Corporate Vision

Public Relations Strategy Office
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Corporate Vision

Contents

1. Management Plan
2. Operating Results & Forecast
3. Regional Trend & Business Strategy
4. Company Outline and Topics
5. CSR Activity

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“GROW TOGETHER 2016” Vision

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

- Fixed cost reduction
  - Overhead cost reduction
  - Increase of personnel efficiency

- Increase in Business Efficiency
  - Restructuring of group companies

- SCM Reform & MONOZUKURI
<Policy> Sectors to Enhance for growth

- **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
Further amalgamation in technologies of HCM & KCM, Increasing of manufacturing efficiency
① R & D
- First mid-sized hybrid WL in Japan

② Performance
- High Fuel Efficiency
  Active Engine Control System

Global & Various application

- Snow Removal (Japan)
- Palm Oil Factory (Indonesia)
- Quarry (Europe)
- Stockbreeding (Japan)
- Industrial & Waste Handling (Australia)
- Coal Mine (South Africa)
- Timber Handling (New Zealand)

Share in Japan over 30%

Management Plan: Policies for Enhancement

Thorough Differentiation & Trial

Open-Pit Machinery Market 2014

Dump Truck Share (payload 150t over)

- AC-3 series introduced on Dec 2014

AHS truck R&D plan

- Development of technology
- Implementation program
- User test

Increase productivity

Reduction of fuel consumption

Environment conservation

EH4000AC-3 Trolley spec

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

Source: The Freedonia Group, Inc.
**Management Plan: Policies for Enhancement**

Enhancement of support capability & Expand parts’ revenue

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### New Service development by utilizing data

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

*Example:* monitoring of the machine status & monitoring of the job site condition

#### Global e-Service

- **3G Unit equipped**
- **Full working data**
- **Automation**
- **Regular report**

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### Expansion of Parts Business

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

*Component replacement result* 
*Component replacement forecast*

---

**To customers:** offering “high availability” & “low life cycle cost”

**To dealers/HCM:** expansion of parts service business
Practical Usage of ConSite

Contracts Increase & Value Creation

- 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 & regular report

Frequent/Deep Communication creates Value
Parts & Service

Management Plan: Policies for Enhancement
Qualitative and Quantitative Approach

Expansion of line-up

- Minign 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

Customers

Dealers

Regional H/Q

Sharing the know-how provided by direct sales and service

HCM H/Q

Promoters by region

Global e-Service

ConSite

Consolidated Solution for Construction Site
Customer Solution Business

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

**Increase of Safety**
- Visualization of the Information around machinery

**Upgrade of Productivity**
- Optimization of operation process
- Introducing ICT at job site along customers’ task

**Reduction of life cycle cost**
- Automated visualization of machinery condition

**Basic performance**
- Reliability
- Low Fuel Consumption
- Durability
April 1st, 2016
Establishment of Client Solutions Business Development Div.
One Hitachi & Open Innovation

R&D (ICT)
Challenge with Reliable Solutions

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
- 3D Survey
- Design & Construction Plan
- Construction
- Verification
- 3D data as-built management

Aerial Angle
ICT

Management Plan: Policies for Enhancement
SCM Reform

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

Inventory (Billion Yen)

<table>
<thead>
<tr>
<th>Days on hand</th>
<th>'13 Actual</th>
<th>'14 Actual</th>
<th>'15 Plan</th>
<th>'15 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>321</td>
<td>314</td>
<td>300</td>
<td>249</td>
</tr>
</tbody>
</table>

Factory in Japan | Lead Time (FY2015 vs FY2013)

<table>
<thead>
<tr>
<th></th>
<th>'13 Actual</th>
<th>'14 Actual</th>
<th>'15 Plan</th>
<th>'15 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid Excavators</td>
<td>1/3 reduced</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mini Wheel Loaders</td>
<td>1/2 reduced</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Manufacturing Enhancement

- 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
Value Chain Enhancement

One Hitachi Open Innovation

Parts & Service
- Sales of Used Machines
- Recycling of Parts

Dump trucks
- Sales of New Machinery
- Rental
- After Sales Service

Wheel Loaders
- Demand forecasting/Segment analysis
- Production and procurement

Finance
- Repeat Resale / Scrap of machinery

Research
- Customers’ needs & Information gathering and analysis

R & D (ICT)
- Operational Reform

Operational Reform
- Management Plan: Policies for Enhancement
Closing remarks

Go Together 2013 → Grow Together 2016 → 3rd step

Encourage Growth and Seeds for the next

Seeds for Growth

Innovative change for the continuous profitable constitution

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

- Business Structural Reform
- Cost Structural Reform
- Restructuring of Production
- SCM Reform
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I. Summary of consolidated results

- Revenue decreased by 8% year on year due to the negative exchange impact of the appreciation of the Japanese yen (approximately -10%).
- Adjusted operating income decreased by 28% year on year due to the negative exchange impact of the appreciation of the Japanese yen.

<table>
<thead>
<tr>
<th></th>
<th>FY2016 1Q-3Q</th>
<th>FY2015 1Q-3Q</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>507.0</td>
<td>549.1</td>
<td>-8%</td>
</tr>
<tr>
<td>Adjusted operating income</td>
<td>11.0</td>
<td>15.2</td>
<td>-28%</td>
</tr>
<tr>
<td>Operating income</td>
<td>8.2</td>
<td>12.3</td>
<td>-33%</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>9.4</td>
<td>4.5</td>
<td>108%</td>
</tr>
<tr>
<td>Net income attributable to owners of the parent</td>
<td>2.5</td>
<td>-0.0</td>
<td>-</td>
</tr>
<tr>
<td>EBIT *2</td>
<td>10.1</td>
<td>6.4</td>
<td>58%</td>
</tr>
</tbody>
</table>

| F | Rate (YEN/US$) | 106.6 | 121.7 | -15.1 |
| X | Rate (YEN/EURO) | 117.9 | 134.4 | -16.5 |
|   | Rate (YEN/RMB)  | 16.0  | 19.3  | -3.3  |

*1 Adjusted operating income is calculated by excluding "Other income" and "Other expenses" from "Operating Income" listed in Consolidated Statements of Income.
*2 EBIT" stands for Earnings Before Interests and Taxes, and is calculated by excluding "Interest income" and "Interest expenses" from "Income before income taxes"
Revenue by geographic region (consolidated)

- Revenue in India and in China have increased compared to the previous year despite the negative exchange impact.
- On the other hand, the revenue significantly decreased by 21% or 14.8 billion yen in North America year on year, and by 5% or 8.8 billion yen in Japan year on year, and by 14% or 7.1 billion yen in Asia year on year.

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2016 1Q-3Q (ratio)</th>
<th>FY2015 1Q-3Q (ratio)</th>
<th>change amount</th>
<th>change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>158.8 (31%)</td>
<td>167.6 (31%)</td>
<td>-8.8</td>
<td>-5%</td>
</tr>
<tr>
<td>Asia</td>
<td>42.3 (8%)</td>
<td>49.4 (9%)</td>
<td>-7.1</td>
<td>-14%</td>
</tr>
<tr>
<td>India</td>
<td>33.9 (7%)</td>
<td>28.7 (5%)</td>
<td>5.2</td>
<td>18%</td>
</tr>
<tr>
<td>Oceania</td>
<td>63.4 (13%)</td>
<td>69.4 (13%)</td>
<td>-5.9</td>
<td>-9%</td>
</tr>
<tr>
<td>Europe</td>
<td>58.6 (12%)</td>
<td>62.4 (11%)</td>
<td>-3.8</td>
<td>-6%</td>
</tr>
<tr>
<td>N.America</td>
<td>54.6 (11%)</td>
<td>69.5 (13%)</td>
<td>-14.8</td>
<td>-21%</td>
</tr>
<tr>
<td>L.America</td>
<td>3.4 (1%)</td>
<td>5.2 (1%)</td>
<td>-1.9</td>
<td>-36%</td>
</tr>
<tr>
<td>Russia-CIS</td>
<td>13.4 (3%)</td>
<td>13.4 (2%)</td>
<td>0.1</td>
<td>1%</td>
</tr>
<tr>
<td>M.East</td>
<td>14.6 (3%)</td>
<td>20.7 (4%)</td>
<td>-6.1</td>
<td>-29%</td>
</tr>
<tr>
<td>Africa</td>
<td>24.4 (5%)</td>
<td>27.2 (5%)</td>
<td>-2.8</td>
<td>-10%</td>
</tr>
<tr>
<td>China</td>
<td>39.5 (8%)</td>
<td>35.7 (7%)</td>
<td>3.8</td>
<td>11%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>507.0</strong></td>
<td><strong>549.1</strong></td>
<td><strong>-42.1</strong></td>
<td><strong>-8%</strong></td>
</tr>
</tbody>
</table>

Overseas revenue ratio 69%
Operating Results & Forecast

Mining / Parts & Services revenue

(billions of yen)

- **Mining**
  - FY11: 150.4
  - FY12: 163.4
  - FY13: 126.8
  - FY14: 122.1
  - FY15: 115.5

- **Parts & Services**
  - FY11: 166.1
  - FY12: 170.7
  - FY13: 174.9
  - FY14: 175.7

% shows sales ratio against total company sales
[ % ] shows changed ratio from the same period of previous year

- **New Machine**
  - FY16: 83.6 [-2%]

- **Parts & Services**
  - Construction
    - FY11: 98.1
    - FY12: 96.6
    - FY13: 104.4
    - FY14: 108.4
    - FY15: 104.3
    - FY16: 120.8 [-8%]
    - FY16 1Q: 39.1 [-10%]
    - FY16 2Q: 38.7 [-9%]
    - FY16 3Q: 42.9 [-5%]

  - Mining
    - FY11: 68.0
    - FY12: 66.2
    - FY13: 66.5
    - FY14: 66.5
    - FY15: 71.4
    - FY16: 56.0 [3%]
    - FY16 1Q: 21.6 [-17%]
    - FY16 2Q: 21.4 [-10%]
    - FY16 3Q: 21.8 [-21%]

Adjusted operating income has decreased by 4.2 billion yen year on year due to the negative impact of the appreciation of the Japanese yen despite the reduction in overheads and material costs.

*1 "Adjusted operating income" is calculated by excluding "Other income" and "Other expenses" from "Operating Income" listed in Consolidated Statements of Income.

*2 Overhead cost: included +5.5 billion yen by KCM consolidation.
Consolidated statement of income

- Adjusted operating income decreased by 4.2 billion yen to 11.0 billion yen due to the negative exchange impact of 19.7 billion yen compared to the previous year.
- Operating income decreased by 4.1 billion yen to 8.2 billion yen compared to the previous year.
- Net income attributable to owners of the parent increased by 2.6 billion yen to 2.5 billion yen compared to the previous year by the reduction of financial costs despite the decrease in operating income.

<table>
<thead>
<tr>
<th></th>
<th>FY2016 1Q-3Q</th>
<th>FY2015 1Q-3Q</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>amount</td>
</tr>
<tr>
<td>Revenue</td>
<td>507.0</td>
<td>549.1</td>
<td>-42.1</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>(77.1%)</td>
<td>(75.7%)</td>
<td>-25.0</td>
</tr>
<tr>
<td>SGA expenses</td>
<td>(20.8%)</td>
<td>(21.5%)</td>
<td>-13.0</td>
</tr>
<tr>
<td>Adjusted operating income *1</td>
<td>(2.2%)</td>
<td>(2.8%)</td>
<td>-4.2</td>
</tr>
<tr>
<td>Other Income/expenses</td>
<td>-2.8</td>
<td>-3.0</td>
<td>0.1</td>
</tr>
<tr>
<td>Operating income</td>
<td>(1.6%)</td>
<td>(2.2%)</td>
<td>-4.1</td>
</tr>
<tr>
<td>Financial income/expenses</td>
<td>1.2</td>
<td>-8.0</td>
<td>9.3</td>
</tr>
<tr>
<td>Share of profits of investments accounted for using the equity method</td>
<td>0.0</td>
<td>0.3</td>
<td>-0.3</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>(1.9%)</td>
<td>(0.8%)</td>
<td>4.5</td>
</tr>
<tr>
<td>Income taxes</td>
<td>4.6</td>
<td>3.7</td>
<td>0.8</td>
</tr>
<tr>
<td>Net income</td>
<td>(1.0%)</td>
<td>(0.1%)</td>
<td>4.0</td>
</tr>
<tr>
<td>Net income attributable to owners of the parent</td>
<td>(0.5%)</td>
<td>2.5</td>
<td>-0.0</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>1.3</td>
<td>-13.9</td>
<td>15.2</td>
</tr>
</tbody>
</table>

*1 "Adjusted operating income" is calculated by excluding "Other income" and "Other expenses" from "Operating Income" listed in Consolidated Statements of Income.
### Operating Results & Forecast

**Summary of quarterly consolidated revenue and operating income/loss (ratio)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q</td>
<td>2Q</td>
<td>3Q</td>
<td>4Q</td>
<td>1Q</td>
<td>2Q</td>
</tr>
<tr>
<td><strong>Sales / Revenue</strong></td>
<td>200.6</td>
<td>176.2</td>
<td>177.6</td>
<td>217.9</td>
<td>186.6</td>
</tr>
<tr>
<td><strong>Operating income (J-GAAP)</strong></td>
<td>13.6</td>
<td>7.7</td>
<td>7.4</td>
<td>23.2</td>
<td>9.6</td>
</tr>
<tr>
<td><strong>Adjusted operating income/loss</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating income/loss (IFRS)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### FX rate (billions of yen)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rate (YEN/US$)</strong></td>
<td>80.2</td>
<td>78.6</td>
<td>81.2</td>
<td>92.4</td>
<td>100.5</td>
</tr>
<tr>
<td><strong>Rate (YEN/EURO)</strong></td>
<td>102.9</td>
<td>98.4</td>
<td>105.3</td>
<td>122.0</td>
<td>129.0</td>
</tr>
<tr>
<td><strong>Rate (YEN/RMB)</strong></td>
<td>12.7</td>
<td>12.4</td>
<td>13.0</td>
<td>14.9</td>
<td>16.1</td>
</tr>
</tbody>
</table>
• Total assets increased by 5.9 billion yen compared to the previous year by reduction of trade receivables despite the asset increase by 25.9 billion yen resulting from consolidation of H-E parts.
• Days of net working capital on hand was reduced by 14 days compared to the previous fiscal year end.

Consolidated statement of financial position

<table>
<thead>
<tr>
<th></th>
<th>(A) FY2016Q</th>
<th>(B) Mar '2016</th>
<th>(C) FY2015Q</th>
<th>(A)-(B) change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>81.4</td>
<td>79.1</td>
<td>73.0</td>
<td>2.3</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>145.4</td>
<td>182.9</td>
<td>167.6</td>
<td>-37.6</td>
</tr>
<tr>
<td>Inventories</td>
<td>252.4</td>
<td>248.6</td>
<td>295.0</td>
<td>3.8</td>
</tr>
<tr>
<td>Total current assets</td>
<td>548.9</td>
<td>549.2</td>
<td>589.0</td>
<td>-0.3</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>383.7</td>
<td>377.4</td>
<td>408.3</td>
<td>6.3</td>
</tr>
<tr>
<td>Total assets</td>
<td>932.6</td>
<td>926.6</td>
<td>997.3</td>
<td>5.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>(D) FY2016Q</th>
<th>(E) Mar '2016</th>
<th>(F) FY2015Q</th>
<th>(D)-(E) change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>209.1</td>
<td>205.9</td>
<td>217.5</td>
<td>3.2</td>
</tr>
<tr>
<td>Bonds and borrowings</td>
<td>210.9</td>
<td>217.9</td>
<td>261.0</td>
<td>-7.0</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>483.7</td>
<td>469.8</td>
<td>528.1</td>
<td>13.9</td>
</tr>
<tr>
<td>Equity attributable to owners of the parent ratio</td>
<td>(42.1%)</td>
<td>(42.7%)</td>
<td>(40.7%)</td>
<td>(-0.6%)</td>
</tr>
<tr>
<td>Total equity</td>
<td>448.9</td>
<td>456.8</td>
<td>469.1</td>
<td>-7.9</td>
</tr>
<tr>
<td>Total liabilities and equity</td>
<td>932.6</td>
<td>926.6</td>
<td>997.3</td>
<td>5.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>(billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables incl. non-current</td>
<td>171.6 206.1 193.2 -34.4</td>
</tr>
</tbody>
</table>

Inventories by products

<table>
<thead>
<tr>
<th></th>
<th>Unit</th>
<th>Parts</th>
<th>Raw materials, WIP and etc</th>
<th>Total inventories</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>77.3</td>
<td>91.3</td>
<td>83.7</td>
<td>252.4</td>
</tr>
<tr>
<td></td>
<td>62.2</td>
<td>96.0</td>
<td>90.3</td>
<td>248.6</td>
</tr>
<tr>
<td></td>
<td>87.4</td>
<td>104.8</td>
<td>102.8</td>
<td>295.0</td>
</tr>
<tr>
<td></td>
<td>15.2</td>
<td>-4.7</td>
<td>-6.6</td>
<td>3.8</td>
</tr>
</tbody>
</table>

On hand days(divided by net sales) (Days)

<table>
<thead>
<tr>
<th></th>
<th>Trade receivables</th>
<th>Inventories</th>
<th>Trade payables</th>
<th>Net working capital</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>87</td>
<td>129</td>
<td>65</td>
<td>149</td>
</tr>
<tr>
<td></td>
<td>99</td>
<td>120</td>
<td>54</td>
<td>163</td>
</tr>
<tr>
<td></td>
<td>90</td>
<td>137</td>
<td>59</td>
<td>166</td>
</tr>
<tr>
<td></td>
<td>-12</td>
<td>9</td>
<td>11</td>
<td>-14</td>
</tr>
</tbody>
</table>

Interest-bearing debt (22.6%) 210.9 217.9 261.0 (-0.9%)
Cash and Cash equivalents (13.9%) 81.4 79.1 73.0 2.3
Interest-bearing debt, net Debt (15.0%) 129.5 138.8 188.0 (-1.1%)
Net D/E Ratio 0.33 0.35 0.46 -0.02
Consolidated cash flow

- Net cash provided by (used in) operating activities decreased by 29.3 billion yen to a positive 64.9 billion yen compared to the previous year.
- Free cash flows was a positive 33.3 billion yen despite the acquisition of shares of H-E parts of 19.3 billion yen.

<table>
<thead>
<tr>
<th>(billions of yen)</th>
<th>FY2016 1Q-3Q</th>
<th>FY2015 1Q-3Q</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>4.9</td>
<td>0.8</td>
<td>4.0</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>30.1</td>
<td>25.3</td>
<td>28.2</td>
</tr>
<tr>
<td>(Increase)decrease in trade/lease receivables</td>
<td>32.7</td>
<td>72.6</td>
<td>-39.9</td>
</tr>
<tr>
<td>(Increase)decrease in inventories</td>
<td>-3.5</td>
<td>22.1</td>
<td>-25.6</td>
</tr>
<tr>
<td>Increase(decrease) in trade payables</td>
<td>49.6</td>
<td>20.4</td>
<td>89.2</td>
</tr>
<tr>
<td>Others, net</td>
<td>-14.8</td>
<td>-23.3</td>
<td>8.5</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>64.9</td>
<td>94.1</td>
<td>-29.3</td>
</tr>
<tr>
<td>Cash flow margin for operating activities</td>
<td>12.8%</td>
<td>17.1%</td>
<td>-4.4%</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>-31.6</td>
<td>-9.1</td>
<td>-22.5</td>
</tr>
<tr>
<td>Free cash flows</td>
<td>33.3</td>
<td>85.1</td>
<td>-51.8</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>-31.0</td>
<td>-59.0</td>
<td>28.0</td>
</tr>
</tbody>
</table>
HCM expects the FY2016 global demand for hydraulic excavators to increase by 3% year on year, to 159K units, an increase of 8K units from the previous forecast mainly due to an increase in China, Western Europe and Asia & Oceania.

### The ratio of emerging countries in FY2016: 51% (+3% of previous year)

*Emerging countries: China, Asia/Oceania and others*
### Summary of consolidated earnings forecast

- The forecast for FY2016 remains unchanged from the previous forecast.
- HCM expects revenue for FY2016 to decrease by 8% year on year due to the negative impact (-10%) of the appreciation of the Japanese yen.
- Adjusted operating income is to increase by 20% year on year considering the favorable impact of restructuring reform.

<table>
<thead>
<tr>
<th></th>
<th>FY2016 Forecast</th>
<th>FY2015 Actual</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>amount</td>
</tr>
<tr>
<td>Revenue</td>
<td>(700.0)</td>
<td>700.0</td>
<td>758.3</td>
</tr>
<tr>
<td>Adjusted operating income *1</td>
<td>(28.0)</td>
<td>28.0</td>
<td>23.4</td>
</tr>
<tr>
<td>Operating income</td>
<td>(22.0)</td>
<td>22.0</td>
<td>34.1</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>(15.0)</td>
<td>15.0</td>
<td>24.5</td>
</tr>
<tr>
<td>Net income attributable to owners of the parent</td>
<td>(5.0)</td>
<td>5.0</td>
<td>8.8</td>
</tr>
<tr>
<td>EBIT *2</td>
<td>(17.0)</td>
<td>16.5</td>
<td>26.9</td>
</tr>
</tbody>
</table>

**Note:** ( ) shows previous forecast as of October 2016

- "Adjusted operating income" is calculated by excluding "Other income" and "Other expenses from "Operating Income" listed in Consolidated Statements of Income.
- "EBIT" stands for Earnings Before Interests and Taxes, and is calculated by excluding "Interest income" and "Interest expenses" from “Income before income taxes”

<table>
<thead>
<tr>
<th></th>
<th>Previous</th>
<th>Latest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate (YEN/US$)</td>
<td>(102.6)</td>
<td>104.8</td>
</tr>
<tr>
<td>Rate (YEN/EURO)</td>
<td>(113.7)</td>
<td>115.5</td>
</tr>
<tr>
<td>Rate (YEN/RMB)</td>
<td>(15.3)</td>
<td>15.6</td>
</tr>
</tbody>
</table>

**Cash dividend per share (yen):** to be determined, 40

Forecast rate for Q4 FY2016

- Rate (YEN/US$): (100.0) 100.0
- Rate (YEN/EURO): (110.0) 110.0
- Rate (YEN/RMB): (15.0) 15.0

---

- **Operating Results & Forecast**
- **Reliable solutions**
Sales forecast by geographic region (consolidated)

Compared with the previous forecast, HCM forecasts an increase in revenue in China, Russia-CIS and Asia.

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2016 Updated Forecast</th>
<th>FY2016 Previous Forecast</th>
<th>FY2015 Actual</th>
<th>VS. Previous Forecast</th>
<th>VS. FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(billions of yen)</td>
<td></td>
<td></td>
<td>amount</td>
<td>%</td>
</tr>
<tr>
<td>Japan</td>
<td>213.6 (31%)</td>
<td>217.6 (31%)</td>
<td>232.8 (31%)</td>
<td>-4.0</td>
<td>-2%</td>
</tr>
<tr>
<td>Asia</td>
<td>62.6 (9%)</td>
<td>61.5 (9%)</td>
<td>66.9 (9%)</td>
<td>1.1</td>
<td>2%</td>
</tr>
<tr>
<td>India</td>
<td>56.5 (8%)</td>
<td>58.1 (8%)</td>
<td>40.4 (5%)</td>
<td>-1.6</td>
<td>-3%</td>
</tr>
<tr>
<td>Oceania</td>
<td>84.0 (12%)</td>
<td>83.6 (12%)</td>
<td>93.5 (12%)</td>
<td>0.4</td>
<td>0%</td>
</tr>
<tr>
<td>Europe</td>
<td>81.8 (12%)</td>
<td>80.9 (12%)</td>
<td>89.0 (12%)</td>
<td>0.8</td>
<td>1%</td>
</tr>
<tr>
<td>N.America</td>
<td>76.2 (11%)</td>
<td>77.3 (11%)</td>
<td>93.0 (12%)</td>
<td>-1.2</td>
<td>-2%</td>
</tr>
<tr>
<td>L.America</td>
<td>4.1 (1%)</td>
<td>4.1 (1%)</td>
<td>6.7 (1%)</td>
<td>0.0</td>
<td>1%</td>
</tr>
<tr>
<td>Russia-CIS</td>
<td>15.4 (2%)</td>
<td>13.4 (2%)</td>
<td>16.9 (2%)</td>
<td>2.0</td>
<td>15%</td>
</tr>
<tr>
<td>M.East</td>
<td>19.5 (3%)</td>
<td>21.5 (3%)</td>
<td>28.2 (4%)</td>
<td>-1.9</td>
<td>-9%</td>
</tr>
<tr>
<td>Africa</td>
<td>33.0 (5%)</td>
<td>32.2 (5%)</td>
<td>37.0 (5%)</td>
<td>0.9</td>
<td>3%</td>
</tr>
<tr>
<td>China</td>
<td>53.3 (8%)</td>
<td>49.8 (7%)</td>
<td>53.8 (7%)</td>
<td>3.5</td>
<td>7%</td>
</tr>
<tr>
<td>Total</td>
<td>700.0 (100%)</td>
<td>700.0 (100%)</td>
<td>758.3 (100%)</td>
<td>0.0</td>
<td>0%</td>
</tr>
</tbody>
</table>

Overseas revenue ratio: 69%
Mining / Parts & Services revenue forecast

**(billions of yen)**

### Mining

<table>
<thead>
<tr>
<th>Year</th>
<th>Forecast</th>
<th>Updated Forecast</th>
<th>New Machine</th>
<th>H-E Parts</th>
<th>Parts &amp; Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY11</td>
<td>150.4</td>
<td></td>
<td>68.0</td>
<td>82.5</td>
<td></td>
</tr>
<tr>
<td>FY12</td>
<td>163.4</td>
<td></td>
<td>66.2</td>
<td>97.2</td>
<td></td>
</tr>
<tr>
<td>FY13</td>
<td></td>
<td></td>
<td>66.5</td>
<td>60.3</td>
<td></td>
</tr>
<tr>
<td>FY14</td>
<td></td>
<td></td>
<td>66.5</td>
<td>55.6</td>
<td></td>
</tr>
<tr>
<td>FY15</td>
<td></td>
<td></td>
<td>71.4</td>
<td>44.1</td>
<td></td>
</tr>
<tr>
<td>FY16</td>
<td></td>
<td></td>
<td>77.8</td>
<td>36.4</td>
<td></td>
</tr>
</tbody>
</table>

### Parts & Services

<table>
<thead>
<tr>
<th>Year</th>
<th>Construction</th>
<th>H-E Parts</th>
<th>Mining</th>
<th>Forecast</th>
<th>Updated Forecast</th>
<th>Actual</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY11</td>
<td>98.1</td>
<td>68.0</td>
<td>66.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY12</td>
<td>162.8</td>
<td>66.2</td>
<td>66.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY13</td>
<td>170.7</td>
<td>66.5</td>
<td>66.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY14</td>
<td>174.9</td>
<td>71.4</td>
<td>66.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY15</td>
<td>175.7</td>
<td>77.8</td>
<td>71.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY16</td>
<td>175.0</td>
<td>97.2</td>
<td>94.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

% shows sales ratio against total company sales

[ % ] shows changed ratio from the same period of previous year
HCM forecasts FY2016 adjusted operating income to increase by 4.6 billion yen compared to FY2015, which remains unchanged from the previous forecast, while it is negatively impacted by the appreciation of the Japanese yen.

**Comparison of consolidated profit & loss forecast**

Note: ( ) shows previous forecast as of Oct. 2016

<table>
<thead>
<tr>
<th>Factor</th>
<th>FY2015 Actual</th>
<th>FY2016 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted operating income (*1)</td>
<td>23.4</td>
<td>26.2</td>
</tr>
<tr>
<td>Sales volume, model mix &amp; others</td>
<td>(2.2)</td>
<td>(1.0)</td>
</tr>
<tr>
<td>Pricing up</td>
<td>(1.7)</td>
<td>(29.7)</td>
</tr>
<tr>
<td>Foreign exchange loss</td>
<td>-1.5</td>
<td>1.7</td>
</tr>
<tr>
<td>Material cost down</td>
<td>-26.3</td>
<td>26.0</td>
</tr>
<tr>
<td>Overhead cost down (*2)</td>
<td>(5.1)</td>
<td>(1)</td>
</tr>
<tr>
<td>Structural reform</td>
<td>(2.2)</td>
<td>(1.0)</td>
</tr>
<tr>
<td>Variance of adjusted operating income</td>
<td>4.6</td>
<td>-16.9</td>
</tr>
<tr>
<td>Operating income</td>
<td>34.1</td>
<td>28.0</td>
</tr>
<tr>
<td>Structural reform and expenses</td>
<td>(22.0)</td>
<td>(2)</td>
</tr>
<tr>
<td>Other operating income</td>
<td>(0.2)</td>
<td>22.0</td>
</tr>
</tbody>
</table>

\*1 "Adjusted operating income" is calculated by excluding "Other income" and "Other expenses" from "Operating Income" listed in Consolidated Statements of Income.

\*2 Overhead cost: increase by consolidation (KCM +5.5billion, H-E Parts +1.6billion) is included.
## Appendix  Detail of mining revenue

(Billions of yen)

<table>
<thead>
<tr>
<th>Region</th>
<th>FY15 Result</th>
<th>FY16 Forecast</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1Q-3Q</td>
<td>4Q</td>
<td>Year</td>
</tr>
<tr>
<td><strong>America</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excavator</td>
<td>4.3</td>
<td>1.6</td>
<td>6.0</td>
</tr>
<tr>
<td>Dump Truck</td>
<td>3.9</td>
<td>2.8</td>
<td>6.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8.2</td>
<td>4.4</td>
<td>12.6</td>
</tr>
<tr>
<td><strong>Europe, Africa and Middle East</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excavator</td>
<td>10.7</td>
<td>4.0</td>
<td>14.6</td>
</tr>
<tr>
<td>Dump Truck</td>
<td>11.0</td>
<td>3.6</td>
<td>14.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>21.7</td>
<td>7.5</td>
<td>29.2</td>
</tr>
<tr>
<td><strong>Asia &amp; Oceania</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excavator</td>
<td>43.3</td>
<td>15.7</td>
<td>59.0</td>
</tr>
<tr>
<td>Dump Truck</td>
<td>11.6</td>
<td>2.2</td>
<td>13.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>54.9</td>
<td>17.9</td>
<td>72.9</td>
</tr>
<tr>
<td><strong>China</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excavator</td>
<td>0.1</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td>Dump Truck</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>0.1</td>
<td>0.2</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Japan</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excavator</td>
<td>0.0</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Dump Truck</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>0.0</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>68.4</td>
<td>22.0</td>
<td>80.3</td>
</tr>
<tr>
<td></td>
<td>26.6</td>
<td>8.6</td>
<td>35.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>84.9</td>
<td>30.6</td>
<td>115.5</td>
</tr>
</tbody>
</table>
Corporate Vision

Contents

1. Management Plan
2. Operating Results & Forecast
3. Regional Trend & Business Strategy
4. Company Outline and Topics
5. CSR Activity

© Hitachi Construction Machinery Co., Ltd.
Public investment turned downward, though capital investment and housing investment are both on a continuously increasing trend.

During the third quarter (from October to December 2016), the demand for construction machinery decreased in reaction to last-minute demands before the emissions regulations.

(The demand for hydraulic excavators, mini excavators, and wheel loaders decreased by 10%, 24% and 19% year-on-year, respectively.)
GDP growth remained flat throughout the Euro zone.

The demand for construction machinery throughout the Euro zone remains on a continuously increasing trend, despite a decrease in the UK. (The demand for hydraulic excavators, mini excavators, and wheel loaders increased by 19%, 21% and 11% year-on-year, respectively.)
Housing starts remained brisk; however, construction spending in the public sector is continuously on a downward trend.
Regarding construction machinery, the demand for hydraulic excavators continuously decreased by 16% year-on-year, while the demand for mini excavators increased by 3% year-on-year.
GDP growth from October to December 2016 remained flat at a rate of 6.8%, and fixed-asset investments continuously slowed at a rate of 8%.

The demand recovered mainly due to increased public investment (increased 83% year-on-year).
Monthly Demand Trend for Hydraulic Excavators
(Compared to the same month in the previous year)
(Foreign Manufactures Only)

*Estimates by HCM

Demand Trend for Hydraulic Excavators (y-o-y)
(Foreign Manufactures only)

*Estimates by HCM

【Chinese New Year】
Feb 19, 2015
Feb 8, 2016
Jan 28, 2017

*Actual result (From April to December)
“Artisan work fine award”  CMIIC2016 in China

The Construction Machinery Industry Internet Competition 2016 (CMIIC2016) was held on November 21, 2016, hosted by Hui Cong Construction Machinery Network. Our hybrid hydraulic excavator ZH200-5A received the annual prize of “Artisan work fine award” after a six-month process of internet voting, customer reviews, expert examination and other factors.

In China, there is increasing market demand for energy-saving products, including the hybrid hydraulic excavator, and ZH200-5A is a fuel-efficient machine with improved energy efficiency.

Going forward, we will strive to expand the product line-up to meet market needs and further expand sales.
◇ Demand has continuously increased in the entire Asia Pacific region, driven by increases in Indonesia and Malaysia, etc. (increased by 11% year-on-year).
◇ In India, demand has continuously increased by 56% year-on-year, mainly for infrastructure investments, such as railways and roads.
**Russia and the Middle East**

**Russia**
Despite a sign of recovering crude oil prices, demand has been continuously sluggish.

**Middle East**
Demand for hydraulic excavators continued to decrease, mainly around the Gulf countries, by 51% year-on-year.

---

**Price Trend of Crude Oil and Natural Gas**

- **Crude Oil** (Left axis)
- **Natural Gas** (Right axis)

*Created by HCM, the source from IMF HP*

**Demand Trend for Hydraulic Excavators in Russia**

*Estimates by HCM*  
*Ex-Works base*  
*Incl. Local manufacturing*

**Demand Trend for Hydraulic Excavators in the Middle East**

*Estimates by HCM*  
*Ex-Works base*

*Data concerning Turkey is on a retail-sales basis, unlike the others.*
Excavators: Demand increased in Europe, Russia and CIS, and some countries in Asia, while demand decreased in Central and South America, etc.

Trucks: Demand increased in the Russia CIS region and Africa, etc., while demand decreased in the entire Americas and Oceania etc.

**Demand proportion by region: Ultra-large Excavator (over 100t)**

*Estimates by HCM

**Demand proportion by region: Truck (over 55t)**

*Estimates by HCM
BB Ratio (Ultra-large Hydraulic Excavator)

BB Ratio (Dump Truck)

※Book-to-Bill(BB)Ratio = Bookings (Orders received) / Billings (Value of shipment)
Non-consolidated basis (average of 6 months)
First order received from a copper mine in the Republic of Chile

- 2 units of EX5600-6 will be delivered to a copper mine in the Republic of Chile.
- This is our first mining machinery order received from the Republic of Chile.

Full acquisition of H-E Parts in the United States

We have acquired all the equity of H-E Parts (H-E Parts International LLC and H-E Parts Australian Holdings LLC). H-E Parts provides service and solution business regarding mining, quarry and construction machineries and equipment mainly in Australia and the U.S. It is also engaged in the development, processing and sales of parts associated with these machineries. Going forward, we will provide cost efficient and highly productive service that meets the local needs of clients. Furthermore, we strive to strengthen our value chain and further improve our earnings stability.

(Reference: the actual sales revenue of FY2015 was ¥23.5 billion.)
Corporate Vision

Contents

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©Hitachi Construction Machinery Co., Ltd.
### Company Outline

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

**Stock Exchange Listings**
Tokyo (#6305)

**Major Operations**
Manufacturing, sales and service of construction machinery, transportation machinery, and other machines and devices.

**Established**
1 October, 1970

**Capital**
81,576 million Yen (Hitachi, Ltd: 51%)

**President**
Yuichi Tsujimoto

**Subsidiaries**
Japan: 11 companies, Overseas: 57 companies

**Affiliates**
Japan: 3 companies, Overseas: 8 companies

**Number of Employees**
Consolidated: 21,447, Non-consolidated: 4,038

(March 31, 2016)
Our Products and Revenue

**Construction**
- Hydraulic Excavator (Hybrid hydraulic excavator, ICT hydraulic excavator)
- Wheel-drive Type Hydraulic Excavator
- Mini excavator
- Double-Front Work Machine
- Wheel Loader
- Road Construction Machinery
- Hydraulic Crawler Crane

**Mining**
- Dump Truck
- Ultra-large Hydraulic Excavator

**Solution Business**
- Mine management system

**FY2015 Revenue**
- 758.3 (Billions of yen)

**Company Outline and Topics**
Globalizing and Localizing Manufacturing

Main business: Japan

“Made in Japan” main

Expansion of overseas business

Localizing Manufacturing

Europe & America

China

Sales network covering the Europe,

Mini excavator
Wheel Loader
Dump truck

Overseas revenue
Domestic revenue
Overseas revenue ratio

Capital (Billions of yen)

'70 '72 '74 '76 '78 '80 '82 '84 '86 '88 '90 '92 '94 '96 '98 '00 '02 '04 '06 '08 '10 '12 '14 '15

Overseas revenue

Domestic revenue

Overseas revenue ratio

'B85 Plaza Accord

'B91 the bursting of the Japan’s bubble economy

'B97 Asian Financial Crisis

'B08 the collapse of Lehman Brothers
Globalization of Manufacturing & Sales Bases (Major group companies)

**The Americas**
- Manufacturing: 3
- Sales: 4

**EMEA**
- Manufacturing: 1
- Sales: 5

**Southern Africa**
- Manufacturing: 1
- Sales: 4

**India**
- Manufacturing: 1
- Sales: 1

**China**
- Manufacturing: 2
- Sales: 4

**Asia**
- Manufacturing: 1
- Sales: 5

**Oceania**
- Sales: 1

**Russia & CIS.**
- Manufacturing: 1
- Sales: 1

**Japan**
- Manufacturing: 5
- Sales: 1

※Europe Middle east and Africa
Dump Truck  The synergy of Hitachi Group

- The synergy of Hitachi Group
- High-Performance Stability Control Technologies
We received JSME Medal for New Technology 2014 from The Japan Society of Mechanical Engineers for “High-Performance Stability Control Technologies” installed in the new AC-3 dump truck series.

The technologies were “Pitching restraint control” and “Sideslip prevention control”. The former reduces pitching of the truck, resulting in better operating comfort and fewer load spillage. The latter prevents sideslip of the truck, resulting in enabling stabilized operation under various road conditions including slippery rutted surfaces. This award was highly evaluated these two technologies.
Growth strategy

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 “Goods”**

**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**

- Client operation enhancement

**Max. JPY9tn**

- Mining SHs
- Mining Dump Trucks
- SHs
- WLs
- Mini SHs

*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
Growth strategy

**Value Chain**

<table>
<thead>
<tr>
<th>Solution</th>
<th>Operation Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Software &amp; IoT</td>
<td></td>
</tr>
<tr>
<td>Service</td>
<td></td>
</tr>
<tr>
<td>Parts</td>
<td></td>
</tr>
<tr>
<td>Hardware</td>
<td></td>
</tr>
<tr>
<td>Goods</td>
<td></td>
</tr>
</tbody>
</table>

**Company Outline and Topics**

**Growth Strategy**

Business development through enhancement of value chain

**Step 1**
- Reinforce services business by acquiring service providers in a fragmented market, saturated with many small-scale suppliers

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

**Step 3**
- Accumulate operating know-how and data by forming alliances with operators (including mining companies)
- Provide solutions for productivity enhancements using IoT

**Mining Companies & Operators**

- Geological modeling companies
- Mine planning companies
- Field monitoring companies
- Maintenance planning companies
- Asset management companies

**Fleet Management**

**Business strengthened by the acquisition of**

A provider of services solutions

**Hardware Supplier**

- Extraction & transportation
- Surface mining field operations
- Accumulation & crushing
Overview of H-E Parts International

- **Business Description**: Provides service solutions for mining / construction machines and develops, manufactures and sales aftermarket parts
- **CEO**: Steve McBrayer
- **Headquarters**: Atlanta (USA)
- **Countries**: Australia, USA, Chile, Canada, et al.
- **Foundation**: 2006 (commencement of business)
- **Employees**: approx. 750

Transaction Overview

- **Acquisition Ownership**: 100%
- **Enterprise Value**: USD 240mn
- **Key Dates**:
  - Board Resolution: Dec 21, 2016
  - Agreement: Dec 21, 2016
  - Closing: Dec 21, 2016
- **Seller**: H-E Parts Investors LLC (SPC owned by Frontenac and Champ Ventures)

Overview of Seller

- **Frontenac**
  - US-based PE fund established in 1971
  - Focus on food, services and industrials
  - Invests in mid-sized companies
- **Champ Ventures**
  - Australia-based PE fund established in 1987
  - Invests in a broad range of companies from seed stage to later stage
  - Invests in mid-sized companies

Financial Overview (1)

- **EBITDA Margin**:
  - 2013A 11.1%
  - 2014A 9.3%
  - 2015A 10.9%
  - 2016E 11.1%

(1) Consolidated base, exchange rate of USD/JPY:115.0, AUD/JPY:85.0
Industry Trends

- Demand for mining equipment is recovering
  - Growth market in the medium to long-term
- Increase in customers’ needs driven by improvements in safety and productivity as well as decreases in life-cycle cost
  - Market participants are differentiated by providing value added solutions to customers’ challenges
- Innovation led by ICT-IoT at production & operating site

Strategic Rationale of the Acquisition

- Grow solutions business and establish a leading position in the aftermarket services segment by leveraging H-E Parts’ platform
- Strengthen distribution network by utilizing sales and services network of H-E Parts
- Enhancement of our value chain through gaining access to the aftermarket services, remanufactured parts, and non-genuine parts markets
- Effective use of remanufacturing / rebuilding facilities

Global Production of Coal, Iron Ore & Copper

(M Metric t: Coal, Iron Ore)
(K Metric t: Copper)

(1) HCM research
**Mining Solutions**  
59% of Total Revenue
- Comprehensive aftermarket solutions for mobile mining equipment including haul trucks, shovels and dozers
- Maintenance and repair services and alternative parts for major makes and models
- Largest global footprint and broadest product coverage of any non-OEM
- Customize parts to meet clients’ demands

**Products and Services Offered:**
- General Parts
- Drive Systems
- Cooling Systems
- Clutch & Brakes
- Hydraulics

---

**Crushing Solutions**  
28% of Total Revenue
- Aftermarket services & parts for crushing equipment as well as on-site and off-site services & repairs
- Services to design, evaluate and optimize to reduce costs and increase productivity
- Innovative computer modelling and scanning for application-specific crushing machines

**Products and Services Offered:**
- Crusher Parts
- Wear Plates

---

**Engine Solutions**  
6% of Total Revenue
- Comprehensive, high-horsepower diesel engine remanufacturing solutions
- Parts and rebuilds for diesel engines ranging from 1,500 to 4,000 horsepower
- Provide rebuilding services using customized parts and components, which boast the industry’s lowest failure rates and superior engine performance

**Products and Services Offered:**
- Camshaft Machining
- Dyno Testing
- Crankshafts Machining
- Cylinder Block Machining
- Magnaflux

---

**Construction**  
7% of Total Revenue
- Comprehensive undercarriage parts and ground engagement tools (G.E.T.) for mobile construction equipment
- In-house designing and engineering to lower the total cost of undercarriage and G.E.T.

**Products and Services Offered:**
- Undercarriage for construction
- G.E.T. (Ground Engaging Tools) for construction

---

*Note: Revenue share for FY2015*
Revenue Breakdown

**Segment**
- Mining Solution: 59%
- Crushing Solution: 28%
- Construction Machinery: 7%
- Engine Solution: 6%

**Geography**
- Australia: 44%
- USA: 27%
- Chile: 13%
- Canada: 6%
- Others: 10%

**Commodity**
- Gold: 18%
- Copper: 17%
- Iron Ore: 13%
- Thermal Coal: 10%
- Coking Coal: 10%
- Construction: 8%
- Aggregate: 3%
- Oil Sand: 3%
- Other: 18%

**Solution Sales by Type**
- Fabrication / Service: 14%
- Remanufacturing / Rebuilding: 37%
- Other: 1%
- After Parts Solution: 48%

*Note: Revenue share for FY2015*
Access to On-Site Operating Machines
- Access to H-E Parts’ existing clients presents significant business opportunities
- Obtaining access to long-term operating machines
- Selling opportunity of H-E Parts’ original compatible parts

Access to Services Market
- Rebuilding / remanufacturing engines

Expansion of Mining Parts Offering
- Rebuilding and remanufacturing engines as well as processing services
- Differentiation through upgraded parts

Collaboration with Wenco System

Distribution and Services Network
- Utilization of distribution and services network of H-E Parts
### 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

- **Acquisition price**: A$ 3.25 per ordinary share (a 37.7% premium to the 1 month VWAP of Bradken shares up to 30 September)
- **Maximum total consideration**: A$ 689 million (JPY 51.6 billion ($1 = JPY 75)
- **Acquisition structure**: A cash takeover offer for 100% of the ordinary shares
- **Source of funds**: Existing cash reserves and external funding
- **Anticipated schedule**
  - 1 Nov. 2016: Commence takeover bid

*1 The schedule is subject to extension

### Key Financials

<table>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (A$ million)</td>
<td>1,008</td>
<td>1,154</td>
<td>1,456</td>
<td>1,317</td>
<td>1,138</td>
<td>968</td>
</tr>
<tr>
<td>EBITDA margin (%)</td>
<td>16.6%</td>
<td>17.0%</td>
<td>15.1%</td>
<td>16.2%</td>
<td>15.2%</td>
<td>14.1%</td>
</tr>
</tbody>
</table>

### Share Performance

- **Share price**
- **S&P/ASX 200 Index**
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 (Ground Engaging Tools)
- 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
- Live, remote wear monitoring technology

High-spec, specialty castings for the industrial, energy and defence industries
Revenue: A$227.2mm
% total revenue: 27.7%

- Customized specialty castings
  - Industrial
  - Energy
  - Defence

* 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%).
Company Outline and Topics

Overview of Bradken ~ Revenue Breakdown ~

REVENUE BY INDUSTRY SECTOR
- 84.7% Resources
- 15.3% Non-Resources

- Strong presence in the resources sector

REVENUE BY PRODUCT
- 89.4% Consumable Products
- 10.6% Capital Products

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

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

- Strong presence in Australia and North America

REVENUE BY COMMODITY
- 23.7% Coal
- 19.2% Iron Ore
- 18.1% Copper
- 18.8% Gold
- 11.7% Other Minerals
- 8.5% Oil & Gas

- Well-balanced exposure to commodities

Note: Revenue for FYE 2016/6.
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.
Expansion of global customer coverage through the combination of the HCM and Bradken brands

**Topics**

Anticipated Synergies

1. **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

#### Expanding the customer coverage through the proven brand value

### 【Customer coverage by region*】

<table>
<thead>
<tr>
<th></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><strong>HCM</strong></td>
<td>New Equipment</td>
<td>✅ ✅</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
<td>✅ ✅</td>
</tr>
<tr>
<td><strong>Bradken</strong></td>
<td>GET</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Mill Liners</td>
<td>✅ ✅</td>
<td>✅ ✅</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
</tr>
</tbody>
</table>

* HCM: Based on the operating unit shares of operating mining equipment. Bradken: Based on units implied by market share by revenue
Combining Superior Technology, Product Capability and Operational Know-How

**HCM’s Strength**
- New Equipment development capability
- Production technology cultivated over years
- Continuous innovation (ICT・IoT, hybrid)
- Large operating fleet based on high reliability and durability
- Brand value based on established relationship with customers

**Bradken’s Strength**
- Competitive mining consumable products
- Ability to respond to sophisticated customers’ needs
- Superior casting technology
- Experienced management team
- Brand value based on established relationship with customers

**Consolidated revenue**
- JPY 758bn
- A$821mn

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

*1 HCM: 2016/3A; Bradken: 2016/6A
Company Outline and Topics

Topics Solutions that resolve customer issues

We will build networks of the various personnel involved with construction equipment and work sites using ICT to provide accurate and efficient processes.

Customer issue (1) safety

Visualizing peripheral Information for machinery
Expanding the on-board “Aerial Angle” product that displays peripheral information for machinery on a monitor inside the cab

Customer issue (2) productivity [mining]

Optimization of the operation process
Mining operations
Management system through use of the Fleet Management System (FMS) for managing mining operations from the successful Wenco International Mining Systems Ltd. Currently conducting verification testing on autonomous (unmanned) dump truck driving systems

Customer issue (3) productivity [civil engineering works]

Use of information and communication technologies (ICT) adapted to customer needs on work sites
Compliance with the “i-Construction” platform promoted by the Ministry of Land, Infrastructure, Transport and Tourism since FY2016.
Expanding solutions from a customer perspective

Customer issue (4) Life-cycle cost reductions

Visualization of construction equipment operating condition and predictors of malfunction
Staying on top of malfunction predictors and reducing machine down-time through thorough standardization of servicing via the “ConSite” remote monitoring system

ICT hydraulic excavator ZX200X-5B

The “ZX200X-5B” comes equipped with HCM’s proprietary machine control functions and machine guidance functions that navigate the operator, and complies with the “i-Construction” initiative promoted by the Ministry of Land, Infrastructure, Transport and Tourism.
Corporate Vision

Contents

1. Management Plan
2. Operating Results & Forecast
3. Regional Trend & Business Strategy
4. Company Outline and Topics
5. CSR Activity

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The HCM Group CSR Goal and Measures

**CSR Goal**
On the basis of our basic corporate credo and corporate vision, we will strive to realize sustainable society by properly understanding global social expectations into our expectations and integrating those expectations into our management, (1) contributing to resolving social issues, (2) governance, and (3) communication.

**GROW TOGETHER**
FY2014 ~2016

- CSV*: Creating a framework to integrate CSR with management strategy
- Identification of materiality & disclosure of activities (CSV 3 themes and basic 5 themes)
- Setting up Mid/Long term goals in view of COP21・SDGs

**Go Together 2013**

- Prevailing CSR in foreign companies
- Promotion of diversity (Domestic companies)
- Publication of Integration Report (2011)

**Next mid-term plan**
FY2017 ~2019

- Integration CSR with management
- Disclosure of Goals and Reporting on progress

**FY2020 ~**

CSV*: Creating Shared Value Combining solution for social problems with corporate competitiveness and growth.
Hitachi Construction Machinery Group CSR Promotion Systems

**Management meeting**
- Director, Vice President and Executive Officer

**CSR/Diversity Committee**
- Committee chair: Executive Officer in charge of CSR
- Committee members: Heads of business divisions (officer/director class)

**CSR Promotion Meeting**
- Decisions on initiative content
- Identification of materiality
- Consideration of evaluation methods

**Secretariat (CSR Promotion Department)**

**Tasks of CSR/Diversity Committees**
1. Deliberations on important matters including promotional policies and measures
2. Approval of annual plans
3. Approval of annual operations results and evaluations

**Divisions/Group companies**
- (Staff in charge of CSR promotion)
Structure of CSR key initiative themes

Three themes having high social expectations and a high level of correlation with our business operations:

1. Solutions to global environmental issues
2. Enhance initiatives to increase social infrastructure workforce
3. Contribution to community development

Five themes that provide the foundation for three CSV themes:

1. Pursuit of safe, effective, and sophisticated products and working environments
2. Occupational safety
3. Development of global and local human resources
4. Creation of better business transactions and value chains
5. Governance

"Toward the richness of Earth and prosperous communities in the future..."
The HCM Group CSR Activity

Process for Specifying Key Initiative Themes

1. Grasp issues
2. Narrow down
3. Evaluate/weight centered on society and business
4. Examine and establish key themes

Key initiative 3 themes = CSV

Governance
- Solutions to global environmental issues
- Contribution to community development

Creation of better business transactions and value chains
- Enhance initiatives to increase social infrastructure workforce

Occupational safety
- Development of global and local human resources
- Pursuit of safe, effective, and sophisticated products and working environments

Basic 5 themes

Key initiative 3 themes in high position at Social expectations and Business correlation

The other 5 themes are essential contents for CSV 3 key initiative themes’ realization.

Business correlation
CSR Activity

CSV Theme I

Solutions to global environmental issues

Hitachi Construction Machinery’s

Technology and Pioneering Spirit
Kenkijin

HCMG
HG

"Toward the richness of Earth and prosperous communities in the future..."

Energy Cost Reductions

Revenue Expansion

Business Opportunity Expansion

Sustained Profitability

Suppliers

- Reduction of production costs
- Reduction of transportation costs
- Environmental impact reduction at factories
- Hedging of environmental risks

Customers

- Increased efficiency / reduced cost
- Enhanced user-friendliness

People in New Markets

- Implementation of better, high-grade, efficient infrastructure development
- Implementation of low carbon / resource-cyclical infrastructure development

Make: Manufacturing of Construction Equipment

- Real time monitoring of factory environmental impact
- Environmental impact reduction in manufacturing processes

Use: Utilization of Construction Equipment

- Eco-Products
- Low carbon construction machinery (hybrid, electric construction machinery)
- Recycling / Demolition construction equipment
- ICT (ConSite, ICT construction equipment)

Challenge with and through Construction Equipment

- Disaster resilience/adaptation and disaster risk reduction (Automation / Robotization)
- Environmentally-friendly mining operation solutions (Mining process optimization)
- Green infrastructure solutions (Desert greening, forestry infrastructure development)

Value Created by Hitachi Construction Group and Stakeholders

- Corporate Value
- Environmental Value
Hitachi Construction Machinery’s

Energy Cost Reductions ➔ Revenue Expansion ➔ Business Opportunity Expansion ➔ Sustained Profitability

- Power monitoring (visualization) makes carbon dioxide emissions reduction
  - Managing standby electricity and air conditioning (Emilia system)
  - Standby electricity
  - Machining system
  - Energy saving meeting

- Products make carbon dioxide emissions reduction
  - Product development and sales on Hybrid Wheel Loader
  - Product development and sales on Twin-armed excavator

Make: Manufacturing of Construction Equipment
- Real time monitoring of factory environmental impact
- Environmental impact reduction in manufacturing processes

Use: Utilization of Construction Equipment
- Eco-Products
- Low carbon construction machinery (hybrid, electric construction machinery)
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Challenge with and through Construction Equipment
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- Green infrastructure solutions (Desert greening, forestry infrastructure development)

Value Created by Hitachi Construction Group and Stakeholders
- Corporate Value
- Environmental Value
# Long-term Target (2030 Goal)

## GHG Emission

*CO₂ saving ration by production ▲33%*

*GHG Emission (Greenhouse Gas Emission): At our company, CO₂ is mainly applied*

<table>
<thead>
<tr>
<th>CSV Target</th>
<th>2010</th>
<th>2020</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO₂ saving rate by products</td>
<td>Reference Year</td>
<td>19%</td>
<td>33%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fuel Reduction Target of Products</th>
<th>2010</th>
<th>2020</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excavators</td>
<td>Reference Year</td>
<td>30%</td>
<td>35%</td>
</tr>
<tr>
<td>Wheel Loaders</td>
<td>Reference Year</td>
<td>30%</td>
<td>40%</td>
</tr>
<tr>
<td>Hybrid Excavators</td>
<td>45%</td>
<td>50%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Basic Unit Target in Production</th>
<th>2005</th>
<th>2020</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement Rate of Energy Basic unit</td>
<td>Reference Year</td>
<td>20%</td>
<td>40%</td>
</tr>
<tr>
<td>Improvement Rate of Waste Basic unit</td>
<td>25%</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>Improvement Rate of Water Basic unit</td>
<td>42%</td>
<td>50%</td>
<td></td>
</tr>
</tbody>
</table>
Social issues of mining, construction, or civil engineering works ⇒ labor shortages, site efficiency, and work quality

Resolution of customer issues: “improved safety”, “improved productivity”, and “reduced life-cycle”

**Improved safety**
Visualizing peripheral information for machinery

**Improved productivity【mining】**
Optimization of the operation process

**Improved productivity【civil engineering works】**
Use of information and communication technologies (ICT) adapted to customer needs on work sites

**Life-cycle cost reductions**
Visualization of construction equipment operating condition and predictors of malfunction

“Aerial Angle”, a safety confirmation support device with a full peripheral view for vehicles

Fleet Management System/Autonomous dump truck

“ZX200X-5B” ICT hydraulic excavator

“ConSite” remote monitoring system
### CSR Activity

**Contributing to community development**

#### UN Sustainable development goals (SDGs)

<table>
<thead>
<tr>
<th>SDG Target</th>
<th>Middle and long term target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offer access to education (4)</td>
<td>• Diversify and enliven R&amp;D section and promote open-innovation in a community</td>
</tr>
</tbody>
</table>
| Create employment opportunities (8) | • Creation of local employment at re-manufacturing plant  
• Propulsion of local procurement |
| Create a global partnership (17) | • Collaboration with NPOs/NGOs in a community |
| Build resilient infrastructure, and foster innovation (9) | • Development and offer of machinery that meet regional requirements |

**Creating partnerships with diverse stakeholders in a community**

- We support authorized NPO Good Earth Japan which helps Cambodians become self-sufficient

#### Support by the Hitachi Construction Machinery Group
- Fund-raising activities
- Employees participating in Cambodia study tours

---

**Mine clearing**

Cambodia Mine Action Centre (CMAC)

- Providing base machines for mine clearing

![Support for education](image)

- Infrastructure development
- Agriculture training
- Support for education

Support activities undertaken by Good Earth Japan
The five fundamental themes of our CSV initiatives

Pursuit of safe, effective, and sophisticated products and working environments

- Development of technologies for securing quality and safety, and differentiation

The advanced “ZX200X-5B” ICT hydraulic excavator

“Hitachi Construction Machinery Group International Skills Competition”

- Provision of accurate information on products/services

We provide accurate information about products and services in a timely manner such as preventive maintenance and after-sales service that prevents product malfunctions, in addition to information about product recalls and service campaigns.

Occupational safety

We are promoting various health and safety activities that are derived from our basic stance of giving the highest priority to protecting the safety and health of employees.

“Hitachi Construction Machinery Group Safety and Health presentation”
The five fundamental themes of our CSV initiatives

**Development of global and local human resources**

**Vision**
To make the most of people’s talent and foster their development

**Mission**
The Right Person In The Right Place Globally

**Policy**
Global HR Policy

**Strategy**
Succession Plan
- Find the appropriate successor
- Develop the successor’s talent
- Transfer the successor to their Right Place
- Satisfy the successor with their treatment

**Creation of better business transactions and value chains**

Suppliers with which it has ongoing business transactions are invited to become members of either the Chikuhou-kai (62 corporate members) or the Tokiwa-kai (46 corporate members). (current as of April 2016). These two organizations host a wide range of activities such as joint lectures.

Succession plan, which we initially implemented in 2011, is currently operated on a consolidated basis, and covers all Group employees in each company and department with a position equivalent to section manager or higher.
The five fundamental themes of our CSV initiatives

Corporate Governance

Basic policies

● The HCM Group has adopted a corporate organizational system based on a structure for company with nominating committee, etc., as defined in the Companies Act, with the aims of ensuring highly fair and transparent management while building an operational system that facilitates the prompt and sound execution of management strategy. We have greatly strengthened our system of corporate governance through this separation of management oversight from business execution.

● As a member of the Hitachi Group, the HCM Group shares Hitachi, Ltd.'s Basic Credo and Conduct guidelines and states our Standards of Corporate Conduct in line with them. The HCM Group positions these corporate behavior standards as the basic policies on corporate governance.

(as of October 12, 2016)
Corporate Governance

Directors

Yutaka Saito
Chairman of the Board

Kazushige Okuhara
Outside Director

Haruyuki Toyama
Outside Director

Junko Hirakawa
Outside Director

Osamu Okada
Director

Tetsuo Katsurayama
Director

Koji Sumioka
Director

Yuichi Tsujimoto
Director

The five fundamental themes of our CSV initiatives
Any forward-looking statements in the “Corporate Vision”, including results forecasts, are based on certain assumptions that were deemed rational as well as information currently available to the Company at this time. However, various factors could cause actual results to differ materially.

END

Corporate Vision

Public Relations Strategy Office

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