

Business Result for the Second Quarter ended September 30, 2014

Regional Market Environments and Projections



October 28, 2014

Hitachi Construction Machinery Co., Ltd.

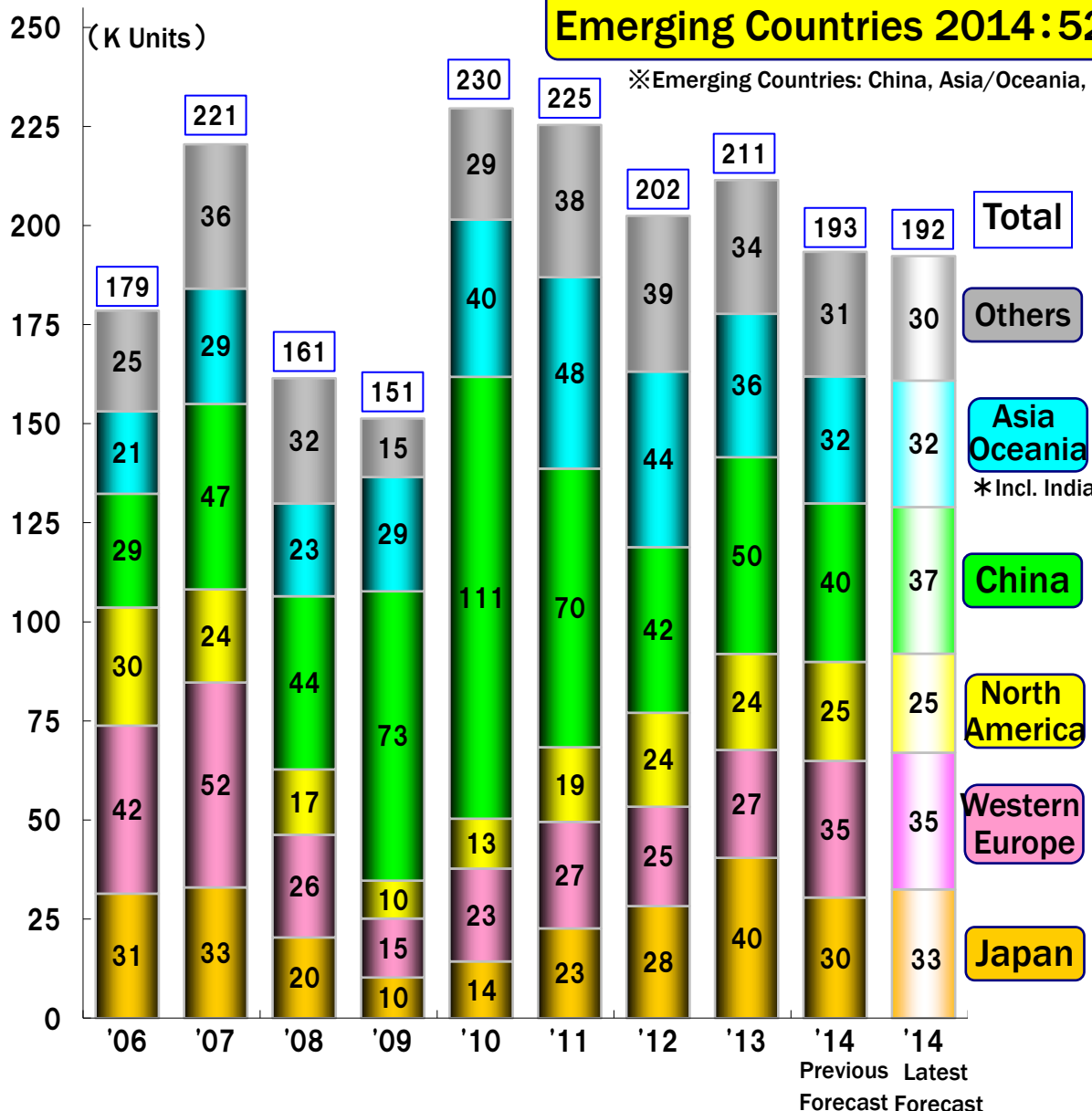
Senior Vice President and Representative Executive Officer
Mitsuhiro Tabei

Global Demand Trend for Hydraulic Excavators

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

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

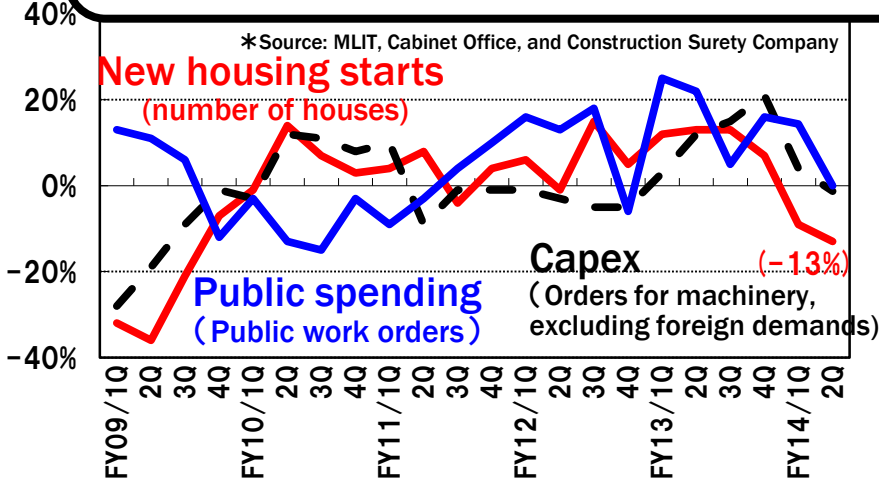


Year-on-Year Change

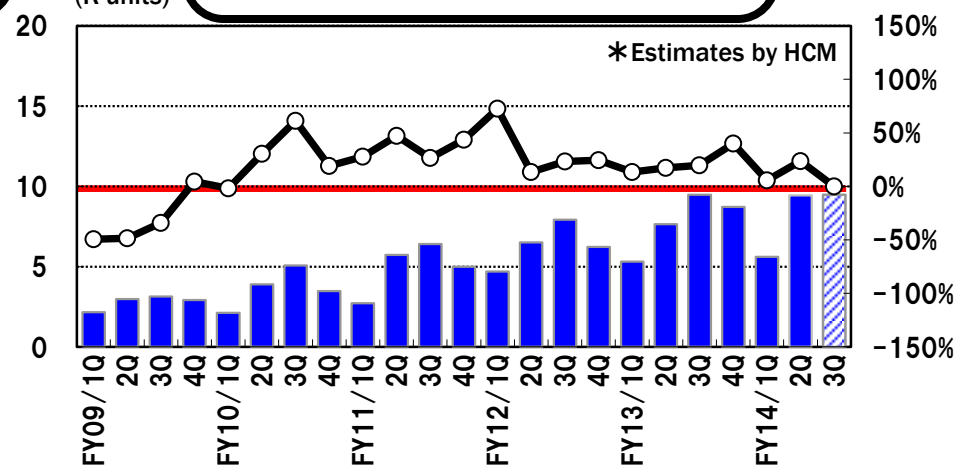
	'13	'14	'14
		Previous Forecas	Latest Forecast
Total	+4%	-9%	-9%
Russia, E Europe, CIS	-17%	-11%	-11%
Africa	-5%	-5%	-5%
Middle East	-19%	+1%	+2%
Latin America	-17%	-12%	-14%
Others	-14%	-9%	-12%
India	-26%	-11%	-8%
Indonesia	-20%	-21%	-21%
Others	-13%	-8%	-10%
Asia & Oceania	-18%	-11%	-11%
China	+19%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

- ◇ Growth rate of capital investment and public construction has been declining, and housing starts decreased significantly (affected by the consumption tax hike)
- ◇ Construction machinery demand has been bolstered by investment promotion tax effect (Non-rental demand for hydraulic excavators slightly decreased, and rental demand decreased by approximately 20%)

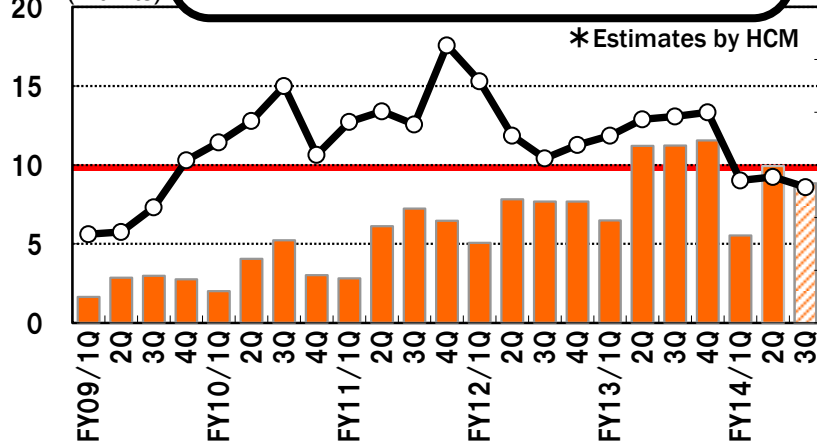
Market Environment: Housing/Public Spending and Capex (y-o-y)



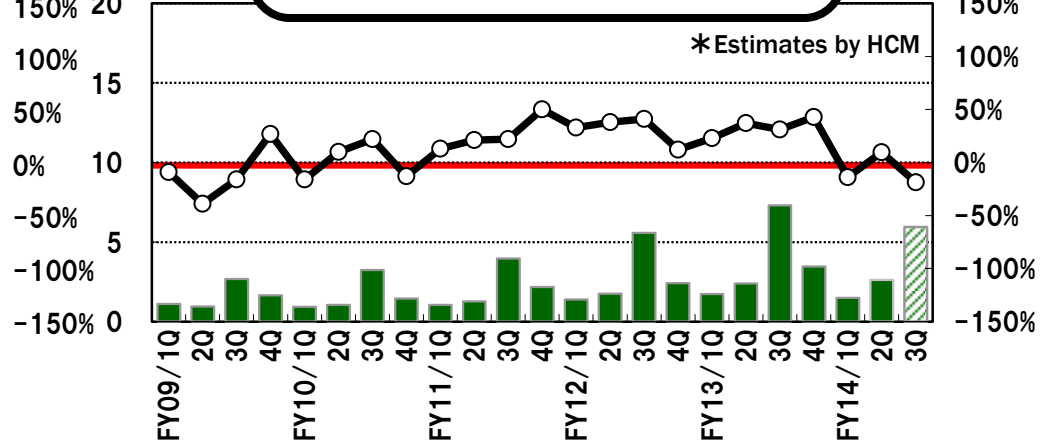
Demand Trend for Mini Excavators



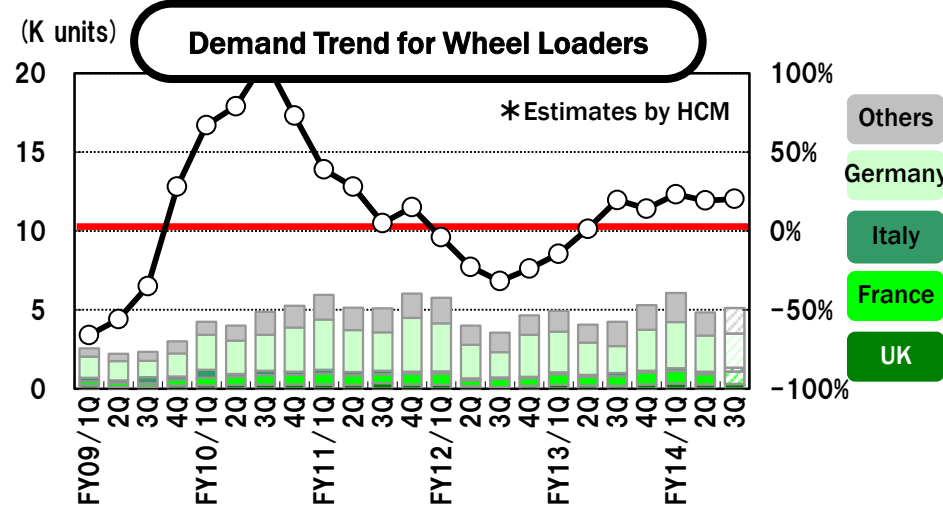
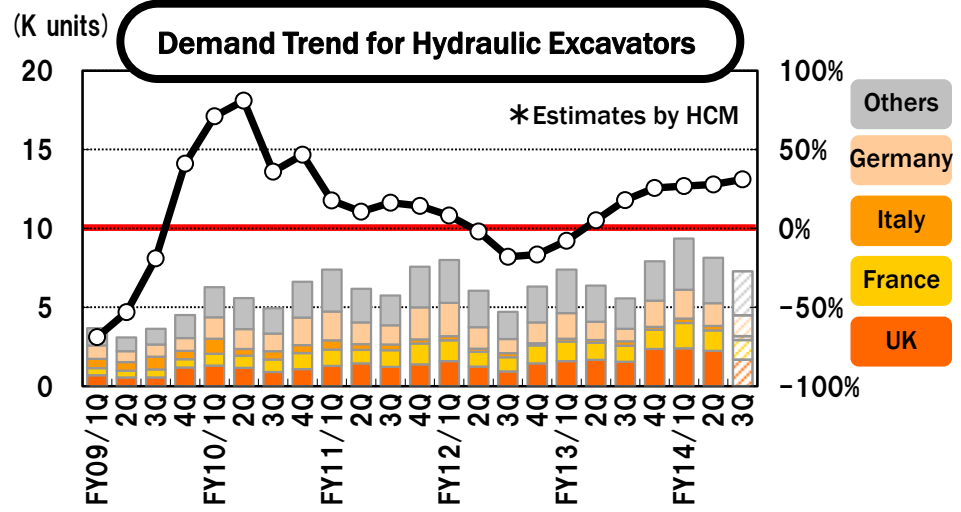
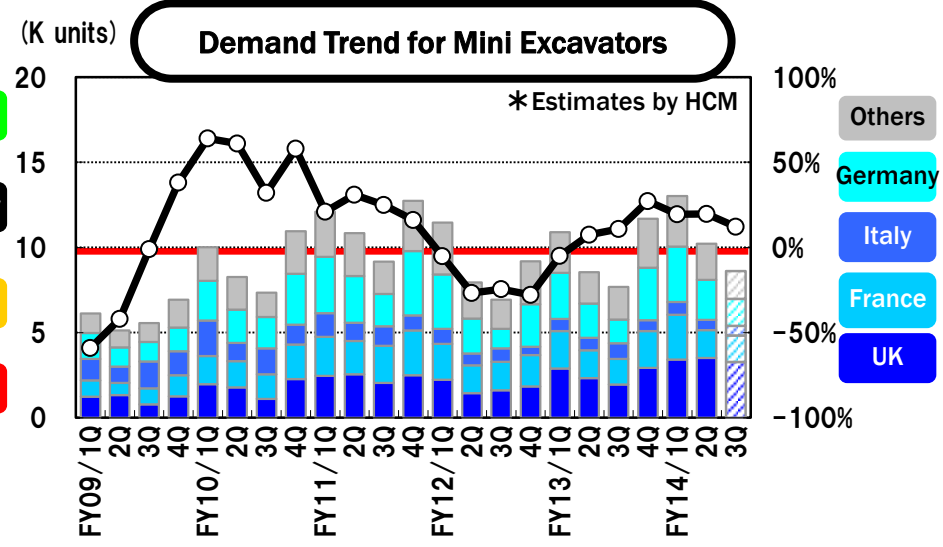
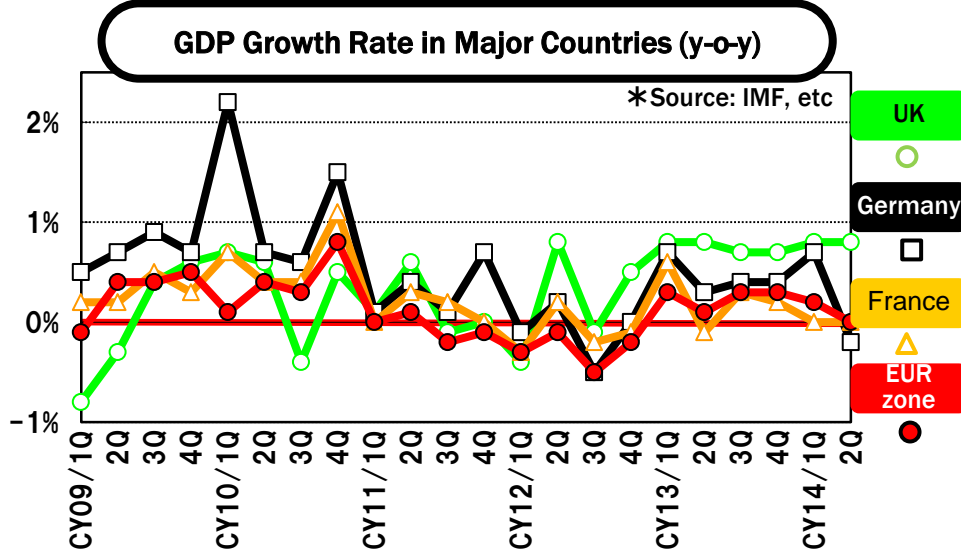
Demand Trend for Hydraulic Excavators



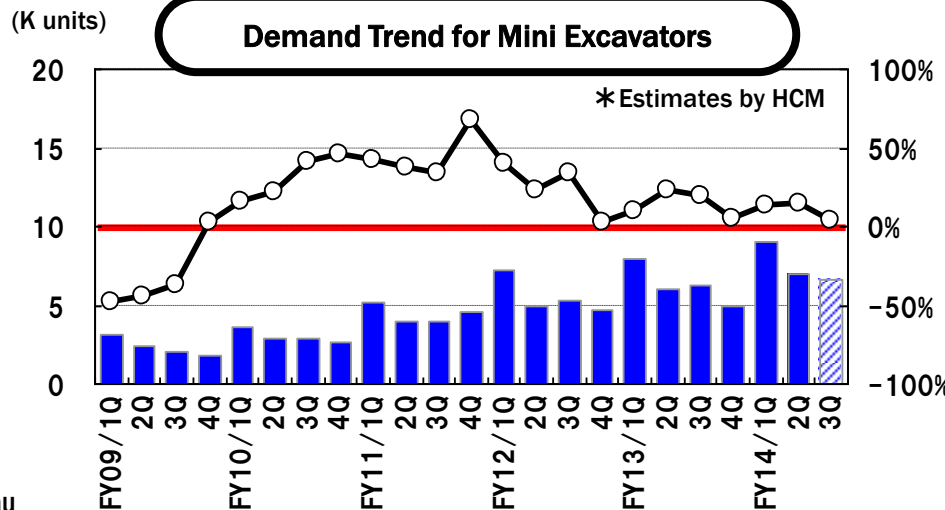
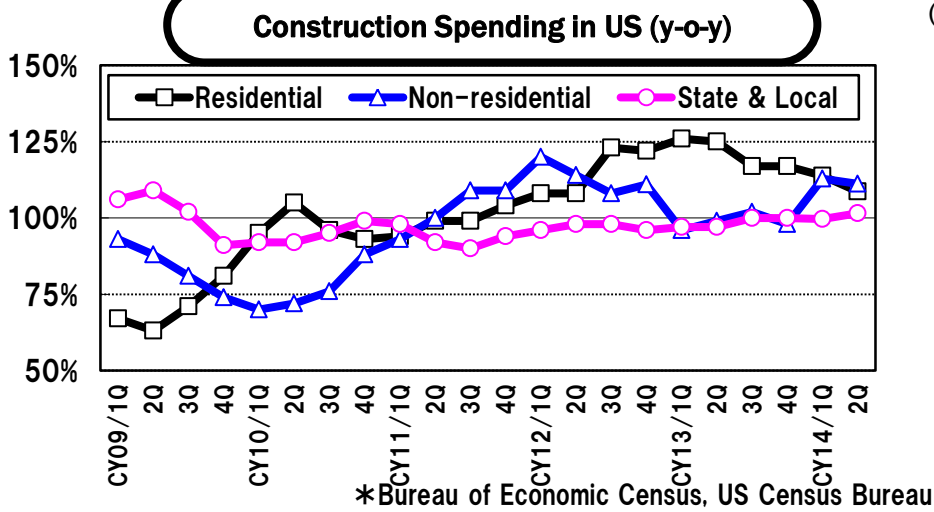
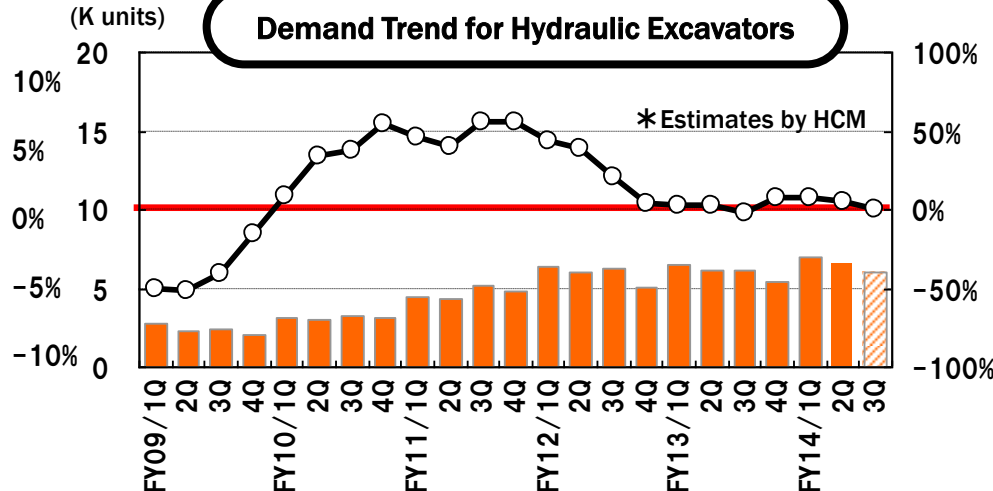
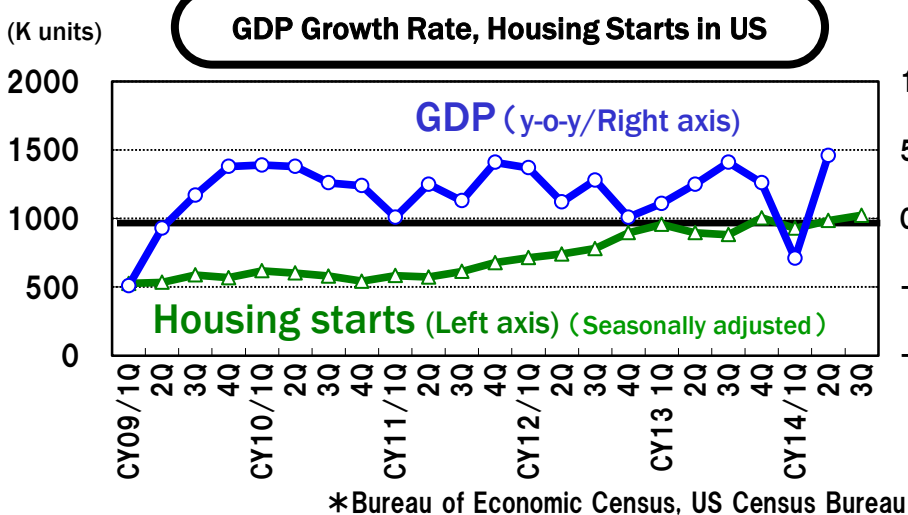
Demand Trend for Wheel Loaders



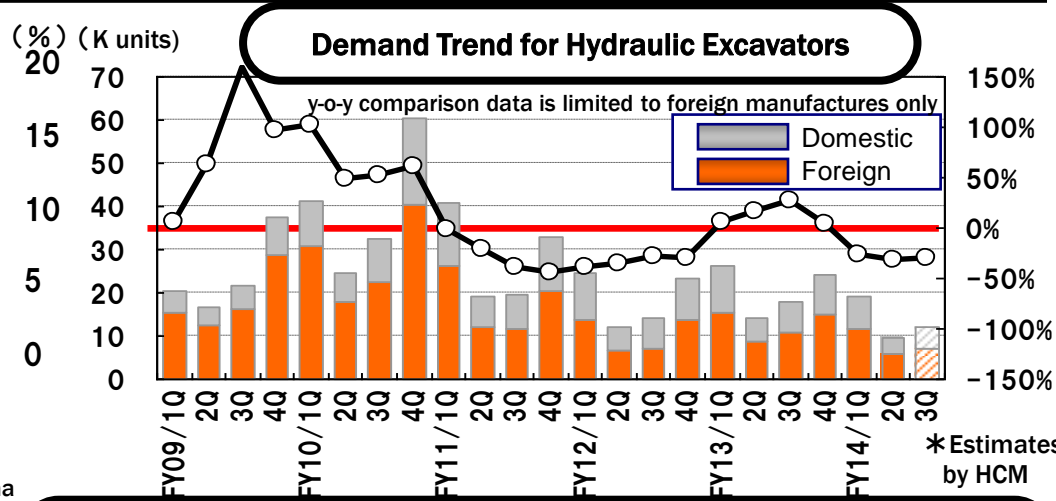
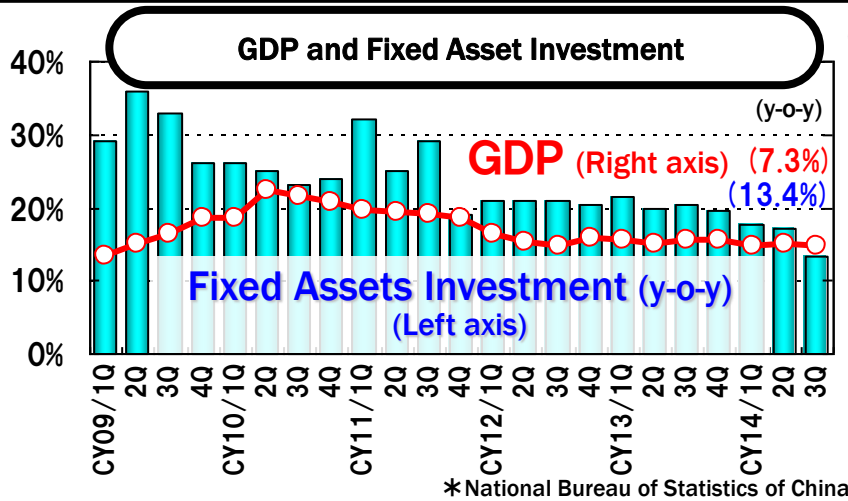
- ◇ Demand in UK remained strong, while demand in Europe including Germany and France was at a standstill (careful observation on future trend is required)
- ◇ Demand for hydraulic excavators increased by 28% year-on-year (Increased by 34% in UK, by 26% in Germany, by 22% in France)



- ◇ Housing starts and construction investments remained high. GDP growth rate recovered to 4.6% in 2Q. (There was a negative consequence due to a cold wave in 1Q)
- ◇ Hydraulic and mini excavators demand remained strong (Mainly for housing and energy-related projects) (Hydraulic excavators: increased by 5%, Mini excavators: increased by 16%, both on a y-o-y basis)

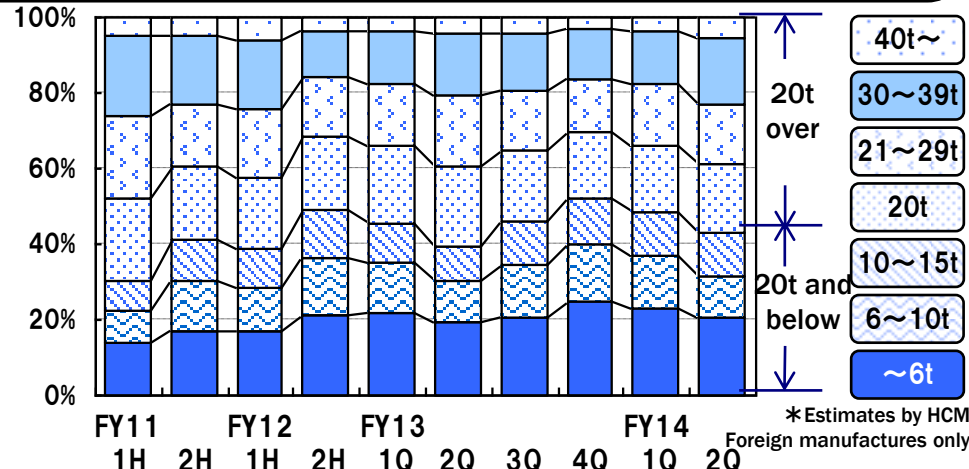
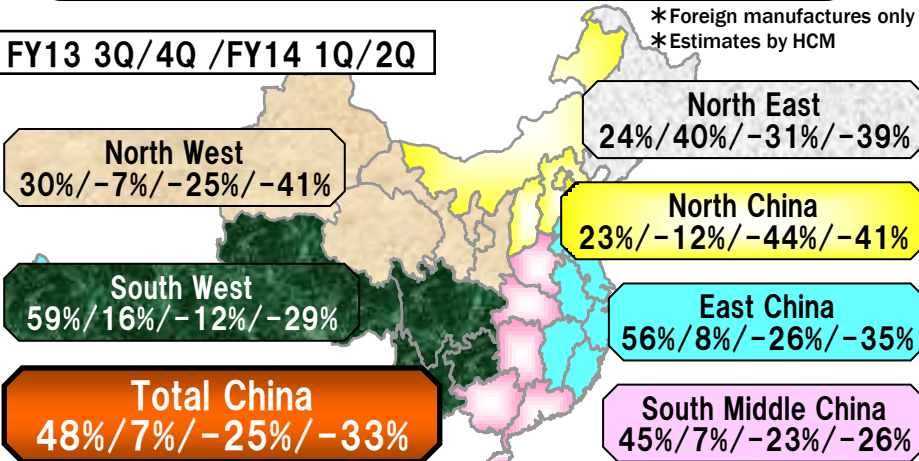


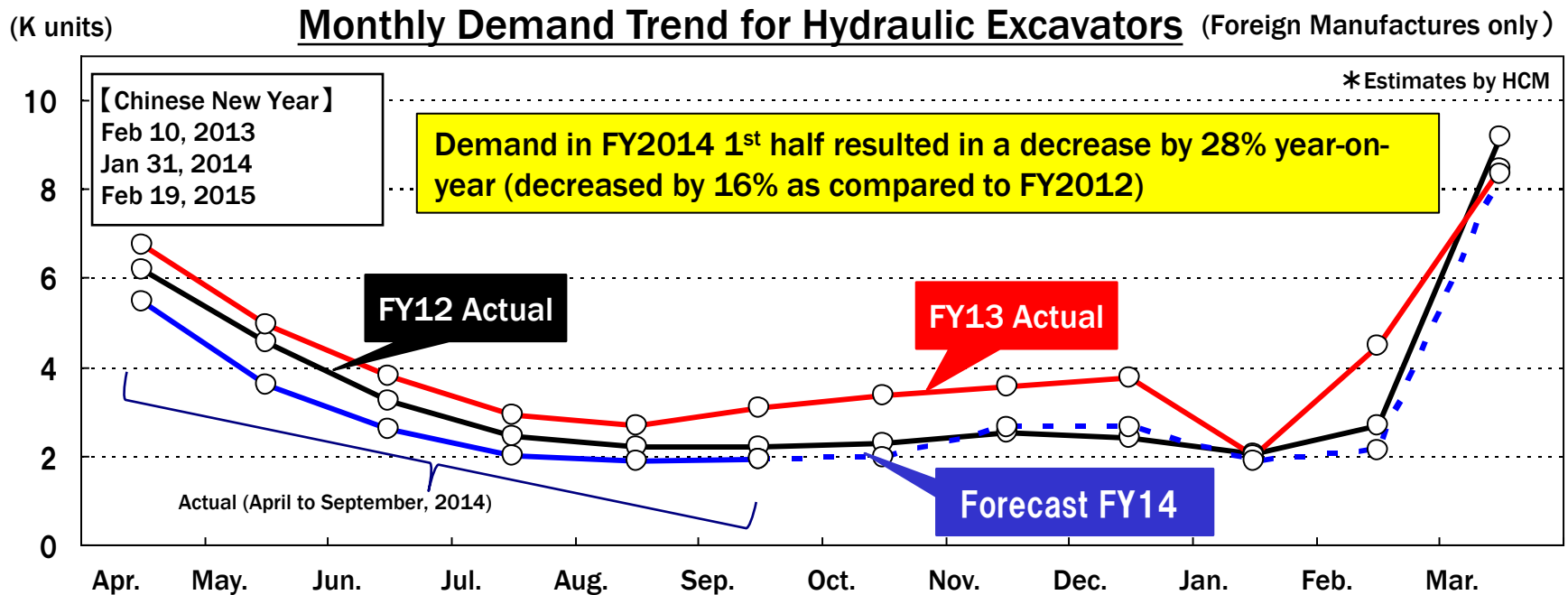
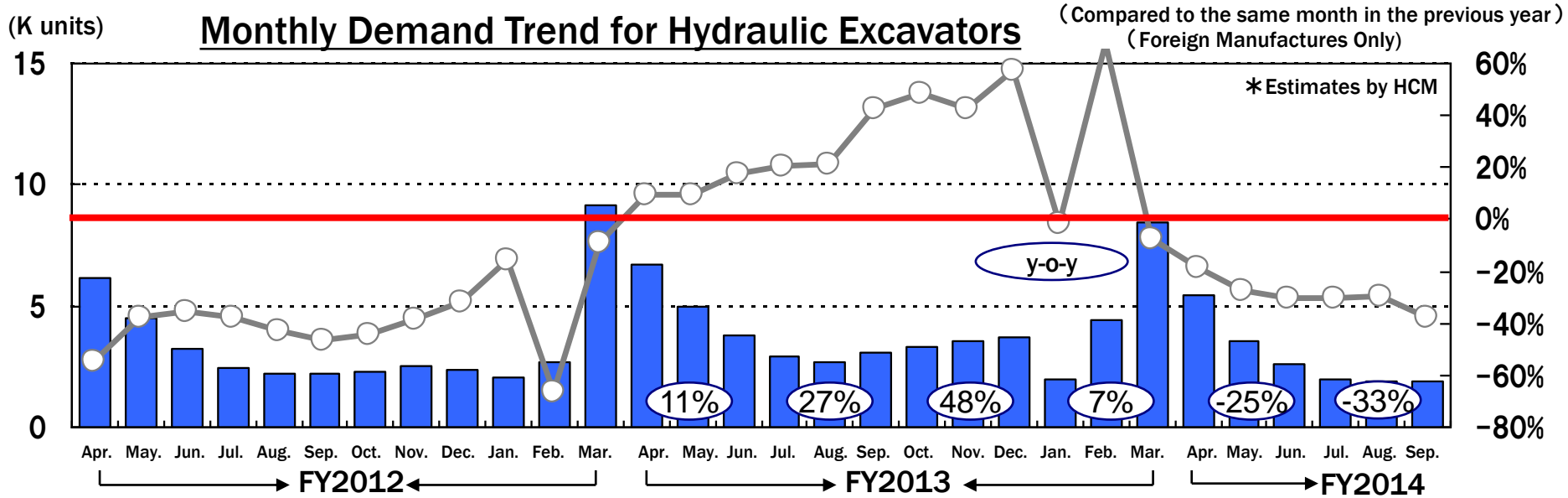
- ◇ Growth of both fixed asset investment and GDP further slowed down in 2Q 2014
- ◇ The economic stimulus measures were conducted on a small scale, and demand has significantly decreased because of deceleration of growth in the real estate investment, etc.
(Demand for hydraulic excavators in 2Q 2014 declined, a decrease by 33% year-on-year (foreign manufactures only))



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

Demand Composition by Class for Mini Excavators and Hydraulic Excavators

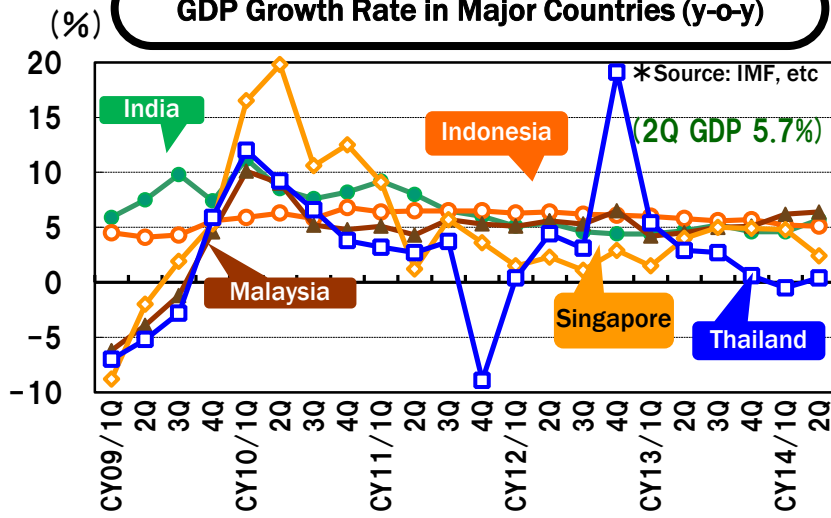




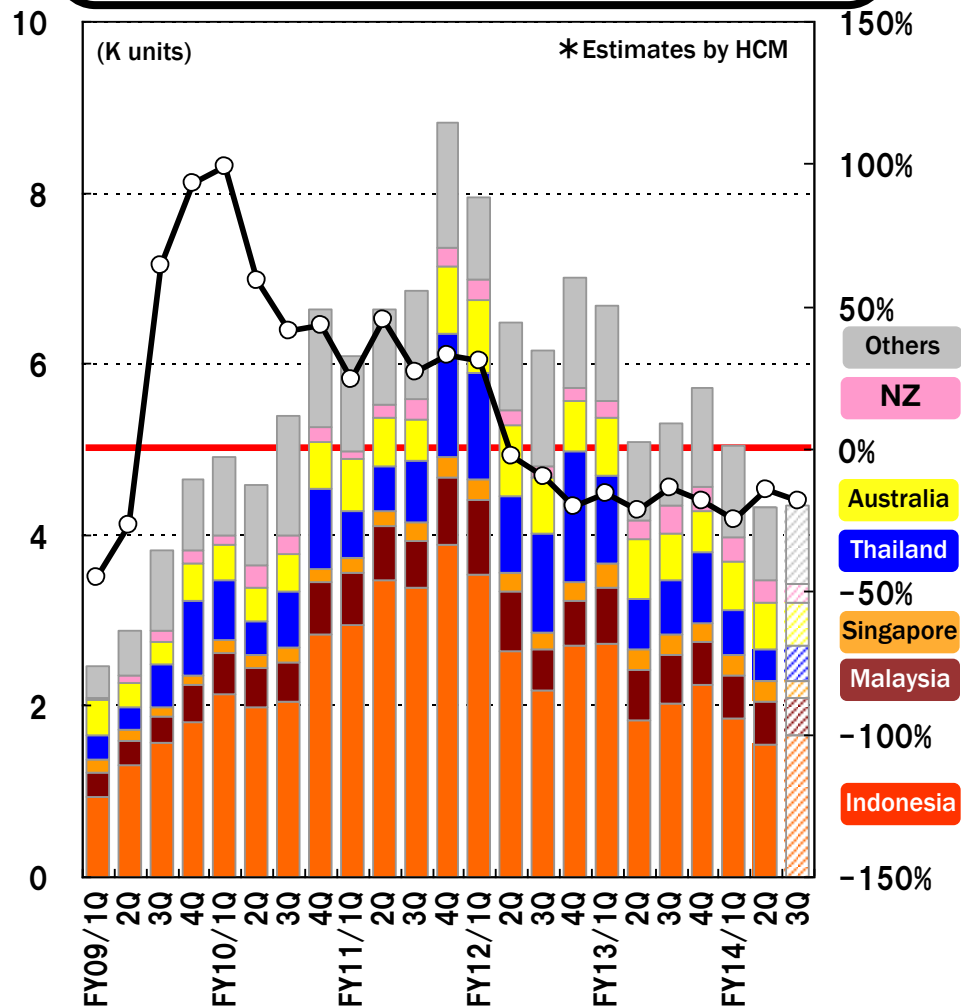
<Asia, Oceania, and India>

- ◇ Demand in Southeast Asia and Oceania remained sluggish, while India began to show signs of recovery after the inauguration of its new government
- ◇ Demand in Southeast Asia and Oceania decreased by 15%
Demand in India increased by 3% year-on-year

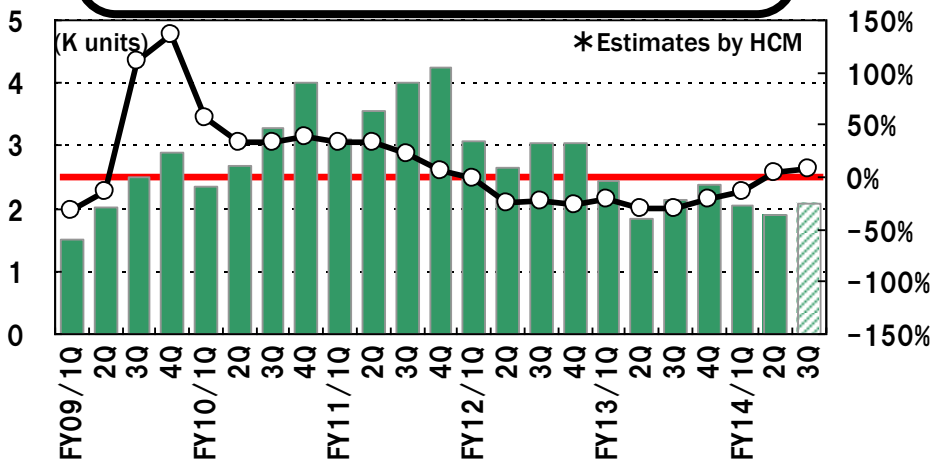
GDP Growth Rate in Major Countries (y-o-y)



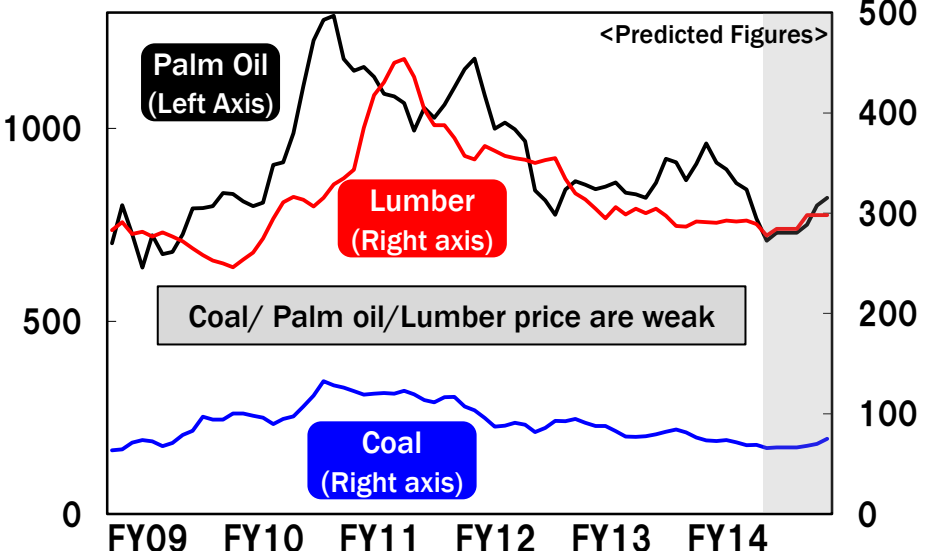
Demand Trend for Hydraulic Excavators in Asia & Oceania



Demand Trend for Hydraulic Excavators in India

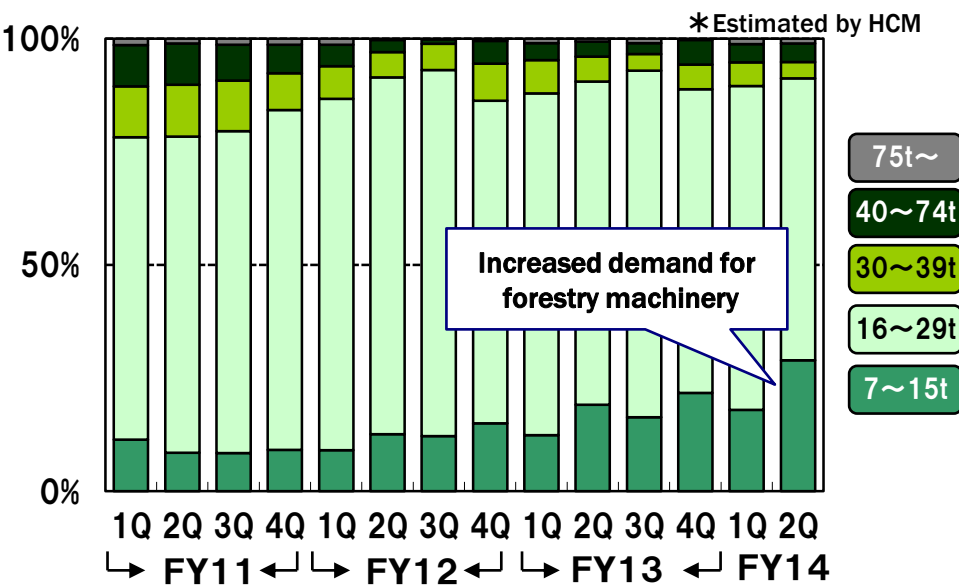


(US\$/t) **Price of Thermal coal, Palm Oil Futures, and Lumber** (US\$/t)

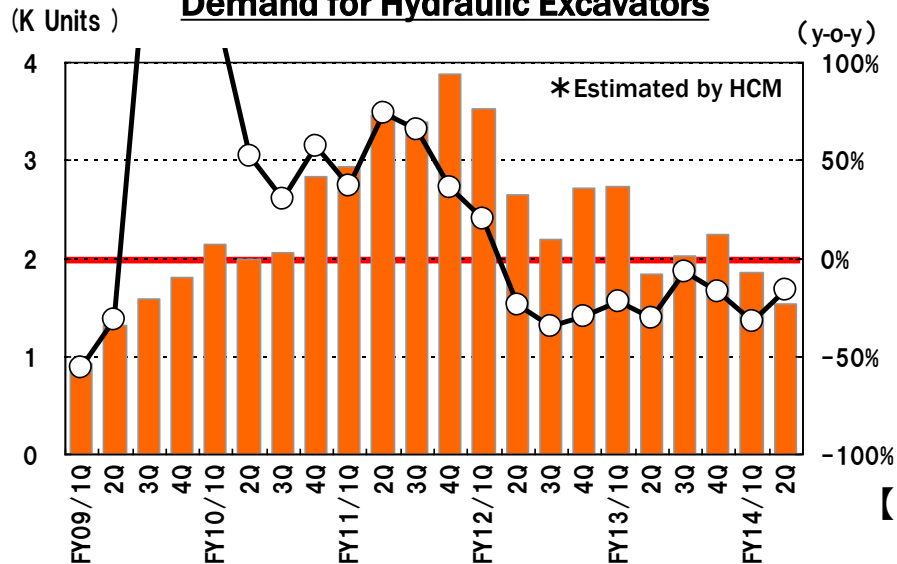


* Created by HCM, the source from World Bank HP

Demand Composition for Hydraulic Excavators by Class



Demand for Hydraulic Excavators



《Topics》

■ **Brisk sales of mini-excavators (ZX48U-5A)**



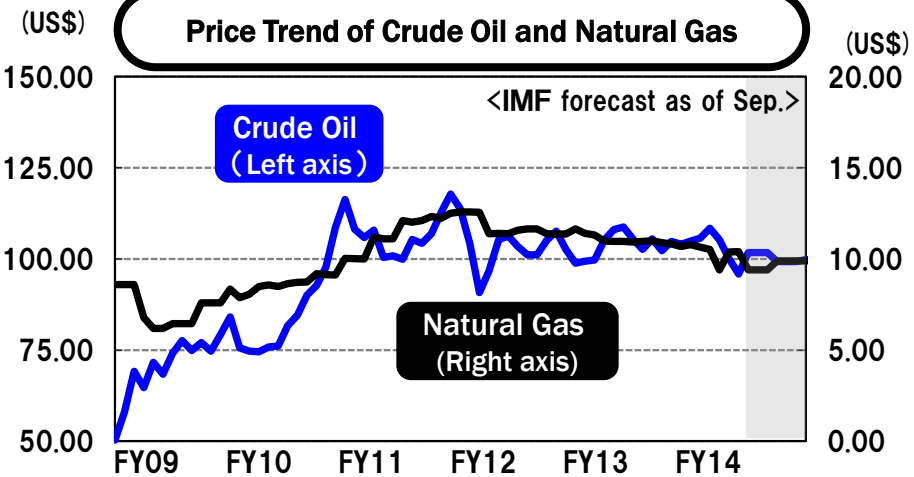
【Industry-classified sales promotion measures are implemented】

<Russia and the Middle East>

[Russia] Demand is in a downward trend because of the Ukraine situation, the low price of crude oil, and the depreciation of the Ruble, etc. (Decreased by 6% year-on-year)

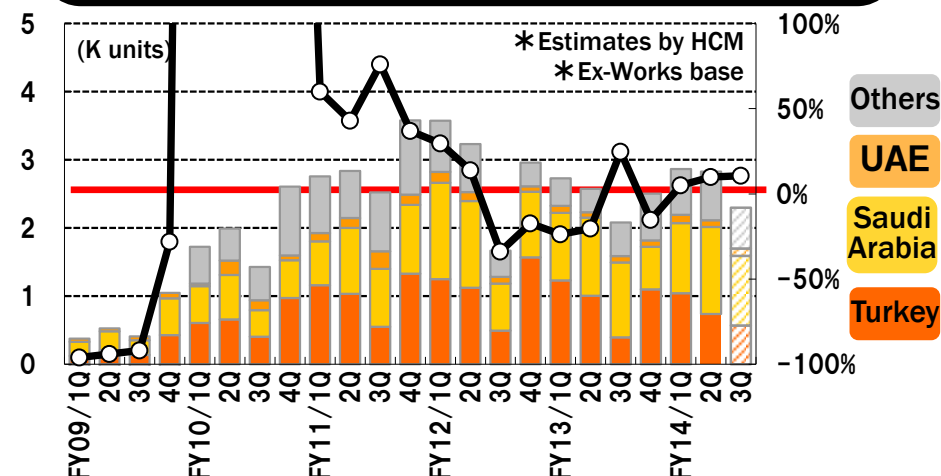
[The Middle East] Robust demand mainly for infrastructure, in Saudi Arabia and the UAE, etc. (Increased by 10% y-o-y). On the other hand, with the general election around the corner, demand for construction machinery in Turkey has been sluggish. This has also been affected by the neighboring countries and a depreciation in the Turkish Lira.

Price Trend of Crude Oil and Natural Gas

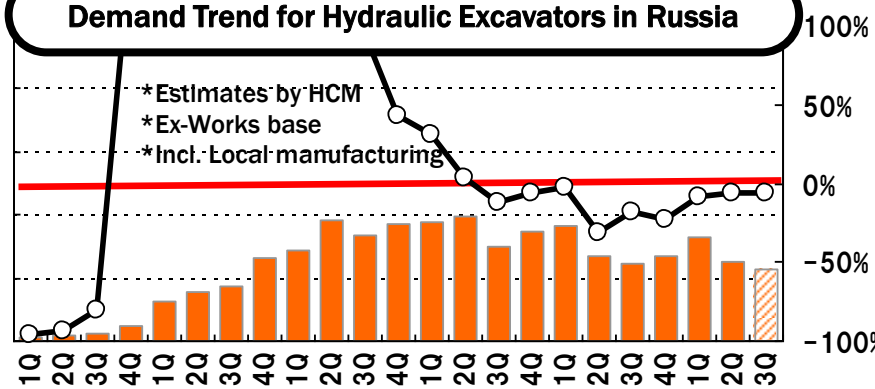


*Created by HCM, the source from IMF HP

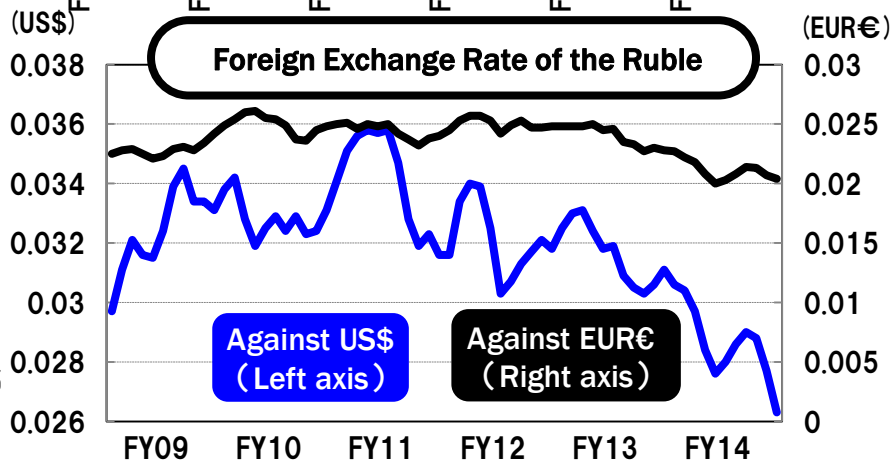
Demand Trend for Hydraulic Excavators in the Middle East



Demand Trend for Hydraulic Excavators in Russia



Foreign Exchange Rate of the Ruble

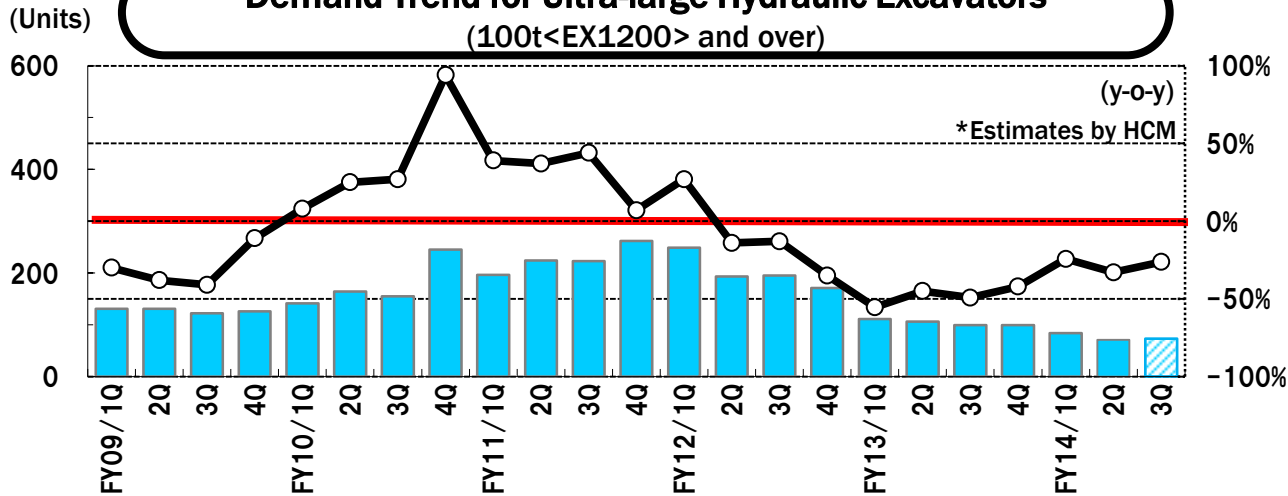


*According to HCM's research

- ◇ Currently, resource prices (iron ore, coal) are decreasing further
- ◇ Demand for mining machinery demand remains stagnant (decreased by approximately over 20% year-on-year); recovery is expected to begin in or after 2015

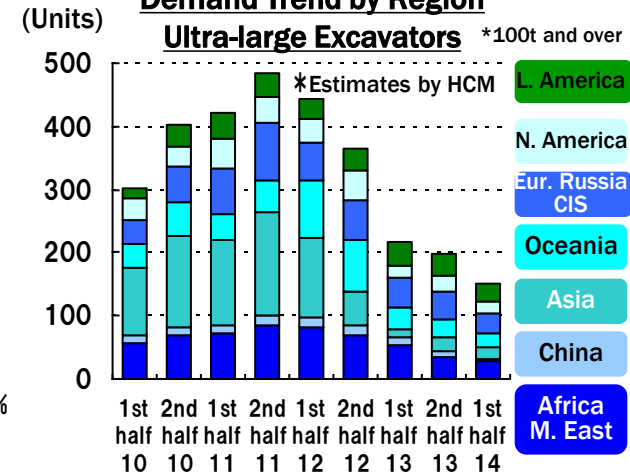
Demand Trend for Ultra-large Hydraulic Excavators

(100t<EX1200> and over)



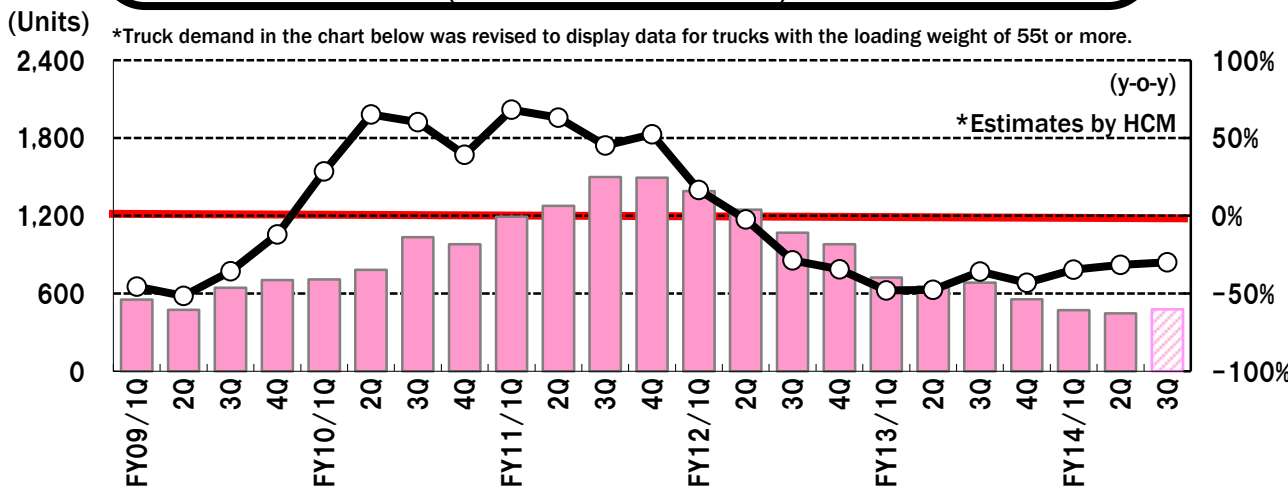
Demand Trend by Region

Ultra-large Excavators *100t and over



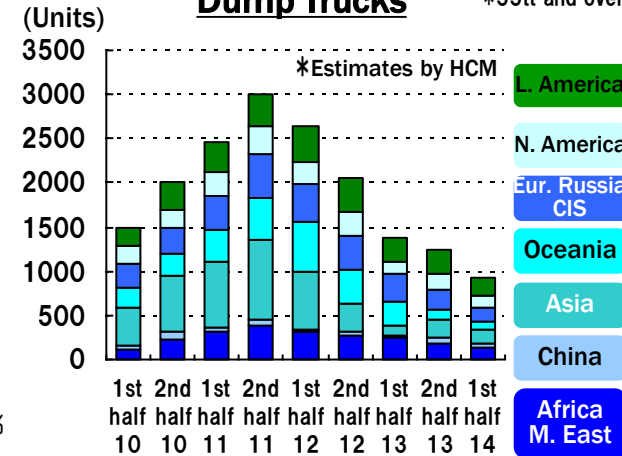
Demand Trend for Dump Trucks

(55t<EH1100> and over)*



Dump Trucks

*55t and over

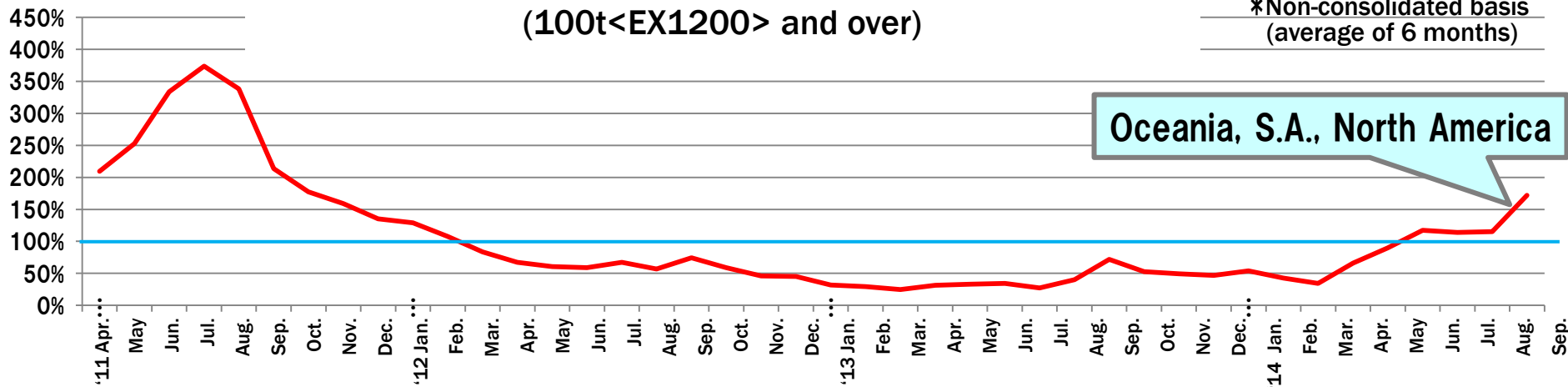


Book-to-Bill (BB) Ratio = Bookings (Orders received) / Billings (Value of shipment)

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

*Non-consolidated basis
(average of 6 months)

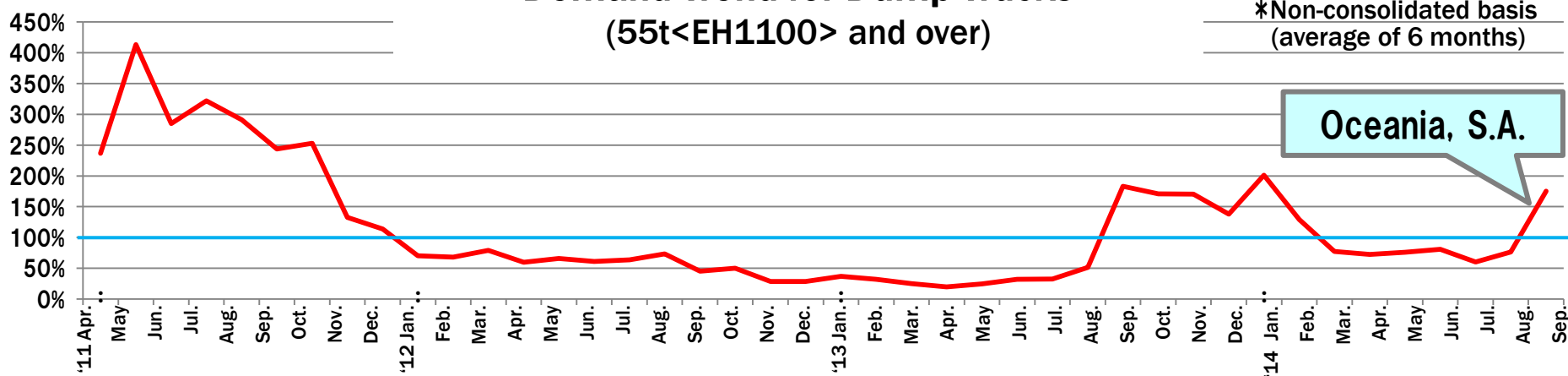
Oceania, S.A., North America



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

*Non-consolidated basis
(average of 6 months)

Oceania, S.A.



The BB Ratio turned positive, underpinned by demand for new projects and for replacement. However, the long-term outlook suggests the situation will remain severe.

ODA Project: delivery of wheel excavators to Azerbaijan



30 units of ZX210W-3

**Delivery completed on July 24
(for agricultural irrigation channel)**

Handover ceremony (on July 16)



Project name: Shirvan Construction Equipment Center of AWF

Mayor of Shirvan, Chairman of Irrigation and Land Improvement Public Corporation in Azerbaijan, Japanese Ambassador to Azerbaijan, and JICA officials have attended.



Place of delivery: Irrigation and Land Improvement Public Corporation, Mechanical Repair Center (Shirvan City)

END

For further inquiries:

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