

## 2020VISION

“Close and reliable partner” anywhere on the earth  
with the best solutions through **Kenkijin Spirit**

## Mid-term Management Plan

“CONNECT TOGETHER 2019”  
【FY2017-FY2019】



Hitachi Construction Machinery Co., Ltd.

Representative Executive Officer,  
President and Executive Officer

**Kotaro Hirano**

1. Transform our business structure into high profitable with entire value chain enhancement
2. Make No.1 presence of hydraulic excavators stronger and expand market share of wheel loaders and mining dump trucks.
3. Expand used machine and rental business
4. Strengthen R&D capabilities with ICT/IoT and develop solution business
5. Promote fixed cost optimization and cost reduction by structural reform
6. Promote ESG management

## Mega Trend

- [Social]
  - ❑ Aging, labor shortage (especially skilled labor)
  - ❑ SDGs
  - ❑ Further urbanization
- [Technology]
  - ❑ IoT/Digital revolution
  - ❑ Electrification /Automation
- [Economy]
  - ❑ Growth at next emerging countries (Africa, Central Asia)
  - ❑ Rise of Venture companies



## Customer Needs Change

- ❑ Optimization of assets efficiency
- ❑ Operation support / Automation
- ❑ Safety (surrounding recognition , Avoidance control)
- ❑ Eco-friendly
  
- ❑ From “Product” to “Product and Service”
- ❑ Operation management - from machine to entire construction site
- ❑ “Ownership to “Sharing / Rental”
- ❑ Direct deal with OEM
- ❑ Enhancement of Africa and Central Asia

## Core competence of OEM

### Technology

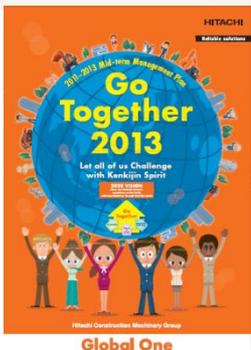
- ❑ Engine / EV
- ❑ Internal manufacturing of major component

### Basis

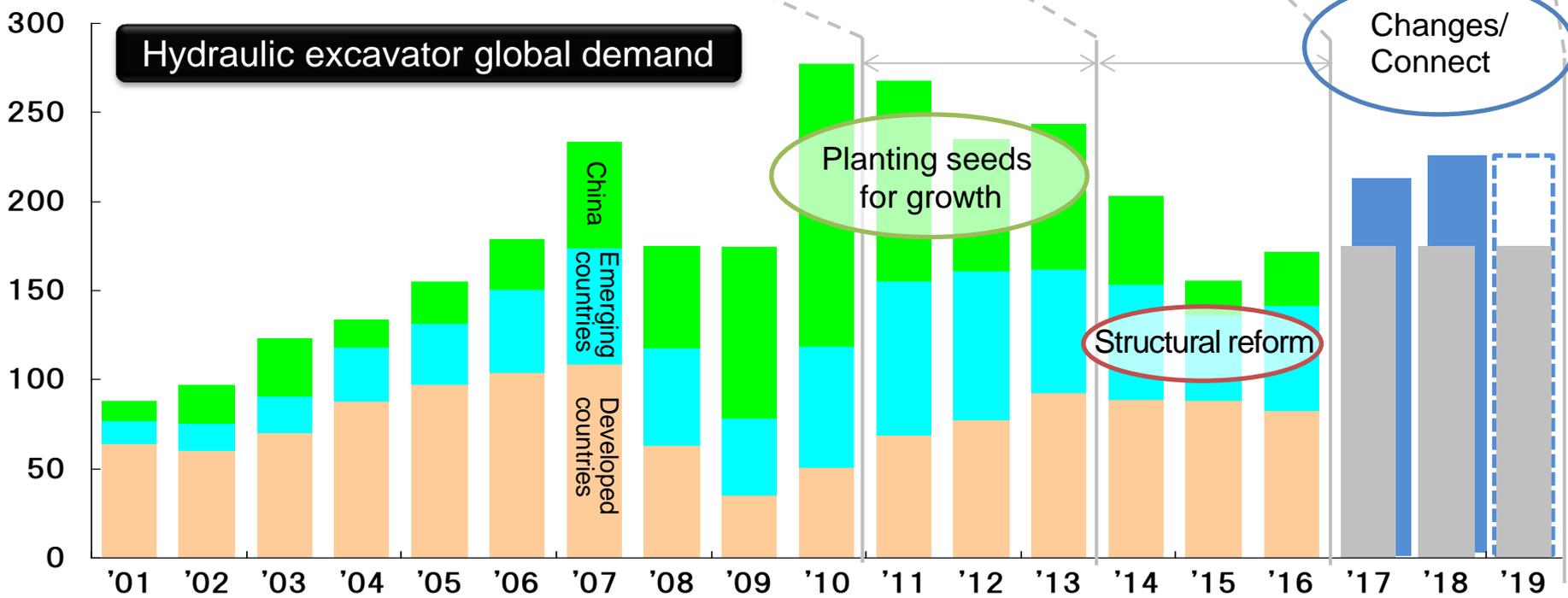
- ❑ Digital Technology
- ❑ Big Data
- ❑ Customer -centric policy

### Solution

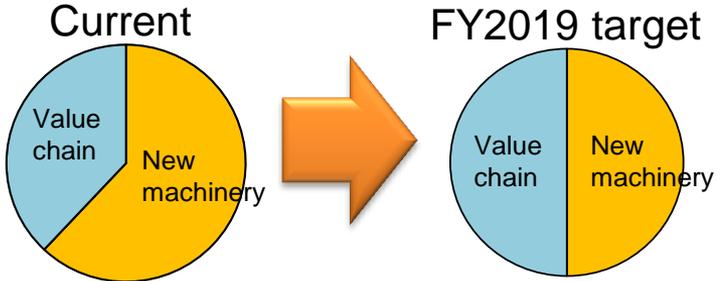
- ❑ information - oriented construction
- ❑ Autonomous operation
- ❑ One Stop service



Thousand units / Year



## Value chain business ratio



- Other product group
- ✓ Backhoe loader
  - ✓ Skid-steer loader
  - ✓ Bulldozer
  - ✓ Crawler crane

Main products

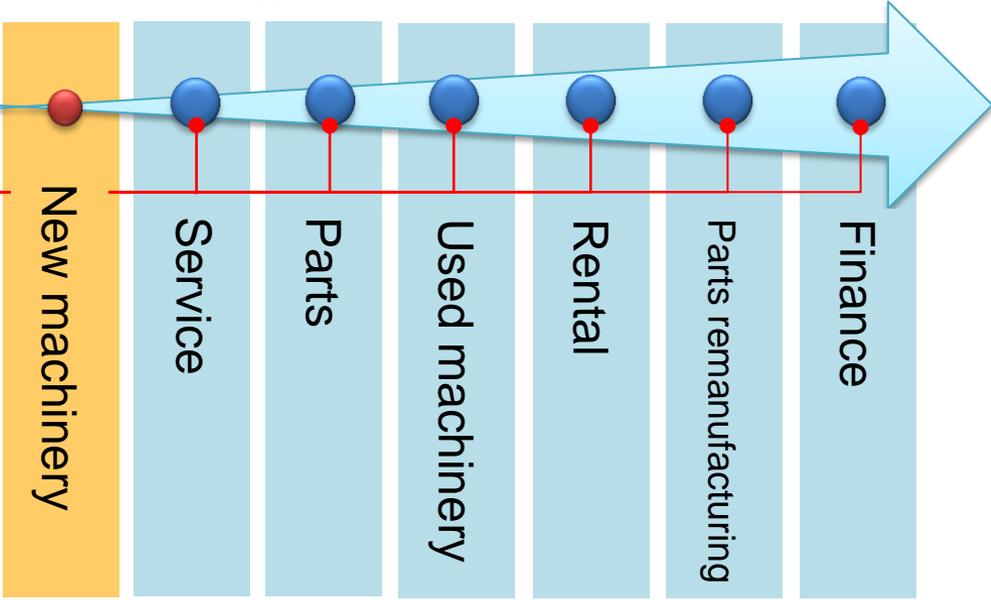
Marketing

R&D

Production

Procurement

Logistics

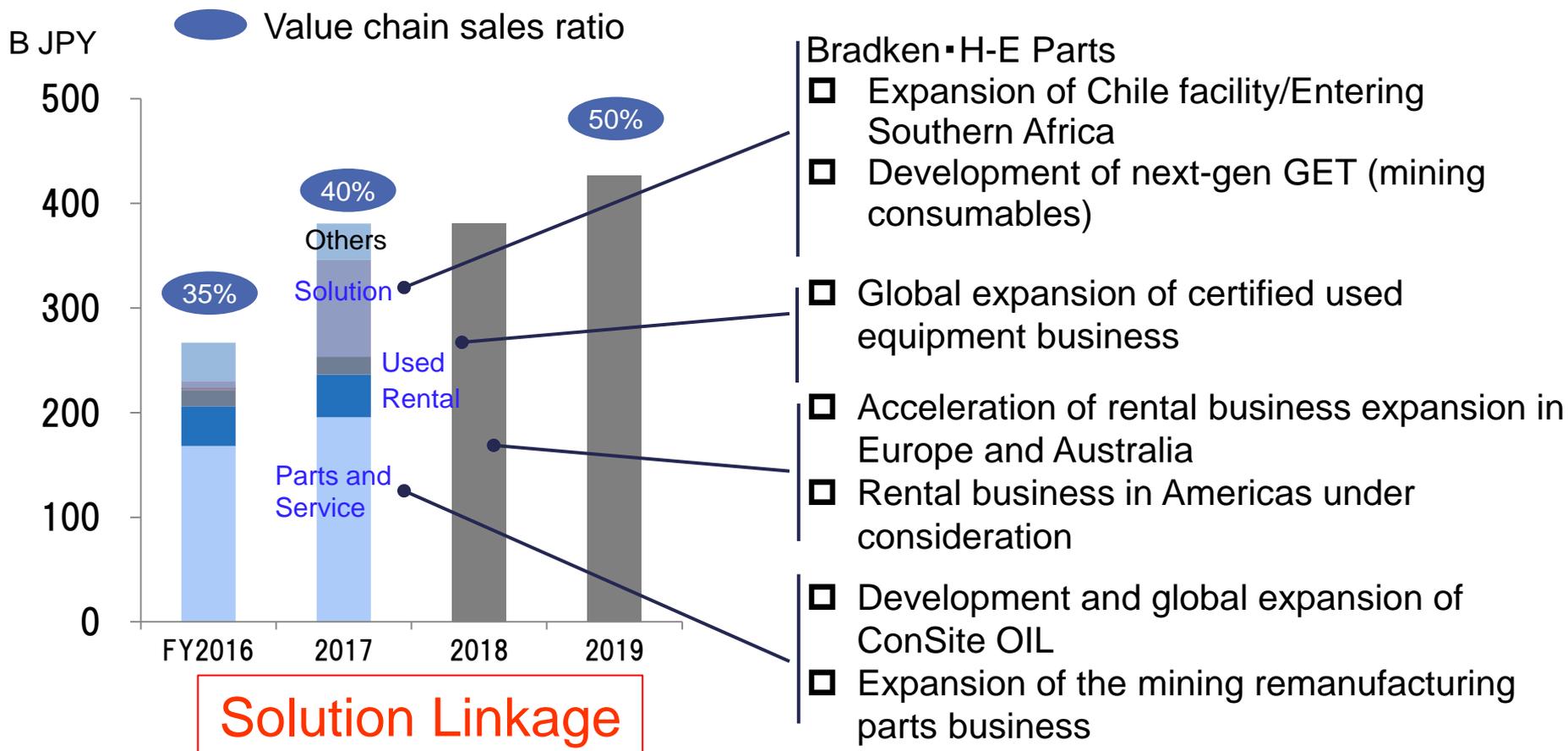


Customer interests: Safety and productivity improvement, reduction of life cycle cost



- Sales of value chain steadily increased by several measures including utilization of ConSite and acquisition of Bradken and H-E Parts.
- We focus on further expansion of value chain with a view to entering to rental business and so on in major developed countries.

## Initiatives to grow value chain sales

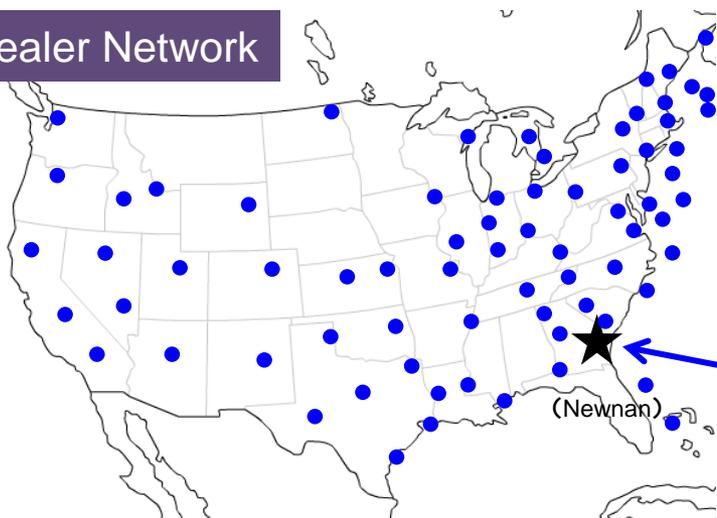


- Sales promotion in North America for Brand switch to Hitachi
- Integration of sales and production base in North America

### Brand switch / Utilization of dealer network



### Dealer Network



### Base Integration

#### Integration and expansion plan in FY2018

##### Purpose

- ❑ Improved response capabilities to customers and dealers
- ❑ Production capability enhancement
- ❑ Higher operation efficiency



Conceptual drawing (Newnan Works and head office)

## Construction



i-Construction

Big data (construction management)

ConSite

Globale-Service

ConSite OIL

Lots of machines

The world first service

and customer data  
utilized by LUMADA  
(FY2018~)

LUMADA

## Mining



Wenco



No 1 Asset  
Management  
Solution

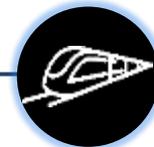
Rigid dump truck  
AHS solution



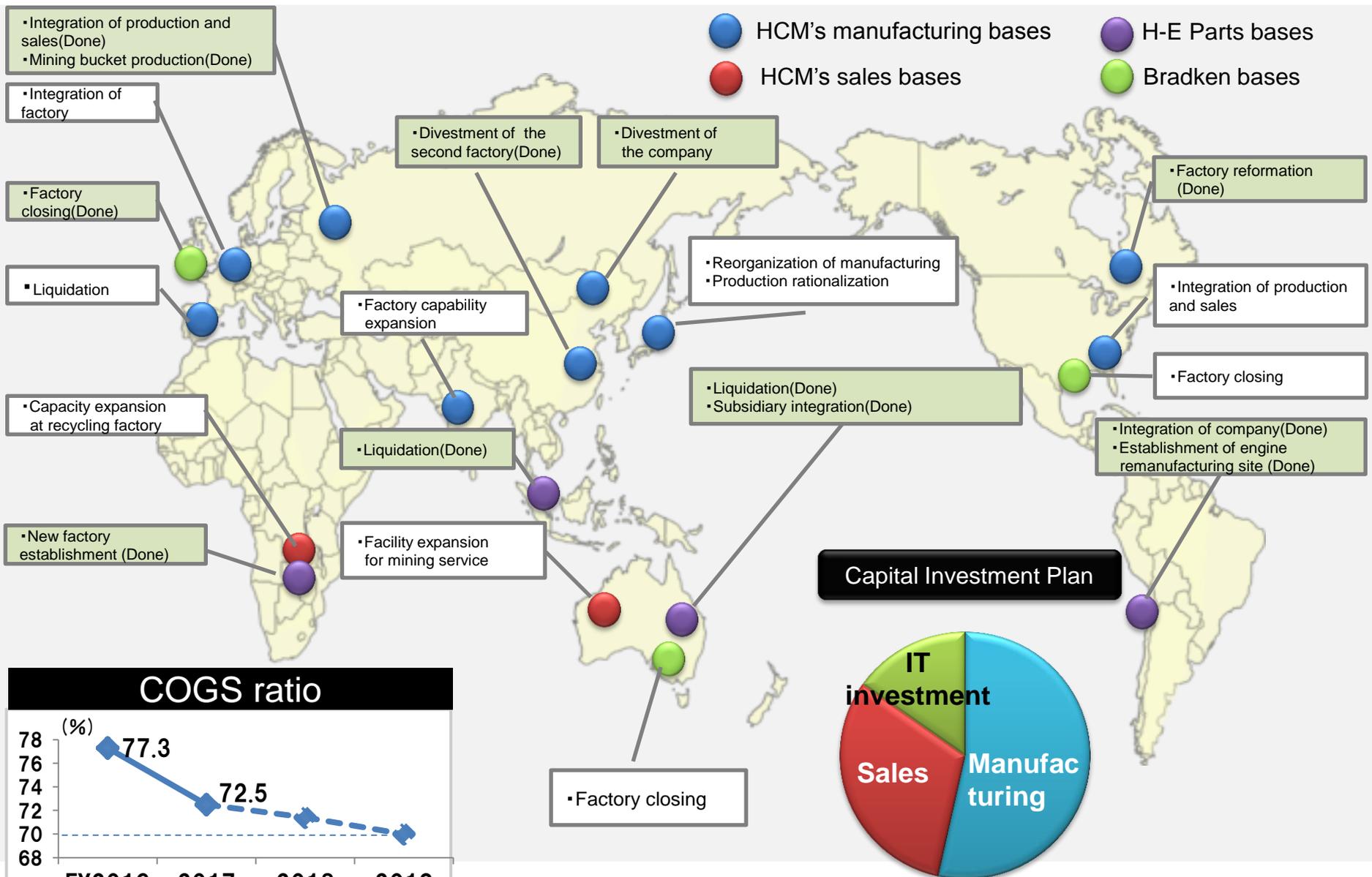
### Growth Strategy:

Value chain enhancement  
+ Regional Strategy + M&A

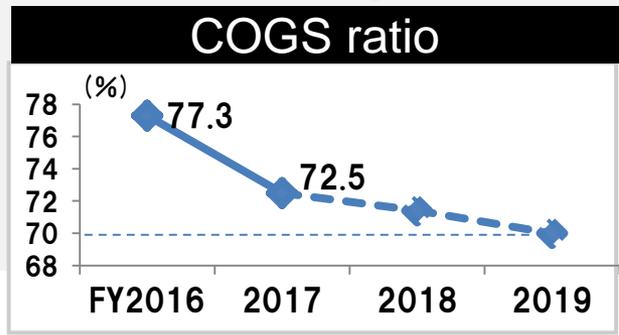
## One Hitachi



- ❑ Utilization of HCM data among Hitachi group
- ❑ Provision of Hitachi group's additional value to HCM customers



**Capital Investment Plan**



Integrate the CSR initiatives with the management strategy, and contribute to the social issues through business

Create a corporate value from the mid-/long-term perspective, and Promote information disclosure from the ESG perspective

FY2030  
CSV target

Corporate Target

CO2 saving rate by product  
(comparison with 2010)▲33%

Solution Target

Improvement of productivity and safety, reduction of life cycle cost



Hybrid machinery

### 3 CSV\*<sup>2</sup> Themes

Three themes having high social expectations and a high level of correlation with our business operations

Solutions to global environmental issues

Enhanced initiatives to increase social infrastructure workforce

Contribution to community development



ICT machinery

### SDGs\*<sup>3</sup>



13 気候変動に具体的な対策を



9 産業と技術革新の基盤をつくろう

\*<sup>2</sup> CSV: Creating Shared Value  
\*<sup>3</sup> Sustainable Development Goals

## Work-Style Reform

□ Introduction of Tele-Work etc.

Personal Work-Style reform



Organizational Work-Style reform

To be a company with higher tolerance against changes in business environment, we improve profitability and efficiency through enhancement of value chain and business structure reform.

(The company aims to achieve each target under the business environment and FX rate mentioned in the Mid-term Management Plan announced in March 2017)

		CT2019 March, 2018 Actual	CT2019 March 2019 Forecast	CT2019 March 2020 Guidance
FX rate	¥/\$	110.9	100.0	100.0
	¥/€	130.1	120.0	110.0
	¥/RMB	16.8	15.5	15.0
Revenue		959.2 billions of yen	950.0 billions of yen	Environment of 850.0 billions of yen
Adjusted operating income ratio		9.8%	8.8%	Over 9%
ROE		14.1%	Over 9%	Over 9%
Net D/E ratio		0.33	0.4 or less	0.4 or less
Dividend payout policy		30.1%	Approximately 30% or more	Approximately 30% or more

### [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

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