

## Business Result for FY2015 ended March 31, 2016 Regional Market Environments and Projections



April 27, 2016



**Hitachi Construction Machinery Co., Ltd.**

**Senior Vice President and Executive Officer**

**Akihiko Hiraoka**

# Global Demand Trend for Hydraulic Excavators

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HITACHI

Reliable solutions

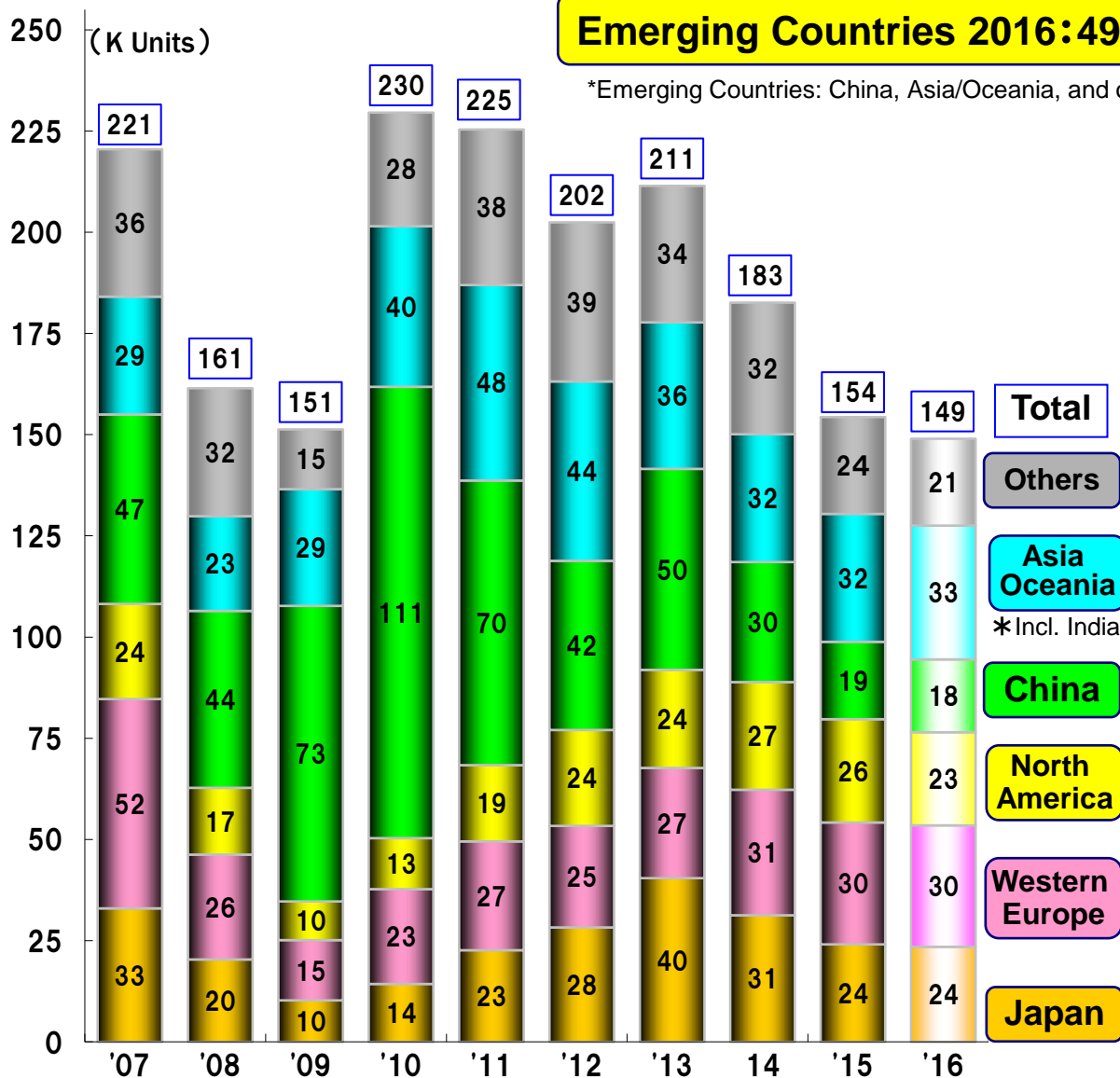
\*Estimates by HCM \*Excluding Chinese manufacturer  
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**Emerging Countries 2016:49% (Y-0-Y Change:+1%)**

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

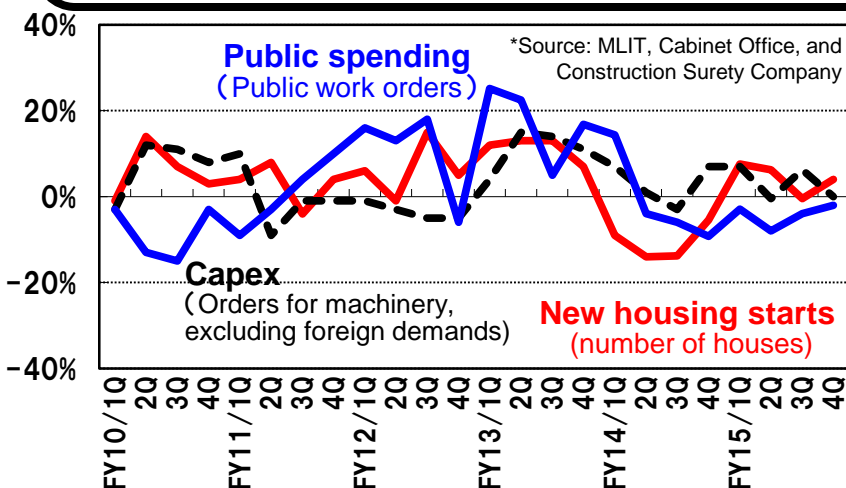
**Year-on-Year Change**

	'14	'15	'16
<b>Total</b>	-13%	-16%	-3%
Russia, CIS, E Europe	-22%	-44%	-12%
Africa	+7%	-31%	-3%
Middle East	+4%	-3%	-15%
Latin America	-3%	-38%	-7%
<b>Others</b>	-6%	-25%	-8%
India	-1%	+28%	+18%
Indonesia	-29%	-38%	-10%
Others	-10%	0%	-1%
<b>Asia &amp; Oceania</b>	-11%	0%	+3%
<b>China</b>	-40%	-36%	-6%
<b>N America</b>	+13%	-4%	-12%
<b>W Europe</b>	+15%	-3%	0%
<b>Japan</b>	-23%	-23%	0%

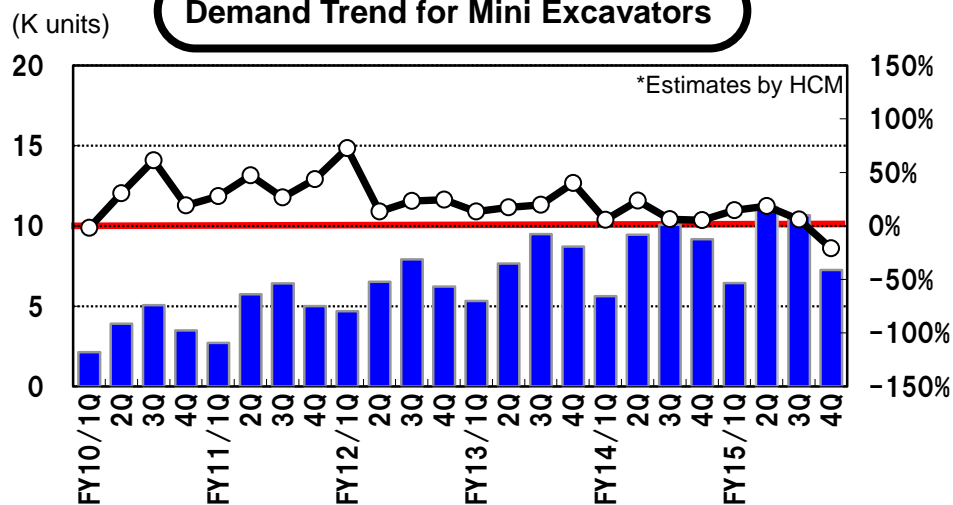


- ◇ In fiscal year 2015, the demand for hydraulic excavators continued to decrease significantly from the previous fiscal year. The demand for mini excavators and wheel loaders increased, underpinned by the last-minute demands before new emissions regulations.
- ◇ In fiscal year 2016, the demand for hydraulic excavators is expected to remain flat and the demand for mini excavators and wheel loaders is expected to decrease in reaction to the last-minute demands in anticipation of new emissions regulations.

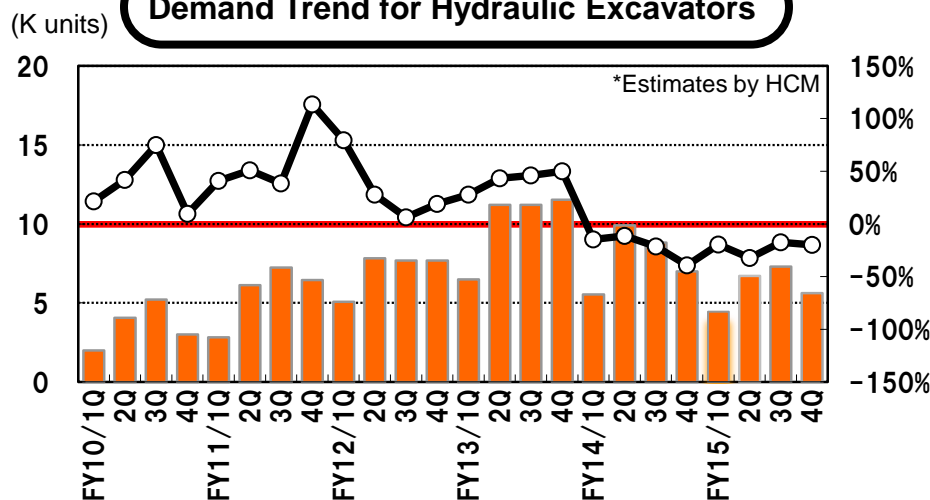
### Market Environment: Housing/Public Spending and Capex (y-o-y)



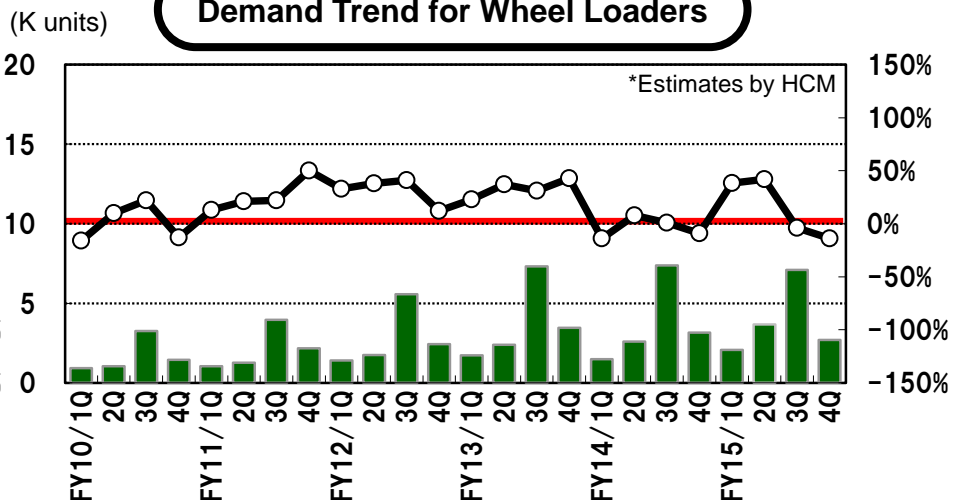
### Demand Trend for Mini Excavators



### Demand Trend for Hydraulic Excavators



### Demand Trend for Wheel Loaders



## ICT hydraulic excavator ZX200X-5B will be launched during fiscal year 2016

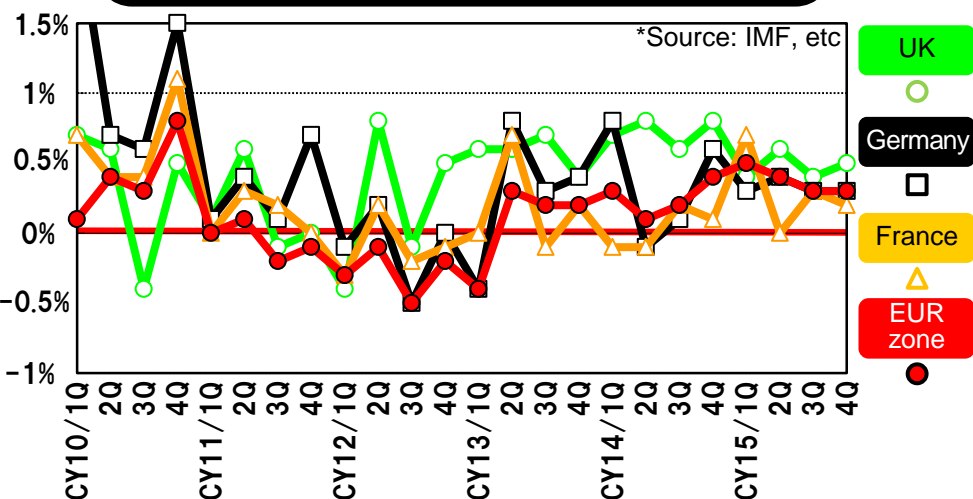
Regarding the ICT hydraulic excavator ZX200X-5B, which is the HCM's core observational constructions solution under development, we will start to offer rental service targeted at Japanese customers in June 2016. Its domestic sales is to be launched in in November 2016 .



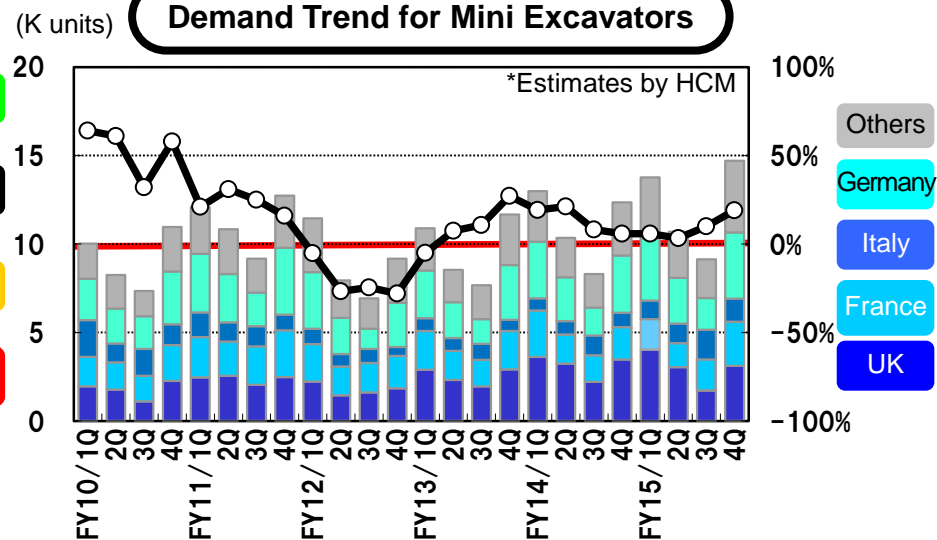


- ◇ In fiscal year 2015, the total demand for hydraulic excavators decreased slightly due to decreases in the UK and France despite an increase in Southern Europe. The total demand for mini excavators increased due to a significant increase in Germany and Italy.
- ◇ In fiscal year 2016, the demand for construction machinery is expected to remain unchanged.

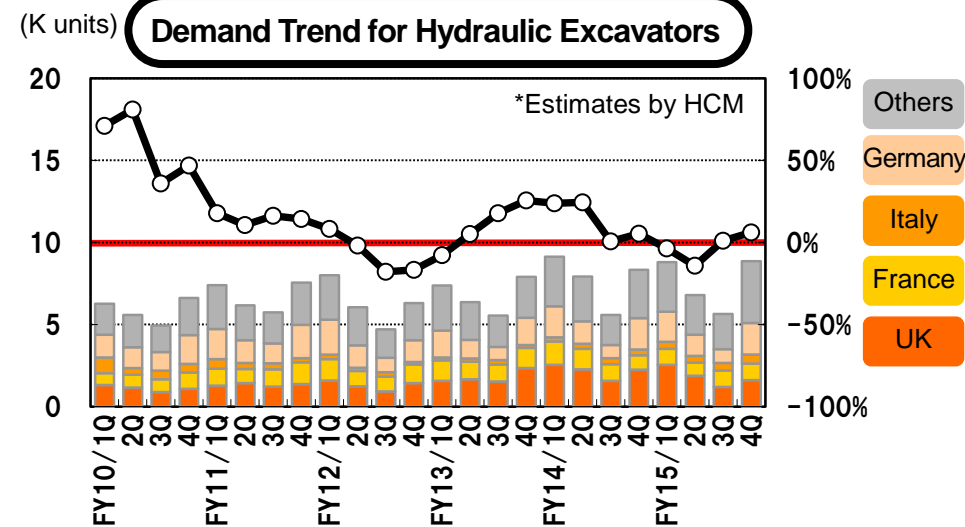
GDP Growth Rate in Major Countries (y-o-y)



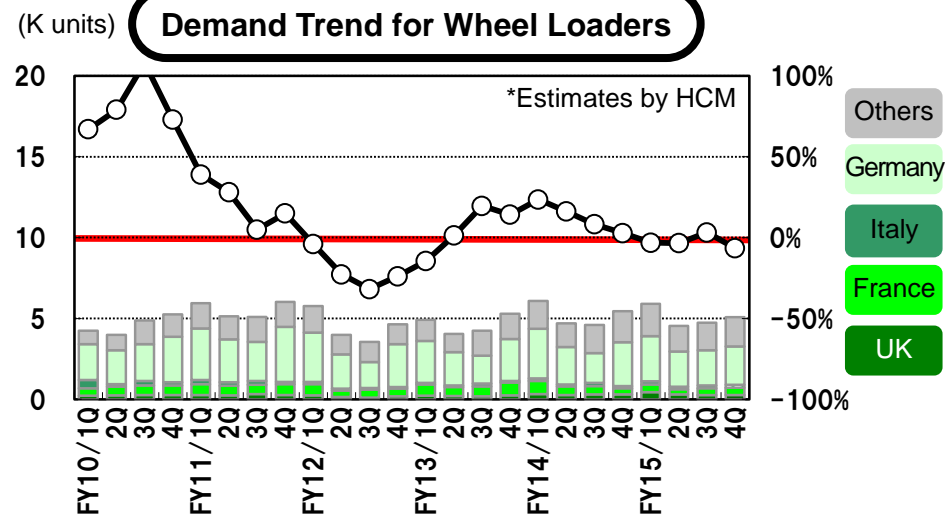
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

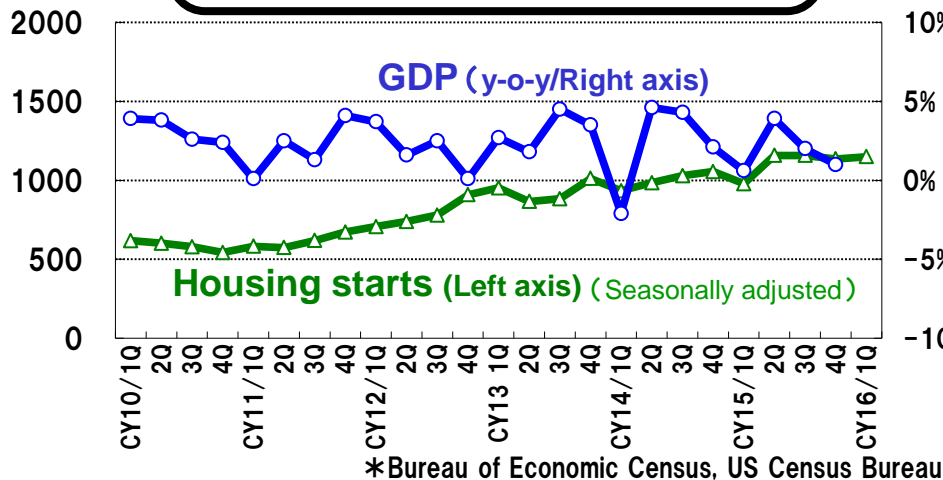


Demand Trend for Wheel Loaders

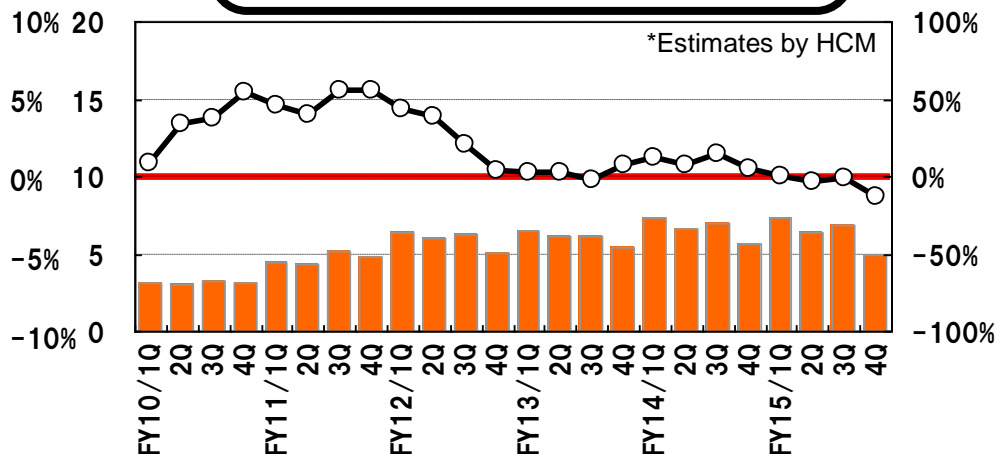
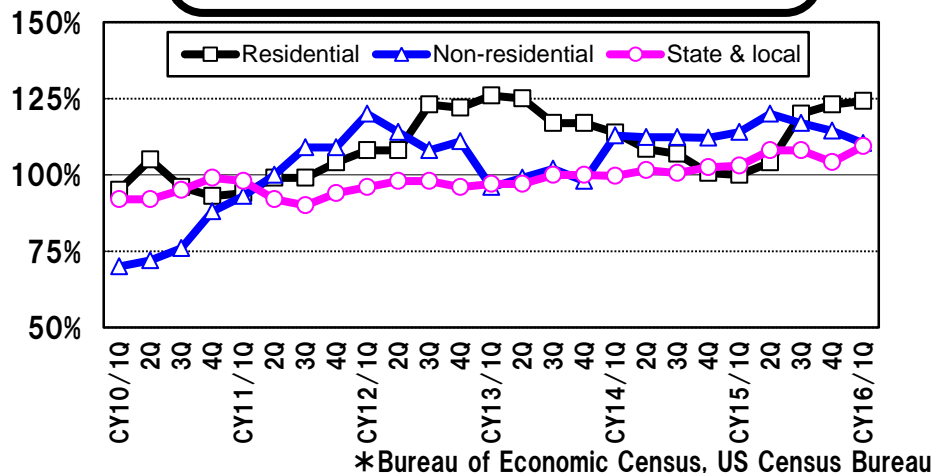


- ◇ In fiscal year 2015, the demand for hydraulic excavators decreased due to the decrease in energy-related investments. However, the demand for mini excavators increased, underpinned by brisk housing starts.
- ◇ In fiscal year 2016, the demand for mini excavators is expected to remain robust, while the demand for hydraulic excavators is expected to decrease.

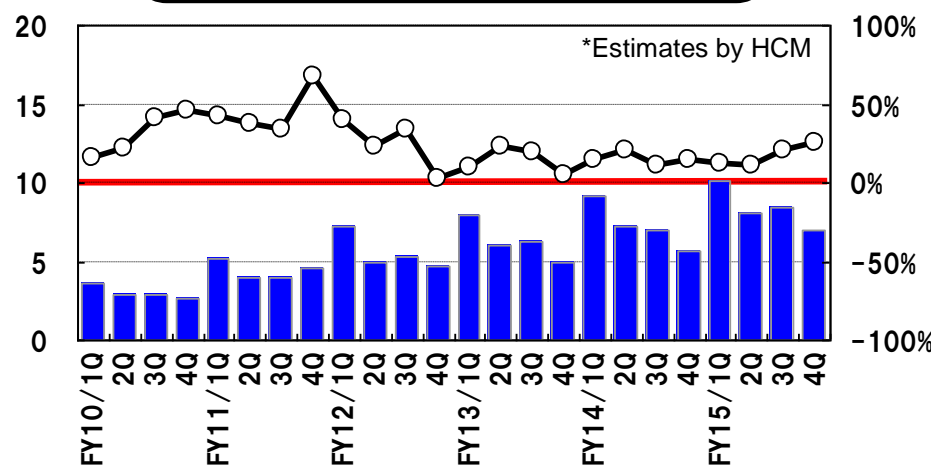
(K units)

**GDP Growth Rate, Housing Starts in US**


(K units)

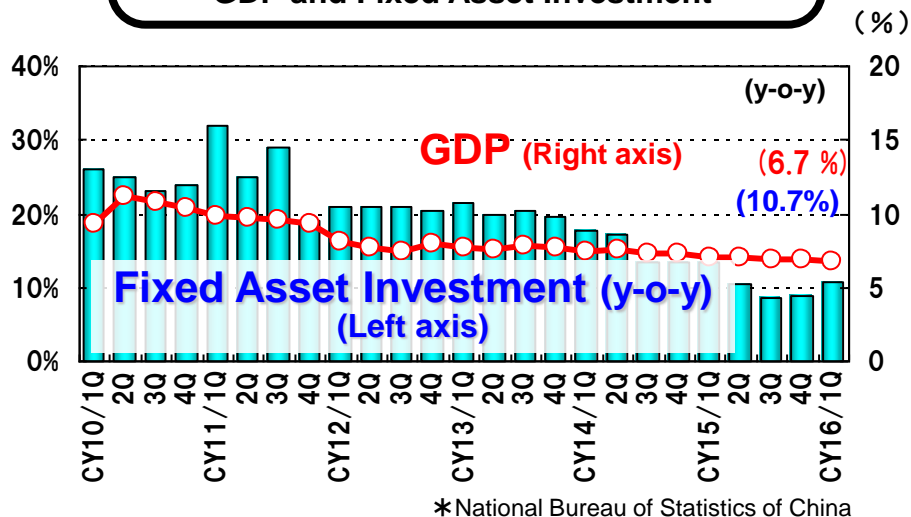
**Demand Trend for Hydraulic Excavators**

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


(K units)

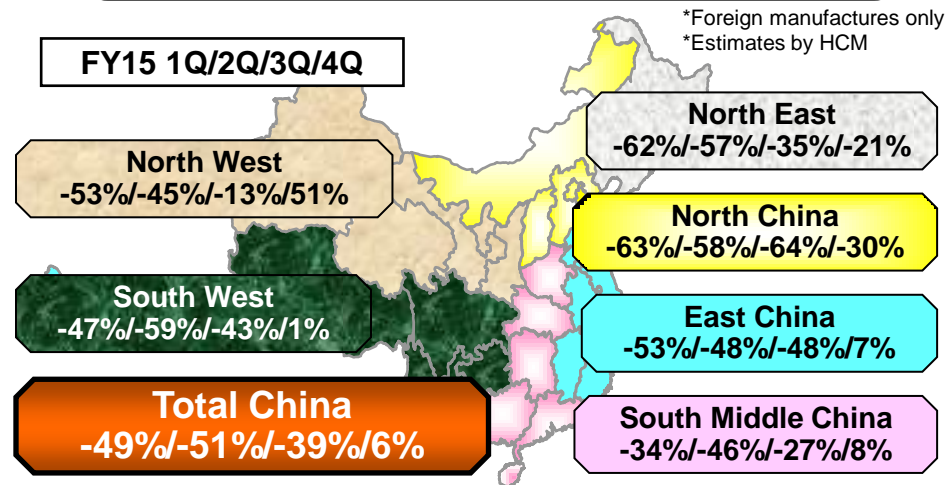
**Demand Trend for Mini Excavators**


- ◇ In fiscal year 2015, demand decreased significantly due to the slowing of real estate investment and excess inventory adjustment (decreased by 36% y-o-y).
- ◇ The sluggish demand is forecasted to continue in fiscal year 2016 (a 6% y-o-y decrease).

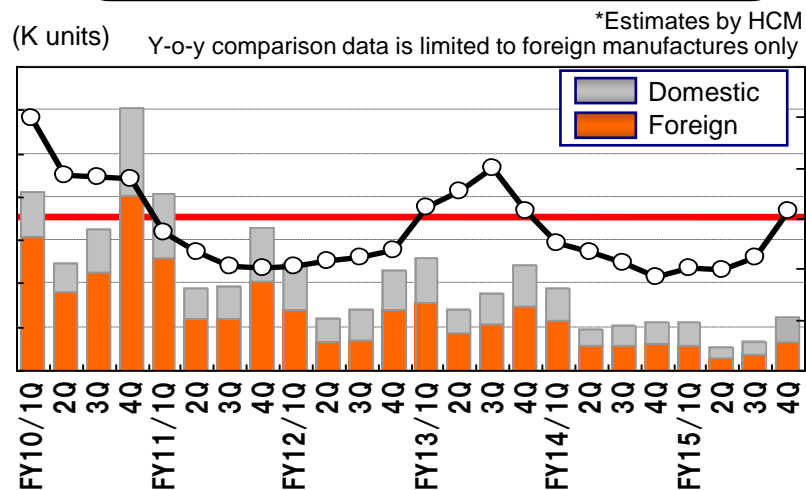
## GDP and Fixed Asset Investment



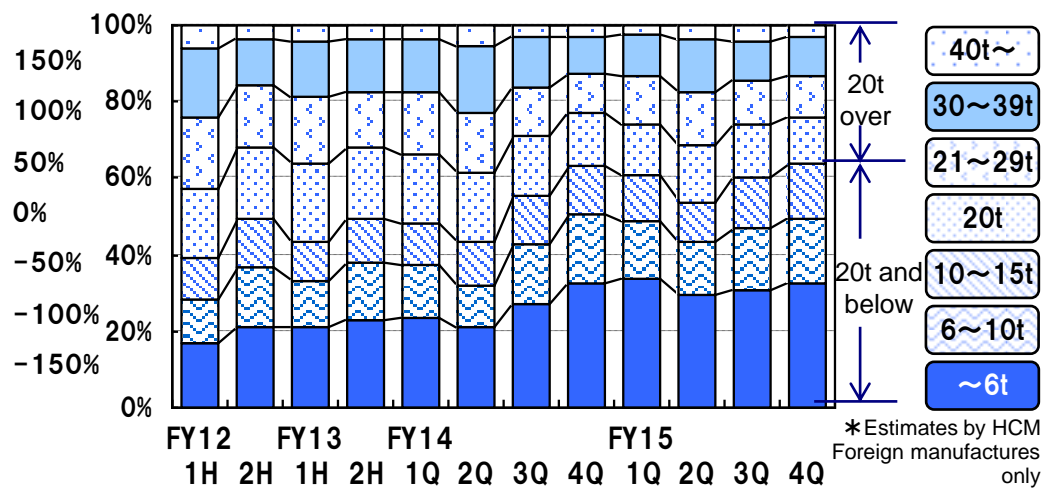
## Quarterly Demand for Hydraulic Excavators by Region (y-o-y)

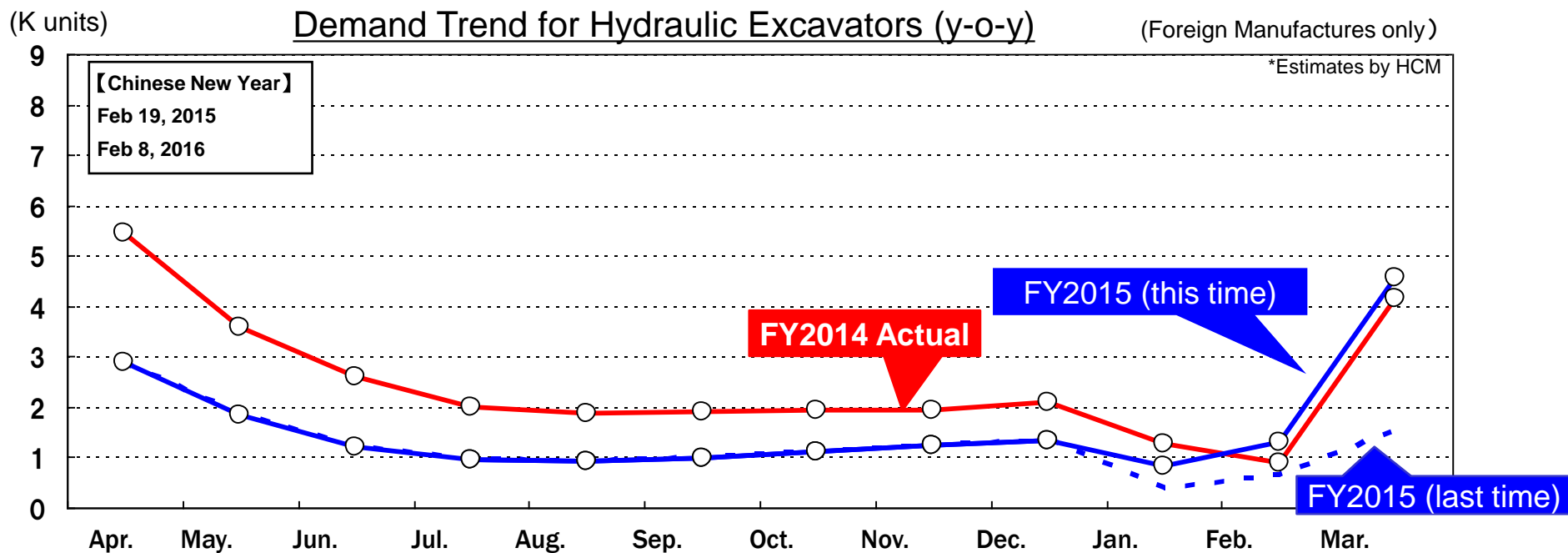
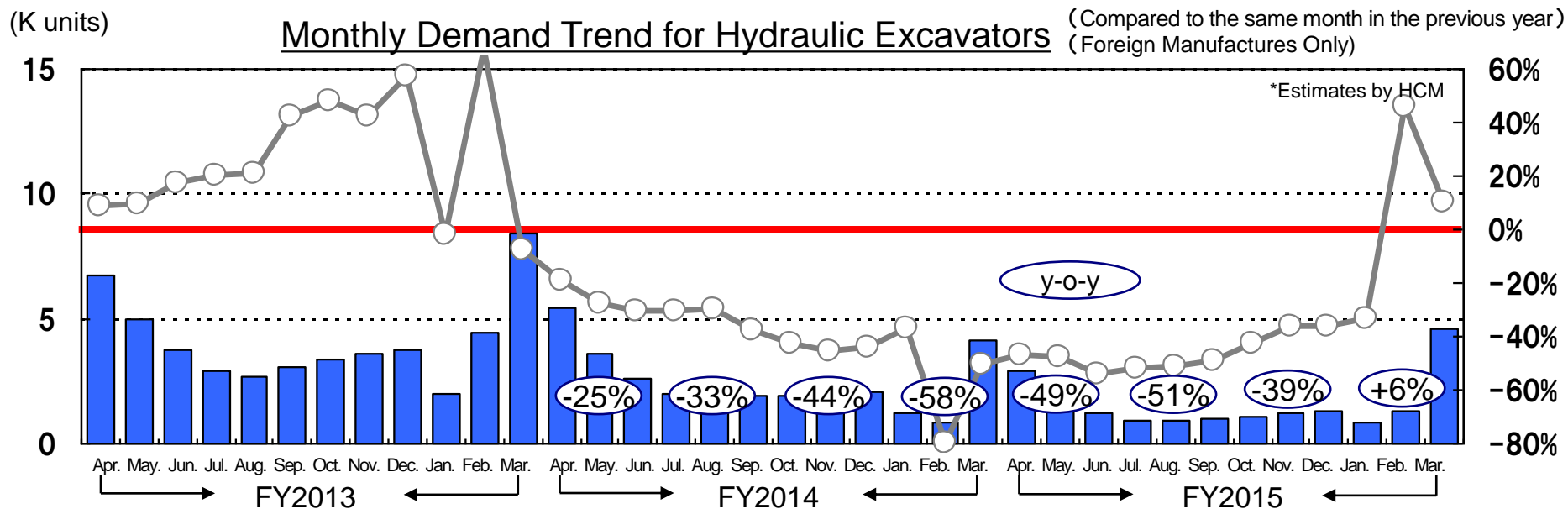


## Demand Trend for Hydraulic Excavators



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

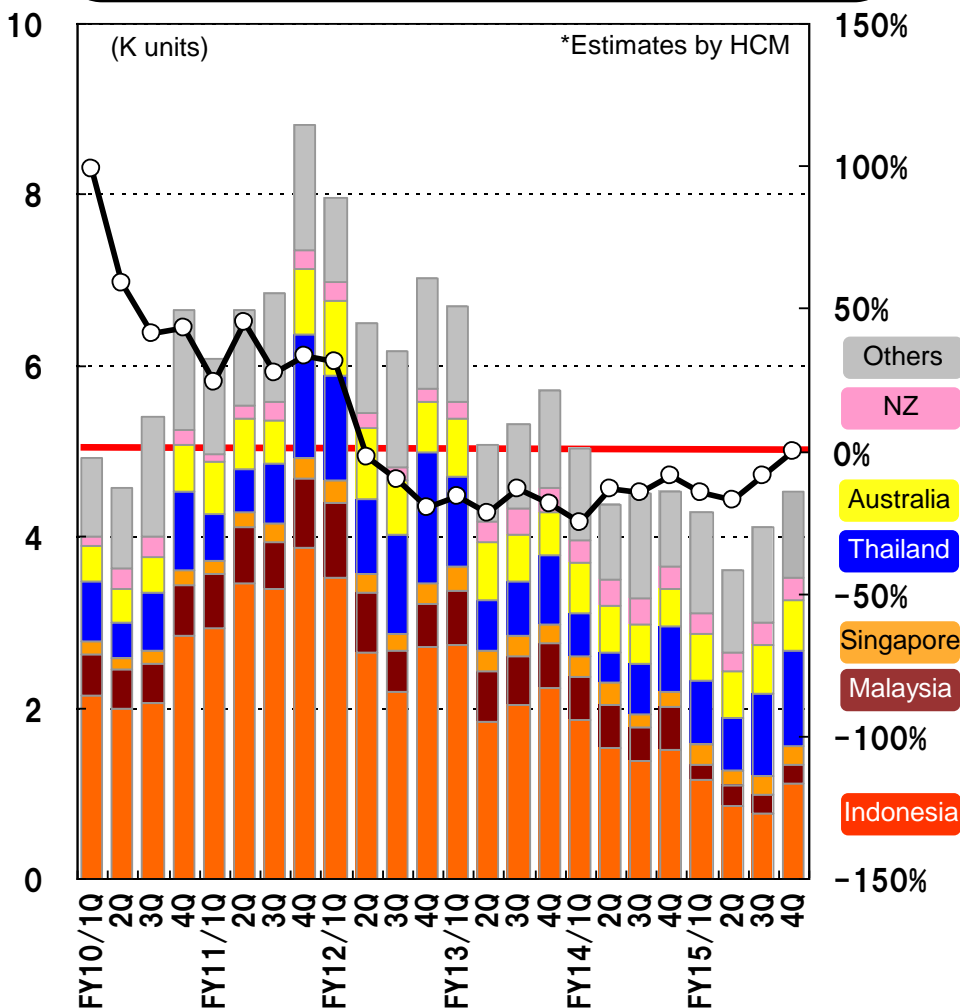




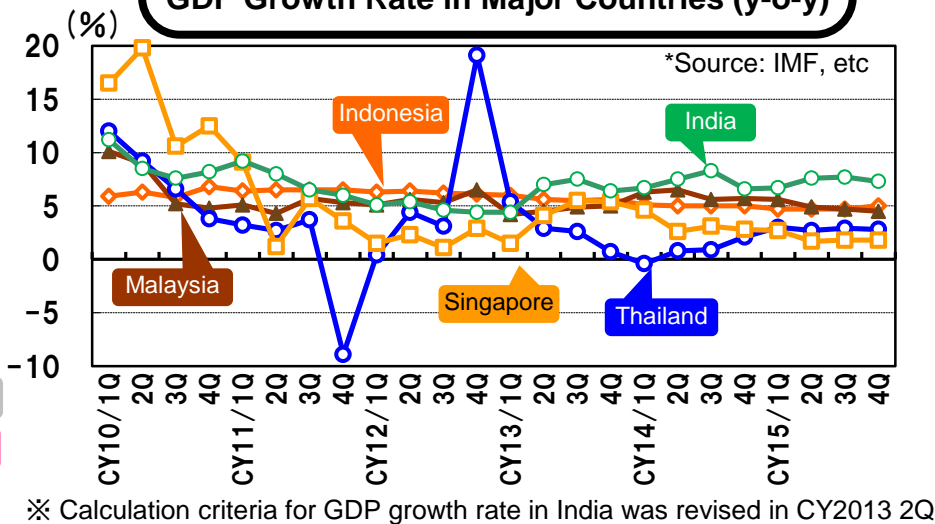


- ◇ In fiscal year 2015, the demand in Indonesia, Malaysia, et al. decreased, while the demand in Australia, Thailand and the Philippines increased. In India, the demand increased mainly due to infrastructure investments, such as coal and quarries.
- ◇ In fiscal year 2016, the demand in Asia Pacific will continue to decrease, while the demand in India is expected to continue increasing.

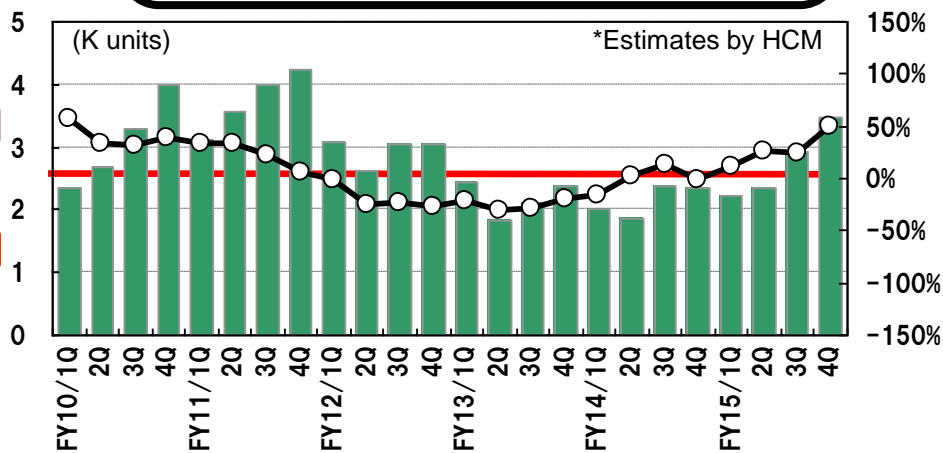
## Demand Trend for Hydraulic Excavators in Asia & Oceania



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

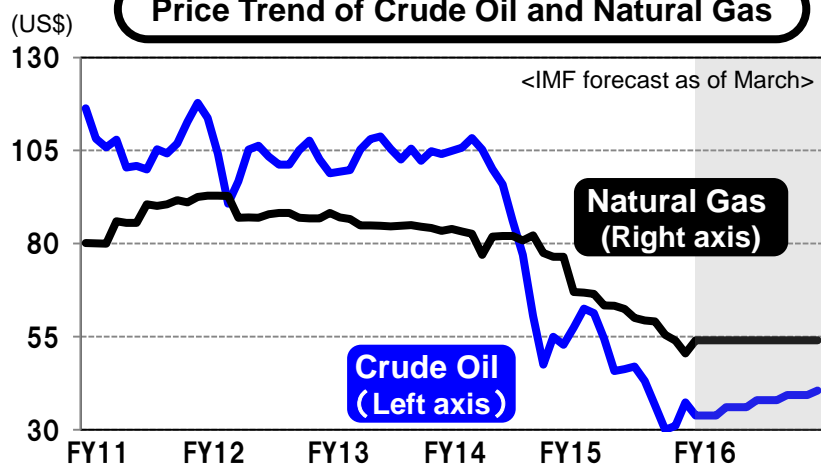


## Demand Trend for Hydraulic Excavators in India



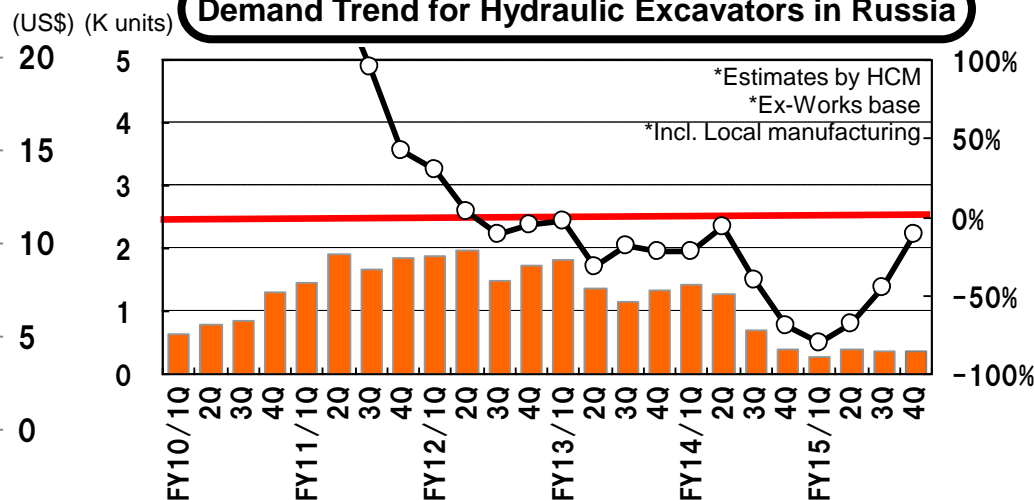
- 【Russia】 Demand decreased significantly due to the economic downturn caused by crude oil and Ruble depreciation (decreased by 62% y-o-y)
- 【The Middle East】 Demand for hydraulic excavators started to decrease in the second half of 2015, mainly around Saudi Arabia.

## Price Trend of Crude Oil and Natural Gas

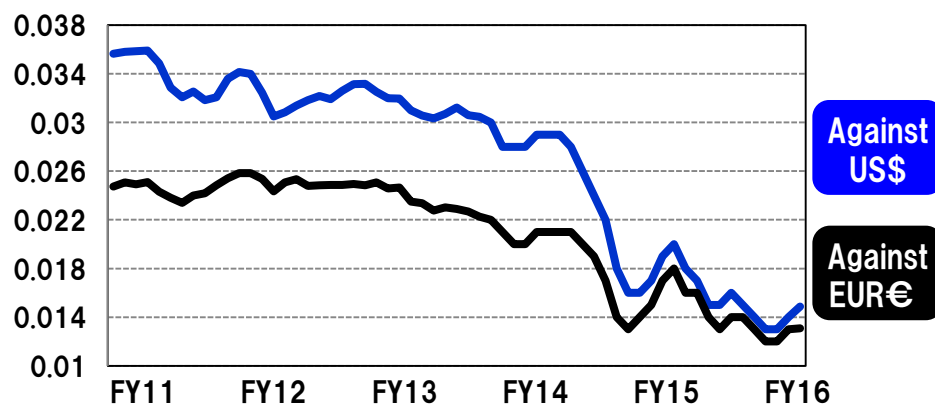


\*Created by HCM, the source from IMF HP

## Demand Trend for Hydraulic Excavators in Russia

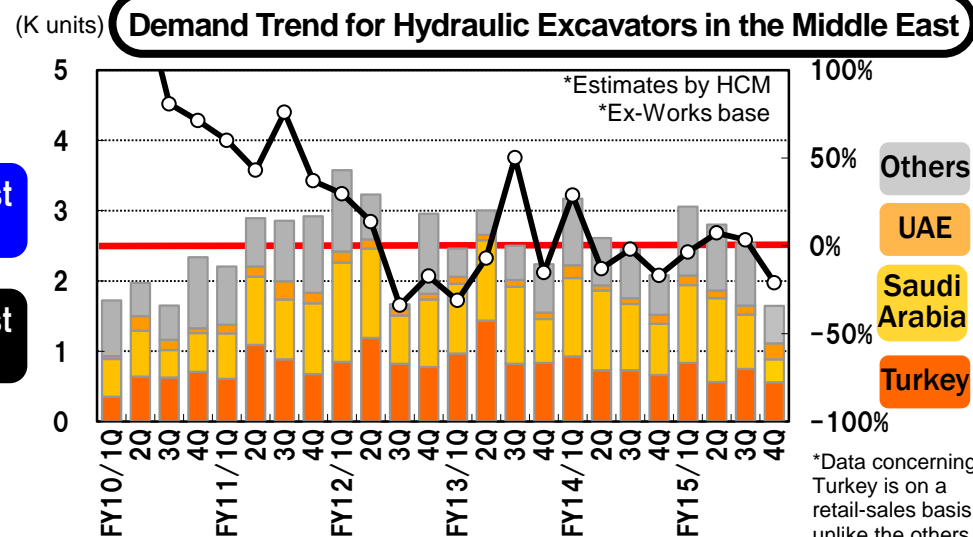


## Foreign Exchange Rate of the Ruble



\*According to HCM's research

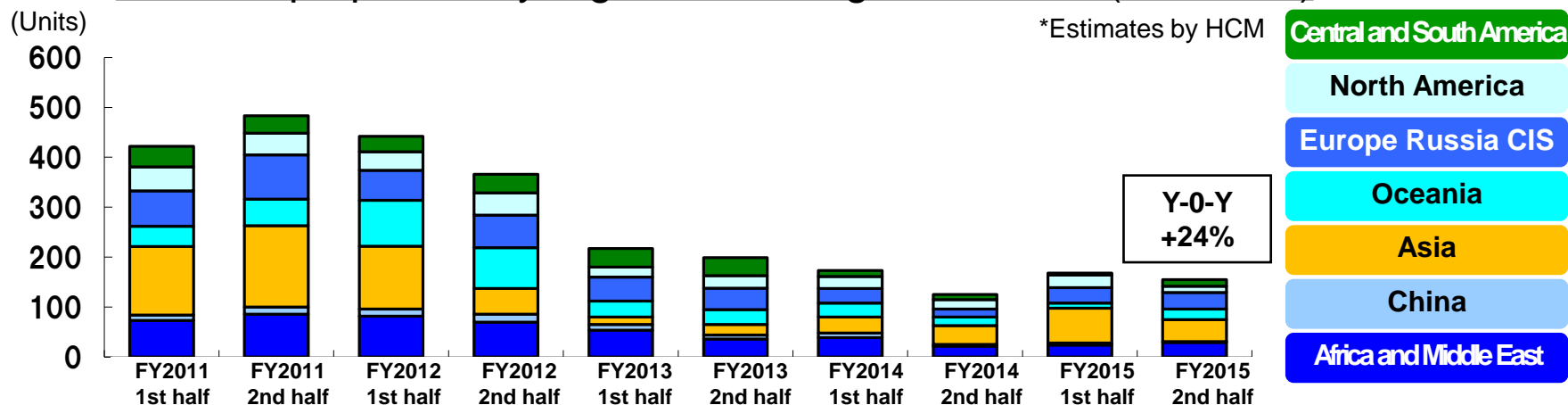
## Demand Trend for Hydraulic Excavators in the Middle East



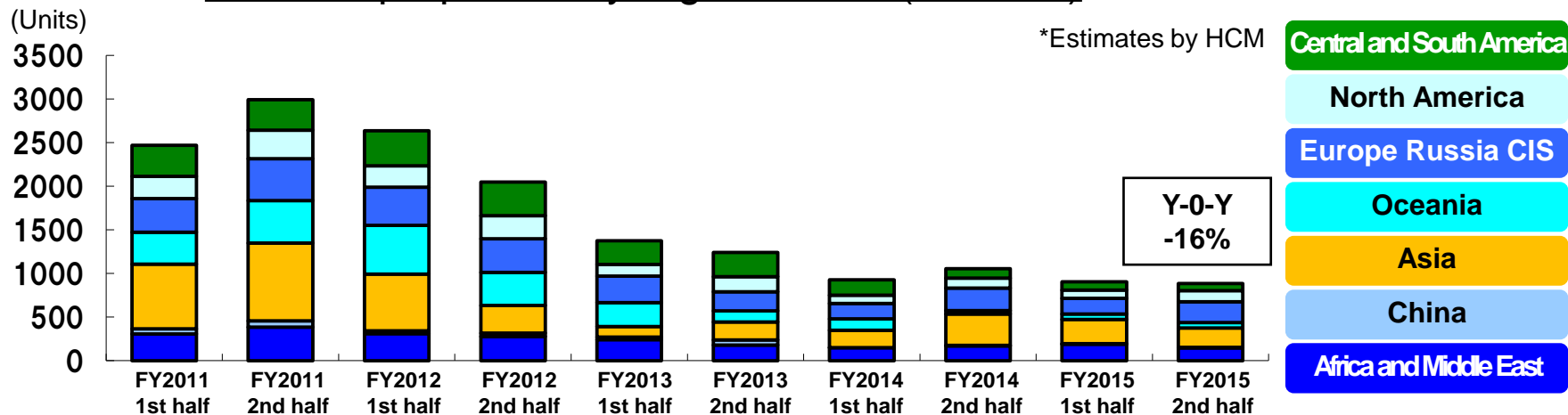
\*Data concerning Turkey is on a retail-sales basis, unlike the others.

- ◇ While the demand for the 100-200t class machineries targeted at emerging markets increased, the demand for ultra-large excavators targeted at major customers decreased continuously.
- ◇ The demand for trucks targeted at major customers also decreased continuously.

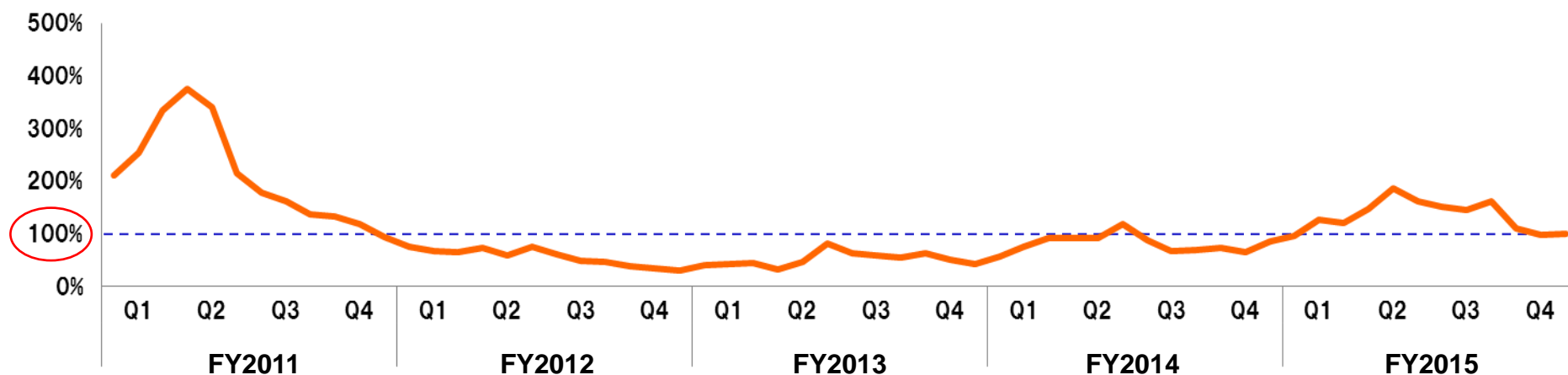
## Demand proportion by region: Ultra-large Excavator (over 100t)



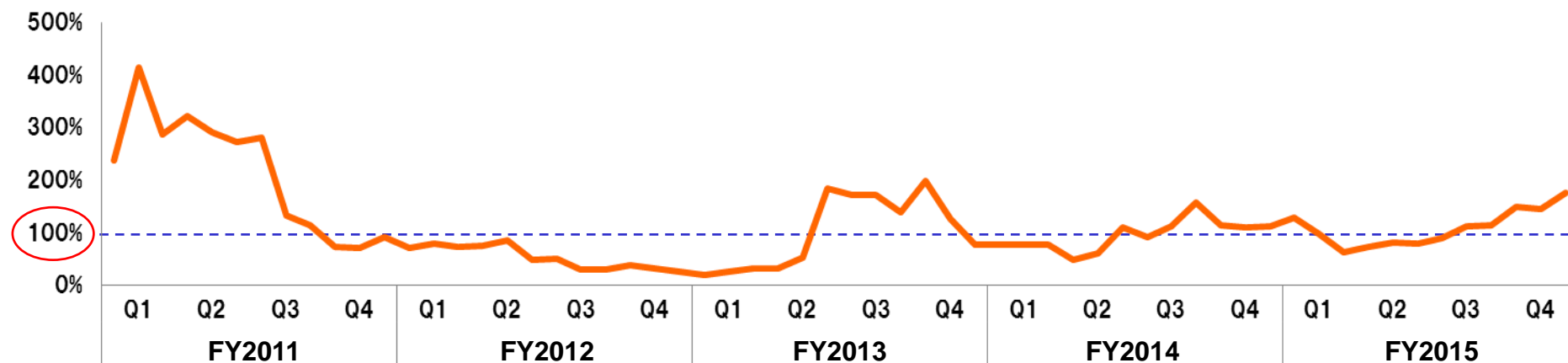
## Demand proportion by region: Truck (over 55t)



## 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)

## Sales promotion of trucks in Northwest Africa

- We received a 16-unit order of EH1100-5 for the lime quarry in Algeria, and a 4-unit order of EH3500AC-3 for the ore mine in Morocco.



Reference photo: EH3500AC-3

## Large order of EX1900-6 for India

- With the expansion of domestic demand in India, we received an increasing number of inquiries regarding machinery for coal mines. As a result, we received orders for the EX1900-6 from multiple customers, totaling 11 units.
- The machinery will be shipped in sequence, and delivery is expected to be completed within fiscal year 2016.



Reference photo: EX1900-6



## Incorporating the demands in Europe and Russia CIS

The sales of EH1100, EX1200, etc. have been relatively robust by incorporating the demand for quarry mines in the relevant region.

### 【Main sales achievements in fiscal year 2015】

- Europe: 16 units of EH1100-5, 8 units of EX1200-6 and others
- Russia: 14 units of EX1200-6, 3 units of EX2600-6 and others
- Kazakhstan: 4 units of EH1100-5, 2 units of EH3500ACII



Reference photo: EX1200-6

## 【bauma2016】

Held in Munich from April 8 to 14, 2016

- Approximately 580 thousand visitors from over 200 countries.
- Exhibition of new model machinery that conforms to the latest emissions regulations.
- We exhibited new model crawler crane "SCX3500-3"



Reference photo: SCX3500-3

### [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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For further inquiries:

 **Hitachi Construction Machinery Co., Ltd**  
Public Relations Strategy office

TEL : 03-5826-8152

FAX : 03-5826-8209

