

Regional Market Environments and Projections



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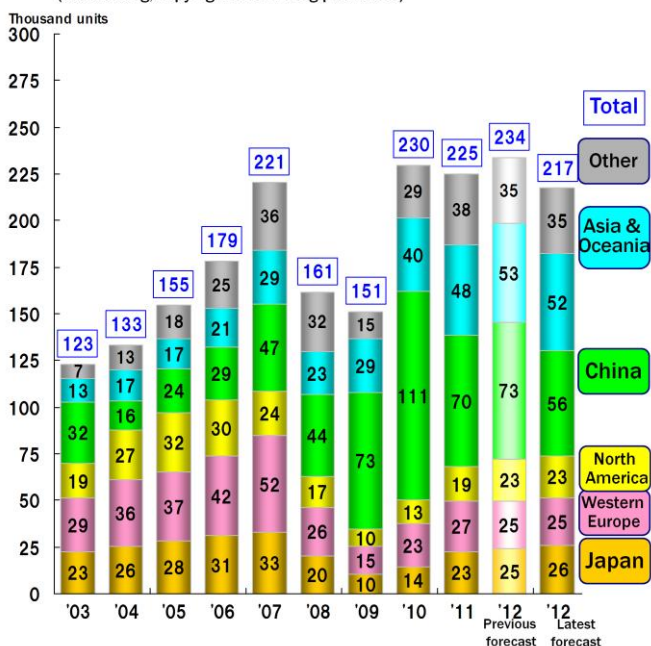
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Global Demand Trend for Hydraulic Excavator

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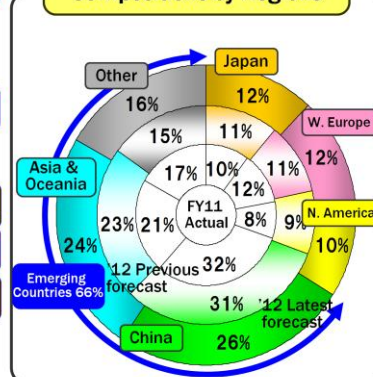
* Excluding Chinese manufacturers
* Estimates by HCM
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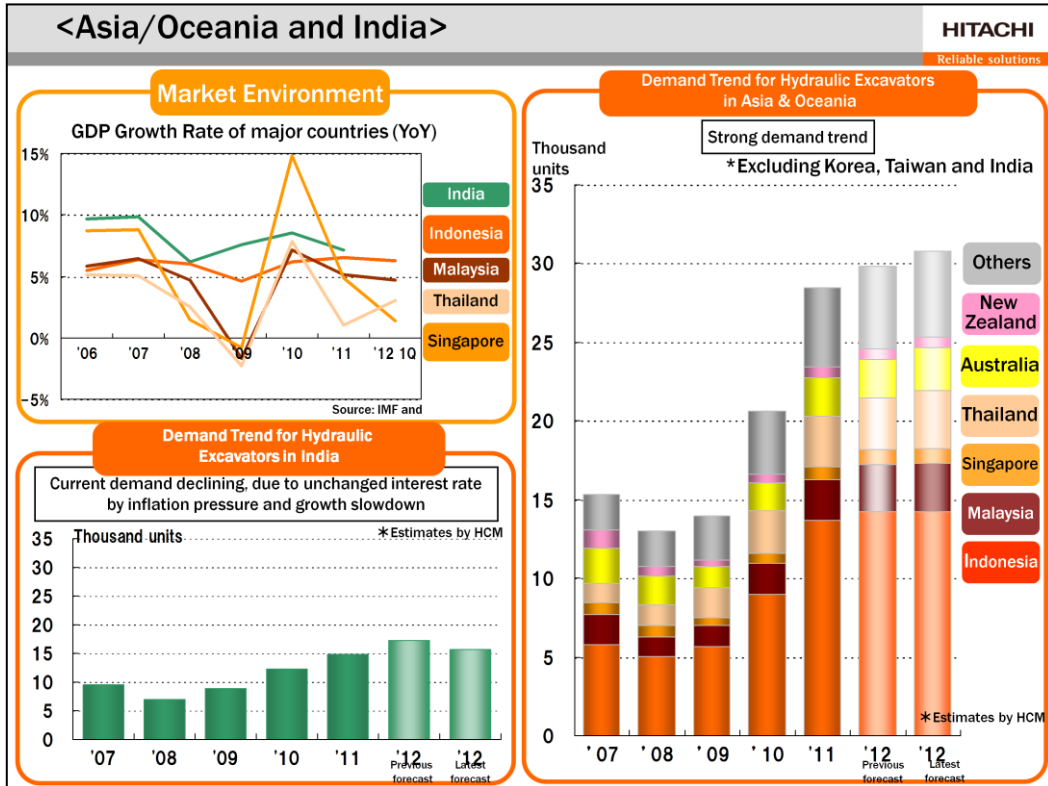


Year-on-year Change

	'11	'12 Latest	'12 Previous
Japan	+58%	+15%	+8%
Western Europe	+14%	-6%	-6%
North America	+49%	+20%	+20%
China	-37%	-20%	+4%
Asia & Oceania	+22%	+8%	+10%
Other	+37%	-9%	-9%
Total	-2%	-4%	+4%

Compositions by Regions





- While mining-related demand is concerned about decline due to the fall in coal price, the Asian economy as a whole remained robust, supported by flood rehabilitation demand in Thailand and growing demand to develop social infrastructure.
- Demand for hydraulic excavators in Asia & Oceania
The demand for hydraulic excavators in the 1st quarter of FY12 increased by 21% year-on-year, while the 5% growth previously forecast was upgraded to 8%, based on the flood rehabilitation demand in Thailand, etc.
- Demand for hydraulic excavators in India
The demand for hydraulic excavators in the 1st quarter of FY12 decreased by 1% year-on-year, while the 16% growth previously forecast was revised down to 5% increase based on the slowdown in economic growth.

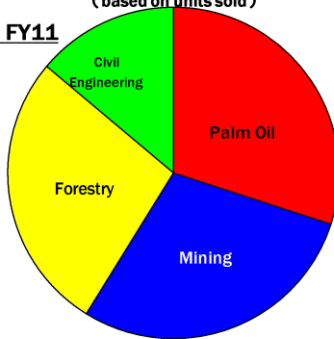
《TOPIC》 Indonesian Market Remains Brisk

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Sales proportion by industry in Hitachi Construction Machinery Indonesia (based on units sold)

Actual in FY11



Source: HCM

● Major industries: Palm oil, mining, forestry and civil engineering

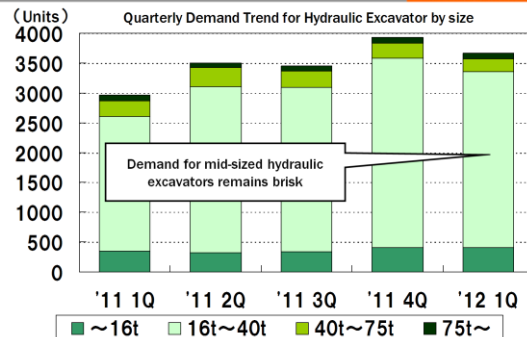
● Mid- to small-sized mining slowed down, but the impact is limited

Palm oil

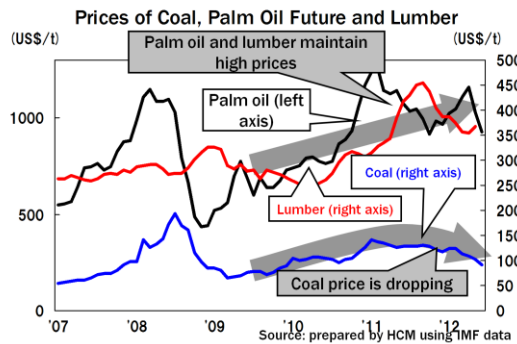
Brisk demand for new development, with production increase target set by government (from 25.2 Mt in '11 to 40 Mt in '20)

Forestry

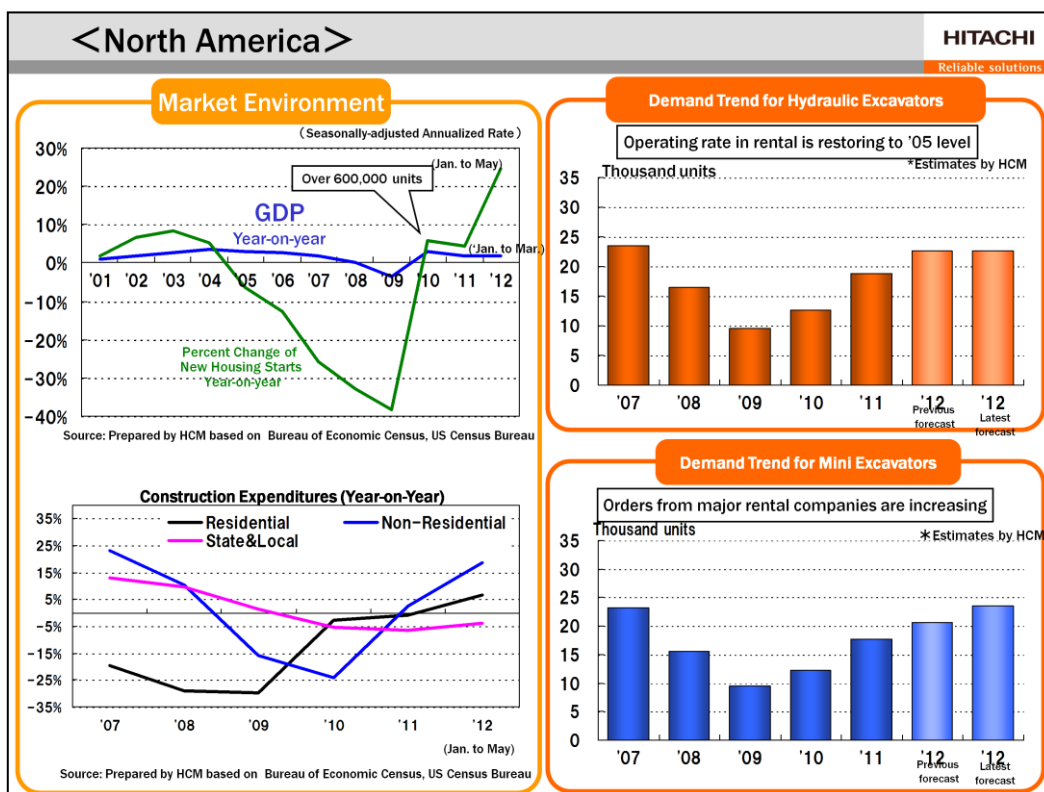
Underpinned by demands from Asia. Ministry of Forest announced to increase forest development land for industry by 500,000 ha.



Source: HCM, Local retail sales



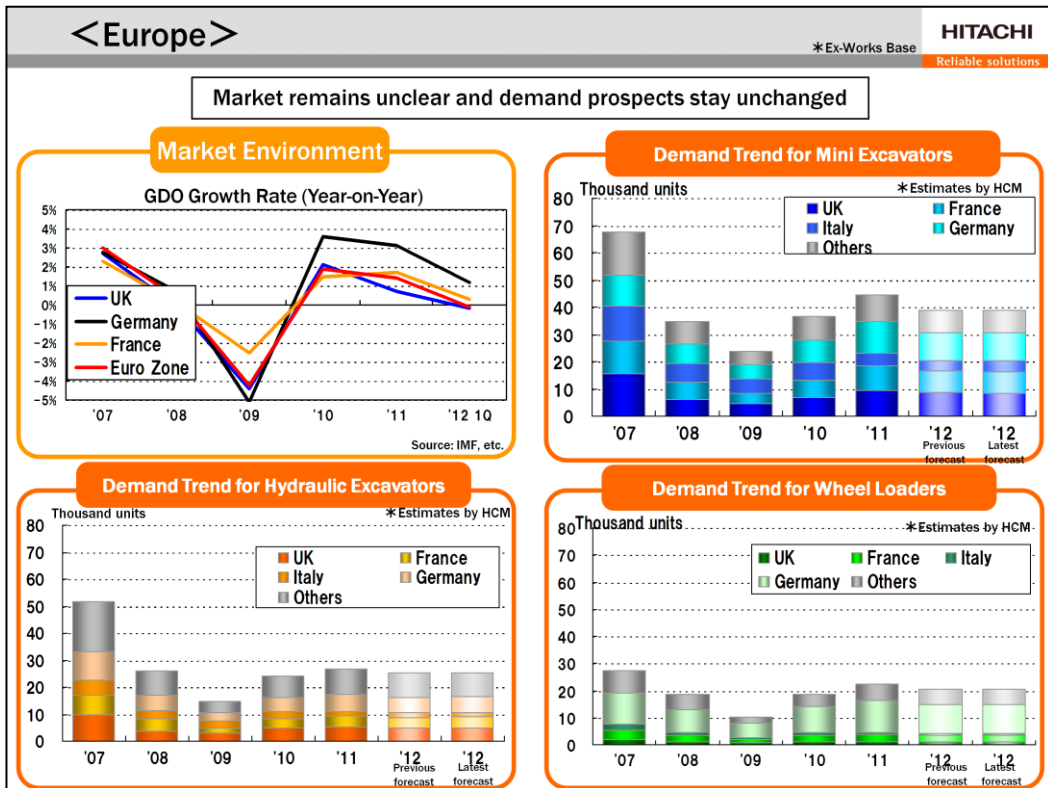
- Major customer industries, based on units sold, by Hitachi Construction Machinery Indonesia are palm oil, mining, forestry and civil engineering.
- Mid- to small-sized mines, which are common in Indonesia, declined but the impact was limited.
- Palm oil and forestry remained brisk.
- Demand by size in the quarter in Indonesia remained solid.



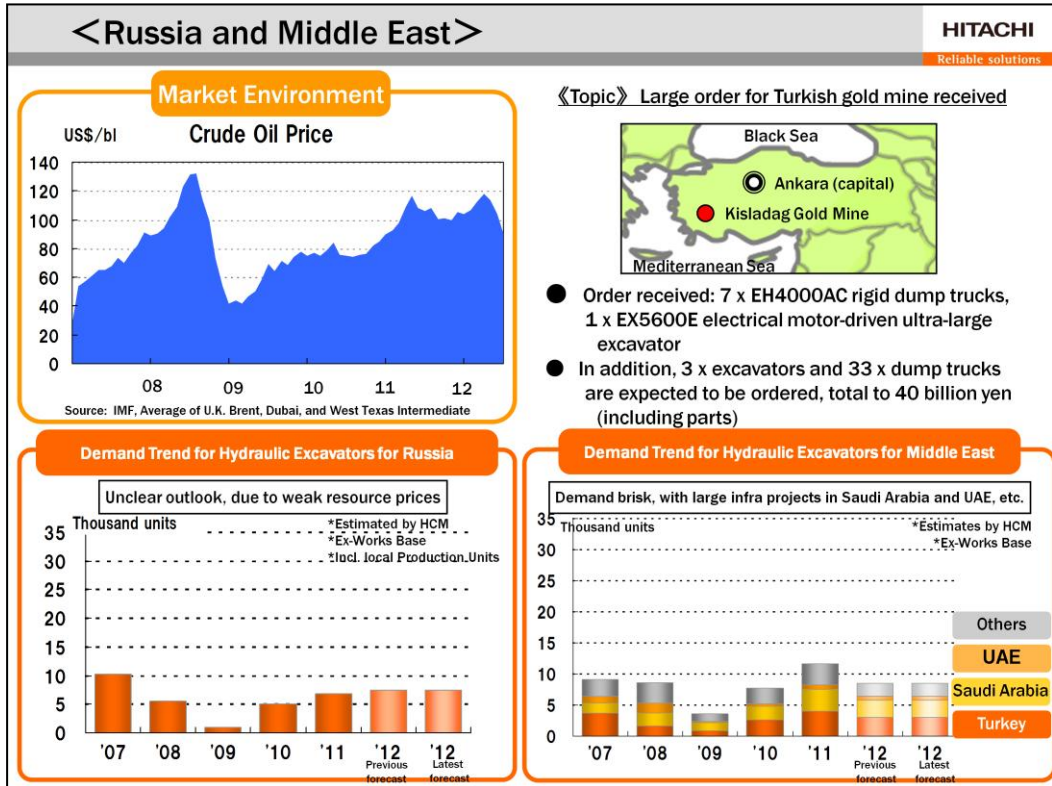
- The US economy continued a gradual recovery. Housing starts bottomed out and actual demand increased.
- Construction spending also recovered and the performance of residential and non-residential sectors exceeded that of the previous year.
- Demand related to infrastructure and energy was strong and the operation rate of rentals fared well.
- Demand for hydraulic excavators

The demand for hydraulic excavators in the 1st quarter of FY12 increased by 37% year-on-year, while the 20% growth previously forecast remained unchanged.
- Demand for mini excavators

The demand for mini excavators in the 1st quarter of FY12 increased by 32% year-on-year, while the 16% growth previously forecast was upgraded to 34%, with brisk orders from major rental companies.



- European economies still cannot eliminate downside risks due to the credit crunch.
- Demand for construction machinery remained predominantly static in the UK, Germany, France and North Europe, while declining significantly below the previous year in Italy and Spain, and regional disparities increased.
- Demand for hydraulic excavators
The demand for hydraulic excavators in the first quarter of FY12 increased by 5% year-on-year, while the 6% decrease previously forecast remained unchanged.
- Demand for mini excavators
The demand for mini excavators in the first quarter of FY12 decreased by 3% year-on-year, while the 12% decrease previously forecast remained unchanged.
- Wheel loader demand
The demand for wheel loaders in the first quarter of FY12 decreased by 6% year-on-year, while the 8% decrease previously forecast remained unchanged.

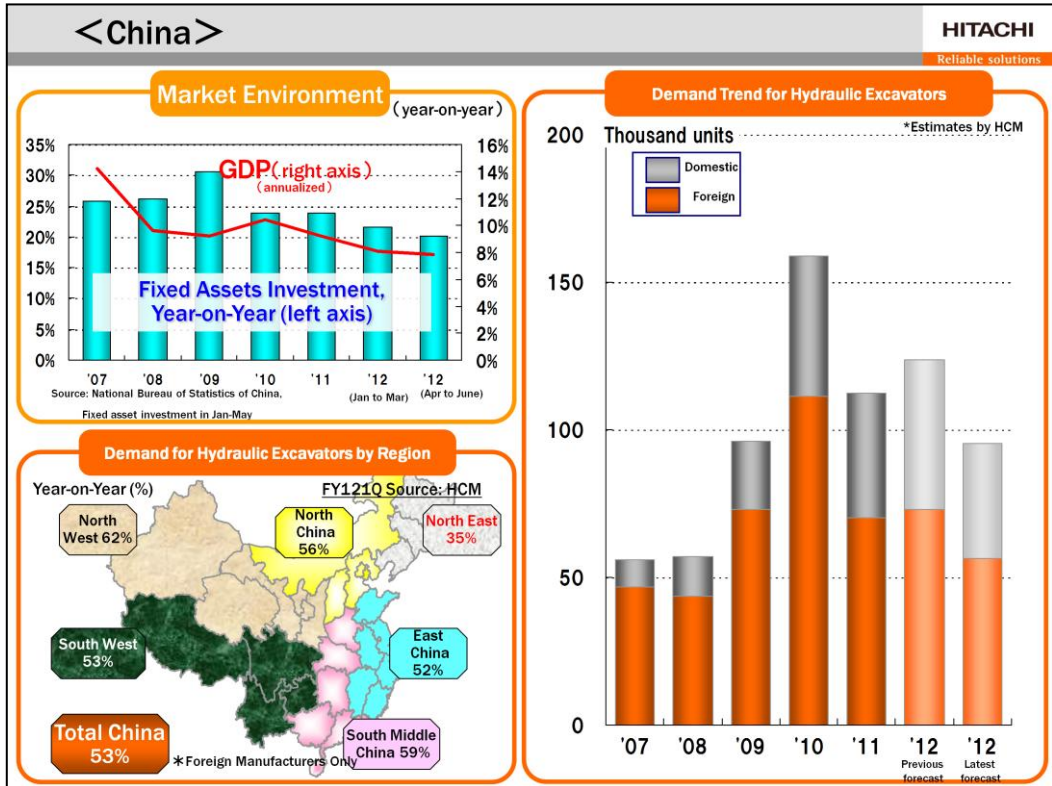


- The Russian economy faced uncertainty, with a falling crude oil price and weakened ruble due to the unstable European economy.
- Demand for hydraulic excavators in Russia

The demand for hydraulic excavators in the first quarter of FY12 increased by 27% year-on-year, while the 9% growth previously forecast remained unchanged.
- Demand for hydraulic excavators in the Middle East

The demand for hydraulic excavators in the first quarter of FY12 in the Middle East increased by 3% year-on-year, while the 24% decrease previously forecast remained unchanged.
- Large order receipt for Turkish gold mine

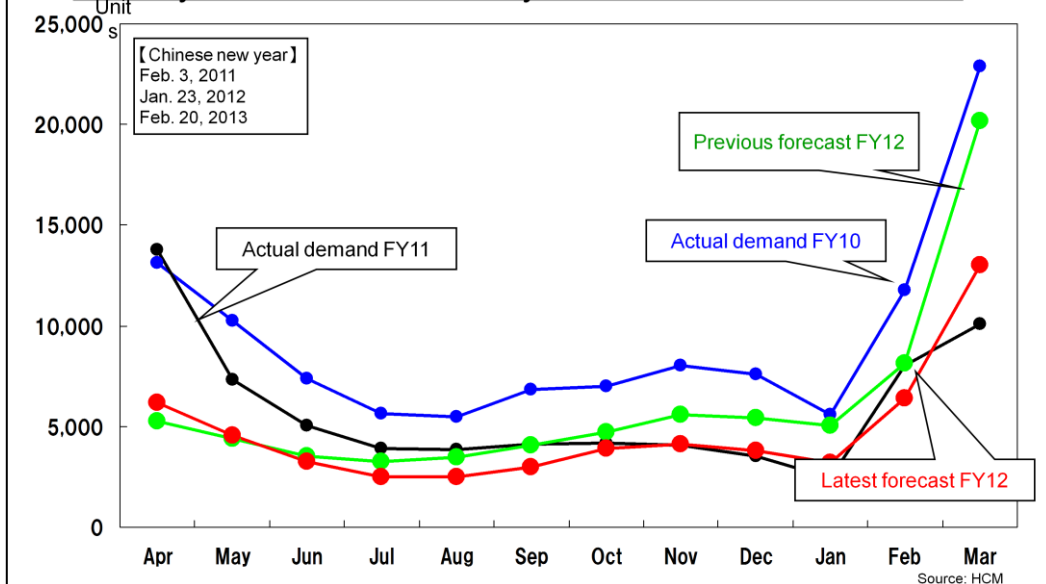
An order for seven EH4000AC rigid dump trucks and one EX5600E electrical motor-driven type ultra-large hydraulic excavator was received. In addition, three excavators and 33 dump trucks are expected to be ordered, totaling 40 billion yen (including parts).



- While the Chinese government implemented measures to boost the slowing economy, such as lowering the policy interest rate and reserve deposit rate on multiple occasions, the demand for construction machinery fell significantly below the previous fiscal year.
- GDP growth rate declined for 6 quarters in a row. 9.2% in 2011 (calendar year), 8.1% in January – March 2012, and 7.8% in April – June 2012.
- The demand for hydraulic excavators in China in the first quarter of FY12 (foreign manufacturers) decreased by 47% year-on-year. Demand in the North East region is specifically sluggish, where a lot of infrastructure has been constructed.
- Demand in FY12 (foreign manufacturer) is expected to decrease by 20% year-on-year.

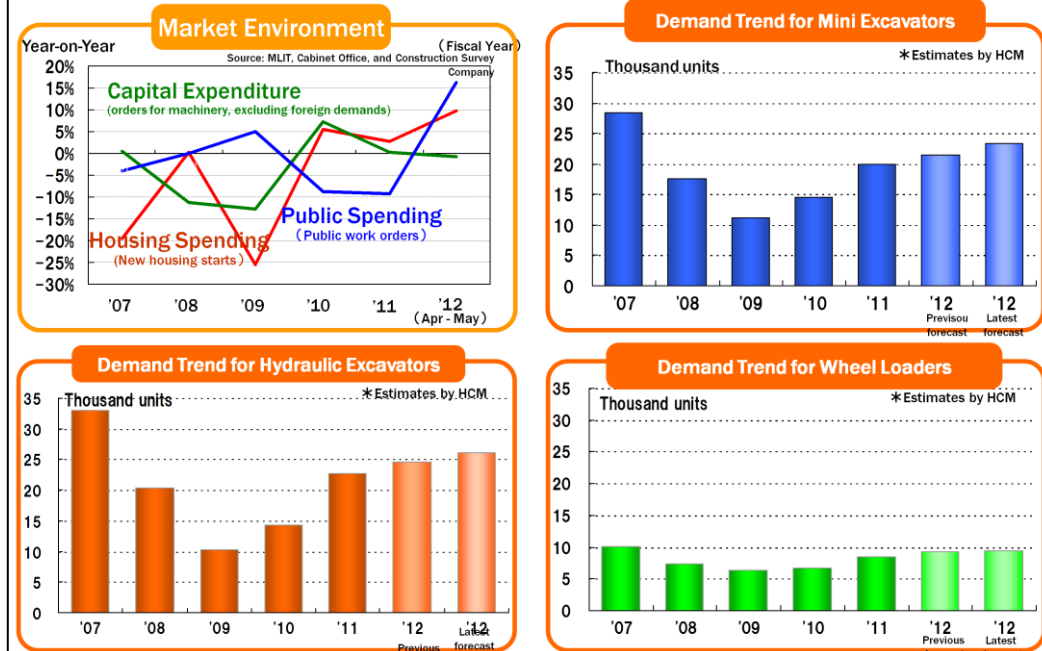
Demand forecast from Oct. is revised to FY11 level,
according to latest operational status

Monthly Demand Trend for Hydraulic Excavators in China

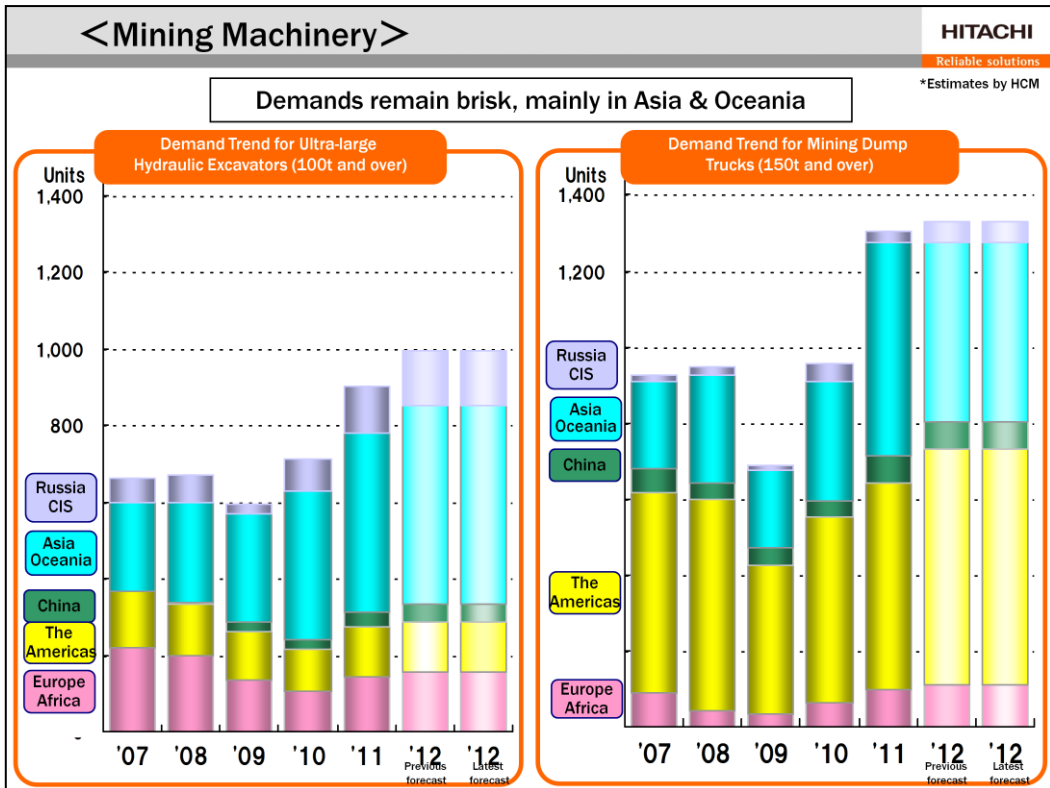


- The Chinese Government implemented various measures to ease monetary controls, including lowering its reserve deposit rate and policy interest rate on multiple occasions.
- Various economic indicators were expected to improve from the 2nd half of 2012, with the Communist Party Congress to be held this fall, convened once every five years.
- The demand for hydraulic excavators, mainly used by individuals, was considered to increase slightly behind the actual economy recovery.
- However, demand restoration from early fall will remain limited, according to the current operation rate and interviews with dealers.

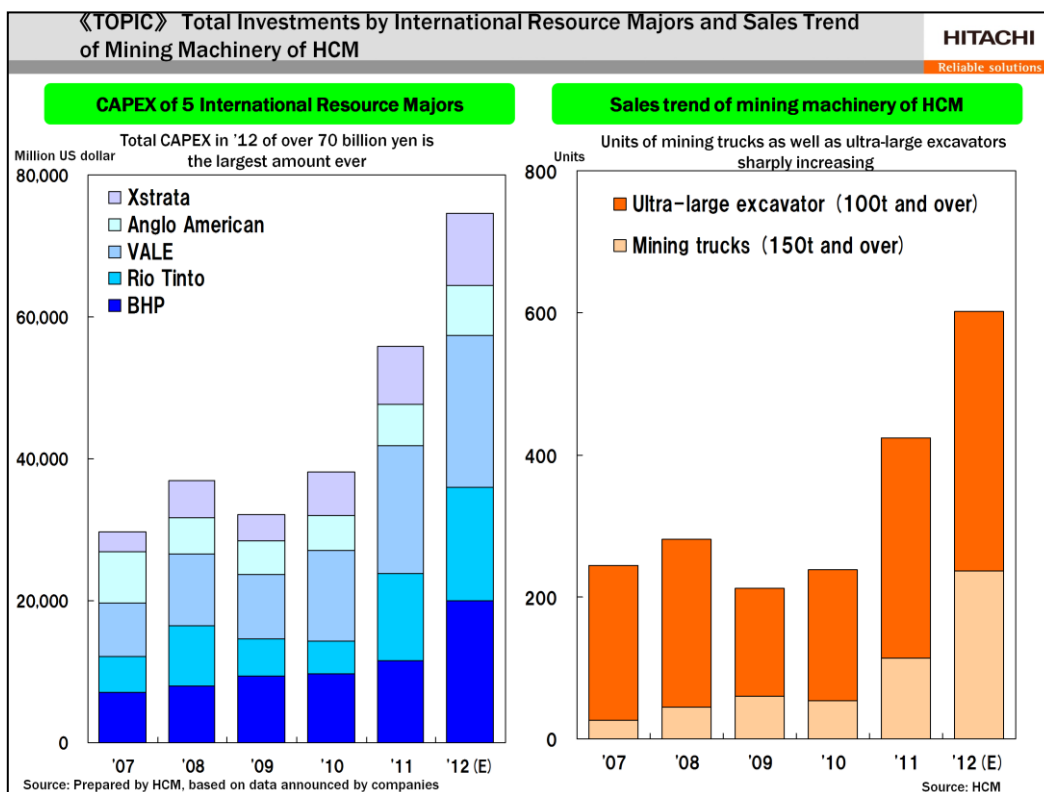
Sales for rental industry brisk, with rehabilitation demands



- The Japanese economy remained steady, despite the prolonged appreciation of the yen and sluggish stock prices, supported by rehabilitation demand.
- Demand for hydraulic excavators
The demand for hydraulic excavators increased by 79% year-on-year in the first quarter of FY12, while the 8% growth previously forecast was upgraded to 15%, backed by rehabilitation demands.
- Demand for mini excavators
The demand for mini excavators increased by 73% year-on-year in the first quarter of FY12, while the 8% growth previously forecast was upgraded to 18%, backed by rehabilitation demands.
- Demand for wheel loaders
The demand for wheel loaders increased by 33% year-on-year in the first quarter of FY12, while the 10% growth previously forecast was upgraded to 13%, backed by rehabilitation demands.



- Demand for mining machinery in FY12 is stable, and also expected to remain strong after FY12.
- The demand for ultra-large hydraulic excavators in FY12 is expected to increase by 10% year-on-year.
- The demand for mining trucks in FY12 is expected to increase by 2% year-on-year.



- Total capital expenditure of five international resource majors exceeded 70 billion yen, a record. Although the figure may be revised based on the impacts of a decline in the price of resources, a substantial amount will continue to be invested.
- Mining machinery delivery by HCM has been growing steadily from FY07, with mining trucks in particular increasing solidly.

END

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