

Business Result for the First Quarter ended June 30, 2014 Regional Market Environments and Projections



July 29, 2014

Hitachi Construction Machinery Co., Ltd.

Senior Vice President and Representative Executive Officer

Mitsuhiro Tabei

Global Demand Trend for Hydraulic Excavators

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Reliable solutions

* Estimates by HCM

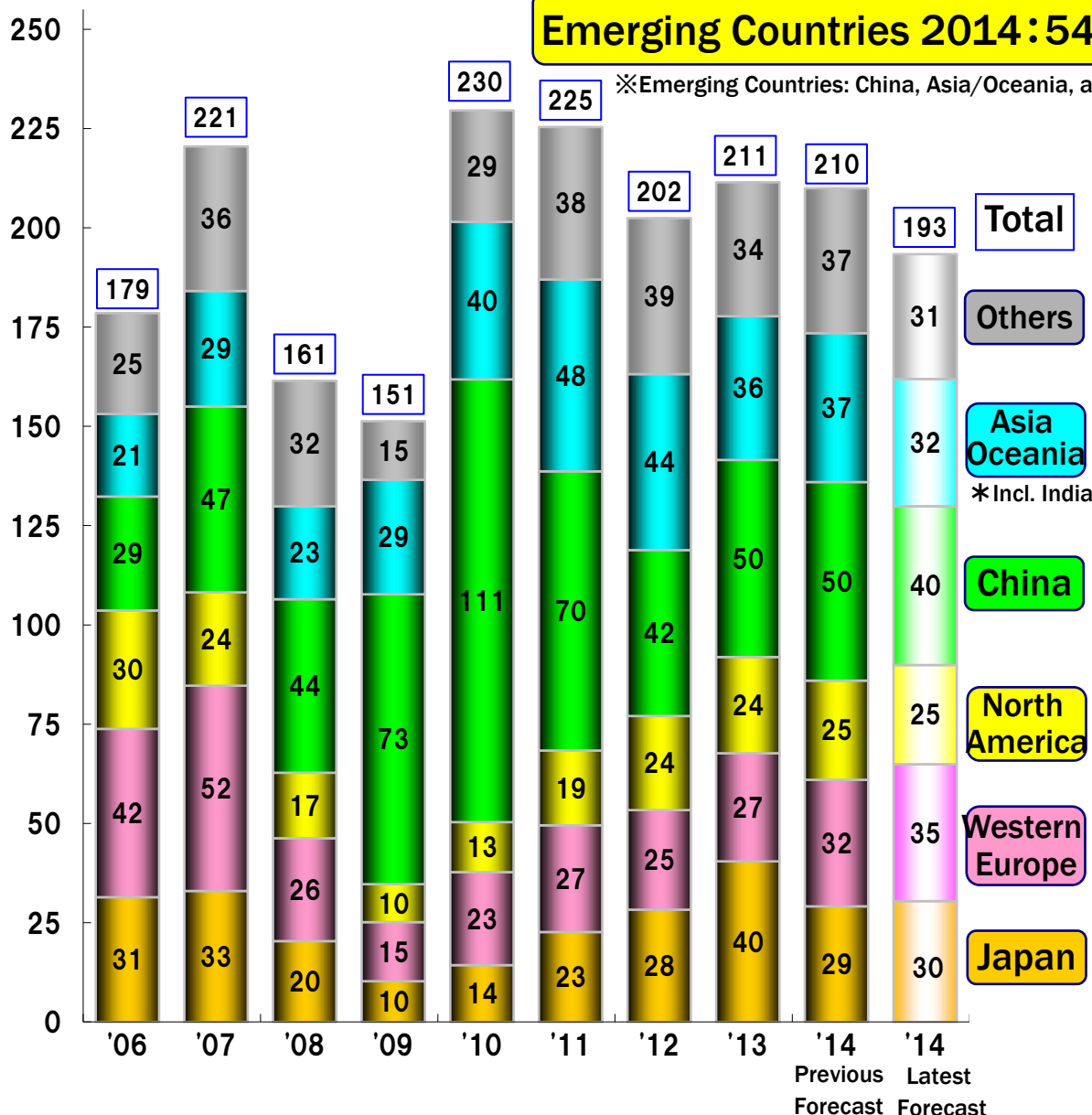
* Excluding Chinese manufacturer

(K Units) (Distributing, copying, or forwarding prohibited)

Emerging Countries 2014: 54% (Y-O-Y Change: -3%)

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

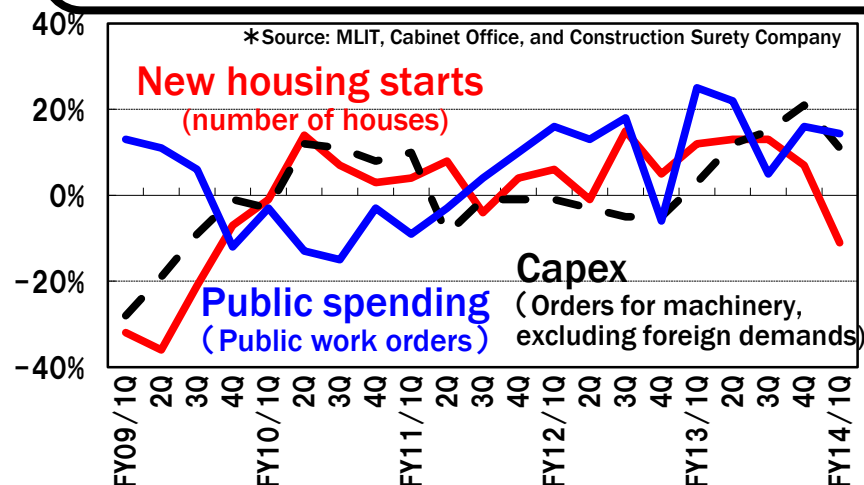
Year-on-Year Change



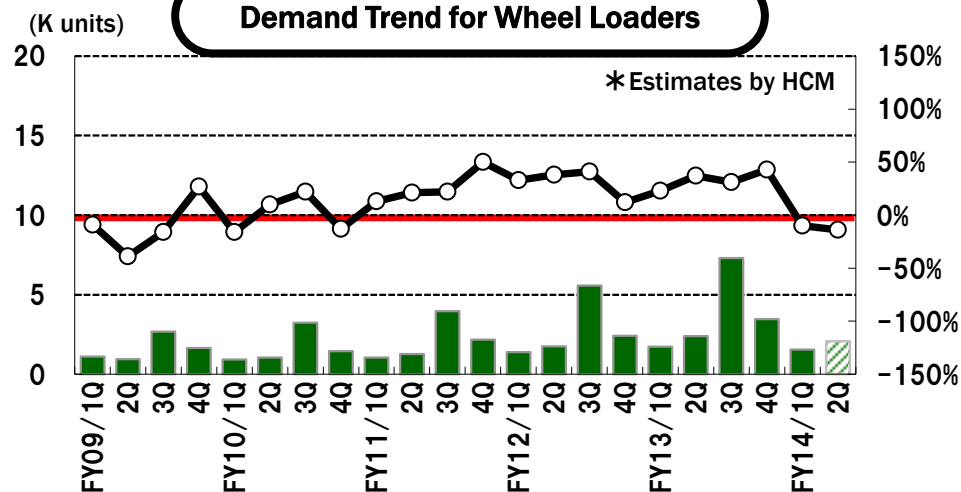
| | '13 | '14 | '14 |
|----------------|------------|-------------------|-----------------|
| | | Previous Forecast | Latest Forecast |
| Total | +4% | -1% | -9% |
| Russia, E | -17% | +4% | -11% |
| Europe, CIS | -17% | +4% | -11% |
| Africa | -5% | +3% | -5% |
| Middle East | -19% | -3% | +1% |
| Latin America | -17% | +14% | -12% |
| Others | -14% | +2% | -9% |
| India | -26% | -1% | -11% |
| Indonesia | -20% | +1% | -21% |
| Others | -13% | +8% | -8% |
| Asia & Oceania | -18% | +4% | -11% |
| China | +19% | +1% | -20% |
| N America | +2% | +4% | +4% |
| W Europe | +9% | +14% | +30% |
| Japan | +43% | -28% | -25% |

- ◇ Demands for public works, etc. remain robust while only housing starts decline.
- ◇ Investment-promoting taxation effects curbed the decrease in demands for hydraulic excavators in 1Q at 15%.

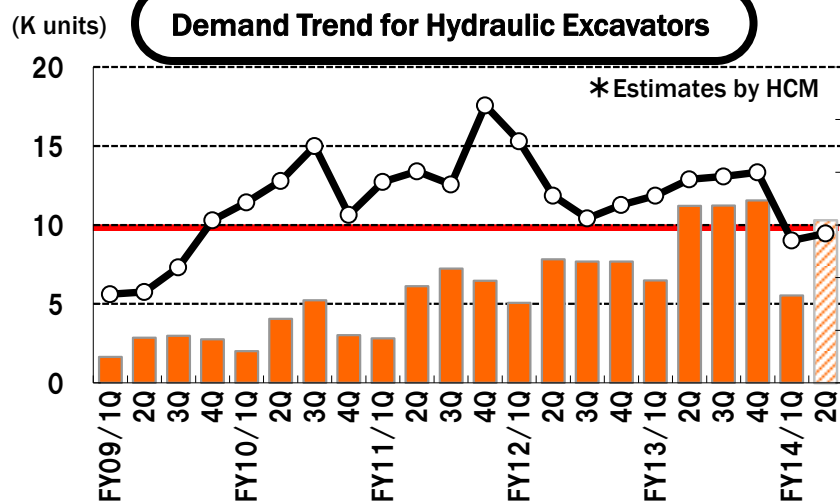
Market Environment: Housing/Public Spending and Capex (y-o-y)



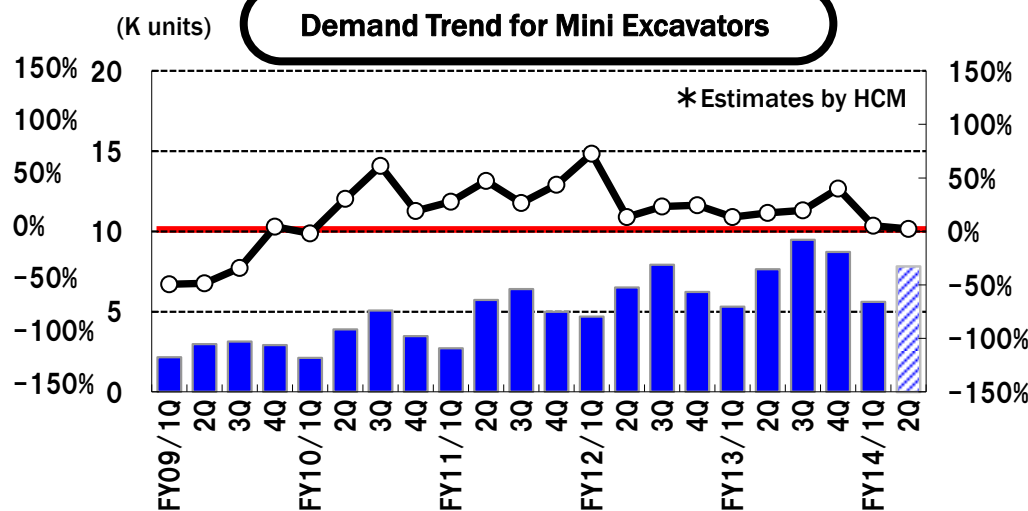
Demand Trend for Wheel Loaders



Demand Trend for Hydraulic Excavators



Demand Trend for Mini Excavators



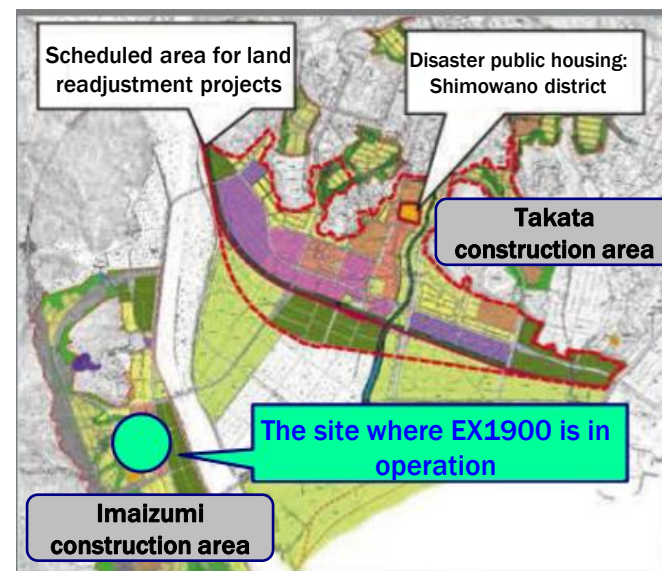
The ultra-large hydraulic excavator was utilized at an *upland relocation site for the first time

* Project to build the upland by raising the existing town's ground level, utilizing heavy machineries then relocating the town to the upland.



Rikuzentakata City in Iwate Prefecture

Upland relocation construction site

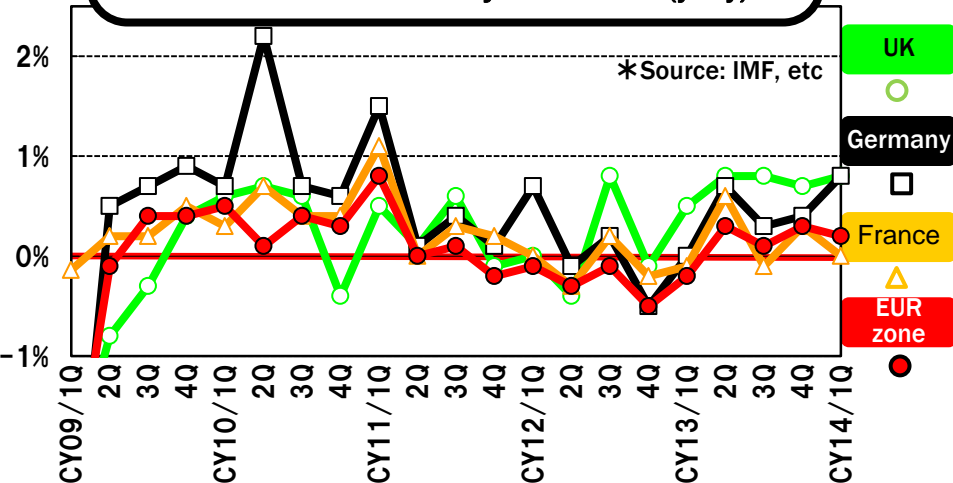


The ultra-large hydraulic excavator, EX1900, began operation in June as our first rental machinery.

- ◇ In addition to the robust UK economy, Germany is also on a recovery trend, and the overall European economy has rallied.
- ◇ Demands increased in the UK, Germany, and France, while Southern European countries are also on recovery trends.

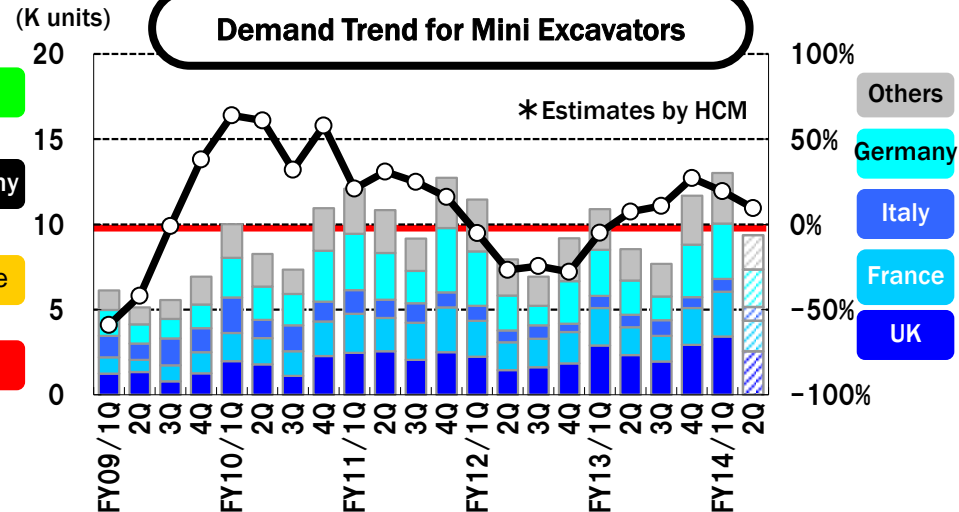
GDP Growth Rate in Major Countries (y-o-y)

*Source: IMF, etc



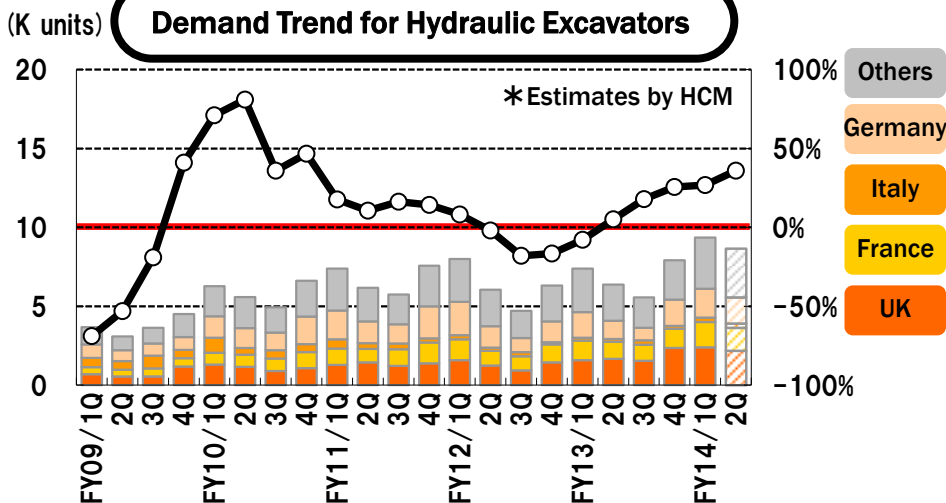
Demand Trend for Mini Excavators

* Estimates by HCM



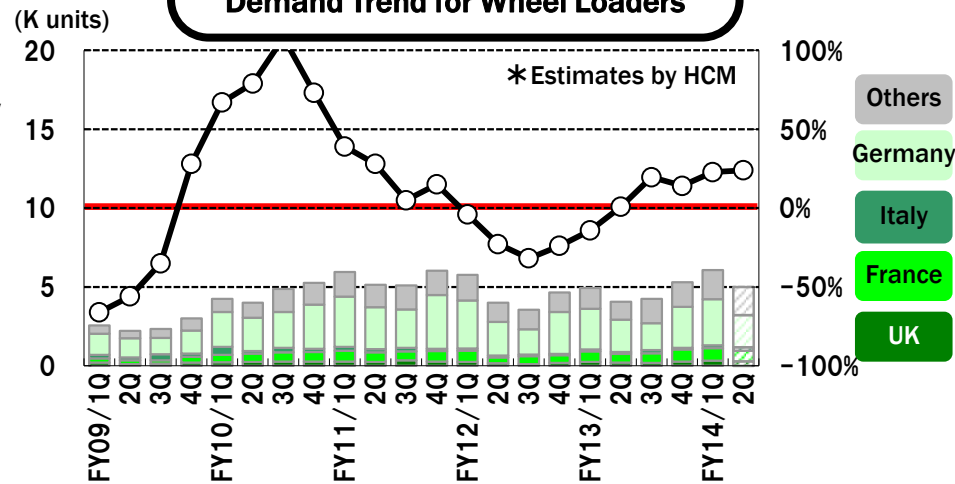
Demand Trend for Hydraulic Excavators

* Estimates by HCM



Demand Trend for Wheel Loaders

* Estimates by HCM



Completed development of new wheel loader, ZW-5B series, in Europe



- All 9 models were released by July 2014
Model: ZW140 (2.0 m³) ~ ZW550 (6.1 m³)
※ZW310 ~ ZW550 were jointly developed with KCM Corporation
- Responsive to emissions regulations (EURO Stage III B)
- Enhanced fuel-efficiency by full model change



- In operation at the quarry in Germany
- Its fuel-efficiency has been well received

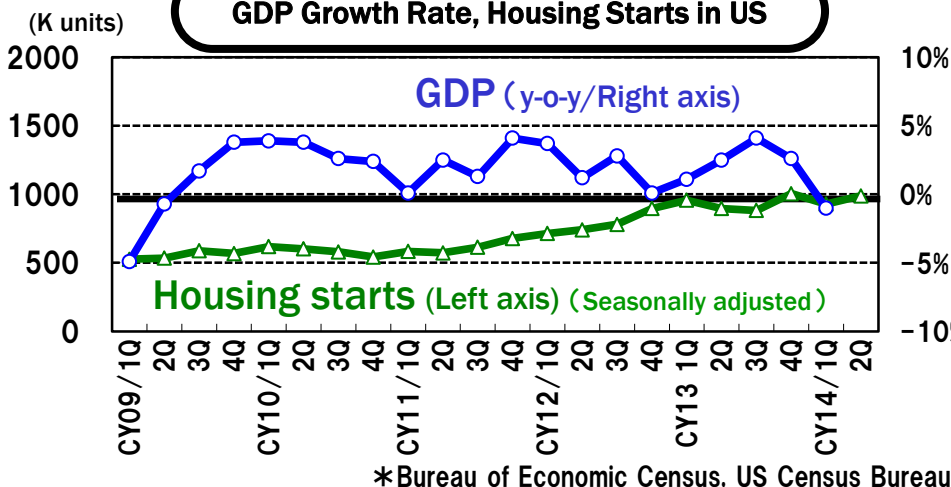
Introduced hybrid hydraulic excavators in European market

- Sales launched in April 2014
- The first European market model was delivered to France
- Responsive to emissions regulations (EURO Stage III B)

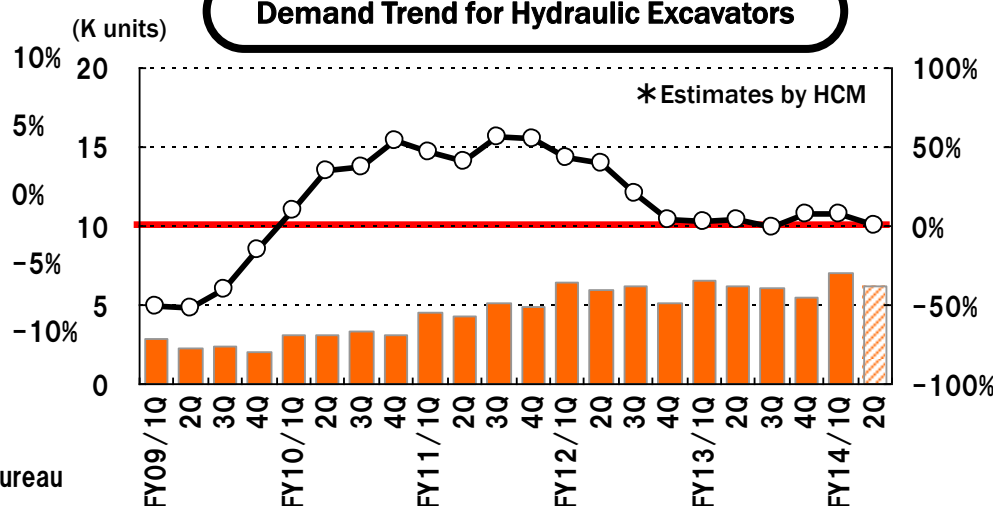


- ◇ Housing starts and construction investment maintained high level.
Unemployment rate improved to 6.1% (at the end of June)
- ◇ Construction machinery demands remain high (mainly for housing and energy-related projects).

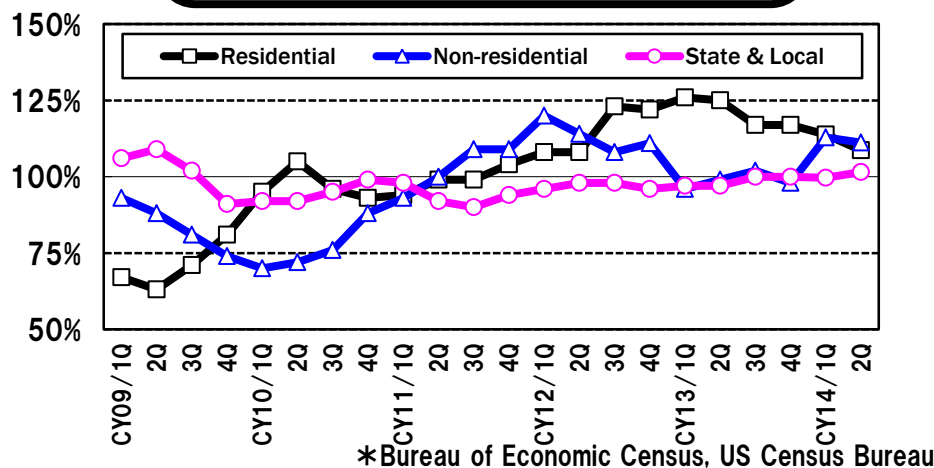
GDP Growth Rate, Housing Starts in US



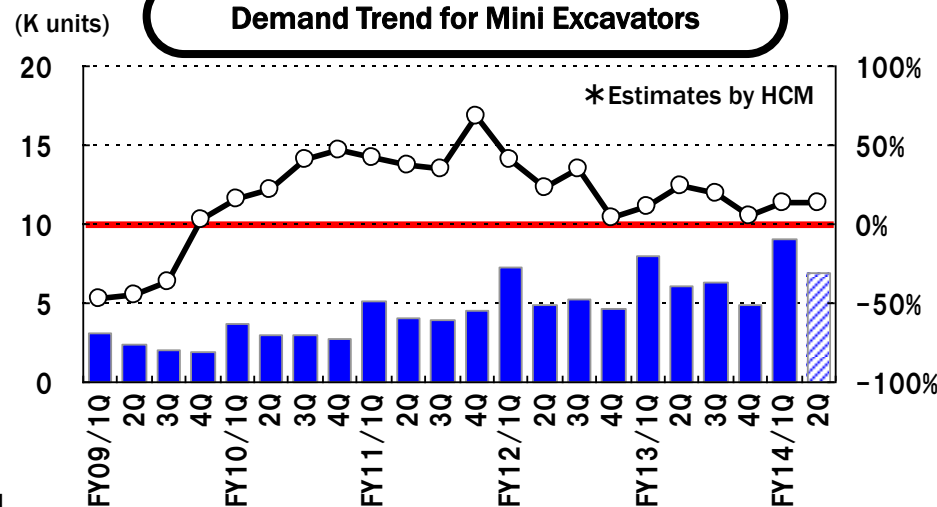
Demand Trend for Hydraulic Excavators



Construction Spending in US (y-o-y)

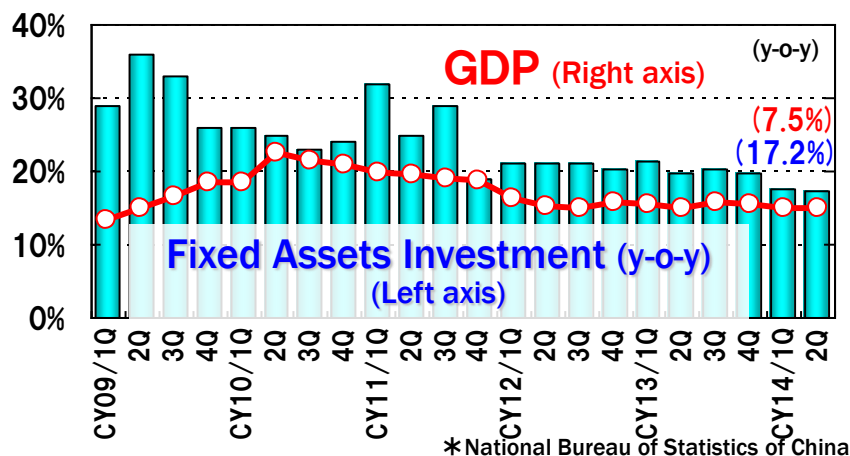


Demand Trend for Mini Excavators

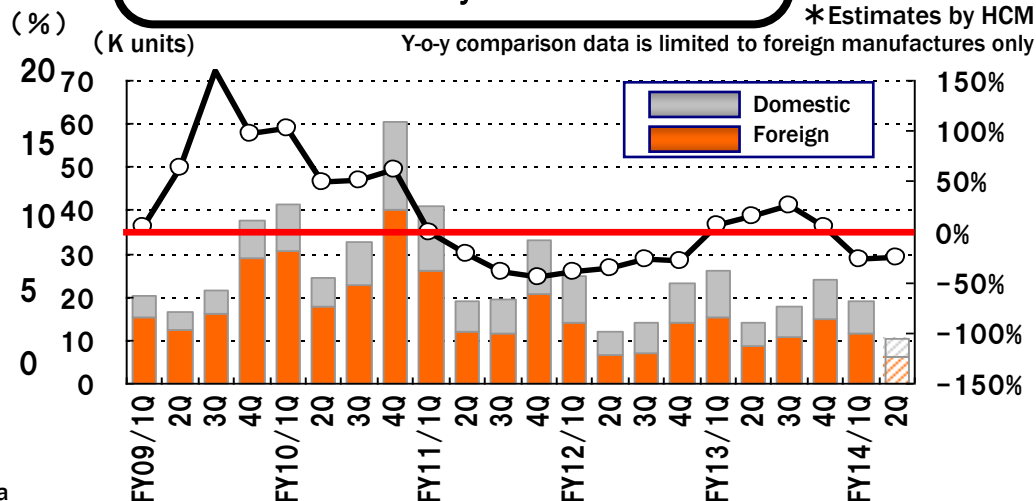


- ◇ Growth of fixed asset investment decreased from April to June 2014.
- ◇ Demands fell below the previous year in all regions from April to June 2014: decreased 25% year-on-year (foreign manufactures only).

GDP and Fixed Asset Investment

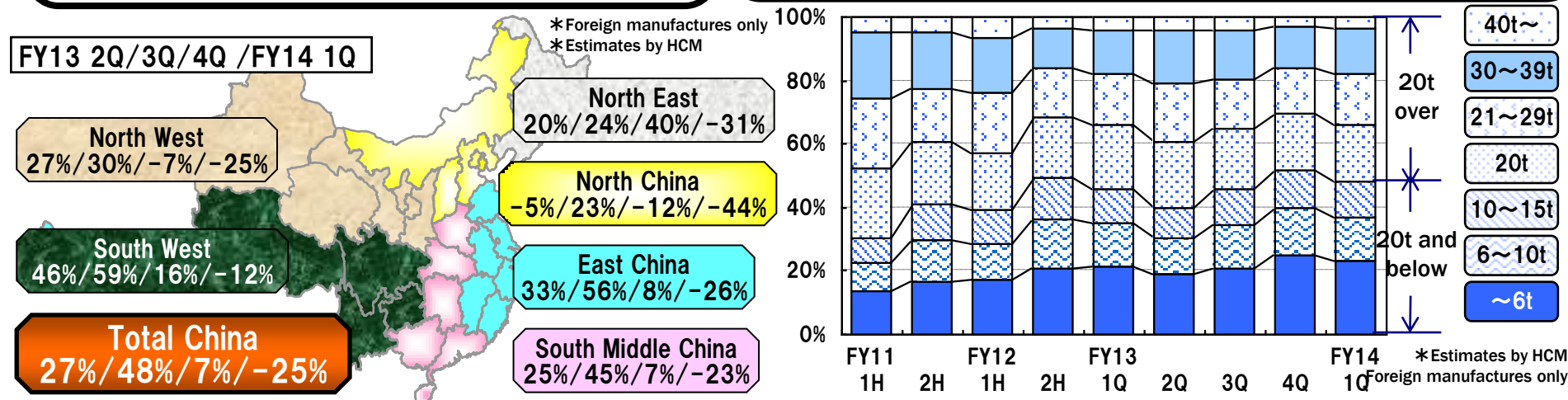


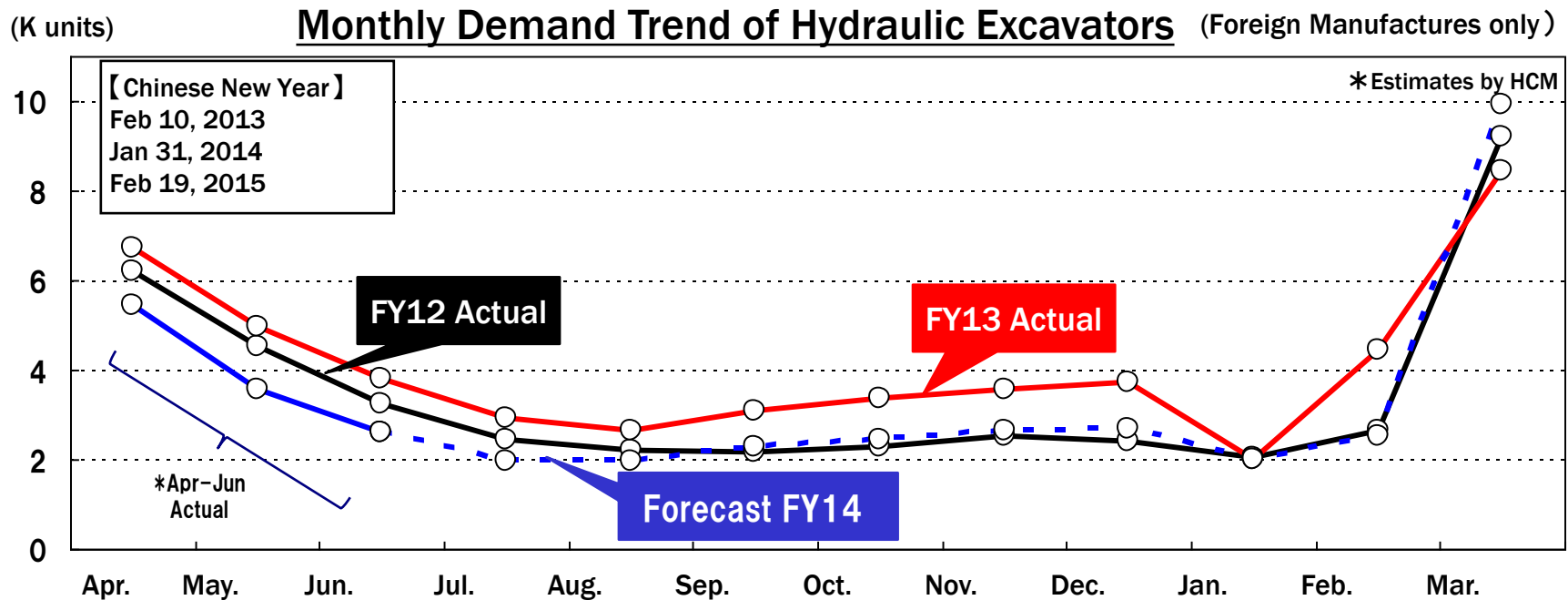
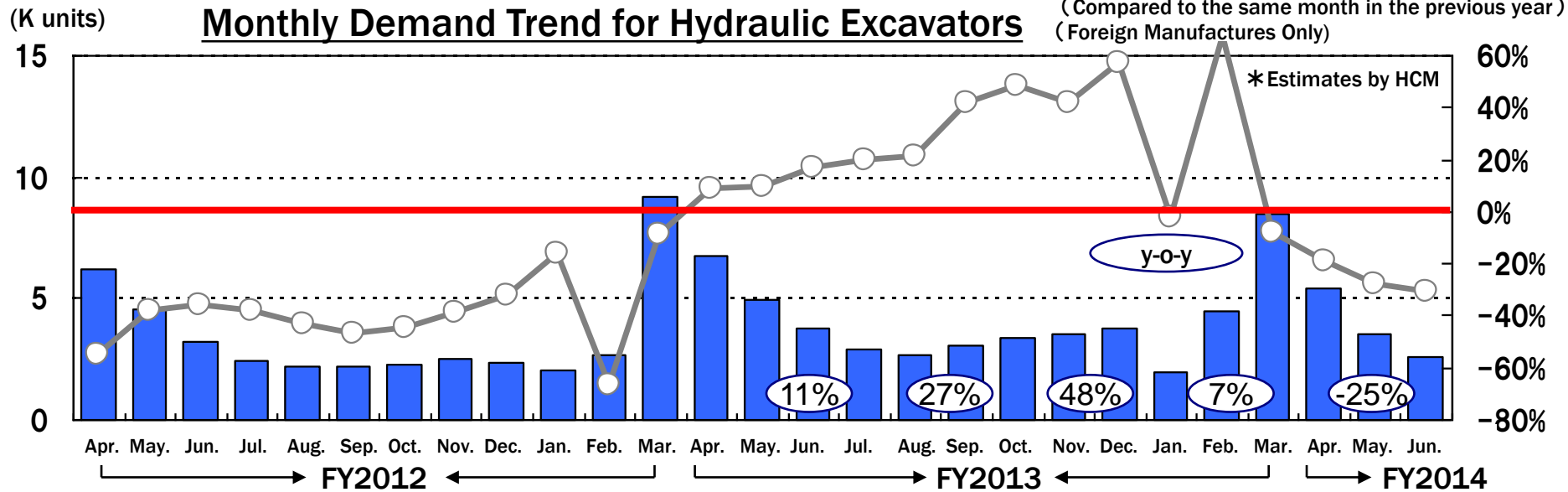
Demand Trend for Hydraulic Excavators



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

Demand Composition by Class for Mini Excavators and Hydraulic Excavators





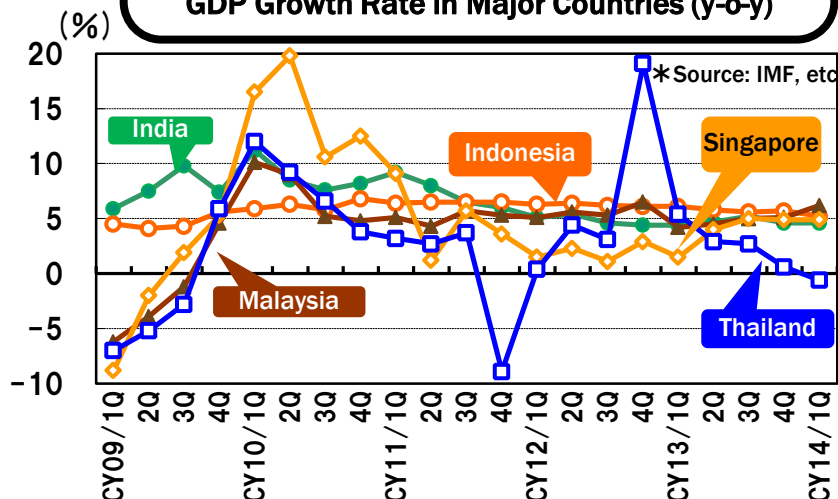
<Asia/Oceania and India>

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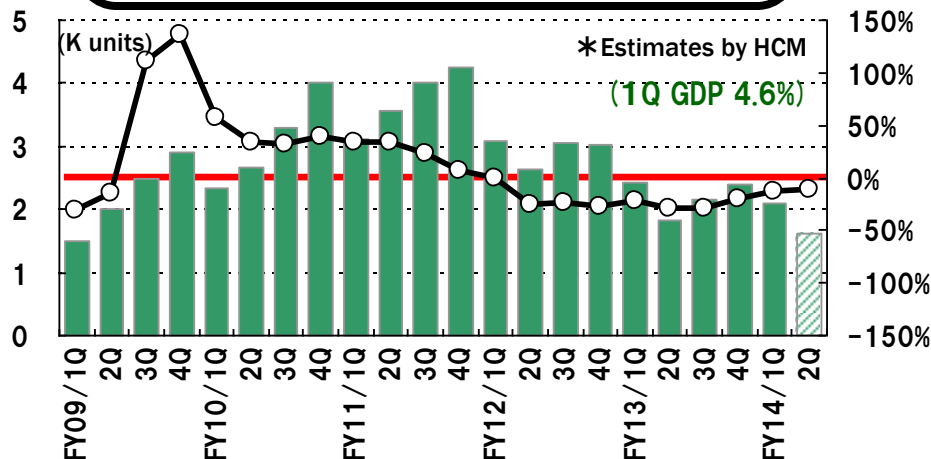
Reliable solutions

- ◇ Demand downturn in resource-rich countries (Australia, Indonesia) and sluggish demands in Thailand due to political uncertainty.
- ◇ Despite a sense of expectancy to Indian and Indonesian new political administration, more time is required for demands to recover.

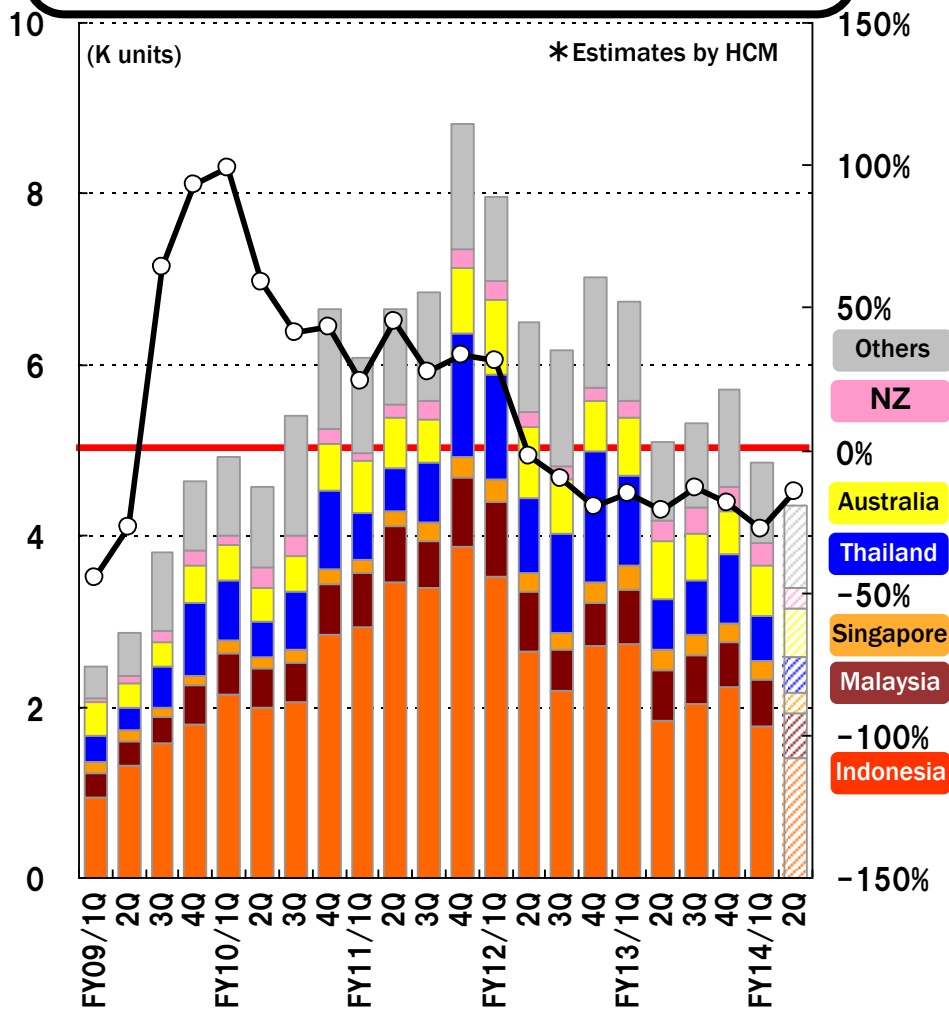
GDP Growth Rate in Major Countries (y-o-y)

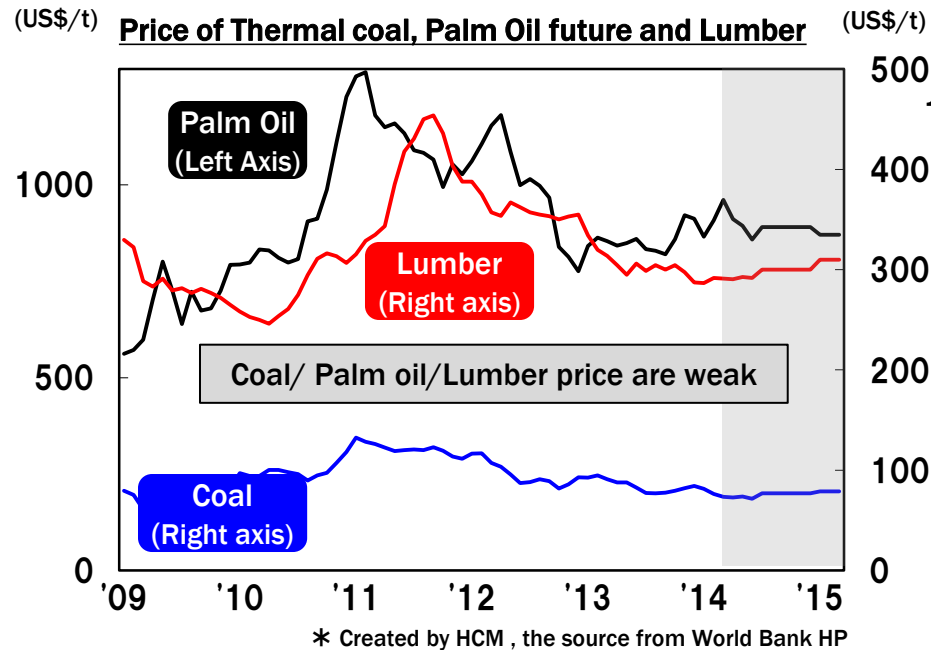


Demand Trend for Hydraulic Excavators in India



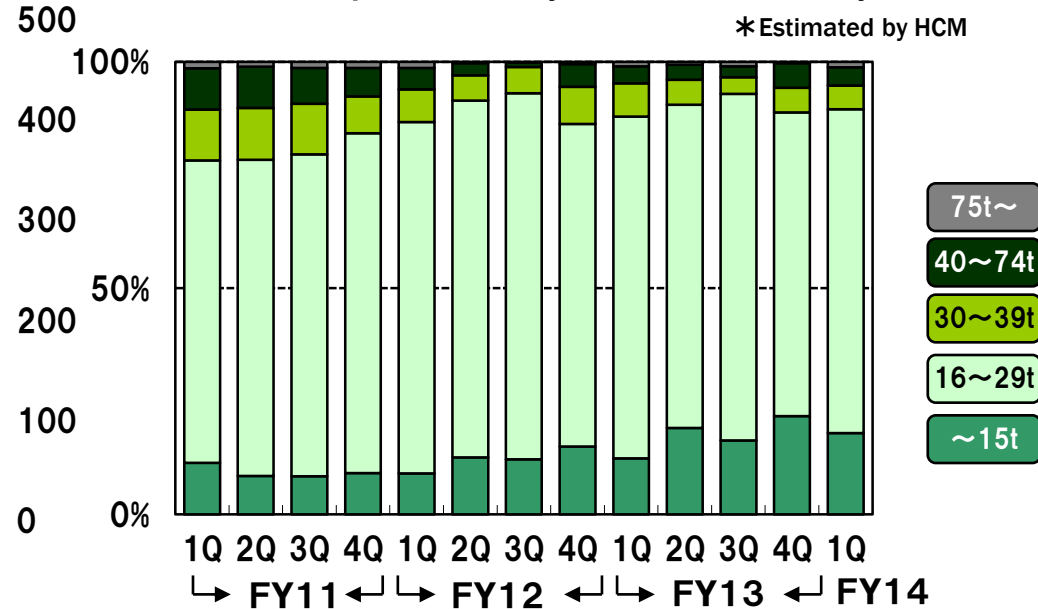
Demand Trend for Hydraulic Excavators in Asia & Oceania





Demand Composition for Hydraulic Excavators by Classes

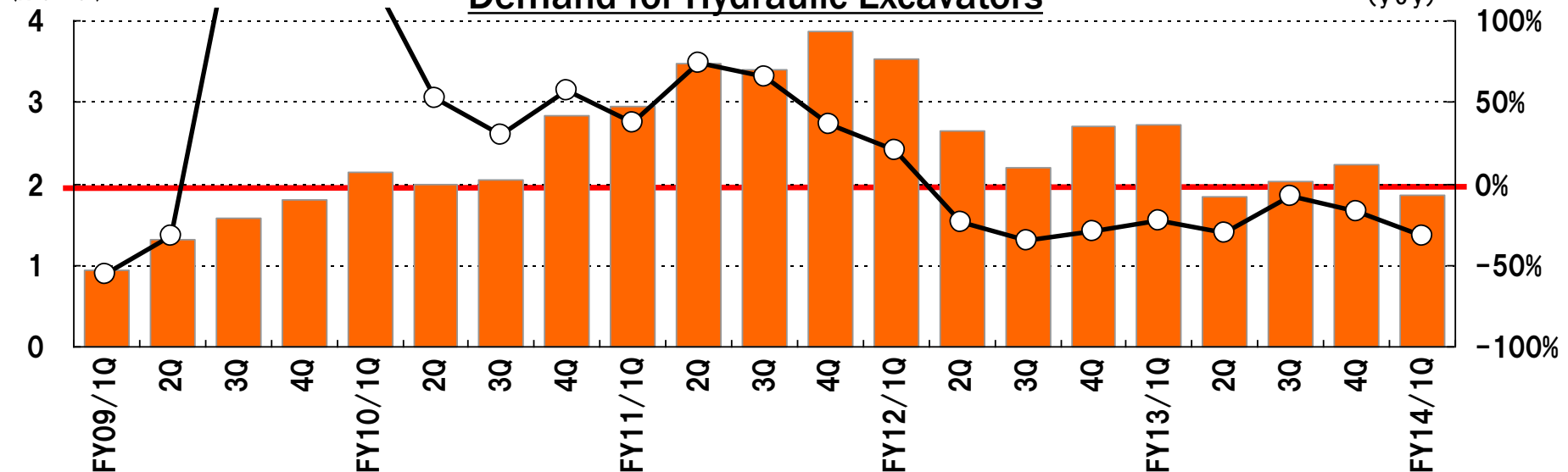
* Estimated by HCM



(K Units) * Estimated by HCM

Demand for Hydraulic Excavators

(y-o-y)



<Russia and the Middle East>

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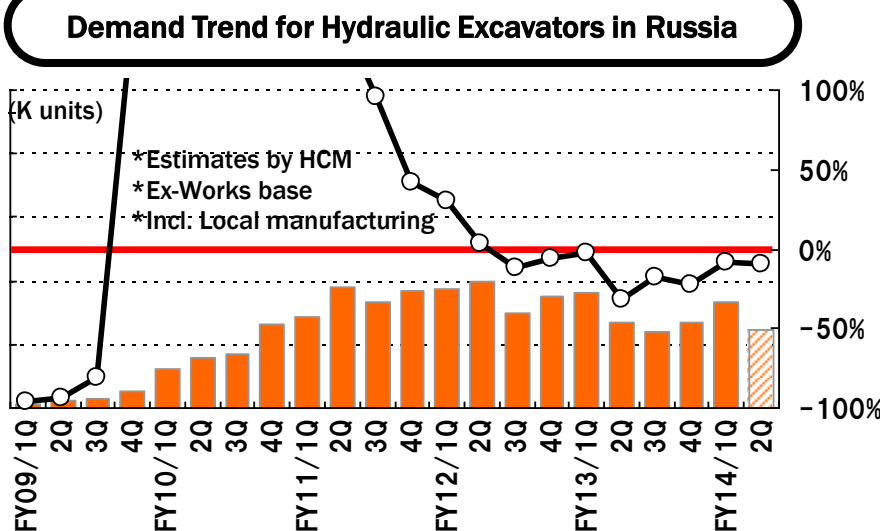
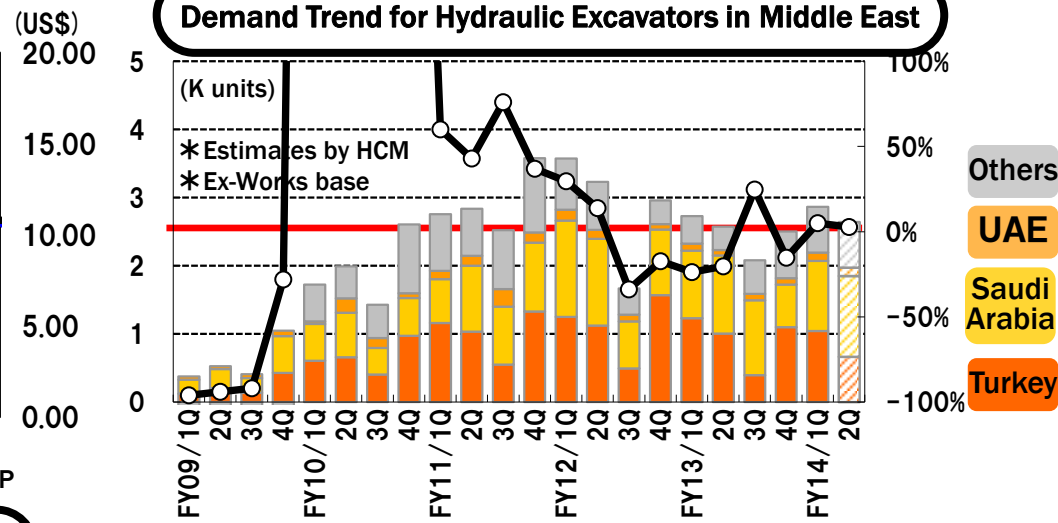
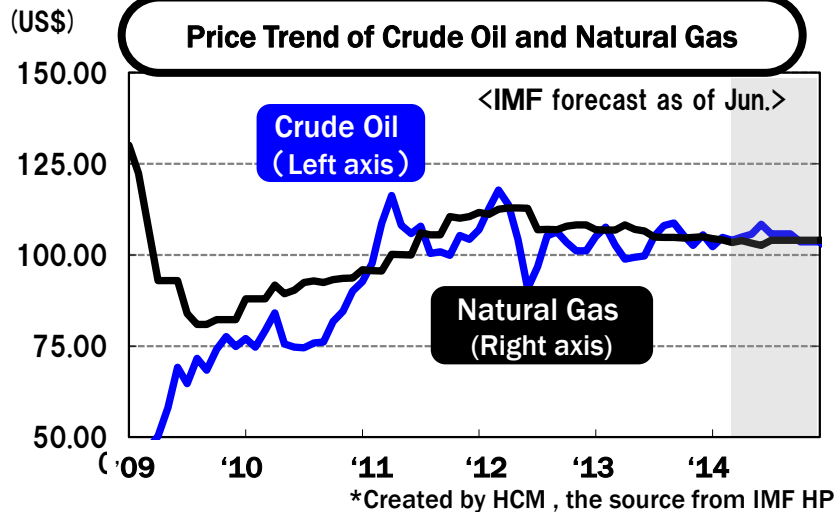
Reliable solutions

[Russia] Uncertain outlook affected by the situation revolving around Ukraine etc.

(Demands for the full fiscal year forecasted to decrease by approximately 10%)

[Middle East] With the presidential election around the corner, Turkey's market is uncertain.

Saudi Arabia, UAE, Qatar and etc. have strong demands mainly for infrastructure projects.



《Topics》

Received order for large crawler cranes from Dubai
(6 units, approximately ¥800 million)



For plant facilities/large projects

<Mining Machinery>

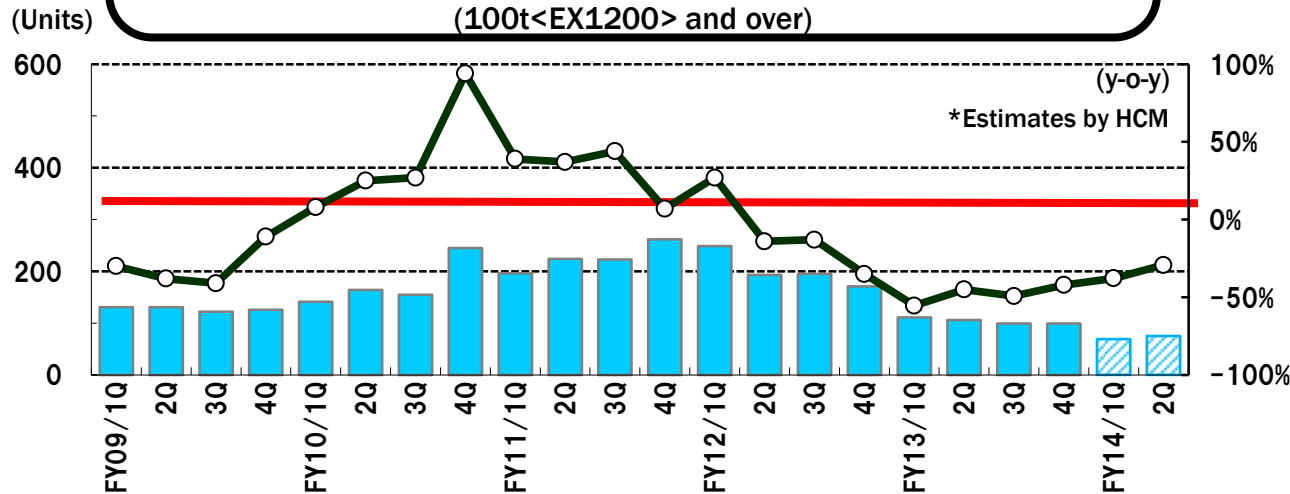
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Reliable solutions

- ◇ Resource prices remain sluggish (iron-ore, coal)
- ◇ Mining machinery demand decreased over approximately 20% year-on-year, recovery may start in 2015 or later.

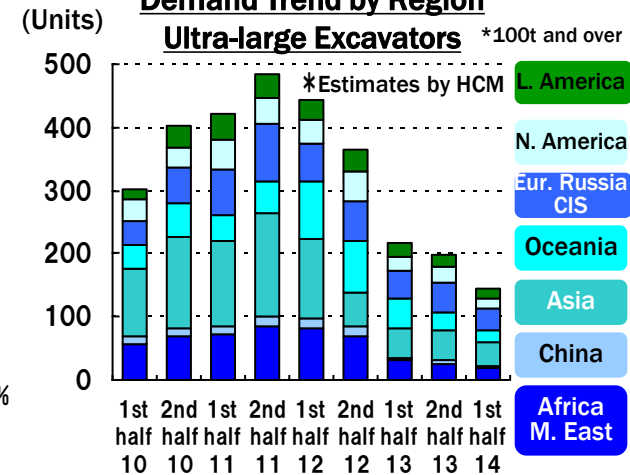
Demand Trend for Ultra-large Hydraulic Excavators

(100t<EX1200> and over)



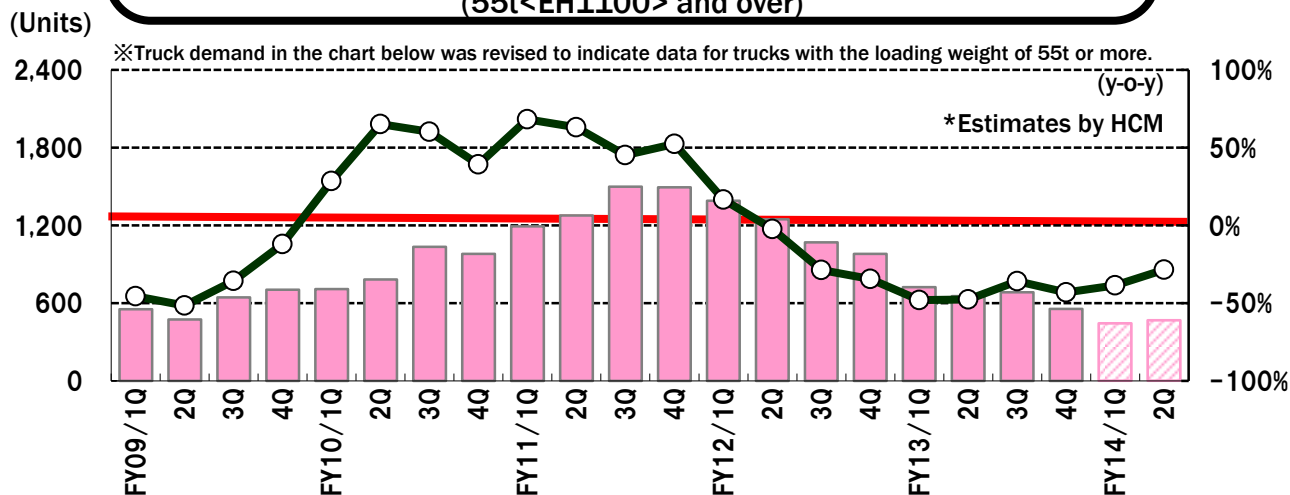
Demand Trend by Region

Ultra-large Excavators *100t and over



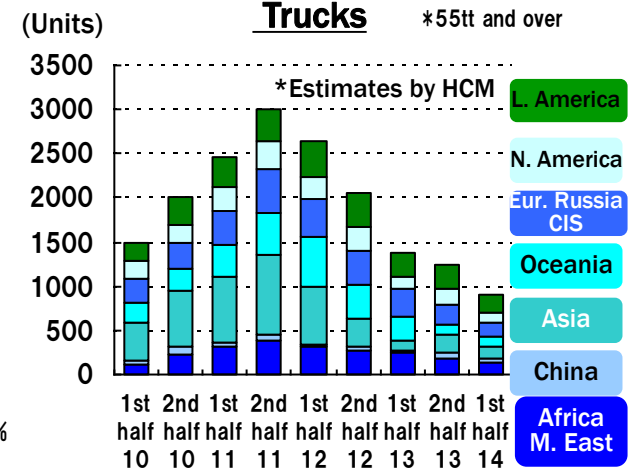
Demand Trend for Mining Dump Trucks

(55t<EH1100> and over)



Trucks

*55t and over



Prime Minister Abe visited an iron mine in Western Australia

On July 9, Prime Minister Shinzo Abe visited the West Angelus Mine in the Pilbara District of Western Australia, along with Prime Minister Tony Abbott (Australia), during his tour of 3 countries in Oceania.

The mine is managed by Rio Tinto, the major resource company, and 9 units of our ultra-large hydraulic excavators (EX5600×1, EX5500×3, EX3600×3, EX2500×1, and EX1200×1) are in operation.

Displaying our machinery in operation at the mine to both leaders was a great opportunity to obtain publicity for Hitachi Construction Machinery.

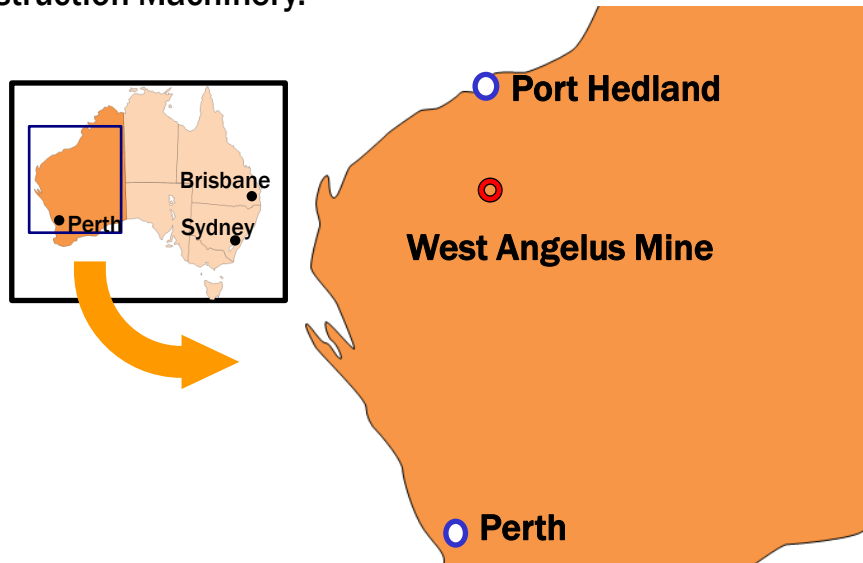


Photo: Prime Minister Shinzo Abe (center) and Prime Minister Abbott (left) visiting the West Angelus Mine.

(Photo is extracted from "the Prime Minister's Office Website")

END

For further inquiries:

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