

HCM to Construct New Plant for Hydraulic Components

September 1, 2006

Hitachi Construction Machinery Co., Ltd.

Hitachi Construction Machinery Co., Ltd. (HCM) announced today that the company has decided to construct a new plant for hydraulic components as detailed below.

1. Background of new plant construction

HCM expanded production capacity for hydraulic components at the Kasumigaura Works in order to meet demand at bases around the world. However, since HCM cannot currently keep up with the rapid rise in demand, management decided to begin construction of a new components plant in line with an urgent need for one and given the fact that sales have been capped at existing supply levels.

2. Outline of new plant

(1) Planned construction site

Hitachinaka Industrial Site: **218,000 m²**

Location: Shinkou machi, Hitachinaka city, Ibaraki, Japan

Breakdown of Hitachinaka Industrial Site Hitachi, Ltd. property: 148,000 m²

Ibaraki Prefectural property : 70,000 m²

Plans call for entering into lease agreements with Hitachi, Ltd. and Ibaraki Prefecture, respectively, with the option to purchase the properties mentioned above in the future. Timelines, leasing fees and other details of the lease agreements will be announced at a later time.

(2) Plant area : **24,000 m²**

(3) Product lineup

Hydraulic components for 7 ~ 800 metric ton class excavators

Components for wheel loaders

Components for mining dump trucks, mini-excavators and other products, as well as all HCM Group products

(4) Annual production capacity for Phase 1

Hydraulic excavator components: **48,000 units/year** (Total number of units)

Wheel loader and wheel excavator components: **6,500 units/year**

(5) Number of employees

Approx. 100 (as of August 2007)

3. Planned investment amount (excluding land rental costs)

(1) Building and infrastructure Approx. 4 billion yen

(2) Production facility Approx. 10 billion yen

Total Approx. **14 billion yen**

4. Annual production capacity for Phase 2

(1) Hydraulic excavator components : **54,000 units/year** (Total number of units)

(2) Wheel loader and wheel excavator components: **13,000 units/year**

5. Construction schedule

(1) December 2006 Conclusion of lease agreement

(2) January 2007 Start of construction

(3) August 2007 **Start of production**