

April 24, 2014

**HITACHI**

Reliable solutions

New 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**

## GT2013

Accomplishment

- ✓ Enhancement of Mining Operation
- ✓ Enhancement of Parts and Service Operation
- ✓ Reduction of Direct Material Cost and Logistic Cost
- ✓ Establishment of RSS System at Hitachi Construction Machinery Japan Co., Ltd.

(Unit: 100 Mil. Yen,%)	SOH 2010 FY2010	Go Together 2013 FY2013
<b>Consolidated Net Sales</b>	<b>7,738</b>	<b>8,030</b>
Mining Operation Ratio	16%	16%
Parts and Service Operation Ratio	18%	21%
<b>Operating Income Ratio</b>	<b>5. 4%</b>	<b>8. 6%</b>

Exchange rate	\$ 85yen/€112yen	\$ 100yen/€135yen
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## 2020 VISION

Close and Reliable Partner Anywhere on the earth  
with best solutions through **Kenkijin Spirit**

Encourage Growth  
and Seeds for the next

2020  
VISION

3<sup>rd</sup> Step

**GROW  
TOGETHER  
2016**

Seeds for growth

**Go  
Together  
2013**

2<sup>nd</sup> Step

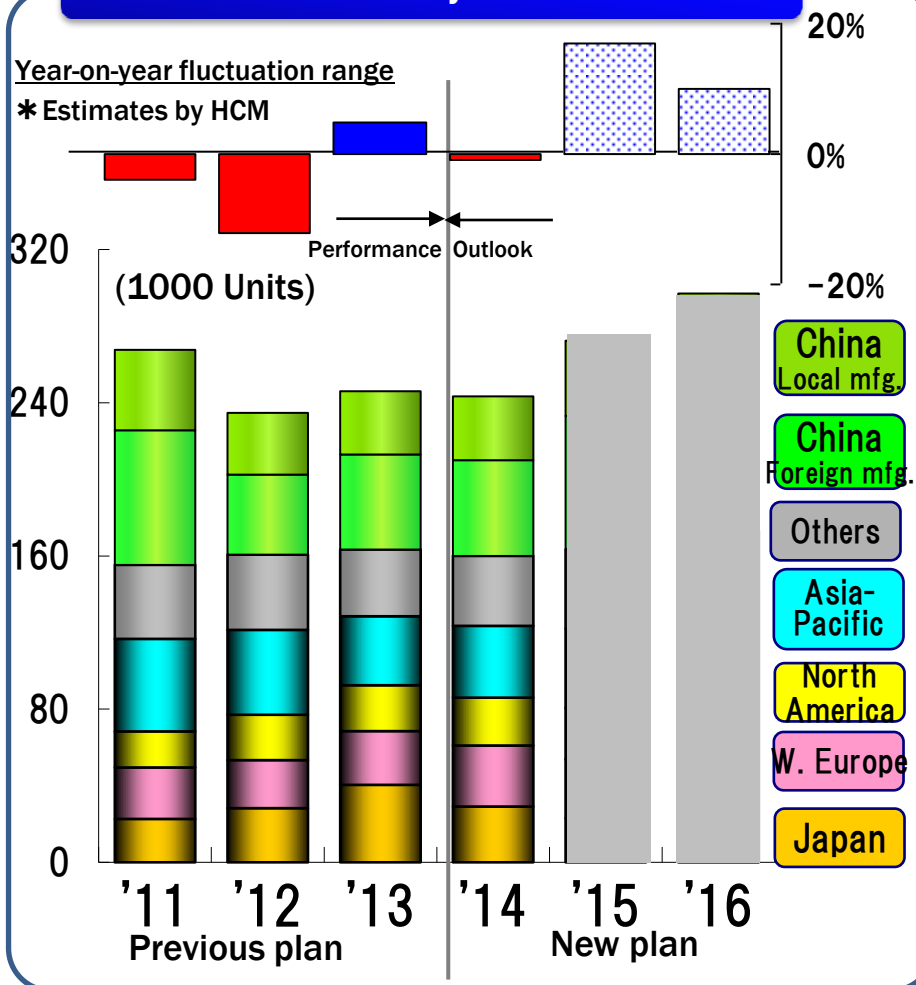
'14-'16

1<sup>st</sup> Step

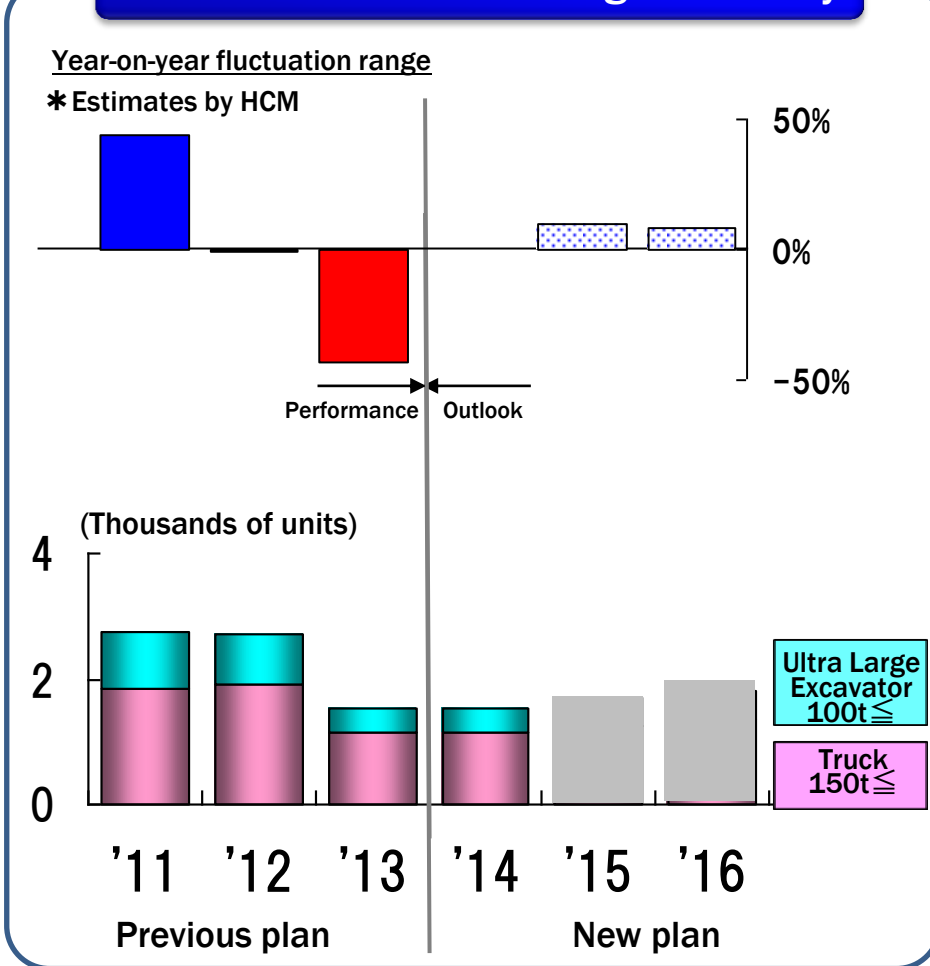
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- ✓ More or Less Flat in 2014, with Moderate Growth Thereafter
- ✓ Anticipate the Change of Market Demands, and Keep up with the Market Fluctuation

## Global Demand for Hydraulic Excavators

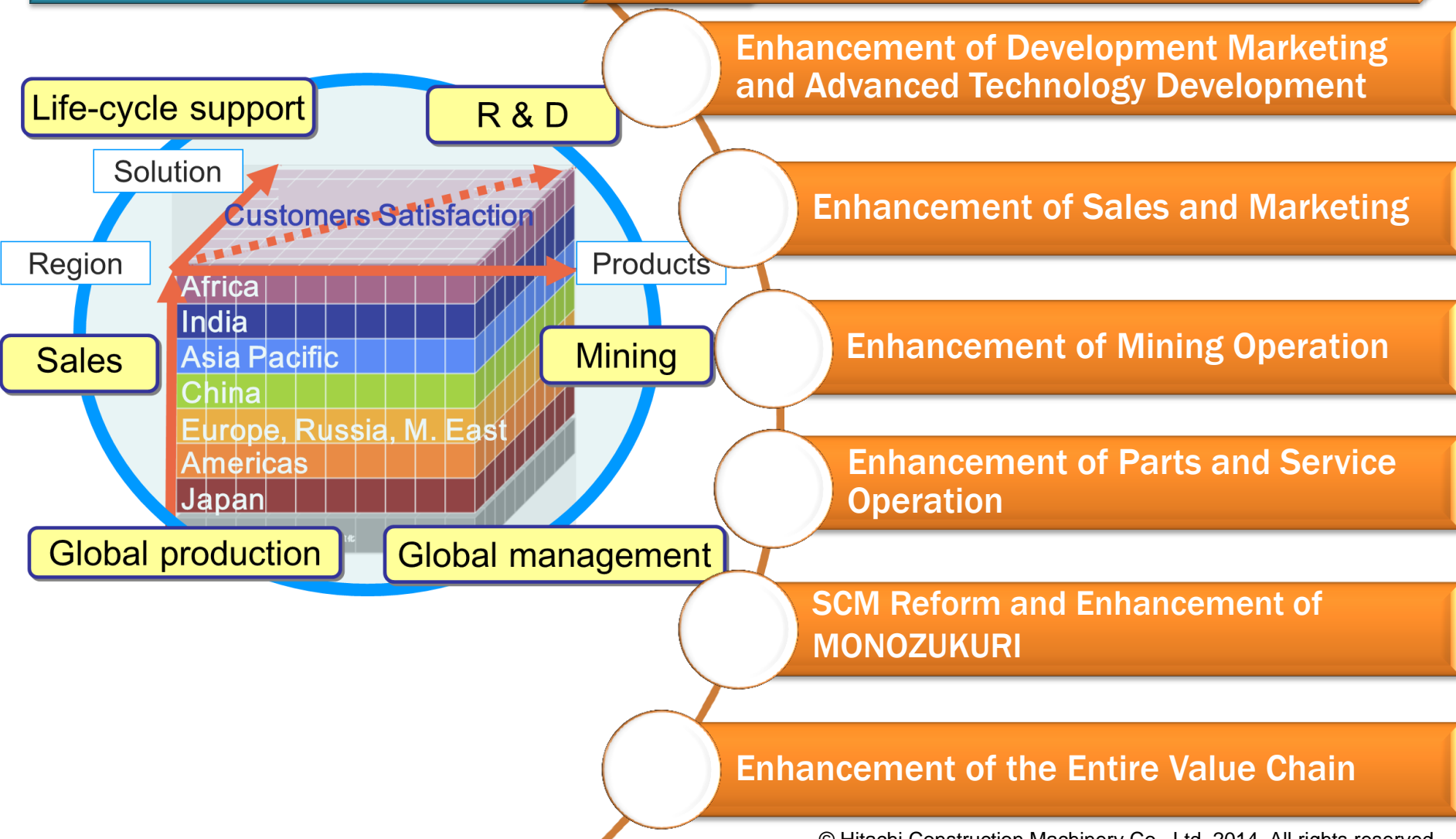


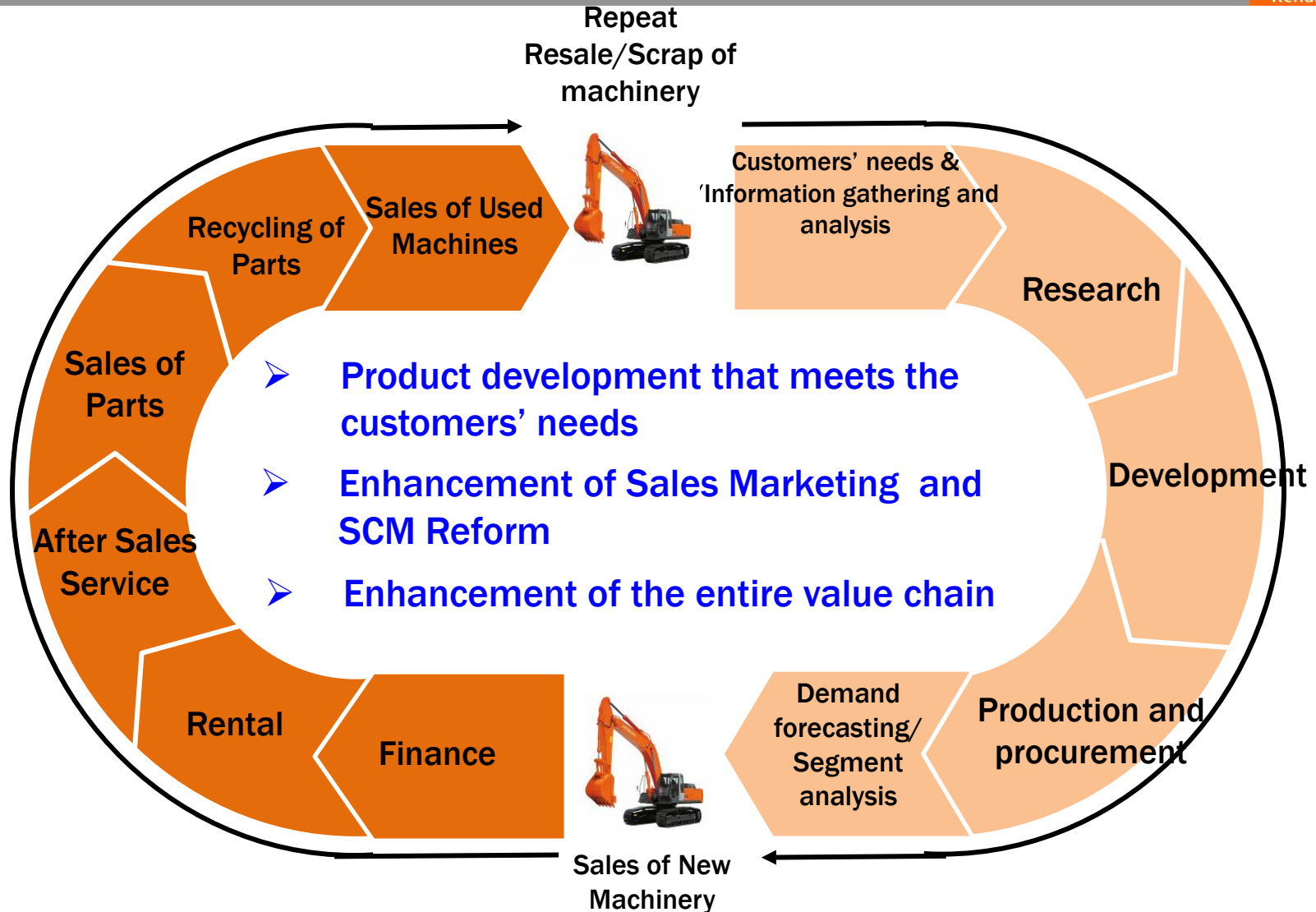
## Global Demand for Mining Machinery



## Go Together 2013 6 Imperatives

## GROW TOGETHER 2016 Key Activities





Hitachi Group Collaboration / Human resource development /  
Localization & Governance / ICT Utilization

## Go Together 2013

### Establishment of Development Marketing Scheme



Machines specified for Indian market

### Creation of Hitachi Synergy

Hybrid Hydraulic Excavator



ZX-3 type comparison  
Fuel Consumption

1<sup>st</sup> gen.  $\Delta 20\%$   $\Rightarrow$  2<sup>nd</sup> gen.  $\Delta 30\%$

## GROW TOGETHER 2016 Key Activities

Establishment of Development Marketing Scheme that Focuses on the Demand of Each Region

Enhancement of the Global R&D in Collaboration with the Mother Plant

- ✓ Development of Local Specification Machines for Each Region
- ✓ Expansion of Localization

Mobilization of Hitachi Group Technology and Utilization of Open Innovation

- ✓ Research Development (Electronics and Electro-Mechanics, ICT)
- ✓ Innovative MONOZUKURI
- ✓ Prognostic Diagnosis and Optimal Maintenance

Increase of Market Share by Overwhelming Differentiation from Competitors

## Go Together 2013

## GROW TOGETHER 2016 Key Activities

### Truck Operation Enhancement



Third Generation AC truck



Trolley Truck

**Mining Truck Sales Expansion Measures  
(Offering Sales on Trial)**

**Smart Truck Sales Expansion  
(Deployment of Differentiated Technologies)**

**Development of Autonomous Haulage System (AHS)  
Trucks (Shifting to the Next Phase)**

### Exploring Emerging Markets



Expansion of  
Support  
Base



**Sales Expansion by Deployment of Measures in Key  
Regions and Countries**

**Expansion of Alliance with the Global Account**

### Mining Operation Expansion with Hitachi



Mining Fleet  
Management System

**Promotion to Use Cloud Computing of Wenco FMS**

**Enhancement of Solutions Business in Collaboration with  
Hitachi Group**

**(Optimization of Mine Operation Management and  
Maintenance of Mining Machinery)**

## Prioritizing Resources as a Driver of Growth

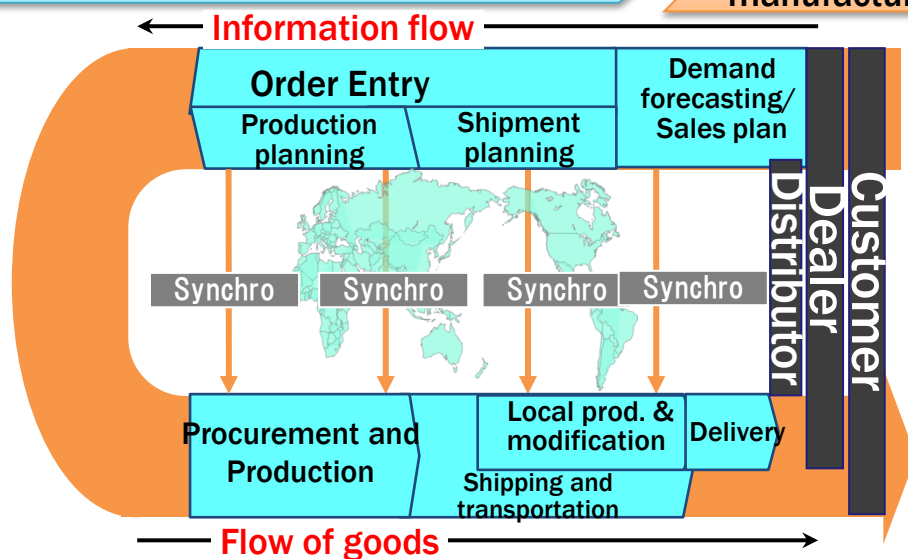


## Go Together 2013

## GROW TOGETHER 2016 Key Activities

Launch of SCM reform project

Promote Total Group companies project by sales companies and manufacturing plants working together



Strict management of standard inventory

Reduction of the total order lead time

- ✓ Order Entry lead time
- ✓ Production lead time
- ✓ Local production lead time

Total cost reduction activities with a focus on Japan and China

Global development of total cost reduction activities

Further enhancement of collaboration with strategic partnerships

Brazil/Russia plant operations

Production capacity development of each region

Promotion of global production reform

(Rationalization and streamlining)

**Responding to Market Change and Establishing a Strong Business Foundation**

## Go Together 2013

## GROW TOGETHER 2016 Key Activities

New  
Machine  
Sales

Finance

Rental

After  
Sales  
Service

Parts  
Sales

Recycling of  
Parts

Sales of  
Used  
Machines

### Establishment of HCM Japan RSS



Development of Dealer Support Program

Global enhancement of sales and marketing capabilities

Global deployment of know-how on sales of used machines and expansion of the finance program

Further enhancement of the overseas dealers support program

### ConSite development (differentiation)



Global expansion of ConSite

Further enhancement of the mining support

Enhancement of parts operation base  
(Expansion of sales in mining parts)

Further enhancement of parts supply network (utilization of 3PL)  
Improvement of parts coverage rate

## Improveing Customer Satisfaction and Pursueing Sales and Profits Enlargement

## 2020 VISION

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

Overwhelming  
differentiation from  
competitors and  
comprehensive  
prioritization

Enhancement of  
competitiveness and  
promotion of total optimization

Establishment of  
management foundation  
to prevail in the market

Utilization of ICT, SCM reform, operational efficiency improvement

Pursuit of solid “Reliability”

Expression of Kenkijin Sprit

Mid-and long-term challenges

Further improvement in profitability and expanded capability for generating cash flow

	Go Together 2013 FY2013	GROW TOGETHER 2016 FY2016
Operating Income Ratio	8. 6%	13~16%
ROE	7. 7%	13~16%
Net D/E ratio	0. 80	≤0. 40

The preconditions used for March 2017 projection	Net sales ¥1trillion ± ¥100billion	Exchange rate	\$ 98yen/€130yen
	Continuous and stable payout 20% and upwards (consolidated base)		

Innovating our Business Structure to Prevail in the Market beyond Decades

**2020  
VISION**

**Close and Reliable Partner Anywhere on the earth  
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# END

For further inquiries, please contact

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