


Business Result for the Third Quarter ended December 31, 2015 Regional Market Environments and Projections



January 28, 2016

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

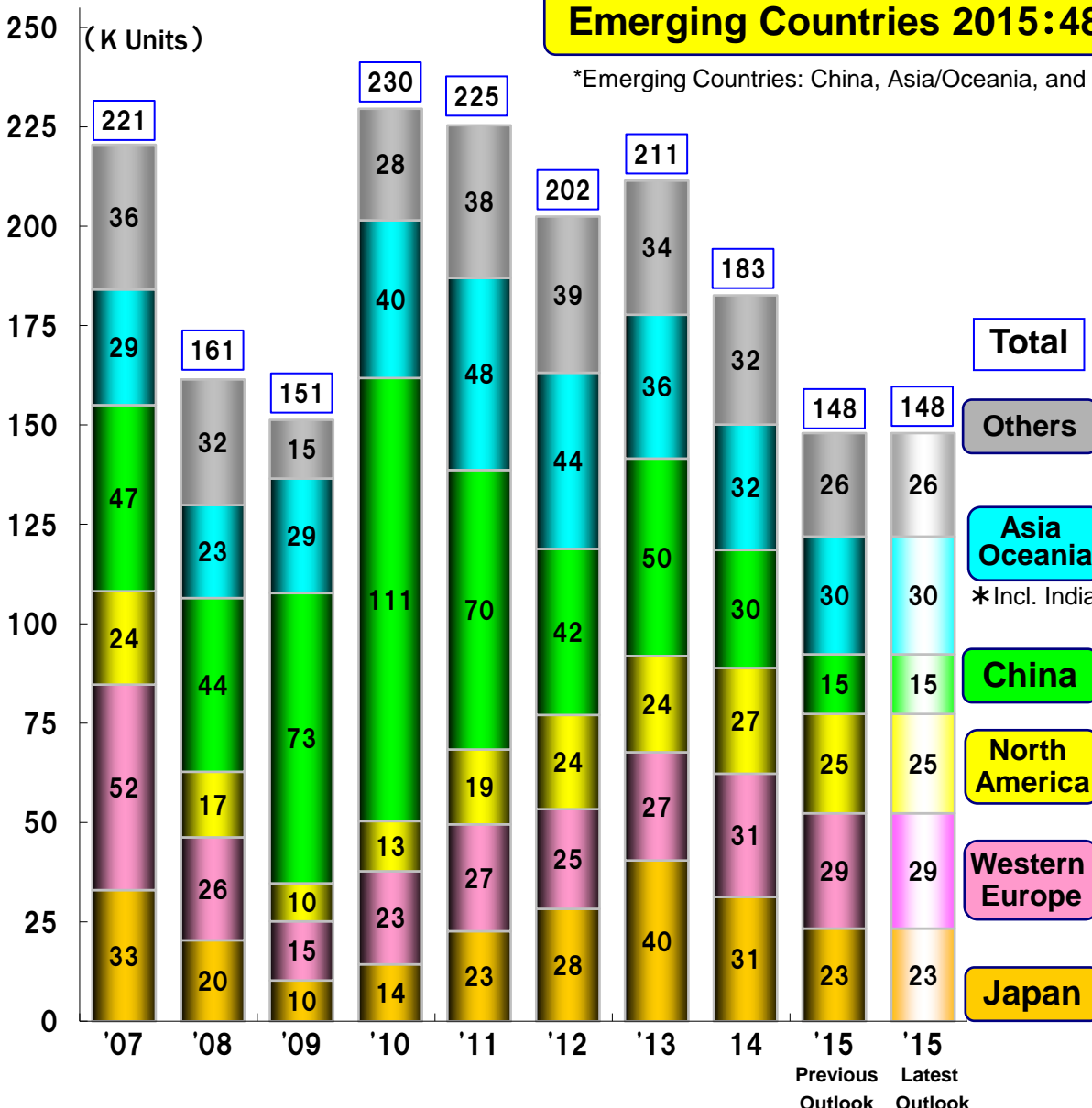
Global Demand Trend for Hydraulic Excavators

*Estimates by HCM
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Emerging Countries 2015:48% (Y-0-Y Change:-3%)

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

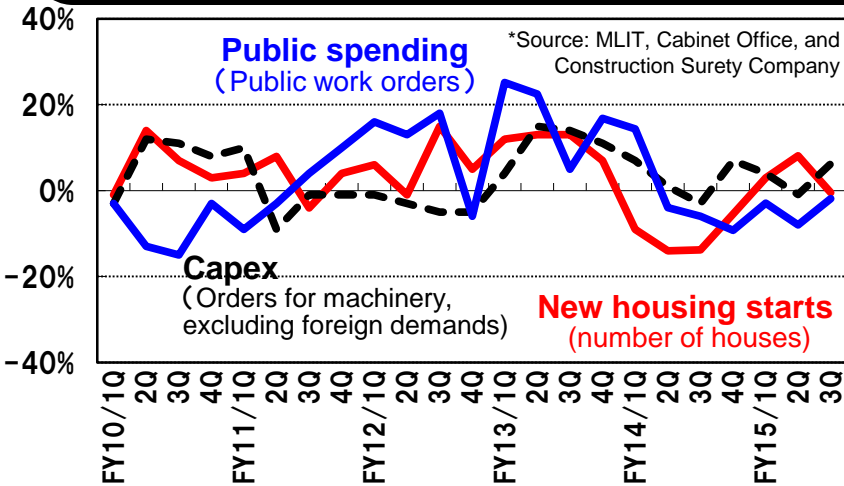
Year-on-Year Change



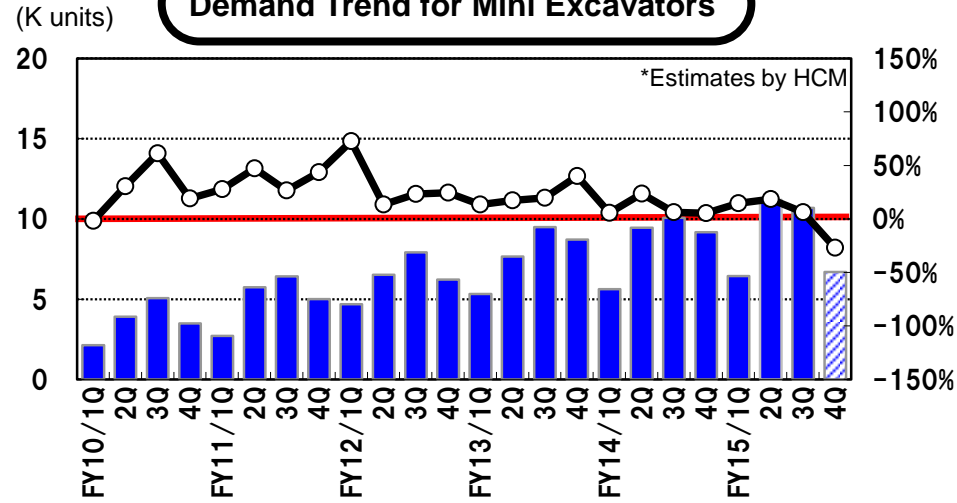
	'14	'15 Previous Outlook	'15 Latest Outlook
Total	-13%	-19%	-19%
Russia, CIS, E Europe	-22%	-49%	-49%
Africa	+7%	-6%	-6%
Middle East	+4%	-1%	-1%
Latin America	-3%	-31%	-31%
Others	-6%	-19%	-19%
India	-1%	+15%	+15%
Indonesia	-29%	-39%	-39%
Others	-10%	-5%	-5%
Asia & Oceania	-11%	-6%	-6%
China	-40%	-49%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

- ◇ Capital investment increased, while public investment continuously decreased.
- ◇ During the third quarter FY2015, demand for hydraulic excavators and wheel loaders decreased as a reaction to last minute demands in anticipation of new emission regulations (hydraulic excavators decreased by 17% y-o-y, wheel loaders decreased by 5% y-o-y).

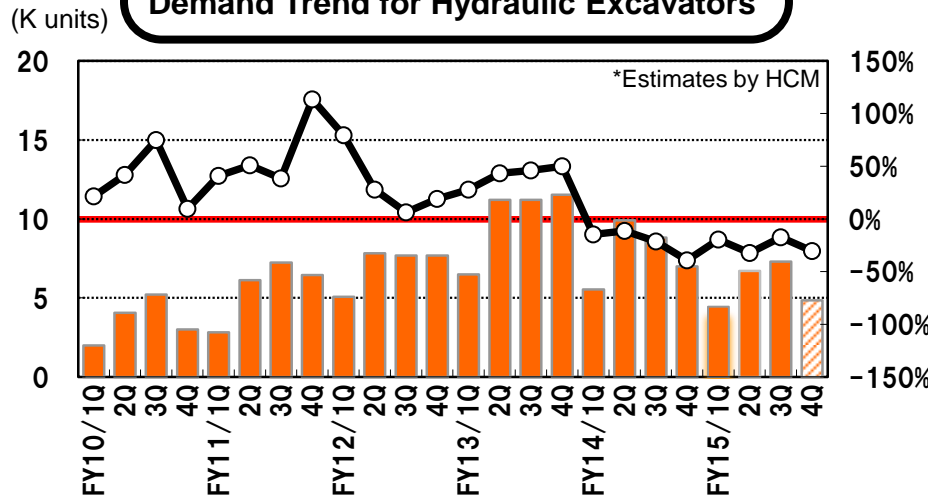
Market Environment: Housing/Public Spending and Capex (y-o-y)



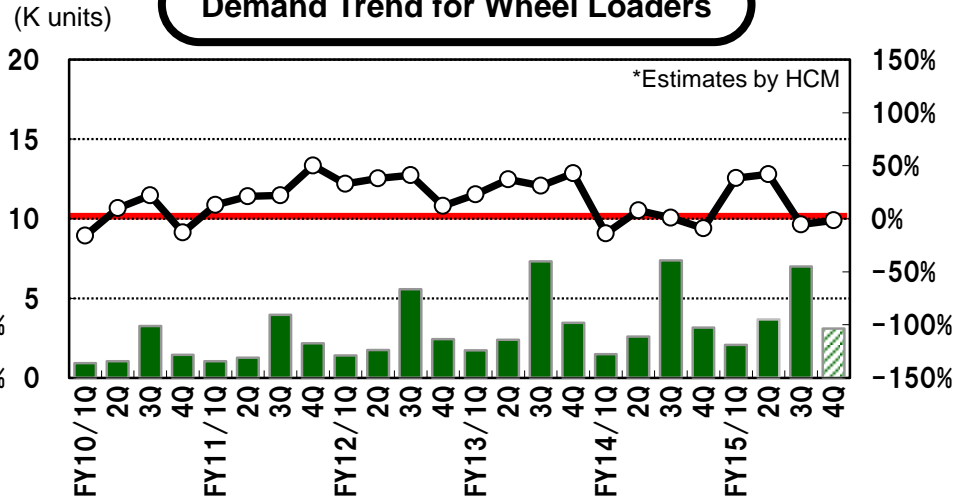
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

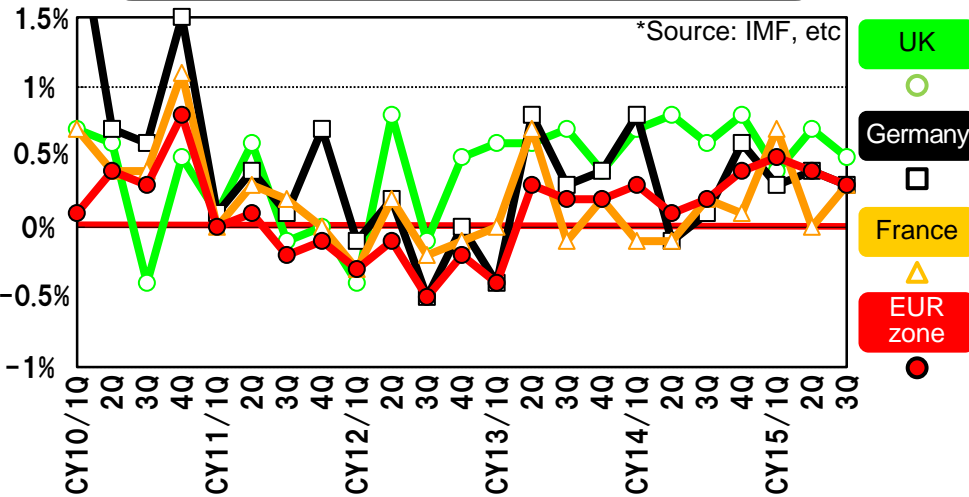


Demand Trend for Wheel Loaders

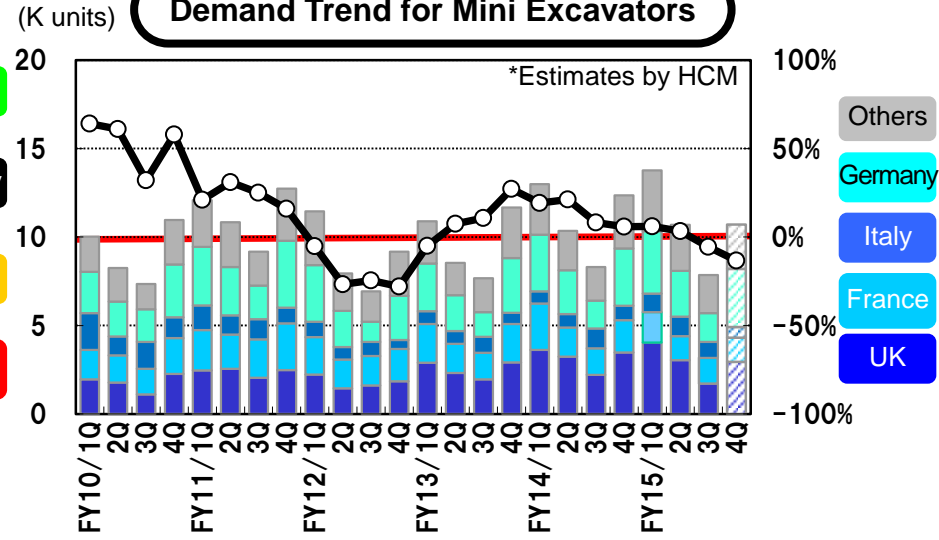


- ◇ Gradual recovery in GDP has sustained in the entire Eurozone.
- ◇ Demand for hydraulic excavators slightly decreased as it was negatively affected by the sluggish demand in France (decreased by 5% y-o-y).

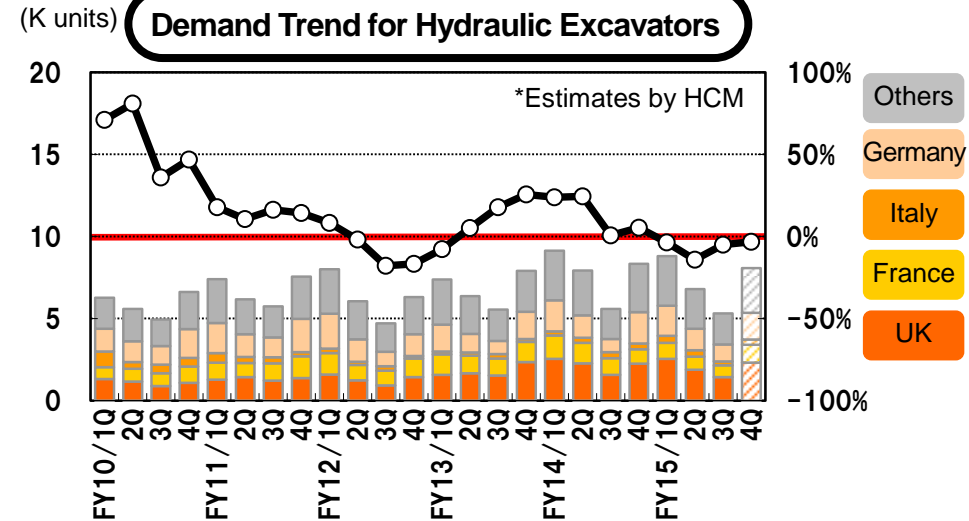
GDP Growth Rate in Major Countries (y-o-y)



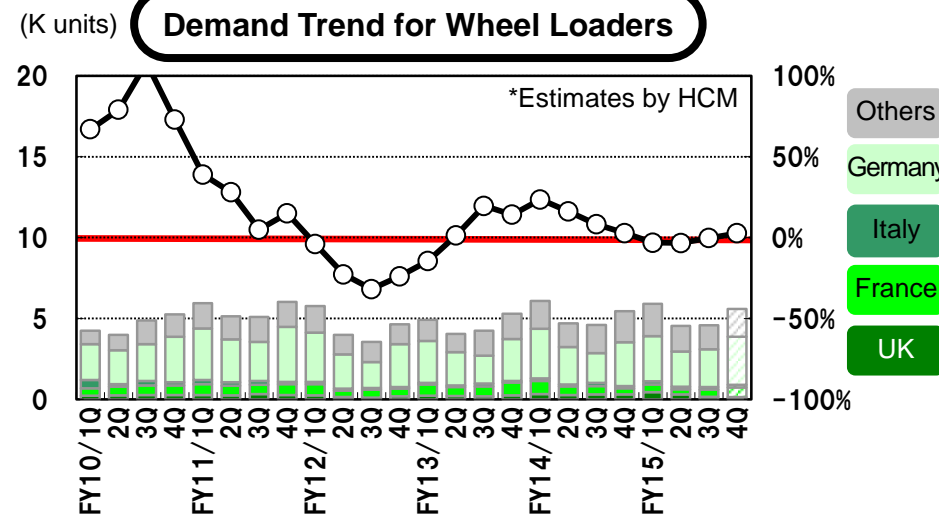
Demand Trend for Mini Excavators



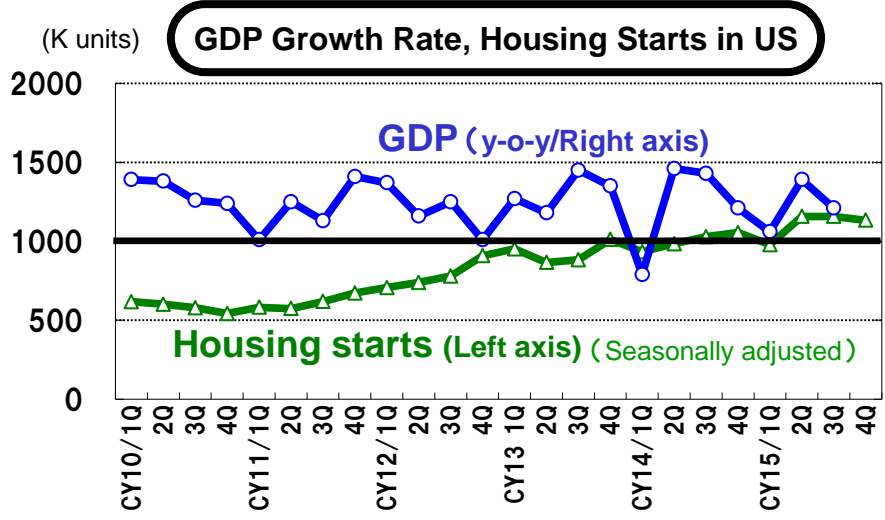
Demand Trend for Hydraulic Excavators



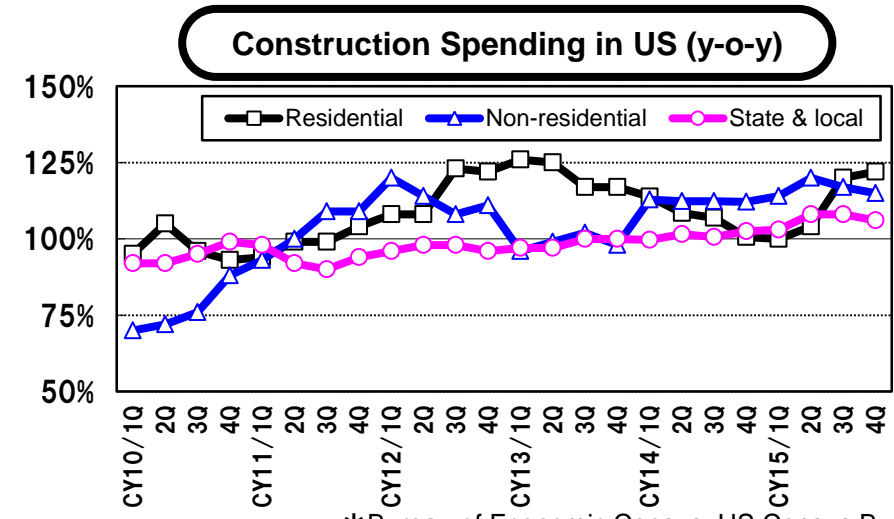
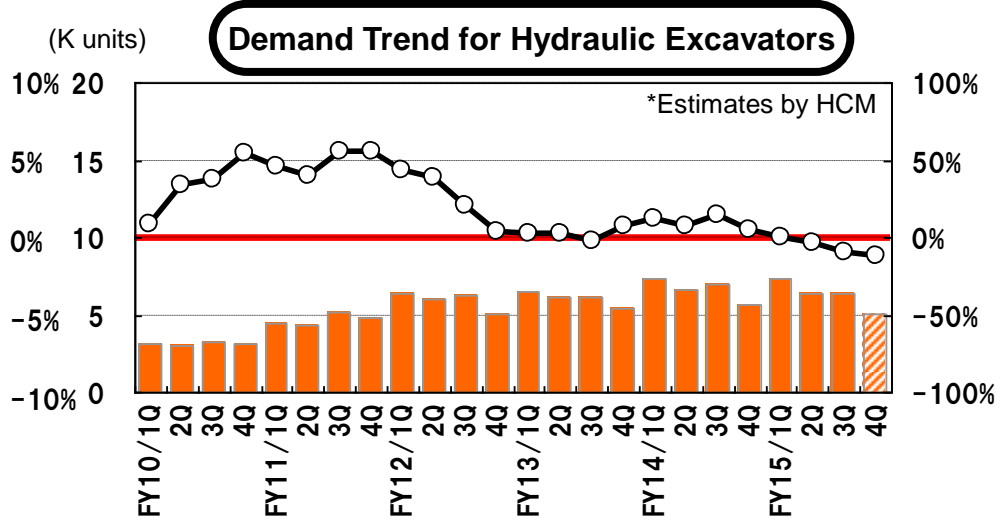
Demand Trend for Wheel Loaders



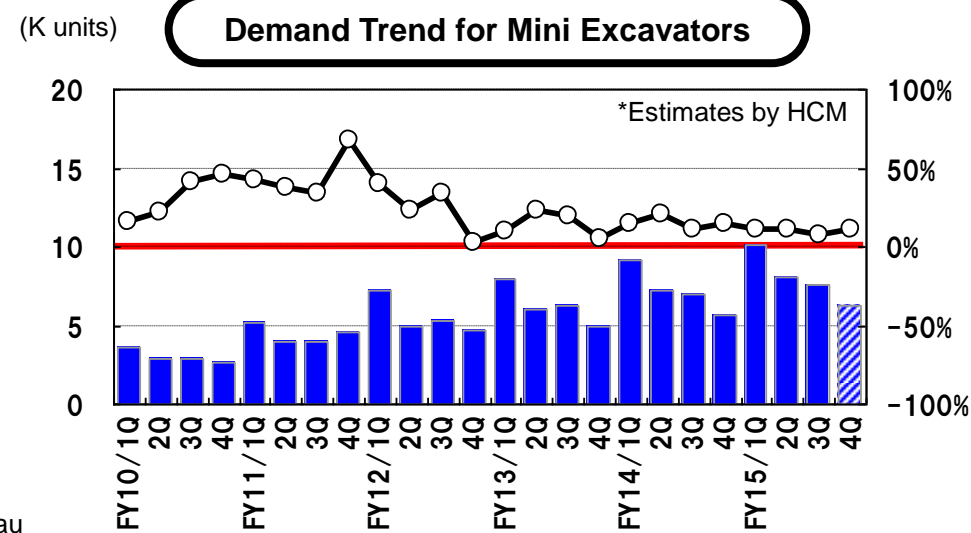
- ◇ Housing starts remained high, and construction investment were brisk.
- ◇ Hydraulic excavator demand decreased (by 9% y-o-y), however, mini-excavator demand increased (by 8% y-o-y).



*Bureau of Economic Census, US Census Bureau

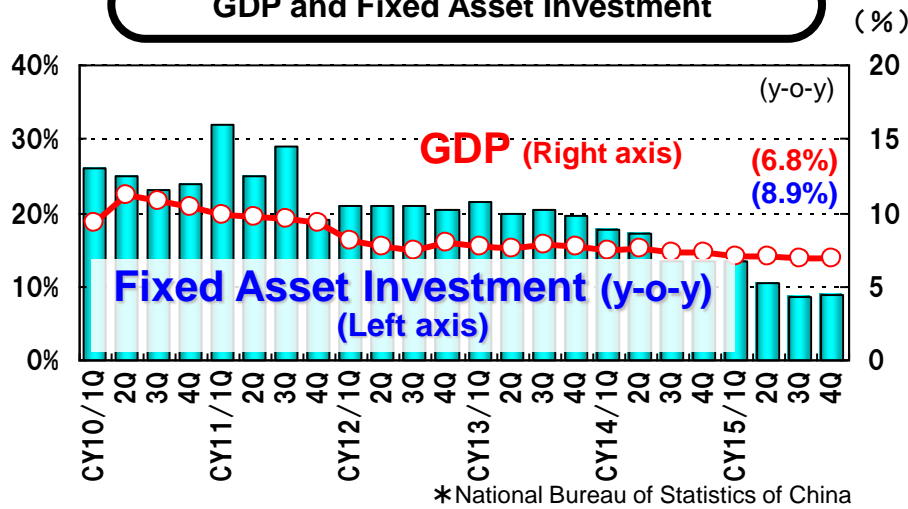


*Bureau of Economic Census, US Census Bureau

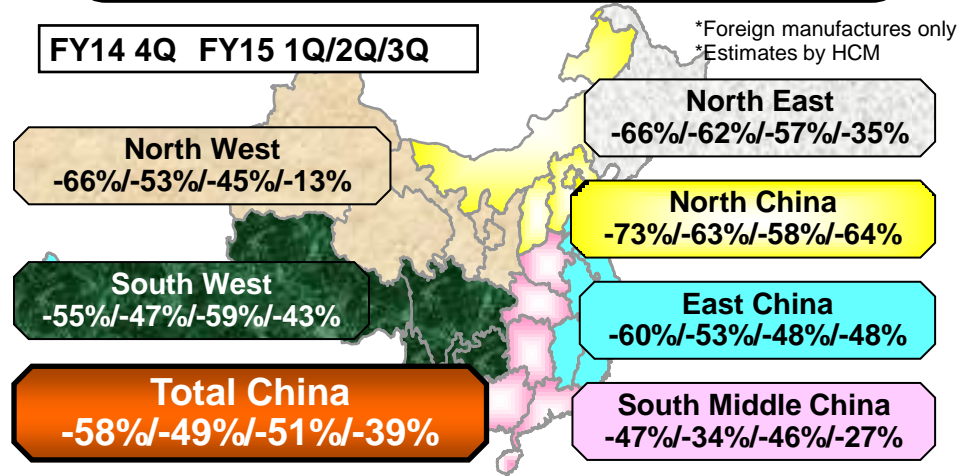


- ◇ GDP growth from October to December 2015 decelerated to 6.8%, and fixed asset investment continuously slowed down.
- ◇ Regarding demands, a significant decrease continued due to slowdown of real estate investment and excess inventory adjustment (decreased by 39% y-o-y).

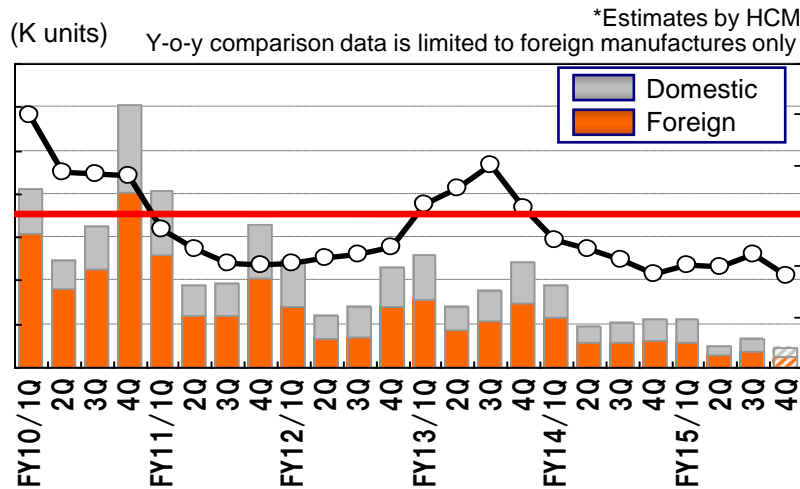
GDP and Fixed Asset Investment



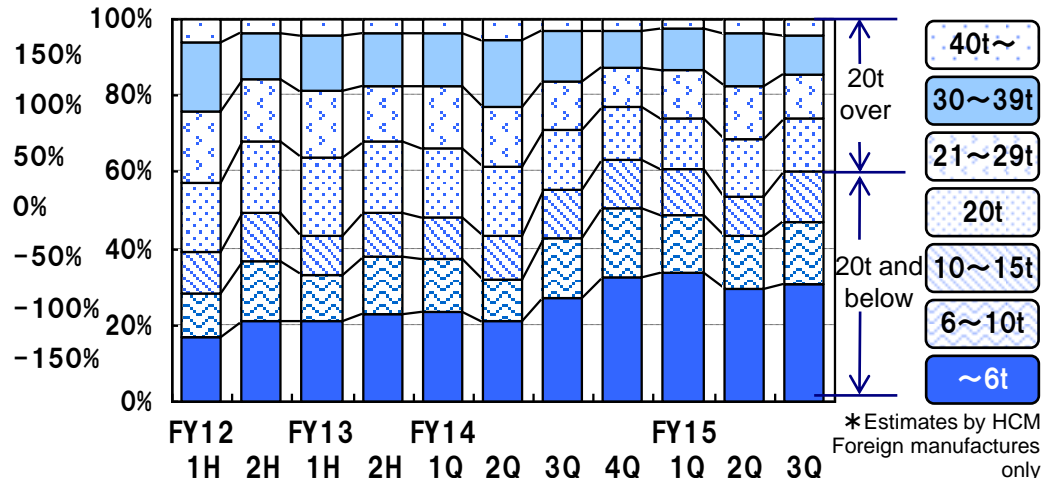
Quarterly Demand for Hydraulic Excavators by Region (y-o-y)



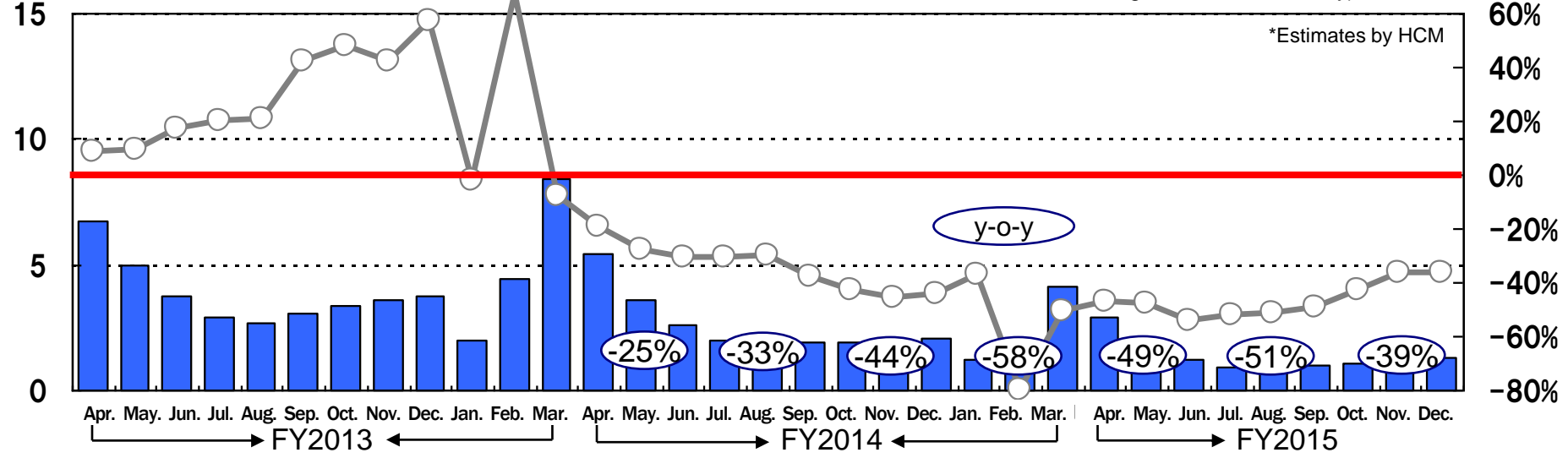
Demand Trend for Hydraulic Excavators



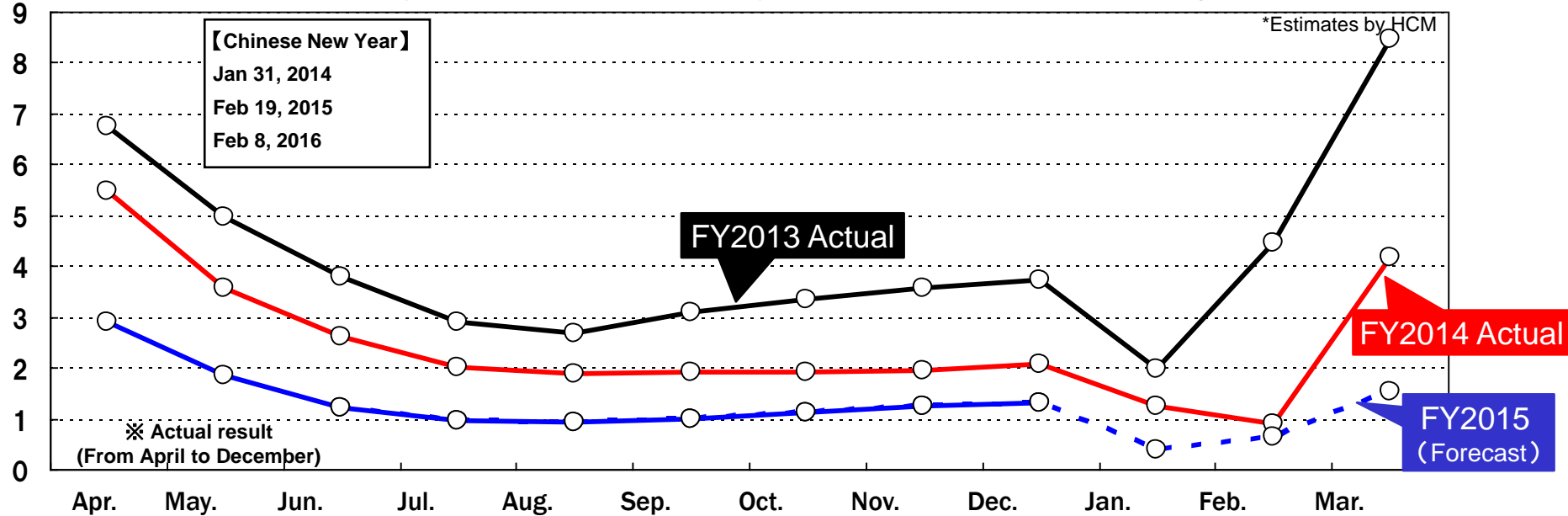
Demand Composition by Class for Mini Excavators and Hydraulic Excavators



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

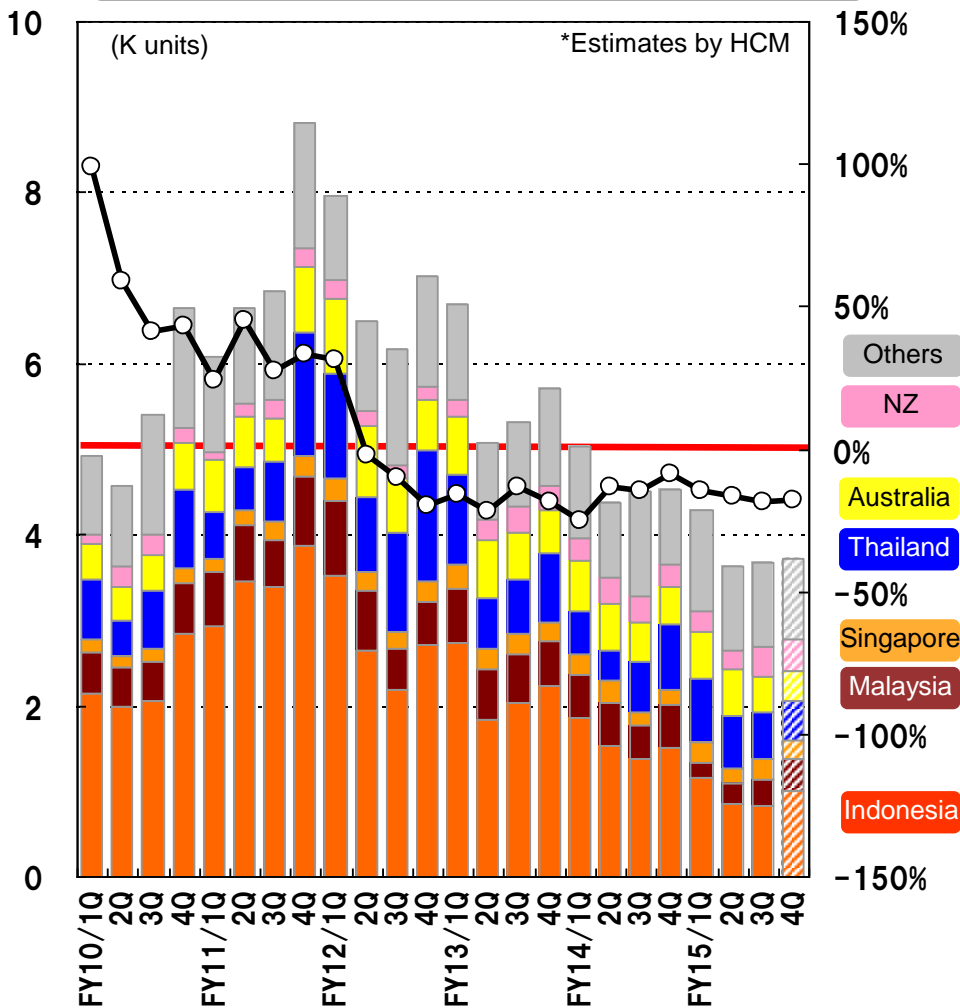


(K units) **Monthly Demand Trend for Hydraulic Excavators** (Foreign Manufactures only)

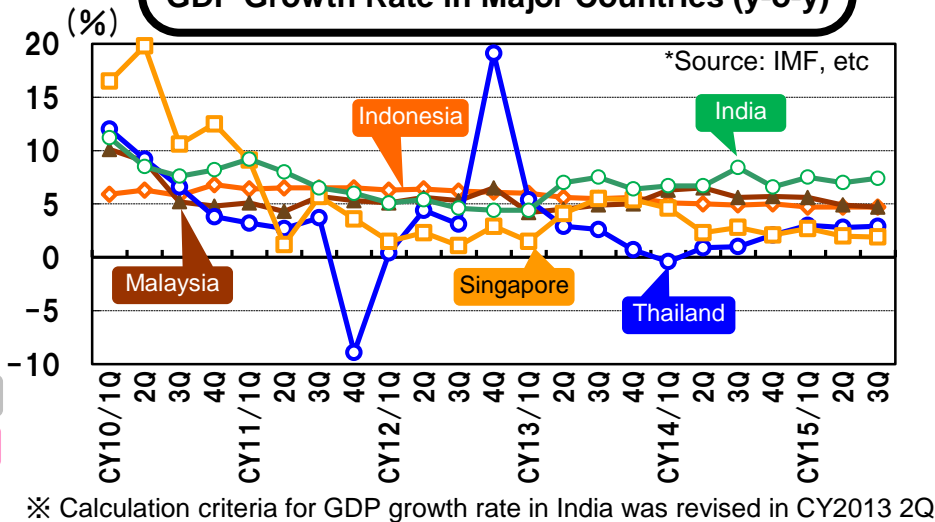


- ◇ Regarding Asia and Oceania, while demand in Indonesia and Malaysia, etc. was continuously decreasing, demand in Thailand and the Philippines was robust (decreased by 19% y-o-y).
- ◇ Demand in India increased mainly for some infrastructure investments, such as coal and quarries, etc., (increased by 11% y-o-y).

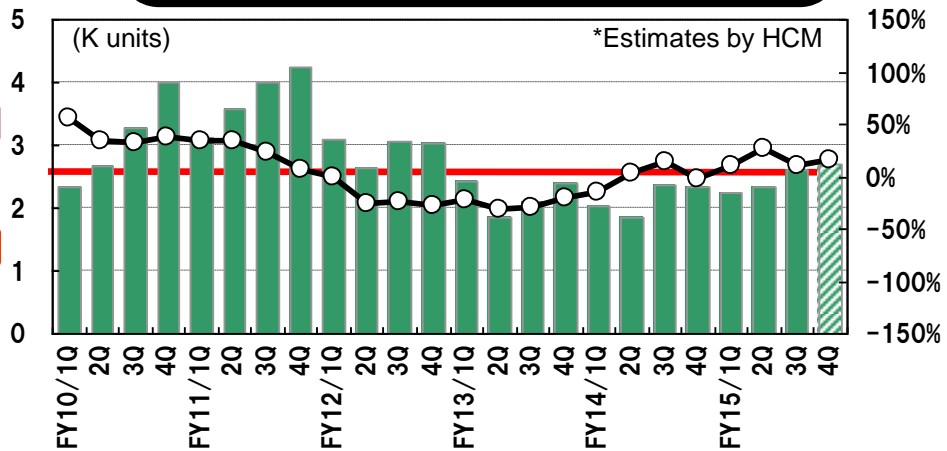
Demand Trend for Hydraulic Excavators in Asia & Oceania



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



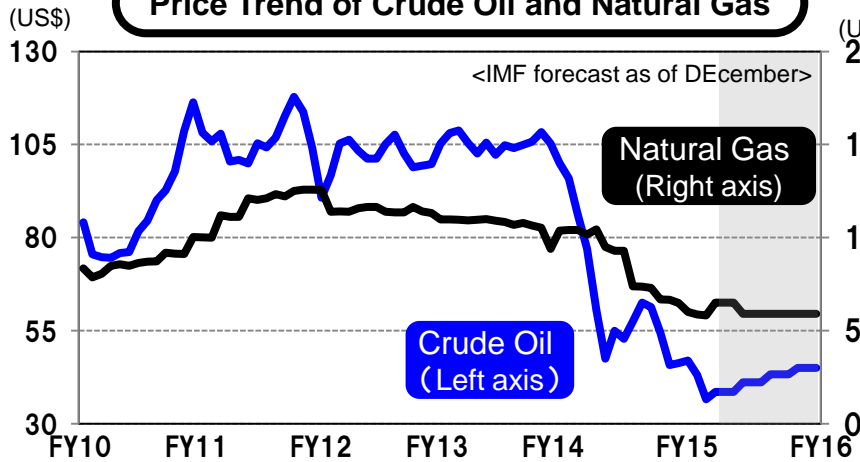
Demand Trend for Hydraulic Excavators in India



【Russia】 Demand remained stagnant along with the economic downturn caused by crude oil and Ruble depreciation (decreased by 40% y-o-y).

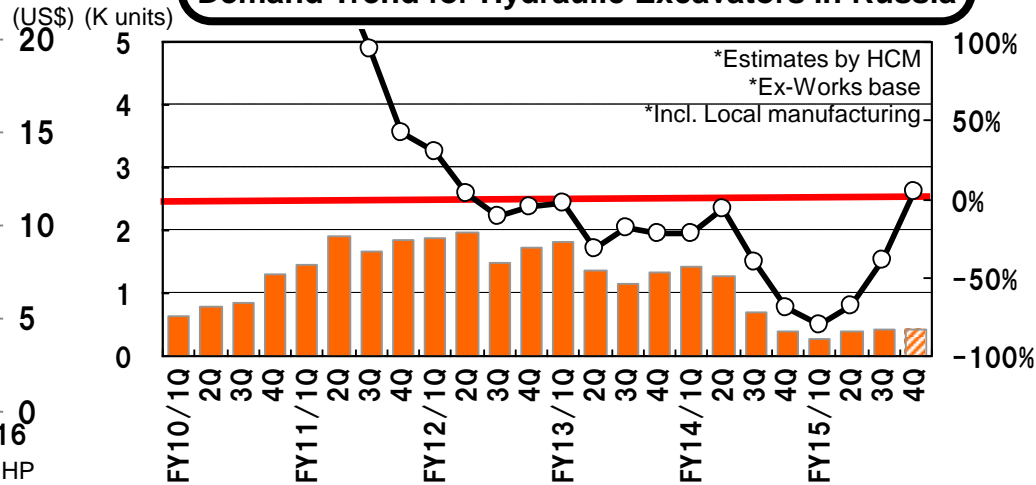
【Middle East】 Demand for hydraulic excavators decreased, mainly in the oil-producing countries (decreased by 2% y-o-y).

Price Trend of Crude Oil and Natural Gas

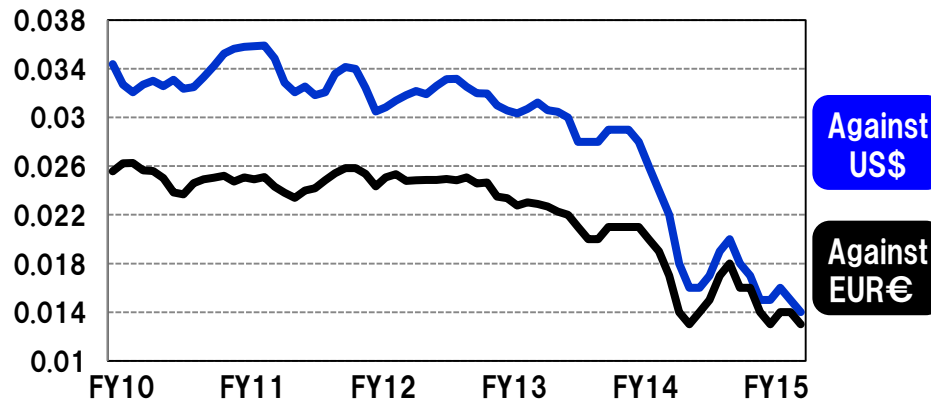


*Created by HCM, the source from IMF HP

Demand Trend for Hydraulic Excavators in Russia

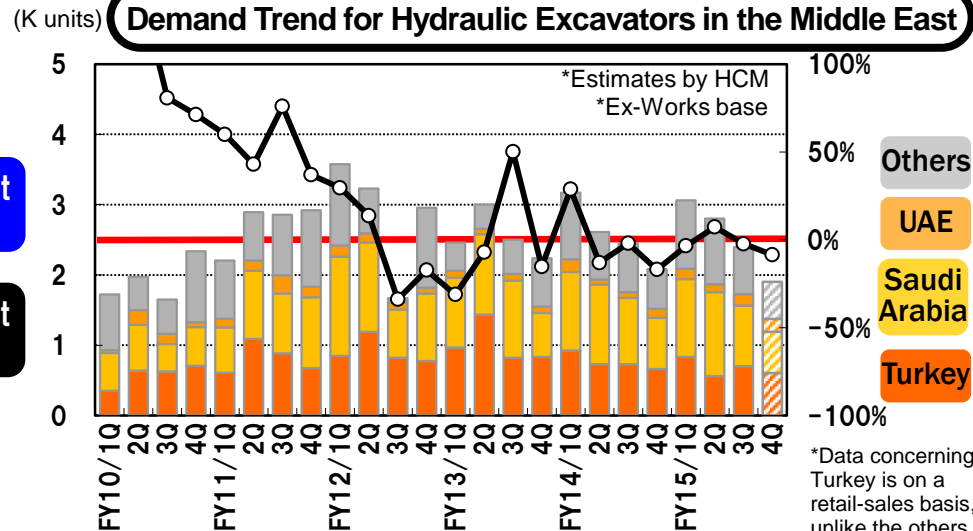


Foreign Exchange Rate of the Ruble



*According to HCM's research

Demand Trend for Hydraulic Excavators in the Middle East

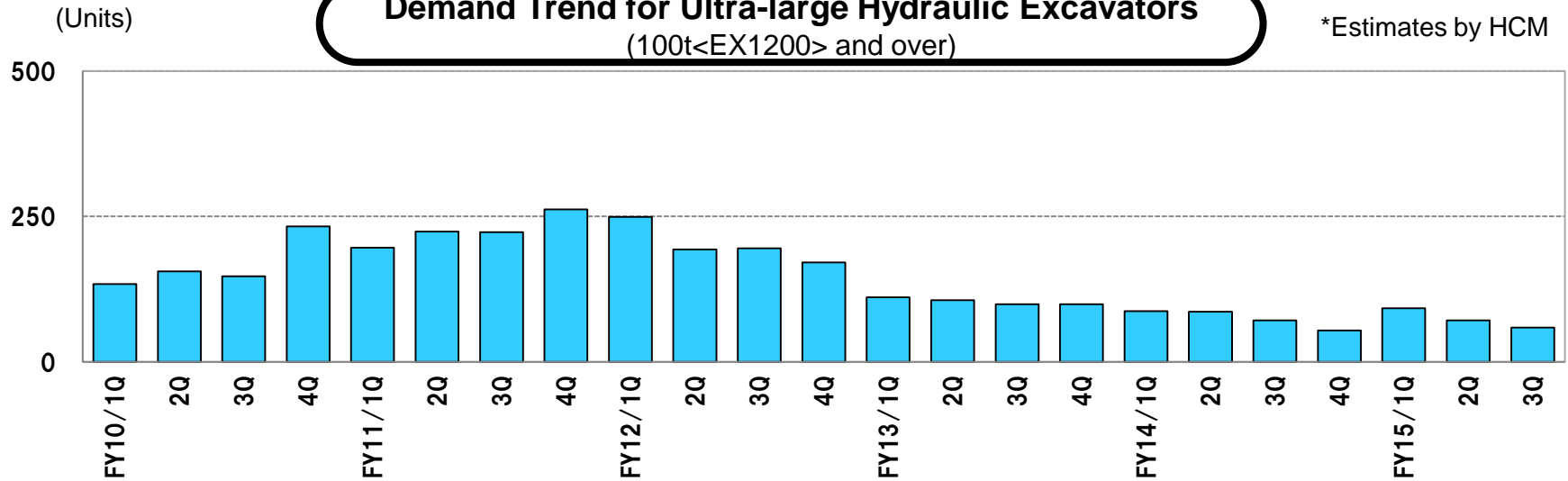


*Data concerning Turkey is on a retail-sales basis, unlike the others.

- ◇ Resource prices are not bottoming out, and the demand in FY2015 is expected to decrease by approximately 10% y-o-y.
- ◇ In particular, the demand for ultra-large mining machinery has significantly decreased.

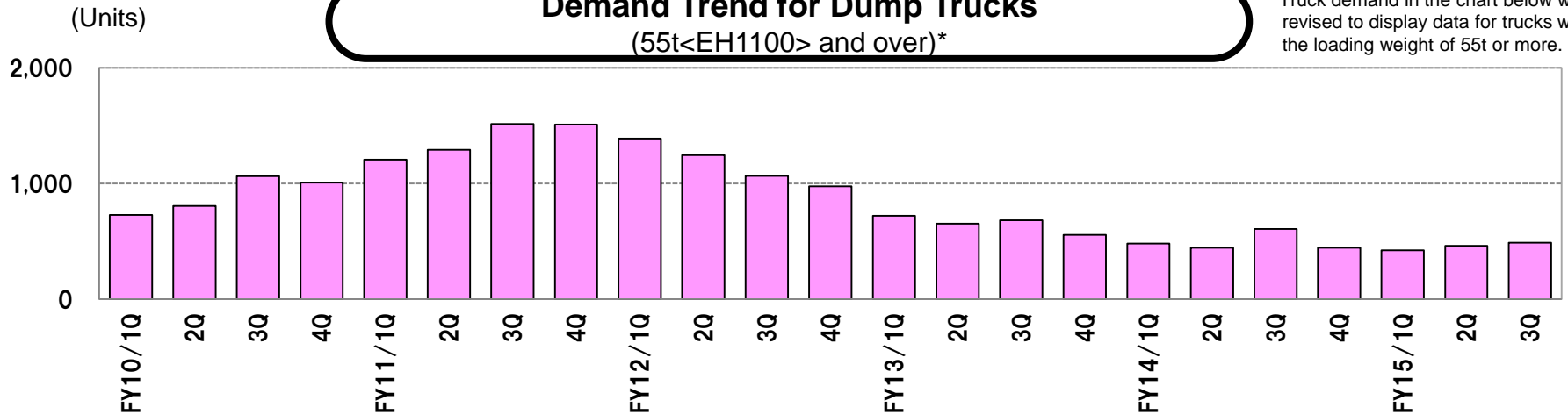
Demand Trend for Ultra-large Hydraulic Excavators
(100t<EX1200> and over)

*Estimates by HCM

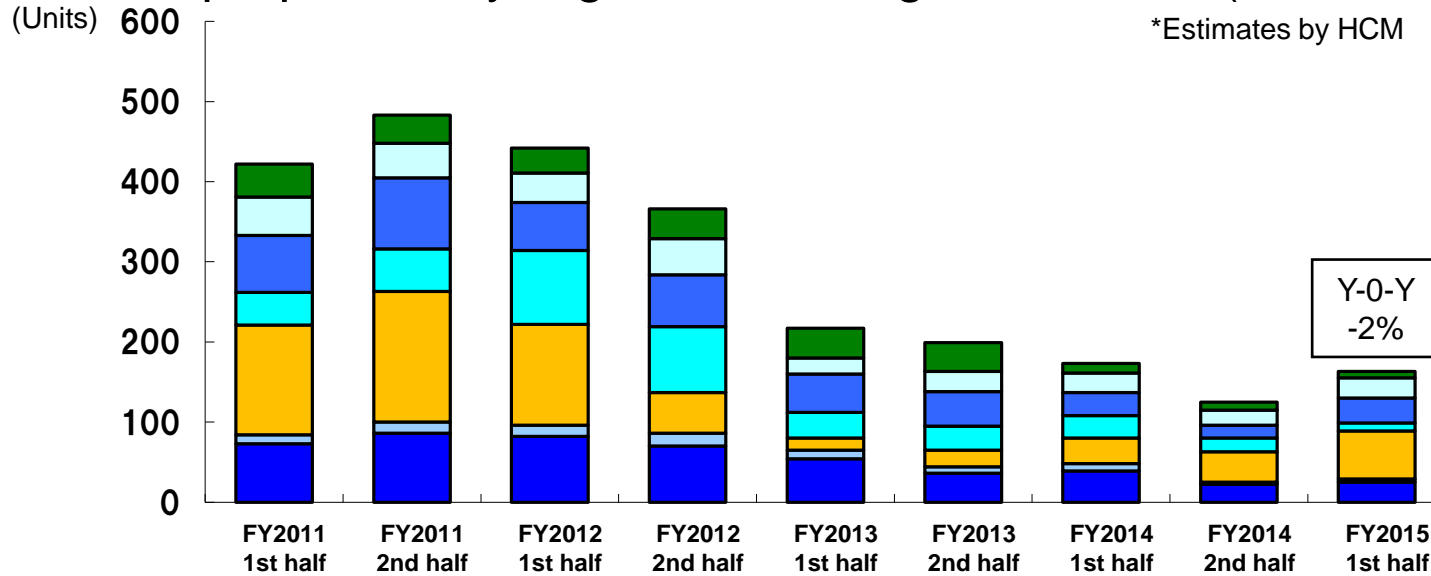


Demand Trend for Dump Trucks
(55t<EH1100> and over)*

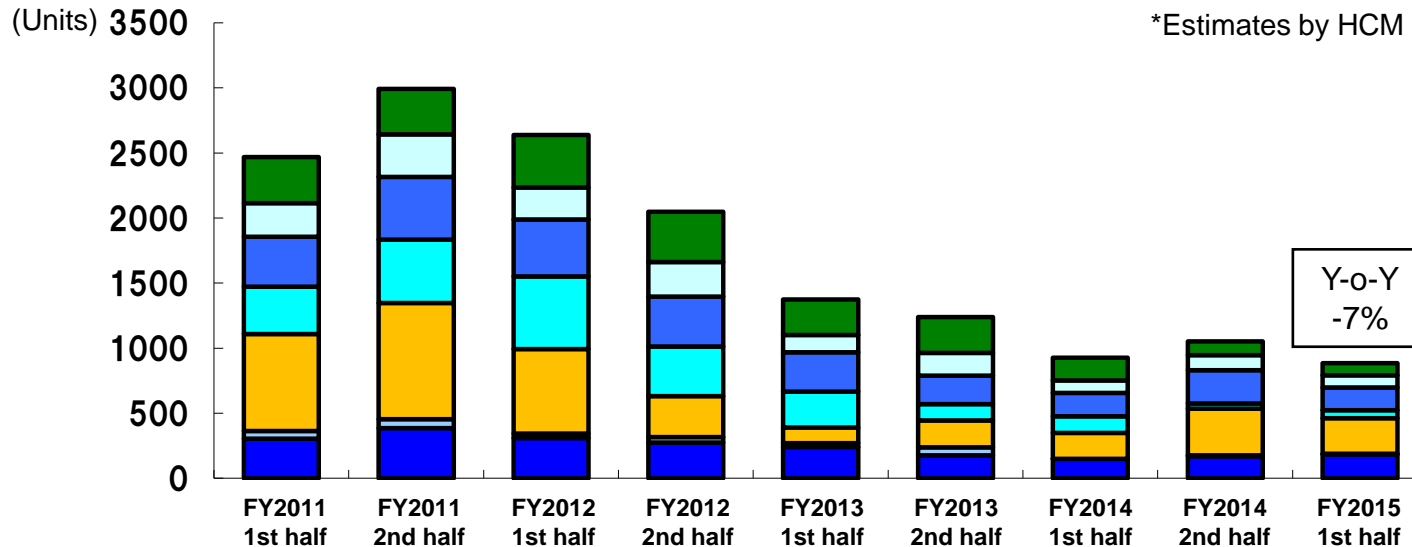
* Truck demand in the chart below was revised to display data for trucks with the loading weight of 55t or more.



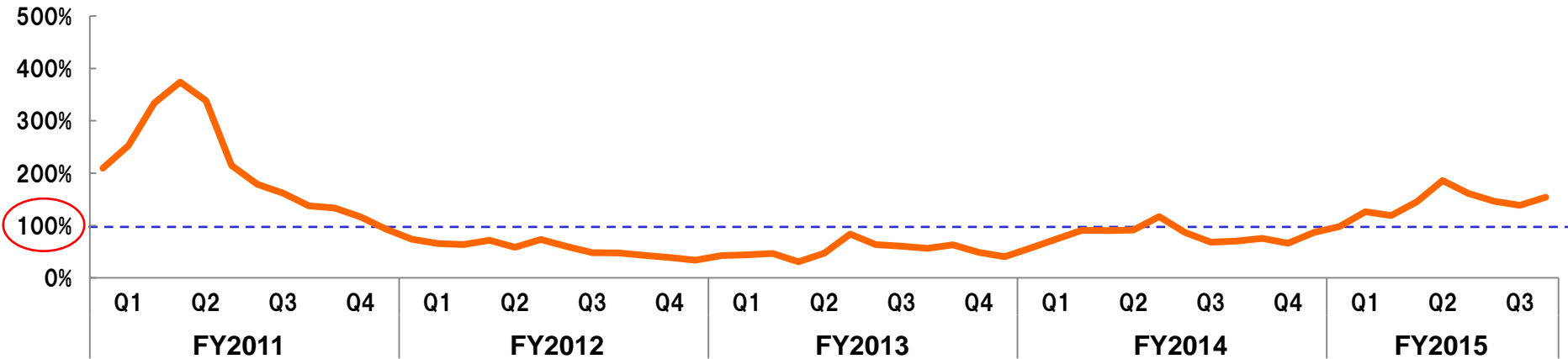
Demand proportion by region: Ultra-large Excavator (over 100t)



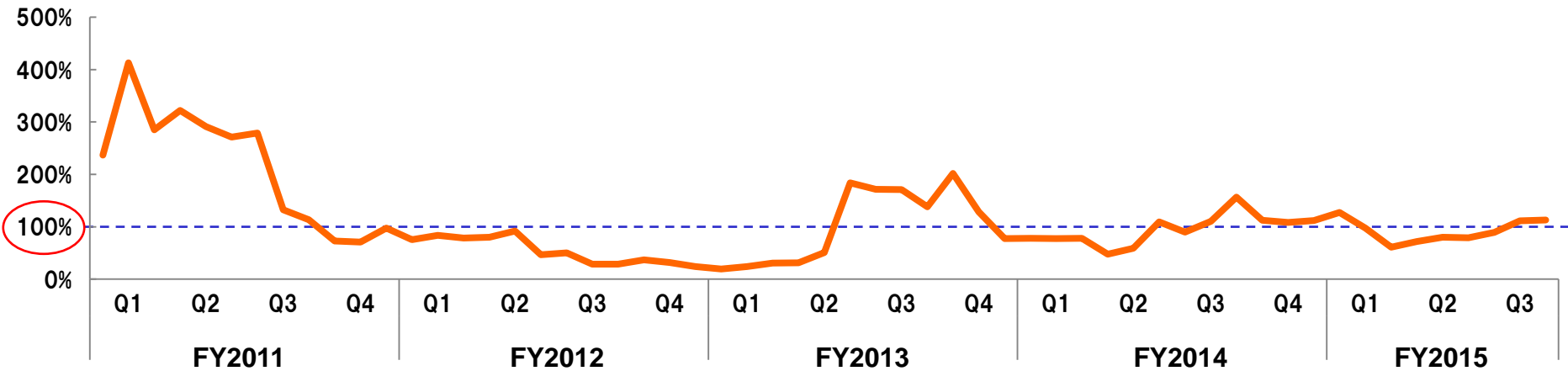
Demand proportion by region: Truck (over 55t)



BB Ratio (Ultra-large Hydraulic Excavator)



BB Ratio (Dump Truck)



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

[Australia] Relocation of the Perth branch

- We will relocate the Perth branch in order to further expand truck sales in Western Australia.
 - First stage: relocation of the branch office and the parts warehouse (scheduled to start operating in August 2016).
 - Second stage: relocation of the parts recycling factory and the assembly factory.
- Investment amount is approximately ¥10 billion.



The new Perth branch under construction

[Singapore] Delivery of EX1900-6 for reclamation

- We delivered EX1900-6BH with land-reclaiming application for the new port construction project in Singapore.
- 2 units of EX1900-6 were additionally ordered, which we plan to deliver in the first half of FY 2016. We aim to obtain more orders as the construction work progresses.



EX1900-6 for reclamation

[Kazakhstan] Large order of EH1100-5

- We received the order for 25 units of EH1100-5 to the iron ore mine in Kazakhstan.
- We plan to start shipping in the first quarter of FY2016 and complete the delivery by the end of 2016.



Reference photo:EH1100-5

[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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