

## **Achieving the Midterm Management Plan FY2025 Targets** **BUILDING THE FUTURE 2025** FY2023 – 2025

April 24, 2024

**Masafumi Senzaki**

President and Executive Officer, COO

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

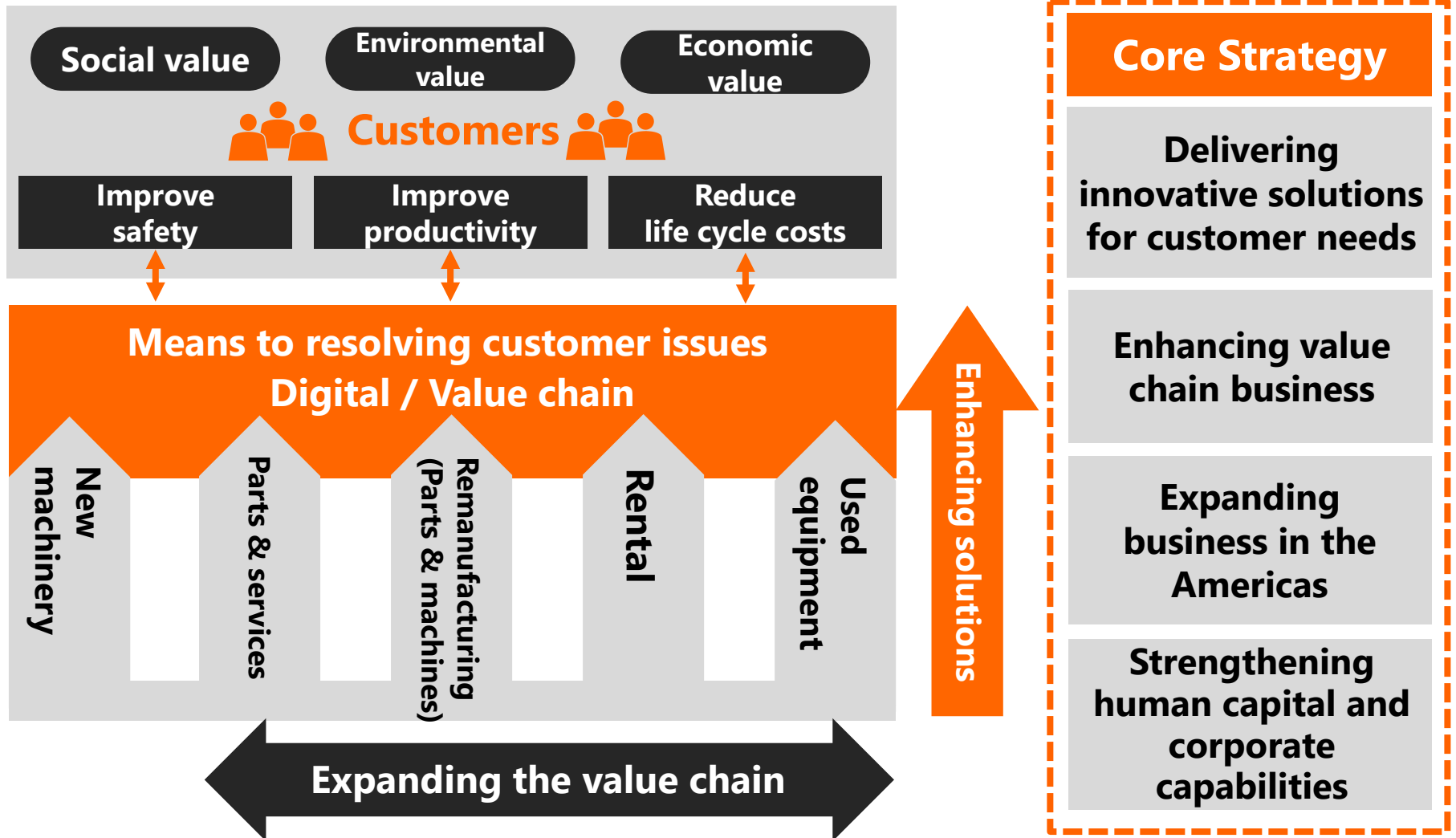
- 1. Group Identity of Hitachi Construction Machinery**
- 2. Core Strategy of the Medium-term Management Plan**
- 3. Overview of the Medium-term Management Plan**
- 4. Targets of the Medium-term Management Plan**

## Formulating our own group identity in response to business environmental changes

**Reliable Solutions** We are a reliable solutions partner with/for our customers



### Growing as a true solutions provider by delivering innovative solutions



### 3. Overview of the Medium-term Management Plan

#### Core Strategy

#### Key initiatives

**Delivering innovative solutions for customer needs**

- Building an ecosystem through collaborative creation with customers and partners in other industries
- Offering site solutions with a digital platform

Report 1

Report 2

**Enhancing value chain business**

- Expanding remanufacturing capacity and establishing a global optimum production system
- Expanding overseas rental business suited to different market environments

Report 3

**Expanding business in the Americas**

- Diversifying sales channels and enhancing finance business in the Americas
- Establishing an own sales network in Central & South America

Report 4

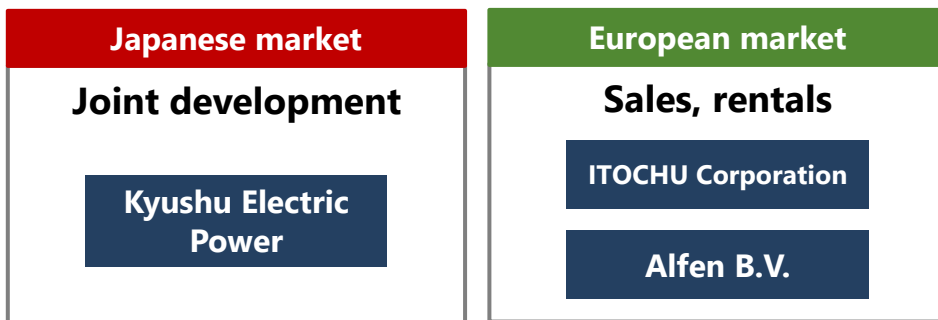
**Strengthening human capital and corporate capabilities**

- Providing education and opportunities for human capital to play an active role globally
- Transforming the corporate culture through agile development

Report 5

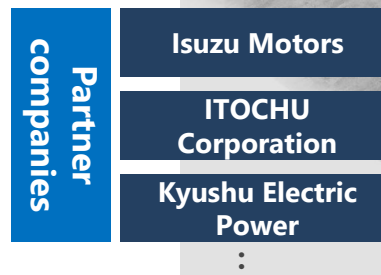
## Collaboration with partners in other industries toward realizing zero emissions at construction sites

### Expanded cooperation on mobile energy storage systems

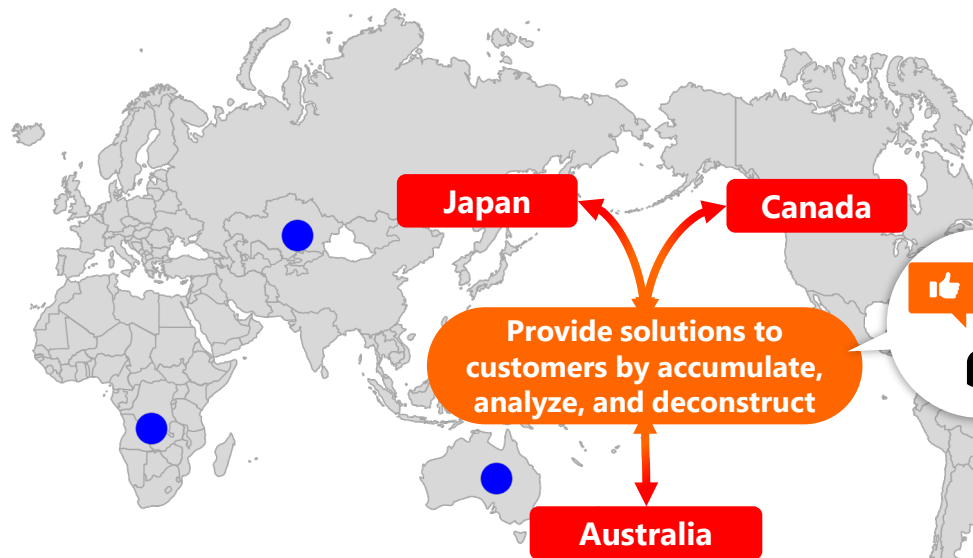
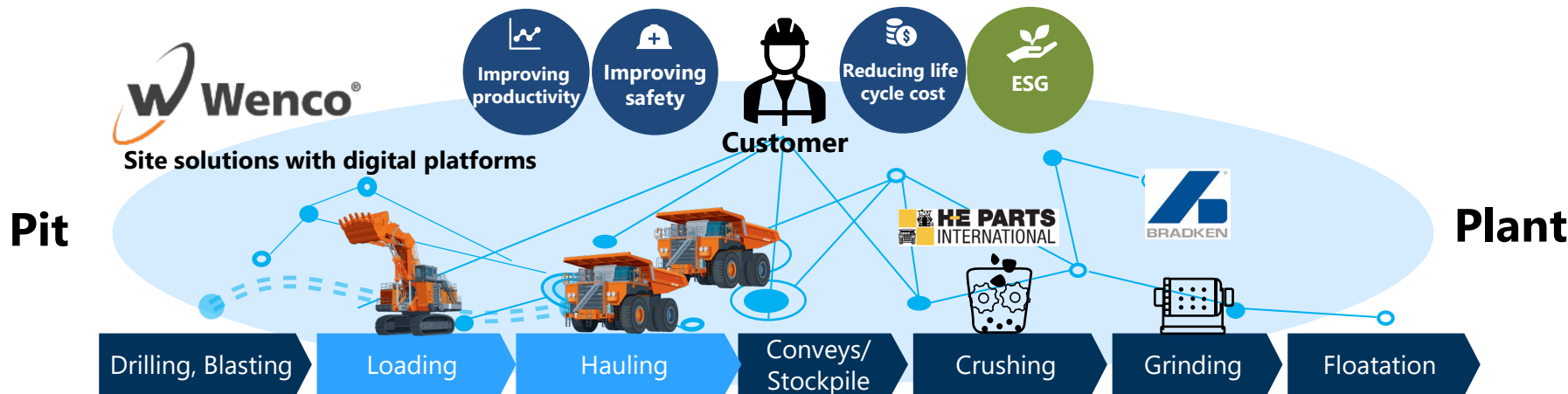


### Establishment of the ZERO EMISSION EV-LAB by collaboration with partners

- Permanent demo area that recreates a construction site and a communication area for visitors
- In addition to electric excavators, mobile energy storage systems, EV trucks, compaction equipment, and carrier dump trucks are scheduled to be installed



## Monitoring multiple mine sites while expanding the coverage to improve customer productivity

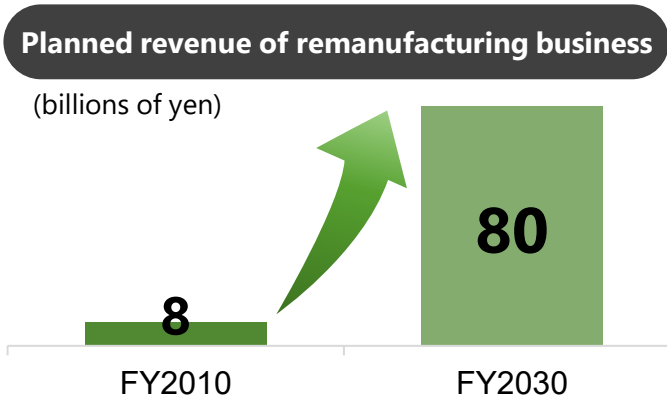


● Mining Site to be monitored



## Consolidating domestic remanufacturing sites and enhancing global remanufacturing sites aiming for a recycling-oriented business model

### Establishing the Banshu Works as the mother factory of remanufacturing plants and strengthening cooperation worldwide



### Strengthening remanufacturing business across the Americas

#### Hitachi Construction Truck Manufacturing

Operation started from October 2023.

Remanufacturing of parts for large and ultra-large hydraulic excavators, dump trucks, and wheel loaders



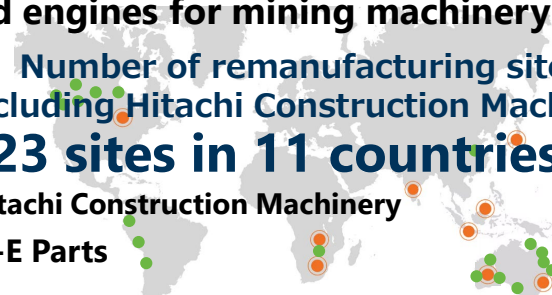
#### H-E Parts

Remanufacturing of cooling systems and engines for mining machinery

Number of remanufacturing sites (including Hitachi Construction Machinery)

**23 sites in 11 countries**

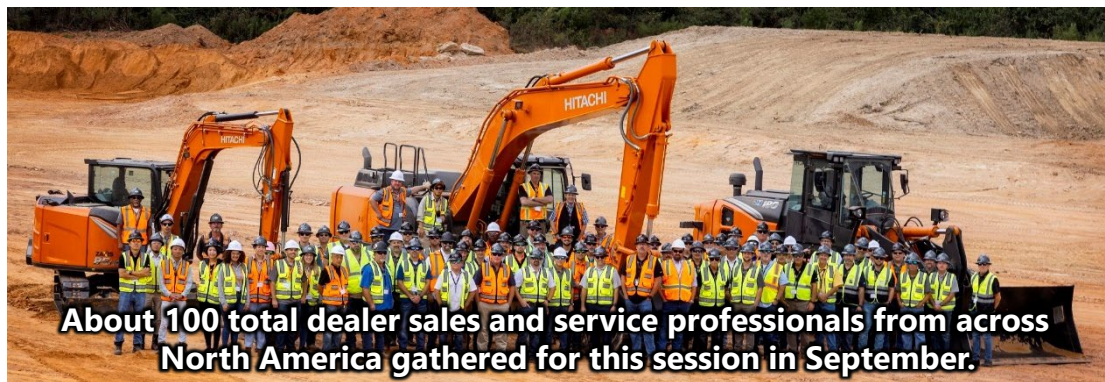
- Hitachi Construction Machinery
- H-E Parts



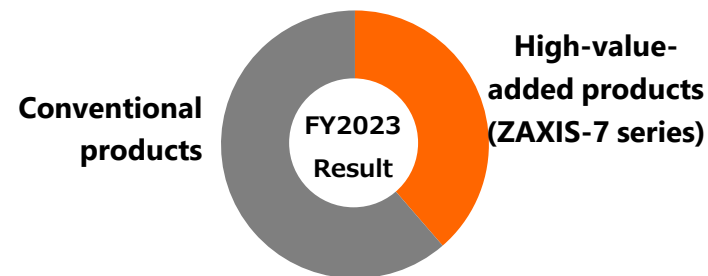


## Delivery of high-value-added products started.

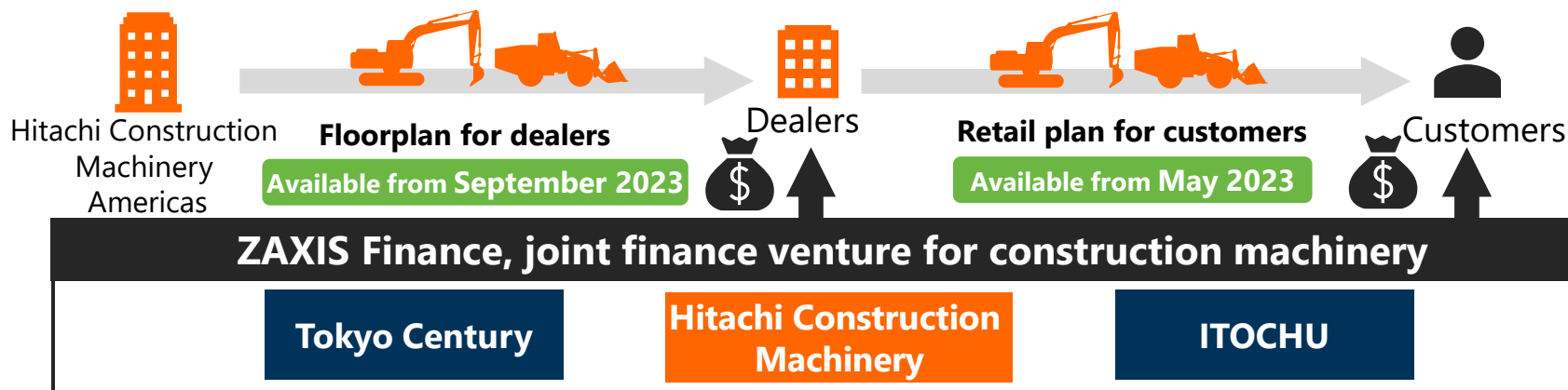
In August 2023, we started delivery of its newest ZAXIS-7 series, and the sales are expanding steadily.



Sales of high-value-added products in Americas

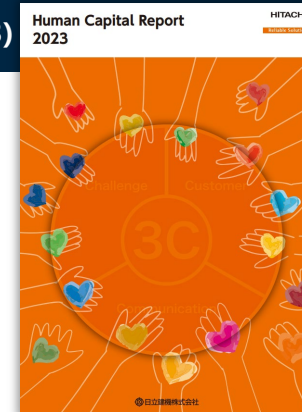


## The joint finance venture with the ITOCHU Group begins operations.



## Acquired human capital-related ISO certification (November 2023)

- First machinery manufacturer to acquire ISO 30414 certification, international guidelines for the disclosure of human capital reporting information
- Issued the "**Human Capital Report 2023**"
- Strengthening information disclosure, deepening dialogue with stakeholders, and utilizing this to improve human capital management



## Concentrating R&D resources in Tsuchiura Works to promote innovation (May 2023)

- A place where approximately 3,000 people, mostly from R&D departments, gather
- Diverse communication spaces to create collaboration across departmental boundaries



Orange Innovation Plaza

## Transforming the corporate culture through new business contests

- The First (FY2022-2023) KENKI  $\beta$ BUSINESS CHALLENGE (K $\beta$ C) was hosted to learn not only value creation know-how but aim to actually commercialize it.



Scene from the actual screening

# 4. Targets of the Medium-term Management Plan

KPI		Medium-term Management Plan FY2025 targets	FY2023 results	
Growth	• Value chain ratio	50% or more	39.4%	
	• Own business revenue in the Americas	300.0 billion yen or more	217.5 billion yen	
	• R&D/Revenue ratio	3% or more	2.2%	
Profitability	• Adjusted operating income ratio	13% or more	12.0%	
	• EBITDA margin*1	18% or more	16.8%	
Safety	• Net D/E ratio	0.40 or less	0.57	
Efficiency	• Operating cash flow margin*1	10% or more	5.2%	
	• ROE	13% or more	13.1%	
	• ROIC*1*3	9% or more	9.8%	
Shareholder return*2	• Consolidated dividend payout ratio	Stable and continuous implementation with a consolidated dividend payout ratio of 30%-40% as a guide	34.2%	
ESG	• Reducing environmental impact and CO <sub>2</sub> (total)	Production (Scope 1+2)	-40% VS. FY2010	Scheduled to be published in "Integrated Report 2024"
		Product (Scope 3)	-22% VS. FY2010	
	• Diversity, equity & inclusion	• Localization ratio of GM or higher in overseas group companies*1	75%	71%*4
		• Ratio of managers by gender (consolidated)*1	Women 13% Men 15%	Women 11%*5 Men 16%

\*1: Newly established indicators in this medium-term management plan

\*2: We aim to allocate one-third of operating cash flow to maintenance and strengthening investment, prior investment, and shareholder return & debt payment respectively, based on our fund allocation policy.

\*3: The level of capital cost (WACC) to be compared in the ROIC target is recognized at about 7%.

\*4: As of August 2023

\*5: Outlook for result of FY2023

# BUILDING THE FUTURE 2025

- Delivering Innovative Solutions for Customer Needs
- Enhancing Value Chain Business
- Expanding Business in the Americas
- Strengthening Human Capital and Corporate Capabilities

Health, Safety, & Compliance

Customer Interest First

Kenjin Spirit



**We have chosen to align our activities with 10 of the 17 SDG's.**



**SUSTAINABLE  
DEVELOPMENT GOALS**  
17 GOALS TO TRANSFORM OUR WORLD

### **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.

### **Trademark notice**

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