Annual Securities Report

51st term (from April 1, 2014 to March 31, 2015)

Hitachi Construction Machinery Co., Ltd.

[Cover]

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Part I Information on the Company

I. Overview of the Company

1. Key Financial Data

(1) Five-Year Financial Data

Millions of yen, unless otherwise stated

	IFRS		
	Transition date	50th term	51st term
As of the transition date and as of and years ended	April 1, 2013	March 31, 2014	March 31, 2015
Revenue	–	802,988	815,792
Income before income taxes	–	60,252	58,953
Net income attributable to owners of the parent	–	35,747	26,023
Comprehensive income attributable to owners of the parent	–	54,409	45,782
Total equity attributable to owners of the parent	351,006	397,004	431,227
Total assets	1,086,411	1,101,114	1,064,673
Equity per share attributable to owners of the parent (Yen)	1,656.40	1,868.17	2,028.57
EPS attributable to owners of the parent Net income per share (Basic) (Yen)	–	168.30	122.44
Net income per share (Diluted) (Yen)	–	168.24	122.42
Equity attributable to owners of the parent ratio (%)	32.3	36.1	40.5
Return on equity attributable to owners of the parent (%)	–	9.6	6.3
Price earnings ratio (Times)	–	11.81	17.17
Net cash provided by operating activities	–	80,284	106,229
Net cash used in investing activities	–	(41,172)	(17,976)
Net cash used in financing activities	–	(55,694)	(96,294)
Cash and cash equivalents at end of period	–	53,672	51,433
Employees (Number) [The average number of temporary employees for the year]	20,440 [5,186]	20,911 [4,531]	21,126 [3,920]

(Notes) 1. Revenue is presented exclusive of consumption tax.

2. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter, "IFRS") from the 51st term.

Millions of yen, unless otherwise stated

Fiscal year	Japan GAAP				
	47th term	48th term	49th term	50th term	51st term
As of and years ended	March 31, 2011	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015
Net sales	773,769	817,143	772,355	802,988	815,792
Ordinary income	41,912	51,711	36,391	53,671	52,738
Net income	11,088	23,036	23,464	28,939	22,945
Comprehensive income	12,211	29,160	57,944	57,607	55,406
Net assets	348,986	368,777	416,671	447,640	490,996
Total assets	944,370	1,086,116	1,099,901	1,087,191	1,047,872
Net assets per share (Yen)	1,447.52	1,522.86	1,704.34	1,827.59	1,975.73
Net income per share (Yen)	52.44	108.88	110.77	136.24	107.95
Net income per share after adjustment for dilution (Yen)	52.41	108.86	110.75	136.20	107.94
Equity ratio (%)	32.4	29.7	32.8	35.7	40.1
Return on equity (%)	3.6	7.3	6.9	7.7	5.7
Price earnings ratio (Times)	39.72	16.82	18.31	14.59	19.47
Net cash provided by operating activities	27,395	11,088	59,965	92,324	109,303
Net cash used in investing activities	(20,768)	(39,044)	(37,080)	(36,724)	(13,549)
Net cash provided by (used in) financing activities	14,646	34,857	(42,700)	(72,174)	(103,822)
Cash and cash equivalents at end of period	74,710	81,059	66,622	53,676	51,433
Employees (Number)	20,204	21,814	20,440	20,911	21,126
[The average number of temporary employees for the year]	[3,602]	[4,833]	[5,186]	[4,531]	[3,920]

(Notes) 1. Net sales are presented exclusive of consumption tax.

2. Financial information based on Japan GAAP for the 51st term was not audited pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

(2) Non-consolidated financial data

Millions of yen, unless otherwise stated

	47th term	48th term	49th term	50th term	51st term
Fiscal year-end	March 31, 2011	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015
Net sales	368,525	454,377	406,001	391,154	393,035
Ordinary income	5,703	15,626	942	16,548	8,749
Net income (loss)	(317)	11,386	6,230	(556)	3,860
Common stock	81,577	81,577	81,577	81,577	81,577
Number of shares issued (Shares)	215,115,038	215,115,038	215,115,038	215,115,038	215,115,038
Net assets	247,673	253,016	230,966	224,425	217,006
Total assets	513,348	595,712	568,928	543,167	516,273
Net assets per share (Yen)	1,167.58	1,190.88	1,086.32	1,052.46	1,017.23
Dividends per share (Yen) [Of the above, interim dividends per share]	20.00 [10.00]	30.00 [15.00]	40.00 [20.00]	50.00 [25.00]	60.00 [30.00]
Net income (loss) per share (Yen)	(1.50)	53.81	29.41	(2.62)	18.16
Net income per share after adjustment for dilution (Yen)	–	53.80	29.41	–	18.16
Equity ratio (%)	48.1	42.3	40.5	41.2	41.9
Return on equity (%)	(0.1)	4.6	2.6	(0.2)	1.8
Price earnings ratio (Times)	–	34.03	68.96	–	115.75
Dividend payout ratio (%)	–	55.75	136.01	–	330.40
Employees (Number) [The average number of temporary employees for the year]	4,308 [742]	4,901 [1,082]	4,530 [1,121]	4,756 [1,040]	4,704 [839]

(Notes) 1. Net sales are presented exclusive of consumption tax.

2. "Net income per share after adjustment for dilution" for the 47th and 50th terms are not presented because net loss was recorded for the terms while the Company had dilutive shares.

3. Price earnings ratio and dividend payout ratio for the 47th and 50th terms are not presented because net loss was recorded for the terms.

2. History

The Company was originally established on October 1, 1970. In October 1973, the Company merged with Sagami Kogyo Co., Ltd. (established on January 30, 1951 with capital stock of ¥50 million) to change the par value of the shares from ¥500 to ¥50.

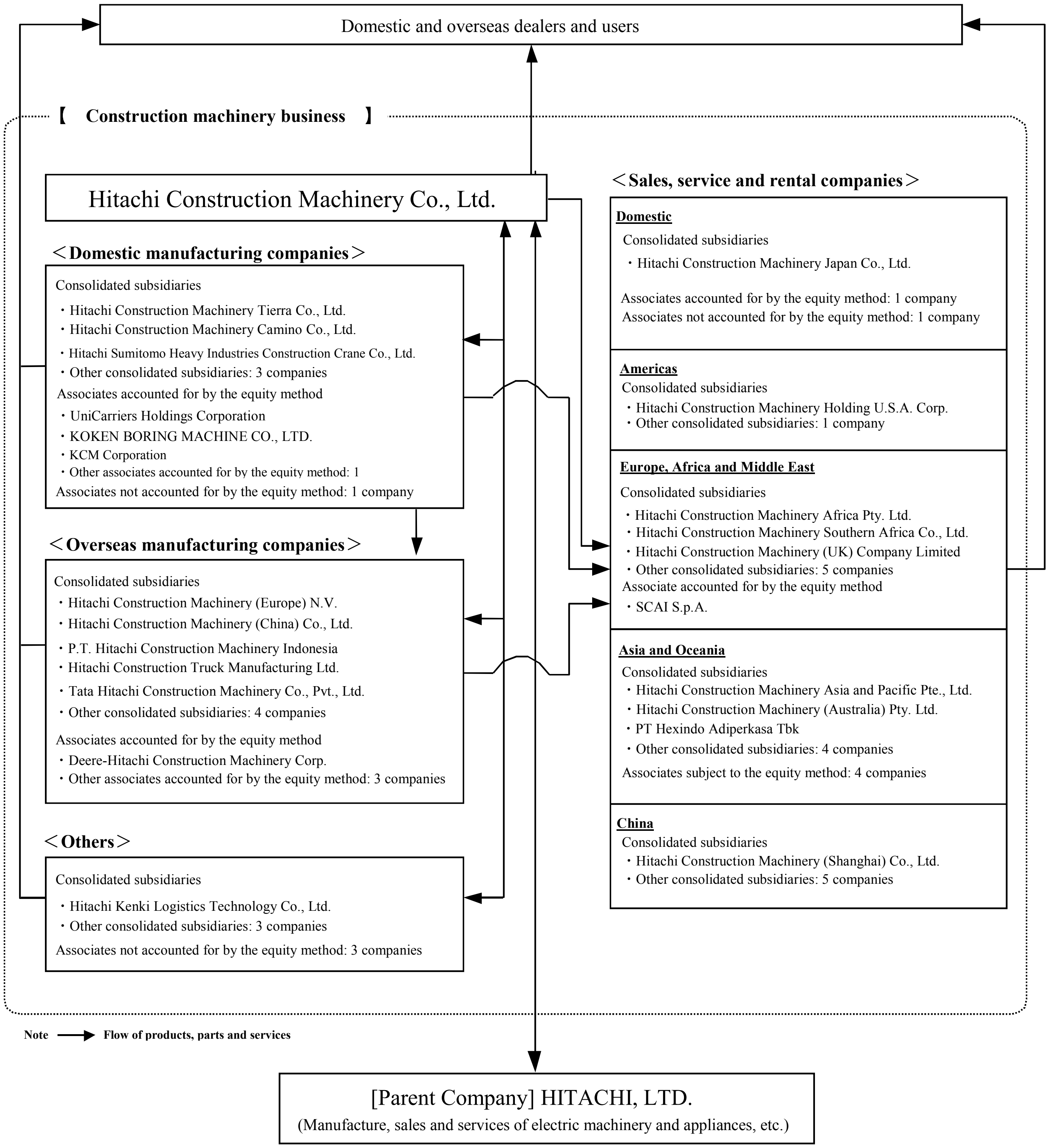
December 1955	Establishment of Hitachi Construction Machinery Service Co., Ltd. as a subsidiary of Hitachi Ltd.
April 1965	Establishment of (former) Hitachi Construction Machinery Co., Ltd. through amalgamation of Hitachi Construction Machinery Service Co., Ltd. and the construction machinery sales divisions of Hitachi, Ltd.
November 1969	Hitachi, Ltd.'s construction machinery manufacturing division split off from the parent company and established, with the Adachi and Tsuchiura works, Hitachi Construction Machinery Manufacturing Co., Ltd.
October 1970	Hitachi Construction Machinery Co., Ltd. established through amalgamation of Hitachi Construction Machinery Manufacturing Co., Ltd. and (former) Hitachi Construction Machinery Co., Ltd., with capital of ¥3.8 billion.
August 1972	Established Hitachi Construction Machinery (Europe) N.V. in the Netherlands. (Currently a consolidated subsidiary)
October 1973	Amalgamation with Sagami Kogyo Co., Ltd. (capital stock of ¥50 million). Par value of shares was changed from ¥500 to ¥50. Capital increased to ¥3.85 billion.
March 1974	Adachi Works incorporated into Tsuchiura Works in order to strengthen the manufacturing ability based on the Government policy of plant relocation.
July 1979	Established Hitachi Construction Machinery Camino Co., Ltd. (Currently a consolidated subsidiary)
December 1981	Listed on the Second Section of the Tokyo Stock Exchange
August 1984	Established Hitachi Construction Machinery Asia and Pacific Pte. Ltd. in Singapore (Currently a consolidated subsidiary)
June 1988	Established Deere-Hitachi Construction Machinery Corp. in the United States (Currently an equity-method associate)
September 1989	Listed on the First Section of the Tokyo Stock Exchange
January 1990	Acquired management rights of Hitachi Construction Machinery Tierra Co., Ltd. (Currently a consolidated subsidiary)
January 1990	Listed on the First Section of the Osaka Securities Exchange
May 1991	Established P.T. Hitachi Construction Machinery Indonesia (Currently a consolidated subsidiary)
December 1991	Acquired management rights of Niigata Material Co., Ltd. (Currently a consolidated subsidiary)
April 1995	Established Hitachi Construction Machinery (China) Co., Ltd. (Currently a consolidated subsidiary)
June 1997	Invested in P.T. Hexindo Adiperkasa Tbk in Indonesia (Currently a consolidated subsidiary)
October 1998	Acquired management rights of Hitachi Construction Truck Manufacturing Ltd. in Canada. (Currently a consolidated subsidiary)
July 2002	Established Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd. (Currently a consolidated subsidiary)
June 2005	Acquired management rights of TCM Corporation
April 2007	Acquired management rights of Yamanashi Hitachi Construction Machinery Co., Ltd.
December 2007	Established Hitachi Construction Machinery Leasing (China) Co., Ltd. in China. (Currently a consolidated subsidiary)
April 2008	Established Hitachi Construction Machinery Japan, Inc. (Former Hitachi Construction Machinery REC Co., Ltd.) (Currently a consolidated subsidiary)
September 2008	Established P.T. HEXA FINANCE INDONESIA (Former P.T. Hitachi Construction Machinery Finance (Indonesia)).
October 2008	Merged Hitachi Kenki FineTech Co., Ltd. into the Company.
July 2009	Acquired management rights of Shintohoku Metal Co., Ltd. (Currently a consolidated subsidiary)
July 2009	Acquired management rights of Wenco International Mining Systems Ltd. in Canada (Currently a consolidated subsidiary)
December 2009	TCM Corporation became a wholly owned subsidiary through an exchange of shares
March 2010	Established Hitachi Construction Machinery Eurasia Sales LLC in Russia. (Currently a consolidated subsidiary)
March 2010	Acquired management rights of Tata Hitachi Construction Machinery Co., Pvt., Ltd. in India. (Currently a consolidated subsidiary)
April 2010	Acquired the wheel loader business of TCM Corporation through absorption-type company split.
October 2010	Established Hitachi Construction Machinery Africa Pty. Ltd. in South Africa. (Currently a

	consolidated subsidiary)
March 2011	Established Hitachi Construction Machinery Middle East Corp. FZE in UAE. (Currently a consolidated subsidiary)
April 2011	Established Hitachi Construction Machinery Eurasia Manufacturing LLC in Russia. (Currently a consolidated subsidiary)
December 2011	Hitachi Construction Machinery Tierra Co., Ltd. became a wholly owned subsidiary through an exchange of shares (Currently a consolidated subsidiary)
April 2012	Merged Hitachi Kenki Business Frontier Co., Ltd. into the Company.
April 2012	Spun off and transferred the Company’s sales/service business in Japan to Hitachi Construction Machinery Japan Co., Ltd.
August 2012	Transferred all shares of TCM Corporation
October 2012	Merged Tsukuba Tech Co., Ltd. into the Company
April 2013	Hitachi Kenki Logistics Technology Co., Ltd. became a wholly owned subsidiary through an exchange of shares (Currently a consolidated subsidiary)
May 2013	Transferred all shares of Yamanashi Hitachi Construction Machinery Co., Ltd.
March 2014	Shintohoku Metal Co., Ltd. became a wholly owned subsidiary. (Currently a consolidated subsidiary)
March 2015	Transferred 70% of shares of P.T. HEXA FINANCE INDONESIA owned by the Company. (Currently an equity-method associate)

3. Description of Business

The consolidated group (hereinafter referred to as the “HCM Group”) consists of the Company, its parent company, its 43 consolidated subsidiaries and its 19 associates. Its business involves the manufacturing, sales, service and leasing of construction machinery.

The structure of the HCM Group business is as follows:



4. Information on Affiliates

Entity name	Business location	Common stock, investments (Millions of yen, unless otherwise stated)	Principal business activities	Percentage of voting rights holding [held] (%)	Relationship
[Parent of the Company] Hitachi, Ltd. (Note 1) (Note 2) (Note 3)	Chiyoda-ku, Tokyo	458,791	Manufacture, sales and service of electric machinery and equipment and various products	51.5 [0.6]	The Company lends and borrows money and has land lease transactions with the entity. The Company also pays brand value royalty.
[Consolidated subsidiaries] Hitachi Construction Machinery Tierra Co., Ltd. (Note 4)	Koka-city, Shiga	1,441	Construction machinery	100.0	The entity manufactures and sells some of the Company's construction machinery products, and the Company purchases the products. The Company also lends and borrows money and leases land.
Hitachi Construction Machinery Camino Co., Ltd.	Higashine-city, Yamagata	400	Construction machinery	100.0	The entity manufactures some of the Company's construction machinery products. The Company lends money.
Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd.	Taitou-ku, Tokyo	4,000	Construction machinery	50.0	The entity manufactures and sells some of the Company's construction machinery products, and the Company sells parts to the entity. The Company also lends and borrows money.
Hitachi Construction Machinery Japan Co., Ltd. (Note 4) (Note 5)	Soka-city, Saitama	5,000	Construction machinery	100.0	The Company sells construction machinery products to the entity. The Company also lends and borrows money. 2 Directors of the Company concurrently hold position of directors or officers.
Hitachi Construction Truck Manufacturing Ltd. (Note 4)	Guelph, Ontario, Canada	(Thousands of US dollars) 84,100	Construction machinery	100.0	The entity manufactures, sells and provides services relating to some of the Company's construction machinery products, and the Company purchases the products. The Company also lends money. 1 Director of the Company concurrently holds the position of director or officer.

Entity name	Business location	Common stock, investments (Millions of yen, unless otherwise stated)	Principal business activities	Percentage of voting rights holding [held] (%)	Relationship
Hitachi Construction Machinery (Europe) N.V. (Note 4)	Oosterhout, The Netherlands	(Thousands of Euro) 70,154	Construction machinery	98.9	The entity manufactures, sells and provides services relating to some of the Company's construction machinery products in Europe, and the Company sells the construction machinery products to the entity. 3 Directors of the Company concurrently hold the position of director or officer.
Hitachi Construction Machinery (China) Co., Ltd. (Note 4)	Hefei Anhui, China	(Thousands of RMB) 1,500,000	Construction machinery	81.3	The entity manufactures, sells and provides services relating to some of the Company's construction machinery products in China, and the Company sells products to the entity. 4 Directors of the Company concurrently hold the position of director or officer.
Hitachi Construction Machinery Asia and Pacific Pte. Ltd.	Pioneer Walk, Singapore	(Thousands of US dollars) 25,633	Construction machinery	100.0	The entity organizes sales and services of construction machinery products of the Company in Southeast Asia and Oceania region, and the Company sells products to the entity. 1 Director of the Company concurrently holds position of director or officer.
P.T. Hitachi Construction Machinery Indonesia (Note 2)	Bekasi, Indonesia	(Thousands of US dollars) 17,200	Construction machinery	82.0 (33.9)	The entity manufactures and sells some of the Company's construction machinery products and parts in the ASEAN region, and the Company provides guarantees in respect of loans. 2 Directors of the Company concurrently hold the position of director or officer.
Hitachi Construction Machinery (Shanghai) Co., Ltd.	Shanghai, China	(Thousands of RMB) 66,224	Construction machinery	54.4	The entity sells and provides services relating to construction machinery products of the Company in China, and the Company sells parts to the entity. 3 Directors of the Company concurrently hold the position of director or officer.

Entity name	Business location	Common stock, investments (Millions of yen, unless otherwise stated)	Principal business activities	Percentage of voting rights holding [held] (%)	Relationship
Hitachi Construction Machinery Leasing (China) Co., Ltd. (Note 2) (Note 4)	Shanghai, China	(Thousands of RMB) 1,103,578	Construction machinery	85.3 (24.5)	The entity leases construction machinery products of the Company in China, and the Company provides guarantees in respect of loans. 3 Directors of the Company concurrently hold the position of director or officer.
Tata Hitachi Construction Machinery Co., Pvt., Ltd.	Bangalore, Karnataka, India	(Millions of Indian Rupees) 1,000	Construction machinery	60.0	The entity manufactures and sells construction machinery products of the Company in India. 1 Director of the Company concurrently holds the position of director or officer.
Hitachi Construction Machinery Australia Pty. Ltd. (Note 5)	Greystanes, New South Wales, Australia	(Thousands of Australian Dollars) 22,741	Construction machinery	80.0	The entity sells and provides services relating to construction machinery products of the Company in Australia, and the Company sells parts to the entity. 1 Director of the Company concurrently holds the position of director or officer.
30 other consolidated subsidiaries	–	–	–	–	–
[Equity-method associates] KOKEN BORING MACHINE CO., LTD. (Note 1)	Toshima-ku, Tokyo	1,165	Construction machinery	25.6	The entity purchases products from the Company. The Company mutually cooperates with the entity in the environmental business.
Deere-Hitachi Construction Machinery Corp.	Kernersville, North Carolina, U.S.A.	(Thousands of US dollars) 108,800	Construction machinery	50.0	The entity organizes manufacturing, sales and service of some of the construction machinery products of the Company in the Americas region. 1 Director of the Company concurrently holds the position of director or officer.
UniCarriers Holdings Corporation	Shinagawa-ku, Tokyo	18,750	Industrial vehicles, special vehicles, parts service and rental	26.7	The entity sells and provides services relating to some of the construction machinery products of the Company, and subsidiaries of the Company sell products to the entity. 1 Director of the Company concurrently holds the position of director or officer.
11 other affiliates	–	–	–	–	–

(Notes) 1. The entity issues an Annual Securities Report.

2. The percentages in parentheses under "Percentage of voting rights holding [held]" represent indirect ownership out

of the total percentage noted above.

3. The Company participates in the cash pooling system of the Hitachi Group which aims at centralized management of funds, and the financial arrangements are made on a daily basis. Interest rates on deposits and borrowing of funds are decided considering the market interest rates. No collateral is provided.
4. The entity is the Specified Subsidiary.
5. Revenue of Hitachi Construction Machinery Japan Co., Ltd and Hitachi Construction Machinery (Australia) Pty. Ltd. (excluding revenue from intercompany transactions within the HCM Group) exceeds 10% of the consolidated revenue.

Major financial information

Hitachi Construction Machinery Japan., Ltd.	(Millions of yen)
1) Revenue	160,069
2) Income before income taxes	14,227
3) Net income	9,217
4) Total equity	22,963
5) Total assets	93,429

Hitachi Construction Machinery Australia Pty. Ltd.	(Millions of yen)
1) Revenue	88,306
2) Income before income taxes	7,854
3) Net income	4,073
4) Total equity	36,759
5) Total assets	63,380

5. Employees

(1) Consolidated basis

(As of March 31, 2015)

Name of segment	Number of employees
Construction Machinery	21,126 (3,920)
Total	21,126 (3,920)

(Notes) 1. The number of employees is the number of full-time employees.

2. The numbers in parentheses represent the average number of temporary employees for the year, which is not included in the number of employees.

(2) The Company

(As of March 31, 2015)

Number of employees	Average age	Average length of service	Average annual salary
4,704 (839)	37.3	13.6 years	¥6,634,000

Name of segment	Number of employees
Construction Machinery	4,704 (839)
Total	4,704 (839)

(Notes) 1. The number of employees is the number of full-time employees.

2. Average annual salary includes bonuses and extra wages.

3. The numbers in parentheses represent the average number of temporary employees for the year, which is not included in the number of employees.

(3) Description of the labor union

The labor union of the Company, named as Hitachi Construction Machinery Labor Union, belongs to the Hitachi Group Workers Union Federation. Certain entities within the HCM Group have each labor union that was established independently and belongs to an upper organization of labor union. The relationship with the labor union has been stable and smooth.

II. Business Overview

1. Summary of Business Results

The HCM Group adopted IFRS for its consolidated financial statements with the year ended March 31, 2015. Figures reported for the year ended March 31, 2014 were reclassified in accordance with IFRS for comparison analysis.

Any forward-looking statements in this report are based on the judgement of the HCM Group as of March 31, 2015.

(1) Business results

In the global economy during the consolidated fiscal year under review, the US economy steadily recovered underpinned by increased consumption and capital investment and 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 gradually improved owing to a decrease in the unemployment rate. In Russia, the economy turned downward due to the fall in crude oil prices, etc. In China, despite the "New Normal" government policy, the growth rate declined due to decelerated fixed asset investment in the real estate, manufacturing and mining sectors. In India, the economy showed signs 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 decreased compared to the previous fiscal year as a reaction to last-minute demand in anticipation of new emissions regulations. In North America, demand expanded due to increased capital investment. Demand in Europe also expanded underpinned by housing-related investments in the UK, etc. On the other hand, demand in China 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 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 remained sluggish due to the price reductions of resources and investment restraint by resource companies.

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

As for construction machinery, we have been expanding our parts and services operation by globally launching the new "ConSite" service menu, which provides comprehensive support to customers for their machinery. 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 for 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 are bringing together the strengths of the entire Hitachi Group to establish a substantially advanced customer support system, which includes expanding the lineup of our rigid dump truck AC-3 series, which features the advanced stabilizing control of vehicle, providing mine operation management system, and cross-company initiatives combining the expertise of both infrastructure management and IT for the optimization of mine operations.

As a result of these activities, the HCM Group posted consolidated revenue of ¥815,792 million, operating profit of ¥63,131 million and income before income taxes of ¥58,953 million, respectively, for the year ended March 31, 2015, each of which represents 102%, 84% and 98% of the amount reported for the year ended March 31, 2014.

[Japan]

Construction machinery demand in Japan fell 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 a downturn in public investment.

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

[The Americas]

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, construction machinery demand 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.

[Europe]

In the construction machinery market in Europe, demand had increased mainly in Western European countries, led by increased housing starts in the UK, etc. However, subsequently, in the second half of the fiscal year, demand 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.

[Russia-CIS, Africa and the Middle East]

In Russia, while construction machinery demand further decreased due to ruble depreciation and a collapse in the oil price, 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 machinery for the infrastructure-related industry in conjunction with dealers.

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

[Asia and Oceania]

In Indonesia and Australia, both of which are resource-rich countries, mining machinery demand remained sluggish. Construction machinery demand also continued to decrease in Indonesia, Thailand, Malaysia, and Australia, etc.

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

Demand for hydraulic excavators in India in the year ended March 31, 2015 remained mostly unchanged year-on-year. Some demands for infrastructure investment, such as in coal and quarries, etc., are recovering due to the effects of the new government's policies.

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

[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 only conducted on a small scale, and there was a 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, the HCM Group strove to expand sales of both machinery 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.

(2) Cash flows

Cash and cash equivalents at the end of the current fiscal year totaled ¥51,433 million, a decrease of ¥2,239 million from the end of the previous fiscal year. Factors relating to cash flows from each activity are as follows:

(Cash flows from operating activities)

Cash flows related to operating activities for the current fiscal year consisted of net income of ¥30,256 million, depreciation of ¥31,531 million, a decrease in lease receivables of ¥21,731 million, a decrease in accounts and notes receivable of ¥10,502 million and a decrease in inventories of ¥16,643 million. On the other hand, cash used in operating activities included income tax paid of ¥19,652 million and a decrease in accounts and notes payable of ¥8,469 million.

As a result, net cash provided by operating activities amounted to ¥106,229 million for the year ended March 31 2015.

(Cash flows from investing activities)

Net cash used in investing activities for the current fiscal year was ¥17,976 million, primarily due to capital expenditures of ¥15,931 million.

(Cash flows from financing activities)

Cash flows from financing activities for the current fiscal year mainly consisted of proceeds from long-term borrowings and bonds of ¥60,486 million, while cash used in financing activities included payment of long-term borrowings and bonds of ¥86,603 million, a decrease in short-term borrowings of ¥50,495 million, dividends paid to owners of the parent of ¥11,676 million and dividends paid to non-controlling interests of ¥3,289 million.

(3) Parallel disclosure

The condensed consolidated financial statements prepared pursuant to the Regulations for Consolidated Financial Statements (except for Chapter 7 and Chapter 8, hereinafter referred to as "Japan GAAP") and differences between the main accounts in the consolidated financial statements prepared in accordance with IFRS and the corresponding accounts in the consolidated financial statements prepared in accordance with Japan GAAP are as follows:

The condensed consolidated financial statements for the year ended March 31, 2015, which were prepared in accordance with Japan GAAP, were not audited pursuant to the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

1) Condensed consolidated statements of financial position (Japan GAAP)

Millions of yen

	As of March 31, 2014	As of March 31, 2015
Assets		
Current assets	718,937	673,575
Non-current assets		
Property, plant and equipment	288,947	289,159
Intangible assets	22,727	15,193
Investments and other assets	56,580	69,945
Total non-current assets	368,254	374,297
Total assets	1,087,191	1,047,872
Liabilities		
Current liabilities	446,960	360,557
Non-current liabilities	192,591	196,319
Total liabilities	639,551	556,876
Net assets		
Shareholders' equity	383,355	394,711
Accumulated other comprehensive income	5,026	25,284
Subscription rights to shares	766	766
Minority interests	58,493	70,235
Total net assets	447,640	490,996
Total liabilities and net assets	1,087,191	1,047,872

2) Condensed consolidated statements of income and condensed consolidated statements of comprehensive income (Japan GAAP)

Condensed consolidated statements of income

Years ended March 31, 2014 and 2015 — Millions of yen

	2014	2015
Net sales	802,988	815,792
Cost of sales	573,501	598,721
Gross profit	229,487	217,071
Selling, general and administrative expenses	160,324	162,726
Operating income	69,163	54,345
Non-operating income	8,812	10,468
Non-operating expenses	24,304	12,075
Ordinary income	53,671	52,738
Extraordinary income	2,144	–
Extraordinary losses	3,040	961
Income before income taxes and minority interests	52,775	51,777
Income taxes	17,594	23,787
Income before minority interests	35,181	27,990
Minority interests	6,242	5,045
Net income	28,939	22,945

Condensed consolidated statements of comprehensive income

Years ended March 31, 2014 and 2015 — Millions of yen

	2014	2015
Income before minority interests	35,181	27,990
Total other comprehensive income	22,426	27,416
Comprehensive income attributable to:	57,607	55,406
Shareholders of the Company	48,942	43,203
Minority interests	8,665	12,203

3) Condensed consolidated statements of changes in equity (Japan GAAP)

Year ended March 31, 2014 Millions of yen

	Shareholders' equity	Accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at beginning of year	362,827	(14,977)	766	54,712	403,328
Total changes during the period	20,528	20,003	–	3,781	44,312
Balance at end of year	383,355	5,026	766	58,493	447,640

Year ended March 31, 2015 Millions of yen

	Shareholders' equity	Accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at beginning of year	383,355	5,026	766	58,493	447,640
Total changes during the year	11,356	20,258	–	11,742	43,356
Balance at end of year	394,711	25,284	766	70,235	490,996

4) Condensed consolidated statements of cash flows (Japan GAAP)

Years ended March 31, 2014 and 2015 Millions of yen

	2014	2015
Net cash provided by operating activities	92,324	109,303
Net cash used in investing activities	(36,724)	(13,549)
Net cash used in financial activities	(72,174)	(103,822)
Effect of exchange rate changes on cash and cash equivalents	3,628	5,825
Net decrease in cash and cash equivalents	(12,946)	(2,243)
Cash and cash equivalents at beginning of year	66,622	53,676
Cash and cash equivalents at end of year	53,676	51,433

5) Changes in important matters related to the basis of presentation of the consolidated financial statements (Japan GAAP)

Year ended March 31, 2014

Application of accounting standard for retirement benefits

The "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No. 26) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25) (collectively, the "Standards") were issued by ASBJ on May 17, 2012. Application of the Standards is permitted from the year beginning on or after April 1, 31, 2013. Accordingly, the HCM Group applied the Standards from the year ended March 31, 2014 and changed to recording the retirement benefit obligations less plan assets as net defined benefit liability. The Company recorded unrecognized actuarial gains and losses and unrecognized prior service cost as retirement and severance benefits. In addition, the Company reviewed its calculation method of retirement benefit obligations and service costs and changed the method of attributing expected benefits to periods from the straight-line basis to the benefit formula basis.

Following Article 37 of the ASBJ Statement No. 26, which stipulates transitional treatment of the standards, at the beginning of the year ended March 31, 2014, the effect of recognizing net defined benefit liability was adjusted to remeasurements of defined benefit plans within accumulated other comprehensive income. Also, the effect of the change in the calculation method of projected benefit obligation and service cost was adjusted to retained earnings at the beginning of the year ended March 31, 2014.

As a result, as of April 1, 2013, total accumulated other comprehensive income decreased ¥14,266 million and retained earnings increased ¥953 million. The application of the Standards did not have a material effect on operating income, ordinary income, and income before income taxes and minority interests for the year ended March 31, 2014.

Year ended March 31, 2015

Not applicable.

6) Matters related to the differences between the main accounts in the consolidated financial statements prepared in accordance with IFRS and the corresponding accounts in the consolidated financial statements prepared in accordance with Japan GAAP

Under Japan GAAP, goodwill has been amortized over 5 years using a straight-line method.

Negative goodwill that occurred prior to March 31, 2010 has been amortized over 5 years using a straight-line method. Negative goodwill that occurred on April 1, 2010 and thereafter has been recognized in profit or loss for the year in which it occurred. Under IFRS, goodwill has not been amortized since the transition date, and instead, goodwill has been tested for impairment every year.

As a result, compared to Japan GAAP, the selling, general and administrative expenses in the consolidated statements of income under IFRS for the years ended March 31, 2014 and 2015 decreased ¥5,293 million and ¥5,118 million, respectively.

2. Production, Orders Received and Sales

(1) Production result

The production result for the year ended March 31, 2015 was as follows.

Segment name	Production output (Millions of yen)	Year-on-year comparison (%)
Construction Machinery	806,053	98
Total	806,053	98

(Notes) 1. Amounts are based on selling prices.
2. Amounts are presented exclusive of consumption tax.

(2) Orders received

Information on orders received is omitted since most of the products of the HCM Group are manufactured based on sales estimations.

(3) Sales results

Sales results for the year ended March 31, 2015 were as follows.

Segment name	Sales (Millions of yen)	Year-on-year comparison (%)
Construction Machinery	815,792	102
Total	815,792	102

(Notes) 1. Amounts above are presented exclusive of consumption tax.
2. There are no customers with sales exceeding 10% of the total sales.

3. 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, the HCM Group, in light of the medium-term management plan "GROW TOGETHER 2016," promotes enhancement of our marketing capabilities and SCM reform as well as strengthening 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, the HCM Group gives weight to establish a solid management foundation by promoting ongoing reform of business and cost structures and accelerating implementation of the following strategies, in terms of business growth and competitiveness.

1) Hard (product) strategies

The HCM Group will enhance our developmental marketing capabilities to respond to diverse regional needs, while building a global research and development framework. We plan to promote differentiated products which are environmental responsive such as emissions reduction with a high standard of fuel efficiency, safety and economic efficiency, in light of growing customer needs, by utilizing the technology and ICT of the Hitachi Group. Moreover, we will improve development efficiency by module development and conducting preliminary quality analysis.

2) Soft strategies

For further enhancement of support service covering the whole lifecycle of the product, we globally provide "ConSite," utilizing "Global e-Service," enhance rental business, distribution of used machinery, and expand our finance program. Through such activities, we promote high-quality services in aiming at maximizing profits.

3) Regional strategy

In order to expand our presence in each region through community-based operations with speed and efficiency, the HCM Group will reinforce regional business operations. We will enhance the development of original models for each region, utilization of manufacturing plants in each region and supports for dealers in each region. In addition, we aim to further strengthen our profitability and efficient regional business operations by promoting the reform of cost structures in each region.

4) Global management operation

The HCM Group 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 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 the continuation of our competitiveness in the market.

4. Basic Policy on Control of the Company

By listing shares, the Company raises the funds necessary for running and expanding the business from the stock market, and at the same time, the Company is evaluated by shareholders, investors and the stock markets. The Company believes that practicing management under the pressure with recognizing expectations about the Company and the HCM Group through such day-to-day evaluations will greatly contribute to the improvement of corporate value.

In addition, the Company, as a group company of Hitachi, Ltd., the parent company, shares the basic philosophy and brand of Hitachi, Ltd. while maintaining the independence of business operations, and believes that integration of basic management policy is necessary. Also, we believe that effectively leveraging research and development capabilities, brand strength, and other management resources of Hitachi, Ltd. and its Group companies will contribute to further improvement of the corporate value of the Company and the HCM Group.

Under the basic policy described above, the Company takes the initiative in building a governance framework and developing and promoting management plans, and strives to improve the corporate value and maximize the value provided to shareholders in general.

5. 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 manufacturing, sales and finance, etc. Accordingly, the HCM Group's business activities are faced to the effects of a wide range of risks.

The HCM Group has identified the following risks as its primary risks based on information available as of March 31, 2015.

(1) Market conditions

Under the 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 estate, etc. The HCM Group's business may be 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

Revenue that the HCM Group derived from outside Japan accounted for 72.8% of total revenue for the year ended March 31, 2015, largely exceeding that 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 the 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 imported 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 debts, its aggregate short- and long-term interest-bearing debts were approximately ¥287,700 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 debts subject to floating interest rates, thereby adversely affecting the 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 the HCM Group's pension plans or pension liabilities. Such an increase in obligation of pension plans and pension liabilities may adversely affect the 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 machinery, are sold via sales financing, such as installment sales, finance leasing, etc., and we have set up a department to engage in credit management of the overall group. Although the credits are widely spread because 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 authorization 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 property, consumers, the environment and recycling, conditions of employment, taxation, etc.

If such existing laws or regulations were to be amended or tightened, the HCM 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 HCM 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 our 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 occurs despite such efforts, 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 criticisms or interference by third parties in regions in which the HCM Group operates may cause extensive damage to 1 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.

6. Important Business Contracts, etc.

(1) Business alliance contracts

Name of contracting party	Name of counterparty	Country	Items under contract	Nature of the contract	Contract period
Hitachi Construction Machinery Co., Ltd.	KUBOTA Corporation	Japan	Hydraulic excavator	OEM supply	From May 6, 1976 to February 21, 1997 and it is automatically renewed for next 2 years
			Mini-sized excavator	OEM purchase	From April 19, 1995 to May 16, 2005 and it is automatically renewed for next 2 years
Hitachi Construction Machinery Co., Ltd.	TADANO LTD.	Japan	High elevation work vehicle	OEM complementary supply	2 years from January 11, 1999 and it is automatically renewed for next 1 year
Hitachi Construction Machinery Co., Ltd.	Deere & Company	U.S.A.	Hydraulic excavator	OEM supply	8 years from February 10, 1983 and it is automatically renewed for next 5 years
			Buck-hoe loader	OEM purchase	From March 30, 1987 to October 25, 2015
			Bulldozer	OEM purchase	From October 25, 1989 to October 25, 2015
Hitachi Construction Machinery Co., Ltd.	HOKUETSU INDUSTRIES CO., LTD.	Japan	Mini-sized excavator	OEM supply	From April 1, 2005 to March 31, 2007 and it is automatically renewed for next 2 years
Hitachi Construction Machinery Co., Ltd.	Bell Equipment Limited	South Africa	Articulated dump truck Sugarcane forest trimmer	OEM purchase	5 years from September 5, 2000 and it is automatically renewed for next 1 year
Hitachi Construction Machinery Co., Ltd.	Deere-Hitachi Maquinas de Construcao do Brasil S.A.	Brazil	Hydraulic excavator	OEM supply	Indefinite periods from September 30, 2011.

(2) Technical collaboration contracts

Name of contracting party	Name of counterparty	Country	Items under contract	Nature of the contract	Contract period
Hitachi Construction Machinery Co., Ltd.	Nakayama Iron Works, Ltd.	Japan	Crawler-mounted crusher	1. Joint development 2. Complementary supply of parts	1. 2 years from September 1, 1993 and it is automatically renewed for next 1 year 2. From July 25, 1995 to December 31, 1995 and it is automatically renewed for next 1 year
Hitachi Construction Machinery Co., Ltd.	KCM Corporation	Japan	Wheel loader	Joint development	From October 31, 2008 to October 31, 2018
Hitachi Construction Machinery Co., Ltd.	Deere-Hitachi Maquinas de Construcao do Brasil S.A.	Brazil	Hydraulic excavator	Technology licensing	5 years from September 30, 2011 and renewable for 5 years only thereafter

(3) Stock transfer contract

Based on the resolution at the Board of Directors meeting held on November 28, 2014, the Company decided to acquire the stock of KCM Corporation and concluded a stock transfer contract with Kawasaki Heavy Industries, Ltd. on the same day. According to the respective contract, KCM Corporation will become a wholly owned subsidiary on October 1, 2015.

(4) Other contract

Name of contracting party	Name of counterparty	Country	Nature of the contract	Contract period
Hitachi Construction Machinery Co., Ltd.	Hitachi, Ltd. [Parent company]	Japan	Licensing on the use of Hitachi brand	5 years from April 1, 2010

7. Research and Development Activities

The HCM Group actively promotes prompt development of new products and technologies primarily focusing on improved quality and reliability. Research and development activities, mainly led by the Technical Research Center of the Research Div., are conducted and closely assisted by research and development staff of the design, manufacturing and quality assurance divisions of each office and group companies within the development, production and procurement, and corporate quality assurance divisions. In addition, depending on the field of development technology, advanced research and development activities are undertaken through collaborative research and contract research with Hitachi, Ltd., universities in Japan and abroad, and national and public research institutes, while promoting human resources development.

For the construction and machinery business, research and development expenditures for the year ended March 31, 2015 totaled ¥17,843 million.

Research and development activities are as follows:

In addition to mainstay products such as hydraulic excavators and ultra-large-sized excavators, technologies to support anticipated emission regulations are being developed for mini-sized excavators, wheel loaders, and cranes, etc., and products that are clean energy-friendly and energy conservation-friendly are being developed, around the keyword “Low-carbon.”

Especially, we are vigorously promoting the motorization of construction machinery by leveraging the electronics technologies of the Hitachi Group.

So far, we have launched ZH200 hybrid excavators in the market and have also launched a succeeding hybrid excavator, ZH200-5B, with “hybrid + (plus)” as a basic concept. In June 2014, we developed the wheel loader ZW220HYB-5B mounted with a hybrid system. The hybrid system mounted in it drives the electric generator with a diesel engine, and supplies the generated electricity to the running electric motor. Therefore, energy loss during power transmission has been significantly reduced compared to former models.

We expanded our product lineup of dump trucks for mining by launching EH3500AC-3 and EH4000AC-3 in December 2014. In addition to the AC drive system, these employ a “body stabilization control technology” that reduces body slip, tire locks, longitudinal swing, and skidding when steering. This technology won the “2014 Japan Society of Mechanical Engineers Award (technology)” sponsored by the Japan Society of Mechanical Engineers.

With respect to the area of IT and robot technology, which is a new stream for the construction machinery industry, we have been promoting preventive maintenance of machinery as well as research and development of installation support systems with the objective of improving working efficiency of machinery and cutting down construction and management costs for customers. For enhanced safety, we will commercialize “Sky Angle,” a system for supporting safety checks around construction machinery, jointly developed with Clarion Co., Ltd., and we will also continue to develop and provide various technologies for autonomous driving of dump trucks to improve efficiency of mining operations. Using communication technology, autonomous driving connects the various body control systems and traffic control system mounted on a vehicle, and makes it possible to carry out operations necessary at a mining site such as driving and cargo loading and unloading even without a driver. For commercial viability, we are carrying out tests in Australia.

In the future, too, we will continue to respect human life and dignity and think from the customer’s point of view, and continue to offer construction machinery with unparalleled product appeal, by developing technologies for reduced vibrations and noise, enhanced safety, and reduced load on operators, and also developing fundamental technologies for productivity and quality improvement and cost reduction.

Major achievements in the fiscal year under review are as follows:

Hydraulic excavator	ZX120-5B
Reduced-tail-swing-excavators	ZX135US-5B, ZX17U-5A, ZX75US-5B
Wheel loaders	ZW100-5B, ZW120-5B, ZW80-5B
Tire roller	ZC220P-5
Small compaction equipment	ZV60PFL
Macadam roller	ZC125M-5
Ultrashort-class excavator	ZX75UR-5B
Rigid dump trucks	EH3500AC-3, EH4000AC-3

8. Analysis of Financial Condition and Results of Operations and Cash Flows

(1) Significant accounting policies and estimates

From the year ended March 31, 2015, the HCM Group adopted IFRS in preparation of the consolidated financial statements. In preparing the consolidated financial statements, the Management has made a number of estimates that could affect the financial condition amounts and results of operations based on various factors that are considered to be reasonable based on past performance and circumstances. In particular, the following significant accounting policies may have material effects on estimates in the preparation of the consolidated financial statements of the Company.

Any forward-looking statements in this report are based on the judgement of the HCM Group as of March 31, 2015.

1) Inventories

Inventories of the HCM Group are valued at the lower of cost or net realizable value, and write-downs may be required if actual future demand or market conditions deteriorate.

2) Property, plant and equipment and intangible assets

The HCM Group determines any indications of impairment with respect to property, plant and equipment and intangible assets, and conducts an impairment test when there are indications that the carrying value is not recoverable. If the recoverable amount declines due to deterioration of earnings or cash flows from future operating activities, a recognition of additional impairment loss may be required.

Also, goodwill and intangible assets with indefinite lives are tested for impairment annually, generally in the fourth quarter, regardless of any indications of impairment by estimating the recoverable amount of each cash-generating unit to which such assets are allocated. In case of a decline in the excess earning power of a consolidated subsidiary with goodwill, a recognition of additional impairment loss may be required.

3) Trade receivables and other financial assets

Impairment loss on financial assets may be recognized when there is objective evidence of impairment after initial recognition and when the estimated future cash flows from the financial asset falls below their respective carrying amounts. In addition, impairment losses on trade receivables are recorded based on credit loss ratio and recoverable amounts calculated by taking into account past experience with consideration of potential risks associated with the business environment including specific business practices of the country or region in which the business is carried out. When there are expected losses that have not been reflected in the current carrying amount, or when the carrying amount is not recoverable due to deterioration in future market conditions or performance of customers, an impairment loss may be recognized.

4) Deferred tax assets

Deferred tax assets are recognized only to the extent that it is probable that future taxable income will be available against which unused tax losses, unused tax credits and future deductible temporary differences can be utilized. Additional write-down of deferred tax assets may be required if earnings and taxable income fall below projections in the future.

5) Retirement and severance benefit

The HCM Group measures defined benefit obligations and plan assets under retirement benefit plans based on the actuarial assumptions. These actuarial assumptions include a discount rate, a rate of increase in salary, retirement rate, mortality rate, and long-term rate of return on plan assets, etc. If the actual results differ from such assumptions or if the assumptions are changed in the future, there may be effects on retirement and severance benefit, retirement benefit costs, and remeasurements of retirement benefit obligations.

(2) Analysis of operating results for the year ended March 31, 2015

1) Revenue

Revenue for the current year amounted to ¥815,792 million, a 1.6% increase from the previous year.

2) Cost of sales, selling, general and administrative expenses

Cost of sales for the current year was ¥597,156 million, a 4.3% increase from the previous year. The ratio of cost of sales to revenue increased by 1.9% to 73.2%.

Selling, general and administrative expenses were ¥156,717 million, a 1.6% increase from the previous year.

3) Operating income

Operating income decreased by 15.7% from the previous year to ¥63,131 million. The ratio of operating income to revenue decreased by 1.6% to 7.7%.

4) Financial income and expenses

Financial income and expenses were a net loss of ¥5,632 million, a decrease of ¥9,222 million from the net loss of ¥14,854 million recorded in the previous year, primarily due to a decrease in net foreign exchange losses of ¥1,964 million to ¥7,836 million for the current year from the net loss of ¥9,800 million for the previous year.

5) Income before income taxes

Income before income taxes was ¥58,953 million, a 2.2% decrease from the previous year.

6) Income taxes

Income taxes for the current year amounted to ¥28,697 million, a 57.0% increase from the previous year.

(3) Factors that have material effects on operating results

Please refer to 5. “Business Risks” for factors that have material effects on the operating results of the HCM Group as well as effects of changes in political and economic environments in Japan and abroad and changes in demands.

(4) Capital resources and liquidity

Please refer to (2) “Cash flows” of 1. “Summary of Business Results,” for fund procurement and liquidity management of the HCM Group.

III. Property, Plant and Equipment

1. Overview of Capital Investment

With respect to capital investment for the year ended March 31, 2015, the HCM Group made investments mainly to increase production capacity of and streamline domestic and overseas hydraulic shovel manufacturing bases as well as to maintain the sales/service facilities of the HCM Group.

Consequently, total capital investment for the year ended March 31, 2015 amounted to ¥16,525 million. No significant facilities were disposed of during the year ended March 31, 2015.

2. Major Property, Plant and Equipment

Since the Company has only the construction machinery segment, the description of “Segment name” is omitted.

(1) The Company

(As of March 31, 2015)

Name of facilities (Location)	Facility details	Carrying amount (Millions of yen)						Number of employees
		Buildings and structures	Machinery, equipment and vehicles	Land (Area in thousands of m^2)	Lease assets	Other	Total	
Tsuchiura Works/ Kasumigaura Works (Kasumigaura-city, Ibaraki and other) Notes 1, 2	Construction machinery manufacturing facility of hydraulic shovels	8,702	15,595	6,936 (5,042) [95]	–	2,333	33,567	3,086
Hitachinaka Works Hitachinaka-city, Ibaraki Note 1	Manufacturing facility of components for hydraulic shovels	8,610	8,711	1,980 (66) [148]	–	145	19,447	228
Hitachinaka-Rinko Works (Hitachinaka-city, Ibaraki and other)	Manufacturing facility of components for hydraulic shovel	17,547	5,421	12,246 (495)	–	216	35,429	275
Ryugasaki Works Ryugasaki-city, Ibaraki	Manufacturing facility of wheel loaders	900	994	2,351 (296)	–	267	4,511	538
Head Office (Bunkyo-ku, Tokyo and other) Note 2	Facilities in the registered office of this company, etc.	1,450	147	16,706 (554)	14	274	18,590	577

(2) Domestic subsidiaries

(As of March 31, 2015)

Name of entity	Address and name of business (Location)	Facility details	Carrying amount (Millions of yen)						Number of employees
			Buildings and structures	Machinery, equipment and vehicles	Land (Area in thousands of m^2)	Lease assets	Other	Total	
Tada Kiko Co., Ltd.	Factory Suzumi, Funabashi-city	Manufacturing factory of parts	1,672	586	1,604 (30)	3	39	3,904	206
Hitachi Construction Machinery Tierra Co., Ltd.	Headquarters/ Factory Koka-city, Shiga	Manufacturing factory of mini-sized excavator	1,286	1,324	397 (157)	–	353	3,360	519

(3) Foreign subsidiaries

(As of March 31, 2015)

Name of entity	Address and name of business (Location)	Facility details	Carrying amount (Millions of yen)						Number of employees
			Buildings and structures	Machinery, equipment and vehicles	Land (Area in thousands of m^2)	Lease assets	Other	Total	
P.T. Hitachi Construction Machinery Indonesia	Factory (Cibitung, Indonesia)	Assembly plant of construction machinery	4,026	4,962	– [217]	–	323	9,312	995
PT. Shibaura Shearing Indonesia	Factory (Kawasan, Indonesia)	Assembly plant of construction machinery	2,045	188	– [112]	–	3	2,235	281
Hitachi Construction Machinery (China) Co., Ltd.) Note 1	Headquarters/ Factory (Hefei Anhui, China)	Assembly plant of construction machinery	11,420	4,773	– [1,110]	–	136	16,329	2,498
Hitachi Construction Machinery (Europe) N.V. Note 1	Headquarters/ Factory (Oosterhout, The Netherlands)	Assembly plant of construction machinery	1,794	646	570 (97) [26]	72	249	3,330	232
Hitachi Construction Machinery (Europe) N.V. Note 1	Factory (Amsterdam, The Netherlands)	Assembly plant of construction machinery	2,782	446	– [180]	61	70	3,359	399
Tata Hitachi Construction Machinery Co., Pvt., Ltd. Note 1	Factory (Kharagpur, India)	Assembly plant of construction machinery	5,473	5,648	– [514]	–	59	11,180	448
Tata Hitachi Construction Machinery Co., Pvt., Ltd. Note 1	Factory (Jamshedpur India)	Assembly plant of construction machinery	552	2,509	– [140]	–	42	3,104	635
Hitachi Construction Machinery Eurasia Manufacturing LLC	Factory (Tver region, Russian Federation)	Assembly plant of construction machinery	3,427	1,443	5 (400)	–	18	4,892	227

(Notes) 1. Area in thousands of square meters of leased land is superscripted with [ ].

2. Land of Tsuchiura Works is presented including the product durability testing facilities of 4,277 thousand m^2 costing ¥522 million located in Tokachi district, Urahoro, Hokkaido. The land of the head office is presented including the land with an area of 536 thousand m^2 costing ¥16,434 million which is leased to Hitachi Construction Machinery Japan Co., Ltd. (for its head office, Kansai and Shikoku branch office and other bases).

3. It does not include construction in progress.

4. The amounts are their respective carrying amounts exclusive of consumption tax.

3. Plan for New Capital Investment and Disposal of Property, Plant and Equipment

(1) Significant capital investment

Not applicable.

(2) Disposal of significant property, plant and equipment

Not applicable.

IV. Information on the Company

1. Information on the Company's Stock, etc.

(1) Total number of shares, etc.

1) Total number of shares

Class	Total number of shares authorized to be issued (shares)
Common stock	700,000,000
Total	700,000,000

2) Issued shares

Class	Number of shares issued as of March 31, 2015 (Shares)	Number of shares issued as of June 23, 2015 (Filing Date) (Shares)	Stock exchange on which the Company is listed	Description
Common stock	215,115,038	215,115,038	First Section of the Tokyo Stock Exchange.	Standard stock of the Company with full voting rights and no restrictions on rights. The number of shares per one unit is 100 shares.
Total	215,115,038	215,115,038	–	–

(2) Information on subscription rights to shares

The Company has granted subscription rights to shares in accordance with the provisions of Article 280-20 and Article 280-21 of the former Commercial Code (amended in 2001) and the provisions of Articles 236, 238 and 239 of the Companies Act.

1) Subscription rights to shares granted upon a special resolution at the annual shareholders' meeting held on June 28, 2005

	As of March 31, 2015	As of May 31, 2015
Subscription rights to shares (Shares)	748	528
Of which subscription rights to shares of treasury stock (Shares)	–	–
Class of shares to be issued upon exercise of subscription rights	Common stock The number of shares per one unit of shares is 100	Same as the left
Number of shares to be issued upon exercise of subscription rights (Shares)	74,800	52,800
Amount to be paid upon exercise of subscription rights (Yen)	1,557	Same as the left
Exercise period of subscription rights	From July 1, 2007 to June 28, 2015	Same as the left
Issue price and capitalization amount of shares when issuing shares upon exercise of subscription rights (Yen)	(Note 1)	Same as the left
Conditions on exercise of subscription rights	1 A person entitled to subscription rights shall be able to exercise such rights even after ceasing to be a Director or an Executive Officer or an employee of the Company, or a director of a consolidated subsidiary, under the conditions set forth in the grant agreement. 2 In the event of the death of the person entitled to subscription rights, a legal heir can exercise such rights within 2 years, under the conditions set forth in the grant agreement. 3 A person entitled to subscription rights shall not be able to transfer, pledge, or otherwise furnish such rights to a third party. 4 Other conditions on the exercise shall be as set forth in the grant agreement to be concluded between the Company and the grantees, in accordance with this resolution of the shareholders' meeting and the Board of Directors meeting.	Same as the left
Matters relating to transfer of subscription rights	The approval of the Board of Directors of the Company shall be required when transferring the subscription rights.	Same as the left
Matters concerning subrogation payment	–	–
Matters relating to grants of subscription rights to shares associated with reorganization	–	–

(Notes) 1. The issue price and capitalization amount are not stipulated for the issuance of shares upon exercise of subscription rights because it was decided to appropriate the treasury shares.

2. On July 31, 2007, it was decided to issue new shares through a public offering and third-party allotment on the authority of the President and Chief Executive Officer. As a result of the issuance of 19,000,000 new shares on

August 15, 2007, the amount to be paid has been adjusted to ¥1,557 as of the same date.

2) Subscription rights to shares granted upon a special resolution at the annual shareholders' meeting held on June 26, 2006

	As of March 31, 2015	As of May 31, 2015
Subscription rights to shares (Shares)	3,050	Same as the left
Of which subscription rights to shares of treasury stock (Shares)	–	–
Class of shares to be issued upon exercise of subscription rights	Common stock The number of shares per one unit of shares is 100	Same as the left
Number of shares to be issued upon exercise of subscription rights (Shares)	305,000	Same as the left
Amount to be paid upon exercise of subscription rights (Yen)	2,728	Same as the left
Exercise period of subscription rights	From July 29, 2008 to June 28, 2016	Same as the left
Issue price and capitalization amount of shares when issuing shares upon exercise of subscription rights (Yen)	(Note 1)	Same as the left
Conditions on exercise of subscription rights	1 A person entitled to subscription rights shall be able to exercise such rights even after ceasing to be a Director or an Executive Officer or an employee of the Company, or a director of a consolidated subsidiary, under the conditions set forth in the grant agreement. 2 In the event of the death of the person entitled to subscription rights, a legal heir can exercise such rights within 2 years, under the conditions set forth in the grant agreement. 3 A person entitled to subscription rights shall not be able to transfer, pledge, or otherwise furnish such rights to a third party. 4 Other conditions on the exercise shall be as set forth in the grant agreement to be concluded between the Company and the grantees, in accordance with this resolution of the shareholders' meeting and the Board of Directors meeting.	Same as the left
Matters relating to transfer of subscription rights	The approval of the Board of Directors of the Company shall be required when transferring the subscription rights.	Same as the left
Matters concerning subrogation payment	–	–
Matters relating to grants of subscription rights to shares associated with reorganization	–	–

(Notes) 1. The issue price and capitalization amount are not stipulated for the issuance of shares upon exercise of subscription rights, because it was decided to appropriate the treasury shares.

2. On July 31, 2007, it was decided to issue new shares through a public offering and third-party allotment on the authority of the President and Chief Executive Officer. As a result of the issuance of 19,000,000 new shares on August 15, 2007, the amount to be paid has been adjusted to ¥2,728 as of the same date.

3) Subscription rights to shares granted upon a special resolution at the annual shareholders' meeting held on June 25, 2007

	As of March 31, 2015	As of May 31, 2015
Subscription rights to shares (Shares)	3,320	Same as the left
Of which subscription rights to shares of treasury stock (Shares)	–	–
Class of shares to be issued upon exercise of subscription rights	Common stock The number of shares per one unit of shares is 100	Same as the left
Number of shares to be issued upon exercise of subscription rights (Shares)	332,000	Same as the left
Amount to be paid upon exercise of subscription rights (Yen)	4,930	Same as the left
Exercise period of subscription rights	From July 1, 2009 to June 25, 2017	Same as the left
Issue price and capitalization amount of shares when issuing shares upon exercise of subscription rights (Yen)	(Note)	Same as the left
Conditions on exercise of subscription rights	1 A person entitled to subscription rights shall be able to exercise such rights even after ceasing to be a Director or an Executive Officer or an employee of the Company, or a director of a consolidated subsidiary, under the conditions set forth in the grant agreement. 2 In the event of the death of the person entitled to subscription rights, a legal heir can exercise such rights within 2 years, under the conditions set forth in the grant agreement. 3 A person entitled to subscription rights shall not be able to transfer, pledge, or otherwise furnish such rights to a third party. 4 Other conditions on the exercise shall be as set forth in the grant agreement to be concluded between the Company and the grantees, in accordance with this resolution of the shareholders' meeting and the Board of Directors meeting.	Same as the left
Matters relating to transfer of subscription rights	The approval of the Board of Directors of the Company shall be required when transferring the subscription rights.	Same as the left
Matters concerning subrogation payment	–	–
Matters relating to grants of subscription rights to shares associated with reorganization	–	–

(Note) The issue price and capitalization amount are not stipulated for the issuance of shares upon exercise of subscription rights, because it was decided to appropriate the treasury shares.

(3) Information on moving strike convertible bonds, etc.

Not applicable.

(4) Information on shareholder right plans

Not applicable.

(5) Changes in the total number of issued shares and the amount of common stock and other

Date	Change in the total number of issued shares (Thousands of shares)	Balance of the total number of issued shares (Thousands of shares)	Change in common stock (Millions of yen)	Balance of common stock (Millions of yen)	Change in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
From April 1, 2007 to March 31, 2008	19,020	215,115	38,941	81,577	38,941	81,084

(Notes) 1. Changes are due to issuance of 19,000,000 new shares with an issue price of ¥4,184 through a public offering and third-party allotment as of August 15, 2007, resulting in increases in capital and legal capital surplus of ¥38,937 million, respectively, as well as increases due to the exercise of warrants and subscription rights to shares.

2. The most recent changes in the total number of shares outstanding, capital and legal capital surplus are presented since there were no changes in the last 5 years.

(6) Composition of shareholders

(As of March 31, 2015)

Category	Stock condition (Number of shares of 1 unit 100 shares)								Number of shares less than one unit (shares)
	Government and municipality	Financial Institution	Financial instruments business operator	Other institution	Foreign corporations, etc.		Individual and others	Total	
					Other than individual	Individual			
Number of shareholders	–	89	66	524	405	18	42,533	43,635	–
Share ownership (units)	–	377,584	72,536	1,143,436	275,270	124	280,753	2,149,703	144,738
Ownership percentage of shares (%)	–	17.6	3.4	53.2	12.8	0.0	13.1	100.0	–

(Notes) 1. Of treasury stock of 2,537,814 shares, 25,378 units are included in the total units held by "Individual and others" and 14 shares are included in the "Number of shares less than one unit."

2. The number of units under "Other institution" includes 16 share units registered in the name of Japan Securities Depository Center, Inc.

(7) Major shareholders

(As of March 31, 2015)

Name	Address	Share Ownership (Thousands of shares)	Ownership percentage to the total number of issued shares (%)
Hitachi, Ltd.	1-6-6 Marunouchi, Chiyoda-ku, Tokyo	108,058	50.23
The Master Trust Bank of Japan, Ltd. (trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	13,613	6.33
Japan Trustee Services Bank, Ltd. (trust account)	1-8-11 Harumi, Chuo-ku, Tokyo	8,977	4.17
BNP Paribas Securities (JAPAN)	GranTokyo North Tower 1-9-1 Marunouchi, Chiyoda-ku, Tokyo	3,468	1.61
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	Harumi Triton Square Tower Z 1-8-12 Harumi, Chuo-ku, Tokyo	2,386	1.11
Hitachi Urban Investment, Ltd.	1-1-14 Uchikanda, Chiyoda-ku, Tokyo	1,295	0.60
HSBC Asia Equity Finance Japan Equities (trading) (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo branch, Custody Business Div.)	LEVEL 16, 1 QUEEN'S ROAD CENTRAL, HONG KONG (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	1,286	0.60
State Street Bank West Client – Treaty 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement and Clearing Services Div.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (4-16-13 Tsukishima, Chuo-ku, Tokyo)	1,277	0.59
Japan Trustee Services Bank, Ltd. (trust account 9)	1-8-11 Harumi, Chuo-ku, Tokyo	1,262	0.59
Japan Trustee Services Bank, Ltd. (trust account 7)	1-8-11 Harumi, Chuo-ku, Tokyo	1,092	0.51
Total	–	142,713	66.34

(Notes) 1. The 2,538 thousand shares of treasury stock held by the Company are excluded from the number of shares held by the major shareholders above.

2. Of the above number of shares held, the number of shares in association with fiduciary activities is as follows:

The Master Trust Bank of Japan, Ltd. (Trust Account)	13,613 thousand shares
Japan Trustee Services Bank, Ltd. (Trust Account)	8,977 thousand shares
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	2,386 thousand shares
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,262 thousand shares
Japan Trustee Services Bank, Ltd. (Trust Account 7)	1,092 thousand shares

(8) Information on voting rights

1) Issued shares

(As of March 31, 2015)

Classification	Number of shares (shares)	Number of voting rights	Description
Shares without voting rights	–	–	–
Shares with restricted voting rights (treasury stock, etc.)	–	–	–
Shares with restricted voting rights (others)	–	–	–
Shares with full voting rights (treasury stock, etc.)	(Treasury stock) Common stock 2,537,800	–	–
Shares with full voting rights (others)	Common stock 212,432,500	2,124,325	–
Shares less than one unit	Common stock 144,738	–	Shares less than one unit (100 shares)
Number of issued shares	215,115,038	–	–
Total number of voting rights	–	2,124,325	–

(Notes) 1. The "Shares with full voting rights (others)" include 1,600 shares (representing 16 voting rights) registered in the name of Japan Securities Depository Center, Inc.

2. The "Shares less than one unit" include 14 shares registered in the name of the Company.

2) Treasury stock, etc.

(As of March 31, 2015)

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
(Treasury stock) Hitachi Construction Machinery Co., Ltd.	2-5-1 Koraku, Bunkyo-ku, Tokyo	2,537,800	–	2,537,800	1.18
Total	–	2,537,800	–	2,537,800	1.18

(9) Details of stock option plans

The Company has adopted a stock option plan.

1) Based on the provisions of Article 280-20 and Article 280-21 of the former Commercial Code (amendment in 2001), the special resolution at the annual shareholders' meeting held on June 28, 2005 approved the issuance of subscription rights to shares to the Company's Directors, Executive Officers, employees and directors of consolidated subsidiaries as stock options.

Overview of the plan is as follows:

Date of resolution	June 28, 2005
Individuals covered by the plan	1) Directors of the Company 9 2) Executive Officers of the Company 15 3) Employees of the Company 25 4) Directors of consolidated subsidiaries 32
Class of shares to be issued upon exercise of subscription rights	See 1) of "(2) Information on subscription rights to shares."
Number of shares to be issued upon exercise of subscription rights (Shares)	Same as above
Amount to be paid upon exercise of subscription rights (Yen)	Same as above
Exercise period of subscription rights	Same as above
Conditions on exercise of subscription rights	Same as above
Matters relating to transfer of subscription rights	Same as above
Matters concerning subrogation payment	Same as above
Matters relating to grants of subscription rights to shares associated with reorganization	Same as above

2) Based on the provisions of Articles 236, 238 and 239 of the Companies Act, the special resolution at the annual shareholders' meeting held on June 26, 2006 approved the issuance of subscription rights to shares to the Company's Directors, Executive Officers, employees and directors of consolidated subsidiaries as stock options.

Overview of the plan is as follows:

Date of resolution	June 26, 2006
Individuals covered by the plan	1) Directors of the Company 9 2) Executive Officers of the Company 14 3) Employees of the Company 22 4) Directors of consolidated subsidiaries 30
Class of shares to be issued upon exercise of subscription rights	See 2) of "(2) Information on subscription rights to shares."
Number of shares to be issued upon exercise of subscription rights (Shares)	Same as above
Amount to be paid upon exercise of subscription rights (Yen)	Same as above
Exercise period of subscription rights	Same as above
Conditions on exercise of subscription rights	Same as above
Matters relating to transfer of subscription rights	Same as above
Matters concerning subrogation payment	Same as above
Matters relating to grants of subscription rights to shares associated with reorganization	Same as above

3) Based on the provisions of Articles 236, 238 and 239 of the Companies Act, the special resolution at the annual shareholders' meeting held on June 25, 2007 approved the issuance of subscription rights to shares to the Company's Directors, Executive Officers, employees and directors of consolidated subsidiaries as stock options.

Overview of the plan is as follows:

Date of resolution	June 25, 2007
Individuals covered by the plan	1) Directors of the Company 9 2) Executive Officers of the Company 15 3) Employees of the Company 26 4) Directors of consolidated subsidiaries 33
Class of shares to be issued upon exercise of subscription rights	See 3) of "(2) Information on subscription rights to shares."
Number of shares to be issued upon exercise of subscription rights (Shares)	Same as above
Amount to be paid upon exercise of subscription rights (Yen)	Same as above
Exercise period of subscription rights	Same as above
Conditions on exercise of subscription rights	Same as above
Matters relating to transfer of subscription rights	Same as above
Matters concerning subrogation payment	Same as above
Matters relating to grants of subscription rights to shares associated with reorganization	Same as above

2. Information on Acquisition, etc., of Treasury Stock

Class of shares

Acquisition of shares of common stock under Article 155, paragraph 7 of the Companies Act.

(1) Acquisition of treasury stock resolved at the Shareholders' Meeting

Not applicable.

(2) Acquisition of treasury stock resolved at the Board of Directors meetings

Not applicable.

(3) Details of acquisition of treasury stock not based on the resolutions at the Shareholders' Meeting or the Board of Directors meetings

Acquisition of shares of common stock under Article 155, paragraph 7 of the Companies Act.

Classification	Number of shares (Shares)	Total amount (Yen)
Treasury stock acquired during the year ended March 31, 2015	1,947	4,246,403
Treasury stock acquired during the current period (year ending March 31, 2016)	207	443,005

(Note) The number of shares of treasury stock acquired during the current period does not include the number of shares less than one unit of shares purchased during the period from June 1, 2015 to the filing date of this annual securities report.

(4) Status of the disposition and holding of acquired treasury stock

Classification	Year ended March 31, 2015		Current period (year ending March 31, 2016)	
	Number of shares (Shares)	Total disposition amount (Yen)	Number of shares (Shares)	Total disposition amount (Yen)
Acquired treasury stock which was offered to subscribers	–	–	–	–
Acquired treasury stock which was cancelled	–	–	–	–
Acquired treasury stock which was transferred due to merger, share exchange and company split	–	–	–	–
Others	69,154	85,966,871	22,000	27,359,070
Total number of treasury stock held	2,537,814	–	2,516,021	–

(Notes) 1. The "Others" for the year ended March 31, 2015 consist of the exercise of subscription rights to shares of 69,100 shares with a total disposition amount of ¥85,899,740 and the disposition of 54 shares (less than one unit of shares) with a total disposition amount of ¥67,131.

The "Others" for the current period is attributable to the exercise of subscription rights to shares.

2. The "Others" for the current period does not include the number of shares less than one unit of shares disposed of, or transferred upon exercise of subscription rights to shares, during the period from June 1, 2015 to the filing date of this annual securities report.

3. The "Total number of treasury stock held" for the current period does not include the number of shares less than one unit of shares acquired of disposed during the period from June 1, 2015 to the filing date of this annual securities report.

3. Dividend Policy

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

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

The Company provides in its Articles of Incorporation that the distribution of surplus will be made to shareholders of record as of March 31 and September 30 of each year based on the resolution at the Board of Directors meeting pursuant to Article 459 of the Companies Act.

Based on the above policy, the following dividends distributions were decided for the year ended March 31, 2015.

Date of resolution	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
Resolution at the Board of Directors meeting held on October 28, 2014	6,376	30
Resolution at the Board of Directors meeting held on May 22, 2015	6,377	30

4. Changes in Share Prices

(1) Highest and lowest share prices in each of the recent 5 years

Fiscal year	47th term	48th term	49th term	50th term	51st term
Year-end	March 2011	March 2012	March 2013	March 2014	March 2015
Highest (Yen)	2,360	2,149	2,250	2,899	2,780
Lowest (Yen)	1,572	1,186	1,203	1,837	1,799

(Note) Highest and lowest share prices are quoted market prices on the First Section of the Tokyo Stock Exchange.

(2) Highest and lowest share prices in each of the recent 6 months

Month	October 2014	November 2014	December 2014	January 2015	February 2015	March 2015
Highest (Yen)	2,247	2,593	2,780	2,597	2,282	2,245
Lowest (Yen)	1,916	2,308	2,411	2,177	2,153	2,055

(Note) Highest and lowest share prices are quoted market prices on the First Section of the Tokyo Stock Exchange.

5. Directors and Executive Officers

The Company has adopted a system of a company with a Nomination Committee, etc.

Directors and Executive Officers include 21 males and 1 female. (The ratio of female Directors and Executive Officers is 4.5% of the total.)

(1) Directors

Position	Responsibility	Name	Date of birth	Career summary		Term of office	Share Ownership (thousands of shares)
Chairman of the Board Outside Director	Nominating Committee Member Compensation Committee Member	Takashi Kawamura	December 19, 1939	4/1962	Joined Hitachi, Ltd.	(Note 1)	3
				6/1992	General Manager, Hitachi Works		
				6/1995	Director of Hitachi, Ltd.		
				6/1997	Executive Managing Director of Hitachi, Ltd.		
				4/1999	Executive Vice President and Representative Director, Hitachi, Ltd.		
				4/2003	Director of Hitachi, Ltd.		
				6/2003	Chairman of the Board and Representative Executive Officer, Hitachi Software Engineering Co., Ltd. (currently Hitachi Solutions, Ltd.)		
				6/2005	Chairman of the Board, Hitachi Plant Engineering & Construction Co., Ltd. (currently Hitachi, Ltd.)		
				6/2006	Chairman of the Board, Hitachi Software Engineering Co., Ltd.		
				6/2007	Chairman of the Board, Hitachi Maxell, Ltd.		
				4/2009	Representative Executive Officer, Chairman, President and Chief Executive Officer, Hitachi, Ltd.		
				6/2009	Representative Executive Officer, Chairman, President and Chief Executive Officer and Director, Hitachi, Ltd.		
				4/2010	Representative Executive Officer, Chairman and Director, Hitachi, Ltd.		
				4/2011	Chairman of the Board, Hitachi, Ltd.		
				6/2012	Outside Director, Chairman of the Board, Hitachi Chemical Company, Ltd. (to present)		
				4/2013	Outside Director and Chairman of the Board of Hitachi Research Institute		
				6/2013	President and representative director of Mito Country Club Co., Ltd. (to present)		
				4/2014	Director of Hitachi, Ltd.		
				6/2014	Advisor of Hitachi, Ltd. (to present)		
				6/2014	Outside Director and Chairman of the Board of the Company (to present)		
				6/2014	Outside Director of Mizuho Financial Group, Inc. (to present)		

Position	Responsibility	Name	Date of birth	Career summary		Term of office	Share Ownership (thousands of shares)
Outside Director	Nominating Committee Member Audit Committee Member Compensation Committee Member	Shigeru Azuhata	November 21, 1949	4/1975	Joined Hitachi, Ltd.	(Note 1)	1
				4/2003	CTO, Power and Electricity Group and Director, Power and Electricity Development Institute		
				4/2005	General Manager, Hitachi Research Laboratory		
				1/2008	General Manager, Environmental Strategy Office		
				4/2009	Chairman of the Board of Hitachi (China) Research & Development Corporation		
				4/2010	Director of Hitachi Via Mechanics, Ltd.		
				6/2010	Outside Director of Hitachi Chemical Company, Ltd.		
				4/2011	Senior Vice President and Executive Officer of Hitachi, Ltd.		
				4/2012	Representative Executive Officer and Executive Vice President of Hitachi, Ltd.		
				6/2012	Outside Director and Chairman of the Board of Hitachi Medical Corporation		
				4/2014	Outside Director of Hitachi Medical Corporation		
				4/2014	Fellow of Hitachi, Ltd. (to present)		
				6/2014	Outside Director of the Company (to present)		
				6/2014	Outside Director of Hitachi Chemical Company, Ltd. (to present)		
Outside Director	Audit Committee Member	Haruyuki Toyama	March 23, 1959	4/1982	Joined the Bank of Japan	(Note 1)	–
				1/2000	Alternate Executive Director for Japan, International Monetary Fund		
				8/2004	General Manager, Okayama Branch		
				7/2006	Deputy Director General, Payment and Settlement Systems Department		
				3/2009	Director General, Financial Markets Department		
				5/2011	General Manager for the Americas		
				11/2012	Director General, International Department		
				8/2014	Retired from the Bank of Japan		
				3/2015	Registered as an attorney-at-law admitted in Japan		
				6/2015	Outside Director of the Company (to present)		
Outside Director	Audit Committee Member	Junko Hirakawa	October 9, 1947	4/1973	Registered as an attorney-at-law admitted in Japan	(Note 1)	–
				2/1979	Registered as an attorney-at-law admitted in New York, United States of America		
				7/1997	Established Hirakawa, Sato & Kobayashi (Currently called City-Yuwa Partners) Partner of Hirakawa, Sato & Kobayashi		
				6/2006	Auditor, The Japan Association of Charitable Organizations (to present)		
				6/2011	Outside Director, Tokyo Financial Exchange Inc. (to present)		
				6/2012	Outside Statutory Auditor of Sumitomo Forestry Co., Ltd.		
				6/2014	Outside Director of Sumitomo Forestry Co., Ltd. (to present)		
				6/2015	Outside Director of the Company (to present)		

Position	Responsibility	Name	Date of birth	Career summary		Term of office	Share Ownership (thousands of shares)
Outside Director	Nominating Committee Member Audit Committee Member	Hideto Mitamura	November 15, 1948	4/1973	Joined the Ministry of Foreign Affairs of Japan	(Note 1)	1
				7/1989	Minister-Counselor of the Embassy of Japan in the UAE		
				9/1991	Special Advisor to the United Nations High Commissioner for Refugees (Geneva)		
				7/1997	Minister of the Embassy of Japan in Austria		
				8/2000	Consul General at the Consulate General of Japan in New Orleans		
				7/2004	Director General, International Affairs Department, Secretariat of the House of Representatives		
				9/2005	Professional Adviser for Standing Committee on Security, the House of Representatives		
				7/2007	Ambassador Extraordinary and Plenipotentiary to Zambia and Malawi		
				8/2010	Ambassador Extraordinary and Plenipotentiary to New Zealand and Samoa		
				10/2012	Resigned from the Ministry of Foreign Affairs of Japan		
				6/2013	Outside Director of the Company (to present)		
Director	Audit Committee Member	Osamu Okada	December 27, 1954	4/1979	Joined the Company	(Note 1)	5
				10/2004	General Manager, Service Operation Dept., Marketing Group		
				4/2010	Director, Career Development Center		
				4/2012	Executive Officer		
				4/2013	Adviser of the Company		
				6/2013	Director of the Company (to present)		
Director	–	Tetsuo Katsurayama	April 10, 1956	4/1981	Joined the Company	(Note 1)	2
				4/2012	Deputy Director, Finance Div., General Manager, Finance Dept., and General Manager, Foreign Exchange Center		
				4/2013	Executive Officer		
				4/2015	Vice President and Executive Officer (to present)		
					CFO, Vice President of Corporate Management Group, General Manager of Finance Div., General Manager of Compliance & Risk Management Div., and Head of C Project (to present)		
				6/2015	Director of the Company (to present)		

Position	Responsibility	Name	Date of birth	Career summary		Term of office	Share Ownership (thousands of shares)
Director	–	Koji Sumioka	April 14, 1955	4/1979	Joined the Company	(Note 1)	7
				4/2009	President of Hitachi Construction Machinery (Shanghai) Co., Ltd.		
				4/2011	Vice President of Marketing Group		
				4/2012	Executive Officer		
					President and Director, Hitachi Construction Machinery Japan Co., Ltd.		
				4/2014	Vice President and Executive Officer		
				4/2015	Representative Executive Officer, Senior Vice President and Executive Officer (to present)		
					President of Corporate Management Group, General Manager of Corporate Strategy Div., General Manager of Business Process Innovation Div., and General Manager of Corporate Export Regulation Div. (to present)		
				6/2015	Director of the Company (to present)		
Director	Nominating Committee Member Compensation Committee Member	Yuichi Tsujimoto	August 19, 1953	4/1979	Joined the Company	(Note 1)	35
				10/2000	President of Hitachi Construction Machinery (China) Co., Ltd.		
				4/2007	General Manager of Production & Procurement Div.		
				4/2009	Executive Officer		
				4/2011	Vice President and Executive Officer		
				6/2011	Vice President and Executive Officer, Director		
				4/2012	Representative Executive Officer, President & CEO (to present)		
Director	–	Akihiko Hiraoka	May 19, 1955	4/1978	Joined the Company	(Note 1)	13
				8/1998	President of Hitachi Construction Machinery (Shanghai) Co., Ltd.		
				4/2008	President of Marketing Group		
				4/2010	Executive Officer		
				10/2010	President of Hitachi Construction Machinery (Shanghai) Co., Ltd.		
				4/2013	Vice President and Executive Officer		
				4/2015	Senior Vice President and Executive Officer (to present)		
					President of Marketing Group, and General Manager of Global Mining Div. (to present)		
				6/2015	Director of the Company (to present)		
Total							68

(2) Executive Officers

Position	Responsibility	Name	Date of birth	Business experience		Term of office	Share Ownership (thousands of shares)
Representative Executive Officer, President & CEO	–	Yuichi Tsujimoto	See (1)			(Note 2)	See (1)
Representative Executive Officer, Senior Vice President and Executive Officer	President of Corporate Management Group, General Manager of Corporate Strategy Div., General Manager of Business Process Innovation Div., and General Manager of Corporate Export Regulation Div.	Koji Sumioka	See (1)			(Note 2)	See (1)
Senior Vice President and Executive Officer	President of Marketing Group, and General Manager of Global Mining Div.	Akihiko Hiraoka	See (1)			(Note 2)	See (1)
Vice President and Executive Officer	Vice President of Marketing Group, and General Manager of Life Cycle Support Operations Div.	Kenji Ota	November 30, 1956	4/1980 4/2011 4/2013 4/2015	Joined the Company Deputy General Manager of Life Cycle Support Operations Div. Executive Officer Vice President and Executive Officer (to present) Vice President of Marketing Group, and General Manager of Life Cycle Support Operations Div. (to present)	(Note 2)	13
Vice President and Executive Officer	President of Development & Production Group, General Manager of Development Group, and General Manager of Environment Policy Div.	Toshihiro Oono	March 23, 1956	4/1979 4/2007 4/2009 4/2012 4/2014 4/2015	Joined the Company General Manager, Mining & Heavy Equipment Div. General Manager, Construction Equipment Div. Executive Officer Vice President and Executive Officer (to present) President of Development & Production Group, General Manager of Development Div., and General Manager of Environment Policy Div. (to present)	(Note 2)	8
Vice President and Executive Officer	Vice President of Marketing Group, and General Manager of Marketing Div.	Yasushi Ochiai	March 16, 1956	10/1989 10/2010 4/2011 4/2013 4/2015	Joined the Company General Manager of Marketing Div. Executive Officer Vice President and Executive Officer (to present) Vice President of Marketing Group, and General Manager of Marketing Div. (to present)	(Note 2)	3

Position	Responsibility	Name	Date of birth	Business experience		Term of office	Share Ownership (thousands of shares)
Vice President and Executive Officer	Vice President of Corporate Management Group, General Manager of Finance Div., General Manager of Compliance & Risk Management Div., and Head of C Project	Tetsuo Katsurayama	See (1)			(Note 2)	See (1)
Executive Officer	Deputy General Manager of China Business Div.	Takaharu Ikeda	October 5, 1958	4/1982	Joined the Company	(Note 2)	–
				4/2014	General Manager, Strategy Planning Div.		
				4/2015	Executive Officer (to present)		
					Deputy General Manager of China Business Div. (to present)		
					President of Hitachi Construction Machinery (Shanghai) Co., Ltd. (to present)		
Executive Officer	General Manager of Europe and Middle East Business Div.	Moriaki Kadoya	November 8, 1958	4/1981	Joined the Company	(Note 2)	5
				4/2011	Deputy General Manager of Marketing Div.		
				4/2012	President of Hitachi Construction Machinery (Europe) N.V. (to present)		
				4/2014	Executive Officer (to present)		
				4/2015	General Manager of Europe and Middle East Business Div. (to present)		
Executive Officer	General Manager of India Business Div.	Genroku Sugiyama	February 19, 1956	4/1980	Joined the Company	(Note 2)	3
				4/2010	General Manager, Application, New Product and Construction Equipment Div.		
				4/2013	Executive Officer (to present)		
					General Manager of India Business Div. (to present)		
					Director of Tata Hitachi Construction Machinery Co., Pvt., Ltd. (to present)		
Executive Officer	General Manager of China Business Div.	Michifumi Tabuchi	November 16, 1958	4/1984	Joined the Company	(Note 2)	3
				4/2004	General Manager, Manufacturing Dept., Component Div., Tsuchiura Works		
				4/2012	President of Hitachi Construction Machinery (China) Co., Ltd. (to present)		
				4/2015	Executive Officer (to present)		
					General Manager of China Business Div. (to present)		
Executive Officer	General Manager of IT Promotion Div.	Masato Tamaki	August 31, 1955	4/1979	Joined Hitachi, Ltd.	(Note 2)	0
				4/2012	Joined the Company		
					General Manager of IT Promotion Div. (to present)		
				4/2014	Executive Officer (to present)		
Executive Officer	General Manager of Human Capital Div.	Hisashi Hasegawa	January 11, 1956	4/1980	Joined the Company	(Note 2)	–
				4/2009	Vice President of Hitachi Construction Machinery (Shanghai) Co., Ltd.		
				4/2012	Administrative Director, China Business Div.		
				4/2015	Executive Officer (to present)		
					General Manager of Human Capital Div. (to present)		

Position	Responsibility	Name	Date of birth	Business experience		Term of office	Share Ownership (thousands of shares)
Executive Officer	General Manager of Operations Management Div., and Head of SCM Transformation Promotion Project	Koutarou Hirano	June 4, 1958	4/1981 4/2013 4/2014 4/2015	Joined the Company Deputy General Manager of Production & Procurement Div. Executive Officer (to present) General Manager of Operations Management Div., and Head of SCM Transformation Promotion Project (to present)	(Note 2)	5
Executive Officer	General Manager of Research Div.	Hideshi Fukumoto	September 24, 1957	4/1982 4/2005 4/2011 4/2012 4/2014	Joined Hitachi, Ltd. Director, Machinery Research Institute Director, Technology Strategy Office, Research and Development Div. Joined the Company General Manager of Research Div. (to present) Executive Officer (to present)	(Note 2)	0
Executive Officer	Vice President of Development & Production Group, General Manager of Production & Procurement Div.	Tadashi Motoi	December 7, 1957	4/1980 4/2008 4/2010 4/2013 4/2015	Joined the Company Director, Production Management Center, Production Div. President of P.T. Hitachi Construction Machinery Indonesia (to present) Executive Officer (to present) Vice President of Development & Production Group, General Manager of Production & Procurement Div. (to present)	(Note 2)	–
Total							98

(Notes) 1. The term of Directors is from the adjournment of the annual shareholders' meeting for the year ended March 31, 2015 to the adjournment of the annual shareholders' meeting for the year ending March 31, 2016.

2. The term of Executive Officers is from April 1, 2015 to March 31, 2016.

3. Takashi Kawamura, Shigeru Azuhata, Haruyuki Toyama, Junko Hirakawa and Hideto Mitamura are Outside Directors.

6. Corporate Governance

(1) Corporate governance

The Company 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. We believe this commitment will in turn lead to greater corporate value and improved shareholder value.

The Company has adopted a corporate organizational system based on a committee governance structure, as defined in Article 2, paragraph 12 of the Companies Act, with the aim of ensuring 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.

In addition, the Company's own corporate codes of conduct, based on that of Hitachi Ltd., guides our basic policy for corporate governance as one of the Hitachi Group companies, and serves as the foundation for the Hitachi brand and our CSR activities. We will foster the Hitachi Group's common values and share the same understanding of our corporate social responsibilities.

1) Description of the corporate organizations

As a company with committees such as the Nominating Committee, the Company thoroughly separates management oversight from business operations and further enhances prompt management decision-making and effectiveness of management oversight.

The Company has the following organizational structure:

a. Board of Directors (12 meetings were held in the year ended March 31, 2015.)

The Board of Directors determines the basic management policy, and oversees business operations conducted by Executive Officers. Also, the decision-making authority on business matters based on such basic policy is significantly delegated to Executive Officers. As of the filing date of this annual securities report, out of 10 Directors constituting the Board of Directors, 4 Directors also served as Executive Officers while 5 were Outside Directors.

The Board of Directors has 3 statutory committees (Nominating, Audit, and Compensation Committees), and the majority of each committee is comprised of Outside Directors.

b. Committees

(i) Nominating Committee (3 meetings were held in the year ended March 31, 2015.)

The Nominating Committee has the authority to determine proposals submitted to the shareholders' meetings for the election and dismissal of the Directors. As of the filing date of the annual securities report, it consists of 4 Directors including 3 Outside Directors.

(ii) Audit Committee (15 meetings were held in the year ended March 31, 2015)

The Audit Committee has the authority to audit of the execution of duties of Directors and Executive Officers and to determine proposals submitted to the shareholders' meeting for the election and dismissal of accounting auditors. As of the filing date, the Audit Committee consists of 5 members including 4 Outside Directors and 1 full-time Audit Committee member.

(iii) Compensation Committee (3 meetings were held in the year ended March 31, 2015)

The Compensation Committee has the authority to determine compensation for individual Directors and Executive Officers. As of the filing date, the Compensation Committee consists of 3 Directors including 2 Outside Directors.

c. Executive Officer

In accordance with segregation of duties stipulated by resolutions at the Board of Directors meetings, Executive Officers make decisions on business matters and execute the business. Any matters that may affect the overall business are deliberated from various point of views in the Executive Officers Committee consisting of Executive Officers. Decisions at the Executive Officers Committee are reported to the Board of Directors meeting. As of the filing date, the Company has 16 Executive Officers. The Company stipulates in its Articles of Incorporation that the Company shall have not more than 30 Executive Officers.

2) Number of Directors

The Company stipulates in its Articles of Incorporation that the Company shall have not more than 15 Directors.

3) Resolution requirements for appointment of Directors

The Company stipulates in its Articles of Incorporation that "shareholders representing one-third or more of the voting rights of all the shareholders who are entitled to exercise their votes shall be present at a general shareholders' meeting", and that "the resolution shall not be made by cumulative voting." In addition, except as otherwise provided by law or in the Articles of Incorporation, it stipulates that "the resolution shall be made by a majority of the voting rights of the shareholders who are present in such meeting and are entitled to vote."

4) Matters determined by a resolution of the Board of Directors without resolution at the general shareholders' meeting pursuant to the provisions of the Articles of Incorporation

a. Exemption from liability of Directors and Executive Officers

The Company stipulates in its Articles of Incorporation that "it may, by resolution of the Board of Directors, exempt any Director (including former Directors) and Executive Officer (including former Executive Officers) from liabilities as provided in Article 423, paragraph 1 of the Companies Act to the extent as provided in laws or regulations" so that Directors and Executive Officers are fully able to execute their expected duties.

b. Decision for dividends of surplus

The Company stipulates in its Articles of Incorporation that "the Board of Directors may, except as otherwise provided by laws and regulations, determine each item provided in Article 459, paragraph 1 without resolution at the general shareholders' meeting," in order to enable timely implementation of capital strategies.

5) Requirements for special resolution of the general shareholders' meeting

With the objective of facilitating the smooth conduct of a general shareholders' meeting by easing the quorum of the special resolution at the shareholders' meeting, the Company stipulates in its Articles of Incorporation that "any resolution as provided in Article 309, paragraph 2 of the Companies Act shall be adopted at a shareholders' meeting where shareholders representing one-third or more of the voting rights of all the shareholders are present, and by a majority of two-thirds or more of the voting rights of the shareholders who are present in such meeting and are entitled to vote."

6) Internal control system and risk management system

Pursuant to provisions of laws and regulations, the Company, by resolutions at the Board of Directors, determines an overall system of internal controls of the Company and complies with such resolutions.

a. Matters concerning Directors and employees to assist in duties of the Audit Committee of the Company

The Audit Committee Bureau has been provided as an organization to assist the duties of the Audit Committee and one of the personnel who works exclusively for the Bureau and is not subject to orders and instructions of Executive Officers has been assigned. The internal audit department and legal / general affairs department also assist the Audit Committee in addition to the personnel of the Audit Committee Bureau. There are no Directors with the explicit duty of assisting the duties of the Audit Committee.

b. System for ensuring the independence of the Directors and the personnel in a. above from Executive Officers as well as the effect of instructions to such Directors and personnel from the Audit Committee

The Audit Committee Bureau is staffed with personnel who work exclusively for the Audit Committee Bureau and are not subject to orders and instructions of Executive Officers. The Audit Committee shall be informed in advance of planned transfers of personnel, and may request a change to the Executive Officer in charge of human resources as necessary, by providing reasons thereof.

c. System for reporting to the Audit Committee and ensuring no disadvantageous treatment for reason of reporting

• Executive Officers shall report to the Audit Committee without delay matters related to the Company and its subsidiaries that were brought up to or reported to the Executive Officers Committee.

• Results of internal audits of the Company and its subsidiaries performed by the internal audit department shall be reported to the Audit Committee without delay.

• When Executive Officers become aware of facts that may have adverse effects on the Company, they shall immediately report such facts to the Audit Committee.

• The compliance department, which is the secretariat of the "Compliance Reporting System," shall report to the Audit Committee the status of reporting using the Compliance Reporting System available for employees of the Company and its subsidiaries. Also, the Company stipulates in its regulations that there shall be no disadvantageous treatment to the whistleblower due to such reporting, and the compliance department thoroughly ensures its implementation of such regulations.

• Reports from Executive Officers and employees of the Company as well as Directors, corporate auditors and employees of the subsidiaries shall be directed to the full-time member of the Audit Committee. The Audit Committee, by way of a resolution, shall appoint a member of the Committee to receive such reports.

d. Policies related to advance payments and/or reimbursements of expenses incurred for execution of the duties of the Audit Committee of the Company and processing of other expenses and liabilities incurred for execution of duties

The general affairs department is in charge of payment of expenses and other administrative matters related to execution of the duties of the Audit Committee. When there is a request from the Audit Committee for advance payments or other payments for expenses, the general affairs department shall immediately process the requests unless it is clearly evident that such expenses or liabilities are not required for execution of the duties of the Audit Committee.

e. Other systems to ensure the effectiveness of audits by the Audit Committee of the Company

The Audit Committee appoints a full-time member and effectively audits the following matters based on annual audit policies and audit plans

- The Audit Committee members attend important meetings, make inquiries to Executive Officers and employees of the status about the execution of their duties, and review approval documents on significant matters.
- The Audit Committee members observe operations and inspect the assets of the Company's head office, major offices and subsidiaries, and make inquiries as necessary.

f. System for ensuring that execution of duties by Executive Officers and employees is in compliance with laws and regulations and the Articles of Incorporation

The following business management system ensures compliance with laws and regulations on an ongoing basis.

- Same as j. "System for ensuring that execution of duties by employees of the Company and Directors and employees of the subsidiaries is in compliance with laws and regulations and the Articles of Incorporation" below.
- In addition to the above, for ensuring that the execution of duties by Executive Officers is in compliance with laws and regulations and the Articles of Incorporation, the Company has implemented a system which enables employees of the Company to report issues through an external agency.

g. System for saving and maintaining the information pertaining to the execution of duties by Executive Officers of the Company

Decisions made by and information pertaining to the execution of duties of the Executive Officers are stored and maintained in accordance with the internal regulations.

h. Regulations and other systems for management of the risk of losses to the Company and its subsidiaries

- A system shall be established in which each relevant department shall establish rules and guidelines as necessary, conduct training, and prepare and distribute manuals with respect to risks such as compliance, information security, environment, disaster, quality assurance and export control, etc. Subsidiaries of the Company shall establish the same system depending on the size of the respective subsidiaries.
- Efforts shall be made to identify possible new risks through periodic reports from Executive Officers on the status of business operation of the Company and its subsidiaries. Should it become necessary to take measures for a new risk, the President and Chief Executive Officer instructs each relevant department and promptly appoints an Executive Officer responsible for taking measures therefor.

i. System for ensuring that duties of Executive Officers of the Company and Directors of the subsidiaries are executed efficiently

The following business management system ensures the efficiency of the execution of duties by Executive Officers of the Company and Directors of the subsidiaries.

- For any matters that may affect the Company and its subsidiaries, Executive Officers Committee regulations require such matters shall be deliberated from various points of view in the Executive Officers Committee and management meetings before a decision is made by an Executive Officer in charge.
- Performance of the Company and its subsidiaries is managed using a matrix framework, i.e., by each component unit responsible for its financial performance and by each component unit responsible for its managerial performance.
- Rules for internal audit shall be established and a system shall be implemented to audit each department in the Company and its subsidiaries regularly in order to understand the status of and improve business operations of the Company and its subsidiaries.
- The Audit Committee oversees the accounting auditors. Also, for ensuring the independence of accounting auditors from Executive Officers, the duties of the Audit Committee include receiving reports in advance about audit plans of accounting auditors and prior approval of the fees to be paid to the accounting auditors.
- A documented business process for matters to be reflected in financial reports shall be executed and examined by internal auditors, or external auditors when necessary, within the Company and its subsidiaries
- The Company dispatches Directors and corporate auditors to subsidiaries and establishes a support desk to respond to inquiries from its subsidiaries regarding corporate matters including legal, accounting, and general administrative issues, research and development activities, and intellectual property management such as patents in order to operate properly and efficiently as the HCM Group.

j. System for ensuring that execution of duties by employees of the Company and Directors and employees of the subsidiaries is in compliance with laws and regulations and the Articles of Incorporation

Following business management system ensures compliance with laws and regulations on an ongoing basis.

- Internal audits by the Internal Audit Office, other relevant departments of the Company and its subsidiaries are conducted to ensure compliance and to deter violations of laws and regulations. In addition, various committees may be established in accordance with regulations of the Company or a decision by relevant departments in order to achieve cross-functional management regarding compliance.

- The Company has implemented a "Compliance Reporting System" which enables employees of the Company and its subsidiaries to internally report any illegal activities to the relevant departments of the Company. Further, the compliance department in charge of this system carries out necessary investigations, replies to the whistle-blower, and also ensures there is no disadvantageous treatment to the whistle-blower.
- As compliance education, the Company and its subsidiaries conduct training using educational materials such as handbooks, for the applicable laws and regulations related to their business activities.
- To ensure implementation and effectiveness of the overall internal control systems, Executive Officers, as their duties, establish various policies and company regulations with primary focus on compliance with laws and regulations applicable to operations of the HCM Group, including information security, environmental matters, quality control, export control, and prohibition of anti-social transactions. Establishment, amendment or abolishment of regulations that stipulate matters relating to internal controls shall be approved by the Board of Directors. An Executive Officer shall be appointed to approve establishment and abolishment of other company regulations depending on their materiality.
- Policies and regulations that should be formulated as common across the HCM Group are informed to the subsidiaries, and subsidiaries shall establish their own rules that are in conformity with such policies and regulations.

k. System for reporting the execution of duties by Directors of the subsidiaries to the Company

- Any significant operational matters regarding the subsidiary shall be deliberated in the Executive Officers Committee of the Company.
- In the medium-term management plan and budget system, performance targets and measures are determined and evaluations are performed on a consolidated basis including subsidiaries. Subsidiaries will report the status to the Company through this system.

l. System for ensuring the appropriateness of operation of a corporate group consisting of the Company, its parent and subsidiaries

- The Company respects the basic philosophy of the parent company as a basis for the Hitachi brand and CSR activities. The Company fosters the Hitachi Group's common values and shares the same understanding of our corporate social responsibilities.
- The parent company informs the Company of common policies and regulations within the Hitachi Group, and the Company shall establish rules and regulations in conformity with such policies and regulations.
- In order to ensure the appropriateness of the operation of the Hitachi Group, the parent company dispatches Directors to the Company and audits each department of the subsidiaries on a regular basis for checking the status of the development of systems depending on the size of the Company.
- The parent company establishes a support desk to respond to inquiries from the Company regarding corporate matters including legal, accounting, and general administrative issues as well as research and development activities in order to operate properly and efficiently as the Hitachi Group.
- The parent company as well as the Company and its subsidiaries have a policy to conduct transactions within the Hitachi Group fairly based on market prices.

7) Compensation to Directors and Executive Officers

a. Method of Determination of Policies

- The Company's Compensation Committee sets forth the policy on the determination of the amount of compensation for individual Directors and Executive Officers pursuant to the provision of the Companies Act applicable to companies with a Nominating Committee, etc.

b. Description of the policy

Matters relating to both Directors and Executive Officers

Compensation will be commensurate with the ability required of, and the responsibilities to be borne by, the Company's Directors and Executive Officers, taking into consideration compensation packages at other companies.

Matters relating to Directors

Compensation for Directors consists of a monthly salary and year-end allowance.

- Monthly salary is decided by making adjustments to basic salary depending on full-time or part-time status reflecting the job title.
- Year-end allowance shall be paid at the amount multiplying the amount of monthly salary by a certain factor. In case of Directors who also serve as Executive Officers, compensation as a Director is not paid.

Matters relating to Executive Officers

Compensation for Executive Officers consists of a monthly salary and performance-linked compensation.

• Monthly salary is decided by adjusting a basic amount set in accordance with the relevant position to reflect the result of assessment.

• Performance-based compensation is determined within a certain range, depending on the performance and achievements of individual roles.

Other matters

• At the Compensation Committee held on March 31, 2008, a decision was made to abolish the directors' retirement benefit plan as part of the compensation for the service for fiscal years beginning on or after April 1, 2008 and to pay retirement benefits accrued under the plan before abolishment to each retiring Director and Executive Officer at the time of retirement.

c. Total amount of compensation, the amount of compensation by type, and the number of Directors and Executive Officers by category.

Category	Total amount of compensation (Millions of yen)	Total amount for each type of compensation (Millions of yen)		Number of persons
		Monthly salary	Year-end allowance and performance-based component	
Directors (excluding outside Directors)	65	60	6	3
Executive Officers	589	459	130	16
Outside Directors	39	33	6	5

(Notes) 1. Amounts are rounded to the nearest millions of yen.

2. The above table includes the compensation for 3 Directors for the year ended March 31, 2015 who retired as of the adjournment of the annual shareholders' meeting held on June 23, 2014.

3. Directors who also serve as Executive Officers receive only compensation as Executive Officers.

8) Overview of the limited liability agreement with Directors (excluding those who are Executive Directors, etc.)

In accordance with the provisions of Article 22 of the Articles of Incorporation, the Company enters into an agreement to limit the liability to compensate for damages caused to the Corporation, as stipulated in Article 423, paragraph 1 of the Companies Act, with each of the Directors (excluding those who are Executive Directors, etc.). The general intent of the agreement is to limit the liability of Directors (excluding those who are Executive Directors, etc.) to the aggregate amount stipulated in each item under Article 425, paragraph 1 of the Companies Act.

The limitation of liability is admitted only when the Director (excluding those who are Executive Directors, etc.) acts in good faith and there is no gross negligence with regard to the execution of duties that caused the liability.

9) Status of accounting audit

a. Certified Public Accountant who executed accounting audit

Names of CPAs, etc.		Audit corporation to which CPA belongs
Designated Limited Liability Partner Engagement Partner	Kiyomi Nakayama	Ernst & Young ShinNihon LLC
Designated Limited Liability Partner Engagement Partner	Seikou Ishimaru	Ernst & Young ShinNihon LLC
Designated Limited Liability Partner Engagement Partner	Takuya Tanaka	Ernst & Young ShinNihon LLC

(Note) 7 Certified Public Accountants and 25 other people are involved in the auditing work of the Company.

10) Internal audit, the audit by the Audit Committee

a. Internal audit

The Company has established the Internal Audit Office as a department in charge of internal audit. The Internal Audit Office consists of a general manager and 10 full-time staff. The Internal Audit Office regularly audits whether the operation of each department and group companies is being carried out accurately, legitimately and reasonably.

b. Audit by Audit Committee

The Audit Committee consists of 5 Directors (including 4 Outside Directors) appointed by a resolution of the Board of Directors. As an internal organization of the Board of Directors, the Audit Committee audits whether the execution of duties by Directors and Executive Offices is in compliance with laws and regulations, Articles of Incorporation, and the basic management policies, and whether it is being carried out effectively.

c. Cooperation between Audit Committee and accounting auditors

Along with receiving the audit plan from the accounting auditor, the Audit Committee is also regularly informed of the results of the audits. It also exchanges opinions about the status of the internal control system that the accounting auditor has understood through audit, and risk assessment and emphasized audit items.

d. Cooperation between Audit Committee and internal audit department

In addition to receiving the audit plan from the internal audit department, the Audit Committee is also regularly informed of the results of the audits. It also exchanges opinions about the status of the internal control system that was understood through audit, risk assessment and audit items to maintain and improve the audit system. In addition, the Audit Committee may instruct the internal audit department whenever necessary about specific offices to be audited and emphasize audit items, etc.

e. Cooperation between the internal audit department and the accounting auditor

The internal audit department exchanges opinions with the accounting auditors about the status of audits and the internal control system to improve and enhance the internal control system.

f. Internal control department

The Company has established the J-SOX Committee as an organization which is responsible for internal control. The J-SOX Committee is a deliberative body to determine implementation policy and assessment of effectiveness of internal control, and carries out operation of the internal control system, internal control testing, effectiveness evaluation, etc., in collaboration with the J-SOX Committee of the Group companies.

g. Relationship between internal control department and accounting auditors

The J-SOX Committee, acts as a point of contact for internal control audits by the accounting auditor, and regularly receives explanations about the results of the audits, in response to audit of each step of the development, operation, and evaluation of internal control. When the accounting auditor reports any deficiencies and material weakness in internal control, the J-SOX Committee rectifies and improves internal control.

h. Relationship between internal control department and Audit Committee

The J-SOX Committee regularly reports the results of evaluation of internal control to the Audit Committee and exchanges opinions to maintain and improve the internal control system.

i. Relationship between internal control department and internal audit department.

The Company designates the Internal Audit Office, which is an internal audit department, as the Secretariat of the J-SOX Committee. The Internal Audit Office regularly conducts operational audits and internal control audits in all the divisions and group companies. The J-SOX Committee receives reports on the results of the internal control audit from the Internal Audit Office, and improves the internal control system.

11) Personal relationship, capital relationship, business relationship, or other relationship between Outside Director and the Company

There are 5 Outside Directors (Takashi Kawamura, Shigeru Azuhata, Haruyuki Toyama, Junko Hirakawa, and Hideto Mitamura), and their positions concurrently held are described in IV. Information on the Company, 5. Directors and Executive Officers.

As of the filing date, Takashi Kawamura is concurrently the Chairman of the Board of Hitachi Chemical Co., Ltd. and Director of Mizuho Financial Group, Inc., and Shigeru Azuhata is concurrently a Director of Hitachi Chemical Co., Ltd. There is an ongoing business relationship between Hitachi Chemical Co., Ltd. and the Company and also between Mizuho Financial Group, Inc. and the Company. However, it will not have a significant impact on the management of the Company. Also, as of the filing date, Takashi Kawamura is concurrently an adviser of Hitachi, Ltd., and Shigeru Azuhata is concurrently serving as a Fellow of Hitachi, Ltd., and in the past, Takashi Kawamura was a Director of Hitachi, Ltd. and Shigeru Azuhata was Representative Executive Officer and Executive Vice President of Hitachi, Ltd. Any personal relationship, capital relationship, business relationship or other relationship between Hitachi, Ltd. and the Company are described in "I. Overview of the Company, 4. Information on Affiliates" and "V. Financial Information, 1. Consolidated financial statements, etc. (Related Party Transactions)."

12) Functions and roles played by Outside Directors in corporate governance

The Company separates management oversight from business operations and achieves prompt management with clear responsibilities, along with further strengthening the oversight functions of the Board of Directors by putting in place 3 committees, namely the Nominating Committee, Audit Committee, and Compensation Committee consisting of Directors of which the majority are Outside Directors, and has been formed as a company with a Nominating Committee, etc., for realizing a highly objective and transparent management.

The Company shares the basic philosophy and brand with Hitachi Ltd., the parent company of the Company, as a member of the Hitachi Group. In deciding the management policy of the Company, in addition to oversight of the business execution of the Executive Officers, the Company expects Outside Directors who are concurrently serving as Directors and Executive Officers of the Hitachi, Ltd. to provide the Company with their opinions and oversight from the point of view of the Hitachi Group.

By appointing Outside Directors who are not from Hitachi, Ltd. nor from major trading partners of the Company, the Company believes that oversight of the executive operations of the Executive Officers can be further strengthened.

13) Election of and qualification for Outside Directors

The Company considers effective use of research and development capabilities, brand power, and other management resources possessed by the parent company, Hitachi, Ltd., and other Hitachi Group companies will contribute to further improvement of the corporate value of the Company and its group companies. Since there is need for integration of basic management policy by sharing a basic philosophy and the brand as a member of the Hitachi Group while maintaining the independence of the business operations, the Company appoints 2 of the 5 Outside Directors who are from Hitachi, Ltd. or Hitachi Group companies. Further, as 3 Outside Directors are not from Hitachi, Ltd. and its group companies nor from major trading partners of the Company, it is judged that there is no particular risk of conflict of interest with general shareholders and it is believed that there will be a greater oversight for execution of operation by Executive Officers.

14) Requirement for independence from the Company in appointing an Outside Director

The Company has not set forth independence requirements for Outside Directors; however, pursuant to the criteria for independent directors as provided for by the Tokyo Stock Exchange, Inc., the Company appoints 3 Outside Directors who are not from Hitachi, Ltd. and its group companies nor from major trading partners of the Company. Also, 3 Outside Directors mentioned above are registered as independent directors under the rules of the Tokyo Stock Exchange.

15) Mutual cooperation of oversight or audit performed by Outside Directors with internal audit, the Audit Committee audit and accounting audit, as well as relationship with the internal control department.

4 Outside Directors belong to the Audit Committee. Mutual cooperation with internal audit and accounting audit, as well as relationship with the internal control department. are as described in 10) above.

Outside Directors who do not belong to the Audit Committee may receive reports on the results of the Audit Committee audit and accounting audit through the Board of Directors and issue instructions or orders if necessary. Further, the Internal Audit Office, which is responsible for internal audit, and the J-SOX Committee, which is responsible for internal control, shall provide the results of internal audit and evaluation of internal control, etc., at the request of Outside Directors.

16) Information on shareholdings

a. Equity securities held for purpose other than pure investment

Number of stock names: 26 stock names

Total amount recorded in the balance sheet: ¥9,834 million

b. Stock name, number of shares, amount recorded in the balance sheet, and purpose of holding regarding equity securities held for purposes other than pure investment

Specified investment securities

Year ended March 31, 2014

Stock name	Number of shares (Shares)	Balance sheet amount (Millions of yen)	Purpose of holding
Kayaba Industries Co., Ltd.	8,920,000	3,889	Stable procurement of materials
Nippon Chuzo K. K.	9,292,000	1,710	Stable procurement of materials
Wakita & Co., LTD.	1,200,000	1,446	Strengthening of customers
Kanamoto Co., Ltd.	344,581	1,041	Strengthening of customers
IJT Technology Holdings Co., Ltd.	1,300,000	547	Stable procurement of materials
KYOSEI RENTEMU CO., Ltd.	385,000	454	Strengthening of customers
JFE Holdings, Inc.	150,000	291	Stable procurement of materials
NISHIO RENT ALL CO., LTD.	66,000	253	Strengthening of customers
NANYO Corporation	72,600	70	Strengthening of customers
NIPPAN RENTAL Co., Ltd.	180,000	37	Strengthening of customers
Topy Industries, Ltd.	124,700	23	Stable procurement of materials
MITSUBISHI STEEL MFG. CO., LTD.	100,000	22	Stable procurement of materials

Year ended March 31, 2015

Stock name	Number of shares (Shares)	Balance sheet amount (Millions of yen)	Purpose of holding
Kayaba Industries Co., Ltd.	8,920,000	3,925	Stable procurement of materials
Nippon Chuzo K. K.	7,652,000	1,132	Stable procurement of materials
Wakita & Co., LTD.	1,200,000	1,402	Strengthening of customers
Kanamoto Co., Ltd.	344,581	1,192	Strengthening of customers
IJT Technology Holdings Co., Ltd.	1,300,000	693	Stable procurement of materials
KYOSEI RENTEMU CO., Ltd.	385,000	412	Strengthening of customers
JFE Holdings, Inc.	150,000	398	Stable procurement of materials
NISHIO RENT ALL CO., LTD.	66,000	228	Strengthening of customers
NANYO Corporation	72,600	96	Strengthening of customers
NIPPAN RENTAL Co., Ltd.	180,000	47	Strengthening of customers
Topy Industries, Ltd.	124,700	35	Stable procurement of materials
MITSUBISHI STEEL MFG. CO., LTD.	100,000	25	Stable procurement of materials

(2) Audit fees

1) Fees to Certified Public Accountants

Years ended March 31, 2014 and 2015

Category	2014		2015	
	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)
The Company	97	–	91	28
Consolidated subsidiaries	36	–	38	–
Total	133	–	129	28

2) Other fees

(Year ended March 31, 2014)

Consolidated subsidiaries of the Company paid audit service fees of ¥340 million and non-audit service fees of ¥110 million to EY Tax Corporation and Ernst & Young that belong to the same network as Ernst & Young ShinNihon LLC. .

(Year ended March 31, 2015)

Consolidated subsidiaries of the Company paid audit service fees of ¥348 million and non-audit service fees of ¥114 million to EY Tax Corporation and Ernst & Young that belong to the same network as Ernst & Young ShinNihon LLC.

3) Description of non-audit services provided by Certified Public Accountants to the Company

(Year ended March 31, 2014)

Not applicable

(Year ended March 31, 2015)

The Company has paid fees to Certified Public Accountants for preparation of comfort letters and due diligence, which are not the services stipulated in Article 2, paragraph 1 of the Certified Public Accountants Act.

4) Policy for determining audit fees

Audit fees to be paid to accounting auditors are determined with the approval of the Audit Committee, taking into account the number of days required for auditing, etc.

V. Financial Information

1. Basis for Preparation of the Consolidated and Non-Consolidated Financial Statements

(1) The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS") pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976).

(2) The non-consolidated financial statements of the Company are prepared based on the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter referred to as the "Ordinance on Financial Statements").

The Company is qualified as a company submitting financial statements prepared in accordance with special provisions and prepares the financial statements in accordance with the provision of Article 127 of the Ordinance on Financial Statements.

2. Audit Certification

In accordance with the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements and the non-consolidated financial statements of the Company for the fiscal year ended March 31, 2015 were audited by Ernst & Young ShinNihon LLC.

3. Particular Efforts to Secure the Appropriateness of the Consolidated Financial Statements and Development of a System for Fair Preparation of the Consolidated Financial Statements in Accordance with IFRS

The Company takes special approaches to secure the appropriateness of its consolidated financial statements. Specifically,

(1) the Company joined the Financial Accounting Standards Foundation and has maintained understanding of accounting standards, etc., in a timely manner, in order to be appropriately kept updated on the contents of accounting standards, etc., and to maintain a system to manage financial statements appropriately. In addition, the Company attends various seminars, etc., provided by the Financial Accounting Standards Foundation.

(2) in order to prepare appropriate consolidated financial statements based on IFRS, the Company obtains press releases and standards publicly issued by the International Accounting Standards Board (IASB) as appropriate to understand the latest standards and prepares the Group Accounting Policy in compliance with IFRS.

1. Consolidated Financial Statements, etc.

(1) Consolidated financial statements

1) Consolidated statements of financial position

Millions of yen

	As of April 1, 2013	As of March 31, 2014	As of March 31, 2015
Assets			
Current assets			
Cash and cash equivalents (note 19)	66,622	53,672	51,433
Trade receivables (notes 5 and 20)	248,858	248,396	231,473
Inventories (notes 7 and 21)	314,723	321,153	313,488
Other financial assets (note 20)	19,512	29,412	32,053
Other current assets	18,610	10,460	10,519
Total current assets	668,325	663,093	638,966
Non-current assets			
Property, plant and equipment (notes 8 and 21)	269,440	285,513	281,326
Intangible assets (note 9)	18,223	13,018	9,972
Goodwill (note 9)	8,675	8,646	9,590
Investments accounted for using the equity method	18,031	23,369	31,913
Trade receivables (notes 5 and 20)	49,166	50,744	30,089
Deferred tax asset (note 10)	19,073	16,783	18,331
Other financial assets (note 20)	28,753	30,145	31,110
Other non-current assets	6,725	9,803	13,376
Total non-current assets	418,086	438,021	425,707
Total assets	1,086,411	1,101,114	1,064,673
Liabilities			
Current liabilities			
Trade and other payables (notes 11 and 20)	222,650	209,936	210,345
Bonds and borrowings (note 20)	192,821	219,758	137,094
Income tax payables (note 10)	14,143	8,206	7,626
Other financial liabilities (note 20)	12,360	11,442	8,722
Other current liabilities	5,133	5,388	5,273
Total current liabilities	447,107	454,730	369,060
Non-current liabilities			
Trade and other payables (notes 11 and 20)	11,802	19,331	20,091
Bonds and borrowings (note 20)	200,162	151,542	150,579
Retirement and severance benefit (note 12)	13,901	12,505	13,446
Deferred tax liability (note 10)	396	195	9,483
Other financial liabilities (note 20)	808	280	194
Other non-current liabilities	5,938	6,578	3,918
Total non-current liabilities	233,007	190,431	197,711
Total liabilities	680,114	645,161	566,771
Equity			
Equity attributable to owners of the parent			
Common stock (note 13)	81,577	81,577	81,577
Capital surplus (note 13)	83,903	84,296	84,315
Retained earnings (note 13)	185,780	211,978	226,332
Accumulated other comprehensive income (note 14)	3,728	22,390	42,159
Treasury stock, at cost (note 13)	(3,982)	(3,237)	(3,156)
Total Equity attributable to owners of the parent	351,006	397,004	431,227
Non-controlling interests	55,291	58,949	66,675
Total equity	406,297	455,953	497,902
Total liabilities and equity	1,086,411	1,101,114	1,064,673

See accompanying notes to consolidated financial statements.

2) Consolidated statements of income

Years ended March 31, 2014 and 2015		Millions of yen
	2014	2015
Revenue (note 4)	802,988	815,792
Cost of sales	(572,523)	(597,156)
Gross profit	230,465	218,636
Selling, general and administrative expenses	(154,261)	(156,717)
Other income (note 16)	6,475	4,496
Other expenses (note 16)	(7,816)	(3,284)
Operating profit	74,863	63,131
Financial income (note 17)	4,226	4,675
Financial expenses (note 17)	(19,080)	(10,307)
Share of profits (losses) of investments accounted for using the equity method	243	1,454
Income before income taxes	60,252	58,953
Income taxes (note 10)	(18,276)	(28,697)
Net income	41,976	30,256
Net income attributable to:		
Owners of the parent	35,747	26,023
Non-controlling interests	6,229	4,233
Total net income	41,976	30,256
EPS attributable to owners of the parent		
Net income per share(Basic) (yen) (note 18)	168.30	122.44
Net income per share (Diluted) (yen) (note 18)	168.24	122.42

3) Consolidated statements of comprehensive income

Years ended March 31, 2014 and 2015		Millions of yen
	2014	2015
Net income	41,976	30,256
Other comprehensive income		
Items that cannot be reclassified into net income		
Net gains and losses from financial assets measured at fair value through OCI (notes 14 and 20)	824	603
Remeasurements of defined benefit obligations (notes 12 and 14)	688	(369)
Other comprehensive income of equity method associates (note 14)	3	(151)
Items that can be reclassified into net income		
Foreign currency translation adjustments (note 14)	14,707	24,640
Cash flow hedges (notes 14 and 20)	1,909	121
Other comprehensive income of equity method associates (note 14)	3,495	1,896
Other comprehensive income, net of taxes	21,626	26,740
Comprehensive income	63,602	56,996
Comprehensive income attributable to:		
Owners of the parent	54,409	45,782
Non-controlling interests	9,193	11,214

See accompanying notes to consolidated financial statements.

4) Consolidated statements of changes in equity

Year ended March 31, 2014

Millions of yen

	Equity attributable to owners of the Company					
				Accumulated other comprehensive income		
	Common stock	Capital surplus	Retained earnings	Remeasure-ments of defined benefit obligations	Net gains and losses from financial assets measured at fair value through OCI	Cash flow hedges
Balance at beginning of year	81,577	83,903	185,780	-	6,050	(2,322)
Net income			35,747			
Other comprehensive income				700	837	2,013
Comprehensive income	-	-	35,747	700	837	2,013
Acquisition of treasury stock (note 13)						
Sale of treasury stock (note 13)		393				
Increase/decrease by share exchange (note 13)						
Dividends to stockholders of the Company (note 15)			(9,549)			
Gains/losses on change in equity						
Transfer to retained earnings						
Other increase/decrease						
Transaction with owners	-	393	(9,549)	-	-	-
Balance at end of year	81,577	84,296	211,978	700	6,887	(309)

	Equity attributable to owners of the Company				Non-controlling interests	Total equity
	Accumulated other comprehensive income					
	Foreign currency translation adjustments	Total	Treasury stock, at cost	Total		
Balance at beginning of year	-	3,728	(3,982)	351,006	55,291	406,297
Net income		-		35,747	6,229	41,976
Other comprehensive income	15,112	18,662		18,662	2,964	21,626
Comprehensive income	15,112	18,662	-	54,409	9,193	63,602
Acquisition of treasury stock (note 13)		-	(6)	(6)		(6)
Sale of treasury stock (note 13)		-	170	563		563
Increase/decrease by share exchange (note 13)		-	581	581		581
Dividends to stockholders of the Company (note 15)		-		(9,549)	(3,857)	(13,406)
Gains/losses on change in equity		-		-	(1,678)	(1,678)
Transfer to retained earnings		-		-		-
Other increase/decrease		-		-		-
Transaction with owners	-	-	745	(8,411)	(5,535)	(13,946)
Balance at end of year	15,112	22,390	(3,237)	397,004	58,949	455,953

See accompanying notes to consolidated financial statements.

Year ended March 31, 2015

Millions of yen

	Equity attributable to owners of the Company					
				Accumulated other comprehensive income		
	Common stock	Capital surplus	Retained earnings	Remeasurements of defined benefit obligations	Net gains and losses from financial assets measured at fair value through OCI	Cash flow hedges
Balance at beginning of year	81,577	84,296	211,978	700	6,887	(309)
Net income			26,023			
Other comprehensive income				(515)	623	162
Comprehensive income	-	-	26,023	(515)	623	162
Acquisition of treasury stock (note 13)						
Sale of treasury stock (note 13)		19				
Increase/decrease by share exchange (note 13)						
Dividends to stockholders of the Company (note 15)			(11,689)			
Gains/losses on change in equity						30
Transfer to retained earnings			20		(20)	
Other increase/decrease						
Transaction with owners	-	19	(11,669)	-	(20)	30
Balance at end of year	81,577	84,315	226,332	185	7,490	(117)

	Equity attributable to owners of the Company					
	Accumulated other comprehensive income					
	Foreign currency translation adjustments	Total	Treasury stock, at cost	Total	Non-controlling interests	Total equity
Balance at beginning of year	15,112	22,390	(3,237)	397,004	58,949	455,953
Net income		-		26,023	4,233	30,256
Other comprehensive income	19,489	19,759		19,759	6,981	26,740
Comprehensive income	19,489	19,759	-	45,782	11,214	56,996
Acquisition of treasury stock (note 13)		-	(4)	(4)		(4)
Sale of treasury stock (note 13)		-	85	104		104
Increase/decrease by share exchange (note 13)		-		-		-
Dividends to stockholders of the Company (note 15)		-		(11,689)	(3,418)	(15,107)
Gains/losses on change in equity		30		30	(70)	(40)
Transfer to retained earnings		(20)		-		-
Other increase/decrease		-		-		-
Transaction with owners	-	10	81	(11,559)	(3,488)	(15,047)
Balance at end of year	34,601	42,159	(3,156)	431,227	66,675	497,902

See accompanying notes to consolidated financial statements.

5) Consolidated statements of cash flows

Years ended March 31, 2014 and 2015		Millions of yen
	2014	2015
Net income	41,976	30,256
Depreciation	30,815	31,531
Amortization of intangible asset	5,773	5,885
Impairment losses	3,408	487
Income tax expense	18,276	28,697
Equity in net earnings of associates	(243)	(1,454)
Gain (loss) on sales of property, plant and equipment	(2,546)	220
Financial income	(4,226)	(4,675)
Financial expense	19,080	10,307
(Increase) decrease in accounts and notes receivable	(3,622)	10,502
(Increase) decrease in lease receivables	22,600	21,731
(Increase) decrease in inventories	3,627	16,643
Increase (decrease) in accounts and notes payable	(12,850)	(8,469)
Increase (decrease) in provisions and retirement benefit obligations	(576)	1,033
Other	(16,796)	(13,320)
Subtotal	104,696	129,374
Interest received	3,837	4,055
Dividends received	365	485
Interest paid	(9,229)	(8,033)
Income tax paid	(19,385)	(19,652)
Net cash provided by operating activities	80,284	106,229
Capital expenditures	(38,737)	(15,931)
Proceeds from sale of property, plant and equipment	3,875	1,930
Acquisition of intangible assets	(3,022)	(2,746)
Acquisition of investments in securities and other financial assets (including investments in associates)	(3,725)	(3,046)
Sales of investments in securities and other financial assets (including investments in associates)	(855)	2,023
Other	1,292	(206)
Net cash used in investing activities	(41,172)	(17,976)
Increase (decrease) in short-term borrowings, net	(29,638)	(50,495)
Proceeds from long-term borrowings and bonds	39,412	60,486
Payments on long-term borrowings and bonds	(47,852)	(86,603)
Payments on lease payables	(4,964)	(4,817)
Dividends paid to owners of the parent (note 15)	(9,556)	(11,676)
Dividends paid to non-controlling interests	(3,276)	(3,289)
Other	180	100
Net cash used in financing activities	(55,694)	(96,294)
Effect of exchange rate changes on cash and cash equivalents	3,632	5,802
Net increase (decrease) in cash and cash equivalents	(12,950)	(2,239)
Cash and cash equivalents at beginning of year (note 19)	66,622	53,672
Cash and cash equivalents at end of year (note 19)	53,672	51,433

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(1) Nature of Operations

Hitachi Construction Machinery Co., Ltd. (the Company) is a corporation domiciled in Japan, whose shares are listed on the Tokyo Stock Exchange. The accompanying consolidated financial statements comprise the Company, its consolidated subsidiaries and the Company's interests in associates and joint ventures. The Company's and its consolidated subsidiaries' businesses include manufacturing, sales, services and rental of construction machinery.

(2) Basis of Presentation

As the Company meets the requirements of a "Specified Company" pursuant to Article 1-2 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements, the consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as permitted by the provision of Article 93 of the Ordinance. The Company's fiscal year begins on April 1 and ends on March 31 of the following calendar year. These are the Company's first consolidated financial statements prepared in accordance with IFRS. The date of transition to IFRS (the transition date) is April 1, 2013, and the Company applied IFRS 1 "First-time Adoption of International Financial Reporting Standards" (IFRS 1). (See note 25. First-time Adoption of IFRS.)

The Company's consolidated financial statements have been prepared on a historical cost basis, except for derivative instruments, financial assets and liabilities measured at fair value through profit or loss (FVTPL), financial assets measured at fair value through other comprehensive income (FVTOCI) and assets and liabilities associated with defined benefit plans. The consolidated financial statements are presented in millions of Japanese yen, the functional currency of the Company. For all the financial information presented in Japanese yen, figures are rounded to the nearest million yen.

Management of the Company has made a number of judgments, estimates and assumptions relating to the application of accounting policies, reporting of revenues and expenses and assets and liabilities in the preparation of these consolidated financial statements. Actual results could differ from those estimates.

Estimates and assumptions are continually evaluated. The effect of a change in accounting estimates, if any, is recognized in the reporting period in which the change was made and in future periods.

The information regarding judgments used in applying accounting policies that could have a material effect on the Company's consolidated financial statements is included in the following notes:

・note 3. *(a) Basis of Consolidation*
・note 3. *(d) Financial Instruments* and note 20. Financial Instruments and Related Disclosures

The information regarding uncertainties arising from assumptions and estimates that could result in material adjustments in the subsequent consolidated financial statements is included in the following notes:

・note 3. *(i) Impairment of Non-financial Assets*
・note 3. *(j) Retirement and Severance Benefits* and note 12. Employee Benefits
・note 3. *(l) Contingencies* and note 24. Commitments and Contingencies
・note 3. *(m) Revenue Recognition Criteria*
・note 3. *(o) Deferred Taxes and Income Taxes* and note 10. Deferred Taxes and Income Taxes

(3) Summary of Significant Accounting Policies

(a) Basis of Consolidation

(i) Consolidated Subsidiaries

Consolidated subsidiaries are entities controlled by the Company. Control is obtained when the Company has risks or rights to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the variable returns.

The Company consolidates all subsidiaries from the date on which the Company acquires control until the date on which the Company loses control.

Significant intercompany transactions and receivables and payables within the Hitachi Construction Machinery Group (HCM Group) have been eliminated.

Consolidated subsidiaries' financial statements are adjusted, if necessary, when their accounting policies differ from those of the Company. For a consolidated subsidiary whose reporting date is different from that of the Company, financial statements of the consolidated subsidiary based on provisional settlement of accounts made as of the reporting date are used on a consolidated basis.

Changes in ownership interests in subsidiaries without a loss of control are accounted for as equity transactions. Changes in ownership interests in subsidiaries with a loss of control are accounted for by derecognizing assets and liabilities, non-controlling interests, equity and accumulated other comprehensive income (AOCI) attributable to the subsidiaries.

(ii) Associates

Associates are entities over which the Company has the ability to exercise significant influence over their operational and financial policies, but which are not controlled by the Company.

Investments in associates are accounted for using the equity method.

The consolidated financial statements of the Company include changes in profit or loss and other comprehensive income (OCI) of these associates from the date on which the Company obtains significant influence or joint control to the date on which it loses significant influence or joint control.

The financial statements of the associates are adjusted, if necessary, when their accounting policies differ from those of the Company.

(b) Cash Equivalents

Cash equivalents are highly liquid investments with insignificant risk of changes in value, with original maturities of three months or less from the date of acquisition.

(c) Foreign Currency Translation

The consolidated financial statements are presented in Japanese yen, which is the Company’s functional currency.

(i) Foreign Currency Transactions

Foreign currency transactions are converted into the functional currency of the Company using the exchange rate prevailing at the transaction date or a rate that approximates such rate. Monetary assets and liabilities denominated in foreign currencies are converted into the functional currency using the exchange rate at the end of the reporting period. Foreign exchange gains and losses resulting from the currency conversion and settlement are recognized in profit or loss, except where gains and losses on assets or liabilities are recognized in OCI, foreign exchange effects relating to such assets or liabilities are also recognized in OCI.

(ii) Foreign Operations

Assets and liabilities of foreign entities are translated into Japanese yen using the exchange rate at the end of the reporting period. Revenue and expense items are translated using the rate at the transaction date, or the average exchange rates during the period if there are no significant fluctuations in the exchange rates.

Gains or losses derived from translating foreign entities’ financial statements are recognized in OCI. At the time of disposal of foreign entities, cumulative translation differences that were recorded as OCI are reclassified into profit or loss.

(d) Financial Instruments

The HCM Group has early adopted IFRS 9 “Financial Instruments” (issued in November 2009, amended in October 2010) (IFRS 9).

(i) Non-derivative Financial Assets

The HCM Group initially recognizes trade receivables on the date such receivables arise. All other financial assets are initially recognized at the transaction date on which the HCM Group becomes a party to the agreement.

The HCM Group derecognizes financial assets when contractual rights to cash flows from the financial assets expire or when the contractual rights to receive cash flows from the financial assets are transferred in transactions where the risks and economic rewards of owning the financial assets are substantially transferred. In transactions where the risks and economic rewards of owning the financial assets are neither substantially transferred nor retained, the HCM Group continues to recognize the financial assets to the extent of its continuing involvement and only derecognizes such financial assets when its control is transferred.

The classification and measurement model of non-derivative financial assets is summarized as follows:

Financial Assets Measured at Amortized Cost

Financial assets are subsequently measured at amortized cost when they meet the following requirements:

・The financial asset is held within a business model of the HCM Group the objective of which is to hold the asset to collect contractual cash flows.

・The contractual terms of the financial asset provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value (also including direct transaction costs). The carrying amount of financial assets measured at amortized cost is subsequently measured using the effective interest method. Interest accrued on financial assets measured at amortized cost is included in financial income in the consolidated statements of income.

FVTOCI Financial Assets

The HCM Group holds certain equity instruments with the purpose of expanding its revenue base by maintaining and strengthening business relations with the investees. These equity instruments are classified as FVTOCI financial assets by designation. They are initially and subsequently measured at fair value, and the changes in fair value are recognized in OCI. The cumulative amount of OCI is recognized in equity as AOCI. Dividends on equity instruments designated as FVTOCI are recognized in profit or loss, except where they are considered to be a return of the investment.

FVTPL Financial Assets

The HCM Group classifies equity instruments not designated as FVTOCI financial assets and debt instruments not classified as financial assets measured at amortized cost, as FVTPL financial assets. These instruments are subsequently measured at fair value and the changes in fair value are recognized in profit or loss.

Impairment of Financial Assets Measured at Amortized Cost

On a regular basis, but no less frequently than at the end of each quarterly reporting period, the HCM Group evaluates financial assets measured at amortized cost for impairment. Impairment is deemed to have occurred when there is an objective evidence of impairment after initial recognition and when the estimated future cash flows from the financial assets falls below their respective carrying amounts. Objective evidence of impairment includes historical credit loss experience, existence of overdue payments, extended payment terms, negative evaluation by third party credit rating agencies, and deteriorated financial position and operating results, such as a capital deficit.

Impairment losses on debt securities are recognized when the carrying amount of the financial asset exceeds either its estimated future cash flows discounted by the initial effective interest rate or its estimated fair value using the observable market price, and measured as the difference.

Assessing impairment losses on trade receivables requires a considerable amount of judgment, involving historical experience and analysis, including the current creditworthiness of each customer. The HCM Group measures an impairment loss based on the credit loss ratio calculated taking into consideration factors including historical experience or the estimate of collectible amount after assessing multiple potential risks associated with the country in which a debtor conducts business or business environment including special business customs particular to the region.

Impairment losses on debt instruments directly reduce the carrying amount of the assets, while the impairment losses on trade receivables indirectly reduce the carrying amount through the use of an allowance account. For trade receivables, account balances are generally written off against the allowance only after all means of collection have been exhausted and the potential for recovery is considered remote.

When subsequent events or circumstances decrease the amount of the impairment loss recognized, the impairment loss is reversed through profit or loss.

(ii) Non-derivative Financial Liabilities

The HCM Group initially recognizes debt instruments on the date of issuance. All other financial liabilities are initially recognized at the transaction date on which the HCM Group becomes a party to the agreement.

The HCM Group derecognizes financial liabilities when extinguished, when the obligation in the contract is redeemed or the liability is discharged, cancelled or expires.

Non-derivative financial liabilities the HCM Group holds include trade and other payables, bonds and borrowings, and other financial liabilities. They are initially measured at fair value (less direct transaction costs), and bonds and borrowings are subsequently measured at amortized cost using the effective interest method. Interest accrued on these financial liabilities is included in financial expenses in the consolidated statements of income.

(iii) Derivatives and Hedge Accounting

The HCM Group uses derivative instruments including forward exchange contracts and interest rate swaps in order to hedge foreign currency exchange risks and interest rate risks. All derivatives are measured at fair value irrespective of the objective and intent of holding them.

The HCM Group accounts for hedging derivatives as follows:

- Fair value hedge: a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment. The changes in fair value of the recognized assets or liabilities or unrecognized firm commitments and the related derivatives are both recorded in profit or loss if the hedge is considered highly effective.
- Cash flow hedge: a hedge of a forecast transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability. The changes in fair value of the derivatives designated as cash flow hedges are recorded in OCI if the hedge is considered highly effective. This treatment continues until profit or loss is affected by the variability of cash flows or the unrecognized firm commitment of the designated hedged item, at which point changes in fair value of the derivative are recognized in profit or loss.

The HCM Group follows the documentation requirements as prescribed by International Accounting Standards (IAS) 39 “Financial Instruments: Recognition and Measurement,” which includes the risk management objective and strategy for undertaking various hedge transactions. In addition, a formal assessment is made at the hedge’s inception and subsequently on a periodic basis, as to whether the derivative used in hedging activities is highly effective in offsetting changes in fair values or cash flows the of hedged items. Hedge accounting is discontinued if a hedge becomes ineffective.

(iv) Offsetting Financial Assets and Liabilities

Financial assets and liabilities are offset and reported as net amounts in the consolidated statements of financial position, only when the HCM Group currently has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

(e) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the specific identification method or by the moving average method for finished goods, semi-finished goods and work in process, and generally by the moving average method for raw materials. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to sell.

(f) Property, Plant and Equipment

The HCM Group uses the cost method to measure property, plant and equipment. They are stated at cost, less accumulated depreciation and accumulated impairment losses. Acquisition cost includes direct costs of acquisition, costs of dismantling, removing and restoration of the assets. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives for major classes of assets:

Buildings and structures	2 to 67 years
Machinery, equipment and vehicles	2 to 30 years
Tools, furniture and fixtures	2 to 30 years

Residual value, estimated useful lives and the method of depreciation are reviewed at the fiscal year end. Changes in residual value, estimated useful lives or depreciation method are accounted for on a prospective basis as a change in accounting estimate.

(g) Goodwill and Other Intangible Assets

(i) Goodwill

After initial recognition, goodwill is not amortized and is stated at cost less any accumulated impairment losses.

(ii) Other Intangible Assets

The HCM Group applies the cost model to other intangible assets and states such assets at cost less accumulated amortization and impairment losses.

Intangible assets are amortized using the straight-line method over the following estimated useful lives for major classes of assets:

Software	2 to 10 years
Others	2 to 20 years

Residual value, estimated useful lives and the method of amortization are reviewed at the fiscal year end. Changes in residual value, estimated useful lives or amortization method are accounted for on a prospective basis as a change in accounting estimates.

(h) Leases

Decision on whether an arrangement is or contains a lease is made based on the substance of the arrangement at inception of the lease. Leases where all risks and rewards of ownership of the asset are substantially transferred to the lessee under the arrangement are classified as finance leases. Leases other than finance leases are classified as operating leases.

(i) Leases as Lessee

Lease assets and liabilities under finance leases are initially recognized at the lower of the present value of minimum lease payments or fair value at inception of the lease. Depreciation of lease assets is recorded using the straight-line method over the shorter of the lease term or estimated useful life, except in the case where it is reasonably certain that the ownership will be transferred by the end of the lease term. Lease payments are allocated at a constant rate to the balance of lease liabilities and accounted for as a reduction in financial expenses and lease liabilities.

Lease payments under operating leases are recognized as expenses using the straight-line method over the lease term.

(ii) Leases as Lessor

For finance leases, net investment in lease at inception of the lease is recorded as trade receivables, and unearned income is allocated over the lease term at a constant rate to the net investment in lease and recognized in the fiscal year to which the income is attributed.

Lease payments receivable under operating leases are recognized equally over the lease term.

(i) Impairment of Non-financial Assets

For each non-financial asset, the HCM Group reviews the carrying amount and tests for impairment when there are events or circumstances indicating an asset's carrying amount may not be recoverable. Irrespective of any indicators of impairment, the HCM Group tests goodwill for impairment at the end of each fiscal year, by estimating the recoverable amount of each cash-generating unit (CGU) to which such assets are allocated.

The HCM Group measures the recoverable amount primarily based on the market price of the asset or using the income approach (present value technique) based on the estimated future cash flows expected to result from the use of the asset and its eventual disposal. If the carrying amount of the asset allocated to the CGU exceeds its recoverable amount, an impairment loss is recognized at the excess amount.

For an asset other than goodwill, its recoverable amount is subsequently estimated for the asset or the CGU when there is a significant change in facts and circumstances and there is an indication that an impairment loss previously recognized on the asset may no longer exist or has decreased. If the estimated recoverable amount exceeds the carrying amount of the CGU, the impairment loss recognized previously is reversed to the extent of the carrying amount that would have been recorded, net of depreciation or amortization, if impairment had not been recognized previously.

(j) Retirement and Severance Benefits

The Company and certain consolidated subsidiaries have defined benefit pension plans and severance lump-sum payment plans to provide retirement and severance benefits to employees. The present value of defined benefit obligations and retirement benefit costs are measured based on the projected unit credit method.

The present value of defined benefit obligations and the fair value of plan assets are remeasured as of the end of the fiscal year. Actuarial differences arising during the year and changes in fair value of plan assets (excluding interest income) are recognized in OCI and are not subsequently reclassified into profit or loss. Any prior service cost, which arises at the time of a plan amendment, is recognized immediately in profit or loss when such an amendment occurs.

The present value of defined benefit obligations less the fair value of plan assets is presented as assets or liabilities.

(k) Provisions

The HCM Group recognizes provisions when it has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of obligation can be reliably estimated.

When the time to settle an obligation is expected to be long, and thus the time value of money is material, the amount of a provision is measured at the present value of the amount of expenditures expected to be required to settle the obligation. The pretax discount rate reflecting the time value of money and risks specific to the obligation is used in the calculation of the present value.

(l) Contingencies

The HCM Group discloses contingent liabilities in note 24. Commitments and Contingencies in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” if an obligation does not meet the recognition criteria of provisions prescribed above in *(k) Provisions,* excluding those where the possibility of an outflow of resources is remote.

(m) Revenue Recognition Criteria

The HCM Group recognizes revenue when it is certain that the economic benefits will flow to the HCM Group and the amount of revenue can be measured reliably on the premise that there is persuasive evidence supporting the transaction.

Revenue from sale of goods, rendering of services and others is measured at fair value of the consideration received or receivable. Fair value is the amount after deduction of discounts, rebates and consumption tax. Revenue recognition criteria by significant category are as follows:

(i) Sale of Goods

Revenue from the sale of goods is recognized when all of the following conditions are met.

- The significant risks and rewards of ownership of the goods have been transferred to the customer
- The HCM Group has neither continuing managerial involvement nor effective control over the goods sold
- The amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the HCM Group

(ii) Rendering of Services

Revenue from the rendering of services is recognized when all of the following conditions are met.

- The stage of completion of the transaction at the end of the reporting period can be measured reliably
- The amount of revenue and the costs incurred for the transaction at the end of the reporting period can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the HCM Group

(n) Government Grants

Government grants are recognized at fair value when the HCM Group obtains reasonable assurance that the conditions attached to the grants will be met and the grants will be received.

Government grants for expenses are recognized in profit or loss on a systematic basis over the periods in which the related costs for which the grants are intended to compensate are recognized. Government grants for assets are recognized by calculating the carrying amount of the assets by deducting the amount of the grants from acquisition cost of the assets.

(o) Deferred Taxes and Income Taxes

Tax expenses are comprised of current tax and deferred tax. These tax expenses are recognized in profit or loss, except for tax expenses related to business combinations and items recognized directly in equity or OCI.

Deferred tax assets and liabilities resulting from temporary differences and others are accounted for based on the asset and liability approach. A deferred tax liability is not recognized for temporary differences arising from goodwill, temporary differences arising from an asset or liability in a transaction other than a business combination, which at the time of transaction affects neither accounting nor taxable income; and future taxable difference arising from investments in consolidated subsidiaries or associates where that the HCM Group is able to control the timing of reversal of the temporary difference while it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss and OCI in the period that includes the enactment date. A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which unused tax losses, unused tax credits and future deductible temporary differences can be utilized.

(p) Earnings per Share

Basic earnings per share (EPS) for net income attributable to owners of the parent is calculated based on the weighted average number of ordinary shares outstanding during the period. Diluted EPS for net income attributable to owners of the parent is calculated based on the sum of weighted average number of ordinary shares outstanding during the period and the conversion of securities with dilutive effects or the number of authorized shares.

(q) Business Combinations

Business combinations are accounted for using the acquisition method. Consideration is measured as the sum of the fair value of the consideration transferred at acquisition date and the non-controlling interests in the acquiree. The Company determines, on a transaction by transaction basis, whether to measure non-controlling interests at fair value or by the appropriate share in the fair value of identifiable net assets of the acquiree. Acquisition related costs are expensed in the period in which the costs are incurred.

On the acquisition date, identifiable assets and liabilities are recognized at fair value at acquisition date, except for the following items:

- Deferred tax assets (or deferred tax liabilities) and liabilities (or assets) related to employee benefits are recognized and measured in accordance with IAS 12 “Income Taxes” and IAS 19 “Employee Benefits,” respectively.
- Assets or disposal HCM Groups classified as held for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with this standard.
- Liabilities or equity instruments relating to share-based payment transactions of the acquired entity, or liabilities or equity instruments relating to replacement of share-based payment transactions of the acquired entity with share-based payment transactions of a consolidating company are measured in accordance with IFRS 2 “Share-based Payment.”

When the consideration for acquisition exceeds the fair value of identifiable assets and liabilities, the excess is recorded as goodwill in the consolidated statements of financial position. On the other hand, when the consideration for acquisition falls below the fair value, the difference is immediately recorded as revenue in the consolidated statements of income.

Notes to Consolidated Financial Statements

(r) New Accounting Standards not yet Adopted by the Company

The following table lists the new accounting standards and interpretations issued or amended prior to the approval date of the consolidated financial statements that are not yet adopted by the HCM Group as of the reporting date. The HCM Group is currently evaluating the potential impact of adopting these new standards and amendments on its financial position and business performance.

IFRSs	Title	Mandatory effective date (Fiscal year beginning on or after)	To be adopted by the HCM Group	Description of new standards and amendments
IFRS 15	Revenue from Contracts with Customers	January 1, 2017	To be determined	Revised accounting standard for revenue recognition and disclosure
IFRS 9	Financial Instruments	January 1, 2018	To be determined	Amendments for hedge accounting (amended in November 2013) Amendments for the classification and measurement of financial instruments, and adoption of expected loss impairment model for financial assets (amended in July 2014)

(s) Subsequent Events

The HCM Group has assessed events that occurred up to June 23, 2015, the issue date of these consolidated financial statements.

(4) Segment Information

(a) Overview of Business Segments

The operating segments of the HCM Group are the components for which separate financial information is available and which is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The reportable segments are determined based on the operating segment.

Since the HCM Group's line of business is manufacturing and sales of construction machinery and there is no operating segment to be segregated, its reportable segment is a single category of the "construction machinery business."

(b) Information on Products and Services

The following tables show revenue from outside customers by product and service for the years ended March 31, 2014 and 2015.

Millions of yen

	2014	2015
Mining machinery	126,802	122,127
Construction machinery and others	676,186	693,665
Total	802,988	815,792

(c) Geographic Information

The following table shows revenues attributed to geographic areas based on the location of the customers for the years ended March 31, 2014 and 2015.

Millions of yen

	2014	2015
Japan	231,846	221,756
The Americas	80,418	112,539
Europe	71,549	93,396
Russia-CIS, Africa, and Middle East	87,382	92,086
Asia and Oceania	217,313	223,128
China	114,480	72,887
Total	802,988	815,792

Revenues from outside customers attributable to any individual country and region other than Japan and China were not material for the years ended March 31, 2014 and 2015.

The following table shows the balances of property, plant and equipment, intangible assets and goodwill for each geographic area as of March 31, 2014 and 2015.

Millions of yen

	March 31, 2014	March 31, 2015
Japan	207,623	207,045
The Americas	3,316	3,885
Europe	17,548	14,051
Asia	61,051	58,349
Other Areas	17,639	17,558
Total	307,177	300,888

The balances of property, plant and equipment, intangible assets and goodwill in any individual country and region other than Japan are not material as of March 31, 2014 and 2015.

(d) Significant Customer Information

There is no concentration of revenues to a specific customer for the year ended March 31, 2014 and 2015.

(5) Trade Receivables

The components of trade receivables are as follows:

Millions of yen

	April 1, 2013	March 31, 2014	March 31, 2015
Accounts and notes receivable	202,350	218,580	213,235
Finance lease receivables	103,599	90,259	58,418
Allowance for doubtful receivables	(7,925)	(9,699)	(10,091)
Total	298,024	299,140	261,562

The components of trade receivables in the consolidated statements of financial position are as follows:

Millions of yen

	April 1, 2013	March 31, 2014	March 31, 2015
Current assets	248,858	248,396	231,473
Non-current assets	49,166	50,744	30,089
Total	298,024	299,140	261,562

(6) Leases

(a) Lessee

The Company and certain consolidated subsidiaries use leased facilities and equipment, mainly including buildings, machinery and equipment and vehicles, under finance lease or operating lease. No restrictions were imposed by contingent rent payable and the escalation clause and lease agreements.

The following table shows the undiscounted amounts and present value of minimum lease payments under finance leases.

Millions of yen

	April 1, 2013		March 31, 2014		March 31, 2015	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within 1 year	4,049	3,434	5,406	4,582	5,774	4,957
After 1 year but not more than 5 years	10,324	8,494	15,451	13,231	18,204	15,986
More than 5 years	5,129	3,134	6,000	4,205	3,786	2,367
Minimum lease payments, total	19,502		26,857		27,764	
Finance charges	(4,440)		(4,839)		(4,454)	
Present value of minimum lease payments, total	15,062		22,018		23,310	

Finance lease assets are principally assets acquired by subsidiaries to provide operating leases and included in other property, plant and equipment. The carrying amount of the finance lease assets as of April 1, 2013, March 31, 2014 and March 31, 2015 was ¥11,993 million, ¥15,162 million and ¥15,083 million, respectively.

Future lease payments receivable under non-cancelable subleases as of March 31, 2014 and March 31, 2015 were

¥3,436 million and ¥4,095 million, respectively.

The following table shows the future minimum lease payments under non-cancelable operating leases.

Millions of yen

	April 1, 2013	March 31, 2014	March 31, 2015
Within 1 year	1,266	1,305	860
After 1 year but not more than 5 years	2,392	2,282	2,161
More than 5 years	839	965	843

Total minimum operating lease expenses for the years ended March 31, 2014 and 2015 are as follows:

Millions of yen

	2014	2015
Minimum operating lease expenses	8,045	9,424

(b) Lessor

Certain consolidated subsidiaries lease mainly construction machinery under finance and operating lease arrangements principally over the period of three to six years. No restrictions were imposed by contingent rent payable, the escalation clause and lease agreements.

The following table shows the amounts of minimum lease payments receivable and present value of minimum lease payments receivable under finance leases.

Millions of yen

	April 1, 2013		March 31, 2014		March 31, 2015	
	Gross investment in lease	Present value of minimum lease payments receivable	Gross investment in lease	Present value of minimum lease payments receivable	Gross investment in lease	Present value of minimum lease payments receivable
Within 1 year	71,289	66,513	55,861	50,860	38,982	36,743
After 1 year but not more than 5 years	38,610	36,065	41,193	38,276	22,995	21,598
More than 5 years	1,059	1,021	1,156	1,123	79	77
Minimum lease payments receivable, total	110,958		98,210		62,056	
Unearned income	(7,359)		(7,951)		(3,638)	
Present value of minimum lease payments receivable	103,599		90,259		58,418	

The amounts of the allowance for uncollectable minimum lease payments receivable as of April 1, 2013 and March 31, 2014 and 2015 are ¥3,580 million, ¥3,640 million and ¥3,143 million, respectively.

Notes to Consolidated Financial Statements

The following table shows the future minimum lease payments receivable under non-cancelable operating leases.

Millions of yen

	April 1, 2013	March 31, 2014	March 31, 2015
Within 1 year	2,723	2,816	2,653
After 1 year but not more than 5 years	5,405	6,467	5,970
More than 5 years	263	346	190

(7) Inventories

The components of inventories are as follows:

Millions of yen

	April 1, 2013	March 31, 2014	March 31, 2015
Merchandise and finished goods	239,520	248,506	245,145
Work in process	54,066	51,032	43,554
Raw materials and supplies	21,137	21,615	24,789
Total	314,723	321,153	313,488

For the years ended March 31, 2014 and 2015, the amounts of inventories expensed and included as cost of sales were ¥568,715 million and ¥591,961 million, respectively. For the years ended March 31, 2014 and 2015, valuation losses recorded for inventories that were written down to net realizable value were ¥1,996 million and ¥3,892 million, respectively, and reversals of valuation losses were ¥1,251 million and ¥440 million, respectively.

Notes to Consolidated Financial Statements

(8) Property, Plant and Equipment

The following tables show the changes in the net carrying amounts, the gross carrying amount and accumulated depreciation and impairment losses of property, plant and equipment.

Millions of yen

	Land	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Others	Construction in progress	Total
Net carrying amount							
April 1, 2013	53,344	85,551	62,219	6,449	44,759	17,118	269,440
Separate acquisition	1,012	784	3,547	743	20,151	22,893	49,130
Sales and disposals	(651)	(396)	(666)	(491)	(1,696)	(2)	(3,902)
Depreciation	-	(5,536)	(10,186)	(2,964)	(12,129)	-	(30,815)
Impairment losses	(205)	(231)	-	-	(88)	-	(524)
Acquisitions and divestitures	(481)	(262)	(74)	(3)	-	-	(820)
Currency translation effect	241	2,229	1,412	196	20	284	4,382
Transfer from construction in progress	2,060	12,081	11,765	1,993	407	(28,306)	-
Other	(706)	833	(715)	342	(696)	(436)	(1,378)
March 31, 2014	54,614	95,053	67,302	6,265	50,728	11,551	285,513
Separate acquisition	146	928	1,635	1,237	15,286	11,569	32,097
Sales and disposals	(1,639)	(392)	(913)	(101)	(2,337)	(306)	(6,984)
Depreciation	-	(6,141)	(11,176)	(3,130)	(11,084)	-	(31,531)
Impairment losses	-	(7)	-	-	(39)	-	(46)
Acquisitions and divestitures	-	-	-	(4)	(388)	-	(392)
Currency translation effect	(203)	1,786	2,539	232	(21)	1,280	5,613
Transfer from construction in progress	77	7,892	7,254	2,080	20	(17,323)	-
Other	-	(3,151)	(282)	341	174	(26)	(2,944)
March 31, 2015	52,995	95,968	66,359	6,920	52,339	6,745	281,326

For the years ended March 31, 2014 and 2015, the amount of depreciation recognized is included in Cost of sales and Selling, general and administrative expenses in the consolidated statements of income. Impairment losses are included in other expenses of the consolidated statements of income. The amount related to property, plant and equipment under construction is presented as construction in progress, and other property, plant and equipment are principally operating assets for rental held by certain consolidated subsidiaries such as construction machinery.

Millions of yen

	Land	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Others	Construction in progress	Total
Gross carrying amount							
April 1, 2013	54,205	150,136	171,401	47,907	107,988	17,118	548,755
March 31, 2014	55,466	166,337	184,954	51,049	118,595	11,551	587,952
March 31, 2015	53,098	172,296	195,214	53,042	123,488	6,745	603,883
Accumulated depreciation and impairment losses							
April 1, 2013	(861)	(64,585)	(109,182)	(41,458)	(63,229)	-	(279,315)
March 31, 2014	(852)	(71,284)	(117,652)	(44,784)	(67,867)	-	(302,439)
March 31, 2015	(103)	(76,328)	(128,855)	(46,122)	(71,149)	-	(322,557)

(9) Goodwill and Other Intangible Assets

The following tables show the changes in the net carrying amounts, the gross carrying amount and accumulated amortization and impairment losses of goodwill and other intangible assets.

Millions of yen

	Goodwill	Software	Others	Total
Net carrying amount				
April 1, 2013	8,675	17,790	433	26,898
Purchases	-	2,516	27	2,543
Amortization	-	(5,653)	(120)	(5,773)
Impairment losses	-	(2,884)	-	(2,884)
Sales and disposals	-	(16)	(15)	(31)
Acquisitions and divestitures	43	(15)	(18)	10
Currency translation effect	(72)	95	15	38
Other	-	958	(95)	863
March 31, 2014	8,646	12,791	227	21,664
Purchases	-	3,009	45	3,054
Amortization	-	(5,825)	(60)	(5,885)
Impairment losses	-	(441)	-	(441)
Sales and disposals	-	(8)	(19)	(27)
Acquisitions and divestitures	-	(10)	-	(10)
Currency translation effect	944	1	(45)	900
Other	-	229	78	307
March 31, 2015	9,590	9,746	226	19,562

For the years ended March 31, 2014 and 2015, the amount of amortization recognized is included in Cost of sales and Selling, general and administrative expenses in the consolidated statements of income. Impairment losses are included in other expenses in the consolidated statements of income.

Millions of yen

	Goodwill	Software	Others	Total
Gross carrying amount				
April 1, 2013	8,675	40,443	3,433	52,551
March 31, 2014	8,646	41,258	3,315	53,219
March 31, 2015	9,590	43,125	2,828	55,543
Accumulated amortization and impairment losses				
April 1, 2013	-	(22,653)	(3,000)	(25,653)
March 31, 2014	-	(28,467)	(3,088)	(31,555)
March 31, 2015	-	(33,379)	(2,602)	(35,981)

Expenditures on research activities aimed at obtaining a new scientific or technical knowledge or understanding are expensed when incurred. Expenditures on development activities for a new or major improvement of production plan or design prior to the beginning of commercial production or use are capitalized as an internally generated intangible asset only when such expenditures attributable to the intangible asset can be reliably measured, it is feasible for the HCM Group to complete the development, and it is highly probable that the HCM Group will obtain the future economic benefit. Otherwise, the expenditures are recognized as an expense when incurred.

Research and development expenditures recognized as an expense for the years ended March 31, 2014 and 2015 were ¥18,809 million and ¥17,843 million, respectively, and they are included in Cost of sales and Selling, general and administrative expenses in the consolidated statements of income.

The HCM Group does not have intangible assets with indefinite useful lives except for goodwill.

The HCM Group tests goodwill acquired through business combination for impairment by comparing the carrying amount and the recoverable amount per CGU.

The recoverable amount per CGU is calculated based on value in use. Value in use is calculated by the estimated future cash flows based on business plans approved by management, discounted at the discount rate which is derived from the weighted average cost of capital. The business plan used is based on external information, reflects historical experiences, and generally covers a maximum of five years. Estimated cash flows beyond the period covered by the business plan are calculated using the estimated growth rate not exceeding the long-term average growth rate of the market to which the CGU belongs.

The HCM Group considers it unlikely for the carrying amount of goodwill allocated to each CGU as of March 31, 2015 would exceed the recoverable amount even if the primary assumptions used for the impairment test changed within a reasonable range.

Certain intangible assets for which there is an indication of potential impairment are tested for impairment. As a result of the impairment test, impairment losses of ¥2,884 million and ¥441 million were recognized in other expenses for the years ended March 31, 2014 and 2015, respectively.

The impairment losses were recognized for the years ended March 31, 2014 and 2015, because the software was no longer expected to be used due to a development of the next uniform core system for group companies and it was difficult to divert for other use or sell the software. Due to the difficulty of diverting for other use or selling the software, these losses were recorded with the recoverable value assessed as zero.

Notes to Consolidated Financial Statements

(10) Deferred Taxes and Income Taxes

The components of income taxes for the years ended March 31, 2014 and 2015 are as follows:

Millions of yen

	2014	2015
Income taxes		
Current tax expense	18,512	20,252
Deferred tax expense	(236)	8,445
Temporary differences originated and reversed	776	(2,242)
Changes in write-down of deferred tax assets	(1,012)	10,687
Total	18,276	28,697

The Company and its domestic Japanese subsidiaries are subject to a national corporate tax of 25.5%, an inhabitant tax of 20.7% and business tax of 7.55%. Based on these taxes, a combined statutory income tax rate is 35.6%. However, foreign subsidiaries are subject to a corporate tax, etc. in their locations. As for the Company and its domestic Japanese subsidiaries, the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 2 of 2015) were promulgated, resulting in lower corporate tax rates effective from the fiscal year beginning on or after April 1, 2015. As a result, the aggregate statutory income tax rate to calculated deferred tax assets and liabilities will be 33.1% for temporary differences expected to be realized or settled during the year beginning on April 1, 2015 and 32.3% for temporary differences expected to be realized or settled during the year beginning on or after April 1, 2016, compared with the previous rate of 35.6%. The effect of those changes in tax rates is immaterial.

The Company and certain consolidated subsidiaries file consolidated income tax returns.

The components by major items that resulted in the difference between the combined statutory income tax rate and the effective income tax rate are as follows:

Millions of yen

	March 31, 2014	March 31, 2015
Combined statutory income tax rate	37.8%	35.6%
Foreign taxes credit	(6.6)	(5.3)
Income not taxable for tax purpose, such as dividends received	(14.7)	(13.5)
Elimination of dividends received	18.2	19.3
Difference in statutory tax rates of foreign subsidiaries	(5.6)	(6.6)
Excess amounts over the tax basis of investments in subsidiaries and investments in associates	0.3	1.6
Change in write-down of deferred tax assets	(1.7)	18.1
Other, net	2.6	(0.5)
Effective income tax rate	30.3%	48.7%

Payment of dividends to owners of the Company has no effect on income taxes.

Notes to Consolidated Financial Statements

Changes in deferred tax assets and liabilities are as follows:

Millions of yen

	April 1, 2013	Recognized in profit or loss	Recognized in OCI	Acquisitions, divestitures and others	March 31, 2014
Deferred tax assets					
Allowance for doubtful receivables	554	1			555
Accrued bonuses	2,784	(12)			2,772
Retirement and severance benefits	9,165	(206)	(388)		8,571
Net operating loss carryforwards	2,531	718			3,249
Unrealized profits of inventories	4,545	(305)			4,240
Unrealized gain on fixed assets	226	435			661
Other	10,335	644	(1,464)		9,515
Total deferred tax assets	30,140	1,275	(1,852)	-	29,563
Offset with deferred tax liabilities	(11,067)	(1,240)	(473)	-	(12,780)
Reported deferred tax assets	19,073	35	(2,325)	-	16,783
Deferred tax liabilities					
Deferred gain on sale of properties	(433)	(46)			(479)
Tax purpose reserves regulated by Japanese tax laws	(102)	12			(90)
Investments in subsidiaries and investments in associates	(7,015)	(155)			(7,170)
Investments in securities	(3,163)		(473)		(3,636)
Other	(750)	(850)			(1,600)
Total deferred tax liabilities	(11,463)	(1,039)	(473)	-	(12,975)
Offset with deferred tax assets	11,067	1,240	473	-	12,780
Reported of deferred tax liabilities	(396)	201	-	-	(195)
Net deferred tax assets	18,677	236	(2,325)	-	16,588

Notes to Consolidated Financial Statements

Millions of yen

	March 31, 2014	Recognized in profit or loss	Recognized in OCI	Acquisitions, divestitures and others	March 31, 2015
Deferred tax assets					
Allowance for doubtful receivables	555	74			629
Accrued bonuses	2,772	(128)			2,644
Retirement and severance benefits	8,571	(1,808)	(435)		6,328
Net operating loss carryforwards	3,249	(2,451)			798
Unrealized profits of inventories	4,240	(944)			3,296
Unrealized gain on fixed assets	661	278			939
Other	9,515	(2,018)	1,081	(91)	8,487
Total deferred tax assets	29,563	(6,997)	646	(91)	23,121
Offset with deferred tax liabilities	(12,780)	7,840	150	-	(4,790)
Reported deferred tax assets	16,783	843	796	(91)	18,331
Deferred tax liabilities					
Deferred gain on sale of properties	(479)	95			(384)
Tax purpose reserves regulated by Japanese tax laws	(90)	30			(60)
Investments in subsidiaries and investments in associates	(7,170)	(945)	(3)		(8,118)
Investments in securities	(3,636)		153		(3,483)
Other	(1,600)	(628)			(2,228)
Total deferred tax liabilities	(12,975)	(1,448)	150	-	(14,273)
Offset with deferred tax assets	12,780	(7,840)	(150)	-	4,790
Reported deferred tax liabilities	(195)	(9,288)	-	-	(9,483)
Net deferred tax assets	16,588	(8,445)	796	(91)	8,848

The total temporary differences related to excess amounts over the tax basis of investments in subsidiaries and investments in associates for which deferred tax liabilities are not recognized are ¥24,720 million and ¥38,476 million, respectively, as of March 31, 2014 and 2015.

Deferred tax liabilities are not recognized for these differences for which the HCM Group can control timing of the reversal and that will unlikely reverse in the foreseeable future.

In assessing the realizability of deferred tax assets, the HCM Group considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in specific tax jurisdictions during the periods in which these deductible differences become deductible. Although realization is not assured, the HCM Group carries out an assessment of the scheduled reversals of deferred tax liabilities and projected future taxable income, including the execution of certain available tax strategies if needed. Based on these factors, the HCM Group believes it is more likely than not it will realize the benefits of these deductible differences as of March 31, 2015.

Deductible temporary differences, tax loss carryforwards and tax credit carryforwards for unrecognized deferred tax assets are as follows:

Millions of yen

	April 1, 2013	March 31, 2014	March 31, 2015
Deductible temporary differences	7,376	9,218	19,462
Tax loss carryforwards			
Expiring within 1 year			
Expiring after 1 year but not more than 5 years		966	15,166
Expiring after 5 years	4,343	3,142	36,046
Total tax loss carryforwards	4,343	4,108	51,212
Tax credit carryforwards			
Expiring within 1 year			2,339
Expiring after 1 year but not more than 5 years		677	1,826
Total tax credit carryforwards	-	677	4,165

The above tax loss carryforwards for unrecognized deferred tax assets are principally due to net operating loss carryforwards on business taxes.

(11) Trade and Other Payables

The components of trade and other payables are as follows:

Millions of yen

	April 1, 2013	March 31, 2014	March 31, 2015
Accounts and notes payable	149,128	143,134	139,091
Finance lease obligations	15,062	22,018	23,310
Accounts payable-other	30,430	21,547	22,839
Accrued expenses	15,547	31,856	35,581
Other	24,285	10,712	9,615
Total	234,452	229,267	230,436

The components of trade and other payables in the consolidated statements of financial position are as follows:

Millions of yen

	April 1, 2013	March 31, 2014	March 31, 2015
Current liabilities	222,650	209,936	210,345
Non-current liabilities	11,802	19,331	20,091
Total	234,452	229,267	230,436

(12) Employee Benefits

(a) Retirement and Severance Benefits

The Company and certain consolidated subsidiaries have funded pension plans such as defined benefit corporate pension plans and unfunded severance lump-sum payment plans to provide retirement and severance benefits to employees.

The Company and certain consolidated subsidiaries have adopted cash balance plans for certain defined benefit corporate pension plans. Under cash balance plans, a notional account balance, which is equivalent to the funding amount and a resource for the amount of pension, is set per each plan participant. In a notional account balance, principally interest credits based on market interest rate trends and the contribution credits per salary level are funded.

Benefits under these plans are calculated based on the employee's salary and service period.

In addition, the Company and certain consolidated subsidiaries have defined contribution pension plans.

Under the Defined-Benefit Corporate Pension Act, etc., the Company has an obligation to make contributions to the Pension Fund of Hitachi Construction Machinery that provides the pension benefits. The directors of the Fund are responsible for faithfully executing operations in compliance with laws and regulations, and any orders issued by the Minister of Health, Labor and Welfare, and the director-generals of Regional Bureaus of Health and Welfare based on laws and regulations, as well as the rules of the Pension Fund of Hitachi Construction Machinery and the resolution of the Board of Representatives. The Fund prohibits the directors from acts that constitute conflicts of interests in the management and operation of the funds contributed for benefit payments (the contributions). If breached, the board members are jointly and severally held responsible for claim for losses.

The plans are managed by the Pension Fund of Hitachi Construction Machinery, which is legally independent from the Company. The Board of Representatives comprises an equal number of representatives selected by the Company and certain subsidiaries and representatives from the employee side. The proceedings of a Board of Representatives are decided by a majority vote of the members attending, except as otherwise required by laws and regulations, and in case of a tied vote, the chairman has the power to decide.
The actual management of the contributions is conducted by trustees in accordance with rules approved by the Board of Representatives. Instruction of specific securities to invest in, etc. by the representatives is prohibited by law. The Fund takes responsibility in managing the contributions safely and efficiently by establishing the basic management of the contributions and preparing the management guidance in line with the policy submitted to the trustees.

The Company is required to make contributions to the Pension Fund of Hitachi Construction Machinery. The amount of contribution is periodically reviewed to the extent allowed by law. The Company has future obligations to make contributions as defined by the Pension Fund of Hitachi Construction Machinery.

For the severance lump-sum payment plans, the Company have an obligation to pay benefits directly to beneficiaries. There is no legal requirement for the funding.

Changes in the present value of defined benefit obligations and the fair value of plan assets for the year ended March 31, 2014 and 2015 are as follows:

Millions of yen

	2014	2015
Present value of defined benefit obligations at beginning of year	68,785	70,857
Service cost	3,474	3,570
Interest cost	1,271	1,298
Actuarial gain or (loss)	(572)	6,355
Benefits paid	(3,829)	(3,513)
Other	1,728	(315)
Present value of defined benefit obligations at end of year	70,857	78,252

	2014	2015
Fair value of plan assets at beginning of year	54,884	58,804
Interest income	972	1,481
Employers' contributions	3,815	3,749
Employees' contributions	62	72
Benefits paid	(2,970)	(2,901)
Return on plan assets (excluding the amount recognized as interest income)	500	6,496
Other	1,541	(75)
Fair value of plan assets at end of year	58,804	67,626

The amounts recognized for defined benefit plans in the consolidated statements of financial position are as follows:

Millions of yen

	April 1, 2013	March 31, 2014	March 31, 2015
Present value of defined benefit obligations (funded)	(59,101)	(60,707)	(67,016)
Fair value of plan assets	54,884	58,804	67,626
Funding position	(4,217)	(1,903)	610
Present value of defined benefit obligations (unfunded)	(9,684)	(10,150)	(11,236)
Net assets (liabilities) in the consolidated statements of financial position	(13,901)	(12,053)	(10,626)
Amount in the consolidated statements of financial position			
Liabilities	(13,901)	(12,505)	(13,446)
Assets (other non-current assets)	-	452	2,820

The components of actuarial gain or loss are as follows:

Millions of yen

	March 31, 2014	March 31, 2015
Arising from changes in financial assumptions	923	(6,233)
Arising from changes in demographic assumptions	(238)	(116)
Other	(113)	(6)

The Company and consolidated subsidiaries remeasure the defined benefit obligations and plan assets at the end of the fiscal year. The main assumptions used in actuarial calculation of defined benefit obligations are as follows:

Percentage

	March 31, 2014	March 31, 2015
Discount rate	2.0	1.6

If the discount rate rose or decreased by 0.5%, the following effects would be made on the defined benefit obligations:

Millions of yen

	March 31, 2014	March 31, 2015
Increase by 0.5%	(4,173)	(6,437)
Decrease by 0.5%	4,595	5,987

The sensitivity analysis is based on an assumption that all other variables other than the one analyzed are held constant; in reality, changes in other assumptions may impact the outcome of the analysis.

The weighted average duration (expected average maturity) of defined benefit obligations is as follows:

Years

	March 31, 2014	March 31, 2015
Duration	14.5	14.8

The investment policy for the plan assets is to maintain current value of assets sufficient for payment of pension benefits and lump-sum benefits. The policy is established to ensure a stable long term rate of return on assets in order to achieve financial soundness.

To this end, the target rate of return is established in consideration of the composition of employees, funding level of assets, risk-taking capability of the Company and certain consolidated subsidiaries, trends of management environment of assets, and other factors. To achieve the target rate of return, the target asset allocation is based on the expected rate of return by each class of asset, the standard deviation of the rate of return and the correlation coefficient among the assets.

If market values fluctuate exceeding certain levels, the Company and certain subsidiaries adjust the investment ratio of plan assets back to the target allocation ratio, while periodically checking actual return on plan assets, trends of management environment of assets, risk-taking capability, and other factors and reviewing the target allocation ratio as needed.

The fair values of plan assets invested are as follows:

Millions of yen

	April 1, 2013		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Government bonds and municipal debt securities	-	5,060	5,060
Corporate bonds and other debt securities	-	267	267
Hedge funds	-	1,388	1,388
Securitization products	-	1,828	1,828
Cash and cash equivalents	2	-	2
Commingled funds	-	45,678	45,678
Other	193	468	661
Total	195	54,689	54,884

Millions of yen

	March 31, 2014		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Hedge funds	-	1,461	1,461
Securitization products	-	2,045	2,045
Cash and cash equivalents	1	-	1
Life insurance general accounts	-	5,973	5,973
Commingled funds	-	48,753	48,753
Other	147	424	571
Total	148	58,656	58,804

Millions of yen

	March 31, 2015		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Equity securities	162	-	162
Hedge funds	-	2,441	2,441
Securitization products	-	2,050	2,050
Cash and cash equivalents	12	-	12
Life insurance general accounts	-	9,296	9,296
Commingled funds	-	52,888	52,888
Other	239	538	777
Total	413	67,213	67,626

Commingled funds represent pooled institutional investments. As of March 31, 2014, commingled funds were allocated to 26% in listed stocks, 47% in government bonds, 16% in corporate bonds and other debt securities and 11% in other assets. As of March 31, 2015, they were allocated to 25% in listed stocks, 48% in government bonds, 15% in corporate bonds and other debt securities, and 12% in other assets.

Funding by the Pension Fund of Hitachi Construction Machinery is conducted by taking into account various factors such as funded status, the limit of tax deductions, and actuarial calculations.

For the purpose of maintaining balanced finance into the future, the bylaws of the Pension Fund of Hitachi Construction Machinery require recalculation of the contribution amounts at the end of fiscal year every five years.

Basic assumptions (expected interest rates, mortality rates, withdrawal rate, etc.) are reviewed to recalculate the appropriate level of contribution.

The amount of contributions expected to be paid by the Company and certain consolidated subsidiaries to the plan assets for the year ending March 31, 2016 is ¥3,811 million.

Contributions made to defined contribution plans and expensed in profit or loss in the years ended March 31, 2014 and 2015 were ¥1,838 million and ¥1,797 million, respectively.

(b) Other Employee Benefit Expenses

The aggregated amounts of employee benefit expenses including salary other than retirement and severance benefits recognized in the consolidated statements of income for the years ended March 31, 2014 and 2015 were ¥121,057 million and ¥128,429 million, respectively.

(13) Equity

(a) Common Stock

Total number of authorized shares of the Company is as follows:

Number of shares

	April 1, 2013	March 31, 2014	March 31, 2015
Total number of authorized shares	700,000,000	700,000,000	700,000,000

Changes in issued shares outstanding of the Company are as follows:

	Issued shares outstanding (Number of shares)
April 1, 2013	215,115,038
Change during the year	-
March 31, 2014	215,115,038
Change during the year	-
March 31, 2015	215,115,038

Shares issued by the Company are non-par value common stock. The issued shares above include treasury stock and were fully paid up.

The changes in treasury stock for the years ended March 31, 2014 and 2015 are as follows:

	Treasury stock (Number of shares)
April 1, 2013	3,206,607
Acquisition of treasury stock	2,844
Sales of treasury stock	(604,430)
March 31, 2014	2,605,021
Acquisition of treasury stock	1,947
Sales of treasury stock	(69,154)
March 31, 2015	2,537,814

(b) Surplus

(i) Capital Surplus

The Japanese Companies Act (JCA) mandates that at least half of paid-in capital be appropriated as common stock and the rest be appropriated as legal reserve within capital surplus.

(ii) Retained Earnings

The JCA requires that ten percent of retained earnings appropriated for dividends be retained until the total amount of earned reserves and retained earnings reaches a quarter of the nominal value of common stock. Earned reserves may be available for dividends by resolution at the shareholders' meeting.

Notes to Consolidated Financial Statements

(14) Other Comprehensive Income (OCI)

Components of OCI for the years ended March 31, 2014 and 2015 are as follows:

Millions of yen

	2014	2015
Foreign currency translation adjustments		
OCI arising during the year	14,707	24,614
Reclassification adjustment	-	26
OCI before tax effect	14,707	24,640
Tax effects	-	-
OCI, net of tax effect	14,707	24,640
Remeasurements of defined benefit obligations		
OCI arising during the year	1,072	141
Reclassification adjustment	-	-
OCI before tax effects	1,072	141
Tax effect	(384)	(510)
OCI, net of tax effect	688	(369)
Net gains and losses from financial assets measured at fair value through OCI		
OCI arising during the year	1,313	416
Reclassification adjustment	-	-
OCI before tax effect	1,313	416
Tax effect	(489)	187
OCI, net of tax effect	824	603
Cash flow hedges		
OCI arising during the year	(4,969)	(243)
Reclassification adjustment	8,021	435
OCI before tax effect	3,052	192
Tax effect	(1,143)	(71)
OCI, net of tax effect	1,909	121
Other comprehensive income of equity method associates		
OCI arising during the year	3,352	1,621
Reclassification adjustment	149	41
OCI before tax effect	3,501	1,662
Tax effect	(3)	83
OCI, net of tax effect	3,498	1,745
Total OCI		
OCI arising during the year	15,475	26,549
Reclassification adjustment	8,170	502
OCI before tax effect	23,645	27,051
Tax effect	(2,019)	(311)
OCI, net of tax effect	21,626	26,740

Notes to Consolidated Financial Statements

(15) Dividends

Dividends paid on common stock for the years ended March 31, 2014 and 2015 are as follows:

Decision	Stock class	Cash dividends (millions of yen)	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on May 21, 2013	Common stock	4,238	20	March 31, 2013	May 31, 2013
The Board of Directors on October 28, 2013	Common stock	5,311	25	September 30, 2013	November 29, 2013
The Board of Directors on May 23, 2014	Common stock	5,313	25	March 31, 2014	May 30, 2014
The Board of Directors on October 28, 2014	Common stock	6,376	30	September 30, 2014	November 28, 2014

Dividends on common stock whose record date falls in the year ended March 31, 2015 and the effective date falls in the next fiscal year are as follows:

Decision	Stock class	Cash dividends (millions of yen)	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on May 22, 2015	Common stock	6,377	30	March 31, 2015	May 29, 2015

(16) Other Income and Expenses

The main components of other income for the years ended March 31, 2014 and 2015 are as follows:

Millions of yen

	2014	2015
Gain on sales of property, plant and equipment	2,609	310
Proceeds from grants	1,003	630
Others	2,863	3,556
Total	6,475	4,496

(Note) Proceeds from grants

Proceeds from grants include government grants.

Government grants are received by the HCM Group as the HCM Group's certain facilities are located nearby a nuclear power plant and recognized when corresponding expenses are recognized.

The main components of other expenses for the years ended March 31, 2014 and 2015 are as follows:

Millions of yen

	2014	2015
Loss on sales of property, plant and equipment	63	530
Loss on disposal of property, plant and equipment	832	868
Impairment losses on property, plant and equipment	3,408	487
Others	3,513	1,399
Total	7,816	3,284

Notes to Consolidated Financial Statements

(17) Financial Income and Financial Expenses

Main components of financial income for the years ended March 31, 2014 and 2015 are as follows:

Millions of yen

	2014	2015
Interest income		
Financial assets measured at amortized cost	3,837	4,045
Dividend income		
FVTOCI financial assets	357	349
Gain on sales of financial instruments		
Financial assets measured at amortized cost	-	281
Other	32	-
Total	4,226	4,675

Main components of financial expenses for the years ended March 31, 2014 and 2015 are as follows:

Millions of yen

	2014	2015
Interest expenses		
Financial liabilities measured at amortized cost	9,280	7,759
Loss on sales of financial instruments		
Financial liabilities measured at amortized cost	-	565
Foreign exchange loss	9,800	1,964
Other	-	19
Total	19,080	10,307

Notes to Consolidated Financial Statements

(18) Earnings Per Share (EPS) Information

The basis of computations of net income attributable to owners of the parent used to derive basic and diluted EPS for the years ended March 31, 2014 and 2015 are as follows:

Millions of yen

	2014	2015
Net income attributable to owners of the parent	35,747	26,023
Adjustments for dilutive effect	-	-
Diluted net income attributable to owners of the parent	35,747	26,023
Other		

Number of shares

	2014	2015
Weighted average number of shares on which basic EPS is calculated	212,406,699	212,544,707
Effect of dilutive securities	68,839	30,777
Number of shares on which diluted EPS is calculated	212,475,538	212,575,484

	2014	2015
EPS attributable to owners of the parent		
Net income per share (Basic) (yen)	168.30	122.44
Net income per share (Diluted) (yen)	168.24	122.42

Subscription rights to shares issued based on the resolutions at the annual shareholders' meeting on June 26, 2006 and June 25, 2007 are excluded from the calculation of diluted EPS attributable to owners of the parent since such subscription rights to shares have no dilutive effect. For description of the subscription rights to shares, please refer to "(2) Information on the stock acquisition rights, etc." under "IV. Information on the Company, 1. Information on the Company's Stock, etc. (1) Total number of shares, etc."

(19) Cash and Cash Equivalents

The ending balance of cash and cash equivalents reported in the consolidated statements of financial position is consistent with that reported in the consolidated statements of cash flows.

(20) Financial Instruments and Related Disclosures

(a) Financial Risks

The HCM Group is engaged in business activities world-wide and may be affected by various risks such as interest rate risk, currency exchange risk and credit risk.

(i) Market Risk

Since the HCM Group conducts manufacturing activities world-wide and have customers all over the world, trade receivables and payables denominated in foreign currencies are exposed to currency exchange fluctuation risk. In addition, some long-term debts held by the Company and certain subsidiaries to finance capital investments and working capital are floating-interest bearing, and thus are exposed to interest rate fluctuation risk.

a. Interest Rate Risk

The HCM Group is exposed to interest rate fluctuation risk mainly related to long-term debts. In order to minimize this risk, the HCM Group enters into interest rate swap agreements to manage the fluctuation risk of cash flows. The interest rate swaps entered into are receive-variable, pay-fixed agreements. Under the interest rate swaps, the HCM Group receives variable interest rate payments on long-term debts and make fixed interest rate payments, thereby creating fixed interest rate long-term debt.

Interest rate sensitivity analysis

The sensitivity analysis for interest rate shown below indicates the impact on income before income taxes reported in the Company's consolidated statements of income, if interest rates increased by 1% on the financial instruments (floating-interest financial assets and liabilities measured at amortized cost, financial assets and liabilities measured at FVTPL and derivatives) held by the Company as of March 31, 2014 and 2015, while all other variables are held constant.

Millions of yen

	March 31, 2014	March 31, 2015
Impact on income before income taxes	(513)	(602)

b. Currency Exchange Risk

The HCM Group holds assets and liabilities exposed to currency exchange risk. In order to hedge this risk, the management uses forward exchange contracts or cross currency swaps.

Currency exchange rate sensitivity analysis

The sensitivity analysis for major currency exchange rates shown below indicates the impact on income before income taxes reported in the HCM Group's consolidated statements of income, if the Japanese yen depreciated by 1% on the foreign-currency denominated financial instruments held by the Company and its consolidated subsidiaries as of March 31, 2014 and 2015, while all other variables are held constant.

Millions of yen

	Currency	March 31, 2014	March 31, 2015
Impact on income before income taxes	US Dollar	(457)	(425)
	Euro	17	(7)

c. Equity Instruments Volatility Risk

The HCM Group holds listed stock of entities with business relationships and is exposed to price volatility risk of equity instruments. In order to manage this risk, market values of such equity instruments and the financial condition of issuing entities are monitored on a regular basis, and holding of such equity instruments is continuously reviewed.

Equity instruments sensitivity analysis

The sensitivity analysis for equity instruments shown below indicates the impact on OCI, net of taxes reported in the consolidated statements of comprehensive income, if the market price of listed stock held by the HCM Group as of March 31, 2014 and 2015 fell by 10%, while all other variables are held constant.

Millions of yen

	March 31, 2014	March 31, 2015
Impact on OCI, net of taxes	(632)	(650)

(ii) Credit Risk

The HCM Group extends credit to customers through various operating transactions and is exposed to credit risk associated with potential losses from credit deterioration or bankruptcy of the customers. In order to manage this risk, the credit management division of the Company and its consolidated subsidiaries regularly monitors the conditions of the customers for trade receivables exposed to credit risk in accordance with credit management rules so that the due dates and balances are assessed for individual customers and the risk of doubtful receivables due to deterioration in the customers' financial conditions are timely identified and mitigated.

Basically, no significant concentration of credit risk is present as the HCM Group has transactions with customers in various geographical areas.

Since held-to-maturity securities are highly rated securities, the HCM Group finds little credit risk.

In addition, the HCM Group enters into derivative transactions only with counterparties who are highly rated financial institutions; therefore, the HCM Group considers the counterparty risk is remote.

With the exception of guarantee obligations, the maximum exposure of the Company and its consolidated subsidiaries to the credit risk equals the financial assets' carrying amount after impairment reported in the consolidated statements of financial position, if collateral held is not considered. The maximum exposure to the credit risk from guarantee obligations is disclosed in note 24. Commitments and Contingencies.

The following table presents the contractual amount of financial assets by due dates, which are past due but not impaired as of March 31, 2014 and 2015.

Millions of yen

	March 31, 2014			
	Past due within 30 days	Past due between 31 and 90 days	Past due between 91 days and 1 year	Past due over 1 year
Accounts and notes receivable	2,711	915	1,361	3,929
Finance lease receivables	68	193	140	-
Other financial assets	90	-	-	-

Millions of yen

	March 31, 2015			
	Past due within 30 days	Past due between 31 and 90 days	Past due between 91 days and 1 year	Past due over 1 year
Accounts and notes receivable	10,292	2,214	1,313	2,615
Finance lease receivables	-	-	-	-
Other financial assets	-	-	-	-

Financial assets listed above are not held as collateral or other credit enhancement as of March 31, 2014 and 2015.

The changes in the balance of allowance for doubtful receivables are as follows:

Millions of yen

	Accounts and notes receivable	Finance lease receivables	Other financial assets	Total
At April 1, 2013	4,345	3,580	447	8,372
Impairment loss provision	3,463	522	566	4,551
Amounts written off	(154)	-	(411)	(565)
Reversal of impairment loss	(1,629)	(787)	(387)	(2,803)
Acquisitions and divestitures	-	-	-	-
Other	34	325	-	359
At March 31, 2014	6,059	3,640	215	9,914
Impairment loss provision	3,790	1,249	570	5,609
Amounts written off	(497)	-	(114)	(611)
Reversal of impairment loss	(2,286)	(823)	(550)	(3,659)
Acquisitions and divestitures	(858)	(1,423)	-	(2,281)
Other	740	500	-	1,240
At March 31, 2015	6,948	3,143	121	10,212

As of April 1, 2013 and ,March 31, 2014 and 2015 the amount of trade receivables individually determined to be impaired based on the financial condition and delinquency of relevant customers were ¥6,073 million, ¥6,782 million and ¥6,595 million, respectively, and the same amounts were recognized as allowance for doubtful receivables.

(iii) Liquidity Risk

The treasury department within the HCM Group prepares and updates cash management plans based on the report from each department. The HCM Group maintains the commitment line and credit line to mitigate the liquidity risk while minimizing liquidity in hand to enhance capital efficiency.

The following tables present the maturities of financial liabilities of the HCM Group. Gain or loss from Derivative that are settle on a net basis are presented on a gross basis for each transaction.

Millions of yen

	April 1, 2013				
	Carrying amount	Contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Non-derivative financial liabilities					
Trade and other payables (excluding lease payables)	219,390	219,390	219,216	174	-
Short-term borrowings	160,871	165,375	165,375	-	-
Bonds	49,881	51,091	506	50,585	-
Long-term borrowings	182,231	190,149	35,349	134,236	20,564
Derivative liabilities					
Forward exchange contracts	8,917	8,917	8,917	-	-
Interest rate swaps	847	847	138	709	-

Millions of yen

	March 31, 2014				
	Carrying amount	Contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Non-derivative financial liabilities					
Trade and other payables (excluding lease payables)	207,249	207,249	205,354	1,895	-
Short-term borrowings	138,393	141,881	141,881	-	-
Bonds	49,928	50,073	30,023	20,050	-
Long-term borrowings	182,979	189,821	53,854	115,216	20,751
Derivative liabilities					
Forward exchange contracts	526	526	526	-	-
Interest rate swaps	393	393	118	275	-

Millions of yen

	March 31, 2015				
	Carrying amount	Contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Non-derivative financial liabilities					
Trade and other payables (excluding lease payables)	207,126	207,126	205,388	1,738	-
Short-term borrowings	91,105	91,939	91,939	-	-
Bonds	59,803	60,902	236	50,618	10,048
Long-term borrowings	136,765	142,785	47,535	90,074	5,176
Derivative liabilities					
Forward exchange contracts	778	778	778	-	-
Interest rate swaps	238	238	8	213	17

(Note 1) Information on lease payables is provided in note 6. Leases.

(Note 2) The weighted average interest rate for short-term borrowings is 0.92%, and the weighted average interest rate for long-term borrowings is 1.13%.

(Note 3) Guarantee obligations described in note 24. Commitments and Contingencies are not included as the performance of such guarantee obligations is remote.

The details on each bond issued are provided below.

Issuer	Name of bond	Issued	Millions of yen		Security	Interest rates (%)	Maturity date
			Mar. 31, 2014	Mar. 31, 2015			
The Company	Unsecured debenture #12	2009	29,996	-	Unsecured	1.38	June 18, 2014
The Company	Unsecured debenture #14	2012	19,932	19,952	Unsecured	0.46	November 29, 2017
The Company	Unsecured debenture #15	2014	-	29,890	Unsecured	0.319	June 14, 2019
The Company	Unsecured debenture #16	2014	-	9,961	Unsecured	0.487	June 16, 2021

(iv) Capital Management

In pursuing sustainable growth, the HCM Group has made upfront investments including investments in technology development and facilities based on medium- and long-term business strategies. With the principal capital management policy to maintain and strengthen its sound financial structure, the HCM Group closely monitors the balance of interest-bearing liabilities, net of cash and bank deposits and cash pooling deposits.

Net interest-bearing liabilities as of the transition date, March 31, 2014 and 2015 amounted to ¥326,361 million, ¥317,628 million and ¥236,240 million, respectively.

The HCM Group is not subject to any capital requirements except for the general rules such as the Japanese Companies Act.

(b) Fair Value of Financial Instruments

(i) Fair Value Measurements

The following methods and assumptions are used to measure the fair value of financial assets and financial liabilities.

Cash and cash equivalents, trade receivables and trade and other payables

Current portion of cash and cash equivalent, trade receivables and trade and other payable are settled in a short period, and thus, their carrying amount reasonably approximates the fair value. Fair value of non-current items are determined at the present value of expected cash flows from principal and interests discounted by the rate that would be reasonably applied to new transactions.

Other financial assets, other financial liabilities, derivative assets and derivative liabilities

Other financial assets mainly include other receivables and loans receivable, and other financial liabilities mainly include deposits. Current items among other financial assets are settled in a short period, and thus their carrying amount reasonably approximates the fair value. As for investment securities classified as financial assets measured at FVTOCI, fair value of listed stock is determined based on the market price quoted on the exchange. Fair value of non-listed stock is determined based on a valuation technique using observable inputs such as quoted market prices of comparable companies as well as unobservable inputs. Fair value of derivative instruments, which are FVTPL financial assets or financial liabilities, is determined based on the prices obtained from financial institutions.

Bonds and borrowings

Fair value of unsecured debentures and borrowings is determined based on the expected future cash flows from principal and interests discounted at the rate that would be applied to additional borrowings and bonds with same terms and conditions.

(ii) Financial Instruments Measured at Amortized Cost

The carrying amounts and fair values of the financial instruments measured at amortized cost are as follows. Financial assets and financial liabilities whose carrying amount reasonably approximates the fair value are excluded. The fair value hierarchy is described in "(iii) Financial Instruments Measured at Fair Value in the Consolidated Statements of Financial Position" below.

Millions of yen

	April 1, 2013		March 31, 2014		March 31, 2015	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
Assets						
Trade receivables	298,024	288,604	299,140	294,269	261,562	259,878
Liabilities						
Trade and other payables	(234,452)	(234,259)	(229,267)	(228,805)	(230,436)	(229,920)
Bonds and borrowings	(392,983)	(393,403)	(371,300)	(370,403)	(287,673)	(287,228)

(Notes) 1. Trade receivables: Classified as level 2 as fair value is measured based on observable market data.
2. Trade and other payables: Classified as level 2 as fair value is measured based on observable market

data.

3. Bonds and borrowings: Classified as level 2 as fair value is measured based on observable market data.

(iii) Financial Instruments Measured at Fair Value in the Consolidated Statements of Financial Position

Financial instruments measured at fair value on a recurring basis after the initial recognition are classified into three levels of the fair value hierarchy based on the measurement inputs' observability and materiality as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets
Level 2: Valuations measured by direct or indirect observable inputs other than Level 1
Level 3: Valuations measured by significant unobservable inputs

When several inputs are used for a fair value measurement, the level is determined based on the input with the lowest level in the fair value measurement as a whole.

Transfers between levels are deemed at the beginning of each quarter period.

The following tables present the assets and liabilities that are measured at fair value on a recurring basis.

Millions of yen

April 1, 2013	Level 1	Level 2	Level 3	Total
FVTOCI financial assets:				
Other financial assets				
Stock	8,120	-	6,726	14,846
FVTPL financial assets:				
Other financial assets				
Derivative assets	-	39	-	39
Other financial assets	-	-	696	696
Total financial assets	8,120	39	7,422	15,581
FVTPL financial liabilities:				
Other financial liabilities				
Derivative liabilities	-	(9,764)	-	(9,764)
Total financial liabilities	-	(9,764)	-	(9,764)

Millions of yen

March 31, 2014	Level 1	Level 2	Level 3	Total
FVTOCI financial assets:				
Other financial assets				
Stock	9,791	-	6,998	16,789
FVTPL financial assets:				
Other financial assets				
Derivative assets	-	127	-	127
Other financial assets	-	-	621	621
Total financial assets	9,791	127	7,619	17,537
FVTPL financial liabilities:				
Other financial liabilities				
Derivative liabilities	-	(919)	-	(919)
Total financial liabilities	-	(919)	-	(919)

Millions of yen

March 31, 2015	Level 1	Level 2	Level 3	Total
FVTOCI financial assets:				
Other financial assets				
Stock	9,595	-	7,355	16,950
FVTPL financial assets:				
Other financial assets				
Derivative assets	-	1,807	-	1,807
Other financial assets	-	-	630	630
Total financial assets	9,595	1,807	7,985	19,387
FVTPL financial liabilities:				
Other financial liabilities				
Derivative liabilities	-	(1,016)	-	(1,016)
Total financial liabilities	-	(1,016)	-	(1,016)

The following tables present the changes in Level 3 instruments measured on a recurring basis for the years ended March 31, 2014 and 2015.

Millions of yen

	2014	2015
Balance at beginning of the year	7,422	7,619
Total gain/(loss)	254	431
Other comprehensive income	254	431
Purchased	24	101
Sold	(6)	(162)
Other	(75)	(4)
Balance at end of the year	7,619	7,985

Gain recognized in OCI is attributable to FVTOCI financial assets and included in net gains and losses from financial assets measured at fair value through OCI in the consolidated statements of comprehensive income.

Securities held with the objective of maintaining and strengthening business relations with the issuers are classified as FVTOCI financial assets. The following is a list of principal securities designated as FVTOCI and their fair values.

Millions of yen

Principal FVTOCI financial assets	April 1, 2013	March 31, 2014	March 31, 2015
Kayaba Industry Co., Ltd.	4,103	3,889	3,925
ELLE Construction Machinery (China) Co.,LTD.	2,506	2,153	2,200
Wakita & Co., LTD.	1,005	1,446	1,402
Kanamoto Co., Ltd.	677	1,041	1,192
Nippon Chuzo K.K.	1,171	1,710	1,132

See note 17. Financial Income and Financial Expenses for dividends received from securities classified as FVTOCI financial assets.

Accumulated gains and losses on valuation of securities classified as FVTOCI financial assets are reclassified into retained earnings when derecognized during the fiscal year. The net gain reclassified, net of taxes, for the years ended March 31, 2015 was ¥20 million. These securities classified as FVTOCI financial assets were derecognized upon disposal after reviewing particular business relations.
No such gain/(loss) was recognized for the year ended March 31, 2014.

Information on securities classified as FVTOCI financial assets that were derecognized for the years ended March 31, 2014 and 2015 include the following:

Millions of yen

	2014	2015
Fair value at the time of derecognition	-	288
Accumulated gains at the time of derecognition	-	32

(c) Derivatives and Hedging Activities

(i) Fair Value Hedge

Changes in the fair value of recognized assets and liabilities, and of derivatives designated as a fair value hedge of these assets and liabilities are recognized in profit or loss for the period in which the changes occur. Gains and losses recognized on hedged items and hedging instruments are nearly the same. Derivatives designated as a fair value hedge include forward exchange contracts associated with operating transactions and interest rate swaps associated with financing transactions.

(ii) Cash Flow Hedge

Foreign Currency Risk

Changes in the fair value of forward exchange contracts designated as an effective cash flow hedge of forecasted transactions are reported as changes in OCI. AOCI is subsequently reclassified into profit or loss when foreign exchange gains and losses are recognized on hedged assets and liabilities.

Interest Rate Risk

Changes in the fair value of interest rate swaps designated as a hedge of the variability of cash flows associated with long-term debts are reported as changes in OCI. AOCI is subsequently accounted for as financial expenses over the period in which the interest on the debt affects profit or loss.

As of March 31, 2015, the period in which the cash flows from the hedged items are expected to occur and in which they are expected to affect profit or loss is from April 2015 to September 2020.

The fair values of fair value hedges and cash flow hedges are as follows:

Millions of yen

	April 1, 2013		March 31, 2014		March 31, 2015	
	Asset	Liability	Asset	Liability	Asset	Liability
Fair value hedge						
Forward exchange contracts	39	(6,253)	127	(526)	1,767	(778)
Interest rate swaps	-	(112)	-	(36)	-	(16)
Total	39	(6,365)	127	(562)	1,767	(794)
Cash flow hedge						
Forward exchange contracts	-	(2,664)	-	-	40	-
Interest rate swaps	-	(735)	-	(357)	-	(222)
Total	-	(3,399)	-	(357)	40	(222)

Profit or loss recognized related to fair value hedges for the years ended March 31, 2014 and 2015 are as follows:

Millions of yen

Derivatives	Recognized in profit or loss	2014	2015
Forward exchange contracts	Financial expenses	(12,592)	(3,955)
Interest rate swaps	Financial expenses	(84)	(94)
Total		(12,676)	(4,049)

The amounts recognized in the consolidated statements of comprehensive income and the consolidated statements of income for the years ended March 31, 2014 and 2015 related to cash flow hedges are detailed in the following tables: "Gain (loss) recognized in OCI, Effective portion of derivatives designated as hedging instruments," and "Gain (loss) reclassified from OCI into profit or loss, Effective portion of derivatives designated as hedging instruments."

Gain (Loss) Recognized in OCI, Effective Portion of Derivatives Designated as Hedging Instruments

Millions of yen

Derivatives	2014	2015
Forward exchange contracts	(4,902)	(172)
Interest rate swaps	(67)	(71)
Total	(4,969)	(243)

Gain (Loss) Reclassified from OCI into Profit or Loss, Effective Portion of Derivatives Designated as Hedging Instruments

Millions of yen

Derivatives	2014	2015
Forward exchange contracts	(7,646)	(132)
Interest rate swaps	(375)	(303)
Total	(8,021)	(435)

(21) Pledged Assets

The Company and certain consolidated subsidiaries pledged a part of their assets as collateral primarily to banks and finance companies as follows:

Millions of yen

	April 1, 2013	March 31, 2014	March 31, 2015
Accounts and notes receivable	4,783	4,933	4,611
Inventories	7,467	5,274	5,283
Land	335	400	368
Buildings and structures	3,123	6,596	4,365
Other property, plant and equipment	28,804	30,490	33,051
Total	44,512	47,693	47,678

Notes to Consolidated Financial Statements

(22) Principal Consolidated Subsidiaries

The Company's consolidated financial statements for the years ended March 31, 2014 and 2015 include the consolidated subsidiaries listed below.

Name of subsidiary	Business location	Principal business activities	Ownership percentage (%)	
			March 31, 2014	March 31, 2015
Hitachi Construction Machinery Tierra Co., Ltd.	Koka, Shiga	Construction Machinery	100.0	100.0
Hitachi Construction Machinery Camino Co., Ltd.	Higashine, Yamagata	Construction Machinery	100.0	100.0
Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd.	Taito-ku, Tokyo	Construction Machinery	50.0	50.0
Hitachi Construction Machinery Japan Co., Ltd.	Soka, Saitama	Construction Machinery	100.0	100.0
Hitachi Construction Machinery Leasing Co., Ltd.	Soka, Saitama	Construction Machinery	100.0	100.0
Hitachi Construction Truck Manufacturing Ltd.	Guelph Ontario, Canada	Construction Machinery	100.0	100.0
Hitachi Construction Machinery (Europe) N.V.	Oosterhout, Netherlands	Construction Machinery	98.9	98.9
Hitachi Construction Machinery (China) Co., Ltd.	Hefei Anhui, China	Construction Machinery	81.3	81.3
Hitachi Construction Machinery Asia and Pacific Pte., Ltd.	Pioneer Walk, Singapore	Construction Machinery	100.0	100.0
P.T. Hitachi Construction Machinery Indonesia	Bekasi, Indonesia	Construction Machinery	82.0	82.0
Hitachi Construction Machinery (Shanghai) Co., Ltd.	Shanghai, China	Construction Machinery	54.4	54.4
Hitachi Construction Machinery Leasing (China) Co., Ltd.	Shanghai, China	Construction Machinery	85.3	85.3
Tata Hitachi Construction Machinery Company Private Limited	Bangalore, Karnataka, India	Construction Machinery	60.0	60.0
Hitachi Construction Machinery Holding U.S.A. Corporation.	Kernersville, North Carolina, USA	Construction Machinery	100.0	100.0
PT Hexindo Adiperkasa Tbk	Jakarta, Indonesia	Construction Machinery	53.7	53.7
Hitachi Construction Machinery (Australia) Pty. Ltd	Greystanes, New South Wales, Australia	Construction Machinery	80.0	80.0

Notes to Consolidated Financial Statements

(23) Related Party Transactions

(a) Compensation for Directors and Executive Officers of the Company

Millions of yen

	2014	2015
Monthly salary, year-end allowance and performance-linked compensation	740	693

(b) Transaction between the Company and the Parent of the Company and Other Related Parties

Transaction between the Company and the parent of the Company and other related parties and receivable and payable balances as of March 31, 2014 and 2015 are as follows:

For the year ended March 31, 2014

Millions of yen

Type	Name	Transaction	Transaction amount	Outstanding balance
Parent of the Company	Hitachi, Ltd.	Withdrawals from the cash pooling system	18,967	
		Interest on deposits	1	
		Interest on borrowings	93	34,003
Other related parties	Hitachi Capital Corporation	Commission on outsourced payment transactions	63,606	20,367

For the year ended March 31, 2015

Millions of yen

Type	Name	Transaction	Transaction amount	Outstanding balance
Parent of the Company	Hitachi, Ltd.	Withdrawals from the cash pooling system	12,440	
		Interest on deposits	4	
		Interest on borrowings	19	21,578
Other related parties	Hitachi Capital Corporation	Commission on outsourced payment transactions	59,119	18,568

(c) Transaction between Consolidated Subsidiaries of the Company and Other Related Parties

For the year ended March 31, 2014

Millions of yen

Type	Name	Transaction	Transaction amount	Outstanding balance
Other related parties	Hitachi Capital Corporation	Commission on outsourced payment transactions	65,258	23,909
		Providing collateral	7,874	-

For the year ended March 31, 2015

Millions of yen

Type	Name	Transaction	Transaction amount	Outstanding balance
Other related parties	Hitachi Capital Corporation	Commission on outsourced payment transactions	80,051	25,008
		Providing collateral	8,263	-

Notes to Consolidated Financial Statements

(24) Commitments and Contingencies

Guarantee Obligations

The HCM Group's guarantee obligations and guarantee commitment associated with borrowings from financial institutions as of March 31, 2014 and 2015 are as follows:

Millions of yen

	March 31, 2014	March 31, 2015
Guarantee obligations	20,379	18,719
Guarantee commitment	801	704
Total	21,180	19,423

(25) First-time Adoption of IFRS

The Company has adopted IFRS for its consolidated financial statements with the year ended March 31, 2015. The accompanying consolidated financial statements are the Company's first consolidated financial statements prepared in accordance with IFRS. The most recent consolidated financial statements prepared in accordance with Japan GAAP was the consolidated financial statements for the year ended March 31, 2014. The date of transition from Japan GAAP to IFRS is April 1, 2013.

Significant accounting policies described in note 3 are applied in preparing the consolidated financial statements for the years ended March 31, 2015 and 2014 and the consolidated statements of financial position as of April 1, 2013, the date of transition.

(a) IFRS 1 Exemptions

IFRS 1 requires, in principle, the retrospective application of IFRS for companies adopting IFRS for the first time; however, certain exemptions are available. The Company has applied the following exemptions permitted by IFRS 1. The effects of applying IFRS 1 are adjusted in retained earnings or AOCI at the transition date.

・ **Business Combinations**

The Company has elected not to apply IFRS 3 "Business Combinations" retrospectively to business combinations which occurred prior to the date of transition. Therefore, the carrying amounts of goodwill from acquisitions prior to the date of transition are based on Japan GAAP. Regardless of whether there was any indication that the goodwill may be impaired, the goodwill was tested for impairment at the date of transition to IFRS.

・ **Foreign Currency Translation Adjustments**

Cumulative foreign currency translation adjustments are deemed to be zero as of the transition date.

・ **Designation of Financial Instruments Recognized prior to the Transition Date**

The Company has elected to use facts and circumstances that existed as of the transition date in applying the classification standard under IFRS 9 (issued in November 2009, amended in October 2010).

(b) IFRS 1 Mandatory Exceptions to Retrospective Application of IFRS

IFRS 1 prohibits retrospective application of IFRS with respect to "accounting estimates," "derecognition of financial assets and liabilities" and "hedge accounting." The Company has accordingly applied the relevant IFRSs to these transactions prospectively from the transition date.

(c) Reconciliation

In preparing the consolidated financial statements in accordance with IFRS, the Company made certain adjustments to the reported amounts in the consolidated financial statements prepared in accordance with Japan GAAP.

The effects of transition from Japan GAAP to IFRS on the consolidated financial position, the consolidated results of operations, and cash flows are as follows:

Notes to Consolidated Financial Statements

(i) Reconciliation of Equity as of the Transition Date (April 1, 2013)

Millions of yen

Accounts under Japan GAAP	Japan GAAP	Effect of transition	IFRS	Accounts under IFRS
Assets				Assets
Current assets				Current assets
Cash and deposits	62,640	3,982	66,622	Cash and cash equivalents
Notes and accounts receivable	308,206	(59,348)	248,858	Trade receivables
Inventories	314,911	(188)	314,723	Inventories
Deferred tax assets	13,903	(13,903)	-	
Others	42,108	(22,596)	19,512	Other financial assets
	-	18,610	18,610	Other current assets
Allowance for doubtful accounts	(7,949)	7,949	-	
Total current assets	733,819	(65,494)	668,325	Total current assets
Non-current assets				Non-current assets
Property, plant and equipment	271,195	(1,755)	269,440	Property, plant and equipment
Intangible assets	32,661	(14,438)	18,223	Intangible assets
	-	8,675	8,675	Goodwill
Investments securities	27,086	(9,055)	18,031	Investments accounted for using the equity method
	-	49,166	49,166	Trade receivables
Deferred tax assets	5,263	13,810	19,073	Deferred tax asset
	-	28,753	28,753	Other financial assets
Others	30,395	(23,670)	6,725	Other non-current assets
Allowance for doubtful accounts	(518)	518	-	
Total non-current assets	366,082	52,004	418,086	Total non-current assets
Total assets	1,099,901	(13,490)	1,086,411	Total assets
Liabilities				Liabilities
Current liabilities				Current liabilities
Notes and accounts payable	149,128	73,522	222,650	Trade and other payables
Short-term loans payable	192,821	-	192,821	Bonds and borrowings
Income taxes payable	14,563	(420)	14,143	Income tax payable
Others	90,743	(78,383)	12,360	Other financial liabilities
	-	5,133	5,133	Other current liabilities
Total current liabilities	447,255	(148)	447,107	Total current liabilities
Non-current liabilities				Non-current liabilities
	-	11,802	11,802	Trade and other payables
Bonds payable	50,000	150,162	200,162	Bonds and borrowings
Long-term loans payable	150,281	(150,281)	-	
Lease obligations	9,984	(9,984)	-	
Provision for retirement benefits	8,913	4,988	13,901	Retirement and severance benefits
Others	16,797	(16,401)	396	Deferred tax liability
	-	808	808	Other financial liabilities
	-	5,938	5,938	Other non-current liabilities
Total non-current liabilities	235,975	(2,968)	233,007	Total non-current liabilities
Total liabilities	683,230	(3,116)	680,114	Total liabilities

Millions of yen

Accounts under Japan GAAP	Japan GAAP	Effect of transition	IFRS	Accounts under IFRS
Net assets				Equity
Shareholders' equity				Equity attributable to owners of the parent
Common stock	81,577	-	81,577	Common stock
Capital surplus	84,500	(597)	83,903	Capital surplus
Retained earnings	199,779	(13,999)	185,780	Retained earnings
Treasury stock, at cost	(3,982)	-	(3,982)	Treasury stock, at cost
Total shareholders' equity	361,874	(361,874)	-	
AOCI				
Valuation difference on available-for-sale securities	3,056	(3,056)	-	
Deferred gains or losses on hedges	(2,323)	2,323	-	
Foreign currency transactions	(1,444)	1,444	-	
Total AOCI	(711)	4,439	3,728	AOCI
Subscription rights to shares	766	(766)	-	
	-	351,006	351,006	Total equity attributable to owners of the parent
Minority interest	54,742	549	55,291	Non-controlling interests
Total net assets	416,671	(10,374)	406,297	Total equity
Total liabilities and net assets	1,099,901	(13,490)	1,086,411	Total liabilities and equity

Notes to Consolidated Financial Statements

(ii) Reconciliation of Equity as of March 31, 2014

Millions of yen

Accounts under Japan GAAP	Japan GAAP	Effect of transition	IFRS	Accounts under IFRS
Assets				Assets
Current assets				Current assets
Cash and deposits	53,353	319	53,672	Cash and cash equivalents
Notes and accounts receivable	302,618	(54,222)	248,396	Trade receivables
Inventories	321,272	(119)	321,153	Inventories
Deferred tax assets	11,186	(11,186)	-	
Others	40,208	(10,796)	29,412	Other financial assets
	-	10,460	10,460	Other current assets
Allowance for doubtful accounts	(9,700)	9,700	-	
Total current assets	718,937	(55,844)	663,093	Total current assets
Non-current assets				Non-current assets
Property, plant and equipment	288,947	(3,434)	285,513	Property, plant and equipment
Intangible assets	22,727	(9,709)	13,018	Intangible assets
	-	8,646	8,646	Goodwill
Investments securities	33,345	(9,976)	23,369	Investments accounted for using the equity method
	-	50,744	50,744	Trade receivables
Deferred tax assets	6,222	10,561	16,783	Deferred tax asset
	-	30,145	30,145	Other financial assets
Net defined benefit asset	452	9,351	9,803	
Others	16,896	(16,896)	-	Other non-current assets
Allowance for doubtful accounts	(335)	335	-	
Total non-current assets	368,254	69,767	438,021	Total non-current assets
Total assets	1,087,191	13,923	1,101,114	Total assets
Liabilities				Liabilities
Current liabilities				Current liabilities
Notes and accounts payable	143,134	66,802	209,936	Trade and other payables
Short-term loans payable	211,801	7,957	219,758	Bonds and borrowings
Income taxes payable	8,699	(493)	8,206	Income tax payables
Others	83,326	(71,884)	11,442	Other financial liabilities
	-	5,388	5,388	Other current liabilities
Total current liabilities	446,960	7,770	454,730	Total current liabilities
Non-current liabilities				Non-current liabilities
	-	19,331	19,331	Trade and other payables
Bonds payable	20,000	131,542	151,542	Bonds and borrowings
Long-term loans payable	131,610	(131,610)	-	
Lease obligations	15,942	(15,942)	-	
Provision for retirement benefits	12,563	(58)	12,505	Retirement and severance benefits
Others	12,476	(12,281)	195	Deferred tax liability
	-	280	280	Other financial liabilities
	-	6,578	6,578	Other non-current liabilities
Total non-current liabilities	192,591	(2,160)	190,431	Total non-current liabilities
Total liabilities	639,551	5,610	645,161	Total liabilities

Millions of yen

Accounts under Japan GAAP	Japan GAAP	Effect of transition	IFRS	Accounts under IFRS
Net assets				Equity
Shareholders' equity				Equity attributable to owners of the parent
Common stock	81,577	-	81,577	Common stock
Capital surplus	84,893	(597)	84,296	Capital surplus
Retained earnings	220,122	(8,144)	211,978	Retained earnings
Treasury stock, at cost	(3,237)	-	(3,237)	Treasury stock, at cost
Total shareholders' equity	383,355	(383,355)	-	
AOCI				
Valuation difference on available-for-sale securities	3,746	(3,746)	-	
Deferred gains or losses on hedges	(282)	282	-	
Foreign currency transactions	14,058	(14,058)	-	
Remeasurements of defined benefit plans	(12,496)	12,496	-	
Total AOCI	5,026	17,364	22,390	AOCI
Subscription rights to shares	766	(766)	-	
	-	397,004	397,004	Total equity attributable to owners of the parent
Minority interest	58,493	456	58,949	Non-controlling interests
Total net assets	447,640	8,313	455,953	Total equity
Total liabilities and net assets	1,087,191	13,923	1,101,114	Total liabilities and equity

Notes to Consolidated Financial Statements

(iii) Reconciliation of Profit or Loss and Comprehensive Income for the Year Ended March 31, 2014
Consolidated Statements of Income

Millions of yen

Accounts under Japan GAAP	Japan GAAP	Effect of transition	IFRS	Accounts under IFRS
Net sales	802,988	-	802,988	Revenue
Cost of sales	(573,501)	978	(572,523)	Cost of sales
Gross profit	229,487	978	230,465	Gross profit
Selling, general and administrative expenses	(160,324)	6,063	(154,261)	Selling, general and administrative expenses
	-	6,475	6,475	Other income
	-	(7,816)	(7,816)	Other expenses
Operating income	69,163	5,700	74,863	Operating profit
	-	4,226	4,226	Financial income
	-	(19,080)	(19,080)	Financial expenses
	-	243	243	Share of profits (losses) of investments accounted for using the equity method
Non-operating income	8,812	(8,812)	-	
Non-operating expenses	(24,304)	24,304	-	
Extraordinary income	2,144	(2,144)	-	
Extraordinary losses	(3,040)	3,040	-	
Income before income taxes and minority interests	52,775	7,477	60,252	Income before income taxes
Income taxes	(17,594)	(682)	(18,276)	Income taxes
Income before minority interests	35,181	6,795	41,976	Net income

Millions of yen

Line items under Japan GAAP	Japan GAAP	Effect of transition	IFRS	Line items under IFRS
Income before minority interests	35,181	6,795	41,976	Net income
Other comprehensive income				Other comprehensive income
				Items that cannot be reclassified into net income
Valuation difference on available-for-sale securities	687	137	824	Net gains or losses from financial assets measured at fair value through OCI
Remeasurements of defined benefit plans	1,775	(1,087)	688	Remeasurements of defined benefit obligations
	-	3	3	Other comprehensive income of equity method associates
				Items that can be reclassified into net income
Foreign currency translation adjustments	14,547	160	14,707	Foreign currency translation adjustments
Deferred gains or losses on hedges	1,939	(30)	1,909	Cash flow hedges
Share of OCI of companies accounted for by the equity method	3,478	17	3,495	Other comprehensive income of equity method associates
Total OCI	22,426	(800)	21,626	Other comprehensive income, net of taxes
Comprehensive income	57,607	5,995	63,602	Comprehensive income
Comprehensive income attributable to:				Comprehensive income attributable to:
Shareholders of the Company	48,942	5,467	54,409	Owners of the parents
Minority interests	8,665	528	9,193	Non-controlling interests

Notes to Consolidated Financial Statements

Notes on Effects of Transition to IFRS

Reclassifications due to changes in presentation that have no impact on retained earnings

- Under Japan GAAP, the operating assets and liabilities are classified as current when they are expected to be realized/settled in the normal operating cycle. However, under IFRS, assets and liabilities expected to be realized/settled more than one year after the reporting period have been reclassified from current to non-current.
- Under Japan GAAP, receivables are derecognized when liquidized if the criteria for derecognition under Japan GAAP are satisfied. However, under IFRS, liquidized receivables that do not meet the criteria for derecognition of financial assets are recognized as assets, and corresponding liabilities are recorded as borrowings.
- Under Japan GAAP, deferred tax assets and liabilities are presented separately according to their current or non-current attributes in assets and liabilities. However, IFRS requires all deferred tax assets and liabilities to be presented as non-current.
- Investments in associates that were included in investment securities under Japan GAAP are separately presented as investments accounted for using the equity method.
- Interest income, interest income from installment sales, and dividends income, which were presented as non-operating income under Japan GAAP, are presented as financial income under IFRS.
- Interest expenses and foreign exchange losses, which were presented as non-operating expenses under Japan GAAP, are presented as financial expenses under IFRS.
- Gains on sales of property, plant and equipment, which were presented as extraordinary income under Japan GAAP, are included in other income under IFRS.
- Gains on sales of subsidiaries and associates' stocks, which were presented as extraordinary income under Japan GAAP, are included in financial income under IFRS.
- Business structure improvement expenses and impairment losses, which were presented as extraordinary losses under Japan GAAP, are included in other expenses under IFRS.

Reconciliation of retained earnings mainly include the following:

Millions of yen

	April 1, 2013	March 31, 2014
Retained earnings under Japan GAAP	199,779	220,122
Goodwill (a)	-	5,293
Employee benefit (b)	(19,643)	(19,583)
Income taxes (c)	8,754	7,941
Foreign currency translation adjustments (d)	(3,184)	(3,184)
Other	74	1,389
Retained earnings under IFRS	185,780	211,978

(a) Goodwill

Goodwill is amortized under Japan GAAP; however, amortization of goodwill is not permitted under IFRS. The effect of the adjustment to goodwill is reflected in the retained earnings as of April 1, 2013 and March 31, 2014.

(b) Employee Benefits

- Under Japan GAAP, actuarial differences and prior service costs that are not recognized as expenses during the year are recognized in AOCI, and subsequently amortized in profit or loss over a certain period of time. Current service cost, interest cost and expected return on plan assets are recognized in profit or loss.
  Under IFRS, any differences arising from remeasurement of defined benefit corporate pension plans and severance payment plans are recognized in OCI. Such remeasurement consists of actuarial differences on defined benefit obligations and profit from plan assets (excluding interest income associated with plan assets). Prior service costs are recognized immediately in profit or loss. Current service costs are recognized as incurred in profit or loss, and the net interest cost, measured by multiplying the net defined benefit obligations or assets by the discount rate, is recognized in profit or loss.
  Defined benefit obligations are recalculated in accordance with IFRS, and any differences arising from changes in the methods attributing defined benefit obligations to periods and calculating net interest expenses are adjusted to retained earnings.
- Paid absences accrued but unused, which are not recognized as liabilities under Japan GAAP, are recognized as liabilities under IFRS. The effect of this difference is adjusted to retained earnings.

(c) Income Taxes

With respect to tax effects of unrealized gains and losses from intercompany sales transactions, deferred tax assets are calculated based on the effective tax rate applicable to the selling company under Japan GAAP, while based on the effective tax rate applicable to the purchasing company under IFRS. In addition, deferred tax assets are recognized for temporary differences arising from reconciliation from Japan GAAP to IFRS, which effects are adjusted to retained earnings.

(d) Foreign Currency Translation Adjustments

Based on the exemption available under IFRS 1 at the first-time adoption of IFRS, the entire foreign currency translation adjustments as of the date of transition was reclassified and adjusted to retained earnings.

Reconciliation of the consolidated statements of cash flows

There is no material difference between the consolidated statements of cash flows presented in accordance with Japan GAAP and IFRS.

(26) Approval of Consolidated Financial Statements

The consolidated financial statements were approved on June 23, 2015 by Yuichi Tsujimoto, President, CEO and Director of the Company.

Notes to Consolidated Financial Statements

(2) Other

Quarterly information for the year ended March 31, 2015

Millions of yen

	Three months ended June 30, 2014	Six months ended September 30, 2014	Nine months ended December 31, 2014	Year ended March 31, 2015
Net sales	187,699	389,142	579,773	815,792
Income before income taxes and minority interest	11,133	24,919	36,574	51,777
Net income	5,565	11,125	15,305	22,945
Net income per share	26.19	52.35	72.01	107.95

Millions of yen

	First quarter (April 1 to June 30, 2014	Second quarter (July 1 to September 30, 2014	Third quarter (October 1 to December 31, 2014)	Fourth quarter (January 1 to March 31, 2015
Net income per share	26.19	26.16	19.67	35.94

(Notes) 1. Quarterly information for the year ended March 31, 2015 was prepared based on Japan GAAP.

2. The results of operations for the year ended March 31, 2015 and the fourth quarter ended March 31, 2015 have not been audited or reviewed pursuant to Article 193-2, paragraph 1 of the Financial Instrument and Exchange Act.

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated financial statements

1) Non-consolidated statements of financial position

Millions of yen

	As of March 31, 2014	As of March 31, 2015
Assets		
Current assets		
Cash and deposits	6,531	6,897
Notes receivable - trade	250	228
Accounts receivable - trade (note 1)	141,571	123,795
Merchandise and finished goods	76,213	72,326
Work in process	21,817	20,975
Raw materials and supplies	1,001	1,245
Prepaid expenses	1,532	1,888
Short-term loans receivable (note 1)	15,449	19,222
Accounts receivable - other	23,216	21,918
Deferred tax assets	3,827	3,339
Others	948	2,337
Allowance for doubtful accounts	(604)	(349)
Total current assets	291,751	273,820
Non-current assets		
Property, plant and equipment		
Buildings	35,130	33,424
Structures	3,935	3,785
Machinery and equipment	32,416	29,327
Vehicles	545	1,541
Tools, furniture and fixtures	2,104	2,132
Land	40,991	40,218
Construction in progress	1,625	1,117
Total property, plant and equipment	116,745	111,544
Intangible assets		
Software	10,466	7,026
Others	86	131
Total intangible assets	10,552	7,158
Investments and other assets		
Investment securities	10,031	9,834
Shares of subsidiaries and associates	70,773	72,130
Investments in capital of subsidiaries and associates	20,583	20,583
Long-term loans receivable from subsidiaries and associates	10,455	10,455
Long-term prepaid expenses	617	622
Prepaid pension cost	8,699	8,312
Deferred tax assets	1,093	-
Others	1,992	1,940
Allowance for doubtful accounts	(124)	(124)
Total investments and other assets	124,118	123,751
Total non-current assets	251,416	242,453
Total Assets	543,167	516,273

See accompanying notes to financial statements.

	As of March 31, 2014	As of March 31, 2015
	Millions of yen	
Liabilities		
Current liabilities		
Notes payable - trade	26	209
Accounts payable - trade (note 1)	99,207	96,441
Current portion of bonds	30,000	-
Short-term loans payable to subsidiaries and associates	14,003	18,860
Current portion of long - term loans payable	31,400	20,000
Lease obligations	11	4
Accounts payable - other	7,586	6,681
Accrued expenses	12,465	11,739
Income taxes payable	171	224
Deposits received (note 1)	36,750	34,967
Unearned revenue	530	638
Others	873	701
Total current liabilities	233,023	190,463
Non-current liabilities		
Bonds payable	20,000	60,000
Long-term loans payable	40,000	40,000
Long-term loans payable to subsidiaries and associates	20,000	-
Lease obligations	14	10
Provision for retirement benefits	4,556	4,860
Provision for directors' retirement benefits	114	18
Deferred tax liabilities	-	2,690
Asset retirement obligations	106	109
Others	928	1,116
Total non-current liabilities	85,719	108,803
Total liabilities	318,742	299,266
Net assets		
Shareholders' equity		
Common stock	81,577	81,577
Capital surplus		
Legal capital surplus	81,084	81,084
Other capital surplus	3,809	3,828
Total capital surplus	84,893	84,912
Retained earnings		
Legal retained earnings	2,169	2,169
Other retained earnings		
Reserve for special depreciation	162	124
Reserve for reduction entry	746	805
General reserve	32,952	32,952
Retained earnings brought forward	21,039	13,189
Total retained earnings	57,068	49,239
Treasury stock, at cost	(3,237)	(3,156)
Total shareholders' equity	220,301	212,571
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,581	3,760
Deferred gains or losses on hedges	(223)	(91)
Total valuation and translation adjustments	3,358	3,669
Subscription rights to shares	766	766
Total net assets	224,425	217,006
Total liabilities and net assets	543,167	516,273

See accompanying notes to financial statements.

2) Non-consolidated statements of income

Years ended March 31, 2014 and 2015		Millions of yen
	2014	2015
Net sales (note 1)	391,154	393,035
Cost of sales (note 1)	324,087	344,493
Gross profit	67,067	48,542
Selling, general and administrative expenses (note 2)	71,185	68,684
Operating loss	(4,118)	(20,142)
Non-operating income		
Interest income (note 1)	626	430
Dividend income (note 1)	28,633	27,734
Foreign exchange gains	-	1,124
Miscellaneous income (note 1)	2,750	2,496
Total non-operating income	32,009	31,784
Non-operating expenses		
Interest expenses (note 1)	1,385	908
Foreign exchange losses	7,907	-
Miscellaneous loss (note 1)	2,051	1,985
Total non-operating expenses	11,343	2,893
Ordinary income	16,548	8,749
Extraordinary income		
Gain on sales of investment securities	451	1,595
Total extraordinary income	451	1,595
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	19,736	4,636
Impairment loss	2,884	951
Total extraordinary losses	22,620	5,587
Income (loss) before income taxes	(5,621)	4,757
Income taxes - current	(5,172)	(3,483)
Income taxes - deferred	107	4,380
Net income (loss)	(556)	3,860

See accompanying notes to financial statements.

Cost of production report

Item	Note	2014		2015	
		Amount (Millions of yen)	(%)	Amount (Millions of yen)	(%)
1. Raw materials		219,517	77.7	191,928	72.3
2. Direct labor		32,410	11.5	32,964	12.4
3. Factory overhead	1	30,566	10.8	40,456	15.3
Total manufacturing expense		282,493	100.0	265,348	100.0
Work in process inventory at beginning of year		25,986		21,817	
Total		308,479		287,165	
Transfer to other accounts	2	4,023		3,431	
Work in process inventory at end of year		21,817		20,975	
Cost of products manufactured		282,639		262,759	

Method of cost calculation

Cost of production is calculated based on job cost system.

Note 1. Main components of factory overhead are as follows:

Item	2014	2015
Subcontract processing expense (Millions of yen)	9,768	8,359
Depreciation (Millions of yen)	8,072	8,539

Note 2. Main component of transfer to other account is as follows:

Item	2014	2015
Selling, general and administrative expenses (Millions of yen)	4,023	3,431

3) Non-consolidated statements of changes in equity

Year ended March 31, 2014

Millions of yen

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Common stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for special depreci-ation	Reserve for reduction entry	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of year	81,577	81,084	3,416	84,500	2,169	178	773	32,952	31,199	67,271
Cumulative effects of changes in accounting policies									(98)	(98)
Restated balance	81,577	81,084	3,416	84,500	2,169	178	773	32,952	31,101	67,173
Changes of items during period										
Dividends of surplus									(9,549)	(9,549)
Net income (loss)									(556)	(556)
Acquisition of treasury stock										
Disposal of treasury stock			393	393						
Increase by share exchanges										
Provision of reserve for special depreciation						25			(25)	-
Reversal of reserve for special depreciation						(41)			41	-
Provision of reserve for reduction entry										
Reversal of reserve for reduction entry							(27)		27	-
Net changes of items other than shareholders' equity										
Total changes of items during period	-	-	393	393	-	(16)	(27)	-	(10,062)	(10,105)
Balance at end of year	81,577	81,084	3,809	84,893	2,169	162	746	32,952	21,039	57,068

Millions of yen

	Shareholders' equity		Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of year	(3,982)	229,366	2,895	(2,061)	834	766	230,966
Cumulative effects of changes in accounting policies		(98)					(98)
Restated balance	(3,892)	229,268	2,895	(2,061)	834	766	230,868
Changes of items during period							
Dividends of surplus		(9,549)					(9,549)
Net income (loss)		(556)					(556)
Acquisition of treasury stock	(6)	(6)					(6)
Disposal of treasury stock	170	563					563
Increase by share exchanges	581	581					581
Provision of reserve for special depreciation		-					-
Reversal of reserve for special depreciation		-					-
Provision of reserve for reduction entry							
Reversal of reserve for reduction entry		-					-
Net changes of items other than shareholders' equity			686	1,838	2,524	-	2,524
Total changes of items during period	745	(8,967)	686	1,838	2,524	-	(6,443)
Balance at end of year	(3,237)	220,301	3,581	(223)	3,358	766	224,425

Year ended March 31, 2015

Millions of yen

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Common stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for special depreci-ation	Reserve for reduction entry	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of year	81,577	81,084	3,809	84,893	2,169	162	746	32,952	21,039	57,068
Cumulative effects of changes in accounting policies										-
Restated balance	81,577	81,084	3,809	84,893	2,169	162	746	32,952	21,039	57,068
Changes of items during period										
Dividends of surplus									(11,689)	(11,689)
Net income (loss)									3,860	3,860
Acquisition of treasury stock										
Disposal of treasury stock			19	19						
Increase by share exchanges										
Provision of reserve for special depreciation										
Reversal of reserve for special depreciation						(38)			38	-
Provision of reserve for reduction entry							64		(64)	-
Reversal of reserve for reduction entry							(6)		6	-
Net changes of items other than shareholders' equity										
Total changes of items during period	-	-	19	19	-	(38)	58	-	(7,849)	(7,830)
Balance at end of year	81,577	81,084	3,828	84,912	2,169	124	805	32,952	13,189	49,239

Millions of yen

	Shareholders' equity		Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of year	(3,237)	220,301	3,581	(223)	3,358	766	224,425
Cumulative effects of changes in accounting policies		-					-
Restated balance	(3,237)	220,301	3,581	(223)	3,358	766	224,425
Changes of items during period							
Dividends of surplus		(11,689)					(11,689)
Net income (loss)		3,860					3,860
Acquisition of treasury stock	(4)	(4)					(4)
Disposal of treasury stock	85	104					104
Increase by share exchanges							
Provision of reserve for special depreciation							
Reversal of reserve for special depreciation		-					-
Provision of reserve for reduction entry		-					-
Reversal of reserve for reduction entry		-					-
Net changes of items other than shareholders' equity			178	133	311		311
Total changes of items during period	81	(7,730)	178	133	311	-	(7,418)
Balance at end of year	(3,156)	212,571	3,760	(91)	3,669	766	217,006

Notes to Non-Consolidated Financial Statements

Significant accounting policies

1. Valuation standards and valuation methods for securities
   (1) Investments in subsidiaries and affiliates
   Stated at cost based on the moving-average method.
   (2) Securities
   Securities with fair value
   Stated at fair value as of the end of the fiscal year. (Any changes in unrealized holding gain or loss, net of the applicable income taxes, are directly included in net assets, and the cost of securities sold is calculated by the moving-average method.)
   Securities without fair value
   Stated at cost based on the moving-average method.

2. Valuation standards and valuation methods for inventories
   (1) Merchandise and finished goods, raw materials and supplies
   Stated at cost based on the moving-average method.
   (2) Work in process
   Stated at cost based on the specific identification method.
   (In any case, the cost of inventories is written-down when their carrying amount become unrecoverable.)

3. Depreciation and amortization method for non-current assets
   (1) Property, plant and equipment (excluding leased assets)
   Depreciated using the straight-line method.
   (2) Intangible assets (excluding leased assets)
   Amortized using the straight-line method.
   Software for internal use is amortized using the straight-line method over the usable period (5 years).
   (3) Leased assets
   Leased assets under finance lease transactions that are not deemed to transfer ownership are depreciated using the straight-line method over the period of the lease, with zero residual value.

4. Allowances and provisions
   (1) Allowance for doubtful accounts
   To prepare for bad debt losses from uncollectible receivables, general provision for doubtful accounts is provided by applying a certain reserve percentage of the receivables based on experience from past transactions. Specific provision is provided based on the assessment of the collectability of individual receivables.
   (2) Provision for retirement benefits
   To prepare for the payment of retirement benefits to employees, the amount based on the estimated retirement benefit obligations and fair value of plan assets as of the end of the current fiscal year is recognized as provision for retirement benefits.

   Accounting for provision for retirement benefits and retirement benefit expenses are as follows:
   (i) The method to attribute expected benefits to periods of service
   In calculating retirement benefits obligations, expected benefit is attributed to periods of service up to the current fiscal year based on the benefit formula basis.
   (ii) The method of recognizing actuarial gains and losses and prior service costs as expenses
   Actuarial gains and losses are recognized as expenses from the next year of occurrence on a straight-line method over the average remaining service periods of employees expected in the year of occurrence.
   Prior service costs are recognized as expenses on a straight-line method over the expected average remaining service periods of employees from the year of occurrence.
   (3) Provision for directors' retirement benefits
   To prepare for the payment of retirement benefits to directors, the estimated amount calculated based on the Company's internal rules at fiscal year-end is recognized.
   At the compensation committee held on March 31, 2008, a decision was made to abolish the directors' retirement

benefit plan as part of the compensation for the service periods beginning on or after April 1, 2008 and to pay retirement benefits accrued under the plan before abolishment to each retiring directors and executive officers at the time of retirement.

5. Accounting for deferred assets
   (1) Share issuance cost
   Share issuance costs are fully recognized as expenses when paid.
   (2) Bond issuance cost
   Bond issuance costs are fully recognized as expenses when paid.

6. Method of hedge accounting
   (1) Method of hedge accounting
   Deferral hedge accounting is applied.
   (2) Hedging instruments and hedged items
   The Company uses forward exchange contracts to mitigate foreign currency exchange risks associated with import and export transactions.
   In addition, the Company uses interest rate swaps corresponding to term of each long-term loan payable to fix the risk of cash flow fluctuation from long-term loan payable.
   (3) Hedging policy
   As currency related derivative transactions are mainly used to hedge the foreign exchange risk associated with sales contracts denominated in U.S. dollars, the use of derivatives is limited to the amount of accounts receivable and sales contracts denominated in foreign currencies.
   Through interest related derivative transactions, the Company aims to fix interest rate for each long-term loan payable at the prevailing market rate as of each fund procurement since the Company emphasizes obtaining long-term loans at stable interest rates.
   (4) Method of assessing hedge effectiveness
   Effectiveness of hedging activities is assessed by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges up to the time of assessment.

7. Accounting for consumption taxes
   Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

8. Valuation standard and valuation method for derivative financial instruments
   Derivative financial instruments are measured at fair value.

9. Translation of foreign currency-denominated assets and liabilities into yen
   Monetary assets and liabilities denominated in foreign currencies are translated into yen at the spot exchange rates as of the fiscal year-end. Foreign exchange gains and losses are recognized in profit or loss.

10. Consolidated tax return
    The Company adopted consolidated income tax return filing.

Notes to Non-Consolidated Financial Statements

Notes to the non-consolidated financial position

*1. Monetary claims and monetary debts to subsidiaries and associates as of March 31, 2014 and 2015

Millions of yen

	March 31, 2014	March 31, 2015
Short-term monetary claims	131,414	126,736
Short-term monetary debts	74,466	75,616

*2. Guarantee obligations

The Company provides guarantees and guarantee commitments in respect of loans of the following subsidiaries and associates from financial institutions as of March 31, 2014 and 2015.

(1) Guarantees

Millions of yen

March 31, 2014		March 31, 2015	
P.T. Hitachi Construction Machinery Indonesia	3,705	P.T. Hitachi Construction Machinery Indonesia	901
PT Hexindo Adiperkasa Tbk	3,705	Hitachi Construction Machinery Leasing (China) Co., Ltd.	1,162
Hitachi Construction Machinery Leasing (China) Co., Ltd.	2,986	SCAI S.p.A.	2,606
SCAI S.p.A.	2,833	Marubeni Equipment Finance (Oceania) Pty Ltd.	2,921
Marubeni Equipment Finance (Oceania) Pty Ltd.	2,678	P. T. Hexa Finance Indonesia	459
PT Hitachi Construction Machinery Finance (Indonesia)	1,180	Other	196
Other	1,415		
Total	18,502	Total	8,245

(2) Guarantee commitment

Millions of yen

March 31, 2014		March 31, 2015	
OKUBO GEAR Co., LTD	614	OKUBO GEAR Co., LTD	704
P.T. Hitachi Construction Machinery Indonesia	491		
MARUTATSU Co., Ltd.	187		
Total	1,292	Total	704

Notes to Non-Consolidated Financial Statements

Notes to the non-consolidated statements of income

*1. Transactions with subsidiaries and associates for the years ended March 31, 2014 and 2015

Millions of yen

	2014	2015
Operating transaction		
Sales	290,373	303,202
Purchase	132,314	143,308
Non-operating transaction	31,258	29,992

*2. Main components of selling, general and administrative expenses and approximate ratio for the years ended March 31, 2014 and 2015

Millions of yen

	2014	2015
Packing and shipping expenses	13,677	12,556
Employees' salaries	9,393	9,937
Retirement benefit expenses	1,551	1,312
Welfare expenses	1,761	1,896
Subcontract expenses	4,574	4,469
Depreciation and amortization	4,923	4,880
R&D expenses	14,580	13,821
Brand value royalty	4,933	4,439
Approximate ratio (%)		
Selling expenses	34	36
Administrative expenses	66	64

Notes on securities

Investments in subsidiaries and associates as of March 31, 2014 and 2015 are as follows:

As of March 31, 2014

Millions of yen

Type of securities	Carrying amount in the balance sheet	Fair value	Unrealized gains (losses)
Investments in subsidiaries	624	14,598	13,974
Investments in associates	499	1,152	653
Total	1,123	15,750	14,627

As of March 31, 2015

Millions of yen

Type of securities	Carrying amount in the balance sheet	Fair value	Unrealized gains (losses)
Investments in subsidiaries	624	12,956	12,332
Investments in associates	499	2,921	2,422
Total	1,123	15,877	14,754

Notes to Non-Consolidated Financial Statements

(Note) Investments in subsidiaries and associates whose fair values are extremely difficult to determine as of March 31, 2014 and 2015 are as follows:

Millions of yen

Type of securities	March 31, 2014	March 31, 2015
Investments in subsidiaries	58,067	59,338
Investments in associates	11,583	11,668

Those securities are not included in the tables “Investments in subsidiaries and associates” above as of March 31, 2014 and 2015 as no quoted market price is available and it is extremely difficult to determine their fair values.

Notes to Non-Consolidated Financial Statements

Notes on income taxes

1. Components of deferred tax assets and deferred tax liabilities by major cause as of March 31, 2014 and 2015

		Millions of yen
	March 31, 2014	March 31, 2015
Deferred tax assets (current)		
Net operating losses carryforward	623	387
Accrued employee bonuses	1,480	1,403
Accrued expenses	2,530	2,049
Allowance for doubtful accounts	207	92
Write down of inventories	899	1,577
Others	272	134
Subtotal	6,011	5,642
Less: Valuation allowance	-	(92)
Total	6,011	5,550
Deferred tax liabilities (current)		
Insurance receivables	2,155	1,788
Others	29	423
Total	2,184	2,211
Net deferred tax assets (current)	3,827	3,339
Deferred tax assets (non-current)		
Net operating losses carryforward	2,202	2,256
Loss on valuation of shares of subsidiaries and associates	11,684	12,056
Write down of securities	3,579	3,244
Provision for retirement benefits	1,624	1,574
Impairment loss	31	26
Foreign tax credit carryforward	2,876	-
Others	918	6,305
Subtotal	22,914	25,461
Less: Valuation allowance	(15,466)	(22,461)
Total	7,448	3,000
Deferred tax liabilities (non-current)		
Prepaid pension costs	3,100	2,688
Reserve for reduction entry	413	384
Reserve for special depreciation	90	60
Valuation difference on available-for-sale securities	1,983	1,794
Others	769	764
Total	6,355	5,690
Net deferred tax assets (liabilities) (non-current)	1,093	(2,690)

Notes to Non-Consolidated Financial Statements

2. Reconciliation between the effective statutory tax rate and the effective tax rate as a percentage of incomes after the application of tax effect accounting by major cause as of March 31, 2014 and 2015

	March 31, 2014	March 31, 2015
Effective statutory tax rates (%)	-	35.6
(Adjustments)		
Expenses not deductible for tax purposes, such as entertainment expenses	-	3.6
Income not taxable for tax purpose, such as dividend income	-	(157.9)
Taxable retained income of specified foreign subsidiary companies	-	15.5
Withholding tax on dividends received by foreign subsidiaries	-	8.1
Inhabitant tax on per capita basis	-	0.5
Change in valuation allowance	-	149.0
Foreign tax credit	-	(34.2)
Other	-	(1.5)
Effective income tax rates after tax effect accounting	-	18.9

Tax rate reconciliation as of March 31, 2014 is omitted as loss before income tax was recorded for the year ended March 31, 2014.

3. Adjustments to deferred tax assets and deferred tax liabilities due to the change in corporate income tax rate
   The “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 9 of 2015) was promulgated on March 31, 2015, and the corporate tax rate was reduced to 23.9% for the period beginning on or after April 1, 2015. As a result, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities will be changed from 35.6% to 33.1% for the temporary differences expected to be realized or settled during the fiscal year beginning on or after April 1, 2015. The effect of the change in the tax rate is immaterial.

Subsequent events

No items to report.

Notes to Non-Consolidated Financial Statements

4) Non-consolidated supplementary schedules

[Supplementary schedule of property, plant and equipment, etc.]

Millions of yen

Asset type	Balance as of April 1, 2014	Increase during current period	Decrease during current period	Depreciation and amortization during current period	Balance as of March 31, 2015	Accumulated depreciation
Property, plant and equipment						
Buildings	35,130	327	63	1,970	33,424	28,834
Structures	3,935	269	1	417	3,785	8,778
Machinery and equipment	32,416	1,254	10	4,333	29,327	74,860
Vehicles	545	1,649	127	526	1,541	1,149
Tools, furniture and fixtures	2,104	1,272	15	1,229	2,132	28,014
Land	40,991	-	772 (510)	-	40,218	-
Construction in progress	1,625	4,130	4,638	-	1,117	-
Total property, plant and equipment	116,745	8,901	5,627 (510)	8,475	111,544	141,636
Intangible assets						
Software	10,466	2,071	489 (489)	5,022	7,026	-
Others	86	48	-	3	131	-
Total intangible assets	10,552	2,119	489 (489)	5,025	7,158	-

(Notes) 1. Amount in the parentheses under "Decrease during current period" represents impairment loss included in the reported amount for each asset type.
2. The increase in "Vehicles" during the current period mainly consists of "stand-by dump truck" of ¥1,428 million.
3. The decrease in "Land" during the current period is mainly attributable to sales of land in Ibaraki, Osaka of ¥771 million.
4. The decrease in "Software" during the current period mainly consists of "impairment loss on the core system of the HCM Group of ¥441 million."

[Supplementary schedule of provisions]

Millions of yen

Account	Balance as of April 1, 2014	Increase during current period	Decrease during current period	Balance as of March 31, 2015
Allowance for doubtful accounts	728	473	728	473
Provision for directors' retirement benefits	114	-	96	18

(Note) The decrease in "Allowance for doubtful accounts" during current period is the reversal of the balance of allowance for doubtful accounts as of March 31, 2014.

Notes to Non-Consolidated Financial Statements

(2) Components of major assets and liabilities

This information has been omitted as the consolidated financial statements have been prepared.

(3) Other

There were no specific items to be disclosed for the year ended March 31, 2015.

VI. Overview of Operational Procedures for Shares of the Company

Fiscal year	From April 1 to March 31
Annual General Meeting of Shareholders	Within three months after the day following each fiscal year-end date
Record date	March 31
Record dates for dividends of surplus	September 30 March 31
Number of shares per share unit	100 shares
Purchase of shares less than one unit	
Office for handling business	(Special account) Head Office, Tokyo Securities Transfer Agent Co., Ltd. 2-6-2 Otemachi, Chiyoda-ku, Tokyo
Shareholder register administrator	(Special account) Tokyo Securities Transfer Agent Co., Ltd. 2-6-2 Otemachi, Chiyoda-ku, Tokyo
Forwarding office	—
Share purchase/additional purchase fee	No fee
Additional share purchase request handling stoppage period	The period starting 10 business days before the respective ends of March, June, September and December, up to each of those dates, and the period stipulated by the filing company
Method of public notice	Electronic public notice will be made. However, if it is impossible to publish public notices electronically because of an accident or other unavoidable circumstances, the public notices shall be made by publication in the Nihon Keizai Shimbun. Electronic public notices will be posted on the Company's website at the following URL: http://www.hitachi-c-m.com/global/jp/
Special benefits for shareholders	Not applicable.

(Notes) 1. A shareholder of the Company may not exercise any rights relating to shares less than one unit held by the shareholder other than the following rights:

(1) Right set forth in items of Article 189, paragraph 2 of the Companies Act

(2) Right to receive an allotment of shares for subscription or an allotment of share options for subscription in accordance with the number of shares held by the shareholder

(3) Right to request that the company sell to the shareholder such number of shares that, together with the number of shares less than one unit held by the shareholder, will constitute one share unit

2. Owing to a share exchange making the filing company a wholly owning parent company in share exchange and TCM Corporation a wholly owned subsidiary in share exchange on the effective date of December 22, 2009, for shareholders recorded in the special account of TCM Corporation, the account management institution of the special account after the effective date is as follows:

Account management institution Mitsubishi UFJ Trust and Banking Corporation
1-4-5 Marunouchi, Chiyoda-ku, Tokyo

VII. Reference Information of the Company

1. Information about Parent Company, etc. of the Company

   The Company does not have a parent company, etc. as prescribed in Article 24-7, paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

   From the beginning of this fiscal year until the filing date of this Annual Securities Report, the Company has filed the following documents.

(1) Shelf Registration Statement and Appendices, Shelf Registration Supplement and Appendices, and Amended Shelf Registration Statement thereof

Filed to Director-General of Kanto Local Finance Bureau on April 24, 2014

Filed to Director-General of Kanto Local Finance Bureau on June 10, 2014

Filed to Director-General of Kanto Local Finance Bureau on June 24, 2014

Filed to Director-General of Kanto Local Finance Bureau on August 7, 2014

Filed to Director-General of Kanto Local Finance Bureau on November 10, 2014

Filed to Director-General of Kanto Local Finance Bureau on February 6, 2015

Filed to Director-General of Kanto Local Finance Bureau on February 26, 2015

(2) Annual Securities Report and Appendices, and Written Confirmation

50th term (from April 1, 2013 to March 31, 2014)

Filed to Director-General of Kanto Local Finance Bureau on June 24, 2014

(3) Quarterly Securities Reports and Written Confirmations

1st quarter of the 51st term (from April 1, 2014 to June 30, 2014)

Filed to Director-General of Kanto Local Finance Bureau on August 7, 2014

2nd quarter of the 51st term (from July 1, 2014 to September 30, 2014)

Filed to Director-General of Kanto Local Finance Bureau on November 10, 2014

3rd quarter of the 51st term (from October 1, 2014 to December 31, 2014)

Filed to Director-General of Kanto Local Finance Bureau on February 6, 2015

(4) Extraordinary Securities Reports

Filed to Director-General of Kanto Local Finance Bureau on June 24, 2014

Extraordinary Securities Report based on Article 24-5, paragraph 4 of the Financial Instruments and Exchange Act and Article 19, paragraph 2, item 9-2 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Filed to Director-General of Kanto Local Finance Bureau on February 26, 2015

Extraordinary Securities Report based on Article 24-5, paragraph 4 of the Financial Instruments and Exchange Act and Article 19, paragraph 2, item 9 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

(5) Internal Control Report and Appendices

Filed to Director-General of Kanto Local Finance Bureau on June 24, 2014

Part II Information about Company Which Provides Guarantee to the Company

Not applicable.