

Business Result for the First Quarter ended June 30, 2016 Regional Market Environments and Projections



July 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

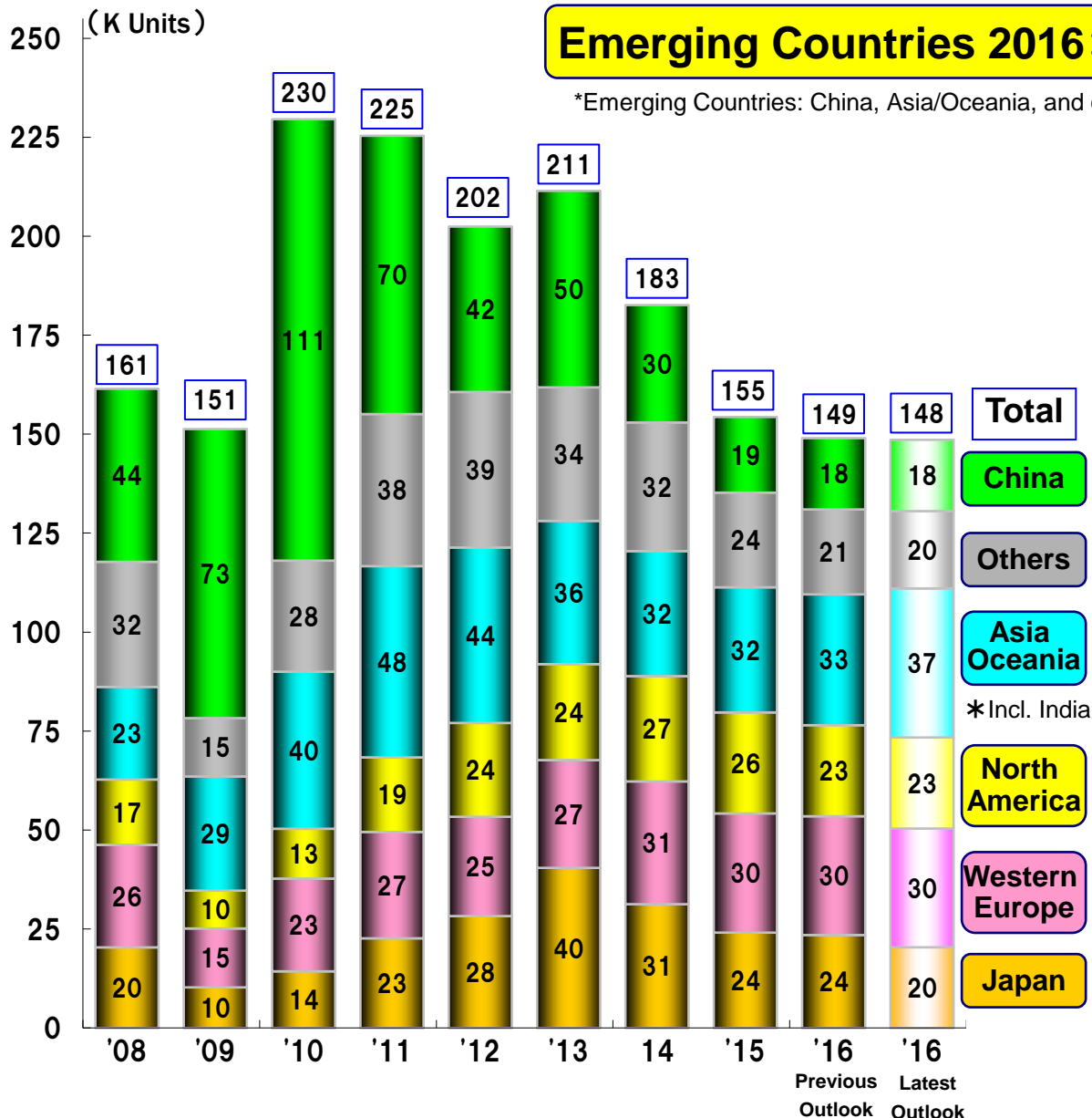
*Estimates by HCM *Excluding Chinese manufacturer
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Emerging Countries 2016:50% (Y-0-Y Change:+2%)

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

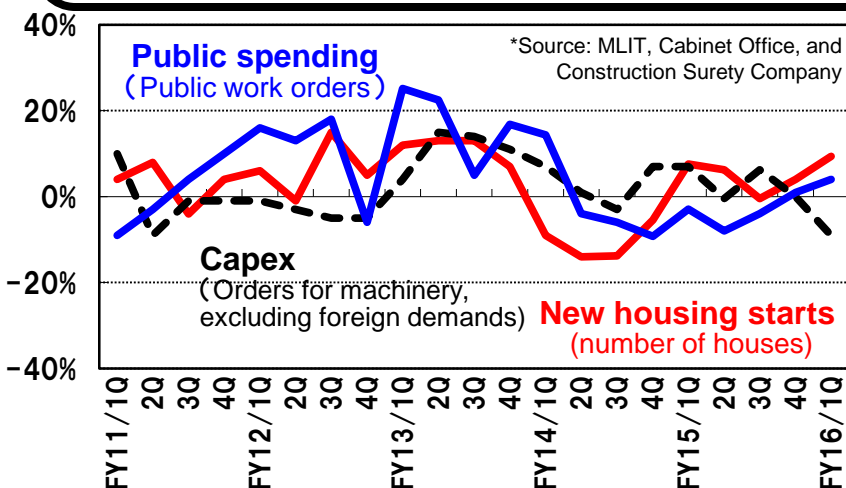
Year-on-Year Change

	'15	'16 Previous Outlook	'16 Latest Outlook
Total	-16%	-4%	-5%
China	-36%	-6%	-6%
Russia, CIS, E Europe	-44%	-8%	-8%
Africa	-31%	1%	-2%
Middle East	-3%	-15%	-24%
Latin America	-38%	-8%	-20%
Others	-25%	-13%	-17%
India	+28%	+17%	+50%
Indonesia	-38%	-10%	-10%
Others	+0%	-1%	-1%
Asia & Oceania	0%	+3%	+16%
N America	-4%	-12%	-12%
W Europe	-3%	0%	0%
Japan	-23%	0%	-17%

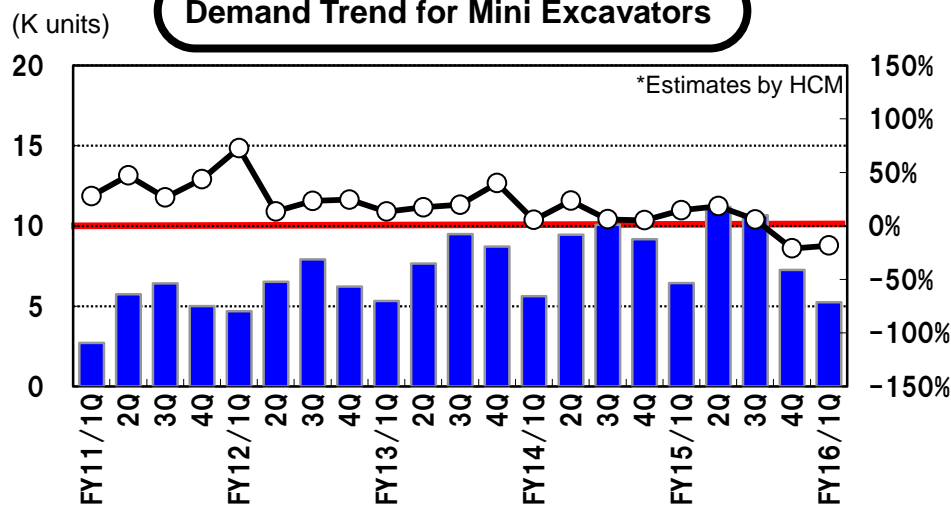


- ◇ Public investment and housing investment are both on the increase, while capital investment has decreased.
- ◇ During the first quarter (from April to June, 2016), the demand for construction machinery decreased in reaction to last-minute demands before emissions regulations.
(The demand for hydraulic excavators, mini excavators, and wheel loaders decreased by 24%, 18% and 31% year-on-year, respectively.)

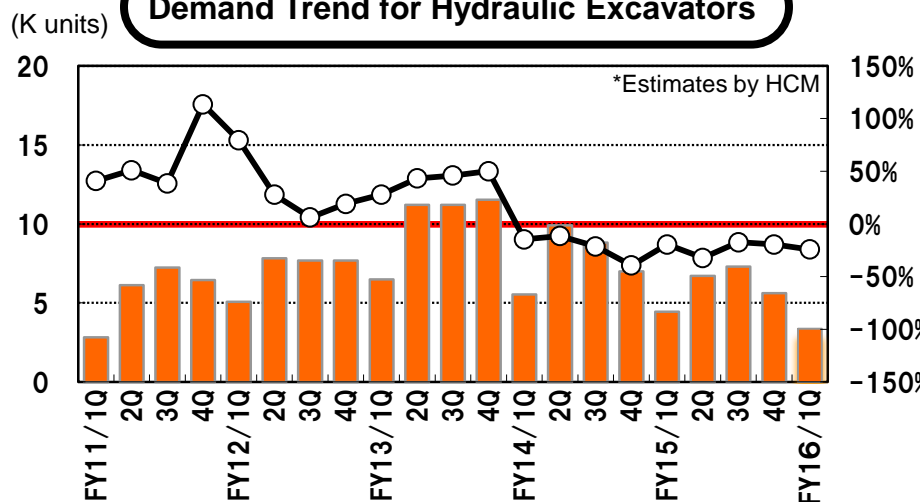
Market Environment: Housing/Public Spending and Capex (y-o-y)



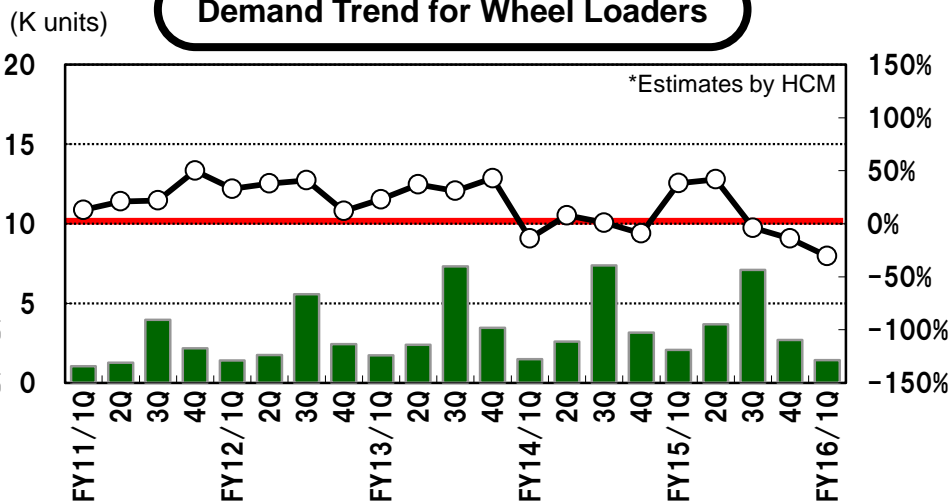
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

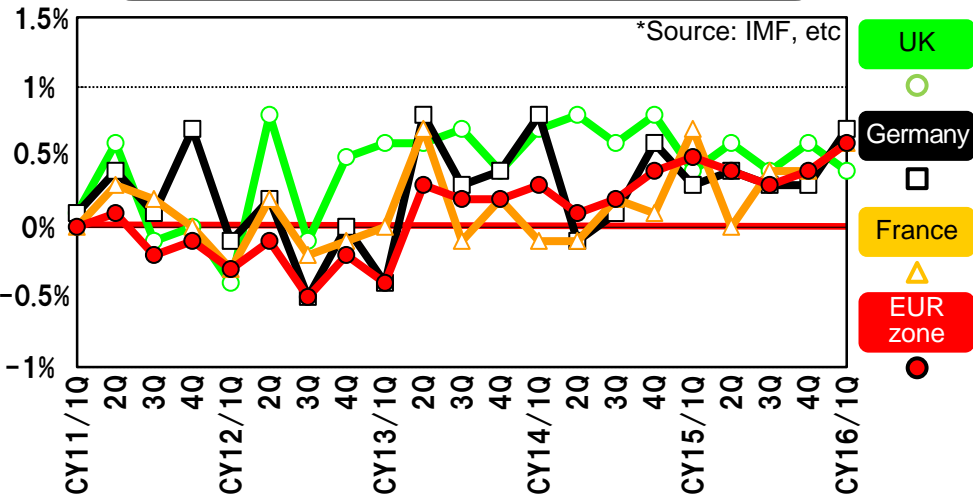


Demand Trend for Wheel Loaders

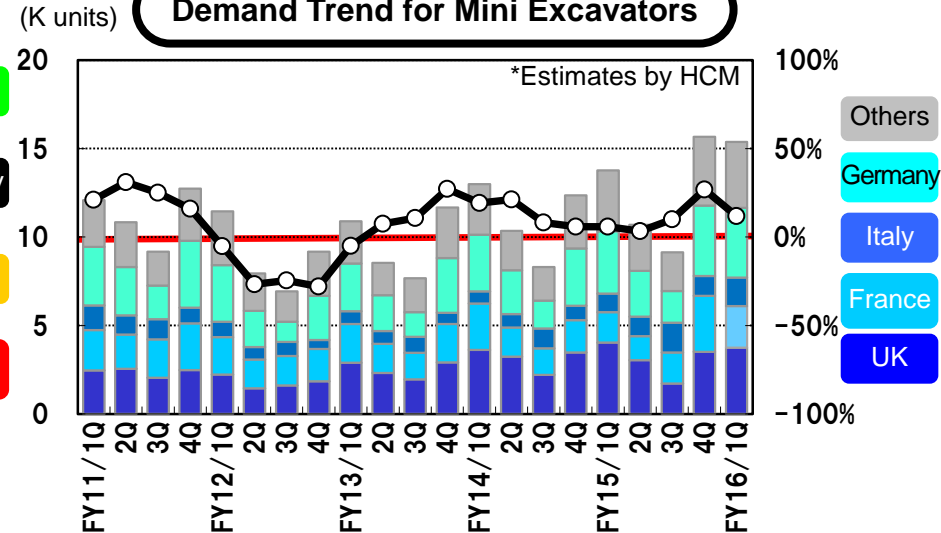


- ◇ GDP growth remained steady throughout the Euro zone from January 2016 to March in 2016; however, there are downward risks in the second quarter and onward.
- ◇ The demand for construction machinery in Europe as a whole is on an upward trend, despite a decrease in the UK. (The demand for hydraulic excavators, mini excavators, and wheel loaders increased by 7%, 12% and 10% year-on-year, respectively.)

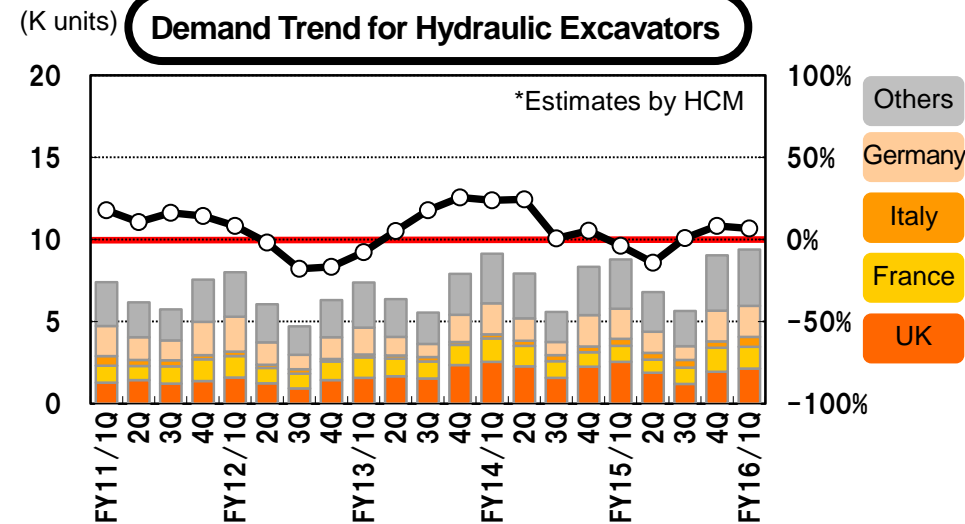
GDP Growth Rate in Major Countries (y-o-y)



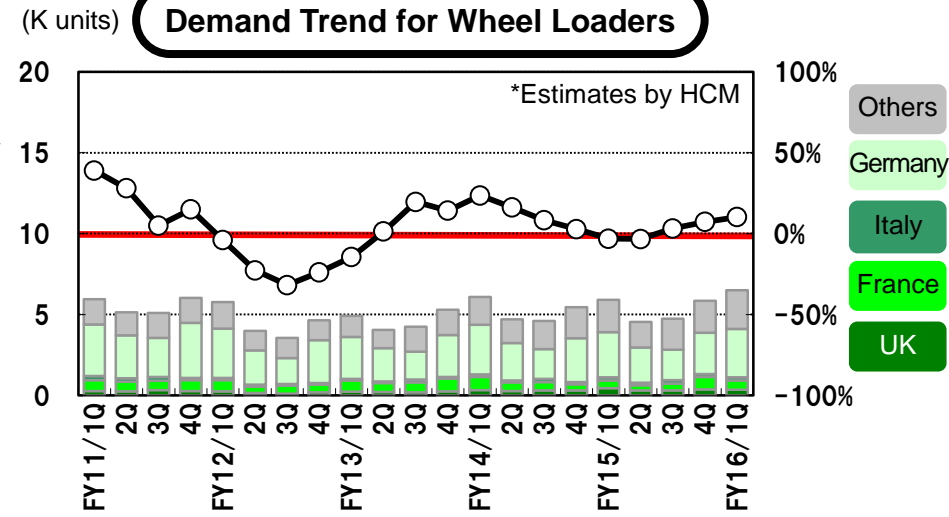
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



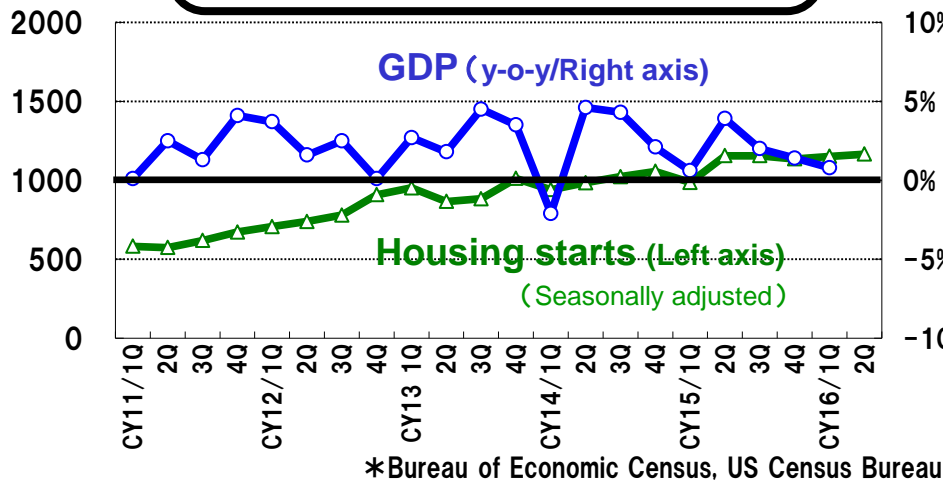
Demand Trend for Wheel Loaders



- ◇ Housing starts remained brisk; however, construction spending in the public sector is on a downward trend.
- ◇ Regarding construction machinery, the demand for hydraulic excavators decreased by 11% year-on-year, while the demand for mini excavators increased by 13% year-on-year.

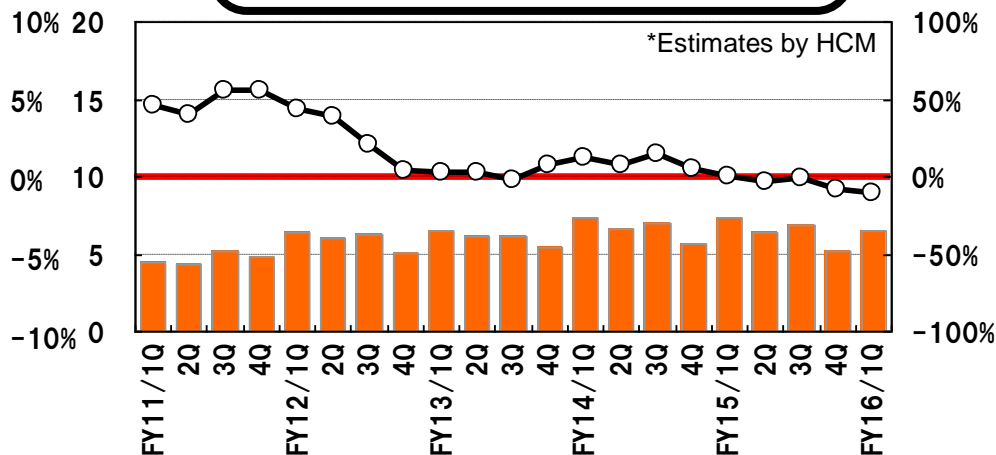
(K units)

GDP Growth Rate, Housing Starts in US

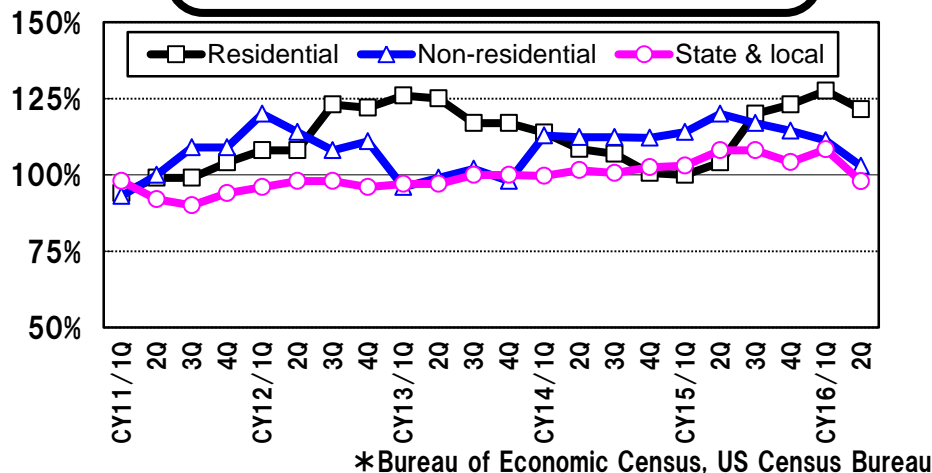


(K units)

Demand Trend for Hydraulic Excavators

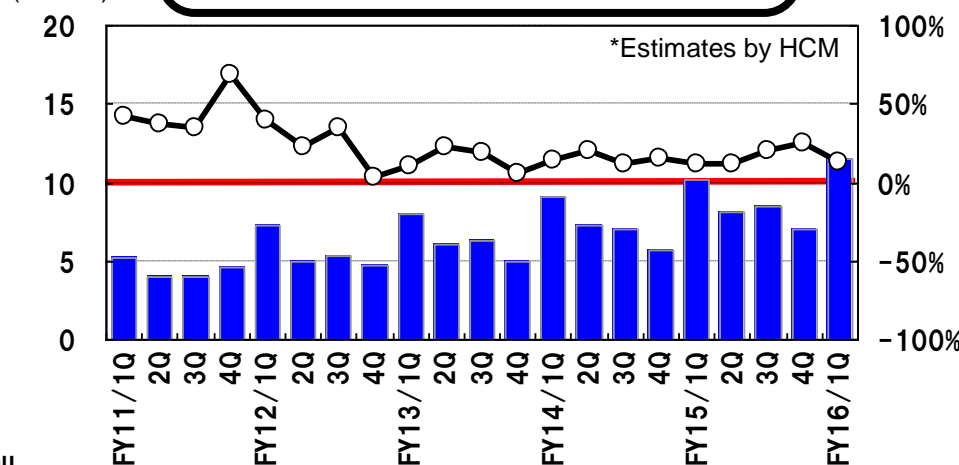


Construction Spending in US (y-o-y)



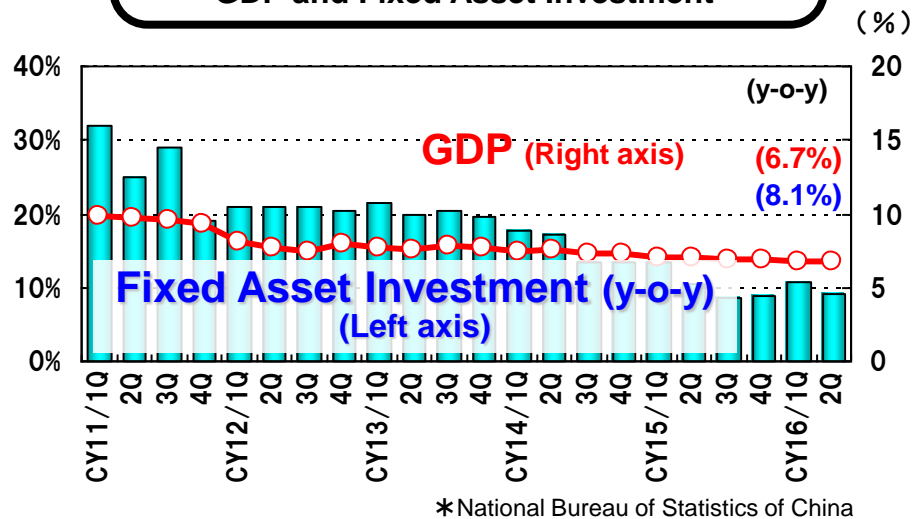
(K units)

Demand Trend for Mini Excavators

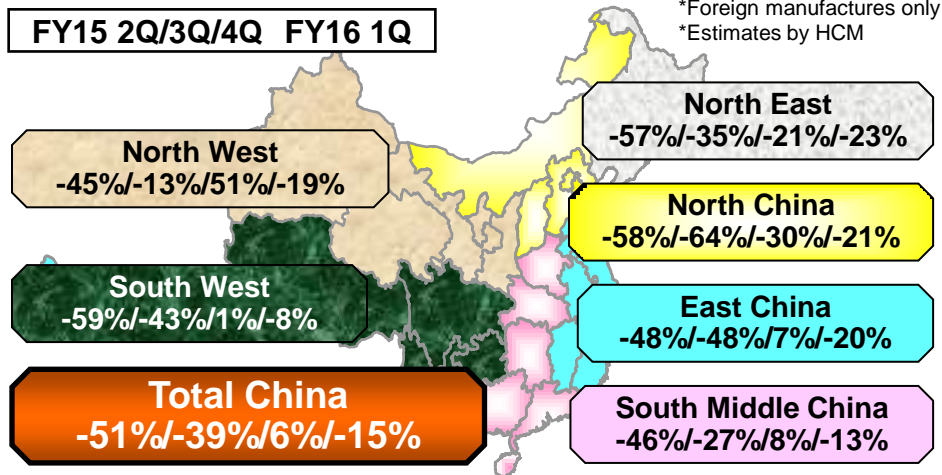


- ◇ GDP growth from April to June '16 remained flat at a rate of 6.7%, and fixed-asset investments continuously slowed.
- ◇ The economy has continuously slowed, while demand has also decreased by 15 % year-on-year.

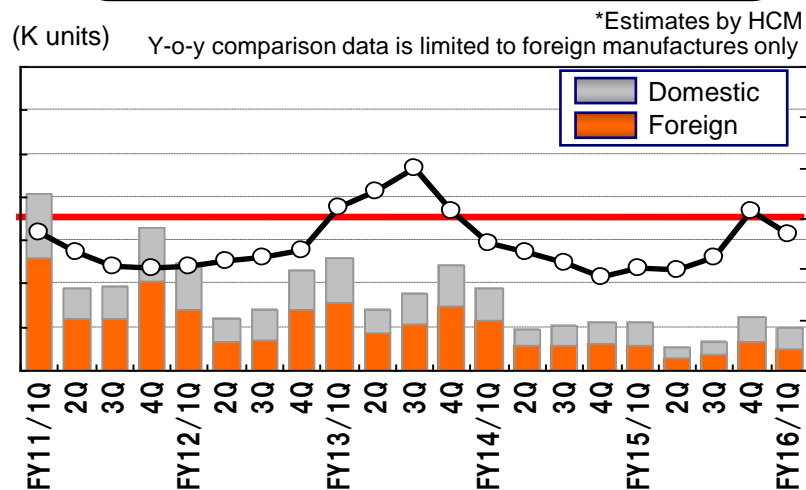
GDP and Fixed Asset Investment



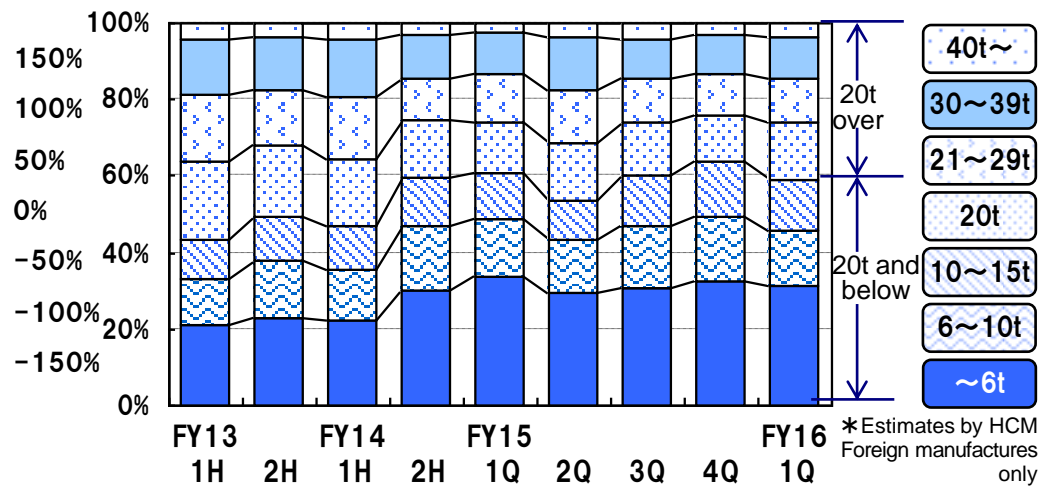
Quarterly Demand for Hydraulic Excavators by Region (y-o-y)



Demand Trend for Hydraulic Excavators

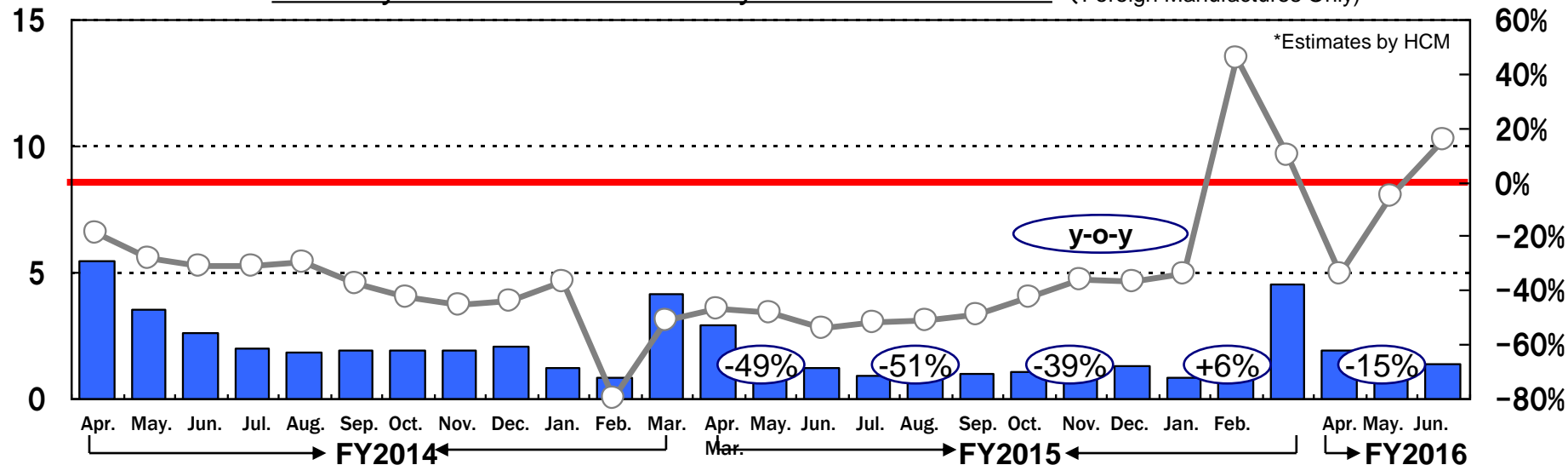


Demand Composition by Class for Mini Excavators and Hydraulic Excavators



(K units)

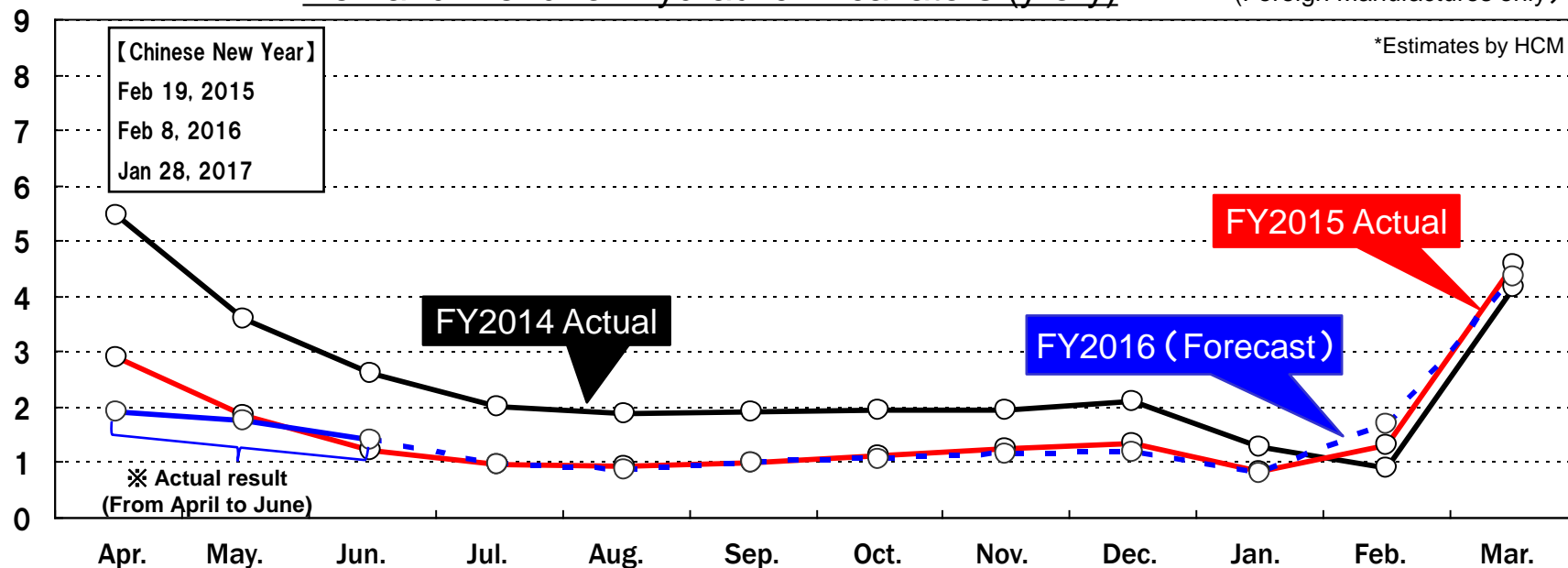
Monthly Demand Trend for Hydraulic Excavators

(Compared to the same month in the previous year)
(Foreign Manufactures Only)


(K units)

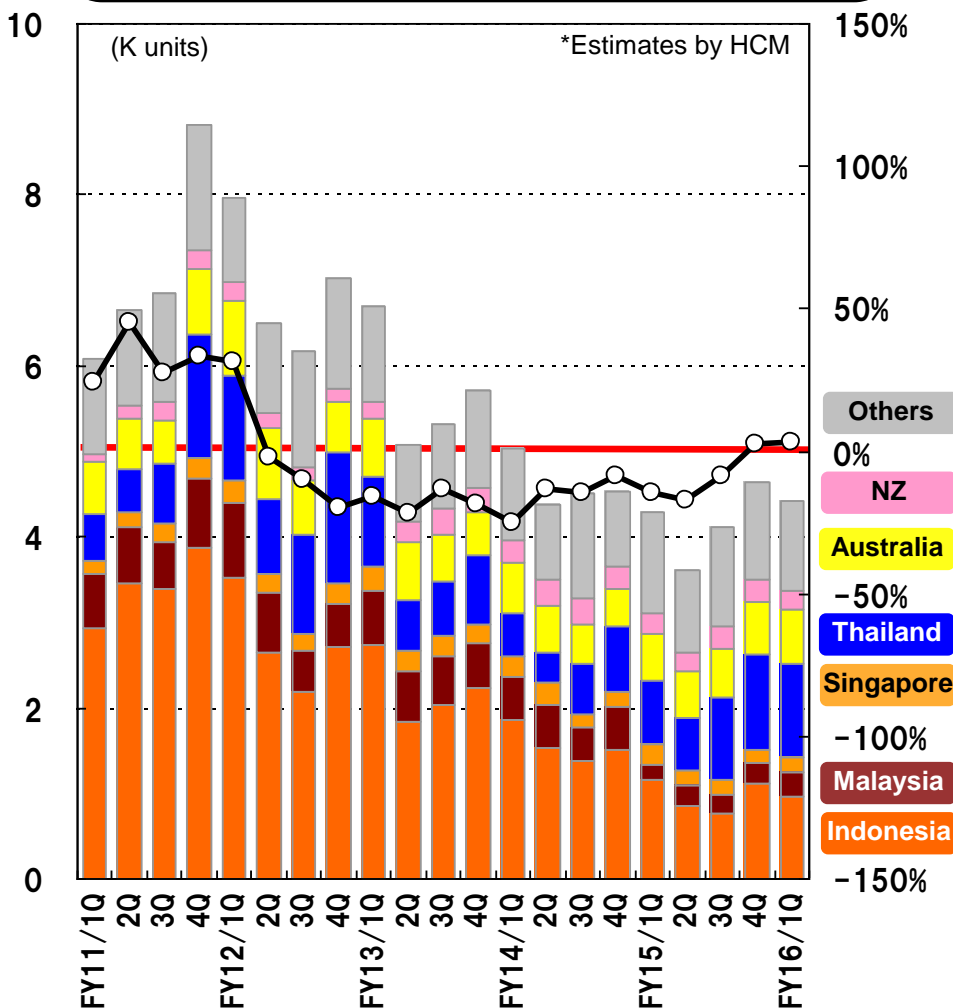
Demand Trend for Hydraulic Excavators (y-o-y)

(Foreign Manufactures only)

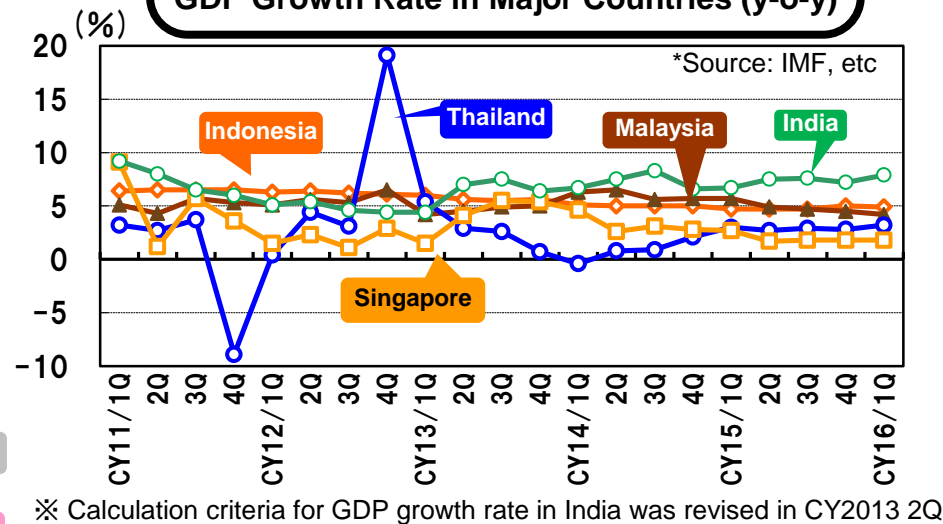


- ◇ In Asia and Oceania, demand in Indonesia, Myanmar, etc. has continuously decreased, but demand in Thailand, Malaysia and Australia, etc. has increased by 3% year-on-year.
- ◇ In India, demand has continuously increased by 58% year-on-year mainly for infrastructure investments, such as coal and quarries.

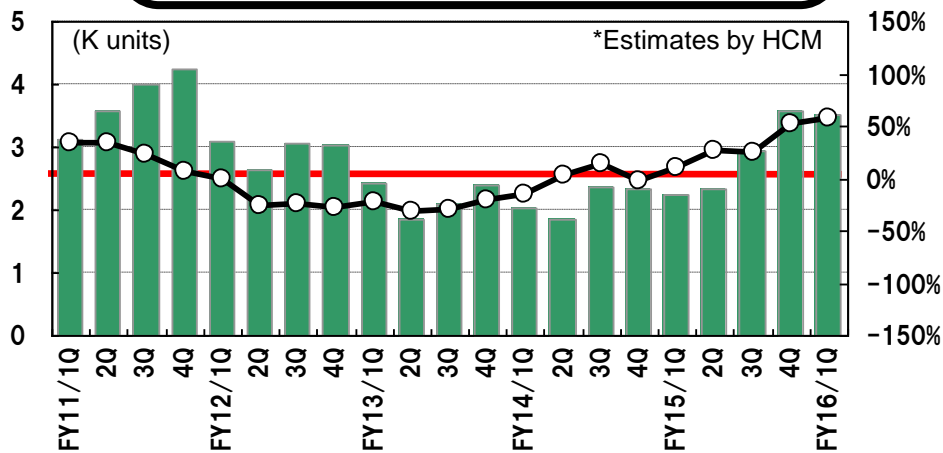
Demand Trend for Hydraulic Excavators in Asia & Oceania



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



Demand Trend for Hydraulic Excavators in India



THCM shipped the 50,000th machinery in India



Picture of the machine delivery

On July 12, 2016, we shipped an EX200LC Super, the 50,000th machine manufactured by THCM from the factory in Dharwad with a delivery ceremony.

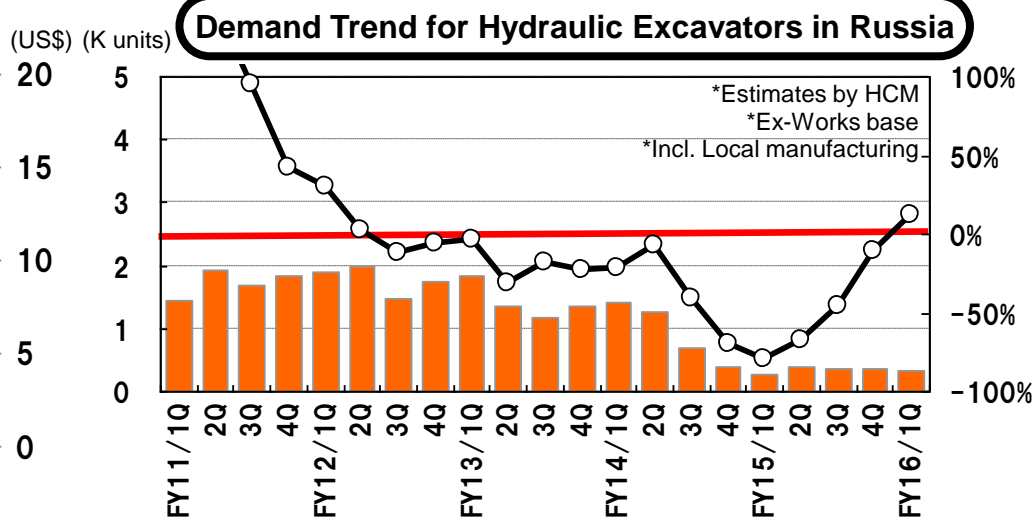
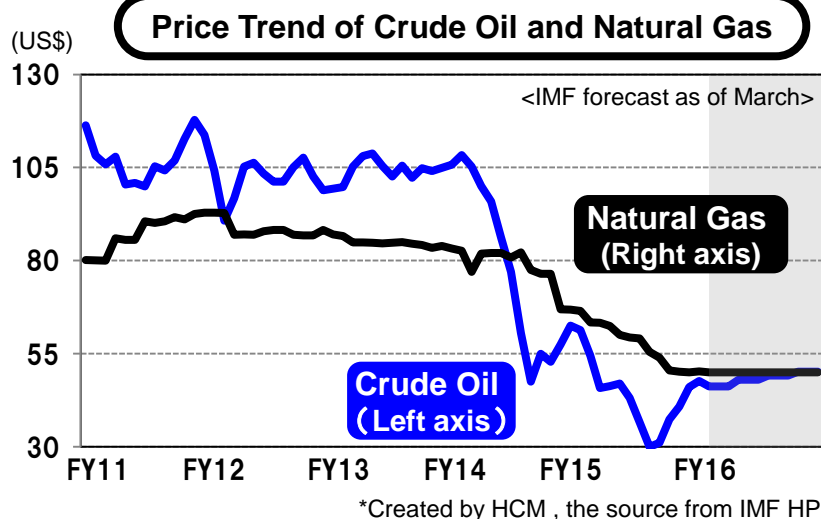
Going forward, we strive to expand our product lineup to meet local needs in India, further expanding sales.



The delivery ceremony

【Russia】 Demand has further decelerated due to a decline in crude oil prices and depreciation of the ruble.

【Middle East】 Demand for hydraulic excavator significantly decreased mainly in the Gulf countries by 38% year-on-year.

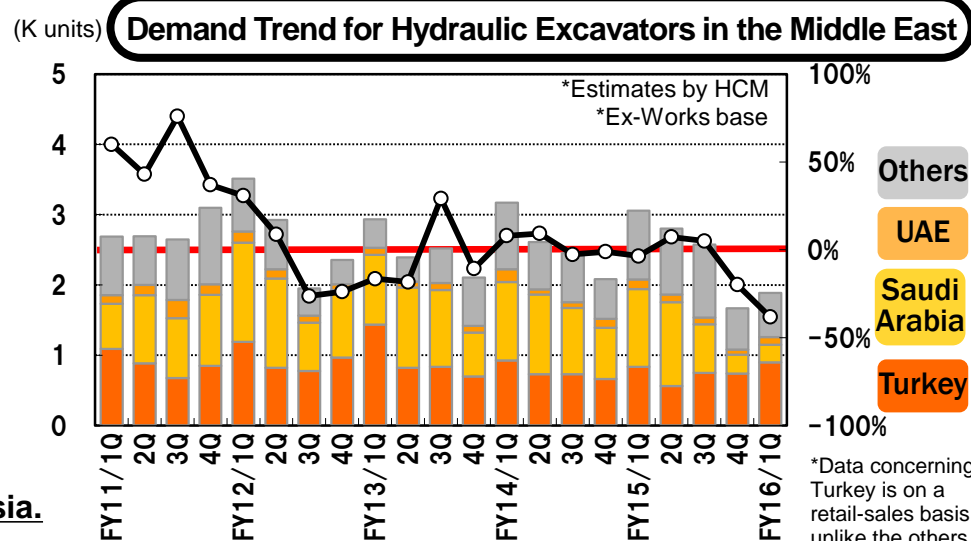


《Topic》

■ Participation in the CTT Moscow 2016



We exhibited the hydraulic excavator manufactured in Russia.



We held the Excellent Annual Wheel Loader Sales Award

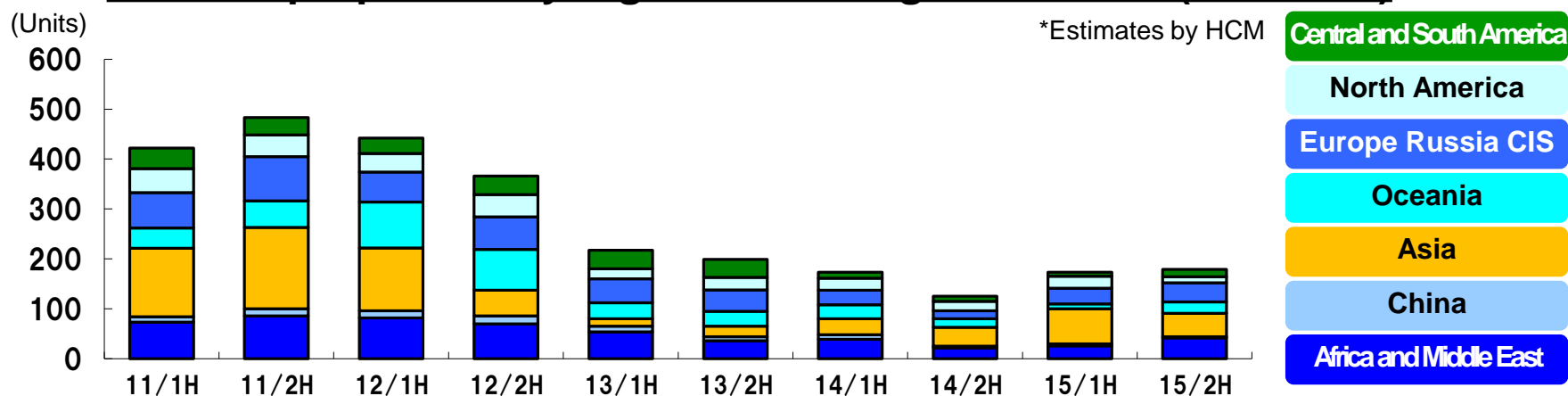
On May 17, 2016, we held the Excellent Annual Wheel Loader Sales Award at our Tsuchiura factory.

Participants in the award are excellent sales representatives of wheel loaders at our distributors in 25 countries and regions including Germany, Russia, and Australia. We will increase the presence of Hitachi wheel loaders and focus on increasing market share through companywide efforts.

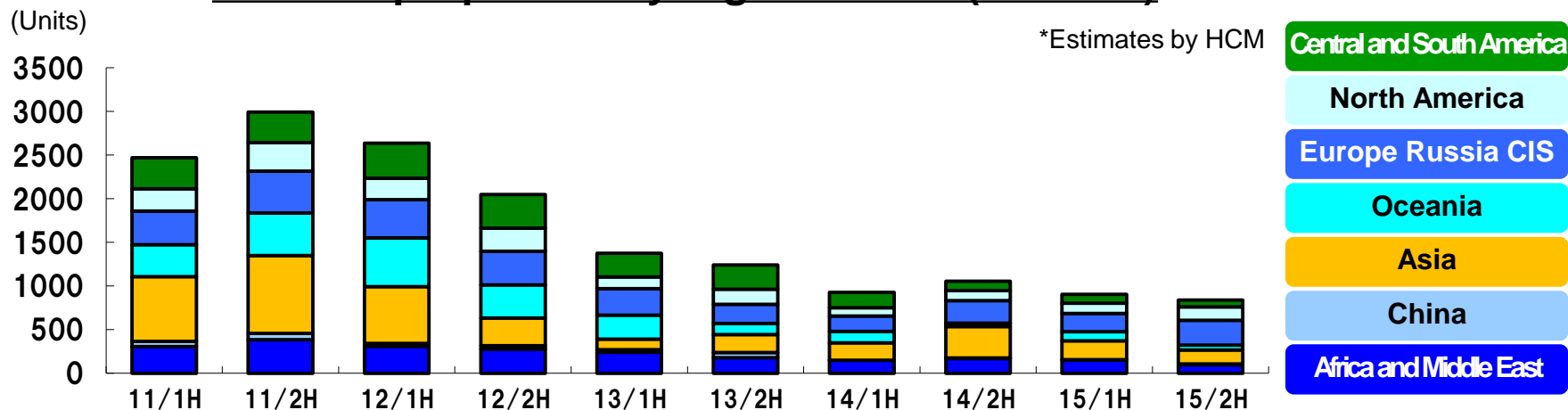


- ◇ While demand for 100t -250t class machinery increased in emerging countries, the demand of major countries for ultra-large excavators continued to decrease.
- ◇ Major customers' demand for trucks continued to decrease.

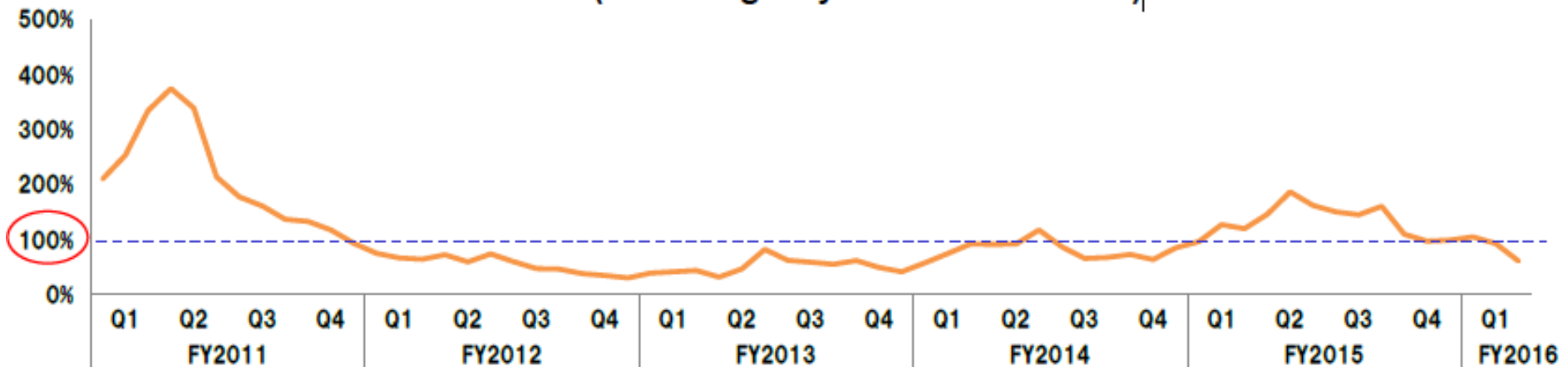
Demand proportion by region: Ultra-large Excavator (over 100t)



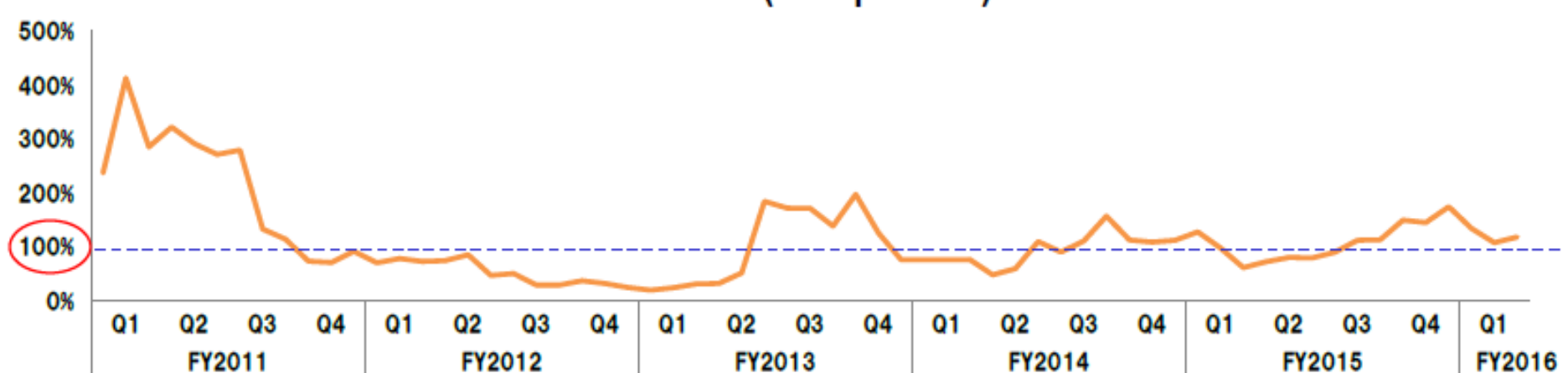
Demand proportion by region: Truck (over 55t)



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)

We received additional orders from a coal mine in Australia

- We received new orders comprised of 21 machines (EH3500AC-3, EH5000AC-3, EX3600-6, and EX8000-6) from a coal mine in east Australia, where our EH5000AC-3 and EX8000-6 already operate.
- Delivery is scheduled to for the second quarter of FY2016.



Reference photo: EX8000-6 and EH5000AC-3

Brisk sales in Russia

- Sales in Russia remained brisk since FY2015.
- We received orders comprised of seven EX1200-6 one EX3600-6E, and six EH1700-3 machines for delivery in FY2016.
- We aim to further capture demands in cooperation with the distributors.



Reference photo: EX3600-6E

[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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