


## Business Result for FY2014 ended March 31, 2015 Regional Market Environments and Projections



April 27, 2015

 **Hitachi Construction Machinery Co., Ltd.**  
**Senior Vice President and Executive Officer**  
**Akihiko Hiraoka**

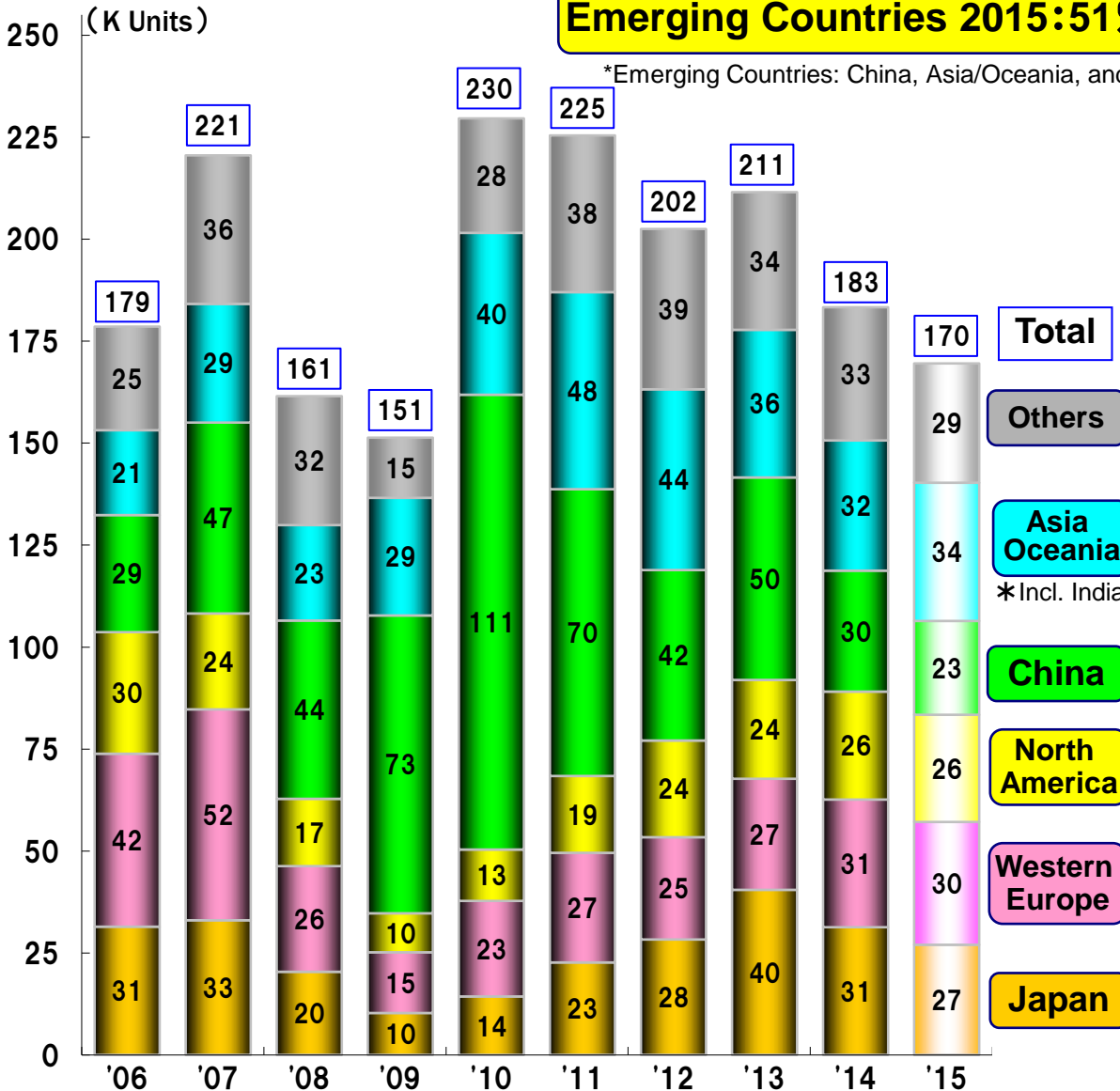
# Global Demand Trend for Hydraulic Excavators

\*Estimates by HCM \*Excluding Chinese manufacturer  
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**Emerging Countries 2015:51% (Y-0-Y Change: ±0%)**

\*Emerging Countries: China, Asia/Oceania, and others

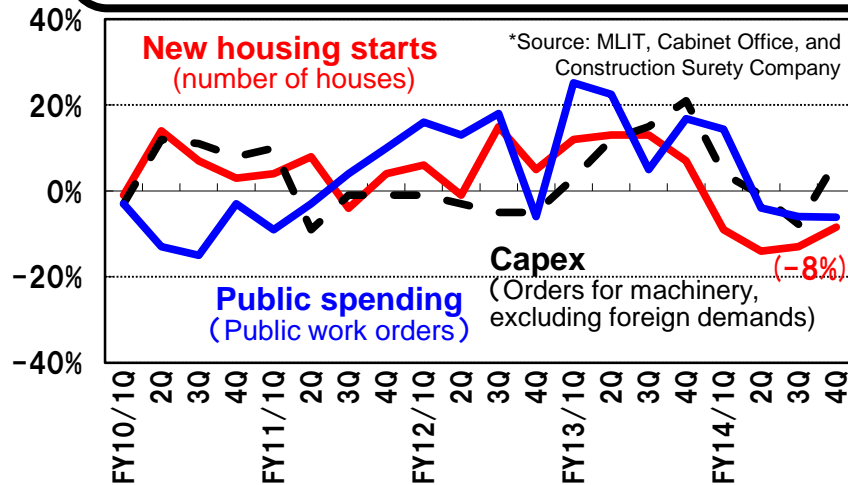
**Year-on-Year Change**



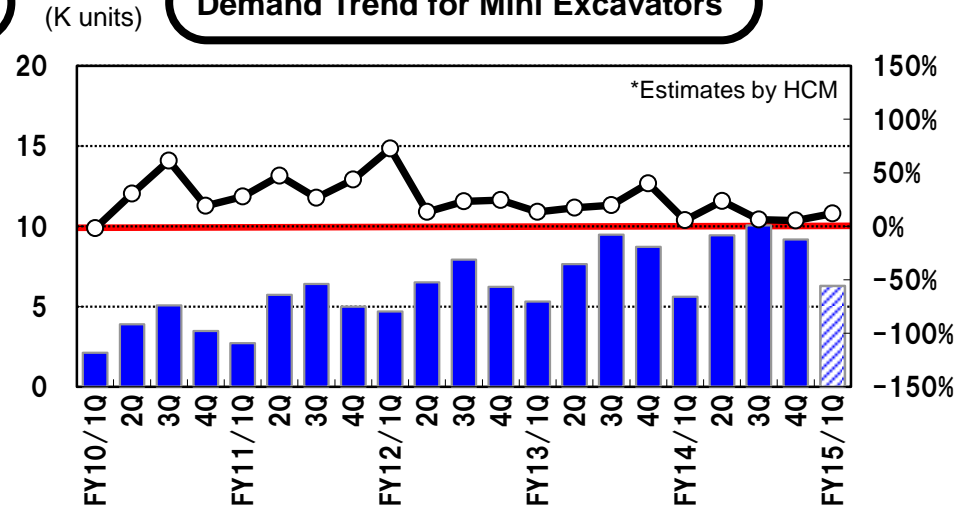
	'13	'14	'15
<b>Total</b>	+4%	-13%	-7%
Russia, CIS, E Europe	-17%	-22%	-22%
Africa	-5%	+7%	0%
Middle East	-19%	+9%	-7%
Latin America	-17%	-7%	-14%
<b>Others</b>	-14%	-3%	-12%
India	-26%	-1%	+13%
Indonesia	-20%	-25%	-1%
Others	-13%	-11%	+5%
<b>Asia &amp; Oceania</b>	-18%	-11%	+6%
<b>China</b>	+19%	-40%	-22%
<b>N America</b>	+2%	+8%	0%
<b>W Europe</b>	+9%	+15%	-3%
<b>Japan</b>	+43%	-23%	-13%

- ◇ In FY2014, capital investment rebounded to show increases; however, public constructions and housing starts have decreased. Demand for hydraulic excavators significantly declined as a reaction to last minute demands in anticipation of new emissions regulations (Fell by 23% y-o-y).
- ◇ In FY2015, demand for hydraulic excavators has been bolstered by investment promotion tax effect, despite reactions to last minute demands in anticipation of new emissions regulations. Demand for mini excavators and wheel loaders is expected to increase slightly due to front-loaded demand anticipating new emission regulations.

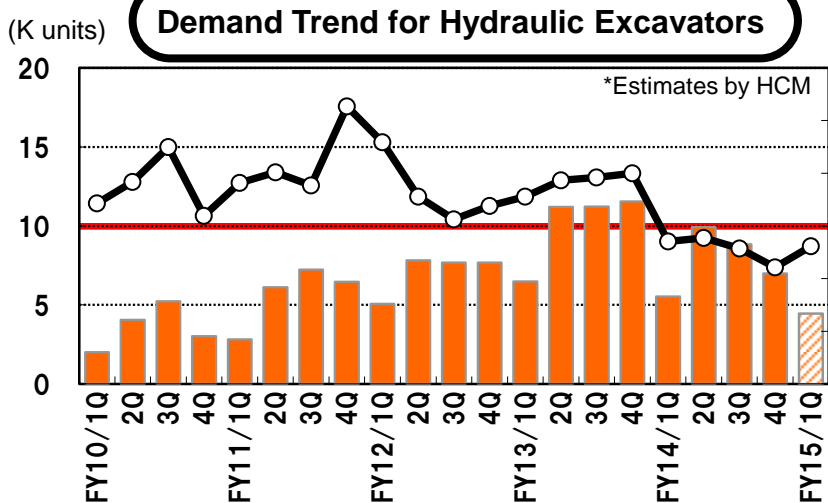
**Market Environment: Housing/Public Spending and Capex (y-o-y)**



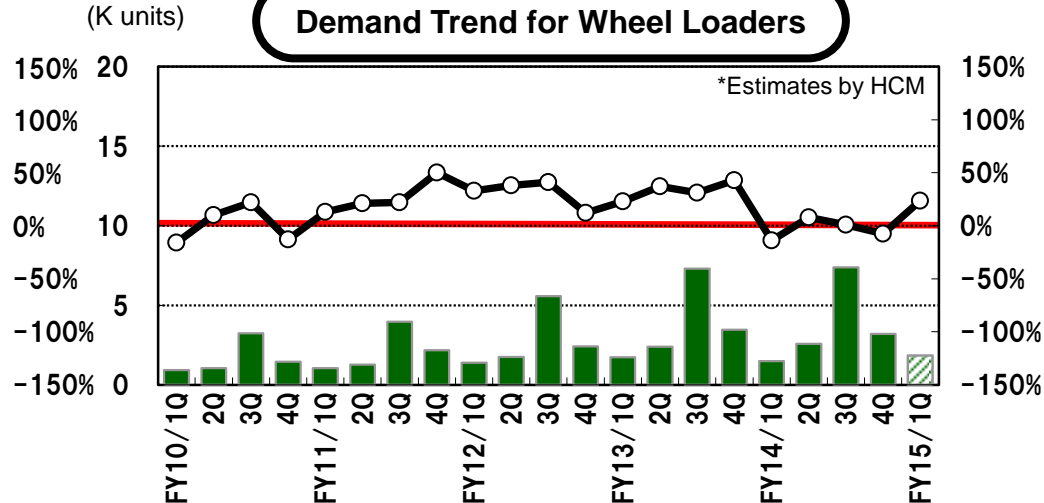
**Demand Trend for Mini Excavators**



**Demand Trend for Hydraulic Excavators**

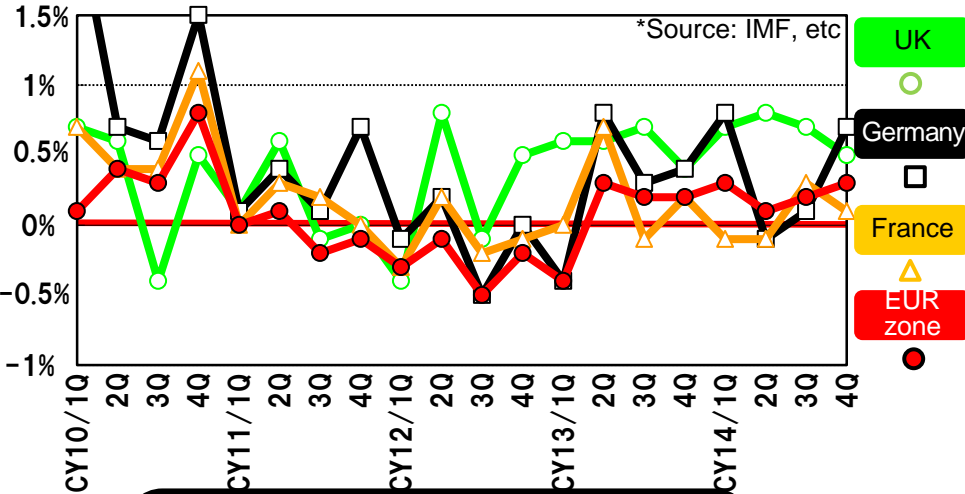


**Demand Trend for Wheel Loaders**

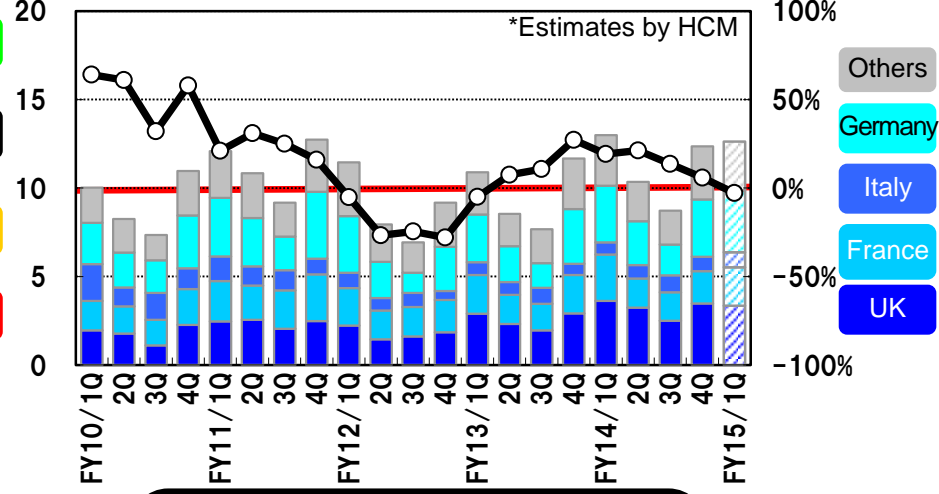


- ◇ In FY2014, construction machinery demand increased throughout Europe mainly in the Western European countries (Hydraulic excavators : Up by 15% y-o-y).
- ◇ In FY2015, construction machinery demand in overall European market is expected to decrease slightly, due mainly to a decreased demand in the UK.

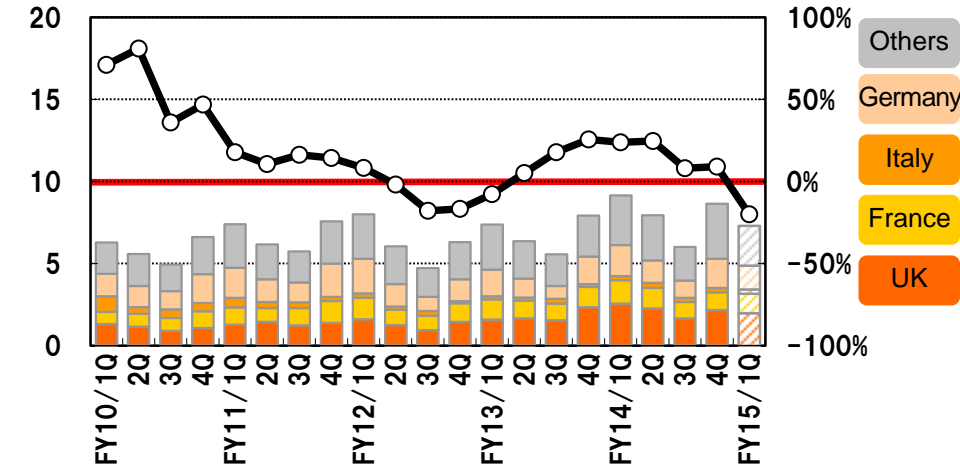
**GDP Growth Rate in Major Countries (y-o-y)**



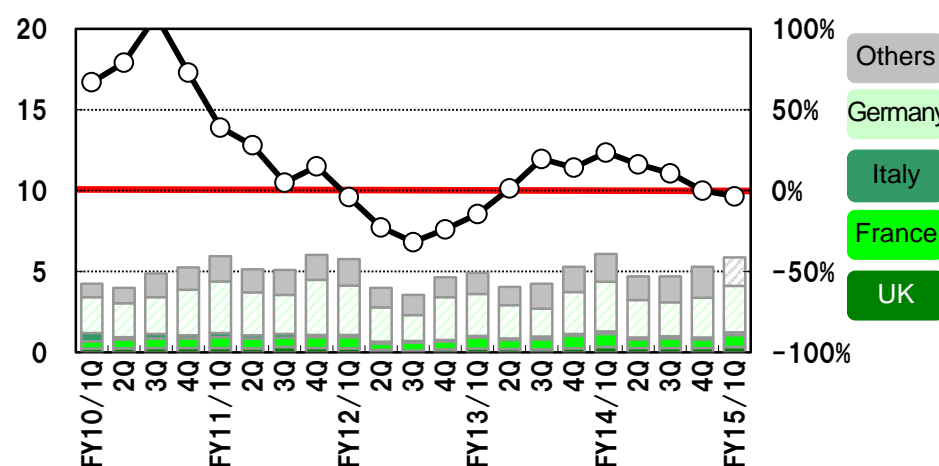
**Demand Trend for Mini Excavators**



**Demand Trend for Hydraulic Excavators**

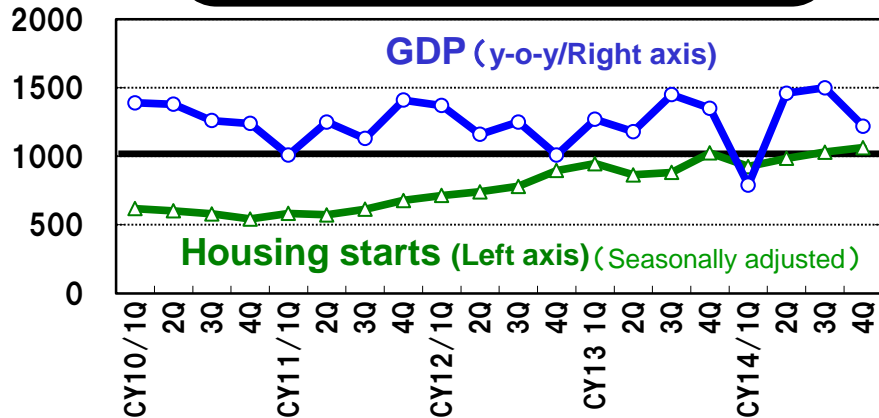


**Demand Trend for Wheel Loaders**



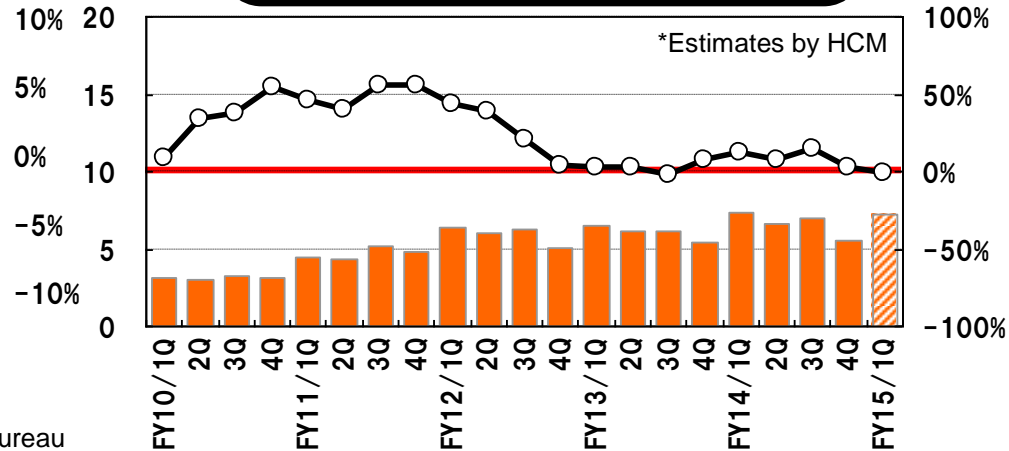
- ◇ In FY2014, housing starts and construction investment remained brisk. Demand for hydraulic/mini excavators increased mainly for housing and energy-related projects. (Hydraulic excavators: Up by 8%, Mini excavators: Up by 15%)
- ◇ In FY2015, demand for Mini excavators is expected to be brisk, while demand for Hydraulic excavators is expected to remain unchanged.

(K units) **GDP Growth Rate, Housing Starts in US**

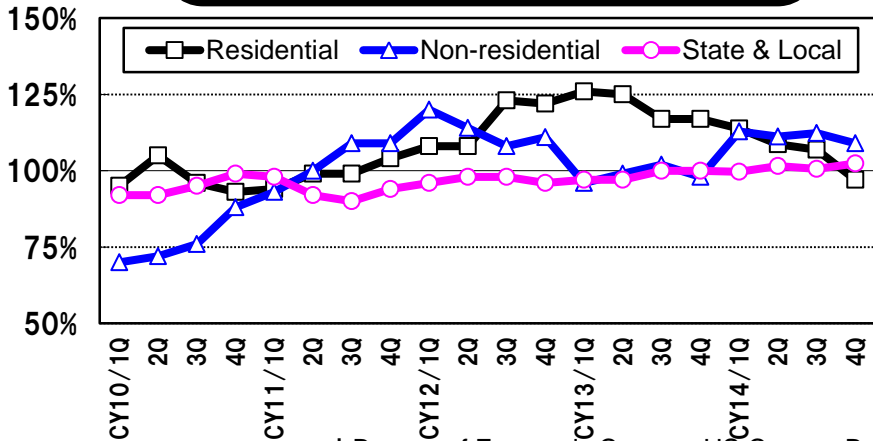


\*Bureau of Economic Census, US Census Bureau

(K units) **Demand Trend for Hydraulic Excavators**

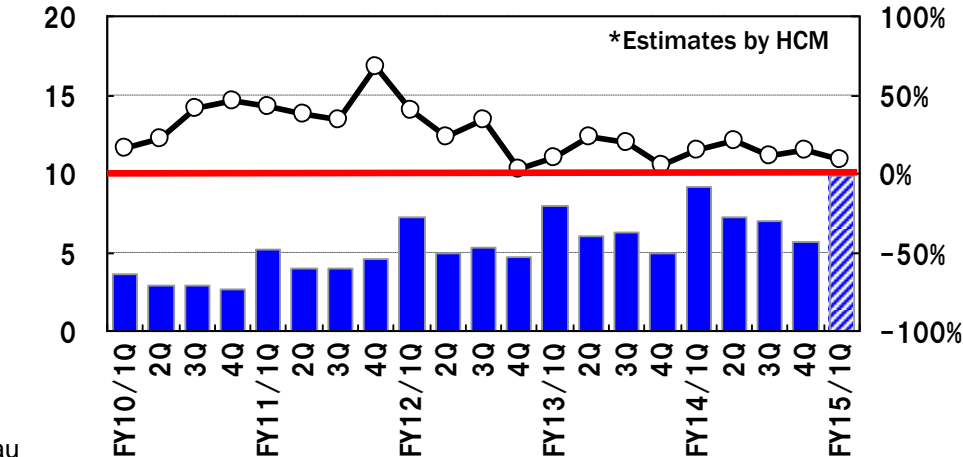


**Construction Spending in US (y-o-y)**



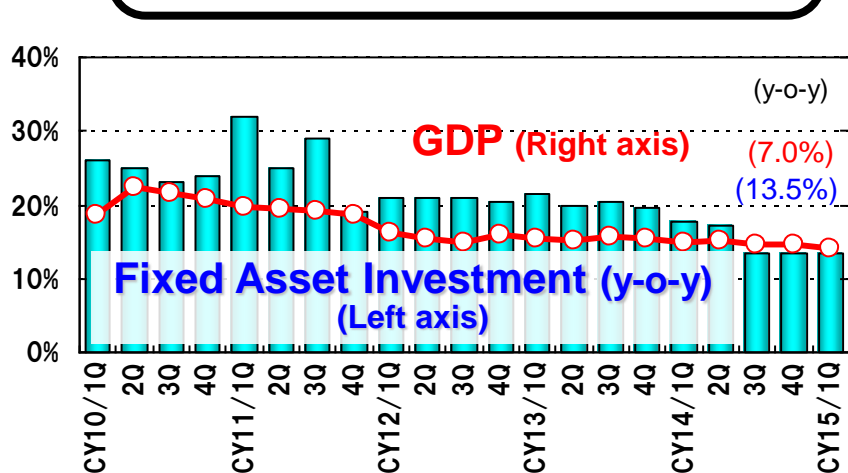
\*Bureau of Economic Census, US Census Bureau

(K units) **Demand Trend for Mini Excavators**



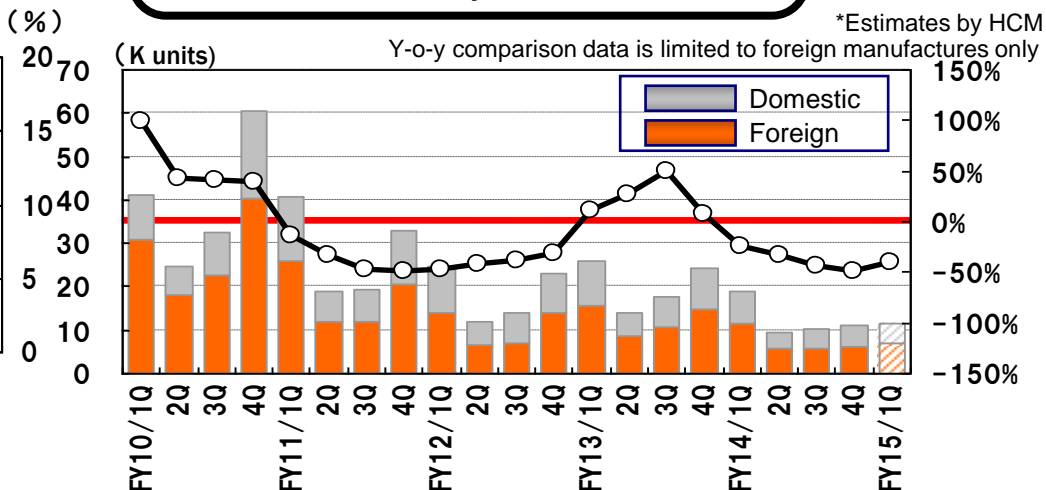
- ◇ In FY2014, demand for construction machinery has significantly decreased due to the slowdown of real estate market conditions and continuous inventory adjustment of coal and steel.
- ◇ In FY2015, demand is forecasted to further decrease.

## GDP and Fixed Asset Investment



\*National Bureau of Statistics of China

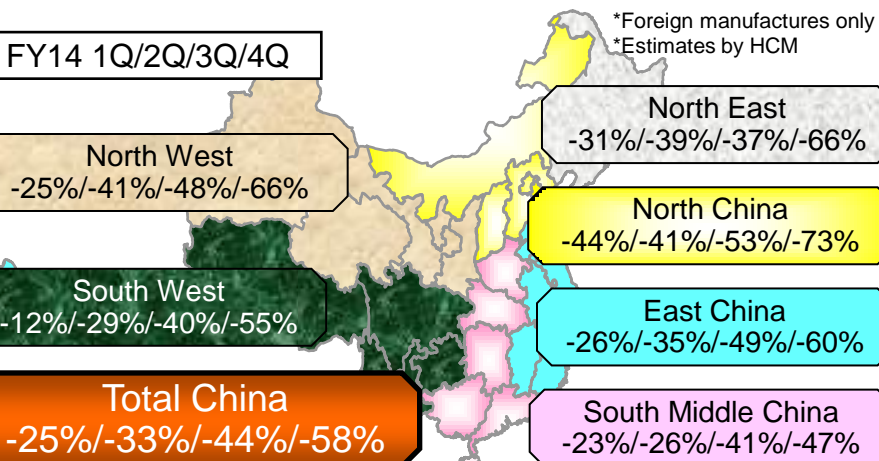
## Demand Trend for Hydraulic Excavators



\*Estimates by HCM

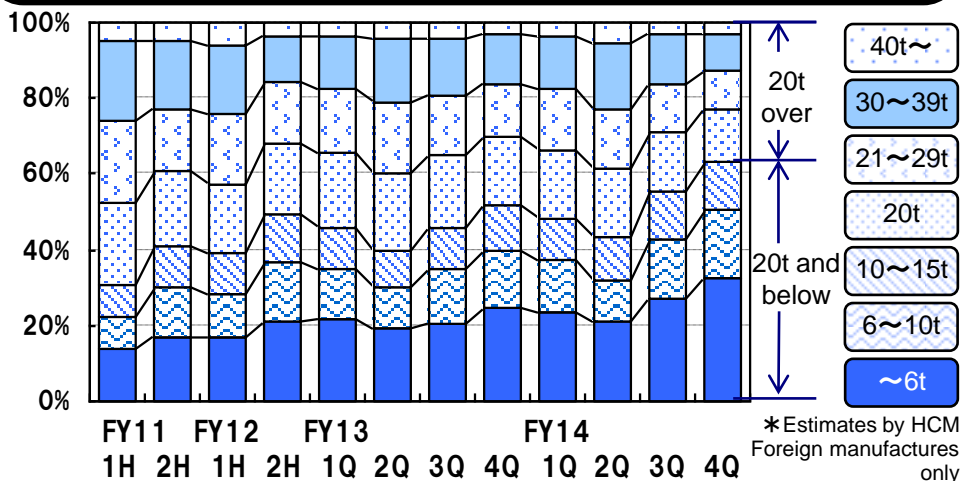
Y-o-y comparison data is limited to foreign manufactures only

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



\*Foreign manufactures only  
\*Estimates by HCM

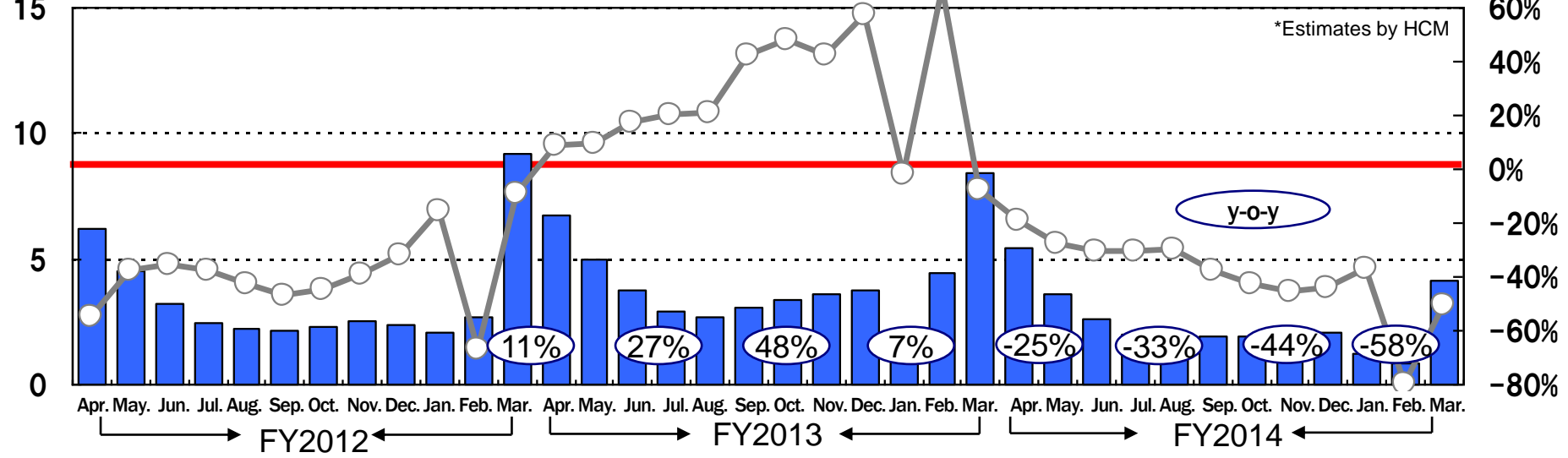
## Demand Composition by Class for Mini Excavators and Hydraulic Excavators



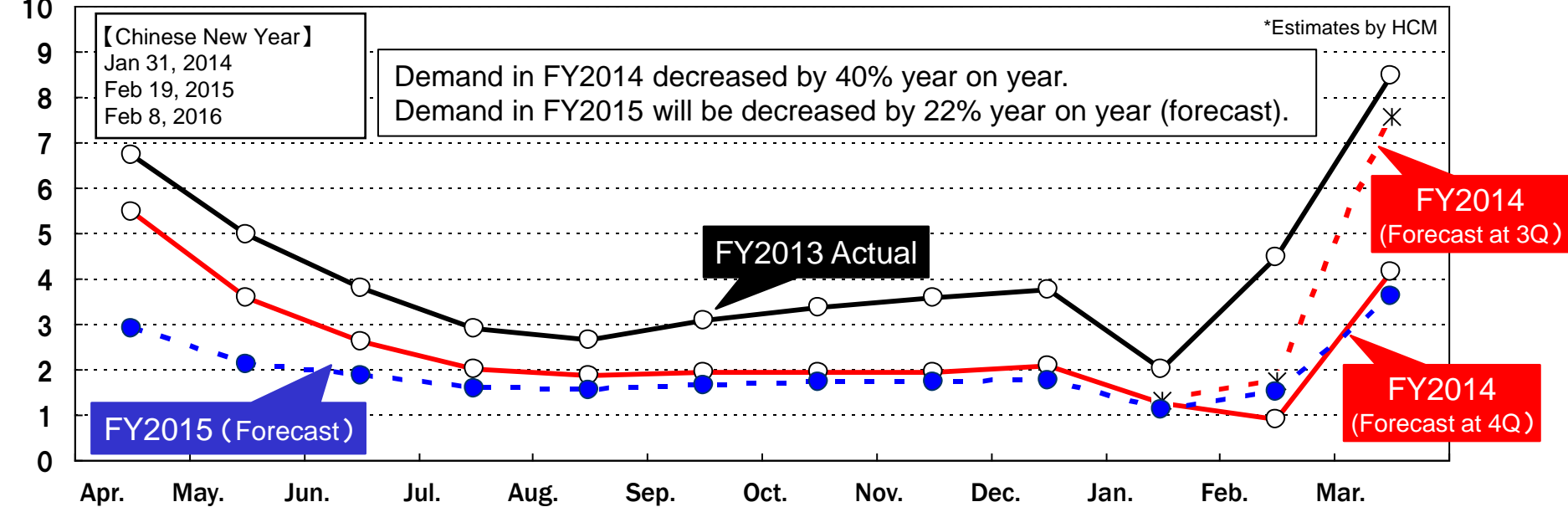
\*Estimates by HCM  
Foreign manufactures only



(K units) **Monthly Demand Trend for Hydraulic Excavators** (Compared to the same month in the previous year) (Foreign Manufactures Only)



(K units) **Monthly Demand Trend for Hydraulic Excavators** (Foreign Manufactures only)



## Consolidation of “parts center” function in China to Hitachi Transport System (China) Co., Ltd.

In order to restructure the supply system of maintenance parts for construction and mining machinery, HCM consolidates "Parts Center" function for maintenance parts of Hitachi Construction Machinery (Shanghai) Co., Ltd. to "East Shanghai Logistics Center". The center is newly established by Hitachi Transport System (China) Co., Ltd. and will launch its operation on May 6th, 2015.

By utilizing the 3PL\* service and outsourcing our logistics operations of maintenance parts in China to Hitachi Transport System Group, which has extensive experience and management systems, we aim to optimize logistics efficiency of maintenance parts.

Furthermore, we strive to enhance our total product support capabilities by relocating the training center and the parts remanufacturing parts plant, which used to be in separate places, onto the same site.



Opening ceremony was held on April 20th, 2015.

\* 3PL: abbreviation for 3rd Party Logistics.

It means to comprehensively delegate the company's general logistics operation to third party enterprise.

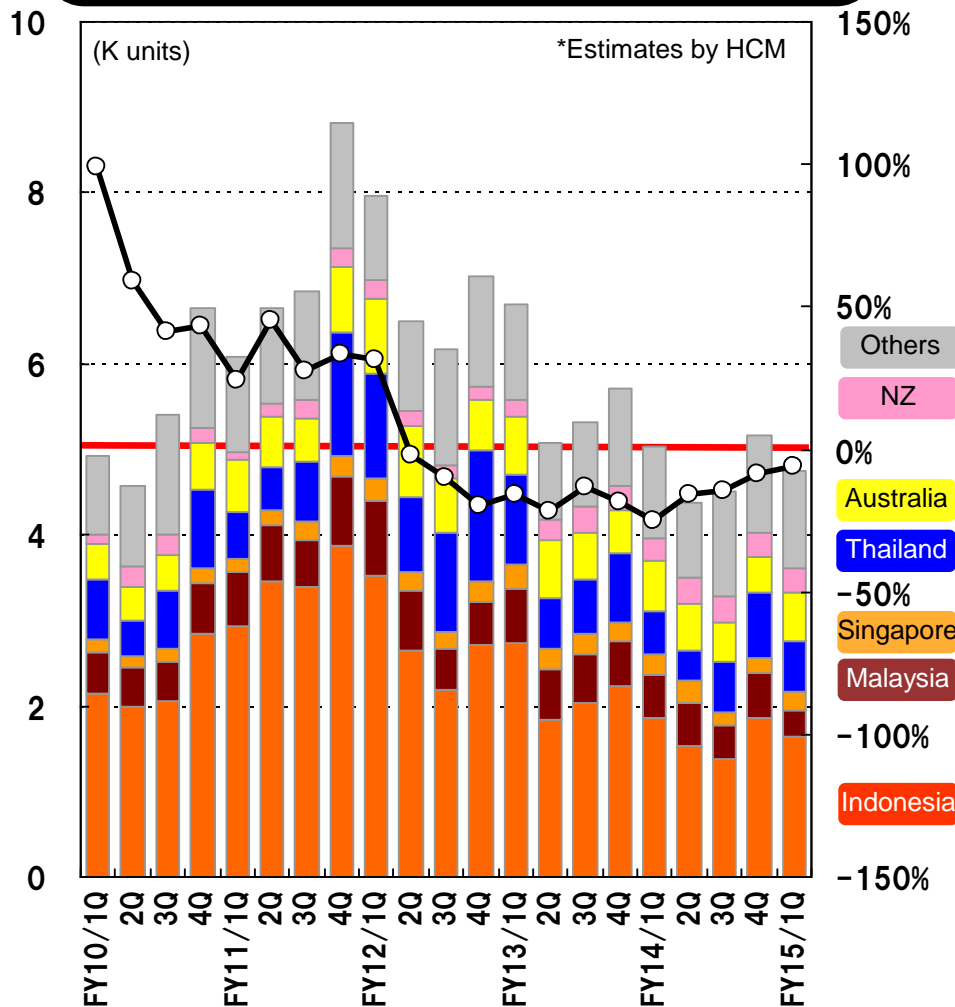


New Parts Center to start operation

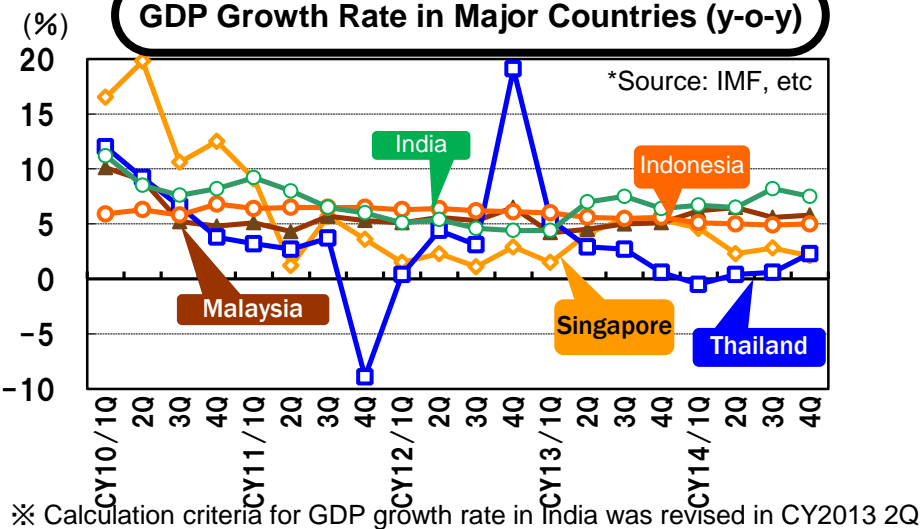


- ◇ In FY2014, demand in Asia and Oceania decreased by 16% year-on-year due to decreases in demand mainly in Indonesia, Thailand, and Malaysia. Demand in India decreased by 1% year-on-year, underpinned by a recovery trend.
- ◇ In FY2015, demand in Asia and Oceania will be continuously stagnant. Demand in India is expected to recover due to policy effects of new government.

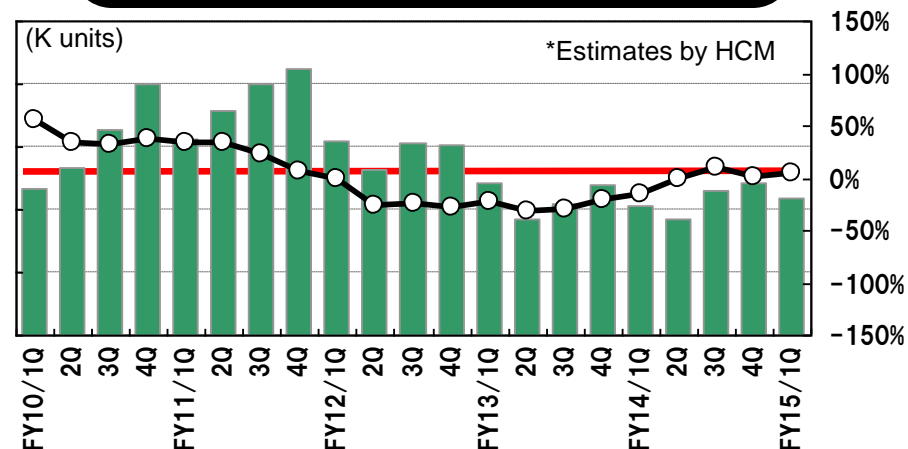
### Demand Trend for Hydraulic Excavators in Asia & Oceania



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



### Demand Trend for Hydraulic Excavators in India



In India, THCM (Tata Hitachi Construction Machinery Company Private Limited) started shipping of GI machineries for export.

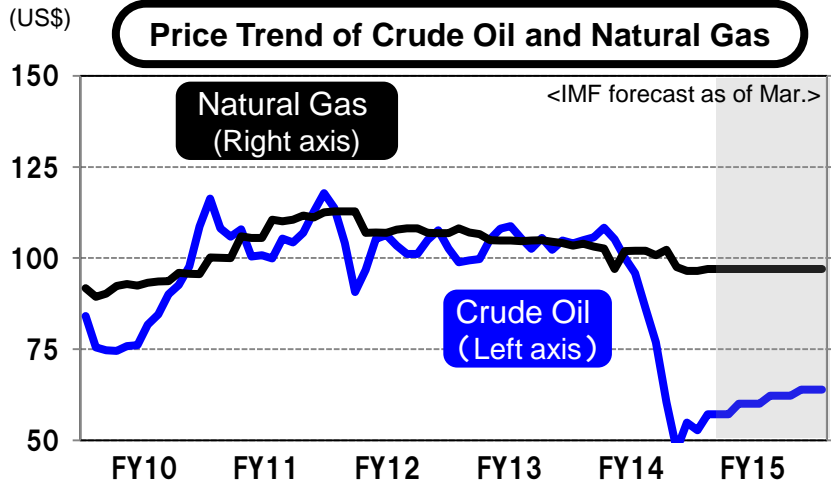
80 units have already been exported to the Middle East and Africa. We expect to export 200 units in FY2015.



**[Russia]** Demand decreased by 32% year on year along with economic downturn caused by crude oil and Ruble depreciation. Demand in FY2015 is expected to further decrease.

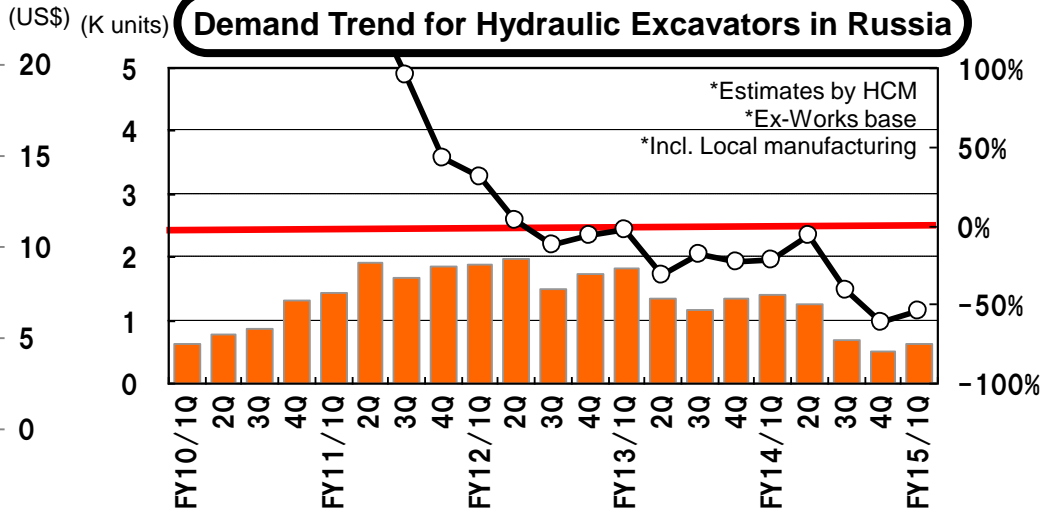
**[Middle East]** Demand for hydraulic excavators was solid, mainly for infrastructure-related projects including roads and ports of the Gulf countries; however, demand in FY2015 is expected to decrease slightly. Demand for hydraulic excavators in Turkey in 2014 has decreased considerably due to negative impacts from the neighboring countries and Lira depreciation. Demand in FY2015 is expected to decrease. We will actively monitor market developments in Turkey after the general election.

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

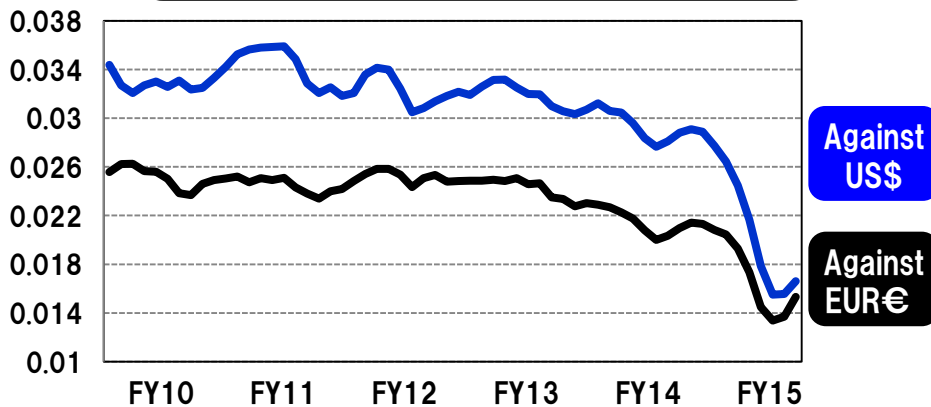


\*Created by HCM, the source from IMF HP

**Demand Trend for Hydraulic Excavators in Russia**

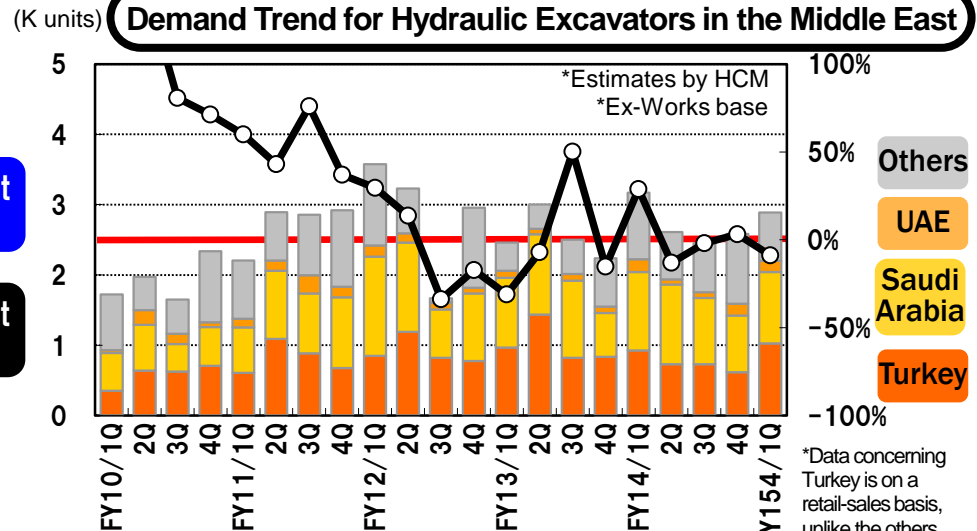


**Foreign Exchange Rate of the Ruble**



\*According to HCM's research

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



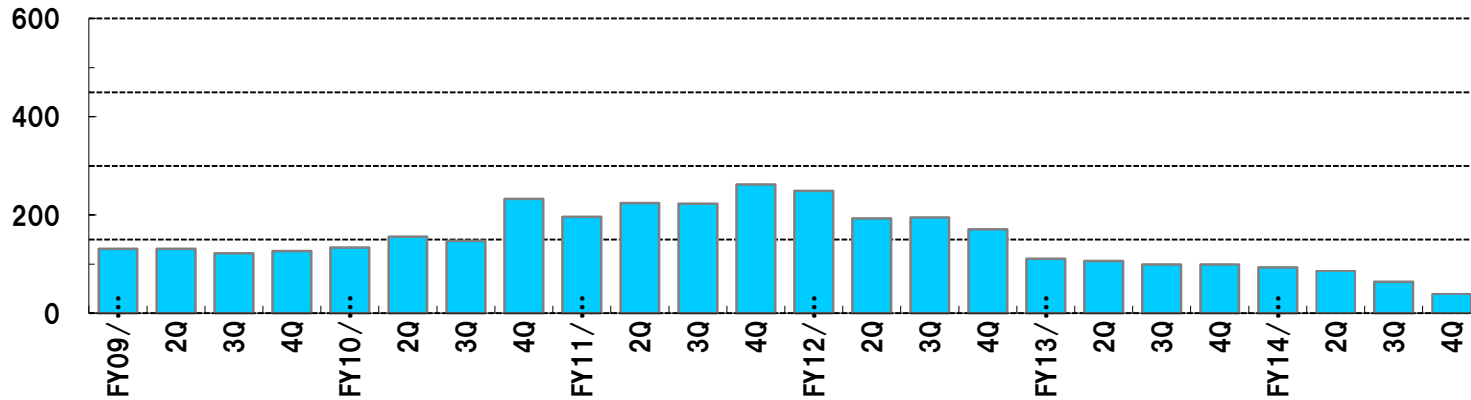
\*Data concerning Turkey is on a retail-sales basis, unlike the others.

- ◇ Resource prices: coal prices remain flat, and iron ore prices are persistently on a downward trend.
- ◇ In FY2014, mining machinery demand remained stagnant (a decrease by approximately 30% year-on-year). Demand in FY2015 is expected to decrease by approximately 10%.

## Demand Trend for Ultra-large Hydraulic Excavators (100t<EX1200> and over)

\*Estimates by HCM

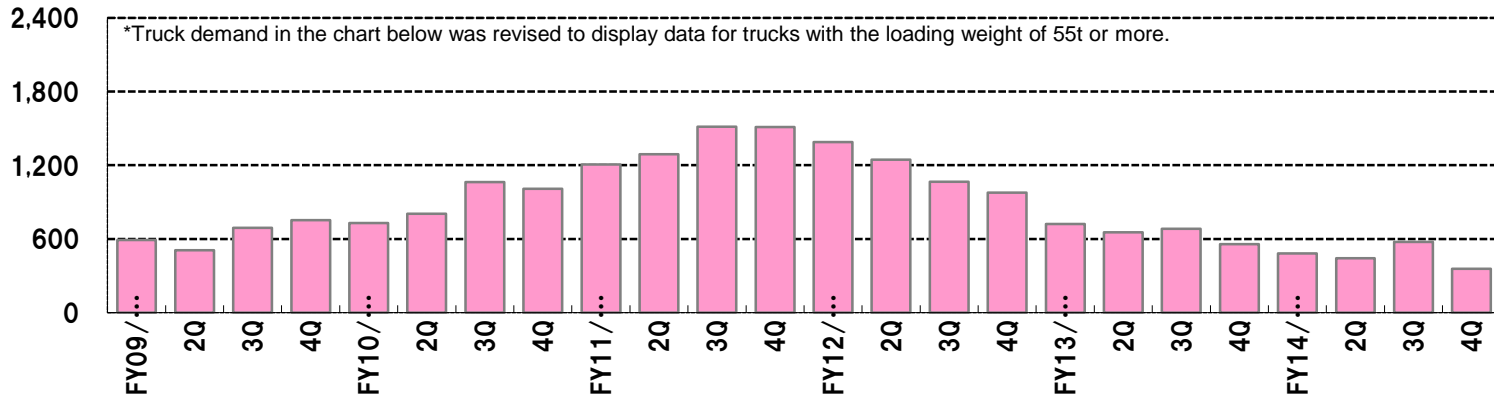
(Units)



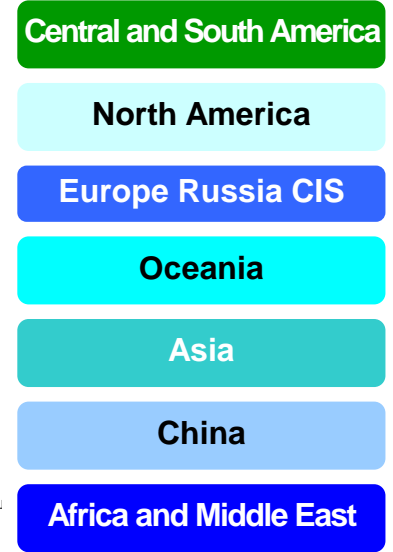
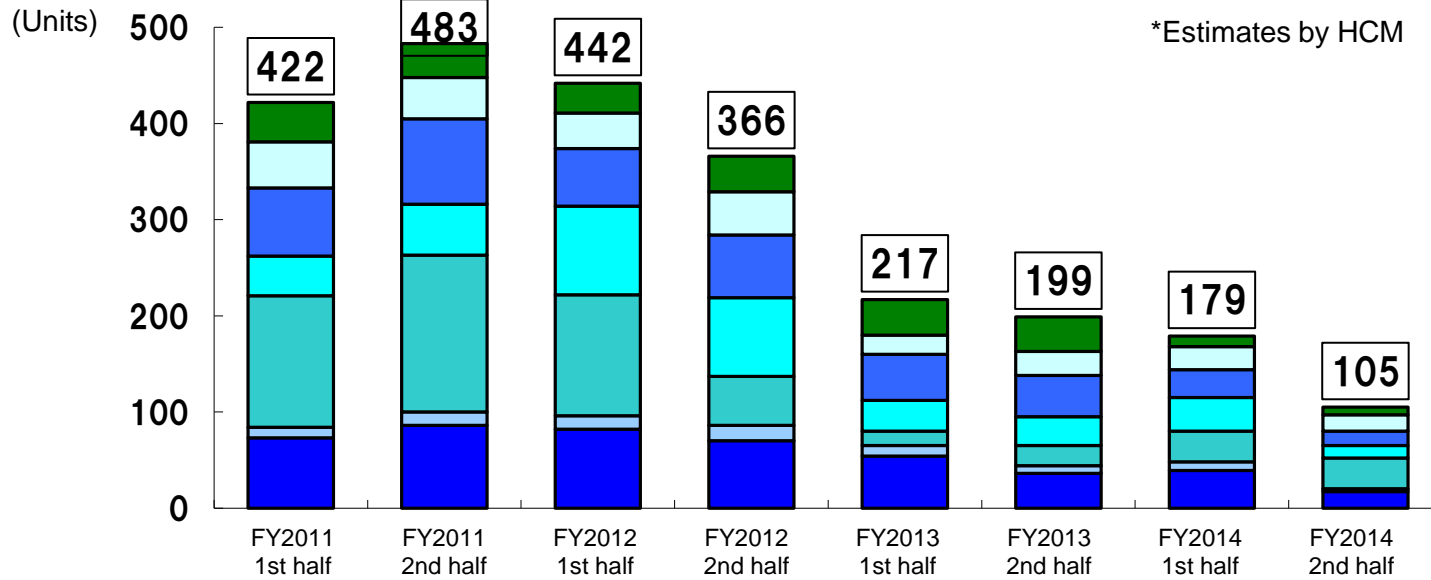
## Demand Trend for Mining Dump Trucks (55t<EH1100> and over)\*

\*Estimates by HCM

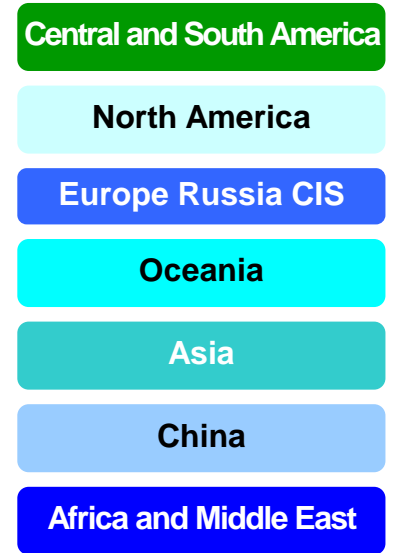
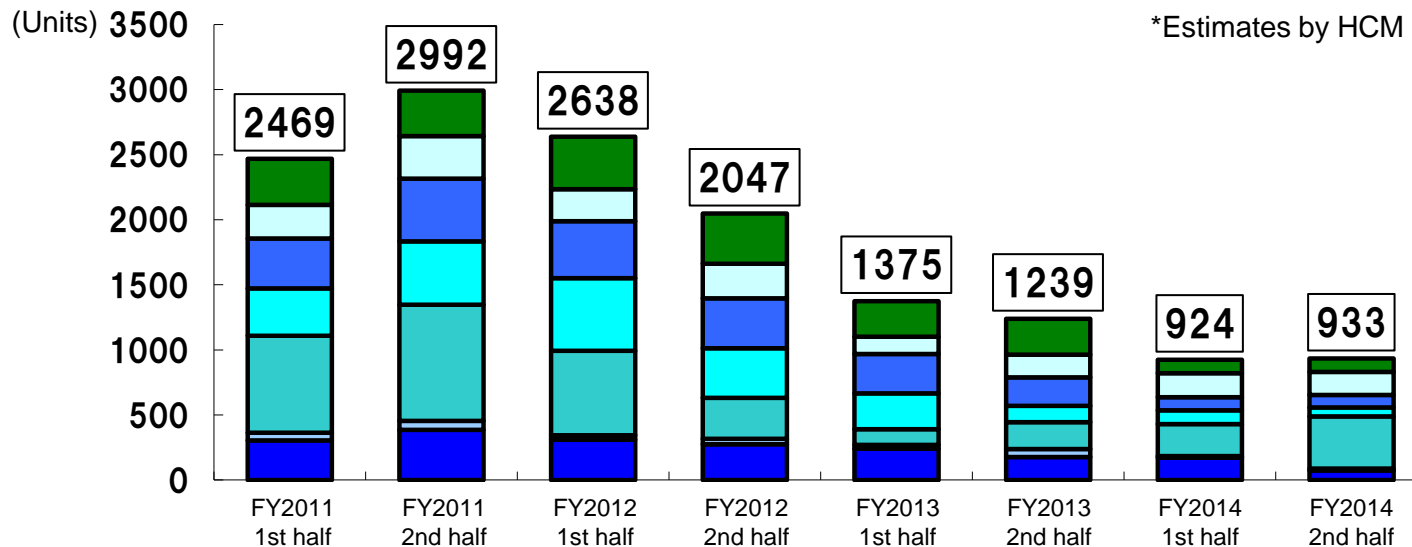
(Units)



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



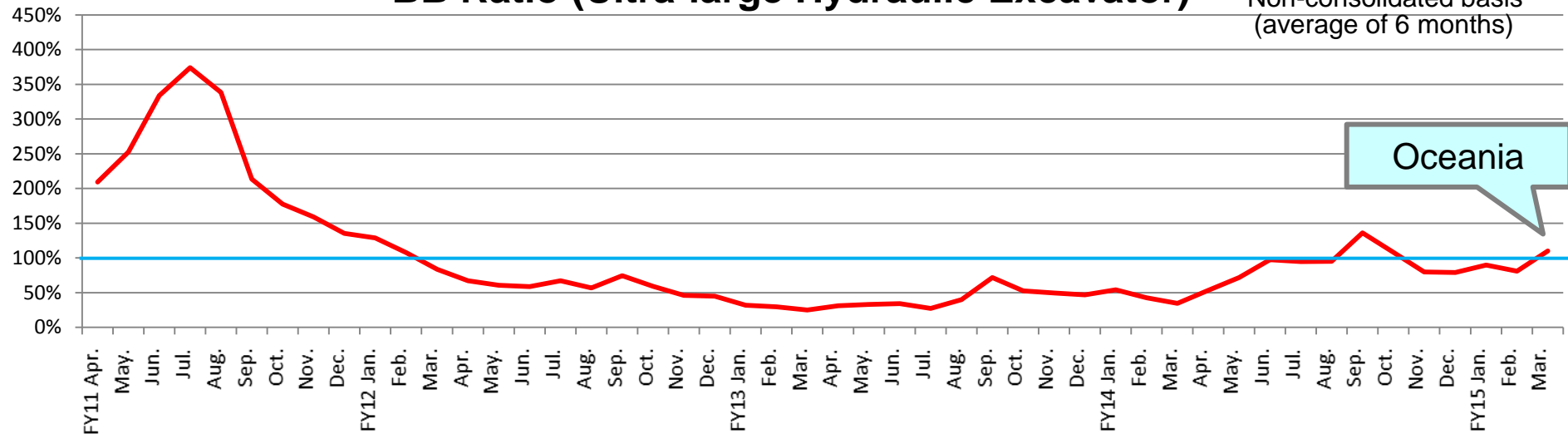
## Demand proportion by each region: Truck (over 55t)



Book-to-Bill(BB)Ratio = Bookings(Orders received) / Billings(Value of shipment)

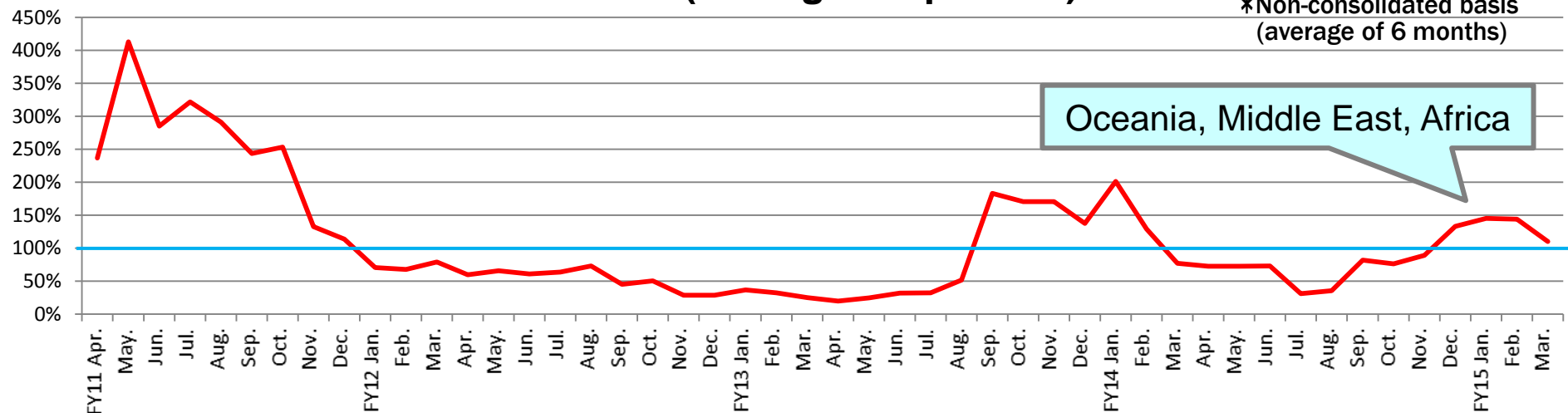
## BB Ratio (Ultra-large Hydraulic Excavator)

\*Non-consolidated basis  
(average of 6 months)



## BB Ratio (Mining Dump Truck)

\*Non-consolidated basis  
(average of 6 months)



Market environment remains severe. Truck demand has slightly improved, underpinned by replacement demand.



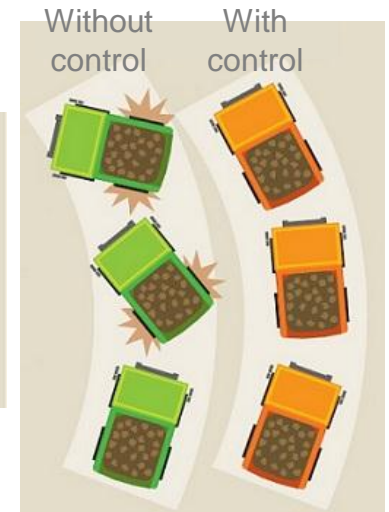
## AWARD - JSME Medal for New Technology 2014, The Japan Society of Mechanical Engineers

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.



Pitching restrain control



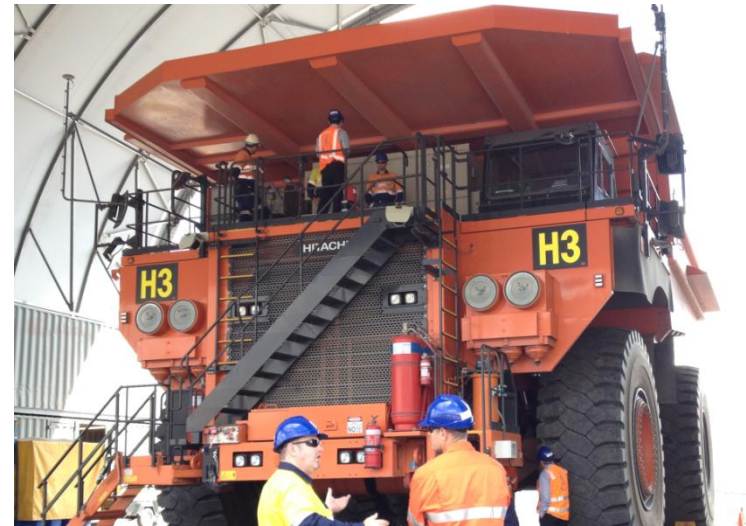
Sideslip prevention control

EH5000AC-3 dump equipped with  
"High-Performance Stability Control Technologies"

## Demonstrated a dump truck with Autonomous Haulage System (AHS)

In March-April 2015 at a testing ground in Australia, we conducted a haulage demonstration of a dump truck with Autonomous Haulage System (AHS) for major mining companies and introduced the development situation and concept of AHS dump trucks.

We continue to develop this technology, aiming at introduction in 2017.



## Delivered mining fleets for coal mine in Australia

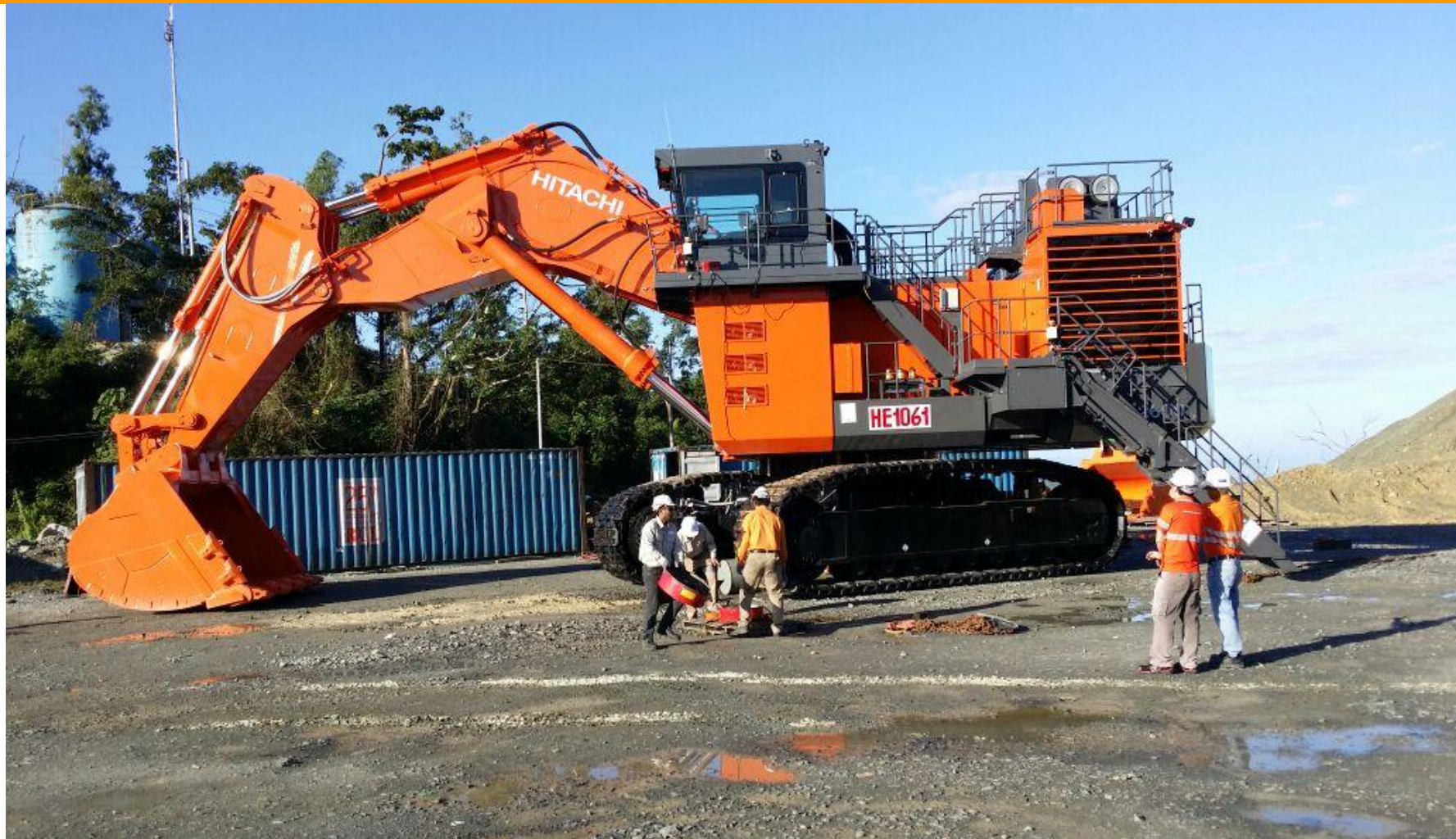
Delivery in March 2015 for coal mine in Queensland, Australia.

- Trucks: 5 units of EH3500AC-3, 5 units of EH4000AC-3
- Hydraulic excavators: 1 unit of EX3600-6, 1 unit of EX5600-6





Delivered the ultra-large hydraulic excavator, EX2600-6, in Philippines for the first time.



### [Cautionary Statement]

This material contains forward-looking statements that reflect our views and assumptions in light of the information currently available with respect to certain future events, including the Company's expected financial position, operating results, and business strategies. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured.

Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, changes in the economic conditions in the Company's principal markets, changes in demand for the Company's products, changes in exchange rates, and the impact of regulatory changes and accounting principles and practices.

# END

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For further inquiries:

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