

Hitachi Construction Machinery Group

CSR & Financial Report 2013



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 2013 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 past one year result and future direction the Hitachi Construction Machinery Group will be taking since after change of top management, we start off the report with a wide-ranging dialogue President and CEO Yuichi Tsujimoto.
- As a special issue, we feature information about the Hitachi Construction Machinery Japan, the first company for the triad business comprising construction machinery rental, sales, and services, including maintenance in Japan, for its result after establishment and future direction.
- 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, 2012 to March 31, 2013
(Some sections include information on or after April 1, 2013.)

Organization coverage

Consolidated companies of the Hitachi Construction Machinery Group

Scope of performance data

Financial reporting:
Hitachi Construction Machinery, its consolidated subsidiaries and affiliates accounted for by the equity method
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

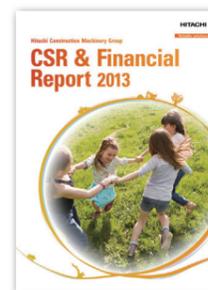
- Sustainability Reporting Guidelines, Version 3.1 (G3.1), Global Reporting Initiative (GRI)
- Environmental Reporting Guidelines (FY 2007 edition), Ministry of the Environment, government of Japan

Next issue:

Scheduled for August 2014

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/environment/index.html>



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

* 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.

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Building a Resilient Business Foundation that Facilitates a Flexible Response to Changes in Market Environment

Although the economies of the US and Japan are undergoing gradual recovery, the business environment continues to change reflecting a still-anemic European economy and a slower pace of growth in emerging economies. Accordingly, uncertainties are also rising in the construction machinery market. Regardless of this, from a medium-long term perspective, this market is still viewed as a growth industry. The Hitachi Construction Machinery Group, building upon its cutting-edge technological expertise, is pouring energies into the research and development of products that meet regional needs and which boast first-rate energy efficiency and safety features that facilitate differentiation with competitors. Moreover, we are embarking on measures to strengthen the sales and service system to boost customer satisfaction, to fortify the supply chain, mainly by building a global production and procurement system to flexibly respond to fluctuations in demand, and to localize operations. In this fashion, we are forging ahead with further advancements to our business foundation so that we can more adeptly react to market changes. President and CEO Yuichi Tsujimoto talks on the key programs implemented in FY2012 and on the outlook going forward.



President, Chief Executive Officer and Director
Yuichi Tsujimoto

Looking back on FY2012

A year of change for the construction machinery market, mainly due to the European financial crisis and slower growth in emerging markets

—How do you view the current market environment?

After the market's jolt due to the 2008 collapse of Lehman Brothers, in FY2010 and FY2011, our business environment was favorable, primarily attributable to an increase in demand in emerging economies, mainly China and India. In FY2012, although the US and Japanese economies underwent gradual recovery, the business environment in which we operated continued to be riddled with uncertainties, mainly reflecting an ongoing financial crisis in Europe and the tapering off of growth in China and India. Demand for construction machinery closely reflected these trends. Although demand was solid in Japan and North America, there is no other choice but to say that conditions remained grim overall given that demand dropped sharply in China and due to the contraction in mining machinery demand that was triggered by sluggish prices for resources, mainly coal.

—Please elaborate on earnings in FY2012 and key points for FY2013

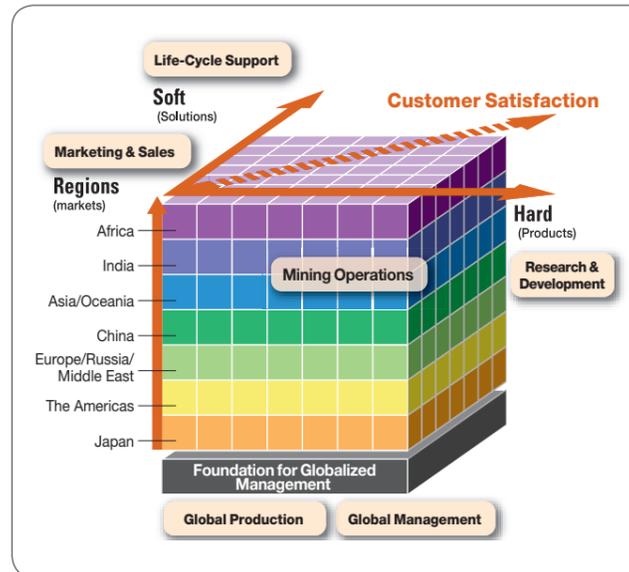
Reflecting sharp fluctuations in the global construction machinery market, in FY2012 our net sales totaled ¥772.4 billion, a decline of 5.5% versus the previous year, operating income was ¥51.5 billion, a fall of 6.1%, and net income was ¥23.5 billion, a growth of 1.9%.

Looking at trends for individual regions, in China, demand carried on its decline from FY2011 due to negative impact from a slowdown in economic growth. Although there is still some uncertainty lingering, mainly the Chinese government's tightening of real estate rules, the government is taking a positive stance on reviving the economy. Investment is expected to pick up once the foundation of the new government begins to take shape. We therefore look for demand to touch bottom in FY2012 and trend toward recovery by early autumn 2013. In FY2012, we booked net sales of ¥772.4 billion. However, moving forward, we plan to boost our presence in this market by expanding our sales and service network and by supporting employee training at our sales agents.

In Japan, we established Hitachi Construction Machinery Japan in April 2012 via the integration of our rental service subsidiary and the sales and service division of our parent company. By building a Rental, Sales and Support (RSS) structure, we aim to obtain synergies from the combination of these functions. In the first year of operation, we attained net sales of ¥140.0 billion, reflecting high customer praise for our RSS structure, which provides one-stop shopping for various needs, and also owing to restoration demand. In FY2013, we anticipate solid growth, given in part to oncoming full-blown restoration demand.

In FY2012, the mining machinery business, which we are aiming to strengthen, machinery demand came to a sudden halt as mining companies curbed investments to augment production due to a decline in resource prices, especially for coal. However, in the medium-long term, we expect demand to be firm as we expect shipments to increase to mining companies in the coal producing

Strategic Themes in the "Go Together 2013" Management Plan



nations of Indonesia and Australia as the level of coal consumption recovers in China. We plan to increase our mining machinery production in line with demand.

Progress being made under the "Go Together 2013" mid-term management plan
Implementing measures to pave the way to growth based on three facets—"hard (products)", "soft (solutions)", and "regions (markets)"

—How is the "Go Together 2013" mid-term management plan progressing?

Given the radically changing market, to stimulate growth as a global company, the Hitachi Construction Machinery Group developed a 2020 Vision that will guide us to our ideal structure in a decade, based on the concept of being a "Close and Reliable Partner anywhere on the Earth with Best Solutions through *Kenkijin* Spirit."

We created the "Go Together 2013" mid-term management plan for the three fiscal years from FY2011 to FY2013 as the first step to achieving this vision. Under this plan, we are embarking on the strengthening of our corporate values and reforms to our business structure. To execute this, we are clearly dividing our business domains into three key categories, hard (products), soft (solutions), and regions (markets), to facilitate the supply of products and services that match market trends and fulfill user needs in regions around the world. We also have six crucial strategic themes—R&D, sales and service structure, life-cycle support, the mining operation, global manufacturing structure, and global management structure. Furthermore, the Strategy Planning Division, which we established in April 2012, is focusing on overall optimization and working across business divisions to tackle measures, including the fortification of the supply chain. Through the strengthening of various functions and the thorough pursuit of management efficient, we aim to attain a double-digit operating margin in FY2013.

—What progress has been made under this plan and what is your outlook?

We are promoting three key categories and six strategic themes. Some of these strategies are being carried out in line with plans but others have to be expedited.

In the category of “hard (products)”, we are pouring energies into R&D to fortify our development marketing and thereby boost our technical edge. We are also engaging in the development of new, next-generation models, based on themes such as motorization, robotics, and energy efficiency. Specifically we are aiming to improve the performance of our hybrid construction machinery, which are equipped with both an electric motor and fuel engine, develop a double-arm working machine that handles complex tasks, broaden the lineup for our “AC-3” series, a dump truck that features Hitachi’s new advanced IGBT AC drive system, and develop a dump truck with an autonomous driving system that will contribute to improving mining safety and production efficiency.

These measures are being promoted through the Hitachi Collaboration, which allows us access to a wide range of

technologies belonging to Hitachi and its group companies, such as ICT and control technologies. We are also concurrently developing new models to meet the needs of users in regions such as China and India. Further out we plan to tackle the building of a production development system for markets with hidden growth potential, including Southeast Asia.

Furthermore, to gain a cost competitive edge, we are downsizing the number of models in our product portfolio for machinery such as hydraulic excavators, mini excavators, and wheel loaders. We aim to reduce our lineup of models from around 50 to 40 models by



2015.

In the “soft (solutions)” category, under the strategic theme of “life-cycle support”, we are reaping benefits from various measures, including the fortification of our parts supply system and the launch of a service center. At present, we are employing the PDCA management method to improve the level of our service support strength. In addition, from April 2013, we launched a global service we dubbed “ConSite”. Through this new service, at the request of our clients, we provide data reports and other information for each piece of machinery to ensure that the machines our customers possess are being used under the best conditions, taking into account operating information for the construction machinery and GPS position using a remote management system.

In the geographic “region” category, we are fortifying our marketing and sales functions to gain a deeper understanding of customer needs and to provide solutions to problems.

To improve our sales system, we established Hitachi Construction Machinery Japan and launched the RSS system. Moreover, in China, working with our sales agents, we are also putting a management structure in place to enhance performance. We plan to do the same in Southeast Asia and Europe.

In our global production system, building upon our manufacturing base in Japan, we are moving ahead with a capacity increase to adequately respond to demand in 33 regions worldwide, including China, Indonesia, India, and Europe. Also, plants are under construction in Russia and Brazil, and we aim to startup operations in FY2013. In addition to strengthening this system, it is crucial that we build a supply system that can quickly cope with changes in demand through the coordinated use of our 35 production sites located globally. We took our first step in FY2012. On a trial basis, we began exporting hydraulic excavators manufactured at our plant in India

to the Middle East and Africa. Taking into account the issues that arose during this test run, in FY2013 we plan to create a full-fledged export system and focus our strength securing demand in Africa, which we believe will evolve into a major market down the road.

We aim to improve both product value for our customers and profit margins by strengthening our sales and production systems. Here at Hitachi Construction Machinery we refer to this as Value Engineering for Customers (VEC). At the production level, we aim to reduce our CoGS by examining the materials, shape, and functions of our products, while on the sale front, we plan to cut our SG&A costs and improve sales efficiency by fortifying our sales agent networks in each region.

Promoting environmental and CSR management Pursuing sustainable growth as a company and becoming a corporation that contributes to the sustainable development of the Earth and society

—We would like to hear about your views on the society and environment (CSR).

The primary social responsibility of a company is that it must ensure its existence as a going concern, in other words, sustain ongoing operations. It goes without saying that a company is supported by a wide range of stakeholders, including customers, suppliers, employees, and also the local community. Corporate growth in turn protects the community’s local infrastructure through various methods, such as paying taxes and providing employment (compensations).

Accordingly, our utmost priority is to continue to supply products and services that satisfy our customers while obeying the laws and regulations of each region and giving adequate consideration to safety. In addition, it is essential that we aim to contribute to resolving the various difficulties faced by the community and to global environmental issues through our core operations to achieve a sustainable society.

Based on these ideas, we are implementing environmental and CSR management that focuses on giving back to the global environment and society through our core operations. In emerging markets, we are pouring energies into product development that will aid the establishment of a social infrastructure, and providing machinery and services to areas undergoing restoration due to natural disasters. In post-conflict areas around the world, we are eliminating danger to local residents by aiding in converting former mine fields into farmland, and helping local residents to be self-sufficient and in achieving biodiversity.

Moreover, as a part of our social mission as a construction machinery manufacturer, the Hitachi Construction Machinery Group is tackling the reduction of environmental burden during the entire product life cycle. We are naturally engaging in the curbing energy usage and targeting zero emissions at our production sites, but we are also moving forward with measures to expand our Eco-Products*1 that have an enhanced environmental performance throughout the product life cycle, extending from materials and including transport, sales, operational use, and disposal. One specific step we have taken is the commercialization of hybrid hydraulic excavators, which aims to conserve on energy usage during product



Profile

President, Chief Executive Officer and Director Yuichi Tsujimoto

Joining Hitachi Construction Machinery Co. in 1979, Mr. Tsujimoto was HCM’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 and the Business Strategy. In April 2012, Mr. Tsujimoto was appointed President and CEO.

operation, which triggers the largest environment burden during the product life cycle. We aim to boost the energy efficiency of our hybrid hydraulic excavator shovel to further enhance environmental performance. In the area of resource recycling, we are building our own recycling system, which includes the remanufactured parts business.

*1 Products that pass the eight evaluation points stipulated in the Hitachi Group’s proprietary Assessment for Design for Environment (DfE), including reducing product weight, recycling, energy efficiency, and environmental preservation.

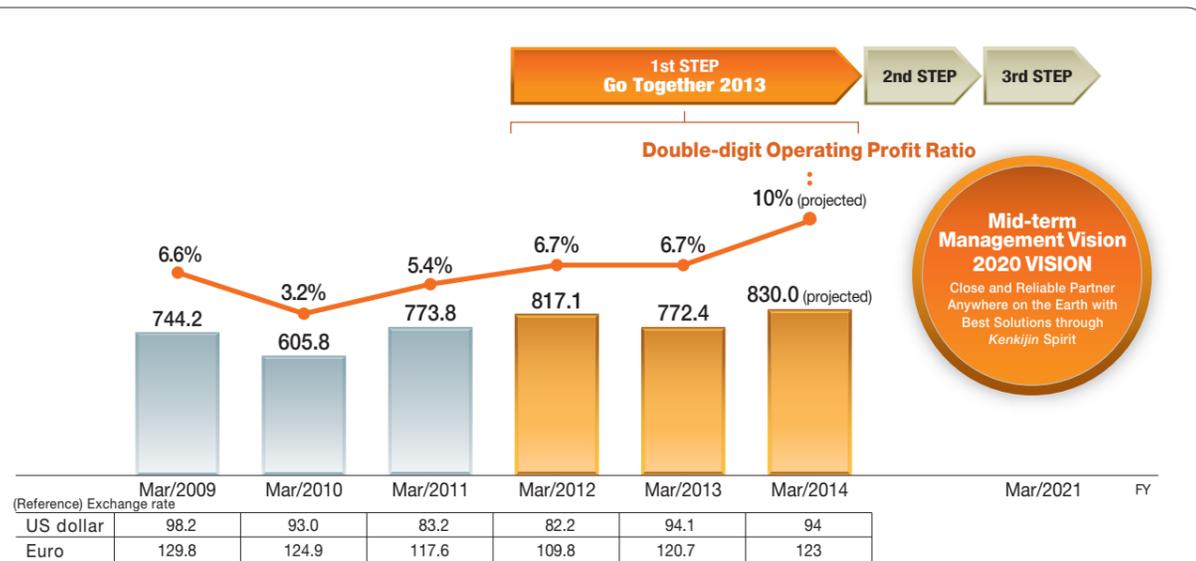
—What is your opinion on human resources that promote CSR?

The Hitachi Construction Machinery Group employs 20,000 people worldwide, of which more than 50% are local hires. To promote localization of management and contribute to healthy development globally, it is crucial that we instill the *Kenkijin* Spirit, which is a shared value (philosophy) of the Hitachi Construction Machinery Group. To implant these ideals, management holds top-management caravan, touring our regional offices, to explain the importance of the *Kenkijin* Spirit’s 3Cs—Challenge, Customer, Communication. In addition, at present, we are forging ahead with the employment of an international standard as the basis for conducting internal audits, as this is indispensable for strengthening global governance functions and the compliance system.

To reinforce the foundation of this CSR management and flexible respond to changes in the business environment, it is vital that we provide opportunities for employees worldwide to maximize their performance capabilities. Based on this idea, we are implementing a “succession plan” in which candidates are selected from local staff at group companies and given training to become management. In this fashion, we are aiming to become a global company rich in diversity emanating from a versatile workforce.

The Hitachi Construction Machinery Group not only aims to be a manufacturer of goods that brings gratification to stakeholders but also looks to strengthen its function as a company that nurtures people to contribute to the creation of a sustainable society, and contributes to the future of the Earth and society at large.

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



*Exchange rates as of March 31. Forecast amounts for 2014

Financial and Non-Financial Highlights

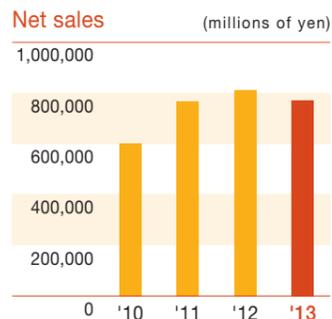
Hitachi Construction Machinery and Consolidated Subsidiaries
Fiscal years ended March 31

Millions of yen
(Excluding per share data)

Financial Highlights	2013	2012	2011	2010
For the year				
Net sales	772,355	817,143	773,769	605,788
Operating income	51,496	54,837	41,511	19,669
Net income before income taxes and minority interests	45,763	50,129	35,745	18,333
Net income	23,464	23,036	11,088	4,019
At year-end				
Total assets	1,099,901	1,086,116	944,370	883,047
Working capital	286,564	232,252	248,870	207,948
Shareholders' equity	361,874	345,689	327,496	319,520
Interest-bearing debt	393,102	388,904	327,768	307,754
Per share data (yen)				
Net income	110.77	108.88	52.44	19.33
Diluted net income	110.75	108.86	52.41	19.32
Net assets	1,704.34	1,522.86	1,447.52	1,441.73
Cash dividends (declared)	40.00	30.00	20.00	10.00
Other indicators				
Return on net sales (%)	3.0	2.8	1.4	0.7
Return on equity (%)	6.9	7.3	3.6	1.3
Equity ratio (%)	32.8	29.7	32.4	34.5
Price/earning ratio (times)	18.31	16.82	39.72	114.28

Point 1 Net sales

Sales in North America and Japan showed a strong growth, but due to a significant sales decrease in China, net sales decreased by 44,788 million yen year-on-year.



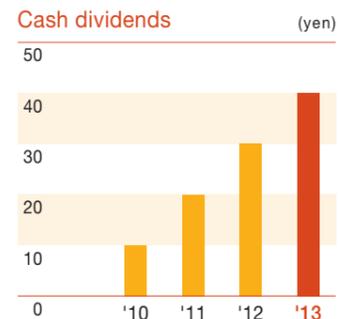
Point 2 Operating income

Although the material cost down and the foreign exchange gains gave positive effects to the operating income result since the second half of the fiscal year, it showed a year-on-year decrease of 3,341 million yen due mainly to a large sales decrease in China.



Point 3 Cash dividends

Cash dividends for the fiscal year ended March 31, 2012 were 30 yen per share, and for the fiscal year March 31, 2013, 40 yen per share.



Millions of yen
(Excluding per share data)

Consolidated net sales by region	2013	2012	2011	2010
The Americas	113,923	92,324	62,351	37,245
Europe	57,342	64,415	66,367	63,504
Russia, CIS, Africa and the Middle East	80,915	71,715	65,149	33,463
Asia and Oceania	237,487	242,750	202,444	141,238
China	90,773	134,960	204,757	158,681
Japan	191,915	210,979	172,701	171,657

Non-Financial Highlights

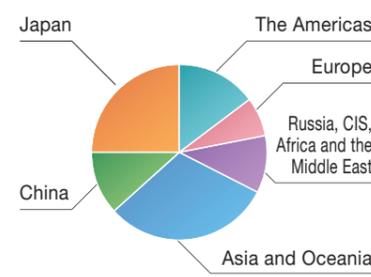
No. of employees	2013	2012	2011	2010
The Americas	479	461	395	386
Europe	558	548	557	588
Russia, CIS, Africa and the Middle East	647	557	483	460
Asia and Oceania	6,400	5,978	5,503	5,158
China	3,326	3,601	3,272	2,619
Japan	9,030	10,669	9,994	10,234

Main environmental performance data

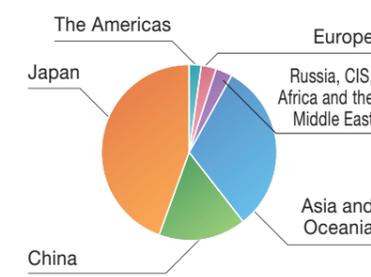
Total amount of energy input (GJ) ^{*1}	2,881,531	2,804,066	2,729,625	2,184,777
Amount of CO ₂ emissions (tons) ^{*1}	162,591	142,923	136,531	116,709
Amount of water resources input (m ³ /year) ^{*1}	1,347,035	891,424	1,125,525	963,219
Sales of environmentally conscious products (million yen) ^{*1}	470,208	489,672	440,028	300,813
Environmental conservation cost (million yen) ^{*2}	7,893	8,002	6,546	6,246
Environmental investment (million yen) ^{*2}	1,237	1,254	685	535
Economic effects of environmental conservation (million yen) ^{*2}	1,128	1,281	1,704	1,257

^{*1} until 2012 ... Domestic production bases + overseas production bases + domestic companies' non-production bases
From 2013 ... Hitachi Construction Machinery Group all bases (global)
^{*2} Hitachi Construction Machinery Group main production bases (global)

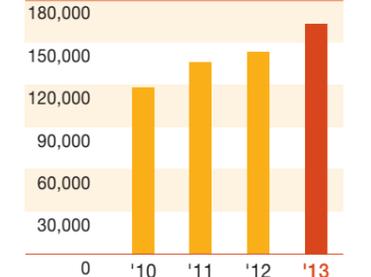
Consolidated net sales by region



No. of employees by region



Amount of CO₂ (tons)



A year after establishment,
Hitachi Construction Machinery Japan today, and hereafter

Taking RSS to the Next Level

On April 1, 2012, the domestic sales and service divisions of Hitachi Construction Machinery were integrated with Hitachi Construction Machinery REC, a construction machinery rental company, to form Hitachi Construction Machinery Japan (HCMJ). The fledgling company quickly set about to further build up the **RSS system**, an acronym for the triad business model comprising construction machinery **rental, sales, and services**, including maintenance. The system was first established, in response to rising rental demand in the domestic construction machinery market, which had begun to shrink after the collapse of Lehman Brothers in 2008. As the sole domestic entity capable of comprehensively fulfilling the wide range of needs of construction sites on a nationwide level, HCMJ aims to establish a solid market position, with no significant competing alternatives. In FY2013, the new company, in its second year, plans to take the RSS system to a new plateau. President Koji Sumioka discusses the results gleaned in the past year and the outlook going forward.

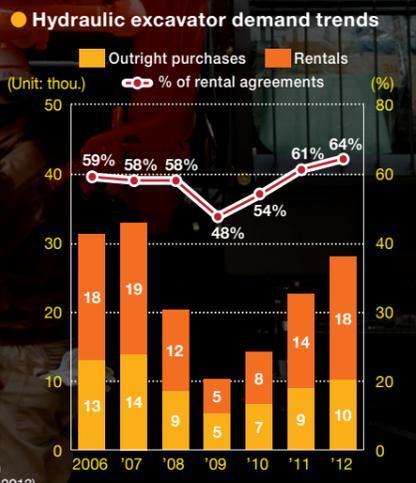


Koji Sumioka
President
Hitachi Construction Machinery Japan Co., Ltd.

Market Eye

The economy in Japan is looking up. The yen's value is declining against major currencies and the stock market is showing signs of rise, reflecting the benefits of Abenomics. Domestic construction machinery demand is also trending solid owing to ongoing post-disaster reconstruction demand, an increase in public works projects in various regions, mainly for water damage reconstruction, and a gradual recovery in capital expenditures and the number of housing starts. According to demand forecasts by Japan Construction Equipment Manufacturers Association (CEMA), the value of domestic construction machinery shipments should grow for the fourth consecutive year and in FY2013 reach ¥745.5 billion, a rise of 9% YoY.*

Amid this backdrop, construction machinery demand is shifting from outright purchase to rental agreements, given the large-scale downsizing taking place in the construction industry. According to CEMA statistics, more than 60% of total construction machinery demand is for rental equipment.



*Source: Demand forecasts by the Research & Statistics Subcommittee, Japan Construction Equipment Manufacturers Association (released on February 28, 2013)

1 HCMJ's strength

New company launched to provide one-stop shop for construction machinery rental, sales, and maintenance & services

Construction machinery demand is shifting to rental agreements, rather than outright purchasing. As a construction machinery manufacturer, we quickly responded to this market change, moving away from our traditional focus on sales and maintenance & services, and established Hitachi Construction Machinery REC a rental company in 2000. Moreover, working in cooperation with Hitachi Construction Machinery REC, we fortified our RSS system, a triad business model focusing on rental, sales, and services, including maintenance.

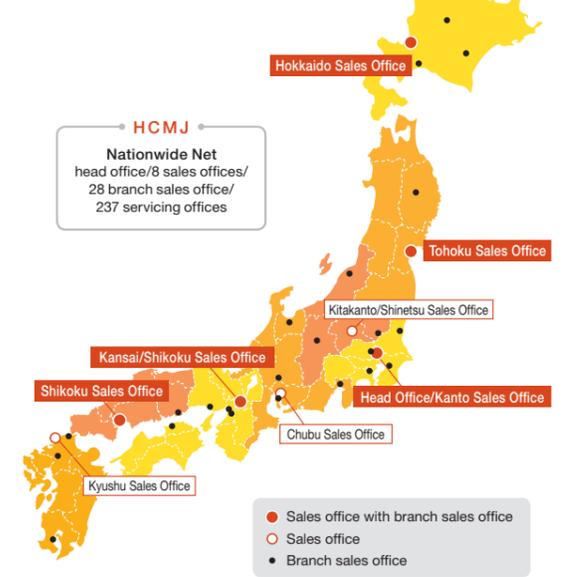
In April 2012, to further enhance the synergistic benefits of our triad business model, we integrated our domestic sales and services divisions with Hitachi Construction Machinery REC, to establish Hitachi Construction Machinery Japan (HCMJ), Japan's first and sole company to offer a one-stop solution for the construction machinery and equipment rental, sales, and service needs of its customers.

The establishment of HCMJ further enriched our office network and resulted in the largest domestic



Providing one-stop solutions based on our corporate slogan—Whether you want to rent, buy, or need repairs, you can leave it all up to Hitachi Construction Machinery Japan.

Nationwide office network



office network in the industry with 8 sales offices, 28 branch sales offices, and 237 servicing offices covering prefectures throughout Japan. Our network provides extensive support to infrastructure development and repair work taking place nationwide.

Furthermore, in accordance with our theme to provide everything essential to a construction site, our rental lineup consists of roughly 108,000 products, ranging from dump trucks to wastebaskets. We are contributing to cost reduction and the improvement of productivity and safety at construction sites.

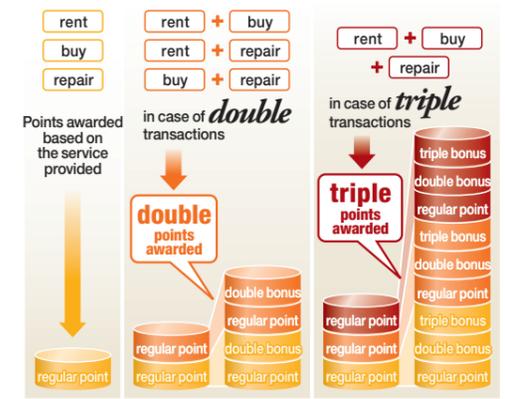
First in the construction machinery industry! Introducing a loyalty point system—HCMJ point program

In June 2012, Hitachi Construction Machinery Japan introduced a loyalty point program, the first in the domestic construction machinery industry. Our goal is to strengthen the relationships we have built with a wide range of customers, via our diverse business development activities that leverage the RSS system.

Member registration to the loyalty point program can be done through our website. Points are awarded based on the content of the services provided. The accumulated points can be exchanged for select products, which range from daily items to genuine parts. There are tens of thousands of products to choose from. This program stemmed from a proposal made by one of our employees. In addition, there is a bonus point system, in which customers receive additional points depending on the content of the business transaction. Customers that both rent and purchase machinery receive double points, and those renting, purchasing, and paying for maintenance & services are rewarded with triple points. The program is gaining favorable attention. Since its onset, more than 15,000 companies have registered to become members.

Benefit of the point program

Customers are rewarded bonus points, in addition to regular points, for multiple transactions.



*Bonus points are based on actual sales transactions for a six-month period and issued in the following six-month period.

In Focus

2 HCMJ's current position

Creating a new construction machinery business model that does not adhere solely to new machinery sales

In response to growing rental demand and as a member of the Hitachi Construction Machinery Group promoting group growth strategies, HCMJ is currently implementing measures to fortify the RSS system by offering multiple transactions, which will lead to greater customer satisfaction and improve earnings.

These multiple transactions, in addition to satisfying the individual rental, sales, and service needs of customers, facilitate a deeper understanding of our customers' needs. For example, by proposing sales and service options to a customer that is currently renting construction machinery, we can provide customers with total support, including the efficiency enhancement, streamlining and cost reduction of construction jobs.

Domestic demand trends for construction machinery are once again solid in 2013. Given the declining population, we believe that new machinery sales are likely

to decline in the long term. Consequently, by leveraging the RSS system, HCMJ aims to establish a new business model that does not hinge on new machinery sales, but which simultaneously pursues the improvement of customer satisfaction and the expansion of earnings opportunities.

We are gradually beginning to see benefits from these multiple transactions, one year after the establishment of HCMJ. Earnings are trending steadily. In contrast with FY2011, rental orders stemming from sales activities have increased more than five-fold, new construction machinery sales stemming from rental orders have nearly doubled, and we achieved our goal for service orders.

In addition, the loyalty point program kicked off in June, which offers bonus points for multiple transactions, is contributing to a rise in customers opting for multiple transactions. In FY2012, more than 15,000 companies registered to become members of our loyalty point program. Reflecting this, the ratio of multiple business transactions has doubled in the past 12 months.

Benefits from integration



Customized products (application development) meet the individual needs of our customers. The ZX170WM-3 with log grapple comes with a dedicated grapple that simplifies the gripping a single thin piece of lumber (upper left). The ZX75US-3 with electric ladle dismantler has a rotating arm that makes it possible to remove slag from every corner of the pot (lower left). The ZX450LC-3 with high post materials handler secures a wide perimeter for working and offers favorable visibility (right).

Pouring energies into human resource training and the instilling of greater awareness, to support our new construction machinery business model

As indicated thus far, the results attained by HCMJ since the first year of its establishment have substantially outperformed our initial forecasts. However, without the proper human resources to implement the prime strategies we devise or to operate the system we put in place, we would not be able to continue to boost customer satisfaction and sustain an improvement in earnings. In particular, there are always a number of unexpected factors that arise at construction sites, including obstacles to parts procurement and human resources and changes in weather conditions.

With this in mind, one year prior to integration, Hitachi Construction Machinery and Hitachi Construction Machinery REC introduced training programs for employees in its sales divisions. The goal was to arm our sales staff with a multi-faceted sales approach that allowed them to deal with any and all customer needs by utilizing the RSS system. Employees were trained to consider what they could do for the customer and what proposals could be made using different combinations of RSS. Employees repeatedly asked themselves these questions and diligently worked to gain new skills, acquire crucial knowhow, and improve their awareness. In addition, along with the establishment of HCMJ, we introduced a new performance-based employee evaluation system as another step to pursuing synergistic benefits using our RSS system. When the evaluation program was first introduced, a number of employees were uncertain how to do a self-evaluation. However, as we won higher evaluations from our customers, our employees gained confidence and became more motivated. Consequently, the installation of this evaluation system has helped to boost our overall performance.

Concurrent with this employee training, we also implemented reforms to the sales system. One change was

the division of sales teams by industry. We strengthened our sales teams by providing back-up support from customer engineers that have specialized knowledge and are well-versed in construction methods used in a specific industry. We are also increasing cooperation with the application development team, which customizes standard equipment for the special needs of customers. In this manner, we are aggressively tackling the development of new areas and coping with the shift to rental equipment.

Consequently, by establishing a system that picks up on the intricate needs of customers, we are not only improving customer satisfaction and sales, but we are also carrying out the development of new machinery that is based on the voice of our customers, such as the super long front and the double-arm working machine, ASTACO.

Moreover, machinery development is not the only outcome of our efforts. Another new service that was generated for our endeavors is the sale of used machines with a product warranty. Traditionally, the majority of used machine sales did not come with a warranty. Consequently, this meant a substantial loss for the buyer if the machines broke down. To put customers at ease and respond to customers demand for used machines, we instigated sales of used machines with warranties, where we did an overhaul prior to sale. In FY2012, we sold 150 units of used machinery. We plan to increase the volume of these sales going forward.



Launched sales of used machines with warranties so that customers can feel at ease when using this equipment after purchase.



3 HCMJ in the future

Measures to enhance RSS functions and create greater customer satisfaction

In FY2013, taking into account the achievements in the previous fiscal year, we plan to stick with our basic strategy of providing one-stop solutions as an RSS company to meet the various needs of our customers. We plan to expand our RSS system to achieve our slogan, "Leave all your construction site needs to Hitachi Construction Machinery Japan!" at all construction sites throughout Japan.

For example, one new measure we plan to carry out is the expansion of our business domain by targeting industries where there have been few advances in automation. Thus far, around 70% of our customer base consists of civil engineering related companies. However, there are uncharted industries, including the lumber and demolition companies, where there is untapped potential demand for construction machinery. We plan to introduce the benefits of our RSS system to these potential customers and contribute to improving their productivity. In this fashion, we in turn can foster a new source of earnings.

We also plan to further strengthen the human resources that are the foundation of the RSS system. Specifically, we aim to transfer 300 employees from rental asset maintenance to the service division and bolster our proposal capabilities by being able to offer a wider range of services.

In the year since the establishment of HCMJ, we



have gained the trust of our customers as the first company in the industry to possess an RSS system. In FY2013, we aim to become a more intricate part of our customers' businesses and further contribute to efficiency improvement, streamlining, and cost reduction at numerous construction sites.

Also, we do not plan to limit our activities to solving the issues faced at construction sites. We plan to pour energies into making social contributions, such as carrying out environmental measures and providing assistance to quake reconstruction. We hope you will look forward to watching us take the RSS system to the next level.

In Focus

Coming together as one! Improvement in employee awareness is the secret to the success of RSS

HCMJ placed its utmost focus on improvement employee awareness to establish the new RSS business model. To bring together members with different backgrounds and cultures and take the company in a forward direction, employees were asked to submit a company slogan for RSS and adopted this as a guideline. The slogan was "Kenkijin, the link to growing as one." Owing to this slogan, a sense of union as a company began to form among the employees.

In addition, detailed training was carried out at each echelon of the company to ensure that all employees were headed in the same direction. For example, at the management level, a diversity training session was held. Using data from employee awareness surveys, leadership training was provided that showed management level employees how to improve productivity by recognizing the

importance of communication and by helping one another to achieve the same goal. For the 28 branch managers nationwide, a training session was held on attaining uniform awareness. For employees, a number of training seminars were designed to improve awareness. This included rental workshops for sales staff, study groups to exchange information on technologies, strategy meetings to promote RSS, and at some locations, training designed especially for female employees.



From August to November 2012, HCMJ held 13 diversity training seminars for management level employees in different locations.



An internal company slogan was created in addition to the external company slogan to ensure that all employees were aiming for the same goal. A poster displaying the internal slogan aims to spread the concept among employees.

Disaster reconstruction support and construction machinery

HCMJ strengthening support through corporate activities

On March 11, 2011, the Great East Japan Earthquake hit, bringing unprecedented damage, mainly to the Tohoku and northern Kanto areas. Restoration in the Tohoku region has been delayed, including the removal of debris and the rebuilding of ports and harbors. Full-fledged reconstruction is not moving forward as planned. The demand for construction machinery is expected to increase once full-blown reconstruction starts.

Amid this backdrop, HCMJ, in line with its RSS system, is assisting in reconstruction and restoration efforts, mainly through the construction of debris treatment plants and the development and supply of construction machinery for debris treatment.



Contributing to the construction of debris treatment plants with construction machinery loaded with the latest technologies

For two years after the Great East Japan Earthquake, HCMJ has been making a maximum effort to respond to the requests of its customers, mainly the municipalities and companies that are pouring energies into reconstruction of the quake damaged area, which extends widely throughout the Tohoku and northern Kanto area.

The main contribution to restoration soon after the quake was for the construction of debris treatment plants. Prior to the quake, the Hitachi Construction Machinery Group had developed the Hi-OSS solution for the on-site recycling of resources. The group's product lineup includes all the machinery necessary for plants to carry out a number of tasks, from debris treatment to soil improvement. The Tohoku office of HCMJ is playing a central role. In addition to supplying a leading environment for equipment, it offers proposals based on construction knowhow for developing an effective work environment, taking into consideration unique regional traits and, at times, various unique circumstances.

The debris treatment plant is based on a proposal optimizing a combination of a wide range of Hitachi Construction Machinery products for sale and products for rental, including environmental products. This plant proposal has proved popular and is contributing to disaster reconstruction. At present, there are several plants in operation in Miyagi prefecture.

Developing a remote controlled robot to handle projected operations inside a reactor building

At the reactor building of the Fukushima No. 1 nuclear power plant, there is an increasing need for robots, such as those that can remove debris via remote control or transport equipment, owing to high levels of radiation.

In light of this, Hitachi Construction Machinery and Hitachi Power Solutions jointly developed ASTACO-SoRa, a double-arm working robot designed for use in a nuclear power plant accident. This multifunction robot is compact and can travel through narrow passages and perform a wide range of tasks. The two arms allow for a high level of flexibility in carrying out tasks and are used for removing debris.



ASTACO-SoRa can handle a wide range of tasks by switching the tools attached to the end of its arms. The remote control has a numerous functions that assist the operator and offers a high level of operability.

Supporting disaster restoration with a combination of hardware and services, and cooperating with local municipalities to prepare for large-scale disaster

To further support restoration efforts going forward, HCMJ is assisting in land development activities after debris has been removed and is also aiming to enhance the operating rate of its debris treatment plants. Industrial circles and municipalities are moving forward with plans to move to higher grounds. An urgent task at hand is construction to fortify the seawalls in harbor areas. The Hitachi Construction Machinery Group possesses construction machinery and knowhow that can be used for various types of land development, stemming from the cutting trees to create woodchips, to soil improvement and construction of seawalls. Ahead of full-fledged restoration, the Hitachi Construction Machinery Group aims to increase its contribution efforts by leveraging the knowhow it has amassed and the state-of-the-art machinery it has spent time developing over the past 10-plus years.

As a construction machinery manufacturer, the Hitachi Construction Machinery Group believes it is its social responsibility to continue to quickly supply, through sales and rental agreements, machinery vital to reconstruction and to continue to provide maintenance & services. From this standpoint, the Hitachi Construction Machinery Group is not limiting its efforts to restoration work related to the Great East Japan Earthquake but aims to provide comprehensive support during times of disaster, and has signed cooperation agreements on disaster management, in preparation for large-scale disaster, with local municipalities nationwide, including Ibaraki and Kanagawa, and also with government agencies.

Chapter 1

Mid-term Management Plan

“Go Together 2013”



Given the radical changes in the market, the Hitachi Construction Machinery Group created the 2020 Vision to grow as a global company by meeting rising demand for construction and mining machinery, primarily attributable to infrastructure investments and resources development, mainly in emerging markets. The ideal structure we are aiming to realize by 2020 is to become a “Close and Reliable Partner anywhere on the Earth with Best Solution through *Kenkijin* Spirit.” The first step we took toward achieving this vision was to develop a three-year, mid-term management plan, which we dubbed “Go Together 2013” and will conclude at the end of FY2013. In addition to delivering products and services that respond to market needs by accurately grasping trends in global markets, we also plan to pursue customer satisfaction by taking up the challenge of embarking on management reforms with unprecedented new ideas.



Regional Business Division	Regional Strategies and Policies	Main CSR Activities ● Governance ● Social report ● Environmental report	Regional Business Division Sales (fiscal years ended March 31)
Asia & Oceania Business Division » p17	<ul style="list-style-type: none"> Meet demand for construction machinery in various industries and promote the expansion of parts sales and services Design a local mass production system for new models and supply products that meet the demand of the local market (Hitachi Construction Machinery Indonesia) Strategically establish new locations to serve customers along the entire East Coast of Australia (Hitachi Construction Machinery (Australia)) In November 2012, integrated sales and service locations, including our headquarters and parts centers (Cable Price (NZ)) 	<ul style="list-style-type: none"> Contribute to heavy machinery engineering education by cooperating with Gadjah Mada University (Hexindo Adiperkasa) Implement a compliance training program, including export control training (Hitachi Construction Machinery (Thailand) Hitachi Construction Machinery Asia and Pacific) Install eco-friendly facilities at new offices to conserve on energy usage (Hitachi Construction Machinery (Australia)) 	Asia & Oceania Net sales composition ratio 31% Net Sales (for fiscal year ended March 31, 2013) 237.5 billion yen '09: 151.2, '10: 141.2, '11: 202.4, '12: 242.8, '13: 237.5
India Business Division » p18	<ul style="list-style-type: none"> Change corporate name to Tata Hitachi Construction Machinery Showcase the new model ZX220LC-GI at the International Mining and Machinery Exhibition in Kolkata 	<ul style="list-style-type: none"> The <i>Kenkijin</i> Spirit and Tata Code of Conduct training session was attended by 1,840 employees Extensive regional infrastructure development, including the reclamation of 254,800 square feet of cultivated land, and installation of a 322,900 square foot reservoir. Conduct employability seminars for 270 people to promote a balance between employment and education 	Japan Net sales composition ratio 25% Net Sales (for fiscal year ended March 31, 2013) 191.9 billion yen '09: 213.7, '10: 171.7, '11: 172.7, '12: 211.0, '13: 191.9
Japan Business Division » p19	<ul style="list-style-type: none"> Launch Hitachi Construction Machinery Japan, a one-stop solution business, to facilitate a quick response to market changes Expand the number of clients to which a combination of machinery rental, sales, and services are provided (Hitachi Construction Machinery Japan) 	<ul style="list-style-type: none"> Continue to carry out the disaster reconstruction support project for areas damaged during the Great East Japan Earthquake Implement a diversity management training seminar (Hitachi Construction Machinery Japan, Hitachi Construction Machinery Tierra, etc.) Promote hiring of challenged handicapped employee ratio of total employees was 2.01% (as of the end of FY2012) (Hitachi Construction Machinery Japan) 	China Net sales composition ratio 12% Net Sales (for fiscal year ended March 31, 2013) 90.8 billion yen '09: 119.3, '10: 158.7, '11: 204.8, '12: 135.0, '13: 90.8
China Business Division » p20	<ul style="list-style-type: none"> Deploy market launch of key strategic machinery models Continue to strengthen collaborative relationships with dealer network mainly through the full-fledged use of the service and parts sales management system 	<ul style="list-style-type: none"> Instructors from dealerships conducted a total of 455 training seminars and 7,848 employees attended Hitachi Baku Environmental Protection Classroom offered to teach children about protecting the Earth Support afforestation efforts to prevent desertification in the Horqin desert in the Inner Mongolia Autonomous Region Provide training to improve the job skills and technical capabilities of mingong migrant workers under employment 	Europe Net sales composition ratio 7% Net Sales (for fiscal year ended March 31, 2013) 57.3 billion yen '09: 99.7, '10: 63.5, '11: 66.4, '12: 64.4, '13: 57.3
Europe, Russia, CIS & the Middle East Business Division » p21	<ul style="list-style-type: none"> In Europe, provide dealers with in-depth support to expand sales, mainly of hydraulic and mini excavators Further strengthen dealer support system (Hitachi Construction Machinery Eurasia Sales) Start construction of a new plant in Russia for the localization of production In the Middle East, continuously pour energies into the expansion of sales including large orders 	<ul style="list-style-type: none"> Hold events for the Japanese Language Club (Hitachi Construction Machinery Middle East) Donate welding machinery to train welders (Hitachi Construction Machinery Eurasia Manufacturing) Implement risk assessment and evaluations for the health, safety, and welfare of employees (Hitachi Construction Machinery(Europe)) Provide mini excavators to convert barren land into picnicking facilities (Heavy Construction Machinery) 	Russia, CIS, Africa, and the Middle East Net sales composition ratio 10% Net Sales (for fiscal year ended March 31, 2013) 80.9 billion yen '09: 81.1, '10: 33.5, '11: 65.2, '12: 71.7, '13: 80.9
Africa Business Division » p22	<ul style="list-style-type: none"> Continue to gather local information through cooperative efforts with sales dealers Fortify relationships with dealers in the northeast and central regions of Africa, and promote the establishment of new dealerships in the southern regions of Africa 	<ul style="list-style-type: none"> Provide on-the-job training for local employees to facilitate the quick acquisition of technical skills and increase local job opportunities (Hitachi Construction Machinery Zambia) Cosponsor the “Let’s Play Program” to provide opportunities for education and sports at elementary schools in underprivileged areas and supply construction machinery to create playgrounds and sports fields (Hitachi Construction Machinery Africa) Conduct training seminars on export control (Hitachi Construction Machinery Africa) 	The Americas Net sales composition ratio 15% Net Sales (for fiscal year ended March 31, 2013) 113.9 billion yen '09: 79.2, '10: 37.3, '11: 62.4, '12: 92.3, '13: 113.9
The Americas Business Division » p23	<ul style="list-style-type: none"> Expand sales of new model machinery that complies with emission control regulations Strengthen partnership with John Deere to bolster its affiliation in North, Central, and South America 	<ul style="list-style-type: none"> Management carries out an open dialogue with employees each quarter (Hitachi Construction Truck Manufacturing) Carried out 32 regional social contribution activities, including food banks and food drives (Hitachi Construction Truck Manufacturing) Create and distribute compliance policies (prevent corruption, bribes, and other illegal acts) (Wenco International Mining Systems) 	



Asia & Oceania

**Infrastructure investment related demand starting to materialize
Deploying market-specific sales expansion strategies**

Market Trends & Regional Strategies

**Sustaining brisk operations mainly in emerging markets
Expanding sales by supplying products that are a good fit for the market**

In Indonesia, a decline in coal and palm oil prices triggered a decrease in related demand but demand connected with infrastructure investments began to take shape. In Thailand, flooding restoration demand was solid and in Singapore, demand was firm owing to social infrastructure development, including the construction of a subway system. Overall, Indonesia and Malaysia sustained a GDP growth rate of more than 5% and in Thailand, domestic demand remains solid, although it is showing signs of a downward trend. Amid this backdrop, Hitachi Construction Machinery Indonesia has established a local mass production system to manufacture new models, with the goal of further improving sales by supplying products that are a good fit for the market. In Australia, although demand is solid for construction related machinery, it is slowing for equipment used in resource development. Parts sales and services are being expanded to secure demand for construction machinery in various industries. Moreover, new offices are being strategically opened up to better service customers along the entire eastern seaboard of Australia. In New Zealand, where lumbering activity is brisk, given the growth in the demand for construction machinery, a new model designed with lumbering specifications introduced to expand sales. In addition, in November 2012, CablePrice (NZ) integrated its sales and service locations, including its headquarters and parts centers. A service mechanic training center was also added to improve service skills.

CSR Topics

**Kick off partnership with Gadjah Mada University
Contributing to improve the level of education in the heavy machinery engineering department**

In Indonesia, in line with strong economic growth, there has been a rapid increase in demand for construction machinery used in mining, lumbering, plantation work, and infrastructure development. At the same time, there is a lack of skilled labor to handle the maintenance and management of machinery delivered to customers.

From the new semester in September 2012, Hexindo Adiperkasa started a collaboration with the newly established heavy machinery engineering department at Gadjah Mada University, with the aim of improving the level of heavy machinery engineering education in Indonesia and also customer satisfaction among major mining companies and contractors. The company plans to offer practical educational support, primarily by offering engines and motors and other parts free of charge, providing education to teachers and lecturers at the Hexindo training center, dispatching employees to lecture at classes, and also by providing on-site educational opportunities to students at mines.



First year heavy machinery engineering students at the Hexindo training center

Market Trends & Regional Strategies

**Corporate name changed to Tata Hitachi Construction Machinery
Strengthening localization with brand appeal**

Economic growth in India has been slowing. Interest rates remain high owing to monetary policies put in place due to the weak rupee and inflationary pressure.

In India, as competition becomes tougher for construction machinery, there are signs of recovery for the quarry business, despite weak demand for hydraulic excavators used in public works. Given these market trends, to further increase its market presence, the Hitachi Construction Machinery Group changed the name of Telco Construction Equipment to Tata Hitachi Construction Machinery, and has sustained a strong market share for hydraulic excavator sales, through promotional methods such as showcasing a new model at the International Mining and Machinery Exhibition (IMME) in Kolkata.

Also, to position Tata Hitachi as a new global production site, sales of the ZX220LC-GI flagship model for emerging markets were launched in January 2013. This model is in the 20-ton class, which accounts for roughly 50% of India's hydraulic excavator market. It was designed by a team of Japanese and Indian technicians that collaborated to create a full-fledged low-cost, high spec model.



The ZX220LC-GI model by Tata Hitachi, rolled out in January 2013

CSR Topics

**The local community is an equal partner
Tata Hitachi's volunteer activities**

Tata Hitachi recognizes that its corporate social responsibilities are a vital business process and promises to improve the quality of life for the local community. To accomplish this, the company provides opportunities for employees to put their technical knowhow and services to use in volunteer activities.

Activities are divided up into different categories—reading and writing skills, healthcare, agricultural development, and marketable skill development. Specifically, textbooks, uniforms, and health exams are given to underprivileged children, irrigation systems are built to cultivate arid land, and training centers are being established to provide technical knowhow.

Tata Hitachi views the local community as an equal partner in achieving social development. Going forward, the company plans to continue to respond to the needs of the community.



Multiple cropping made possible owing to the installation of irrigation facilities

India

**Market showing signs of recovery
Maintaining unwavering presence with new Tata-Hitachi brand**



Japan

Working to accomplish post-disaster reconstruction and economic recovery
Definite response owing to capabilities to meet various customer needs



Market Trends & Regional Strategies

**Unveiling Hitachi Construction Machinery Japan as a one-stop solutions provider
Further improvement in customer satisfaction**

Japan's economy, which had been at a standstill for some time mainly due to a slowdown in global economies, began to show signs of recovery from the end of 2012 reflecting benefits from Abenomics. Demand is trending briskly in the construction machinery market, owing to post-disaster reconstruction being carried out in the Tohoku region and restoration work in other areas that had suffered flood damage.

In FY2012, based on the slogan "Leave all you construction site needs to Hitachi Construction Machinery Japan!" Hitachi Construction Machinery Japan was launched as the only company with a nationwide reach capable of proposing ideas to and fulfilling the rental, sales, and repair service needs of customers come up against construction sites. The company's one-stop solutions are winning praise from customers and the number of customers opting for multiple transactions—a combination of renting, purchasing, and services—has doubled in comparison with a year earlier. Furthermore, a loyalty point system, the first in the industry, was started to further improve customer satisfaction. Points are awarded to customers based on the transaction value, and can be redeemed for products. In the first year, FY2012, more than 15,000 companies became members of our loyalty point program. A number of customers have exchanged the points they accrued for products, thus experiencing the benefit of this program.

CSR Topics

**Cosponsor of the 11th Sakuranbo Marathon
11 employees participated as volunteers**

The 11th Sakuranbo Marathon in Higashine City, Yamagata Prefecture was held on June 10, 2012. Higashine is the birthplace of Sato Nishiki, a variety of cherry dubbed "the king of cherries," and is the largest cherry producing region in Japan. This citizen's marathon, hosted with warm hospitality, brings together local residents and runners from all over Japan.

The employees of Hitachi Construction Machinery Camino, which has its headquarters and factory in Higashine, have volunteered to man the water stations and direct traffic along the marathon route since the 1st Sakuranbo Marathon. At the 11th Sakuranbo Marathon, which hosted an unprecedented 12,455 runners and walkers, 11 employees turned out to volunteer their assistance. From 2012, Hitachi Construction Machinery Camino became a cosponsor of this event. The company, as a local business, plans to continue to put its energy into livening up the event and contribute to revitalizing the community.



Employees at water station help runners heading the finish line, providing water

Market Trends & Regional Strategies

Continuing to strengthen working relationship with dealers to improve market presence

Reflecting the market environment, in 2012, China's GDP growth stood at 7.8%, the first time in 13 years it dropped below 8%. The government embarked on economic stimulus measures, including several rounds of cuts to interest rates and the deposit reserve requirement ratio, to counter slowing economic growth. In contrast, demand for construction machinery continues to sharply decrease year-on-year. FY2012 demand for foreign-manufactured hydraulic excavators continued its fall from FY2011. In some regions and for some models, there are signs that demand is recovering but demand did not make a full-fledged recovery in FY2012.

Amid this backdrop, to improve market presence, the Hitachi Construction Machinery Group is launching key strategic models to the market in China, and also continuing to strengthen its ties with dealers via the full-fledged utilization of the service and parts sales management system and the Global e-Service system. Recently, the operating rate of construction machinery is touching bottom and a full-blown recovery in demand is expected to be seen in and after FY2013.



The ZK130H, with lumbering specifications, had the honor of being selected at one of the Top 50 construction machinery products in China. This was evidence of Hitachi Construction Machinery's technical prowess and boosted brand power.

CSR Topics

**Dealer training suited for local needs
Benefits from two years of training beginning to show**

Hitachi Construction Machinery (Shanghai), in cooperation with the Career Development Center of Hitachi Construction Machinery, carried out a two-year dealer training session that focused on local needs. A feature of this training was that first essential training was given to instructors at each dealer in FY2011, and then in FY2012 each dealer carried out its training independently.

Instructors that received training, such as in sales skills, held independent training courses at each dealer in FY2012. Cumulatively for all dealers, 455 training sessions were conducted and 7,848 people participated. Also, training sessions were held for sales managers to instruct them on using the smartphone sales progress report management system (Hi-STEP) and market analysis and leadership seminars were conducted for dealer managers. The training actively encouraged participants with methods such as giving the staff a nudge with each motivational comment. These training sessions are without doubt beginning to deliver results, as evidenced by the solid shares held by each dealer in the hydraulic excavator market.



Training to confirm that dealer managers are correctly using the Hi-STEP smartphone system

China

Recovery forecast for world's largest market
Fortifying collaborative ties with dealers to gear up for next





Europe, Russia, CIS & the Middle East

**Demand expected to grown in emerging markets
Rapidly increasing dealer support and accelerating
set up of local production system**

Market Trends & Regional Strategies

**Detailed dealer support and construction of new plant
Start gearing up for full-fledged local production**

The EU economy is continuing to slow down due to ongoing negative impact from the financial crisis. Demand for construction machinery, mainly compact machinery, was down versus the previous year in Germany, France, and the UK. In southern Europe, demand for hydraulic excavators and wheel loaders is continuing to decline year-on-year. Given this market environment, the Hitachi Construction Machinery Group provided detailed support to its dealers, including assistance to expand sales of hydraulic excavators, wheel hydraulic excavators, mini excavators, and its full lineup of wheel loaders.

Moreover, regarding construction machinery demand in Russia, the Hitachi Construction Machinery Group, working through Hitachi Construction Machinery Eurasia Sales, embarked on the fortification of its dealer support system, given the uncertain outlook for the mining business and infrastructure construction related to resource development, including petroleum and gas. Construction has begun on a new plant in Russia and preparations are steadily being carried out to achieve local production.

In the Middle East, hydraulic excavator demand is trending solidly in Turkey and Saudi Arabia. There are also a number of large-scale projects. The Hitachi Construction Machinery Group continued to pour its energies into expanding sales, including overseas construction projects for major Turkish contractors and large-scale orders from government agencies in Iraq.

CSR Topics

**A day to actually experience the activities of a Japanese company.
Hosting an event for the Japanese Language Club**

On May 26, 2012, the children of the Japanese Language Club in Dubai, accompanied by their teachers and parents, visited Hitachi Construction Machinery Middle East. This club provides the children of families in which one parent is Japanese or children of Japanese descent an opportunity to get in touch with their roots, through tradition, language, and cultural experiences.

On this day, President Kitai gave an overview of products supplied by the Hitachi group and Hitachi Construction Machinery and explained the global CSR (corporate social responsibility) activities being carried out by the group, including the removal of landmines in Cambodia. The main event for the day was the test driving of construction equipment. Three Hitachi hydraulic excavator models were set up for the children, assisted by staff members, to learn how to operate. Participants received a miniature model as a souvenir.

Everyone went home with a smile on their face. The parents extended various words of gratitude, including how they were happy to have learned about the global activities of a Japanese company.



Some participants were energetic enough to climb on top of the construction machinery during the commemorative photograph

CSR Topics

Donating new facilities to nurture welders in Russia

Hitachi Construction Machinery Eurasia Manufacturing invested 2.5 million Russian rubles to purchase and donated new German-manufactured facilities to Tver College of



Students acquiring technological skills are scheduled to be employed as welders

Konyaev for the purpose of training students to become skillful welders in Russia. Students acquire their technical training at these facilities, so it gives them a foothold for future employment. The company also donated desks and other items. A commemorative ceremony to mark the donation is scheduled to be held.

**World largest international construction machinery trade fair
Showcasing products at bauma 2013**

The Hitachi Construction Machinery Group exhibited products at bauma 2013, which was held in April 2013 in Munich, Germany. Bauma 2013 is the world's largest international construction machinery trade fair show, where more than 3,000 manufacturers globally come to displayed their products. A total of 800,000 people from around the world came to the exhibition center. We exhibited 33 models for seven products, comprising mainly of new models that were in compliance with EU emission control regulations and which offer high performance and fuel efficiency. For reference, we also displayed high-end models, including the ZH200 hybrid hydraulic excavator, and the ASTACO, double-arm working machine and captured the interest of many visitors with our high level of technological prowess.



Total area of the exhibition site was 555,000m² (roughly 12 times the size of Tokyo Dome) and the fair ran for seven days

Africa

**Underlying possibilities of undeveloped markets
Aiming for market growth by gathering information
and strengthening ties with dealers**

Market Trends & Regional Strategies

**Gathering market information from partnership with sales dealers
Planning to boost market share with optimal product specifications**

In the market in Africa, demand is strong, mainly from the mining industry. In FY2012, in some regions, such as South Africa, exports from Japan are facing tough competition with products from manufacturers of other nations due to negative impact from an appreciation in the yen's value. However, the market still has numerous untapped possibilities. As the market is yet undeveloped, we are continuing to gather information on the local market trends while aggressively targeting market growth. One concrete measure we undertook in FY2012 was to strengthen our ties with dealers in the northwestern and central regions of Africa, and in the southern regions of Africa we set out to establish new sales dealers.



CSR Topics

Conveying Hitachi technologies and knowhow to create employment locally

Operations at the remanufacturing parts plant at Hitachi Construction Machinery Zambia were started up in April 2012. The company is engaging in product manufacturing that targets high quality, low prices, and quick supply. To accomplish this, we plan to quickly provide opportunities for the people of Zambia to acquire Hitachi technology and knowhow, and thereby largely contribute to creating employment. In addition to the Japanese plant manager and the three Filipino supervisors, who were technically trained in Japan, plant operations are handled by 27 Zambians, including service technicians and electricians. As there are experienced employees with a standard level of knowhow, in general, on-the-job training is provided to workers.



Aiming for quicker acquisition of technical skills via on-the-job training



The Americas

**Solid trends in markets in the Americas
Sales growth triggered by replacement demand and for compliance with exhaust gas regulations**

Market Trends & Regional Strategies

**Solid market trends reflecting replacement demand and compliance with emission control regulations
Tailwinds from shale gas development, an area of focus**

In the US economy, trends continued to be solid, as evidenced by a decline in the unemployment rate, a recovery in private consumption in line with an improvement in the employment environment, and an increase in corporate capital investments and housing starts. Demand for construction machinery continued to trend upward in the rental industry for hydraulic excavators and other equipment, and also in the energy-related industries. In the US market, non-housing construction investments were buoyed by spending for energy infrastructure. The operating rate for rental construction machinery is positive. In light of these trends, we expanded sales by capturing replacement demand in the rental industry and reflecting an increase in the sale of new models that comply with emission control regulations.

Also, the development of mining technologies sparked the shale gas revolution in North America and development is brisk. The Hitachi Construction Machinery Group hydraulic excavator is playing an active role in the development of mining sites and for pipeline construction to transport shale gas. Crude oil and gas transport pipeline construction plans are increasing. In 2013, we anticipate a further increase in demand for hydraulic excavators. In light of this, we are embarking on collaborative efforts with John Deere, with which we have an affiliation in North, Central, and South America.

CSR Topics

Emphasizing communication with employees to impart Hitachi Construction Machinery's corporate culture

Hitachi Construction Truck Manufacturing (Canada) is promoting activities to instill the *Kenkijin* spirit. To further the understanding of this standard of values, we are aiming at improving employee satisfaction.

From 2009, we have been holding a meeting once every three months for the president to give a briefing on topics, such as budget, company trends, and plans. We are disclosing a large volume of information to increase our transparency so that employees can get a better grasp of conditions at the company. During the meeting, we also receive questions and opinions from employees.

Meanwhile, in the event of inconveniences that interfere with employee duties, an extraordinary staff meeting is held and company executives, including the president, give explanations of company conditions. We are taking actions to resolve issues through collaborative measures between management and labor, mainly by setting forth corrective measures while at the same time incorporating employee opinions.



Boosting confidence in the company by continuing to hold meetings with employees

Market Trends & Regional Strategies

**Demand bottomed following weak trends due to sluggish coal prices
Medium/long-term demand to trend steadily**

Demand, especially related to fuel coal, continues to trend weakly due to sluggish coal prices. Sales forecasts for ultra giant hydraulic excavators (100-ton class and above) were trimmed, mainly for Australia and Indonesia. Sales estimates for mining trucks (150-ton class and over) were also cut, mainly for the Americas. For mining machinery, the current operating rate is down year-on-year in Indonesia and Australia.

Meanwhile, sales of the EH 5000 AC-3, a large-sized AC drive dump truck, were launched, targeting the global resources exploration market. This product had a short development lead time as it was a culmination of advanced technologies, such as the development and design technologies used in Hitachi Construction Machinery's highly reliable ultra giant hydraulic excavators, and the AC motor and electric control technologies possessed by the Hitachi group. The product is expected to play a major role in the market owing to the low management costs for the customer and improved operability.

CSR Topics

**We Dig. We Haul. That's all.
Conveying market presence at MINExpo**

MINExpo International 2012 was held in Las Vegas, Nevada over a three-day period beginning September 24, 2012. The trade show as first held in 2008 and has been an annual event ever since. The 2012 exhibition hosted more than 1,800 booths and around 50,000 visitors. It was the largest MINExpo in the history of the event. The Hitachi Construction Machinery Group shared a booth with John Deere. In contrast with other companies that are expanding their product groups, the Hitachi Construction Machinery Group announced its specialization with the message "We Dig. We Haul. That's all." Demonstrations of the EH 5000 AC-3, exhibited for the first time, and the SkyAngle, an full-perimeter, safety confirmation device, and the panel of a self-driving dump truck drew much attention, implying a high level of market expectation.



Message from the Hitachi Construction Machinery Group and nearly 40 children

Mining

**Mining machinery market demand expected to trend stably in the medium/long term
Launching new model that is a culmination of advanced HCM technologies**



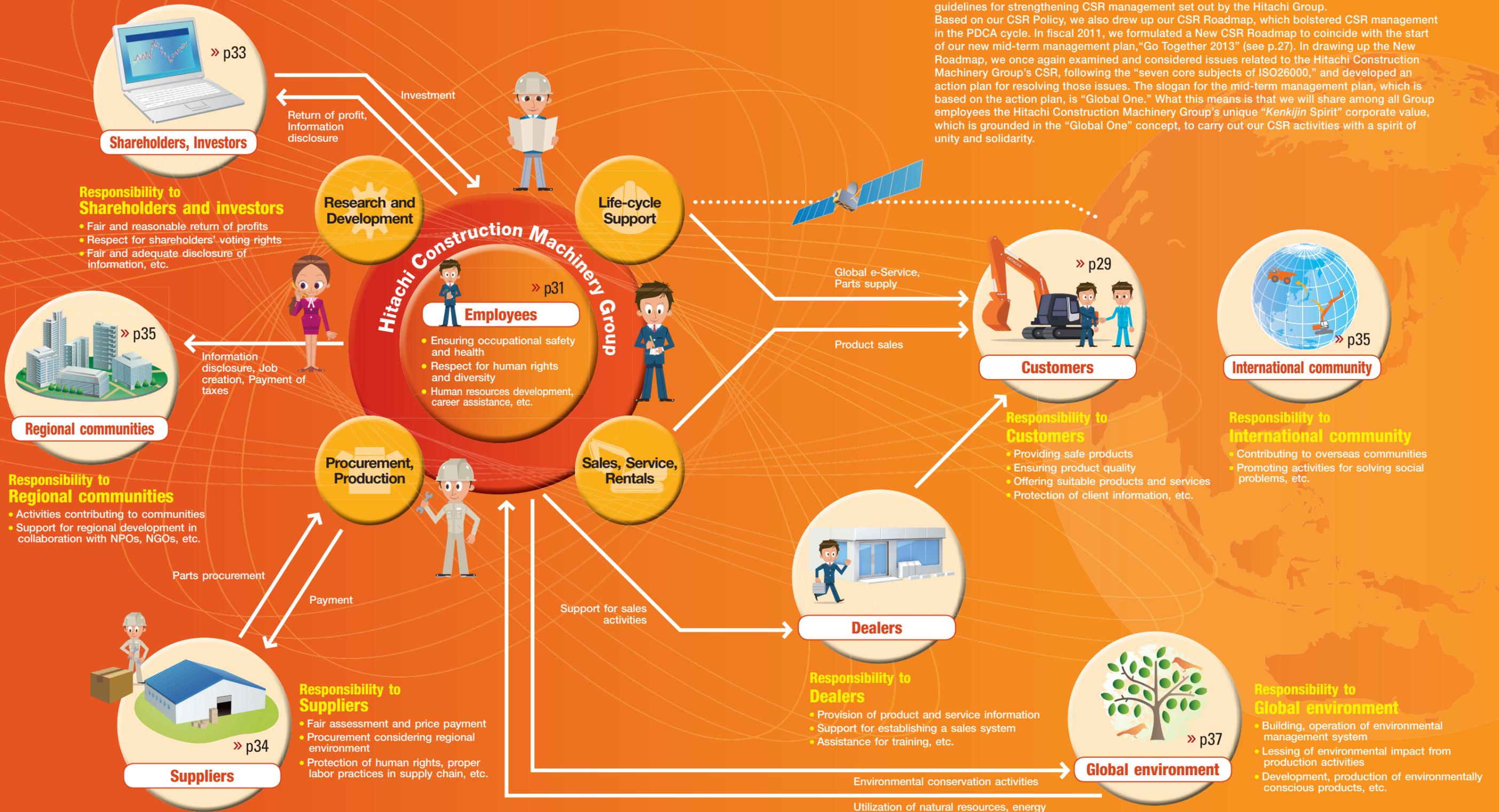
Chapter 2 Strengthening CSR Management

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.27). 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 ISO26000," 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.



Summary of CSR Activities in FY2012

Drawing up new CSR road map based on ISO26000 guidelines and, as a global entity, planning to strengthen our CSR management

★ Partial achievement ★★ Near-complete achievement ★★★ Full achievement

Corporate Action Policies	Vision	Themes	FY2012 Measures	Progress Report on FY2012 Measures	Assessments	FY2013 Measures	
1 Commitment to Corporate Social Responsibility (CSR)	<ul style="list-style-type: none"> Every member of the Hitachi Construction Machinery Group understands the policies and goals of the CSR activities being undertaken and is responding by incorporating these policies into their duties. 	CSR communications	<ul style="list-style-type: none"> Hold CSR report reading sessions at some domestic and overseas group companies Conduct full-fledged CSR education at overseas group companies (HGB) 	<ul style="list-style-type: none"> Implemented at Hitachi Sumitomo Heavy Industries Construction Crane Implemented in Asia-Oceania, Canada, Europe, and other regions 	<ul style="list-style-type: none"> ★★★ ★★★ 	<ul style="list-style-type: none"> Deploy all-encompassing CSR education and <i>Kenkijin</i> Spirit training at group companies 	
		Risk management	<ul style="list-style-type: none"> Define risk management policies (risk assessment) (domestic and overseas group companies) Firmly establish a BCP (domestic group companies) Roll out ISO26000 guidelines companywide 	<ul style="list-style-type: none"> Assessed risks impacting the HCM Group (p. 44) Introduced safety confirmation system and renewed contact system (p. 45) Held briefing on ISO26000 guidelines for domestic and overseas group company HR managers 	<ul style="list-style-type: none"> ★★ ★★★ ★★ 	<ul style="list-style-type: none"> Implement measures to mitigate key risks (domestic and overseas group companies) Firmly establish a BCP (domestic and overseas group companies) Carry out human rights due diligence 	
		Stakeholder engagement (understanding information and exchanging opinions that impact management decisions)	<ul style="list-style-type: none"> Implement stakeholder communications 	<ul style="list-style-type: none"> Exchanged opinions with shareholders during plant tour (p. 33) 	<ul style="list-style-type: none"> ★★★ 	<ul style="list-style-type: none"> Maintain stakeholder communications 	
2 Contribution to Society through our Business Activities	<ul style="list-style-type: none"> As a major global player, the HCM Group is aiming to become a company that is trusted by customers worldwide. Tackling the challenge of dealing with global environmental issues with eco-conscious products and solutions. 	Achieve the goals in our Go Together 2013 plan	<ul style="list-style-type: none"> Implement measures in accordance with our Go Together 2013 plan 	<ul style="list-style-type: none"> Executed measures to attain our Global One goal in line with the new CSR road map 	<ul style="list-style-type: none"> ★★ 	<ul style="list-style-type: none"> Implement measures in accordance with our Go Together 2013 plan 	
		Continue to organize data and integrate systems	<ul style="list-style-type: none"> Conduct a survey of our activities to improve customers satisfaction (domestic and overseas group companies) 	<ul style="list-style-type: none"> Implemented a customer satisfaction survey (domestic and overseas group companies) (p. 30) 	<ul style="list-style-type: none"> ★★★ 	<ul style="list-style-type: none"> Manage tools for improving customer satisfaction 	
		Pursue sustainable designs	<ul style="list-style-type: none"> Secure product quality Secure performance, social, and environmental quality throughout the product life cycle (create assessment criteria) 	<ul style="list-style-type: none"> Conducted a global quality assurance manager meeting Carried out global production quality checks at each production base (p. 29) 	<ul style="list-style-type: none"> ★★★ 	<ul style="list-style-type: none"> Secure product quality Secure performance, social, and environmental quality throughout the product life cycle (including safety risk) 	
3 Disclosure of Information and Stakeholder Engagement	<ul style="list-style-type: none"> Improving the reliability of our corporate activities through ongoing dialogue with our stakeholders. Disclosing information on risks, setbacks, and social costs for all business activities. 	Compliance with disclosure policies, timely disclosure, and information management	<ul style="list-style-type: none"> Manage external information disclosure for group companies Release and manage press releases for domestic and overseas group companies Improve brand strength (<i>Kenkijin</i> Spirit) 	<ul style="list-style-type: none"> Cooperated in the disclosure of revised group company Web pages Disclosed materials (Japanese and English) from the forecast presentation, etc. Held <i>Kenkijin</i> Spirit training seminars 	<ul style="list-style-type: none"> ★★★ ★★★ ★★★ 	<ul style="list-style-type: none"> Manage internal and external information Fair and highly transparent disclosure Improve brand strength (<i>Kenkijin</i> Spirit) Continue to conduct <i>Kenkijin</i> Spirit training seminars 	
		Disclosure of information on risks, setbacks, and social costs	<ul style="list-style-type: none"> Put disclosure standards into practice (includes domestic and overseas group companies) KPI evaluation yardsticks and disclosure 	<ul style="list-style-type: none"> Revised the HCM Group's visual identification expression manual Diversity working group promoted diversity measures across company 	<ul style="list-style-type: none"> ★★★ ★★ 	<ul style="list-style-type: none"> Put disclosure standards into practice (includes domestic and overseas group companies) KPI evaluation yardsticks and disclosure 	
4 Corporate Ethics and Respect for Human Rights	<ul style="list-style-type: none"> Every member of the HCM Group understands the Hitachi Construction Machinery Codes of Conduct and acts in accordance, incorporating these codes into their duties. Establishing internal control systems, in compliance with global standards, at group companies worldwide. 	Conduct educational seminars on human rights and compliance	<ul style="list-style-type: none"> Implement educational seminars on human rights and companies (domestic and overseas group companies) 	<ul style="list-style-type: none"> Implemented an employee compliance awareness survey (p. 43) Conducted training at overseas group companies (Hitachi Construction Machinery (Europe), etc.) 	<ul style="list-style-type: none"> ★★★ 	<ul style="list-style-type: none"> Conduct full-fledged human rights and compliance education (implement e-learning human rights course) Establish a global alert line 	
		Promote diversity	<ul style="list-style-type: none"> Deploy diversity measures at domestic and at some overseas group companies Create human rights policies 	<ul style="list-style-type: none"> Implemented management diversity training seminars at domestic group companies (p. 31) Participated in Hitachi Group CSR human rights working group and drew up and promoted human rights policies (p. 31) 	<ul style="list-style-type: none"> ★★★ ★★ 	<ul style="list-style-type: none"> Implement a diversity workshop Release of Hitachi Group's human rights policy 	
5 Environmental Conservation	<ul style="list-style-type: none"> Promotion activities to alleviate the burden on the ecosystem and living environment to achieve a sustainable society. 	Reduction of environmental impact via centralized management (CO ₂ , waste, water, VOC)	<ul style="list-style-type: none"> Set environmental impact reduction targets (based on LCA method) Expand use of recycled resources 	<ul style="list-style-type: none"> Set targets for improving environmental load units (energy, waste, water, and VOC) based on activity volume for the type of production at each production site (p. 37) Achieved new zero emissions (final disposal rate 0.5%) at 10 group company plants 	<ul style="list-style-type: none"> ★★★ ★★★ 	<ul style="list-style-type: none"> Set environmental impact reduction targets (based on LCA method) Expand use of recycled resources 	
		Development and expansion of eco-product lineup	<ul style="list-style-type: none"> Adopt Design for Environment assessment of products (Ver. 4) (overseas group companies) 	<ul style="list-style-type: none"> Products evaluated under Design for Environment assessment of products (Ver. 4) also being manufactured overseas 	<ul style="list-style-type: none"> ★★★ 	<ul style="list-style-type: none"> Full application of Design for Environment assessment of products (Ver. 4) 	
6 Corporate Citizenship Activities	<ul style="list-style-type: none"> In accordance with the Hitachi Construction Machinery Group's social contribution policies, actively carry out corporate citizenship activities by leveraging our areas of expertise to achieve a better society 	Humanitarian support	<ul style="list-style-type: none"> Assist in demining activities 	<ul style="list-style-type: none"> Supplied demining equipment: Cumulative orders from 9 countries for 107 units Domestic lecture activities: 52 lectures in 2012, Total attendance of 7,400 people Supported activities carried out by NPO Good Earth Japan (p. 35) 	<ul style="list-style-type: none"> ★★★ 	<ul style="list-style-type: none"> Support activities carried out by NPO Good Earth Japan 	
		Environmental conservation	<ul style="list-style-type: none"> Tackle biodiversity issues Parent: Open Eco-school Recommend measures to group companies 	<ul style="list-style-type: none"> Conducted eco-school classes at HCM Urahoro Test Site in cooperation with the local Board of Education (p. 40) Implemented Hitachi Group's ecosystem conservation assessment at the Tsuchiura Works (p. 39) 	<ul style="list-style-type: none"> ★★★ ★★★ 	<ul style="list-style-type: none"> Promote biodiversity measures Embark on measures at Urahoro Continue to promote measures for overseas group companies 	
		Community Coexistence	<ul style="list-style-type: none"> Active community involvement Improve community education 	<ul style="list-style-type: none"> Held HCM Festival (p. 35) Conducted Hitachi Baku Environmental Protection Classroom (Hitachi Construction Machinery (Shanghai) and Hitachi Construction Machinery (China)) (p. 40) 	<ul style="list-style-type: none"> ★★★ 	<ul style="list-style-type: none"> Active community involvement Improve community education 	
7 Work Environment	<ul style="list-style-type: none"> All members of the HCM Group are aiming to achieve self-fulfillment through their jobs in a safe work environment and are constantly motivated to work on their own initiative. All members of the HCM Group are maintaining a healthy work-life balance. 	Promote measures to ensure a safe and healthy workplace	<ul style="list-style-type: none"> Gear up for the acquisition of OHSAS18001 Occupational Health and Safety Assessment Series certification Acquire certification for domestic manufacturing plants and sales companies 	<ul style="list-style-type: none"> HCM Tsuchiura Works received OHSAS18001 certification in May 2012 Hitachi Construction Machinery Tierra, Hitachi Construction Machinery Camino, Shintoshoku Metal, Hitachi Construction Machinery (China), and Hitachi Construction Machinery Indonesia carried out preparations for certification (p. 32) 	<ul style="list-style-type: none"> ★★ 	<ul style="list-style-type: none"> Gear up for the acquisition of OHSAS18001 Occupational Health and Safety Assessment Series certification, including certification for overseas manufacturing companies 	
		Promote a healthy work-life balance (improve employee satisfaction)	<ul style="list-style-type: none"> Create an ES survey plan, which encompasses all group companies Carry out measures based on an action plan by the Working Culture Reform working group 	<ul style="list-style-type: none"> Implemented HCM employee diversity awareness survey prior to conducting the ES survey plan Examined plans for conducting a global employee awareness survey (p. 31) 	<ul style="list-style-type: none"> ★★ 	<ul style="list-style-type: none"> Implement ES survey plan, implementation to include two group companies Promote information-sharing working group activities 	
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 with us to attain sustainable business growth. All of our business partners recognize the Hitachi Construction Machinery Group as being the optimal business partner and support the HCM brand. 	Embark on measures to achieve CSR procurement with our business partners	<ul style="list-style-type: none"> Have business partners complete a questionnaire (domestic group companies and some overseas group companies) Make requests based on the results of the questionnaire Implement CSR training (domestic group companies) 	<ul style="list-style-type: none"> Continued to use questionnaires Used the questionnaires at overseas group companies (p. 34) Conducted interviews with suppliers based on the results of the questionnaires (p. 34) 	<ul style="list-style-type: none"> ★★ ★★ 	<ul style="list-style-type: none"> Continue to use questionnaires Use the questionnaires at overseas group companies Boost the ratio of overseas procurement Make requests based on questionnaire results Conduct CSR training (domestic group companies should extend this to overseas materials procurement companies) 	

Responsibility to Our Customers

Forging a solid relationship of trust with stakeholders by showing our full-fledged commitment to putting our customers first

Product Safety and Quality Control

Basic policy

The Hitachi Construction Machinery Group, since its founding, has been forging a customer-first quality assurance system based on the “quality gleaning”^{*} concept of Hitachi, Ltd.

In September 1995, we became ISO9001 certified, and established the Corporate Quality Assurance Division and Quality Assurance Center to clearly define our quality assurance policies. In April 2012, we positioned the Quality Assurance Center under the auspices of the Corporate Quality Assurance Division. This division manages the quality assurance operations for production bases at home and abroad. Our ultimate goal is to make “Made by Hitachi” synonymous with uniform global quality assurance.

^{*} Like the painstaking efforts made by the workers in Millet's painting The Gleaners, “quality gleaning” refers to the process of taking a second, closer look to identify the cause of accidents or defects, fix the root of the issue, and carry out comprehensive measures to prevent recurrence.

A quality assurance system flow chart is posted on our corporate website.

Promoting global quality assurance activities

Our Go Together 2013 mid-term management plan is a road map of reforms that guides us towards our goal of “true global management.” As part of our transformation, in the quality assurance department, we are promoting the development of a global quality assurance system that encompasses Hitachi Construction Machinery Group production bases in Japan and overseas to underpin a rapid and strong expansion. We are carrying out an array of quality assurance activities, including the standardization of various regulations, standards and quality control indicators, and the sharing of information.

In FY2012, we held a Global Quality Assurance Department Managers Meeting. The aim of this meeting is to standardize quality targets and quality assurance activities for the group globally, and create a uniform level of quality by introducing global production quality checks and product safety checks at all production bases.

We also conducted various other activities. As a quality improvement project, we extended technical support to overseas sites. We created global parts authorization rules and a single level of conformance for finished vehicle body inspection standards as a part of establishing our quality assurance system. We implemented development evaluations at overseas production bases, under the direction of the Global Quality Assurance Department, to fortify our global development assessment system. Furthermore, we offered training to quality assurance managers from overseas bases as a part of our training of overseas engineers and also held the

Kataribe training seminars, both in Japan and overseas, as a part of our activities to pass on technologies and skills.

In FY2013, we plan to continue to carry out these measures and provide technical support to overseas sites, including newly launched bases in Brazil and Russia, and implement quality assurance operations to optimize production on a global scale.

Transferring technologies and skills

The Hitachi Construction Machinery Group, mainly through the *Kataribe* Promotion Office or employee training which was launched in 2010, is embarking on measures to pass on technologies and skills cultivated thus far to engineers and technicians working in the front lines.

A unique feature of this training is that it is more realistic as knowhow and skills are passed on by veteran employees (referred to as *Kataribe*) that have actual knowledge, hands-on experience, and that have learned from past mistakes.

At present, two types of *Kataribe* training seminars are being held. One is for engineers working in areas related to design and development, and the other for on-site technicians. The seminars have been conducted at overseas production bases since FY2011, and as of FY2012, a total of 6,000 employees have participated in the seminars. The seminars contribute substantially in passing on technology and skills to a new generation of employees. We plan to continue to hold seminars in FY2013.

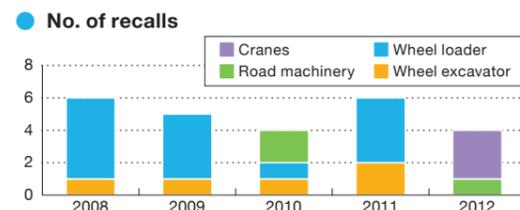


Kataribe training seminar for technicians

Complying with the recall system

The Hitachi Construction Machinery Group gathers after-market information and conducts a survey and analysis of product defects to maintain the quality and safety of its vehicular products. Should the defect be in violation of, or potentially in violation of, safety standards, the Ministry of Land, Infrastructure, Transport and Tourism is immediately notified of plans for a product recall, and repairs are made free of charge. This system is in compliance with the recall system stipulated under the Road Transport Vehicle Act.

In FY2012, we conducted four recalls. We made



disclosures on our website and via direct mail to customers and offered to make product repairs. We also conducted comprehensive measures to prevent recurrence.

Pursuing Customer Satisfaction

Basic policy

Enhancing customer satisfaction in a radically changing global market requires the development of a structure that organically and systematically manages a wide-range of diverse customer data. The Hitachi Construction Machinery Group introduced Project Plus, a system to manage the tracking of domestic sales trends, Hi-STEP, which tracks overseas sales progress, and the Global e-Service system, which centrally manages the operational status of machinery and related mechanical and technological information.

Details are posted on our website.

Deploying Global e-Service

The Global e-Service system utilizes ICT to remotely manage the status of machinery operations and also to centrally manage related machinery and technological information. The system menu contains roughly 80 service functions, including those for use by administrators. They are displayed depending on the user, including dealers and customers. At present, the system houses documented information for all Hitachi Construction Machinery Group products. Around 24,000 companies have registered to use the system and useful information is provided to about 60,000 users. The system comes in 20 different languages and, since October 2005, is now being used in 82 countries and regions around the world.

Also, in April 2013, the Hitachi Construction Machinery Group launched the ConSite activities promotion department, to strengthen ties with customers. Starting in October 2013, ConSite is scheduled to launch a service that sends reports on a regular basis to customers. The reports effectively utilize and analyze data that can be acquired from the Global e-Service system. This should prove beneficial for customers. At the same time, we are also planning to create a preventive maintenance system that sends out an “emergency report” to customers should machinery owned by the customers begin to show signs of a possible defect. In this manner, we are offering a range of selectable services to meet our customers’ needs.

Going forward, we plan to bundle these services to create an integrated solution that will connect a customer’s production bases. In doing so, we aim to contribute to the development of our customers’

businesses and improve customer satisfaction.

Starting customer satisfaction survey

From October 2012, we began to implement customer satisfaction surveys on a rolling basis to ask our customers around the world to evaluate the 32 measures we are undertaking in the Go Together 2013 mid-term management plan, which was launched in FY2011.

The online survey was emailed directly to customers by Hitachi Construction Machinery headquarters. Customers accessed the designated URL and responded online. The survey, conducted in 19 different languages, encompassed a number of areas, including the status of business transactions between the customer and Hitachi Construction Machinery, and evaluations of after sales services, parts, proposals, dealers and our company.

We plan to conduct this survey annually and identify existing issues from the results we obtain to build stronger relationships between Hitachi Construction Machinery and its dealers.

Promoting Value Engineering (VE)

We express value engineering with the equation “value” equals “function” divided by “cost.” By enhancing the value of our products and services, customer satisfaction becomes our first principle. The functions in this equation are those required by customers and the cost is for the lifecycle of a product or service. In other words, our goal is to provide lower cost products and services that have the functions required by our customers.

The Hitachi Construction Machinery Group always takes value engineering into account in its actions. We hold various events, including a companywide value engineering results presentation meeting in November of each year, to promote the spread of value engineering among our group companies at home and abroad. United together as a single organization, we aim to promote activities that target value assurance for customers developing new products and value improvement for existing products (including quality, cost, and other improvements).

Moving forward, we plan to supply products and services that fulfill customer requirements and offer a high level of user satisfaction.

Responsibility to Our Employees

Group-wide commitment to creating a workplace where each employee takes pride and finds reward in their jobs

Respecting and Protecting Human Rights

Basic policy

The Hitachi Group is positioning at the core of its management practices, the exclusion of discrimination, such as on the grounds of sex, age, nationality, or race, and the respect for human rights in labor and employment. In February 2009, Hitachi, Ltd. became a signatory of the United Nations Global Compact, thus pledging the entire group's respect for human rights to the international community.

Reflecting this, the Hitachi Construction Machinery Group clearly specifies the respect for human rights in the Hitachi Construction Machinery Group Codes of Conduct. In May 2013, the Hitachi Group announced the creation and adoption of the Hitachi Group Human Rights Policy.

Developing a human rights policy

The Hitachi Group drew up the Hitachi Group Human Rights Policy in accordance with international standards and with the objective of alleviating the risk of human rights violations in the group, and realizing management quality that is befitting a truly global company.

In May 2012, the development of the Hitachi Group Human Rights Policy was approved at a Central Human Rights Promotion Committee meeting. In July, the Hitachi Group held a human rights workshop, in which there were around 50 participants from corporate divisions, including major group companies. From August, the Hitachi Group began drawing up a proposal for its human rights policy, under the guidance of a legal advisor appointed by the Special Representative of the UN Secretary-General. In December, the Hitachi Group CSR Human Rights working group was set up and a series of reviews were carried out. After completing this process, the Hitachi Group announced its human rights policy in May 2013. At present, Hitachi Group companies are moving forward with the incorporation of this human rights policy into internal rules.

In FY2013, we are examining a human rights impact assessment to carry out human rights due diligence.

[The Hitachi Group Human Rights Policy is posted on the Hitachi, Ltd. website.](#)

Accepting and Leveraging Diversity

Basic policy

Business expansion based on new strategies and innovative concepts is essential for the Hitachi Construction Machinery Group to realize its 2020 Vision and to remain competitive as a truly global company. We believe that, to achieve this goal, it is important that we recognize the sense of values and individuality of each employee and respect this diversity.

Diversity promotion system

The Hitachi Construction Machinery Group positioned diversity as one of its key management issues. In April 2011, the Diversity Promotion Group was set up inside the CSR Promotion Department. The Diversity Committee, which is chaired by the president, handles deliberations and decision-making. In FY2012, the Diversity Committee met in June, October, and March to approve items such as annual activity plans, a system to promote diversity, and a vision.

Diversity promotion activities

In FY2012, Hitachi Construction Machinery Japan held manager training for promoting diversity. A total of 13 sessions were held and 159 managers participated. Hitachi Construction Machinery Trading, Hitachi Construction Machinery Tierra, and Hitachi Construction Machinery Camino also implemented similar manager training seminars.

In FY2013, the Group plans to continue to hold manager training seminars for domestic group companies (Niigata Material, Tadakiko, etc.). In addition, a women's career support working group is to be newly installed. At headquarters, in addition to informal discussion groups for female employees, diversity e-learning training is to be conducted.

Employee awareness survey on information sharing

The information sharing working group, which is a part of the Diversity Committee, conducted an employee awareness survey on information sharing in February 2013. They received responses from 1,153 employees.

The objective of the survey was to make visible the level of true problem awareness among employees and the direction of reforms. Several issues became evident, including a dependence on email. Based on the results of this survey, we plan to build an information sharing system that will likely link to an improvement in operational efficiency.

Occupational Safety and Health

Basic policy

The common policy among all companies of the Hitachi Construction Machinery Group is to establish a vibrant work environment that is comfortable and secure, mainly by alleviating risks that exist in the workplace and by encouraging communication. This is achieved by all employees to carry out safe actions by putting safety first and actively promoting safe and health activities in accordance with the Occupational Safety and Health Management System. In line with this policy, each group company and office will plan to create a safe and healthy environment by taking responsibility to continuously carry out improvement activities in the workplace.

Occupational safety and health promotion system

At Hitachi Construction Machinery Group, the Occupational Safety and Health Promotion Committee meets twice a year to gather information on work accidents at group companies and create action plans. The committee is also building an occupational safety and health management system through the training of managers in charge of promoting occupational safety and health at each group company and the sharing information between group companies. It also indirectly supports each company's acquisition of the OHSAS18001 certification.

In FY2012, Hitachi Construction Machinery Tsuchiura Works received OHSAS18001 certification in May. In addition to Hitachi Construction Machinery Tierra, Hitachi Construction Machinery Camino, and Shintoshoku Metal, overseas Hitachi Construction Machinery (China), Hitachi Construction Machinery Indonesia, and Hitachi Construction Machinery (Australia) are gearing up to acquire certification.

Going forward, we plan to bundle these services to create an integrated solution that will connect a customer's production bases. In doing so, we aim to contribute to the development of our customers' businesses and improve customer satisfaction.

Mental health care policies

Mental health care measures of the Hitachi Construction Machinery Group comprise of training, counseling, stress surveys, and the use of an EAP*.

In training, employees learnt to care for themselves, and line managers learn how to care for staff. In counseling, in-house therapy is provided for those with health disorders and for employees on leave but looking to return to the workplace.

*Employee Assistance Program

Human Resources Development

Basic policy

Given the rapidly growing number of overseas production employees, an urgent task at hand is the dissemination of the *Mono-Zukuri* (craftsmanship) culture.

Accordingly, from FY2008 onward, we have built a training system linked to domestic and overseas group companies, as well as nurturing a wide range of employees by promoting diversity, and pursuing the optimal utilization of human resources, using a model suitable for a global company. We have also been systematically and continuously seconding young engineers overseas to develop local human resources who will carry on core production duties in the future.

Training global human resources

From FY2008, the Hitachi Construction Machinery Group implemented a program for the global training of production engineers. The program provides young, top-class production engineers from domestic and overseas group companies with the opportunity to train at the group's mother plant, Tsuchiura Works. Our aim is to further instill the *Mono-Zukuri* (craftsmanship) culture of the Hitachi Construction Machinery Group by having the young engineers take the knowledge they acquire back to their respective production bases.

As of FY2012, a total of 46 young engineers from domestic and overseas group companies participated in the program. We plan to continue to implement this program. Also, in the design and quality assurance departments, we also took in engineers from Tata Hitachi Construction Machinery in India. They have begun training mainly in the area of new model development.

Honing talents at the International Skills Competition

In November 2012, the 9th International Skills Competition was held at the Kasumigaura Institute.

The improvement in skills of each production base was notable and in particular it has become a contest to show off the rapid advances in skills being made overseas. Moreover, as was the case in 2011, the 40th Small Group Activity Presentation Meeting was held at the same time as the International Skills Competition awards ceremony. It was a lively event thanks to the large number of participants.



Record participation of 74 engineers competed with one another

Responsibility to Our Shareholders & Investors

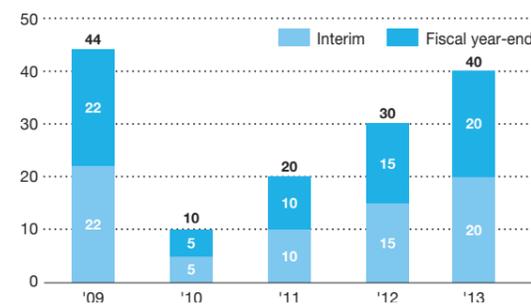
Pledging to provide fair and reasonable profit returns, and ensure timely and transparent disclosure

Dividend Policy

Basic 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)



IR Activities

Basic policy

Based on our corporate vision of “acting as good 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 various constructive IR activities.

Press release distribution

In FY2012, we kept our customers and stakeholders up-to-date on the activities of the Hitachi Construction Machinery Group. We made number of announcements throughout the year, including the roll out of various new models, including new versions of our mainstay hydraulic excavators, the development of new dump truck technologies, and a lump order for mining equipment.

In FY2013, we plan to continue to keep an open dialogue, conveying information on the new activities of the Hitachi Construction Machinery Group, including the development of new products to comply with exhaust gas regulations.

Launch an IR email service

In April 2013, we started our IR email service. People who want to register for the service can do so via the Investor Relations section on the Hitachi Construction Machinery website. We send emails containing our IR schedule, earnings results announcement schedule, IR activity reports, and information on website renewals. Just with one-time registration, the system allows the user to view IR information anytime, anywhere, and on a timely basis. We look forward to more people taking advantage of our service.

IR activities for overseas institutional investors

We are constantly communicating IR information with our overseas institutional investors via interviews and conference calls. We also hold a road show once a year for overseas institutional investors in Asia, North America, and Europe, and pay visits to these investors. In addition to this, we participate in conferences at home and abroad that target overseas institutional investors to routinely update our data. In this manner, we are working to boost our ratio of overseas investors and also enhance the recognition of Hitachi Construction Machinery.

In FY2013, we plan to continue to carry out proper disclosure.

Shareholder plant tours

In May and November 2012, we conducted plant tours for our individual shareholders. Owing to the large number of shareholders that applied for the tour, we held a drawing and invited those shareholders that were selected.

On the day of the tour, President Tsujimoto gave a presentation at the Tsuchiura Works Convention Hall, which included an overview of the company and plant. Following this, a tour was given of Tsuchiura Works, which is our mother plant. After the tour was completed, management answered questions posed by shareholders and there was a lively exchange of opinions.

In FY2013, we conducted a tour in May and plan to hold another tour in October.

Responsibility to Our Suppliers

Along with our suppliers, we are fulfilling our social responsibilities, based on the strong partnership we have forged

CSR in the Supply Chain

Basic policy

Through its website, the Hitachi Construction Machinery Group has made its Basic Policy on Materials Procurement and the Guidelines on Procurement available to the world.

In 2006, in addition to conventional policies, we made clear our stance on areas such as “legal compliance,” “environmental conservation,” “human rights and proper working conditions,” and “joint awareness of our social responsibility with our business partners.” 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.

[The Basic Policy on Materials Procurement is posted on our website.](#)

Moving toward green procurement

The Hitachi Construction Machinery Group is requesting that major suppliers acquire Environmental Management System (EMS) certification, as a part of its measures to promote CSR activities together with suppliers and throughout the entire supply chain. In FY2012, we attained a Green Supplier Rate of 100%, the same as in FY2011. This rate reflects the percentage of suppliers that have acquired EMS certification.

Moreover, we conducted our first questionnaire to analyze delays in returning the JAMA sheet*1 and aim to improve the percentage of data sheets that are returned.

We plan to deal with each problem individually, mainly by holding briefings to explain how to use the JAMA sheet.



Green procurement briefing

*1 Industry standard data sheet to collect information on chemical substances included in products and parts as stipulated by the Japan Automobile Manufacturers Association.

Supplier CSR survey

From FY2010, we began implementing the Supplier CSR survey as the first step in the transition to CSR Supply Chain Management. In FY2012, we conducted the survey at 191 suppliers in Japan. We also carried out a practical monitoring survey and training for suppliers with low evaluations and encouraged them to create and submit improvement plans.

In FY2013, we plan to implement the survey at overseas production bases, taking into account the different cultures and business practices in the region.

Hitachi Construction Machinery Chemical Substance Management Information System complies with international regulations

The Hitachi Construction Machinery Chemical Substance Management Information System (Hi-Chemis) was developed and installed for universal use at all seven production bases of its domestic and overseas group companies to comply with REACH regulations*2.

The system is used to analyze and register parts procured from suppliers. At the time of export, it measures the content amount (per excavator) and ratio of chemical substances for which there are export restrictions. The system can also calculate the latest SVHC*3 for each product and part. The system complies with not only REACH regulations but also the EU RoHS*4 directive and regulations on chemical substance content issued by countries outside the EU.

The system is mainly used for major models. Analysis is implemented for each new model that is released. Thus far analysis has been conducted on more than 30,000 parts from 1,000 companies.

As the standard data sheet to collect data, we use the JAMA sheet in Japan and the IMDS*5 sheet overseas. To increase the percentage of total data sheets that are returned to us from our suppliers to 100%, we plan to carry out various measures, including holding a briefing session (as needed) to help our suppliers input data into the JAMA sheets, while conducting a questionnaire regularly.

*2 EU's system for registration, evaluation, authorization and restriction of chemical substances.
 *3 Substance of Very High Concern (SVHC). Chemical substances designated in REACH regulations, especially those that are very harmful.
 *4 EU regulations prohibiting the use of specific chemical substances in electric and electronic products.
 *5 A global data repository for product material content used by the automotive industry.

Dealing with conflict minerals

The Hitachi Construction Machinery Group does not directly purchase conflict minerals (gold, tantalum, tin, and tungsten sold to finance armed insurgents) from the Democratic Republic of the Congo and surrounding nations. We, however, cannot rule out the possibility that suppliers are procuring conflict minerals.

We are working with the Hitachi Group to move forward with plans to conduct a conflict minerals survey of suppliers.

Responsibility to Local Communities & International Society

Creating a good Earth where children are always smiling by leveraging the technologies, knowhow, and networks cultivated through our businesses

Social Contributions

Festivals for interacting with the local community

The Hitachi Construction Machinery Festival is held annually from October to November as a part of activities to foster a harmonious coexistence with the local community. In FY2012, the festival was held at the Urahoro Test Site, the Tsuchiura Works, which is our mother plant, and for the first time at the Hitachinaka-Rinko Works. In FY2013, we plan to continue to promote exchanges with the local community.

Urahoro Festival (around 1,000 visitors)

We showcased our expert skills by demonstrating loading operations using our EX2600-6 ultra-large excavator and EH3500AC II model dump trucks and used our hydraulic excavator to do brush calligraphy and pour champagne into a champagne tower.



At the Kid's Corner, a huge dump truck tire was used as a canvas for the children to draw on

Tsuchiura Festival (around 5,000 visitors)



People formed long lines to play a fishing game using our mini excavator

There were a number of events, including performances by a local elementary school brass band, Japanese hayashi drum and flute ensemble, and commemorative pictures with members of the police's white motorbike brigade.

Hitachinaka Festival (around 7,200 visitors)

The event proved popular. We displayed the EX8000, the world's largest hydraulic excavator. People lined up to get a picture with this huge excavator.



Visitors taking pictures of the world's largest hydraulic excavator

Promoting activities to provide assistance in quake-stricken areas

We introduce the activities we are carrying out to extend support to the areas devastated by the Great East Japan Earthquake in the Special Feature section of this report (p. 14).

Contributing to various causes by supporting NPOs

The Hitachi Construction Machinery Group, as a part of its humanitarian aid actions, continues to support NPO Good Earth Japan (GEJ), an organization that helps people living in areas that have been demined to live self-sufficient lives.

Good Earth Japan mainly works in Battambang Province, Cambodia. The three main pillars of its activities are agricultural training, the development of the agricultural environment, and improvement of the living environment. In FY2012, agricultural training was offered to a total of 987 people from 2,072 households from four villages in the Bavel district and three villages in the Ratanak Mundol District. Major success is being attained. A sampling survey of the 83 households in the Ratanak Mundol District which plowed fields in lands left barren after the removal of land mines indicated that agricultural revenues increased by 3.4 times in comparison with FY2009.

Meanwhile, large contributions were made to improving the living environment and living standards. This included the paving of village roads and the construction of a reservoir, primarily in Prey Preal Village. In March 2013, Good Earth Japan held an inauguration ceremony for Prey Preal GEJ Primary School, the third school built by the NPO. Mr. Shoji Shinoda, Executive Director of GEJ, and HCM President Tsujimoto were in attendance. The event was held in conjunction with the completion ceremony for the Peacebuilding Project (land mine removal and infrastructure development) by ODA capital from the Japanese government and which was carried out in areas where Good Earth Japan is active. Accordingly, representing the Japanese government, Mr. Yuji Kumamaru, Ambassador of Japan to Cambodia, representing the government



New school building at Prey Preal GEJ Primary School (upper left), President Tsujimoto presents the keys to the school (upper right), commemorative picture in front of the school (bottom)

of Cambodia, Mr. Prak Sokhonn, Vice President of the Cambodian Mine Action and Victim Assistance Authority (CMAA), and representing the beneficiaries, the Deputy Governor of Battambang Province were also in attendance. Also present were Mr. Oum Phumro, Deputy Director General of the Cambodian Mine Action Centre (CMAC) and another 1,500 or so participants, including staffers of the Centre, local residents, schoolteachers and students and other participants.

In FY2013, agricultural training, farming reservoirs, and public road construction will continue to be carried out in the four villages in the Bavel District and in a new village.

Meanwhile, in Japan, Good Earth Japan is working to increase membership, and promoting its activities in Cambodia. The NPO is visiting schools as one of these activities. In November 2012, GEJ visited Yoshida Elementary School in Ibaraki Prefecture and in December it went to Tokyo Gakugei University International Secondary School.

In January 2013, as educational tools to bring around international understanding, Good Earth Japan posted four materials to its website*—(1) junior high school geography and comprehensive studies materials, (2) proposal for teaching guidelines for junior high school social studies and civics, (3) Sambath's Birthday, a proposal for school visit workshops, and (4) pictures that can be used at the elementary and junior high school level.

In FY2013, the NPO aims to hold school visits to teach children to become citizens of the world that can contribute globally on a broad level.

* The Good Earth Japan website
<http://www.good-earth-japan.org/modules/school/>



School visit workshop at Yoshida Elementary School in Toride, Ibaraki Prefecture (top), conducting agricultural training (lower left), exhibit at the Hitachi Construction Machinery Festival (lower middle), Sambath's Birthday (lower right)

Contributing to the local society through sports

We are aiming to contribute to the local society through sporting events and activities.

In FY2012, Hitachi Construction Machinery sponsored two athletes in the London Summer Olympic and Paralympic Games. Yukie Nakayama, who works in the Corporate Communication Department, participated in the women's trapshooting competition in the clay pigeon shooting event. This was her third Olympic games. She put up a great fight and came in 15th. After the London Olympics, Ms. Nakayama participated and took first place in the mixed league in the Gifu Seiryu Kokutai national athletic meet and the All-Japan Athletic Championship held in October 2012. Road cyclist, Masaki Fujita, an employee of the Technology Development Center, participated in his second Paralympics. He won a bronze medal in the men's road time trials despite being put at a disadvantage due to a change in road cycling rules. Ibaraki Prefecture gave him a special achievement award for winning the bronze medal.

At the 2012 Hitachi Construction Machinery Festival, we set up a booth to show our gratitude of support of the Olympics and Paralympics. The actual uniforms worn by athletes were displayed, athletes were there to shake hands with visitors, and a photo session was held. Also, to deepen our ties with local residents, lectures were held at elementary and junior high schools in various communities. We aim to continue to contribution to local communities through various sporting activities and events.

Results of the London Summer Olympic and Paralympic Games

	<p>Yukie Nakayama London Summer Olympic Games Clay pigeon shooting</p> <p>August 4 Women's trapshooting 15th (score of 65 points)</p>
	<p>Masaki Fujita London Summer Paralympic Games Road cycling</p> <p>August 30 1 km time trials (MC1-3) 20th (1 minute 14.998 seconds) August 31 3 km individual pursuit (MC3) 9th (3 minutes 51.743 seconds) September 5 Road time trials (MC3) (16 km) Bronze medal (23 minutes 55.54 seconds) September 6 Road race (MC1-3) (64 km) 12th (1 hour, 42 minutes, 51 seconds)</p>

Responsibility to the Global Environment

Ongoing promotion of diverse environmental conservation activities as a construction machinery manufacturer coexisting with the global environment

Environmental Management

Long-term plan (Environmental Vision 2025)

Around 90% of greenhouse gas emissions during the lifecycle of our products are emitted during use and operation. Accordingly, to contribute to true environmental conservation and to benefit our customers, it is crucial that we reduce the level of greenhouse gas emission during the use and operation of our products.

In the Environmental Vision 2025, we aim to help reduce annual CO₂ emissions by 100 million tons by 2025 through Hitachi group's products and services. Of this total, the Hitachi Construction Machinery Group aims to reduce CO₂ emissions from the use of our products by 3.5 million tons*¹.

*1 Major HCM group products (hydraulic excavators, wheel loaders, dump trucks, etc.)

Amount of CO₂ emissions from products we aim to reduce

In our long-term plan, Environmental Vision 2025, our target is to reduce CO₂ emissions from product usage, via improved efficiency, by 3.5 million tons by FY2025, in comparison with the product emissions in the base year FY2005.

In light of our goal, we plan to boost the ratio of eco-products, which have a reduced burden on the environment, and working with our partners, expand business opportunities in the global market.

Moreover, the Hitachi Group's eco-products were screened by a third party to improve credibility and transparency.

Phase 2 (FY2013-FY2015) of the HCM Third Environmental Action Plan

	FY2012 targets	FY2012 results	FY2013 targets	FY2015 targets
Reduction of CO ₂ emissions per product	1.47 million tons	1.49 million tons (estimate) * ²	1.89 million tons	2.77 million tons
Green points (GREEN 21-2015)* ³	448	511	512	640
Improvement rate for per-unit energy use (new indicator) (Base year = FY2005)	—	—	33.5%	35.8%
Environmental communication activities	•Eco school •Carbon offset	•Eco school •Carbon offset	•Ecosystem eco-school •Carbon offset	Flagship activities at each company
Eco-product sales ratio	81%	85% (estimate) * ²	83%	88%

*2 Likely to be finalized in August 2013. Set to be posted to website after confirmation.
*3 Quantitative indicator for environmental activities

Environmental vision and action plan

We share the same environmental vision with the Hitachi Group. The three key pillars of the vision are the prevention of global warming, conservation of resources, and preservation of ecosystems. Our goal is to achieve a sustainable society by promoting global *Mono-Zukuri* (craftsmanship) capabilities aimed at reducing environmental burden during the lifecycle of a product.

At the Hitachi Construction Machinery Group, we are working toward the achievement of our environmental vision by implementing environmental activities in line with our Environmental Conservation Principles.

Our environmental action plan was developed based on the four categories in the Sustainability Compass that make up the action principles. In particular, we are heavily emphasizing global scale and lifecycle as the scope of our environmental activities.

In FY2011, we devised our third Environmental Action Plan, which is a five-year plan that is to wind up in 2015. Phase two of the third Environmental Action Plan began in FY2013.

In this environmental action plan, we set quantitative and non-quantitative targets which we believe our manufacturing and sales group companies in Japan and overseas should target. Each year, each Hitachi Construction Machinery Group company creates its own environment plan, based on the environmental action plan. This serves as a road map for the environmental activities they carry out.

Sustainability Compass



Managing eco-performance data

Since 2011, it has been essential for the Group overall to efficiently reduce and manage electrical power usage mainly due to the tight supply-demand conditions for electricity nationwide and the sharp boost to electric power rates, mainly at Tokyo Electric Power Company, Inc.

In light of this, in April 2012 the Hitachi Group launched a system it developed that visibly depicts energy usage by calculating the monthly use of energy sources, including fuel oils, gas, and electrical power, and posting the results on the Group intranet. HCM domestic plants began using the system from the time it was launched. This system allows us to visibly track and grasp that amount of energy we are using at the plant and HCM Group level.

The system facilitates the efficient use of energies, by making it possible to share information related to energy usage, compare the amount of energy used year-on-year and between group companies, and via management on a per unit level. It is also plays a part in raising the awareness of energy saving among employees. Also, we confirmed progress at each company in October, which was the midpoint of our plan, making it possible for us to quickly implement measures to remedy those areas where we undershoot targets.

Carrying out the Assessment for Design for Environment (DfE) products

In FY1999, we introduced the Assessment for Design for Environment (DfE) which set concrete guidelines for environmental considerations that should be taken into account during the design and development of a product. This tool was developed to best minimize the burden our products and services have on the environment. We certify products that have satisfied the criteria in this assessment as Eco-Products. One of the goals we have set is to raise the ratio of eco-product sales (ratio of eco-product sales to total sales).

Furthermore, the certification criteria we employ is the same assessment standard used across the Hitachi

Group. Products which meet particularly high-level criteria are certified as Eco-Products Select. To qualify as Eco-Products Select, a product must meet one of the following criteria: (1) a score of 10 or above*¹ for one of the global warming prevention factors or the resource factors; (2) the energy-saving standard achievement rate*² etc. must be industry leader level; (3) earned awards from an external organ or public certification; or (4) a reduction of 50% or more in CO₂ emissions compared to FY2005 products.

As of FY2012, two models, ZX35B and ZH200, have become certified as Eco-Products Select.

*1 Factor of 10 or more is defined as a product with an improvement in environmental efficiency of 10 times or more, versus the benchmark product, which is the same product that was sold in FY2005.

*2 Indicates the achieved rate of energy efficiency versus the basic energy efficiency per product.

ZX35B certified as Eco-Products Select

Working toward our goal of a 3.5 million ton reduction in CO₂ emissions by 2025, we developed the ZX35B, an electric mini excavator, which uses a battery as its main power source, as one method for effectively reducing CO₂ emissions.

The ZX35B's hydraulic drive system is powered not by an engine but by a lithium-ion battery installed in the main body that supplies electricity to generate a highly efficient electric motor. The mini excavator does not have an adverse impact on the environment, including crops and plants, as it does not emit exhaust gas. There are no ventilation issues to be dealt with when dismantling the unit indoors or doing tunneling. Furthermore, since it has no engine, we have achieved a very low level of noise (~10% in comparison with an engine driven unit). These innovations, primarily the much desired noise reduction, have expanded the uses for mini excavators, which are primarily used in urban civil engineering projects. The ZX35B mini excavator contributes to reducing CO₂ emissions and the realization of a low-carbon society.



ZX35B

Responsibility to the Global Environment

Conservation of Resources

Recycling

The Hitachi Construction Machinery Group is working to reduce waste (including valuable resources) produced during normal business activities and promoting recycling.

In 2006, the HCM Group was the first in the industry to implement counterweight recycling to promote the 3Rs and to prevent illegal disposal and dumping. The buildup in costs for transporting heavy counterweights was an obstacle to establishing a recycling route. However, recycling became possible after HCM took responsibility for the transportation costs.

Repairs are par for the course for construction machinery, which are used to do work under rigorous conditions, thereby resulting in a high level of wear-and-tear. Consequently, maintenance costs are a key concern for users. To respond to user needs, and also to effectively utilize resources and take into account the preservation of the global environment, we launched a business to remanufacture construction machinery service parts in 1998. When making machine repairs, we collect old parts, and as a part of our effort to reuse and recycle, we restore the functions of these old parts to an almost new state, and sell these remade parts, which are backed with a quality guarantee, to users at a reasonable price.

At present, we are carrying out global recycling operations in eight countries—Japan, China, Indonesia, Malaysia, Australia, the Netherlands, South Africa, and Zambia. We plan to expand our recycling operations to Russia further out.

Preventing Pollution

Undertaking measures to reduce VOCs

The Hitachi Construction Machinery Group is forging ahead with the reduction of 41 VOC (Volatile Organic Compound) substances designated by the Hitachi Group to cause air pollution in particular. The VOCs the Group handles are mainly found in product coatings and consequently were released into the atmosphere. In FY2000 and beyond, the Group began promoting the use of technologies to reduce the level of VOCs it released into the atmosphere. The Group is tackling the reduction of VOC substances by gradually switching to low solvent (high solid) coatings as well as adopting cathodic electrodeposition coatings that use water-soluble paint and using powder coatings that are sprayed on and then cured at a high temperature.

Preserving water quality

Water is a vital resource for society as it supports the basic foundation of life. We are working to preserve the water quality of and recycling wastewater from our plants.

One example of our water preservation activities are the actions being taken at the Tsuchiura Works. The wastewater from Tsuchiura Works, our mother plant, ultimately runs into Lake Kasumigaura. Because of this, the criteria in our pollution control agreement with the city of Tsuchiura are considerably stricter than those demanded by the government. However, the Tsuchiura Works implements its own management criteria and has exceeded the strict standards in the agreement by more than 20%.

The water discharged from the Tsuchiura Works meets these strict criteria therefore it can be reused as industrial water. This contributes to the reduction of our water usage. All of the HCM Group plants follow their own control standards, which are set at more austere levels than those issued by the government, to manage and operate plants, and prevent pollution.

Initiatives for Protecting Biodiversity

Basic policy

The Hitachi Group has made the “preservation of the ecosystem” one of the three key pillars of its Environmental Vision. The Hitachi Group is working to protect biodiversity from the standpoint of business and social contribution activities related to activities to protect nature.

In fiscal 2010, the Hitachi Construction Machinery Group revised its Environmental Conservation Principles, and added its pledge to “preserve the ecosystem.” In addition to this, 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.

Business evaluation using an ecosystem conservation assessment

In accordance with the Guide to Preservation of Ecosystems issued by the Hitachi Group in March 2011, we addressed our employees and gave them an introduction to our policies related to corporate activities and ecosystems, global trends, and example of various steps that are being carried out. To further deepen our employees’ understanding, we did a test run of the Business Assessment on the Preservation of Ecosystems issued by the Hitachi Group in May 2012 and evaluated all of our business activities. We plan to expand the

scope of this assessment going forward and plan to use it to make ongoing improvements to the undertakings of our group companies.

Teaching the importance of the environment

Our Environmental Conservation Principles call for the disclosure of information to stakeholders on the HCM group’s environmental conservation activities along with the fortification of mutual understanding through active communication and the strengthening of cooperative relationships. One of the activities we sponsor is the Eco School. In Japan, the school was held at the Urahoro Test Site, and overseas it was jointly conducted by Hitachi Construction Machinery (Shanghai) and Hitachi Construction Machinery (China). The goal of the Urahoro Eco School is to get students to rediscover the splendor of Urahoro’s natural environment and the meaning of nature conservation activities by holding eco education classes in the natural environment surrounding the test site. The Hitachi Baku Environmental Protection Classroom in China focuses on teaching students the importance of protecting the Earth.



Urahoro Eco School



Hitachi Baku Environmental Protection Classroom (China)

Horqin Desert afforestation project

Hitachi Construction Machinery (Shanghai) is carrying out the planting of vegetation in the Horqin Desert in Inner Mongolia, China, as a part of a ten-year plan that runs from July 1, 2005 to June 30, 2015.

The afforestation project targets an area of roughly 10 ha (100,000 m²). More than 10,000 poplar trees have been planted thus far. Thanks to these activities, not only has the environment in the region improved but so have employment opportunities. In light of these

accomplishments, Hitachi Construction Machinery (Shanghai) was given the environmental award at the first Hitachi China CSR awards ceremony in 2009, then again in 2010 at the second Hitachi China CSR awards ceremony, and in 2012, was given the environmental award for the China region at Hitachi Group’s Inspiration of the Year Global 2012.

Implementing the Carbon Offset Program

Using eco-products to achieve carbon offsets

Hitachi Construction Machinery is conducting carbon offset activities to promote the market penetration of products with a high energy saving performance, and also the Ministry of the Environment’s Challenge 25 campaign and the Kizukai (woodworks) Movement sponsored by the Forestry Agency. Among our product categories, offsetting of CO₂ emissions during manufacturing is being carried out regarding products which boast a particularly high level of environmental performance. These products include forestry machinery, computerized machinery, electric excavators, and hybrid excavators. It is now possible to reduce CO₂ emissions of computerized machinery, electric excavators, and hybrid excavators anywhere from 20% to over 60% compared with conventional models. Moreover, our forestry machinery is being used in woodland development owing to the 3.8% reduction in CO₂ emissions thanks to the Kizukai (woodworks) Movement. This is contributing to the pledge Japan made at the Japan’s pledge in the Kyoto Protocol to reduce CO₂ emissions by 6% (versus FY1990).

Topics

Ranked 19th among manufacturing companies in the Nikkei’s Environmental Management Survey

In our goal to develop socially responsible business activities, we naturally disclose environmental information and we also actively partake in surveys conducted by external organs. In the FY2012 Environmental Management Survey commissioned by the Nihon Keizai Shimbun, we ranked 19th among manufacturing companies and third among companies in the machinery industry.

This is a rapid improvement from our ranking of 78th in the FY2011 survey. On February 13, 2013, the Nikkei Sangyo Shimbun ran an article describing us as being a “company on the offensive.” Going forward, we plan to initiate environmental measures that respond to global changes and continue to disclose information in a timely manner.

Corporate Governance

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

Corporate Governance

Basic policy

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 codes 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 ten (10) directors (three (3) outside 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.

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.

Ensuring constant independence from the parent company

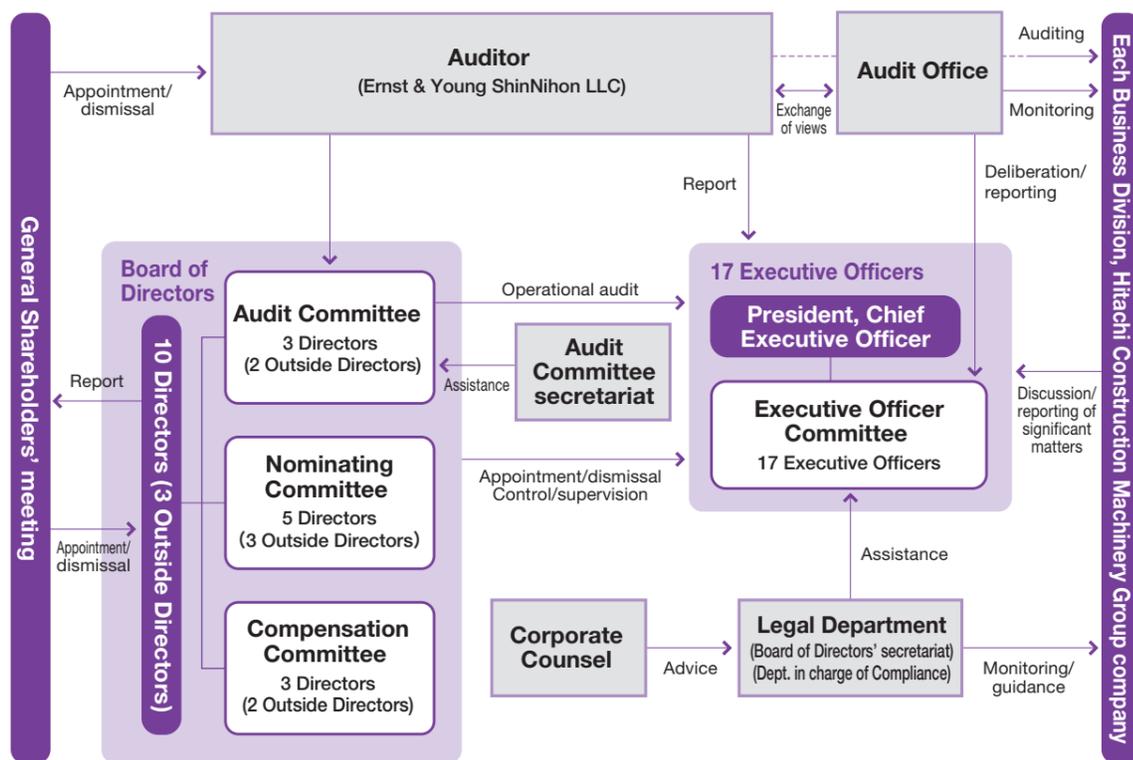
The Hitachi Construction Machinery Group shares the basic philosophy and brand with Hitachi Ltd., our parent company, as a member of the Hitachi Group, and integrates the Group's basic management policy into our own policy, while at the same time, maintaining the independence of our business operations.

Since three (3) directors (two (2) 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

Corporate Governance System



As of April 1, 2013

Internal Controls

Basic policy

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.

Compliance

All employees maintain a keen level of awareness and do their utmost to execute tasks that are in full compliance with corporate ethics, laws, and regulations

Compliance

Promoting compliance activities

In May 2002, the Hitachi Construction Machinery Group established the Compliance Division, recognizing that compliance means that all activities must adhere to corporate ethics and laws and regulations. From 2009, the Compliance and Risk Management Division has worked to instill a deeper awareness of compliance by repeatedly holding awareness surveys and training for all Group employees.

■ Conducting an employee compliance awareness survey

In 2005 and 2008, the Hitachi Construction Machinery Group implemented a compliance awareness survey with the objective of understanding the dissemination of compliance awareness and knowledge among employees. In 2012, we conducted our third employee compliance awareness survey in October, which is corporate ethics month. The survey was given to all Hitachi Construction Machinery employees.

We plan to implement the survey at domestic group companies for the second time from 2013 to 2014. The survey data will be processed and analyzed and the results released to employees. It will be used in measures aimed at improving compliance.

■ Promoting compliance training

At the Hitachi Construction Machinery Group, we implement compliance training along with stratified training and numerous sales training programs for new employees, newly appointed supervisors and managers. In FY2012, more than 600 employees participated in the training.



Compliance training



Overseas group companies also holding compliance training

At our overseas group companies, we deployed compliance training in line with our HCM Global Basics (HGB)* training for national staff in FY2011.

We will continue to promote training to attain our goal of full compliance awareness on a global basis.

* Training program designed to train national staff. The three main themes of this training are *Kenkijin* Spirit, compliance, and CSR.

■ Establishing a global compliance hotline

In May 2004, we set up a compliance hotline with the goal of quickly identifying and properly handling compliance issues.

In FY2012, there were more than 20 cases reported, including consultations and questions regarding the organizational system and measures. Cooperation with relevant departments was carried out as needed and the issues were resolved.

In FY2012, to make the hotline easier to use for the employees of our overseas group companies, we set about making preparations for the installation of a global alert line, which acts as a global liaison capable of handling questions in a number of languages. In FY2013, we plan to make this a system that can be used by the entire Group, both in Japan and abroad. In doing so, we plan to further strengthen compliance functions throughout the Group.

Risk Management

Heightening response capabilities against risks from global point of view

Risk Management

Basic policy

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

Directors and Executive Officers

As of June 24, 2013

Developing a business continuity plan (BCP)

The Hitachi Construction Machinery Group, to fulfill its responsibilities as a manufacturer, is developing Business Continuity Plans (BCPs) and strengthening its Business Continuity Management (BCM) to minimize the impact to business activities from risks that arise, such as natural disasters, and to attain the quickest possible recovery. We created BCPs related to core IT systems and new strains of influenza viruses.

In FY2012, given the lessons we learned from the Great East Japan Earthquake, we began drawing up a BCP for responding to major disasters at our headquarters and five Ibaraki plants, and also beefed up our systems for dealing with disasters. Moreover, from a global perspective, we identified and assessed risks that could potentially impact the Hitachi Construction Machinery Group.

In FY2013, we will continue to forge ahead to become a global company that is strongly resilient to risks and we plan to create supply chain BCPs that factor in the conditions of each region. And we plan to take our fortification efforts for the crisis management system global, to ensure that we are able to execute our BCPs.

Measures to cope with large-scale earthquakes (headquarters)

The Great East Japan Earthquake that struck on March 2011 made us recognize the importance of being prepared, including being able to confirm the safety of our employees and grasping the level of damage.

In light of this, in FY2012 we instituted the following measures, based on our assumption of an epicentral earthquake at our headquarters in Tokyo.

1. Emergency rations

In the event that the infrastructure in the Tokyo metropolitan area, mainly the transportation system, is paralyzed, we have stockpiled enough rations, including water, food, and blankets, for all employees should it be necessary for them to stay at the company for several days. In case employees have no option but to walk home, we have distributed flashlights and other emergency equipment. Also, we have secured various modes of communication, such as satellite phones and PHS handsets, should there be chaos and the phone lines are down.

2. Emergency contact system

We reviewed and revised the contact system. This is not limited to installing a safety confirmation system to ensure smooth confirmation of our employees' safety but also includes examining ways to make contact and gather information during times of emergency.

3. Begin drawing up BCPs

We began developing BCPs based on the assumption an epicentral earthquake struck the Tokyo metropolitan area. The BCP places priority on the safety of our employees and covers extensive initial response systems 1 and 2. We plan to complete this plan and set it in motion in FY2013.

Confirming Employees' Safety Using the Safety Confirmation System



Creating a global risk map

Owing to the large number of production and sales bases the Hitachi Construction Machinery Group has overseas, it is crucial that the Group develops a global system and measures for dealing with various risks.

In FY2012, we created a global risk map (pinpointing risks) by assessing the impact to the Group from various risks owing to regional, cultural, and national issues. Going forward, based on this global risk map, we plan to create BCPs in accordance with the conditions surrounding each group company.

Directors



Michijiro Kikawa
Chairman of the Board



Masahide Tanigaki
Outside Director



Hideto Mitamura
Outside Director



Takashi Miyoshi
Outside Director



Yukio Arima
Senior Vice President,
Executive Officer and Director



Osamu Okada
Director



Mitsuhiro Tabei
Vice President,
Executive Officer and Director



Yuichi Tsujimoto
President,
Chief Executive Officer
and Director



Hiroshi Tokushige
Executive Vice President,
Representative Executive Officer
and Director



Tsutomu Mizutani
Senior Vice President,
Executive Officer
and Director

Executive Officers

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

Yuichi Tsujimoto
Hiroshi Tokushige
Yukio Arima
Tsutomu Mizutani
Yasushi Ochiai
Mitsuhiro Tabei
Yoshikazu Tokugawa
Akihiko Hiraoka
Norio Hirota

Executive Officer
Executive Officer
Executive Officer
Executive Officer
Executive Officer
Executive Officer
Executive Officer

Kenji Oota
Toshihiro Oono
Tetsuo Katsurayama
Masaki Kanahara
Genroku Sugiyama
Koji Sumioka
Tadashi Motoi
Shogo Yokoyama

Note: Executive officers are listed in the Japanese syllabic order.

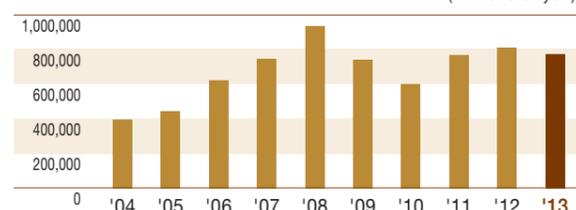
Ten-year Financial History

Hitachi Construction Machinery and Consolidated Subsidiaries
Fiscal years ended March 31

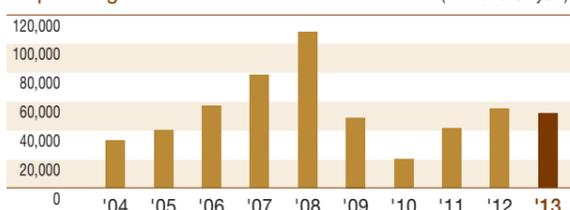
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2013
For the year:											
Net sales	772,355	817,143	773,769	605,788	744,167	940,537	756,453	626,457	448,043	402,195	8,212,174
Operating income	51,496	54,837	41,511	19,669	48,836	108,458	78,352	57,177	40,120	32,858	547,539
Net income before income taxes and minority interests	45,763	50,129	35,745	18,333	44,142	100,564	70,081	46,795	31,862	21,211	486,582
Net income	23,464	23,036	11,088	4,019	18,253	55,985	36,502	24,223	17,325	12,490	249,484
At year-end											
Total assets	1,099,901	1,086,116	944,370	883,047	841,353	833,096	655,326	552,341	463,812	407,049	11,694,854
Working capital	286,564	232,252	248,870	207,948	124,398	155,901	98,891	99,213	96,638	67,201	3,046,932
Shareholders' equity	361,874	345,689	327,496	319,520	311,430	310,747	184,750	157,173	131,318	91,132	3,847,677
Interest-bearing debt	393,102	388,904	327,768	307,754	300,626	190,650	165,910	152,953	154,786	152,152	4,179,713
Per share data (yen):											
Net income	110.77	108.88	52.44	19.33	85.79	271.00	187.43	124.37	91.05	72.62	1.18
Diluted net income	110.75	108.86	52.41	19.32	85.72	270.23	186.81	124.00	90.88	70.92	1.18
Net assets	1,704.34	1,522.86	1,447.52	1,441.73	1,422.54	1,446.55	987.56	807.17	673.81	520.93	18.12
Cash dividends (declared)	40.00	30.00	20.00	10.00	44.00	42.00	28.00	18.00	14.00	11.00	0.43
Other indicators:											
Return on net sales (%)	3.0	2.8	1.4	0.7	2.5	6.0	4.8	3.9	3.9	3.1	—
Return on equity (%)	6.9	7.3	3.6	1.3	6.1	22.3	20.9	16.8	15.6	15.1	—
Equity ratio (%)	32.8	29.7	32.4	34.5	34.9	37.1	29.4	28.5	28.3	22.4	—
Price/earning ratio (times)	18.31	16.82	39.72	114.28	14.79	9.21	17.02	24.92	16.24	23.60	—

* Previously, 12 consolidated subsidiaries with different settlement dates than that of the parent company were accounted for based on the fiscal year consolidated financial statements for each of these companies because the difference between the settlement dates for these subsidiaries and the consolidated settlement date was within three months. However, with quarterly reporting becoming legally mandatory, beginning in the fiscal year ended March 31, 2008, HCM changed its method of consolidation on the financial statements by making provisional account settlements for the 12 subsidiaries on the consolidated settlement date. This change was made for the purpose of unifying the settlement dates of the parent company and the aforementioned consolidated subsidiaries and for ensuring appropriate disclosure of consolidated financial information.

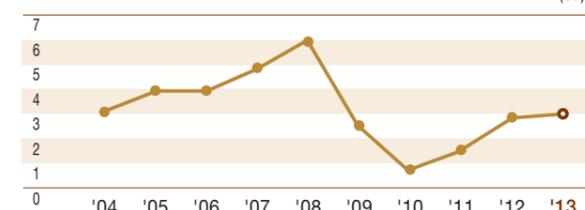
Net sales (Millions of yen)



Operating income (Millions of yen)



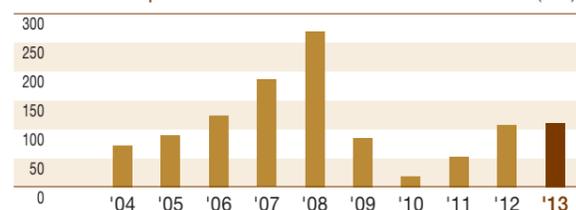
Return on net sales (%)



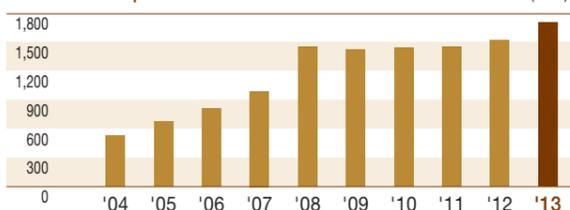
Return on equity (%)



Net income per share (Yen)



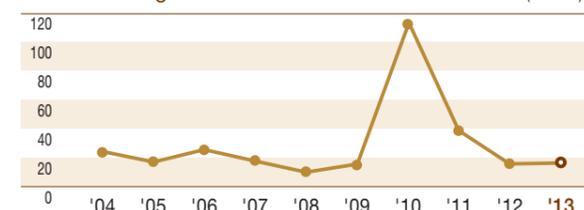
Net assets per share (Yen)



Equity ratio (%)



Price/earning ratio (Times)



Business Performance

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

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

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

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

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

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

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

Analysis of Financial Conditions

[1] Status of Assets, Liabilities and Net Assets [Assets]

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

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

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

[Liabilities]

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

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

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

[Net Assets]

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

[2] Status of Consolidated Cash Flows

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

[Cash Flows from Operating Activities]

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

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

[Cash Flows from Investing Activities]

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

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

[Cash Flows from Financing Activities]

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

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

To establish a solid position in global construction machinery markets, 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, Hitachi Construction Machinery will pay dividends linked to its consolidated business results in accordance with a policy of maintaining stable dividends, with a target payout ratio of at least 20%.

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

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

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

Consolidated Balance Sheets

Hitachi Construction Machinery Co., Ltd. and its Consolidated Subsidiaries
March 31, 2013 and 2012

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Current assets			
Cash and bank deposits (Notes 18 and 20)	¥ 62,640	¥ 72,803	\$ 666,029
Notes and accounts receivable (Notes 9, 10, 13 and 20)	204,918	238,478	2,178,820
Lease receivables and investment assets (Note 20)	103,288	120,321	1,098,224
Merchandise and manufactured goods (Note 13)	239,643	186,625	2,548,038
Work in process (Note 13)	54,125	58,485	575,492
Materials and supplies (Note 13)	21,143	23,802	224,806
Deferred tax assets (Note 24)	13,903	14,562	147,826
Other	42,108	42,510	447,719
Less: Allowance for doubtful accounts (Note 20)	(7,949)	(5,282)	(84,519)
Total current assets	733,819	752,304	7,802,435
Non-current assets			
Property, plant and equipment			
Property held for lease (Notes 13 and 31)	104,370	109,161	1,109,729
Land (Note 13)	55,562	64,182	590,771
Buildings and structures (Note 13)	150,781	134,303	1,603,200
Machinery, equipment and vehicles (Note 13)	219,876	208,430	2,337,863
Construction in progress	17,110	14,032	181,925
	547,699	530,108	5,823,488
Less: Accumulated depreciation	(276,504)	(285,248)	(2,939,969)
Net property, plant and equipment	271,195	244,860	2,883,519
Intangible assets			
Software	17,802	19,965	189,282
Goodwill	10,457	18,144	111,186
Other	4,402	2,678	46,805
Total intangible assets	32,661	40,787	347,273
Investments and other assets			
Investments in securities (Notes 20 and 21)	27,086	20,736	287,996
Deferred tax assets (Note 24)	5,263	5,023	55,960
Other (Note 23)	30,395	23,129	323,179
Less: Allowance for doubtful accounts (Note 20)	(518)	(723)	(5,508)
Total investments and other assets	62,226	48,165	661,627
Total non-current assets	366,082	333,812	3,892,419
Total assets	¥ 1,099,901	¥ 1,086,116	\$ 11,694,854

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Current liabilities			
Notes and accounts payable (Notes 9, 20 and 31)	¥ 149,128	¥ 192,880	\$ 1,585,625
Short-term loans (Notes 13, 20, 25 and 31)	192,821	208,312	2,050,197
Current portion of bonds (Notes 20 and 25)	—	20,060	—
Income taxes payable	14,563	18,367	154,843
Other (Notes 9 and 31)	90,743	80,433	964,837
Total current liabilities	447,255	520,052	4,755,502
Non-current liabilities			
Bonds (Notes 20 and 25)	50,000	30,010	531,632
Long-term loans (Notes 13, 20 and 25)	150,281	130,522	1,597,884
Lease obligations (Note 25)	9,984	8,564	106,156
Deferred tax liabilities (Note 24)	9,103	10,567	96,789
Retirement and severance benefits (Note 23)	8,913	12,021	94,769
Other (Note 27)	7,694	5,603	81,808
Total non-current liabilities	235,975	197,287	2,509,038
Total liabilities	683,230	717,339	7,264,540
Net assets			
Shareholders' equity			
Common stock	81,577	81,577	867,379
Authorized: 700,000,000 shares in 2013 and 2012			
Issued: 215,115,038 shares in 2013 and 2012			
Capital surplus	84,500	84,477	898,458
Retained earnings	199,779	183,728	2,124,179
Less: treasury stock, at cost: 3,206,607 shares in 2013 and 3,296,336 shares in 2012	(3,982)	(4,093)	(42,339)
	361,874	345,689	3,847,677
Accumulated other comprehensive income			
Net unrealized gains on securities (Note 21)	3,056	3,621	32,493
Deferred losses on hedges	(2,323)	(1,713)	(24,700)
Foreign currency translation adjustments	(1,444)	(25,027)	(15,353)
Total accumulated other comprehensive income	(711)	(23,119)	(7,560)
Subscription rights to shares	766	766	8,145
Minority interests	54,742	45,441	582,052
Total net assets	416,671	368,777	4,430,314
Total liabilities and net assets	¥ 1,099,901	¥ 1,086,116	\$ 11,694,854

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, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Net sales (Note 31)	¥ 772,355	¥ 817,143	\$ 8,212,174
Cost of sales (Note 14)	566,180	606,643	6,019,989
Gross profit	206,175	210,500	2,192,185
Selling, general and administrative expenses (Note 14)	154,679	155,663	1,644,646
Operating income	51,496	54,837	547,539
Other income (expenses)			
Interest and dividend income	3,497	3,882	37,182
Losses (gains) on equity in earnings of affiliated companies	(646)	526	(6,869)
Interest expenses	(11,672)	(11,587)	(124,104)
Foreign exchange losses (gains), net	(6,844)	917	(72,770)
Gains on change in equity	9,904	—	105,306
Gains on sales of investment securities, net	964	—	10,250
Insurance income	—	1,003	—
Subsidy income	1,135	1,256	12,068
Gains on sales of non-current assets	864	98	9,187
Business structure improvement expenses (Note 15)	(565)	(374)	(6,007)
Losses on valuation of investment securities	—	(363)	—
Impairment losses (Note 16)	(931)	—	(9,899)
Retirement benefit expenses	—	(219)	—
Amortization of goodwill	—	(1,629)	—
Other, net	(1,439)	1,782	(15,301)
	(5,733)	(4,708)	(60,957)
Income before income taxes and minority interests	45,763	50,129	486,582
Income taxes:			
Current	17,285	17,818	183,785
Deferred	(811)	1,749	(8,622)
Income before minority interests	29,289	30,562	311,419
Minority interests	5,825	7,526	61,935
Net income	23,464	23,036	249,484

Per share data (Note 32)	Yen		U.S. dollars (Note 3)
	2013	2012	2013
Net income	¥ 110.77	¥ 108.88	\$ 1.18
Diluted net income	110.75	108.86	1.18
Cash dividends (declared)	40.00	30.00	0.43

Weighted average number of shares (thousands) 2013 211,835 2012 211,577

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, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Income before minority interests	¥ 29,289	¥ 30,562	\$ 311,419
Other comprehensive income (Note 17)			
Net unrealized losses on securities	(570)	(163)	(6,061)
Deferred losses on hedges	(605)	(1,127)	(6,433)
Foreign currency translation adjustments	28,969	155	308,018
Share of other comprehensive income of companies accounted for by the equity method	861	(267)	9,155
Total other comprehensive income	28,655	(1,402)	304,679
Comprehensive income	57,944	29,160	616,098
Comprehensive income attributable to shareholders of the Company	45,872	21,307	487,741
Comprehensive income attributable to minority interests	12,072	7,853	128,357

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, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Shareholders' equity			
Common stock			
Balance at beginning of year	¥ 81,577	¥ 81,577	\$ 867,379
Changes during the period			
Total changes during the period	—	—	—
Balance at end of year	81,577	81,577	867,379
Capital surplus			
Balance at beginning of year	84,477	84,466	898,214
Changes during the period			
Disposal of treasury stock	23	11	244
Total changes during the period	23	11	244
Balance at end of year	84,500	84,477	898,458
Retained earnings			
Balance at beginning of year	183,728	165,980	1,953,514
Changes during the period			
Cash dividends	(7,414)	(5,287)	(78,819)
Net income	23,464	23,036	249,484
Total changes during the period	16,051	17,748	170,665
Balance at end of year	199,779	183,728	2,124,179
Treasury stock			
Balance at beginning of year	(4,093)	(4,526)	(43,519)
Changes during the period			
Purchase of treasury stock	(2)	(2)	(21)
Disposal of treasury stock	113	435	1,201
Total changes during the period	111	433	1,180
Balance at end of year	(3,982)	(4,093)	(42,339)
Total shareholders' equity			
Balance at beginning of year	345,689	327,496	3,675,587
Changes during the period			
Cash dividends	(7,414)	(5,287)	(78,819)
Net income	23,464	23,036	249,484
Purchase of treasury stock	(2)	(2)	(21)
Disposal of treasury stock	136	446	1,446
Total changes during the period	16,185	18,193	172,090
Balance at end of year	361,874	345,689	3,847,677
Accumulated other comprehensive income			
Net unrealized gains on securities			
Balance at beginning of year	3,621	3,772	38,501
Changes during the period			
Net changes in items other than those in shareholders' equity	(565)	(151)	(6,008)
Total changes during the period	(565)	(151)	(6,008)
Balance at end of year	3,056	3,621	32,493
Deferred losses on hedges			
Balance at beginning of year	(1,713)	(595)	(18,214)
Changes during the period			
Net changes in items other than those in shareholders' equity	(610)	(1,118)	(6,486)
Total changes during the period	(610)	(1,118)	(6,486)
Balance at end of year	(2,323)	(1,713)	(24,700)
Foreign currency translation adjustments			
Balance at beginning of year	(25,027)	(24,567)	(266,103)
Changes during the period			
Net changes in items other than those in shareholders' equity	23,583	(460)	250,750
Total changes during the period	23,583	(460)	250,750
Balance at end of year	(1,444)	(25,027)	(15,353)
Total accumulated other comprehensive income			
Balance at beginning of year	(23,119)	(21,390)	(245,816)
Changes during the period			
Net changes in items other than those in shareholders' equity	22,408	(1,729)	238,256
Total changes during the period	22,408	(1,729)	238,256
Balance at end of year	(711)	(23,119)	(7,560)
Subscription rights to shares			
Balance at beginning of year	766	766	8,145
Changes during the period			
Net changes in items other than those in shareholders' equity	—	—	—
Total changes during the period	—	—	—
Balance at end of year	766	766	8,145
Minority interests			
Balance at beginning of year	45,441	42,114	483,158
Changes during the period			
Net changes in items other than those in shareholders' equity	9,301	3,327	98,894
Total changes during the period	9,301	3,327	98,894
Balance at end of year	54,742	45,441	582,052
Total net assets			
Balance at beginning of year	368,777	348,986	3,921,074
Changes during the period			
Cash dividends	(7,414)	(5,287)	(78,819)
Net income	23,464	23,036	249,484
Purchase of treasury stock	(2)	(2)	(21)
Disposal of treasury stock	136	446	1,447
Net changes in items other than those in shareholders' equity	31,709	1,598	337,150
Total changes during the period	47,894	19,791	509,240
Balance at end of year	416,671	368,777	4,430,314

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, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 45,763	¥ 50,129	\$ 486,582
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	36,232	39,571	385,242
Change in allowance for doubtful accounts	1,462	(193)	15,545
Interest and dividend income	(3,273)	(3,526)	(34,801)
Interest expenses	11,672	11,587	124,104
Amortization of goodwill and negative goodwill	5,742	7,561	61,053
Losses (gains) on equity in earnings of affiliated companies	646	(526)	6,869
Change in notes and accounts receivable	38,989	(53,463)	414,556
Decrease in lease receivables and investment assets	29,497	12,826	313,631
Increase in inventories	(32,793)	(76,174)	(348,676)
Purchase of property held for lease	(13,305)	(14,476)	(141,467)
Sales of property held for lease	2,432	2,385	25,859
Change in notes and accounts payable	(38,644)	43,961	(410,888)
Gains on sales of property, plant and equipment	(1,348)	(1,031)	(14,333)
Other, net	22	9,485	233
Subtotal	83,094	28,116	883,509
Income taxes paid	(23,129)	(17,028)	(245,923)
Net cash provided by operating activities	59,965	11,088	637,586
Cash flows from investing activities			
Acquisitions of property, plant and equipment	(52,134)	(33,519)	(554,322)
Proceeds from sales of property, plant and equipment	1,692	348	17,990
Purchase of intangible assets	(2,599)	(6,318)	(27,634)
Purchase of investments in securities	(11,640)	(3,246)	(123,764)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	29,297	—	311,505
Proceeds from sales of investments in securities	2,263	80	24,062
Interest and dividends received	3,339	3,558	35,502
Dividends received from affiliated companies	39	58	415
Other, net	(7,337)	(5)	(78,012)
Net cash used in investing activities	(37,080)	(39,044)	(394,258)
Cash flows from financing activities			
Net decrease (increase) in short-term loans	(11,854)	38,978	(126,039)
Proceeds from long-term loans	62,439	52,325	663,892
Repayments of long-term loans	(67,010)	(32,643)	(712,493)
Repayments of lease obligation	(3,301)	(2,914)	(35,098)
Proceeds from issuance of bonds	19,906	—	211,653
Redemption of bonds	(20,070)	(210)	(213,397)
Interest paid	(11,780)	(11,647)	(125,253)
Dividends paid to shareholders	(7,405)	(5,287)	(78,735)
Dividends paid to minority shareholders by subsidiaries	(5,250)	(3,823)	(55,821)
Proceeds from stock issuance to minority shareholders	1,491	31	15,853
Proceeds from disposal of treasury stock	136	43	1,446
Purchase of treasury stock	(2)	(2)	(22)
Other, net	0	6	0
Net cash (used in) provided by financing activities	(42,700)	34,857	(454,014)
Effect of exchange rate changes on cash and cash equivalents	5,378	(552)	57,181
Net decrease (increase) in cash and cash equivalents	(14,437)	6,349	(153,503)
Cash and cash equivalents at beginning of year	81,059	74,710	861,871
Cash and cash equivalents at end of year (Note 18)	¥ 66,622	¥ 81,059	\$ 708,368

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.

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. Companies over which the Company exercises significant influence in terms of their operating and the financial policies have been accounted for by the equity method. 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.

As of March 31, 2013, the number of consolidated subsidiaries and affiliates accounted for by the equity method were 48 and 12 (61 and 13 in 2012), respectively. Effective April 1, 2012, the Company transferred its domestic sales and service of the construction machinery business to Hitachi Construction Machinery REC Co., Ltd. which changed its name to Hitachi Construction Machinery Japan Co., Ltd. In addition, Telco Construction Equipment Co., Ltd. changed its name to Tata Hitachi Construction Machinery Co., Ltd.

The number of consolidated subsidiaries decreased by 13 during the fiscal year ended March 31, 2013. Certain subsidiaries were excluded from the scope of consolidation after these subsidiaries were absorbed by the Company. Additionally, the Company sold all issued shares of its subsidiary TCM Corporation to UniCarriers Corporation, therefore TCM Corporation and all of its subsidiaries were excluded from the scope of consolidation.

Moreover, all affiliates of TCM Corporation were excluded from affiliates accounted for by the equity method due to the sale of all issued shares of TCM Corporation. On the other hand, UniCarriers Corporation and one other company were newly included in affiliates accounted for by the equity method.

The fiscal year-end of certain foreign consolidated subsidiaries is December. However, the consolidated financial statements incorporate the accounts of these subsidiaries based on a provisional settlement of accounts conducted as of March 31.

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 ¥94.05 = US\$1, the approximate exchange rate prevailing at the Tokyo Foreign Exchange Market as of March 29, 2013. 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, plant and equipment except for leased assets are principally depreciated by the straight-line method.

Intangible assets, except for leased assets

Software is amortized mainly by the straight-line method over 5 years, and other intangible assets are amortized mainly by 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 several 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 gains or losses charged 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 gains or losses 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

① Consumption tax

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

② Income taxes

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

③ Consolidated tax return

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 presentations.

7. Change in accounting policy which is difficult to distinguish from accounting estimate

The Company and its domestic consolidated subsidiaries adopted the declining-balance method to compute the depreciation of property, plant and equipment (except for the buildings (excluding accompanying facilities) acquired before April 1, 1998, which have been depreciated by the straight-line method). However, the Company and the subsidiaries changed the depreciation method for property, plant and equipment from declining-balance method to straight-line method as a general rule effective April 1, 2012.

Since investments in construction and the development of natural resources mainly in emerging countries have been showing steady growth in recent years, demands for the products of the Hitachi Construction Machinery Group, such as construction machinery and mining machinery have been increasing all over the world. In order to meet these increasing demands, the mid-term management plan was set in 2011 and the Hitachi Construction Machinery Group has made a large capital investment inside and outside Japan to enhance the production capacity.

As a result, from this fiscal year, the Company started to increase local production for the products which are difficult to be differentiated from competing products while promoting domestic production of key components and products which have competitive edge with high additional value. These changes of manufacturing deployment allow the Company to enjoy stable

9. Procedure of matured bill

Regarding the procedure of matured bills for the year ended March 31, 2013, 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
	2013	2012	2013
Notes receivable-trade	¥ 2,726	¥ 2,681	\$ 28,985
Notes payable-trade	197	747	2,095
Notes payable-facilities	113	23	1,201

10. Notes receivable discounted or endorsed

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Notes receivable discounted	¥ 279	¥ —	\$ 2,967
Notes receivable endorsed	45	26	478

11. Securitized receivables

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Notes receivable and accounts receivable	¥ 24,482	¥ 25,988	\$ 260,308

12. Commitments and contingencies

At March 31, 2013 and 2012, the Company was contingently liable for guarantees given in respect of bank loans of affiliated companies and other entities amounting to ¥23,096 million (US\$245,572 thousand) and ¥20,913 million, respectively.

13. Assets pledged as collateral

Assets pledged as collateral at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Accounts receivable	¥ 4,783	¥ 4,376	\$ 50,856
Inventory	7,467	9,783	79,394
Property held for lease	20,866	20,606	221,861
Buildings and structures	3,123	1,805	33,206
Machinery	8,488	6,464	90,250
Land	335	59	3,561
Total	45,062	43,093	479,128

Related debts secured with the above assets at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Short-term loans	¥ 8,976	¥ 15,903	\$ 95,439
Long-term loans	27,819	20,366	295,789
Total	36,795	36,269	391,228

manufacturing volume, not affected by fluctuations of particular market. Therefore, the Company decided to adopt the straight-line method for the depreciation of property, plant and equipment in order to reflect the actual status of operation.

Consequently, compared with the conventional method, the depreciation cost decreased by ¥3,662 million (US\$38,937 thousand) and operating income and income before income taxes and minority interests increased ¥2,995 million (US\$31,845 thousand), respectively.

8. Standards issued but not yet applied

"Accounting Standard for Retirement benefits" (ASBJ Statement No. 26) and "Guidance on Accounting Standard for Retirement Benefits" are issued by the Accounting Standards Board of Japan, the ASBJ, on May 17, 2012.

(1) Overview

Under the revised accounting standards, actuarial gains and losses and prior service costs shall be recognized within net assets in the consolidated balance sheets, after adjusting tax effects, and the funding deficit or surplus shall be recognized as a liability or asset. Also, the new accounting standard allows a choice for the method of attributing expected benefits to periods of either the straight-line basis or plan's benefit formula basis. In addition, the determination method of the discount rate was also amended.

(2) Expected application date

The Company and certain subsidiaries expect to apply the revised accounting standards from the beginning of the fiscal year ending March 31, 2014.

(3) Effect of applying the accounting standard

It is estimated that total accumulated other comprehensive income in net assets will decrease ¥11,466 million (US\$121,914 thousand) due to the change in recognition. In addition, retained earnings in net assets is estimated to decrease ¥985 million (US\$10,473 thousand) due to the change in calculation method of projected benefit obligation. The application of the new accounting standards will not have a material effect on the consolidated result of operations for the year ending March 31, 2014.

14. 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, 2013 and 2012 were ¥18,109 million (US\$192,547 thousand) and ¥16,938 million, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Transfer costs for reorganization of domestic offices	¥ —	¥ 374	\$ —
Additional retirement benefits	565	—	6,007
Total	565	374	6,007

16. Impairment losses on non-current assets

Impairment losses on non-current assets for the year ended March 31, 2013 are as follows:

1. Asset groups for which the Hitachi Construction Machinery Group recognized impairment

Location	Usage	Type of assets	Impairment losses
Minamisoma City, Fukushima Prefecture	Idle assets	Land	¥ 931 million (US\$9,899 thousand)

2. Background of impairment losses

The Hitachi Construction Machinery Group recognized impairment losses on its land to be sold because the recoverable amount was lower than the carrying amount.

3. Method of grouping assets

Idle assets are grouped individually.

4. Calculation method of recoverable amount

The recoverable amount of this asset group is measured by estimated net selling price considering appraisal value provided by the real estate appraiser.

17. 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, 2013 and 2012:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net unrealized gains and losses on securities			
Amount arising during the year	¥ (111)	¥ (897)	\$ (1,180)
Reclassification adjustments for gains and losses realized in net income	(771)	220	(8,198)
The amount of net unrealized gains and losses on securities before tax effect	(882)	(677)	(9,378)
Tax effect	312	514	3,317
Net unrealized gains and losses on securities	(570)	(163)	(6,061)
Deferred losses on hedges			
Amount arising during the year	¥ (4,785)	¥ 110	\$ (50,877)
Reclassification adjustments for gains and losses realized in net income	3,847	(1,775)	40,904
The amount of net unrealized losses from hedging instruments before tax effect	(938)	(1,665)	(9,973)
Tax effect	332	538	3,530
Deferred losses on hedges	(605)	(1,127)	(6,433)
Foreign currency translation adjustment			
Amount arising during the year	¥ 28,969	¥ 155	\$ 308,018
Reclassification adjustments for gains and losses realized in net income	—	—	—
Foreign currency translation adjustment	28,969	155	308,018
Share of other comprehensive income of affiliates accounted for by the equity method			
Amount arising during the year	¥ 866	¥ (345)	\$ 9,208
Reclassification adjustments for gains and losses realized in net income	(5)	78	(53)
Share of other comprehensive income of affiliates accounted for by the equity method	861	(267)	9,155
Total other comprehensive income	28,655	(1,402)	304,679

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash and bank deposits	¥ 62,640	¥ 72,803	\$ 666,029
Deposit to parent company	5,412	8,391	57,544
Less: time deposits with the maturity longer than three months	(1,430)	(135)	(15,205)
Total	66,622	81,059	708,368

TCM Corporation was deconsolidated as the Company sold all issued shares of TCM Corporation (refer to Note 26 for more details). The following table presents assets and liabilities at the date of sales, selling price and the sales proceeds.

	Millions of yen		Thousands of U.S. dollars
	2013	2013	2013
Current assets	¥ 31,235	\$ 332,111	
Non-current assets	25,426	270,346	
Current liabilities	(23,602)	(250,952)	
Non-current liabilities	(8,715)	(92,663)	
Investment account after sales of shares and others	(3,293)	(35,012)	
Gains on change in equity	9,904	105,306	
Selling price of TCM shares	30,955	329,134	
Cash and cash equivalents of TCM Corporation	(1,658)	(17,629)	
Net proceeds from sales of shares	29,297	311,505	

19. 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		
	2013			2013		
	Machinery, equipment and vehicles	Other	Total	Machinery, equipment and vehicles	Other	Total
Acquisition cost	¥ 241	¥ 2,736	¥ 2,977	\$ 2,563	\$ 29,091	\$ 31,654
Accumulated depreciation	(224)	(1,258)	(1,481)	(2,382)	(13,376)	(15,758)
Net leased property	17	1,478	1,495	181	15,715	15,896

	Millions of yen		
	2012		
	Machinery, equipment and vehicles	Other	Total
Acquisition cost	¥ 862	¥ 3,493	¥ 4,355
Accumulated depreciation	(573)	(1,686)	(2,259)
Net leased property	289	1,807	2,096

2. Lease obligation under finance leases inclusive of interest portion

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥ 178	¥ 542	\$ 1,893
Due over one year	1,581	2,238	16,810
Total	1,759	2,780	18,703

3. Lease payments, depreciation expense and interest portion

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Lease payments	¥ 563	¥ 1,087	\$ 5,986
Depreciation expense	207	618	2,201
Interest portion	85	139	904

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	
	2013		2013	
	Property held for lease	Total	Property held for lease	Total
Acquisition cost	¥ —	¥ —	\$ —	\$ —
Accumulated depreciation	—	—	—	—
Net leased property	—	—	—	—

	Millions of yen	
	2012	
	Property held for lease	Total
Acquisition cost	¥ 3,912	¥ 3,912
Accumulated depreciation	(3,814)	(3,814)
Net leased property	98	98

2. Future lease income inclusive of interest portion

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥ —	¥ 336	\$ —
Due over one year	—	151	—
Total	—	487	—

3. Lease income, depreciation expense and interest portion

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Lease income	¥ —	¥ 555	\$ —
Depreciation expense	—	476	—
Interest portion	—	27	—

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:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
(Lessee)			
Due within one year	¥ 140	¥ 179	\$ 1,489
Due over one year	264	192	2,807
Total	404	371	4,296
(Lessor)			
			Thousands of U.S. dollars
			2013
Due within one year	¥ 2,723	¥ 2,339	\$ 28,953
Due over one year	5,668	4,072	60,266
Total	8,391	6,411	89,219

20. Financial instruments

1. Description of financial instruments

(1) Policy for financial instruments

The Hitachi Construction Machinery Group raises necessary funds for capital expenditures, working capital and investments and financing by borrowings from banks, bonds and borrowings from cash pooling system of the Hitachi Group mainly for manufacturing and sales of construction machinery and industrial vehicle.

The Hitachi Construction Machinery Group has a policy to invest the surplus fund to safety financial assets. Accordingly, the Hitachi Construction Machinery Group has deposits to cash pooling system of the Hitachi Group.

(2) Types of risks associated with financial instruments

The Hitachi Construction Machinery 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. The Hitachi Construction Machinery 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 12 years after March 31, 2013.

With respect to variable interest rates, of certain loans, the Hitachi Construction Machinery Group has derivative instruments such as interest rate swap to hedge the interest rate fluctuation risks.

With respect to derivative instruments, the Hitachi Construction Machinery 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

The Hitachi Construction Machinery 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, the Hitachi Construction Machinery Group finds no credit risks. Since the counter parties are only high rated financial institution the Hitachi Construction Machinery Group find no counter party risk.

The carrying amount in the consolidated financial statement reflects the maximum 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 Department and reconciled with financial institutions and recorded by Accounting Department.

The results and forecasts of transactions are monthly reported to the officer in charge of Treasury Department 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, 2013.

2. Fair value and other information related to financial instruments

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2013 and 2012 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).

	(Millions of yen)		
As of March 31, 2013	Carrying amount	Fair value	Difference
(1) Cash and bank deposits	¥ 62,640	¥ 62,640	¥ --
(2) Notes and accounts receivable	204,918	--	--
Less: allowance for doubtful accounts	(4,257)	--	--
Notes and accounts receivable, net	200,661	196,845	(3,816)
(3) Lease receivables and investment assets	103,288	--	--
Less: allowance for doubtful accounts	(3,576)	--	--
Lease receivables and investment assets, net	99,712	94,108	(5,604)
(4) Investments in securities			
Other securities	8,122	8,122	--
Investments in affiliate	216	1,058	842
Total assets	371,351	362,773	(8,578)
(5) Notes and accounts payable	(149,128)	(149,128)	--
(6) Short-term loans	(192,821)	(192,821)	--
(7) Current portion of bonds	--	--	--
(8) Long-term loans	(150,281)	(150,248)	33
(9) Bonds	(50,000)	(50,453)	(453)
Total liabilities	(542,230)	(542,650)	(420)
(10) Derivative financial instruments			
For which hedge accounting is not applied	(6,342)	(6,342)	--
For which hedge accounting is applied	(3,400)	(3,400)	--
Total derivatives	(9,742)	(9,742)	--

As of March 31, 2013

(Thousands of U.S. dollars)

	Carrying amount	Fair value	Difference
(1) Cash and bank deposits	\$ 666,029	\$ 666,029	\$ --
(2) Notes and accounts receivable	2,178,820	--	--
Less: allowance for doubtful accounts	(45,263)	--	--
Notes and accounts receivable, net	2,133,557	2,092,982	(40,574)
(3) Lease receivables and investment assets	1,098,224	--	--
Less: allowance for doubtful accounts	(38,022)	--	--
Lease receivables and investment assets, net	1,060,202	1,000,617	(59,585)
(4) Investments in securities			
Other securities	86,358	86,358	--
Investments in affiliate	2,296	11,250	8,952
Total assets	3,948,442	3,857,236	(91,207)
(5) Notes and accounts payable	(1,585,625)	(1,585,625)	--
(6) Short-term loans	(2,050,197)	(2,050,197)	--
(7) Current portion of bonds	--	--	--
(8) Long-term loans	(1,597,884)	(1,597,533)	351
(9) Bonds	(531,632)	(536,448)	(4,817)
Total liabilities	(5,765,338)	(5,769,803)	(4,466)
(10) Derivative financial instruments			
For which hedge accounting is not applied	(67,432)	(67,432)	--
For which hedge accounting is applied	(36,151)	(36,151)	--
Total derivatives	(103,583)	(103,583)	--

As of March 31, 2012

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and bank deposits	¥ 72,803	¥ 72,803	¥ --
(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	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)	--

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 of March 31, 2013. 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) Investments 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 bonds

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, 2013.

(9) 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, 2013.

(10) Derivative financial instruments

Please see Note 22. 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 (¥18,748 million (US\$199,342 thousand) and ¥12,095 million on the consolidated balance sheet as of March 31, 2013 and 2012, 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, 2013 and 2012 are as follows:

As of March 31, 2013	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years
Cash and bank deposits	¥ 57,673	¥ —	¥ —
Notes and accounts receivable	186,703	13,904	54
Lease receivables and investment assets	63,773	34,918	1,021
Total	308,149	48,822	1,075

As of March 31, 2013	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years
Cash and bank deposits	\$ 613,216	\$ —	\$ —
Notes and accounts receivable	1,985,146	147,836	574
Lease receivables and investment assets	678,076	371,271	10,856
Total	3,276,438	519,107	11,430

As of March 31, 2012	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years
Cash and bank deposits	¥ 70,066	¥ —	¥ —
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

(Note 4) Repayment schedule for bonds, long-term loans, lease obligations and other interest-bearing debt as of March 31, 2013 and 2012 are as follows:

As of March 31, 2013	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans	¥ 160,871	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	—	30,000	—	—	20,000	—
Long-term loans	31,950	50,077	50,221	43,094	6,325	564
Lease obligations	3,191	2,537	2,310	1,805	1,476	1,856
Total	196,012	82,614	52,531	44,899	27,801	2,420

As of March 31, 2013	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans	\$ 1,710,484	\$ —	\$ —	\$ —	\$ —	\$ —
Bonds	—	318,979	—	—	212,653	—
Long-term loans	339,713	532,451	533,982	458,203	67,251	5,997
Lease obligations	33,928	26,975	24,561	19,192	15,694	19,734
Total	2,084,125	878,405	558,543	477,395	295,598	25,731

As of March 31, 2012	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans	¥ 157,126	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	20,060	10	30,000	—	—	—
Long-term loans	51,186	41,420	44,465	16,705	27,708	224
Lease obligations	4,034	2,583	2,322	1,531	1,188	940
Total	232,406	44,013	76,787	18,236	28,896	1,164

21. Investments in securities

Marketable Securities

	Millions of yen			Thousands of U.S. dollars		
	2013	2013	2013	2013	2013	2013
Securities with gross unrealized holding gains						
Stocks	¥ 8,122	¥ 3,639	¥ 4,483	\$ 86,358	\$ 38,692	\$ 47,666
Debt securities	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total	8,122	3,639	4,483	86,358	38,692	47,666
Securities with gross unrealized holding losses						
Stocks	—	—	—	—	—	—
Debt securities	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total	—	—	—	—	—	—
Grand Total	8,122	3,639	4,483	86,358	38,692	47,666
	Millions of yen			Thousands of U.S. dollars		
	2012	2012	2012	2012	2012	2012
Securities with gross unrealized holding gains						
Stocks	¥ 8,294	¥ 3,554	¥ 4,740	\$ 84,422	\$ 36,999	\$ 47,233
Debt securities	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total	8,294	3,554	4,740	84,422	36,999	47,233
Securities with gross unrealized holding losses						
Stocks	129	145	(17)	1,290	1,450	(170)
Debt securities	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total	129	145	(17)	1,290	1,450	(170)
Grand Total	8,423	3,699	4,723	85,712	38,449	47,063

Note: Unlisted equity securities (balance sheet carrying amount ¥1,440 million (US\$15,311 thousand) and ¥1,995 million as of March 31, 2013 and 2012, respectively) have no market quoted prices and, as it is considered difficult to identify their fair values, they are excluded from "investments in securities" above.

The proceeds from sales of marketable securities amounted to ¥2,255 million (US\$23,977 thousand) with an aggregate gain of ¥972 million (US\$10,335 thousand) and loss of ¥8 million (US\$85 thousand) for the year ended March 31, 2013 and ¥80 million with an aggregate gain of ¥10 million and loss of ¥1 million for the year ended March 31, 2012, respectively.

Impaired other securities

The amount of ¥363 million 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.

22. Derivative financial instruments

Summarized below are the notional amounts and the estimated fair values of the derivative financial instruments outstanding as of March 31, 2013 and 2012, for which hedged accounting has not been applied.

Forward exchange contracts

	Millions of yen			Thousands of U.S. dollars		
	2013	2013	2013	2013	2013	2013
To sell foreign currencies	¥ 64,114	¥ (5,459)	¥ (5,459)	\$ 681,701	\$ (58,044)	\$ (58,044)
To buy foreign currencies	12,157	(774)	(774)	129,261	(8,229)	(8,229)
Total	—	(6,233)	(6,233)	—	(66,273)	(66,273)
	Millions of yen			Thousands of U.S. dollars		
	2012	2012	2012	2012	2012	2012
To sell foreign currencies	¥ 81,452	¥ (3,609)	¥ (3,609)	\$ 848,114	\$ (37,114)	\$ (37,114)
To buy foreign currencies	40,514	(1,854)	(1,854)	424,814	(19,114)	(19,114)
Total	—	(5,463)	(5,463)	—	(56,228)	(56,228)

Interest rate swaps

	Millions of yen				Thousands of U.S. dollars			
	2013	2013	2013	2013	2013	2013	2013	2013
Receive/floating and pay/fixed	¥ 9,772	¥ 6,772	¥ (110)	¥ (110)	\$ 103,902	\$ 72,004	\$ (1,170)	\$ (1,170)
	Millions of yen				Thousands of U.S. dollars			
	2012	2012	2012	2012	2012	2012	2012	2012
Receive/floating and pay/fixed	¥ 8,378	¥ 986	¥ (113)	¥ (113)	\$ 87,114	\$ 10,314	\$ (1,170)	\$ (1,170)

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, 2013 and 2012, for which hedged accounting has been applied.

Forward exchange contracts

	Millions of yen		Thousands of U.S. dollars	
	2013	2013	2013	2013
To sell foreign currencies	¥ 50,621	¥ (2,734)	\$ 538,235	\$ (29,070)
To buy foreign currencies	10,895	70	115,843	745
Total	—	(2,664)	—	(28,325)
	Millions of yen		Thousands of U.S. dollars	
	2012	2012	2012	2012
To sell foreign currencies	¥ 68,098	¥ (1,869)	\$ 712,114	\$ (20,014)
To buy foreign currencies	15,626	108	164,814	1,080
Total	—	(1,761)	—	(19,934)

Interest rate swaps

	Millions of yen			Thousands of U.S. dollars		
	2013	2013	2013	2013	2013	2013
Receive/floating and pay/fixed	¥ 64,997	¥ 59,997	¥ (735)	\$ 691,090	\$ 637,927	\$ (7,815)
	Millions of yen			Thousands of U.S. dollars		
	2012	2012	2012	2012	2012	2012
Receive/floating and pay/fixed	¥ 72,038	¥ 72,038	¥ (811)	\$ 752,114	\$ 752,114	\$ (811)

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

23. Retirement and severance benefits

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

The funded status of the Company's pension plans as of March 31, 2013 and 2012 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Projected benefit obligation	¥ (70,328)	¥ (69,264)	\$ (747,772)
Plan assets at fair value	54,832	51,118	583,009
Funded status	(15,496)	(18,146)	(164,763)
Unrecognized actuarial losses	23,550	23,034	250,399
Unrecognized prior service cost	(2,987)	(2,956)	(31,760)
Total	5,067	1,932	53,876
Prepaid pension cost	13,980	13,953	148,644
Retirement and severance benefits	(8,913)	(12,021)	(94,769)

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, 2013 and 2012 consist of the following components:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service cost	¥ 3,053	¥ 3,020	\$ 32,461
Interest cost	1,757	1,790	18,682
Expected return on plan assets	(1,451)	(1,521)	(15,428)
Amortization of unrecognized actuarial losses	2,502	2,206	26,603
Amortization of unrecognized prior service cost	(510)	(220)	(5,423)
Cost for defined contribution plan	1,626	1,554	17,289
Net periodic benefit cost	6,977	6,829	74,184

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

	2013	2012
Discount rate (weighted average):	1.86%	2.30%
Expected rate of return on plan assets:	1.5%-6.0%	1.6%-6.0%

Unrecognized prior service cost is amortized using the straight-line method over 10 to 22 years.
Unrecognized actuarial gains and losses are amortized using the straight-line method over 9 to 24 years.

24. Income taxes

The tax effects of the temporary difference that give rise to significant position of tax assets and liabilities as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets			
Allowance for doubtful accounts	¥ 582	¥ 846	\$ 6,188
Accrued employees bonuses	2,784	3,123	29,601
Net operating losses carryforward	5,868	9,557	62,392
Unrealized gains on inventories	1,043	1,004	11,090
Retirement and severance benefits	3,486	4,475	37,065
Unrealized gains on fixed assets	110	404	1,170
Other	24,184	15,945	257,140
Subtotal	38,057	35,354	404,646
Less: Valuation allowance	(13,601)	(11,462)	(144,614)
Total	24,456	23,892	260,032
Less: Deferred tax liabilities	(5,290)	(4,307)	(56,246)
Net deferred tax assets	19,166	19,585	203,786
Deferred tax liabilities			
Undistributed earnings generated in consolidated subsidiaries and affiliated companies after initial consolidation	7,015	5,994	74,588
Net unrealized holding gains on investment in securities	1,588	3,626	16,885
Prepaid pension cost	4,274	4,236	45,444
Other	1,519	1,280	16,151
Total	14,396	15,136	153,068
Less: Deferred tax assets	(5,290)	(4,307)	(56,247)
Net deferred tax liabilities	9,106	10,829	96,821

The aggregate statutory tax rate for the Company at March 31, 2013 and 2012 were approximately 37.8% and 40.5%, respectively.
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, 2013 and 2012 are as follows:

	Percentage	
	2013	2012
Statutory tax rate applicable to the Company	37.8 %	40.5 %
(Reconciliations)		
Expenses not deductible for tax purposes	0.7	0.7
Inhabitant tax on per capita basis	0.4	0.3
Difference in statutory tax rates of foreign subsidiaries	(7.9)	(12.8)
Permanently non-taxable income	(12.1)	(8.1)
Elimination of dividends from subsidiaries	16.9	11.3
Amortization of goodwill	4.9	5.7
Losses (gains) on equity in earnings of affiliated companies	0.4	(0.4)
Income tax effect on undistributed earnings of subsidiaries and affiliated companies	2.2	(2.5)
Tax credit for R&D expenses	(2.5)	—
Effect of foreign tax credit	(3.2)	—
Change in valuation allowance	(4.0)	1.0
Other	2.4	3.3
Effective income tax rate	36.0	39.0

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

1. 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, 2013 and 2012 were 2.80% and 4.02%, respectively.

2. Current portion of bonds at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unsecured bonds, interest 0.65%, due 2012	¥ —	¥ 20,000	\$ —
Unsecured bonds, interest range between 0.98% to 1.49%, due 2013 to 2014	—	60	—
Total	—	20,060	—

3. Bonds other than current portion at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unsecured bonds, interest range between 0.98% to 1.49%, due 2013 to 2014	—	10	—
Unsecured bonds, interest 1.38%, due 2014	30,000	30,000	318,979
Unsecured bonds, interest 0.46%, due 2017	20,000	—	212,653
Total	50,000	30,010	531,632

4. Loans from banks and other financial institutions

Loans from banks and other financial institutions:

	2013	2012	2013
Short-term loans	160,871	157,126	1,710,484
Current portion of long-term loans included in current liabilities	31,950	51,186	339,713
Short-term lease obligation	3,191	4,034	33,929
Long-term loans	150,281	130,522	1,597,884
Long-term lease obligation	9,984	8,564	106,156
Total loans	356,277	351,432	3,788,166

26. Business combinations

Business divestiture due to the integration of the industrial vehicle business

1. Summary of the business divestiture

- Name of the transferee
UniCarriers Corporation
(Shareholders and ownership ratio of voting shares: Innovation Network Corporation of Japan (INCJ) 53.3%, the Company: 26.7%, Nissan Motor Co., Ltd.: 20.0%)
- Business description of the separated business
Development, design, production and sales of industrial vehicles such as fork lifts, construction vehicles, special vehicles and others.
- Principal reasons for carrying out the business divestiture
This divestiture is to enhance the competing strength by integration of the fork lift business of subsidiaries of the Company and Nissan Motor Co., Ltd. under new company which has been established and operated mainly by INCJ, which enables new company to embark on more competitive growth strategy that each of these companies could not have achieved.

Accordingly, the Company sold all issued shares of TCM Corporation to UniCarriers Corporation on August 1, 2012, and the Company invested additionally in UniCarriers Corporation through allocation of new shares to the third-party and hold 26.7% voting right. Since the materiality increased, UniCarriers Corporation was newly included in affiliates accounted for by the equity method.

(4) Date of the business divestiture

August 1, 2012

(5) Overview of the business divestiture including its legal form

Business transfer for which the consideration received consisted of assets including cash and the shares of the transferee.

2. Summary of the accounting procedure applied

- Amount of gains on change in equity
¥9,904 million (US\$105,306 thousand)
- Appropriate book value of assets and liabilities relating to the transferred business.

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 31,235	\$ 332,111
Non-current assets	25,426	270,346
Total assets	56,661	602,456
Current liabilities	23,602	250,952
Non-current liabilities	8,715	92,663
Total liabilities	32,317	343,615

(3) The transferred business was included in the industrial vehicle business segment.

(4) Approximate amount of income pertaining to the divested business recorded in the consolidated statements of income for the fiscal year ended March 31, 2013.

	Millions of yen	Thousands of U.S. dollars
Net sales	¥ 14,830	\$ 157,682
Operating income	74	787

27. Asset retirement obligations

Asset retirement obligations for the years ended March 31, 2013 and 2012 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 1.01% to 2.33% 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, 2013 and 2012.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Balance at beginning of year	¥ 557	¥ 548	\$ 5,922
Liabilities incurred due to the acquisition of property, plant and equipment	—	17	—
Adjustment due to passage of time	33	17	351
Liabilities settled	(20)	(11)	(213)
Others	(36)	(14)	(382)
Balance at end of year	534	557	5,678

28. Segment information

For the years ended March 31, 2013 and 2012:

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.

In the second quarter of the fiscal year ended March 31, 2013, the Company sold all issued shares of TCM Corporation, which has constituted all of the industrial vehicle business. Therefore, the segment performance of the industrial vehicle business only in the first quarter is included in the cumulative financial results of the fiscal year ended March 31, 2013.

Change in depreciation method of property, plant and equipment

As described in Note 7. Change in accounting policy which is difficult to distinguish from accounting estimate, from the fiscal year beginning April 1, 2012, the Company and its domestic subsidiaries have changed the depreciation method of property, plant and equipment. As a result, the segment income of the construction machinery business increased by ¥2,995 million (US\$31,845 thousand) for the fiscal year ended March 31, 2013.

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

	Millions of yen			
	2013			Amount recorded in the Consolidated
Net Sales:	Reportable segments			Total
	Construction Machinery	Industrial Vehicle	Total	
External Customers	¥ 757,525	¥ 14,830	¥ 772,355	¥ 772,355
Inter-Segment	—	—	—	—
Total	757,525	14,830	772,355	772,355
Segment income	51,422	74	51,496	51,496
Segment assets	1,099,901	—	1,099,901	1,099,901
Depreciation	35,563	669	36,232	36,232
Amortization of goodwill	5,642	177	5,819	5,819
Investments in affiliates	18,031	—	18,031	18,031
Increase in tangible fixed assets and intangible fixed assets	78,236	—	78,236	78,236

	Thousands of U.S. dollars			
	2013			Amount recorded in the Consolidated
Net Sales:	Reportable segments			Total
	Construction Machinery	Industrial Vehicle	Total	
External Customers	\$ 8,054,492	\$ 157,682	\$ 8,212,174	\$ 8,212,174
Inter-Segment	—	—	—	—
Total	8,054,492	157,682	8,212,174	8,212,174
Segment income	546,752	787	547,539	547,539
Segment assets	11,694,854	—	11,694,854	11,694,854
Depreciation	378,129	7,113	385,242	385,242
Amortization of goodwill	59,989	1,882	61,871	61,871
Investments in affiliates	191,717	—	191,717	191,717
Increase in tangible fixed assets and intangible fixed assets	831,855	—	831,855	831,855

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

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 year ended March 31, 2013 and 2012 are as follows:

(1) Sales

Millions of yen					
2013					
Japan	Asia & Oceania	Europe, Africa, & the Middle East	The Americas	China	Total
¥ 191,915	¥ 237,487	¥ 138,257	¥ 113,923	¥ 90,773	¥ 772,355

Thousands of U.S. dollars					
2013					
Japan	Asia & Oceania	Europe, Africa, & the Middle East	The Americas	China	Total
\$ 2,040,564	\$ 2,525,114	\$ 1,470,037	\$ 1,211,302	\$ 965,157	\$ 8,212,174

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

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, Russia, 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					
2013					
Japan	Asia	Europe	The Americas	Others	Total
¥ 184,619	¥ 55,622	¥ 13,783	¥ 3,111	¥ 14,060	¥ 271,195

Thousands of U.S. dollars					
2013					
Japan	Asia	Europe	The Americas	Others	Total
\$ 1,962,988	\$ 591,409	\$ 146,550	\$ 33,078	\$ 149,495	\$ 2,883,519

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

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, the United Kingdom, and Russia
 - 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 on the impairment losses of non-current assets

For the fiscal year ended in March 31, 2013, the impairment losses on land amounting to ¥931 million (US\$9,899 thousand) were recorded in the construction machinery business.

For the fiscal year ended in March 31, 2012, no impairment loss was recorded.

Information on 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, 2013 and 2012 by reportable segments are as follows:

(a) The balance of goodwill

	Millions of yen		
	2013		
	Construction Machinery	Industrial Vehicle	Consolidated
Balance as of March 31, 2013	¥ 10,457	¥ —	¥ 10,457

Thousands of U.S. dollars

	2013		
	Construction Machinery	Industrial Vehicle	Consolidated
Balance as of March 31, 2013	\$ 111,186	\$ -	\$ 111,186
	Millions of yen		
	2012		
	Construction Machinery	Industrial Vehicle	Consolidated
Balance as of March 31, 2012	¥ 15,999	¥ 2,145	¥ 18,144

Note: The amortization of goodwill for the years ended March 31, 2013 and 2012 are disclosed in the section of "Reportable segment information".

(b) The amortization and balance of negative goodwill

	2013		
	Construction Machinery	Industrial Vehicle	Consolidated
Amortization of negative goodwill	¥ 17	¥ 60	¥ 77
Balance as of March 31, 2013	11	-	11
	Thousands of U.S. dollars		
	2013		
	Construction Machinery	Industrial Vehicle	Consolidated
Amortization of negative goodwill	\$ 181	\$ 638	\$ 819
Balance as of March 31, 2013	117	-	117
	Millions of yen		
	2012		
	Construction Machinery	Industrial Vehicle	Consolidated
Amortization of negative goodwill	¥ 10	¥ 227	¥ 237
Balance as of March 31, 2012	28	563	591

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

29. 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, 2013 and 2012 represent dividends resolved during those years. The accompanying consolidated financial statements do not include any provision for the semiannual dividend of ¥20.00 (US\$0.21) per share totaling ¥4,238 million (US\$45,061 thousand) for the second half of the year, subsequently proposed by the Board of Directors in respect of the year ended March 31, 2013.

30. Stock option

The details for stock option

1. Stock option information

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

2. Changes in stock option during fiscal year

① Numbers of stock option

Company name	Hitachi Construction Machinery Co., Ltd.				
	June 26, 2003	June 29, 2004	June 28, 2005	June 26, 2006	June 25, 2007
Before vested					
Beginning of the fiscal year	-	-	-	-	-
Granted	-	-	-	-	-
Expired	-	-	-	-	-
Vested	-	-	-	-	-
Outstanding	-	-	-	-	-
After vested					
Beginning of the fiscal year	21,000	94,000	283,100	305,000	332,000
Vested	-	-	-	-	-
Exercised	5,000	17,000	68,800	-	-
Expired	-	-	-	-	-
Ending of the fiscal year	16,000	77,000	214,300	305,000	332,000

② Price information

Company name	Hitachi Construction Machinery Co., Ltd.				
	June 26, 2003	June 29, 2004	June 28, 2005	June 26, 2006	June 25, 2007
Resolution date	June 26, 2003	June 29, 2004	June 28, 2005	June 26, 2006	June 25, 2007
Exercise price	¥1,211	¥1,325	¥1,557	¥2,728	¥4,930
Average stock prices when exercised	¥1,909	¥1,998	¥2,063	-	-
Fair value at the grant date	-	-	-	-	-
Exercise price	US\$12.88	US\$14.09	US\$16.56	US\$29.01	US\$52.42
Average stock prices when exercised	US\$20.30	US\$21.24	US\$21.94	-	-
Fair value at the grant date	-	-	-	-	-

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.

31. Related party transactions

As of March 31, 2013, 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 the Hitachi Group companies.

The transactions and balances with Hitachi, Ltd. and the Hitachi Group companies for and as of the year ended March 31, 2013 and 2012 are summarized as follows:

Transactions between the Company and related party

Transactions with Hitachi, Ltd.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Withdrawals from the Hitachi Group's cash pooling system	¥ 3,000	¥ -	\$ 31,898
Deposits to the Hitachi Group's cash pooling system	-	1,000	-
Interest on deposits	6	10	64
Interest on loans	12	7	128
Borrowings from the Hitachi Group's cash pooling system	20,000	-	212,653

Balances with Hitachi, Ltd.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deposits paid as of March 31	¥ 5,056	¥ 8,062	\$ 53,759
Long-term loans as of March 31	20,000	-	212,653

Transactions with Hitachi Capital Corporation (subsidiary of the parent company)

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Commission of payment transaction	¥ 81,048	¥ 85,791	\$ 861,754

Balances with Hitachi Capital Corporation (subsidiary of the parent company)

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Accounts payable as of March 31	¥ 27,491	¥ 36,684	\$ 292,302
Other payable as of March 31	1,706	2,853	18,139

Transactions between subsidiary of the Company and related party

Transactions with Hitachi Capital Corporation (subsidiary of the parent company)

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Commission of payment transaction	¥ 59,765	¥ 74,745	\$ 635,460
Pledge of purchase of property held for lease	8,178	8,801	86,954

Balances with Hitachi Capital Corporation (subsidiary of the parent company)

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Accounts payable as of March 31	¥ 22,909	¥ 30,797	\$ 243,583

Transactions with Hitachi Europe Ltd. (subsidiary of the parent company)

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Withdrawals from the Hitachi Group's cash pooling system	¥ 5,156	¥ -	\$ 54,822

Balances with Hitachi Europe Ltd. (subsidiary of the parent company)

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Short-term Loans as of March 31	¥ 12,073	¥ -	\$ 128,368

32. Per share data

Per share data:	Yen		U.S. dollars
	2013	2012	2013
Net assets	¥ 1,704.34	¥ 1,522.86	\$ 18.12
Net income	110.77	108.88	1.18
Diluted net income	110.75	108.86	1.18

Basis in calculation	Millions of yen or number of shares		Thousands of U.S. dollars
	2013	2012	2013
1) Net assets			
Total net assets on consolidated balance sheets	¥ 416,671	¥ 368,777	\$ 4,430,314
Total net assets for common stock	361,163	322,570	3,840,117
Major items for above discrepancies			
Subscription rights to shares	766	766	8,145
Minority interests	54,742	45,441	582,052
Number of common stock issued	215,115,038	215,115,038	—
Number of treasury stock	3,206,607	3,296,336	—
Number of common stock for net assets per share	211,908,431	211,818,702	—
2) Net income			
Net income	¥ 23,464	¥ 23,036	\$ 249,484
Net income not belonging to common shareholders	—	—	—
Net income for common shareholders	23,464	23,036	249,484
Weighted average common shares outstanding, less treasury stock	211,835,384	211,576,798	—
Dilutive effect: Number of subscription rights to shares	25,403	34,076	—

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, 2013, 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 its consolidated subsidiaries as at March 31, 2013, 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 7 Change in accounting policy which is difficult to distinguish from accounting estimate, which describes that the Company and its domestic consolidated subsidiaries changed the depreciation method for property, plant and equipment from the declining-balance method to the straight-line method in the year ended March 31, 2013. 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.

Ernst & Young Shinrihō LLC

June 24, 2013
Tokyo, Japan

Major Consolidated Subsidiaries and Affiliates

*Affiliates

Japan

Manufacturing Companies

- 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.
- UniCarriers Corporation*
- Koken Boring Machine Co., Ltd.*
- KCM Corporation*
- Shintoshoku Metal Co., Ltd.

Sales, Service and Rental Companies

- Hitachi Construction Machinery Japan Co., Ltd.
- Okinawa Hitachi Construction Machinery Co., Ltd.
- Okumura Machinery Co., Ltd.*

Others

- Hitachi Kenki Logistics Technology 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

- Tata Hitachi Construction Machinery Company Limited

China

Manufacturing and Sales Companies

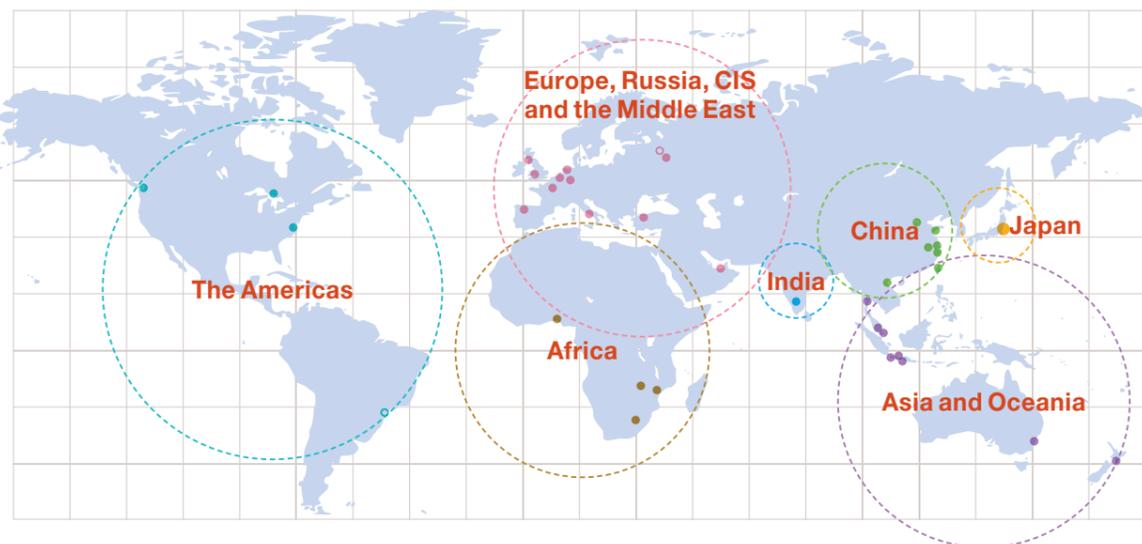
- Hitachi Construction Machinery (China) Co., Ltd.
- Hefei Rijian Shearing Co., Ltd.
- Hefei Okubo Machinery Co., Ltd.*

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

- P.T. Hitachi Construction Machinery Indonesia
- P.T. Shibaura Shearing Indonesia*

Sales and Service Companies

- Hitachi Construction Machinery Asia and Pacific Pte. Ltd.
- Cable Price (NZ) Ltd.
- P.T. 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.
- P.T. 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 Co., Ltd.
- Hitachi Construction Machinery Mozambique Ltd.

Europe, Russia, CIS and the Middle East

Manufacturing and Sales Companies

- Hitachi Construction Machinery (Europe) N.V.
- Hitachi Construction Machinery Eurasia Manufacturing LLC

Sales and Service Companies

- Hitachi Construction Machinery Eurasia Sales LLC
- Hitachi Construction Machinery Sales and Service France S.A.S
- Heavy Construction Machinery Ltd.
- SCAI S.p.A.*
- Hitachi Construction Machinery Middle East Corp. FZE

The Americas

Manufacturing and Sales Companies

- Hitachi Construction Truck Manufacturing Ltd.
- Deere-Hitachi Construction Machinery Corp.*
- Deere-Hitachi Brazil S.A.*

Others

- Hitachi Construction Machinery Holding U.S.A. Corp.
- Wenco International Mining Systems Ltd.

Liaison Offices

- HCS Beijing Office
- HCM Vietnam Representative Office
- HCS Xilinhot Office
- HMEC Istanbul Office
- HCME Ghana Office
- HCME Germany Office
- HCME Iberia Office

Corporate Information

As of March 31, 2013

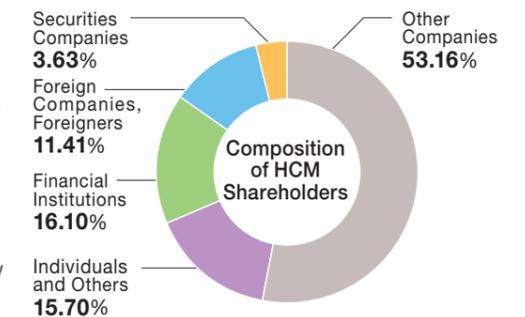
Company Outline

Company Name	Hitachi Construction Machinery Co., Ltd. (Hitachi Kenki Kabushiki Kaisha)
Head Office	5-1, Koraku 2-chome, Bunkyo-ku, Tokyo, 112-8563, Japan
Tel.	+81-3-3830-8065
Fax.	+81-3-3830-8224
Establishment	October 1, 1970
Paid in Capital	¥81,576,592,620
Major Operations	Manufacturing, sales and service of construction machinery, transportation machinery, and other machines and devices
Employees	20,440 (Consolidated) 4,530 (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	215,115,038 (treasury share: 3,206,607)
Number of Shareholders	54,377
Annual Meeting	The annual meeting of shareholders is usually held before the end of June in Tokyo.



Major Shareholders (Top 10 Largest Shareholders)

Shareholders	Number of shares held (Thousands)	Ownership ratio (%)
Hitachi, Ltd.	108,058	50.99
The Master Trust Bank of Japan, Ltd. (trust account)	11,066	5.22
Japan Trustee Services Bank, Ltd. (trust account)	8,630	4.07
Trust & Custody Services Bank, Ltd. (securities investment trust account)	2,015	0.95
BNP Paribas Securities Co., Ltd.	1,979	0.93
Societe Generale Securities (North Pacific) Limited	1,874	0.88
Japan Trustee Services Bank, Ltd. (trust account 9)	1,495	0.71
Hitachi Urban Investment, Ltd.	1,295	0.61
Bank of New York GCM Client Accounts JPRD AC ISG (FE-AC)	1,158	0.55
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	1,152	0.54

*Hitachi Construction Machinery holds 3,206,607 of treasury shares, but these have been excluded from the list of major shareholders above.
*Ownership ratio is calculated without the 3,206,607 of treasury shares.



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