

Business Result for the Second Quarter ended September 30, 2015 Regional Market Environments and Projections



October 27, 2015



Hitachi Construction Machinery Co., Ltd.

Senior Vice President and Executive Officer

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Global Demand Trend for Hydraulic Excavators

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HITACHI

Reliable solutions

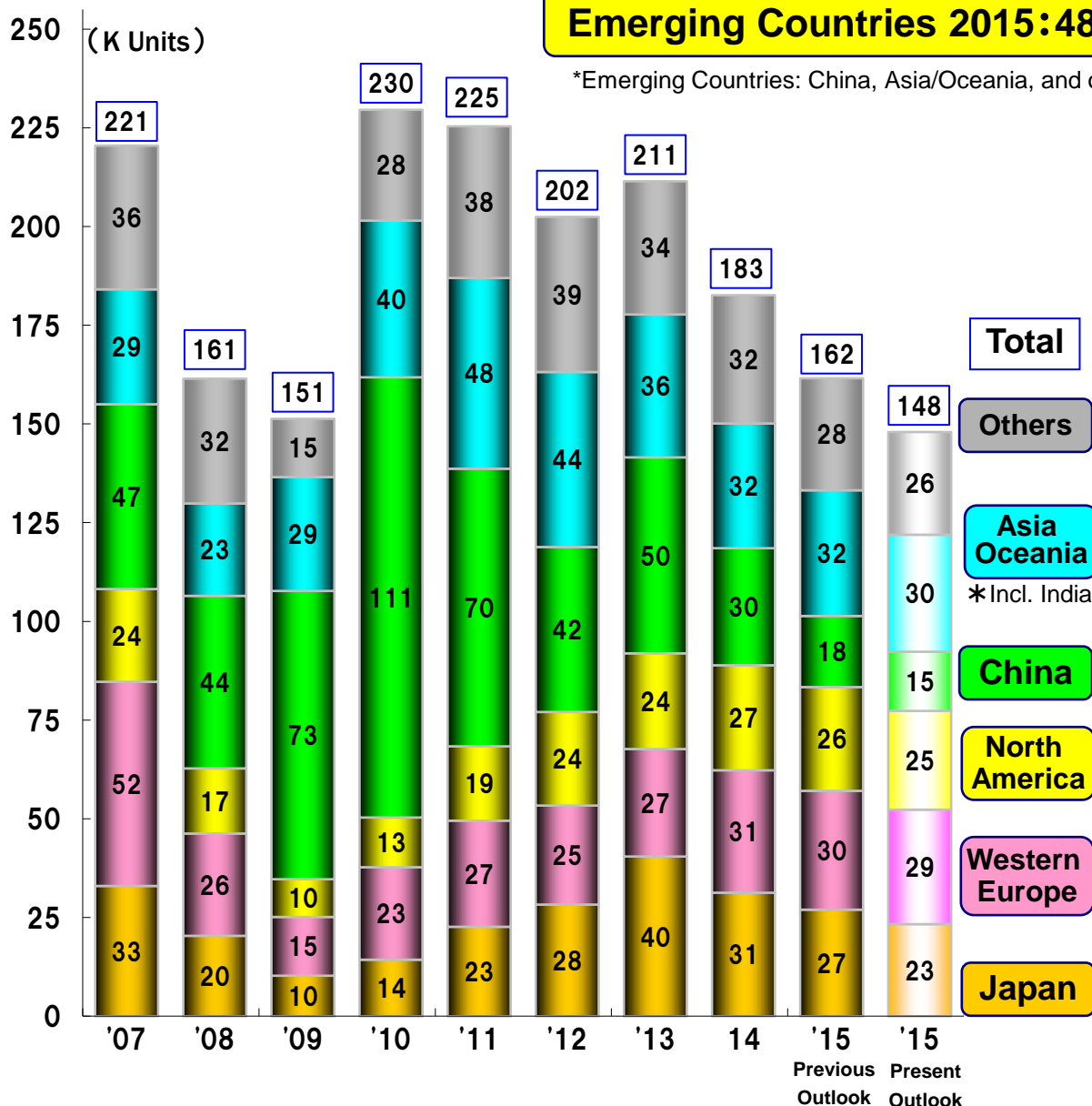
*Estimates by HCM *Excluding Chinese manufacturer
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Emerging Countries 2015:48% (Y-O-Y Change:-3%)

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

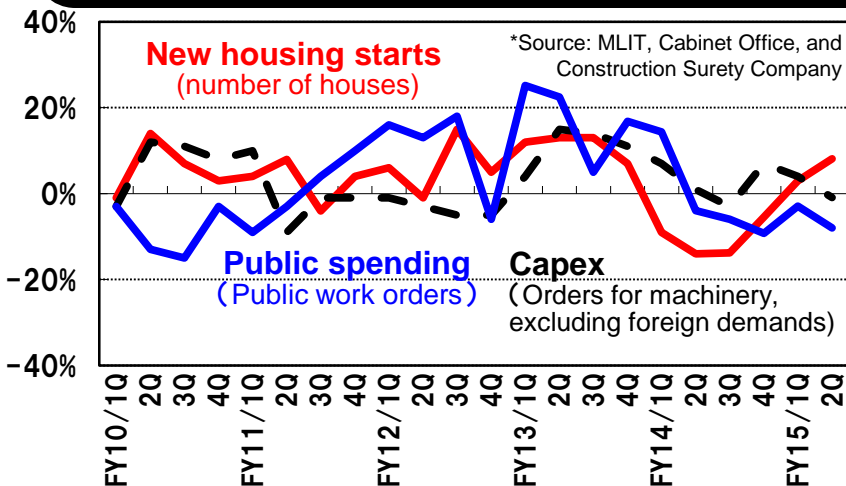
Year-on-Year Change

	'14	'15 Previous Outlook	'15 Present Outlook
Total	-13%	-11%	-19%
Russia, CIS, E Europe	-22%	-36%	-49%
Africa	+7%	0%	-6%
Middle East	+4%	-3%	-1%
Latin America	-3%	-18%	-31%
Others	-6%	-13%	-19%
India	-1%	+14%	+15%
Indonesia	-29%	-21%	-39%
Others	-10%	+2%	-5%
Asia & Oceania	-11%	0%	-6%
China	-40%	-39%	-49%
N America	+13%	-4%	-7%
W Europe	+15%	-3%	-6%
Japan	-23%	-13%	-26%

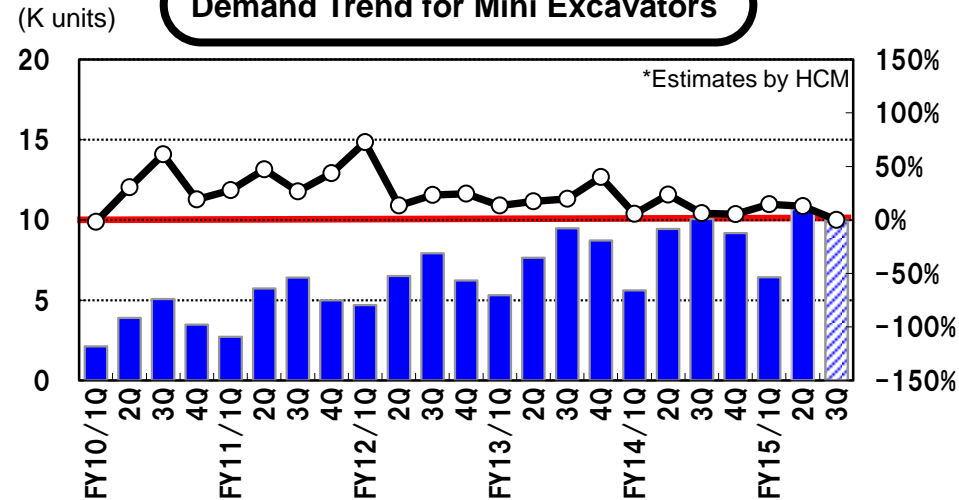


- ◇ Despite an increase in housing starts, public investment reduced continuously.
- ◇ During the second quarter, demand for hydraulic excavators decreased as a reaction to last minute demands in anticipation of new emission regulations (decreased by 36% y-o-y).
- ◇ Demands for mini-excavators and wheel loaders have increased due to last minute demands in anticipation of new emission regulations (mini-excavators increased by 17% y-o-y; wheel loaders increased by 28% y-o-y).

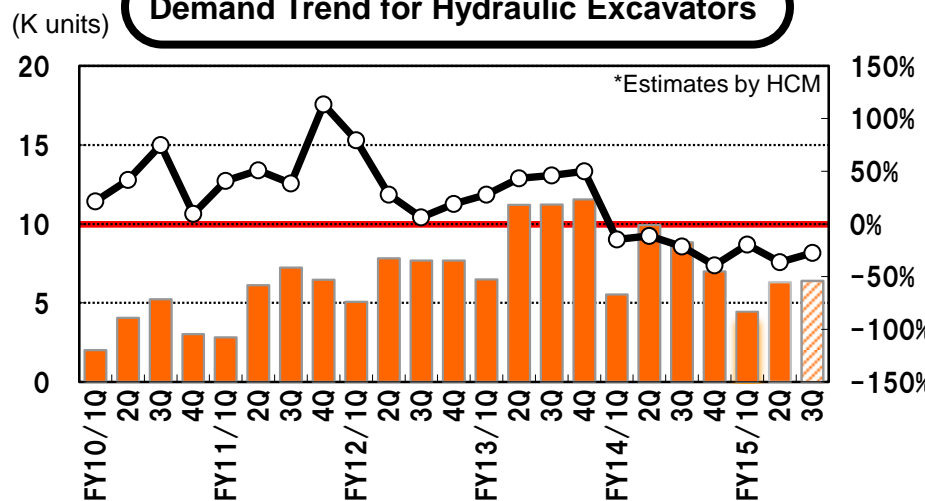
Market Environment: Housing/Public Spending and Capex (y-o-y)



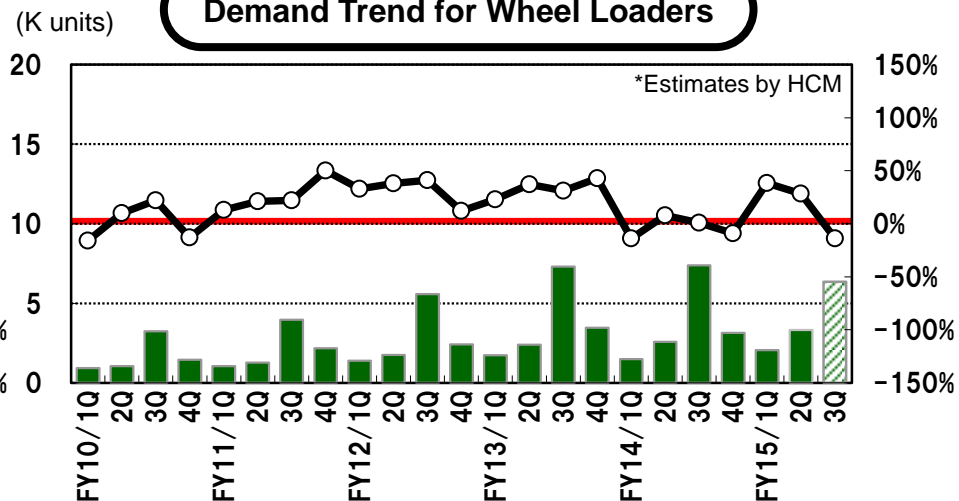
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

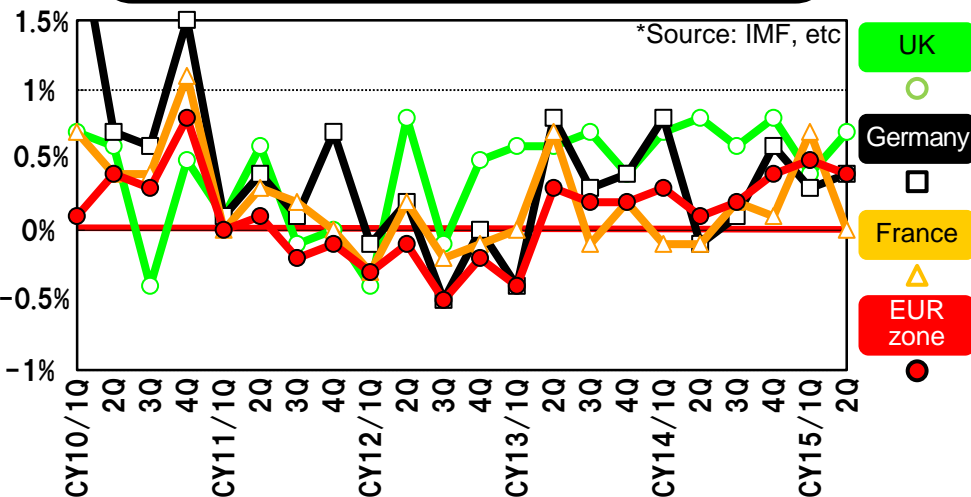


Demand Trend for Wheel Loaders

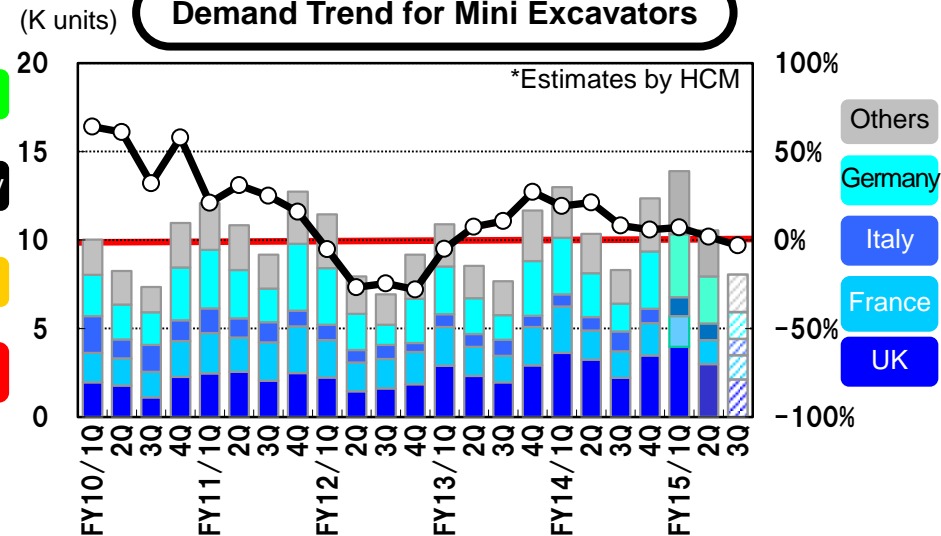


- ◇ GDP sustained a gradual recovery in the entire Eurozone.
- ◇ Demand for hydraulic excavators decreased as it was negatively affected by the sluggish demand in France, etc. (decreased by 12% y-o-y).

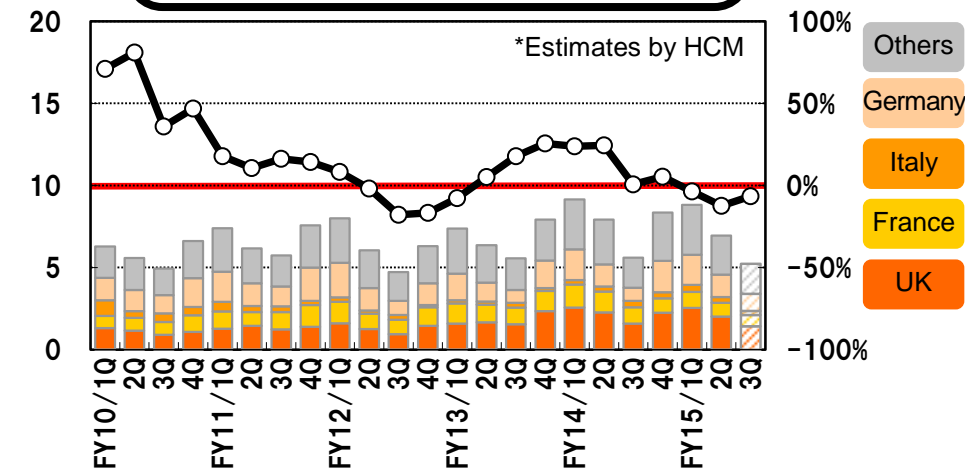
GDP Growth Rate in Major Countries (y-o-y)



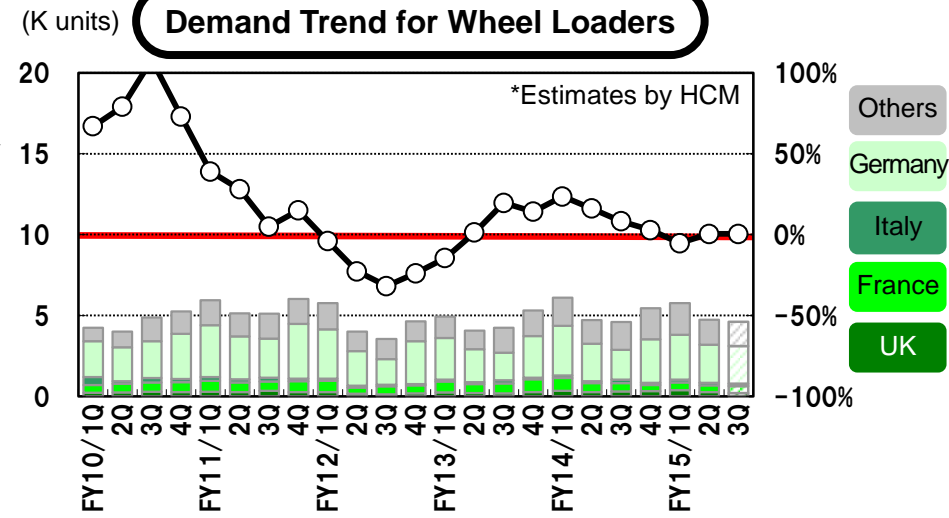
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

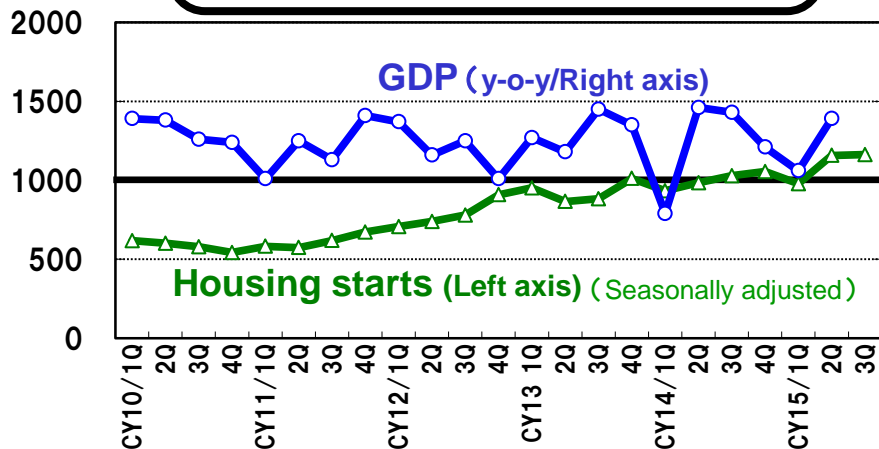


Demand Trend for Wheel Loaders



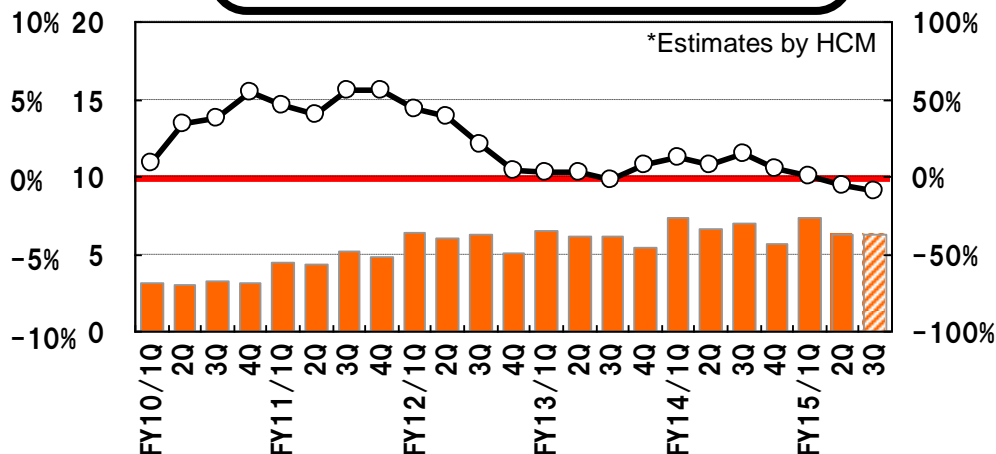
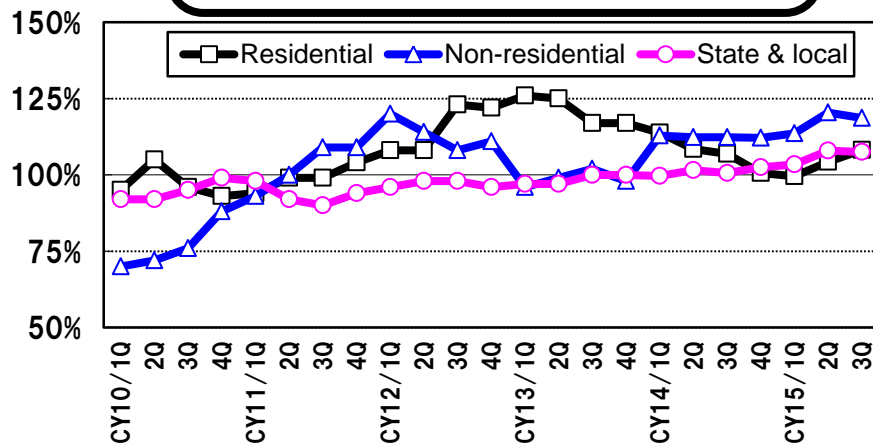
- ◇ Housing starts gradually increased and construction investments were brisk. Between April and June 2015, GDP growth rate recovered to 3.9%
- ◇ Hydraulic excavator demand slightly decreased (by 6% y-o-y), however, mini-excavator demand increased (by 13% y-o-y).

(K units)

GDP Growth Rate, Housing Starts in US

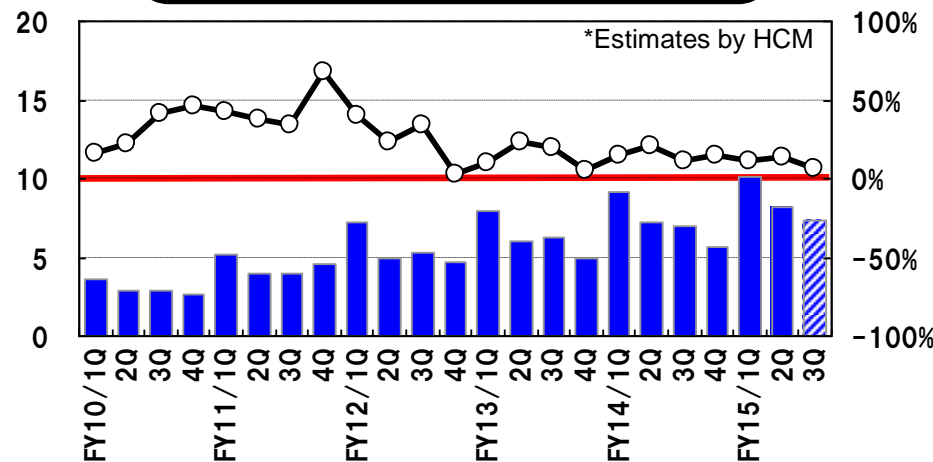
*Bureau of Economic Census, US Census Bureau

(K units)

Demand Trend for Hydraulic Excavators**Construction Spending in US (y-o-y)**

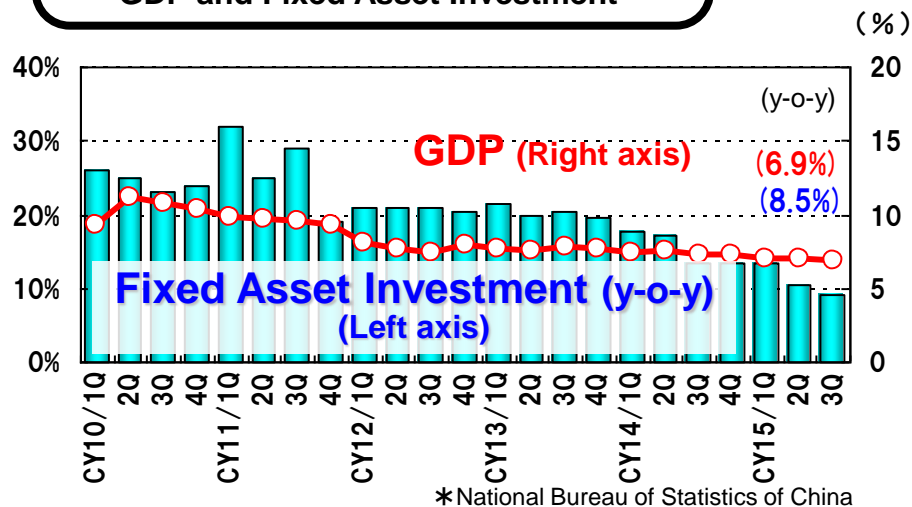
*Bureau of Economic Census, US Census Bureau

(K units)

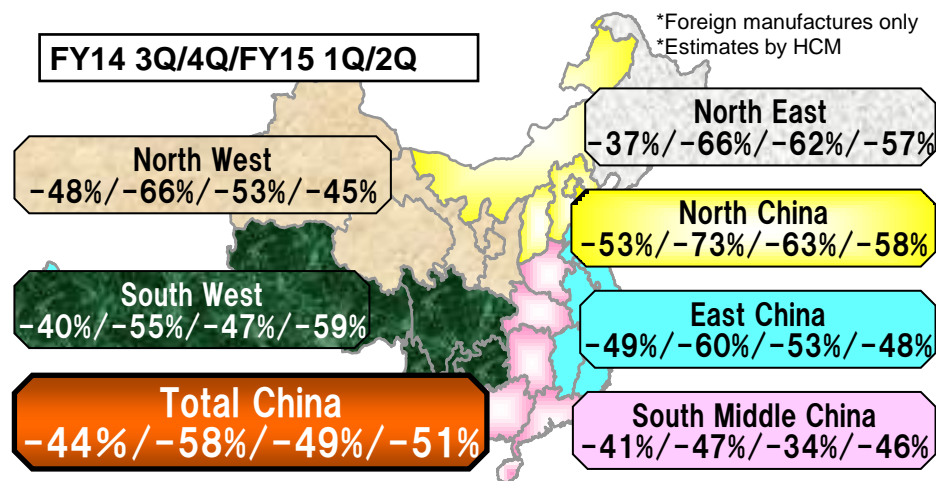
Demand Trend for Mini Excavators

- ◇ From July to September 2015, both GDP growth and fixed asset investment were decelerated.
- ◇ Significant demand decrease continued due to slowdown of real estate investment and excess inventory adjustment (decreased by 51% y-o-y)

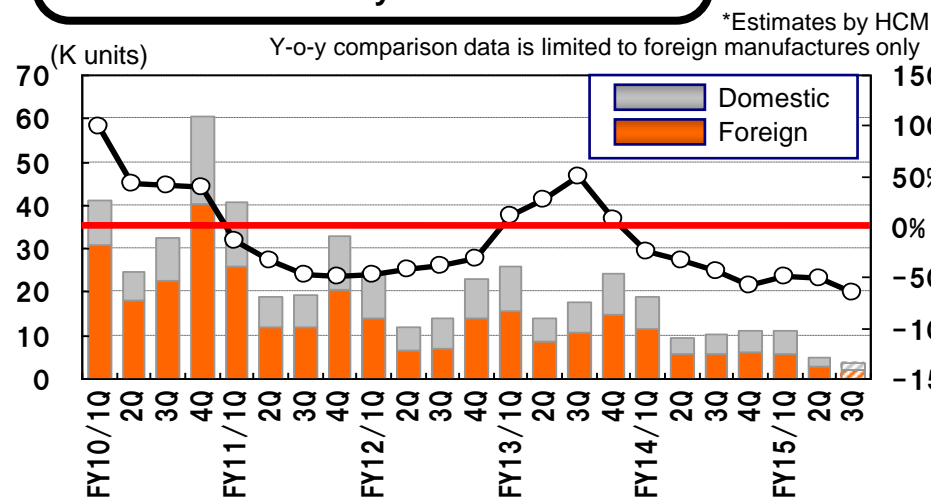
GDP and Fixed Asset Investment



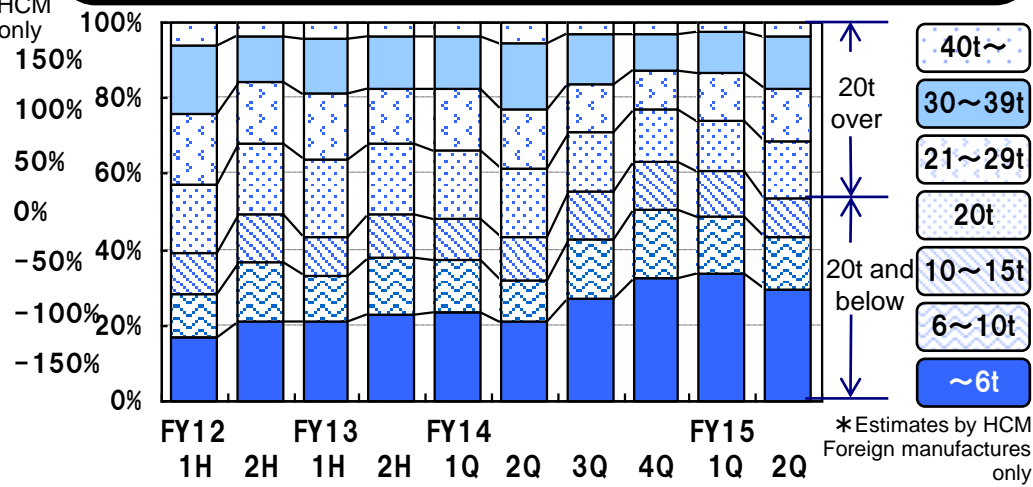
Quarterly Demand for Hydraulic Excavators by Region (y-o-y)

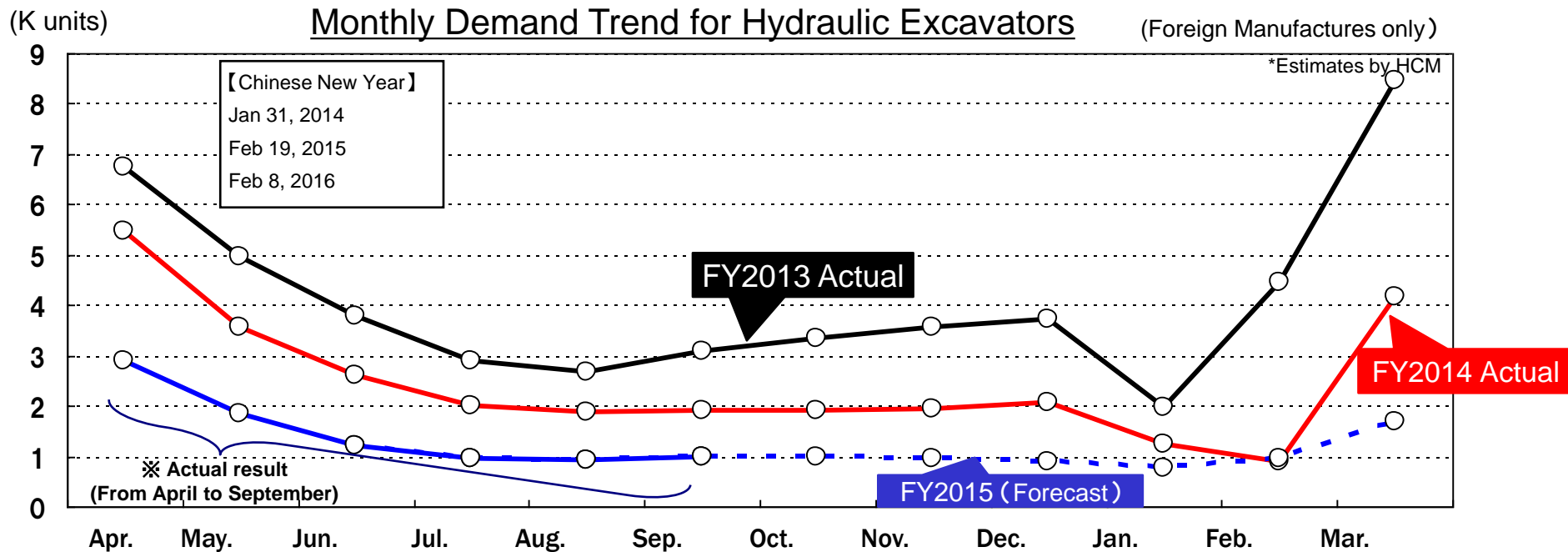
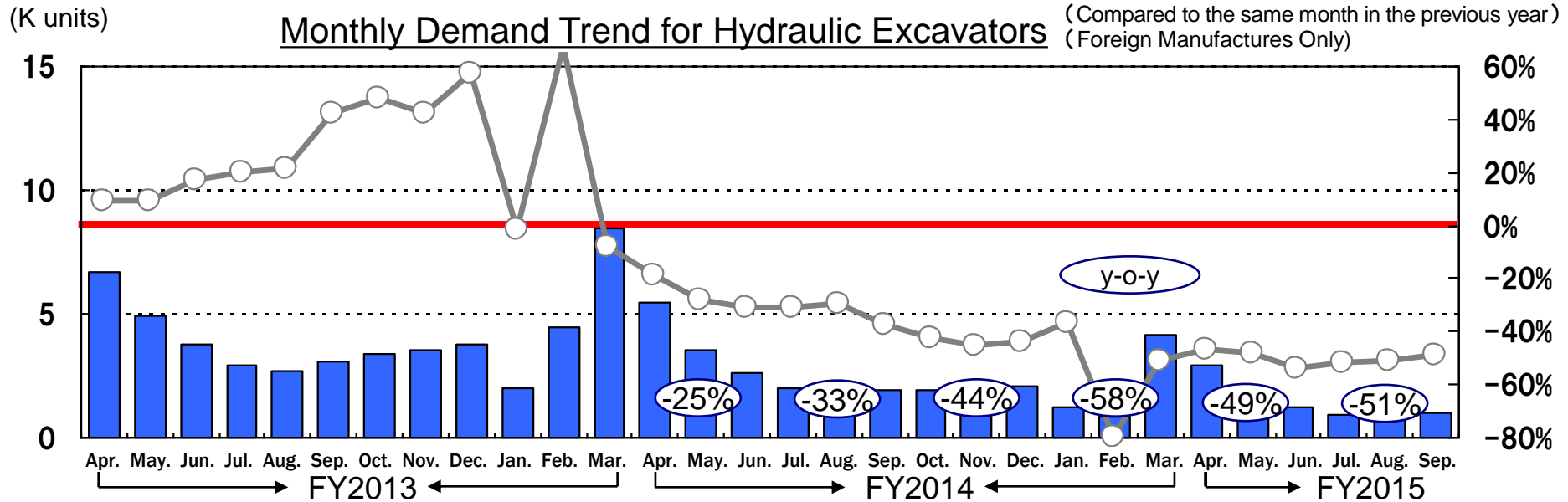


Demand Trend for Hydraulic Excavators



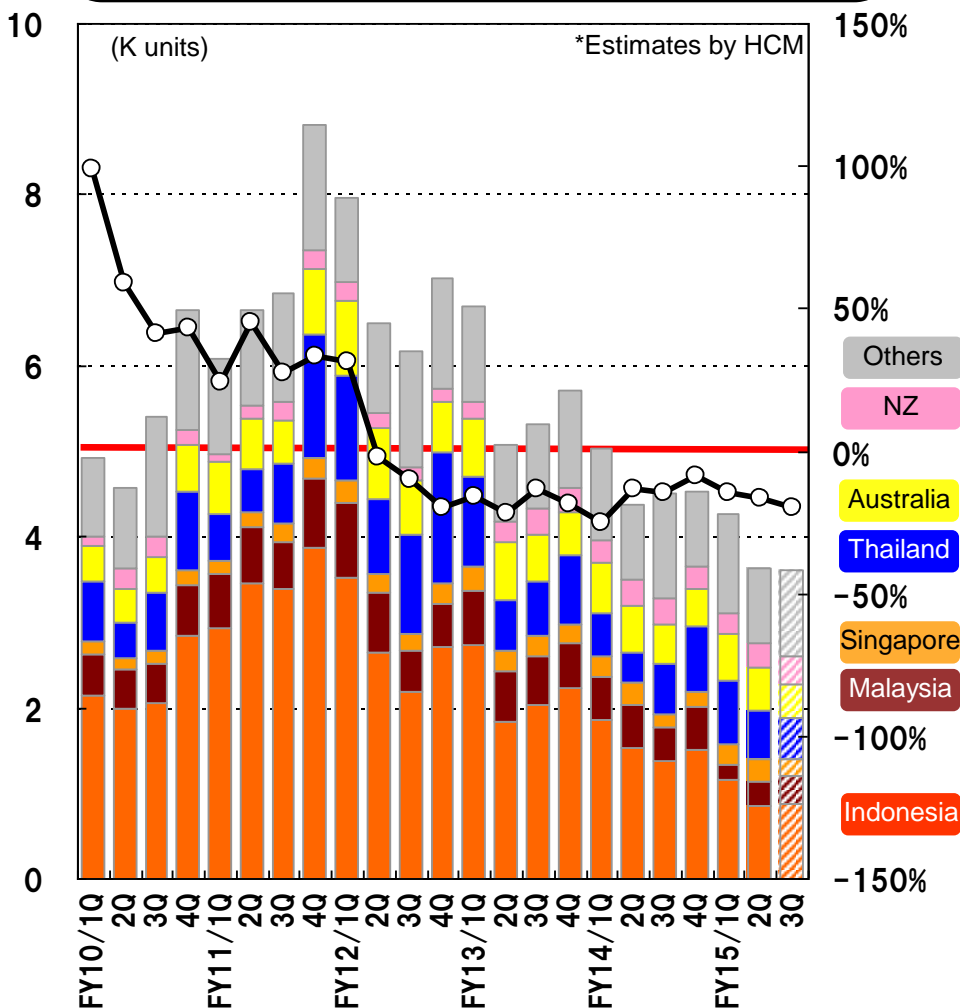
Demand Composition by Class for Mini Excavators and Hydraulic Excavators



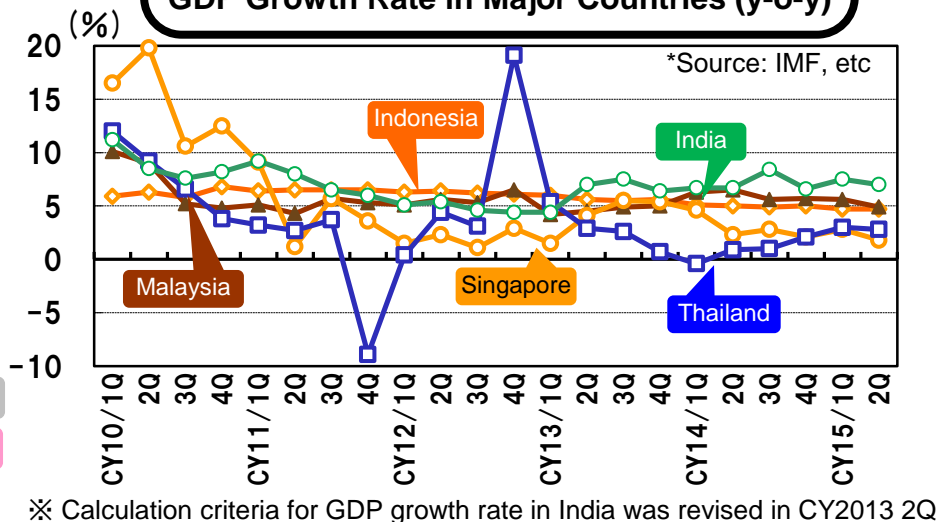


- ◇ Regarding Asia and Oceania, while demand in Indonesia, Malaysia, Australia, etc. are continuously decreasing, demand in Thailand and the Philippines were robust (decreased by 17% y-o-y).
- ◇ Demand in India increased mainly for some infrastructure investments, such as coal and quarries, etc., (increased by 20% y-o-y).

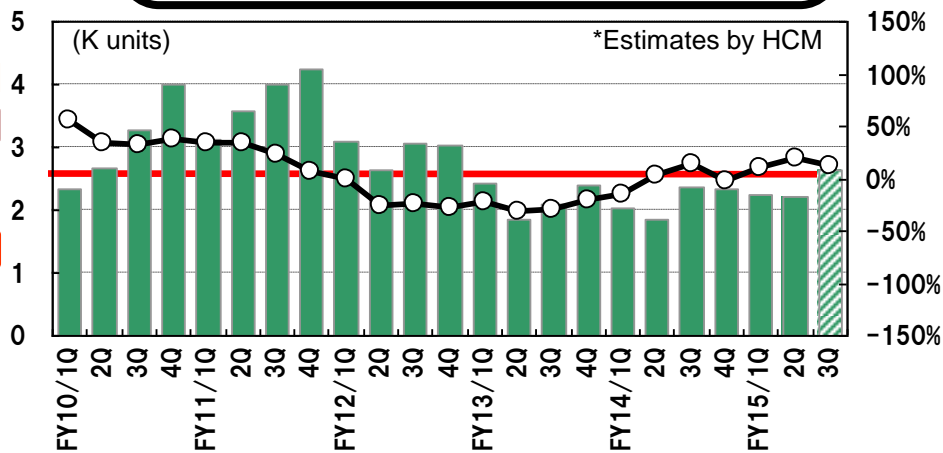
Demand Trend for Hydraulic Excavators in Asia & Oceania



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



Demand Trend for Hydraulic Excavators in India



"Sales Conference" was held in Australia

For 4 days between September 16 and 19, Hitachi Construction Machinery Australia sponsored and held "Sales Conference" at the Gold Coast in Australia.

This conference has been held every year, and this year we invited guests from throughout Australia. At the conference, we unveiled the new wheel loader (ZW-5B) and demonstrated the actual machine.

Presentation and demonstration of ZW-5B by marketing staffs, and the test-ride event for guests were also conducted, and the conference was a great success.



"Sales Conference" entrance



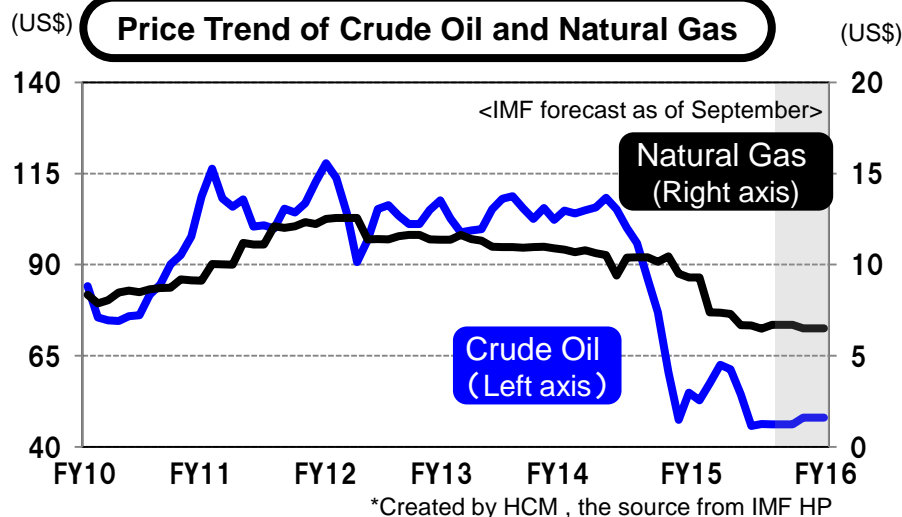
Actual machine demonstration zone



Exhibition of 8 models of new wheel loaders

【Russia】 Demand has further decelerated along with the economic downturn caused by crude oil and Ruble depreciation (decreased by 70% y-o-y).

【Middle East】 Demand for hydraulic excavators slightly increased, mainly in Gulf countries (increased by 5% y-o-y).

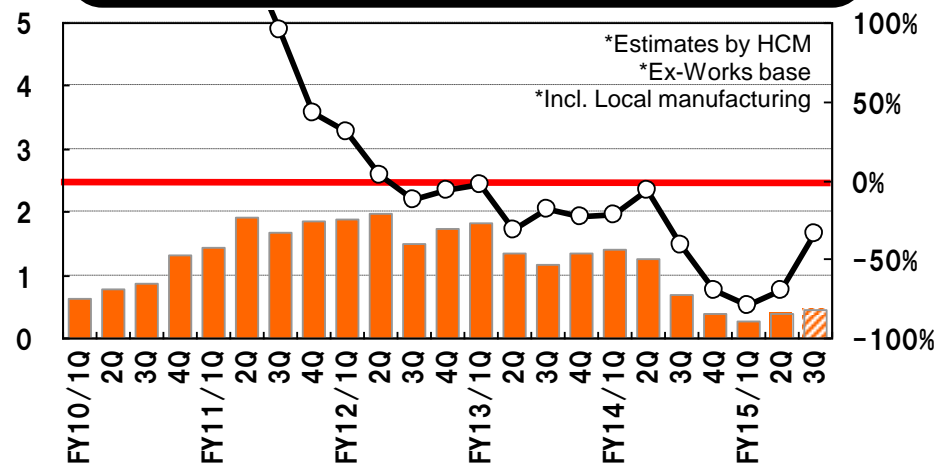


《Topic》

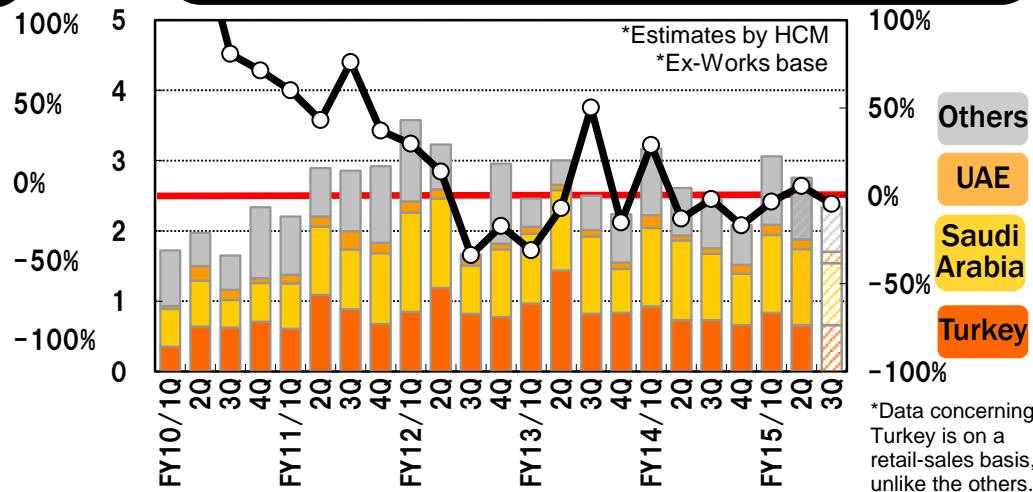
- We have started full-scale shipment of the Russian-made hydraulic excavators to CIS



(K units) Demand Trend for Hydraulic Excavators in Russia



(K units) Demand Trend for Hydraulic Excavators in the Middle East

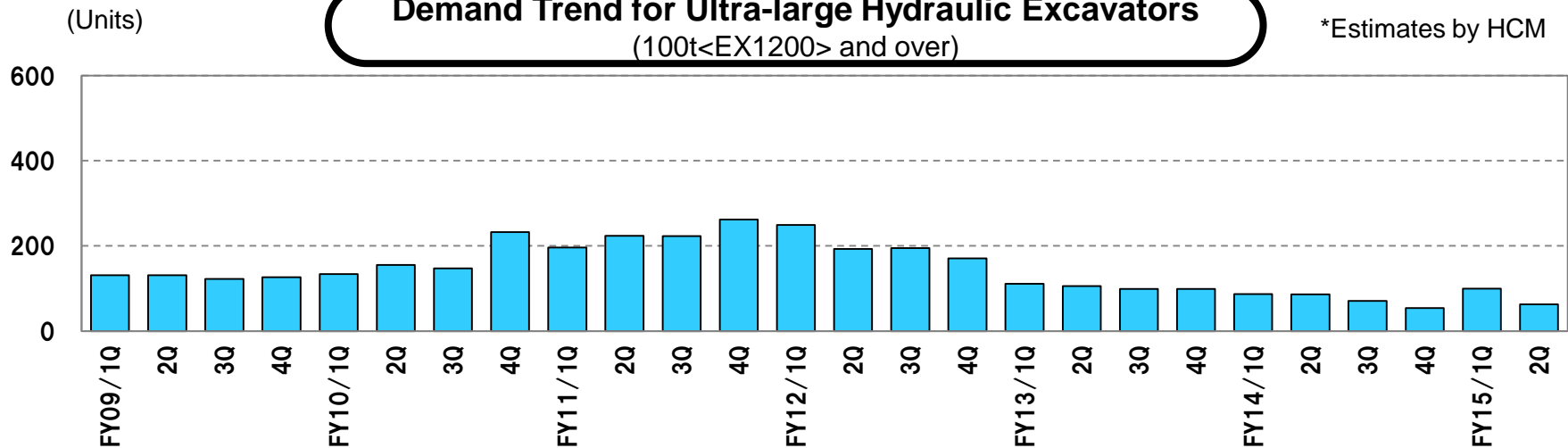


- ◇ Coal price: continuously on downturn trend
- ◇ Iron-ore price: remain sluggish after significant decline
- ◇ In FY2015, demand for mining machinery to be decreased approximately 10% y-o-y.

Demand Trend for Ultra-large Hydraulic Excavators

(100t<EX1200> and over)

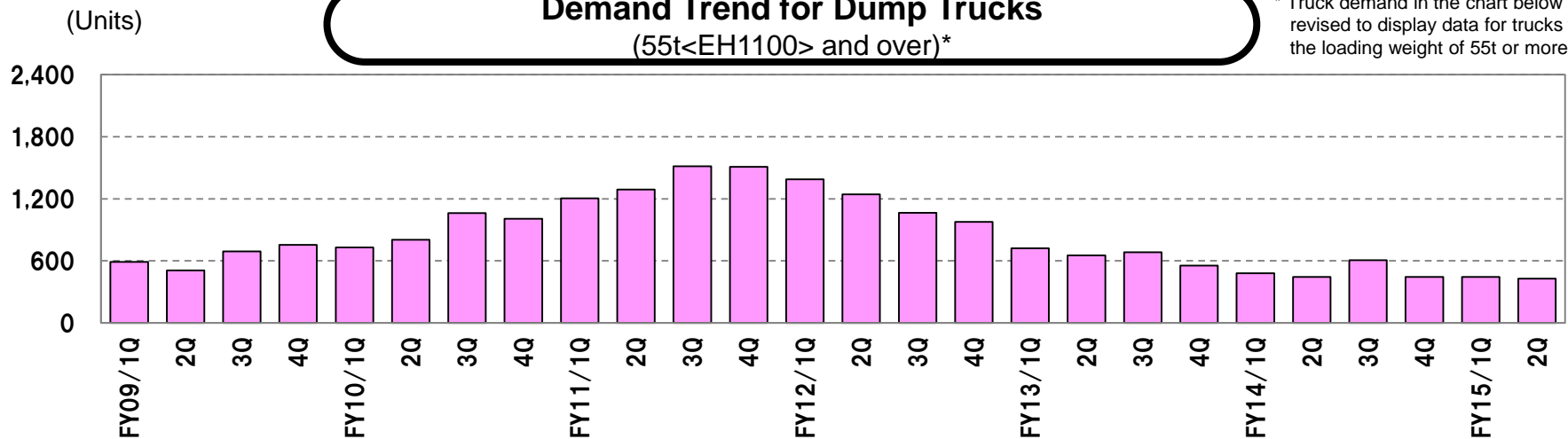
*Estimates by HCM



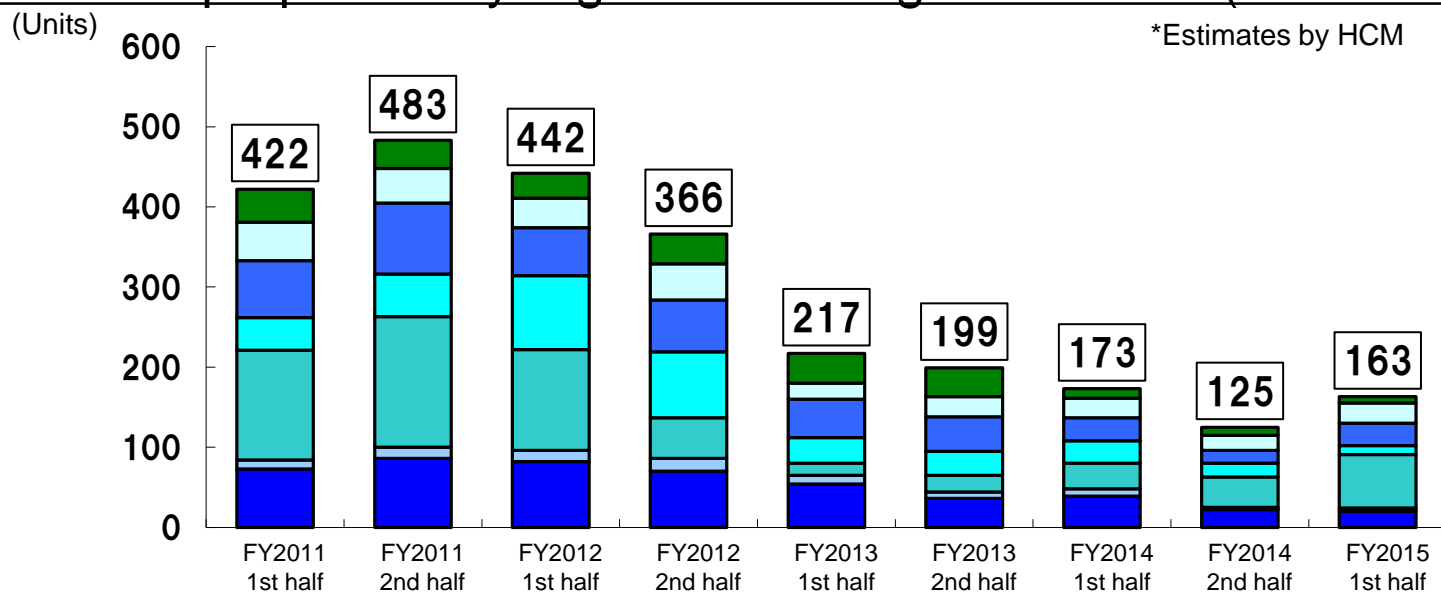
Demand Trend for Dump Trucks

(55t<EH1100> and over)*

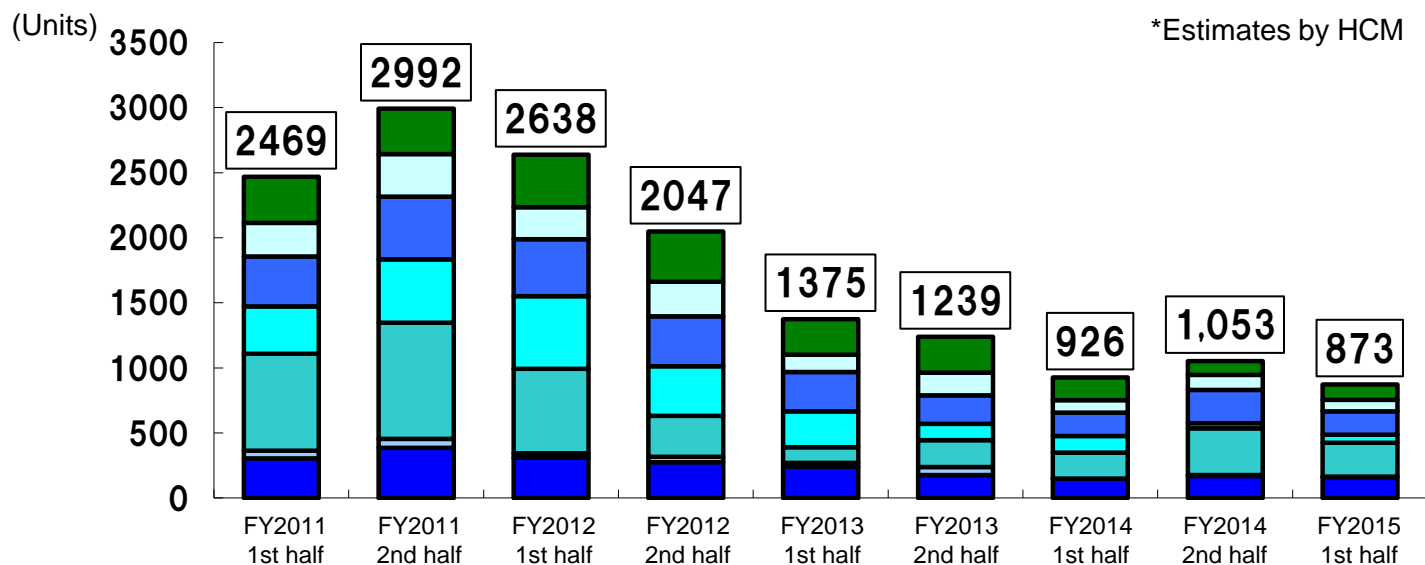
* Truck demand in the chart below was revised to display data for trucks with the loading weight of 55t or more.



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



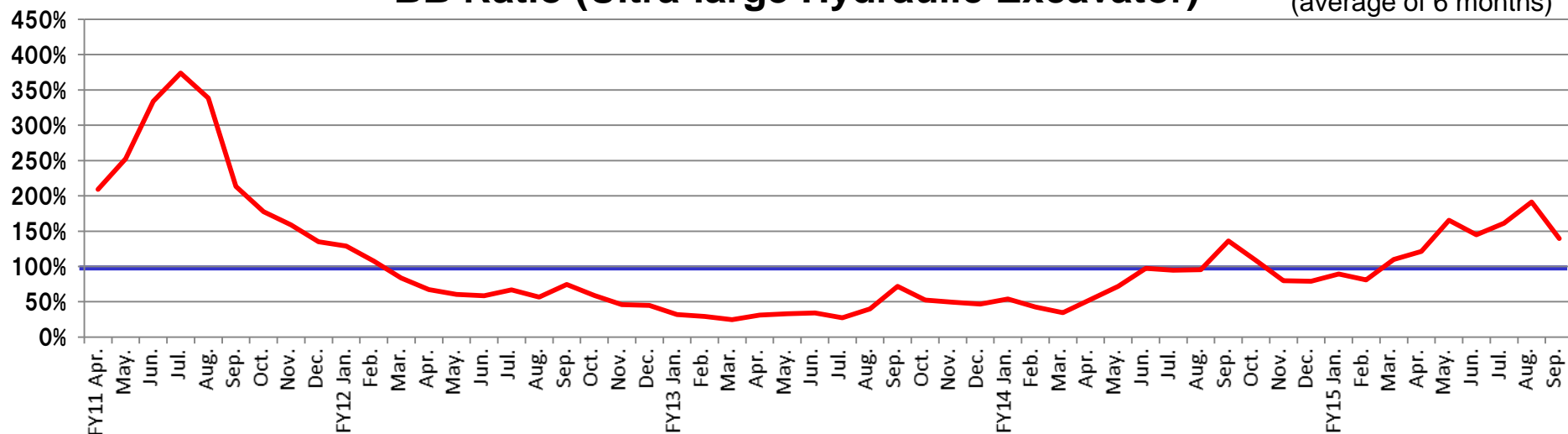
Demand proportion by region: Truck (over 55t)



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

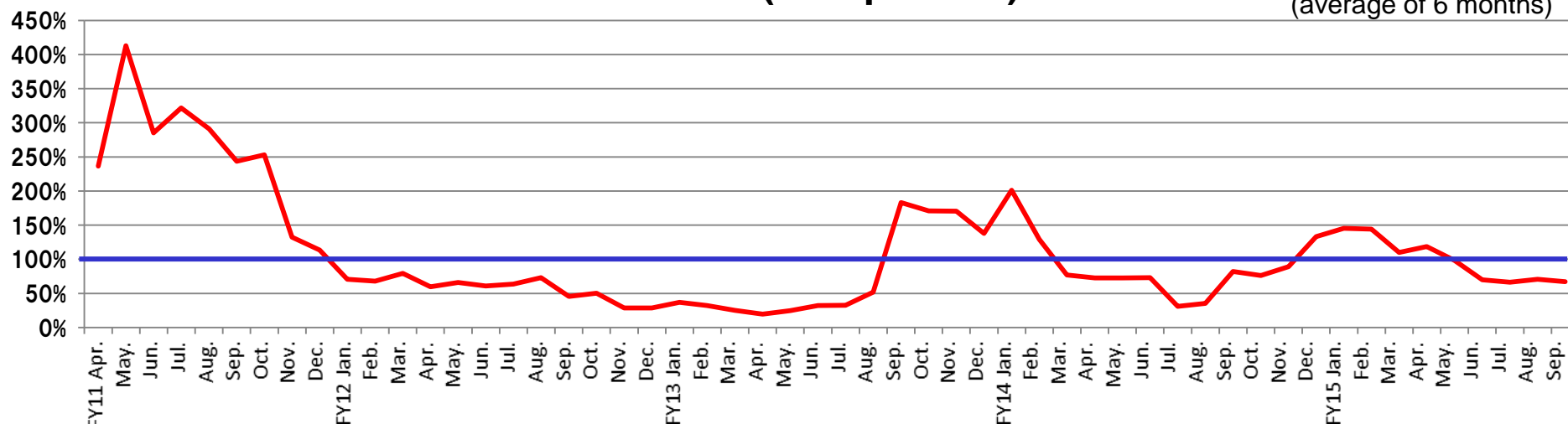
BB Ratio (Ultra-large Hydraulic Excavator)

*Non-consolidated basis
(average of 6 months)



BB Ratio (Dump Truck)

*Non-consolidated basis
(average of 6 months)



For excavators, we secured valued orders from North America and Australia, whilst demand is still not so strong. Demand for trucks is sluggish, especially for large size mining trucks.

[Australia] Received inaugural order of EH5000AC-3 trucks to Western Australia

- 3 units of EH5000AC-3 were ordered by iron-ore mine in Western Australia. The trucks are scheduled to be commissioning in November 2015.



Reference photograph: EH5000AC-3

[Peru] High altitude specification trucks start operation

- 3 units of EH4000AC-3 were delivered to a copper mine in Peru. These are high altitude specification and commenced operation in October.



EH4000AC-3 operating at the copper mine

[Japan] Joint exhibition at the World Scout Jamboree

- From July 28 to August 8, Boy Scouts World Congress was held in Yamaguchi Prefecture, Japan. More than 30,000 participants were joined from more than 150 countries.
- We participated in the joint exhibition at Rio Tinto's booth on the theme of "From the Earth to My Life" in the Science and Technology section. We displayed ASTACO and panels of mining machineries to present our technical capabilities.



Science and Technology section

[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.

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