

## Business Result for the Third Quarter ended December 31, 2014

### Regional Market Environments and Projections



January 28, 2015

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

Senior Vice President and Representative Executive Officer

**Mitsuhiro Tabei**

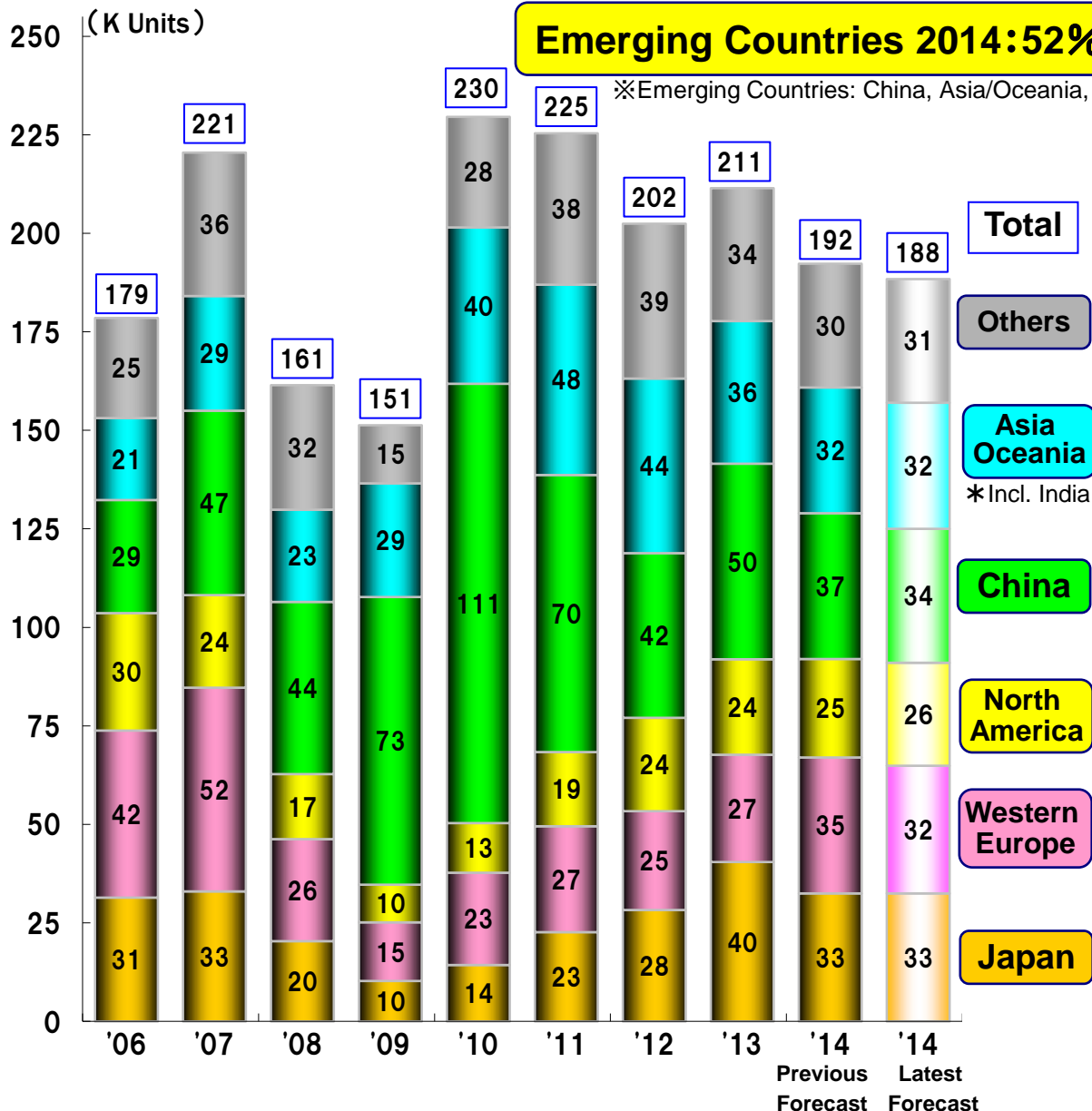
# Global Demand Trend for Hydraulic Excavators

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HITACHI

Reliable solutions

\*Estimates by HCM \*Excluding Chinese manufacturer  
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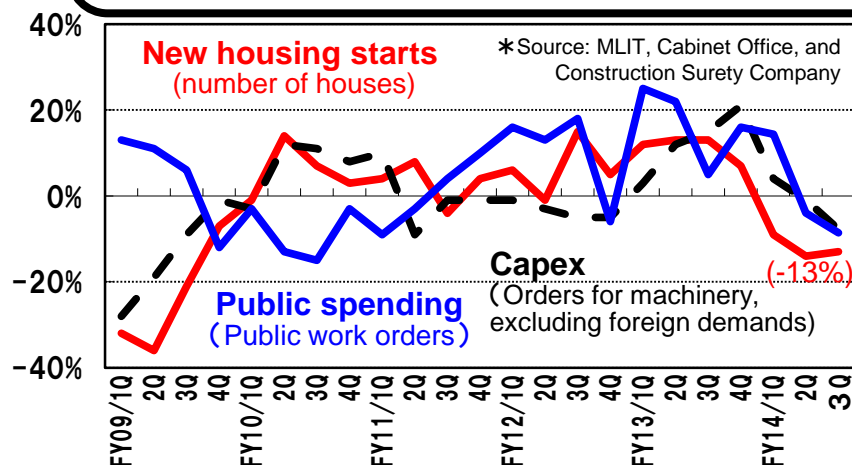
**Emerging Countries 2014:52% (Y-0-Y Change:-5%)**

## Year-on-Year Change

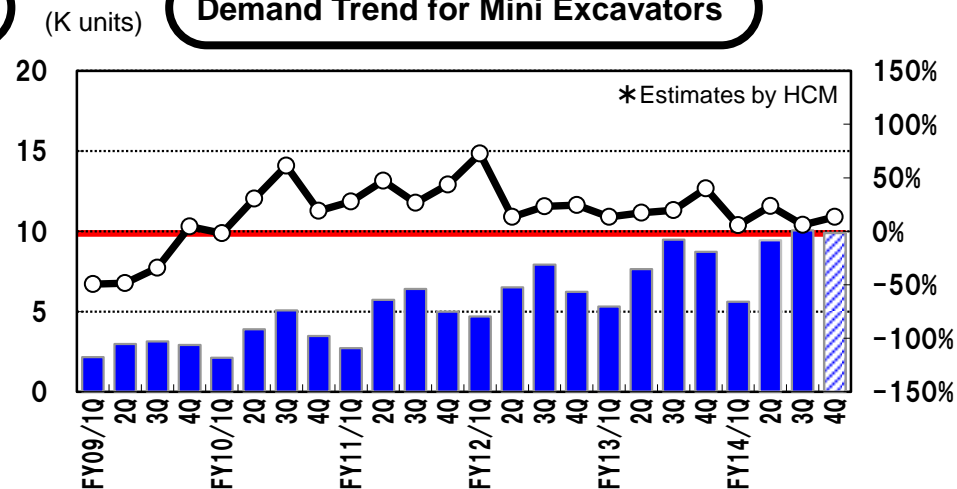
	'13	'14 Previous Forecas	'14 Latest Forecast
Total	+4%	-9%	-11%
Russia, E Europe, CIS	-17%	-11%	-15%
Africa	-5%	-5%	-5%
Middle East	-19%	+2%	+3%
Latin America	-17%	-14%	-12%
Others	-14%	-12%	-9%
India	-26%	-8%	-1%
Indonesia	-20%	-21%	-25%
Others	-13%	-10%	-10%
Asia & Oceania	-18%	-11%	-11%
China	+19%	-26%	-32%
N America	+2%	+4%	+8%
W Europe	+9%	+30%	+19%
Japan	+43%	-18%	-18%

- ◇ Capital investments and public constructions have decreased, and housing starts have bottomed out.
- ◇ The investment promotion tax effect bolstered a demand for construction machinery.  
(Demand of hydraulic excavators for rental companies decreased approximately 30%, and for general users remained flat.)

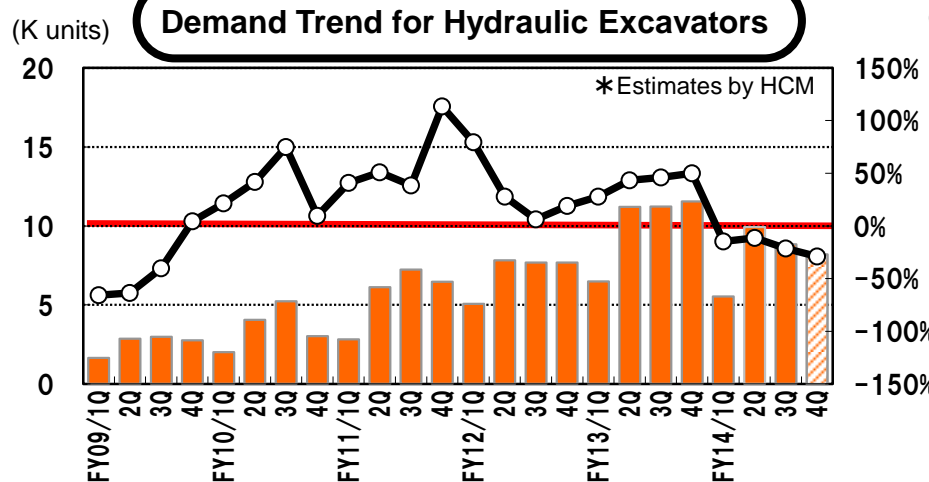
Market Environment: Housing/Public Spending and Capex (y-o-y)



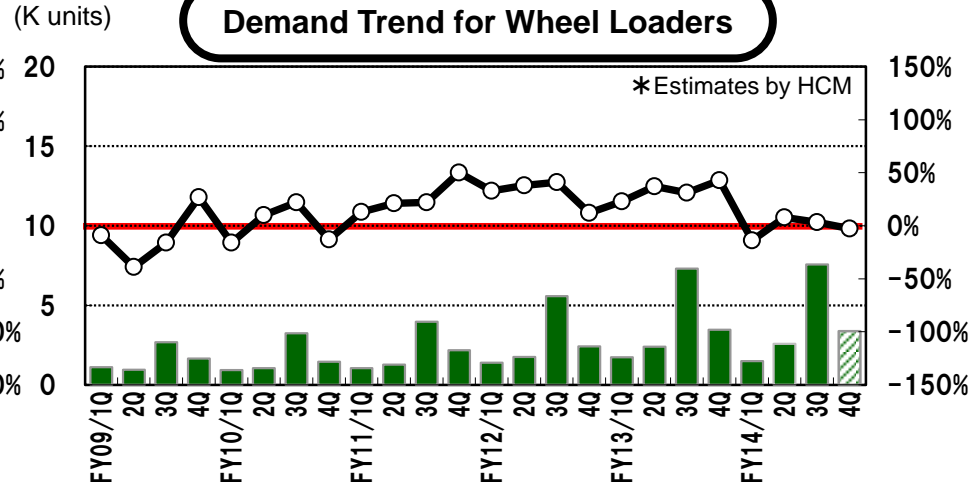
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

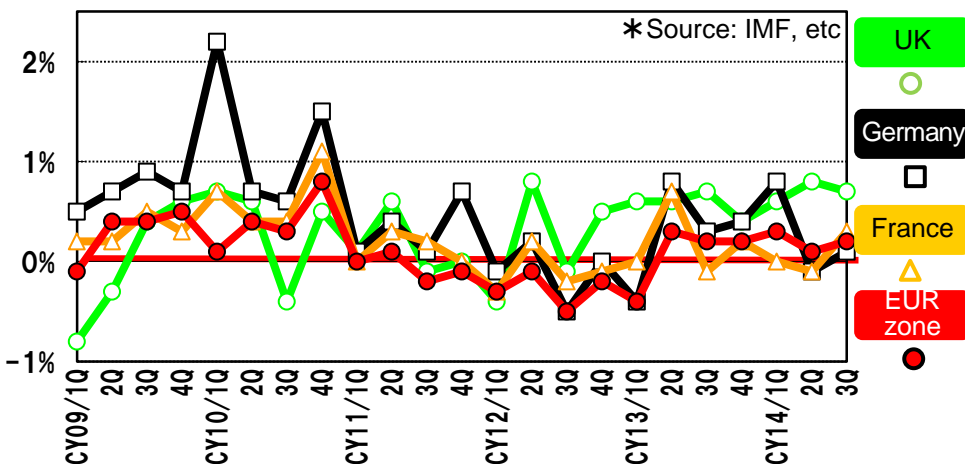


Demand Trend for Wheel Loaders

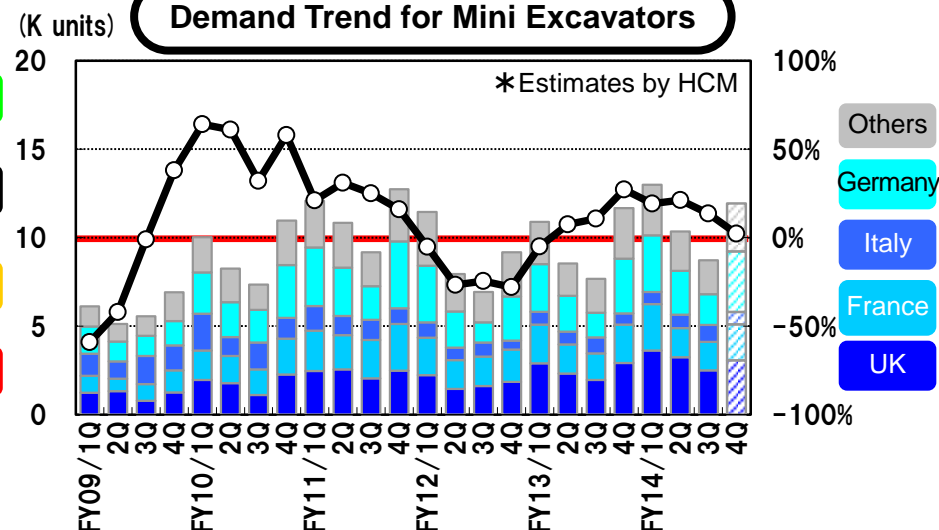


- ◇ The UK economy became slightly stagnant. The overall European economy, including that of Germany and France, was sluggish.
- ◇ October-December term: Demand growth for hydraulic excavators slowed down to an increase of 8% year-on-year.

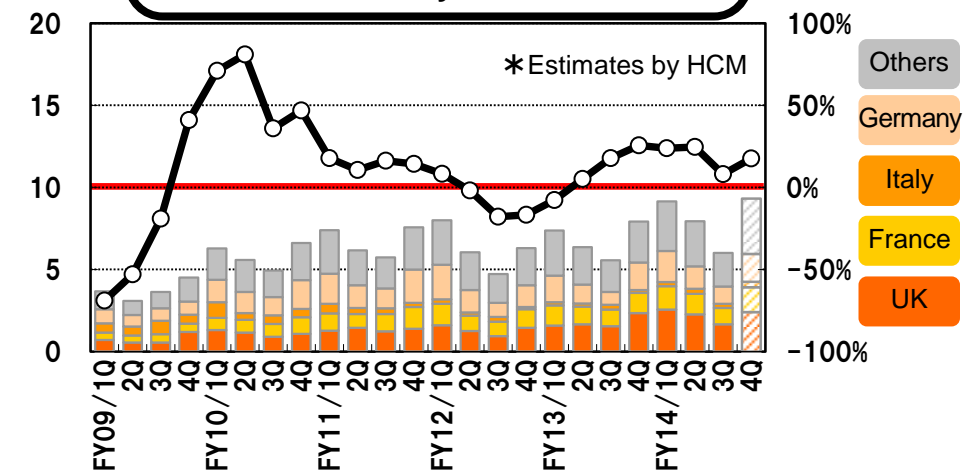
GDP Growth Rate in Major Countries (y-o-y)



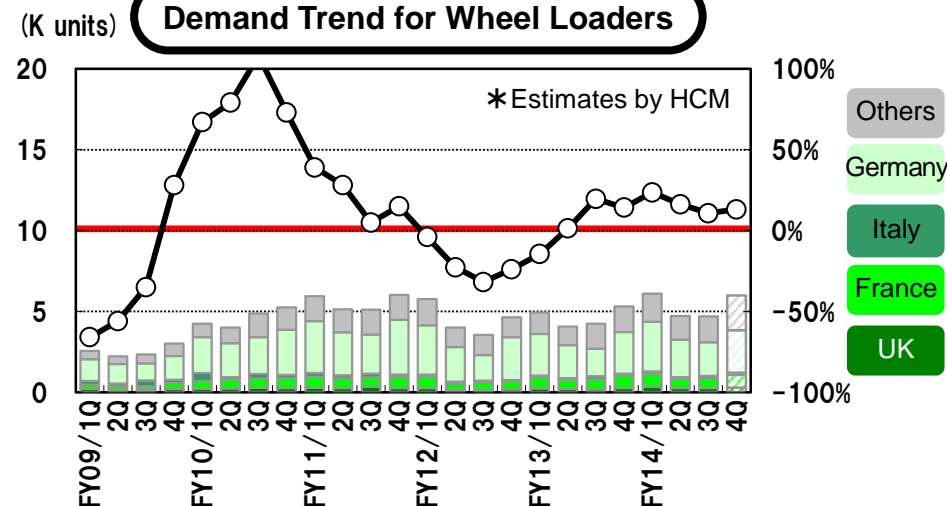
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

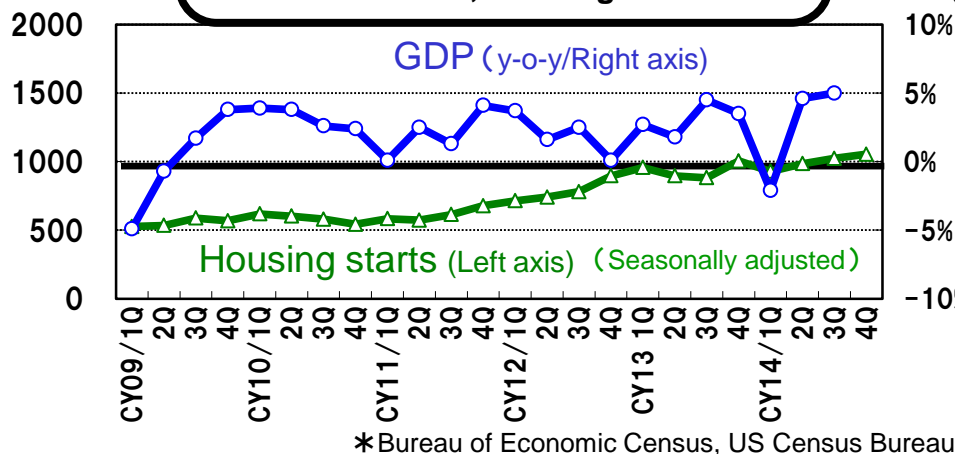


Demand Trend for Wheel Loaders

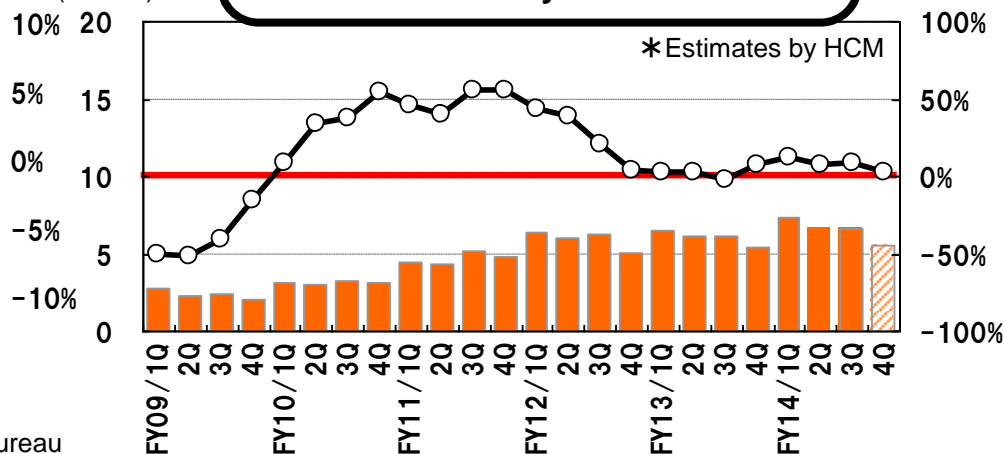


- ◇ 【North America】 Housing starts and construction investments were brisk. The GDP growth rate of the July-September term was 5.0% (maintaining the high level).
- ◇ 【North America】 Demand for hydraulic excavators and mini excavators remained strong. (Mainly for housing and energy-related projects.) (Hydraulic excavators: an increase of 9%. Mini excavators: an increase of 3%.)
- ◇ 【Latin America】 Demand hovered at a weak volume of around 10,000 units.

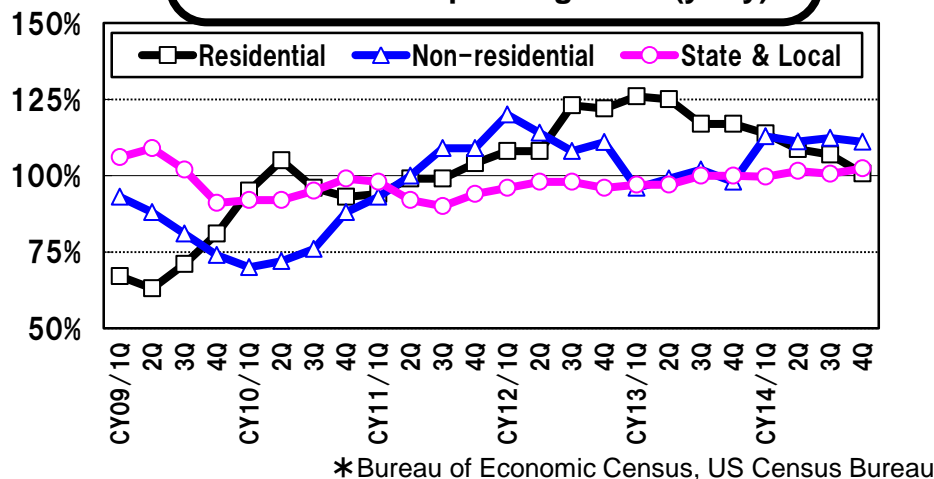
(K units) **GDP Growth Rate, Housing Starts in US**



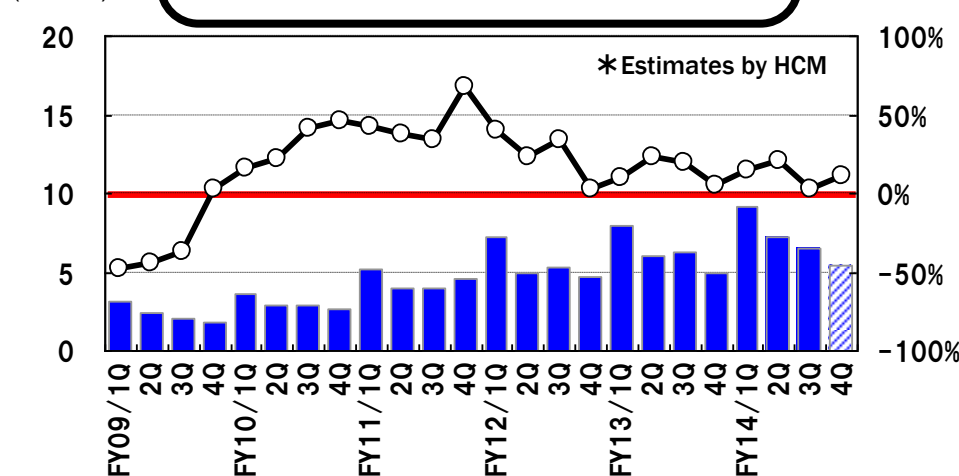
(K units) **Demand Trend for Hydraulic Excavators**



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

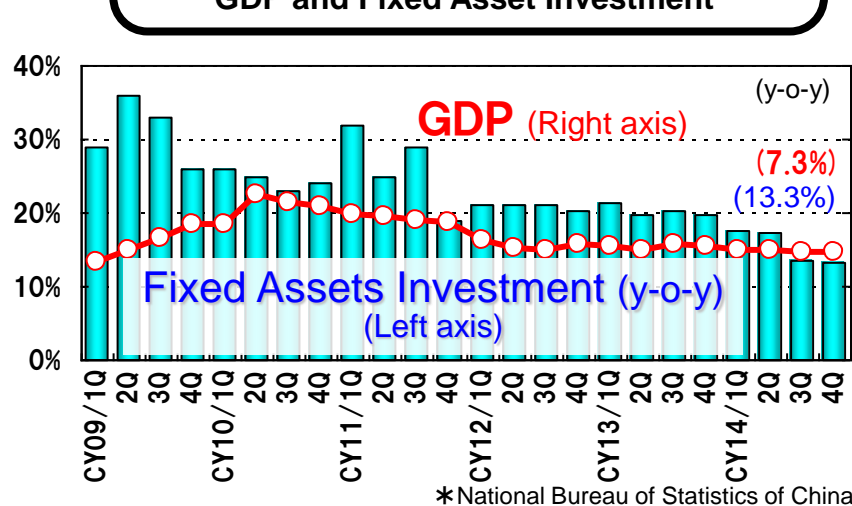


(K units) **Demand Trend for Mini Excavators**

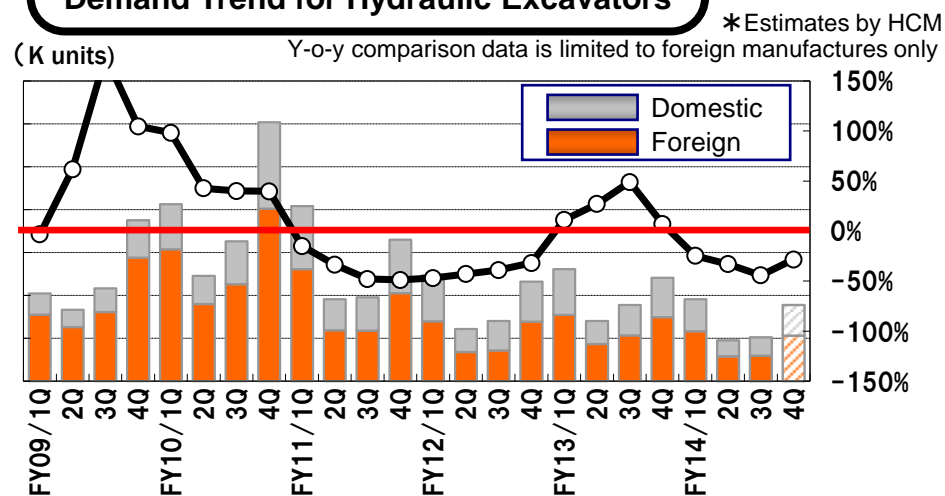


- ◇ The GDP growth rate of the October-December term remained flat, and growth of fixed asset investment slowed down.
- ◇ Demand has further decreased due to a persistent slowdown of real estate market conditions, and continuous inventory adjustment of coal and steel.

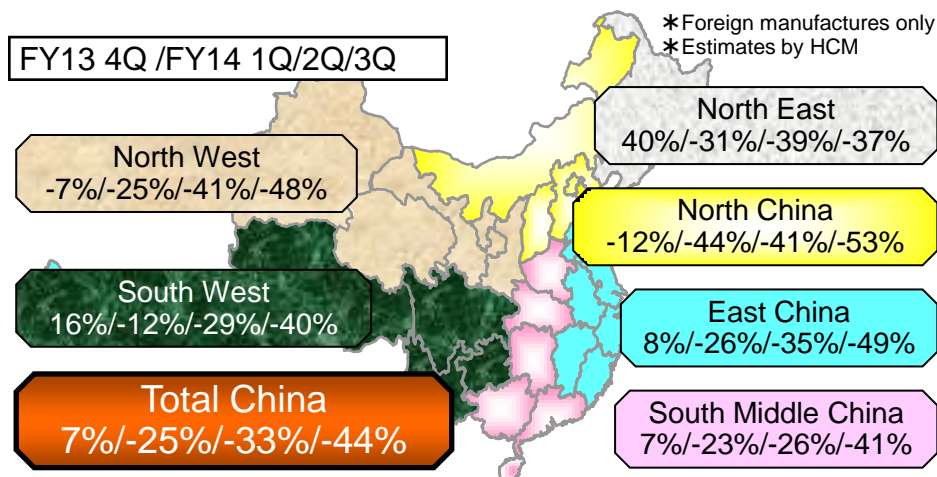
## GDP and Fixed Asset Investment



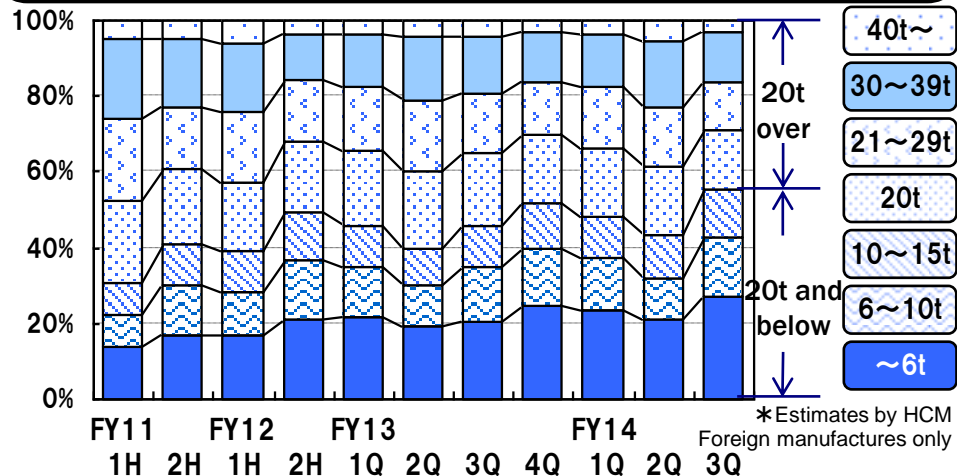
## Demand Trend for Hydraulic Excavators



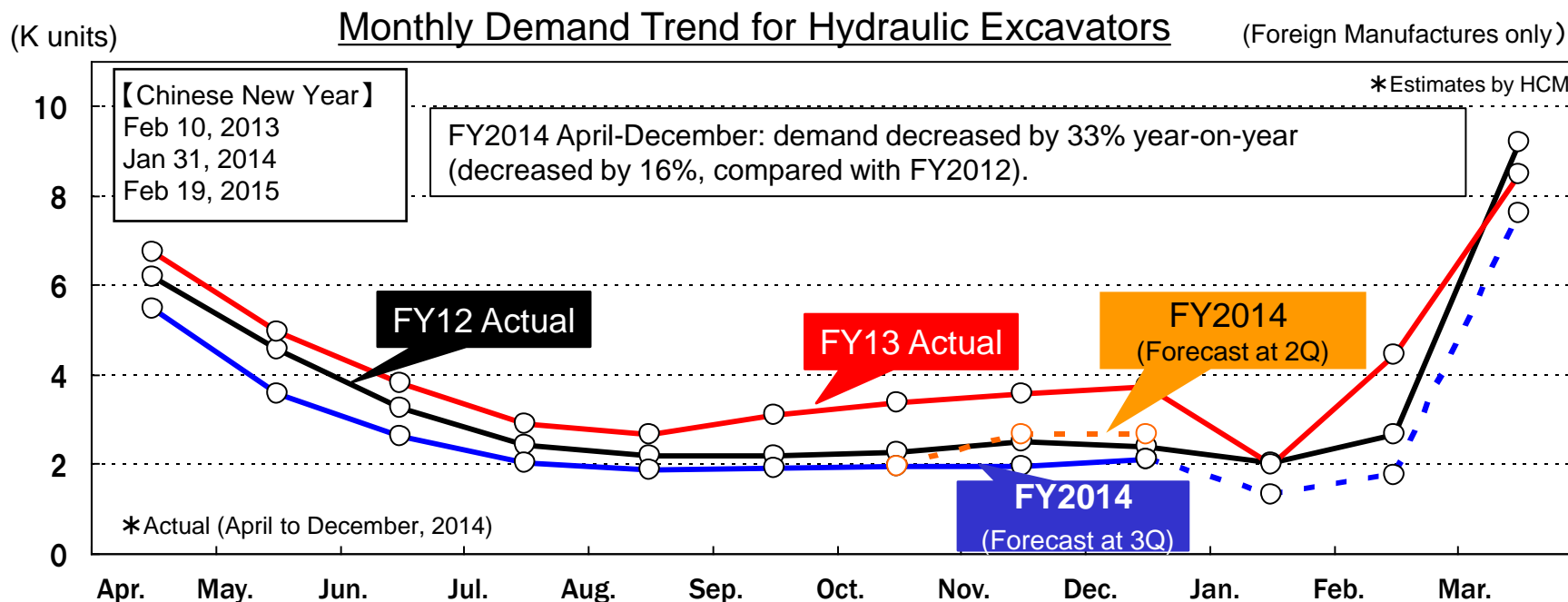
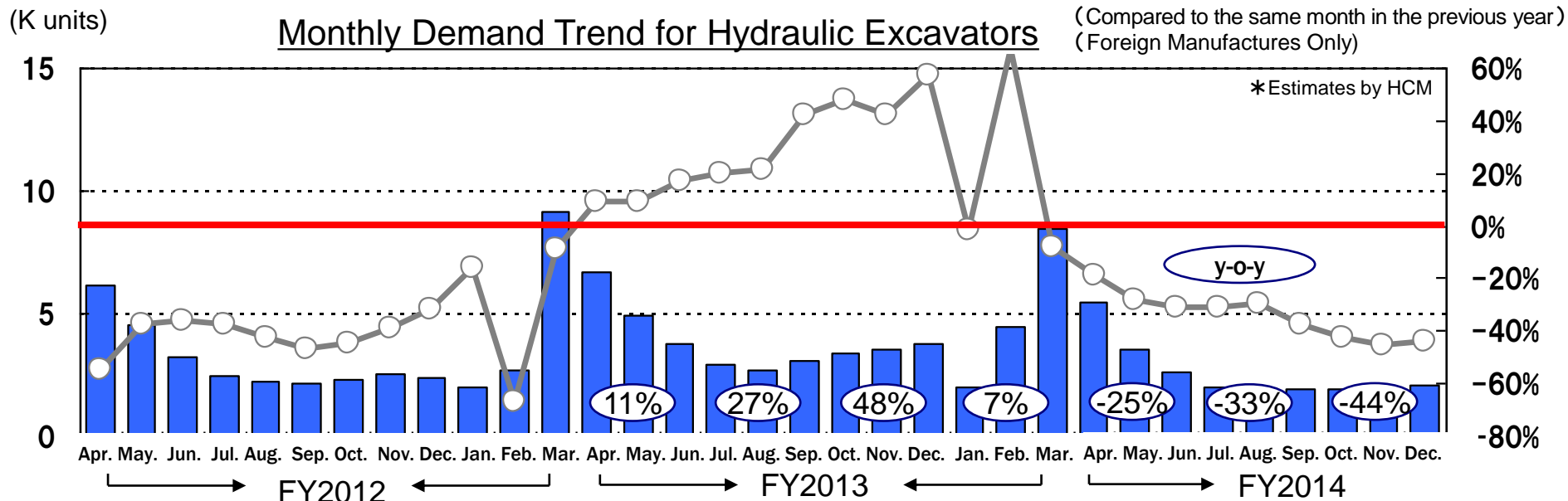
## Quarterly Demand for Hydraulic Excavators by Region (y-o-y)



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

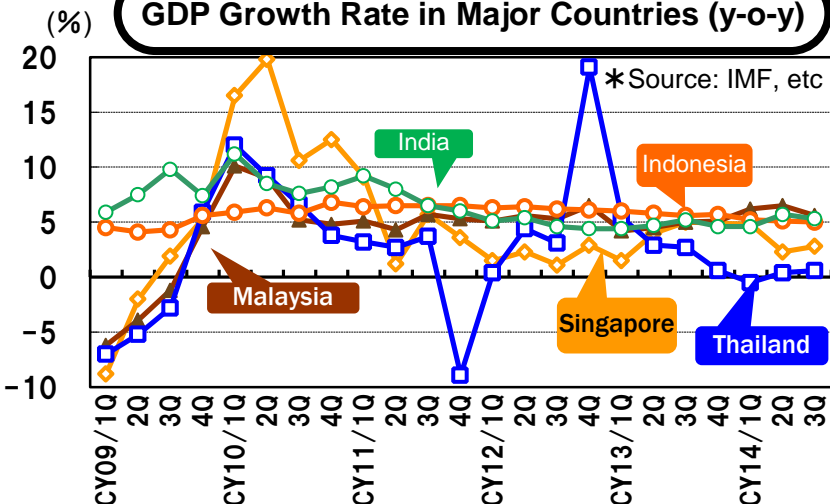




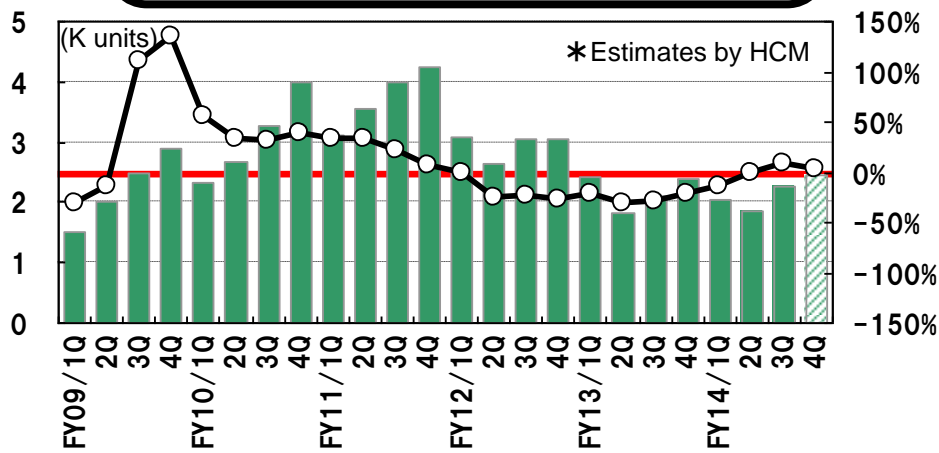


- ◇ Economy in Asia and Oceania is continuously stagnant. The economy in India shows signs of recovery due to the policy effect of the new government.
- ◇ Demand in Asia and Oceania decreased by 20% year-on-year (demand in Philippines and Myanmar, etc. were robust). The demand in India increased by 8%.

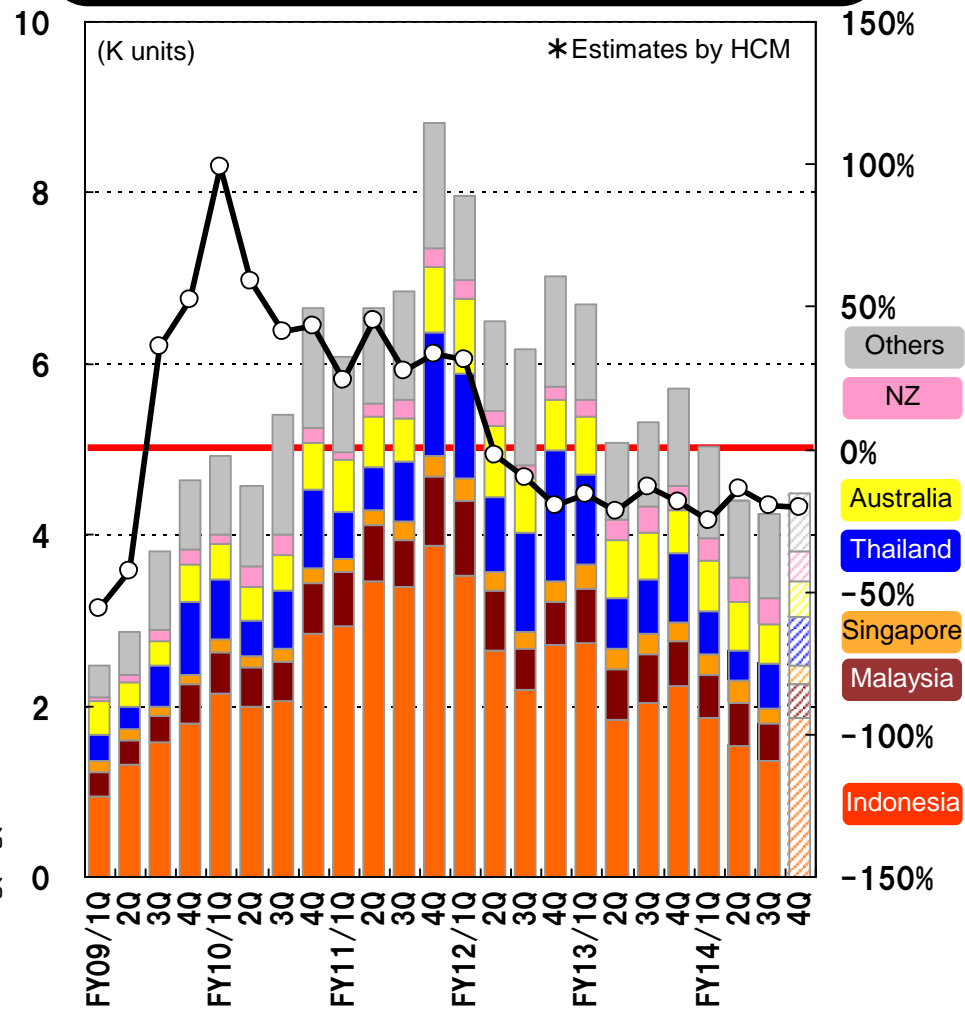
## GDP Growth Rate in Major Countries (y-o-y)



## Demand Trend for Hydraulic Excavators in India



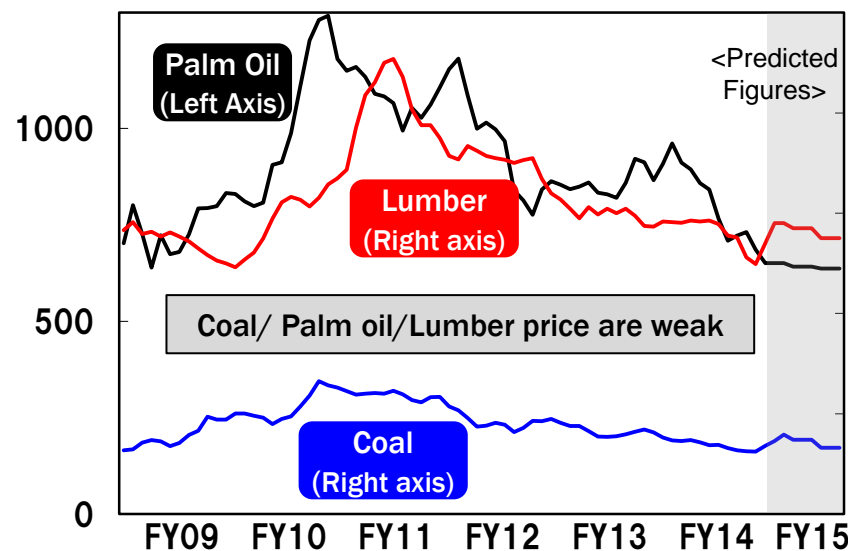
## Demand Trend for Hydraulic Excavators in Asia & Oceania





**Price of Thermal coal, Palm Oil Futures, and Lumber**

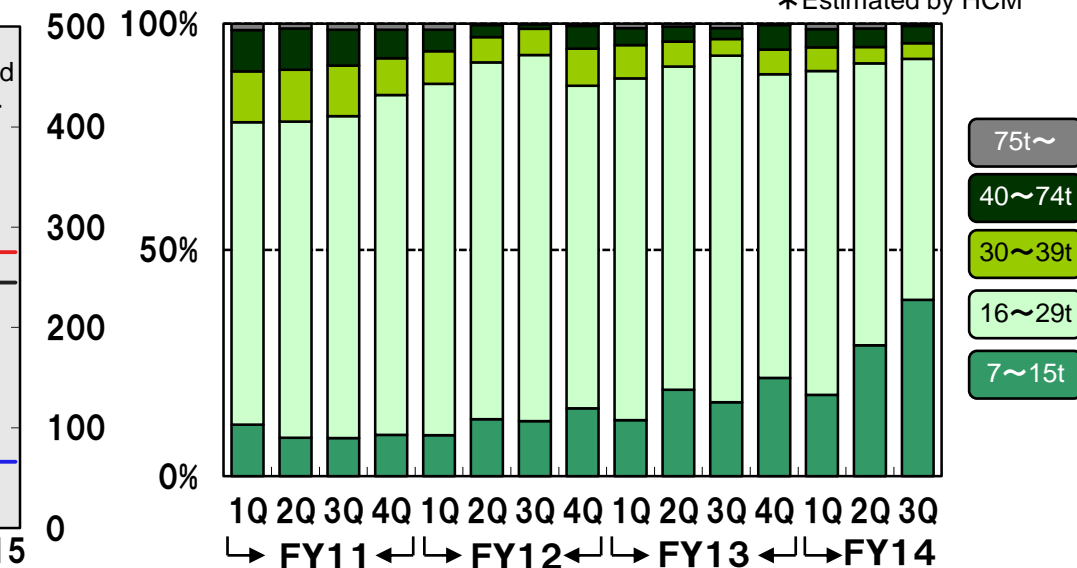
(US\$/t)



\* Created by HCM, the source from World Bank HP & IMF

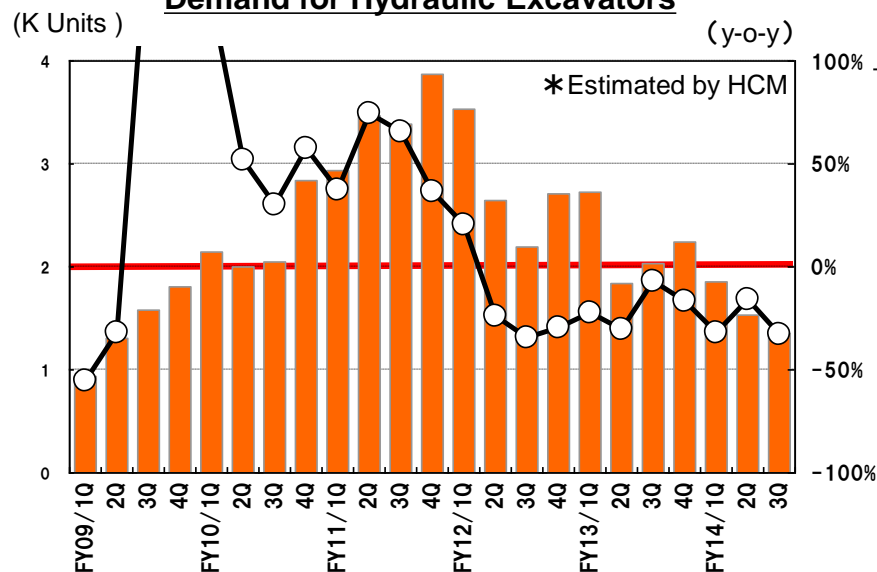
**Demand Composition for Hydraulic Excavators by Class**

\* Estimated by HCM



Demand for mining & general civil construction has been continuously sluggish; however, the forestry-use machinery demand has been robust.

**Demand for Hydraulic Excavators**



《Topic》 Sales of forestry-use machineries are brisk.

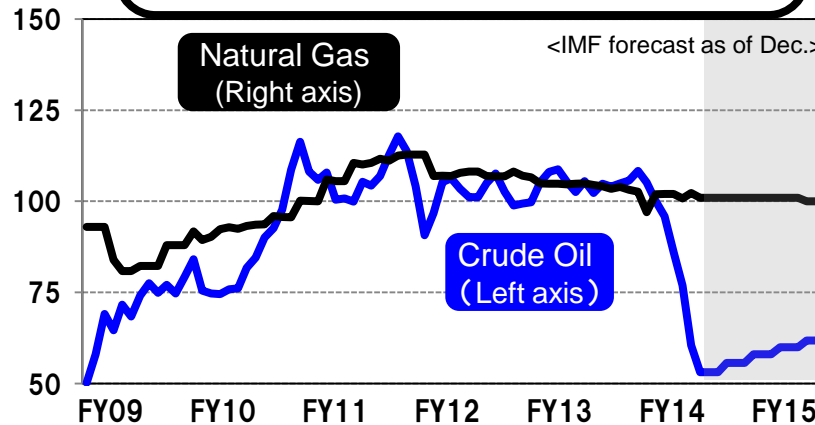


【Introduction of 12t class machineries, in addition to the existing 10t class】

【Russia】 Demand decreased due to the sudden fall of the Ruble and crude oil prices. There remains uncertainty on the outlook (demand decreased by 17% year-on-year).

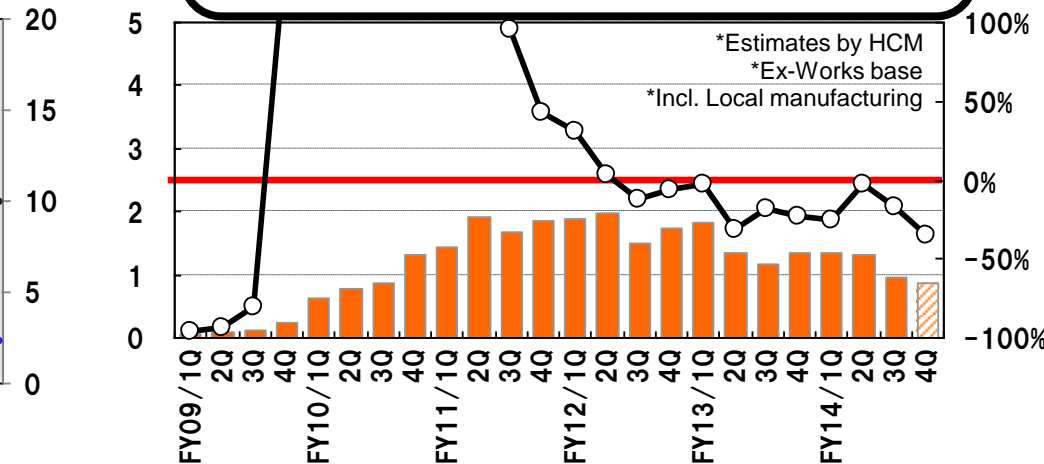
【Middle East】 Demand is solid, mainly for infrastructure-related projects, including roads and ports of the Gulf countries (demand increased by 8% year-on-year). Construction machinery demand in Turkey, with the general election around the corner, has been sluggish, affected by the neighboring countries and the Turkish Lira depreciation.

(US\$) **Price Trend of Crude Oil and Natural Gas**

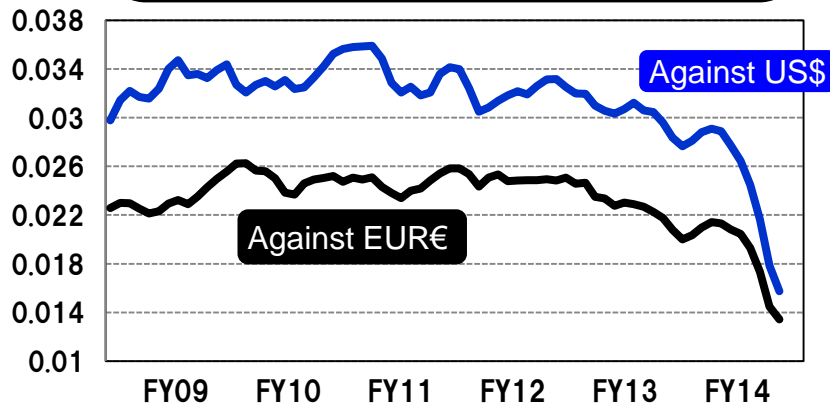


\*Created by HCM, the source from IMF HP

(US\$) (K units) **Demand Trend for Hydraulic Excavators in Russia**

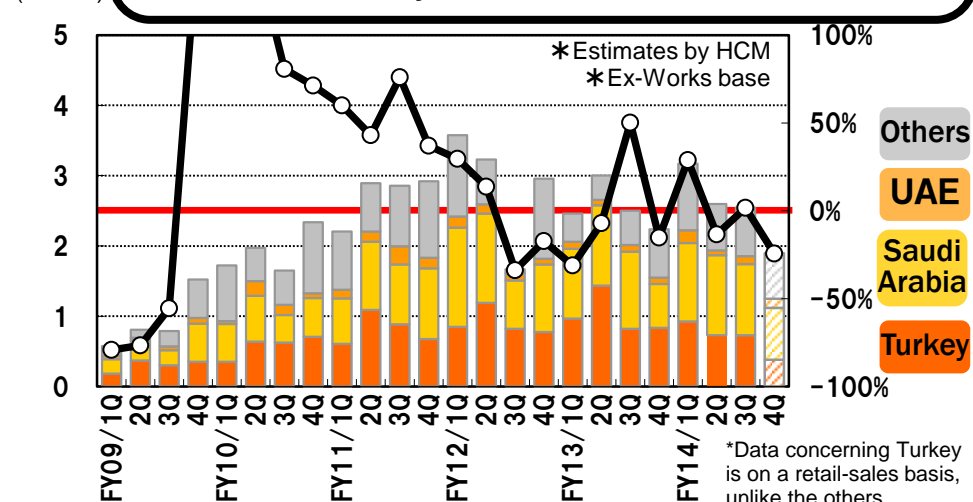


**Foreign Exchange Rate of the Ruble**



\*According to HCM's research

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

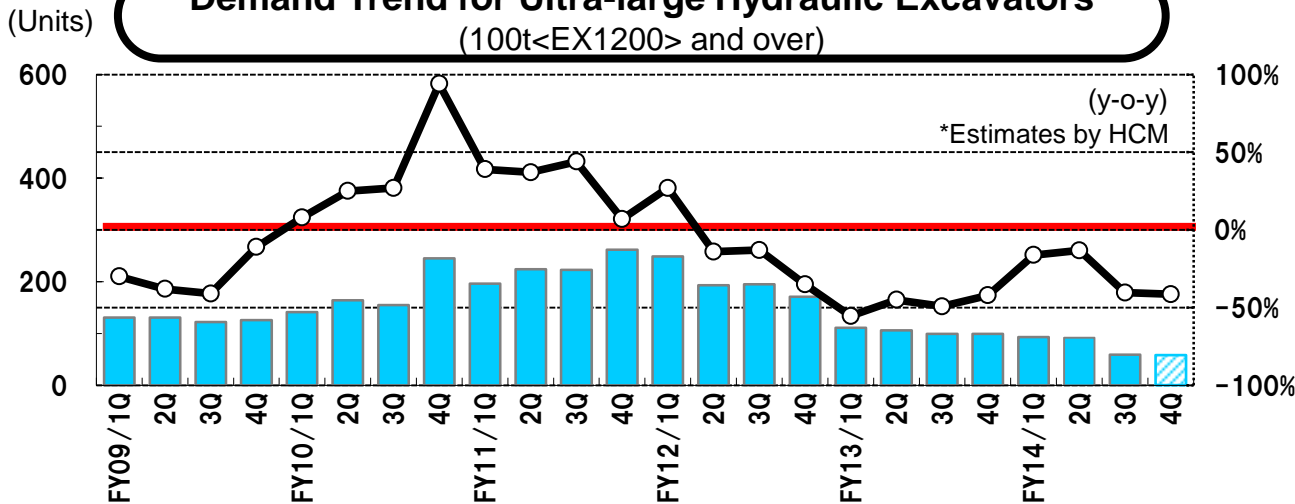


\*Data concerning Turkey is on a retail-sales basis, unlike the others.

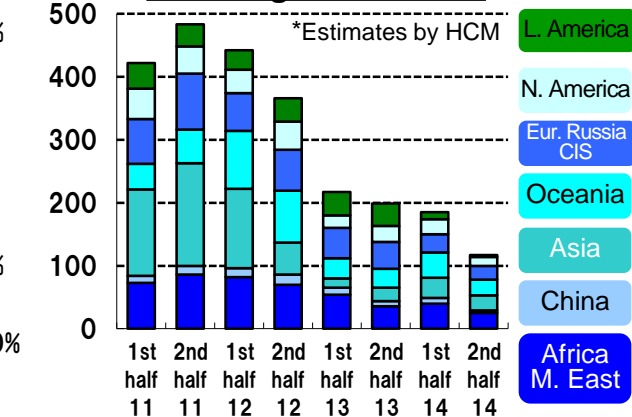
- ◇ Resource prices remain at the downward trend.
- ◇ Mining machinery demand remains stagnant (a decrease by approximately 30% year-on-year).  
Recovery is expected to begin in or after 2015. (Truck demand for construction use decreased by approximately 20%.)

## Demand Trend for Ultra-large Hydraulic Excavators

(100t<EX1200> and over)

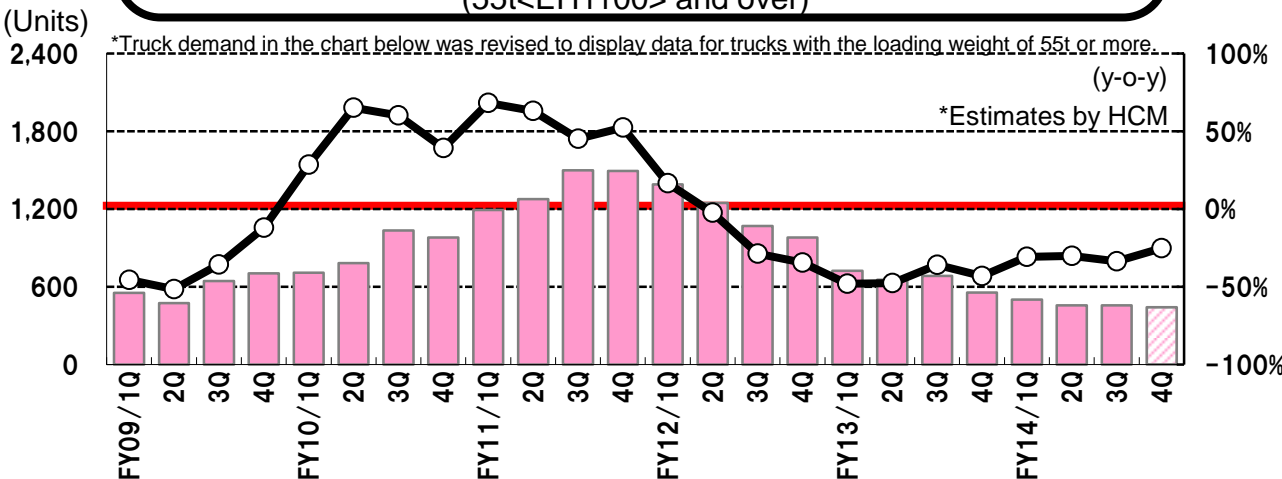


## Demand Trend by Region Ultra-large Excavators

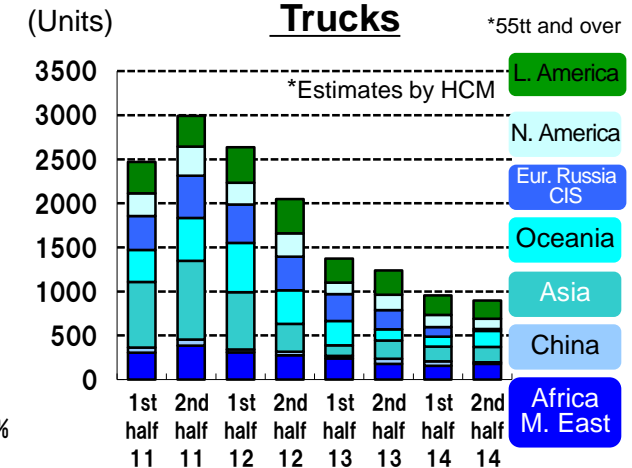


## Demand Trend for Dump Trucks

(55t<EH1100> and over)\*



## Trucks

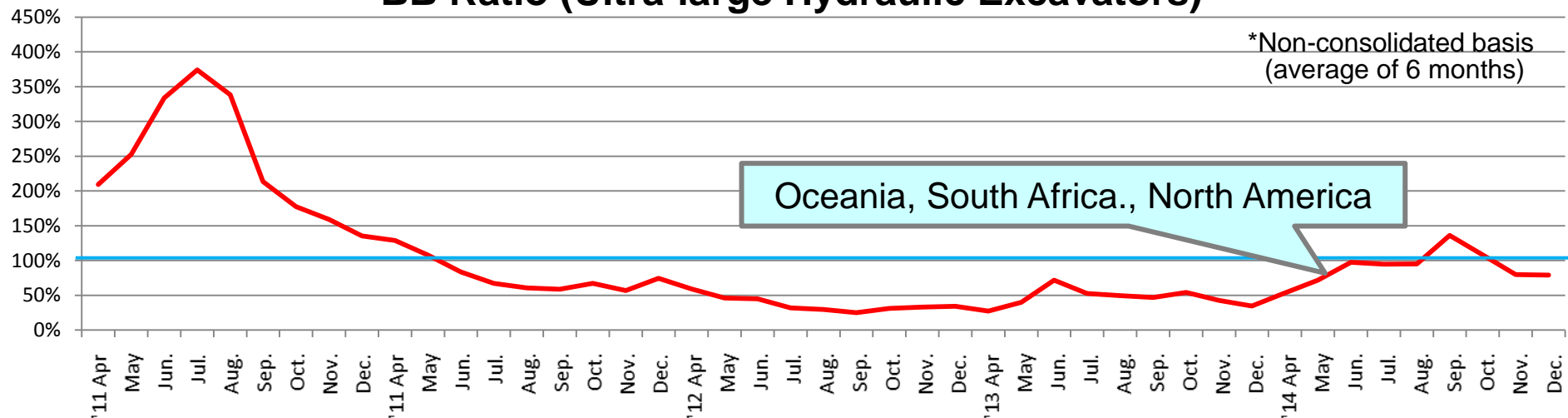


Book-to-Bill(BB)Ratio = Bookings(Orders received) / Billings(Value of shipment)

## BB Ratio (Ultra-large Hydraulic Excavators)

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

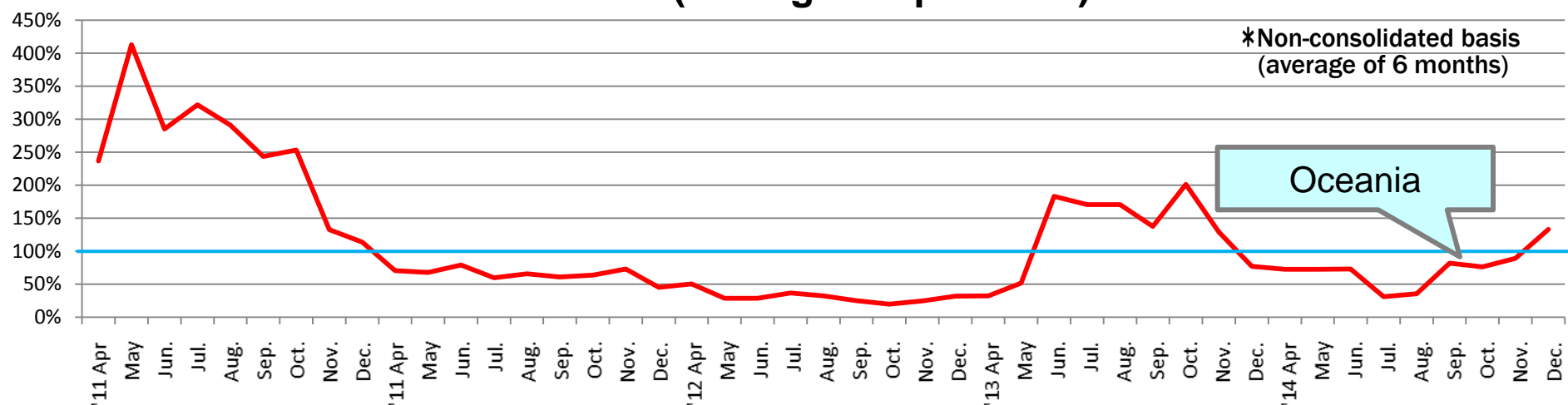
Oceania, South Africa., North America



## BB Ratio (Mining Dump Trucks)

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

Oceania



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



Held from November 25-28, 2014, in Shanghai.



- We exhibited new model machineries ZX170LC-5A and ZX690LCH-5A that respond to Tier 3 emissions regulations.
- We introduced the activities of "Construction Machinery's Falcon" to communicate the importance of genuine parts and service.
- The event attracted 191,000 visitors from 149 countries (the highest on record).

# END

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For further inquiries:

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