

2011-4-26

Regional Market Environments and Projections



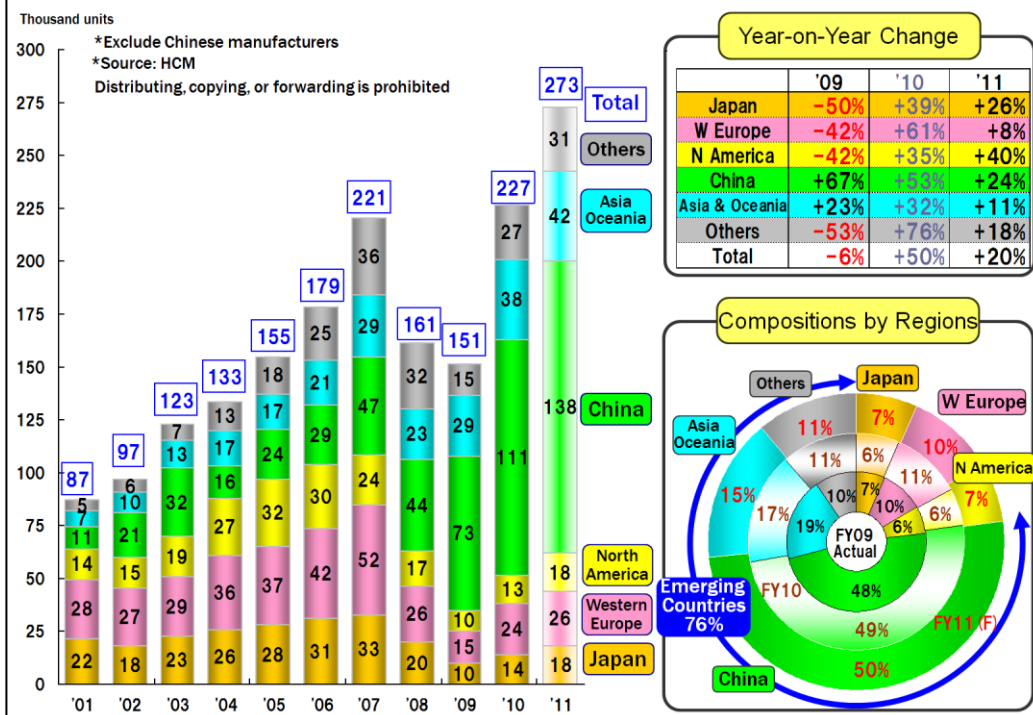
Hitachi Construction Machinery Co., Ltd.

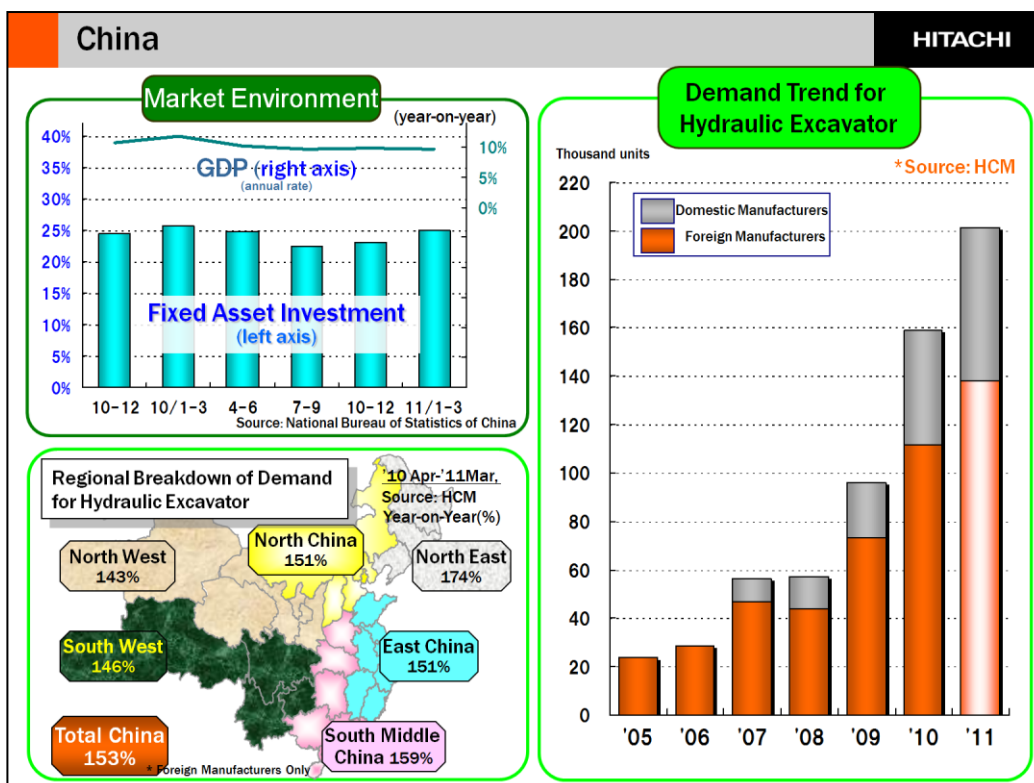
Senior Vice President,
Executive Officer and Director

Shinichi Mihara

Global Demand Trend for Hydraulic Excavator

HITACHI





- For the market environment in FY 2010, the growth rate of GDP (year-on-year) and fixed asset investment are both doing well. Construction machinery market has been rapidly increasing.
- In FY2010, demand for hydraulic excavator (foreign manufacturers) increased by 53% year-on-year all over China. Especially, growth rate of the coast and the mining areas such as North East and the East China are high.
- Demand for hydraulic excavator all over China, including domestic manufacturers, increased by 65% in FY2010 and is expected to increase by 27% in FY2011, year-on-year.
- HCM will expand the production capacity and sales support, such as dealer empowerment, etc. in Chinese market.

In order to earn more shares in Chinese market, we implement "Sales-Marketing Dealer Empowerment Program"

New Dealer Evaluation System

By introducing Score and Evaluation System, we can evaluate dealer's performance. The evaluation system is combined with price incentives therefore dealers are motivated to improve their performances.

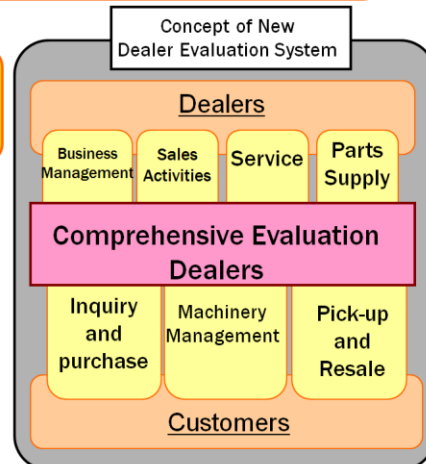
Portable "Hi-Step"

Existing marketing supporting system 'Hi-Step' is now portable so that we can obtain more accurate, fresh sales information.

Training of Sales Support Dept.

Expanding numbers of sales staff are trained in order to cover expanding market and demand.

Improved 'Sales-Marketing Dealer Empowerment Program' will be applied to global market hereafter



- We are focusing on 'Sales-Marketing Dealer Empowerment Program' in order to earn more market shares in Chinese market, faced increased competition.
- In order to strengthen supporting scheme for the dealers, new dealer evaluation system is applied. By introducing Score and Evaluation System, we can evaluate dealer's performance.
- The evaluation system is combined with price incentives, therefore dealers are motivated to improve their performances.
- Existing marketing supporting system 'Hi-Step' is now portable so that we can obtain more accurate, fresh sales information. With this system, the sales personnel can timely input visiting and quotation information, therefore management can collect and analyze operation information with higher precision and effectiveness.
- Furthermore, Sales Support Dept. is established to train the sales staffs in order to cover expanding market and demand, and to transmit operation know-hows.



China Construction Machinery Association

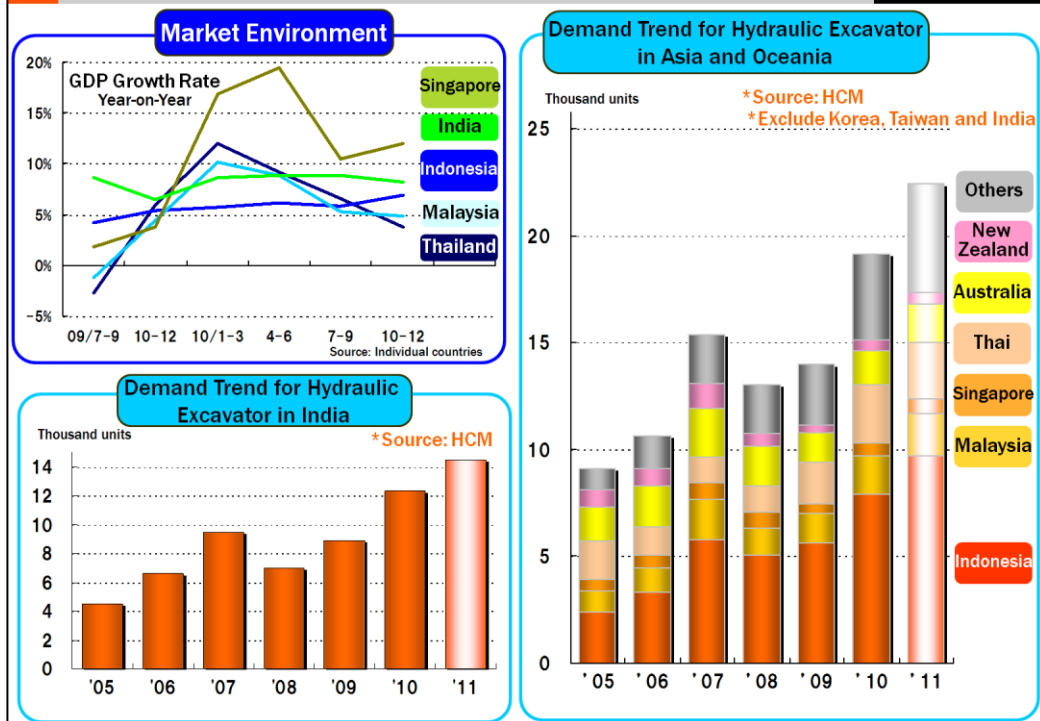
Top 50 of China Construction Machinery Products in 2010

ZX200-3G

Awarded 'Golden Award of Technical Innovation in 2010'



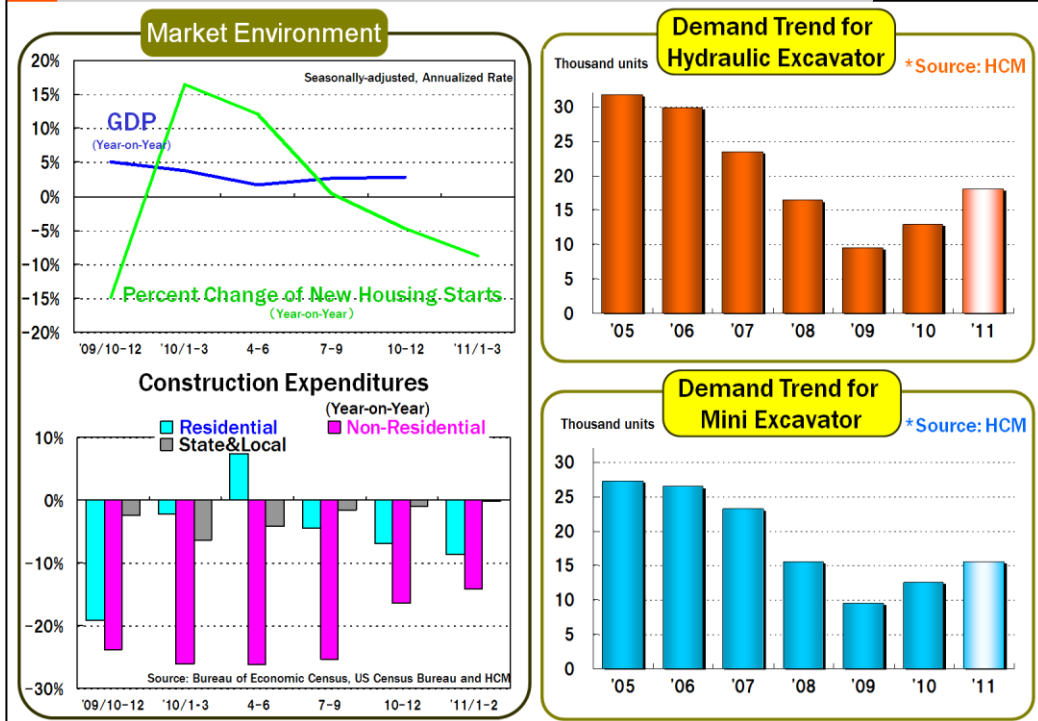
● In “Top 50 of China Construction Machinery Products in 2010” held by China Construction Machinery Association, ZX200-3G awarded “Golden Award of Technical Innovation in 2010”.



● For the market environment in FY2010, the GDP growth rate of Thailand, Malaysia and Singapore increased slowly in the second half of the year, however, as to our main markets, India and Indonesia kept a high growth rate.

● In addition to the stable increasing demand of Indonesia, the demand for hydraulic excavator in other Asia and Pacific countries are also increasing significantly. The demand is expected to increase by 36% in FY2010 and for 17% in FY2011, year-on-year.

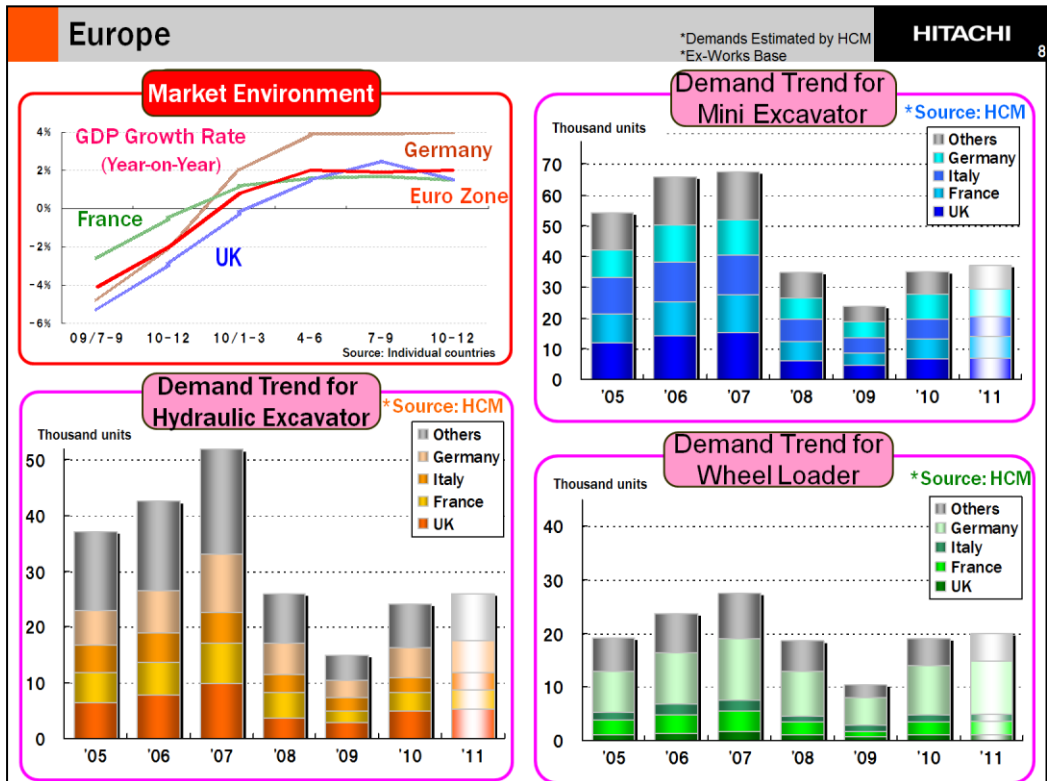
● Even the infrastructure development approval is delayed and the interest rate is increased in India, demand for hydraulic excavator is still increasing along with economic expansion. The demand for FY2010 is expected to increase by 38% and for FY2011 by 18%, year-on-year.



● The GDP growth rate remains stable. The housing market had a downturn in the second half of FY2010, and number of new housing starts decreased compared with the previous year.

● Along with the growth of replacement demand and rental operating rate, rental companies upgraded and expanded their properties. The demand for FY2010 is expected to increase by 34% and for FY2011 by 40%, year-on-year.

● The demand for mini excavator is in the similar trend. The demand for FY2010 is expected to increase by 33% and for FY2011 by 23%, year-on-year.



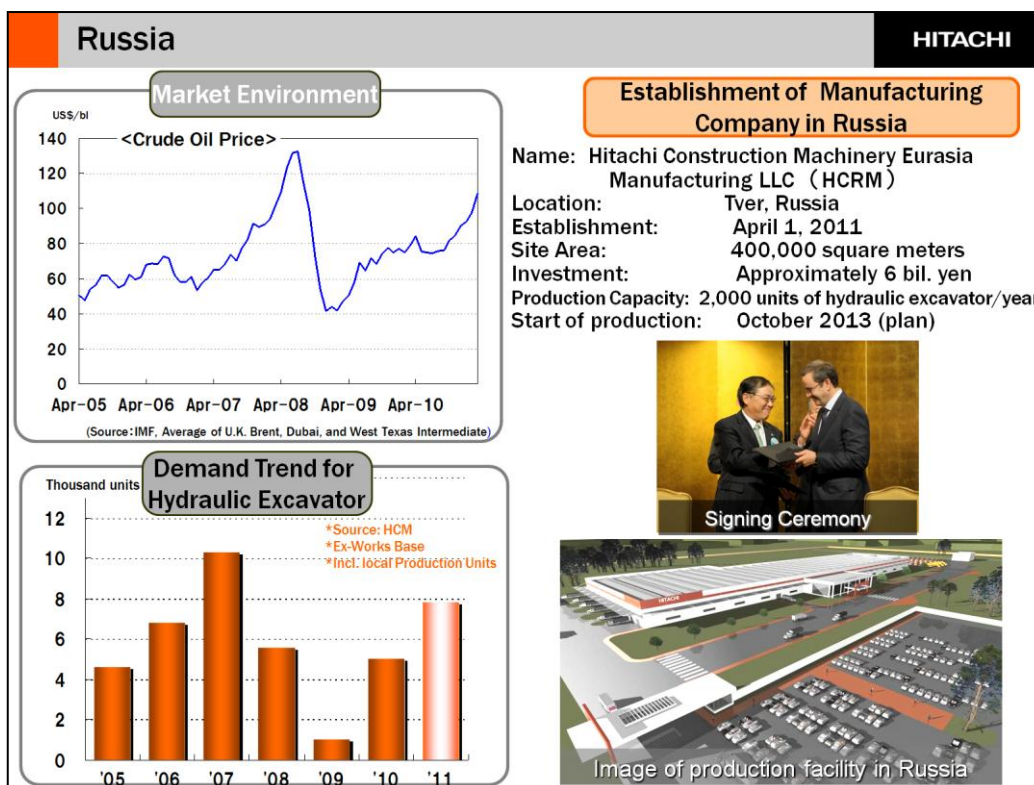
● For the market environment, some countries facing financial crisis (Greece, Ireland, Spain, Portugal) are in standstill, but in main market of construction machinery such as France, UK, and Germany are in recovering trend.

● The demand for hydraulic excavator was expected to increase by approximately 50% as of 3Q release, year-on-year, but with the increased growth of Germany, UK and France, it is now expected to increase by 61% in FY2010, and by 8% in FY2011, year-on-year.

● The demand for mini excavator for FY2010 is also higher than the last expectation, and expected to increase by 47% and for FY2011 by 6%, year-on-year.

● The demand for wheel loader (including mini wheel loader with a horsepower less than 80) for FY2010 is higher than the last expectation, and expected to

increase by 81% and for FY2011 by 5%, year-on-year.



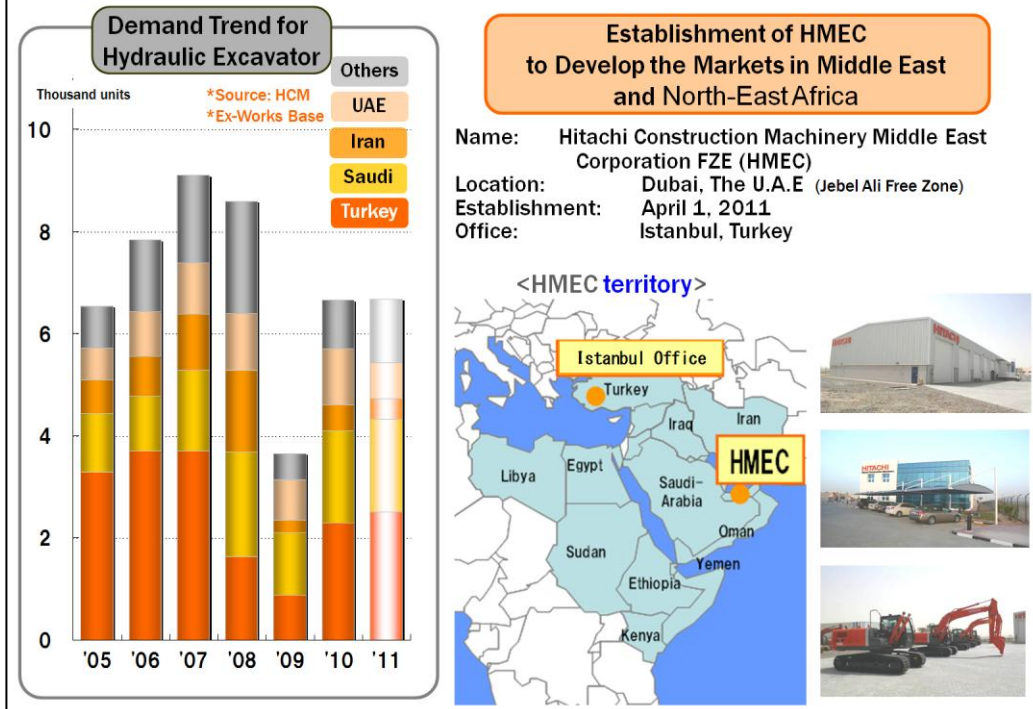
● The market environment is expected to recover because of the increasing trend of the crude oil price.

● For the demand for hydraulic excavator, along with the satisfactory condition of Northwest, West Siberia and oil and gas producing region of Far East, city civil engineering in all regions is increasing. The demand for FY2010 is expected to increase by 400% and for FY2011 by 56%, year-on-year, respectively.

● We are building new production facility in Tver, Russia, which is about 170km away from the northwest of Moscow. The site area of the facility is 400,000 square meters, and the investment is about 6 billion yen. The production capacity is 2,000 units of hydraulic excavators per year.

● In November 2010, basic investment contract to build the production facility in Tver is concluded with the governor of Tver Province.

● New manufacturing company has been registered in April, 2011. A temporary office is set to hire employees. The construction of the production facility and application for necessary registrations will be implemented.

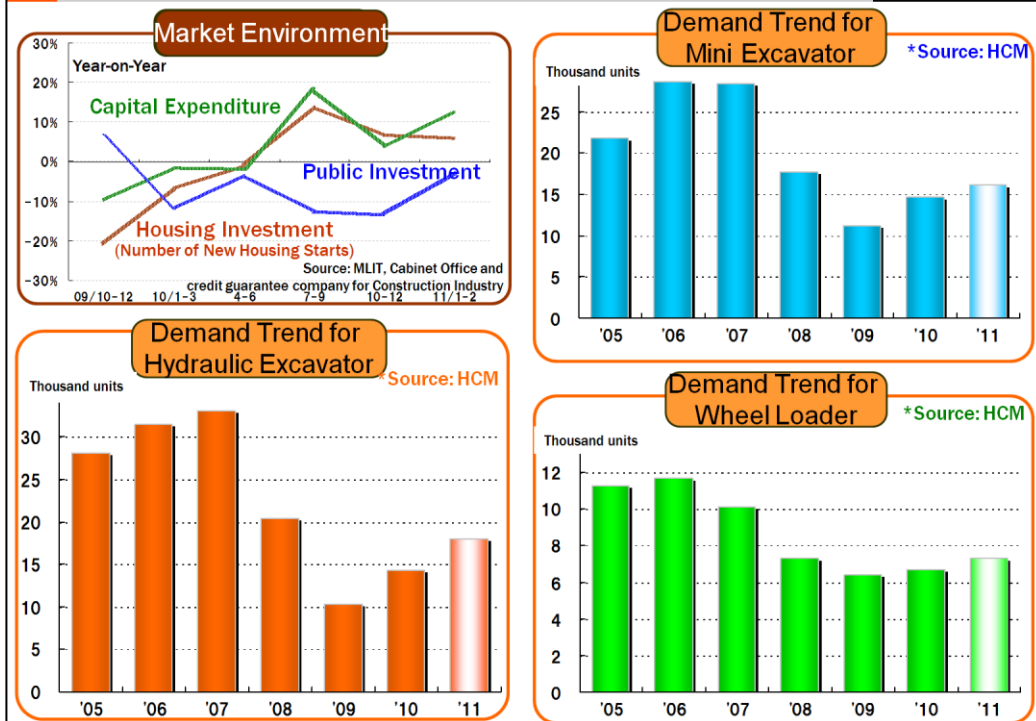


● The demand for FY2010 in the last expectation was 40% increase year-on-year, but with the growth of fields related with infrastructure such as road, bay and railway, the latest demand expectation is updated to 81% increase. In FY2011, the demand is expected to remain the same level with the last year because of political unrest even though there was positive effect of Iraq reconstruction budget.

● The Middle East Center of Hitachi Constructive Machinery (Europe) has covered the Middle East market. In order to expand our market presence, Hitachi Construction Machinery Middle East (HMEC:Hitachi Construction Machinery Middle East Corporation FZE) is newly founded with 100% investment of Hitachi Construction Machinery on April 1st.

● The new company has 500 million yen of capital fund and 24 employees, covering 17 countries and 14 dealers.

● The company is operated by the head office in Dubai and the liaison office in Istanbul, Turkey.

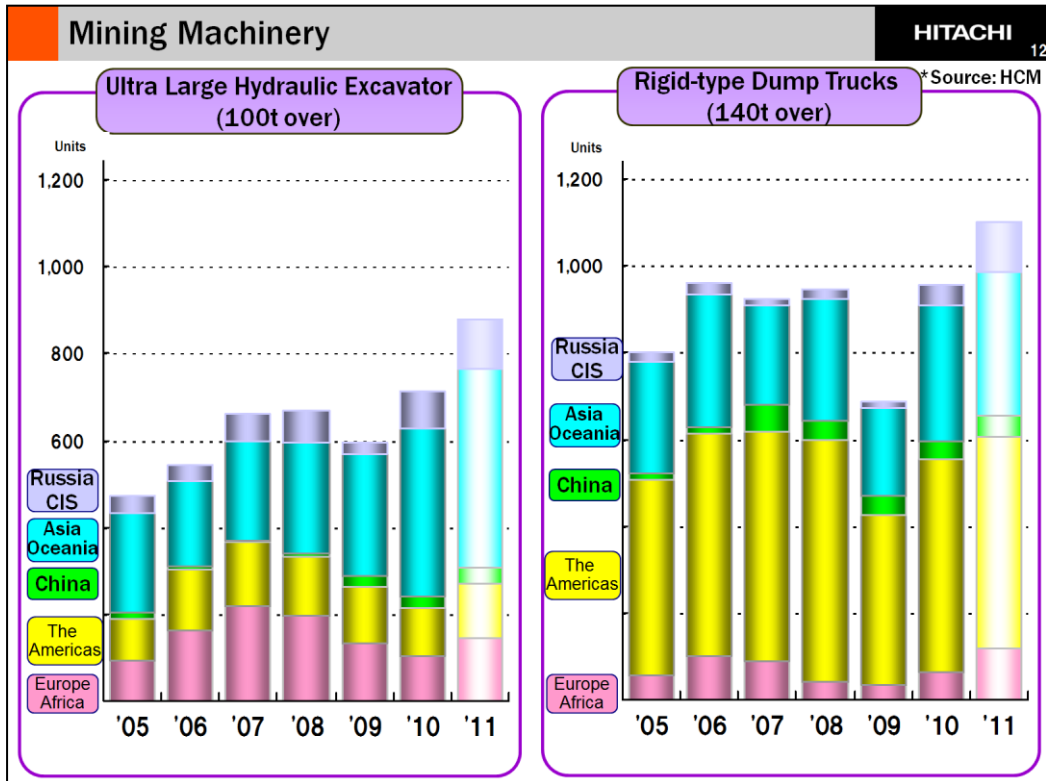


● For the market environment, the public investment is still downturn. On the other hand, the housing investment and capital expenditure are increased year-on-year.

● The demand for hydraulic excavator for FY2010 increased by 38% year-on-year. Considering the reconstruction after the earthquake, the demand for FY 2011 is expected to increase by 26% year-on-year.

● The demand for mini excavator for FY2010 increased by 30% and for FY2011 by 10%, year-on-year, respectively.

● The demand for wheel loader for FY2010 increased by 4%, and for FY2011 by 9% %, year-on-year, respectively.



● The demand for FY2009 decreased because of financial crisis, but, the demand for FY2010 is the highest on record, exceeding the demand in FY2008.

● Besides the existing markets (America, Australia, Indonesia, South Africa), the demand growth in emerging markets such as China and Russia CIS are also expected.

● The demand for ultra large hydraulic excavator for FY2010 increased by 20% year-on-year, and is expected to increase by 23% for FY2011, year-on-year, respectively.

● The demand for mining dump truck in FY2010 increased by 39%, and is expected to increase by 15% for FY2011, year-on-year, respectively.

■ New Orders for Dump Trucks made by HTM, Canada

Quantity lots

EH4500-2 for Indonesia (coal mine) x 50 units

EH5000ACII for Columbia (coal mine) x 16 units



EH4500-2

■ Establishment of Mining ICT Development Center

To promote introducing our ICT technology into mining market

Accelerating Development and Application of ICT Technology

Preventive Maintenance and Failure Diagnosis of Machineries

Optimum Operational Management of Dump Trucks

Technology for Autonomous Driving of Dump Trucks



Maximizing Customers' Benefit

Safety Improvement

Production Efficiency Improvement/
Reduction in Energy Cost

Reduction in Maintenance Cost

Reduction in Labor Cost

● We recognized new two big orders: 50 units of EH4500-2 dump truck in Indonesia, and 16 units of EH5000ACII in Columbia.

● Both of the trucks are made by Hitachi Construction Machinery Truck, Canada, which is not affected by the earthquake. So that they will be produced and delivered as schedule from this fiscal year to the next fiscal year.

● Mining ICT development center is founded as of April 1st to promote introducing our ICT technology into mining market and maximize customers' benefit.

Exhibited on CONEXPO in Las Vegas, Nevada, USA from March 22 to 26

ZAXIS-5

The machine will be introduced from FY2011 by matching the exhaust gas standard or regional characteristics of each market.



● This machine was exhibited on CONEXPO in Las Vegas, USA, from March 22nd to March 26th.

● The 5-type machines have improved in fuel consumption, environment-friendly, safety performance, comfort cabin, engine durability, maintenance and service convenience comparing with current models.

● For developed countries such as Japan and Europe, etc, we will introduce applicable models to meet the exhaust gas standard or regional characteristics of each market, for example, the Intellim Tear 4 standard for exhaust gas that will be applied from 2011.

END



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