

Business Result for the First Quarter ended June 30, 2015 Regional Market Environments and Projections



July 28, 2015

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

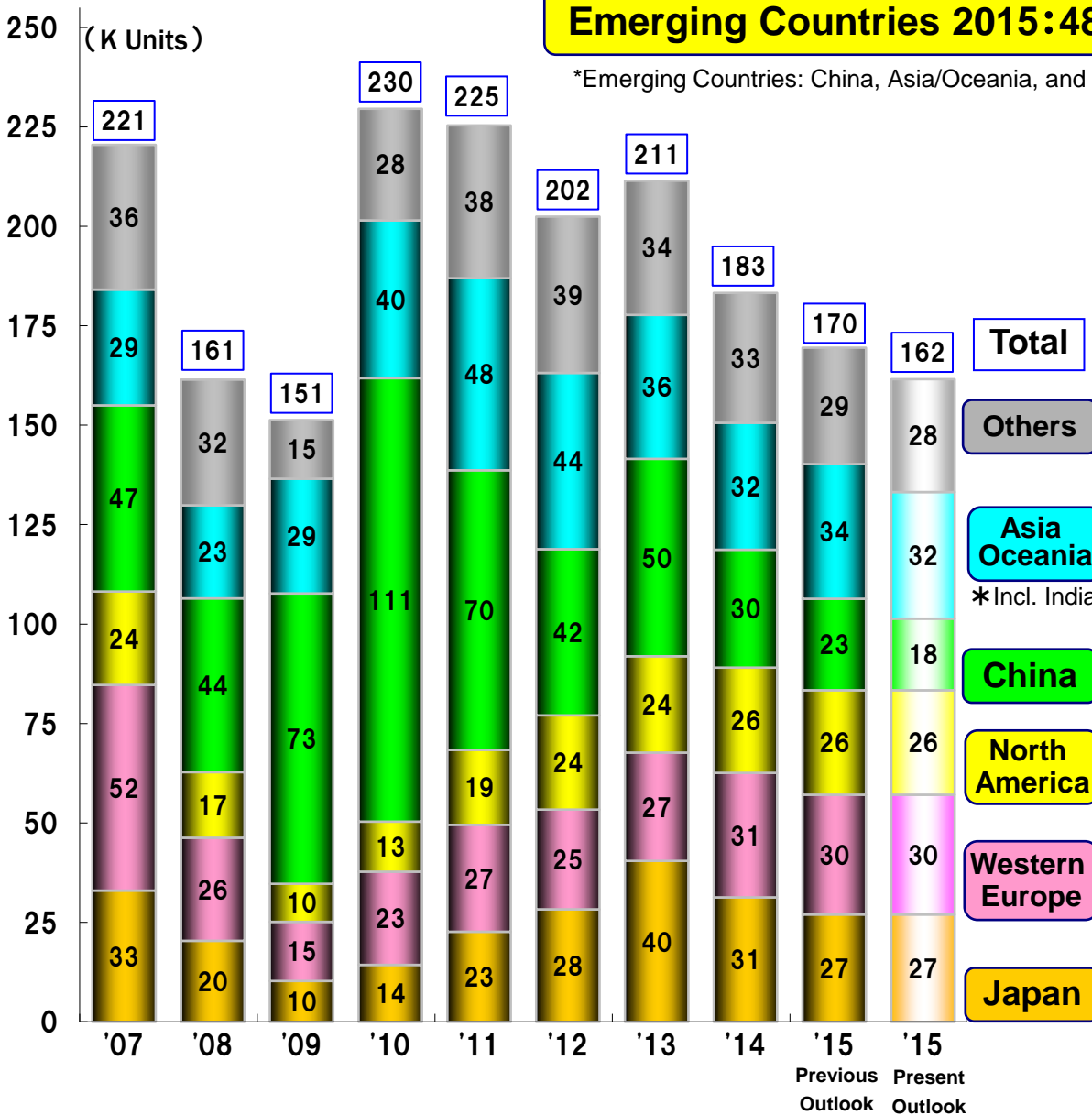
Global Demand Trend for Hydraulic Excavators

*Estimates by HCM *Excluding Chinese manufacturer
(Distributing, copying, or forwarding prohibited)

Emerging Countries 2015:48% (Y-0-Y Change:-3%)

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

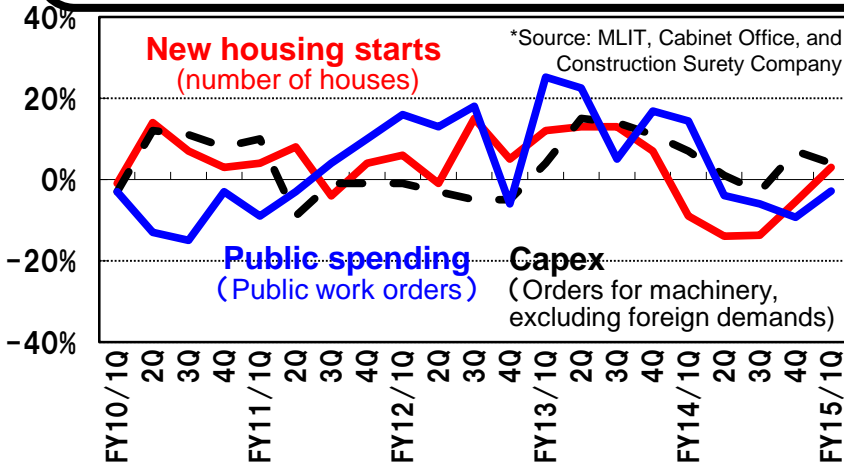
Year-on-Year Change



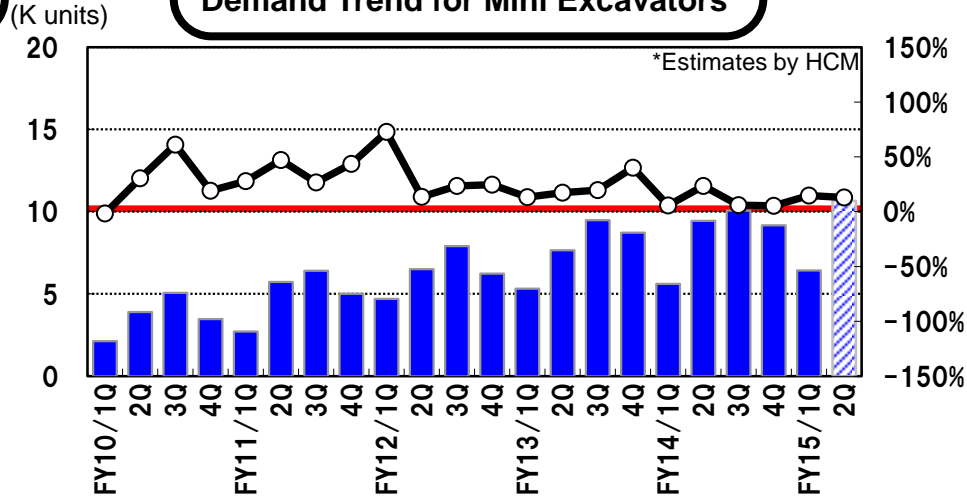
	'14	'15 Previous Outlook	'15 Present Outlook
Total	-13%	-7%	-11%
Russia, CIS, E Europe	-22%	-22%	-37%
Africa	+7%	+0%	0%
Middle East	+9%	-7%	-7%
Latin America	-7%	-14%	-14%
Others	-3%	-12%	-15%
India	-1%	+13%	+13%
Indonesia	-25%	-1%	-25%
Others	-11%	+4%	+2%
Asia & Oceania	-11%	+6%	+0%
China	-40%	-22%	-39%
N America	+8%	+0%	0%
W Europe	+15%	-3%	-3%
Japan	-23%	-13%	-13%

- ◇ Despite a recovery in housing starts, public investment reduced continuously.
- ◇ Demand for hydraulic excavators has decreased as a reaction to last minute demands in anticipation of new emission regulations (fell by 20% y-o-y).
- ◇ Demands for mini-excavators and wheel loaders have increased due to last minute demands anticipating new emission regulations (mini-excavators increased by 15% y-o-y; wheel loaders increased by 26% y-o-y).

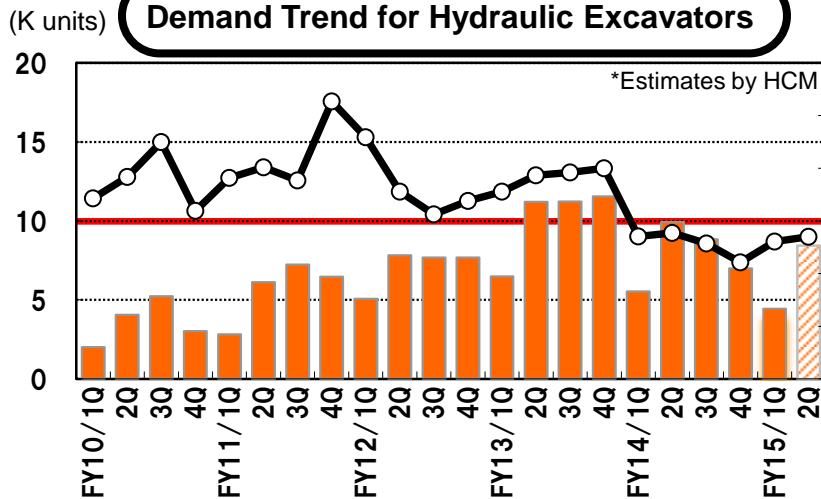
Market Environment: Housing/Public Spending and Capex (y-o-y)



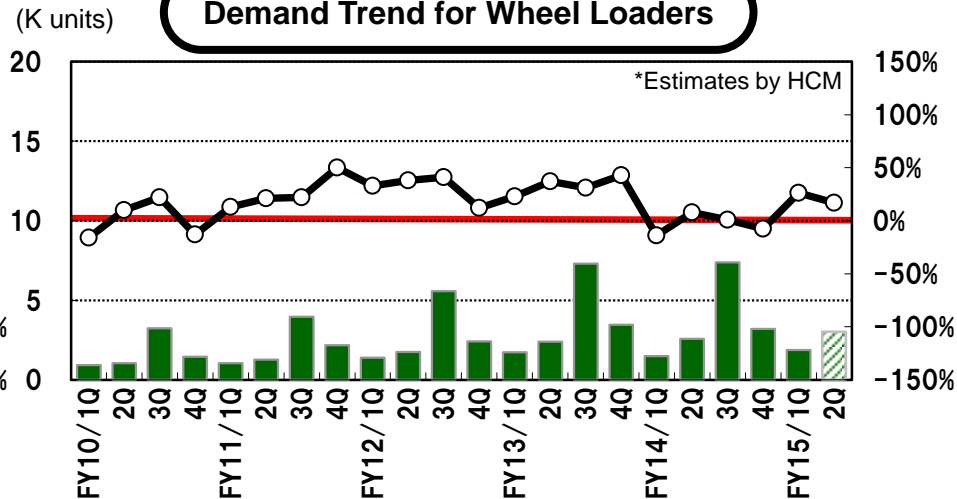
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



Demand Trend for Wheel Loaders



"Hitachi Town Planning Fair 2015"

HCM Japan held the "Hitachi Town Planning Fair 2015" for 4 days from May 28th to 31st at a special event space in Ariake, Tokyo.

The theme of this exhibition was "contribution to new and eco-friendly town planning," and we displayed all 36 models of our machineries, including the ZX1000K high lift and the ZW220HYB hybrid wheel loader in 5 different zones: "urban civil engineering," "recycling," "material," "demolition," and "new technology."

The event attracted approximately 3,000 visitors, and it was a great success.



"Hitachi Town Planning Fair 2015"
exhibition space



Display of the ZW220HYB
hybrid wheel loader



Demonstration in the
"new technology" zone

Participation to the "INTERMAT 2015" in France

HCM Europe exhibited at "INTERMAT 2015" held in Paris, France, for 6 days from April 20th to 25th.

In our exhibition, we unveiled the new ZX300LC-6 hydraulic excavator and exhibited the ZW220HYB hybrid wheel loader, as well as other machineries.

We also presented the 4DX Theater, which provides the effects of seat movement, breeze, and scent in synchronization with the 3D video of HCM products and their performance. The theater delivered the audience more realistic sensations and successfully impressed them with our products.



"INTERMAT 2015" exhibition space

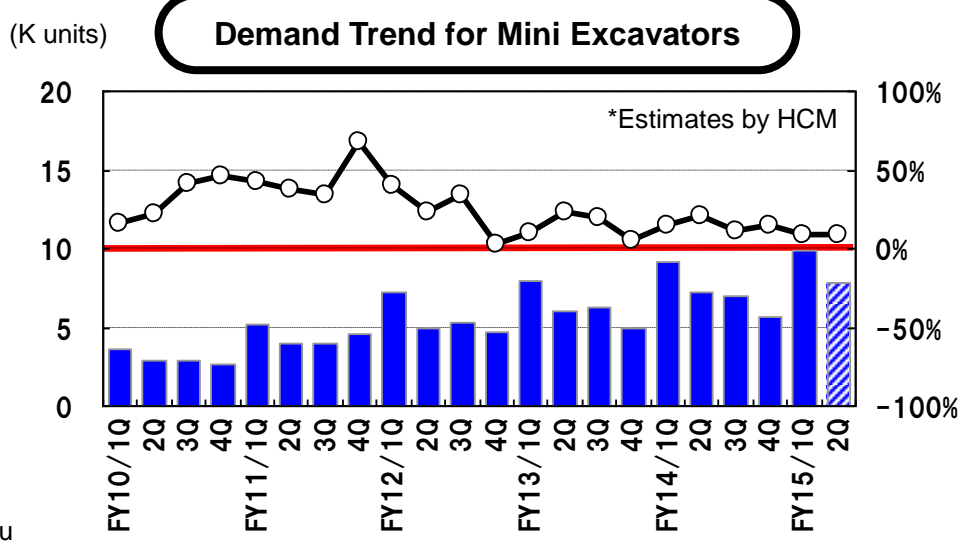
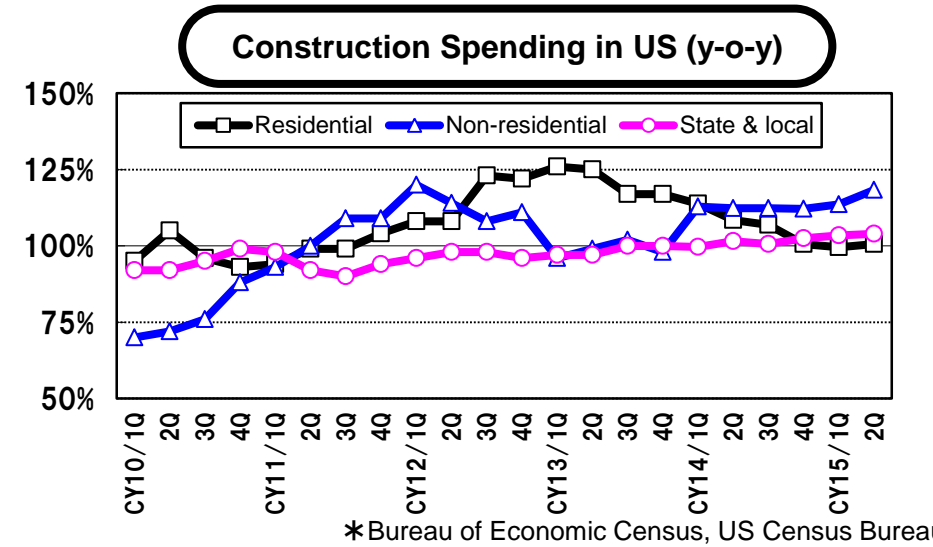
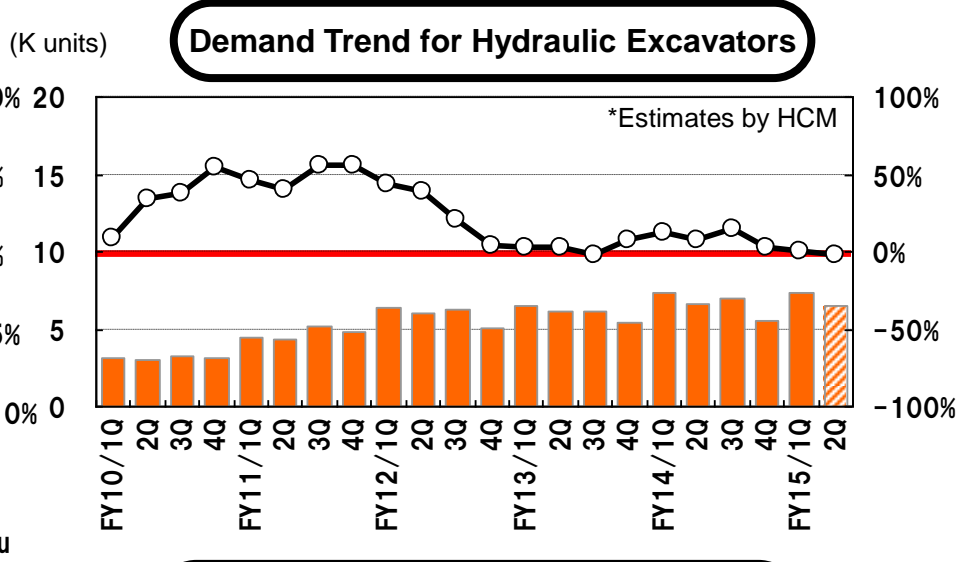
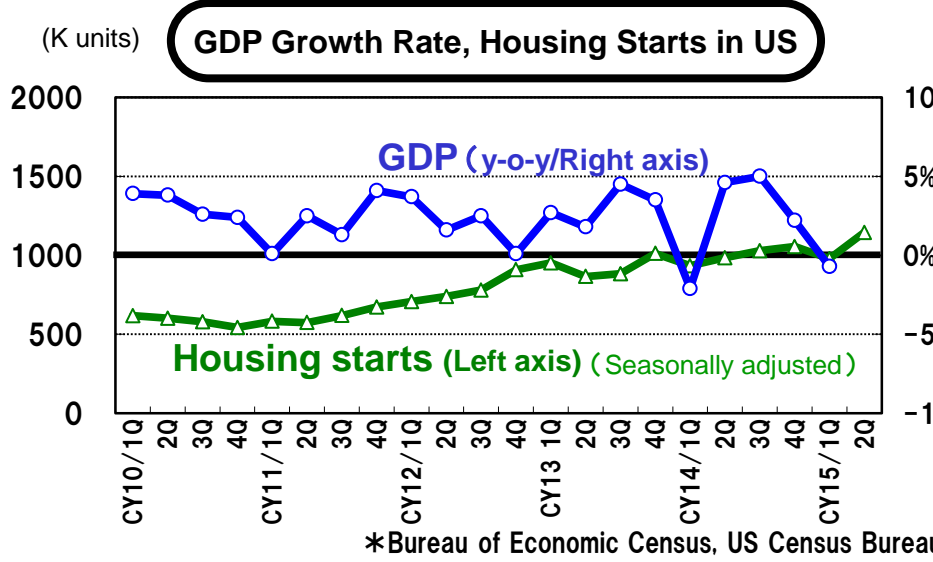


Exhibition of the ZX300LC-6
hydraulic excavator



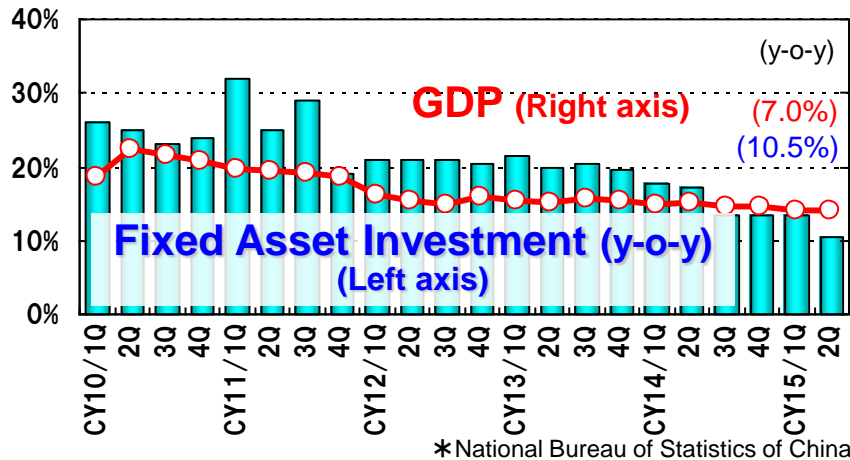
4DX Theatre

- ◇ Housing starts revived, and construction investments were brisk.
- ◇ Demand for construction machinery was nearly unchanged y-o-y.

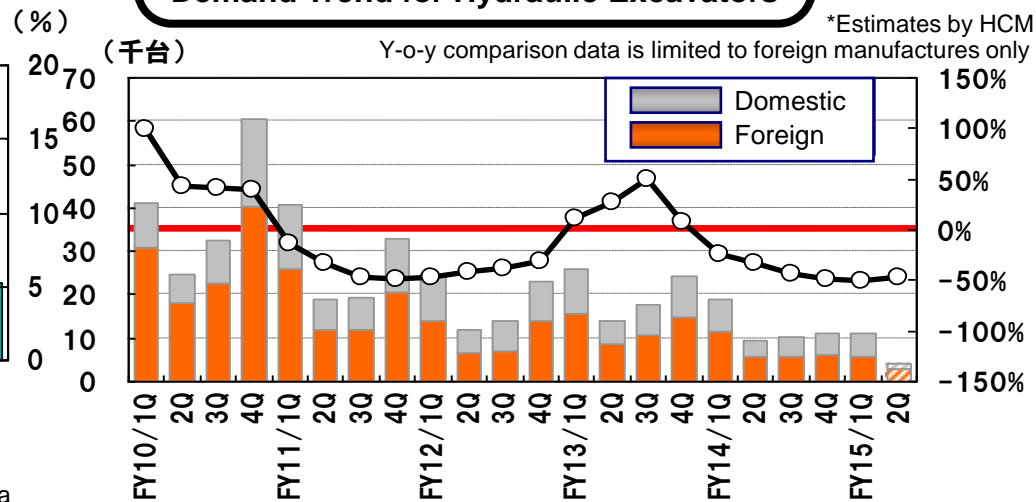


- ◇ GDP growth from April to June 2015 remained flat at 7.0%. Fixed asset investment has further decelerated.
- ◇ Significant demand decrease continued due to slowdown of real estate investment and excess inventory adjustment (decreased by 49% y-o-y).

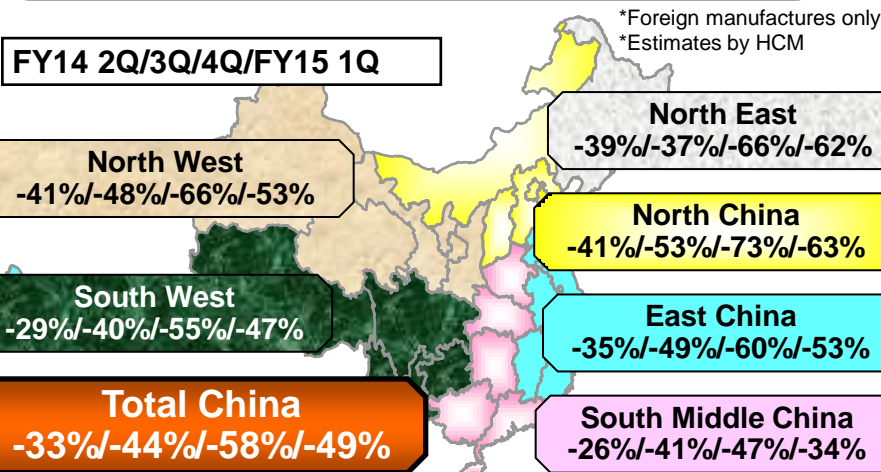
GDP and Fixed Asset Investment



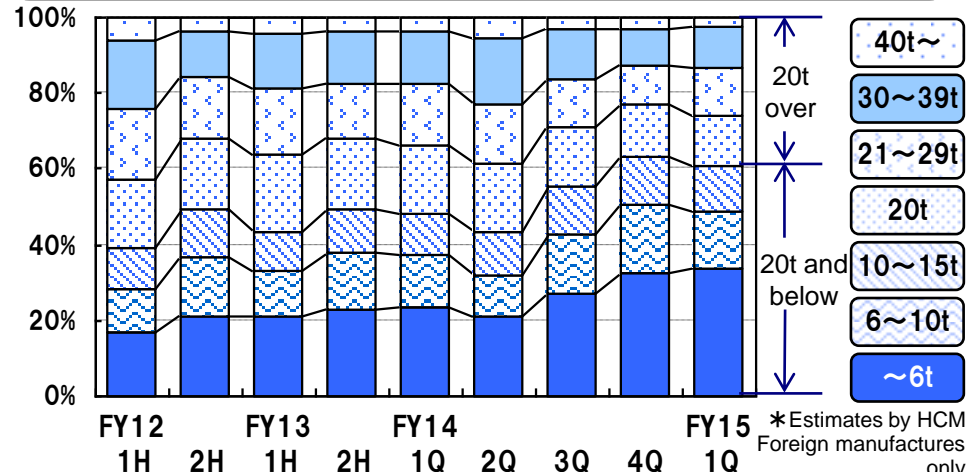
Demand Trend for Hydraulic Excavators

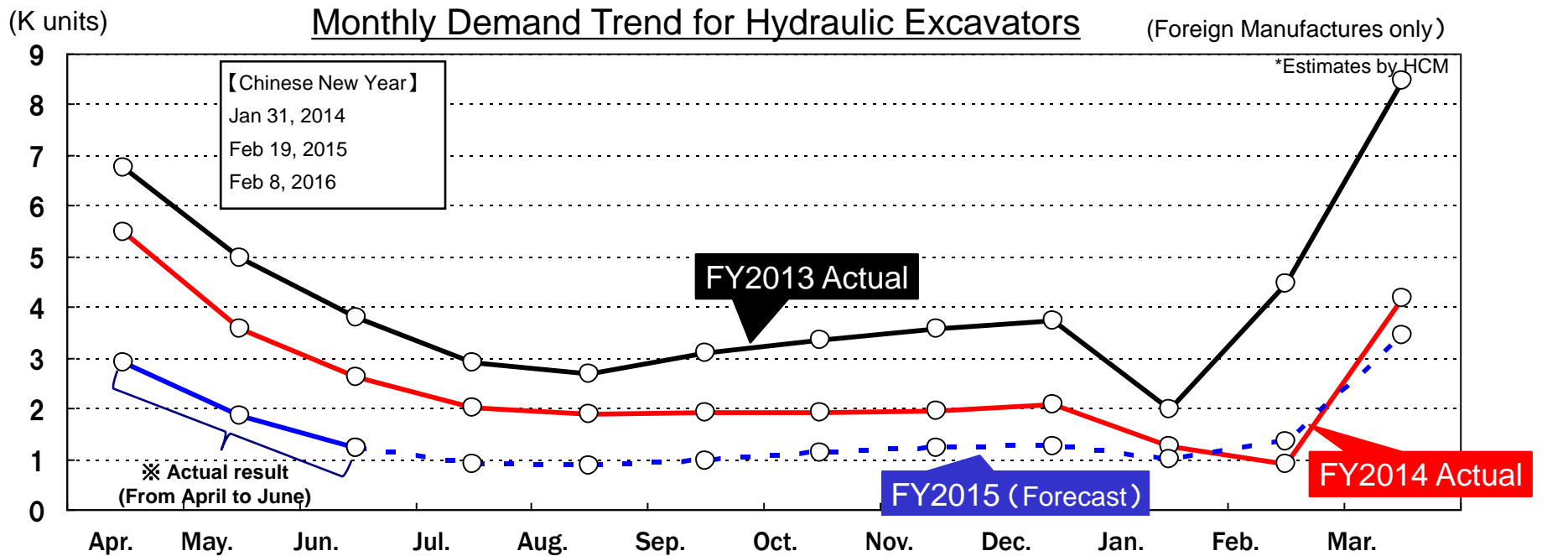
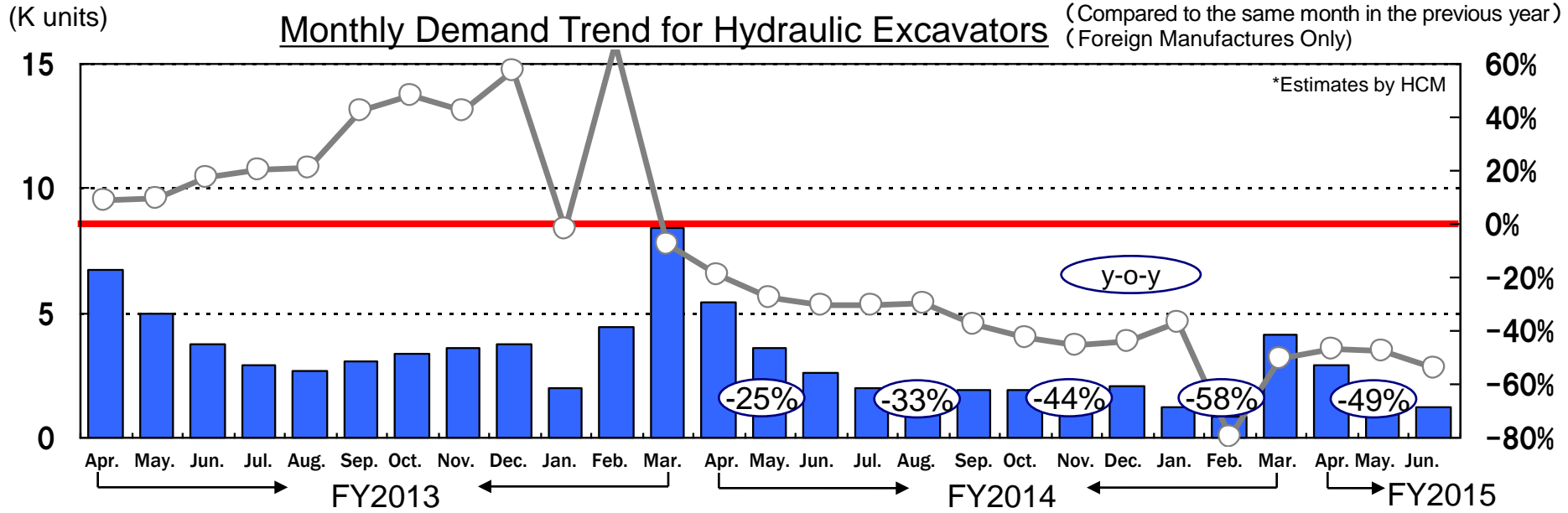


Quarterly Demand for Hydraulic Excavators by Region (y-o-y)



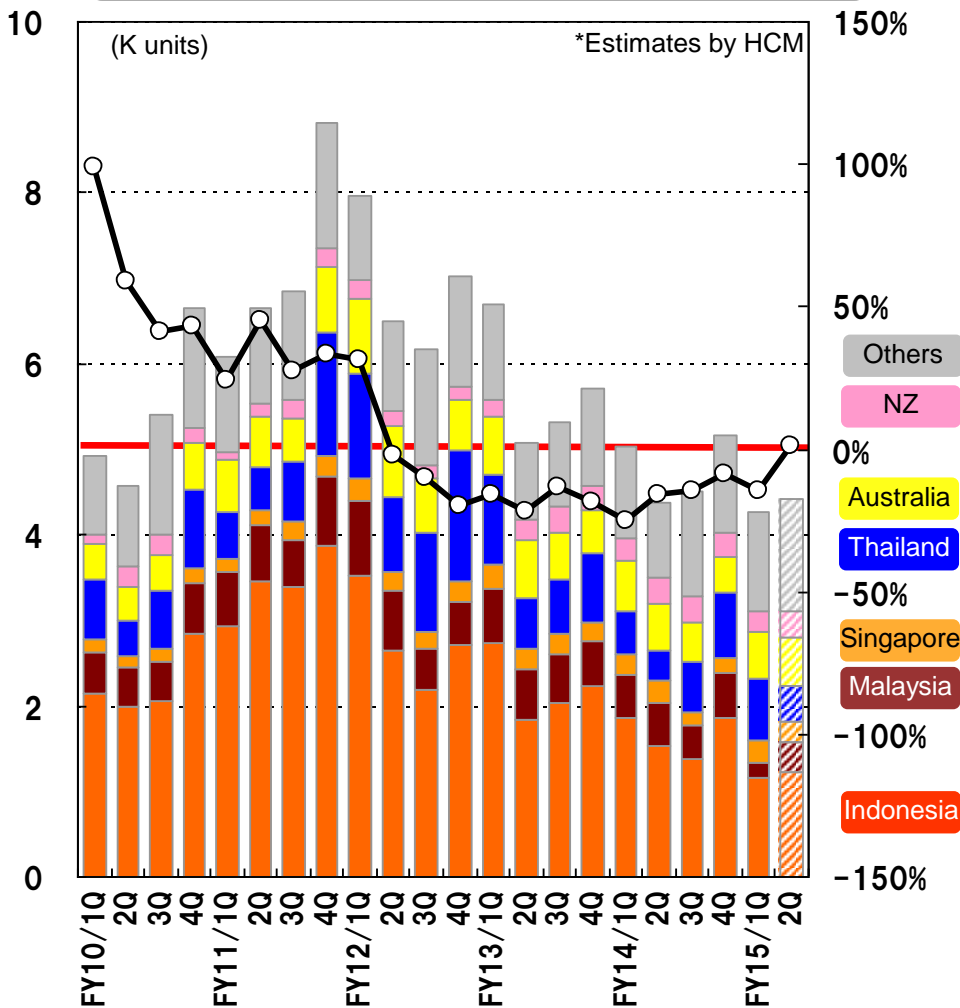
Demand Composition by Class for Mini Excavators and Hydraulic Excavators



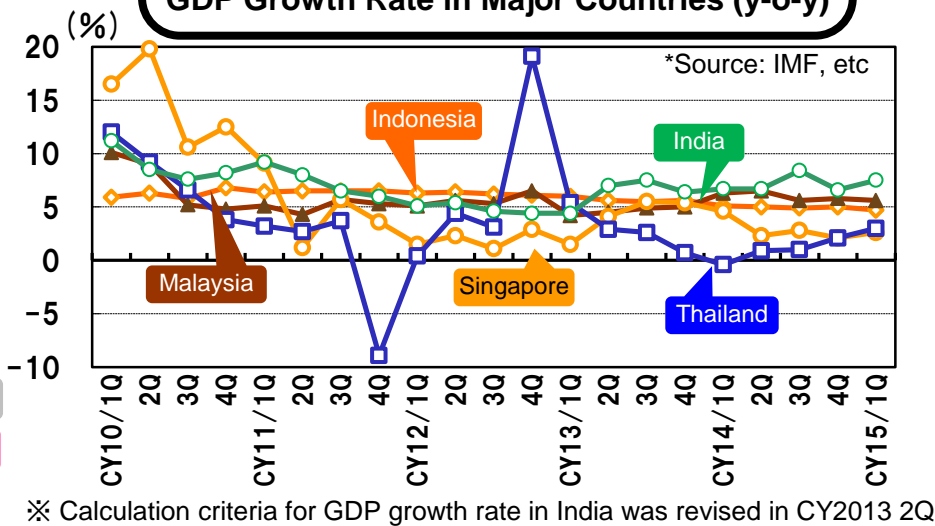


- ◇ Regarding Asia and Oceania, while demand in Indonesia, Malaysia, Australia, etc. are continuously decreasing, demand in Thailand and the Philippines are robust (decreased by 15% y-o-y).
- ◇ Demand in India is on an upward trend due to new policy effect implemented by the new government (increased by 5% y-o-y).

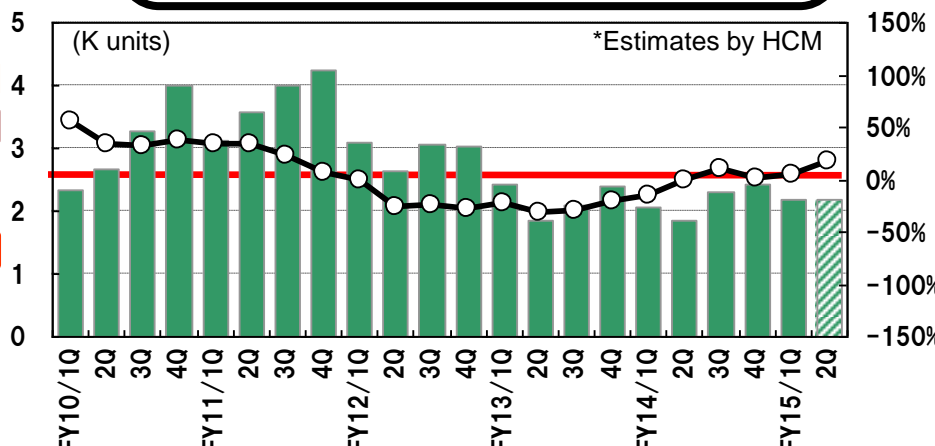
Demand Trend for Hydraulic Excavators in Asia & Oceania



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

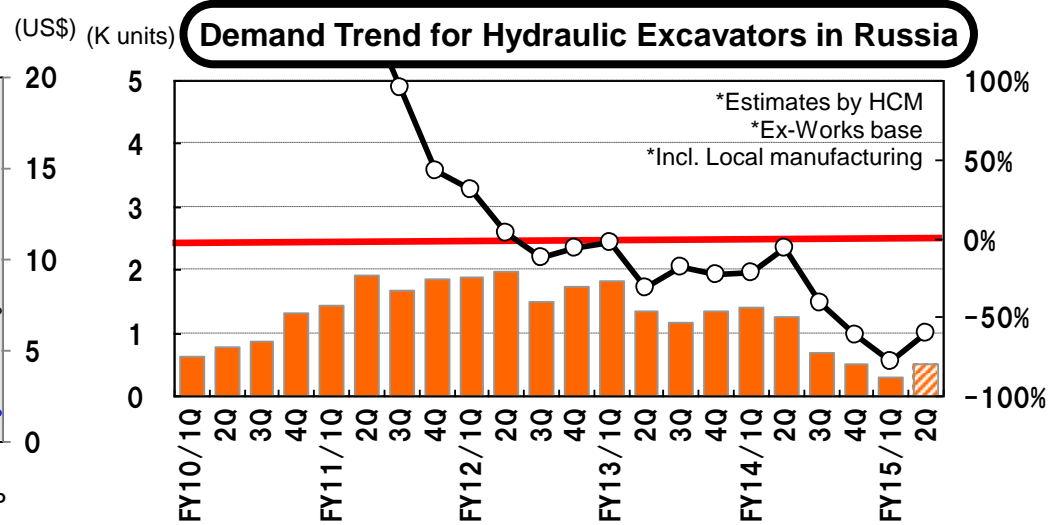
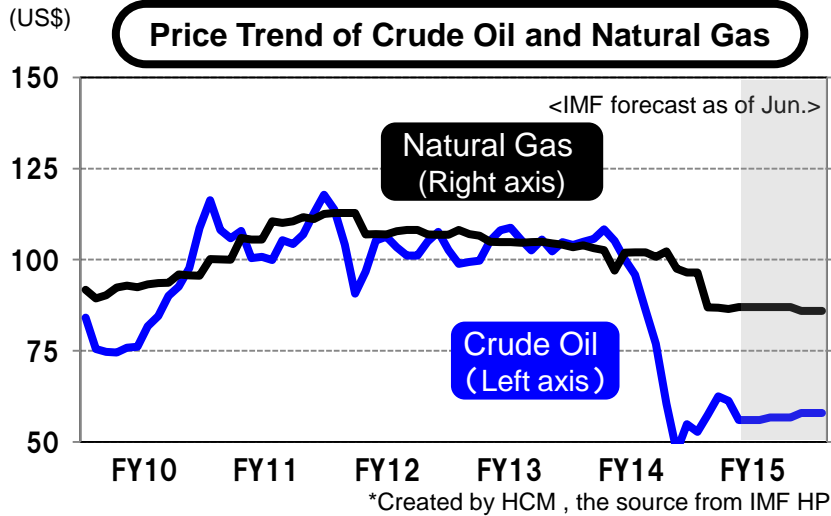


Demand Trend for Hydraulic Excavators in India



【Russia】 Demand has further decelerated along with the economic downturn caused by crude oil and Ruble depreciation (decreased by 78% y-o-y).

【Middle East】 Demand for hydraulic excavators slightly decreased, mainly in Gulf countries (decreased by 3% y-o-y).

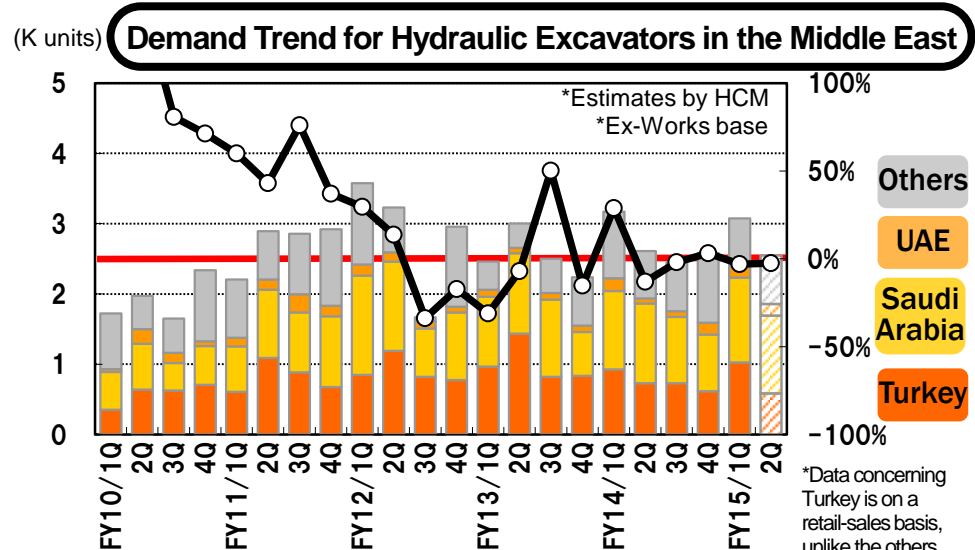


<Topic>

Participated “CTT Moscow 2015” in Russia



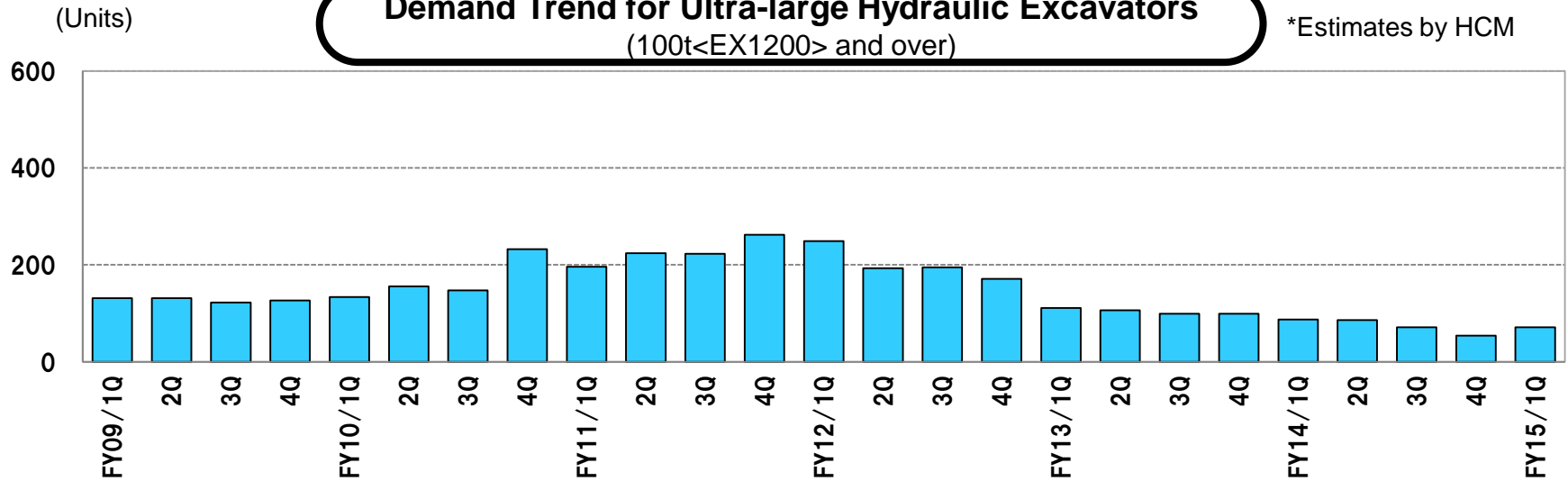
Exhibited hydraulic excavators manufactured in Russia, etc.



- ◇ Resource prices: coal prices remained more or less flat; iron ore prices remained sluggish after a significant decline.
- ◇ Mining machinery demand in FY2014 remained stagnant (a decrease by approximately 30% y-o-y). In FY2015, we expect a decrease by approximately 10% y-o-y.

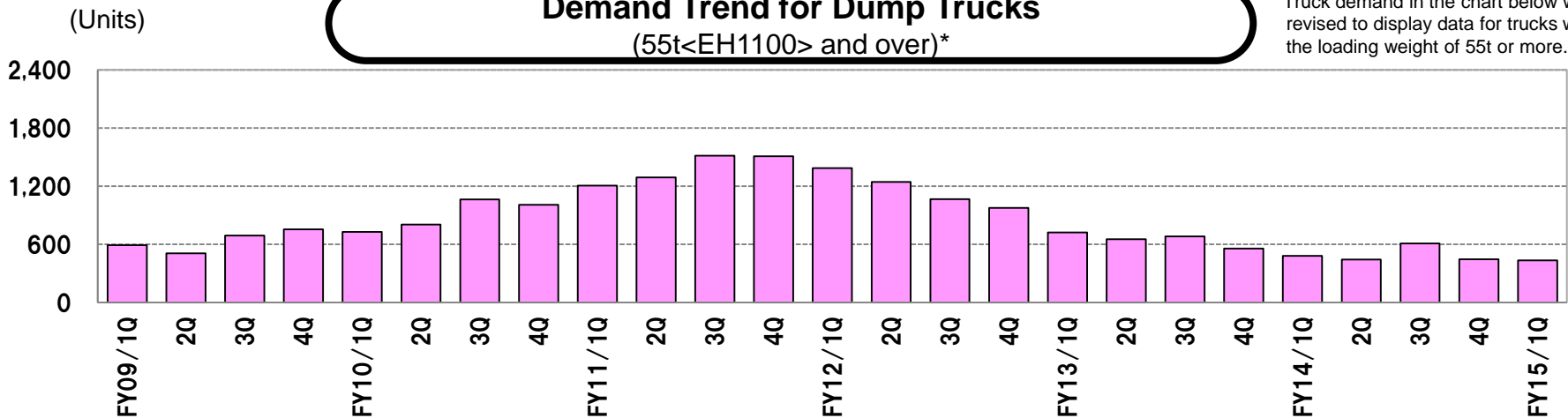
Demand Trend for Ultra-large Hydraulic Excavators (100t<EX1200> and over)

*Estimates by HCM

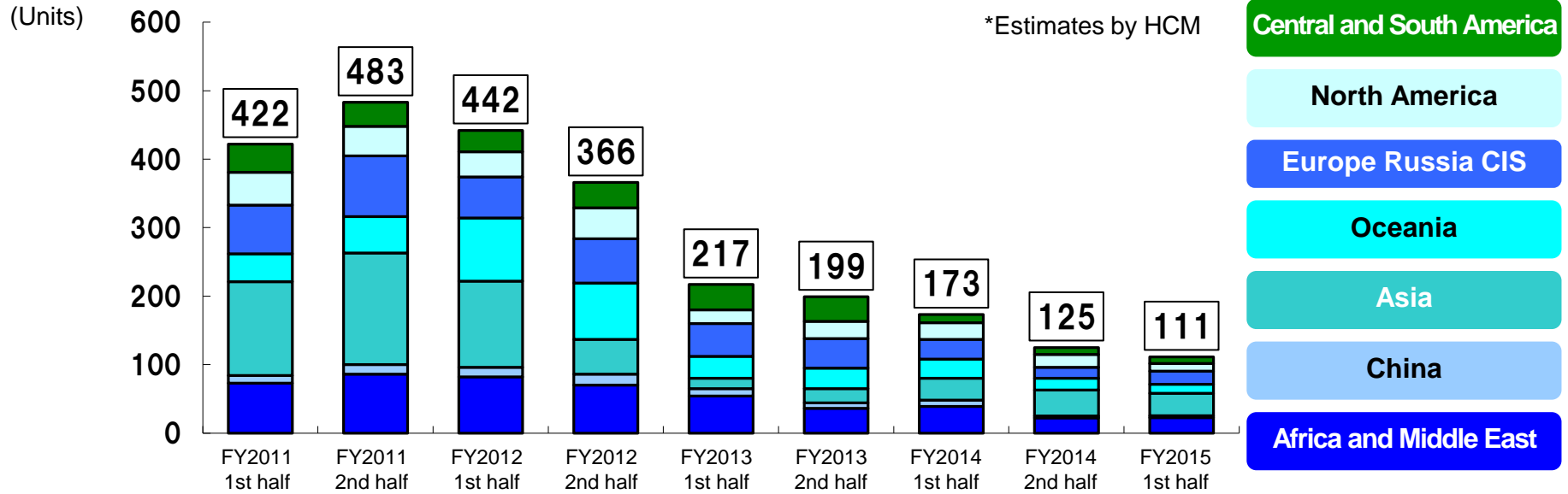


Demand Trend for Dump Trucks (55t<EH1100> and over)*

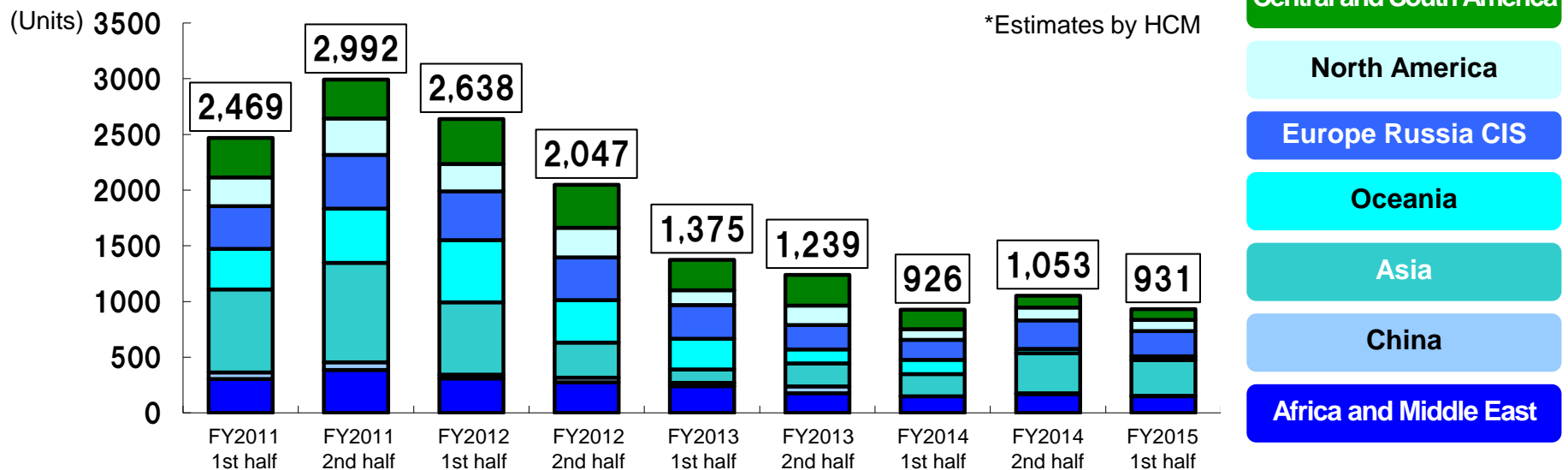
* Truck demand in the chart below was revised to display data for trucks with the loading weight of 55t or more.



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



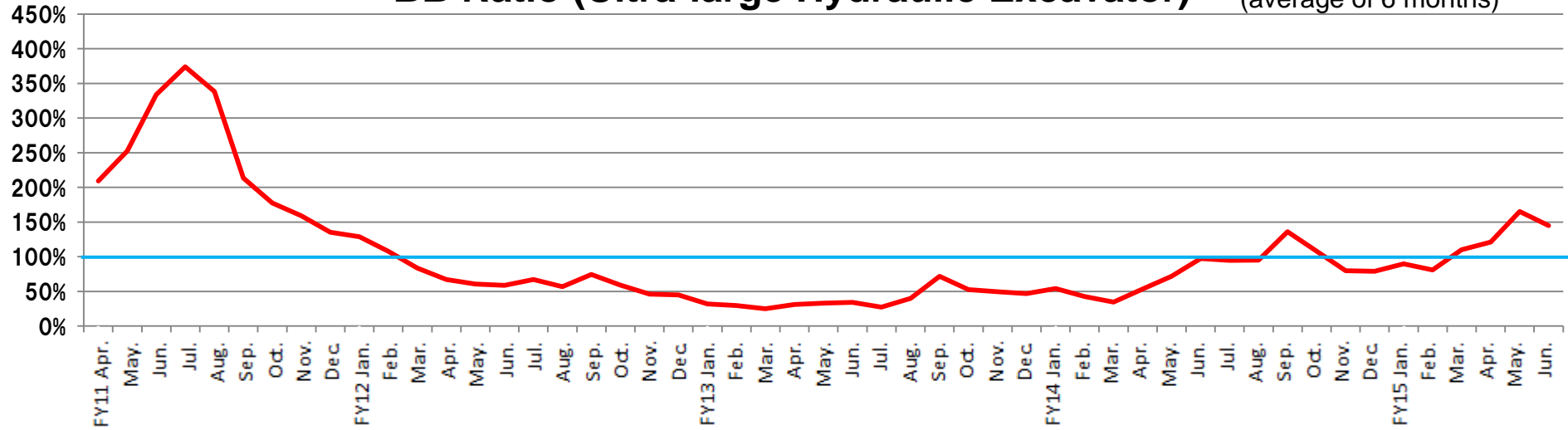
Demand proportion by region: Truck (over 55t)



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

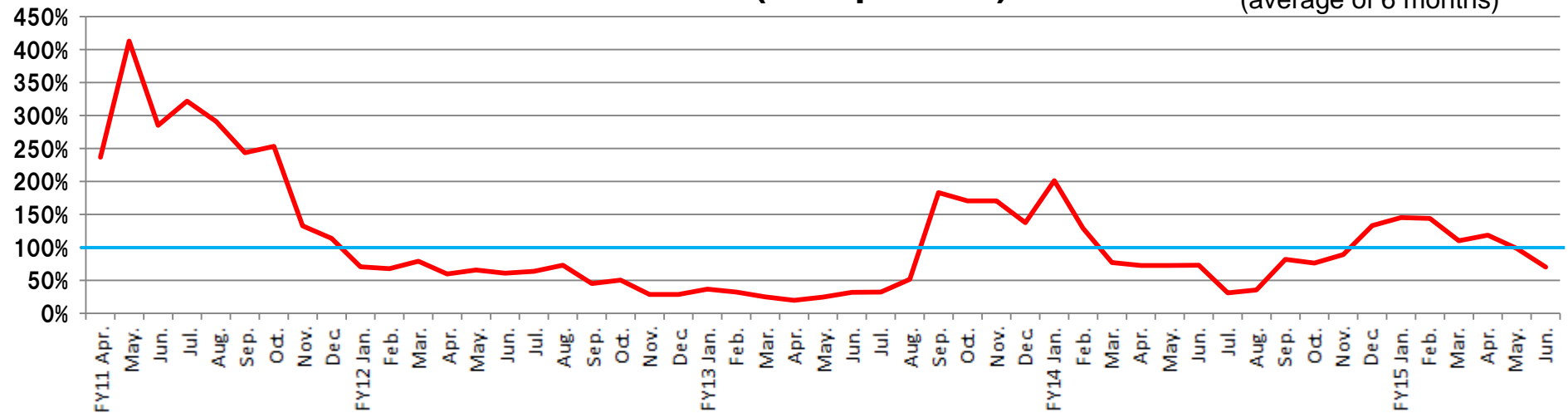
BB Ratio (Ultra-large Hydraulic Excavator)

*Non-consolidated basis
(average of 6 months)



BB Ratio (Dump Truck)

*Non-consolidated basis
(average of 6 months)



Market environment remains severe. The BB ratio of hydraulic excavators slightly improved by capturing orders from North America and Australia.

EH3500AC-3 dump trucks were shipped to Turkey

- We started shipping of 10 units of EH3500AC-3 dump trucks to coal mines in Turkey



Reference Photo: EH3500AC-3 Dump truck

We received an order for 2 units of EX8000-6 from North America

- Two units of EX8000-6 were ordered from an oil sands site in North America. The machineries will start operating in 2016.



Reference Photo: EX8000-6LD Shovel

Delivery of trolley trucks to South Africa

- We delivered 9 units of EH3500AC-3 and 15 units of EH4000AC-3 dump trucks to coal mines in South Africa, sequentially since last year. The trucks are operating in place as standard machinery.
- The trucks will be remodeled to trolley dump trucks in order, and they will start operating in August 2015.



Reference Photo: EH3500ACII
Trolley model

[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

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