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Reliable solutions

Hitachi Construction Machinery Group

CSR & Financial Report 2011

Hitachi Construction Machinery Co., Ltd.

Editorial Policy

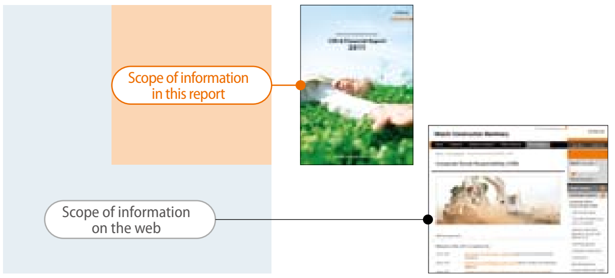
We have prepared this year's CSR and financial information as the "CSR & Financial Report," a synthesis of the "CSR Report" and the "Annual Report."

Until now, the Hitachi Construction Machinery Group has produced a CSR Report that reported ESG (Environment, Social and Governance) information and an Annual Report as the annual financial statement for shareholders and investors. In fiscal 2011, we have integrated these two reports to package all information as the "CSR & Financial Report." We have aimed at a report that allows readers to gain a broad view of the business activities of the Hitachi Construction Machinery Group, which aims at the integrated promotion of growth strategies and CSR management.

Furthermore, because this year is the first year of our new mid-term management plan, we have taken up "Go Together 2013," the new mid-term management plan as a special feature and are reporting on the global strategy of the Hitachi Construction Machinery Group.

We are reporting information such as more detailed activity reports and performance data in the web edition of this report and are aiming at information disclosure that can answer various interests and concerns. In an effort to further enhance stakeholders' understanding of the Hitachi Construction Machinery Group, we have also introduced relevant website addresses throughout this report to add depth to various topics and easy access to more information for our readers.

Scope of CSR information



CSR reporting (detailed)

WEB **http://www.hitachi-c-m.com/global/company/csr/index.html**

Financial reporting (detailed)

WEB **http://www.hitachi-c-m.com/global/ir/index.html**

Period

April 1, 2010 to March 31, 2011
(Some sections include information on or after April 1, 2011.)

Organization coverage

Consolidated companies of the Hitachi Construction Machinery Group

Coverage of performance data

Financial reporting:
Consolidated companies of the Hitachi Construction Machinery Group

Environmental reporting:
Hitachi Construction Machinery and certain consolidated companies

Social reporting:
Hitachi Construction Machinery and certain consolidated companies

Guidelines followed in the preparation of this report

Environmental Reporting Guidelines (FY 2007 edition), Ministry of the Environment, Government of Japan

Sustainability Reporting Guidelines 2006, Global Reporting Initiative

Next issue: Scheduled for July 2012

Contents

Introduction

Towards the Richness of Earth and Prosperous Communities in the Future ...

The social mission and responsibilities that we at the Hitachi Construction Machinery Group should fulfill now and in the future

Construction machinery can be useful when people intend to open up new land and build the social infrastructure for others to live. We can help those efforts.

As long as human society exists, activities will continue throughout the world to protect the global environment, enhance social capital and make living spaces more affluent.
In order for those activities to be sustainable, we must be active in the evolution of "machinery" and make the synergy between "human" and "business" that combines to create rich living spaces more comfortable, highly developed and efficient. That is the significance of the existence of the Hitachi Construction Machinery Group and the social responsibility that we should fulfill.

There are things we want to talk about while fixing our gaze on the present and also on the future.
They are the social mission and responsibility to be fulfilled by the Hitachi Construction Machinery Group, which aims at becoming "a truly global corporation."

Aiming to become a truly global corporation that displays a solid presence in the growing construction machinery market

Michijiro Kikawa
President, Chief Executive Officer and Director
Hitachi Construction Machinery Co., Ltd.

Review of the Mid-term Management Plan "創 (Soh) 2010— For the New Stage"
(From the term ended March 2008 to the term ended March 2011)

Certain Strategic Moves with Potential for Growth

First of all, could you give us a review of the company's performance this term and the background to that, please?

First of all, I would like to extend our sincere condolences to everybody affected by the recent Great East Japan Earthquake.

Demand for construction machinery in China and the other emerging countries of Asia, and other parts of the world, continues to expand, and it is also tending to increase globally as a whole.

Against that kind of backdrop, in fiscal 2010 we achieved sales of 773.8 billion yen (increase of 28% year-on-year), operating income of 41.5 billion yen (increase of 111% year-on-year), ordinary income of 41.9 billion yen (increase of 119% year-on-year) and net income after taxes of 11.1 billion yen (increase of 176% year-on-year), improving performance greatly in comparison to fiscal 2009.

Facilities of a number of group companies, including five production bases in Ibaraki Prefecture and sales, service and rental bases in the Tohoku region were affected by the Great East Japan Earthquake, but all related parties made efforts towards the restoration of those bases in order to minimize the impact on stakeholders, and we were able to restore production capacity to pre-disaster levels in mid-April. The fact that all group personnel came through the disaster unscathed was the greatest relief.

Could you give us a review of the final year of "創(Soh) 2010— For the New Stage," please?

In "創 (Soh) 2010– For the New Stage," the mid-term management plan that started from the term ended March 31, 2008, we set the targets of sales of 1 trillion yen and ordinary profits of 100 billion yen under the theme of establishing a position among the global top three construction machinery companies. To achieve those targets, we mapped out a growth strategy centered on three axes: a "hard (products) axis" to establish new core products, a "soft axis (solutions)" to strengthen after sales customer support throughout life cycle of machine, and a "regional axis" to strengthen business development based on the regional market characteristics of countries around the world.

However, over the last five years, the global construction machinery market has faced two changes that could be described as dramatic. One of these was the Lehman Shock, which occurred in 2008. This led to a significant decline in global demand for construction machinery, centered on advanced countries, and many construction machinery manufacturers had no choice but to adjust production. Another great change was the rapid growth of emerging markets. After the Lehman Shock, demand for construction machinery made a rapid recovery in the emerging countries, including China and India, against the backdrop of rapid economic development. The ratio of demand for hydraulic excavators between the advanced countries and emerging countries, which was 50:50 in the term ended March 31, 2008, has shifted to 20:80 in favor of emerging markets. While the volume and structure of global demand for construction machinery changed dramatically in this way, the Hitachi Construction Machinery Group rolled out its growth strategy based on those three axes. As a result, although we could not achieve the numerical targets raised at the beginning of the plan, we were able to make certain strategic moves with potential for future growth. For example, in the hard axis, opportunities appeared that seem likely to become our next core products, such as ultra large dump trucks for resource excavation such as mining, etc. We intend to sell these trucks as a package with our ultra large excavators and expand the parts and service business that would accompany these sales. Also, on the soft axis, we are continuing to establish our know-how in this mining business concerning FMC [1], contracting to undertake maintenance after sales, and this also promises growth in the future. We are also strengthening financial business in China and Asia where markets are growing. Moreover, on the regional axis, I think that the measures we have taken in each region have steadily produced results, including the strengthening of dealers in China and other parts of Asia, the strengthening of our dealer networks in Russia and India, the strengthening of our mining business systems in Africa.

1: Full Maintenance Contract: A method whereby post-sale maintenance and inspection work is also contracted collectively at the time of product sale

The Aims of the New Mid-term Management Plan "Go Together 2013"
(From the term ending March 31, 2012 to the term ending March 31, 2014)

Taking on the Challenge of Management Innovation with New Ideas

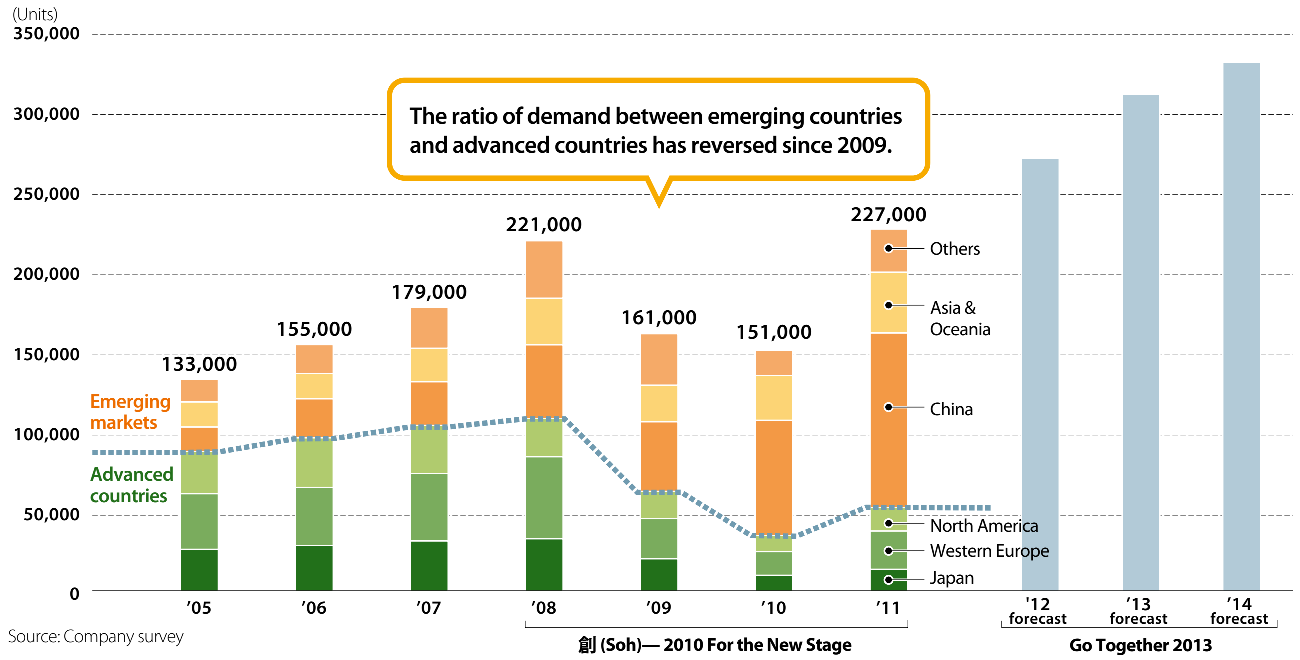
Please tell us about the background to the formulation of the new "2020 VISION" and the new mid-term management plan "Go Together 2013."

Demand for construction machinery continues to rise in the emerging countries against the backdrop of factors such as positive infrastructure investment and increasingly active resource development. Global demand for hydraulic excavators in the term ended March 31, 2011 has already exceeded that of the term ended March 31, 2008, which was the last peak, and demand is forecasted to rise from 10 to 20% from the term ending March 2012 as well.

On the other hand, the business environment is changing greatly, including increasing severe of environmental and energy restrictions, and the intensification of the competitive environment due to the rise of Chinese and South Korean manufacturers. In order to grasp increasing demand in the emerging countries and grow as a global corporation in such circumstances, we require new ways of thinking that are not simply extensions of those we have had to this point. Consequently, the Hitachi Construction Machinery Group formulated the "2020 Vision," which conceives of "Close and reliable partners anywhere on the Earth with Best Solutions through *Kenkijin* Spirit [2]," the company we aim to be in 10 years time, and we also formulated "Go Together 2013," the final year of which will be the term ending March 2014, as a three-year plan to realize that vision.

2: The value standard and code of conduct common to the employees of the Hitachi Construction Machinery Group

Global Hydraulic Excavator Demand
(Fiscal years to March 31)



Source: Company survey

Please tell us about the orientation of this new mid-term plan, which has made a new start towards 2020.

Its first aspect is the strengthening of our global management system. Our business is rapidly spreading on a global basis and our overseas business ratio has reached 80%. Consequently, we will review head office functions and the roles and responsibilities of regional business divisions and undertake reform towards systems whereby local personnel can develop business matched to their countries. We will delegate authority to regional operating divisions working locally, promote local personnel to top management positions, and strengthen our global governance systems and diversify management based on "*Kenkijin* Spirit," our common global philosophy.

The things that we will promote in combination with this reform of our management foundations are the strengthening of hard (product) and soft (solution) strategies and the strengthening of regional strategies. Global demand for construction machinery is expected to expand further to the term ending March 31, 2014, and in order to respond to increasing demand, it will be important for us to make our value chain spanning product development to production, sales and service even stronger than ever. Because of this, while globalizing our development system towards prompt "hard" (products) supply matched to the requirement of the various regions of the world on the one hand, we will promote a flexible manufacturing system that develops and produces core components in Japan and tailors the rest to local needs, and are also planning to respond to increased demand by investing in large-scale production facilities. Furthermore, in solution areas such as sales and service, we will upgrade our sales support systems for our dealers in each region looking and focus on the creation of systems that aim for customer satisfaction by supporting product lifecycles over the long term.

Global Corporation CSR Management

Aiming to Grow as a Company and Contribute to Global Society

What do you think about the CSR management of the Hitachi Construction Machinery Group as a global corporation?

"Being active in the evolution of machinery to change the synergy between "human" and "business" that makes living spaces richer," "Providing new value to customers with original technology, products and services" and "Maintaining profitable operations and acting as a good corporate citizen by staying in harmony with the environment, contributing to society and participating in cultural activities for a symbiotic coexistence with society"—these are the elements of the corporate philosophy raised by the Hitachi Construction Machinery Group. Also, the CSR management of the

Hitachi Construction Machinery Group is nothing other than fulfilling our responsibilities to stakeholders and contributing to society through our operations through the practice of this corporate philosophy in a business environment that changes with the times. (See the figure to the right.)

Could you tell us the direction of the future CSR management of the Hitachi Construction Machinery Group, which is aiming to become a truly global corporation?

The Hitachi Construction Machinery Group continuing to exist in orderly fashion—I think that in itself is our greatest responsibility and social contribution.

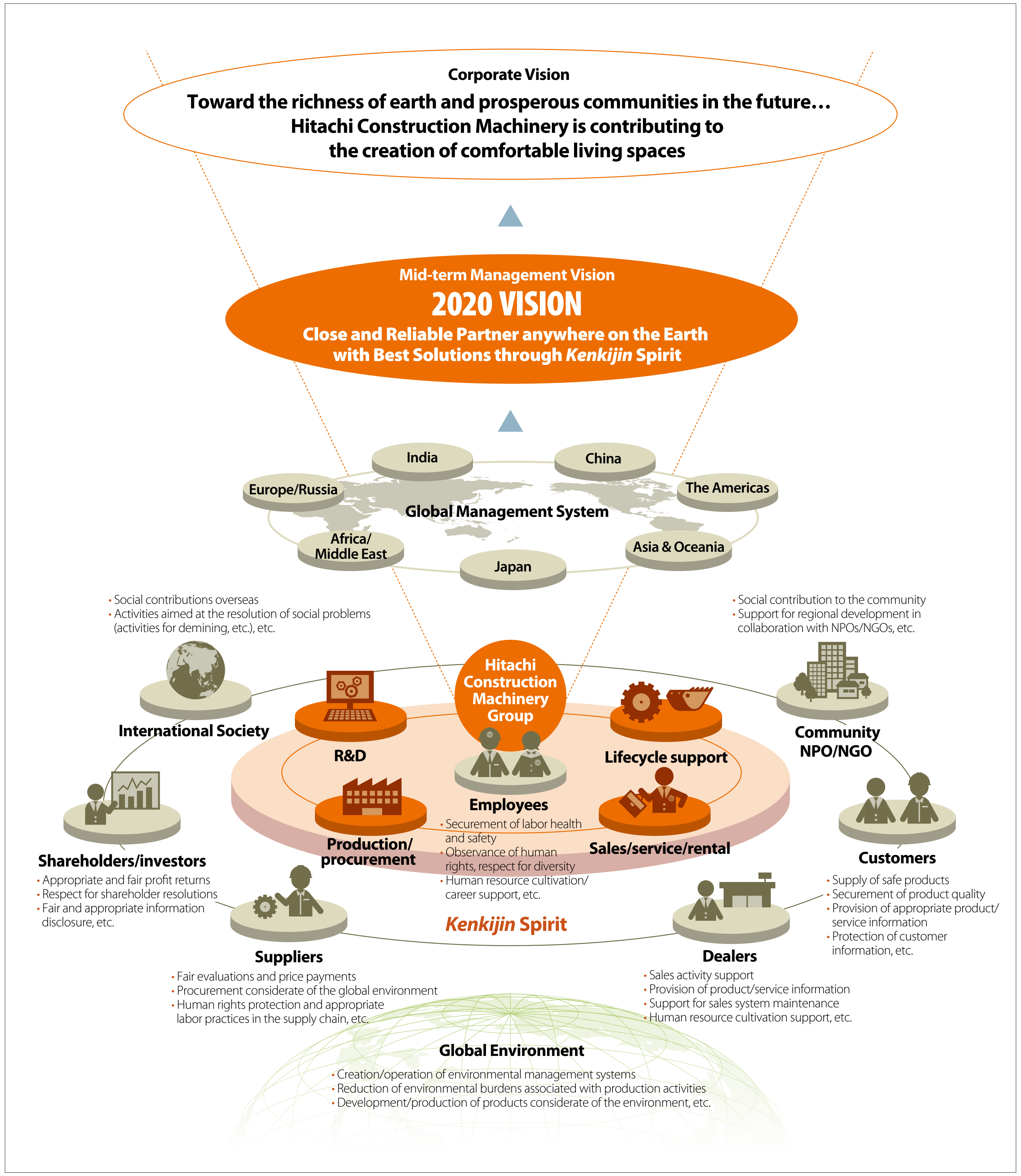
Furthermore, focusing on the present and the future, I think that there are two great perspectives involved with regard to the CSR that we should deliver.

The first is our responsibility to continue supplying high quality products stably as a Japanese manufacturer. With the recent earthquake, the important roles fulfilled by Japanese manufacturing industries through the supply of superior technology and products were once again highlighted in global economic–industrial society. The stable supply of superior products is the foundation of the CSR of the manufacturing industries. We will think once more about the modalities of manufacturing that will be called for in the future from now on, including things such as raising business continuity plans (BCPs) for times of disaster to the next level, the strengthening of supply chain management in alliance with business partners, and the pursuit of further energy savings based on the electricity supply situation, and we will cast each of these into shape.

Our other responsibility is to contribute as a global corporation to the resolution of the various social issues that the world, including emerging markets, faces.

I would like to turn the Hitachi Construction Machinery Group into a truly global corporation that always has global social issues like this in its field of vision and both achieves growth as a company and contributes to the creation of a sustainable global society to earn the trust of all stakeholders through global business operations.

The Hitachi Construction Machinery Group, which Aims to be a "Truly Global Corporation," and Its Responsibilities towards Stakeholders



Report on the Great East Japan Earthquake

We offer our sincere condolences to everybody affected by the Great East Japan Earthquake and pray that the areas affected recover as soon as possible.

Our Post-Disaster Response and Support for Recovery

The Great East Japan Earthquake that occurred on March 11, 2011 caused extensive damage, centered mainly on the Tohoku and North Kanto regions.

On the day the earthquake occurred, the Hitachi Construction Machinery Group established the Emergency Risk Measures Headquarters in its head office to provide support for affected areas and customers towards recovery and to promote the collection of information on damage to employees, their families and Group bases, as well as to investigate and implement countermeasures centered on this task force.

In addition, the Hitachi Construction Machinery Group has earmarked support equivalent to 300 million yen, including the provision of equipment and material owned by the Group and a monetary donation, and is advancing the disbursement of this support in accordance with requests from local authorities for it to be used in the relief of people affected by the disaster and the restoration of the affected areas.

The recent earthquake was on a nearly unprecedented scale and from the size and scope of the damage that it caused reconstruction is likely to require a great deal of time. As a manufacturer of construction machinery, the Hitachi Construction Machinery Group will support recovery and reconstruction work conscious that delivering the machinery required in affected areas promptly and implementing work such as maintenance, repairs and servicing on a continuous basis is an important responsibility.

The Impact on Our Production Bases and Their State of Restoration

The Hitachi Construction Machinery Group was also affected by the recent Great East Japan Earthquake, with buildings, production facilities, inventory assets and other property damaged mainly at production bases in Ibaraki Prefecture and at sales, service and rental bases belonging to Japan Business Division, Hitachi Construction Machinery REC and TCM.

We released information on the state of damage and restoration on March 16, March 23 and March 28, but as a result of advancing inspection and restoration work on buildings, facilities and infrastructure at all bases from immediately after the damage occurred, we were able to restart some production from March 28, even at the Hitachinaka Works, and Hitachinaka-Rinko Works, where we suspended production initially in order to confirm safety, so we were able to start production at all five major plants in Ibaraki Prefecture during March.

We put all of our efforts into the recovery of production volumes at all production bases after that, and restored production volumes to their pre-earthquake levels by the middle of April.

A ZX120 clearing up rubble

Twin-arm machinery operating in Ishinomaki

We developed this product under contract from New Energy and Industrial Technology Development Organization (NEDO).

The Hitachi Construction Machinery Group's Handling of Electricity Savings During Summer

The Hitachi Construction Machinery Group will work on cutting maximum electricity use by 15% or more in areas supplied by the Tokyo Electric Power Company and Tohoku Electric Power Co., Inc., and will promote various related measures positively in other regions as well cooperate with electricity saving in a concerted effort based on the government's energy-saving implementation plans and the Hitachi Group Summer Energy Conservation Campaign.

We have been promoting energy-saving measures since May, including turning off some lights, changing the temperature settings of air conditioners and expanding the period of application of the Cool Biz campaign.

In addition, we will promote the equalization and reduction of electricity usage at manufacturing bases aimed at the equalization of production and improvement of efficiency.

Moreover, at our five plants in Ibaraki Prefecture, such as Tsuchiura Works, and related places of business, we will promote the equalization and reduction of electricity use during summer by adjusting work days from July to September and promoting measures such as the setting of days off by rotation, the dispersal of summer holidays and the introduction of in-house power generation equipment.

The Hitachi Construction Machinery Group Business Continuity Plan (BCP)

We have been working at the Hitachi Construction Machinery Group on the construction of a BCP in readiness for disasters and accidents based on the policies and guidelines of the Hitachi Group. In fiscal 2010, following on from measures to combat new influenza viruses, we independently formulated a pilot model that established the measures required to keep IT system damage to a minimum when large-scale earthquakes occur. In fiscal 2011, we will deploy this BCP in production divisions, head office divisions and the Group's domestic companies, and enhance the content of the BCP.

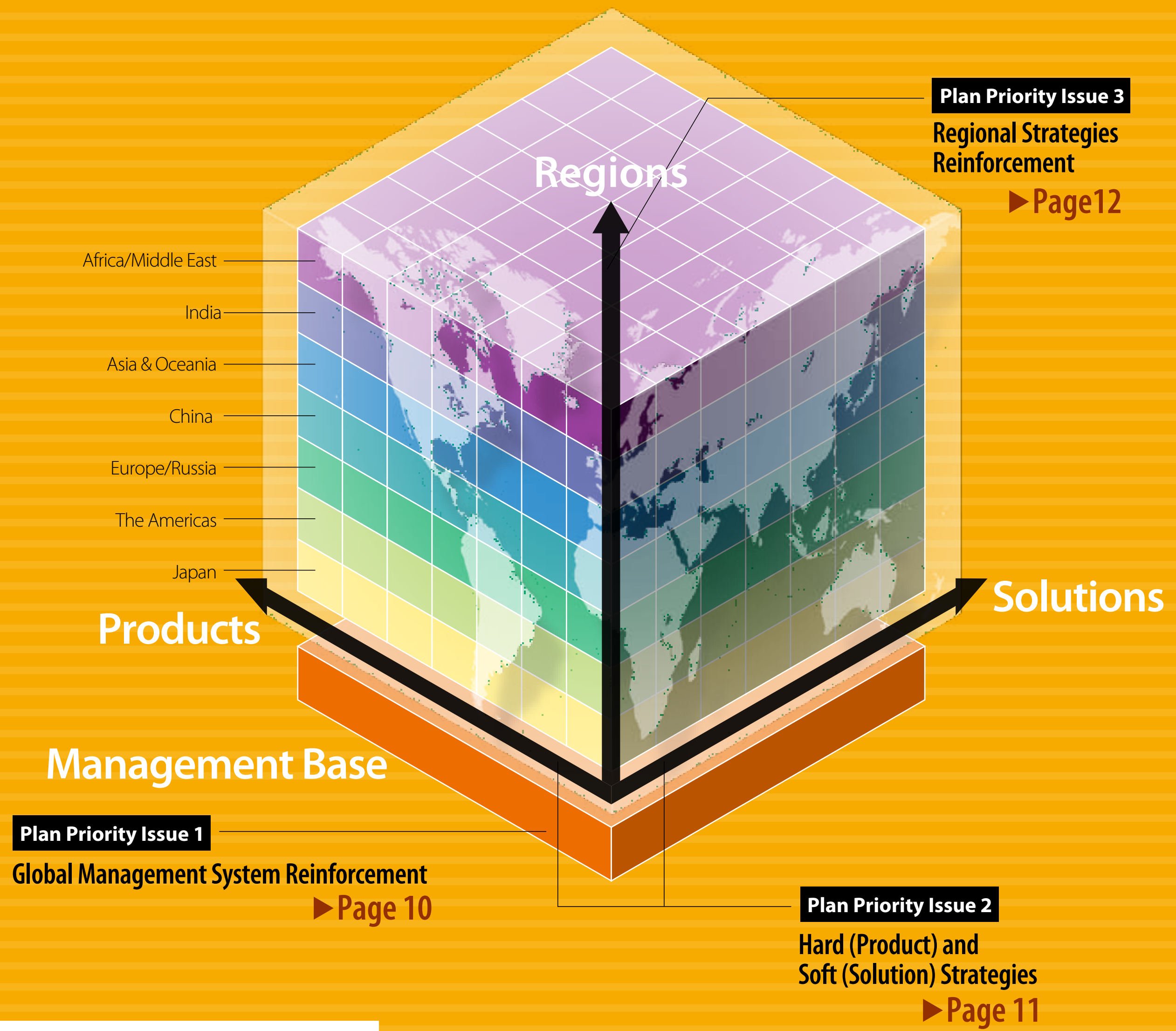
We used this pilot model during the recent great earthquake to respond promptly in accordance with the principle found in the Hitachi Group policy of making efforts to continue doing business: confirming human safety, continuing important work, preventing secondary damage, and contributing to and coexisting with the community.

In the future, we will promote the further strengthening and prompt roll-out of the BCP based on the know-how that we obtained from this year's earthquake.

The Pilot Model Formulated in Fiscal 2010 (for use with large-scale earthquakes)

Subject risk		Large-scale earthquake
Subject base		Tsuchiura Works
Subject disaster		Earthquake in southern Ibaraki Prefecture (with an intensity of upper 6)
Damage	Envisaged scenario	• Machine room damage, falling down of servers/damage to servers • Difficulty for employees of going to work (affected by earthquake/breakdown of communication) • Partial damage to buildings of Tsuchiura Works • Shutdown of essential utilities, etc.
Damage	Work subject to BCP	Maintenance and operation of core IT system
Damage	Envisaged stoppage period	3 months (period required for new server construction)
Damage	Impacts of subject work stoppage time	• Impact of stoppage/delay of all IT-application work • Delays in handling of customers/ business partners • Loss of sales, decline of share price, etc.
Countermeasures	Work continuation method	Prepare an IT back-up system in a remote location (Introduction of disaster recovery system[1])
Countermeasures	Effects	System recovery about 1 day after disaster
Countermeasures	Human safety measures	• Safety confirmation using a safety confirmation system[2] • Disaster recovery in accordance with disaster affects

1. This means the recovery and repair of systems damaged by natural disaster, etc. By preparing a back-up system in advance in a remote area with a low possibility of being affected by disaster at the same time and then switching over when a disaster occurs, it would be possible to reduce data loss to a minimum.
2. It would be very difficult to determine the safety of employees at times of disaster such as large earthquakes and new influenza pandemics. Using a safety confirmation system would enable us to manage and determine information on the safety of employees in a unified way and also to give work instructions easily.



Feature Article

New Mid-term Management Plan

Go Together 2013

A Strategy Aiming to Become a Trustful Partner for All the Group to be Global One in the World

The global construction machinery market is anticipated to achieve double-digit growth in the medium to long term. That market is making a great shift from the advanced countries such as Europe, America, and Japan, to the emerging countries such as China, with the emerging countries currently occupying 78% of global demand.

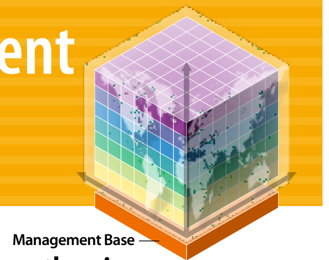
At the Hitachi Construction Machinery Group, we looked at these great changes in the business environment and at its future, and presented the GOAL image we want to be in 10 years from now as "Close and Reliable Partner anywhere on the Earth with Best Solutions through *Kenkijin* Spirit" We also formulated the new mid-term management plan "Go Together 2013" (hereinafter referred to as the "new mid-term management plan") as the action plan that will serve as the initial step towards realizing our "2020 Vision."

The priority issues of this new mid-term management plan, which sets fiscal 2013 as its final year, are to "Reinforce Global management system, to "Reinforce Hard (product) and Soft (solution) strategies" and to "Reinforce Regional strategies," while we will also promote management reform aiming to be a truly global corporation, including Global human resource management, Group governance, and Global Value chain innovation from development, production to sales and service.

The slogan of the new mid-term management plan is "Global One." This means that all the Group members sharing *Kenkijin* Spirit will unite towards the realization of our 2020 vision.

Plan Priority Issue 1

Global Management System Reinforcement



Localization and Strengthening Global Governance

Global competition in the construction machinery market is becoming ever more severe as a consequence of changes in the demand structure, the rise of manufacturers from the emerging countries. In order to win and survive this competition, we need to evolve an organizational structure that can respond flexibly to changes in demand and environment based with faster decision and management judgment.

In these circumstances, the Hitachi Construction Machinery Group is promoting the thoroughgoing localization of its operations and the delegation of authority by measures reviewing the roles, authorities and responsibilities of Japan and its 7 regional business divisions around the world—the Americas, Europe and Russia, China, the Asia-Pacific, India, Africa and the Middle East, and fostering and promoting regional staff positively for top management positions while also strengthening the support provided by Japanese staff. At the same time, we also strengthen diversity management that will make diversity of human resources to superior position through securing and fostering human resources for the Global management.

In addition, we will also review head office functions so that we can respond to global operations, strengthen the role of head office as a "control tower" through reordering and simplifying the command and instruction system and implement other organizational reforms such as improving the governance of the Group overall.

Global Production System Reinforcement

Further increases in the demand for hydraulic excavators are anticipated for the coming few years due to the eager expansion of infrastructure investment centered on the emerging countries, while there is also renewal demand in advanced countries due to tightening environmental regulations. In addition, demand for mining machinery is also tending to increase because the development of mines is also active on account of the expansion of energy demand and demand for resources.

The Hitachi Construction Machinery Group will build up a production and supply system that will respond quickly to such changes in global demand for construction machinery. In Japan, we will concentrate on the significant expansion of our main component (core parts) production capacity in response to increases from our production plants overseas.

Furthermore, we will also improve our ability to cope with exchange rate fluctuations and promote the production in globally-optimal locations, including the enlargement of our hydraulic excavator and mini excavator production plant in China, which provides half of the global demand for hydraulic excavators, and the expansion of production capacity in our Indonesian plant, which is responsible for supplies to the soaring Asian markets.

Moreover, we will also accelerate growth by positive expansion of our production capacity for the machine and spare parts of ultra large hydraulic excavators for mining and dump trucks for mining.

In addition to the above, we will strengthen and expand our global value chain from R&D to sales and service, and pursue the satisfaction of customers, and all stakeholders.

Reinforce Global Value Chain System

Reinforce R&D system ▶ **Reinforce production systems** ▶ **Reinforce sales and service systems** ▶ **Reinforce lifecycle support systems**

·Reinforce global R&D concept (Product development matched to regional needs, development at optimum location, etc.)
·Reinforce development of differentiated technology (Energy saving, environmentally friendly and IT technology-employing, etc.)
·Improvement of development efficiency (Improvement of experiments, analysis and evaluation technology, etc.)

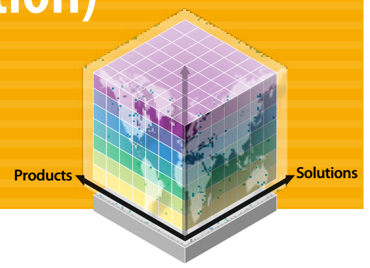
·Total control of production based on a global cross-functional organization
·Reinforce production and supply systems (Strengthen production capacity, development at optimum location, procurement, maintenance, etc.)
·Foster global human resource
·Build up global quality control system

·Reinforce dealer management capabilities (Introduction of new evaluation systems for sales and service dealers, support for fostering human resource of dealers, build up dealer support systems, etc.)

·Reinforce repair and maintenance services/preventive maintenance services
·Reinforce spare parts/Remanufactured parts business
·Reinforce used machine sales/rental business

Plan Priority Issue 2

Hard (Product) and Soft (Solution) Strategies



Strengthening Hard (Product) Strategies

At the Hitachi Construction Machinery Group, we are strengthening hard (product) development based on our unique technologies to cope with both the job-site needs that use construction machinery and the management needs that supervise them.

While further strengthening highly evaluated products such as our hydraulic excavators and ultra large excavators, we also expand products such as mini excavators, dump trucks and wheel loaders, with our high technological capabilities. Our significant themes at product development are economic efficiency, advanced technology, product reliability, and environmental performance.

In order to realize highly economical products, we focus on not only improvements in hydraulic efficiency, but also electric or hybrid drive system development. This will also contribute simultaneously to reductions in CO_2 emissions and the improvement of environmental performance.

Furthermore, we will propose advanced business supporting solution to customers through highly utilizing ICT (information-communications technology) so as to realize sophisticated intelligent construction work and accurate fault diagnosis or prediction.

Moreover, we will also focus more on increasing reliability by improving the durability that provides stable, long-term operation

and conducting development evaluations based on life-cycle costs from new machine delivery to its scrap.

We will strengthen these overwhelming product development capabilities that create economic efficiency, advanced technology, product reliability, and environmental performance unique to the Hitachi Construction Machinery Group, and establish further closer cooperation among all our development bases in order to maintain the high quality level of "Made by HITACHI" products throughout the whole world.

Strengthening Soft (Solution) Strategies

The number of machines in operation is increasing year by year throughout the world, and the demand for spare parts and used machine is expected to increase. The construction machinery business is not one that ends with a new machine delivery, but one that starts with a new machine delivery to customer. The Hitachi Construction Machinery Group will fulfill "Total product life-cycle support" flowing from new machine delivery, through its maintenance, parts sales, repair service and used machine sales, serving much to improve customer satisfaction. Through detailed and more frequent communication with customers, we will create unprecedented business opportunities such as incremental effect of repeat orders. For example, we will fully utilize ICT such as Global e-Service, that integrates operation and technical information collecting from all Hitachi machines operating around the world, to establish new business schemes associating with timely repair service, preventive maintenance service proposals, or efficient rental machinery arrangement.

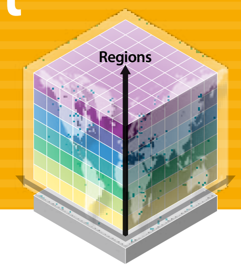
In Focus

We Concentrate All Our Resources for Strengthening Mining Business

The Hitachi Construction Machinery Group will strengthen operations in the mining area, where further growth in demand is expected in the future. We have already grasped the top market share in ultra large hydraulic excavators and we will establish overwhelming product capabilities by making a series of rigid dump trucks equipped with Hitachi-made AC drives and full use of ICT. Moreover, we will aim for the minimization of lifecycle costs by expanding FMC (Full Maintenance Contracts) whereby maintenance is undertaken after sale as a package with the machinery, with which we reinforce our foundations for support such as parts supply systems, Remanufactured parts business, training centers, and overall mine operation proposals based on our mine management systems, etc., thus we will support the business of our customers with our total effort.

Plan Priority Issue 3

Regional Strategies Reinforcement



Responding to the Needs of Emerging Markets

We will evolve regional strategies that meet each market is needs varying by regions or countries, especially in emerging countries where demand for construction machinery is expanding.

For example, in the Chinese market, we will roll out detailed marketing strategies matching the regional characteristics of coastal and inland areas for each product category, and introduce strategic models and enhance sales price policy. Moreover, we will introduce a new sales and services IT system, to strengthen organized and continuous customer support in cooperation with dealers, and we will collect and analyze timely and highly precise sales information.

Furthermore, in the Indian market, which has a population equivalent to that of China and where the future expansion of infrastructure investment is expected, we will strengthen the dealer network of Telcon, a company that we made into a subsidiary in March 2011, to secure a strong market position in India. On the other hand, as a product strategy, we will strengthen the cost-competitive Telcon's product capabilities and develop strategic models fitting to the other emerging countries needs.

Meanwhile, in Africa, demand for mining machinery is expanding in the situation of soaring resource prices, we have established a company to manage our African business, to expand our spare parts supply network and to develop a service engineering training center. In addition, we are also promoting to strengthen the foundations of our African operations such as executing a market survey in western Africa, establishing our Sub-Sahara Office in Ghana aiming to reinforce dealers support, and enhancing our Re-man center in Zambia where we remanufacture recycling parts.

In Russia, the country with the world-leading resource deposits, demand expansion for hydraulic excavators is anticipated, we will commence production of medium-sized hydraulic excavators in 2013 to expand our Russian business.

We will strengthen and expand all functions including development, production, sales and service matched to the respective market needs of each emerging country, to capture their demand absolutely.

Responding to the Needs of Advanced Country Markets

In the markets of the advanced countries like Europe, America and Japan, it is required to meet the needs of highly environmental performance and fuel efficiency improvement which will contribute to realize low carbon societies in response to emission controls, to offer good product line-up which would accommodate various working locations such as demolition site or recycling plant, to deliver high value added products with more safety functions.

We, the Hitachi Construction Machinery Group, are concentrating the Hitachi Group synergies to infuse high value added products responding to various market requests. Specifically, we are promoting new generation hybrid excavators with higher cost performance, and battery-driven mini excavators equipped with lithium-ion batteries.

In Europe, we are promoting to introduce low-emission machinery compliant with environmental regulations. We are also promoting to strengthen dealers operations closely in each region and country to enhance our customer satisfaction further.

In Japan, we will further promote the integration of RSS (rental/sales/service) establishing a new organization that enables us to handle customer demands in one stop, thus extend our unique and strong performance as the Hitachi Construction Machinery Group.

Environmental Activity

Because We are a Construction Machinery Manufacturer that Coexists with the Global Environment

The Hitachi Construction Machinery Group is aware that the preservation of the global environment is an important issue common to all humanity, understands the realization of a sustainable society in harmony with the environment as the most important issue for management, and continuously promotes various environmental conservation activities from a global perspective.

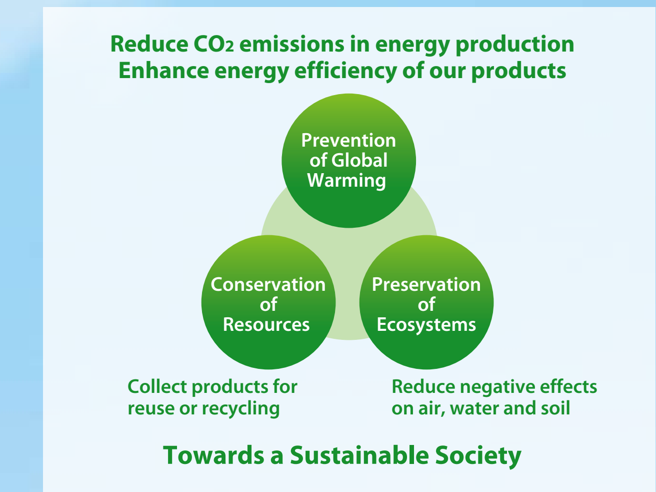
WEB Refer to the following website for the details: **http://www.hitachi-c-m.com/global/company/csr/index.html**

Based on a Vision Common to the Hitachi Group

The Hitachi Construction Machinery Group raises an environmental vision common to the Hitachi Group to promote global *Mono-Zukuri* that aims at the reduction of the environmental burden throughout the whole product lifecycle and make efforts towards the realization of sustainable societies.

To realize our Environmental Vision, we promote activities in accord with the Hitachi Action Guidelines for Environmental Conservation, which are based on the basic philosophy common to the Hitachi Group of contributing to society through the development of superior, original technology and products.

The Hitachi Environmental Vision



We Have Formulated an Independent Environmental Action Plan for the Hitachi Construction Machinery Group

The Hitachi Construction Machinery Group has started a three-phase environmental action plan to finish in fiscal 2015 that sets the adoption of LCA (lifecycle assessments), the adoption and evaluation of new indices, and collaboration with stakeholders, etc., as priority measures based on the Green Compass [1], which indicates the 4 directions that environmental action should aim for.

In addition to "Promotion of Emission Neutral [2]," which we have targeted for some time, we have also started activities with regard to "Contributing to the Suppression of CO_2 Emissions from Products," which sets 2025 as the long-term target year.

To that end, we will make mobilizing the technological capabilities of the Hitachi Group to pursue the environmental efficiency of products, and developing global warming prevention technologies for the global market the points of focus of our efforts and ultimately, make all of our products into "Eco-Products" considerate of the environment.

1. This is a compass that indicates specific guidelines for environmental conservation activities.
2. This means equalizing the total environmental burden of product materials and parts, the energy and greenhouse gases emitted from production sites in association with production activities, and the environmental burden generated during distribution and the reduction of the environmental burden when the customer uses the product in question.

WEB Refer to the following website for information on Green Compass: **http://www.hitachi-c-m.com/global/company/csr/environment/compass/index.html**

WEB Refer to the following website for information on Eco-Products: **http://www.hitachi-c-m.com/global/company/csr/environment/products/index.html**

Hitachi Construction Machinery Group Environmental Action Plan (Phase 3: fiscal 2011 — fiscal 2015)

	FY 2011 target	FY 2015 (final year) target
Promotion of emission neutral	Target setting for each Group company	Achievement of emission neutral
Green points (GREEN 21 - 2015)	384GP	640GP
Reduction of CO_2 emissions per sales (reference year: FY 2005)	6.0%	10%
Environmental communication activities	Formulation of plans	Flagship activities at each company
New Eco-Products vehicle sales ratio	88%	At least 90%

WEB Refer to the following website for environmental data in fiscal 2010: **http://www.hitachi-c-m.com/global/company/csr/environment/index.html**

Environmental Activity

Theme 1

The Strengthening of Environmental Management Systems

Towards the Promotion of the Environmental Governance of the Group Overall

We are promoting the upgrading of domestic and overseas environmental management systems in association with the globalization of business.

The Steady Strengthening of Environmental Management Systems

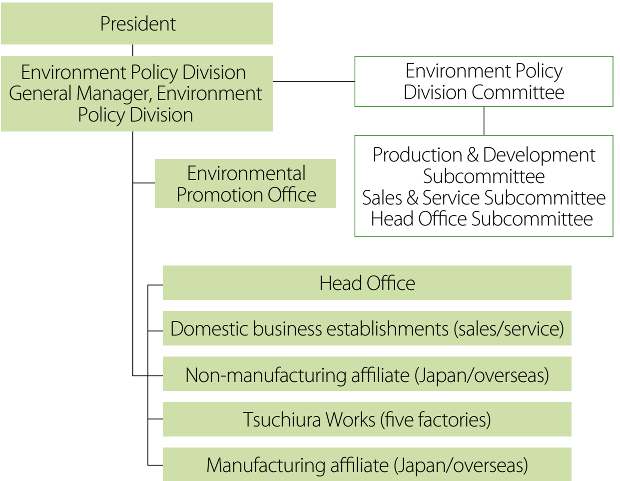
We have established an environmental management system at the Hitachi Construction Machinery Group centered on the Environment Policy Division, a group-covering organization, in order to promote environmental conservation activities systematically throughout the group as a whole. At the Environment Policy Division Committee held twice a year, we deliberate and determine the group's environmental policies and environmental action plans, and verify the results of activities, etc., while guidance on the environmental conservation activities of each base and group companies are carried out as needed.

Representatives from overseas also participated in the Environment Policy Division Committee held in February 2011.

In 1997, we were very quick to acquire ISO 14001 certification at Tsuchiura Works, a production base, as an environmental system for the promotion of activities. In 2007, the Head Office and Japan Business Division (Soka, Kyoto) acquired certification. We gained extended certification for Hitachinaka - Rinko Works, a new plant, in 2010, and are working on the continuous improvement of activities.

Furthermore, we recommend the establishment of environmental management systems at group companies in Japan and overseas as well, and in 2009, two plants in China and two plants in the Netherlands acquired ISO 14001 certification. We will continue to improve the level of activities throughout the group as a whole in the future as well.

Environmental Management Promotion System



The Strengthening of Overseas Base Information Gathering and Management Systems

Environmental management activities have become ever more important because of increases in environmental burdens due to increased production overseas in the wake of increased demand in emerging countries and increases in the number of production bases in association with the establishment of new production bases. As a result, we started appointing representatives of overseas bases as members of Environmental Policy Division from fiscal 2010 to facilitate the collection of information on each base and start on the strengthening of environmental governance on a global scale.


Discussions in China

In addition, we also survey and provide guidance for the environmental conservation activities of all group companies as needed. In fiscal 2010, we surveyed environmental conservation activities in Canada and China aimed at interaction.

Moreover, we have formulated environmental management standards in accordance with environmental burdens at the Hitachi Construction Machinery Group, and are promoting environmental burden surveys and the formulation of reduction plans at production bases in accordance with divisions based on the size of their environmental burdens.

Daily, down-to-earth work supports appropriate discharges of polluted water

Huaisheng Wang
Hitachi Construction Machinery (China) Co., Ltd.
Safety and Environment Management Office

I supervise the operational management of wastewater treatment facilities. I operate and manage the treatment facilities, comprised of the three processes of chemical treatment, biological treatment and filtering, and also continue down-to-earth activities carrying out tasks such as daily water quality inspections and the maintenance of facility machinery. Since the start of operations in 2007, I have maintained wastewater standard values appropriately. The company is currently using the treated final effluent as cleaning water in the painting pretreatment process, but I would like to improve wastewater treatment further and expand the reuse of the final effluent such as using it as the circulating water in the painting process.

Environmental Activity

Theme 2

Strengthening of Chemical Substance Management Systems

Global Business and the Handling of REACH Regulations

We are sharing chemical substance information at manufacturing bases in Japan and overseas and constructing a global management system.

Thoroughgoing Implementation of Chemical Substance Management based on the "Environmental CSR *Mono-Zukuri* Regulations"

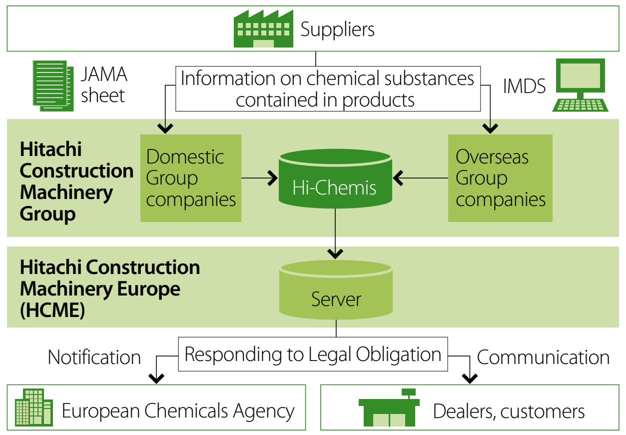
The Hitachi Group established the "Environmental CSR *Mono-Zukuri* Regulations" in 2004 in order to respond to the strengthening of environmental regulations on a global scale and further promote environmentally-considerate manufacturing. We practice thoroughgoing management in the Group as a whole in regard to chemical substances in particular, including the stipulation of methods for the understanding and management of chemical substances contained in procured and shipped products, etc.

In the Hitachi Construction Machinery Group, we have continuously reduced the substances with an environmental burden based on these regulations. In Japan, apart from carrying out the appropriate apprehension and management of emission volumes and displacement distances with regard to substances subject to the PRTR [1] Law, we also strive to reduce our volumes of use of such substances. In fiscal 2010, we grasped the state of use of chemical substances that newly require management in association with changes in the substances subject to the PRTR Law and implemented appropriate management.

The Introduction of a Global Management Information System

Furthermore, in fiscal 2010, we developed the "Hitachi – Kenki Chemical management information system" (Hi-Chemis), which can be used commonly at all seven Group company manufacturing bases in Japan and overseas to cope with REACH Regulations [2].

Flow of Information for Notification and Communication



The feature of this system is that it is possible to calculate the contained volumes and contained ratios of the latest SVHC [3] on the product and part level based on information on the chemical substances contained in products obtained from business partners. In addition, this also allows us to respond not only to the REACH Regulations, but also similarly, to the EU RoHS Directive [4] and the regulations on the chemical substances contained in products of other countries outside of the EU region. This system uses JAMA sheet [5] as the standard tool for collecting information and uses IMDS [6] overseas. We are implementing explanatory meetings on how to make entries on the sheets as required so that our business partners can prepare JAMA sheet easily, and to this point, about 200 people from about 120 companies have participated in these sessions.

In future, we will use this system to strengthen our global chemical substance management systems while cooperating with our business partners.

1. Pollutant Release and Transfer Register. This is a system that apprehends the sources and emission volumes of toxic chemical substances and tabulates and publicly announces data.
2. This is the comprehensive system for the registration, evaluation, authorization and restriction of chemicals enacted by the EU.
3. Substances of Very High Concern. These are chemical substances with particularly high toxicity specified by the REACH Regulations.
4. Restriction of Hazardous Substances Directive. These are the regulations enacted by the EU that prohibit the inclusion of specified hazardous substances in electrical and electronic equipment.
5. The JAMA/JAPIA Standard Material Datasheet. This is the industry-unified data sheet established by the Japan Automobile Manufacturers' Association in order to gather information on the chemical substances contained in products and parts.
6. International Material Data System. This is the materials database for the automobile industry.

We will promote management under the close cooperation of the domestic and overseas Group and suppliers

Kazuo Kase
Environmental Promotion Office,
Environmental Policy Division

I have been in charge of plan formulation and the promotion of actual work related to the sharing of related information, the standardization of work, systems for cooperation with our suppliers and construction of the Company's system, etc., including domestic and overseas Group companies in our handling of the REACH regulations.

We had a lot of trouble over the point that we had to progress several parts of this work at the same time according to the plans. We solved the majority of our issues by being able to construct Hi-Chemis in fiscal 2010. In future, I would like to construct management systems that enable us to respond flexibly to the legal systems of various countries.

Environmental Activity

Theme 3
Biodiversity Conservation Efforts

Ecosystem Conservation Activities Based on Cooperation with Stakeholders

We have been focusing on the ecosystem conservation activities, and are now putting more emphasis so that it is more integrated with the community activities.

Environmental Activities Promoted with the Community

Interest in biodiversity has also increased in Japan in the wake of the 10th meeting of the Conference of the Parties to the Convention on Biological Diversity (COP10), which was held in Nagoya in October 2010, and various efforts have started to be carried out.

At the Hitachi Construction Machinery Group, which has established plants located near two of Japan's great lakes, Lake Biwa and Kasumigaura, apart from having sponsored lakeside environmental beautification activities and citizens' activities for some time, we have also promoted environmental activities with community at various bases nationwide. Overseas too, we have participated in activities such as the Horqin Desert greening project in China, and the 1 billion tree planting project in Thailand, with the mini excavators that Hitachi Construction Machinery has donated playing an active role in tree planting.

At the Hitachi Construction Machinery Group, we raise the "Prevention of Global Warming," "Conservation of Resources" and "Preservation of Ecosystems" as the three pillars of our "Environmental Vision" and such efforts in Japan and overseas can be described as part of the "conservation work" area within that.

Towards the Enhancement of Biodiversity Conservation Activities

In fiscal 2010, we revised the Environmental Conservation Principles, the basis of our environmental activities, in order to further enhance the efforts towards biodiversity that we have continued to this point, while we also undertook the following activities.

- Participation in the "Promotion Partners" program in agreement with "The Declaration of Biodiversity by Nippon Keidanren"
- Participation in "JBIB Challenge 2020" [1]
- Hitachi Construction Machinery Biodiversity Declaration

In addition, we re-evaluated our ecosystem services based on the ESR Sheet [2] advocated by the WBCSD [3] and reviewed the order of priority of our efforts in order to enhance our "ecosystem conservation" activities.

In fiscal 2011, we are planning to start ecosystem conservation activities that enable us to work together with local residents centered on the three bases of Kasumigaura, Lake Biwa and Urahoro Test Site Quality Center in Hokkaido.

At the Hitachi Construction Machinery Urahoro Test Site Quality Center, we have made efforts in management aimed at coexistence with the nature of Tokachi. In fiscal 2011, we would like to prepare a roadmap for nature conservation activities that local residents can also participate in, and make Urahoro Test Site Quality Center the base for the Hitachi Construction Machinery Group's Satoyama landscape conservation activities.

1. Japan Business Initiative for Biodiversity (Corporation and biodiversity initiative). This is a company group that works on the conservation of biodiversity and sustainable use of resources. The JBIB Challenge 2020 is a system that evaluates the state of progress on the JBIB each year.
2. The Corporate Ecosystem Services Review. This is a tool issued by the WBCSD.
3. World Business Council for Sustainable Development

Column

Urahoro Test Site Quality Center

Urahoro is a town with a thriving pastoral industry and is located about 50 km to the east of Obihiro. Hitachi Construction Machinery acquired 427 hectares of land here in 1990 and built a test site that carries out excavation tests, low temperature tests, product demonstrations, etc. We build a good relationship with the local community. Having local customers cooperation tests, while the Hitachi Construction Machinery Festival (Urahoro) is also hold to boost exchange with local residents.

Urahoro Test Site

The test site is a treasure trove of rare creatures. We will start a full-scale survey of its ecosystem.

Hajime Maezawa
Quality Assurance Center, Urahoro Test Group

There is an artificial forest and some natural forest within the expansive site, and a rare water creature was found just the other day so I was surprised again at the richness of the ecosystem here. We are currently investigating the implementation of an ecological survey of the flora and fauna, and a vegetation association survey on the Test Site by experts. As far as future activities go, we are planning things such as the planting of natural forests and eco-tours for local residents, and we will focus on the discovery and protection of rare flora and fauna.

Environmental Activity

Theme 4
Activities to Prevent Global Warming

Product-Type and Event-Type Carbon Offset Activities

We are promoting carbon offset not only at the time of product sale, but at various types of event too.

Expansion of Products with Carbon Offset Attached

The term "carbon offset" refers to a system that offsets (compensates for) the volume of emissions that cannot be cut back in CO_2 reduction efforts with a carbon credit that can be created in emission reduction projects domestically and overseas.

Hitachi Construction Machinery participated in the "Wood Products Use Campaign" [1] promoted by the Japanese government in 2008. On this campaign, we promoted cooperation with the prevention of global warming in the form of selling forestry machinery subject to the offset of CO_2 emissions for customers to carry out reforestation by tree thinning with those machines. In fiscal 2010, we also participated in "Challenge 25" [2] and as part of our support of those activities, we also added computerized machinery equipped with machine guidance [3], which realizes CO_2 reductions based on the improvement of work efficiency, to machinery subject to carbon offset.

Furthermore, from 2009, we also started carbon offset activities at forestry industry, environmental and other exhibitions.

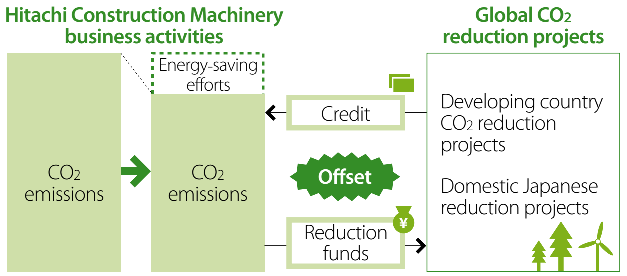
Carbon Offset through Events

One of those exhibitions is the "Hitachi Construction Machinery Festival," held at the Tsuchiura Works each year, which introduces neighborhood residents and customers to the products of the Hitachi Construction Machinery Group and the goods produced at the plant. A greater than usual 435 staff participated at the festival of November 2010, which welcomed about 5,600 guests and was held lavishly. A lot of CO_2 was generated at the festival by the exhibition and transport of products, the use of gas and electricity at the exhibition venue, the transportation of staff and guests, etc. Based on the idea that we wanted not only staff, but also guests to become interested in global warming and cooperate with the reduction of CO_2 emissions, we advanced preparations mainly targeting the offset of CO_2 generated by people's movements. From the nearest station to the exhibition venue is about 2 km. Many of the guests in a normal year would come by car, but this time, we announced in advance that we would run a shuttle bus between the station and the venue and aimed for reductions in CO_2 emissions caused by the use of automobiles. Of course, on the staff side too, employees strove for energy savings during product transportation and were thoroughly considerate of measures like transportation by car pooling, etc.

As a result of such efforts, the total volume of CO_2 emissions related to the transportation of event participants was 19 tons and we offset the whole of that amount by the purchase of offsets. In addition, the energy saving effects amounted to about 1 ton. This was no more than 5% of the volume of CO_2 emissions of the event overall, but thanks to the cooperation of local residents, we were able to reduce CO_2 equivalent to 400 liters of light diesel oil.

At Hitachi Construction Machinery, we will continue to promote efforts related to carbon offset and to develop environmental activities with our stakeholders in the future too.

What is "Carbon Offset?"



1. This national campaign led by the Forestry Agency calls for the positive use of wood materials produced in Japan based on the aims of improving the country's wood materials self-sufficiency ratio and promoting the maintenance of forests.
2. This is a campaign led by the Japanese Government that promotes the diffusion of machinery and systems that can reduce environmental burdens aiming at reducing greenhouse gases by 25% in comparison to 1990.
3. This is a system that improves work efficiency and reduces CO_2 emissions during operation by displaying the design and the position of the tip of the shovel on a display in the cab, and then operates the machinery so as to close any gaps between the design and the actual position.

The reduction of 1 ton of CO_2 emissions was achieved thanks to everybody's understanding and cooperation.

Koji Ueno
Human Resources Department, Tsuchiura General Affairs Center

As a planning and operations supervisor, I made an effort to inform our guests of our intentions with pamphlets, etc., so that they used public transport as much as possible. In future, we will investigate whether it will be possible to make similar efforts at other events at Tsuchiura Works as well.

Environmental Activity

Theme 5

The Development of Environmentally Friendly Products

Aiming for the Development and Diffusion of Earth-Friendly Construction Machinery

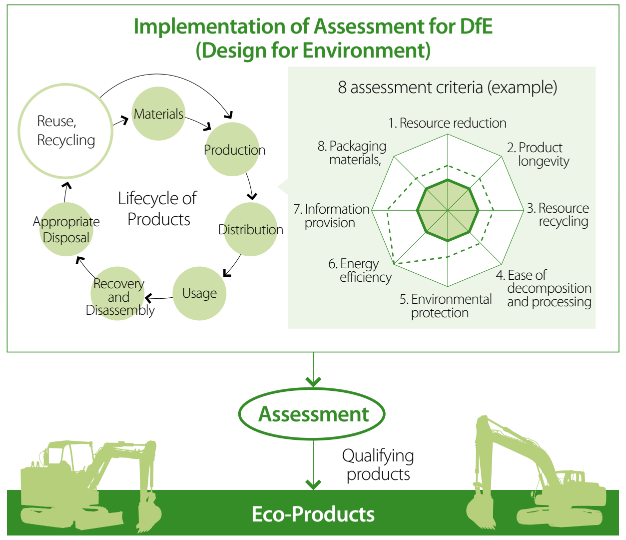
We are focusing our efforts on the research, development and diffusion of products committed to environmental considerations throughout the whole product lifecycle.

Design for Environment the Responsibility of the Manufacturer

At Hitachi Construction Machinery, we believe that supplying products that can reduce the environmental burden throughout the whole of the product lifecycle, not just at the manufacturing stage, is our responsibility as a manufacturer, and is also a useful choice for the realization of a sustainable society.

Based on this idea, from 2000, we introduced the Assessment for DfE (Design for Environment) unique to the Hitachi Group, which obliges the manufacturer to make a comparative assessment of environmental performance against the old model at the time of product design and carry out improvements. Down to today, we have sold more than 120 models as environmentally compatible products after making such assessments. In fiscal 2010, we revised the Assessment for DfE and the calculation of environmental burden throughout the lifecycle overall, the automatic calculation of comparisons with old models and the handling of new environmental regulations became easier. In fiscal 2011, in addition to Hitachi Construction Machinery, we are planning to introduce the Assessment for DfE to Group companies such as TCM, Hitachi Construction Machinery Tierra Co., Ltd., and Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd. Furthermore, we are also making efforts to reduce CO_2 emissions at Tsuchiura Works as well, as a mother plant, including converting most of the fuel used there to natural gas in 2007.

What are Eco-Products ?

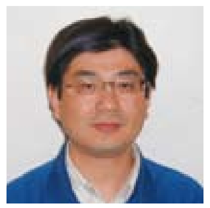


Technology that Reduces Environmental Burdens during Machinery Usage

If you look at the volume of CO_2 emissions throughout the whole of the product lifecycle from the materials stage to manufacturing, distribution, usage and disposal, you can understand that 9% occurs at the materials stage, 1% in the manufacture of the product, and 90% at the operating stage. The CO_2 emissions that occur during the usage of a product are dependent on the volume of fuel consumed and change greatly based on the way that the customer uses the product. At Hitachi Construction Machinery, we have continued the development of product energy saving as a long-term theme and have worked on improving fuel consumption in the same quantity of work. As a result, in the ZX Series of hydraulic excavators, for example, we have achieved fuel consumption improvement of more than 10% in comparison to prior to the model change.

Furthermore, we have also focused on the development of electrical drive conversion technology, which has a great effect on the reduction of environmental burdens during usage, and have taken promoting hybridization and conversions to battery power taking advantage of synergies with the Hitachi Group. We are aiming at the Hitachi Group to limit annual CO_2 emissions by Hitachi products to 100 million tons a year by 2025.

In addition, at Hitachi Construction Machinery too, we have set a target of limiting CO_2 emissions during usage to 3.5 million tons by 2025. We will focus even more on energy saving technology in order to achieve these targets.



We aimed for a hybrid excavator that established both environmental responsiveness and practical value.

Koji Ishikawa
Construction Equipment Engineering Center

The ZH200 hydraulic excavator was developed on a company-wide project that also included Hitachi Ltd. We aimed to make a model that was also equipped with practical value rather than just adding electrically driven technology so we developed various types of low fuel consumption technology such as a new hydraulic system, and pursued the optimum combination of effects and costs. Being involved in the development of many new technologies was valuable to me. In the future too, I would always like to be conscious of the question "What is a valuable product for the customer?"

An Example of Eco-Products 1

Environmental Burden Reduction Based on Hybridization

ZH200 Hybrid Hydraulic Excavator

The spread of hybrid vehicles is progressing in the household automobile area, and likewise, in the construction machinery area too, there are increased expectations for hybrid vehicles from the perspectives of improvements in the efficiency of fuel consumption and the reduction of CO_2 emissions during product use. Within the Hitachi Construction Machinery Group, we have worked on hybridization from the earliest stages, including TCM's commercialization of a hybrid large wheel loader in 1997, and the development of models also equipped with energy regeneration functions after that. In regard to the hybridization of hydraulic excavators, we initiated a project towards the development of an affordable hybrid excavator from 2009 and will release the resulting ZH200 in July 2011.

The ZH200 is used in the standard manner in general construction work and has realized improved fuel consumption of 20% in comparison to the conventional ZX200-3 model. We are aiming at suppressing the price to increase cost performance to make the ZH200 a model that can be used on all work sites. In addition, by carrying out a unique carbon offset program whereby we acquire CO_2 emission rights equivalent to the CO_2 emissions at the time of manufacture for every unit sold and then transfer these free of charge to the Japanese government, we will contribute to the achievement of Japan's greenhouse gas reduction target.

An Example of Eco-Products 2

Environmental Burden Reduction Based on Conversion to Battery Power

ZX35B Battery Driven Mini Excavator

Conversion to battery power is also effective in the reduction of CO_2 emissions during use. At Hitachi Construction Machinery, we released the 5-ton class ZX50UB and the 7-ton class ZX70B in 2006, and these lithium ion battery-type hydraulic excavators are in operation now too. In the area of mini excavators, which are used for work on confined work sites in particular, it is conceivable that conversion to battery power will also progress rapidly in future from the perspectives of noise and exhaust gas reductions too.

In 2009, the Hitachi Construction Machinery Group launched an electric-drive conversion project in association with Hitachi Ltd. and started research on more energy efficient battery-driven mini excavators. Meanwhile, in response to the requests of customers using the ZX50UB, we developed a battery-driven mini excavator based on the widely used ZX35U-3. The model that we completed in February 2011 in this way was the ZX35B. This model, for which we enabled a longer working time by further miniaturization, also realized features such as compliance with multiple power voltages and the conversion of the battery section into a cartridge, etc., is quite simply the embodiment of Hitachi Group synergies. CO_2 emissions during operation are zero, noise is 10 dB lower in comparison to the conventional engine-driven model, and if you consider the CO_2 emissions at the power station during recharging, CO_2 emission reductions of about 65% are expected in comparison to the conventional engine driven model.

An Example of Eco-Products 3

We will Realize Greater Efficiency in Mining Business

Trolley Dump Trucks

In the case of ultra large construction machinery for mined resource extraction (mining), the reduction of CO_2 emissions and improvements in fuel efficiency and work efficiency are particularly serious problems. At the Hitachi Construction Machinery Group, we have worked on a lot of ultra large, electrically driven machinery, including trolley dump trucks, to this point, which has responded to such needs. The "trolley" system is a method for receiving electricity supply from cables via a pantagraph. In comparison to diesel trucks, trolley trucks lead to increased production volumes and operating rates because they produce higher hill-climbing speeds and have longer engine lives because the burden on the engine is lower so the frequency of overhauls is reduced, etc. Furthermore, because they are driven by cheap electricity instead of light diesel oil, they are also effective in the reduction of operating costs, and moreover, because fuel consumption and CO_2 emissions are reduced, this can be described as a format that contributes greatly to the reduction of environmental burdens.

In recent years, 27 units have been introduced at copper mines in Zambia, Africa, to operate alongside ultra large hydraulic excavators, and a further five units have been ordered.

We will continue to focus in the future on product development that utilizes the synergies of the united Hitachi Group, including equipping machinery with Hitachi-made motors.

Social Activity

In Order to be a Company that is Trusted and Counted on by All of Our Stakeholders

The Hitachi Construction Machinery Group focuses at all times on the building of relationships of trust with stakeholders such as shareholders, customers, employees, business partners and local society. And we strive to become a corporate group that shows *Kenkijin* Spirit under our corporate vision and corporate philosophy and that continues to be trusted by society.

WEB Refer to the following website for the details: **http://www.hitachi-c-m.com/global/company/csr/index.html**

We make the building of relationships of trust with all of our stakeholders the base of our business.

At the Hitachi Construction Machinery Group, we contribute to infrastructure development such as civil engineering and construction, and to the development of mining, etc., through the development of various service businesses taking the product lifecycle into consideration, including the development, manufacture, sale, service and rental, of construction machinery. It is also essential for us to build good relationships of trust with all of the various stakeholders surrounding our operations—customers of course—as well as employees, business partners and communities, etc., in order to promote such business activities smoothly.

In such circumstances, we at the Hitachi Construction Machinery Group focus on the maintenance of systems for the promotion of CSR management. We promote activities to grasp the impacts on stakeholders and changes in relationships associated with changes in social conditions and business strategies to maintain and develop our relationships with stakeholders.

We have stipulated the direction of CSR management clearly to make our activities more positive while managing the PDCA cycle.

"We are resolved to globally developing activities based on our corporate philosophy and will continue to contribute to society"—This is the "CSR Objectives" advocated by the Hitachi Construction Machinery Group. We formulated this objective in fiscal 2005 in order to state the direction of CSR management clearly and make our activities more positive. In addition, in the same year, we also formulated the "CSR Policy of the Hitachi Construction Machinery Group," which puts into concrete form the policy to achieve this objective. We strive towards the continuous improvement of CSR management while repeating the PDCA cycle of formulating "CSR Activity Plans" (Plan) that promote CSR activities in accordance with this policy, and then executing (Do), evaluating (Check) and revising them (Action). In fiscal 2010, Hitachi Construction Machinery, the 17 domestic Group companies and the 15 overseas Group companies each formulated their own CSR activity plans and promoted activities based upon them.

Plans and Results in the Social Sphere and Targets for Fiscal 2011

*: Partially achieved **: Largely achieved ***: Achieved

Policy	Fiscal 2010 plans (Plan)	Fiscal 2010 result (Do)	Check	Targets for fiscal 2011 (Action)
Commitment to CSR (Corporate Social Responsibility)	Conducting of "*Kenkijin* Spirit" training	Trained and developed 81 instructors at 6 domestic branches	***	Establishment of "*Kenkijin* Spirit"
Contributing to Society through Our Business	Implementation of global quality inspection	Implemented at 2 domestic companies and 5 overseas companies	***	Implementation at 3 domestic companies and 3 domestic plants, and at 6 overseas companies
	Provision of demining machinery	Delivered of 6 units to Cambodia, etc., and a total 76 units to 9 countries	*** Page 23	Expansion of countries where machinery is provided and of the number of units
Disclosure of Information and Stakeholder Engagement	Setting of disclosure policy	Developed and published of disclosure policy	***	More active communication with stakeholders
Corporate Ethics and Human Rights	Compliance training for overseas group companies	Conducted at Telcon (India)	*** Page 24	Understand the current state of compliance activities at overseas group companies, etc.
	Implementation of export control training	Implemented at 4 domestic group companies	***	Development to overseas group companies
Corporate Citizenship Activities	Support for the NPO, Good Earth Japan	Supported agricultural training in the Ratanak Mondul District of Cambodia	*** Page 24	Expansion of supported regions
	Special sponsorship for Kasumigaura Marathon	Conducted on April 18, 2010	***	Provided support, but discontinued due to the Great East Japan Earthquake
Working Environment	Improve health and safety activities	Implemented mental health promoter training 4 times for 70 people	***	Continuation of mental health countermeasures
	Promotion of work-life balance	Executed plans in line with the Act on Advancement of Measures to Support Raising the Next Generation	** Pages 25-26	Promotion of diversity
Responsible Partnership with Business Partners	Achievement of a green supplier rate of 100%	Achieved a green supplier rate of 98%	**	100% achievement
	Implementation of CSR Supply Chain Management	Conducted CSR surveys at 208 suppliers	*** Page 30	Expansion of CSR Supply Chain Management

Social Activity

Theme 1

Striving for the Eradication of Landmine Damage

Support for Demining Activities in Mozambique

Support for demining activities by Yamanashi Hitachi Construction Machinery has started in Mozambique, where an almost uncountable number of landmines remain.

Mozambique, where the Traces of Civil War still Remain

It was 2000 when Yamanashi Hitachi Construction Machinery developed its first demining equipment and delivered it to Cambodia. That equipment used hydraulic excavator technology for the restoration of devastated earth and was an activity started because of the desire to help people resume their peaceful everyday lives. Since then, the company has delivered demining equipment to Vietnam, Afghanistan, Nicaragua, Angola, Thailand and Colombia. In fiscal 2010, the company delivered four units to Cambodia and one unit to Mozambique, and there are now 76 units in operation around the world.

In Mozambique, located in the southeast of the African continent, a civil war over political power erupted following the country's independence from Portugal in 1975, and landmines said to number one million or two million were laid from then until the conclusion of the war in 1992. Today, the IND (Institute of National Demining) is promoting demining with NGOs from around the world, but work is not making good progress in the south of the country in particular, where so many landmines remain that their numbers cannot be grasped even now.

Machinery Operating Training for Local NGOs

Yamanashi Hitachi Construction Machinery, which received an order from the Mozambique government in these circumstances, delivered BM307-V24 demining equipment in March 2011. Company President Kiyoshi Amemiya traveled to the area in April and carried out machinery operating training for three NGOs including Halo Trust in the suburbs of the capital Maputo over one month. Because there are a lot of both anti-personnel landmines and anti-tank landmines in the area, in addition to the Rotary Cutter type attachment suitable for the former, a stronger Flail Hammer type attachment was also prepared, and a magnetic attachment that collects fragments from ammunition and cartridge cases was delivered at the same time. Apart from basic knowledge of the engine and hydraulics, NGO personnel also learned things like how to replace such attachments, carry out welding repairs, etc., in classroom lectures and self-study, and after that, went out to the minefields.

Training in Mozambique

Land from which mines have been cleared away eventually turns into agricultural land, and safe living and people's smiles return along with the restoration of things like destroyed roads and electricity pylons. Yamanashi Hitachi Construction Machinery does not restrict itself merely to the provision of technology, but will continue this unique social contribution in the future, working with the people of mine-affected regions and working with them to revitalize their national lands.

We are continuing these activities because we want to land that has turned green all see over and the smiling faces of children.

Kiyoshi Amemiya
President,
Yamanashi Hitachi Construction Machinery Co., Ltd.

When we delivered the demining equipment to Angola, the local workers came to Japan once for instruction in the operation of the equipment and were able to practice again on the ground, but in the case of Mozambique, because the technology and knowledge of the local NGO people were unknown, we did have a certain amount of trouble. However, this kind of activity can be life-threatening for the workers so I think instruction in operation is a natural responsibility as a manufacturer. In Mozambique, demining is carried out by inefficient methods even now and these have to be mechanized as quickly as possible. We are continuing these activities because we look forward to land after demining being reborn as agricultural land and the like, to the local residents smiling and to children being able to run around in safety. Whether it be Africa or South America, we will go anywhere as long as it is necessary. That is our mission and, I think, my social contribution.

Social Activity

Theme 2

Aiming for Area Restoration After Demining

Provision of Extensive Support for Restoration in Cambodia

We are supporting activities in Cambodia to turn land after demining into agricultural land for local residents to become self sufficient.

Establishing Infrastructure and Continuous Backup

At the Hitachi Construction Machinery Group, we are providing extensive support for the activities of the specified non-profit organization Good Earth Japan (GEJ), which restores land after demining in Cambodia and provides support for local residents to become self sufficient.

GEJ started activities in Slap Pang Village in Battambang Province from 2007 and has been involved in agricultural training, and the building of village roads, water wells and schools, etc. GEJ changed its place of support in the Ratanak Mondul District from 2009, but has been visiting Slap Pang Village occasionally to keep an eye on the lifestyles of residents. On one such occasion, there was a request with regard to the paving of a village road so they started a paving activity using laterite [1] and this was completed in February 2011. The village roads, which became impassable during the rainy season until now, have been hardened with laterite, making it easier for residents to travel and for goods to be transported, and there is a lot of traffic now.

Village road paved with laterite

Environmental Improvement to Support Local Agriculture

In fiscal 2009, 240 hectares of fields were plowed after demining in Ratanak Mondul District, and GEJ provided agricultural technology training. They have currently started to prepare for the building of agricultural roads and the establishment of reservoirs. Because Cambodia has a flat landscape, flood control is difficult and the people rely on rainwater for living and for agricultural purposes. However, if reservoirs are completed, water use is made simpler and increases in rice harvests can also be expected. Furthermore, in fiscal 2010, GEJ also provided training in poultry-raising techniques in order for people to raise chickens safely and hygienically rather than just letting them roam freely, and technical training in kitchen gardening in order to promote the vegetable intake of local residents. Moreover, GEJ organized a study tour of current and former Hitachi Construction Machinery Group members so that they could witness firsthand the NPO's activities in Cambodia. The tour, consisting of eight members including staff, visited the Cambodian Mine Action Centre (CMAC) and an elementary school, and also experienced the rice harvest. GEJ will continue to support the self-sufficiency of local residents under close cooperation with related organizations in the future.

Completed reservoir

Experiencing rice harvesting with local residents

1. Laterite is a soil type classified as moist soil, and is used in Cambodia in the paving of roads.

I have learned that international contributions that have people "Working together" are important.

Mamiko Kato
Public Relations Strategy Office,
Corporate Management Division

I participated in a study tour in December 2010. At first, I wondered whether the local people were frightened of landmines and were toiling away in poverty, but I was really surprised when I actually went there that everybody was smiling and living energetically without forgetting to be thankful to nature and the people around them, and I felt that they were far happier than people in Japan. By coming into contact with such people, I came to think that the things I usually take for granted are not the natural state of things at all. Also, rather than supporting from the outside, I felt that contributions that have people working together are important. I would like to do my job in future conscious of this so that many people can know about Cambodia.

Theme 3

The Current State of Diversity Management

The Creation of an Organization where Diverse Human Resources can Demonstrate Their Capabilities

We have started activities to create more open communication and atmosphere in the organization where the differences of the people who work together are accepted, recognized and utilized.

Diversity as an Important Management Issue

At the Hitachi Construction Machinery Group, we position the recognition of differences in factors such as race, nationality, gender and age, as well as the sense of value, character and individuality of each and every human resource that supports our business, and the respect of diversity as an important issue in management. Now, when the Group's operations have expanded to various countries throughout the world and the ratio of overseas sales has reached 78%, searching for and hiring superior local human resources positively at all of our bases worldwide are indispensible in our growing as a global corporation. Domestically too, due to the dwindling birthrate and the aging population, the country has plunged into becoming a declining-population society and we have to take advantage of the power of diverse human resources including women and the elderly. We have already hired local employees as top managers at our dealers in seven countries and established systems for Japanese staff to work in roles supporting them. This kind of localization to national staff is improving the motivation of local employees and is not only invigorating the organization, but is also effective in contributing to more community-based business development.

In addition, we have accepted people from production bases around the world as a temporary transfer at Tsuchiura Works and are focusing on the cultivation of global human resources through the "Global Production Technician Training System," which educates employees on-site for three years, and the "International Skills Competition." in which on-site staff from around the world compete in manufacturing skills. We will continue to promote the placement and cultivation of human resources in coordination with business plans and pursue ways of using human resources suitable for a global corporation in the future.

Hideo Nakamura
Diversity Promotion Sec.
CSR Promotion Dept.
Public Relations Strategy Office Corporate Management Div.

Putting More Focus on Utilizing Female Employees in the Business

We are making efforts throughout the whole of the Hitachi Group with regard to support for the activities of women, and from 2005, we have worked on the expansion of female hiring and job positions. Hitachi Construction Machinery also established a "Diversity Promotion Team" in 2009 and is developing new measures. In addition, we held "Roundtable discussion for female employees" at Head Office and Tsuchiura Works in May 2010, aimed at young female employees. 35 people participated and carried out group discussions on the theme "What we hope for from the company as female employees." At the time of the formulation of the new mid-term management plan, members representing the female workers presented their opinions about the long-term vision of the company In future, we will improve the organization as well as activities that will draw out and increase the strengths of our female employees.

Diversity has a variety of aspects, such as the diversity of attributes including gender, age, race and physical state, and the diversity of working conditions such as how people work, the places where people work and the ways in which people are employed. At the Hitachi Construction Machinery Group, we established a "Diversity Promotion Group" within the CSR Promotion Department in April 2011 that specializes in the diversity within our group, and to promote positive efforts in each aspect of diversity, including implementing policies related to work-life balance, and we are pouring efforts into the creation of an organization where diverse human resources can positively display their capabilities. In addition, in fiscal 2011, we plan to establish "Diversity Committee" as a promotional organization. The committee is designed to become the driver of the diversity promotional plans based on our current findings in employee surveys, and raise awareness of the importance of diversity for the Hitachi Construction Machinery Group.

State of Use of Various Work-life Balance Systems

(Cumulative results acquired as of March 20, 2011)

Child-rearing related systems		Care/nursing related systems	
Number of people who have taken leave of absence for child-rearing	100 people (including 3 men)	Leave of absence for care	3 people
Child-rearing work attendance system	11 people	Care work attendance system	2 people
Spouse childbirth leave	46 people	Family nursing leave	6 people

TOPICS

The Corporate Innovation Committee, which Summarized Suggestions to Formulate the "2020 Vision"

Interview of Female Representatives and Their Suggestions

The Theme—"Diversity"

Our female members were selected as a team by the President to listen to the opinions of female employees in summarizing "What Hitachi Construction Machinery wants to be like in 2020" for the formulation of the new mid-term management plan. After the team was launched in September 2010, the members of various work and backgrounds, such as veterans, new employees and mothers who are currently rearing children, and including Group employees, held discussions once a week towards presenting their opinions to the management team in November. We think the members have very good motivation because almost all of us gathered together every week to discuss how the company can improve.

We have discussed the future image of Hitachi Construction Machinery more as employees than as women, but naturally, we also shared worries and concerns unique to female employees. The things that rose to the surface while we were investigating various problems, such as reconsidering the work style at each stage of our life and whether there is sufficient support and understanding at the workplace, were the diversity of each respective employee and how to have an organization that accepts that diversity; in other words, the theme of diversity. While the members of diverse backgrounds exchanged opinions, we came to understand the importance of considering various people's points of view.

The discussions

We Want the Organization to be Flexible.

The team continued information gathering through means such as studying examples of advanced undertakings at other companies and holding hearings within the company, and continued discussions. One conclusion obtained as a result was that diversity does not simply mean the superficial efforts of hiring women and foreigners, but rather efforts to change into a flexible organization that recognizes and accepts that each and every employee is a different person, and creates new ideas and services from multiple perspectives.

After the presentation in November, the team accepted the points made by the executives and summarized more detailed recommendations. We made a presentation to the President in January 2011 and communicated this kind of message to him.

Because the Hitachi Construction Machinery Group will develop its business on an even broader global scale from now on, human resources will become all the more diverse, and conversely, if the company does not diversify positively, we will not be able to provide the services that our respective customers in each region requires.

The enhancement of things such as benefit packages is important of course, but that is only a condition for the use of diversity. Instead of focusing on the system that is based on such stereotypical view, we fundamentally want the company to have an organization where people have the pride to say with confidence that they work at this kind of company. In order for that to happen, we want the company to have a flexible organization that evaluates each and every employee fairly irrespective of attributes such as gender or nationality, one where employees can feel it is worth working. That is our hope, and we look for the company to take actions aggressively, such as education and the establishing the committee to promote the diversity in the company. If everybody can be happy, the company will be happy too. We believe that.

We would definitely like to continue these activities in the future too and to think about how we can achieve the goal, such as training for the promotion of diversity.

Social Activity

Theme 4
Efforts to Pass on Technology and Skills

The "*Kataribe*" Experience and Quality Improvement Activities that Communicate Passions

New attempts have started for the maintenance/improvement of quality towards the expansion of global production.

We have Started Technical Tradition Activities to Pass on Seasoned Technology and Skills

Hitachi Construction Machinery is working on a company-wide quality improvement initiative in line with our quality assurance policy—"Our top priority is product quality, and we supply creative products which are pleased with and trusted by our customers."

As part of this initiative, we established the "*Kataribe* Promotion Office" (*Kataribe* means "to hand down or communicate information.") in June 2010 and have started technical tradition activities that pass on the seasoned technology and skills acquired over the years to our engineers and technicians on the front line in an effort to further improve quality.

The *Kataribe* Promotion Office is divided into two parts: classroom lectures (oral education) and on the job training (OJT). The in-class sessions, titled *Kataribe* Office Lectures, organize employees into two groups: engineers involved in development, quality assurance, and production technology; and technicians involved in manufacturing. We train the employees by explaining the causes of past mistakes and other incidents, as well as preventive measures, the importance of restraint in rules and standards, an explanation on whether errors were due to managerial (administrative) or individual factors, and guidance on how to follow hunches and tips.

The name "*kataribe*" does not mean merely the teaching and communication of technology, but contains the wish that those on the receiving end will also be initiated in the feeling that they are supporting manufacture, a feeling that cannot be grasped fully using a manual, by passing on the actual experiences of seasoned engineers.

Communicating Efforts to Pass on the Importance of Manufacturing to Group Companies in Japan and Overseas

In fiscal 2010, we held 35 lectures for engineers, attended by 875 people, and eight lectures for technicians, attended by 160 people. Meanwhile, OJT provides guidance on prototype vehicle reviews, participation in design reviews, and technical guidance on global quality inspection.

In addition, the prototype vehicle review took place at Hitachi Construction Machinery Tierra and Tsuchiura Works. Global quality inspections were held nine times at domestic production sites and Group company offices, seven times at five overseas Group company offices, and once at the office of a major client.

The *Kataribe* Promotion Office will continue to implement quality improvement measures for all our engineers and technicians at our worldwide Group companies and major clients.

Kataribe Office Lecture

Opinions of Training Recipients

Koji Naruse
Quality Assurance Center

The educational materials summarizing past mistakes are difficult to obtain and because this was training based on the actual experiences of the teachers, even the discussion of areas that I am not directly involved in will be useful.

Kenji Iizuka
Welding Section
Tsuchiura Production Department

Because the cases were explained using photographs, they were easy for the foreign workers to understand too, and even if you paid no particular attention, you could see that the things that were taught were being put into practice in the proper way.

Opinions of the *Kataribe*

Kenji Hashimoto
Deputy General Manager,
Corporate Quality Assurance Division

It is not the case that you should just do what you have been told to do, or that you should observe something because it is the rule. If you do not understand why you do something, you cannot make anything good. Making things wholeheartedly is important.

Kenzo Yanagibashi
Master of Engineering
Kataribe

Hitachi Construction Machinery certainly has 40 years of technical property, but if you do not understand it, that means nothing. I do not want merely to teach, but to utilize such property by communicating passions.

Hiromi Nishikawa
Master Technician
Kataribe

There are always foundations to skills, but those foundations have not yet been communicated to our overseas bases in particular. So, I would like to make it possible for our overseas personnel to understand the foundations and implement skills faithfully.

Social Activity

Theme 5
More Focus on Cultivation of Global Human Resources

A Unique System for Trainees to Utilize Their Experiences in Japan After Returning to Their Posts

We are cultivating global human resources with a unique system where there are many things for both trainees and their hosts to obtain.

Training at Tsuchiura Works, the "Mother" Factory, of the Local Human Resources who will Play the Central Roles at Overseas Bases

The Hitachi Construction Machinery Group has established production bases in Europe, North America, China, Indonesia and India and is responding to demand for construction machinery that is increasing globally. And, in order to capture the trust of customers worldwide, it is important for all of our production bases around the world to uphold equally the quality represented by the label "Made by HITACHI." Given these circumstances, the personnel of Tsuchiura Works, the "mother" factory of the Group, have had many opportunities in recent years to go overseas and provide technical guidance.

Also, from fiscal 2008, we started a system of accepting human resources from overseas to carry out training at Tsuchiura Works. We are nurturing the cultivation of global human resources.

This is aimed at having the young, top-class production engineers of overseas Group companies learn practical work on a 3-year plan including communication in Japanese, process planning, streamlining, jig design, and TIPS [1] activities, and diffuse the manufacturing culture of the Hitachi Construction Machinery Group (*Mono-Zukuri*) by fostering *Mono-Zukuri* (craftsmanship) capabilities at Tsuchiura Works.

In the classroom

This initiative is not the conventional education of apprentices, but is rather characterized by the point that the core human resources of various bases are taken in as employees on loan.

Towards Relationships where Trainees and the Workplaces that Receive Them Try to Improve by Learning from Others

In fiscal 2008, four people from overseas Group companies including Hitachi Construction Machinery (China) Co., Ltd., and associated companies, and three people from domestic Group companies participated as the first graduate in this initiative. In March 2011 they have returned to their posts. We also accepted seven people in fiscal 2009 and ten people in fiscal 2010, and we are planning to conduct this program continuously in the future.

All of the trainees from overseas are highly motivated, and they are learning Japanese while training from seasoned engineers in their first year, they join up with the workplaces where they are to train and carry out actual work from their second year on. While on the one hand, the trainees are active in each workplace as people with immediately effective skills, the consciousness of those in the workplace on the receiving side changes due to the interaction with a different culture, so this can be described as a significant system also because of the point that relationships are created where the trainees and the workplaces that receive them try to improve by learning from each other. Furthermore, the trainees who have returned home do not just take advantage of the experience they have gained at Tsuchiura Works to perform their work; the reactions of each base are also excellent, such as making them coordinators of the engineers visiting from Japan.

Trainees from overseas

This system, which started from the production technology category, is currently continuing to expand into the quality assurance, production management and procurement categories as well. Now that three years has passed since its start, problems such as the productions of manuals for the operation of the system have become apparent, but we plan to promote further improvements in the future to cultivate superior global human resources.

1. Tsuchiura Innovative & Inventive Production System
A production method that incorporates innovation and invention

I will apply what I have studied in Japan in my workplace in China.

Shifeng Ding
Hitachi Construction Machinery (China) Co., Ltd.

I looked after the new management and layout of facilities in the production technology category in China. China is right in the middle of increasing production now and I would like to apply the knowledge that I studied during my three years in Japan, including the reinvestigation of facilities and lines, the rectification of internal logistics, and methods for the promotion of improvement activities.

Theme 6
Enhancement of Service Ability

Implementation of a Sales Progress Management System for Customer Satisfaction Improvement

We are promoting the implementation of a unique system in sales branches in order to provide customer with appropriate service at appropriate timing.

In Order to Control Customer Information Systematically

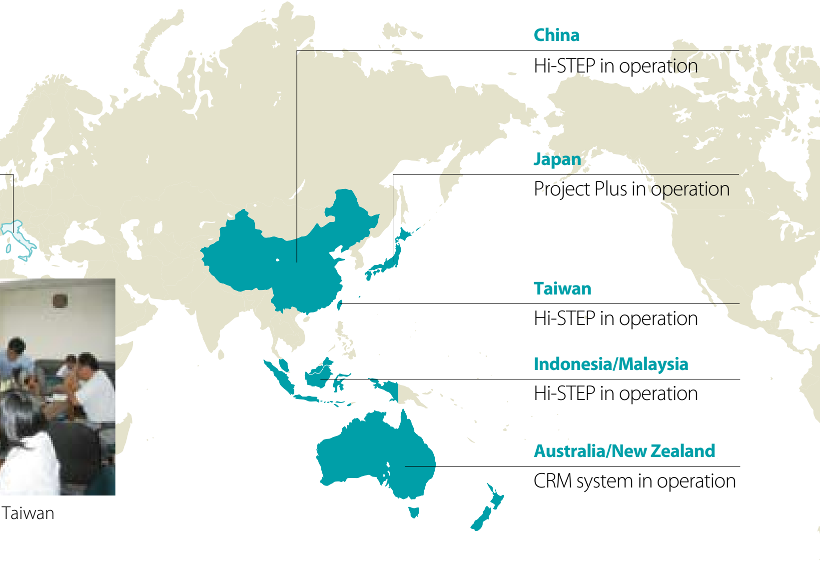
In order for the company to expand business globally and to enhance competitiveness, it is important to systematically control the enormous amount of customer information gained everyday from all over the world, and to reflect customer satisfaction. The Hitachi Construction Machinery Group have been utilizing system to analyze market situation, to monitor business negotiation and contract, to control and share these information in domestic market (Project Plus), but not in overseas countries except Australia and New Zealand as of 2007. As the introduction of such a system was required urgently in overseas countries especially in rapidly expanding Chinese market, Hitachi Construction Machinery together with Hitachi Construction Machinery (Shanghai) Co., Ltd., have jointly developed sales progress management system "Hi-STEP [1]" and implemented the system in most of the dealers in China in August 2008. It became steadily established, and now is in the usage stage.

Basis of Timely Services

In addition to customer information, "Hi-STEP" is able to accumulate histories of sales staff's activities, progress of business negotiations. Staffs able to share such information and utilize them in order to provide customer with the appropriate proposal timely. "Hi-STEP" can be described as infrastructure to develop more positive, effective and systematic sales and service activities. Since fiscal 2009, we have also implemented the "Hi-STEP" in Malaysia, Indonesia and Taiwan. It has become an indispensable tool to create customer satisfaction in the emerging markets. We will promote utilization of the system in these regions. We will also promote the implementation of the system in other Asian countries such as Thailand, as well as in Europe.

1. Hitachi Sales Technology Evolution Program

Progress of CRM System Implementation in Each Region/Country



Introduction training in Taiwan

Introduction training in Malaysia

Introduction training in Indonesia

Theme 7
The Progress of CSR Supply Chain Management

Building Systems to Promote CSR Supply Chain Management

We have carried out a survey to promote the strengthening of the CSR activities of the whole supply chain.

We have Implemented Supplier CSR Surveys as the First Step towards Putting CSR Supply Chain Management into Practice

In order for the Hitachi Construction Machinery Group to continue to grow as a truly global corporation, increasing the level of the CSR activities of the whole supply chain will be indispensable.

At the Hitachi Construction Machinery Group, we have requested suppliers and cooperating companies to handle environmental issues such as the construction of environmental management systems and the management of harmful substances in delivered items, which has led to definite effects. Also, we raised the target of "sharing social responsibility with our business partners" in the "CSR three-Year Roadmap" that set fiscal 2010 as its final year, and promoted increases in the level of CSR activities in the supply chain.

In fiscal 2010, we implemented supplier CSR surveys as the first step in the transition to the implementation of CSR Supply Chain Management. In these surveys, we carried out risk assessment of seven parameters: human rights/labor, health and safety, the environment, fair trade/ethics, quality/safety, information security and social contributions.

We have Constructed a Unique Management Scheme

Ahead of the surveys, we held hearings involving more than 10 companies, including other companies in the same industry, in Procurement Division to apprehend the state of CSR Supply Chain Management at other companies. We analyzed those results to summarize the modalities of CSR Supply Chain Management that Hitachi Construction Machinery should promote. Based on the JEITA [1] guidelines, we prepared a "Guidebook for suppliers" and a "Self-checksheet for the suppliers" to enter answers on.

Because scores and comments were prepared for each answer, and score statistics as well as radar charts with a top score of 100 for each parameter and feedback comments were created automatically, we were saved the work of manual tabulation, which enabled us to survey more suppliers.

Monitoring survey of a supplier

The surveys were implemented from October 2010 to January 2011 in 208 of the major suppliers doing business with Tsuchiura Works and Ryugasaki Works. We obtained answers from 189 companies and the automatically generated feedback was delivered to each of them. After carrying out risk assessment based on those results, we refined the targeted suppliers, carried out on-site monitoring surveys and education of suppliers with low or severe scores, requested action plans and encouraged their submission. In addition, we are planning to expand the scope of these surveys to include related companies suppliers and parts centers, as well as overseas bases such as China from fiscal 2011 onwards, and will strengthen the CSR supply chain management suitable for a global corporation.

1. Japan Electronics and Information Technology Industries Association

I feel that we have finally been able to take our first step in an area where our efforts have been delayed.

Yasuki Soejima
Production & Procurement Group

Things have only just started, but I have the sense of achievement that we have been able to do something that we have not been able to do until now. It was a mere half a year from preparation to the implementation of the surveys and the fact that we were able to arrange everything from the hearing surveys to the creation of the CSR supply chain management scheme, the development of the checksheets, and the development of the automatic tabulation and assessment system in a concentrated way to create a satisfactory system is thanks to everybody at the cooperating companies, and everybody in the various departments inside our company. Assessing CSR undertakings in figures is difficult and we had a hard time doing things like creating the indices, but basically, we wanted to clarify the current state of our suppliers and make their good points better. Our big target in the immediate future is the expansion of the scope of these surveys and improving the management system, but in the future, I would like the company to create tools to survey the state of CSR promotion that can be used commonly by the construction machinery industry.

Governance

Establishment of a Corporate Governance System that Aims at Highly Transparent and Reliable Business Management.

Hitachi Construction Machinery has continued to secure the transparency and reliability of management under the corporate organizational system with a committee governance structure, and has promoted global management based on prompt decision-making. We have also aimed for continuing to be a good faith company that is widely trusted by society as a whole.

WEB **Refer to the following website for the details: http://www.hitachi-c-m.com/global/company/csr/index.html**

Corporate Governance System

Hitachi Construction Machinery has deeply recognized the importance of not only the improvement of the business achievements, but also the fact that the company is a member of society. We consider our commitment to fair and transparent corporate management that is widely trusted by society to be a responsibility to our stakeholders.

Under this corporate responsibility, we have adopted the corporate organizational system with a committee governance structure, which separates the management oversight from business execution functions in order to construct an operating system whereby we can execute the prompt management strategy with certainty, improve the reliability of management and promote global management. While we have introduced a divisional system to our in-house organization to enable prompt and appropriate business management in each field, we are realizing total optimization by establishing cross-functional groups, committees, etc.

In addition, we share a basic corporate philosophy and brand as well as a basic management policy as a member of the group led by Hitachi Ltd., our parent company. We establish our own corporate code of conduct of the company, based on that of Hitachi Ltd., our basic policy for corporate governance, and position it as the basis of the Hitachi brand and CSR activities.

The Board of Directors is composed of three (3) Independent Directors and seven (7) Directors. The Chief Executive Officer and Executive Officers, who are delegated tasks by Board of Directors, have the right to make operational decisions and execute work in accordance with the basic management policies. The Board of Directors has established the matters concerning the position of Executive Officer, supervision and command, and the mutual relationships of Executive Officers.

We have established an Executive Committee (meetings held twice a month, in principle), composed of the main Executive Officers, as a consultative institution for the Chief Executive Officer and Executive Officers. Executive Committee determines the execution of work, and controls the important matters related to work management. Furthermore, information such as the state of execution of work of each Executive Officer and matters that need to be known on a company-wide basis, etc., are reported to the Executive Officer Committee (meetings held once a month, in principle), aimed at the greater efficiency of work execution. Moreover, the operational auditing and supervision are carried out in accordance with the Regulations on the Board of Directors, the Regulations on the Audit Committee and the Regulations on Internal Audits.

Corporate Governance Promotion System

General Shareholders' meeting

Reporting / Election

Board of Directors

Chairman of the Board — Nominating Committee

Directors — Audit Committee

Outside Directors — Compensation Committee

Reporting / Supervision and Appointment

Executive System

Executive Officer President — Executive Committee

Executive Officer Executive Vice President

Senior Vice President and Executive Officer

Vice President and Executive Officer

Executive Officer

Head Office

Marketing Group

Development and Production Group

Internal Controls Related to Financial Statements

The Hitachi Construction Machinery Group has established and maintains internal control systems for the Group as a whole towards the strengthening of the Group's management foundations and aimed at the reliability of financial reporting based on the Financial Instruments and Exchange Act and the US corporate reform bill (Sarbanes-Oxley Act) as well as the Companies Act.

We implement internal audits in order to assess and improve the effectiveness of the risk management of each business division and Group company, as well as their internal controls and corporate governance.

TOPICS

The Overseas Managing Director Development Session

We held a Managing Director Development Session (MDDS)[1] at Kasumigaura Institute from February 16 to 18, 2011, with the top management of four overseas Group companies, including Hitachi Construction Machinery (South Africa) Co. Ltd., and 10 staff members from Hitachi Construction Machinery participating. This MDDS was held with sharing of the penetrating philosophy (the "3Cs"[2]) of *Kenkijin* Spirit, in the form of participants developing a vision and mission through group work and presenting the results obtained to the President. In future, we are planning for top management who have conducted this training to share the value of *Kenkijin* Spirit with their local staff.

Workshop in action

1. Managing Director Development Session (Training for overseas top management)
2. Challenge (spirit of challenge), Customer (individual customer orientation) and Communication (open atmosphere), the basement value of *Kenkijin* Spirit

Compliance

We established a Compliance Division at the Hitachi Construction Machinery Group in May 2002 in order to ensure compliance with laws and regulations, our basic obligation as a corporate citizen, and have strived to raise awareness of compliance through the process of executive education, questionnaires for all employees and employee education based on the results of those questionnaires.

We have established a Compliance and Risk Management Committee in Japan Division and Tsuchiura Works and are developing compliance initiatives at each base and Group company in cooperation with Compliance Division, while Group companies are promoting compliance activities in accordance with their business characteristics. Furthermore, we established a compliance hotline from 2004 in order to extract various problems in compliance matters quickly and to respond appropriately.

Moreover, we set October each year as "Corporate Ethics Month." The General Manager of the Compliance and Risk Management Division makes a declaration to further enhance compliance, and we also hold discussions on compliance at various Hitachi Construction Machinery's business affiliate offices and plants.

Compliance Hotline Cases

FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
4	7	16	24	27	23	30

Compliance Promotion System

Hitachi Construction Machinery Head Office

Compliance & Risk Management Div.
(Head Office Division Managers)

Education/Audits / Reporting/Consultation

Tsuchiura Works, Japan Business Division

Compliance and Risk Committee

Education/Audits / Reporting/Consultation

Branches/Sales Office/Domestic Group Companies

TOPICS

Conducting Export Control Training at Our Head Office

Export Control Division conducted the export control training to the employees who are responsible for or in charge for export in each division on May 20 and 21, 2010. Over two days, 49 employees participated, learned our export control procedures, the outline of catch-all system, the revising information of export control laws, etc., interspersed with actual case examples. We will continue to make efforts towards the thoroughgoing observance of export-related laws and regulations through export control training in the future.

Risk Management

It is not possible to avoid facing risks such as accidents, natural disasters, breaches of laws and regulations, pollution, product liability lawsuits, leak of personal information, etc. in corporate activities. As a result, at the Hitachi Construction Machinery Group, we are promoting risk management centered on the Compliance and Risk Management Division.

Based on the understanding that risks definitely do exist, it is necessary to clarify all possible risks, and to take measures to minimize the damage caused by such risks.

Definition of Risk

Risk means the possibility of incidents, accident, or other problems that may cause loss directly or indirectly to the Hitachi Construction Machinery Group's business, employees or their families or to people with some connection with the group.

Categories of Risk

1. Damage to people:
   Death, Injury, or the possibility of such.
2. Damage to assets:
   Breakage or destruction of the company assets, hindrance in production or sales, etc. caused by such breakage or destruction, or the possibility of such.
3. Financial damage:
   Payment of compensation, hindrance in generating profits, or the possibility of such.
4. Loss of trust:
   Trust in the company, our products or our employees, etc. is lost, thereby damaging the company image, or the possibility of such.
5. Breach of laws and regulations:
   Breach of laws and regulations, or the possibility of such.
6. Breach of ethics:
   Act against company ethics, or possibility of such.

Measures against Risks

Measures against risks are implemented in accordance with the procedures of the Compliance and Risk Management Division.

1. When a risk becomes an actual event, we will implement initial measures immediately. We determine the levels of risks without delay and decide the range of people to be informed, according to the risks.
2. We always work on raising the awareness of the employees and other relevant people to ensure that they recognize risks as risks, their compliance, prevention of the occurrence of risks and scandals and the proper measures to cope with the occurrence of risks.
3. When a risk becomes an actual event or there is the possibility of such, no matter how minor the risk is, we will immediately report the matter to a manager and to the General Affairs Section manager.
4. We regularly check risk possibilities and implement measures to prevent the occurrence of each risk.
5. We always endeavor to maintain a good relationship with the local community (including police stations, labor standards inspection offices, fire stations, public employment security offices, and local residents) .

Implementation of Business Continuity Management

In 2010, we have started preparing the implementation of a BCM (Business Continuity Management) system in order to continue business operations even when disaster occurs. We have created disaster recovery system as IT related risk measure that duplicates our main system and allocated them dispersively within domestic group bases. We have also prepared measure to cope with new strains influenza that allows us to correspond when the infection spread.

On March 11, 2011, when an enormous earthquake attacked East Japan, we set up the Emergency Risk Measures Headquarters in head office immediately after the earthquake in order to grasp the information on damages, to confirm the safety of employees and their families. We were able to share that information speedily among the Group, taking advantage of preparatory work for the implementation of BCM. We will further discuss and study how BCM should be, and establish ideal BCM to cope with disasters.

Directors and Executive Officers

As of June 20, 2011


Takashi Miyoshi (1) (3)
Chairman of the Board and Independent Director


Michijiro Kikawa (1) (3)
President, Chief Executive Officer and Director


Mitsuji Yamada
Executive Vice President, Representative Executive Officer and Director


Taiji Hasegawa
Executive Vice President, Executive Officer and Director


Shinichi Mihara
Senior Vice President, Executive Officer and Director


Hiroshi Tokushige
Senior Vice President, Executive Officer and Director


Yuichi Tsujimoto
Vice President, Executive Officer and Director


Kiichi Uchibayashi (2)
Director


Masahide Tanigaki (1) (2) (3)
Independent Director


Kousei Watanabe (2)
Independent Director

Note: The numbers alongside each name indicate membership of (1) the Nominating Committee, (2) the Audit Committee and (3) the Compensation Committee.

Directors

Chairman of the Board and Independent Director	Takashi Miyoshi
Director	Michijiro Kikawa
Director	Mitsuji Yamada
Director	Taiji Hasegawa
Director	Shinichi Mihara
Director	Hiroshi Tokushige
Director	Yuichi Tsujimoto
Director	Kiichi Uchibayashi
Independent Director	Masahide Tanigaki
Independent Director	Kousei Watanabe

Executive Officers

President, Chief Executive Officer	Michijiro Kikawa
Executive Vice President, Representative Executive Officer	Mitsuji Yamada
Executive Vice President	Taiji Hasegawa
Executive Officer and Director	Shinichi Mihara
Executive Officer and Director	Hiroshi Tokushige
Vice President and Executive Officer	Yuichi Tsujimoto
Vice President and Executive Officer	Tsutomu Mizutani
Vice President and Executive Officer	Makoto Sato
Vice President and Executive Officer	Yukio Arima
Vice President and Executive Officer	Kiyomitsu Yamanaka
Vice President and Executive Officer	Yoshimi Iwase
Vice President and Executive Officer	Mitsuhiro Tabei
Executive Officer	Masaki Kanahara
Executive Officer	Hideo Kitawaki
Executive Officer	Akihiko Hiraoka
Executive Officer	Yasushi Ochiai
Executive Officer	Norio Hirota

Financial Highlights

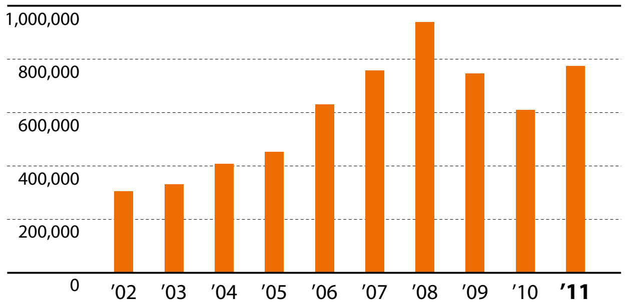
Hitachi Construction Machinery and Consolidated Subsidiaries
Fiscal years ended March 31

										Millions of yen Excluding per share data	Thousands of U.S. dollars (Note 3) Excluding per share data
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	**2011**
For the year:											
Net sales	**773,769**	605,788	744,167	940,537	756,453	626,457	448,043	402,195	328,496	298,766	**9,305,701**
Operating income (loss)	**41,511**	19,669	48,836	108,458	78,352	57,177	40,120	32,858	16,399	(3,295)	**499,230**
Net income (loss) before income taxes and minority interests	**35,745**	18,333	44,142	100,564	70,081	46,795	31,862	21,211	6,486	(20,903)	**429,886**
Net income (loss)	**11,088**	4,019	18,253	55,985	36,502	24,223	17,325	12,490	3,883	(17,603)	**133,350**
At year-end:											
Total assets	**944,370**	883,047	841,353	833,096	655,326	552,341	463,812	407,049	373,755	360,008	**11,357,427**
Working capital	**248,870**	207,948	124,398	155,901	98,891	99,213	96,638	67,201	61,735	38,736	**2,993,025**
Shareholders' equity	**327,496**	319,520	311,430	310,747	184,750	157,173	131,318	91,132	74,321	64,977	**3,938,617**
Interest-bearing debt	**327,768**	307,754	300,626	190,650	165,910	152,953	154,786	152,152	153,003	159,584	**3,941,888**
Per share data (yen)											
Net income (loss)	**52.44**	19.33	85.79	271.00	187.43	124.37	91.05	72.62	25.90	(122.47)	**0.63**
Diluted net income	**52.41**	19.32	85.72	270.23	186.81	124.00	90.88	70.92	24.35	—	**0.63**
Net assets	**1,447.52**	1,441.73	1,422.54	1446.55	987.56	807.17	673.81	520.93	460.98	452.07	**17.41**
Cash dividends (declared)	**20.00**	10.00	44.00	42.00	28.00	18.00	14.00	11.00	7.00	0.00	**0.24**
Other indicators:											
Return on net sales (%)	**1.4**	0.7	2.5	6.0	4.8	3.9	3.9	3.1	1.2	—	**—**
Return on equity (%)	**3.6**	1.3	6.1	22.3	20.9	16.8	15.6	15.1	5.6	—	**—**
Equity ratio (%)	**32.4**	34.5	34.9	37.1	29.4	28.5	28.3	22.4	19.9	18.0	**—**
Price/earning ratio (times)	**39.72**	114.28	14.79	9.21	17.02	24.92	16.24	23.60	22.66	-2.59	**—**

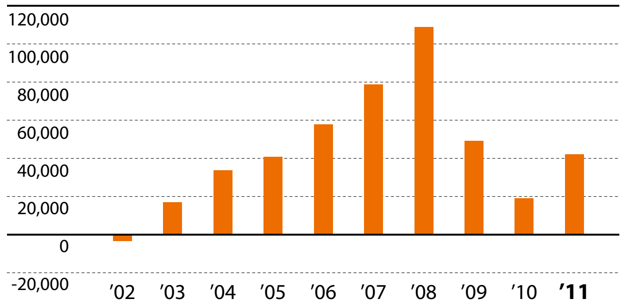
Previously, 12 consolidated subsidiaries with different settlement dates than that of the parent company were accounted for based on the fiscal year consolidated financial statements for each of these companies because the difference between the settlement dates for these subsidiaries and the consolidated settlement date was within three months.

However, with quarterly reporting becoming legally mandatory, beginning in the fiscal year ended March 31, 2008, HCM changed its method of consolidation on the financial statements by making provisional account settlements for the 12 subsidiaries on the consolidated settlement date. This change was made for the purpose of unifying the settlement dates of the parent company and the aforementioned consolidated subsidiaries and for ensuring appropriate disclosure of consolidated financial information.

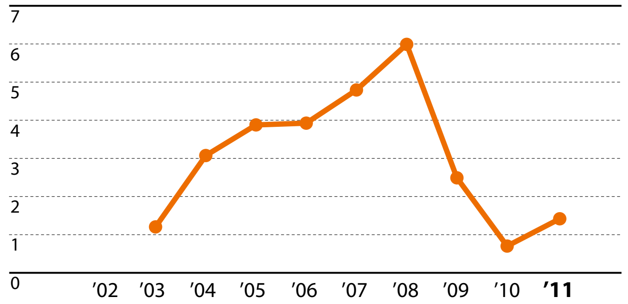
Net sales (Millions of yen)



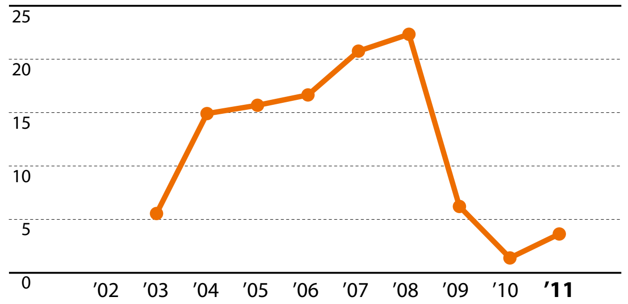
Operating income (loss) (Millions of yen)



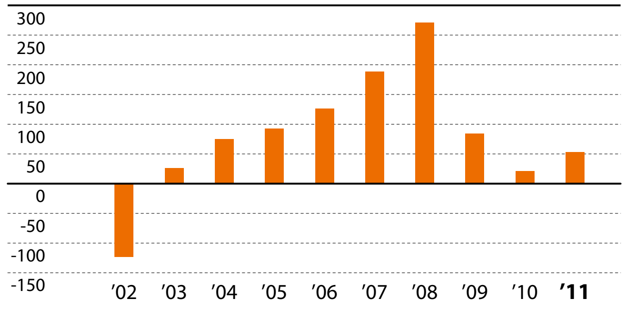
Return on net sales (%)



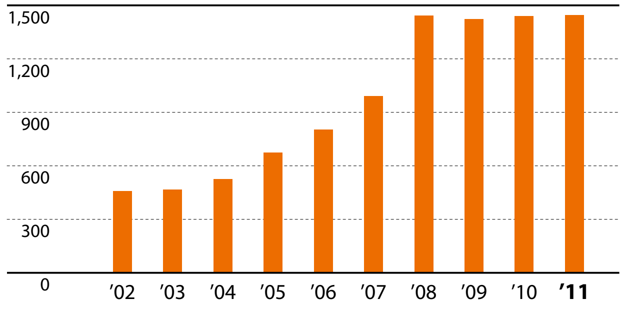
Return on equity (%)



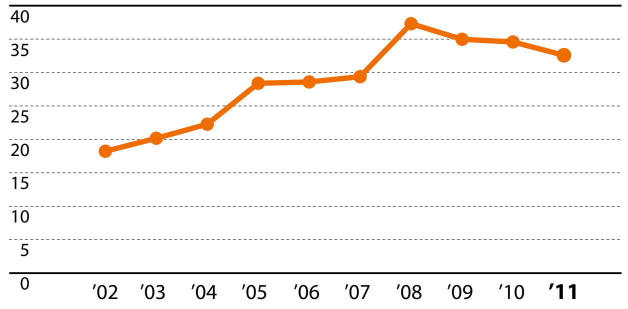
Net income (loss) per share (Yen)



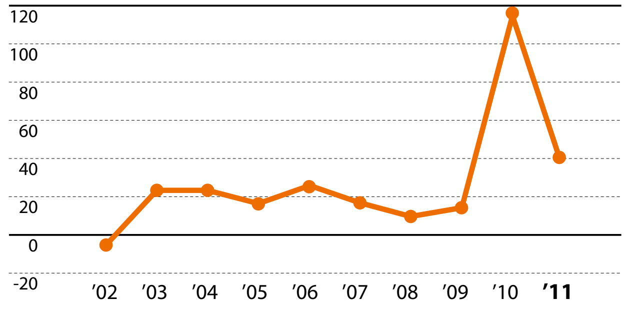
Net assets per share (Yen)



Equity ratio (%)



Price/earning ratio (Times)



Performance during the Term Ended March 31, 2011

Performance Overview

The global economy during the consolidated fiscal year under review (April 1, 2010 to March 31, 2011; hereinafter referred to as "this term") was drawn along by effects of various countries' economic stimulus packages and the economic growth of emerging countries such as China, and tended towards recovery.

In the construction machinery market, in addition to the continuing booming demand in China, demand in the emerging markets of Asia, etc., also displayed a tendency to increase, and overall global construction machinery demand increased.

In such circumstances, the consolidated company group focused on the development of the economic policies of various emerging countries in response to the booming demand increases for construction machinery, and introduced new hydraulic excavator sales expansion and sales support systems for emerging countries and made efforts to capture demand.

As a result of the above, consolidated net sales increased by 28% year on year to ¥773,769 million (US$ 9,306 million), and operating income increased by 111% year on year to ¥41,511 million (US$ 499 million).

Ordinary income increased 119% year on year to ¥41,912 million (US$ 495 million). The main factors of non-operating income included ¥3,208 million (US$ 39 million) in interest income, ¥3,152 million (US$ 38 million) in foreign exchange gain, and ¥8,867 million (US$ 107 million) in interest expenses.

However, property of the consolidated company group such as bases, production facilities and inventory assets, was also damaged in regions affected by the Great East Japan Earthquake that occurred on March 11, 2011. We restored facilities quickly in the aftermath of the disaster, and limited the impact to a minimum, including starting partial production at all factories by March 28. In this way, we recognized losses caused by the disaster of ¥6,779 million (US$ 82 million) as extraordinary losses, and net income became ¥11,088 million (US$ 133 million), 176% increase year on year.

Overview by Business Segment

Construction Machinery Business

Overview of the period

In the area of construction-related machinery, in addition to the core ZAXIS-3 series of hydraulic excavators and the ZW series of wheel loaders, we made efforts to expand sales of the ZAXIS-3G, a durable model suitable for needs particular to emerging countries.

In machinery for resource development, we made efforts to expand sales of the EX-6 Series of ultra-large hydraulic excavators equipped with new engines, as well as the electric-drive series of ultra-large hydraulic excavators that operate by receiving power supply from an external source. In the mining dump truck series, where we have realized high running performance by adopting AC drive systems, we released the EH4000ACII, and worked on enhancing the line-up. In addition, we made efforts to expand sales of the trolley dump truck series, which improves efficiency at times such as hill climbing, using a power feed from cable facilities, and jointly developed a monitoring system with Clarion Co., Ltd., that supports the confirmation of safety around the dump truck by equipping the main body of the truck with several cameras. In the software business, we have made efforts towards the sale, maintenance and service of systems that optimize the operational management of machinery in mining.

Consolidated sales in the construction machinery business increased 29% to ¥712,926 million (US$ 8,574 million).

Industrial Vehicles Business

Overview of the period

Demand for core forklift products continued to perform strongly centered on the emerging countries such as China, and others in areas such as Asia, the CIS, Central and South America, and Africa, but the market environment also grew even more severe.

In such circumstances, TCM released strategic vehicles for emerging countries and promoted other positive measures such as the integration of its manufacturing and domestic sales companies.

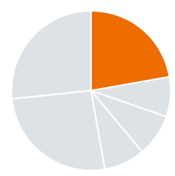
In regard to cargo handling machines, orders and inquiries centered on environmentally responsive hybrid transfer cranes became more active on the strength of the New Energy and Industrial Technology Development Organization (NEDO) subsidy system.

Consolidated sales in the industrial vehicles business increased 13% to ¥60,843 million (US$ 732 million).

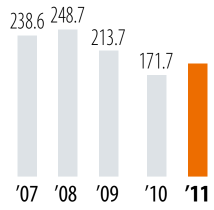
Overview by Regional Segment

Japan

Sales composition ratio: **22.3%**



Sales: **172.7** billion yen



Overview of the period

Although public investment performed weakly, demand for hydraulic excavators turned to recovery supported by a rally in private residential investment, corporate facility investment, etc., and demand in the rental industry.

Under such circumstances, in non-civil engineering areas, where the expanded application of construction machinery is expected, we made efforts to further strengthen industry-specific sales proposals, such as expanding sales of machinery designed specifically for different industrial categories combining the most appropriate options for forestry, demolition, iron and steel, and scrap. Business in Japan was affected by damage to production bases due to the Great East Japan Earthquake, which occurred on March 11, 2011, including some products scheduled for shipment and sale in March being shipped from April onwards, etc.

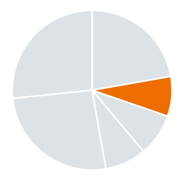
Consolidated sales in Japan increased 1% to ¥172,701 million (US$ 2,077 million).

Specialist machinery for forestry

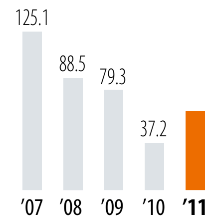
Specialist machinery for demolition

The Americas

Sales composition ratio: **8.1%**



Sales: **62.4** billion yen



Overview of the period

Although mild, the US economy made a recovery, including increased facility investment. Demand for construction machinery also increased due to factors such as the expansion and renewal of rental company assets in association with renewal demand and an increase in rental operating rates.

Under such circumstances, at Deere-Hitachi Construction Machinery Corp., we expanded production plans and worked on the preparation of systems towards the acquisition of demand.

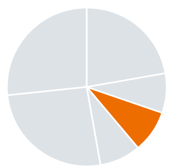
Consolidated sales in the Americas increased 67% to ¥62,351 million (US$ 750 million).

Deere-Hitachi Construction Machinery Corp. production plant

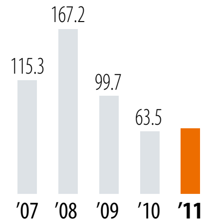
Deere-Hitachi Construction Machinery Corp. production plant

Europe

Sales composition ratio: **8.6%**



Sales: **66.4 billion yen**



Overview of the period

Excluding some countries, the European economy tended towards a mild recovery overall. Demand for construction machinery turned to recovery, although it remains at low levels.

Under such circumstances, in addition to enhancing our lineup of mini excavators and wheel loaders, including large models, we made efforts towards the positive expansion of sales of hydraulic excavators and wheel-type hydraulic excavators for various applications. In addition, we also developed various measures with regard to parts sales and worked on the strengthening of our dealer network.

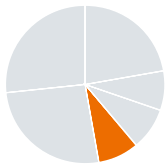
Consolidated sales in Europe increased 5% to ¥66,367 million (US$ 798 million).

Wheel loader

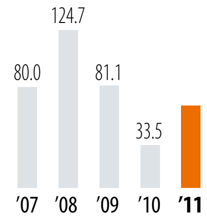
Hydraulic excavator

Russia-CIS, Africa and the Middle East

Sales composition ratio: **8.4%**



Sales: **65.2 billion yen**



Overview of the period

In Russia-CIS, mining-related business continued to perform well in development projects in the Urals, an area of resource development such as oil and gas, as well as an iron and steel industrial area, etc., and demand increased.

Under such circumstances, in addition to mining machinery technology and sales support for dealers, we made efforts to improve our overall competitiveness, including the strengthening of parts supply and service support. In addition, because further increases in demand are expected, we concluded a basic contract for the construction of a new factory with the Tver region.

In Africa, we established Hitachi Construction Machinery Zambia Limited in Zambia, where there are a lot of copper deposits, and strengthened parts support systems, including the promotion of ultra large machinery for mining and recycled parts business. In addition, we established Hitachi Construction Machinery Africa Pty. Ltd. as the company that will control our Africa operations in order to expand business across the whole of Africa, including the opening up of the Sub-Sahara market, where future development is forecast against the backdrop of demand for its plentiful resources.

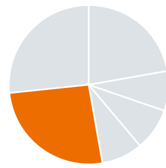
In the Middle East, we continued to acquire a high share of the market in Turkey. In addition, we also focused on the capture of large Turkish contractors against the backdrop of high resource demand.

Consolidated sales in Russia-CIS, Africa and the Middle East increased 95% to ¥65,149 million (US$ 784 million).

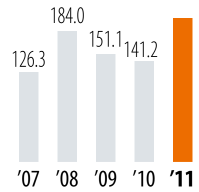
The signing of the basic investment agreement with the Tver region

Asia and Oceania

Sales composition ratio: **26.2%**



Sales: **202.4 billion yen**



Overview of the period

In Asia, economies performed strongly because of the impact of economic stimulus packages and increased exports to China. Sales of construction machinery also increased due to the upgrading of social infrastructure, etc. Furthermore, we completed the full-scale introduction and establishment of Hi-STEP, the strategic sales support system, as the roll-out of a country-specific, industry-specific strategy, and made efforts to strengthen sales capabilities and acquire share in order to respond to the intensifying Asian market. In addition, in Indonesia, the forestry, palm oil-related and mining-related markets continued to expand, and demand for construction machinery moved along at its highest ever level and we made efforts to acquire an even greater share of Asia's largest market. Based on this situation, we started on the strengthening of our production capabilities in Indonesia.

In India, we undertook positive sales expansion activities at Telco Construction Equipment Co., Ltd., aimed at maintaining a high market share.

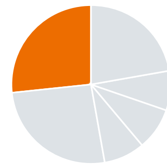
In Australia, we continued to make efforts towards the certain capture of strong mining-related demand and focused on expanded sales of small to medium-sized excavators. In addition, we also expanded sales to new large customers in the rental, steel, scrap and, railway-related and other areas.

Consolidated sales in Asia and Oceania increased 43% to ¥202,444 million (US$ 2,435 million).

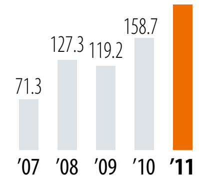
The full-scale introduction of Hi-STEP, the strategic sales support system (Indonesia)

China

Sales composition ratio: **26.4%**



Sales: **204.8 billion yen**



Overview of the period

Public works based on infrastructure investment continued and construction machinery demand increased in all regions.

The ZAXIS-3G, a hydraulic excavator for emerging countries that we are releasing into markets in succession from this fiscal year, has established a very good reputation in the Chinese market, including the receipt of the "Golden Award of Technical Innovation in 2010 in Top 50 of China Construction Machinery Products" from the China Construction Machinery Association, etc., which contributed to the capture of demand. Furthermore, we made enhancements on the operational side, including the new introduction of a service and parts sales management system, and the strengthening of our dealer support systems. In addition to this, we strengthened cooperative relations with dealers by using the "Global e-Service" system, which enables us to grasp the state of operating machinery, and aimed at further increases in levels of customer satisfaction. Under such circumstances, we systematically advanced the construction of a larger production system at Hitachi Construction Machinery (China) Co., Ltd., our local manufacturing company, in order to respond to increases in demand.

Consolidated sales in China increased 29% to ¥204,757 million (US$ 2,463 million).

ZX330-3G, a hydraulic excavator for emerging countries

The China Construction Machinery Association's "Golden Award of Technical Innovation in 2010 in Top 50 of China Construction Machinery Products"

Management's Discussion and Analysis

Financial Position

Current assets at the end of the fiscal year amounted to ¥625,695 million (US$ 7,525 million), an increase of 13.9%, or ¥76,225 million (US$ 917 million) from the previous fiscal year-end. This was due mainly to a decrease of ¥13,153 million (US$ 158 million) in inventories, and to the contrary, respective increases of ¥10,323 million (US$ 124 million) in cash and bank deposits, and ¥57,798 million (US$ 695 million) in the total of notes and accounts receivable, lease receivables and investment assets.

Fixed assets declined 4.5%, or ¥14,902 million (US$ 179 million) from the end of the previous fiscal year to ¥318,675 million (US$ 3,833 million). As a result, total assets increased 6.9% or ¥61,323 million (US$ 737 million) from the previous fiscal year-end to ¥944,370 million (US$ 11,357 million).

Current liabilities at the end of the fiscal year amounted to ¥376,825 million (US$ 4,532 million), an increase of 10.3%, or ¥35,303 million (US$ 425 million) from the previous fiscal year-end. This was due mainly to an increase of ¥28,291 million (US$ 340 million) in notes and accounts payable.

Long-term liabilities increased 10.8%, or ¥21,265 million (US$ 256 million) from the previous fiscal year-end to ¥218,559 million (US$ 2,628 million). As a result, total liabilities increased 10.5% or ¥56,568 million (US$ 680 million) from the previous fiscal year-end to ¥595,384 million (US$ 7,160 million).

Net assets increased 1.4%, or ¥4,755 million (US$ 57 million) from the previous fiscal year-end to ¥348,986 million (US$ 4,197 million). This was mainly due to net income in this fiscal amounting to ¥11,088 million (US$ 133 million), and a decrease of ¥8,731 million (US$ 105 million) in foreign currency translation adjustments.

Cash Flow Analysis

Cash and cash equivalents at end of year totaled ¥74,710 million (US$ 898 million), an increase of ¥17,396 million (US$ 209 million) from the end of the previous fiscal year. Factors relating to each cash flow category were as follows:

Net cash provided by operating activities totaled ¥27,395 million (US$ 329 million), a decrease of ¥44,310 million (US$ 533 million) compared with the previous fiscal year.

Factors that increased cash included ¥35,745 million (US$ 430 million) in income before income taxes and minority interests, ¥38,112 million (US$ 458 million) in depreciation and amortization, ¥5,314 million (US$ 64 million) in decrease in inventories, and ¥37,901 million (US$ 456 million) in increase in notes and accounts payable. Factors that reduced cash included that ¥30,861 million (US$ 371 million) in decrease in notes and accounts receivable, and ¥42,714 million (US$ 514 million) in increase in lease receivables and investment assets, etc.

Net cash used in investing activities was ¥20,768 million (US$ 250 million), a decrease of ¥18,524 million (US$ 223 million) compared with ¥39,292 million (US$ 473 million) in the previous fiscal year. This was due mainly to spending of ¥17,663 million (US$ 212 million) in acquisitions of property, plant and equipment to enhance production facilities of Telco Construction Equipment Co., Ltd.

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 ¥6,627 million (US$ 80 million).

Net cash provided by financing activities totaled ¥14,646 million (US$ 176 million). This was due mainly to the fact that an appropriate amount including an inflow from free cash flows and ¥49,662 million (US$ 597 million) in proceeds from long term loans was mainly used for repayment of short-term and long-term debts.

Business and Other Risks

The 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 71.7% in the previous fiscal year, and 77.7% 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, 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, hedging activities, enlarging the portion of local production, and promotion of parts import via international purchasing. 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 ¥327.8 billion (US$ 3.9 billion) as of March 31, 2011. 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.

Consolidated Balance Sheets

Hitachi Construction Machinery Co., Ltd. and its Consolidated Subsidiaries

March 31, 2011 and 2010

ASSETS	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 3) 2011
Current assets			
Cash and bank deposits (Notes 16 and 18)	¥ 67,650	¥ 57,327	$ 813,590
Notes and accounts receivable (Notes 9 and 18)	184,450	162,961	2,218,280
Lease receivables and investment assets (Note 18)	130,109	93,800	1,564,750
Merchandise and manufactured goods	130,151	144,931	1,565,256
Work in process	40,235	39,326	483,885
Materials and supplies	22,414	21,696	269,561
Deferred tax assets (Note 22)	14,679	7,282	176,536
Other	41,036	28,408	493,518
Less: Allowance for doubtful accounts	(5,029)	(6,261)	(60,481)
Total current assets	625,695	549,470	7,524,895
Non-current assets			
Property, plant and equipment			
Property held for lease (Notes 11 and 29)	108,615	100,860	1,306,254
Land (Note 11)	58,974	58,663	709,248
Buildings and structures (Note 11)	129,351	127,955	1,555,634
Machinery, equipment and vehicles (Note 11)	194,728	189,369	2,341,888
Construction in progress	7,058	7,376	84,883
	498,726	484,223	5,997,907
Less: Accumulated depreciation	(274,342)	(251,943)	(3,299,363)
Net property, plant and equipment	224,384	232,280	2,698,544
Intangible assets			
Software	19,737	20,611	237,366
Goodwill	25,011	32,598	300,794
Other	1,540	1,586	18,521
Total intangible assets	46,288	54,795	556,681
Investments and other assets			
Investments in securities (Note 19)	19,646	15,482	236,272
Deferred tax assets (Note 22)	5,064	5,786	60,902
Other (Note 21)	24,453	26,735	294,083
Less: Allowance for doubtful accounts	(1,160)	(1,501)	(13,951)
Total investments and other assets	48,003	46,502	577,306
Total non-current assets	318,675	333,577	3,832,532
Total assets	¥ 944,370	¥ 883,047	$ 11,357,427

LIABILITIES AND NET ASSETS	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 3) 2011
Current liabilities			
Notes and accounts payable (Notes 18 and 29)	¥ 150,318	¥ 122,027	$ 1,807,793
Short-term loans (Notes 11, 18, 23 and 29)	146,513	139,844	1,762,033
Current portion of bonds (Notes 18 and 23)	210	1,510	2,526
Income taxes payable	15,774	5,432	189,705
Provision for loss on disaster	1,204	0	14,480
Other (Note 29)	62,806	72,709	755,334
Total current liabilities	376,825	341,522	4,531,871
Non-current liabilities			
Bonds (Notes18 and 23)	50,070	50,280	602,165
Long-term loans (Notes 11, 18 and 23)	130,975	116,120	1,575,165
Lease obligations	8,757	9,473	105,316
Deferred tax liabilities (Note 22)	9,836	3,360	118,292
Retirement and severance benefits (Note 21)	11,483	11,224	138,100
Other (Note 25)	7,438	6,837	89,453
Total non-current liabilities	218,559	197,294	2,628,491
Total liabilities	595,384	538,816	7,160,362
Net assets			
Shareholders' equity			
Common stock	81,577	81,577	981,082
Authorized: 700,000,000 shares in 2011 and 2010			
Issued: 215,115,038 shares in 2011 and 2010			
Capital surplus	84,466	84,468	1,015,827
Retained earnings	165,980	158,063	1,996,152
Less: treasury stock, at cost: 3,645,459 shares in 2011 and 3,696,618 shares in 2010	(4,526)	(4,588)	(54,432)
	327,496	319,520	3,938,617
Accumulated other comprehensive income			
Net unrealized gain on securities (Note 19)	3,772	1,625	45,364
Deferred losses on hedges	(595)	(501)	(7,156)
Foreign currency translation adjustments	(24,567)	(15,836)	(295,454)
Total accumulated other comprehensive income	(21,390)	(14,712)	(257,246)
Subscription rights to shares	766	766	9,212
Minority interests	42,114	38,657	506,482
Total net assets	348,986	344,231	4,197,065
Total liabilities and net assets	¥ 944,370	¥ 883,047	$ 11,357,427

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Hitachi Construction Machinery Co., Ltd. and its Consolidated Subsidiaries

For the years ended March 31, 2011 and 2010

	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 3) 2011
Net sales (Note 29)	¥ 773,769	¥ 605,788	$ 9,305,701
Cost of sales (Note 12)	587,953	465,176	7,070,993
Gross profit	185,816	140,612	2,234,708
Selling, general and administrative expenses (Note 12)	144,305	120,943	1,735,478
Operating income	41,511	19,669	499,230
Other income (expenses)			
Interest and dividend income	4,237	2,824	50,956
Gains (losses) on equity in earnings of affiliated companies	1,083	(977)	13,025
Interest expenses	(8,867)	(7,244)	(106,639)
Foreign exchange gains, net	3,152	3,560	37,907
Gains on sales of property, plant and equipment	0	803	0
Gains on sales of securities	0	223	0
Surrender value of insurance	1,582	0	19,026
Losses on adjustment for changes of accounting standard for asset retirement obligations	(203)	0	(2,441)
Business structure improvement expenses (Note 13)	(315)	(1,859)	(3,788)
Loss on disaster (Note 14)	(6,779)	0	(81,527)
Other, net	344	1,334	4,137
	(5,766)	(1,336)	(69,344)
Income before income taxes and minority interests	35,745	18,333	429,886
Income taxes:			
current	17,754	11,564	213,518
deferred	(2,259)	(3,115)	(27,168)
Income before minority interests	20,250	—	243,536
Minority interests	9,162	5,865	110,186
Net income	11,088	4,019	133,350

	Yen 2011	Yen 2010	U.S. dollars (Note 3) 2011
Per share data (Note 30)			
Net income	¥ 52.44	¥ 19.33	$ 0.63
Diluted net income	52.41	19.32	0.63
Cash dividends (declared)	20.00	10.00	0.24
Weighted average number of shares (thousands)	211,436	207,870	

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Hitachi Construction Machinery Co., Ltd. and its Consolidated Subsidiaries

For the years ended March 31, 2011 and 2010

	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 3) 2011
Income before minority interests	¥ 20,250	¥ —	$ 243,536
Other comprehensive income (Note 15)			
Net unrealized gain on securities	2,131	—	25,628
Deferred losses on hedges	(90)	—	(1,082)
Foreign currency translation adjustment	(9,262)	—	(111,389)
Share of other comprehensive income of companies accounted for by the equity-method	(818)	—	(9,838)
Total other comprehensive income	(8,039)	—	(96,681)
Comprehensive Income (Note 15)	12,211	—	146,855
Comprehensive income attributable to shareholders of the Company	4,410	—	53,037
Comprehensive income attributable to minority interests	7,801	—	93,818

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Hitachi Construction Machinery Co., Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Shareholders' Equity			
Common stock			
Balance at beginning of year	¥ 81,577	¥ 81,577	$ 981,082
Changes during the period			
Total changes during the period	0	0	0
Balance at end of year	81,577	81,577	981,082
Capital surplus			
Balance at beginning of year	84,468	81,084	1,015,851
Changes during the period			
Disposal of treasury stock	(2)	3,384	(24)
Total changes during the period	(2)	3,384	(24)
Balance at end of year	84,466	84,468	1,015,827
Retained earnings			
Balance at beginning of year	158,063	159,726	1,900,938
Changes during the period			
Cash dividends	(3,171)	(5,570)	(38,136)
Decrease by inclusion of consolidated subsidiaries	0	(112)	0
Net income	11,088	4,019	133,350
Total changes during the period	7,917	(1,663)	95,214
Balance at end of year	165,980	158,063	1,996,152
Treasury stock			
Balance at beginning of year	(4,588)	(10,957)	(55,177)
Changes during the period			
Purchase of treasury stock	(5)	(5)	(60)
Disposal of treasury stock	67	6,374	805
Total changes during the period	62	6,369	745
Balance at end of year	(4,526)	(4,588)	(54,432)
Total Shareholders' equity			
Balance at beginning of year	319,520	311,430	3,842,693
Changes during the period			
Cash dividends	(3,171)	(5,570)	(38,136)
Decrease by inclusion of consolidated subsidiaries	0	(112)	0
Net income	11,088	4,019	133,350
Purchase of treasury stock	(5)	(5)	(60)
Disposal of treasury stock	64	9,758	770
Total changes during the period	7,976	8,090	95,924
Balance at end of year	327,496	319,520	3,938,617
Accumulated other comprehensive income			
Net unrealized gain on securities			
Balance at beginning of year	1,625	(124)	19,543
Changes during the period			
Net changes in items other than those in shareholder's equity	2,147	1,749	25,821
Total changes during the period	2,147	1,749	25,821
Balance at end of year	3,772	1,625	45,364
Deferred losses on hedges			
Balance at beginning of year	(501)	(129)	(6,025)
Changes during the period			
Net changes in items other than those in shareholder's equity	(94)	(372)	(1,131)
Total changes during the period	(94)	(372)	(1,131)
Balance at end of year	(595)	(501)	(7,156)
Foreign currency translation adjustments			
Balance at beginning of year	(15,836)	(17,731)	(190,451)
Changes during the period			
Net changes in items other than those in shareholder's equity	(8,731)	1,895	(105,003)
Total changes during the period	(8,731)	1,895	(105,003)
Balance at end of year	(24,567)	(15,836)	(295,454)
Total accumulated other comprehensive income			
Balance at beginning of year	(14,712)	(17,984)	(176,933)
Changes during the period			
Net changes in items other than those in shareholder's equity	(6,678)	3,272	(80,313)
Total changes during the period	(6,678)	3,272	(80,313)
Balance at end of year	(21,390)	(14,712)	(257,246)
Subscription rights to shares			
Balance at beginning of year	766	747	9,212
Changes during the period			
Net changes in items other than those in shareholder's equity	0	19	0
Total changes during the period	0	19	0
Balance at end of year	766	766	9,212
Minority interests			
Balance at beginning of year	38,657	36,822	464,907
Changes during the period			
Net changes in items other than those in shareholder's equity	3,457	1,835	41,575
Total changes during the period	3,457	1,835	41,575
Balance at end of year	42,114	38,657	506,482
Total Net Assets			
Balance at beginning of year	344,231	331,015	4,139,879
Changes during the period			
Cash dividends	(3,171)	(5,570)	(38,136)
Decrease by inclusion of consolidated subsidiaries	0	(112)	0
Net income	11,088	4,019	133,350
Purchase of treasury stock	(5)	(5)	(60)
Disposal of treasury stock	64	9,758	770
Net changes in items other than those in shareholder's equity	(3,221)	5,126	(38,738)
Total changes during the period	4,755	13,216	57,186
Balance at end of year	348,986	344,231	4,197,065

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Hitachi Construction Machinery Co., Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 35,745	¥ 18,333	$ 429,886
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	38,112	37,022	458,352
Decrease in allowance for doubtful accounts	(1,381)	(1,376)	(16,609)
Interest and dividend income	(3,607)	(2,662)	(43,379)
Interest expenses	8,867	7,262	106,639
Amortization of goodwill and negative goodwill	6,513	1,377	78,328
(Gains) losses on equity earnings of affiliated companies	(1,083)	977	(13,025)
Decrease (Increase) in notes and accounts receivable	(30,861)	15,845	(371,149)
Increase in lease receivables and investment assets	(42,714)	(72,564)	(513,698)
Decrease in inventories	5,314	78,132	63,909
Purchase of property held for lease	(13,478)	(15,913)	(162,093)
Sale of property held for lease	2,332	3,217	28,046
Increase in notes and accounts payable	37,901	2,190	455,815
Gains on sales of property, plant and equipment	(1,888)	(3,200)	(22,706)
Other, net	1,498	5,379	18,016
Subtotal	41,270	74,019	496,332
Income taxes paid	(13,875)	(2,314)	(166,867)
Net cash provided by operating activities	27,395	71,705	329,465
Cash flows from investing activities			
Acquisitions of property, plant and equipment	(17,663)	(18,466)	(212,423)
Proceeds from sale of property, plant and equipment	174	3,231	2,093
Purchase of intangible assets	(4,133)	(3,652)	(49,705)
Purchase of investments in securities	(1,596)	(141)	(19,194)
Decrease in purchase of investments in subsidiaries	0	(23,682)	0
Proceeds from sale of investments in securities	87	1,419	1,046
Interest and dividends received	3,599	2,607	43,283
Interest and dividends received from affiliated companies	41	438	493
Other, net	(1,277)	(1,046)	(15,358)
Net cash used in investing activities	(20,768)	(39,292)	(249,765)
Cash flows from financing activities			
Net increase (decrease) in short-term loans	6,239	(84,133)	75,033
Proceeds from long-term loans	49,662	72,174	597,258
Repayments of long-term loans	(21,343)	(36,988)	(256,681)
Repayments of lease obligation	(3,160)	(1,965)	(38,004)
Proceeds from issuance of bonds	0	49,783	0
Repayments of bonds	(1,510)	(530)	(18,160)
Interest paid	(8,617)	(6,847)	(103,632)
Dividends paid to shareholders	(3,173)	(5,570)	(38,160)
Dividends paid to minority shareholders by subsidiaries	(3,507)	(3,749)	(42,177)
Proceeds from issuance of common stocks to minority shareholders by subsidiaries	0	1,753	0
Proceeds from disposal of treasury stock	64	67	770
Purchase of treasury stock	(6)	(5)	(72)
Other, net	(3)	0	(36)
Net cash provided by (used in) financing activities	14,646	(16,010)	176,141
Effect of exchange rate changes on cash and cash equivalents	(3,877)	807	(46,627)
Net increase in cash and cash equivalents	17,396	17,210	209,214
Cash and cash equivalents at beginning of year	57,314	40,104	689,284
Cash and cash equivalents at end of year (Note 16)	¥ 74,710	¥ 57,314	$ 898,498

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Hitachi Construction Machinery Co., Ltd., and its Consolidated Subsidiaries

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of IFRS.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions from the consolidated financial statements of Hitachi Construction Machinery Co., Ltd. (the "Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Financial Services Agency as required by the Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

2. Consolidation and investments in affiliates

The consolidated financial statements include the accounts of the Company and those of its majority-owned subsidiaries, whether directly or indirectly controlled. All significant intercompany accounts and transactions have been eliminated in consolidation.

Most of the investments in affiliated companies are stated at their underlying equity value, and the appropriate portion of the earnings of such companies is included in earnings. The investments in affiliated companies which do not materially affect earnings and equity are stated at cost.

3. U.S. dollar amounts

The accompanying consolidated financial statements expressed in yen and solely for the convenience of readers have been translated into U.S. dollars at the rate of ¥83.15 = US$1, the approximate exchange rate prevailing at the Tokyo Foreign Exchange Market as of March 31, 2011. This translation should not be construed as a representation that any amount shown could be converted into U.S. dollars.

4. Summary of significant accounting policies

(a) Investments in securities

The Company and its subsidiaries classify their securities into one of the following two categories and account for these securities as follows:

① Securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and measured at amortized cost.

② Securities other than held-to-maturity securities are classified as available-for-sale securities.

Unrealized holding gains and losses of marketable securities are reported in a net amount as a separate component of shareholders' equity until realized. Non-marketable securities are carried at cost.

In computing realized gain or loss, cost of available-for-sale securities sold is principally determined by the moving-average method.

(b) Inventories

Inventories held by the Company are stated at lower of cost or market, which is mainly determined by the gross average method with necessary write down based on the decrease in their profitability for the years ended March 31, 2011 and 2010.

(c) Depreciation and amortization methods

Property, plant and equipment, 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

Depreciation of leased assets from finance lease transactions that are not deemed to transfer ownership of the leased property to the lessee is depreciated using the straight-line method over the period of the lease, with zero residual value. Regarding leases which existed at the end of March 31, 2008 and do not transfer ownership of the leased property to the lessee, the Company and most subsidiaries are accounted for as operating leases.

(d) Allowance for doubtful accounts

General provision for doubtful receivables is provided by applying a certain reserve percentage of the receivables based on experience from past transactions. Specific reserves are provided based on the assessment of the collectability of individual receivables.

(e) Provision for loss on disaster

Provision for loss on disaster is provided for the estimated cost of restoration, removal and other of the assets damaged by The Great Eastern Japan Earthquake.

(f) Retirement and severance benefits

Allowance for retirement and severance benefits for employees is provided based on the estimated retirement benefit obligation and the pension assets.

Prior service benefits and costs are recognized as income or expense on a straight-line basis over the expected average remaining employment period of the employees active at the date of the amendment. Actuarial gains and losses are recognized as income or expense on a straight-line basis from the next year of the occurrence over the expected average remaining employment period of the employee's participating in the plans.

(g) Revenue and expense recognition

① Finance lease transactions

Revenues and the related costs for the finance lease transactions are recognized upon the receipt of lease payment. For the sublease transactions interests are recognized upon the receipt of lease payment.

② Installment sales transactions

Certain subsidiaries have installment sales transactions. Interests for the installment sales transactions are recognized when the related installment receivables become due.

Interest from installment sales is included in interest and dividend income.

(h) Translation of foreign currency-denominated assets or liabilities

At year-end, monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates in effect at the balance sheet date. Gains or losses resulting from the translation of foreign currencies, including gains and losses on settlement, are credited or charged to earnings as incurred.

The financial statements of the consolidated foreign subsidiaries are translated into the reporting currency of yen as follows: all assets and liabilities are translated at the exchange rates in effect at the balance sheet date; shareholders' equity accounts are translated at historical rates; income and expenses are translated at an average of the exchange rates in effect during the year; and a comprehensive adjustment resulting from the translation of assets, liabilities and shareholders' equity is included in minority interests and, as "Foreign currency translation adjustments," a separate component of net assets.

(i) Derivatives

In principle, net assets or liabilities arising from derivative financial instruments are measured at fair value, with unrealized gain or loss included in earnings. Hedging transactions that meet the criteria of hedge accounting as regulated in "Accounting Standard for Financial Instruments" are accounted for by using the deferral hedge accounting, which requires the unrealized gain or loss to be deferred until gain or loss relating to the hedge object is recognized.

The Company and certain consolidated subsidiaries utilize forward foreign exchange contracts, currency option contracts and interest rate swap agreements in order solely to hedge associated risks of adverse fluctuations in foreign currency exchange rates and interest rates. The Company and consolidated subsidiaries do not enter into such financial instruments for trading or speculative purposes.

(j) Per share data

Basic net income per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during each year. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares or resulted in the issuance of common shares that then participate in the earnings of the entity.

(k) Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

When amounts of undiscounted future cash flows of non-current assets are less than the carrying amounts, the non-current assets are determined to be impaired. Then, an amount by which the carrying amount exceeds the recoverable amount is recognized as an impairment loss. The recoverable amount of non-current assets is the greater of the net selling price or the present value of the future cash flows expected to be derived from the non-current assets. The Company and consolidated subsidiaries identify groups of assets by their business units as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

(l) Goodwill/Negative goodwill

Differences between the cost and the underlying net assets at fair value of investments acquired by the Company which are accounted for goodwill have been amortized by the straight-line basis over a period of five years.

The amounts of negative goodwill occurred prior to March 31, 2010 have been evenly amortized over a period of five years. The amounts of negative goodwill occurred subsequent to April 1, 2010 are credited to the income in the year of acquisition.

(m) Other

① Consumption tax

Consumption tax is excluded from presentation of sales, cost of sales, income and expenses.

② Income taxes

Deferred income taxes are accounted for under the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured by using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

5. Cash and cash equivalents

For the purpose of the statements of cash flows, the Company considers all highly liquid investments with insignificant risk of change in value, which have maturities of generally three months or less when purchased, to be cash equivalents.

6. Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements in order to conform to the current year presentations.

7. Change of accounting policies

Application of accounting standards for asset retirement obligations

Effective from April 1, 2010, the Company applied the "Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18, March 31, 2008)" and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008).

The effect of adopting this new standard was to decrease income before taxes and minority interests by ¥218 million. The effect of this change on operating income and ordinary income was ¥15 million for each.

Application of accounting standards for business combinations

Effective from April 1, 2010, the Company applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008), "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23, December 26, 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, revised on December 26, 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, revised on December 26, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, revised on December 26, 2008).

8. Additional Information

Application of Accounting Standard for Presentation of Comprehensive income

Effective the year ended March 31, 2011, the Company applied the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25, June 30, 2010).

The amounts of the "accumulated other comprehensive income" and "total accumulated other comprehensive income" of the year ended March 31, 2010 states in the amounts of "valuation and translation adjustments" and "total valuation and translation adjustments".

9. Notes receivable discounted or endorsed

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Notes receivable endorsed	¥ **5**	¥ 36	$ **60**
Total	**5**	36	**60**

10. Commitments and contingencies

At March 31, 2011 and 2010, the Company was contingently liable for guarantees given in respect of bank loans of affiliated companies and other entities amounting to ¥21,206 million (US$255,033 thousand) and ¥19,732 million, respectively.

11. Assets pledged as collateral

Assets pledged as collateral at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Buildings and structures	¥ **1,272**	¥ 1,721	$ **15,298**
Property held for lease	**18,682**	21,345	**224,678**
Machinery, equipment and vehicles	**5,864**	0	**70,523**
Land	**86**	582	**1,034**
Total	**25,904**	23,648	**311,533**

Related debts secured with the above assets at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Short-term loans	¥ **9,525**	¥ 8,639	$ **114,552**
Long-term loans	**18,821**	15,491	**226,350**
Total	**28,346**	24,130	**340,902**

12. Research and development costs

Research and development costs that were charged to cost of sales as incurred and included in selling, general and administrative expenses for the years ended March 31, 2011 and 2010 were ¥15,810 million (US$190,138 thousand) and ¥15,406 million, respectively.

13. Business structure improvement expenses at the end of year consist of the followings:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Relocation costs for head office of TCM Corporation	¥ **137**	¥ —	$ **1,647**
Liquidation costs of overseas equity method affiliates	**100**	—	**1,203**
Integration costs for the merger of overseas subsidiaries	**78**	—	**938**
Premium severance payment for the liquidation of overseas subsidiaries	**—**	753	**—**
Relocation costs for the merger of overseas subsidiaries	**—**	139	**—**
Relocation costs for the combination of 10 domestic subsidiaries	**—**	58	**—**
Losses on disposition of P.P.& E. for the reorganization of domestic offices	**—**	389	**—**
Transfer costs of equipment for the integration of the domestic plant	**—**	163	**—**
Advisory expenses for share exchange	**—**	107	**—**
Other	**—**	250	**—**
	315	1,859	**3,788**

14. Loss on Disaster

¥6,779 million recorded as loss on disaster represent fixed costs during the mothballing period and amounts which exclude the insurance recoveries from loss on disposal of damaged assets, loss on valuation of assets and costs of restoration of property, plant and equipment due to the Great Eastern Japan Earthquake. The restoration costs include the provision for loss on disaster.

	Millions of yen	Thousands of U.S. dollars
	2011	2011
Loss on valuation of inventories	¥ 7,070	$ 85,027
Fixed costs on mothballing period	2,873	34,552
Costs of restoration of property, plant and equipment	1,167	14,035
Loss on retirement of inventories	376	4,522
Other	767	9,224
Insurance recoveries	(5,474)	(65,833)
Total	6,779	81,527

15. Consolidated statements of comprehensive income for the year ended March 31, 2010 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2010	2010
Comprehensive income		
Comprehensive income attributable to shareholders of the Company	¥ 7,291	$ 87,685
Comprehensive income attributable to minority interests	6,981	83,957
	14,272	171,642
Other comprehensive income		
Net unrealized gain on securities	¥ 1,814	$ 21,816
Deferred losses on hedges	(372)	(4,474)
Foreign currency translation adjustment	2,277	27,384
Share of other comprehensive income of companies accounted for by the equity-method	669	8,046
	4,388	52,772

16. Cash and cash equivalents at the end of year consist of the followings:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Cash and bank deposits	¥ 67,650	¥ 57,327	$ 813,590
Deposit to parent company	7,060	0	84,908
Less: time deposits with the maturity longer than three months	0	(13)	0
Total	74,710	57,314	898,498

17. Lease transactions

Information relating to finance leases accounted for as operating leases is as follows:

(Lessee)

1. Acquisition cost, accumulated depreciation and net leased property

	Millions of yen			Thousands of U.S. dollars		
	2011			2011		
	Machinery, equipment and vehicles	Other	Total	Machinery, equipment and vehicles	Other	Total
Acquisition cost	¥ 1,890	¥ 2,880	¥ 4,770	$ 22,730	$ 34,636	$ 57,366
Accumulated depreciation	(1,472)	(1,425)	(2,897)	(17,703)	(17,138)	(34,841)
Net leased property	418	1,455	1,873	5,027	17,498	22,525

	Millions of yen		
	2010		
	Machinery, equipment and vehicles	Other	Total
Acquisition cost	¥ 3,648	¥ 4,681	¥ 8,329
Accumulated depreciation	(2,533)	(1,965)	(4,498)
Net leased property	1,115	2,716	3,831

2. Lease obligation under finance leases inclusive of interest portion

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year	¥ 849	¥ 1,308	$ 10,210
Due over one year	2,940	3,837	35,358
Total	3,789	5,145	45,568

3. Lease payments, depreciation expense and interest portion

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Lease payments	¥ 1,566	¥ 2,131	$ 18,833
Depreciation expense	953	1,425	11,461
Interest portion	189	253	2,273

4. Calculation method of depreciation expense and interest portion

Leased property is depreciated over the lease term by the straight-line method with no residual value. Excess of total lease payments over the assumed acquisition costs is regarded as assumed interest payable and is allocated to each period by using the interest method.

(Lessor)

1. Acquisition cost, accumulated depreciation and net leased property

	Millions of yen			Thousands of U.S. dollars		
	2011			2011		
	Property held for lease	Other	Total	Property held for lease	Other	Total
Acquisition cost	¥ 5,263	¥ 0	¥ 5,263	$ 63,295	$ 0	$ 63,295
Accumulated depreciation	(4,923)	0	(4,923)	(59,206)	0	(59,206)
Net leased property	340	0	340	4,089	0	4,089

	Millions of yen		
	2010		
	Property held for lease	Other	Total
Acquisition cost	¥ 6,993	¥ 0	¥ 6,993
Accumulated depreciation	(6,250)	0	(6,250)
Net leased property	743	0	743

2. Future lease income inclusive of interest portion

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year	¥ 862	¥ 1,275	$ 10,367
Due over one year	191	1,459	2,297
Total	1,053	2,734	12,664

3. Lease income, depreciation expense and interest portion

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Lease income	¥ 1,168	¥ 1,368	$ 14,047
Depreciation expense	682	691	8,202
Interest portion	43	43	517

4. Calculation method of interest expense

Excess of total amount of lease payments and residual value over acquisition costs is regarded as assumed interest receivable and is allocated to each period by using the interest method.

Future minimum lease payments and income under non-cancelable operating lease arrangement are as follows:

(Lessee)

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year	¥ 290	¥ 341	$ 3,488
Due over one year	363	629	4,366
Total	653	970	7,854

(Lessor)

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year	¥ 2,421	¥ 2,385	$ 29,116
Due over one year	3,681	3,889	44,269
Total	6,102	6,274	73,385

18. Financial instruments

1. Description of financial instruments

(1) Policy for financial instruments

The Company and its subsidiaries (collectively, "HCM group") raise necessary funds for capital expenditures, working capital and investments and financing by borrowings from banks, bonds and borrowings from money pooling system of Hitachi, Ltd., mainly for manufacturing and sales of construction machinery and industrial vehicle.

HCM group has a policy to invest the surplus fund to safety financial asset. Accordingly, HCM group has deposits to the money pooling system of Hitachi, Ltd.

(2) Types of risks associated with financial instruments

HCM group has various types of financial instruments, such as notes and accounts receivable and lease receivables, which are exposed to credit risk of the customers.

The foreign currency receivables originated from our global operation are exposed to market risk which arises from foreign exchange rate fluctuation. HCM group hedges exchange rate fluctuation risks with foreign currency forward exchange contracts. Investment securities consist of held-to-maturity securities and available for sale securities associated with business or capital tie-up with the customers, which are exposed to market risks mainly arise from change in market price.

The due dates of notes and accounts payable are within one year.

The loans and bonds are applied for capital expenditures and working capital, and the final redemption year is 13 years after March 31, 2011.

With respect to variable interest rates, of certain loans, HCM group has derivative instruments such as interest rate swap to hedge the interest rate fluctuation risks.

With respect to derivative instruments, HCM group has foreign currency forward exchange contracts to hedge the exchange rate fluctuation risk for foreign currency receivables and has interest rate swaps to hedge the interest rate fluctuation risks for loans.

(3) Risk management relating to financial instruments

Credit risk management

HCM group regularly monitors and assesses the credit portfolios and uses uniform credit rating and asset evaluation and assessment systems to ensure timely and proper evaluation of credit risk.

Since held to maturity securities are high rated securities, HCM group finds no credit risks. Since the counter parties are only high rated financial institution HCM group find no counter party risk.

The carrying amount in the consolidated financial statement reflects the major amount of credit risk in each account.

Market risk management

The Company and certain subsidiaries hedge the exchange rate fluctuation risk for foreign currency receivables with foreign currency forward exchange contracts.

In evaluating currency exchange market, the Company and certain subsidiaries hedge foreign currency receivables considered to occur definitely in the future periods by foreign currency forward exchange contracts.

The Company and certain subsidiaries consider whether the Company and certain subsidiaries continue to hold the securities of the customers continuously except for the held to maturity securities.

The Company and certain subsidiaries hedge the interest rate fluctuation risks with interest rate swap.

Derivative transactions are executed by Treasury Dept. and reconciled with financial institutions and recorded by Accounting Dept.

The results and forecasts of transactions are monthly reported to the officer in charge of Treasury Dept. and the sales and manufacturing meeting.

Liquidity risk management in respect of fund raising

The Company prepares and updates the budget for cash flows based on the report distributed from each department.

The Company maintains the commitment line and credit line to manage the liquidity risk.

(4) Supplementary explanation on fair value and other information related to financial instruments

The fair value of financial instruments includes, in addition to the value determined based on the market price, a valuation calculated on a reasonable basis if no market price is available. Certain assumptions are used for the calculation of such amount. Accordingly, the result of such calculation may vary if different assumptions are used.

(5) Concentration of credit risk

There is no accounts receivable from specific customer with material balance as of March 31, 2011.

2. Fair value and other information related to financial instruments

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2011 and 2010 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (see Note 2).

As of March 31, 2011 (Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and bank deposit	**67,650**	**67,650**	**0**
(2) Notes and accounts receivable	**184,450**	—	—
Less: allowance for doubtful accounts	**(3,532)**	—	—
Notes and accounts receivable (NET)	**180,918**	**178,129**	**(2,789)**
(3) Lease receivables and investment assets	**130,109**	—	—
Less: allowance for doubtful accounts	**(1,497)**	—	—
Lease receivables and investment assets (NET)	**128,612**	**127,232**	**(1,380)**
(4) Investments in securities			
Available for sale securities (Note 19)	**9,367**	**9,367**	**0**
Investments in affiliate	**231**	**472**	**241**
Total assets	**386,778**	**382,850**	**(3,928)**
(5) Notes and accounts payable	**(150,318)**	**(150,318)**	**0**
(6) Short-term loans	**(146,513)**	**(146,513)**	**0**
(7) Current portion of bonds	**(210)**	**(210)**	**0**
(8) Long-term loans	**(130,975)**	**(129,719)**	**1,256**
(9) Bonds	**(50,070)**	**(50,056)**	**14**
Total liabilities	**(478,086)**	**(476,816)**	**1,270**
(10) Derivative financial instruments			
For which hedge accounting is not applied	**(1,610)**	**(1,610)**	**0**
For which hedge accounting is applied	**(922)**	**(922)**	**0**
Total derivatives	**(2,532)**	**(2,532)**	**0**

As of March 31, 2011 (Thousands of U.S. dollars)

	Carrying amount	Fair value	Difference
(1) Cash and bank deposit	**813,590**	**813,590**	**0**
(2) Notes and accounts receivable	**2,218,280**	—	—
Less: allowance for doubtful accounts	**(42,477)**	—	—
Notes and accounts receivable (NET)	**2,175,803**	**2,142,261**	**(33,542)**
(3) Lease receivables and investment assets	**1,564,750**	—	—
Less: allowance for doubtful accounts	**(18,004)**	—	—
Lease receivables and investment assets (NET)	**1,546,747**	**1,530,150**	**(16,597)**
(4) Investments in securities			
Available for sale securities (Note 19)	**112,652**	**112,652**	**0**
Investments in affiliate	**2,778**	**5,676**	**2,898**
Total assets	**4,651,570**	**4,604,329**	**(47,241)**
(5) Notes and accounts payable	**(1,807,793)**	**(1,807,793)**	**0**
(6) Short-term loans	**(1,762,033)**	**(1,762,033)**	**0**
(7) Current portion of bonds	**(2,526)**	**(2,526)**	**0**
(8) Long-term loans	**(1,575,165)**	**(1,560,060)**	**15,105**
(9) Bonds	**(602,165)**	**(601,996)**	**168**
Total liabilities	**(5,749,681)**	**(5,734,407)**	**15,273**
(10) Derivative financial instruments			
For which hedge accounting is not applied	**(19,363)**	**(19,363)**	**0**
For which hedge accounting is applied	**(11,088)**	**(11,088)**	**0**
Total derivatives	**(30,451)**	**(30,451)**	**0**

As of March 31, 2010 (Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and bank deposit	57,327	57,327	0
(2) Notes and accounts receivable	162,961	—	—
Less: allowance for doubtful accounts	(5,041)	—	—
Notes and accounts receivable (NET)	157,920	156,477	(1,443)
(3) Lease receivables and investment assets	93,800	—	—
Less: allowance for doubtful accounts	(9,638)	—	—
Lease receivables and investment assets (NET)	84,162	85,878	1,716
(4) Investments in securities			
Available for sale securities (Note 19)	6,131	6,131	0
Investments in affiliate	307	511	204
Total assets	305,847	306,324	477
(5) Notes and accounts payable	(122,027)	(122,027)	0
(6) Short-term loans	(139,844)	(139,844)	0
(7) Current portion of bonds	(1,510)	(1,510)	0
(8) Long-term loans	(116,120)	(115,734)	386
(9) Bonds	(50,280)	(50,549)	(269)
Total liabilities	(429,781)	(429,664)	117
(10) Derivative financial instruments			
For which hedge accounting is not applied	(734)	(734)	0
For which hedge accounting is applied	(842)	(842)	0
Total derivatives	(1,576)	(1,576)	0

Derivative assets/liabilities are reported net with those resulting in net liabilities in total presented in parentheses.

(Note 1) Method used for determining the fair value of financial instruments

Assets

(1) Cash and deposits in banks

Cash and deposits, including deposits with maturity and without maturity, are carried at cost taking into account that their fair value approximates the book value as they are settled in a short-term period.

(2) Notes and accounts receivable, (3) Lease receivables and investment assets

The fair value of the items with due over 1 year is determined as the present value of expected future cash flows for principal and interest with the discount rates to be applied to new transactions with same terms and conditions as the existing transactions as of March 31, 2011. The balances with due within 1 year are carried at cost taking into account that their fair value approximates the book value as they are settled in a short-term period.

(4) Investment in securities

The fair value of equity securities is determined based on the quoted market prices.

(5) Notes and accounts payable, (6) Short-term loan, (7) Current portion of bond

These items are carried at cost taking into account that their fair value approximates the book value as they are settled in a short-term period.

(8) Long-term loans

The fair value is measured as the present value of expected future cash flows for principal and interest with the discount rates to be applied to additional loans with same terms and conditions as of March 31, 2011.

(9) Long-term bonds

The fair value is measured as the present value of expected future cash flows for principal and interest with the discount rates to be applied to additional bonds with same terms and conditions as of March 31, 2011.

(10) Derivative financial instruments

Please see Note 20 Derivative financial instruments.

(Note 2) Financial instruments for which it is extremely difficult to determine the fair value

The above table does not include non-listed equity securities (¥10,048 million on the consolidated balance sheet as of March 31, 2011) as no quoted market price is available and it is extremely difficult to determine the fair value.

(Note 3) Redemption schedule for receivables as of March 31, 2011and 2010 are as follows:

As of March 31, 2011 (Millions of yen)

	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years
Cash and bank deposits	**63,276**	**0**	**0**
Notes and accounts receivable	**168,727**	**12,159**	**32**
Lease receivables and investment assets	**63,260**	**65,067**	**285**
Total	**295,263**	**77,226**	**317**

As of March 31, 2011 (Thousands of U.S. dollars)

	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years
Cash and bank deposits	**760,986**	**0**	**0**
Notes and accounts receivable	**2,029,188**	**146,230**	**385**
Lease receivables and investment assets	**760,794**	**782,526**	**3,428**
Total	**3,550,968**	**928,756**	**3,813**

As of March 31, 2010 (Millions of yen)

	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years
Cash and bank deposits	52,547	0	0
Notes and accounts receivable	146,768	10,772	380
Lease receivables and investment assets	37,440	46,722	0
Total	236,755	57,494	380

19. Investments in securities

Marketable Securities

	Millions of yen			Thousands of U.S. dollars		
Securities with gross unrealized holding gain	**2011**			**2011**		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Stocks	**¥ 8,655**	**¥ 3,103**	**¥ 5,552**	**$ 104,089**	**$ 37,318**	**$ 66,771**
Debt securities	**0**	**0**	**0**	**0**	**0**	**0**
Other	**0**	**0**	**0**	**0**	**0**	**0**
Total	**8,655**	**3,103**	**5,552**	**104,089**	**37,318**	**66,771**
Securities with gross unrealized holding loss						
Stocks	**712**	**870**	**(158)**	**8,563**	**10,463**	**(1,900)**
Debt securities	**0**	**0**	**0**	**0**	**0**	**0**
Other	**0**	**0**	**0**	**0**	**0**	**0**
Total	**712**	**870**	**(158)**	**8,563**	**10,463**	**(1,900)**
Grand Total	**9,367**	**3,973**	**5,394**	**112,652**	**47,781**	**64,871**

	Millions of yen		
Securities with gross unrealized holding gain	2010		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Stocks	¥ 5,320	¥ 3,032	¥ 2,288
Debt securities	0	0	0
Other	0	0	0
Total	5,320	3,032	2,288
Securities with gross unrealized holding loss			
Stocks	811	938	(127)
Debt securities	0	0	0
Other	0	0	0
Total	811	938	(127)
Grand Total	6,131	3,970	2,161

Non-marketable securities

	Millions of yen	Thousands of U.S. dollars
	2011	**2011**
Stocks	**¥ 2,143**	**$ 25,773**
Debt securities	**0**	**0**
held-to-maturity debt securities	**0**	**0**
Other investments	**0**	**0**
Total	**2,143**	**25,773**

	Millions of yen
	2010
Stocks	¥ 2,009
Debt securities	0
held-to-maturity debt securities	0
Other investments	0
Total	2,009

The proceeds from sales of marketable securities amounted to ¥73 million (US$878 thousand) with an aggregate gain of ¥5 million (US$60 thousand) and loss of ¥175 million (US$2,105 thousand) for the year ended March 31, 2011, and ¥1,416 million with an aggregate gain of ¥223 million and loss of ¥11 million for the year ended March 31, 2010, respectively.

20. Derivative financial instruments

Summarized below are the notional amounts and the estimated fair values of the derivative financial instruments outstanding as of March 31, 2011 and 2010, for which hedged accounting has not been applied.

Forward exchange contracts

	Millions of yen			Thousands of U.S. dollars		
	2011			**2011**		
	Notional amount	Estimated fair value	Unrealized gains (losses)	Notional amount	Estimated fair value	Unrealized gains (losses)
To sell foreign currencies	**¥ 43,907**	**¥ (727)**	**¥ (727)**	**$ 528,046**	**$ (8,743)**	**$ (8,743)**
To buy foreign currencies	**24,172**	**(755)**	**(755)**	**290,704**	**(9,080)**	**(9,080)**
Total	**—**	**(1,482)**	**(1,482)**	**—**	**(17,823)**	**(17,823)**

	Millions of yen		
	2010		
	Notional amount	Estimated fair value	Unrealized gains (losses)
To sell foreign currencies	¥ 55,865	¥ (581)	¥ (581)
To buy foreign currencies	18,633	(153)	(153)
Total	—	(734)	(734)

The fair values of derivative financial instruments are estimated on the basis of information obtained from third-party financial institutions. The fair values of currency-related transactions are estimated using forward exchange rates.

Summarized below are the notional amounts and the estimated fair values of the derivative financial instruments outstanding as of March 31, 2011, for which hedged accounting has been applied.

Interest rate swaps

	Millions of yen			Thousands of U.S. dollars		
	2011			**2011**		
	Notional amount	Notional amount of which maturing over one year	Unrealized gains (losses)	Notional amount	Notional amount of which maturing over one year	Unrealized gains (losses)
Receive/floating and pay/fixed	**¥ 8,701**	**¥ 998**	**¥ (128)**	**$ 104,642**	**$ 12,002**	**$ (1,539)**

The fair values of interest rate swaps are mainly estimated on the basis of appraisal information obtained from third-party financial institutions.

21. Retirement and severance benefits

The Company has defined-benefit corporate pension plans, lump-sum retirement plans and defined contribution plans. In addition, certain consolidated subsidiaries have tax qualified pension plans, lump-sum retirement plans and defined contribution plans.

The funded status of the Company's pension plans as of March 31, 2011 and 2010 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Projected benefit obligation	**¥ (66,428)**	¥ (66,456)	**$ (798,894)**
Plan assets at fair value	**47,429**	52,909	**570,403**
Funded status	**(18,999)**	(13,547)	**(228,491)**
Unrecognized actuarial loss	**25,407**	21,903	**305,556**
Unrecognized prior service cost	**(3,150)**	(3,952)	**(37,883)**
Total	**3,258**	4,404	**39,182**
Prepaid pension cost	**14,741**	15,628	**177,282**
Retirement and severance benefits	**(11,483)**	(11,224)	**(138,100)**

Net periodic benefit cost for the contributory, funded benefit pension plans and the unfunded lump-sum payment plans of the Company for the years ended March 31, 2011 and 2010 consist of the following components:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Service cost	**¥ 2,668**	¥ 2,653	**$ 32,087**
Interest cost	**1,737**	1,800	**20,890**
Expected return on plan assets	**(1,561)**	(1,476)	**(18,773)**
Amortization of unrecognized actuarial loss	**2,431**	1,979	**29,236**
Amortization of unrecognized prior service cost	**(245)**	(391)	**(2,946)**
Cost for defined contribution plan	**1,481**	1,290	**17,811**
Net periodic benefit cost	**6,511**	5,855	**78,305**

Actuarial assumption and the basis of the calculation accounting for Company's plans are principally as follows:

	2011	2010
Discount rate (weighted average):	**2.32%**	2.68%
Expected rate of return on plan assets:	**Principally 2.5%**	Principally 2.5%

Unrecognized actuarial gain and loss are amortized using the straight-line method over 8 to 23 years.
Unrecognized prior service cost is amortized using the straight-line method over 8 to 23 years.

22. Income taxes

The tax effects of the temporary difference that give rise to significant position of tax assets and liabilities as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets			
Allowance for doubtful accounts	¥ 271	¥ 683	$ 3,259
Accrued employees bonuses	3,142	2,769	37,787
Net operating loss carryforward	17,382	17,902	209,044
Unrealized gain on inventories	804	4,732	9,669
Retirement and severance benefits	4,705	4,312	56,584
Unrealized gain on fixed assets	550	522	6,615
Other	15,342	18,959	184,510
Subtotal	42,196	49,879	507,468
Less: Valuation allowance	(14,401)	(22,232)	(173,193)
Total	27,795	27,647	334,275
Less: Deferred tax liabilities	(8,052)	(14,579)	(96,837)
Net deferred tax assets	19,743	13,068	237,438
Deferred tax liabilities			
Earnings generated in consolidated subsidiaries and affiliated companies after initial consolidation	7,233	5,601	86,987
Net unrealized holding gains on investment in other securities	4,412	3,668	53,061
Prepaid pension cost	5,613	6,577	67,505
Other	1,358	2,947	16,332
Total	18,616	18,793	223,885
Less: Deferred tax assets	(8,052)	(14,579)	(96,837)
Net deferred tax liabilities	10,564	4,214	127,048

The aggregate statutory tax rate for the Company was approximately 40.5% both for the years ended March 31, 2011 and 2010.
Reconciliations between the statutory income tax rate and effective tax rate as a percentage of income before income taxes and minority interests for the year ended March 31, 2011 and 2010 are as follows:

	Percentage	
	2011	2010
Statutory tax rate applicable to the Company	% 40.5	% 40.5
(Reconciliations)		
Expenses not deductible for tax purposes	0.5	1.9
Inhabitant tax on per capita basis	0.3	0.8
Difference in statutory tax rates of foreign subsidiaries	(22.4)	(23.7)
Permanently non-taxable income	(8.6)	(16.8)
Elimination of dividends from subsidiaries	10.4	24.5
Amortization of goodwill	7.0	1.6
Equity in earnings (losses) of affiliated companies	(0.9)	2.2
Income tax effect on undistributed earnings of affiliated companies	4.6	1.8
Effect of foreign tax credit	7.1	10.8
Increase in valuation allowance	1.6	8.1
Other	3.2	(5.6)
Effective income tax rate	43.3	46.1

23. Short-term and long-term loans and bonds

(a) Short-term loans principally consist of bank loans with maturity within one year. The weighted-average interest rates on short-term loans outstanding at March 31, 2011 and 2010 were 3.31% and 2.67%, respectively.
(b) Current portion of bonds at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Unsecured bonds, interest 1.27%, due 2010	¥ 0	¥ 1,500	$ 0
Unsecured bonds, interest range between 0.80 to 1.49%, due 2012 to 2014	210	10	2,526
	210	1,510	2,526

(c) Bonds other than current portion at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Unsecured bonds, interest range between 0.80 to 1.49%, due 2012 to 2014	70	280	842
Unsecured bonds, interest 1.38%, due 2014	30,000	30,000	360,794
Unsecured bonds, interest 0.651%, due 2012	20,000	20,000	240,529
	50,070	50,280	602,165

(d) Loans from banks and other financial institutions

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Loans from banks and other financial institutions:			
Short-term loans	116,227	119,322	1,397,799
Current portion of long-term loans included in current liabilities	30,286	20,522	364,233
Short-term lease obligation	3,722	3,222	44,762
Long-term loans	130,975	116,120	1,575,165
Long-term lease obligation	8,757	9,473	105,316
Total loans	289,967	268,659	3,487,275

24. Business combination

Transactions under common control of the parent company in the year ended March 31, 2011 are as follows:

1. Summary information

TCM Corporation merged with TCM Sales Co., Ltd. Both entities were subsidiaries of the Company.
Major businesses related to the entities are as follows:

Business	TCM Corporation : Manufacturing and sales of construction machinery, industrial vehicle and special purpose vehicle TCM Sales Co., Ltd. : Sales, maintenance service, lease and rental service of construction machinery, industrial vehicle, special purpose vehicle and related parts
Date of business combination	October 1, 2010
Legal form	TCM Corporation : Surviving company TCM Sales Co., Ltd. : Dissolving company
Name of the company after business combination	TCM Corporation
Outline of the transaction including the purpose of transaction	The purpose of merger between TCM Corporation and TCM Sales Co., Ltd. was to improve profitability through promoting further integration of TCM Group, advancing its management such as information, analysis, planning, and actions, and utilizing management resources and accumulated know-how of sales and service in emerging markets.

2. Accounting method

The merger was accounted for in accordance with ASBJ Accounting Standard No.21 "Accounting Standard for Business Combination" (December 26, 2008) and ASBJ Guidance No.10 "Revised Guidance on Accounting Standard for Business Combination and Accounting Standard for Business Divestitures" (December 26, 2008). As a result, the Company treated this transaction as a business combination between companies under common control of the parent company.

Transactions under common control of the parent company in the year ended March 31, 2010 are as follows:
(Business combination to which purchase method was applied)
Based on the resolution of the board of directors meeting held on March 30, 2010, the Company decided to acquire the 20% shares of Telco Construction Equipment Co., Ltd., which was an equity-method investment. The Company consolidated Telco Construction Equipment Co., Ltd. and its five subsidiaries for the fiscal year ended March 31, 2010.

1. Summary information

Name	Telco Construction Equipment Co., Ltd
Business	Manufacturing, sales and service of construction machinery
Purpose of the consolidation	The Company acquired shares of Telco Construction Equipment Co., Ltd. to retain the superiority in the Indian market where the Company had high market share and have necessary to blush up the product of the acquired company and inject them to the emergent country and to build up the foothold for the local production of the reduction gear machines and dump truck.
Date of the business combination	March 30, 2010
Legal form of the business combination	Additional purchase of shares
Ratio of voting rights acquired	20.0%
Name of the company after the business combination	Telco Construction Equipment Co., Ltd

2.Periods of the acquired company's results of operations included in the consolidated financial statements

The results of operations of Telco Construction Equipment Co., Ltd. for the fiscal year ended March 31, 2010 are not consolidated as the Company consolidated Telco Construction Equipment Co., Ltd. from March 31, 2010. However, the results of operations are recorded as equity in earnings in affiliates in the consolidated statement of income.

3. The detail of acquisition cost

Consideration – Payment for shares in cash: ¥23,653 million
Direct expenses for the acquisition – Fees for advisory service: ¥51 million
Total: ¥23,704 million

4. Amount and cause of goodwill, amortization method and expected useful life

The amount of goodwill	¥24,254 million
The cause of goodwill	It is mainly an excess earning power to be provided from superiority in the market by the maintenance of the sales agent network and injection of the blushed up product to the emergent country and to build up the foothold for the local production of the reduction gear and dump truck.
Amortization method and expected useful life	Straight-line method over 5 years

5. Assets acquired and liabilities assumed on the date of business combination

(1) Current assets ¥30,850 million Non-current assets ¥12,542 million total ¥43,392 million
(2) Current liabilities ¥35,746 million Non-current liabilities ¥1,398 million total ¥37,144 million

6. (Unaudited) Estimated impact on the consolidated statements of income assuming that the business combination had been completed at the beginning of the fiscal year ended March 31, 2010

Net sales: ¥39,239 million
Operating loss: ¥818 million
Loss before income taxes and minority interests: ¥1,527 million
Net loss: ¥3,401 million
Net loss per share: ¥16.36
The estimated impact represents the amount of difference between the actual results and the estimated results computed based on the assumption that the business combination has been completed at the beginning of the fiscal year with adjustments of equity method and amortization of goodwill.
The foregoing estimated information has not been audited by the independent auditor.

(Business combination between companies under common control of the parent company)

TCM Corporation through the share exchange transaction

Based on the resolution of the board of directors meeting held on August 31, 2009, the Company entered into a share exchange agreement with TCM Corporation, which was executed effective on December 22, 2009. Accordingly, TCM Corporation has become a wholly-owned subsidiary of the Company.

1. Summary information

Name	TCM Corporation
Business	Manufacturing, sales and service of construction machinery, industrial vehicle and special purpose vehicle.
Legal form of the business combination	Share exchange
Name of the company after business combination	TCM Corporation
The summary of the transaction including transaction purpose	Based on the resolution of the board of directors meeting held on August 31, 2009, the Company made a contract for the share exchange transaction with TCM Corporation on August 31, 2009 as a purpose to build up more adamant management background with intensification of tie up relationships and quick decision making by management integration and the execution of the mobile and flexible management policy

2. Accounting method

The share exchange was accounted for in accordance with the "Comment on Accounting Standard for Business Combinations" (FSA Business Accounting Council, October 31, 2003) and ASBJ Guidance No.10 "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (November 15, 2007). As a result, the Company treated this transaction as a business combination between companies under common control of the parent company.

3. The summary of the additional acquisition of subsidiary stocks

Cost of the acquisition of the shares

The value of the acquisition stock - Common stocks of the Company : ¥9,692 million

Direct expenses for the acquisition - Fees for advisory service : ¥108 million

Total: ¥9,800 million

Share exchange ratio, basis for calculation of share exchange ratio, and number and market value of allocated shares

Share exchange ratio	Share exchange ratio: 0.1 share of the Company to 1 share of TCM Corporation.
Basis for calculation of share exchange ratio	The Company and TCM Corporation deliberately examined the results of analysis and professional opinions relating to the share exchange ratio provided by third-party institutions which are designated separately to perform a fairness analysis relating to the share exchange ratio. The Company and TCM Corporation selected Nikko Citigroup Limited and Nomura securities Co., Ltd. as third-party institutions, respectively. The Company and TCM Corporation decided the exchange ratio based on the results from the third parties.
Number and market value of allocated shares	Number of shares of the Company allocated: 5,082,050 shares Total market value: ¥9,692 million

Amount and cause of goodwill, amortization method and expected useful life

Amount of goodwill	Positive: ¥3,725 million Negative: ¥1,016 million
The cause of goodwill	The cause of goodwill is the difference between the increased value in the ownership and the acquisition costs.
Amortization method and expected useful life	Straight-line method over 5 years

(Business combination between companies under common control of the parent company)

Merger of 10 subsidiaries of the Company

Kinki TCM Co., Ltd merged with Tohoku TCM Co., Ltd., Higashi Kanto TCM Co., Ltd., Tokyo TCM Co., Ltd., Chiba TCM Co., Ltd., Hokuetsu TCM Co., Ltd., Chubu TCM Co., Ltd., Chugoku TCM Co., Ltd., Shikoku TCM Co., Ltd., Kyushu TCM Co., Ltd., on October 1, 2009. The 10 companies were the consolidated subsidiaries of the Company. On October 1, 2009, Kinki TCM Co., Ltd, which was the surviving company, changed the business name to "TCM Sale Co., Ltd.".

1. Summary information

Name	Kinki TCM Co., Ltd and other 9 subsidiaries of TCM Corporation
Business	Sales and service of construction machinery, industrial vehicle and special purpose vehicle.
Legal form	Kinki TCM Co., Ltd as surviving company and other 9 companies as dissolving companies
Name of the company after business combination	TCM Sale Co., Ltd.
Outline of the transaction including the purpose of transaction	The purpose of the merger between Kinki TCM Co., Ltd., which was the surviving company, and the 9 companies was to build up more adamant structure for sales and service with promotion of efficiency of management by standardization of management and communalization of information and development of the production which meet the various demands of customers and the allocation of resource of sales operation and reallocation of management resource to development of new markets.

2. Accounting method

The merger was accounted for in accordance with the "Comment on Accounting Standard for Business Combinations" (FSA Business Accounting Council, October 31, 2003) and ASBJ Guidance No.10 "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (November 15, 2007). As a result, the Company treated this transaction as a business combination between companies under common control of the parent company.

25. Asset Retirement Obligations

Asset retirement obligations for the year ended March 31, 2011 are as follows:

1. Summary Information

Asset retirement obligations are recorded at the time of acquisition or construction of a tangible fixed asset and when there is a statutory or similar obligation associated with the removal of such tangible fixed asset.

2. Methods of calculating the amounts for asset retirement obligations

The discount rate used for calculating the discounted value of the asset retirement obligations for the year ended March 31, 2011 was 0.89 to 2.61% corresponding with 10 to 50 years for the estimated useful life of the relevant tangible assets from the acquisition date.

3. Changes in applicable asset retirement obligations

The following table indicates the change in applicable asset retirement obligations for the year ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	¥ **541**	$ 6,506
Adjustment due to passage of time	**7**	84
Balance at end of year	**548**	6,590

26. Segment information

For the years ended March 31, 2011 and 2010:

Reportable segment information

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 business 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 business groups above, the Company is organized by 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.

Information about the amounts of sales and income (loss), assets, liabilities, and other items by each reportable segment is as follows:

Millions of yen

	2011				
	Reportable segments				
	Construction Machinery	Industrial Vehicle	Total	Adjustment and eliminations	Amount recorded in the Consolidated
Net Sales:					
External Customers	¥ **712,926**	¥ **60,843**	¥ **773,769**	¥ **0**	¥ **773,769**
Inter-Segment	**0**	**0**	**0**	**0**	**0**
Total	**712,926**	**60,843**	**773,769**	**0**	**773,769**
Segment income	**40,316**	**1,195**	**41,511**	**0**	**41,511**
Segment assets	**897,681**	**46,689**	**944,370**	**0**	**944,370**
Depreciation	**34,704**	**2,843**	**37,547**	**565**	**38,112**
Amortization of goodwill	**6,431**	**905**	**7,336**	**0**	**7,336**
Investments in affiliates	**7,653**	**314**	**7,967**	**0**	**7,967**
Increase in tangible fixed assets and intangible fixed assets	**33,982**	**1,854**	**35,836**	**0**	**35,836**

Millions of yen

	2010				
	Reportable segments				
	Construction Machinery	Industrial Vehicle	Total	Adjustment and eliminations	Amount recorded in the Consolidated
Net Sales:					
External Customers	¥ 552,169	¥ 53,619	¥ 605,788	¥ 0	¥ 605,788
Inter-Segment	0	0	0	0	0
Total	552,169	53,619	605,788	0	605,788
Segment income	19,989	(320)	19,669	0	19,669
Segment assets	841,828	41,219	883,047	0	883,047
Depreciation	33,723	3,299	37,022	0	37,022
Amortization of goodwill	1,493	480	1,973	0	1,973
Investments in affiliates	6,811	191	7,002	0	7,002
Increase in tangible fixed assets and intangible fixed assets	29,443	1,674	31,117	0	31,117

Thousands of U.S. dollars

	2011				
	Reportable segments			Adjustment and eliminations	Amount recorded in the Consolidated
	Construction Machinery	Industrial Vehicle	Total		
Net Sales:					
External Customers	$ 8,573,975	$ 731,726	$ 9,305,701	$ 0	$ 9,305,701
Inter-Segment	0	0	0	0	0
Total	8,573,975	731,726	9,305,701	0	9,305,701
Segment income	484,858	14,372	499,230	0	499,230
Segment assets	10,795,924	561,503	11,357,427	0	11,357,427
Depreciation	417,366	34,191	451,557	6,795	458,352
Amortization of goodwill	77,342	10,884	88,226	0	88,226
Investments in affiliates	92,038	3,776	95,814	0	95,814
Increase in tangible fixed assets and intangible fixed assets	408,683	22,297	430,980	0	430,980

1. Adjustment for depreciation in the amount of ¥565 million is associated with the suspension of operation due to the Great East Japan Earthquake.
2. Segment income is agreed to the operating income stated on the Consolidated Statements of Income.

(Additional information)
From the fiscal year ended March 31, 2011, the Company has adopted the "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information (ASBJ Statement No.17, March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related information" (ASBJ Guidance No.20, March 21, 2008). Segment information for the year ended March 31, 2010 has been restated in accordance with such accounting standards for comparative purposes.

Geographical information
A summary of sales and property, plant and equipment by geographic area for the year ended March 31, 2011 is as follows:

(1) Sales

Millions of yen

2011					
Japan	Asia & Oceania	Europe, Africa, & the Middle East	The Americas	China	Total
¥ 172,701	¥ 202,444	¥ 131,516	¥ 62,351	¥ 204,757	¥ 773,769

Thousands of U.S. dollars

2011					
Japan	Asia & Oceania	Europe, Africa, & the Middle East	The Americas	China	Total
$ 2,076,981	$ 2,434,684	$ 1,581,672	$ 749,862	$ 2,462,502	$ 9,305,701

Notes:
1) Geographic areas are decided based on geographic proximity.
2) The countries included in each segment are as follows:
① Asia & Oceania: Indonesia, Australia, New Zealand, and India
② Europe, Africa, & the Middle East: The Netherlands, the United Kingdom, Italy, South Africa, and the United Arab Emirates
③ The Americas: The United States and Canada
④ China: China
3) Sales is based on location of customers and classified into nations or areas.

(2) Property, plant and equipment

Millions of yen

2011					
Japan	Asia	Europe	The Americas	Others	Total
¥ 165,961	¥ 40,106	¥ 8,856	¥ 768	¥ 8,693	¥ 224,384

Thousands of U.S. dollars

2011					
Japan	Asia	Europe	The Americas	Others	Total
$ 1,995,923	$ 482,333	$ 106,506	$ 9,236	$ 104,546	$ 2,698,544

Notes:
1) Geographic areas are decided based on geographic proximity.
2) The countries included in each segment are as follows:
① Asia: China, Indonesia, Singapore, Thailand, Malaysia, and India
② Europe: The Netherlands, France, and the United Kingdom
③ The Americas: The United States and Canada
④ Others: Australia, New Zealand, and South Africa
3) Property, plant and equipment is based on countries and areas where the Company and its consolidated subsidiaries are located.

Information for the amortization and balance of goodwill/negative goodwill
The amortization and balance of goodwill/negative goodwill as of and for the year ended March 31, 2011 by reportable segments are as follows:

(a) The balance of goodwill

Millions of yen

	2011		
	Construction Machinery	Industrial Vehicle	Consolidated
Balance as of March 31, 2011	¥ 22,129	¥ 2,882	¥ 25,011

Thousands of U.S. dollars

	2011		
	Construction Machinery	Industrial Vehicle	Consolidated
Balance as of March 31, 2011	$ 266,133	$ 34,660	$ 300,794

Note: The amortization of goodwill for the year ended March 31, 2011 is disclosed in the section of "Reportable segment information".

(b) The amortization and balance of negative goodwill

Millions of yen

	2011		
	Construction Machinery	Industrial Vehicle	Consolidated
Amortization of negative goodwill	¥ 278	¥ 545	¥ 823
Balance as of March 31, 2011	38	790	828

Thousands of U.S. dollars

	2011		
	Construction Machinery	Industrial Vehicle	Consolidated
Amortization of negative goodwill	$ 3,343	$ 6,554	$ 9,898
Balance as of March 31, 2011	457	9,501	9,958

Business segment information:
The business information for the Company for the year ended March 31, 2010 is as follows:

	Millions of yen
	2010
Net sales:	
Construction Machinery	¥ 552,169
Industrial Vehicle	53,619
Elimination	0
Consolidated	605,788
Operating income (loss):	
Construction Machinery	19,989
Industrial Vehicle	(320)
Elimination	0
Consolidated	19,669

	Millions of yen
	2010
Total Asset:	
Construction Machinery	¥ 841,828
Industrial Vehicle	41,219
Elimination	0
Consolidated	883,047
Depreciation:	
Construction Machinery	33,723
Industrial Vehicle	3,299
Elimination	0
Consolidated	37,022
Capital expenditure:	
Construction Machinery	29,443
Industrial Vehicle	1,674
Elimination	0
Consolidated	31,117

Notes:
1) The business segments are classified based on similarity of products.
2) The principal products and services of each segment are as follows:
① Construction Machinery: excavators, mini-excavators, wheel loaders and crawler cranes
② Industrial Vehicle: forklift trucks, transfer cranes and container carriers

Segment information by geographic area:

The business information for the Company for the year ended March 31, 2010 is as follows:

	Millions of yen
	2010
Net sales:	
Domestic (inside Japan)	¥ 374,656
Outside Japan	
Asia	200,445
Europe	79,736
Americas	35,203
Other Areas	76,693
Elimination	(160,945)
Consolidated	605,788
Operating income (loss):	
Domestic (inside Japan)	(22,757)
Outside Japan	
Asia	26,571
Europe	525
Americas	2,994
Other Areas	4,779
Elimination	7,557
Consolidated	19,669

Notes:
1) Net sales above include inter-segment sales.
2) The countries included in each segment are as follows:
① Asia: China, Indonesia, Singapore, Thailand, Malaysia and India
② Europe: The Netherlands, France and United Kingdom
③ Americas: The United States and Canada
④ Other areas: New Zealand, Australia and South Africa

Overseas sales by geographic area:

The business information for the Company for the year ended March 31, 2010 is as follows:

	Millions of yen
	2010
Americas	¥ 37,245
Europe, Africa and the Middle East	96,967
Australia, New Zealand and other areas of Asia, except China	141,238
China	158,681
Total	434,131

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

27. Legal reserve and cash dividends

The Japanese Corporate Law provides that earnings in an amount equal to at least 10% of appropriations of retained earnings to be paid in cash be appropriated as legal reserve until legal reserve equals 25% of stated common stock. In addition to reduction of a deficit and transfer to stated common stock, legal reserve may be available for dividends by resolution of the shareholders' meeting.

Cash dividends during the years ended March 31, 2011 and 2010 represent dividends resolved during those years. The accompanying consolidated financial statements do not include any provision for the semiannual dividend of ¥10.00 (US$0.12) per share totaling ¥2,115 million (US$25,436 thousand) for the second half of the year, subsequently proposed by the Board of Directors in respect of the year ended March 31, 2011.

28. Stock Option

The stock option expense of ¥159 million (US$1,709 thousand) is recognized and classified as selling, general and administrative expenses for the year ended March 31, 2011.
Gains on reversal of stock acquisition rights of ¥141million (US$1,515 thousand) are recognized in other income for the year ended March 31, 2011.

The details for stock option

1) Stock option information

Company name		Hitachi Construction Machinery Co., Ltd.						
Resolution date		June 29, 2000	June 27, 2002	June 26, 2003	June 29, 2004	June 28, 2005	June 26, 2006	June 25, 2007
Number of grantees		17 Directors 17 Employees	8 Directors 36 Employees 28 Subsidiary Directors	8 Directors 14 Executive Officers 25 Employees 28 Subsidiary Directors	8 Directors 15 Executive Officers 29 Employees 27 Subsidiary Directors	9 Directors 15 Executive Officers 25 Employees 32 Subsidiary Directors	9 Directors 14 Executive Officers 22 Employees 30 Subsidiary Directors	9 Directors 15 Executive Officers 26 Employees 33 Subsidiary Directors
Number of options granted (common stock, shares)		241,000	416,000	454,000	488,000	504,000	305,000	332,000
Granted date		August 4, 2000	August 1, 2002	August 7, 2003	August 6, 2004	August 8, 2005	August 8, 2006	November 6, 2007
Exercise Period	From	July 1, 2002	July 1, 2004	July 1, 2005	July 1, 2006	July 1, 2007	July 29, 2008	July 1, 2009
	To	June 28, 2010	June 27, 2012	June 26, 2013	June 29, 2014	June 28, 2015	June 26, 2016	June 25, 2017

2) Changes in stock option during fiscal year

① Numbers of stock option

Company name	Hitachi Construction Machinery Co., Ltd.						
Before vested							
Beginning of the fiscal year	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	—
Expired	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—
Outstanding	—	—	—	—	—	—	—
After vested							
Beginning of the fiscal year	5,000	20,000	41,000	127,000	303,100	305,000	332,000
Vested	—	—	—	—	—	—	—
Exercised	—	10,000	10,000	20,000	14,000	—	—
Expired	—	—	—	—	—	—	—
Ending of the fiscal year	5,000	10,000	31,000	107,000	289,100	305,000	332,000

② Price information

Company name	Hitachi Construction Machinery Co., Ltd.						
Exercise price	¥564	¥413	¥1,211	¥1,325	¥1,557	¥2,728	¥4,930
Average stock prices when exercised	—	¥1,850	¥1,723	¥2,048	¥1,971	—	—
Fair value at the grant date	—	—	—	—	—	¥877	¥1,501
Exercise price	US$6.78	US$4.97	US$14.56	US$15.94	US$18.73	US$32.81	US$59.29
Average stock prices when exercised	—	US$22.25	US$20.72	US$24.63	US$23.70	—	—
Fair value at the grant date	—	—	—	—	—	US$10.55	US$18.05

Estimation method for number of options to vest:
The Company estimates number of option to vest based on actual vesting as no reliable basis for the estimation other than actual number is available.

29. Related Party Transactions

As of March 31, 2011, Hitachi, Ltd., the parent company of the Company, holds 51.1% of the Company's total number of shares issued and 51.7% (including indirect shareholdings) of the total number of shares with voting rights. Hitachi, Ltd. oversees numerous affiliated companies, and engages in a wide variety of operations covering the manufacture, sale and service of products.

The Company maintains a close cooperative relationship with Hitachi, Ltd. and Hitachi Group companies.

The following are summaries of the major transactions with Hitachi, Ltd., and the Company has transactions with other subsidiaries and affiliated companies of Hitachi, Ltd.

Transactions between HCM and related party

Transactions with Hitachi, Ltd.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Repayment of borrowing	¥ **17,000**	¥ 1,066	$ **204,450**
Cash deposit drawing transaction	**8**	0	**96**
Cash borrowing transaction	**8**	0	**96**

Balances with Hitachi, Ltd.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Short-term loan as of March 31	¥ **7,060**	¥ 9,940	$ **84,907**

Transactions with Hitachi Capital Corporation (subsidiary of parent company)

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Commission of payment transaction	¥ **29,460**	¥ 33,861	$ **354,299**

Balances with Hitachi Capital Corporation (subsidiary of parent company)

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Accounts payable as of March 31	¥ **24,721**	¥ 14,542	$ **297,306**
Other payable as of March 31	**267**	133	**3,211**

Transactions between subsidiary of HCM and related party

Transactions with Hitachi Capital Corporation (subsidiary of parent company)

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Pledge of purchase of property held for lease	¥ **9,992**	¥ 11,819	$ **120,168**

30. Per share data

	Yen		U.S. dollars
	2011	2010	**2011**
Per share data:			
Net assets	¥ **1,447.52**	¥ 1,441.73	$ **17.41**
Net income	**52.44**	19.33	**0.63**
Diluted net income	**52.41**	19.32	**0.63**

Basis in calculation

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
1) Net assets			
Total net assets on consolidated balance sheets	¥ **348,986**	¥ 344,231	$ **4,197,065**
Total net assets for common stock	**306,106**	304,808	**3,681,371**
Major items for above discrepancies			
Subscription rights to shares	**766**	766	**9,212**
Minority interests	**42,114**	38,657	**506,482**
Number of common stock issued	**215,115,038**	215,115,038	—
Number of treasury stock	**3,645,459**	3,696,618	—
Number of common stock for net assets per share	**211,469,579**	211,418,420	—

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
2) Net income			
Net income	¥ **11,088**	¥ 4,019	$ **133,349**
Net income not belonging to common shareholders	**0**	0	**0**
Net income for common shareholders	**11,088**	4,019	**133,349**
Weighted average number of common shares outstanding, less treasury stock	**211,435,743**	207,870,256	—
Dilutive effect: Number of subscription rights to shares	**115,742**	134,143	—
Weighted average number of diluted common shares outstanding	**211,551,485**	208,004,399	—

Report of Independent Auditors

The Board of Directors
Hitachi Construction Machinery Co., Ltd.

We have audited the accompanying consolidated balance sheets of Hitachi Construction Machinery Co., Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

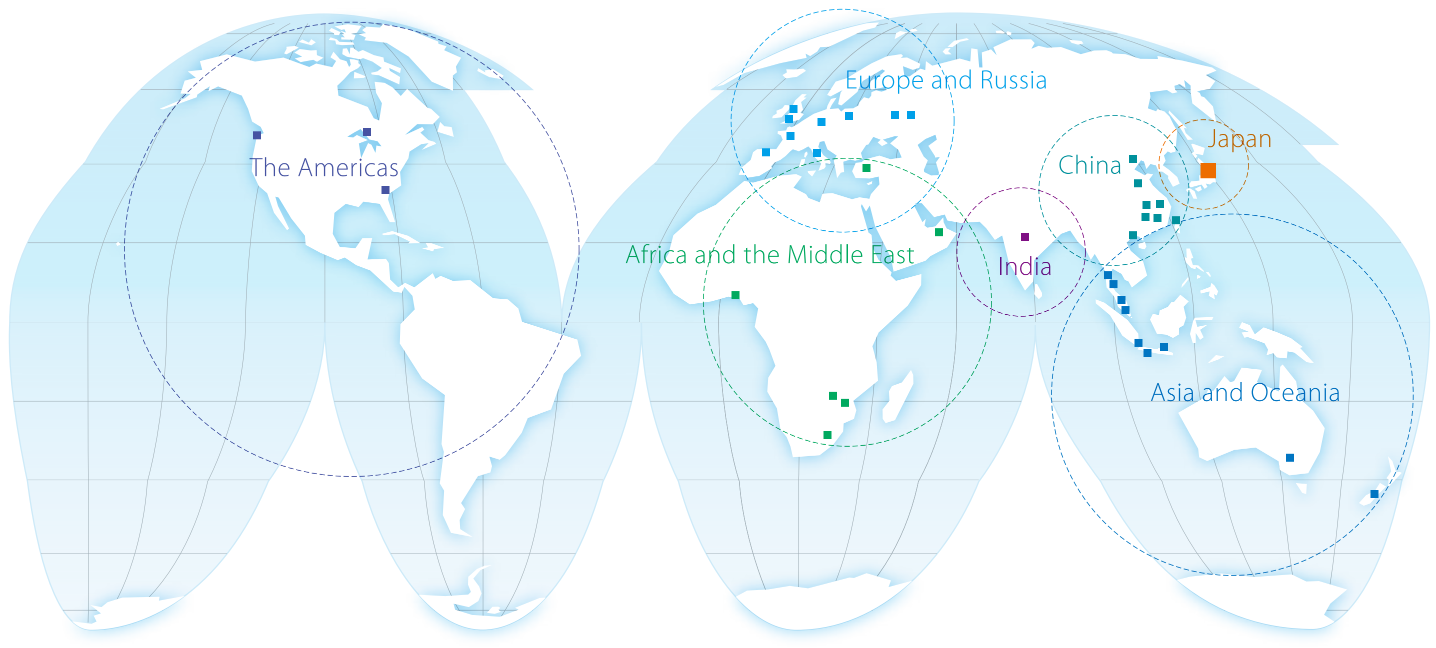
In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hitachi Construction Machinery Co., Ltd. and consolidated subsidiaries at March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 20, 2011

Major Consolidated Subsidiaries and Affiliates



Japan

Manufacturing Companies
- TCM Corporation
- Hitachi Construction Machinery Tierra Co., Ltd.
- Hitachi Construction Machinery Camino Co., Ltd.
- Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd.
- Niigata Material Co., Ltd.
- Tadakiko Co., Ltd.
- Koken Boring Machine Co., Ltd.*
- KCM Corporation*
- Shintohoku Metal Co., Ltd.
- Tsukuba Tech Co., Ltd.

Sales, Service and Rental Companies
- Yamanashi Hitachi Construction Machinery Co., Ltd.
- Okinawa Hitachi Construction Machinery Co., Ltd.
- Hitachi Construction Machinery REC Co., Ltd.

Others
- Hitachi Kenki Logistics Technology Co., Ltd.
- Hitachi Kenki Business Frontier Co., Ltd.
- Hitachi Construction Machinery Trading Co., Ltd.
- Hitachi Construction Machinery Operators Training Center Co., Ltd.
- Hitachi Construction Machinery Leasing Co., Ltd.

India

Manufacturing and Sales Companies
- Telco Construction Equipment Co., Ltd. [TELCON]

*Affiliates

China

Manufacturing and Sales Companies
- Hitachi Construction Machinery (China) Co., Ltd. [HCMC]
- Hefei Rijian Shearing Co., Ltd. [HRS]

Sales and Service Companies
- Hitachi Construction Machinery (Shanghai) Co., Ltd. [HCS]
- Qingdao Chengri Construction Machinery Co., Ltd. [QCM]
- Yungtay-Hitachi Construction Machinery Co., Ltd. [YHCM]*

Others
- Hitachi Construction Machinery Leasing (China) Co., Ltd. [HCLC]

Asia and Oceania

Manufacturing and Sales Companies
- PT. Hitachi Construction Machinery Indonesia [HCMI]
- PT. Shibaura Shearing Indonesia [SSI]*

Sales and Service Companies
- Hitachi Construction Machinery Asia and Pacific Pte. Ltd. [HMAP]
- CablePrice (NZ) Limited [CPL]
- PT. Hexindo Adiperkasa Tbk [HAP]
- Hitachi Construction Machinery Australia Pty., Ltd. [HCA]
- Hitachi Construction Machinery Thailand Co., Ltd. [HCMT]
- SHCM Service Co., Ltd. [SHSC]
- Hitachi Construction Machinery (Malaysia) Sdn. Bhd. [HCMM]

Other
- Hitachi Construction Machinery Leasing (Thailand) Co., Ltd. [HCMLT]
- PT. Hitachi Construction Machinery Finance (Indonesia) [HCFI]

Africa and the Middle East

Sales and Service Companies
- Hitachi Construction Machinery Africa Pty. Ltd. [HCAF]
- Hitachi Construction Machinery Southern Africa Co., Ltd. [HCSA]
- Hitachi Construction Machinery Zambia Limited [HCMZ]
- Hitachi Construction Machinery Mozambique Limited [HCMQ]
- Hitachi Construction Machinery Middle East Corp. FZE [HMEC]

Europe and Russia

Manufacturing and Sales Companies
- Hitachi Construction Machinery (Europe) N.V. [HCME]

Sales and Service Companies
- Hitachi Construction Machinery Eurasia Sales LLC [HCRS]
- Hitachi Construction Machinery Sales and Service France S.A.S [HCSF]
- Heavy Construction Machinery Ltd. [HMP]
- SCAI S.p.A. [SCAI]*

The Americas

Manufacturing and Sales Companies
- Hitachi Construction Truck Manufacturing Ltd. [HTM]
- Deere-Hitachi Construction Machinery Corp. [DHCM]*

Other
- Hitachi Construction Machinery Holding U.S.A. Corp. [HHUS]
- Wenco International Mining Systems Ltd. [Wenco]

Liaison Offices

- HCM China Office
- HCM Vietnam Representative Office
- HCM Sub-Sahara Office
- HCM Germany Office
- HCM Iberia Office

Corporate Information As of March 31, 2011

Company Outline

Company Name	Hitachi Construction Machinery Co., Ltd. (Hitachi Kenki Kabushiki Kaisha)
Head Office	5-1, Koraku 2-chome, Bunkyo-ku, Tokyo, 112-8563, Japan
Tel.	+81-3-3830-8065
Fax.	+81-3-3830-8224
Establishment	October 1,1970
Paid in Capital	¥81,576,592,620
Major Operations	Manufacturing, sales and service of construction machinery, transportation machinery, and other machines and devices
Employees	20,204 (Consolidated) 4,308 (Non-consolidated)
URL	http://www.hitachi-c-m.com/global/

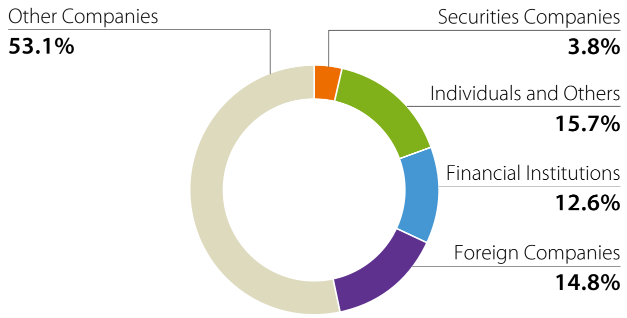
Investor Information

Stock Exchange Listings	Tokyo, Osaka (#6305)
Independent Auditor	Ernst & Young ShinNihon
Stock Transfer Agent	Tokyo Securities Transfer Agent Co., Ltd.
Number of Shares Authorized	700,000,000
Number of Shares Issued	211,115,038
Number of Shareholders	53,977
Annual Meeting	The annual meeting of shareholders is usually held before the end of June in Tokyo.

Major Shareholders

	Number of shares held (Thousands)	Ownership ratio (%)
Hitachi Ltd.	108,033	50.22
The Master Trust Bank of Japan, Ltd.	7,746	3.60
Japan Trustee Services Bank, Ltd.	7,122	3.31
JP Morgan Securities Japan Co., Ltd.	3,726	1.73
Trust & Custody Services Bank, Ltd.	2,397	1.11
Morgan Stanley & Co. International plc	1,669	0.78
Chuo Shoji Ltd.	1,295	0.60
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1,275	0.59
Mizuho Securities Co., Ltd.	1,189	0.55
The Nomura Trust and Banking Co., Ltd.	1,090	0.51

Composition of HCM Shareholders



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