

**Hitachi Construction Machinery Americas Inc.
CONEXPO 2023 Media Monday Presentation Transcript
March 13, 2023**

Al Quinn:

All right, good afternoon everybody. Are you having a good day?

Audience:

Yes.

Al Quinn:

All right, good. My name is Al Quinn, I'm the CEO for Hitachi Construction Machinery Americas. To start this afternoon, I would like to introduce Sonny Ishii. Sonny is the chairman for HCMA, as well as the president and executive vice president for Hitachi Group and responsible for the mining division worldwide ... Sonny.

Sonny Ishii:

Thank you, Al. Good afternoon, everyone. Thank you for coming. My name is Sonny Ishii, chairman of HCMA. I came to the United States last April to lead our Americas operations. 2022 was such an epic year for HCM group with the dissolution of the joint venture agreement with John Deere and the change of shareholder composition.

These changes were truly positive ones for our group and brought a solid foundation for our future growth in the Americas. We call it the second foundation of our company. The Americas market is the single most important market, or priority, for HCM. In fiscal year 2022, our revenue in the Americas market made up about 24% of the total revenue of the entire HCM group, which is the biggest [contributor to total revenue].

I am so excited to be here for our new challenges. Your support for our challenges will be very much appreciated. Thank you very much.

Al Quinn:

Thank you, Sonny. All right, so let's talk a little bit more about why I really think we're here and where we are at this time. We are witnessing the startup of the Hitachi global brand in the Americas. We know that Hitachi globally is a powerhouse, but we've lost that visibility in the Americas. It was March one year ago that we started on this quest to develop the Hitachi brand to the position where we feel that we should be globally and within the Americas.

The enthusiasm has really been driven by the customers. I can tell you, I joined Hitachi six years ago with the dream that this day would come where we would put the lines together in a belief and a desire to be involved with something special. Simon joined us about four years ago with that same belief, that we can be a part of building something really special in the Americas.

But it's really the customers that have been the biggest surprise. When this was announced, the customer enthusiasm for Hitachi and the tradition that had been established far exceeded anything that we expected. Now what this really did for us is significantly improve the quality of distribution that we were able to find. We continued on with the core dealers that we had with the Hitachi wheel loader brand. We were able to keep the best, but we also had new distribution partners coming to the market that wanted to be a part of building up the Hitachi brand.

It was also really important in terms of our prospecting for employees. Since March a year ago, we've hired over 150 people. Even as difficult as the job market was in the past year — I think everybody sees it every day, it's hard to find people, I can't get the people that I need — we had over 10,000 applicants for 150 jobs. And they were far and away mostly from within the industry. They were people that shared the same dream as we did about wanting to be a part of something special and build something special. It looks like being a part of something special is really attractive to people. That's kind of fun.

In terms of growth, in 2022, Hitachi Americas sales grew almost 10 times from what we had in 2021. It's hard to believe. With all of the struggles and the challenges that we're still having, just to be able to sustain and support that level of growth has really been a challenge. But when we look back, it's unbelievable.

We added winners in our distribution network. We would say that we attracted Class A or Tier 1 distribution to take us to the next level of being able to compete with the market leaders. And this is just the start. Our plans for '23 are to double again the volume that we saw in 2022 ... and we're well on track. We have the orders; we have the dealer network of about 80% coverage. We're doing business now with essentially all of the major national rental companies — Sunbelt, United. It's become a core part of our growth.

Connecting directly with the customers. This was really one of the areas that we lost over the last 20 years. Hitachi was buffered from the direct feedback from customers and from dealers, and this really was at odds with our Hitachi culture. Our foundation and our future is built on direct involvement with the customers and direct engagement with the dealers to be able to satisfy their needs.

With the products that you'll see released this week, you'll see some of the actions that have taken place already. One area where HCM and Japan really showed their support for us was in the engineering on the product side. Isobe-San was the chief engineer for construction products in Japan. He came to America to listen to the voice [of customers and dealers] directly and to significantly improve our ability to get the changes implemented that we need to continue to innovate on our product. Thanks, Isobe-San.

Again, the differentiation that you're going to see beyond the product is through all of the people ... the people that are here for a once-in-a-lifetime opportunity within the construction industry to really build something special.

Hitachi is recognized as the premier excavator brand in the world. I'd say this is demonstrated through our dominance in the mining segment. The largest excavators in the most demanding applications in the world [is] where Hitachi is a clear number one globally, as well as in North America — including excavators up to 800 metric tons. When you go out to the show, you're going to see a bucket on the floor for demonstration. When you're standing in that bucket, you need to realize that the 8000 actually takes a bigger bucket than what we have on the floor, so it will just blow your mind. And to complement that, of course, we've got 300-ton mining trucks, so we dominate in the big segment.

But one important point that I really want to talk about... We talked about the dealers. We talked about the people. But I want to talk about HCM Japan's support. They've been there all the way through this process, developing the products. On the parts support we started, our parts business grew more than 15 times on March 1. We've got about 120 to 140 million dollars of inventory that we have brought in to build up that support.

A lot of you may know that we got hit by a tornado on January 12. It shut down our parts operation. We were not allowed to access that building. We immediately went to CPD in Japan and requested their help. In the month of February, our fill rates went to over 96% and we had a record parts sales month using that support from Japan. I just use that as an example of the power of being part of this global brand.

We also saw a lot of additional support in the machine allocation. Our sales in 2022 were actually 50% higher than what we had planned. I think you all know that, globally, there's a shortage of machines. And that's just another demonstration of Japan making the extra effort to give us what we need.

Looking to the future ... I can honestly say I'm more excited about the future now than when I joined the company. I expected great things of the Hitachi brand and anticipation of when it

would come together, but the customer reaction, and then the dealer reaction, and then the employee reactions ... it took this excitement to a whole other level.

This is our first CONEXPO. I cannot even tell you enough just what an exciting time this is for us and I think you'll see that in our employees. On the products, we'll continue to listen, to innovate and to implement. We expect to continue to be the leader in giving the customers what they want on our excavators and loaders. Distribution will continue to develop. We've got 80% coverage now; we've still got more opportunities. And the Latin American market is just starting to open up for us, so we're looking at what we need to do for that market.

On the support side, we expect to expand the parts distribution, adding distribution centers, and working on logistics. On the value chain side, we will add rental and used equipment so that we're managing throughout the full value chain. The rental equipment — the fleet that we add — will be in place to support dealers and rental companies where they need that extra capacity.

In 2022, we were 50% above plan. In 2023, we expect to double the volume of 2022. Our target is to be a top-three manufacturer of construction machinery in North America by the year 2028. So with that, let's talk a little bit more about the products. I'd like to pass it over to Simon Wilson, VP of sales and marketing. Thank you.

Simon Wilson:

Thanks, Al. So let me take you through a little bit of a journey now. Let's move a little bit into the product side that we are going to see this week, and then over the coming months as we go through a massive product launch. What Al talked about was that this is now the first product that truly is from a customer all the way back from Japan.

As you heard Al make the comment about our Japanese engineering team, Isobe is the key leader and the chief engineer of the excavator product line. The product that we started a year ago in March, we've had teams of people that went out and visited with customers, and with dealers, and really tried to listen to what you want. What are your needs? Not what we want to provide, but *what do you need from a solution for your business?*

And what you'll see here on this product lineup is a complete redesign, almost from the ground up. Almost 3,000 engineers have been working over the last year in Japan to provide this product and to finalize this product. The information that was provided back to North America to the engineering team has really driven [us to] focus [on what] these customers have really been asking for.

So on the very far lefthand side are the compact excavators and the compact wheel loaders. You'll see new products on the floor tomorrow. The introduction of the two new midsize excavators — complete redesign from the ground up. This will be the first launch in North America of those two products, the ZX75 and ZX85. But the rest of the products are going through, and you'll see further introductions over the coming year as we continue to improve and bring new products into the market.

The middle section in the construction segment side; the very large part of our business is the construction-size excavators and construction-size wheel loaders. The new Dash-7 machines will be introduced, and we have the complete lineup here either at our outside booth on the festival grounds or at our inside booth.

The excavators, from 13-ton all the way up to the 89-ton construction-size excavators are all new from the ground up.

On the wheel loader side, you'll see the new Dash-7 wheel loaders. A new look, a new design ... customer feedback over the last year that has really validated the product, the packaging, and making sure that it fits what those customers are looking for.

And on the very righthand side, as you're looking at this, our mining side. Like AI mentioned, the large mining excavators from 120-ton up to the 800-metric-ton excavator. The 5600 front arm and bucket is what you'll see in the booth, we have a replica of this. But these machines ... some of these are electric machines as well. For the last almost 20 years, Hitachi has been providing electric machines to the mining segment. Very key area for decarbonization of the global mining business. The mining segment is a clear leader in this — in this shovel size up to these 800-metric-ton machines.

And then finally, with our haul trucks. Look for information as we introduce new haul truck technology [informed by] customer engagement. Some of the new sales and first sales in North America [have been] of these machines within one year of launch; we're very proud as we introduce this.

So let's talk a little about the excavators. Hitachi's clear dominance and clear ownership of the hydraulic excavator market is built upon the hydraulics. If you looked on social media, we even have competitors that understand that the hydraulic cycles from the Hitachi business, the Hitachi machines, are clearly advanced in this segment. You'll see new systems, our new TRIAS pumps — three pumps on a lot of our construction-size machines allow the operators [to perform] multiple different functions at the same time without having to lose any of performance by one to the other.

Or on our large-size machines, the HIOS IV and HIOS V systems are new improvements in these hydraulic systems. For almost seven years, Hitachi has been building excavators and the hydraulic excavator is clearly [establishing] the leadership role that we continue here in the Americas.

In the operator space [we have] a lot of feedback and a lot of time spent with the customers in meetings and sessions with them. *What do you like, what do you not like, how do you see this layout of the cab?*

Even things like the seal of the cab and how you can protect the customer. Those are things that came through and a lot of work was very quickly put into that to make sure that it fits the North American market. Items like seats and the hermetically sealed cab are improvements over the previous generations that have been out in the market.

As well, things like visibility; safety is very key for us at Hitachi. So [we've improved] visibility in both our excavators and in our wheel loaders — things like Aerial Angle (which is a 270-degree visibility), new monitors, larger monitors. Our customers indicated [they] need to see that a little more — *it's a great tool, but we need you to improve*. The engineering team went to work and really put together a package that we feel will hit the customers' needs that they ask us to meet.

[One of the] things on the wheel loaders, for example, that is brand new is detecting obstacles. So things that are behind a wheel loader ... as about 50% of the time that wheel loader is going in reverse, we improved the styling around so that you can see. But there is also an optional tool now that has rear obstacle detection that will automatically slow the vehicle down so it doesn't run into a person or into a wall. Those types of items are very key for customers, especially large fleet operators that have multiple operators that may not be as used to the machine.

Finally, one of the key things that we spent a lot of time on was the technology. So, most companies have telematics. ConSite is the Hitachi telematics system, and this is something that we spent a lot of time understanding what customers want from the telematics.

Some of them said, "Don't give us too complex. Let the technology be simple, but then also make the ability for us to understand it easily through our operation." And for ConSite, [we have] two examples. ConSite Oil automatically senses that oil throughout the life of the machine. Therefore, if there's something that's going wrong, or if there's something in the oil that it senses — water or any kind of contaminants — it will send alarms and send that notice to say: *There could be something, let's check it out*. You can check it out and make sure that it doesn't go all the way through to a catastrophic failure, which is very expensive and really something that we want to avoid.

New on the Dash-7 machines is ConSite Air. So just like your cell phones where you can update remotely; our technicians and our dealerships now can remotely diagnose and remotely dial into those machines. So it's easier for them to keep up on the machine to make sure they're checking, or make sure that they also have the ability to go in and see — before they have to drive out to the site — to go out and take a look at how that machine's operating, or make sure they have the right parts before they before they get on the road.

Customers don't work right next to our dealerships. They're a lot of times many hours away. This type of technology is something that the dealers and customers have asked for. ConSite Air is our new solution as we move forward.

So these are just some of the things that you're going to see from Hitachi over the next week, as we begin the introduction to the new Dash-7 machines. We're super excited to really have all of you come visit us at one of our booths, or come spend some time with us one-on-one after. We're always open to have those conversations. You'll see that from Hitachi. Our goal is to be engaged with the customer and provide solutions for our customers, and make sure that it fits to what they need.

So over the next couple of days come by and see us, our team is out here. I'll invite Rob and Isobe-San. Rob leads our sales, marketing and engineering team, and as you've heard, Isobe-San is a key individual in this organization.