

# **Hitachi Construction Machinery Co., Ltd.**

**Financial Results for the Year Ended**

**March 31, 2013**

# Consolidated Financial Results for the Year Ended March 31, 2013 (Japan GAAP)

April 25, 2013

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: Yuichi Tsujimoto, President and Chief Executive Officer

Scheduled date of regular General Meeting of Shareholders: June 24, 2013

Scheduled date of commencement of payment of dividends: May 31, 2013

Scheduled date for submission of Securities Report: June 25, 2013

Supplementary materials to the financial statements have been prepared: Yes

Presentation will be held to explain the financial statements: Yes

(for institutional investors, analysts and journalists)

U.S. Accounting Standards are not applied.

## 1. Consolidated results for the year ended March 2013 (April 1, 2012 to March 31, 2013)

### (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, 2013	772,355	(5.5)	51,496	(6.1)	36,391	(29.6)	23,464	1.9
March 31, 2012	817,143	5.6	54,837	32.1	51,711	23.4	23,036	107.8

Note: Comprehensive income March 2013: ¥57,944 million (98.78%) March 2012: ¥29,160 million (138.8%)

	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, 2013	110.77	110.75	6.9	3.3	6.7
March 31, 2012	108.88	108.86	7.3	5.1	6.7

References:

1. Gain (loss) on equity earnings of affiliated companies March 2013: ¥(646) million March 2012: ¥526 million

2. Percentages indicated for net sales, operating income, ordinary income and net income are increases (decreases) compared with 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, 2013	1,099,901	416,671	32.8	1,704.34
March 31, 2012	1,086,116	368,777	29.7	1,522.86

Reference: Total equity at fiscal year-end March 2013: ¥361,163 million March 2012: ¥322,570 million

### (3) Consolidated cash flows

	Net cash from operating activities	Net cash from investing activities	Net cash from financial activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2013	59,965	(37,080)	(42,700)	66,622
March 31, 2012	11,088	(39,044)	34,857	81,059

## 2. Dividends status

	Cash dividends per share					Dividends paid (Total)	Dividend Payout Ratio (Consolidated)	Dividends on Equity (Consolidated)
	First Quarter	Second Quarter	Third Quarter	Year end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2012	—	15.00	—	15.00	30.00	6,350	27.6	2.0
March 31, 2013	—	20.00	—	20.00	40.00	8,475	36.1	2.5
March 31, 2014 (Projection)	—	25.00	—	25.00	50.00		28.6	

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

3. Projected consolidated results for the fiscal year ending March 2014 (April 1, 2013 to March 31, 2014)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2013 (Interim)	395,000	4.8	28,000	33.7	21,000	53.0	13,500	(16.2)
March 31, 2014	830,000	7.5	83,000	61.2	69,000	89.6	37,000	57.7

	Net income (loss) per share
	Yen
September 30, 2013 (Interim)	63.71
March 31, 2014	174.60

Reference:

Percentages indicated show changes from the same period of the previous fiscal year for September 30, 2013 (Interim) and changes from the previous fiscal year for March 31, 2014.

4. Others

(1) Significant changes involving subsidiaries during the fiscal year (changes involving specific subsidiaries accompanying changes in the scope of consolidation): Yes

New: none Elimination: one (TCM Corporation)

Note: See “Important matters that form the basis for compiling consolidated financial statements” on page 22 of the attached material for details.

(2) Changes in accounting policies; changes in accounting estimates; restatements

[1] Changes in the accompanying revision of accounting policies	None
[2] Changes other than those in [1]	Yes
[3] Changes in accounting estimates	Yes
[4] Restatements	None

Note: Hitachi Construction Machinery and its subsidiaries in Japan changed a depreciation method for property, plant and equipment from a declining-balance method to a straight-line method starting from this fiscal year. This change falls under the category “[3] Changes in accounting estimates” above, in accordance with the provision of the article 14-7 “In cases where differentiation between changes in accounting policies and changes in accounting estimates is difficult” of the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements”. See “Important matters that form the basis for compiling consolidated financial statements” on page 22 of the attached material for details.

(3) Number of outstanding shares (common shares)

[1] Number of outstanding shares at fiscal year-end (including treasury shares)	March 2013: 215,115,038	March 2012: 215,115,038
[2] Number of treasury shares at fiscal year-end	March 2013: 3,206,607	March 2012: 3,296,336
[3] Average number of common shares outstanding during the fiscal year (shares)	March 2013: 211,835,384	March 2012: 211,576,798

Notes)

Indication of audit procedure implementation status

This earnings report is exempt from audit procedure based upon the Financial Instruments and Exchange Act. It is under the audit procedure process at the time of disclosure of this report.

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 “1. Business Performance (1) Analysis of Management Results” on page 4 for the relevant reasons.

# Index of the Attachment

1. Business Performance.....	4
(1) Analysis of Management Results.....	4
(2) Analysis of Financial Conditions.....	8
(3) Principles Regarding Appropriation of Earnings and Dividends for the Year under Review and the Fiscal Year Ending March 31, 2014.....	9
(4) Business Risks .....	10
2. Status of the Corporate Group .....	13
3. Management Policy.....	14
(1) Basic Management Policy.....	14
(2) Mid-to-Long-Term Management Strategies and Issues to Be Addressed.....	14
4. Consolidated Financial Statements.....	16
(1) Consolidated Balance Sheets.....	16
(2) Consolidated Statements of Income.....	18
Consolidated Statements of Comprehensive Income.....	19
(3) Consolidated Statements of Net Assets.....	20
(4) Consolidated Statements of Cash Flows.....	21
(5) Notes on the Preconditions for a Going Concern.....	22
Important matters that form the basis for compiling consolidated financial statements.....	22
Notes on consolidated financial statements .....	22
Segment Information.....	23
Per Share Information .....	26
Important Subsequent Events.....	26
5. Other	
(1) Changes in Officer Structure.....	27

## 1. Business Performance

### (1) Analysis of Management Results

#### [1] Business Performance for the Fiscal Year Ended March 31, 2013

During the consolidated fiscal year under review (April 1, 2012 to March 31, 2013), although the US economy showed a gradual growth, the European economy continued to be stagnant due to the financial crisis. Also in China and India, the economies were sluggish with economic growth slowdown.

With respect to the market for construction machinery particularly hydraulic excavators, the overall demand for construction machinery declined. In the United States, the demand continued strong supported by housing needs. In Japan, rental demands were brisk backed by reconstruction needs. On the other hand, the demand in China was sluggish despite the increase in rural development-related constructions due to sluggish investments in fixed assets.

With respect to mining machinery, the demand for machinery for coal mines in Indonesia and Australia decreased, in accordance with decelerated coal demand from the middle of the fiscal year.

Under these circumstances, the HCM Group made efforts to increase its share, lower the costs and improve business efficiency to secure profits.

In the domestic market, the HCM Group established Hitachi Construction Machinery Japan Co., Ltd. in April, with the aim of capturing reconstruction demands. Overseas, we endeavored to increase the sales of the “ZAXIS-5” series, which suit regionally specific needs, especially in emerging markets. In India where competition is becoming fierce, we renamed Telco Construction Equipment Co., Ltd., our local subsidiary, as Tata Hitachi Construction Machinery Co., Ltd., in order to enhance the brand image.

With respect to mining machinery, we continued focusing on the active promotion of super hydraulic excavators including those of the world largest class, as well as dump trucks adopting AC driving. As a result, we received a large order combining electric ultra-large hydraulic excavators and trolley dump trucks for a gold mine in Turkey. In addition, we improved our post-purchase services including those for parts, to keep operating the machineries for long hours and under high load.

Consequently, consolidated net sales decreased by 6% year-on-year to ¥772,355 million. Operating income and ordinary income also decreased by 6% and 30% year-on-year, to ¥51,496 million and ¥36,391 million, respectively.

The following table summarizes the consolidated results for the year ended March 2013.

(Millions of yen; %)

	March 2013 (A)	March 2012 (B)	Year-on-year change (A) - (B) Increase (%)	
Net sales	772,355	817,143	(44,788)	(5.5)
Operating income	51,496	54,837	(3,341)	(6.1)
Ordinary income	36,391	51,711	(15,320)	(29.6)
Net income	23,464	23,036	428	1.9

Note: Figures under million are rounded to the nearest million.

#### [2] Overview of Consolidated Sales by Regional Segment

##### [Japan]

The Japanese economy is slowly recovering underpinned by public investment as well as a depreciated yen from the latter part of the fiscal year.

The demand for construction machinery remained brisk, thanks to increased housing start and public investment mainly for reconstructions.

Under these circumstances, the HCM Group made efforts to improve customers' satisfaction and to increase sales. Specifically, Hitachi Construction Machinery Japan Co., Ltd. swiftly responded to various customers' needs such as their desire to "buy, rent, and repair" etc. by consistently conducting "RSS"(Rental, Sales and Service) operations.

Consequently, consolidated net sales decreased by 9% year-on-year to ¥191,915 million, because TCM was unconsolidated from the second quarter after the HCM Group sold off all the shares of TCM.

#### [The Americas]

The U.S. economy continued strong, with consumer spending showing recovery and increases in capital investments of companies and housing starts.

Demands for construction machinery continued to grow due to a steady demand in the rental and energy-related industries. Under such circumstances, we expanded sales thanks to healthy sales of new machines that have responded to emissions regulations, in addition to replacement demands in the rental industry.

Consequently, consolidated net sales increased by 23% year-on-year to ¥113,923 million.

#### [Europe]

European economies still remained stagnant due to the financial crisis.

The demand not just in south Europe, but also Europe-wide for construction machinery fell short of the previous fiscal year level from the middle of the fiscal year. The economic circumstances are becoming even more severe.

Under these circumstances, we focused on expanding the sales by adding new types of fuel-efficient hydraulic excavators adapting new emission regulations and wheel loader to lineups, as well as by providing dealers with meticulous support services.

Consolidated net sales decreased by 11% year-on-year to ¥57,342 million.

#### [Russia-CIS, Africa and the Middle East]

In Russia, business activities were stagnant despite high oil prices, affected by decelerated growth in consumer spending. CIS showed strong economy.

The demand for construction machinery remained at the same level as the previous fiscal year. Under such circumstances, we strove to further reinforce our services for supporting dealers through Hitachi Construction Machinery Eurasia Sales LLC. In addition, the construction of a new factory in Russia was started in preparation for the local production.

In Africa, we endeavored to enhance sales and service structure in cooperation with local dealers, with the aim of capturing mining needs in middle to western Africa. In southern Africa, we established new dealers in Zimbabwe.

In the Middle East, we focused on expanding sales by receiving large orders from a leading contractor in Turkey and public offices in Iraq.

Consequently, the total consolidated net sales in Russia-CIS, Africa, and the Middle East increased by 13% to ¥80,915 million.

#### [Asia and Oceania]

In Asia and Oceania, while the demand decreased in accordance with price drops in coal and palm oil in Indonesia, the demands were strong related to flood reconstruction and infrastructure development in Thailand, pulp demand in Malaysia and social infrastructure demand such as subway construction in Singapore.

The HCM Group developed local mass production of a new type of machine in P. T. Hitachi Construction Machinery Indonesia to provide products that fit local market needs.

In India, the demand for construction machinery fell short of the level of the previous year, due to the decelerated economy.

Under such circumstances, Tata Hitachi Construction Machinery Co., Ltd. started manufacturing a new type of hydraulic excavator and maintained a large share in hydraulic excavator market.

In Australia, although the demand related to constructions was faring well, resource-related demands such as coal declined.

In these circumstances, we endeavored to capture demands for various construction machineries while carefully observing market trends by industry. In addition, we launched hybrid machines into the market and expanded the sale of parts. As for the forestry market, we achieved expansion of sales in New Zealand by introducing forestry-use machines.

Consolidated net sales decreased by 2% year-on-year to ¥237,487 million.

[China]

In China, despite the government's effort to boost economy, the demand for construction machinery continued to significantly fall short of the previous fiscal year level.

Under such circumstances, we released key strategic machines onto the market and, at the same time, introduced a parts and sales management system and continued to enhance collaborative relationships with dealers utilizing the Global e-Service system, etc., in order to increase our market presence.

Consolidated net sales decreased by 33% year-on-year to ¥90,773 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, 2012- March 31, 2013)		Previous fiscal year (April 1, 2011- March 31, 2012)		Increase (Decrease)	
	Net Sales	Proportion (%)	Net Sales	Proportion (%)	Amount of change	% change
The Americas	113,923	14.8	92,324	11.3	21,599	23.4
Europe	57,342	7.4	64,415	7.9	(7,073)	(11.0)
Russia-CIS, Africa and the Middle East	80,915	10.5	71,715	8.8	9,200	12.8
Asia and Oceania	237,487	30.7	242,750	29.7	(5,263)	(2.2)
China	90,773	11.8	134,960	16.5	(44,187)	(32.7)
Sub-total	580,440	75.2	606,164	74.2	(25,724)	(4.2)
Japan	191,915	24.8	210,979	25.8	(19,064)	(9.0)
Total	772,355	100.0	817,143	100.0	(44,788)	(5.5)

Note: Figures under ¥100 million are rounded to the nearest million.

### [3] Overview of Consolidated Net Sales by Business Segment

#### (a) Construction Machinery Business

Regarding construction-related machinery, we endeavored to expand product lineups of our core product, the ZAXIS-5 series of hydraulic excavators that responded to diversified regional specific needs. We also made efforts to actively promote sales of the new model of Ultra-Short Turning Radius mini excavator.

With respect to the mining machinery, we captured the demands by offering package deals of fuel efficient and environmentally friendly trolley type dump trucks yet with higher productivity, and electric ultra-large hydraulic excavators. We released the EH5000AC-3 rigid dump truck, which is the largest class in Japan with a new body stabilizing control technology. In addition, we enriched after-sales services including parts sales, to respond to higher load and longer operation hours of mining machinery, and improved customers' satisfaction.

Consequently, consolidated net sales increased by 1% year-on-year to ¥757,525 million.

#### (b) Industrial Vehicles Business

Figures in the "Industrial Vehicle Business" represent those in the first quarter only, as we sold off all the shares of the TCM Corporation that consisted of the industrial vehicle business.

The consolidated net sales in the first quarter were ¥14,830 million.

### [4] Outlook for the Fiscal Year Ending March 31, 2014

The overall global demand for construction machinery mainly hydraulic excavators in the fiscal year ending March 31, 2014 is expected to recover in China but remain sluggish in Europe. The global demand is forecasted to recover, with continuing growth of rental demand in Japan and housing and rental demands in the United States.

Under such circumstances, the HCM Group plans to strengthen its measures to increase the share, lower costs and make management more efficient, to achieve our mid-term business plan "Go Together 2013".

The assumed foreign exchange rates for the results are 94 yen for one US dollar, 123 yen for one euro and 15.2 yen for one Chinese yuan.

Consolidated Earnings Forecast for the Full Year Ending March 31, 2014 (100 millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (Yen)
Forecast	830,000	83,000	69,000	37,000	174.60
Difference	57,645	31,504	32,609	13,536	-
Change (%)	7.5	61.2	89.6	57.7	-
Previous Year Ended Mar 31, 2013	772,355	51,496	36,391	23,464	110.77

Note) 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 may cause actual results to differ materially.



## **(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 ¥733,819 million, a decrease of 2.5%, or ¥18,485 million from the previous fiscal year-end. This was due mainly to a decrease of ¥50,593 million in the total of notes and accounts receivable, lease receivable and investment assets, and an increase of 45,999 million in inventories.

Fixed assets increased 9.7%, or ¥32,270 million from the end of the previous fiscal year to ¥366,082 million. This was due mainly to our investments in property, plant and equipment in order to reinforce the production capabilities of consolidated subsidiaries in and outside of Japan.

As a result, total assets increased 1.3% or ¥13,785 million from the previous fiscal year-end to ¥1,099,901 million.

#### **(b) Liabilities**

Current liabilities at the end of the fiscal year amounted to ¥447,255 million, a decrease of 14.0%, or ¥72,797 million from the previous fiscal year-end. This was due mainly to decreases of ¥43,752 million in notes and accounts payable and ¥15,491 million in short-term debt.

Non-current liabilities increased 19.6%, or ¥38,688 million from the previous fiscal year-end to ¥235,975 million. This was mainly due to increases of ¥19,990 million in bonds and ¥19,759 million in long-term debt.

As a result, total liabilities decreased 4.8% or ¥34,109 million from the previous fiscal year-end to ¥683,230 million.

#### **(c) Net Assets**

Net assets increased 13.0%, or ¥47,894 million from the previous fiscal year-end to ¥416,671 million. This was mainly due to net income in this fiscal year amounting to ¥23,464 million, and an increase of ¥23,583 million in foreign currency translation adjustments.

### **[2] Status of Consolidated Cash Flows**

Cash and cash equivalents at the end of the year totaled ¥66,622 million, a decrease of ¥14,437 million from the end of the previous fiscal year. Factors relating to each cash flow category were as follows:

#### **[Cash Flows from Operating Activities]**

Net cash provided by operating activities totaled ¥59,965 million, an increase of ¥48,877 million compared with the previous fiscal year.

Factors that increased cash included ¥45,763 million in income before income taxes and minority interests, ¥36,232 million in depreciation and amortization, and ¥68,486 million in decrease in notes and accounts receivable (including lease receivable). Factors that reduced cash included the ¥38,644 million in decrease in notes and accounts payable, ¥32,793 million in increase in inventories, and ¥23,129 million of income taxes payment.

#### **[Cash Flows from Investing Activities]**

Net cash used in investing activities was ¥37,080 million, a decrease of ¥1,964 million compared with the previous fiscal year.

As a result, free cash flows, the sum of cash flows from operating activities and cash flows from investing activities, amounted to an inflow of ¥22,885 million.

#### **[Cash Flows from Financing Activities]**

Net cash used in financing activities totaled ¥42,700 million. This was due mainly to outflows of ¥11,780 million in interests paid and ¥12,655 million in dividends.

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

	March 2010	March 2011	March 2012	March 2013
Equity ratio (%)	34.5	32.4	29.7	32.8
Equity ratio on market price basis (%)	52.9	49.5	35.7	39.1
Interest-bearing debt to operating cash flows ratio (%)	4.3	12.0	35.1	6.6
Interest coverage ratio (times)	10.5	3.2	1.0	5.1

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.

### (3) Principles Regarding Appropriation of Earnings and Dividends for the Year under Review and the Fiscal Year Ending March 31, 2014

To establish a solid position in global construction machinery markets, HCM will maintain and strengthen 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 a target payout ratio of at least 20%.

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

At the Meeting of the Board of Directors scheduled for May 21, 2013, a resolution for cash dividends per share of ¥20.00 for the fiscal year ended March 31, 2013 will be proposed. As a result, cash dividends for the entire fiscal year ended March 31, 2013 will amount to ¥40.00 per share.

As for dividends for the fiscal year ending March 2014, we aim to pay ¥25.00 per share for interim dividends and ¥25.00 per share for year-end dividends -a total of ¥50.00 per share annually.

#### (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 production, 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 natural 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 75.2% this fiscal year, largely exceeding those derived in Japan. 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, European Euro or Chinese Yuan, 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, enlarging the portion of local production, promotion of parts import via international purchasing, and hedging activities. 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 debts were approximately 393,100 million JPY as of March 31, 2013. 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 accounts 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 sales, 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

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.

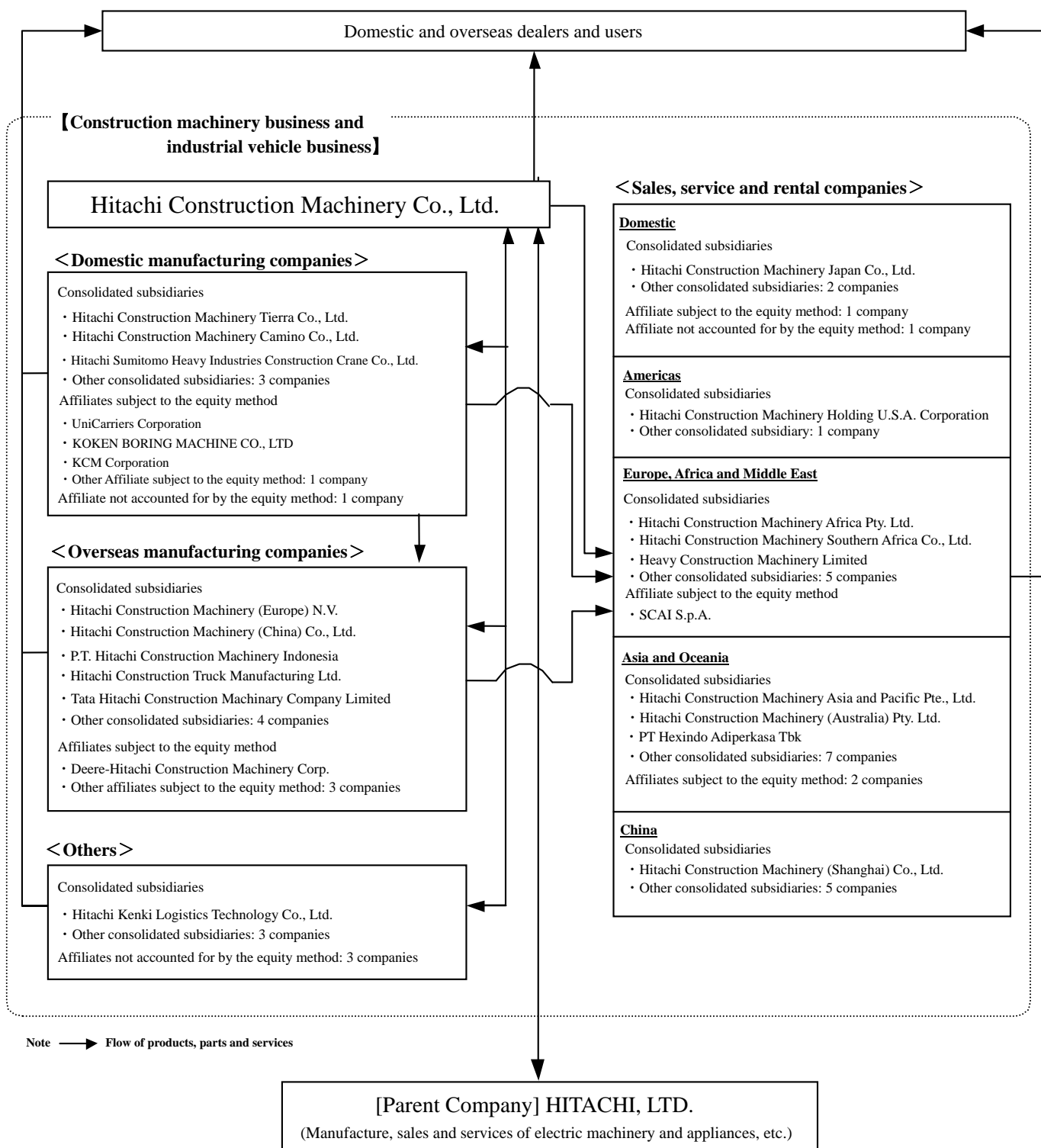
If a leak of confidential information occurred, the reputation of the HCM Group may become damaged and customers may lose confidence in the HCM Group. In addition, the HCM Group's intellectual property may be infringed upon by a third party, or a third party may claim that the HCM Group is liable for 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, the consolidated Group consists of Hitachi Construction Machinery, its parent company, its 48 subsidiaries and its 17 affiliates. Its business mainly involves the manufacture, sale, service and leasing of construction machinery and industrial vehicles.



### **3. Management Policy**

#### **(1) Basic Management Policy**

1) To improve the enterprise value and shareholder value of the HCM Group through rigorous emphasis on consolidated management. To this end, both investment efficiency and management efficiency will be improved by ensuring investment return appropriately for capital cost as well as focusing on and selecting businesses based on ROA and other criteria.

2) To establish an unshakeable position in global construction machinery and mining machinery markets, by providing leading-edge products and services on the foundation of superb technological capabilities, in order to contribute as a reliable partner to business customers worldwide and enhance community based business operations.

3) To have greater presence in emerging markets by structuring the product development system to meet regional markets needs, enhancement of the global production operation, enrichment of the sales and service formulation, and expansion of the base of life cycle support for the machinery in order to be more competitive.

To ensure the ability to achieve these objectives, there is strong emphasis on developing global personnel and sharing the Kenkijin Sprit\*\*, and we aim to establish a global management base to strengthen continuous growth.

#### **\*\*Kenkijin Sprit:**

In pursuing our vision and principles, it is important to achieve the goals of the HCM Group's medium to long-term vision and medium-term management plan while responding to the demands of society in areas such as compliance and corporate social responsibility (CSR). The actions of each individual employee are the driving force behind these efforts. If these actions are in line with shared values and guiding principles, we can pursue our goals while making the most of each employee's ideas and initiatives. The Kenkijin Sprit codifies these shared values and guiding principles, to embody the attitude of a Kenkijin.

#### **(2) Mid-to-Long-Term Management Strategies and Issues to be Addressed**

In the construction machinery business, which is a growth industry for the mid to long term, HCM Group implements strategies to respond to a market shift caused by increasing demand in emerging nations, and to enhance competitiveness by addressing various product and service needs in a growing competition. We also carry out strategies to further strengthen and improve the mining business where the market is expected to grow.

The principal policies are as follows:

##### **1) Hard (Product) Strategies**

We focus on the research and development of the high-value added products that meet regional needs based on superb solo technology. Emerging markets and the mining machinery market demand highly durable, reliable equipment that can handle large volumes of work. In advanced nations, on the other hand, markets are seeking equipment that complies with environmental regulations such as those for exhaust emissions, that is flexible and can cope with varieties of non-excavation based works, such as on building demolition sites and recycles, and that incorporates advanced features related to fuel efficiency, safety, high-value added and other areas. We aim to attain overwhelming product competitiveness to meet those varieties of market needs.

## 2) Soft Strategies

The accumulated number of machines in work in the markets has been increasing, so the demand for parts and services and second hand machines is expected to grow. We plan to establish ICT-driven business models, such as Global e-service, which capture such demand as check & repair, preventive maintenance service, sales of parts & remanufactured products, second hand products, rental and financing services, to cover the whole life cycle of the products.

## 3) Regional Strategy

We intend to expand our presence in each region with regional business operations to meet the diversifying markets, through further enrichment of the sales and service system, enhancement of the support for sales dealers, and community-based operation.

## 4) Global Management Operation

To respond to the market polarization and rapid change of the market, we aim to realize genuine global management by promoting local staff including top management, achievement of speedy judgments by management through the review of the function, authority, responsibility between the headquarters and the regional companies, evolution to the global production operation to achieve total optimization, enhancement of the corporate governance as the basis.

Along with the promotion of the above-mentioned strategies, we recognize the importance of corporate social responsibility (CSR), which we must fulfill as a group and will move forward to achieve the objectives of the medium-term management plan. In tandem, we will strengthen our brand power, increase our corporate value, and raise shareholder value.



## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	Current fiscal year (For the year ended) (Mar. 31, 2013 (A))	Previous fiscal year (For the year ended) (Mar. 31, 2012 (B))	(A)-(B)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank deposits	62,640	72,803	(10,163)
Notes and accounts receivable	204,918	238,478	(33,560)
Lease receivables and investment assets	103,288	120,321	(17,033)
Merchandise and manufactured goods	239,643	186,625	53,018
Work in process	54,125	58,485	(4,360)
Material and supplies	21,143	23,802	(2,659)
Deferred tax assets	13,903	14,562	(659)
Other	42,108	42,510	(402)
Less: Allowance for doubtful accounts	(7,949)	(5,282)	(2,667)
Total current assets	733,819	752,304	(18,485)
<b>Non-current assets</b>			
<b>Property, plant and equipment</b>			
Property held for lease (net)	42,791	43,602	(811)
Buildings and structures (net)	86,531	67,098	19,433
Machinery, equipment and vehicles (net)	62,770	51,063	11,707
Tools, furniture and fixtures (net)	6,449	4,895	1,554
Land	55,544	64,170	(8,626)
Construction in progress	17,110	14,032	3,078
Net property, plant and equipment	271,195	244,860	26,335
<b>Intangible assets</b>			
Software	17,802	19,965	(2,163)
Goodwill	10,457	18,144	(7,687)
Other	4,402	2,678	1,724
Total intangible assets	32,661	40,787	(8,126)
<b>Investments and other assets</b>			
Investments in securities	27,086	20,736	6,350
Deferred tax assets	5,263	5,023	240
Other	30,395	23,129	7,266
Less: Allowance for doubtful accounts	(518)	(723)	205
Total investments and other assets	62,226	48,165	14,061
Total non-current assets	366,082	333,812	32,270
<b>Total assets</b>	<b>1,099,901</b>	<b>1,086,116</b>	<b>13,785</b>

(Rounded off to the nearest million)

(Millions of yen)

	Current fiscal year (For the year ended Mar. 31, 2013 (A))	Previous fiscal year (For the year ended Mar. 31, 2012 (B))	(A)-(B)
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Notes and accounts payable	149,128	192,880	(43,752)
Short-term loans	192,821	208,312	(15,491)
Current portion of bonds	-	20,060	(20,060)
Income taxes payable	14,563	18,367	(3,804)
Other	90,743	80,433	10,310
Total current liabilities	447,255	520,052	(72,797)
<b>Non-current liabilities</b>			
Bonds	50,000	30,010	19,990
Long-term loans	150,281	130,522	19,759
Lease obligations	9,984	8,564	1,420
Deferred tax liabilities	9,103	10,567	(1,464)
Retirement and severance benefits	8,913	12,021	(3,108)
Other	7,694	5,603	2,091
Total non-current liabilities	235,975	197,287	38,688
<b>Total liabilities</b>	683,230	717,339	(34,109)
<b>Net assets</b>			
<b>Shareholders' equity</b>			
Common stock	81,577	81,577	-
Capital surplus	84,500	84,477	23
Retained earnings	199,779	183,728	16,051
Treasury stock	(3,982)	(4,093)	111
Total shareholders' equity	361,874	345,689	16,185
<b>Accumulated other comprehensive income</b>			
Net unrealized gain on securities	3,056	3,621	(565)
Deferred loss on hedges	(2,323)	(1,713)	(610)
Foreign currency translation adjustment	(1,444)	(25,027)	23,583
Total accumulated other comprehensive income	(711)	(23,119)	22,408
<b>Subscription rights to shares</b>	766	766	-
<b>Minority interests</b>	54,742	45,441	9,301
Total net assets	416,671	368,777	47,894
<b>Total liabilities and net assets</b>	1,099,901	1,086,116	13,785

(Rounded off to the nearest million)

## (2) Consolidated Statements of Income and Comprehensive Income

### Consolidated Statements of Income

(Millions of yen)

	Current fiscal year For the year ended Mar. 31, 2013 (A)	Previous fiscal year For the year ended Mar. 31, 2012 (B)	(A)/(B)×100 (%)
			%
<b>Net sales</b>	772,355	817,143	95
<b>Cost of sales</b>	566,180	606,643	93
Gross profit	206,175	210,500	98
<b>Selling, general and administrative expenses</b>			
Packing and shipping expenses	19,870	24,884	80
Employees' salaries	40,664	41,793	97
R&D expenditure	16,681	15,785	106
Other	77,464	73,201	106
Total selling, general and administrative expenses	154,679	155,663	99
<b>Operating income</b>	51,496	54,837	94
<b>Non-operating income</b>			
Interest income	2,894	3,147	92
Interest income from installment sales	275	356	77
Dividends income	328	379	87
Gain on equity in earnings of affiliated companies	-	526	-
Foreign exchange gains, net	-	917	-
Gain on sales of property, plant and equipment	864	98	882
Subsidy income	1,135	1,256	90
Other	3,086	3,569	86
Total non-operating income	8,582	10,248	84
<b>Non-operating expenses</b>			
Interest expenses	11,672	11,587	101
Foreign exchange losses, net	6,844	-	-
Loss on equity in earnings of affiliated companies	646	-	-
Other	4,525	1,787	253
Total non-operating expenses	23,687	13,374	177
<b>Ordinary income</b>	36,391	51,711	70
<b>Extraordinary Income</b>			
Gain on sales of securities	972	-	-
Gain on changes in equity interest	9,904	-	-
Insurance income	-	1,003	-
Total Extraordinary Income	10,876	1,003	-
<b>Extraordinary losses</b>			
Business structure improvement expenses	565	374	151
Loss on sales of securities	8	-	-
Loss on valuation of investment securities	-	363	-
Impairment losses	931	-	-
Retirement benefit expenses	-	219	-
Amortization of goodwill	-	1,629	-
Total extraordinary losses	1,504	2,585	58
<b>Income before income taxes and minority interests</b>	45,763	50,129	91
<b>Income taxes</b>			
Current	17,285	17,818	97
Deferred	(811)	1,749	-
<b>Total income tax</b>	16,474	19,567	84
<b>Income before minority interests</b>	29,289	30,562	96
<b>Minority interests</b>	5,825	7,526	77
<b>Net income</b>	23,464	23,036	102

(Rounded off to the nearest million)

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Current fiscal year 〔 For the year ended Mar. 31, 2013 (A) 〕	Previous fiscal year 〔 For the year ended Mar. 31, 2012 (B) 〕	(A)/(B)×100 (%)
<b>Income before minority interests</b>	29,289	30,562	96
<b>Other comprehensive income</b>			
Net unrealized loss on securities	(570)	(163)	-
Deferred loss on hedges	(605)	(1,127)	-
Foreign currency translation adjustment	28,969	155	-
Share of other comprehensive gain (loss) of companies accounted for by the equity method	861	(267)	-
Total other comprehensive income	28,655	(1,402)	-
<b>Comprehensive income</b>	57,944	29,160	199
Comprehensive income attributable to shareholders of the Company	45,872	21,307	215
Comprehensive income attributable to minority interests	12,072	7,853	154

(Rounded off to the nearest million)

**(3) Consolidated Statements of Net Assets**

(Millions of yen)

	Current fiscal year 〔 For the year ended 〕 Mar. 31, 2013	Previous fiscal year 〔 For the year ended 〕 Mar. 31, 2012
<b>Shareholders' Equity</b>		
<b>Common stock</b>		
Balance at the beginning of the year	81,577	81,577
Changes during the period		
Total changes during the period	-	-
Balance at the end of the year	81,577	81,577
<b>Capital surplus</b>		
Balance at the beginning of the year	84,477	84,466
Changes during the period		
Disposal of treasury stock	23	11
Total changes during the period	23	11
Balance at the end of the year	84,500	84,477
<b>Retained earnings</b>		
Balance at the beginning of the year	183,728	165,980
Changes during the period		
Cash dividends	(7,414)	(5,287)
Net income	23,464	23,036
Total changes during the period	16,051	17,748
Balance at the end of the year	199,779	183,728
<b>Treasury stock</b>		
Balance at the beginning of the year	(4,093)	(4,526)
Changes during the period		
Purchase of treasury stock	(2)	(2)
Disposal of treasury stock	113	435
Total changes during the period	111	433
Balance at the end of the year	(3,982)	(4,093)
<b>Total Shareholders' equity</b>		
Balance at the beginning of the year	345,689	327,496
Changes during the period		
Cash dividends	(7,414)	(5,287)
Net income	23,464	23,036
Purchase of treasury stock	(2)	(2)
Disposal of treasury stock	136	446
Total changes during the period	16,185	18,193
Balance at the end of the year	361,874	345,689
<b>Accumulated other comprehensive income</b>		
<b>Net unrealized gain on securities</b>		
Balance at the beginning of the year	3,621	3,772
Changes during the period		
Net changes in items other than those in shareholder's equity	(565)	(151)
Total changes during the period	(565)	(151)
Balance at the end of the year	3,056	3,621
<b>Deferred gains (losses) on hedges</b>		
Balance at the beginning of the year	(1,713)	(595)
Changes during the period		
Net changes in items other than those in shareholder's equity	(610)	(1,118)
Total changes during the period	(610)	(1,118)
Balance at the end of the year	(2,323)	(1,713)
<b>Foreign currency translation adjustments</b>		
Balance at the beginning of the year	(25,027)	(24,567)
Changes during the period		
Net changes in items other than those in shareholder's equity	23,583	(460)
Total changes during the period	23,583	(460)
Balance at the end of the year	(1,444)	(25,027)
<b>Total accumulated other comprehensive income</b>		
Balance at the beginning of the year	(23,119)	(21,390)
Changes during the period		
Net changes in items other than those in shareholder's equity	22,408	(1,729)
Total changes during the period	22,408	(1,729)
Balance at the end of the year	(711)	(23,119)
<b>Subscription rights to shares</b>		
Balance at the beginning of the year	766	766
Changes during the period		
Net changes in items other than those in shareholder's equity	-	-
Total changes during the period	-	-
Balance at the end of the year	766	766
<b>Minority interests</b>		
Balance at the beginning of the year	45,441	42,114
Changes during the period		
Net changes in items other than those in shareholder's equity	9,301	3,327
Total changes during the period	9,301	3,327
Balance at the end of the year	54,742	45,441
<b>Total Net Assets</b>		
Balance at the beginning of the year	368,777	348,986
Changes during the period		
Cash dividends	(7,414)	(5,287)
Net income	23,464	23,036
Purchase of treasury stock	(2)	(2)
Disposal of treasury stock	136	446
Net changes in items other than those in shareholder's equity	31,709	1,598
Total changes during the period	47,894	19,791
Balance at the end of the year	416,671	368,777

(Rounded off to the nearest million)

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

#### (4) Consolidated Statements of Cash Flows

(Millions of yen)

	Current fiscal year 〔 For the year ended 〕 Mar. 31, 2013	Previous fiscal year 〔 For the year ended 〕 Mar. 31, 2012
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	45,763	50,129
Depreciation and amortization	36,232	39,571
Increase (Decrease) in allowance for doubtful accounts	1,462	(193)
Interest and dividends income	(3,273)	(3,526)
Interest expenses	11,672	11,587
Amortization of goodwill and negative goodwill	5,742	7,561
Loss (Gain) on equity earnings of affiliated companies	646	(526)
Decrease (Increase) in notes and accounts receivable	38,989	(53,463)
Decrease in lease receivables and investment assets	29,497	12,826
Increase in inventories	(32,793)	(76,174)
Purchase of property held for lease	(13,305)	(14,476)
Sales of property held for lease	2,432	2,385
Increase (Decrease) in notes and accounts payable	(38,644)	43,961
Gain (loss) on sales of property, plant and equipment	(1,348)	(1,031)
Other, net	22	9,485
Sub-total	83,094	28,116
Income taxes paid	(23,129)	(17,028)
<b>Net cash provided by (used in) operating activities</b>	<b>59,965</b>	<b>11,088</b>
<b>Cash flows from investing activities</b>		
Acquisitions of property, plant and equipment	(52,134)	(33,519)
Proceeds from sale of property, plant and equipment	1,692	348
Purchase of intangible assets	(2,599)	(6,318)
Purchase of investments in securities	(11,640)	(3,246)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	29,297	-
Proceeds from sale of investments in securities	2,263	80
Interest and dividends received	3,339	3,558
Dividends received from affiliated companies	39	58
Other, net	(7,337)	(5)
<b>Net cash provided by (used in) investing activities</b>	<b>(37,080)</b>	<b>(39,044)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans	(11,854)	38,978
Proceeds from long-term loans	62,439	52,325
Repayments of long-term loans	(67,010)	(32,643)
Repayments of lease obligations	(3,301)	(2,914)
Proceeds from issuance of bonds	19,906	-
Redemption of bonds	(20,070)	(210)
Interest paid	(11,780)	(11,647)
Dividends paid to shareholders	(7,405)	(5,287)
Dividends paid to minority shareholders by subsidiaries	(5,250)	(3,823)
Proceeds from stock issuance to minority shareholders	1,491	31
Proceeds from disposal of treasury stock	136	43
Purchase of treasury stock	(2)	(2)
Other, net	0	6
<b>Net cash provided by (used in) financing activities</b>	<b>(42,700)</b>	<b>34,857</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>5,378</b>	<b>(552)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(14,437)</b>	<b>6,349</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>81,059</b>	<b>74,710</b>
<b>Cash and cash equivalents at end of period</b>	<b>66,622</b>	<b>81,059</b>

(Rounded off to the nearest million)

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

## **Important matters that form the basis for compiling consolidated financial statements**

### **1. Scope of consolidation**

Number of consolidated subsidiaries: 48

(1) Main consolidated subsidiaries

- 1) Hitachi Construction Machinery Japan Co., Ltd.
- 2) Hitachi Construction Machinery Tierra Co., Ltd.
- 3) Hitachi Construction Machinery Camino Co., Ltd.
- 4) Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd.
- 5) Hitachi Construction Machinery (China) Co., Ltd.
- 6) Hitachi Construction Machinery (Shanghai) Co., Ltd.
- 7) Tata Hitachi Construction Machinery Company Limited
- 8) Hitachi Construction Machinery Asia and Pacific Pte., Ltd.
- 9) P.T. 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.

The Company transferred its domestic sales and service section to Hitachi Construction Machinery REC Co., Ltd. and changed the name to Hitachi Construction Machinery Japan Co., Ltd. And the Company renamed its subsidiary Telco Construction Equipment Co., Ltd as Tata Hitachi Construction Machinery Company Limited.

(2) Number of excluded consolidated subsidiaries: 13

- 1) Exclusion of Hitachi Kenki Business Frontier Co., Ltd. by merger: 1
- 2) Exclusion of TCM Corporation and its subsidiaries and affiliates by sale of shares of TCM Corporation: 11
- 3) Exclusion of TSUKUBA TECH CO.,LTD. by merger: 1

The Company sold all issued shares of its subsidiary, TCM Corporation to UniCarriers Corporation. TCM Corporation and its subsidiaries and affiliates were excluded from the scope of consolidation of the Company.

### **2. Application of the equity method**

Number of affiliates subject to the equity method: 12

(1) Main affiliates subject to the equity method

- 1) Deere-Hitachi Construction Machinery Corp.
- 2) KOKEN BORING MACHINE CO., LTD.
- 3) KCM Corporation
- 4) UniCarriers Corporation

(2) Number of new affiliates subject to the equity method: 2

(3) Number of excluded affiliates: 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 Machinery Holding U.S.A. Corporation
- 2) Hitachi Construction Machinery (China) Co., Ltd.
- 3) Hitachi Construction Machinery (Shanghai) Co., Ltd.

Others: 9

To create the consolidated financial statement, the company uses the financial statements of these subsidiaries, which is made by provisional account settlement as of March 31.

Disclosure of items other than those above has been omitted because there were no significant changes to these items as listed in the recent statutory Financial Report (submitted on June 26, 2012)

#### **4. Topics related to Accounting Standard**

Although the Company and its domestic subsidiaries had previously adopted the declining-balance method to compute the depreciation of tangible assets except the buildings (excluding the annex equipment to the buildings) acquired before April 1, 1998, from the fiscal year beginning April 1, 2012, the Company and its domestic subsidiaries have changed the depreciation method and have adopted the straight-line method as a general rule.

Since the investment in construction and the development of natural resources mainly in emerging nations are showing steady growth, demand for construction machinery and mining machinery produced by the HCM group has been increasing all over the world.

In order to meet these increasing demands, the mid-term management plan was issued in 2011 and the Group generated a large capital expenditure for the purpose of enhancing the production capacity.

Under the mid-term management plan, the Company has started to move away from the manufacture of products in which HCM does not have technical advantages. On the other hand, the Company has started to produce high value-added and important products and components domestically. By these efforts, the Company has established a more stable production system that is not vulnerable to the fluctuations of any particular market. So the Company and domestic subsidiaries decided to change the tangible fixed assets depreciation method to the straight-line method to reflect the actual status of tangible assets.

Compared with the conventional method, the depreciation and amortization decreased 3,662 million yen and operating income, ordinary income and income before income taxes and minority interests increased 2,995 million yen respectively after the new method was adopted in this fiscal year ended March 31, 2013.

In addition, the influence on the segment information is described in the Segment Information.

### **Segment Information**

#### **1. Overview of reportable segment**

The Company's reportable segments are its structural units, for which separate financial information is available, and which are subject to periodic review by the Board of Directors in order to assist decision-making on the allocation of managerial resources and assessment of business performance.

The Company has established operations groups organized by product and service in headquarters, and each business group formulates comprehensive strategies and promotes business activities both domestically and overseas. Based on the operations groups above, the Company is organized according to product and service segments, and the following two are the reporting segments: the construction machinery business and the industrial vehicle business. The construction machinery business produces hydraulic excavators, ultra-large excavators, wheel loaders, and crawler cranes, while the industrial vehicle business produces forklifts and skid steer loaders.



## 2. Method of computing the amounts of sales and income (loss), assets, liabilities, and other items by each reportable segment

Accounting procedures of the business segment are the same as described in the statement of “Important matters that form the basis for compiling consolidated financial statements”.

## 3. Changes in depreciation method of tangible assets

Although the Company and its domestic subsidiaries had previously adopted the declining-balance method to compute the depreciation of tangible assets except the buildings (excluding the annex equipment to the buildings) acquired before April 1, 1998, from the fiscal year beginning April 1, 2012, the Company and its domestic subsidiaries have changed the depreciation method and have adopted the straight-line method as a general rule.

Since the investment in construction and the development of natural resources mainly in emerging nations are showing steady growth, demand for construction machinery and mining machinery produced by the HCM group has been increasing all over the world.

In order to meet these increasing demands, the mid-term management plan was issued in 2011 and the Group generated a large capital expenditure for the purpose of enhancing the production capacity.

Under the mid-term management plan, the Company has started to move away from the manufacture of products in which HCM does not have technical advantages. On the other hand, the Company has started to produce high value-added and important products and components domestically. By these efforts, the Company has established a more stable production system that is not vulnerable to the fluctuations of any particular market. So the Company and domestic subsidiaries decided to change the tangible fixed assets depreciation method to the straight-line method to reflect the actual status of tangible assets.

Therefore, compared with the conventional method, in this fiscal year ended March 31, 2013, the segment profit of the construction machinery business increased 2,995 million yen. On the other hand, the companies constituted segment of industrial vehicle business did not change the depreciation method, so there was no influence on them.

## 4. Information about the amounts of sales and income (loss), assets, liabilities, and other items by each reportable segment.

Fiscal Year ended March 31, 2013 (From April 1, 2012 to March 31, 2013) (Millions of yen)

	Construction machinery business	Industrial vehicle business (Note2)	Total (Note1)
Net sales			
Net sales to outside customers	757,525	14,830	772,355
Inter-segment sales/transfers	0	0	0
Total	757,525	14,830	772,355
Segment income	51,422	74	51,496
Segment assets	1,099,901	0	1,099,901

Fiscal Year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)

(Millions of yen)

	Construction machinery business	Industrial vehicle business (Note2)	Total (Note1)
Net sales			
Net sales to outside customers	749,777	67,366	817,143
Inter-segment sales/transfers	0	0	0
Total	749,777	67,366	817,143
Segment income	53,720	1,117	54,837
Segment assets	1,039,501	46,615	1,086,116

(Note 1): Segment income is in accordance with the operating income stated on the Consolidated Statements of Income.

(Note 2): In the second quarter, the Company sold all issued shares of its subsidiary corporation, TCM Corporation, which constitutes the industrial vehicle business. Therefore, the segment income of the industrial vehicle business only in the first quarter is included in the cumulative financial results of the fiscal year ended March 31, 2013.

## Per share information

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2012
	Yen	Yen
Net assets per share	1,704.34	1,522.86
Net income per share	110.77	108.88
Net income per share after adjustments for dilution	110.75	108.86

Note: Basic data for calculations

### 1. Net assets per share

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2012
Total amount of net assets on consolidated balance sheets (millions of yen)	416,671	368,777
Amount of net assets associated with common shares (millions of yen)	361,163	322,570
Primary breakdown of amount differentials (millions of yen)		
New share acquisition rights	766	766
Held by minority shareholders	54,742	45,441
Number of common shares issued (shares)	215,115,038	215,115,038
Number of common shares that are treasury shares (shares)	3,206,607	3,296,336
Number of common shares used in the calculation of net assets per share (shares)	211,908,431	211,818,702

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

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2012
Net income (millions of yen)	23,464	23,036
Amount not returned to common shareholders (millions of yen)	0	0
Net income associated with common shares (millions of yen)	23,464	23,036
Average number of common shares outstanding during the fiscal year (shares)	211,835,384	211,576,798
Increase in common shares used for calculating net income per share after dilution (shares)		
Stock purchase warrant	25,403	34,076
Summary of latent shares not included in the calculation of fully diluted net profit per share due to lack of dilution effect.	–	–

## Important Subsequent Events : None

## **5. Other**

### **(1) Changes in Officer Structure**

As the candidates for Director were finalized following a resolution by the Nominating Committee on April 25, 2013, a list of candidates for Director is provided below.

In addition, the Directors are expected to be appointed at the 49th regular General Meeting of Shareholders scheduled for June 24, 2013.

#### **[1]Candidates for Director**

<b>Proposed Appointment(s)</b>		<b>Current Appointment(s)</b>
Director	Michijiro Kikawa	Chairman of the Board and Director
Outside Director	Masahide Tanigaki	Vice President and Executive Officer of Hitachi, Ltd. Outside Director
Outside Director	Hideto Mitamura	Former Ambassador Extraordinary and Plenipotentiary to New Zealand and Samoa
Outside Director	Takashi Miyoshi	Executive Vice President, Representative Executive Officer and Director of Hitachi, Ltd. and Outside Director
Director	Yukio Arima	Vice President, Executive Officer and Director
Director	Osamu Okada	Senior Adviser
Director	Mitsuhiro Tabei	Vice President and Executive Officer
Director	Yuichi Tsujimoto	President, Chief Executive Officer and Director
Director	Hiroshi Tokushige	Executive Vice President, Executive Officer and Director
Director	Tsutomu Mizutani	Senior Vice President, Executive Officer and Director

\*1: Michijiro Kikawa is expected to become Chairman of the Board and Director after selection of Director at the regular General Meeting of Shareholders scheduled for June 24, 2013.

\*2: “Outside Director (in pursuant to No. 15 of Article 2 in the Companies Act)” of Masahide Tanigaki, Hideto Mitamura and Takashi Miyoshi is equivalent to “Outside Officer (Shagai-yakuin)” (in pursuant to No. 5, Section 3 of the Article 2 in the Ordinance for the Companies Act).

#### **[2]Retiring Director (as of June 24, 2013)**

Shinichi Mihara	Expected to become Senior Adviser after the regular General Meeting of Shareholders scheduled for June 24, 2013.
Kiichi Uchibayashi	
Kousei Watanabe	