

2011-7-27

Regional Market Environments and Projections



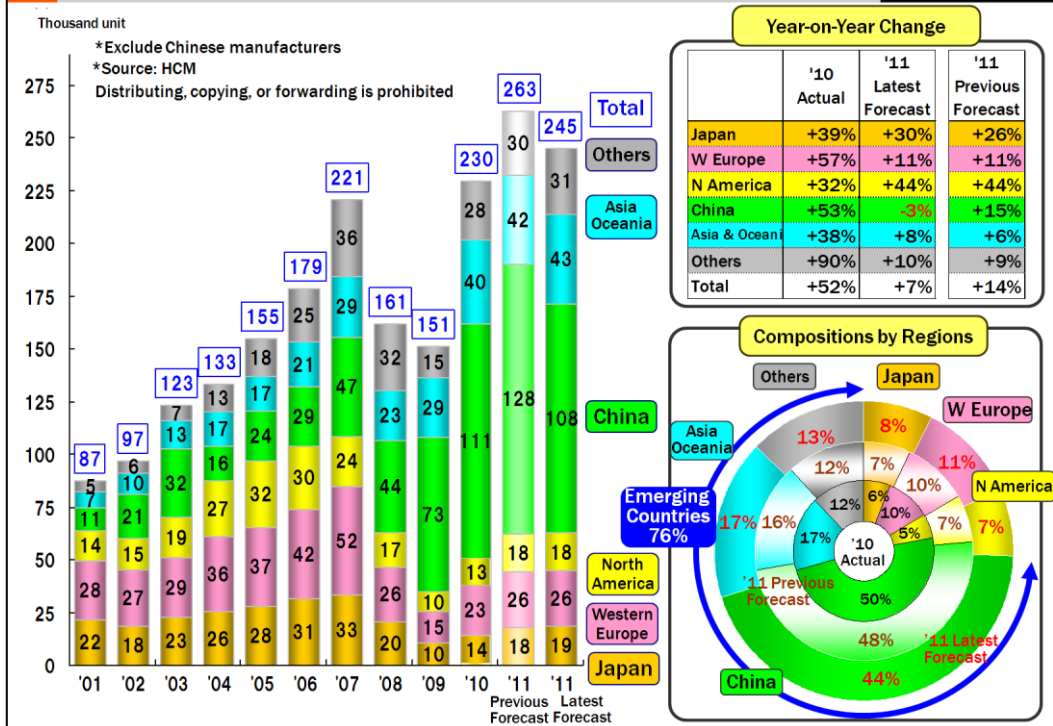
Hitachi Construction Machinery Co., Ltd.

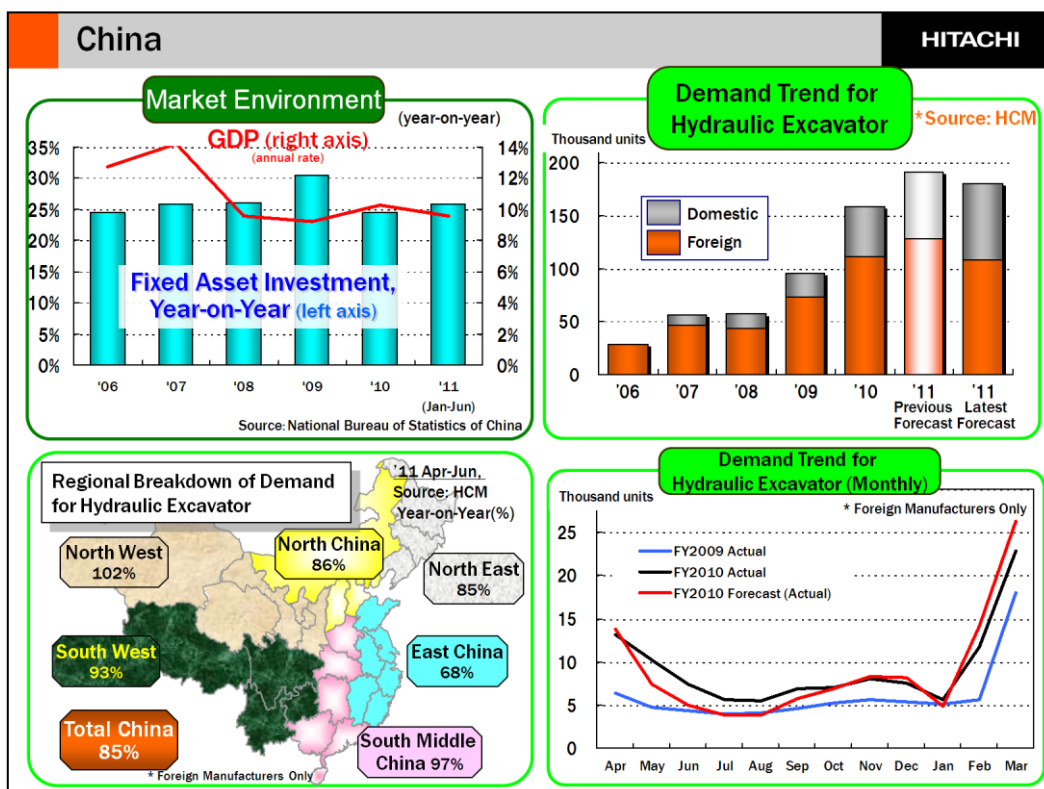
Senior Vice President,
Executive Officer and Director

Shinichi Mihara

Global Demand Trend for Hydraulic Excavator

HITACHI

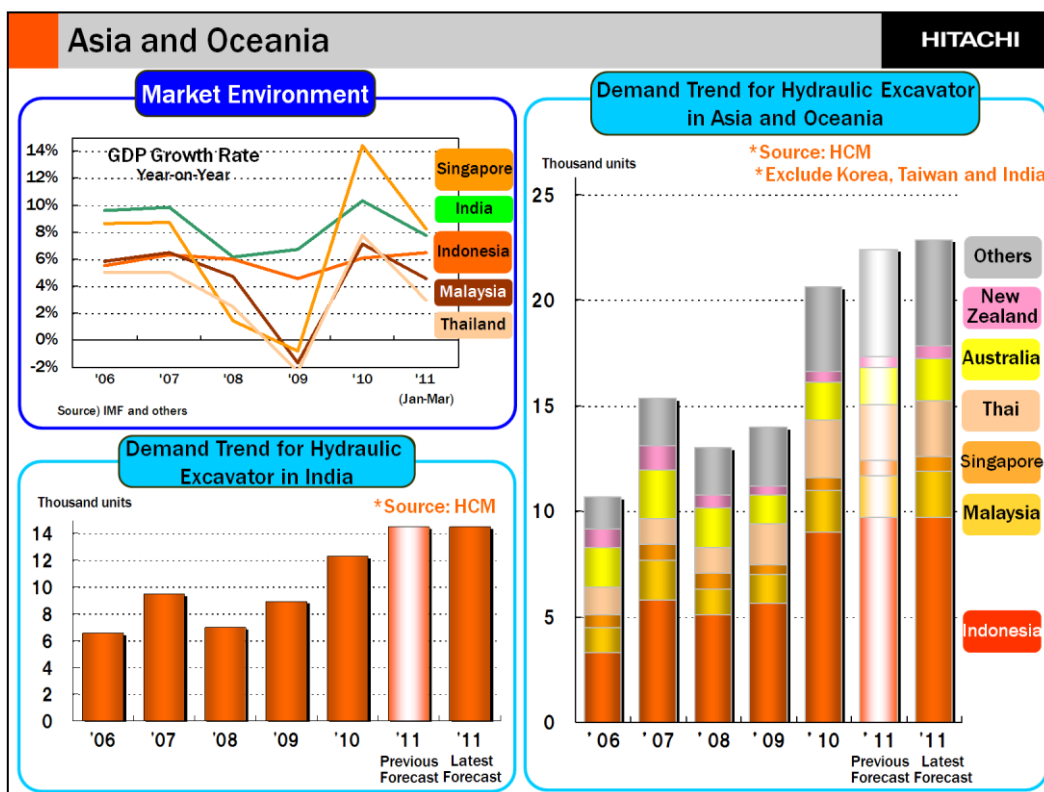




● Concerning market environment in China, despite the effects of the government's measures to bring down inflation, such as raising the cash-deposit ratio of the banks and the interest rate, the rate of growth in the GDP for January to June was 9.6%, which was similar to that of the previous year.

● The demand for hydraulic excavators (those produced by foreign manufacturers) for the whole of China in the first quarter of 2011 was 85% of that in the same term of the previous year. Demand in East China, which lies along the coast, was sluggish.

● We consider that the government will launch major projects such as water projects and construction projects of affordable housing for middle- and low-income families in the autumn (after China National Day, October 1). We therefore expect that demand in China will begin to recover after the launch of these major projects. We forecast that demand for foreign manufactures for the fiscal 2011 will be 97% of that of the previous year.

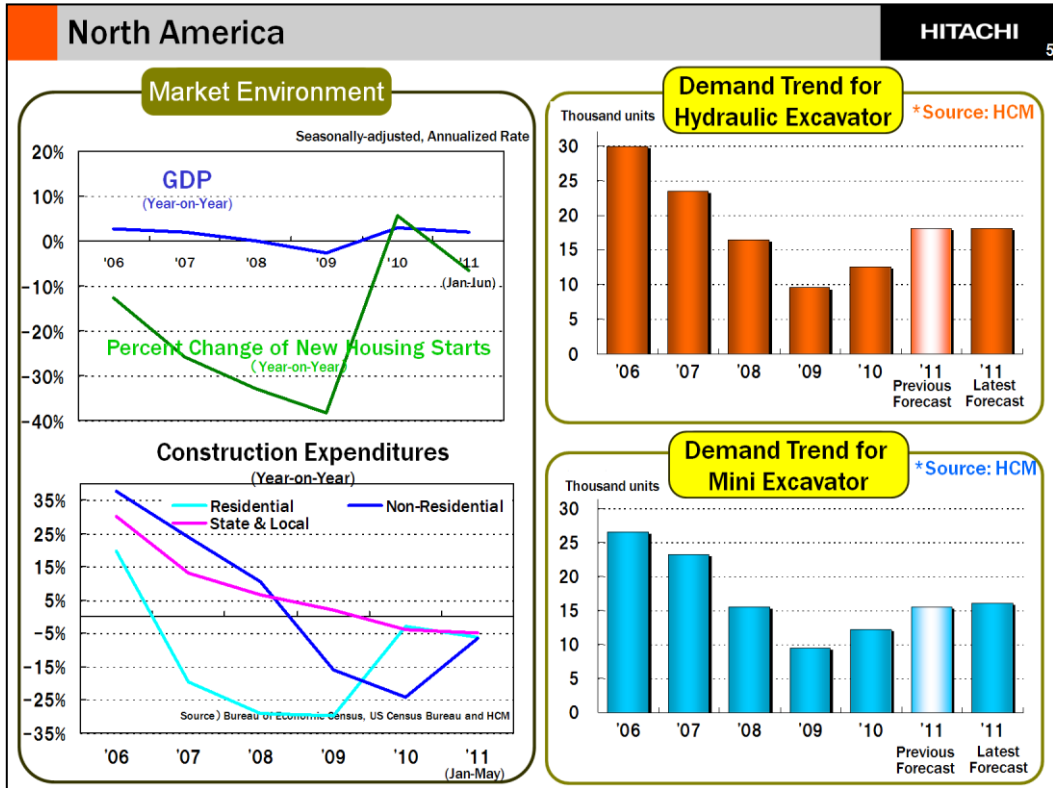


● The rate of growth in the GDP is expected to remain high in both India and Indonesia, which are major markets in this region.

● Concerning the demand for hydraulic excavators in the Asia-Pacific region, the market continues to be favorable. Demand in the first quarter of fiscal 2011 was 120% of that in the same term of the previous year, and the demand for the whole of fiscal 2011 is forecasted to be 109% of that of the previous year.

● Concerning the demand for hydraulic excavators in India, demand is expected to continue to significantly exceed that of the previous year. Demand in the first quarter of fiscal 2011 was 132% of that in the same term of the previous year, and the demand for the whole of fiscal 2011 is forecast to be 118% of that of the previous year.

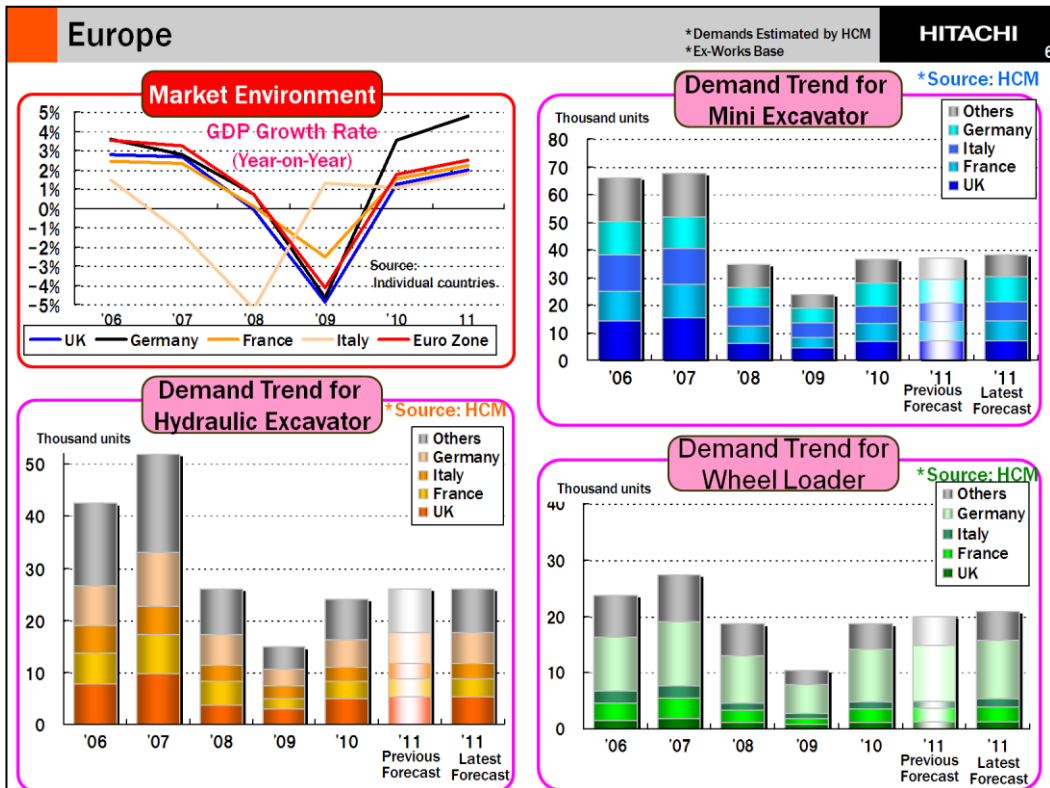
● We established a financial company called Marubeni Equipment Finance (Oceania) Pty Ltd. as a Joint Venture with Marubeni Corporation in order to boost sales of mining machinery and construction machinery. Preparation works for practical launch of the company is underway and the company is expected to launch by August.



● The GDP has been little fluctuated since 2010. The housing market slowed again from the latter half of fiscal 2010 and housing starts was lower than previous year.

● Concerning the demand for hydraulic excavators, demand in the first quarter of fiscal 2011 was 153% of that in the same term of the previous year, and the demand for the whole of fiscal 2011 is forecast to be 144% of that of the previous year because replacement demand remains strong and rental companies are increasing and renewing their assets in line with the rise in the rate of operation of their leased machines.

● The demand for mini excavators follows a similar tendency. Demand in the first quarter of fiscal 2011 was 125% of that in the same term of the previous year, and the demand for the whole of fiscal 2011 is forecast to be 131% of that of the previous year.



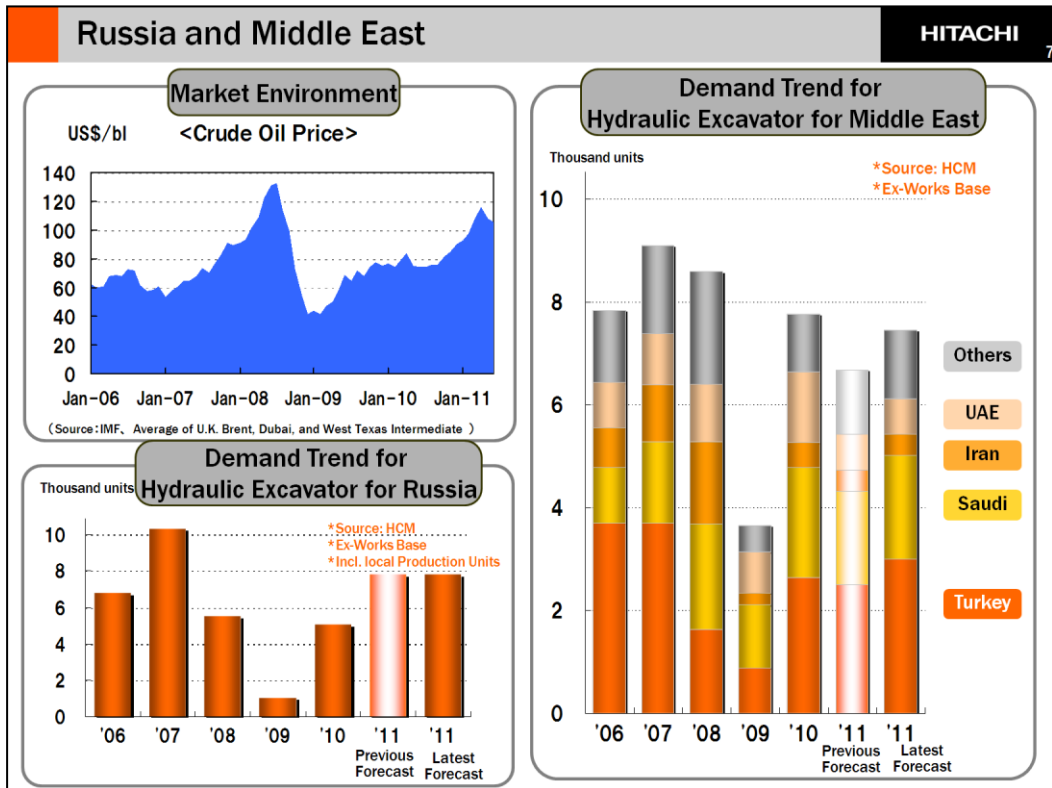
● The market conditions in most of the countries in Europe including Germany, France, the UK are sound although market conditions in countries such as Greece, Spain and Portugal are facing financial crisis.

● The demand for hydraulic excavators in the first quarter of fiscal 2011 was sound at 115% of that in the same term of the previous year, and the demand for the whole of fiscal 2011 is forecast to be 111% of that of the previous year.

● The demand for mini excavators in the first quarter of fiscal 2011 was 114% of that in the same term of the previous year, and the demand for the whole of fiscal 2011 is forecast to be 104% of that of the previous year.

● The demand for wheel loaders in the first quarter of fiscal 2011 was 139% of that in the same term of the previous year, and the demand for the whole of fiscal 2011 is forecast to be 111% of that of the previous year.

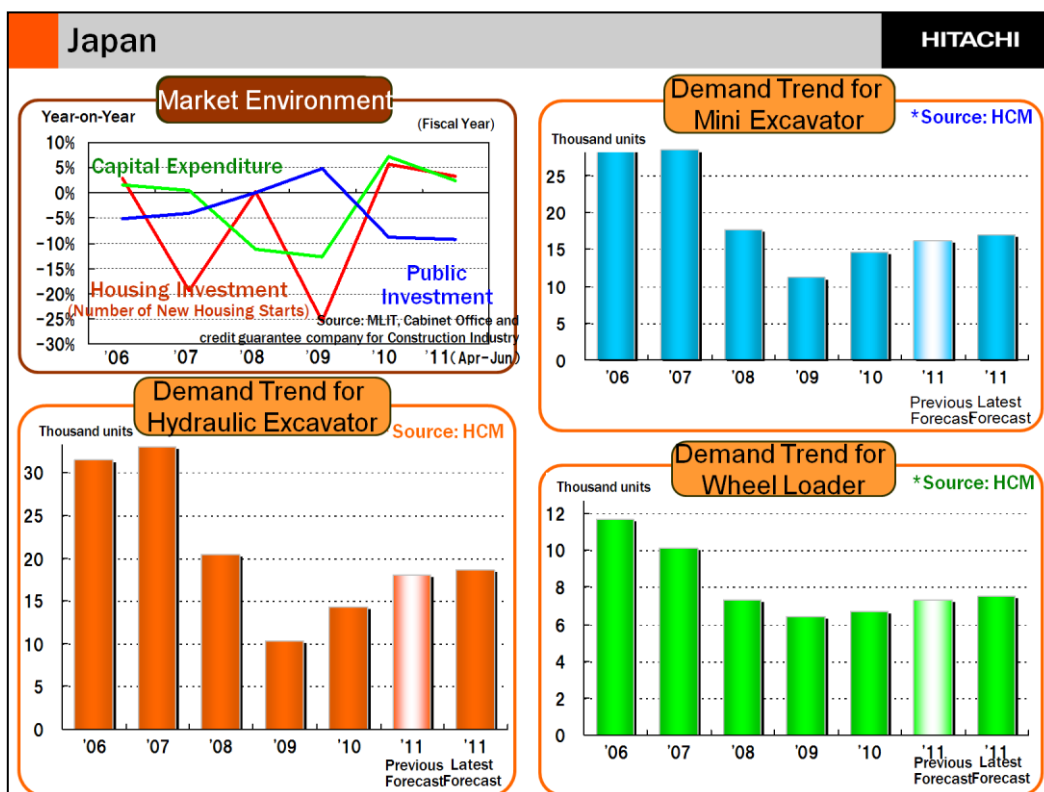
● A new parts center which is three times bigger than the previous parts warehouse started operation in May to boost parts supply capacity.



● Despite the fact that the price of crude oil remains high, we observe that the market climate is not a perfect sunshine.

● The demand for hydraulic excavators in Russia continues to be favorable. The demand in the first quarter of fiscal 2011 was 221% of that in the same term of the previous year, and the demand for the whole of fiscal 2011 is forecast to be 167% of that of the previous year.

● The demand for hydraulic excavators in the Middle East for fiscal 2011 is forecasted to be similar to that of fiscal year 2010.



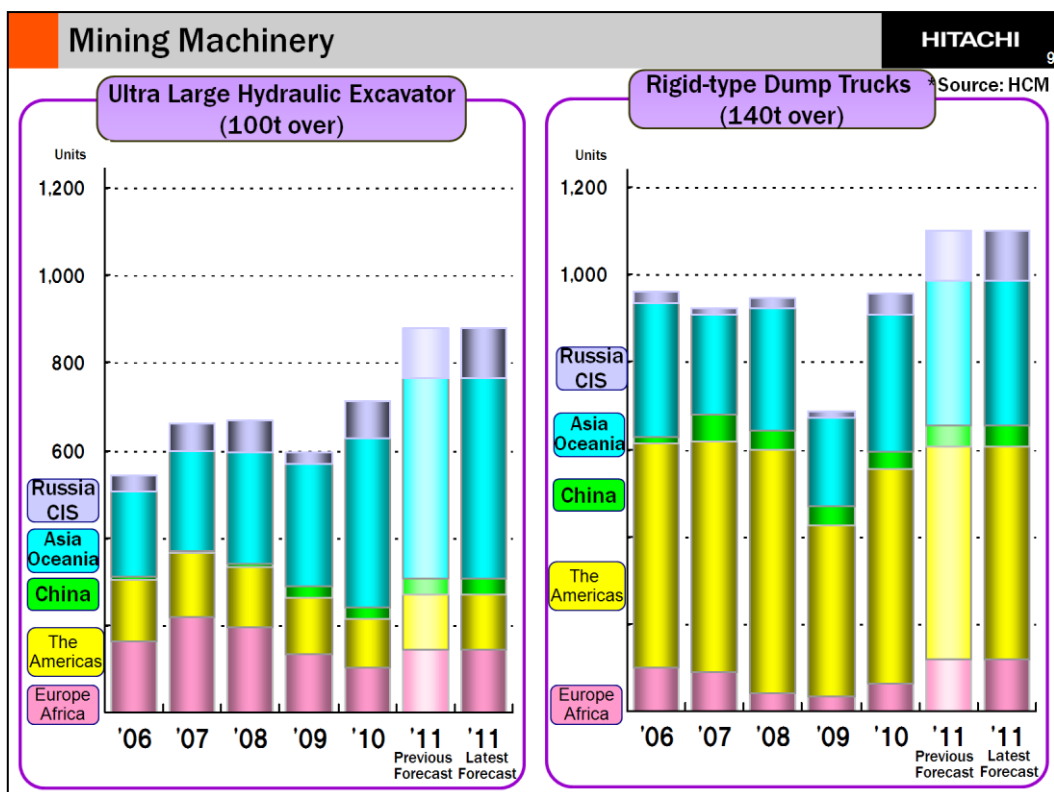
● Concerning market conditions, while public investment continues to be sluggish, investment in housing, and investment in plant and equipment are remaining at higher levels than those of the previous year.

● The demand for hydraulic excavators in the first quarter of fiscal 2011 was 141% of that in the same term of the previous year, and the demand for the whole of fiscal 2011 is forecast to be 130% of that of the previous year.

● The demand for mini excavators in the first quarter of fiscal 2011 was 128% of that in the same term of the previous year, and the demand for the whole of fiscal 2011 is forecast to be 117% of that of the previous year.

● The demand for wheel loaders in the first quarter of fiscal 2011 was 112% of that in the same term of the previous year, and the demand for the whole of fiscal 2011 is forecast to be 112% of that of the previous year.

● Production slowed in April because of the effect of the earthquake. Full-scale production resumed from the end of May.



● In fiscal 2011, demand is expected to grow not only in markets where the company has presence (the Americas, Australia, Indonesia and South Africa), but also in the markets of emerging countries including China, Russia and CIS.

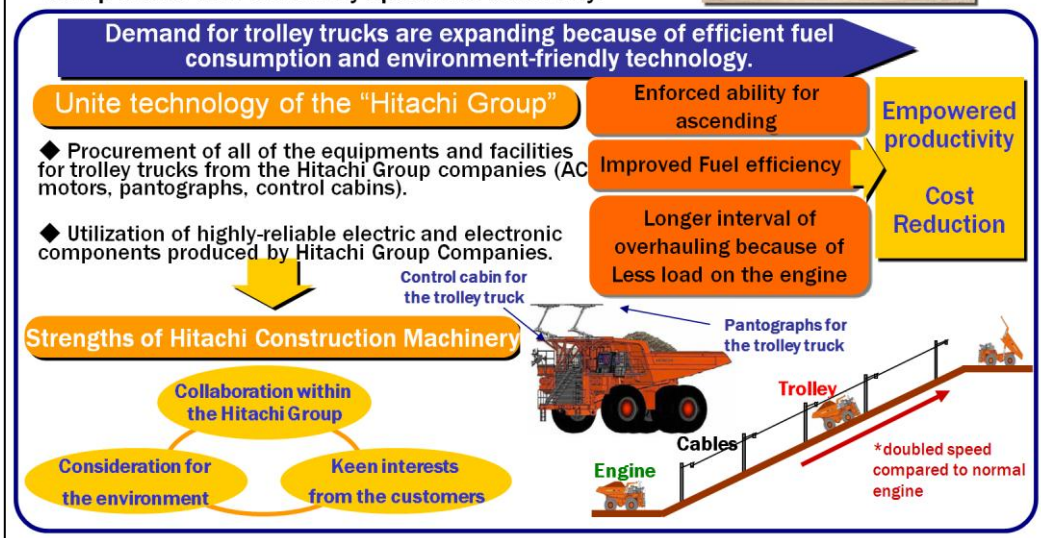
● The demand for ultra-large hydraulic excavators for fiscal 2011 is forecast to be 123% of that of the previous year.

● The demand for mining dump trucks for fiscal 2011 is forecast to be 115% of that of the previous year.

■ Order for dump trucks with the trolley option

Earned 24 units of the EH3500ACII for copper mine in Africa

☆ Many more inquiries and business negotiations for dump trucks with the trolley option are underway.



● We earned a large order for 24 units of the EH3500ACII dump trucks with the trolley option from a copper mine in Africa. The advantages of trolley trucks are the increased speed when ascending, improved fuel efficiency and longer intervals of overhauling because of the reduced load against the engine. As a result newly introduced trolley dump truck is characterized with empowered productivity and cost reduction which induces a rising trend in the demand for trolley trucks. The trolley dump truck is a result of collaboration within Hitachi Group Companies. We regard that Hitachi Group is our strength, and we will continue to utilize our strength in order to boost our sales.

The latest technology makes possible an even higher level of sophisticated work.

Capabilities:

"cutting an object while holding it",
"pulling out one object while holding another object",
"bending a long object", and
"holding a soft, fragile object."

Playing an active role at sites of recycling, hazardous materials handling, disaster relief, etc.



The operation system that enables the simultaneous operation of both arms



ASTACO Neo participating in restoration work at a disaster-stricken Tohoku area

● A new hydraulic excavator with two arms called "ASTACO NEO" has been developed. One operator can manipulate both arms simultaneously by right and left levers. This excavator can exercise complicated work efficiently such as grabbing concrete rubble and iron rods with the main arm and simultaneously severing the targeted object with the auxiliary arm. Therefore "ASTACO NEO" is advantageous for dismantling and sorting work. The "ASTACO NEO" contributed to restoration work in the disaster areas in Tohoku area where was hit by the 2011 Tohoku earthquake and tsunami.

END



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