Acquisition of Bradken

October 3, 2016
Hitachi Construction Machinery Co., Ltd.
Yuichi Tsujimoto, President and Chief Executive Officer

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Transaction Overview

Overview of Bradken

<table>
<thead>
<tr>
<th>Name</th>
<th>Bradken Limited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>Casting, manufacturing and distribution service of casting products</td>
</tr>
<tr>
<td>Representative</td>
<td>Paul Zuckerman (CEO)</td>
</tr>
<tr>
<td>Headquarters</td>
<td>Newcastle (NSW), Australia</td>
</tr>
<tr>
<td>Established</td>
<td>1922</td>
</tr>
<tr>
<td>No. of employees</td>
<td>Almost 3,500</td>
</tr>
<tr>
<td>Stock listing</td>
<td>Australian Stock Exchange (ASX: BKN)</td>
</tr>
</tbody>
</table>

Overview of the Transaction

<table>
<thead>
<tr>
<th>Acquisition price</th>
<th>A$ 3.25 per ordinary share (a 37.7% premium to the 1 month VWAP of Bradken shares up to 30 September)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum total consideration</td>
<td>A$ 689 million (JPY 51.6 billion JPY75=A$)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Acquisition structure</th>
<th>A cash takeover offer for 100% of the ordinary shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source of funds</td>
<td>Existing cash reserves and external funding</td>
</tr>
<tr>
<td>Anticipated schedule*1</td>
<td>Middle to late Oct. 2016: Commence takeover bid</td>
</tr>
<tr>
<td></td>
<td>Early to middle Dec. 2016: Complete takeover bid</td>
</tr>
</tbody>
</table>

*1 The schedule is subject to extension

Key Financials

![Graph showing revenue and EBITDA margin for FY2010 to FY2016]

Share Performance

![Graph showing share price and S&P/ASX 200 Index for 2010 to 2016]
Transaction Rationale

Strategic Rationale of the Acquisition

- Enhance value chain through strengthening of mining wear parts with GET\(^*2\) as a core
- Broaden global customer coverage through acquisition of Bradken, the leading mining wear parts brand
- Create higher value-added products/services by combining superior technology, product capability and business know-how

Industry Trends

- Recovery in the demand for mining equipment (medium/long-term)
  - Growth market in the medium to long-term
- Increase in customers’ needs: improvement in safety and productivity, decrease in life-cycle cost
  - Differentiate by providing value added solutions to customers’ challenges
- Innovation led by ICT \(\cdot\) IoT
  - Accelerate innovation in production and operating sites

Global production of coal & iron ore & copper (1996〜)\(^*1\)

(Left axis: Coal, Iron ore; Unit: m MT) (Right axis: Copper; Unit: k MT)

<table>
<thead>
<tr>
<th>Year</th>
<th>Coal</th>
<th>Iron ore</th>
<th>Copper</th>
</tr>
</thead>
<tbody>
<tr>
<td>'96</td>
<td>2,500</td>
<td>5,000</td>
<td>7,500</td>
</tr>
<tr>
<td>'97</td>
<td>2,500</td>
<td>5,000</td>
<td>7,500</td>
</tr>
<tr>
<td>'98</td>
<td>2,500</td>
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<tr>
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<td>2,500</td>
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<td>'00</td>
<td>2,500</td>
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<tr>
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<tr>
<td>'02</td>
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<tr>
<td>'03</td>
<td>2,500</td>
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<tr>
<td>'04</td>
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<td>'05</td>
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<tr>
<td>'09</td>
<td>2,500</td>
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<td>7,500</td>
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<tr>
<td>'10</td>
<td>2,500</td>
<td>5,000</td>
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<tr>
<td>'11</td>
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<td>'12</td>
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<td>'14E</td>
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<td>5,000</td>
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</tr>
<tr>
<td>'15E</td>
<td>2,500</td>
<td>5,000</td>
<td>7,500</td>
</tr>
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\(^*1\) HCM research
\(^*2\) GET (Ground Engaging Tools): broadly refers to consumables such as bucket tooth
Overview of Bradken ~ Core Businesses ~

- **Mining wear parts business**
  - High-precision wear parts for mobile mining equipment
    - Revenue: A$228.4mm
    - % total revenue: 27.8%
  - Global leader in crawler systems, GET
    - Crawler systems
    - GET
    - Industrial product for infrastructure

- **Wear surface solutions for fixed plant mining equipment**
  - Revenue: A$349.5mm
  - % total revenue: 42.6%
  - Global leader in metallic mill liners
    - Metallic mill liners
    - Wear surface solutions
    - Pipes for oil sands business

- **Specialty castings business**
  - High-spec, specialty castings for the industrial, energy and defence industries
    - Revenue: A$227.2mm
    - % total revenue: 27.7%
  - Customized specialty castings
    - Customized castings for US military, power plants, energy and construction

* Revenue and % Total Revenue based on 2016/6A.
In addition to these three businesses, Bradken's total revenue includes Cast Metal Services (A$13.9 mm, 1.7%), Others (A$1.6mm, 0.2%).

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Overview of Bradken—Revenue Breakdown—

**REVENUE BY INDUSTRY SECTOR**

- **Resources**: 15.3%
- **Non-Resources**: 84.7%

☑️ Strong presence in the resources sector

**REVENUE BY PRODUCT**

- **Consumable Products**: 10.6%
- **Capital Products**: 89.4%

☑️ Consumable products account for c. 90% of total revenue

**REVENUE BY REGION**

- **Australia/NZ**: 44.1%
- **North America**: 2.5%
- **South America**: 2.6%
- **Africa**: 2.7%
- **Europe**: 0.2%
- **SE Asia**: 2.9%
- **China**: 45.0%

☑️ Strong presence in Australia and North America

**REVENUE BY COMMODITY**

- **Coal**: 23.7%
- **Iron Ore**: 19.2%
- **Copper**: 18.8%
- **Gold**: 18.1%
- **Other Minerals**: 11.7%
- **Oil & Gas**: 8.5%

☑️ Well-balanced exposure to commodities

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Note: Revenue for FYE 2016/6.
Overview of Bradken—Core Products—

Core Products for Bradken

**Mining wear parts business**
- Mobile Plant
- Mining Fixed Plant
- Crawler systems
- Ground Engaging Tools
- Rail couplers and spare parts
- Customised mill liners
- Wear surface solutions for processing plants
- Live, remote wear monitoring technology

**Specialty castings business**
- Engineered Products
- Industrial
- Energy
- Defence
Overview of Bradken ~ Manufacturing Facilities ~
The potential market size will double through initiatives to develop the entire value chain, rather than widening the product lineup.

**Market Size of Core Product Group in Construction & Mining Machinery**

@ US$1=JPY120 in 2014

- **Core product group**
  - Mining SHs
  - Mining Dump Trucks
  - SHs
  - WLs
  - Mini SHs

- **Other product group**
  - ADTs
  - Backhoe Loaders
  - Motor Graders
  - Skid Steer Loaders

**Broadening of “Business Portfolio”**

- Increase revenue and profitability through value chain expansion with core products (e.g. shovels)
- Enter business of client operation enhancement using IoT

**Max. JPY24tn**

- New Equipment sales
- Used
- Rented
- Parts & services

**Max. JPY10tn**

**Max. JPY9tn**

- Competition in increasing product lineup

*1: Mining shovels, mining RDTs, mini shovels, wheel loaders, medium-sized shovels

Source: Off-Highway, Freedonia, Company Reports, IRN, Expert Interview, Team Analysis, Parkerbay, Capital IQ

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The acquisition of Bradken will enable HCM to provide comprehensive solutions for client productivity enhancements; a stronger after-sales business with Bradken at its core service parts supplier and effective utilization of software and IoT.

**Future Growth Outlook**

**Value Chain**

- **Services**
  - Operation Services
  - Software & IoT
  - Parts
  - Hardware

**HCM Strategic Field**

- Mining companies & operators
  - Geological modeling companies
  - Mine planning companies
  - Field monitoring companies
  - Maintenance planning companies
  - Asset management companies
  - Fleet management

**Growth Strategy**

- **Step 1**
  - Reinforce after-sales services business by acquiring parts suppliers in a fragmented market with many small-scale suppliers

- **Step 2**
  - Reinforce IoT capability through with Wenco (the #1 fleet management company) as a core. Improve productivity (including planning) based on data integration

- **Step 3**
  - Acquire solid business field by enhancing the value chain

**Business strengthened by the acquisition**

- Parts supplier

**Enhanced**

- Acquire operating know-how and data by forming alliance with operators (including mining companies). Provide solutions for productivity enhancements using IoT
Anticipated Synergies (1): Enhancement of Value Chain through Reinforcement of the Mining Wear Parts Business

The acquisition of Bradken will not only raise the capture rate of mining wear parts used in our own construction machinery, but also raise those in our competitors’ machinery.

Landscape of Construction & Mining Machinery Parts & Services Market

Combined Market of Parts & Services

- **Genuine Products**
  - **HCM genuine products for HCM machinery**
  - **Market for genuine products manufactured by HCM competitors (HCM unable to capture)**

- **Non-branded Products**
  - **Non-branded products for HCM machinery**
  - **Market for non-branded products (Bradken already in market)**

- **Other OEMs**
  - **Market for non-branded products**
  - **Competitor’s share of non-branded products for HCM machinery**

Capture Rate: **Low**   
Capture Rate: **High**

- **Increase capture rate**
- **Penetrate parts & services business of competitors**
- **Pursue synergy**
Expansion of global customer coverage through the combination of the HCM and Bradken brands

**Anticipated Synergies (2): Expand Customer Coverage**

Solid customer platform through new equipment sales based on production technology cultivated over years and continuous innovation

Broad customer platform based on wide value chain comprised of mining facility, mining consumable and maintenance service businesses

### Expansion of Customer Coverage by Region

<table>
<thead>
<tr>
<th>Customer coverage by region*</th>
<th>N. America</th>
<th>S. America</th>
<th>Europe</th>
<th>Africa</th>
<th>Asia</th>
<th>Oceania</th>
</tr>
</thead>
<tbody>
<tr>
<td>HCM New Equipment</td>
<td>✔ ✔ ✔</td>
<td>✔ ✔</td>
<td>✔</td>
<td>✔</td>
<td>✔ ✔ ✔</td>
<td>✔ ✔</td>
</tr>
<tr>
<td>Bradken GET</td>
<td>✔ ✔ ✔</td>
<td>✔ ✔ ✔</td>
<td>✔ ✔ ✔</td>
<td>✔ ✔ ✔</td>
<td>–</td>
<td>✔ ✔ ✔</td>
</tr>
<tr>
<td>Bradken Mill Liners</td>
<td>✔ ✔ ✔</td>
<td>✔ ✔ ✔</td>
<td>✔ ✔ ✔</td>
<td>✔ ✔ ✔</td>
<td>✔ ✔ ✔</td>
<td>✔ ✔ ✔</td>
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</tbody>
</table>

* HCM: Based on the operating unit shares of operating mining equipment. Bradken: Based on units implied by market share by revenue

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Anticipated Synergies (3): Accelerate Innovation

Combining Superior Technology, Product Capability and Operational Know-How

<table>
<thead>
<tr>
<th><strong>HCM’s Strength</strong></th>
<th><strong>Bradken’s Strength</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ New Equipment development capability</td>
<td>✓ Competitive mining consumable products</td>
</tr>
<tr>
<td>✓ Production technology cultivated over years</td>
<td>✓ Ability to respond to sophisticated customers’ needs</td>
</tr>
<tr>
<td>✓ Continuous innovation (ICT・IoT, hybrid)</td>
<td>✓ Superior casting technology</td>
</tr>
<tr>
<td>✓ Large operating fleet based on high reliability and durability</td>
<td>✓ Experienced management team</td>
</tr>
<tr>
<td>✓ Brand value based on established relationship with customers</td>
<td>✓ Brand value based on established relationship with customers</td>
</tr>
</tbody>
</table>

Consolidated revenue

- HCM: JPY 758bn*1
- Bradken: A$821mn *1

Synergies

- Improve safety
- Upgrade productivity
- Reduction of life cycle cost

*1 HCM: 2016/3A; Bradken: 2016/6A

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Closing remarks

Go Together 2013  
GROW TOGETHER 2016  
Step 3

Innovative change for the continuous profitable constitution

Encourage Growth and Seeds for the next

Seeds for Growth

Growth Strategy (Strategic enhancement)
- Wheel Loaders
- Dump trucks
- Parts & Service
- R & D

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