

Hitachi Construction Machinery Co., Ltd.

Financial Results for the Year Ended

March 31, 2009

Consolidated Financial Results for the Year Ended March 31, 2009

April 27, 2009

Listed company: Hitachi Construction Machinery Co., Ltd. (HCM)

Stock exchange: Tokyo, Osaka (first section) Code number: 6305

URL <http://www.hitachi-c-m.com/>

Representative: Michijiro Kikawa, President and Chief Executive Officer

Scheduled date of regular General Meeting of Shareholders: June 22, 2009

Scheduled date of commencement of payment of dividends: May 22, 2009

Scheduled date for submission of Securities Report: June 23, 2009

U.S. Accounting Standards are not applied.

1. Consolidated results for the year ended March 2009 (April 1, 2008 to March 31, 2009)

(1) Consolidated results

(Rounded off to the nearest million)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2009	744,167	(20.9)	48,836	(55.0)	47,805	(52.5)	18,253	(67.4)
March 31, 2008	940,537	24.3	108,458	38.4	100,564	43.6	55,985	53.4

	Net income per share	Net income per share (Diluted)	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
March 31, 2009	85.79	85.72	6.1	5.7	6.6
March 31, 2008	271.00	270.23	22.3	13.5	11.5

Notes:

1) Equity method investment profit

March 2009: ¥147 million

March 2008: ¥3,337 million

2) Percentages indicated for net sales, operating income, ordinary income and net income are increases (decreases) compared with the period of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2009	841,353	331,015	34.9	1,422.54
March 31, 2008	833,096	346,618	37.1	1,446.55

Note:

Total equity at fiscal year-end

March 2009: ¥293,446 million

March 2008: ¥309,359 million

(3) Consolidated cash flows

	Net cash used in operating activities	Net cash used in investing activities	Net cash provided by financial activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2009	(54,825)	(61,624)	90,037	40,104
March 31, 2008	(9,564)	(51,311)	91,692	68,726

2. Dividends status

	Cash dividends per share			Total cash dividends for the fiscal year	Payout ratio (consolidated)	Dividend on equity ratio (consolidated)
	Interim	Year-end	Total cash dividends per share for the fiscal year			
March 31, 2008	Yen 20.00	Yen 22.00	Yen 42.00	Millions of yen 8,986	% 15.5	% 3.5
March 31, 2009	22.00	22.00	44.00	9,244	51.3	3.1
March 31, 2010 (Projection)	5.00	5.00	10.00		30.4	

3. Projected consolidated results for the fiscal year ending March 2010 (April 1, 2009 to March 31, 2010)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2009 (Interim)	285,000	(37.2)	0		(5,500)	
March 31, 2010	620,000	(16.7)	27,000	(44.7)	20,000	(58.2)

	Net income		Net income per share
	Millions of yen	%	Yen
September 30, 2009 (Interim)	(12,000)		(58.17)
March 31, 2010	7,000	(61.7)	33.93

Note:

Percentages indicated for the entire year show changes from the previous fiscal year, and percentages indicated for the interim period show changes from the previous interim period.

4. Others

- (1) Significant changes involving subsidiaries during the fiscal year (changes involving specific subsidiaries accompanying changes in the scope of consolidation): none
- (2) Changes in accounting principles and procedures in the preparation of the Consolidated Financial Statements and changes in presentation methods (changes in principal items that serve as the basis for preparing the Consolidated Financial Statements)
 - [1] Changes accompanying revision of accounting standards Yes
 - [2] Changes other than those in [1] Yes

Note:

For detailed information, please refer to Changes in Important Matters that Form the Basis for Compiling Consolidated Financial Statements on page 24.

- (3) Number of shares issued (common shares)
 - [1] Number of shares issued at fiscal year-end (including treasury shares)

March 2009: 215,115,038	March 2008: 215,115,038
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 - [2] Number of treasury shares at fiscal year-end

March 2009: 8,831,203	March 2008: 1,254,982
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Note:

Please refer to Per Share Information on page 30 for the number of shares used as the basis for calculating net income (consolidated) per share.

(Reference) Summary of Non-consolidated Results

1. Non-consolidated results for the year ended March 2009 (April 1, 2008 to March 31, 2009)

(1) Non-consolidated results

(Rounded off to the nearest million)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2009	398,232	(17.0)	(2,043)		18,796	(57.5)	2,974	(90.4)
March 31, 2008	479,922	16.1	33,971	18.0	44,258	19.8	30,942	16.0

	Net income per share	Net income per share (Diluted)
	Yen	Yen
March 31, 2009	13.98	13.96
March 31, 2008	149.78	149.35

Note:

Percentages indicated for net sales, operating income, ordinary income and net income are increases/ (decreases) compared with the period of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2009	444,910	252,256	56.6	1,219.85
March 31, 2008	482,309	267,942	55.5	1,251.36

Note:

Total equity at fiscal year-end

March 2009: ¥251,635 million March 2008: ¥267,616 million

Note: Explanation on the appropriate use of results forecasts and other important items

Any forward-looking statements in the report, including results forecasts, are based on certain assumptions that were deemed rational as well as information currently available to the Company at this time. However, various factors could cause actual results to differ materially. Please refer to Business performance on pages 4 to 15 for conditions serving as assumptions for results forecasts.

Qualitative Information and Financial Statements

1. Business Performance

(1) Analysis of Management Results

[1] Business Performance for the Fiscal Year Ended March 31, 2009

During the consolidated fiscal year under review (April 1, 2008 to March 31, 2009), from the second half of the fiscal year, as the financial crisis originating in the United States rippled across the world, global economic conditions continued to decline significantly. Even though prices of some raw materials began trending downward, raw materials prices generally remained high throughout the fiscal year, while the yen appreciated to levels exceeding expectations. Affected by these factors, the business conditions surrounding the HCM Group (the Company, consolidated subsidiaries and equity method affiliates) rapidly and severely deteriorated.

Besides declining demand in the United States, Europe and Japan, there was also a sharp slowing of the economies of Russia, India and the Middle East, which had made brisk infrastructure investments in tandem with an expansion of economic activities. Owing to these factors, global demand for construction machinery including hydraulic excavators fell steeply compared with the previous fiscal year.

With respect to the production system, the Hitachinaka-Rinko Works was completed for the production of large and ultra-large machinery for mining.

Regarding the new product, we have worked to increase our lineup of the new ZAXIS-3 series of hydraulic excavators and the new ZW series of wheel loaders, which feature impressive performance as high value-added products with low fuel consumption and comply with emission regulations. In mining machinery, we have also increased the lineup of the ultra large hydraulic excavators series with a new environment-conscious engine, and the electric-powered ultra-large hydraulic excavators series as strategic models while we began commercial production of ultra-large dump trucks featuring AC (Alternating Current) drive systems.

In the domestic market, with the integration of the eight REC companies, we built a new rental business structure under the name of “Hitachi Construction Machinery REC Co., Ltd.” The integration of the rental business operations throughout Japan will improve business efficiency and establish a system to enable a prompt response to customer needs.

In the overseas business, a finance leasing company that we newly established in China has officially started operation with a range of financial services that meet the needs of customers and further bolsters market competitiveness.

To respond to this rapidly shrinking market from the second half of the fiscal year, the HCM Group focused on maintaining stocks at an appropriate level, and has also devised countermeasures that include curbing and reducing materials costs in accordance with the downtrend in prices for some raw materials and commencing initiatives aimed at achieving large reductions in fixed costs throughout the Group.

From January 29, 2009 to March 6, 2009, the Company acquired 7,539,500 shares, which is equivalent to 3.5% of its own outstanding shares, for the purpose of implementing flexible capital policies to adapt to the changing business environments.

As a result of these measures, in terms of consolidated results for the fiscal year under review, we suffered from the dramatic decrease in the global demand and sharp appreciation of the yen.

The following table summarizes consolidated and non-consolidated results for the term:
(100 million yen; %)

	Consolidated		Non-consolidated	
Net sales	7,442	(79%)	3,982	(83%)
Operating income	488	(45%)	(20)	()
Ordinary income	478	(48%)	188	(42%)
Net income	183	(33%)	30	(10%)

Notes:

1) Figures under ¥100 million are rounded off.

2) Percentages indicated in the parentheses are the year on year change compared with the previous fiscal year.

[2] Overview of Consolidated Sales by Regional Segment

Japan

Ongoing curtailments in public works and a decline in housing construction, coupled with lower capital investments due to worsening corporate earnings, led to a sharp decline in demand for construction machinery compared with the same period of the previous fiscal year.

We are striving to secure sales by strengthening our industry-specific sales in civil engineering and construction fields as well as in such sectors as the environment, resources and forestry. In the forestry industry, we tried to expand sales of high quality forestry machines by proposing greater efficiency in forest improvement such as by tree thinning. Moreover, we started our carbon offset activity in October 2008 by which we transfer CO2 emissions credits equivalent to 1 ton to the government per item of forestry machinery as a gratuitous conveyance.

In the rental business, we integrated the eight REC companies and established “Hitachi Construction Machinery REC Co., Ltd.” Under the new structure we further strengthened the business by effective posting of the rental assets and cost reduction based on the economy of scale. As a result, net sales fell 14% from the previous fiscal year to ¥213,703 million.

The Americas

Despite relatively robust investment in public works and commercial facilities, demand for construction machinery continued to decline compared with the previous fiscal year due to such factors as decreases in housing investment and corporate capital investment as a result of the credit crunch.

Responding to this decline in demand, Deer-Hitachi Construction Machinery Corporation has carried out production adjustments and worked to maintain stocks at an appropriate level since the previous fiscal year. On the other hand, market share was increased both in hydraulic excavators and in mini excavators.

Consequently net sales fell 11% to ¥79,178 million.

Europe, Africa and the Middle East

[Europe]

Demand for construction machinery fell sharply, monitoring such factors as a tightening of credit and a decrease in housing investment in all regions of Europe. As a result, sales units decreased dramatically and machine stocks significantly exceeded our plan.

In response, we strengthened our distributors in large markets such as France and Germany and formulated various measures to expand sales in each region, and we ended up increasing the market share in hydraulic excavators. In addition, we upgraded the lineup with the new model ZW series wheel loaders and the new model ZX U-3 series to expand our sales. Nevertheless, net sales in Europe declined 40% from the previous year to ¥99,738 million.

[Russia-CIS, Africa and the Middle East]

Demand for construction machinery in Russia-CIS fell sharply from the second half of the fiscal year onward due primarily to plummeting crude oil prices and the credit crunch. Accordingly, stocks at local dealers exceeded our plan so we suspended the shipments of machines from October 2008.

In Africa, demand increased in Zambia and Angola, etc., and total demand in the African market increased compared with the previous fiscal year. Especially the demand for large-sized mining machinery continued steady. We opened new bases in Zambia with a view to further expansion of demand for large-sized mining machinery and to enhance the service support system. Also, we established the new dealer in Angola to expand our sales network.

Turning to the Middle East, demand for construction machinery in Turkey, which has the highest demand in the Middle East, declined due to the effects of revisions to the tax system. We were able to compensate for this decline with solid demand from Gulf nations during the first half of the fiscal year, though, from the beginning of the second half onward, growth in demand for construction machinery slowed sharply throughout the entire Middle East due to a decline in infrastructure projects and credit tightening, even in the aforementioned Gulf nations, arising from plunging crude oil prices. Total demand in the Middle East decreased slightly from the previous fiscal year as a result.

Total net sales of Russia-CIS, Africa and the Middle East regions fell 35% to ¥81,105 million.

Asia and Oceania

Mining machinery-related demand remained robust in Australia and Indonesia during the first half of the fiscal year, however, order receipts fell abruptly from the third quarter.

In Indonesia and Malaysia, demand for construction machinery for use in forestry and palm oil plantations was favorable during the first half, though, from the beginning of the second half, demand for construction machinery fell abruptly underscoring the effects of credit tightening and the economic slowdown. In the near future, we will upgrade our lineup of application products and attachments with the aim of cultivating new demand as we work to expand sales.

In India, previously robust demand for construction machinery turned downward from the third quarter and dropped below the level recorded in the same period of the previous fiscal year. This decrease was due to postponements of purchases by small- and medium-sized customers and delays in infrastructure projects due to the credit crunch. To maintain our present high market share, we aim to expand sales by introducing new model hydraulic excavators and other products. As a result, net sales in Asia and Oceania declined 18% to ¥151,148 million.

China

In China, although we had unexpected orders as a result of the Sichuan Earthquake, demand for hydraulic excavators declined from the third quarter, reflecting the huge economic downturn in the export industry, particularly in the coastal regions, due to decrease in housing and real estate investments, as a result demand for this fiscal year decreased compared with the previous fiscal year.

Moreover, demand for mining machinery also decreased because of stockpiles of coal and iron ore, etc., and a cessation of drilling accompanying mine safety inspections.

However, the economic stimulus package drawn up last November was recognized at The National People's Congress in March this year, and details of the measures and policies are becoming clear.

Now we have seen infrastructure building such as railway construction in internal regions,

the demand in China in the near future may be returning to growth. Net sales in China declined 6% from the previous year to ¥119,295 million.

The following table summarizes consolidated net sales by geographic area:

Consolidated Net Sales by Geographic Area

(Millions of yen)

	Current fiscal year (April 1,2008- March 31, 2009)		Previous fiscal year (April 1,2007- March 31, 2008)		Increase (Decrease)	
	Net Sales	Proportion (%)	Net Sales	Proportion (%)	Amount of change	% change
The Americas	79,178	10.7	88,518	9.4	(9,340)	(10.6)
Europe	99,738	13.4	167,242	17.8	(67,504)	(40.4)
Russia-CIS, Africa and the Middle East	81,105	10.9	124,700	13.3	(43,595)	(35.0)
Europe, Russia-CIS, Africa and the Middle East	180,843	24.3	291,942	31.0	(111,099)	(38.1)
Asia and Oceania	151,148	20.3	184,021	19.6	(32,873)	(17.9)
China	119,295	16.0	127,323	13.5	(8,028)	(6.3)
Sub-total	530,464	71.3	691,804	73.6	(161,340)	(23.3)
Japan	213,703	28.7	248,733	26.4	(35,030)	(14.1)
Total	744,167	100.0	940,537	100.0	(196,370)	(20.9)

[3] Overview of Consolidated Net Sales by Business Segment

(a) Construction Machinery Business

Regarding construction-related machinery, in addition to expanding sales of the ZAXIS-3 series of new-model hydraulic excavators and the ZW series of new-model wheel loaders, we upgraded our lineup by launching sales of the ZX U-3 mini-excavator with an ultra-short tail swing and a new-model tired roller.

With the aim of further expanding and developing our business for wheel loaders, which we have positioned as a next-generation core product, in October 2008 HCM, Kawasaki Heavy Industries, Ltd. (KHI), and TCM Corporation agreed to form an alliance under which the three companies will jointly carry out Development for new wheel loaders. Under the alliance, KHI also will spin off its wheel loader business as an independent subsidiary, and HCM will invest in this new company.

In machinery for resource development, we made efforts to expand sales of such new products as the EX-6 series of ultra-large hydraulic excavators, which is equipped with an environmentally friendly engine, as well as the Electric-drive series of ultra-large hydraulic excavators, which have an external electric supply, and dump trucks, and which realize high driving performance using an AC electric-drive system. At the same time, we utilized the production capacity of the Hitachinaka-Rinko Works to commence operations for those products.

As a result, net sales in the Construction Machinery Business fell 23% from the previous fiscal year to ¥660,397 million.

(b) Industrial Vehicles Business

In industrial vehicles, we expanded sales especially in Europe, the Middle East and Asia, in working to introduce new types of vehicles such as electric-drive forklifts in Japan, for the first half of the fiscal year. However, since the beginning of the second half of the year demand for the vehicles decreased sharply due to the financial crisis, etc., and we promptly started to reduce production volume and adjust the stocks.

Consolidated net sales in the Industrial Vehicles Business decreased 1% from the same period of the previous year to ¥82,832 million.

(c) Semiconductor Production Equipment Business

We have worked to promote net sales of ultrasonic imaging devices used for inspections to manufacturers of in-vehicles semiconductors and electronic component makers, as well as to expand sales of atomic force microscopes to semiconductor manufactures.

Hitachi Kenki FineTech Co., Ltd. was merged into the operations of HCM with the aim of consolidating all the leading-edge technologies cultivated by that company in electric and electronic fields along with further advancing the level of the HCM Group's products and strengthening its development capabilities on October 1, 2008.

Consolidated net sales in the Semiconductor Production Equipment Business decreased 49% from the same period of the previous year to ¥938 million.

[4] Outlook for the Fiscal Year Ending March 31, 2009

Looking at future trends, the outlook for the world economy is expected to remain uncertain in the near term due to the global financial crisis. In markets for construction machinery, besides declines in demand in the United States, Europe and Japan, previously robust demand is also falling rapidly in emerging nations. Given these factors, overall global demand is expected to remain sluggish in the next fiscal year.

Under these conditions, the HCM group will finish adjustment of stock that exceeds the plan at the end of March 2009, mostly by June as of the targeted plan for the moment, and as for the rest of the stock in particular regions and products, we plan to complete adjustments and reach an appropriate level by the end of September.

To secure sales, the Group is curbing and reducing materials costs and commencing initiatives aimed at achieving large reductions in fixed costs throughout the Group.

In addition, amid expected sluggish demand for new machinery, we intend to carry out new business in untapped regions, and to increase the market share by using the product strength and sales force, also to maintain or increase the sales price of the products. In addition, we plan to strengthen our so-called “soft” business, which includes sales of used machinery and recycled parts as well as sales of parts and services, with the aims of expanding net sales and earnings.

Especially in Japan, we integrated the West and East Japan Division to establish the “Japan Business Division” as of April 1, 2009 to streamline the organization, responding to the shrinking market and to reduce costs.

We continue to watch the market trends to expand our sales.

The following table shows the present outlook for consolidated results for the fiscal year ending March 31, 2010.

	March 31, 2010 (A)	March 31, 2009 (B)	(A) - (B)	(A) / (B)(%)
Net sales	6,200	7,442	(1,242)	(83.3%)
Operating income	270	488	(218)	(55.3%)
Ordinary income	200	478	(278)	(41.8%)
Net income	70	183	(113)	(38.3%)

Notes:

- 1) Figures under ¥100 million are rounded off.
- 2) These projections assume an exchange rate of ¥95 to the U.S. dollar and ¥125 to the Euro.
- 3) Stated as comparison with the previous year.
- 4) Forecasts, plans and expectations regarding future performance contained in the aforementioned statements are based on information currently available and deemed rational by Company management. However, as various factors could change actual results, forecasts, plans and expectations may differ. These factors are considered to include the economic conditions in principal markets and fluctuation in demand, fluctuations in exchange rates and revisions to Japanese or international laws and regulations, accounting standards, practices or other policies.

(2) Analysis of Financial Conditions

[1] Status of Assets, Liabilities and Net Assets

(a) Assets

Current assets at the end of the fiscal year amounted to ¥538,773 million, a decrease of 3.4% from the previous fiscal year-end. This was due mainly to respective decreases of ¥13,155 million in cash and bank deposits, and ¥62,997 million in notes and accounts receivable.

Fixed assets rose about 10.0% from the end of the previous fiscal year to ¥302,580 million.

As a result, total assets increased about 1.0% from the previous fiscal year-end to ¥841,353 million.

(b) Liabilities

Current liabilities at the end of the fiscal year amounted to ¥414,375 million, an increase of 3.1% from the previous fiscal year-end. This was due mainly to an increase of ¥109,701 million in short-term loans.

Long-term liabilities increased 13.7% from the previous fiscal year-end to ¥95,963 million.

As a result, total liabilities increased 4.9% from the previous fiscal year-end to ¥510,338 million.

(c) Net Assets

Net assets, including minority interests, decreased 4.5% from the previous fiscal year-end to ¥331,015 million. This was due mainly to a decrease of ¥14,647 million in foreign currency translation adjustments to negative ¥17,731, as well as the net income in this fiscal amounted to ¥18,253 million while it was ¥55,985 million in the previous fiscal year.

As a result of the above, the equity ratio declined to 34.9% versus 37.1% in the previous fiscal period.

[2] Status of Consolidated Cash Flows

Cash and cash equivalents at end of year totaled ¥40,104 million, a decrease of ¥28,622 million from the end of the previous fiscal year. Factors relating to each cash flow category were as follows.

(a) Cash Flows from Operating Activities

Net cash used in operating activities totaled ¥54,825 million, a difference of ¥45,261 million from ¥9,564 million in cash flows used in operating activities in the previous fiscal year.

Factors that increased cash included an increase of ¥35,117 million in depreciation and amortization, a difference of ¥4,955 million, compared with the decrease in the previous fiscal year. Factors that increased cash also include a decrease of ¥48,303 million in notes and accounts receivable, a difference of ¥117,934 million compared with that of ¥69,631 million in the previous fiscal year, resulting from a sudden and large decline in sales following the bankruptcy of Lehman Brothers in September 2008.

Conversely, factors that reduced cash included a decrease of ¥44,142 million in income before income taxes and minority interests, a difference of ¥56,422 million compared with that of ¥100,564 million in the previous fiscal year. Other factors included an increase of ¥86,884 million in inventories, a difference of ¥43,631 million compared with the previous fiscal year, and a decrease of ¥48,228 million in notes and accounts payable, a difference of ¥72,770 million compared with that of ¥24,542 million increase in the previous fiscal year, resulting from a large production adjustments in response to the sudden decline in demand.

(b) Cash Flows from Investing Activities

Net cash used in investing activities was ¥61,624 million, an increase of ¥10,313 million

compared with ¥51,311 million in the previous fiscal year. Key factors underlying this rise included an increase of ¥3,895 million to ¥53,119 million in acquisitions of property, plant and equipment, which consisted mainly of capital investment to respond to increased production at various manufacturing bases. Other factors included ¥9,928 million in purchase of intangible assets, resulting from infrastructure development in the internal information over the HCM group and ¥4,225 million in purchase of investments in securities for the further strengthening of the relationship with business partners.

As a result, free cash flows, the sum of cash flows from operating activities and cash flows from investing activities, amounted to an outflow of ¥116,449 million.

(c) Cash Flows from Financing Activities

Net cash provided by financing activities totaled ¥90,037 million. The key factors were a net increase in short-term debt totaling ¥100,048 million and proceeds from long-term debt amounting to ¥49,685 million for the purpose of covering negative free cash flow, repayments of long-term debt amounting to ¥14,853 million, and redemption of debentures amounting to ¥13 billion, in addition to paying interest on borrowings, paying dividends to shareholders amounting to ¥21,165 million, and acquisition of our own shares amounting to ¥8,241 million, etc.

The following table describes HCM's cash flow indicator indices:

	March 2006	March 2007	March 2008	March 2009
Equity ratio (%)	28.5	29.4	37.1	34.9
Equity ratio on market price basis (%)	109.3	94.8	64.0	31.1
Interest-bearing debt to operating cash flows ratio (%)	4.1	6.9	-	-
Interest coverage ratio (times)	9.9	6.0	-	-

Notes:

Equity ratio: Total equity/total assets

Equity ratio on market price basis: Share market price/total assets

Interest-bearing debt to operating cash flows ratio: Interest-bearing debt/cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities/interest payments

1. Indices are calculated using consolidated figures.
2. Share market price is calculated by multiplying the closing price at the end of the period by the number of outstanding shares at the end of the period (after excluding treasury stock).
3. Cash flows from operating activities reflect cash flows from operating activities as detailed in the Consolidated Statements of Cash Flows. Interest-bearing debt reflects all debt for which the Company is paying interest as detailed in the Consolidated Balance Sheets. Interest payments reflect interest paid as detailed in the Consolidated Statements of Cash Flows.
4. Interest-bearing debt to operating cash flows ratio and interest coverage ratio for the fiscal year ended March 2008 and March 2009 are not shown as the figure of cash flows from operating activities was negative.

(3) Principles Regarding Appropriation of Earnings and Dividends for the Year under Review and the Fiscal Year Ended March 31, 2009

To establish a solid position in global construction machinery markets, HCM will maintain and strengthen the soundness of its financial structure and work to bolster its internal reserves while considering implementation plans for upfront investments, including investments for technology development and facilities based on medium- and long-term business strategies. At the same time, HCM will pay dividends linked to its consolidated business results in accordance with a policy of maintaining stable dividends.

With the aim of enabling the execution of a flexible capital policy, HCM will carry out the acquisition of treasury shares in consideration of necessity, financial conditions, and stock price movement.

At the Meeting of the Board of Directors scheduled for May 21, 2009, a resolution for cash dividends per share of ¥22.00 for the fiscal year ended March 31, 2009 will be proposed. As a result, cash dividends for the entire fiscal year ended March 31, 2009 will amount to ¥44.00.

For the future, as a specific dividend indicator, HCM has set a new target of paying out more than 20% of its net income as dividends, instead of the former target of 15% to 20%. Regarding the fiscal year ending March 31, 2010, we are forecasting cash dividends per share of ¥10.00, including interim dividends of ¥5.00 and year-end dividends of ¥5.00.

(4) Business Risks

The HCM group carries out its operations in regions throughout the world and executes its business in a variety of fields such as manufacture, sales and finance, etc. Accordingly, the HCM group's business activities are subject to the effects of a wide range of risks. The HCM group has identified the following primary risks based on currently available information.

1. Market Conditions

Under HCM group's business activities, demand is heavily dependent on public investment such as infrastructure development and private investment including the development of neutral resources, real estates, etc. The HCM group's business generally is affected by cyclical changes in the world economy and other rapidly changing factors, which may lead to much lower demand. A decrease in the product price because of the competitive environment, and a decrease in productivity at factories due to declining demand may affect the sales and profit of the HCM group.

2. Foreign Currency Exchange Rate Fluctuations

The sales that HCM group derived from outside Japan accounted for 73.6% in the previous fiscal year, and 71.3% in this fiscal year, and a substantial portion of its overseas sales were affected by foreign currency exchange rate fluctuations. In general, an appreciation of the Japanese yen against another currency such as the US dollar or European Euro, which are our main settlement currencies, would adversely affect HCM group's operational results. The HCM group strives to alleviate the effect of such foreign currency exchange rate fluctuations by, for example, hedging activities, enlarging the portion of local production, and promotion of parts import via international purchasing, to minimize the effects of exchange rate fluctuations. Despite our efforts, if the rates fluctuate beyond our projected range, our operational results may be adversely affected.

3. Fluctuations in Financial Markets

While the HCM group is currently working on improving the efficiency of its assets to reduce its interest-bearing debt, its aggregate short- and long-term interest bearing debt was approximately 300 billion JPY as of March 31, 2009. Although the HCM group has strived

to reduce the effect of interest rate fluctuations by procuring funds at fixed interest rates, an increase in interest rates may increase the interest expenses with respect to its interest-bearing debt subject to floating interest rates, thereby adversely affecting HCM group's operational results. In addition, fluctuations in the financial markets, such as fluctuations in the fair value of marketable securities and interest rates, may also increase the unfunded obligation portion of HCM group's pension plans or pension liabilities, which may result in an increase in pension expenses. Such an increase in interest expenses and pension expenses may adversely affect HCM group's operational results and financial condition.

4. Procurement and Production

The HCM group's procurement of parts and materials for its products account for a large portion of our manufacturing costs, and its procurement is exposed to the fluctuations in commodity prices. Price increases in commodities may increase the costs of materials as well as the manufacturing costs. In addition, the shortage of product parts and materials may make it difficult for the HCM group to engage in the timely procurement of parts and materials, thereby lowering the HCM group's production efficiency. In an effort to reduce any adverse effect on its business as a result of an increase in material costs, the HCM group plans to reduce other costs via VEC (Value Engineering for Customers) activities, and pass on the increase in material costs to the product prices, setting to the level of performance advantages compared with the previous model, introduction of the new model with additional new functions, etc. The HCM group plans to minimize the effects of a shortage in product parts or materials and production matters by promoting closer collaboration among all of its related business divisions and suppliers. However, if the increases in commodity prices were to exceed the HCM group's expectations or a prolonged shortage of materials and parts were to occur, the HCM group's operational results may be adversely affected.

5. Credit Management

The HCM group's main products, construction machineries, are sold via sales financing, such as installment payment, finance leasing, etc., and we set up a department to engage in credit management of the overall group. However, many different customers utilize our sales financing, and if bad-debt situations occur due to the degradation of the customers' financial conditions, it may adversely affect the HCM group's operational results and financial results.

6. Public Laws and Tax Practices, etc.

The HCM group's business operations are required to comply with increasingly stringent political measures, official restrictions, tax practices, legal laws and regulations, etc. For example, in the numerous countries in which the group operates, we are required to comply with restrictions or regulations such as authorizations for business operations and investments, limitations and rules regarding imports and exports, and to be covered by the laws and ordinances on monopoly prohibition, patents, intellectual properties, consumers, the environment and recycling, conditions of employment, taxation, etc.

If such existing laws or regulations were to be amended or tightened, the group may be required to incur increased costs and to make further capital expenditures to comply with such new standards. Such additional environmental compliance costs may adversely affect the group's operational results.

7. Product Liability

While the HCM group endeavors to sustain and improve the quality and reliability of its operations and products based on stringent standards established internally by the HCM group, it may face product liability claims or become exposed to other liabilities if

unexpected defects in its products result in accidents. If the costs of addressing such claims or other liabilities are not covered by the HCM group's existing insurance policies, we may be required to bear the cost thereto, which may adversely affect its financial condition.

8. Alliances and Collaborative Relationships

The HCM group has entered into various alliances and collaborative relationships with distributors, suppliers and other companies in its industry to reinforce its international competitiveness. Through such arrangements, the HCM group is working to improve its product development, production, sales and service capabilities. While the HCM group expects its alliances and collaborative relationships to be successful, the HCM group's failure to attain the expected results or the termination of such alliances or collaborative relationships may adversely affect the HCM group's operational results.

9. Information Security, Intellectual Property and Other Matters

The HCM group may obtain confidential information concerning its customers and individuals in the normal course of its business. The HCM group also holds confidential business and technological information. The HCM group maintains such confidential information with the utmost care.

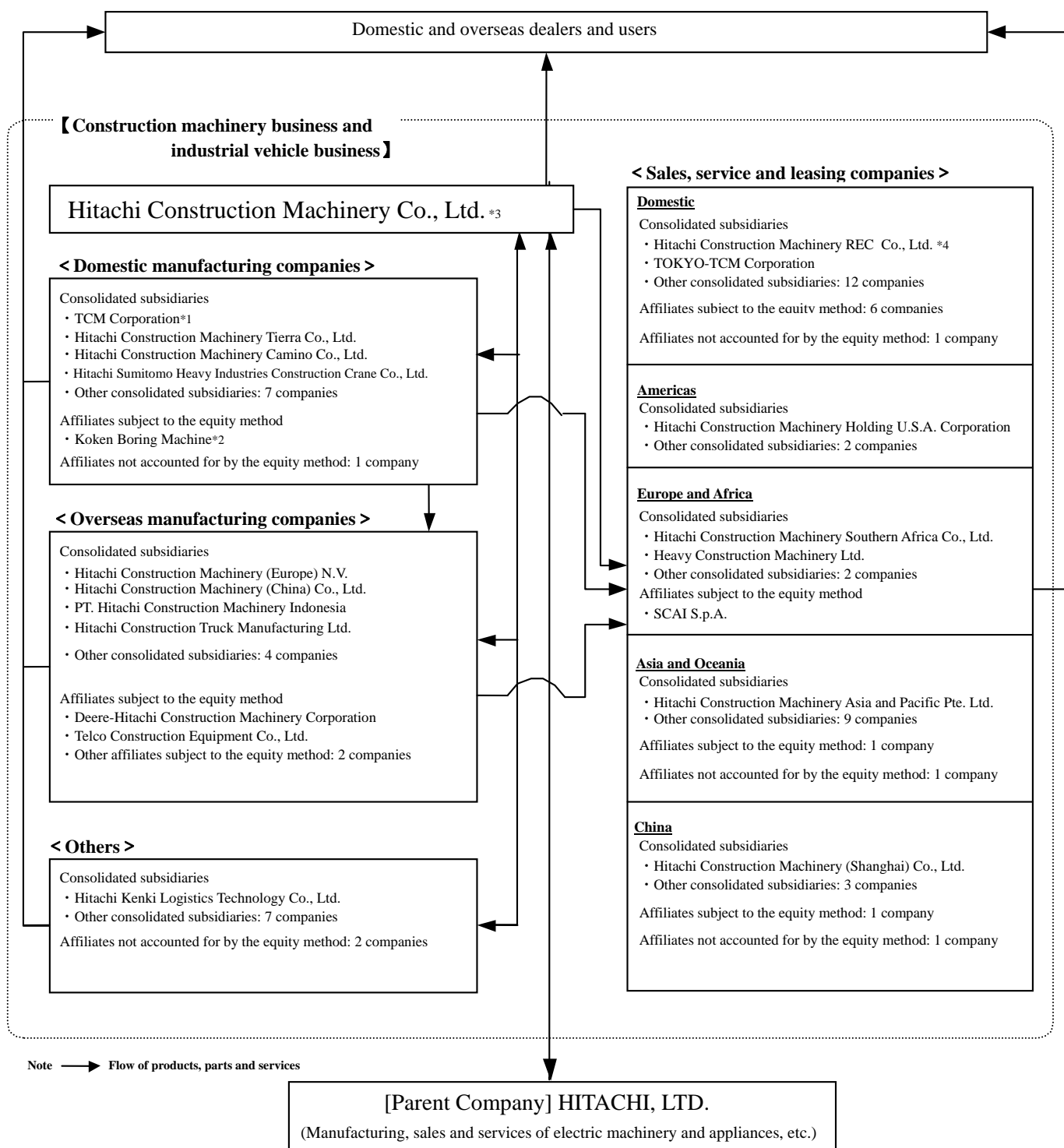
To safeguard such confidential information from unauthorized access, tampering, destruction, leakage, losses and other damage, the HCM group employs appropriate safety measures, including implementing technological safety measures and strengthening its information management capabilities. If a leak of confidential information concerning customers and individuals were to occur, the reputation of the HCM group may become damaged and customers may lose confidence in the HCM group. In addition, the HCM group's intellectual property may be infringed upon by a third party, or a third party may claim that the HCM group is liable for infringing on such third party's intellectual property rights.

10. Natural Disasters

The HCM group conducts its business operations on a global scale and operates and maintains development, production, supply and other business facilities in many countries. Natural disasters, such as earthquakes and floods, wars, terrorist acts, accidents, or interference by third parties in regions in which the HCM group operates may cause extensive damage to one or more of its facilities and disrupt operations, the procurement of materials and parts or the production and supply of the HCM group's products and other services. Such delays or disruptions may adversely affect the HCM group's operational results.

2. Status of the Corporate Group

As outlined below, this consolidated Group consists of Hitachi Construction Machinery, its parent company, its 62 subsidiaries and its 20 affiliates. Its business mainly involves the manufacture, sale, service and leasing of construction machinery and industrial vehicles, as well as the manufacture and sale of semiconductor production equipment.



*1: Listed on the first section of Tokyo Stock Exchange/ Osaka Securities Exchange

*2: Listed on JASDAQ

*3: As of October 1, 2008, Hitachi Kenki FineTech Co., Ltd. was merged into the operations of Hitachi Construction Machinery, Co., Ltd.

*4: As of April 1, 2008, we have integrated the eight REC companies and established "Hitachi Construction Machinery REC Co., Ltd."

3. Management Policy

(1) Basic Management Policy

1) To improve the enterprise value and shareholder value of the HCM Group through a rigorous emphasis on consolidated management. To this end, Future Inspiration Value (FIV)* management is being vigorously applied throughout the Group.

*(FIV is an indicator of added value to increase corporate value based on the cost of capital formulated by Hitachi and is used by all members of the Hitachi Group.)

2) To establish a firm position in global construction machinery markets by strengthening alliances both in Japan and overseas in order to provide a more comprehensive lineup of products as part of the ongoing development of global operations in the five regions comprising: Japan; the Americas; Europe, Africa and the Middle East; Asia and Oceania; and China.

3) In all areas of operation, to diversify and develop as a Group supplier of total solutions encompassing both hardware and software.

To ensure the ability to achieve these objectives Group-wide, there is a strong emphasis on developing global personnel and building a global IT strategy to implement “total management,” “accelerated decision-making of management,” and “information management.”

(2) Mid-to-Long-Term Management Strategies

To prevail in global mega-competition and build a solid position in global markets, we have been working under “SOH 2010 – For the New Stage,” a new medium-term management plan that runs from the fiscal year ending March 31, 2008 through the fiscal year ending March 31, 2011, with the aims of “Establishing an unshakeable position among the world’s Top Three” and “Realizing an industry-leading profit structure.”

We will implement the following principal policies under this plan:

1) Product Development

Strengthen our already strong line of products such as hydraulic excavators and ultra-large hydraulic excavators, and also cultivate next core products- wheel loaders, dump trucks, mini-excavators, cranes and forklifts.

2) Soft Business

Although the demand for the new machinery seems to be continuing to decline, the accumulated number of machines in work in the markets has been increasing, so the demand for parts and services, and recycled parts are growing consequently. We plan to capture such demand with the aims of expanding new sales and earnings.

3) Regional Strategy

We intend to carry out new business in untapped regions as well as enhance our presence in conventional markets and increase the market share in emerging markets.

(4) Issues to Be Addressed

Looking at future trends, the outlook for the world economy is expected to remain uncertain in the near term due to the global protracted financial crisis. In markets for construction machinery, besides declines in demand in the United States, Europe and Japan, previously robust demand is also falling rapidly in emerging nations. Given these factors, overall global demand is expected to remain sluggish.

Under “SOH 2010—For the New Stage,” a medium-term management plan running from Fiscal 2007 through Fiscal 2010, the HCM Group is striving to “establish an unshakeable position as a comprehensive manufacturer among the world’s top three construction machinery manufacturers” while “realizing an industry-leading profit structure.” Taking into consideration the current rapid market changes, we are speedily and vigorously working on various strategic issues under this plan.

With demand in construction machinery markets including hydraulic excavators now declining after having expanded steadily up until recently, we will develop an appropriate production system based on the circumstances in each region as well as reduce and aim for appropriate levels of stocks. In large-sized mining machinery, we will utilize the production capacity of the Hitachinaka-Rinko Works, which has commenced operations, and strive to steadily increase the market share by combined sales of hydraulic excavators and dump trucks.

On a different front, we will work to raise profitability through reducing variable costs by vigorously promoting a reduction in materials costs based on price fluctuations for crude oil and other raw materials while reducing fixed costs.

We will work to reduce the operating costs, which increased while markets expanded rapidly, to explore a fundamental overhaul. In terms of production, we aim to establish a production system in which locations are optimized at the international level in response to the exchange fluctuations. In the domestic market, we will strengthen our business operations with structural reform taking place such as the integration of the West and East Japan Divisions, and the renewal of the combined system of Rental, Sales and Services.

Furthermore, amid expected sluggish demand for new machinery, we intend to carry out new business in untapped regions and strengthen our soft business, which includes sales of used machinery and recycled parts as well as sales of parts and services, with the aims of raising levels of customer satisfaction and expanding net sales and earnings.

In the near term, we expect a rebound in the demand for infrastructure building as a result of the economic stimulus packages that are planned in China, Europe and the United States. Therefore, we continually watch market trends and have established a flexible production system to deploy energetic sales activities. In emerging countries, as infrastructure construction is likely to increase in tandem with economic growth, we will enhance the sales force in preparation for a rapid recovery in demand.

The HCM group sees the changing business circumstances as a great opportunity to strengthen our business operations for our future success.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Year-end As of Mar. 31, 2009 (A)	Previous year-end As of Mar. 31, 2008 (B)	(A)-(B)
ASSETS			
Current assets			
Cash and bank deposits	40,109	53,264	(13,155)
Notes and accounts receivable	175,854	238,851	(62,997)
Finished goods and merchandise	193,686	148,293	45,393
Work in process	50,512	35,348	15,164
Material and supplies	24,114	23,331	783
Deferred tax assets - current	12,367	22,336	(9,969)
Others	49,252	44,258	4,994
Less: Allowance for doubtful accounts	(7,121)	(7,710)	589
Total current assets	538,773	557,971	(19,198)
Fixed assets			
Property, plant and equipment			
Property held for lease	41,474	35,940	5,534
Buildings and structures	66,198	46,798	19,400
Machinery and equipment	48,498	38,841	9,657
Tools, furniture and fixtures	6,374	6,714	(340)
Land	56,212	54,917	1,295
Construction in progress	8,206	21,377	(13,171)
Net property, plant and equipment	226,962	204,587	22,375
Intangible assets			
Goodwill	5,373	6,998	(1,625)
Software	18,969	10,725	8,244
Others	1,886	1,589	297
Total intangible assets	26,228	19,312	6,916
Investments and other assets			
Investments in securities	21,504	26,736	(5,232)
Deferred long-term tax assets	3,336	3,023	313
Others	26,548	22,592	3,956
Less: Allowance for doubtful accounts	(1,998)	(1,125)	(873)
Total investments and other assets	49,390	51,226	(1,836)
Total fixed assets	302,580	275,125	27,455
Total assets	841,353	833,096	8,257

(Rounded off to the nearest million)

- Notes: 1. Stated in order of the current fiscal year and the previous fiscal year
2. Increases and decreases are comparisons of the end of the current fiscal year and the previous fiscal year.

(Millions of yen)

	Year-end As of Mar. 31, 2009 (A)	Previous year-end As of Mar. 31, 2008 (B)	(A)-(B)
LIABILITIES			
Current liabilities			
Notes and accounts payable	100,372	166,517	(66,145)
Short-term loans	234,885	125,184	109,701
Current portion of bonds	500	13,000	(12,500)
Income taxes payable	5,970	21,038	(15,068)
Others	72,648	76,331	(3,683)
Total current liabilities	414,375	402,070	12,305
Long-term liabilities			
Bonds	1,820	2,000	(180)
Long-term loans	63,421	50,466	12,955
Deferred long-term tax liabilities	9,494	9,398	96
Retirement and severance benefits	11,698	12,085	(387)
Others	9,530	10,459	(929)
Total long-term liabilities	95,963	84,408	11,555
Total liabilities	510,338	486,478	23,860
Net assets			
Shareholder's equity			
Common stock	81,577	81,577	0
Capital surplus	81,084	81,084	0
Retained earnings	159,726	150,942	8,784
Treasury stock	(10,957)	(2,856)	(8,101)
Total shareholders' equity	311,430	310,747	683
Valuation and translation adjustments			
Net unrealized gain on securities held	(124)	722	(846)
Gain on deferred hedge transactions	(129)	974	(1,103)
Foreign currency translation adjustments	(17,731)	(3,084)	(14,647)
Total valuation and translation adjustments	(17,984)	(1,388)	(16,596)
Stock purchase warrants	747	415	332
Minority interests	36,822	36,844	(22)
Total net assets	331,015	346,618	(15,603)
Total liabilities and net assets	841,353	833,096	8,257

(Rounded off to the nearest million)

Notes: 1. Stated in order of the current fiscal year and the previous fiscal year

2. Increases and decreases are comparisons of the end of the current fiscal year and the previous fiscal year.

(2) Consolidated Statements of Income

(Millions of yen)

	Current fiscal year 〔 For the year ended 〕 〔 Mar. 31, 2009 (A) 〕	Previous fiscal year 〔 For the year ended 〕 〔 Mar. 31, 2008 (B) 〕	(A)/(B)×100 (%)
			%
Net sales	744,167	940,537	79
Cost of sales	552,095	675,191	82
Gross profit	192,072	265,346	72
Selling, general and administrative expenses			
Packing and shipping expenses	21,458	22,467	96
Employees' salaries	41,585	44,053	94
R&D expenditure	13,369	12,939	103
Provision of reserve for bad debt	2,330	2,523	92
Others	64,494	74,906	86
Total selling, general and administrative expenses	143,236	156,888	91
Operating income	48,836	108,458	45
Non-operating income			
Interest income	4,107	5,538	74
Interest income from installment sales	519	754	69
Dividends income	245	203	121
Effect of exchange rate changes	2,276	0	-
Gain on equity earnings of affiliated companies	147	3,337	4
Others	6,254	4,256	147
Total non-operating income	13,548	14,088	96
Non-operating expenses			
Interest expenses	7,888	6,238	126
Loss on disposal of inventories	1,092	953	115
Loss on evaluation of inventories	0	3,540	-
Effect of exchange rate changes	0	4,832	-
Others	5,599	6,419	87
Total non-operating expenses	14,579	21,982	66
Ordinary income	47,805	100,564	48
Extraordinary losses			
Loss on evaluation of securities	3,521	0	-
Loss on evaluation of inventories	142	0	-
Total extraordinary losses	3,663	0	-
Income before income taxes and minority interests	44,142	100,564	44
Income taxes			
Current	9,354	35,291	27
Deferred	10,930	(1,664)	-
Total Income tax	20,284	33,627	60
Minority interests	5,605	10,952	51
Net income	18,253	55,985	33

(Rounded off to the nearest million)

Notes: 1. Stated in order of the current fiscal year and the previous fiscal year.

2. Stated as comparison with the previous year.

(3) Consolidated Statements of Net Assets

(Millions of yen)

	Current fiscal year For the year ended Mar. 31, 2009 (A)	Previous fiscal year For the year ended Mar. 31, 2008 (B)	(A)/(B)×100 (%)
Shareholders' Equity			%
Common stock			
Balance at beginning of year	81,577	42,636	191
Stock issuance	-	38,941	-
Balance at end of year	81,577	81,577	100
Capital surplus			
Balance at beginning of year	81,084	42,143	192
Stock issuance	-	38,941	-
Balance at end of year	81,084	81,084	100
Retained earnings			
Balance at beginning of year	150,942	102,124	148
Net income	18,253	55,985	33
Cash dividends	(9,411)	(7,009)	134
Reduction in surplus through increase in consolidated subsidiaries	-	(121)	-
Effect of exclusion of affiliated companies	-	121	-
Loss on the disposition of treasury stock	(58)	(158)	37
Balance at end of year	159,726	150,942	106
Treasury stock, at Cost			
Balance at beginning of year	(2,856)	(2,153)	133
Purchase of treasury stock	(8,241)	(1,368)	602
Disposal of treasury stock	140	665	21
Balance at end of year	(10,957)	(2,856)	384
Total Shareholders' equity	311,430	310,747	100
Valuation, Translation adjustments and others			
Net unrealized gain (loss) on securities held			
Balance at beginning of year	722	2,299	31
Change in unrealized gain(loss)	(846)	(1,577)	54
Balance at end of year	(124)	722	(17)
Gain on deferred hedge transactions			
Balance at beginning of year	974	120	812
Change in deferred hedge transactions	(1,103)	854	(129)
Balance at end of year	(129)	974	(13)
Foreign currency translation adjustments			
Balance at beginning of year	(3,084)	5,224	(59)
Change in foreign currency translation adjustments	(14,647)	(8,308)	176
Balance at end of year	(17,731)	(3,084)	575
Total Valuation, Translation adjustments and others	(17,984)	(1,388)	1,296
Stock purchase warrants			
Balance at beginning of year	415	122	340
Change in stock purchase warrants	332	293	113
Balance at end of year	747	415	180
Minority interests			
Balance at beginning of year	36,844	29,894	123
Change in minority interests	(22)	6,950	(0)
Balance at end of year	36,822	36,844	100
Total Net Assets	331,015	346,618	95

(Rounded off to the nearest million)

Notes: 1. Stated in order of the current fiscal year and the previous fiscal year.

2. Stated as comparison with the previous year.

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Current fiscal year 〔 Year ended 〕 Mar. 31, 2009	Previous fiscal year 〔 Year ended 〕 Mar. 31, 2008
Cash flows from operating activities		
Income before income taxes and minority interests	44,142	100,564
Depreciation and amortization	35,117	30,162
Increase (decrease) in allowance for doubtful accounts	697	723
Interest and dividends income	(4,352)	(5,741)
Interest expenses	7,888	6,238
Gain on equity earnings of affiliated companies	(143)	(3,323)
Increase (decrease) in notes and accounts receivable	48,303	(69,631)
Increase in inventories	(86,884)	(43,253)
Purchase of property held for lease	(14,082)	(19,791)
Sales of property held for lease	3,841	3,405
Increase (decrease) in notes and accounts payable	(48,228)	24,542
Gain on sales of property, plant and equipment	(3,285)	(2,623)
Loss on evaluation of securities	3,837	109
Others	(9,424)	(6,263)
Sub-total	(22,573)	15,118
Income taxes paid	(32,252)	(24,682)
Net cash (used in) provided by operating activities	(54,825)	(9,564)
Cash flows from investing activities		
Acquisitions of property, plant and equipment	(53,119)	(49,224)
Proceeds from sale of property, plant and equipment	650	885
Purchase of intangible assets	(9,928)	(7,083)
Purchase of investments in securities	(4,225)	(1,999)
Acquisition of subsidiaries' stock resulting in change in scope of consolidation, net	209	(1,893)
Proceeds from sale of investments in securities	337	1,151
Interest and dividends received	4,223	5,738
Dividends received from affiliated companies	892	644
Other, net	(663)	470
Net cash used in investing activities	(61,624)	(51,311)
Cash flows from financing activities		
Net increase in short-term debt	100,048	41,013
Proceeds from long-term debt	49,685	18,220
Repayments of long-term debt	(14,853)	(18,898)
Repayments of lease liabilities	(2,590)	-
Redemption of debentures	(13,000)	(10,600)
Interest paid	(8,216)	(6,482)
Dividends paid to shareholders	(9,411)	(7,009)
Dividends paid to minority shareholders by subsidiaries	(3,538)	(2,510)
Proceeds from issuance of stock	0	77,475
Issuance of common stock and investments by minority	71	1,344
Proceeds from sale of treasury stock	82	507
Purchase of treasury stock	(8,241)	(1,368)
Net cash provided by financing activities	90,037	91,692
Effect of exchange rate changes on cash and cash equivalents	(2,210)	(3,202)
Net increase (decrease) in cash and cash equivalents	(28,622)	27,615
Cash and cash equivalents at beginning of year	68,726	41,074
Cash and cash equivalents of merged non-consolidated subsidiary	0	37
Cash and cash equivalents at end of period	40,104	68,726

(Rounded off to the nearest million)

Note: Stated in order of the current fiscal year and the previous fiscal year.

(5) Notes on the preconditions for a going concern: None

(6) Important matters that form the basis for compiling consolidated financial statements

1. Scope of consolidation

Number of consolidated subsidiaries: 62

(1) Main consolidated subsidiaries

- 1) TCM Corporation
- 2) Hitachi Construction Machinery Tierra Co., Ltd.
- 3) Hitachi Construction Machinery Camino Co., Ltd.
- 4) Hitachi Construction Machinery REC Co., Ltd.
- 5) Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd.
- 6) Hitachi Construction Machinery (China) Co., Ltd.
- 7) Hitachi Construction Machinery (Shanghai) Co., Ltd.
- 8) Hitachi Construction Machinery Asia and Pacific Pte., Ltd.
- 9) PT. Hitachi Construction Machinery Indonesia
- 10) Hitachi Construction Machinery (Europe) N.V.
- 11) Hitachi Construction Machinery Holding U.S.A. Corporation
- 12) Hitachi Construction Truck Manufacturing Ltd.

(2) Number of newly consolidated subsidiaries: 2

- 1) P.T. Hitachi Construction Machinery Finance (Indonesia) Co., Ltd.
- 2) Chiba TCM Corporation

On April 1st 2008, the following companies were merged to REC Kanto Co., Ltd.
REC Kanto Co., Ltd has changed its corporate name as Hitachi Construction Machinery REC Co., Ltd.

- 1) REC Hokkaido Co., Ltd.
- 2) REC Tohoku Co., Ltd.
- 3) REC Koshin-etsu Co., Ltd.
- 4) REC Chubu Co., Ltd.
- 5) REC Kansai OKG Co., Ltd.
- 6) REC Shikoku Co., Ltd.
- 7) REC Nishi Nihon Co., Ltd.

(3) Number of excluded consolidated subsidiaries: 10

- 1) Hitachi Kenki FineTech Co., Ltd.
- 2) FFC Corporation
- 3) Landy Hokkaido Co., Ltd.
- 4) As mentioned above on (2), 7 REC companies

2. Application of the equity method

Number of affiliates subject to the equity method: 14

(1) Main affiliates subject to the equity method

- 1) Deere-Hitachi Construction Machinery Corporation
- 2) Telco Construction Equipment Co., Ltd.
- 3) Koken Boring Machine Co., Ltd.

(2) Number of companies excluded from the equity method: 3

3. Date of settlement of accounts for consolidated subsidiaries

Below is a list of the consolidated subsidiaries that settle their accounts on a date different from the rest of the consolidated Group.

- 1) Hitachi Construction Truck Manufacturing Ltd.
- 2) Hitachi Construction Machinery Holding U.S.A. Corporation
- 3) Hitachi Construction Machinery (China) Co., Ltd.
- 4) Hitachi Construction Machinery (Shanghai) Co., Ltd.
- 5) Hitachi Sumitomo Heavy Industries Construction Crane (Shanghai) Co., Ltd.
- 6) Hefei Rijian Shearing Co., Ltd.
- 7) Qingdao Chengri Construction Machinery Co., Ltd.
- 8) Hitachi Construction Machinery Leasing (China) Co., Ltd.
- 9) Hitachi Construction Machinery (Malaysia) Sdn. Bhd.
- 10) TCM (Anhui) Machinery Co., Ltd.

The subsidiaries listed above settle their accounts on December 31. The closing dates for earnings for the consolidated subsidiaries other than those listed above correspond to the closing date for consolidated accounting.

4. Information about accounting policy

(1) Inventory

Inventories held by the Company and consolidated subsidiaries for normal sales purposes.

Inventories are stated at the cost method, principally determined by the moving average method or individual method. (the amounts shown on Balance Sheets are lower than book value due to decline in profitability) .

(2) Depreciation and amortization methods

Tangible assets, except for leased assets

Property held for lease mainly the straight-line method

Other tangible assets mainly the declining-balance method

Intangible assets, except for leased assets

Software mainly the straight-line method over 5 years

Other intangible assets mainly the straight-line method

Leased assets

Finance leases, those where the legal title of the underlying property is transferred from the lessor to the lessee at the end of the lease term.

the straight-line method, over its contract period without residual value

Other items which are not described above are omitted, because there are no major changes after publishing statute financial statement (issued 24th June, 2008).

(7) Changes in important matters that form the basis for compiling consolidated financial statements

Changes in standard and method for valuing important assets

Inventories

Previously, inventories held by the Company and consolidated subsidiaries for normal sales purposes were valued at lower of cost or market, principally determined by the moving average method or individual method. Effective April 1, 2008, however, the Company has applied “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, issued July 5, 2006) and sought to make accounting treatment consistent for the Company and its consolidated subsidiaries. Accordingly, such inventories are generally valued at cost, determined by the principally determined by the moving average method or individual method.(amounts shown on Balance Sheets are lower than book value due to decline in profitability) .

(English translation of “KESSAN TANSIN” originally issued in Japanese language.)

The effect of this change on the operating income, ordinary income, and income before income taxes in the period under review was minimal.

Application of “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements”

Effective from April 1, 2008, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18), has been applied and, accordingly, some revisions have been made to the consolidated accounts as necessary. The application of this policy had no material impact on operating income and income before income taxes and minority interests.

Application of “Accounting Standard for Lease Transactions”

Lessee

Previously, finance leases that do not deem to transfer ownership of the leased property to the lessee were accounted for as operating leases. From the fiscal year beginning April 1, 2008, however, domestic companies are able to apply “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13, issued March 30, 2007; revised from standard originally issued by the Corporate Accounting Council on June 17, 1993) and “Guidance on Accounting Standard for Lease Transactions,” (ASBJ Guidance No.16, issued March 30, 2007; revised from standard originally issued by the Japanese Institute of Certified Public Accountants on January 18, 1994). From April 1, 2008, the Company and its domestic subsidiaries have applied this standard, treating such leases as regular transactions.

In addition, lease assets that do not deem to transfer ownership of the leased property to the lessee are depreciated using the straight-line method over the period of the lease, with zero residual value.

The finance leases that do not deem to transfer ownership of the leased property to the lessee that were contracted before a new standard application are treated as same as operating leases sequentially except for those domestic companies which operates lease transaction as major business.

Lessor

Previously, finance leases that do not deem to transfer ownership of the leased property to the lessee were accounted for as operating leases. From the fiscal year beginning April 1, 2008, however, domestic companies are able to apply “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13, issued March 30, 2007; revised from standard originally issued by the Corporate Accounting Council on June 17, 1993) and “Guidance on Accounting Standard for Lease Transactions,” (ASBJ Guidance No.16, issued March 30, 2007; revised from standard originally issued by the Japanese Institute of Certified Public Accountants on January 18, 1994). From April 1, 2008, the Company and its domestic subsidiaries have applied this standard, treating such leases as regular transactions.

The finance leases that do not deem to transfer ownership of the leased property to the lessee that were contracted before a new standard application are treated as same as operating leases sequentially except for those domestic companies which operates lease transaction as major business.

The application of this policy had no material impact on operating income and income before income taxes and minority interests.

Application of Partial Amendments to Accounting Standard for Retirement Benefits (Part3)

Effective from April 1, 2008, “Partial Amendments to Accounting Standard for Retirement Benefits” (ASBJ Statement No.19), has been applied.

(English translation of “KESSAN TANSHIN” originally issued in Japanese language.)

In this fiscal year, the application of this policy had no impact on operating income and income before income taxes and minority interests, because unrecognized actuarial loss will be amortized in next fiscal year.

The amount to be amortized from next fiscal year with application of this standard is ¥445 million.

(Additional Information)

Change in Estimate of the useful life of tangible assets

As a result of reviewing its use of assets and other factors in the wake of revisions to the Corporate Tax Law, HCM and its domestic consolidated subsidiaries have changed the useful life of machinery and equipment beginning from the fiscal year ending March 31, 2009. As a result of this change in accounting policy, operating income, ordinary income and income before income taxes and minority interests each increased by ¥1,709 million.

(8) Notes

(Omission of disclosure)

The Company has omitted the notes to the Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Net Assets and Consolidated Statements of Cash Flows because the Company believes there is no significant need in this report (Kessan Tanshin) for such disclosure.

Segment Information

(1) Segment information by business category

Fiscal Year ended March 31, 2009

(Millions of yen)

	Construction Machinery Business	Industrial Vehicles Business	Semiconductor Production Equipment Business	Total	Elimination or Corporate	Consolidated
Net Sales and Operating Income						
Net Sales						
(1) Net Sales to Outside Customers	660,397	82,832	938	744,167		744,167
(2) Inter-segment Sales/Transfers	15	0	1,257	1,272	(1,272)	
Total	660,412	82,832	2,195	745,439	(1,272)	744,167
Operating Expenses	611,546	82,822	2,236	696,604	(1,273)	695,331
Operating Income	48,866	10	(41)	48,835	1	48,836
Assets, Depreciation and Capital Expenditure						
Assets	777,130	53,194	810	831,134	10,219	841,353
Depreciation	30,421	4,369	27	34,817	300	35,117
Capital expenditure	59,947	3,805	32	63,784	136	63,920

Fiscal Year ended March 31, 2008

(Millions of yen)

	Construction Machinery Business	Industrial Vehicles Business	Semiconductor Production Equipment Business	Total	Elimination or Corporate	Consolidated
Net Sales and Operating Income						
Net Sales						
(1) Net Sales to Outside Customers	854,846	83,849	1,842	940,537		940,537
(2) Inter-segment Sales/Transfers	36	0	1,588	1,624	(1,624)	0
Total	854,882	83,849	3,430	942,161	(1,624)	940,537
Operating Expenses	750,142	78,222	3,002	831,366	713	832,079
Operating Income	104,740	5,627	428	110,795	(2,337)	108,458
Assets, Depreciation and Capital Expenditure						
Assets	763,576	49,042	1,965	814,583	18,513	833,096
Depreciation	26,121	3,724	25	29,870	292	30,162
Capital expenditure	76,479	8,629	42	85,150	119	85,269

Notes:

- 1) Business categories are based on internal segments used within HCM.
- 2) The products included in each category are as follows
 1. Construction Machinery Business: Hydraulic excavators, mini-excavators, wheel loaders and crawler cranes
 2. Industrial Vehicles Business: Forklifts, transfer cranes and container carriers
 3. Semiconductor Production Equipment Business: Ultrasonic inspection video equipment and atomic force microscope equipment

(English translation of "KESSAN TANSHIN" originally issued in Japanese language.)

(2) Segment information by area

Fiscal Year ended March 31, 2009

(Millions of yen)

	Japan	Asia	Europe	The Americas	Others	Total	Elimination or Corporate	Consolidated
Net Sales and Operating Income								
Net Sales								
(1) Net Sales to Outside Customers	334,973	145,234	132,338	44,294	87,328	744,167		744,167
(2) Inter-segment Sales/Transfers	259,039	25,202	10,783	20,459	43	315,526	(315,526)	0
Total	594,012	170,436	143,121	64,753	87,371	1,059,693	(315,526)	744,167
Operating Expenses	589,435	147,024	141,465	58,094	80,335	1,016,353	(321,022)	695,331
Operating Income	4,577	23,412	1,656	6,659	7,036	43,340	5,496	48,836
Assets	584,857	215,328	107,607	29,199	54,573	991,564	(150,211)	841,353

Fiscal Year ended March 31, 2008

(Millions of yen)

	Japan	Asia	Europe	The Americas	Others	Total	Elimination or Corporate	Consolidated
Net Sales and Operating Income								
Net Sales								
(1) Net Sales to Outside Customers	373,185	167,114	229,270	51,329	119,639	940,537		940,537
(2) Inter-segment Sales/Transfers	310,006	27,550	18,053	24,116	1,160	380,885	(380,885)	0
Total	683,191	194,664	247,323	75,445	120,799	1,321,422	(380,885)	940,537
Operating Expenses	630,522	168,530	228,519	68,231	110,427	1,206,229	(374,150)	832,079
Operating Income	52,669	26,134	18,804	7,214	10,372	115,193	(6,735)	108,458
Assets	628,199	166,598	149,093	34,633	61,519	1,040,042	(206,946)	833,096

Note: Countries included in each segment are as follows:

- (1) Asia: China, Indonesia, Singapore, Thailand and Malaysia
- (2) Europe: Holland, France and UK
- (3) The Americas: United States and Canada
- (4) Other: Australia, New Zealand and South Africa

(3) Overseas sales

(Millions of yen)

	Fiscal year ended March 31, 2009		Fiscal year ended March 31, 2008	
	Sales	Percentage of sales in consolidated sales	Sales	Percentage of sales in consolidated sales
The Americas	79,178	10.7 %	88,518	9.4 %
Europe, Africa & Middle East	180,843	24.3	291,942	31.0
Oceania & Asia	151,148	20.3	184,021	19.6
China	119,295	16.0	127,323	13.5
Total Overseas Sales	530,464	71.3	691,804	73.6
Consolidated Sales	744,167	100.0	940,537	100.0

Note: Overseas sales are sales in countries and areas other than Japan of the Company and its consolidated subsidiaries.

(9) Omission of disclosure

HCM has omitted notes related to the Company's consolidated operations, such as notes for lease transactions, transactions related to business partners, tax effect accounting, marketable securities, derivative transactions, provision of retirement benefits, and stock options because the Company believes there is no significant need in this report for disclosure.

(10) Per share information

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2008
	Yen	Yen
Net assets per share	1,422.54	1,446.55
Net income per share	85.79	271.00
Net income per share after adjustments for dilution	85.72	270.23

Note: Basic data for calculations

1. Net assets per share

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2008
Total amount of net assets on consolidated balance sheets (millions of yen)	331,015	346,618
Amount of net assets associated with common shares (millions of yen)	293,446	309,359
Primary breakdown of amount differentials (millions of yen)		
New share acquisition rights	747	415
Held by minority shareholders	36,822	36,844
Number of common shares issued (shares)	215,115,038	215,115,038
Number of common shares that are treasury shares (shares)	8,831,203	1,254,982
Number of common shares used in the calculation of net assets per share (shares)	206,283,835	213,860,056

2. Net income per share and net income per share after dilution of latent shares

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2008
Net income (millions of yen)	18,253	55,985
Amount not returned to common shareholders (millions of yen)	0	0
Net income associated with common shares (millions of yen)	18,253	55,985
Average number of common shares outstanding during the fiscal year (shares)	212,754,987	206,587,605
Increase in common shares used for calculating net income per share after dilution (shares)		
Stock purchase warrant	188,571	586,357
Summary of latent shares not included in the calculation of fully diluted net profit per share due to lack of dilution effect.	-	-

(11) Important Subsequent Events

None

6. Other

Changes in Officer Structure (As of June 22, 2009)

As the candidates for Director were finalized following a resolution by the Nominating Committee on April 27, 2009, a list of candidates for Director are provided below.

In addition, the Directors are expected to be appointed at the 45th Annual General Meeting of Shareholders scheduled for June 22, 2009.

(1) Candidates for Director

Chairman of the Board	Shungo Dazai (Unchanged)
Director	Michijiro Kikawa (Unchanged)
Director	Yasuhiko Nakaura (Unchanged)
Director	Katsutoshi Arita (Unchanged)
Director	Nobuhiko Kuwahara (Unchanged)
Director	Shuichi Ichiyama (Unchanged)
Outside Director	Yoshio Kubo (Professor of Tsukuba International University Faculty of Industrial Researches and Social Services)
Outside Director	Takeo Ueno (Director of Hitachi, Ltd.)
Outside Director	Kazuo Takano (New; Director of Hitachi Capital Corp.)

(2) Retiring Director

Minoru Tsukada