


## Business Result for the Second Quarter ended September 30, 2016 Regional Market Environments and Projections



October 27, 2016

 **Hitachi Construction Machinery Co., Ltd.**  
**Senior Vice President and Executive Officer**  
**Yasushi Ochiai**

# Global Demand Trend for Hydraulic Excavators

1

HITACHI

Reliable solutions

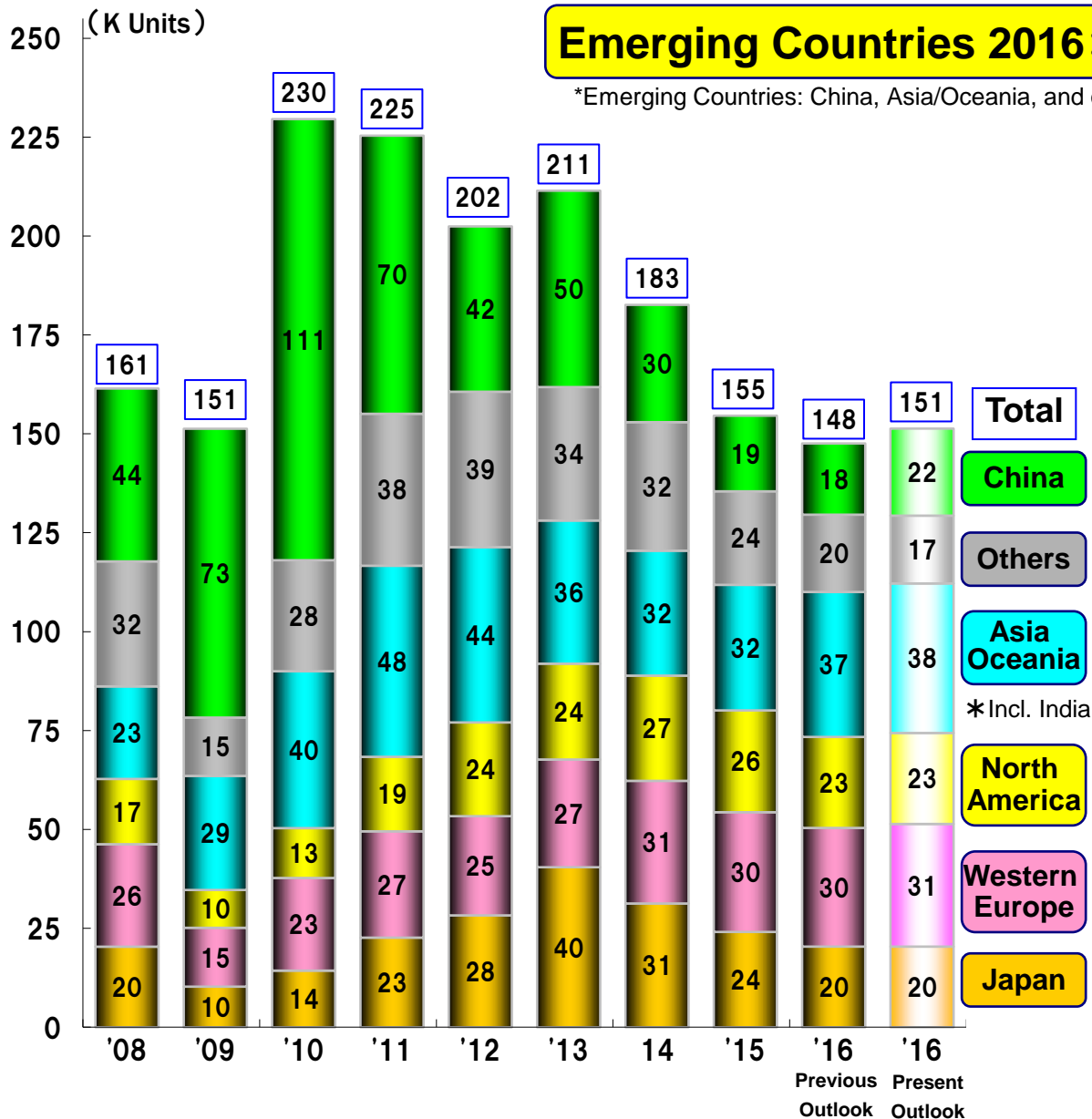
\*Estimates by HCM \*Excluding Chinese manufacturer  
(Distributing, copying, or forwarding prohibited)

**Emerging Countries 2016:51% (Y-0-Y Change:+3%)**

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

**Year-on-Year Change**

		'15	'16 Previous Outlook	'16 Present Outlook
<b>Total</b>		-15%	-5%	-3%
<b>China</b>		-36%	-6%	+15%
	Russia, CIS, E Europe	-46%	-8%	-8%
	Africa	-34%	-2%	-8%
	Middle East	-2%	-24%	-45%
	Latin America	-37%	-20%	-20%
<b>Others</b>		-25%	-17%	-29%
	India	+29%	+50%	+50%
	Indonesia	-38%	-10%	+11%
	Others	+0%	-1%	+1%
<b>Asia &amp; Oceania</b>		0%	+16%	+19%
<b>N America</b>		-4%	-12%	-12%
<b>W Europe</b>		-3%	0%	+3%
<b>Japan</b>		-23%	-17%	-17%



**Total**

**China**

**Others**

**Asia  
Oceania**

\*Incl. India

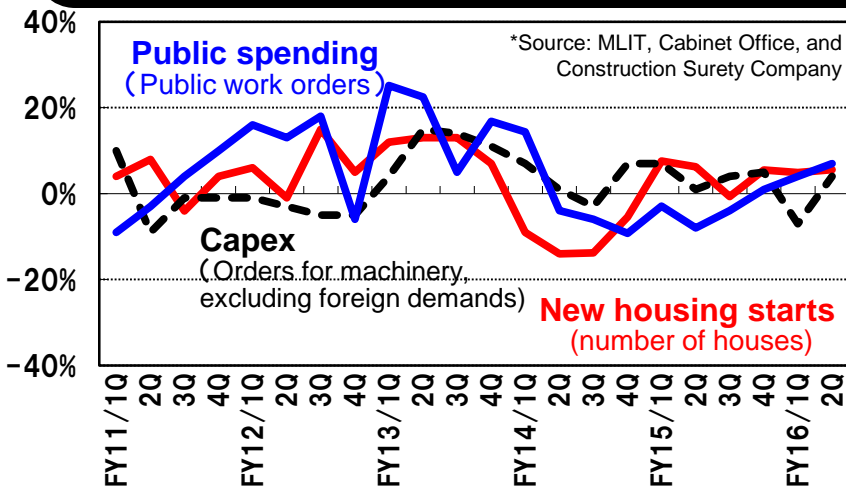
**North  
America**

**Western  
Europe**

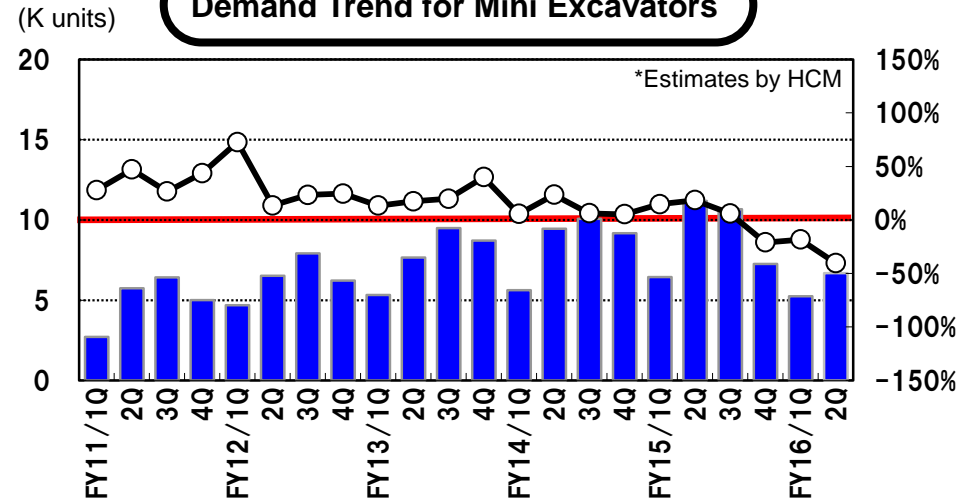
**Japan**

- ◇ Capital investment has upturned, and public investment and housing investment are both on a continuously increasing trend.
- ◇ During the second quarter (from July to September 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 8%, 40%, and 37% year-on-year, respectively.)

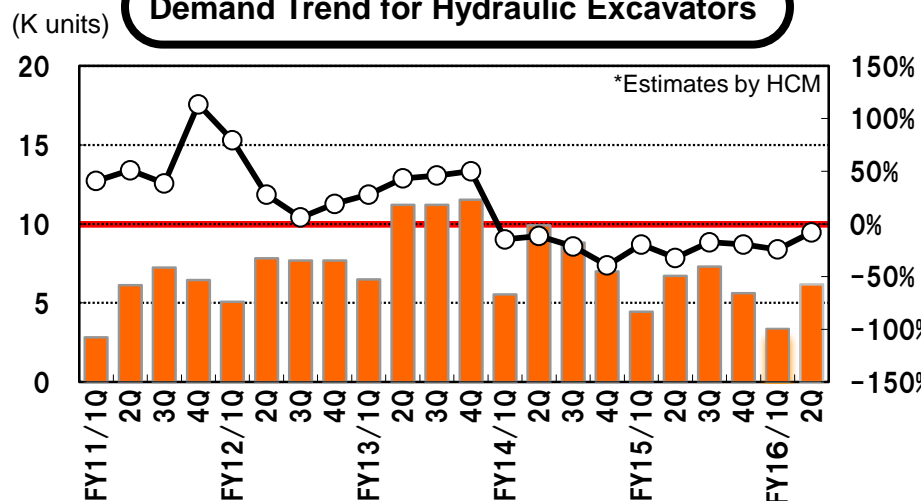
Market Environment: Housing/Public Spending and Capex (y-o-y)



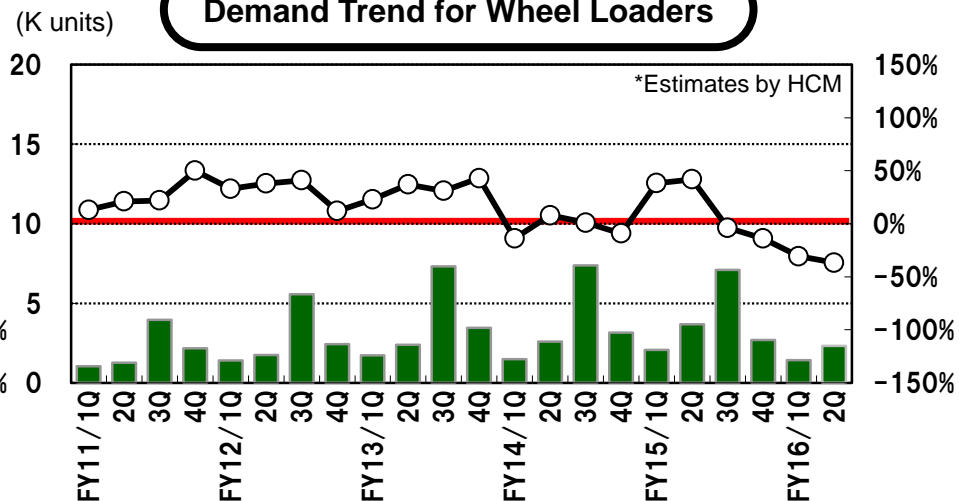
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



Demand Trend for Wheel Loaders



## The opening ceremony of the ICT Demonstration Site and the inaugural demonstration were held.

On October 3rd, 2016, we held the opening ceremony of the ICT Demonstration Site (in Hitachinaka, Ibaraki Prefecture) and the inaugural demonstration. The ICT Demonstration Site has been newly established in order to facilitate better understanding of the i-Construction project led by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) and to provide experiences to feel, firsthand, the benefit of computer-aided construction. The opening ceremony was held in the presence of approximately 100 participants consisting of the officials at the MLIT and the Ibaraki Prefecture, the representatives of the business partners undertaking the computer-aided construction efforts, and the press. Our clients from all over Japan have visited the inaugural demonstration and gained a better understanding of how computer-aided construction improves productivity.



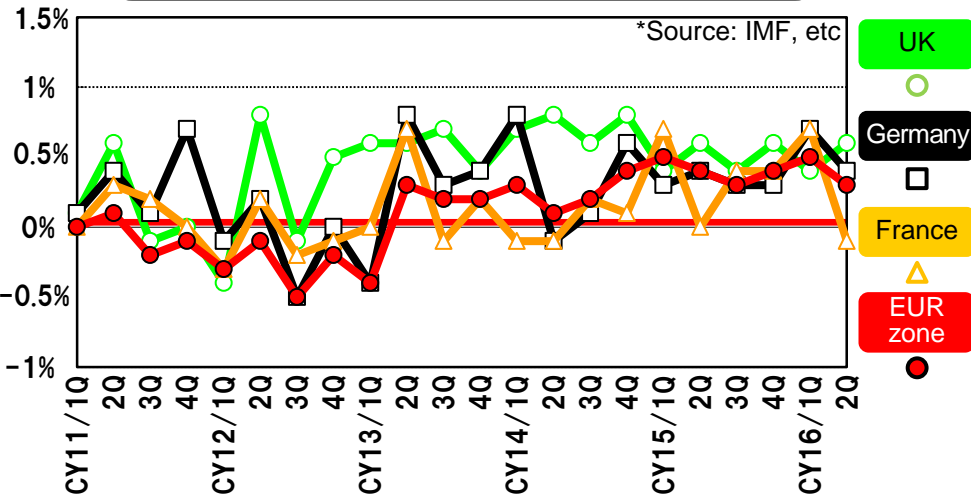
Tape-cutting at the opening ceremony



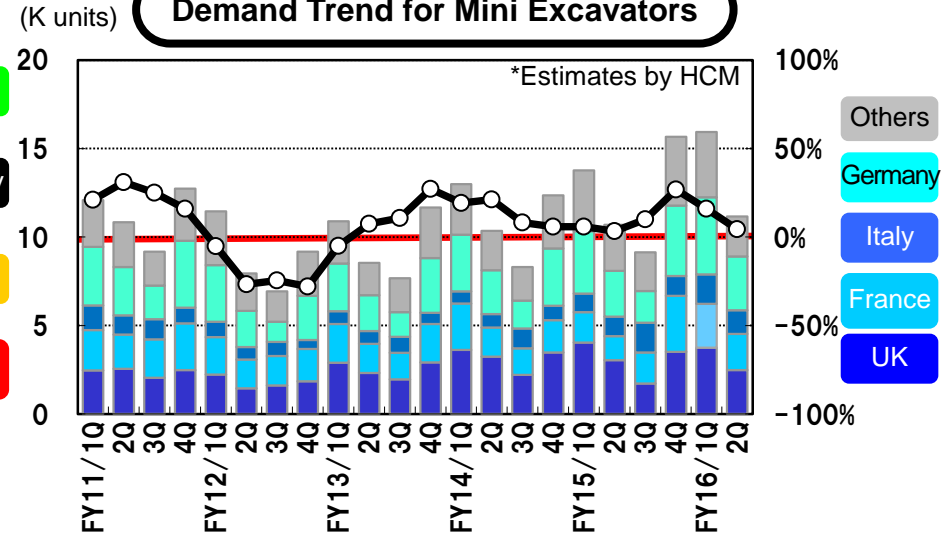
Demonstration of ICT hydraulic excavator ZX200X-5B

- ◇ GDP growth remained steady throughout the Euro zone.
  - ◇ The demand for construction machinery in Europe as a whole continued to be on an upward trend, despite a decrease in the UK.
- (The demand for hydraulic excavators, mini excavators, and wheel loaders increased by 7%, 4% and 8% year-on-year, respectively.)

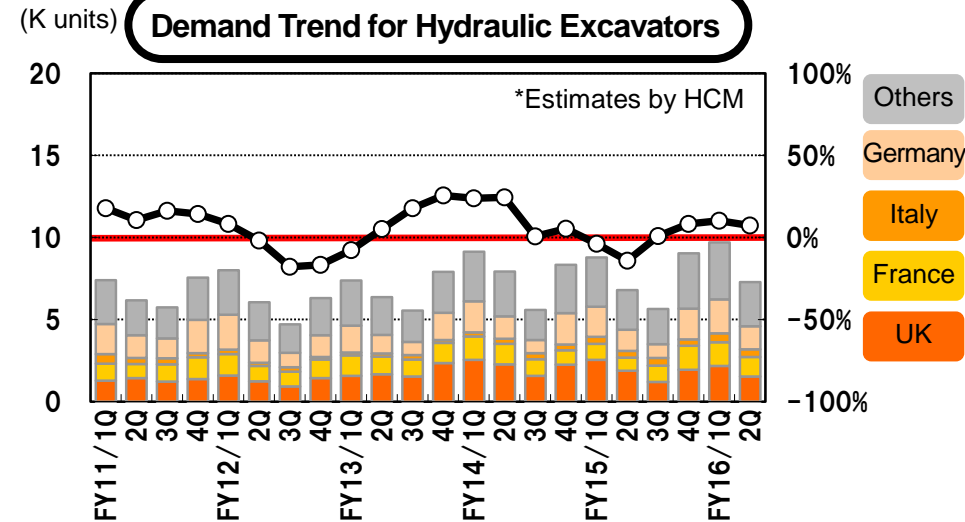
## GDP Growth Rate in Major Countries (y-o-y)



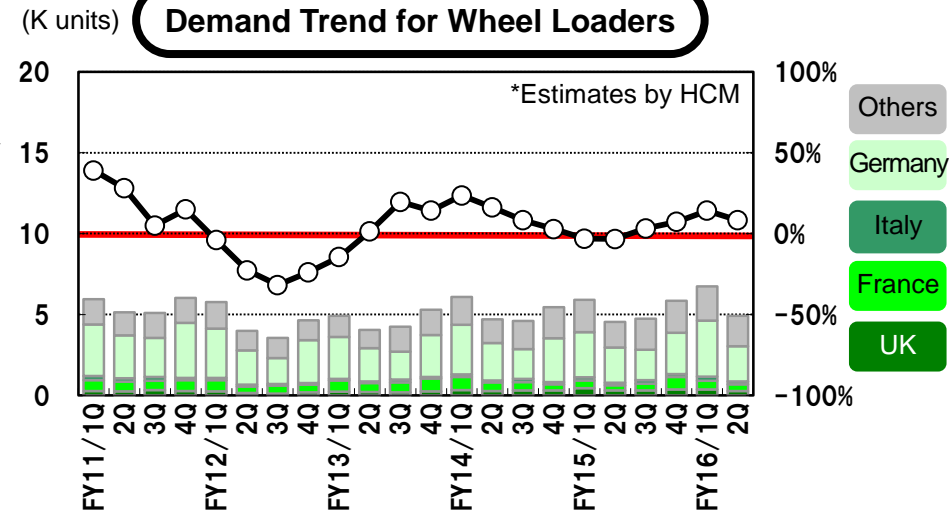
## Demand Trend for Mini Excavators



## Demand Trend for Hydraulic Excavators



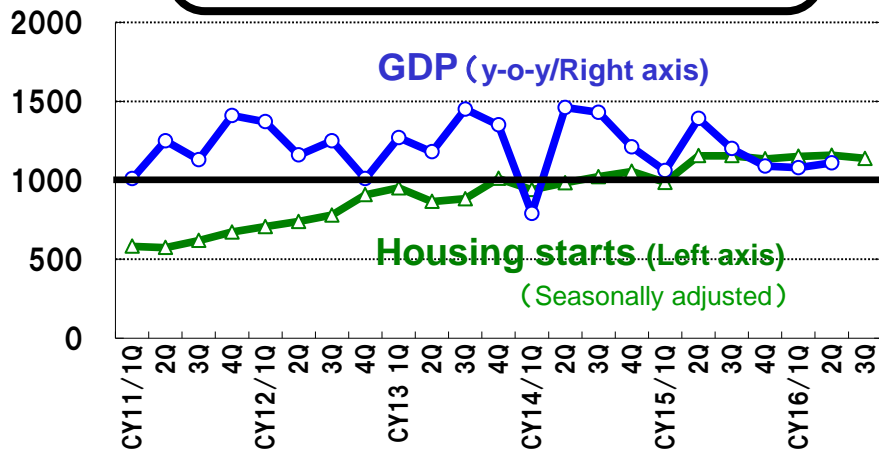
## Demand Trend for Wheel Loaders





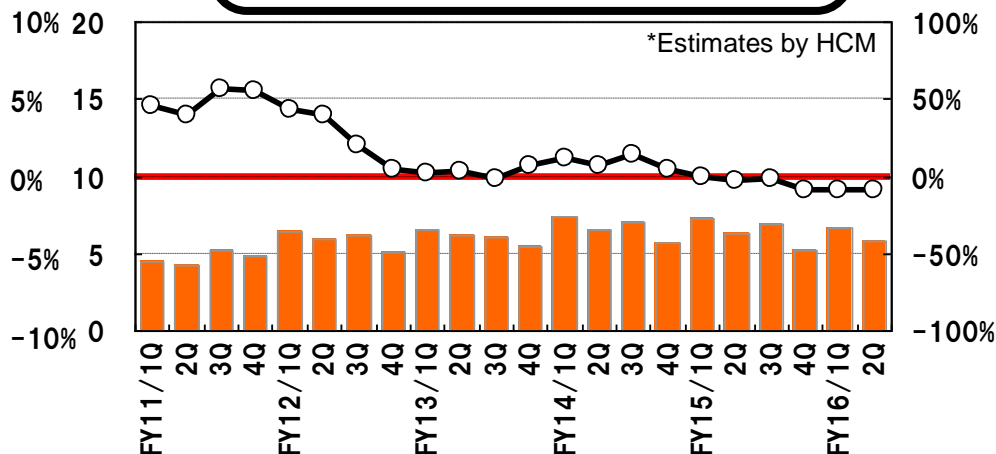
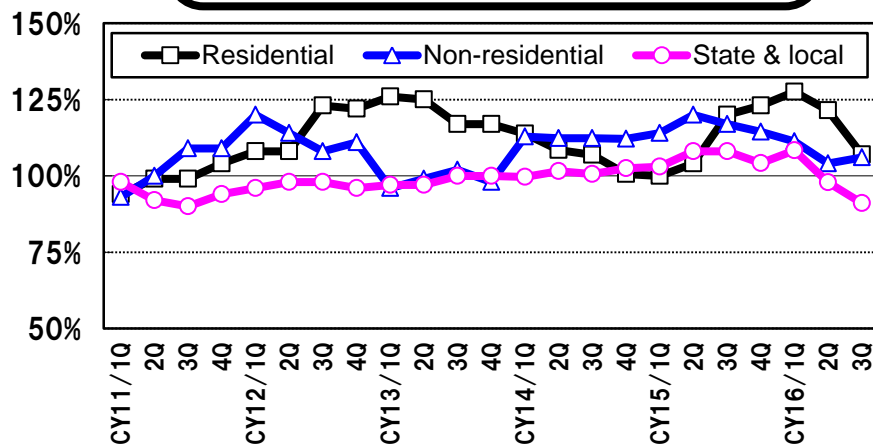
- ◇ Housing starts remained brisk; however, construction spending in the public sector is continuously on a downward trend.
- ◇ Regarding construction machinery, the demand for hydraulic excavators has continuously decreased by 9% year-on-year, while the demand for mini excavators increased by 7% year-on-year.

(K units)

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


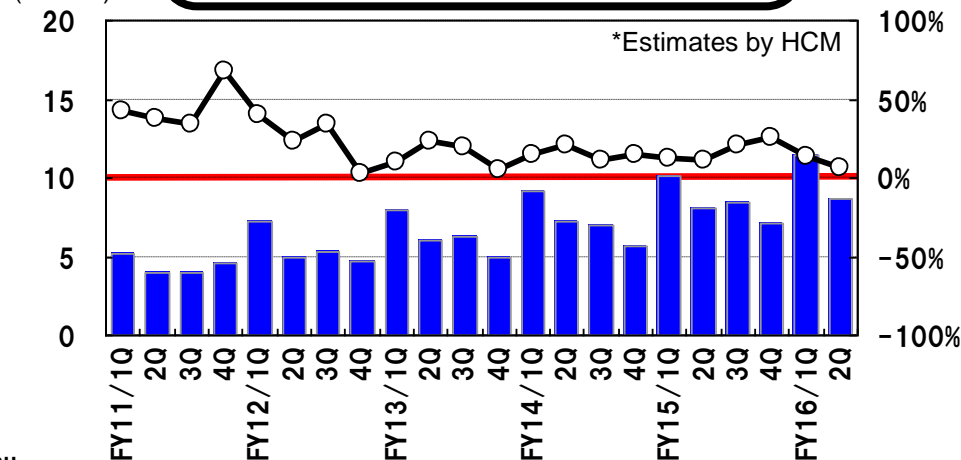
\*Bureau of Economic Census, US Census Bureau

(K units)

**Demand Trend for Hydraulic Excavators**

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


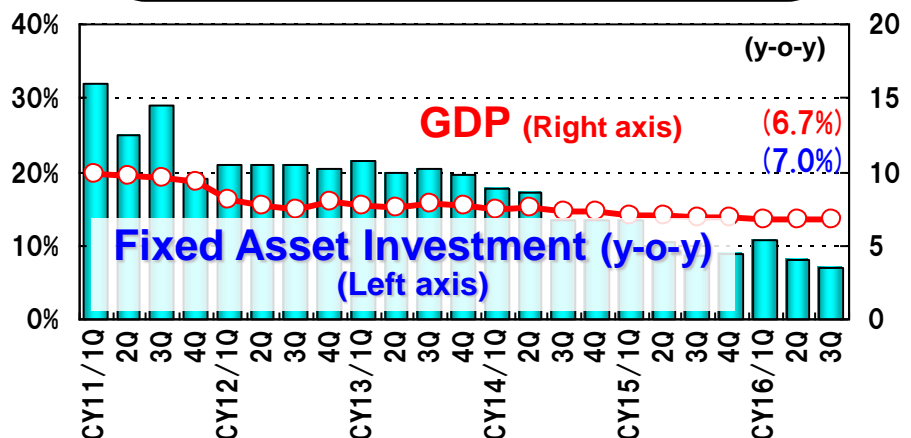
\*Bureau of Economic Census, US Census Bureau

(K units)

**Demand Trend for Mini Excavators**


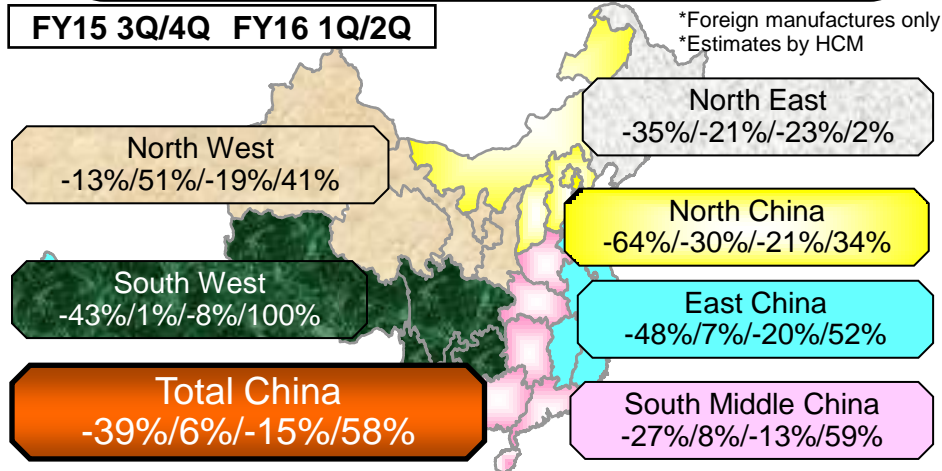
- ◇ GDP growth from July to September 2016 remained flat at a rate of 6.7%, and fixed-asset investments continuously slowed.
- ◇ The demand recovered, underpinned by an economy on the mend, mainly due to increased public investment (increased 58 % year-on-year).

GDP and Fixed Asset Investment

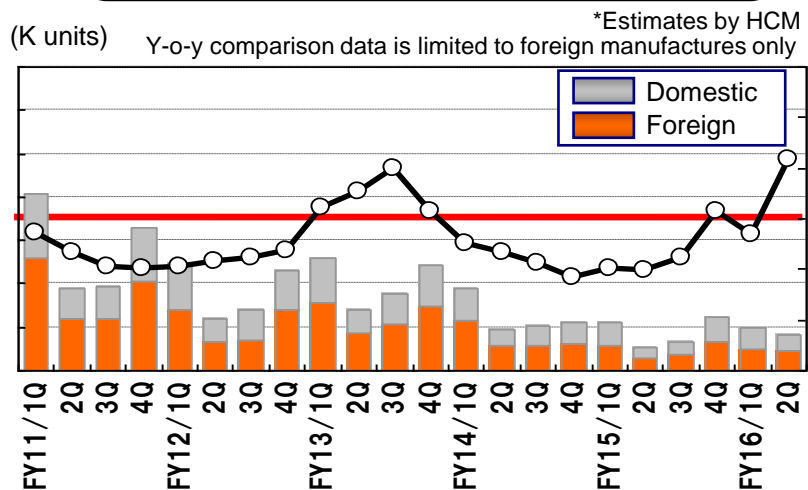


\*National Bureau of Statistics of China

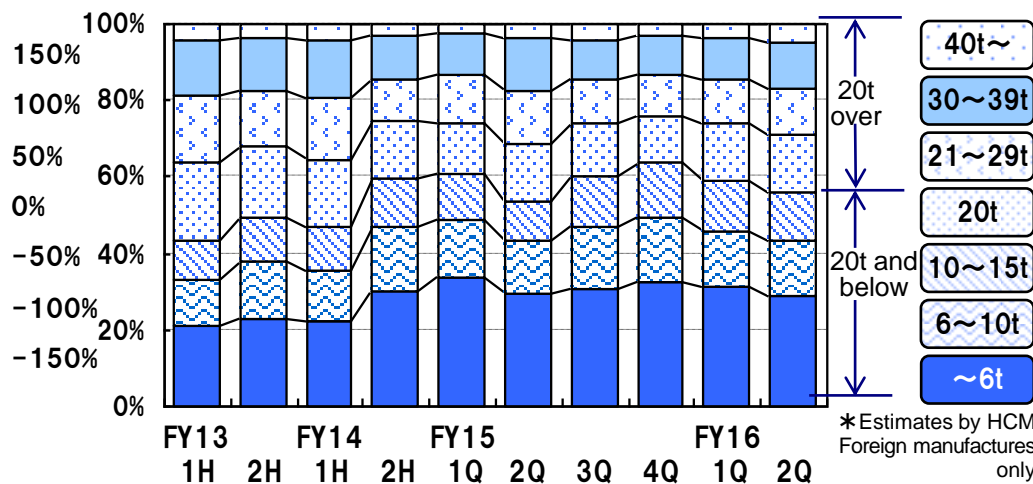
Quarterly Demand for Hydraulic Excavators by Region (y-o-y)



Demand Trend for Hydraulic Excavators



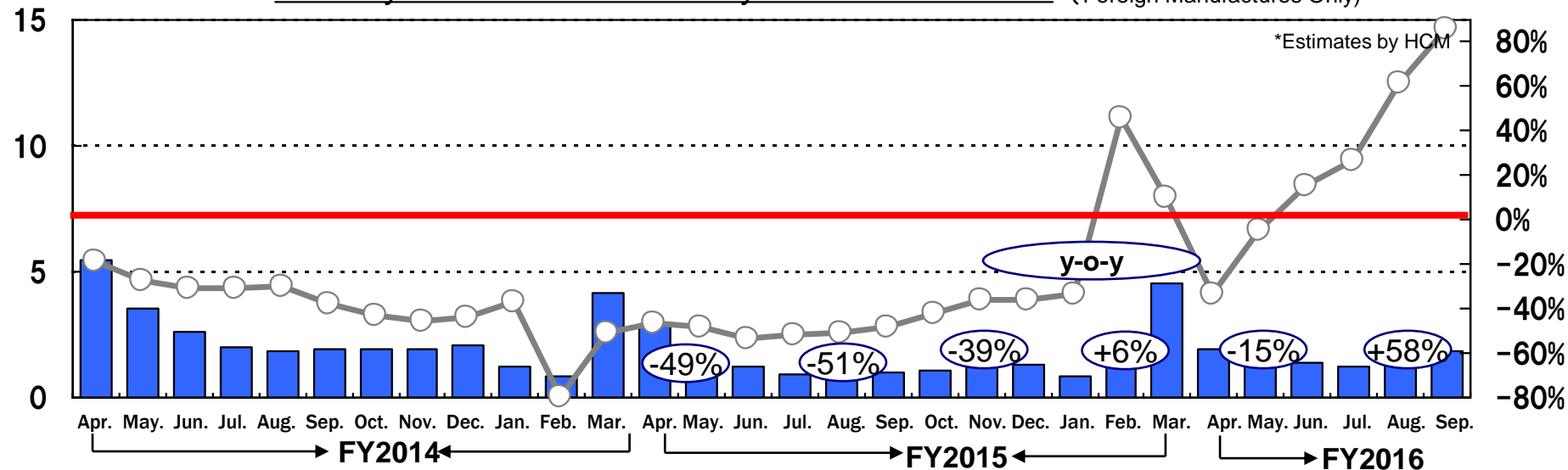
Demand Composition by Class for Mini Excavators and Hydraulic Excavators



(K units)

## Monthly Demand Trend for Hydraulic Excavators

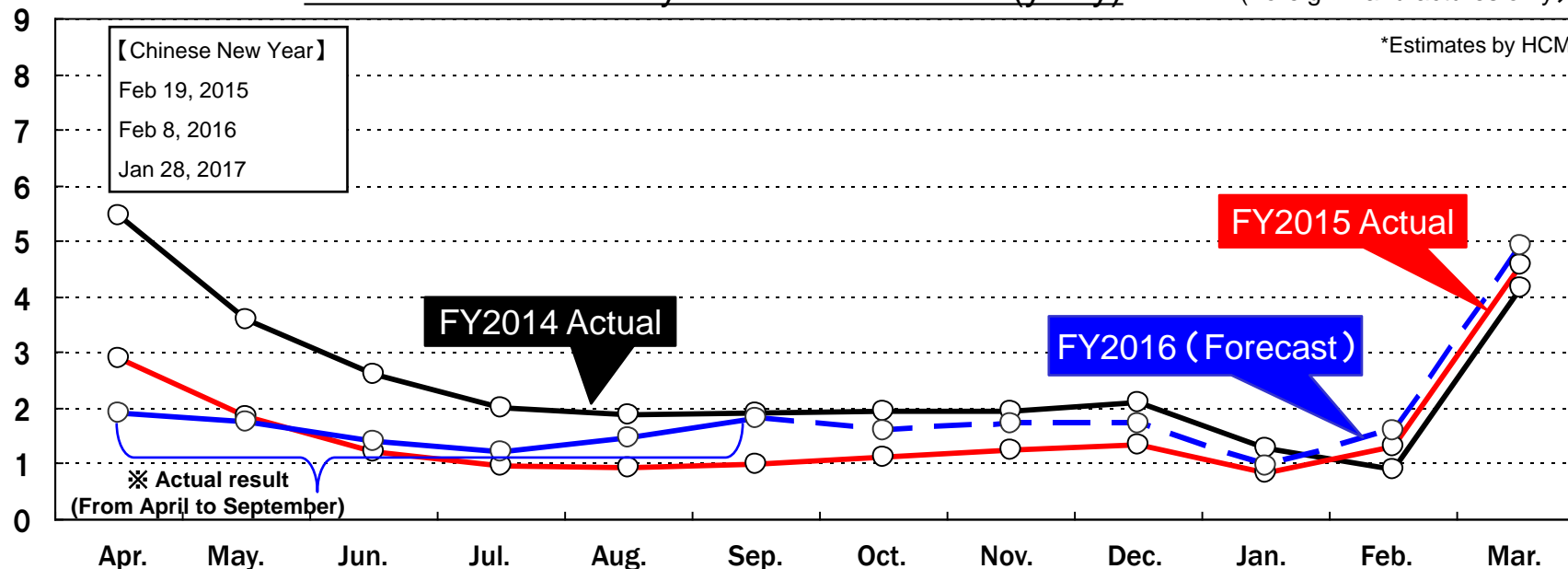
(Compared to the same month in the previous year)  
(Foreign Manufactures Only)



(K units)

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

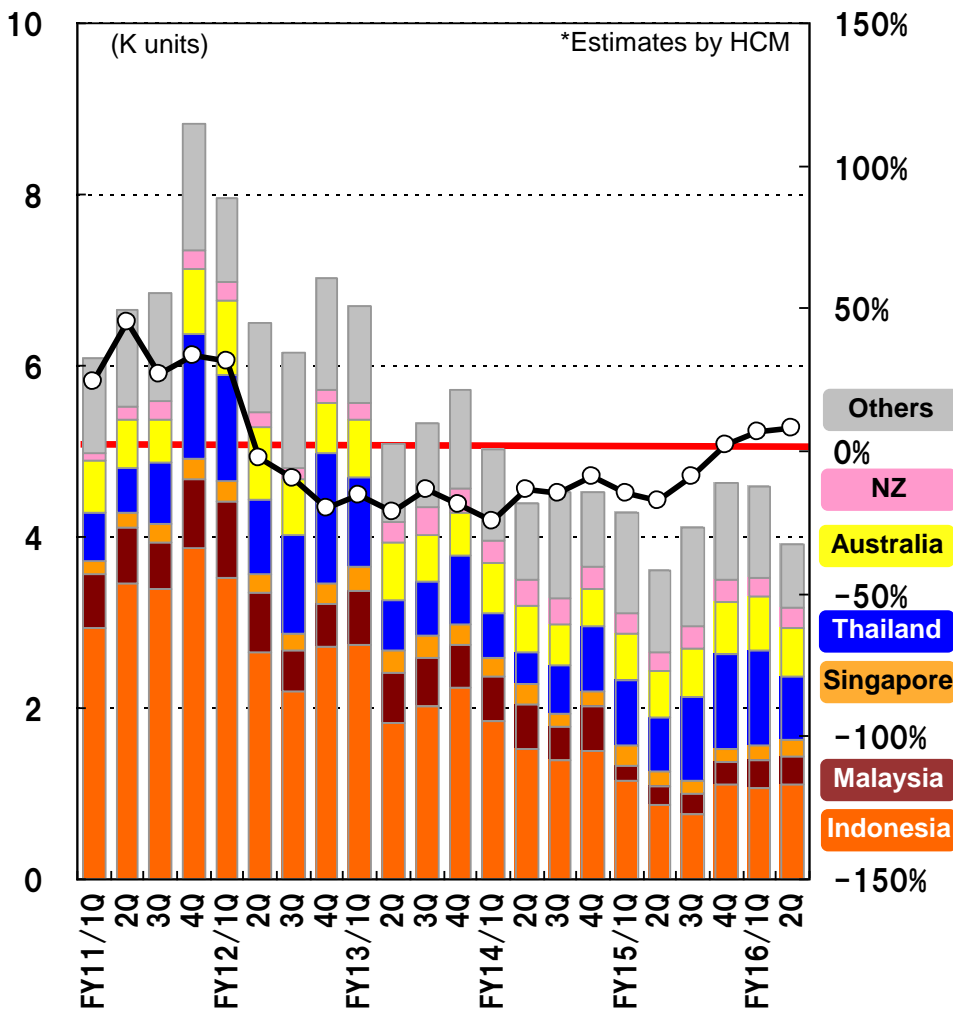
(Foreign Manufactures only)



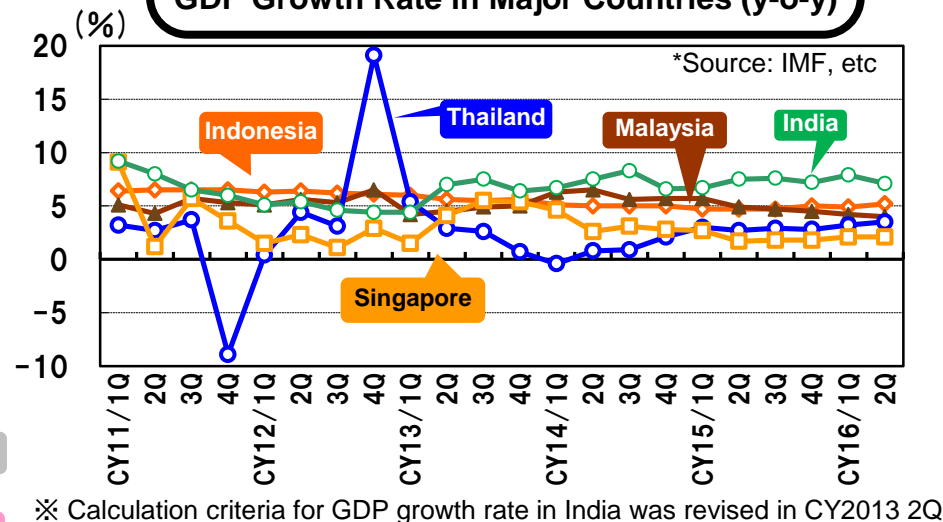


- ◇ In Asia and Oceania, demand in Indonesia, Thailand, and Malaysia has increased, and overall demands are continuously on an increasing trend (increased by 8% year-on-year).
- ◇ In India, demand has continuously increased by 48% year-on-year, mainly for infrastructure investments, such as railways and roads.

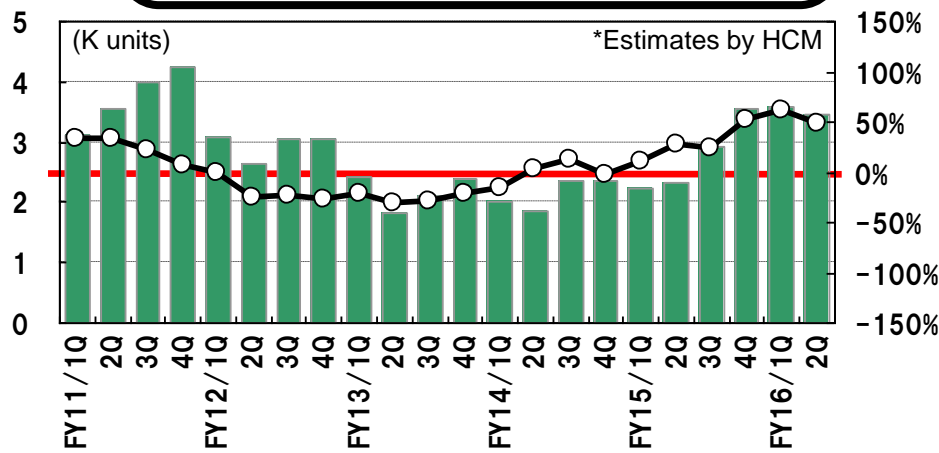
## Demand Trend for Hydraulic Excavators in Asia & Oceania



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



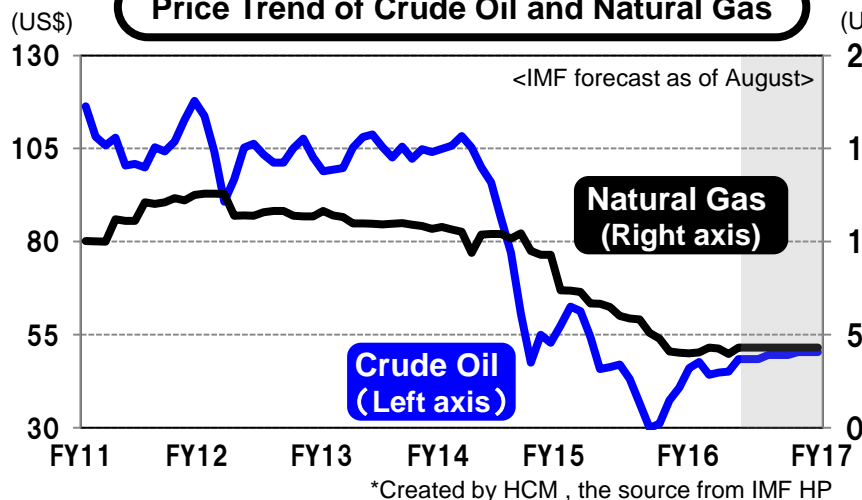
## Demand Trend for Hydraulic Excavators in India



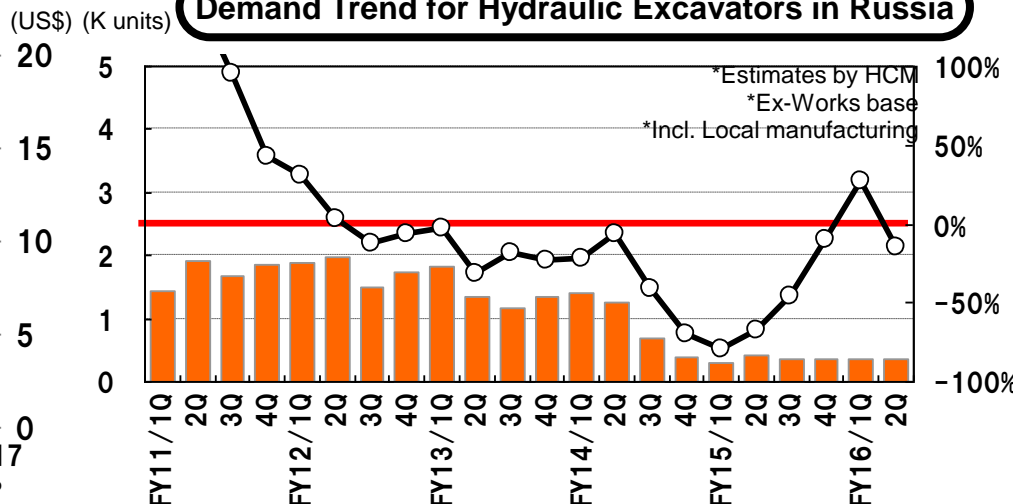
【Russia】 Demand has further decelerated due to a decline in crude oil prices and depreciation of the ruble.

【Middle East】 Demand for hydraulic excavators continued to decrease, mainly in the Gulf countries, by 47% year-on-year.

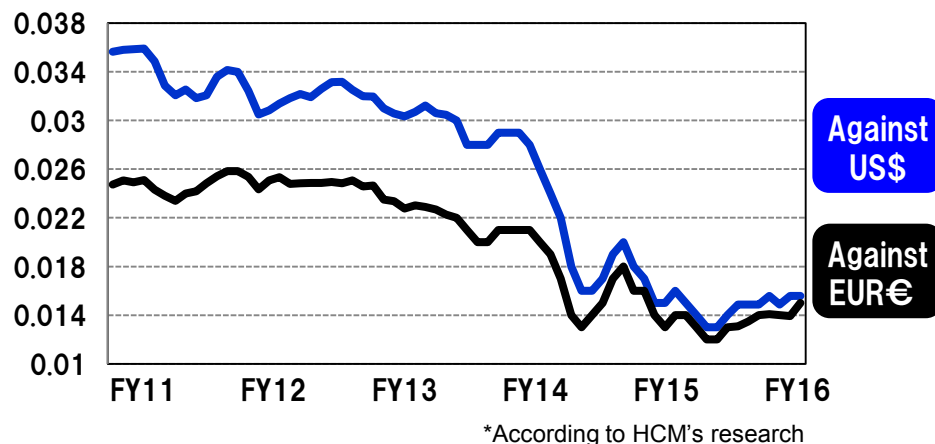
Price Trend of Crude Oil and Natural Gas



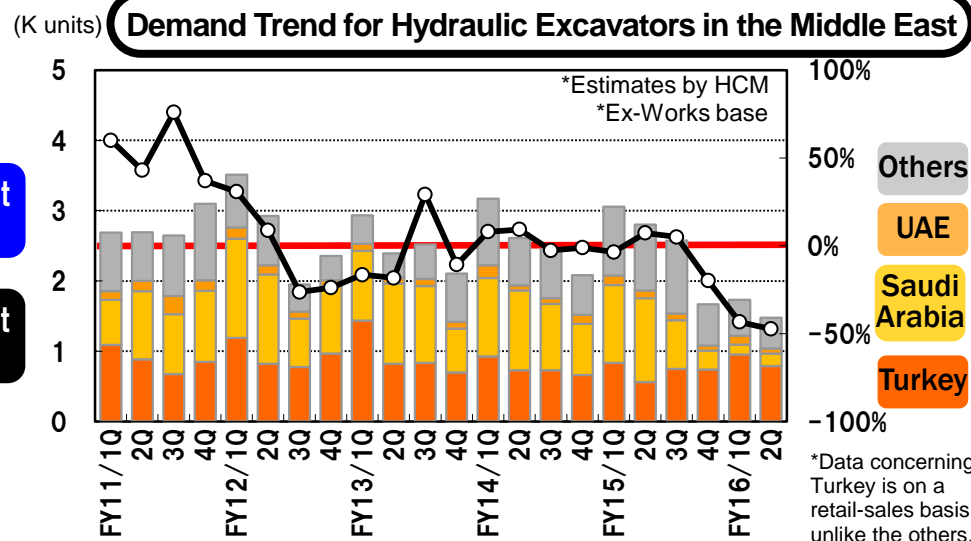
Demand Trend for Hydraulic Excavators in Russia



Foreign Exchange Rate of the Ruble

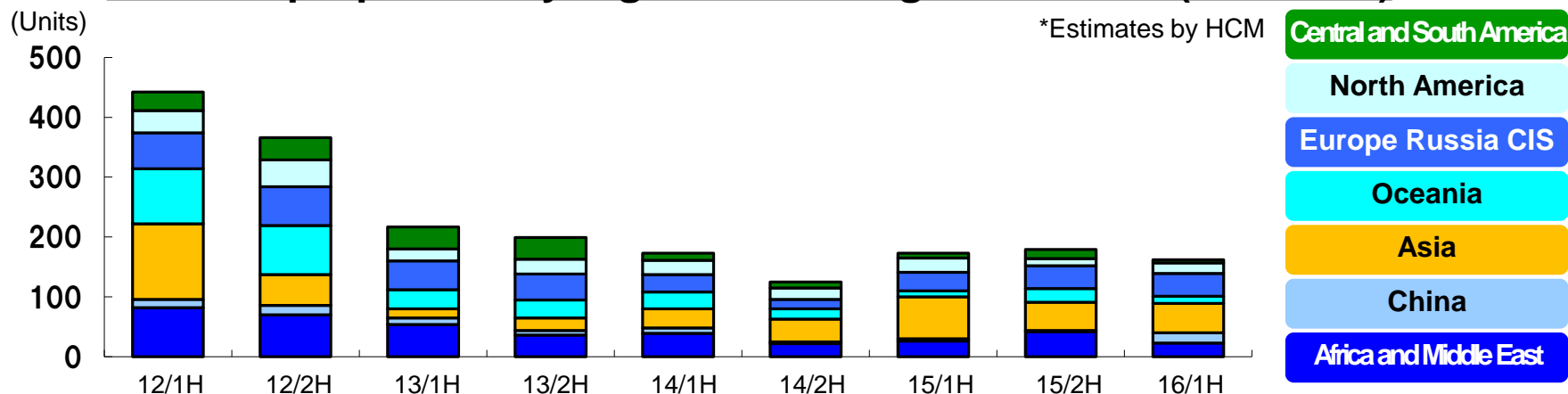


Demand Trend for Hydraulic Excavators in the Middle East

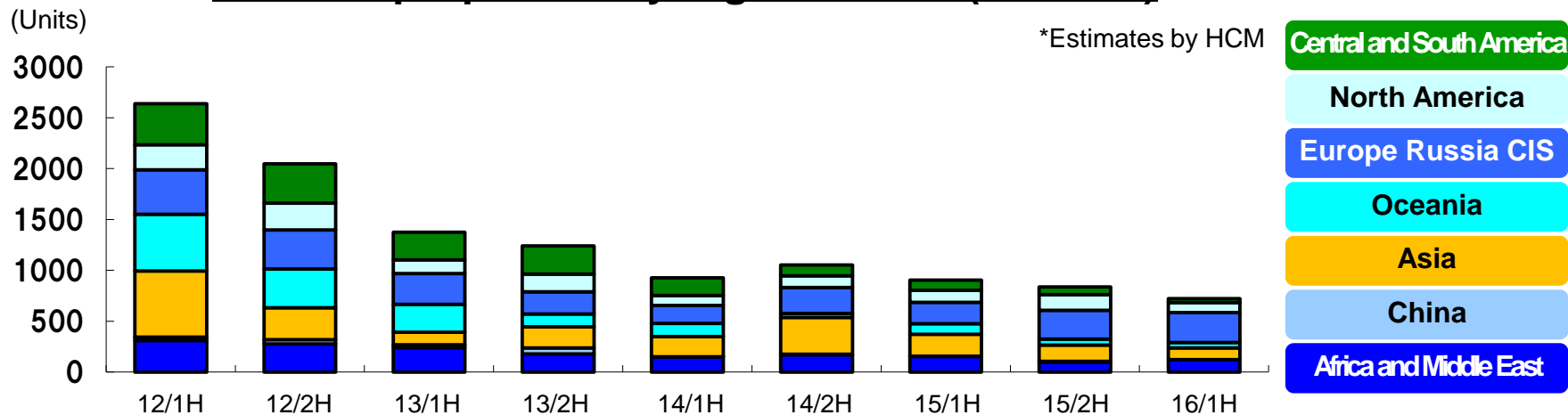


- ◇ The demand for excavators increased in Europe and Russia CIS, but decreased in other regions, such as Asia and the entire Americas.
- ◇ Similarly, the demand for trucks also increased in Europe and Russia CIS, but decreased in Asia and the entire Americas.

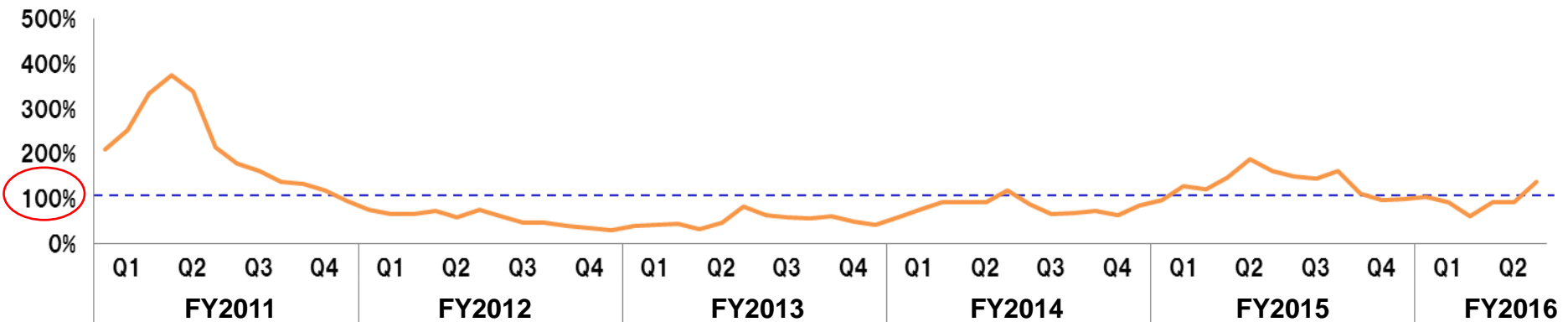
## Demand proportion by region: Ultra-large Excavator (over 100t)



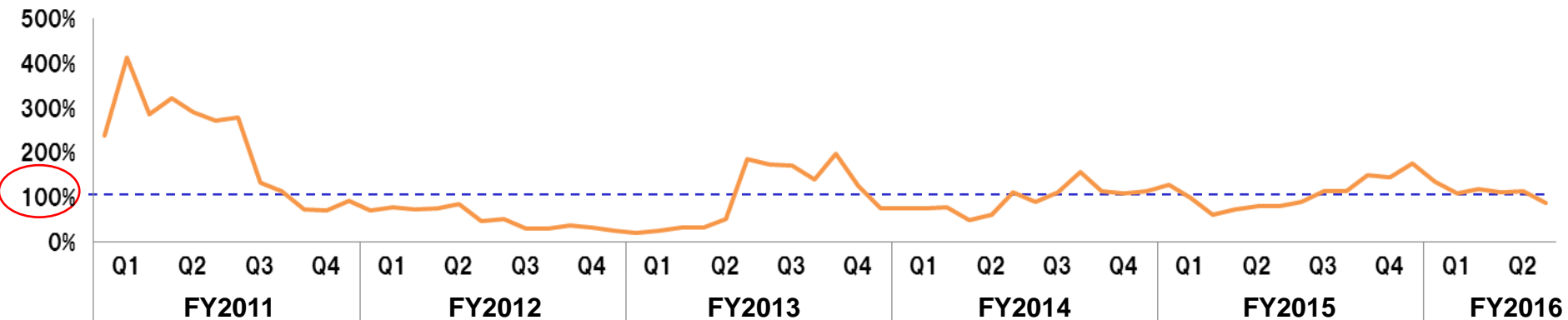
## Demand proportion by region: Truck (over 55t)



## 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)

## Large order of electric excavators from Thailand.

- We received an order of nine electric excavators (EX2600-6) from a coal mine in Thailand.
- The excavators are scheduled to be delivered sequentially in the first half of FY2017.



Reference photo: EX2600-6

## Large order from Russia

- We received orders comprised of twelve EH3500AC-3 and three EX3600-6 from a nickel mine in Russia.
- The machineries will be delivered sequentially in the first half of FY2017.



Reference photo: EX3500AC-3





Ms. Yukie Nakayama, the clay shooting athlete who competed at the Rio de Janeiro Olympic Games (Shooting Trap Women).



Mr. Masaki Fujita, the cycling athlete who won the silver medal (Road Race Time Trial) at the Rio de Janeiro Paralympic Games.

## Thank you for your support!

### [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.

# END

---

For further inquiries:

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

TEL : 03-5826-8152

FAX : 03-5826-8209

