

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

**Financial Results for the Year Ended**

**March 31, 2015**

## Consolidated Financial Results for the Year Ended March 31, 2015 (Japan GAAP)

April 27, 2015

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

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

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

Representative: Yuichi Tsujimoto, President and Chief Executive Officer

Scheduled date of ordinary General Meeting of Shareholders: June 22, 2015

Scheduled date of commencement of payment of dividends: May 29, 2015

Scheduled date for submission of Securities Report: June 23, 2015

Supplementary materials to the financial statements have been prepared: Yes

Presentation will be held to explain the financial statements: Yes

(for institutional investors, analysts and journalists)

U.S. Accounting Standards are not applied.

### 1. Consolidated results for the year ended March 2015 (April 1, 2014 to March 31, 2015)

#### (1) Consolidated results

(Rounded off to the nearest million)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2015	815,792	1.6	54,345	(21.4)	52,738	(1.7)	22,945	(20.7)
March 31, 2014	802,988	4.0	69,163	34.3	53,671	47.5	28,939	23.3

Note: Comprehensive income March 2015: ¥55,406 million (-3.8%) March 2014: ¥57,607 million (-0.6%)

	Net income per share	Net income per share (Diluted)	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
March 31, 2015	107.95	107.94	5.7	4.9	6.7
March 31, 2014	136.24	136.20	7.7	4.9	8.6

References:

1. Gain (loss) on equity earnings of affiliated companies March 2015: ¥1,550 million March 2014: ¥(253) million

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

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2015	1,047,872	490,996	40.1	1,975.73
March 31, 2014	1,087,191	447,640	35.7	1,827.59

Reference: Total equity at fiscal year-end March 2015: ¥419,995 million March 2014: ¥388,381 million

#### (3) Consolidated cash flows

	Net cash from operating activities	Net cash from investing activities	Net cash from financial activities	Cash and cashequivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2015	109,303	(13,549)	(103,822)	51,433
March 31, 2014	92,324	(36,724)	(72,174)	53,676

### 2. Dividends status

	Cash dividends per share					Dividends paid (Total)	Dividend Payout Ratio (Consolidated)	Dividends on Equity (Consolidated)
	First Quarter	Second Quarter	Third Quarter	Year end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2014	—	25.00	—	25.00	50.00	10,624	36.7	2.8
March 31, 2015	—	30.00	—	30.00	60.00	12,754	55.6	3.2
March 31, 2016 (Projection)	—	30.00	—	30.00	60.00		47.2	

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

3. Projected consolidated results for the fiscal year ending March 2016 (April 1, 2015 to March 31, 2016)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the Parent	Net income attributable to owners of the Parent per share (basic)
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	Yen
September 30, 2015 (Interim)	380,000	-	18,500	-	15,500	-	5,500	25.87
March 31, 2016	810,000	-	54,000	-	49,000	-	27,000	127.01

Notes) HCM voluntarily adopts International Financial Reporting Standards (IFRS) from the presentation of the consolidated financial statements in its annual securities report for the fiscal year ending March 31, 2015 (from April 1, 2014 to March 31, 2015). Consequently, the consolidated earnings forecasts for the fiscal year ending March 31, 2016 are based on IFRS, instead of the traditional Japanese accounting standard.

4. Others

- (1) Significant changes involving subsidiaries during the fiscal year (changes involving specific subsidiaries accompanying changes in the scope of consolidation): None
- (2) Changes in accounting policies; changes in accounting estimates; restatements
- |   |      |
|---|------|
| [1] Changes in the accompanying revision of accounting policies | None |
| [2] Changes other than those in [1]                             | None |
| [3] Changes in accounting estimates                             | None |
| [4] Restatements  | None |

Note: See “Important matters that form the basis for compiling consolidated financial statements” on page 20 of the attached material for details.

(3) Number of outstanding shares (common shares)

- [1] Number of outstanding shares at fiscal year-end (including treasury shares)
- |             |             |             |             |
|-------------|-------------|-------------|-------------|
| March 2015: | 215,115,038 | March 2014: | 215,115,038 |
|-------------|-------------|-------------|-------------|
- [2] Number of treasury shares at fiscal year-end
- |             |           |             |           |
|-------------|-----------|-------------|-----------|
| March 2015: | 2,537,814 | March 2014: | 2,605,021 |
|-------------|-----------|-------------|-----------|
- [3] Average number of common shares outstanding during the fiscal year (shares)
- |             |             |             |             |
|-------------|-------------|-------------|-------------|
| March 2015: | 212,544,707 | March 2014: | 212,406,699 |
|-------------|-------------|-------------|-------------|

(Reference) Non-consolidated Financial Results for the Year Ended March 31, 2015

1. Non-consolidated results for the year ended March 2015 (April 1, 2014 to March 31, 2015)

(1) Non-consolidated results (Rounded off to the nearest million)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2015	393,035	0.5	(20,142)	-	8,749	(47.1)	3,860	-
March 31, 2014	391,154	(3.7)	(4,118)	-	16,548	-	(556)	-

	Net income per share	Net income per share (Diluted)
	Yen	Yen
March 31, 2015	18.16	18.16
March 31, 2014	-	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2015	516,273	217,006	41.9	1,017.23
March 31, 2014	543,167	224,425	41.2	1,052.46

Reference: Total equity at fiscal year-end March 2015: ¥216,240 million March 2014: ¥223,659 million

Notes)

Indication of audit procedure implementation status

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

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

Any forward-looking statements in the report, including results forecasts, are based on certain assumptions that were deemed rational as well as information currently available to the Company at this time. However, various factors could cause actual results to differ materially. Please refer to “1. Business Performance (1) Analysis of Management Results” on page 2 for the relevant reasons.

## Index of the Attachment

1. Business Performance.....	2
(1) Analysis of Management Results.....	2
(2) Analysis of Financial Conditions.....	6
(3) Principles Regarding Appropriation of Earnings and Dividends for the Year under Review and the Fiscal Year Ending March 31,2015.....	7
(4) Business Risks .....	8
2. Status of the Corporate Group .....	11
3. Management Policy.....	12
(1) Basic Management Policy.....	12
(2) Mid-to-Long-Term Management Strategies and Issues to Be Addressed.....	12
4. Our Fundamental Position Concerning Selection of Accounting Standards Policy .....	13
5. Consolidated Financial Statements.....	14
(1) Consolidated Balance Sheets.....	14
(2) Consolidated Statements of Income.....	16
Consolidated Statements of Comprehensive Income.....	17
(3) Consolidated Statements of Changes in Net Assets.....	18
(4) Consolidated Statements of Cash Flows.....	20
(5) Notes on consolidated financial statements .....	21
Notes on the Preconditions for a Going Concern.....	21
Important matters that form the basis for compiling consolidated financial statements.....	21
Segment Information.....	22
Per Share Information .....	23
Important Subsequent Events.....	23
5. Other	
(1) Changes in Officer Structure.....	24

## 1. Business Performance

### (1) Analysis of Management Results

#### [1] Business Performance for the Fiscal Year Ended March 31, 2014

In the international economy during the consolidated fiscal year under review (April 1, 2014 to March 31, 2015), the US economy has steadily recovered underpinned by increased consumption and production; the Japanese economy also maintained a gradual recovery underpinned by revived production and improvement in the employment situation.

In Europe, the UK economy continued to recover, and the German economy has gradually been restored by a decrease of the unemployment rate. In Russia, the economy turned downward due to the fall in crude oil prices, etc. In China, despite the government policy named the “New Normal”, the growth rate is declining due to decelerated fixed asset investment in the sectors of real estate, manufacturing and mining. In India, the economy showed a sign of recovery after the regime change; however, the economy in Southeast Asia as a whole remained stagnant.

With respect to the construction machinery market, mainly for hydraulic excavators, demand in Japan has decreased from the previous fiscal year as a reaction to last-minute demand in anticipation of new emissions regulations. In North America, demand has expanded due to increased capital investment. Demand in Europe has also expanded underpinned by housing-related investments in the UK, etc. On the other hand, demand in China has declined significantly, primarily due to the decrease in real estate investment trends and the increase in inventory of coal and steel, etc. Moreover, the demand in Southeast Asia has also declined significantly, mainly in Indonesia, Thailand, and Malaysia.

As for the mining machinery market, demand for mining machinery in regions such as the Americas, Indonesia, Australia, and Russia remains sluggish due to the price reduction of resources and investment restraint by resource companies.

Under these circumstances, the HCM Group made efforts to establish global management support scheme, increase its market share, lower the costs, and improve business efficiency to secure profits.

As for construction machinery, we had a global launch of the new service menu called “ConSite,” which provides comprehensive support to the customers for their machines, and we have been expanding our parts and services operation. In Japan, we introduced new-model machinery that responds to the emissions regulations and achieves higher fuel-efficiency, better safety, advanced operating performance, and better riding comfort of the operator. Furthermore, we enhanced the consistency of our unique “RSS” (Rental, Sales, and Service) operations to increase orders and customer satisfaction. We expanded our initiatives to establish a global production and supply system and strove to further enhance the sales capabilities and after-sales service of our dealers.

For mining machinery, we strove to expand the lineup of our rigid dump trucks’ AC-3 series, which features the advanced vehicle body stability assist function. Moreover, we are bringing together the strengths of the entire Hitachi Group to establish a substantially advanced customer support system, which includes mine operation management system provision and cross-company initiatives combining the expertise of both infrastructure management and IT for the mine operation’s optimization.

Consequently, consolidated net sales increased by 1.6% year-on-year to ¥815,792 million. Operating income and ordinary income decreased by 21.4% and 1.7% year-on-year, to ¥54,345 million and ¥52,738 million, respectively.

The following table summarizes the consolidated results for the year ended March 2015.

(Millions of yen; %)

	March 2015 (A)	March 2014 (B)	Year-on-year change	
			(A)-(B)	Increase (%)
Net sales	815,792	802,988	12,804	1.6
Operating income	54,345	69,163	(14,818)	(21.4)
Ordinary income	52,738	53,671	(933)	(1.7)
Net income	22,945	28,939	(5,994)	(20.7)

(Rounded off to the nearest million)

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

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

### [Japan]

The construction machinery demand in Japan decreased, year-on-year, due to continuously decreasing housing starts and a reaction to last-minute demand in anticipation of new emissions regulations, in addition to downturn in public investment.

Under such circumstances, the Hitachi Construction Machinery Japan Co., Ltd. promoted sales expansion by increasing the customer base of multiple "RSS" divisions through consistent implementation of RSS operations to support efficient, labor-saving, and cost-saving fieldwork operation of each customer. Furthermore, we worked to expand sales of a new machine type that responds to emission regulations and achieves higher fuel efficiency.

Consolidated net sales decreased by 4.4% year-on-year to ¥221,756 million.

### [The Americas]

The construction machinery demands in North America were brisk due to a revival in housing starts, an increase in pipeline construction, and recovery in capital investment. On the other hand, in Central and South America, the construction machinery demand has decreased, year-on-year, due mainly to infrastructure investment stagnation.

Mining machinery demand in the Americas fell due to the downturn in resource prices.

Under such circumstances, in collaboration with Deere, we strove to expand sales of emission regulation-responsive machines in North America, while in South America, we promoted sales expansion in the Brazilian market where we organized a sales framework. Consolidated net sales increased by 39.9% year-on-year to ¥112,539 million.

### [Europe]

Construction machinery market in Europe, demand headed to increase throughout Europe mainly in Western European countries, led by increased housing starts in the UK, etc. However, subsequently in the second half of the fiscal year, demands in the UK and France started to slow down.

Under these circumstances, we focused on expanding the sales of fuel-efficient hydraulic excavators and wheel loaders while also providing dealers with additional meticulous support services.

Consolidated net sales increased by 30.5% year-on-year to ¥93,396 million.

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

In Russia, while construction machinery demand further decreased due to Ruble depreciation and collapse in oil prices, etc., we strove to expand construction and mining machinery sales by continuously providing dealer support via Hitachi Construction Machinery Eurasia Sales LLC. In Southern Africa, we reinforced sales and service, focusing on mining machinery, and in Northwest Africa, we reinforced sales and service of machineries for infrastructure-related industry in conjunction with dealers.

In the Middle East, we continuously focused on increasing sales mainly from infrastructure-related projects in Turkey and the Gulf countries.

Consolidated net sales increased by 5.4% year-on-year to ¥92,086 million.

### [Asia and Oceania]

In Indonesia and Australia, both which are resource-rich countries, mining machinery demand remained sluggish. The construction machinery demand has also continuously decreased in Indonesia, Thailand, Malaysia, and Australia, etc.

Under such circumstances, we strove to enhance the dealers' marketing capabilities by fully implementing the sales support system in order to expand sales. Furthermore, despite the sluggish mining machinery demand, we strove to expand sales of rigid dump truck AC series.

Hydraulic excavators demand in India in FY2014 remained at mostly unchanged year-on-year. Some demands for infrastructure investment, such as coal and quarries, etc., are recovering due to the new government's policy effects.

Under such circumstances, Tata Hitachi Construction Machinery Co, Ltd. strove to reduce cost and improve production quality as well as expand sales of the new machine type.

Consolidated net sales increased by 2.7% year-on-year to ¥223,128 million.

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

[China]

The economy is slowing down due to excess inventory adjustment in various industries in addition to deceleration of real estate investment. The government's economic-stimulus measures were conducted only on a small scale, and there was delay etc., in ordering new construction projects. Consequently, construction machinery demand was significantly lower than the previous year even after the Chinese New Year, and has experienced a considerable decrease for the full year.

Under these circumstances, HCM Group strove to expand sales of both machineries and parts by using the sales support system and service and parts sales management system while also sustaining enhancement of collaborative relationships with dealers using the "Global e-Service" system.

Consolidated net sales decreased by 36.3% year-on-year to ¥72,887 million.

The following table summarizes the consolidated results for the year ended March 2015.

(Millions of yen)

		March 2015		March 2014		Increase (Decrease)	
		Net Sales	Proportion (%)	Net Sales	Proportion (%)	Amount of change	% change
The Americas	North America	106,073	13.0	71,778	8.9	34,295	47.8
	Central and South America	6,466	0.8	8,640	1.1	(2,174)	(25.2)
		112,539	13.8	80,418	10.0	32,121	39.9
Europe		93,396	11.4	71,549	8.9	21,847	30.5
Russia-CIS, Africa and the Middle East	Russia and CIS	28,901	3.5	40,274	5.0	(11,373)	(28.2)
	Africa	41,652	5.1	27,831	3.5	13,821	49.7
	Middle East	21,533	2.6	19,277	2.4	2,256	11.7
		92,086	11.3	87,382	10.9	4,704	5.4
Asia and Oceania	Asia	80,011	9.8	88,517	11.0	(8,506)	(9.6)
	India	32,951	4.0	31,490	3.9	1,461	4.6
	Oceania	110,166	13.5	97,306	12.1	12,860	13.2
		223,128	27.4	217,313	27.1	5,815	2.7
China		72,887	8.9	114,480	14.3	(41,593)	(36.3)
Sub-total		594,036	72.8	571,142	71.1	22,894	4.0
Japan		221,756	27.2	231,846	28.9	(10,090)	(4.4)
Total		815,792	100.0	802,988	100.0	12,804	1.6

(Rounded off to the nearest million)

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



[3] Outlook for the Fiscal Year Ending March 31, 2015

The outlook of construction machinery demand in developed countries, particularly for hydraulic excavators, in the fiscal year ending March 31, 2016, is as follows. In the US, demand is expected to remain unchanged year on year. The Europe market showed significant growth in FY2014. However, the demand seems to decrease slightly in FY2015. In Japan, demand is expected to decrease year on year as reaction to last-minute demands in anticipation of new emissions regulations. Among the emerging countries, the economy in some parts of Asia, such as India and Thailand, is expected to recover. On the other hand, demand in China is expected to decrease significantly due to cutbacks in manufacturing and real estate investment. We assume the overall global demand will slightly decrease to approximately 170 thousand units. Mining machinery demand is expected to decrease by approximately 10% due to stagnant natural resource price.

Under these circumstances, the HCM Group will proceed with the strategies outlined in the mid-term management plan "GROW TOGETHER 2016," such as enhancement of technology development capabilities and sales and marketing, further reinforcement of mining operations, and comprehensive enhancement of the entire value chain, including parts and services operation, while continuously promoting SCM reform and the total cost reduction, etc. Furthermore, considering the severe market condition that is expected, we will further review fixed costs and the business structure and strive to improve profitability and expand capability to generate cash flow.

The assumed foreign exchange rates for the results are ¥115 for one US dollar, ¥125 for one euro and ¥18.5 for one Chinese yuan.

Consolidated Earnings Forecast for the Full Year Ending March 31, 2016

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (Yen)
Forecast (IFRS)	810,000	54,000	-	27,000	127.1
Difference	(5,792)	(345)	-	4,055	-
Change (%)	(0.7)	(0.6)	-	17.7	-
Previous Year Ended Mar 31, 2015 (Japan GAAP)	815,792	54,345	52,738	22,945	107.95

(Rounded off to the nearest million)

Notes:

Any forward-looking statements in the report, including results forecasts, are based on certain assumptions that were deemed rational as well as information currently available to the Company at this time. However, various factors may cause actual results to differ materially.

HCM voluntarily adopts International Financial Reporting Standards (IFRS) from the presentation of the consolidated financial statements in its annual securities report for the fiscal year ending March 31, 2015 (from April 1, 2014 to March 31, 2015). Consequently, the consolidated earnings forecasts for the fiscal year ending March 31, 2015 are based on IFRS, instead of the traditional Japanese accounting standard.

## (2) Analysis of Financial Conditions

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

#### (a) Assets

Current assets at the end of the fiscal year amounted to ¥673,575 million, a decrease of 6.3%, or ¥45,362 million from the previous fiscal year-end. This was due mainly to a decrease of ¥38,206 million in the total of accounts receivables (notes and accounts receivable, lease receivable and investment asset), and a decrease of ¥7,584 million in inventories.

Fixed assets increased 1.6% or ¥6,043 million from the previous fiscal year-end to ¥374,297 million.

As a result, total assets decreased 3.6% or ¥39,319 million from the previous fiscal year-end to ¥1,047,872 million.

#### (b) Liabilities

Current liabilities at the end of the fiscal year amounted to ¥360,557 million, a decrease of 19.3%, or ¥86,403 million, from the previous fiscal year-end. This was mainly due to a decrease of ¥52,375 million in short-term loans, as well as a decrease of ¥30,000 million in corporate bonds redeemable within one year.

Non-current liabilities increased by 1.9%, or ¥3,728 million, from the previous fiscal year-end to ¥196,319 million.

As a result, total liabilities decreased 12.9% or ¥82,675 million from the previous fiscal year-end to ¥556,876 million.

#### (c) Net Assets

Net assets increased 9.7% or ¥43,356 million from the previous fiscal year-end to ¥490,996 million.

### [2] Analysis on Status of Consolidated Cash Flows

Cash and cash equivalents at the end of the fiscal year totaled ¥51,433 million, a decrease of ¥2,243 million from the beginning of the fiscal year. Factors relating to each cash flow category are as follows:

#### [Cash Flows from Operating Activities]

Factors that increased cash included ¥51,777 million in income before income taxes and minority interests, ¥38,708 million in depreciation and amortization, and a decrease of ¥31,406 million in notes and accounts receivable (including lease receivable), a decrease of ¥17,103 million in inventories. Factors that reduced cash included a decrease of ¥8,467 million in notes and accounts payable, an expenditure of 13,027 million for acquisition of commercial property for rent, and ¥19,652 million of income taxes paid, etc.

As a result, cash flows from operating activities during the fiscal year amounted to ¥109,303 million, an increase of ¥16,979 million from the previous fiscal year-end.

#### [Cash Flows from Investing Activities]

Net cash used in investing activities in the consolidated fiscal year amounted to ¥13,549 million, mainly due to an outlay of ¥15,939 million for acquisition of tangible asset, a decrease of ¥23,175 million from the previous fiscal year-end.

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 ¥95,754 million.

#### [Cash Flows from Financing Activities]

Net cash used in financing activities in the consolidated fiscal year totaled ¥103,822 million, an increase of ¥31,648 million from the previous fiscal year-end. This was due mainly to ¥39,821 proceeds from issuance of corporate bonds, a net decrease of ¥50,366 million in short-term loans, an outlay of ¥30,000 million for redemption of bonds, ¥14,965 million in dividends paid, etc.

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

	March 2012	March 2013	March 2014	March 2015
Equity ratio (%)	29.7	32.8	35.7	40.1
Equity ratio on market price basis (%)	35.7	39.1	38.9	42.6
Interest-bearing debt to operating cash flows ratio (%)	35.1	6.6	3.9	2.5
Interest coverage ratio (times)	1.0	5.1	10.1	14.3

Notes:

Equity ratio: Total equity/total assets

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

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

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

1. Indices are calculated using consolidated figures.
2. Share market price is calculated by multiplying the closing price at the end of the period by the number of outstanding shares at the end of the period (after excluding treasury stock).
3. Cash flows from operating activities reflect cash flows from operating activities as detailed in the Consolidated Statements of Cash Flows. Interest-bearing debt reflects all debt for which the Company is paying interest as detailed in the Consolidated Balance Sheets. Interest payments reflect interest paid as detailed in the Consolidated Statements of Cash Flows.

### (3) Principles Regarding Appropriation of Earnings and Dividends for the Year under Review and the Fiscal Year Ending March 31, 2016

To establish a solid position in global construction machinery markets, HCM will maintain and strengthen its financial structure and work to bolster its internal reserves while considering implementation plans for upfront investments, including investments for technology development and facilities based on medium- and long-term business strategies. At the same time, HCM will pay dividends linked to its consolidated business results in accordance with a policy of maintaining stable dividends, with a target payout ratio of at least 20%.

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

At the Meeting of the Board of Directors scheduled for May 22, 2015, a resolution for cash dividends per share of ¥30 for the fiscal year ended March 31, 2015 will be proposed. As a result, cash dividends for the entire fiscal year ended March 31, 2015 will amount to ¥60 per share.

As for dividends for the fiscal year ending March 2016, we aim to pay ¥30 per share for interim dividends and ¥30 per share for year-end dividends -a total of ¥60 per share annually.

#### (4) Business Risks

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

##### 1. Market Conditions

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

##### 2. Foreign Currency Exchange Rate Fluctuations

The sales that HCM Group derived from outside Japan accounted for 73% this fiscal year, largely exceeding those derived in Japan. A substantial portion of its overseas sales were affected by foreign currency exchange rate fluctuations. In general, an appreciation of the Japanese yen against another currency such as the US dollar, European Euro or Chinese Yuan, which are our main settlement currencies, would adversely affect HCM Group's operational results. The HCM Group strives to alleviate the effect of such foreign currency exchange rate fluctuations by, for example, enlarging the portion of local production, promotion of parts import via international purchasing, and hedging activities. Despite our efforts, if the rates fluctuate beyond our projected range, our operational results may be adversely affected.

##### 3. Fluctuations in Financial Markets

While the HCM Group is currently working on improving the efficiency of its assets to reduce its interest-bearing debt, its aggregate short- and long-term interest bearing debts were approximately ¥277,000 million as of March 31, 2015. Although the HCM Group has strived to reduce the effect of interest rate fluctuations by procuring funds at fixed interest rates, an increase in interest rates may increase the interest expenses with respect to its interest-bearing debt subject to floating interest rates, thereby adversely affecting HCM Group's operational results. In addition, fluctuations in the financial markets, such as fluctuations in the fair value of marketable securities and interest rates, may also increase the unfunded obligation portion of HCM Group's pension plans or pension liabilities, which may result in an increase in pension expenses. Such an increase in interest expenses and pension expenses may adversely affect HCM Group's operational results and financial condition.

##### 4. Procurement and Production

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

5. Credit Management

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

6. Public Laws and Tax Practices

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

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

7. Product Liability

While the HCM Group endeavors to sustain and improve the quality and reliability of its operations and products based on stringent standards established internally by the HCM Group, it may face product liability claims or become exposed to other liabilities if unexpected defects in its products result in accidents. If the costs of addressing such claims or other liabilities are not covered by the HCM Group's existing insurance policies, we may be required to bear the cost thereto, which may adversely affect its financial condition.

8. Alliances and Collaborative Relationships

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

9. Information Security, Intellectual Property and Other Matters

The HCM Group may obtain confidential information concerning its customers and individuals in the normal course of its business. The HCM Group also holds confidential business and technological information. The HCM Group maintains such confidential information with the utmost care. To safeguard such confidential information from unauthorized access, tampering, destruction, leakage, losses and other damage, the HCM Group employs appropriate safety measures, including implementing technological safety measures and strengthening its information management capabilities.

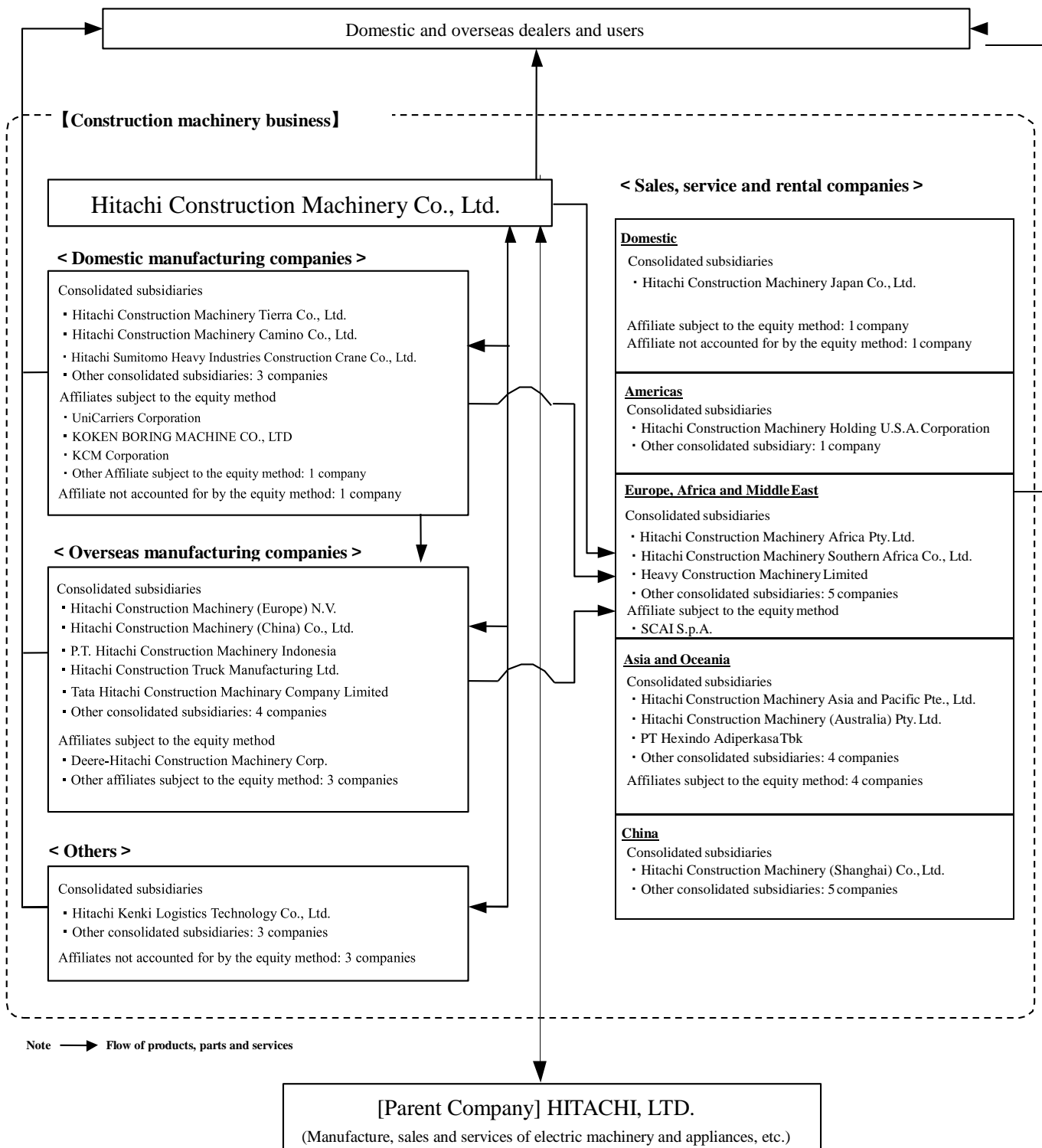
If a leak of confidential information occurred, the reputation of the HCM Group may become damaged and customers may lose confidence in the HCM Group. In addition, the HCM Group's intellectual property may be infringed upon by a third party, or a third party may claim that the HCM Group is liable for infringing on such third party's intellectual property rights.

#### 10. Natural Disasters

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

## 2. Status of the Corporate Group

As outlined below, the consolidated Group consists of Hitachi Construction Machinery, its parent company, its 43 subsidiaries and its 19 affiliates. Its business mainly involves the manufacture, sale, service and leasing of construction machinery.



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

### **3. Management Policy**

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

The HCM Group pursues business competitiveness and group management capabilities by advocating “trust and differentiation.” We aim to achieve further improvement in our corporate and shareholder value by enhancing our profitability and capabilities for generating cash flow.

To ensure our ability to achieve these objectives, we would put strong emphasis on and share the Kenkijin Sprit\*\* as the group-wide value standards and code of conduct. We aim to achieve 2020 VISION—“Close and Reliable Partner anywhere on the Earth with Best Solutions through Kenkijin Spirit”—by implementing various measures along the three axes of hard (products), soft (solutions) and regions, as well as by continuously providing reliable solutions. Accordingly, we contribute to the sustainable development of our customer and each region.

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

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

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

There are significant short-term fluctuations in the construction and mining machinery market. In order to anticipate and catch up with these market fluctuations, HCM Group, in light of the mid-term management plan “GLOW TOGETHER 2016”, promotes enhancement of our marketing capabilities and SCM reform as well as strengthens the mining operation and the entire value chain focusing on parts and service operation. Furthermore, given the circumstances where immediate demand recovery may not be anticipated, HCM gives weight to establish the solid management foundation by promoting ongoing reform of business and cost structure and accelerating implementation of the following strategies, in terms of business growth and competitiveness.

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

We will enhance our developmental marketing capabilities to respond to diverse regional needs, while building a structure of global research and development framework. We would attain environmental responsiveness including emission reduction as well as differentiated products with the high standard of fuel efficiency, safety and economic efficiency, in light of growing customer needs, by utilizing technology and ICT of the Hitachi Group. Moreover, we will improve the development efficiency by module development and conducting preliminary quality analysis.

##### **2) Soft Strategies**

For further enhancement of support service covering the whole life cycle of the product, we aim at maximizing the profit in conjunction with providing fine service through global development of "ConSite" making the full use of ICT and "Global e-Service", enhanced rental business, distribution of used machineries, and expansion of finance program.

##### **3) Regional Strategy**

In order to expand our presence in each region through community-based operation with speed and efficiency, HCM will reinforce regional business operations. In addition, we aim to further strengthen our profitability and efficient regional business operation by promoting reform of cost structure in each region.



#### 4) Global Management Operation

We will pursue human resource development and promote workplace diversity. We will also focus on effective delegation of authority, strengthening corporate governance, respecting quality with MonoZukuri (craftsmanship), cost competitiveness, our SCM Reforms, and our strategic CSR activities—all in accordance with the further globalization of the HCM Group. In particular, taking into account of the present severe demand environment, we will focus on reviewing the business and cost structure, securing and reallocating resources, and establishing a management foundation to support maintaining our competitiveness in the market.

#### **4. Our Fundamental Position Concerning Selection of Accounting Standards Policy**

HCM voluntarily adopts the International Financial Reporting Standards (IFRS) from the presentation of the consolidated financial statements in its annual securities report for the fiscal year ending March 31, 2015.

HCM Group has been actively promoting global business development and aims to further increase its corporate value by building a management foundation that can accelerate management visualization and management enhancement as well as governance reinforcement. As part of these efforts and for the purpose of improving the international comparability of financial statements in the capital markets by introducing IFRS, which is a global standard, and unifying the accounting methods within the group, HCM decided to voluntarily adopt IFRS.

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	Current fiscal year-end As of (Mar. 31, 2015 (A))	Previous fiscal year-end As of (Mar. 31, 2014 (B))	(A)-(B)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank deposits	51,752	53,353	(1,601)
Notes and accounts receivable	206,017	212,585	(6,568)
Lease receivables and investment assets	58,395	90,033	(31,638)
Merchandise and manufactured goods	245,284	248,586	(3,302)
Work in process	43,599	51,059	(7,460)
Materials and supplies	24,805	21,627	3,178
Deferred tax assets	11,560	11,186	374
Other	42,256	40,208	2,048
Less: Allowance for doubtful accounts	(10,093)	(9,700)	(393)
Total current assets	673,575	718,937	(45,362)
<b>Non-current assets</b>			
<b>Property, plant and equipment</b>			
Property held for lease (net)	51,074	49,320	1,754
Buildings and structures (net)	99,902	95,699	4,203
Machinery, equipment and vehicles (net)	67,787	68,358	(571)
Tools, furniture and fixtures (net)	6,920	6,265	655
Land	56,737	57,760	(1,023)
Construction in progress	6,739	11,545	(4,806)
Net property, plant and equipment	289,159	288,947	212
<b>Intangible assets</b>			
Software	9,746	12,793	(3,047)
Goodwill	97	5,224	(5,127)
Other	5,350	4,710	640
Total intangible assets	15,193	22,727	(7,534)
<b>Investments and other assets</b>			
Investments in securities	41,778	33,345	8,433
Net defined benefit asset	2,820	452	2,368
Other	25,591	23,118	2,473
Less: Allowance for doubtful accounts	(244)	(335)	91
Total investments and other assets	69,945	56,580	13,365
Total non-current assets	374,297	368,254	6,043
<b>Total assets</b>	<b>1,047,872</b>	<b>1,087,191</b>	<b>(39,319)</b>

(Rounded off to the nearest million)

(Millions of yen)

	Current fiscal year-end As of Mar. 31, 2015 (A)	Previous fiscal year-end As of Mar. 31, 2014 (B)	(A)-(B)
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Notes and accounts payable	139,091	143,134	(4,043)
Short-term loans	129,426	181,801	(52,375)
Current portion of bonds	-	30,000	(30,000)
Income taxes payable	8,354	8,699	(345)
Other	83,686	83,326	360
Total current liabilities	360,557	446,960	(86,403)
<b>Non-current liabilities</b>			
Bonds	60,000	20,000	40,000
Long-term loans	87,579	131,610	(44,031)
Lease obligations	17,006	15,942	1,064
Provision for retirement benefits	13,305	12,563	742
Other	18,429	12,476	5,953
Total non-current liabilities	196,319	192,591	3,728
<b>Total liabilities</b>	556,876	639,551	(82,675)
<b>NET ASSETS</b>			
<b>Shareholders' equity</b>			
Common stock	81,577	81,577	-
Capital surplus	84,912	84,893	19
Retained earnings	231,378	220,122	11,256
Treasury stock	(3,156)	(3,237)	81
Total shareholders' equity	394,711	383,355	11,356
<b>Accumulated other comprehensive income</b>			
Net unrealized gains on securities	3,941	3,746	195
Deferred losses on hedges	(118)	(282)	164
Foreign currency translation adjustments	32,797	14,058	18,739
Remeasurements of defined benefit plans	(11,336)	(12,496)	1,160
Total accumulated other comprehensive income	25,284	5,026	20,258
<b>Subscription rights to shares</b>	766	766	-
<b>Minority interests</b>	70,235	58,493	11,742
Total net assets	490,996	447,640	43,356
<b>Total liabilities and net assets</b>	1,047,872	1,087,191	(39,319)

(Rounded off to the nearest million)

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

### Consolidated Statements of Income

(Millions of yen)

	Current fiscal year For the year ended Mar. 31, 2015 (A)	Previous fiscal year For the year ended Mar. 31, 2014 (B)	(A)/(B)×100 (%)
			%
<b>Net sales</b>	815,792	802,988	102
<b>Cost of sales</b>	598,721	573,501	104
Gross profit	217,071	229,487	95
<b>Selling, general and administrative expenses</b>			
Packing and shipping expenses	19,585	20,951	93
Employees' salaries	41,431	38,695	107
R&D expenses	16,163	16,734	97
Other	85,547	83,944	102
Total selling, general and administrative expenses	162,726	160,324	101
<b>Operating income</b>	54,345	69,163	79
<b>Non-operating income</b>			
Interest income	2,961	3,772	78
Interest income from installment sales	850	289	294
Dividends income	349	357	98
Gains on equity in earnings of affiliated companies	1,550	-	-
Other	4,758	4,394	108
Total non-operating income	10,468	8,812	119
<b>Non-operating expenses</b>			
Interest expenses	7,413	9,122	81
Foreign exchange losses, net	1,929	9,318	21
Losses on equity in earnings of affiliated companies	-	253	-
Other	2,733	5,611	49
Total non-operating expenses	12,075	24,304	50
<b>Ordinary income</b>	52,738	53,671	98
<b>Extraordinary Income</b>			
Gains on sales of property, plant and equipment	-	2,101	-
Gains on sales of subsidiaries and affiliates' stocks	-	43	-
Total Extraordinary Income	-	2,144	-
<b>Extraordinary losses</b>			
Business structure improvement expenses	520	156	333
Impairment losses	441	2,884	15
Total extraordinary losses	961	3,040	32
<b>Income before income taxes and minority interests</b>	51,777	52,775	98
<b>Income taxes</b>			
Current	20,103	18,157	111
Deferred	3,684	(563)	-
<b>Total income tax</b>	23,787	17,594	135
<b>Income before minority interests</b>	27,990	35,181	80
<b>Minority interests</b>	5,045	6,242	81
<b>Net income</b>	22,945	28,939	79

(Rounded off to the nearest million)

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Current fiscal year 〔 For the year ended 〕 Mar. 31, 2015 (A)	Previous fiscal year 〔 For the year ended 〕 Mar. 31, 2014 (B)	(A)/(B)×100 (%)
			%
<b>Income before minority interests</b>	27,990	35,181	80
<b>Other comprehensive income (loss)</b>			
Net unrealized gains (losses) on securities	179	687	26
Deferred gains (losses) on hedges	123	1,939	6
Foreign currency translation adjustments	24,053	14,547	165
Remeasurements of defined benefit plans	1,146	1,775	65
Share of other comprehensive income of companies accounted for by the equity method	1,915	3,478	55
Total other comprehensive income	27,416	22,426	122
<b>Comprehensive income</b>	55,406	57,607	96
Comprehensive income attributable to shareholders of the Company	43,203	48,942	88
Comprehensive income attributable to minority interests	12,203	8,665	141

(Rounded off to the nearest million)

### (3) Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Current fiscal year (For the year ended Mar. 31, 2015)	Previous fiscal year (For the year ended Mar. 31, 2014)
<b>Shareholders' Equity</b>		
<b>Common stock</b>		
Balance at the beginning of the year	81,577	81,577
Changes during the period		
Total changes during the period	-	0
Balance at the end of the year	81,577	81,577
<b>Capital surplus</b>		
Balance at the beginning of the year	84,893	84,500
Changes during the period		
Disposal of treasury stock	19	393
Total changes during the period	19	393
Balance at the end of the year	84,912	84,893
<b>Retained earnings</b>		
Balance at the beginning of the year	220,122	199,779
Cumulative effect of changes in accounting policies	-	953
Restated balance	220,122	200,732
Changes during the period		
Cash dividends	(11,689)	(9,549)
Net income	22,945	28,939
Total changes during the period	11,256	19,390
Balance at the end of the year	231,378	220,122
<b>Treasury stock</b>		
Balance at the beginning of the year	(3,237)	(3,982)
Changes during the period		
Purchase of treasury stock	(4)	(6)
Disposal of treasury stock	85	170
Share exchange	-	581
Total changes during the period	81	745
Balance at the end of the year	(3,156)	(3,237)
<b>Total Shareholders' equity</b>		
Balance at the beginning of the year	383,355	361,874
Cumulative effect of changes in accounting policies	-	953
Restated balance	383,355	362,827
Changes during the period		
Cash dividends	(11,689)	(9,549)
Net income	22,945	28,939
Purchase of treasury stock	(4)	(6)
Disposal of treasury stock	104	563
Share exchange	-	581
Total changes during the period	11,356	20,528
Balance at the end of the year	394,711	383,355
<b>Accumulated other comprehensive income</b>		
<b>Net unrealized gain on securities</b>		
Balance at the beginning of the year	3,746	3,056
Changes during the period		
Net changes in items other than those in shareholder's equity	195	690
Total changes during the period	195	690
Balance at the end of the year	3,941	3,746
<b>Deferred gains (losses) on hedges</b>		
Balance at the beginning of the year	(282)	(2,323)
Changes during the period		
Net changes in items other than those in shareholder's equity	164	2,041
Total changes during the period	164	2,041
Balance at the end of the year	(118)	(282)

(Rounded off to the nearest million)

(Millions of yen)

	Current fiscal year For the year ended Mar. 31, 2015	Previous fiscal year For the year ended Mar. 31, 2014
<b>Foreign currency translation adjustments</b>		
Balance at the beginning of the year	14,058	(1,444)
Changes during the period		
Net changes in items other than those in shareholder's equity	18,739	15,502
Total changes during the period	32,797	15,502
Balance at the end of the year	32,797	14,058
<b>Remeasurements of defined benefit plans</b>		
Balance at the beginning of the year	(12,496)	0
Cumulative effect of changes in accounting policies	-	(14,266)
Restated balance	(12,496)	(14,266)
Changes during the period		
Net changes in items other than those in shareholder's equity	1,160	1,770
Total changes during the period	1,160	1,770
Balance at the end of the year	(11,336)	(12,496)
<b>Total accumulated other comprehensive income</b>		
Balance at the beginning of the year	5,026	(711)
Cumulative effect of changes in accounting policies	-	(14,266)
Restated balance	5,026	(14,977)
Changes during the period		
Net changes in items other than those in shareholder's equity	20,258	20,003
Total changes during the period	20,258	20,003
Balance at the end of the year	25,284	5,026
<b>Subscription rights to shares</b>		
Balance at the beginning of the year	766	766
Changes during the period		
Net changes in items other than those in shareholder's equity	-	-
Total changes during the period	-	-
Balance at the end of the year	766	766
<b>Minority interests</b>		
Balance at the beginning of the year	58,493	54,742
Cumulative effect of changes in accounting policies	-	(30)
Restated balance	58,493	54,712
Changes during the period		
Net changes in items other than those in shareholder's equity	11,742	3,781
Total changes during the period	11,742	3,781
Balance at the end of the year	70,235	58,493
<b>Total Net Assets</b>		
Balance at the beginning of the year	447,640	416,671
Cumulative effect of changes in accounting policies	-	(13,343)
Restated balance	447,640	403,328
Changes during the period		
Cash dividends	(11,689)	(9,549)
Net income	22,945	28,939
Purchase of treasury stock	(4)	(6)
Disposal of treasury stock	104	563
Share exchange	-	581
Net changes in items other than those in shareholder's equity	32,000	23,784
Total changes during the period	43,356	44,312
Balance at the end of the year	490,996	447,640

(Rounded off to the nearest million)

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

(Millions of yen)

	Current fiscal year 〔 For the year ended 〕 Mar. 31, 2015	Previous fiscal year 〔 For the year ended 〕 Mar. 31, 2014
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	51,777	52,775
Depreciation and amortization	38,708	37,405
Impairment losses	441	2,884
Changes in allowance for doubtful accounts	1,215	1,078
Interest and dividends income	(4,160)	(4,418)
Interest expenses	7,413	9,122
Amortization of goodwill and negative goodwill	5,121	5,270
Losses on equity in earnings of affiliated companies	(1,550)	253
Decrease in notes and accounts receivable	10,102	3,142
Decrease in lease receivables and investment assets	21,304	22,864
Decrease (increase) in inventories	17,103	4,218
Purchase of property held for lease	(13,027)	(16,142)
Sales of property held for lease	5,210	3,465
Decrease in notes and accounts payable	(8,467)	(12,851)
Gains on sales of property, plant and equipment	(2,821)	(4,900)
Other, net	586	7,544
Sub-total	128,955	111,709
Income taxes paid	(19,652)	(19,385)
<b>Net cash provided by (used in) operating activities</b>	<b>109,303</b>	<b>92,324</b>
<b>Cash flows from investing activities</b>		
Acquisitions of property, plant and equipment	(15,939)	(38,705)
Proceeds from sales of property, plant and equipment	2,011	3,875
Purchase of intangible assets	(2,746)	(3,022)
Purchase of investment securities	(3,046)	(3,716)
Proceeds from sales of investment securities	294	6
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	-	(853)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	1,723	-
Payments for investments in capital	-	(24)
Interest and dividends received	4,235	4,403
Dividends received from affiliated companies	71	28
Other, net	(152)	1,284
<b>Net cash provided by (used in) investing activities</b>	<b>(13,549)</b>	<b>(36,724)</b>
<b>Cash flows from financing activities</b>		
Net decrease in short-term loans	(50,366)	(37,504)
Proceeds from long-term loans	17,494	39,412
Repayments of long-term loans	(56,603)	(47,852)
Repayments of lease obligations	(4,639)	(4,475)
Proceeds from issuance of bonds	39,821	-
Redemption of bonds	(30,000)	-
Interest paid	(7,654)	(9,118)
Dividends paid to shareholders	(11,676)	(9,556)
Dividends paid to minority shareholders by subsidiaries	(3,289)	(3,276)
Proceeds from stock issuance to minority shareholders	2,990	-
Proceeds from disposal of treasury stock	104	199
Purchase of treasury stock	(4)	(4)
<b>Net cash provided by (used in) financing activities</b>	<b>(103,822)</b>	<b>(72,174)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>5,825</b>	<b>3,628</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,243)</b>	<b>(12,946)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>53,676</b>	<b>66,622</b>
<b>Cash and cash equivalents at end of period</b>	<b>51,433</b>	<b>53,676</b>

(Rounded off to the nearest million)



(5) Notes on consolidated financial statements

**Notes on the preconditions for a going concern: None**

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

**1. Scope of consolidation**

Number of consolidated subsidiaries: 43

(1) Main consolidated subsidiaries

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

Tata Hitachi Construction Machinery Company Private Limited changed its corporate name from Tata Hitachi Construction Machinery Company Limited.

(2) Number of companies excluded from consolidation during the fiscal year ended March 31, 2015: 3

- 1) Absorption of Okinawa Hitachi Construction Machinery Co., Ltd. by Hitachi Construction Machinery Japan Co., Ltd.: 1
- 2) Change of P.T. Hitachi Construction Machinery Finance (Indonesia) from a consolidated subsidiary to an affiliate by sale of its shares: 1
- 3) Change of Hitachi Construction Machinery Leasing (Thailand) Co., Ltd. from a consolidated subsidiary to an affiliate by sale of its shares: 1

(3) Changes in Corporate name due to the establishment of joint venture

P.T. Hitachi Construction Finance (Indonesia) changed its corporate name to P.T. Hexa Finance Indonesia, and Hitachi Construction Machinery Leasing (Thailand) Co., Ltd. changed its corporate name to HTC Leasing Company Limited.

**2. Application of the equity method**

Number of affiliates accounted for by the equity method: 14

(1) Main affiliates subject to the equity method

- 1) Deere-Hitachi Construction Machinery Corp.
- 2) KOKEN BORING MACHINE CO., LTD.
- 3) KCM Corporation
- 4) UniCarriers Holdings Corporation
- 5) P. T. Hexa Finance Indonesia
- 6) HTC Leasing Company Limited

(2) Number of affiliates not accounted for by the equity method: 5

### **3. Date of settlement of accounts for consolidated subsidiaries**

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

- 1) Hitachi Construction Machinery Holding U.S.A. Corporation.
- 2) Hitachi Construction Machinery (China) Co., Ltd.
- 3) Hitachi Construction Machinery (Shanghai) Co., Ltd.

Others: 8

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

Disclosure of items other than those above has been omitted because there were no significant changes to these items as listed in the recent statutory Financial Report (submitted on June 24, 2014)

### **Segment Information**

Segment information is omitted since the consolidated group consists of single business segment, construction machinery business.

## Per share information

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
	Yen	Yen
Net assets per share	1,975.73	1,827.59
Net income per share	107.95	136.24
Net income per share after adjustments for dilution	107.94	136.20

Note: Basic data for calculations

### 1. Net assets per share

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Total amount of net assets on consolidated balance sheets (millions of yen)	490,996	447,640
Amount of net assets associated with common shares (millions of yen)	419,995	388,381
Primary breakdown of amount differentials (millions of yen)		
Subscription rights to shares	766	766
Held by minority shareholders	70,235	58,493
Number of common shares issued (shares)	215,115,038	215,115,038
Number of common shares that are treasury shares (shares)	2,537,814	2,605,021
Number of common shares used in the calculation of net assets per share (shares)	212,577,224	212,510,017

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

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Net income (millions of yen)	22,945	28,939
Amount not returned to common shareholders (millions of yen)	-	-
Net income associated with common shares (millions of yen)	22,945	28,939
Average number of common shares outstanding during the fiscal year (shares)	212,544,707	212,406,699
Increase in common shares used for calculating net income per share after dilution (shares)		
Stock purchase warrant	30,777	68,839
Summary of latent shares not included in the calculation of fully diluted net profit per share due to lack of dilution effect.	Number of subscription rights issued as of the annual general meeting of shareholders: June 26, 2006 3,050 shares June 25, 2007 3,320 shares	

## Important Subsequent Events: None

## **6. Other**

### (1) Changes in Officer Structure

As the candidates for Director were finalized following a resolution by the Nominating Committee on April 27, 2015, a list of candidates for Director is provided below.

In addition, the Directors are expected to be appointed at the 51th ordinary General Meeting of Shareholders scheduled for June 22, 2015.

#### [1]Candidates for Director

Proposed Appointment(s)		Current Appointment(s)
Outside Director	Takashi Kawamura	Outside Director
Outside Director	Shigeru Azuhata	Outside Director
Outside Director	Haruyuki Toyama	Former, Director- General, International Department, Bank of Japan
Outside Director	Junko Hirakawa	Attorney
Outside Director	Hideto Mitamura	Outside Director
Director	Osamu Okada	Director
Director	Tetsuo Katsurayama	Vice President and Executive Officer
Director	Kouji Sumioka	Representative Executive Officer, Senior Vice President and Executive Officer
Director	Yuichi Tsujimoto	Representative Executive Officer, President, Chief Executive Officer and Director
Director	Akihiko Hiraoka	Senior Vice President and Executive Officer

\*1: Takashi Kawamura is expected to become Chairman of the Board and Director after being appointed as Director at the regular General Meeting of Shareholders scheduled for June 22, 2015.

\*2: Takashi Kawamura, Shigeru Azuhata, Haruyuki Toyama, Junko Hirakawa and Hideto Mitamura, are “Outside Director” defined by the Companies Act.

#### [2]Retiring Director (as of June 22, 2015)

Yukio Arima	Expected to become Senior Adviser after the ordinary General Meeting of Shareholders scheduled for June 22, 2015.
Mitsuhiro Tabei	Expected to become Senior Adviser after the ordinary General Meeting of Shareholders scheduled for June 22, 2015.
Hiroshi Tokushige	Expected to become Senior Adviser after the ordinary General Meeting of Shareholders scheduled for June 22, 2015.
Tsutomu Mizutani	Expected to become Senior Adviser after the ordinary General Meeting of Shareholders scheduled for June 22, 2015.