

## Business Result for the Second Quarter ended September 30, 2013 Regional Market Environments and Projections



October 28, 2013

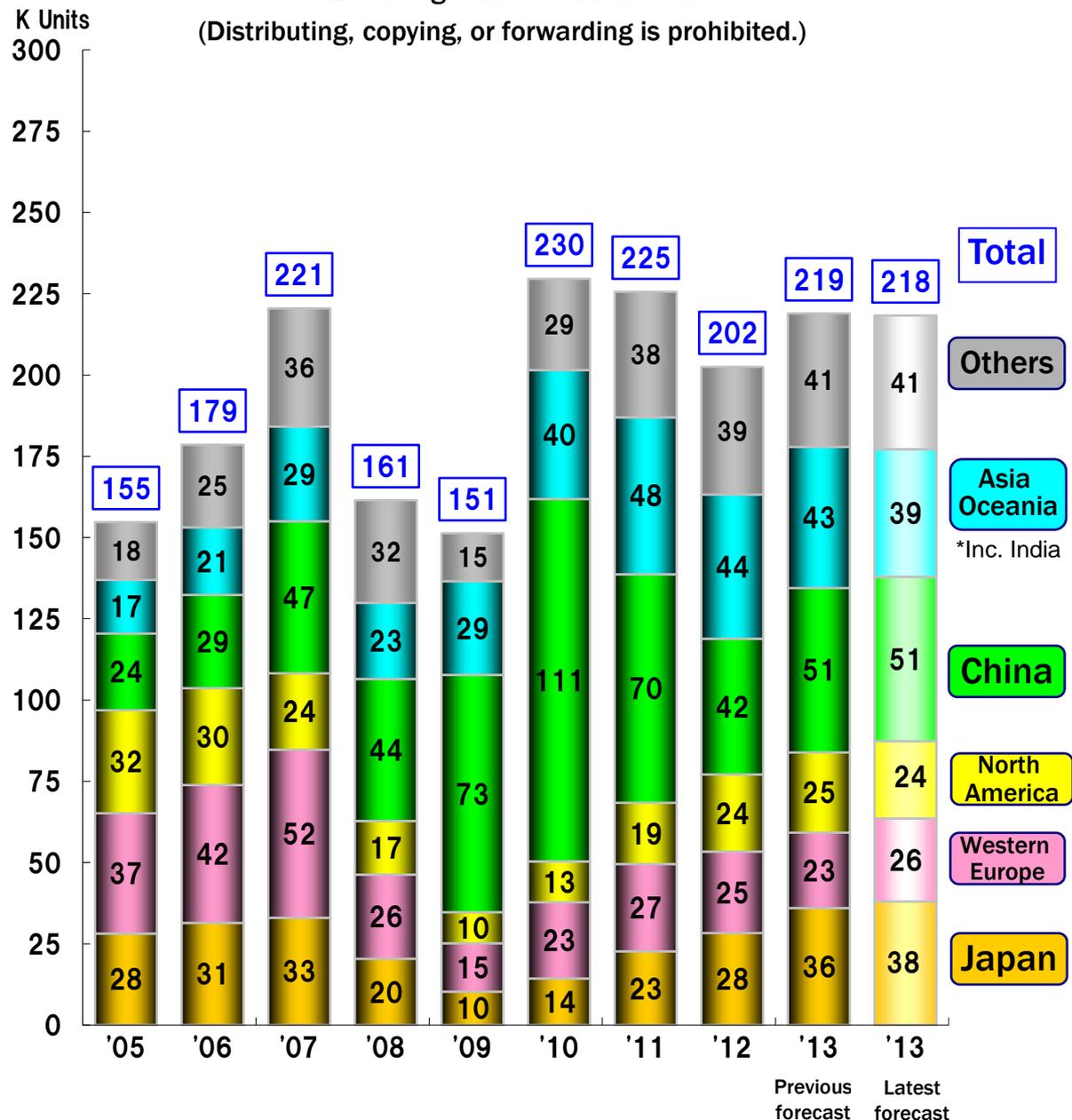
**Hitachi Construction Machinery Co., Ltd**

**Vice President and Executive Officer**

**Yasushi Ochiai**

# Global Demand Trend for Hydraulic Excavator

\*Source HCM \*Excluding Chinese manufacturer  
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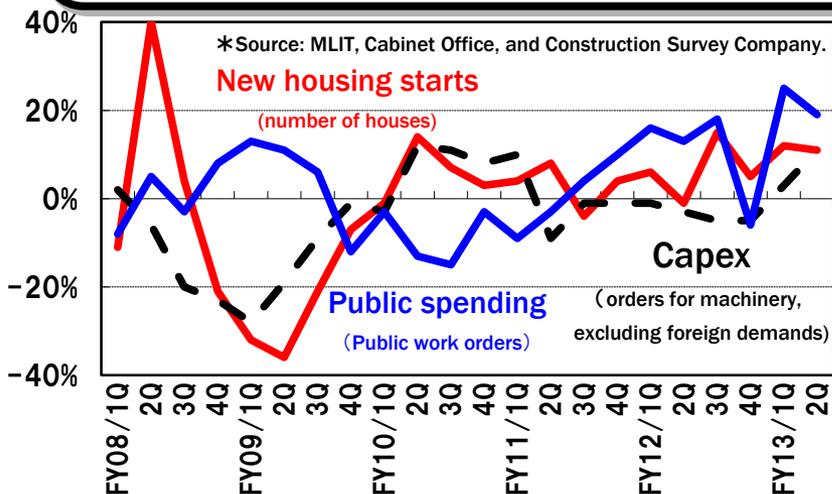
Year-on-Year Change			
	'12	'13	'13
		Previous forecast	Latest forecast
Japan	+25%	+27%	+34%
W Europe	-7%	-8%	+2%
N America	+26%	+4%	+0%
China	-41%	+21%	+21%
India	-21%	-9%	-22%
Indonesia	-19%	-9%	-27%
Others	+9%	+5%	+2%
Asia & Oceania	-8%	-2%	-11%
Russia, E Europe, CIS	-3%	+8%	+8%
Africa	+39%	-9%	-9%
Middle East	-2%	+0%	+0%
Latin America	-4%	+13%	+13%
Others	+2%	+5%	+5%
<b>Total</b>	<b>-10%</b>	<b>+8%</b>	<b>+8%</b>

**Emerging Countries: 60%**

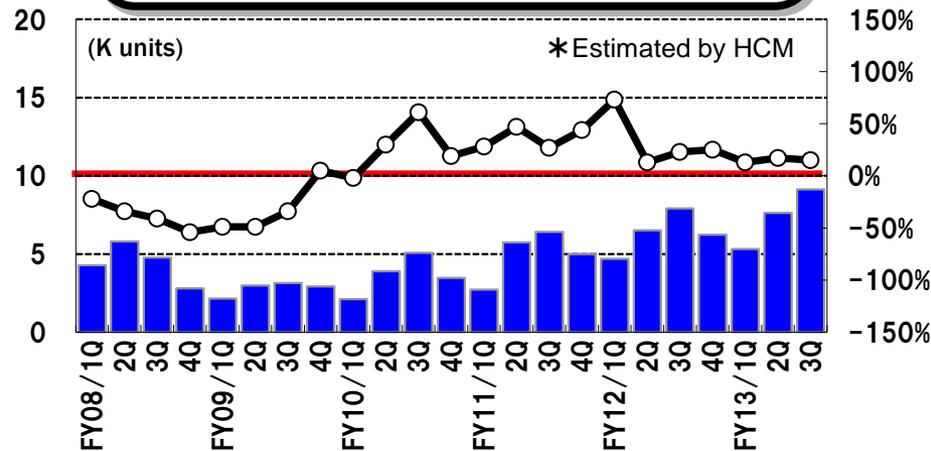
\*Emerging Countries: China, Asia/Oceania, and others

- ◇ Strong growth of market derived from significant increase in public works and housing starts.
- ◇ Demand is strong in hydraulic excavators and wheel loaders, and the trend is expected to continue in 3Q.

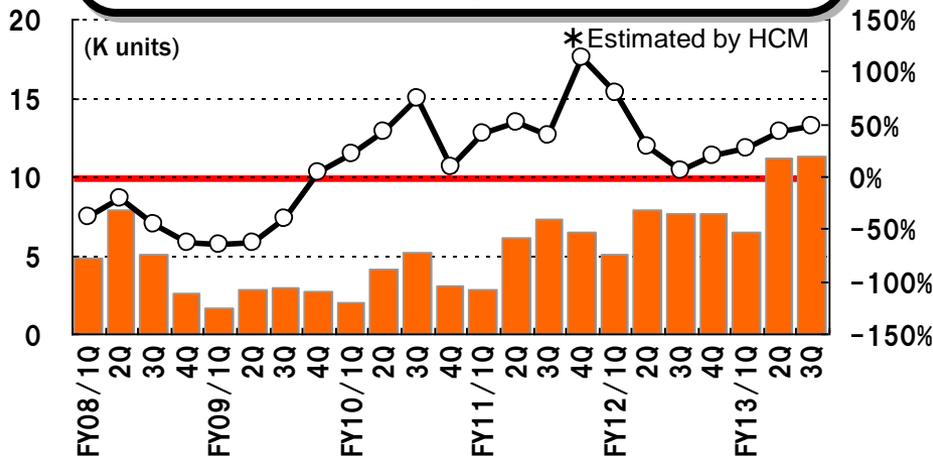
Market Environment: Housing/Public Spending and Capex (y-o-y)



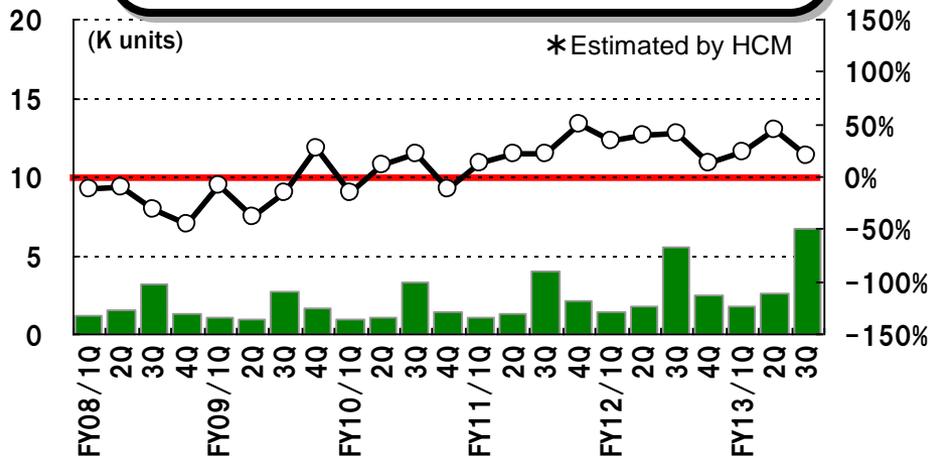
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

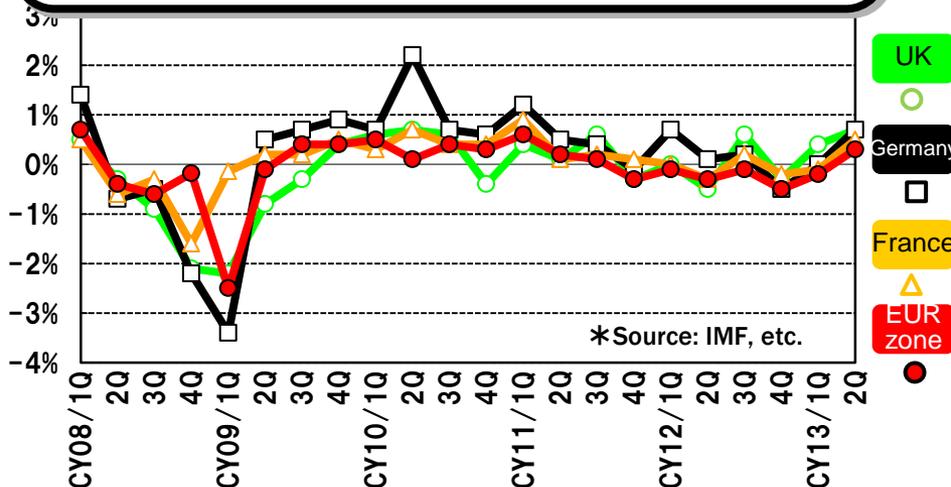


Demand Trend for Wheel Loaders

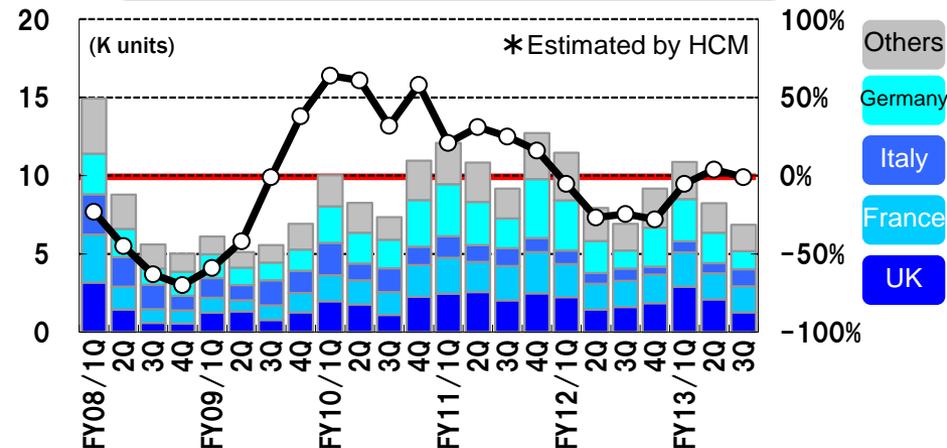


- ◇ The UK, Germany, and France have been showing signs of economic upturn; however the outlook for the European economies as a whole remains to be uncertain.
- ◇ Demand in some parts of Western European countries such as the UK and Northern European countries has been recovering; however the demand in the European region as a whole is expected to remain unchanged from the previous year.

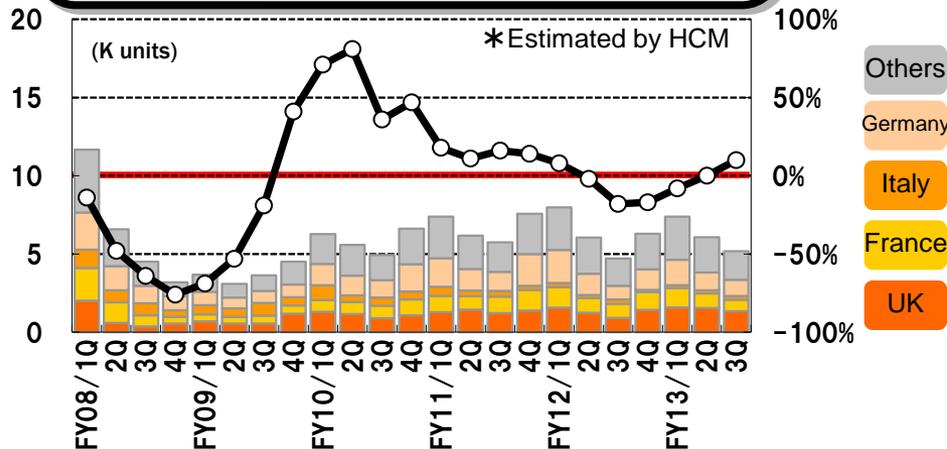
Market Environment: GDP Growth Rate in Major Countries (y-o-y)



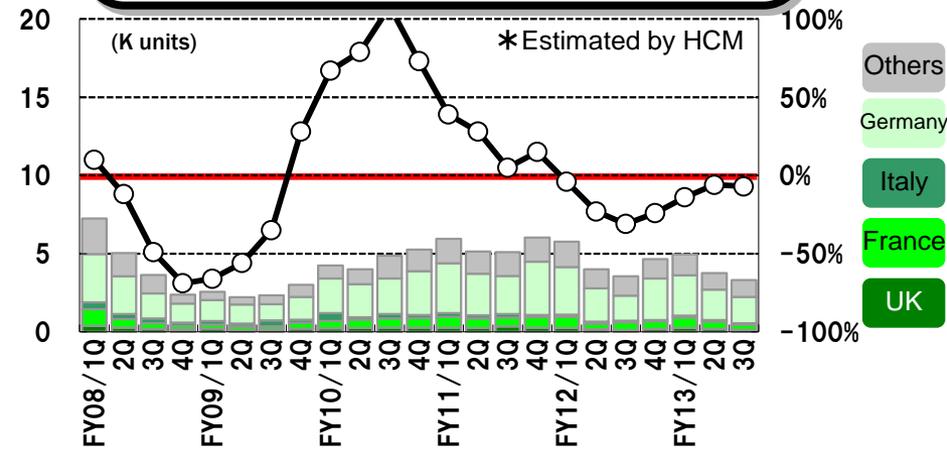
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

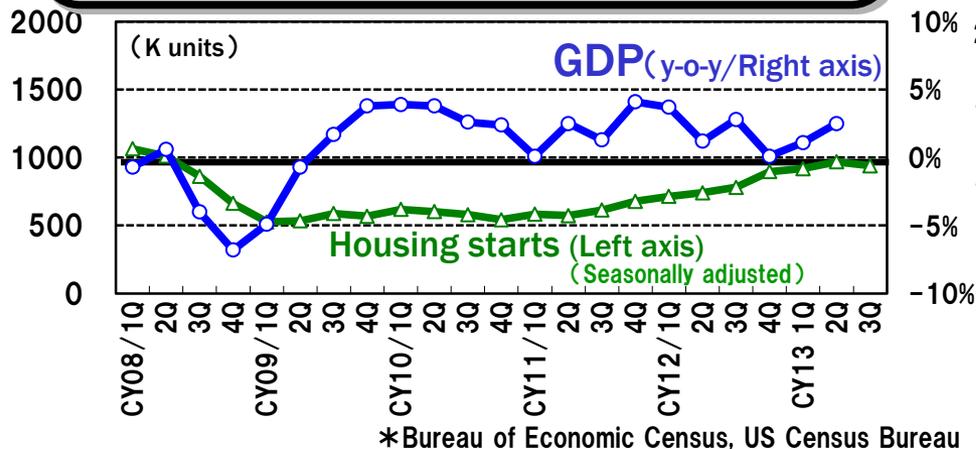


Demand Trend for Wheel Loaders

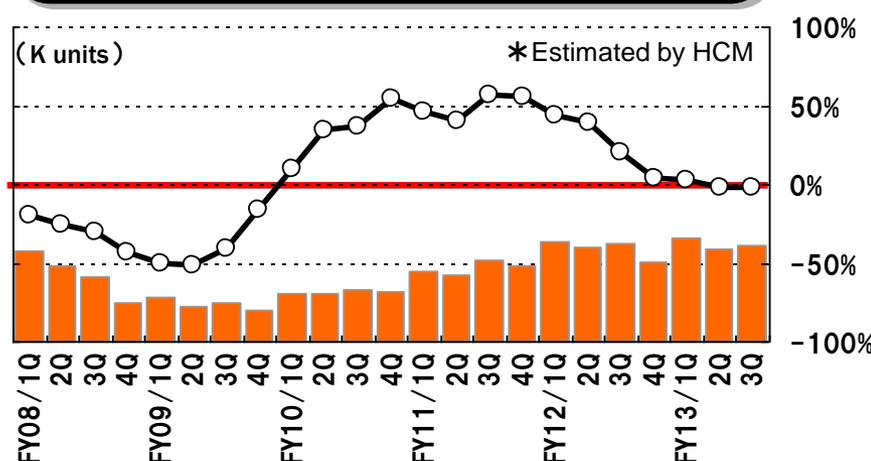


- ◇ GDP growth continues to be steady, and the number of housing starts also remains high.
- ◇ Demand is strong mainly in housing and energy; however, caution is needed for the future.
- ◇ Demand of construction machinery is expected to remain unchanged from the previous year.

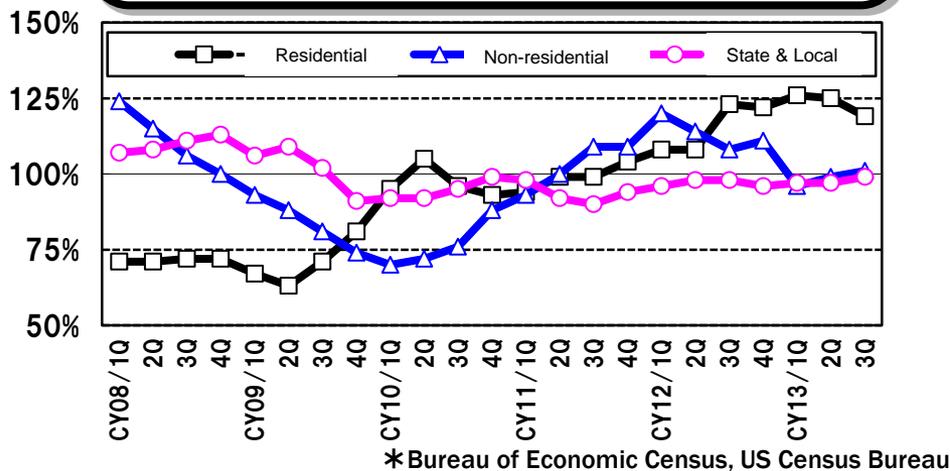
## Market Environment: The US Market Environment



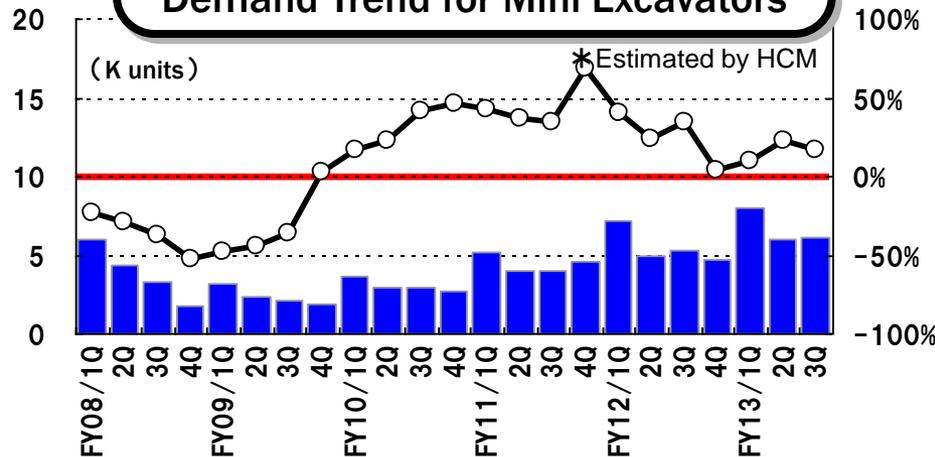
## Demand Trend for Hydraulic Excavators



## Market Environment: Construction Spending in the US (y-o-y)

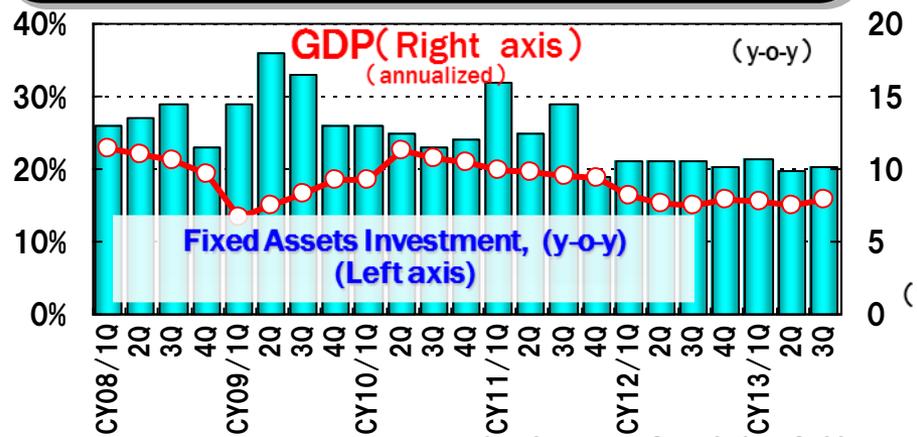


## Demand Trend for Mini Excavators



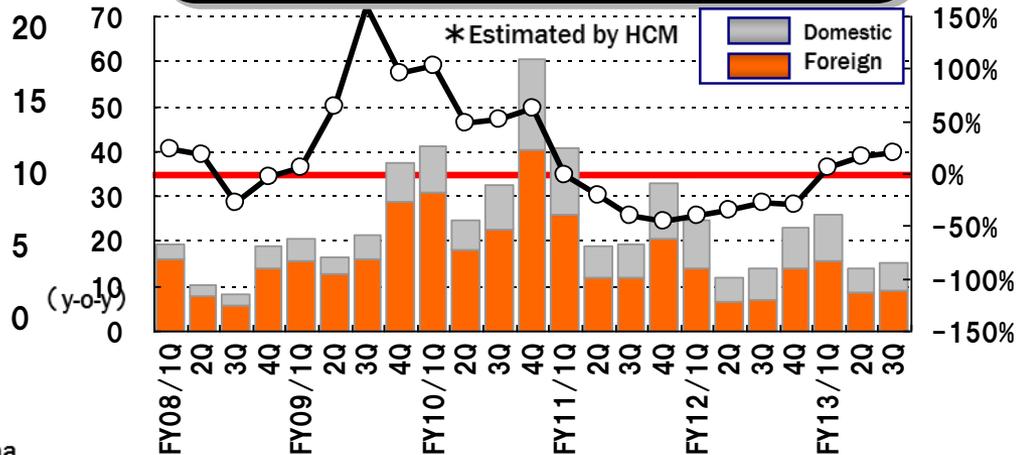
- ◇ Demand for construction machinery has been recovering since April 2013.
- ◇ On a regional basis, demand in the entire region except North China increased from the previous year.
- ◇ Increased demand in medium-sized machines due to an increase in the number of urbanization work in rural areas, and the volume of infrastructure investment.

### Market Environment: GDP and Fixed Asset Investment (%)

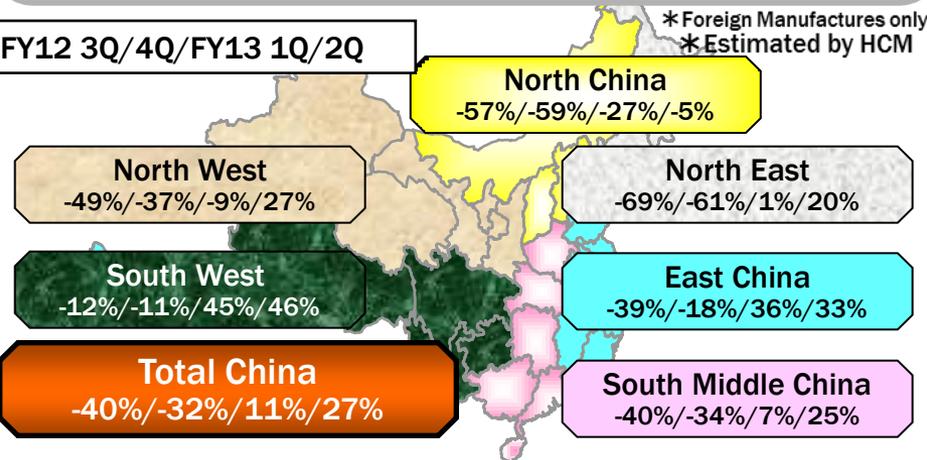


Source: National Bureau of Statistics of China

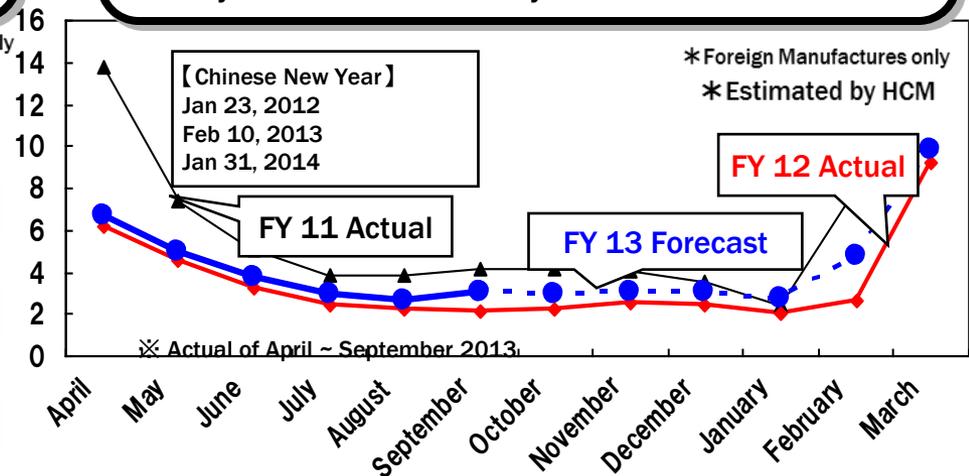
### Demand Trend for Hydraulic Excavators



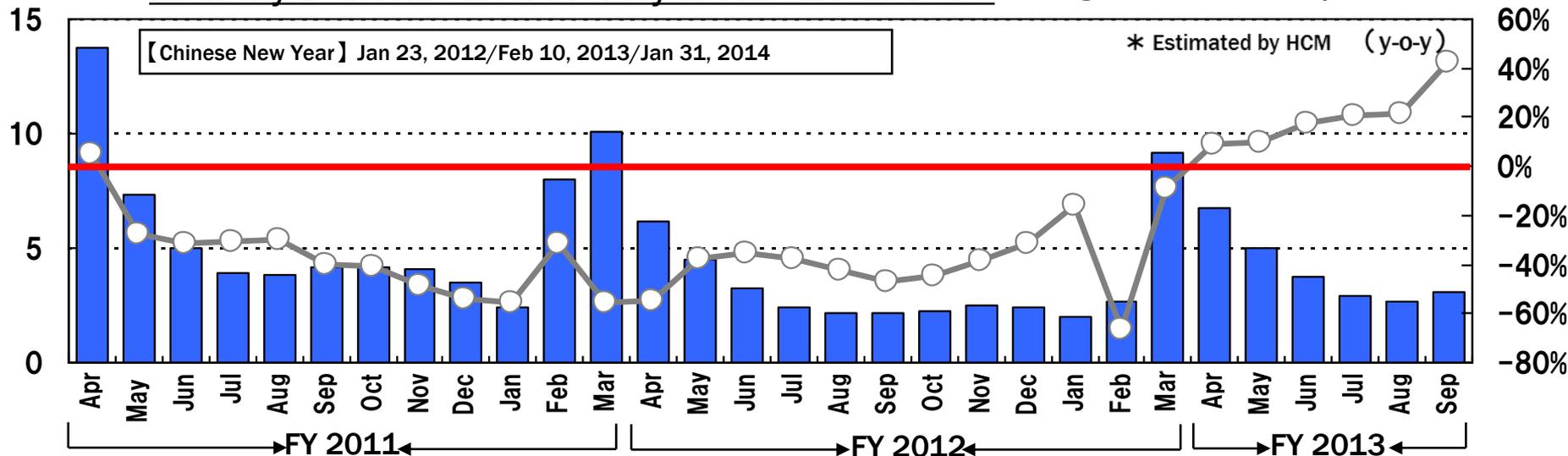
### Quarterly Demand for Hydraulic Excavators by Region (y-o-y)



### Monthly Demand Trend of Hydraulic Excavators in China

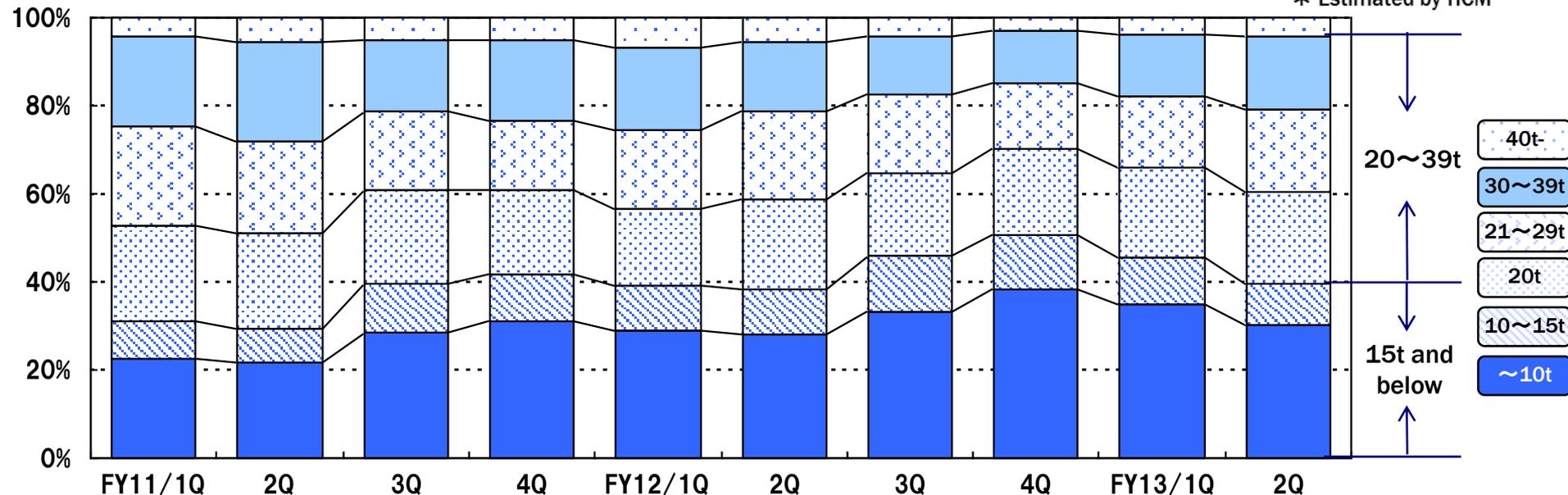


(K units) **Monthly Demand Trend for Hydraulic Excavators** (Foreign Manufactures Only)



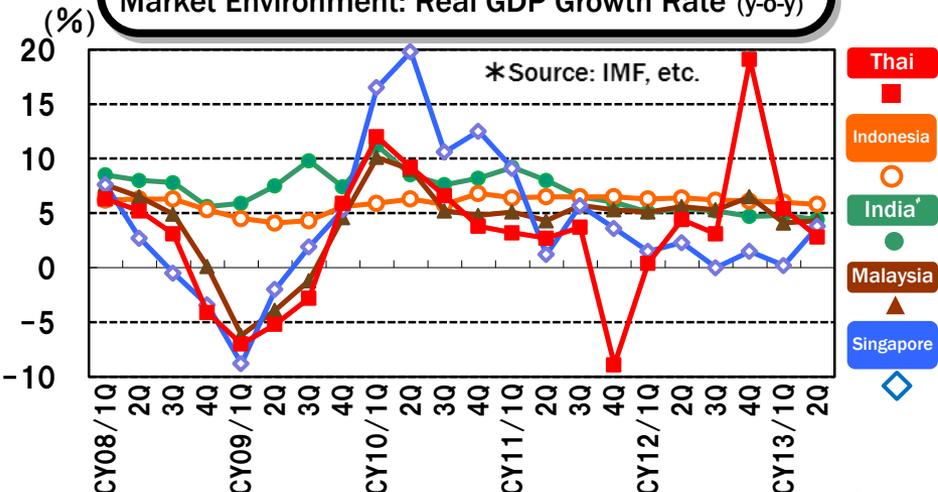
**Demand Composition by Class for Mini Excavators and Hydraulic Excavators** (Foreign Manufactures Only)

\* Estimated by HCM

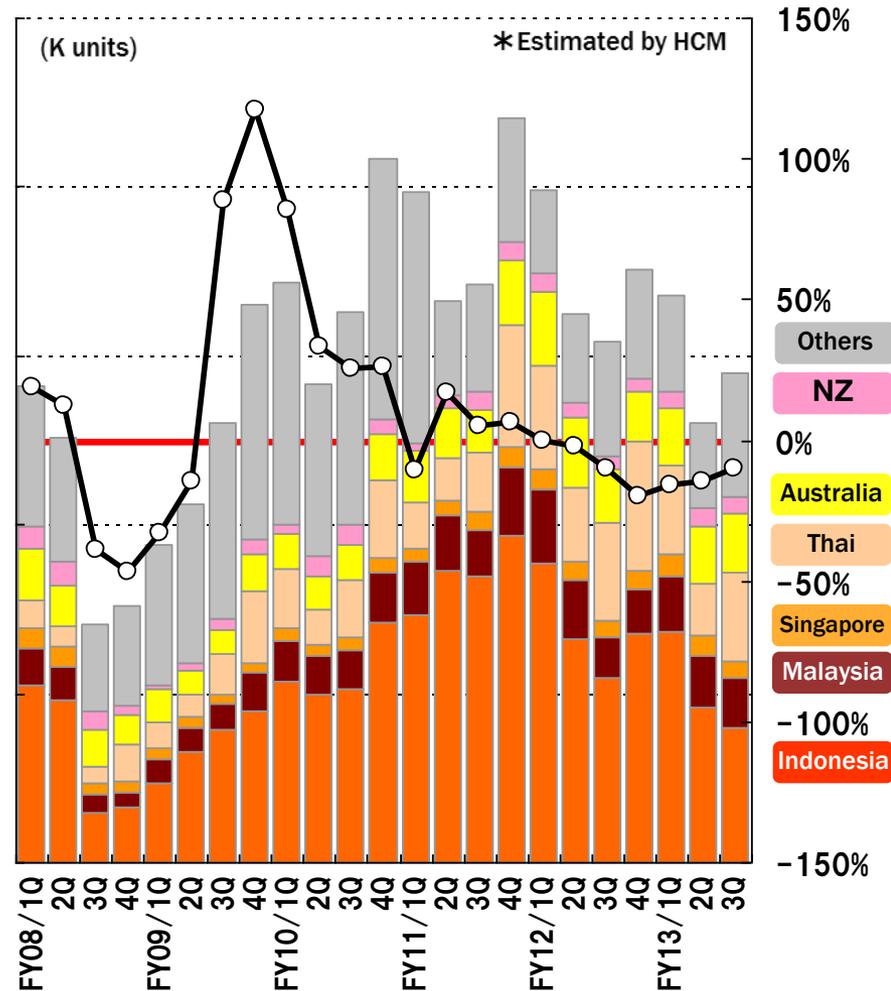


- ◇ Stagnation among the region due to local currency devaluation (India, Indonesia, and Thailand)
- ◇ Demand decreased due to a drop in commodity prices, such as coal and palm oil.

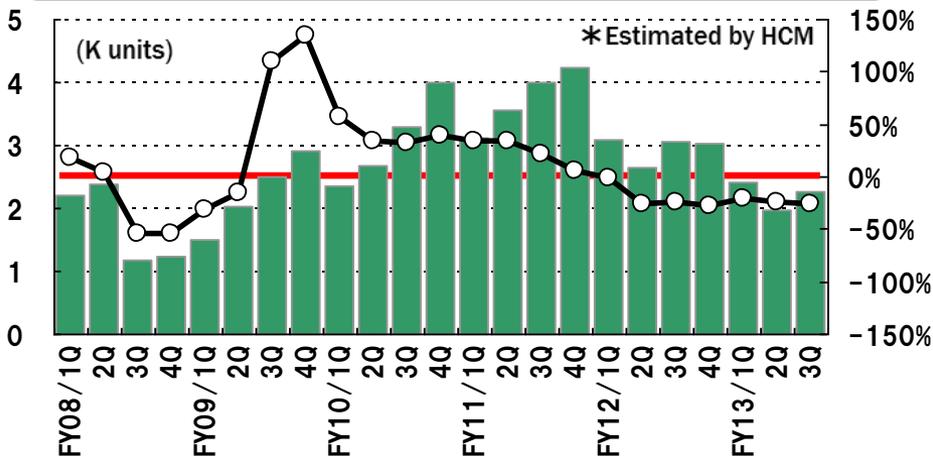
Market Environment: Real GDP Growth Rate (y-o-y)

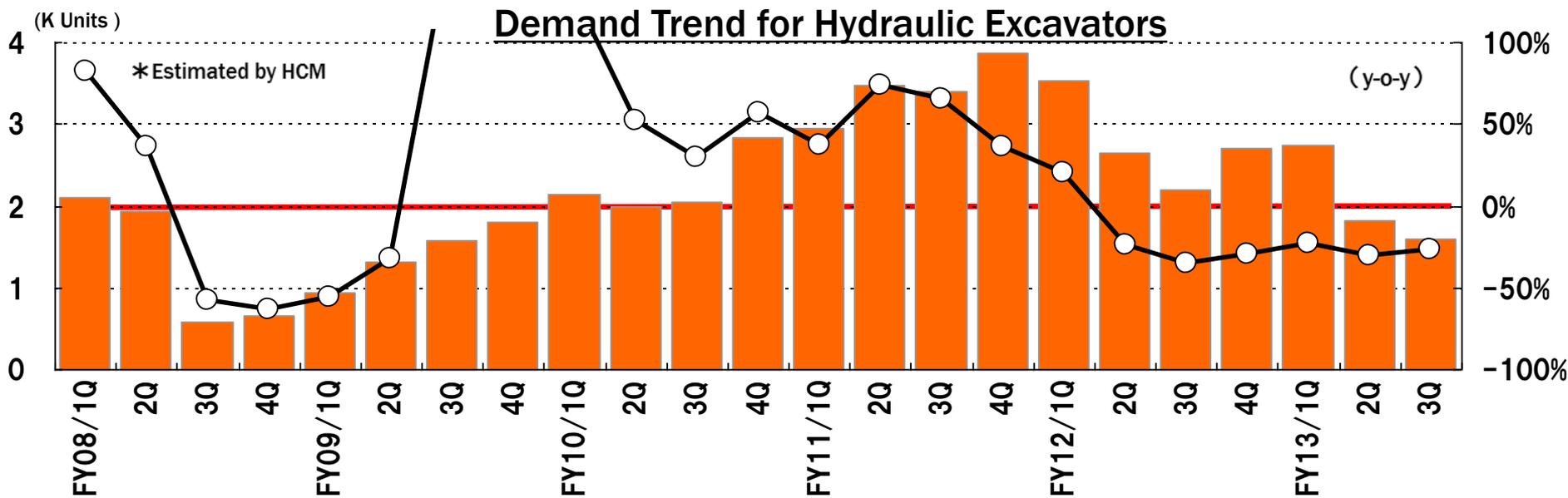
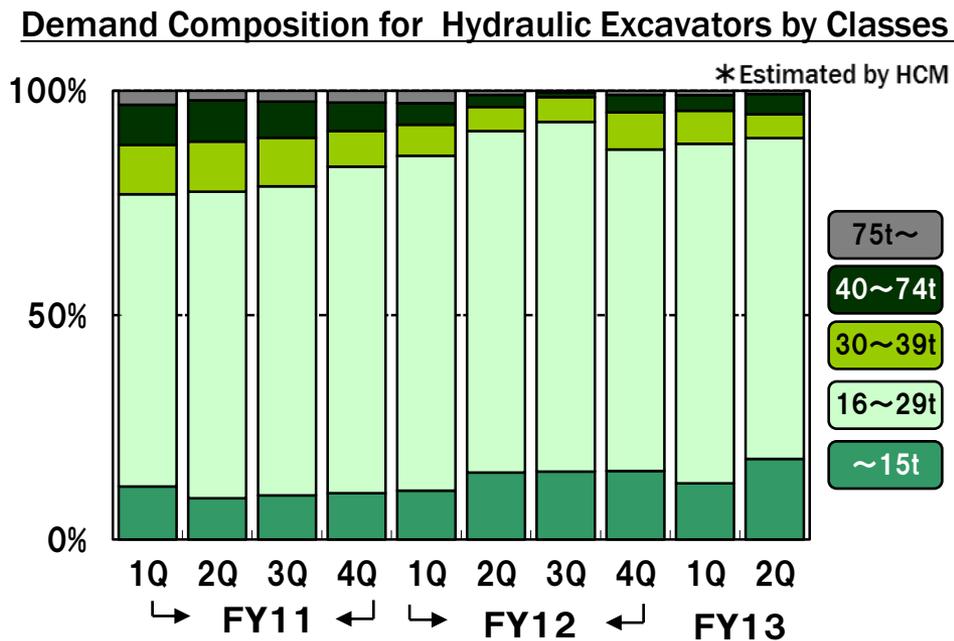
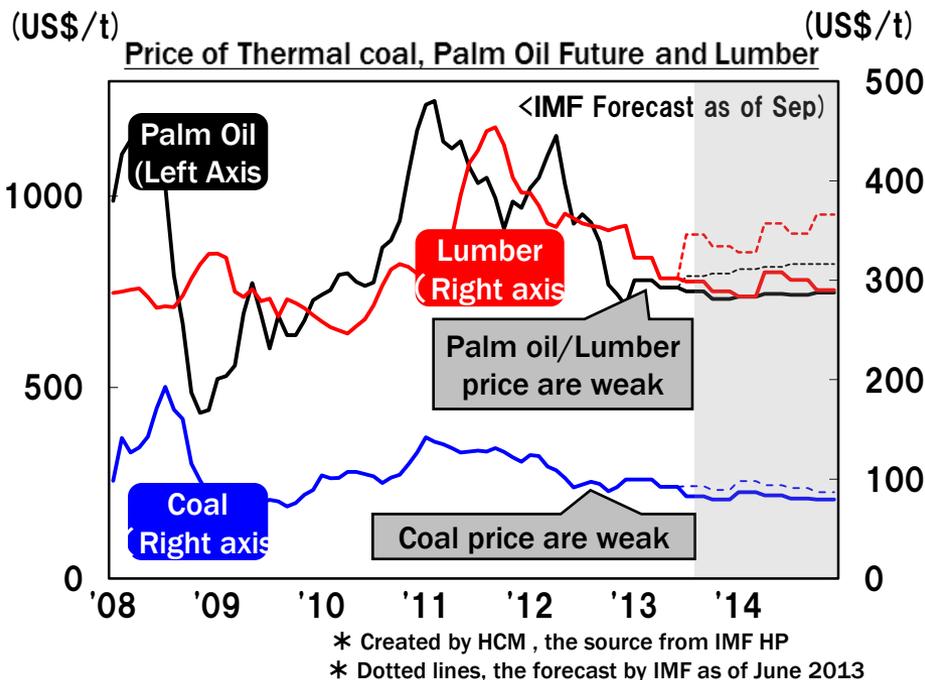


Demand Trend for Hydraulic Excavators in Asia & Oceania



Demand Trend for Hydraulic Excavators in India

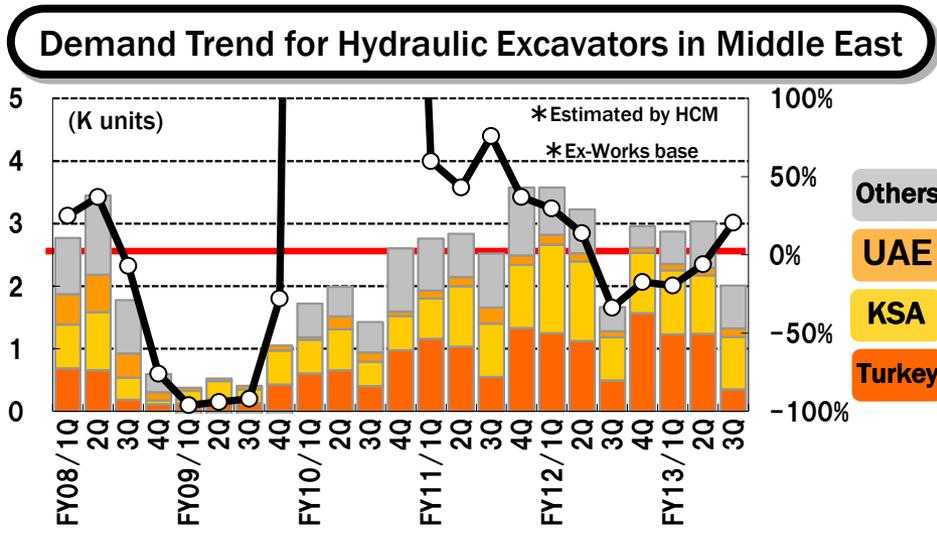
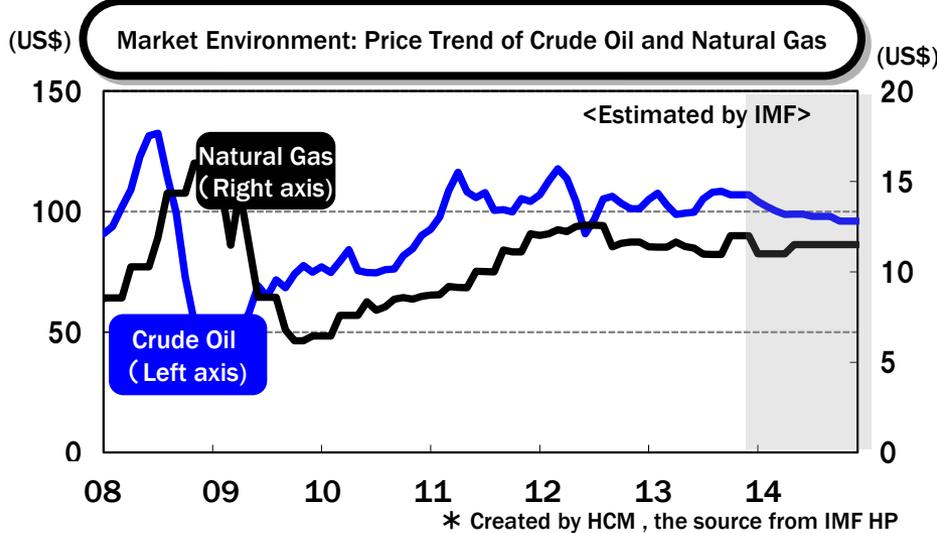




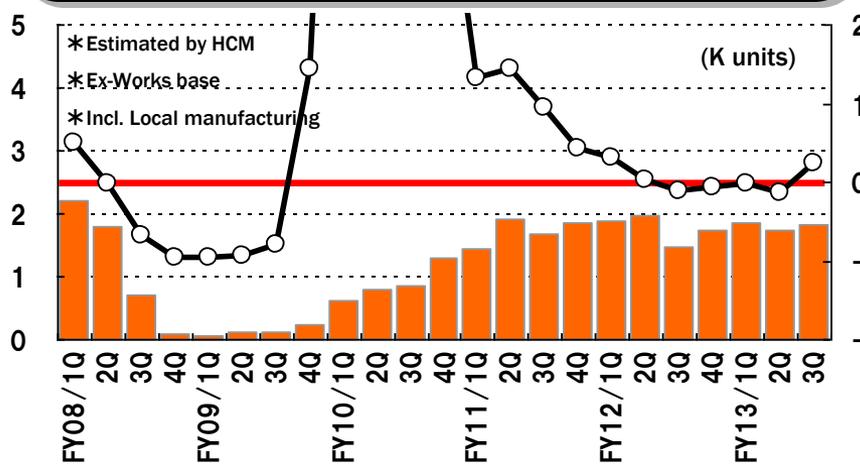
# <Russia and the Middle East>

**【Russia】** Although the economic index is weak, the oil price has remained stable.  
Demand remains unchanged from the previous year.

**【Middle East】** Demand is strong mainly in infrastructure-related areas such as the airport construction, and road construction, etc.



**Demand Trend for Hydraulic Excavators in Russia**

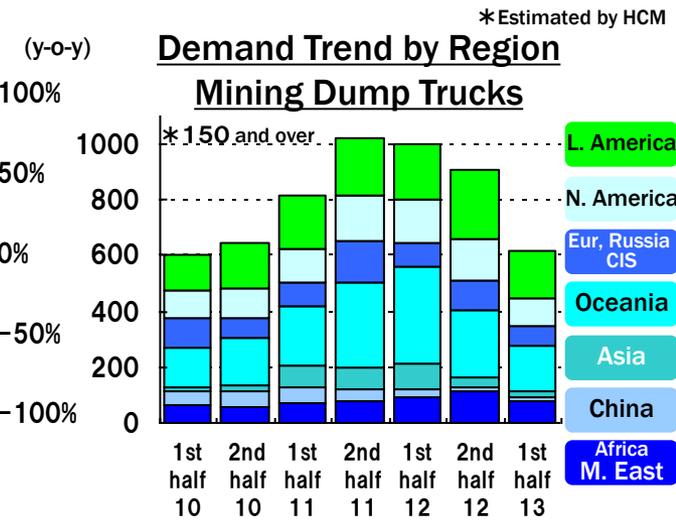
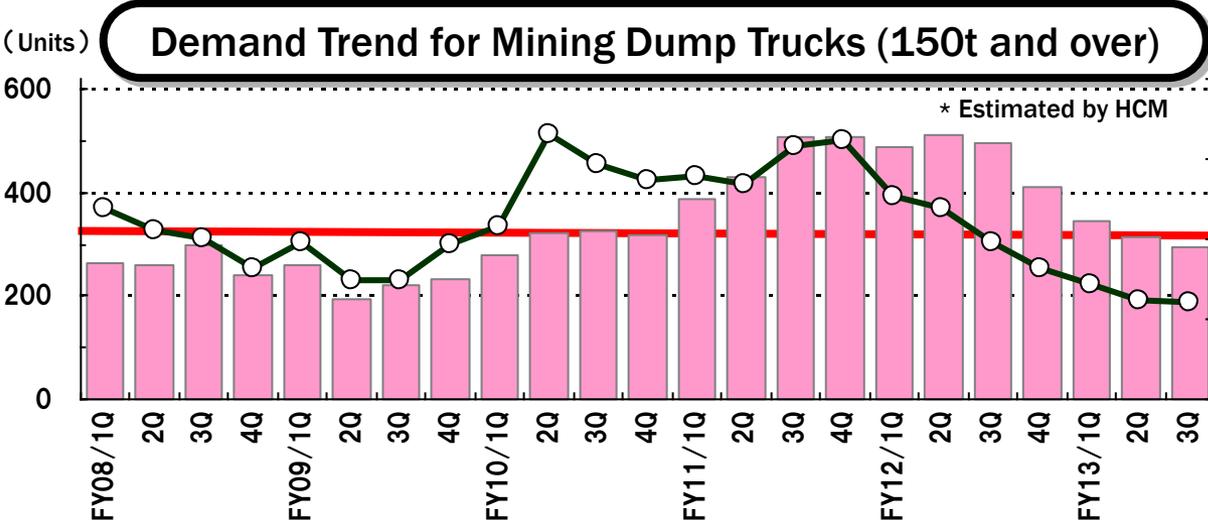
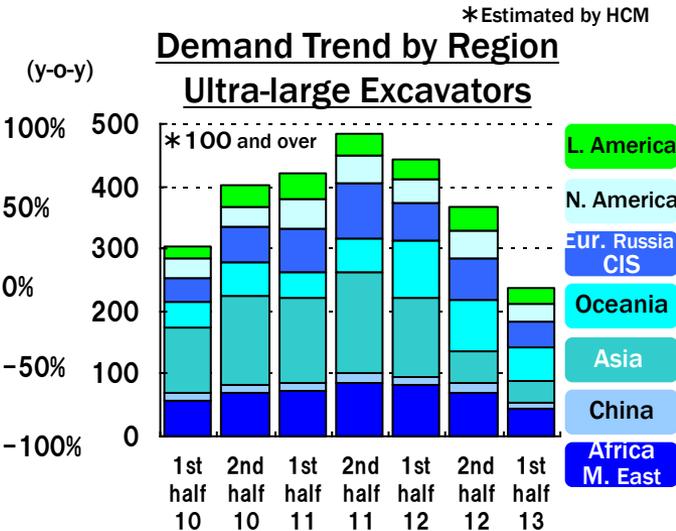
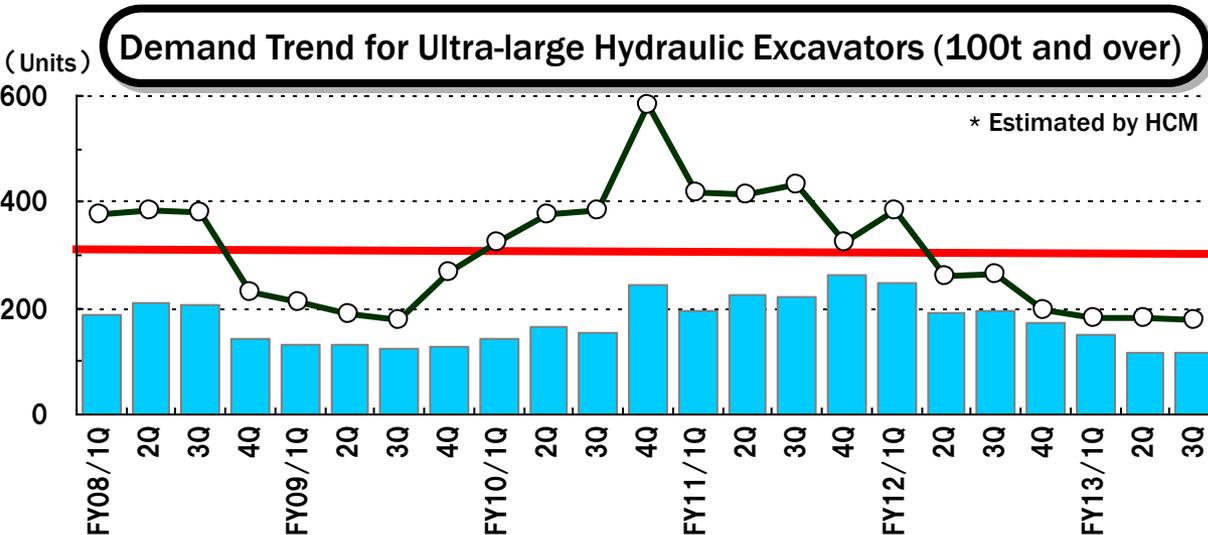


《Topics》 New Customers in Russia CIS region ordered;

- EX 3600E-6 : 3 units of ultra large sized hyd. excavator
- EH3500ACII : 10 units of mining dump truck



- ◇ Due to a drop of resource prices, demand continued to fall short of the previous year.
- ◇ Demand in 2013 is expected to reduce more than 30% in compare to the previous year. (Demand in Russia/CIS is steady, while Indonesia/Australia remains weak.)



Operation of a new joint factory with US John Deere started in October 2013.



**Name** : Deere-Hitachi Brasil S.A.  
(Deere-Hitachi Máquinas de Construção do Brasil S.A.)  
**Location** : Federative Republic of Brazil  
Indaiatuba, SP-Brasil  
**Production starts** : October 2013  
**Total site area** : 200,000 m<sup>2</sup>  
**Capital** : 50 million US dollars

Established our first Latin America production base in Brazil, where we project a growth in construction machinery demand in preparation for World Cup Soccer in 2014, as well as the Olympic games in Rio in 2016.

# END

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