

Hitachi Construction
Machinery Group

CSR & Financial Report 2012

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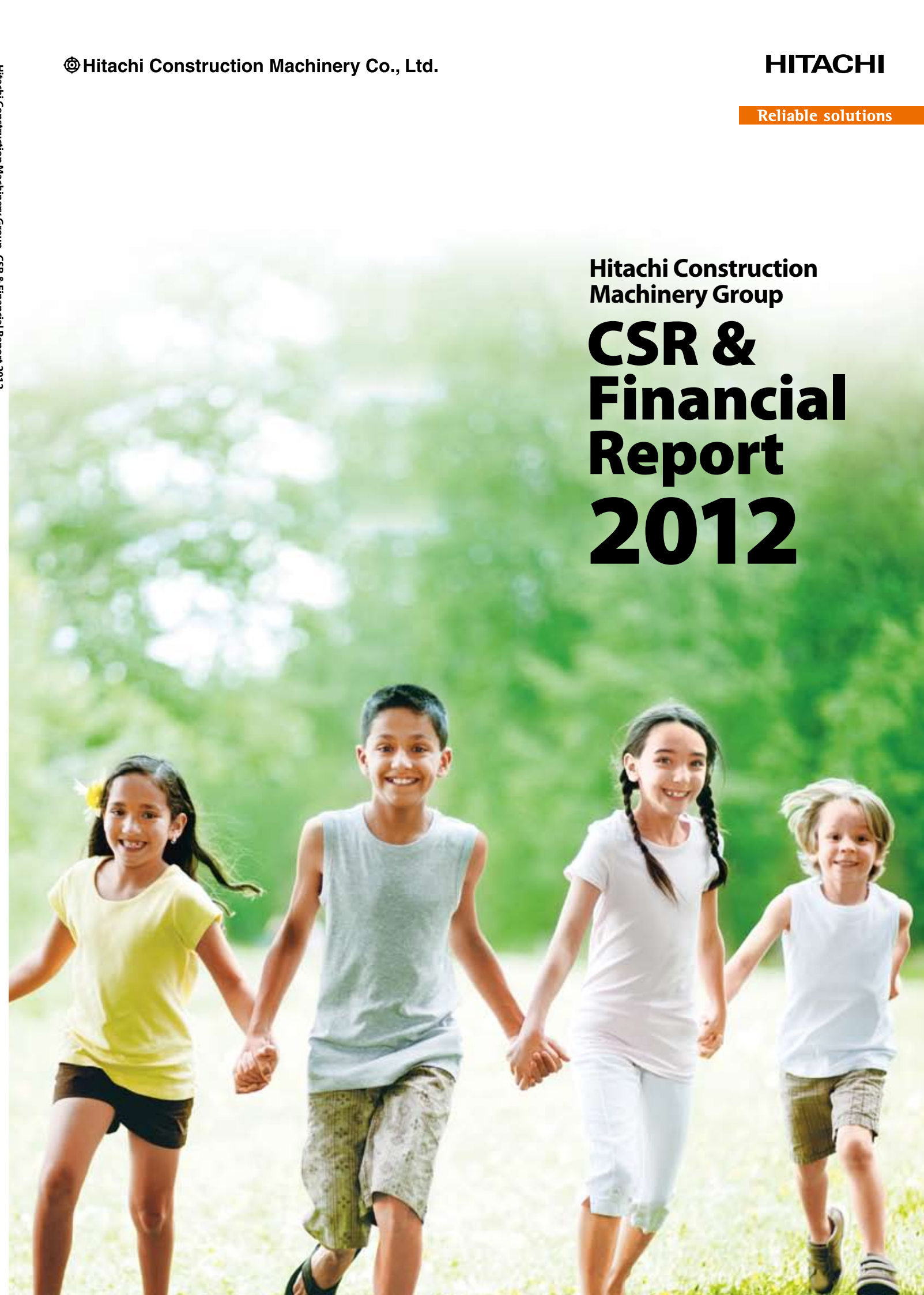


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Editorial and Reporting Policy

From fiscal 2011, we consolidated our Annual Report, which reported our management strategy and financial statements, and our CSR Report, which reported Environment, Social, and Governance (ESG) information, to produce a comprehensive CSR & Financial Report. We did this to provide a clear overall view of the activities of the Hitachi Construction Machinery Group as it aims at the integrated advancement of our growth strategies and CSR management as a corporate group. In this FY 2012 CSR & Financial Report, we have highlighted the areas described below to allow our stakeholders to gain a clearer understanding of the Hitachi Construction Machinery Group's corporate management.

- In order for stakeholders to get an overall view of the direction the Hitachi Construction Machinery Group will be taking "now and in the future" with the milestone change of top management positions, we start off the report with a wide-ranging dialogue between new President and CEO Yuichi Tsujimoto and former President and current Chairman of the Board Michijiro Kikawa.
- As a special introduction, we feature information about the Hitachi Construction Machinery Group's growth strategies for the mining market, an important strategic sector, interspersed with reports on our mining machinery-related activities in Africa.
- In Chapter 1, stakeholders will get an update on the progress of our mid-term management plan "Go Together 2013" through our reports on the progress of our business strategies seeking to match the special market characteristics of each region, as well as our reports on CSR activity topics in each region.
- Chapter 2 reports on the Hitachi Construction Machinery Group's activities for advancing its CSR management, based on the CSR Roadmap formulated in accordance with the ISO 26000 guidelines.
- More detailed information about our activities and other performance data are now available in the Web edition of this report. We are committed to information disclosure that can satisfy the various interests and concerns stakeholders and others may have.

Report period
April 1, 2011 to March 31, 2012
(Some sections include information on or after April 1, 2012.)

Organization coverage
Consolidated companies of the Hitachi Construction Machinery Group

Scope of performance data
Financial reporting:
Consolidated companies of the Hitachi Construction Machinery Group
Environmental reporting:
Hitachi Construction Machinery and certain consolidated companies of the Hitachi Construction Machinery Group
Social reporting:
Hitachi Construction Machinery and consolidated companies of the Hitachi Construction Machinery Group

Guidelines followed in the preparation of this Report

- Sustainability Reporting Guidelines, Version 3.1 (G3.1), Global Reporting Initiative (GRI)
- Environmental Reporting Guidelines (FY 2007 edition), Ministry of the Environment, government of Japan

Next issue:
Scheduled for August 2013

*** Forecasts, expectations, plans for the future**
This report not only provides facts about the Hitachi Construction Machinery Group's past and present but also includes information relating to forecasts, expectations, and plans for the future. This information on future forecasts and plans is necessarily based on assumptions and judgments obtainable at the time of the preparation and edition of the report; hence they include some uncertainty. Accordingly, the risk exists that the results or events of future business activities may be at variance with the contents described in this Report, and the Hitachi Construction Machinery Group assumes no responsibility for such an eventuality. We hope the readers of this report will be cognizant of this point.

Information disclosure by the Hitachi Construction Machinery Group

CSR & Financial Report



Key report providing a comprehensive reporting of the Hitachi Construction Machinery Group's management strategies and financial and non-financial (ESG) information.

Information for Shareholders and Investors (Website)
<http://www.hitachi-c-m.com/global/ir/index.html>



This website provides timely updates on the Company's financial information and IR news, as well as information and a wide range of IR materials for individual investors.

Corporate Social Responsibility (Society, Environment) Report (Website)
<http://www.hitachi-c-m.com/global/company/csr/index.html>



This website provides cases of activities and performance data not included in the paper report.

Environmental Conservation (Website)

<http://www.hitachi-c-m.com/global/company/csr/environment/index.html>



This website provides comprehensive reporting on our environmental management systems and environmental performance in a wide range of areas.

CSR & Financial Report 2012

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Building the Future — The Hitachi Construction Machinery Group

**The Hitachi Construction Machinery Group:
Now and in the Future —
Striving to become a best partner trusted worldwide,
we are moving steadily ahead with
our growth strategy for the global market.**

The Hitachi Construction Machinery Group has been forging ahead with a global-scale growth strategy based on our mid-term management plan “Go Together 2013,” and in April 2012, the second year of this plan, we welcomed a new chief executive officer and other top management officials. Yuichi Tsujimoto, the newly appointed President and CEO, and former President and CEO Michijiyo Kikawa speak about the current situation, challenges, and future prospects for the Hitachi Construction Machinery Group.

Profile

Yuichi Tsujimoto

President, Chief Executive Officer and Director

Joining Hitachi Construction Machinery Co. in 1979, Mr. Tsujimoto was Hitachi Construction Machinery's top representative in China from 2000 to 2004. He has had a long career in production, having successively held positions as General Manager of the Production Management Department and the Procurement Division. Since 2011 he has served concurrently as General Manager of the Development Group and the Business Strategy Office. In April 2011, Mr. Tsujimoto was appointed President and CEO.

Profile

Michijiyo Kikawa

Chairman of the Board
(formerly President, Chief Executive Officer and Director)

Joining the former Hitachi Construction Machinery Co. in 1970, Mr. Kikawa has vast experience in manufacturing and technology, having been the Director of Production Technology at the Tsuchiura Works and Managing Director of Hitachi Construction Machinery (China). After serving as Hitachi Construction Machinery Vice President, Senior Vice President, and Executive Vice President, he was appointed President in April 2006, which allowed him to greatly promote Hitachi Construction Machinery's global business activities. In June 2012, Mr. Kikawa was appointed Hitachi Construction Machinery Chairman of the Board.

Promoting greater management efficiency to build a strong corporate structure to withstand the severe economic climate

— What is the aim of the latest management appointments?

Kikawa: We are now in a period of tumultuous change in both the economy and society. The environment surrounding the construction machinery market is also undergoing a rapid transformation. I served as the president and CEO for six years until last fiscal year. So that the Hitachi Construction Machinery Group can overcome the challenges presented by these severe changes in the business and social environment and achieve greater growth, it is essential to meet these challenges with new ideas and not be a slave to practices based on past experience. With that as the purpose for the generational change in management, I passed the baton on to president Tsujimoto.

Tsujimoto: Our former president, Mr. Kikawa, rebuilt our business structure and took many other steps to respond to the fluctuations in market demand. It is incumbent on me now to carefully nurture the seeds of these reforms and grow them to their full potential. I believe that my mission as CEO will be to establish ourselves firmly on this new ground so that we will then be able to aspire to fresh goals and challenges.

— The Hitachi Construction Machinery Group's business performance for the fiscal year ended March 2012 improved over that for the previous fiscal year. How do you view these results?

Kikawa: Although the global construction machinery market remained fairly stable overall in fiscal 2011, we were impacted by two major calamities, namely, the Great East Japan Earthquake and the restrictions on electricity supply in its aftermath and the severe flooding in Thailand. While the impact from these disasters was by no means small, as a result of the all-out efforts of the Group's entire workforce, we were able to increase sales and profits. This has provided us with a firm foothold for the next stage of our growth.

Tsujimoto: In addition to these natural disasters, as you have pointed out, there was a greater-than-expected drop in demand in the Chinese market. Under these circumstances, I think our group's business performance can be given a passing mark. However, problems have arisen with our supply capacity not keeping up with greater-than-expected increases in demand in some regions. In order to realize higher growth from now, an important aim will be to strive for improved business efficiency in all our operations on a global level and to eliminate our business losses.

— How do you evaluate the results of the first year of the “Go Together 2013” mid-term management plan?

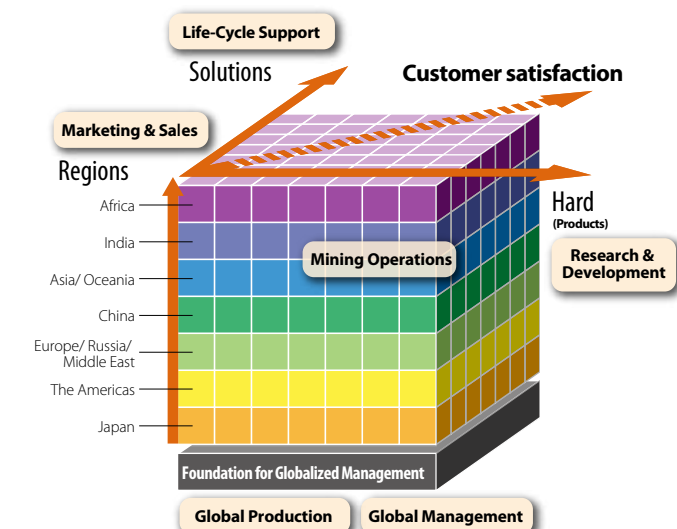
Tsujimoto: “Go Together 2013” has clarified the three axes of the Hitachi Construction Machinery Group's business domain: “hard (products),” “soft (solutions),” and “regions (global).” It sets six important strategy themes for the future: research and development, sales and service, life-cycle support, mining operations, global production, and global management. Based on

these strategies, in fiscal 2011, we pursued measures for boosting our global production capacity and providing machinery and equipment with the optimum quality and performance and the best customer price. For example, on the product side, with crude oil prices continuing to soar, we developed new hybrid excavators that have excellent fuel efficiency and environmental performance. We are also making continuous efforts to strengthen our product life-cycle support by further improving our maintenance systems and building parts and machinery recycling plants. In addition, this April we established Hitachi Construction Machinery Japan by integrating our domestic sales and service divisions with our leasing companies to create a one-stop solution network that meets all the various needs of our customers. And with our recent decision to further invest in expanding production of key parts and components for our mining machinery, we are also moving steadily forward with our growth strategy.

Kikawa: In other words, the “seeds” were planted last fiscal year for the fresh expansion of existing projects in various domestic and overseas markets. I would like to see President Tsujimoto definitely cultivate these new endeavors and bring them to fruition.

Tsujimoto: We have to completely eliminate our business losses in order to build a strong corporate structure that can produce certain profits in this severe economic climate. Hence, in April 2012 we set up a new “Strategy Planning Division” at our headquarters with the aim of strengthening intra-organizational collaboration by making our regional divisions and products divisions — our vertical axis — more cross-functional. This Strategy Planning Division will coordinate our business operations as it promotes this cross-functionality between our line divisions from the perspective of an overall management strategy that seeks the optimization of our operations. From now, we will make a thorough pursuit of greater management efficiency by introducing various new measures. I am determined to achieve the target of a double-digit operating profit ratio set in our mid-term management plan.

“Go Together 2013” Strategy Themes Strategic Themes in the “Go Together 2013” Management Plan



Aggressively utilizing all the Hitachi Group’s technical capabilities to provide cutting-edge and innovative products and services

How do you see the current situation and prospects for the construction machinery market?

Tsujimoto: There will probably be some short-term ups and downs this year, as seen by the slowdown in the Chinese market last fiscal year, but our forecasts that the global construction machinery market, particularly centering on emerging countries



and regions, will continue to grow over the mid- and long-term have not changed. In that sense, I think the Hitachi Construction Machinery Group is positioned very favorably. At the same time, market competition is becoming fiercer with the aggressive inroads being made by manufacturers from the emerging nations. The challenge

is how we can excel in this growing market. I believe the source of our competitiveness will definitely be our technological capabilities.

Kikawa: Due to recent innovations in equipment and methods in civil engineering and construction, many technologies and products that are unable to meet the needs of the times have been weeded out. In the same way in the construction machinery industry, companies that can take the lead in technical innovation and be the first in providing products and services that accurately meet current needs should be the ones to come out on top.

Tsujimoto: Construction machinery is used in harsh environments at mining and construction sites, and in addition to function and performance, customers want to know if the

machinery is tough enough and long-lasting, which puts severe demands on durability and reliability. With their high performance and product quality, “Made by Hitachi” machinery and equipment have a globally-recognized competitive edge. But from now, the performance of the machinery itself will not be the only consideration. It will be essential to provide solutions that bring new value to customers, for example, by integrating construction machinery with information and communications technology (ICT), which will improve overall efficiency at the construction site or mining operation.

Moreover, with soaring crude oil prices and increasing attention on global environmental problems, the hybridization of power units and the use of electric drive systems for the greater energy efficiency of construction machinery are now important themes. In addition to the hybrid excavators I mentioned earlier, we are also producing dump trucks for mining operations that run on alternating current (AC). From now we will be putting even more emphasis on the energy efficiency of our machinery and equipment. We are also developing twin-armed machines that can perform more complex operations. Through such product development, we are positively meeting the challenge of effectively utilizing robotics and ways to make our construction machinery more intelligent, with the aim of ensuring that construction and mining activities are more efficient and safer.

Kikawa: What can be said to be a great advantage for Hitachi Construction Machinery in achieving this technical innovation is the presence of the entire Hitachi Group itself, centered on Hitachi, Ltd.

Tsujimoto: A great deal of innovative technology and intellectual property for which specific uses have still not been found is in a dormant stage in the Hitachi Group. In recent years there has been an upsurge of human resources exchanges and joint research among the various Hitachi Group companies, beginning with Hitachi, Ltd. I would like Hitachi Construction

Machinery to take an active role in promoting collaboration between Hitachi Construction Machinery and the other companies in the Hitachi Group.

Moving ahead with the localization of overseas operations and building a global management system with strong roots in each region

Tell us about Hitachi Construction Machinery’s global strategy.

Kikawa: Overseas sales already account for around 75% of the Hitachi Construction Machinery Group’s total sales, and considering recent market conditions, that ratio should increase even higher in the near future. Strengthening our overseas operations systems is thus a very important issue for us.

Tsujimoto: That is why at present we are sending our senior engineers to our operations around the world to help create a system in each country and region that will enable us to quickly provide products and services that very closely meet the needs of each market. What I personally felt when I was working at



our company in China was that “localization” is the optimal path for our operations overseas. That means that by making the local personnel the main players and

communicating with customers in their native language to better grasp their needs, we can input that information to provide the kinds of products and services the customers need. In order to advance this localization, we have started our “succession plan,” which aims to develop executive candidates from among the national staff working at our major overseas bases. We are moving forward with these efforts around the world with the goal of building a global management system deeply rooted in the markets of each country and region.

Kikawa: With our increasing globalization and localization, more than ever before, the Hitachi Construction Machinery Group has become an organization comprising human resources of many different nationalities and ethnicities. In other words, we are becoming an organization with increasing diversity.

Tsujimoto: This increase in the number of employees with diverse identities and cultural backgrounds is very beneficial for our company, but on the other hand, it has made communication more difficult, and there is some apprehension that our company could lose its sense of unity and cohesive force. To deal with this issue, we are carrying out training both in Japan of course and at our overseas bases aiming at instilling a common identity —

which we call our “*Kenkijin Spirit*”^{*} — among all the employees in the Hitachi Construction Machinery Group. Although we were apprehensive at first about whether training focusing on the themes of our corporate philosophy, codes of conduct, and so on would be accepted overseas, the training has been quite favorably received by our overseas employees who have taken it. Our challenge is to foster a strong sense of cohesion based on shared values and codes of conduct among all our employees while, at the same time, respecting their views and individuality. That is the kind of corporate culture that I would like to foster.

^{*} A sense of common values and standards and codes of conduct held by all the employees of the Hitachi Construction Machinery Group.

Striving to maintain a strong corporate presence and keeping good relations with stakeholders

What are your views on CSR?

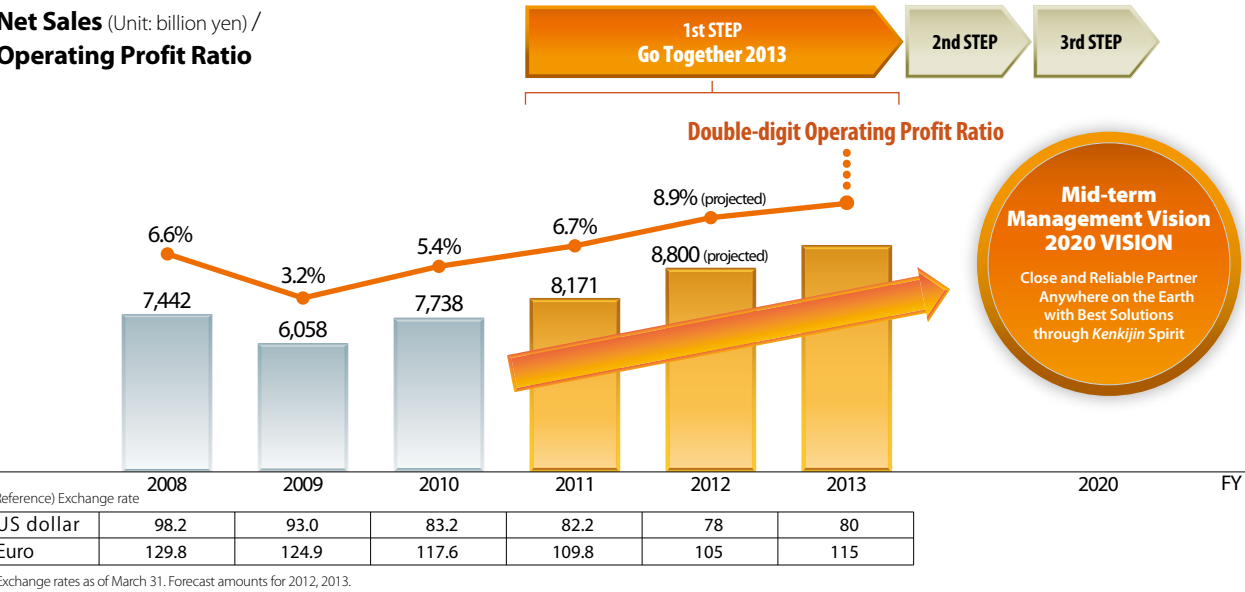
Tsujimoto: The first social responsibility that a company must fulfill is to make sure it is a “going concern,” that is, that the company survives and grows. Even only considering the impact on its customers and suppliers and the employment of its employees, just continuing the company’s activities is a very important social responsibility. By the very fact of its continued growth, a company can fulfill its obligation to pay its due share of taxes and make various other social contributions. For a company to survive, it must provide products and services that will be favorably received by its customers. As well as, of course, obeying all laws and regulations of countries where it does business, a Company must maintain good relations with all relevant stakeholders, which include employees, suppliers, stockholders, and the local community. And naturally, giving full consideration to global environmental problems and safety and health aspects in its business operations is a necessary condition for the continuation of the company.

The bottom line: Seeking the best products and services and delivering them with care and thoroughness

Finally, what are your aspirations as the leader who will guide the Hitachi Construction Machinery Group?

Tsujimoto: What I want to place renewed importance on is seeking the best products and services and providing them to our customers with care and thoroughness. And I want to execute this entire process as speedily as possible. Based on our “Go Together 2013” management plan, I want to move forward with our efforts to build “people and an organization” that can do what they must with commitment and speed. By doing so, I would like to grow the Hitachi Construction Machinery Group into a corporate group that will be trusted and depended upon by customers around the world 10 and 20 years from now.

Net Sales (Unit: billion yen) / Operating Profit Ratio

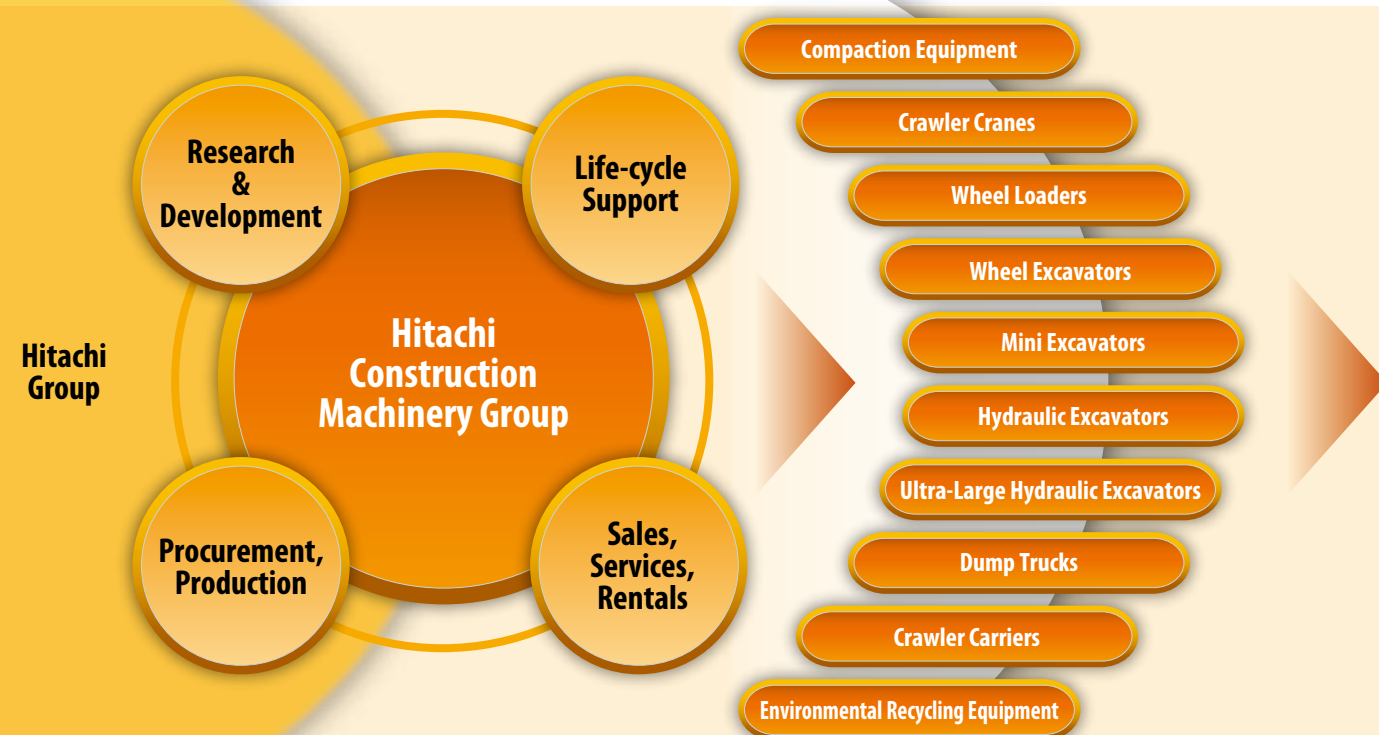




Overview of Business

Hitachi Construction Machinery Group — Continuing to Develop and Provide Construction Machinery Contributing to the Creation of Affluent and Comfortable Societies

A market restructuring shifting attention to the emerging countries is ongoing in the construction machinery market, which will continue to be a growth industry in the mid- and long-term. Hitachi Construction Machinery is carrying out strategies in order to bolster its competitiveness to overcome the intensification of sales competition and respond to the need for diversification of products and services accompanying the changing market dynamics, and is promoting growth strategies that particularly focus on the mining business, which will continue to enjoy a basic market expansion. We are now pursuing a mid-term management plan based on a mid- and long-term vision in order to carve out a strong position in global markets. We are also striving to firmly establish the Hitachi brand in the industry and increase shareholder and corporate value, while keeping always in mind the importance of the social responsibilities we must fulfill.



Activity

Strengthening our global value chain

The Hitachi Construction Machinery Group is aiming to become a close and reliable partner anywhere in the world, providing superb products and services based on our outstanding technology. We are ramping up our business expansion, which is deeply rooted in communities, by strengthening and expanding our global value chain, from research and development to procurement, production, sales, and services.

Product

Wide-ranging product line-up as a full-line construction machinery manufacturer

Our construction machinery plays a leading role in various job sites, such as severe environments in emerging countries and mining sites, building dismantlement and recycling sites in advanced countries where strict environmental regulations on gas emissions and others have been implemented. To respond to those needs, we are actively engaged in the research and development of highly value-added products that have outstanding fuel efficiency and safety based on our creative technology.

Global Network

Developing a global business through our seven regional divisions spanning the world

The Hitachi Construction Machinery Group is expanding its sales and service systems, strengthening support to dealers, developing businesses firmly rooted in communities, and expanding our regional presence through our seven regional business divisions worldwide in order to meet the needs of diversifying markets. These divisions cover: Japan; Asia and the Pacific; China; India; Europe, Russia, CIS, and the Middle East; Africa; and the Americas. In order to rapidly build up our businesses in these regions, we are focused on strengthening our supply chains for overall optimization of our operations, employing local nationals, including top management, and promoting diversity management.

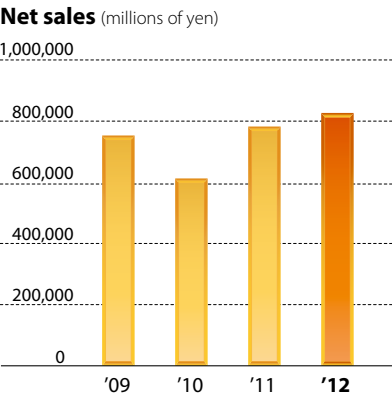
Financial and Non-Financial Highlights

Hitachi Construction Machinery and Consolidated Subsidiaries
Fiscal years ended March 31

	2012	2011	2010	2009
For the year				
Net sales	817,143	773,769	605,788	744,167
Operating income	54,837	41,511	19,669	48,836
Net income before income taxes and minority interests	50,129	35,745	18,333	44,142
Net income	23,036	11,088	4,019	18,253
At year-end				
Total assets	1,086,116	944,370	883,047	841,353
Working capital	232,252	248,870	207,948	124,398
Shareholders' equity	345,689	327,496	319,520	311,430
Interest-bearing debt	388,904	327,768	307,754	300,626
Per share data (yen)				
Net income	108.88	52.44	19.33	85.79
Diluted net income	108.86	52.41	19.32	85.72
Net assets	1,522.86	1,447.52	1,441.73	1,422.54
Cash dividends (declared)	30.00	20.00	10.00	44.00
Other indicators				
Return on net sales (%)	2.8	1.4	0.7	2.5
Return on equity (%)	7.3	3.6	1.3	6.1
Equity ratio (%)	29.7	32.4	34.5	34.9
Price/earning ratio (times)	16.82	39.72	114.28	14.79

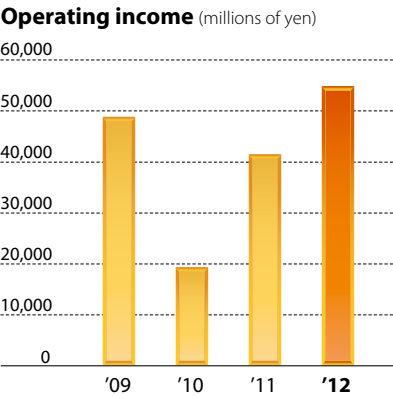
Point 1 Net sales

Although demand in the Chinese market dropped considerably, this decline was covered by rising demand in other regions, resulting in an increase in net sales of ¥43.4 billion over the previous fiscal year.



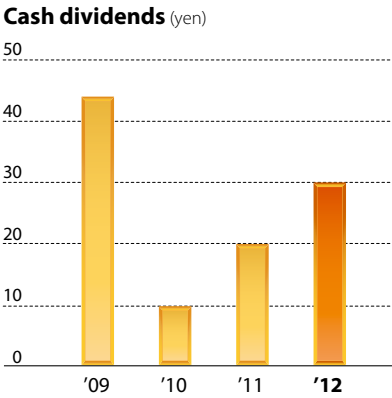
Point 2 Operating income

The yen sharply appreciated against the US dollar, euro, and Chinese yuan over FY2011, and owing to improvements in sales prices and cost reductions, operating income showed a year-on-year increase of ¥13.3 billion compared to fiscal 2011.



Point 3 Cash dividends

Cash dividends for the fiscal year ended March 31, 2011, were 20 yen per share, and for the fiscal year ended March 31, 2012, ¥30 per share.



Millions of yen
(Excluding per share data)

	2012	2011	2010	2009
Consolidated net sales by region				
The Americas	92,324	62,351	37,245	79,178
Europe	64,415	66,367	63,504	99,738
Russia, CIS, Africa and the Middle East	71,715	65,149	33,463	81,105
Asia and Oceania	242,750	202,444	141,238	151,148
China	134,960	204,757	158,681	119,295
Japan	210,979	172,701	171,657	213,703

Non-financial highlights

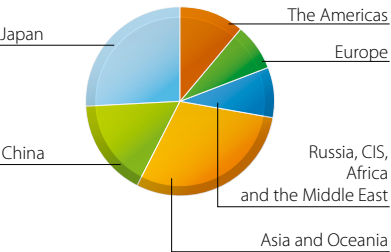
No. of employees				
The Americas	461	395	386	373
Europe	548	557	588	592
Russia, CIS, Africa and the Middle East	557	483	460	428
Asia and Oceania	5,978	5,503	5,158	3,167
China	3,601	3,272	2,619	2,342
Japan	10,669	9,994	10,234	10,497

Main environmental performance data

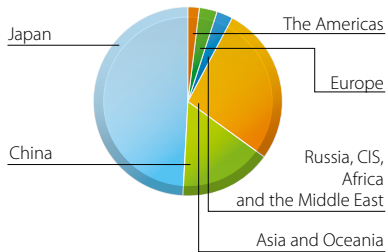
Total amount of energy input (GJ)*1	2,804,066	2,729,625	2,184,777	2,535,667
Amount of CO ₂ emissions (tons)*1	142,923	136,531	116,709	141,330
Amount of water resources input (m ³ /year)*2	891,424	1,125,525	963,219	1,115,989
Sales of environmentally conscious products (million yen)*2	489,672	440,028	300,813	339,751
Environmental conservation cost (million yen)*3	8,002	6,546	6,246	7,733
Environmental investment (million yen)*3	1,254	685	535	699
Economic effects of environmental conservation (million yen)*3	1,281	1,704	1,257	1,384

*1 Domestic production bases + overseas production bases + domestic companies' non-production bases
*2 Hitachi Construction Machinery Group
*3 Domestic production bases + overseas production bases

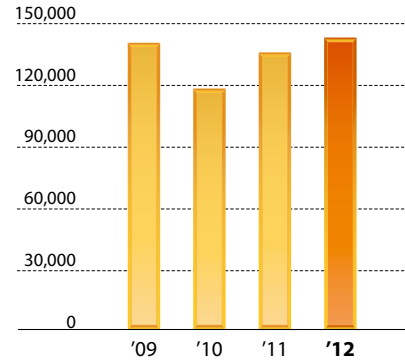
Consolidated net sales by region



No. of employees by region



Amount of CO₂ (tons)



Potential of the Mining Market

— Aiming to Build a Strong Presence in a Growth Market

Striving to develop a firm business model from “hard” and “soft” approaches to bolster the continuing growth of our worldwide mining machinery business

As global demand for natural resources soars, growth in the mining industry, including iron ore and coal excavation, has been brisk in recent years. Accompanying this has been the greatly increasing demand for heavy equipment for mining operations, particularly ultra-large hydraulic excavators and dump trucks. Because further growth is expected from now, the Hitachi Construction Machinery has made the mining market a strategic priority, and the Hitachi Construction Machinery Group is now building a very competitive business foundation from both “hard” and “soft” aspects. This includes the development of differentiated products that make excellent use of the Group’s state-of-the-art technology and the bolstering of support services that reduce product life-cycle costs.

Column Continually expanding global mining market

With the rapid industrial development in emerging regions, the global demand for mineral resources is steadily growing. As an indication of this, worldwide investment in copper mining is expected to jump significantly from 2014. In response to this expanding demand for mineral resources, the market for mining machinery and equipment, including ultra-large hydraulic excavators and dump trucks used for open pit mining, is also continuing to grow. Worldwide demand for ultra-large hydraulic excavators in 2019 is forecast to be 1.9 times that in 2011, and the demand for dump trucks 2.2 times that during the same period.

Worldwide Investment in Copper Mining by Mining and Smelting Companies (2009-2015)



Source: Japan Oil, Gas Metals Corporation (JOGMEC), based on mining company annual reports. Amounts for years from 2012 are forecasts.

Providing highly market competitive mining machinery by utilizing the collective strength of the Hitachi Group

The Hitachi Construction Machinery has made the strengthening of its business in the mining industry, which will enjoy rising global demand, a priority strategy in its mid-term management plan, “Go Together 2013.” In order to gain a leading position in this important market, the Hitachi Construction Machinery Group has developed a differentiation strategy ranging across both hard and soft aspects, centering on the raising of product superiority, developing integrated maintenance and management services through the use of information and communications technology (ICT), and the reducing of life-cycle costs by expanding Full Maintenance Contracts (FMCs). The Hitachi Construction Machinery Group now has a predominant worldwide share of the market for 200-ton-plus ultra-large hydraulic excavators, which have become mainstays in mining operations. And even in the dump truck market, which we entered late, we are steadily enhancing our presence in this market by taking advantage of the customer trust we have cultivated through our ultra-large hydraulic excavators.

In order to further enhance our superior position in the mining machinery market, the Hitachi Construction Machinery Group has



pursued product differentiation from various aspects, including reliability, productivity, environmental compatibility, cost efficiency, and safety. For example, our trolley dump trucks, which run by motors drawing electric power from overhead cables when climbing uphill, have been highly evaluated by the market for reducing fuel costs and CO₂ emissions. We are also focused on expanding our sales of ultra-large hydraulic excavators by introducing next-generation excavators equipped with new electric motors that have the advantages of lower running costs, reduced noise and vibration, and lessened impact on the environment.

The strength of the Hitachi Construction Machinery Group is that many of the core parts and modules, such as the electric drive systems, which have greatly improved the performance and reliability of our products, can be jointly developed by all the companies in the Hitachi Group. In other words, we can offer mining machinery of superior quality by marshaling and fusing the rich technology and knowhow amassed by the Hitachi Group, from expertise on materials and electronics to mechatronics and large-scale systems.

Optimizing product life-cycle support by improving maintenance and parts supply systems

In addition to ensuring the excellence of the product itself, the after-sales maintenance of mining machinery, which is required to run for long hours under hard conditions, is extremely important. For that reason, the Hitachi Construction Machinery Group is working to expand Full Maintenance Contracts, which package the sale of construction machinery like ultra-large hydraulic excavators and dump trucks together with maintenance services. At the same time, we are making great strides in strengthening its support bases around the world by enhancing our supply system for parts needed for maintenance, expanding our remanufactured parts business, and establishing training centers for fostering the human resources who will be tasked with providing better maintenance services. In 2009, we also made a producer of fleet management systems for mining in Canada a consolidated subsidiary of the Hitachi Construction Machinery Group in order to provide mine management systems services utilizing ICT. This has allowed us to grasp in real time the operational status of machinery like hydraulic excavators and dump trucks and ensure more efficient mine management, as well as to develop high-precision preventive maintenance services.

Enhancing product superiority

Ultra-large hydraulic excavators

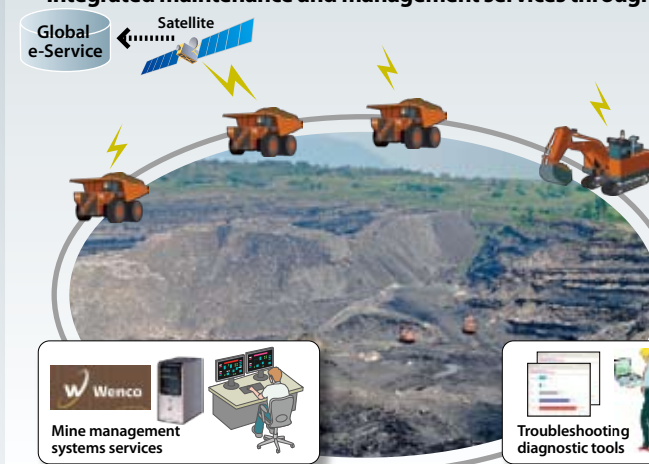


Dump trucks



Making the most of our product competitiveness — Packaging for sale several dump trucks with one ultra-large hydraulic excavator

Integrated maintenance and management services through ICT



By combining our Global e-Service, which allows users to find out the operational status of their construction machinery through the use of ICT, with our mine management systems services, we can help reduce the downtime for machinery breakdowns and make overall mining operations more efficient.

Reduction of life-cycle costs through Full Maintenance Contracts



Combining the sale of construction machinery with maintenance services to strengthen our support to customers

Case Study

Hitachi Construction Machinery's Mining Solutions for Supporting Copper Mining in Zambia

Providing hard and soft support for “non-stop operations” at Africa’s biggest copper mine

With the soaring prices for natural resources spurred by the growing industrial demand in emerging regions, mining development in Africa, which is blessed with abundant deposits of mineral resources, is taking off. According to the U.S.-based market information news provider Bloomberg, investment by the mining industry worldwide in Africa and the Middle East in 2010 more than doubled over the previous year. The world’s leading mining companies are making aggressive development investments particularly in southern Africa, where large mineral veins are concentrated. The Hitachi Construction Machinery Group’s mining solutions are playing a major role at the frontlines of this large-scale mining development in Africa.

Hitachi Construction Machinery’s ultra-large mining machinery selected as principal machinery for Africa’s largest copper mine

Operated by the Canadian mining company Barrick Gold Corp., Lumwana Mine in Zambia, which started its operations in 2009, is Africa’s largest copper mine. Since they can excavate

high-quality copper ore, productivity is high, and in 2012, the mine produced around 150,000 tons. In 2012, production is expected to double to 300,000 tons.

The principal machinery being used at this large-scale mine is Hitachi Construction Machinery’s ultra-large mining machinery, including the EX5500 ultra-large hydraulic excavators and the EH4500 dump trucks with an electric drive system. Mining companies demand that

mining machinery be able to “excavate and transport minerals efficiently.” Because of that, mine operators are focused on how to optimize the machine availability of mining machinery at the mine site, where 24-hour operations are the common practice. In other words, utilizing machinery that does not stop running due to breakdowns and so on is essential.

Hitachi Machinery Construction specialist staff based in Zambia to provide 24-hour maintenance service

While we naturally are striving to maintain the reliability of our mining machinery with our focus on superior product design and quality control in order to respond at an optimum level to the various customer demands, the Hitachi Construction Machinery Group has also been building a completely dependable maintenance support system to help ensure that the machinery does not break down. Regular maintenance and parts replacement, precisely and rapidly carried out overhauls, and preventive maintenance to forestall declines in machinery performance and breakdowns are all essential for increasing the of machinery availability at mine sites. Although some mining companies may carry out maintenance with their own staff, at present, when machinery precision is advancing and parts supply chains are spreading on a worldwide scale, “full maintenance contracts,” under which manufacturers provide specialist maintenance staff for each service, are becoming the norm.

Within this context, Hitachi Construction Machinery Southern Africa, which is playing a central role in our development of the mining market in southern Africa, has provided exclusive service and maintenance yards for dump trucks within the grounds of mines and

In focus

The Hitachi Construction Machinery Group establishes Remanufacturing parts plant in Zambia, strengthening maintenance services in southern Africa

Aiming to enhance its maintenance service system in southern Africa, the Hitachi Construction Machinery Group has constructed a remanufacturing parts plant in the Zambian capital of Lusaka, and plant operations started there in the spring of 2012. Parts that have reached their replacement periods are removed from the mining machinery and then reprocessed as remanufactured parts at this plant so that they can be used again. From now the plant plans to reprocess for



Remanufacturing parts plant in Zambia

set up warehouses for stocking spare parts in order to strengthen our maintenance and service systems. Moreover, specialist maintenance staff are stationed at mining sites to provide 24-hour machinery repair and maintenance. By directly deploying personnel who are very familiar with the machinery technology in this way, we are closely responding to the needs of mining companies, from the maintenance and replacement of parts to the provision of technical information to operators and training.

Incorporating electric-drive systems in mining machinery to improve efficiency, lower costs

The Hitachi Construction Machinery Group has been developing and introducing electric drive systems for its mining machinery to minimize machinery downtime. At the Lumwana Mine, 4 EX5500E-6 electrically driven ultra-large hydraulic excavators (operating weight: 516 tons) and 32 EH4500 trolley dump trucks (operating weight: 266 tons; gross



machine operating weight: 480 tons) with AC electric drive systems are now being used. Compared to a mechanical drive system, the electric drive system ensures reduced gas emissions and lower vibration and noise, making it greatly superior in environmental performance and operator comfort.

Particularly in the case of dump trucks with the electric drive system, since complex machinery like transmissions is unnecessary, the structure of the machinery is simpler than mechanical-drive dump trucks. Because of that, risks of breakdowns naturally are reduced, and

even if there is a breakdown problem, repair is easier since there are fewer replacement parts needed, allowing machinery downtime to be greatly curtailed. Moreover, in the case of trolley dump trucks, although incidental costs are required for electricity supply and overhead cables, uphill driving speeds with loads are twice as fast as those for mechanical engine trucks, vastly improving operational efficiency, and the fuel cost for one operation cycle can be reduced to around one-half. Compared with the diesel engine-driven hydraulic excavators of the past, the electrically

driven excavators greatly hold down operating costs, and can reduce maintenance and repair costs by 20 to 30 percent. (These cost reduction figures are based on comparison of Hitachi's diesel and electrically driven excavators.)

Generally, the yearly fuel cost for an ultra-large dump truck is estimated to be approximately US\$1 million. Much ultra-large machinery, including dump trucks, is operated at large-scale mines, and the great cost reductions and improved efficiency provided by electric drive systems are indispensable for increasing the profitability of mining operations.

Stakeholder's Voice



Bevan Jones

Mine Manager, Lumwana Mine
Barrick Gold Corp.

Tough and Highly Productive Hitachi Machinery

At the Lumwana Mine, where operations continue on a 24-hour basis, a machinery stoppage of one hour will lead to a loss of around \$30,000. That is why mining machinery that does not break down is a major requisite. Although machinery from other companies is in use at the Lumwana Mine, compared to other companies' machinery of the same class, Hitachi's machinery has superior toughness and productivity. I have used a lot of different machinery from other makers for 20 years, but I have particularly high trust in Hitachi's equipment and machinery.

Kenkijin Spirit



Ockie Barnard

Maintenance and Acting Site Manager
Hitachi Construction Machinery Southern Africa

Helping to bolster mine productivity through various support services

I am stationed at the Lumwana Mine, and am providing recommendations and other support for improving machinery servicing and maintenance as well as the operations environment so that the mining machinery will be able to demonstrate its optimal performance at the work sites. Recently, we have been implementing site, skill, computer, and maintenance training for machine operators, with the aim of raising workplace motivation and improving machine availability and productivity.

Contributing to Africa's sustainable social development through Hitachi Construction Machinery's corporate activities rooted in regional communities

In addition to the Lumwana Mine in Zambia, the Hitachi Construction Machinery Group's mining machinery is being used at a number of mines across southern Africa, including the large Moatize Coal Mine in neighboring Mozambique. In order to expand our marketing and support services in the region, besides Hitachi Construction Machinery Southern Africa, the Hitachi Construction Machinery Group established Hitachi Construction Machinery Zambia and Hitachi Construction Machinery Mozambique. In 2010, we also established Hitachi Construction Machinery Africa in the Republic of South Africa to serve as our regional headquarters.

At these regional subsidiaries, we are aggressively hiring local national staff, and providing training by our experienced technical specialists to increase the numbers of our maintenance personnel. We are planning to further develop our human resources by introducing more machinery and facilities for training use, and in the future,

In focus

Increasing global production capacity for mining machinery to respond to rising worldwide demand

The Hitachi Construction Machinery Group is striving to increase its production capacity for mining machinery, such as large and ultra-large hydraulic excavators and dump trucks, to respond to the rising worldwide market demand for mining machinery. We will expand our facilities at both our Hitachinaka-Rinko Works, where the main body frames for mining machinery are produced, and Hitachinaka-Works, where the components of mining machinery are manufactured, as well as purchase national land adjacent to Hitachinaka-Rinko Works for the construction of a new plant. By expanding our production



Hitachinaka -Rinko Works

bases this way in Ibaraki Prefecture, where our development base (Tsuchiura Works) is also located, we are aiming to further streamline our distribution and logistics and improve production efficiency. We will also make investments to raise the production capacity at our overseas plants in Indonesia and Canada, with the aim of improving production efficiency and boosting production capacity on a global basis.

collaborating with local high schools and technical schools for training.

We are also aiming to strengthen our global production system and expand our parts supply network so that we will be able to respond to the rising demands in mining markets in Africa and the rest of the world.

The Hitachi Construction Machinery Group is committed to improving the efficiency and lowering the

costs of mining operations through the development and marketing of mining machinery, provision of complete support services for 24-hour mining operations, taking environmental problems and safety operations into consideration. By creating jobs and conducting business activities rooted in the local communities, we will continue to support the sustainable socioeconomic growth of Africa.

In focus

Bringing together the Hitachi Group's technology — Large trolley dump trucks with AC electric drive systems

Hitachi Construction Machinery's EH3500AC II is a next-generation AC dump truck that was developed through the collaboration of the entire Hitachi Group. The Hitachi group's total technical knowhow and capability was utilized everywhere for this dump truck, including the AC motor drive system developed by Hitachi, Ltd., which has a long track record in bullet train rolling stock projects, and Hitachi Engineering and Services' pantograph. With their superior running and operational performance made possible by the joint development within the Hitachi group of optimal core components in the truck body, these dump trucks have achieved exceptionally high productivity. Hitachi Construction Machinery will continuously strive to develop even higher-performing, energy-saving, and safer mining machinery through the effective utilization of the collective technical capability of the entire Hitachi Group.

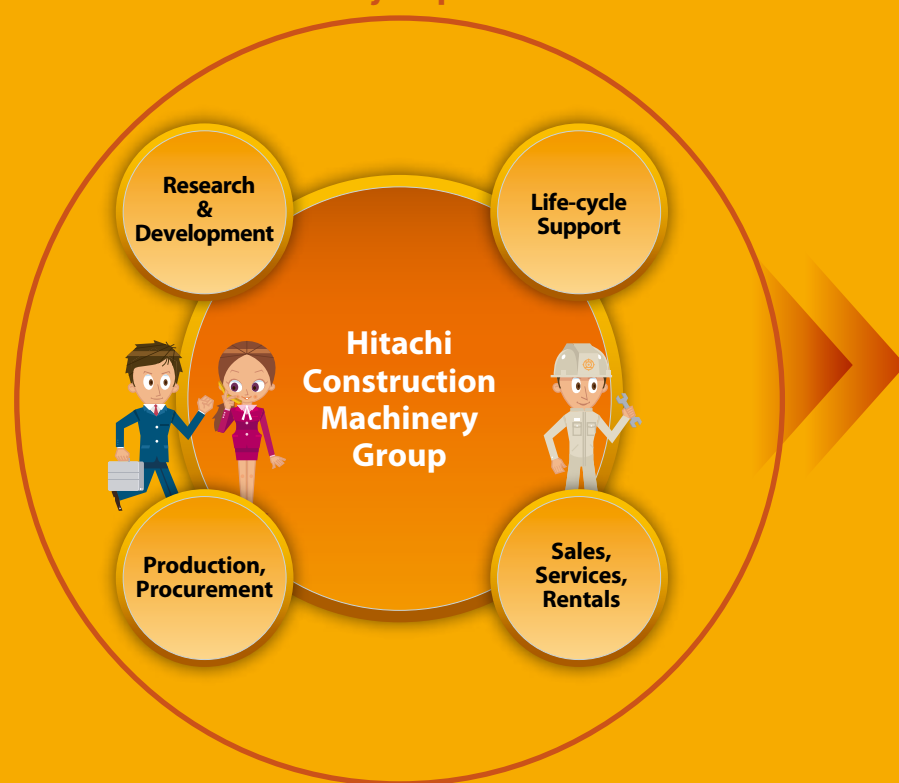


Mid-term Management Plan

"Go Together 2013"


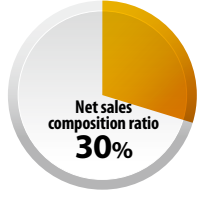
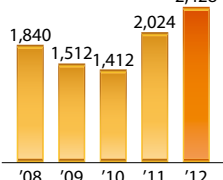


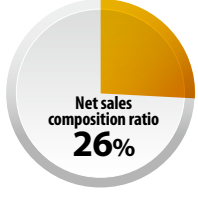
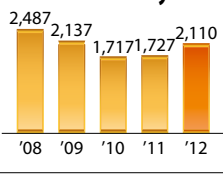

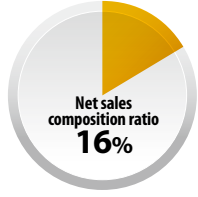
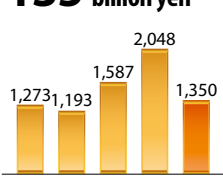

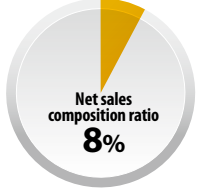
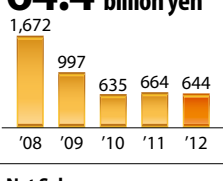

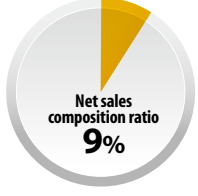
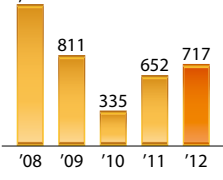

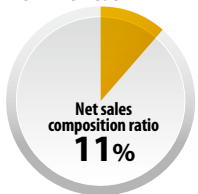
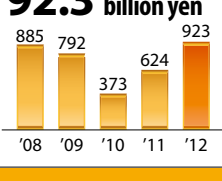
Becoming a close and reliable global partner anywhere on the earth — Current progress in "Go Together 2013," our mid-term management plan

Kenkijin Spirit



Amidst the dramatic changes in the world market, the demand for construction and mining machinery is surging, particularly in emerging countries where infrastructure investment and thriving resource development are helping to drive their economies. The Hitachi Construction Machinery Group formulated its "2020 Vision" plan in order to make the most of this rising demand and grow as a global corporation. The plan calls for the Group to become a "Close and Reliable Partner anywhere on the Earth with Best Solutions through *Kenkijin Spirit*." As the first step toward realizing this vision, we formulated our "Go Together 2013" mid-term management plan, which will be concluded in the fiscal year ending March 31, 2014. With a firm grasp of the market trends in regions around the world, "Go Together 2013" seeks to provide optimal customer satisfaction by delivering products and services responding closely to users' needs and guided by innovations in management based on new and fresh ideas and approaches.

...Governance ...Social Report ...Environmental Report

Regional operations	Regional strategy and policy	Main CSR activities	Regional segment-specific sales volume (Fiscal years ended March 31)
Asia & Oceania Business Div. 	<ul style="list-style-type: none"> Promote direct sales and service through the Group's business base Expand production capacity for hydraulic excavators at PT. Hitachi Construction Machinery Indonesia Develop industry-specific solutions to offer application products utilizing Japanese knowhow 	<ul style="list-style-type: none"> Carry out "Kenkijin Spirit training" (Hitachi Construction Machinery Asia and Pacific) Conduct employee satisfaction surveys (Hitachi Construction Machinery Asia and Pacific, Hitachi Construction Machinery Australia) Support national park environmental conservation activities (Hitachi Construction Machinery Thailand) 	Asia and Oceania Net Sales (for fiscal year ended March 31, 2012) 248.2 billion yen  
India Business Div. 	<ul style="list-style-type: none"> In a tie-up with Tata Motors, a core enterprise in the Tata Group, develop "Tata HITACHI" brand products Promote our "global hub" concept to expand our operations in India and neighboring countries, as well in Africa, the Middle East, and other emerging markets 	<ul style="list-style-type: none"> Translation of our <i>Kenkijin</i> Handbook into Hindi for distribution Set up an operator training school in the Kharagpur Plant to increase employment opportunities for young people Provide health check-ups for local residents and children commuting to nearby schools (2,270 people to date) 	
Japan Business Div. 	<ul style="list-style-type: none"> Establishment of Hitachi Construction Machinery Japan to integrate Hitachi Construction Machinery's domestic sales and service divisions and our rental and leasing company, Hitachi Construction Machinery REC. Introduce industry's first RSS point sales system 	<ul style="list-style-type: none"> Support recovery of areas devastated by the Great East Japan Earthquake Promote diversity Promote biodiversity conservation activities Conduct mental health training sessions (at each company in the domestic Hitachi Construction Machinery Group) 	Japan Net Sales (for fiscal year ended March 31, 2012) 211 billion yen  
China Business Div. 	<ul style="list-style-type: none"> Strengthen dealer network by focusing on special characteristics of each region to respond specifically and accurately to diverse needs of the Chinese market Develop specifications and applications best suited to the Chinese market and enhance cost competitiveness by localizing production 	<ul style="list-style-type: none"> Establishment of independent labor union (Hitachi Construction Machinery (Shanghai)) Conduct compliance training (Hitachi Construction Machinery (Shanghai)) Conduct training to improve the work and technical skills of enrolled migrant workers (Hitachi Construction Machinery (China)) 	China Net Sales (for fiscal year ended March 31, 2012) 135 billion yen  
Europe, Russia, CIS & Middle East Business Div. 	<ul style="list-style-type: none"> Offer high-quality services and the latest environmentally compatible products at our European dealerships with their skilled sales forces Reinforce the dealer support system through Hitachi Construction Machinery Eurasia Sales to meet the rising demand for construction machinery in Russia and other CIS countries, and construct new plants Establish Hitachi Construction Machinery Middle East to develop mining, civil engineering, construction, quarry markets in Middle East and northeastern Africa 	<ul style="list-style-type: none"> Assign Compliance Managers (Heavy Construction Machinery) Conduct survey on working hours and introduce experimental flex-time system to improve the work-life balance of employees Promote "zero harm" safety culture with aim of no deaths, no injuries, and no bankrupt employees in 2012 	Europe Net Sales (for fiscal year ended March 31, 2012) 64.4 billion yen  
Africa Business Div. 	<ul style="list-style-type: none"> Expand our sales and service network through Hitachi Construction Machinery Africa by utilizing the highly recognized Hitachi brand in the mining market Start operations at our newly constructed remanufacturing parts plant to support mining site in Zambian capital city of Lusaka 	<ul style="list-style-type: none"> Promote sales of trolley dump trucks, which contribute to reduction of CO₂ emissions Aggressively hire national staff to increase local employment opportunities and promote human resources development (Hitachi Construction Machinery Mozambique) 	Russia, CIS, Africa and the Middle East Net Sales (for fiscal year ended March 31, 2012) 71.7 billion yen  
Americas Business Div. 	<ul style="list-style-type: none"> Set up joint venture with the major U.S. agricultural machinery manufacturer Deere & Company and build new plants, with the aim of opening up fast-growing Brazilian market 	<ul style="list-style-type: none"> Conduct training seminars on ethics and human rights (Hitachi Construction Truck Manufacturing) Provide explanations to suppliers on CSR procurement (Hitachi Construction Truck Manufacturing) 	The Americas Net Sales (for fiscal year ended March 31, 2012) 92.3 billion yen  

In Asia & the Pacific

**Aiming to Further Enhance Our Market Presence
— Developing Large-Scale Projects and Expanding
Our Industry-specific Sales Structure**

Market trends and area strategies

Pursuing an aggressive sales strategy to meet thriving construction and resource development demand

In the Asia-Pacific region, our sales of hydraulic excavators are taking off as a result of a construction boom fueled by the region's economic growth. Our sales are increasing with the further infrastructure development in Singapore, forestry projects in Malaysia, recovery from the floods in Thailand, and mining and palm oil projects in Indonesia.

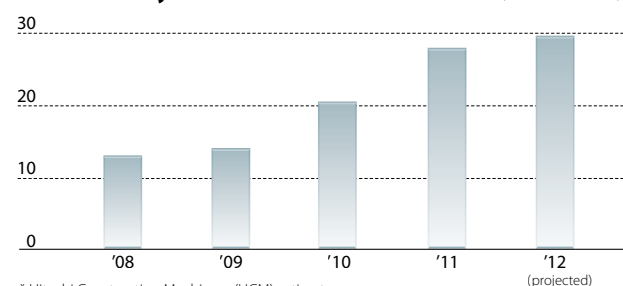
Focusing on the Asia-Pacific region as a major growth market, the Hitachi Construction Machinery Group is expanding its direct sales and service through our local subsidiaries and the Group's business bases. We are aiming to further strengthen our presence in the markets in the region by ensuring greater customer satisfaction through the utilization of our Global e-Service at each base, finding opportunities for large-scale projects, and developing industry-specific sales solutions that offer application products utilizing the knowhow we have accumulated in Japan.

In Australia, the market for resource development, particularly mining and LNG projects, is continuing to grow. Aiming to further expand our market share, the Hitachi Construction Machinery Group set up a joint venture in Australia for retail

financing to meet the strong market demand that takes advantage of the synergies of retailing and finance. In New Zealand, we are growing sales by focusing on forestry and livestock projects.

At the same time, to meet this growing demand, we will increase our local production capacity for hydraulic excavators by expanding our production bases at PT. Hitachi Construction Machinery Indonesia. In all of these ways, we are striving for further business growth in the Asia-Pacific market.

Demand for Hydraulic Excavators in Asia-Pacific (thousand units)



* Hitachi Construction Machinery (HCM) estimates
* Excluding South Korea, Taiwan, India

Activity topic

Strengthening the production system and training of work-ready mechanics in Indonesia

In Indonesia, the demand for hydraulic excavators is being spurred by favorable demand in the infrastructure, mining, forestry, and plantation sectors accompanying the growth of the Indonesian economy. Particularly in the mining sector, increases in the sales of ultra-large hydraulic excavators and dump trucks are forecast beginning with coal.

In order to respond to the demand in Indonesia, which has become a major market for hydraulic excavators, PT. Hitachi Construction Machinery Indonesia will enlarge its existing Cibitung Plant on Java Island, as well as construct a new plant nearby. They are planning to increase production of medium hydraulic

excavators by 80% and welding structures for ultra-large machinery by 60% by March 31, 2014. At the new plant they will manufacture welding structures for ultra-large hydraulic excavators and dump trucks, and supply them to plants in Indonesia and in Japan.

In addition, with the increase of machinery for mining sites, there is a growing need to secure and train enough mechanics to maintain and service the machinery. In September 2011, PT. Hexindo Adiperkasa established the Balikpapan Training Center to provide training for the maintenance and service of mining machinery.



Conceptual drawing of new plant
(PT. Hitachi Construction Machinery Indonesia)



Balikpapan Training Center
(PT. Hexindo Adiperkasa)



Mining machinery maintenance & servicing training

CSR Topics

Looking towards sustainable development

Fostering employee unity through training and events

(Hitachi Construction Machinery Asia and Pacific)

Since fiscal 2010, Hitachi Construction Machinery Asia and Pacific has been conducting “*Kenkijin* Spirit training” to foster a sense of unity among employees and improve teamwork, as well as to promote a proper work-life balance. The training centers on workshops focusing on the three main concepts defining the *Kenkijin* Spirit: Challenge (spirit of challenge), Customer (individual customer orientation), and Communication (open atmosphere). Working collaboratively in teams, the participants enhance their communication and teamwork skills and creating methods to solve problems.

In addition to this training, Hitachi Construction Machinery Asia and Pacific holds bowling tournaments, karaoke competitions, commemorative dinner parties, and the “*Kenkijin* Great Unite” event to boost employee motivation. Through team competitions, the “*Kenkijin* Great Unite” event, helps to foster motivation for

self-development, improve performance as a team, and build strong workplace relations.

Since fiscal 2009, Hitachi Construction Machinery Asia and Pacific has also been conducting employee satisfaction surveys. The surveys conducted in fiscal 2010, when the *Kenkijin* Spirit training was begun, and in fiscal 2011 showed an increased level of employee satisfaction each year over that for the previous year. We will continue to make active efforts to further increase employee satisfaction.



“*Kenkijin* Great Unite” event



Kenkijin Spirit training



Activity topic

Kharagpur Plant — Large-scale next-generation production base plays key role in global hub concept

Starting its operations in 2009, the Kharagpur Plant is a next-generation plant located on a vast site around 20 times the size of Tokyo Dome and constructed at a cost of some US\$125 million. As an independent plant, it is one of the largest-scale production bases in the Hitachi Construction Machinery Group. The plant is now producing hydraulic excavators, dump trucks, and other machinery, and when it swings into full operation, it will have the capacity to produce up to 10,000 units per year.

The Kharagpur Plant was established to serve not only as a supplier for the domestic Indian market but also as a key base for the global hub concept designed to respond to the growing

demand in nearby emerging markets. The plant incorporates many of the latest cutting-edge production systems, including the introduction of robots in the welding line, as well as the adoption of flexible mixed-model production lines to respond to the varied needs of the emerging markets. In addition to the plant itself, an operator training school and guest houses have also been built on the plant grounds. Other facilities are planned, including an R&D center and a meeting hall, and a vender park for parts subcontractors will be established on an adjacent site. The plant's entire production system is being sequentially completed.



Welding of arm for hydraulic excavator



Medium hydraulic excavator assembly line



Engine sub-assembly line

In India

Responding to the Needs of the Growing Indian Construction Machinery Market and Developing a Wide Range of Emerging Markets as a Global Hub for the Hitachi Construction Machinery Group

Market trends and area strategies

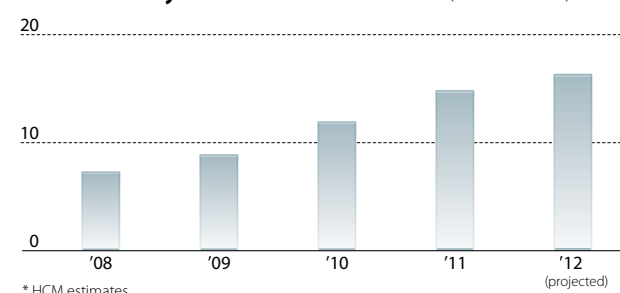
Maintaining a top share in the expanding Indian market based on long years of partnership with the Tata Group

India is poised to become the world's most populous country, forecast to pass China in population by 2025. In its 12th Five-Year Plan, the Indian government announced that it had set a GDP growth rate target for 2012 – 2016 of 9% – 9.5% and planned to invest US\$1 trillion over the five-year period for infrastructure development. Many large-scale projects are being planned for the construction of railways, highways, power stations, subways, ports, airports, waterworks, and so on. Accompanying this burgeoning investment, the domestic Indian construction machinery market, including sales of parts and services, is forecast to expand from US\$7.5 billion in 2010 to US\$13 billion in 2015. However due to the effect of the government's inflation curbing measures, the growth of the construction machinery market slowed somewhat in 2011, and competition in the market grew more intense.

Ever since its technical collaboration with Tata Group, India's largest conglomerate, in 1984, the Hitachi Construction Machinery Group has been making steady inroads in the Indian construction machinery market with its "Tata Hitachi" brand. Telco Construction Equipment (Telcon), a joint venture between Tata Motors and Hitachi Construction Machinery, is the leading provider of hydraulic excavators in India.

The Hitachi Construction Machinery Group has positioned Telcon as a "global hub" for expanding sales in emerging markets in neighboring countries, Africa, the Middle East and elsewhere, in addition of course to supplying the Indian market. As part of this strategy, Telcon started operations at a new next-generation plant for construction machinery, one of the largest in the Hitachi Construction Machinery Group, in 2009, and it has greatly strengthened the Group's R&D capability. We will strive to provide global-quality products and services underpinned by our active human resources and technical exchanges, with the aim of growing our business not only in India but other emerging markets as well.

Demand for Hydraulic Excavators in India (thousand units)



CSR Topics

Looking towards sustainable development

Opening of operator training school to contribute to the creation of employment opportunities for young people

In its efforts to contribute to society, the Tata Group operates many vocational training schools in India targeting the jobless youth as one of its measures for combatting poverty. The Operator Training School in the Kharagpur Plant is one of those schools. Aside from construction machinery operation training, students at the school can also learn the basics of machinery maintenance and assembly, aiming at getting a job at dealerships or at the plant. The training consists of lectures in the classroom using videos and computers and hands-on practice

using actual machinery or replicas. Telcon assists in covering the training costs for some of the courses, and a dormitory has also been provided for students coming from long distances. With the primary objective of having the students acquire high-level skills that can be used anywhere and become independent members of society, the graduates from the school are playing positive roles at Telcon and other companies in the construction and machinery industry.



Operator Training School



Training using actual machinery



Hands-on training with actual machinery or replicas

In Japan

Offering a One-stop Solution for Construction Machinery to Respond Promptly to all the Needs of Our Customers

Market trends and area strategies

Bolstering integration of sales, service, and leasing, and responding flexibly to rising demand accompanying disaster recovery

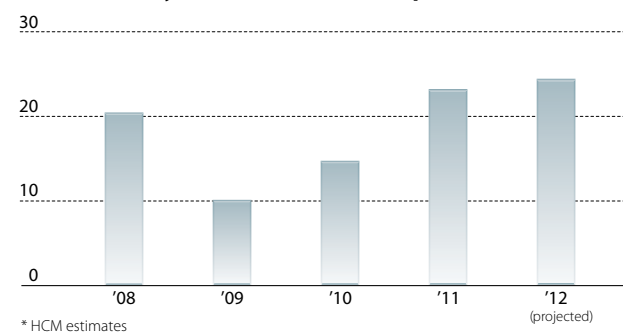
Although the business situation is still severe, the Japanese economy is gradually improving due to increased investment in equipment and plants and rising demand stemming from the disaster recovery. Particularly spurred by recovery efforts from the Tohoku tsunami disaster, demand for hydraulic excavators in fiscal 2011 increased by 58% over the previous fiscal year.

To respond to the increased operation of construction machinery to deal with the disaster recovery, the Hitachi Construction Machinery Group has been working to expand sales of specific machinery for each industry, including promoting the sales of hybrid machinery, meeting the needs from rental companies and users in the non-civil engineering field, while integrating our sales, service, and rental businesses.

With the trend toward stricter regulations on exhaust gas emissions and drastic changes in the domestic market, we are aiming to reform our earnings structure in order to reinforce our

businesses in Japan, a very important market. In April 2012, we integrated Hitachi Construction Machinery's domestic sales and service division and our rental & leasing company Hitachi Construction Machinery REC, and established a new company, Hitachi Construction Machinery Japan.

Demand for Hydraulic Excavators in Japan (thousand units)



Activity topic

Establishment of new Hitachi Construction Machinery Japan to consolidate rental, sales, and service functions

Hitachi Construction Machinery Japan is a new company created with the integration of Hitachi Construction Machinery's domestic sales and service, and rental company Hitachi Construction Machinery REC. It aims to provide a one-stop solution to respond to customer demands to rent machinery (Rentals), buy machinery (Sales), and have their machinery maintained and repaired (Service). By integrating the rental, sales, services (RSS) functions of our 8 regional sales offices, 28 sales branch, offices and 237 servicing offices, we will be able to cover nearly all of Japan. We are providing the optimal usage of construction machinery to meet the needs of our customers with the utilization of this business network, the biggest in the industry. Our new company has also introduced the industry's first RSS "Benefit Point System," under which customers receive points per transaction amount for rentals, purchases, or repairs.

Moreover, if a customer repeats transactions for rentals, purchases, or servicing, the customer receives special RSS points, which can be utilized for discounts for the purchase of general selected products or genuine parts. The customer satisfaction we are offering can only be provided by services from a company completely integrating RSS.

Chugoku region

- Sales office (Hatsukaichi City, Hiroshima Prefecture)
- Branch sales offices: 2
- Servicing offices: 8

Kyushu region

- Sales office (Kasuya District, Fukuoka Prefecture)
- Branch sales offices: 3
- Servicing offices: 28

Kansai/Shikoku region

- Sales office (Otokuni District, Kyoto Prefecture)
- Branch sales offices: 5
- Servicing offices: 40

Hokkaido region

- Sales office (Ishikari City, Hokkaido)
- Branch sales offices: 4
- Servicing offices: 3

Tohoku region

- Sales office (Tagajo City, Miyagi Prefecture)
- Branch sales offices: 2
- Servicing offices: 28

North Kanto/Shinetsu region

- Sales office (Maebashi City, Gunma Prefecture)
- Branch sales offices: 3
- Servicing offices: 28

Kanto region

- Sales offices (Soka City, Saitama Prefecture)
- Branch sales offices: 5
- Servicing offices: 38

Chubu region

- Sales office (Naka Ward, Nagoya City)
- Branch sales offices: 4
- Servicing offices: 28

Okinawa region

- Sales office

- Joint branch sales office -servicing office

- Branch sales office

- Group companies

(As of April 1, 2012)

CSR Topics

Looking towards sustainable development

Supporting the recovery from the tsunami and nuclear disasters by offering high-performance twin-arm machinery and remote-controlled machinery

Construction machinery is indispensable not only for normal construction and engineering work but also for recovery and reconstruction from natural disasters. The Great East Japan Earthquake caused unprecedented damage in the Tohoku region in northeastern Japan, and a great deal of construction machinery and equipment is playing the central role for the removal of the massive amounts of rubble and debris in the disaster-hit areas.

After the Tohoku earthquake and tsunami disaster struck, Hitachi Construction Machinery provided twin-arm machinery ASTACO-NEO, which can do complex operations that ordinary hydraulic excavators cannot handle, to disaster-hit areas in May and June 2011. They were used for the removal of containers from Ishinomaki City in Miyagi Prefecture and for cleaning up rubble in Minamisanriku Town in Iwate Prefecture. Based on discussions and collaboration among Tokyo Electric Power

specialized agencies, and industry organizations, we also provided machinery such as crawler carriers, large crushers and dismantling machines, and large cranes that had been modified for remote control operations at the Fukushima Daiichi Nuclear Power Station. Hitachi Construction Machinery has contributed around 20 machinery units up to now for clean-up operations at the Fukushima nuclear power plant.



Twin-arm machinery ASTACO-NEO in operation in Ishinomaki City



ZX120 excavator cleaning up rubble



In China

Pursuing “Total Quality” for Products, Sales, Service — Bolstering Our Competitiveness in the World’s Largest Market, China

Market trends and area strategies

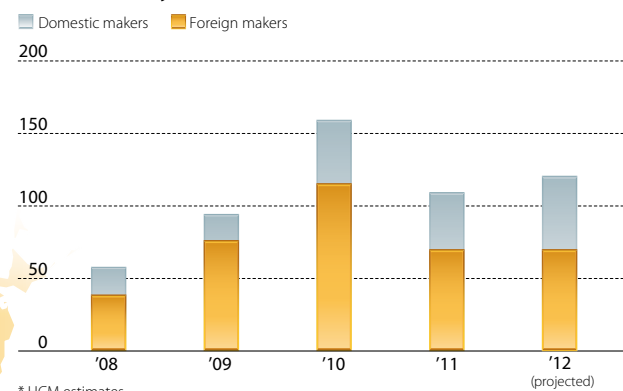
Enhancing our dealer network by focusing on special characteristics of each region to respond specifically to the diverse needs of the Chinese market

Buoyed by strong investment in building construction and infrastructure, the construction machinery market in China has generally shown continued rapid growth, although in fiscal 2011, impacted by the postponed commencement of new projects due to the Chinese government’s continuation of its tight-money policy, demand fell significantly from the previous fiscal year. In addition, Chinese domestic construction machinery makers are rapidly expanding their share in the Chinese market, further intensifying competition with foreign manufacturers, which have been leading the market.

In order to increase its presence in the Chinese market, the Hitachi Construction Machinery Group is carrying out in-depth market research on each product type, and moving forward with a region-specific strategy to respond more closely to the needs of each region. Diverse markets are intertwined within the vast Chinese market, from regions such as along the coasts where a definite level of urban infrastructure has already been developed to inland regions that are heading into a stage of full-fledged infrastructure development. Thus the Hitachi Construction Machinery Group is enhancing its dealer network to match the market scale and growth of each region. We are also reinforcing our business support to dealers by establishing branch offices to oversee important areas, dispatching local representatives to assist dealers, fully introducing service and product sales management systems, and utilizing our “Global e-Service” system.

From now on we will enhance the R&D division at Hitachi Construction Machinery (China), which is our production and development base in China, to advance our development of machinery specifications and applications that work best for the Chinese market and heighten China’s role as an engineering and technology base. By further localizing productions, we will also strengthen our cost competitiveness.

Demand for Hydraulic Excavators in China (thousand units)



* HCM estimates

Activity topic

Strong support for dealer sales and service operation through sharing of sales information and training

Providing “total quality” service is vital for increasing our presence in the highly competitive Chinese market. This includes customer-oriented proposal-based sales that very accurately grasp and meet customers’ needs, prompt delivery of the purchased machinery and supply of parts in emergencies, and regular and effective maintenance checks, in addition, naturally, to ensuring the performance and quality of the product itself. Aiming to further enhance this total quality, the Hitachi Construction Machinery Group is focused on providing full support to dealers in their local sales and service efforts.

For example, we have introduced our “Hi-Step” data processing system, which allows the sharing of data and information collected through sales activities among each dealer,

Hitachi Construction Machinery (Shanghai), and Hitachi Construction Machinery in Japan. In fiscal 2011, we made inputting data by cellular telephone easier and more efficient, thus promoting the collection and utilization of sales information in real time. In addition to deploying service personnel from Hitachi Construction Machinery (Shanghai) at dealers to help provide technical training and knowhow to them, we have also started a training system for dealer service staff in collaboration with local technical colleges. We have also introduced our “HICAL2” e-learning system, which allows training through the Internet. Also by focusing on accurately grasping the degree of dealer staff’s understanding of training provided and their skill level, we can support the faster development of their capabilities.



Training on ZAXIS-5G operation (at ELLE Construction Machinery (China))



Demonstration of forestry machinery (on Hainan Island)



Demonstration of application machinery (Guangxi Province)

CSR Topics

Looking towards sustainable development

Joint research project with Zhejiang University on technology for improving fuel efficiency

In China, where the yearly operating time for one hydraulic excavator is two or three times that in Japan, improving fuel efficiency for reducing gas emissions and holding down fuel costs has become an important issue. To respond to these market needs, Hitachi Construction Machinery is partnering with Zhejiang University and Hitachi (China) Research and Development Corporation, a Hitachi Group subsidiary in China, to tackle research and development for new technology to reduce the fuel consumption of hydraulic excavators. Zhejiang University is one of the top universities in China in the field of fluid-related technologies, particularly hydraulic technology, and it is touted for its improvements in hydraulic systems and simulation technology for hydraulic machines. In addition to establishing a joint research laboratory at Zhejiang University in 2005, Hitachi Construction Machinery has further promoted human resources exchanges with the university by inviting students to visit our Tsuchiura Works in Japan. By deepening our cooperative relations with Chinese universities and

research institutes, we are aiming to develop technologies and products that will contribute to the sustainable socioeconomic growth of China.



Concluding a contract for joint research

Market trends and area strategies

Targeting growth markets and business expansion, establishing business networks

Although improvements have been seen in some of Europe's economies, concerns about the downside economic risks due to the expanding debt crisis still remain. Demand for construction machinery remains stable in Britain, Germany, France, and northern Europe, but it fell sharply from the previous year in Italy, Spain, and elsewhere, widening the disparity in demand within Europe.

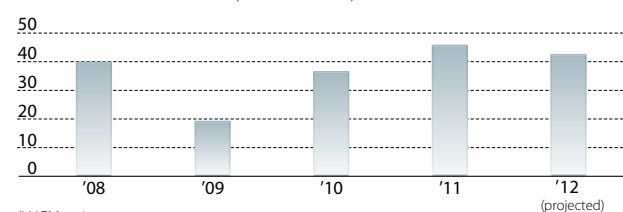
Reacting to this situation, the Hitachi Construction Machinery Group focused on enhancing its dedicated support to dealers, seeking to increase market share by expanding sales of crawler and wheel hydraulic excavators, mini excavators, and our expanded line-up of wheel loaders. To keep pace with the increase in the number of machinery units in actual operation in Europe, we also established a new parts center in Oosterhout in the Netherlands. We will improve operational efficiency of the center and parts supply capability, aiming to double the sales of parts in the European market.

The demand for construction machinery in Russia and the other CIS countries is improving, with increased orders from infrastructure projects related to oil, gas, and other resources development and mining projects. Particular attention will be paid to the mining business, the region for which stretches from the Ukraine to Kazakhstan and the Kuzbass region in Russia, where many mines are concentrated, as a promising market.

To take advantage of this situation, the Hitachi Construction Machinery Group has been bolstering its dealer support system through Hitachi Construction Machinery Eurasia Sales, and striving to enhance dealers' sales and service capabilities in order to expand our base of major customers and increase our mining machinery business. By constructing a new plant for local production and other steps, we are making strong efforts to build up operations that will be firmly rooted in the Russian market.

Demand in the Middle East market is growing steadily, with expanding natural resources development in Turkey and increasing numbers of overseas construction projects for major contractors. In April 2011 the Hitachi Construction Machinery Group established Hitachi Construction Machinery Middle East, with the aim of developing the markets in the mining, civil engineering and construction, and quarrying industries in the Middle East and northeastern Africa. Through our dealers, we intend to increase the number of our large-volume orders from the government sector and expand our presence in local markets.

Demand for Hydraulic Excavators in Europe, Russia, CIS, and the Middle East (thousand units)



* HCM estimates

* Figures for Russia based on factory shipments, including local production.

* Figures for the Middle East based on factory shipments.

Activity topic

Construction of production plant to establish a firm business foundation in Russia

Demand for construction and mining machinery is forecast to further increase in Russia. To boost our competitiveness (lower costs, faster delivery) in Russia and increase local procurement by developing ties with suppliers, the Hitachi Construction Machinery Group established Hitachi Construction Machinery Eurasia Manufacturing, a local production company, in the suburbs of the city of Tver in Tver Province near Moscow. Since the Soviet era, Tver has been a traditional industrial city, and one of its features is its availability of skilled industrial workers who have experience working in plants. Spread over an area of 400,000 square meters, the new Tver plant will be able to produce 2,000 medium hydraulic excavators per year. A groundbreaking ceremony for the new plant was held in November 2011, and construction is currently moving forward at a fast pace with a target of starting production at the plant by October 2013.



Conceptual drawing of production plant in Russia



ZX350LC excavator with telescopic arm and clamshell bucket in operation excavating a tunnel for the London Underground



ZW310 wheel loader loading truck at site in Turkey



EH3500 dump truck assembled and delivered to the mine in Central Asia

CSR Topics

Looking Towards Sustainable Development

Protecting and respecting human rights and diversity

(Hitachi Construction Machinery Europe)

Hitachi Construction Machinery Europe has been participating in the “Human Rights and Diversity Project,” which Hitachi Europe, the European base for Hitachi, Ltd., has been conducting since fiscal 2009. As part of this project, in February 2011, Hitachi Europe held training for all executives, including directors, on the theme of “protecting and respecting human rights and diversity,” with the purpose of raising awareness of these issues. In this training, specialists on human rights and diversity at Hitachi Europe explained with concrete examples what kind of impact the ensuring and respecting of human rights has on corporate management and why protecting and respecting diversity is meaningful and necessary. The training was very successful in promoting deeper understanding of these issues among Hitachi executives.

Hitachi, Ltd. has been a member of the United Nations

Global Compact since February 2009, and in line with the “Global Compact’s Ten Principles,” we have been striving to protect and respect human rights and diversity. With increasing workplace opportunities for women in Europe in recent years, since fiscal 2012, Hitachi Europe has been working to develop a system, especially focusing on gender diversity, that can allow each individual to make maximum use of his or her capabilities and skills. As one of the members of the Hitachi Group, Hitachi Construction Machinery Europe will also join in this effort to create such workplaces.



Training session

In Europe,
Russia, CIS and
the Middle East

Strengthening Local Production and Sales Networks to Respond to Rising Demand in Emerging Countries



In Africa

Construction Machinery Solutions Contributing to Sustainable Development of African Communities

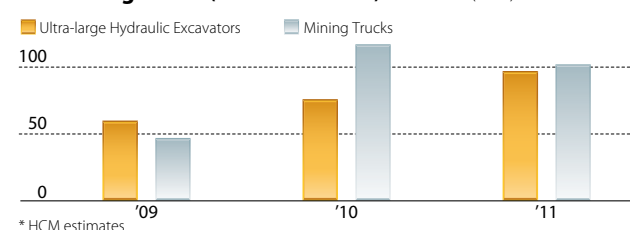


Market trends and area strategies

Strengthening sales and service networks for development of mining market

As prices for natural resources rise in Africa, allowing better profit margins, the market for mining machinery is rapidly growing to keep pace with the burgeoning investment in mining. The Hitachi Construction Machinery Group is working to strengthen its networks in Africa in order to allow direct maker maintenance and service to meet the needs of the expanding mining business. Our maintenance support for keeping high machinery availability at the scorching worksite of Africa's the only large-scale coal mine in Mozambique has been highly evaluated by users. We have also constructed and started operations of our remanufacturing parts plant in the Zambian capital of Lusaka in southern Africa. We are also cooperating with regional dealers in northern, western, and central Africa to develop effective sales strategies. Collaborating closely with our dealers and making full use of our strong reputation in the mining market, we are aiming to strengthen our sales and service network for construction machinery as well.

Demand for Ultra-large Hydraulic Excavators (100 tons and above) and Mining Trucks (150 tons and above) in Africa (units)



CSR Topics Looking towards sustainable development

Strengthening human resources development of national staff for future development of Mozambique society

There are many people in their 20s and 30s in Mozambique, where a civil war raged until around 20 years ago, who were unable to get a satisfactory education and have no job experience. Under this situation, Hitachi Construction Machinery Mozambique, which was established in October 2010, has been aggressively employing national staff as maintenance and service personnel with a view toward expanding local employment opportunities. In addition to on-the-job training conducted by Hitachi Japanese-Brazilian staff, who are fluent in the Mozambique national language of Portuguese, training is also provided at Hitachi Construction Machinery Africa in the Republic of South Africa. In the future, we will establish training sites in Mozambique, and with full consideration of Mozambique's cultural background, we will continue to foster the human resources that will help lead the future of Mozambique.



National Mozambique staff and Japanese-Brazilian Staff

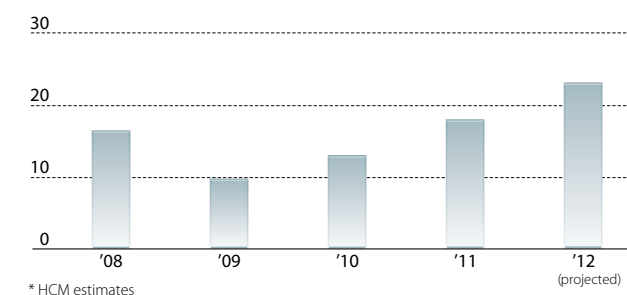
Market trends and area strategies

Promoting sales of new machinery in response to new U.S. emissions standards

The U.S. economy is continuing a mild recovery as personal consumption has picked up and corporations are increasing capital spending. The GDP growth rate has been about level since 2010, and new housing starts have shown a fundamentally positive increase over the previous year. In this economic climate, the demand for construction machinery in fiscal 2011 remained steady in energy-related industries, and with sales of new machinery to comply with new U.S. emissions regulations going favorably, demand overall is moving in a positive direction.

As a result of our efforts to promote sales, particularly of new machinery meeting the new emissions standards, our consolidated sales reached ¥92.324 billion (up 148% over the previous fiscal year). Moreover, in the market, exports of used hydraulic excavators still continue to greatly exceed imports, and rental companies are moving to update their asset holdings.

Demand for Hydraulic Excavators in North America (thousand units)



Activity topic

Opening up the growing Brazilian market — Operation of new hydraulic excavator plant to start by 2013

Infrastructure development and building construction are showing active gains now in Brazil, as the nation gears up to host soccer's World Cup in 2014 and the Olympic Games in 2016. Demand for hydraulic excavators



Unveiling of commemorative plaque at plant groundbreaking ceremony

(excluding mini excavators of less than 6 tons operating weight) in Brazil is forecast to rise from some 5,700 units in 2010 to 9,600 units in 2015. To meet this growing market demand, in October 2011, Hitachi Construction Machinery established a joint venture with the major U.S. agricultural machinery manufacturer Deere & Company in the city of Indaiatuba (population of 181,000, 110 kilometers from Sao Paulo) in the state of Sao Paulo. A new production plant for hydraulic excavators is scheduled to go into operation in July 2013. Production at the new plant will increase from 90 units, planned for the first fiscal year, to 1,200 units after five years, serving to greatly expand Hitachi's share in the Brazilian market.

In this new venture, Hitachi Construction Machinery is offering its world-leading technology for hydraulic excavators, the joint venture will handle local production, and Deere & Company, which has a firm foundation in Brazil for agricultural machinery, will handle marketing. Developing our valuable partnership in North, Central, and South America, Hitachi Construction Machinery and Deere & Company will continue to pursue long-term opportunities for growth.



In the Americas

Sales Start of New Models in Response to U.S. Environmental Regulations — Construction of New Plant Begun as Step Toward Opening up Growing Brazilian Market



Overview of Performance by Business Segment

Construction machinery

Sales expanding for new environmentally conscious products in addition to existing mainstay products

Within the line-up of our mainstay hydraulic excavators, Hitachi Construction Machinery has been making strong efforts to promote sales of the ZAXIS-5 series and the wheel loader ZW series, both of which can meet strict CO₂ emission regulations in any country, as well as launching the ZAXIS-5G, a model specifically for emerging nations, into these new markets. We also focused on readying for commercial sale our new-generation ZH200 hybrid excavators and on promoting their sales.

At the same time, in the resources development sector, we have expanded sales of our electrically driven ultra-large hydraulic excavators, which reduce operating costs and lessen environmental impact, in addition to sales of our EX-6 series of ultra-large hydraulic excavators. We have also steadily increased sales of our high-performance mining dump trucks equipped with AC electric-drive systems. This fiscal year, Hitachi Construction Machinery will release the 300-ton-payload-class EH5000AC-3 dump truck, bolstering our line-up of dump trucks for mining operations. And further contributing to our business performance have been our increased sales of parts and services

for mining use machinery.

Our consolidated net sales for construction machinery in fiscal 2012 reached ¥749.777 billion (5% increase over fiscal 2011).



ZH200 hybrid excavator

Industrial vehicles

Favorable trends for forklifts, large-sized specialty vehicles

Although domestic Japanese demand for Hitachi Construction Machinery's mainstay forklifts remained stable, from the latter half of fiscal 2011, overseas orders declined due to the impact of the exchange rate. We aggressively sought to expand sales in China, particularly with the marketing of our FB-W series of battery-powered forklifts as a strategic model especially for the region. In addition, TCM Asia Distribution which covers Southeast

Asia and Oceania, established a representative office in Australia to gather information on user needs in the region.

Orders for our large-sized specialty vehicles also remained strong, particularly for port-related products.

Our consolidated net sales in this segment increased to ¥67.366 billion (11% over fiscal 2011).

Integration of forklift business

Establishment of new company to enhance competitiveness in growing markets

The global forklift market is being led by demand in emerging countries, and high growth is expected in the future. With the tightening of environmental regulations, particularly in advanced countries, there is an increasing need for machinery that curbs CO₂ emissions and for other environmentally conscious products. In order to enhance our competitiveness in these growth markets, the Hitachi Construction Machinery Group decided to integrate our forklift business operations with those of the Nissan Motor Co. Group.

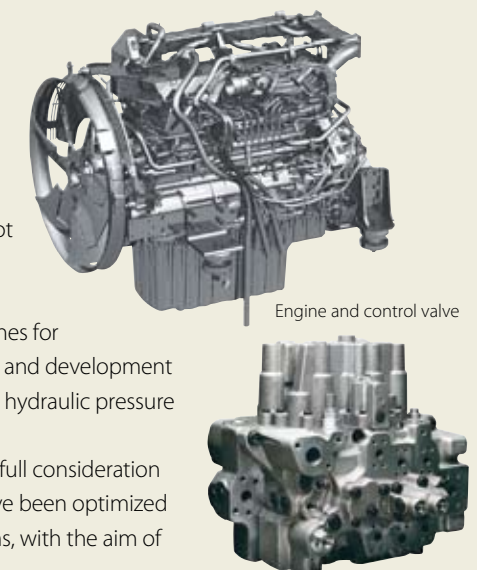
The new venture, called UniCarriers, has been set up by Innovation Network Corp. of Japan (53.3% share), which supports next-generation industries, Hitachi Construction Machinery (26.7%), and Nissan Motor Co. (20%), and is scheduled to begin operations in 2012. The new company aims to expand market share in growing markets by concentrating the investment on developing emerging nations' markets and improving environmentally responsive technology, in addition to maintaining and expanding existing businesses.

Taking Advantage of the Strength of the Hitachi Group to Develop Construction Machinery Responding to the Demands of the Times

Making partnerships with leading engine manufacturers for the best match-ups for hydraulic systems

Depending on the model and class, our construction machinery is equipped with a wide range of engines, from our smallest with two horsepower (86 cc) to our largest with 3,000 horsepower (76,300 cc). Developing and manufacturing these engines with such a wide array of specifications would not be efficient from the aspects of research and development and facilities investment. Hence, by making global partnerships with leading engine manufacturers (currently eight) companies, we are procuring the optimal engines for each machinery model and class, allowing us to concentrate our own research and development resources on technology for hydraulic pumps and control valves for regulating hydraulic pressure and oil amount, hydraulic systems, and so on.

We of course do not just simply accept supplies of engines. Taking into full consideration the fuel quality in each country, we equip our machinery with engines that have been optimized for Hitachi Construction Machinery's body frames and hydraulic control systems, with the aim of improving overall fuel efficiency.

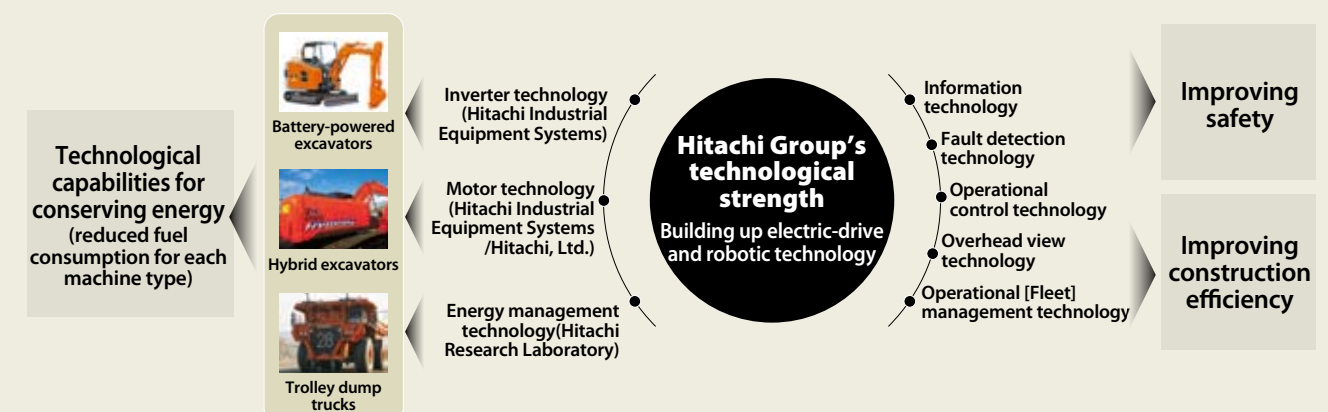


Moving ahead with electric-drive systems and robotization for better environmental performance, safety, and operational efficiency of construction machinery

Aiming for the commercialization of construction machinery with outstanding operational efficiency, safety, and compatibility with the environment, Hitachi Construction Machinery is working to develop technology for electric-drive and hybrid systems and the utilization of robotic technology, by making full use of the Hitachi Group's total array of technology.

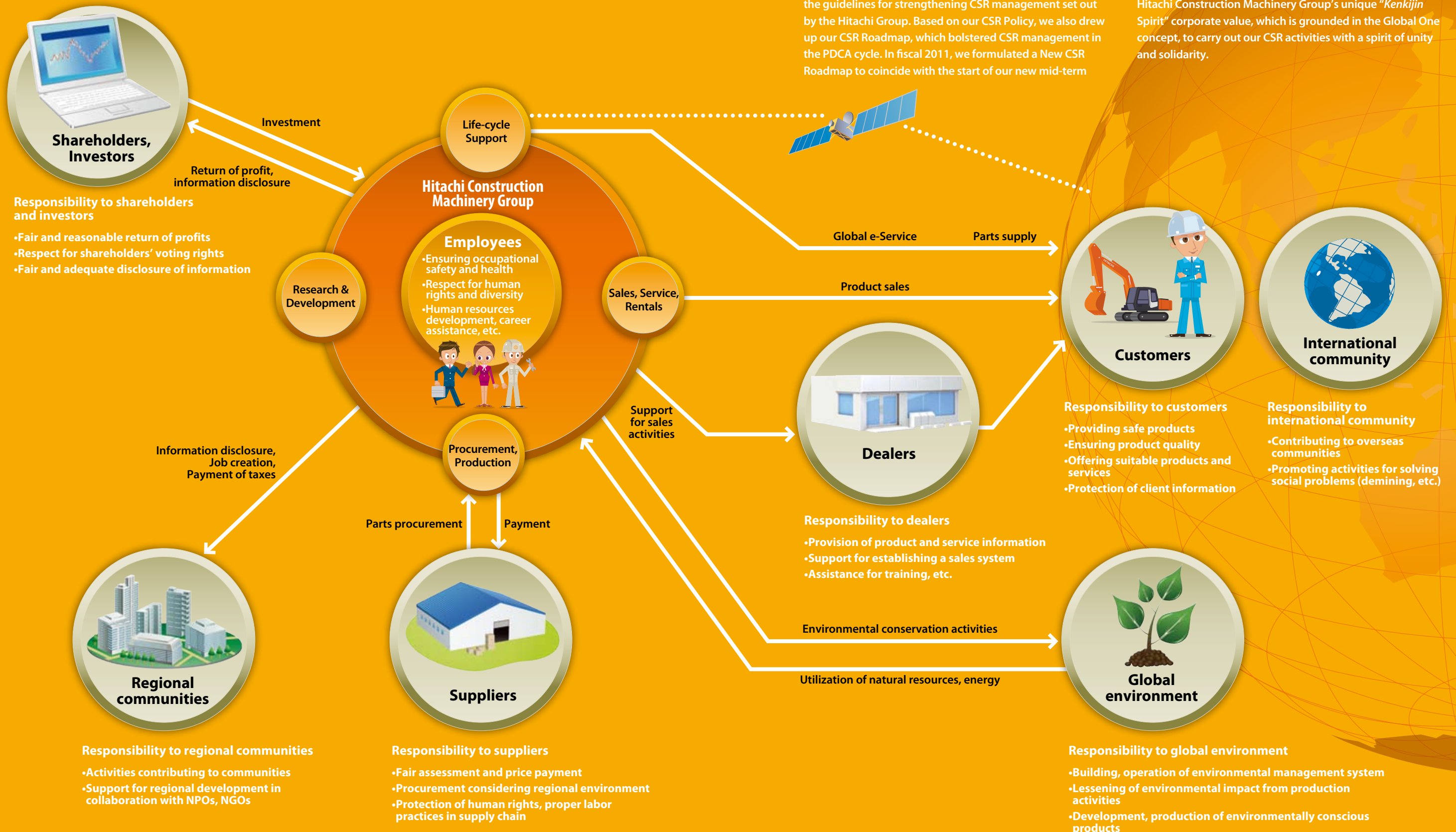
The ZH200 series of 20-ton-class hydraulic excavators, which we released in July 2011, is a next-generation hybrid machine that was developed through the culmination of the electric-drive technology Hitachi Construction Machinery has been developing over many years. While maintaining equal or superior performance and operability, the ZH200 excavators have around 20% better fuel efficiency compared to current models. We have also been able to hold down costs by utilizing power-related parts used for automobiles for the electric-drive parts. And even if for some reason an electric-drive device should break down, the excavator can be switched to the independent diesel mode, and operation can be continued. In these ways, we have been paying our utmost attention to ensuring reliability and safety.

Regarding the robotization of construction machinery, we are working on human interface innovations by introducing monitors for ascertaining surrounding conditions and "intelligent control" technology that allows the machinery itself to provide support for the greater safety and reliability of the operation by the machine operator. We are also striving to improve the functionality of excavators' front attachments and undercarriages so that they can do more complex and advanced operations. We are also focusing research on ways to connect individual units of construction machinery to outside networks to make overall operations at construction sites more efficient.



Strengthening CSR Management

Making CSR management a driving force for corporate growth — Promoting a widely symbiotic coexistence with society by keeping in harmony with nature, contributing to society, and participating in cultural activities, while maintaining stable profitability



Building relations of trust with stakeholders

Building strong relations of trust with the various stakeholders — customers, of course, employees, business partners, and local communities — is indispensable for proceeding smoothly with business activities. In order to grasp accurately the impact our business activities have on stakeholders and to take responsible and specific actions for stakeholders, the Hitachi Construction Machinery Group formulated in fiscal 2005 its CSR Policy, in accordance with the guidelines for strengthening CSR management set out by the Hitachi Group. Based on our CSR Policy, we also drew up our CSR Roadmap, which bolstered CSR management in the PDCA cycle. In fiscal 2011, we formulated a New CSR Roadmap to coincide with the start of our new mid-term

management plan, "Go Together 2013" (see p. 35). In drawing up the New Roadmap, we once again examined and considered issues related to the Hitachi Construction Machinery Group's CSR, following the "seven core subjects of ISO 26000," and developed an action plan for resolving those issues. The slogan for the mid-term management plan, which is based on the action plan, is "Global One." What this means is that we will share among all Group employees the Hitachi Construction Machinery Group's unique "Kenkijin Spirit" corporate value, which is grounded in the Global One concept, to carry out our CSR activities with a spirit of unity and solidarity.

Enhancing Our CSR Management

Making of our New CSR Roadmap based on the ISO 26000 guidelines strengthens our CSR management as a global corporation

*...Partially achieved **...Almost completely achieved ***...Completely achieved

Policy	Our vision	Themes	FY 2011 action plans		Status of measures implemented in fiscal 2011	Evaluation	Measures for fiscal 2012	Measures for fiscal 2013
1 Commitment to Corporate Social Responsibility (CSR)	<ul style="list-style-type: none"> With full understanding of the aims and policies of our CSR activities, all executives and employees of the Hitachi Construction Machinery Group are able to integrate and respond to these goals in their own work. 	CSR communication	Holding Reading Meetings of CSR Reports at domestic Group companies Expanding CSR education to Group companies overseas		Implementation at Hitachi Sumitomo Heavy Industries and Construction Crane. (reported in CSR Activity News on website) Implementation of CSR education at Hitachi Construction Machinery (Europe) (p. 28)	*** **	Holding of Meetings for Reading CSR Reports at domestic Group companies and some overseas Group companies Full-fledged conducting (HGB) of basic CSR education at overseas Hitachi Construction Machinery Group companies (p. 53)	Holding of Meetings for Reading CSR Reports at overseas Group companies Evaluation and quantification of CSR education
		Implementing risk management	Specifying major risks (domestic and overseas Group companies) Formulation and publicizing of BCP roadmaps Developing Due Diligence mechanisms		Ongoing implementation in domestic Group companies Introduction of Safety Assurance System, Disaster Recovery System (p. 55) Under consideration — insufficient adoption of ISO 26000 standards	** *	Determining risk management countermeasures (risk evaluation) (domestic and overseas Group companies) Establishing BCP practices (domestic Group companies) Internal expansion of ISO 26000 practices	Implementation of measures for decreasing major risks (domestic and overseas Group companies) Establishing BCP practices (overseas Group companies) Expansion of ISO 26000 practices by Group companies
		Engagement of stakeholders (Acquisition of information and exchanges of views leading to informed consultations on management decisions)	Planning and facilitation of stakeholder communication		Planning and drafting	**	Implementing Stakeholder Communication programs	Continuing Stakeholder Communication programs
2 Contribution to Society through our Business	<ul style="list-style-type: none"> The Hitachi Construction Machinery Group is gaining the trust of our customers worldwide as a major global player. We are meeting the challenge of addressing globally environmental issues through our products and solutions. 	Achieving Mid-term Management Plan “Go Together 2013”	Implementing “Go Together 2013” measures Incorporating CSR into our business strategy		Preparation of New CSR Roadmap (pp. 35–36)	***	Implementing “Go Together 2013” measures	Implementing “Go Together 2013” measures
		Ongoing implementation of information management and systems integration programs	Promoting optimal use of “HI-STEP”		Introduction of system developed in China to other Group companies around the world (p. 38)	***	Conducting surveys on status of activities for improving CS (domestic and overseas Group companies)	Preparing tools for improving CS
		Pursuit of sustainable designs	Ensuring product quality Ensuring performance quality and adherence to social and environmental quality standards during entire product lifecycle (developing evaluation standards)		Holding of Global Quality Assurance Department Managers’ Meeting (p. 37) Conducting global production quality checks at each production base (p. 37)	*** ***	Ensuring product quality Ensuring performance quality and adherence to social and environmental quality standards during entire product lifecycle (evaluation, improvements based on evaluation standards)	Ensuring product quality Ensuring performance quality and adherence to social and environmental quality standards during entire product lifecycle (including safety risks)
3 Disclosure of Information and stakeholder engagement	<ul style="list-style-type: none"> Increasing stakeholder trust through continuous dialogue with them on all our corporate activities Disclosing information on risks, demerits, and social costs for all our corporate activities 	Firm adherence to our disclosure policy and prompt dissemination and management of timely information	Listing of publicly disclosed information Specifying of schedule and manner for public disclosure of information Enhancing brand strength (Kenjin Spirit)		Making available materials with website revision Materials for budget explanation meeting now available (in Japanese and English) Conducting of Kenjin Spirit training (p. 20)	*** *** **	Disclosure of information outside the Group companies Announcement of news releases for domestic and overseas Group companies Bolstering the brand strength (Kenjin Spirit)	Appropriate management of internal and external information Highly fair and transparent disclosure of information Promoting the brand strength (Kenjin Spirit)
		Disclosure of information on risks, demerits, and social costs	Application of information disclosure standards (including for both domestic and overseas Group companies) Efforts for developing Key Performance Indicators (KPIs)		Holding of Global Brand Meeting for representatives Promotion through diversity sub-committees (pp. 39–40)	** **	Operation of information disclosure standards (domestic and overseas Group companies) Measurement, disclosure by KPI evaluation	Operation of information disclosure standards (domestic and overseas Group companies) Measurement, disclosure by KPI evaluation
4 Corporate Ethics and Human Rights	<ul style="list-style-type: none"> All Hitachi Construction Machinery Group executives and employees fully understand the Hitachi Construction Machinery Code of Conduct and act in accordance with the Code in all aspects of their work. We have established internal controls conforming to global standards at our Group companies worldwide. 	Conducting of human rights and compliance education and training	Conducting of human rights and compliance education and training (at domestic and overseas Group companies)		Holding of compliance explanation meetings for domestic Group companies Conducting of compliance training at overseas Group companies (China, etc.) (p. 53)	***	Thorough education and training in human rights, compliance	Thorough education and training in human rights, compliance
		Promotion of diversity	Making of systems for promoting diversity Development of human rights and diversity guidelines		Building a foundation for diversity through establishment of Diversity Committee, etc. (pp. 39–40) Study of Hitachi Group human rights policy at Group CSR Meeting	*** **	Expanding diversity in domestic and (a number of) overseas Group companies Establishing human rights guidelines	Expanding diversity to overseas Group companies Establishing diversity guidelines
5 Environmental Conservation	<ul style="list-style-type: none"> We are promoting activities for reducing the burden on ecosystems and the living environment in order to achieve sustainable societies. 	Reducing of environmental burden through uniform management (of CO2, waste materials, water, VOC)	Setting of targets for reducing environmental burden (based on LCA method) Increasing recycling of resources Promotion of energy conservation		Setting targets for Group companies’ CO2 emissions volumes using CO2 emissions forecasting system Achieve targets for waste emissions per sales (domestic, overseas) Responding to demands for cuts in summer electricity usage due to earthquake disaster	*** *** **	Setting targets for reducing environmental burden (based on LCA method) Increasing recycling of resources	Setting targets for reducing environmental burden (based on LCA method) Increasing recycling of resources
		Developing and expanding line-up of eco-products	Adoption of new Assessment for DfE, Version 4		Complete adoption of new Assessment for DfE, Version 4, by Hitachi Construction Machinery and domestic Group companies (p. 47)	***	Adoption of new Assessment for DfE, Version 4 (overseas Group companies)	Adoption of new Assessment for DfE, Version 4
6 Corporate Citizenship Activities	<ul style="list-style-type: none"> We are positively carrying out corporate citizenship activities that optimally utilize our strengths and unique characteristics in accordance with the Hitachi Construction Machinery Group’s social contribution policy for realizing better societies. 	Humanitarian support	Support for demining activities		Provision of demining equipment to Cambodia (p. 45) Total of 86 demining units to 9 countries 74 domestic lectures reaching 9,300 people	***	Supporting demining activities	Supporting demining activities
		Environmental conservation	Efforts for protecting biodiversity Concrete efforts: Verification and promotion of conservation efforts at Urahoro Test Site Evaluation of ecosystem services based on ESR sheet		Completion of survey of ecosystem resources at Urahoro Test Site Specifying and mapping of ecosystem services by ESR reevaluation (p. 50)	** ***	Promotion of efforts for protecting biodiversity Concrete effort: Opening of Eco-Schools Recommending efforts to Group companies	Promotion of efforts for protecting biodiversity Concrete effort: Conservation efforts at Urahoro Continuing to recommend efforts to overseas Group companies
		Community coexistence	Promotion of activities by each division, Group company (increasing participation by employees)		Holding of Hitachi Construction Machinery Festival Over 400 employees volunteered for the Kasumigaura Marathon	***	Active involvement in local communities Conducting community educational activities	Active involvement in local communities Implementing risk communication
7 Working Environment	<ul style="list-style-type: none"> Hitachi Construction Machinery Group executives and employees work with a consistently high level of motivation and willingness that facilitates their self-realization through their work at safe and comfortable workplaces. Our executives and employees strike a good balance between work and home in their daily lives. 	Promotion of activities for ensuring occupational health and safety	Promoting the acquisition of OHSAS 18001 Occupational Health and Safety Management certification Acquisition of certification by all main domestic production plants		Hitachi Construction Machinery Tsuchiura Works receives OHSAS 18001 certification in May 2012 (p. 41) TCM Shiga Plant receives certification in March 2012	***	Supporting acquiring of OHSAS 18001 occupational health and safety certification Domestic production bases, main domestic dealerships	Supporting acquiring of OHSAS 18001 occupational health and safety certification Overseas production bases, domestic dealerships
		Promoting work-life balance (increasing employee satisfaction)	Formulating ES survey plan to encompass all Group companies Conducting of surveys based on action plan by Working Culture Reform (promoting work-life balance) Sub-committee		Conducting of diversity awareness survey for Hitachi Construction Machinery employees prior to ES survey (p. 39)	**	Conducting of ES surveys including to Group companies Based on action plan developed by the Working Culture Reform Sub-committee	Conducting of ES surveys including to Group companies Based on action plan developed by the Working Culture Reform Sub-committee
8 Responsible Partnership with Business Partners	<ul style="list-style-type: none"> All of our business partners understand the importance of our CSR activities and work together with us for sustainable growth. Our business partners know that the Hitachi Construction Machinery Group is their best partner and support the Hitachi Construction Machinery brand. 	Moving forward with efforts to promote CSR supply chain management with our business partners	Conducting surveys of our business partners (Hitachi Construction Machinery Group)		Continuing of surveys Widening scope of surveys to overseas suppliers (p. 44)	***	Surveys of business partners (domestic Group companies, some overseas Group companies)	Carrying out surveys of business partners Raising overseas procurement rate
			Responding to requests based on results of surveys Implementing CSR education		Holding of “T-TIPS” training CSR training to be implemented in the next fiscal year (p. 44)	**	Responding to requests based on survey results Conducting of CSR training (domestic Group companies)	Responding to requests based on survey results Conducting of CSR training (expanding training to overseas suppliers at domestic Group companies)

Responsibility to Customers

Striving to Build Firm Relations of Trust by Our Total Commitment to Our “Customer-First” Policy

Product safety and quality control

Quality assurance — concept and system

Ever since our inception, Hitachi, Construction Machinery has maintained a customer-first quality assurance system based on the “quality gleaning”^{*} concept of Hitachi, Ltd.

In September 1995, we obtained ISO 9001 certification, verifying and making clear our commitment to quality assurance policies. We also established the Corporate Quality Assurance Division as our umbrella organization for ensuring the quality of all Hitachi Construction Machinery Group products. This division formulates the policies and sets the targets for product quality, develops strategies and specific measures for implementing them, and oversees their actual execution. In addition, the Quality Assurance Center at the Tsuchiura Works, the Group’s “mother” plant, leads the actual guidance, awareness-building, and training activities for the quality assurance divisions of each Group company. In these ways, we have worked to strengthen our quality assurance system.

To enhance further our global quality assurance system, the Quality Assurance Center at the Tsuchiura Works was placed directly under the Corporate Quality Assurance Division in April 2012. By having the Corporate Quality Assurance Division oversee the quality assurance programs at all of the Group’s production bases in Japan and overseas, we are working to standardize and raise the quality level of the Group’s entire line-up of products, with the aim of realizing a uniform “Made by Hitachi” global quality.

The Corporate Quality Assurance Division collects comments and requests from customers and sales & service personnel as well as information about problems with products through each quality assurance department. This information

is reported at monthly product improvement meetings, which are attended by the president, and after investigation of the underlying cause of a particular problem, countermeasures are taken to prevent any recurrences of the problem in not only the product in question but all other similar products as well.

^{*} Like the painstaking efforts made by the workers in Millet’s painting *The Gleaners*, “quality gleaning” means to re-inspect and verify the causes of problems or accidents, fix the inherent causes, and carry out thorough measures to prevent any recurrence of the problem.

Enhancing global quality assurance activities

Our “Go Together 2013” mid-term management plan lays out various measures for our “change to truly global management.” As part of those efforts, we are strengthening the global quality assurance systems at all of the Hitachi Construction Machinery Group’s production bases in Japan and overseas to support our drive to rapidly become a strong global presence. We are unifying all of our production regulations and standards and quality control indicators, making sure all relevant information is shared, and taking other quality assurance measures to achieve uniform global product quality befitting the “Made by Hitachi” brand.

To realize this “Made by Hitachi” gold standard, we took the following efforts in fiscal 2011.

First, we held a Global Quality Assurance Department Managers’ Meeting, which brought together the heads of the quality assurance departments at all of the Group companies both in Japan and overseas. The meeting was an opportunity to promote quality assurance activities at our domestic and foreign production bases, as well as to discuss the unification of quality control indicators throughout the Group.

In addition, we conducted global production quality checks and product safety checks at each production base, and after quantitatively assessing the quality levels, we instituted mutual improvements at all the bases.

In fiscal 2012, we will also continue to conduct these checks, in addition to carrying out quality improvement projects to provide technical support to our overseas production bases.

From a systemic viewpoint, we will build quality assurance systems to respond to the new demands created by our increased local procurement of parts and worldwide localization of production. We will also strengthen our global development assessment system to ensure product quality from the development stage.

We are also focused on developing the *Mono-Zukuri* (craftsmanship) skills of our global workforce by, among other efforts, providing long-term training for our overseas engineers at the Tsuchiura Works and *Kataribe* training — passing down the technology and technical skills Hitachi has acquired over the years — to technicians involved in production.

Pursuing customer satisfaction

Effective management and utilization of customer information through core customer information management systems

In order to constantly enhance customer satisfaction in today’s rapidly changing global market, developing systems for systematically managing all of the enormous amounts of diverse information on customers is essential. The Hitachi Construction Machinery Group introduced our “Project Plus” system as common Group sales information infrastructure to manage and share information on the progress of business in the domestic market. With the rapid globalization of our activities, we are planning to introduce a similar system for our overseas Group companies.

In fiscal 2008, Hitachi Construction Machinery and Hitachi Construction Machinery (Shanghai) jointly developed our “Hi-STEP”^{*} sales progress management system. The Hi-STEP system allows quick access to customer information, histories of sales staff’s activities, the progress of business negotiations, and so on. Hi-STEP gives dealers, regional sales companies, and other relevant parties a common yardstick for sharing and assessing information. This also allows the entire Group to give individual customers timely and suitable proposals to meet their specific needs, making our sales activities more customer-oriented. Hitachi Construction Machinery incorporated this system into the operations of most of the dealers in China by August 2008. We are currently introducing this system to our major bases in the rest of Asia and other Group companies around the world, including in Italy, and providing each of these companies with support for making optimal use of the system.

^{*} Acronym for Hitachi Sales Technology Evolution Program

Service Advancement Meeting (SAM), a global effort for enhancing customer satisfaction

In order to rank “No. 1 in customer satisfaction (CS),” in October 2008, the Hitachi Construction Machinery Group introduced its “Service Advancement Meeting (SAM),” a program for increasing customer satisfaction, targeted at our overseas Group companies. By fiscal 2010, we had held three SAM meetings.

For the SAM meetings, we bring the customer support managers from our overseas Group companies to Japan, and conduct lectures and workshops on themes such as “acquiring and upgrading your CS knowledge,” “planning and implementing measures for raising CS,” and “disseminating the CS spirit and knowledge within your company and to dealers in your region.”

As a first trial, a “regional SAM” was held in China in fiscal 2011. Participants from local dealers highly evaluated SAM, saying it “led to an upgrading of our knowledge about CS.” We are planning to hold other regional SAMs in India and the Middle East from now.



Regional SAM held in China

“Global Engineering Account” — Creating customer satisfaction through fostering and utilizing global human resources

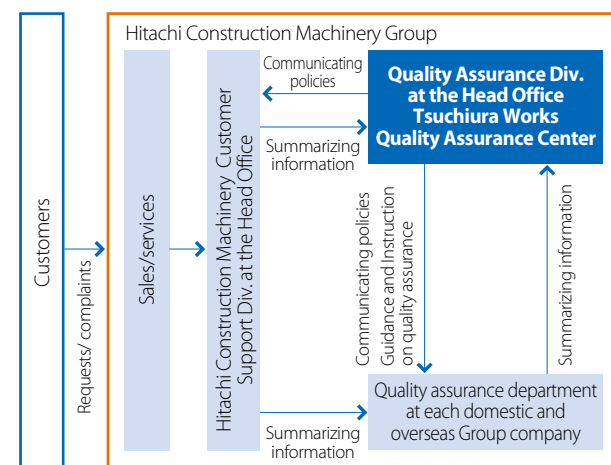
With the rising demand for resources, sales of ultra-large hydraulic excavators and dump trucks are expanding, and this machinery is mainly being used at mining sites. In order to meet customers’ expectations for the performance of this machinery, strengthening customer support is an urgent need.

In collaboration with Hitachi Construction Machinery (Australia), Hitachi Construction Machinery established the Mining Support Human Resources Bank in Australia. In addition, in a human resources development tie-up with a Philippine employment agency, we are planning to train 35 machinery engineers by fiscal 2013.

Since fiscal 2011, we have also been implementing our “Global Engineers Account,” a systematic human resources development program aiming at strengthening support for overseas engineers. Under this program, overseas engineers and technicians are dispatched to mining sites around the world, with the aim of working to create customer satisfaction by providing technical support for mining machinery sold at our overseas dealers. In fiscal 2011, a total of 13 persons — 2 Australians, 9 Filipinos, and 2 Brazilians — were dispatched to mining sites.

We are planning to continue dispatching these valuable human assets to overseas mining sites in fiscal 2012 as well.

Quality Assurance System



Responsibility to Employees

(Protecting and Respecting Human Rights, Promoting Diversity)

Entire Group Committed to Making Workplaces Where Each Employee Feels Pride and Pleasure in Work

Protection of and respect for human rights

Basic thinking on protecting and respecting human rights

The Hitachi Group has made respect for human rights — which for us means the elimination of any discrimination according to gender, age, nationality, ethnicity, and so on and respect for basic human rights at the workplace — a core part of our management thinking as a global enterprise. Based on this perspective, Hitachi, Ltd. became a member of the United Nations Global Compact in February 2009, thus pledging to the international community that the entire Hitachi Group will respect human rights.

In this vein, the Hitachi Construction Machinery Group clearly stated its respect for human rights in our “Hitachi Construction Machinery Group Code of Conduct.”

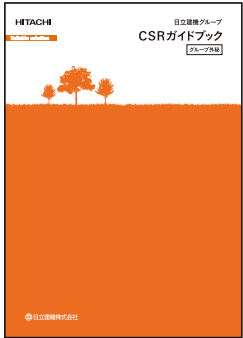
In recent years, awareness of and demand for human rights have been increasing in the global society, and human rights is included as one of the seven core subjects of the ISO 26000 standard, which was issued as guidance for the social responsibility of corporations in October 2011. With these demands for increased social responsibility, in fiscal 2012, the entire Hitachi Group will join together to plan out a “Vision for Human Rights,” which will guide our unceasing responses to the trust given to us by all of our stakeholders.

Revision of CSR Guidebook, distribution to all employees

In April 2006, the Hitachi Construction Machinery Group issued its CSR Guidebook as a guide for every employee to understand correctly our corporate philosophy of acting as a “sensible corporate citizen.” In September of the same year, English and Chinese versions were also issued and distributed to all of the Group’s employees worldwide.

This guidebook is also used in our compliance training and for employee self-examinations during our October “Corporate Ethics Month.”

To respond to the changes inside and outside of our company in recent years, we revised our CSR Guidebook in April 2012, guided in this by the issuing of the ISO 26000 standard and the setting of the “Hitachi Construction Machinery Group Code of Conduct.” We added new sections on respect for human rights and columns on the ISO 26000 and corporate social responsibility.



CSR Guidebook

Welcoming and making the most of diversity

Building an environment for promoting diversity

In its “2020 Vision,” the Hitachi Construction Machinery Group set forth its goal of becoming a “Close and Reliable Partner anywhere on the Earth with Best Solution through *Kenkijin* Spirit” as the model it was seeking over the next 10 years. We believe that to realize this vision and to succeed and become recognized as a truly global corporation, new strategies and new ideas, not just extensions of past thinking, are needed to grow our businesses. For this, respect for diversity is essential. This means recognizing the values and individuality of each and every human asset involved in and supporting our businesses, without regard to ethnicity, nationality, gender, age and so on. Based on this recognition, we have made diversity a vital management issue, and in April 2011, we established a “Diversity Promotion Group” within the CSR Promotion Department to be responsible for championing diversity within our Group.

The Diversity Promotion Group has been making every effort to grasp the current situation regarding diversity by conducting interviews with corporations leading the way on the issue of diversity, as well as by interviewing all department managers and carrying out awareness surveys of all the companies in our Group. They also started up a strategy formulation team, which is in charge of diversity strategy. This momentum led to the establishment of a “Diversity Committee,” which is the main deliberative and decision-making body for advancing diversity.

As a result of these efforts, the 1st Diversity Committee was held in November 2011, with our president acting as committee chairman. The committee approved the setting up of subcommittees for formulating specific measures, and it gave the green light for members of the strategy formulation team to also serve concurrently in the Diversity Promotion Group.

Activities for promoting diversity

The Diversity Promotion Group raised the following five issues for promoting diversity within the Hitachi Construction Machinery Group: “building infrastructure for promoting diversity,” “working culture reform (better work-life balance),” “support for the success of women and minorities,” “support for the success of national staff,” and “globalization on the Japanese side.” Sub-committees were formed to formulate specific measures for addressing each issue, and these sub-committees worked on these issues from November 2011 to March 2012.

Among them, the sub-committees on working culture reform and support for the success of women and minorities

called for the participation of employees, including from other Group companies, as members, and ten volunteering employees were selected for each sub-committee, which they actively participated in.

All the sub-committees made their recommendations to the 2nd Diversity Committee meeting held in March 2012, where they were approved. Based on these recommendations, we will hold awareness-building and other activities for all the companies in the Group in fiscal 2012.

Activity case 1 Efforts of the Support for the Success of Women and Minorities Sub-committee

Launched by the approval of the 1st Diversity Committee in November 2011, the sub-committee on Support for the Success of Women and Minorities began its activities soon after.

Ten participating members, including an employee from Hitachi Construction Machinery (Shanghai), recruited by the sub-committee met five times to discuss diversity models they want to see in the future, analyze current problems, specify problem causes, come up with ideas for corrective measures, and verify the feasibility and decide the priority of the measures.

Based on these results, the sub-committee made recommendations to the 2nd Diversity Committee held in March 2012 to determine the way the Hitachi Construction Machinery Group should proceed in this area, showing “three steps for growth” — “respect for human rights,” “equal opportunities,” and “human resources activities” — as support for the success of women and minorities. The sub-committee recommended 16 specific measures, including the addition of a diversity category in Group evaluations, the introduction and fostering of role models, and programs for training female managers.

In order to facilitate the implementation of these measures, working groups will be set up in fiscal 2012, and further efforts will be made to promote diversity.

Activity case 2 Diversity workshops

Strongly believing that the understanding by corporate management is indispensable for the advancement of diversity, the Diversity Promotion Group conducted “Diversity Workshops for Management,” inviting in outside instructors for the workshops.

The first workshop for managers was held in October 2011, and workshops were held after that from December through January six times for managers at the company headquarters, with 147 persons (98% of all the managers) attending them. Workshops targeting managers were held 16 times in February 2012 in the Tsuchiura area, and 312 managers

(90% of all the managers) participated in them. At these workshops, participants discussed what diversity promotion means for the Hitachi Construction Machinery Group, and deepened their understanding of the importance of diversity promotion and learned what they should do as managers. To further promote diversity, we will carry out diversity awareness-building for employees in all our Group companies.



Diversity workshop for managers

Voice

Members’ animated discussions raised awareness and desire for promotion of diversity

One of our achievements in fiscal 2011 was the activities of a diversity sub-committee comprising employees who were recruited from throughout the Group in order to get the views of real voices from the workplace that will lead to meaningful improvements.

We learned that there were important differences in problem awareness even among the female members of the sub-committee to support the success of women and minorities due to differences in position and workplace environment. Moreover, by gathering employees who share the common desire to improve the Company, very animated and productive discussions were held at each meeting. Stimulated by these discussions, each of the participants found her motivation increased.

In fiscal 2012, we want to encourage continuous measures for fostering awareness of diversity, particularly among rank-and-file employees in response to the situation at each workplace.



Members of the sub-committee to Support the Success of Women and Minorities

Responsibility to Employees

(Occupational Safety and Health and Human Resources Development)

Creating a Safe and Comfortable Workplace Environment and Fostering Diverse Human Resources

Occupational safety and health

Developing a group-wide occupational safety and health management system

The shared policy of all the companies in the Hitachi Construction Machinery Group is to establish a vibrant workplace environment where employees can work comfortably with peace of mind through the reduction of workplace risks and the following of safe practices by raising all employees' awareness of "safety first" and proactively promoting daily safety and health activities. Based on this policy and with each company and office independently and continuously striving to improve its workplaces, we are aiming at creating and maintaining safe and healthy environments for our employees.

In order to promote these efforts throughout the entire Group, our Occupational Safety and Health Promotion Committee meets twice a year to gather information about labor and other accidents that occurred at all companies in our Group, formulate action plans to prevent accidents, and devise specific measures to carry them out.

The committee is building an occupational safety and health management system through the training of officials at each company in our Group in charge of these areas and the sharing of safety and health information throughout the Group. It is also supporting indirectly each company's acquiring of OHSAS 18001 certification, an international standard for occupational health and safety.

The TCM Shiga Plant and the Hitachi Construction Machinery Tsuchiura Works received OHSAS18001 certification In March and May 2012, respectively. Hitachi Construction Machinery Tierra and Hitachi Construction Machinery Camino are proceeding with preparations for building their own workplace safety management systems. These activities will expand further overseas, and in fiscal 2012, Hitachi Construction Machinery China and P.T. Hitachi Construction Machinery Indonesia are planning to begin preparations for building safety management systems.

Full-fledged start of global occupational safety and health activities

In fiscal 2011, the Hitachi Construction Machinery Group launched its "Global Occupational Safety and Health Activities" to promote globally the making of safe and comfortable workplace environments. In June, the Asia-Oceania Liaison Meeting and in November, the Europe-Africa Liaison Meeting and the Manufacturers' Liaison Meeting were held. The aims of these meetings were to exchange information and work toward the creation of uniform health and safety standards.

At present, we are conducting safety inspections of all

companies in the Group, and eliminating gaps in safety and health levels. The inspections are carried out systematically, with companies subject to high risks inspected with more frequency and companies exposed to low risks inspected with less frequency. These and other well-controlled activities are carried out to further ensure workplace safety.

Moreover, in order to continuously encourage improvements and improve the occupational safety and health of workplace environments, each Liaison Meeting is requesting the Group companies in their regions to build Occupational Safety and Health Management Systems.



Occupational safety and health patrol at P.T. Hexindo Adiperkasa

Voice

"Sincere mutual understanding of each other's ideas and mutual consent" laying the basis for future activities

The Global Occupational Safety and Health Activities, which started in fiscal 2011, called for the holding of three liaison meetings. The first aim for the participants in the meetings was to discuss their views and ideas face-to-face with other participants and to mutually and sincerely understand each other's views. Rather than imposing our views, we felt that by allowing each participant to independently explain his or her own activities and efforts, there could be a real unification of the Group's activities.

We also think that having so many employees understand the importance and significance of the occupational safety and health activities through the safety inspections will be a very great boost for our future activities. From now, we would like to further promote the global occupational safety and health activities based on the spirit of "understanding and consent."



Naonori Fujii
Safety & Health Sec.
Human Resource Dept.

Human resources development

Promoting global human resources development

With our growing globalization spurred by rapidly rising overseas demand and sluggish domestic demand, the numbers of our overseas production staff have sharply increased. A pressing issue has become how we can drive home to them the value of our

Mono-Zukuri (craftsmanship) culture, which is the source of the competitiveness of the Hitachi Construction Machinery Group.

Thus, since 2008, we have been developing a training and educational framework in collaboration with domestic and overseas Group companies with the aim of fostering a wide range of human resources through our promotion of diversity and seeking the best model for the optimal utilization of human assets most suitable for a global enterprise. We have also been systematically and continuously seconding our young engineers overseas to develop local human resources who will be responsible for the core production duties in the future.

• **Fostering production engineers worldwide**
Since fiscal 2008, the Hitachi Construction Machinery Group has been conducting its "Fostering Production Engineers Worldwide Program," under which our human assets from production bases in Japan and overseas are accepted for long-term training at our "mother plant," the Tsuchiura Works.

Under this program, young, top-class production engineers from domestic and overseas Group companies learn over a three-year period process planning, just-in-time and other rationalization practices, the streamlining and designing of jigs and tools, TIPS* activities, and so on. The program aims at both developing human assets worldwide, and by having these young trainees take back with them to their own production bases the knowledge and way of thinking they learned at the Tsuchiura Works, passing on our Group's *Mono-Zukuri* (craftsmanship) culture. As of fiscal 2011, a total of 36 persons from domestic and overseas Group companies have been accepted into the program, and we plan to continue the program this fiscal year and beyond.

All of the trainees from abroad are highly motivated, showing an excellent ability to quickly get the job done at their respective workplaces. At the same time, the awareness of the workplaces accepting them for training also changes through the exchanges with a different culture. Even this friendly rivalry that emerges from their hard work together is meaningful for this program.

The lessons learned from this program, which started from the production engineering division, are currently being introduced and applied in the quality assurance, production management, and procurement divisions as well. The program is playing an important role for developing our human assets worldwide.

* Tsuchiura Innovative & Inventive Production System. This is a production method that incorporates innovation and invention.

Ensuring work-life balance

Based on the idea that achieving a virtuous cycle of a rich life outside of work and a satisfying working life will lead to the

actualization of each employee to his or her own full potential, Hitachi Construction Machinery is striving to make a good work-life balance for its employees.

From the systemic side, we have introduced the following systems that provide considerations beyond those required by law: childcare leave, nursing care leave, shorter working hours, maternity leave, maternity leave for spouses, leave for providing nursing assistance to family members, fertility treatment leave, pregnancy sickness and outpatient pregnancy treatment leave, spouse overseas transfer leave, etc. We are also making efforts to put a limit on working hours and develop well-controlled working styles by setting days for leaving the workplace at fixed times, activating communication within the workplace, and so on.

In fiscal 2012, we are planning to introduce annual half-day paid leaves, a return-entry system*, and a telecommuting system, as well as further enhancing our various current employment schemes. By doing so, we are aiming to make a better balance between work and life for our employees.

From now, our diverse range of employees will be able to choose varied working styles. We will make every effort to create invigorating workplaces, where our human assets can work with pleasure and verve.

* System for rehiring employees forced to leave the company once because of the birth of a child, childcare, nursing of family members, or other family circumstances.

Voice

Making use of the knowledge and skills I learned in Japan in China

In only my second year after entering the company, I began my training in Japan. At first, I did not know what I was doing, and just caused a lot of bother for those around me.

My three years in Japan went by in a flash, but thanks to the guidance from my seniors, I was able to acquire many techniques and skills and knowledge about Japan's *Mono-Zukuri* (craftsmanship) culture. From now, I will focus on the local production of reduction gears in China, and I want to make use of everything I learned in Japan for this.

Being able to communicate with Japanese people and experience current Japanese society and culture through this training was for me the treasure of a lifetime. I thank everyone who helped me from the bottom of my heart.



Yin Wei
(Graduate from 2nd Fostering Production Engineers Worldwide Program)
Hitachi Construction Machinery (China)

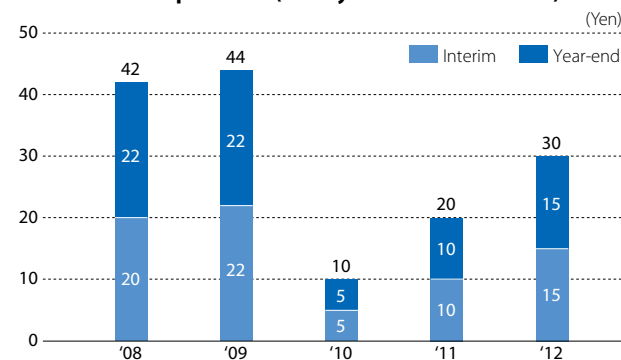
Responsibility to Shareholders, Investors

Making Every Effort to Provide Fair and Reasonable Returns of Profits and Make Timely and Transparent Disclosures of Information

Dividend policy

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

Cash Dividends per Share (fiscal years ended March 31)



Efforts for promoting communication at shareholders' meetings and ensuring the smooth exercise of voting rights

Hitachi Construction Machinery considers shareholders' meetings to be important opportunities for having direct communication with shareholders, and makes all efforts to run them in a suitable and meaningful manner.

For the holding of the annual meeting of shareholders, we make it a point to choose days that are generally not the busiest days of the week so that as many shareholders as possible can attend the meetings. Moreover, regarding notifications of the shareholders' meeting, we send out invitations to the meeting well before the deadline stipulated by law, and on the day we send out the invitations, we also post the notification on our own website and that of the Tokyo Stock Exchange.

At the annual meeting of shareholders, we also go to great lengths to see that shareholders have a clear understanding of our business reports and financial statements by using quickly understandable visuals and other means when presenting them. On top of that, when the formal proceedings of the meeting are over, the Hitachi Construction Machinery president delivers a report on the progress of our mid-term management plans and our vision for moving forward. Through

these and other means, we make every effort to ensure that shareholders approve of and are satisfied with the meeting.

In addition, foreign and domestic institutional investors who hold Hitachi Construction Machinery shares can participate in the meetings through our electronic voting platform*, which allows them to easily exercise their voting rights.

* This information infrastructure using ICT allows us to communicate information on matters to be voted on at the annual meeting of shareholders quickly, overseas and other investors to exercise their voting rights easily, and the aggregation of results to be carried out smoothly.

IR activities

Based on our corporate vision of "acting as good decent decent corporate citizen and striving for a symbiotic relationship with society," Hitachi Construction Machinery is doing our utmost to maintain and deepen relations of trust with all of the diverse stakeholders that join with us, including our shareholders and investors, customers, suppliers, employees, local communities, and so on. As part of this effort, we are making fair and transparent disclosures of information as well as responding responsibly to our stakeholders through the following IR activities: disclosure of information on IR website; participation in regional conferences and information disclosures for overseas investors through holding of special events, etc.; and responding to interview requests, telephone and Internet inquiries.

Voice

Enhancing of global information disclosure and renewal of IR website

In fiscal 2011, we bolstered our dissemination of IR materials with the aim of enhancing our global two-way communication. After briefing sessions, we disclose the materials we distributed at the sessions, providing explanatory comments in both English and Japanese to the materials. Moreover, we completely renewed our IR site on both our Japanese and global websites, and revised and added new contents, including our recent mid-term management plan, stock and bond information, a chart generator, and so on. We have also added contents for individual investors that explain in easy-to-understand ways our company's businesses and growth strategies. In fiscal 2012, we will further strengthen our IR efforts for our overseas investors and continue to promote the global disclosure of our management information.



Maiko Kawashima
PR & IR Sec.
Public Relations Strategy
Office

Responsibility to Suppliers

Fulfilling Our Social Responsibility with Our Suppliers Based on the Building of a Strong Partnership

CSR in the supply chain

Basic thinking on materials procurement

The Hitachi Construction Machinery Group has already formulated its Basic Policy on Materials Procurement, which sets forth our fundamental stance on materials procurement, and Guidelines on Procurement, which stipulates rules of conduct for procurement that must be complied with. These are widely available throughout the world on our websites.

We revised our Basic Policy in 2006 in response to rising social demands regarding CSR Supply Chain Management. In addition to our emphasis up to then on "relations of trust," "fairness and equitability," and "competitiveness in QCD (Quality, Cost, Delivery)," we also made clear our commitment to: "compliance with the law," "environmental conservation," "human rights and good working conditions," "sharing awareness of our social responsibility with our business partners," and so on.

Moreover, in 2010, Hitachi, Ltd. signed the United Nations Global Compact and revised its Guidelines for Procurement. In response to this, we further refined our Basic Policy and Guidelines on Procurement.

Improving our green procurement rate

In order to promote CSR activities together with our suppliers for our entire supply chain, we have been asking our major suppliers to obtain Environmental Management System (EMS) certification, and in fiscal 2011, we achieved a 100% Green Supplier Rate, the rate that shows the diffusion of EMS implementation by our suppliers.

From now, we will require our new suppliers to obtain EMS certification, making all efforts to maintain our 100% rate, and we will endeavor to preserve the environment as we go through the PDCA cycle together with our suppliers.

Supplier CSR surveys

As the first step in the transition to CSR Supply Chain Management, the Hitachi Construction Machinery Group conducted supplier CSR surveys in fiscal 2010. In these surveys targeting 208 of our main suppliers, we carried out risk assessments of seven parameters: human rights/labor practices, health and safety, the environment, fair trade/ethics, quality/safety, information security, and social contributions.

Ahead of the surveys, we prepared a guidebook for suppliers and a self-checksheet based on the JEITA* Guidelines. In addition, we developed a means so that the answers to the survey could be automatically tabulated and assessed, allowing the survey results to be very efficiently obtained and analyzed.

Based on the results of the surveys, we were able to pare down the number of target suppliers, and then conduct on-site monitoring surveys of suppliers with low assessment scores, provide training to them and encourage them to make and submit plans for improvement.

In order to strengthen our CSR Supply Chain Management suitable for a global corporation, we are planning to widen the scope of the supplier surveys to our overseas suppliers.

* Japan Electronics and Information Technology Industries Association

Addressing conflict minerals

The Hitachi Construction Machinery Group does not directly purchase conflict minerals (currently, four minerals — gold, tantalum, tin, and tungsten — mined as sources of funds for armed groups involved in conflicts) in the Congo and neighboring countries, but the possibility cannot be ruled out that some of our suppliers do purchase them.

In line with the policy of the Hitachi Group, we will consider countermeasures for this problem based on surveys of suppliers regarding conflict minerals.

T-TIPS activities — Improving efficiency and innovation in collaboration with suppliers

The Hitachi Construction Machinery Group has developed T-TIPS* activities to support suppliers in improving their business efficiency.

These T-TIPS are passed on to suppliers as a way of diffusing the *Mono-Zukuri* (craftsmanship) manufacturing culture that the Hitachi Construction Machinery has built up over the years. The goal is to develop human resources and organizations that will unceasingly seek inventive ideas and innovation. The T-TIPS activities provide invaluable support matching the supplier's needs and level — from the building of systems for promoting innovative improvements to the training and guidance of employees and the development of model lines, all based on relations of trust.

* Tsuchiura Innovative & Inventive Production System. This is a production method that incorporates innovation and invention.



T-TIPS activities

Responsibility to Local Communities, International Society

Making the Most of the Technology, Knowledge, and Networks We Have Cultivated Through Our Business to Restore Rich Land Areas and the Lasting Smiles of Children

Providing assistance to earthquake disaster-hit areas

We express our deepest sympathies and condolences to all of those for whom the Great East Japan Earthquake disaster that struck on March 11, 2011, caused loss and suffering. We earnestly hope for the recovery of these victims and their communities as soon as possible.

With the cold still gripping the Tohoku region after the disaster struck, the Hitachi Construction Machinery Group promptly donated stoves to local governments so that victims could at least receive physical warmth. Since the supply of electricity was also unstable, we provided generators to Ofunato City and other distressed local governments. Moreover, we have provided recovery assistance making the most of our company's product strengths by lending gratis to local authorities our hydraulic excavators, cranes, and other construction machinery necessary for the removal and clean-up of rubble and debris. And with the hope they will provide some relief to victims, we have also made monetary donations for them.



Recovery work at Hitachinaka Port



Donation of stoves to Rikuzentakata City



Donation of generators to Ofunato City

Moving forward with demining activities

Large numbers of landmines still remain buried in areas ravaged by past civil wars in Asia and Africa, making their removal an urgent task for local communities.

Yamanashi Hitachi Construction Machinery began the development of demining equipment by utilizing the hydraulic excavator technology we have developed, with the aim of restoring the rich land areas and peaceful lives of people in affected countries. Starting with the delivery of demining equipment to Cambodia in 2000, we have supplied 86 units of demining equipment to nine countries around the world, including Vietnam, Afghanistan, and Angola, as of fiscal 2011.

In fiscal 2011, the 11th Meeting of State Parties for the Ottawa Treaty (Anti-Personnel Mine Ban Convention) was held in Phnom Penh in Cambodia, which has been particularly impacted by landmines, from November 28 to December 2. In tandem with this meeting, the Cambodian Mine Action Centre (CMAC), to which a great deal of Hitachi demining equipment is provided, hosted an exhibition introducing demining activities.

Hitachi Construction Machinery and Yamanashi Hitachi Construction Machinery, together with the NPO Good Earth Japan (GEJ), participated in this event, exhibiting demining equipment and other items to the conference attendees and local high school students and others.

Not content to provide only equipment and technology, the Hitachi Construction Machinery Group intends to work hand-in-hand on-site with local people to continue to make our own distinctive social contribution for helping local communities to recover their land.



Participation at CMAC exhibition (Phnom Penh)



Ceremony for handing over demining equipment (Siem Reap)

Assistance for regional reconstruction after mine removal

The Hitachi Construction Machinery Group is providing full support for the activities of Good Earth Japan (GEJ), a nonprofit organization assisting the independence of local people by working to restore land in Cambodia after demining.

In 2007, GEJ began its activities in Slap Pang Village in Battambang Province based on a three-pronged approach:

agricultural training, developing the agricultural environment, and developing the living environment. In 2009, GEJ shifted the core of its activities to the utilization of demined land in the Rotanak Mondol District, but GEJ staff continue to follow up their efforts in Slap Pang Village.

In response to many requests from local farmers, GEJ provided agricultural training in the Bavel and Rotanak Mondol districts to a total of 1,130 participants in fiscal 2011. As a result of the training, rice production increased by 81%, increasing income per household by 23%, compared to fiscal 2009. Utilizing the grant aid for NGOs it received from the Ministry of Foreign Affairs of Japan, GEJ also began construction of farm roads in demined areas in the Rotanak Mondol District. The roads are scheduled to be completed by the end of June 2012, and GEJ is planning to provide guidance to local residents on how to maintain the roads by themselves after they are completed.

GEJ is also planning to build an elementary school in Prey Totueng Peir Village in fiscal 2012. Many children have to walk a long distance to a school in a neighboring village because the current elementary school is too cramped, and the village people are looking forward with great anticipation to the school's completion.



Villagers learn how to make insecticide as part of agricultural training

Voice

We want to give courage and hope to the children of mine-infested countries and Japan through the demining activities

In fiscal 2011, we delivered eight units of demining equipment to Cambodia, which now should probably be called our second home, bringing the total number of demining units we have sent to mine-infested countries to 86. When we delivered the machinery, we stopped at a local elementary school and handed over to the students pictures, crayons, and other materials from children in Japan. It was part of an international exchange that sees Japanese children trying to encourage children living in mine-infested areas, and those children sending their own pictures to Japanese children.

I have given many lectures about our demining activities in Cambodia and elsewhere, and in fiscal 2011, I gave around 70 lectures at schools and companies. I am also planning to give lectures to children in the Tohoku region in northeastern Japan, where many areas were devastated by the Great East Japan Earthquake disaster, in fiscal 2012. I want to give them courage and hope by communicating to them the importance of *Mono-Zukuri* (craftsmanship) and the preciousness of life.



Kiyoshi Amemiya
President,
Yamanashi Hitachi
Construction Machinery

Countries Where We Have Carried out Demining Activities



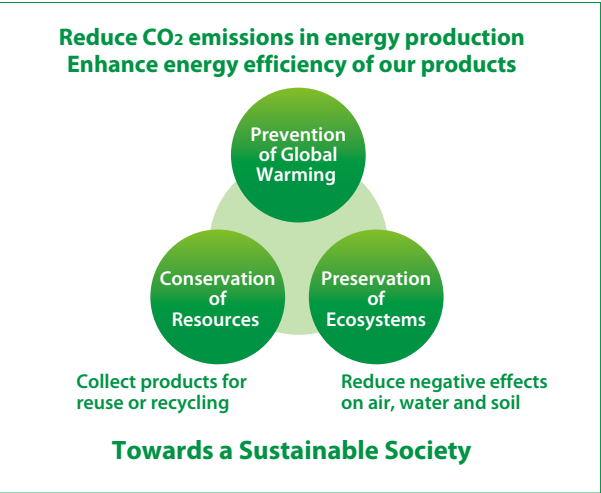
Responsibility to the Global Environment

Continuously Pursuing Wide-ranging Environmental Conservation Activities as a Construction Machinery Manufacturer that Coexists with the Global Environment

Environmental Vision and Environmental Action Plan

Striving to achieve the Environmental Vision set forth by the Hitachi Group, the Hitachi Construction Machinery Group has formulated its own Environmental Action Plan in accordance with the Green Compass, which sets specific guidelines for environmental conservation activities. We launched Phase 3 of the environmental action plan in fiscal 2011, and it is scheduled to be completed in fiscal 2015. We will formulate an environmental action plan for each fiscal year based on this mid-term plan, and the entire Group will be united in pursuing these environmental conservation activities.

The Hitachi Environmental Vision

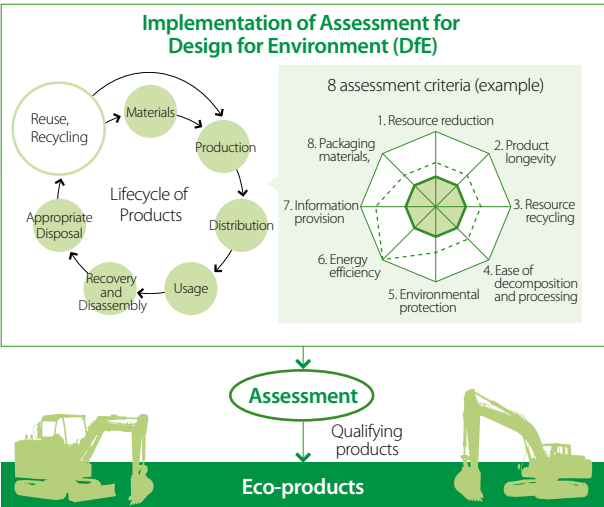


Reducing the burden on the environment throughout the entire product lifecycle

Adoption of lifecycle assessments

In fiscal 2000, the Hitachi Construction Machinery Group introduced the Assessment for Design for Environment (DfE) a scheme unique to the Hitachi Group that facilitates assessment of products over their entire lifecycle, comparative environmental assessments of new products against old models, and responses to new environmental regulations. In fiscal 2011, we adopted the new version of the Assessment for DfE, and began applying it for the entire Hitachi Construction Machinery Group.

Development of Environmentally Compatible Products Based on Lifecycle Assessments



Uniform management of environmental burden during entire product lifecycle

Since fiscal 2010, led by our Environment Promotion Office, the Hitachi Construction Machinery Group has been working to develop a framework for the uniform management of products' burden on the environment during their entire lifecycle.

In fiscal 2011, we developed a mechanism for forecasting and managing the environmental burden (CO₂ emissions, chemical, waste, and water discharges) produced by our plants, as well as established uniform methods for managing environmental impacts during the transportation of our products. These mechanisms have enhanced the precision of environmental burden forecasts for all the companies in the Group, and made it easier to revise them.

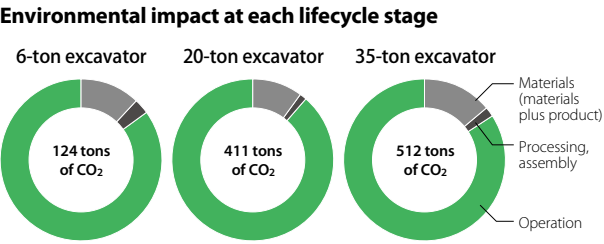
In fiscal 2012, we are planning to obtain third-party certification of our system for aggregating CO₂ emissions amounts during machinery usage.

Reducing environmental burdens during machinery usage

Investigations of the total amount of CO₂ emissions over the entire lifecycle of our company's products have shown that, for example, regarding the hydraulic excavator, 9%, 1%, and 90% occur during the materials procurement, manufacturing, and usage stages, respectively. This clearly indicates that reducing emissions during the usage stage is very important for restraining global warming.

Hitachi, Ltd.'s "Environmental Vision 2025" calls for the entire Hitachi Group to reduce annual CO₂ emissions by Hitachi products by 100 million tons a year by fiscal 2025. It requires the Hitachi Construction Machinery Group to set a target of reducing CO₂ emissions during machinery usage by 3.5 million tons by fiscal 2025.

Towards that target, as a result of our continuous efforts at improving fuel consumption, in our "ZX3 series" hydraulic excavators, for example, we have improved fuel consumption by more than 10% compared to the previous model. In addition, we have also focused on electric-drive conversion technology, which greatly reduces CO₂ emissions during usage compared with only engine-driven machinery. And taking advantage of the synergy produced by the entire Hitachi Group, we have been promoting engine hybridization and the conversion to battery power.



Responding to gas emissions regulations

To comply with the European Union Stage 3B and the United States' Tier 4 Interim gas emissions regulations, both strengthened in 2011, the Hitachi Construction Machinery Group has introduced new emissions-reducing engines and hydraulic systems. Our new engines' fuel injection control system and DPF* allow our machinery to clear the new tightened regulations.

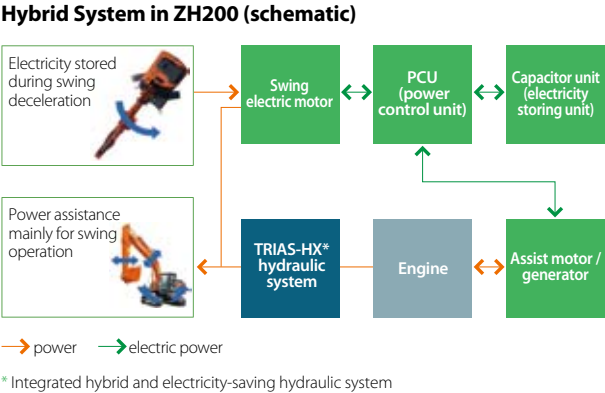
* Stands for Diesel Particulate Filter, a filter for trapping diesel particulates.

Examples of fiscal 2011 eco-products development

ZH200 Hybrid Hydraulic Excavator

Hybrid vehicles combine engines and electric-drive motors, and as seen with eco-cars, which have improved fuel consumption and reduced CO₂ emissions, they are being welcomed by more and more users around the world. In the field of construction machinery, the Hitachi Construction Machinery Group has been seeking the earliest possible hybridization of its machinery, and in July 2011, we released for sale our ZH200 hybrid hydraulic excavator.

With its hybrid system and energy-saving hydraulic system, the ZH200 has 20% better fuel efficiency compared with conventional models, and since it uses parts that are also used in cars, we were able to reduce production costs considerably. Combined with its outstanding durability and dependability, the ZH200 is becoming a popular model that can be used at all job sites.



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

		FY 2011 target	FY 2011 result	FY 2012 target	FT 2015 target
Promotion of emission neutral		1.11 million tons	1.11 million tons (expected) ^{*1}	1.47 million tons	2.89 million tons
Green points (GREEN 21 - 2015)		384	410	448	640
Reduction of CO ₂ emissions per sales (reference year: FY 2005)		6.0%	7.5%	7.0%	10.0%
Environmental communication activities		Drafting of plan	Preparation of action plan	• Eco-school • Carbon offset	Flagship activities by each company
New eco-products sales ratio (new index) ^{*2}		—	—	81%	88%

^{*1} To be fixed in August 2012. After confirmation, plan will be posted on website.
^{*2} Ratio of sales amount for products, services, parts among total sales amount for the Hitachi Construction Machinery Group

Responsibility to the Global Environment

Making low-carbon societies through utilization of carbon offset mechanisms

Positive application of carbon offset system

The term "carbon offset" refers to a system that offsets (compensates for) the amount of emissions that cannot be reduced in CO₂ reduction efforts by the purchase of carbon credits that can be created in emission reduction projects domestically and overseas.

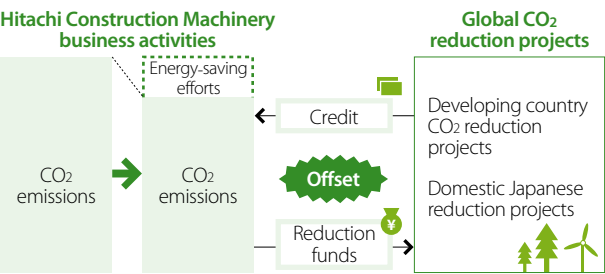
Hitachi Construction Machinery began participating in carbon offsetting in 2008. In this first carbon offset program, the "Wood Products Use Campaign"^{*1}, we sold forestry machinery subject to the offset of CO₂ emissions during their manufacture to customers using that machinery for tree thinning and other activities for reforestation as part of our efforts for cooperating to help prevent global warming.

After that, we expanded the range of target products to include computerized machinery equipped with machine guidance^{*2} and electrically driven excavators and hybrid excavators that have lower CO₂ emissions levels than conventional engine-driven machinery. We sold a total of 253 carbon offset products by March 2012, the offset amount reaching over 300 tons.

In fiscal 2009, we also began participating in carbon offset activities at exhibitions and public events, thus contributing to the raising of awareness about global warming among visitors to these events and promoting energy-saving efficacy.

^{*1} National campaign led by the Forestry Agency calling for the positive use of wood materials produced in Japan, with the aims of improving Japan's wood materials self-sufficiency ratio and promoting the maintenance of forests.
^{*2} System that reduces CO₂ emissions during operation by improving work efficiency through the display to the operator of the optimal position of the shovel.

What is "Carbon Offset"?



Example of reducing CO₂ emissions through domestic CDM

Hitachi Construction Machinery, in partnership with the Ishizaka Group, an industrial waste disposal company headquartered in Saitama Prefecture, began one of its first efforts for CO₂ reductions through a domestic Clean Development Mechanism (CDM) program.

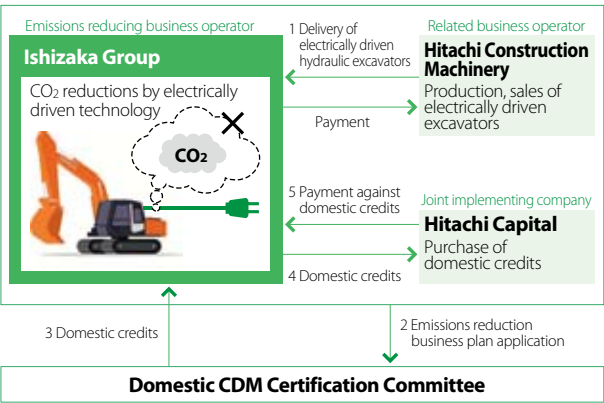
Defined in the Kyoto Protocol, the CDM is a mechanism whereby an advanced country that implements a project or measures in a developing country for reducing the emission of greenhouse gases can earn credits equivalent to the amount of emissions reduction. The Ministry of Economy, Trade and Industry (METI) started a domestic version of the CDM based on this model in 2009. Under this scheme, a large corporation can earn domestic-version certified emission reduction credits by assisting a small- or mid-sized company reduce its energy consumption. The scheme is expected not only to promote energy saving by SMEs but also to stimulate the business activities of domestic industries.

Since there were no precedents for a domestic CDM recognizing the contribution of electrically driven hydraulic excavators, our company, together with Hitachi, Ltd., developed a methodology for the CDM for this case, and in December 2010, our proposal was approved by METI.

In past years, the Ishizaka Group emitted approximately 137 tons of CO₂ annually by using engine-driven hydraulic excavators. By switching to electrically driven hydraulic excavators, the Ishizaka Group is forecast to be able to reduce its CO₂ emissions by 64%, which is equivalent to 87 tons annually.

Our company will assume all of these domestic credits generated by this plan after they are purchased by Hitachi Capital and use them as carbon offsets.

Domestic CDM Using Electrically Driven Hydraulic Excavators



Initiatives for protecting biodiversity

Basic policy on protecting biodiversity

The Hitachi Group has made the "preservation of the ecosystem" one of the three pillars of its Environmental Vision. To realize this goal and protect biodiversity, we have been making strong efforts in three areas: our business and products, environmental management, and nature conservation.

In fiscal 2010, the Hitachi Construction Machinery Group revised its Environmental Conservation Principles, and added further commitments to the principle of "preservation of the ecosystem." We are also participating in the Keidanren Biodiversity Partners and Partnership program in agreement with the Declaration of Biodiversity by Nippon Keidanren. Our own Biodiversity Declaration is also available on our website.

Contributions for protecting biodiversity

Regarding the contributions our business and products make for protecting biodiversity, we have been providing around the world products such as our forestry equipment that maintain and restore ecosystems and environmentally compatible products — our eco-products — that reduce the burden on the environment during their operation.

Concerning environmental management, in addition to reducing the burden on the environment from our production activities, we have also been creating biotopes (biological habitats) using drainage reservoirs and conducting bioassays to analyze impacts on ecosystems.

As for our nature conservation activities, we have been supporting greening projects in China, Thailand, and other overseas locations. In Japan, we have been involved in nature conservation activities in collaboration with local residents particularly in areas where our Group's major bases are located, such as at Lake Kasumigaura and Lake Biwa and in the Tokachi district in Hokkaido.

Since fiscal 2010, we have also been conducting reevaluations of our ecosystem services based on the ESR^{*} sheet in order to verify the correct prioritization of our biodiversity protection activities.

^{*} Stands for Corporate Ecosystem Services Review. Issued by the World Business Council for Sustainable Development (WBCSD), this is an evaluation tool for assessing corporate ecosystem services, improving work efficiency through the display to the operator of the optimal position of the shovel.



Biotope maintained at a drainage reservoir

Efforts in FY 2011

In fiscal 2011, we carried out a self-evaluation of our efforts for conserving ecosystems, and also conducted an ESR evaluation on the relation between our Group's continuing business activities and ecosystems, with the aim of formulating further conservation strategies based on the results of these evaluations.

Particularly regarding nature conservation activities, we have been studying ways to restore and beautify our wonderful locations facing Lake Kasumigaura and Lake Biwa, two of Japan's major lakes. At Lake Biwa, TCM has been carrying out activities, together with an NPO, for the restoration of reed beds along the lake's shores.

While continuing these activities, we will further enhance our dissemination of information both inside and outside our Group to deepen the awareness of many more people regarding the protection of biodiversity through our Group's efforts and encourage them to join us. In fiscal 2012, we are planning to open eco-schools for elementary school students and to raise awareness within our Group of the importance of biodiversity.



Reed cutting to boost the healthy growth of reed beds

Voice

I am confident our Group's efforts are contributing to the preservation of biodiversity

The results of the ESR evaluation we conducted in fiscal 2010 specified the ecosystem services that have a deep relationship with our Group's businesses and have led to the identifying of activities that can realize the ecosystem potential of each of our various bases.

In order to enhance our activities for protecting biodiversity, we have introduced ecosystem conservation assessments using the Hitachi Group Ecosystems Preservation Guideline. We have been reminded of the strong relationship between biodiversity and our Group's businesses and CSR activities, and I am convinced that our environmental activities at Lake Biwa and Lake Kasumigaura have contributed to the protection of biodiversity.

To extend these efforts outside of our company, we want to promote these flagship activities, placing the utmost importance on our side-by-side ties with local communities.



Reika Kin
Environment Promotion Office

Corporate Governance

Committed to Optimally Fair and Transparent Corporate Management with the Recognition We Are a Member of the Global Society

Corporate governance

Our basic philosophy on corporate governance

The Hitachi Construction Machinery Group firmly recognizes that it acts not only to improve its business performance but also to serve as a useful corporate citizen in society. Our commitment to fair and transparent corporate behavior underpins our corporate governance and is a responsibility to our stakeholders. We believe this commitment will in turn lead to greater corporate value and improved shareholder value.

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. Hitachi Construction Machinery's own corporate code of conduct, based on that of Hitachi, Ltd., guides our basic policy for corporate governance, and serves as the foundation for the Hitachi brand and our CSR activities.

Corporate governance system

The Hitachi Construction Machinery Group has adopted a corporate organizational system based on a committee governance structure, as defined in Article 2, Section 12 of the Companies Act, with the aims of ensuring highly fair and transparent management while building an operational system that facilitates the prompt and sound execution of management strategy. We have greatly strengthened our system of corporate governance through this separation of management oversight from business operations.

We have also introduced a divisional structure for our internal company organization, enabling prompt and effective business operations in each field. At the same time, we have also established cross-functioning corporate groups and committees that span multiple divisions in order to optimize our entire operations.

The Board of Directors comprises three (3) Outside Directors and seven (7) Directors. The Chief Executive Officer

and Executive Officers, who are authorized to do so by the Board of Directors, have the right to make operational decisions and execute work in accordance with the company's basic management policies. The Board of Directors decides the responsibilities and duties of the Executive Officers, matters regarding supervision and authority, and the mutual relationships among the Executive Officers.

An Executive Committee (convening twice a month, in principle), comprising all the Executive Officers has been established as a consultative organ for the Chief Executive Officer and President in making business decisions. The Executive Committee exercises control regarding important matters related to the management of the company's operations.

Moreover, in order to respond promptly to changes in the business environment and meet the demands of globalization, we videoconference through the Internet important relevant meetings, including the Executive Committee meetings. Through videoconferencing, we can discuss matters in real time with our companies in China, Asia and the Pacific, the Americas, Europe, Russia and the other CIS countries, Africa, the Middle East, and elsewhere, and, at the same time, immediately obtain relevant information, making our business operations more efficient. Furthermore, monitoring and auditing of our operations are carried out in accordance with the Regulations of the Board of Directors, the Regulations of the Audit Committee and the Regulations of the Internal Auditor.

Ensuring constant independence from the parent company

The Hitachi Construction Machinery Group shares the basic philosophy and brand with Hitachi, Ltd., our parent company, as a member of the Hitachi Group, and integrates the Group's basic management policy into our own policy, while at the same time, maintaining the independence of our business operations.

Since one director and two outside directors on Hitachi Construction Machinery's Board of Directors also concurrently serve as executives of Hitachi, Ltd., the parent company exerts influence on decisions on our management policy through the views expressed by these directors at board meetings. However, Hitachi Construction Machinery's board of Directors consists of ten members, one of whom is another outside director designated as an outside director, and six of whom are other directors with no concurrent relationships with Hitachi, Ltd. or companies in the Hitachi Group. This ensures that we are able to make independent management decisions.

Calculating executives' compensation (performance-linked compensation system)

Hitachi Construction Machinery's Compensation Committee sets the policy for deciding the amount of compensation for the company's board members and executive officers in accordance with regulations stipulated by the Companies Act regarding companies with a committee governance structure.

The Compensation Committee sets compensation standards for board members and executive officers commensurate with the capabilities and responsibilities required and after consideration of remuneration levels at other companies.

Compensation to board members consists of a monthly fee, which is the basic compensation for full- or part-time service plus an amount calculated in accordance with the director's position, and a year-end allowance, which is based on an amount multiplied by a constant coefficient.

Compensation to executive officers consists of a monthly fee, which is determined reflecting an assessment of the basic compensation in accordance with the officer's position, and performance linked compensation, which is determined in line with the executive officer's performance and results achieved in the officer's responsible duties. For board members concurrently serving as executive officers, no compensation is paid for services provided as a director of the board.

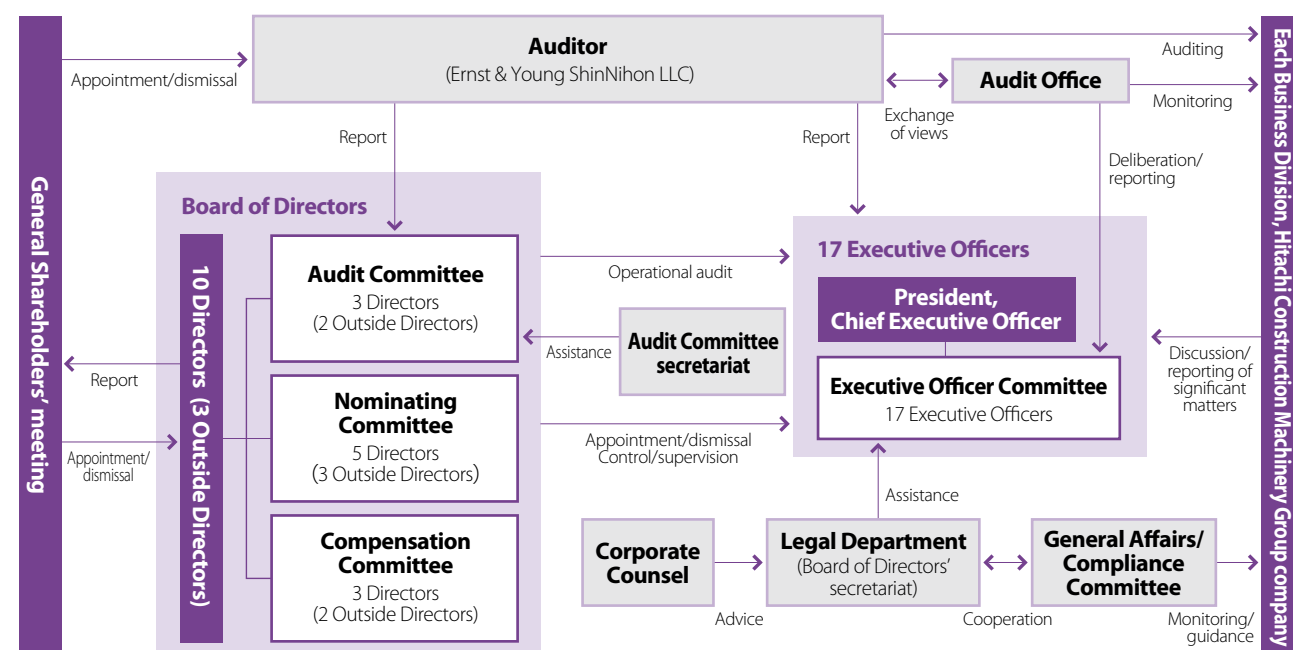
Regarding retirement allowances, a Compensation Committee meeting held on March 31, 2008, decided that the retirement allowance system for top executives would be abolished from fiscal 2008 and that a retirement allowance corresponding to the applicable period would be paid to each director and executive officer at the time of retirement.

Internal controls

The Hitachi Construction Machinery Group has established and maintains internal control systems for the Group as a whole for the purpose of strengthening the Group's management foundation and ensuring the reliability of its financial reporting, which is based on the Financial Instruments and Exchange Act, the US corporate reform law (Sarbanes-Oxley Act), and the Companies Act.

We conduct internal audits to assess and improve the effectiveness of the risk management of each business division and Group company, as well as its internal control system and corporate governance.

Corporate Governance System



(As of June 25, 2012)

Compliance

Each Employee Is Highly Aware that All Activities Must Be Deeply Rooted in Compliance with Corporate Ethics and Laws and Regulations

Compliance

Promotion of compliance awareness

Recognizing that compliance requires that all activities must be carried out in accordance with corporate ethics and laws and regulations, the Hitachi Construction Machinery Group established a Compliance Division in May 2002. We have striven to make all employees fully and constantly aware of the importance of compliance by a repeated process of surveying employees' level of awareness and conducting training and education based on the results of those surveys.

Since 2009, we have made October every year "Corporate Ethics Month," and members of the newly established Compliance and Risk Management Division go around to all branch offices and plants to hold discussions on compliance and provide other awareness training. In fiscal 2011, compliance officials visited domestic Group companies to hold discussions on identifying compliance issues at the companies and finding solutions for them.

Instilling the Hitachi Construction Machinery Group's Code of Conduct

We established the Hitachi Construction Machinery Group Code of Conduct to ensure that all Group executives and employees adhere to all laws and regulations and our corporate ethics in their activities.

The Code of Conduct stipulates specific rules regarding business activities, activities for protecting the environment, respect for human rights, and so on. To make the code widely known within the Group, we have been conducting e-learning and training about the code to all Group employees since fiscal 2010, when the code was established. Since fiscal 2011, we have been providing similar training to our overseas Group employees in addition to continuing training at domestic Group companies.

Through these efforts, we are aiming to make this Group-wide Code of Conduct globally known to ensure that our Group employees around the world carry out their activities with a commonly shared awareness and knowledge of compliance.

Promoting compliance training

In addition to regularly conducted training for all current employees, the Hitachi Construction Machinery Group also provides compliance training as an integral part of management and employee training and various types of business and sales training for all newly hired employees and newly promoted supervisors and managers. We continued this training in fiscal 2011, targeting over 1,000 employees.

We are also carrying out this training at our overseas

Group companies to instill a thorough understanding of the Code of Conduct in our overseas employees. In fiscal 2011, we began to integrate compliance training into our HCM Global Basics (HGB)* education for the national staff at all our companies overseas.

We will continue this education in the future to ensure that awareness about compliance is firmly rooted in our global corporate culture.

* HGB is a training program aiming at the human resources development of the national staff at our overseas Group companies. The training focuses on three themes: "Kenkijin Spirit," "compliance," and "CSR."



Compliance training at Hitachi Construction Machinery (Shanghai)

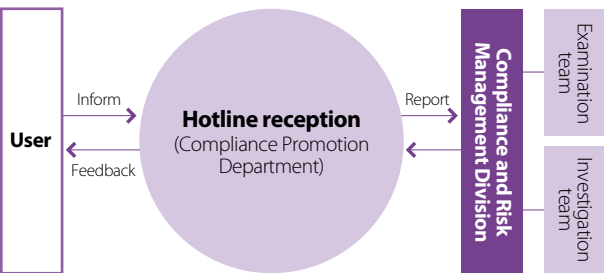
Strengthening the functions of the compliance hotline

The Hitachi Construction Machinery Group set up a "compliance hotline" in May 2004 to find out problems related to compliance as quickly as possible and to solve them properly.

Our Compliance Promotion Department receives the initial information from the hotline users, who are completely protected. The information in the signed report is then confirmed and acted upon, and the hotline user is provided with feedback on the action taken.

In fiscal 2011, over 20 cases were reported, including a number related to workplace communication problems, the cases of which have been tending to increase in recent years. Contact was made with the relevant offices as necessary, and the problems in question were resolved. In addition to this hotline, in fiscal 2012, we are planning to set up an overseas hotline that can respond in multiple languages to problems occurring at our global operations. This will serve to further strengthen compliance in our overseas Group companies.

Flow of Hotline Information



Risk Management

Heightening Response Capabilities Using the Lessons from the Great East Japan Earthquake Disaster

Risk management

Basic thinking

Facing risks such as accidents, natural disasters, breaches of laws and regulations, pollution, product liability lawsuits, leaks of personal information, and so on is unavoidable in corporate activities. As such, at the Hitachi Construction Machinery Group, we are focusing on risk management through our activities led by the Compliance and Risk Management Division.

Based on the assumption that "risks can certainly become actualized" and the understanding that all possible risks must be clarified and countermeasures taken to minimize the damage caused by such risks, we have identified the following risks and measures to counter them.

Definition of risk

Risk is defined as the possibility of incidents, accidents, or other problems that may cause loss or damage 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, lost profits, or the possibility of such.
- 4. Loss of trust: Loss of trust in the company, our products or employees, etc., thereby damaging the company's 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: Acts contravening company ethics, or the possibility of such.

Measures against risks

We are implementing the following measures against risks in accordance with the procedures set by the Compliance and Risk Management Division.

- 1. When a risk arises, we will implement initial measures immediately. We will promptly ascertain the risk level and decide the range of the people to be informed, according to the severity of the risk.
- 2. We will make constant efforts to raise the awareness of employees and other relevant persons to ensure that they recognize risks as risks, thoroughly understand the importance of compliance, proactively work to prevent the occurrence of risks and scandals, and take proper measures to cope with risks when they occur.
- 3. When a risk arises, or there is the possibility of such, no matter how minor the risk is, we will immediately report the matter to a superior or to the Compliance Promotion Department manager.
- 4. We will regularly check risk potentialities and take measures to prevent the occurrence of each risk.
- 5. We will always endeavor to maintain good relations with the local community (including police stations, labor standards inspection offices, fire stations, public employment security offices, local residents, etc.).

Risk Management

Making Business Continuity Plans (BCPs)

The Hitachi Construction Machinery Group considers large-scale earthquakes and new-type influenza pandemics to be among the most serious risks facing us as we fulfill our responsibilities as a manufacturer. We have been working to strengthen our “Business Continuity Plans (BCPs)” and “Business Continuity Management (BCM)” so that we can minimize the impact on our business activities if such risks do occur and recover our activities as soon as possible after that.

Determining that measures to mitigate IT-related risks, which can have a particularly serious impact on our operations, should be given high priority, in January 2011, we formulated a BCP for maintaining a “core IT system.” In fiscal 2011, we were scheduled to execute specific measures based on this plan and develop plans for other operations, but the lessons from the Great East Japan Earthquake showed us that strengthening our readiness systems at our head office and major production bases and preparing methods for responding speedily to major contingencies in the event of a major natural disaster are crucial. Based on this understanding, we expanded our BCPs and bolstered our BCM systems.

We are now working on introducing an effective safety confirmation systems to respond to possible new-type influenza pandemics and adding more facilities for dealing effectively with disasters, as well as further enhancing our anti-disaster measures at our major production bases.

Countermeasures against large-scale earthquakes

The Great East Japan Earthquake that struck on March 11, 2011, caused damage that exceeded all expectations. Amidst the ensuing confusion and chaos, we immediately set up an Emergency Risk Measures Headquarters at our head office to confirm the safety of our employees and ascertain the extent of the damage. Our company was united in making all efforts to assist the disaster-stricken areas and recover our business operations.

Learning from our experience in the Great East Japan Earthquake disaster, after the recovery of our operations, we worked to strengthen our countermeasures against large-scale earthquakes. Specifically, we have introduced a “Safety Confirmation Systems”^{*1} and a “Disaster Recovery System”^{*2} for IT servers, and we are moving forward with their implementation, aiming at their complete adoption as soon as possible. We are also tightening the collaboration among related divisions and further enhancing our countermeasures at the Tsuchiura Works, the “mother plant” of the Hitachi Construction Machinery Group, and at our other major plants.

^{*1} Ascertaining the safety of employees at times of disaster such as large-scale earthquakes, new-type influenza pandemics, and so on becomes extremely difficult. The Safety Confirmation Systems makes it much easier to get and centrally manage information about the safety of employees and to issue operational guidance and instructions.

^{*2} This is a contingency plan for restoring and repairing systems damaged by natural and other disasters. By preparing a back-up system beforehand in a removed area with a low possibility of being impacted by the disaster at the same time and then switching over to the system when a disaster occurs, we will be able to reduce data loss to a minimum.

BCP for ensuring contact with suppliers

Learning from the experience of the stoppage of parts supply due to the Niigata Chuetsu Earthquake in 2004, Hitachi Construction Machinery has been utilizing our Supplier Crisis Management System since 2009.

This system records the locations, names of persons in charge, telephone contact numbers, and parts handled of all suppliers to the secondary supplier level. If a major earthquake or other disaster strikes, the system can immediately identify suppliers whose addresses correspond to the cities, towns, or villages reported in the media as being affected, allowing us to rapidly confirm the safety of the supplier.

When the Tsuchiura Works was damaged by the Great East Japan Earthquake, we began confirming the situation of suppliers on March 16, five days after the earthquake struck. Although we were affected by delays in the supply of microcomputer chips, we were able to issue a “declaration of containment” on June 27.

In fiscal 2012, we are planning first to carefully update the existing supplier data we have, and then expand our collection of data from our overseas suppliers to further strengthen the supplier contact system.

Countermeasures against new-type influenza pandemics

In fiscal 2010, we formulated a BCP regarding influenza based on the assumption that a possible highly virulent H5N1 avian influenza pandemic may occur.

Considering the protection of employees from being infected by the virus of priority importance, as specific measures, we stockpiled N95 masks, antiseptic solutions, and other materials, and strengthened and expanded measures for ascertaining the health condition of employees by utilizing the Safety Assurance System introduced as a countermeasure against large-scale earthquakes.

Directors and Executive Officers

As of June 25, 2012



Michijiro Kikawa
Chairman of the Board



Yuichi Tsujimoto
President, Chief Executive Officer and Director



Shinichi Mihara
Executive Vice President, Executive Officer and Director



Hiroshi Tokushige
Senior Vice President, Executive Officer and Director



Tsutomu Mizutani
Vice President, Executive Officer and Director



Yukio Arima
Vice President, Executive Officer and Director



Kiichi Uchibayashi
Director



Takashi Miyoshi
Outside Director



Masahide Tanigaki
Outside Director



Kousei Watanabe
Outside Director

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

Directors

Chairman of the Board
Director
Director
Director
Director
Director
Outside Director
Outside Director
Outside Director

Michijiro Kikawa
Yuichi Tsujimoto
Shinichi Mihara
Hiroshi Tokushige
Tsutomu Mizutani
Yukio Arima
Kiichi Uchibayashi
Takashi Miyoshi
Masahide Tanigaki
Kousei Watanabe

Executive Officers

President, Chief Executive Officer
Executive Vice President, Representative Executive Officer
Senior Vice President and Executive Officer
Vice President and Executive Officer
Vice President and Executive Officer
Vice President and Executive Officer
Vice President and Executive Officer
Executive Officer
Executive Officer
Executive Officer
Executive Officer
Executive Officer
Executive Officer
Executive Officer
Executive Officer

Yuichi Tsujimoto
Shinichi Mihara
Hiroshi Tokushige
Tsutomu Mizutani
Yukio Arima
Yoshikazu Tokugawa
Yoshimi Iwase
Mitsuhiro Tabei
Toshihiro Oono
Osamu Okada
Yasushi Ochiai
Masaki Kanahara
Hideo Kitawaki
Koji Sumioka
Akihiko Hiraoka
Norio Hirota
Shogo Yokoyama

Note: Except for the president and vice presidents, the executive officers are listed in the Japanese syllabic order.

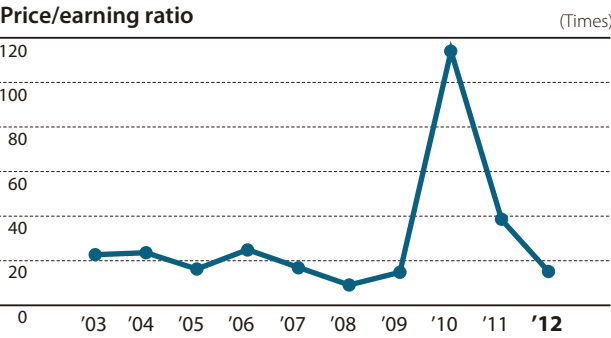
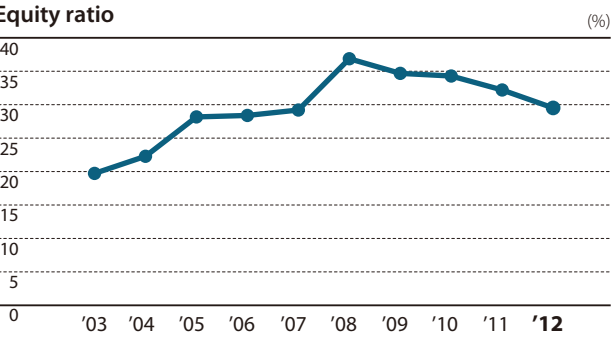
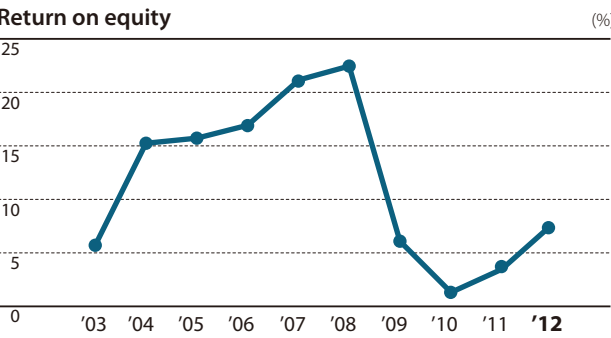
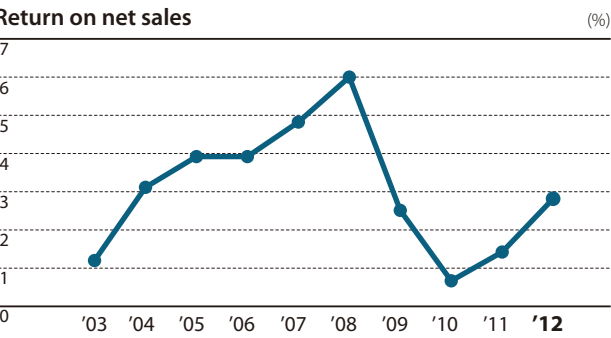
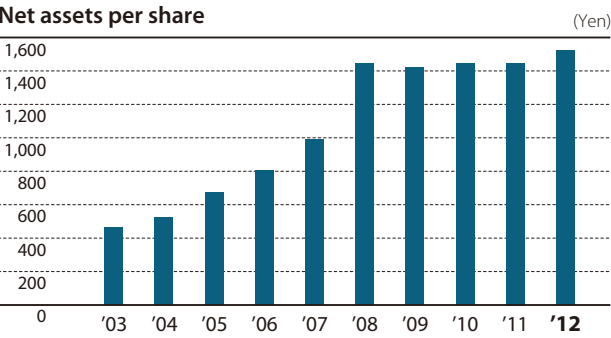
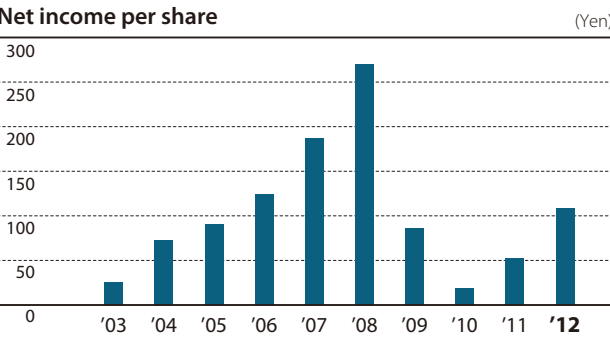
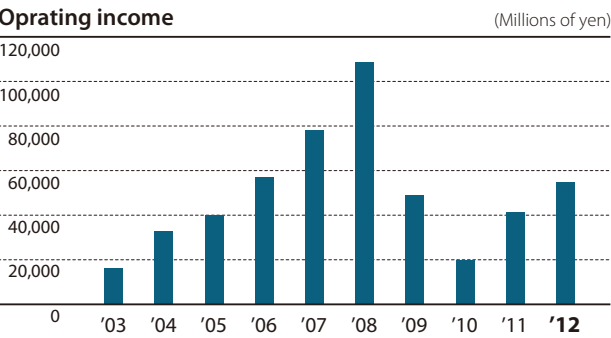
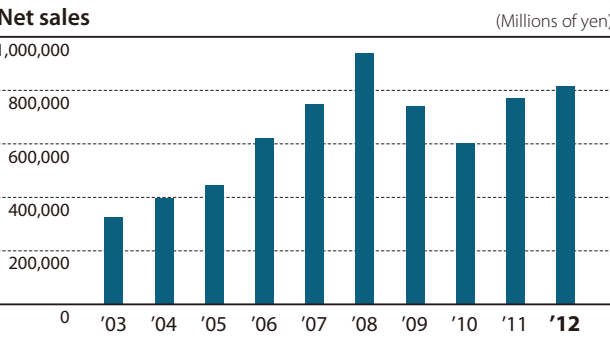
Ten-year Financial History

Hitachi Construction Machinery Co., Ltd. and its Consolidated Subsidiaries
Years ended March 31

		Millions of yen Except per share data									Thousands of U.S. dollars (Note 3) Except per share data
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2012
For the year:											
Net sales	817,143	773,769	605,788	744,167	940,537	756,453	626,457	448,043	402,195	328,496	9,942,122
Operating income	54,837	41,511	19,669	48,836	108,458	78,352	57,177	40,120	32,858	16,399	667,198
Net income before income taxes and minority interests	50,129	35,745	18,333	44,142	100,564	70,081	46,795	31,862	21,211	6,486	609,916
Net income	23,036	11,088	4,019	18,253	55,985	36,502	24,223	17,325	12,490	3,883	280,277
At year-end:											
Total assets	1,086,116	944,370	883,047	841,353	833,096	655,326	552,341	463,812	407,049	373,755	13,214,698
Working capital	232,252	248,870	207,948	124,398	155,901	98,891	99,213	96,638	67,201	61,735	2,825,794
Shareholder's equity	345,689	327,496	319,520	311,430	310,747	184,750	157,173	131,318	91,132	74,321	4,205,974
Interest-bearing debt	388,904	327,768	307,754	300,626	190,650	165,910	152,953	154,786	152,152	153,003	4,731,768
Per share data (yen):											
Net income	108.88	52.44	19.33	85.79	271.00	187.43	124.37	91.05	72.62	25.90	1.33
Diluted net income	108.86	52.41	19.32	85.72	270.23	186.81	124.00	90.88	70.92	24.35	1.32
Net assets	1,522.86	1,447.52	1,441.73	1,422.54	1,446.55	987.56	807.17	673.81	520.93	460.98	18.53
Cash dividends (declared)	30.00	20.00	10.00	44.00	42.00	28.00	18.00	14.00	11.00	7.00	0.37
Other indicators:											
Return on net sales (%)	2.8	1.4	0.7	2.5	6.0	4.8	3.9	3.9	3.1	1.2	—
Return on equity (%)	7.3	3.6	1.3	6.1	22.3	20.9	16.8	15.6	15.1	5.6	—
Equity ratio (%)	29.7	32.4	34.5	34.9	37.1	29.4	28.5	28.3	22.4	19.9	—
Price/earning ratio (times)	16.82	39.72	114.28	14.79	9.21	17.02	24.92	16.24	23.60	22.66	—

* 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.



Management’s Discussion and Analysis

Business Performance

During the consolidated fiscal year under review (April 1, 2011 to March 31, 2012), although the outlook for the global economy showed a steady growth in emerging countries in Asia and other areas and the United States showed signs of an economic upturn, the overall global economy continued to be uncertain due to the financial crisis in Europe and the financial restraints in China and India. In Japan, due to the influence of the prolonged appreciation of the yen and other factors, the economy is in a severe situation though it has been slowly recovering in recent months.

With respect to the market for construction machinery particularly hydraulic excavators, despite a drastic decrease in demand in China compared with the previous year, the overall demand for construction machinery remained the same as the previous year thanks to an increase in demand for economic growth in other emerging nations in Asia and other areas.

Under these circumstances, the HCM Group made efforts to swiftly restore production facilities affected by the Great East Japan Earthquake in order to secure production capacity by the end of May, and also endeavored to capture large demands in emerging nations by further strengthening the global production. In addition, the Group entered into an agreement with Deere & Company to establish a new joint venture company and commenced constructing a factory in order to enter the Brazil market, which is expected to grow in future.

With respect to mining machinery, with the aim of improving performance, we continued focusing on winning large contracts to capture strong demand for resources and also endeavored to enhance the service structure including parts supply in order to expand our manufacturing factories in and outside of Japan to accommodate large demands and also to improve our post-purchase services to keep operating the facilities for long hours.

Consequently, consolidated net sales increased by 6% year-on-year to ¥817,143 million. Despite the drastic appreciation of the yen against the US dollar, euro and Chinese yuan, earnings largely exceeded those of the previous fiscal year, as operating income became ¥54,837 million, 32% increase year-on-year, ordinary income ¥51,711 million, 23% increase year-on-year and net income ¥23,036 million, 108% increase year-on-year thanks to improvements in sales prices and cost reduction.

Analysis of Financial Conditions

1. Status of Assets, Liabilities and Net Assets

Assets

Current assets at the end of the fiscal year amounted to ¥752,304 million, an increase of 20.2%, or ¥126,609 million from the previous fiscal year-end. This was due mainly to an increase of ¥76,112 million in inventories, and an increase of ¥44,240 million in the total of notes and accounts receivable, lease receivables and investment assets.

Fixed assets increased 4.7%, or ¥15,137 million from the end of the previous fiscal year to ¥333,812 million.

This was due mainly to our investments in property, plant and equipment in order to reinforce the production capabilities of consolidated subsidiaries in and outside of Japan.

As a result, total assets increased 15.0% or ¥141,746 million from the previous fiscal year-end to ¥1,086,116 million.

Liabilities

Current liabilities at the end of the fiscal year amounted to ¥520,052 million, an increase of 38.0%, or ¥143,227 million from the previous fiscal year-end. This was due mainly to increases of ¥42,562 million in notes and accounts payable and ¥61,799 million in short-term debt.

Non-current liabilities decreased 9.7%, or ¥21,272 million from the previous fiscal year-end to ¥197,287 million.

As a result, total liabilities increased 20.5% or ¥121,955 million from the previous fiscal year-end to ¥717,339 million.

Net Assets

Net assets increased 5.7%, or ¥19,791 million from the previous fiscal year-end to ¥368,777 million. This was mainly due to net income in this fiscal amounting to ¥23,036 million, and a decrease of ¥5,287 million in dividends.

2. Status of Consolidated Cash Flows

Cash and cash equivalents at end of year totaled ¥81,059 million, an increase of ¥6,349 million from the end of the previous fiscal year. Factors relating to each cash flow category were as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥11,088 million, a decrease of ¥16,307 million compared with the previous fiscal year.

Factors that increased cash included ¥50,129 million in income before income taxes and minority interests, ¥39,571 million in depreciation and amortization, and ¥43,961 million in increase in notes and accounts payable. Factors that reduced cash included that ¥53,463 million in increase in notes and accounts receivable, and ¥76,174 million in increase in inventories, etc.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥39,044 million, an increase of ¥18,276 million compared with the previous fiscal year. This was due mainly to spending of ¥33,519 million in acquisitions of property, plant and equipment to enhance production facilities.

As a result, free cash flows, the sum of cash flows from operating activities and cash flows from investing activities, amounted to an outflow of ¥27,956 million.

Cash Flows from Financing Activities

Net cash provided by financing activities totaled ¥34,857 million, an increase of ¥20,211 million compared with the previous fiscal year. This was due mainly to an inflow of ¥58,450 million in increase in interest-bearing debt, and to the contrary, outflows of ¥11,647 million in interests paid and ¥9,110 million in dividends.

Principles Regarding Appropriation of Earnings and Dividends for the Year under Review and the Fiscal Year Ending March 31, 2013

To establish a solid position in global construction machinery markets, HCM will maintain and strengthen its financial structure and work to bolster its internal reserves while considering implementation plans for upfront investments, including investments for technology development and facilities based on medium- and long-term business strategies.

At the same time, HCM will pay dividends linked to its consolidated business results in accordance with a policy of maintaining stable dividends.

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

At the Meeting of the Board of Directors scheduled for May 21, 2012, a resolution for cash dividends per share of ¥15.00 for the fiscal year ended March 31, 2012 will be proposed. As a result, cash dividends for the entire fiscal year ended March 31, 2012 will amount to ¥30.00 per share.

As for dividends for the fiscal year ending March 2013, we aim to pay ¥20.00 per share for interim dividends and ¥20.00 per share for year-end dividends -a total of ¥40.00 per share annually.

Consolidated Balance Sheets

Hitachi Construction Machinery Co., Ltd. and its Consolidated Subsidiaries
March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
ASSETS			
Current assets			
Cash and bank deposits (Notes 16 and 18)	¥ 72,803	¥ 67,650	\$ 885,789
Notes and accounts receivable (Notes 8, 9, 11 and 18)	238,478	184,450	2,901,545
Lease receivables and investment assets (Note 18)	120,321	130,109	1,463,937
Merchandise and manufactured goods (Note 11)	186,625	130,151	2,270,653
Work in process (Note 11)	58,485	40,235	711,583
Materials and supplies (Note 11)	23,802	22,414	289,597
Deferred tax assets (Note 22)	14,562	14,679	177,175
Other	42,510	41,036	517,217
Less: Allowance for doubtful accounts (Note 18)	(5,282)	(5,029)	(64,266)
Total current assets	752,304	625,695	9,153,230
Non-current assets			
Property, plant and equipment			
Property held for lease (Notes 11 and 28)	109,161	108,615	1,328,154
Land (Note 11)	64,182	58,974	780,898
Buildings and structures (Note 11)	134,303	129,351	1,634,055
Machinery, equipment and vehicles (Note 11)	208,430	194,728	2,535,953
Construction in progress	14,032	7,058	170,727
	530,108	498,726	6,449,787
Less: Accumulated depreciation	(285,248)	(274,342)	(3,470,592)
Net property, plant and equipment	244,860	224,384	2,979,195
Intangible assets			
Software	19,965	19,737	242,913
Goodwill	18,144	25,011	220,757
Other	2,678	1,540	32,583
Total intangible assets	40,787	46,288	496,253
Investments and other assets			
Investments in securities (Notes 18 and 19)	20,736	19,646	252,293
Deferred tax assets (Note 22)	5,023	5,064	61,114
Other (Note 21)	23,129	24,453	281,409
Less: Allowance for doubtful accounts (Note 18)	(723)	(1,160)	(8,796)
Total investments and other assets	48,165	48,003	586,020
Total non-current assets	333,812	318,675	4,061,468
Total assets	¥1,086,116	¥944,370	\$13,214,698

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
LIABILITIES AND NET ASSETS			
Current liabilities			
Notes and accounts payable (Notes 8, 18 and 28)	¥ 192,880	¥150,318	\$ 2,346,758
Short-term loans (Notes 11, 18, 23 and 28)	208,312	146,513	2,534,518
Current portion of bonds (Notes 18 and 23)	20,060	210	244,069
Income taxes payable	18,367	15,774	223,468
Provision for loss on disaster	—	1,204	—
Other (Notes 8 and 28)	80,433	62,806	978,623
Total current liabilities	520,052	376,825	6,327,436
Non-current liabilities			
Bonds (Notes 18 and 23)	30,010	50,070	365,130
Long-term loans (Notes 11, 18 and 23)	130,522	130,975	1,588,052
Lease obligations (Note 23)	8,564	8,757	104,198
Deferred tax liabilities (Note 22)	10,567	9,836	128,568
Retirement and severance benefits (Note 21)	12,021	11,483	146,259
Other (Note 24)	5,603	7,438	68,171
Total non-current liabilities	197,287	218,559	2,400,378
Total liabilities	717,339	595,384	8,727,814
Net assets			
Shareholders' equity			
Common stock	81,577	81,577	992,542
Authorized: 700,000,000 shares in 2012 and 2011			
Issued: 215,115,038 shares in 2012 and 2011			
Capital surplus	84,477	84,466	1,027,826
Retained earnings	183,728	165,980	2,235,406
Less: treasury stock, at cost: 3,296,336 shares in 2012 and 3,645,459 shares in 2011	(4,093)	(4,526)	(49,799)
	345,689	327,496	4,205,974
Accumulated other comprehensive income			
Net unrealized gains on securities (Note 19)	3,621	3,772	44,057
Deferred losses on hedges	(1,713)	(595)	(20,842)
Foreign currency translation adjustments	(25,027)	(24,567)	(304,502)
Total accumulated other comprehensive income	(23,119)	(21,390)	(281,287)
Subscription rights to shares	766	766	9,320
Minority interests	45,441	42,114	552,877
Total net assets	368,777	348,986	4,486,884
Total liabilities and net assets	¥1,086,116	¥944,370	\$13,214,698

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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Net sales (Note 28)	¥817,143	¥773,769	\$9,942,122
Cost of sales (Note 12)	606,643	587,953	7,380,983
Gross profit	210,500	185,816	2,561,139
Selling, general and administrative expenses (Note 12)	155,663	144,305	1,893,941
Operating income	54,837	41,511	667,198
Other income (expenses)			
Interest and dividend income	3,882	4,237	47,232
Gains on equity in earnings of affiliated companies	526	1,083	6,400
Interest expenses	(11,587)	(8,867)	(140,978)
Foreign exchange gains, net	917	3,152	11,157
Surrender value of insurance	—	1,582	—
Insurance income	1,003	—	12,203
Subsidy income	1,256	461	15,282
Losses on adjustment for changes of accounting standard for asset retirement obligations	—	(203)	—
Business structure improvement expenses (Note 13)	(374)	(315)	(4,550)
Loss on valuation of investment securities	(363)	—	(4,417)
Loss on disaster (Note 14)	—	(6,779)	—
Retirement benefit expenses	(219)	—	(2,665)
Amortization of goodwill	(1,629)	—	(19,820)
Other, net	1,880	(117)	22,874
	(4,708)	(5,766)	(57,282)
Income before income taxes and minority interests	50,129	35,745	609,916
Income taxes:			
Current	17,818	17,754	216,790
Deferred	1,749	(2,259)	21,280
Income before minority interests	30,562	20,250	371,846
Minority interests	7,526	9,162	91,569
Net income	23,036	11,088	280,277

	Yen		U.S. dollars (Note 3)
	2012	2011	2012
Per share data (Note 29)			
Net income	¥108.88	¥52.44	\$1.32
Diluted net income	108.86	52.41	1.32
Cash dividends (declared)	30.00	20.00	0.37
Weighted average number of shares (thousands)	211,577	211,436	

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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Income before minority interests	¥30,562	¥20,250	\$371,846
Other comprehensive income (Note 15)			
Net unrealized gains or losses on securities	(163)	2,131	(1,983)
Deferred losses on hedges	(1,127)	(90)	(13,712)
Foreign currency translation adjustments	155	(9,262)	1,886
Share of other comprehensive income of companies accounted for by the equity-method	(267)	(818)	(3,249)
Total other comprehensive income	(1,402)	(8,039)	(17,058)
Comprehensive Income	29,160	12,211	354,788
Comprehensive income attributable to shareholders of the Company	21,307	4,410	259,241
Comprehensive income attributable to minority interests	7,853	7,801	95,547

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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Shareholders' Equity			
Common stock			
Balance at beginning of year	¥ 81,577	¥ 81,577	\$ 992,542
Changes during the period	—	—	—
Total changes during the period	81,577	81,577	992,542
Balance at end of year			
Capital surplus			
Balance at beginning of year	84,466	84,468	1,027,692
Changes during the period			
Disposal of treasury stock	11	(2)	134
Total changes during the period	11	(2)	134
Balance at end of year	84,477	84,466	1,027,826
Retained earnings			
Balance at beginning of year	165,980	158,063	2,019,467
Changes during the period			
Cash dividends	(5,287)	(3,171)	(64,327)
Net income	23,036	11,088	280,277
Total changes during the period	17,748	7,917	215,939
Balance at end of year	183,728	165,980	2,235,406
Treasury stock			
Balance at beginning of year	(4,526)	(4,588)	(55,068)
Changes during the period			
Purchase of treasury stock	(2)	(5)	(24)
Disposal of treasury stock	435	67	5,293
Total changes during the period	433	62	5,268
Balance at end of year	(4,093)	(4,526)	(49,799)
Total Shareholders' equity			
Balance at beginning of year	327,496	319,520	3,984,621
Changes during the period			
Cash dividends	(5,287)	(3,171)	(64,327)
Net income	23,036	11,088	280,277
Purchase of treasury stock	(2)	(5)	(24)
Disposal of treasury stock	446	64	5,427
Total changes during the period	18,193	7,976	221,353
Balance at end of year	345,689	327,496	4,205,974
Accumulated other comprehensive income			
Net unrealized gains or losses on securities			
Balance at beginning of year	3,772	1,625	45,894
Changes during the period			
Net changes in items other than those in shareholder's equity	(151)	2,147	(1,837)
Total changes during the period	(151)	2,147	(1,837)
Balance at end of year	3,621	3,772	44,057
Deferred losses on hedges			
Balance at beginning of year	(595)	(501)	(7,239)
Changes during the period			
Net changes in items other than those in shareholder's equity	(1,118)	(94)	(13,603)
Total changes during the period	(1,118)	(94)	(13,603)
Balance at end of year	(1,713)	(595)	(20,842)
Foreign currency translation adjustments			
Balance at beginning of year	(24,567)	(15,836)	(298,905)
Changes during the period			
Net changes in items other than those in shareholder's equity	(460)	(8,731)	(5,597)
Total changes during the period	(460)	(8,731)	(5,597)
Balance at end of year	(25,027)	(24,567)	(304,502)
Total accumulated other comprehensive income			
Balance at beginning of year	(21,390)	(14,712)	(260,250)
Changes during the period			
Net changes in items other than those in shareholder's equity	(1,729)	(6,678)	(21,037)
Total changes during the period	(1,729)	(6,678)	(21,037)
Balance at end of year	(23,119)	(21,390)	(281,287)
Subscription rights to shares			
Balance at beginning of year	766	766	9,320
Changes during the period			
Net changes in items other than those in shareholder's equity	—	—	—
Total changes during the period	—	—	—
Balance at end of year	766	766	9,320
Minority interests			
Balance at beginning of year	42,114	38,657	512,398
Changes during the period			
Net changes in items other than those in shareholder's equity	3,327	3,457	40,479
Total changes during the period	3,327	3,457	40,479
Balance at end of year	45,441	42,114	552,877
Total Net Assets			
Balance at beginning of year	348,986	344,231	4,246,088
Changes during the period			
Cash dividends	(5,287)	(3,171)	(64,327)
Net income	23,036	11,088	280,277
Purchase of treasury stock	(2)	(5)	(24)
Disposal of treasury stock	446	64	5,427
Net changes in items other than those in shareholder's equity	1,598	(3,221)	19,443
Total changes during the period	19,791	4,755	240,796
Balance at end of year	368,777	348,986	4,486,884

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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Cash flows from operating activities			
Income before income taxes and minority interests	¥50,129	¥35,745	\$609,916
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	39,571	38,112	481,458
Decrease in allowance for doubtful accounts	(193)	(1,381)	(2,348)
Interest and dividend income	(3,526)	(3,607)	(42,901)
Interest expenses	11,587	8,867	140,978
Amortization of goodwill and negative goodwill	7,561	6,513	91,994
Gains on equity earnings of affiliated companies	(526)	(1,083)	(6,400)
Increase in notes and accounts receivable	(53,463)	(30,861)	(650,481)
Change in lease receivables and investment assets	12,826	(42,714)	156,053
Change in inventories	(76,174)	5,314	(926,804)
Purchase of property held for lease	(14,476)	(13,478)	(176,128)
Sale of property held for lease	2,385	2,332	29,018
Increase in notes and accounts payable	43,961	37,901	534,870
Gains on sales of property, plant and equipment	(1,031)	(1,888)	(12,544)
Other, net	9,485	1,498	115,404
Subtotal	28,116	41,270	342,085
Income taxes paid	(17,028)	(13,875)	(207,178)
Net cash provided by operating activities	11,088	27,395	134,907
Cash flows from investing activities			
Acquisitions of property, plant and equipment	(33,519)	(17,663)	(407,823)
Proceeds from sale of property, plant and equipment	348	174	4,234
Purchase of intangible assets	(6,318)	(4,133)	(76,871)
Purchase of investments in securities	(3,246)	(1,596)	(39,494)
Proceeds from sale of investments in securities	80	87	973
Interest and dividends received	3,558	3,599	43,290
Dividends received from affiliated companies	58	41	706
Other, net	(5)	(1,277)	(61)
Net cash used in investing activities	(39,044)	(20,768)	(475,046)
Cash flows from financing activities			
Net increase in short-term loans	38,978	6,239	474,243
Proceeds from long-term loans	52,325	49,662	636,635
Repayments of long-term loans	(32,643)	(21,343)	(397,165)
Repayments of lease obligation	(2,914)	(3,160)	(35,454)
Redemption of bonds	(210)	(1,510)	(2,555)
Interest paid	(11,647)	(8,617)	(141,708)
Dividends paid to shareholders	(5,287)	(3,173)	(64,327)
Dividends paid to minority shareholders by subsidiaries	(3,823)	(3,507)	(46,514)
Proceeds from stock issuance to minority shareholders	31	—	377
Proceeds from disposal of treasury stock	43	64	523
Purchase of treasury stock	(2)	(6)	(24)
Other, net	6	(3)	72
Net cash provided by financing activities	34,857	14,646	424,103
Effect of exchange rate changes on cash and cash equivalents	(552)	(3,877)	(6,716)
Net increase in cash and cash equivalents	6,349	17,396	77,248
Cash and cash equivalents at beginning of year	74,710	57,314	908,991
Cash and cash equivalents at end of year (Note 16)	¥81,059	¥74,710	\$986,239

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 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 ¥82.19 = US\$1, the approximate exchange rate prevailing at the Tokyo Foreign Exchange Market as of March 30, 2012. 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 other than equity securities issued by subsidiaries and affiliates as other securities.

Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gains or losses. 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 classified as other securities are carried at cost.

In computing realized gain or loss, cost of other 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 moving average method.

(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) 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 employee's 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.

(f) Revenue and expense recognition

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.

(g) 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.

(h) Derivatives

Derivatives are carried at fair value with changes in unrealized gain or loss changed or credited to operations except for those which meet the criteria for deferral hedge accounting as regulated in "Accounting Standard for Financial Instruments" under which the unrealized gain or loss are deferred until gain or loss relating to the hedge object are 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.

(i) 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.

(j) 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.

(k) 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.

(l) Other

- Consumption tax
Consumption tax is excluded from presentation of sales, cost of sales, income and expenses.
- 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.
- Consolidated tax return
Effective April 1, 2011, the Company and its wholly owned domestic subsidiaries adopted consolidated income tax return filing.

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. Additional information

Effective April 1, 2011, the Company adopted the Accounting Standards for Accounting Changes and Error Corrections (Accounting Standards Board of Japan (ASBJ), statement No.24 issued on December 4, 2009) and the Guidance on Accounting Standard for Accounting Change and Error Corrections (ASBJ Guidance No.24 issued on December 4, 2009.)

8. Procedure of matured bill

Regarding the procedure of matured bills for the year ended March 31,2012, the Company accounted for these notes receivable and notes payable as if they had been settled on the maturity date though financial institutions were closed on holiday at the end of the fiscal year.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Notes receivable-trade.....	¥2,681	—	\$32,620
Notes payable-trade.....	747	—	9,089
Notes payable-facilities.....	23	—	280

9. Notes receivable discounted or endorsed

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Notes receivable endorsed	¥26	¥5	\$316
Total.....	26	5	316

10. Commitments and contingencies

At March 31, 2012 and 2011, the Company was contingently liable for guarantees given in respect of bank loans of affiliated companies and other entities amounting to ¥20,913 million (US\$254,447 thousand) and ¥21,206 million, respectively.

11. Assets pledged as collateral

Assets pledged as collateral at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Accounts receivable.....	¥ 4,376	¥ —	\$ 53,242
Inventory.....	9,783	—	119,029
Property held for lease.....	20,606	18,682	250,712
Buildings and structures.....	1,805	1,272	21,961
Machinery, equipment and vehicles	6,464	5,864	78,647
Land.....	59	86	718
Total	43,093	25,904	524,309

Related debts secured with the above assets at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Short-term loans.....	¥15,903	¥ 9,525	\$193,491
Long-term loans.....	20,366	18,821	247,792
Total	36,269	28,346	441,283

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, 2012 and 2011 were ¥16,938 million (US\$206,083 thousand) and ¥15,810 million, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Transfer costs for reorganization of domestic offices	¥374	¥ —	\$4,550
Relocation costs for head office of TCM Corporation	—	137	—
Liquidation costs of overseas equity method affiliates	—	100	—
Integration costs for the merger of overseas subsidiaries	—	78	—
Total	374	315	4,550

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 East Japan Earthquake. The restoration costs include the provision for loss on disaster.

	Millions of yen
	2011
Loss on valuation of inventories.....	¥7,070
Fixed costs on mothballing period.....	2,873
Costs of restoration of property, plant and equipment	1,167
Loss on retirement of inventories	376
Other.....	767
Insurance recoveries.....	(5,474)
Total	6,779

15. Other comprehensive income

The following table presents reclassification and tax effects allocated to each component of other comprehensive income for the year ended March 31, 2012:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Net unrealized gains and losses on securities		
Amount arising during the year.....	¥ (897)	\$(10,914)
Reclassification adjustments for gains and losses realized in net income.....	220	2,677
The amount of net unrealized gains and losses on securities before tax effect.....	(677)	(8,237)
Tax effect.....	514	6,254
Net unrealized gains and losses on securities	(163)	(1,983)
Deferred losses on hedges		
Amount arising during the year.....	¥ 110	\$ 1,338
Reclassification adjustments for gains and losses realized in net income.....	(1,775)	(21,596)
The amount of deferred losses on hedges before tax effect	(1,665)	(20,258)
Tax effect.....	538	6,546
Deferred losses on hedges.....	(1,127)	(13,712)
Foreign currency translation adjustment		
Amount arising during the year	¥ 155	\$ 1,886
Reclassification adjustments for gains and losses realized in net income.....	—	—
Foreign currency translation adjustment.....	155	1,886
Share of other comprehensive income of companies accounted for by the equity method		
Amount arising during the year.....	¥ (345)	\$(4,198)
Reclassification adjustments for gains and losses realized in net income.....	78	949
Share of other comprehensive income of companies accounted for by the equity method.....	(267)	(3,249)
Total other comprehensive income.....	(1,402)	(17,058)

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

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Cash and bank deposits.....	¥72,803	¥67,650	\$885,789
Deposit to parent company.....	8,391	7,060	102,093
Less: time deposits with the maturity longer than three months.....	(135)	—	(1,643)
Total.....	81,059	74,710	986,239

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		
	2012			2012		
	Machinery, equipment and vehicles	Other	Total	Machinery, equipment and vehicles	Other	Total
Acquisition cost	¥862	¥3,493	¥4,355	\$10,488	\$42,499	\$52,987
Accumulated depreciation	(573)	(1,686)	(2,259)	(6,972)	(20,513)	(27,485)
Net leased property	289	1,807	2,096	3,516	21,986	25,502
	Millions of yen					
	2011					
	Machinery, equipment and vehicles	Other	Total			
Acquisition cost	¥1,890	¥2,880	¥4,770			
Accumulated depreciation	(1,472)	(1,425)	(2,897)			
Net leased property	418	1,455	1,873			

2. Lease obligation under finance leases inclusive of interest portion

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year.....	¥ 542	¥ 849	\$ 6,594
Due over one year.....	2,238	2,940	27,230
Total.....	2,780	3,789	33,824

The amounts of lease obligation under finance leases inclusive of interest portion are calculated with including the interest payments. This is because the balances of lease obligation to total non current assets in the years ended March 31, 2012 and 2011 are immaterial .

3. Lease payments, depreciation expense and interest portion

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Lease payments.....	¥1,087	¥1,566	\$13,225
Depreciation expense.....	618	953	7,519
Interest portion	139	189	1,691

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		
	2012			2012		
	Property held for lease	Other	Total	Property held for lease	Other	Total
Acquisition cost	¥3,912	¥—	¥3,912	\$47,597	\$—	\$47,597
Accumulated depreciation	(3,814)	—	(3,814)	(46,405)	—	(46,405)
Net leased property	98	—	98	1,192	—	1,192
	Millions of yen					
	2011					
	Property held for lease	Other	Total			
Acquisition cost	¥5,263	¥—	¥5,263			
Accumulated depreciation	(4,923)	—	(4,923)			
Net leased property	340	—	340			

2. Future lease income inclusive of interest portion

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year	¥336	¥ 862	\$4,088
Due over one year	151	191	1,837
Total	487	1,053	5,925

3. Lease income, depreciation expense and interest portion

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Lease income	¥555	¥1,168	\$6,753
Depreciation expense.....	476	682	5,791
Interest portion	27	43	329

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
	2012	2011	2012
Due within one year	¥179	¥290	\$2,178
Due over one year	192	363	2,336
Total	371	653	4,514

(Lessor)

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year	¥2,339	¥2,421	\$28,458
Due over one year	4,072	3,681	49,544
Total.....	6,411	6,102	78,002

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 assets. 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, 2012.

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, 2012.

2. Fair value and other information related to financial instruments

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2012 and 2011 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, 2012

	Carrying amount	Fair value	Difference
	¥ 72,803	¥ 72,803	¥ —
(1) Cash and bank deposit			
(2) Notes and accounts receivable	238,478	—	—
Less: allowance for doubtful accounts	(3,321)	—	—
Notes and accounts receivable (NET)	235,157	232,157	(3,000)
(3) Lease receivables and investment assets	120,321	—	—
Less: allowance for doubtful accounts	(1,961)	—	—
Lease receivables and investment assets (NET)	118,360	122,367	4,007
(4) Investments in securities			
Other securities (Note 19)	8,422	8,422	—
Investments in affiliate	219	959	740
Total assets	434,961	436,708	1,747
(5) Notes and accounts payable	(192,880)	(192,880)	—
(6) Short-term loans	(208,312)	(208,312)	—
(7) Current portion of bonds	(20,060)	(20,060)	—
(8) Long-term loans	(130,522)	(130,371)	151
(9) Bonds	(30,010)	(30,435)	(425)
Total liabilities	(581,784)	(582,058)	(274)
(10) Derivative financial instruments			
For which hedge accounting is not applied	(5,576)	(5,576)	—
For which hedge accounting is applied	(2,572)	(2,572)	—
Total derivatives	(8,148)	(8,148)	—

As of March 31, 2012

	Carrying amount	Fair value	Difference
	\$ 885,789	\$ 885,789	\$ —
(1) Cash and bank deposit			
(2) Notes and accounts receivable	2,901,545	—	—
Less: allowance for doubtful accounts	(40,406)	—	—
Notes and accounts receivable (NET)	2,861,139	2,824,638	(36,501)
(3) Lease receivables and investment assets	1,463,937	—	—
Less: allowance for doubtful accounts	(23,859)	—	—
Lease receivables and investment assets (NET)	1,440,078	1,488,831	48,753
(4) Investments in securities			
Other securities (Note 19)	102,470	102,483	—
Investments in affiliate	2,665	11,668	9,003
Total assets	5,292,140	5,313,396	21,256
(5) Notes and accounts payable	(2,346,758)	(2,346,758)	—
(6) Short-term loans	(2,534,518)	(2,534,518)	—
(7) Current portion of bonds	(244,069)	(244,069)	—
(8) Long-term loans	(1,588,052)	(1,586,215)	1,837
(9) Bonds	(365,130)	(370,301)	(5,171)
Total liabilities	(7,078,525)	(7,081,859)	(3,334)
(10) Derivative financial instruments			
For which hedge accounting is not applied	(67,843)	(67,843)	—
For which hedge accounting is applied	(31,293)	(31,293)	—
Total derivatives	(99,136)	(99,136)	—

As of March 31, 2011

	Carrying amount	Fair value	Difference
	¥ 67,650	¥ 67,650	¥ —
(1) Cash and bank deposit			
(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			
Other securities (Note 19)	9,367	9,367	—
Investments in affiliate	231	472	241
Total assets	386,778	382,850	(3,928)
(5) Notes and accounts payable	(150,318)	(150,318)	—
(6) Short-term loans	(146,513)	(146,513)	—
(7) Current portion of bonds	(210)	(210)	—
(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)	—
For which hedge accounting is applied	(922)	(922)	—
Total derivatives	(2,532)	(2,532)	—

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, 2012. 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, 2012.

(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, 2012.

(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 (¥12,095 million (US\$147,159 thousand) and ¥10,048 million on the consolidated balance sheet as of March 31, 2012 and 2011, respectively) 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, 2012 and 2011 are as follows:

As of March 31, 2012

	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years
	¥ 70,066	¥ —	¥ —
Cash and bank deposits			
Notes and accounts receivable	224,439	10,678	39
Lease receivables and investment assets	67,462	50,268	630
Total	361,967	60,946	669

As of March 31, 2012

	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years
	\$ 852,488	\$ —	\$ —
Cash and bank deposits			
Notes and accounts receivable	2,730,734	129,919	475
Lease receivables and investment assets	820,805	611,607	7,665
Total	4,404,027	741,526	8,140

As of March 31, 2011

	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years
	¥ 63,276	¥ —	¥ —
Cash and bank deposits			
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

19. Investments in securities
Marketable Securities

Securities with gross unrealized holding gain	Millions of yen			Thousands of U.S. dollars		
	2012			2012		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Stocks	¥8,294	¥3,554	¥4,740	\$100,913	\$43,241	\$57,671
Debt securities.....	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total	8,294	3,554	4,740	100,913	43,241	57,671
Securities with gross unrealized holding loss						
Stocks	129	145	(17)	1,570	1,764	(207)
Debt securities.....	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total	129	145	(17)	1,570	1,764	(207)
Grand total.....	8,422	3,699	4,723	102,483	45,005	57,464

Securities with gross unrealized holding gain	Millions of yen			Thousands of U.S. dollars		
	2011			2011		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Stocks	¥8,655	¥3,103	¥5,552	\$100,913	\$43,241	\$57,671
Debt securities.....	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total	8,655	3,103	5,552	100,913	43,241	57,671
Securities with gross unrealized holding loss						
Stocks	712	870	(158)	1,570	1,764	(207)
Debt securities.....	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total	712	870	(158)	1,570	1,764	(207)
Grand total.....	9,367	3,973	5,394	102,483	45,005	57,464

Non-marketable securities

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Stocks.....	¥1,995	\$24,273
Debt securities.....	—	—
Held-to-maturity debt securities.....	—	—
Other investments.....	—	—
Total	1,995	24,273

	Millions of yen
	2011
Stocks.....	¥2,143
Debt securities.....	—
Held-to-maturity debt securities.....	—
Other investments.....	—
Total	2,143

The proceeds from sales of marketable securities amounted to ¥80 million (US\$973 thousand) with an aggregate gain of ¥10 million (US\$122 thousand) and loss of ¥1 million (US\$12 thousand) for the year ended March 31, 2012 and ¥73 million with an aggregate gain of ¥5 million and loss of ¥175 million for the year ended March 31, 2011, respectively.

Impaired other securities

The amount of ¥363 million (US\$4,417 thousand) was impaired for the year ended March 31, 2012. The case that the fair value as of the end of period decreased to more than 50%, it would be impaired, or the case that the fair value decreased from 30% to 50%, it would be decided by considering the recoverability.

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, 2012 and 2011, for which hedged accounting has not been applied.

Forward exchange contracts

	Millions of yen			Thousands of U.S. dollars		
	2012			2012		
	Notional amount	Estimated fair value	Unrealized gains (losses)	Notional amount	Estimated fair value	Unrealized gains (losses)
To sell foreign currencies	¥81,452	¥(3,609)	¥(3,609)	\$991,021	\$(43,910)	\$(43,910)
To buy foreign currencies.....	40,514	(1,854)	(1,854)	492,931	(22,557)	(22,557)
Total	—	(5,463)	(5,463)	—	(66,467)	(66,467)

	Millions of yen		
	2011		
	Notional amount	Estimated fair value	Unrealized gains (losses)
To sell foreign currencies	¥43,907	¥ (727)	¥ (727)
To buy foreign currencies.....	24,172	(755)	(755)
Total	—	(1,482)	(1,482)

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.

Interest rate swaps

	Millions of yen				Thousands of U.S. dollars			
	2012				2012			
	Notional amount	Notional amount of which maturing over one year	Estimated fair value	Unrealized gains (losses)	Notional amount	Notional amount of which maturing over one year	Estimated fair value	Unrealized gains (losses)
Receive/floating and pay/fixed.	¥8,378	¥986	¥(113)	¥(113)	\$101,935	\$11,997	\$(1,375)	\$(1,375)

	Millions of yen			
	2011			
	Notional amount	Notional amount of which maturing over one year	Estimated fair value	Unrealized gains (losses)
Receive/floating and pay/fixed.	¥8,701	¥998	¥(128)	¥(128)

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

Summarized below are the notional amounts and the estimated fair values of the derivative financial instruments outstanding as of March 31, 2012 and 2011, for which hedged accounting has been applied.

Forward exchange contracts

	Millions of yen		Thousands of U.S. dollars	
	2012		2012	
	Notional amount	Estimated fair value	Notional amount	Estimated fair value
To sell foreign currencies	¥68,098	¥(1,869)	\$828,544	\$(22,740)
To buy foreign currencies.....	15,626	108	190,120	1,314
Total	—	(1,761)	—	(21,426)

	Millions of yen	
	2011	
	Notional amount	Estimated fair value
To sell foreign currencies	¥40,603	¥(255)
To buy foreign currencies.....	4,602	132
Total	—	(123)

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.

Interest rate swaps

	Millions of yen			Thousands of U.S. dollars		
	2012			2012		
	Notional amount	Notional amount of which maturing over one year	Estimated fair value	Notional amount	Notional amount of which maturing over one year	Estimated fair value
Receive/floating and pay/fixed.	¥72,038	¥72,038	¥(811)	\$876,481	\$876,481	\$(9,867)

	Millions of yen		
	2011		
	Notional amount	Notional amount of which maturing over one year	Estimated fair value
Receive/floating and pay/fixed.	¥58,496	¥51,496	¥(799)

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, 2012 and 2011 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Projected benefit obligation.....	¥(69,264)	¥(66,428)	\$(842,730)
Plan assets at fair value.....	51,118	47,429	621,949
Funded status.....	(18,146)	(18,999)	(220,781)
Unrecognized actuarial loss	23,034	25,407	280,253
Unrecognized prior service cost.....	(2,956)	(3,150)	(35,965)
Total.....	1,932	3,258	23,507
Prepaid pension cost.....	13,953	14,741	169,765
Retirement and severance benefits	(12,021)	(11,483)	(146,259)

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, 2012 and 2011 consist of the following components:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service cost.....	¥3,020	¥2,668	\$36,744
Interest cost.....	1,790	1,737	21,779
Expected return on plan assets.....	(1,521)	(1,561)	(18,506)
Amortization of unrecognized actuarial loss.....	2,206	2,431	26,840
Amortization of unrecognized prior service cost.....	(220)	(245)	(2,677)
Cost for defined contribution plan.....	1,554	1,481	18,907
Net periodic benefit cost.....	6,829	6,511	83,088

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

	2012	2011
Discount rate (weighted average):	2.30%	2.32%
Expected rate of return on plan assets:	1.6%-6.0%	1.0%-6.3%

Unrecognized actuarial gain and loss are amortized using the straight-line method over 9 to 24 years.
Unrecognized prior service cost is amortized using the straight-line method over 10 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, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets			
Allowance for doubtful accounts.....	¥ 846	¥ 271	\$ 10,293
Accrued employees bonuses.....	3,123	3,142	37,997
Net operating loss carryforward.....	9,557	17,382	116,279
Unrealized gain on inventories.....	1,004	804	12,216
Retirement and severance benefits.....	4,475	4,705	54,447
Unrealized gain on fixed assets.....	404	550	4,915
Other.....	15,945	15,342	194,002
Subtotal.....	35,354	42,196	430,149
Less: Valuation allowance.....	(11,462)	(14,401)	(139,457)
Total.....	23,892	27,795	290,692
Less: Deferred tax liabilities.....	(4,307)	(8,052)	(52,403)
Net deferred tax assets.....	19,585	19,743	238,288

Deferred tax liabilities

Earnings generated in consolidated subsidiaries and affiliated companies after initial consolidation.....	5,994	7,233	72,929
Net unrealized holding gains on investment in securities.....	3,626	4,412	44,117
Prepaid pension cost.....	4,236	5,613	51,539
Other.....	1,280	1,358	15,574
Total.....	15,136	18,616	184,159
Less: Deferred tax assets.....	(4,307)	(8,052)	(52,403)
Net deferred tax liabilities.....	10,829	10,564	131,756

The aggregate statutory tax rate for the Company was approximately 40.5% both for the years ended March 31, 2012 and 2011.

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, 2012 and 2011 are as follows:

	Percentage	
	2012	2011
Statutory tax rate applicable to the Company.....	40.5%	40.5%
(Reconciliations)		
Expenses not deductible for tax purposes.....	0.7	0.5
Inhabitant tax on per capita basis.....	0.3	0.3
Difference in statutory tax rates of foreign subsidiaries.....	(12.8)	(22.4)
Permanently non-taxable income.....	(8.1)	(8.6)
Elimination of dividends from subsidiaries.....	11.3	10.4
Amortization of goodwill.....	5.7	7.0
Equity in earnings of affiliated companies.....	(0.4)	(0.9)
Income tax effect on undistributed earnings of subsidiaries and affiliated companies.....	(2.5)	4.6
Effect of foreign tax credit.....	—	6.6
Increase in valuation allowance.....	1.0	1.6
Other.....	3.3	3.7
Effective income tax rate.....	39.0	43.3

Adjustment of deferred tax assets and deferred tax liabilities due to change of statutory tax rate

Following the promulgation on December 2, 2011 of the "Act for Partial Revision of the Income Tax Act etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No.114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No.117 of 2011), the effective corporate tax rate used to calculate the Company's deferred tax assets and liabilities was changed from 40.5% to 37.8% for the temporary differences expected to be reversed from fiscal years beginning April 1, 2012 and to 35.4% for temporary differences expected to be reversed from fiscal years beginning April 1, 2015.

The impact from the change in the effective corporate tax rate is immaterial.

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, 2012 and 2011 were 4.02% and 3.31%, respectively.

(b) Current portion of bonds at March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Unsecured bonds, interest 0.65%, due 2012.....	¥20,000	¥ —	\$243,339
Unsecured bonds, interest range between 0.98 to 1.49%, due 2013 to 2014...	60	210	730
	20,060	210	244,069

(c) Bonds other than current portion at March 31, 2012 and 2011 are as follows:

Unsecured bonds, interest range between 0.98 to 1.49%, due 2012 to 2014...	10	70	122
Unsecured bonds, interest 1.38%, due 2014.....	30,000	30,000	365,008
Unsecured bonds, interest 0.65%, due 2012.....	0	20,000	0
	30,010	50,070	365,130

(d) Loans from banks and other financial institutions

Loans from banks and other financial institutions:

Short-term loans.....	157,126	116,227	1,911,741
Current portion of long-term loans included in current liabilities.....	51,186	30,286	622,777
Short-term lease obligation.....	4,034	3,722	49,081
Long-term loans.....	130,522	130,975	1,588,052
Long-term lease obligation.....	8,564	8,757	104,198
Total loans.....	351,432	289,967	4,275,849

24. Asset retirement obligations

Asset retirement obligations for the years ended March 31, 2012 and 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 is 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 years ended March 31, 2012 and 2011.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Balance at beginning of year.....	¥548	¥541	\$6,667
Liabilities incurred due to the acquisition of property, plant and equipment....	17	—	207
Adjustment due to passage of time.....	17	7	207
Liabilities settled.....	(11)	—	(134)
Others.....	(14)	—	(170)
Balance at end of year.....	557	548	6,777

25. Segment information

For the years ended March 31, 2012 and 2011:

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		
	2012		
	Reportable segments		Amount recorded in the Consolidated
	Construction Machinery	Industrial Vehicle	Total
Net Sales:			
External Customers.....	¥ 749,777	¥67,366	¥ 817,143
Inter-Segment.....	—	—	—
Total.....	749,777	67,366	817,143
Segment income.....	53,720	1,117	54,837
Segment assets.....	1,039,501	46,615	1,086,116
Depreciation.....	36,755	2,816	39,571
Amortization of goodwill.....	7,791	723	8,514
Investments in affiliates.....	9,700	344	10,044
Increase in tangible fixed assets and intangible fixed assets.....	60,797	2,110	62,907

	Thousands of U.S. dollars			
	2012			
	Reportable segments			Amount recorded in the Consolidated
	Construction Machinery	Industrial Vehicle	Total	
Net Sales:				
External Customers.....	\$ 9,122,485	\$819,637	\$ 9,942,122	\$ 9,942,122
Inter-Segment.....	0	0	0	0
Total.....	9,122,485	819,637	9,942,122	9,942,122
Segment income.....	653,607	13,591	667,198	667,198
Segment assets.....	12,647,536	567,162	13,214,698	13,214,698
Depreciation	447,196	34,262	481,458	481,458
Amortization of goodwill	94,793	8,797	103,589	103,589
Investments in affiliates.....	118,019	4,185	122,205	122,205
Increase in tangible fixed assets and intangible fixed assets	739,713	25,672	765,385	765,385

Note: As of April 20, 2012, a shares transfer contract has been concluded to transfer all issued shares of TCM Corporation reported in an industrial vechicle segment to UniCarriers Corporation.

	Millions of yen				
	2011				Amount recorded in the Consolidated
	Reportable segments			Adjustment and eliminations	
	Construction Machinery	Industrial Vehicle	Total		
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

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

Geographical information

A summary of sales and property, plant and equipment by geographic area for the years ended March 31, 2012 and 2011 are as follows:

(1) Sales

Millions of yen					
2012					
Japan	Asia & Oceania	Europe, Africa, & the Middle East	The Americas	China	Total
¥210,979	¥242,750	¥136,130	¥92,324	¥134,960	¥817,143

Thousands of U.S. dollars					
2012					
Japan	Asia & Oceania	Europe, Africa, & the Middle East	The Americas	China	Total
\$2,566,967	\$2,953,522	\$1,656,284	\$1,123,300	\$1,642,049	\$9,942,122

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

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

(2) Property, plant and equipment

Millions of yen					
2012					
Japan	Asia	Europe	The Americas	Others	Total
¥180,810	¥45,131	¥8,011	¥1,016	¥9,892	¥244,860

Thousands of U.S. dollars					
2012					
Japan	Asia	Europe	The Americas	Others	Total
\$2,199,903	\$549,106	\$97,469	\$12,362	\$120,355	\$2,979,195

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

- Notes:
- Geographic areas are decided based on geographic proximity.
 - The countries included in each segment are as follows:
 - Asia: China, Indonesia, Singapore, Thailand, Malaysia, and India
 - Europe: The Netherlands, France, and the United Kingdom
 - The Americas: The United States and Canada
 - Others: Australia, New Zealand, and South Africa
 - 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 years ended March 31, 2012 and 2011 by reportable segments are as follows:

(a) The balance of goodwill

Millions of yen		
2012		
Construction Machinery	Industrial Vehicle	Consolidated
Balance as of March 31, 2012	¥15,999	¥2,145
	¥18,144	

Thousands of U.S. dollars		
2012		
Construction Machinery	Industrial Vehicle	Consolidated
Balance as of March 31, 2012	\$194,659	\$26,098
	\$220,757	

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

Note: The amortization of goodwill for the years ended March 31, 2012 and 2011 are disclosed in the section of “Reportable segment information.”

(b) The amortization and balance of negative goodwill

Millions of yen		
2012		
Construction Machinery	Industrial Vehicle	Consolidated
Amortization of negative goodwill.....	¥10	¥227
Balance as of March 31, 2012	28	563
	591	

Thousands of U.S. dollars		
2012		
Construction Machinery	Industrial Vehicle	Consolidated
Amortization of negative goodwill	\$122	\$2,762
Balance as of March 31, 2012	341	6,850
	7,191	

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

Note: The amortization and balance of negative goodwill listed above has occurred by the business combination before April 1, 2010.

26. 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, 2012 and 2011 represent dividends resolved during those years. The accompanying consolidated financial statements do not include any provision for the semiannual dividend of ¥15.00 (US\$0.18) per share totaling ¥3,117 million (US\$37,924 thousand) for the second half of the year, subsequently proposed by the Board of Directors in respect of the year ended March 31, 2012.

27. Stock option
The details for stock option

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

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		10,000	31,000	107,000	289,100	305,000
Vested		—	—	—	—	—
Exercised		10,000	10,000	13,000	6,000	—
Expired		—	—	—	—	—
Ending of the fiscal year		—	21,000	94,000	283,100	305,000

② Price information						
Company name		Hitachi Construction Machinery Co., Ltd.				
Exercise price		¥413	¥1,211	¥1,325	¥1,557	¥2,728
Average stock prices when exercised		¥1,545	¥1,897	¥1,686	¥1,678	—
Fair value at the grant date		—	—	—	—	¥877
Exercise price		US\$5.02	US\$14.73	US\$16.12	US\$18.94	US\$33.19
Average stock prices when exercised		US\$18.80	US\$23.08	US\$20.51	US\$20.42	—
Fair value at the grant date		—	—	—	—	US\$10.67

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.

28. Related party transactions

As of March 31, 2012, 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

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Repayment of borrowing	¥1,000	¥17,000	\$12,167
Cash deposit drawing transaction.....	10	8	122
Cash borrowing transaction	7	8	85

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Short-term loan as of March 31	¥8,062	¥7,060	\$98,090

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Commission of payment transaction.....	¥85,791	¥26,904	\$1,043,813

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Accounts payable as of March 31	¥36,684	¥24,721	\$446,332
Other payable as of March 31	2,853	267	34,712

Transactions between subsidiary of HCM and related party

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Pledge of purchase of property held for lease	¥ 8,801	¥ 9,992	\$107,081
Commission of payment transaction.....	74,745	49,481	909,417

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Accounts payable as of March 31	¥30,797	¥18,607	\$374,705

29. Per share data

	Yen		U.S. dollars
	2012	2011	2012
Per share data:			
Net assets	¥1,522.86	¥1,447.52	\$18.53
Net income	108.88	52.44	1.33
Diluted net income	108.86	52.41	1.32

Basis in calculation

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
1) Net assets			
Total net assets on consolidated balance sheets.....	¥ 368,777	¥ 348,986	\$4,486,884
Total net assets for common stock	322,570	306,106	3,924,687
Major items for above discrepancies			
Subscription rights to shares.....	766	766	9,320
Minority interests.....	45,441	42,114	552,877
Number of common stock issued	215,115,038	215,115,038	—
Number of treasury stock	3,296,336	3,645,459	—
Number of common stock for net assets per share	211,818,702	211,469,579	—

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
2) Net income			
Net income	¥ 23,036	¥ 11,088	\$280,277
Net income not belonging to common shareholders	—	—	—
Net income for common shareholders	23,036	11,088	280,277
Weighted average common shares outstanding, less treasury stock.....	211,576,798	211,435,743	—
Dilutive effect: Number of subscription rights to shares.....	34,076	115,742	—
Weighted average number of diluted common shares outstanding	211,610,874	211,551,485	—

30. Subsequent event

At the Board of Directors’ meeting held on November 29, 2011, the Company resolved to transfer all issued shares of TCM Corporation, its subsidiary, to UniCarriers Corporation, a newly founded company.
As of April 20, 2012, the Company and UniCarriers Corporation reached a final agreement and concluded a shares transfer contract.

1. Purpose of shares transfer
To integrate folk lift businesses, which are operated by the subsidiaries of the Company and Nissan Motor Co., Ltd. under the new company to be established and operated mainly by Innovation Network Corporation of Japan (INCJ), and to pursue the implementation of sound growth strategy under the new company with the source of fund from INCJ.
2. Overview of the transfer
(1) Name of the transferee
UniCarriers Corporation
(Shareholders and ownership ratio of voting shares: INCJ: 53.3%, the Company: 26.7%, Nissan Motor Co., Ltd.:20.0%)

(2) Business Description
Development, design, production and marketing of industrial vehicles such as folk lifts, special machinery and construction machinery.

(3) Timing of the transfer
Summer, 2012

(4) Transferred Subsidiary
TCM Corporation

(5) Overview of the contract
Number of shares to be transferred: 105,298,000shares (Number of voting rights: 105,298,000)
(Ratio to total shares issued: 100%)

Transfer price: 30,000 million yen
The price above is the current estimated price, so could be subject to adjust.
3. Other
Reportable segment transferred business was categorized in Industrial vehicles business.

Independent Auditor’s Report

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

We have audited the accompanying consolidated financial statements of Hitachi Construction Machinery Co., Ltd. (the “Company”) and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity’s internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hitachi Construction Machinery Co., Ltd. and consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 30 to the consolidated financial statements, which describes that the Company concluded a shares transfer contract as of April 20, 2012 based upon the resolution in the Board of Directors’ meeting to transfer all issued shares of TCM Corporation, a consolidated subsidiary.

Our opinion is not qualified in respect of this matter.

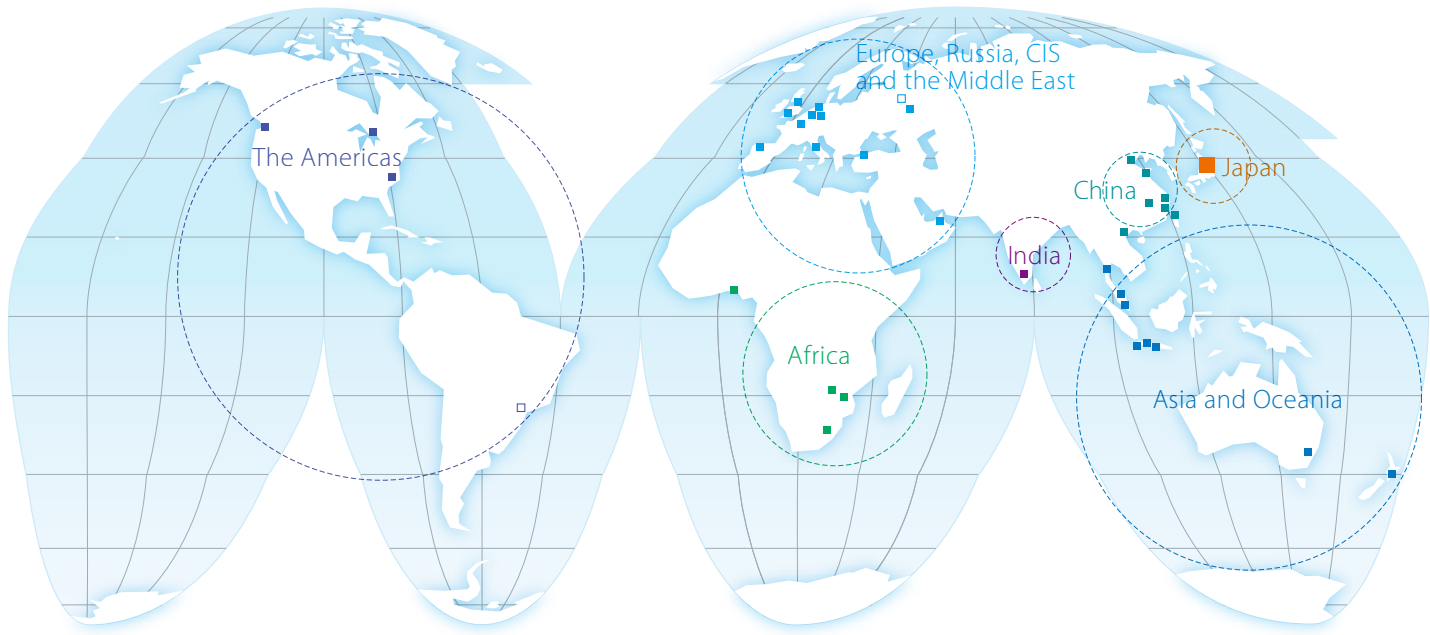
Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.



June 25, 2012
Tokyo, Japan

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*
 - Shintoshoku Metal Co., Ltd.
 - Tsukuba Tech Co., Ltd.
- Sales, Service and Rental Companies**
- Hitachi Construction Machinery Japan Co., Ltd.
 - Yamanashi Hitachi Construction Machinery Co., Ltd.
 - Okinawa Hitachi Construction Machinery Co., Ltd.
 - Okumura Machinery 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.

China

- Manufacturing and Sales Companies**
- Hitachi Construction Machinery (China) Co., Ltd.
 - Hefei Rijian Shearing Co., Ltd.
 - Hefei Okubo Machinery Co., Ltd.*
- Sales and Service Companies**
- Hitachi Construction Machinery (Shanghai) Co., Ltd.
 - Qingdao Chengri Construction Machinery Co., Ltd.
 - Yungtay-Hitachi Construction Machinery Co., Ltd.*
- Others**
- Hitachi Construction Machinery Leasing (China) Co., Ltd.

Asia and Oceania

- Manufacturing and Sales Companies**
- PT. Hitachi Construction Machinery Indonesia
 - PT. Shibaura Shearing Indonesia*
- Sales and Service Companies**
- Hitachi Construction Machinery Asia and Pacific Pte. Ltd.
 - CablePrice (NZ) Limited
 - PT. Hexindo Adiperkasa Tbk
 - Hitachi Construction Machinery Australia Pty., Ltd.
 - Hitachi Construction Machinery Thailand Co., Ltd.
 - SHCM Service Co., Ltd.
 - Hitachi Construction Machinery (Malaysia) Sdn. Bhd.
- Other**
- Hitachi Construction Machinery Leasing (Thailand) Co., Ltd.
 - PT. Hitachi Construction Machinery Finance (Indonesia)
 - Marubeni Equipment Finance (Oceania) Pty Ltd.*

Africa

- Sales and Service Companies**
- Hitachi Construction Machinery Africa Pty. Ltd.
 - Hitachi Construction Machinery Southern Africa Co., Ltd.
 - Hitachi Construction Machinery Zambia Limited
 - Hitachi Construction Machinery Mozambique Limited

*Affiliates

Corporate Information As of March 31, 2012

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	21,814 (Consolidated) 4,901 (Non-consolidated)
URL	http://www.hitachi-c-m.com/global/

Investor Information

Stock Exchange Listings	Tokyo, Osaka (#6305)
Accounting Auditor	Ernst & Young ShinNihon LLC
Stock Transfer Agent	Tokyo Securities Transfer Agent Co., Ltd.
Number of Shares Authorized	700,000,000
Number of Shares Issued	211,115,038 (treasury share: 3,296,336)
Number of Shareholders	62,737
Annual Meeting	The annual meeting of shareholders is usually held before the end of June in Tokyo.

Major Shareholders (Top 10 Largest Shareholders)

	Number of shares held (Thousands)	Ownership ratio (%)
Hitachi, Ltd.	108,033	51.00
The Master Trust Bank of Japan, Ltd. (trust account)	8,945	4.22
Japan Trustee Services Bank, Ltd. (trust account)	8,291	3.91
Trust & Custody Services Bank, Ltd. (securities investment trust account)	2,431	1.15
JP Morgan Securities Japan Co., Ltd.	2,225	1.05
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1,958	0.92
Bank of New York GCM Client Accounts JPRD AC ISG (FE-AC)	1,833	0.87
SSBT OD05 OMNIBUS ACCOUNT – TREATY CLIENTS	1,378	0.65
Japan Trustee Services Bank, Ltd. (trust account 9)	1,370	0.65
Societe Generale Securities (North Pacific) Limited	1,354	0.64

*Hitachi Construction Machinery holds 3,296,336 of treasury shares, but these have been excluded from the list of major shareholders above.
*Ownership ratio is calculated without the 3,296,336 of treasury shares.

Composition of HCM Shareholders

