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.

Major Themes of "CONNECT TOGETHER 2019"(1)

Reliable solutions

- 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.

Changes of Macro Business Environment



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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

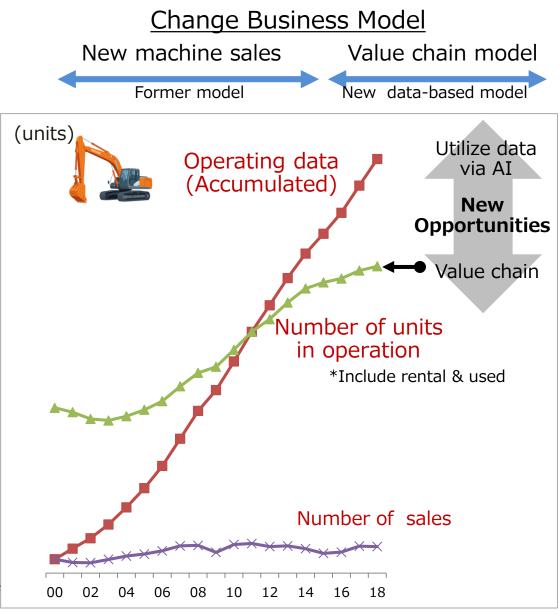
- Digital Technology
- Big Data/AI

Technology

- Engine/EV
- •Internal manufacturing of major components

Solution

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



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Skid-steer loader

Crawler crane

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Value chain ratio

FY2016: 35% FY2019 Forecast: 44%

Value chain New machinery

Value New machinery

Main products

Other product group

Bulldozer

Backhoe loader

Marketing

R&D

Production

Procurement

Logistics

Service

New machinery

Rental
Used machinery

Parts remanufacturing

Finance

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

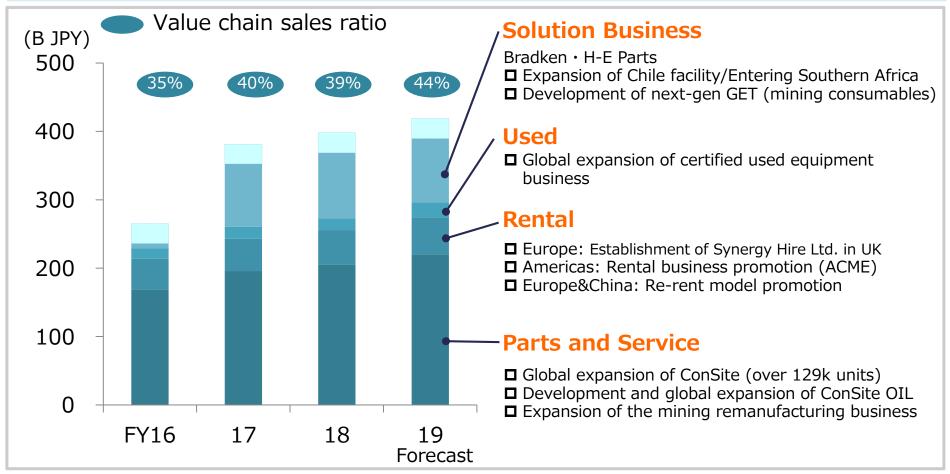
Value chain

Products

Reliable solutions

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





Reliable solutions

ICT·IoT Solution

Solution Linkage ConSite LUMADA

Machine & Site Management
-> Big Data
Avoid Machine Downtime





Mining: Autonomous Operation



<u>A</u>utonomous <u>H</u>aulage <u>S</u>ystem (AHS) dump trucks



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

<u>C</u>onnected

<u>S</u>haring

Digital Technology Utilization





<u>E</u>)-

<u>E</u>lectric

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 © Hitachi Construction Machinery Co., Ltd. 2019. All rights reserved.

Deeping Value Chain - Expand Rental Business-



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Background Customer's Needs shift. From Possess to Rental/Sharing



Rental Business

■ Expansion of rental business at Japan Hitachi Construction Machinery Japan ■ Investment in ACME North ■ Increase of product range America in cooperation with HCM New Europe Establishment of Synergy Hire (UK) China Promotion at sales subsidiary in China Promotion at sales subsidiary in Australia 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

<u>Customer</u>

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

(HCM)

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

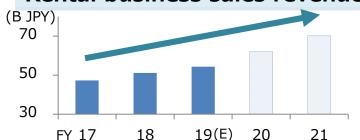
Rental

- Management as HCM asset
- Build-on Rental/+ young used equipment business model
- Analyze each regional scheme & expand most suitable one to each region

Used _____Equipment

Service

Rental business sales revenue



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Global Restructuring

Reliable solutions Construction Integration of production and sales (FY17) Mining bucket production (FY17) machinery business Solution business Factory · Divestment of the second · Divestment of the integration factory (FY16) company (FY16) Factory reformation (FY17) Factory closing (FY16) · Reorganization of manufacturing Production rationalization Integration of · Factory capability production and sales expansion (FY18) Company close & Factory closing (FY18) Liquidation (FY18) · Company close & Liquidation (FY18) Subsidiary integration (FY18) Integration of company (FY17) · Company close & · Capacity expansion at · Establishment of engine Liquidation (FY18) parts remanufacturing remanufacturing site (FY18) factory New factory establishment (FY18) Facility expansion for mining service **COGS** ratio Capital Investment (%)78 77.3 76 Plan 72.5 Sales **Manufacturing** 74 72 70 Factory closing (FY18) 68 **FY16** 17 18 19

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



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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

oto

...etc

Tsuchiura Works

Development: Mining

Construction

Components

Production: Construction

Ryugasaki Works

Production: Main parts for construction

Banshu Works

Production: Main parts for compact

Hitachinaka-Rinko Works

Production: Mining

Hitachinaka Works

Production: Components for mining and construction

Kasumigaura Works

Production: Components for mining and construction

HCM Tierra Shiga Works

Development: Compact and main parts for compact Production: Compact

HCM Tierra Osaka Works

Production: Main parts for compact

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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	¥/\$ ¥/€ ¥/RMB	110.9 130.1 16.8	111.0 127.9 16.6	110.0	100.0 110.0 15.0
Global Demand (Hydraulic excavators)		220K units (y-o-y)+27%	230K units **(y-o-y)+6**		170K units
Revenue billions of yen		959.2	1,033.7	,	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





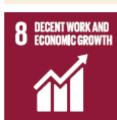
































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[Cautionary Statement]

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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