

2012-4-25

Regional Market Environments and Projections



Hitachi Construction Machinery Co., Ltd.

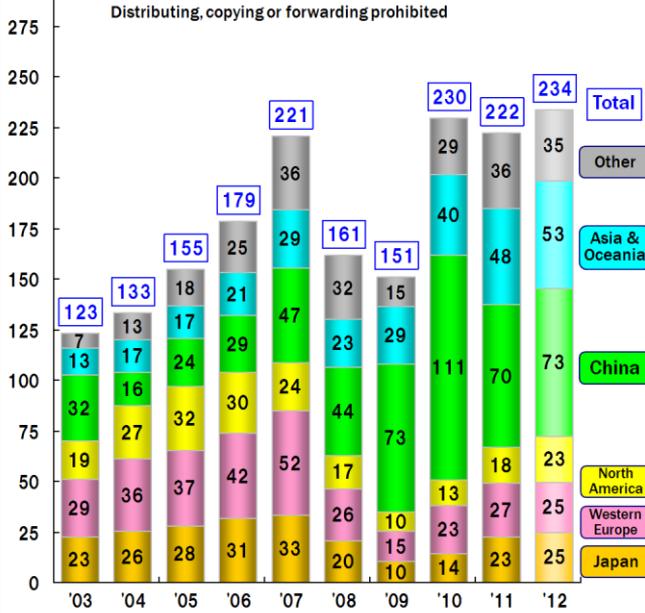
Vice President and Executive Officer

Mitsuhiro Tabei

Global Demand Trend for Hydraulic Excavator

HITACHI

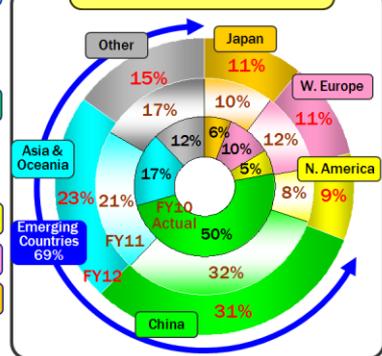
Thousand units * Exclude Chinese manufactures
* Source: HCM

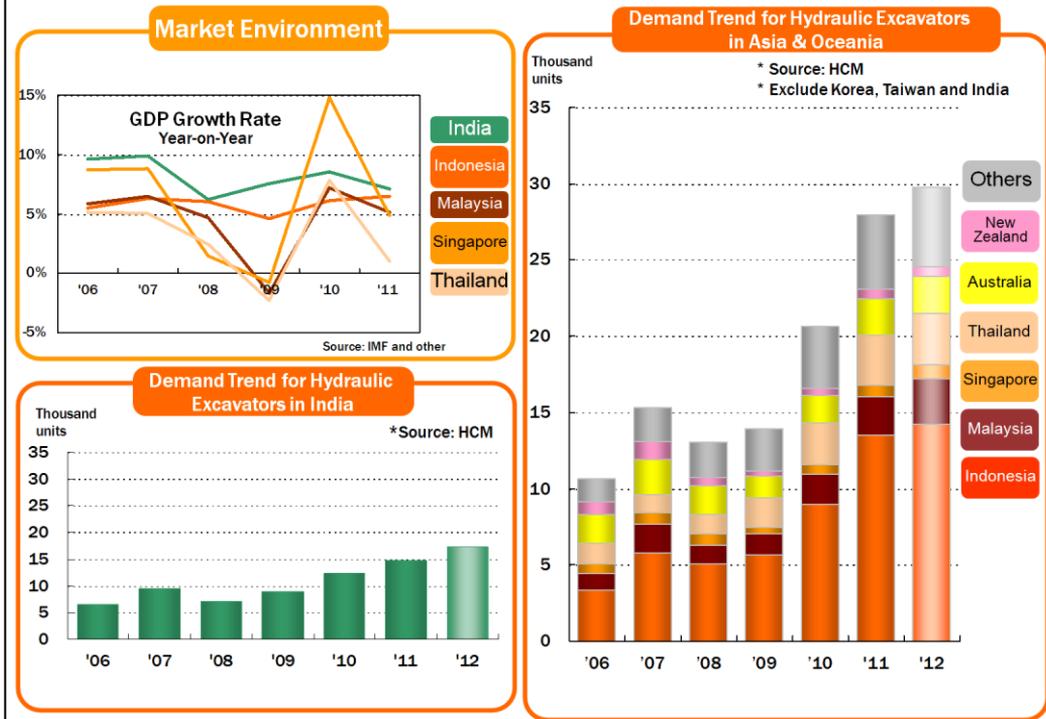


Year-on-year Change

	'10	'11	'12
Japan	+39%	+58%	+8%
W Europe	+57%	+13%	-5%
N America	+32%	+41%	+27%
China	+53%	-37%	+4%
Asia&Oceania	+38%	+20%	+12%
Others	+90%	+32%	-5%
Total	52%	-3%	+5%

Compositions by Regions





● Apart from Thailand which has been hit by devastating floods, the economic conditions in Asia remained strong. The mining market in Indonesia, in particular, continued to strengthen.

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

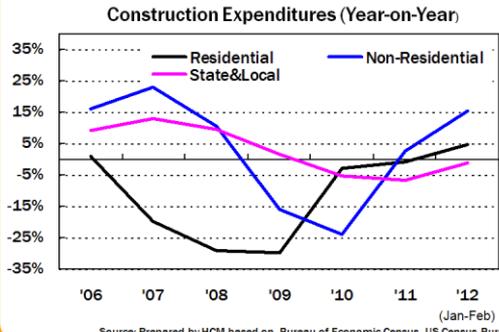
Demand in FY2011 increased 33% from the previous fiscal year and is expected to grow by 6% in FY2012.

● The demand for hydraulic excavators in India increased 20% in FY2011 and is expected to grow by 17% in FY2012.

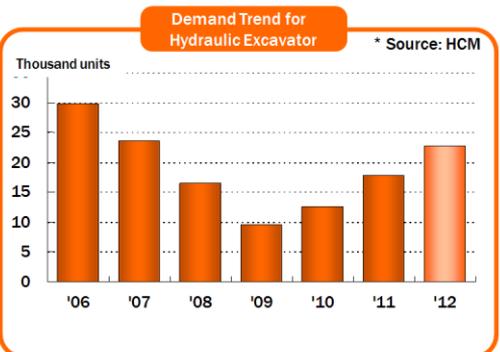
Market Environment



Source: Prepared by HCM based on Bureau of Economic Census, US Census Bureau



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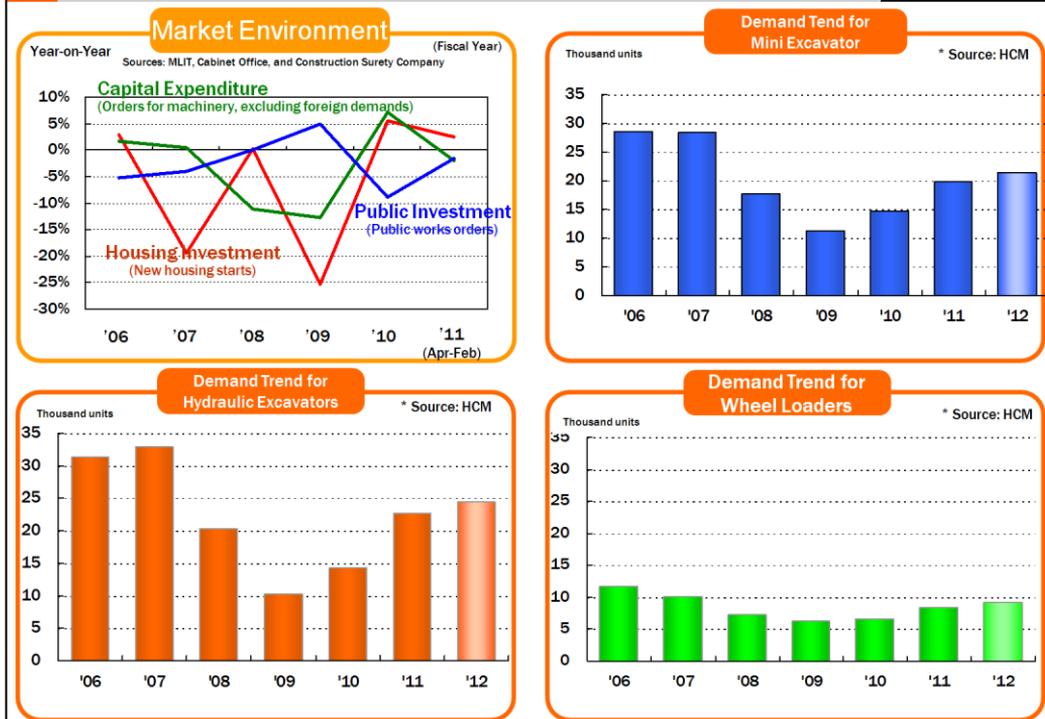


* Source: HCM



* Source: HCM

- The GDP growth rate has remained about the same level since 2010. The new housing starts have increased in the recent period though they are increasing slowly.
- Construction expenditures are recovering in the recent period. Residential, Non-residential and State&Local all exceeded those of the previous fiscal year.
- The demand for hydraulic excavators in FY2011 increased 41% year-on-year and is expected to increase by 27% in FY2012.
- The demand for mini excavators in FY2011 increased 41% year-on-year and is expected to increase by 20% for FY2012.



- The Japanese economy is slowly recovering in the recent period, thanks to the demand for the recovery from the earthquake, especially public investments, although it is still severe due to the influence of the prolonged appreciation of the yen and other factors.
- The demand for hydraulic excavators in FY2011 increased 58% year-on-year and is expected to increase by 8% in FY2012.
- The demand for mini excavators in FY2011 increased 36% year-on-year and is expected to increase by 8% in FY2012.
- The demand for wheel loaders in FY2011 increased 27% year-on-year and is expected to increase by 9% in FY2012.

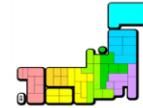
Want to buy, want to rent, want to repair

Hitachi Construction Machinery Japan Co.,Ltd. satisfies all of needs from customers

Network Coverage

237 servicing hubs cover Japan from north to south

8 branch offices, 28 branch stores, 2,338 employees



One Stop Solution

Customers don't have to visit several shops because the new company offers "One-Stop Solution"

Sales, rental, maintenance and repair services for necessary equipment in one place



Variety of Items

The hubs covers a wide variety of items needed by customers

108,000 rental items on sale and for repair



Benefit Point System

Offers Benefits through points system

Offers points per transaction. Customers can earn double/triple points if customers buy, rent or repair services at the same time.

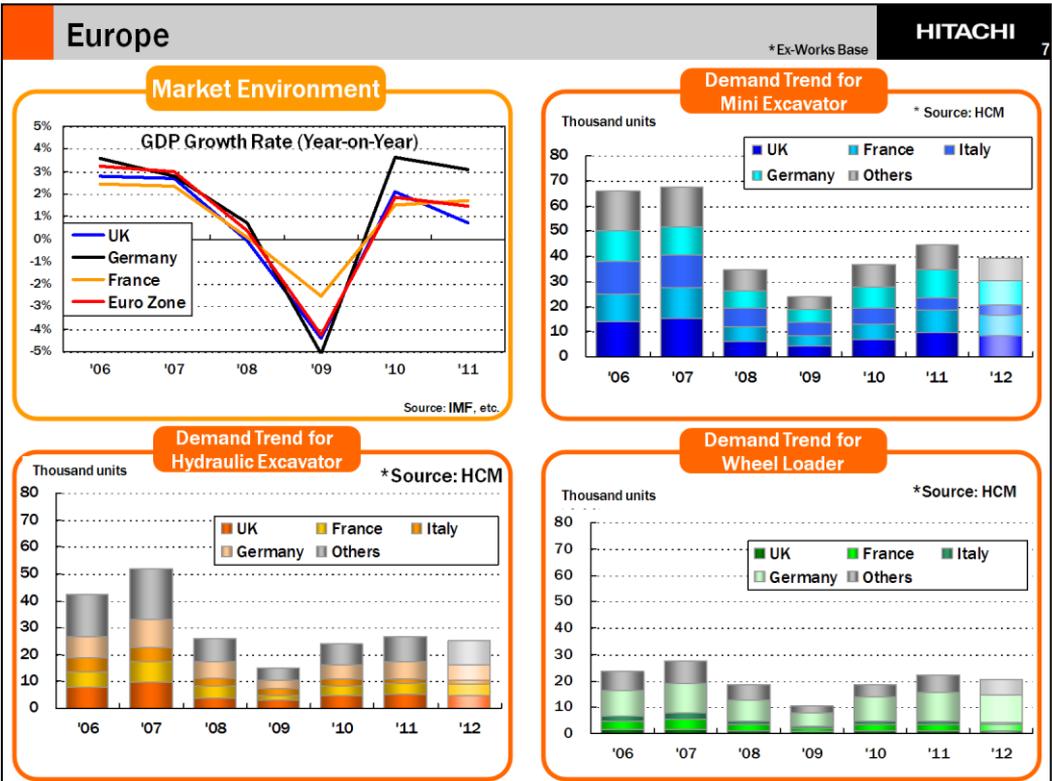
Points can be exchanged by parts, items, gift cards, etc.

First time in the industry !

● We established "Hitachi Construction Machinery Japan Co., Ltd." this April in order to meet customers' needs of "Want to Buy, Want to Rent and Want to repair".

● The new company provides following 4 strategic strength.

- 1) "Network Coverage": Our 237 bases cover the entire area of Japan.
- 2) "One Stop Solution": The new company offers "One Stop Solution". Customers don't have to visit several shops in order to satisfy their needs any more.
- 3) "Variety of Items": We offer all pieces of equipment needed at the site.
- 4) "Benefit Point System": We have introduced the point system. No other companies in the industry have introduced this system.



- European economies still cannot eliminate downside risks due to the credit crunch although some of European economies are recovering.

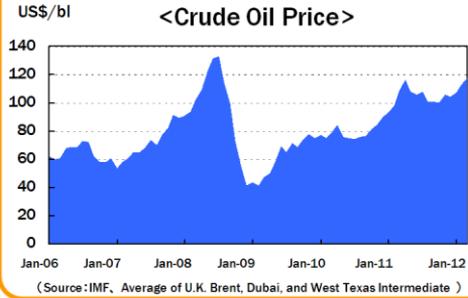
- The regional disparity in terms of construction machinery demand is widening. The demand is solid in the United Kingdom, Germany, France and northern Europe while Italy and Spain is stagnant.

- The demand for hydraulic excavators in FY2011 increased 13% year-on-year and is expected to decrease by 5% in FY2012.

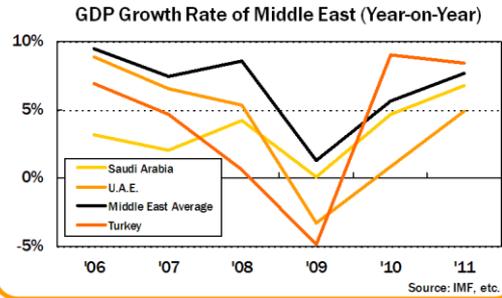
- The demand for mini excavators in FY2011 increased 21% year-on-year and is expected to decrease by 12% in FY2012.

- The demand for wheel loaders in FY2011 increased 19% year-on-year and is expected to decrease by 6% in FY2012.

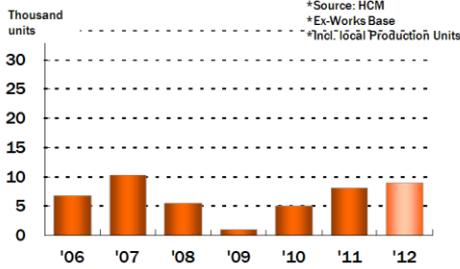
Market Environment



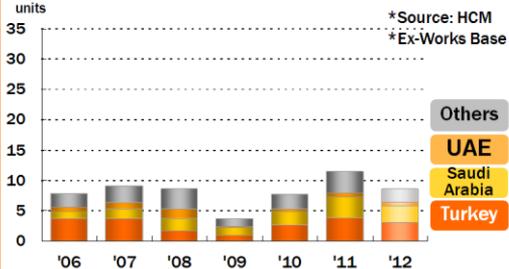
Market Environment



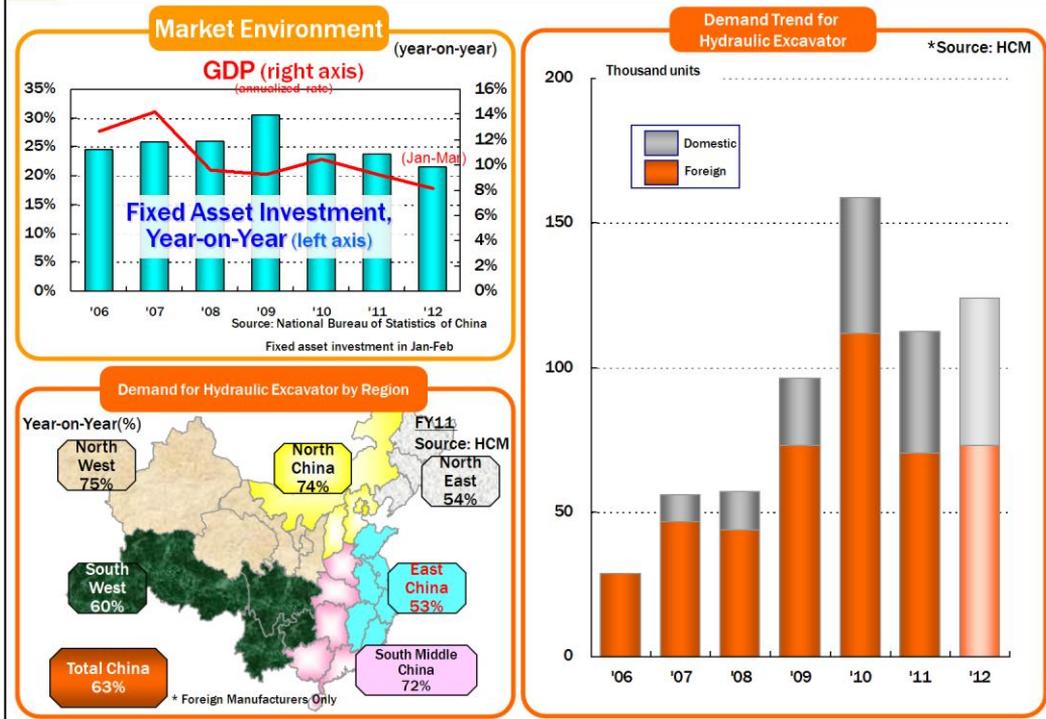
Demand Trend for Hydraulic Excavator for Russia



Demand Trend for Hydraulic Excavator for Middle East



- Crude oil prices are increasing to the level before the Lehman Shock. The GDP growth rate of Middle Eastern countries is expected to decline in FY2012.
- The demand for hydraulic excavators in Russia in FY2011 increased 62% year-on-year and is expected to increase by 10% in FY2012.
- In the Middle Eastern market, the demand in FY2011 increased 47% year-on-year and is expected to decrease by 25% in FY2012.



● In China, government's tight financial policy continued and there were delays in the implementation of new constructions. the GDP growth rate slowed down for five straight quarters. The rate was 9.2% in CY 2011 and 8.1% in the most recent quarter (January to March, 2012).

● The demand for hydraulic excavators (manufactured by foreign companies) decreased 37% year-on-year in FY2011. The decrease was especially significant in the urban areas such as East China.

● The demand (for products manufactured by foreign companies) is expected to increase 4% in FY2012 from that of the previous year.

New Model **ZAXIS-5** is Globally introduced



ZAXIS-5 exhibited at Intermat held in Paris on April 16 - 21

- The model varies by regions
US/Europe: Model with fuel efficient engines
suitable for highly regulated areas
Emerging counties: Durable and Easy maintenance model
- Manufactured at globally-networked 6 factories.

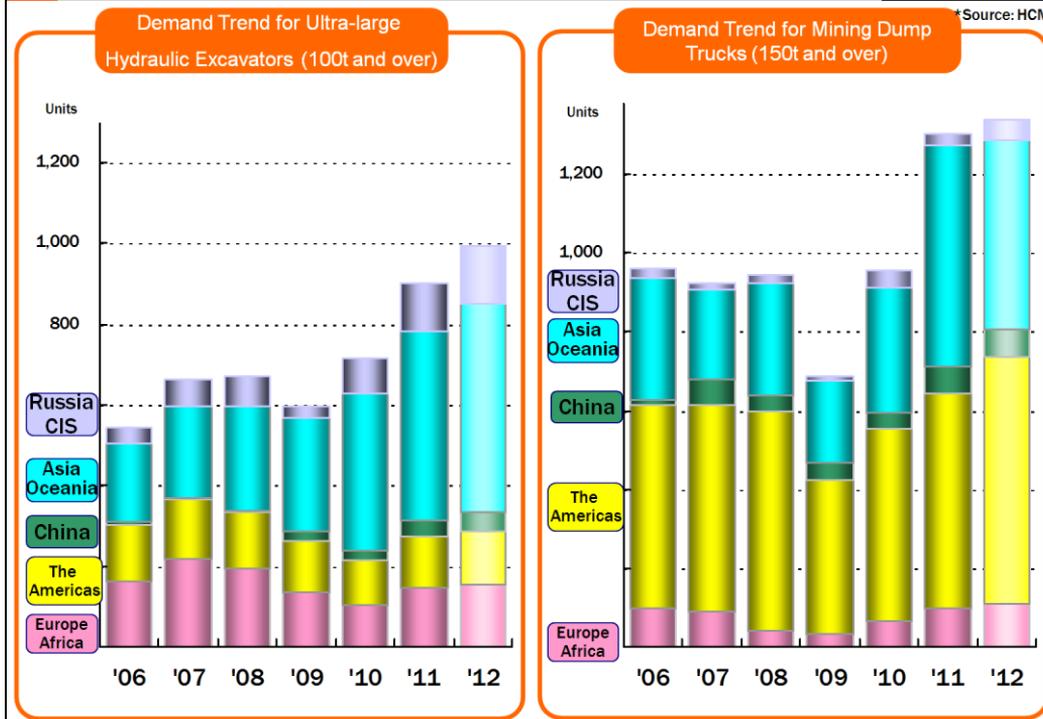


● ZAXIS-5, a new model of hydraulic excavator, was released globally for the first time in six years.

● Development concept of new model was “high durability”, “high quality”, and “lower running cost”.

● For environmentally regulated areas in the developed countries, we introduce fuel efficient, low emission model while we introduce machines which prioritized durability and easy maintenance so as to meet hard environment in the emerging countries.

● This model will be manufactured at six factories in Japan, China, U.S., Europe, Indonesia, and India using common parts.



● In FY 2011, not only the existing markets (the Americas, Australia, Indonesia and Southern Africa), the demand increased in emerging markets including China and Russia/CIS. It is also expected to increase in FY 2012 and onward.

● The demand for ultra-large hydraulic excavators in FY2012 is expected to increase 10% from that of the previous year.

● The demand for mining dump trucks in FY 2012 is expected to increase 2% from that of the previous year.

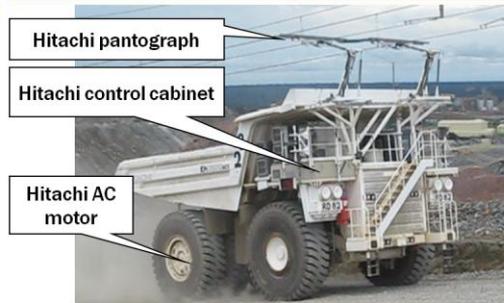
Remanufacturing factory started operation in Zambia



Name : Hitachi Construction Machinery Zambia Co., Ltd. (HCMZ)
 Location: Lusaka in Zambia (capital)
 Established: October, 2010
 Site area: 20,000 m²
 Invested amount: approx. 1.5 million

Zambia remanufacturing factory positioned as one of the largest bases in central Africa

AC truck with trolley, EH3500ACII (made in Japan) started operating in Zambia (copper mine)



Peripheral equipment for trolley designed and manufactured by Hitachi group
 Climbing speed under load: approx. twice as fast as engine only

● A parts remanufacturing factory for mining sector was established in Lusaka, the capital of Zambia in central Africa. The site area is 20,000 m² and the investment amounts to approx. 1.5 billion yen. The construction of the factory was completed in January and the operation started recently.

● A large number of our ultra-large machines are operated at coal mines in neighboring Mozambique. This factory will be positioned as a supply base for key components for mining machinery in future.

● The EH3500ACII, an AC truck with trolley manufactured in Japan started operation at copper mine in Zambia.

● The pantograph, control cabinet, and AC monitor for EH3500ACII trolley were designed and manufactured by Hitachi group companies.

The climbing speed under load is twice as fast as the engine only. Fuel efficiency is much better than that of the previous model.

We acknowledge the fact that we are subsidiary of Hitachi Electronics is our strength. We will continue to develop attractive products utilizing our strength.

● We are actively expanding our business in Africa as mentioned above.

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