


Business Result for the First Quarter ended June 30, 2017 Regional Market Environments and Projections



July 27, 2017

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

Global Demand Trend for Hydraulic Excavators

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HITACHI

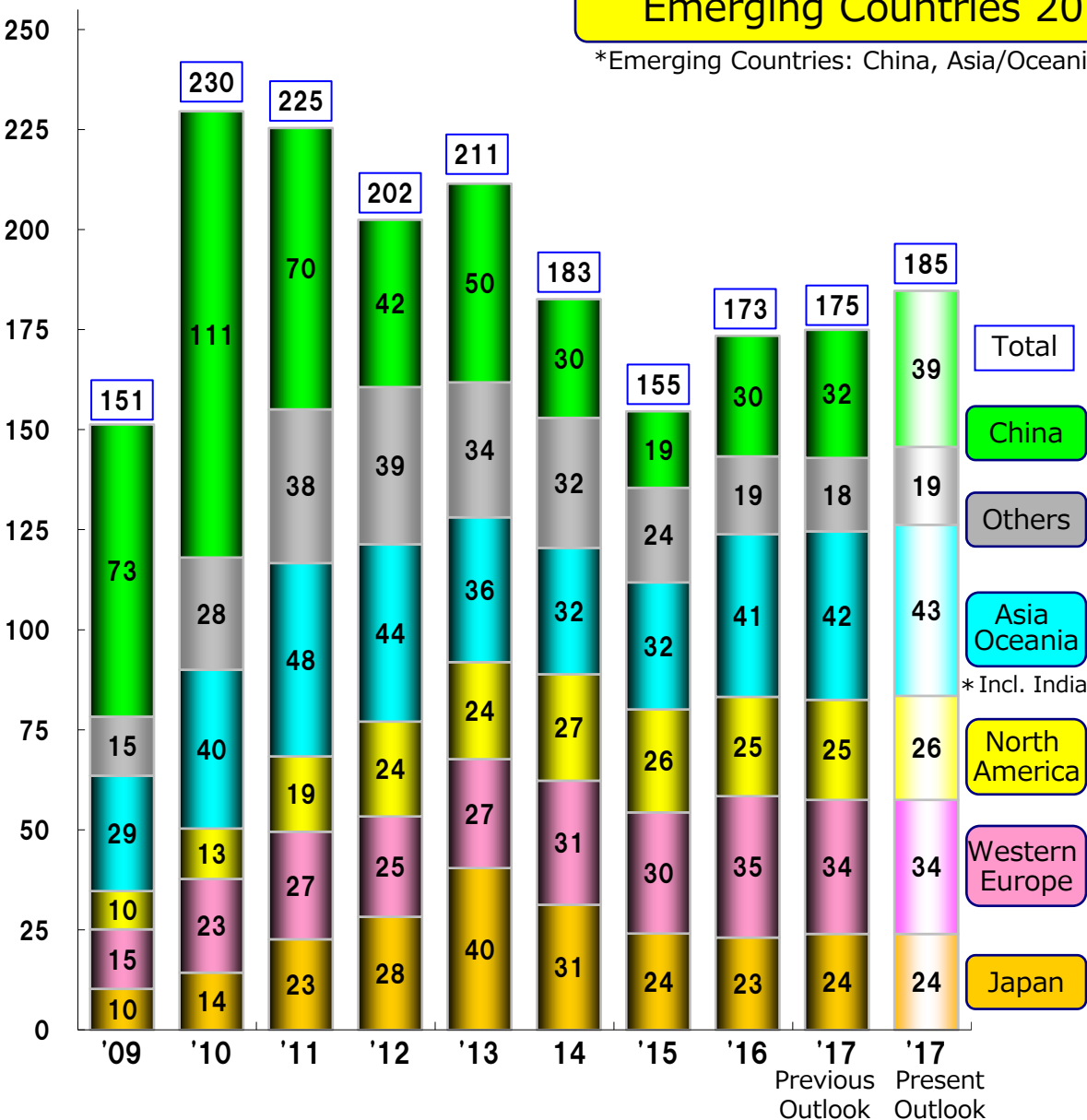
Reliable solutions

* Estimates by HCM * Excluding Chinese manufacturer

(K Units)

Emerging Countries 2017 : 55% (Y-o-Y Change:+3%)

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



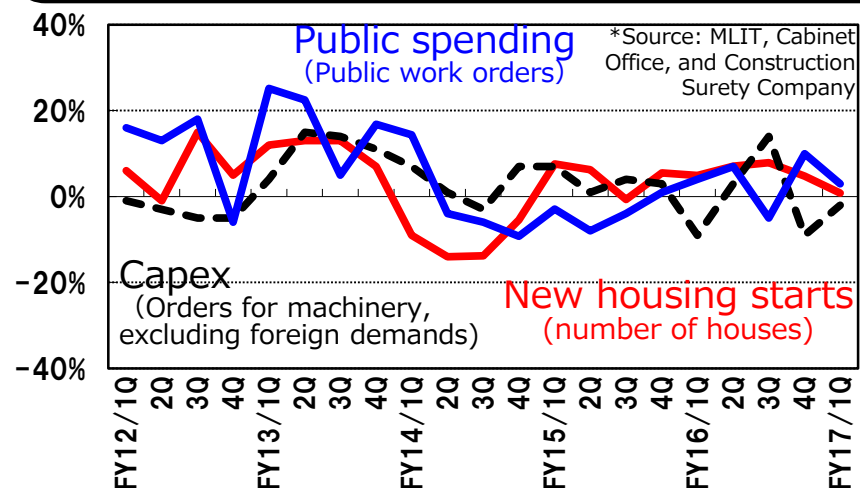
Year-on-Year Change

		'16	'17 Previous Outlook	'17 Present Outlook
Total		+12%	+1%	+7%
China		+58%	+6%	+29%
Others	Russia, CIS, E Europe	+23%	-13%	+14%
	Africa	+13%	-12%	-12%
	Middle East	-45%	+3%	+3%
	Latin America	-15%	-2%	-2%
Others		-18%	-6%	+0%
Asia & Oceania	India	+44%	+16%	+16%
	Indonesia	+36%	+14%	+14%
	Others	+16%	-9%	-5%
Asia & Oceania		+28%	+4%	+5%
N America		-4%	+1%	+5%
W Europe		+17%	-5%	-5%
Japan		-4%	4%	4%

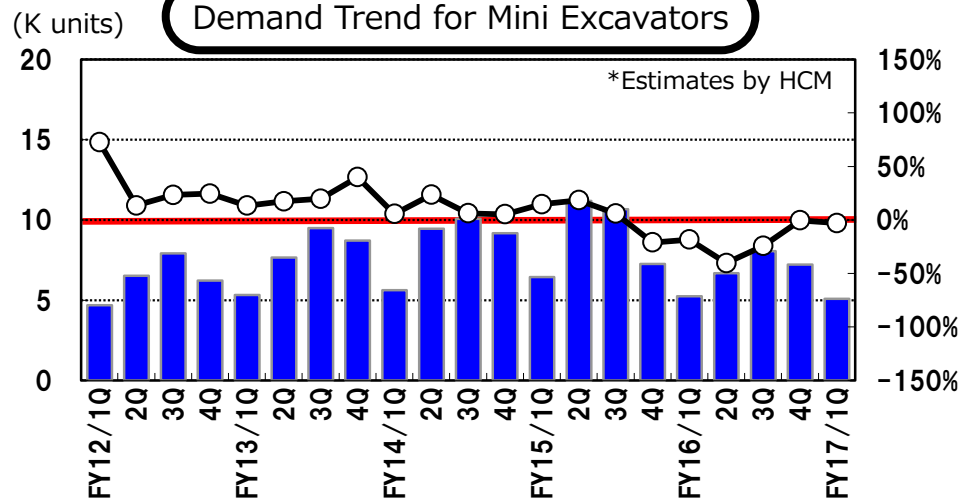
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- ◇ While public investment and housing investment remained flat, capital investment has been recovering.
- ◇ Regarding demand for construction machinery from April to June 2017, demand for hydraulic excavators and wheel loaders increased, driven by last-minute demands in anticipation of the new emissions regulations.

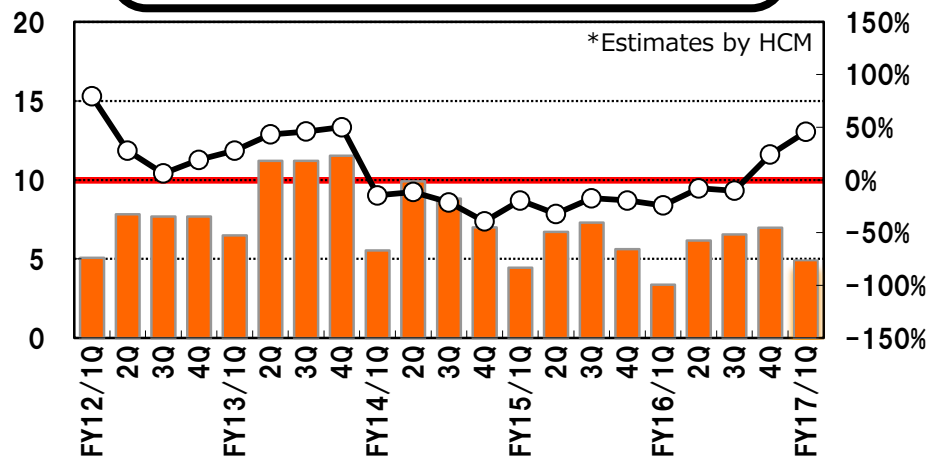
Market Environment: Housing/Public Spending and Capex (y-o-y)



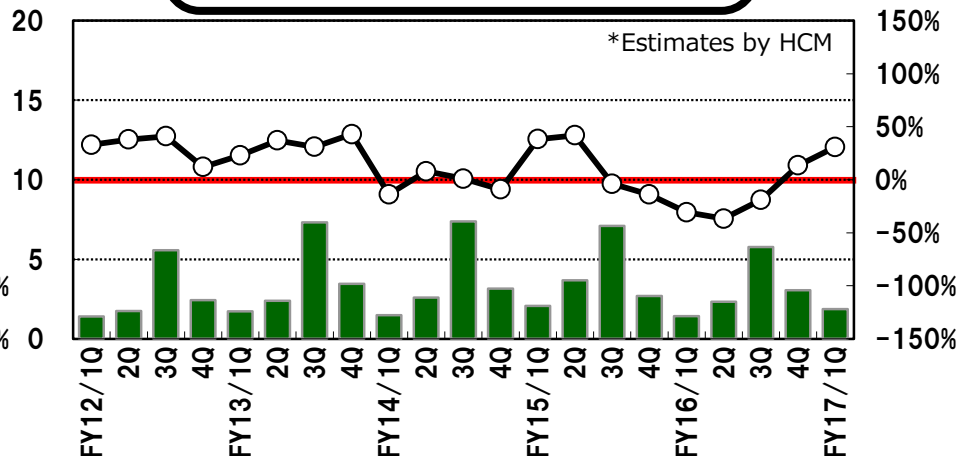
Demand Trend for Mini Excavators



(K units) Demand Trend for Hydraulic Excavators

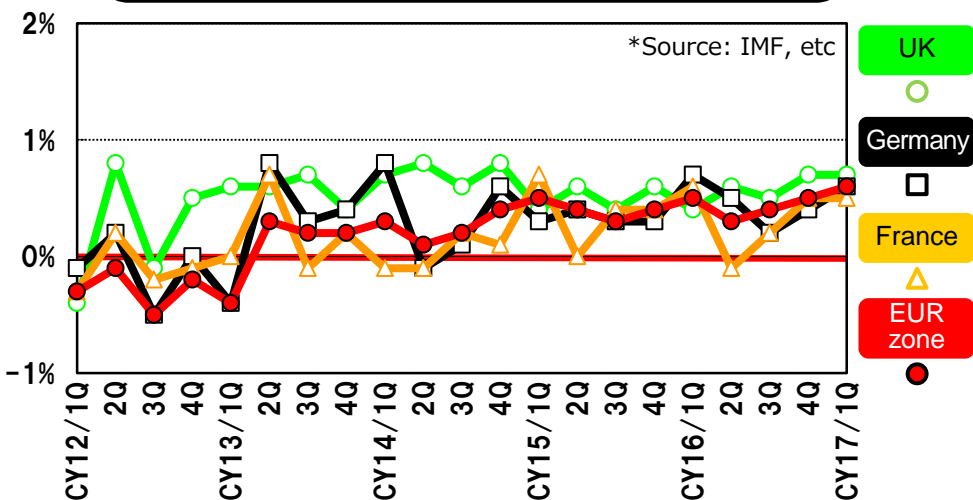


(K units) Demand Trend for Wheel Loaders

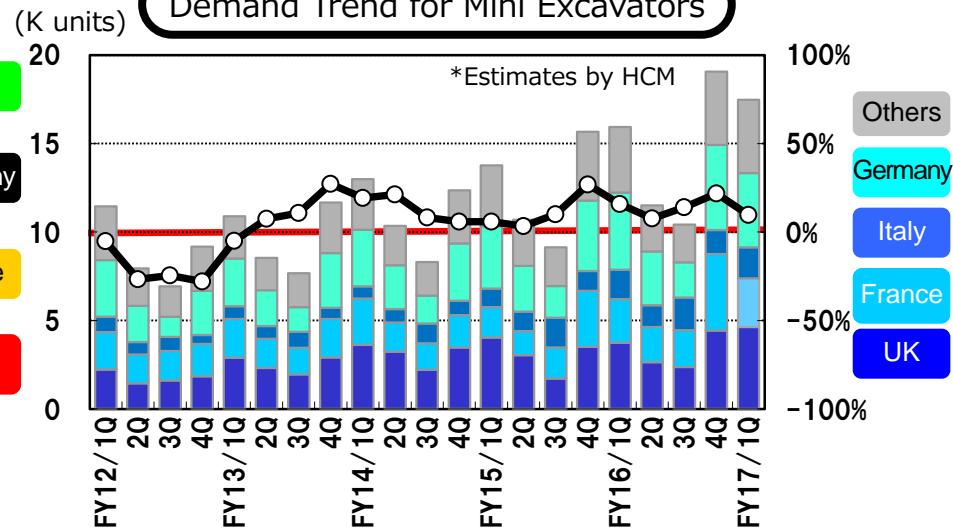


- ◇ GDP slightly increased throughout the Euro zone.
- ◇ Demand for hydraulic excavators and mini excavators remained brisk. Demand for wheel loaders slightly decreased due to sluggish demand in Germany.

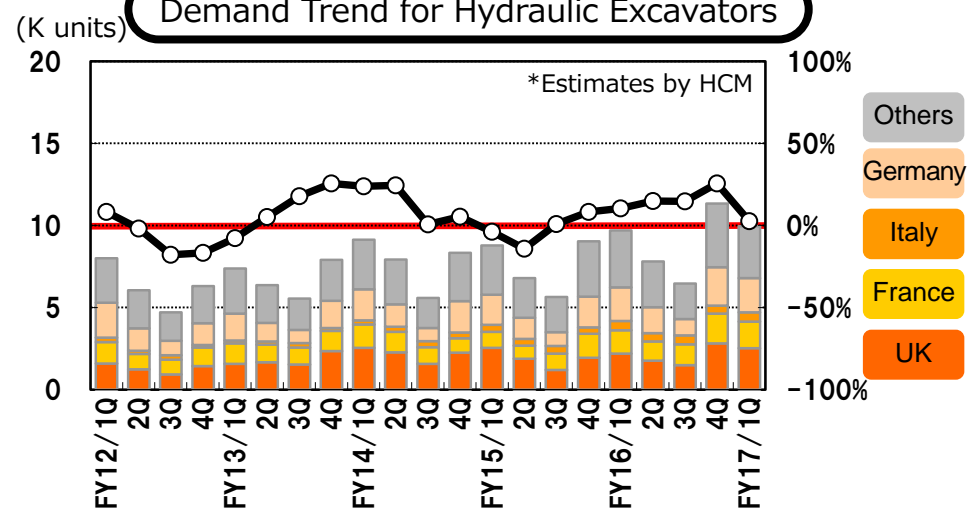
GDP Growth Rate in Major Countries (y-o-y)



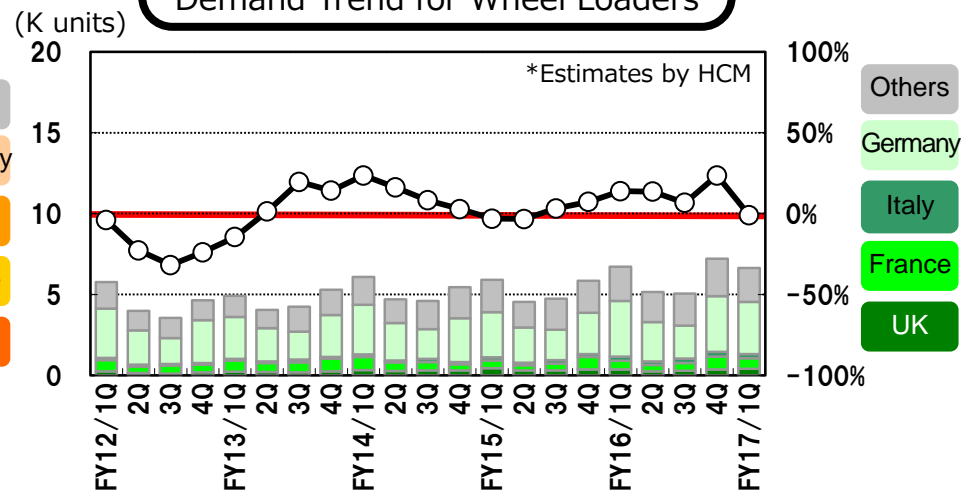
Demand Trend for Mini Excavators



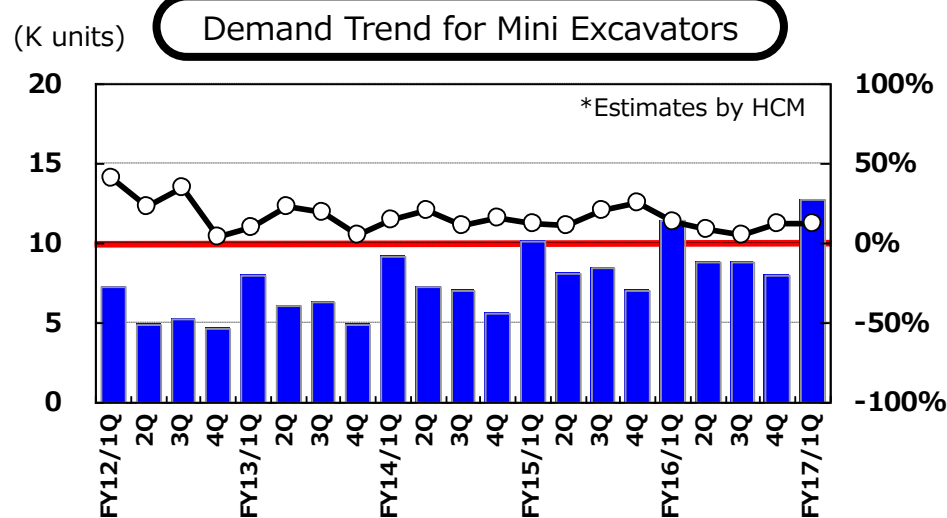
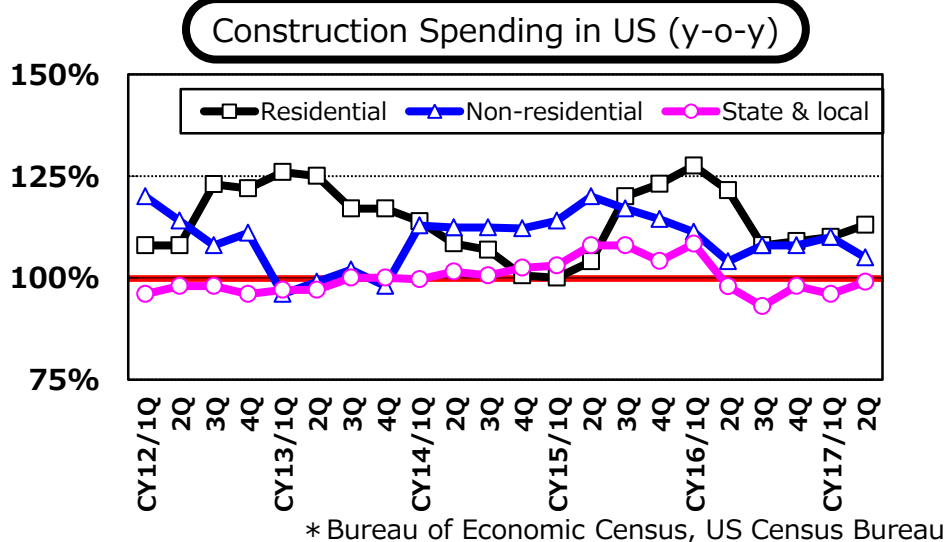
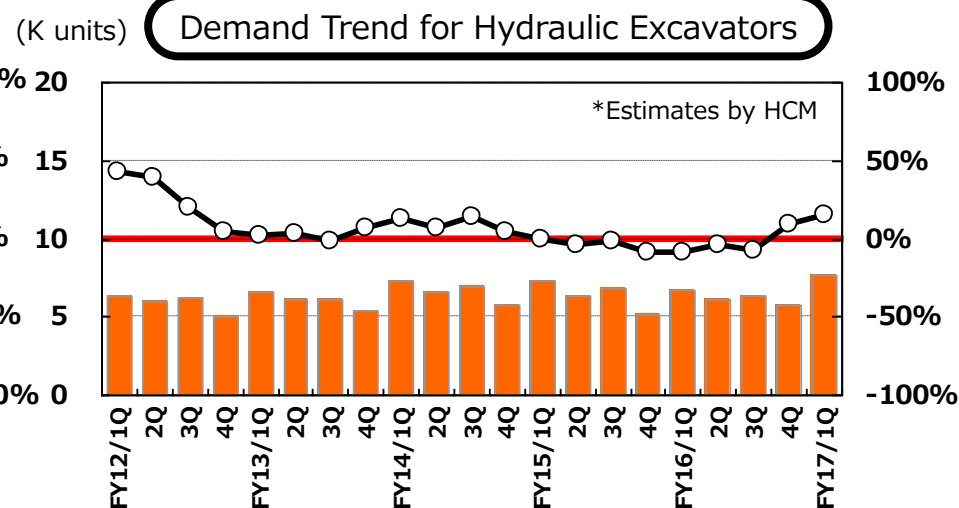
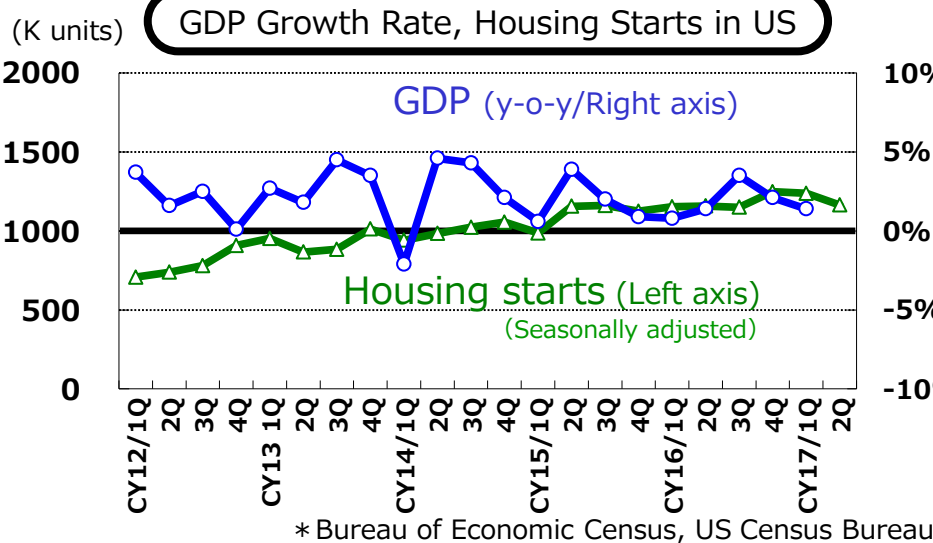
Demand Trend for Hydraulic Excavators



Demand Trend for Wheel Loaders

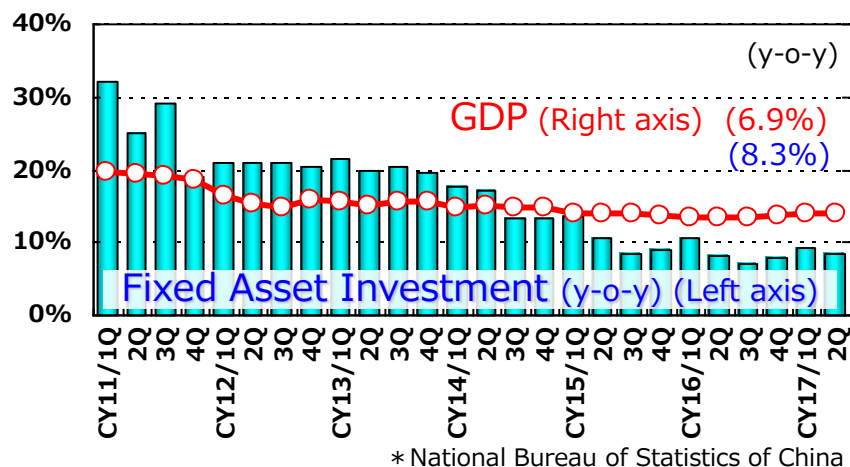


- ◇ Housing starts remained brisk, and residential construction spending continuously increased.
- ◇ Demand for hydraulic/mini excavators continuously increased (by 14% and 12% year-on-year, respectively).

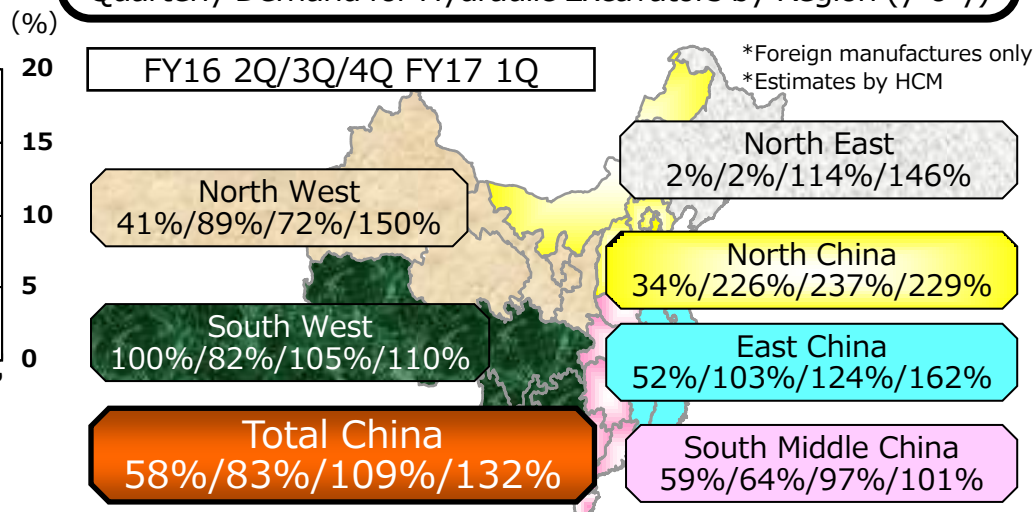


- ◇ GDP growth rate from April to June 2017 remained stable at around 6.9%.
- ◇ Demand for hydraulic excavator continuously increased 2.3x over previous year due to the government support of the economy, mainly by initiating public investment.

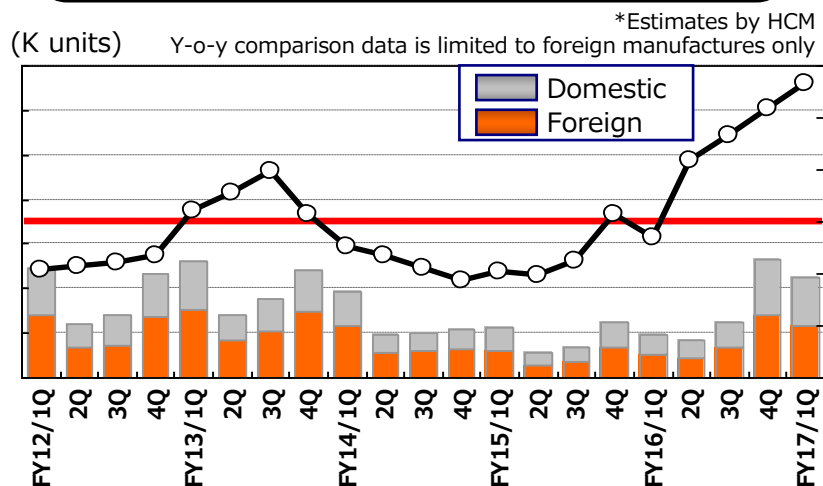
GDP and Fixed Asset Investment



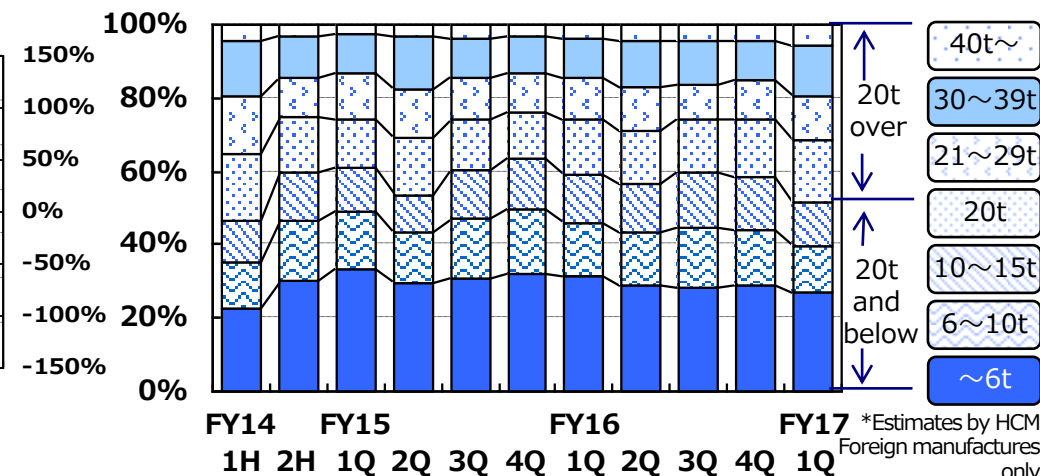
Quarterly Demand for Hydraulic Excavators by Region (y-o-y)



Demand Trend for Hydraulic Excavators



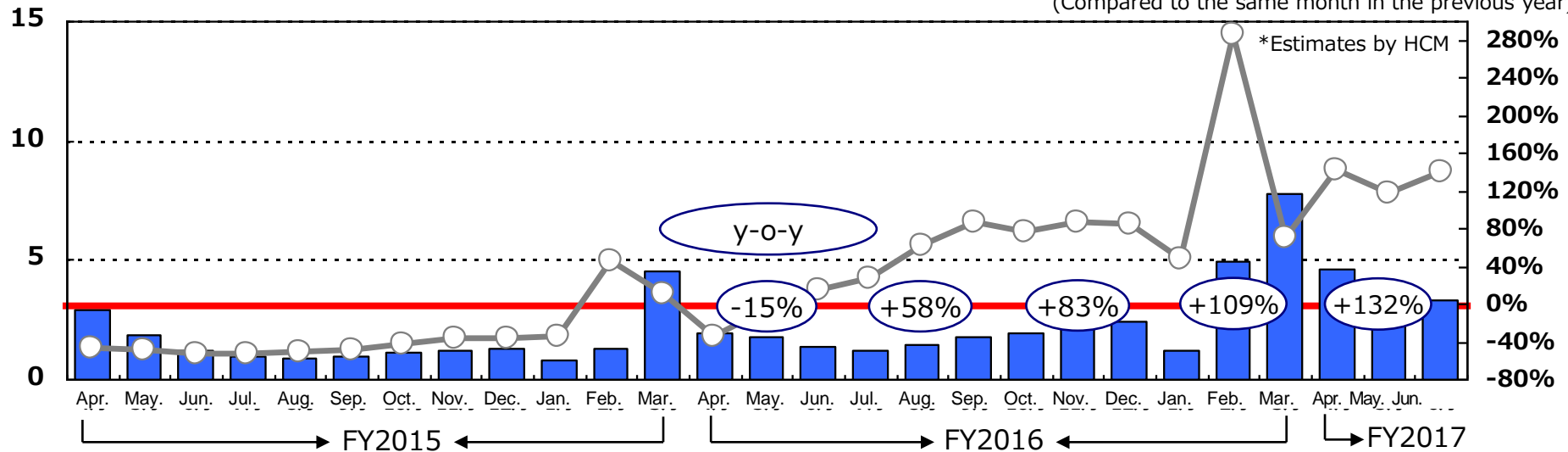
Demand Composition by Class for Mini Excavators and Hydraulic Excavators



(K units)

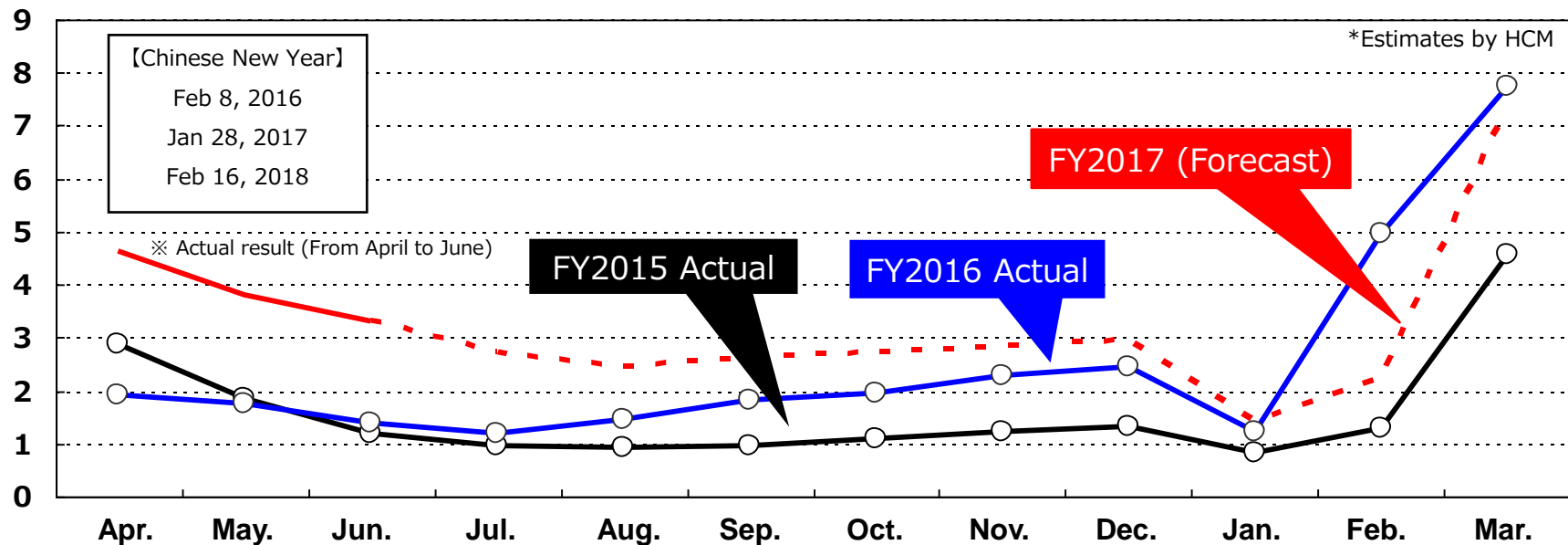
Monthly Demand Trend for Hydraulic Excavators (Foreign Manufactures only)

(Compared to the same month in the previous year)



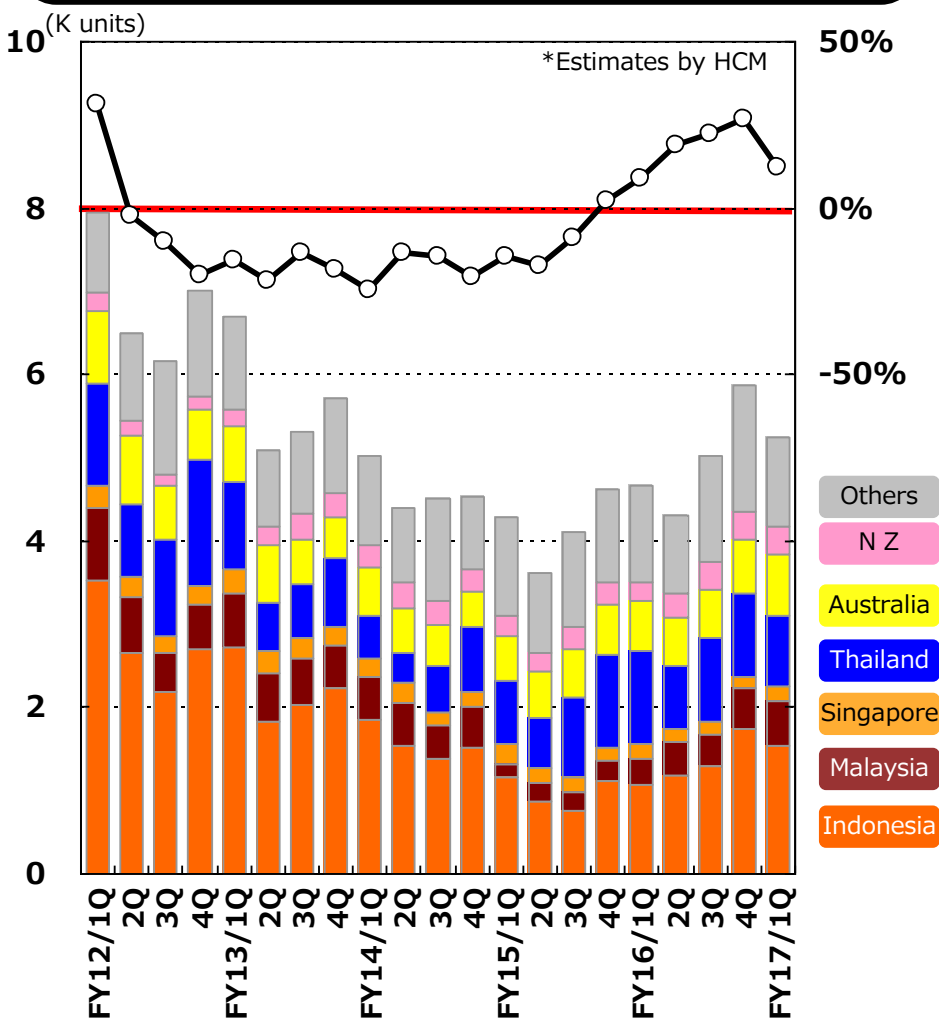
(K units)

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

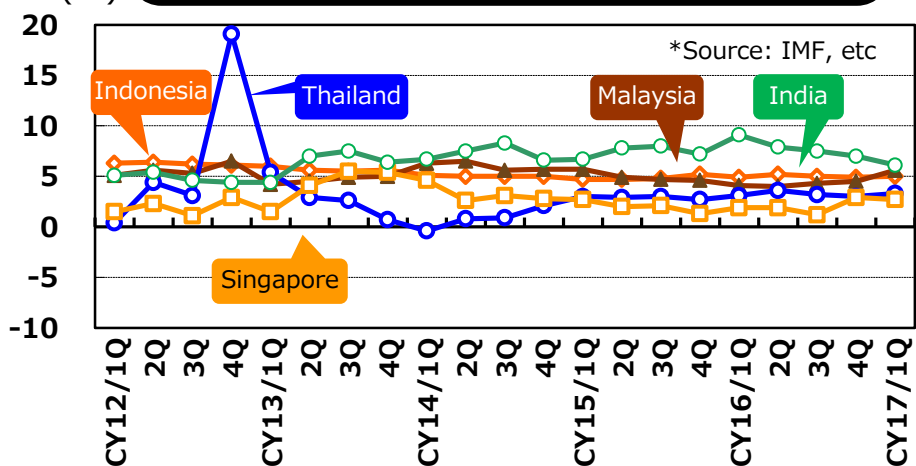


- ◇ Demand for hydraulic excavator continuously increased in the entire Asia Pacific region (by 12% year-on-year), underpinned by significant demand increase in Indonesia and Malaysia, despite a decrease in Thailand.
- ◇ Demand continuously increased in India, mainly for infrastructure investments, such as railways and roads (increased by 28% year-on-year).

Demand Trend for Hydraulic Excavators in Asia & Oceania

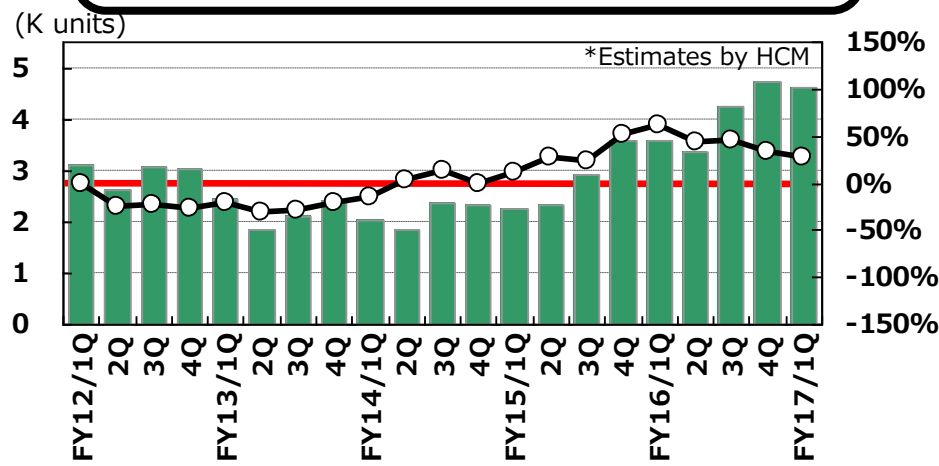


GDP Growth Rate in Major Countries (y-o-y)



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

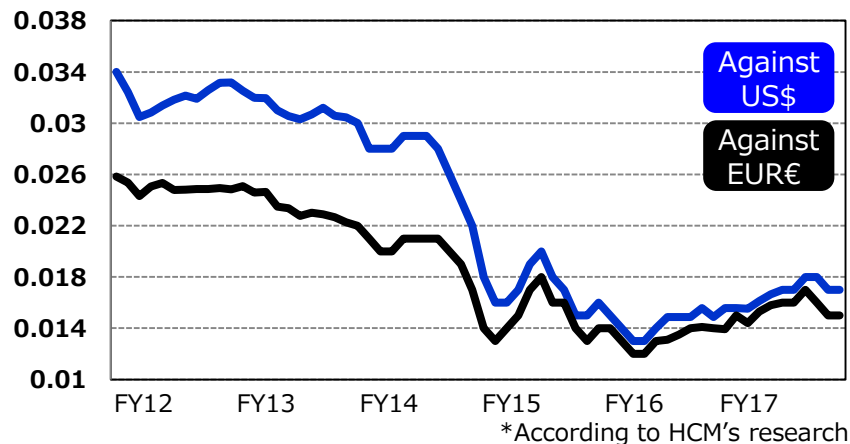
Demand Trend for Hydraulic Excavators in India



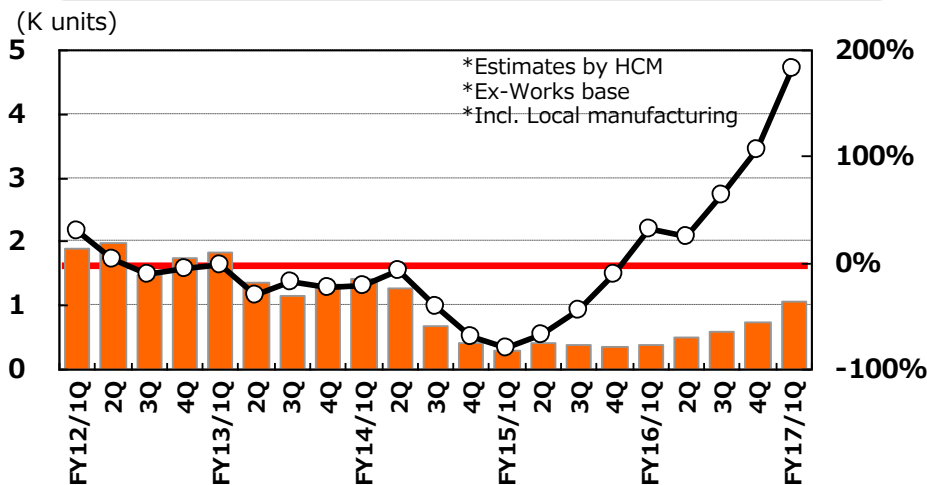
[Russia] Demand continuously increased, underpinned by revival of crude oil prices.

[Middle East] Demand for hydraulic excavator continuously decreased, mainly around the Gulf countries.

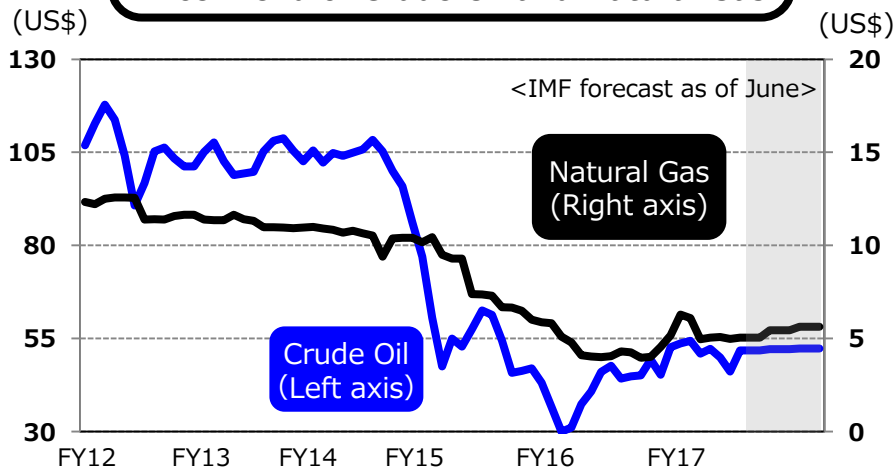
Foreign Exchange Rate of the Ruble



Demand Trend for Hydraulic Excavators in Russia

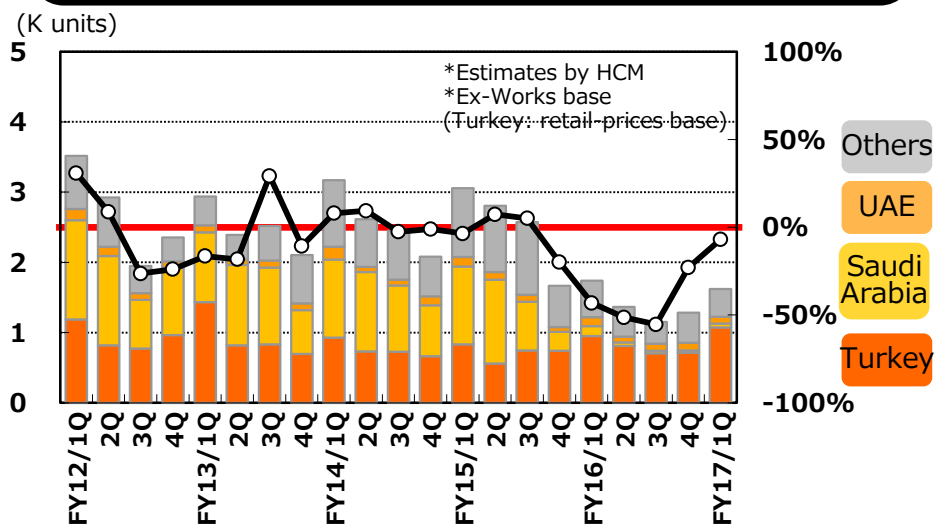


Price Trend of Crude Oil and Natural Gas



*Created by HCM, the source from IMF HP

Demand Trend for Hydraulic Excavators in the Middle East



We developed *Solution Linkage Cloud*, a cloud solution to support ICT-aided construction



Safety improvement

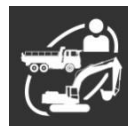
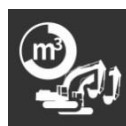


Productivity improvement



Reduction of life cycle cost

Solution Linkage Cloud



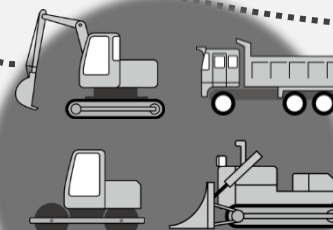
Solution Linkage Mobile
(Launch scheduled for April 2018)



HCM's Construction Machinery



Field supervisor
Field worker



Construction and heavy machinery from non-HCM manufacturers

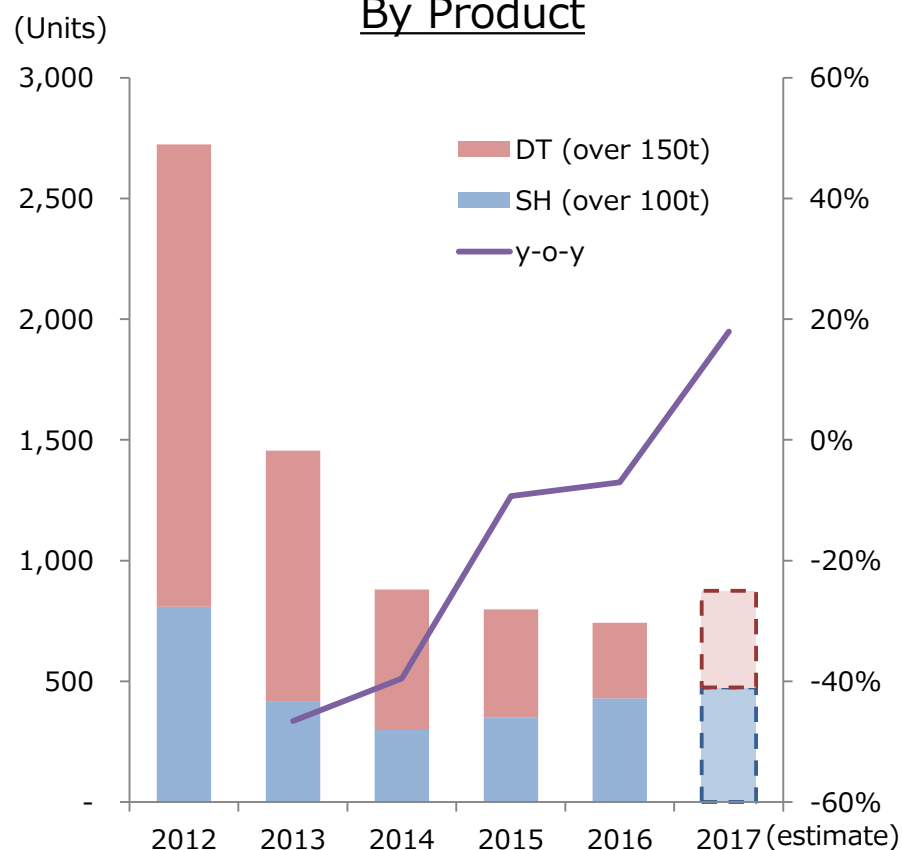


Drone
Surveying equipment

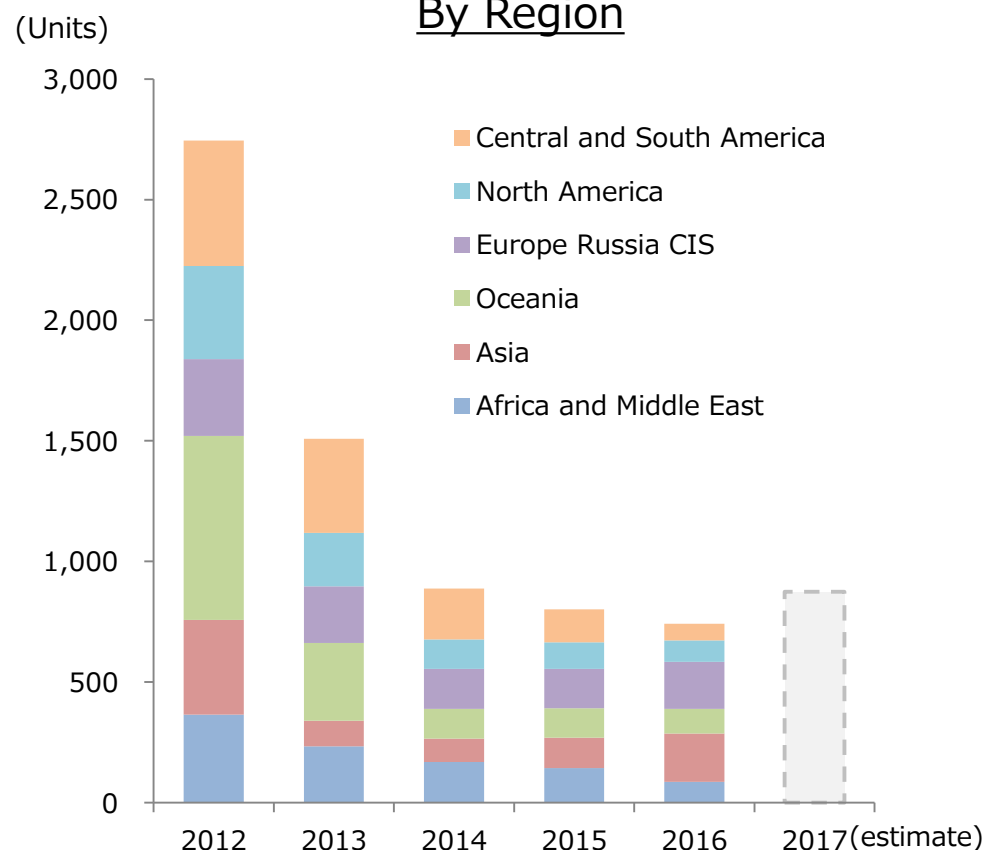
- ◇ We anticipate demand in FY2017 will increase by approximately 20% year-on-year.
- ◇ By region, demand remains robust in Russia and Asia, etc.

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

By Product

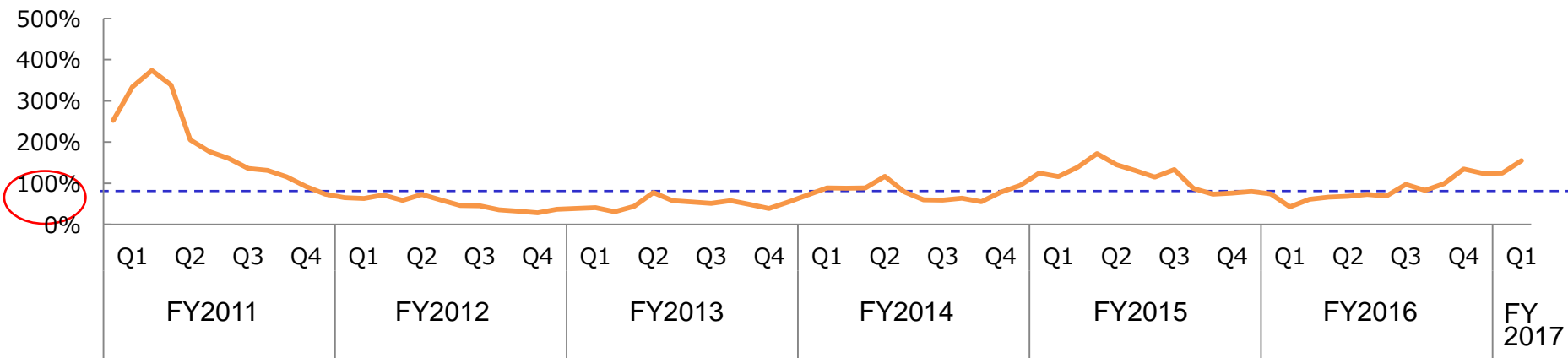


By Region

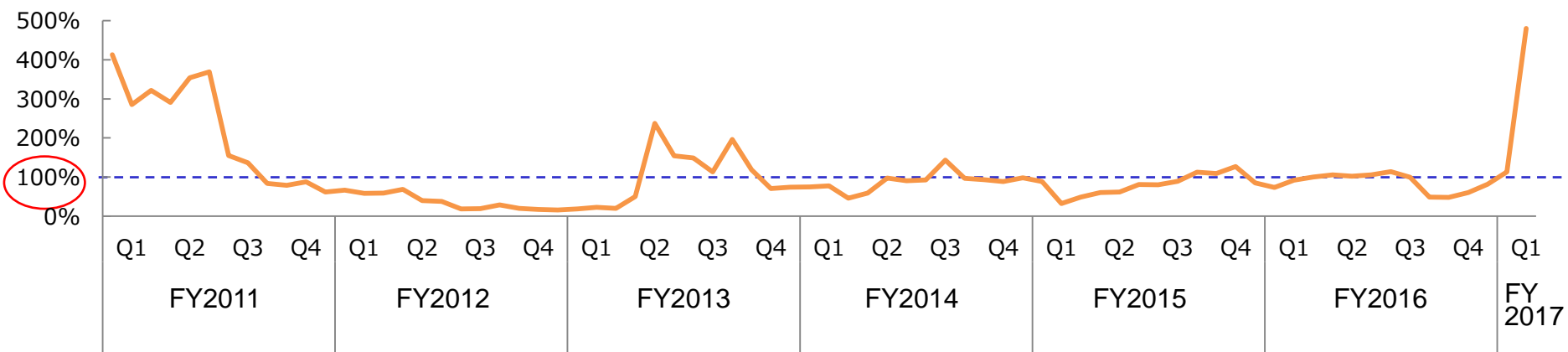


*According to HCM's research

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)

Mining truck orders were strong

- Large order of EH5000AC-3 for Australia
- We aim to further expand market share of mining truck and hydraulic excavator in mining machinery market



Reference photo: EH5000AC-3



Reference photo: EH5000AC-3 and EX8000-6BH

[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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