

“**GROW TOGETHER** 2016”

Mid-Term Management Plan FY2014-2016



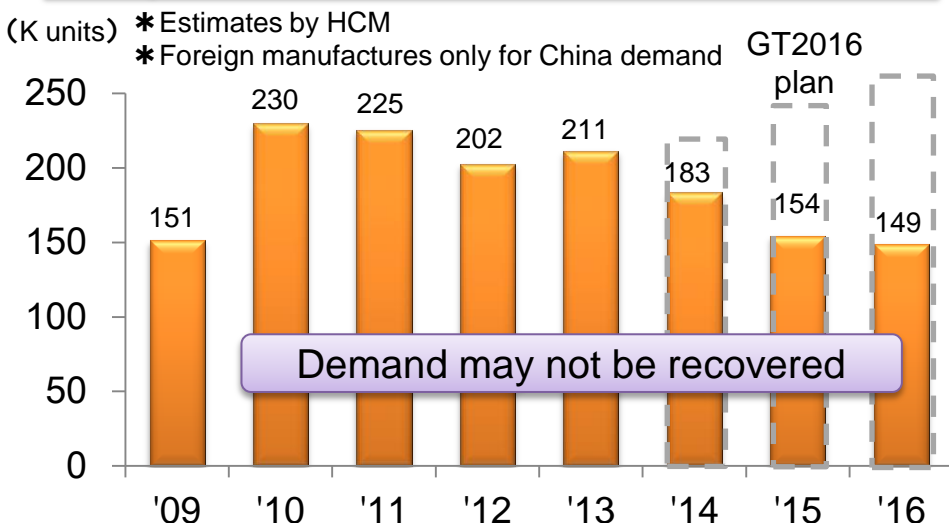
 **Hitachi Construction Machinery Co., Ltd.**

President, Chief Executive Officer
and Director

Yuichi Tsujimoto

- 1. Business Environment & Our Challenges**
- 2. Policies for Enhancement**
- 3. Closing Remarks**

Hyd. Excavators' World Demand

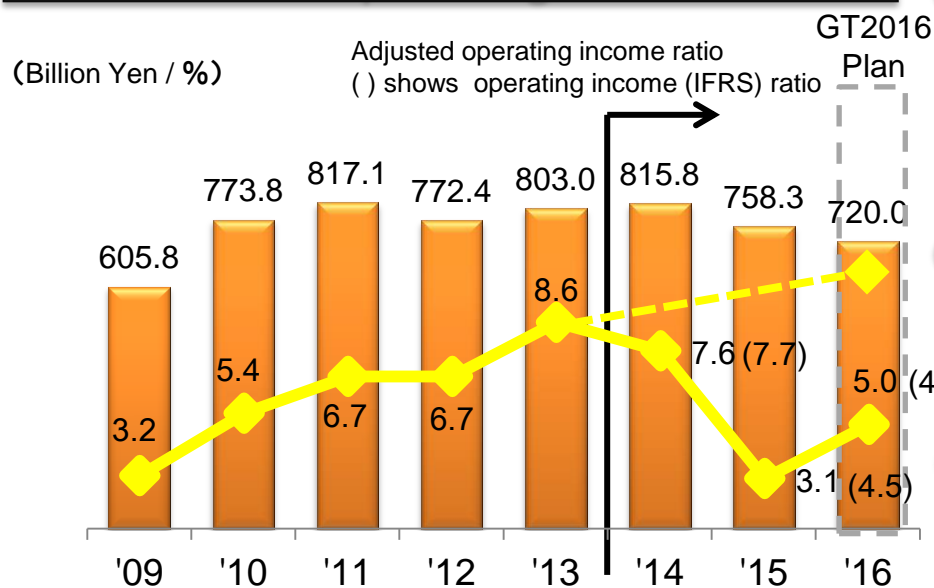


HCM accelerates following policies to fill a big gap between GT2016 plan and actual situation, without expecting demand recovery

Revenue securement & Cost reduction

- ✓ Increase in Market Share
- ✓ Parts & Service expansion
- ✓ Cost reduction

Revenue & Operating Income ratio



Fixed cost reduction

- ✓ Overhead cost reduction
- ✓ Increase of personnel efficiency

Increase in Business Efficiency

- ✓ Restructuring of group companies

SCM Reform & MONOZUKURI

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✓ Enhancement of Wheel Loaders' Business

⇒ Business Synergy between WL and Excavator. (customers, dealers, technology)

✓ Enhancement of Mining Business

Increase in market share of Dump Trucks

(pursuing the productivity and efficiency after sales service as important key)

⇒ Increasing position by introducing Smart Dump Truck

✓ Value Chain Structure on the axis of Parts & Service

⇒ Driving business practically using the cumulated working machines and data

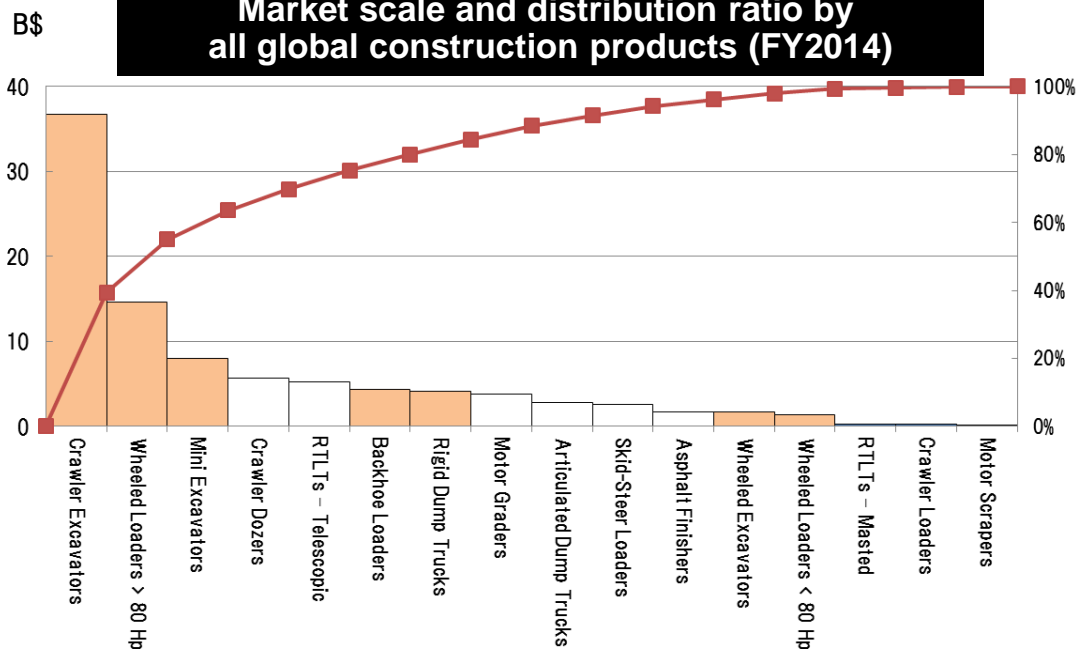
✓ Upgrade the productivity and safety, reaction to the requirement of life cycle cost reduction

⇒ Upgrade of Reliability and durability and development of solution business

✓ Improvement of the Operational Efficiency

⇒ SCM reform (reduction of lead time), production rationalization

Market scale and distribution ratio by all global construction products (FY2014)



Source: Off-Highway Research

HITACHI

KCM



ZW-5B series(co-development)

Further amalgamation in technologies of HCM & KCM, Increasing of manufacturing efficiency

ZW20



ZW30



ZW40



ZW50



ZW80



ZW100/120



ZW140/150



ZW180



ZW220



ZW250



ZW310



ZW330/370/550



① R & D

- First mid-sized hybrid WL in Japan

ZW220 HYBRID



② Performance

- High Fuel Efficiency

Active Engine Control System



Global & Various application



**Snow Removal
(Japan)**



Stockbreeding (Japan)

**Share
in Japan
over 30%**



**Palm Oil Factory
(Indonesia)**



**Coal Mine
(South Africa)**



Quarry (Europe)

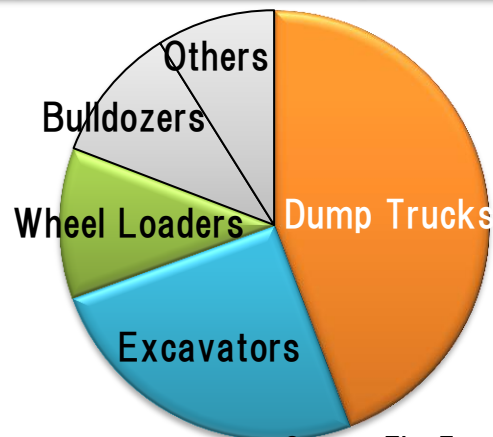


**Industrial & Waste
Handling (Australia)**



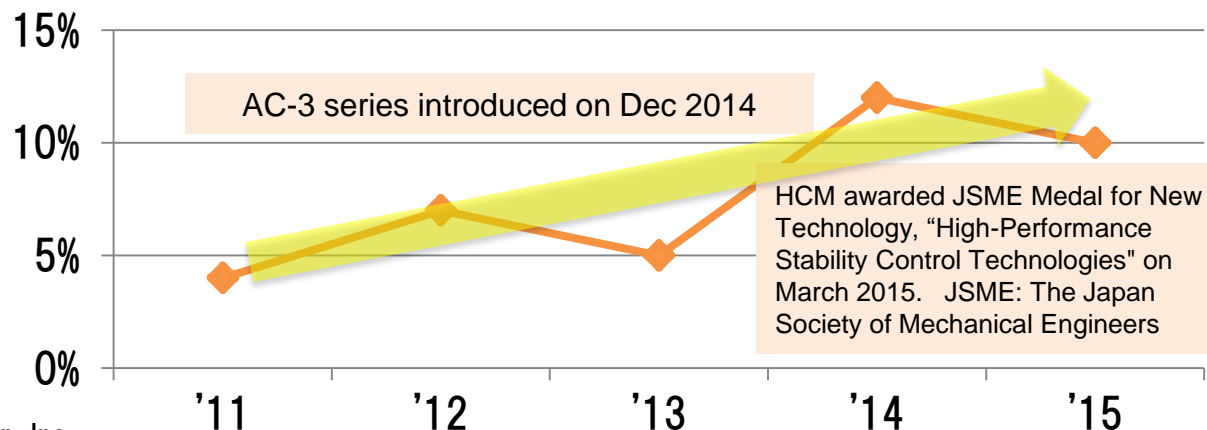
**Timber Handling
(New Zealand)**

Open-Pit Machinery Market 2014



Source: The Freedonia Group, Inc.

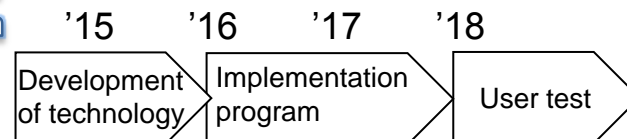
Dump Truck Share (payload 150t over)



EH4000AC-3 Trolley spec



AHS truck R&D plan



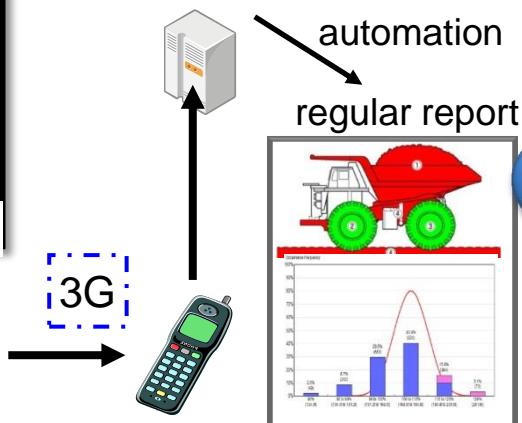
- ✓ Trolley spec (South Africa)
- ✓ High Altitude / High Power spec (South America)

New Service development by utilizing data

- Offering the automatically issued report to the machinery users (accumulation of customers' proof)
- example: - monitoring of the machine status
- monitoring of the job site condition



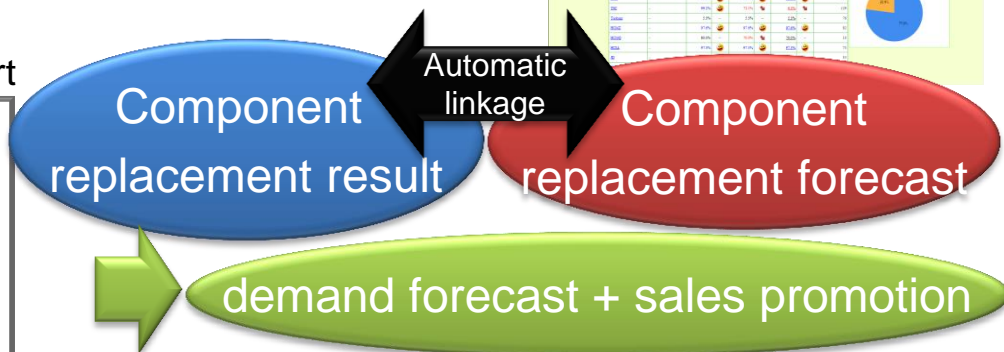
Global e-Service



Expansion of Parts Business

- Analysis of maintenance data for the main components
- Proper targeting
- Parts stock control considering replacement schedule

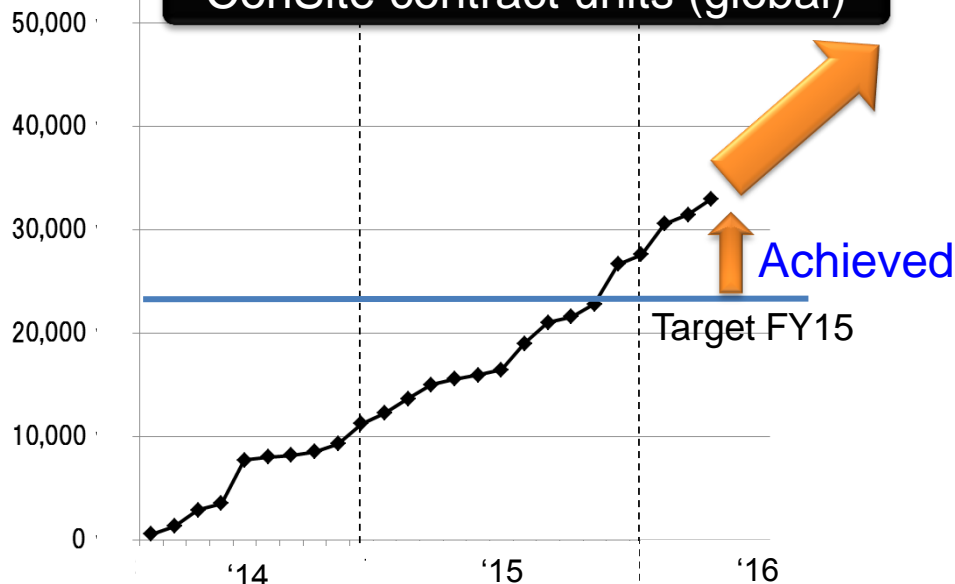
CPR
COMPONENT PARTS REPLACEMENT



To customers: offering “high availability” & “low life cycle cost”
To dealers/HCM: expansion of parts service business

Contracts Increase & Value Creation

ConSite contract units (global)



Emergency & regular report

Emergency report



prompt support



Customer



Service



Frequent/Deep Communication creates Value

Sales promotion of undercarriage parts

- Automated notice for Inspection & repair undercarriage
- Automated suggestion of proper schedule for the inspection & maintenance

Proposal for increase the working efficiency

- Proposal to increase the working & fuel efficiency based on regular report
- Effective for new machine Inquiry

Emergency report



Customers opinion



Expansion of line-up

● Minigng GET enhancement



*

* Ground Engagement Tool

● Expansion of select parts & business opportunity

- Offering select parts to the price oriented customers
- Global supply of local parts & strategic pricing for bestselling parts



Speedy Evolvement



Basic performance

Reliability

Low Fuel
Consumption

Durability



- Offering the solution for customers' task
- Expansion of Solution Offering to various customers utilizing the business solution at mining
- One Hitachi & Open Innovation

Customers
task

Increase of Safety

Upgrade of
ProductivityReduction of
life cycle costSolution
HCM offerVisualization of the
Information around
machinery

- Optimization of operation process
- Introducing ICT at job site along customers' task

Automated
visualization of
machinery condition

April 1st, 2016

Establishment of Client Solutions Business Development Div. One Hitachi & Open Innovation

Increase of safety

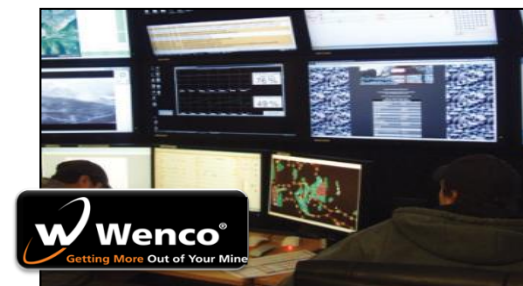
Upgrade of productivity

Reduction of life cycle cost

Mining Business

Visualization of the Information
around machinery

Autonomous Haulage System



Mining Fleet Management System

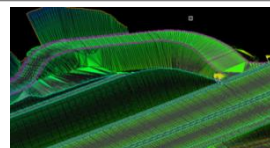
Construction Business

Application for
i-Construction

Survey



3D Survey

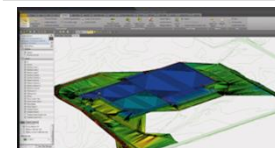
Design &
Construction Plan

3D data

Construction

ICT
machinery

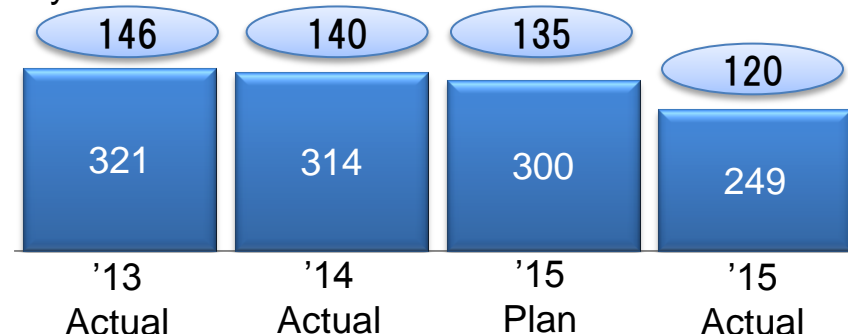
Verification

3D data
as-built
management

SCM Reform

Inventory (Billion Yen)

Days on hand



Manufacturing Enhancement

- ✓ Detailed inventory control & provision of dead stock
- ✓ Further reduction of lead time
(order receipt – procurement – manufacturing)

Factory in Japan	Lead Time (FY2015 vs FY2013)
Mid Excavators	1/3 reduced
Mini Wheel Loaders	1/2 reduced

✓ Evaluation of global manufacturing
(Made by Hitachi)

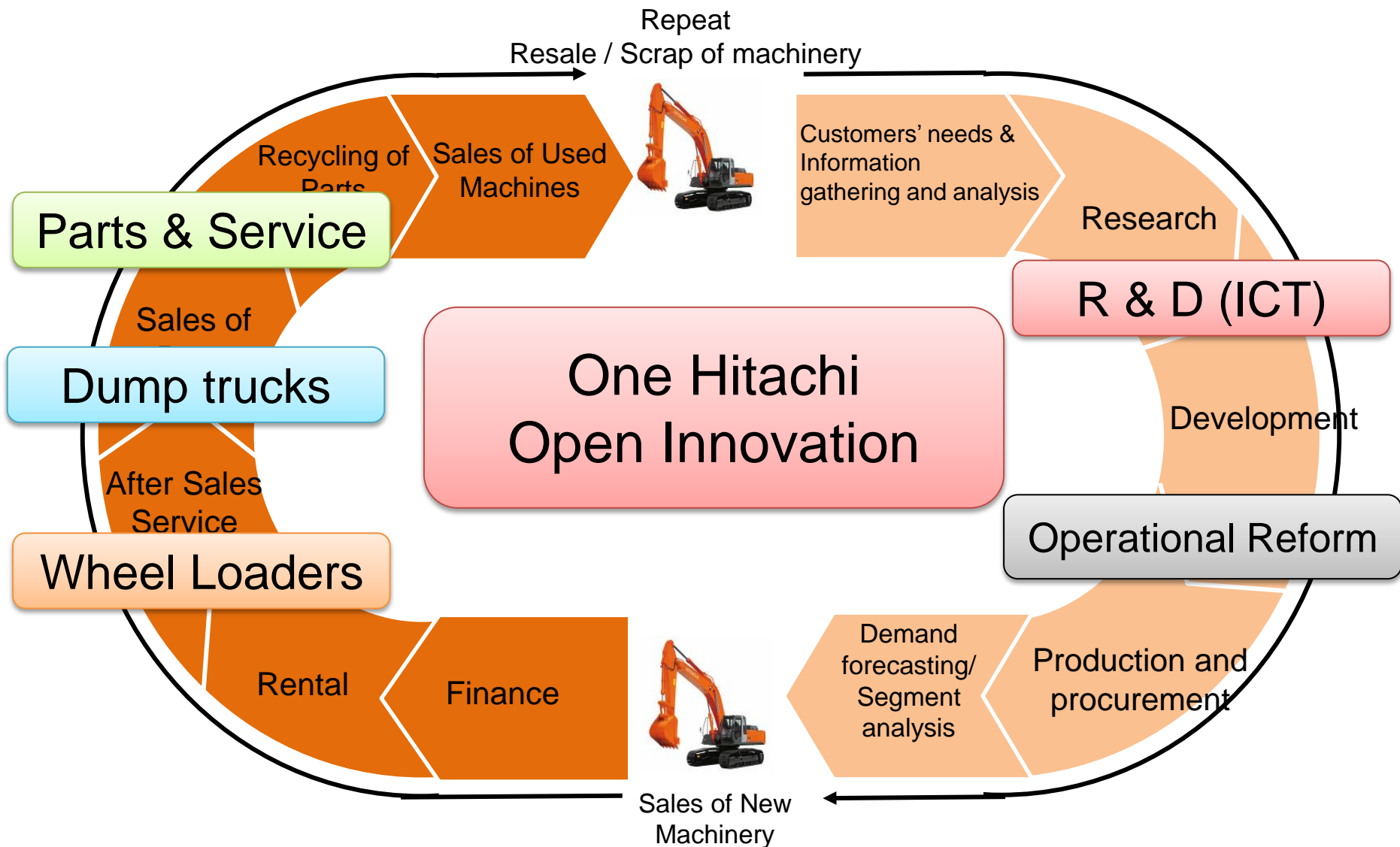
- Comparison of actual machines made in Japan, China, India & Indonesia
- Internal skill certification & Int'l skill contest

accelerate

- Optimization of production capacity and human resource
- Restructuring of production
- Promotion of local production



Made by Hitachi Quality



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Go Together 2013

GROW TOGETHER 2016

3rd step

Innovative change
for the continuous
profitable constitution

Encourage Growth
and Seeds for the next

Seeds for Growth

Growth (strategic enhancement)

- Wheel Loaders
- Dump trucks
- Parts & Service
- R & D

- Business Structural Reform
- Cost Structural Reform
- Restructuring of Production
- SCM Reform

concurrent

2020 VISION

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



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.