


Business Result for the FY2016 ended March 31, 2017 Regional Market Environments and Projections



April 26, 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

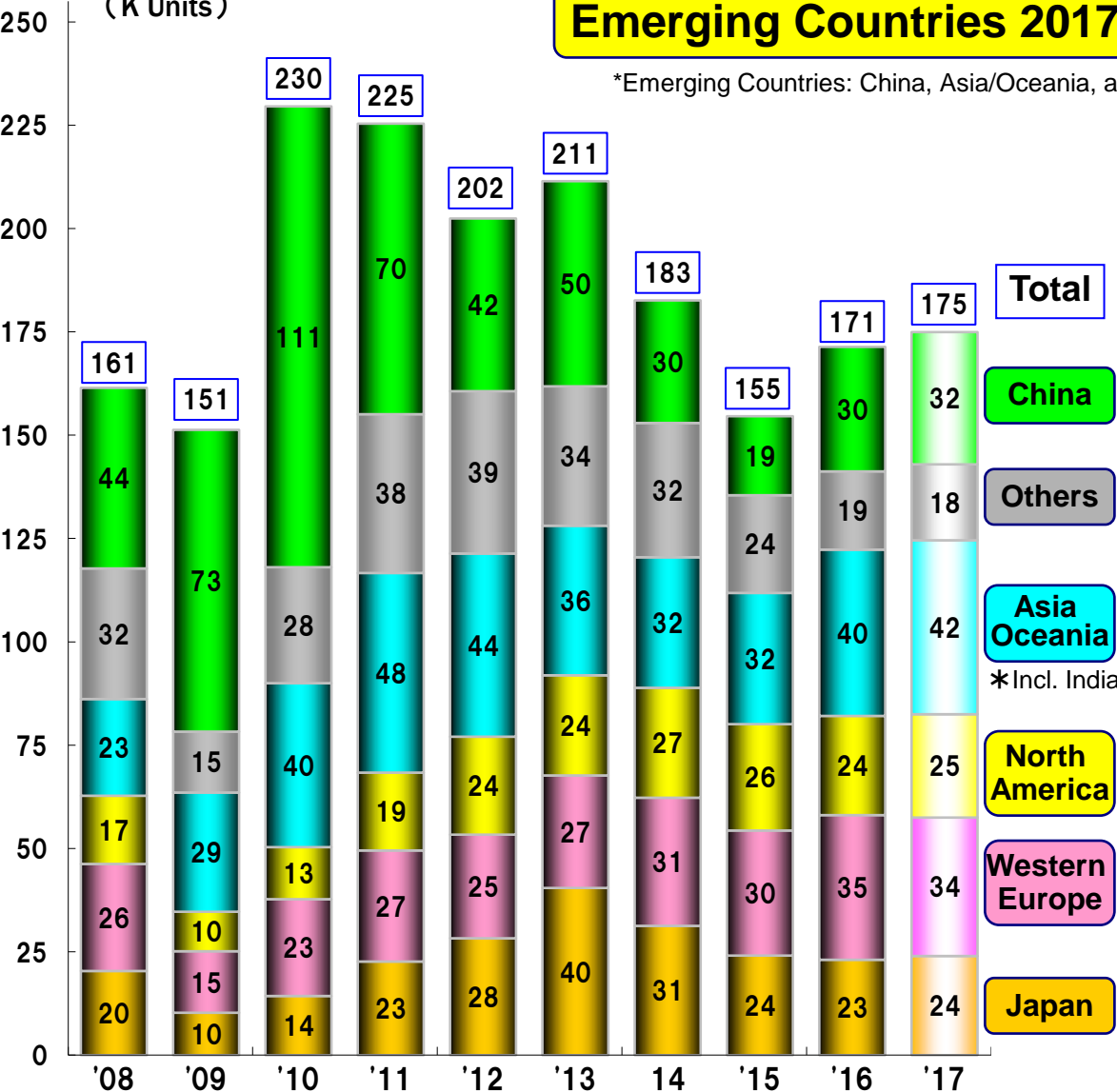
Reliable solutions

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

(K Units)

Emerging Countries 2017 : 53% (Y - o - Y Change:+1%)

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

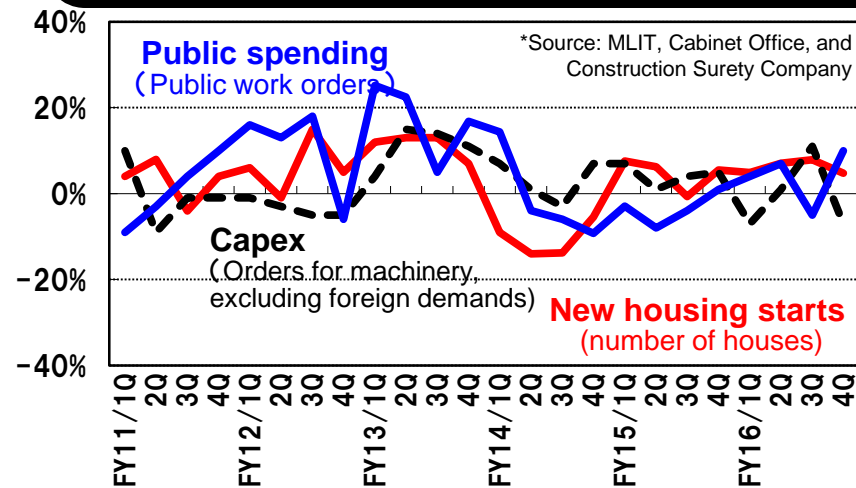


Year-on-Year Change

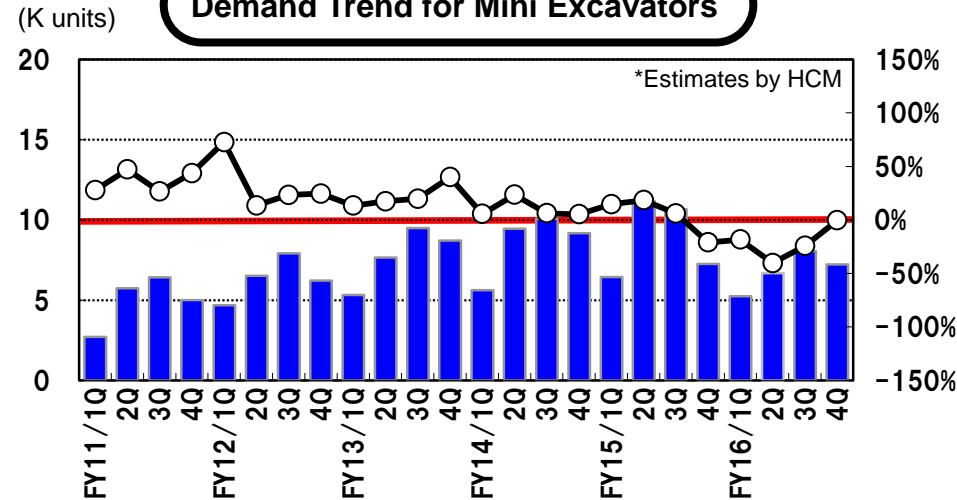
		'15	'16	'17
Total		-15%	+10%	+2%
China		-36%	+58%	+6%
Others	Russia, CIS, E Europe	-46%	+16%	-8%
	Africa	-34%	+6%	-6%
	Middle East	-2%	-42%	-3%
	Latin America	-38%	-20%	+4%
	Others	-25%	-21%	-5%
Asia & Oceania	India	+29%	+47%	+13%
	Indonesia	-38%	+35%	+14%
	Others	+0%	+11%	-5%
Asia & Oceania		0%	+25%	+5%
N America		-4%	-8%	+4%
W Europe		-3%	+17%	-3%
Japan		-23%	-4%	4%

- ◇ FY2016: Demand for hydraulic excavators continuously decreased from the previous year. Demand for mini excavator and wheel loader decreased in reaction to last-minute demand before the emissions regulations.
- ◇ FY2017: Demand for hydraulic excavator is slightly increasing, while demand for mini excavators and wheel loaders remains flat.

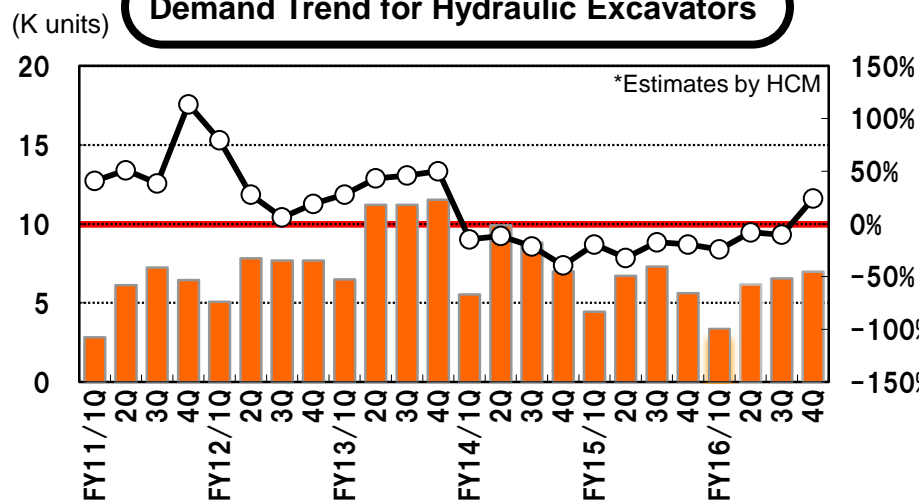
Market Environment: Housing/Public Spending and Capex (y-o-y)



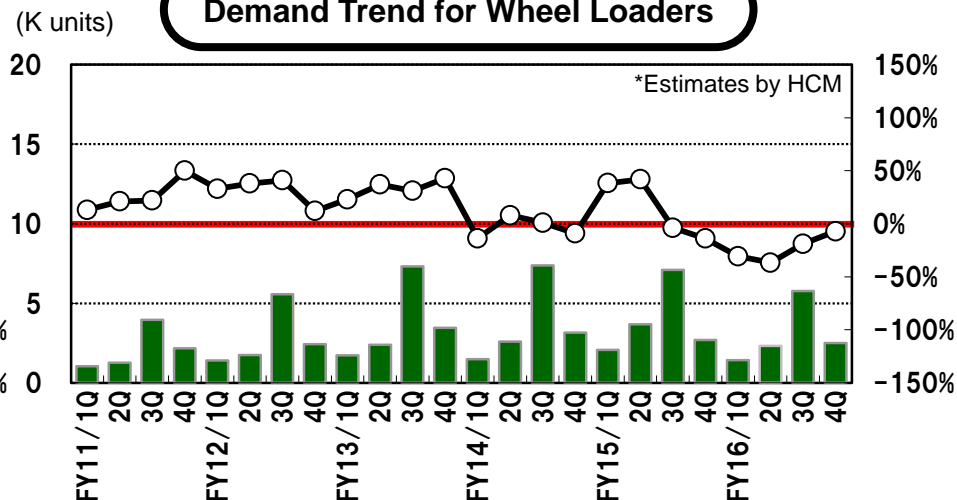
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

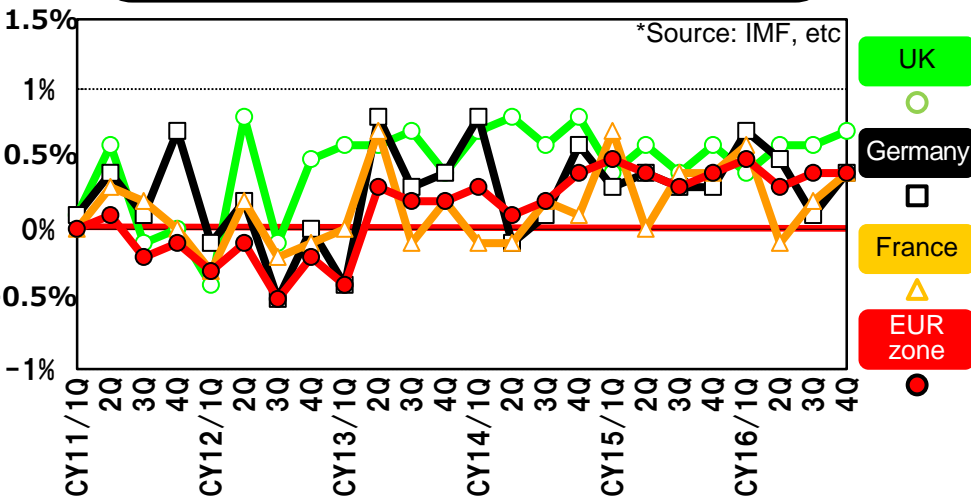


Demand Trend for Wheel Loaders

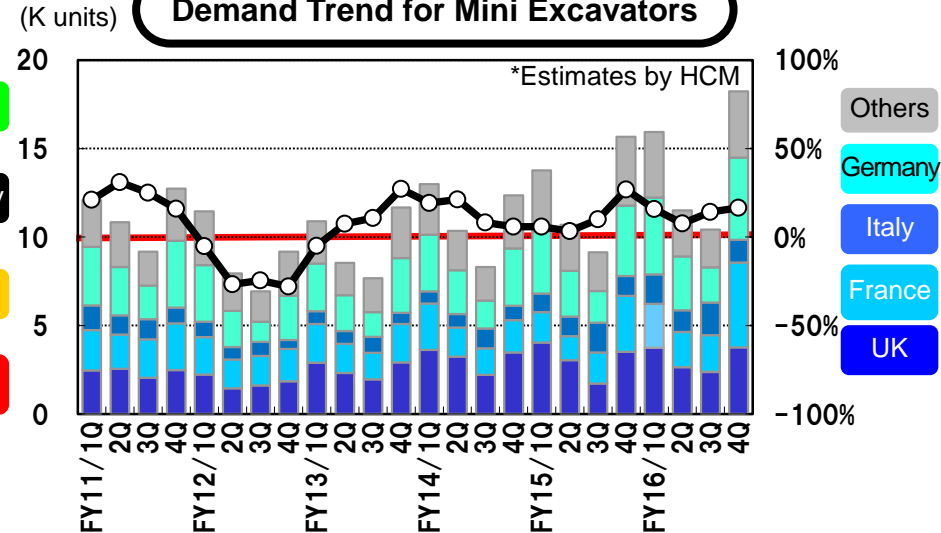


- ◇ FY2016: Demand for hydraulic excavators increased in Europe mainly in France and Germany (increased by 17% y-o-y), and overall demand for mini excavator and wheel loader also increased.
- ◇ FY2017: Overall demand for construction machinery is expected to decrease.

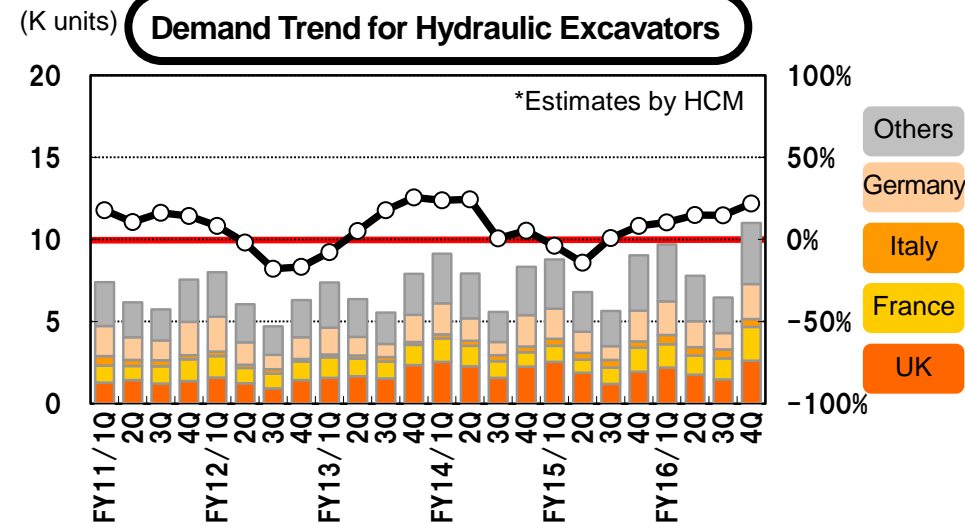
GDP Growth Rate in Major Countries (y-o-y)



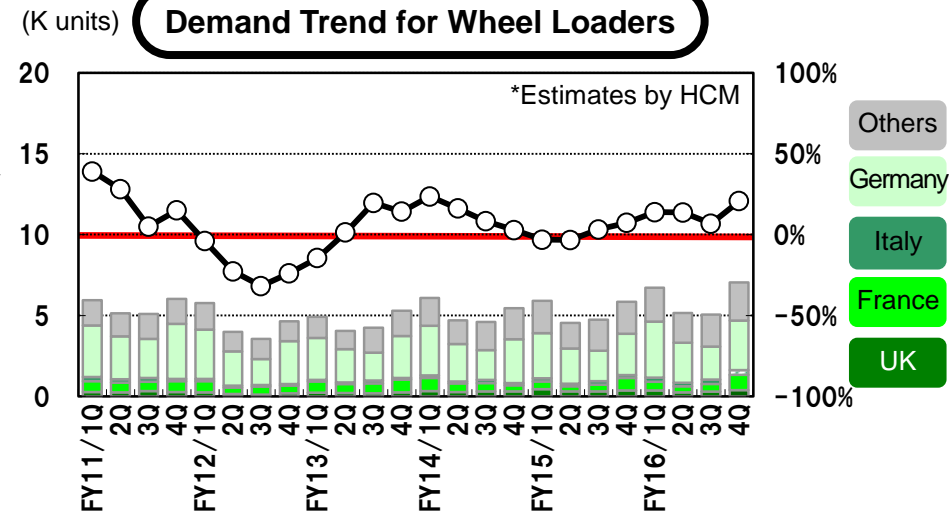
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

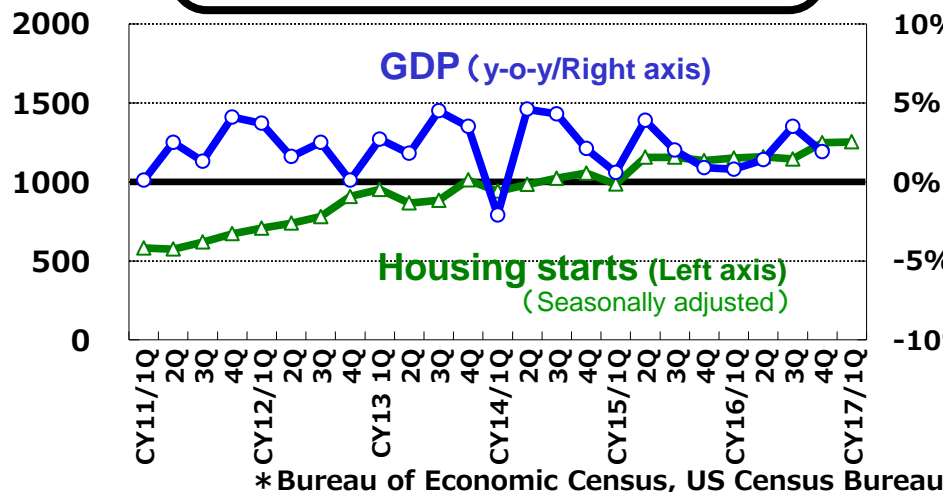


Demand Trend for Wheel Loaders

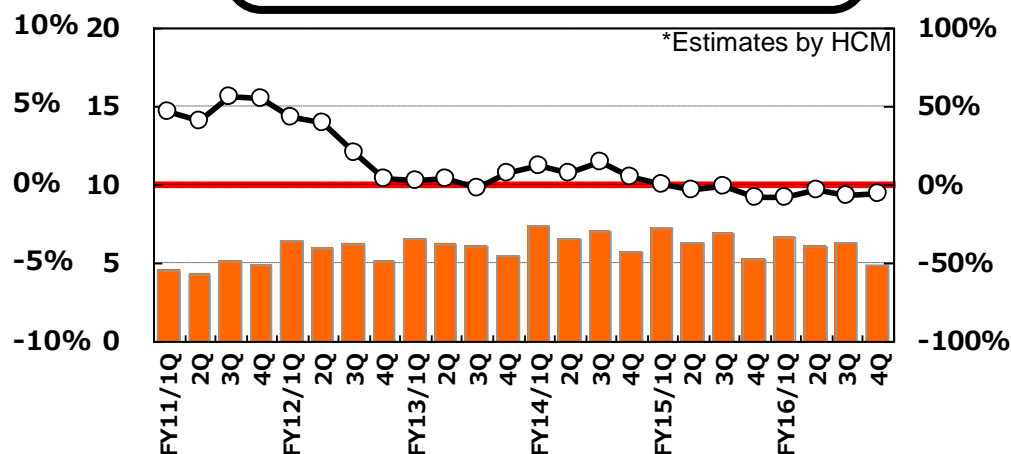
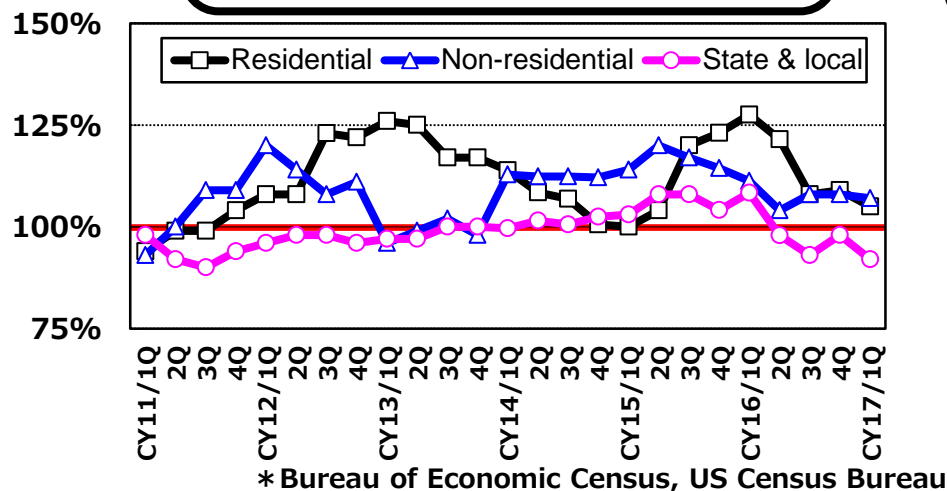


- ◇ FY2016: Despite the decrease in demand for hydraulic excavators, as affected by the stagnation of public construction projects, housing starts were steady, and demand for mini excavators has increased.
- ◇ FY2017: Demand for hydraulic excavators is slightly increasing, and demand for mini excavators is also continuously on an upward trend.

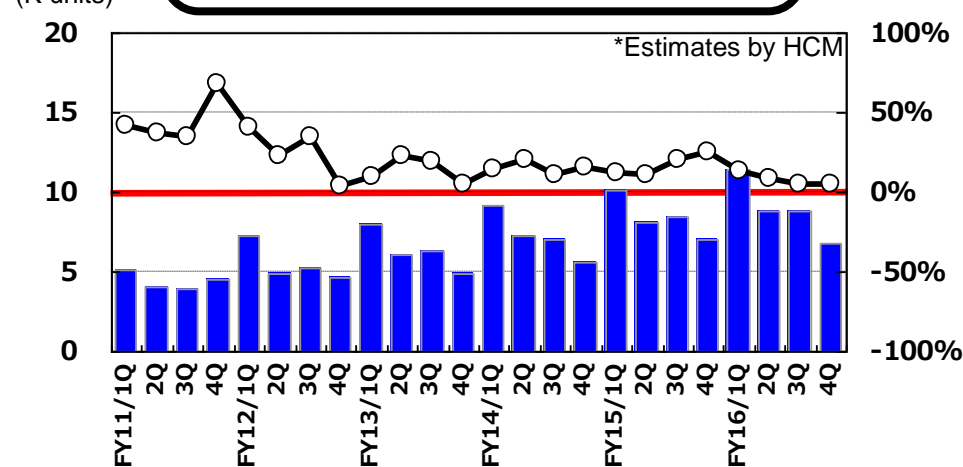
(K units)

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


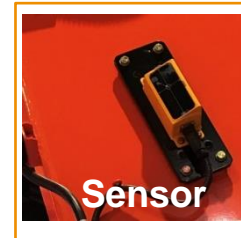
Exhibition at "CONEXPO-CON/AGG 2017" in the U.S.

For 5 days from March 7 to 11, HCM exhibited at "CONEXPO-CON/ AGG 2017" held in Las Vegas, U.S. Over 2,800 companies/organizations from around the world participated during the exhibition period, and we had 128,000 visitors from 150 countries/regions.

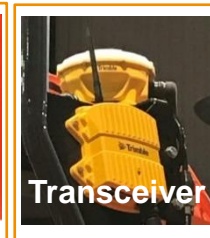
At our booth, we exhibited a total of 9 models, including hydraulic excavators and mini excavators responsive to the latest emissions regulations, ICT hydraulic excavators ZX 210LC-6 and ZX 350LC-6, which are the core machineries of computerized construction solutions, and so on. Our exhibition flourished and was a resounding success.



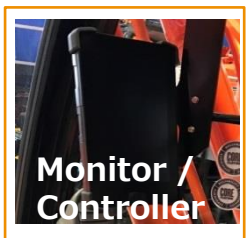
Slope work by semi-automated excavator



Sensor



Transceiver



Monitor / Controller

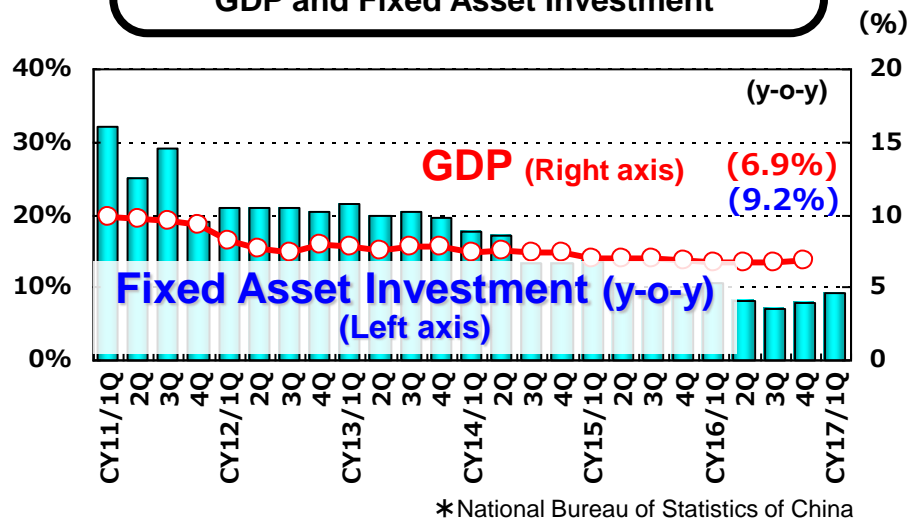


ZX210LC-6

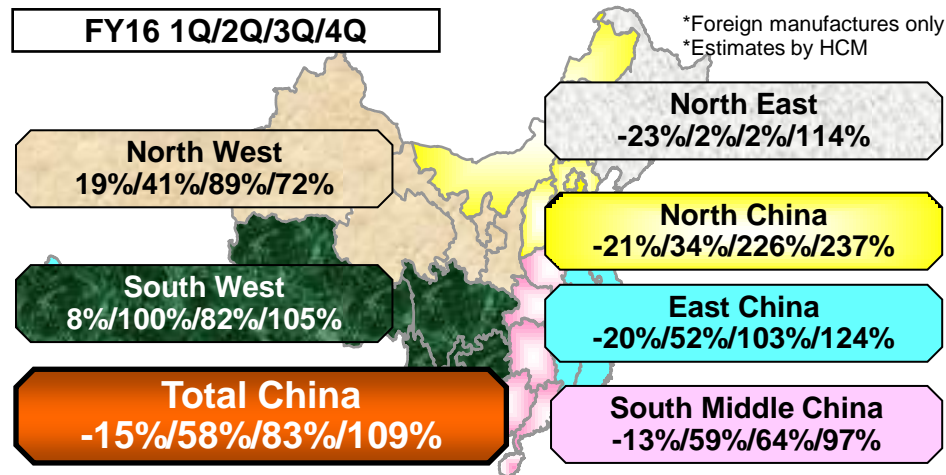
Exhibition booth

- ◇ FY2016: Demand recovered (by 58% y-o-y) in the economy bolstered by public investment.
- ◇ FY2017: Demand is expected to remain brisk.

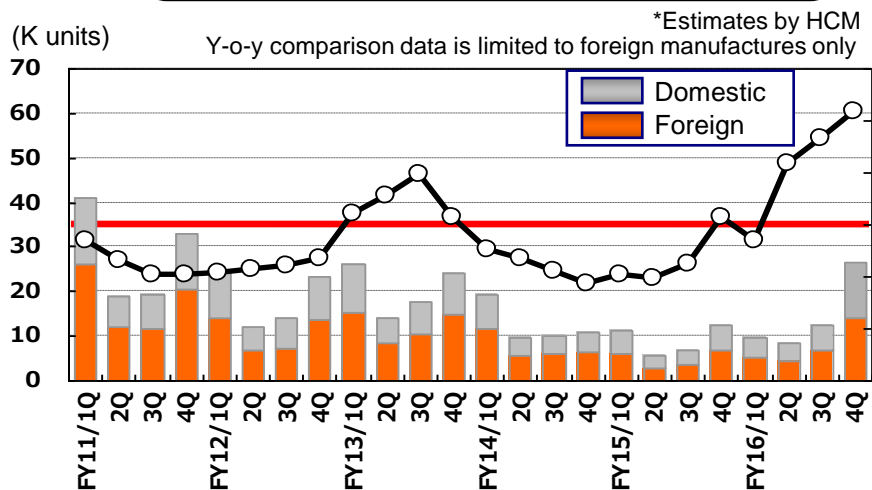
GDP and Fixed Asset Investment



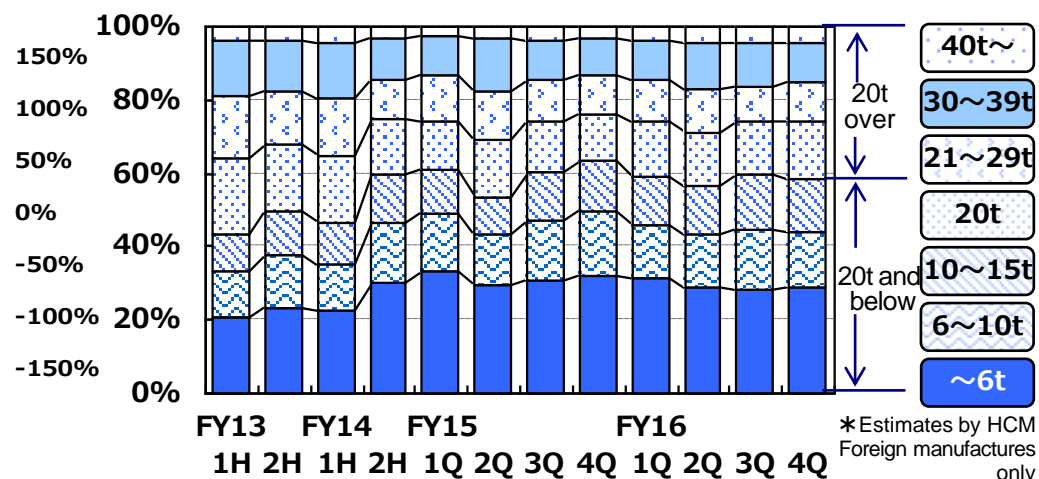
Quarterly Demand for Hydraulic Excavators by Region (y-o-y)



Demand Trend for Hydraulic Excavators



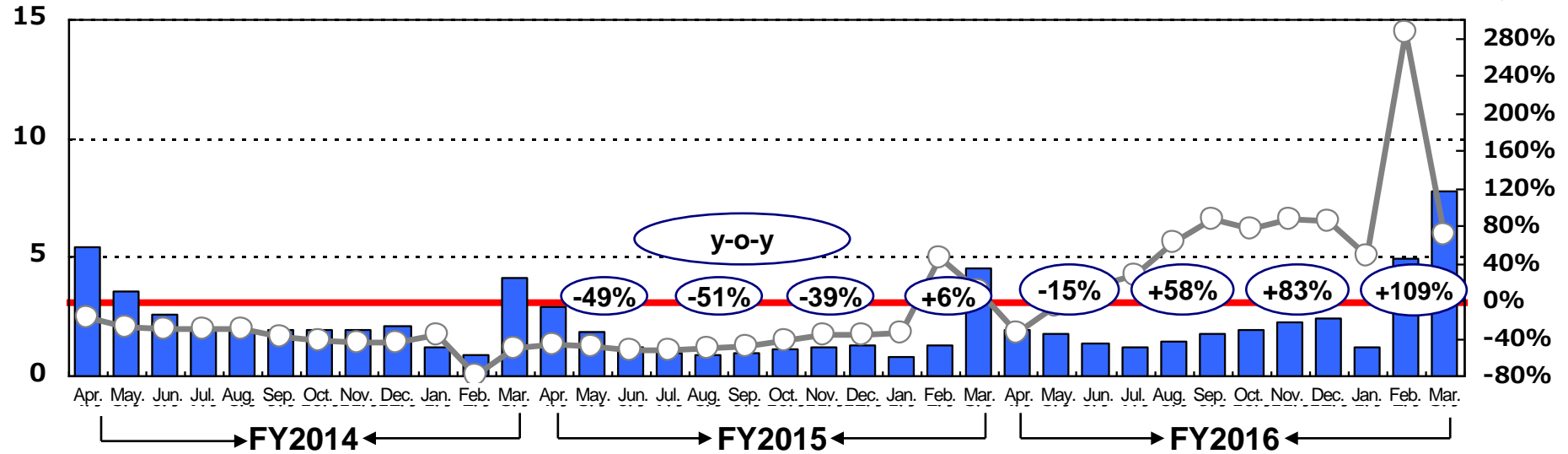
Demand Composition by Class for Mini Excavators and Hydraulic Excavators



(K units)

Monthly Demand Trend for Hydraulic Excavators

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

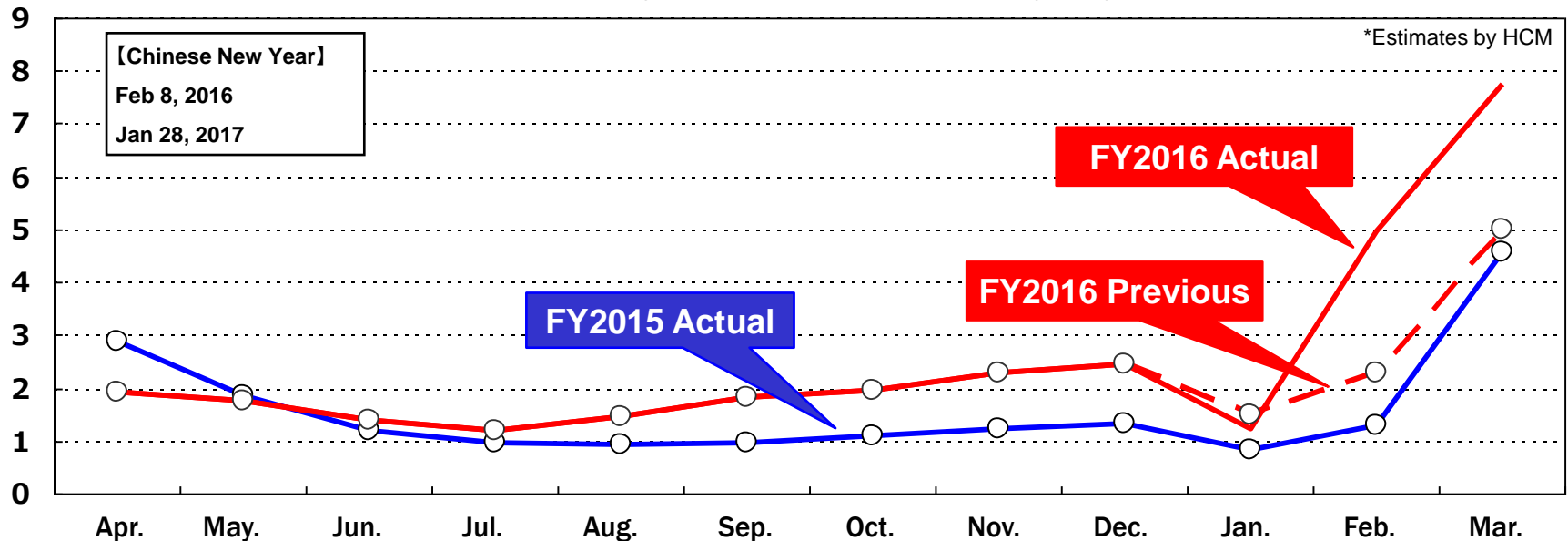


(K units)

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

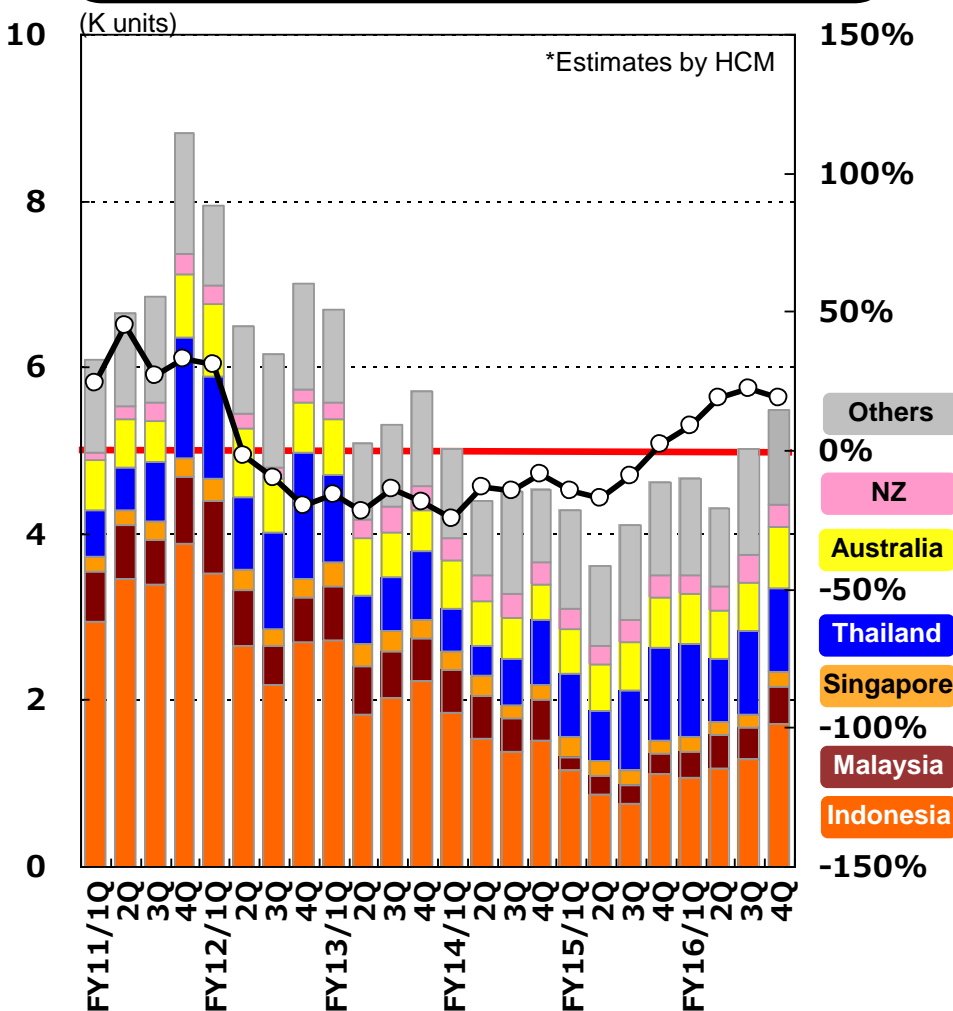
(Foreign Manufactures only)

*Estimates by HCM

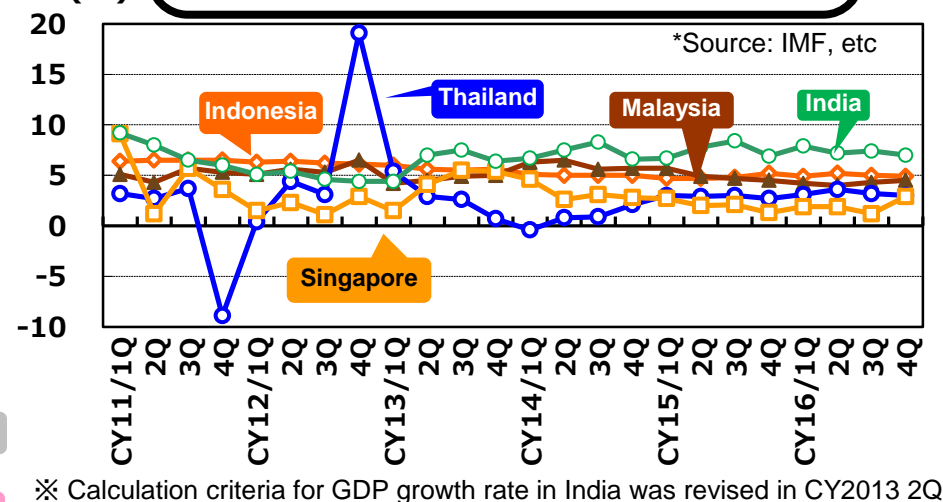


- ◇ FY2016: Overall demand increased, underpinned by the strong growth in Indonesia and Malaysia (increased by 17% y-o-y). Demand significantly increased in India, mainly for infrastructure investment, such as railways and roads.(increased by 47% y-o-y),
- ◇ FY2017: Demand in Asia and Oceania remains flat, while demand in India is expected to increase continuously.

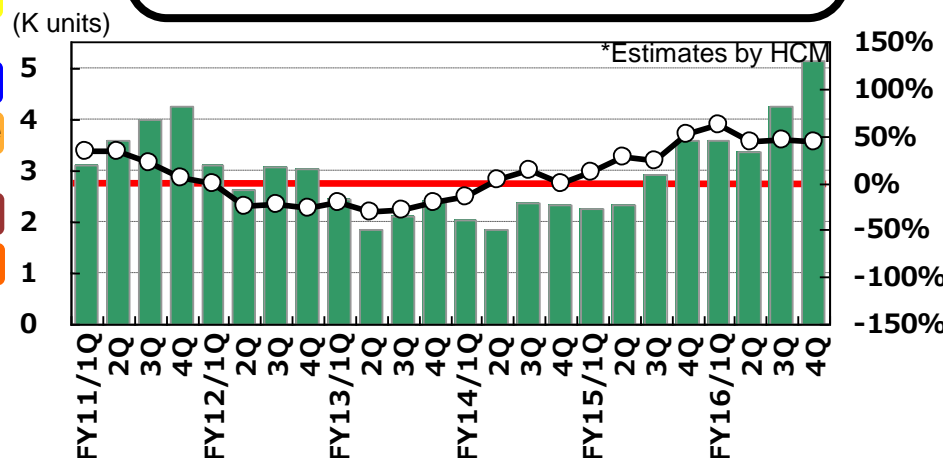
Demand Trend for Hydraulic Excavators in Asia & Oceania



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



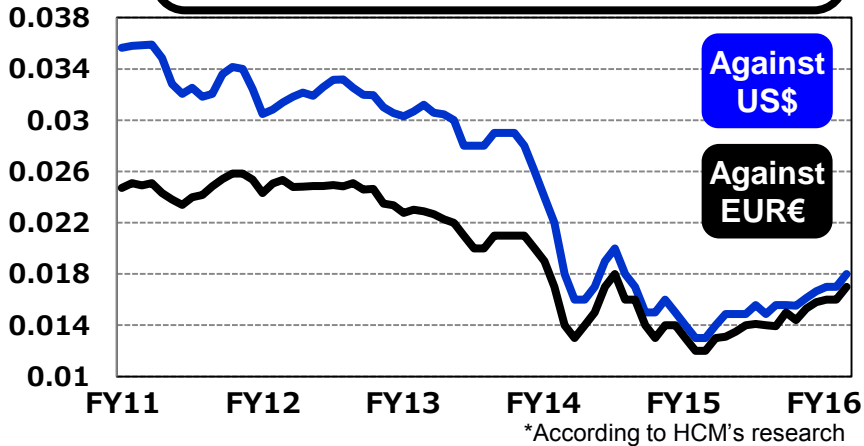
Demand Trend for Hydraulic Excavators in India



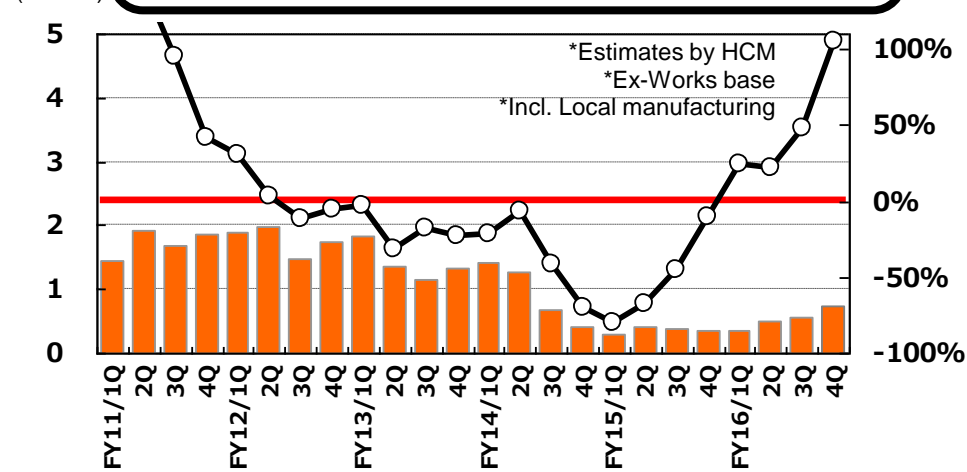
【Russia】 Demand is bottoming out and on a recovery trend, underpinned by revival of crude oil prices.

【Middle East】 Demand for hydraulic excavators significantly decreased, mainly around the Gulf countries.

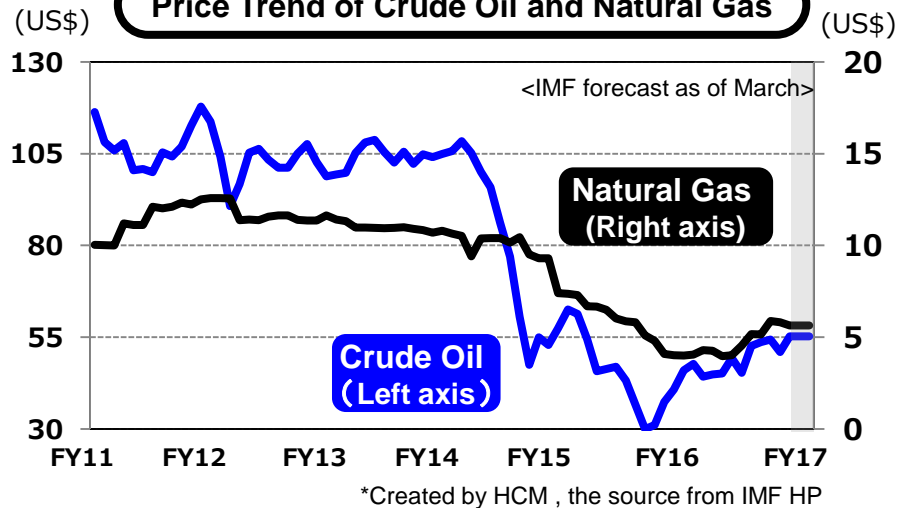
Foreign Exchange Rate of the Ruble



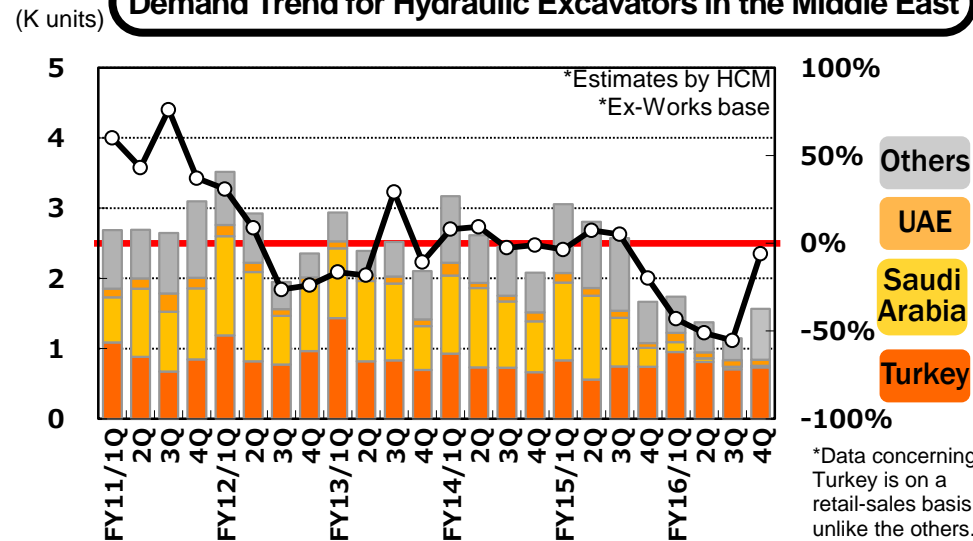
Demand Trend for Hydraulic Excavators in Russia



Price Trend of Crude Oil and Natural Gas

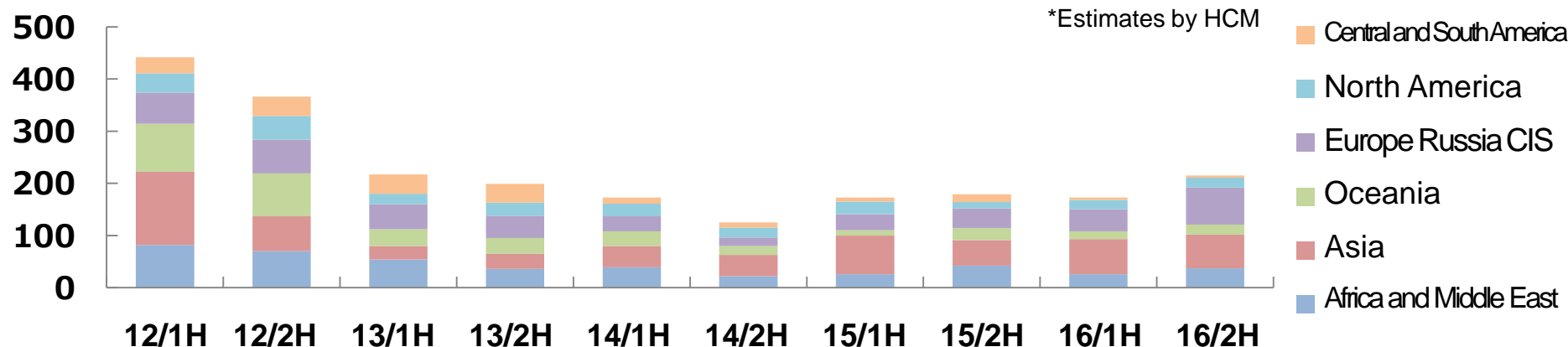


Demand Trend for Hydraulic Excavators in the Middle East

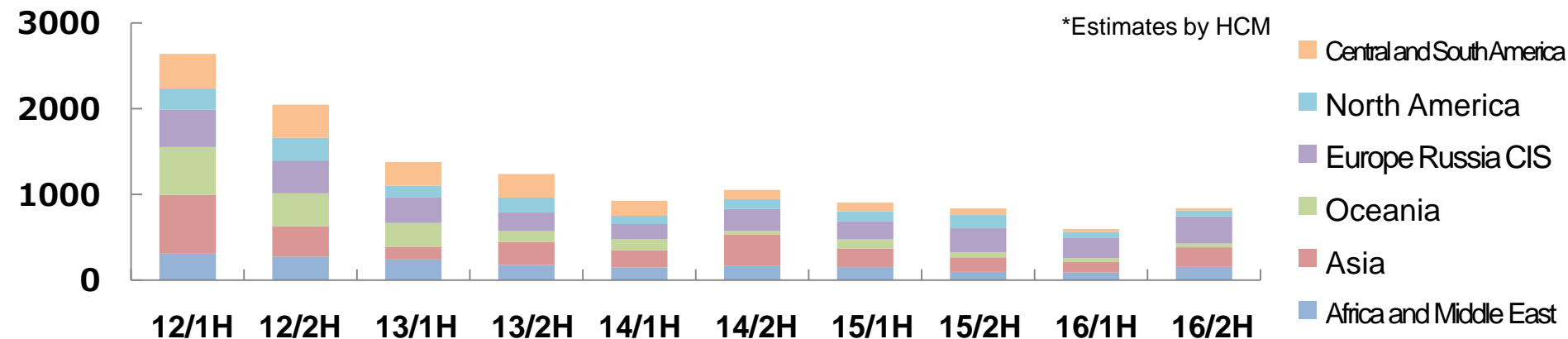


- ◇ Ultra-large excavators: Demand increased in Russia/CIS region and Asia in the FY2016 full year.
- ◇ Trucks: Demand increased in Russia/CIS region, while demand significantly decreased in North and Latin America and Oceania.

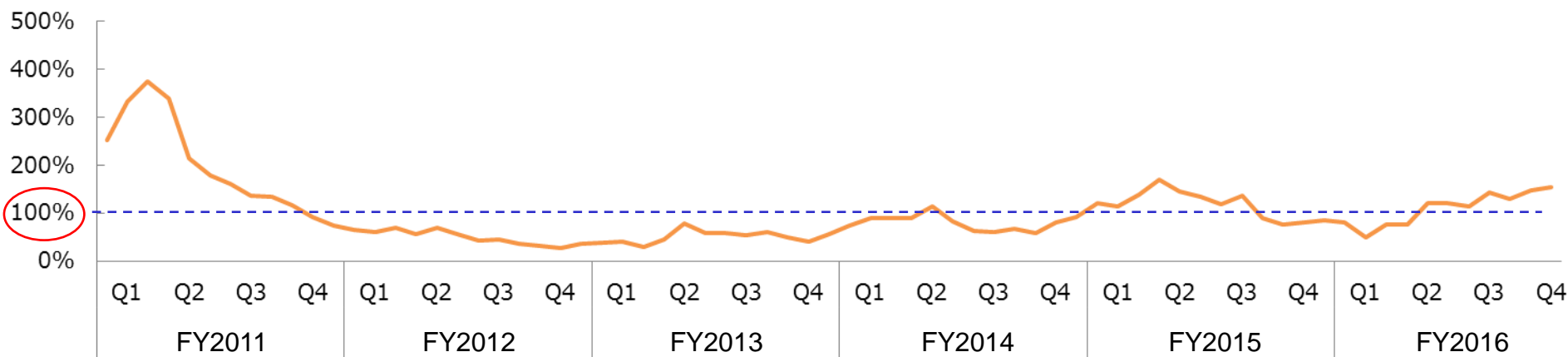
(Units) Demand proportion by region: Ultra-large Excavator (over 100t)



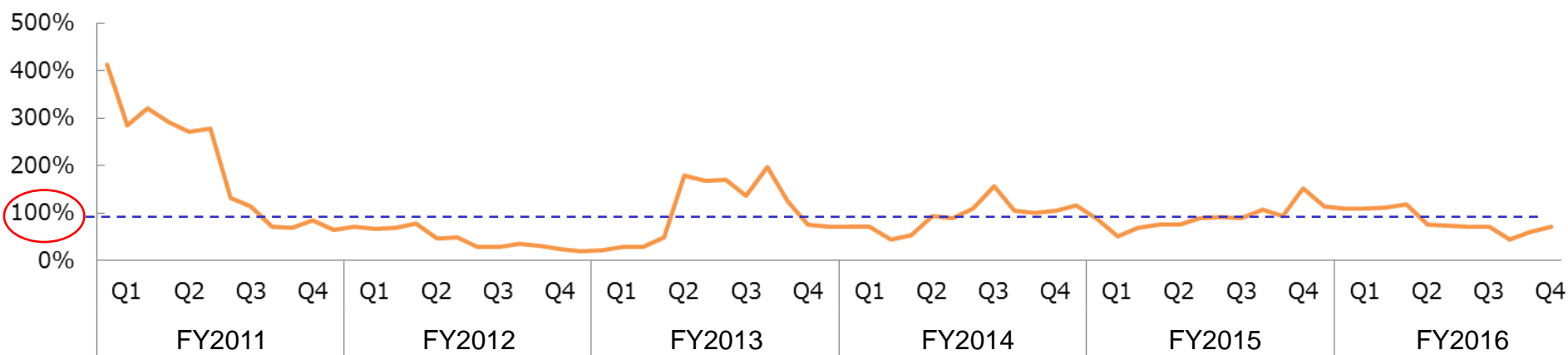
(Units) Demand proportion by region: Truck (over 55t)



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)

Order for Motorized Excavators for Indian Coal Mines

- We received a new order of 6 units of EX2600-6 motorized model excavators from the Indian coal mines for which we had fulfilled and delivered an order for 8 units of EX1900-6 in FY2016.
- Delivery of the 6 new units is scheduled for the second half of 2017.
- We seek to build a solid position in the Indian market by leveraging the growing need for ultra-large excavators.



Reference photo EX1900-6LD



Reference photo EX2600-6BH

Completion of Takeover Offer of Bradken in Australia



We have completed the takeover offer of Bradken Limited. In addition to manufacturing casting parts for the mining and infrastructure industries, Bradken Limited provides mining equipment, wear parts in mining, maintenance services, etc. Bradken's business is wide-ranging across the global value chain.

The acquisition of Bradken will complement and bolster the parts service business in the Company's mining business and is expected to bring further improvement in business income stability and profitability through mutual utilization of a global network.

(Reference: FY2016 actual sales are AUD1,138 million)



[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

