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Regional Market Environments and Projections



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Vice President and Executive Officer

Mitsuhiro Tabei

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Global Demand Trend for Hydraulic Excavator

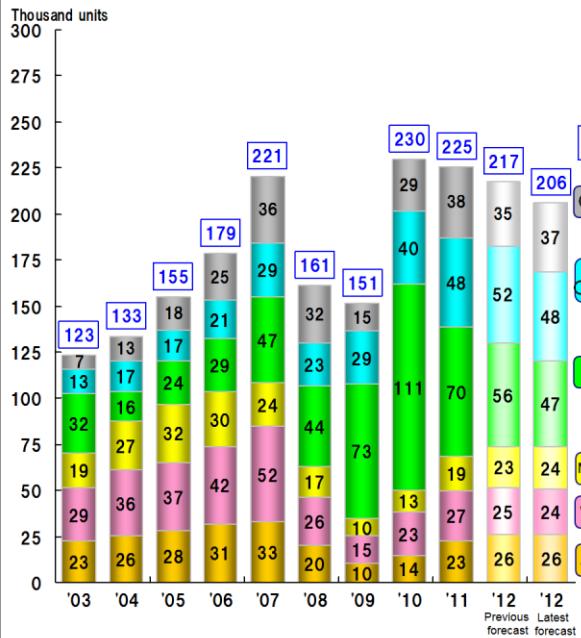
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*Excluding Chinese manufacturers

*Estimates by HCM

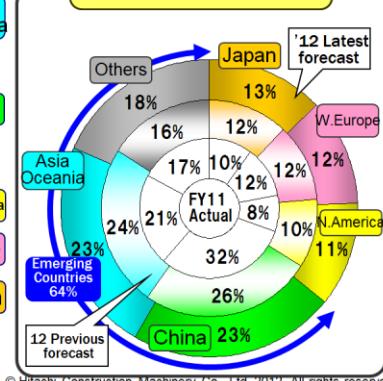
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Year-on-year Change

	'11	'12 Latest	'12 Previous
Japan	+58%	+15%	+15%
W. Europe	+14%	-9%	-6%
N. America	+49%	+25%	+20%
China	-37%	-34%	-20%
Asia/Oceania	+22%	0%	+8%
Others	+37%	-2%	-9%
Total	-2%	-8%	-4%

Compositions by Regions

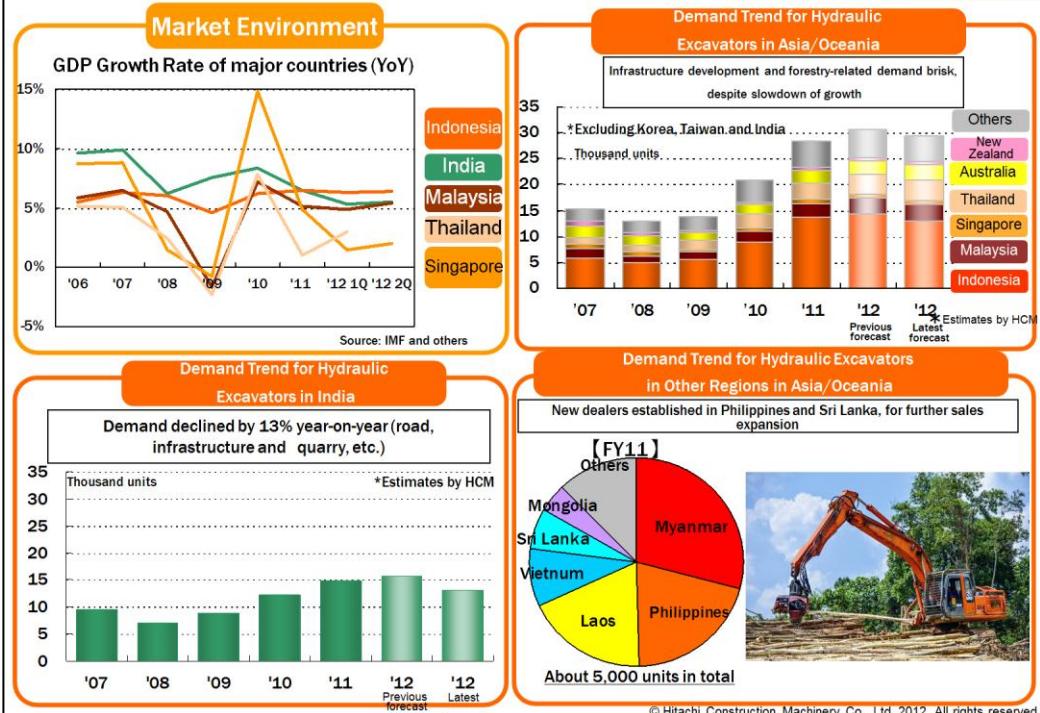


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<Asia/Oceania and India>

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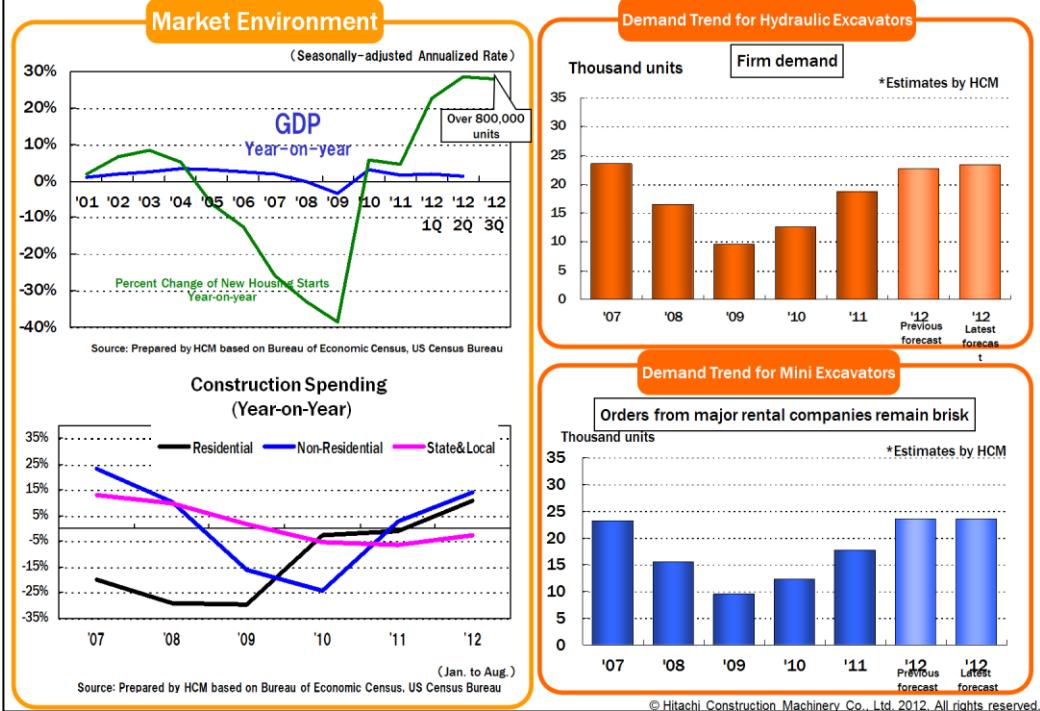


- While mining-related demand is concerned about decline due to the fall in coal price, the Asian economy as a whole remained robust, supported by flood rehabilitation demand in Thailand and growing demand to develop social infrastructure.
- Demand for hydraulic excavators in Asia & Oceania
The demand for hydraulic excavators in the 1st half of FY12 increased by 5% year-on-year.
Forecast for full-term is revised to 0% growth.
- Demand for hydraulic excavators in India
Economic growth in India slowed down due to sluggish domestic economy and delayed large-scale projects.
The demand for hydraulic excavators in the 1st half of FY12 in India decreased by 14% year-on-year, and is expected to decrease by 13% in FY12.

<North America>

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- In the US economy, housing starts raised to as high as July 2008 standard. Actual demand continued increasing.
- Construction spending was also on a track to recovery, and the performance of residential and non-residential sectors continued exceeding 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 half of FY12 increased by 41% year-on-year. The full-term forecast was slightly upgraded from the previous forecast to 25% increase.
- Demand for mini excavators
The demand for mini excavators in the first half of FY12 increased by 32%. The demand in FY12 is expected to increase by 34%.

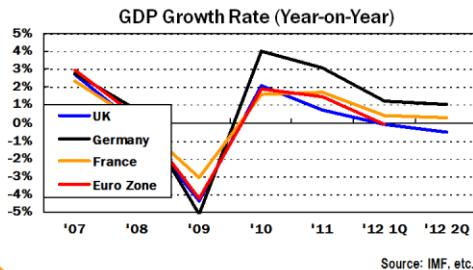
<Europe>

* Ex-Works Base

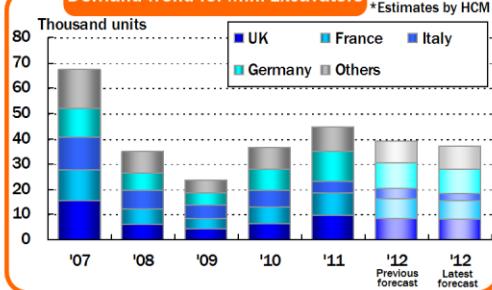
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Market remains unclear despite various measures taken by EU. Specifically, Italy and France facing serious conditions

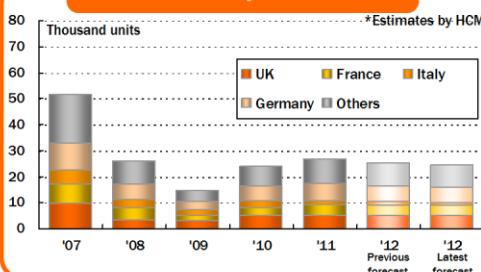
Market Environment



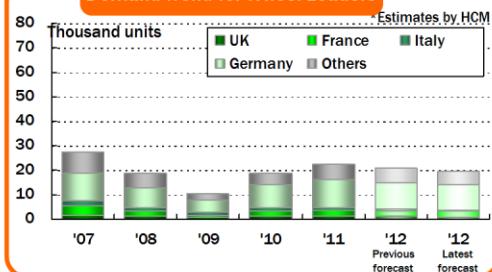
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



Demand Trend for Wheel Loaders



- European economies still remain unclear, despite various measures are taken by EU.

- Demand for hydraulic excavators

The demand for hydraulic excavators in the 1st half of FY12 increased by 3% year-on-year. The demand in FY12 is expected to decrease by 9%.

- Demand for mini excavators

The demand for mini excavators fell short of that in the previous year in UK, Germany, France and Northern European countries, which declined in the 1st half of FY12 by 12% year-on-year. The demand in FY12 is expected to decrease by 17%.

- Demand for wheel loaders

The demand for wheel loaders in the first half of FY12 decreased by 10% year-on-year. The demand in FY12 is expected to decrease by 13%.

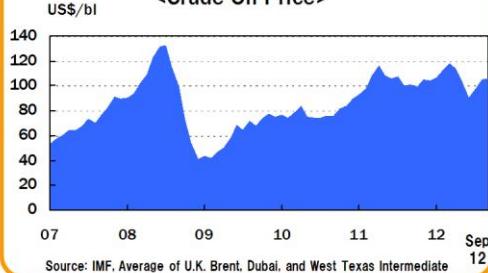
<Russia and Middle East>

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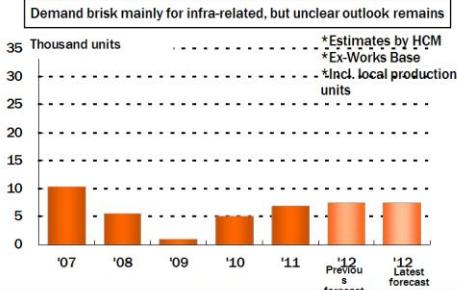
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Market Environment

<Crude Oil Price>



Demand Trend for Hydraulic Excavators for Russia



<Topic> Middle East>

- Delivered large crane to UAE, first time in Middle East
- Started exporting hydraulic excavators, which were manufactured in India, to Middle East and Eastern Africa

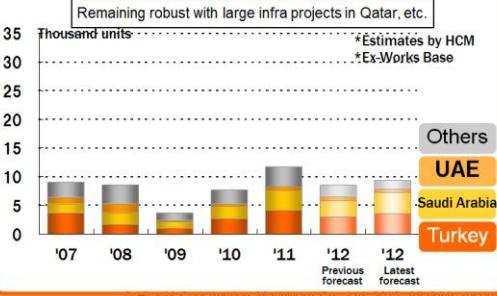


550t crane, delivered to Abu Dhabi



Hydraulic excavator manufactured in India

Demand Trend for Hydraulic Excavators for Middle East



- In the Russian economy, foreign exchange and equity markets grown sluggishly, backed by uncertain European environment, despite recovering crude oil price.

- Demand for hydraulic excavators in Russia

The demand for hydraulic excavators in the first half of FY12 increased by 14% year-on-year. The demand in FY12 remains unchanged from 8% increase forecast.

- Demand for hydraulic excavators in the Middle East

The demand for hydraulic excavators in the first half of FY12 in the Middle East increased by 4%. The full-term forecast is 20% decrease.

- 550t-class large crane delivered to UAE, for the first time in the Middle East

Large crane orders were successively received from Middle East and Eastern African regions. Large-scale infrastructure projects are planned in Saudi Arabia and UAE as well, so we will focus on capturing demands from these areas.

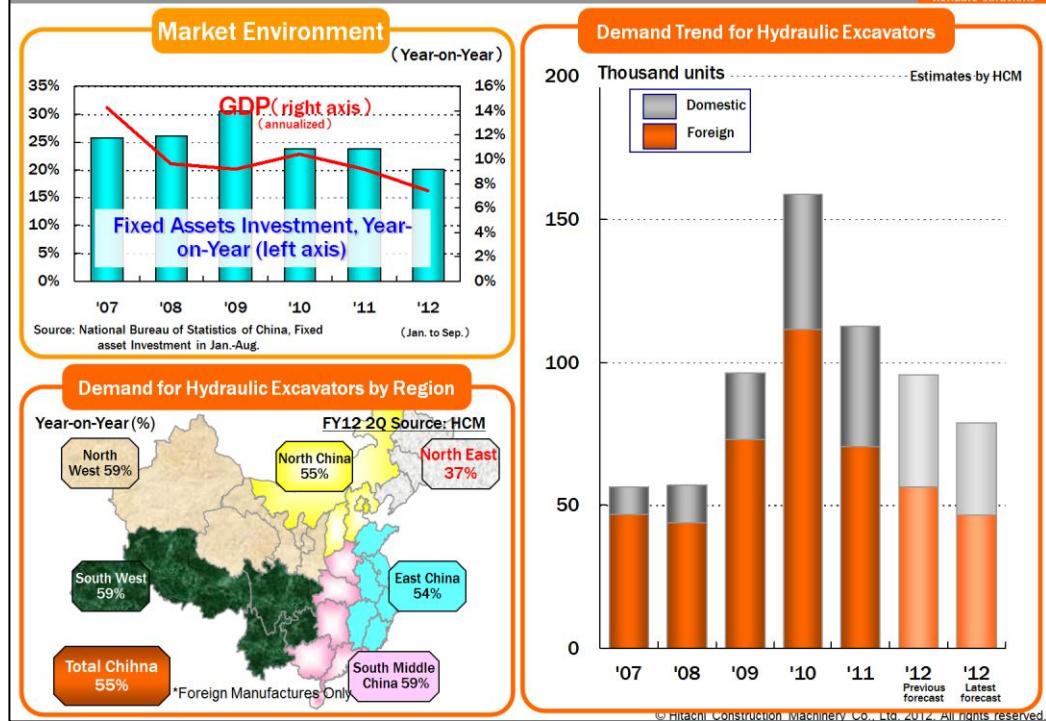
- Introducing hydraulic excavators manufactured in India to Middle East and Eastern African markets

We started introducing hydraulic excavators, which were manufactured in India, to Middle East and Eastern African markets. Full-scale exports are expected in the future, with further expansion of export directions.

<China>

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- While the Chinese government implemented measures to boost the slowing economy, the demand for construction machinery fell significantly below that of the previous fiscal year.
- GDP growth rate continued declining. The growth rate in July – September 2012 was 7.4%.
- The demand for hydraulic excavators in the first half of FY12 (foreign manufacturers) decreased by 45% year-on-year. Demand in the North East region was specifically sluggish, where a lot of infrastructure has been constructed.
- Operating rate in North China was also low, where many mines are located.
- The demand in FY12 (foreign manufacturer) is expected to decline by 34% year-on-year.

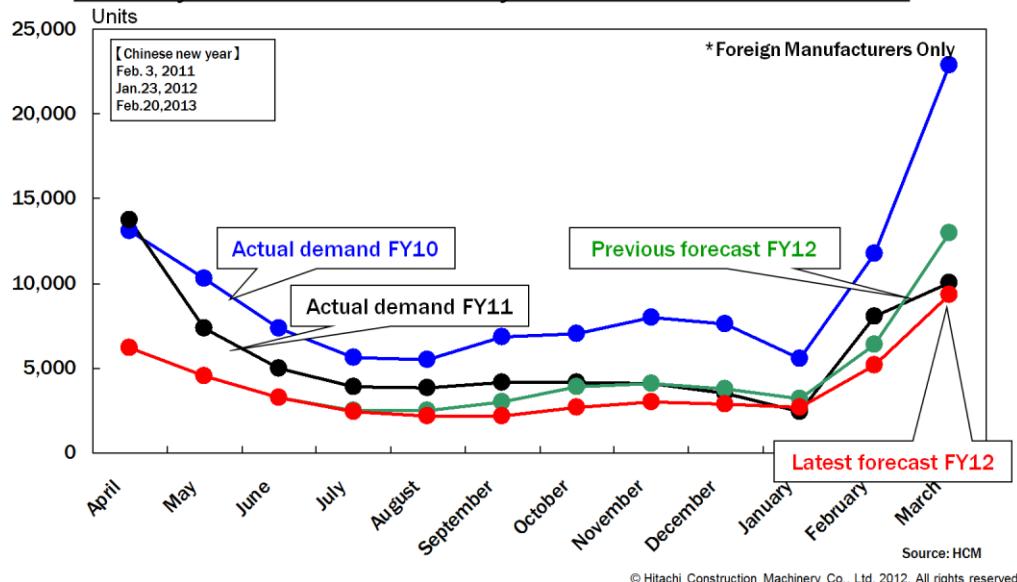
<<TOPIC>>Demand for Hydraulic Excavators in China

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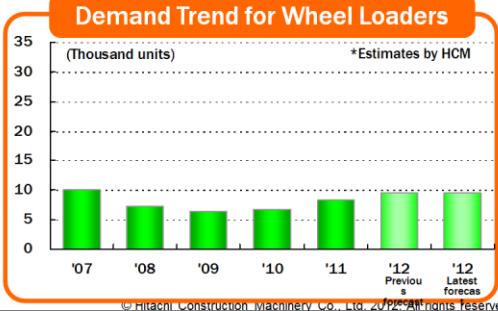
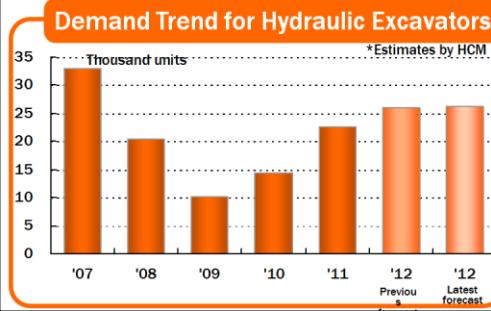
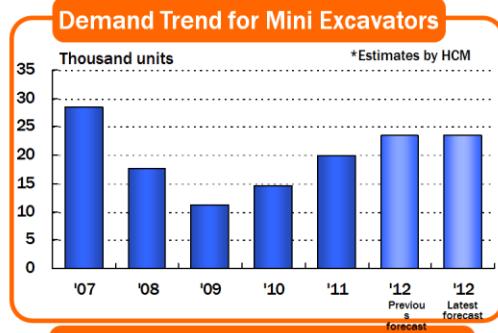
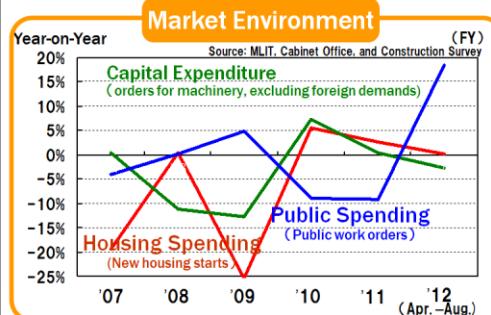
Forecast is revised down due to recent decline, although recovery up to last Oct level was expected previously.

Monthly Demand Trend for Hydraulic Excavators in China



- Although the previous forecast anticipated recovery from October up to the same level of the previous year, the demand is expected to further decrease in the latest forecast, due to recent decline.
- The demand is expected to fall short of that in the previous year, according to the current operation rate, etc.

Demand firm, with brisk public spending



- The Japanese economy remained steady, supported by rehabilitation demand from the Great East Japan Earthquake including increasing public constructions and gradual restorations of capital expenditures and housing starts.
- Demand for hydraulic excavators**
The demand for hydraulic excavators in the 1st half of FY12 increased by 43% year-on-year, and is expected to grow by 15% in FY12.
- Demand for mini excavators**
The demand for mini excavators in the 1st half of FY12 increased by 32% year-on-year, and is expected to grow by 18% in FY12.
- Demand for wheel loaders**
The demand for wheel loaders in the 1st half of FY12 increased by 33% year-on-year, and is expected to grow by 13% in FY12.

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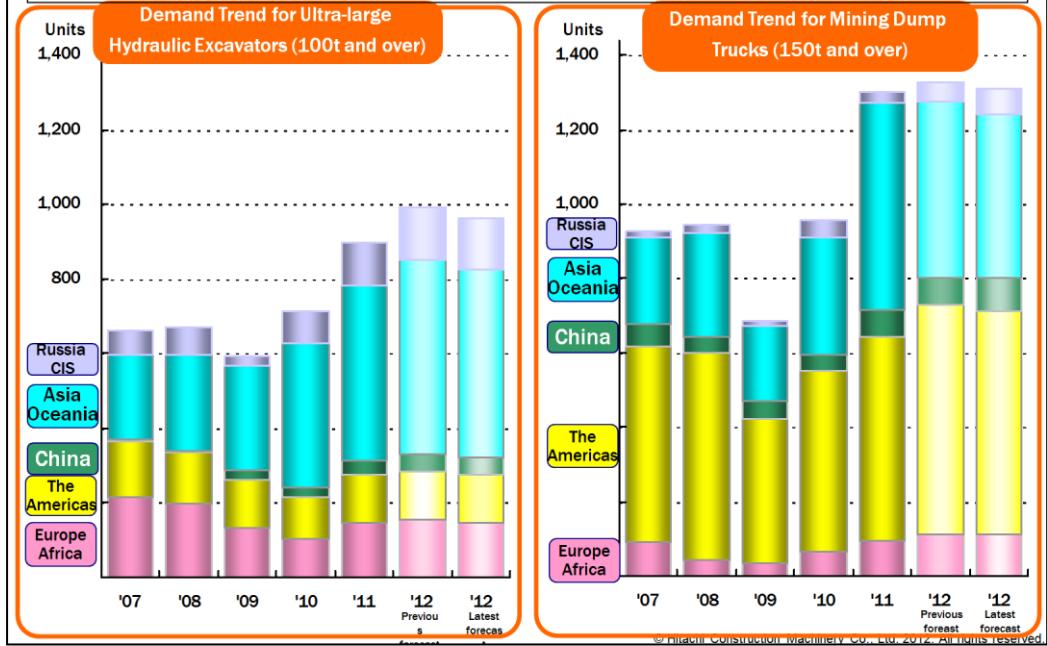
<Mining Machinery>

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Although demands declined in Indonesia and Australia due to coal price drop, those in other emerging nations continued robust



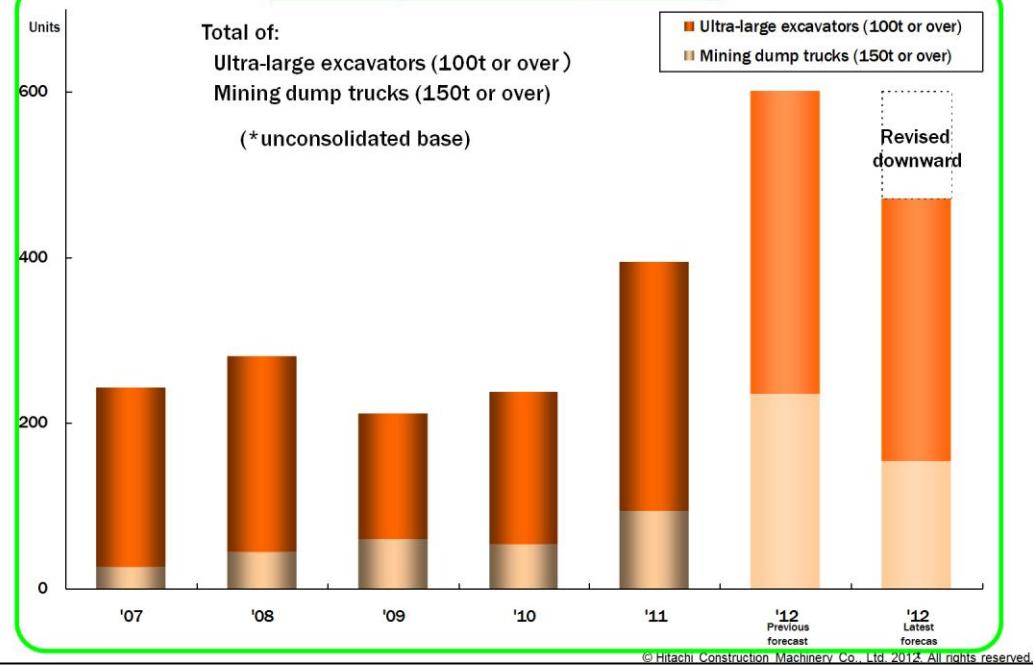
- Although demand for mining machinery dropped in some regions, we flexibly responded to the situation by reallocating products to other brisk demand markets. The demand after FY12 is expected to be steady in the long term.
- The demand for ultra-large hydraulic excavators in FY12 is expected to be 7% increase year-on-year.
- The demand for mining trucks in FY12 is expected to be 0% growth year-on-year.

Mining Machinery: Shipment Trend

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Trend of Shipments of Mining Machinery



- The prospective sales volume of mining machinery by HCM is revised down by over 100 units from the first quarter, due to deferred order receipt.

Mining Topics

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Minexpo 2012



World's biggest every-four-year exhibition of mining machinery was held Sep.24 -26 2012 in Las Vegas

<Exhibited machinery>

Ultra-large hydraulic excavator EX5600-6
Rigid dump truck EH4000ACII
Rigid dump truck EH5000AC-3 (new model)

Largest-ever, with about 50,000 visitors and 1,800 companies and organizations presented



EH5000AC-3, SkyAngle (Omni-directional security check support device)



<EH5000AC-3>
(to be launched in March 2013)
Japan's largest class 300t truck, equipped with latest AC drive by Hitachi and advanced vehicle body control system

First time shown to public at Minexpo



<SkyAngle>
Monitor at driver's seat displays bird's eye view

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- HCM participated in Minexpo, world's biggest mining machinery exhibition held every-four-year. We presented an ultra-large hydraulic excavators of EX5600-6, rigid dump trucks of EH4000ACII and EH5000AC-3 which is to be launched in March 2013.
- EH5000AC-3 features cutting-edge AC drive and advanced vehicle body control function manufactured by Hitachi. It also allows for high visibility of surroundings for better safety and higher work efficiency, by displaying multi-angle view in a monitor equipped next to driver's seat.

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END

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