

2020VISION

To be a “Close and reliable partner” anywhere on earth
providing the best solutions through **Kenkijin Spirit**

Medium-term Management Plan

“CONNECT TOGETHER 2019”

【FY2017-FY2019】

April 24, 2019

Kotaro Hirano

Representative Executive Officer

Executive Officer, President & CEO

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

1. Strongly increase the profitability of our business structure via enhancement of the entire value chain primarily through spare parts and services.
2. Strengthen hydraulic excavators #1 presence and increase market share for wheel loaders and mining dump trucks.
3. Expand used equipment and rental business
4. Strengthen R&D capabilities and develop ICT/IoT solutions.
5. Optimize fixed costs and reduce cost via structural reform
6. Promote Environment, Social and Governance (ESG) management.

Mega Trend

- Aging population. Shrinking workforce
- Tightening of Environmental regulation (SDGs)
- IoT/Digital revolution
- Electrification /Automation

Customer Needs Change

- "Ownership to "Sharing / Rental"
- Tangible goods to intangible goods
 - Operation support / Automation
 - Operation management – from machine to entire construction site
- Safety, Environmental Regulation

Core Competence of OEM

Base

- Digital Technology
- Big Data/AI

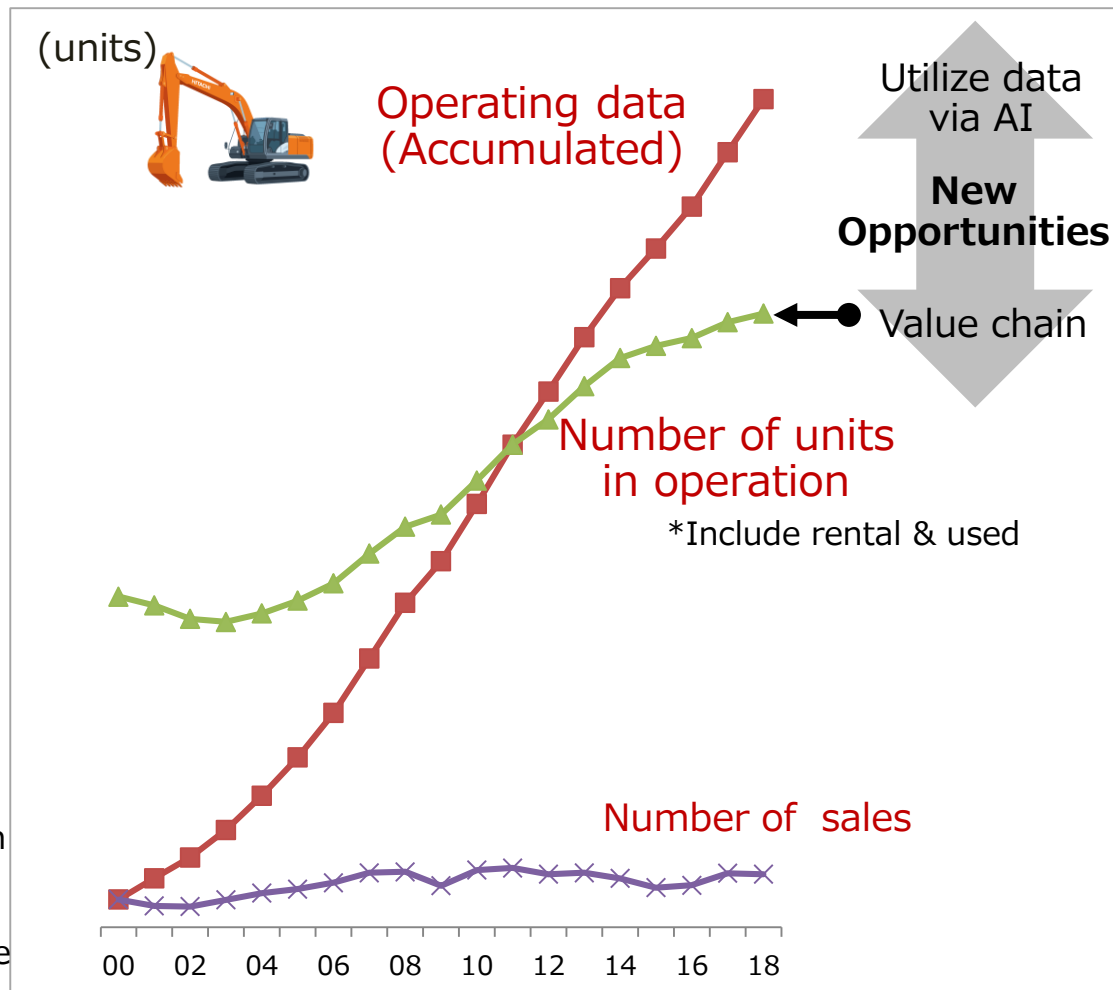
Technology

- Engine/EV
- Internal manufacturing of major components

Solution

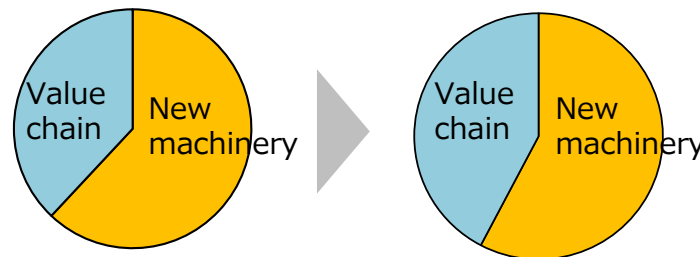
- Intelligent construction
- Autonomous operation
- One Stop Service
- Preventive maintenance

Change Business Model



Value chain ratio

FY2016: 35% FY2019 Forecast: 44%



Other product group

- ✓ Backhoe loader
- ✓ Skid-steer loader
- ✓ Bulldozer
- ✓ Crawler crane

Main products



Marketing

R&D

Production

Procurement

Logistics

New machinery

Service

Parts

Used machinery

Rental

Parts remanufacturing

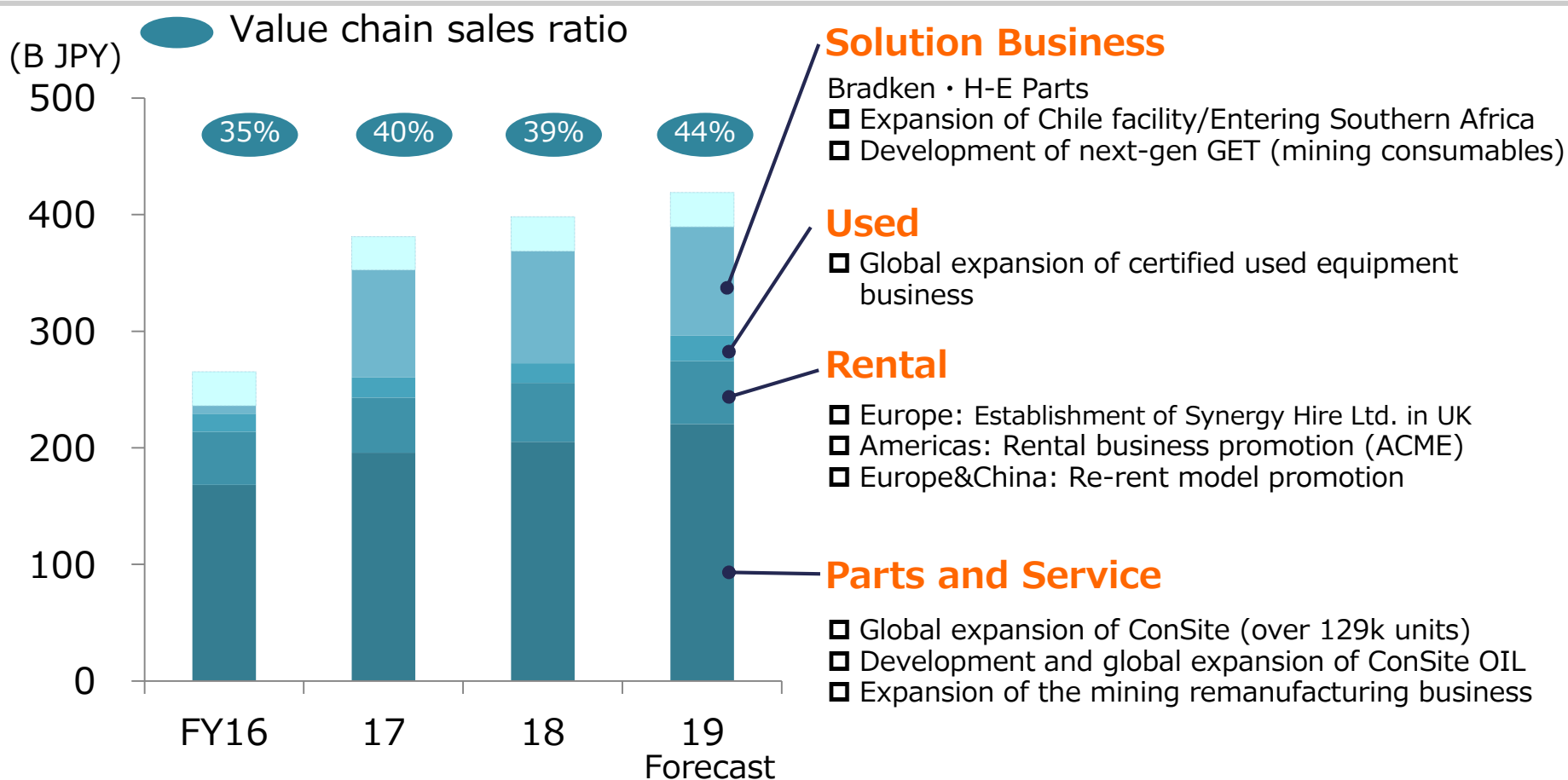
Finance

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

Value chain

- Value chain sales are expected to increase steadily.
- Promote parts and service business through IoT utilization and rental & used business enhancement

Initiatives to grow value chain



ICT・IoT Solution

Solution Linkage ConSite LUMADA

Machine & Site Management
-> Big Data
Avoid Machine Downtime
-> Predictive Diagnosis



Mining : Autonomous Operation



Autonomous
Haulage
System (AHS)
dump trucks

- ❑ Connect Fleet Management System to customer's system & database
- ❑ Propose total asset management which supports operational decision making



Autonomous

Cononnected

Sharing

Digital
Technology
Utilization

C A S E

Electric

Rental・Sharing

USA

Investment in North American Rental Business(ACME, 2018)

UK

Establishment of Synergy Hire Ltd(2019)

Electric Product

Establishment of a Joint Venture Company to Develop Electric Construction Machinery (Germany, with KTEG, 2018)



* Prototype at bauma2019 exhibition. Release is under consideration
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Background Customer's Needs shift. From Possess to Rental/Sharing

Rental Business

Japan		<ul style="list-style-type: none"> Expansion of rental business at Hitachi Construction Machinery Japan
New	North America	<ul style="list-style-type: none"> Investment in ACME Increase of product range in cooperation with HCM
	Europe	<ul style="list-style-type: none"> Establishment of Synergy Hire (UK)
	China	<ul style="list-style-type: none"> Promotion at sales subsidiary in China
Australia		<ul style="list-style-type: none"> Promotion at sales subsidiary in Australia in cooperation with Delta Rental

ConSite utilization

Operating data management & utilization of all units incl. used

- * Business on operating machine business
- * Parts & Service on used equipment

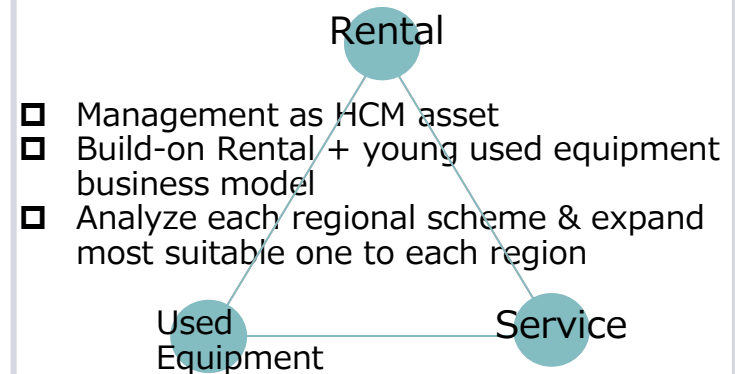
Background of Rental Business

Customer

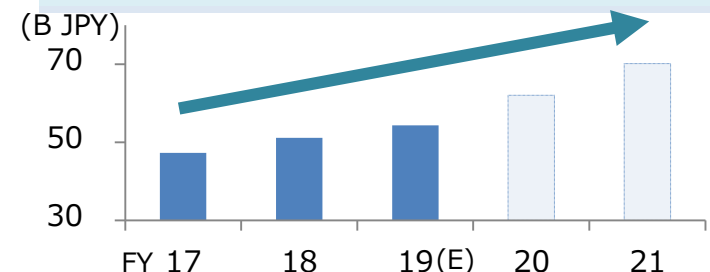
- Not want to increase asset
- Want to use machine much with application

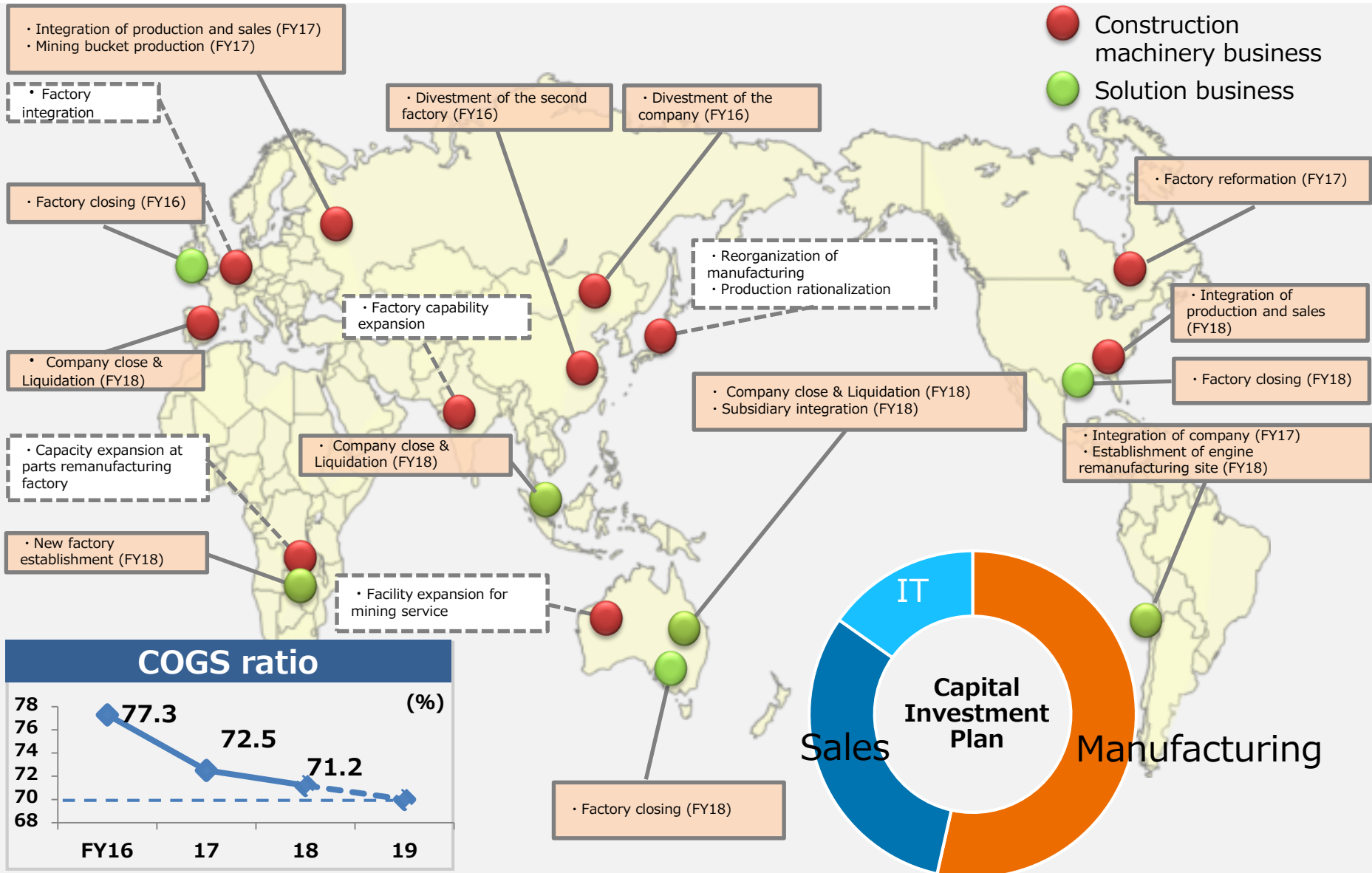
(HCM)

- High profit ratio Service business
- Expand rental machine to used market



Rental business sales revenue





Domestic Restructure : Status of business structure reforms from now to 2022

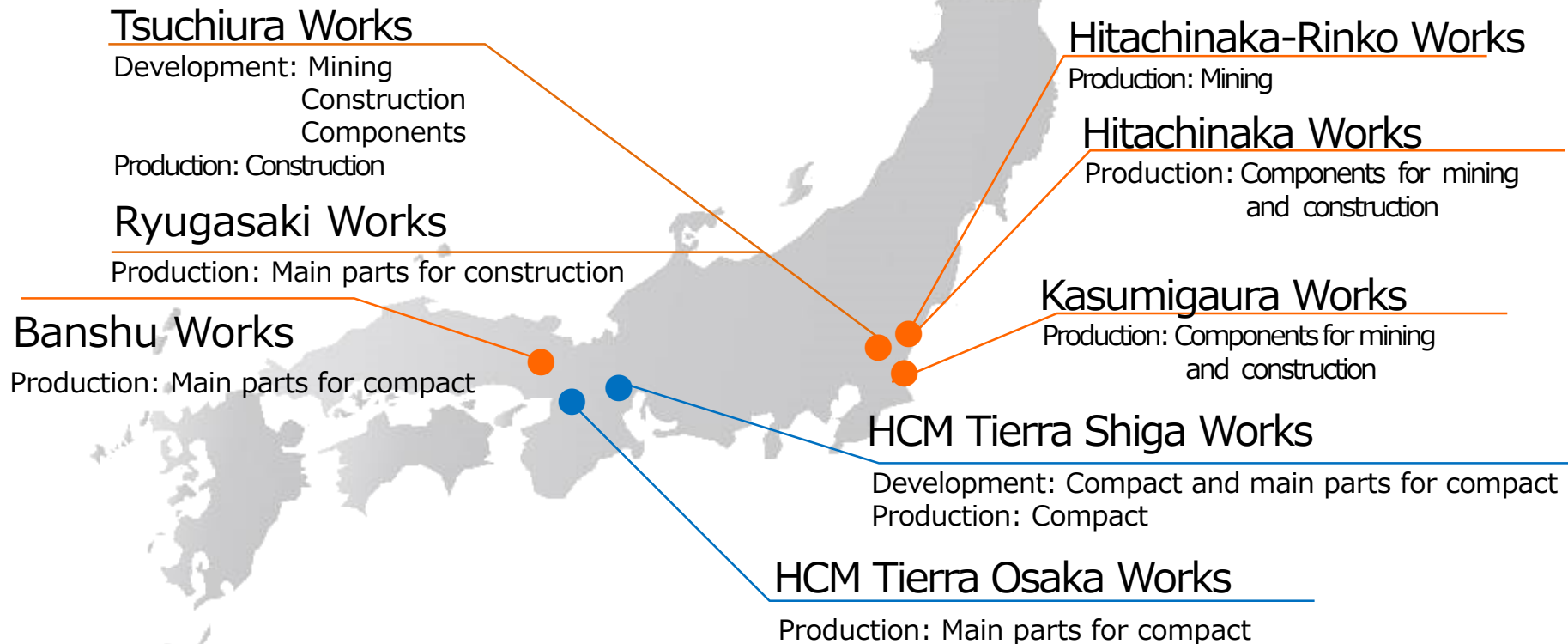
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HITACHI

Reliable solutions

Major restructuring of development and production bases to strengthen global competitiveness

- FY17~19 : Transferred large excavators from Tsuchiura Works to Hitachinaka-Rinko Works
*scheduled by 1st half year
- April 2019 : Implemented an absorption-type merger of KCM Corporation
- FY18~19 : Transferred components for wheel loaders from Banshu Works to Hitachinaka Works
*scheduled by 1st half year
...etc



To become a company adept at change, we will improve profitability and efficiency through enhancement of the value chain and business structure reform.

(The company aims to achieve Medium-term Management Plan “CONNECT TOGETHER 2019” targets based upon the guidelines & forecasts announced in April 2017.)

	CT2019 March 2018 Actual (FY17)	CT2019 March 2019 Actual (FY18)	CT2019 March 2020 Forecast (FY19) (※As of April 2019)	CT2019 March 2020 Guidance (※As of April 2017)
FX rate	¥/\$ 110.9 ¥/€ 130.1 ¥/RMB 16.8	111.0 127.9 16.6	100.0 110.0 15.0	100.0 110.0 15.0
Global Demand (Hydraulic excavators)	220K units ※(y-o-y)+27%	230K units ※(y-o-y)+6%	220K units ※(y-o-y)△5%	170K units
Revenue billions of yen	959.2	1,033.7	950.0	Environment of 850.0
Adjusted operating income ratio	9.8%	11.3%	9.1%	Over 9%
ROE	14.1%	14.7%	Over 9%	Over 9%
Net D/E ratio	0.33	0.49	0.4or less	0.4or less
Dividend payout policy	30.1%	31.0%	Approximately 30% or more	Approximately 30% or more

- Set 10 key goals to align our activities with SDG's.
- Established Sustainability Promotion Division in April 2019

2017 • Expanded sales of certified used equipment
• Launched ConSite OIL

2018 • Established parts remanufacturing factory for H-E Parts
• Won the Energy Conservation Grand Prize
• Received orders for ultra- large electric hydraulic excavators

2019 • Developed prototypes of zero-emission electric excavators

CSV target by 2030

Corporate target

33 % reduction in CO₂ emission from our products (from 2010)

*CSV: Creating Shared Value



[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.

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