


## Business Result for the Third Quarter ended December 31, 2017 Regional Market Environments and Projections



January 29, 2018

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

# Global Demand Trend for Hydraulic Excavators

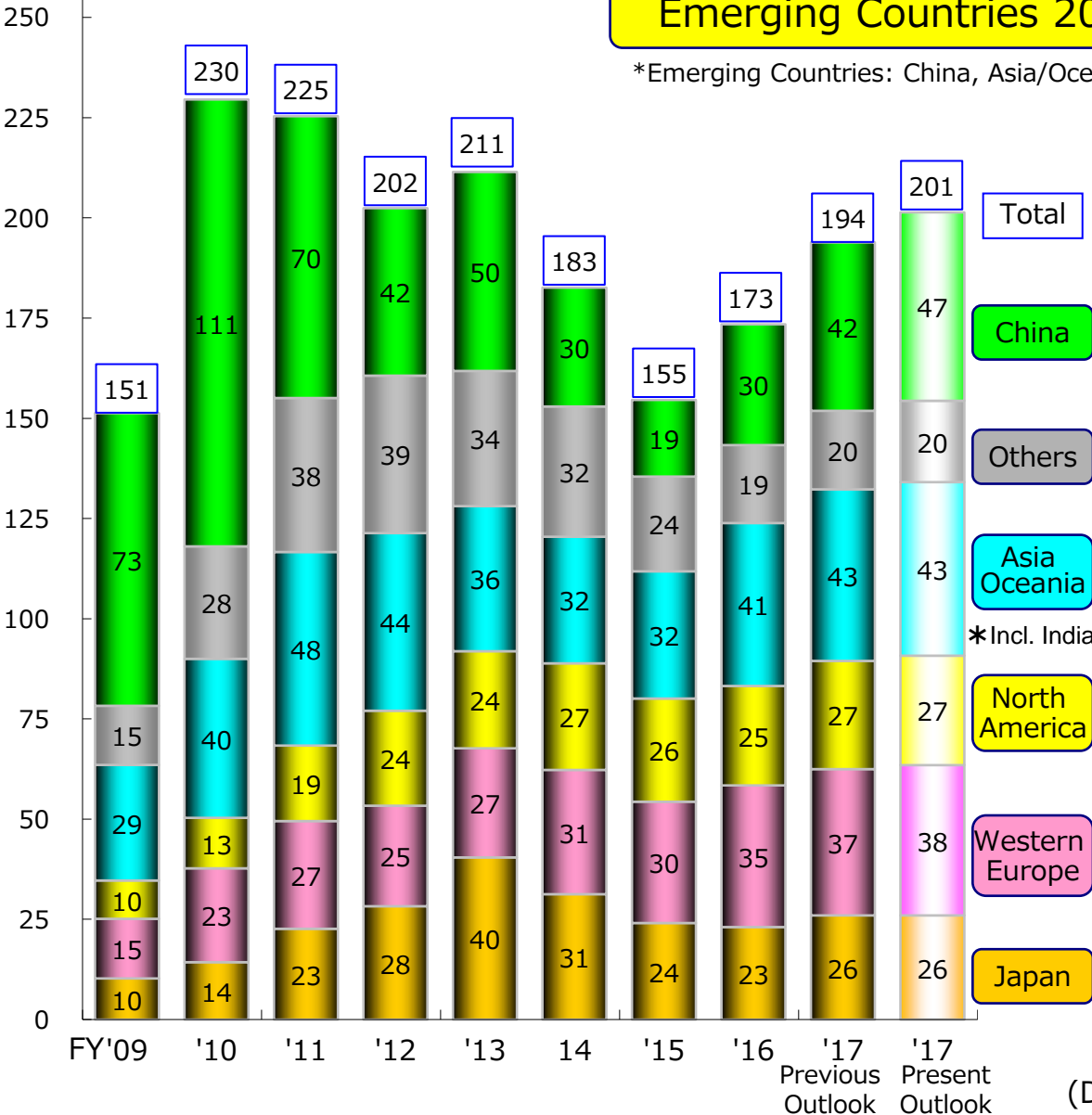
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HITACHI

Reliable solutions

\* Estimates by HCM , Excluding Chinese manufacturer

(K Units)



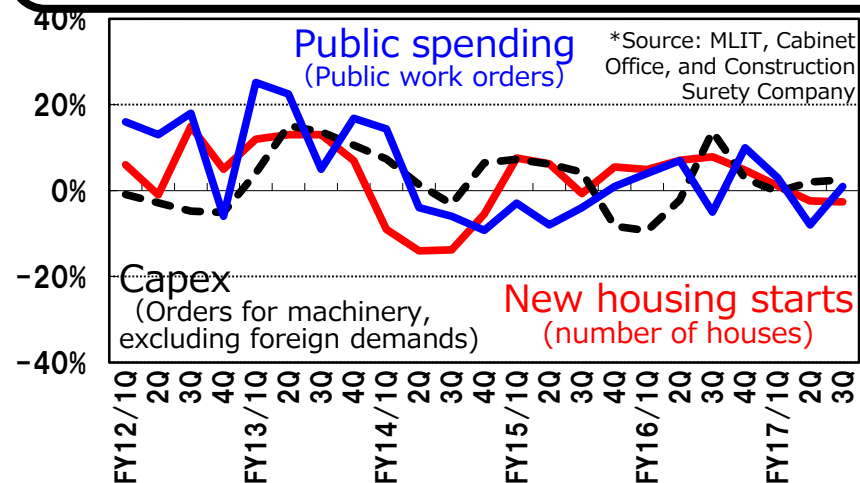
## Year-on-Year Change

	'16	'17 Previous Outlook	'17 Present Outlook
<b>Total</b>	<b>+12%</b>	<b>+12%</b>	<b>+16%</b>
<b>China</b>	<b>+58%</b>	<b>+39%</b>	<b>+56%</b>
Russia, CIS, E Europe	<b>+23%</b>	<b>+15%</b>	<b>+34%</b>
Africa	<b>+13%</b>	<b>-12%</b>	<b>-9%</b>
Middle East	<b>-45%</b>	<b>+3%</b>	<b>-10%</b>
Latin America	<b>-15%</b>	<b>-2%</b>	<b>+9%</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>+29%</b>	<b>+42%</b>
Others	<b>+16%</b>	<b>-10%</b>	<b>-11%</b>
<b>Asia &amp; Oceania</b>	<b>+28%</b>	<b>+5%</b>	<b>+5%</b>
<b>N America</b>	<b>-4%</b>	<b>+9%</b>	<b>+9%</b>
<b>W Europe</b>	<b>+17%</b>	<b>+3%</b>	<b>+6%</b>
<b>Japan</b>	<b>-4%</b>	<b>+13%</b>	<b>+13%</b>

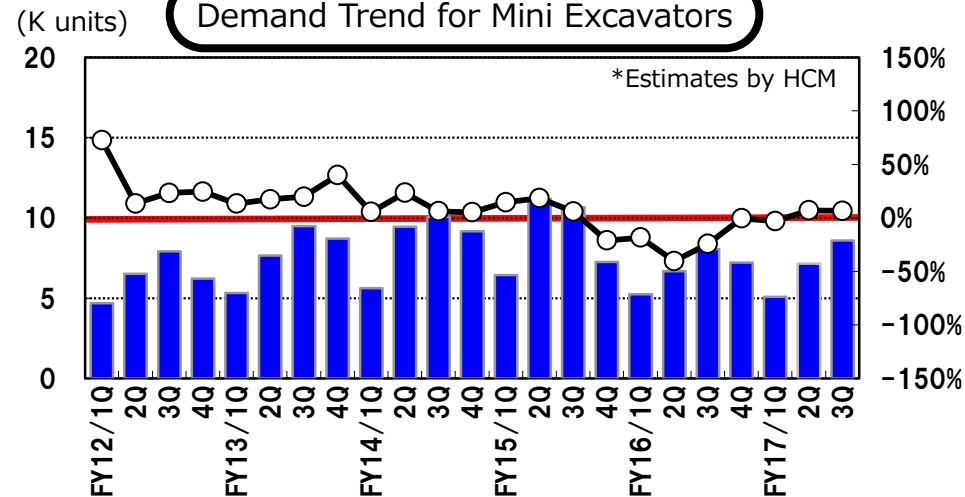
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- ◇ While housing investment decreased, capital investment and public investment have recovered.
- ◇ Regarding demand for construction machinery from October to December 2017, the demand growth of hydraulic excavators and wheel loaders slowed due to the end of last-minute demands in anticipation of the new emissions regulations.

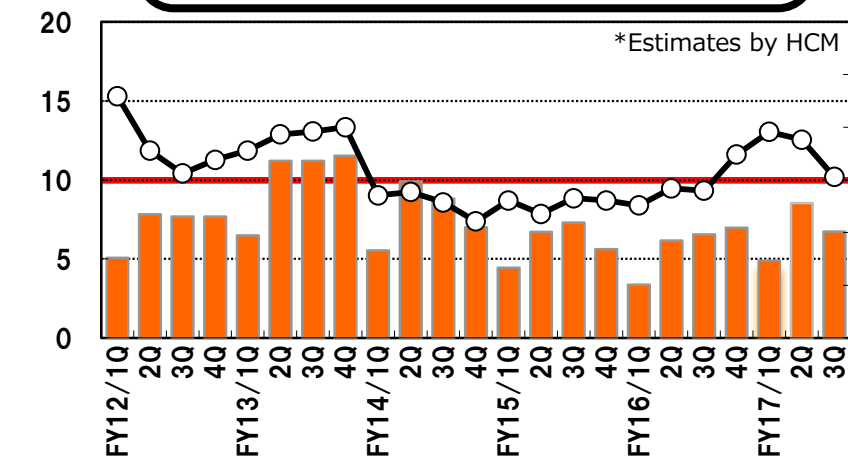
Market Environment: Housing/Public Spending and Capex (y-o-y)



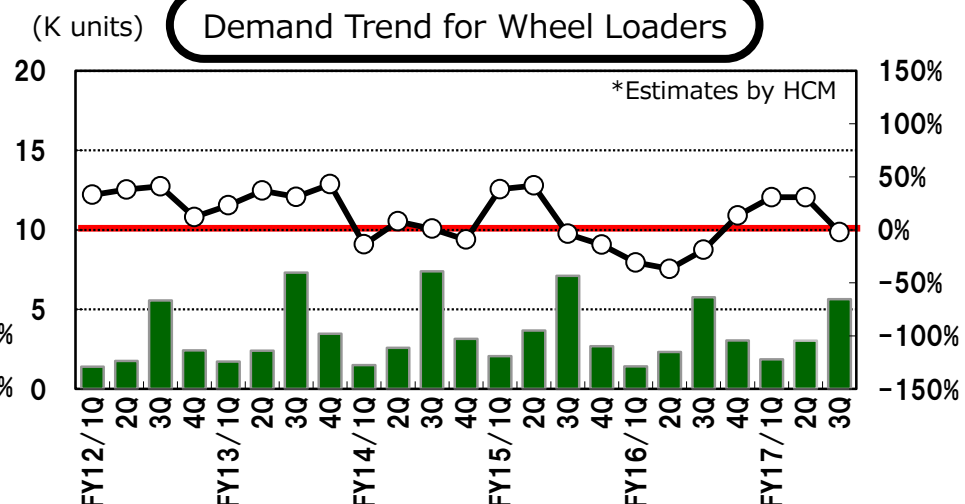
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

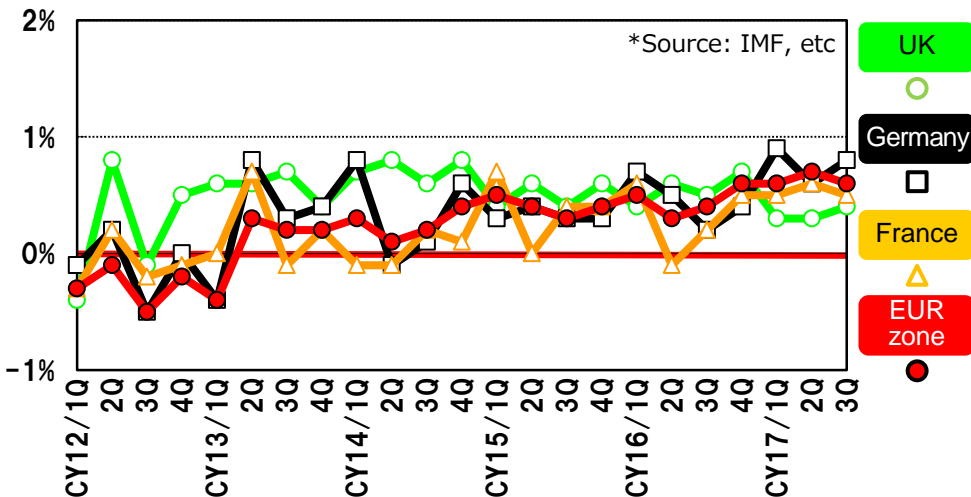


Demand Trend for Wheel Loaders

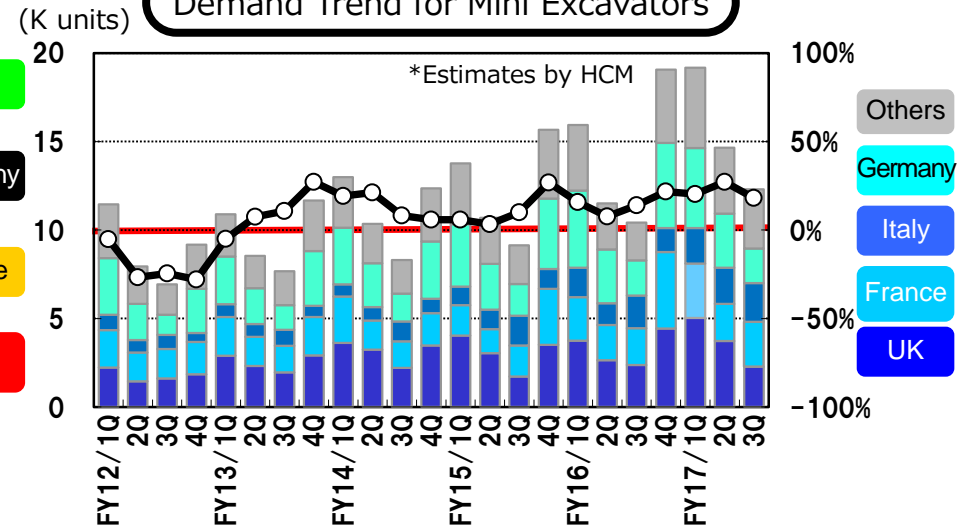


- ◇GDP showed solid growth throughout the Euro zone.
- ◇Demand for hydraulic excavators and wheel loaders remained brisk. Demand for mini excavators continuously increased mainly in France and Italy. (Demand for hydraulic/mini excavators increased 10% and 18% y-o-y, respectively.)

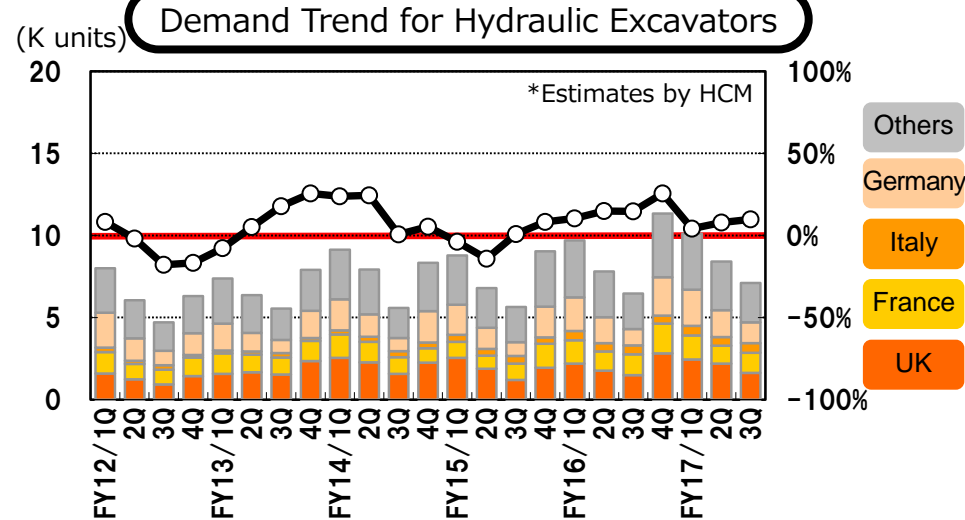
GDP Growth Rate in Major Countries (y-o-y)



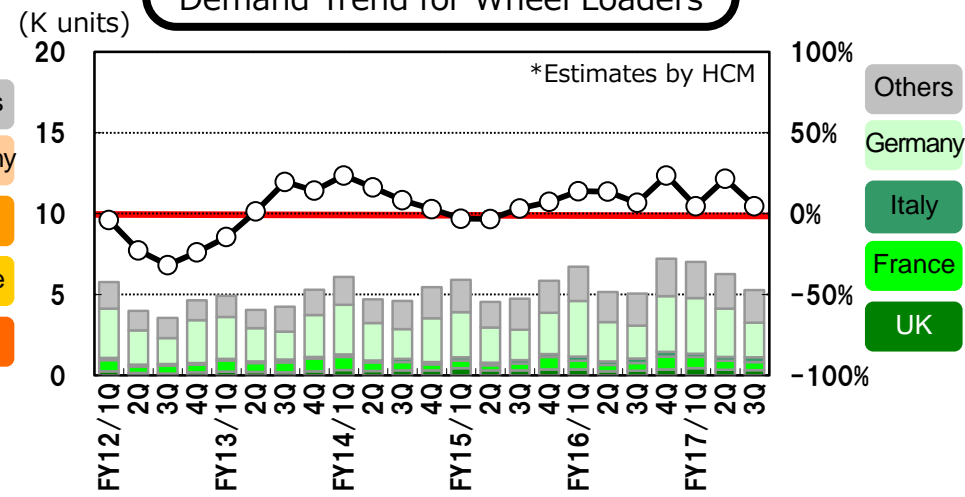
Demand Trend for Mini Excavators



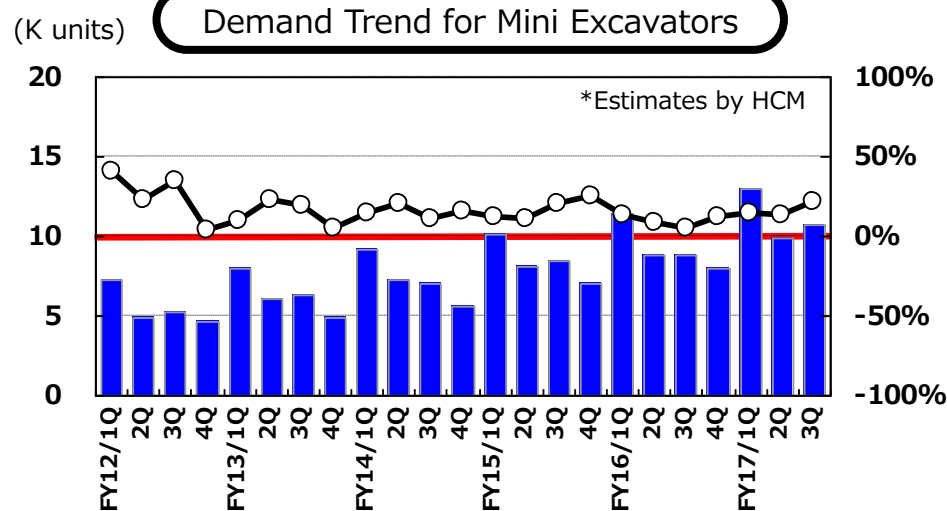
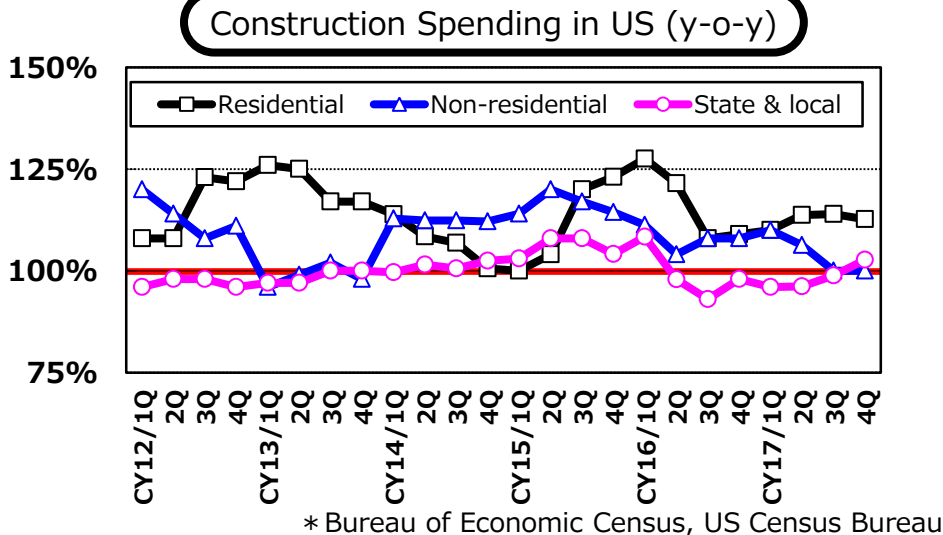
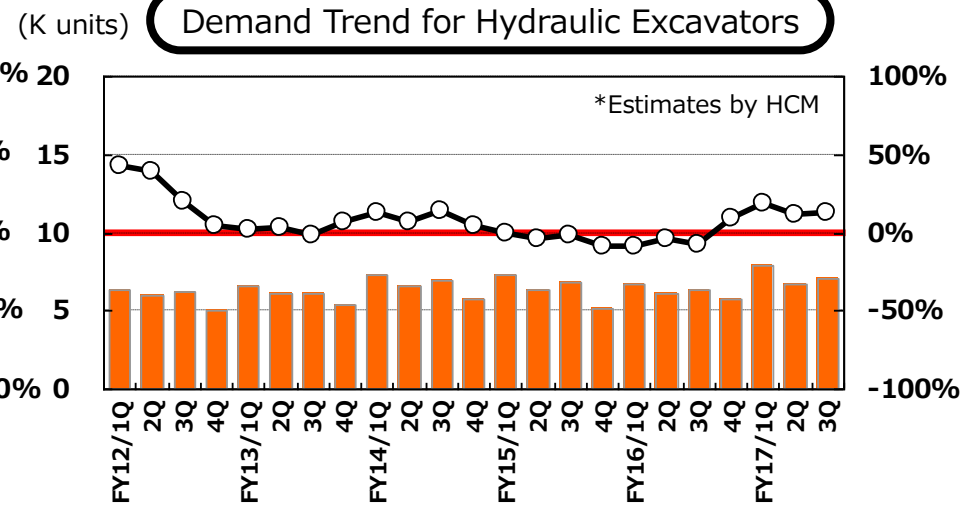
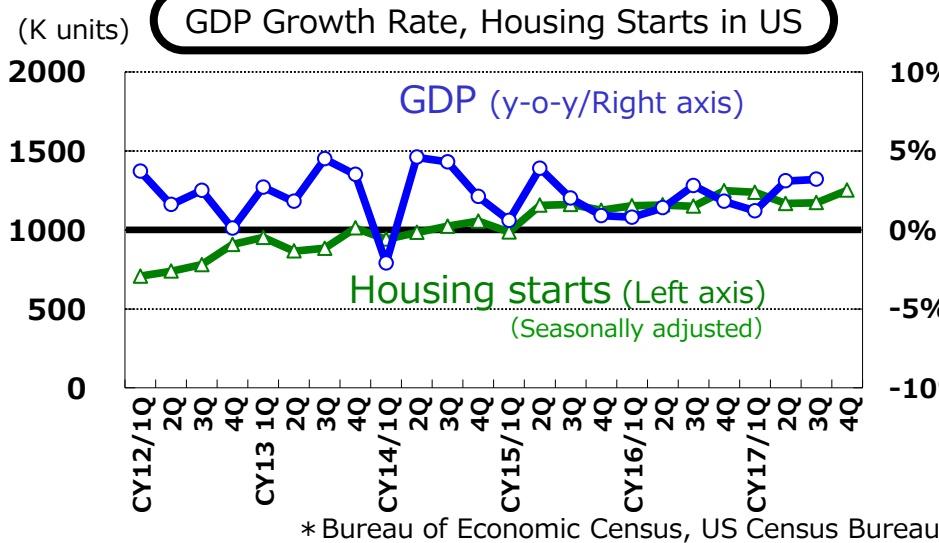
Demand Trend for Hydraulic Excavators



Demand Trend for Wheel Loaders

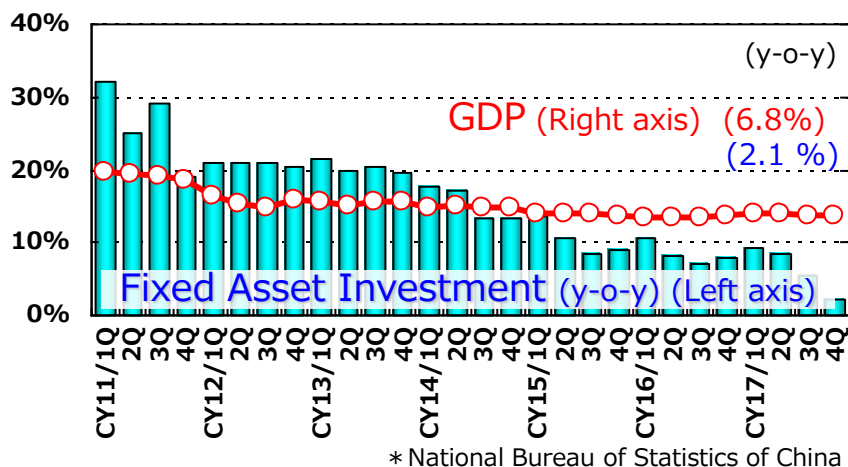


- ◇ Housing starts remained brisk. Residential and public construction spending have increased.
- ◇ Demand for hydraulic/mini excavators continuously increased (12% and 22% y-o-y, respectively).

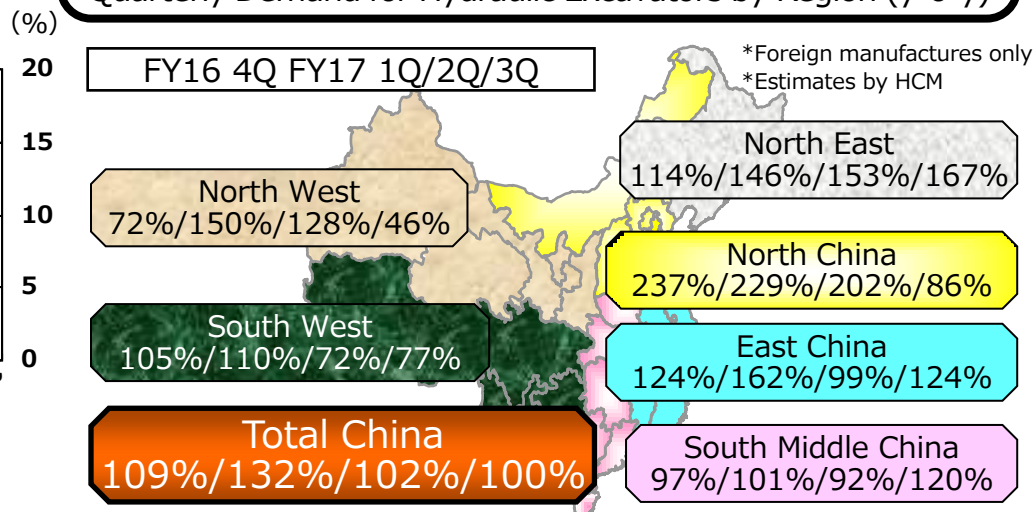


- ◇ The GDP growth rate from October to December 2017 remained stable at around 6.8%.
- ◇ Demand for hydraulic excavators continued to significant increase (2 times y-o-y), mainly due to increased public investment.

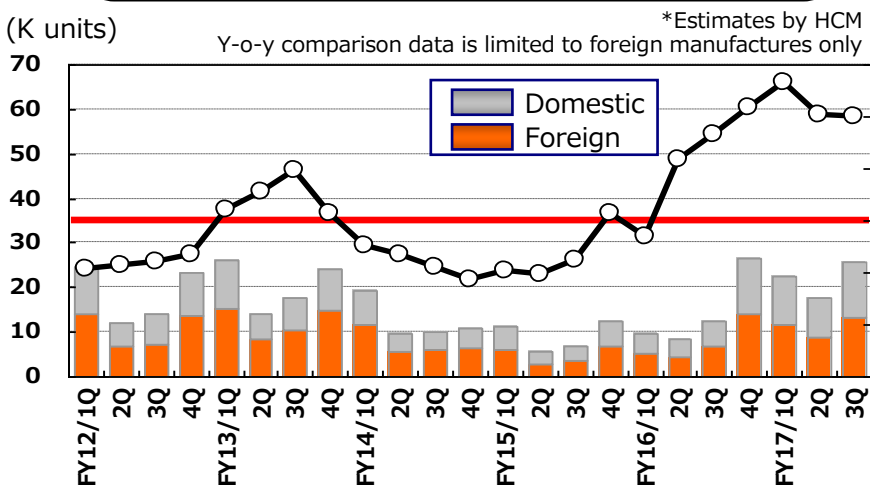
GDP and Fixed Asset Investment



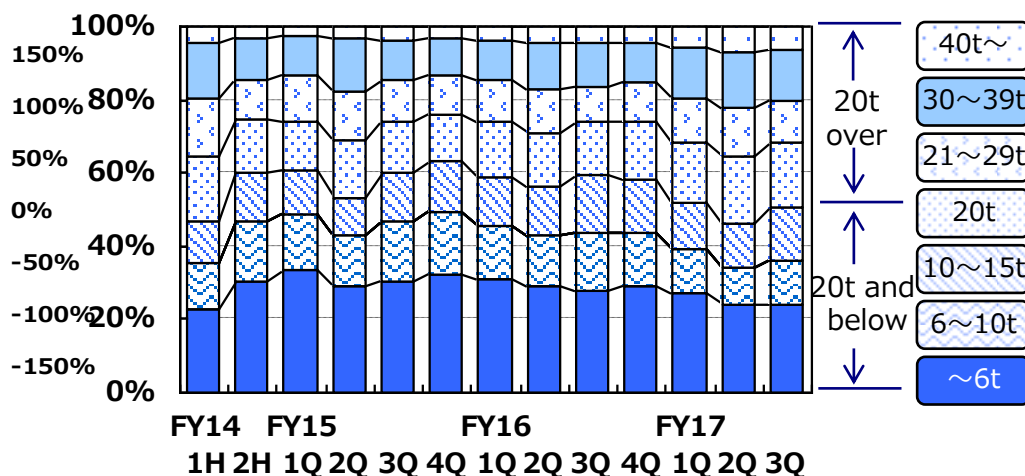
Quarterly Demand for Hydraulic Excavators by Region (y-o-y)



Demand Trend for Hydraulic Excavators



Demand Composition by Class for Mini Excavators and Hydraulic Excavators



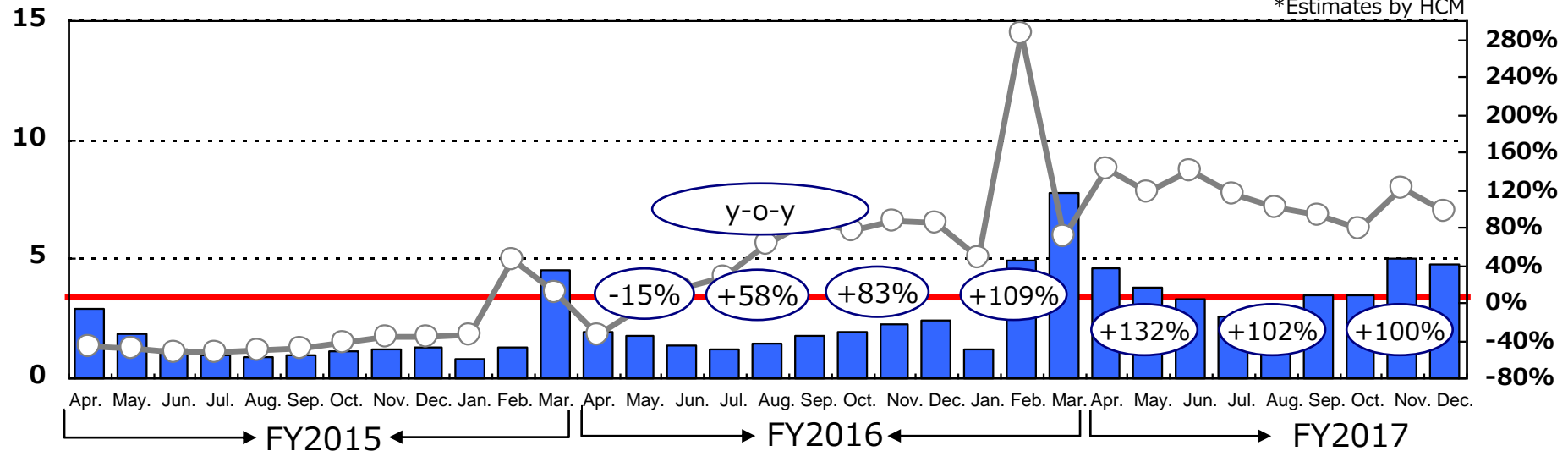


(K units)

Monthly Demand Trend for Hydraulic Excavators (Foreign Manufactures only)

(Compared to the same month in the previous year)

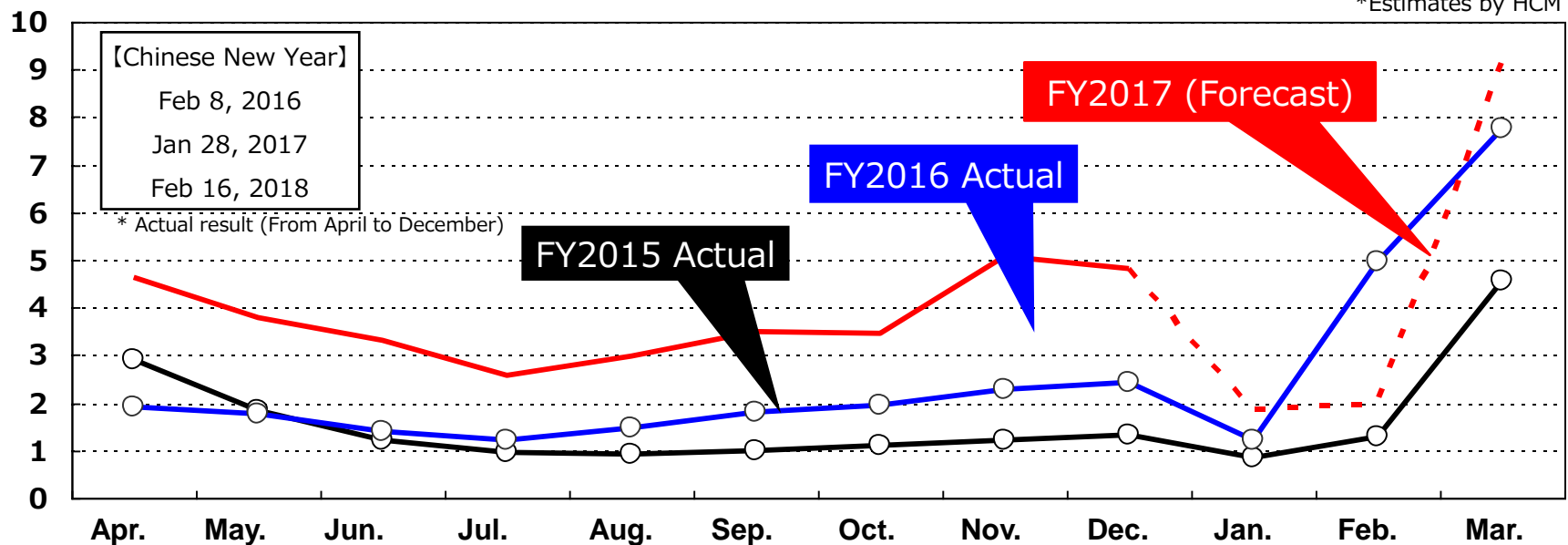
\*Estimates by HCM



(K units)

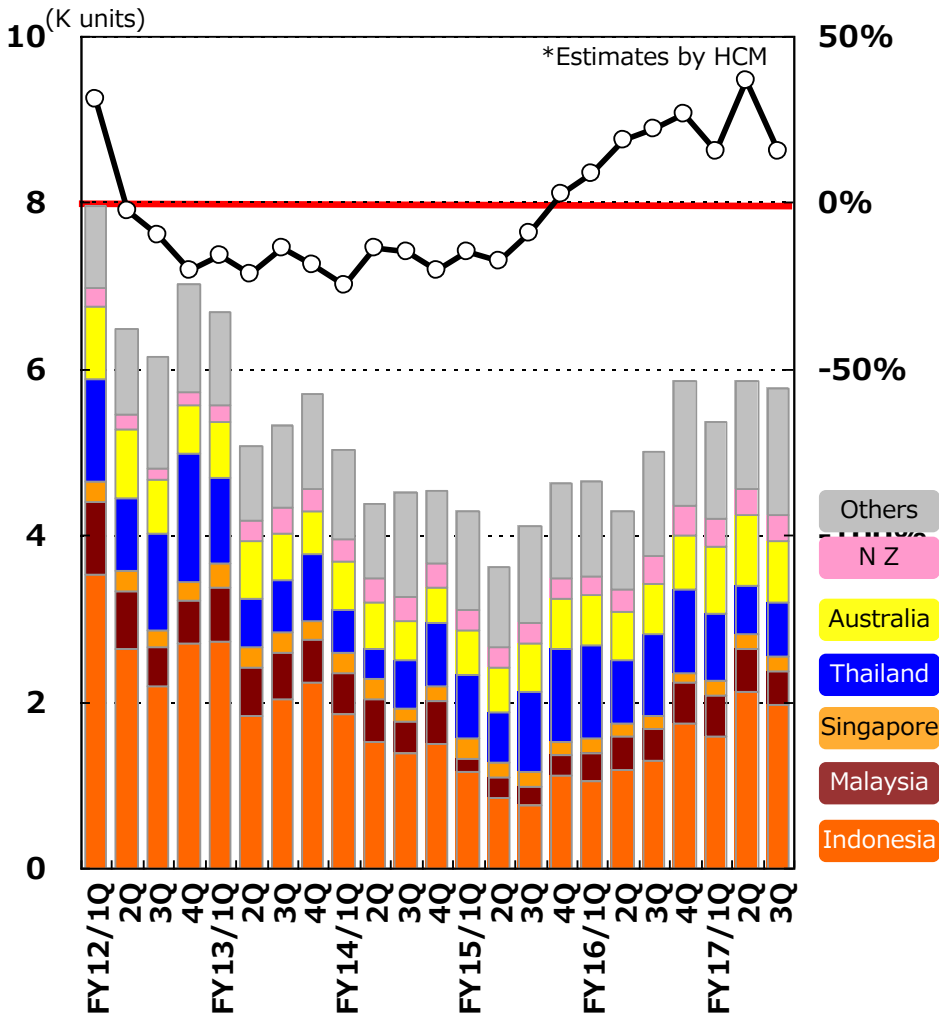
Demand Trend for Hydraulic Excavators (y-o-y) (Foreign Manufactures only)

\*Estimates by HCM

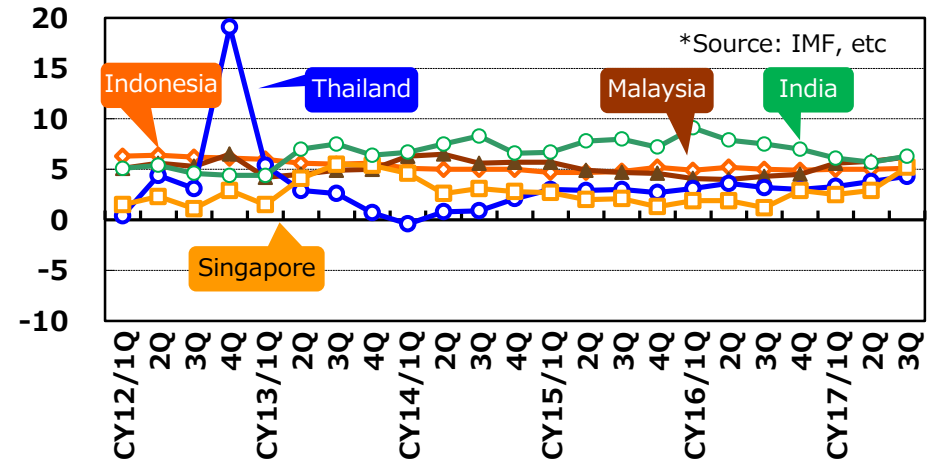


- ◇ Demand for hydraulic excavators significantly increased in Indonesia, the Philippines, and Australia. Despite continuously decreasing in Thailand, demand has increased in the entire Asia Pacific region (15% y-o-y).
- ◇ Demand for hydraulic excavator increased in India (21% y-o-y), mainly for infrastructure investments, such as railways and roads.

## Demand Trend for Hydraulic Excavators in Asia & Oceania

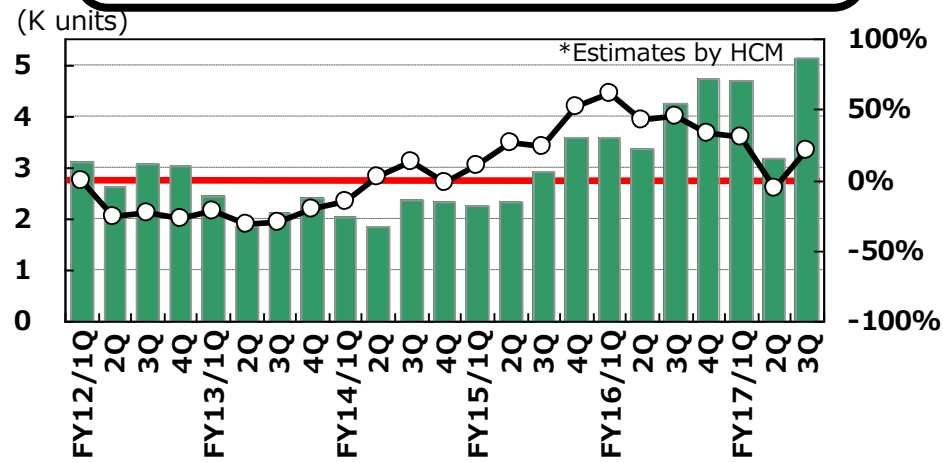


## GDP Growth Rate in Major Countries (y-o-y)



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

## Demand Trend for Hydraulic Excavators in India





## Participated in EXCON 2017, an exhibition held in India



12<sup>th</sup> - 16<sup>th</sup> December 2017

Bangalore International Exhibition Center (BIEC), Bengaluru, India



<Exhibition booth>

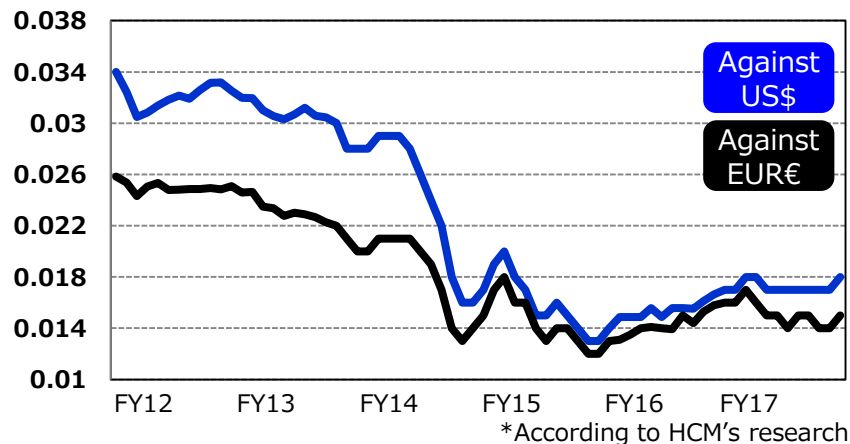


<SHINRAI BX80>

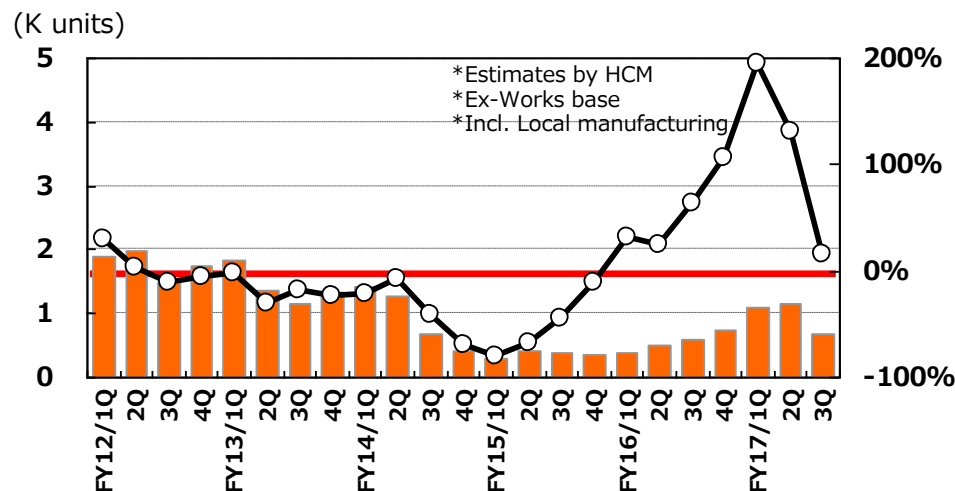
- Participated in "EXCON 2017," the largest construction machinery exhibition in South Asia (December 2017).
- The event attracted over 40,000 visitors (number of visitors in 2015 was approximately 30,000).
- We displayed various machineries, including the latest hybrid excavators, and introduced the new model backhoe loader.

- ◇ In Russia, demand significantly increased throughout the fiscal year, underpinned by revival of crude oil prices (increased by 1.9 times cumulatively y-o-y).
- ◇ In the Middle East, demand remained at a low level, mainly around Saudi Arabia.

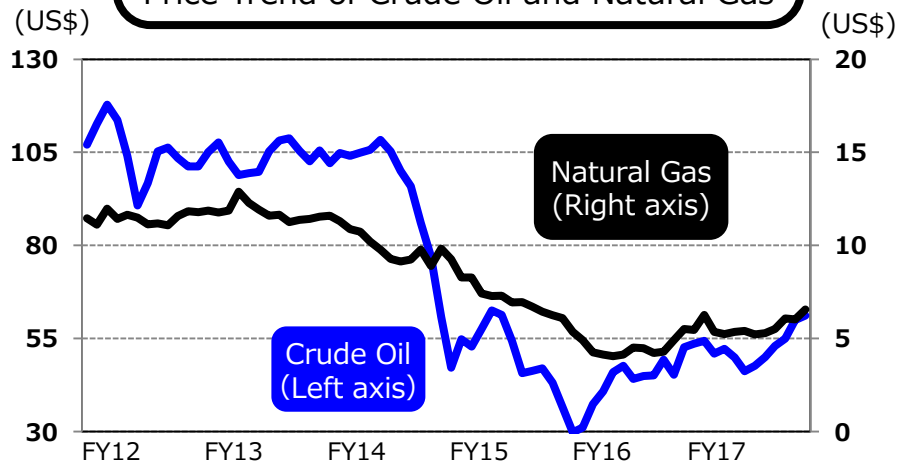
## Foreign Exchange Rate of the Ruble



## Demand Trend for Hydraulic Excavators in Russia

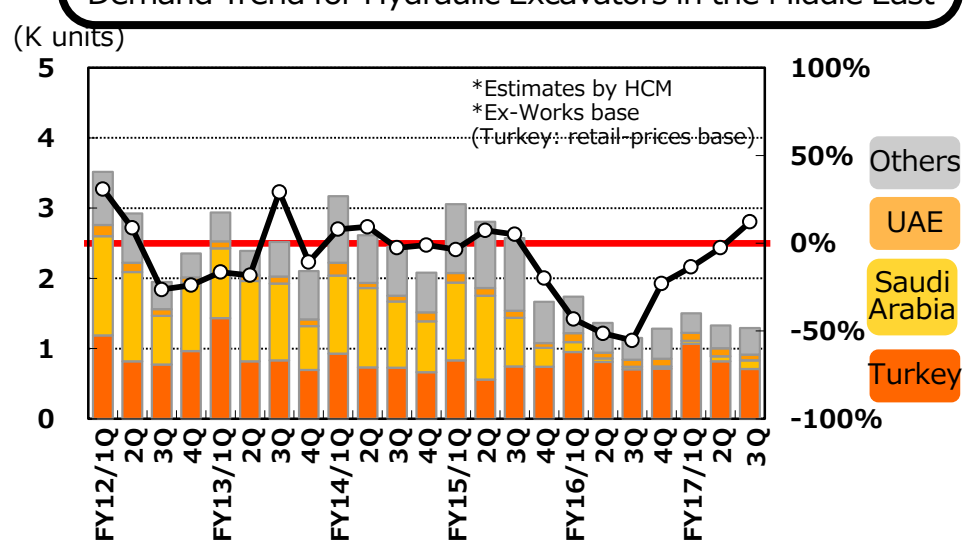


## Price Trend of Crude Oil and Natural Gas



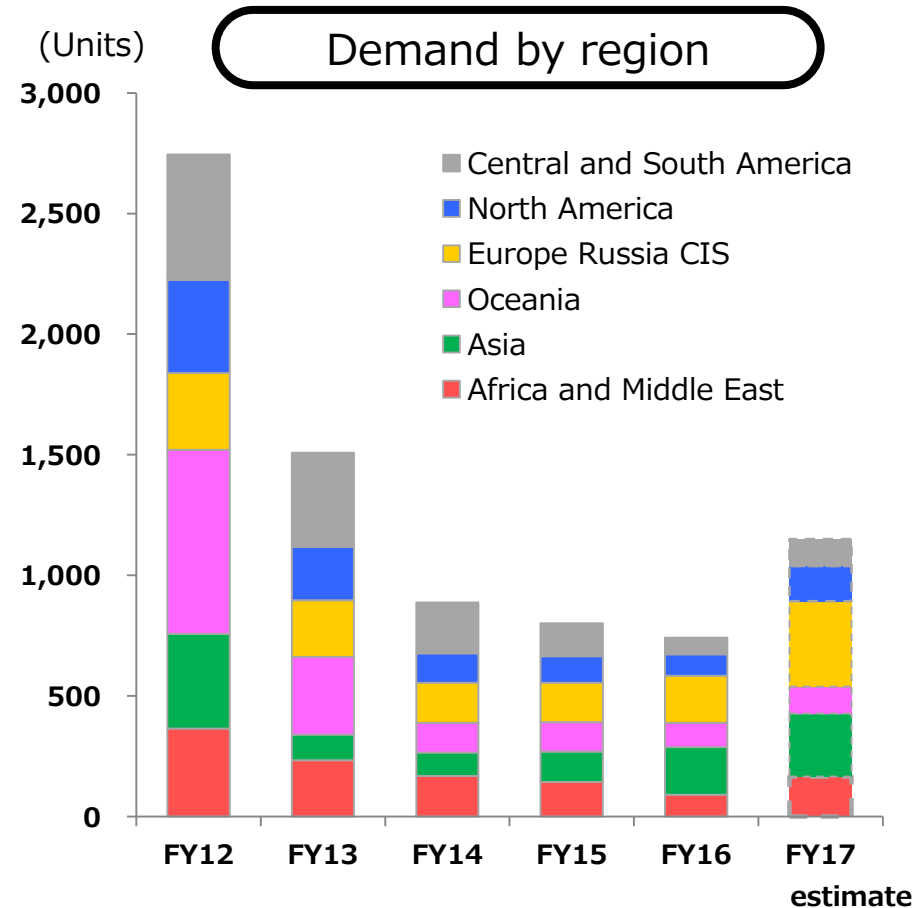
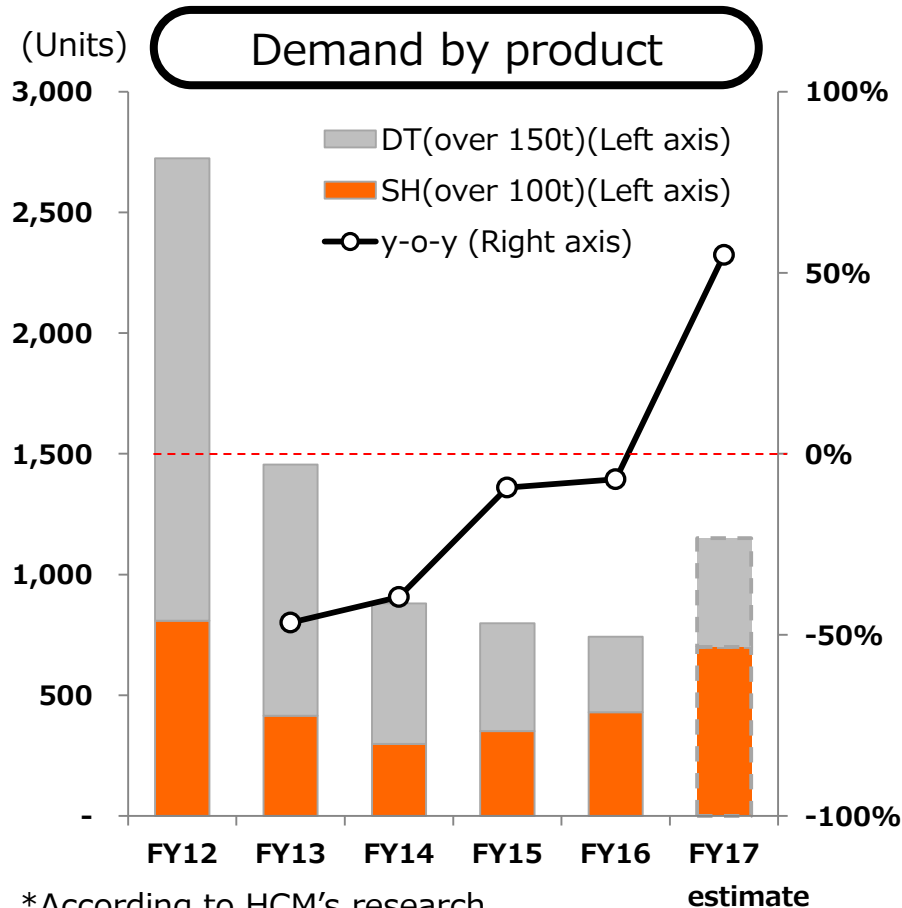
\*Created by HCM, the source from The World Bank HP

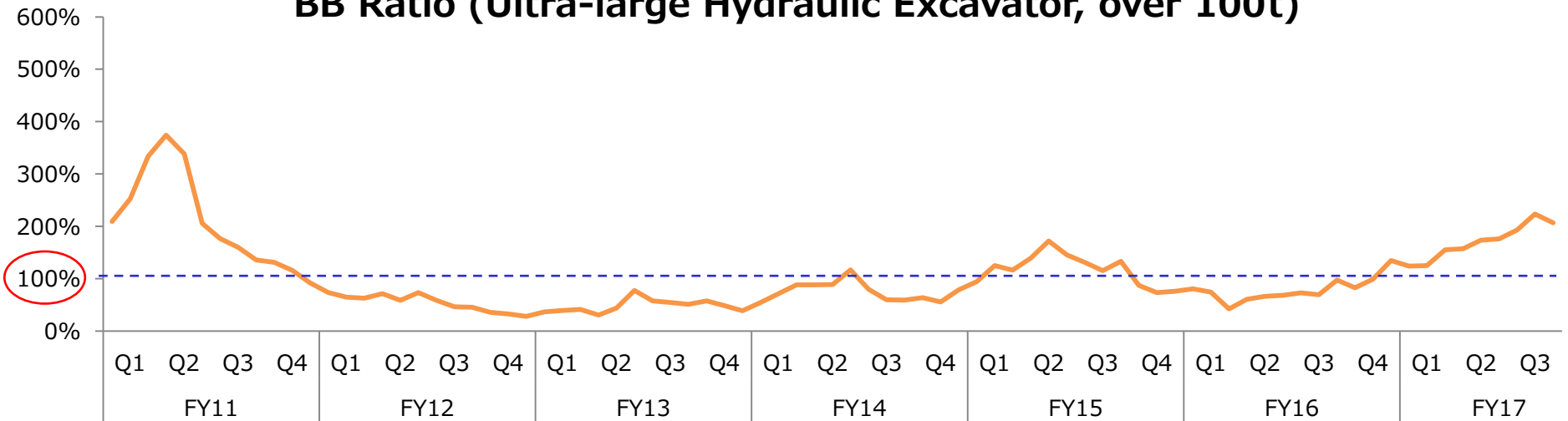
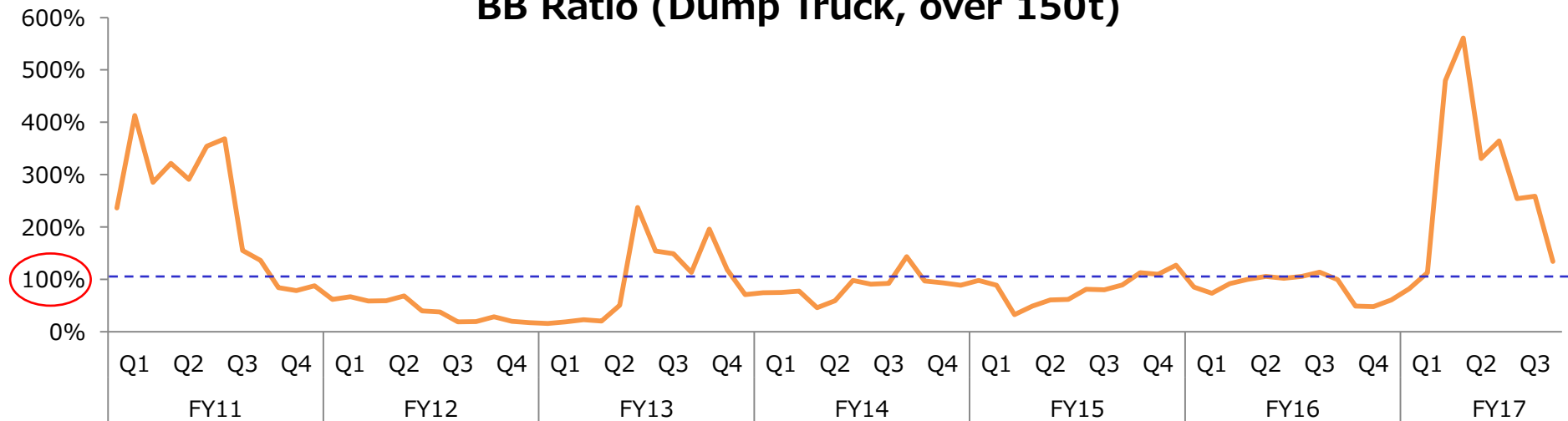
## Demand Trend for Hydraulic Excavators in the Middle East



- ◇ Demand for mining machinery is expected to increase 50% y-o-y.
- ◇ Demand forecast (vs last year): 100t excavators +90%, over 200t excavators 20%, and trucks 40%.
- ◇ Demand for excavators increased in Russia and Asia, and demand for trucks increased in Russia and North, Central and South America.

## 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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