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Corporate Vision
FY2019-3Q

1. Introduction
2. Management Plan
3. Business Results
4. Company Outline and Topics

Public Relations & Investor Relations Dept.
Corporate Brand & Communications Div.

Hitachi Construction Machinery Co., Ltd.

Growth Potential of HCM

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Concentrating on the continuous structural reform to secure sales and profit

- + : Consolidation of joint venture business in India, Acquisition of Wenco®, Bradken, and H-E Parts, etc.
- − : Withdrawal from engine manufacturing, temporal withdrawal of small-sized dump truck, non-consolidation of crane business, etc.

Increase in sales and profit of parts & service utilizing ConSite®

- Increase in timely proposals to customers based on high accuracy machinery information
- Effect of customer-based service via direct sales and service

Efficient R&D through synergy with Hitachi group

- Development of AC dump truck and AHS in short-time because of accumulated technology from performance in other sectors
- Expectation for further improvement via accumulated machinery information with AI analysis on Global e-service®

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Growth Potential of HCM

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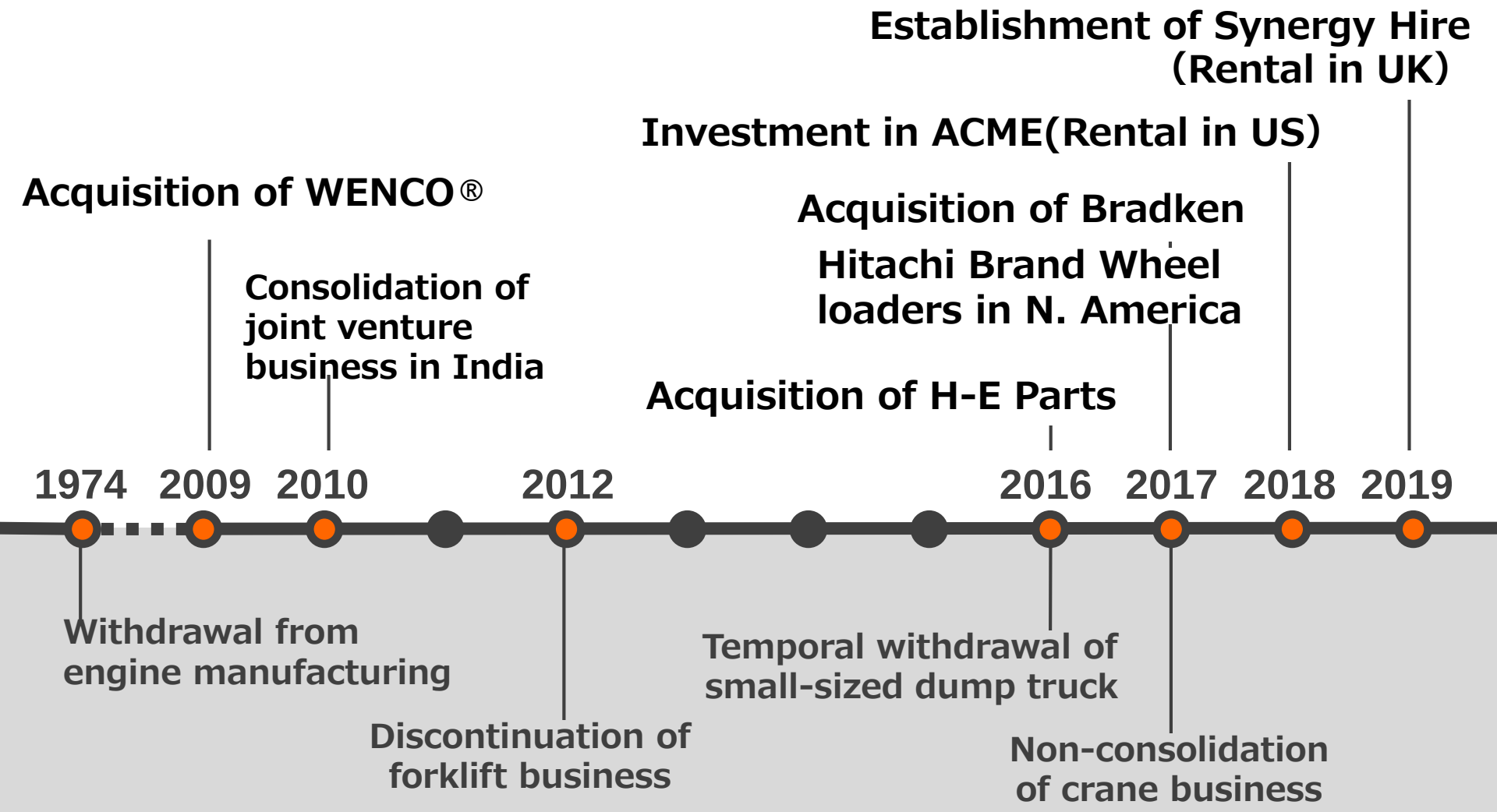
Concentrating on the continuous structural reform to secure sales/profit



Growth Potential of HCM

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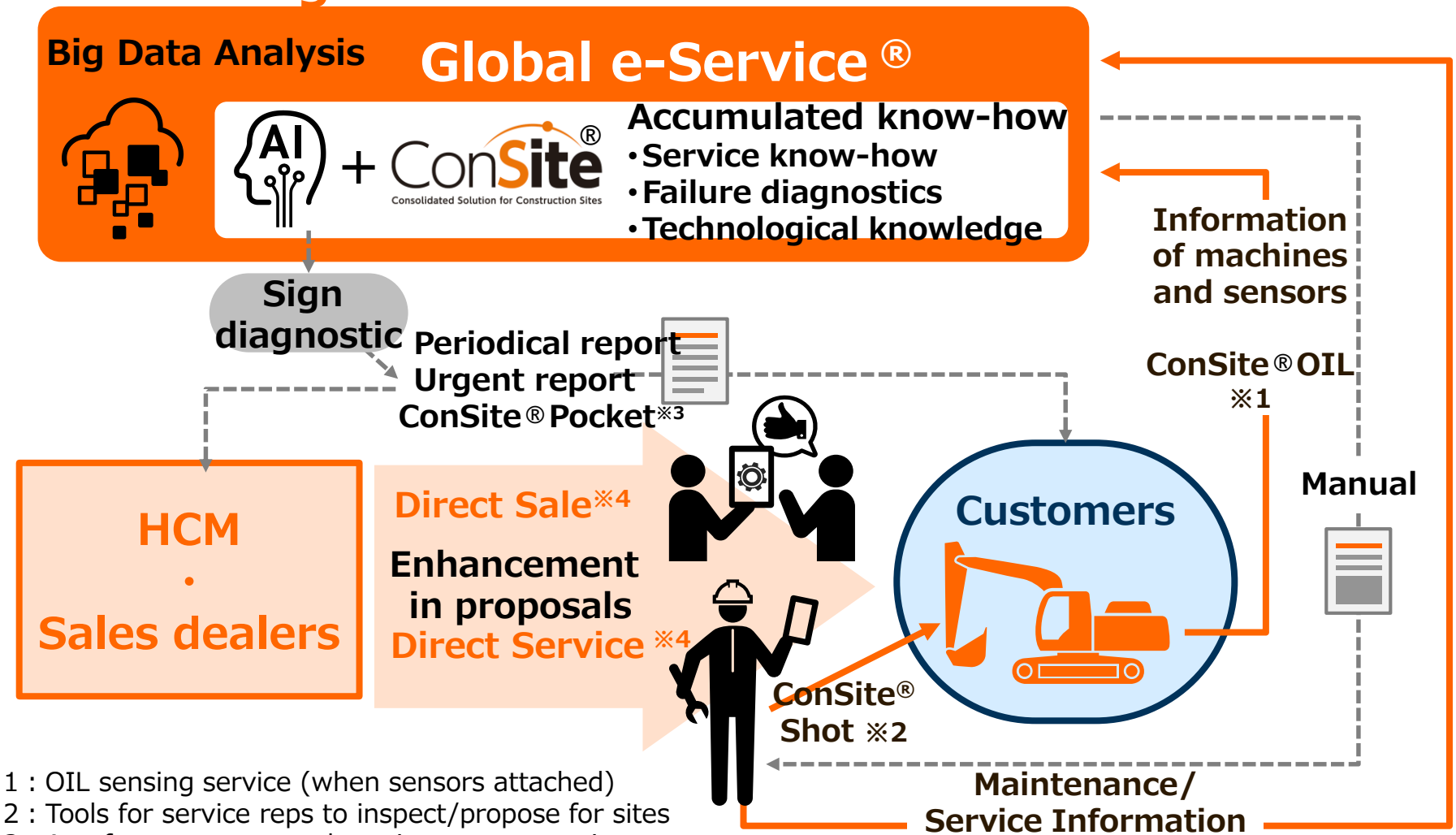
Increase in sales and profit of parts & service utilizing ConSite®



※1 : OIL sensing service (when sensors attached)
※2 : Tools for service reps to inspect/propose for sites
※3 : App for customers and service reps to receive reports
※4 : Areas for direct sales/service; Japan, Oceania/Asia, S.Africa, Netherlands, UK and USA(WL)

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Growth Potential of HCM

Efficient R&D through synergy with Hitachi group

Hitachi Group Technology

Transportation

Automobile

Energy

Big data

AI

LUMADA

Development to HCM's Product and Service

Solution Linkage®

ConSite®, AHS,
Wenco®, ICT Machinery

Improvement in energy productivity at factory※1

※1 : Utilizing Hitachi's technology Emilia®; Integrated management of energy data and facility

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2020VISION

To be a “Close and reliable partner" anywhere on earth providing the best solutions through Kenkijin Spirit

Medium-term Management Plan

“CONNECT TOGETHER 2019”

【FY2017-FY2019】

April 24, 2019

Kotaro Hirano
Representative Executive Officer
Executive Officer, President & CEO
Hitachi Construction Machinery Co., Ltd.

Major Themes of “CONNECT TOGETHER 2019”

1. Strongly increase the profitability of our business structure via enhancement of the entire value chain primarily through spare parts and services.
2. Strengthen hydraulic excavators #1 presence and increase market share for wheel loaders and mining dump trucks.
3. Expand used equipment and rental business
4. Strengthen R&D capabilities and develop ICT/IoT solutions.
5. Optimize fixed costs and reduce cost via structural reform
6. Promote Environment, Social and Governance (ESG) management.

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Changes of Macro Business Environment

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Mega Trend

- Aging population. Shrinking workforce
- Tightening of Environmental regulation (SDGs)
- IoT/Digital revolution
- Electrification /Automation

Customer Needs Change

- "Ownership to "Sharing / Rental"
- Tangible goods to intangible goods
  - Operation support / Automation
  - Operation management – from machine to entire construction site
- Safety, Environmental Regulation

Core Competence of OEM

Base
- Digital Technology
- Big Data/AI

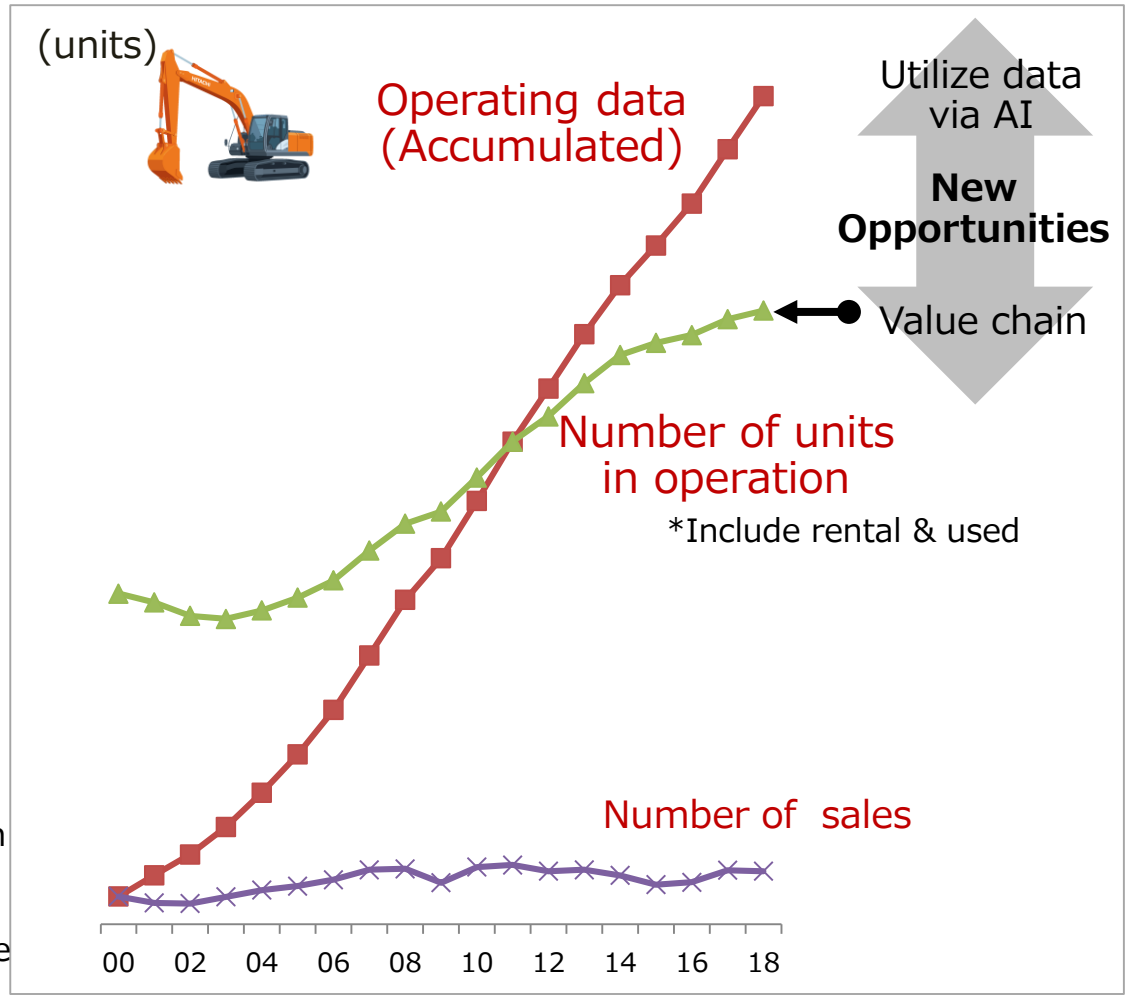
Technology
- Engine/EV
- Internal manufacturing of major components

Solution
- Intelligent construction
- Autonomous operation
- One Stop Service
- Preventive maintenance

Change Business Model

New machine sales → Former model

Value chain model → New data-based model



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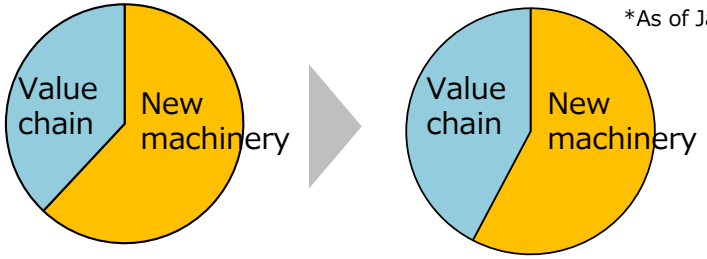
Digging Deeper into Value Chain

Value chain ratio

FY2016: 35%　FY2019 Forecast: 40%

*As of January,2020



Products

Other product group

- ✓ Backhoe loader
- ✓ Bulldozer
- ✓ Skid-steer loader
- ✓ Crawler crane

Main products

Marketing
R&D
Production
Procurement
Logistics

New machinery
Service
Parts
Used equipment
Rental
Parts remanufacturing
Finance

Solution Business

Customer interests: Safety and productivity improvement, reduction of life cycle cost

Value chain

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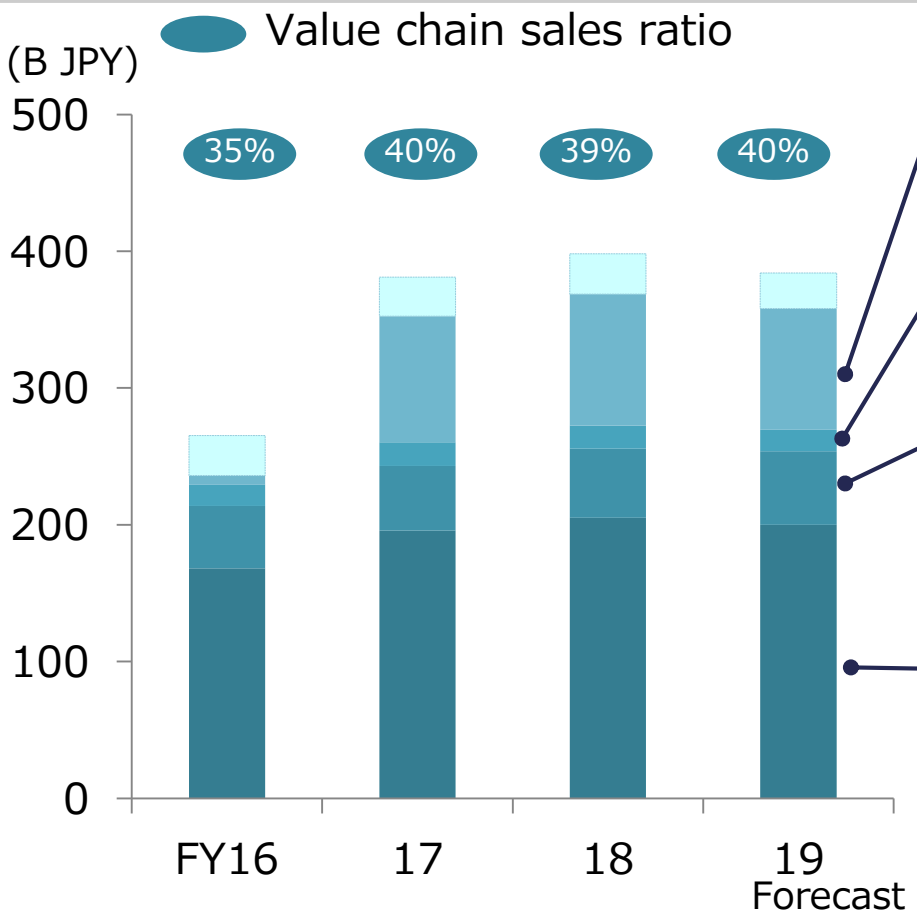
Digging Deeper into Value Chain– Progress -

- Value chain sales are expected to increase steadily.
- Promote parts and service business through IoT utilization and rental & used business enhancement

Initiatives to grow value chain



*As of January,2020

Solution Business

Bradken・H-E Parts
- Expansion of Chile facility/Entering Southern Africa
- Development of next-gen GET (mining consumables)

Used

- Global expansion of certified used equipment business

Rental

- Europe: Establishment of Synergy Hire Ltd. in UK
- Americas: Rental business promotion (ACME)
- Europe&China: Re-rent model promotion

Parts and Service

*As of December,2019
- Global expansion of ConSite (over 14.3k units)
- Development and global expansion of ConSite OIL
- Expansion of the mining remanufacturing business

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Digging Deeper into Value Chain

ICT・IoT Solution

Solution Linkage ConSite LUMADA

Machine & Site Management
-> Big Data
Avoid Machine Downtime
->Predictive Diagnosis

Mining : Autonomous Operation

Autonomous Haulage System (AHS) dump trucks

Wenco

- Connect Fleet Management System to customer's system & database
- Propose total asset management which supports operational decision making

Autonomous

Connected

Sharing

Digital Technology Utilization

C A S E

Electric

Rental・Sharing

USA	Investment in North American Rental Business(ACME, 2018)
UK	Establishment of Synergy Hire Ltd(2019)

Electric Product

Establishment of a Joint Venture Company to Develop Electric Construction Machinery (Germany, with KTEG,2018)

zero-emission electric mini excavator *

＊Prototype at bauma2019 exhibition. Release is under consideration

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Digging Deeper into Value Chain -Expand Rental Business-

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Background Customer's Needs shift. From Possess to Rental/Sharing

Rental Business

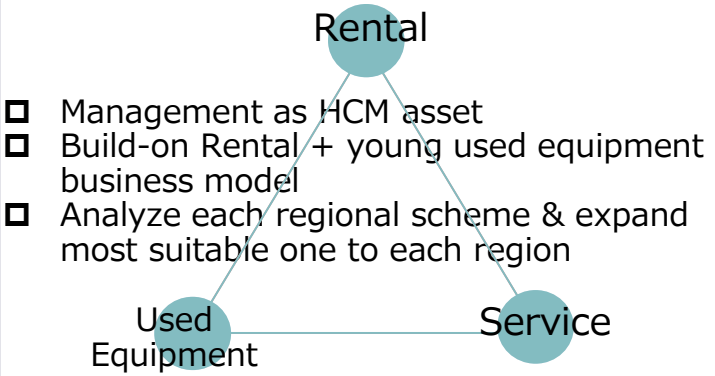
Japan		☐ Expansion of rental business at Hitachi Construction Machinery Japan
New	North America	☐ Investment in ACME ☐ Increase of product range in cooperation with HCM
New	Europe	☐ Establishment of Synergy Hire (UK)
New	China	☐ Promotion at sales subsidiary in China
Australia		☐ Promotion at sales subsidiary in Australia in cooperation with Delta Rental

ConSite utilization
Operating data management & utilization of all units incl. used
＊Business on operating machine business
＊Parts & Service on used equipment

Background of Rental Business

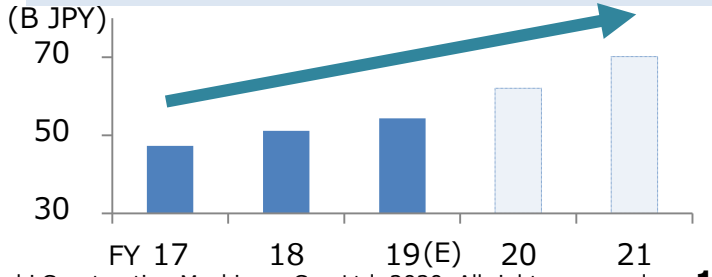
Customer
-Not want to increase asset
-Want to use machine much with application

(HCM)
-High profit ratio Service business
-Expand rental machine to used market



☐ Management as HCM asset
☐ Build-on Rental + young used equipment business model
☐ Analyze each regional scheme & expand most suitable one to each region

Rental business sales revenue



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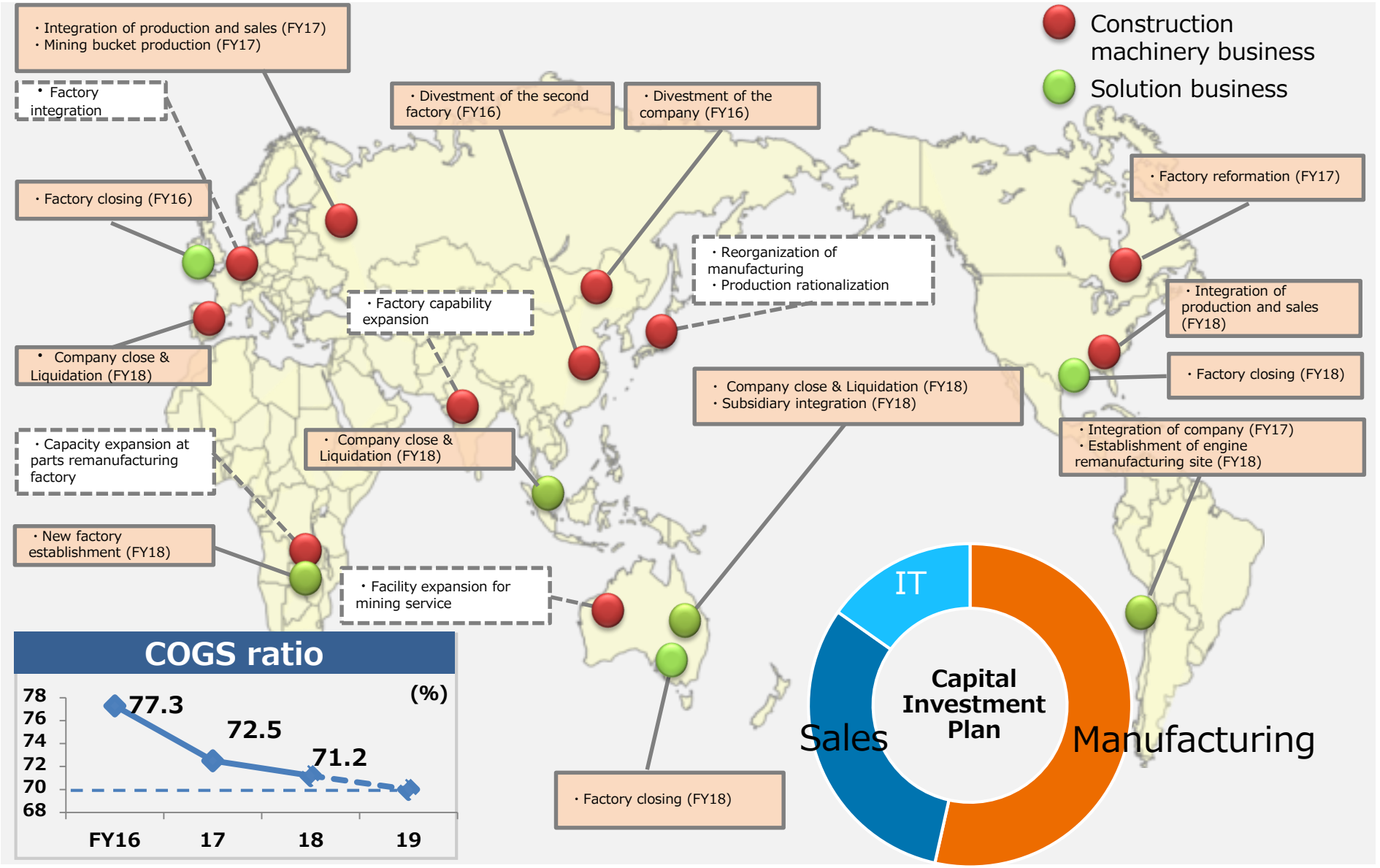
Global Restructuring



COGS ratio

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Domestic Restructure : Status of business structure reforms from now to 2022

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Major restructuring of development and production bases to strengthen global competitiveness

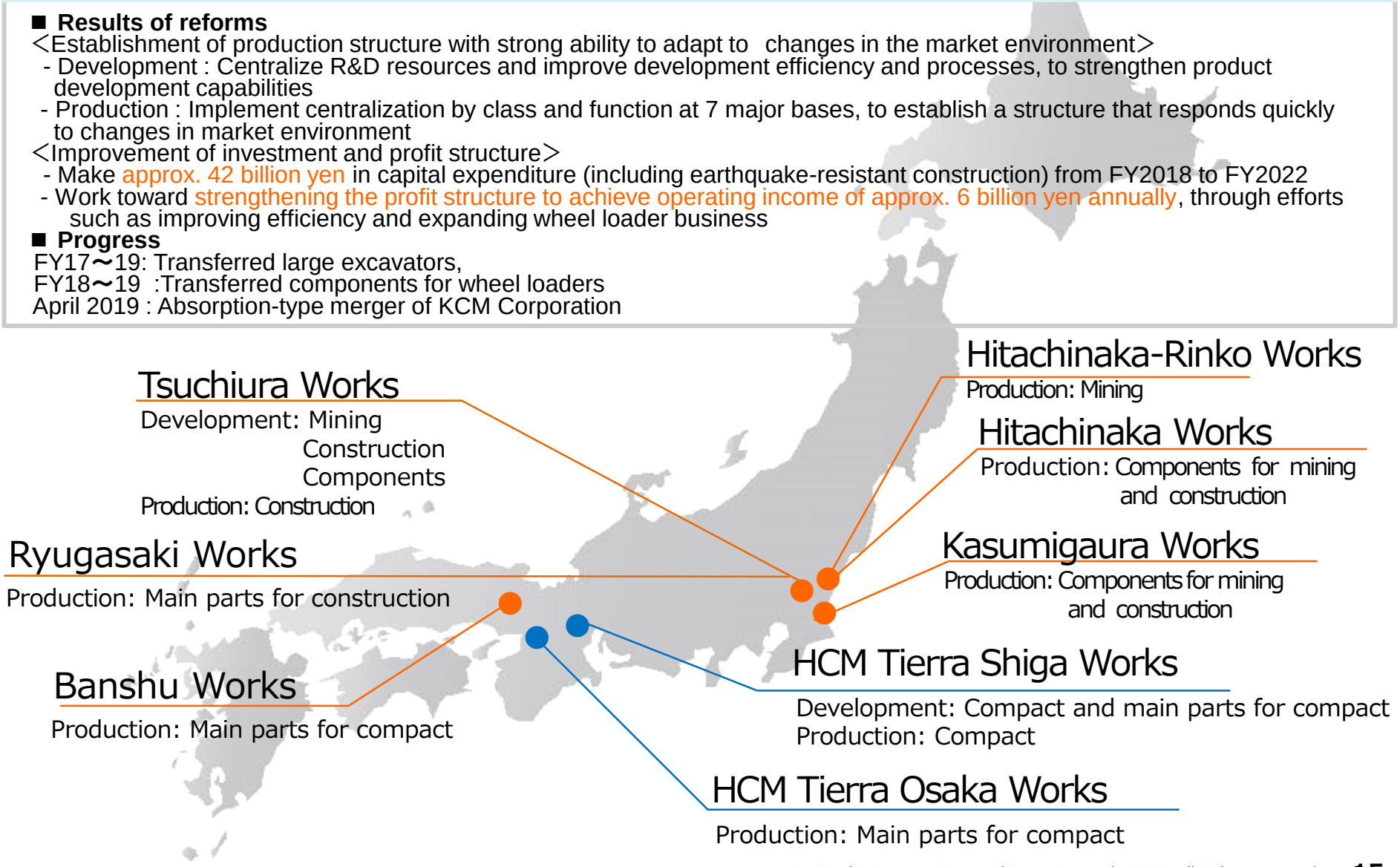
■ **Results of reforms**

＜Establishment of production structure with strong ability to adapt to changes in the market environment＞
- Development : Centralize R&D resources and improve development efficiency and processes, to strengthen product development capabilities
- Production : Implement centralization by class and function at 7 major bases, to establish a structure that responds quickly to changes in market environment

＜Improvement of investment and profit structure＞
- Make approx. 42 billion yen in capital expenditure (including earthquake-resistant construction) from FY2018 to FY2022
- Work toward strengthening the profit structure to achieve operating income of approx. 6 billion yen annually, through efforts such as improving efficiency and expanding wheel loader business

■ **Progress**

FY17～19: Transferred large excavators,
FY18～19 :Transferred components for wheel loaders
April 2019 : Absorption-type merger of KCM Corporation



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Financial Targets

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To become a company adept at change, we will improve profitability and efficiency through enhancement of the value chain and business structure reform.

(The company aims to achieve Medium-term Management Plan “CONNECT TOGETHER 2019 ” targets based upon the guidelines & forecasts announced in April 2017.)

	CT2019 March 2018 Actual (FY17)	CT2019 March 2019 Actual (FY18)	CT2019 March 2020 Forecast (FY19) (※As of January 2020)	CT2019 March 2020 Guidance (※As of April 2017)
FX rate ¥/$	110.9	111.0	106.4	100.0
¥/€	130.1	127.9	117.9	110.0
¥/RMB	16.8	16.6	15.3	15.0
Global Demand (Hydraulic excavators)	220K units ※(y-o-y)+27%	230K units ※(y-o-y)+6%	210K units ※(y-o-y)△10%	170K units
Revenue billions of yen	959.2	1,033.7	950.0	Environment of 850.0
Adjusted operating income ratio	9.8%	11.3%	9.1%	Over 9%
ROE	14.1%	14.7%	Over 9%	Over 9%
Net D/E ratio	0.33	0.49	0.5or less	0.4or less
Dividend payout policy	30.1%	31.0%	Approximately 30% or more	Approximately 30% or more

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Relevance between SDGs and the sustainable growth strategies that leverage our strengths

- Set 10 key goals to align our activities with SDG's.
- Established Sustainability Promotion Division in April 2019

2017 ・Expanded sales of certified used equipment
・Launched ConSite OIL
2018 ・Established parts remanufacturing factory for H-E Parts
・Won the Energy Conservation Grand Prize
・Received orders for ultra- large electric hydraulic excavators
2019 ・Developed prototypes of zero-emission electric excavators

CSV target by 2030

Corporate target

33 % reduction in CO_2 emission from our products (from 2010)

∗CSV:Creating Shared Value

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Explanatory Meeting for Business Results for the Third Quarter ended December 31, 2019

1. Regional Market Environments and Projections
2. Business Results Outline

Tetsuo Katsurayama
Senior Vice President, Executive Officer, CFO
Masafumi Senzaki
Executive Officer　President, Marketing Div.

January 29, 2020

Hitachi Construction Machinery Co., Ltd.

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1. Regional Market Environments and Projections

Masafumi Senzaki
Executive Officer　President, Marketing Div.

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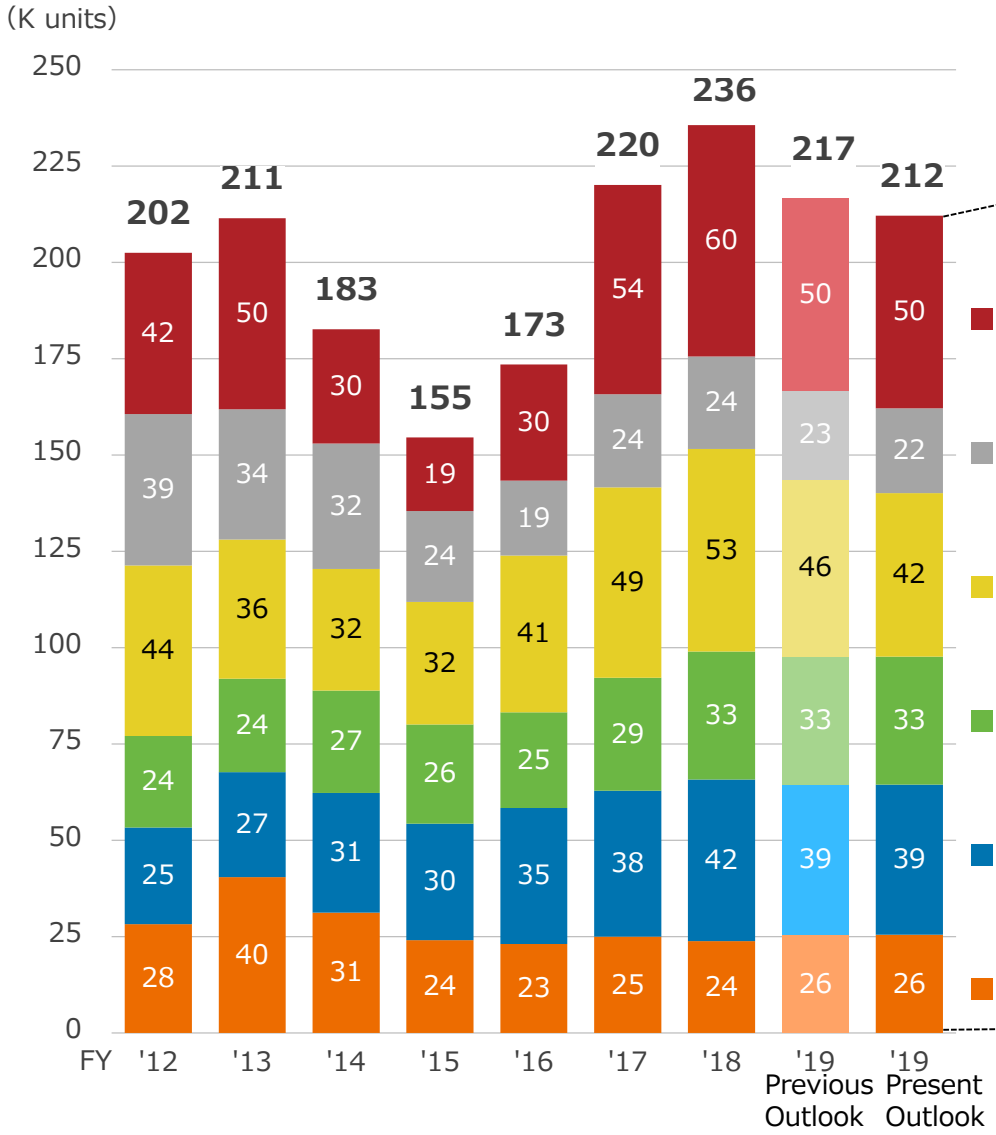
Global Demand Trend for Hydraulic Excavators

※Estimates by HCM, Excluding Chinese manufacturers
※Distributing, copying, or forwarding prohibited



Year-on-Year Change

	'18	'19
Total	+7%	-10%
China	+11%	-17%
Russia,CIS, E Europe	+31%	-6%
Africa	-4%	-20%
Middle East	-45%	-2%
Latin	+5%	-5%
Others	-1%	-8%
India	+14%	-21%
Indonesia	+13%	-25%
Others	-3%	-16%
Asia & Oceania	+6%	-19%
N America	+13%	-0%
W Europe	+11%	-7%
Japan	-5%	+7%

■ **Emerging Countries ratio FY2019 : 54% (Y-o-Y Change:-4%)**

※Emerging Countries: China, Asia/Oceania, and others

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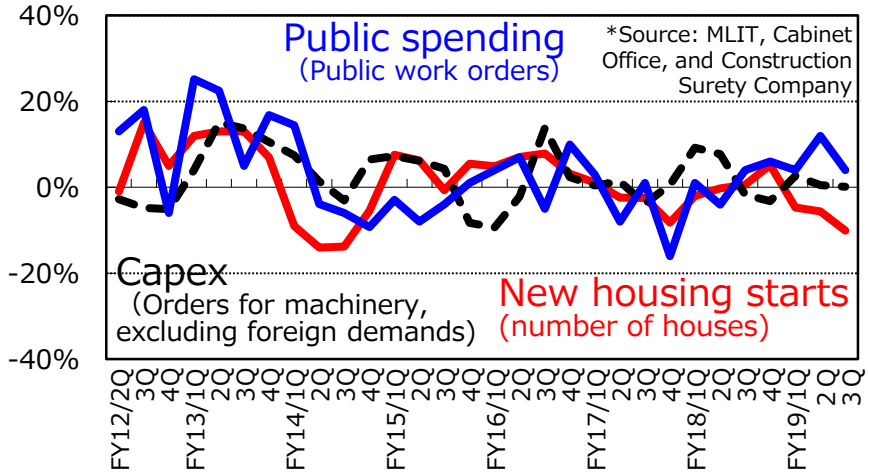
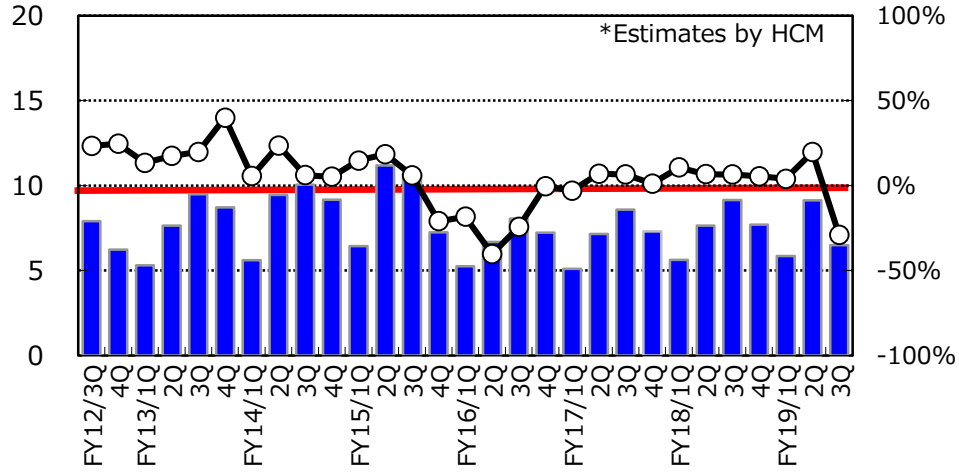
<Japan>

- Housing investment decreased, but public investment increased.
  Capital investment remained at the same level as the same period of the previous fiscal year.
- Demand for hydraulic excavators, mini excavators and wheel loaders decreased (-17%, -29%, and -28% y-o-y , respectively).

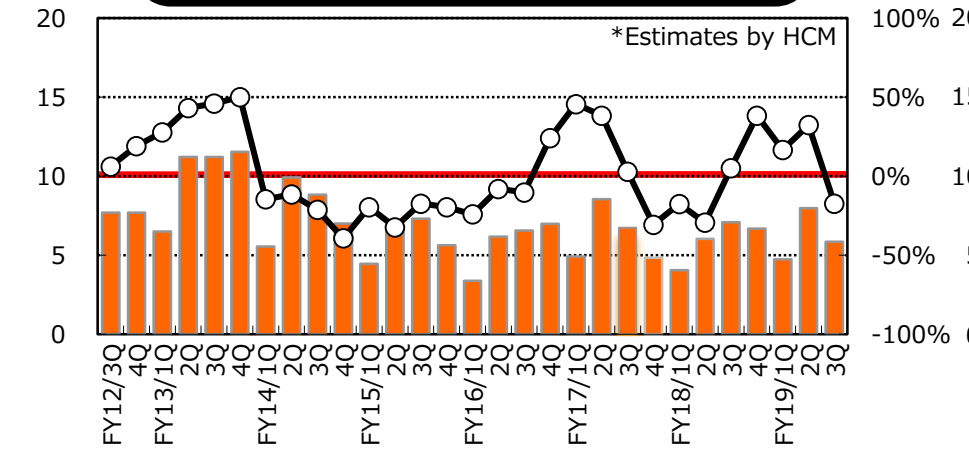
Market Environment: Housing/Public Spending and Capex (y-o-y)



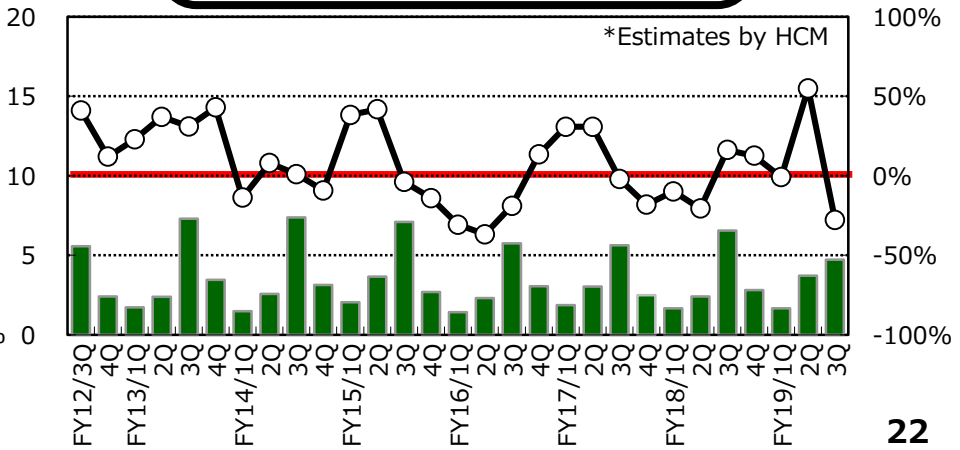
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



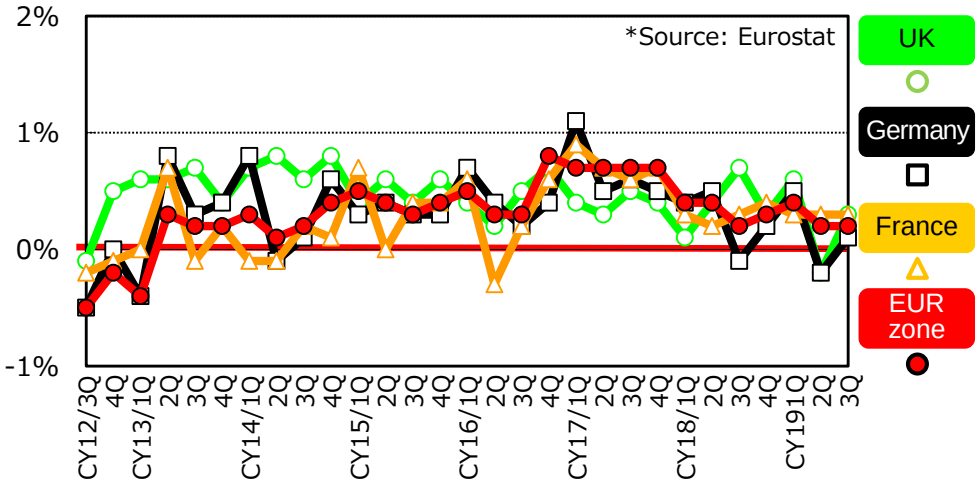
Demand Trend for Wheel Loaders



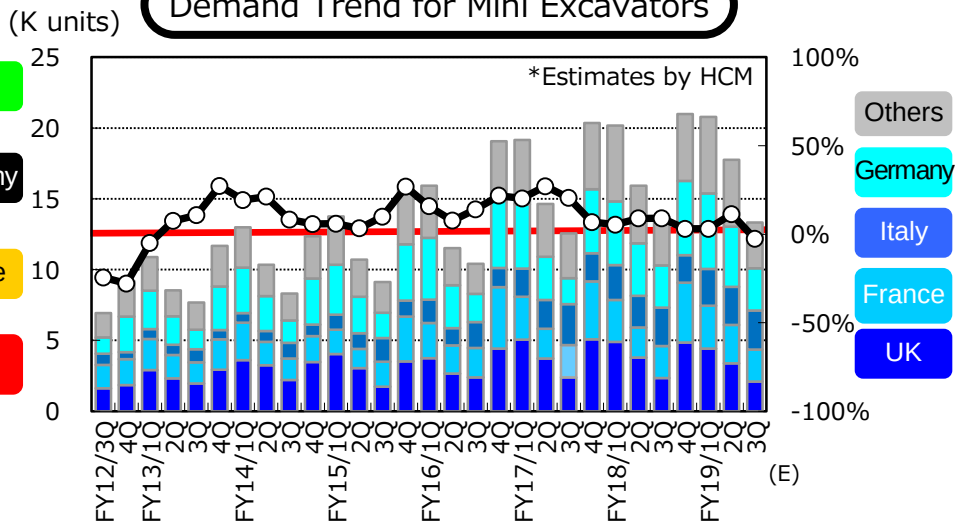
<Europe>

- Throughout the Eurozone, GDP growth rate increased slightly.
- Demand for hydraulic excavators and wheel loaders decreased, while demand for mini excavators decreased slightly (-5%, -5%, and -3% y-o-y , respectively).

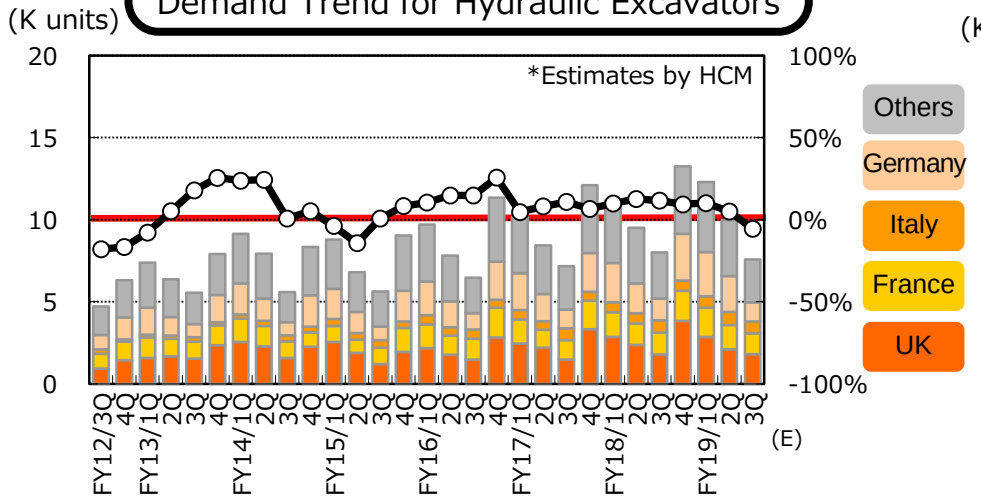
GDP Growth Rate in Major Countries (y-o-y)



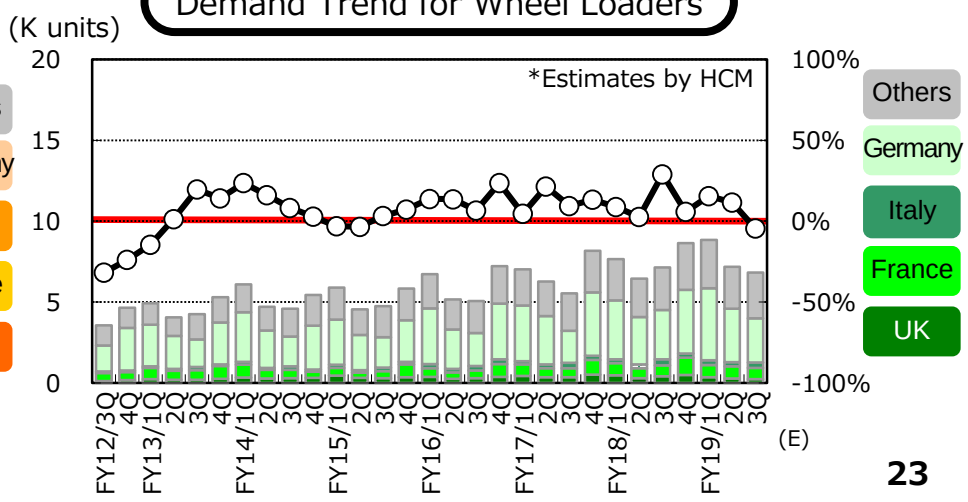
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



Demand Trend for Wheel Loaders



<North America>

Third Quarter
(from October to December 2019)

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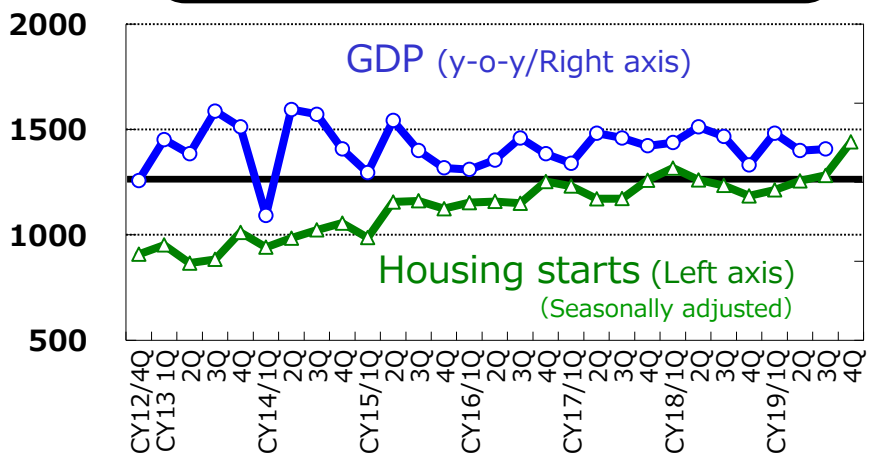
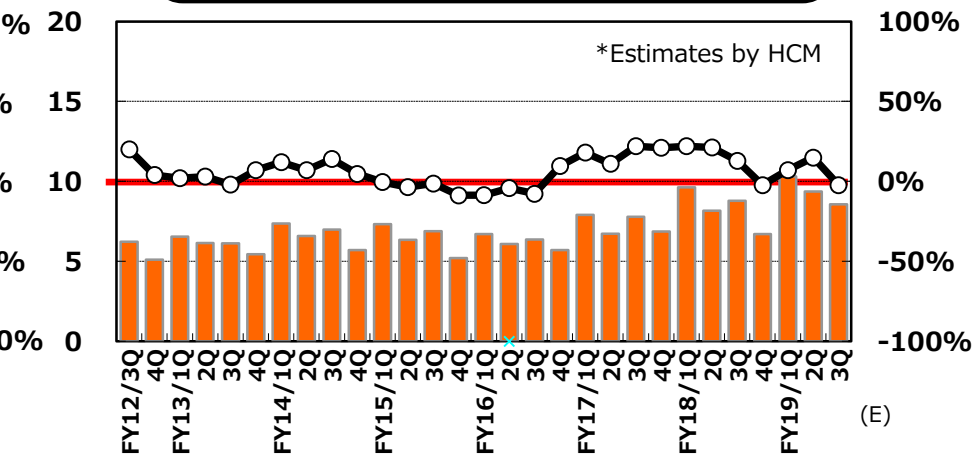
- The U.S. GDP is firm, housing starts are trending strongly, and construction investment continues to increase in public works.
- Demand for hydraulic excavators decreased slightly, while demand for mini excavators increased slightly (-2% and +2% y-o-y , respectively).

GDP Growth Rate, Housing Starts in US

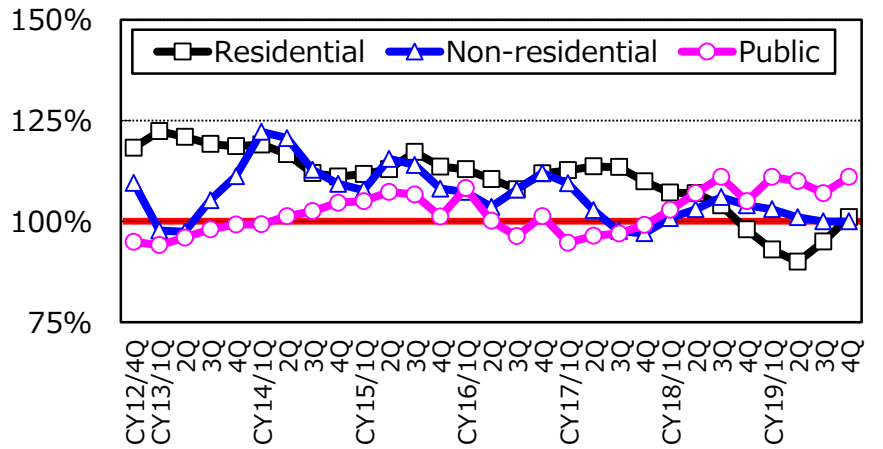


＊Bureau of Economic Census, US Census Bureau

Demand Trend for Hydraulic Excavators

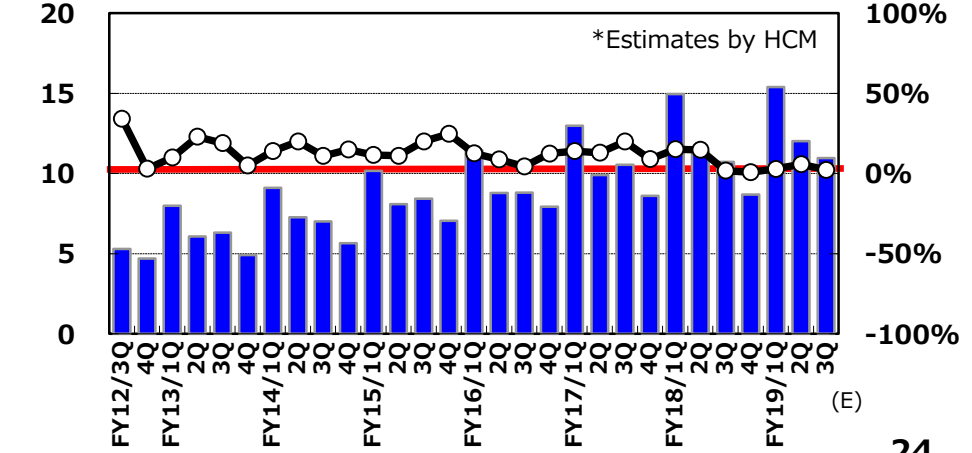


Construction Spending in US (y-o-y)



＊Bureau of Economic Census, US Census Bureau

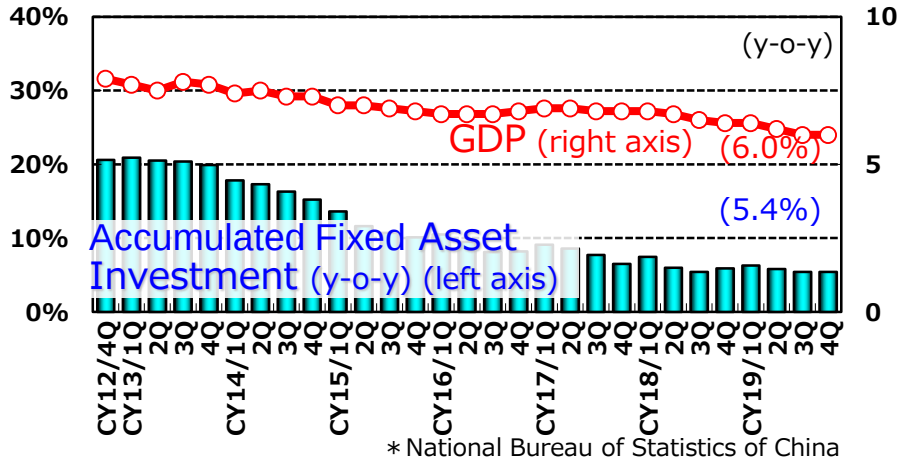
Demand Trend for Mini Excavators



<China>

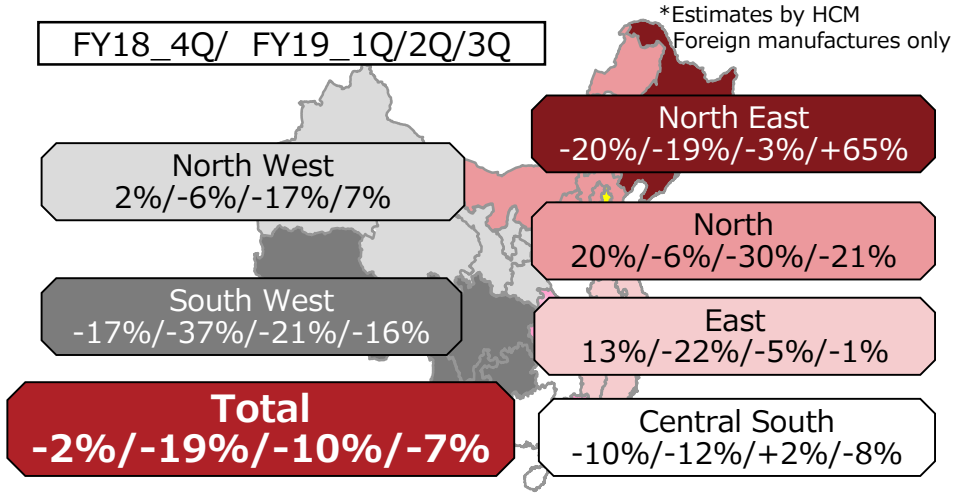
- GDP growth rate was 6.0%
- Demand for hydraulic excavators decreased (-7% y-o-y, Foreign Manufactures only).

GDP and Fixed Asset Investment

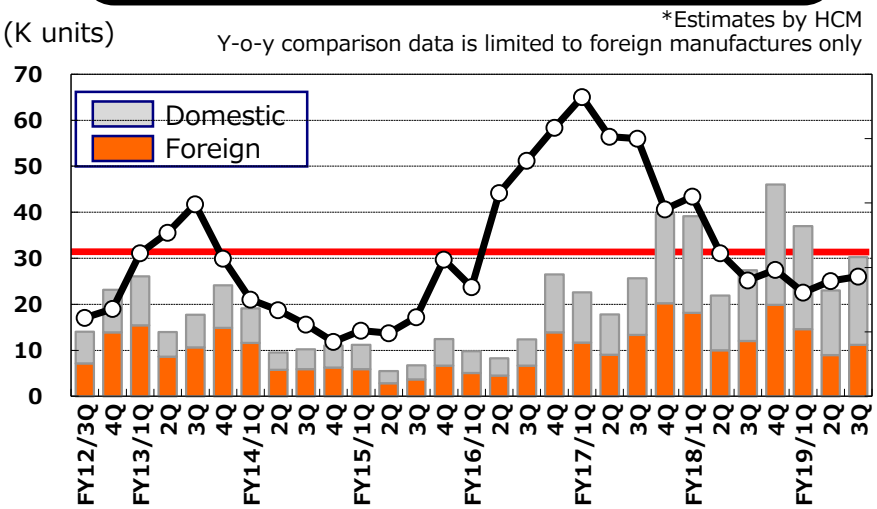


＊National Bureau of Statistics of China

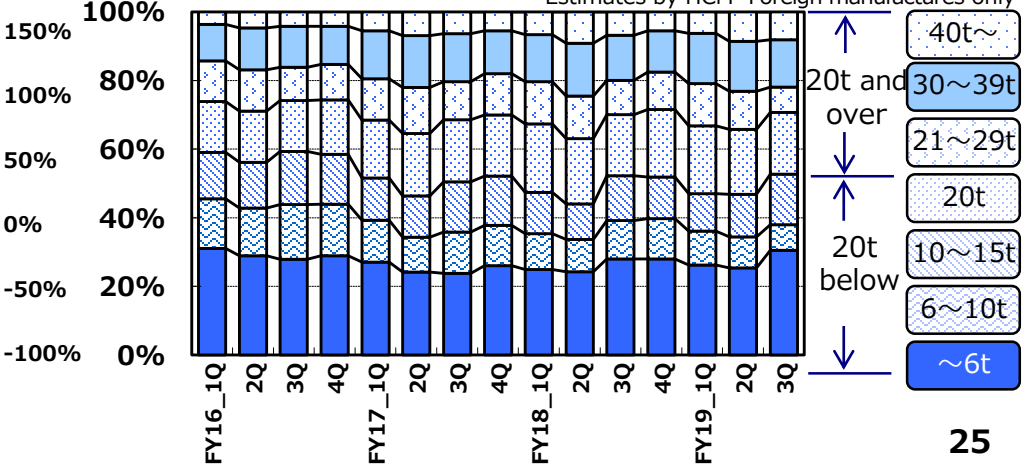
Quarterly Demand for Hydraulic Excavators by Region (y-o-y)



Demand Trend for Hydraulic Excavators



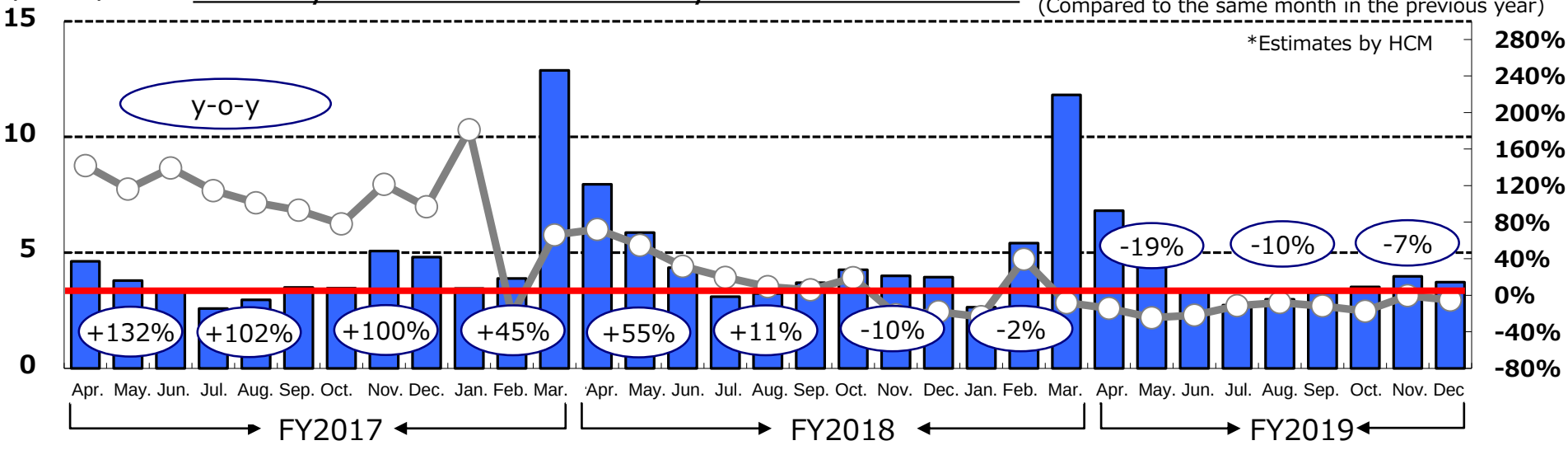
Demand Composition by Class for Mini Excavators and Hydraulic Excavators



<(Supplementary Information) China>

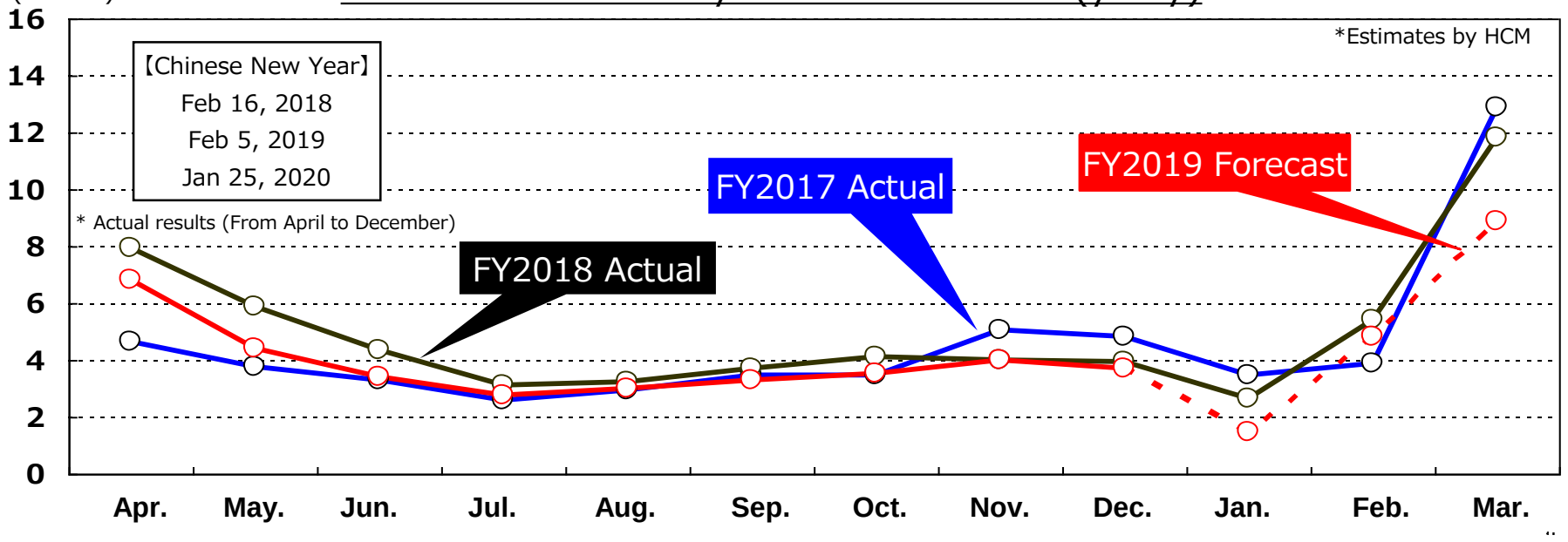
Monthly Demand Trend for Hydraulic Excavators

(Foreign Manufactures only)
(Compared to the same month in the previous year)



Demand Trend for Hydraulic Excavators (y-o-y)

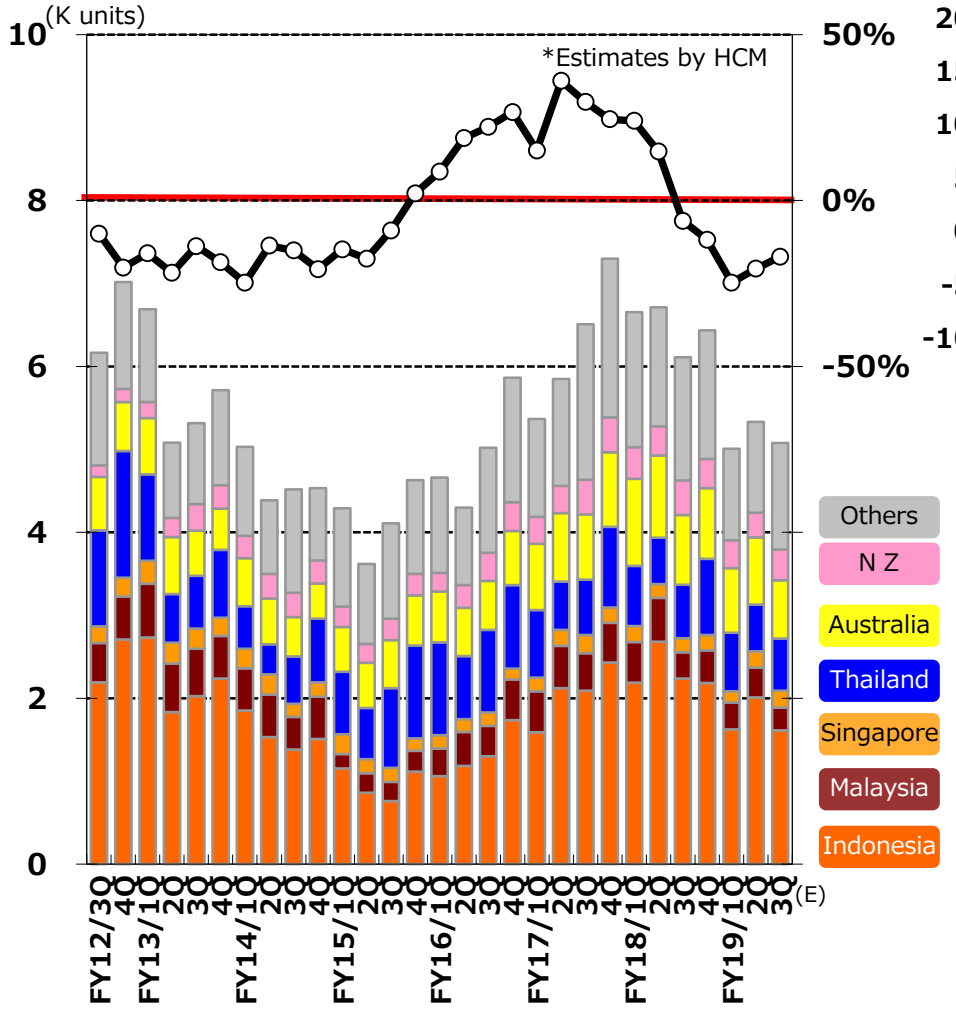
(Foreign Manufactures only)



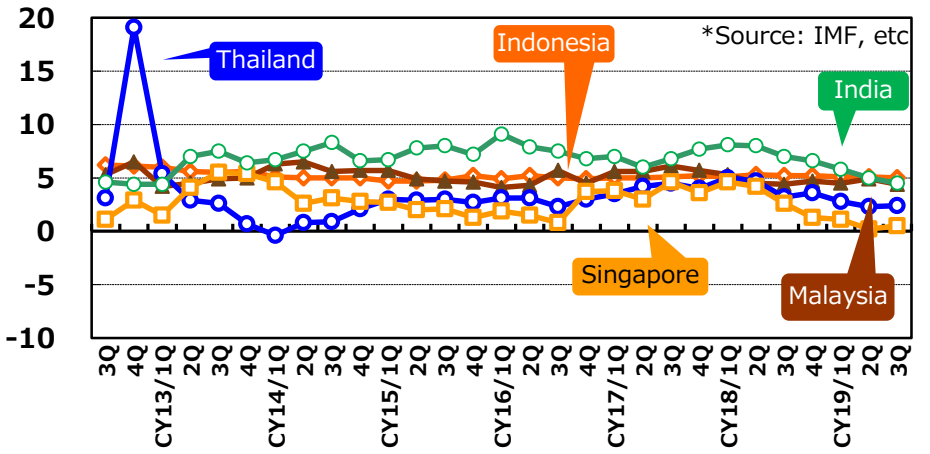
<Asia, Oceania, and India>

- Demand for hydraulic excavators decreased overall in the Asia Pacific region (-17% y-o-y).
- Demand for hydraulic excavators decreased in India (-29% y-o-y).

Demand Trend for Hydraulic Excavators in Asia & Oceania

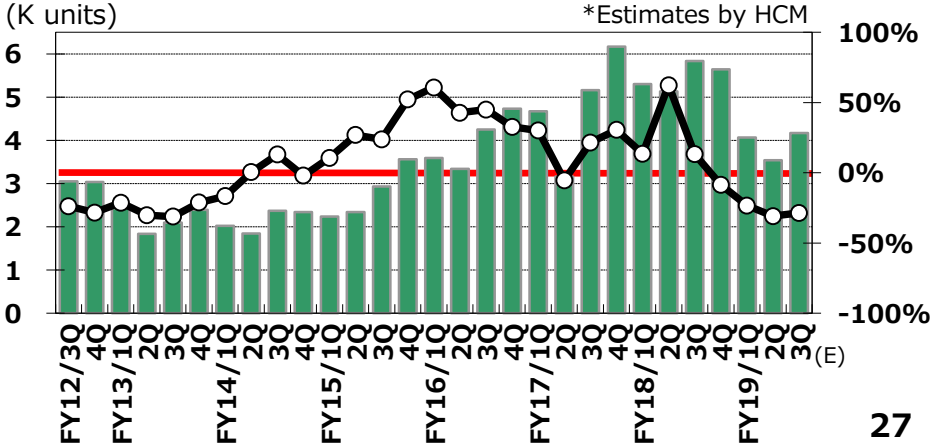


GDP Growth Rate in Major Countries (y-o-y)



* Calculation criteria for GDP growth rate in India was revised in CY2013 2Q

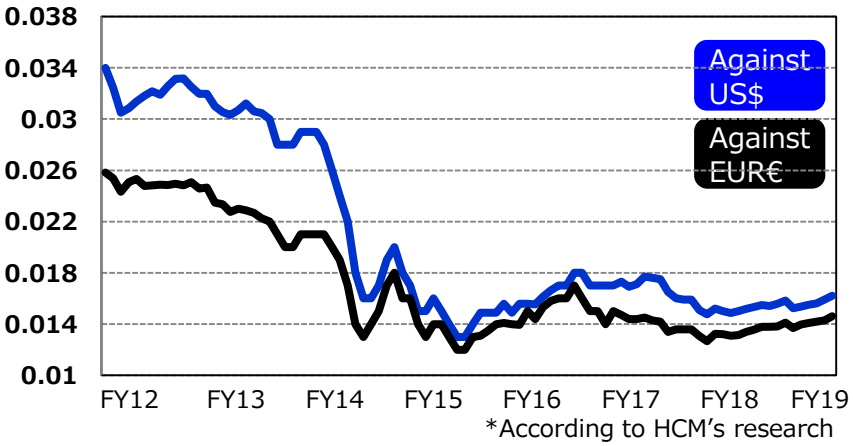
Demand Trend for Hydraulic Excavators in India



<Russia and the Middle East>

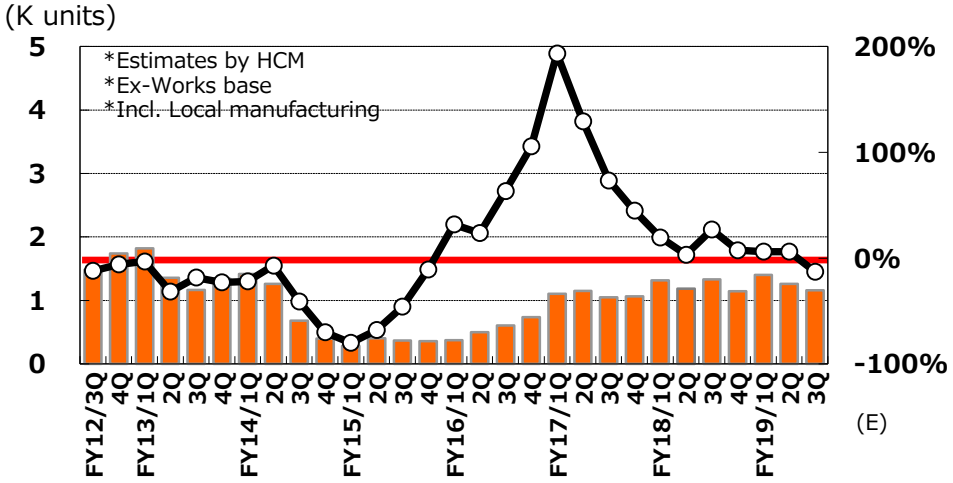
- Demand for hydraulic excavators decreased (-13% y-o-y) in Russia.
- Demand for hydraulic excavators in the Middle East has turned upward.

Foreign Exchange Rate of the Ruble

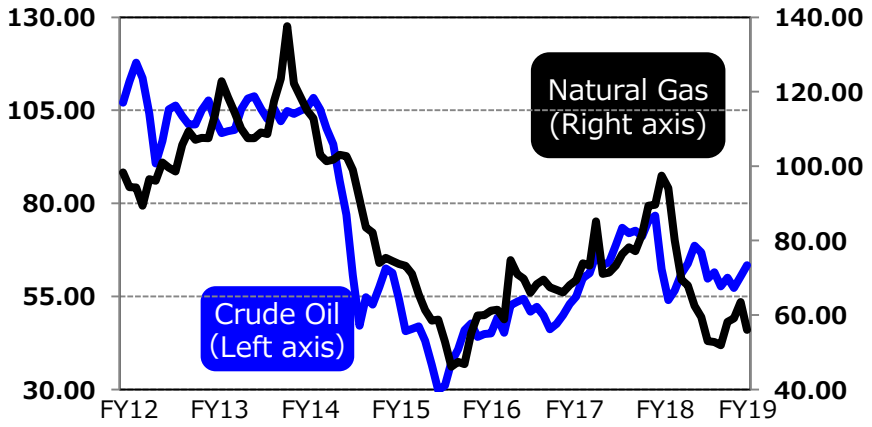


*According to HCM's research

Demand Trend for Hydraulic Excavators in Russia

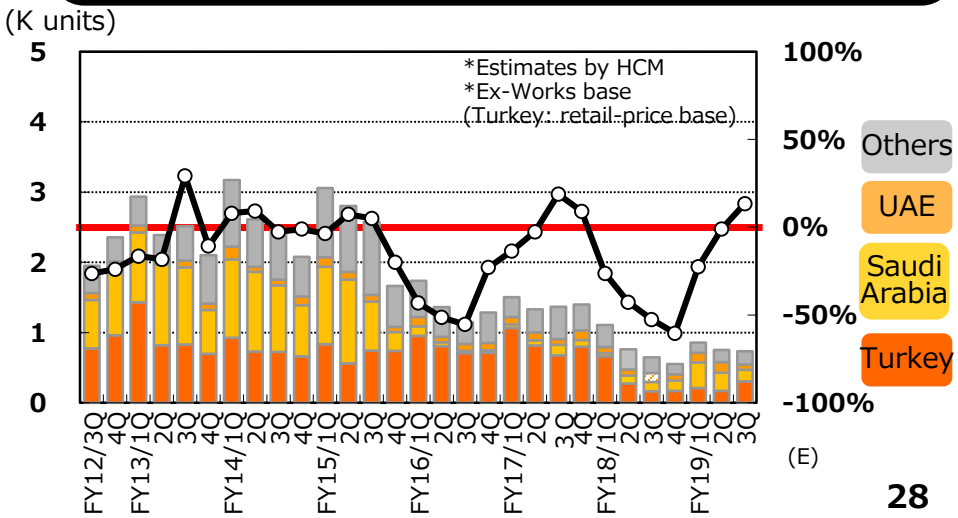


Price Trend of Crude Oil and Natural Gas



*Created by HCM, sourced from World Bank
*Natural Gas Index (2010=100)

Demand Trend for Hydraulic Excavators in the Middle East



<Mining Machinery>

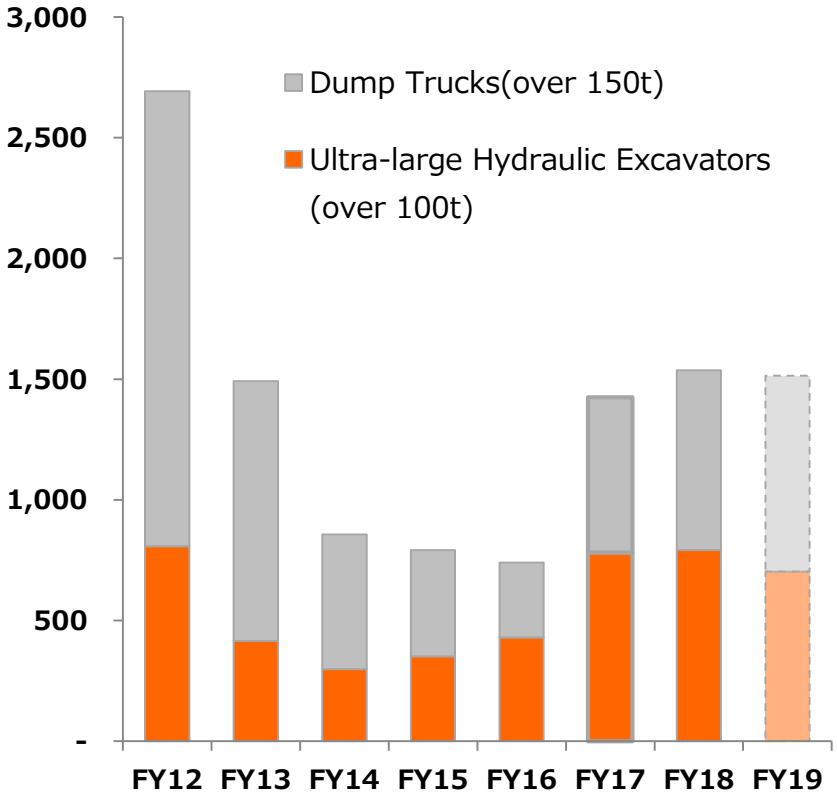
FY2019 (from April 2019 to March 2020)

- Demand for mining machinery in FY2019 is expected to be almost flat without significantly rising or falling.
- Demand for ultra-large hydraulic excavators (operating weight 100t-250t) for medium and small sized mining sites and contractors is expected to decrease, while the sentiment for ultra-large hydraulic excavators (over 300t) and dump trucks (payload over 150t) for major mining companies is bullish.

Ultra-large Hydraulic Excavators (over 100t), Dump Trucks (over 150t)

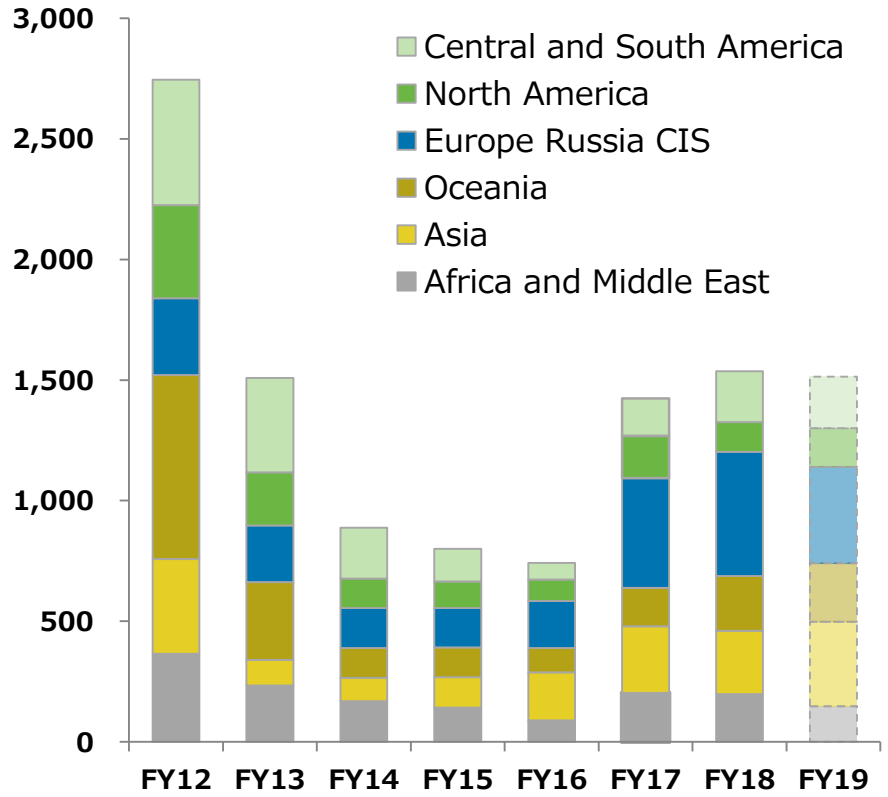
(Units)

Demand by product



(Units)

Demand by region



※ According to HCM's research

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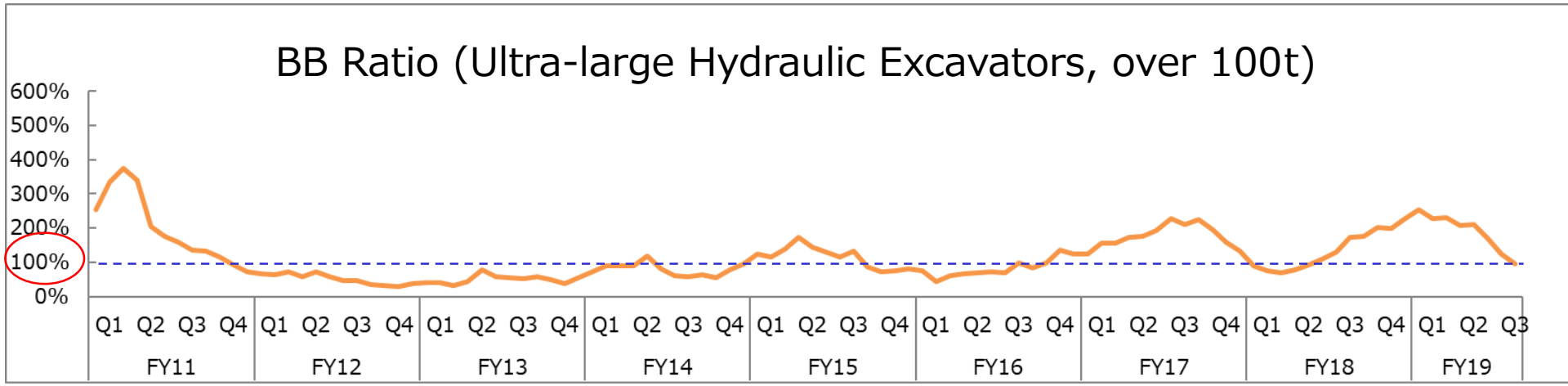
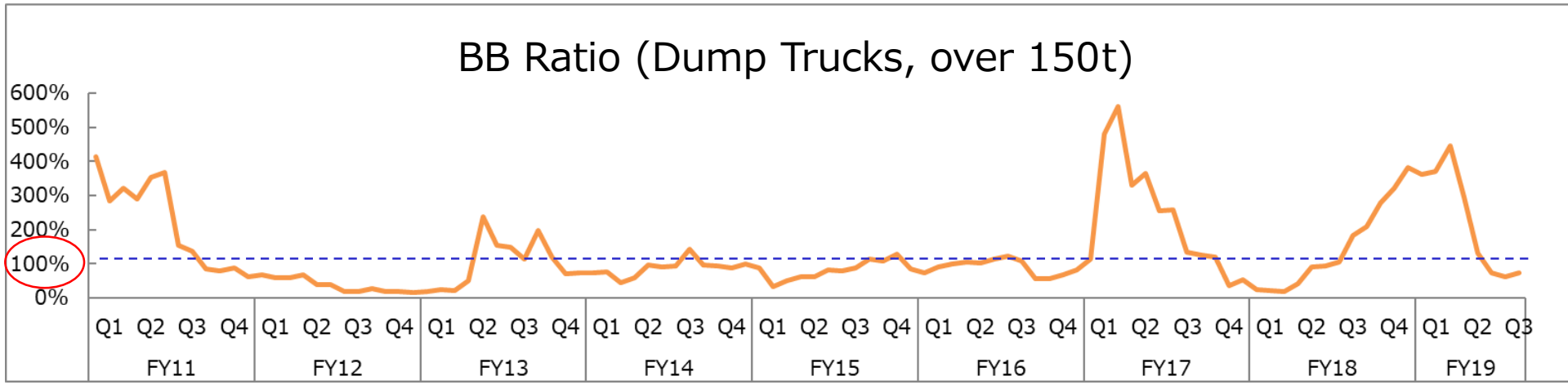
<(Supplementary Information) BB Ratio>





※ Book-to-Bill(BB)Ratio = Bookings (Orders received)/Billings (Value of shipment)
Non-consolidated basis (average of 6 months)

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2. Business Results for the Third Quarter ended December 31, 2019

(April 1-December 31,2019)

Tetsuo Katsurayama

Senior Vice President, Executive Officer, CFO

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Summary of consolidated results

Revenue decreased by 8% and adjusted operating income decreased by 31% compared to the previous year due to the negative exchange impact of appreciation of the Japanese yen and decrease in sales volume.

(billions of yen)

		FY2019 1Q-3Q		FY2018 1Q-3Q		change
Revenue			687.2		743.2	-8%
Adjusted operating income *1		8.5%	58.7	11.5%	85.1	-31%
Operating income		8.3%	57.4	10.9%	81.3	-29%
Income before income taxes		8.1%	55.8	10.6%	78.9	-29%
Net income attributable to owners of the parent		5.1%	35.1	6.9%	51.3	-32%
EBIT *2		8.6%	59.3	10.9%	81.0	-27%
FX rate	Rate (YEN/US$)		108.6		111.3	-2.7
	Rate (YEN/EURO)		121.1		129.5	-8.4
	Rate (YEN/RMB)		15.7		16.7	-1.0
	Rate (YEN/AU$)		74.9		81.7	-6.8

*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"

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Revenue by geographic region (consolidated)

Revenue decreased compared to the previous year due to the 28.1 billion yen of the negative exchange impact of appreciation of the Japanese yen despite the revenue increase in Asia, N.America and Russia-CIS compared to the previous year.

(billions of yen)

	FY2019 1Q-3Q		FY2018 1Q-3Q		change	
					amount	%
Japan	145.4	21%	145.5	20%	-0.1	0%
Asia	64.1	9%	62.5	8%	1.6	2%
India	38.6	6%	49.7	7%	-11.1	-22%
Oceania	108.4	16%	126.0	17%	-17.6	-14%
Europe	73.6	11%	76.7	10%	-3.1	-4%
N.America	130.0	19%	124.2	17%	5.8	5%
L.America	10.2	1%	13.0	2%	-2.9	-22%
Russia-CIS	25.0	4%	24.3	3%	0.7	3%
M.East	4.9	1%	9.0	1%	-4.1	-46%
Africa	28.3	4%	29.8	4%	-1.4	-5%
China	58.7	9%	82.4	11%	-23.7	-29%
Total	687.2	100%	743.2	100%	-56.0	-8%
Overseas ratio	79%		80%			

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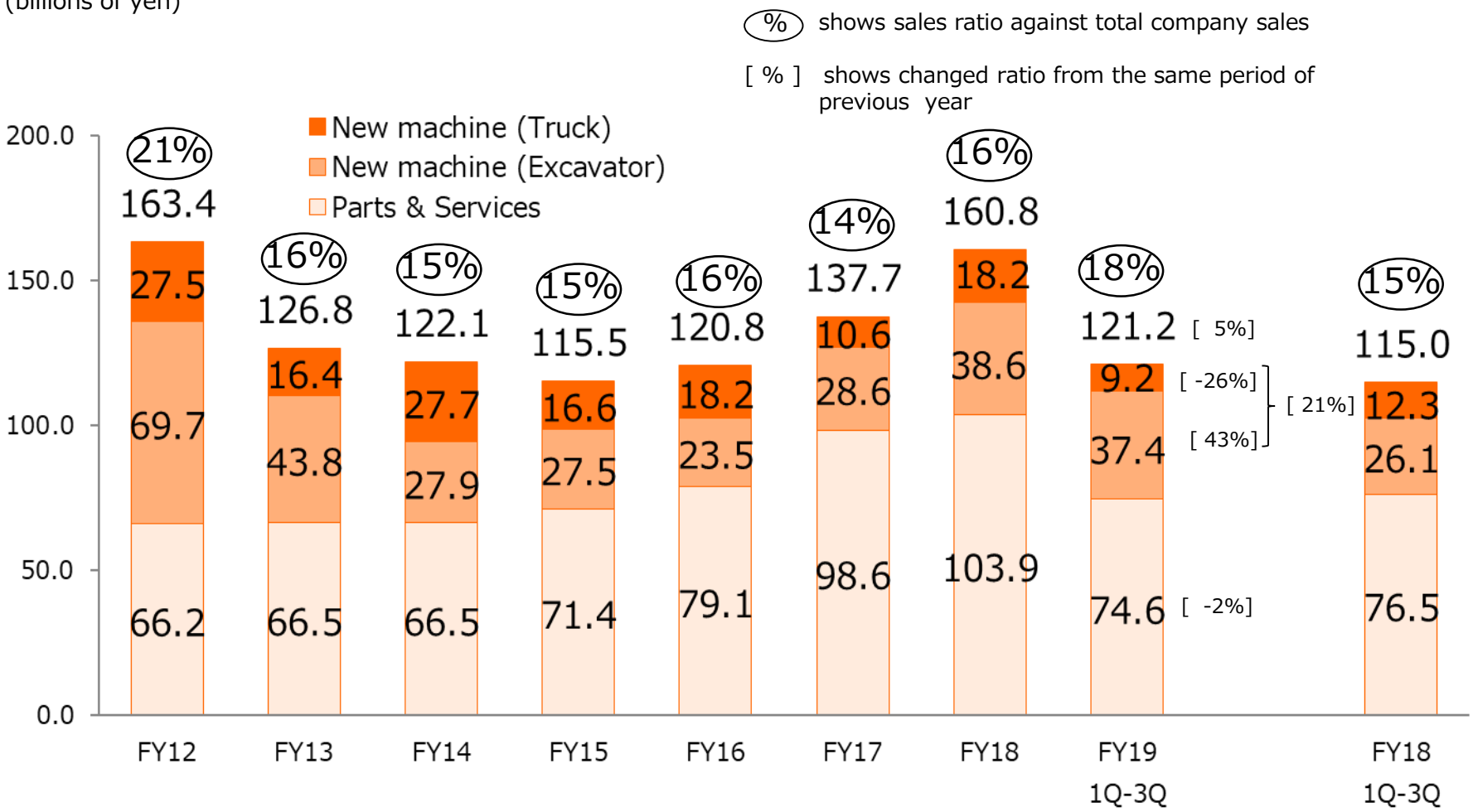
Mining revenue

- Revenue of mining in the FY2019 3Q increased by 5% to 121.2 billion yen year on year despite the impact of the strong exchange rate of the yen, 7.8 billion yen.
- In particular, revenue of new mining machinery increased by 21% year on year.

(billions of yen)



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Value chain (*1) revenue

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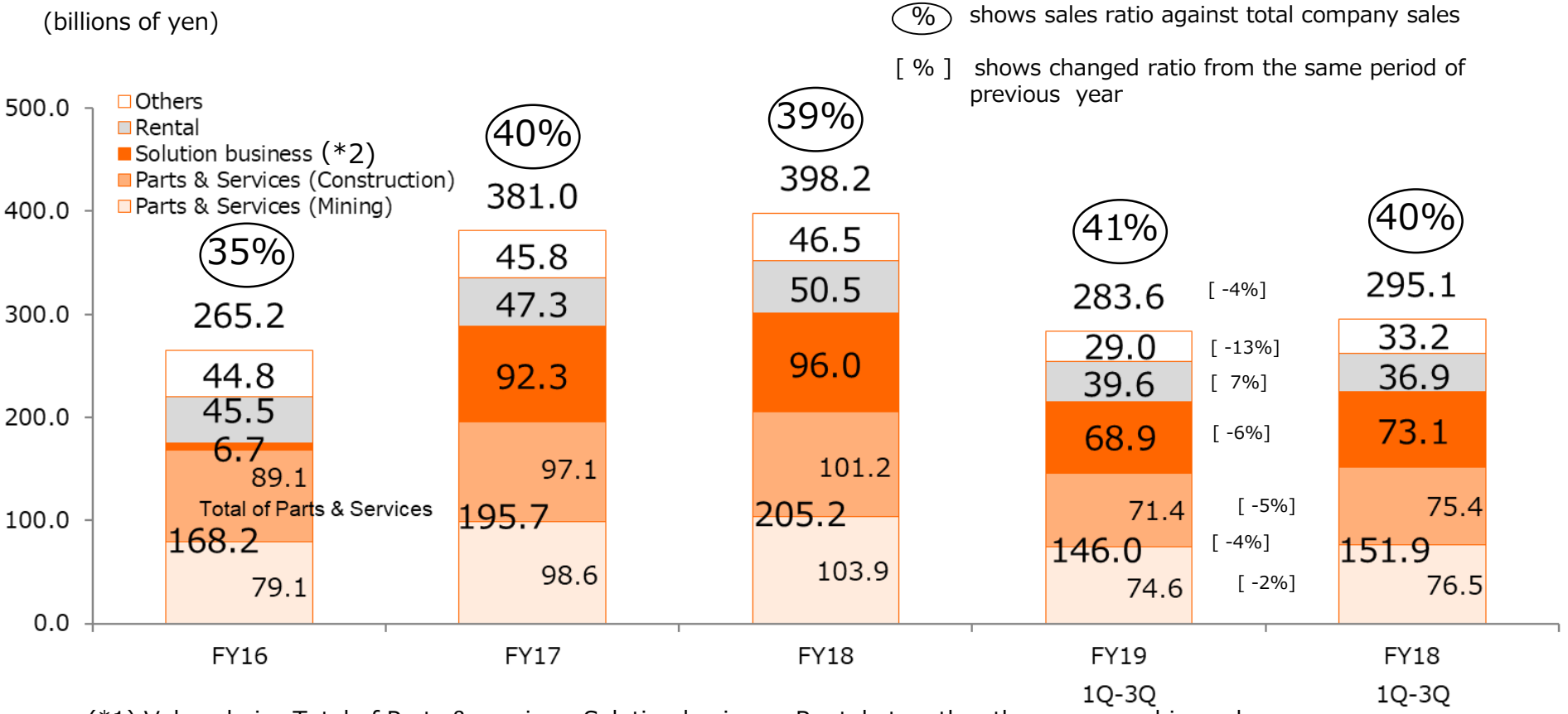
Revenue of the value chain business in the FY2019 3Q decreased by 4% to 283.6 billion yen year on year due to the impact of the strong exchange rate of the yen, -13.4 billion yen.



(*1) Value chain: Total of Parts & services, Solution business, Rental etc. other than new machine sales.

(*2)Solution business: The business segment primarily intends to provide development, production, distribution of parts and service solutions for mining facilities and equipment after the sales made that are not included in the construction machinery business segment.

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Comparison of consolidated income

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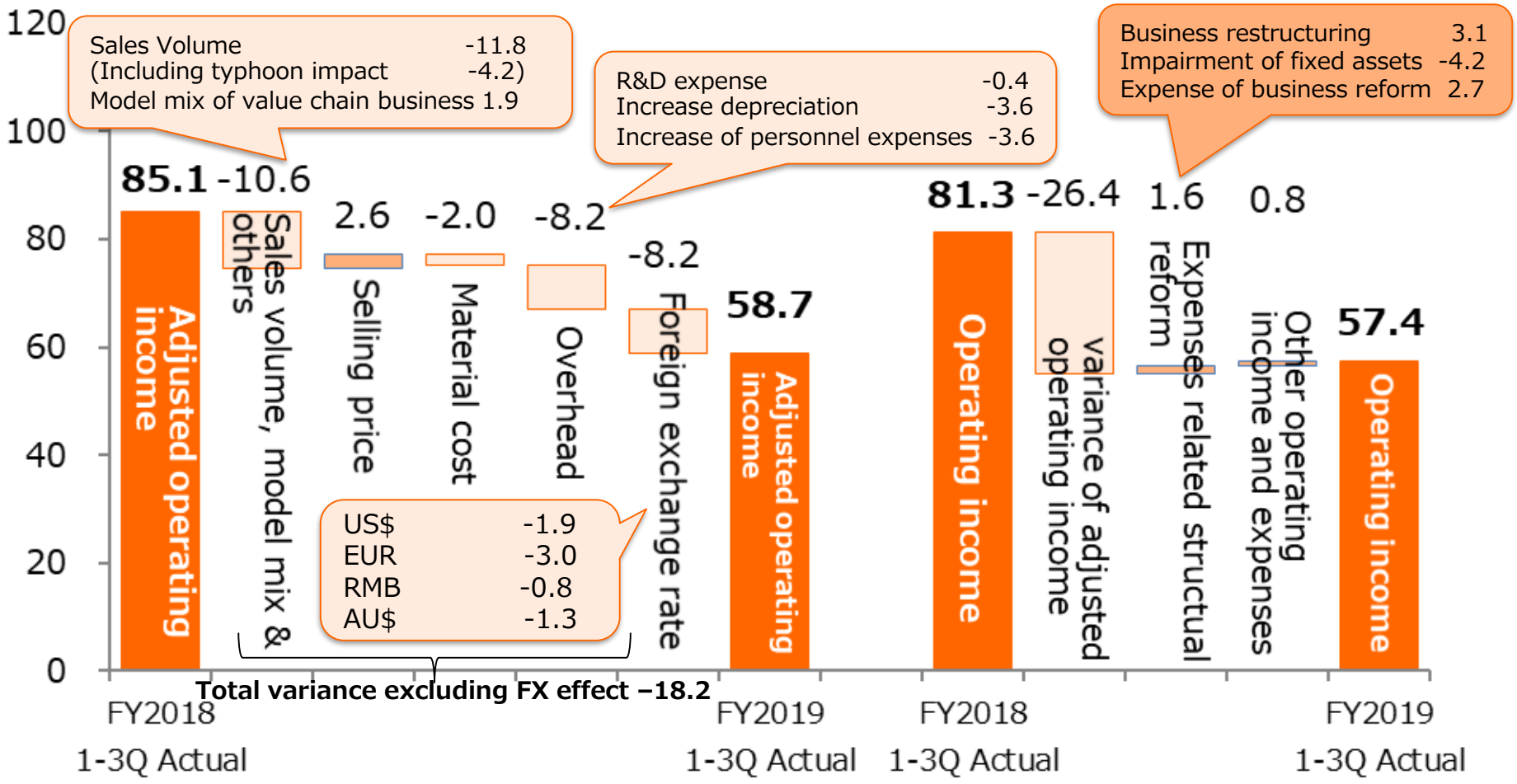
Adjusted operating income decreased by 26.4 billion yen year on year due to the impact of the decreased sales volume and model mix including the impact of the typhoon damage on suppliers, increased overheads, increased material costs and the strong exchange rate of the yen despite the improved selling price.

(billions of yen)



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Consolidated statement of income

■Operating income decreased by 29% or 24.0 billion yen to 57.4 billion yen year on year.
■Net income attributable to owners of the parent decreased by 32% or 16.2 billion yen to 35.1 billion yen year on year.

(billions of yen)

	FY2019 1Q-3Q		FY2018 1Q-3Q		change	
					amount	%
Revenue		687.2		743.2	-56.0	-8%
Cost of Sales	(72.3%)	496.5	(70.7%)	525.3	-28.8	-5%
SGA expenses	(19.2%)	131.9	(17.9%)	132.8	-0.9	-1%
Adjusted operating income *1	(8.5%)	58.7	(11.5%)	85.1	-26.4	-31%
Other Income/expenses		-1.4		-3.8	2.4	-63%
Operating income	(8.3%)	57.4	(10.9%)	81.3	-24.0	-29%
Financial income/expenses		-4.3		-5.5	1.2	-23%
Share of profits of investments accounted for using the equity method		2.7		3.0	-0.3	-11%
Income before income taxes	(8.1%)	55.8	(10.6%)	78.9	-23.0	-29%
Income taxes		16.3		20.9	-4.6	-22%
Net income	(5.8%)	39.5	(7.8%)	57.9	-18.4	-32%
Net income attributable to owners of the parent	(5.1%)	35.1	(6.9%)	51.3	-16.2	-32%

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

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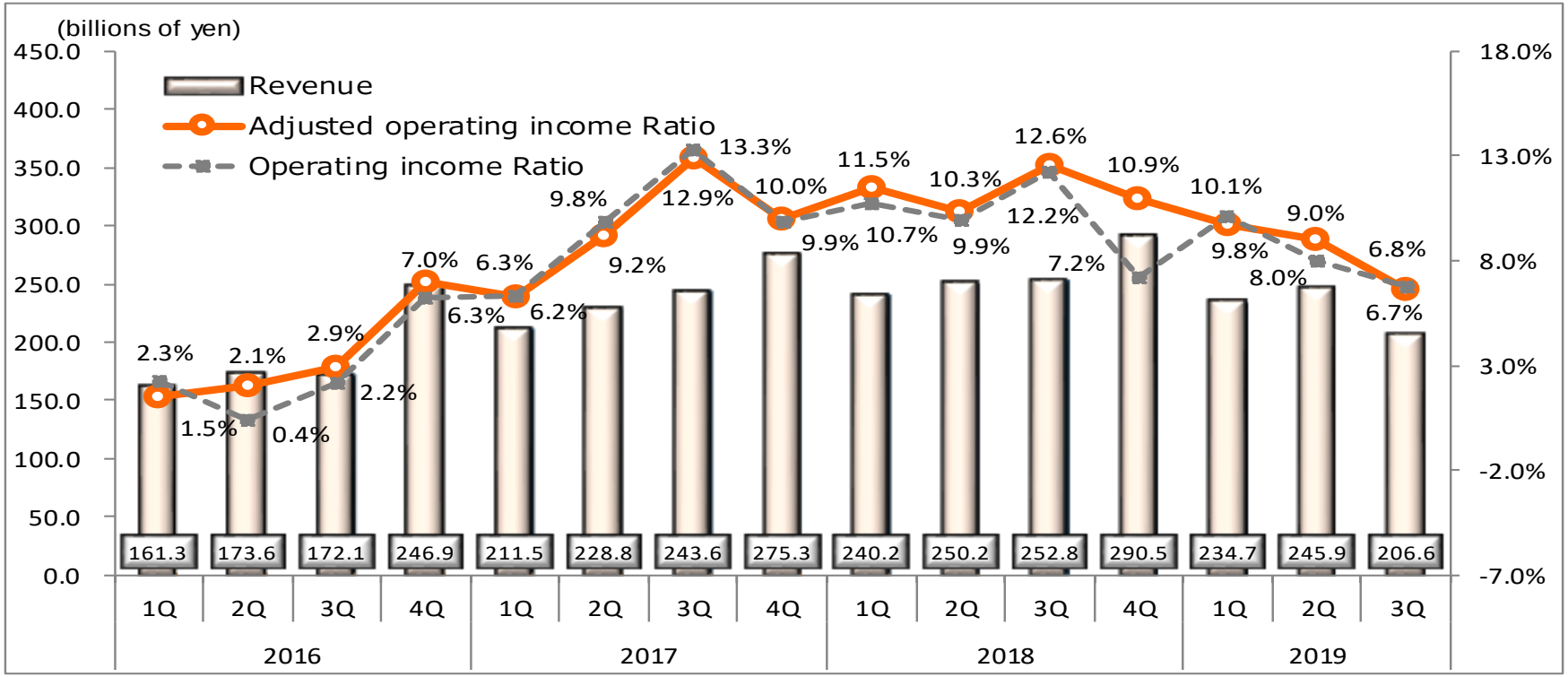
Summary of quarterly consolidated revenue and operating income (ratio)

	2016				2017				2018				2019		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Revenue	161.3	173.6	172.1	246.9	211.5	228.8	243.6	275.3	240.2	250.2	252.8	290.5	234.7	245.9	206.6
Adjusted operating income	2.4	3.6	5.0	17.3	13.2	21.0	31.5	27.5	27.6	25.8	31.8	31.7	22.9	22.1	13.8
Operating income	3.7	0.7	3.8	15.5	13.4	22.5	32.4	27.1	25.7	24.8	30.8	21.0	23.7	19.6	14.1



FX rate	2016				2017				2018				2019		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Rate (YEN/US$)	108.1	102.4	109.3	113.6	111.1	111.0	113.0	108.3	109.1	111.5	112.9	110.2	109.9	107.4	108.8
Rate (YEN/EURO)	122.0	114.3	117.8	121.1	122.2	130.4	133.0	133.2	130.1	129.6	128.8	125.2	123.5	119.3	120.3
Rate (YEN/RMB)	16.5	15.4	16.0	16.6	16.2	16.6	17.1	17.1	17.1	16.4	16.3	16.3	16.1	15.3	15.5
Rate (YEN/AU$)	80.6	77.6	81.9	86.2	83.4	87.6	86.8	85.3	82.6	81.5	81.1	78.5	76.9	73.6	74.3

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Consolidated statement of financial position

Total assets increased by 23.3 billion yen year on year due to lease assets increased by 42.2 billion yen from the previous year end due to the impact of the adoption IFRS 16 and increased 18.5 billion yen due to inventories, although decreasing by 56.5 billion yen due to trade receivables and non-current assets.

(billions of yen)

	(A) FY19-3Q	(B) Mar '2019	(C) FY18-3Q	(A)-(B) change
Cash and cash equivalents	63.7	67.3	59.7	-3.6
Trade receivables	189.7	238.2	204.8	-48.5
Inventories	343.4	324.8	325.9	18.5
Total current assets	645.2	673.9	645.0	-28.7
Total non-current assets	563.4	511.4	497.6	52.0
Total assets	1,208.6	1,185.3	1,142.6	23.3
Trade receivables incl. non-current	226.1	282.6	245.1	-56.5
Inventories by products				
Unit	100.8	89.3	99.4	11.5
Parts	112.9	102.2	101.7	10.8
Raw materials, WIP and etc	129.6	133.3	124.9	-3.7
Total inventories	343.4	324.8	325.9	18.5
On hand days(divided by net sales)				(Days)
Trade receivables	84	100	88	-16
Inventories	128	115	117	13
Trade payables	46	57	54	-11
Net working capital	164	155	147	9

	(D) FY19-3Q	(E) Mar '2019	(F) FY18-3Q	(D)-(E) change
Trade and other payables	198.6	278.1	252.7	-79.5
Bonds and borrowings	342.2	304.8	307.1	37.4
Total liabilities	662.9	642.6	615.5	20.3
(Equity attributable to owners of the parent ratio)	(40.5%)	(41.0%)	(41.0%)	(-0.5%)
Total equity	545.7	542.7	527.2	3.1
Total liabilities and equity	1,208.6	1,185.3	1,142.6	23.3
	(28.3%)	(25.7%)	(26.9%)	(2.6%)
Interest-bearing debt	342.2	304.8	307.1	37.4
Cash and Cash equivalents	63.7	67.3	59.7	-3.6
	(23.0%)	(20.0%)	(21.7%)	(3.0%)
Net interest-bearing debt	278.5	237.5	247.4	41.0
Net D/E Ratio	0.57	0.49	0.53	0.08

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Consolidated cash flow

Net cash provided by (used in) operating activities improved by 69.6 billion yen to positive 20.5 billion yen year on year due to improved working capital.

(billions of yen)

	FY2019 1Q-3Q		FY2018 1Q-3Q		change	
Net income		39.5		57.9		-18.4
Depreciation and amortization	72.7	33.2	85.3	27.4	-12.6	5.8
(Increase)decrease in trade/lease receivables		50.9		8.0		42.9
(Increase)decrease in inventories		-23.5		-78.9		55.5
Increase(decrease) in trade payables	-6.0	-33.4	-98.6	-27.7	92.6	-5.8
Others, net		-46.2		-35.9		-10.3
Net cash provided by (used in) operating activities		20.5		-49.2		69.6
Cash flow margin for operating activities		3.0%		-6.6%		9.6%
Net cash provided by (used in) investing activities		-28.5		-19.8		-8.7
Free cash flows		-8.1		-69.0		60.9
Net cash provided by (used in) financing activities		5.4		49.7		-44.3

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Summary of consolidated earnings forecast

The FY2019 consolidated statement of income forecast remains unchanged from the previous forecast.

(billions of yen)

	FY2019 Forecast	FY2018 Actual	change amount	change %
Revenue	950.0	1,033.7	-83.7	-8%
Adjusted operating income	(9.1%) 86.0	(11.3%) 116.8	(-2.3%) -30.8	-26%
Operating income	(8.6%) 82.0	(9.9%) 102.3	(-1.3%) -20.3	-20%
Income before income taxes	(8.4%) 80.0	(9.9%) 102.7	(-1.5%) -22.7	-22%
Net income attributable to owners of the parent	(5.1%) 48.0	(6.6%) 68.5	(-1.6%) -20.5	-30%
EBIT	83.5	105.6	-22.1	

Currency	1Q-3Q Actual	4Q Forecast	Total Forecast	FY2018 Actual	change
Rate (YEN/US$)	108.6	100.0	106.4	111.0	-4.6
Rate (YEN/EURO)	121.1	110.0	117.9	127.9	-10.0
Rate (YEN/RMB)	15.7	14.5	15.3	16.6	-1.3
Rate (YEN/AU$)	74.9	70.0	73.7	80.9	-7.3
Cash dividend per share (yen) *1	to be determined			100	-

For FX sensitivity, please refer to appendix 1.

*1 “Cash dividend per share”: The Company will pay dividends linked to its consolidated business results twice, interim and year end, in the fiscal year and aim to achieve a consolidated dividend payout ratio of approx. 30% or more.

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Consolidated for revenue forecast by geographic region

HCM forecasts a decrease in FY2019 total revenue by 83.7 billion yen compared to the previous year due to the 50.0 billion yen of the negative impact of foreign exchange.

(billions of yen)

	FY2019 Forecast		FY2018 Actual		change	
					amount	%
Japan	217.1	23%	206.1	20%	11.1	5%
Asia	84.3	9%	88.5	9%	-4.2	-5%
India	58.1	6%	67.9	7%	-9.9	-15%
Oceania	147.4	16%	163.9	16%	-16.5	-10%
Europe	94.6	10%	111.6	11%	-17.0	-15%
N.America	172.1	18%	168.7	16%	3.4	2%
L.America	14.6	2%	17.1	2%	-2.5	-15%
Russia-CIS	32.4	3%	34.4	3%	-2.0	-6%
M.East	6.2	1%	11.8	1%	-5.5	-47%
Africa	35.2	4%	43.8	4%	-8.5	-20%
China	88.0	9%	119.9	12%	-31.9	-27%
Total	950.0	100%	1,033.7	100%	-83.7	-8%
Overseas ratio	77%		80%			

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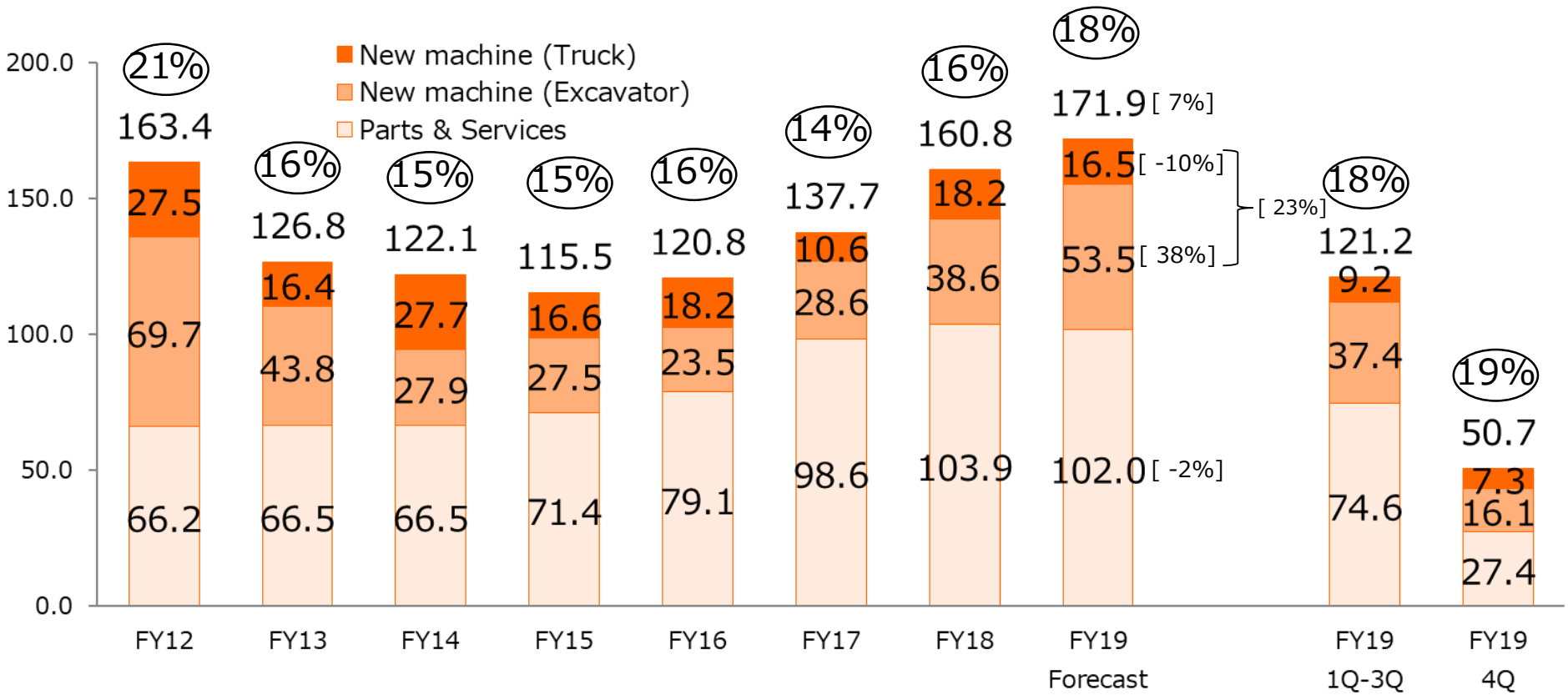
Mining revenue forecast

HCM forecasts an increase in FY2019 mining revenue by 7% to 171.9 billion yen year on year despite the expected strong appreciation of the yen.

(billions of yen)

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



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Value chain (*1) revenue forecast

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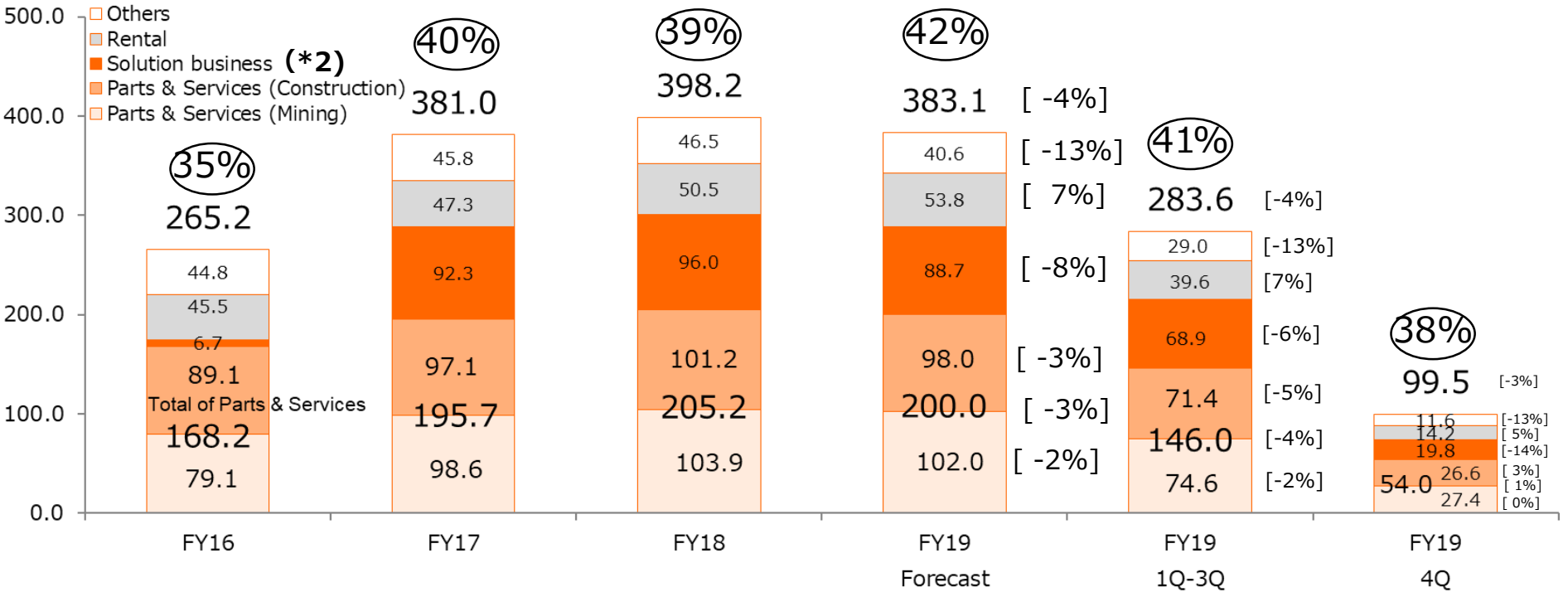
HCM forecasts a decrease in FY2019 sales of the value chain business by 4% compared to the previous year due to the expected strong appreciation of the yen despite the increase in the rental revenue.

(billions of yen)



(*1) Value chain: Total of Parts & services, Solution business, Rental etc. other than new machine sales.
(*2)Solution business: The business segment primarily intends to provide development, production, distribution of parts and service solutions for mining facilities and equipment after the sales made that are not included in the construction machinery business segment.

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Comparison of consolidated income forecast

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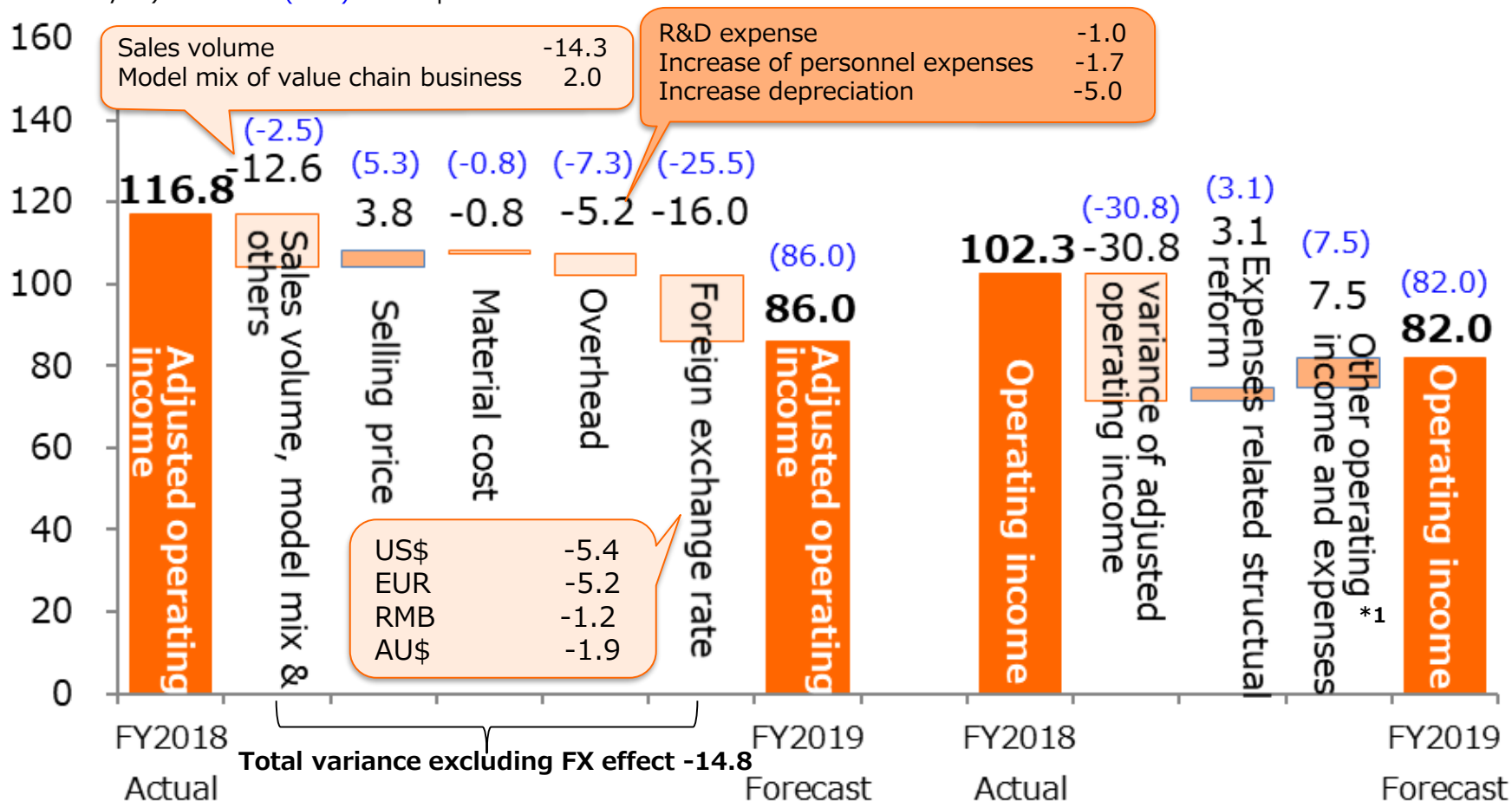
Adjusted operating income for FY2019 remains unchanged from the previous forecast due to a decrease in sales volume, increase in overheads and the negative impact of yen appreciation on the expected exchange rate, despite the recovery from the delay in production and shipment caused by the typhoon.

(billions of yen) note : ( ) shows previous forecast as of Oct. 2019



*1 Other operating income and expenses :FY18 includes 8.8 billion yen of provision to the duplicated payment of value added tax in China.

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<Appendix1> FX rate and FX sensitivity

The forecast exchange rate for FY2019 was set based on the lower limit of the forecasted fluctuation range for each currency.

(billions of yen)

FX rate and FX sensitivity

Currency	FX rate				FX sensitivity (4Q)		
	FY19			FY18 Actual	Condition	Revenue	Adjusted operating income
	1Q-3Q Actual	4Q Forecast	Total Forecast				
US$	108.6	100.0	106.4	111.0	Impact by 1 yen depreciation	0.5	0.4
EURO	121.1	110.0	117.9	127.9	Impact by 1 yen depreciation	0.2	0.2
RMB	15.7	14.5	15.3	16.6	Impact by 0.1 yen depreciation	0.2	0.0
AU$	74.9	70.0	73.7	80.9	Impact by 1 yen depreciation	0.5	0.1

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<Appendix2> Detail of mining revenue

(billions of yen)

		FY18 Actual			FY19 Forecast			Change		
		1-3Q	4Q	Year	1-3Q	4Q	Year	1-3Q	4Q	Year
America	Excavator	9.8	4.7	14.6	11.2	5.3	16.4	1.3	0.5	1.9
	Dump Truck	5.6	1.4	7.0	3.0	1.1	4.1	-2.6	-0.3	-2.9
	Total	15.5	6.1	21.6	14.2	6.4	20.6	-1.3	0.2	-1.0
Europe, Africa and Middle East	Excavator	17.5	7.2	24.8	16.8	7.7	24.5	-0.8	0.5	-0.2
	Dump Truck	10.7	6.3	17.0	9.9	3.0	13.0	-0.8	-3.3	-4.1
	Total	28.3	13.5	41.8	26.7	10.8	37.5	-1.6	-2.7	-4.3
Asia & Oceania	Excavator	45.4	18.4	63.8	57.1	21.6	78.7	11.7	3.2	14.9
	Dump Truck	24.2	7.3	31.5	21.3	11.3	32.5	-2.9	3.9	1.0
	Total	69.5	25.7	95.3	78.3	32.9	111.2	8.8	7.1	15.9
China	Excavator	0.7	0.3	1.0	0.6	0.3	0.8	-0.2	-0.0	-0.2
	Dump Truck	0.1	0.0	0.1	0.1	0.0	0.1	-0.0	-0.0	-0.0
	Total	0.8	0.3	1.1	0.7	0.3	0.9	-0.2	-0.0	-0.2
Japan	Excavator	0.9	0.1	1.0	1.3	0.5	1.8	0.4	0.3	0.8
	Dump Truck	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	-0.0	-0.0
	Total	0.9	0.2	1.0	1.3	0.5	1.8	0.4	0.3	0.7
Total	Excavator	74.3	30.8	105.1	86.9	35.3	122.2	12.6	4.6	17.1
	Dump Truck	40.7	15.0	55.7	34.3	15.4	49.7	-6.3	0.4	-6.0
	Total	115.0	45.8	160.8	121.2	50.7	171.9	6.2	4.9	11.2

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<Appendix3> Segment information

The amortizations of PPA are included in the adjusted operating income of the solution business. The amounts of 0.8 billion yen are included in the third quarter of 2019, and in the 1.1 billion yen forecast for FY2019.

(billions of yen)

<Actual> FY2019 1Q-3Q	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	618.3	70.2	-1.3	687.2
Adjusted operating income	8.5% 52.4	9.1% 6.4	-	8.5% 58.7

(billions of yen)

<Forecast> FY2019	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	862.6	88.7	-1.3	950.0
Adjusted operating income	9.0% 77.7	9.4% 8.3	-	9.1% 86.0

Note(*1): Adjustments represent eliminations of intersegment transactions, and amounts of companies that do not belong to any operation segment.

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HITACHI

Reliable solutions

Corporate Vision

1. Introduction
2. Management Plan
3. Business Results
4. Company Outline and Topics

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	81.6 billion Yen (Hitachi, Ltd：50.81%)
・President	Kotaro Hirano
・Subsidiaries Affiliates	Japan: 7 companies, Overseas: 73 companies Japan: 4 companies, Overseas: 20 companies
・Number of Employees	Consolidated :25,184 Non-consolidated :5,539

(December 31, 2019)

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Our Products and Revenue

Construction

Hydraulic Excavator
(Hybrid / ICT hydraulic excavator)

Mini excavator

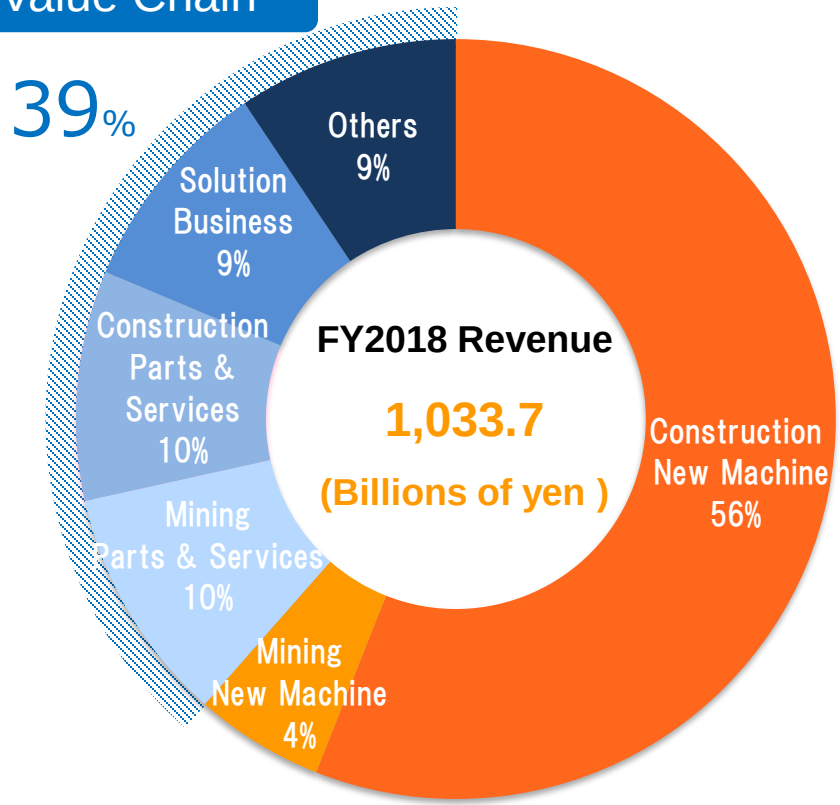
Wheel-drive Type Hydraulic Excavator

Double-Front Work Machine

Wheel Loader

Road Construction Machinery

Value Chain



Mining

Dump Truck

Ultra-large Hydraulic Excavator

Value Chain business

Mine management system

H-E Parts

Bradken

ConSite

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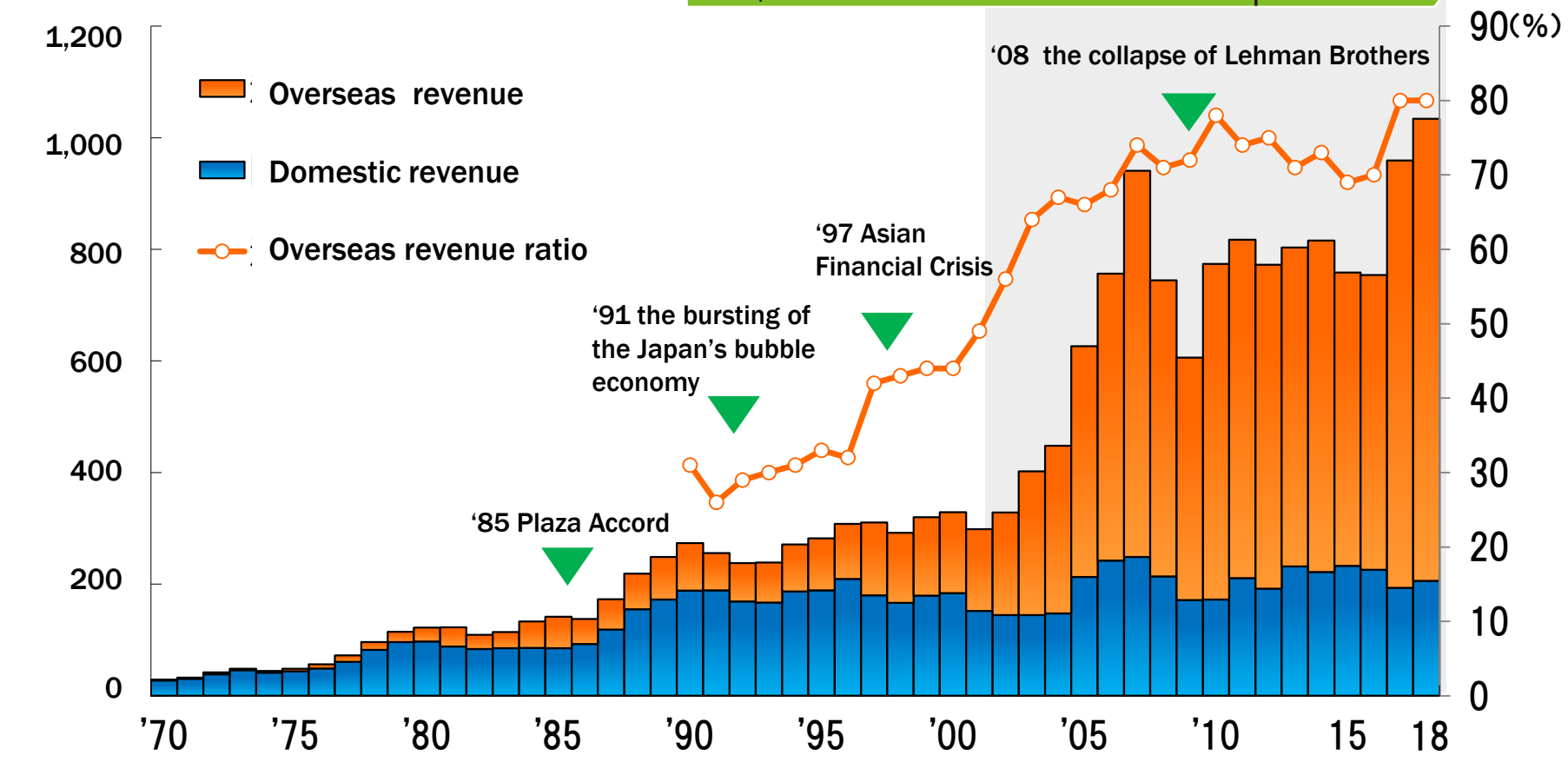
Globalizing and Localizing Manufacturing

Main business: Japan → Expansion of overseas business

"Made in Japan" main → Localizing Manufacturing

Europe & America → China → Sales network covering the Europe,

Product Expansion
- Mini excavator
- Wheel Loader
- Dump truck



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Global Network（Major sites）

*Including parts remanufacturing

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Service Solution - ConSite

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9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Fully automated system for remote fault prediction

KPI: Remote prognostic detection rate by sensing

The failure prognostic detection rate shows the percentage of faults that were remotely detected or predicted

Steps to the target

Development of global business → Data application → Differentiation by ConSite-enabled machines

World's first all-purpose hydraulic excavator with communication terminal loading machines (June 2000)

2000
Communication start

2013
Phase 1.0
Utilization of existing data

2015
Phase 1.5
Big data analysis
20%

2017
Phase 2.0
ConSite-enabled machines
37%

2020~
Phase 3.0
Failure prognostic detection rate 90%
58%

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Service Solution - ConSite

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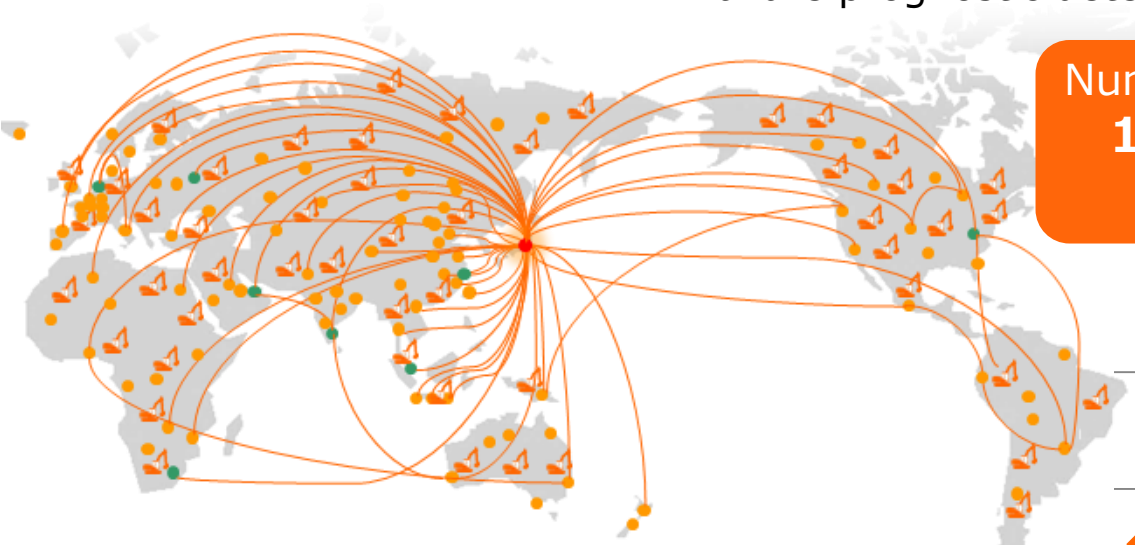
Number of contracts has increased dramatically to over 143,000 units at the end of December,2019 after initiating a global business development plan in 2014.

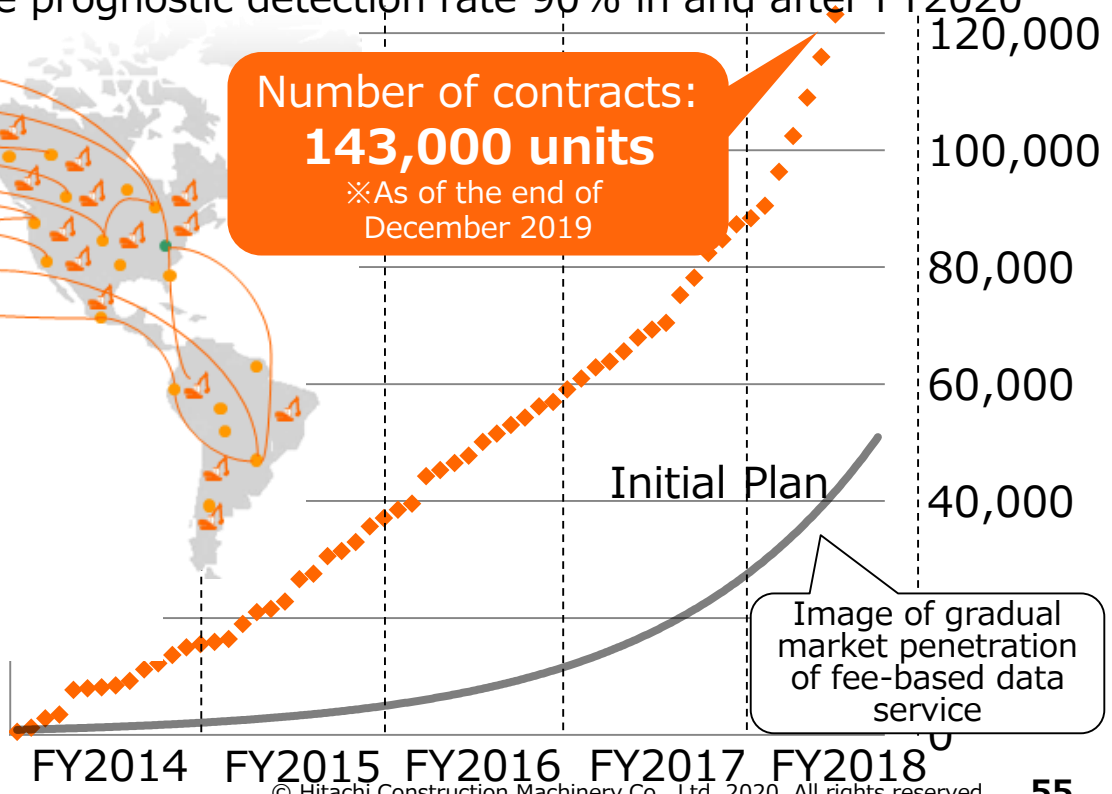
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

ConSite®
Consolidated Solution for Construction Sites

- Information infrastructure linking customers all over the world 24 hours a day, 365 days a year
- Provide high quality maintenance & repair services earlier than before
- Failure prognostic detection rate 90% in and after FY2020



113 countries & regions
and 33 languages are covered.



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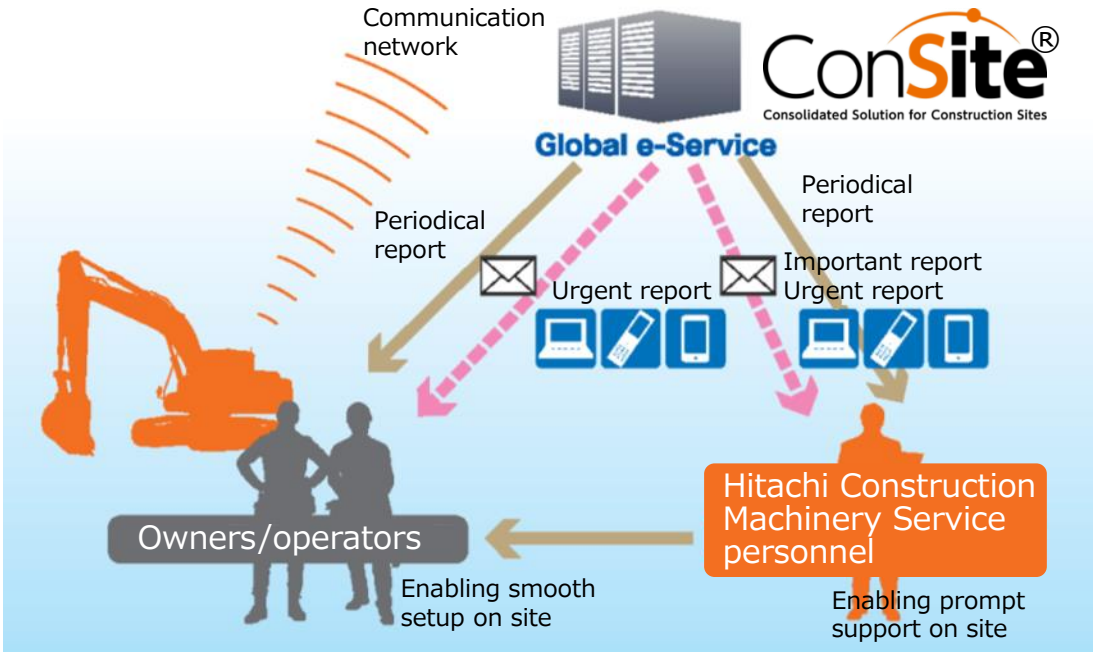
Service Solution - ConSite

We constantly monitor machines remotely and support stable operation with our data report service.

- **Distribute data report** to contracted machinery worldwide via our **fully automated system.**
- Assess malfunction risk from sensing data. **Distribute alarm report and correspondence manual automatically** in accordance with the seriousness of problem.
- **Strengthen efforts for sign diagnostics** and further expand future service menus.

Periodical report (33 languages)

Corresponding manual (16 languages)



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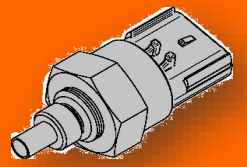
Service Solution - ConSite OIL

Launched ConSite OIL to improve prognostic detection rate

Rolled out ConSite OIL, enabling 24-hour oil monitoring for the first time in the construction machinery industry

2017~ in Europe, Japan, Oceania

2019~ in Southeast Asia, China



- OIL sensor
- IoT & Analysis techniques
- AI utilization

【Supplement】Necessity of preventive maintenance based on oil diagnosis

If you do not perform proper oil management and maintenance…

Because of sudden trouble	Due to repair after trouble occurrence	Due to response after trouble occurrence
Machine breakage	Increased running cost	Increased repair time

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《Topic》 Toward a Compact Machinery Market with Continuous Growth Potential

■ Developed a prototype battery-driven mini excavator at Hitachi Construction Machinery Tierra

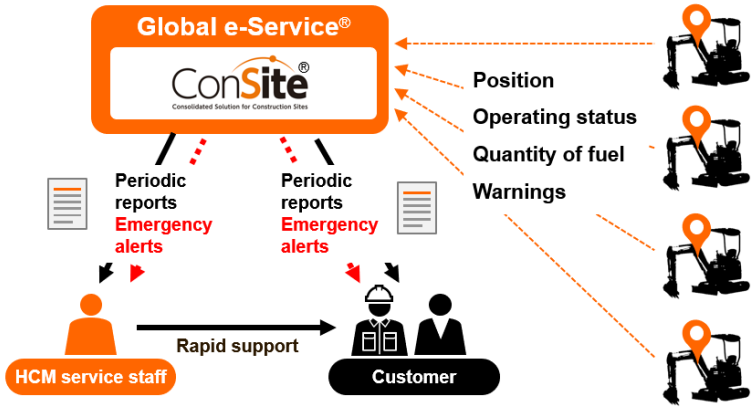
- Developed environmentally friendly electric construction equipment in collaboration between Japan and Europe (European Application Center GmbH Corporation *1)
- Characteristics are that it can combine a battery power supply with a commercial power supply.
- Aiming for compact size development to fit it into the same size as the engine model with miniaturizing the battery system.

*1: Hitachi Construction Machinery and KTEG, a subsidiary of Kiesel, a distributor in Europe, established joint venture in 2018 to develop electric construction machinery and applied development products.

Battery-driven 5t class short swing design prototype

■ Start offering ConSite® for mini excavators from FY2020

- Apply service solutions for protecting construction machinery through remote monitoring to mini excavators as well
- Know the position, operating status, etc. of multiple machines in real time through the wireless service
- Reduces life cycle costs and provides high convenience when managing many machines



Global e-Service®: service which allows customers to view operational and position information for construction machinery

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Used Equipments

Expansion of sales of used equipments from Japan (auction business)

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- ☐Hosting auctions of 3500 units per year
- ☐Sales of good-conditioned used equipments, which made possible through the distinctive service as a manufacturer

Auction venue of HCM Japan

Expansion of sales of certified used equipments

Hitachi Construction Machinery
PREMIUM USED

- ☐Sales of well-maintained, high-value added used equipments in Japan, China, and Europe, etc.

Japan

China

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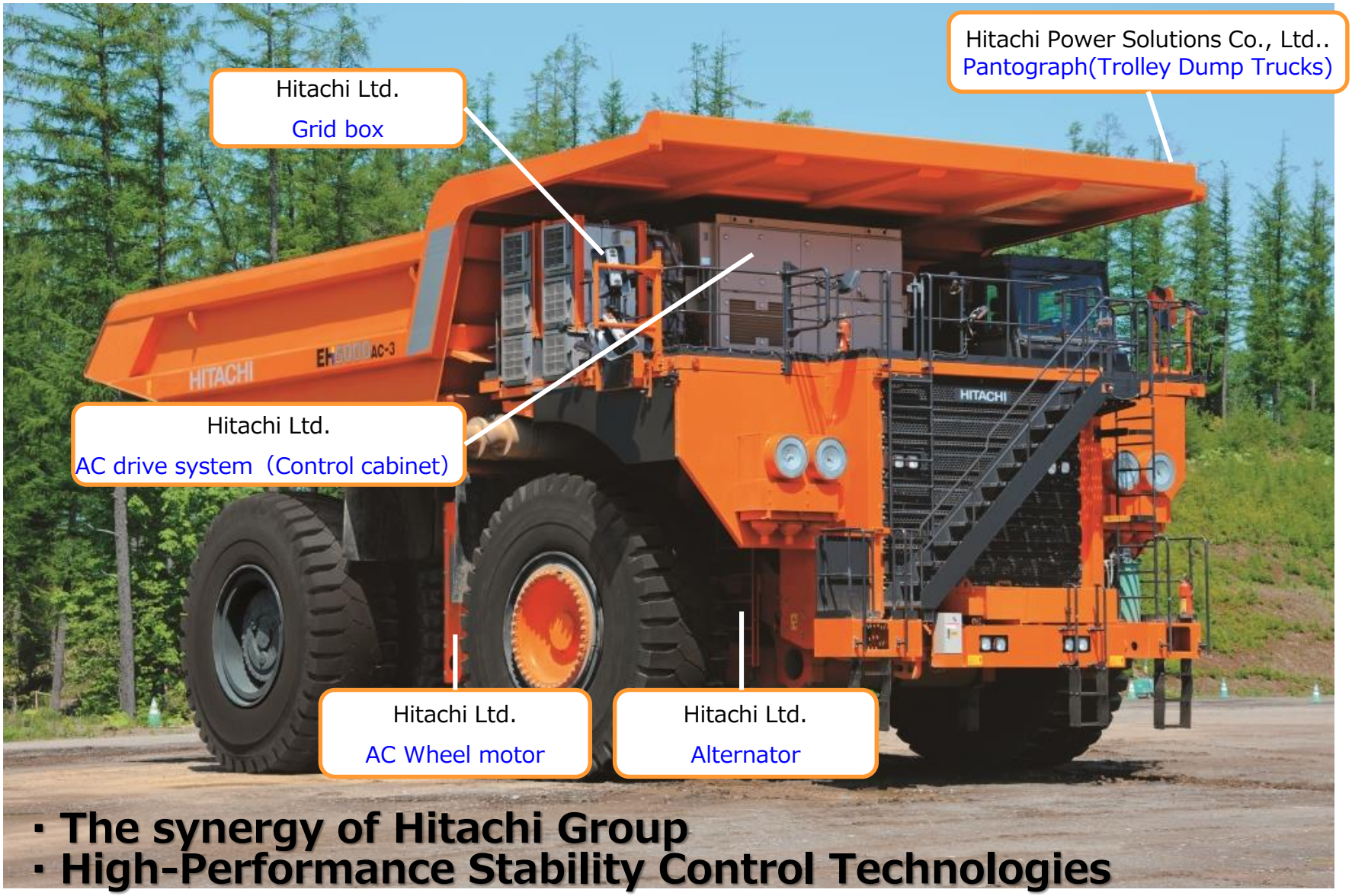
Dump Truck - The synergy of Hitachi Group



- The synergy of Hitachi Group
- High-Performance Stability Control Technologies

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【AHS】Autonomous Haulage System (AHS) for dump trucks

Scalability

Hitachi's railway traffic management system keeps data traffic per unit under control and can handle about a hundred of fleets.

Flexibility

Dump trucks equipped with Hitachi's automobile electric control technology and AC motor control technology can be converted into AHS model after delivery.

Agility

Realized fast system improvement to meet customers' project needs due to simulation technology etc..

Current status and further developments

FY2017: Implementation of commercialization test
FY2018: User test with Whitehaven Coal in Australia
First half of 2020 : Commercialization (planned)

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《Topic》 Delivered 7 units Electronic Ultra-large Excavators in Thai

13 CLIMATE ACTION

Hitachi Construction Machinery Thailand handover HITACHI EX3600E-6LD 7 Units to Italian-Thai Development

Our excavator EX2500E has been operating continuously over the past 25 years, and we have received these orders for its durability and services.

On 14th January 2020, a delivery ceremony was held at the Mae Moh Mine owned by Electricity Generating Authority of Thailand

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Acquisition of Two Solution Business Companies

Aiming to deepen the value chain of the mining business

Bradken

- ✓ 1922: Company established
- ✓ March 2017: Restructured as subsidiary of HCM
- ✓ Expanded to Australia, USA, Africa, Europe, Asia, China, and other areas
- ✓ **Main strength: Technical capabilities in molding and casting**

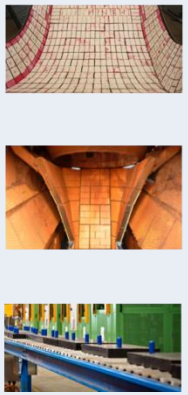
H-E Parts

- ✓ 2006: Company established
- ✓ December 2016: Restructured as subsidiary of HCM
- ✓ Expanded to Australia, USA, Chile, Canada, and other areas
- ✓ **Main strength: Comprehensive after-market solutions**

GET* , etc.

Liners for crushers and mills, etc.

Castings for fixed plant mining equipment, etc.



Specialty castings, etc.

Comprehensive solutions for mobile mining equipment

Services & parts for crushing equipment as well as on-site and off-site services & repairs

Comprehensive, high-horsepower diesel engine remanufacturing solutions (including rebuilding)

Comprehensive undercarriage parts and GET for mobile construction equipment

*Ground Engaging Tools

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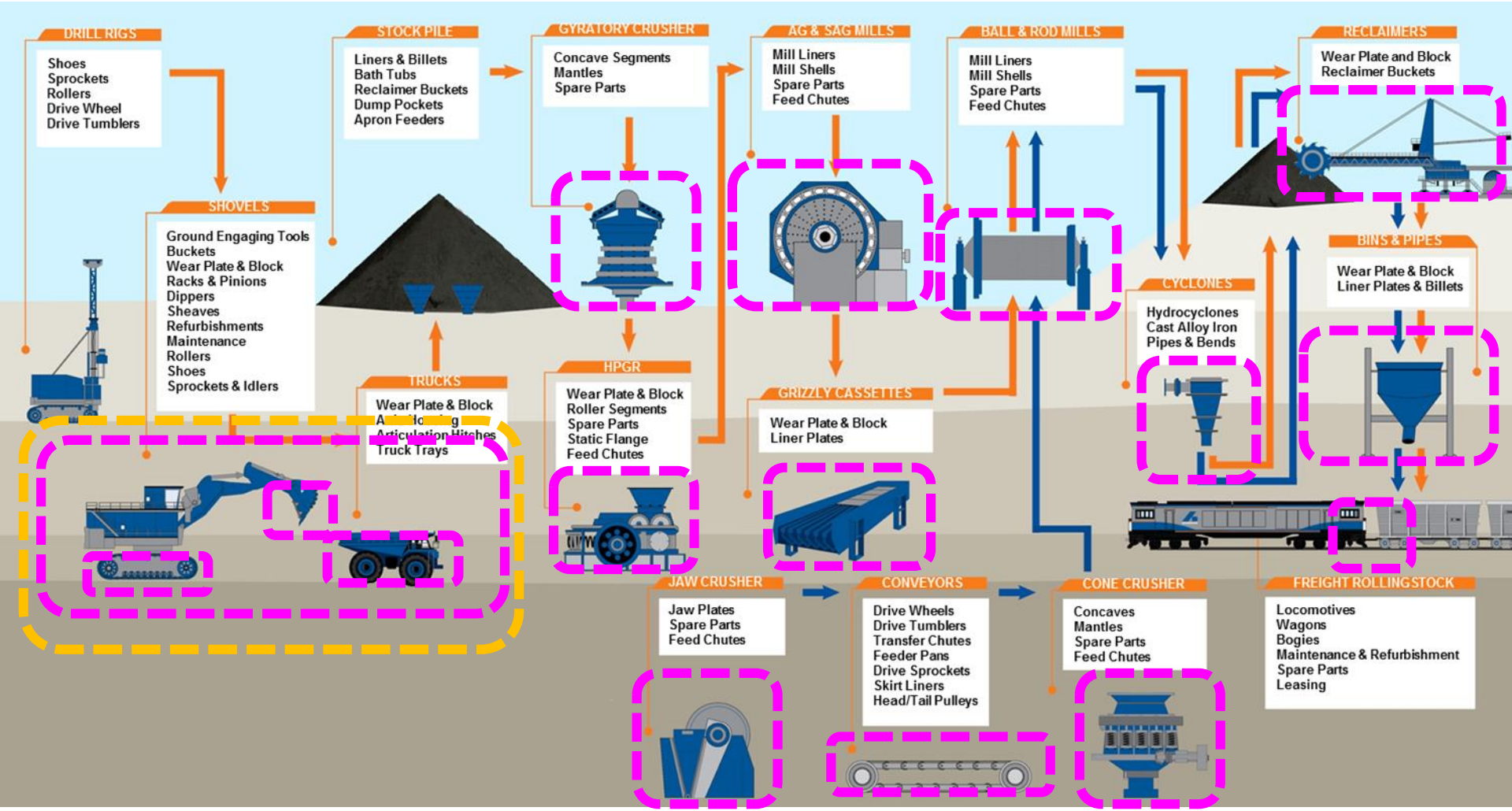
Expanding the Range of Mining Operations Covered by HCM

Coverage expanded to include consumable parts for excavators and rigid dump trucks in general, as well as mills and crushers

Previous HCM | Solution business



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Cooperation with Bradken and H-E Parts

Expansion of solution business

- ✓ Incorporation of parts and services businesses to cover all machinery at customer sites
- ✓ Expansion of procurement system

BRADKEN

- Expand sales channels by utilizing each other's networks
  - Expand sales of Bradken's undercarriage parts and GETs* for mining equipment (consumables)
  - Utilizing GETs for wheel loaders procured by Bradken
- Bradken begins shipment of genuine dump bodies for rigid dump trucks of the Hitachi Construction Machinery Group.(September 2019)

*Ground Engaging Tools

H-E PARTS INTERNATIONAL

- Newly promote parts remanufacturing business of H-E Parts by collaborating with HCM Zambia

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- Established an operating base H-E Parts in Chile: Parts remanufacturing, servicing, and parts supply functions for dump trucks have been strengthened. (October 2018)

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《Topic》 Yukie Nakayama won a copper medal at 14th Asian Championship

Yukie Nakayama of the Hitachi Construction Machinery Clay Firing Department [*1] won a copper medal in the women's trap competition at 14th Asian Championship[*2] .
Based on the results, the participation in the Tokyo Olympics will be announced.

We look forward to your warm support.

[*1]: Foundation 1997, Cray Shooting is Our Symbol Sport
[*2]: Held in Qatar (Doha) in November 2019

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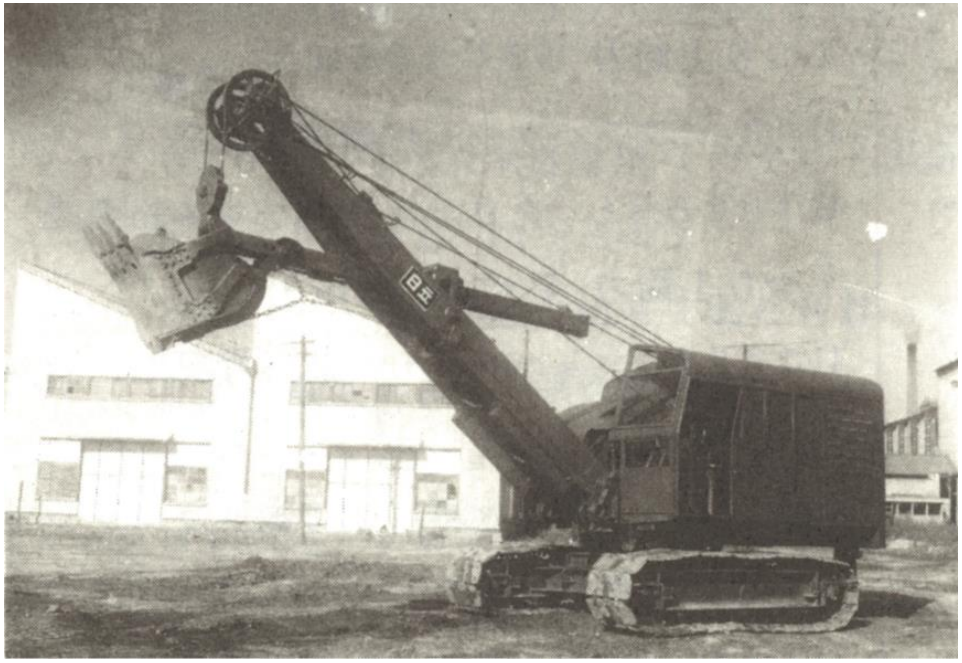
《Topic》70th anniversary of full-scale production of construction machinery

In 2020, we will mark the 70th anniversary*1 of the start of full-scale manufacturing of construction machinery.

In appreciation of our customers and other stakeholders, we will continue to take on the challenge of achieving further growth.

70th Anniversary



U06 mechanical excavators developed using pure domestic technology

*1: With the start of full-scale production in 1950 as the driving force behind Japan's post-war national land reconstruction

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《Supplementary Information》

We have chosen to align our activities with 10 of the 17 SDG's.

Topics in this explanatory material are shown together with their corresponding SDG icon.

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[Cautionary Statement]

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

END

For further inquiries:

Corporate Brand & Communications Div.

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Received 2019 IR Prime Business Award
from Japan Investor Relations Association
November 2019