

Business Results for the Third Quarter ended December 31, 2018 Regional Market Environments and Projections



January 30, 2019

Masafumi Senzaki

Executive Officer President, Marketing Div.

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

Global Demand Trend for Hydraulic Excavators

1

HITACHI

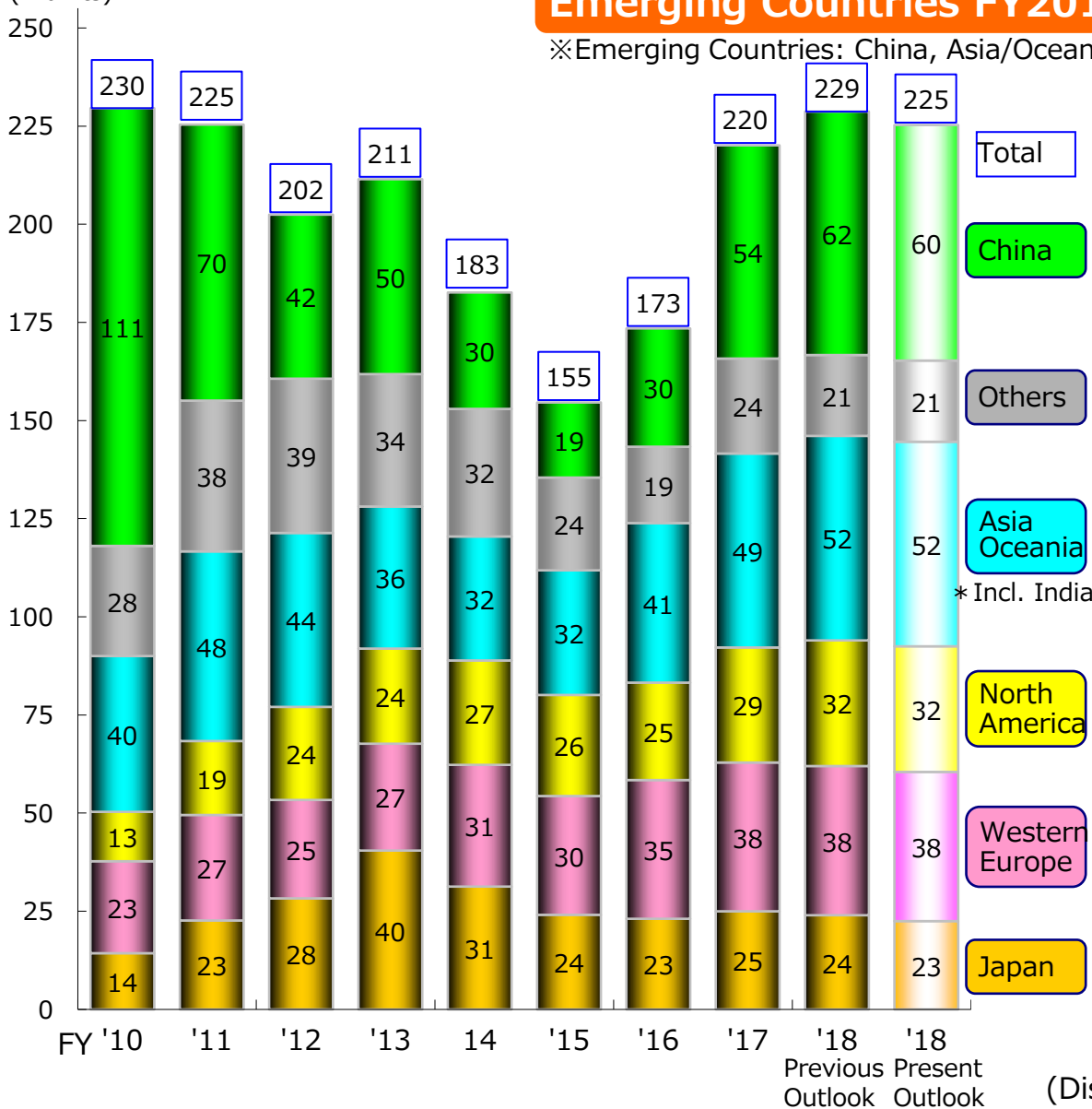
Reliable solutions

* Estimates by HCM , Excluding Chinese manufacturers

(K units)

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

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



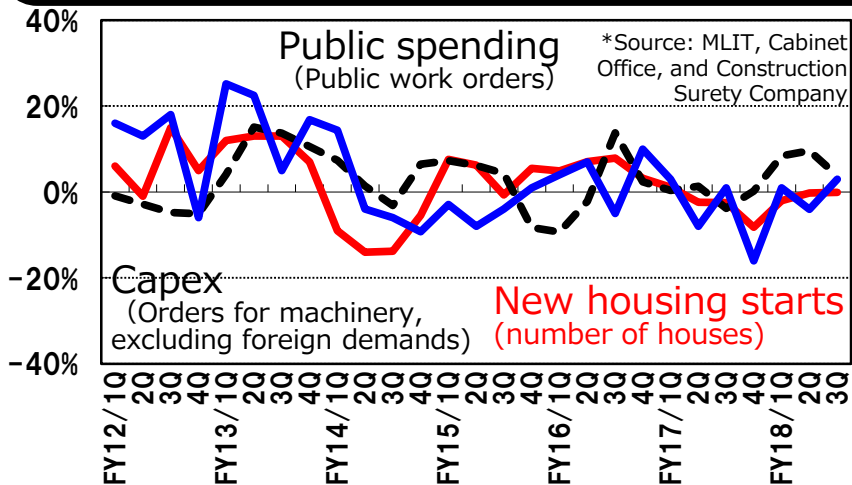
Year-on-Year Change

		'17	'18 Previous Outlook	'18 Present Outlook
Total		+27%	+4%	+2%
China		+80%	+14%	+10%
Others	Russia, CIS, E Europe	+77%	-7%	+4%
	Africa	+6%	-12%	-18%
	Middle East	+1%	-38%	-45%
	Latin America	+27%	-6%	-6%
Others		+24%	-15%	-14%
Asia & Oceania	India	+21%	+10%	+10%
	Indonesia	+55%	+16%	+16%
	Others	+13%	-3%	-3%
Asia & Oceania		+22%	+5%	+5%
N America		+18%	+9%	+9%
W Europe		+7%	+0%	+0%
Japan		+8%	-4%	-10%

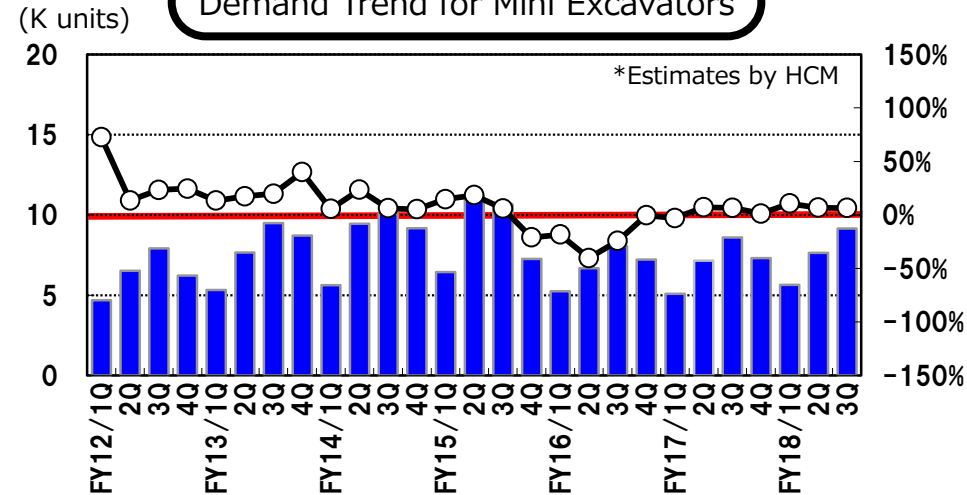
(Distributing, copying, or forwarding prohibited)

- While capital investment and public investment increased, housing investment remained almost flat y-o-y.
- Demand for hydraulic/mini excavators and wheel loaders increased (5%, 6%, and 16% y-o-y, respectively.)

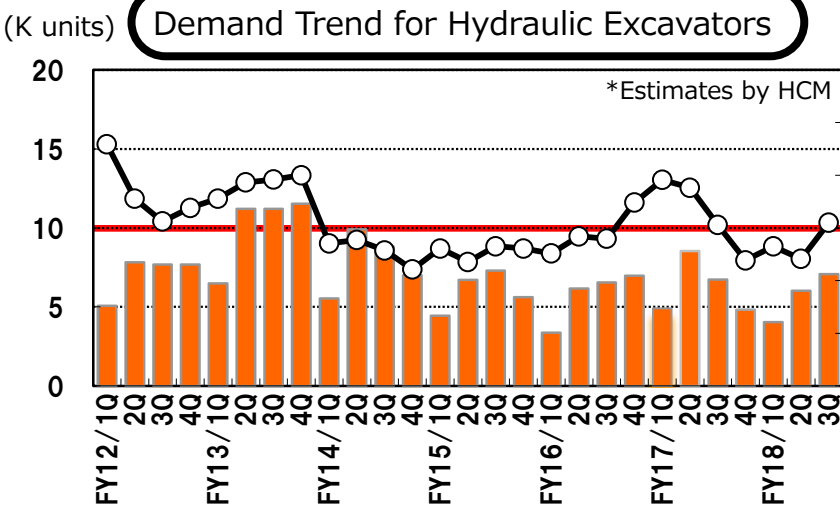
Market Environment: Housing/Public Spending and Capex (y-o-y)



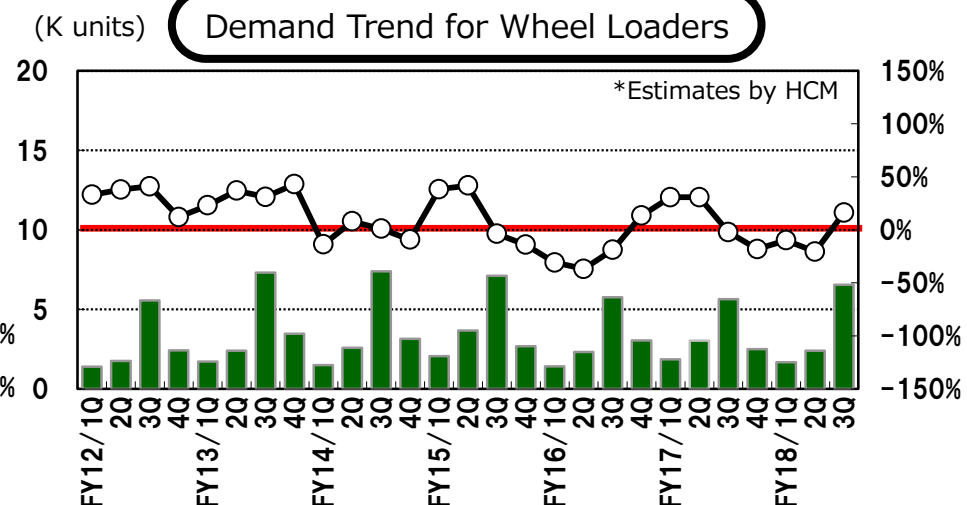
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

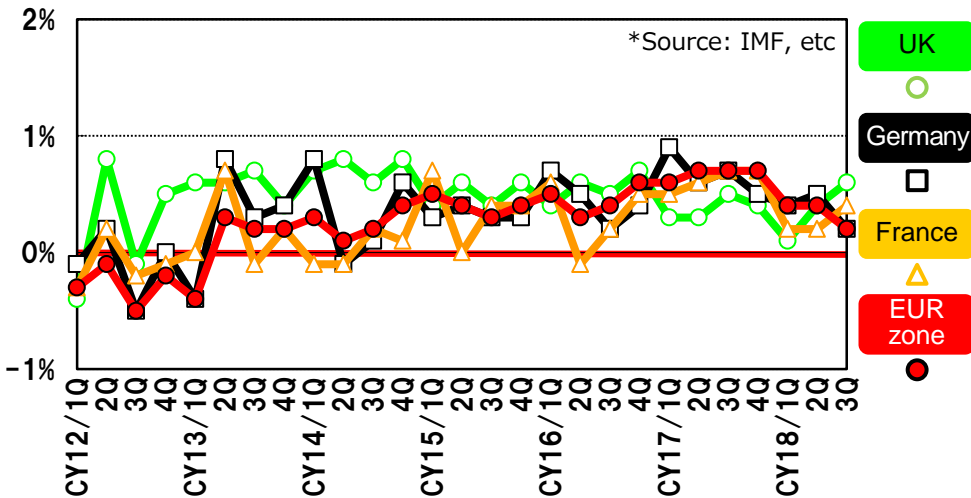


Demand Trend for Wheel Loaders

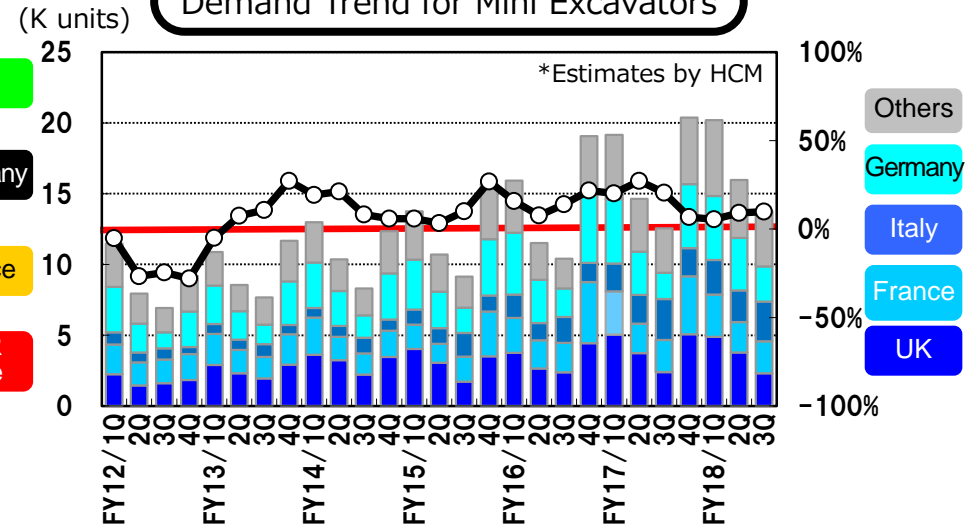


- Throughout the Eurozone, GDP growth rate declined.
- Mini excavators and wheel loaders showed continued growth, while demand for hydraulic excavators remained positive.
(Demand for hydraulic/mini excavators and wheel loaders increased 3%, 10%, and 27% y-o-y, respectively.)

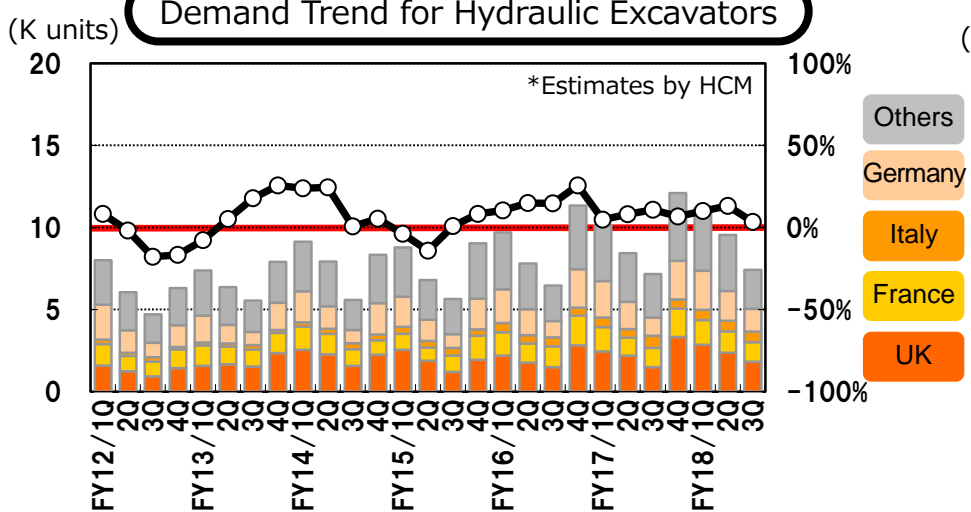
GDP Growth Rate in Major Countries (y-o-y)



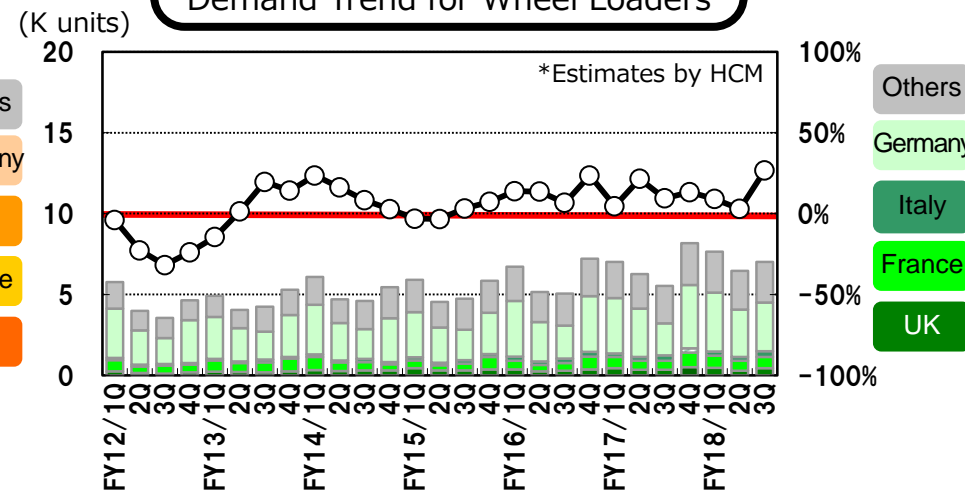
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

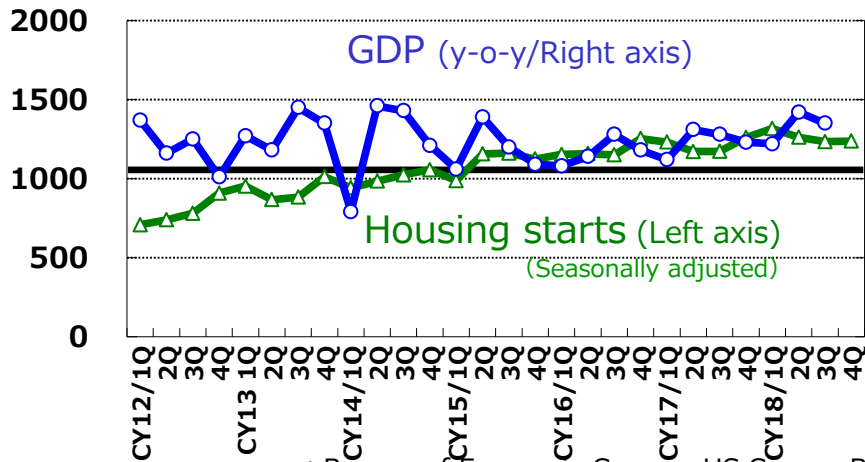


Demand Trend for Wheel Loaders



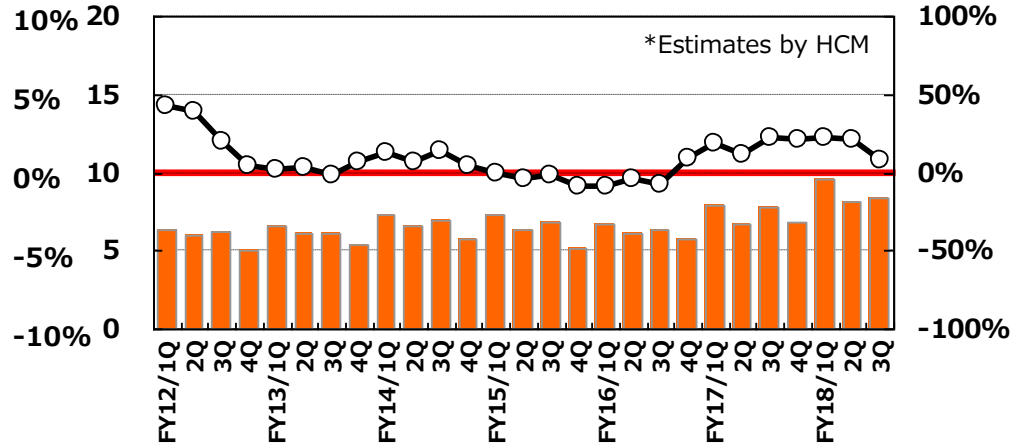
- While housing starts remained flat, public construction spending increased y-o-y.
- Demand growth rate for hydraulic/mini excavators remained positive (8% and ±0% y-o-y, respectively).

(K units) GDP Growth Rate, Housing Starts in US

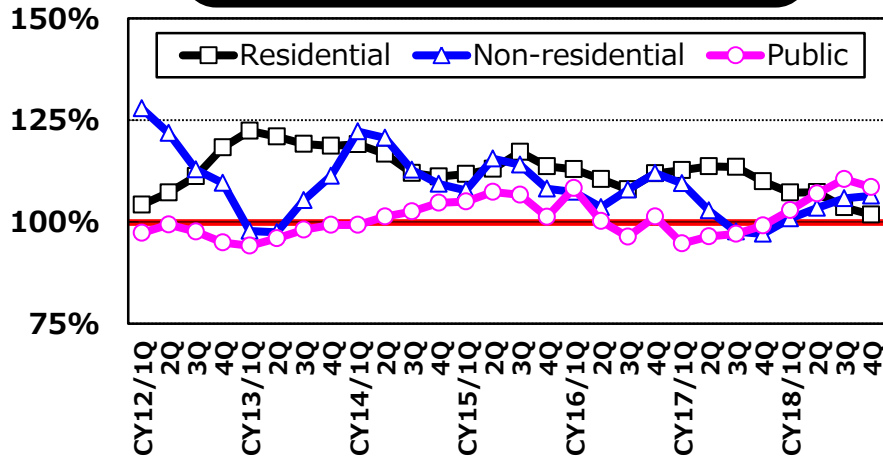


* Bureau of Economic Census, US Census Bureau

(K units) Demand Trend for Hydraulic Excavators

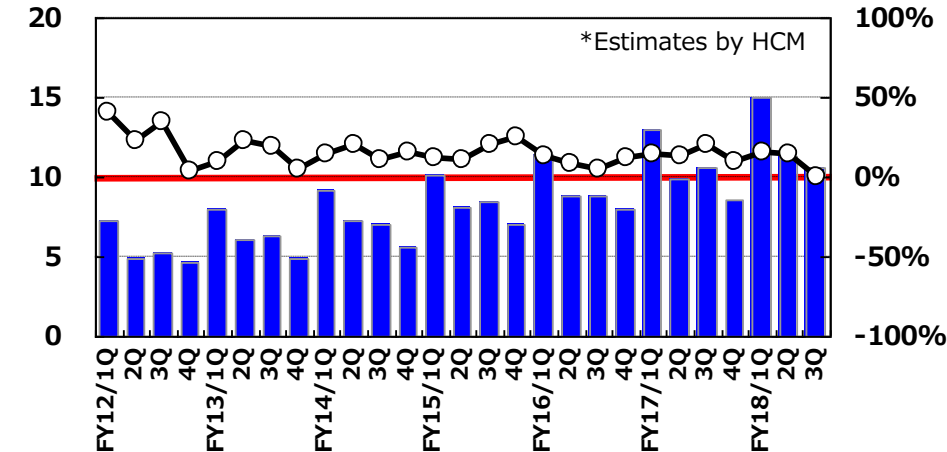


Construction Spending in US (y-o-y)



* Bureau of Economic Census, US Census Bureau

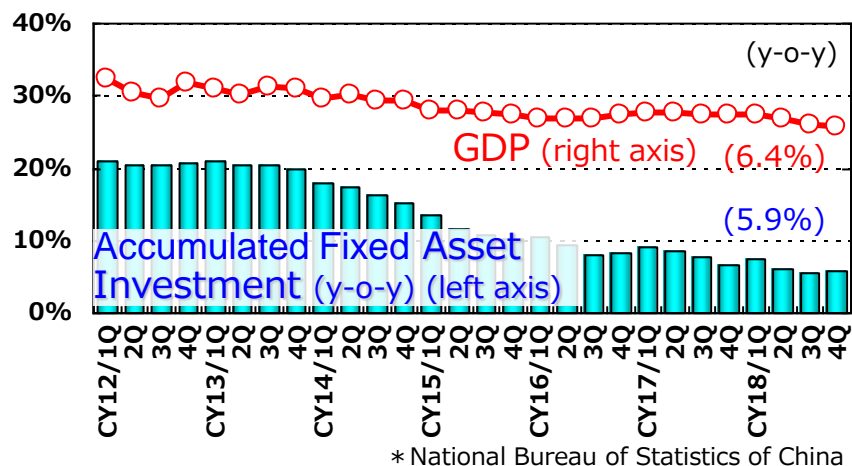
(K units) Demand Trend for Mini Excavators



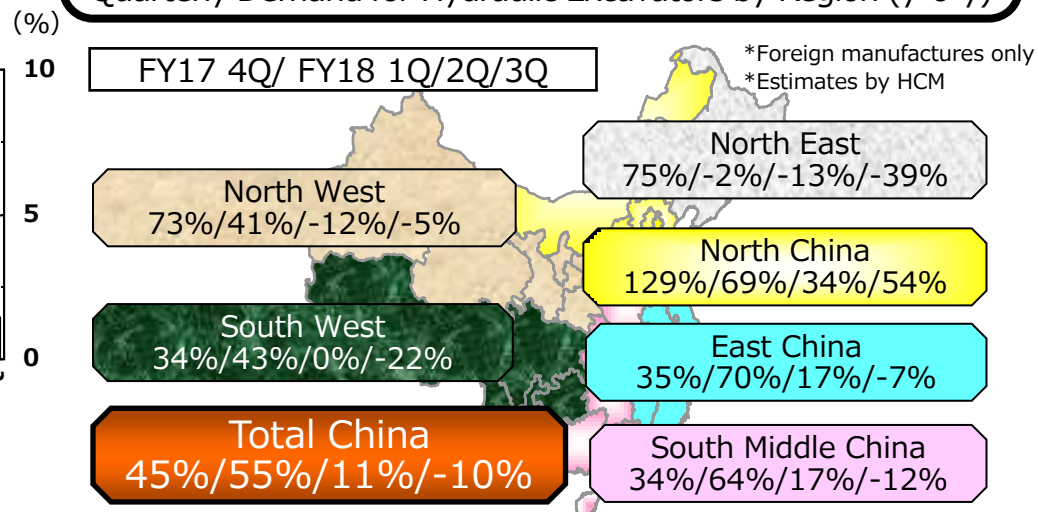
■ The GDP growth rate was 6.4%.

■ Demand for hydraulic excavators slightly declined (fell 10% y-o-y).

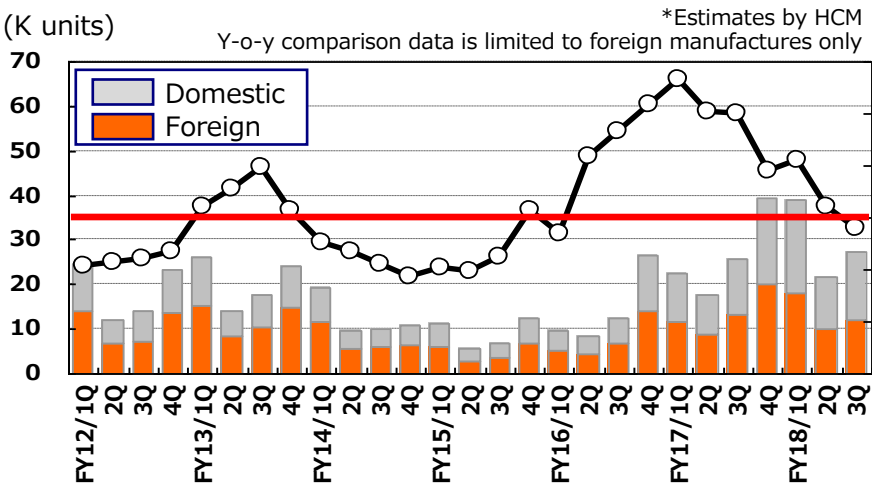
GDP and Fixed Asset Investment



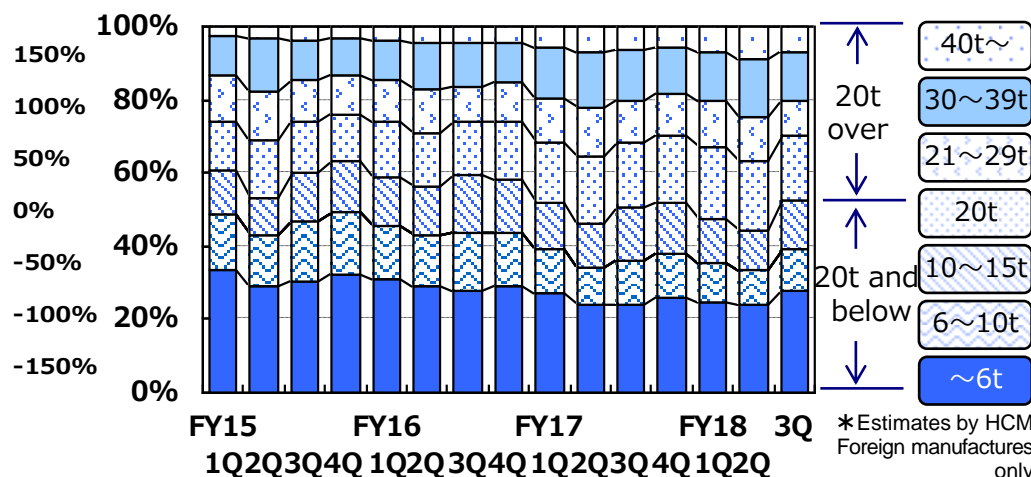
Quarterly Demand for Hydraulic Excavators by Region (y-o-y)



Demand Trend for Hydraulic Excavators



Demand Composition by Class for Mini Excavators and Hydraulic Excavators

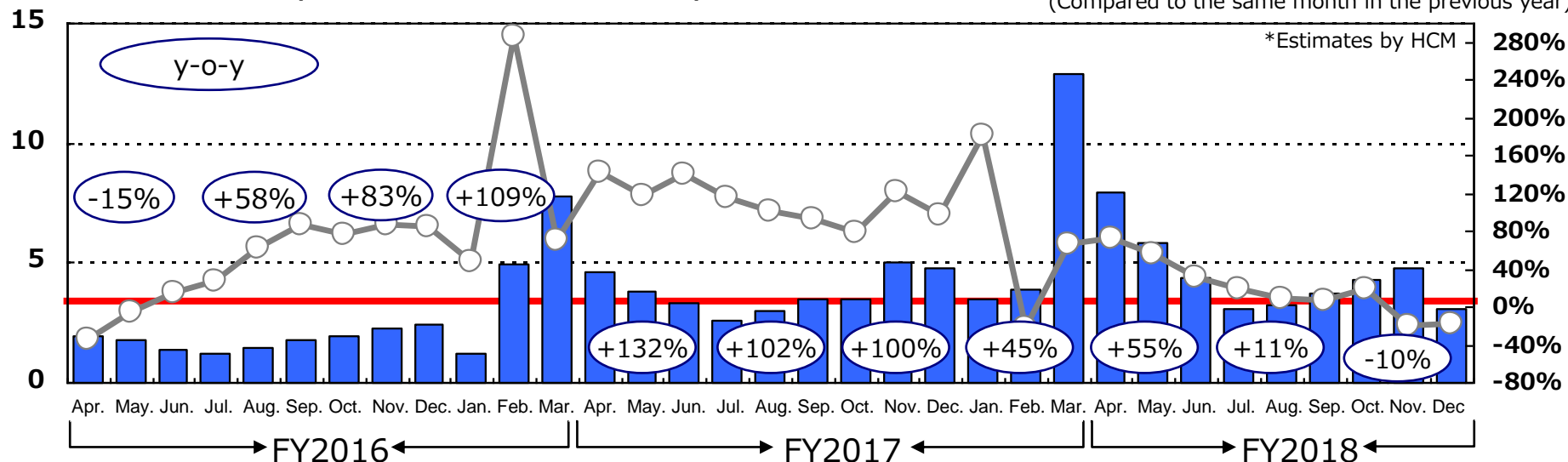


(K units)

Monthly Demand Trend for Hydraulic Excavators

(Foreign Manufactures only)

(Compared to the same month in the previous year)

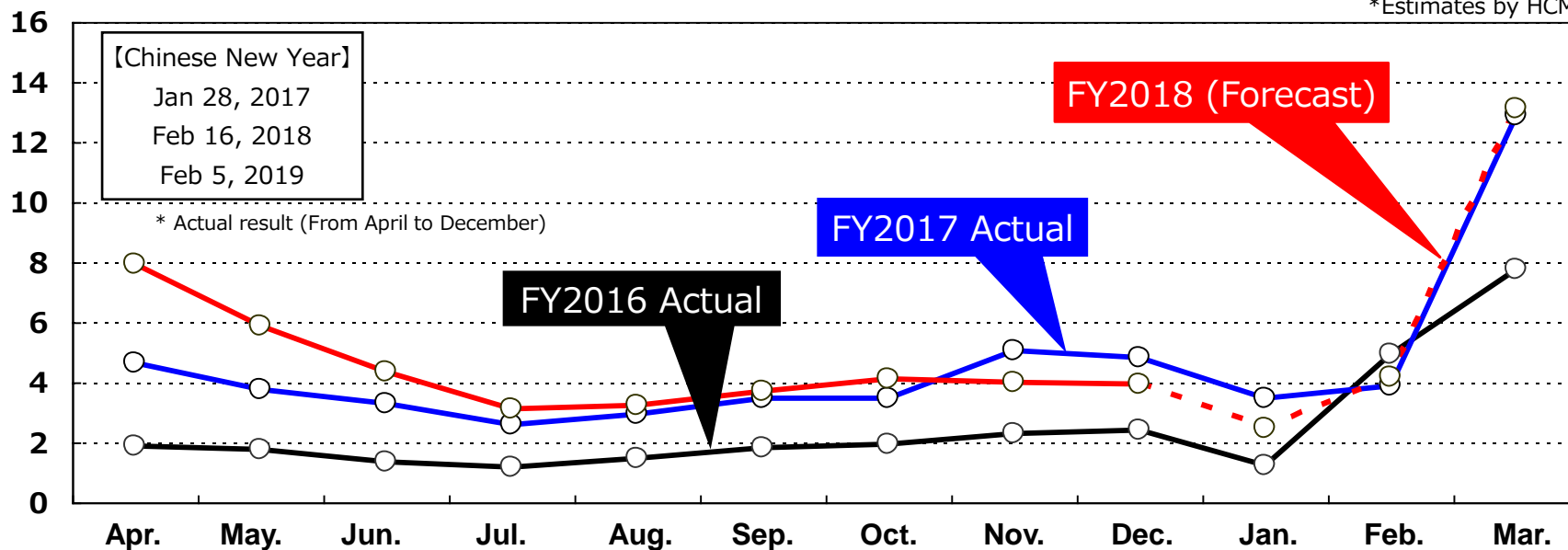


(K units)

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

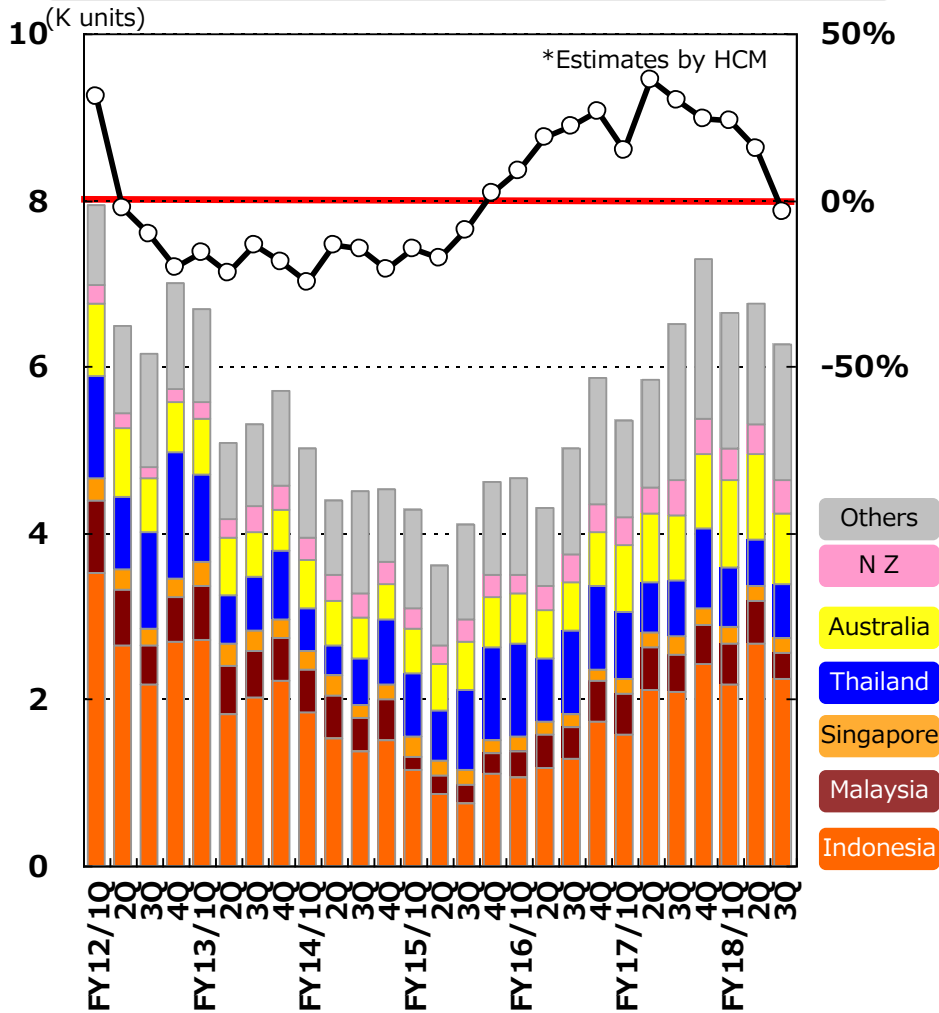
(Foreign Manufactures only)

*Estimates by HCM

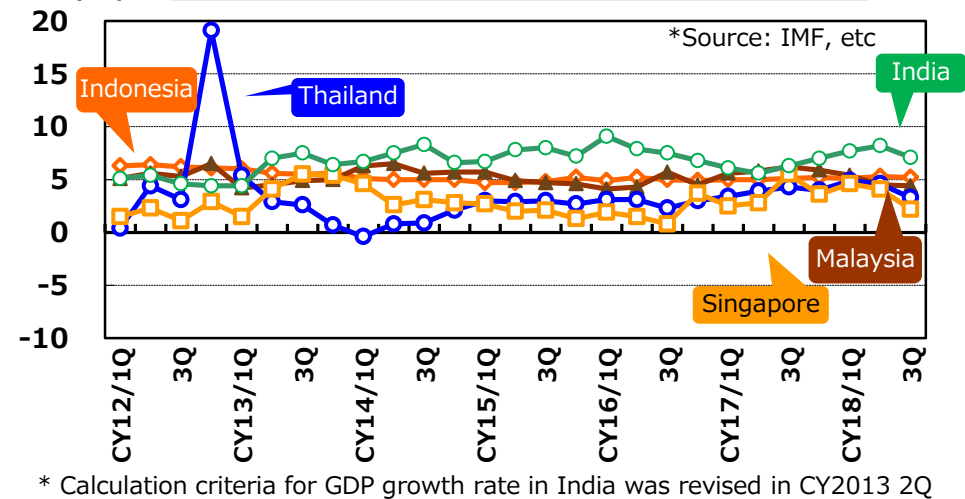


- Demand for hydraulic excavators increased in Indonesia, the Philippines, and Australia, decreased in countries such as Thailand and Malaysia; and decreased overall in the Asia Pacific region (fell 3% y-o-y).
- Demand for hydraulic excavators increased in India (14% y-o-y), mainly for infrastructure investments, such as railways and roads.

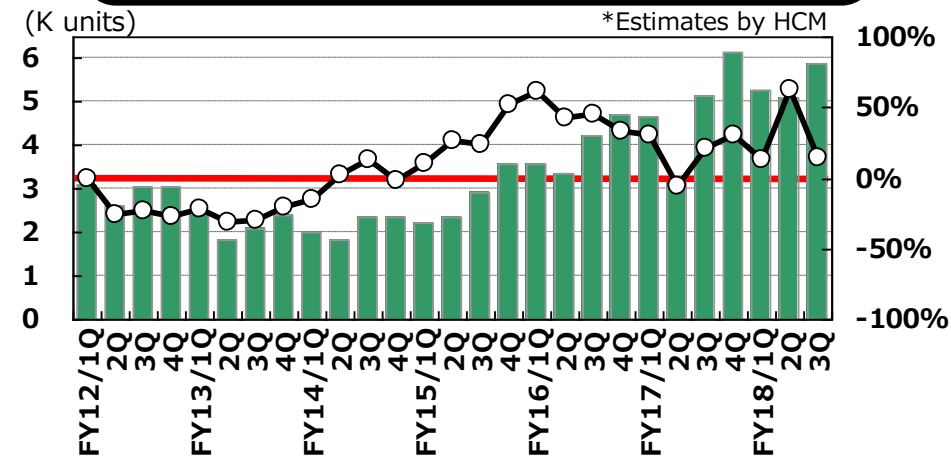
Demand Trend for Hydraulic Excavators in Asia & Oceania



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

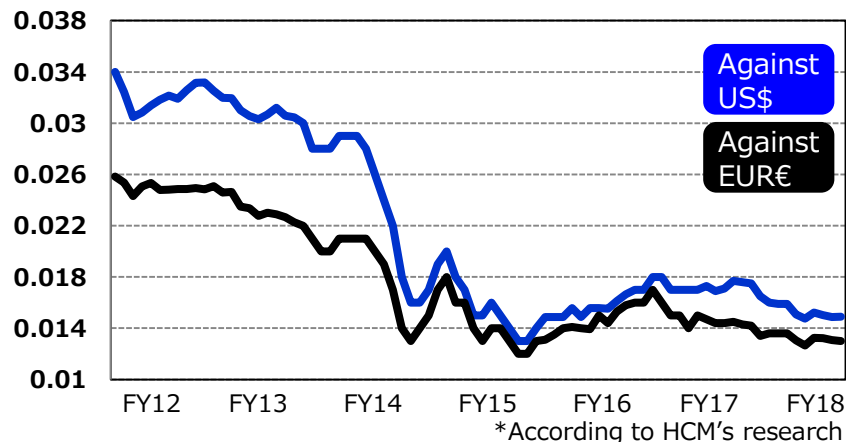


Demand Trend for Hydraulic Excavators in India

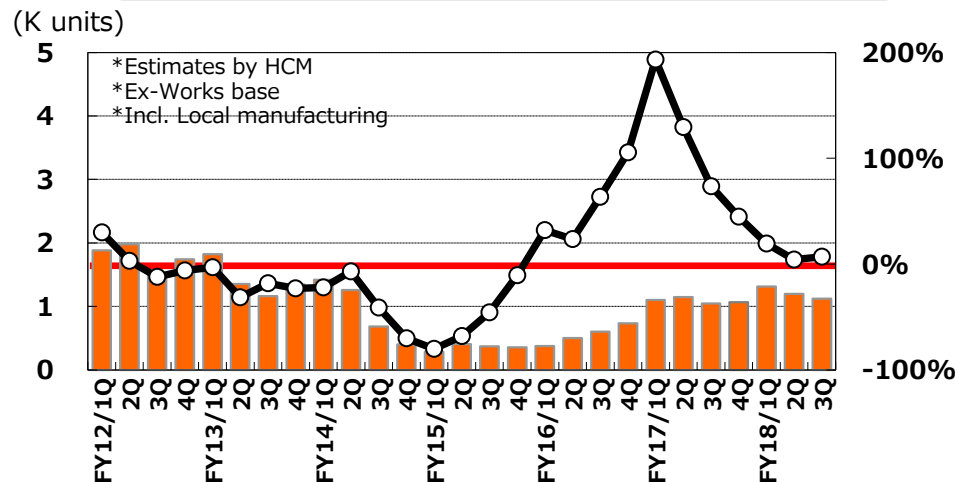


- In Russia, demand for hydraulic excavators slightly increased.
- In the Middle East, demand significantly decreased in response to weakening TRY (Turkish lira).

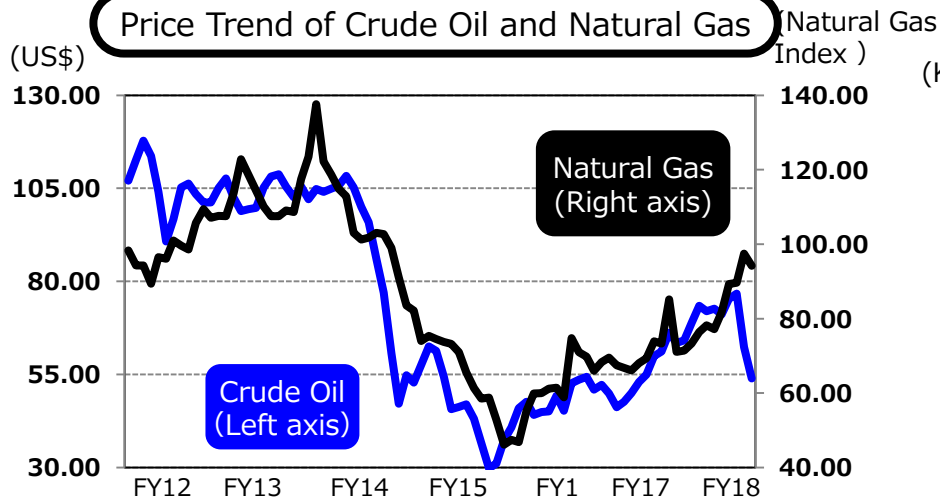
Foreign Exchange Rate of the Ruble



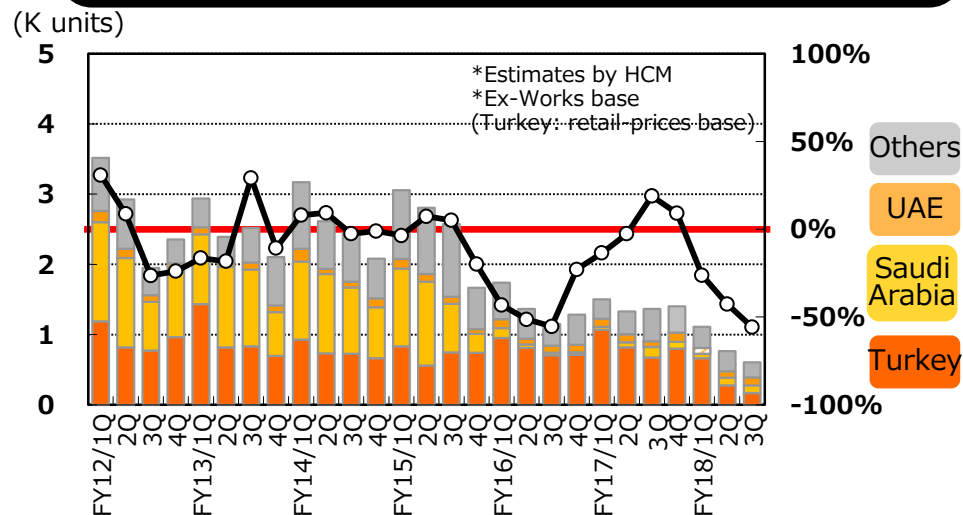
Demand Trend for Hydraulic Excavators in Russia



Price Trend of Crude Oil and Natural Gas



Demand Trend for Hydraulic Excavators in the Middle East



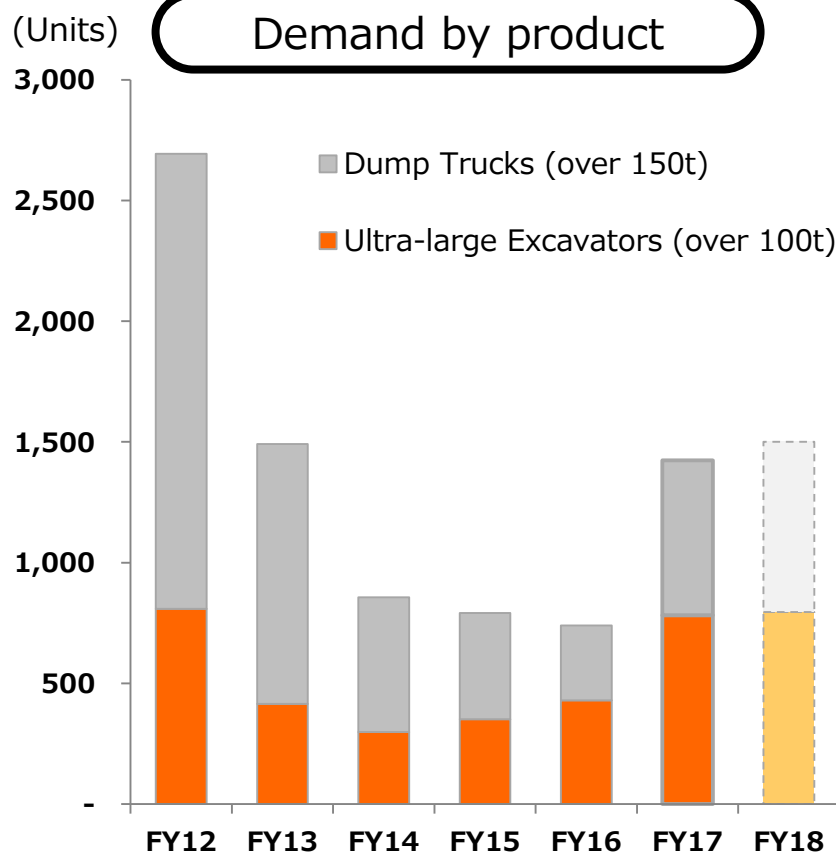
*Created by HCM, the source from IMF HP

*Natural Gas Index (2010=100)

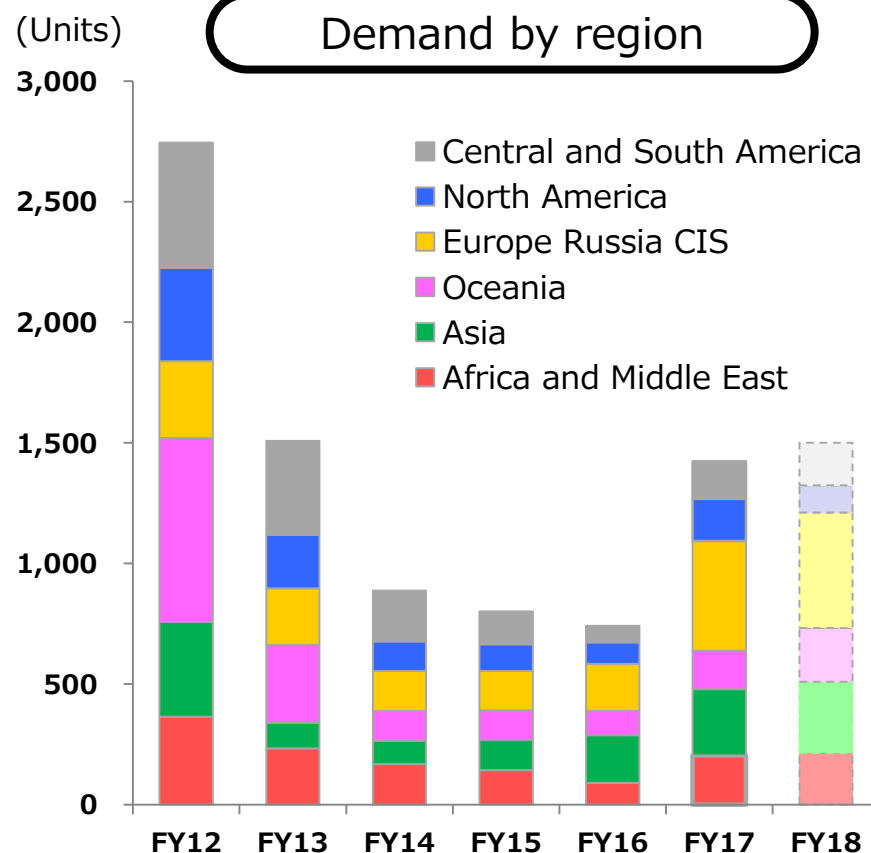
- Demand for mining machinery in FY2018 is expected to increase slightly.
- By region, the demand increase is mainly driven by Oceania, Asia and Central and South America.

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

Demand by product

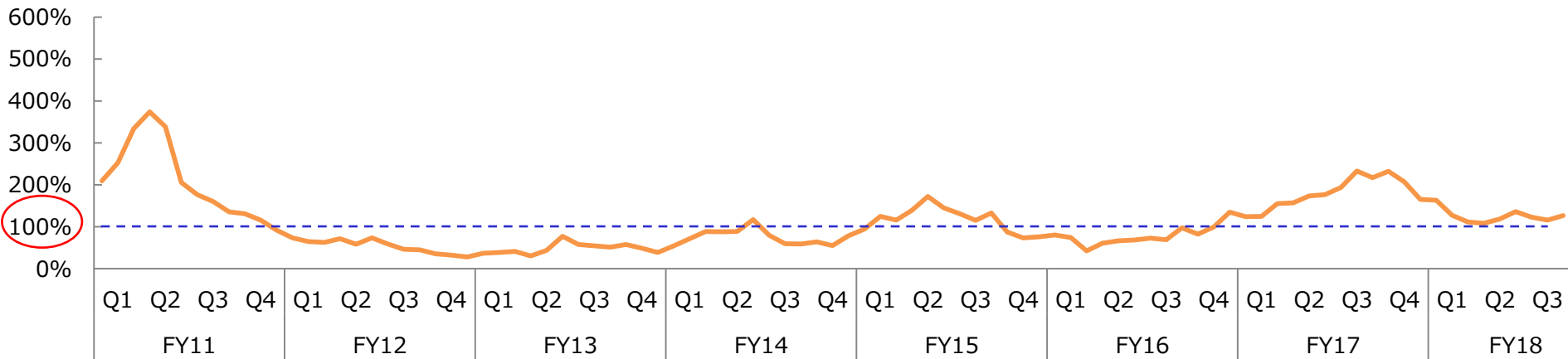


Demand by region

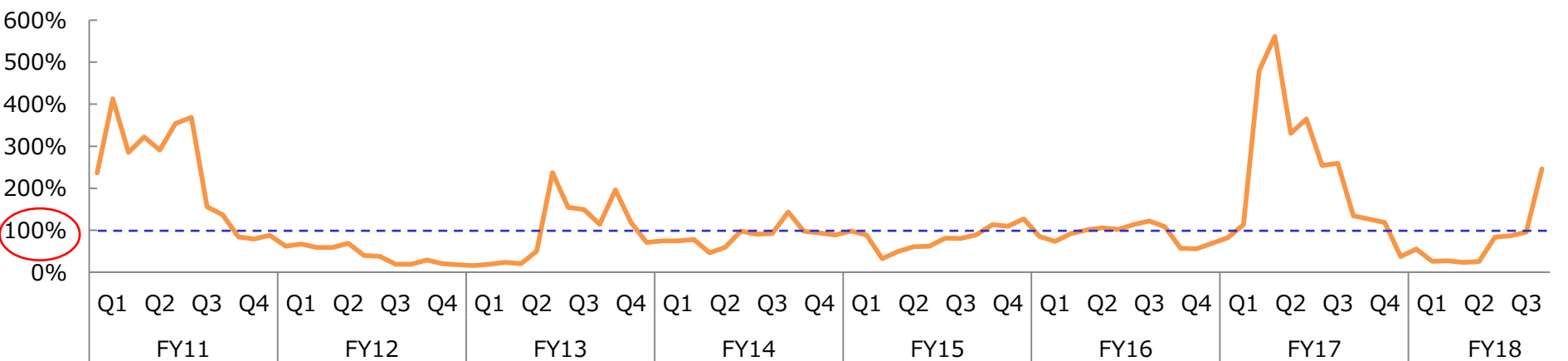


※ According to HCM's research

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)

HCM established a sales company to further expand business in the Central Asia market

- Eurasian Machinery B.V. was established in July 2018. Investment Ratio: Hitachi Construction Machinery 40%
- Sales network and value chain business grew, and delivery to major mining companies in Central Asia started.

9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



An order for dump trucks was secured in Mozambique

- An order for 11 EH5000AC-3 units was secured. Start of delivery and operation is scheduled for FY2018.



Ultra-large hydraulic excavator operating in mine in the Republic of Kazakhstan

13 CLIMATE
ACTION



A major order for electric-powered ultra-large hydraulic excavators was secured in Thailand

- A order for 7 EX3600 excavators (electric-powered) was secured. Start of delivery and operation is scheduled for FY2019.

Number of contracts has increased dramatically to over 123,000 units at the end of 2018 after initiating a global business development plan in 2014.

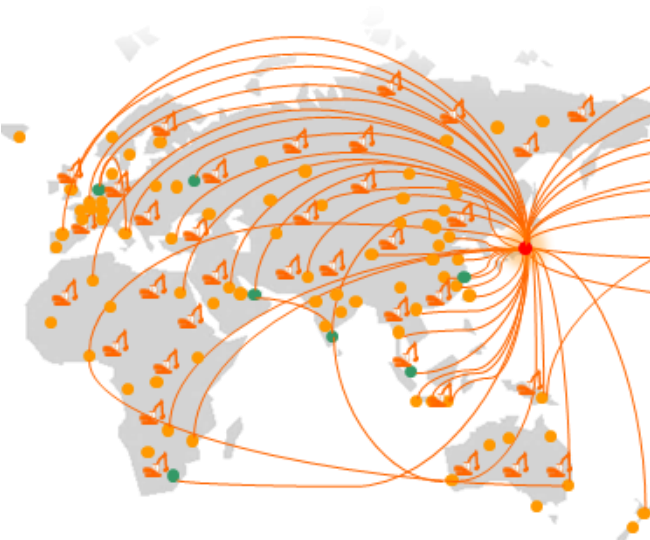
9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



ConSite

Consolidated Solution for Construction Sites

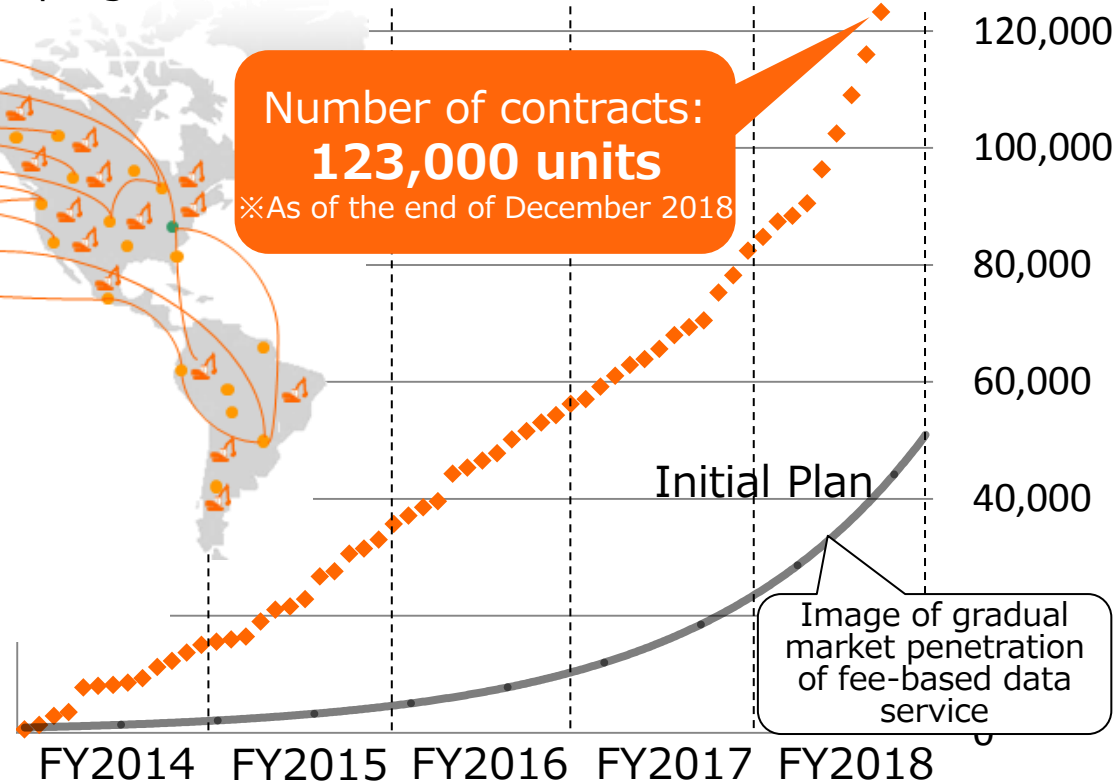
- Information infrastructure linking customers all over the world 24 hours a day, 365 days a year
- Provide high quality maintenance & repair services earlier than before
- Failure prognostic detection rate 90% in and after FY2020



113 countries & regions
and 33 languages are covered.

Number of contracts:
123,000 units

※As of the end of December 2018



Initial Plan

Image of gradual
market penetration
of fee-based data
service

《Topic》 H-E Parts Chile started operation of a remanufactured-parts factory and warehouse

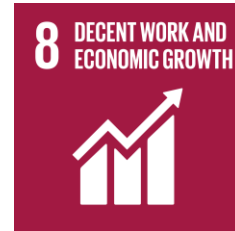
13

HITACHI

Reliable solutions

Parts remanufacturing, servicing, and parts supply functions for dump trucks have been strengthened.

The opening ceremony was held on October 26, 2018



- Company name:
H-E Parts International Chile SpA
- Location:
Antofagasta, the Republic of Chile
- Total area:
About 4,600 sqm



《Topic》 Initiative for improved energy productivity wins Energy Conservation Grand Prize

14

HITACHI

Reliable solutions

Energy consumption rate^{*1} was reduced by 32%^{*2} at 5 Works in Ibaraki.

We win “ECCJ^{*3} Chairman Prize of the Energy Conservation Grand Prize for excellent energy conservation equipment for FY2018”.

7 AFFORDABLE AND CLEAN ENERGY



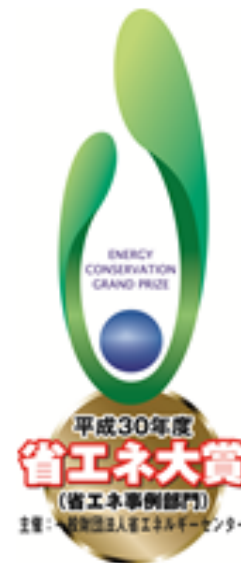
- Hitachi Group's advanced IoT technology-based “Emilia” has visualized electric energy data of equipment (about 1,000 units), operation data of equipment (about 700 units), temperature and humidity in offices, and outside air temperature at Tsuchiura, Kasumigaura, Hitachinana, HitachinakaRinko, and KCM Ryugasaki Works.
- Based on the visualized data, measures were taken to save standby electricity of production equipment and electricity of air-conditioning equipment in offices. Peak load cut of electricity and stand-by electricity reduction have been achieved while unused energy has been effectively utilized.



“Visualizing” electric energy data using Emilia



Air-conditioning equipment utilizing radiators designed for hydraulic shovels



*1: This refers to the amount of energy necessary to manufacture a unit quantity of products, an index representing production efficiency related to energy.

*2: Compared to the target reduction rate by the end of FY 2016 to reduce over 30% with reference to the end of FY2010.

*3: The Energy Conservation Center, Japan

[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 : +81-3-5826-8152

FAX : +81-3-5826-8209



This advertisement was awarded the following prizes (in November 2018).

- The first price of Part IV in the newspaper category of the 53rd Japan Industrial Advertisement Awards (hosted by The Nikkan Kogyo Shimbun, Ltd. (The Daily Industrial News)).
- The 85th Anniversary Special Award of the 57th Business Advertisement Awards (hosted by Fuji Sankei Business i.).

© Hitachi Construction Machinery Co., Ltd. 2019. All rights reserved.

《Notice》 HCM to provide cooperation for Exhibition “Under Construction!” by displaying a machine

16

HITACHI

Reliable solutions

A Double-Arm Working Concept Machine with Four-Crawler will be exhibited throughout the exhibition to offer chances mainly for children to be exposed to unique technologies.



Cooperation will be provided in sympathy with the theme: “Scientifically exploring human wisdom embedded in industrial vehicles (heavy machinery) and their impact on society.”

■ Period:

February 8, 2019 – May 19, 2019

■ Venue:

Miraikan – The National Museum of Emerging Science and Innovation (Aomi, Koto-ku, Tokyo)

■ Organizers:

Miraikan – The National Museum of Emerging Science and Innovation
The Yomiuri Shimbun
Fuji Television Network, Inc.
BS Nippon Corporation



Four crawler units-type double-arm concept machine

Topics are classified and introduced with appropriate icons according to 17 goals described in the Sustainable Development Goals (SDGs).

SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD

