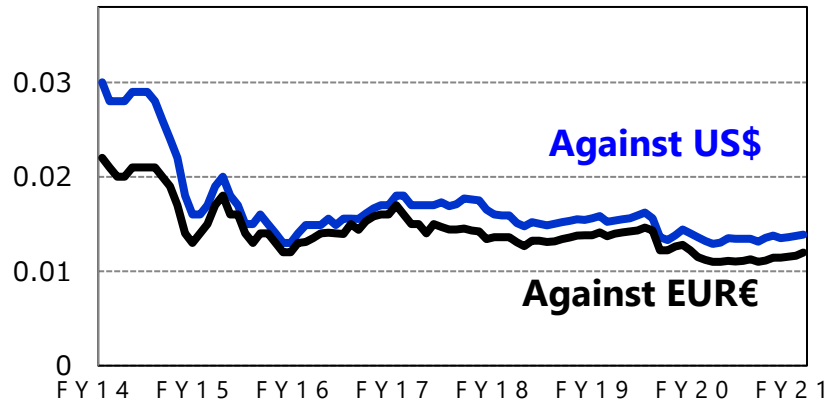
### Demand Trend for Hydraulic Excavators in India

\*Estimates by HCM



- Demand for hydraulic excavators in Russia, +71% y-y.
- Demand for hydraulic excavators in the Middle East, +79% y-y.

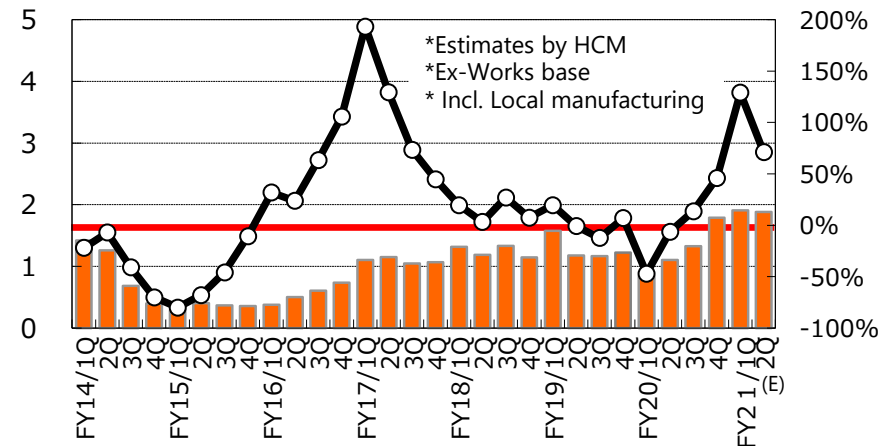
### Foreign Exchange Rate of the Ruble



\* According to HCM's research

[K units]

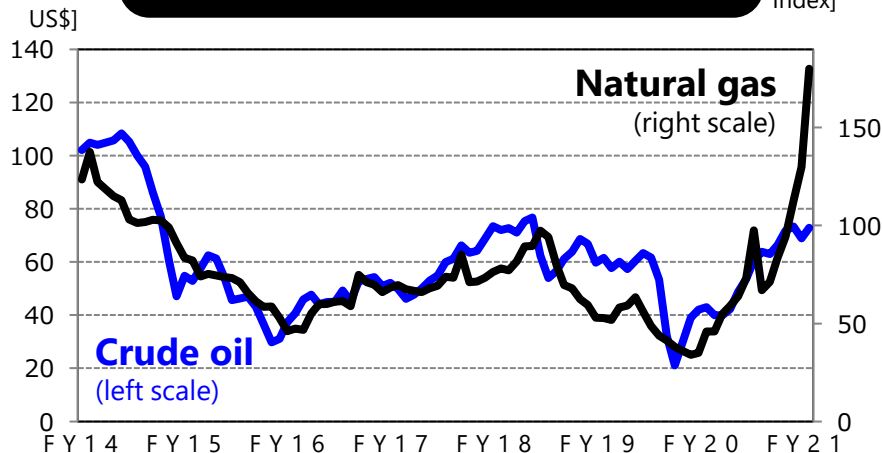
### Demand Trend for Hydraulic Excavators in Russia



[Crude oil

### Price Trend of Crude Oil and Natural Gas

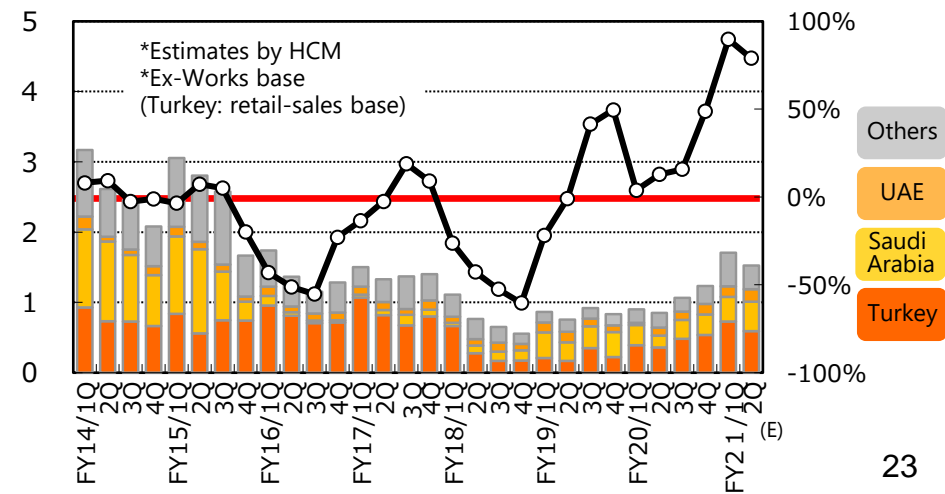
[Natural Gas Index]



\* Created by HCM, sourced from World Bank \* Natural Gas Index (2010 = 100)

[K units]

### Demand Trend for Hydraulic Excavators in the Middle East



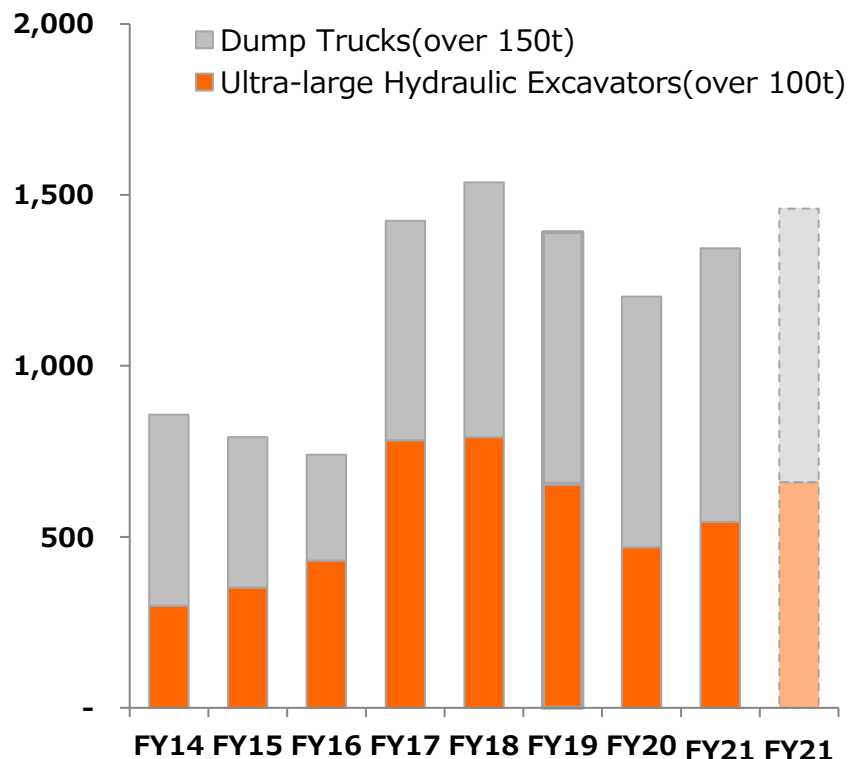
# Mining machinery: FY2021 ( from April 2021 to March 2022 )

- Demand forecast for mining machinery in FY2021 is expected to increase by 21% y-y.
- Demand from hard-rock mines has been solid. Demand for 100t class hydraulic excavators increased for small and medium sized mines and constructors.

## Ultra-large Hydraulic Excavators (over 100t), Dump Trucks(over 150t)

[Units]

### Demand by product

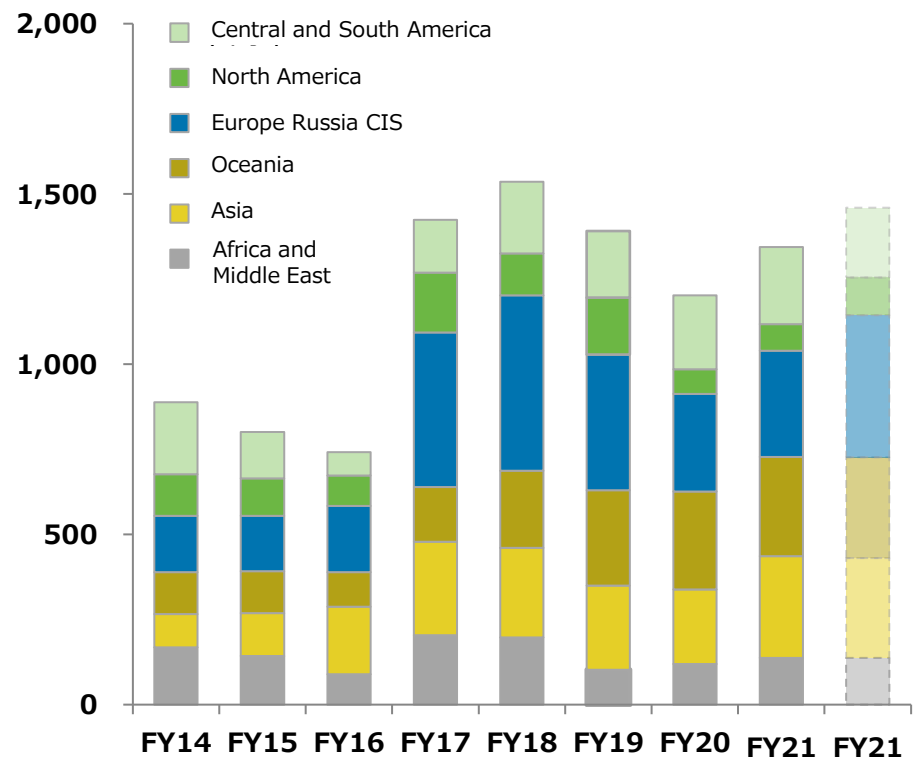


※ According to HCM's research

Previous Outlook    Current Outlook

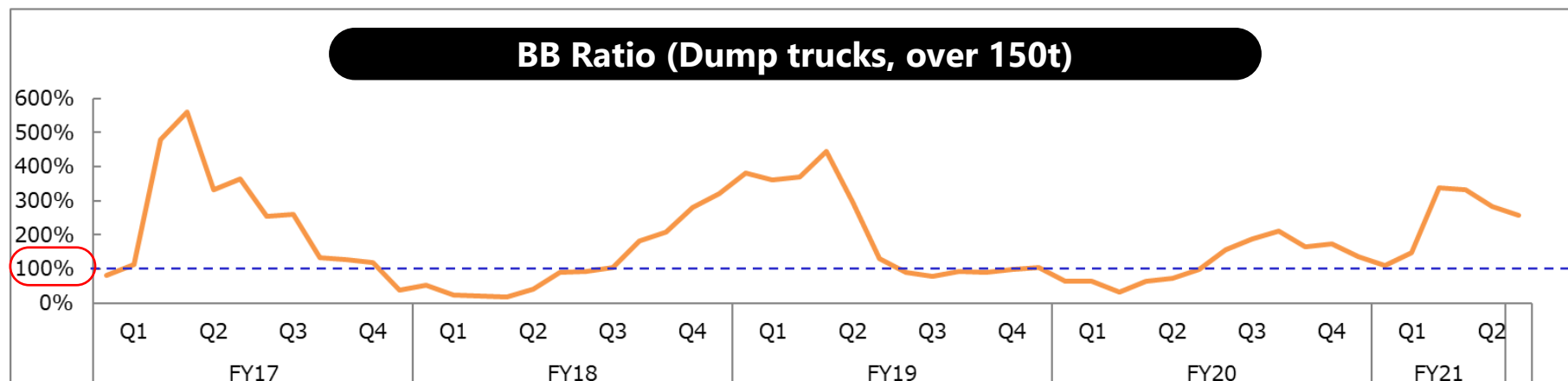
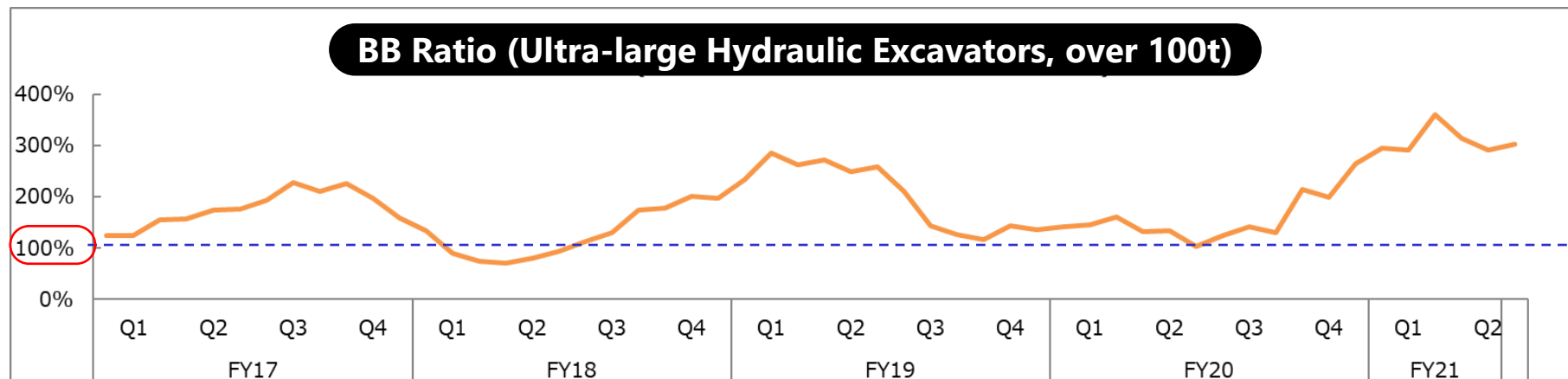
[Units]

### Demand by region



Previous Outlook    Current Outlook





\* Book-to-Bill(BB) Ratio = Bookings (Orders received)/Billings (Value of shipment )

Non-consolidated basis (average of 6 months)

## **2. Business Results for the Second Quarter ended September 30, 2021**

(April 1, 2021 - September 30, 2021)

**Keiichiro Shiojima**

Executive Officer, CFO

# Summary of consolidated results

In the first half of FY2021, despite the impact of COVID-19, revenue increased by 31% y-y and adjusted operating income increased 248%, partly due to the impact of yen depreciation of 24.2 billion yen.

[billions of yen]

		FY2021 1Q-2Q	FY2020 1Q-2Q	change
Revenue		473.7	360.9	31%
Adjusted operating income *1		8.0% 38.1	3.0% 10.9	248%
Operating income		8.1% 38.4	2.4% 8.5	349%
Income before income taxes		9.0% 42.6	1.3% 4.8	790%
Net income attributable to owners of the parent		6.7% 31.9	0.1% 0.2	-
EBIT *2		9.3% 43.9	1.8% 6.5	573%
FX rate	Rate (YEN/US\$)	109.8	107.0	2.8
	Rate (YEN/EURO)	131.0	121.8	9.2
	Rate (YEN/RMB)	17.0	15.2	1.7
	Rate (YEN/AU\$)	82.6	73.3	9.3
Cash dividend per share (yen) *3		45	10	35

\*1 "Adjusted operating income" is calculated by excluding "Other income" and "Other expenses" from "Operating Income" listed in Consolidated Statements of Income.

\*2 "EBIT" stands for Earnings Before Interests and Taxes, and is calculated by excluding "Interest income" and "Interest expenses" from "Income before income taxes"

\*3 "Cash dividend per share": The Company will pay dividends linked to its consolidated business results twice, interim and year end, in the fiscal year and aim to achieve a consolidated dividend payout ratio of approx. 30% or more.

# Revenue by geographic region (consolidated)

Revenue increased in each region except China y-y, consolidated revenue increased by 112.8 billion yen.

[billions of yen]

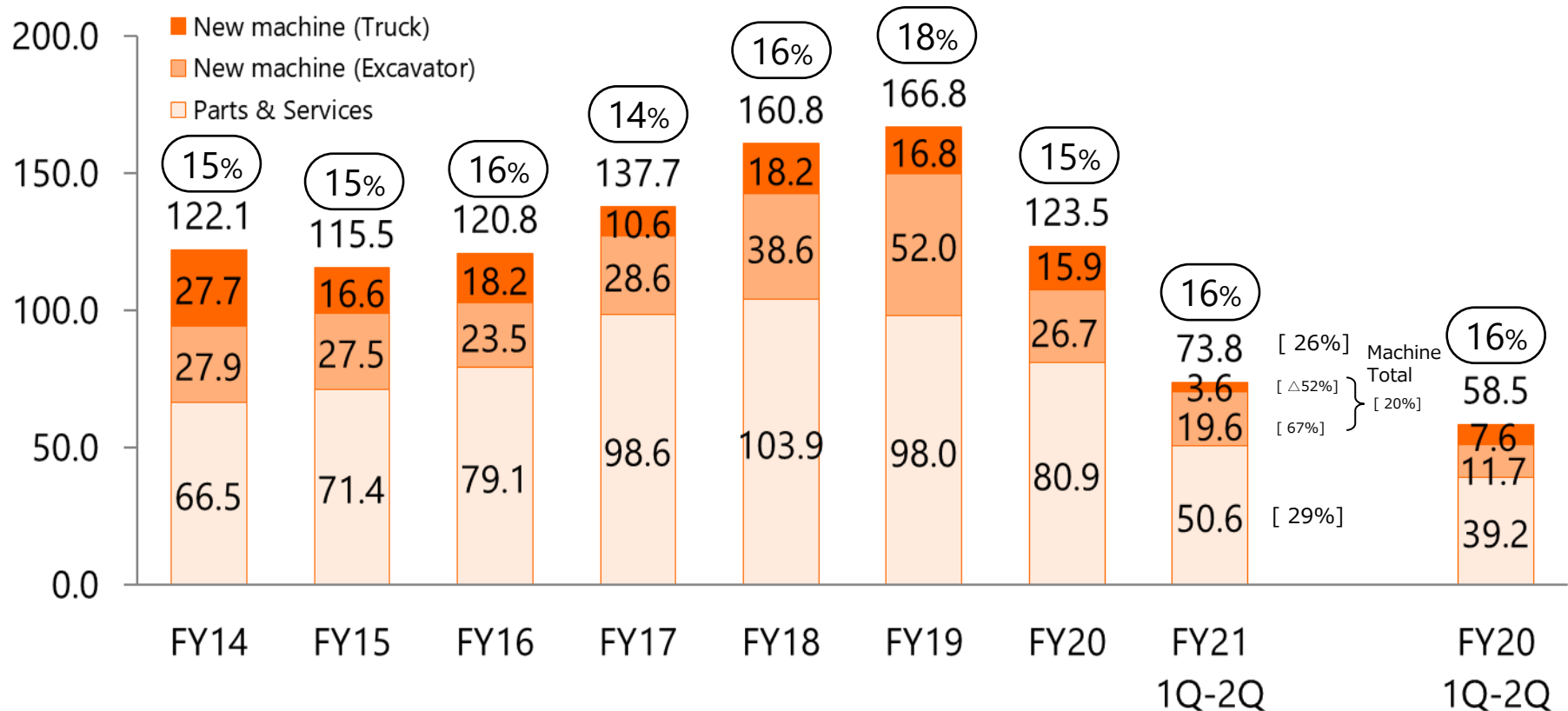
	FY2021 1Q-2Q		FY2020 1Q-2Q		change	
					amount	%
Japan	96.9	20%	91.1	25%	5.8	6%
Asia	35.7	8%	21.3	6%	14.4	67%
India	23.4	5%	16.0	4%	7.4	46%
Oceania	80.8	17%	69.4	19%	11.3	16%
Europe	58.4	12%	34.0	9%	24.4	72%
N.America	93.2	20%	47.7	13%	45.6	96%
L.America	10.2	2%	5.2	1%	5.0	98%
Russia-CIS	16.5	3%	9.9	3%	6.6	67%
M.East	10.2	2%	8.6	2%	1.6	18%
Africa	19.3	4%	15.5	4%	3.8	25%
China	29.1	6%	42.3	12%	-13.1	-31%
Total	473.7	100%	360.9	100%	112.8	31%
Overseas ratio	80%		75%			

In the first half of FY2021, Revenue of mining increased by 26% to 73.8 billion yen y-y, partly due to the impact of the depreciation of the yen, 5.7 billion yen.

[billions of yen]

(%) shows sales ratio against total company sales

[ % ] shows changed ratio from the same period of previous year

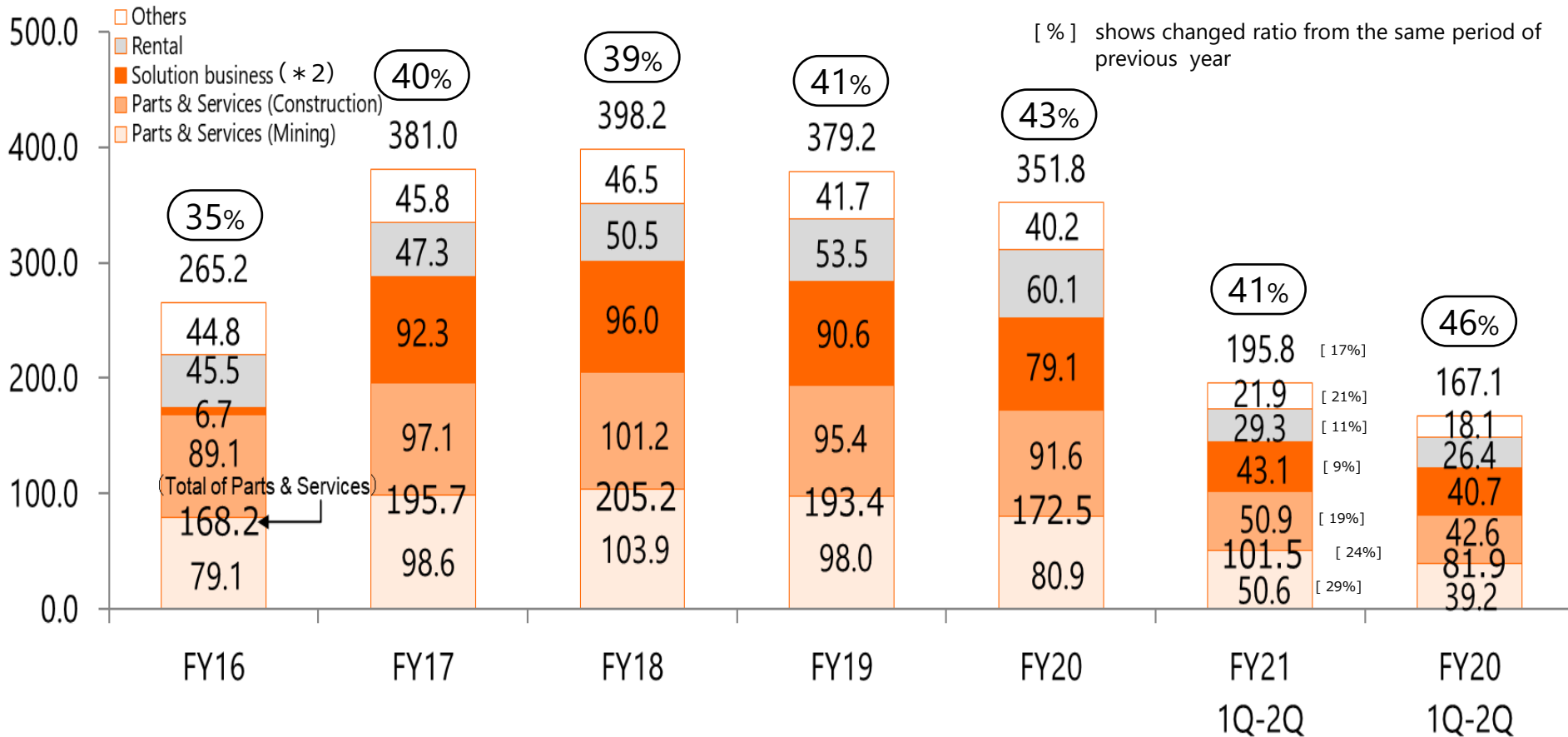


In the first half of FY2021, revenue of the value chain business increased by 17% to 195.8 billion yen y-y, partly due to the impact of the depreciation of the yen, 11.5 billion yen.

[billions of yen]

(%) shows sales ratio against total company sales

[ % ] shows changed ratio from the same period of previous year



(\*1) Value chain: Total of Parts & services, Solution business, Rental etc. other than new machine sales.

(\*2) Solution business: The business segment primarily intends to provide development, production, distribution of parts and service solutions for mining facilities and equipment after the sales made that are not included in the construction machinery business segment.

## Reliable solutions

[billions of yen]



# Consolidated statement of income

SGA expenses increased by 12.2 billion yen to 88.7 billion yen y-y.

[billions of yen]

	FY2021 1Q-2Q	FY2020 1Q-2Q	change	
			amount	%
Revenue	473.7	360.9	112.8	31%
Cost of Sales	(73.2%) 346.9	(75.8%) 273.4	73.5	27%
SGA expenses	(18.7%) 88.7	(21.2%) 76.6	12.2	16%
Adjusted operating income *1	(8.0%) 38.1	(3.0%) 10.9	27.2	248%
Other Income/expenses	0.3	-2.4	2.7	-
Operating income	(8.1%) 38.4	(2.4%) 8.5	29.9	349%
Financial income/expenses	-0.5	-3.8	3.3	-87%
Share of profits of investments accounted for using the equity method	4.7	0.1	4.6	-
Income before income taxes	(9.0%) 42.6	(1.3%) 4.8	37.8	790%
Income taxes	8.6	2.6	6.0	228%
Net income	(7.2%) 34.0	(0.6%) 2.2	31.8	-
Net income attributable to owners of the parent	(6.7%) 31.9	(0.1%) 0.2	31.7	-

\*1 "Adjusted operating income" is calculated by excluding "Other income" and "Other expenses" from "Operating Income" listed in Consolidated Statements of Income.



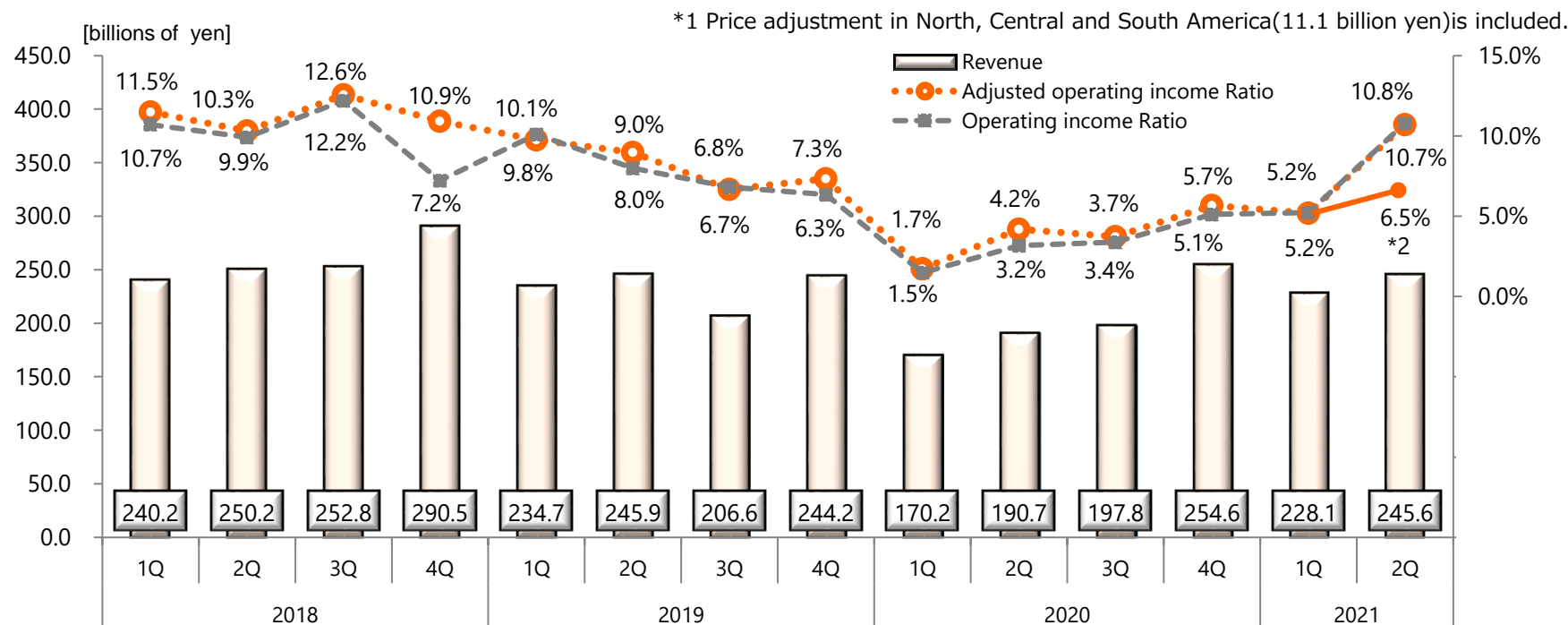
# Summary of quarterly consolidated revenue and operating income (ratio)

## Business Results

HITACHI

Reliable solutions  
[billions of yen]

	2018				2019				2020				2021	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q *1
Revenue	240.2	250.2	252.8	290.5	234.7	245.9	206.6	244.2	170.2	190.7	197.8	254.6	228.1	245.6
Adjusted operating income	27.6	25.8	31.8	31.7	22.9	22.1	13.8	17.9	2.9	8.0	7.4	14.4	11.8	26.3
Operating income	25.7	24.8	30.8	21.0	23.7	19.6	14.1	15.5	2.5	6.0	6.7	13.0	11.9	26.5



FX rate	2018				2019				2020				2021	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Rate (YEN/US\$)	109.1	111.5	112.9	110.2	109.9	107.4	108.8	108.9	107.6	106.2	104.5	105.9	109.5	110.1
Rate (YEN/EURO)	130.1	129.6	128.8	125.2	123.5	119.3	120.3	120.1	118.5	124.1	124.5	127.7	132.0	129.8
Rate (YEN/RMB)	17.1	16.4	16.3	16.3	16.1	15.3	15.5	15.6	15.2	15.4	15.8	16.4	17.0	17.0
Rate (YEN/AU\$)	82.6	81.5	81.1	78.5	76.9	73.6	74.3	71.8	70.7	75.9	76.3	81.8	84.3	80.9

# Consolidated statement of financial position

Business Results

HITACHI

Reliable solutions

Total assets increased by 33.6 billion yen y-y due to increase by inventories and property, plant and equipment.

[billions of yen]

	(A) FY21-2Q	(B) Mar '2021	(C) FY20-2Q	(A)-(B) change		(D) FY21-2Q	(E) Mar '2021	(F) FY20-2Q	(D)-(E) change
Cash and cash equivalents	87.7	80.3	65.1	7.4	Trade and other payables	206.4	199.2	161.8	7.1
Trade receivables	199.1	211.2	173.9	-12.1	Bonds and borrowings	336.4	329.5	337.3	6.9
Inventories	309.4	297.8	296.6	11.7	Total liabilities	658.6	651.3	611.2	7.2
Total current assets	645.8	617.2	570.4	28.6	(Equity attributable to owners of the parent ratio)	(43.3%)	(42.1%)	(41.9%)	(1.2%)
Total non-current assets	608.4	603.4	571.2	5.0	Total equity	595.6	569.2	530.3	26.3
Total assets	1,254.1	1,220.6	1,141.5	33.6	Total liabilities and equity	1,254.1	1,220.6	1,141.5	33.6
Trade receivables incl. non-current	240.2	252.7	210.7	-12.4					
Inventories by products									
Unit	80.2	77.3	75.6	2.9		(26.8%)	(27.0%)	(29.5%)	(-0.2%)
Parts	101.3	102.3	106.9	-1.0	Interest-bearing debt	336.4	329.5	337.3	6.9
Raw materials, WIP and etc	128.0	118.2	114.1	9.8	Cash and Cash equivalents	87.7	80.3	65.1	7.4
Total inventories	309.4	297.8	296.6	11.7		(19.8%)	(20.4%)	(23.8%)	(-0.6%)
On hand days(divided by revenue)				(Days)	Net interest-bearing debt	248.6	249.2	272.2	-0.5
Trade receivables	95	113	95	-18					
Inventories	122	134	133	-12	Net D/E Ratio	0.46	0.48	0.57	-0.03
Trade payables	45	49	38	-5					
Net working capital	168	194	187	-26					

Net cash provided by (used in) operating activities totaled to positive 28.1 billion yen.

[billions of yen]

	FY2021 1Q-2Q		FY2020 1Q-2Q		change	
Net income		34.0		2.2		31.8
Depreciation and amortization	61.2	27.2	26.7	24.6	34.4	2.6
(Increase)decrease in trade/lease receivables		13.7		47.3		-33.6
(Increase)decrease in inventories	5.1	-12.2	28.9	11.4	-23.8	-23.6
Increase(decrease) in trade payables		3.6		-29.8		33.4
Others, net		-38.2		-17.9		-20.3
Net cash provided by (used in) operating activities		28.1		37.8		-9.7
Cash flow margin for operating activities		5.9%		10.5%		-4.6%
Net cash provided by (used in) investing activities		-15.9		-17.0		1.1
Free cash flows		12.2		20.8		-8.6
Net cash provided by (used in) financing activities		-5.6		-18.7		13.1

# Summary of consolidated earnings forecast

Consolidated income statement for FY2021 is revised upward from the previous forecast.

[billions of yen]

	FY2021			FY2020		change	
	Forecast			Actual		amount	%
Revenue	920.0			813.3		106.7	13%
Adjusted operating income	(8.0%) 74.0			(4.0%) 32.7		(4.0%) 41.3	126%
Operating income	(8.6%) 79.0			(3.5%) 28.2		(5.1%) 50.8	180%
Income before income taxes	(8.7%) 80.0			(3.1%) 25.6		(5.6%) 54.4	213%
Net income attributable to owners of the parent	(5.0%) 46.0			(1.3%) 10.3		(3.7%) 35.7	345%
EBIT	82.9			28.7		54.1	
Currency	1Q-2Q	3Q-4Q	Total	FY2020		change	
	Actual	Forecast	Forecast	Actual			
Rate (YEN/US\$)	109.8	105.0	107.2	106.0		1.2	
Rate (YEN/EURO)	131.0	125.0	127.9	124.6		3.3	
Rate (YEN/RMB)	17.0	16.0	16.4	15.7		0.7	
Rate (YEN/AU\$)	82.6	80.0	81.3	76.0		5.2	
Cash dividend per share (yen) *1	to be determined			20		-	

For FX sensitivity, please refer to appendix 1.

\*1 "Cash dividend per share": The Company will pay dividends linked to its consolidated business results twice, interim and year end, in the fiscal year and aim to achieve a consolidated dividend payout ratio of approx. 30% or more.

# Consolidated revenue forecast by geographic region

Consolidated revenue for FY2021 is expected to increase by 40.0 billion yen from the previous forecast and by 106.7 billion yen compared to the previous year.

(billions of yen)

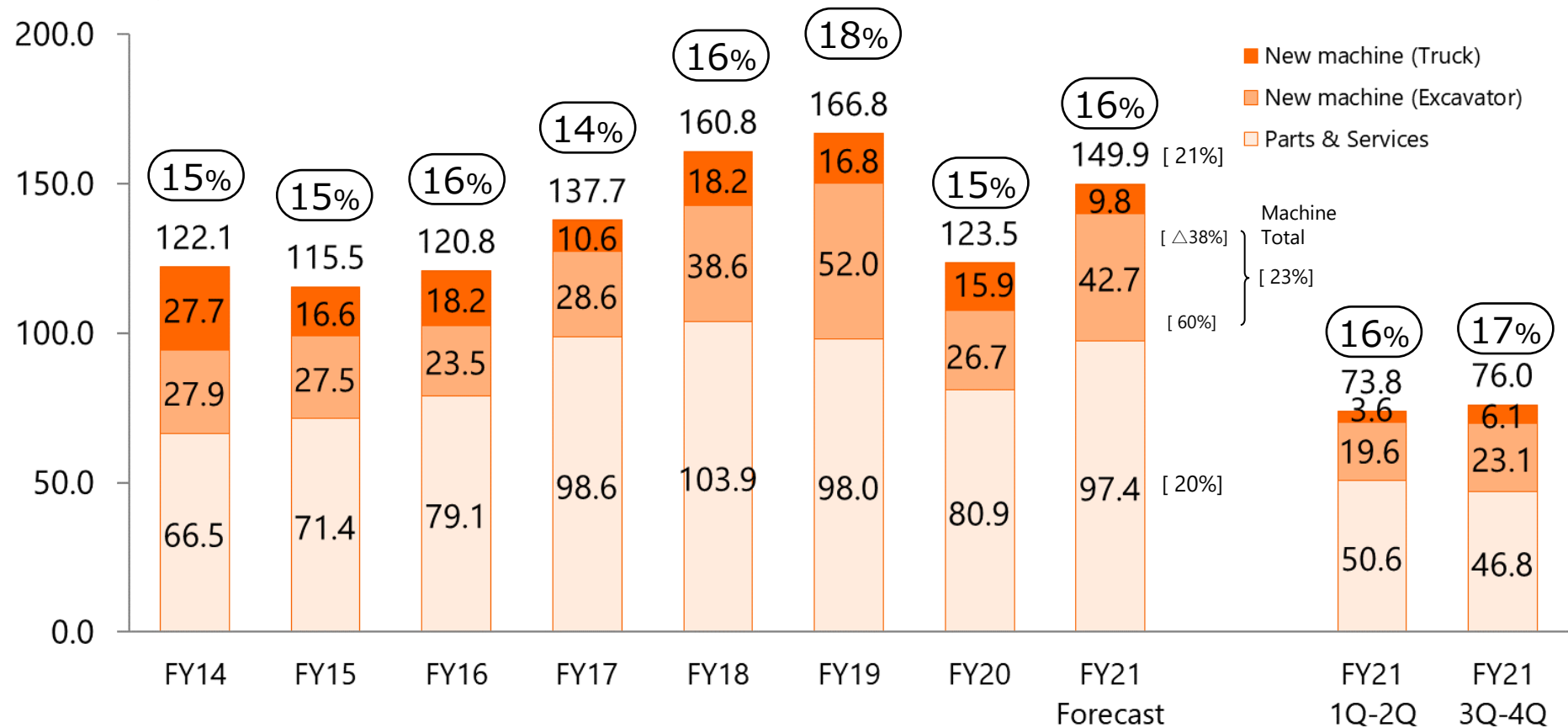
	FY2021 Forecast		FY2020 Actual		change	
					amount	%
Japan	207.3	23%	203.3	25%	4.0	2%
Asia	72.2	8%	52.7	6%	19.5	37%
India	49.5	5%	50.0	6%	-0.6	-1%
Oceania	155.9	17%	139.9	17%	16.0	11%
Europe	105.2	11%	87.8	11%	17.3	20%
N.America	160.1	17%	107.2	13%	52.9	49%
L.America	16.7	2%	10.9	1%	5.9	54%
Russia-CIS	38.0	4%	22.7	3%	15.3	67%
M.East	21.0	2%	16.1	2%	4.9	30%
Africa	35.3	4%	33.6	4%	1.7	5%
China	58.9	6%	89.1	11%	-30.1	-34%
Total	920.0	100%	813.3	100%	106.7	13%
Overseas ratio	77%		75%			

# Mining revenue forecast

Revenue of mining in FY2021 is expected to increase by 9% from the previous forecast and by 21% compared to the previous year to 149.9 billion yen y-y.

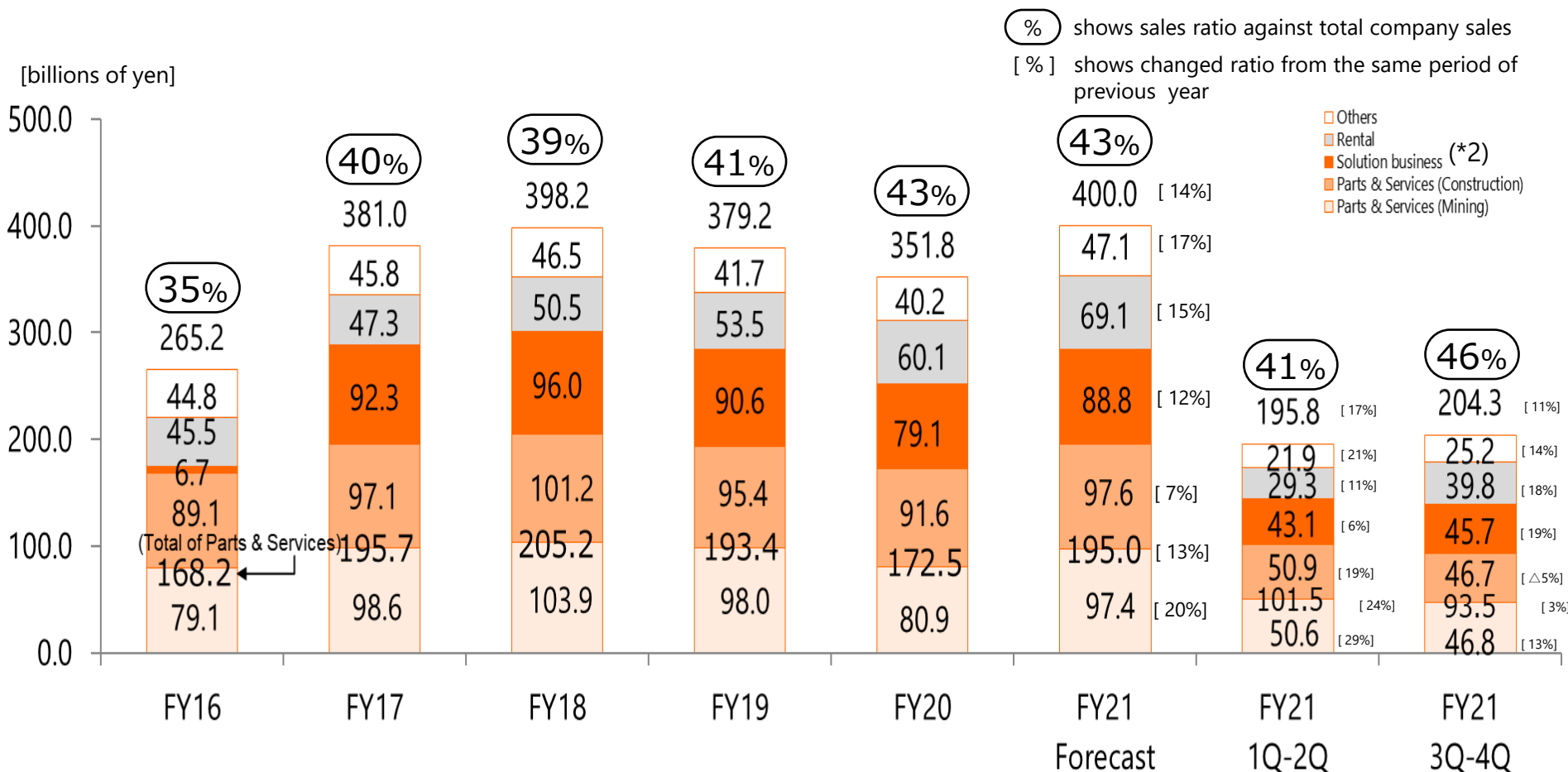
[billions of yen]

(%) shows sales ratio against total company sales  
[%] shows changed ratio from the same period of previous year



# Value chain\*1 revenue forecast

Revenue of value chain in FY2021 is expected to increase by 2% from the previous forecast and by 14% compared to the previous year to 400.0 billion yen y-y.



(\*1) Value chain: Total of Parts & services, Solution business, Rental etc. other than new machine sales.

(\*2) Solution business: The business segment primarily intends to provide development, production, distribution of parts and service solutions for mining facilities and equipment after the sales made that are not included in the construction machinery business segment.

## Reliable solutions

note : ( ) shows previous forecast as of July 2021





# Appendix 1: FX rate and FX sensitivity

The forecast exchange rate for FY2021 was set within the expected fluctuation range for each currency.

## FX rate and FX sensitivity

[billions of yen]

Currency	FX rate				FX sensitivity (3Q-4Q)		
	FY21			FY20 Actual	Condition	Revenue	Adjusted operating income
	1Q-2Q Actual	3Q-4Q Forecast	Total Forecast				
US\$	109.8	105.0	107.2	106.0	Impact by 1 yen depreciation	1.1	0.9
EURO	131.0	125.0	127.9	124.6	Impact by 1 yen depreciation	0.3	0.3
RMB	17.0	16.0	16.4	15.7	Impact by 0.1 yen depreciation	0.2	0.1
AU\$	82.6	80.0	81.3	76.0	Impact by 1 yen depreciation	1.1	0.1

# Appendix 2: Detail of mining revenue

[billions of yen]

		FY20 Actual			FY21 Forecast			Change		
		1-2Q	3-4Q	Year	1-2Q	3-4Q	Year	1-2Q	3-4Q	Year
America	Excavator	4.9	5.7	10.6	6.4	2.6	9.0	1.5	-3.1	-1.6
	Dump Truck	0.6	1.5	2.1	1.4	1.3	2.6	0.8	-0.2	0.5
	Total	5.4	7.2	12.7	7.7	3.9	11.6	2.3	-3.3	-1.1
Europe, Africa and Middle East	Excavator	7.1	8.2	15.3	11.7	13.8	25.5	4.6	5.6	10.2
	Dump Truck	5.7	6.5	12.2	7.9	6.7	14.6	2.2	0.2	2.4
	Total	12.8	14.7	27.6	19.6	20.5	40.1	6.8	5.7	12.5
Asia & Oceania	Excavator	23.9	25.7	49.6	34.1	37.9	71.9	10.2	12.1	22.3
	Dump Truck	15.4	15.5	30.8	11.3	13.1	24.4	-4.1	-2.4	-6.4
	Total	39.3	41.2	80.5	45.4	51.0	96.4	6.1	9.8	15.9
China	Excavator	0.3	0.4	0.7	0.3	0.4	0.7	-0.0	-0.0	-0.1
	Dump Truck	0.0	0.0	0.1	0.0	0.1	0.1	0.0	0.0	0.1
	Total	0.3	0.4	0.8	0.3	0.4	0.8	-0.0	-0.0	-0.0
Japan	Excavator	0.4	1.2	1.6	0.7	0.3	1.0	0.3	-0.9	-0.5
	Dump Truck	0.3	0.1	0.4	0.0	0.0	0.0	-0.3	-0.1	-0.4
	Total	0.6	1.3	2.0	0.7	0.3	1.0	0.1	-1.0	-0.9
Total	Excavator	36.6	41.3	77.9	53.2	54.9	108.1	16.6	13.6	30.3
	Dump Truck	22.0	23.6	45.6	20.6	21.1	41.7	-1.3	-2.5	-3.9
	Total	58.5	64.9	123.5	73.8	76.0	149.9	15.3	11.1	26.4

# Appendix 3: Segment information

The amortizations of PPA are included in the adjusted operating income of the solution business. The amounts of 0.5 billion yen are included in the first half of FY2021, and in the 1.1 billion yen in the forecast for FY2021.

[billions of yen]

FY2021 1Q-2Q Actual	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	430.6	44.6	-1.5	473.7
Adjusted operating income	8.1% 34.7	7.7% 3.4	-	8.0% 38.1

[billions of yen]

FY2021 Forecast	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	831.2	88.8	0.0	920.0
Adjusted operating income	8.0% 66.2	8.8% 7.8	-	8.0% 74.0

\*1: Adjustments represent eliminations of intersegment transactions and amounts of companies that do not belong to any operation segment.

# Appendix4 : Actual and forecast of consolidated capital expenditures, depreciation, and R&D expenses

Capital investment in FY2021 is specialized in reorganizing domestic and overseas factories and expanding the rental business.

## 1.Capital Expenditure (Based on completion) [billion of yen]

	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 1Q-2Q Actual	FY2021 3Q-4Q Forecast	FY2021 Forecast
Capital Expenditure	30.4	47.2	34.7	21.7	33.4	55.1
Assets held for operating lease	27.2	36.9	38.6	26.3	18.2	44.5
Total	57.6	84.1	73.4	48.0	51.6	99.6

## 2.Depreciation (tangible and intangible fixed assets) [billion of yen]

	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 1Q-2Q Actual	FY2021 3Q-4Q Forecast	FY2021 Forecast
Capital Expenditure	26.8	34.2	35.3	18.6	19.0	37.6
Assets held for operating lease	10.1	12.0	14.9	8.5	10.6	19.1
Total	37.0	46.1	50.2	27.2	29.6	56.7

## 3.R&D expenses [billion of yen]

	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 1Q-2Q Actual	FY2021 3Q-4Q Forecast	FY2021 Forecast
Total of consolidation	24.8	23.7	24.8	12.5	14.8	27.4

# Corporate Vision

## FY2021-2Q

1. Management Plan

2. Business Results

3. Company Outline and Topics

Business Expansion Strategy for North, Central, and South America toward Full-Scale Own Development are on pages 53 to 55.

•Company Name	Hitachi Construction Machinery Co., Ltd. Stock Exchange Listings : Tokyo (#6305)
•Major Operations	Manufacturing , sales and service of construction equipment, transportation equipment, and other machines and devices.
•Established	1 October, 1970
•Capital	81.6 billion Yen (Hitachi, Ltd : 50.81%)
•President	Kotaro Hirano
•Subsidiaries Affiliates	Japan: 7 companies, Overseas: 74 companies Japan: 3 companies, Overseas: 20 companies
•Number of Employees	Consolidated :24,873      Non-consolidated :5,455

(March 31, 2021)

### Construction



**Hydraulic Excavator**  
(Hybrid / ICT hydraulic excavator)



**Mini excavator**



**Wheel-drive Type Hydraulic Excavator**



**Double-Front Work Machine**

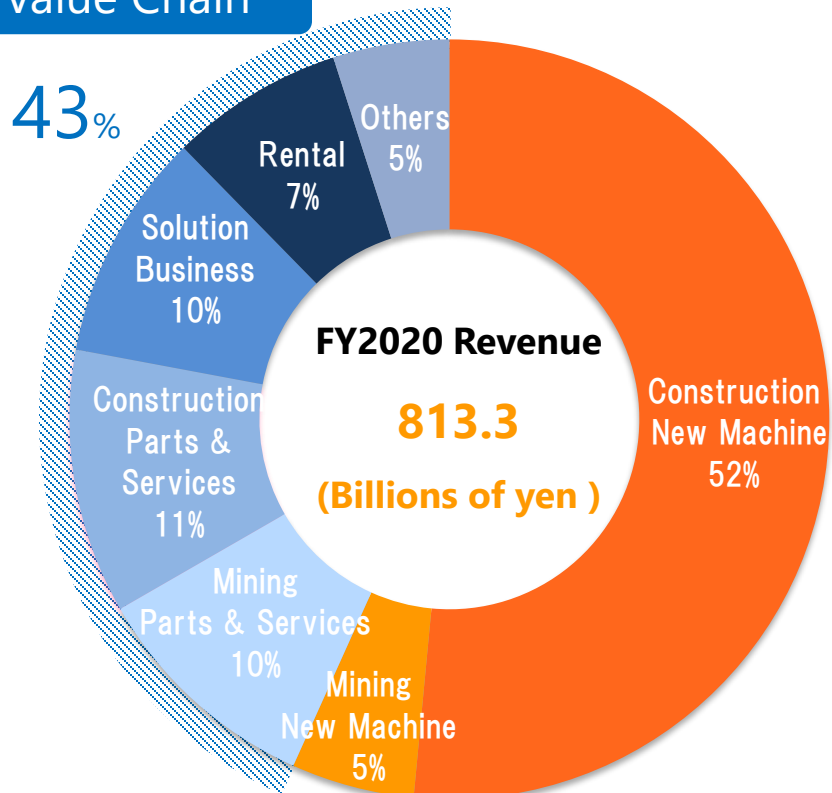


**Wheel Loader**



**Road Construction equipment**

### Value Chain



### Mining



**Dump Truck**



**Ultra-large Hydraulic Excavator**

### Value Chain business



**Mine management system**



**H-E Parts**

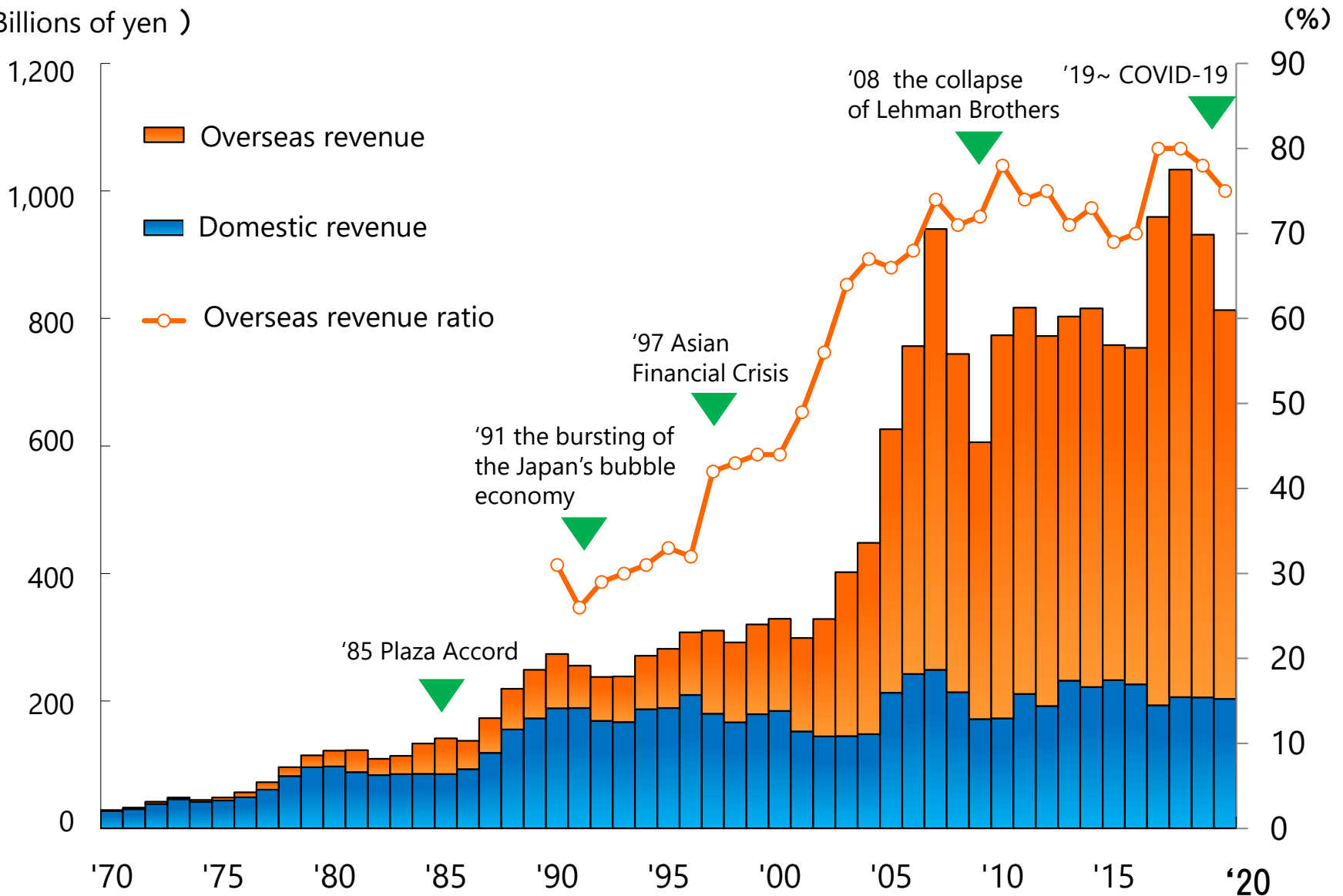


**Bradken**



**ConSite**

( Billions of yen )



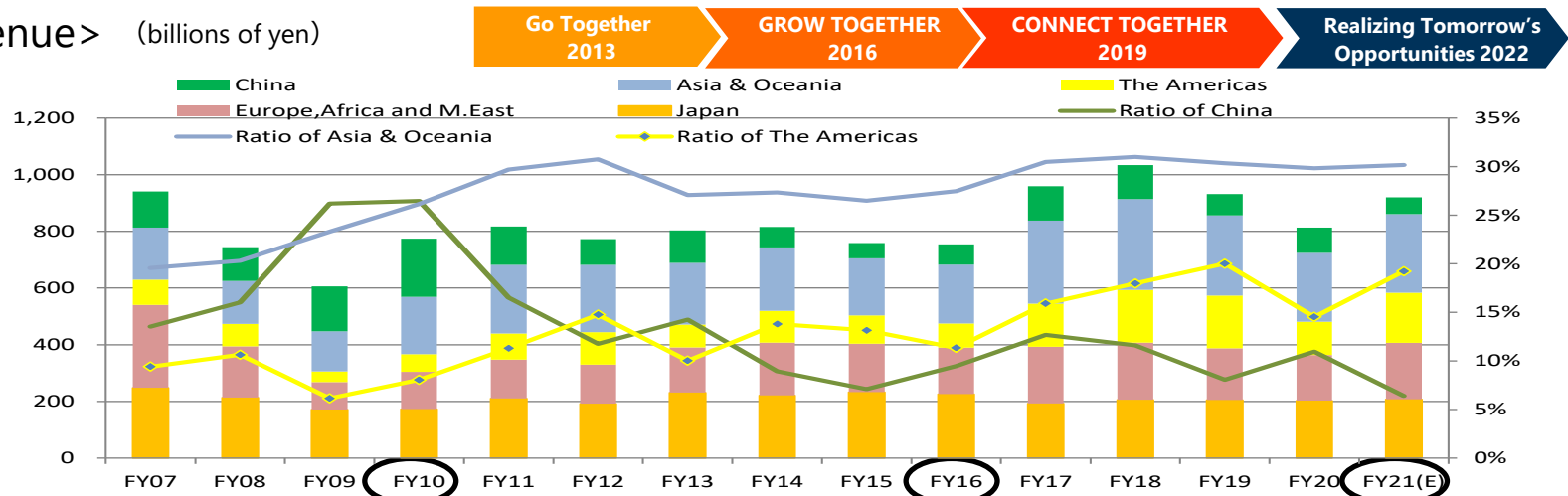


# Sales Trend-Decentralization in sales and profit

■ Sales ratio in China decreased, regional decentralization in profit

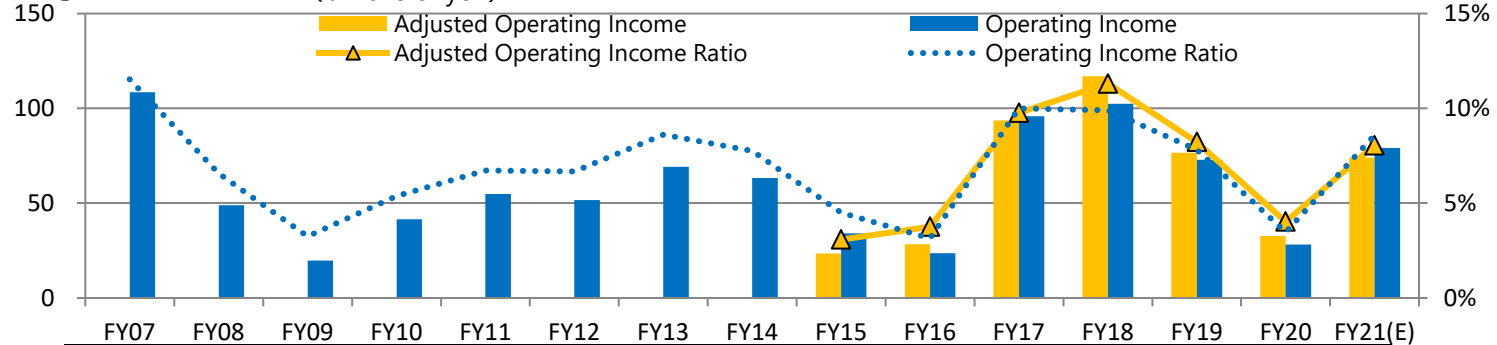
<Change in sales ratio>	(FY10)	(FY16)	(FY21)Estimate
China	: 26%	→ 10%	→ 6%
Asia & Oceania(Oceania):	26%(10%)	→ 28%(13%)	→ 30%(17%)
The Americas	: 8%	→ 11%	→ 19%

<Revenue> (billions of yen)



<Operating Income>

(billions of yen)



US \$	114	101	92	85	79	82	100	111	120	109	111	111	109	105	107
Euro	161	156	129	112	108	108	135	138	132	119	130	128	121	125	128



\*Including parts remanufacturing

# Growth Potential of HCM



## Concentrating on the continuous structural reform to secure sales and profit

- + : Consolidation of joint venture business in India, Acquisition of Wenco, Bradken, and H-E Parts, etc.
- – : Withdrawal from engine manufacturing, temporal withdrawal of small-sized dump truck, non-consolidation of crane business, etc.



## Increase in sales and profit of parts & service utilizing ConSite®

- Increase in timely proposals to customers based on high accuracy machinery information
- Effect of customer-based service via direct sales and service



## Open innovation and Efficient R&D through synergy with Hitachi group

- Development of AC dump truck and AHS in short-time because of accumulated technology from performance in other sectors
- Expectation for further improvement via accumulated machinery information with AI analysis on Global e-service®
- Accelerate promotion of Collaborative Construction Equipment development and technological development for reducing CO2 emissions



## Concentrating on the continuous structural reform to secure sales/profit

Termination of Joint Venture Relationship with Deere

Signed a MoU with ABB

Investment in Australian Startup Baraja

Establishment of Synergy Hire (Rental in UK)

Investment in ACME(Rental in US)

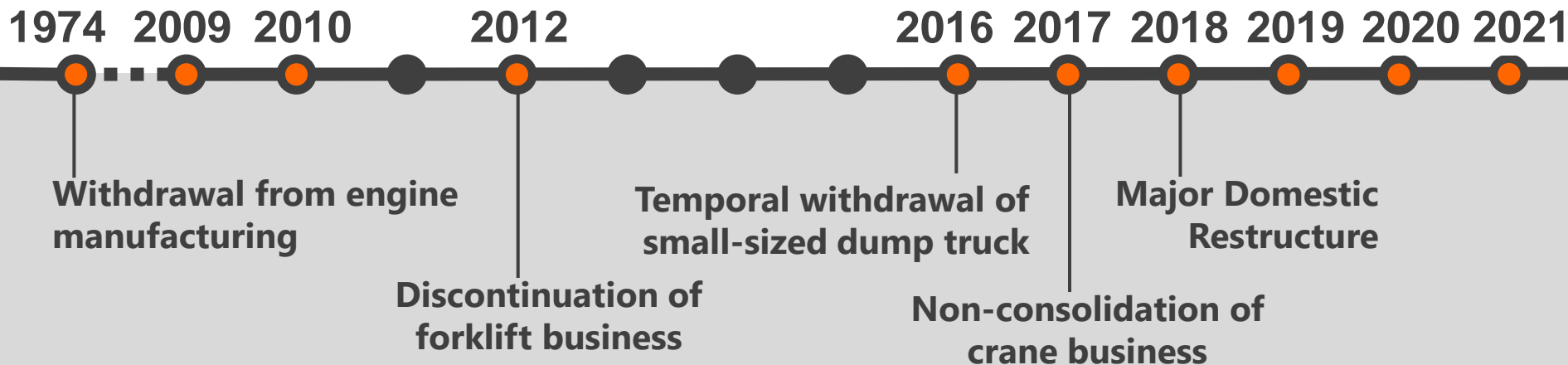
Acquisition of Bradken

Hitachi Brand Wheel loaders in N. America

Acquisition of H-E Parts

Acquisition of WENCO

Consolidation of joint venture business in India



**Current  
medium-term  
management  
Plan period  
(~2022)**

1. Prompt construction of network for sales, service and rental
2. Market launch of the newest excavators
3. Total support across product life cycle with ConSite®

**Future  
(2023~)**

1. Planning for base expansion of operational bases for product manufacturing, service and parts remanufacturing
2. Efforts to develop and introduce electrified products

**Invest approx. 30 billion yen in parts and service network development and rental business expansion, etc.**

**Business Expansion**

**Improve Customer  
Satisfaction**

**Stabilization of  
Revenue**

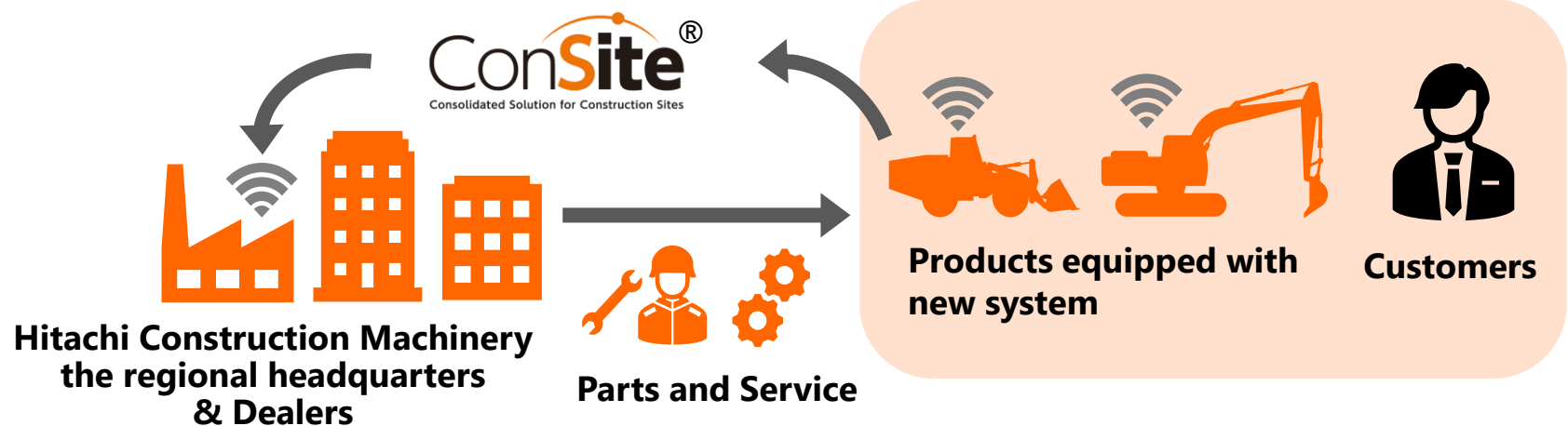
**Reestablishing business in North, Central and South America, expand business aiming for over 1 trillion yen consolidated Sales Revenue or more and stable double-digit Operating Income Margin**

## Building a structure for full-scale own development in the world's largest market

- Renamed the local company Hitachi Construction Machinery Americas, the regional headquarters, and is currently increasing its workforce
- Discussing contract details with leading dealers in North, Central, and South America
- Preparing hydraulic excavators equipped a new hydraulic system, safety device, and ConSite®



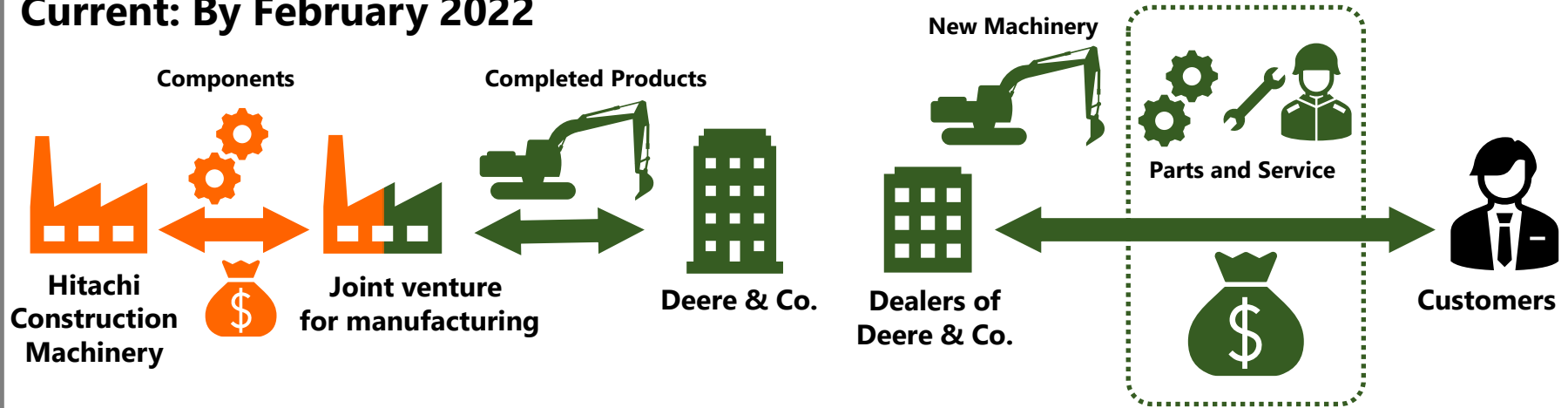
### Structure in North, Central, and South America from March 2022



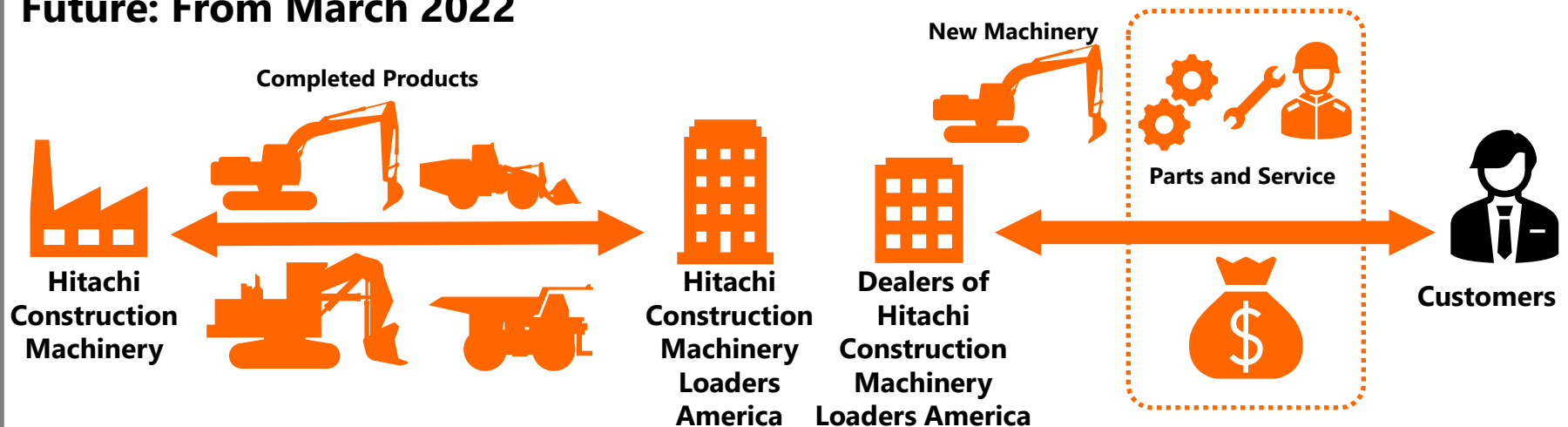
To launch attractive new products and take in highly profitable parts and service businesses through ConSite® data linkage

## Take in highly profitable parts and service businesses mainly in North America

### Current: By February 2022



### Future: From March 2022



## Aiming to deepen the value chain of the mining business

### Bradken

- ✓ 1922: Company established
- ✓ March 2017: Restructured as subsidiary of HCM
- ✓ Expanded to Australia, USA, Africa, Europe, Asia, China, and other areas
- ✓ **Main strength: Technical capabilities in molding and casting**

### H-E Parts

- ✓ 2006: Company established
- ✓ December 2016: Restructured as subsidiary of HCM
- ✓ Expanded to Australia, USA, Chile, Canada, and other areas
- ✓ **Main strength: Comprehensive after-market solutions**

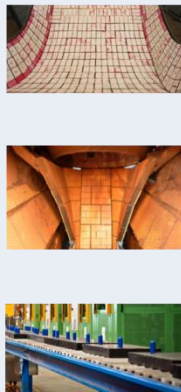
GET\*, etc.



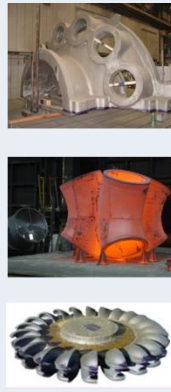
Liners for crushers and mills, etc.



Castings for fixed plant mining equipment, etc.



Specialty castings, etc.



Comprehensive solutions for mobile mining equipment



Services & parts for crushing equipment as well as on-site and off-site services & repairs



Comprehensive, high-horsepower diesel engine remanufacturing solutions (including rebuilding)



Comprehensive undercarriage parts and GET for mobile construction equipment



\*Ground Engaging Tools



## Signed a MoU with ABB to collaborate to target net-zero emissions from mining machinery

Signed: March 2021

- Applying **ABB's electrification, automation and digital solutions** to mining machinery
- Providing solutions that **streamline and optimize overall mining operations**



Rigid dump truck on trolley line



## Investment in Australian Startup Baraja to accelerate development for autonomous operation

Invested: March 2021

- Accelerating the **development of LiDAR products with mine site specifications** and **strengthening local support.**
- Applying the **improvement of AHS and autonomous operation of ultra-large hydraulic excavators.**



Images captured by LiDAR



\* LiDAR is an abbreviation for Light Detection And Ranging. This technology detects the shape of an object and the distance to the object by irradiating the object with a laser beam and capturing the reflected light with a sensor.

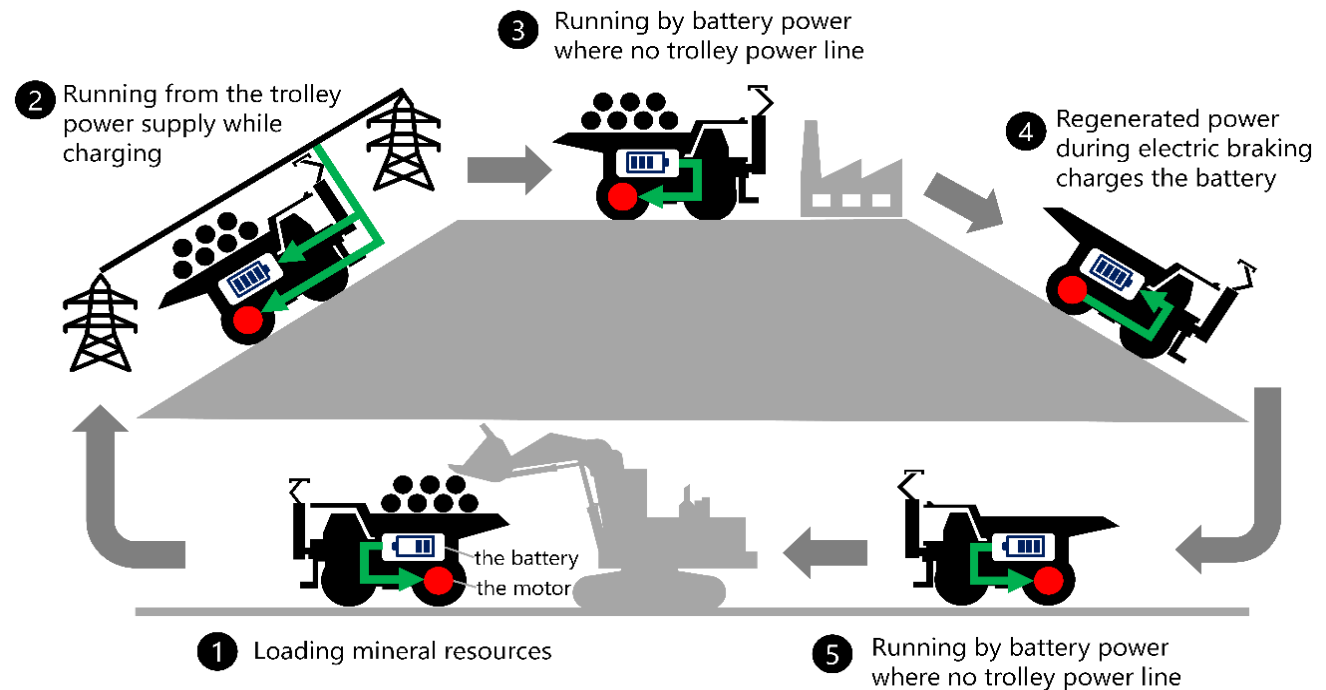
## Toward realization of "Net Zero Emissions Mining," aiming to start experiments at a customer's mine by mid-2024

### Limit the volume of batteries by a trolley charging system

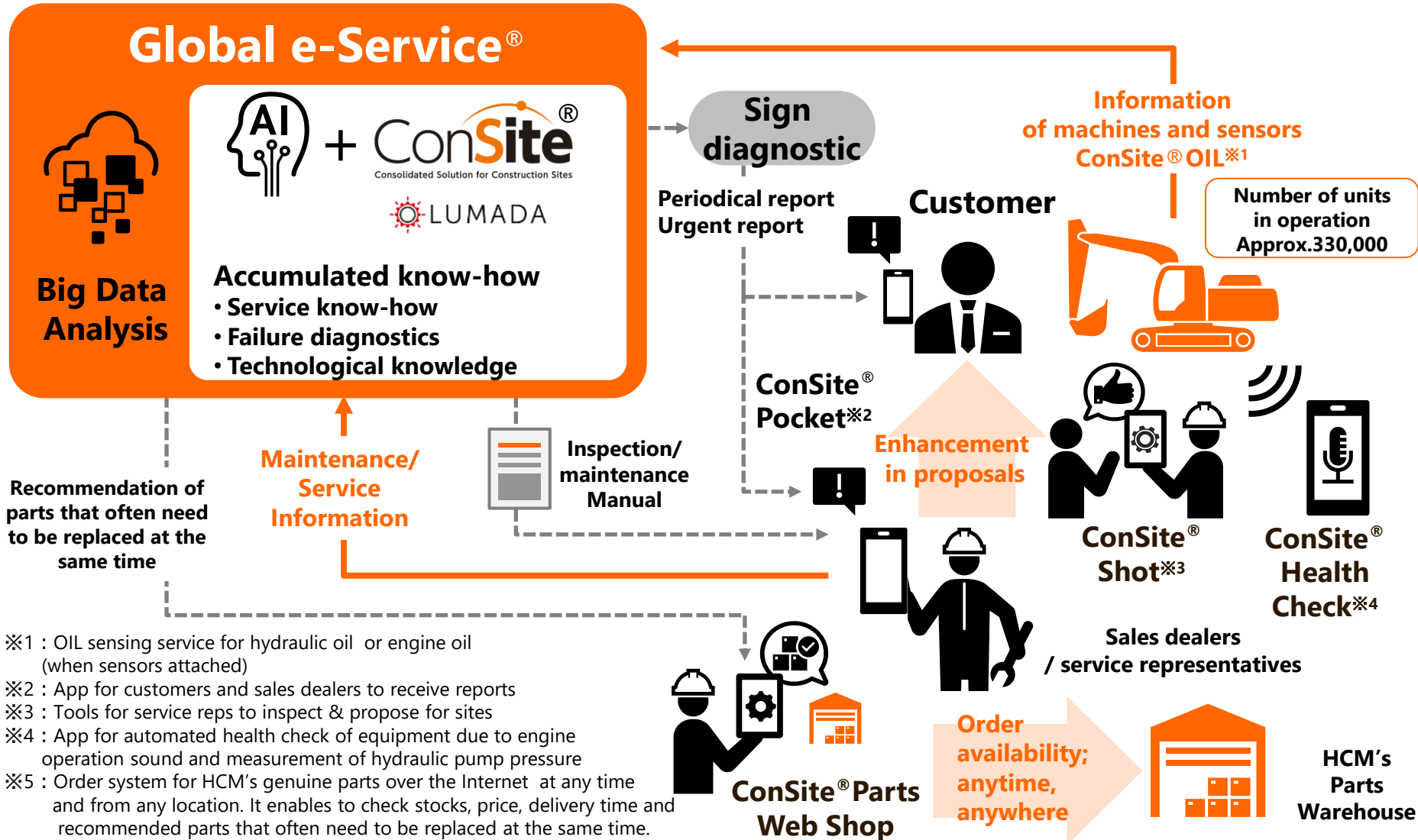
- Control initial and lifecycle costs
- Reduce vehicle weight to maximize payload capacity.
- No need to stop for recharging; realize a high operating rate.



Rigid dump truck model  
with trolley



## Increase in sales and profit of parts & service utilizing ConSite®



- ※1 : OIL sensing service for hydraulic oil or engine oil (when sensors attached)
- ※2 : App for customers and sales dealers to receive reports
- ※3 : Tools for service reps to inspect & propose for sites
- ※4 : App for automated health check of equipment due to engine operation sound and measurement of hydraulic pump pressure
- ※5 : Order system for HCM's genuine parts over the Internet at any time and from any location. It enables to check stocks, price, delivery time and recommended parts that often need to be replaced at the same time.
- ※ : Areas for direct sales/service; Japan, Oceania/Asia, S.Africa, Netherlands, UK and USA(WL)



# ConSite

Consolidated Solution for Construction Sites

- Information infrastructure linking customers all over the world 24 hours a day, 365 days a year
- Provide high quality maintenance & repair services earlier than before



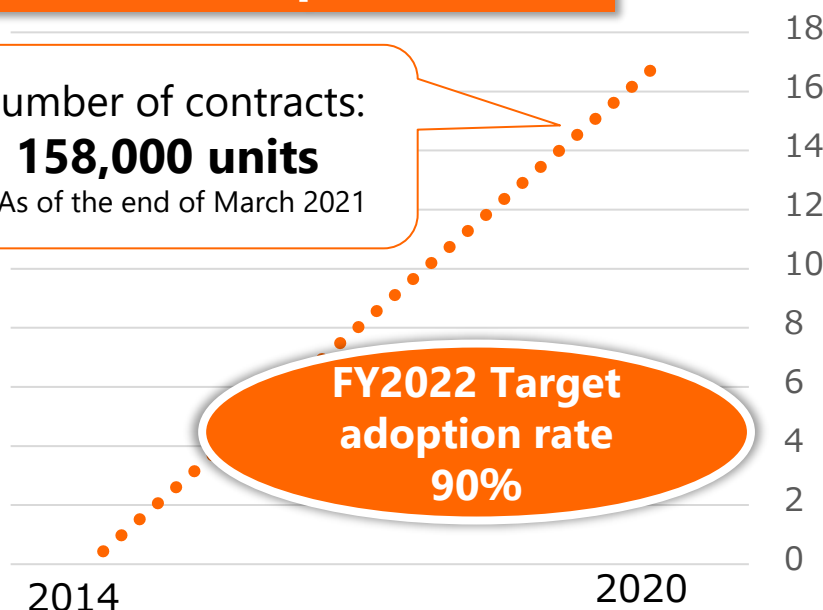
## ConSite adoption rate

Number of contracts:

**158,000 units**

※As of the end of March 2021

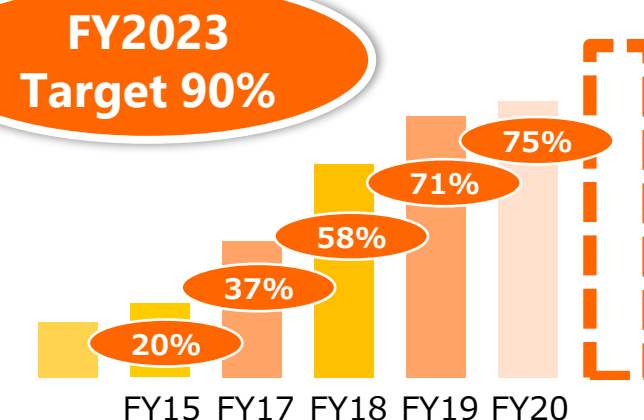
**FY2022 Target  
adoption rate  
90%**



## Fully automated system for remote fault prediction

KPI: Remote prognostic detection rate\* by sensing

## Failure prognostic detection rate



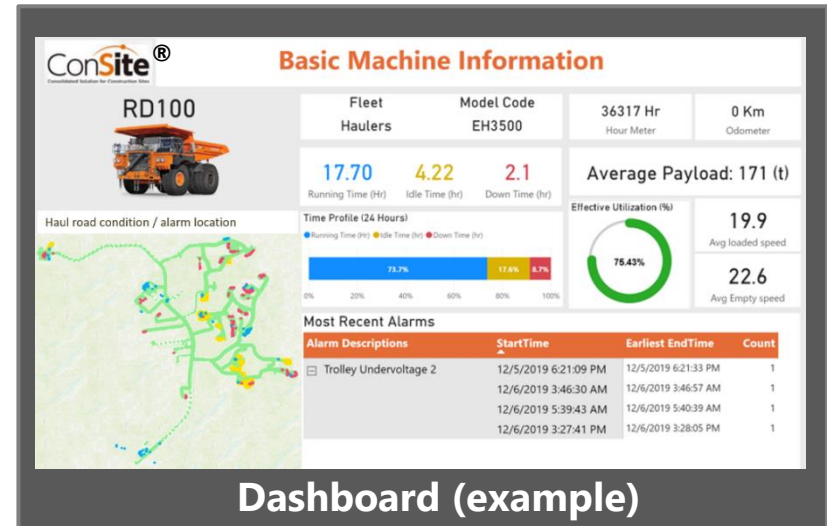
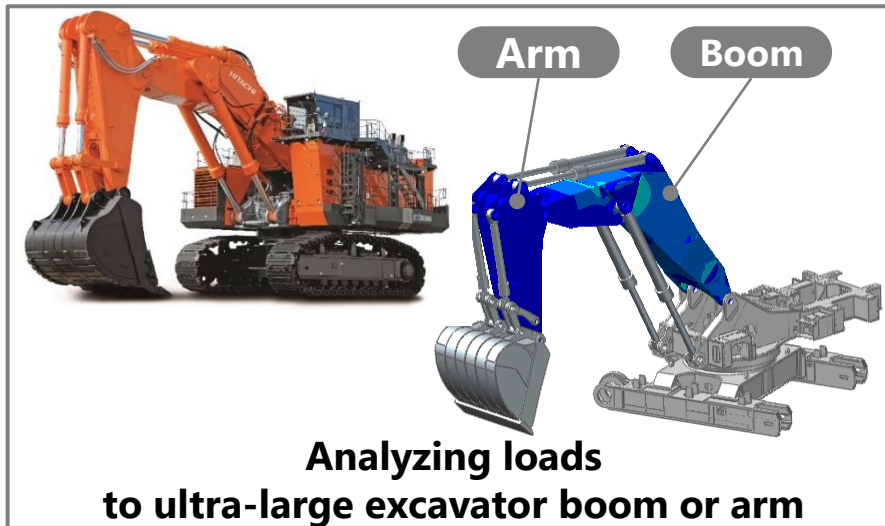
\*prognostic detection rate

Percentage of all failure patterns occurring in major components of hydraulic excavators (excluding accessory failures) that can be notified and covered in ConSite ® Alarms Report



## Developed “ConSite® Mine” remotely monitoring mining machinery on 24/7 basis, with Wenco. Releases in 2021.

- Visualize prediction the **occurrence of cracks in the boom or arm** by utilizing IoT, AI and applied analysis technologies
- Analyzing operator’s **operational patterns and fuel consumption**
- Improving productivity and safety, reducing life-cycle costs

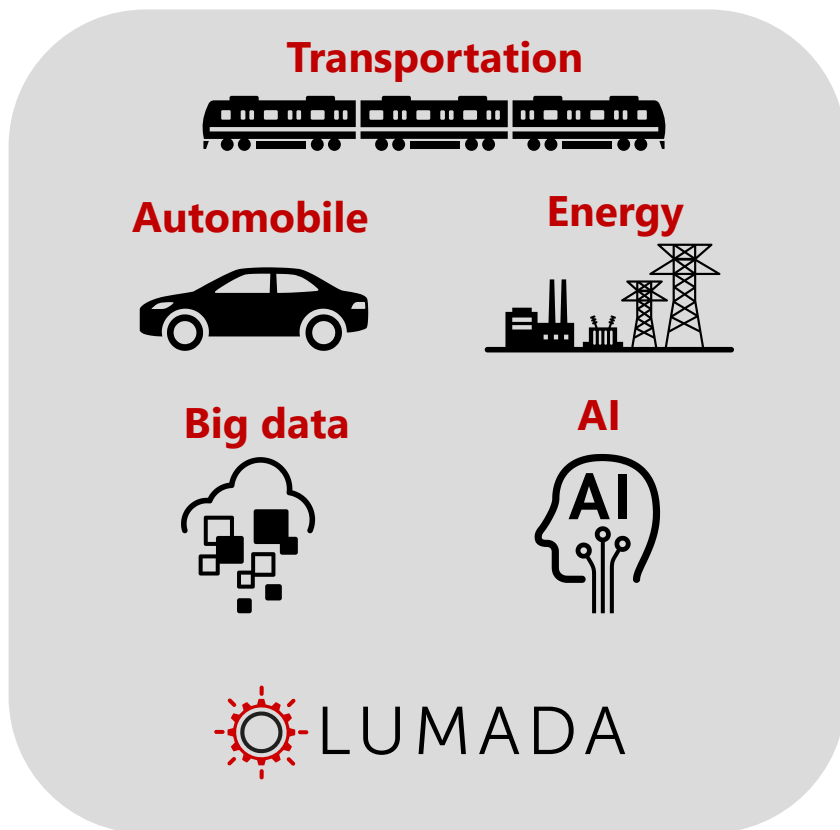






**Open innovation and Efficient R&D through synergy with Hitachi group**

## Hitachi Group Technology



## Development to HCM's Product and Service

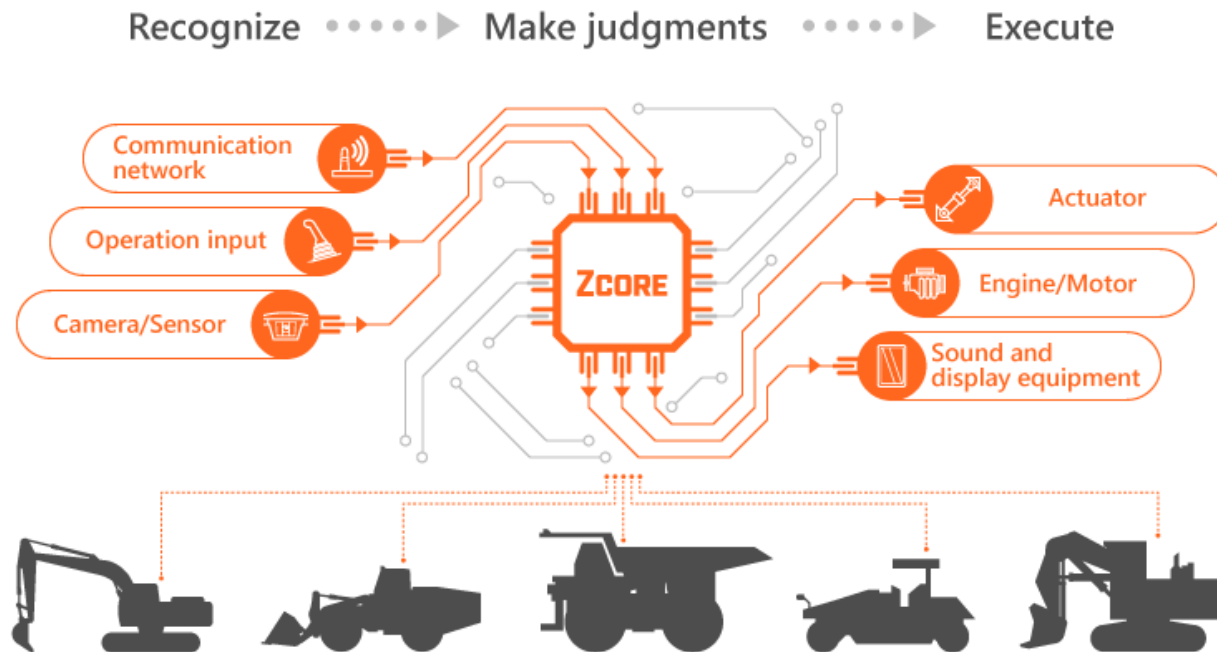


※1 : Utilizing Hitachi's technology Emilia®; Integrated management of energy data and facility



## Development of a System Platform "ZCORE®" for Autonomous Construction Equipment

- Enabled the machinery to **recognize, judge and execute**, which operators conventionally do
- Easy addition and **customization of functions**, adapting various customer needs more quickly
- Applied to all kinds of our construction machinery, regardless of product type or size



# Verification Tests to Start Directed at the Development of Autonomous Ultra-Large Hydraulic Excavators

- Utilizing the knowledge from many years of research and development in the remotely control technology to cater to the needs of customers
- Effective use of customer-owned equipment to **retrofit** onto the EX-7 series



Ultra-large hydraulic excavator, EX3600-7(right)

## Current status and future schedule

Until 2023: Development of remote operation systems including working assistance systems

Until 2026: Combine remote control systems with partial operation automation

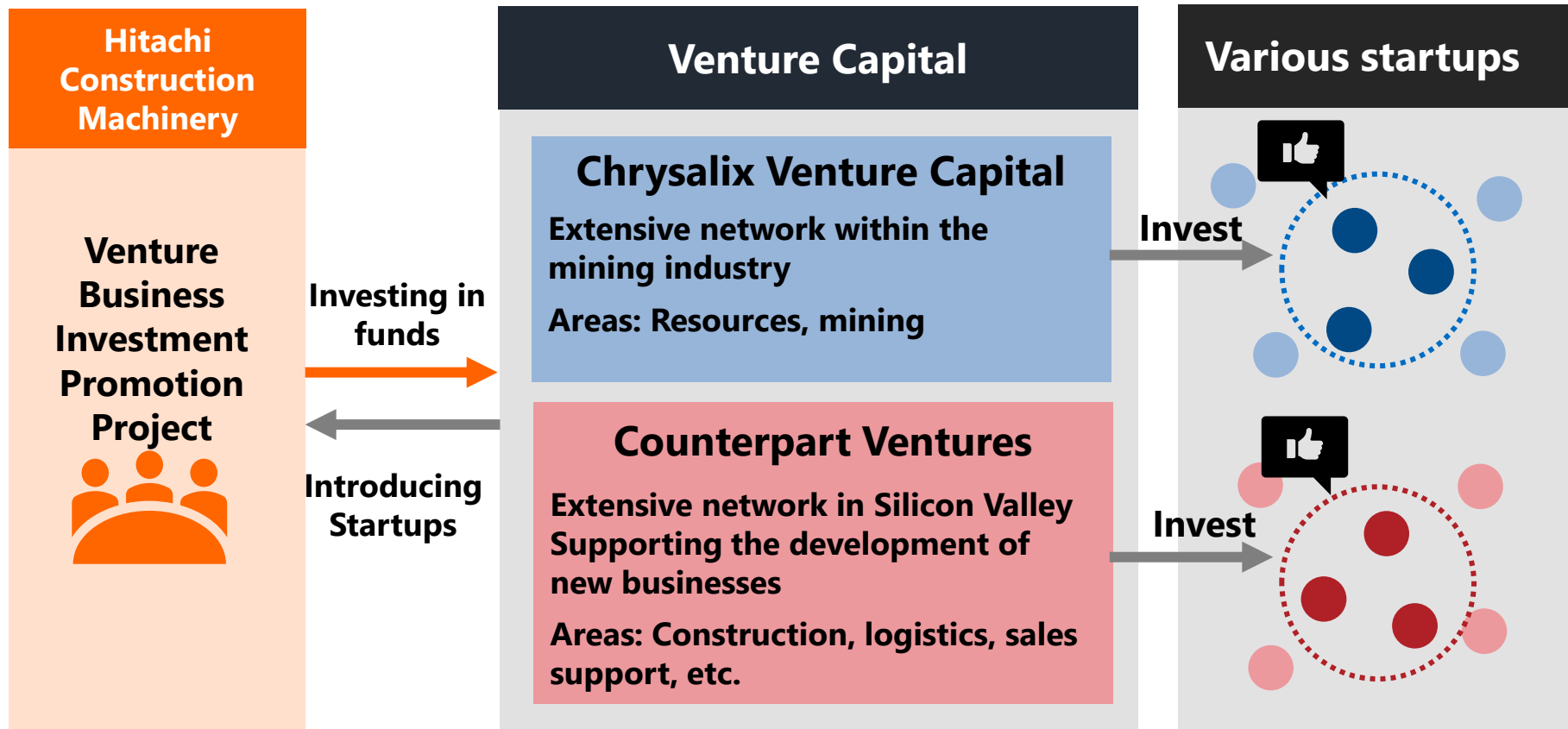
(autonomous drilling and loading functions)

Until 2030: Added autonomous operation function



## Searching for promising startups by venture capital firms, strengthening collaboration

- Launched the “Venture Business Investment Promotion Project” in April 2020
- Strengthening open innovation by investing in two venture capital funds in October 2020 and April 2021



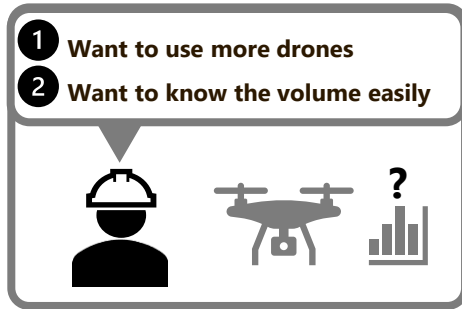
# Strengthening ICT Construction Solutions

Company Outline and Topics

HITACHI

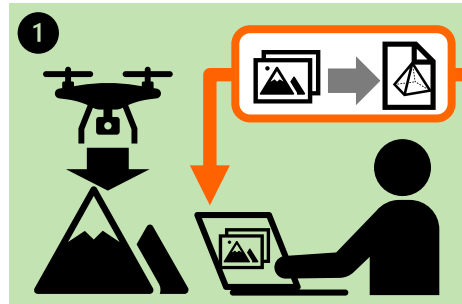
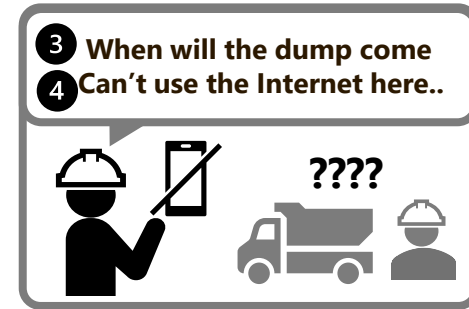
Reliable solutions

## Wide-ranging support in response to customer issues related to ICT construction



Solution Linkage® Assist

Assist operation with 2D/3D machine control



Solution Linkage® Point Cloud

Prepare 3D point group data easily from drone imagery



Construction  
record



Construction  
Chart Data

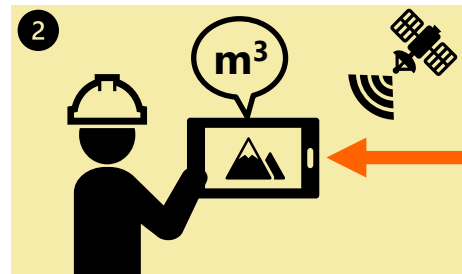


Solution Linkage®  
Cloud



Solution Linkage® Mobile

Visualization of sites with smartphones and tablets

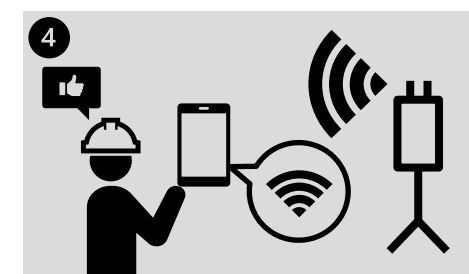


Solution Linkage® Survey

Easy measurement with smartphones,  
also compatible with volume calculations



Share data with remote location,  
such as headquarters



Solution Linkage® Wi-Fi

Improving the communication environment  
and introducing an IoT to the site

# Proactively promoting battery-powered mini excavators in response to growing demand for electrification

## Electric Mini Excavators now on sale since 2020 by collaboration between Japan & Europe

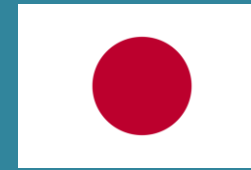
- Demand for electric construction machinery is growing, as the shift to electric vehicles becomes clear.
- 8-ton class has received orders for about 25 units in Europe for 2020, target 50 units for 2021.
- 5-ton class is scheduled to be **released** for Japan and Europe during **FY2021**.
- Equipped with **lithium-ion batteries** and powered by **both battery and commercial power**.



### European Application Center



Development based on existing models to rapidly respond to European market needs



### HCM\* HCM Tierra

Battery-powered mini excavator with a short rear end swing design developed with an emphasis on work in narrow spaces



\* Hitachi Construction Machinery



2-ton class prototype and 8-ton class on sale



5-ton class prototype

## Expanding the product line-up of excavator for civil construction use

- Mainly targeting self-employed operators, who are the volume zone of demand
- Realizing the best suited specifications and structure for urban civil construction and **the high cost-effectiveness**
- Utilize the operating data of the models for **new product development and sales strategy in the future.**



6-ton class



12-ton class



20-ton class

## Strengthening our group's sales and service systems

- Newly opened three regional offices, Chengdu, Beijing, Shanghai to support dealers in their nearby regions
- Holding seminars on systematic sales methods and sales process management.

## Collaborate on rental and used equipment businesses, deepen value chain business

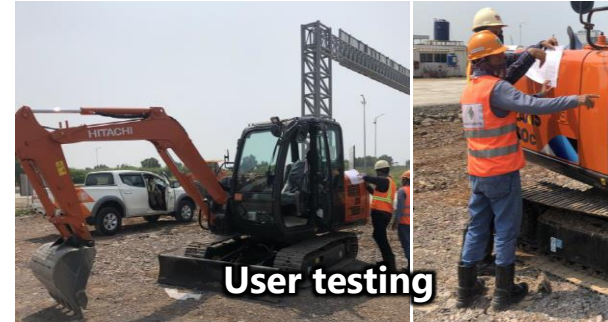
- Selling our rental equipment as high-quality used equipment "PREMIUM USED".



National Dealer Conference

## User testing of the excavators for civil construction use is underway from April 2021.

- Considering the best-suited specifications and structure for urban civil construction
- Reflecting the voices of local customers in product development



9 INDUSTRY, INNOVATION  
AND INFRASTRUCTURE



## Accelerating the expansion of used equipment businesses, and deepening value chain business

- Procuring local used equipment and expanding them as our guaranteed and refurbished ones
- Creating high-quality used equipment from our rental machines
- ConSite® provides manufacturer-quality maintenance and service after the sale

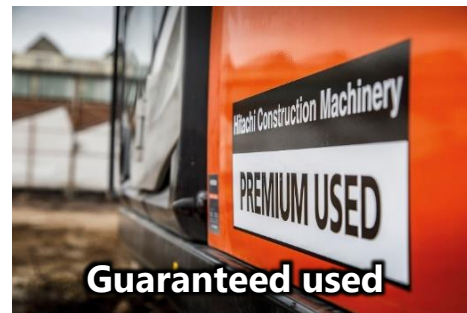
12 RESPONSIBLE  
CONSUMPTION  
AND PRODUCTION



### 【 Area of Coverage 】

 **Guaranteed and refurbished used equipment**  
(PREMIUM USED + REFURBISHED USED)

 **Rental business** (PREMIUM RENTAL)





## Expansion of sales of used equipment from Japan (auction business)

- Hosting auctions of 3500 units per year
- Sales of good-conditioned used equipment, which made possible through the distinctive service as a manufacturer



Auction venue of HCM Japan



Japan



China

## Expansion of Certified / Refurbished Used equipment's sales

Hitachi Construction Machinery

**PREMIUM USED**

Hitachi Construction Machinery

**REFURBISHED USED**

- Sales of well-maintained, high-value added used equipment in Japan, China, Asia and Europe, etc.

We have chosen to align our activities with 10 of the 17 SDG's. Topics in this explanatory material are shown together with their corresponding SDG icon.



## **Cautionary Statement**

This material contains forward-looking statements that reflect management's views and assumptions in the light of information currently available with respect to certain future events, including expected financial position, operating results, and business strategies. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured.

Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, changes in the economic conditions in the Company's principal markets; changes in demand for the Company's products, changes in exchange rates, and the impact of regulatory changes and accounting principles and practices.

# END

**For further inquiries:**

**Corporate Brand & Communications Div.**

 **Hitachi Construction Machinery Co., Ltd.**