


## Business Result for the Third Quarter ended December 31, 2016 Regional Market Environments and Projections



January 30, 2017

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

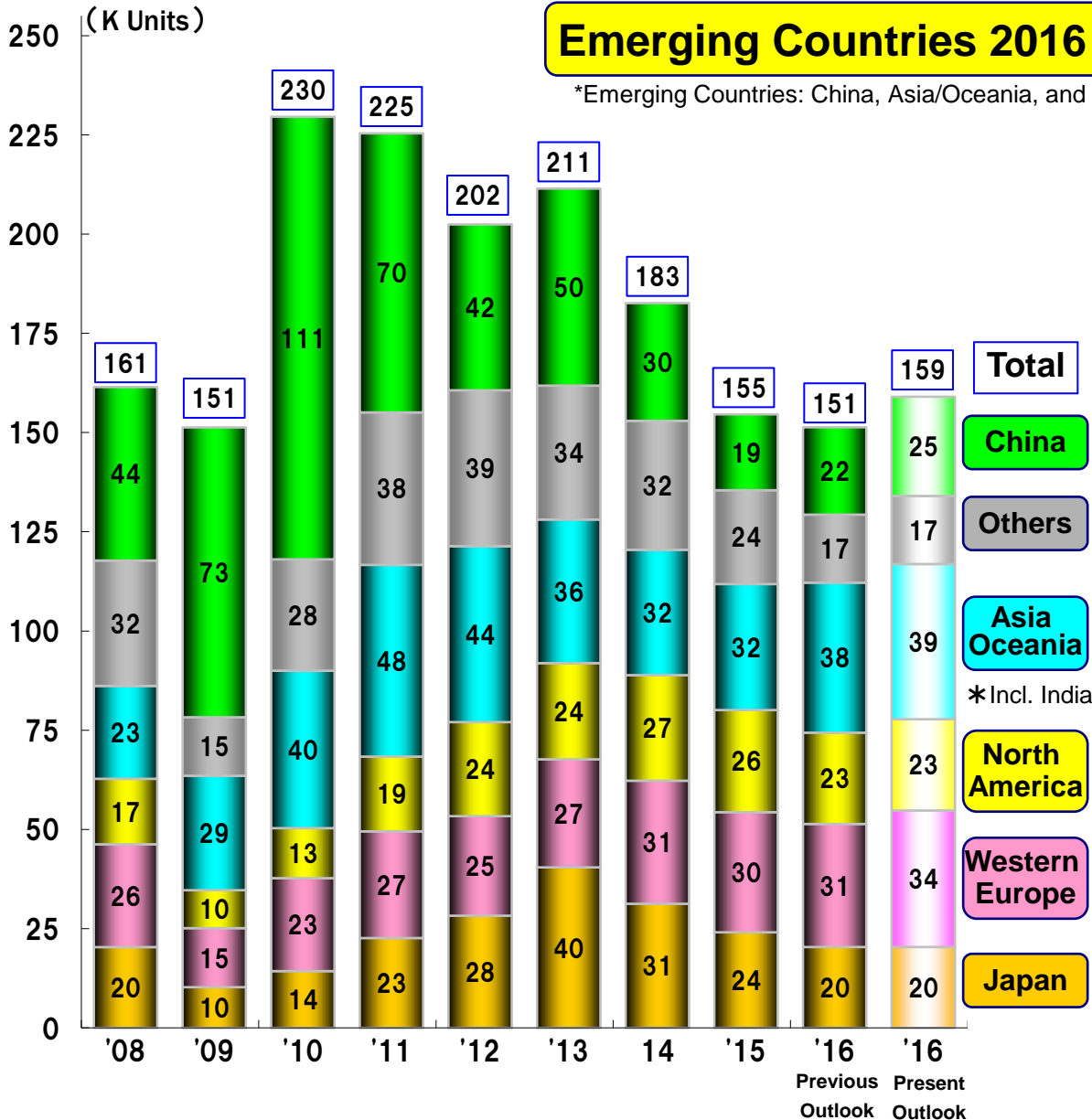
# Global Demand Trend for Hydraulic Excavators

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HITACHI

Reliable solutions

\*Estimates by HCM \*Excluding Chinese manufacturer  
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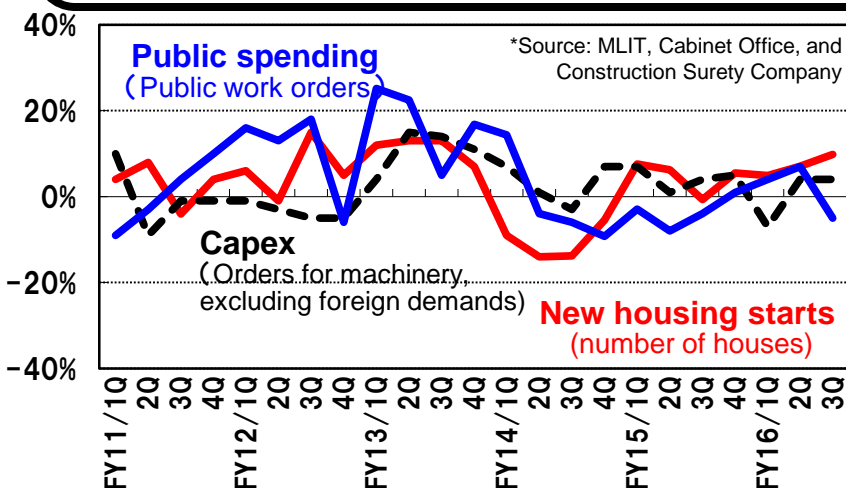


## Year-on-Year Change

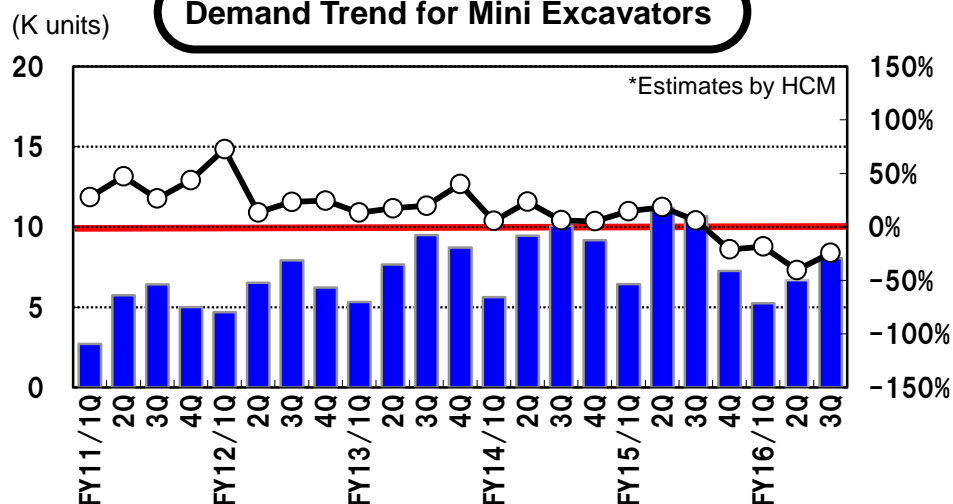
	'15	'16 Previous Outlook	'16 Present Outlook
<b>Total</b>	<b>-15%</b>	<b>-3%</b>	<b>+3%</b>
<b>China</b>	<b>-36%</b>	<b>+15%</b>	<b>+31%</b>
Russia, CIS, E Europe	-46%	-8%	-8%
Africa	-34%	-8%	-8%
Middle East	-2%	-45%	-45%
Latin America	-38%	-22%	-22%
<b>Others</b>	<b>-25%</b>	<b>-29%</b>	<b>-29%</b>
India	+29%	+50%	+50%
Indonesia	-38%	+11%	+29%
Others	+0%	+1%	+4%
<b>Asia &amp; Oceania</b>	<b>0%</b>	<b>+19%</b>	<b>+22%</b>
<b>N America</b>	<b>-4%</b>	<b>-12%</b>	<b>-12%</b>
<b>W Europe</b>	<b>-3%</b>	<b>+3%</b>	<b>+13%</b>
<b>Japan</b>	<b>-23%</b>	<b>-17%</b>	<b>-17%</b>

- ◇ Public investment turned downward, though capital investment and housing investment are both on a continuously increasing trend.
- ◇ During the third quarter (from October to December 2016), the demand for construction machinery decreased in reaction to last-minute demands before the emissions regulations.  
(The demand for hydraulic excavators, mini excavators, and wheel loaders decreased by 10%, 24% and 19% year-on-year, respectively.)

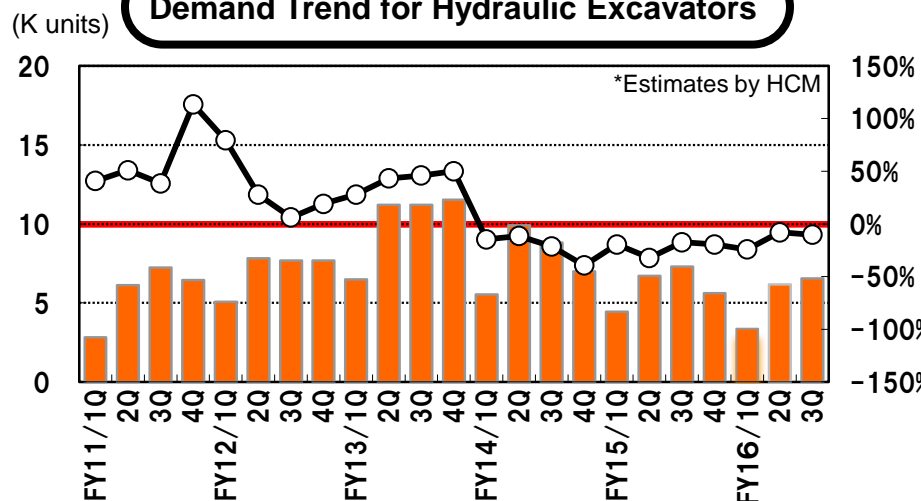
Market Environment: Housing/Public Spending and Capex (y-o-y)



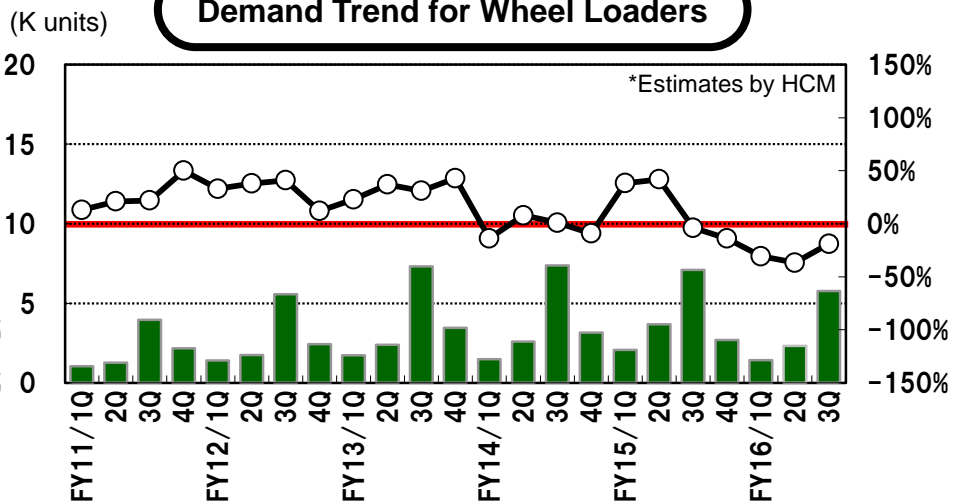
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

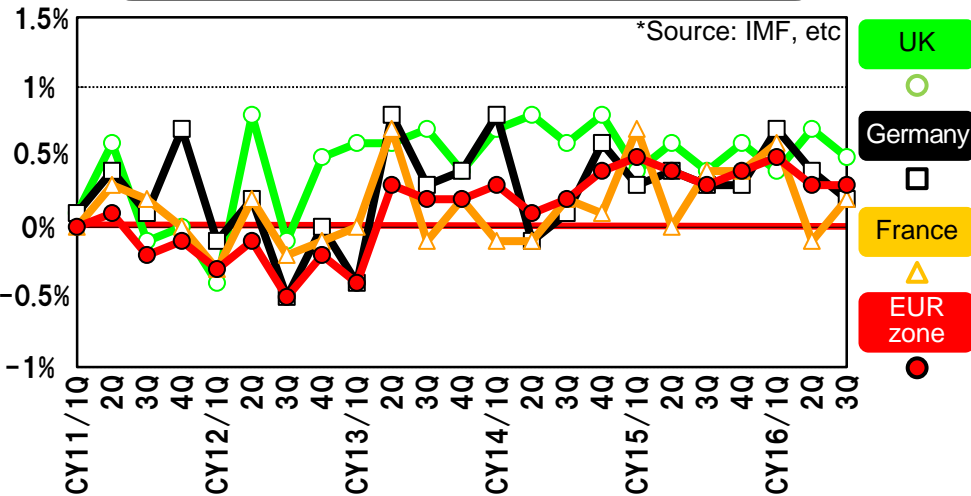


Demand Trend for Wheel Loaders

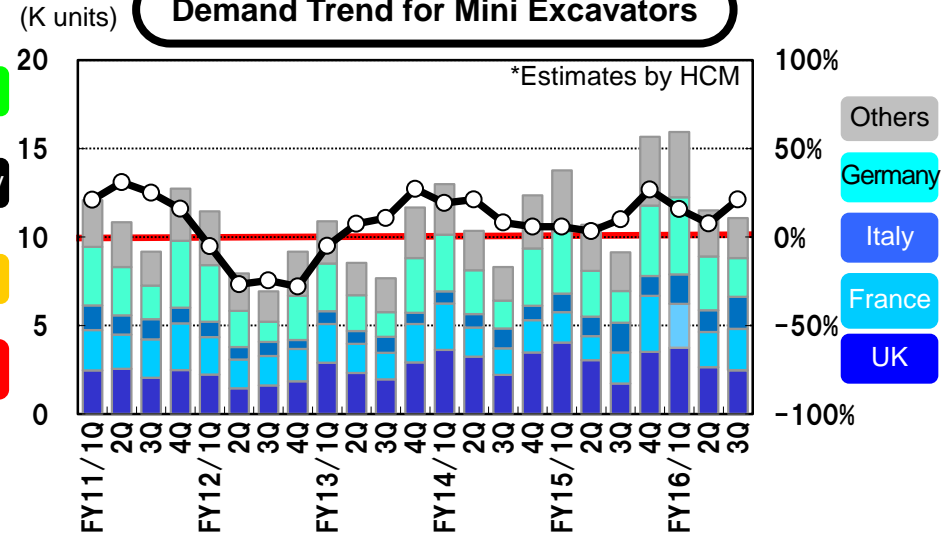


- ◇ GDP growth remained flat throughout the Euro zone.
- ◇ The demand for construction machinery throughout the Euro zone remains on a continuously increasing trend, despite a decrease in the UK.  
(The demand for hydraulic excavators, mini excavators, and wheel loaders increased by 19%, 21% and 11% year-on-year, respectively.)

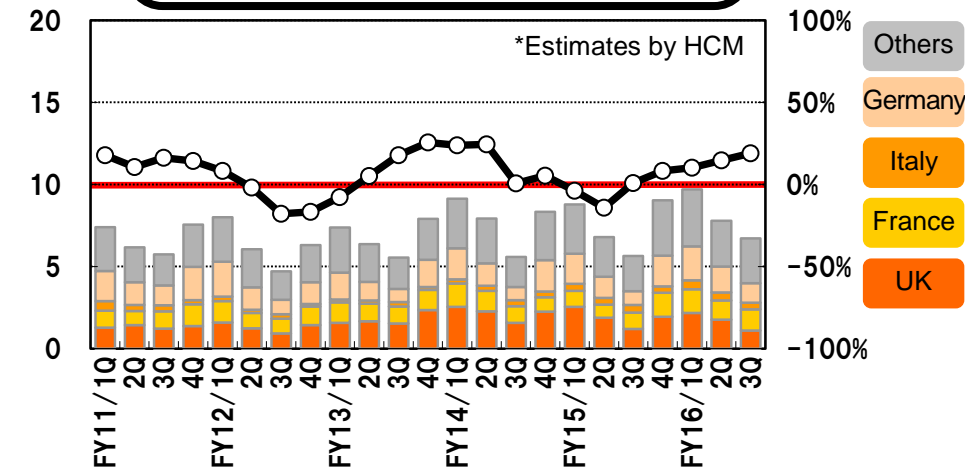
## GDP Growth Rate in Major Countries (q-o-q)



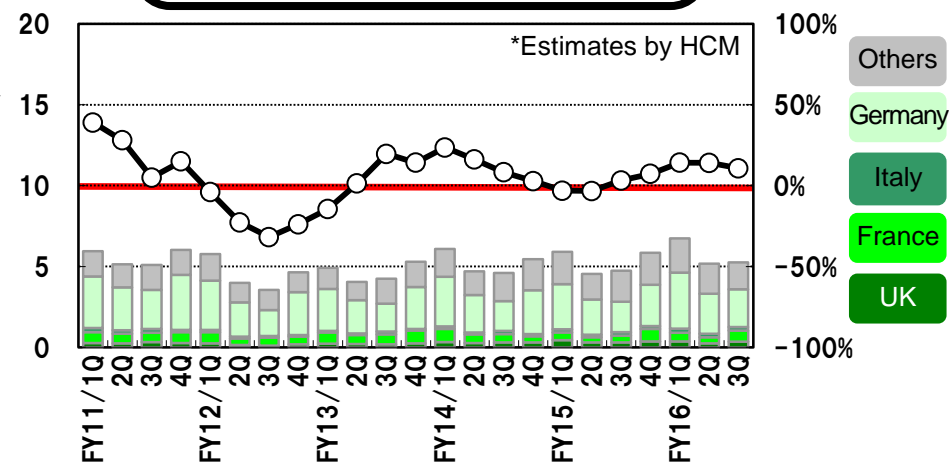
## Demand Trend for Mini Excavators



## Demand Trend for Hydraulic Excavators

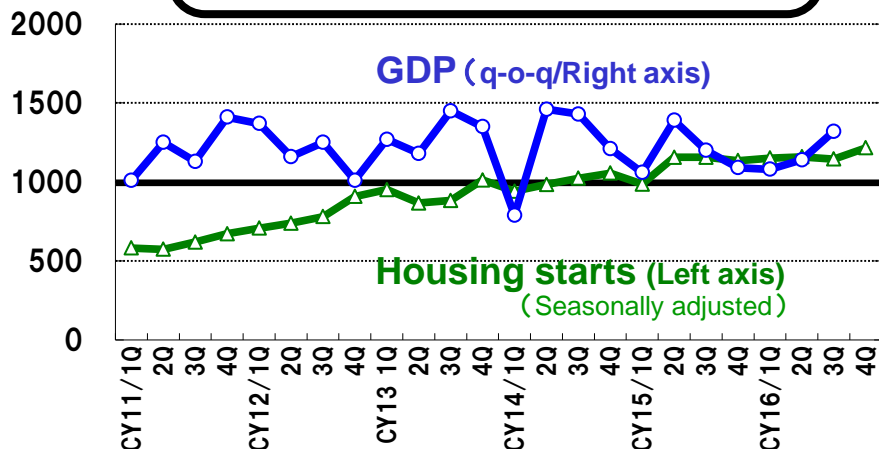


## Demand Trend for Wheel Loaders



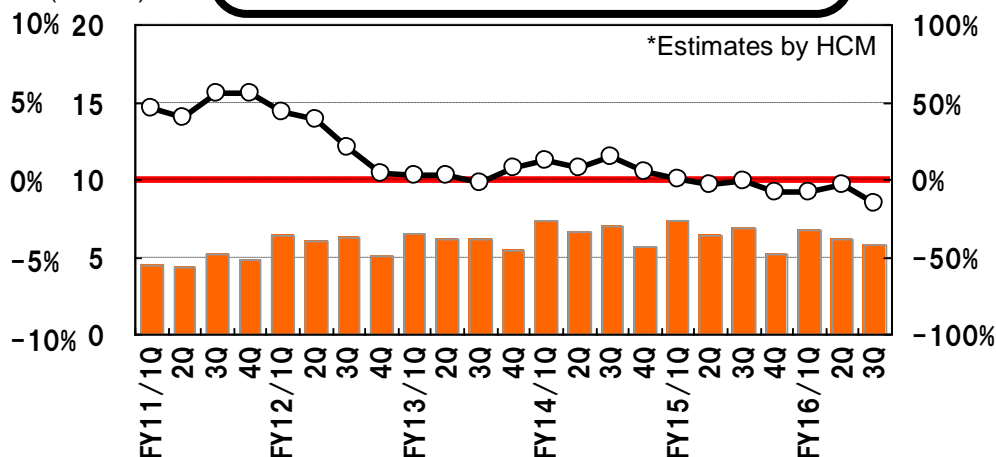
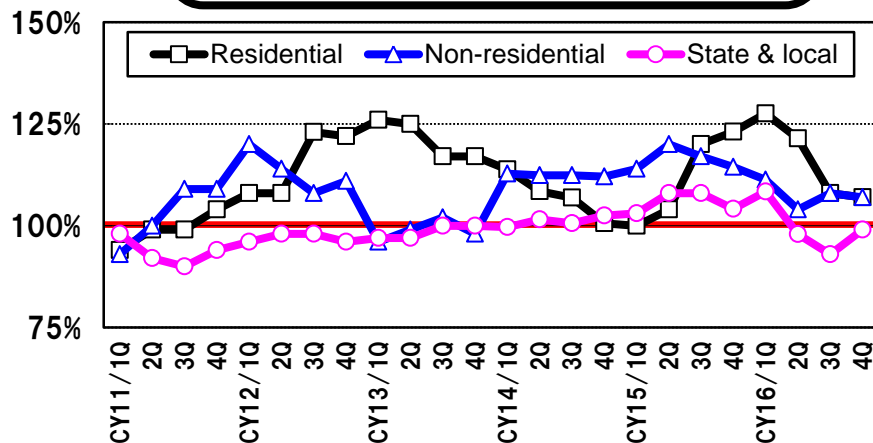
- ◇ Housing starts remained brisk; however, construction spending in the public sector is continuously on a downward trend.
- ◇ Regarding construction machinery, the demand for hydraulic excavators continuously decreased by 16% year-on-year, while the demand for mini excavators increased by 3% year-on-year.

(K units)

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

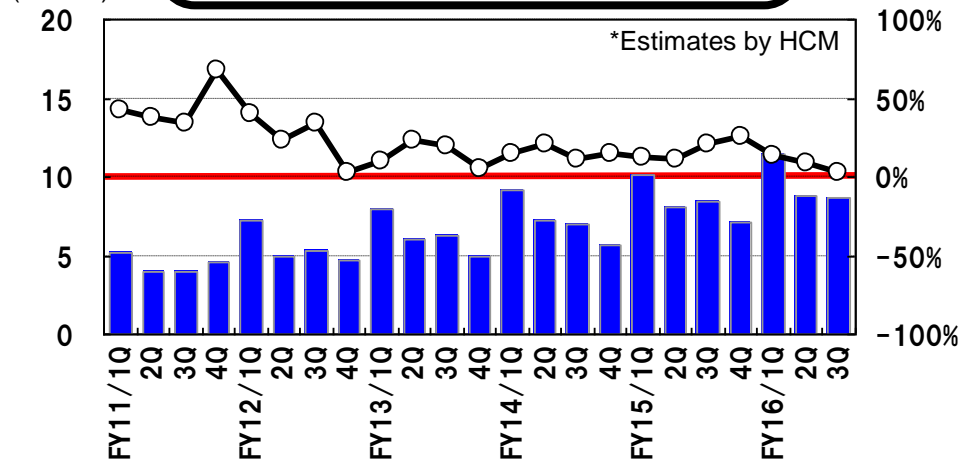
\*Bureau of Economic Census, US Census Bureau

(K units)

**Demand Trend for Hydraulic Excavators****Construction Spending in US (y-o-y)**

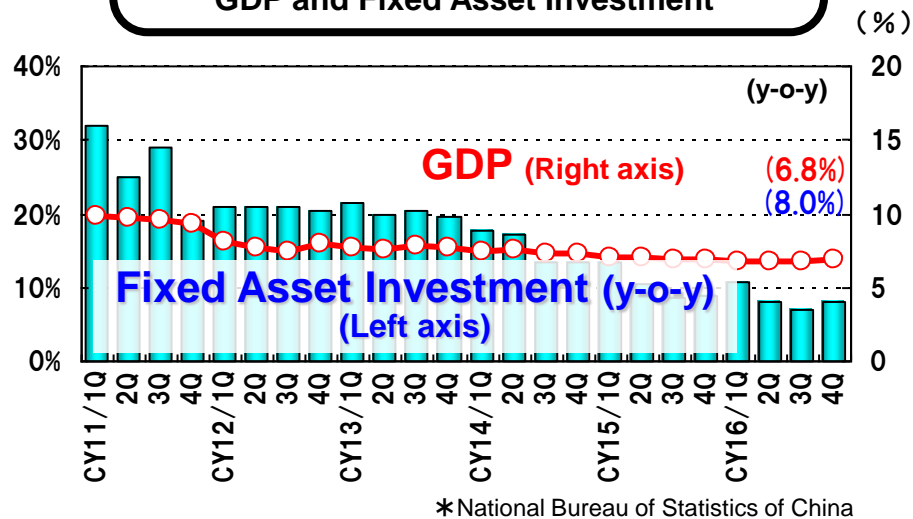
\*Bureau of Economic Census, US Census Bureau

(K units)

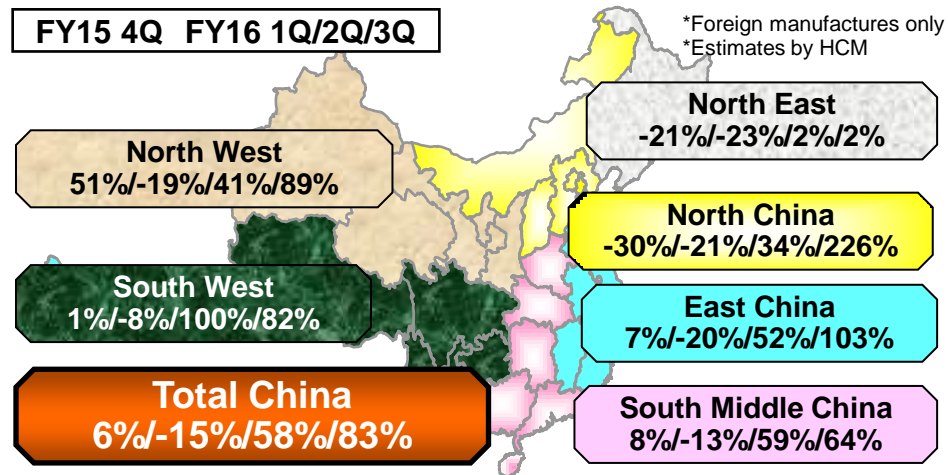
**Demand Trend for Mini Excavators**

- ◇ GDP growth from October to December 2016 remained flat at a rate of 6.8%, and fixed-asset investments continuously slowed at a rate of 8%.
- ◇ The demand recovered mainly due to increased public investment (increased 83% year-on-year).

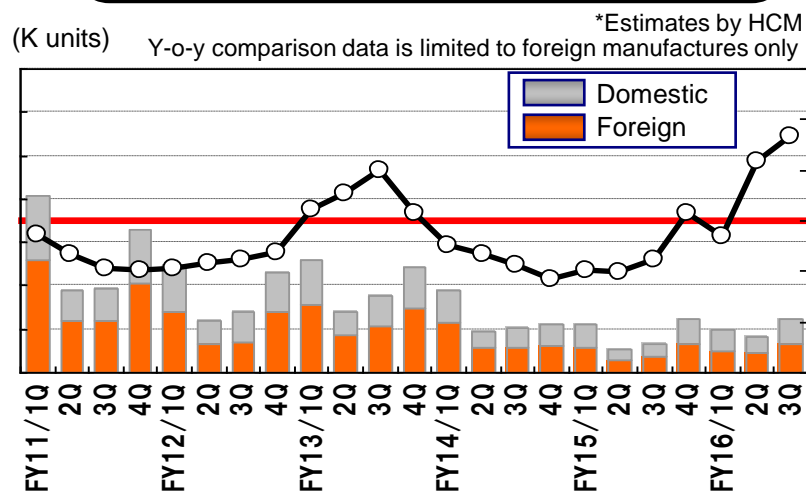
## GDP and Fixed Asset Investment



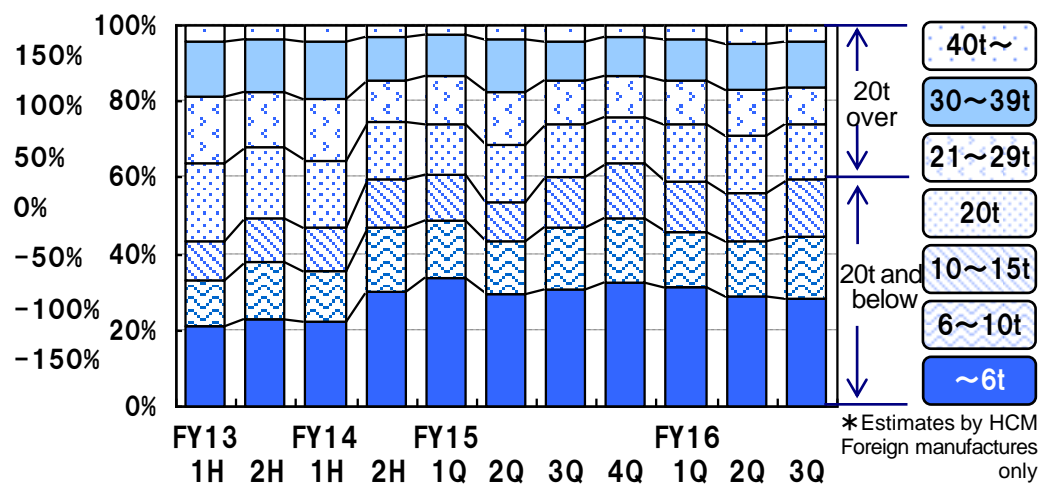
## Quarterly Demand for Hydraulic Excavators by Region (y-o-y)



## Demand Trend for Hydraulic Excavators



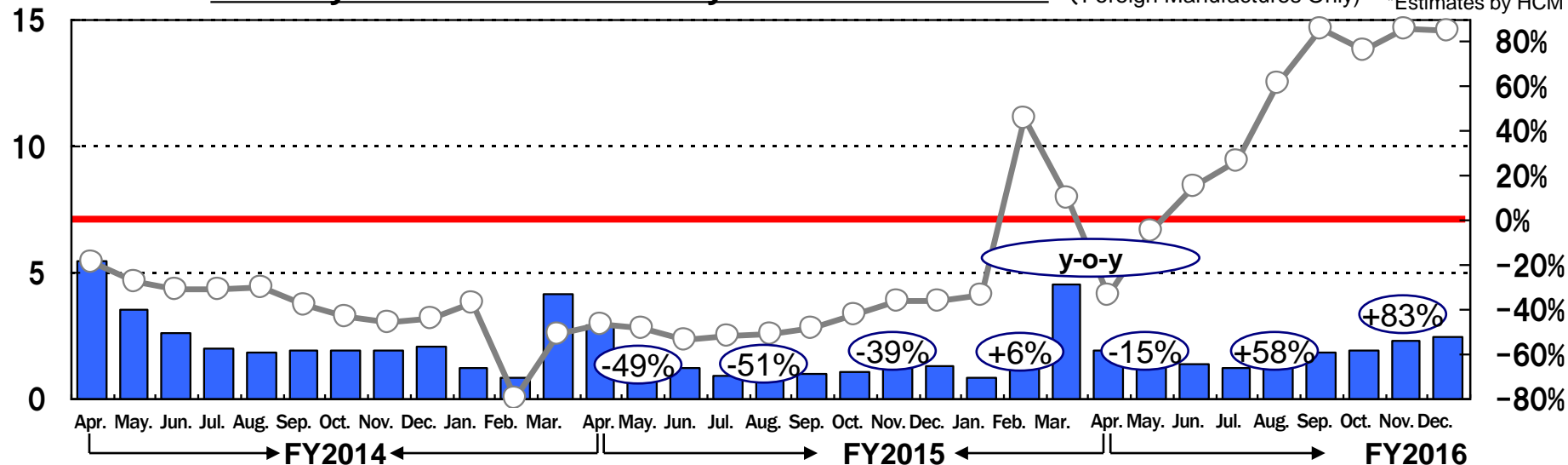
## Demand Composition by Class for Mini Excavators and Hydraulic Excavators





(K units)

## Monthly Demand Trend for Hydraulic Excavators

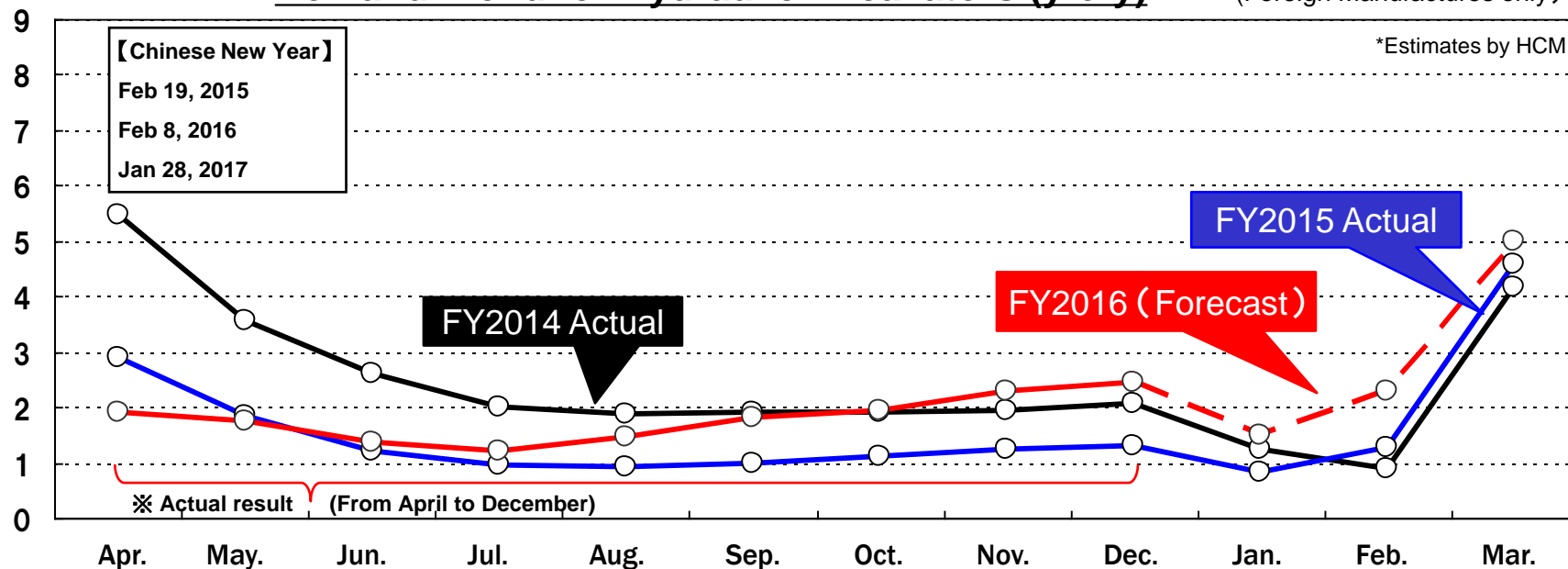
(Compared to the same month in the previous year)  
(Foreign Manufactures Only) \*Estimates by HCM


(K units)

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

(Foreign Manufactures only)

\*Estimates by HCM



## “Artisan work fine award” CMIIC2016 in China

The Construction Machinery Industry Internet Competition 2016 (CMIIC2016) was held on November 21, 2016, hosted by Hui Cong Construction Machinery Network. Our hybrid hydraulic excavator ZH200-5A received the annual prize of “Artisan work fine award” after a six-month process of internet voting, customer reviews, expert examination and other factors.

In China, there is increasing market demand for energy-saving products, including the hybrid hydraulic excavator, and ZH200-5A is a fuel-efficient machine with improved energy efficiency.

Going forward, we will strive to expand the product line-up to meet market needs and further expand sales.



CMIIC2016 Award Ceremony

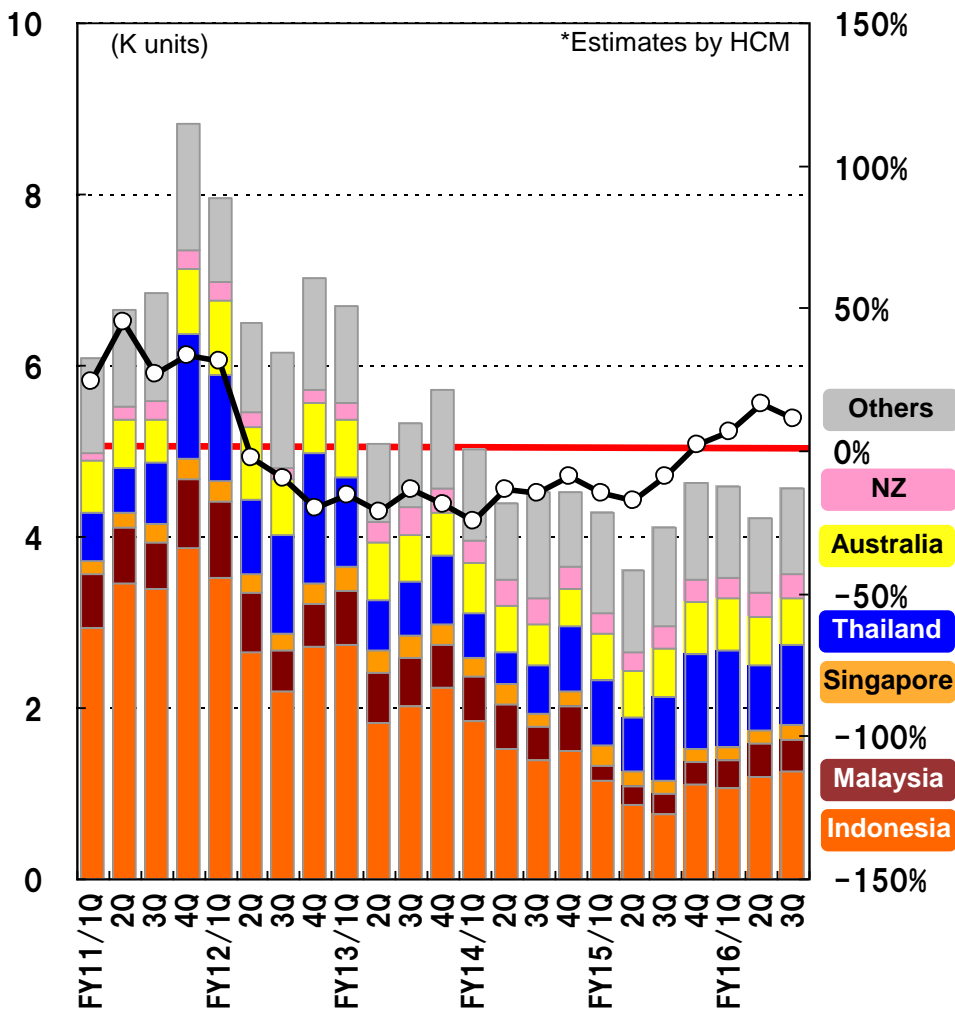


ZH200-5A

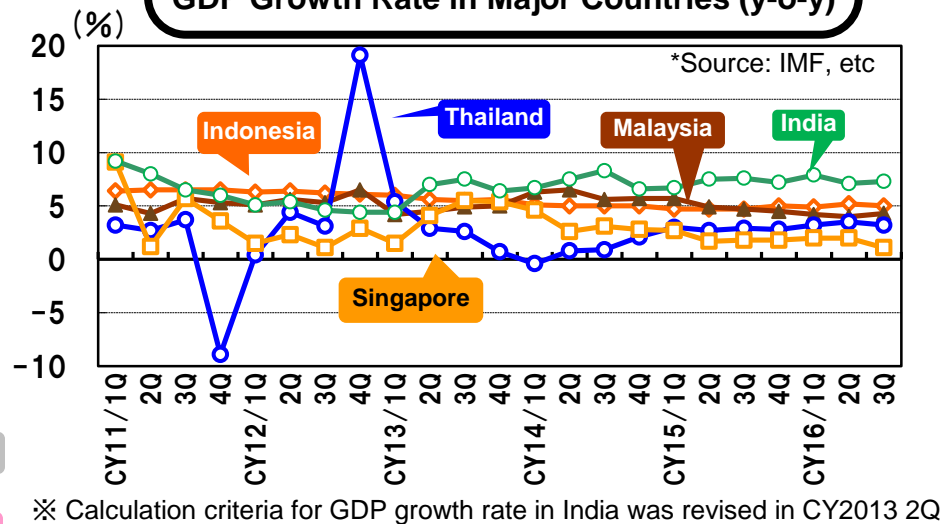


- ◇ Demand has continuously increased in the entire Asia Pacific region, driven by increases in Indonesia and Malaysia, etc. (increased by 11% year-on-year).
- ◇ In India, demand has continuously increased by 56% year-on-year, mainly for infrastructure investments, such as railways and roads.

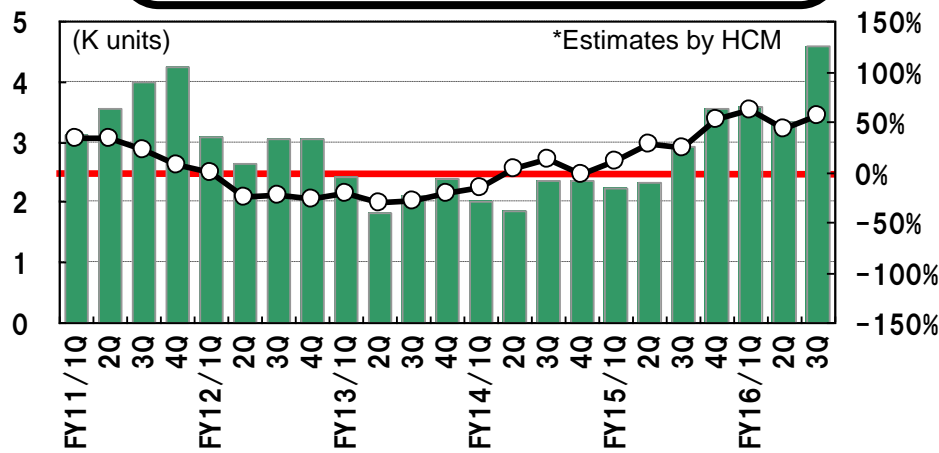
## Demand Trend for Hydraulic Excavators in Asia & Oceania



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

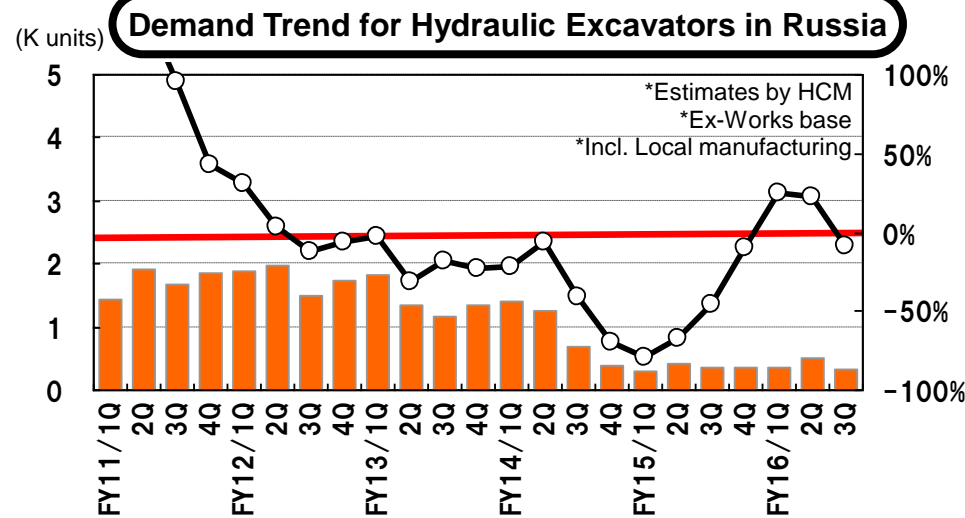
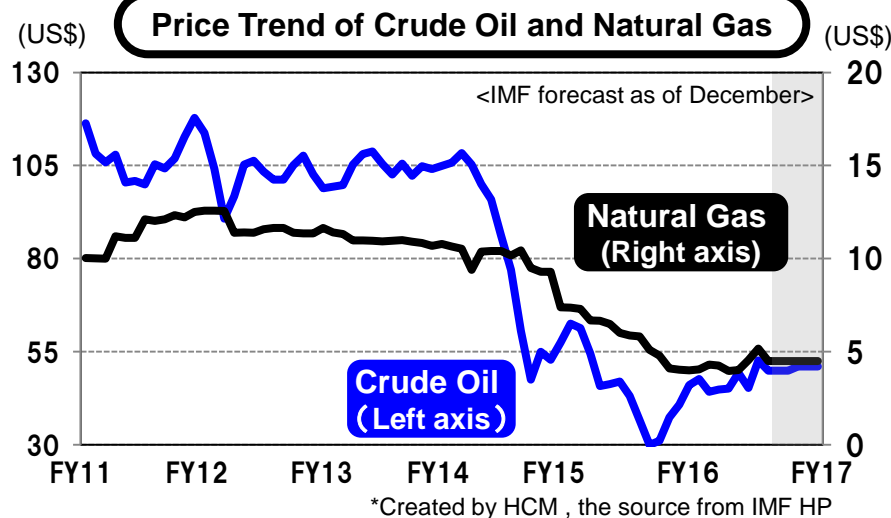


## Demand Trend for Hydraulic Excavators in India

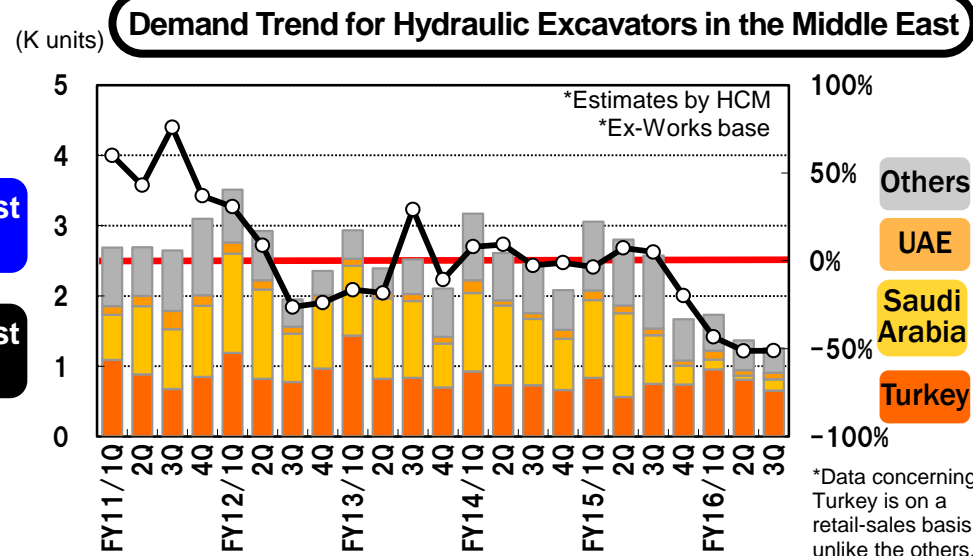
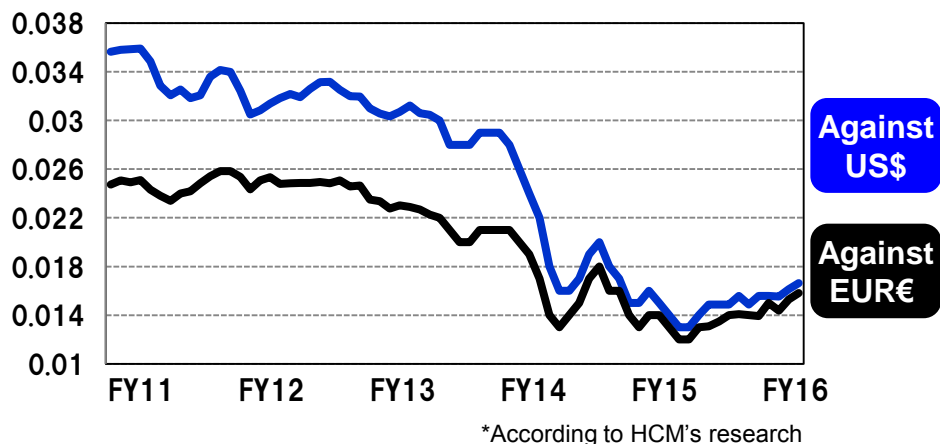


【Russia】 Despite a sign of recovering crude oil prices, demand has been continuously sluggish.

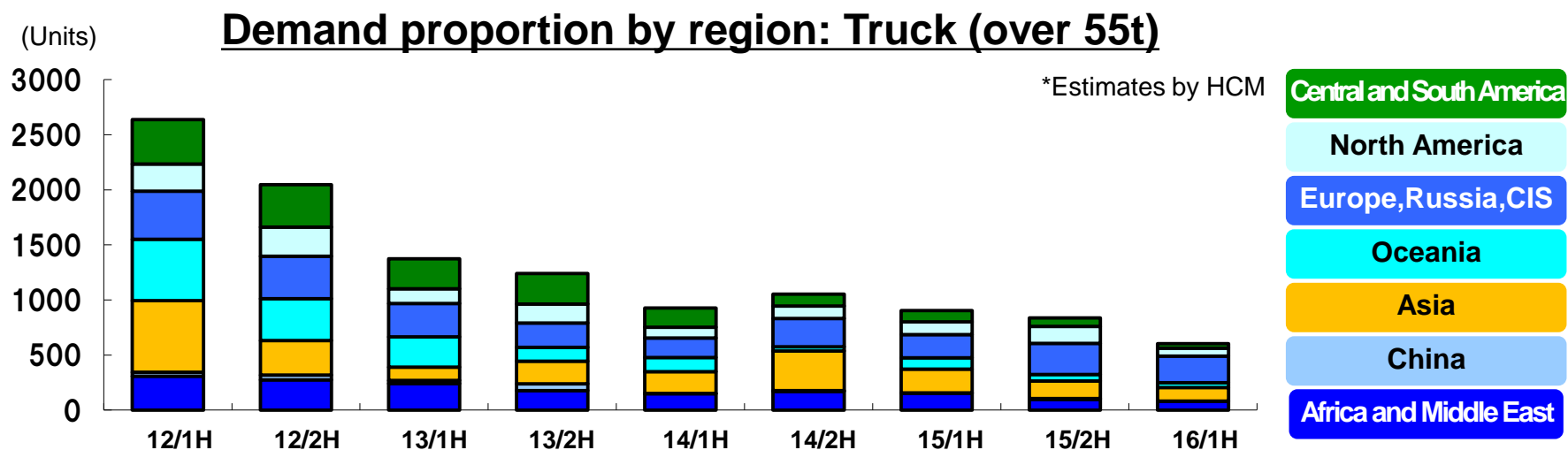
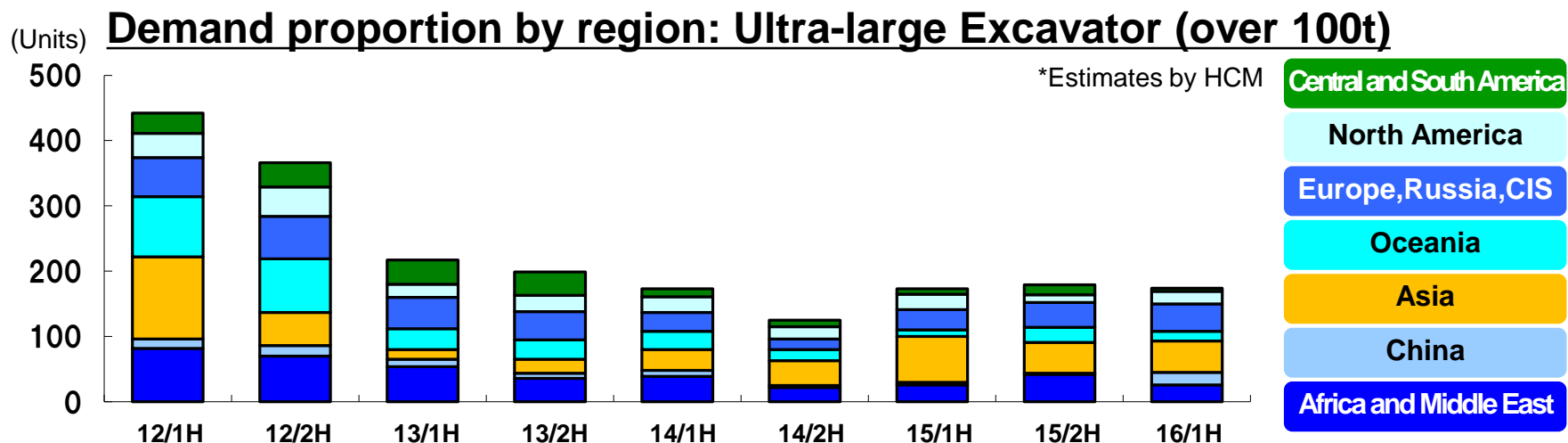
【Middle East】 Demand for hydraulic excavators continued to decrease, mainly around the Gulf countries, by 51% year-on-year.



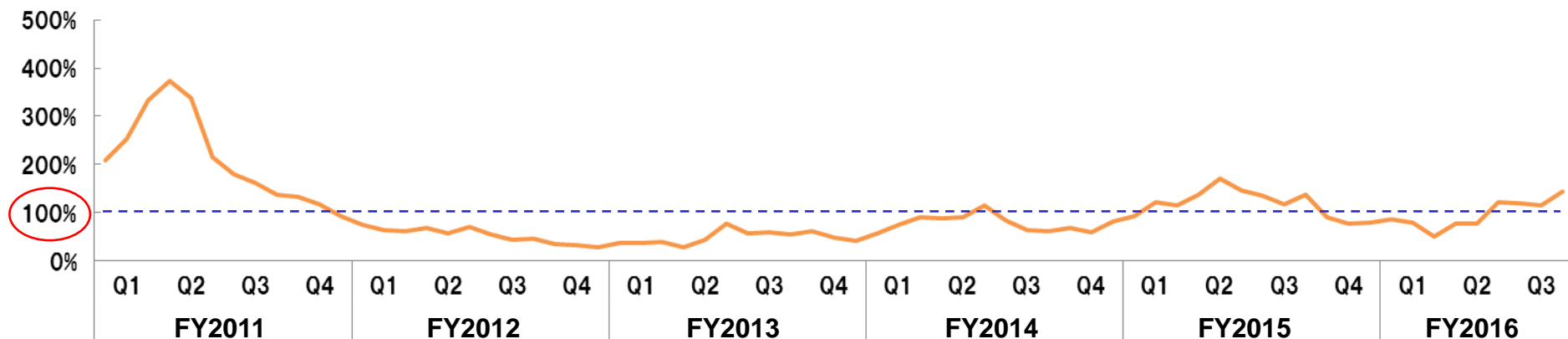
**Foreign Exchange Rate of the Ruble**



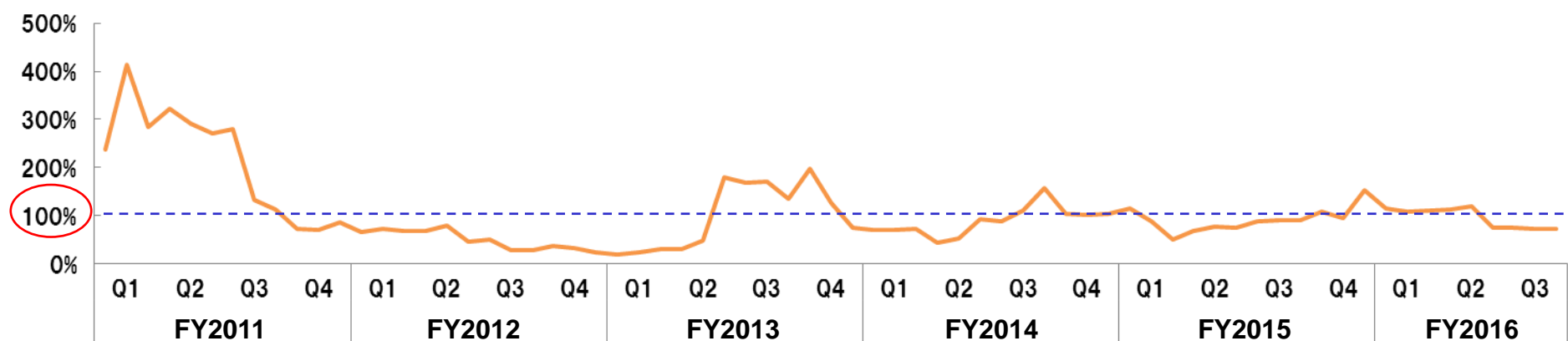
- ◇ Excavators: Demand increased in Europe, Russia and CIS, and some countries in Asia, while demand decreased in Central and South America, etc.
- ◇ Trucks: Demand increased in the Russia CIS region and Africa, etc., while demand decreased in the entire Americas and Oceania etc.



## 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)

## First order received from a copper mine in the Republic of Chile

- 2 units of EX5600-6 will be delivered to a copper mine in the Republic of Chile.
- This is our first mining machinery order received from the Republic of Chile.



## Full acquisition of H-E Parts in the United States



We have acquired all the equity of H-E Parts (H-E Parts International LLC and H-E Parts Australian Holdings LLC). H-E Parts provides service and solution business regarding mining, quarry and construction machineries and equipment mainly in Australia and the U.S. It is also engaged in the development, processing and sales of parts associated with these machineries. Going forward, we will provide cost efficient and highly productive service that meets the local needs of clients. Furthermore, we strive to strengthen our value chain and further improve our earnings stability.

(Reference: the actual sales revenue of FY2015 was ¥23.5 billion.)



### [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

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