

Business Result for the Second Quarter ended September 30, 2018 Regional Market Environments and Projections



October 25, 2018

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

Global Demand Trend for Hydraulic Excavators

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HITACHI

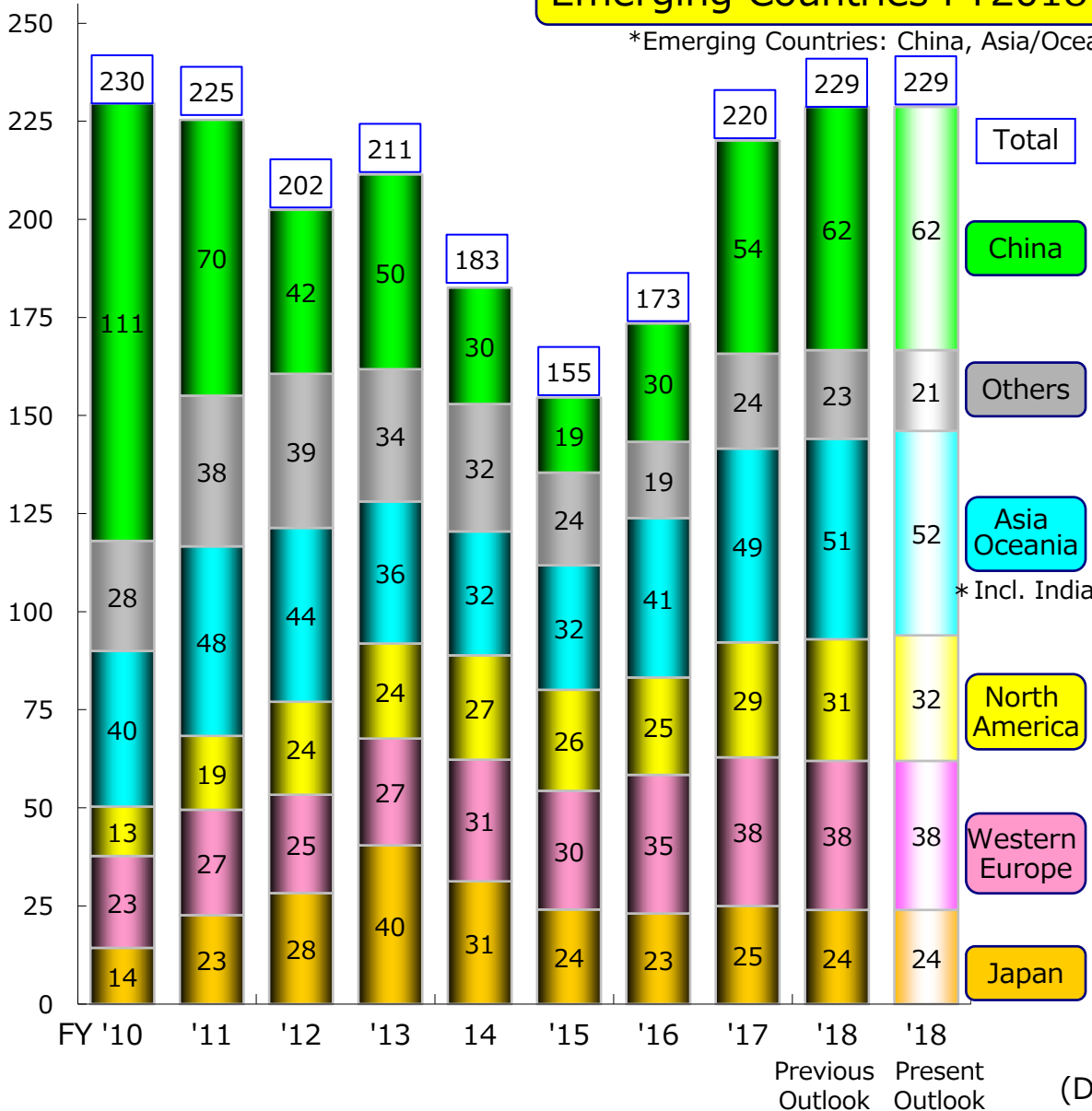
Reliable solutions

* Estimates by HCM , Excluding Chinese manufacturers

(K units)

Emerging Countries FY2018 : 59% (vs FY2017 Change:+1%)

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



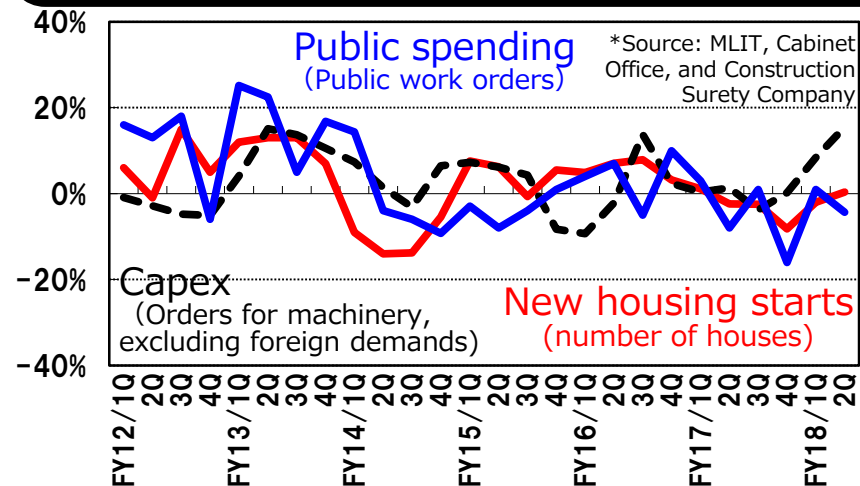
Year-on-Year Change

		'17	'18 Previous Outlook	'18 Present Outlook
Total		+27%	+4%	+4%
China		+80%	+14%	+14%
Others	Russia, CIS, E Europe	+77%	-16%	-7%
	Africa	+6%	+0%	-12%
	Middle East	+1%	-2%	-38%
	Latin America	+27%	-6%	-6%
	Others	+24%	-7%	-15%
Asia & Oceania	India	+21%	+10%	+10%
	Indonesia	+55%	+4%	+16%
	Others	+13%	-3%	-3%
Asia & Oceania		+22%	+3%	+5%
N America		+18%	+6%	+9%
W Europe		+7%	+0%	+0%
Japan		+8%	-4%	-4%

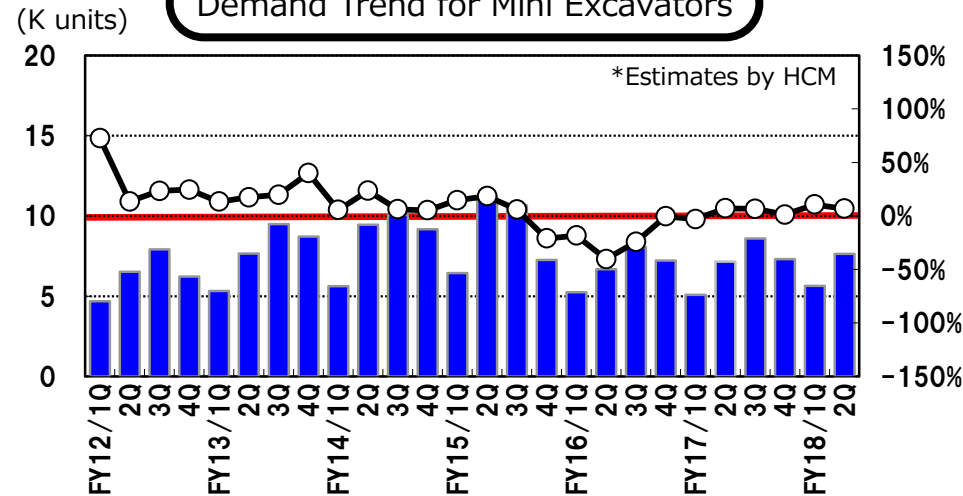
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- ◇ While housing investment and capital investment increased, public investment decreased.
- ◇ Regarding demand for construction machinery, the demand growth for hydraulic excavators and wheel loaders decreased due to the end of last-minute demands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

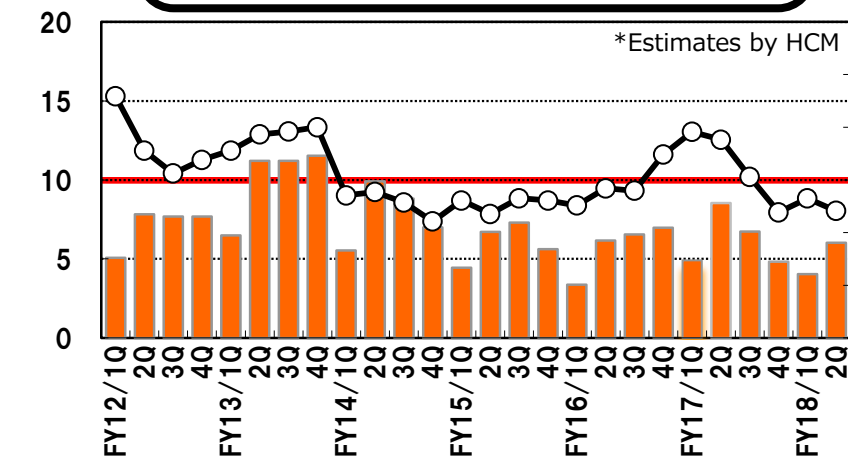
Market Environment: Housing/Public Spending and Capex (y-o-y)



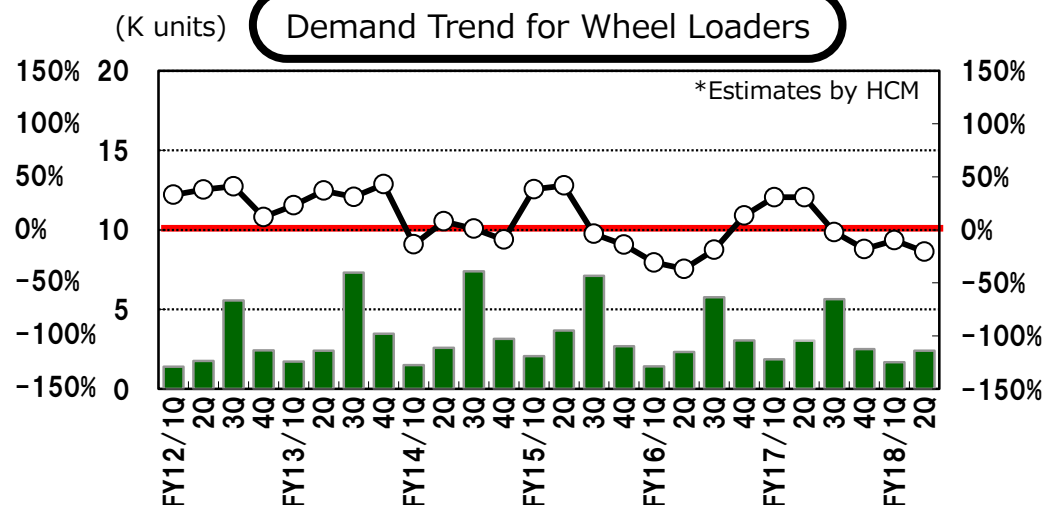
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

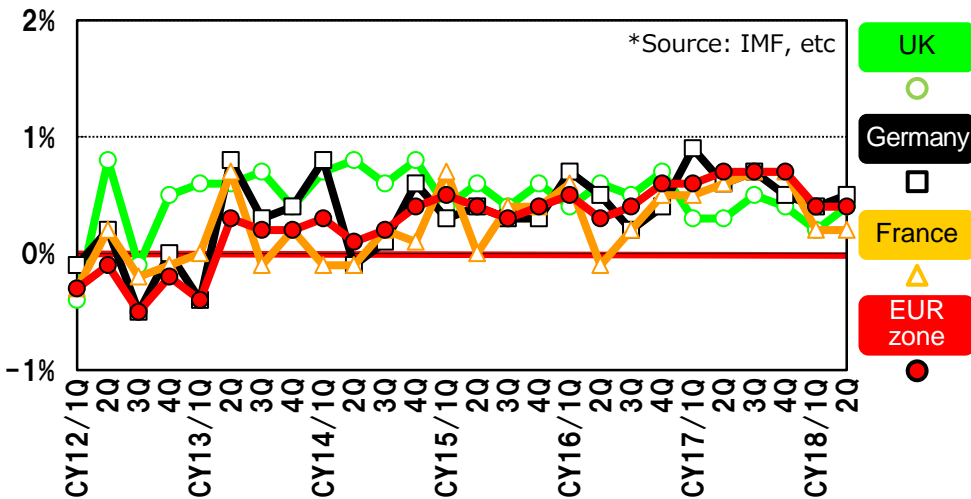


Demand Trend for Wheel Loaders

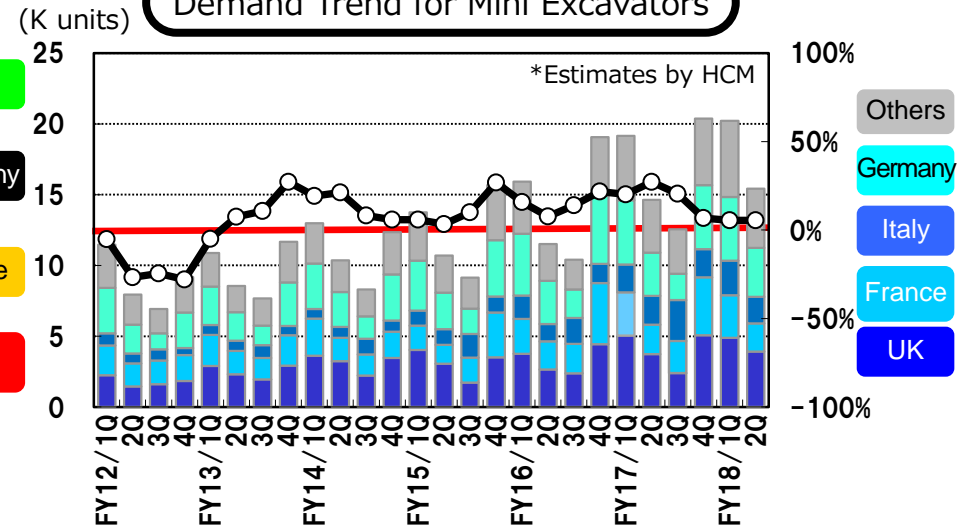


- ◇ Throughout the Eurozone, GDP growth rate remained flat y-o-y.
- ◇ Hydraulic excavators and mini excavators showed continued growth, while demand for wheel loaders slowed. (Demand for hydraulic and mini excavators increased 10% and 5% respectively y-o-y, while demand for wheel loaders decreased 2% y-o-y.)

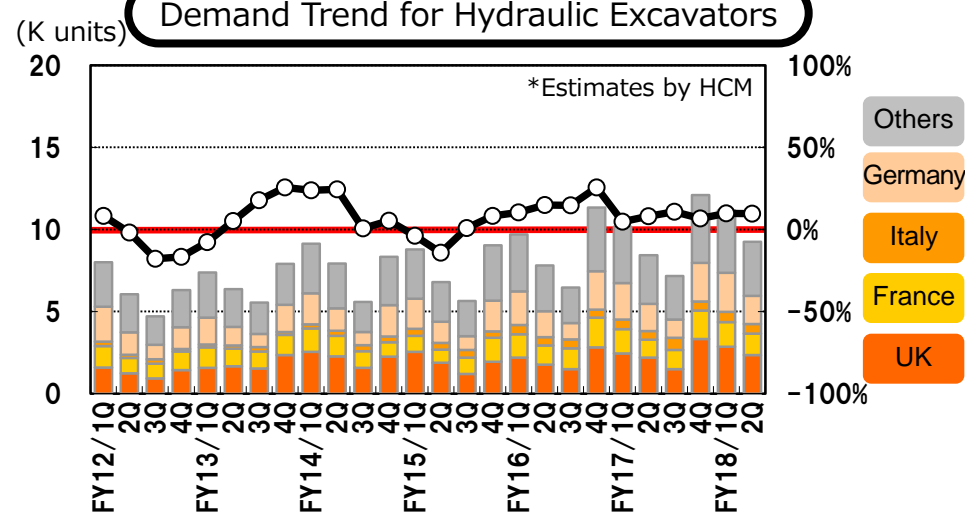
GDP Growth Rate in Major Countries (y-o-y)



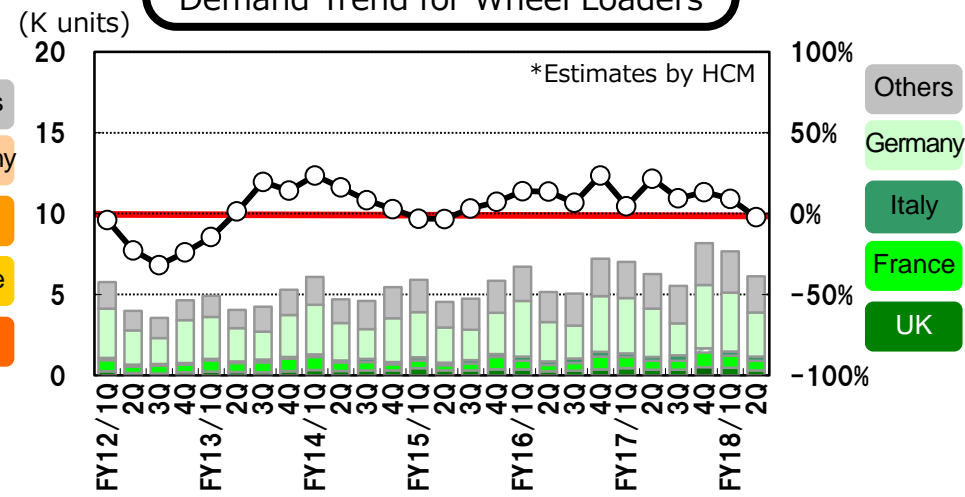
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

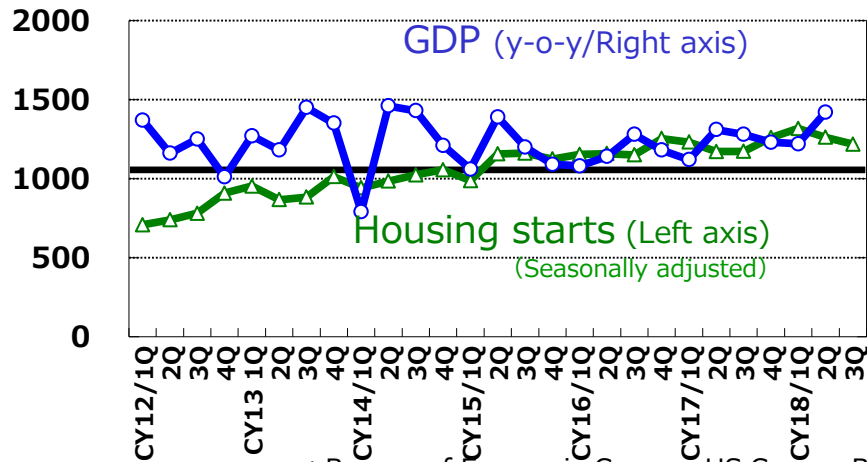


Demand Trend for Wheel Loaders



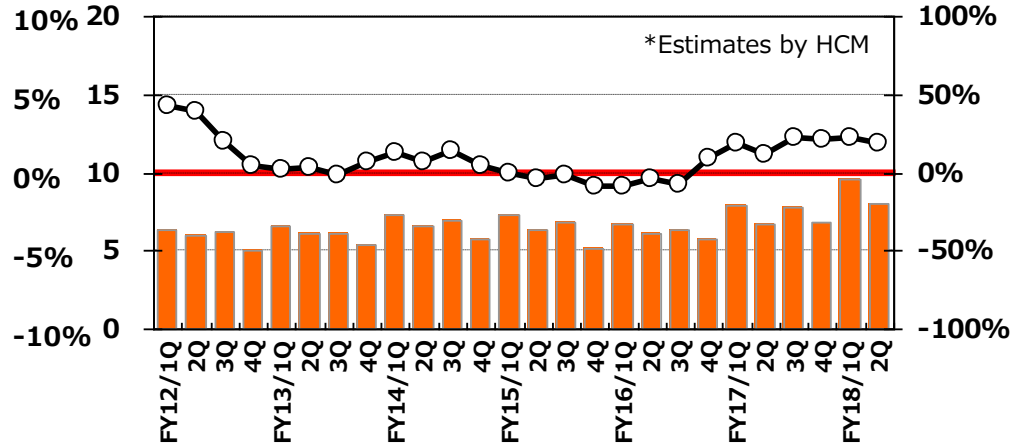
- ◇ While housing starts slowed, public construction spending was brisk.
- ◇ The demand growth rate for hydraulic/mini excavators remained almost flat (19% and 13% y-o-y, respectively).

(K units) GDP Growth Rate, Housing Starts in U.S.

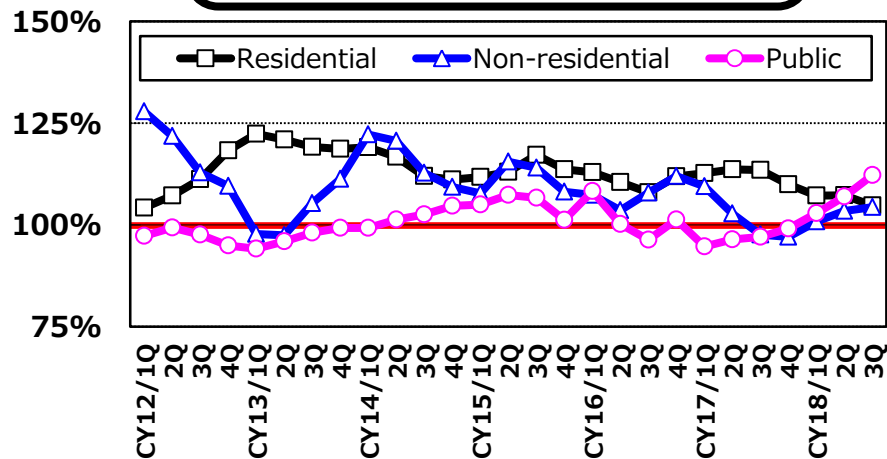


* Bureau of Economic Census, US Census Bureau

(K units) Demand Trend for Hydraulic Excavators

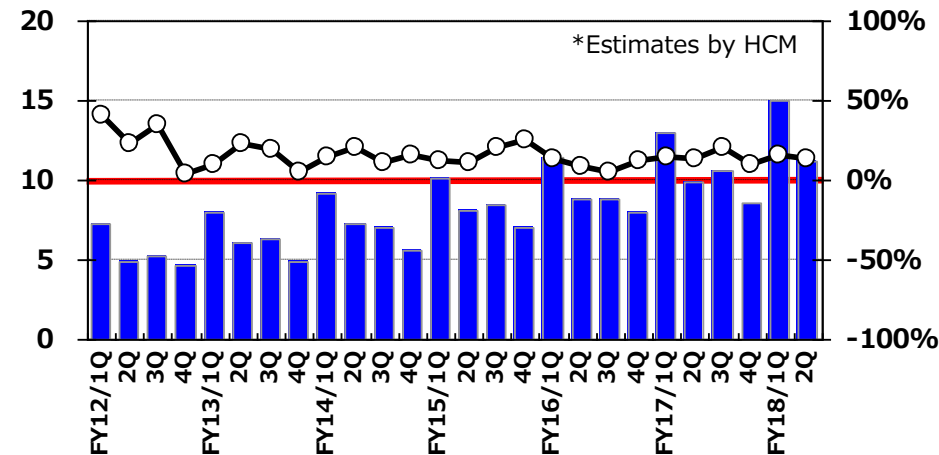


Construction Spending in U.S. (y-o-y)



* Bureau of Economic Census, US Census Bureau

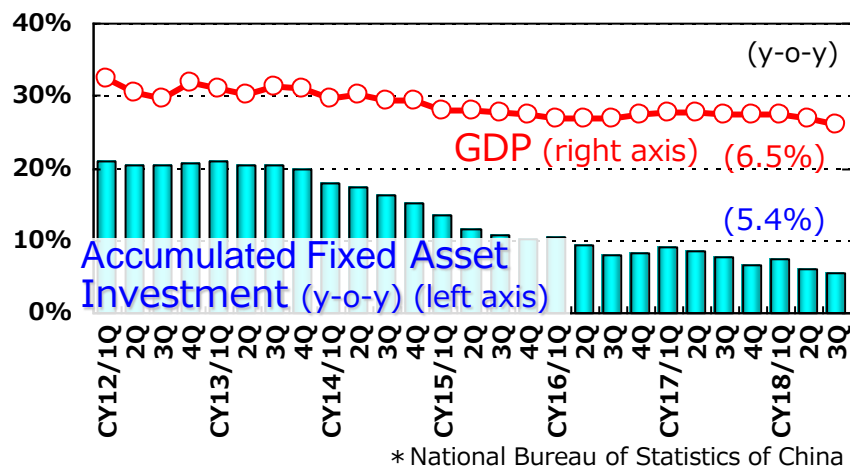
(K units) Demand Trend for Mini Excavators



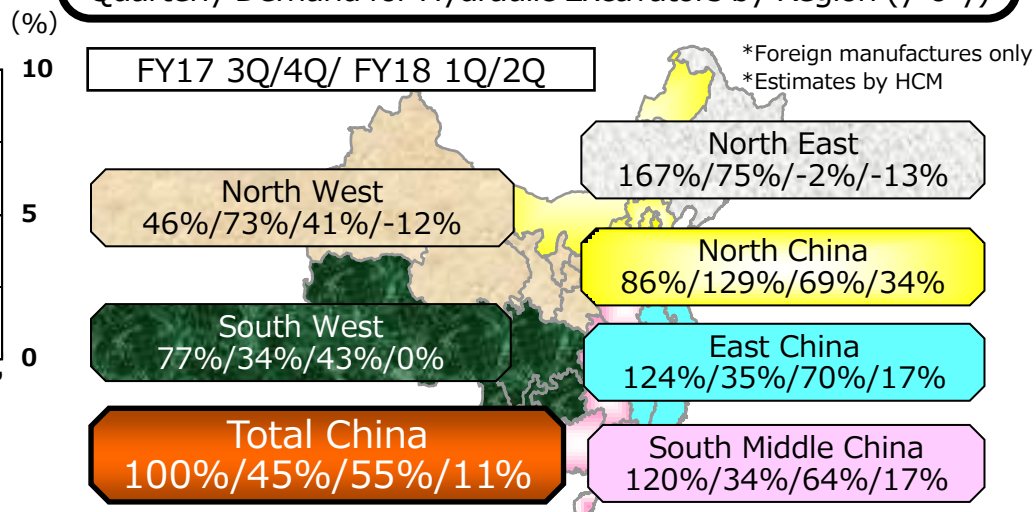
◇The GDP growth rate was 6.5%.

◇Demand for hydraulic excavators remained stable (11% y-o-y).

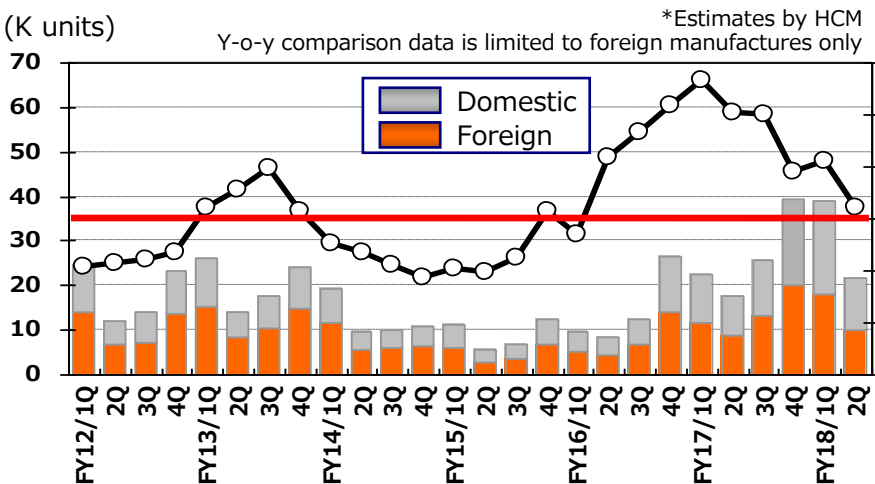
GDP and Fixed Asset Investment



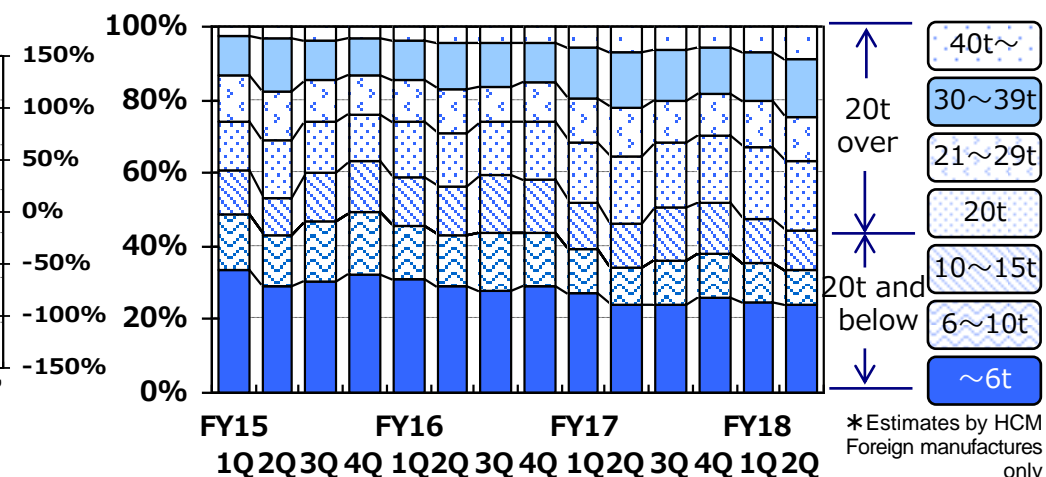
Quarterly Demand for Hydraulic Excavators by Region (y-o-y)



Demand Trend for Hydraulic Excavators



Demand Composition by Class for Mini Excavators and Hydraulic Excavators

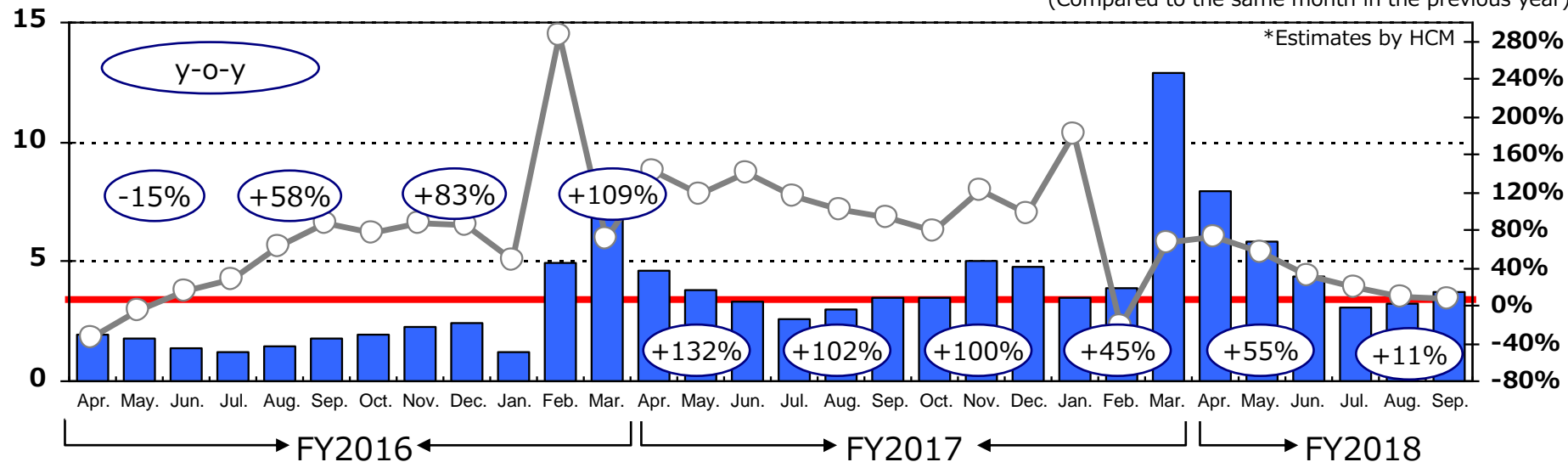


(K units)

Monthly Demand Trend for Hydraulic Excavators

(Foreign Manufactures only)

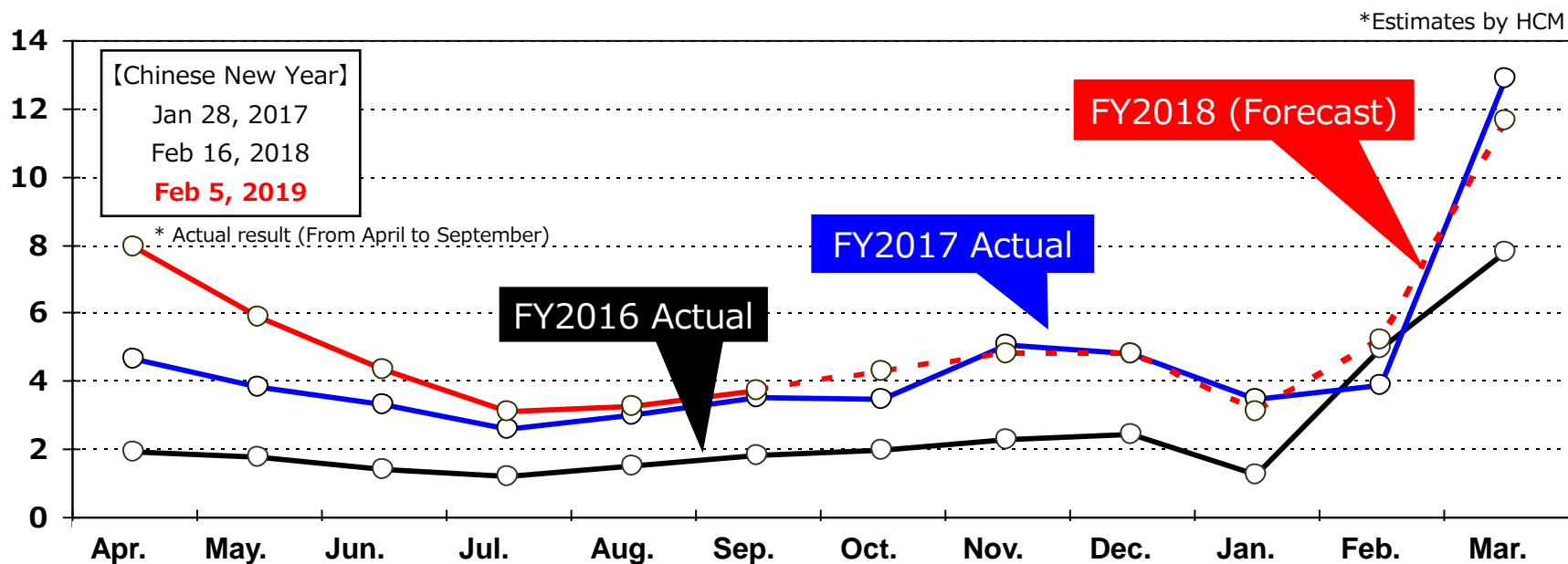
(Compared to the same month in the previous year)



(K units)

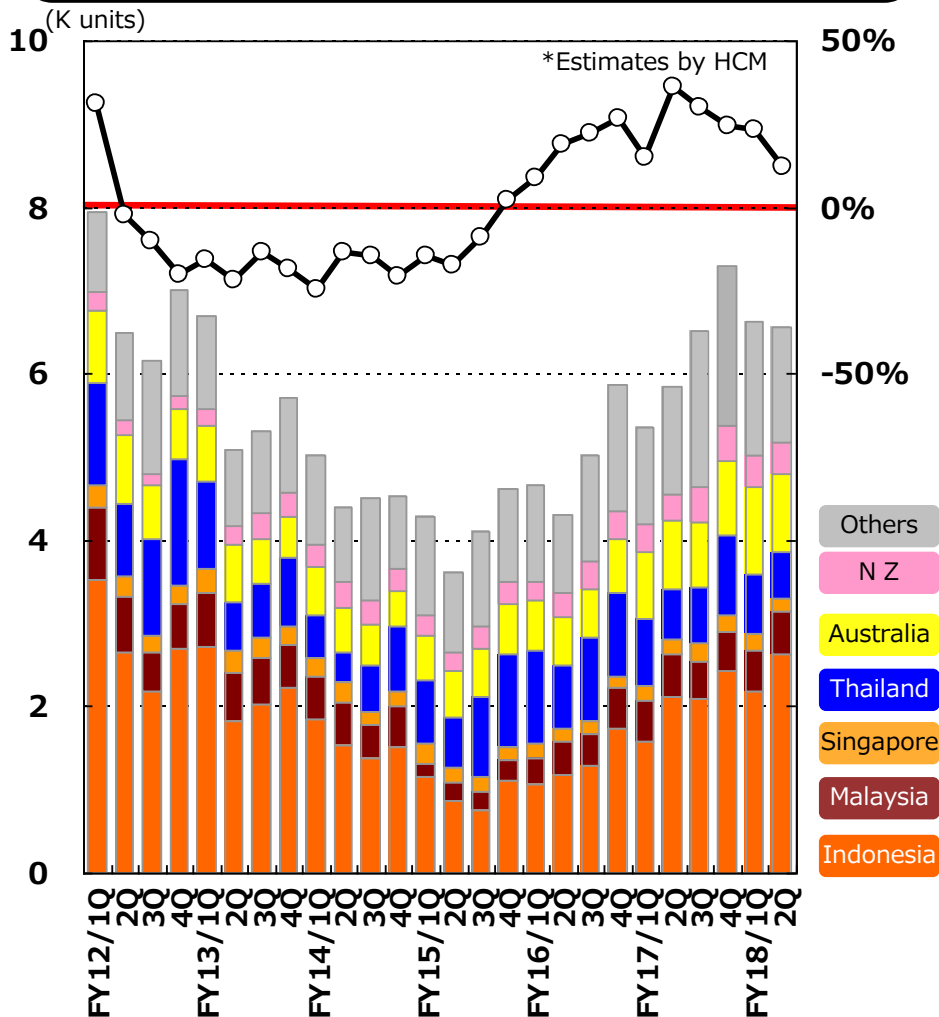
Demand Trend for Hydraulic Excavators (y-o-y)

) (Foreign Manufactures only)

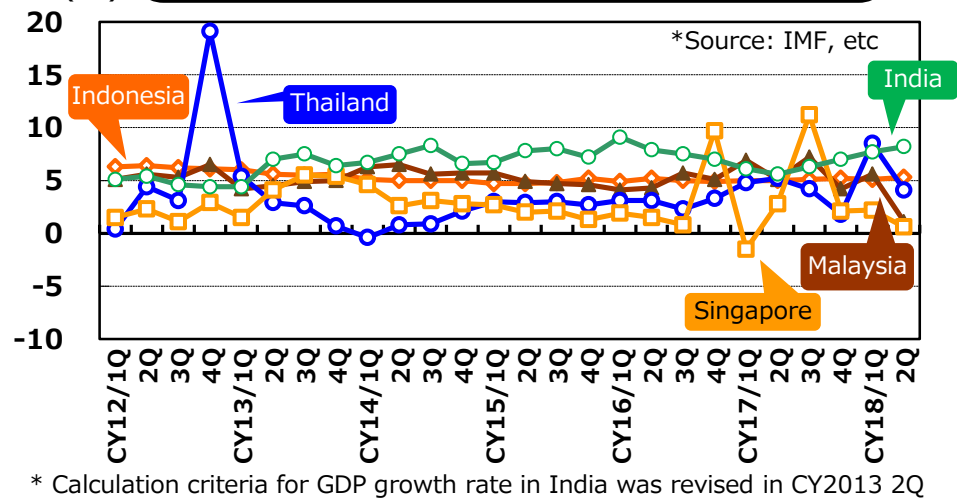


- ◇ Demand for hydraulic excavators increased in Indonesia, the Philippines, and Australia, decreased in Thailand and Singapore, and increased overall in the Asia Pacific region (12% y-o-y).
- ◇ Demand for hydraulic excavators increased in India (56% y-o-y), mainly for infrastructure investments, such as railways and roads.

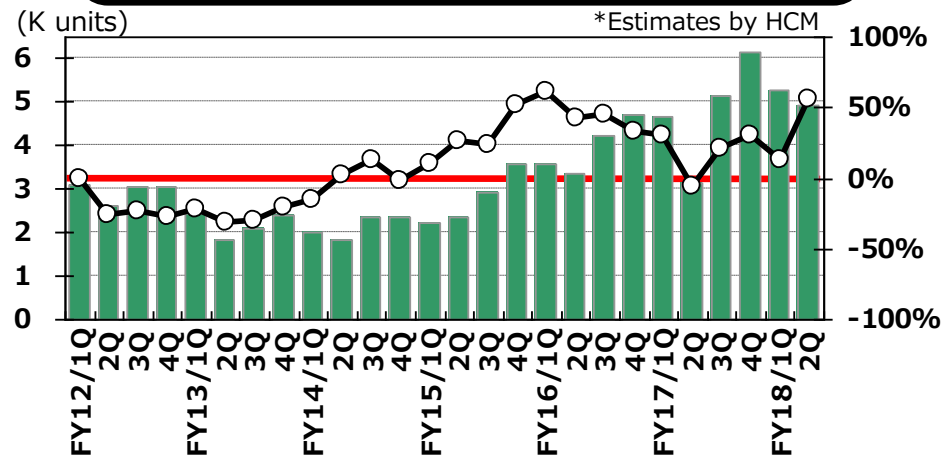
Demand Trend for Hydraulic Excavators in Asia & Oceania



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

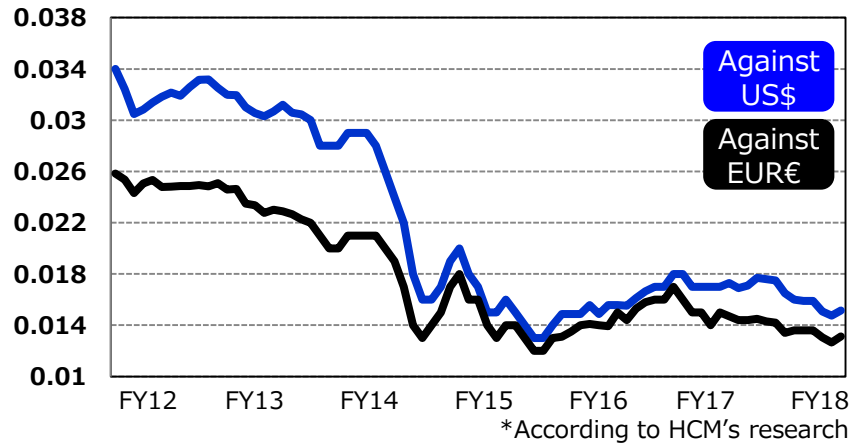


Demand Trend for Hydraulic Excavators in India

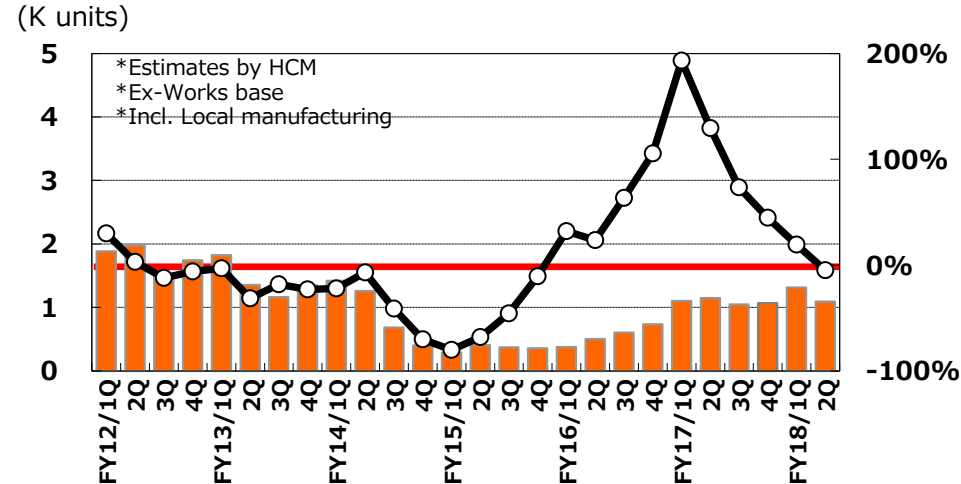


- ◇ In Russia, demand for hydraulic excavators slightly decreased.
- ◇ In the Middle East, demand significantly decreased in response to weakening TRY (Turkish lira).

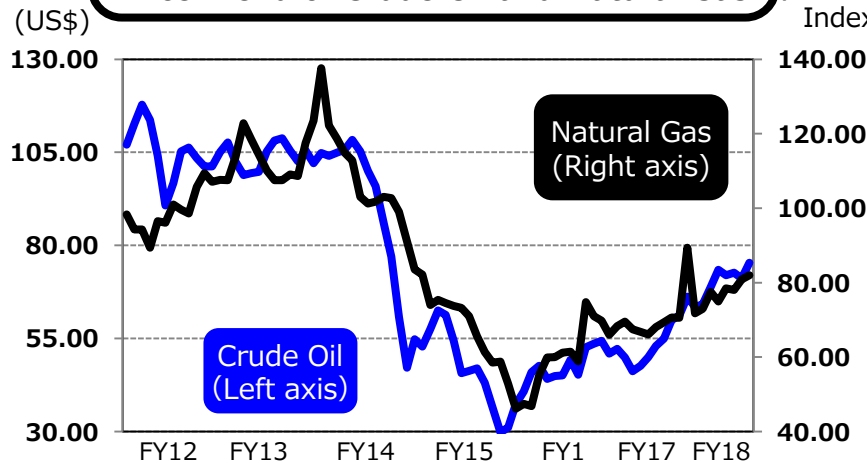
Foreign Exchange Rate of the Ruble



Demand Trend for Hydraulic Excavators in Russia



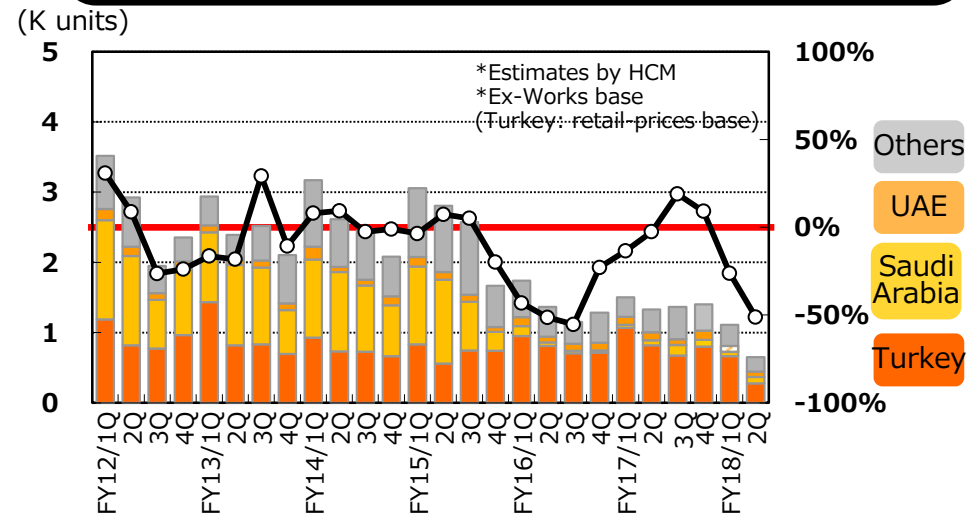
Price Trend of Crude Oil and Natural Gas (Natural Gas Index)



*Created by HCM, the source from IMF HP

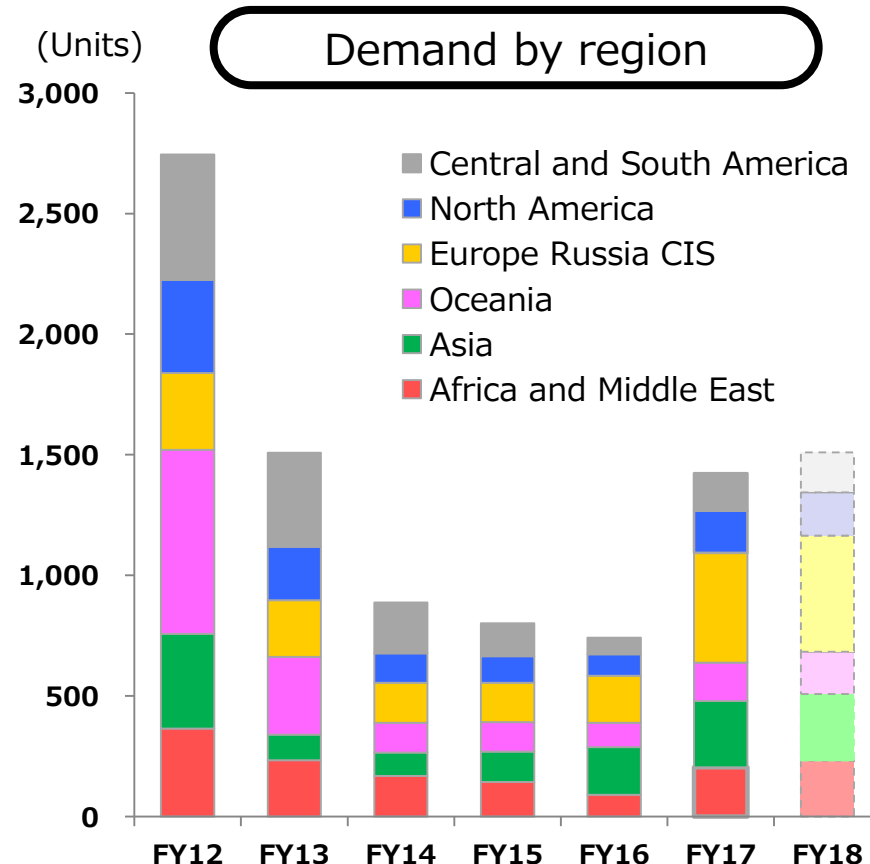
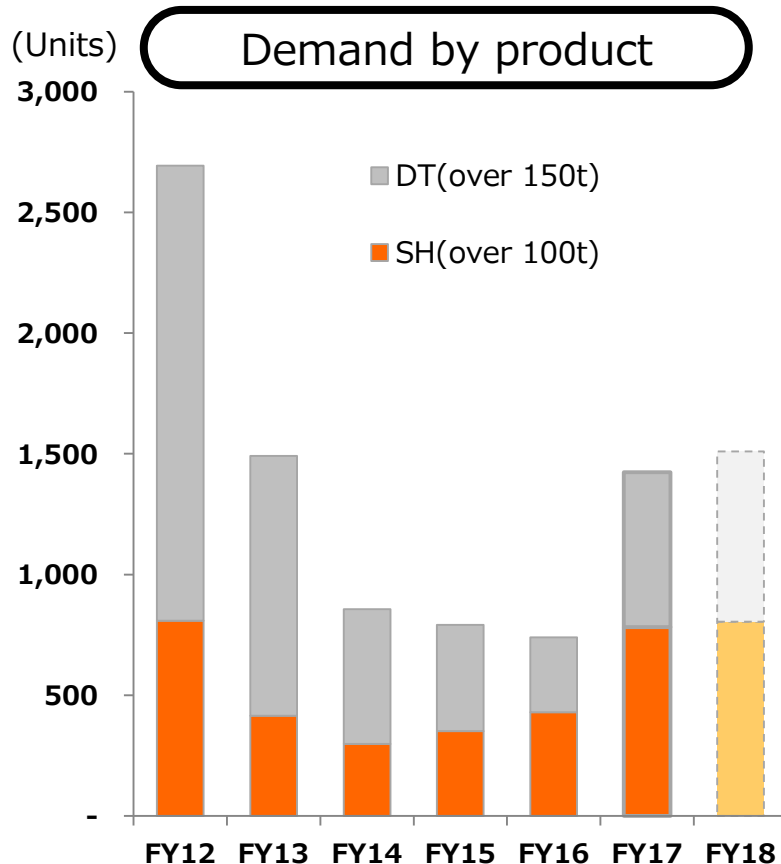
*Natural Gas Index (2010=100)

Demand Trend for Hydraulic Excavators in the Middle East



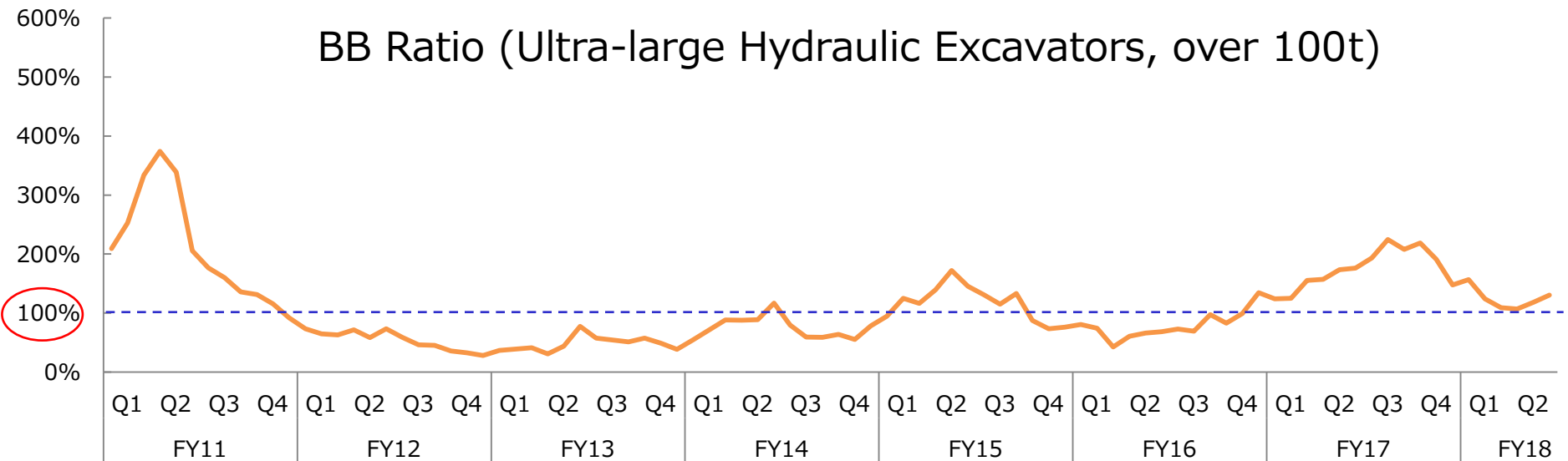
- ◇ Demand for mining machinery in FY2018 is expected to increase by 10% y-o-y.
- ◇ By region, the increased demand will mainly be fueled by Africa, Central and South America, and Asia.

Ultra-large Excavators (over 100t), Dump Trucks (over 150t)

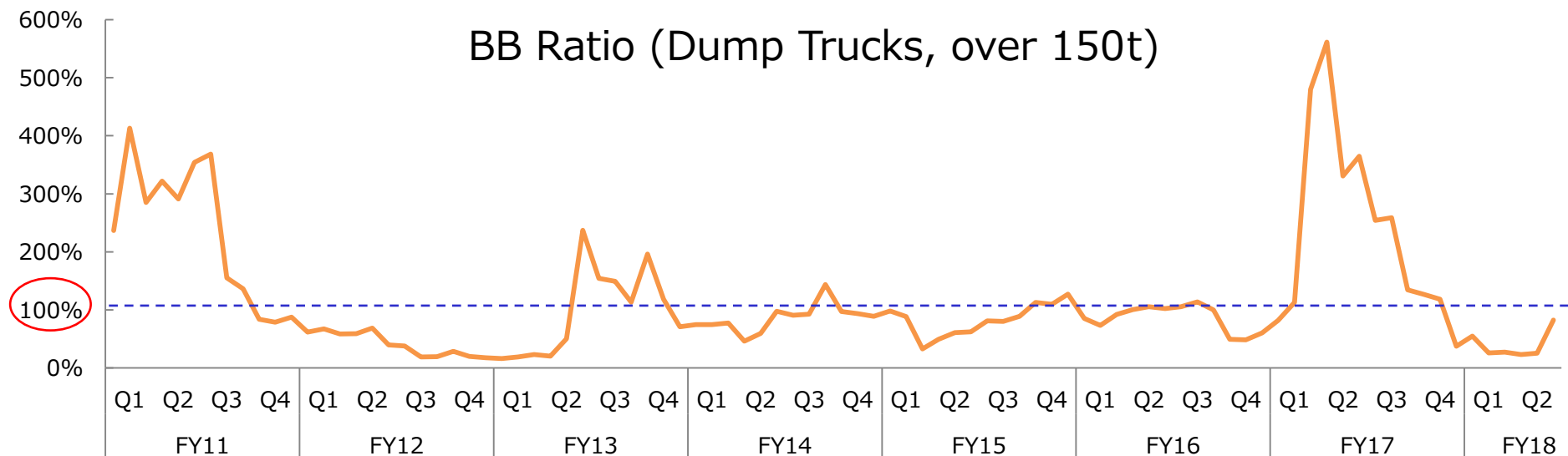


*According to HCM's research

BB Ratio (Ultra-large Hydraulic Excavators, over 100t)



BB Ratio (Dump Trucks, over 150t)



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

Non-consolidated basis (average of 6 months)



Hitachi Construction Machinery Europe has redesigned the demonstration area at its headquarters in Amsterdam to showcase a wider variety of machines in a more attractive and technologically advanced environment. Its official opening coincided with the introduction of the ZX210X-6 ICT hydraulic excavator with machine control to the European market.

- Demonstration area opened on September 27, 2018
- ZX210X-6 ICT hydraulic excavator is scheduled to have orders from December, 2018



[Outline of the new company]

※IMAGE

Company name : EAC European Application Center GmbH

Investment ratio : Hitachi Construction Machinery 49.9%, KTEG 50.1%

Establishment of a Joint Venture Company with KTEG, which has developed large demolition specification equipment and other special application products based on the hydraulic excavators of Hitachi Construction Machinery.

With the establishment of this new company, the electric technology of Hitachi Construction Machinery and technical know-how of KTEG will be brought together to utilize the components of current equipment and create electric construction machinery that responds to the needs of customers.

Maintaining the previously established high reliability while aiming for further evolution

~ Pursuing further "Customer Interest First" (CIF) ~

Fuel consumption reduction

EX-7 fuel consumption is at least 10% lower than that of EX-6

Engine selection (2 types of engines)



MTU



Cummins



Hitachi electric motor
(Excl. EX1200;120t class)

Safety improvements



Inclinometer



Electric cut-off switch

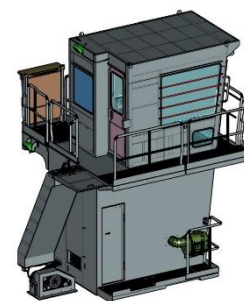


Escape chute

Reliability



Slit-less electric wiring



Dust entry prevention measures



Stroke end control

ConSite OIL
is available for
EX-7

[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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