

Mid-term Management Plan (2014-2016 fiscal year)

GROW TOGETHER 2016



~ Aim at Securing a Firm Position
as a Top 3 Global Construction Machinery
Manufacturer in the World ~

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

President, Chief Executive
Officer and Director

Yuichi Tsujimoto

- 1. Review of FY2014**
- 2. Business environment and issue recognition**
- 3. GT2016 principal policies**
- 4. Closing remarks**

1. Review of FY2014

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Focus on Further Improvement in Profitability and Expanded Capabilities for Generating Cash Flow.

Enhancement of Development Marketing and Advanced Technology Development

Enhancement of Sales and Marketing

Enhancement of Mining Operation

Enhancement of Parts and Service Operation

SCM Reform and Enhancement of MONOZUKURI

Enhancement of the Entire Value Chain



Products

● Mobilization of Hitachi Group Technology and Utilization of Open Innovation

- (1) Hybrid wheel loader development
- (2) Completed smart dump truck: EH AC-3 series
- (3) Around View Monitor with moving object detection function
(Licensed from Nissan Motor Co., Ltd.)



ZW220HYB-5B



Our "High-Performance Stability Control Technologies" received the JSME Medal for New Technology in 2014.

Parts and Services

● Global expansion of ConSite

- Improved communication between customers and agencies
- Enhanced customer satisfaction and increased parts capture rate



Management foundation

● Implementation of SCM reform, reduction of lead time

- Regular reporting
- Emergency reporting

1. Review of FY2014

2. Business environment and issue recognition

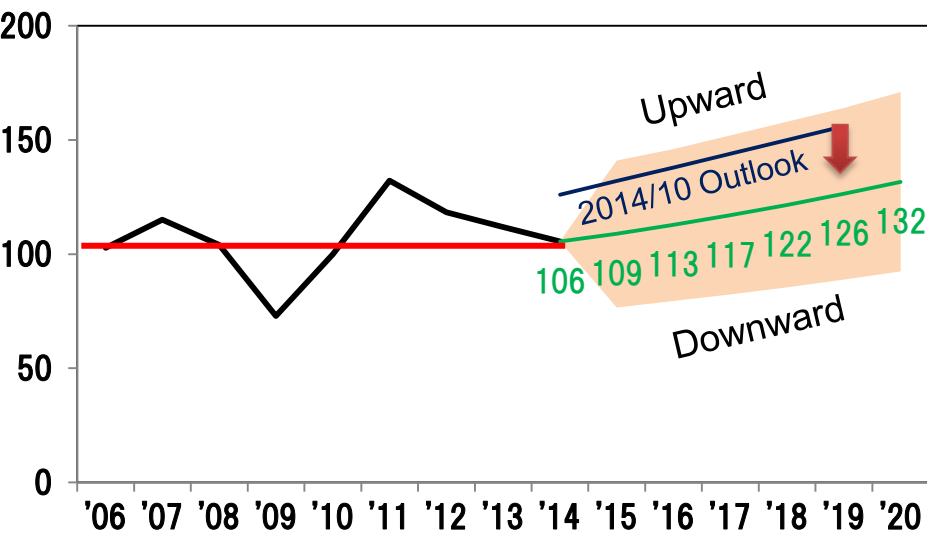
3. GT2016 principal policies

4. Closing remarks

Shift of vision in economic policy by the Chinese government (from quantitative growth to qualitative growth) and changes in the mining business model.

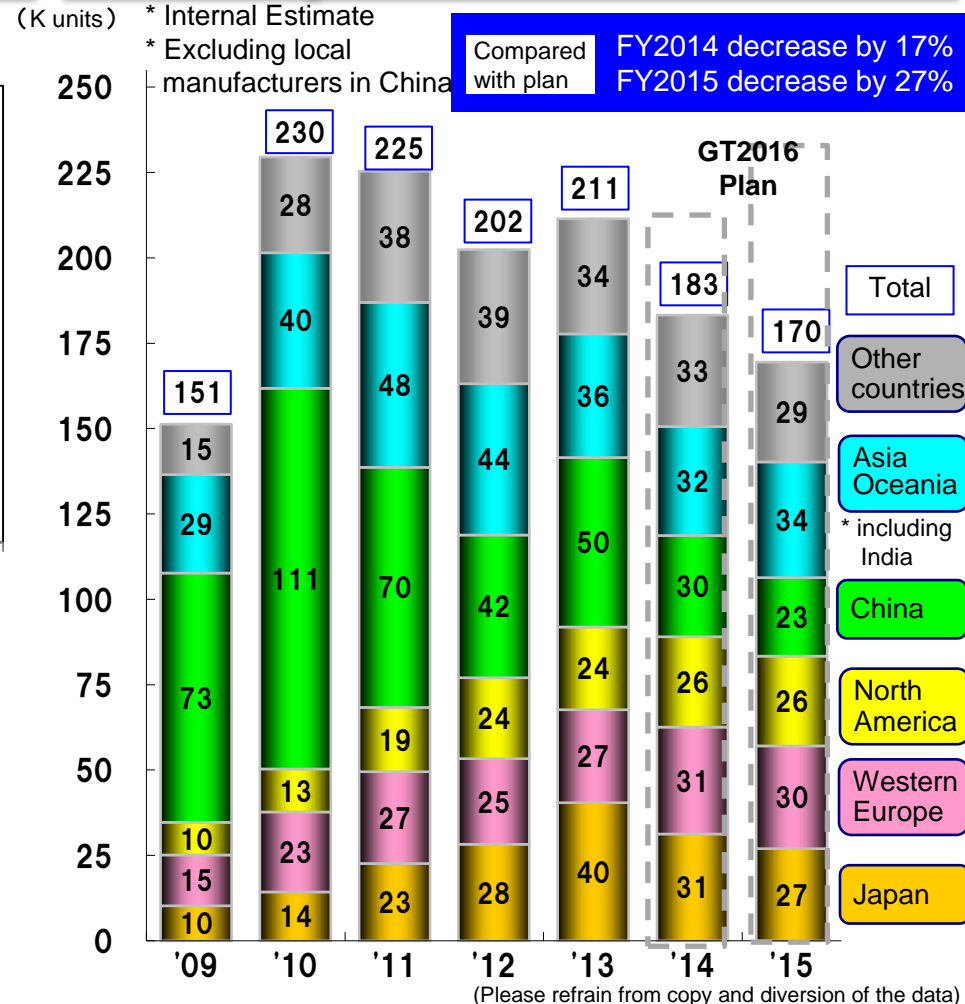
Major construction machinery - global demand outlook

(Index 2010=100)




- The downward trend of construction machinery demand is conspicuous, particularly in China.
- For the mining machinery, the major resource companies shifted their focus to pursue productivity and efficiency.
- Our challenge is to enhance profitability through deployment of differentiated products and technology as well as expanding parts and service operation.

Hydraulic excavators - global demand trends



- Market is unpredictable. Immediate demand recovery cannot be expected.
⇒ Increase of market share and improvement of profitability, expansion of parts and service operation, further cost reduction.
- High fixed costs for upfront investments in human resources and facilities.
⇒ Further efficient personnel allocation, reduction of fixed costs rate, careful selection of investment. (However, we carry on investments for differentiated technologies.)
- Reduction of inventories is incomplete.
⇒ Further reduction of total lead time (order entry, procurement, production).



Enhanced capability to respond to market changes, accelerated implementation of various strategies are our key challenges.

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- Reformation of indirect operations
- Utilization of external resources
- Improvement of personnel allocation efficiency

Promote review of business structure and cost structure



Careful selection of investments

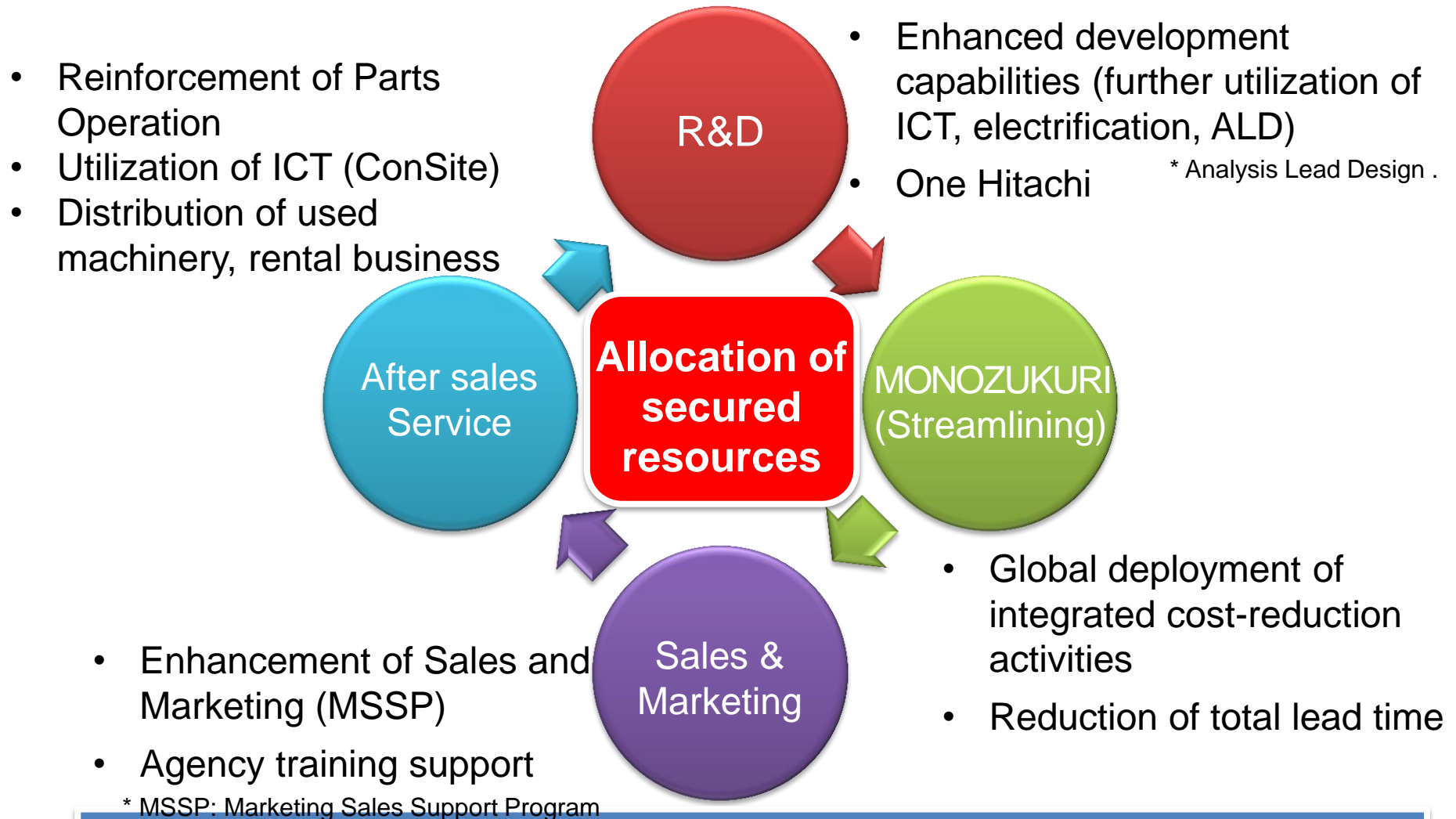
- Capital investment
(Sales and service network, MONOZUKURI)
- Research and development investment
(Differentiated technologies)

Improvement of efficiency in development and production

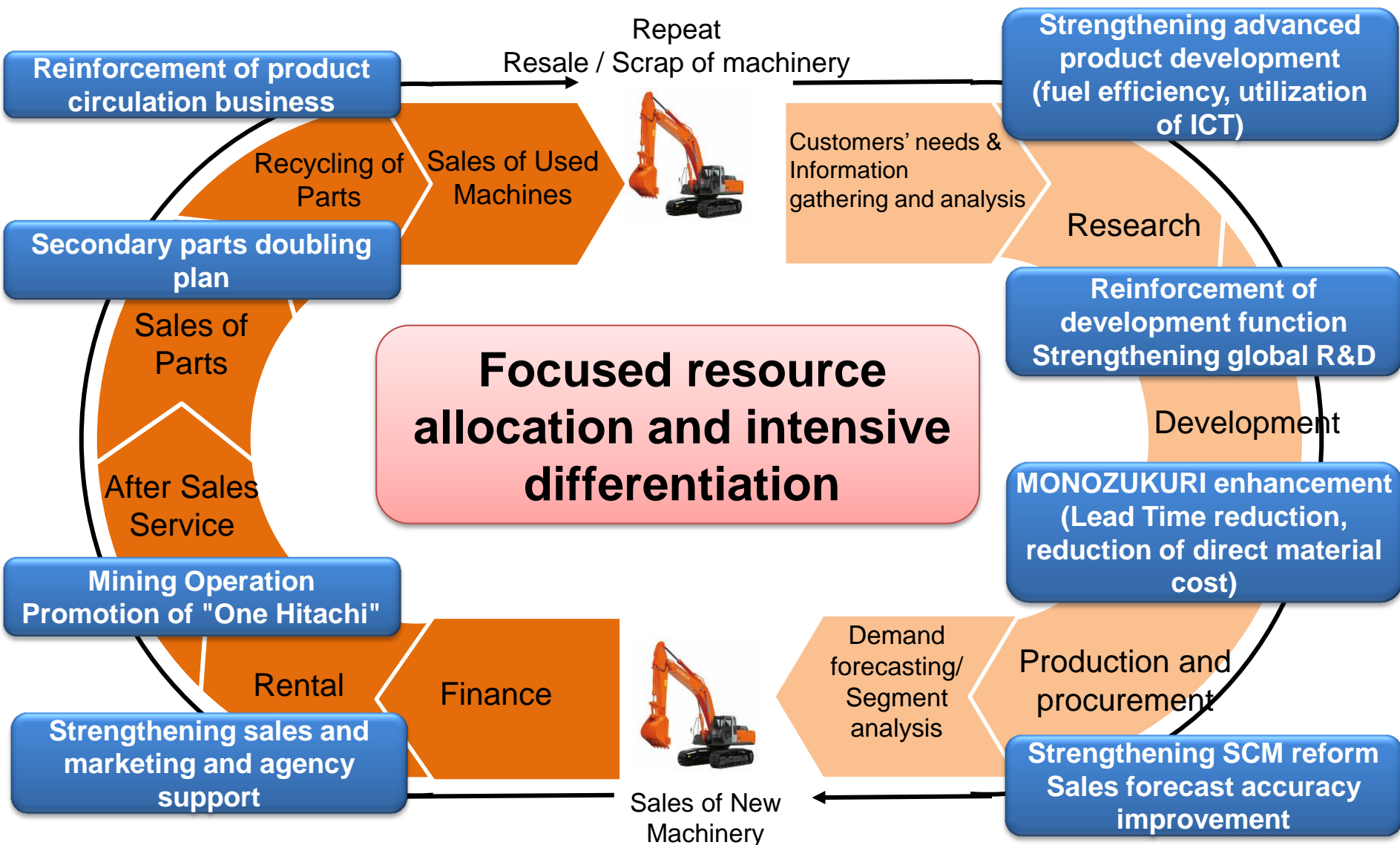
- Enhancement of research and development function (in China and India)
- Strengthening wheel loader operation (KCM)
- Global production

Securing and re-allocation of resources

Enhancement with an emphasis on four core processes of the entire value chain.



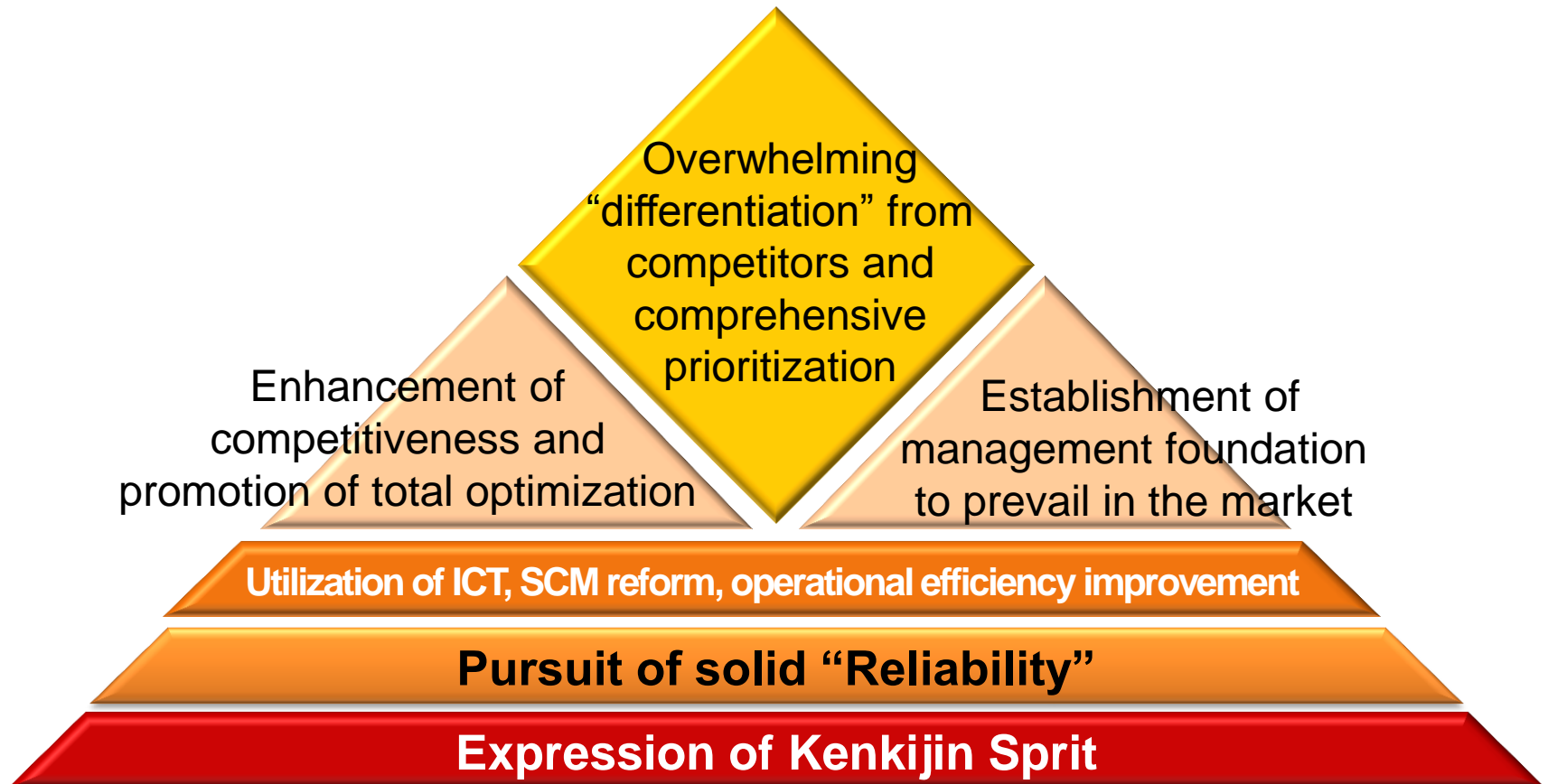
Improvement of business efficiency of the entire group



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2020VISION

“Close and Reliable Partner” anywhere on the earth with best solutions through **Kenkijin Spirit**



2020 VISION

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END

For further inquiries:

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[Cautionary Statement]

This material contains forward-looking statements that reflect our views and assumptions in light of the information currently available with respect to certain future events, including the Company's 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.