

2012-1-26

# Regional Market Environments and Projections



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Executive Officer and Director  
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# Global Demand Trend for Hydraulic Excavator

HITACHI

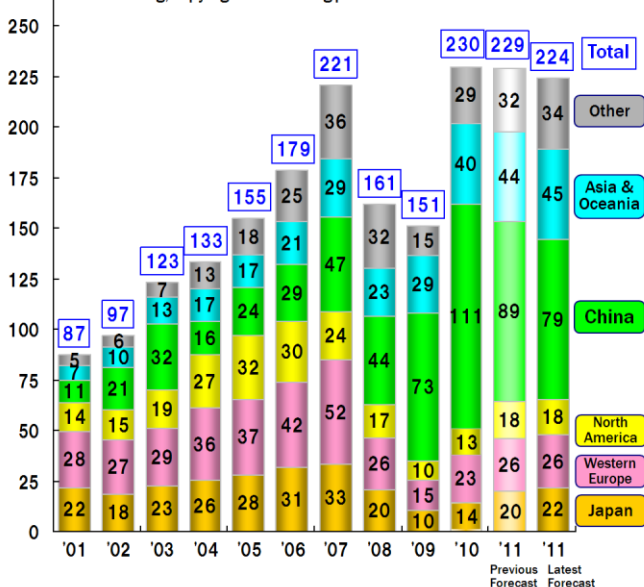
2

Thousand units

300

\* Exclude Chinese manufactures  
\* Source: HCM

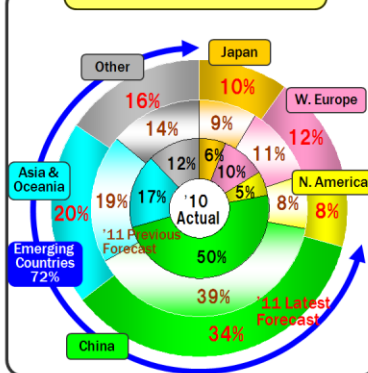
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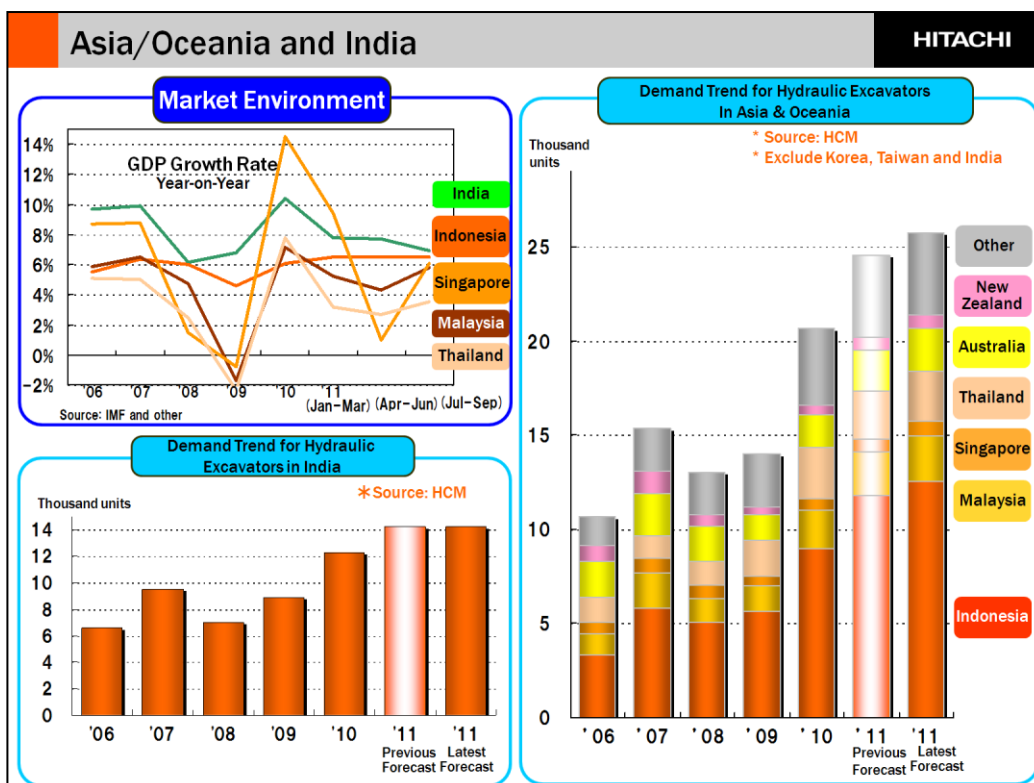


## Year-on-year Change

	10 Actual	11 Latest	11 Previous
Japan	+39%	+51%	+40%
W.Europe	+57%	+11%	+11%
N.America	+32%	+41%	+46%
China	+53%	-30%	-20%
Asia & Oceania	+38%	+13%	+11%
Other	+90%	+25%	+13%
Total	+52%	-2%	-0%

## Compositions by Regions





● The GDP growth rate remains high in India and Indonesia, the major markets in the region.

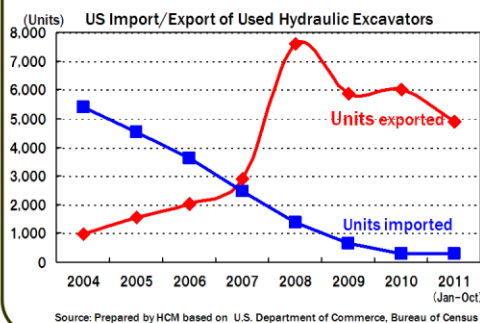
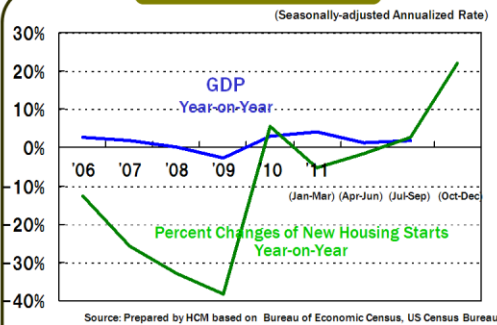
● Apart from Thailand where has been hit by devastating flood, the economic conditions in Asia remained strong. The mining market in Indonesia, in particular, continued expanding and the demand for construction machinery has reached a record high.

● The demand for hydraulic excavators in the Asia and Oceania region continues to grow steadily.

Demand in the third quarter of FY2011 increased 33% from the same period of the previous year and is expected to grow by 23% for the whole of FY2011.

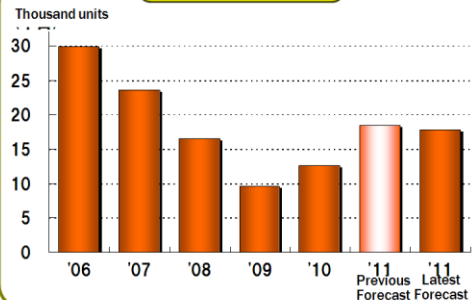
● The demand for hydraulic excavators in India increased 28% in the third quarter of FY2011 and is expected to grow by 16% for the whole of FY2011.

## Market Environment



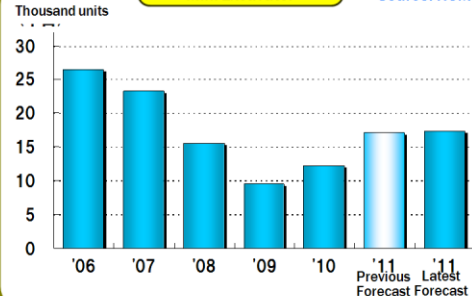
## Demand Trend for Hydraulic Excavator

\* Source: HCM

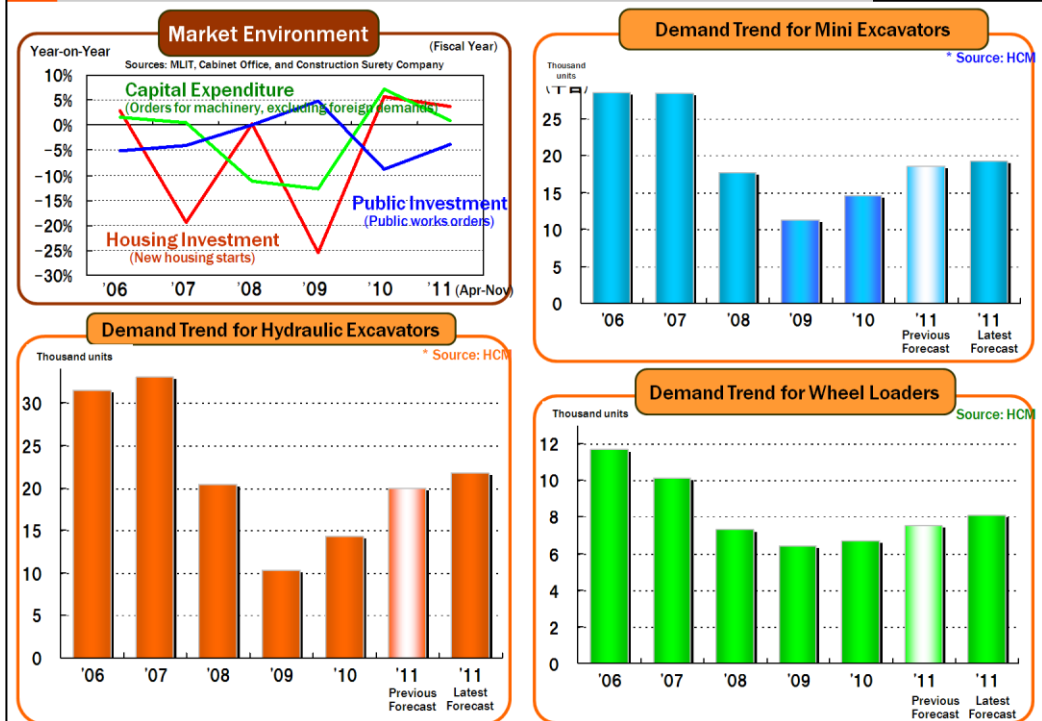


## Demand Trend for Mini Excavator

\* Source: HCM



- The GDP growth rate has remained about the same level as 2010. The new housing starts slowed from late FY2010 but increased in the latest period year-on-year.
- The export of used hydraulic excavators still significantly exceeded its import. The number of units in operation in the U.S. is decreasing and rental companies are further increasing and renewing their assets.
- The demand for hydraulic excavators in the third quarter of FY2011 increased 43% year-on-year and is expected to increase by 41% for the whole of FY2011.
- The demand for mini excavators in the third quarter of FY2011 increased 35% year-on-year and is expected to increase by 42% for the whole of FY2011.



● Although moderate, the Japanese economy is steadily recovering from the earthquake. Major factor of recovery is the reconstruction in damaged area, especially in public investments. On the other hand, uncertainty is also observable because of the financial crisis in Europe and the yen appreciation.

● The demand for hydraulic excavators in the third quarter of FY2011 increased 43% year-on-year and is expected to increase by 51% for the whole of FY2011.

● The demand for mini excavators in the third quarter of FY2011 increased 24% year-on-year and is expected to increase by 32% for the whole of FY2011.

● The demand for wheel loaders in the third quarter of FY2011 increased 19% year-on-year and is expected to increase by 21% for the whole of FY2011.

## Earthquake-related Fiscal Measures

The 3<sup>rd</sup> supplementary budget approved by the cabinet

Budget expenditure: ¥12 trillion  
including ¥9.24 trillion of reconstruction expense

Construction investment expected for '11 by region (MLIT)

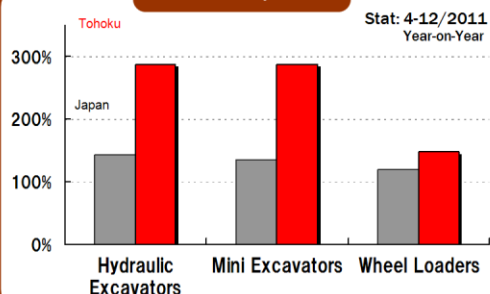
	Construction	Civil Engineering	Total
Japan	10.3	16.2	13.0
Tohoku	89.0	103.3	97.1
Kanto	7.4	15.9	10.6

Construction investments  
forecast revised upwards  
to ¥46 trillion

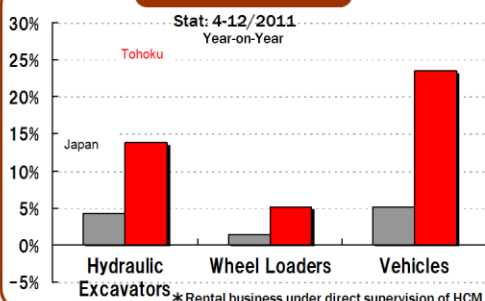
Year-on-year (%) (nominal)

All the wreckages and rubbles are to be transported to the temporary rubble yards by the end of the fiscal year. [Ministry of Environment]

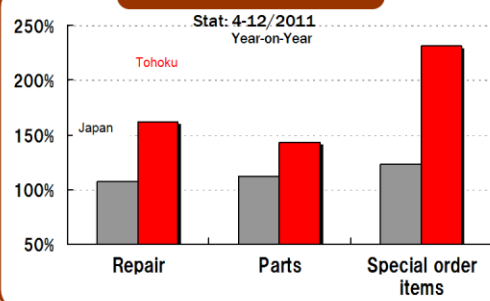
## Demand for 3 products



## Rental Utilization Rates



## Parts and Services Net Sales

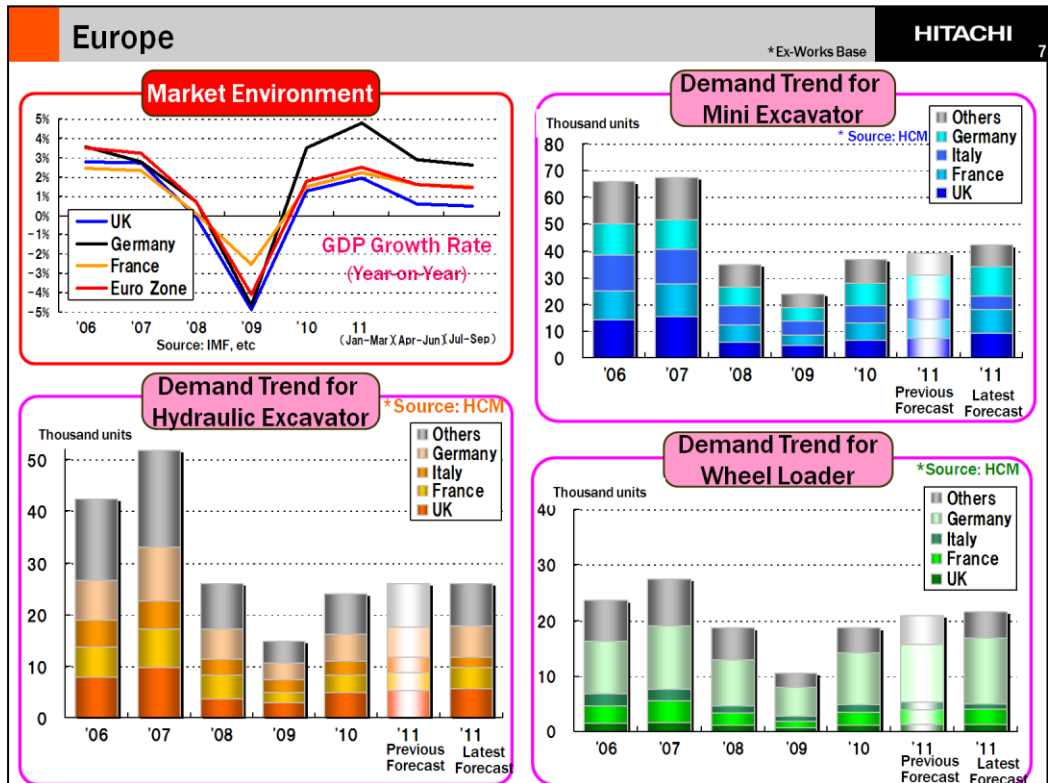


● The 3<sup>rd</sup> supplementary budget was approved by the cabinet in October and the Ministry of Land, Infrastructure, Transport, and Tourism revised the forecast announced in June to a 13% increase year-on-year.

A consequent increase in demand for construction machinery is expected.

● The demand for hydraulic excavators, mini excavators, and wheel loaders, the operating rate of rental items, and sales of parts and services during the term (Apr-Dec cumulative) is increasing year-on-year especially in the Tohoku area, which had direct, tremendous damage by the 2011 earthquake.

[Special Order Items: attachments (forklifts, etc.)]

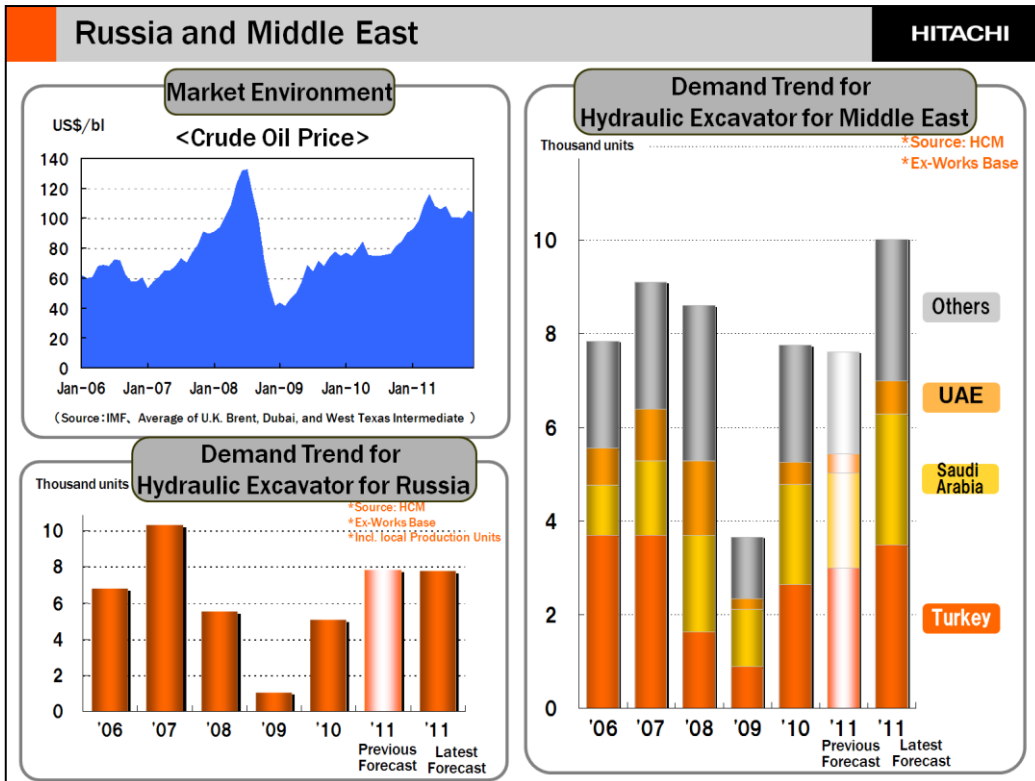


● Economic recovery in the Euro zone is slowing down but showed an increase year-on-year.

● The demand for hydraulic excavators in the third quarter of FY2011 increased 14% year-on-year and is expected to increase by 11% for the whole of FY2011.

● The demand for mini excavators in the third quarter of FY2011 increased 24% year-on-year and is expected to increase by 16% for the whole of FY2011.

● The demand for wheel loaders in the third quarter of FY2011 increased 19% year-on-year and is expected to increase by 15% for the whole of FY2011.

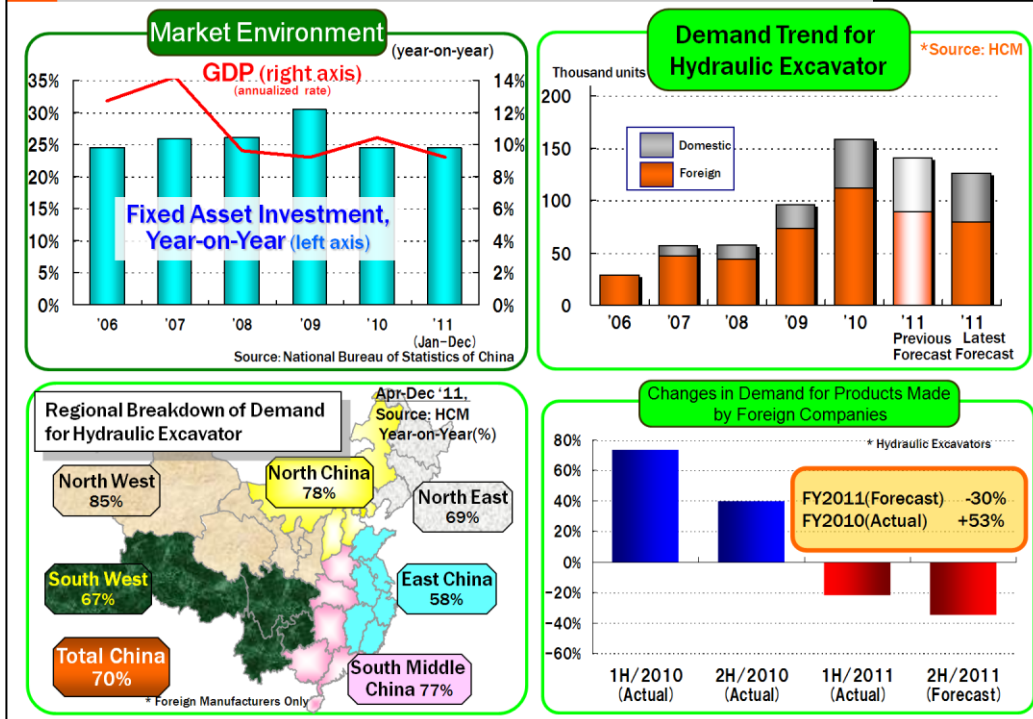


● Crude oil prices increased at year end and the beginning of the new year exceeding \$100/barrel. One of the factors for the boost-up of the market price is the uncertainty in Iran.

● The demand for hydraulic excavators in Russia in the third quarter of FY2011 increased 82% year-on-year and is expected to increase by 54% for the whole of FY2011.

● The forecast for the demand in the Middle East markets has been revised upwards in anticipation of the expansion of domestic demand in Turkey and the increase in the infrastructure construction work in Saudi Arabia and Qatar. The demand in the third quarter of FY2011 increased 52% year-on-year and is expected to increase by 29% for the whole of FY2011.

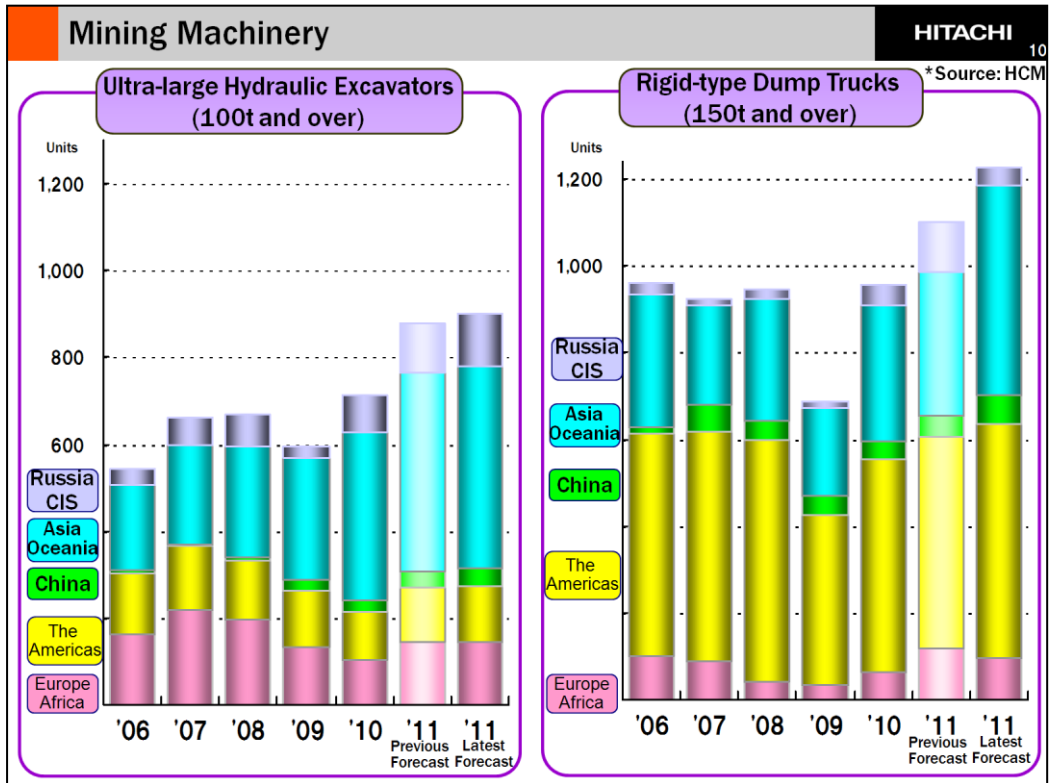




● In China, due to the government's continued tight financial policy resulting in delays in the commencement of new construction work, the GDP growth rate slowed down for 4 straight quarters. The rate in 2011 was 9.2%.

● The demand for hydraulic excavators (manufactured by foreign companies) decreased 30% year-on-year in the third quarter of FY2011. The decrease was especially significant in the North East coastal areas, East China, and South West areas.

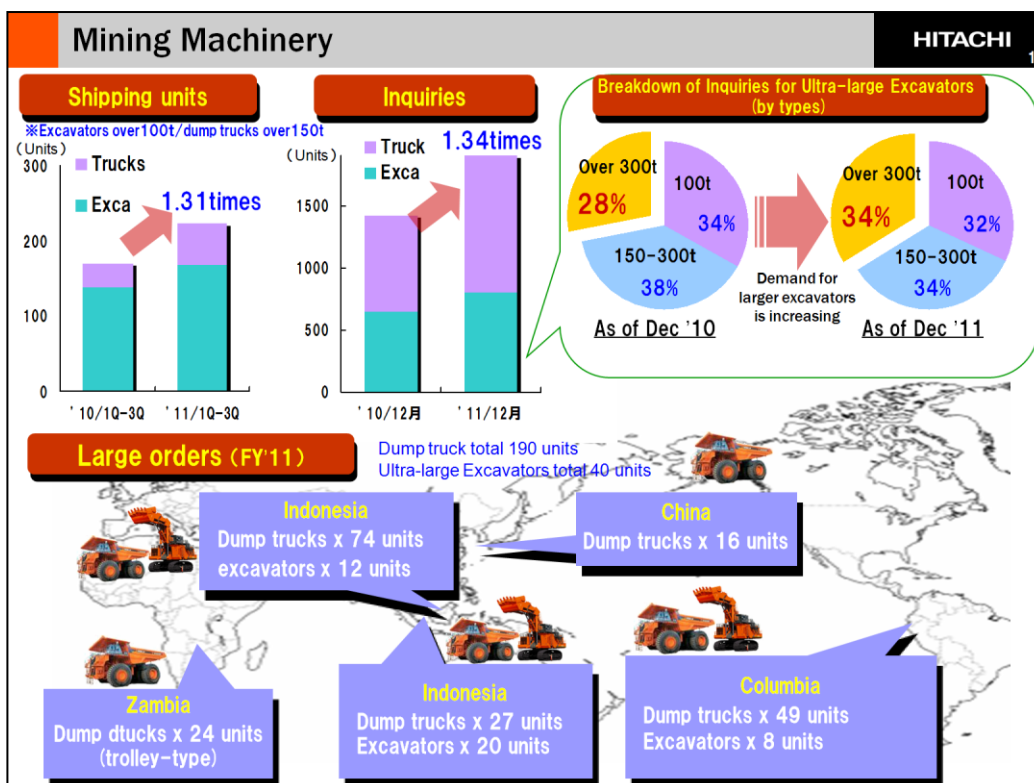
● The demand (for products manufactured by foreign companies) is expected to decrease 30% from that of the previous year.



● In FY 2011, the demand is expected to increase in emerging markets including China and Russia/CIS, in addition to the existing markets (the Americas, Australia, Indonesia and Southern Africa).

● The demand for ultra-large hydraulic excavators for FY 2011 is expected to increase 26% from that of the previous year.

● The demand for mining dump trucks for FY 2011 is expected to increase 28% from that of the previous year.



● The mining machinery market continued to be strong with an increase in the number of shipping units and business inquiries received. In particular demand for ultra-large excavators over 300t is increasing, showing that the market needs are shifting towards our product range. We plan to enhance our production capabilities on these products and sales activities in order to meet such needs.

● We earned many orders from all over the world in 2011, including “Package Orders” for excavators and dump trucks in Indonesia, Australia and Columbia.

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