


## Business Result for the Second Quarter ended September 30, 2017 Regional Market Environments and Projections



October 25, 2017

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

# Global Demand Trend for Hydraulic Excavators

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HITACHI

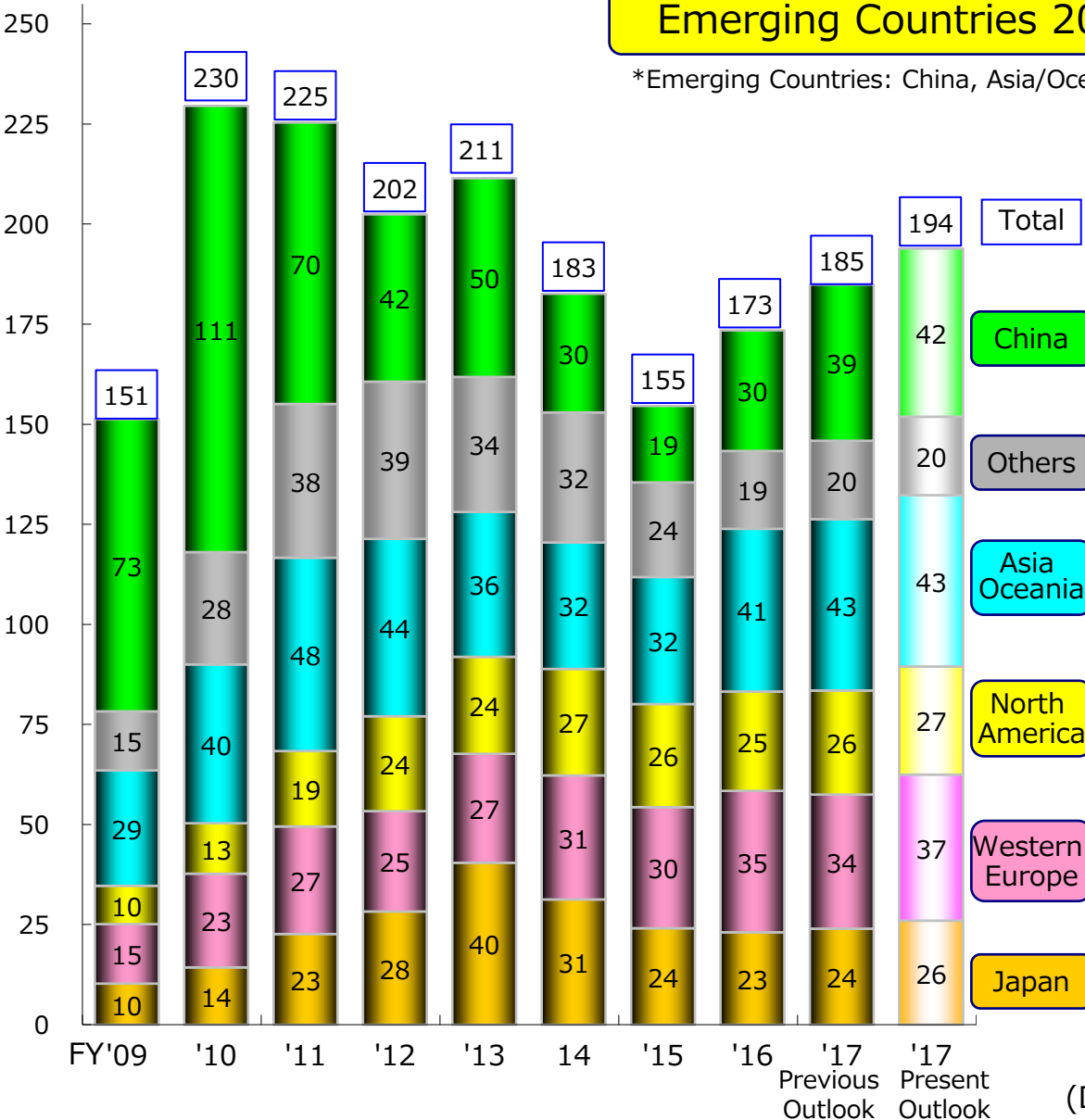
Reliable solutions

\* Estimates by HCM , Excluding Chinese manufacturer

(K Units)

Emerging Countries 2017 : 54% (Y-o-Y Change:+2%)

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



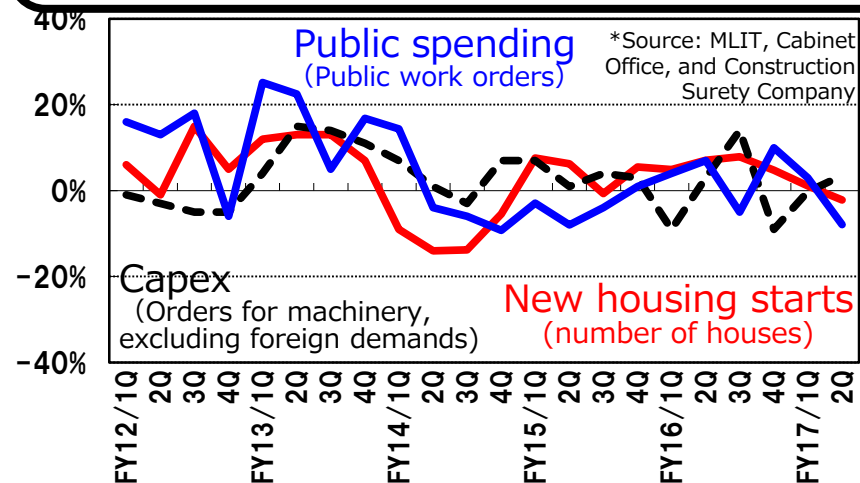
## Year-on-Year Change

	'16	'17 Previous Outlook	'17 Present Outlook
<b>Total</b>	<b>+12%</b>	<b>+7%</b>	<b>+12%</b>
<b>China</b>	<b>+58%</b>	<b>+29%</b>	<b>+39%</b>
Russia, CIS, E Europe	<b>+23%</b>	<b>+14%</b>	<b>+15%</b>
Africa	<b>+13%</b>	<b>-12%</b>	<b>-12%</b>
Middle East	<b>-45%</b>	<b>+3%</b>	<b>+3%</b>
Latin America	<b>-15%</b>	<b>-2%</b>	<b>-2%</b>
<b>Others</b>	<b>-18%</b>	<b>+0%</b>	<b>+0%</b>
India	<b>+44%</b>	<b>+16%</b>	<b>+16%</b>
Indonesia	<b>+36%</b>	<b>+14%</b>	<b>+29%</b>
Others	<b>+16%</b>	<b>-5%</b>	<b>-10%</b>
<b>Asia &amp; Oceania</b>	<b>+28%</b>	<b>+5%</b>	<b>+5%</b>
<b>N America</b>	<b>-4%</b>	<b>+5%</b>	<b>+9%</b>
<b>W Europe</b>	<b>+17%</b>	<b>-5%</b>	<b>+3%</b>
<b>Japan</b>	<b>-4%</b>	<b>+4%</b>	<b>+13%</b>

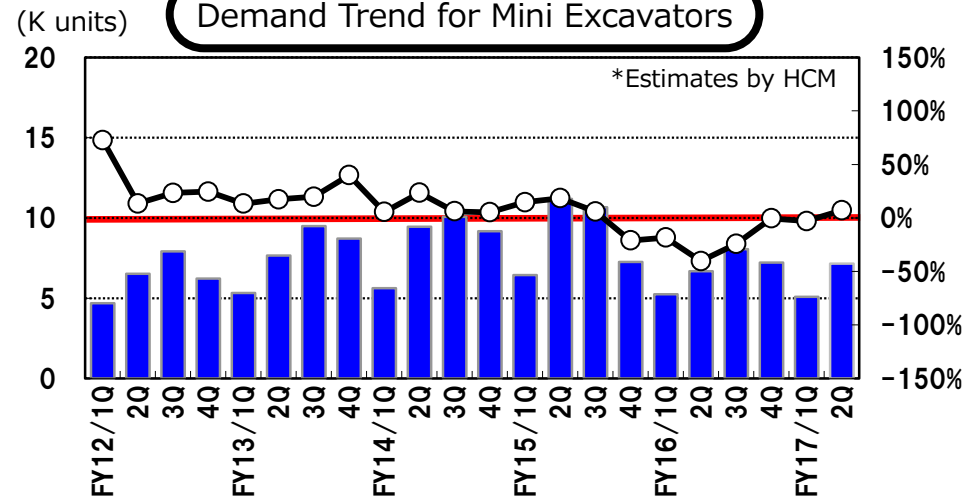
(Distributing, copying, or forwarding prohibited)

- ◇ While public investment and housing investment decreased, capital investment has recovered.
- ◇ Regarding demand for construction machinery from April to September 2017, demand for hydraulic excavators and wheel loaders significantly increased (41% and 31% y-o-y, respectively). This was driven by last-minute demands in anticipation of the new emissions regulations.

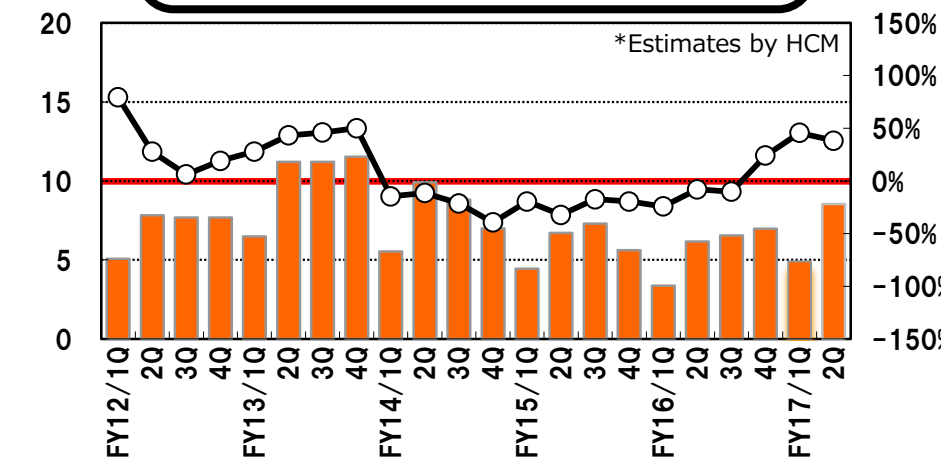
Market Environment: Housing/Public Spending and Capex (y-o-y)



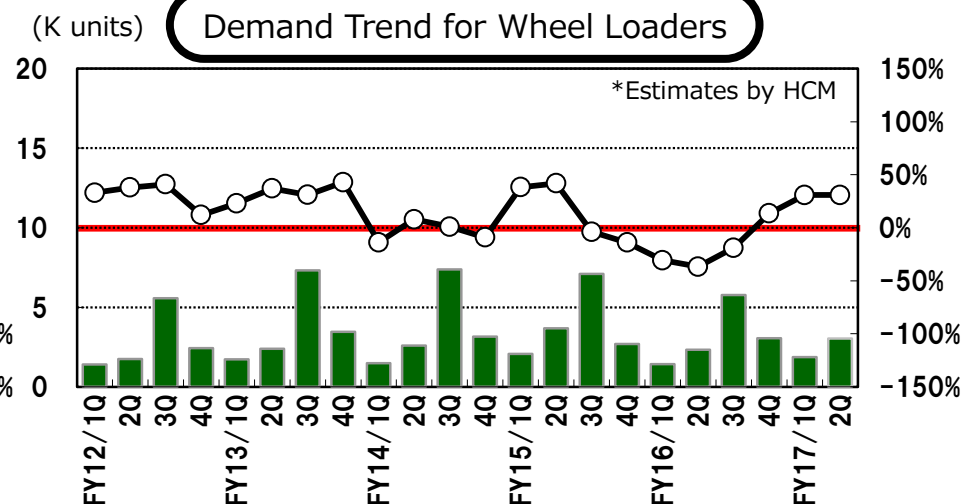
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

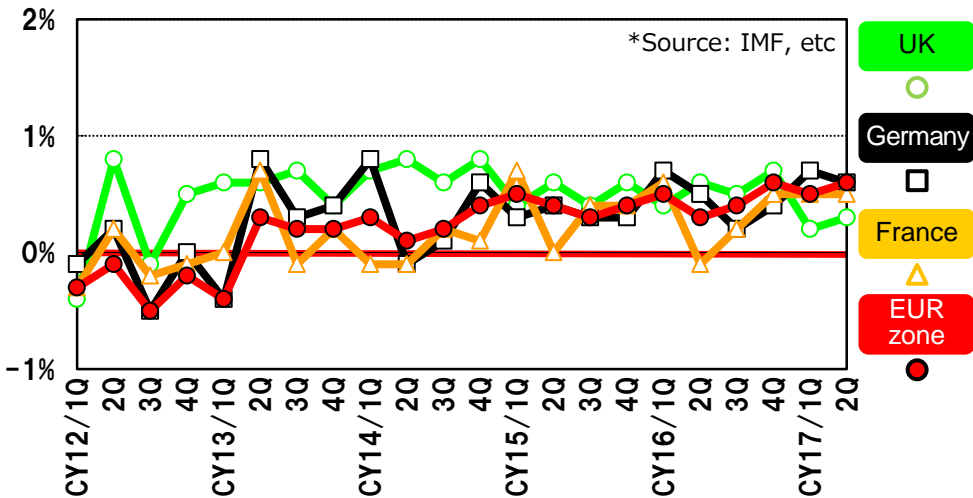


Demand Trend for Wheel Loaders

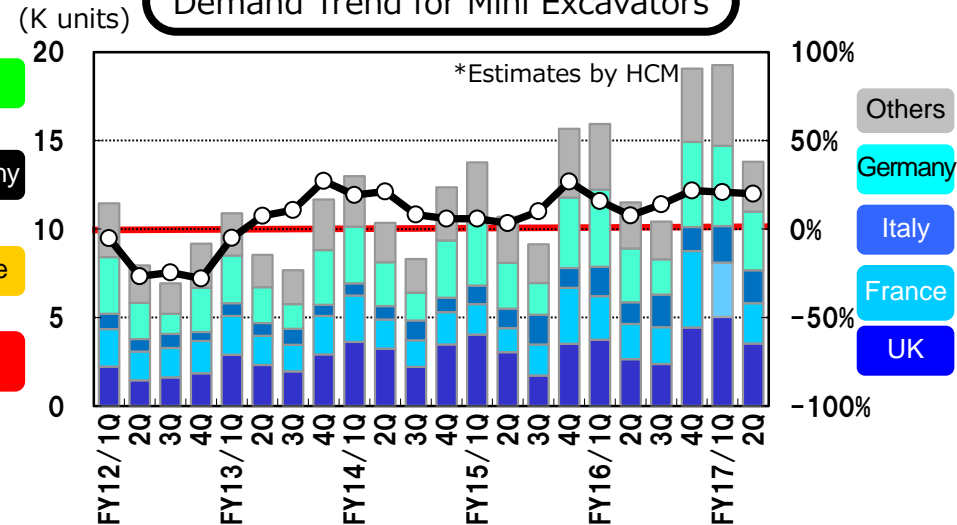


- ◇ GDP showed solid growth throughout the Euro zone.
- ◇ Demand for hydraulic excavators and wheel loaders remained brisk. Demand for mini excavators significantly increased (20% y-o-y), mainly in the UK and Italy.

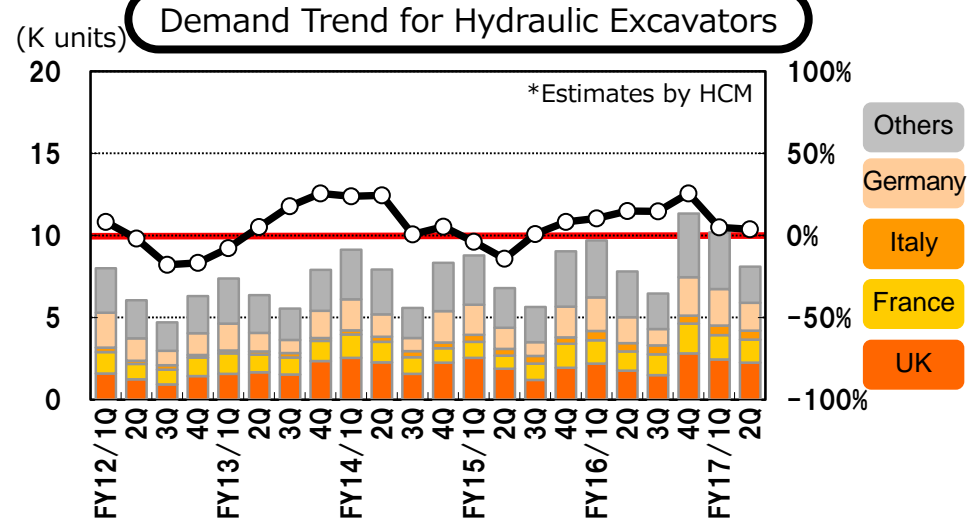
GDP Growth Rate in Major Countries (y-o-y)



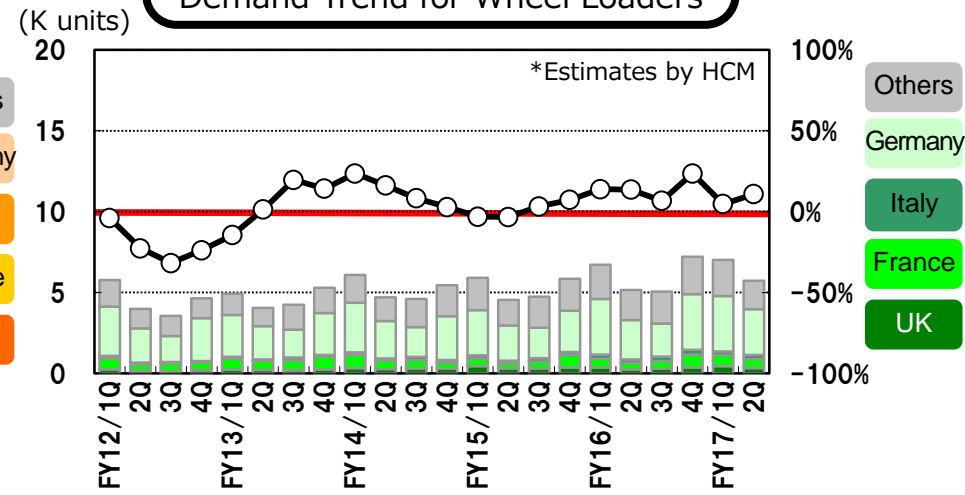
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



Demand Trend for Wheel Loaders



# New service "ConSite OIL" has been launched.

Industry first

Patent pending

24-7 monitoring by oil sensor

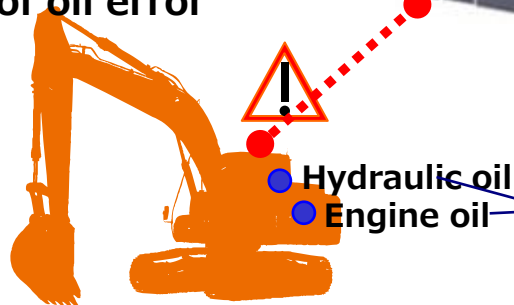
Failure prediction of engine and hydraulic components

## Customer benefits

- Reduction of machine down time  
(improved machine availability)
- Reduction of life cycle cost  
(failures of components are mostly caused by oil)

### Occurrence of error

"Direct" sensing of oil error



Globale-Service



ConSite

Consolidated Solution for Construction Sites



Equipped with oil-monitoring sensor

HCM Dealer



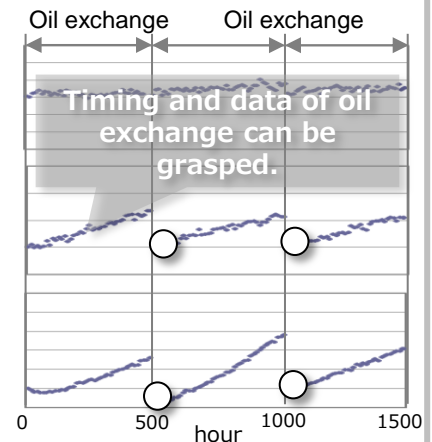
Proposal for preventive maintenance based on oil error



Customer

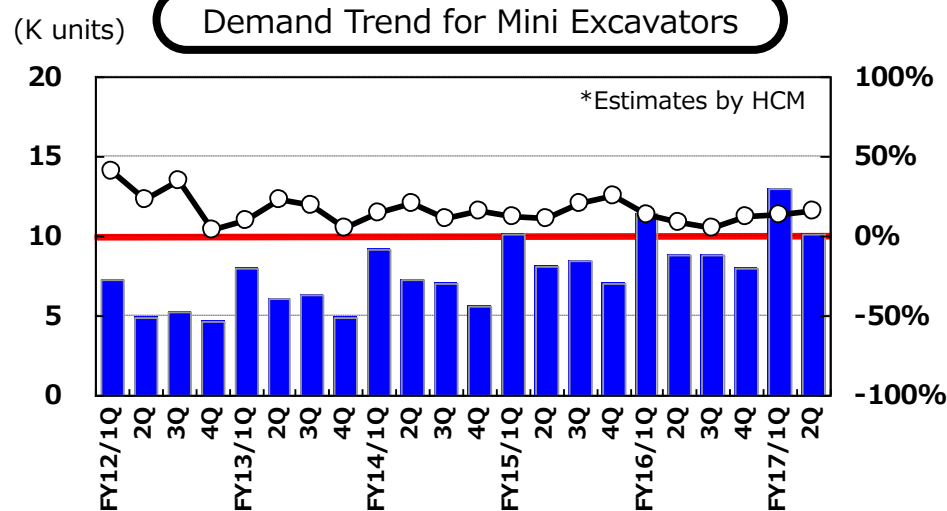
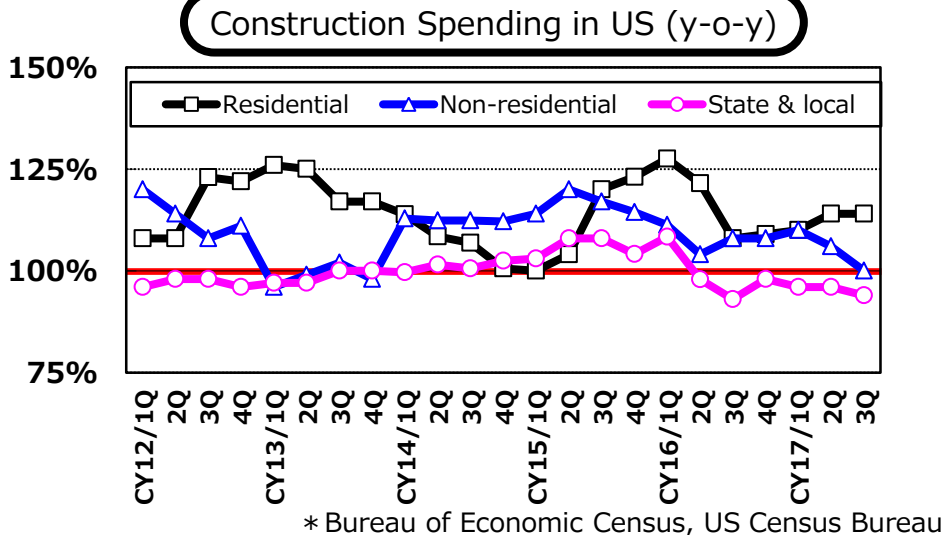
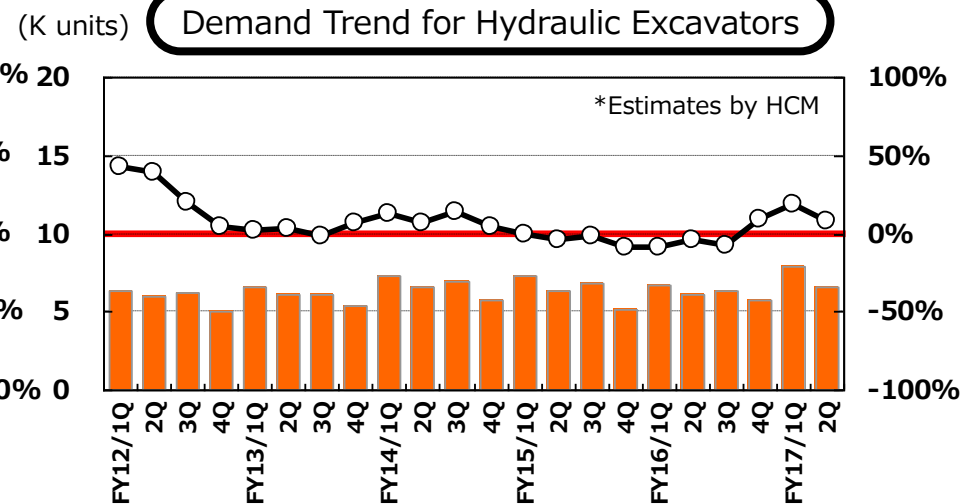
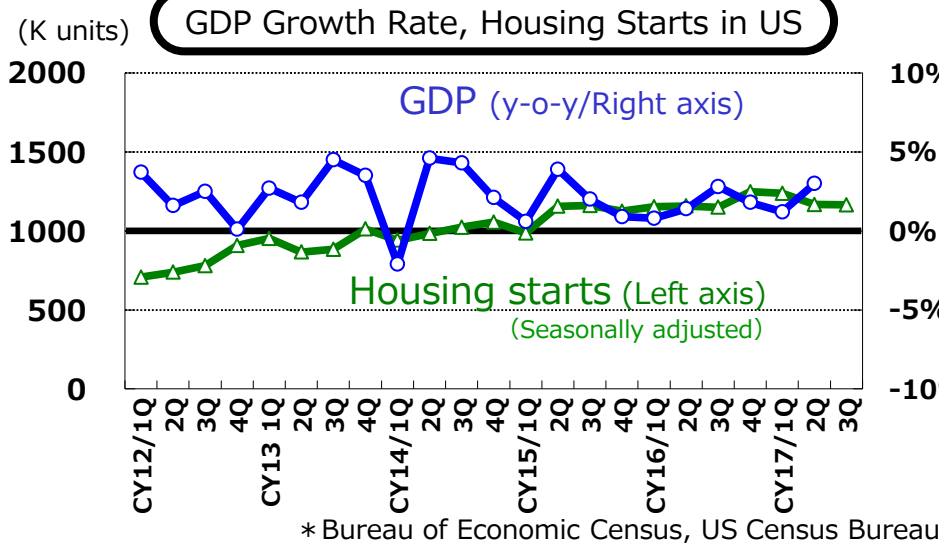


During normal operation



To be launched in Europe and Australia in October 2017

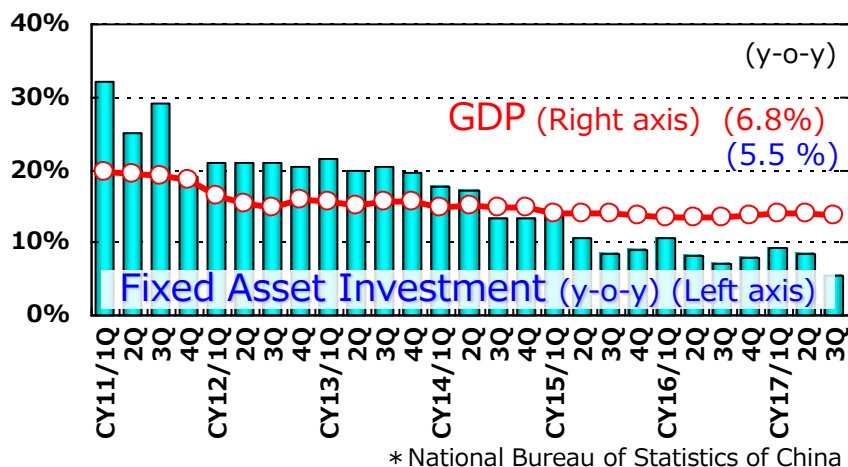
- ◇ Housing starts remained brisk, and residential construction spending continuously increased.
- ◇ Demand for hydraulic/mini excavators continuously increased (13% and 14% y-o-y, respectively).



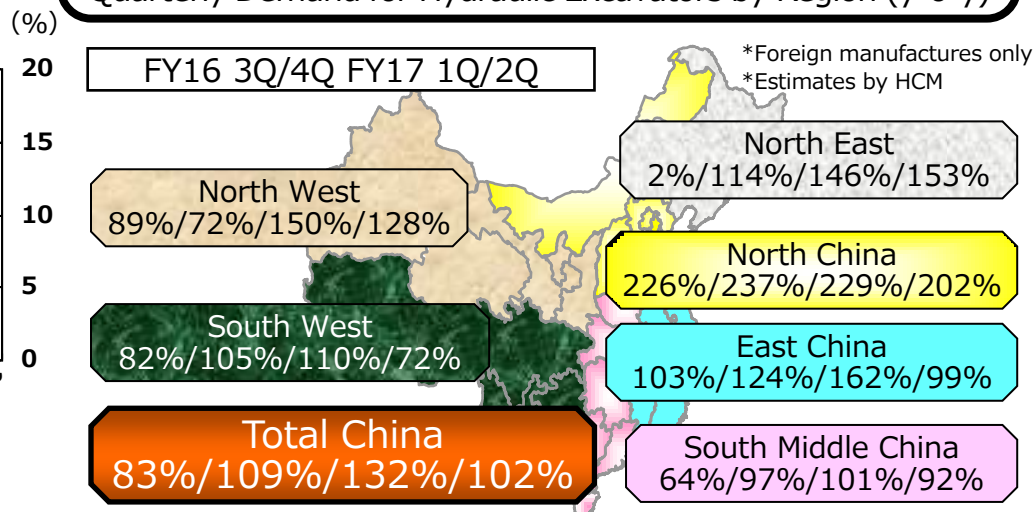


- ◇ The GDP growth rate from April to September 2017 remained stable at around 6.8%.
- ◇ Significant increase in demand for hydraulic excavator continued (2.2 times y-o-y), mainly due to increased public investment.

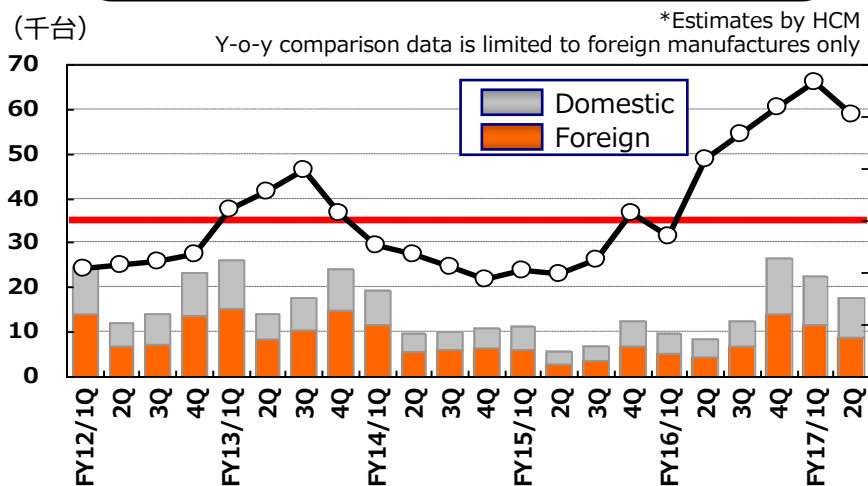
GDP and Fixed Asset Investment



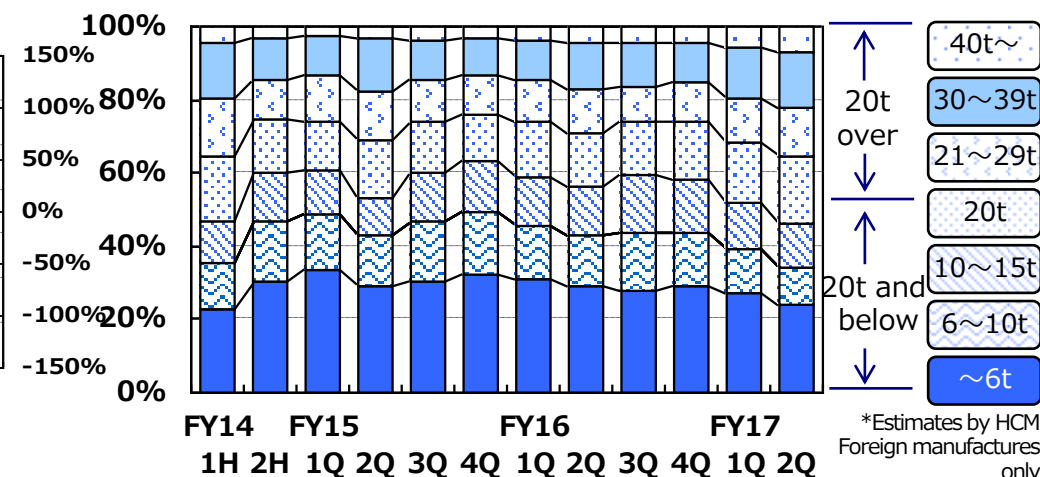
Quarterly Demand for Hydraulic Excavators by Region (y-o-y)



Demand Trend for Hydraulic Excavators



Demand Composition by Class for Mini Excavators and Hydraulic Excavators



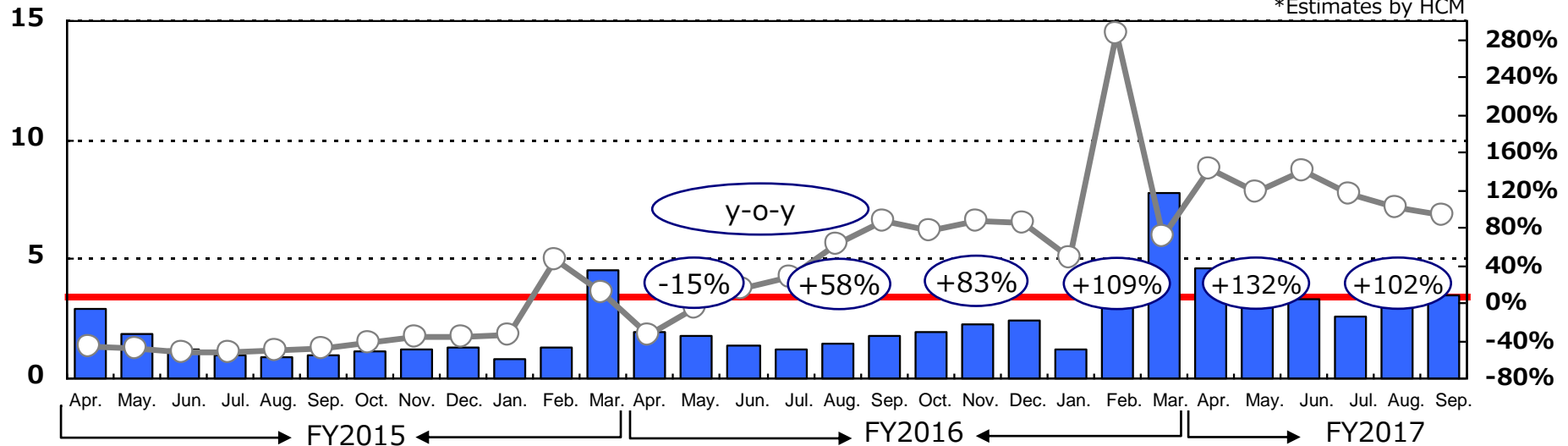
(K units)

## Monthly Demand Trend for Hydraulic Excavators

(Foreign Manufactures only)

(Compared to the same month in the previous year)

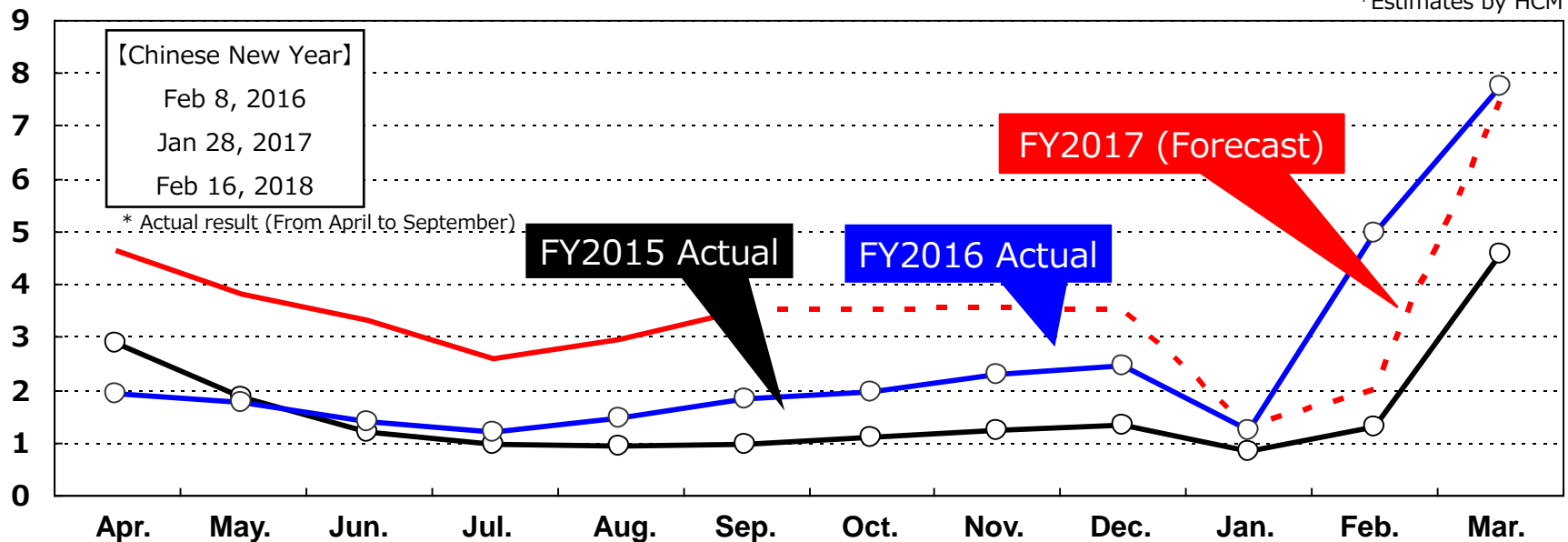
\*Estimates by HCM



(K units)

### Demand Trend for Hydraulic Excavators (y-o-y) (Foreign Manufactures only)

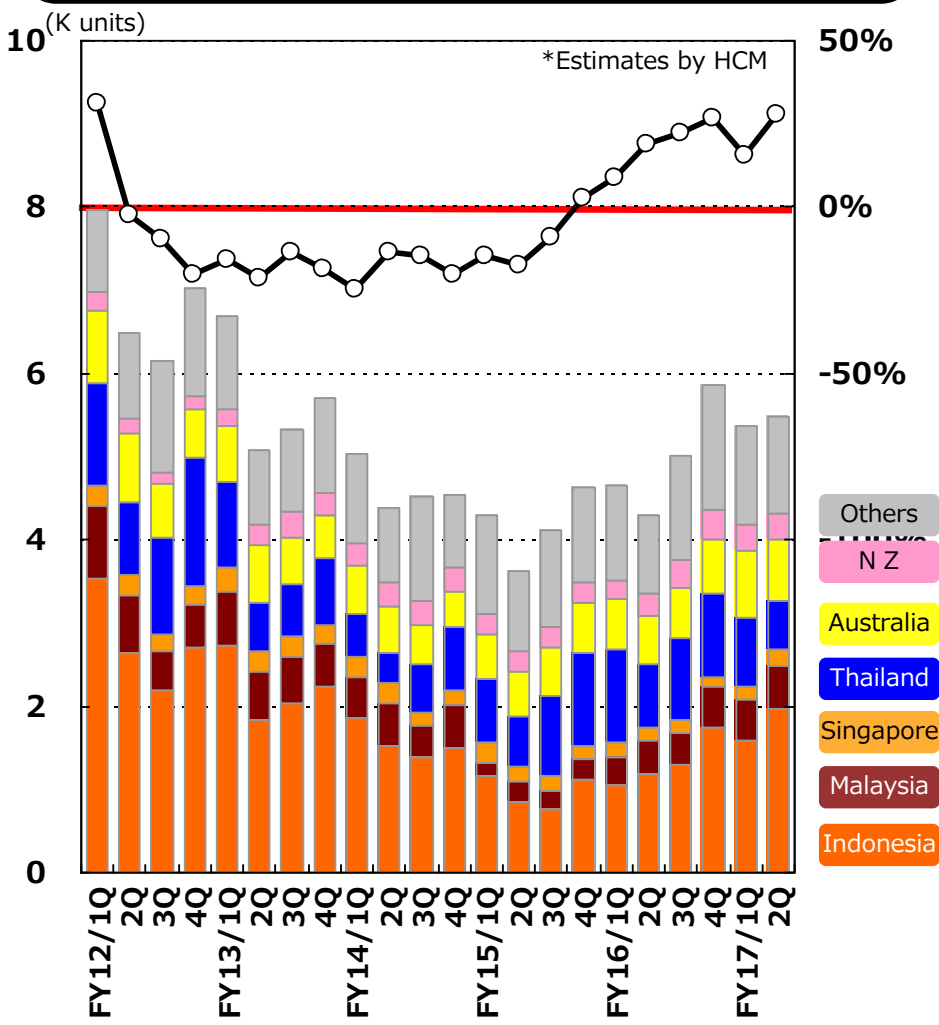
\*Estimates by HCM



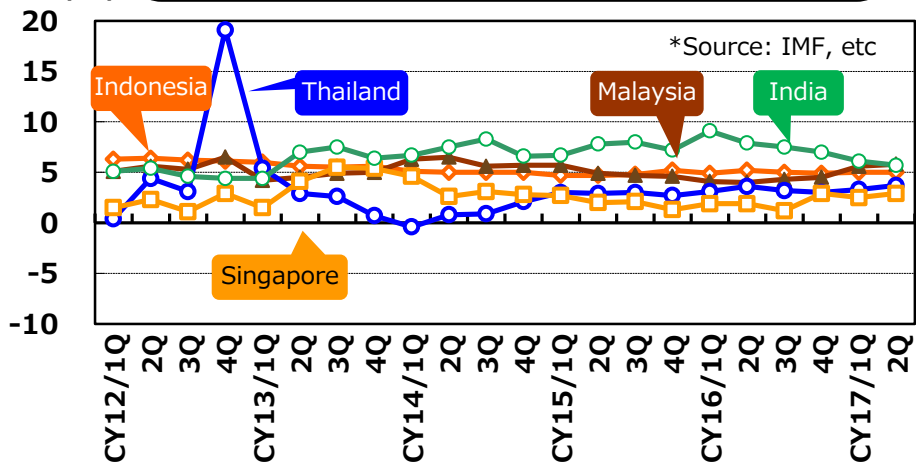


- ◇ Demand for hydraulic excavator significantly increased in Indonesia, Malaysia and Australia. Despite a decrease in Thailand, demand has increased in the entire Asia Pacific region (21% y-o-y).
- ◇ Demand for hydraulic excavator increased in India (16% y-o-y), mainly for infrastructure investments, such as railways and roads.

## Demand Trend for Hydraulic Excavators in Asia & Oceania

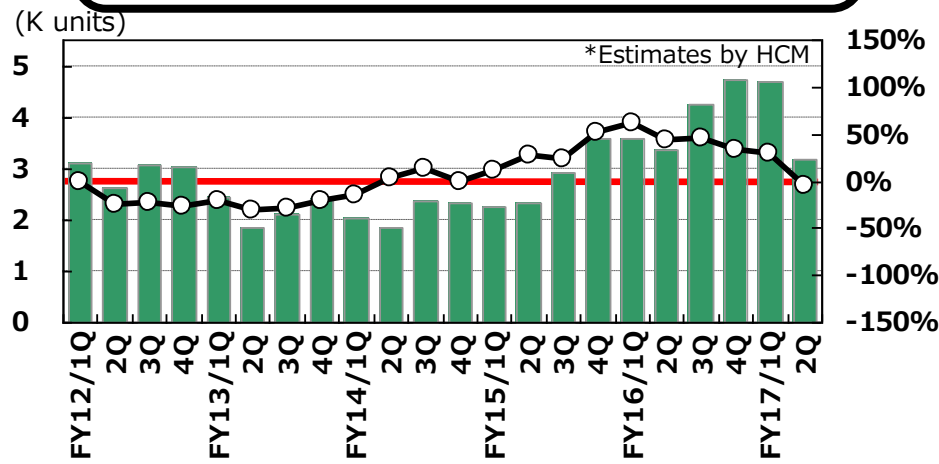


## GDP Growth Rate in Major Countries (y-o-y)



\* Calculation criteria for GDP growth rate in India was revised in CY2013 2Q

## Demand Trend for Hydraulic Excavators in India



## HCM is participating in the Japan-India Public-Private Partnership Project "Manufacturing Skill Transfer Promotion Programme."



With the certification of the METI, we will promote the Japan-India Institute for Manufacturing (\*JIM) initiatives to cultivate human resources capable of playing a central role in India's manufacturing sites, at educational facilities within the Dharwad Works premises owned by Tata Hitachi.

\*JIM : Japan-India Institute for Manufacturing

### ■ Tata Hitachi Company Overview

Company name:

Tata Hitachi Construction Machinery  
Company Private Limited

Revenue in India:

Approximately ¥ 48.6 billion (based on FY2016  
HCM consolidated results)

Number of employees: 2,052 (as of March 31, 2017)

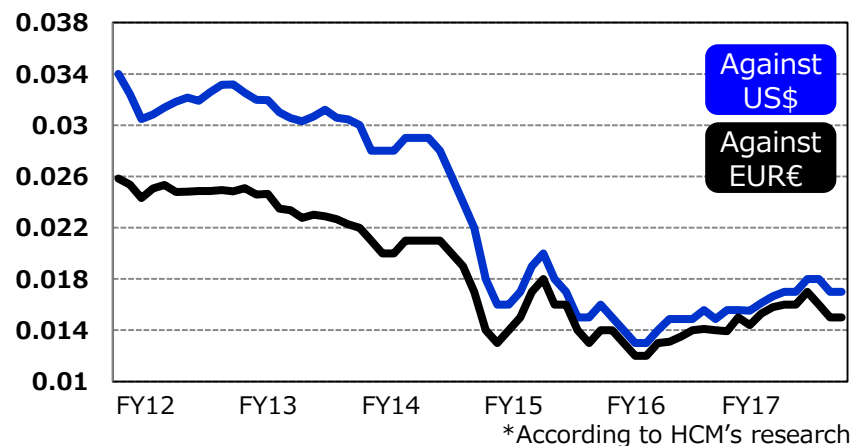
Number of manufacturing bases: 3



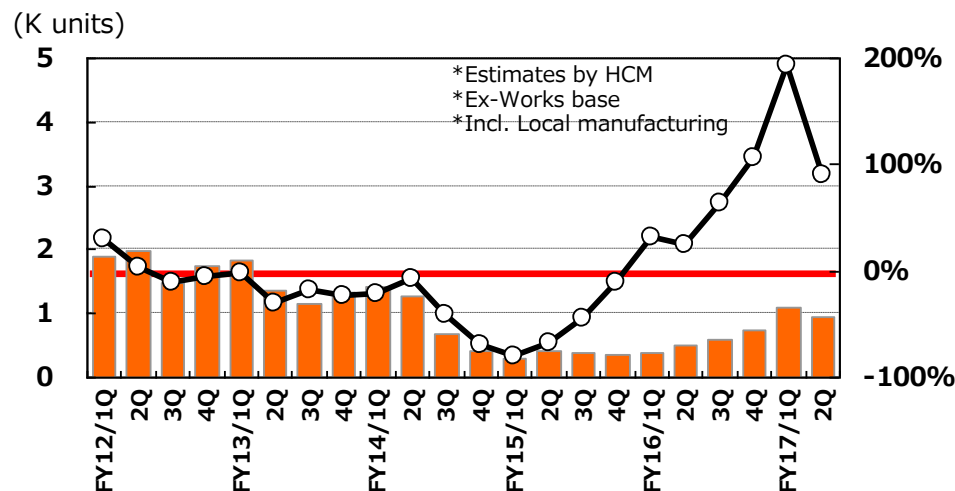
<The Dharwad factory of Tata Hitachi, the planned venue for the JIM project>

- ◇ In Russia, demand increased, underpinned by revival of crude oil prices.
- ◇ In the Middle East, demand continuously decreased, mainly around the Gulf countries.

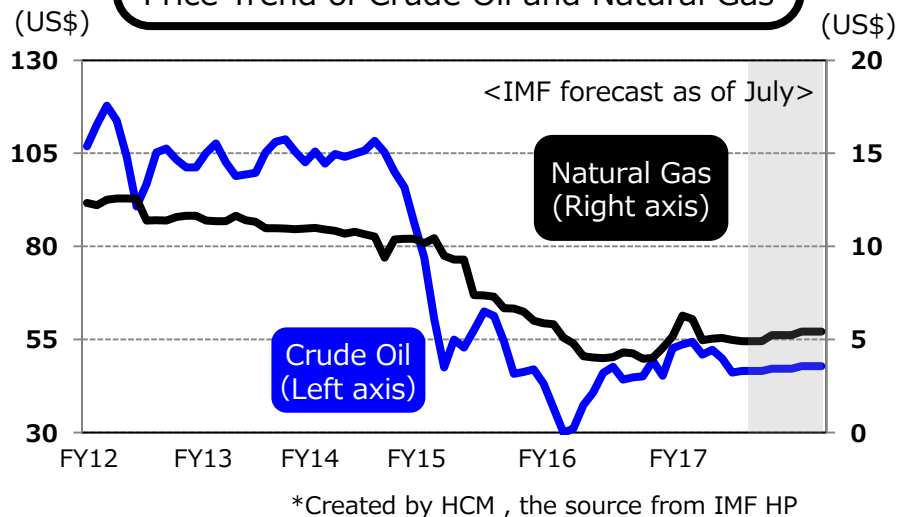
## Foreign Exchange Rate of the Ruble



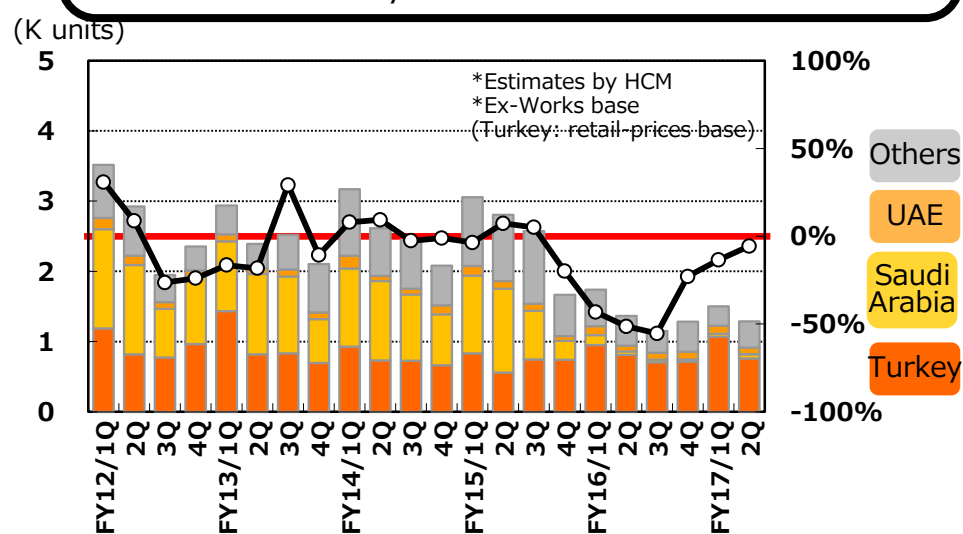
## Demand Trend for Hydraulic Excavators in Russia



## Price Trend of Crude Oil and Natural Gas

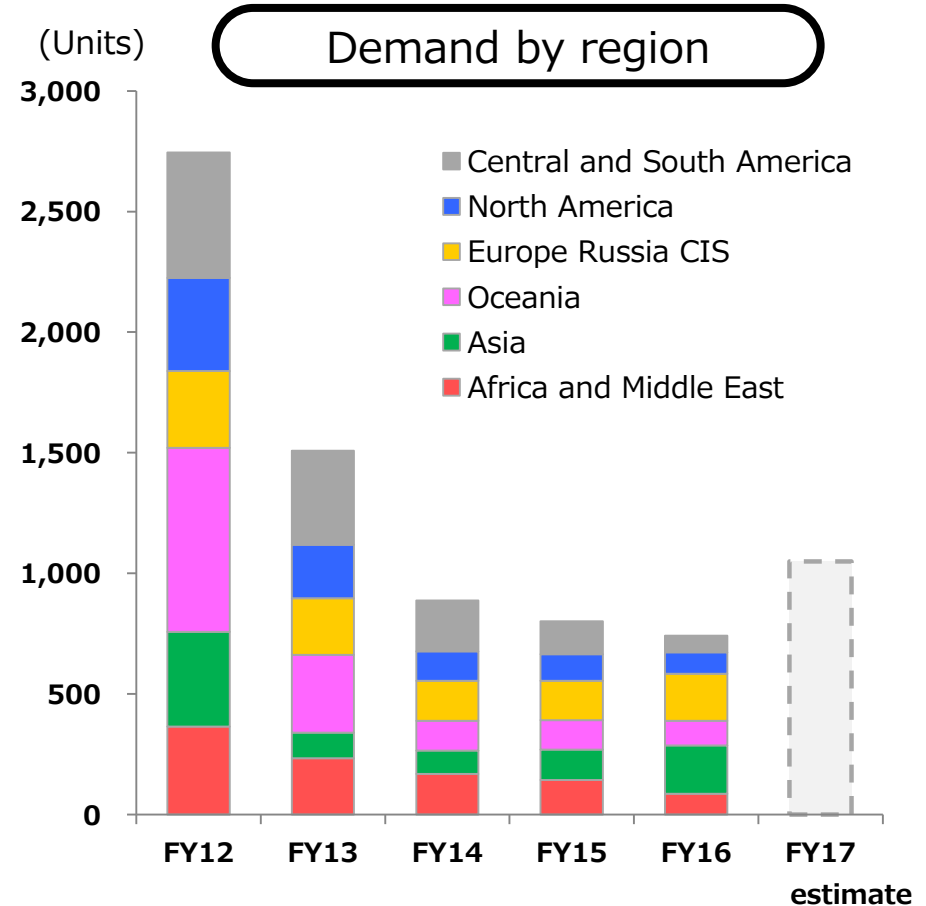
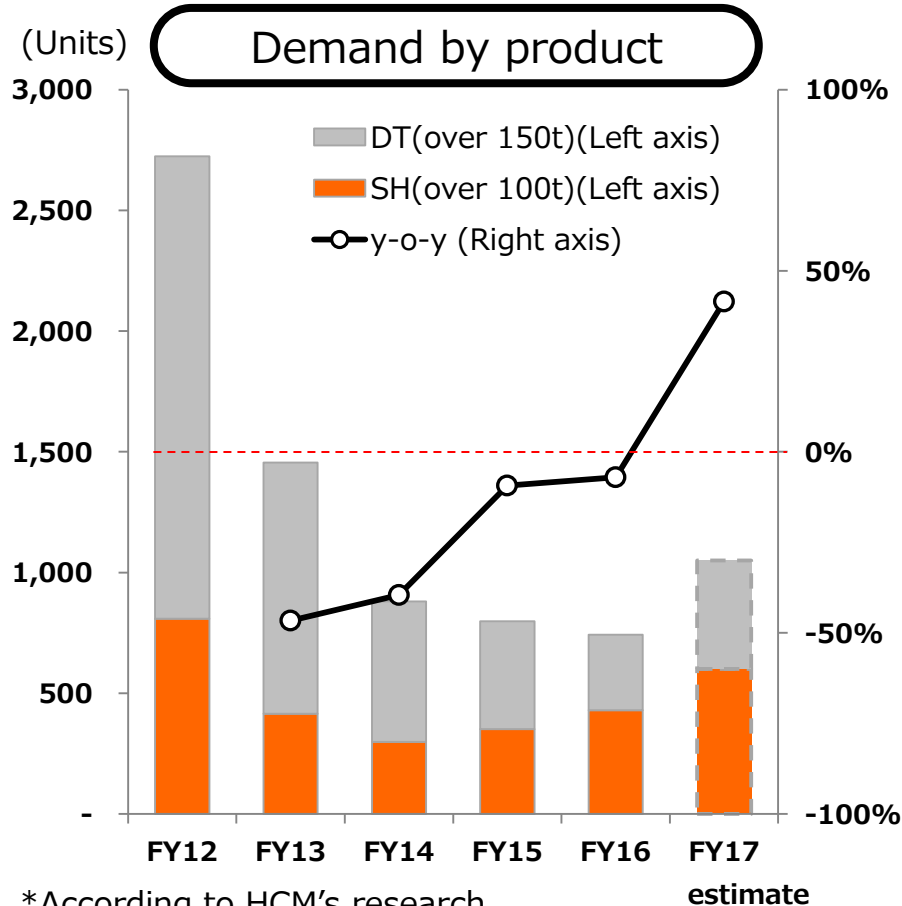


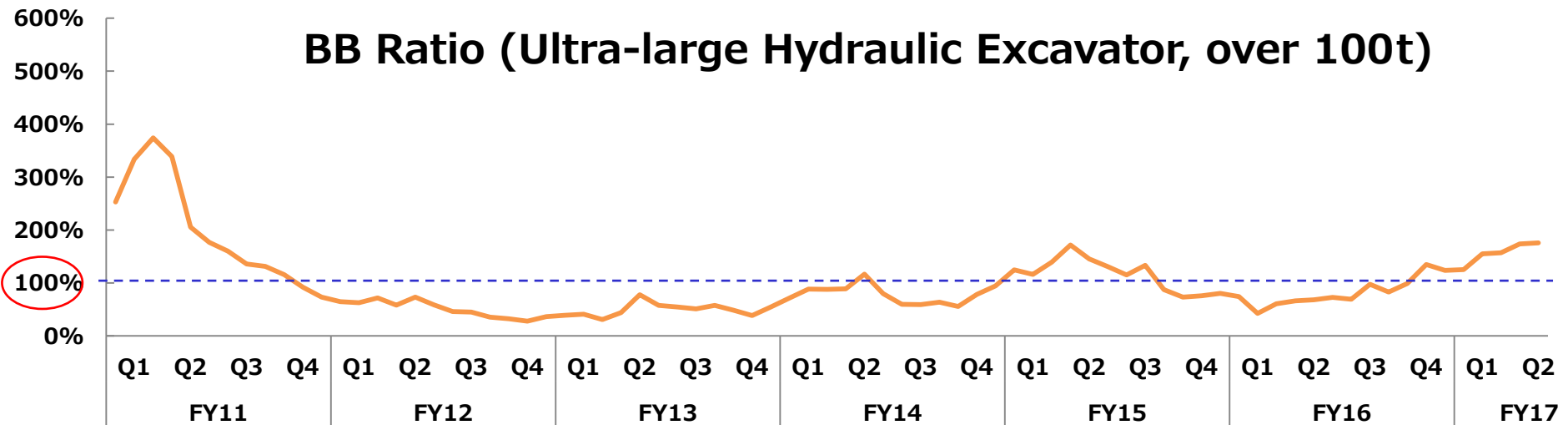
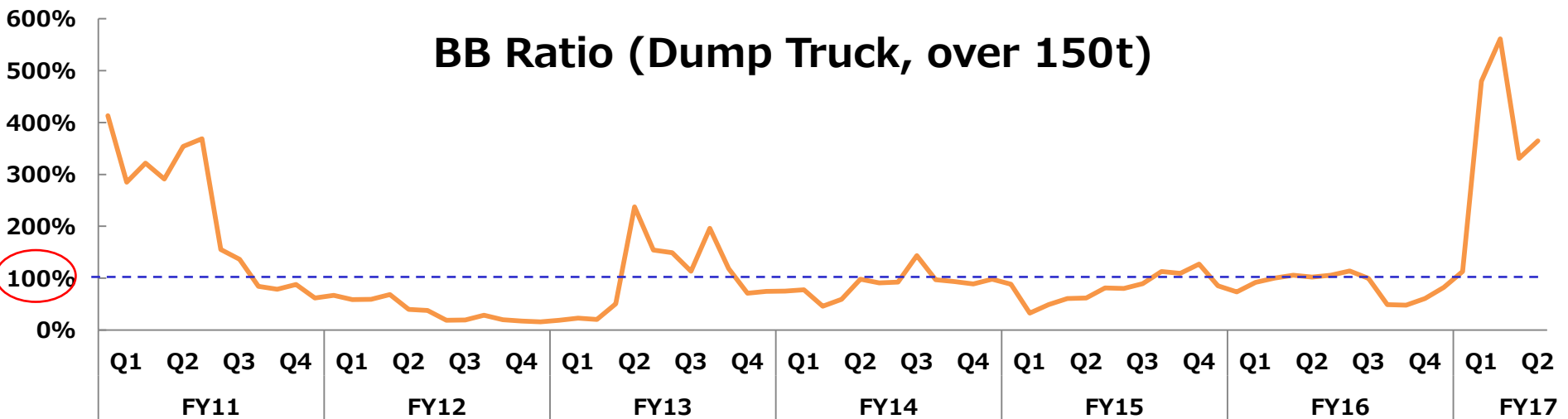
## Demand Trend for Hydraulic Excavators in the Middle East



- ◇ After four consecutive years of demand decrease (y-o-y) , demand finally turned upward, and we expect an increase of around 40% y-o-y.  
Demand by product has increased as follows (y-o-y basis): 100t excavators by 50%, over 200t excavators by 20% and, trucks by 40%.
- ◇ Regarding demand by region, demand in Russia, Asia, and North and Central America has been brisk

## Ultra-large Excavator (over 100t), Truck (over 150t)



**BB Ratio (Ultra-large Hydraulic Excavator, over 100t)****BB Ratio (Dump Truck, over 150t)**

\* Book-to-Bill(BB)Ratio = Bookings (Orders received)/Billings (Value of shipment)

Non-consolidated basis (average of 6 months)

### [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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