

Regional Market Environments and Projections



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Vice President and Executive Officer

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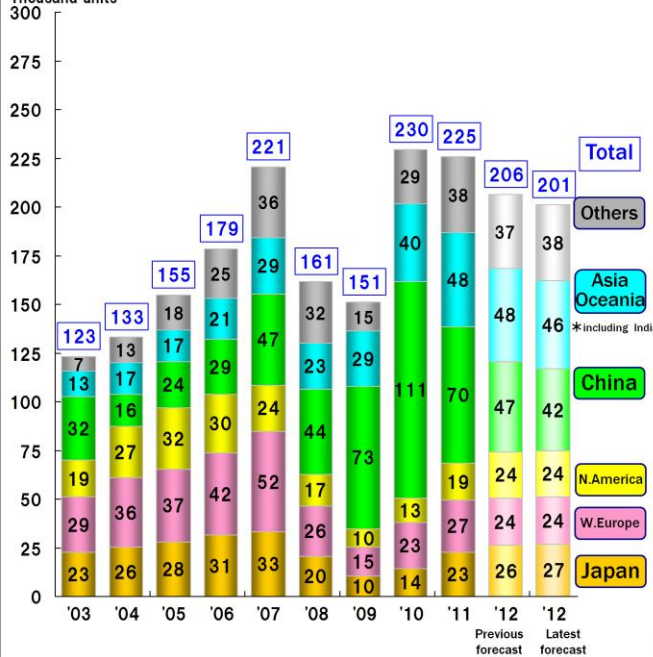
Global Demand Trend for Hydraulic Excavator

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* Estimates by HCM * Excluding Chinese manufacturers
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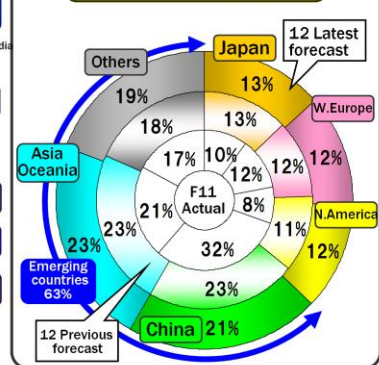
Thousand units

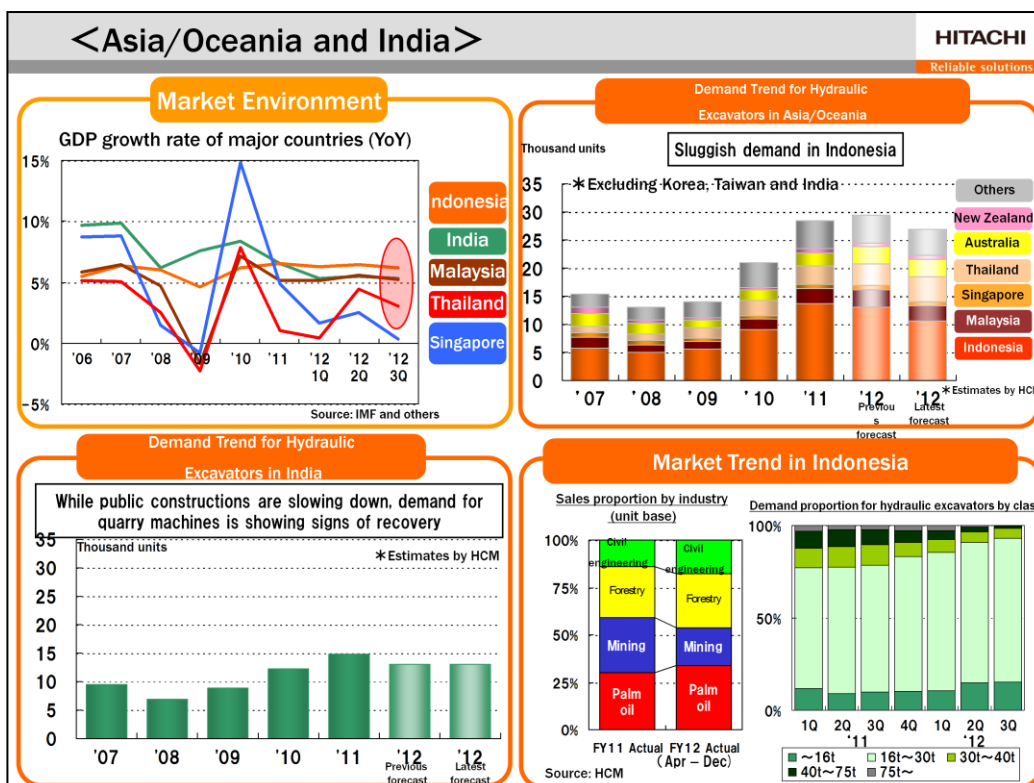


Year-on-year Change

	'11	'12Latest	'12Previous
Japan	+58%	+18%	+15%
W. Europe	+14%	-9%	-9%
N. America	+49%	+27%	+25%
China	-37%	-40%	-34%
Asia/Oceania	+22%	-6%	0%
Others	+37%	0%	-2%
Total	-2%	-11%	-8%

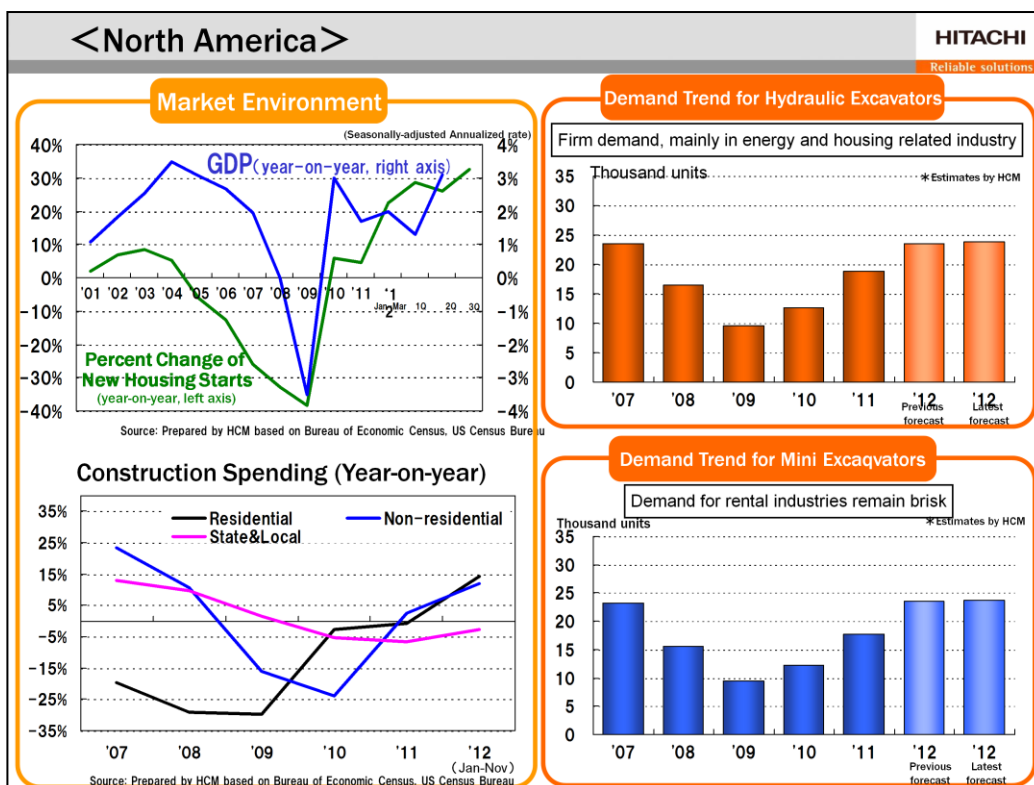
Compositions by Regions



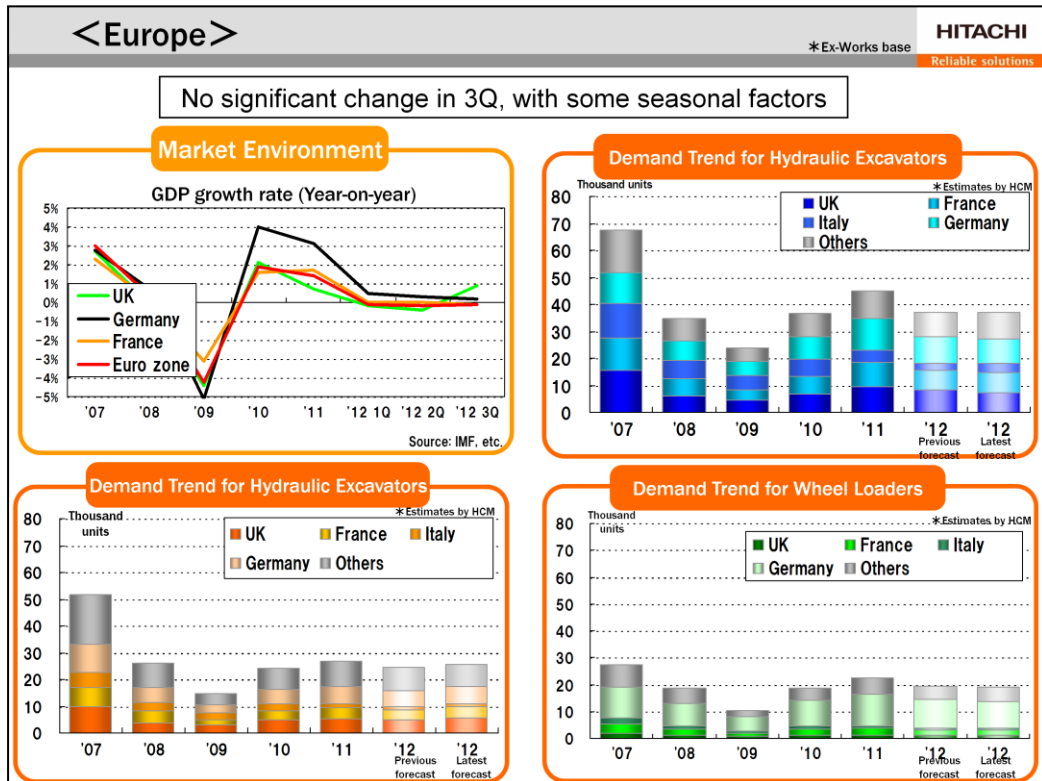


- While the economy slowed down in Thailand, GDP growths in Indonesia, India and Malaysia exceeded 5%, and economic expansion continued, supported by the brisk demand in the region. The export environment in Singapore was sluggish, due to the impact of decelerating growth in Japan, US and Europe.
- Demands related to coal and palm oil declined because of the price falls, while demand related to social infrastructure development advanced steadily.
- Indonesia

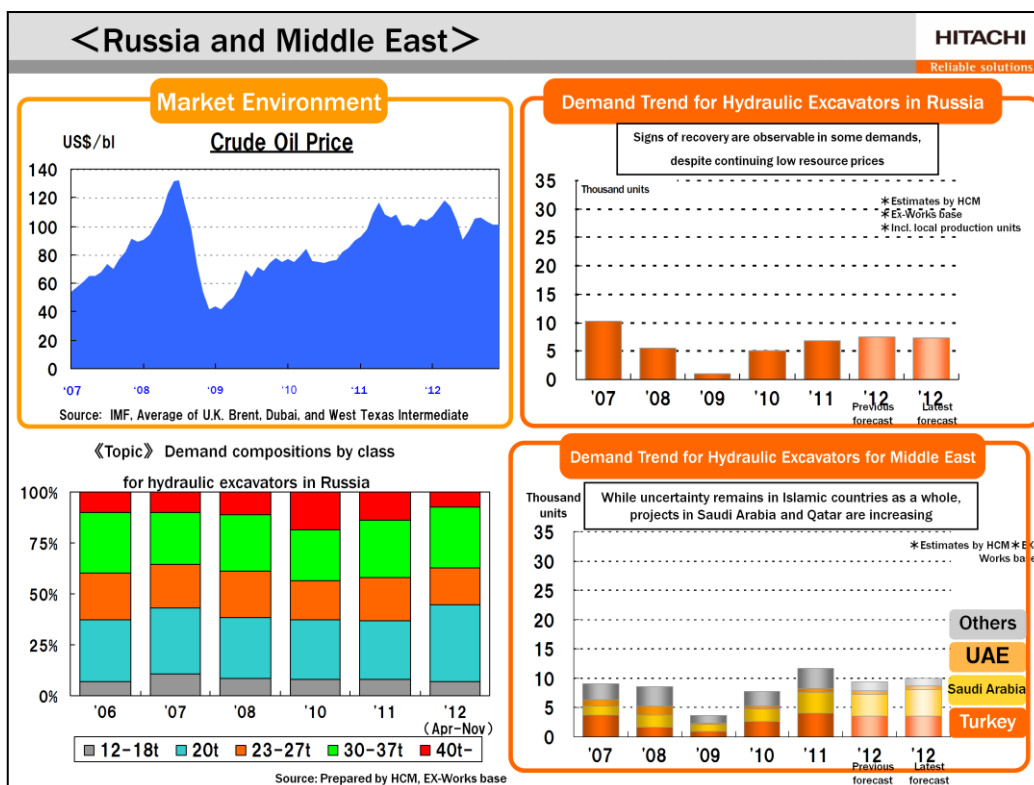
The sales proportion of construction, forestry, and palm oil relatively increased due to decline of mine sales.
- Demand for hydraulic excavators in India showed signs of recovery in quarry machines, despite sagging public works.



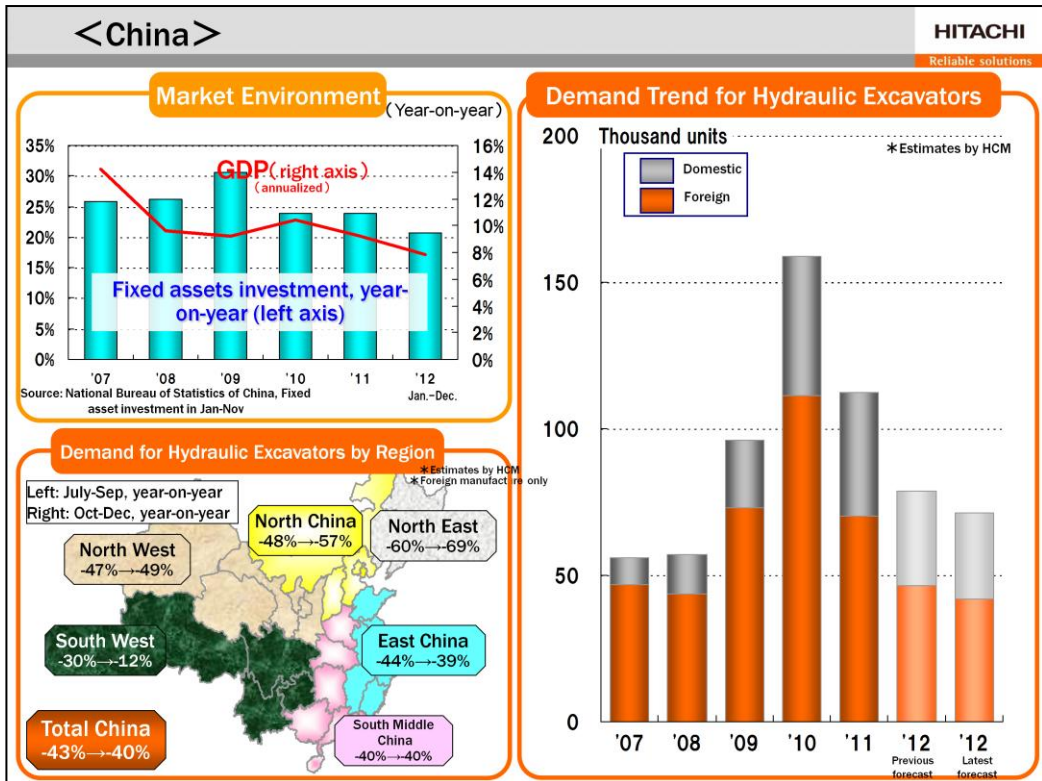
- The unemployment rate of 7.7% was the lowest level since December 2008 in the United States. Consumer spending is steady with improvement of employment conditions. Overall economy in North America is steady.
- New housing starts remained high. Construction investment was on an upward trend, and housing sales and price also improved. Demand for hydraulic excavators is brisk.
- Infrastructure and energy sector supported the demand in North America. The operation rate of rentals are preferable.



- Though European economies still remains stagnant, concerns for debt crisis are declining.
- Demand mainly for mini excavators further decreased in the UK, Germany and Italy. Close watch for demand trend is necessary.



- Despite of crude oil price recovery, domestic demand was weakened because of uncertain European economic environment.
- As for demands for hydraulic excavators in Russia, infrastructure constructions and mining were strong, but outlook as a whole remained unclear.
- Demands for hydraulic excavators in the Middle East were brisk, mainly in Turkey and Saudi Arabia.



- Despite of countermeasures implemented by Chinese government in order to boost the slowing economy, the demand for construction machinery continued to decline significantly compared with previous fiscal year.
- GDP growth for the CY 12 year was 7.8%, which dipped below 8% for the first time in 13 years. The growth rate for the last 3 months from October to December was 7.9%.
- The demand for hydraulic excavators from April to December 2012 (foreign manufacturer) decreased by 44% year-on-year. Although demand was recovering in some regions and for some models, full-fledged recovery cannot be expected during the current fiscal year.
- The demand in FY12 (foreign manufacturer) is expected to decline by 40% year-on-year.

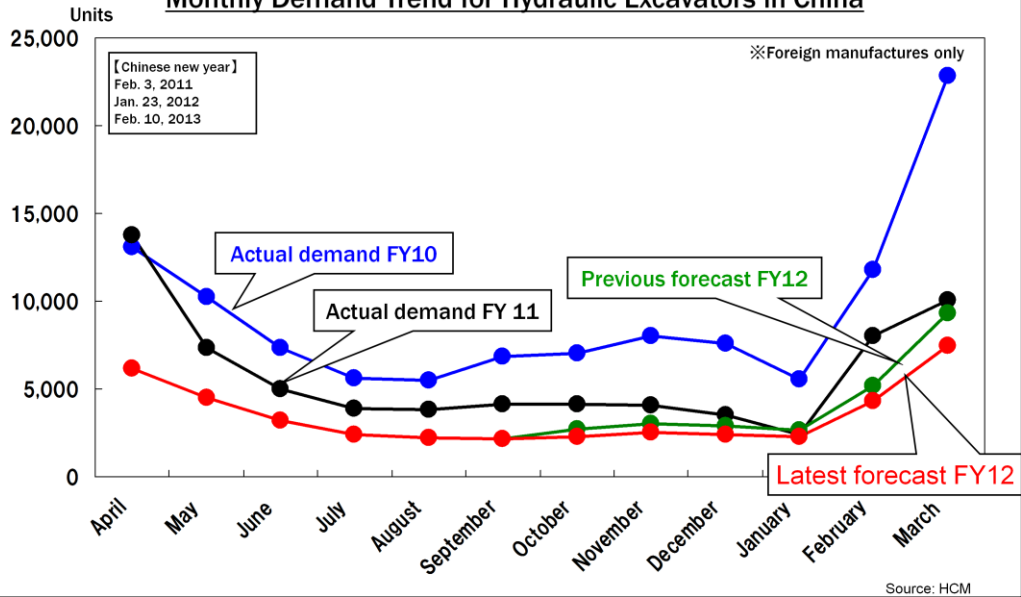
《Topic》 Demand for Hydraulic Excavators in China

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Demand is recovering in some regions and models,
but full recovery is unlikely during the current fiscal year

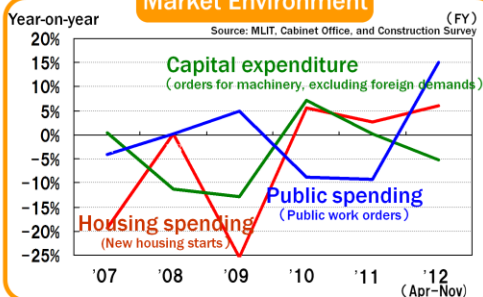
Monthly Demand Trend for Hydraulic Excavators in China



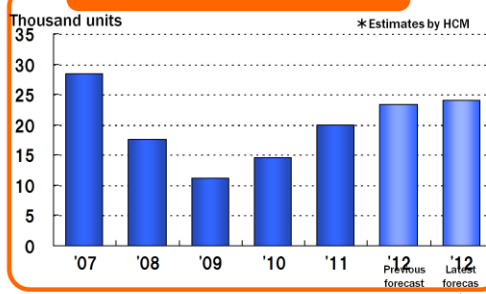
- While the current operation rate is bottoming out, actual demand recovery is expected from later part of next fiscal year.

Firm demand, backed by reconstruction demand

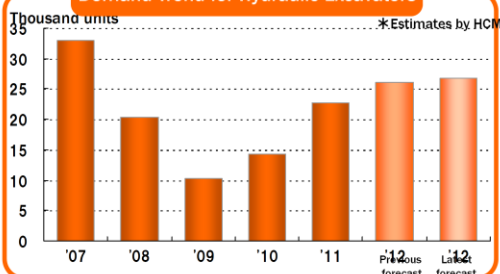
Market Environment



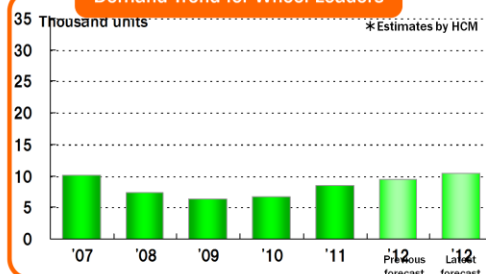
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



Demand Trend for Wheel Loaders



- The Japanese market remained steady, supported by reconstruction demand from the Great East Japan Earthquake including increasing public constructions and gradual restoration of housing starts.

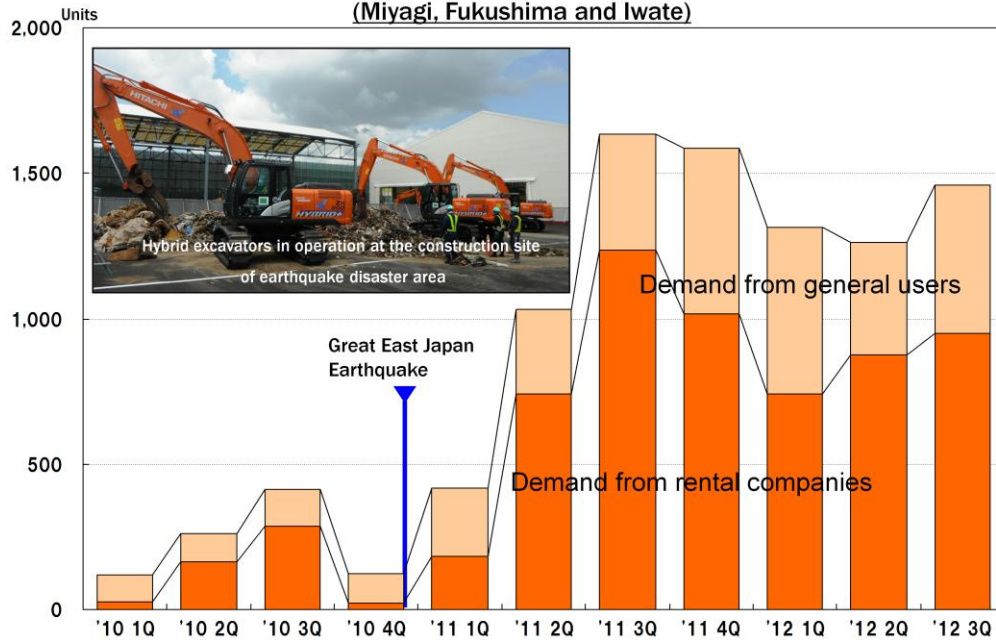
《Topic》 Earthquake Disaster Reconstruction

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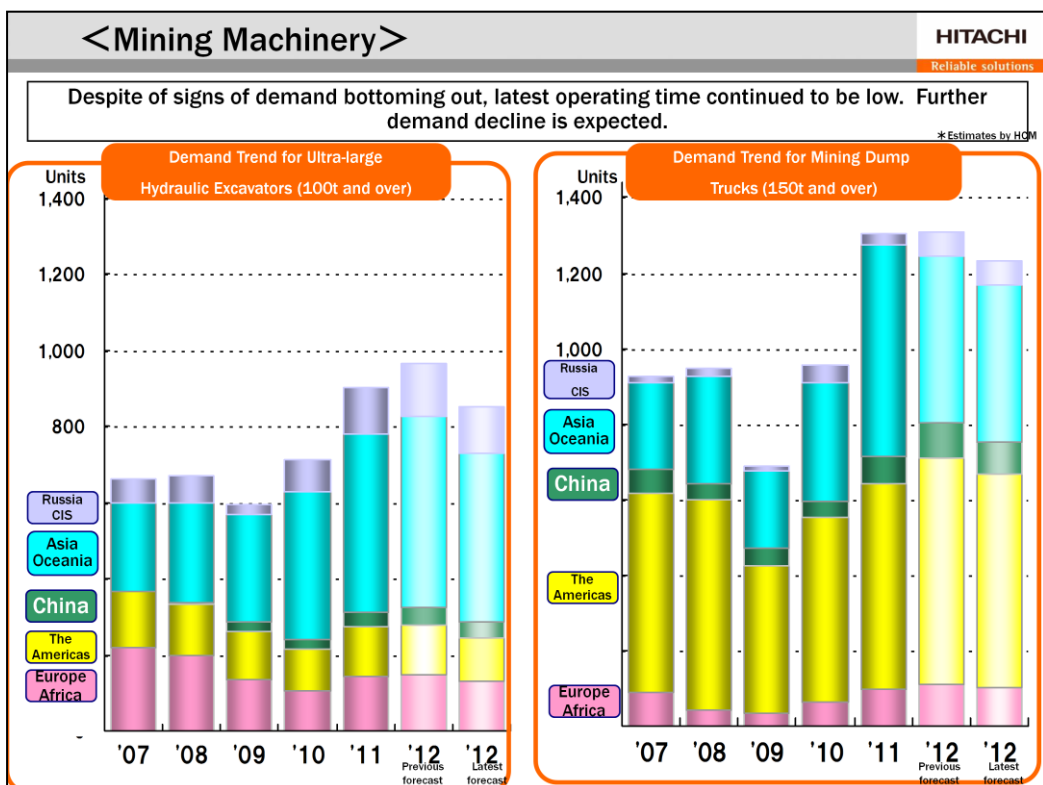
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Demand for Hydraulic Excavators in 3 Tohoku prefectures

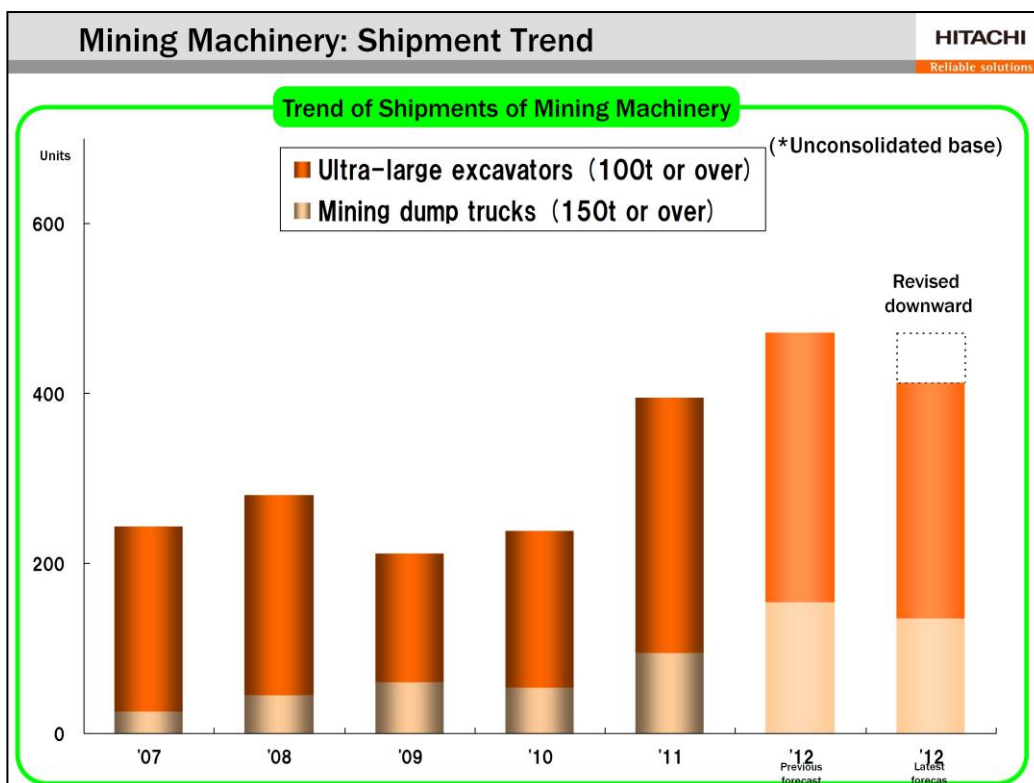
(Miyagi, Fukushima and Iwate)



The demand trend for hydraulic excavators in Miyagi, Fukushima and Iwate prefectures from 2010 increased abruptly after the Great East Japan Earthquake.



- The demand continued to be weak derived from low coal price. The demand forecast was further revised down.
- Some resource prices including iron ore showed signs of bottom out. We forecast that demand recovery is within or after FY13.



- The prospective sales volume of mining machinery by HCM (unconsolidated, shipping basis) is revised down by over 50 units from the second quarter, due to deferred order receipt.



- EX8000E, the world's first ultra-large electric excavator, has started to working in China.
- It is currently excavating over burden of coal mines in Yi Min He in Inner Mongolia.
- The site is in a frigid climate, with temperatures of nearly minus 30 degrees Celsius.

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