

Business Result for the First Quarter ended June 30, 2018 Regional Market Environments and Projections



July 25, 2018

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 **Hitachi Construction Machinery Co., Ltd.**

Global Demand Trend for Hydraulic Excavators

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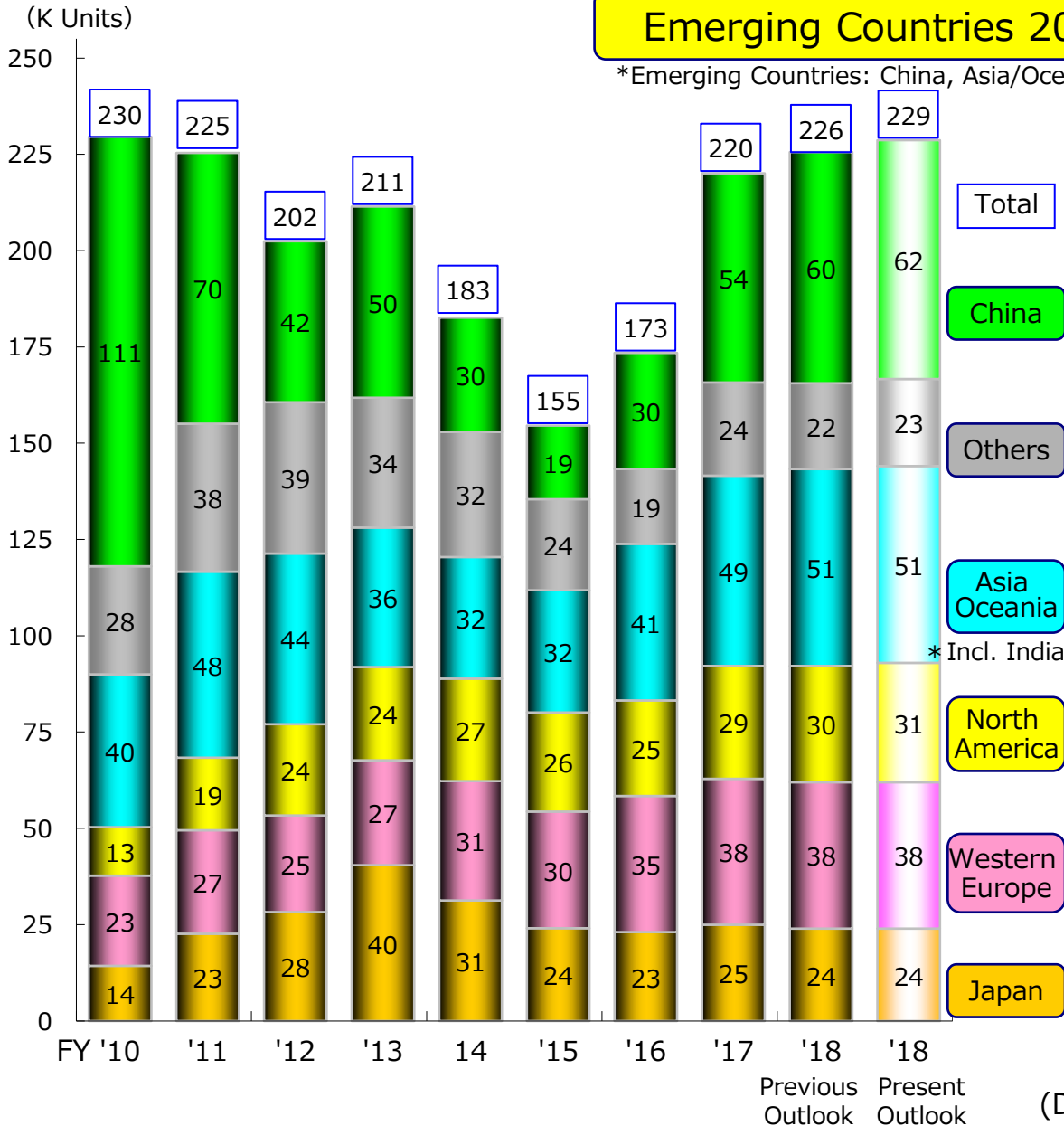
HITACHI

Reliable solutions

* Estimates by HCM, Excluding Chinese manufacturer

Emerging Countries 2018 : 59% (Y-o-Y Change: +1%)

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



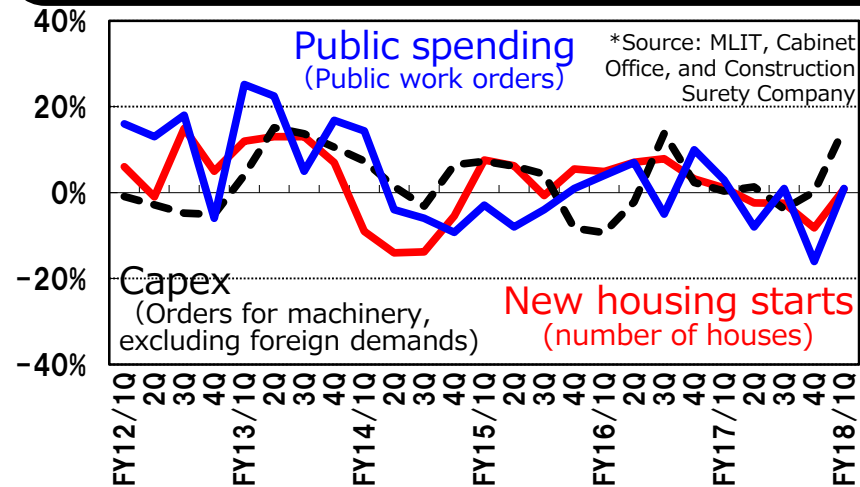
Year-on-Year Change

		'17	'18 Present Outlook
Total		+27%	+4%
China		+80%	+14%
Others	Russia, CIS, E Europe	+77%	-16%
	Africa	+6%	+0%
	Middle East	+1%	-2%
	Latin America	+27%	-6%
Others		+24%	-7%
Asia & Oceania	India	+21%	+10%
	Indonesia	+55%	+4%
	Others	+13%	-3%
Asia & Oceania		+22%	+3%
N America		+18%	+6%
W Europe		+7%	+0%
Japan		+8%	-4%

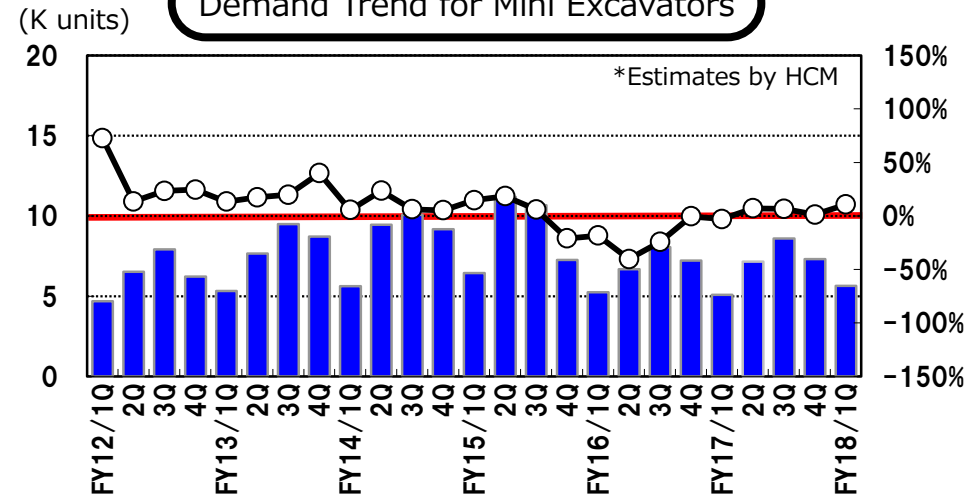
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- ◇Housing investment, public investment, and capital investment have increased.
- ◇Regarding demand for construction machinery from April to June 2018, the demand growth for hydraulic excavators and wheel loaders decreased due to the end of last-minute demands in anticipation of the new emissions regulations.

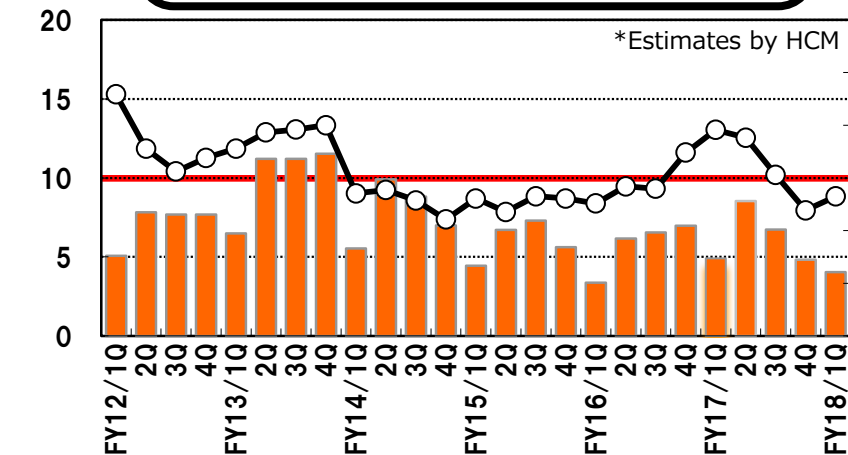
Market Environment: Housing/Public Spending and Capex (y-o-y)



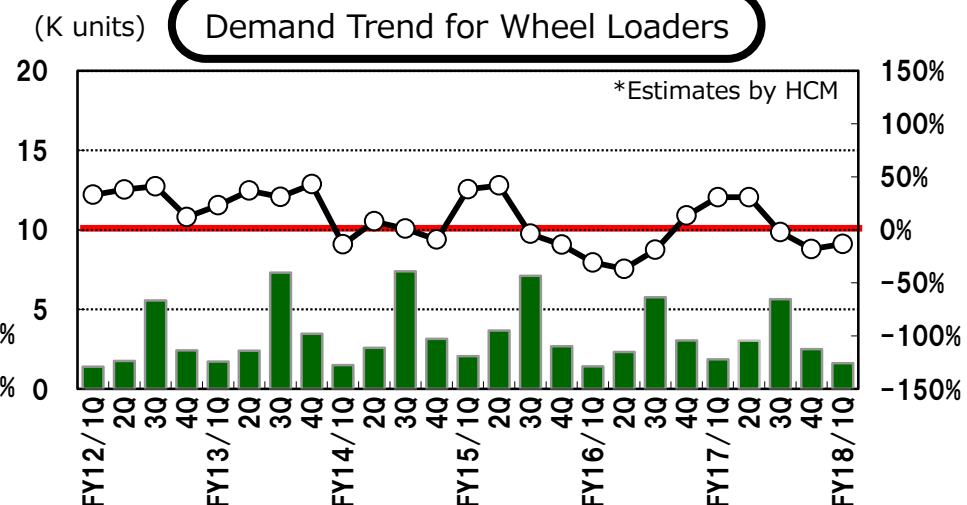
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

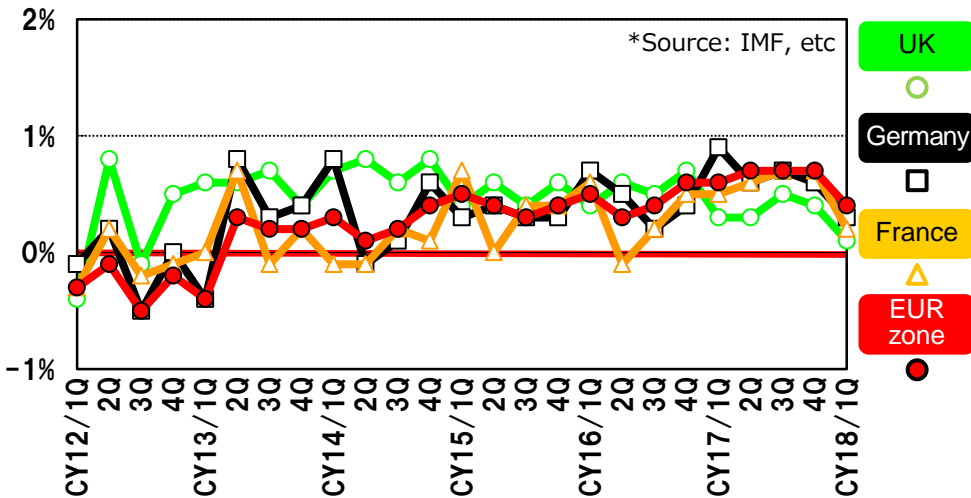


Demand Trend for Wheel Loaders

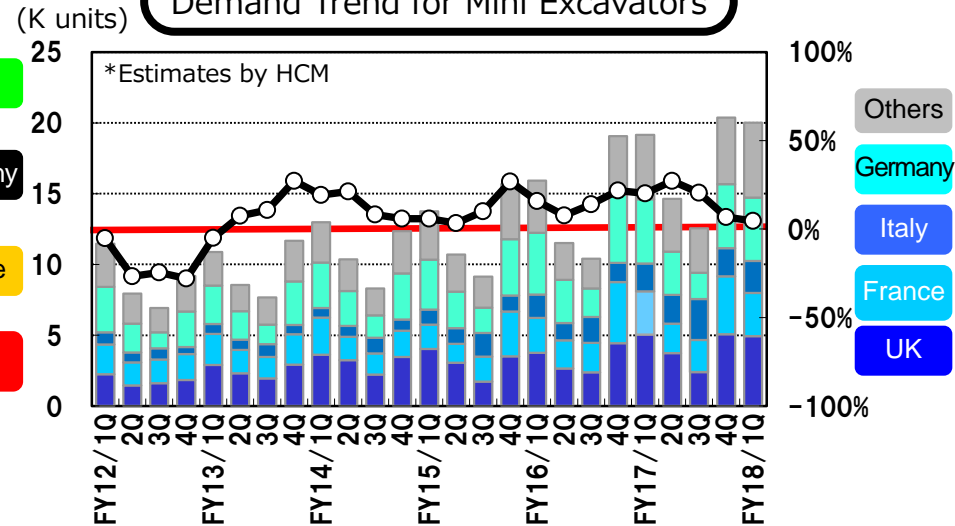


- ◇ Throughout the Eurozone, GDP growth rate declined y-o-y.
 - ◇ Hydraulic excavators showed continued growth, while demand for mini excavators and wheel loaders slowed.
- (Demand for hydraulic/mini excavators and wheel loaders increased 7%, 5%, and 8% y-o-y, respectively.)

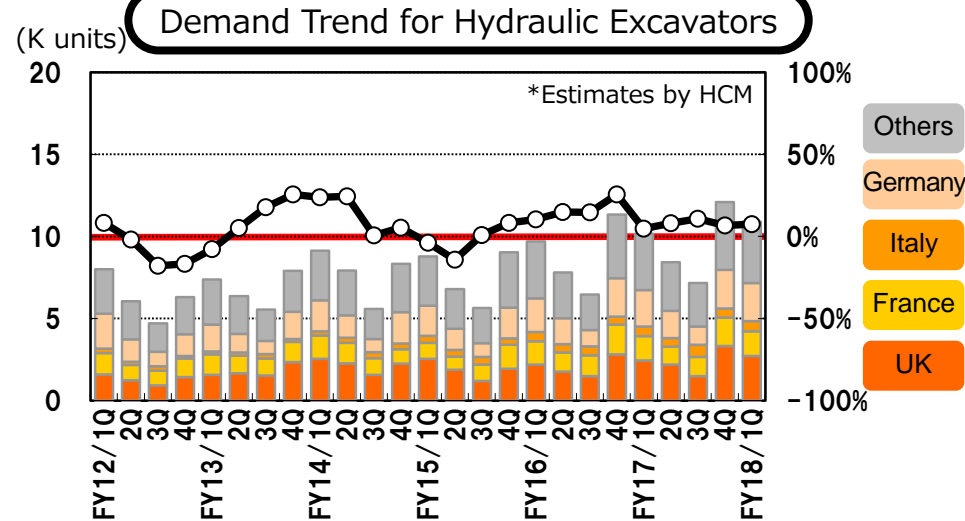
GDP Growth Rate in Major Countries (y-o-y)



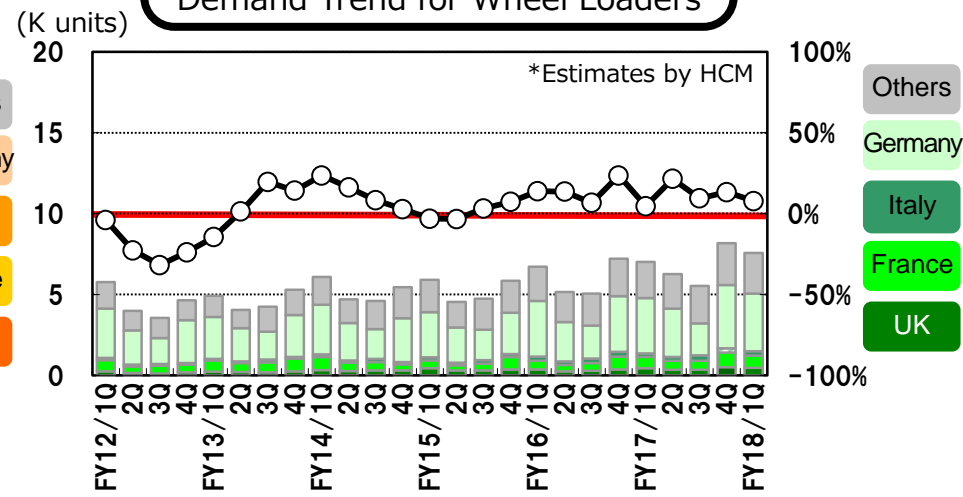
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

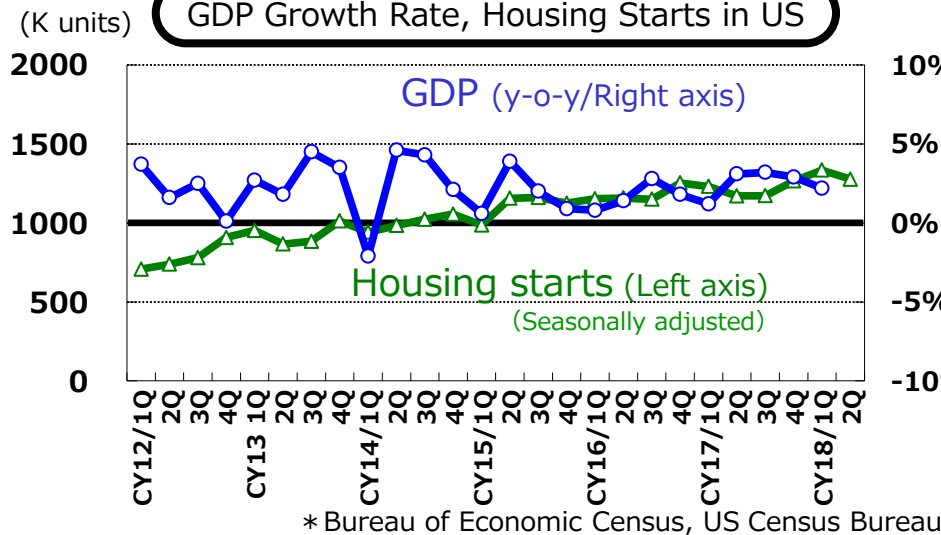


Demand Trend for Wheel Loaders

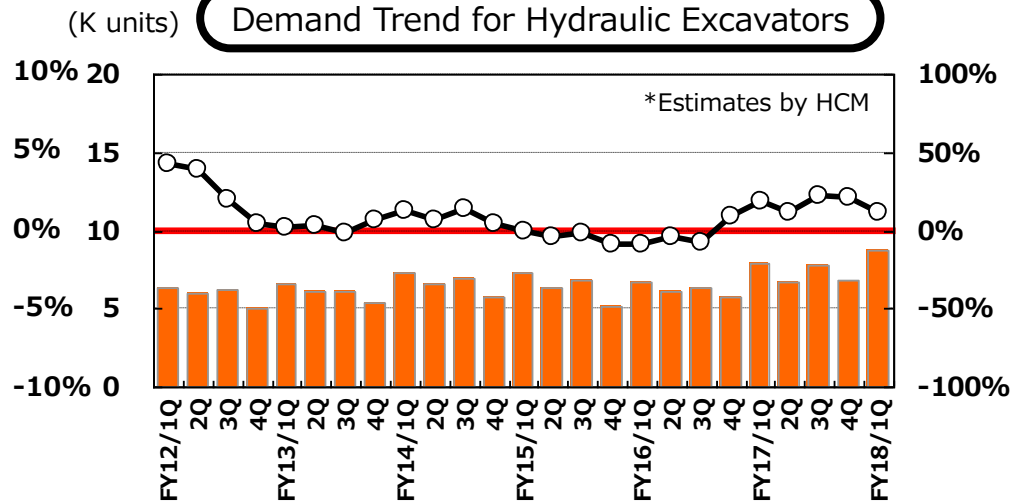


- ◇ While housing starts slowed, construction investment was brisk.
- ◇ Demand for hydraulic excavators increased but growth rate sluggish. Demand for mini excavators continued to increase (11% and 13% y-o-y, respectively).

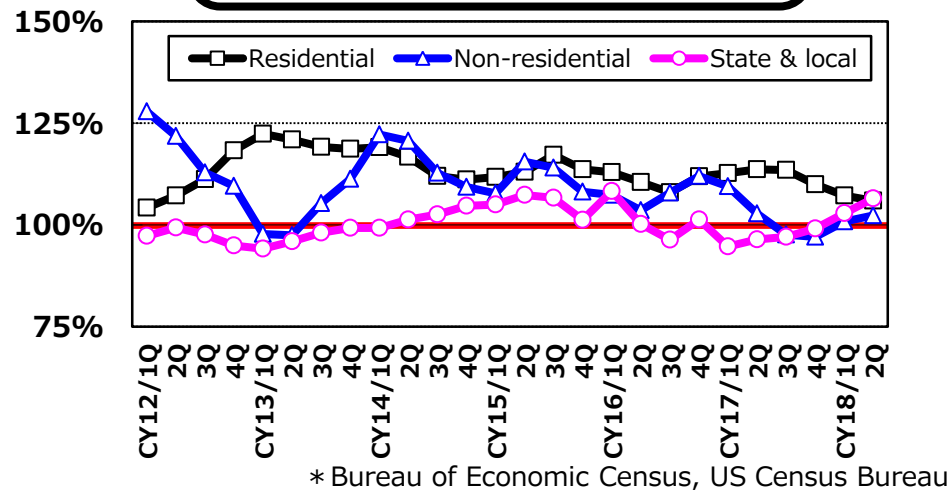
GDP Growth Rate, Housing Starts in US



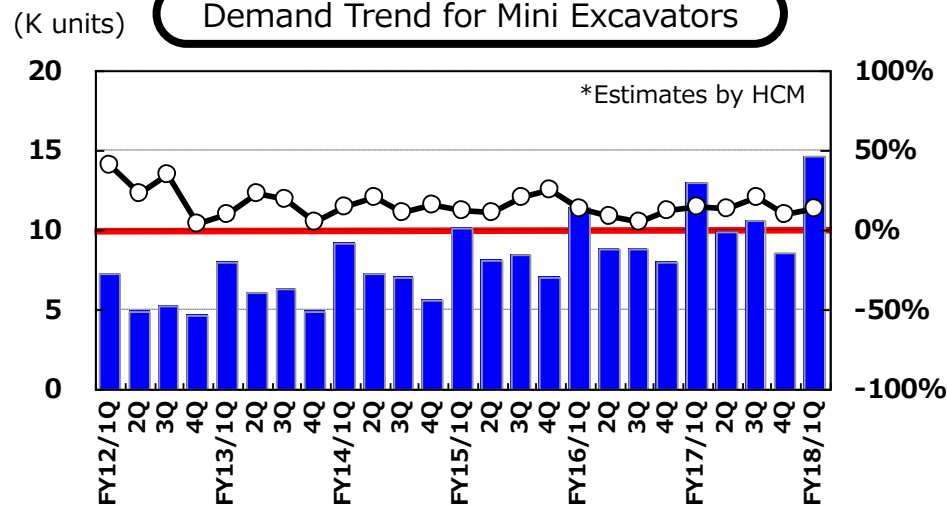
Demand Trend for Hydraulic Excavators



Construction Spending in US (y-o-y)

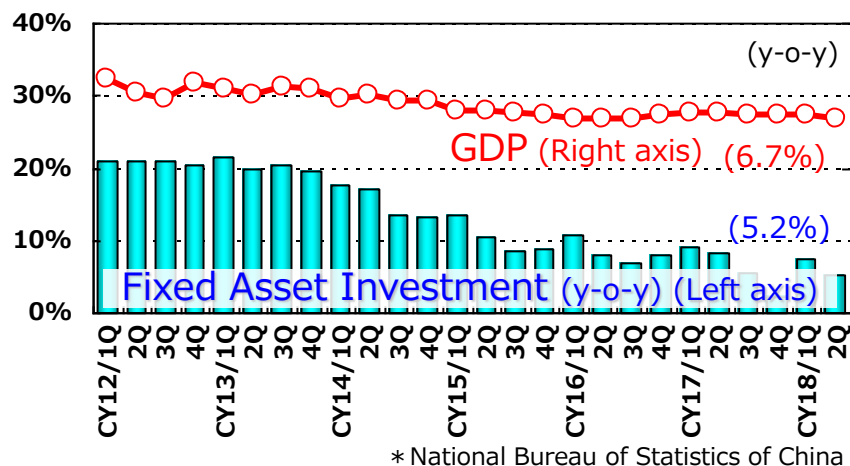


Demand Trend for Mini Excavators

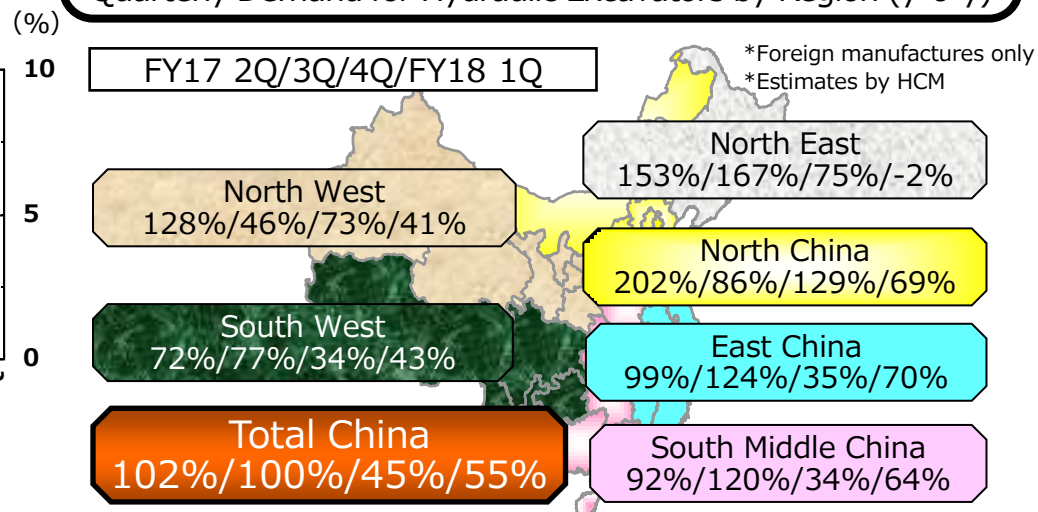


- ◇The GDP growth rate from April to June 2018 remained stable at around 6.7%.
- ◇Demand for hydraulic excavators increased (1.5 times y-o-y).

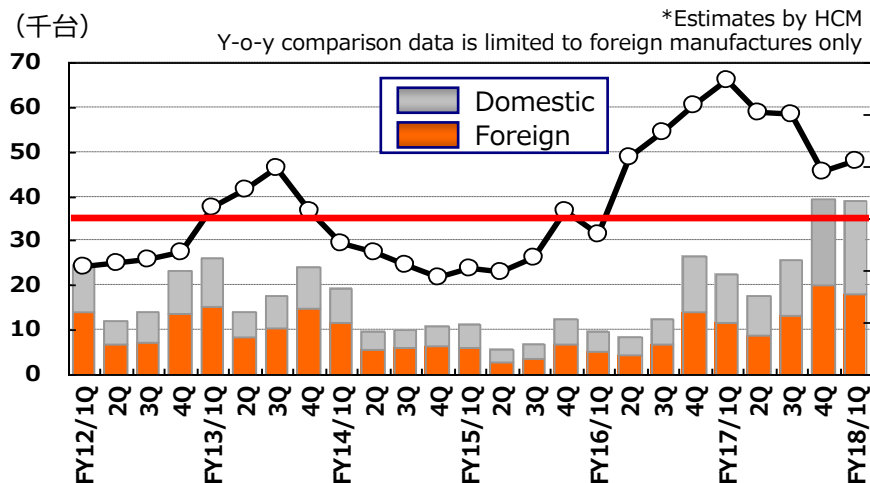
GDP and Fixed Asset Investment



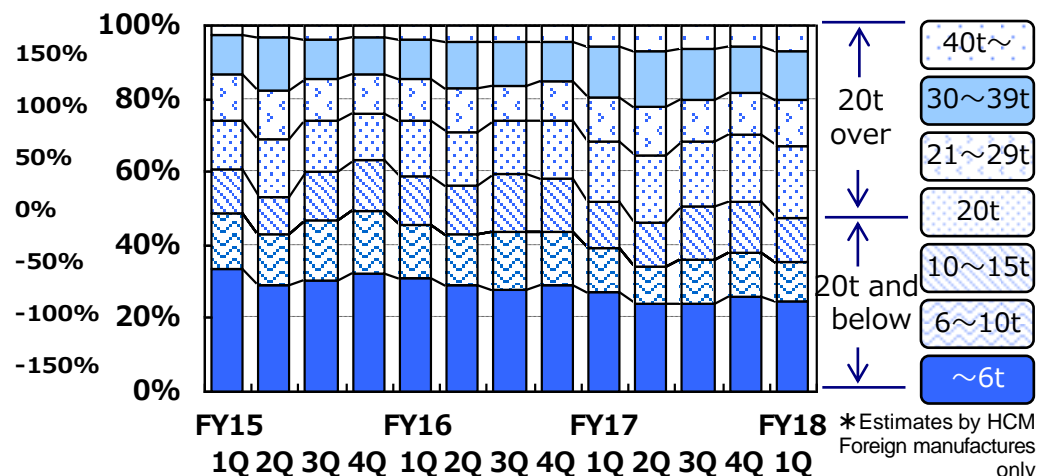
Quarterly Demand for Hydraulic Excavators by Region (y-o-y)



Demand Trend for Hydraulic Excavators



Demand Composition by Class for Mini Excavators and Hydraulic Excavators

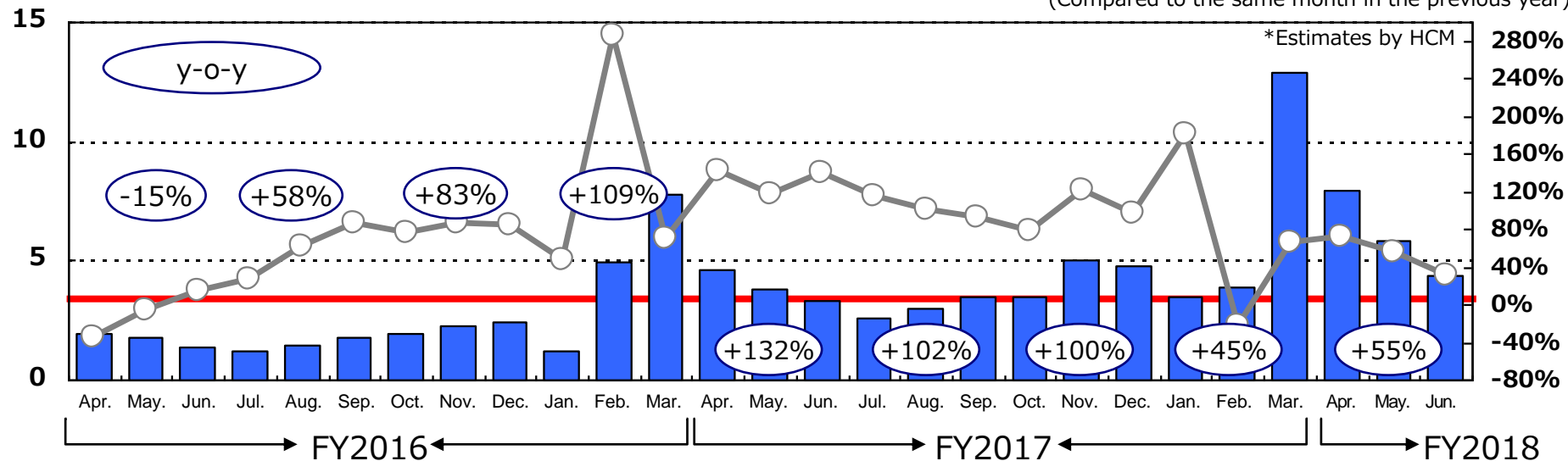


(K units)

Monthly Demand Trend for Hydraulic Excavators

(Foreign Manufactures only)

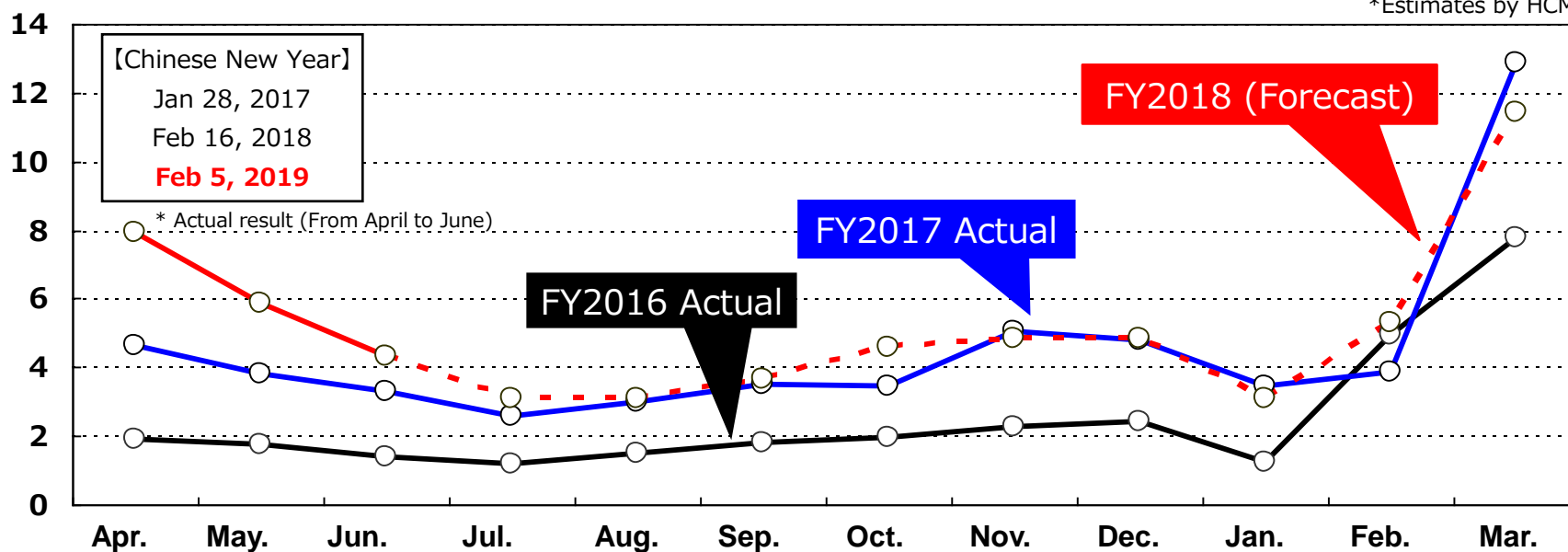
(Compared to the same month in the previous year)



(K units)

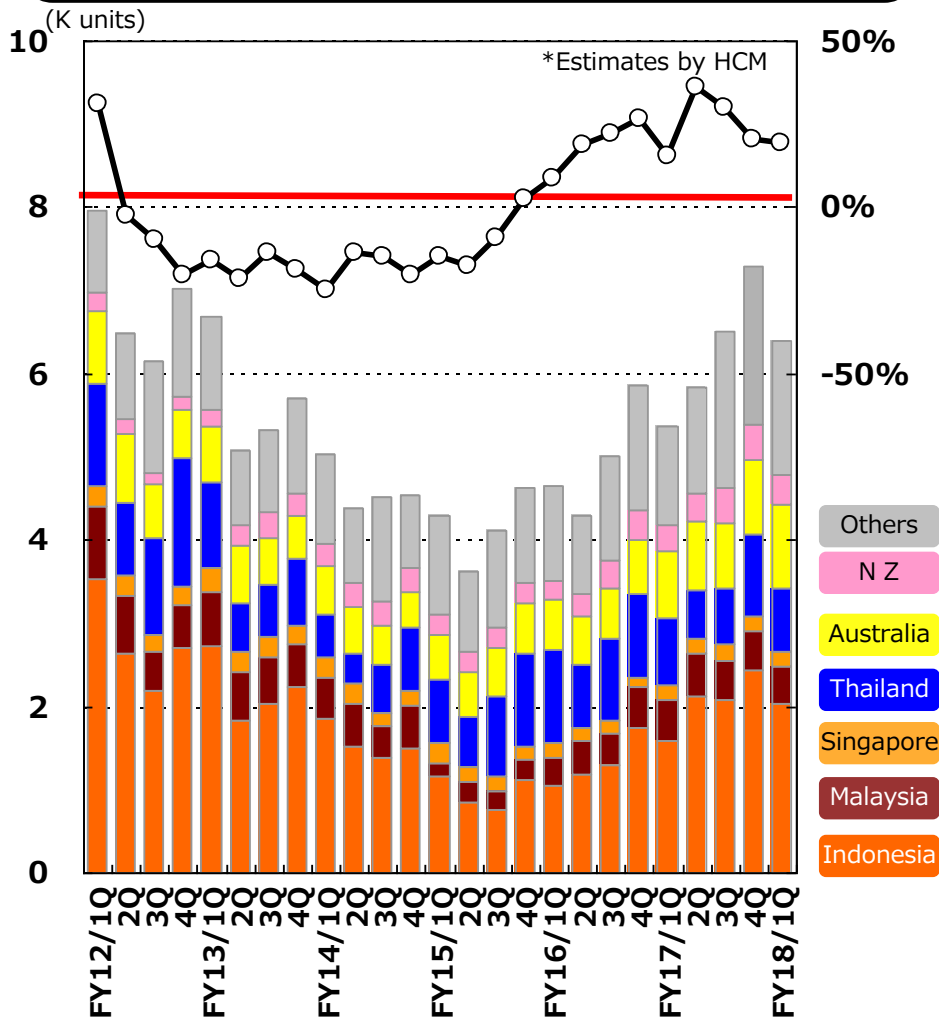
Demand Trend for Hydraulic Excavators (y-o-y) (Foreign Manufactures only)

*Estimates by HCM

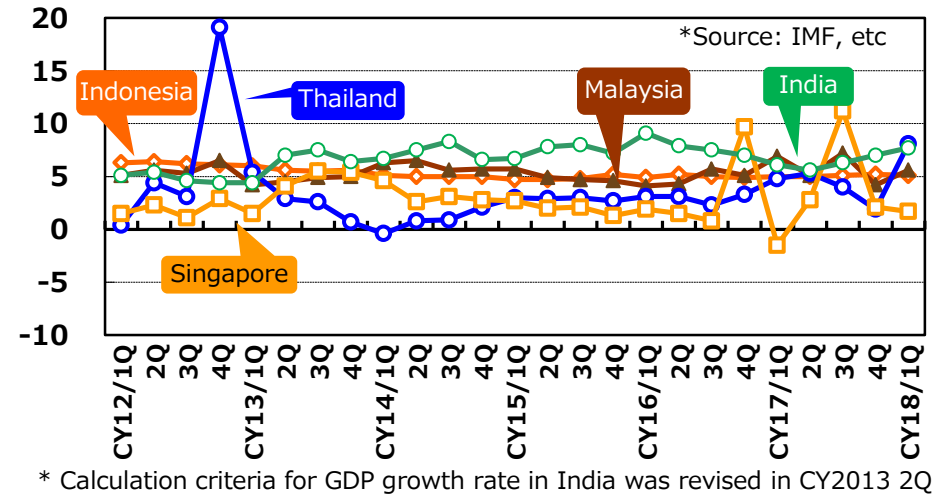


- ◇ Demand for hydraulic excavators increased in Indonesia, the Philippines, and Australia. Despite the decrease in Malaysia and Thailand, demand has increased in the entire Asia Pacific region (19% y-o-y).
- ◇ Demand for hydraulic excavator increased in India (12% y-o-y), mainly for infrastructure investments, such as railways and roads.

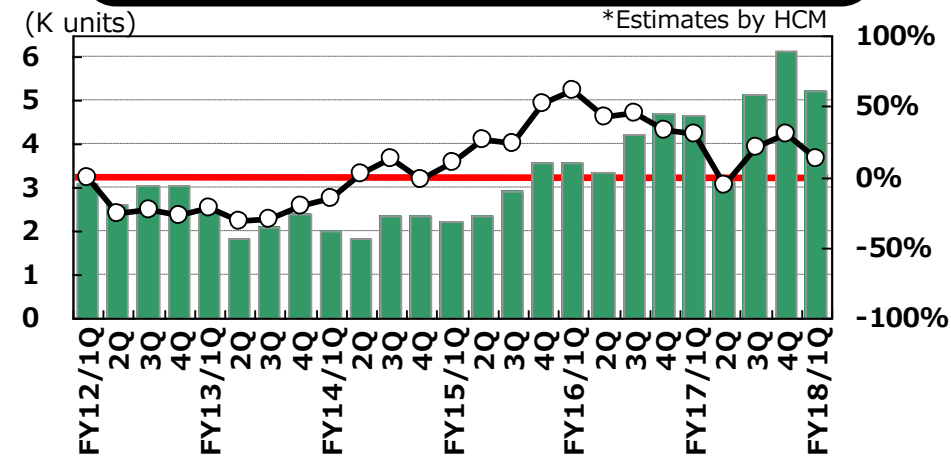
Demand Trend for Hydraulic Excavators in Asia & Oceania



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



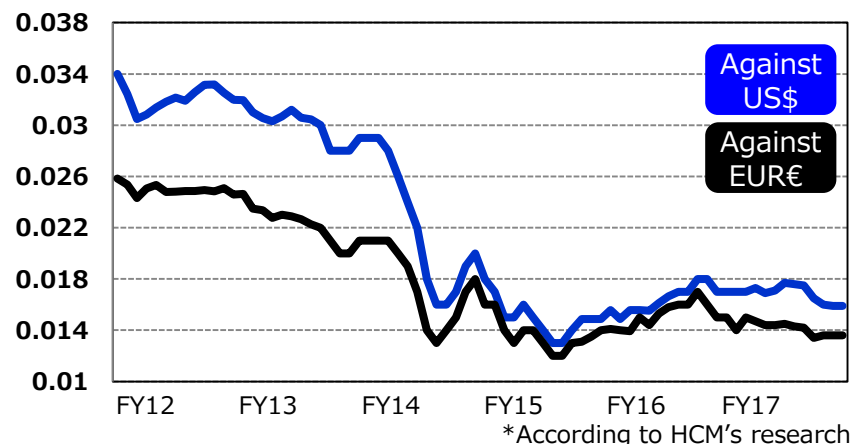
Demand Trend for Hydraulic Excavators in India



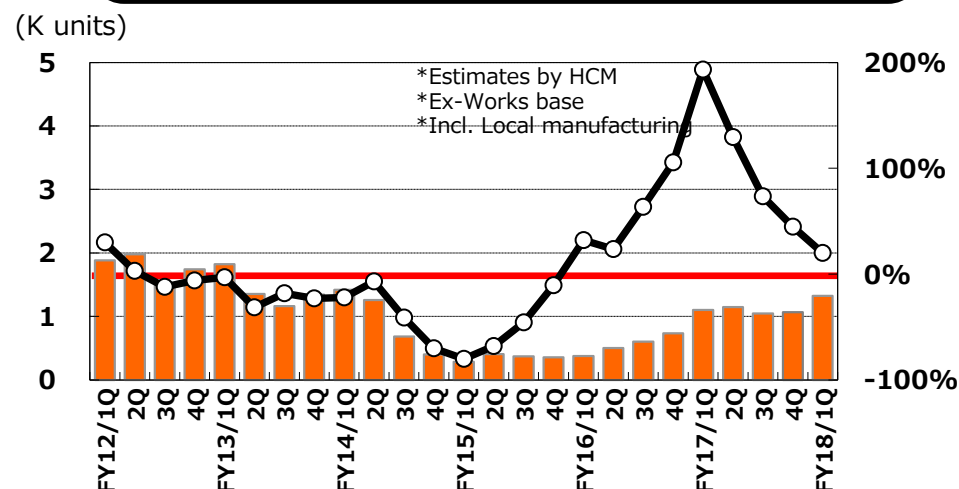
◇ In Russia, demand increased y-o-y, underpinned by the revival of crude oil prices.

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

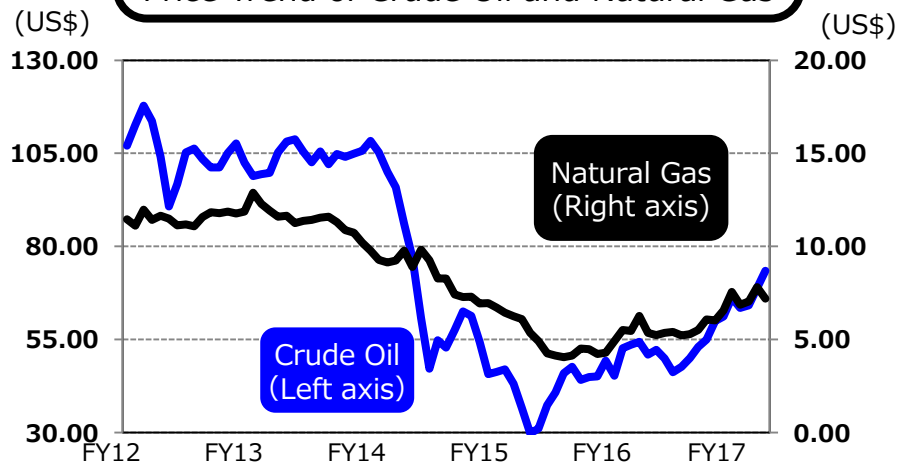
Foreign Exchange Rate of the Ruble



Demand Trend for Hydraulic Excavators in Russia

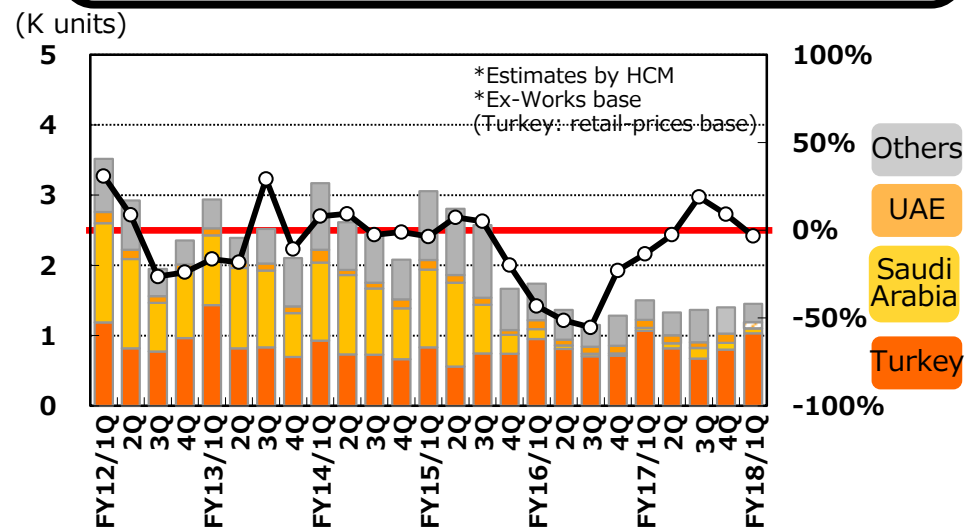


Price Trend of Crude Oil and Natural Gas



*Created by HCM, the source from IMF HP

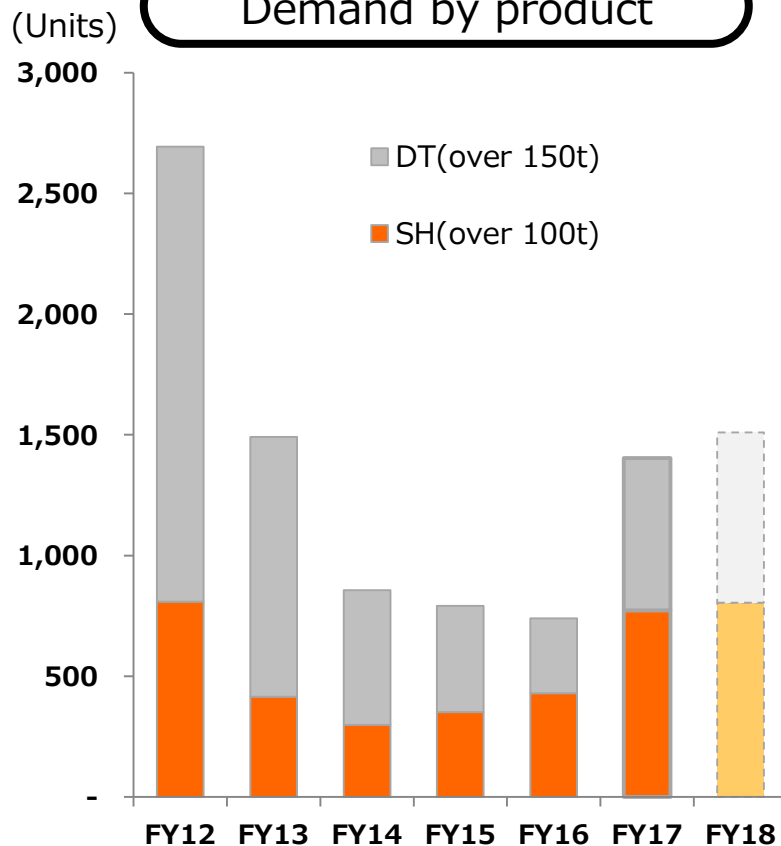
Demand Trend for Hydraulic Excavators in the Middle East



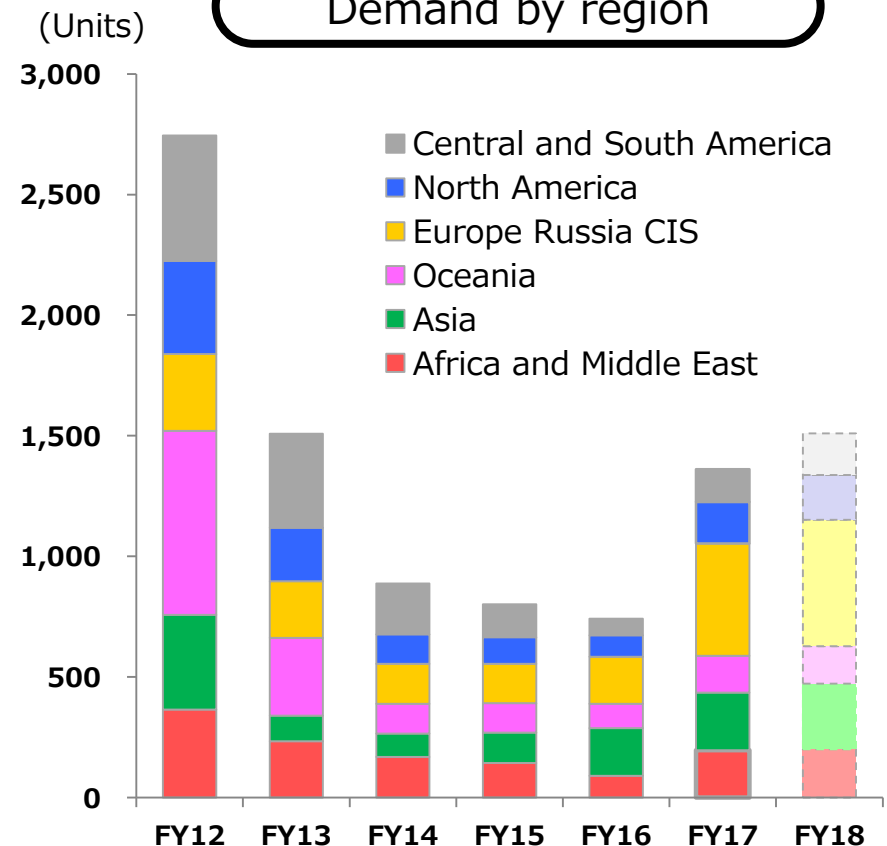
- ◇ Demand for mining machinery in FY2018 is expected to increase by 10% y-o-y.
- ◇ By region, main drive of demand increase is mainly in Asia and Central and South America.

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

Demand by product

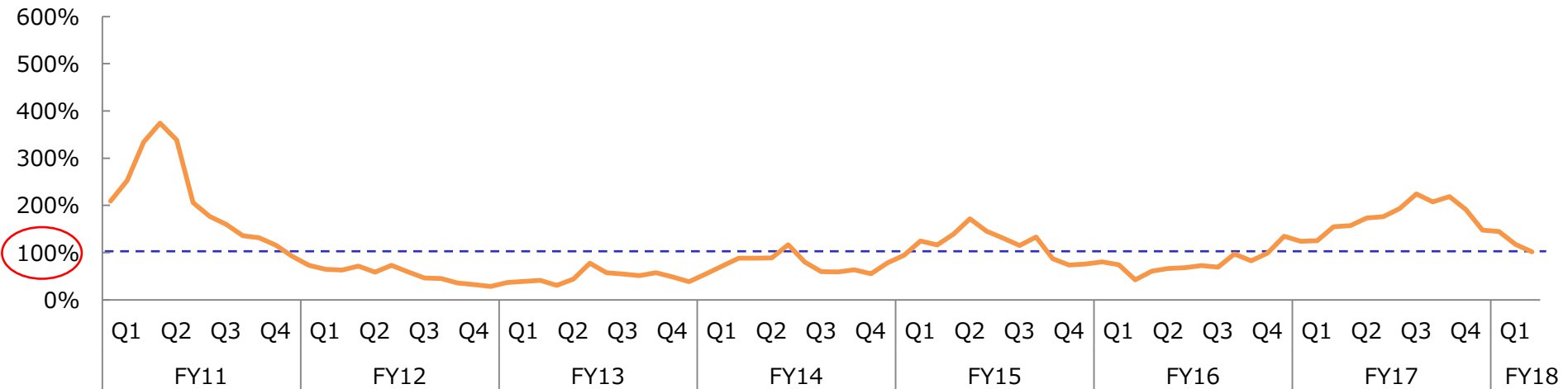


Demand by region

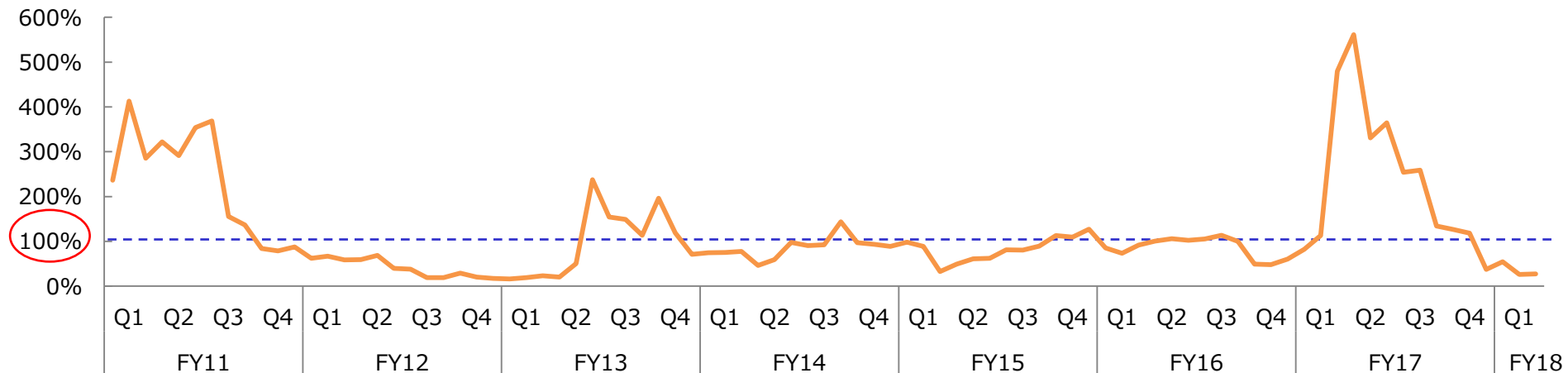


*According to HCM's research

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)

Pink colored Rigid Dump Trucks were delivered in support of customer's breast cancer eradication campaign



- Agreed with Whitehaven Coal to collaborate on the design and implementation of an Autonomous Haulage System (“AHS”) to support the company’s mining operations in North West New South Wales at its Maules Creek coal mine.
- Delivery and commissioning of phased AHS deployment for the fleet of Hitachi EH5000AC3 trucks at Maules Creek.
- We will deliver Hitachi AHS as one of the core components of the company’s “Solution Linkage” initiative utilizing ICT and IoT technology, partnering with our mining customers across the world. This will ensure both greater safety and efficiency of mining operations.



Customers' needs

Enhancement of
safety

Improvement of
productivity

Reduction of
life-cycle cost

Solution Linkage

ICT/IoT solutions solving problems together with customers

AHS Solutions
[Autonomous Haulage
System]



Fleet Management
Solutions



ICT Solutions
for i-Construction



Service
Solutions



One Hitachi

Hitachi Construction
Machinery

Open Innovation

i-Construction Exhibition in Japan

July 18~20, 2018



“More” practical visualization of the construction site

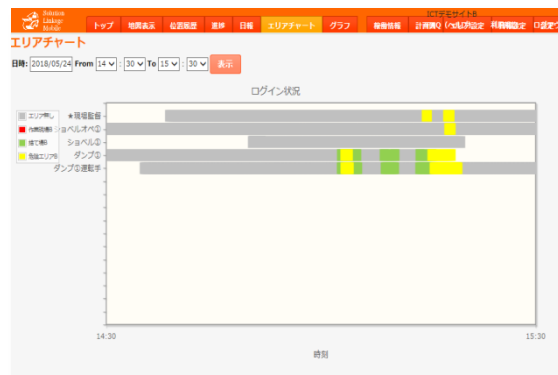
Solution Linkage Mobile

“More” convenience in visualizing construction sites

“More” simplicity in the management of construction progress

“More” reassuring area notice

Options. Daily report, health care



Available in April 2018

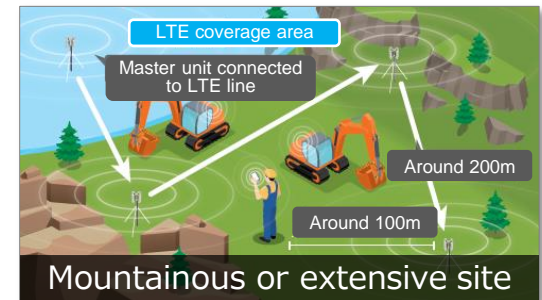
※Map data ©2018 Google, ZENRIN

Improving unstable telecommunication environment on the site

Solution Linkage Wi-Fi

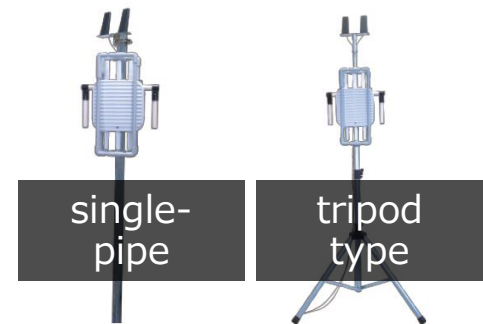
“Improving” and “Expanding” the mobile communication environment

ICT construction is possible even on sites with difficulties in telecommunication, such as bridges, highways, dam sites, etc.



Weather-proof and “easy to install”

- Easy installation—no communication expert needed
- Available as single-pipe or tripod type



Scheduled to be available in September 2018
Offered by Hitachi Kokusai Electronic, Inc.

Easily measure daily amount of soil with a smartphone

Solution Linkage Survey

Speedy work just by recording objects using a smartphone—no UAV needed

No specialized surveying devices required

Only a smartphone and a GNSS antenna

*Contract for correction data transmission service required

No advanced professional knowledge on surveying required

On-site work only involves taking movies of measurement targets

On-site confirmation of work progress information

Processing on the cloud and on-site confirmation with a smartphone

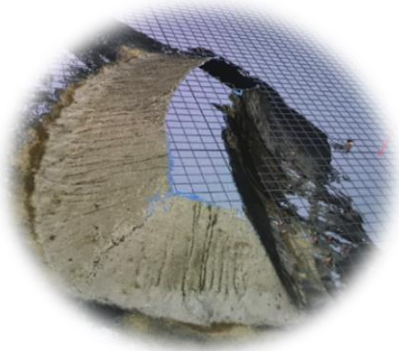


Image is for illustration purposes.

Scheduled to be available
in October 2018
Offered by Hitachi Solution, Ltd.

New lineup of ICT Construction Machinery that meet Japanese construction site needs

Solution Linkage Assist

Foundation digging and
trench digging
13t machine control

ZX135USX-6



Rental starts in July 2018
To be introduced in October 2018

Car park and paving
Blade machine control

ZX35U-5B



Scheduled to be available in December 2018

[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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