


Business Result for the FY2017 ended March 31, 2018 Regional Market Environments and Projections



April 26, 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

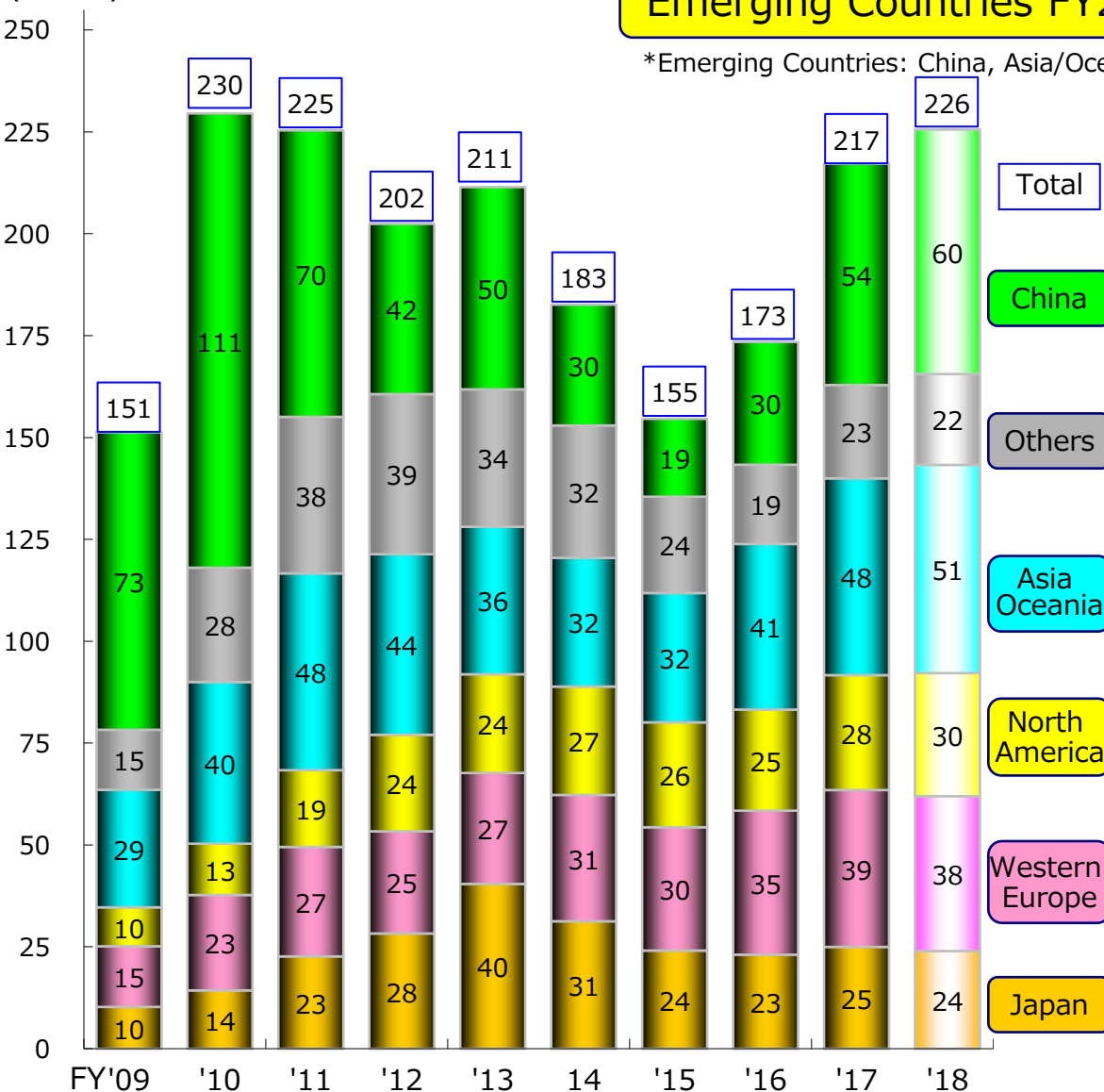
Reliable solutions

* Estimates by HCM , Excluding Chinese manufacturer

(K Units)

Emerging Countries FY2018 : 59% (Y-o-Y Change:+1%)

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



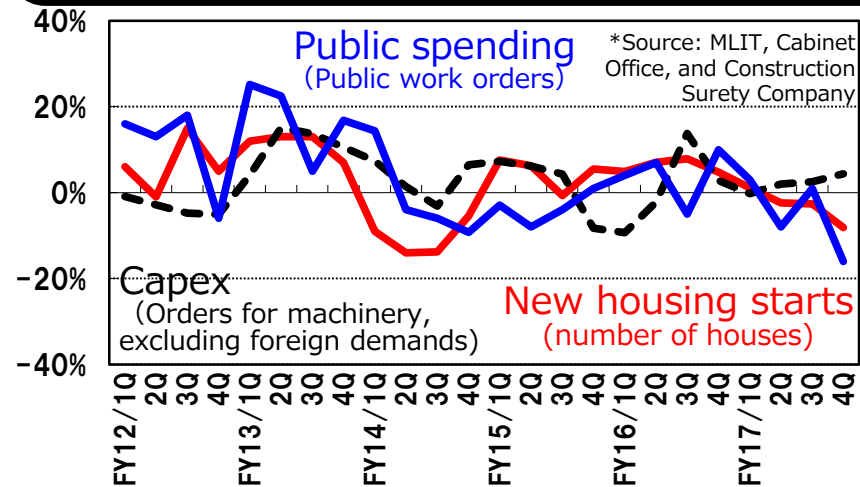
Year-on-Year Change

	'16	'17	'18
Total	+12%	+25%	+4%
China	+58%	+80%	+10%
Russia, CIS, E Europe	+23%	+72%	-13%
Africa	+13%	+4%	+2%
Middle East	-45%	-3%	+2%
Latin America	-15%	+11%	+2%
Others	-18%	+18%	-3%
India	+44%	+20%	+11%
Indonesia	+36%	+51%	+6%
Others	+16%	+9%	+1%
Asia & Oceania	+28%	+19%	+6%
N America	-4%	+14%	+7%
W Europe	+17%	+9%	-1%
Japan	-4%	+8%	-4%

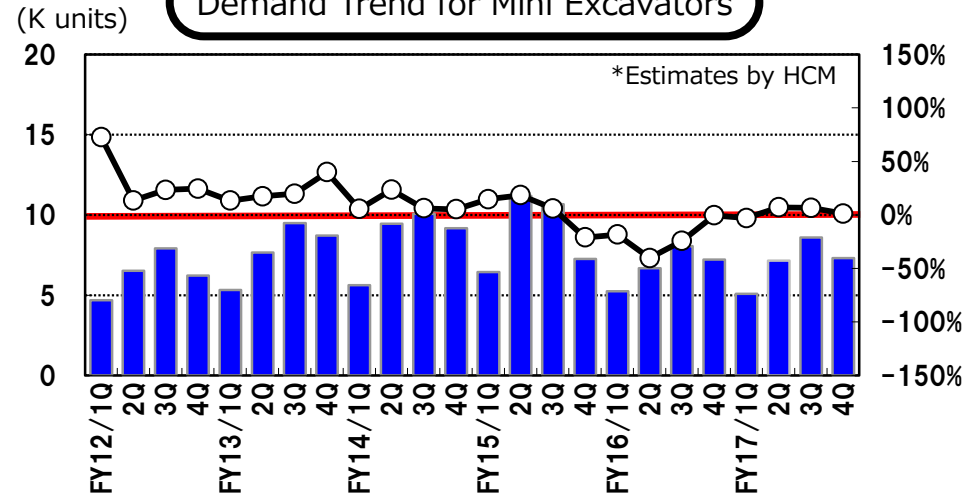
(Distributing, copying, or forwarding prohibited)

- ◇ While housing investment and public investment decreased, capital investment has recovered.
- ◇ Regarding demand for construction machinery from January to March 2018, the demand growth of hydraulic excavators and wheel loaders decreased due to the end of last-minute demands in anticipation of the new emissions regulations.

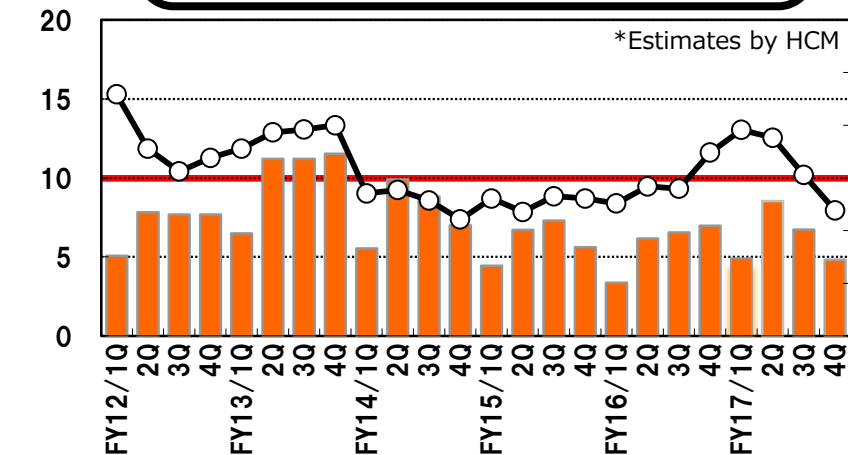
Market Environment: Housing/Public Spending and Capex (y-o-y)



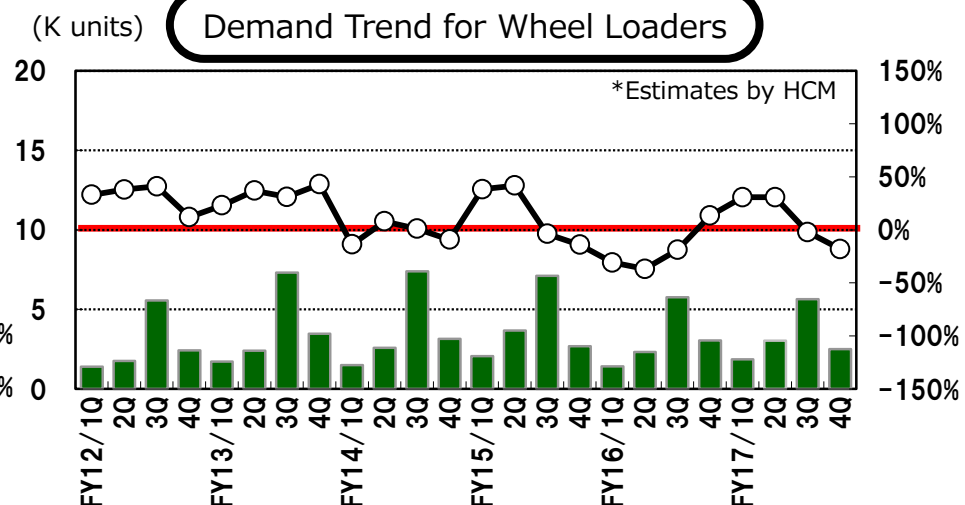
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

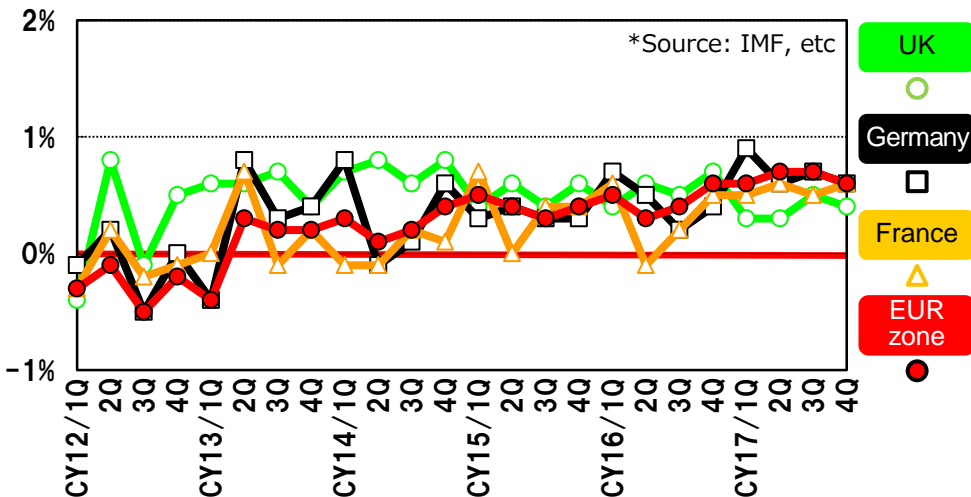


Demand Trend for Wheel Loaders

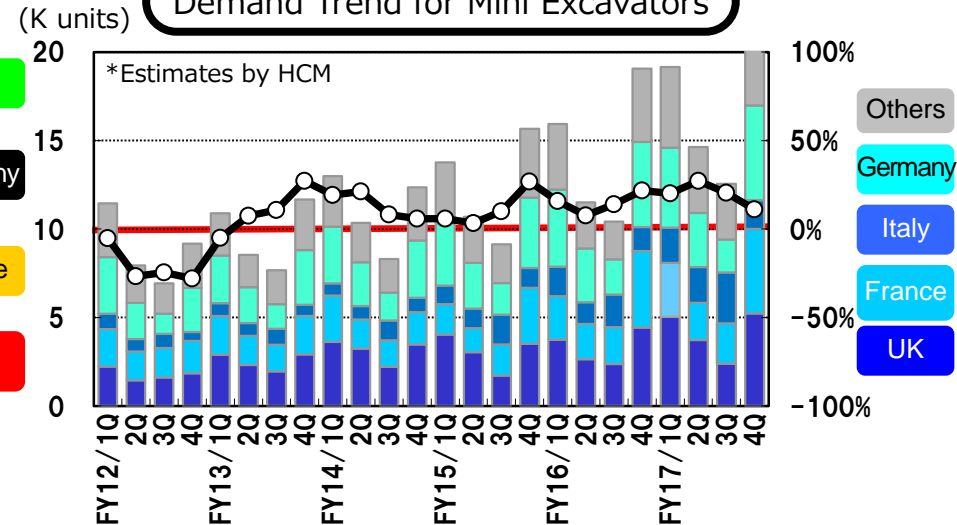


- ◇GDP showed solid growth throughout the Euro zone.
- ◇Demand for hydraulic excavators, mini excavators, and wheel loaders remained brisk and increased, mainly in the UK and Italy.
(Demand for hydraulic/mini excavators and wheel loaders increased 12%, 11%, and 6% y-o-y, respectively.)

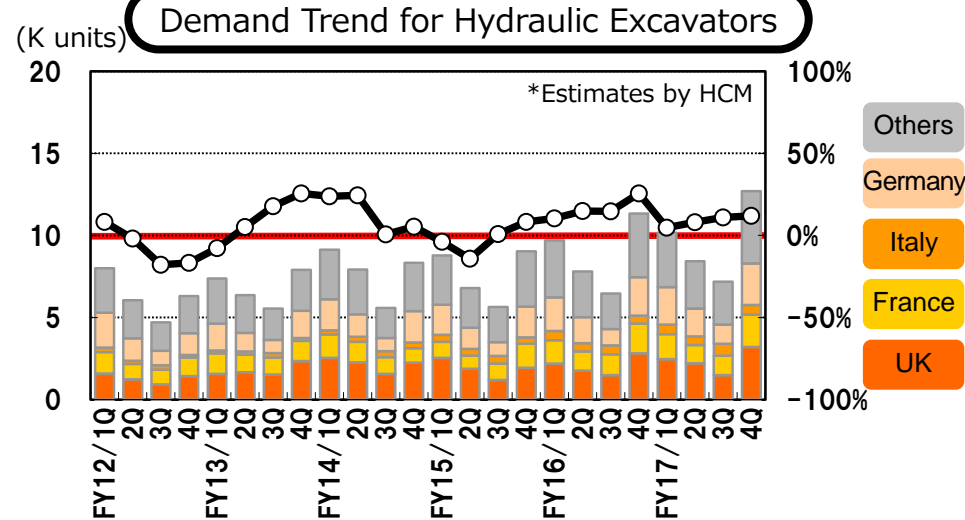
GDP Growth Rate in Major Countries (y-o-y)



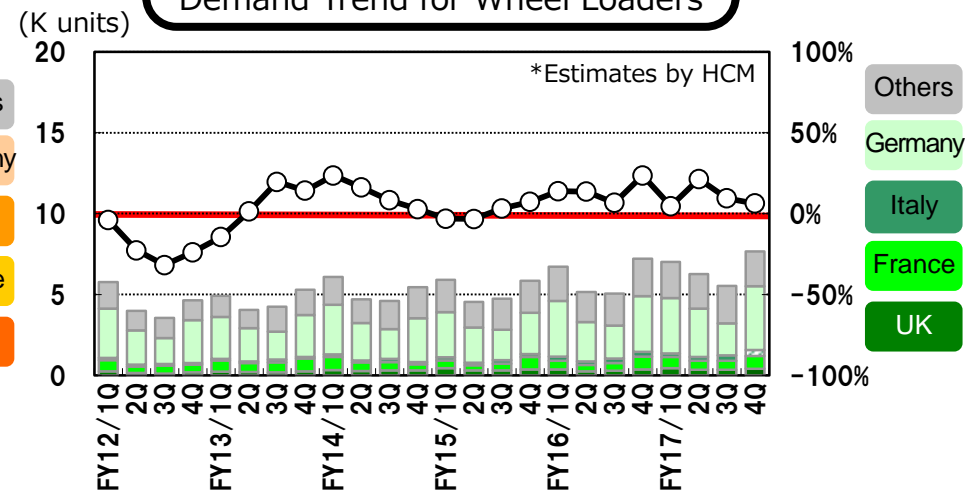
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

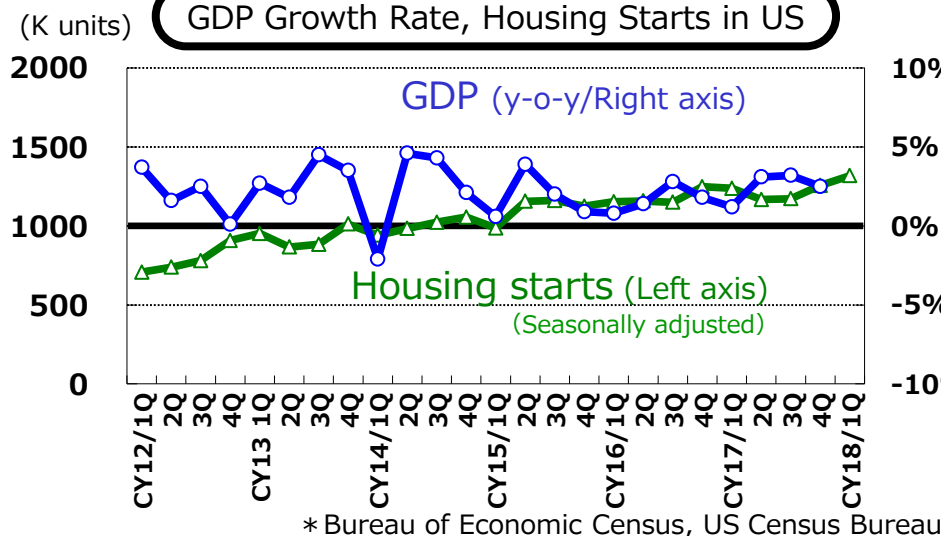


Demand Trend for Wheel Loaders

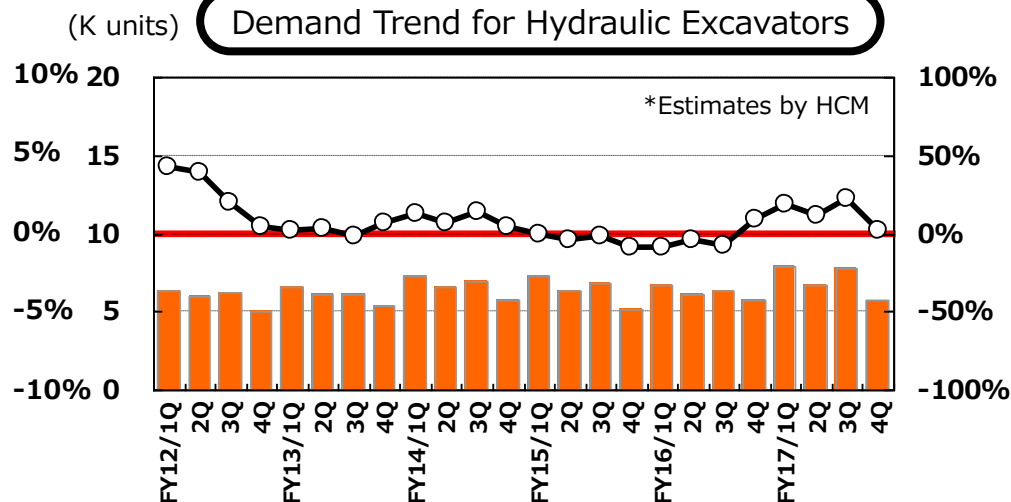


- ◇ Housing starts remained brisk. Public construction spending has increased.
- ◇ Demand for hydraulic/mini excavators slowed (2% and 5% y-o-y, respectively).

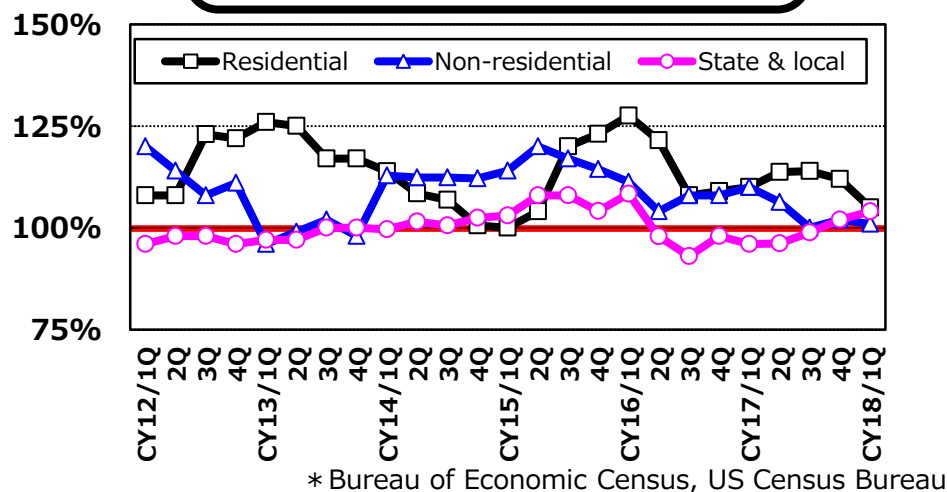
GDP Growth Rate, Housing Starts in US



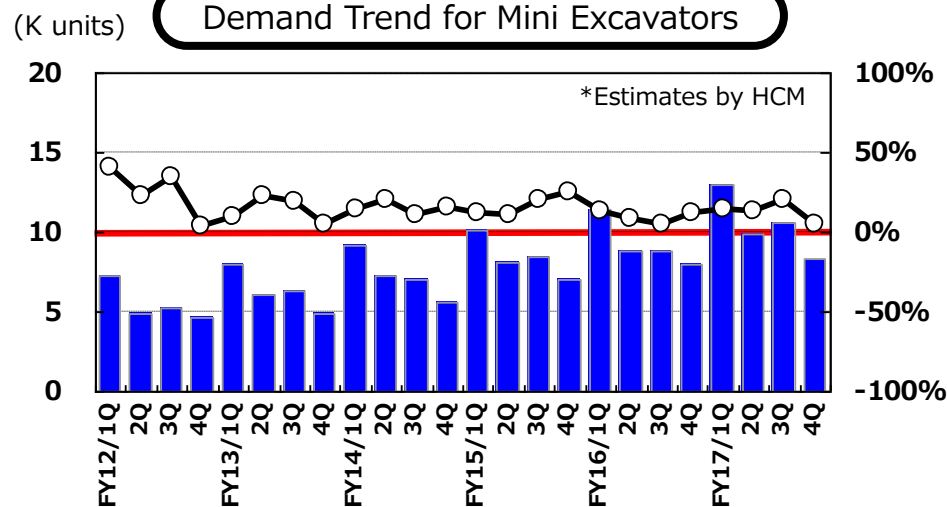
Demand Trend for Hydraulic Excavators



Construction Spending in US (y-o-y)

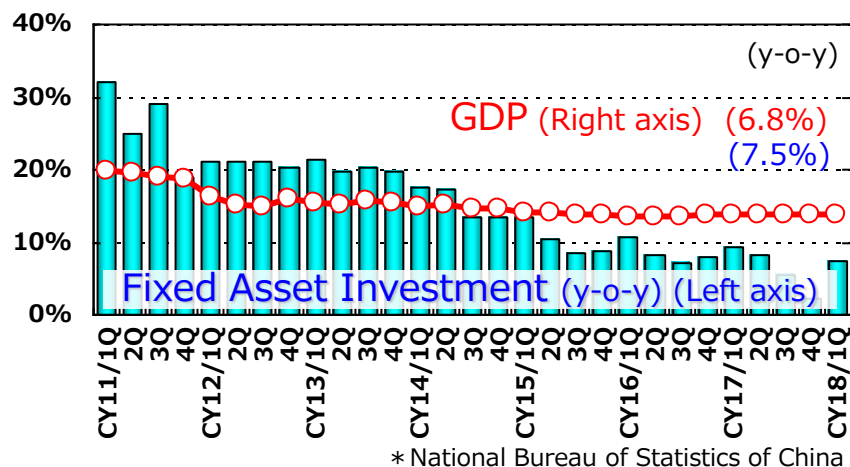


Demand Trend for Mini Excavators

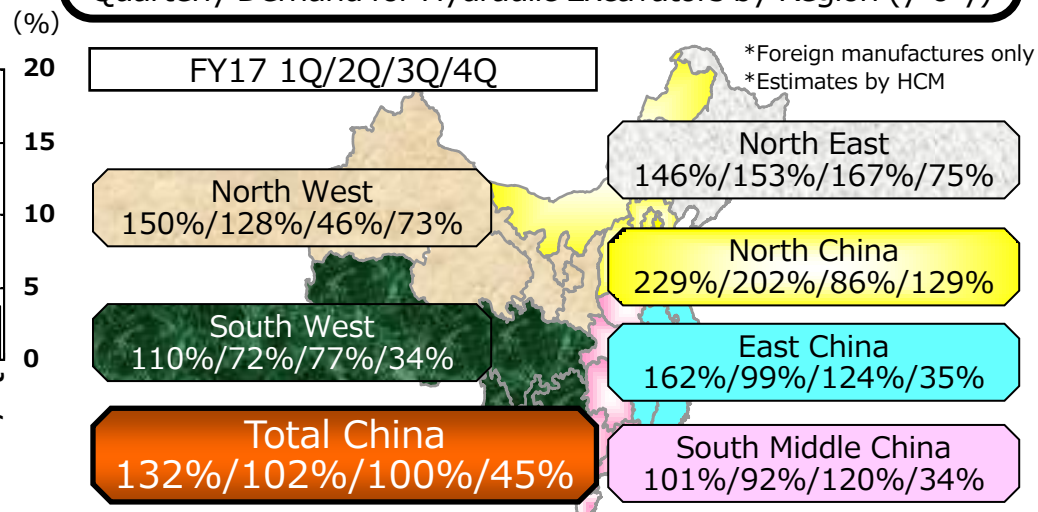


- ◇The GDP growth rate from January to March 2018 remained stable at around 6.8%.
- ◇Demand for hydraulic excavators increased (1.5 times y-o-y).

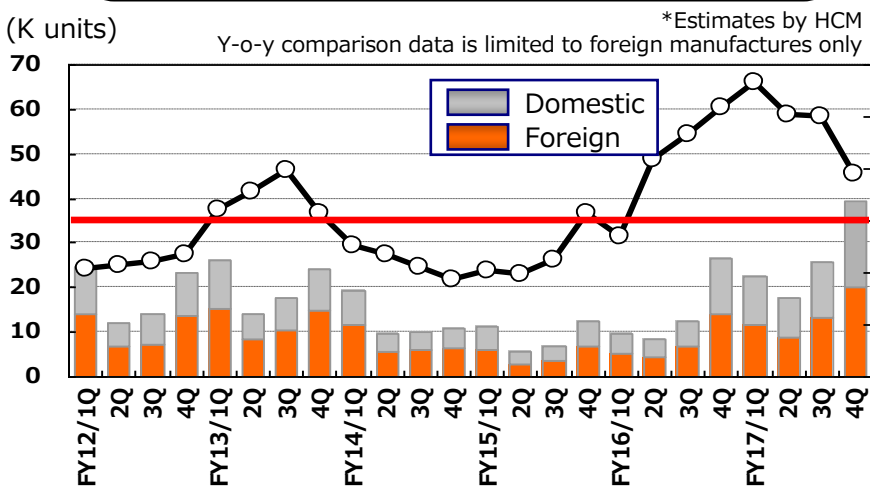
GDP and Fixed Asset Investment



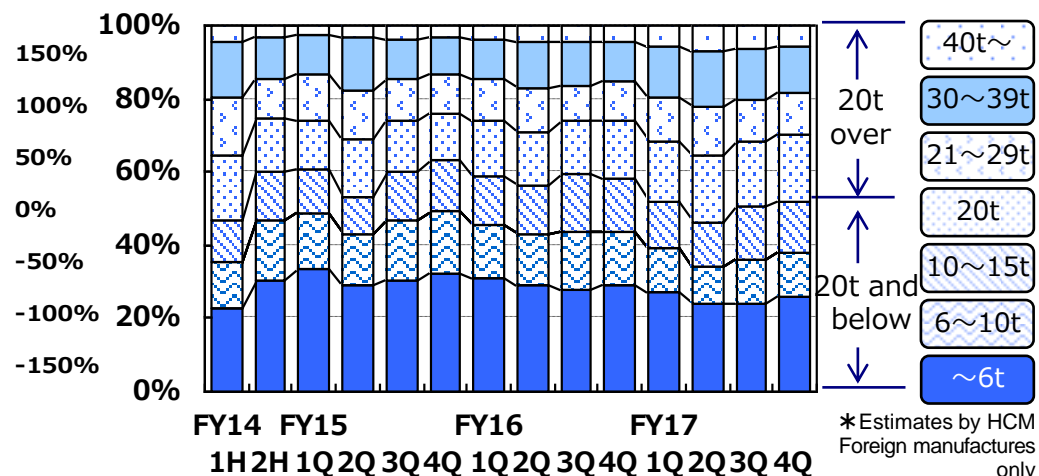
Quarterly Demand for Hydraulic Excavators by Region (y-o-y)



Demand Trend for Hydraulic Excavators



Demand Composition by Class for Mini Excavators and Hydraulic Excavators



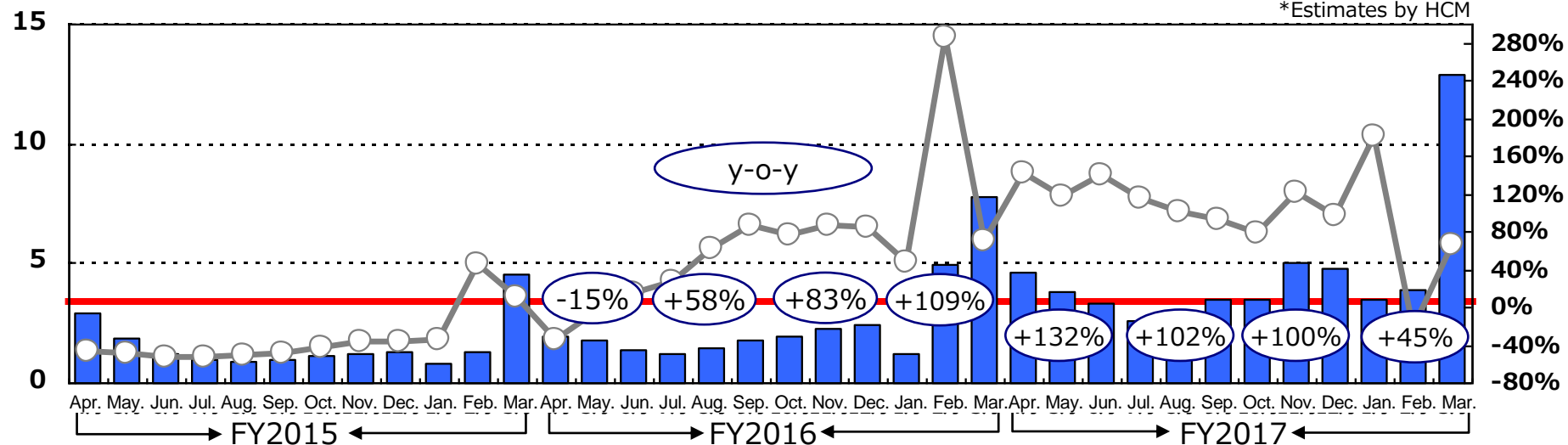
(K units)

Monthly Demand Trend for Hydraulic Excavators

(Foreign Manufactures only)

(Compared to the same month in the previous year)

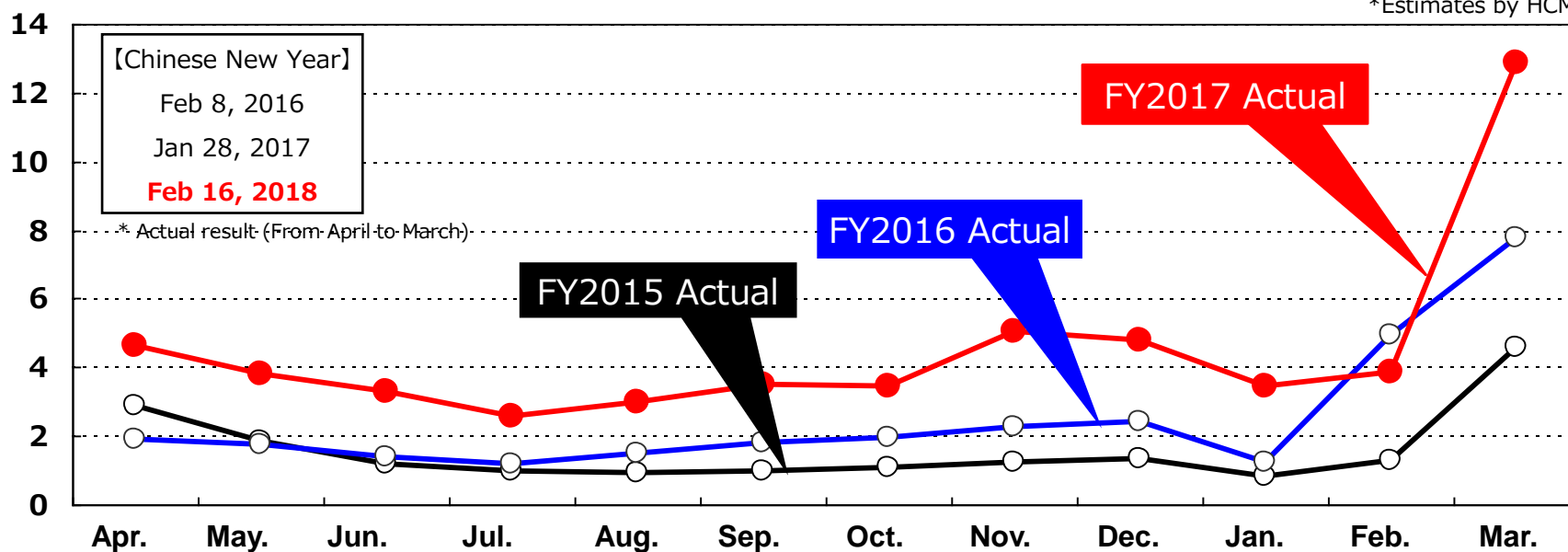
*Estimates by HCM



(K units)

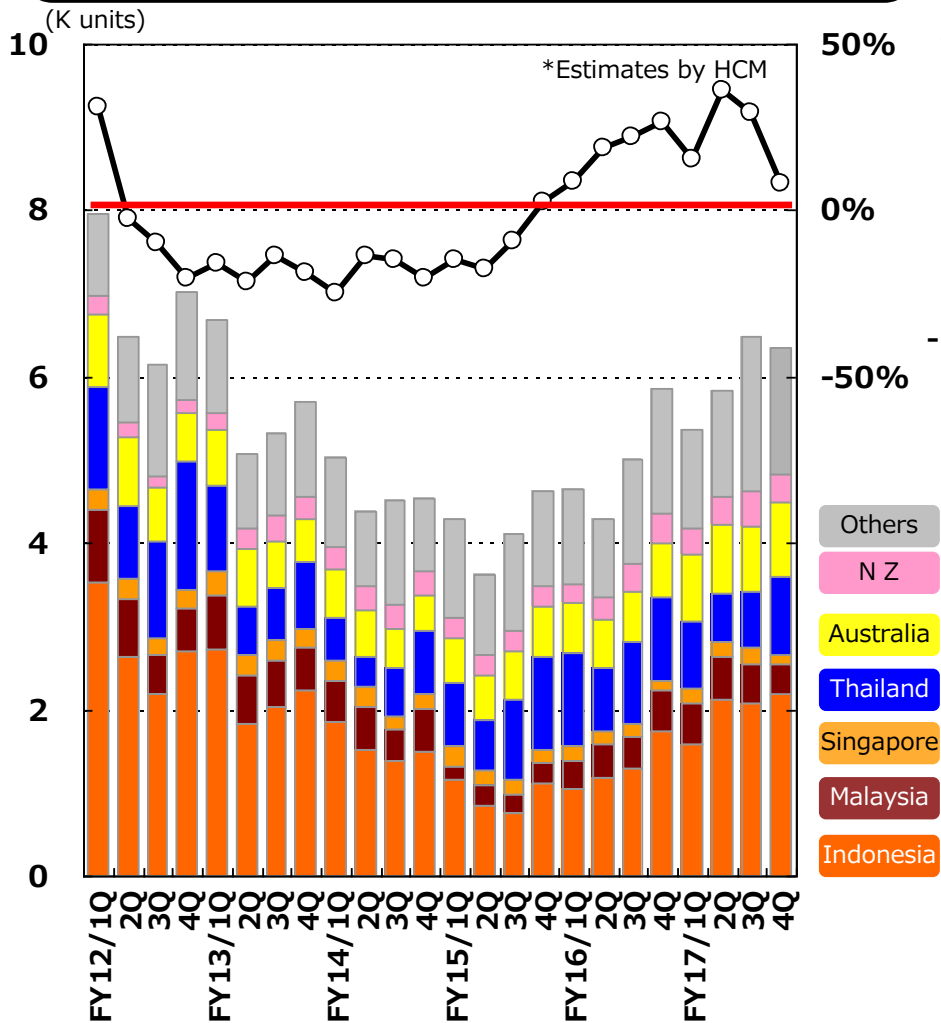
Demand Trend for Hydraulic Excavators (y-o-y) (Foreign Manufactures only)

*Estimates by HCM

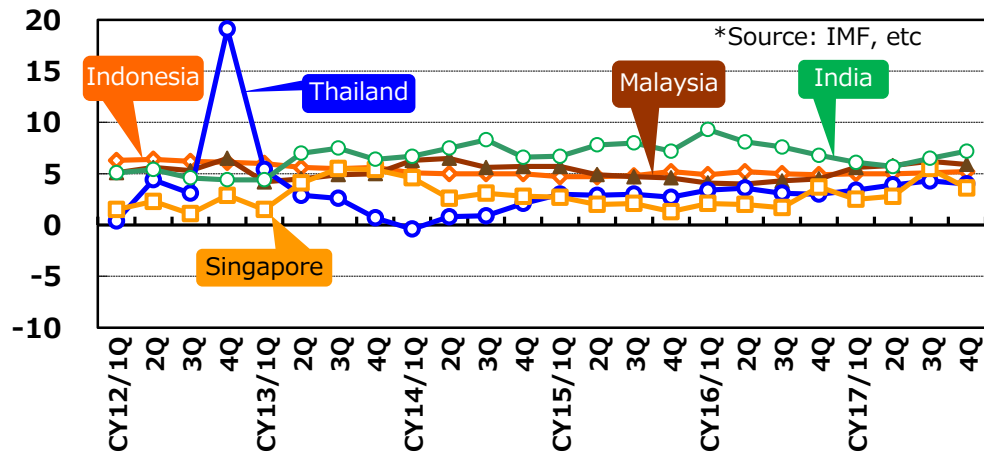


- ◇ Demand for hydraulic excavators increased in Indonesia, the Philippines, and Australia. Despite the decrease in Malaysia and Thailand, demand has increased in the entire Asia Pacific region (8% y-o-y).
- ◇ Demand for hydraulic excavator increased in India (29% y-o-y), mainly for infrastructure investments, such as railways and roads.

Demand Trend for Hydraulic Excavators in Asia & Oceania

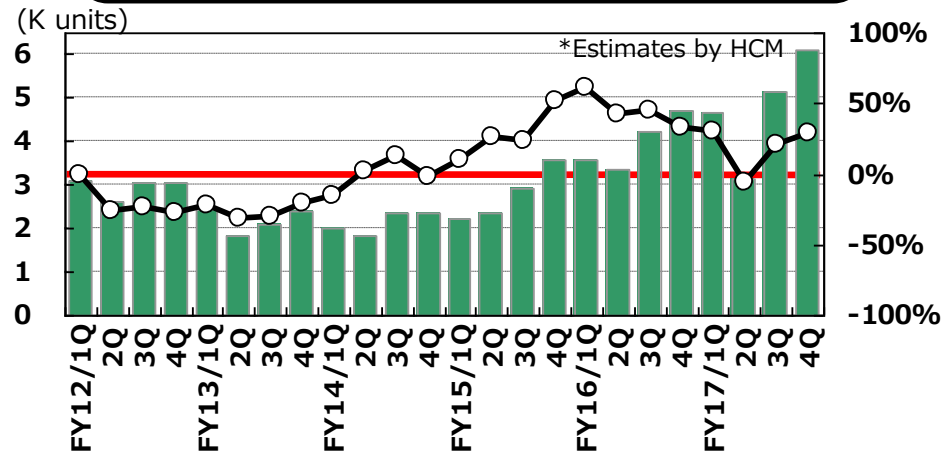


GDP Growth Rate in Major Countries (y-o-y)



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

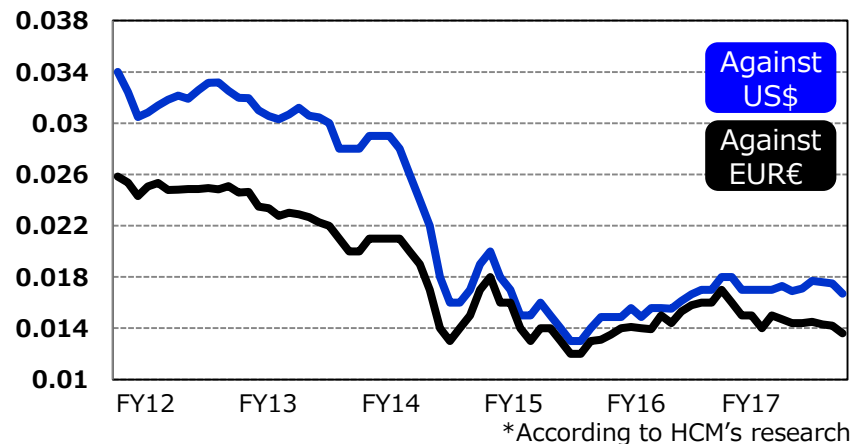
Demand Trend for Hydraulic Excavators in India



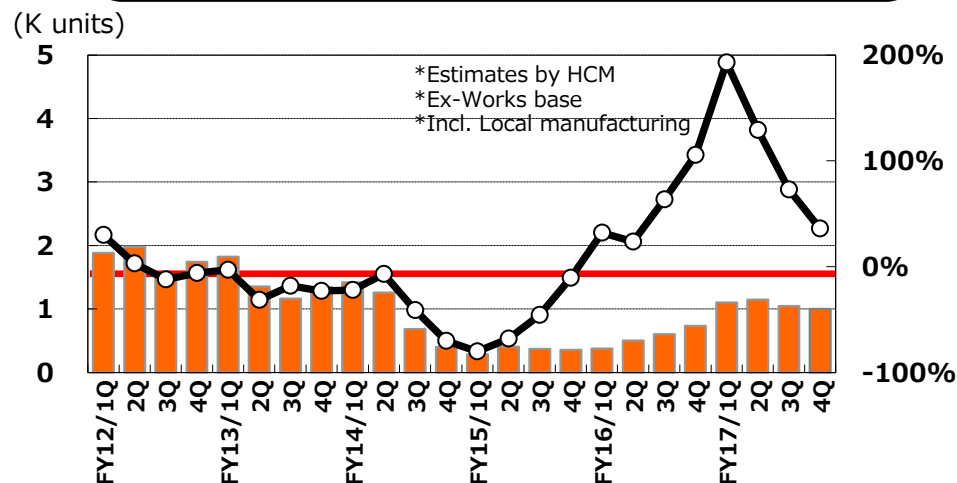
◇ In Russia, demand significantly increased throughout the fiscal year, underpinned by the revival of crude oil prices.

◇ In the Middle East, demand remained at a low level, mainly in Saudi Arabia.

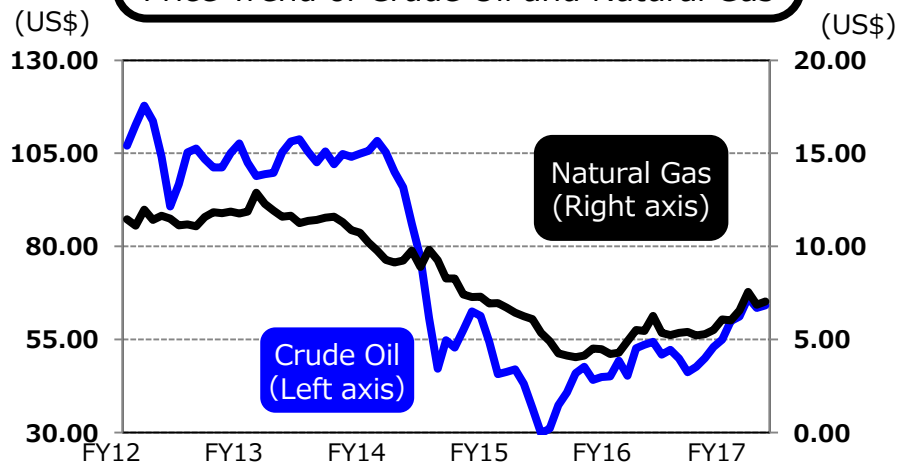
Foreign Exchange Rate of the Ruble



Demand Trend for Hydraulic Excavators in Russia

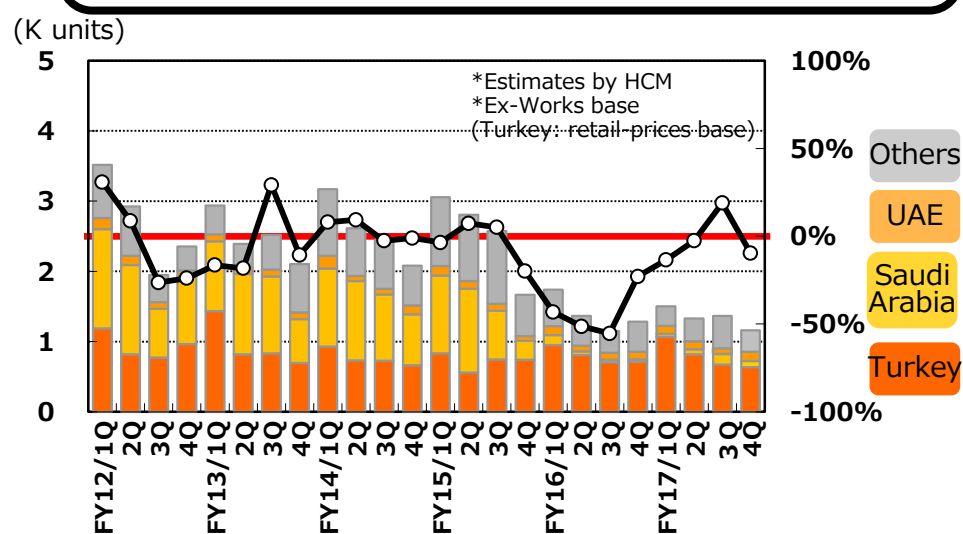


Price Trend of Crude Oil and Natural Gas



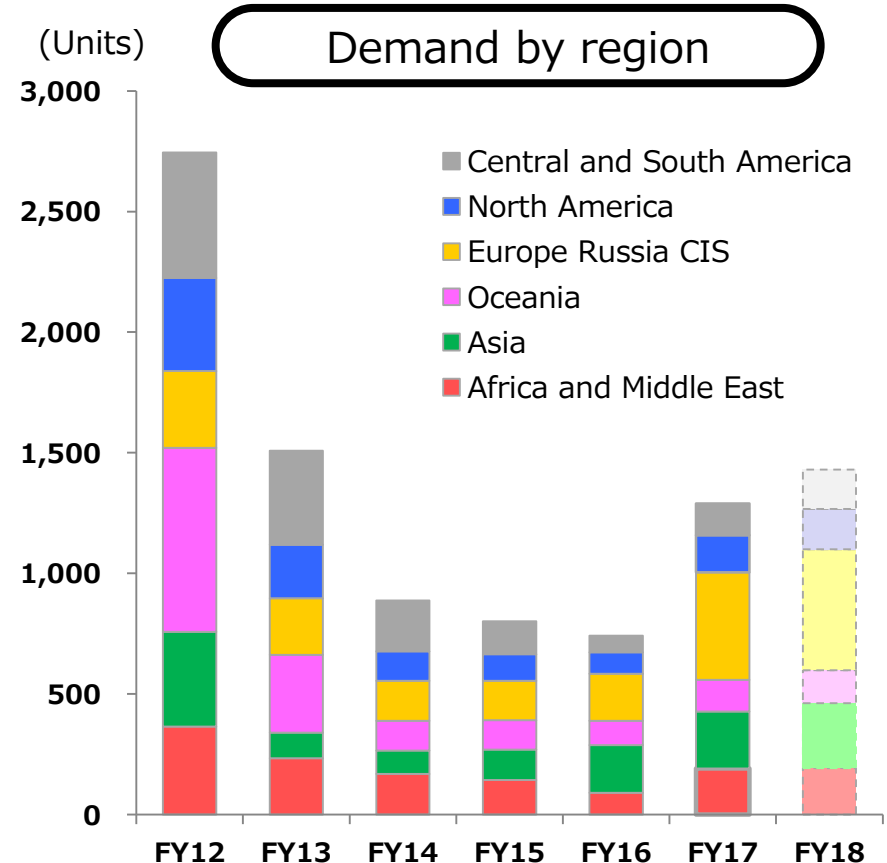
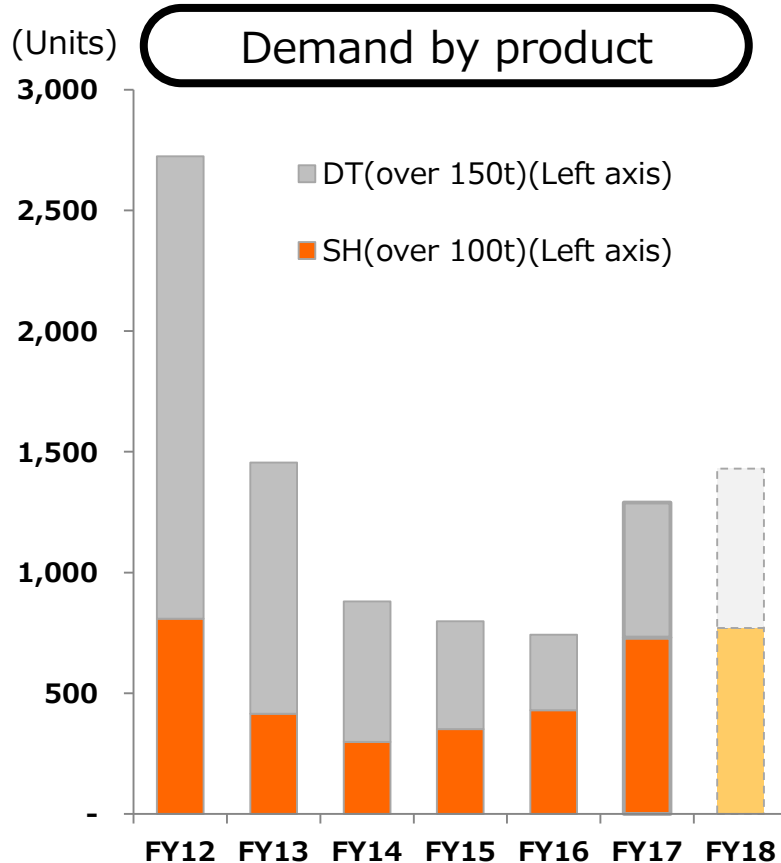
*Created by HCM, the source from IMF HP

Demand Trend for Hydraulic Excavators in the Middle East



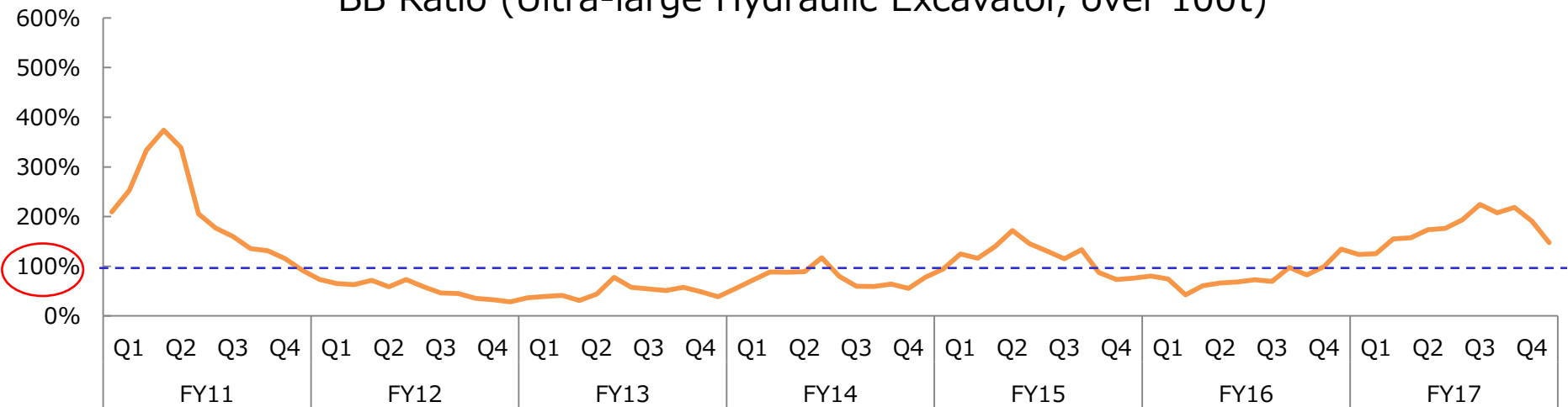
- ◇ Demand for mining machinery is expected to increase significantly, by 74% y-o-y.
- ◇ Demand increased for 100t excavators by +90%, over 200t excavators by 40%, and trucks by 80% y-o-y, respectively.
- ◇ Demand for excavators increased in Russia, Asia, and Africa. Demand for trucks increased in Russia and North, Central, and South America.

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

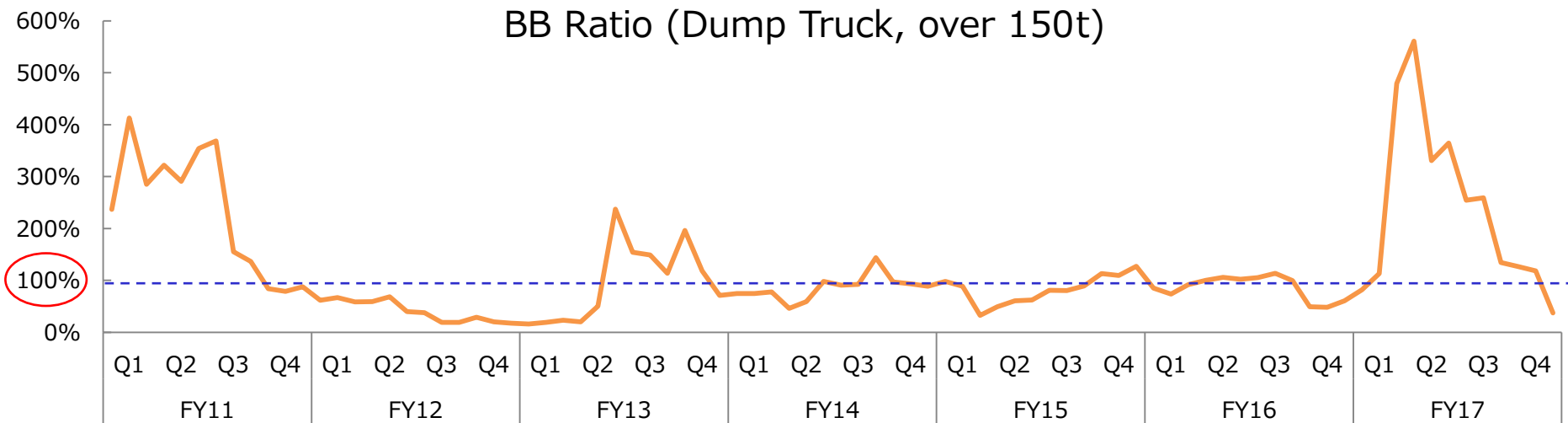


*According to HCM's research

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)

Customers' needs

Enhancement
of safety

Improvement
of productivity

Reduction of
life-cycle cost

Solution Linkage

ICT/IoT solutions solving problems together with customers

AHSSolutions
[Autonomous Haulage System]



Fleet Management
Solutions



ICT Solutions
for i-Construction



Service
Solutions



One Hitachi

Hitachi Construction
Machinery

Open Innovation

【AHS】Autonomous Haulage System (AHS) for dump trucks

Scalability

Hitachi's railway traffic management system keeps data traffic per unit under control and can handle hundreds of fleets.

Flexibility

Dump trucks equipped with Hitachi's automobile electric control technology and AC motor control technology can be converted into AHS model after delivery.

Agility

Realized fast system improvement to meet customers' project needs due to simulation technology etc..

Current status and further developments

FY2017: Implementation of commercialization test

FY2018: User test (planned)

FY2019: Commercialization (planned)



ConSite

We constantly monitor machines remotely and support stable operation with our data report service.

- **Distribute data report** to 82,000 units worldwide via our **fully automated system**.
- Assess malfunction risk from sensing data. **Distribute alarm report and correspondence manual automatically** in accordance with the seriousness of problem.
- **Strengthen efforts for sign diagnostics** and further expand future service menus.



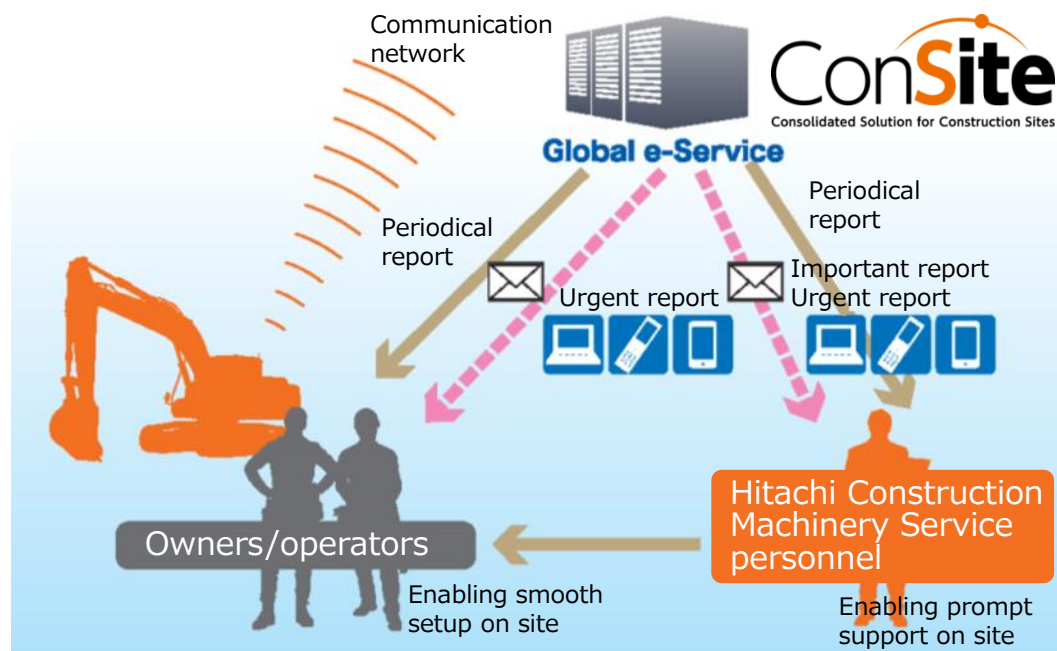
Periodical report
(33 languages)



Corresponding
manual
(16 languages)

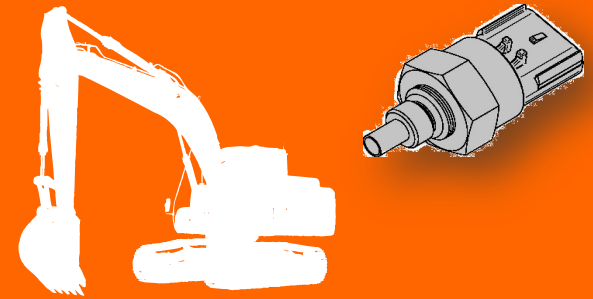
**Offered worldwide
Registered number
exceeded 82,000**

※ As of March 31, 2018



Launched ConSite OIL to improve prognostic detection rate

Rolled out ConSite OIL, enabling 24-hour oil monitoring for the first time in the construction machinery industry in Europe, Australia, and Japan.



【Supplement】 Necessity of preventive maintenance based on oil diagnosis

If you do not perform proper oil management and maintenance...

Because of sudden trouble

Machine breakage

Due to repair after trouble occurrence

Increased running cost

Due to response after trouble occurrence

Increased repair time



Cooperation with Bradken and H-E Parts

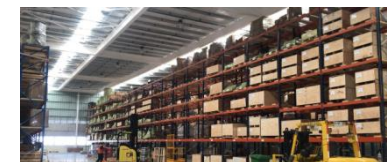


- ☐ Expand sales channels by utilizing each other's networks.
 - Expand sales of Bradken's undercarriage parts and GETs* for mining equipment (consumables).
 - Utilizing GETs for wheel loaders procured by Bradken.
- ☐ Newly promote parts remanufacturing business of H-E Parts by collaborating with HCM Zambia.

*Ground Engaging Tools

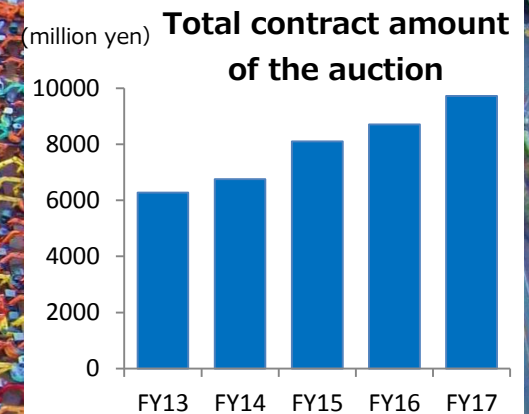


- ☐ Establish an operating base of parts remanufacturing business of H-E Parts in Chile.



Expansion of sales of used equipments from Japan (auction business)

- Hosting auctions of 3500 units per year
- Sales of good-conditioned used equipments, which made possible through the distinctive service as a manufacturer



Auction venue of HCM Japan

Expansion of sales of certified used equipments

Hitachi Construction Machinery
PREMIUM USED

- Sales of well-maintained, high-value added used equipments in Japan, China, and Europe, etc.



Japan



China

[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

