

2011-10-25

Regional Market Environments and Projections



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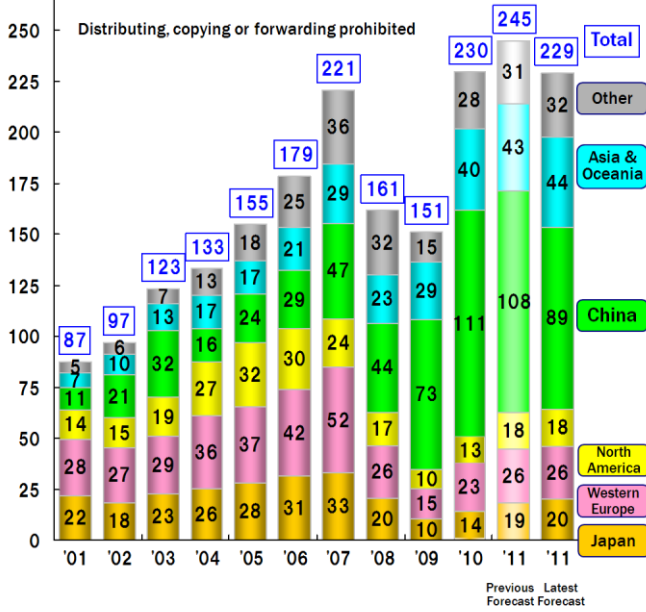
Global Demand Trend for Hydraulic Excavator

HITACHI

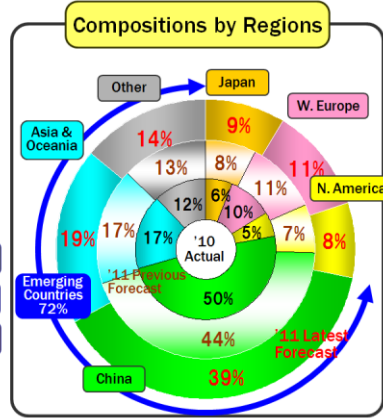
Thousand unit
300

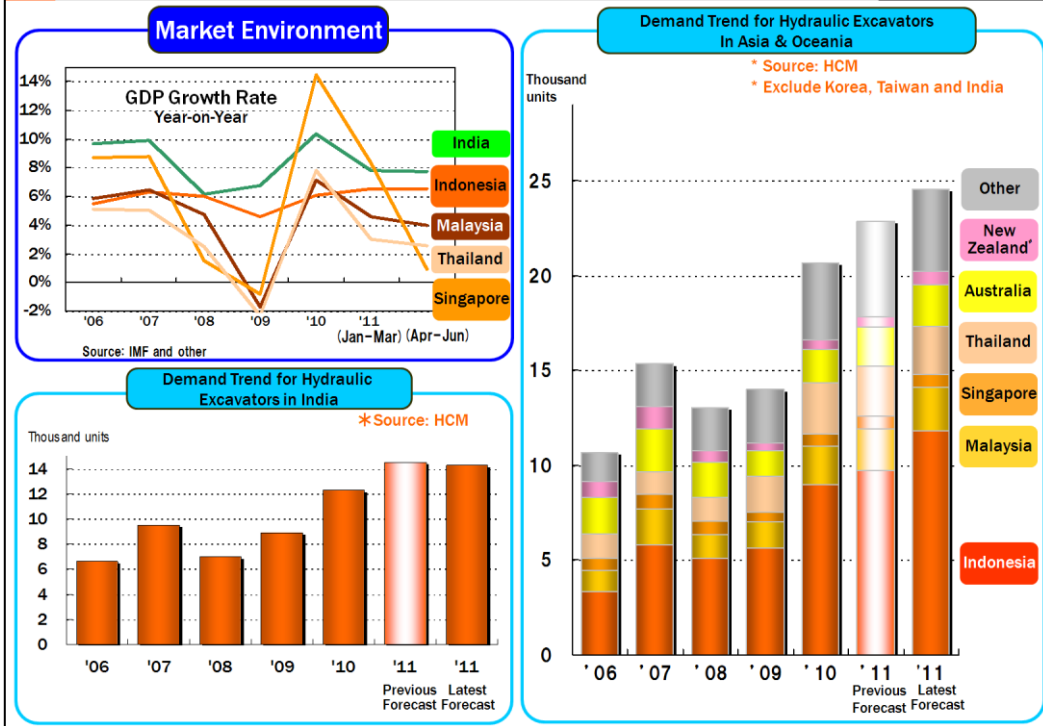
* Exclude Chinese manufactures
* Source: HCM

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	10 Actual	11 Latest Forecast	11 Previous Forecast
Japan	+39%	+40%	+30%
W. Europe	+57%	+11%	+11%
N. America	+32%	+46%	+44%
China	+53%	-20%	-3%
Asia & Oceania	+38%	+11%	+8%
Other	+90%	+13%	+10%
Total	+52%	-0%	+7%





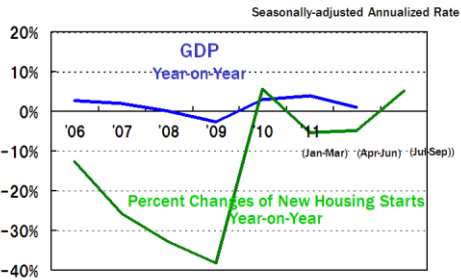
● The GDP growth rate is expected to remain high in both India and Indonesia, major markets in the region.

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

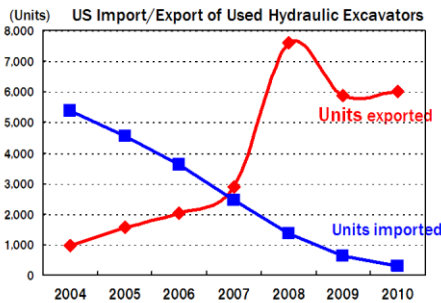
Demand in the 1st half of FY2011 increased 31% from the same period of the previous year and is expected to grow by 17% for the whole of FY 2011.

● The demand for hydraulic excavators in India increased 30% in the 1st half of FY2011 and is expected to grow by 16% for the whole of FY 2011.

Market Environment

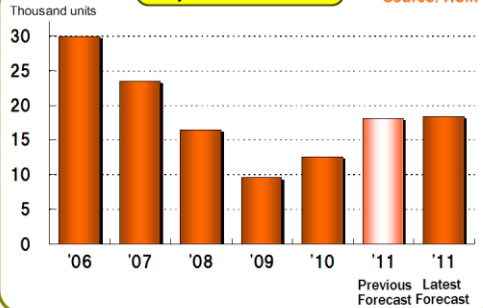


Source: Prepared by HCM based on Bureau of Economic Census, US Census Bureau



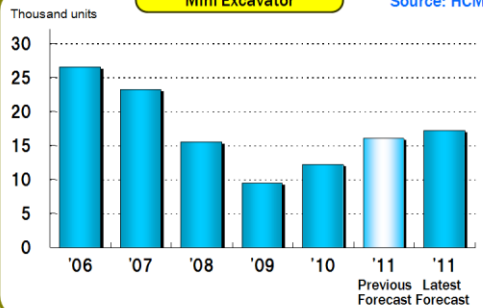
Source: Prepared by HCM based on U.S. Department of Commerce, Bureau of Census

Demand Trend for Hydraulic Excavator



* Source: HCM

Demand Trend for Mini Excavator



* Source: HCM

- The GDP has been fluctuating from -2.5% to +2.8% since 2010. The new housing starts slowed from late FY2010 although they increased in the latest period year-on-year.
- The U.S. export of used hydraulic excavators has significantly exceeded its import since 2007, leaving the number of units in operation in the U.S. decreasing. In line with the rise in the rate of operation, rental companies increased and renewed their assets. As a result, the demand for hydraulic excavators is rising.
- The demand for hydraulic excavators is expected to increase 47% year-on-year in the 1st half of FY2011 and 46% for the whole of FY 2011.
- The demand for mini excavators increased by 35% year-on-year in the 1st half of FY2011 and 40% for the whole of FY 2011.

Joint Venture Founded in Brazil

Company name : Deere-Hitachi Máquinas de Construção do Brasil S.A.
 Founded : October 2011
 Area of the premises : 200,000m²
 Capital : USD 50 million (Approx. 4 billion yen)
 Production to start : Around July 2013
 Production capacity: Approx. 2,000 units/year of hydraulic excavators

Advantages of Partnership with John Deere

- Establishment of a full-line supply structure for construction machinery with risks shared through the joint venture
- Utilization of the presence of the farm machinery division of John Deere in Brazil
- Utilization of the financial subsidiary of John Deere: Banco John Deere S.A
- Utilization of John Deere's farm machine dealers and procurement network

Demand Trend for Hydraulic Excavators in Brazil



Location: Indaituba, Sao Paolo, Brazil

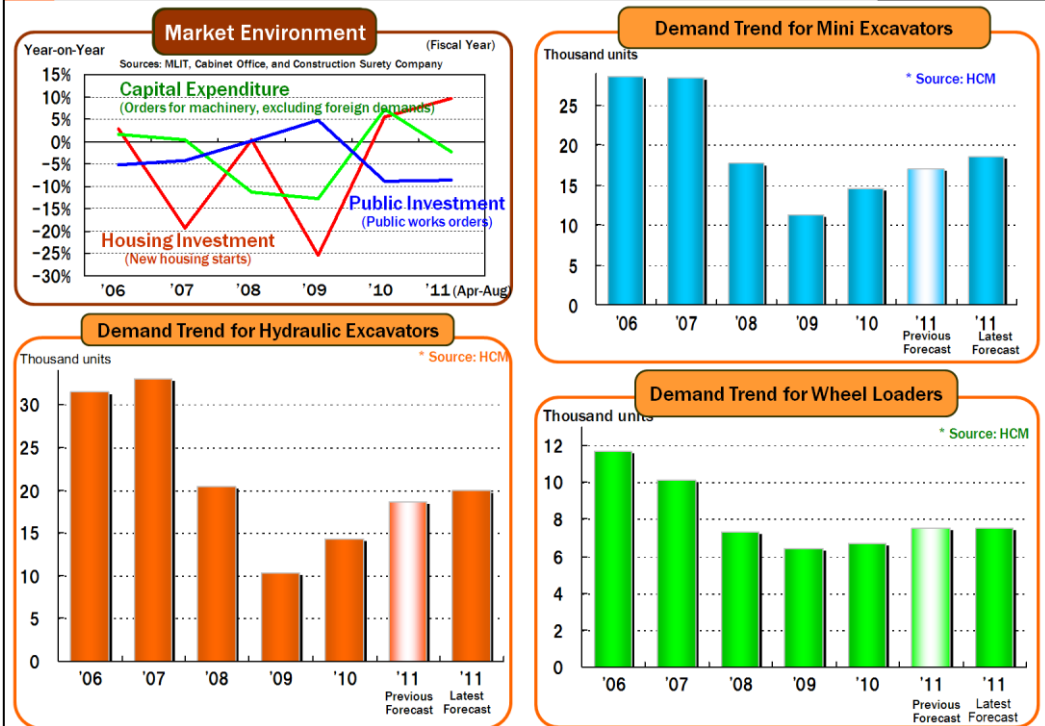


● For full-scale entry into the Brazilian market where the demand for construction machinery is rapidly growing, we found a joint venture with John Deere for sales and production. HCM provides technology for hydraulic excavators while the joint venture conducts production locally. Marketing will be conducted by John Deere which has a solid, locally established foundation for farm machinery.

● Two major advantages are:

- Establishment of a full-line supply structure for construction machinery with risks shared through the joint venture; and
- Utilization of the presence, dealers, financial subsidiary and procurement network of John Deere

● The demand for hydraulic excavators is expected to increase 38% in FY2011 from the same period of the previous year and reach 9,600 units in FY2015.

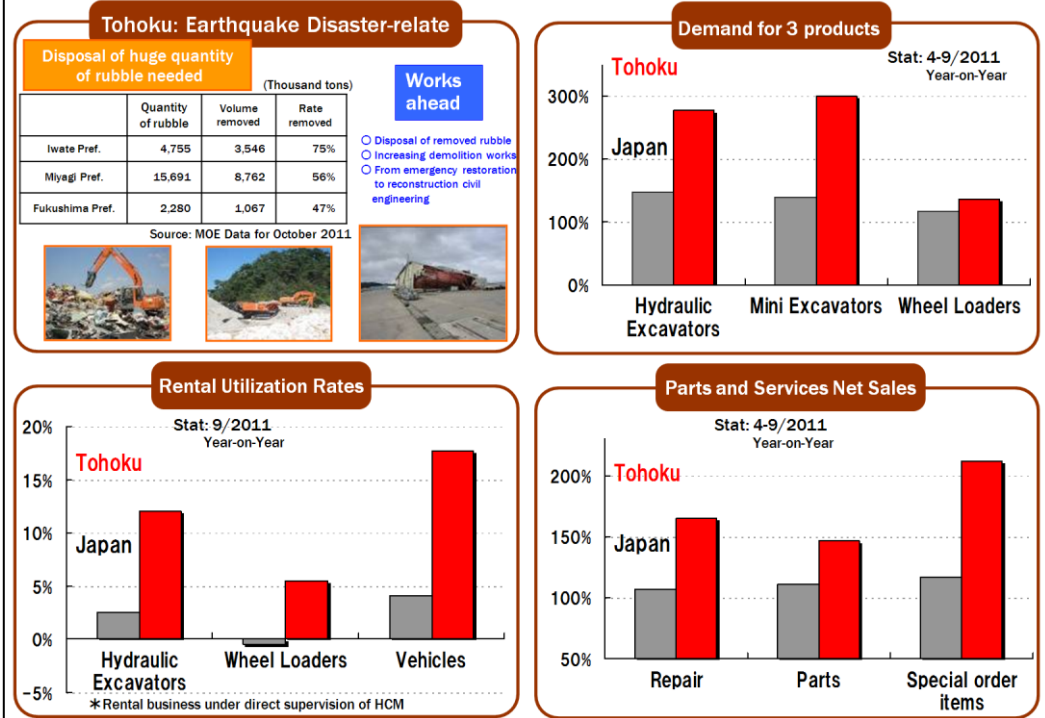


● Concerning market conditions, public investment was sluggish until July but increased year-on-year from August, and it is expected to further increase with the supplementary budget for earthquake disaster reconstruction. Housing investment has also increased from the previous year.

● The demand for hydraulic excavators in the 1st half of FY 2011 increased 48% year-on-year and is expected to increase 40% for the whole of FY 2011.

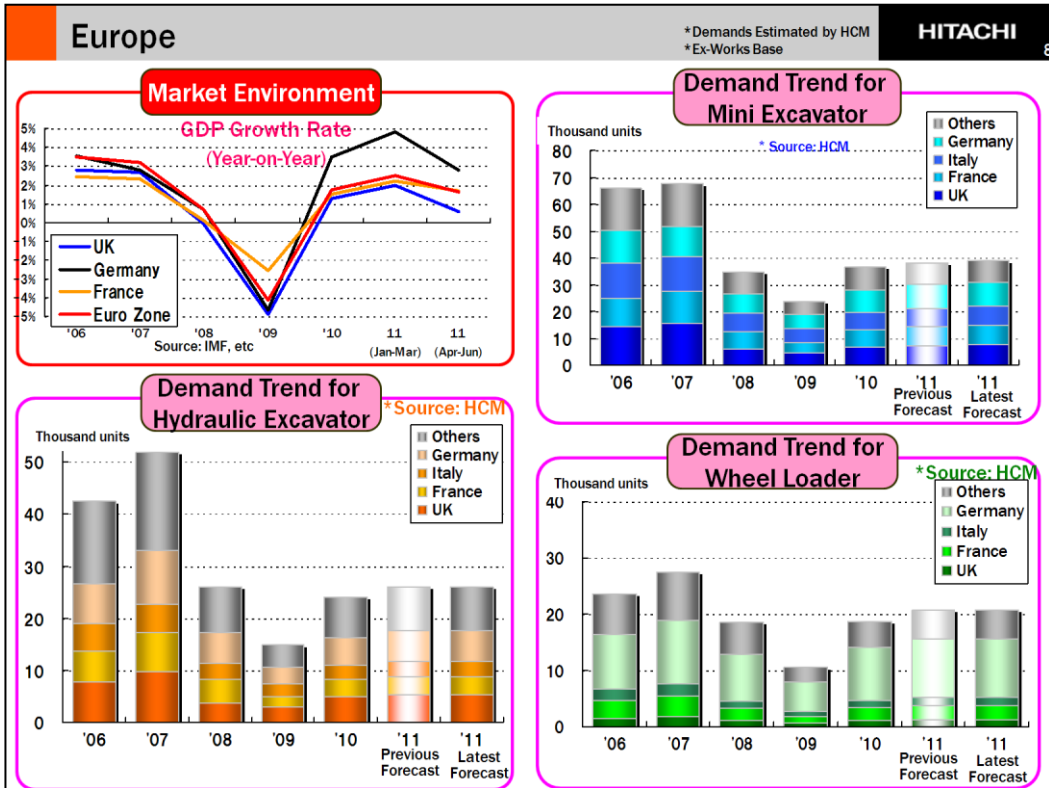
● The demand for mini excavators in the 1st half of FY 2011 increased 40% year-on-year and is expected to increase 27% for the whole of FY 2011.

● The demand for wheel loaders increased 17% in the 1st half of FY 2011 and is expected to increase 12% for the whole of FY 2011.



● Only 50 to 70% of the wreckage of the houses and buildings that collapsed as a result of tsunami and earthquake has been removed and transported to the temporary rubble yards, and the work to carry them into the yard using hydraulic excavators etc. is continuing. In future, operations such as the disposal of the rubble removed and transported to the temporary rubble yards and the demolition of houses and buildings are expected to increase, and full-scale civil engineering work for reconstruction will be conducted.

● The demand for hydraulic excavators, mini excavators and wheel loaders as well as the rental utilization rate and the sales of services between April and September cumulatively increased year-on-year especially in Tohoku region.

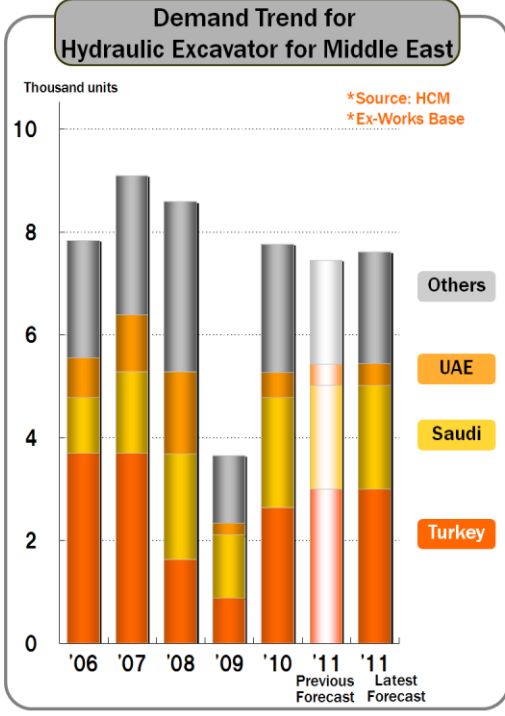
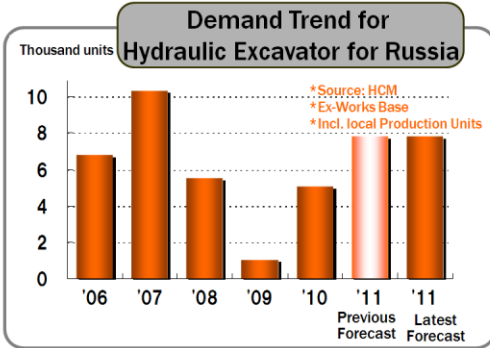
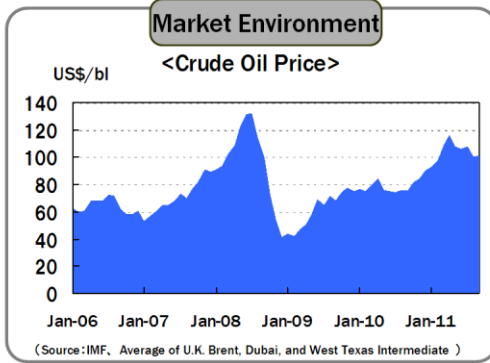


- The market conditions are sluggish in countries facing fiscal crises (Greece, Spain and Portugal). In major countries including Germany, France and the UK, too, the economic recovery has slowed down.

- The demand for hydraulic excavators in the 1st Half of FY 2011 has been solid and increased 12% year-on-year and is expected to increase 11% for the whole of FY 2011.

- The demand for mini excavators increased 15% year-on-year in the 1st half of FY 2011 and is expected to increase 7% for the whole of FY 2011.

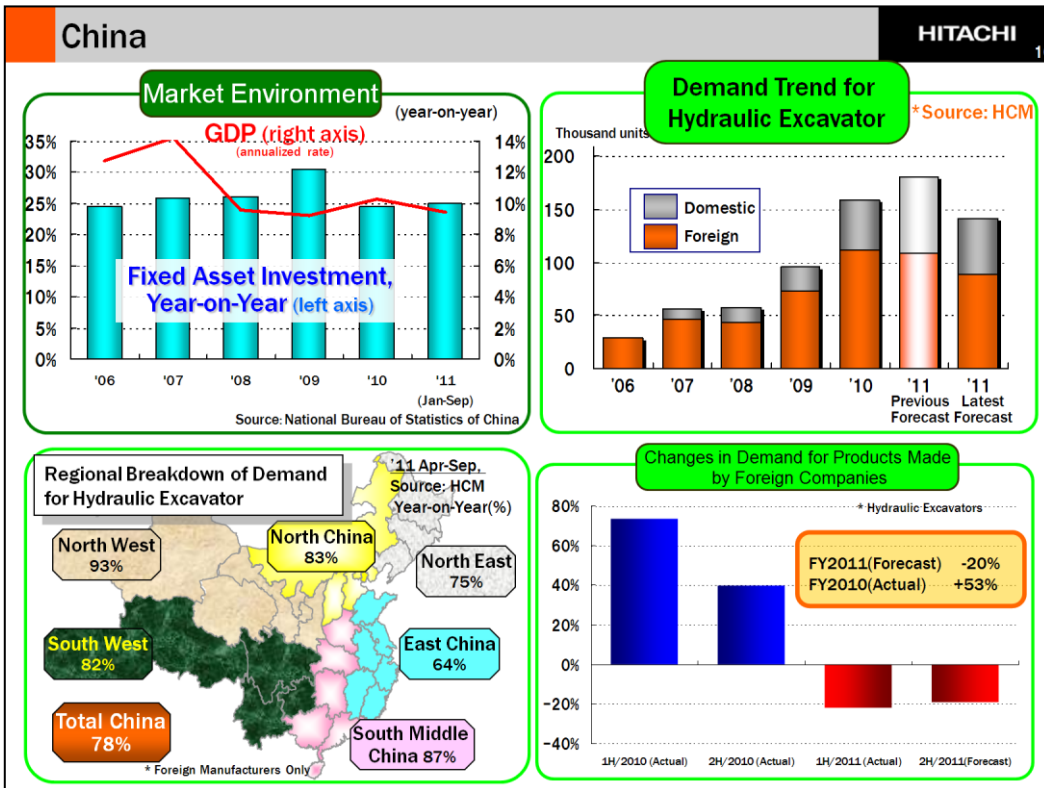
- The demand for wheel loaders increased 28% year-on-year in the 1st half of FY 2011 and is expected to increase 11% for the whole of FY 2011.



● Concerning market conditions, crude oil prices slumped, affected by the global economic slowdown, and remain uncertain in the latest market.

● The demand for hydraulic excavators in Russia continued to be strong and increased 80% year-on-year in the 1st half of FY 2011 and is expected to increase 55% for the whole of FY 2011.

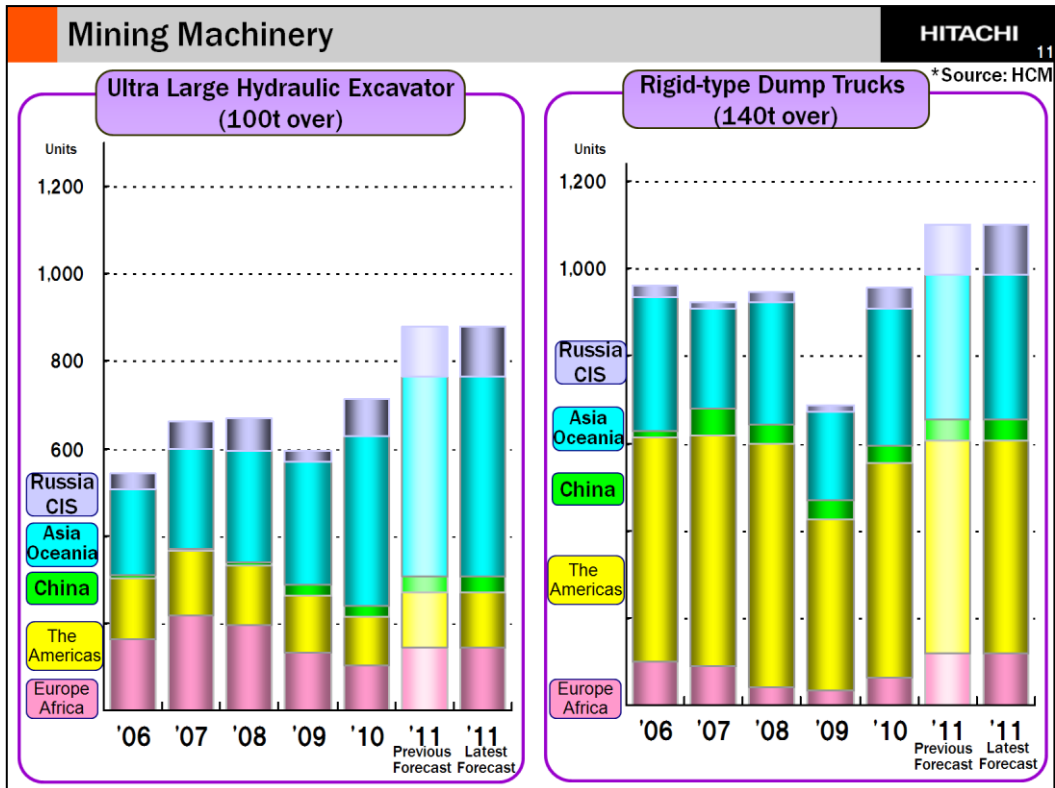
● The markets of the Middle East are expected to remain at roughly the same levels as those of the previous year.



● Concerning the market conditions in China, given the effects of the government measures against inflation such as the increased bank reserve deposit rates and interest rates, the GDP growth rate between January and September was 9.4%, with its rate of increase reduced in three consecutive quarters.

● The demand for hydraulic excavators (manufactured by foreign companies) decreased 22% year-on-year in the 1st half of FY 2011. The demand decrease was especially significant in the coastal areas in East China and North East.

● The demand generally is expected to recover to a certain extent from Spring 2012 while the demand for FY 2011 is expected to decrease 20% from that of the previous year.

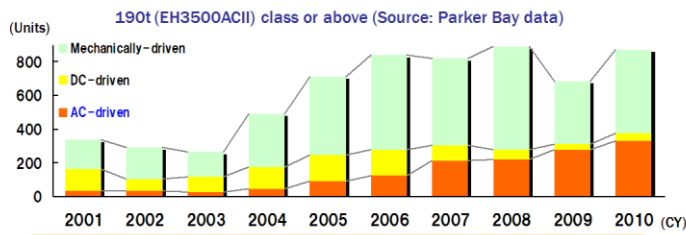


- In FY 2011, the demand is expected to increase in emerging markets including China and Russia/CIS, in addition to the existing markets (the Americas, Australia, Indonesia and Southern Africa).

- The demand for ultra-large hydraulic excavators for FY 2011 is expected to increase 23% from that of the previous year.

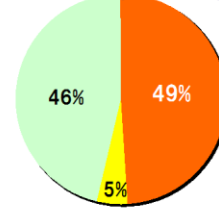
- The demand for mining dump trucks for FY 2011 is expected to increase 15% from that of the previous year.

■ Changes in demand for electrically (AC/DC)-driven and mechanically-driven dump trucks

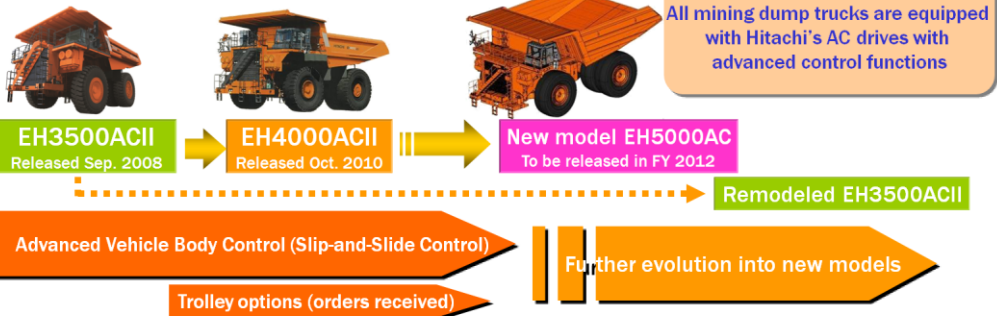


The demand for mining dump trucks has shifted from Mechanically-driven to AC-electrically-driven.

(Jan to Sep 2011)
Ratios of electrically (AC/DC) driven and mechanically driven dump trucks



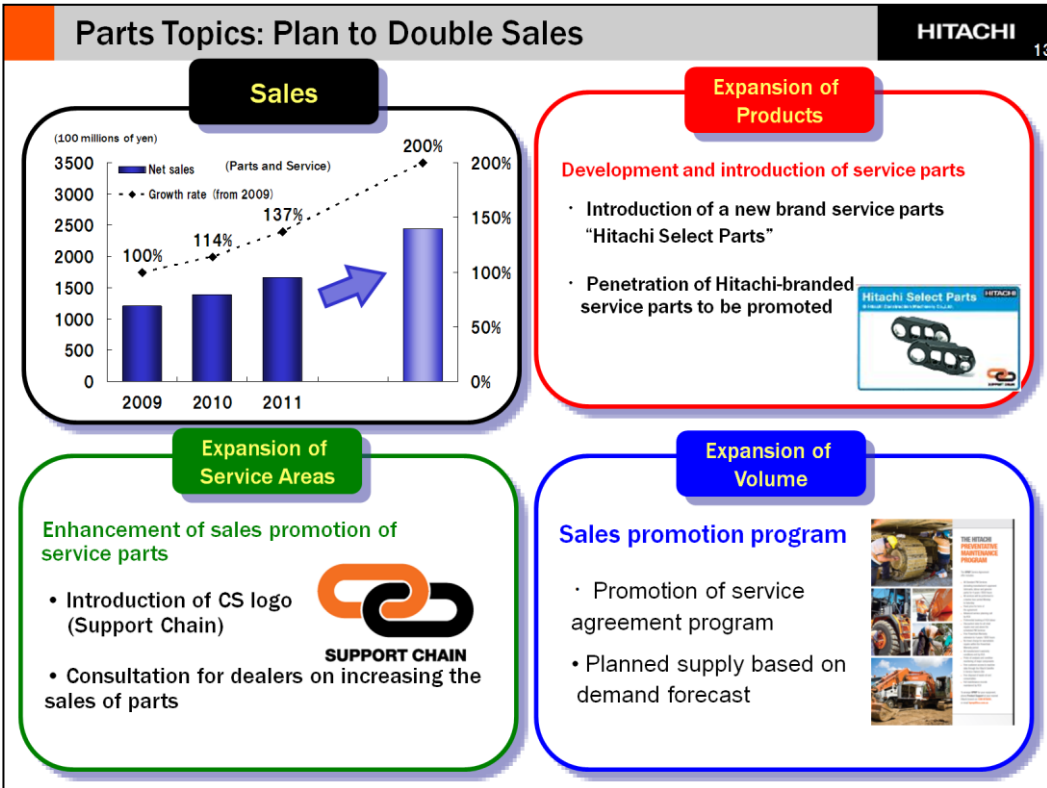
■ Evolution of Hitachi's AC-driven Dump Trucks



● The demand for dump trucks equipped with AC drives, which have superiority in maintenance etc. to mechanically-operated and DC-driven trucks, has been increasing each year and constituted about half of the total demand between January and September 2011.

● Following the release of EH3500/4000ACII, HCM will release EH5000ACII in FY 2012, mining dump trucks in every class equipped with AC drives made by Hitachi.

● These products -equipped with functions unique to AC -driven dump trucks such as the slip-and-slide control function which prevents sideslips and trolley options- are highly appreciated by clients.



● The net sales for parts in FY 2011 is expected to increase 37% from the previous year. Various measures are being taken aiming to double the net sales.

● Expansion of products:

With the introduction of a new brand service parts "Hitachi Select Parts," the penetration of the Hitachi brand throughout service parts will be promoted.

● Expansion of service areas:

To enhance sales promotion, a logo to be used for customer service activities is introduced, and consultation for dealers on enhancing the sale of parts is conducted.

● Expansion of volume:

The service agreement program is implemented in which, with the demand forecast based on the machine operation information, the planned supply and proposal-based sales of parts are conducted.

END



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