Annual Securities Report
(“Yukashoken Hokokusho”)

61st term (from April 1, 2024 to March 31, 2025)

Hitachi Construction Machinery Co., Ltd.

[Cover]

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Part I Information on the Company

I. Overview of the Company

1. Transition of the Key Financial Data

(1) Five-year financial data

(Millions of yen, unless otherwise stated)

Fiscal year	57th term	58th term	59th term	60th term	61st term
As of and years ended	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024	March 31, 2025
Revenue	813,331	1,024,961	1,264,927	1,405,928	1,371,285
Income before income taxes	25,578	110,869	115,013	160,476	134,168
Net income attributable to owners of the parent	10,340	75,826	70,175	93,294	81,428
Comprehensive income attributable to owners of the parent	47,844	111,929	75,515	133,958	73,768
Total equity attributable to owners of the parent	513,602	611,608	659,992	763,380	809,337
Total assets	1,219,882	1,409,560	1,627,003	1,835,672	1,791,006
Equity per share attributable to owners of the parent (Yen)	2,415.22	2,876.11	3,103.66	3,589.46	3,805.00
EPS attributable to owners of the parent Net income per share (Basic) (Yen)	48.62	356.57	330.00	438.68	382.83
Net income per share (Diluted) (Yen)	48.62	356.57	330.00	438.68	382.83
Equity attributable to owners of the parent ratio (%)	42.1	43.4	40.6	41.6	45.2
Profit on equity attributable to owners of the parent (%)	2.1	13.5	11.0	13.1	10.4
Price earnings ratio (Times)	72.91	8.96	9.32	10.30	10.31
Net cash provided by (used in) operating activities	91,339	39,317	(26,135)	73,035	143,932
Net cash provided by (used in) investing activities	(32,281)	(6,854)	(42,647)	(39,035)	(52,833)
Net cash provided by (used in) financing activities	(46,011)	(25,615)	87,089	(8,917)	(85,371)
Cash and cash equivalents at end of period	80,330	94,257	111,992	143,530	147,136
Employees (Number)	24,873	24,987	25,430	26,230	26,101
[The average number of temporary employees for the year]	[1,963]	[2,142]	[2,267]	[2,394]	[2,205]

(Notes)
1. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS").
2. The Group used to recognize an intangible asset in relation to the configuration or customization costs in a cloud computing arrangement based on IAS 38 "Intangible Assets." The Group changed its accounting policies from the beginning of the 58th term to recognize the costs as an expense when it receives a configuration or customization service, taking into account the discussions held by the IFRS Interpretations Committee to finalize the agenda decision published in April 2021. As a result, the relevant key financial data for the 57th term have been retroactively adjusted to reflect the changes in accounting policies.
3. In the 60th term, the non-core businesses in the Specialized Parts and Service Business segment are classified as discontinued operations. As a result, revenue and income before income taxes are presented in amounts for continuing operations excluding discontinued operations, while net income attributable to owners of the parent is presented as the sum of continuing operations and discontinued operations. Similarly, for the 59th term, revenue and income before income taxes have been reclassified accordingly in the above data. For details, please refer to "V. Financial Information, 1. Consolidated Financial Statements, etc., Notes to Consolidated Financial Statements (27) Notes on disposal groups classified as held for sale and discontinued operations."
4. During the fiscal year under review, the Company finalized the provisional accounting treatment for business combinations. Figures presented in the key financial data for the 60th term reflect revision of the initial allocated amounts of acquisition cost following the finalization of the provisional accounting treatment.

(2) Non-consolidated financial data

(Millions of yen, unless otherwise stated)

Fiscal year	57th term	58th term	59th term	60th term	61st term
As of and years ended	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024	March 31, 2025
Revenue	392,842	551,859	726,894	810,556	723,660
Ordinary income	8,933	52,733	57,595	76,261	68,274
Net income	12,142	67,589	48,904	65,754	91,118
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	300,991	356,424	382,237	418,012	482,442
Total assets	609,918	715,436	883,465	924,054	928,264
Net assets per share (Yen)	1,415.42	1,676.10	1,797.50	1,965.52	2,268.15
Dividends per share (Yen) [Of the above, interim dividends per share]	20.00 (10.00)	110.00 (45.00)	110.00 (50.00)	150.00 (85.00)	175.00 (65.00)
Net income per share (Yen)	57.10	317.84	229.97	309.18	428.39
Net income per share after adjustment for dilution (Yen)	57.10	317.84	229.97	309.18	428.39
Equity ratio (%)	49.3	49.8	43.3	45.2	52.0
Return on equity (%)	4.1	20.6	13.2	16.4	20.2
Price earnings ratio (Times)	62.08	10.05	13.37	14.62	9.21
Dividend payout ratio (%)	35.03	34.61	47.83	48.52	40.85
Employees (Number) [The average number of temporary employees for the year]	5,455 [477]	5,496 [453]	5,621 [420]	5,862 [404]	5,991 [385]
Total shareholder return (%) [Comparative indicator: TOPIX (Dividend-included)] (%)	162.9 [142.1]	151.9 [145.0]	151.4 [153.4]	224.3 [216.8]	206.1 [213.4]
Highest share price (Yen)	3,835	3,785	3,450	4,927	4,900
Lowest share price (Yen)	2,040	2,642	2,595	2,934	2,897

(Note) From April 4, 2022, the highest and lowest share prices are quoted market prices on the Prime Market of the Tokyo Stock Exchange and before that, they are the quoted market prices on the First Section of the Tokyo Stock Exchange.

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.

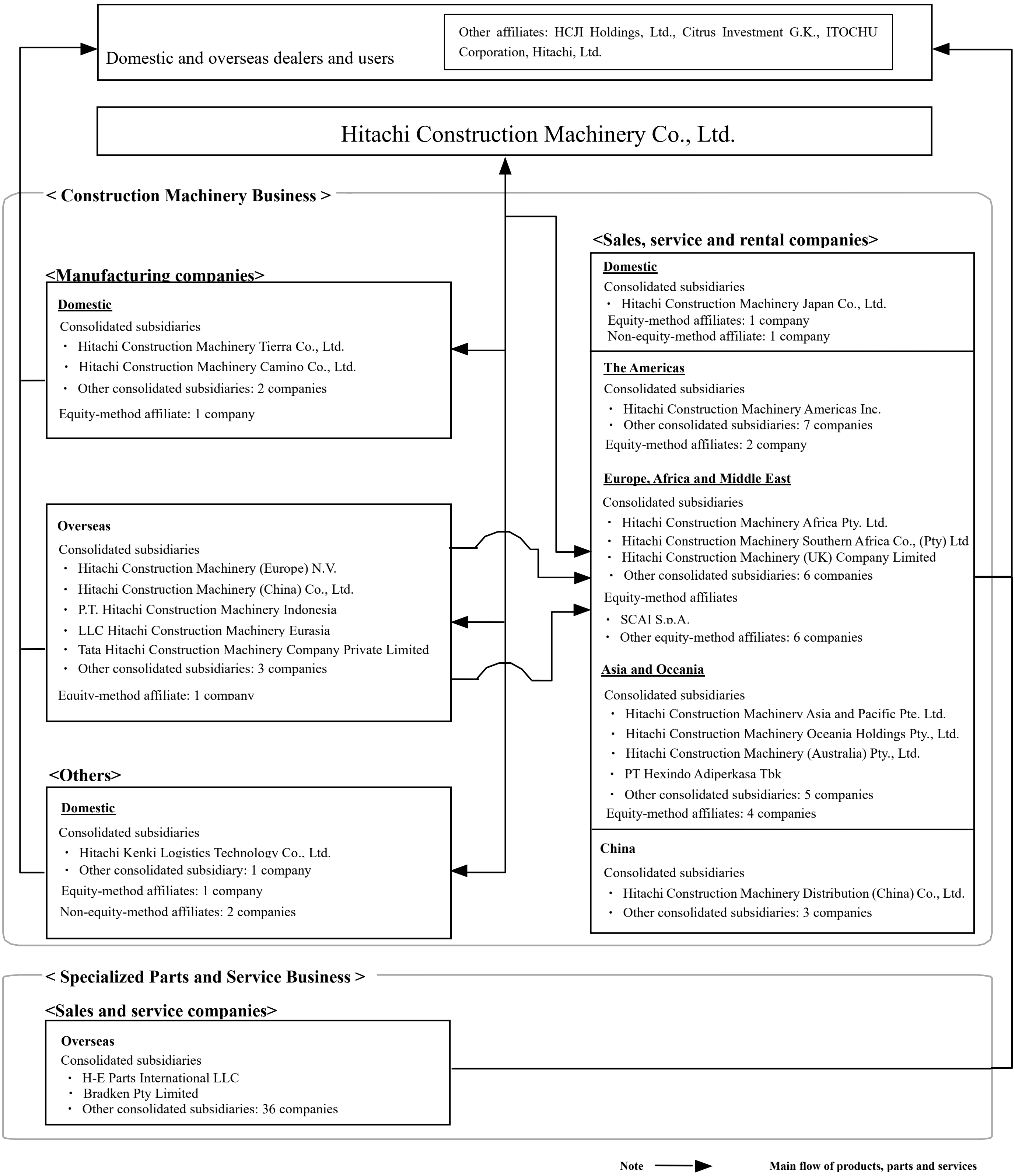
December 1955	Established Hitachi Construction Machinery Service Co., Ltd. as a subsidiary of Hitachi, Ltd.
April 1965	Established (former) Hitachi Construction Machinery Co., Ltd. through incorporation of Hitachi Construction Machinery Service Co., Ltd. and the construction machinery sales divisions of Hitachi, Ltd.
November 1969	Split off Hitachi, Ltd.'s construction machinery manufacturing division from the Parent Company and established, with the Adachi and Tsuchiura works, Hitachi Construction Machinery Manufacturing Co., Ltd.
October 1970	Established Hitachi Construction Machinery Co., Ltd. through merger of Hitachi Construction Machinery Manufacturing Co., Ltd. and (former) Hitachi Construction Machinery Co., Ltd., with share capital of ¥3.8 billion.
August 1972	Established Hitachi Construction Machinery (Europe) N.V. in the Netherlands. (Currently a consolidated subsidiary)
October 1973	Merged 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	Incorporated Adachi Works 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)
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)
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)
December 2007	Established Hitachi Construction Machinery Financial Leasing (China) Co., Ltd. (Former Hitachi Construction Machinery Leasing (China) Co., Ltd.) in China. (Currently a consolidated subsidiary)
April 2008	Established Hitachi Construction Machinery Japan Co., Ltd. (Currently a consolidated subsidiary)
September 2008	Established P.T. HEXA 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)
March 2010	Acquired management rights of Tata Hitachi Construction Machinery Company Private Limited in India. (Currently a consolidated subsidiary)
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 LLC Hitachi Construction Machinery Eurasia 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.
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)
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 affiliate)
October 2015	KCM Corporation became a wholly owned subsidiary.
April 2016	Spun off and transferred the Company's wheel loader development/manufacturing business to KCM Corporation.
December 2016	H-E Parts International LLC became a wholly owned subsidiary. (Currently a consolidated subsidiary)
March 2017	Bradken Pty Limited (Former Bradken Limited) became a consolidated subsidiary through takeover offer. (Currently a consolidated subsidiary)
April 2017	Hitachi Construction Machinery Americas Inc. (Former Hitachi Construction Machinery Loaders America Inc.) became a wholly owned subsidiary. (Currently a consolidated subsidiary)
January 2019	Established Synergy Hire Limited in the U.K. (Currently a consolidated subsidiary)
April 2019	Established Hitachi Construction Machinery Oceania Holdings Pty., Ltd. in Australia. (Currently a consolidated subsidiary)
April 2019	Merged KCM Corporation into the Company.
July 2019	Established Hitachi Construction Machinery (Shanghai) Parts Manufacturing Co., Ltd. in China. (Currently a consolidated subsidiary)
August 2019	Transferred a portion of shares of stock of PEO Construction Machinery Operators Training Center Co., Ltd. (Former Hitachi Construction Machinery Operators Training Center Co., Ltd.) held by the Company. (Currently an equity-method affiliate)
August 2021	Agreed to dissolve the joint venture relationship with Deere & Company in North, Central and South America.
January 2022	Concluded a capital alliance agreement with HCJI Holdings, Ltd.
April 2022	Transferred from the First Section of the Tokyo Stock Exchange to the Prime Market due to the restructuring of the market segments of the Tokyo Stock Exchange.
August 2022	Became an equity-method affiliate of HCJI Holdings, Ltd. and Hitachi, Ltd.
November 2022	Started business operations of Hitachi Construction Machinery Distribution (China) Co., Ltd. (Currently a consolidated subsidiary)
January 2025	Established Hitachi Construction Machinery Development Center INDIA Private Limited in India. (Currently a consolidated subsidiary)
March 2025	Established Hitachi Construction Machinery Latin America SpA in Chile. (Currently a consolidated subsidiary)

3. Description of Business

The consolidated group (hereinafter referred to as the “Group”) consists of the Company, its 83 consolidated subsidiaries and 20 affiliates. There are two reportable segments. The Construction Machinery Business Segment primarily intends to provide customers with a series of total life cycle related to construction machinery such as the manufacture and sale of hydraulic excavators, ultra-large-sized hydraulic excavators, and wheel loaders, as well as the sale of parts related to these products. The Specialized Parts and Service Business Segment primarily intends to provide development, production, distribution of parts and service solutions as part of the after-sales services for mining facilities and equipment that are not included in the Construction Machinery Business Segment.

The structure of the Group business is as follows:



4. Information on Subsidiaries and Affiliates

1. Other affiliates

Entity name	Business location	Common stock, investments	Principal business activities (*)	Percentage of voting rights holding [held] (%)	Relationship
HCJI Holdings, Ltd.	Chiyoda-ku, Tokyo	0.01 million yen	Shareholding in Hitachi Construction Machinery Co., Ltd.	26.0	The entity has entered into a capital alliance agreement with the Company. One Director of the Company concurrently holds the position of director or officer.
Citrus Investment G.K. (Note 1)	Minato-ku, Tokyo	0.01 million yen	Shareholding in HCJI Holdings, Ltd.	28.6 [26.0]	–
ITOCHU Corporation (Note 1) (Note 2)	Kita-ku, Osaka-city, Osaka	253,448 million yen	General trading company	28.6 [28.6]	There are transactions with the Company related to joint management of overseas operating companies and sales of products, etc.
Hitachi, Ltd. (Note 2)	Chiyoda-ku, Tokyo	464,384 million yen	Manufacture, sales and service of electric machinery, equipment and various products	25.4	The Company pays brand value royalty. One Director of the Company concurrently holds the position of director or officer.

2. Consolidated subsidiaries

Entity name	Business location	Common stock, investments	Principal business activities (*)	Percentage of voting rights holding [held] (%)	Relationship
Hitachi Construction Machinery Tierra Co., Ltd. (Note 3)	Koka-city, Shiga	1,441 million yen	Construction Machinery Business	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. One Executive Officer of the Company concurrently holds the position of director or officer.
Hitachi Construction Machinery Camino Co., Ltd.	Higashine-city, Yamagata	400 million yen	Construction Machinery Business	100.0	The entity manufactures some of the Company's construction machinery products. The Company lends money.
Hitachi Construction Machinery Japan Co., Ltd. (Note 3) (Note 4)	Soka-city, Saitama	5,000 million yen	Construction Machinery Business	100.0	The Company sells construction machinery products to the entity. The Company also lends and borrows money and leases land. One Executive Officer of the Company concurrently holds the position of director or officer.
LLC Hitachi Construction Machinery Eurasia	Tver, Russia	1,740 million RUB	Construction Machinery Business	100.0	The entity manufactures, sells and provides services relating to some of the Company's construction machinery products in Russia-CIS region, and the Company sells products to the entity. One Executive Officer of the Company concurrently holds the position of director or officer.
Hitachi Construction Machinery (Europe) N.V. (Note 3)	Amsterdam, The Netherlands	70,154 thousand EUR	Construction Machinery Business	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. Four Executive Officers of the Company concurrently hold the position of director or officer.

Entity name	Business location	Common stock, investments	Principal business activities (*)	Percentage of voting rights holding [held] (%)	Relationship
Hitachi Construction Machinery (China) Co., Ltd. (Note 3)	Hefei, Anhui, China	1,370,074 thousand RMB	Construction Machinery Business	100.0	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. Three Executive Officers of the Company concurrently hold the position of director or officer.
Hitachi Construction Machinery Asia and Pacific Pte. Ltd.	Pioneer Walk, Singapore	39,956 thousand USD	Construction Machinery Business	100.0	The entity organizes sales and services of construction machinery products of the Company in Southeast Asia region, and the Company sells products to the entity.
P.T. Hitachi Construction Machinery Indonesia (Note 1)	Bekasi, Indonesia	17,200 thousand USD	Construction Machinery Business	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. Two Executive Officers of the Company concurrently hold the position of director or officer.
Hitachi Construction Machinery Distribution (China) Co., Ltd.	Shanghai, China	200,000 thousand RMB	Construction Machinery Business	100.0	The entity sells and provides services relating to construction machinery products of the Company in China, and the Company sells parts to the entity. The Company also borrows money. Two Executive Officers of the Company concurrently hold the position of director or officer.
Hitachi Construction Machinery Financial Leasing (China) Co., Ltd. (Note 3)	Shanghai, China	1,103,578 thousand RMB	Construction Machinery Business	100.0	The entity leases construction machinery products of the Company in China.
Tata Hitachi Construction Machinery Company Private Limited	Bengaluru, Karnataka, India	1,143 million INR	Construction Machinery Business	60.0	The entity manufactures and sells construction machinery products of the Company in India. One Executive Officer of the Company concurrently holds the position of director or officer.
Hitachi Construction Machinery Oceania Holdings Pty., Ltd.	Greystanes, New South Wales, Australia	29,122 thousand AUD	Construction Machinery Business	100.0	The entity organizes sales and service of the construction machinery products of the Company in the Oceania region. Two Executive Officers of the Company concurrently hold the position of director or officer.
Hitachi Construction Machinery (Australia) Pty., Ltd. (Note 1) (Note 4)	Greystanes, New South Wales, Australia	22,741 thousand AUD	Construction Machinery Business	80.0 [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. The Company also borrows money. Two Executive Officers of the Company concurrently hold the position of director or officer.

Entity name	Business location	Common stock, investments	Principal business activities (*)	Percentage of voting rights holding [held] (%)	Relationship
Hitachi Construction Machinery Americas Inc. (Note 3)	Atlanta, Georgia, U.S.A.	8,000 thousand USD	Construction Machinery Business	100.0	The entity sells and provides services relating to construction machinery products of the Company in the Americas, and the Company sells parts to the entity. Two Executive Officers of the Company concurrently hold the position of director or officer.
Hitachi Construction Machinery Holding U.S.A. Corp. (Note 3)	Kernersville, North Carolina, U.S.A	251,000 thousand USD	Construction Machinery Business	100.0	The entity sells construction machinery products of the Company in the U.S.
H-E Parts International LLC	Atlanta, Georgia, U.S.A.	–	Specialized Parts and Service Business	100.0	The entity provides services related to mining and construction machinery of the Company. Three Executive Officers of the Company concurrently hold the position of director or officer.
Bradken Pty Limited (Note 3)	Newcastle, New South Wales, Australia	653,215 thousand AUD	Specialized Parts and Service Business	100.0	The entity is engaged in a manufacturing business of metal casting parts for mining and infrastructure industries, a business for wear parts in mining, a maintenance service business, and others. Three Executive Officers of the Company concurrently hold the position of director or officer.
66 other consolidated subsidiaries	–	–	–	–	–
[Equity-method affiliates]					
17 other affiliates	–	–	–	–	–

(*) In the column of principal business activities, the names of the Group's business segments are provided.

(Notes)
1. The percentages in square brackets under "Percentage of voting rights holding [held]" represent indirect ownership out of the total percentage noted above.
2. The entity issues an Annual Securities Report.
3. The entity is a Specified Subsidiary.
4. Revenue of the following subsidiaries (excluding revenue from intercompany transactions within the Group) exceeds 10% of the consolidated revenue.

Major financial information

Hitachi Construction Machinery Japan Co., Ltd.	(Millions of yen)
1) Revenue	199,887
2) Income before income taxes	15,449
3) Net income	11,452
4) Total equity	54,023
5) Total assets	160,465

Hitachi Construction Machinery (Australia) Pty., Ltd.	(Millions of yen)
1) Revenue	177,757
2) Income before income taxes	32,299
3) Net income	18,891
4) Total equity	88,232
5) Total assets	129,315

5. Employees

(1) Consolidated basis

(As of March 31, 2025)

Name of segment	Number of employees	
Construction Machinery Business	22,501	(1,953)
Specialized Parts and Service Business	3,600	(252)
Total	26,101	(2,205)

(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, 2025)

Number of employees	Average age	Average length of service	Average annual salary
5,991 (385)	40.4	15.5 years	¥7,743,000

Name of segment	Number of employees	
Construction Machinery Business	5,991	(385)
Total	5,991	(385)

(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 Hitachi Construction Machinery Group have each labor union that was established independently and belongs to an upper organization of labor union.
The relationship between management and the labor union has been stable and smooth.

(4) Ratio of female workers in management positions, male employees who took childcare leave, and wage differences between male and female employees

(i) The Company

Ratio of female workers in management positions (%) (Note 1)	Ratio of male employees who took childcare leave (%) (Note 2)	Wage differences between male and female employees (%) (Note 1)			Supplementary explanation
		All workers	Out of which regular workers	Out of which part-time and fixed-term workers	
3	50	75	78	83	The percentage of male workers taking childcare leave together with paternity leave (company system) was 81%.

(Notes) 1. Calculated in accordance with the provisions of the “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64, 2015).

2. Calculation of percentage of employees who took childcare leave, etc. pursuant to Article 71-6, item 1 of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor of No. 25 of 1991) based on the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991).

(ii) Domestic consolidated subsidiaries

Entity name	Ratio of female workers in management positions (%) (Note 1)	Ratio of male employees who took childcare leave (%) (Note 2)	Wage differences between male and female employees (%) (Note 1)		
			All workers	Out of which regular workers	Out of which part-time and fixed-term workers
Hitachi Construction Machinery Tierra Co., Ltd.	4	12	88	85	102
Hitachi Construction Machinery Camino Co., Ltd.	4	0	70	70	60
TadaKiko Co., Ltd.	9	100	78	80	81
Shintohoku Metal Co., Ltd.	0	0	98	98	–
Hitachi Kenki Logistics Technology Co., Ltd.	8	63	71	79	82
Hitachi Construction Machinery Leasing Co., Ltd.	0	7	46	–	80
Hitachi Construction Machinery Japan Co., Ltd.	2	26	62	68	71

(Notes) 1. Calculated in accordance with the provisions of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64, 2015).

2. Calculation of percentage of employees who took childcare leave, etc. pursuant to Article 71-6, item 1 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labor of No. 25 of 1991) based on the provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991).

II. Business Overview

1. Management Policy, Operating Environment and Issues to be Addressed

Any forward-looking statements in this report are based on the judgment as of March 31, 2025.

(1) Management policy

The corporate vision of the Group is “Ensure a prosperous land and society for the future. We contribute toward realizing a safe and sustainable society.” And under our spirit of “Challenge, Customer, and Communication,” the Group-wide codes of conduct, all employees of the Group will continue creating new value together with our customers by meeting their expectations and co-creating innovative products, services, and solutions as a “close and reliable partner” to resolve customers’ issues.

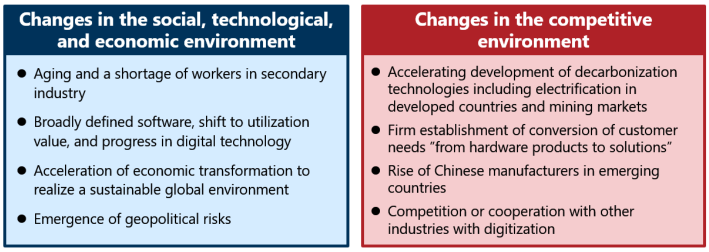
Through these efforts, the Group will pursue strengthening of business competitiveness and group management capabilities, raise profitability and generate cash while aiming to increase corporate value and further increase shareholder value by creating a sustainable society and achieving business growth with SDGs, ESG, etc., as its management issues.

(2) Progress with the medium-term management plan

We are promoting a medium-term management plan (BUILDING THE FUTURE 2025) starting in FY2023. We aim to achieve our medium-term management plan targets while responding to changes in the business environment so that we can achieve steady growth and lead to results by FY2025.

Changes in the business environment

The competitive environment is rapidly changing as a result of changes in the social, technological, and economic environment that surrounds companies. Competition and collaboration with other industries is increasing, such as accelerated development of decarbonization technologies including electrification, digitalization of construction sites, and automated driving.



Group identity of Hitachi Construction Machinery

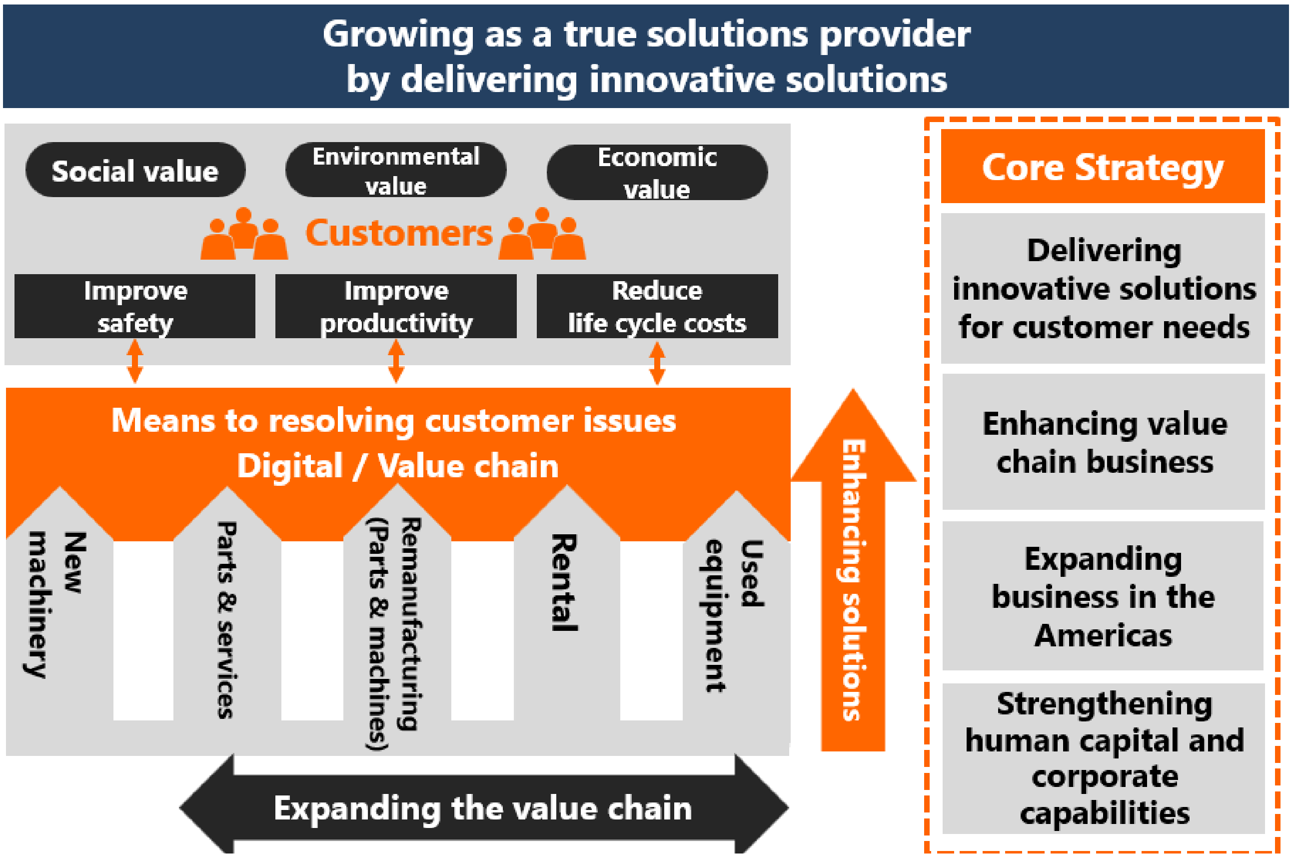
In response to the changes in the business environment such as own business in the Americas and capital structure, we have formulated our own group identity in 2022.

As stated in our mission, we will collaborate with our customers and collaborative partners to co-create innovative products, services, solutions based on our outstanding technologies by promptly responding to customer expectations and challenges.

Through these initiatives, we will contribute toward realizing a safe and sustainable society by creating new value to ensure a prosperous land and society for the future as stated in our vision.

Core Strategy of the Medium-term Management Plan

We provided four core strategies in the current Medium-term Management Plan ("MTP") and we particularly focus on "delivering innovative solutions for customer needs" to become a true solutions provider.



This table summarizes the achievements of the past two years (FY2023, FY2024) and the initiatives for FY2025.
We show the results of the four initiatives.

Core Strategy	Progress (FY2023,FY2024)	Initiatives (FY2025)
Delivering innovative solutions for customer needs	Topic 1 ● New Concept LANDCROS Topic 3 ● Fully Battery Dump Truck	Topic 2 Promoting technology and product development in an open collaboration.
Enhancing value chain business	● Brake Supply's Mining Machinery Component Remanufacturing Business ● Mining Machinery Component Remanufacturing Plant in Kazakhstan	Expansion of Zambia's remanufacturing plant. Improved production and supply capacity at mill liner plant in Peru.
Expanding business in the Americas	● Strengthening the parts supply system in the Americas ● Strengthen North American business, expand into South America	Topic 4 Strengthening business foundation in Latin America
Strengthening human capital and corporate capabilities	● Establishes New Development Company in India ● Indonesia to Begin Mass Production of 120-ton Class Ultra-large Hydraulic Excavators	Carefully select investments in core products and growth areas. Strict control of fixed costs and fixed assets.

Topic 1. Delivering innovative solutions for customer needs
-New concept LANDCROS-

In July 2024, we announced the new concept “LANDCROS” as a testament to the group’s desire to provide innovative solutions to all stakeholders.

In April this year, at “bauma2025”, the world’s largest construction machinery exhibition, we displayed “LANDCROS One, ” which embodies the vision of LANDCROS in the form of a hydraulic excavator, and it received a great response.

We also released the service tool “LANDCROS Connect. ”

LANDCROS is a concept that symbolizes the future direction of Hitachi Construction Machinery Group, and we will continue to promote it globally.

Topic 2. Delivering innovative solutions for customer needs

-Promoting technology and product development in an open framework-

First, we started to provide the “LANDCROS Connect fleet management system”.

This system is a specific example of our “open” and “digital” strategy which meets the need to centrally manage not only our construction machinery but also machines from various manufacturers owned by customers, and it is an innovative tool that contributes to the efficient operation of all customer-owned machines and the improvement of productivity at construction sites.

Second, we promote the “Open Source & Technology Partnerships” strategy.

We held the “Hitachi Construction Machinery Challenge 2024” in the U.S. to solicit ideas from startups and are considering collaboration with the winning companies selected there. We are accelerating activities to create new value openly beyond corporate boundaries.

We will continue to expand our “open” and “digital” strategies and aim to provide innovative solutions.

Topic 3. Delivering innovative solutions for customer needs
-Full battery dump truck-

In June 2024, we started the world's first demonstration test of an ultra-large full battery dump truck at a mining site in Zambia.

We completed verification of basic performance and charge-discharge cycles completed, and since January this year, we have been conducting actual driving tests, moving to examination of battery aging in long-term operation.

We will make full use of the insights gained from these demonstration tests to advance the verification of charging performance, travel speed, and battery range for commercialization in FY2027.

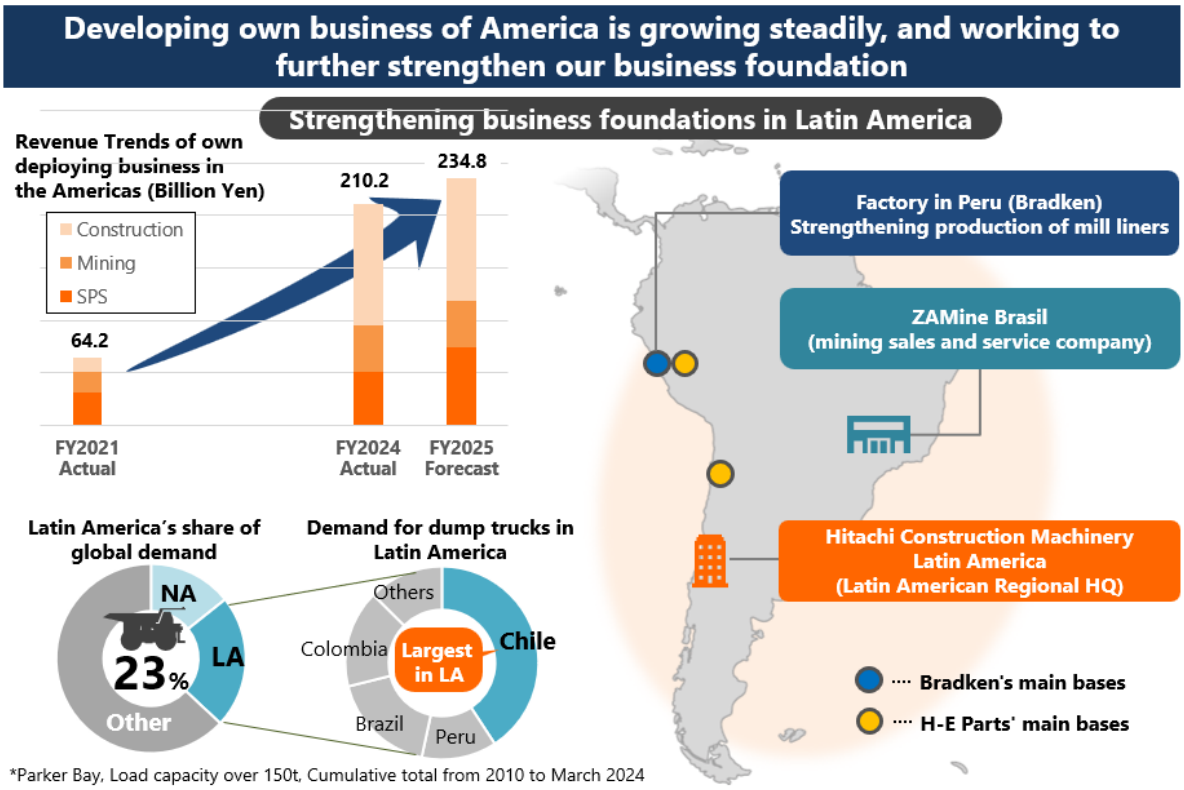
Topic 4. Expanding business in the Americas
-Strengthening business foundation in Latin America-

Below-mentioned graph shows the revenue trend from independent business expansion in the Americas, from the 2021 results before the expansion to the forecast for 2025. After the independent expansion, each of sales in construction, mining, and specialized parts services ("SPS") have grown significantly.

In the Latin American business, share of global demand for dump trucks in Latin America accounts for 23% of the cumulative units from 2010 to 2024, with Chile and Peru making up more than half of that. In this region, further expansion of demand is expected, centered on mineral resources such as copper, iron ore, and gold.

Therefore, as part of strengthening our business foundation in Latin America, we have established 'Hitachi Construction Machinery Latin America' as the regional headquarters in Chile, and in Brazil, we have established 'ZAMine Brasil,' a mining sales and service company in collaboration with Marubeni Corporation, to respond quickly to dealer and customer needs.

Furthermore, in the SPS business, Bradken is strengthening mill liner production, and H-E Parts is enhancing two key sites to further expand revenue.



Quantitative targets and forecasts for MTP

The tables below show the targets and current forecasts for MTP as of FY2025, the final year of the current MTP.

The current forecast shows improvement over FY2024 results for each KPI, but due to changes in the assumed business environment, there are predictions of not meeting the targets at this point.

However, we do not perceive a significant gap with the targets, and we will strive to achieve them as a united company over the next year.

For the quantitative non-financial targets, especially for ESG items, we forecast to meet the MTP targets for KPI such as CO_2 reduction and diversity, and we intend to proceed according to the plan.

<Progress on the Financial Targets of the Medium-term Management Plan>

KPI		Previous	Current Medium-term Management Plan			
		FY2022	FY2023	FY2024	FY2025	
		Result	Result	Result	Forecast	Target
Growth	• Value chain ratio	40%	39%	43%	47%or more	50% or more
	• Own business revenue in the Americas	182.0 Billion yen	217.5 Billion yen	210.2 Billion yen	234.8 Billion yen or more	300.0 Billion yen or more
	• R&D/Revenue ratio	1.9%	2.2%	2.7%	3% or more	3% or more
Profitability	• Adjusted operating income ratio	10.6%	12.0%	10.6%	11% or more	13% or more
	• EBITDA margin*1	14.2%	16.8%	16.1%	17% or more	18% or more
Safety	• Net D/E ratio	0.60	0.57	0.48	0.45 or less	0.40 or less
Efficiency	• Operating cash flow margin*1	-2.0%	5.2%	10.5%	11% or more	10% or more
	• ROE	11.0%	13.1%	10.4%	10% or more	13% or more
	• ROIC *1*3	8.4%	9.8%	7.5%	8% or more	9% or more
Shareholder return *2	• Consolidated dividend payout ratio	33.3%	34.2%	45.7%	40% or more	Stable and continuous implementation with a consolidated dividend payout ratio of 30%-40% as a guide

*1: Newly established indicators in this medium-term management plan
*2: We aim to allocate one-third of operating cash flow to maintenance and strengthening investment, prior investment, and shareholder return & debt payment respectively, based on our fund allocation policy.
*3: The level of capital cost (WACC) to be compared in the ROIC target is recognized at about 7%.

<Progress on the ESG-related Targets of the Medium-term Management Plan>

KPI			Past	Current Medium-term Management Plan			
			FY2022	FY2023	FY2024	FY2025	
			Result	Result	Result	Forecast	Target
E S G	Reducing environmental impact and CO_2 (total)	Production (Scope 1+2)	-33.0%	-40.4%	Scheduled to be published in "Integrated Report 2025"	-40%	-40%
		Product (Scope 3)	-21.9%	-20.1%		-22%	-22%
	Diversity, equity & inclusion	Localization ratio of GM or higher in overseas group companies*1	72%	71%	72%	75%	75%
		Ratio of managers by gender (consolidated) *1	Women 11% Men 16%	Women 11% Men 16%	Women 11% Men 17%	Women 13% Men 15%	Women 13% Men 15%

*1: Newly established indicators in this medium-term management plan

2. Approach to and Initiatives for Sustainability

Any forward-looking statements in this report are based on the judgment as of March 31, 2025.

(1) Introduction

The Hitachi Construction Machinery Group has formulated the "Group identity of Hitachi Construction Machinery," which defines how we want to be, our mission, etc.

Also, we have introduced the perspective of the "Group identity of Hitachi Construction Machinery" to our various initiatives to promote sustainability management.

(2) Sustainability basic policy

The Sustainability Basic Policy was created by the Hitachi Construction Machinery Group with the intention of promoting sustainability and aiding in the creation of a sustainable society by putting our materialities (material issues) into practice. With the use of construction machinery, we will support society's sustainable growth while working to increase our company's value. Please refer to our website for details regarding "Sustainability Basic Policy."

https://www.hitachicm.com/global/en/sustainability/management/

* The Hitachi Construction Machinery Group joined the United Nations Global Compact in April 2023.
We will promote the ten principles of the United Nations Global Compact on a group and global basis.

(3) Governance

Important matters related to sustainability are discussed at the Global Sustainability Promotion Managers Meeting, which consists of presidents of domestic and overseas group companies and members including division heads of business divisions. The results of these discussions are then reported to the Sustainability Promotion Committee (held twice a year), which is composed of executive officers and above. The President and Executive Officer, COO, chairs the Sustainability Promotion Committee, which deliberates and approves ESG-related issues involving management decisions, such as response to climate change. These important ESG matters are also deliberated, approved, duly monitored and supervised by the Executive Committee and the Board of Directors. The Global Sustainability Working Group, which is composed of members in charge of sustainability promotion at domestic and overseas group companies, shares measures that are taken in each country and region based on the decided directions, in a bid to promote and strengthen sustainability initiatives on a global basis.

<Governance organization chart>

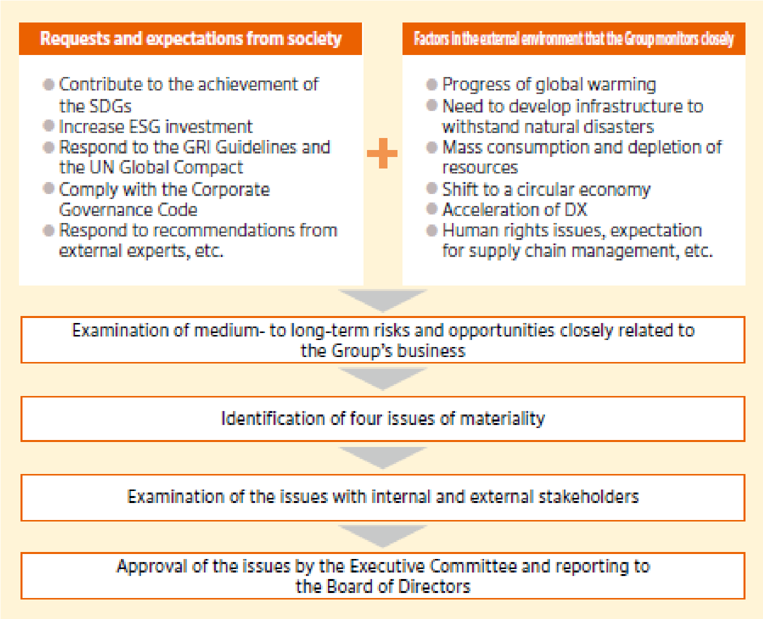
(4) Strategies

(i) Identifying materialities

Hitachi Construction Machinery Group has reviewed materialities in 2021, from both the perspective of social issues such as the SDGs and ESG and the perspective of the external environment, which can enhance or damage the company's corporate value. Examining medium- to long-term risks and opportunities, we defined four themes that may have significant impact on our business. The themes were determined following a series of discussions with internal and external stakeholders, after being approved by the Executive Committee and reported to the Board of Directors. KPIs (Key Performance Indicators) are set for each materiality, and progress, including the implementation of action plans toward achieving the KPIs, is managed under the sustainability governance system for steady implementation.

The materialities will be reviewed from time to time based on changes in the external environment and other factors.

Based on the four materialities, we report on our "Environmental strategy," "Technology strategy," and "Human resources strategy" to address sustainability issues.



External Environment	Risks	Opportunities	Materiality
Progress of global warming	• Suspension of operations due to natural disasters • Growing costs of regulatory compliance due to stricter environmental regulations in each country and region • Changes in industrial structure due to the transition to a decarbonized society and the resulting impact on business activities	• Increased demand for environmentally conscious products and services • Positive investor assessments of our environmental initiatives, which will lead to more ESG investment in our Group	**Product and technology development contributing to climate change mitigation and adaptation**
Need to develop infrastructure to withstand natural disasters	• Supply chain disruption due to lack of progress in infrastructure development and the resulting impact on business activities	• Increased demand for infrastructure maintenance and upgrades	
Loss of biodiversity	• Impact of business activities on biodiversity	• Contribution to biodiversity through the development of environmentally conscious products and the promotion of a circular economy	
Mass consumption and depletion of resources	• Damage to corporate value due to delays in implementation of initiatives • Increased costs for introducing resource-conserving machinery	• Realization of a business model capable of both minimizing resource consumption and maximizing customer value	**Conversion to a recycling-oriented business model**
Shift to a circular economy	• Increase in initial investment for conversion • Increased production recovery and processing costs • Increased procurement costs	• Increase in new business opportunities, markets and demand • Reduction of manufacturing costs	
Acceleration of DX	• Decline in competitiveness due to the expansion of competitors and new entrants • Increase in development costs incurred in trying to meet the changing needs of customers	• Expansion of contacts with startups leading to deeper strategies as well as collaboration with companies equipped with unique technologies • Provision of products, services and solutions based on the effective use of digital technologies	**Creating innovative solutions for challenges faced by customers supporting social infrastructure**
Decrease in working population	• Impact on sales caused by failure to deal with labor shortage-related issues faced by the construction industry	• Provision of products, services and solutions with higher safety and productivity	
Requirement for safety and quality	• Loss of social trust due to the provision of a product with insufficient safety/quality	• Winning of more trust from customers by the continuous provision of products that they can use with peace of mind	
Human rights issues, expectation for supply chain management, etc.	• Loss of social trust due to human rights violations or infringements • Loss of trust from business partners	• Winning of more social trust through appropriate human rights-related initiatives	**Strengthening global governance**
Increase in geopolitical risks	• Impact on business activities caused by enhanced import/export controls	• Incorporation of risk management results in the formulation of management strategies	
Need to ensure transparency in corporate governance	• Decrease in competitiveness caused by lack of transparency	• Higher corporate value and sustainable growth	

(ii) Environmental strategies

- Toward achieving carbon neutrality -

The Hitachi Construction Machinery Group is working to reduce CO_2 emissions with the aim of achieving net-zero greenhouse gas emissions throughout the entire value chain by 2050. To this end, we have formulated a roadmap toward achieving that goal with regard to the two aspects of product development and production processes.

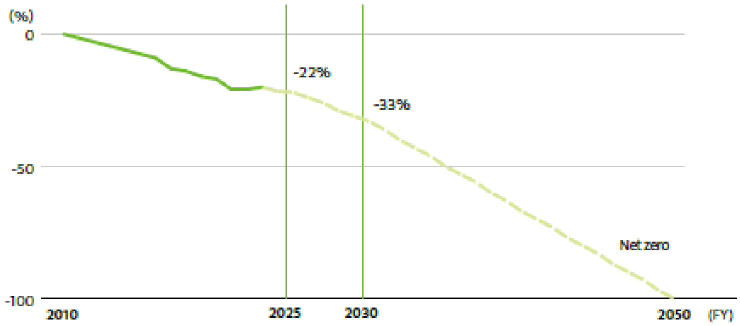
With regard to product development, we have set and are promoting the goal of reducing CO_2 emissions by 22% and 33% by fiscal 2025 and fiscal 2030, respectively, compared to fiscal 2010 as the base year (Diagram 1). This will serve as an indicator of our ability to provide our customers and society with environmentally friendly products with zero CO_2 emissions. To achieve this goal, we are promoting the development of an entire product range—from compact equipment to ultra-large mining machines. In addition to reducing fuel consumption, we are also working on the early market launch of electrified construction equipment and identifying hydrogen-fueled products from a technological perspective. Furthermore, we are striving to provide solutions that enable our customers to reduce CO_2 while equipment is in use (Diagram 2).

Meanwhile, as for the production process, we have set and are promoting the goal of reducing CO_2 emissions by 40% and 45% by fiscal 2025 and fiscal 2030, respectively, compared to fiscal 2010 as the base year (Diagram 3). Our methods for reducing CO_2 emissions include energy conservation, conversion to renewable energy (in-house power generation through capital investment, introduction of renewable energy electricity), electrification, and fuel conversion (Diagram 4).

These initiatives aimed at realizing carbon neutrality throughout the entire value chain are also consistent with the spirit of "GX League,"*1 which launched full-scale activities in Japan in fiscal 2023. Hitachi Construction Machinery became a member of "GX League" in May 2023. With our membership in this league helping us facilitate carbon neutrality initiatives, we will work in collaboration with other members and organizations while playing our part in the transition of Japan's socio-economic system as a whole.

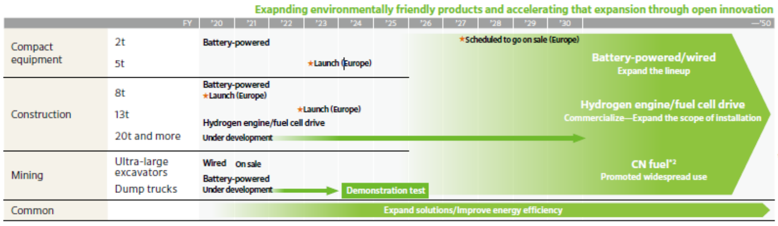
*1 Green Transformation (GX) League: An initiative established by Japan's Ministry of Economy, Trade and Industry to provide a place for collaboration among business corporations, government agencies, financial institutions and universities to take on the challenges of GX and transform economic and social systems, with an eye to achieving carbon neutrality in 2050

■ Products: Targets for the Reduction of CO_2 Emissions Volume (from the FY2010 level) (Diagram 1)



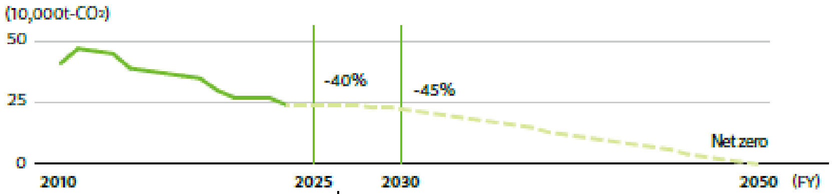
Note: Figures for FY2023 and earlier are actual results.

■ Roadmap for the Development of Environmentally Friendly Products and Solutions toward Net Zero Greenhouse Gas Emissions by 2050 (Diagram 2)



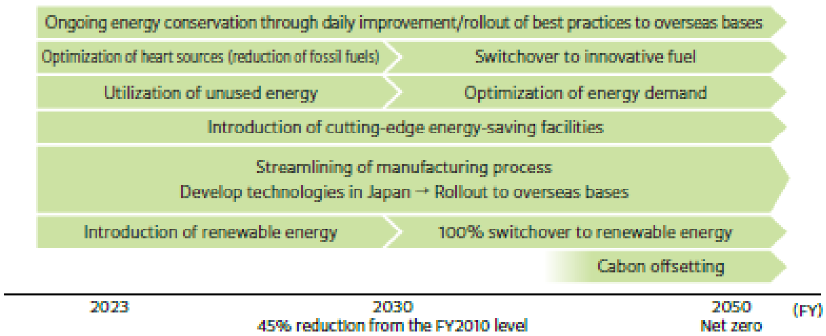
*2 CN fuel: Carbon neutral fuel (biofuel, e-fuel and other synthetic fuel)

■ Production Process: Targets for the Reduction of CO_2 Emission Volume (from the FY2010 level) (Diagram 3)



Note: Figures for FY2023 and earlier are actual results.

■ Roadmap for Carbon Neutrality in Production Process (Diagram 4)



- Response to TCFD recommendations -

In July 2020, we established an internal task force of division heads and key personnel from corporate and business divisions throughout the Group, and in October of the same year, we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Every year, we have been updating scenario analyses for 1.5°C and 4°C by an internal task force, and conducting assessments of the likelihood of climate change risks and financial impacts. Based on the TCFD Framework*, we disclose the risks and opportunities posed by climate change and our corresponding strategies, and strive to strengthen our promotion in line with these recommendations for the purpose of achieving sustainable business development.

Points strengthened from before

Scenario			Risks	Opportunities	Strategy	Targets
1.5 °C scenario: Mitigation	Transition to a decarbonized society	Products, services, and solutions	Changing behavior related to reinforcing decarbonization regulations and to investment financing	Establishment of competitive superiority through advance development of decarbonization technologies	• Expanded investment in research and development • Expansion of decarbonized products (such as electric construction machines) • Increasing the penetration of ICT construction machinery • Providing ICT and IoT solutions • Expansion of used equipment and parts remanufacturing businesses	2050 carbon neutrality
			Decline in demand for coal	Increasing demand for hard rock mining equipment	• Deployment of decarbonization technologies and new technologies • Expansion of the solutions business	
		Supply chain	Increasing external pressure and loss of reputation regarding the transition to decarbonization	Decarbonization tax shields	• Carrying out thorough energy-saving and CO_2 reduction activities • Active utilization of renewable energy	
4°C scenario: Adaptation	Rapid increase in disasters and abnormal weather	Products and services	Rapid increase in and intensification of natural disasters	Increase in demand for products and services that can contribute to disaster readiness and mitigation	• Providing optimal solutions to meet demand in disaster-affected areas • Conclusion of cooperation agreements for disaster management, contributing to rapid recoveries	Operating businesses that are resistant to disasters and abnormal weather
		Supply chain	Stop of production due to supply chain stops and logistics disruption	Taking rapid action to construct a stable production system	• Reinforcing risk measures at our company • Optimizing product inventories, and constructing global production and procurement that are resistant to disasters	

Carrying out strategies to achieve resilient business operations

TCFD Framework: Please refer to pages 67-69 in the Group's "Integrated Report 2024" for details on the initiatives of the TCFD recommendations.

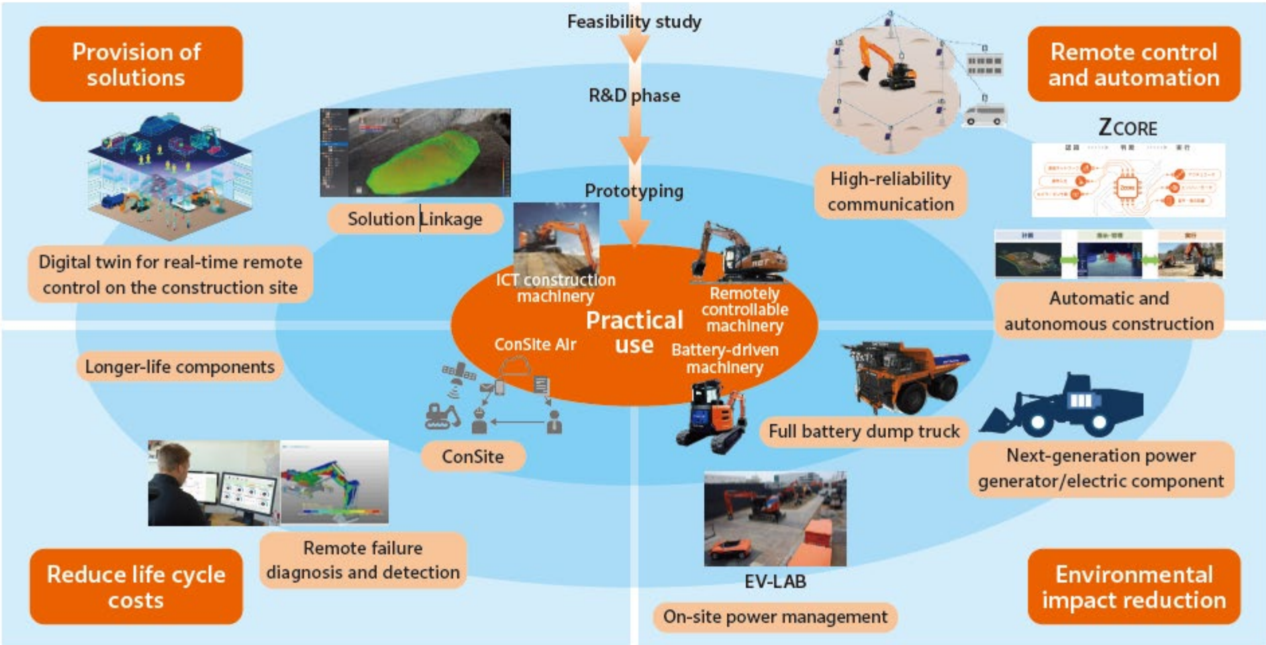
- Initiatives to realize a circular economy -

The Hitachi Construction Machinery Group is working to promote the use of zero-emission machines and to reduce the volume of waste emissions in diverse facets of our operations through its value chain businesses ranging from parts, services, remanufacturing, rental, and used machinery sales. To this end, the Group takes a Group-wide approach to the implementation of the "4Rs," namely, "Reduce, Reuse, Recycle and Renewable." We are expanding our value chain businesses with the aim of lengthening product life by 1.5 times, and are making a circular economy a practical part of our business by encouraging wider use of remanufactured parts and recycled materials. Such efforts help reduce the volume of waste emissions as well as the volume of resources needed, thus contributing to the reduction of CO_2 emissions.

(iii) Technology strategies

Hitachi Construction Machinery is conducting research on more than 250 technological themes, which we summarize in a technological strategy roadmap as our vision for 2035. The themes are roughly divided into the following four categories: provision of solutions, remote control and automation, environmental impact reduction, and life cycle cost reduction. We make examinations to decide on the development themes to be addressed internally and those to be addressed in cooperation with external parities, and then allocate the necessary financial and human resources to each of them.

■ Technological Strategy Conceptual Diagram for 2035



- Digital human resource development -

To respond to rapid technological innovation and execute corresponding management strategies, we are working on the development of digital human resources and the improvement of digital literacy. As part of these efforts, we first implemented the Self-Improvement Program to equip employees with the skills and mindset necessary to achieve their goals, which form the foundation for developing digital human resources. This program has been attended by over 6,800 participants from group companies worldwide.

In parallel, within Japan, we designated the period from FY2022 to the end of FY2023 as a phase for strengthening the development of digital human resources. During this period, we conducted training on digital literacy for more than 1,100 employees. From FY2024 onward, we have been conducting the training related to digital literacy to all employees by incorporating the training into our hierarchical programs. We have been also providing a program in which a team from business departments and DX departments work to cultivate digital promotion leaders through preparation of prototype based on operational issues since FY2021. Furthermore, starting in FY2024, in addition to these programs, we initiated a new program to foster project managers and data scientists, aiming to develop human resources with digital specialist skills required across all divisions. Some of our employees have successfully acquired the qualifications of project management professional (PMP®) and data scientist (Data Scientist Certification™ Literacy Level).

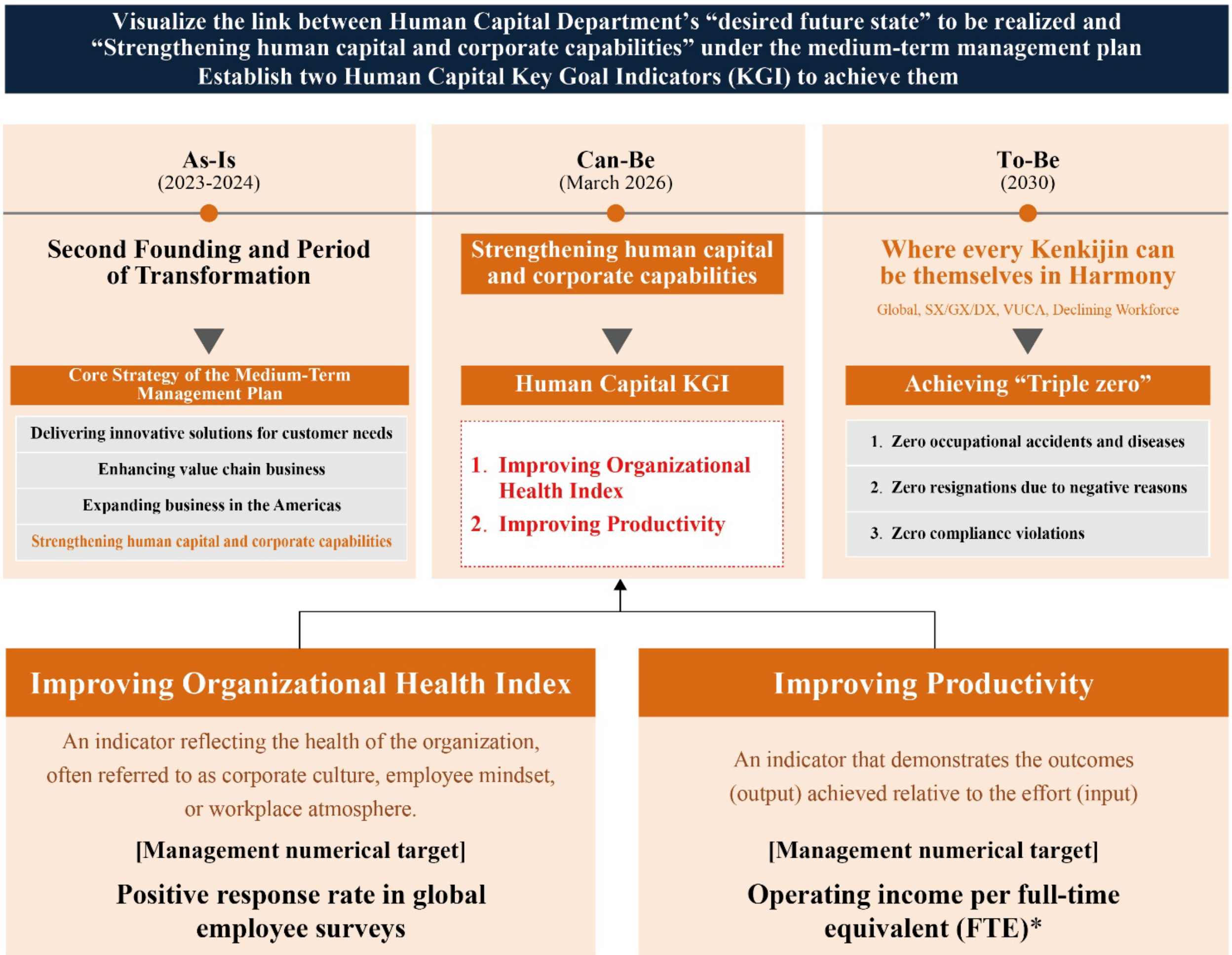
(iv) Human resources strategies

- Strategies for human capital -

In the medium-term management plan covering the period from FY2023 to FY2025, we are upholding “Strengthening human capital and corporate capabilities” as one of the core management strategies that we will implement in response to changes in our business environment. We have thereby made it clear that we are linking our human capital strategies more closely to our management strategies.

It was against this backdrop that we established two Human Capital Key Goal Indicators (KGI) as part of initiatives in FY2024, namely “Improving Organizational Health Index” and “Improving Productivity.” The indicators serve as quantitative targets to demonstrate that the implementation of various human capital initiatives links to management strategies and leads to improvement of corporate value in the medium to long term. We are strengthening and improving various human capital initiatives that would contribute to these KGIs.

To improve corporate value in the medium to long term, we aim to achieve the human capital KGIs and become how we want to be.

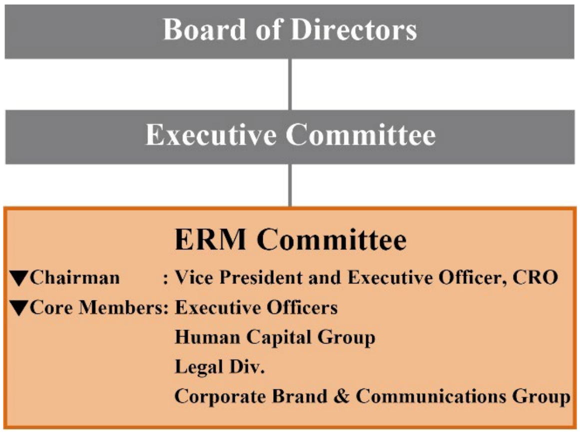


*Full-Time Equivalent (FTE): Theoretical number of employees obtained by dividing total annual working hours of all employees by annual scheduled working hours of a full-time employee

(5) Risk management

The external factors affecting business in society are changing on a daily basis. Such factors include advancements in information and communication technology, geopolitical threats, and fluctuating economic conditions. The Hitachi Construction Machinery Group regularly comprehends and assesses such changes to the business environment. We implement risk management based on social issues, our competitive advantage, and management resources, and reflect these risks in management strategies while controlling them. We do this from the standpoint of both risks to be prepared for and opportunities for further growth.

In April 2022, an Enterprise Risk Management (ERM) Committee was formed to handle company-wide risk management. Under the leadership of the Chief Risk Officer (CRO) and other management members, a system is in place to promptly take overall management and countermeasures when it comes to company-wide response policy based on business operations, risks requiring management decisions, and risks that could shake the very foundations of our global operations. In principle, ERM Committee meetings are held once every fiscal year, and extraordinary meetings are held in response to requests for unexpected company-wide risk responses, or at the request of the chairman, a committee, or a related department. Ethical and legal violations are discussed by the Compliance Management Committee, which raises awareness on preventing recurrence of such violations and implements measures to prevent such recurrence.



<Establishment of ERM Committee>

(6) Indicators and targets

The FY2030 targets for the materialities identified by the Hitachi Construction Machinery Group are as follows:

* We plan to disclose various results for FY2024 on the Company's website and in the Integrated Report, etc.

Materiality	Priority Measures	KPIs			FY2022 Results	FY2023 Results	FY2025 Targets	FY2030 Targets
Product and technology development contributing to climate change mitigation and adaptation	Accelerate the development of decarbonization technologies	CO_2 emissions reduction	Product use (Scope 3, Category 11)	CO_2 emissions reduction (absolute emissions): Compared to FY2010	-21.9%	-20.1%	-22%	-33%
	Make proactive use of renewable energy and systematically invest in high-efficiency facilities		Production (Scope 1 + 2)	CO_2 emissions reduction (absolute emissions): Compared to FY2010	-33.0%	-40.4%	-40%	-45%
Conversion to a recycling-oriented business model	Promote the parts reuse and recycling business in the trend toward a circular economy	Resource recycling	Value chain	Growth rate of reused parts (weight basis) via remanufacturing: Compared to FY2022	±0%	+7.4%	+40%	+150%
	Waste reduction		Waste	Waste recycling rate (in Japan)	93.7%	92.9%	94%	Aiming for 99.5% or higher
	Effective use of water resources		Water	Reduction of use (intensity): Compared to FY2010	-31.7%	-39.9%	-34%	Advance water reuse and minimize the regional impacts of water use
	Sell branded, well-maintained used equipment with a warranty	Promotion of a circular economy for coexistence in each region		Expansion of sales revenue in the used equipment business: Compared to FY2022	±0%	-3.3%	+8%	Availability of products that meet regional needs
				Growth rate for the quantity of used equipment sold with a warranty*1: Compared to FY2022	±0%	+24.7%	+5%	+10%
	Increase the operation rate of rental equipment by the effective use of data			Expansion of sales revenue in the rental business: Compared to FY2022	±0%	+10.3%	+30%	Availability of products that meet regional needs
				Rental equipment operation rate in Japan (total for three products*2): Compared to FY2022	±0%	-0.2%	+4%	+9%
Creating innovative solutions for challenges faced by customers supporting social infrastructure	Contribute to cooperative construction machinery, operation support systems and site safety	Improve safety	Functions to reduce accidents caused by Hitachi Construction Machinery products		Released assistance equipment designed to reduce collision damage (small-size road construction machines)	Developed a base machine for hydraulic excavators to provide solutions for remote control and automation toward the improvement of working environments and safety at construction sites	Achieve "cooperative control" between humans and machinery	Contribute to zero overturns and fatal accidents
	Accelerate the development of automated and remotely operated construction machinery	Improve productivity	Development and expansion of products and systems that contribute to higher productivity		Promoted the development of an engineless full-electric dump truck to carry out demonstration tests at the Kansanshi copper and gold mine in Zambia by the end of FY2023	Developed the RBT Series hydraulic excavators for remote operation (released in May 2024) and developed a new remote operation solution	Disclose information on efforts to develop and expand products and systems that contribute to higher productivity	Promote standardization for automated and labor-saving construction machinery
	Reduce life cycle costs of construction machinery by stabilizing their operation	Reduce life cycle costs	Monthly active users of ConSite Pocket*3		3,619 users	4,470 users	5,500 users	7,000 users
			Number of status changes*4 made for used equipment		1,356	2,391	3,000	4,200
			Engine oil change implementation rate by "ConSite OIL*5" condition monitoring		77%	72%	80%	90%
	Accelerate the development of products and solutions	R&D system	Ratio of R&D costs to sales revenue		1.9%	2.2%	3% or higher	3% or higher

Materiality	Priority Measures	KPIs		FY2022 Results	FY2023 Results	FY2025 Targets	FY2030 Targets
Strengthening global governance	Respect human rights in the value chain	Respect for human rights	Attendance rate for education on "Business and Human Rights"	94.6%	95.0%	100%	100%
	Promote global human resource management	Global leaders	Global leadership training attendance rate (global rate)	84% (cumulative total)	82% (cumulative total)	100% (cumulative total)	100% (cumulative total)
	Diversity, equity & inclusion (DE&I)	Diversity initiatives	Ratio of managers by gender (consolidated)	Female: 11.2% Male: 16.0%	Female: 10.8% Male: 15.8%	Female: 13% Male: 15%	Aim for gender parity
			Localization ratio of GM or higher in overseas group companies	72%	71%	75%	87%
	Global occupational safety and health management	Occupational hazards	Zero occupational hazards (compared to the previous FY)	145% (compared to FY2021, in Japan)	135% (compared to FY2022, in Japan)	Down 50% (compared to FY2024)	Aim for zero
	Fair and responsible procurement	Fair and responsible procurement	Implementation of a supply chain sustainability survey	84%	93%	95%	Increase the response rate to 100% by making it a regular survey
	Increase the transparency of management decision-making and the process leading to the results	Corporate governance	Outside directors, female directors, non-Japanese directors	Outside directors: 6 out of 10 Female directors, non-Japanese directors: 2	Achieved the targets for FY2025 by increasing the number of outside directors to 7 out of 10 (as of June 2023, and 6 out of 9 as of the end of March 2024) and that of female directors and non-Japanese directors to 3	Increase the number of independent outside directors to a majority on the Nominating, Compensation and Audit Committees. Appoint an independent outside director as the chairperson of each committee	Shift to a system suitable for strengthening the business and improving governance
	Corporate ethics and compliance	Eradicate corruption and bribery	Number of corruption- and bribery-related legal violations	0	0	0	0
		Corporate ethics and behavior	Thorough legal compliance in business activities	0 serious violations *Legal violations for which fines or administrative monetary penalties are imposed	0 serious violations	0 serious violations	0 serious violations

*1: Used equipment provided with a warranty, being certified as "PREMIUM USED" by Hitachi Construction Machinery (that is, certified as having met the inspection and maintenance criteria set by the Hitachi Construction Machinery Group and its authorized dealers)
*2: Hydraulic excavators, mini excavators and wheel loaders
*3: ConSite Pocket is a smartphone app that monitors the status of customer-owned machines for appropriate service support and downtime reduction and provides timely alerts regarding preventive maintenance.
*4: "Status change" means the transfer of the data of used equipment on the relevant system. It is conducted to enhance support for users of used equipment that has been transported from another region for operation in the user's region, thereby extending the product life of the equipment.
*5: By monitoring the oil status 24 hours a day, the sensor-equipped ConSite OIL system facilitates timely oil changes to prevent machine failures.

3. Business Risks

The Group operates in a wide range of business fields, including production, sales, and finance, and conducts business activities worldwide. As a result, the business activities of the Group are affected by a wide range of factors, including market conditions, exchange rates, and finance.

Major business risks that are anticipated to be incurred to the extent foreseeable as of March 31, 2025 are as follows.

	Item	Risks	Countermeasures
1	Market conditions	Under the Group's business activities, demand is heavily affected by public investment such as infrastructure development and private investment including the development of natural resources, real estate, etc. There is a risk that demand may decline significantly due to rapid economic fluctuations and various geopolitical changes in each region, and there is a risk that profits may deteriorate due to factors such as a decline in factory utilization, an excess or shortage of inventory levels, and a decline in selling prices caused by intensified competition.	To mitigate impact of demand trends and changing market conditions in each region (disasters, laws and regulations, and others) and various geopolitical changes, future outlook is obtained from each site every month, and arrangement of production is made in cooperation with production plants based on the latest plan. In stock control, the monthly number of basic stocks is set for each company, and production and supply control looking toward the future is conducted for adequate inventory volume to avoid opportunity loss and excess inventory. If any unexpected, abrupt change occurs, a special sales and production meeting is held, and a measure to promptly facilitate production arrangement is taken with approval of Executive Officer in charge of each operation.
2	Foreign currency exchange rate	Foreign currency exchange rate fluctuations affect sales in foreign currencies and procurement cost for raw materials. In addition, such fluctuations also affect the yen equivalent amounts in financial statements of overseas consolidated subsidiaries for consolidated accounts. Generally, if the yen gets stronger against foreign currencies, financial position and operating results are affected negatively.	To mitigate these foreign currency exchange risks, the Group conducts local production and enters into forward exchange contracts. Despite these activities, however, exchange rate fluctuations may adversely affect financial position and operating results.
3	Fluctuation in financial markets	The Group has interest-bearing debt, and an increase in market interest rates has the risk of increasing interest expense and reducing profits. As for pension assets, fluctuations in the fair value of marketable securities and interest rates could have an adverse impact on financial position and operating results.	To respond to these financial market fluctuations, the Group uses fixed-rate funding to mitigate the impact of interest rate fluctuation risk. In addition, for pension assets, the Group always monitors investment performance, aiming for safe and stable asset management.
4	Production, procurement and tariffs	Parts and materials account for a large proportion of the Group's product costs, and procurement is affected by fluctuations in the materials market. Higher prices for steel and other raw materials will lead to higher manufacturing costs. Shortages of parts and materials may also make it difficult to procure and produce parts and materials in a timely manner, resulting in lower production efficiency. In addition to the above, there may be increases in supply chain costs, such as tariffs in each country and ocean freight, and there is a risk that they will adversely affect earnings.	We respond to rising material costs, tariffs and logistics costs by reducing costs through VEC activities, and are also striving to reduce total costs by enhancing productivity through automation and utilization of digital technologies and production in optimal locations. In addition to this, we will respond to rising costs by striving to ensure appropriate sales prices in line with the increase in total cost of sales. Moreover, at the time of shortages of parts and materials, we will avoid impact on production by switching to substituting goods.
5	Credit management	Construction machinery, which is the main product of the Group, is engaged in sales finance, such as installment sales and finance leases. There is a risk that the deterioration of the customer's financial position may cause a loan loss, which may affect earnings.	We manage receivables by establishing a specialized department and thoroughly ensure credit management and management of receivables in arrears to avoid extreme concentration of receivables.

	Item	Risks	Countermeasures
6	Public laws and tax practices	The Group's business activities are affected by policy trends, a number of public regulations, tax laws, and other factors. Specifically, in the countries in which we operate, laws and regulations relating to intellectual property rights, consumers, the environment and recycling, labor conditions, taxes, etc. as well as business and investment licenses, import and export restrictions and regulations are applied. Strengthening or changing these regulations may have an impact on earnings due to increased costs and taxes paid.	The legal department researches each country's laws and regulations and effects on the Group's business and products in cooperation with each department for intellectual property, environment, etc. and each group company's legal department. The Group has in place the system where if any effect is detected, the information is provided to necessary departments to take measures.
7	Environmental regulations and climate changes	Construction machinery handled by the Group is subject to environmental regulations as it is required to deal with such social issues as climate change (reducing CO_2, etc.) and environmental impact (emissions, noise, etc.). In order to meet these requirements, it is necessary to invest in the development, and in organizing systems for service, sales, production and procurement. There is a risk that this will have a financial impact on management.	Recognizing that environmentally conscious business management is a challenge to be addressed by the Group proactively, the Group strives to equalize financial impact by formulating a medium- to long-term plan for securing up-front research and resources (securing human resources, introducing facilities, etc.) aimed at developing more advanced environmental technologies and by introducing TCFD risk assessment and management process.
8	Product liability	In the unlikely event of an unexpected defect in a product, the Group may face product liability or other obligations, and there is a risk of reducing profits.	The Group strives to maintain and improve quality and reliability in its businesses and products based on strict internal standards. In case of an accident, sufficient insurance has been taken to mitigate financial impact caused by expenses incurred and exposure to liability.
9	Alliances and collaborative relationships	In order to strengthen its international competitiveness, the Group works with distributors, suppliers, companies in same business area, and other companies to develop, produce, and sell and service products. If the expected effects of these alliances and cooperation cannot be obtained, or if the alliances and cooperation are terminated as a result of conflict, dispute, etc., there is a risk of impacting the Group's business results.	The Group has in place the system and standards to make decisions thoroughly after prior research and detailed checking of contract conditions, etc. in building a partnership or cooperative relationship. The Group has in place the system where if a problem or the need for dissolution, etc. arises in a partnership or cooperative relationship, the legal department and relevant departments cooperate to take measures to diminish effects on operating results as much as possible.
10	International trade regulations	Security trade control laws and ordinances as well as international regulations apply to domestic and overseas transactions. Changes in laws and ordinances and international regulations applicable to the products, technologies, customers, applications, etc., of the Group could result in the inability to continue transactions and could have an impact on the Group's business performance.	For domestic and overseas transactions, the Group carefully assesses laws and ordinances as well as international regulations applicable to the products, technologies, customers, applications, etc., of the Group. The Group has established a system for ensuring legal compliance and risk management by constantly collecting information on changes in laws, ordinances, and international regulations and communicating information to the Group.

	Item	Risks	Countermeasures
11	Information security	The Group is exposed to customer information and personal information in its business activities, and possesses confidential business and technical information. In the unlikely event of an accident, such as a leak of information, there is a risk that it will adversely affect reputation and credibility. In addition, the Group has established bases in many countries for development, production, sales, etc., and is developing its business globally through these bases and networks. There is a risk of damage, etc., from cyberattacks, which have been on the rise in recent years.	We have established a management system and rules for handling and confidentiality of such information, and have taken appropriate safety measures such as implementing reasonable technical measures to protect such information from unauthorized access, tampering, destruction, leakage, and loss. In addition, in order to improve resilience to cyberattacks, the Group has been promoting the robustness of servers and has put in place measures to segregate factory networks, as well as formulating a business continuity plan for information security (IT-BCP). Furthermore, concerning cyberattacks that could pose management risks, in July 2023, we established Hitachi Construction Machinery CSIRT (Cyber Security Incident Response Team), which reports directly to the Information Security Committee. This team is driving global and organizational responses to cyber risks.
12	Intellectual property	If a product or service offered by the Group violates a third party's intellectual property right (such as patent) there is a risk of the third party instituting legal action against the Group. In addition, if a third party's technical information is obtained or used illegally, there is a risk of the third party instituting legal action against the Group.	Under the policy of respecting intellectual property rights of third parties, the Group has set up a department specialized in intellectual property, monitors third parties' intellectual property rights, and take measures not to infringe intellectual property rights of third parties. Furthermore, the Group has in place the system where in obtaining and using technical information of third parties, prior examination and appropriate management after the acquisition are carried out thoroughly.
13	Natural and man-made disasters	The Group operates its business globally by establishing development, production, and sales bases in many countries. There is a risk of natural disasters such as earthquakes and floods, the outbreak of infectious diseases, wars, terrorism, accidents, and other criticism and hindrance by third parties occurring at these bases.	The Group has in place the system where if any possibility that procurement of materials and parts, production activities, and sales and service activities may be affected by a disaster, etc. is detected in advance, delay and interruption are minimized in cooperation with each group company and business partners. The Group constantly obtains the latest information and takes measures to ensure the safety of its employees as a top priority while taking steps to ensure the smooth continuation of the business activities of the Company in accordance with the policies and regulations of respective countries.

4. Management Analysis of Financial Condition, Results of Operations and Cash Flows

1. Summary of Results of Operations

(1) Business results

1) Revenue

Revenue for the fiscal year under review amounted to ¥1,371,285 million, a 2.5% decrease from the previous fiscal year.

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

Cost of sales for the fiscal year under review was ¥942,641 million, a 2.9% decrease from the previous fiscal year. The ratio of cost of sales to revenue decreased by 0.3 percentage points to 68.7%.

Selling, general and administrative expenses were ¥283,655 million, a 6.2% increase from the previous fiscal year.

3) Operating income

Operating income decreased by 4.9% from the previous fiscal year to ¥154,730 million. The ratio of operating income to revenue decreased by 0.3 percentage points to 11.3%.

4) Financial income and financial expenses

Financial income and expenses were a net loss of ¥23,801 million for the fiscal year under review, an increase in loss of ¥18,145 million from the net loss of ¥5,656 million recorded in the previous fiscal year. This was mainly because foreign exchange losses increased by ¥7,775 million, from ¥1,882 million in the previous fiscal year to ¥9,657 million in the fiscal year under review, and interest expenses increased by ¥3,804 million, from ¥15,045 million in the previous fiscal year to ¥18,849 million in the fiscal year under review.

5) Income before income taxes

Income before income taxes was ¥134,168 million, a 16.4% decrease from the previous fiscal year.

6) Income tax expense

Income tax expense for the current fiscal year amounted to ¥43,804 million, a 0.9% decrease from the previous fiscal year.

(2) Cash flows

Cash and cash equivalents at the end of the fiscal year totaled ¥147,136 million, an increase of ¥3,606 million from the beginning of the fiscal year. Statement and factors relating to each cash flow category are as follows:

(Net cash provided by (used in) operating activities)

Net cash provided by operating activities for the fiscal year based on ¥90,364 million in net income included ¥64,546 million in depreciation and a decrease of ¥35,679 million in trade receivables and contract assets, as well as ¥47,102 million in income tax paid.

As a result, net cash provided by operating activities for the fiscal year totaled to an inflow of ¥143,932 million, an increase inflow of ¥70,897 million year on year.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities for the fiscal year amounted to ¥52,833 million, an increase of ¥13,798 million year on year. This was mainly due to an outlay of ¥32,348 million for capital expenditures and ¥15,946 million in payments for transfer of business.

As a result, free cash flows, the sum of net cash provided by operating activities and net cash used in investing activities, amounted to an inflow of ¥91,099 million.

(Net cash provided by (used in) financing activities)

Net cash used in financing activities for the fiscal year amounted to ¥85,371 million, an increase of ¥76,454 million year on year. While there was an increase of ¥69,226 million in proceeds from bonds and long-term borrowings, this was mainly due to ¥81,941 million payments on bonds and long-term borrowings and a ¥35,262 million of dividends paid (including dividends paid to non-controlling interests).

(3) Production, orders received and sales

1) Production results

The production results for the fiscal year under review were as follows.

Segment name	Production output (Millions of yen)	Year-on-year comparison (%)
Construction Machinery Business	1,212,060	86
Specialized Parts and Service Business	–	–
Total	1,212,060	86

(Notes) 1. Amounts above are based on selling prices.

2. Businesses in the Specialized Parts and Service Business Segment primarily intend to provide development, production, distribution of parts and service solutions as part of the after-sales services for mining facilities and equipment. The information has been omitted as it does not fit with provision of production results by the nature of the businesses.

3. During the fiscal year under review, there were significant changes in production results. For details, please refer to "II. Business Overview, 4. Management Analysis of Financial Condition, Results of Operations and Cash Flows, 2. Analysis of Financial Condition, Results of Operations and Cash Flows, (2) Analysis of operating results for the fiscal year under review."

2) Orders received

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

3) Sales results

Sales results for the fiscal year under review were as follows.

Segment name	Sales (Millions of yen)	Year-on-year comparison (%)
Construction Machinery Business	1,243,914	97
Specialized Parts and Service Business	127,371	103
Total	1,371,285	98

(Note) There are no customers with sales exceeding 10% of the total sales.

2. Analysis of Financial Condition, Results of Operations and Cash Flows

(1) Significant accounting policies and estimates

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 judgment as of March 31, 2025.

This assumption has been judged to be based on the Management's best estimates as of March 31, 2025. However, if the actual progress of economic activities differs from the assumption, judgment of significant accounting estimates in and after the next fiscal year may be affected.

1) Inventories

Inventories of the 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 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 fall below their respective carrying amounts.

In addition, impairment losses on trade receivables are recorded based on future recoverable amounts calculated 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 benefits

The 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 and mortality rate, 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 benefits, retirement benefit costs, and remeasurements of retirement benefit obligations.

The viewpoint for the impact of the Russia-Ukraine conflict in making accounting estimates is as follows:

Impact of the Russia-Ukraine conflict

The consolidated statement of financial position as of March 31, 2025 includes components of the non-consolidated statement of financial position of LLC Hitachi Construction Machinery Eurasia (hereinafter referred to as “HCMR”), which is a consolidated subsidiary of the Company located in Russia.

Main items in HCMR’s non-consolidated statement of financial position include trade receivables from sales agents of ¥6,339 million and inventories of ¥5,074 million. Although an allowance for doubtful receivables on trade receivables has been recorded by estimating their lifetime expected credit losses, such estimate is based on an assumption that the most recent conditions will be maintained over the collection period, in light of the financial conditions of sales agents, circumstances of industries to which their clients belong, recent status of collections, and other factors. While inventories have also been evaluated upon taking into account future sales plans based on orders received.

This assumption has been judged to be based on the Management’s best estimates as of March 31, 2025. However, the impact of the Russia-Ukraine conflict on economic activities contains uncertainties. If the actual progress of economic activities and other developments differ from the estimates, accounting estimates in and after the next consolidated fiscal year may be affected, posing a risk of significant changes to the evaluations on allowance for doubtful receivables and inventories.

(2) Analysis of operating results for the fiscal year under review

Any forward-looking statements in this report are based on the judgment as of March 31, 2025.

Under the three-year medium-term management plan entitled “BUILDING THE FUTURE 2025,” which ends in the fiscal year ending March 31, 2026, we are committed to sustainable growth and improvement of corporate value under four management strategies: (1) Delivering innovative solutions for customer needs; (2) Enhancing value chain business; (3) Expanding business in the Americas; and (4) Strengthening human capital and corporate capabilities.

During the fiscal year under review (April 1, 2024 to March 31, 2025), revenue decreased compared to the same period of the previous fiscal year, primarily in North America and Europe, where demand for new hydraulic excavators declined due to the prolonged high interest rates. In the Americas, where we are focusing on our independent development, while the market share in the North American market based on retail sales to end customers increased year on year, revenue decreased due to factors such as a slowdown in the buildup of dealer inventory amid weak demand. However, despite weak new machinery demand, the parts and services business, which has been a focus area, continued to perform steadily, supported by robust maintenance demand. As a result, consolidated revenue for the fiscal year ended March 31, 2025, was ¥1,371,285 million (a decrease of 2.5% year on year), marking a decline in revenue.

As for consolidated income items, the continued reduction of production costs and increase in sales prices, as well as the impact of the weakening yen, supported income. On the other hand, factors such as a decline in sales volume due to deteriorating market conditions, increased expenses related to growth investments such as R&D and personnel expenses, and proactive sales promotion activities aimed at expanding market share in North America resulted in an adjusted operating income (a performance indicator, calculated by subtracting the sum of cost of sales and selling, general and administrative expenses from revenue) of ¥144,989 million (a decrease of 13.7% year on year).

Net income attributable to owners of the parent decreased to ¥81,428 million (a decrease of 12.7% year on year) due to factors such as foreign exchange losses and increased interest payments. On the other hand, operating cash flow and free cash flow increased year on year due to efforts to reduce accounts receivable and inventory.

As a note, from the fourth quarter of the fiscal year ended March 31, 2024, the non-core businesses in the Specialized Parts and Service Business segment are classified as discontinued operations in line with IFRS accounting standards. As a result, for the current and previous fiscal years, revenue, adjusted operating income, operating income, and income before income taxes are presented in amounts for continuing operations excluding discontinued operations, while net income and net income attributable to owners of the parent are presented as the sum of continuing operations and discontinued operations.

1) Construction Machinery Business

During the fiscal year under review (April 1, 2024 to March 31, 2025), revenue was ¥1,244,000 million (a decrease of 3.0% year on year) and adjusted operating income was ¥129,856 million (a decrease of 15.4% year on year), respectively.

In both the construction and mining businesses, the value chain business centered on parts and services performed well, but revenue and adjusted operating income declined, mainly due to the decrease in sales volume in North America and Europe as well as higher R&D expenses and personnel expenses, and an increase in sales promotion expenses in the North American market, which is a key focus area.

2) Specialized Parts and Service Business

This segment consists primarily of Bradken Pty Limited and its subsidiaries, which are engaged in the parts and service business for after-sales of mining facilities and machinery, and H-E Parts International LLC and its subsidiaries, which provide service solutions.

During the fiscal year under review (April 1, 2024 to March 31, 2025), revenue was ¥135,642 million (an increase of 4.4% year on year), and adjusted operating income was ¥15,133 million (an increase of 4.4% year on year), resulting in increased revenue and income, mainly due to the Impact of H-E Parts International LLC's acquisition of the business of Brake Supply Co., INC. in the United States in December 2024.

The above revenues of segment 1) and 2) are figures before intersegment adjustments.

The status of achievement and progress in the medium-term management plan for three years starting from April 2023, which was formulated to promote the establishment of corporate structure with high adaptability to changes and the reaping of fruit of the growth strategy, is as follows:

Indicators	Targets for the fiscal year ended March 31, 2025	Results for the fiscal year ended March 31, 2025	Year-on-year change
Profitability	Aim to achieve income ratio of operation income less other income and other expenses of over 13%	10.6%	Down 1.4% pts
Efficiency	Aim to achieve ROE of over 13%	10.4%	Down 2.7% pts
Net D/E ratio	Aim to achieve 0.4 or less	0.48	Down 0.09
Shareholder return	Aim to achieve consolidated dividend payout ratio of 30%-40%	45.7%	Up 11.5% pts

(Note) The assumed foreign exchange rates for the targets of the fiscal year ended March 31, 2025 are ¥141 for one US dollar, ¥152 for one Euro, ¥20.1 for one Chinese yuan, and ¥95 for one Australian dollar.

(3) Factors that have material effects on operating results

Please refer to 3. "Business Risks" for factors that have material effects on the operating results of the Group as well as effects of changes in political and economic environments in Japan and abroad and changes in demands.

(4) Analysis of financial condition

(Note) During the fiscal year under review, the Company finalized the provisional accounting treatment for business combinations. Figures presented for the previous fiscal year reflect the revision following the finalization of the provisional accounting treatment.

[Assets]

Current assets amounted to ¥1,000,755 million, a decrease of 7.1%, or ¥76,405 million, from the previous fiscal year-end. This was mainly due to decreases of ¥34,920 million in trade receivables and ¥21,136 million in inventories.

Non-current assets amounted to ¥790,251 million, an increase of 4.2%, or ¥31,739 million, from the previous fiscal year-end. This was mainly due to an increase of ¥20,422 million in property, plant and equipment.

As a result, total assets decreased by 2.4%, or ¥44,666 million, from the previous fiscal year-end to ¥1,791,006 million.

[Liabilities]

Current liabilities amounted to ¥613,256 million, a decrease of 15.8%, or ¥114,946 million, from the previous fiscal year-end. This was mainly due to a decrease of ¥69,609 million in bonds and borrowings and ¥28,618 million in trade and other payables.

Non-current liabilities amounted to ¥319,798 million, an increase of 9.1%, or ¥26,741 million, from the previous fiscal year-end. This was mainly due to an increase of ¥31,885 million in bonds and borrowings.

As a result, total liabilities decreased by 8.6%, or ¥88,205 million, from the previous fiscal year-end to ¥933,054 million.

[Equity]

Total equity increased by 5.3%, or ¥43,536 million, from the previous fiscal year-end to ¥857,952 million. This was mainly due to an accumulation of retained earnings.

(5) Details of analysis and examination of cash flows, and information related to capital resources and liquidity

1) Cash flows

Please refer to (2) “Cash flows” of 1. “Summary of Results of Operations,” for details of analysis and examination of cash flows.

2) Capital resources and liquidity

To implement growth investment, and improvement of financial soundness and shareholder return in an optimal balance, the Group strives to maintain an adequate level of liquidity while increasing capital efficiency, and diversify financing instruments.

In fundraising, the Group obtains loans from financial institutions and issues corporate bonds in consideration of the balance of long-term and short-term, and direct and indirect borrowings, and works to diversify financing instruments through liquidation of receivables and other means. In addition, the Group tries to secure an adequate level of liquidity by concluding commitment line agreements.

5. 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	Mini excavator	OEM purchase	From April 19, 1995 to May 16, 2005 and it is automatically renewed for next two years
Hitachi Construction Machinery Co., Ltd.	Bell Equipment Limited	South Africa	Articulated dump truck sugarcane forest trimmer	OEM purchase	Five years from September 5, 2000 and it is automatically renewed for next one year
Hitachi Construction Machinery Co., Ltd.	Deere & Company	The United States	Hydraulic excavators and associated parts	OEM supply	Five years from March 1, 2022, extendable upon request of the counterparty.
Hitachi Construction Machinery Co., Ltd.	Envirosuite Limited	Australia	Environmental monitoring systems at mining sites	Collaboration in the field of environmental monitoring	Two years from September 4, 2024 and it is automatically renewed for next one year

(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. Two years from September 1, 1993 and it is automatically renewed for next one year 2. From July 25, 1995 to December 1, 1995 and it is automatically renewed for next one year

(3) Contract concerning nomination right of Director candidates and restriction on transfer of shares

The Company has entered into a capital alliance agreement with HCJI Holdings, Ltd. (hereinafter referred to as "HCJI"), a shareholder of the Company. The agreement stipulates that 1) HCJI may propose a Director candidate of the Company to the Nominating Committee of the Company; and 2) HCJI shall, as a general rule, obtain prior consent of the Company when HCJI is to transfer or otherwise dispose of the shares of the Company within a period of five years since the acquisition of the shares of the Company. Contents and other matters concerning the contract are as follows:

a. Date of contract
January 14, 2022

b. Name and address of counterparty to the contract
HCJI Holdings, Ltd., 2-1-1, Marunouchi, Chiyoda-ku, Tokyo

c. Contents and purpose of the contract
The Company has entered into the contract for the purpose of enhancing a cooperative relationship between the parties, in order for the Company to achieve mid- to long-term business growth and improvement in corporate value in the global market.
The agreement stipulates that HCJI may propose a Director candidate of the Company to the Nominating Committee of the Company, and that the candidate shall be submitted for approval to an Annual Shareholder's Meeting of the Company as a Director candidate of the Company, based on the decision of the Nominating Committee.
The parties also agreed that HCJI shall own the Company's shares for a medium to long term, and shall not additionally acquire, transfer, or otherwise dispose of the Company's shares for a period of five years since the acquisition of the Company's shares, except when certain requirements are satisfied.

d. Status of consideration by the Board of Directors and other decision-making processes that led to the agreement by the Company
The basic policy of the Company's growth strategy is to contribute to resolving issues of customers faced at construction sites by developing the value chain business (including parts and services, rentals, and used equipment), in addition to the new machinery business with a focus on major construction machinery, such as hydraulic excavators, wheel loaders and dump trucks.
The Board of Directors of the Company had considered the possibility of building a partnership with a counterparty that can share this growth strategy of the Company.
As a result, the Board reached a conclusion that strengthening collaboration with Japan Industrial Partners, Inc. (hereinafter referred to as "Japan Industrial Partners") and ITOCHU Corporation (hereinafter referred to as "ITOCHU"), which are substantial investors in HCJI, would help achieve the Company's mid- to long-term business growth and improvement in corporate value, and accordingly entered into the capital alliance agreement with provisions mentioned in c. above with HCJI.

e. Impact of the contract on corporate governance of the Company (or reasons if the agreement is deemed to have no impact)

HCJI may propose a Director candidate of the Company to the Nominating Committee of the Company, however, the Director candidate nominated by HCJI will be submitted for approval to an Annual Shareholder's Meeting of the Company, only if he or she is deemed as qualified after deliberation by the Nominating Committee of the Company. In addition, more than half of members of the Board of Directors of the Company are Outside Directors, who are registered as independent directors with the Tokyo Stock Exchange, Inc., and are engaged in management oversight from an independent standpoint. Due to the above reasons, the impact on corporate governance is negligible.

(4) Contracts concerning restriction on transfer of shares

The Company has entered into contracts concerning (4) with each of Japan Industrial Partners and ITOCHU, which are substantial investors in HCJI, pursuant to the contract mentioned in (3) above.

a. Date of contracts

January 14, 2022

b. Names and address of counterparties to the contracts

Japan Industrial Partners, Inc., 2-1-1, Marunouchi, Chiyoda-ku, Tokyo
ITOCHU Corporation, 5-1, Kita-Aoyama 2-chome, Minato-ku, Tokyo

c. Contents and purpose of the contracts

To ensure effectiveness of the contract in (3) above, the Company has entered into a contract with each of Japan Industrial Partners and ITOCHU, who are substantial investors in HCJI. The contracts primarily stipulate that, as a general rule, Japan Industrial Partners and ITOCHU shall not transfer or otherwise dispose of HCJI's shares unless there is prior consent of the Company, and that they shall not acquire additional shares of the Company either directly or indirectly.

The status of consideration by the Board of Directors and other decision-making processes that led to the agreement by the Company are as mentioned in (3) d. above.

(5) Other contracts

Name of contracting party	Name of counterparty	Country	Nature of the contract	Contract period
Hitachi Construction Machinery Co., Ltd.	Hitachi, Ltd.	Japan	Transition service agreement	One year from August 23, 2024
Hitachi Construction Machinery Co., Ltd.	Hitachi, Ltd.	Japan	Licensing on the use of Hitachi brand	One year from August 23, 2024

6. Research and Development Activities

The Group actively promotes development of new technologies and products for the purpose of creating newly added value and improving quality and reliability. Mainly led by the Advanced Development Center of the Research & Development Group, the Research & Development, Production & Procurement and Corporate Quality Assurance Groups, and research and development staff of group companies pursue research and development activities in close cooperation. In addition, consignment research and collaborative research with Hitachi, Ltd. and universities in Japan and abroad are conducted to acquire a broad range of advanced technologies, and at the same time, the Group promotes development of human resources with expertise in advanced technologies through these research activities.

Research and development expenditures for the fiscal year under review totaled ¥37,510 million.

Research and development activities by segment are as follows:

(1) Construction Machinery Business

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 excavators and wheel loaders, etc., and products that are clean energy-friendly and energy conservation-friendly are being developed, with the keyword “Low-carbon.” We have been developing medium-sized hydraulic excavators, wheel loaders and road machinery that conform to Japan’s standards for exhaust emissions (the Off-road Act).

In July 2024, we began accepting orders in Japan for ZC220P-7, a tired roller compliant with the 2014 standards for exhaust emissions (the Off-road Act). This marks the first model change in seven years since the previous model. ZC220P-7 adopted material change to rust-free plastic sprinkler tanks, improved visibility of front and rear tires and enhanced maintainability. It also suppressed noise from the machine body, and was designated as “ultra low noise type construction machinery” by the Ministry of Land, Infrastructure, Transport and Tourism.

In the same month, we began selling ZX75US-7, an ultra-short-tail swing radius type hydraulic excavator compliant with the 2014 standards for exhaust emissions (the Off-road Act), for the Japanese market. This marks the first model change in ten years since the previous model. ZX75US-7 achieved improvement in basic performance compared to previous models, in terms of work output and digging capacity. With the employment of a newly designed operator’s cab, the model offers comfortable operating environment and reduces operator fatigue. Additionally, it applies the service solution “ConSite Air,” which allows for remote machine condition diagnosis and software updates and reduces downtime. ZX75US-7 comes standard with the ambient visibility device “AERIAL ANGLE,” that uses a monitor inside the cab to display a bird’s-eye image of the surrounding area, which contributes to improving safety at construction sites. The model is also the first small-sized excavator equipped with “ConSite OIL” as an option, that watches the oil condition while the machine is being operated, and contributes to stable operation and life extension of machine.

In August 2024, we began accepting orders in Japan for large-sized hydraulic excavators ZX670LC-7 and ZX870-7, compliant with the 2014 standards for exhaust emissions (the Off-road Act). Equipped with the latest hydraulic system “HIOS V,” both models achieved improvement in basic performance compared to the previous model, such as fuel efficiency and work volume, and coming standard with “ConSite Air” and “AERIAL ANGLE,” help to reduce downtime and improve safety at construction sites. Additionally, the models are equipped with “ConSite OIL” that contributes to stable operation and life extension of machine.

In September 2024, we began selling three models for battery-driven electric excavators, ZX55U-6EB, ZE85 and ZE135, as well as a mobile energy storage system, for the Japanese market. These models have no engines mounted on their machine bodies, and thus achieves zero exhaust emissions and excellence in quiet performance. The combined use of battery and cable-connected power supply also enables customers to select an optimum recharging method according to their construction sites or whether there are charging facilities nearby. ZX55U-6EB was certified under the “GX Construction Machinery Certification System” of the Ministry of Land, Infrastructure, Transport and Tourism in August 2024. The mobile energy storage system was jointly developed by the Company and Kyushu Electric Power. The system comes with a main unit, a sub unit and a quick charging unit, and these three units can be introduced in any combination to construction sites. This achieves expansion of electric capacity and a shorter charging time, allowing for charging of electric construction machines in a way fit for each site. Customers are expressing interest in introducing electric construction machines as a method to achieve zero emission on construction sites. Given this backdrop, we deliver not only electric construction machines but also their operating environment, such as energy storage systems.

In January 2025, we began accepting orders in Japan for two models of medium-sized wheel loaders, ZW140-7 and ZW160-7. Both models feature “Approach Speed Control,” which automatically limits travel speed during loading operations, achieving low fuel consumption and enhanced operability. Furthermore, both models are equipped with “AERIAL ANGLE” and the “Payload Checker,” a load weighing system that enables measurement of the weight of the load in the bucket, contributing to improving safety and productivity. In addition, technologies such as “ConSite Air” and an electric front control lever were adopted to these models.

In March 2025, we began accepting orders in Japan for KMC400P-7, a multi-boom-specification medium-sized hydraulic excavator developed by KTEG GmbH, an equity-method affiliate of the consolidated group of the Company. While the previous multi-boom-specification machines required manual replacement of a boom/arm, the new model allows an operator to remain in the cab and replace a boom/arm in a few minutes of operation, which contributes to improving safety in the replacement operation. The crawler width can be also widened or narrowed according to the workload or a boom/arm to be attached, enabling operations in a stable machine attitude. In addition, the model features three boom cylinders, which enhances the boom lift capacity, and with a function to tilt the cab upward at a maximum of a 30-degree angle, achieves improved productivity and comfortable operations.

The Company will promote collaboration through open innovation with various business partners. As a close and reliable partner, the Company will create and provide “Reliable Solutions,” which are solutions to resolve social challenges, in collaboration with customers, and work to generate environmental value and corporate value.

For the Construction Machinery Business, research and development expenditures for the fiscal year under review totaled ¥36,580 million.

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

ZC220P-7 Tired Roller

ZX75US-7 Ultra-Short-Tail Swing Radius Type Hydraulic Excavator

ZX670LC-7 and ZX870-7 Large-Sized Hydraulic Excavators

ZX55U-6EB, ZE85 and ZE135 Battery-Driven Electric Excavators

ZW140-7 and ZW160-7 Medium-Sized Wheel Loaders

KMC400P-7 Multi-Boom-Specification Medium-Sized Hydraulic Excavator

(2) Specialized Parts and Service Business

In the business for mining equipment, we develop competitive tips of bucket consumables and undercarriage products for mining excavators with exchangeability, wear life and safety in mind.

In addition, we also develop, for commercialization, highly efficient buckets reflecting characteristics of hydraulic excavators and customers’ excavation conditions to contribute to customers’ productivity.

In the business for fixed plants and mine processing, we optimize design of products using electronic thickness measurement devices, laser scanning technologies and discrete device modeling software, and carry out development to extend life of mill liner and surface wear and increase processing capacities. Furthermore, we also pursue research on offering of product solutions utilizing IoT.

For the Specialized Parts and Service Business, research and development expenditures for the fiscal year under review totaled ¥930 million.

III. Property, Plant and Equipment

1. Overview of Capital Investment

With respect to capital investment for the fiscal year under review, the Group made investments mainly in Construction Machinery Business Segment to streamline domestic and overseas hydraulic excavators manufacturing sites as well as to maintain the sales/service facilities of the Group.

Consequently, total capital investment for the fiscal year under review amounted to ¥128,391 million.

2. Major Property, Plant and Equipment

There are two reportable segments: the Construction Machinery Business Segment and the Specialized Parts and Service Business Segment.

The figures below do not include construction in progress.

(1) Construction Machinery Business

1) The Company

(As of March 31, 2025)

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)	Right-of-use assets	Others	Total	
Tsuchiura Works/Kasumigaura Works (Tsuchiura-city, Ibaraki and other) Note 1	Construction machinery manufacturing facility, etc. of hydraulic excavators, etc.	21,589	11,977	5,629 (4,963)	2,505	2,745	44,446	3,696
Hitachinaka Works (Hitachinaka-city, Ibaraki)	Manufacturing facility, etc. of components, etc. for hydraulic excavators	4,166	4,436	1,978 (66)	2,594	464	13,638	391
Hitachinaka-Rinko Works (Hitachinaka-city, Ibaraki and other)	Manufacturing facility, etc. of components, etc. for hydraulic excavators	9,172	3,794	9,043 (259)	20	438	22,467	585
Ryugasaki Works (Ryugasaki-city, Ibaraki)	Manufacturing facility, etc. of wheel loaders, etc.	7,312	2,906	2,204 (270)	–	284	12,706	463
Banshu Works (Kako-gun, Hyogo)	Manufacturing facility, etc. of wheel loaders, etc.	2,350	1,564	547 (130)	–	160	4,621	255
Headquarter (Taito-ku, Tokyo and other) Note 1	Facilities, etc. in the registered office of the Company	755	25	16,960 (607)	1,735	323	19,798	601

2) Domestic subsidiaries

(As of March 31, 2025)

Name of entity	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)	Right-of-use assets	Others	Total	
TadaKiko Co., Ltd.	Factory (Suzumi, Funabashi-city)	Manufacturing factory of parts	1,214	780	2,292 (45)	–	37	4,323	212
Hitachi Construction Machinery Tierra Co., Ltd.	Headquarter/ Factory Koka-city, Shiga	Manufacturing factory of mini excavators	7,324	4,137	938 (190)	384	699	13,482	801

3) Overseas subsidiaries

(As of March 31, 2025)

Name of entity	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)	Right-of-use assets	Others	Total	
P.T. Hitachi Construction Machinery Indonesia	Factory (Cibitung, Indonesia)	Assembly plant of construction machinery	4,761	1,707	0 (0)	1,708	1,459	9,635	1,001
Hitachi Construction Machinery (China) Co., Ltd.	Headquarter/Factory (Hefei, Anhui, China)	Assembly plant of construction machinery	1,327	1,471	0 (0)	564	184	3,546	2,040
Tata Hitachi Construction Machinery Company Private Limited	Factory (Kharagpur, India)	Assembly plant of construction machinery	5,713	5,172	0 (0)	797	63	11,745	929
LLC Hitachi Construction Machinery Eurasia	Factory (Tver, Russia)	Assembly plant of construction machinery	1,862	456	4 (400)	7	33	2,362	169

(Note) 1. Land of Tsuchiura Works is presented including the land of the product durability testing facilities of 4,277 thousand m^2 costing ¥522 million located in Urahoro, Tokachi district, Hokkaido. The land of the headquarter is presented including the land with an area of 526 thousand m^2 costing ¥15,938 million which is leased to Hitachi Construction Machinery Japan Co., Ltd. (for its headquarter, Kansai and Shikoku branch office and other bases).

(2) Specialized Parts and Service Business

There was no information on major property, plant and equipment to be disclosed for the fiscal year under review.

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

(1) Significant capital investment, etc.

Not applicable.

(2) Disposal, etc. 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

Type	Number of shares issued as of March 31, 2025 (Shares)	Number of shares issued as of June 24, 2025 (Filing Date) (Shares)	Stock exchange on which the Company is listed	Description
Common stock	215,115,038	215,115,038	Prime Market 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, etc.

1) Details of stock option plans

Not applicable.

2) Information on shareholder rights plans

Not applicable.

3) Other information on subscription rights to shares, etc.

Not applicable.

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

Not applicable.

(4) 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 legal capital surplus (Millions of yen)	Balance of legal capital surplus (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 common stock of ¥38,937 million and legal capital surplus of ¥38,937 million, 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 issued shares, common stock and legal capital surplus are presented since there were no changes in the last 5 fiscal years.

(5) Composition of shareholders

(As of March 31, 2025)

Category	Stock condition (Number of shares per 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	–	59	38	512	329	38	37,312	38,288	–
Share ownership (units)	–	465,122	65,874	1,180,043	246,242	151	191,708	2,149,140	201,038
Ownership percentage of shares (%)	–	21.642	3.065	54.907	11.457	0.007	8.920	100.0	–

(Notes) 1. Of treasury stock of 2,411,476 shares, 24,114 units are included in the total units held by "Individual and others" and 76 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.

(6) Major shareholders

(As of March 31, 2025)

Name	Address	Share ownership (Thousands of shares)	Ownership percentage to the total number of issued shares (excluding treasury stock) (%)
HCJI Holdings, Ltd.	2-1-1, Marunouchi, Chiyoda-ku, Tokyo	55,290	25.99
Hitachi, Ltd.	1-6-6 Marunouchi, Chiyoda-ku, Tokyo	54,062	25.42
The Master Trust Bank of Japan, Ltd. (Trust Account)	1-8-1 Akasaka, Minato-ku, Tokyo	30,271	14.23
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	12,122	5.70
Citrus Investment G.K.	5-1, Kita-Aoyama 2-chome, Minato-ku, Tokyo	5,464	2.57
JPMorgan Securities Japan Co., Ltd.	Tokyo Building, 2-7-3, Marunouchi, Chiyoda-ku, Tokyo	2,686	1.26
The Nomura Trust and Banking Co., Ltd. (Trust Account)	2-2-2, Otemachi, Chiyoda-ku, Tokyo	1,638	0.77
HSBC HONG KONG-TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Services Department)	1 QUEEN'S ROAD CENTRAL, HONG KONG (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	1,321	0.62
THE BANK OF NEW YORK MELLON 140042 (Standing Proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A. (Shinagawa Intercity Building A, 2-15-1 Konan, Minato-ku, Tokyo)	1,311	0.62
STATE STREET BANK WEST CLIENT-TREATY 505234 (Standing Proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (Shinagawa Intercity Building A, 2-15-1 Konan, Minato-ku, Tokyo)	1,241	0.58
Total	—	165,406	77.76

(Notes) 1. 2,411 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)	30,271 thousand shares
Custody Bank of Japan, Ltd. (Trust Account)	12,122 thousand shares
The Nomura Trust and Banking Co., Ltd. (Trust Account)	1,638 thousand shares

3. A report of possession of large volume below was provided for public inspection on December 6, 2023. However, the information in the report is not included in the above major shareholders since the Company cannot confirm the actual status of shareholdings as of the record date for exercise of voting rights.

   The content of the report is as follows:

Holders	Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other person
Date on which the duty to file report arose	November 30, 2023
Number of shares, etc. held	8,893,000 shares
Ownership ratio	4.13%

4. A report of possession of large volume below was provided for public inspection on March 21, 2025. However, the information in the report is not included in the above major shareholders since the Company cannot confirm the actual status of shareholdings as of the record date for exercise of voting rights.

   The content of the report is as follows:

Holders	Nomura Asset Management Co., Ltd. and two other persons
Date on which the duty to file report arose	March 14, 2025
Number of shares, etc. held	13,397,594 shares
Ownership ratio	6.23%

(7) Information on voting rights

1) Issued shares

(As of March 31, 2025)

Category	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 2,411,400	–	–
Shares with full voting rights (others)	Common stock 212,502,600	2,125,026	–
Shares less than one unit	Common stock 201,038	–	Shares less than one unit (100 shares)
Number of issued shares	215,115,038	–	–
Total number of voting rights	–	2,125,026	–

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

2. The "Shares less than one unit" includes 76 shares registered in the name of the Company.

2) Treasury stock, etc.

(As of March 31, 2025)

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.	2-16-1, Higashiueno, Taito-ku, Tokyo	2,411,400	–	2,411,400	1.12
Total	–	2,411,400	–	2,411,400	1.12

(8) Share ownership plan for Directors, Executive Officers, and employees

In accordance with the resolution at the Compensation Committee meeting held on March 31, 2023, the Company has introduced a restricted share-based compensation plan (the "Plan") for the Company's Executive Officers (the "Eligible Officers"). The purpose of the Plan is to provide the Eligible Officers with incentives for the medium- to long-term and sustainable enhancement of our corporate value and to promote further value-sharing with our shareholders.

1) Overview of the share ownership plan for Directors, Executive Officers, and employees

The Company grants restricted shares at a certain time every year as non-monetary compensation to Executive Officers of the Company (Executive Officers residing in Japan), for the purpose of providing incentives for them to continuously improve corporate value over the medium to long term, and to promote further value sharing with shareholders. The transfer restriction period of the granted shares shall be from the date of allotment until the retirement from their position as the Company's Executive Officer, etc., and the restrictions on the transfer shall be, in principle, lifted upon the expiry of the transfer restriction period, provided that a person eligible for the allotment has continued to serve in their role as the Company's Executive Officer, etc., from the beginning of the fiscal year in which the shares were granted until the end of the same fiscal year.

The Company provides monetary claims as compensation relating to restricted shares to the eligible Executive Officers, based on a resolution by the Company's Compensation Committee, taking into consideration the purpose of the plan, the Company's business conditions, the scope of the eligible Executive Officers' responsibilities, and other factors. The eligible Executive Officers will receive allotment of restricted shares by making contribution in kind the received monetary claims.

2) Class and total number of restricted shares to be issued or disposed of to the Eligible Officers

Under the Plan, the total number of common shares to be disposed of by the Company to the Eligible Officers during the period from the beginning to the end of the 62nd fiscal year is planned to be 33,801 shares.

During the period from the beginning to the end of the 61st fiscal year, the total number of common shares disposed of by the Company to the Eligible Officers under the Plan was 31,688 shares.

3) Scope of persons eligible to receive beneficiary rights and other rights under the Plan

Executive Officers (excluding non-residents of Japan)

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

Class of shares, etc.

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

(1) Acquisition of treasury stock resolved at the Shareholder's 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 Shareholder's Meeting or the Board of Directors meetings

Classification	Number of shares (Shares)	Total amount (Yen)
Treasury stock acquired during the fiscal year ended March 31, 2025	989	3,831,372
Treasury stock acquired during the period after the reporting period to the filing date of this annual securities report (Note)	40	163,368

(Note) The number of shares of treasury stock acquired during the period after the reporting period to the filing date of this annual securities report does not include the number of shares less than one unit of shares purchased during the period from June 1, 2025 to the filing date of this annual securities report.

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

Classification	Fiscal year ended March 31, 2025		Period after the reporting period to the filing date of this annual securities report	
	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, share issuance and company split				
Others (sale of shares less than one unit due to request for additional purchase of shares less than one unit) (Note)			86	372,810
Others (disposal of treasury stock through restricted share-based compensation)	31,688	39,823,261	33,801	42,513,884
Total number of shares of treasury stock held	2,411,476	–	2,377,629	–

(Note) The "Total number of shares of treasury stock held" for the period after the reporting period to the filing date of this annual securities report does not include the number of shares less than one unit of shares purchased or sold during the period from June 1, 2025 to the filing date of this annual securities report.

3. Dividend Policy

The Company will work to bolster its internal reserves while giving well-balanced consideration to the 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, in principle, pay dividends of surplus linked to its consolidated business results twice a fiscal year as interim and fiscal year-end dividends and aim to maximize shareholder returns based on a stable and continuous dividend payout ratio of 30% to 40% on a consolidated basis.

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

The Company provides in its Articles of Incorporation that the dividends 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 of surplus were decided for the fiscal year under review.

Date of resolution	Total amount of dividends (Millions of yen)	Dividend per share (Yen)
Resolution of the Board of Directors meeting held on October 25, 2024	13,826	65
Resolution of the Board of Directors meeting held on May 23, 2025	23,397	110

4. Corporate Governance, etc.

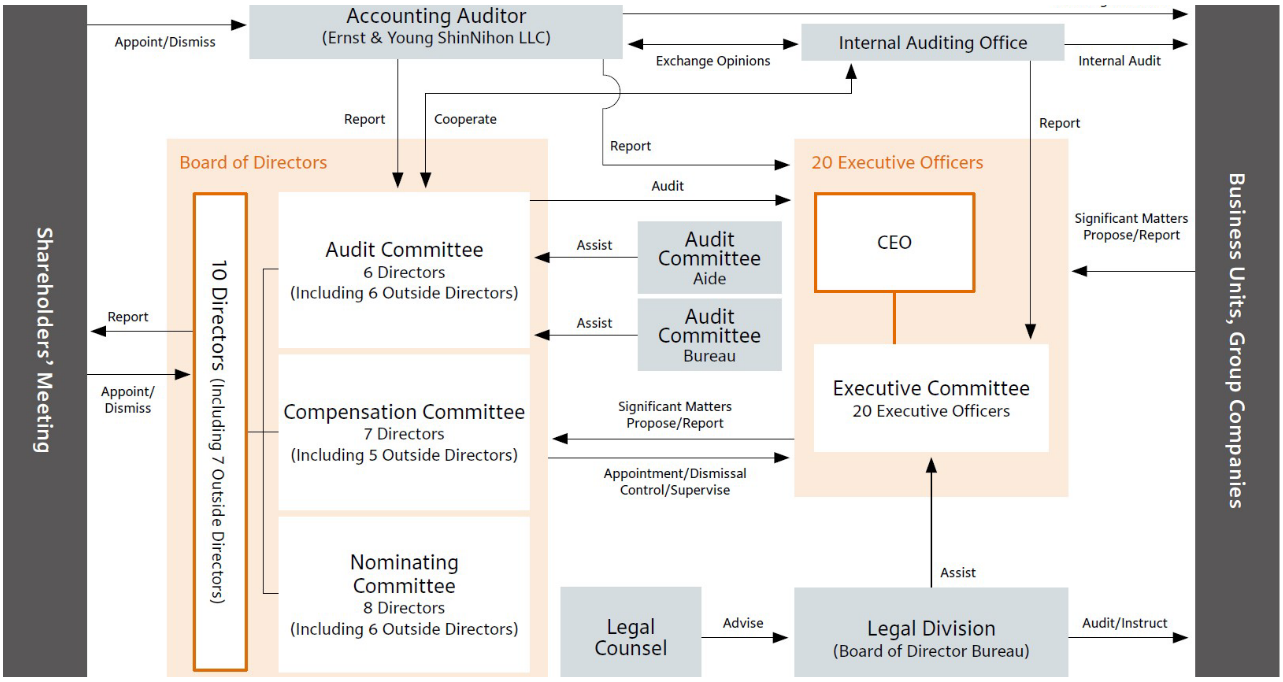
(1) Corporate governance

1) Basic concept on corporate governance

The Company recognizes sustainability as an important management issue. Further, the Company firmly recognizes that the purpose of corporate governance is not only to improve the Company's business performance but also to deepen the understanding that corporations are members of society while ensuring fair and transparent corporate activities, thereby increasing corporate value and further enhancing shareholder value.

To this end, the Company has established an executive structure that allows for robust and agile development of its management strategies. In addition, the Company has adopted an organizational structure of a company with nominating committee, etc. as stipulated in Article 2, Item 12 of the Companies Act, with the aim of strengthening corporate governance by separating management oversight functions from business execution functions to achieve fair and highly transparent management. In addition, the Company positions the Hitachi Construction Machinery Group's Code of Conduct as the basis for brand and sustainability promotion activities, and shares an understanding of the social responsibilities that companies should fulfill.

Corporate governance system (as of the filing date)



2) Overview of corporate governance system and reason for its adoption

Aiming to build a management execution system that facilitates the strong and swift execution of management strategy while realizing fair and highly transparent management, the Company is dedicated to strengthening the corporate governance system through separation of management oversight from business operations. Accordingly, the Company has adopted a corporate organizational system of a company with nominating committee, etc. as defined in Article 2, item 12 of the Companies Act to provide the means to thoroughly separate oversight from execution and work on realizing even swifter management decision-making and improving the effectiveness of management oversight.

The Company has the following corporate governance structure:

a. Board of Directors

As of the filing date of this annual securities report, the Board of Directors comprises ten persons in total: Executive Officer Kotaro Hirano, who is the chair, seven Outside Directors made up of Masaaki Ito, Toshiko Oka, Kazushige Okuhara, Kiyomi Kikuchi, Joseph P. Schmelzeis, Jr.,Takeshi Fujisawa, and Hidemi Moue, and two Directors concurrently serving as Executive Officers made up of Keiichiro Shiojima and Masafumi Senzaki.

The Board of Directors determines the basic management policy, and oversees business operations conducted by Executive Officers as its primary roles. Also, the decision-making authority on business matters based on such basic policy is significantly delegated to Executive Officers.

The majority of the Board of Directors of the Company are Outside Directors, and lively discussions are held at each meeting. The Board deliberates in a vigorous and open manner and its Outside Directors, who have professional knowledge, ample experience, and an international outlook, ask questions and provide advice from various perspectives regarding the execution of operations by Executive Officers.

In addition to statutory resolutions, the Board of Directors in FY2024 deliberated M&A projects, discussed the executive structure, and received reports on the status of activities and medium- to long-term plans in each business division in accordance with the Board of Directors Rules. The Company conducts an annual self-assessment of the effectiveness of the Board of Directors, and in FY2024, the Company commissioned a third-party organization to conduct a self-assessment questionnaire and interviews.

The number of Board of Directors meetings held and attended in FY2024 are as follows:

Category	Name	Number of meetings attended/Number of meetings held	Attendance rate
Outside Director	Masaaki Ito	10/10 (Note 1)	100%
Outside Director	Toshiko Oka	12/12	100%
Outside Director	Kazushige Okuhara	12/12	100%
Outside Director	Maoko Kikuchi	12/12	100%
Outside Director	Joseph P. Schmelzeis, Jr.	12/12	100%
Outside Director	Takatoshi Hayama	2/2 (Note 2)	100%
Outside Director	Takeshi Fujisawa	10/10 (Note 1)	100%
Outside Director	Hidemi Moue	12/12	100%
Director	Keiichiro Shiojima	12/12	100%
Director	Masafumi Senzaki	12/12	100%
Director	Kotaro Hirano	12/12	100%

(Note 1) The number of Board of Directors meetings held from April 2024 to March 2025 was 12, and the number of Board of Directors meetings held since the appointment of Outside Directors Masaaki Ito and Takeshi Fujisawa was 10.

(Note 2) The number of Board of Directors meetings held until the resignation of Outside Director Takatoshi Hayama who resigned at the conclusion of the Annual Shareholder’s Meeting of the Company held on June 24, 2024, was 2.

b. Nominating Committee

As of the filing date, the Nominating Committee comprises eight persons in total: Outside Director Kazushige Okuhara, who is the chair, five Outside Directors made up of Masaaki Ito, Toshiko Oka, Kiyomi Kikuchi, Joseph P. Schmelzeis, Jr. and Hidemi Moue, and two Directors concurrently serving as Executive Officers made up of Kotaro Hirano and Masafumi Senzaki.

The Nominating Committee determines proposals to be submitted to the shareholder’s meetings for the election and dismissal of the Directors and makes recommendations, etc. to the Board of Directors on the election of Representative Executive Officers as its primary roles.

In FY2024, the Nominating Committee reviewed and confirmed the details and selection reasons for each skill in the skill matrix established by the Company, as well as the skills possessed by each Director. Based on these deliberations, the committee determined proposals to be submitted to the shareholder’s meeting for the election and dismissal of the Directors.

In addition, the committee received reports from the CEO on plans (training and selection) for executives and the candidates Executive Officer, and supervised those plans. The committee also deliberated on the roles of the Nominating Committee and its involvement in succession planning of CEO and COO.

The number of the Nominating Committee meetings held and attended in FY2024 are as follows:

Category	Name	Number of meetings attended/Number of meetings held	Attendance rate
Outside Director	Masaaki Ito	4/4 (Note)	100%
Outside Director	Toshiko Oka	5/5	100%
Outside Director	Kazushige Okuhara	5/5	100%
Outside Director	Maoko Kikuchi	5/5	100%
Outside Director	Joseph P. Schmelzeis, Jr.	4/5	80%
Outside Director	Hidemi Moue	5/5	100%
Director	Kotaro Hirano	5/5	100%
Director	Masafumi Senzaki	5/5	100%

(Note) The number of Nominating Committee meetings held from April 2024 to March 2025 was five and the number of Nominating Committee meetings held since the appointment of Outside Director Masaaki Ito was four.

c. Audit Committee

As of the filing date, the Audit Committee comprises six persons in total: Outside Director Toshiko Oka, who is the chair, and five other Outside Directors made up of Masaaki Ito, Kazushige Okuhara, Kiyomi Kikuchi, Joseph P. Schmelzeis, Jr., and Takeshi Fujisawa. The Audit Committee audits the execution of duties by Directors and Executive Officers and determines proposals to be submitted to the shareholder's meeting for the election and dismissal, etc. of accounting auditors as its primary roles.

The activities of the Audit Committee for FY2024 and other information are described in "(3) Status of audit."

d. Compensation Committee

As of the filing date, the Compensation Committee comprises seven persons in total: Outside Director Kazushige Okuhara, who is the chair, four other Outside Directors made up of Masaaki Ito, Toshiko Oka, Joseph P. Schmelzeis, Jr. and Hidemi Moue, and two Directors concurrently serving as Executive Officers made up of Kotaro Hirano and Masafumi Senzaki.

The Compensation Committee determines compensation for individual Directors and Executive Officers as its primary roles.

In FY2024, utilizing surveys conducted by external research agencies, the Compensation Committee identified issues and matters to be reviewed regarding officer compensation, and deliberated on the basic policy for the determination of compensation of Directors and Executive Officers.

The number of the Compensation Committee meetings held and attended in FY2024 are as follows:

Category	Name	Number of meetings attended/Number of meetings held	Attendance rate
Outside Director	Masaaki Ito	4/4 (Note)	100%
Outside Director	Toshiko Oka	5/5	100%
Outside Director	Kazushige Okuhara	5/5	100%
Outside Director	Maoko Kikuchi	5/5	100%
Outside Director	Joseph P. Schmelzeis, Jr.	5/5	100%
Outside Director	Hidemi Moue	5/5	100%
Director	Kotaro Hirano	5/5	100%
Director	Masafumi Senzaki	5/5	100%

(Note) The number of Compensation Committee meetings held from April 2024 to March 2025 was five and the number of Compensation Committee meetings held since the appointment of Outside Director Masaaki Ito was four.

e. Executive Officer and Executive Committee

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 points of view in the Executive Committee consisting of Executive Officers. Decisions of the Executive Committee are reported to the Board of Directors.

The Company stipulates in its Articles of Incorporation that the Company shall have not more than 30 Executive Officers. As of the filing date, the Executive Committee comprises 20 persons in total: Chairman and Executive Officer Kotaro Hirano, who is the chair, President and Executive Officer Masafumi Senzaki, Executive Vice President and Executive Officer Yusuke Kajita, Senior Vice President and Executive Officers Itaru Nishizawa and Hidehiko Matsui, Vice President and Executive Officers Keiichiro Shiojima, Kazunori Nakamura, Yoshihiro Narukawa, Tetsuya Hamabe, Eiji Fukunishi, and Executive Officers Takeshi Arai, Kazuhiro Ichimura, Hiroshi Kanezawa, Makoto Sawada, Tooru Takatani, Seimei Toonishi, Hiroshi Hosokawa, Satoshi Yamanobe, Ray Kitic, and Sandeep Singh.

3) Internal control system and risk management system

Pursuant to provisions of laws and regulations, the Company, by resolutions of the Board of Directors, determines an overall system of internal controls of the Company and complies with such resolutions. The situation as of the filing date is as follows:

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 in the duties of the Audit Committee. Two personnel members, who work exclusively for the Bureau and are not subject to orders and instructions of Executive Officers, and one personnel member, who also serves for the Internal Auditing Office in the internal audit department, have been assigned to the Bureau from the perspective of BCP. In addition, the Company appoints one Assistant who assists in the duties of the Audit Committee. The internal audit department and legal / general affairs department also assist the Audit Committee in addition to the above.

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 effectiveness of instructions to such Directors and personnel from the Audit Committee

In order to ensure independence of the personnel who belong to the Audit Committee Bureau and Assistants from Executive Officers, the Audit Committee shall be informed in advance of planned transfers of such personnel and Assistants, 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 on account of reporting

• Executive Officers shall report to the Audit Committee matters related to the Company and its subsidiaries that were brought up to or reported to the Executive 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 through the Compliance Reporting System available for employees of the Company and its subsidiaries. Also, the Company stipulates in its regulations that a whistleblower shall not be treated disadvantageously 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 Members designated by resolution of the Audit Committee or Assistants.

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 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 regarding the status of the execution of their duties, and review approval documents, etc. on significant matters.

• The Audit Committee Members observe operations and inspect the assets of the Company's headquarters, major offices and subsidiaries, and make inquiries as necessary.

• In order to ensure the effectiveness of the accounting audits by accounting auditors, the Audit Committee receives the audit plans and audit priority items of the accounting auditors in advance, and receives the results along with the accounting audit results. Also, in order to endure independence of the accounting auditors, compensation for accounting auditors and non-guaranteed services requested from accounting auditors shall require the prior consent of the Audit Committee.

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

Information pertaining to the decisions and the execution of duties of the Executive Officers are stored and maintained in accordance with the company 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, conduct training, and prepare and distribute manuals, etc. with respect to risks such as health and safety, compliance, information security, quality assurance, export control, environment, and disaster. Subsidiaries of the Company shall also establish the same system depending on the size, etc. of the respective subsidiaries.
- Efforts shall be made to identify possible new risks through periodic reports, etc. from Executive Officers on the status of business operations of the Company and its subsidiaries. Should it become necessary to take measures for a new risk, the President and 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 important matters that may affect the Company or the Group, Executive Committee regulations, etc. require such matters to be deliberated from various points of view by the Executive Committee and at policy meetings, etc. 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 management of intellectual property such as patents, in order to operate properly and efficiently as the 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

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

- Internal audits by the Internal Auditing 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" that enables employees of the Company and its subsidiaries to internally report any illegal activities, etc. to the relevant departments of the Company. Further, the compliance department, which is in charge of this system, carries out necessary investigations, etc., replies to the whistleblower, and also ensures that the whistleblower is not treated disadvantageously.
- 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 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, etc. that should be formulated as common across the Group are informed to the subsidiaries, and subsidiaries shall establish their own rules that are in conformity with such policies and regulations, etc.

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

- Any significant operational matters regarding a subsidiary shall be deliberated by the Executive Committee of the Company.
- In the medium-term management plan and budget system, performance targets and measures, etc. 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 operations of the corporate group consisting of the Company and subsidiaries

- The Company positions the Hitachi Construction Machinery Group's Code of Conduct as the basis for brand and sustainability promotion activities, and shares an understanding of the social responsibilities that companies should fulfill.
- The Company shall inform its subsidiaries of the Hitachi Construction Machinery Group's Code of Conduct and the policies, rules, etc. based on it, and work to maintain them.
- The Company and its subsidiaries have a policy to conduct transactions within the Hitachi Construction Machinery Group fairly based on market prices.

4) Agreements to limit liability

The Company enters into an agreement with each Director (excluding those who are Executive Directors, etc.) to limit his or her liability as provided in Article 423, paragraph (1) of the Companies Act. The overview of the agreement is as follows:

a. In the event of liability for damages to the Company caused by failure to perform duties as a Director (excluding those who are Executive Directors, etc.), the aggregate amount shall be limited to the amount stipulated in each item under Article 425, paragraph (1) of the Companies Act.

b. The aforementioned 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.

5) Directors and officers liability insurance policy

To ensure that Directors and Executive Officers are fully able to execute their expected duties and to attract highly qualified individuals, the Company has entered into a directors and officers liability insurance ("D&O insurance") policy as provided for in Article 430-3 of the Companies Act that includes Directors and Executive Officers as insured persons. The insurance premiums, including those for special clauses, are fully borne by the Company, and there are no insurance premiums actually borne by the insureds. This insurance policy covers losses that may arise from the insured's assumption of liability incurred in the course of the performance of duties as a Director or an Executive Officer, or receipt of claims pertaining to the pursuit of such liability. However, there are certain reasons for coverage exclusion, such as performance of an illegal act with full knowledge of its illegality, where the losses will not be covered.

6) Number of Directors

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

7) 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 shareholder's meeting," and that "the resolution shall not be made by cumulative voting."

In addition, except as otherwise provided by laws and regulations or in the Articles of Incorporation of the Company, 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."

8) Matters to be resolved by the Board of Directors without resolution at the shareholder's 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, decide each item provided in Article 459, paragraph (1) of the Companies Act without resolution at the shareholder's meeting," in order to enable timely implementation of capital strategies.

9) Requirements for special resolution of the shareholder's meeting

With the objective of facilitating the smooth conduct of a general shareholder's meeting by easing the quorum for a special resolution at the shareholder's 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 shareholder's 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 at such meeting and are entitled to vote."

(2) Directors and Executive Officers

1) Lists of Directors and Executive Officers

The Company has adopted the system of a company with a nominating committee, etc.

Directors and Executive Officers include 25 males and 2 females. (The ratio of female Directors and Executive Officers is 7.4% of the total.)

a. Directors

Position and responsibility	Name	Date of birth	Business experience		Term of office	Share ownership (Thousands of shares)
Outside Director Nominating Committee Member Audit Committee Member Compensation Committee Member	Masaaki Ito	June 23, 1957	4/1980 4/2010 6/2012 4/2013 6/2013 4/2014 6/2014 1/2015 1/2021 6/2024	Joined Kuraray Co., Ltd. General Manager, Methacrylate Division, Chemicals Company Executive Officer Vice President, Functional Materials Company Managing Executive Officer Officer Responsible for Corporate Management Planning Division and CSR Division Director Representative Director and President Chairman and Director (to present) Outside Director, the Company (to present)	(Note 1)	0
Outside Director Nominating Committee Member Audit Committee (Chair) Compensation Committee Member	Toshiko Oka	March 7, 1964	4/1986 7/2000 4/2005 4/2016 6/2016 6/2018 6/2019 6/2020 4/2021 6/2021 3/2024	Joined Tohmatsu Touche Ross Consulting Limited Joined Asahi Arthur Anderson Limited President and Representative Director, ABeam M&A Consulting Ltd. Partner, PwC Advisory LLC Outside Director, Hitachi Metals, Ltd. (currently Proterial, Ltd.) Outside Director, Sony Group Corporation Outside Director, Happinet CORPORATION (to present) Outside Director, ENEOS Holdings, Inc. (to present) Professor, Graduate School of Global Business, Meiji University (to present) Outside Director, the Company (to present) Outside Director, Earth Corporation (to present)	(Note 1)	0

Position and responsibility	Name	Date of birth	Business experience		Term of office	Share ownership (Thousands of shares)
Outside Director Nominating Committee (Chair) Audit Committee Member Compensation Committee (Chair)	Kazushige Okuhara	January 27,1948	4/1970 10/1999 6/2001 6/2003 4/2005 6/2006 6/2006 6/2010 6/2011 6/2016	Joined Fuji Heavy Industries Ltd. Senior Managing Director, TOKYO SUBARU Inc. Corporate Vice President, Senior General Manager, Japan Region, Subaru Sales & Marketing Div., Chief General Manager, Subaru Parts & Accessories Div. and General Manager, Customer Service Center, Fuji Heavy Industries Ltd. Corporate Senior Vice President, Chief General Manager, Subaru Japan Sales & Marketing Div. and Chief General Manager, Subaru Marketing Div. Corporate Senior Vice President and General Manager, Human Resources Dept. Director, Corporate Executive Vice President and General Manager, Human Resources Dept. President and Chairman, the Business Reforms Promotion Committee, Subaru System Service Co., Ltd. Representative Director of the Board and Deputy President, Fuji Heavy Industries Ltd. Representative Director of the Board and President, Subaru Kosan Co., Ltd. Outside Director, the Company (to present)	(Note 1)	9
Outside Director Nominating Committee Member Audit Committee Member	Kiyomi Kikuchi	February 2, 1963	4/1986 4/1999 5/2003 9/2004 9/2006 4/2008 3/2016 6/2019 6/2025	Joined The Dai-Ichi Kangyo Bank, Ltd. (currently Mizuho Bank, Ltd.) (until 12/1990) Registered as a lawyer, joined Asahi Law Offices Admitted to the bar of the State of New York Joined Taiyo Law Office (currently Paul Hastings LLP/Gaikokuho Kyodo Jigyo) Joined JPMorgan Securities Japan Co., Ltd. Joined TMI Associates (to present) External Auditor of Nissay Asset Management Corporation (to present) Outside Director of Mitsubishi Chemical Holdings Corporation (to present) Outside Director, the Company (to present)	(Note 1)	–

Position and responsibility	Name	Date of birth	Business experience		Term of office	Share ownership (Thousands of shares)
Outside Director Nominating Committee Member Audit Committee Member Compensation Committee Member	Joseph P. Schmelzeis, Jr.	November 2, 1962	7/1984 7/1988 4/1998 12/1999 11/2001 6/2011 6/2015 2/2018 3/2021 6/2022 6/2023 6/2023	Joined Bain & Company Vice President, American Express International Chief Operating Officer, Fontworks International Interim CEO, Crimson Ventures Representative Director, JPS International, Inc. (to present) Corporate Director and Division Manager, SEGA CORPORATION Senior Advisor, SEGA SAMMY HOLDINGS INC. Senior Advisor to the Ambassador, U.S. Embassy in Tokyo Executive Manager, Cedarfield Godo Kaisha (to present) Outside Director, DENSO CORPORATION (to present) Outside Director, Central Japan Railway Company (to present) Outside Director, the Company (to present)	(Note 1)	0
Outside Director Audit Committee Member	Takeshi Fujisawa	August 13, 1966	4/1989 4/2015 4/2019 4/2020 4/2022 4/2024 6/2024	Joined Hitachi, Ltd. General Manager, Government & Public Solutions Dept. III, Government & Public Corporation Information Systems Division, Information & Communications Systems Company General Manager, Enterprise Solutions Dept., Industrial & Distribution Business Unit General Manager, Digital Solution Business Dept., Industrial & Distribution Business Unit General Manager, Digital Solution Business Dept., Industrial Digital Business Unit COO, Social Infrastructure Systems Business Unit (to present) Outside Director, the Company (to present)	(Note 1)	–

Position and responsibility	Name	Date of birth	Business experience		Term of office	Share ownership (Thousands of shares)
Outside Director Nominating Committee Member Compensation Committee Member	Hidemi Moue	October 1, 1955	4/1979 6/1996 2/1998 10/2000 11/2002 6/2010 6/2022 8/2022 1/2023 12/2023	Joined The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.) General Manager, Capital Markets Group 2, IBJ Securities Co., Ltd. (currently Mizuho Securities Co., Ltd.) General Manager, Business Development, Capital Markets Group General Manager, Corporate Finance Dept., Capital Markets Group President and CEO, Japan Industrial Partners, Inc. (to present) Auditor, Mobile Internet Capital, Inc. (to present) Outside Director, the Company (to present) Representative Director and President, HCJI Holdings, Ltd. (to present) Director, Proterial, Ltd. (to present) Director, TOSHIBA CORPORATION (to present)	(Note 1)	–
Director	Keiichiro Shiojima	November 24, 1965	4/1988 4/2011 4/2014 4/2016 4/2019 4/2020 6/2021 4/2022	Joined the Company General Manager, Credit Management Department, Finance Div. Director, Hitachi Construction Machinery Asia and Pacific Pte. Ltd. General Manager, Finance Dept., Finance Div., Corporate Management Group, the Company Deputy General Manager, Finance Div., Corporate Management Group Executive Officer and General Manager, Financial Strategy Group (to present) Director (to present) Vice President and Executive Officer (to present)	(Note 1)	8
Director Nominating Committee Member Compensation Committee Member	Masafumi Senzaki	July 16, 1965	4/1991 4/2017 4/2018 4/2021 4/2022 4/2023 6/2023	Joined the Company General Manager, Russia and CIS Business Div., the Company Director and President, LLC Hitachi Construction Machinery Eurasia Manufacturing (currently LLC Hitachi Construction Machinery Eurasia) Executive Officer, the Company General Manager, Marketing Div. Vice President and Executive Officer General Manager, Corporate Strategy Group and General Manager, Operations Management Group Senior Vice President and Executive Officer, General Manager, Corporate Strategy Group Representative Executive Officer (to present), President and Executive Officer (to present) Director (to present)	(Note 1)	15

Position and responsibility	Name	Date of birth	Business experience		Term of office	Share ownership (Thousands of shares)
Director Nominating Committee Member Compensation Committee Member	Kotaro Hirano	June 4, 1958	4/1981 4/2013 4/2014 4/2016 4/2017 6/2017 4/2023	Joined the Company Deputy General Manager, Production & Procurement Div. Executive Officer Vice President and Executive Officer Representative Executive Officer (to present), President and Executive Officer Director (to present) Chairman and Executive Officer (to present)	(Note 1)	29
Total						61

(Notes) 1. The term of Directors is from the conclusion of the Annual Shareholder's Meeting for the fiscal year ended March 31, 2025 to the conclusion of the Annual Shareholder's Meeting for the fiscal year ending March 31, 2026.

2. Masaaki Ito, Toshiko Oka, Kazushige Okuhara, Kiyomi Kikuchi, Joseph P. Schmelzeis, Jr., Takeshi Fujisawa, and Hidemi Moue are Outside Directors.

b. Executive Officers

Position and responsibility	Name	Date of birth	Business experience		Term of office	Share ownership (Thousands of shares)
Representative Executive Officer Chairman and Executive Officer CEO	Kotaro Hirano	June 4, 1958	See a.		(Note)	29
Representative Executive Officer President and Executive Officer COO	Masafumi Senzaki	July 16, 1965	See a.		(Note)	15
Representative Executive Officer Executive Vice President and Executive Officer President, Construction Business Unit Officer responsible for Corporate Export Regulation	Yusuke Kajita	October 7, 1961	4/1987 4/2013 4/2016 4/2017 4/2018 4/2021 4/2022 4/2023 4/2024 5/2025	Joined the Company General Manager, Application, New Product & Construction Equipment Div. Deputy General Manager, China Business Div. President and Director, Hitachi Construction Machinery (China) Co., Ltd. Executive Officer, the Company General Manager, China Business Div. Vice President and Executive Officer General Manager, Research & Development Group President, Construction Business Unit (to present) Senior Vice President and Executive Officer Representative Executive Officer (to present) Officer responsible for Corporate Export Regulation (to present) Executive Vice President and Executive Officer (to present)	(Note)	14
Senior Vice President and Executive Officer CTO General Manager, Research & Development Group	Itaru Nishizawa	July 2, 1967	4/1996 4/2016 4/2017 4/2020 4/2022 4/2023 4/2025	Joined Hitachi, Ltd. Project Manager, Global Center for Social Innovation-Tokyo, Research & Development Group General Manager, Digital Technology Innovation Center, Center for Technology Innovation, Research & Development Group Deputy General Manager, Center for Technology Innovation, and General Manager, Central Research Laboratory, Research & Development Group General Manager, Center for Digital Services, Research & Development Group Vice President and Executive Officer, CTO, General Manager of the Research & Development Group Joined the Company Senior Vice President and Executive Officer (to present) General Manager, Research & Development Group (to present)	(Note)	2

Position and responsibility	Name	Date of birth	Business experience		Term of office	Share ownership (Thousands of shares)
Senior Vice President and Executive Officer General Manager, America Business Div.	Hidehiko Matsui	April 19, 1961	4/1986 4/2016 4/2018 4/2019 4/2020 4/2021 4/2022 4/2023 4/2024 4/2025	Joined the Company Deputy General Manager, Marketing Div., Marketing Group General Manager, Asia Business Div., Marketing Div., Marketing Group Chairman and President and Director, Hitachi Construction Machinery Asia and Pacific Pte. Ltd. Executive Officer, the Company General Manager, Asia Business Div. General Manager, Marketing Div. President, Rental & Used Machine Business Unit, President, Global Marketing Group Vice President and Executive Officer General Manager, China Business Div. Senior Vice President and Executive Officer (to present) General Manager, America Business Div. (to present) Chairman & CEO, Hitachi Construction Machinery Americas Inc. (to present)	(Note)	8
Vice President and Executive Officer CFO General Manager, Finance Div.	Keiichiro Shiojima	November 24, 1965	See a.		(Note)	8
Vice President and Executive Officer General Manager, Power & Information Control Platform Business Unit	Kazunori Nakamura	February 19, 1963	4/1987 4/2016 4/2018 4/2019 4/2022 4/2023	Joined the Company General Manager, Application, New Product & Construction Equipment Div., Development & Production Group President and Director, Hitachi Construction Machinery Tierra Co., Ltd. Executive Officer, the Company Vice President and Executive Officer (to present) General Manager, Research & Development Group, General Manager, Development Strategy Office and General Manager, Power & Information Control Platform Div. General Manager, Power & Information Control Platform Business Unit General Manager, Research & Development Group (to present) General Manager, Research & Development Group	(Note)	10
Vice President and Executive Officer Officer responsible for "MONOZUKURI" (manufacturing) General Manager, Production & Procurement Group	Yoshihiro Narukawa	February 23, 1967	4/1990 7/2020 4/2022 4/2024	Joined the Company General Manager, Production & Procurement Div. Executive Officer Deputy General Manager, Production & Procurement Div. Vice President and Executive Officer (to present) Officer responsible for "MONOZUKURI" (manufacturing) (to present) and General Manager, Production & Procurement Group (to present)	(Note)	4

Position and responsibility	Name	Date of birth	Business experience		Term of office	Share ownership (Thousands of shares)
Vice President and Executive Officer CRO	Tetsuya Hamabe	January 22, 1964	4/1987 6/2018 6/2021 1/2022 4/2022 4/2023 4/2025	Joined the Ministry of International Trade and Industry Senior Managing Director, Japan Finance Corporation Deputy Director-General for Strategy and Public Relations for Small and Medium Enterprise Policy, Commissioner's Secretariat, Small and Medium Enterprise Agency Joined the Company Deputy General Manager, Corporate Strategy Group Executive Officer General Manager, Corporate Strategy Group Vice President and Executive Officer (to present)	(Note)	4
Vice President and Executive Officer President, Mining Business Unit	Eiji Fukunishi	December 21, 1961	10/1982 4/2016 4/2017 4/2021 4/2022 4/2023 4/2024	Joined the Company General Manager, Sales Promotion Dept., Customer Support Div., Life Cycle Support Operations Div., Marketing Group Director and CEO, PT Hexindo Adiperkasa Tbk Executive Officer, the Company General Manager, Life Cycle Support Operations Div. President, Spare Parts & Service Business Unit Vice President and Executive Officer (to present) President, Mining Business Unit (to present)	(Note)	4
Executive Officer CSO General Manager, Corporate Strategy Group	Takeshi Arai	March 23, 1968	4/1990 4/2014 4/2019 4/2020 4/2024 4/2025	Joined the Company General Manager, Group Company Finance Management Center, Accounting Dept., Finance Div. General Manager, Accounting Dept., Finance Div., Corporate Management Group General Manager, Global Accounting Div., Financial Strategy Group General Manager, Corporate Planning Office, Corporate Strategy Group Executive Officer (to present) General Manager, Corporate Strategy Group (to present)	(Note)	1

Position and responsibility	Name	Date of birth	Business experience	Term of office	Share ownership (Thousands of shares)
Executive Officer President, Compact Business Unit	Kazuhiro Ichimura	May 30, 1967	4/1988 Joined the Company 8/2013 General Manager, Construction System Development Design Center, Application, New Product & Construction Equipment Div., Development Group 8/2016 Deputy General Manager, Development Design Center, Application, New Product & Construction Equipment Div., Development & Production Group 4/2020 Deputy General Manager, Construction Div., Research & Development Group 4/2022 President, Compact Business Unit (to present) President and Director, Hitachi Construction Machinery Tierra Co., Ltd. (to present) 4/2024 Executive Officer, the Company (to present)	(Note)	2
Executive Officer Vice President, Mining Business Unit	Hiroshi Kanezawa	May 16, 1966	4/1989 Joined the Company 4/2020 General Manager, Mining Development & Production Div., Mining Group 4/2022 Executive Officer (to present) General Manager, Mining Development & Production Div., Mining Business Unit 4/2024 Vice President, Mining Business Unit (to present)	(Note)	3
Executive Officer CHRO General Manager, Human Capital Group	Makoto Sawada	December 20, 1967	4/1991 Joined the Company 4/2016 General Manager, Development & Production General affairs Center, Human Resources Dept., Human Capital Div., Corporate Management Group 4/2020 General Manager, Career Development Div., Human Capital Group 4/2022 Deputy General Manager, Human Resources Div., Human Capital Group 2/2023 General Manager, Human Resources Div., Human Capital Group 4/2025 Executive Officer (to present) General Manager, Human Capital Group (to present)	(Note)	1
Executive Officer President, Global Marketing Group President, Rental & Used Machine Business Unit	Tooru Takatani	June 29, 1970	4/1996 Joined the Company 4/2018 General Manager, Global Production & Procurement Strategy Dept., Development & Production Group, Production & Procurement Div. 10/2021 General Manager, Americas Business Expansion Support Office 4/2022 General Manager, Americas Business Expansion Support Office 4/2023 General Manager, Corporate Planning Office, Corporate Strategy Group 4/2024 Vice President, Global Marketing Group 4/2025 Executive Officer (to present) President, Global Marketing Group (to present) President, Rental & Used Machine Business Unit (to present)	(Note)	1

Position and responsibility	Name	Date of birth	Business experience		Term of office	Share ownership (Thousands of shares)
Executive Officer CDIO President, New Business Creation Unit	Seimei Toonishi	February 5, 1962	3/1980 4/2019 4/2020 4/2021 4/2023	Joined the Company General Manager, IT Promotion Div., Corporate Management Group President, DX Promotion Group Executive Officer (to present) President, New Business Creation Unit (to present)	(Note)	3
Executive Officer President, Spare Parts & Service Business Unit	Hiroshi Hosokawa	January 18, 1965	4/1991 4/2014 10/2019 4/2020 4/2024	Joined the Company General Manager, Technical Support Dept., Customer Support Div., Life Cycle Support Operations Group, Marketing Div., Marketing Group Deputy General Manager, Africa Business Div., Marketing Div., Marketing Group General Manager, Africa Business Div., Marketing Div. Executive Officer (to present) President, Spare Parts & Service Business Unit (to present)	(Note)	2
Executive Officer General Manager, Safety/Health & Compliance Group	Satoshi Yamanobe	April 4, 1963	4/1987 4/2010 4/2014 4/2018 4/2020 7/2020 1/2021 4/2021 4/2024	Joined Hitachi, Ltd. Joined the Company General Manager, Production Management Center, Production & Procurement Div. Deputy General Manager, Production & Procurement Div., Development & Production Div. Executive Officer (to present) General Manager, Production & Procurement Div. Deputy General Manager, China Business Div. Executive Vice President, Hitachi Construction Machinery (China) Co., Ltd. Director, Hitachi Construction Machinery (China) Co., Ltd. General Manager, China Business Div., the Company President and Director, Hitachi Construction Machinery (China) Co., Ltd. General Manager, Safety/Health & Compliance Group (to present)	(Note)	2
Executive Officer General Manager, Oceania Business Div.	Ray Kitic	January 22, 1970	10/2009 4/2021 4/2023 4/2024	Joined Hitachi Construction Machinery Australia Pty., Ltd. Managing Director (to present) General Manager, Oceania Business Div., Global Marketing Group, the Company (to present) Managing Director, Hitachi Construction Machinery Oceania Holdings Pty., Ltd. (to present) Executive Officer, the Company (to present)	(Note)	–

Position and responsibility	Name	Date of birth	Business experience		Term of office	Share ownership (Thousands of shares)
Executive Officer General Manager, India Business Div.	Sandeep Singh	January 21, 1961	1/2003 7/2008 4/2012 4/2014 8/2015 4/2020	Joined J.C. Bamford Excavators Limited Executive Vice President Joined Toyota Kirloskar Motors Deputy Managing Director Chief Operating Officer Joined Toyota Motor Asia Pacific Engineering and Manufacturing Company Executive Managing Coordinator Joined Tata Hitachi Construction Machinery Company Private Limited President and Director (to present) Executive Officer, the Company (to present) General Manager, India Business Div. (to present)	(Note)	–
Total						113

(Note) The term of Executive Officers is from April 1, 2025 to March 31, 2026.

2) Status of Outside Directors

There are 7 Outside Directors of the Company. Masaaki Ito, Toshiko Oka, Kazushige Okuhara, and Joseph P. Schmelzeis, Jr. hold shares of the Company. Takeshi Fujisawa serves concurrently as COO of the Social Infrastructure Systems Business Unit of Hitachi, Ltd. The Company and Hitachi, Ltd. have entered into a license agreement related to the Hitachi brand. Hidemi Moue serves concurrently as Representative Director and President of HCJI Holdings, Ltd. The Company and HCJI Holdings, Ltd. have entered into a capital alliance agreement. Besides this, the Company has no particular personal, capital or business relationship or other conflict of interest with Outside Directors.

3) Functions and roles played by Outside Directors in corporate governance of the Company

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, each of which consists of Directors of which the majority are Outside Directors, and has been formed as a company with a nominating committee, etc., for realizing highly objective and transparent management.

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

The Company has established criteria for independence of Outside Directors, and considers the Outside Director to be independent unless:

· his or her immediate family member within the second degree of kinship is, or has been within the last three years, a Director or an Executive Officer of the Company or any of its subsidiaries;

· he or she is currently an Executive Director, an Executive Officer or an employee of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeded 2% of any of the companies' consolidated gross revenues;

· he or she has received during any of the last three fiscal years more than ¥10 million in direct compensation from the Company for his or her service as a specialist in law, accounting or tax, or as a consultant, other than director compensation of the Company; or

· he or she serves as an Executive Officer or Director of a not-for-profit organization, and the Company's discretionary charitable contributions to the organization in any of the last three fiscal years were more than ¥10 million and 2% of that organization's annual gross revenues.

Also, Masaaki Ito, Toshiko Oka, Kazushige Okuhara, Kiyomi Kikuchi, and Joseph P. Schmelzeis, Jr. are registered as independent directors under the rules of the Tokyo Stock Exchange.

5) Election of and qualification for Outside Directors

The Company has appointed 7 Outside Directors in accordance with the requirement for independence from the Company in appointing an Outside Director as described in 4) above. The Company believes that the further strengthening of the Board of Directors shall be achieved through implementing supervision of the business execution of the Executive Officers from an independent standpoint by utilizing Masaaki Ito's knowledge and deep insight on production, research and development, and corporate planning based on his abundant experience as a top executive of an international manufacturing company, Toshiko Oka's knowledge and deep insight on M&A based on her abundant experience as a top executive of consulting firms, Kazushige Okuhara's knowledge and deep insight on personnel and labor policy based on abundant experience as the business manager of an international company, Kiyomi Kikuchi's abundant experience and deep insight on the field of law, Joseph P. Schmelzeis, Jr.'s extensive experience not only management experience in international companies but also including his experience in launching venture business, as a strategic consultant, and as Senior Advisor to the Ambassador at the U.S. Embassy in Tokyo, Takeshi Fujisawa's operational experience in the information and communication systems field in the Hitachi Group and abundant experience and deep insight as a corporate manager, and Hidemi Moue's abundant experience as a corporate manager of a fund management company and knowledge and deep insight into finance and M&A areas.

6) 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

The Audit Committee is made up of 6 Outside Directors. The Committee role in mutual cooperation in internal audit and accounting audit, as well as its relationship with the internal control department are as described in "(3) Status of audit."

(3) Status of audit

1) The audit by the Audit Committee and internal audit

a. Audit by the Audit Committee

As an internal organization of the Board of Directors, the Audit Committee audits whether the execution of duties by Directors and Executive Officers is in compliance with laws and regulations, Articles of Incorporation, and the basic management policies, and whether it is being carried out effectively. Specifically, in addition to deliberations at committee meetings, the Audit Committee inspected domestic and overseas group companies in FY2024, monitoring financial and accounting conditions and the status of improvement and operation of the internal control system, to audit execution of business operations and management appropriateness of subsidiaries, and utilized online tools to make inquiries.
In addition to making inquiries from the internal audit department, financial and accounting department, and legal department, or each department such as the departments managing product quality, sustainability, and ESG, the committee made inquiries on the status of execution of duties to Executive Officers, etc. serving as Presidents of business units, including exchange of opinions with Representative Executive Officers (Chairman and President) and Executive Vice Presidents, and discussed and examined the appropriateness of the execution of business operations.
Beyond legal responsibility for consideration, the committee has closely worked with the accounting auditors on matters such as inquiries on audit progress in the quarterly audit progress reports, in addition to the reporting of semiannual review and reporting of an annual accounting audit.

The activities of the Audit Committee in FY2024 are as follows:

Category	Name	Number of meetings attended/Number of meetings held	Attendance rate
Outside Director	Masaaki Ito	7/8 (Note 2)	88%
Outside Director	Toshiko Oka	12/12	100%
Outside Director	Kazushige Okuhara	12/12	100%
Outside Director	Maoko Kikuchi	12/12	100%
Outside Director	Joseph P. Schmelzeis, Jr.	11/12	92%
Outside Director	Takatoshi Hayama	4/4 (Note 3)	100%
Outside Director	Takeshi Fujisawa	8/8 (Note 2)	100%

(Note 1) As of the filing date, the Audit Committee consists of 6 Outside Directors, 5 of whom are Independent Outside Directors under the rules of the Tokyo Stock Exchange, appointed by a resolution of the Board of Directors. The Company has worked to strengthen the audit system by appointing one Assistant to the Audit Committee, who assists exclusively in the duties of the Audit Committee, and reinforcing the Audit Committee Bureau comprising two dedicated personnel members and one personnel member concurrently serving for the Internal Auditing Office in the internal audit department.
The Assistant to the Audit Committee and the Audit Committee Bureau Member are not under the supervision of any Executive Officer, and report to the Audit Committee.

(Note 2) The number of Audit Committee meetings held from April 2024 to March 2025 was 12 and the number of Audit Committee meetings held since the appointment of Outside Directors Masaaki Ito and Takeshi Fujisawa was eight.

(Note 3) The number of Audit Committee meetings held until the resignation of Outside Director Takatoshi Hayama, who resigned at the conclusion of the Annual Shareholder’s Meeting of the Company held on June 24, 2024, was four.

- Monitoring status of group companies

In FY2024, the Audit Committee conducted on-site inspections at one domestic group company. The Audit Committee also conducted on-site inspections at two overseas group companies, and used online tools to make inquiries and hold question-and-answer sessions with another overseas group company regarding their management conditions. In addition, during the on-site inspection at the overseas group companies, the Audit Committee also made inquiries to General Managers of Business Divisions working in the respective areas, to understand issues faced by the areas and conduct appropriate monitoring as needed.

- Specific matters to be examined by the Audit Committee

These matters include audit policy, audit plan, the content of audit implementation, status of improvement and operation of the internal control system, appropriateness of execution of the duties of Executive Officers, election and dismissal of accounting auditors, legality of business reports and supplementary schedules, audit approach of accounting auditors, and reasonableness of audit results of the Company and the Group. In FY2024, in addition to compliance, risk, safety, hygiene, and the implementation status of the medium-term management plan as well as the implementation status of various measures for sustainability and ESG and the status of achievement of targets, the monitoring of the improvement status of processes and systems in the Americas, the governance system, establishment of an internal audit system, status of audit implementation and response to the revised internal control standards were designated as emphasized audit items.

- Activities of the Audit Committee

As of the filing date, the Audit Committee is a system in which all members are Outside Directors in order to ensure objective and transparent management.
The Company has appointed a full-time Assistant to the Audit Committee, who assists the execution of duties of the Audit Committee, in order for the Audit Committee to smoothly and efficiently carry out audit services.

- Duties of the Assistant to the Audit Committee

Assistants to the Audit Committee attended important meetings and reviewed approval documents, etc. on significant matters, made inquiries to the internal audit department, the accounting auditors, other departments in the Company, and the Group. In addition, they have worked to further improve the effectiveness of activities of the Audit Committee by reporting to the Audit Committee where necessary.

b. Internal audit

The Company has established the Internal Auditing Office, which directly reports to the President, as a department in charge of internal audits. The Internal Auditing Office chooses subjects to be audited with priority before the evaluation of ten items, etc. based on a risk-based approach and conducts management audits to confirm governance, risk management and control of each business unit, division and group company.
In FY2024, the Company conducted a total of 13 internal audits through a combination of on-site and remote audits to one business unit and one division of the Company and 11 overseas group companies. In addition, the Company performed audits by commissioning them to firms specialized in internal audits in partnership with the Company for certain overseas group companies.
In addition, the Company obtains audit plans and audit reports from group companies that have departments dedicated to internal audits, and works to improve the quality of internal audits of the entire Group in addition to introducing evaluations in accordance with the standards of the Institute of Internal Auditors Japan.

- Internal audit system

As of the filing date, the Internal Auditing Office consists of the Internal Auditing Department, which is in charge of internal audits, and the Internal Control Department, which is in charge of internal control, for a total of 15 staff members.
The Internal Auditing Office has two reporting lines, as it reports directly to the President within the organizational structure while also reporting on audit plans, audit results, etc. to the Audit Committee.
In addition, a group company with a large business scale has a designated internal audit department, which is responsible for internal audits of the group company and internal audits within the regional business department to which the group company belongs, in cooperation with the Internal Auditing Office of the Company.

- Status of utilizing internal audit results

The importance ranking of audit issues is determined based on the level of risk and frequency of occurrence, and the priority for responding to internal audit issues is clearly indicated to the audit subjects to promote business improvement.
In addition, the Internal Auditing Office follows up on the progress of improvements every six months for matters pointed out by the audit and systematically supports improvement measures.
The audit results are reported separately to the Company’s Chief Financial Officer, President, and Assistant to the Audit Committee, as well as the audit subjects concerned.
In addition, the status of improvement of matters pointed out through the audit are reported every six months to Executive Committee and Audit Committee, and the Company undertake initiatives for rectifying such matters.

c. Cooperation between Audit Committee and accounting auditors

Along with receiving the annual audit plan and emphasized audit items from the accounting auditors, the Audit Committee thoroughly deliberates and is also informed of the results of the audits in a timely manner to exchange questions and answers actively. A report is also received on the status of the effectiveness of the internal control system, as understood by the accounting auditors through an audit; risk assessment; emphasized audit items; Key Audit Matters (KAM), etc., for discussion and examination.
The accounting auditor reports to the Committee on the status of accounting and internal control audits of overseas group companies with the use of its network of accounting auditors as a global firm. The Audit Committee and the accounting auditors worked together to grasp the status of overseas group companies, such as receiving reports from accounting auditors and confirming the matters pointed out by the audit.
In FY2024, the accounting auditors attended meetings of the Audit Committee four times, made quarterly audit progress reports, and exchanged opinions with the Audit Committee Chair on matters such as key audit items and audit quality management.
The Company has been commissioning an audit firm to carry out non-guaranteed services after obtaining approval from the Audit Committee.

d. Cooperation between Audit Committee and internal audit department

The Audit Committee receives the audit policy and audit plan for the fiscal year from the Internal Auditing Office, which is the internal audit department, and is timely informed of the results of the internal audits through the Assistant to the Audit Committee. It also exchanges opinions about risk assessment and audit items pointed out as understood through internal audit, to maintain and improve the audit accuracy.
In FY2024, the Internal Auditing Office reported and provided explanations to the Audit Committee four times, and the Assistant to the Audit Committee closely collected information.
In addition, the Audit Committee may instruct the Internal Auditing Office whenever necessary to conduct audits.

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

The Internal Auditing Office, which is the internal audit department, shares and exchanges opinions with the accounting auditors on matters pointed out through internal audits in each business unit and division of the Company and each group company at a frequency of at least once a quarter. Additionally, the accounting auditors share with the Internal Auditing Office matters identified through on-site inspection and matters pointed out for proposals to improve governance, internal controls, etc. (management letter) communicated to domestic and overseas group companies through the audit of accounting and internal control, with the aim of grasping and mitigating the risks in accounting and operation management through cooperation between the Internal Auditing Office and accounting auditors.
During FY2024, the Internal Auditing Office and the accounting auditors had six opportunities for consultation.

f. Internal control department

At the Company, the Internal Auditing Office, which is responsible for internal control, compiles the status of the operation and evaluation of the internal control system of the entire Group, and provides instructions on the promotion of improvements. Each group company has an internal control committee and persons who are in charge of internal control and promotes the development, operation, evaluation, and improvement of each company's internal control system. Furthermore, the Company has established the J-SOX Committee as an organization that oversees internal control concerning financial reporting, with the Chief Financial Officer serving as the chair. The committee consists of the head of each department in charge of DX (IT system information management), legal, accounting, and audits.
The J-SOX Committee is a deliberation body for determining management policies and evaluating the effectiveness of internal control concerning financial reporting of the Company and group companies. It met four times in FY2024, and the content and results of the deliberations are reported to the Company's Executive Committee and Audit Committee four times and two times, respectively.

g. Relationship between internal control department and accounting auditors

The internal Auditing Office, which is the internal control department, acts as a point of contact for internal control audits by the accounting auditors and receives explanations about the results of the audits in response to an audit of each step of the development, operation, and evaluation of internal control. If an internal control defect is reported by the accounting auditors, the Internal Auditing Office and the J-SOX Committee will confirm improvement support and correction of the internal control deficiencies of the Company and the group company subject to the reporting, thereby working to maintain and improve the internal control system's effectiveness.
In addition, the Internal Auditing Office provides, where necessary, the results of deliberations by the J-SOX Committee, etc., as well as communicates the status of the development, operation, and evaluation of internal control system at each group company to the accounting auditors. The Internal Auditing Office and the accounting auditors engage in consultation on a daily basis and exchange information closely.

h. Relationship between internal control department and Audit Committee

In order to ensure the effectiveness and reasonableness of internal control, the Audit Committee receives timely reports from the Assistant to the Audit Committee on the development and operational status of internal control in the J-SOX Committee, proactively exchanges information and opinions with the Internal Auditing Office, which is the internal control department, regarding the effectiveness evaluation results, and works to maintain and improve the internal control system.

i. Relationship between internal control department and internal audit department

The Internal Auditing Office of the Company has the internal control department and the internal audit department, and the internal control department has an internal control oversight function and the Secretariat of the J-SOX Committee. The J-SOX Committee receives reports on the results of the internal control evaluation from the Secretariat, and improves and assists the internal control system through the Secretariat. The Internal Audit Department periodically conducts management audits of each business unit, division and group company, which were selected based on the risk-based approach. The deficiencies detected in internal controls and the content pointed out by internal audits are shared between the departments in a timely manner, and both departments work closely together to maintain and improve the internal control system and internal audit quality of the entire Group.

2) Status of accounting audit

a. Name of audit corporation

Ernst & Young ShinNihon LLC

b. Continuous auditing period

49 years

c. Certified Public Accountant who executed accounting audit

Yoshitomo Matsuura
Yoichi Takanashi
Masato Tetsu

d. Composition of assistants involved in the auditing work

Eight Certified Public Accountants and 41 other people are involved in the auditing work of the Company.

e. Policy and reasons for the election of the audit corporation

With regard to the election of the audit corporation, it is necessary for the auditor to be well-versed in accounting standards and tax regulations not only in Japan but also in various other countries, to be capable of performing global accounting audits and audits of internal controls, and to have high audit quality, taking into account International Financial Reporting Standards (IFRS) adopted by the Company and the Group's high ratio of overseas business. The selected audit corporation conducts global accounting audits, has a high level of expertise as accounting auditors with a global network, and has a system in place to ensure that accounting audits are carried out internationally in compliance with laws and in an appropriate manner. As a result of comprehensively considering that there are no problems with independence, etc., the Group has determined that Ernst & Young ShinNihon LLC is an appropriate audit corporation to serve as accounting auditors.

f. Evaluation of the accounting auditors by the Audit Committee

The Audit Committee has set out comprehensive accounting auditors' evaluation criteria for the accounting auditors, such as the audit system, audit implementation guidelines, including emphasized audit item, audit quality, the details of communication with the Audit Committee and executives, etc., and audit fees, etc., and evaluations are conducted every fiscal year.
Based on the policy regarding decisions on the dismissal or non-reappointment of the accounting auditors described in g. below, the Audit Committee makes a resolution on reappointment of the accounting auditors every fiscal year.

g. Policy regarding decisions on the dismissal or non-reappointment of the accounting auditor

If the Audit Committee considers that the accounting auditors fall under any of the provisions of Article 340, paragraph (1) of the Companies Act and judges it necessary to dismiss the accounting auditors immediately, the Audit Committee shall dismiss the accounting auditors, having obtained unanimous consent of the Audit Committee Members. In such case, an Audit Committee Member appointed by the Audit Committee will report on the decision of dismissal and its reasons at the first shareholder's meeting convened after the dismissal.
In addition to the cases mentioned above, the Audit Committee shall, when deemed necessary to change the accounting auditor, such as in cases where the accounting auditor is recognized to have difficulty in properly fulfilling its auditing duties, decide the contents of a proposal to be submitted to the general shareholder's meeting related to the dismissal or non-reappointment of the accounting auditor.

3) Audit fees, etc.

a. Fees of Certified Public Accountants, etc.

Category	Fiscal year ended March 31, 2024		Fiscal year ended March 31, 2025	
	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	133	2	135	–
Consolidated subsidiaries	40	–	42	–
Total	173	2	177	–

Description of non-audit services

(Fiscal year ended March 31, 2024)

The Company paid compensation to the accounting auditors for services related to the preparation of comfort letters, which are services outside the scope of services specified in Article 2, paragraph (1) of the Certified Public Accountants Act.

(Fiscal year ended March 31, 2025)

Not applicable.

b. Details of fees paid to Ernst & Young and its group firms which belong to the same network as the Company's Certified Public Accountants, etc. (excluding a.)

(Fiscal year ended March 31, 2024)

Fees paid by the Company and its consolidated subsidiaries to the Company's accounting auditor, Ernst & Young ShinNihon LLC Group (including Ernst & Young and its group firms which belong to the same network as Ernst & Young ShinNihon LLC), were ¥806 million (of which ¥806 million was paid by consolidated subsidiaries) for audit services and ¥257 million (of which ¥70 million was paid by the Company and ¥187 million by consolidated subsidiaries) for non-audit services.

(Fiscal year ended March 31, 2025)

Fees paid by the Company and its consolidated subsidiaries to the Company's accounting auditor, Ernst & Young ShinNihon LLC Group (including Ernst & Young and its group firms which belong to the same network as Ernst & Young

ShinNihon LLC), were ¥914 million (of which ¥914 million was paid by consolidated subsidiaries) for audit services and ¥195 million (of which ¥27 million was paid by the Company and ¥168 million by consolidated subsidiaries) for non-audit services.

Description of non-audit services

In the fiscal year ended March 31, 2024 and the fiscal year ended March 31, 2025, non-audit services rendered for the Company and its consolidated subsidiaries were mainly tax related services.

c. Description of other fees for important audit services

Not applicable for both the fiscal year ended March 31, 2024 and the fiscal year ended March 31, 2025.

d. Policy for determining audit fees

At the time of the audit plan formulation, the accounting auditors formulate the audit plan time in consultation with the accounting department, and the Audit Committee makes thorough inquiries and conducts an examination of the planned contents of auditing time, including that for semiannual review.
In addition, fees for accounting auditors are determined based on the consent of the Audit Committee.

e. Reasons for approval of the audit fees, etc. to be paid to accounting auditors by the Audit Committee

The Audit Committee confirmed the content of the audit plan of the accounting auditors, status of development of the quality control structure, status of performance of accounting audit and others, and analyzed and examined the basis for calculation and determination of estimates of audit fees, etc. Consequently, the Audit Committee has determined that the fees, etc. of the accounting auditors are appropriate, and given the consent in accordance with Article 399, paragraph (1) of the Companies Act.

(4) Compensation to Directors and Executive Officers

1) Method of determination of policies

The compensation committee of the Company sets forth the policy on the determination of the details of compensation for individual Directors and Executive Officers pursuant to the provision of the Companies Act applicable to companies with a nominating committee, etc.

2) Overview of the policy

a. Matters relating to both Directors and Executive Officers

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

b. Directors

Compensation for Directors consists of monthly compensation. Monthly compensation shall be set as a fixed amount in light of the duty that is the supervisory function. The level of payment is determined in accordance with a full-time or part-time basis, basic salary, allowance for committee members for committees to which the Director belongs and his or her position.
In case of Directors who also serve as Executive Officers, compensation as a Director is not paid.

c. Executive Officers

Compensation for Executive Officers consists of monthly compensation, performance-linked bonus and restricted share-based compensation.

(a) Monthly compensation

Standard amounts are set according to job positions and fixed amounts are paid in cash every month.

(b) Performance-linked bonus

The standard amount for performance-linked bonus shall fluctuate depending on the degree of achievement of standard performance targets and achievement of individual roles. The fluctuation range is about 0 to 200%. Performance-linked bonus is paid in cash in June every year.
The evaluation indicators and composition ratios of performance-linked bonuses are as follows.

Evaluation category	Evaluation indicator	Composition ratio			
		Chairman and Executive Officer (CEO) President and Executive Officer (COO) Executive Vice President and Executive Officer		Senior Vice President and Executive Officer Vice President and Executive Officer Executive Officer	
1) Company-wide performance	Net income	50%	80%	30%	60%
	Consolidated operating cash flows	20%		10%	
	Consolidated value chain sales	–		10%	
	ESG assessment*1	10%		10%	
2) Division performance targets		–		30%	
3) Division targets (management issues of 3 indicators, including organizational health level)*2		20%		10%	

*1 ESG assessment is a comprehensive evaluation of CDP's climate change and water security, Dow Jones Sustainability Indices (DJSI) selection, and progress on CO_2 reduction rates in the production activities and use of our products.
*2 Organizational health is an indicator that assesses the health of an organization from various perspectives, including employee engagement and diversity & inclusion.
* For foreign Executive Officers, standard compensation is set according to the benchmarks of compensation levels of the country or region in question from the viewpoint of retaining capable personnel, taking into account the competitiveness of the compensation.

(c) Restricted stock compensation

The Company grants restricted stock at a certain time every year as non-monetary compensation to Executive Officers for the purpose of providing incentives for them to continuously improve corporate value over the medium to long term, and to promote further value sharing with shareholders. The transfer restriction period of the granted stock shall be from the date of allotment until the retirement from their position as the Company's Executive Officer, etc., and the restrictions on the transfer shall be, in principle, lifted upon the expiry of the transfer restriction period, provided that a person eligible for the allotment has continued to serve in their role as the Company's Executive Officer, etc., from the beginning of the fiscal year in which the stock was granted until the end of the same fiscal year. Persons eligible for the allotment shall be Executive Officers residing in Japan.

The Company provides monetary claims as compensation relating to restricted stocks to the eligible Executive Officers, based on a resolution by the Company's Compensation Committee, taking into consideration the purpose of the plan, the Company's business conditions, the scope of the eligible Executive Officers' responsibilities, and other factors.

d. Ratios of compensation by type are as follows.

Position	Monthly compensation	Performance-linked bonus	Restricted share-based compensation
Chairman and Executive Officer (CEO) President and Executive Officer (COO)	42%	42%	16%
Executive Vice President and Executive Officer	55%	30%	15%
Senior Vice President and Executive Officer Vice President and Executive Officer Executive Officer	60%	25%	15%

3) Overview of organization and procedures for determining the policy on determining the amount of compensation for Directors and Executive Officers and calculation method thereof

The Company's Compensation Committee determines the amount of compensation for individual Directors and Executive Officers through discussions in accordance with 1) and 2) above. As of the filing date, the Compensation Committee consists of a total of seven members, comprising two Directors and five Outside Directors. The Committee discusses and examines basic policies for compensation for Executive Officers and Directors, the details and appropriateness of individual compensation amounts, and other matters.

Financial indicators such as net income and targets, etc. in the medium-term management plan were set as performance indicators used to calculate the performance-linked bonus, to calculate the amount of compensation based on the business plan and outcome of the business for the relevant fiscal year within a certain range stipulated in the "Basic Policy for Compensation to Directors and Executive Officers." As for the method of calculating the performance-linked bonus, the amount was determined within a certain range, depending on the degree of achievement of targets and outcome of business operations of which each person is in charge. The results of the performance indicators for performance-linked bonus paid to the Company's Executive Officers for FY2024 were net income of ¥81,400 million, consolidated operating cash inflow of ¥143,900 million, and consolidated value chain sales of ¥596,100 million, etc. In terms of ESG evaluation, we improved our CO2 reduction rate concerning emissions, for both those from production activities and those associated with use of the Company's products.

4) Total amount of compensation, total amount for each type of compensation, and the number of eligible Directors and Executive Officers by category

<table>
<tr><th rowspan="2">Category</th><th rowspan="2">Total amount of compensation (Millions of yen)</th><th colspan="3">Total amount for each type of compensation (Millions of yen)</th><th rowspan="2">Number of eligible Directors and Executive Officers</th></tr>
<tr><th>Basic compensation (Monthly compensation)</th><th>Performance-linked compensation (Performance-linked bonus)</th><th>Non-monetary compensation (Restricted share-based compensation)</th></tr>
<tr><td>Directors (excluding Outside Directors)</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td>Executive Officers</td><td>1,105</td><td>691</td><td>270</td><td>144</td><td>21</td></tr>
<tr><td>Outside Directors</td><td>90</td><td>90</td><td>–</td><td>–</td><td>7</td></tr>
</table>

(Notes) 1. Amounts are rounded to the nearest millions of yen.
2. The above table includes the compensation for one Outside Director who retired as of the conclusion of the 60th Annual Shareholder's Meeting held on June 24, 2024, for the fiscal year under review.
3. Directors who concurrently serve as Executive Officers receive only compensation as Executive Officers; therefore, they are not included in the Directors shown in the above table. Additionally, one Outside Director who receives no compensation is also not included in the Outside Directors shown in the above table.
4. The Company grants restricted share-based compensation to Executive Officers as non-monetary compensation. The details of this share-based compensation are described in 2) c. (c) above.

5) Total amount of consolidated compensation for those who received total consolidated compensation of ¥100 million or higher

<table>
<tr><th rowspan="2">Name</th><th rowspan="2">Officer category</th><th rowspan="2">Company</th><th colspan="3">Amount for each type of consolidated compensation (Millions of yen)</th><th rowspan="2">Total amount of consolidated compensation (Millions of yen) (Millions of yen)</th><th rowspan="2">Total amount of non-monetary compensation included in the left (Millions of yen)</th></tr>
<tr><th>Basic compensation</th><th>Performance-linked bonus</th><th>Share-based compensation</th></tr>
<tr><td rowspan="2">Ray Kitic</td><td>Executive Officer</td><td>The Company</td><td>–</td><td>42</td><td>–</td><td rowspan="2">108</td><td rowspan="2">–</td></tr>
<tr><td>Managing Director</td><td>Hitachi Construction Machinery (Australia) Pty., Ltd.</td><td>66</td><td>–</td><td>–</td></tr>
<tr><td rowspan="2">Sandeep Singh</td><td>Executive Officer</td><td>The Company</td><td>7</td><td>4</td><td>–</td><td rowspan="2">112</td><td rowspan="2">–</td></tr>
<tr><td>President and Director</td><td>Tata Hitachi Construction Machinery Company Private Limited</td><td>69</td><td>32</td><td>–</td></tr>
</table>

(Note) Ray Kitic and Sandeep Singh received compensation from Hitachi Construction Machinery (Australia) Pty., Ltd. and Tata Hitachi Construction Machinery Company Private Limited, respectively, and total amounts of such compensation are presented.

(5) Information on shareholdings

1) Criteria of and approach to the classification of investment securities

The Company classifies investment securities as shares held for purposes other than pure investment (strategic shareholdings) when such securities are deemed to contribute to stable procurement of materials, strengthening of sales route and an improvement in its other corporate value in the medium to long term. Other shares are classified as held for pure investment.

2) Investment securities held for purposes other than pure investment

a. Shareholding policy, method of verification of the reasonableness for shareholdings, and details of verification by the Board of Directors, etc. of the appropriateness of shareholdings in individual issues

The Company specifically examines individual issues of all investment securities at the Board of Directors meeting each fiscal year for the reasonableness and necessity of the continued shareholding, in light of capital cost in addition to the criteria and approach stated in 1) above. At the Board of Directors meeting held on January 27, 2025, it was confirmed that the holding of each issue was appropriate, by checking the status of sale of issues subject to sale, and examining each of the other individual issues.

b. Numbers of stock names and total amounts recorded in the balance sheet

	Number of stock names (Stock names)	Total amount recorded in the balance sheet (Millions of yen)
Unlisted stocks	13	531
Other than unlisted stocks	8	11,184

(Stocks increased in the fiscal year ended March 31, 2025)

	Number of stock names (Stock names)	Total purchase price for the shares increased (Millions of yen)	Reasons for increase of shares
Unlisted stocks	–	–	–
Other than unlisted stocks	1	1,345	Strengthening of relationship as a business partner

(Stocks decreased in the fiscal year ended March 31, 2025)

	Number of stock names (Stock names)	Total selling price for the shares decreased (Millions of yen)
Unlisted stocks	–	–
Other than unlisted stocks	–	–

c. Information on the number of shares and balance sheet amounts, etc. of specified investment securities and deemed holdings of investment securities by stock name

Specified investment securities

Stock name	Fiscal year ended March 31, 2025 Number of shares (Shares) Carrying amount in the balance sheet (Millions of yen)	Fiscal year ended March 31, 2024 Number of shares (Shares) Carrying amount in the balance sheet (Millions of yen)	Purpose of holding, overview of business alliances, etc., quantitative holding effect, and reasons for the increase in the number of shares (Note)	Shareholding of the Company
KYB Corporation	1,784,000 5,243	892,000 4,612	• Purpose of holding: Stable procurement of materials • Quantitative holding effect: As a result of stable parts supply, certain effects were seen on the Company's revenue. * Each share of common stock was split into two shares with an effective date of December 3, 2024.	No
Wakita & Co., LTD.	1,200,000 2,075	1,200,000 1,912	• Purpose of holding: Strengthening of sales route • Quantitative holding effect: As a result of sales expansion, certain effects were seen on the Company's revenue.	Yes
Envirosuite Ltd.	172,413,793 1,345	– –	• Purpose of holding: Strengthening of relationship as a business partner • Quantitative holding effect: As the shares were newly acquired during the fiscal year ended March 31, 2025, it is difficult to describe quantitative holding effect at this time. We are currently strengthening mutual cooperation. • Reasons for the increase in the number of shares The shares were newly acquired during the fiscal year ended March 31, 2025.	No
Kanamoto Co., Ltd.	344,581 1,116	344,581 928	• Purpose of holding: Strengthening of sales route • Quantitative holding effect: As a result of sales expansion, certain effects were seen on the Company's revenue.	Yes
Nippon Chuzo K. K.	718,921 600	718,921 724	• Purpose of holding: Stable procurement of materials • Quantitative holding effect: As a result of stable parts supply, certain effects were seen on the Company's revenue.	No
KOKEN BORING MACHINE CO., LTD.	783,000 362	783,000 396	• Purpose of holding: Strengthening of service response capability for underground excavation equipment • Quantitative holding effect: As a result of strengthened mutual cooperation, certain effects were seen on the Company's revenue.	No
NISHIO HOLDINGS CO., LTD.	66,000 276	66,000 255	• Purpose of holding: Strengthening of sales route • Quantitative holding effect: As a result of sales expansion, certain effects were seen on the Company's revenue.	No

<table>
<tr><td rowspan="3">Stock name</td><td>Fiscal year ended March 31, 2025</td><td>Fiscal year ended March 31, 2024</td><td rowspan="3">Purpose of holding, overview of business alliances, etc., quantitative holding effect, and reasons for the increase in the number of shares (Note)</td><td rowspan="3">Shareholding of the Company</td></tr>
<tr><td>Number of shares (Shares)</td><td>Number of shares (Shares)</td></tr>
<tr><td>Carrying amount in the balance sheet (Millions of yen)</td><td>Carrying amount in the balance sheet (Millions of yen)</td></tr>
<tr><td rowspan="2">NANYO Corporation</td><td>145,200</td><td>72,600</td><td rowspan="2">• Purpose of holding:
Strengthening of sales route
• Quantitative holding effect:
As a result of sales expansion, certain effects were seen on the Company’s revenue.
* Each share of common stock was split into two shares with an effective date of April 1, 2024.</td><td rowspan="2">Yes</td></tr>
<tr><td>168</td><td>93</td></tr>
</table>

(Note) Because actual results of individual transactions are affected by economic trends, such results are not stated as quantitative holding effect.

3) Investment securities held for pure investment purposes

Not applicable.

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 312 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976; hereinafter referred to as the "Regulation on Consolidated Financial Statements").

(2) The non-consolidated financial statements of the Company are prepared based on the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963; hereinafter referred to as the "Regulation 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 Regulation 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, 2025 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; and

(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 March 31, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and cash equivalents (note 22)	143,530	147,136
Trade receivables (notes 6, 23 and 24)	305,179	270,259
Contract assets (note 18)	552	623
Inventories (notes 8 and 24)	552,319	531,183
Income tax receivables (note 11)	2,994	2,745
Other financial assets (note 23)	33,538	31,324
Other current assets	19,200	17,485
Subtotal	1,057,312	1,000,755
Assets held for sale (note 27)	19,848	–
Total current assets	1,077,160	1,000,755
Non-current assets		
Property, plant and equipment (notes 4, 9 and 24)	465,609	486,031
Right-of-use assets (notes 4 and 7)	66,973	67,328
Intangible assets (notes 4 and 10)	43,630	46,703
Goodwill (notes 4 and 10)	58,271	58,540
Investments accounted for using the equity method	23,844	25,968
Trade receivables (notes 6 and 23)	47,196	47,647
Deferred tax assets (note 11)	26,222	25,438
Other financial assets (note 23)	21,177	26,296
Other non-current assets	5,590	6,300
Total non-current assets	758,512	790,251
Total assets	1,835,672	1,791,006
Liabilities		
Current liabilities		
Trade and other payables (notes 12 and 23)	262,384	233,766
Lease liabilities (notes 7 and 22)	11,711	12,166
Contract liabilities (note 18)	14,314	14,647
Bonds and borrowings (notes 22 and 23)	396,302	326,693
Income taxes payable (note 11)	15,210	9,622
Other financial liabilities (note 23)	19,164	11,918
Other current liabilities	3,679	4,444
Subtotal	722,764	613,256
Liabilities directly associated with assets held for sale (note 27)	5,438	–
Total current liabilities	728,202	613,256
Non-current liabilities		
Trade and other payables (notes 12 and 23)	3,720	2,317
Lease liabilities (notes 7 and 22)	62,531	60,399
Contract liabilities (note 18)	9,439	8,284
Bonds and borrowings (notes 22 and 23)	179,280	211,165
Retirement and severance benefits (note 13)	22,505	20,404
Deferred tax liabilities (note 11)	9,581	11,861
Other financial liabilities (note 23)	629	1,143
Other non-current liabilities	5,372	4,225
Total non-current liabilities	293,057	319,798
Total liabilities	1,021,259	933,054

	As of March 31, 2024	As of March 31, 2025
		(Millions of yen)
Equity		
Equity attributable to owners of the parent		
Common stock (note 14)	81,577	81,577
Capital surplus (note 14)	75,965	75,768
Retained earnings (note 14)	526,307	580,257
Accumulated other comprehensive income (note 15)	82,600	74,768
Treasury stock, at cost (note 14)	(3,069)	(3,033)
Total equity attributable to owners of the parent	763,380	809,337
Non-controlling interests	51,033	48,615
Total equity	814,413	857,952
Total liabilities and equity	1,835,672	1,791,006

See accompanying notes to consolidated financial statements.

2) Consolidated statements of income

Fiscal Years ended March 31, 2024 and 2025 (Millions of yen)

	2024	2025
Continuing operations		
Revenue (notes 4 and 18)	1,405,928	1,371,285
Cost of sales	(970,758)	(942,641)
Gross profit	435,170	428,644
Selling, general and administrative expenses	(267,142)	(283,655)
Other income (note 19)	5,175	22,590
Other expenses (note 19)	(10,513)	(12,849)
Operating income	162,690	154,730
Financial income (note 20)	11,557	6,196
Financial expenses (note 20)	(17,213)	(29,997)
Share of profits (losses) of investments accounted for using the equity method	3,442	3,239
Income before income taxes	160,476	134,168
Income taxes (note 11)	(44,186)	(43,804)
Profit from continuing operations	116,290	90,364
Discontinued operations		
Net income (loss) from discontinued operations (note 27)	(11,823)	1,430
Net income	104,467	91,794
Net income attributable to:		
Owners of the parent	93,294	81,428
Non-controlling interests	11,173	10,366
Net income	104,467	91,794
EPS attributable to owners of the parent (Basic) (yen)		
Continuing operations (note 21)	494.27	376.11
Discontinued operations (note 21)	(55.59)	6.72
Net income per share (Basic) (note 21)	438.68	382.83
EPS attributable to owners of the parent (Diluted) (yen)		
Continuing operations (note 21)	494.27	376.11
Discontinued operations (note 21)	(55.59)	6.72
Net income per share (Diluted) (note 21)	438.68	382.83

3) Consolidated statements of comprehensive income

Fiscal Years ended March 31, 2024 and 2025 (Millions of yen)

	2024	2025
Net income	104,467	91,794
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 15 and 23)	2,153	1,312
Remeasurements of defined benefit obligations (notes 13 and 15)	188	2,838
Other comprehensive income of equity-method affiliates (note 15)	11	12
Items that can be reclassified into net income		
Foreign currency translation adjustments (note 15)	40,810	(12,337)
Cash flow hedges (notes 15 and 23)	130	90
Other comprehensive income of equity-method affiliates (note 15)	1,889	(867)
Other comprehensive income, net of taxes	45,181	(8,952)
Comprehensive income	149,648	82,842
Comprehensive income attributable to: Owners of the parent	133,958	73,768
Non-controlling interests	15,690	9,074

See accompanying notes to consolidated financial statements.

4) Consolidated statements of changes in equity

Fiscal Year ended March 31, 2024

(Millions of yen)

	Equity attributable to owners of the parent					
				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 period	81,577	75,724	463,174	(666)	7,182	(206)
Net income			93,294			
Other comprehensive income (note 15)				270	2,153	12
Comprehensive income	–	–	93,294	270	2,153	12
Acquisition of treasury stock (note 14)						
Disposal of treasury stock	–	–	–	–	–	–
Dividends to stockholders of the Company (note 16)			(30,836)			
Share-based payment transactions (note 17)		47				
Change in scope of consolidation						
Decrease in capital of consolidated subsidiaries						
Transfer to retained earnings			675		(675)	
Change in liabilities for written put options over non-controlling interests (note 14)		194				
Transaction with owners	–	241	(30,161)	–	(675)	–
Balance at end of period	81,577	75,965	526,307	(396)	8,660	(194)

(Millions of yen)

	Equity attributable to owners of the parent					
	Accumulated other comprehensive income					
	Foreign currency translation adjustments	Total	Treasury stock, at cost	Total	Non-controlling interests	Total equity
Balance at beginning of period	36,301	42,611	(3,094)	659,992	41,048	701,040
Net income		–		93,294	11,173	104,467
Other comprehensive income (note 15)	38,229	40,664		40,664	4,517	45,181
Comprehensive income	38,229	40,664	–	133,958	15,690	149,648
Acquisition of treasury stock (note 14)		–	(6)	(6)		(6)
Disposal of treasury stock	–	–	–	–	–	–
Dividends to stockholders of the Company (note 16)		–		(30,836)	(6,232)	(37,068)
Share-based payment transactions (note 17)		–	31	78		78
Change in scope of consolidation		–		–	620	620
Decrease in capital of consolidated subsidiaries		–		–		–
Transfer to retained earnings		(675)		–		–
Change in liabilities for written put options over non-controlling interests (note 14)		–		194	(93)	101
Transaction with owners	–	(675)	25	(30,570)	(5,705)	(36,275)
Balance at end of period	74,530	82,600	(3,069)	763,380	51,033	814,413

Fiscal Year ended March 31, 2025

(Millions of yen)

	Equity attributable to owners of the parent					
				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 period	81,577	75,965	526,307	(396)	8,660	(194)
Net income			81,428			
Other comprehensive income (note 15)				2,847	1,312	(1)
Comprehensive income	–	–	81,428	2,847	1,312	(1)
Acquisition of treasury stock (note 14)						
Disposal of treasury stock (note 14)	–	–	–	–	–	–
Dividends to stockholders of the Company (note 16)			(27,650)			
Share-based payment transactions (note 17)		104				
Change in scope of consolidation						
Decrease in capital of consolidated subsidiaries		(318)				
Transfer to retained earnings			172	(165)	(7)	
Change in liabilities for written put options over non-controlling interests (note 14)		17				
Transaction with owners	–	(197)	(27,478)	(165)	(7)	–
Balance at end of period	81,577	75,768	580,257	2,286	9,965	(195)

(Millions of yen)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Accumulated other comprehensive income		Treasury stock, at cost	Total		
	Foreign currency translation adjustments	Total				
Balance at beginning of period	74,530	82,600	(3,069)	763,380	51,033	814,413
Net income		–		81,428	10,366	91,794
Other comprehensive income (note 15)	(11,818)	(7,660)		(7,660)	(1,292)	(8,952)
Comprehensive income	(11,818)	(7,660)	–	73,768	9,074	82,842
Acquisition of treasury stock (note 14)		–	(4)	(4)		(4)
Disposal of treasury stock (note 14)	–	–	–	–	–	–
Dividends to stockholders of the Company (note 16)		–		(27,650)	(7,454)	(35,104)
Share-based payment transactions (note 17)		–	40	144		144
Change in scope of consolidation		–		–		
Decrease in capital of consolidated subsidiaries		–		(318)	(4,022)	(4,340)
Transfer to retained earnings		(172)		–		–
Change in liabilities for written put options over non-controlling interests (note 14)		–		17	(16)	1
Transaction with owners	–	(172)	36	(27,811)	(11,492)	(39,303)
Balance at end of period	62,712	74,768	(3,033)	809,337	48,615	857,952

5) Consolidated statements of cash flows

Fiscal Years ended March 31, 2024 and 2025 (Millions of yen)

	2024	2025
Net income	116,290	90,364
Net income (loss) from discontinued operations (note 27)	(11,823)	1,430
Depreciation	59,693	64,546
Amortization of intangible asset	8,428	9,301
Impairment losses	11,786	2,222
(Gain) loss on business restructuring	4,211	1,501
Income tax expense	44,684	43,871
Share of profits (losses) of investments accounted for using the equity method	(3,442)	(3,239)
(Gain) loss on sales of property, plant and equipment	(406)	(1,147)
Financial income	(11,557)	(6,196)
Financial expenses	17,210	30,021
(Increase) decrease in trade receivables and contract assets	(4,171)	35,679
(Increase) decrease in lease receivables	6,635	75
(Increase) decrease in inventories	(63,738)	29,422
Increase (decrease) in trade payables	1,037	(27,514)
Increase (decrease) in retirement and severance benefits	745	(1,975)
Other	(33,543)	(83,087)
Subtotal	142,039	185,274
Interest received	3,593	5,562
Dividends received	1,328	1,672
Interest paid	(15,012)	(18,300)
Income tax paid	(58,913)	(47,102)
Proceeds from compensation (note 19)	–	16,826
Net cash provided by (used in) operating activities	73,035	143,932
Capital expenditures	(45,728)	(32,348)
Proceeds from sale of property, plant and equipment	716	2,312
Acquisition of intangible assets	(9,875)	(12,726)
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	14,647	(2,359)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	1,234	2
(Increase) decrease in short-term loan receivables, net	(15)	(9)
Collection of long-term loan receivables	35	61
Payments for acquisition of businesses (note 5)	–	(15,946)
Proceeds from sales of discontinued operations (note 27)	–	8,207
Other	(49)	(27)
Net cash provided by (used in) investing activities	(39,035)	(52,833)
Increase (decrease) in short-term borrowings, net (note 22)	27,926	(17,136)
Proceeds from bonds and long-term borrowings (notes 22 and 23)	53,476	69,226
Payments on bonds and long-term borrowings (notes 22 and 23)	(39,268)	(81,941)
Payments on lease liabilities (note 22)	(12,890)	(15,040)
Dividends paid to owners of the parent (note 16)	(30,816)	(27,640)
Dividends paid to non-controlling interests	(6,747)	(7,622)
Payments for acquisition of shares of subsidiaries from non-controlling interests	(592)	(3,623)
Payments for a paid-in capital reduction to non-controlling interests	–	(1,591)
Other	(6)	(4)
Net cash provided by (used in) financing activities	(8,917)	(85,371)
Effect of exchange rate changes on cash and cash equivalents	6,455	(2,122)
Net increase (decrease) in cash and cash equivalents	31,538	3,606
Cash and cash equivalents at beginning of period (note 22)	111,992	143,530
Cash and cash equivalents at end of period (note 22)	143,530	147,136

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 affiliates and joint ventures. The Company's and its consolidated subsidiaries' businesses include manufacturing, sales, services and rental of construction machinery, and there are two reportable segments: the Construction Machinery Business Segment and the Specialized Parts and Service Business Segment.

(2) Basis of presentation

As the Company meets the requirements of a "Specified Company under Designated International Accounting Standards" pursuant to Article 1-2, Item 1 of the Regulation on 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 312 of the Regulation. The Company's fiscal year begins on April 1 and ends on March 31 of the following calendar year.

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), liabilities for written put options over non-controlling interests 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 in accordance with IFRS. Actual results could differ from those estimates.

Estimates and their underlying 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:

- *(3) (a) Basis of consolidation*
- *(3) (d) Financial instruments* and (23) Financial instruments and related disclosures

In addition, estimates and assumptions that could have a material effect on the amounts recognized in the consolidated financial statements are as follows.

- Valuation of goodwill

  The method of impairment losses on goodwill is provided in "(3) *(i) Impairment of non-financial assets"* and "(10) Goodwill and other intangible assets."

  Significant goodwill recorded in the consolidated statements of financial position as of March 31, 2025 is principally goodwill of ¥11,992 million mainly due to the inclusion of H-E Parts International LLC as a consolidated subsidiary following the acquisition of this company in 2016. The goodwill of H-E Parts International LLC includes goodwill of ¥1,870 million associated with the acquisition of the component remanufacturing business of Brake Supply Co., INC., as described in (5) Business combinations.

  The recoverable amount per cash-generating unit (CGU) is calculated at the higher of fair value less costs of disposal or value in use. Comparison with similar publicly traded companies, and a market approach where a price that can be achieved in orderly transactions between market participants, such as market capitalization of the asset, etc. is reasonably estimated and calculated, are principally used as valuation techniques used to calculate fair value less costs of disposal. 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 major assumption on which calculation of recoverable amount in impairment test is based is a discount rate. Although the value in use per CGU exceeded the carrying amount as of March 31, 2025, the value in use may fall below the carrying amount in and after the next fiscal year if the discount rate increases, and this may affect operating results, etc.
- Recoverability of deferred tax assets

  The process of considering recoverability of deferred tax assets is provided in "(11) Deferred taxes and income taxes."

  Deferred tax assets recorded in the consolidated statement of financial position as of March 31, 2025 was ¥25,438 million. 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. In assessing the recoverability of deferred tax assets, the Group considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized, by examining whether or not future taxable income can be generated in specific tax jurisdictions during the periods in which these deductible differences, etc. become deductible. The Group has judged that it is more likely than not that it will realize the benefits of these deductible differences as of March 31, 2025. However, the period in which taxable income is generated and the amount are affected by future changes in uncertain economic conditions. If the period in which taxable income is actually generated and the amount differs from the estimates in and after the next fiscal year, this may affect operating results, etc.

Notes to Consolidated Financial Statements

Viewpoints in making accounting estimates

Impact of the Russia-Ukraine conflict

The consolidated statement of financial position as of March 31, 2025 includes components of the non-consolidated statement of financial position of LLC Hitachi Construction Machinery Eurasia (hereinafter referred to as "HCMR"), which is a consolidated subsidiary of the Company located in Russia.

Main items in HCMR's non-consolidated statement of financial position include trade receivables from sales agents of ¥6,339 million and inventories of ¥5,074 million. Although an allowance for doubtful receivables on trade receivables has been recorded by estimating their lifetime expected credit losses, such estimate is based on an assumption that the most recent conditions will be maintained over the collection period, in light of the financial conditions of sales agents, circumstances of industries to which their clients belong, recent status of collections, and other factors. While inventories have also been evaluated upon taking into account future sales plans based on orders received.

This assumption has been judged to be based on the Management's best estimates as of March 31, 2025. However, the impact of the Russia-Ukraine conflict on economic activities contains uncertainties. If the actual progress of economic activities and other developments differ from the estimates, accounting estimates in and after the next consolidated fiscal year may be affected, posing a risk of significant changes to the evaluations on allowance for doubtful receivables and inventories.

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

(ii) Affiliates and joint ventures

Affiliates 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.

Joint ventures are entities that are jointly controlled by multiple parties, including the Company, based on contractual arrangement, and are subject to unanimous agreement of all the parties sharing the control over the entities when making financial and management decisions with respect to their activities.

Investments in affiliates and joint ventures are accounted for using the equity method. (the "equity-method affiliate")

The consolidated financial statements of the Company include changes in profit or loss and other comprehensive income (OCI) of these equity-method affiliates 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 equity-method affiliates are adjusted, if necessary, when their accounting policies differ from those of the Company.

(b) Cash equivalents

Cash equivalents are highly liquid short-term 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 of the Company 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 and its consolidated subsidiaries 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

(i) Non-derivative financial assets

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

The 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 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 of non-derivative financial assets are 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 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 (including direct transaction costs). After initial recognition, the carrying amount of financial assets measured at amortized cost is measured using the effective interest method. Interest accrued on financial assets measured at amortized cost is included in interest income in the consolidated statements of income.

FVTOCI financial assets

The 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 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

The Group evaluates the allowance for doubtful receivables based on expected credit losses on financial assets measured at amortized cost, trade receivables, contract assets, and other receivables depending on whether the credit risk has increased significantly since initial recognition on a regular basis, but no less frequently than at the end of each quarterly reporting period.

If the credit risk has increased significantly since initial recognition, the allowance for doubtful receivables is measured at the amount equal to the lifetime expected credit losses on the financial assets. If the credit risk has not increased significantly since initial recognition, the allowance for doubtful receivables is measured at the amount equal to the expected credit losses within the next 12 months after the end of the fiscal year. However, for trade receivables, contract assets, and lease receivables, allowance for doubtful receivables is always measured at the amount equal to the lifetime expected credit losses.

Whether credit risk has increased significantly is determined based on changes in the risk of default. Default is defined as the state in which a critical problem with debtor's payment of contractual cash flows has been identified and there are no reasonable expectations of recovering the financial asset in its entirety or a portion. To determine whether there have been any changes in the risk of default, external credit ratings, past due information and other factors are mainly taken into consideration.

Expected credit losses are measured by taking the probability weighted average of the discounted present values of differences between the total amount of the contractual cash flows and the total amount of future cash flows expected to be received in the future from the financial assets. If one or more events occur, such as overdue payments, extended payment terms, negative evaluation by third party credit rating agencies, and/or a deterioration in financial position and operating results, including capital deficit, the financial assets are individually assessed as credit-impaired financial assets and expected credit losses are measured based mainly on historical credit loss experience, future collectible amounts and other factors. The expected credit losses on the financial assets that are not credit-impaired are measured through collective assessment based mainly on provision rates depending on historical credit loss experience adjusted by the current and future economic situation and other factors, if necessary.

For the expected credit losses on financial assets measured at amortized cost, contract assets, and lease receivables, the allowances for doubtful receivables are recorded instead of directly reducing the carrying amounts. Changes in expected credit losses are recognized in profit or loss as impairment losses and are included in selling, general and administrative expenses in the consolidated statements of income. For financial assets, after all means of collection have been exhausted and the potential for recovery is considered remote, it is determined that there are no longer any reasonable expectations of recovering the financial assets in their entirety or a portion and the carrying amounts are generally written off.

(ii) Non-derivative financial liabilities

The Group initially recognizes debt instruments on the date of issuance. All other financial liabilities are initially recognized at the transaction date on which the Company becomes a party to the agreement. The Group derecognizes financial liabilities when extinguished, when the obligation in the contract is redeemed or the liability is discharged, cancelled or expires. As non-derivative financial liabilities the Group holds bonds, borrowings, trade payables, and other financial liabilities. They are initially recognized 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 interest expenses in the consolidated statements of income.

(iii) Derivatives and hedge accounting

The Group uses derivative instruments including forward exchange contracts, currency swaps 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 Group accounts for hedging derivatives as follows

- "Fair value hedge" is a hedge against changes in 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 effective.
- "Cash flow hedge" is a hedge of a forecast transaction or of the variability of future 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 future 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. If a non-financial asset or a non-financial liability is recognized due to a hedged forecast transaction, the changes in the fair value of the derivative recognized in OCI are included directly in the acquisition cost or other carrying amount of the asset or liability when the asset or liability is recognized.

The Group follows the documentation requirements as prescribed by IFRS 9 "Financial Instruments" (amended in July 2014), 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 future cash flows of the 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 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 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, and costs of dismantling, removing and restoring 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 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

(i) Lessee

Leases of the Group are mainly leases of real estate and leases of construction machinery. The Group recognizes a right-of-use asset, a right to use the underlying asset, and a lease liability, which is an obligation to make lease payments, and recognizes lease costs as depreciation expense for right-of-use assets and interest expenses on lease liabilities. Lease payments for short-term leases with a lease term of 12 months or less are recognized in profit or loss on a straight-line basis over the lease term.

Right-of-use assets

The Group applies a cost model to measure the right-of-use asset, and presents the corresponding amount as “Right-of-use assets” in the consolidated statements of financial position at cost at the commencement date of the lease less any accumulated depreciation and any accumulated impairment losses. The cost of right-of-use asset includes the amount of the initial measurement of the lease liability and the initial direct cost incurred by the lessee. The Group depreciates the right-of-use asset from the commencement date of the lease to the earlier of the end of the useful life of the underlying asset or the end of the lease term on a straight-line basis. Changes in the useful life or the lease term are accounted for on a prospective basis as a change in accounting estimate. The useful life of right-of-use assets or the lease term is 2 to 50 years.

Lease liability

The lease liability is measured at the present value of lease payments that are not paid at the commencement date of the lease, discounted using the interest rate implicit in the lease or the lessee’s incremental borrowing rate, and presented as “Lease liabilities” in the consolidated statements of financial position. Interest expense on the lease liability in each period during the lease term that produces a constant periodic rate of interest on the remaining balance of the lease liability is recognized in profit or loss over the lease term and is included in “Financial expenses” in the consolidated statements of income.

(ii) Lessor

The Group, as a lessor, mainly leases construction machinery. If substantially all the risks and rewards incidental to the ownership of items of property, plant and equipment are transferred to the lessee in a lease, it is classified as a finance lease with the recognition of the underlying asset discontinued and the present value of the total amount of lease payments is used to recognize and measure the net investment in the lease. If substantially all the risks and rewards incidental to the ownership remain with the lessor in a lease, it is classified as an operating lease, and the underlying asset is continuously recognized, and lease income is recognized over the lease term on a straight-line basis.

(i) Impairment of non-financial assets

For each non-financial asset, the 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 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 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.

In the consolidated statements of financial position, the Group recognizes the net amount calculated by deducting the fair value of plan assets from the present value of defined benefit obligations and including consideration of the effect of asset ceiling, and presents it as assets or liabilities.

The risk-sharing pension plan introduced by the Company and certain consolidated subsidiaries is classified as a defined contribution pension plan because the Company and certain consolidated subsidiaries have no effective obligation to make additional contributions.

(k) Non-current assets held for sale and discontinued operations

Non-current assets or disposal groups that will be recovered primarily through sale transactions rather than continued use are classified as non-current assets held for sale or disposal groups if it is highly probable that they will be sold within one year, they are available for immediate sale in their current condition, and the Group's management has made a commitment to implement the sale plan.

While classified as held for sale or while being part of a disposal group classified as held for sale, the non-current assets are not depreciated or amortized, and the non-current assets or the disposal group classified as held for sale are measured at the carrying amount or fair value less costs to sell, whichever is lower.

The Group classifies an operation as a unit of management decision-making into a discontinued operation when it has already been sold or meets the requirements to be classified as held for sale.

(l) Provisions

The 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.

(m) Contingencies

The Group discloses contingent liabilities in (28) 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 (l) Provisions, excluding those where the possibility of an outflow of resources is remote.

(n) Revenue recognition

The Group recognizes revenue in accordance with the following five-step approach.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the separate performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group conducts multiple transactions to meet its customers' needs which may involve the delivery or performance of multiple elements, such as goods or services. When the Group enters into multiple contracts for providing the goods or services, related contracts are combined based on interdependencies between each contract's consideration and the time the Group entered into such contracts, and the transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service for the purpose of recognizing revenue, and revenue is recognized when ownership is deemed to have been transferred.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer. Variable consideration, such as discounts and rebates, is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The promised amount of consideration does not include a significant financing component, because ordinary transactions are completed with payments within one year.

In estimating the stand-alone selling price, the Group considers various factors such as market conditions, market price of competing products, etc., cost of products, and customers' business conditions.

For transactions whereby control over goods and services, etc. is transferred over time, the Group measures its progress towards complete satisfaction of that performance obligation on the basis of output or input methods in consideration of the nature of the goods and services for the purpose of recognizing revenue. When the Group cannot reasonably measure the progress, revenue is recognized only to the extent of the costs incurred. The Group recognizes the incremental costs of obtaining a contract with a customer and the costs directly related to fulfilling a contract as an asset if those costs are expected to be recovered, and those assets are amortized based on the methods used to recognize revenue of the goods or services to which the assets relate. The Group recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset is less than one year.

(o) Government grants

Government grants are recognized at fair value when the 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.

(p) 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. Deferred tax assets and liabilities are not recognized for temporary differences arising from goodwill and temporary differences arising from the initial recognition of an asset or liability in a transaction other than a business combination, which at the time of transaction affects neither accounting nor taxable income or loss and does not give rise to an equal amount of future taxable temporary differences and future deductible temporary differences. Deferred tax liabilities are not recognized for future taxable difference arising from investments in consolidated subsidiaries or affiliates where the 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 fiscal 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 fiscal year that includes the enactment date of the law related to the change in tax rates. 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.

(q) 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 the weighted average number of ordinary shares outstanding during the period and the conversion of securities with dilutive effects or the number of authorized shares.

(r) 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 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.

(s) New accounting standards not yet adopted by the Company

The following table lists major new accounting standards and interpretations issued or amended prior to the approval date of the consolidated financial statements and not adopted early by the Group.

The Group is currently examining the potential impact of adopting IFRS 18 "Presentation and Disclosure in Financial Statements" on the Group's consolidated financial statements.

IFRSs		Mandatory effective date (Fiscal year beginning on or after)	Planned fiscal year of adoption by the Group	Description of the new standards or amendments
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	Fiscal year ending March 31, 2028	A new standard that replaces IAS 1, the current accounting standard for presentation and disclosure in financial statements

(t) Subsequent events

The Group has assessed events that occurred up to June 24, 2025, the filing date of this annual securities report.

Notes to Consolidated Financial Statements

(4) Segment information

(a) Reportable segment information

(i) Overview of reportable segments

The operating segments of the Group are the components for which separate financial information is available and that are 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.

Taking into consideration the nature of products and services as well as categories, types of customers, and economic characteristics in a comprehensive manner, the Company determines to classify two reportable segments as follows. The Construction Machinery Business Segment primarily intends to provide customers with a series of total life cycle solutions related to construction machinery such as the manufacture and sale of hydraulic excavators, ultra-large hydraulic excavators, and wheel loaders, as well as the sale of parts related to these products. The Specialized Parts and Service Business Segment primarily intends to provide services, production, and distribution parts that are not included in the Construction Machinery Business Segment.

Since the non-core business in the Specialized Parts and Service Business Segment was classified as a discontinued operation, the amounts presented below are those of continuing operations excluding discontinued operations.

(ii) Revenue, profit or loss, and other items of business segments

For the fiscal year ended March 31, 2024

(Millions of yen)

	Reportable segment			Adjustments (*2,3)	Total
	Construction Machinery Business	Specialized Parts and Service Business	Total		
Revenue					
External customers	1,282,273	123,655	1,405,928	—	1,405,928
Intersegment transactions	59	6,234	6,293	(6,293)	—
Total revenues	1,282,332	129,889	1,412,221	(6,293)	1,405,928
Segment profit (*1)	148,346	14,344	162,690	—	162,690
Financial income	—	—	—	11,557	11,557
Financial expenses	—	—	—	(17,213)	(17,213)
Share of profits (losses) of investments accounted for using the equity method	3,442	—	3,442	—	3,442
Income before income taxes	151,788	14,344	166,132	(5,656)	160,476
Segment assets	1,643,254	175,090	1,818,344	(1,961)	1,816,383
Segment liabilities	925,879	91,903	1,017,782	(1,961)	1,015,821
Other items:					
Depreciation and amortization of intangible assets	(61,251)	(5,942)	(67,193)	—	(67,193)
Impairment losses	(518)	—	(518)	—	(518)
Business structure reform expenses	(4,769)	(32)	(4,801)	—	(4,801)
Investments accounted for using the equity method	23,844	—	23,844	—	23,844
Capital expenditure	108,339	10,552	118,891	—	118,891

(*1) Segment profit is based on operating income.

(*2) Adjustments represent eliminations of intersegment transactions, and amounts of companies that do not belong to any operating segment.

(*3) Intersegment transactions are recorded at the same prices used in arm's length transactions.

Notes to Consolidated Financial Statements

For the fiscal year ended March 31, 2025

(Millions of yen)

	Reportable segment			Adjustments (*2, 3)	Total
	Construction Machinery Business	Specialized Parts and Service Business	Total		
Revenue					
External customers	1,243,914	127,371	1,371,285	—	1,371,285
Intersegment transactions	86	8,271	8,357	(8,357)	—
Total revenues	1,244,000	135,642	1,379,642	(8,357)	1,371,285
Segment profit (*1)	140,590	14,140	154,730	—	154,730
Financial income	—	—	—	6,196	6,196
Financial expenses	—	—	—	(29,997)	(29,997)
Share of profits (losses) of investments accounted for using the equity method	3,239	—	3,239	—	3,239
Income before income taxes	143,829	14,140	157,969	(23,801)	134,168
Segment assets	1,607,347	185,325	1,792,672	(1,666)	1,791,006
Segment liabilities	845,748	88,972	934,720	(1,666)	933,054
Other items:					
Depreciation and amortization of intangible assets	(66,774)	(7,073)	(73,847)	—	(73,847)
Impairment losses	(815)	—	(815)	—	(815)
Business structure reform expenses	(497)	(967)	(1,464)	—	(1,464)
Investments accounted for using the equity method	25,968	—	25,968	—	25,968
Capital expenditure	128,576	13,335	141,911	—	141,911

(*1) Segment profit is based on operating income.

(*2) Adjustments represent eliminations of intersegment transactions, and amounts of companies that do not belong to any operating segment.

(*3) Intersegment transactions are recorded at the same prices used in arm’s length transactions.

(b) Information on products and services

Revenue from external customers by product and service is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Mining machinery	291,792	285,848
Construction machinery and others	1,114,136	1,085,437
Total	1,405,928	1,371,285

Notes to Consolidated Financial Statements

(c) Geographic information

Revenues attributed to geographic areas based on the location of the customers are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Japan	226,881	220,030
The Americas	375,247	356,135
Europe	182,893	159,656
Russia-CIS, Africa, and Middle East	128,526	138,135
Asia and Oceania	463,145	464,802
China	29,236	32,527
Total	1,405,928	1,371,285

In the fiscal years ended March 31, 2024 and 2025, individual countries to which revenues from external customers were material, other than Japan and China, were the United States included in the Americas and Australia included in Asia and Oceania. Revenues attributable to the United States were ¥273,728 million in the fiscal year ended March 31, 2024, and ¥258,320 million in the fiscal year ended March 31, 2025. Revenues attributable to Australia were ¥231,164 million in the fiscal year ended March 31, 2024, and ¥236,537 million in the fiscal year ended March 31, 2025.

The balances of property, plant and equipment, intangible assets, right-of-use assets and goodwill for each geographic area are as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Japan	302,865	298,725
The Americas	82,464	109,988
Europe	53,682	62,206
Asia	82,308	74,846
Oceania	108,727	107,166
Other Areas	4,437	5,671
Total	634,483	658,602

As of March 31, 2024 and March 31, 2025, individual countries in which balances of property, plant and equipment, intangible assets, right-of-use assets and goodwill were material were the United States, which was included in the Americas, and Australia, which was included in the Oceania, other than Japan. The balances in the United States included in those in the Americas were ¥69,578 million as of March 31, 2024 and ¥96,175 million as of March 31, 2025. The balances in Australia included in those in the Oceania were ¥97,682 million as of March 31, 2024 and ¥97,862 million as of March 31, 2025.

(d) Significant customer information

There is no concentration of revenues to a specific customer for the previous fiscal year and the fiscal year under review.

Notes to Consolidated Financial Statements

(5) Business combinations

For the fiscal year ended March 31, 2024

Inclusion of ACME Business Holdco, Inc. as a consolidated subsidiary through acquisition of its shares

In the fiscal year ended March 31, 2023, ACME Business Holdco, Inc. (hereinafter referred to as “ACME”), an equity-method affiliate of the Group, defaulted on loans from financial institutions. As guarantor of these obligations, the Company repaid its debt to the financial institutions. Despite a dispute with ACME and its related parties over indemnification claims arising from this repayment, an agreement was reached to end the dispute on March 12, 2024. This resulted in Hitachi Construction Machinery Investment U.S.A. Corporation, a consolidated subsidiary of the Company, acquiring additional shares of ACME from Weld Holdco, LLC, making ACME a 100% subsidiary.

(a) Purpose of business combination

The Group acquired additional shares of ACME, which was an equity-method affiliate engaged in the rent-to-rent business in the U.S.A., resulting in a 100% subsidiary, in order to further strengthen “Enhancing value chain business” and “Expanding business in the Americas,” which are key pillars of management strategies in the medium-term management plan “BUILDING THE FUTURE 2025.” As a result, the Company will maximize the utilization of ACME’s rent-to-rent business operational expertise and sales infrastructure to support the rental operations deployed by dealers and rental companies in North America. Through its rent-to-rent business, the Company aims to provide high-quality rental machinery to end users and contribute to the creation of high-quality used excavators. In this way, the Company is committed to realizing a circular economy, enhancing its brand value in the North American market, and further strengthening its value chain business in the Americas.

(b) Name of the acquired company and its business

Overview of share acquisition

Date of acquisition:	March 12, 2024
Name of the acquired company:	ACME Business Holdco, LLC
Business of the acquired company:	Rent-to-rent business
Percentage of voting rights acquired:	66.67%

(c) Consideration for the acquisition and fair value of assets acquired and liabilities assumed

The Company completed the allocation of the acquisition cost in the third quarter ended December 31, 2024, although it recognized the amounts of assets acquired and liabilities assumed on a provisional basis since the allocation of the acquisition cost was not completed in the previous fiscal year. Consideration of the share acquisition of ACME and fair value of assets acquired and liabilities assumed are as follows.

(Millions of yen)

	Amount
Cash and cash equivalents	18,166
Trade receivables	2,083
Other current assets	147
Non-current assets (Except goodwill)	27,071
Total assets	47,467
Current liabilities	2,200
Non-current liabilities	62,027
Total liabilities	64,227
Consideration paid (Cash)	—
Fair value of shares that the Company had already had upon acquisition of control	172
Total consideration of acquisition	172
Goodwill	16,932

The goodwill primarily reflects excess earning power and synergies with existing operations.

The Company retroactively revised the figures on the consolidated statements of financial position as of March 31, 2024. The goodwill on the acquisition date was increased by ¥6,532 million as the main component of the revision from the provisional amount. This was due to a ¥5,506 million decrease in property, plants, and equipment, a ¥441 million increase in other current liabilities, a ¥378 million increase in other non-current liabilities, and a ¥207 million increase in deferred tax liabilities.

Notes to Consolidated Financial Statements

(d) Trade receivables acquired

(Millions of yen)

	Total contractual receivables and fair value	Of which, the estimated unrecoverable amount
Accounts and notes receivable	2,083	—
Total	2,083	—

(e) Transaction-related expenses
Acquisition-related expenses related to this business combination were not material. A payment of ¥2,019 million related to the resolution of a dispute with ACME and its related parties over indemnification claims was recognized separately from this business combination and included in “Other expenses” in the consolidated statements of income.

(f) Gain on step acquisitions
As a result of remeasuring the 33.33% equity held by the Group before the acquisition date at fair value as of the acquisition date, a gain of ¥172 million related to the step acquisition from a business combination has been recognized in the consolidated statements of income under “Other income.”

(g) Revenue and net income of the acquired company and transferred business
Information on the revenue and net income of the business combination from the acquisition date to March 31, 2024 is not disclosed because it has no material impact on the consolidated financial statements.

(h) Revenue and net income of the Group assuming that the business combination is completed at the beginning of the fiscal year
Revenue and net income of the Group assuming that the business combination is completed at the beginning of the previous fiscal year are not disclosed because they have no material impact on the consolidated financial statements.

For the fiscal year ended March 31, 2025
Acquisition of business of Brake Supply Co., INC. through H-E Parts International LLC

(a) Purpose of business acquisition
The Group acquired the component remanufacturing business of Brake Supply Co., INC. (hereinafter referred to as “Brake Supply”) through H-E Parts International LLC (hereinafter referred to as “H-E Parts”), a consolidated subsidiary of the Company, being the acquiring company, in order to further strengthen “Enhancing value chain business” and “Expanding business in the Americas,” which are key pillars of management strategies in the medium-term management plan “BUILDING THE FUTURE 2025.” H-E Parts provides comprehensive solutions for mining operations, including maintenance and repair of mining machinery and equipment, as well as parts fabrication and component remanufacturing to meet customer needs. The company is expanding its business globally, with a primary focus on Australia and the Americas. Through this acquisition, H-E Parts will utilize Brake Supply's North American remanufacturing bases, parts warehouses, and human resources, thereby strengthening the structure of the remanufacturing business in the Americas.

(b) Name of the acquired company and its business
Overview of share acquisition

Date of acquisition:	December 3, 2024
Name of the acquired company:	Brake Supply Co., INC.
Business of the acquired company:	Component remanufacturing business

(c) Consideration for the acquisition and fair value of assets acquired and liabilities assumed
Consideration for the acquisition of Brake Supply’s business and fair value of assets acquired and liabilities assumed are as follows. These amounts are based on the completed allocation of the purchase price for the business acquisition to assets acquired and liabilities assumed.

(Millions of yen)

	Amount
Trade receivables	3,583
Inventories	9,489
Other current assets	91
Non-current assets (Except goodwill)	2,718
Total assets	15,881
Current liabilities	1,321
Non-current liabilities	454
Total liabilities	1,775
Consideration paid (Cash)	15,976
Total consideration of acquisition	15,976
Goodwill	1,870

The goodwill primarily reflects excess earning power and synergies with existing operations.

(d) Trade receivables acquired

(Millions of yen)

	Total contractual receivables and fair value	Of which, the estimated unrecoverable amount
Accounts and notes receivable	3,583	49
Total	3,583	49

(e) Transaction-related expenses

Acquisition-related expenses related to this business acquisition were not material.

(f) Revenue and net income of the acquired company and transferred business

Information on the revenue and net income of the business acquisition from the acquisition date to March 31, 2025 is not disclosed because it has no material impact on the consolidated financial statements.

(g) Revenue and net income of the Group assuming that the business acquisition is completed at the beginning of the fiscal year

Revenue and net income of the Group assuming that the business combination is completed at the beginning of the fiscal year are not disclosed because they have no material impact on the consolidated financial statements. Information on profit and loss assuming that the business acquisition is completed at the beginning of the fiscal year has not been audited by an audit firm.

(6) Trade receivables

The components of trade receivables are as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Accounts and notes receivable and electronically recorded monetary claims - operating	330,914	296,328
Finance lease receivables	38,137	35,797
Allowance for doubtful receivables	(16,676)	(14,219)
Total	352,375	317,906

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

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Current assets	305,179	270,259
Non-current assets	47,196	47,647
Total	352,375	317,906

Notes to Consolidated Financial Statements

(7) Leases

(a) Lessee

The Company and certain subsidiaries, as lessees, lease facilities centered on buildings, machinery, equipment and vehicles. To some of leases contracts, extension options and termination options have been granted. There is no restriction or special condition imposed by a lease.

The carrying amounts of right-of-use assets by type of underlying asset are as follows:

(Millions of yen)

	Land	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
As of March 31, 2024	17,019	43,828	5,475	651	66,973
As of March 31, 2025	16,330	42,561	7,154	1,283	67,328

The increase in right-of-use assets in the fiscal year ended March 31, 2025 is ¥16,074 million.

Expenses and cash outflows related to leases are as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Depreciation expense for right-of-use assets		
Land	1,146	1,589
Buildings and structures	7,052	8,013
Machinery, equipment and vehicles	3,047	3,345
Tools, furniture and fixtures	185	340
Total	11,430	13,287
Interest expenses on lease liabilities	1,481	1,875
Expenses for short-term leases	10,831	12,027
Total expenses related to leases	23,742	27,189
Total cash outflows related to leases	25,202	28,942

Maturity analysis of lease liabilities is provided in “(23) Financial instruments and related disclosures.”

(b) Lessor

Certain consolidated subsidiaries, as lessors, lease construction machinery, etc. under finance leases or operating leases.

Revenue from leases is as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Lease revenue under finance leases		
Financial income on net investment in the lease	932	727
Lease revenue under operating leases	61,326	60,175
Total revenue from leases	62,258	60,902

In addition, concerning the residual value of leased properties related to finance leases and operating leases, due to changes in the market environment and technological innovations, etc., that exceed expectations, there is a risk that their actual disposal value will be lower than the initially estimated value and so forth. In order to reduce the above risk, the Group evaluates the residual value of the leased properties and is working to improve the resale capacity of the leased properties. In addition, regarding residual value, the Group mainly monitors the market value of pre-owned properties in each country and is prepared to constantly grasp the latest information through regular monitoring.

Notes to Consolidated Financial Statements

Maturity analysis of lease payments receivable under finance leases is as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Undiscounted lease payments receivable		
Within 1 year	22,086	18,969
After 1 year but not more than 2 years	6,926	8,190
After 2 years but not more than 3 years	5,235	5,182
After 3 years but not more than 4 years	3,406	3,444
After 4 years but not more than 5 years	2,358	1,930
More than 5 years	583	505
Total	40,594	38,220
Unearned financial income on lease payments receivable	(2,457)	(2,423)
Net investment in the lease	38,137	35,797

Maturity analysis of undiscounted lease payments receivable under operating leases is as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Within 1 year	2,432	2,488
After 1 year but not more than 2 years	2,034	2,096
After 2 years but not more than 3 years	1,695	1,676
After 3 years but not more than 4 years	1,296	1,141
After 4 years but not more than 5 years	784	498
More than 5 years	212	78
Total	8,453	7,977

Notes to Consolidated Financial Statements

(8) Inventories

The components of inventories are as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Merchandise and finished goods	458,664	444,909
Work in process	53,081	47,468
Raw materials and supplies	40,574	38,806
Total	552,319	531,183

For the previous fiscal year and the fiscal year under review, the amounts of inventories expensed and included as cost of sales were ¥963,716 million and ¥934,257 million, respectively. For the previous fiscal year and the fiscal year under review, valuation losses recorded for inventories that were written down to net realizable value were ¥5,267 million and ¥5,399 million, respectively, and reversals of valuation losses were ¥1,983 million and ¥1,893 million, respectively.

(9) 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.

As described in Note (5) Business combinations, in the fiscal year under review, the Company completed the allocation of the acquisition cost of ACME, which was converted into a consolidated subsidiary during the previous fiscal year, to the amounts of assets acquired and liabilities assumed. Accordingly, the Company retroactively revised the balance for the previous fiscal year which are disclosed as comparative information.

(Millions of yen)

	Land	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Other property, plant and equipment	Construction in progress	Total
Net carrying amount							
April 1, 2023	57,062	113,751	63,825	12,533	143,429	26,477	417,077
Acquisition	2,356	2,508	5,992	2,613	50,531	30,605	94,605
Sales and disposals	(298)	(153)	(303)	8	(31,184)	(947)	(32,877)
Depreciation	—	(8,180)	(11,498)	(5,147)	(23,438)	—	(48,263)
Impairment losses	(1,011)	(3,107)	(3,314)	(78)	—	—	(7,510)
Acquisitions and divestitures	—	(141)	33	999	26,624	—	27,515
Currency translation effect	352	5,837	3,378	735	6,745	1,184	18,231
Transfer from construction in progress	471	19,514	9,142	3,643	6,518	(39,288)	—
Transfer to assets held for sale	(933)	(1,288)	(1,486)	(32)	—	(387)	(4,126)
Other	526	(558)	(166)	(263)	(565)	1,983	957
March 31, 2024	58,525	128,183	65,603	15,011	178,660	19,627	465,609
Acquisition	793	2,372	7,289	2,651	82,249	24,073	119,427
Sales and disposals	(40)	(236)	(1,332)	(515)	(27,323)	(395)	(29,841)
Depreciation	—	(8,667)	(10,840)	(5,790)	(25,962)	—	(51,259)
Impairment losses	—	(64)	(17)	(434)	(95)	—	(610)
Acquisitions and divestitures	—	—	—	—	—	—	—
Currency translation effect	(447)	(1,321)	(721)	(228)	(1,661)	(453)	(4,831)
Transfer from construction in progress	(506)	8,389	6,352	2,505	2,225	(18,965)	—
Transfer to assets held for sale	—	—	—	—	—	—	—
Other	—	306	(844)	1,926	(13,985)	133	(12,464)
March 31, 2025	58,325	128,962	65,490	15,126	194,108	24,020	486,031

For the previous fiscal year and the fiscal year under review, the amount of depreciation recognized is included in "Cost of sales," "Selling, general and administrative expenses," and "Net income (loss) from discontinued operations" in the consolidated statements of income. Impairment losses are included in "Other expenses" and "Net income (loss) from discontinued operations" 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 leasing held by certain consolidated subsidiaries such as construction machinery.

(Millions of yen)

	Land	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Other property, plant and equipment	Construction in progress	Total
Gross carrying amount							
March 31, 2024	59,570	268,074	258,302	72,820	277,786	19,627	956,179
March 31, 2025	58,589	274,286	257,063	79,149	292,460	24,020	985,567
Accumulated depreciation and impairment losses							
March 31, 2024	(1,045)	(139,891)	(192,699)	(57,809)	(99,126)	—	(490,570)
March 31, 2025	(264)	(145,324)	(191,573)	(64,023)	(98,352)	—	(499,536)

(10) 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.

As described in Note (5) Business combinations, in the fiscal year under review, the Company completed the allocation of the acquisition cost of ACME, which was converted into a consolidated subsidiary during the previous fiscal year, to the amounts of assets acquired and liabilities assumed. Accordingly, the Company retroactively revised the balance for the previous fiscal year which are disclosed as comparative information.

(Millions of yen)

	Goodwill	Software	Others	Total
Net carrying amount				
April 1, 2023	40,421	20,399	19,305	80,125
Purchases	16,932	9,773	102	26,807
Amortization	—	(6,769)	(1,659)	(8,428)
Impairment losses	(3,717)	—	(141)	(3,858)
Sales and disposals	—	(95)	(31)	(126)
Acquisitions and divestitures	—	—	—	—
Currency translation effect, etc.	5,068	216	1,746	7,030
Other	(433)	241	543	351
March 31, 2024	58,271	23,765	19,865	101,901
Purchases	1,870	12,679	841	15,390
Amortization	—	(7,476)	(1,825)	(9,301)
Impairment losses	—	—	—	—
Sales and disposals	—	(647)	(2)	(649)
Acquisitions and divestitures	—	—	—	—
Currency translation effect, etc.	(1,601)	(92)	(730)	(2,423)
Other	—	268	57	325
March 31, 2025	58,540	28,497	18,206	105,243

For the previous fiscal year and the fiscal year under review, the amount of amortization recognized is included in "Cost of sales," "Selling, general and administrative expenses," and "Net income (loss) from discontinued operations" in the consolidated statements of income. Impairment losses are included in "Other expenses" and "Net income (loss) from discontinued operations" of the consolidated statements of income.

(Millions of yen)

	Goodwill	Software	Others	Total
Gross carrying amount				
March 31, 2024	58,271	60,659	37,493	156,423
March 31, 2025	58,540	71,635	35,921	166,096
Accumulated amortization and impairment losses				
March 31, 2024	—	(36,894)	(17,628)	(54,522)
March 31, 2025	—	(43,138)	(17,715)	(60,853)

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, etc. 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 Group to complete the development of the intangible asset, and it is highly probable that the 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 previous fiscal year and the fiscal year under review were ¥31,425 million and ¥37,510 million, respectively, and they are included in “Cost of sales,” “Selling, general and administrative expenses,” and “Net income (loss) from discontinued operations” in the consolidated statements of income.

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

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

Significant goodwill recorded in the consolidated statements of financial position is principally goodwill (¥10,173 million in the previous fiscal year and ¥11,992 million in the fiscal year under review) mainly due to the inclusion of H-E Parts International LLC as a consolidated subsidiary following the acquisition of this company in the fiscal year ended March 31, 2017. The goodwill of H-E Parts International LLC for the fiscal year under review includes goodwill of ¥1,870 million associated with the acquisition of the component remanufacturing business of Brake Supply Co., INC., as described in (5) Business combinations.

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 (approximately 11% for H-E Parts International LLC) 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 (maximum of approximately 2.3% for H-E Parts International LLC) not exceeding the long-term average growth rate of the market to which the CGU belongs.

The major assumption on which calculation of recoverable amount in impairment test is based is a discount rate. Although the value in use per CGU exceeded the carrying amount of goodwill as of March 31, 2025, the value in use for goodwill may fall below the carrying amount if the discount rate increases by 2.0% for H-E Parts International LLC.

Notes to Consolidated Financial Statements

(11) Deferred taxes and income taxes

The components of income tax expense are as follows. Income tax expense on discontinued operations is provided in "(27) Notes on disposal groups classified as held for sale and discontinued operations."

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Income tax expense		
Current tax expense	48,867	42,368
Deferred tax expense	(4,681)	1,436
Temporary differences originated and reversed	(2,984)	3,924
Changes in write-down of deferred tax assets	(1,697)	(2,488)
Total	44,186	43,804

(Fiscal year ended March 31, 2024)
The Company and its domestic Japanese subsidiaries are subject to a national corporate tax of 23.2%, an inhabitant tax of 10.4% and business tax of 3.8%. Based on these taxes, a combined statutory income tax rate is 30.6%. However, overseas subsidiaries are subject to a corporate tax, etc. in their locations.
The Company and certain consolidated subsidiaries adopt the Group Relief System.

(Fiscal year ended March 31, 2025)
The Company and its domestic Japanese subsidiaries are subject to a national corporate tax of 23.2%, an inhabitant tax of 10.4% and business tax of 3.8%. Based on these taxes, a combined statutory income tax rate is 30.6%. However, overseas subsidiaries are subject to a corporate tax, etc. in their locations.

The Company and certain consolidated subsidiaries adopt the Group Relief System.

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:

(Percentage)

	As of March 31, 2024	As of March 31, 2025
Combined statutory income tax rate	30.6	30.6
Unitary taxation system including foreign subsidiaries	0.7	0.5
Income not taxable for tax purpose, such as dividends received	(12.7)	(20.0)
Elimination of dividends received	13.0	20.6
Difference in statutory tax rates of foreign subsidiaries	(3.0)	(2.5)
Changes in write-down of deferred tax assets	(1.1)	(1.9)
Other, net	0.0	5.3
Effective income tax rate	27.5	32.6

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, 2023	Recognized in profit or loss	Recognized in OCI	Others	March 31, 2024
Deferred tax assets					
Allowance for doubtful receivables	864	(445)	—	—	419
Accrued bonuses	3,804	409	—	—	4,213
Accrued expenses	7,008	2,140	—	—	9,148
Retirement and severance benefits	6,612	398	—	—	7,010
Net operating loss carryforwards	2,862	3,127	—	—	5,989
Unrealized profits of inventories	5,722	2,821	—	—	8,543
Unrealized gain on fixed assets	1,143	(25)	—	—	1,118
Lease liabilities	17,374	(1,424)	—	—	15,950
Other	22,790	4,379	(377)	—	26,792
Total deferred tax assets	68,179	11,380	(377)	—	79,182
Offset with deferred tax liabilities	(46,830)	(6,130)	—	—	(52,960)
Reported deferred tax assets	21,349	5,250	(377)	—	26,222
Deferred tax liabilities					
Investments in subsidiaries and investments in affiliates	(11,232)	(413)	(1,202)	—	(12,847)
Assets acquired in business combinations	(5,551)	551	(557)	(213)	(5,770)
Investments in securities	(2,975)	(528)	—	—	(3,503)
Right-of-use assets	(16,465)	(1,352)	—	—	(17,817)
Other	(17,489)	(5,115)	—	—	(22,604)
Total deferred tax liabilities	(53,712)	(6,857)	(1,759)	(213)	(62,541)
Offset with deferred tax assets	46,830	6,130	—	—	52,960
Reported deferred tax liabilities	(6,882)	(727)	(1,759)	(213)	(9,581)
Net deferred tax assets	14,467	4,523	(2,136)	(213)	16,641

(Millions of yen)

	April 1, 2024	Recognized in profit or loss	Recognized in OCI	Others	March 31, 2025
Deferred tax assets					
Allowance for doubtful receivables	419	(28)	—	—	391
Accrued bonuses	4,213	(275)	—	—	3,938
Accrued expenses	9,148	(1,089)	—	—	8,059
Retirement and severance benefits	7,010	161	(547)	—	6,624
Net operating loss carryforwards	5,989	(25)	—	—	5,964
Unrealized profits of inventories	8,543	(162)	—	—	8,381
Unrealized gain on fixed assets	1,118	(624)	—	—	494
Lease liabilities	15,950	(34)	—	—	15,916
Other	26,792	1,031	(481)	—	27,342
Total deferred tax assets	79,182	(1,045)	(1,028)	—	77,109
Offset with deferred tax liabilities	(52,960)	1,289	—	—	(51,671)
Reported deferred tax assets	26,222	244	(1,028)	—	25,438
Deferred tax liabilities					
Investments in subsidiaries and investments in affiliates	(12,847)	(725)	541	—	(13,031)
Assets acquired in business combinations	(5,770)	574	29	(476)	(5,643)
Investments in securities	(3,503)	—	(493)	—	(3,996)
Right-of-use assets	(17,817)	1,865	—	—	(15,952)
Other	(22,604)	(2,105)	(399)	198	(24,910)
Total deferred tax liabilities	(62,541)	(391)	(322)	(278)	(63,532)
Offset with deferred tax assets	52,960	(1,289)	—	—	51,671
Reported deferred tax liabilities	(9,581)	(1,680)	(322)	(278)	(11,861)
Net deferred tax assets	16,641	(1,436)	(1,350)	(278)	13,577

The total temporary differences related to excess amounts over the tax basis of investments in subsidiaries and investments in affiliates for which deferred tax liabilities are not recognized are ¥87,163 million and ¥91,868 million, respectively, as of March 31, 2024 and 2025.

Deferred tax liabilities are not recognized for these differences for which the 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 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, etc. become deductible. Although realization is not assured, the 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 Group believes it is more likely than not that it will realize the benefits of these deductible differences as of March 31, 2025.

In Japan's 2023 tax reform, corporate taxes were introduced to align with the BEPS Global Minimum Tax rules. Tax reform legislation (the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 3 of 2023)) (hereinafter the "Amended Corporation Tax Act") containing the provisions pertaining to said corporate income taxes (hereinafter the "Global Minimum Tax System") was enacted on March 28, 2023.

The Amended Corporation Tax Act introduced the Income Inclusion Rule (IIR), which is one of the BEPS Global Minimum Tax rules, and, starting from the fiscal year beginning on April 1, 2024, the parent company located in Japan is additionally taxed (top-up tax) until the tax burden of the subsidiary, etc. which has its parent company located in Japan reaches the minimum tax rate (15%). An amount recognized as tax expense during the fiscal year under review is immaterial.

The Group has applied the exceptional measure set forth in IAS 12 for income taxes arising from the Global Minimum Tax System, and has not recognized deferred tax assets and liabilities related to these income taxes.

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

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Deductible temporary differences	33,051	24,005
Tax loss carryforwards		
Expiring within 1 year	—	—
Expiring after 1 year but not more than 5 years	5,673	—
Expiring after 5 years	20,792	19,419
Total tax loss carryforwards	26,465	19,419

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

(12) Trade and other payables

The components of trade and other payables are as follows:

As described in Note (5) Business combinations, in the fiscal year under review, the Company completed the allocation of the acquisition cost of ACME, which was converted into a consolidated subsidiary during the previous fiscal year, to the amounts of assets acquired and liabilities assumed. Accordingly, the Company retroactively revised the balance for the previous fiscal year which are disclosed as comparative information.

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Accounts and notes payable and electronically recorded obligations - operating	171,404	144,441
Accounts payable - other	39,011	34,576
Accrued expenses	46,178	48,496
Other	9,511	8,570
Total	266,104	236,083

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

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Current liabilities	262,384	233,766
Non-current liabilities	3,720	2,317
Total	266,104	236,083

(13) 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 source 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, etc. 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, etc. 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") for the purpose of benefiting themselves or any third party. 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, etc. to invest in 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 laws and regulations. The Company has future obligations to make contributions as defined by the Pension Fund of Hitachi Construction Machinery.

Of the companies that introduced defined benefit pension plans, the Company and certain consolidated subsidiaries introduced a risk-sharing corporate pension plan for persons participating in the Pension Fund of Hitachi Construction Machinery. Under this plan, in addition to the amount equivalent to the standard premium, an amount equivalent to the risk-sharing premium is stipulated in advance in the Articles of Incorporation. The amount of benefits will increase or decrease according to the financial status of the risk-sharing corporate pension plan in each fiscal year to achieve a balance in pension financing.

The risk-sharing corporate pension plan introduced by the Company and certain consolidated subsidiaries is a system under which labor and management share the risks. The employer bears a certain amount of risk by making a fixed contribution, which includes a predetermined portion for risk response (risk-sharing premium) agreed upon by labor and management at the time of the transition to the plan, and the participants also bear a certain amount of risk as their benefits will be adjusted in the event that the financial balance becomes skewed. While conventional defined benefit pension plans require employers to make additional contributions when a shortfall arises in plan assets in relation to plan liabilities, risk-sharing corporate pension plans measure future risks in advance, and through a labor and management agreement, make risk-sharing premium within that range as a level contribution. The amount equivalent to the risk-sharing premium, which was determined based on the level of risk of financial deterioration calculated at the time of the transition, will be contributed in equal installments for five years and eight months from the date of plan revision, and no additional contributions will be made after the completion of these contributions.

In accounting for post-retirement benefits, risk-sharing corporate pension plans in which the company's contribution obligation is limited to the contributions stipulated in the terms and conditions of the plan and in which the company is not effectively obligated to make additional contributions in addition to the amount equivalent to such contributions are classified as defined contribution plans. The risk-sharing corporate pension plan introduced by the Company and certain subsidiaries is classified as a defined contribution pension plan, as it does not effectively have an obligation to contribute additional premiums.

For the severance lump-sum payment plans, the Company has 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 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Present value of defined benefit obligations at beginning of fiscal year	61,316	56,164
Service cost	1,908	1,670
Interest cost	1,721	1,522
Actuarial gain or (loss)	275	(4,717)
Benefits paid	(3,512)	(3,033)
Increase or (decrease) due to termination of the plan	(5,063)	—
Transfer to assets held for sale	(3,693)	—
Other	3,212	(184)
Present value of defined benefit obligations at end of fiscal year	56,164	51,422

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Fair value of plan assets at beginning of fiscal year	43,548	37,255
Interest income	969	707
Employers' contributions	297	958
Benefits paid	(2,192)	(1,843)
Return on plan assets (excluding the amount recognized as interest income)	482	(1,052)
Increase or (decrease) due to termination of the plan	(5,063)	—
Transfer to assets held for sale	(3,754)	—
Other	2,968	(731)
Fair value of plan assets at end of fiscal year	37,255	35,294

Changes in the effect of asset ceiling are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Balance of the effect of asset ceiling at beginning of fiscal year	860	921
Interest income	—	—
Remeasurements	(53)	1
Effect of limiting net plan assets to the asset ceiling	—	—
Other	114	(64)
Balance the effect of asset ceiling at end of fiscal year	921	858

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

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Present value of defined benefit obligations (funded)	(39,747)	(35,306)
Fair value of plan assets	37,255	35,294
Funding position	(2,492)	(12)
Effect of asset ceiling	(921)	(858)
Present value of defined benefit obligations (unfunded)	(16,417)	(16,116)
Net assets (liabilities) in the consolidated statements of financial position	(19,830)	(16,986)
Amount in the consolidated statements of financial position		
Liabilities	(22,505)	(20,404)
Assets (other non-current assets)	2,675	3,418

The components of actuarial gain or loss are as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Arising from changes in financial assumptions	304	4,096
Arising from changes in demographic assumptions	303	98
Other	(882)	523

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)

	As of March 31, 2024	As of March 31, 2025
Discount rate	2.9	3.5

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

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Increase by 0.5%	(3,760)	(3,435)
Decrease by 0.5%	3,495	2,853

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)

	As of March 31, 2024	As of March 31, 2025
Duration	14.3	14.0

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 consolidated 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)

	As of March 31, 2024		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Equity securities	—	—	—
Government bonds	—	—	—
Hedge funds	—	—	—
Securitization products	—	—	—
Cash and cash equivalents	4,248	—	4,248
Life insurance general accounts	—	20,162	20,162
Commingled funds	—	12,799	12,799
Other	46	—	46
Total	4,294	32,961	37,255

(Millions of yen)

	As of March 31, 2025		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Equity securities	—	—	—
Government bonds	—	—	—
Hedge funds	—	—	—
Securitization products	—	—	—
Cash and cash equivalents	3,225	—	3,225
Life insurance general accounts	—	19,398	19,398
Commingled funds	—	12,285	12,285
Other	386	—	386
Total	3,611	31,683	35,294

Commingled funds represent pooled institutional investments. As of March 31, 2024, commingled funds were approximately allocated to 24% in listed stocks, 13% in government bonds, 23% in corporate bonds and other debt securities and 40% in other assets. As of March 31, 2025, they were approximately allocated to 25% in listed stocks, 15% in government bonds, 24% in corporate bonds and other debt securities, and 36% 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, in accordance with the provisions of the Defined-Benefit Corporate Pension Act, the bylaws of the Pension Fund of Hitachi Construction Machinery require financial recalculation at the end of the fiscal year every five years.

Basic assumptions (expected interest rates, mortality rates, withdrawal rate, etc.) will be reviewed for financial recalculation.

The amount of contributions expected to be paid by the Company and certain consolidated subsidiaries to the plan assets for the following fiscal year is ¥349 million.

Contributions made to defined contribution plans and expensed in profit or loss of the Company and certain consolidated subsidiaries in the previous fiscal year and the fiscal year under review were ¥3,787 million and ¥4,154 million, respectively. Furthermore, contributions made to the risk-sharing corporate pension plans of the Company and certain consolidated subsidiaries in the fiscal year under review were ¥2,756 million. The estimated amount of risk-sharing premium to be contributed after the next fiscal year is ¥1,590 million.

(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 previous fiscal year and the fiscal year under review were ¥194,173 million and ¥203,831 million, respectively.

(14) Equity

(a) Common stock

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

(Number of shares)

	As of March 31, 2024	As of March 31, 2025
Total number of authorized shares	700,000,000	700,000,000

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

(Number of shares)

	Issued shares outstanding
April 1, 2023	215,115,038
Change during the fiscal year	—
March 31, 2024	215,115,038
Change during the fiscal year	—
March 31, 2025	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 previous fiscal year and the fiscal year under review are as follows:

(Number of shares)

	Treasury stock
April 1, 2023	2,465,562
Acquisition of treasury stock	1,705
Disposal of treasury stock (Note 1)	25,092
March 31, 2024	2,442,175
Acquisition of treasury stock	989
Disposal of treasury stock (Note 2)	31,688
March 31, 2025	2,411,476

(Note 1) On May 25, 2023, the Company disposed of 25,072 shares of treasury stock through restricted share-based compensation.
(Note 2) On May 23, 2024, the Company disposed of 31,688 shares of treasury stock through restricted share-based compensation.

(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 legal reserve reaches a quarter of the nominal value of common stock. Earned reserves may be available for dividends by resolution at the shareholder's meeting.

(iii) Written put options over non-controlling interests

Certain subsidiaries of the Group grant written put options over non-controlling interests to non-controlling interests of the subsidiaries. Non-controlling interests over which put options are exercised are recognized at fair value as financial liabilities, and non-controlling interests related to the put options are derecognized with the difference accounted for as capital surplus. The fair value hierarchy and assessment process are provided in "(23) Financial instruments and related disclosures."

(15) Other comprehensive income (OCI)

Components of OCI are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Foreign currency translation adjustments		
OCI arising during the fiscal year	41,855	(12,366)
Reclassification adjustment	—	—
OCI before tax effect	41,855	(12,366)
Tax effect	(1,045)	29
OCI, net of tax effect	40,810	(12,337)
Remeasurements of defined benefit obligations		
OCI arising during the fiscal year	260	3,668
Reclassification adjustment	—	—
OCI before tax effect	260	3,668
Tax effect	(72)	(830)
OCI, net of tax effect	188	2,838
Net gains and losses from financial assets measured at fair value through OCI		
OCI arising during the fiscal year	2,991	1,785
Reclassification adjustment	—	—
OCI before tax effect	2,991	1,785
Tax effect	(838)	(473)
OCI, net of tax effect	2,153	1,312
Cash flow hedges		
OCI arising during the fiscal year	(2,478)	233
Reclassification adjustment	2,651	(105)
OCI before tax effect	173	128
Tax effect	(43)	(38)
OCI, net of tax effect	130	90
Other comprehensive income of equity-method affiliates		
OCI arising during the fiscal year	2,005	(959)
Reclassification adjustment	—	—
OCI before tax effect	2,005	(959)
Tax effect	(105)	104
OCI, net of tax effect	1,900	(855)
Total OCI		
OCI arising during the fiscal year	44,633	(7,639)
Reclassification adjustment	2,651	(105)
OCI before tax effect	47,284	(7,744)
Tax effect	(2,103)	(1,208)
OCI, net of tax effect	45,181	(8,952)

Notes to Consolidated Financial Statements

(16) Dividends

Dividends paid on common stock are as follows:

Decision	Stock class	Total amount of dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
The Board of Directors meeting held on May 22, 2023	Common stock	12,759	60	March 31, 2023	May 31, 2023
The Board of Directors meeting held on October 26, 2023	Common stock	18,077	85	September 30, 2023	November 30, 2023
The Board of Directors meeting held on May 21, 2024	Common stock	13,824	65	March 31, 2024	June 6, 2024
The Board of Directors meeting held on October 25, 2024	Common stock	13,826	65	September 30, 2024	December 2, 2024

Dividends on common stock whose record date falls in the fiscal year under review and the effective date falls in the following fiscal year are as follows:

Decision	Stock class	Total amount of dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
The Board of Directors meeting held on May 23, 2025	Common stock	23,397	110	March 31, 2025	May 30, 2025

(17) Share-based compensation

In the previous fiscal year, the Company introduced a share-based compensation plan, under which shares with transfer restrictions are granted, as a new compensation plan for the Company's Executive Officers (hereinafter referred to as the "Eligible Officers"), for the purpose of providing incentives for the Eligible Directors to continuously improve corporate value over the medium to long term, and to promote further value sharing with shareholders.
The amount of share-based compensation expenses recorded for the previous fiscal year and the fiscal year under review was ¥78 million and ¥144 million, respectively.

(a) Restricted share-based compensation plan

Under the restricted share-based compensation plan of the Company, the Eligible Officers shall receive monetary claims as compensation related to the restricted shares based on a resolution of the Compensation Committee of the Company, make contribution in kind of all such monetary claims, and receive shares of common stock of the Company (hereinafter referred to as the "Shares") upon issuance or disposal thereof. For the issuance or disposal of the Shares by the Company under the plan, an agreement on allotment of restricted shares has been concluded between the Company and the Eligible Officers.

Overview of the agreement on allotment of restricted shares

(i) Transfer restriction period

From the delivery date to the date on which the Eligible Director resigns or retires from his/her position as an Executive Officer or an employee of the Company

(ii) Acquisition of shares without consideration by the Company

If an Eligible Officer has engaged in any conduct in violation of laws and regulations or otherwise fulfilled certain conditions set out in the agreement on allotment of restricted shares during the transfer restriction period, the Company shall acquire all of the allotted Shares held at that time by the Eligible Officer automatically and without consideration. In addition, the Company shall acquire the allotted Shares whose transfer restrictions have not been lifted at the time of the expiration of the transfer restriction period automatically and without consideration.

The details of the restricted shares delivered during the previous fiscal year and the fiscal year under review are as follows:

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Delivery date	May 25, 2023	May 23, 2024
Number of shares delivered	25,072 shares	31,688 shares
Issue price per share (Note)	¥3,120	¥4,547

(Note) The issue price of the restricted shares delivered during the previous fiscal year and the fiscal year under review is the closing price on the Tokyo Stock Exchange (Prime Market) on April 25, 2023 (the business day immediately before the date of the resolution of the Board of Directors on the issuance of the restricted shares) and the closing price on the Tokyo Stock Exchange (Prime Market) on April 23, 2024 (the business day immediately before the date of the resolution of the Board of Directors on the issuance of the restricted shares), respectively.

(18) Revenue recognition

(a) Disaggregation of revenue

The Group derives revenues primarily from contracts with customers. The following table shows the disaggregation of revenue attributable to each reportable segment and geographic area of the Company.

For the fiscal year ended March 31, 2024

(Millions of yen)

	Construction Machinery Business	Specialized Parts and Service Business	Total revenues
Japan	226,853	28	226,881
The Americas	325,435	49,812	375,247
Europe	181,332	1,561	182,893
Russia-CIS, Africa, and Middle East	118,999	9,527	128,526
Asia and Oceania	401,161	61,984	463,145
China	28,493	743	29,236
Total	1,282,273	123,655	1,405,928

The above includes revenue from leases described in "(7) Leases (b) Lessor."

For the fiscal year ended March 31, 2025

(Millions of yen)

	Construction Machinery Business	Specialized Parts and Service Business	Total revenues
Japan	219,823	207	220,030
The Americas	304,608	51,527	356,135
Europe	158,794	862	159,656
Russia-CIS, Africa, and Middle East	128,649	9,486	138,135
Asia and Oceania	400,255	64,547	464,802
China	31,785	742	32,527
Total	1,243,914	127,371	1,371,285

The above includes revenue from leases described in "(7) Leases (b) Lessor."

(b) Information about satisfaction of performance obligations

The following is information about satisfaction of performance obligations related to major products and services of each reportable segment.

(Construction Machinery Business)

The Construction Machinery Business primarily provides customers with hydraulic excavators, ultra-large-sized hydraulic excavators, wheel loaders, and other products as well as parts related to these products.

Since performance obligations for sale of products and parts are satisfied at a point in time upon completion of the sale and customers' acceptance and inspection of the goods, revenue is recognized when control over the goods is transferred to customers. Conditions for acceptance, such as loading to a ship, receipt by the customer, completion of performance tests, are determined under contracts with customers or relevant agreements. Consideration for a transaction is generally collected within four months after the relevant performance obligations are satisfied. Because the period between when performance obligations are satisfied and when consideration is received is usually within one year, a practical expedient is adopted and these receivables are not adjusted for significant financing components. Although there are some transactions for which consideration is collected over a period longer than one year, they are immaterial.

Revenue from periodic maintenance services and paid product guarantee services is recognized when the provision of services is completed or over the period during which services are provided. Conditions for completion of services to be provided, such as receipt of a completion report, are determined under contracts with customers or relevant agreements.

Consideration for a transaction is usually paid in fixed amounts every one to three months in case of periodic maintenance services. For paid product guarantee services, consideration for the duration of a contract is collected in advance at the time of executing the contract. Because the period between when performance obligations are satisfied and when consideration is received is usually within one year, a practical expedient is adopted and these receivables are not adjusted for significant financing components. Although there are some transactions for which consideration is collected over a period longer than one year, they are immaterial. In contracts with some customers, revenue is measured at the amount of promised consideration, less discounts, sales returns and the like.

(Specialized Parts and Service Business)
The Specialized Parts and Service Business provides customers with parts services, etc. that are not included in the Construction Machinery Business Segment. Since performance obligations are principally satisfied at a point in time upon completion of the sale and customers' acceptance and inspection of the goods, revenue is recognized when control over the goods is transferred to customers.
Because the period between when performance obligations are satisfied and when consideration is received is usually within one year, a practical expedient is adopted and these receivables are not adjusted for significant financing components. Although there are some transactions for which consideration is collected over a period longer than one year, they are immaterial.

(c) Information about contract balances

The following table shows the beginning and ending balances of the Group's trade receivables, contract assets and contract liabilities from contracts with customers.

For the fiscal year ended March 31, 2024

(Millions of yen)

	April 1, 2023	March 31, 2024
Trade receivables	340,349	352,375
Contract assets	4,221	552
Contract liabilities	22,931	23,753

For the fiscal year ended March 31, 2025

(Millions of yen)

	April 1, 2024	March 31, 2025
Trade receivables	352,375	317,906
Contract assets	552	623
Contract liabilities	23,753	22,931

Of the revenue recognized during the previous fiscal year, the amount included in contract liabilities at the beginning of the fiscal year was ¥13,917 million. There is no revenue related to performance obligations that were satisfied in prior periods and no cumulative catch-up adjustment to revenue. Impairment losses on trade receivables and contract assets recognized during the previous fiscal year were ¥2,376 million.

Of the revenue recognized during the fiscal year under review, the amount included in contract liabilities at the beginning of the fiscal year was ¥13,113 million. There is no revenue related to performance obligations that were satisfied in prior periods and no cumulative catch-up adjustment to revenue. Impairment losses on trade receivables and contract assets recognized during the fiscal year under review were ¥688 million.

For the previous fiscal year and the fiscal year under review, the Construction Machinery Business segment and the Specialized Parts and Service Business segment have no material transactions related to contract assets, which arise when goods or services are transferred before receipt of consideration or performance by an entity is completed. For the previous fiscal year, the contract asset balance decreased due to the classification of the non-core business as a discontinued operation.

Contract liabilities, which arise when consideration is received or payment becomes due before goods or services are transferred, are mainly advances received from customers as payments for products in relation to sales of construction machinery and paid product guarantee service contracts. Performance obligations are considered to be satisfied upon the fact of having performed the obligation to deliver products in case of sales of construction machinery, and the lapse of the period over which a guarantee is offered in case of paid product guarantee service contracts, and contract liabilities are reclassified to revenue when performance obligations are satisfied.

(d) Transaction price allocated to remaining performance obligations

The following table shows the balances of performance obligations to be performed in relation to contracts for products and services as of the end of the previous fiscal year and the end of the fiscal year under review.

For the fiscal year ended March 31, 2024

(Millions of yen)

	April 1, 2023	March 31, 2024
Products and services	10,910	10,528

The Group expects to perform roughly 90% of the balance of performance obligations to be performed as of March 31, 2024 within three years, and roughly 10% after three years and within five years.
There is no significant amount of consideration arising from contracts with customers that is not included in the transaction price.

For the fiscal year ended March 31, 2025

(Millions of yen)

	April 1, 2024	March 31, 2025
Products and services	10,528	10,337

The Group expects to perform roughly 90% of the balance of performance obligations to be performed as of March 31, 2025 within three years, and roughly 10% after three years and within five years.
There is no significant amount of consideration arising from contracts with customers that is not included in the transaction price.

(e) Assets recognized from the costs incurred for obtaining or fulfilling contracts with customers

In the Group, there were no costs incurred for obtaining or fulfilling contracts with customers during the fiscal year under review.

(19) Other income and expenses

The main components of other income are as follows

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Gain on sales of property, plant and equipment	598	1,318
Subsidy income	449	428
Gain on business restructuring	648	—
Compensation income (*1)	—	16,826
Other	3,480	4,018
Total	5,175	22,590

(*1) Compensation income

Compensation income for the fiscal year ended March 31, 2025 is compensation from a supplier for losses caused by the violation of domestic laws and regulations in domestic certification relating to the emissions performance of engines.

The main components of other expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Loss on sales of property, plant, and equipment	192	171
Loss on disposal of property, plant and equipment	1,759	2,129
Impairment of property, plant and equipment	518	815
Business structure reform expenses (*1)	4,801	1,464
Domestic engine certification-related loss (*2)	—	4,514
Other	3,243	3,756
Total	10,513	12,849

(*1) Business structure reform expenses
Business structure reform expenses recognized for the fiscal year ended March 31, 2024 include a ¥2,481 million loss on debt forgiveness due to sale of shares in consolidated subsidiaries and a ¥2,019 million cost related to the resolution of disputes with ACME Business Holdco, LLC (hereinafter ACME) and other related parties.

(*2) Domestic engine certification-related loss
Domestic engine certification-related loss for the fiscal year ended March 31, 2025 is caused by the violation of domestic laws and regulations in domestic certification relating to the emissions performance of engines of a supplier and was mainly attributable to the disposal of related inventories.

(20) Financial income and financial expenses

Main components of financial income are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Interest income		
Financial assets measured at amortized cost	8,036	5,568
Dividend income		
FVTOCI financial assets	368	389
Other	3,153	239
Total	11,557	6,196

Main components of financial expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Interest expenses		
Financial liabilities measured at amortized cost	15,045	18,849
Foreign exchange losses	1,882	9,657
Other	286	1,491
Total	17,213	29,997

Notes to Consolidated Financial Statements

(21) Earnings per share (EPS) information

A calculation of the basic and diluted earnings per share (attributable to owners of the parent) is as follows:

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
		(Millions of yen)
Net income attributable to owners of the parent	93,294	81,428
Adjustments for dilutive effect	—	—
Net income attributable to owners of the parent (diluted)	93,294	81,428
		(Number of shares)
Weighted average number of common shares outstanding	212,669,833	212,699,280
Dilutive effect of stock options	—	—
Weighted average number of common shares outstanding – diluted	212,669,833	212,699,280
		(Yen)
Net income (loss) attributable to owners of the parent per share (basic)		
Continuing operations	494.27	376.11
Discontinued operations	(55.59)	6.72
Net income attributable to owners of the parent per share (basic)	438.68	382.83
Net income (loss) attributable to owners of the parent per share (diluted)		
Continuing operations	494.27	376.11
Discontinued operations	(55.59)	6.72
Net income attributable to owners of the parent per share (diluted)	438.68	382.83
Summary of potential shares not included in the calculation of diluted earnings per share (attributable to owners of the parent) due to no dilutive effect	—	—

Notes to Consolidated Financial Statements

(22) Cash and cash equivalents

The balance of cash and cash equivalents reported in the consolidated statements of financial position as of March 31, 2024 and 2025 is consistent with that reported in the consolidated statements of cash flows.

Changes in liabilities arising from financing activities are as follows:

For the fiscal year ended March 31, 2024

(Millions of yen)

	Short-term borrowings	Bonds	Long-term borrowings	Lease liabilities	Total
April 1, 2023	239,520	39,875	228,072	71,798	579,265
Changes involving cash flows	27,926	10,000	4,208	(12,890)	29,244
Changes not involving cash flows					
Newly reported lease liabilities	—	—	—	13,219	13,219
Acquisitions and divestitures	234	—	375	1,481	2,090
Currency translation effect, etc.	14,430	(26)	10,968	634	26,006
March 31, 2024	282,110	49,849	243,623	74,242	649,824

For the fiscal year ended March 31, 2025

(Millions of yen)

	Short-term borrowings	Bonds	Long-term borrowings	Lease liabilities	Total
April 1, 2024	282,110	49,849	243,623	74,242	649,824
Changes involving cash flows	(17,136)	—	(12,715)	(15,040)	(44,891)
Changes not involving cash flows					
Newly reported lease liabilities	—	—	—	14,311	14,311
Currency translation effect, etc.	(4,240)	32	(3,665)	(948)	(8,821)
March 31, 2025	260,734	49,881	227,243	72,565	610,423

(23) Financial instruments and related disclosures

(a) Financial risks

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

(i) Market risk

Since the Group conducts manufacturing activities worldwide and has 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 consolidated 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 Group is exposed to interest rate fluctuation risk mainly related to long-term debts. In order to minimize this risk, the 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 Group receives variable interest rate payments on long-term debts, including long-term borrowings, and makes fixed interest rate payments, thereby creating fixed interest rate long-term debt.

Interest rate sensitivity analysis

The sensitivity analysis for interest rates as of March 31, 2024 and 2025 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, 2024 and 2025, while all other variables are held constant.

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Impact on income before income taxes	(1,564)	(2,216)

b Currency exchange risk

The 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 as of March 31, 2024 and 2025 shown below indicates the impact on income before income taxes reported in the 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, 2024 and 2025, while all other variables are held constant.

(Millions of yen)

	Currency	As of March 31, 2024	As of March 31, 2025
Impact on income before income taxes	US Dollar	213	101
	Euro	(1)	2

c Equity instruments price volatility risk

The Group holds listed stock of entities with which it has 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 price volatility risk of equity instruments of the Group 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 Group as of March 31, 2024 and 2025 fell by 10%, while all other variables are held constant.

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Impact on OCI, net of taxes	(619)	(775)

(ii) Credit risk

The Group extends credit to customers through various operating transactions and is exposed to credit risk associated with potential losses from credit deterioration or bankruptcy, etc. 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, etc. in the customers' financial conditions, etc. are timely identified and mitigated.

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

Since securities measured at amortized cost are highly rated securities, the Group finds little credit risk.

In addition, the Group enters into derivative transactions only with counterparties who are highly rated financial institutions; therefore, the 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 (28) Commitments and contingencies.

The changes in the balance of allowance for doubtful receivables and the changes in the gross carrying amounts corresponding to the allowance for doubtful receivables for the fiscal year ended March 31, 2024 and the fiscal year ended March 31, 2025 were as follows. Other financial assets mainly consist of financial assets measured at amortized cost such as short-term loans receivable, accounts receivable – other and long-term loans receivable.

Notes to Consolidated Financial Statements

For the fiscal year ended March 31, 2024

(Millions of yen)

Accounts and notes receivable and electronically recorded monetary claims – operating and contract assets	Allowance for doubtful receivables			Gross carrying amount		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
March 31, 2023	5,977	1,889	7,866	308,345	7,015	315,360
Net change during the fiscal year	26	1,272	1,298	(1,315)	1,145	(170)
Credit-impairment (a)	—	—	—	(69)	69	—
Write-off (b)	(2,309)	(67)	(2,376)	(10,037)	(42)	(10,079)
Other (c)	1,579	159	1,738	26,562	(207)	26,355
March 31, 2024	5,273	3,253	8,526	323,486	7,980	331,466

For the fiscal year ended March 31, 2025

(Millions of yen)

Accounts and notes receivable and electronically recorded monetary claims – operating and contract assets	Allowance for doubtful receivables			Gross carrying amount		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
March 31, 2024	5,273	3,253	8,526	323,486	7,980	331,466
Net change during the fiscal year	296	234	530	(39,378)	52	(39,326)
Credit-impairment (a)	(1,827)	—	(1,827)	(8,638)	—	(8,638)
Write-off (b)	(426)	(262)	(688)	(759)	(279)	(1,038)
Other (c)	(50)	1,737	1,687	7,642	6,845	14,487
March 31, 2025	3,266	4,962	8,228	282,353	14,598	296,951

Notes to Consolidated Financial Statements

For the fiscal year ended March 31, 2024

(Millions of yen)

Finance lease receivables	Allowance for doubtful receivables			Gross carrying amount		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
March 31, 2023	11	6,154	6,165	36,223	7,021	43,244
Net change during the fiscal year	4	1,500	1,504	(3,842)	104	(3,738)
Credit-impairment (a)	—	—	—	—	—	—
Write-off (b)	—	—	—	—	—	—
Other (c)	—	464	464	(1,328)	(41)	(1,369)
March 31, 2024	15	8,118	8,133	31,053	7,084	38,137

For the fiscal year ended March 31, 2025

(Millions of yen)

Finance lease receivables	Allowance for doubtful receivables			Gross carrying amount		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
March 31, 2024	15	8,118	8,133	31,053	7,084	38,137
Net change during the fiscal year	1	448	449	(1,024)	(717)	(1,741)
Credit-impairment (a)	—	—	—	—	—	—
Write-off (b)	—	(462)	(462)	—	(462)	(462)
Other (c)	—	(2,168)	(2,168)	(1,599)	1,462	(137)
March 31, 2025	16	5,936	5,952	28,430	7,367	35,797

Notes to Consolidated Financial Statements

For the fiscal year ended March 31, 2024

(Millions of yen)

Other financial assets	Allowance for doubtful receivables			Gross carrying amount		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
March 31, 2023	—	38	38	30,120	51,377	81,497
Net change during the fiscal year	—	1,443	1,443	(10,666)	(42,521)	(53,187)
Credit-impairment (a)	—	—	—	—	—	—
Write-off (b)	—	(1,046)	(1,046)	(364)	(1,047)	(1,411)
Other (c)	—	(428)	(428)	3,120	(1,371)	1,749
March 31, 2024	—	7	7	22,210	6,438	28,648

For the fiscal year ended March 31, 2025

(Millions of yen)

Other financial assets	Allowance for doubtful receivables			Gross carrying amount		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
March 31, 2024	—	7	7	22,210	6,438	28,648
Net change during the fiscal year	—	(12,554)	(12,554)	64,667	(57,598)	7,069
Credit-impairment (a)	—	—	—	(39)	—	(39)
Write-off (b)	—	(1,621)	(1,621)	(277)	(1,631)	(1,908)
Other (c)	—	14,174	14,174	(53,119)	52,813	(306)
March 31, 2025	—	6	6	33,442	22	33,464

(a) The Group measures the allowance for doubtful receivables relating to credit-impaired financial assets based on individual assessment and, therefore, transfers them from collective assessment.
(b) The Group generally writes off and derecognizes the corresponding carrying amount when it has no reasonable expectations of recovering the financial asset in its entirety or a portion.
(c) Other mainly includes the effects of acquisitions and divestitures and exchange rate fluctuations.

(iii) Liquidity risk

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

The following tables present the maturities of financial liabilities of the Group. Gain or loss from derivatives that are settled on a net basis are presented on a gross basis for each transaction.
As described in Note (5) Business combinations, in the fiscal year under review, the Company completed the allocation of the acquisition cost of ACME, which was converted into a consolidated subsidiary during the previous fiscal year, to the amounts of assets acquired and liabilities assumed. Accordingly, the Company retroactively revised the balance for the previous fiscal year which are disclosed as comparative information.

(Millions of yen)

	As of March 31, 2024				
	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	266,104	266,104	262,384	3,720	—
Lease liabilities	74,242	79,020	12,672	33,580	32,768
Short-term borrowings	282,110	283,450	283,450	—	—
Bonds	49,849	50,920	183	30,632	20,105
Long-term borrowings	243,623	247,234	115,719	76,178	55,337
Derivative liabilities					
Forward exchange contracts	3,460	3,460	3,460	—	—
Interest rate swaps	124	124	—	124	—
Currency swaps	—	—	—	—	—

(*1) The weighted average interest rate for short-term borrowings for the fiscal year under review was 0.47%, and the weighted average interest rate for long-term borrowings was 1.48%.

(*2) Guarantee obligations described in (28) Commitments and contingencies are not included as the performance of such guarantee obligations is remote.

Notes to Consolidated Financial Statements

(Millions of yen)

	As of March 31, 2025				
	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	236,083	236,083	233,766	2,317	—
Lease liabilities	72,565	75,544	12,774	31,353	31,417
Short-term borrowings	260,734	261,505	261,505	—	—
Bonds	49,881	50,737	183	40,516	10,038
Long-term borrowings	227,243	234,463	67,916	100,841	65,706
Derivative liabilities					
Forward exchange contracts	915	915	872	43	—
Interest rate swaps	78	78	1	77	—
Currency swaps	—	—	—	—	—

(*1) The weighted average interest rate for short-term borrowings for the fiscal year under review was 0.3%, and the weighted average interest rate for long-term borrowings was 3.18%.

(*2) Guarantee obligations described in (28) 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
			March 31, 2024	March 31, 2025			
The Company	Unsecured debenture #18 Ordinary bonds	2020	19,963	19,975	Unsecured	0.25	March 12, 2027
The Company	Unsecured debenture #19 Ordinary bonds	2020	9,970	9,975	Unsecured	0.29	March 12, 2030
The Company	Unsecured debenture #20 Ordinary bonds	2021	9,964	9,969	Unsecured	0.38	March 18, 2031
The Company	Unsecured debenture #21 (Green bonds)	2024	9,952	9,962	Unsecured	0.67	March 7, 2029

(iv) Capital management

In pursuing sustainable growth, the 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 Group closely monitors the balance (excluding lease liabilities) of interest-bearing liabilities, net of cash and cash equivalents.

Net interest-bearing liabilities as of March 31, 2024 and 2025 amounted to ¥432,052 million and ¥390,722 million, respectively.

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

Other financial assets and other financial 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 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. The fair value of derivative instruments, which are FVTPL financial assets or financial liabilities, is determined based on prices obtained from financial institutions. The fair value of liabilities for written put options over non-controlling interests is calculated by the method where future cash flows are discounted.

Bonds and borrowings

The fair value of unsecured debentures and borrowings is determined based on the expected future cash flows from principal and interest 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 financial assets and financial liabilities measured at amortized cost are as follows. Financial assets and financial liabilities whose carrying amounts reasonably approximate the fair values are not included. The fair value hierarchy is described in “(iii) Financial instruments measured at fair value in the consolidated statements of financial position” below.

As described in Note (5) Business combinations, in the fiscal year under review, the Company completed the allocation of the acquisition cost of ACME, which was converted into a consolidated subsidiary during the previous fiscal year, to the amounts of assets acquired and liabilities assumed. Accordingly, the Company retroactively revised the balance for the previous fiscal year which are disclosed as comparative information.

(Millions of yen)

Category	As of March 31, 2024		As of March 31, 2025	
	Carrying amount	Estimated fair values	Carrying amount	Estimated fair values
Assets				
Trade receivables (*1)	352,375	355,124	317,906	320,098
Liabilities				
Trade and other payables (*2)	(266,104)	(266,364)	236,083	236,226
Bonds and borrowings (*3)	(575,582)	(575,676)	537,858	533,837

(*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 reporting period.

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

(Millions of yen)

As of March 31, 2024	Level 1	Level 2	Level 3	Total
FVTOCI financial assets:				
Other financial assets				
Equity securities	8,920	—	9,974	18,894
FVTPL financial assets:				
Other financial assets				
Derivative assets	—	6,322	—	6,322
Other financial assets	—	—	557	557
Total financial assets	8,920	6,322	10,531	25,773
FVTPL financial liabilities				
Other financial liabilities				
Derivative liabilities	—	(3,584)	—	(3,584)
Other				
Other financial liabilities				
Liabilities for written put options over non-controlling interests	—	—	(3,575)	(3,575)
Total financial liabilities	—	(3,584)	(3,575)	(7,159)

(Millions of yen)

As of March 31, 2025	Level 1	Level 2	Level 3	Total
FVTOCI financial assets:				
Other financial assets				
Equity securities	11,162	—	10,757	21,919
FVTPL financial assets:				
Other financial assets				
Derivative assets	—	1,602	—	1,602
Other financial assets	—	—	489	489
Total financial assets	11,162	1,602	11,246	24,010
FVTPL financial liabilities				
Other financial liabilities				
Derivative liabilities	—	(993)	—	(993)
Total financial liabilities	—	(993)	—	(993)

The following tables present the changes in Level 3 financial instruments measured at fair value on a recurring basis for the previous fiscal year and the fiscal year under review.

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Balance at beginning of the fiscal year	8,980	10,531
Total gain/(loss)	776	507
Other comprehensive income	776	507
Purchased	788	292
Sold	(16)	(27)
Other	3	(57)
Balance at end of the fiscal year	10,531	11,246

Gain and loss recognized in OCI are 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.

The remaining balance of liabilities for written put options over non-controlling interests classified as Level 3 at the beginning of the fiscal year ended March 31, 2025 was ¥3,575 million, which was fully paid out following the exercise of the put options by non-controlling interests during the fiscal year ended March 31, 2025.

Of the financial instruments measured at fair value, 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.

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(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
KYB Corporation	4,612	5,243
Wakita & Co., LTD.	1,912	2,075
Kanamoto Co., Ltd.	928	1,116
Nippon Chuzo K. K.	724	600
KOKEN BORING MACHINE CO., LTD.	396	362

See (20) 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 (loss) reclassified, net of taxes, for the previous fiscal year and the fiscal year under review was ¥675 million and ¥7 million, respectively.
The main reason for the above was the derecognition of securities classified as FVTOCI financial assets due to the disposal of shares after reviewing particular business relations.

Information on securities classified as FVTOCI financial assets that were derecognized includes the following:

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Fair value at the time of derecognition	1,205	13
Accumulated gains/losses at the time of derecognition	973	11

(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 and currency 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 foreign currency 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 volatility 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.

When applying hedge accounting, the Group assesses hedge effectiveness through a qualitative assessment of whether the critical terms of the hedged item and the hedging instrument match or are closely aligned and whether changes in the fair value or cash flows of the hedging instrument offset changes in the fair value or cash flows of the hedged item in order to confirm that an economic relationship exists between the hedged item and the hedging instrument. The Group also sets appropriate hedge ratios based on the economic relationship between the hedging instrument and the hedged item and the Group's risk management policies. For the fiscal year ended March 31, 2025, hedge ineffectiveness recognized in profit or loss was not material.

As of March 31, 2025, the period in which the cash flows from the hedged items were expected to occur and in which they were expected to affect profit or loss was from April 2024 to November 2027.

The notional amount and carrying amount of hedging instruments are as follows. The carrying amount of hedging instruments is included in "Other financial assets" and "Other financial liabilities" in the consolidated statements of financial position.

For the fiscal year ended March 31, 2024

(Millions of yen)

	Notional amount		Carrying amount	
		More than 1 year	Assets	Liabilities
Fair value hedge				
Currency exchange risk	122,899	—	84	(3,359)
Cash flow hedge				
Currency exchange risk	(4,764)	—	85	(101)
Interest rate risk	19,723	16,272	21	(124)

The fair value of derivative assets for which hedge accounting was not applied was ¥6,132 million.

For the fiscal year ended March 31, 2025

(Millions of yen)

	Notional amount		Carrying amount	
		More than 1 year	Assets	Liabilities
Fair value hedge				
Currency exchange risk	129,002	5,984	1,309	(732)
Cash flow hedge				
Currency exchange risk	(3,097)	—	295	(183)
Interest rate risk	18,795	9,398	(34)	(78)

The fair value of derivative assets for which hedge accounting was not applied was ¥32 million.

The carrying amount of hedged items for which fair value hedges are applied is as follows:

For the fiscal year ended March 31, 2024

(Millions of yen)

Hedged items related to fair value hedges	Account title in the consolidated statements of financial position	Carrying amount	
		Assets	Liabilities
Currency exchange risk	Trade receivables, other financial assets, and trade and other payables	143,388	(20,489)

For the fiscal year ended March 31, 2025

(Millions of yen)

Hedged items related to fair value hedges	Account title in the consolidated statements of financial position	Carrying amount	
		Assets	Liabilities
Currency exchange risk	Trade receivables, other financial assets, and trade and other payables	155,363	(26,361)

For the fiscal year ended March 31, 2025, changes in the fair value of hedging instruments and hedged items for which fair value hedges are applied and the accumulated amount of fair value hedge adjustments on hedged items included in the carrying amount of the hedged items were not material.

Changes in the fair value of hedging instruments recorded in AOCI for which cash flow hedges are applied are as follows:

For the fiscal year ended March 31, 2024

(Millions of yen)

	April 1, 2023	Changes in fair value of hedging instruments recognized in OCI	Amount reclassified to profit or loss	March 31, 2024
Currency exchange risk	200	(2,828)	2,620	(8)
Interest rate risk	(457)	350	31	(76)

For the fiscal year ended March 31, 2025

(Millions of yen)

	April 1, 2024	Changes in fair value of hedging instruments recognized in OCI	Amount reclassified to profit or loss	March 31, 2025
Currency exchange risk	(8)	310	(174)	128
Interest rate risk	(76)	(77)	69	(84)

In the consolidated statements of income, the amount reclassified to profit or loss is included mainly in “Financial expenses” for hedges of currency exchange risk and interest rate risk.

(24) Pledged assets

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

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Accounts and notes receivable	9,376	11,482
Inventories	15,709	16,903
Other property, plant and equipment	48,532	40,528
Total	73,617	68,913

Notes to Consolidated Financial Statements

(25) Principal consolidated subsidiaries

The Company's consolidated financial statements include the consolidated subsidiaries listed below.

Name of subsidiary	Address	Principal business activities (Note 1)	Ownership percentage (%)	
			As of March 31, 2024	As of March 31, 2025
			%	%
Hitachi Construction Machinery Tierra Co., Ltd.	Koka-city, Shiga	Construction Machinery Business	100.0	100.0
Hitachi Construction Machinery Camino Co., Ltd.	Higashine-city, Yamagata	Construction Machinery Business	100.0	100.0
Hitachi Construction Machinery Japan Co., Ltd.	Soka-city, Saitama	Construction Machinery Business	100.0	100.0
LLC Hitachi Construction Machinery Eurasia	Tver, Russia	Construction Machinery Business	100.0	100.0
Hitachi Construction Machinery (Europe) N.V.	Oosterhout, the Netherlands	Construction Machinery Business	98.9	98.9
Hitachi Construction Machinery (China) Co., Ltd.	Hefei, Anhui, China	Construction Machinery Business	91.3	100.0
Hitachi Construction Machinery Asia and Pacific Pte. Ltd.	Pioneer Walk, Singapore	Construction Machinery Business	100.0	100.0
P.T. Hitachi Construction Machinery Indonesia	Bekasi, Indonesia	Construction Machinery Business	82.0	82.0
Hitachi Construction Machinery Distribution (China) Co., Ltd.	Shanghai, China	Construction Machinery Business	100.0	100.0
Hitachi Construction Machinery Financial Leasing (China) Co., Ltd.	Shanghai, China	Construction Machinery Business	100.0	100.0
Tata Hitachi Construction Machinery Company Private Limited	Bengaluru, Karnataka, India	Construction Machinery Business	60.0	60.0
Hitachi Construction Machinery Americas Inc.	Atlanta, Georgia, U.S.A.	Construction Machinery Business	100.0	100.0
Hitachi Construction Machinery Oceania Holdings Pty., Ltd.	Greystanes, New South Wales, Australia	Construction Machinery Business	100.0	100.0
Hitachi Construction Machinery (Australia) Pty., Ltd.	Greystanes, New South Wales, Australia	Construction Machinery Business	80.0	80.0
H-E Parts International LLC	Atlanta, Georgia, U.S.A.	Specialized Parts and Service Business	100.0	100.0
Bradken Pty Limited	Newcastle, New South Wales, Australia	Specialized Parts and Service Business	100.0	100.0

(Note 1) In the column of principal business activities, the names of the Group's business segments are provided.

Notes to Consolidated Financial Statements

(26) Related party transactions

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

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Monthly salary, fiscal year-end allowance and performance-linked compensation	900	1,051
Share-based compensation	78	144
Total	978	1,195

(b) Transactions between the Company and the Parent Company and other related parties

Transactions between the Company and the Parent Company and other related parties and receivable and payable balances are as follows:

For the fiscal year ended March 31, 2024

(Millions of yen)

Type	Name	Transaction	Transaction amount	Outstanding balance
Other affiliate	ITOCHU Corporation	Sale of products	122,316	63,185

For the fiscal year ended March 31, 2025

(Millions of yen)

Type	Name	Transaction	Transaction amount	Outstanding balance
Other affiliate	ITOCHU Corporation	Sale of products	107,647	39,836

(c) Transactions between consolidated subsidiaries of the Company and other related parties

For the fiscal year ended March 31, 2024

(Millions of yen)

Type	Name	Transaction	Transaction amount	Outstanding balance
Other affiliate	ITOCHU Corporation	Purchase of products	124,218	58,571

For the fiscal year ended March 31, 2025

(Millions of yen)

Type	Name	Transaction	Transaction amount	Outstanding balance
Other affiliate	ITOCHU Corporation	Purchase of products	106,825	36,656

(27) Notes on disposal groups classified as held for sale and discontinued operations

(a) Overview of discontinued operations

Regarding the sale of the non-core business in the Specialized Parts and Service Business segment, which was resolved at a meeting of the Board of Directors held on February 29, 2024, the Company concluded a business transfer agreement with TerraMar Capital LLC on January 3, 2025, whereby the non-core business is transferred to the said company, and the transfer completed on the same day.

(b) Assets held for sale

Assets held for sale and directly-related liabilities are as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Assets		
Trade receivables	3,771	—
Contract assets	5,200	—
Inventories	3,686	—
Other financial assets	382	—
Other current assets	438	—
Property, plant and equipment	3,804	—
Intangible assets	118	—
Deferred tax assets	1,803	—
Other non-current assets	87	—
Total	19,289	—
Liabilities		
Trade and other payables	2,440	—
Lease liabilities (current)	183	—
Contract liabilities	1,619	—
Other current liabilities	8	—
Lease liabilities (non-current)	509	—
Deferred tax liabilities	679	—
Total	5,438	—

(c) Profits (losses) from discontinued operations

Profits (losses) from discontinued operations are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Revenue	16,915	16,145
Expenses (Note)	(28,240)	(14,648)
Income (losses) before income taxes	(11,325)	1,497
Income tax expense	(498)	(67)
Net income (loss) from discontinued operations	(11,823)	1,430

(Note) For the fiscal year ended March 31, 2024, profits (losses) from discontinued operations include impairment losses of ¥11,268 million recognized on assets comprising discontinued operations measured at fair value less costs to sell.
For the fiscal year ended March 31, 2025, profits (losses) from discontinued operations include impairment losses of ¥1,394 million recognized on assets comprising discontinued operations measured at fair value less costs to sell.

Cash flows related to discontinued operations are as follows.

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Net cash provided by operating activities	759	1,162
Net cash provided by (used in) investing activities	(774)	135
Net cash provided by (used in) financing activities	(74)	(400)
Total	(89)	897

(28) Commitments and contingencies

Guarantee obligations

The Group's guarantee obligations and guarantee commitment associated with borrowings from financial institutions are as follows

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Guarantee obligations	30,407	42,791
Guarantee commitment	49	49
Total	30,456	42,840

(29) Subsequent events

Not applicable.

(30) Approval of consolidated financial statements

The consolidated financial statements were approved on June 24, 2025 by Masafumi Senzaki, President and Executive Officer of the Company.

Notes to Consolidated Financial Statements

(2) Others

Semiannual information for the fiscal year under review

(Millions of yen, unless otherwise stated)

	Six months ended September 30, 2024	Fiscal year ended March 31, 2025
Revenue	665,737	1,371,285
Income before income taxes	54,493	134,168
Net income attributable to owners of the parent	31,747	81,428
Net income attributable to owners of the parent per share (basic) (Yen)	149.26	382.83

(Note) Regarding the business combination with ACME that was carried out in March 2024, provisional accounting treatment was conducted for the six months ended September 30, 2024. The accounting was finalized in a period after the six months ended September 30, 2024, and the Company reflected the finalization of the provisional accounting treatment to relevant figures for the six months ended September 30, 2024.

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated financial statements

1) Non-consolidated balance sheets

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and deposits	5,331	18,563
Electronically recorded monetary claims – operating	293	206
Accounts receivable – trade (*1)	249,957	218,790
Merchandise and finished goods	87,609	80,190
Work in process	21,192	17,245
Raw materials and supplies	4,219	3,504
Prepaid expenses	2,127	2,277
Short-term loans receivable (*1)	93,959	108,048
Accounts receivable – other (*1)	33,708	29,672
Other	8,837	1,952
Allowance for doubtful accounts	(294)	(287)
Total current assets	506,938	480,160
Non-current assets		
Property, plant and equipment		
Buildings	42,820	42,057
Structures	7,119	7,046
Machinery and equipment	25,162	25,452
Vehicles	163	155
Tools, furniture and fixtures	5,032	5,485
Land	36,296	35,737
Construction in progress	3,175	6,866
Total property, plant and equipment	119,766	122,798
Intangible assets		
Software	19,152	23,699
Others	79	125
Total intangible assets	19,231	23,824
Investments and other assets		
Investment securities	9,451	11,715
Shares of subsidiaries and affiliates	143,368	193,417
Investments in capital of subsidiaries and affiliates	52,472	52,472
Long-term prepaid expenses	438	462
Prepaid pension costs	1,282	924
Deferred tax assets	6,298	5,399
Long-term accounts receivable with subsidiaries and affiliates	58,203	20,096
Long-term accounts receivable – trade with subsidiaries and affiliates	16,229	14,421
Other	2,583	2,742
Allowance for doubtful accounts	(12,207)	(166)
Total investments and other assets	278,118	301,482
Total non-current assets	417,115	448,105
Total assets	924,054	928,264

See accompanying notes to financial statements.

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Liabilities		
Current liabilities		
Electronically recorded obligations – operating	28,004	23,251
Accounts payable – trade (*1)	82,372	66,787
Short-term borrowings	79,000	36,300
Short-term borrowings from subsidiaries and affiliates	13,540	16,472
Current portion of long-term borrowings	37,740	22,990
Lease obligations	228	452
Accounts payable – other (*1)	17,504	19,540
Accrued expenses	13,240	12,561
Income taxes payable	1,572	1,730
Deposits received (*1)	51,600	51,221
Contract liabilities	2,826	4,089
Other	4,150	916
Total current liabilities	331,774	256,309
Non-current liabilities		
Bonds payable	50,000	50,000
Long-term borrowings	106,056	122,990
Lease obligations	2,685	2,968
Provision for retirement benefits	8,560	8,710
Contract liabilities	6,745	4,533
Other	221	312
Total non-current liabilities	174,267	189,513
Total liabilities	506,042	445,822
Net assets		
Shareholders' equity		
Common stock	81,577	81,577
Capital surplus		
Legal capital surplus	81,084	81,084
Other capital surplus	3,922	4,026
Total capital surplus	85,006	85,110
Retained earnings		
Legal retained earnings	2,169	2,169
Other retained earnings		
Reserve for reduction entry	6,291	5,806
General reserve	12,952	12,952
Retained earnings brought forward	228,773	292,726
Total retained earnings	250,185	313,653
Treasury stock, at cost	(3,069)	(3,033)
Total shareholders' equity	413,699	477,308
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,303	5,078
Deferred gains or losses on hedges	10	57
Total valuation and translation adjustments	4,313	5,135
Total net assets	418,012	482,442
Total liabilities and net assets	924,054	928,264

See accompanying notes to financial statements.

2) Non-consolidated statements of income

Fiscal Years ended March 31, 2024 and 2025		(Millions of yen)
	2024	2025
Net sales (*1)	810,556	723,660
Cost of sales (*1)	690,549	617,189
Gross profit	120,008	106,471
Selling, general and administrative expenses (*2)	103,680	104,284
Operating income	16,328	2,186
Non-operating income		
Interest income and dividends (*1)	61,269	80,590
Miscellaneous income (*1)	5,076	2,329
Total non-operating income	66,345	82,918
Non-operating expenses		
Interest expenses (*1)	1,147	1,607
Foreign exchange losses	2,454	10,288
Miscellaneous loss (*1)	2,811	4,935
Total non-operating expenses	6,412	16,830
Ordinary income	76,261	68,274
Extraordinary income		
Gain on reversal of allowance for doubtful accounts	–	12,579
Gain on sales of investment securities	972	–
Gain on sales of property, plant and equipment	15	46
Compensation income	–	16,826
Total extraordinary income	987	29,451
Extraordinary losses		
Losses related to domestic engine certification	–	4,514
Provision for doubtful accounts	2,769	–
Impairment losses on fixed assets	93	–
Impairment losses on investment securities	94	–
Cost related to the resolution of disputes	2,019	–
Total extraordinary losses	4,975	4,514
Income before income taxes	72,274	93,212
Income taxes – current	6,598	1,703
Income taxes – deferred	(78)	390
Net income	65,754	91,118

See accompanying notes to financial statements.

3) Non-consolidated statements of changes in equity

Fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity									
	Common stock	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						Reserve for reduction entry	Reduction entry for special account reserve	General reserve	Retained earnings brought forward	
Balance at beginning of period	81,577	81,084	3,876	84,959	2,169	4,201	1,923	12,952	194,023	215,268
Changes of items during period										
Dividends of surplus				–					(30,836)	(30,836)
Net income				–					65,754	65,754
Acquisition of treasury stock				–						–
Disposal of treasury stock			0	0						–
Share-based payment transactions			47	47						–
Accumulation of reserve for reduction entry				–		2,306			(2,306)	–
Reversal of reserve for reduction entry				–		(216)			216	–
Provision of reserve for special account for reduction entry				–						–
Reversal of reserve for special account for reduction entry				–			(1,923)		1,923	–
Net changes of items other than shareholders' equity				–						–
Total changes of items during period	–	–	47	47	–	2,091	(1,923)	–	34,750	34,917
Balance at end of period	81,577	81,084	3,922	85,006	2,169	6,291	–	12,952	228,773	250,185

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments			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 period	(3,094)	378,710	3,414	113	3,527	382,237
Changes of items during period						
Dividends of surplus		(30,836)			–	(30,836)
Net income		65,754			–	65,754
Acquisition of treasury stock	(7)	(7)			–	(7)
Disposal of treasury stock	0	0			–	0
Share-based payment transactions	31	78			–	78
Accumulation of reserve for reduction entry		–			–	–
Reversal of reserve for reduction entry		–			–	–
Provision of reserve for special account for reduction entry		–			–	–
Reversal of reserve for special account for reduction entry		–			–	–
Net changes of items other than shareholders' equity		–	889	(103)	786	786
Total changes of items during period	25	34,989	889	(103)	786	35,775
Balance at end of period	(3,069)	413,699	4,303	10	4,313	418,012

Fiscal Year ended March 31, 2025

(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 reduction entry	Reduction entry for special account reserve	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	81,577	81,084	3,922	85,006	2,169	6,291	–	12,952	228,773	250,185
Changes of items during period										
Dividends of surplus				–					(27,650)	(27,650)
Net income				–					91,118	91,118
Acquisition of treasury stock				–						–
Disposal of treasury stock				–						–
Share-based payment transactions			104	104						–
Accumulation of reserve for reduction entry				–						–
Reversal of reserve for reduction entry				–		(485)			485	–
Provision of reserve for special account for reduction entry				–						–
Reversal of reserve for special account for reduction entry				–						–
Net changes of items other than shareholders' equity				–						–
Total changes of items during period	–	–	104	104	–	(485)	–	–	63,953	63,468
Balance at end of period	81,577	81,084	4,026	85,110	2,169	5,806	–	12,952	292,726	313,653

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments			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 period	(3,069)	413,699	4,303	10	4,313	418,012
Changes of items during period						
Dividends of surplus		(27,650)			–	(27,650)
Net income		91,118			–	91,118
Acquisition of treasury stock	(4)	(4)			–	(4)
Disposal of treasury stock		–			–	–
Share-based payment transactions	40	144			–	144
Accumulation of reserve for reduction entry		–			–	–
Reversal of reserve for reduction entry		–			–	–
Provision of reserve for special account for reduction entry		–			–	–
Reversal of reserve for special account for reduction entry		–			–	–
Net changes of items other than shareholders' equity		–	775	47	822	822
Total changes of items during period	36	63,609	775	47	822	64,431
Balance at end of period	(3,033)	477,308	5,078	57	5,135	482,442

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) Available-for-sale securities
   1) Other than stocks without market price
   Stated at fair value. (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.)
   2) Stocks without market price
   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 amounts become unrecoverable.)
3. Depreciation and amortization method for non-current assets
   (1) Property, plant and equipment (excluding leased assets)
   Amortized 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 where the ownership of the assets is not considered to be transferred
   Depreciated using the straight-line method by using their useful lives as the lease period and assuming zero residual value.
4. Allowances and provisions
   (1) Allowance for doubtful accounts
   To prepare for bad debt losses from uncollectible receivables, a general provision for doubtful accounts is provided by applying a certain reserve percentage of the receivables based on experience from past transactions. A 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 is as follows:
   1) The method to attribute expected benefits to periods of service
   In calculating retirement benefits obligations, an expected benefit is attributed to periods of service up to the current fiscal year based on the benefit formula basis.
   2) 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.
   The treatment of unrecognized actuarial gains and losses and unrecognized prior service costs in the non-consolidated balance sheets differs from that in the consolidated statements of financial position.
5. Revenue and expenses
   The Company recognizes revenue in accordance with the following five-step approach.

   Step 1: Identify the contract(s) with a customer
   Step 2: Identify the performance obligations in the contract
   Step 3: Determine the transaction price
   Step 4: Allocate the transaction price to the separate performance obligations in the contract
   Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

   The Company conducts multiple transactions to meet its customers' needs which may involve the delivery or performance of multiple elements, such as goods or services. When the Company enters into multiple contracts for providing the goods or services, related contracts are combined based on interdependencies between each contract's consideration and the time the Company entered into such contracts, and the transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service for the purpose of recognizing revenue, and revenue is recognized when ownership is deemed to have been transferred.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer. Variable consideration, such as discounts and rebates, is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The promised amount of consideration does not include a significant financing component, because ordinary transactions are completed with payments within one year.

In estimating the stand-alone selling price, the Company considers various factors such as market conditions, market price of competing products, etc., cost of products, and customers' business conditions.

For transactions whereby control over goods and services, etc. is transferred over time, the Company measures its progress towards complete satisfaction of that performance obligation on the basis of output or input methods in consideration of the nature of the goods and services for the purpose of recognizing revenue. When the Company cannot reasonably measure the progress, revenue is recognized only to the extent of the costs incurred.

The Company recognizes the incremental costs of obtaining a contract with a customer and the costs directly related to fulfilling a contract as an asset if those costs are expected to be recovered, and those assets are amortized based on the methods used to recognize revenue of the goods or services to which the assets relate. The Company recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset is less than one year.

6. 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.
7. 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. It also engages in interest rate swap agreements according to respective financing periods, to fix the risk of fluctuations in cash flows in long-term borrowings.
   (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 - trade and sales contracts denominated in foreign currencies.
   Through interest-related derivative transactions, the Company aims to fix the interest rate for each long-term borrowing at the prevailing market rate as of each fund procurement since the Company emphasizes obtaining long-term borrowings 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.
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.

Changes in accounting policies

Not applicable.

Notes to Non-Consolidated Financial Statements

Significant accounting estimates

(1) Valuation of shares of subsidiaries and affiliates with no market price

1) Amounts recorded in the financial statements as of March 31, 2025

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Shares of subsidiaries and affiliates with no market price	142,744	192,793

Of the above amount, carrying amounts of major shares of subsidiaries and affiliates acquired through M&A, etc.

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
H-E Parts International LLC	20,713	30,450

2) Information contributing to understanding of accounting estimates

As for shares of subsidiaries and affiliates, if the actual value of a share has decreased significantly after comparison between the actual value and the purchase price of the share, the recoverability is assessed in light of business performance based on the company's business plan. For the business plan, actual results in and after the next fiscal year often differ from the plan due to risks related to changes in business environment and other factors. If actual results are different, this may affect operating results, etc.

In addition, certain shares of subsidiaries and affiliates acquired through M&A, etc. are assessed based on the actual value in view of excess earning power calculated in measurement of the company's corporate value at the time of acquisition, and others. Whether or not excess earning power, etc. is impaired is affected by future achievability of the business plan. If the business plan is not achieved and excess earning power is impaired in and after the fiscal year, this may affect operating results, etc.

(2) Recoverability of deferred tax assets

1) Amounts recorded in the financial statements as of March 31, 2025

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Deferred tax assets	6,298	5,399

2) Information contributing to understanding of accounting estimates

Because the same information is provided in notes to the consolidated financial statements "(2) Basis of presentation, Recoverability of deferred tax assets" and "(11) Deferred taxes and income taxes," the note has been omitted.

(3) Valuation of indemnification claim against ACME Business Holdco, Inc.

1) Amounts recorded in the financial statements as of March 31, 2025

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Long-term accounts receivable with subsidiaries and affiliates	58,203	20,096

2) Information contributing to understanding of accounting estimates

In the fiscal year ended March 31, 2023, ACME Business Holdco, Inc. (hereinafter referred to as "ACME"), which was an affiliate of the Company at that time, defaulted on a loan from a financial institution and the Company, the guarantor of the debt, made payments in proxy to the lender, the financial institution. Indemnity claims arising from this payment is presented as "long-term accounts receivable with subsidiaries and affiliates" on the balance sheet. To prepare for losses due to defaults on such indemnity claims, the estimated unrecoverable amount was calculated by taking into consideration the recoverability of each individual account, and the estimated unrecoverable amount was recorded as an allowance for doubtful accounts in the previous fiscal year. In the fiscal year under review, for the purpose of enhancing value chain business in North America, the Company increased its stake in ACME. Considering the improvement of ACME's financial condition resulting from this capital increase, an allowance for doubtful accounts was fully reversed, whereby gain on reversal of allowance for doubtful accounts of ¥12,579 million was recorded under extraordinary income.

Notes to Non-Consolidated Financial Statements

If circumstances under which the Company made assumptions, such as ACME’s financial condition and results of operations, and assumptions made in estimating the valuation of assets, change in the next fiscal year, the Company may again record a financially significant allowance for doubtful accounts in the non-consolidated financial statements for the next fiscal year. The Company therefore considers this accounting estimate significant.

Accounting standards not yet adopted by the Company

- ”Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024)
- ”Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024) and other standards

1. Overview

The Accounting Standards Board of Japan has been working to align Japanese standards with international standards. As part of this initiative, the Board has conducted a study based on international accounting standards to develop accounting standards for leases that recognize assets and liabilities for all leases by lessees. As a fundamental policy, these standards issued by the Board are based on the single accounting model of IFRS 16, however, instead of including all provisions of IFRS 16, they incorporate only the main provisions, aiming to establish lease accounting standards that are simple, user-friendly, and generally require no modifications when applied to non-consolidated financial statements using IFRS 16 provisions.

For the lessee’s accounting treatment concerning the method of expense distribution for leases by lessees, similar to IFRS 16, a single accounting model applies to all leases, regardless of whether they are finance leases or operating leases. Under this model, depreciation for right-of-use assets and interest expense for lease liabilities are recognized.

2. Planned date of adoption

The standards will be adopted from the fiscal year ending March 31, 2028.

3. Effects of adoption of the accounting standards

The effects of applying “Accounting Standard for Leases” and other standards on the financial statements are currently under investigation.

Changes in presentation

Not applicable.

Additional information

Not applicable.

Notes to Non-Consolidated Financial Statements

Notes to the non-consolidated balance sheet

*1. Monetary claims and monetary debts to subsidiaries and affiliates

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Short-term monetary claims	337,483	327,777
Short-term monetary debts	92,760	84,642

2. Guarantee obligations

The Company provides guarantees and guarantee commitments in respect of loans of the following subsidiaries and affiliates from financial institutions.

(1) Guarantees

(Millions of yen)

As of March 31, 2024		As of March 31, 2025	
ZAXIS FINANCIAL SERVICES AMERICAS, LLC	15,912	ZAXIS FINANCIAL SERVICES AMERICAS, LLC	30,306
Marubeni Equipment Finance (Oceania) Pty. Ltd	5,121	Marubeni Equipment Finance (Oceania) Pty. Ltd	3,190
Eurasian Machinery LLP	8,405	Eurasian Machinery LLP	8,554
LLC Hitachi Construction Machinery Eurasia	2,290	LLC Hitachi Construction Machinery Eurasia	–
Hitachi Construction Machinery Zambia Co., Ltd.	4,542	Hitachi Construction Machinery Zambia Co., Ltd.	6,479
Other	314	Other	136
Total	36,585	Total	48,665

(2) Guarantee commitment

(Millions of yen)

As of March 31, 2024		As of March 31, 2025	
OKUBO GEAR Co., LTD	49	OKUBO GEAR Co., LTD	49
Total	49	Total	49

Notes to Non-Consolidated Financial Statements

Notes to the non-consolidated statements of income

*1. Transactions with subsidiaries and affiliates

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Operating transaction		
Sales	601,900	532,929
Purchase	347,577	303,262
Non-operating transaction	71,063	106,324

*2. Main components of selling, general and administrative expenses and approximate ratio are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Packing and shipping expenses	34,036	28,366
Employees' salaries and allowances	11,903	12,311
Retirement benefit expenses	714	743
Subcontract expenses	9,823	8,251
Depreciation	4,369	5,252
R&D expenses	21,306	28,202
Approximate ratio (%)		
Selling expenses	43	38
General and administrative expenses	57	62

Notes on securities

Investments in subsidiaries and affiliates

As of March 31, 2024

(Millions of yen)

Category	Carrying amount in the balance sheet	Fair value	Unrealized gains (losses)
Shares of subsidiaries	624	24,491	23,867
Total	624	24,491	23,867

As of March 31, 2025

(Millions of yen)

Category	Carrying amount in the balance sheet	Fair value	Unrealized gains (losses)
Shares of subsidiaries	624	15,638	15,014
Total	624	15,638	15,014

(Note) Carrying amount of shares of subsidiaries and affiliates without market prices

(Millions of yen)

Category	As of March 31, 2024	As of March 31, 2025
Shares of subsidiaries	138,249	187,174
Shares of affiliates	4,494	5,620

Notes to Non-Consolidated Financial Statements

Notes on tax effect accounting

1. Components of deferred tax assets and deferred tax liabilities by major cause

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Deferred tax assets		
Net operating loss carryforwards	625	373
Accrued business tax	311	210
Provision for bonuses	2,378	2,314
Accrued expenses	3,138	2,979
Allowance for doubtful accounts	3,777	90
Write down of inventories	1,796	1,664
Loss on valuation of shares of subsidiaries and affiliates	12,825	13,202
Loss on valuation of investment securities	79	121
Provision for retirement benefits	2,621	2,740
Impairment losses	12	13
Excess over depreciation limit	1,873	1,620
Other	2,594	3,147
Subtotal of deferred tax assets	32,029	28,473
Valuation allowance on tax loss carryforwards	(217)	(373)
Valuation allowance on total deductible temporary differences	(19,927)	(16,830)
Subtotal of valuation allowance	(20,144)	(17,203)
Total	11,885	11,270
Deferred tax liabilities		
Prepaid pension costs	392	290
Reserve for reduction entry	2,777	2,634
Valuation difference on available-for-sale securities	1,735	2,224
Valuation difference on fair value of land	652	672
Others	30	51
Total	5,587	5,871
Net deferred tax assets	6,298	5,399

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, 2024	As of March 31, 2025
Effective statutory tax rates (%)	30.6	30.6
(Adjustments)		
Aggregate income of specified foreign subsidiaries	1.5	0.7
Non-deductible amount for tax expense of donations	0.1	0.1
Income not taxable for tax purpose, such as dividend income	(22.0)	(23.0)
Withholding tax on dividends received by foreign subsidiaries	0.5	0.3
Change in valuation allowance	1.3	(3.8)
Foreign tax credit	0.4	(0.4)
Other	(3.4)	(2.3)
Effective income tax rates after tax effect accounting	9.0	2.3

3. Accounting treatment for national corporate taxes and local corporate taxes or tax effect accounting relating to these taxes
The Company adopts the Group Relief System. Furthermore, the Company undertakes and discloses the accounting treatment for national corporate taxes and local corporate taxes or tax effect accounting relating to these taxes in compliance with provisions in the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ Practical Issues Task Force No. 42, August 12, 2021).

Business combinations, etc.
Not applicable.

Subsequent events
Not applicable.

4) Non-consolidated supplementary schedules

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

(Millions of yen)

Asset type	Balance as of April 1, 2024	Increase during reporting period	Decrease during reporting period	Depreciation and amortization during reporting period	Balance as of March 31, 2025	Accumulated depreciation and amortization
Property, plant and equipment						
Buildings	42,820	2,262	105 (–)	2,919	42,057	49,372
Structures	7,119	523	28 (–)	568	7,046	13,071
Machinery and equipment	25,162	5,035	878 (–)	3,867	25,452	91,951
Vehicles	163	33	0 (–)	42	155	1,617
Tools, furniture and fixtures	5,032	2,788	13 (–)	2,322	5,485	31,392
Land	36,296	–	559 (–)	–	35,737	–
Construction in progress	3,175	12,239	8,548 (–)	–	6,866	–
Total property, plant and equipment	119,766	22,881	10,132 (–)	9,718	122,798	187,403
Intangible assets						
Software	19,152	19,197	8,293 (–)	6,358	23,699	33,885
Other	79	102	2 (–)	54	125	3,042
Total intangible assets	19,231	19,299	8,295	6,412	23,824	36,927

(Notes) 1. The amount in parentheses under “Decrease during reporting period” is a figure representing the amount of impairment loss recorded.

2. Among “Increase during reporting period,” the major increases were as follows.

Asset type	Description and amount
Buildings	Renovation and construction work of Banshu Works, ¥718 million
Machinery and equipment	Battery electric dump trucks using a trolley charging system, ¥503 million
Construction in progress	Construction of a building at Ryugasaki Works, ¥2,268 million
Software	Establishment of a financial and accounting system for the Hitachi Construction Machinery Group, ¥2,123 million

[Supplementary schedule of provisions]

(Millions of yen)

Account	Balance as of April 1, 2024	Increase during reporting period	Decrease during reporting period	Balance as of March 31, 2025
Allowance for doubtful accounts	12,501	538	12,586	453

(Note) The “Decrease during reporting period” is mainly the reversal due to improvement in the financial condition of debtors.

(2) Major assets and liabilities

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

(3) Others

There were no specific items to be disclosed.

VI. Overview of Operational Procedures for Shares of the Company

Fiscal year	From April 1 to March 31
Annual Shareholder's Meeting	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
Additional purchase and sales of shares less than one unit	
Office for handling business	(Special account) Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Shareholder register administrator	(Special account) Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Forwarding office	—
Additional purchase and sales fee	No fee
Additional share sales request handling stoppage period	The period starting ten business days before the respective ends of March, June, September and December, up to each of those dates, and the period stipulated by the Company
Method of public notice	Electronic public notice will be made by the Company. 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: https://www.hitachicm.com/global/ja/
Special benefits for shareholders	Not applicable.

(Notes) 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 each item 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

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

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

60th term (from April 1, 2023 to March 31, 2024)
Filed with Director-General of Kanto Local Finance Bureau on June 25, 2024

(2) Internal Control Report and Appendices

Filed with Director-General of Kanto Local Finance Bureau on June 25, 2024

(3) Semiannual Securities Reports and Written Confirmations

During the 61st term (from April 1, 2024 to September 30, 2024)
Filed with Director-General of Kanto Local Finance Bureau on November 11, 2024

(4) Extraordinary Securities Report

Extraordinary Securities Report based on the provisions of Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act and Article 19, paragraph (2), item 2-2 of the Cabinet Office Order on Disclosure of Corporate Affairs.
Filed with Director-General of Kanto Local Finance Bureau on April 24, 2024

Extraordinary Securities Report based on the provisions of Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act and Article 19, paragraph (2), item 9-2 of the Cabinet Office Order on Disclosure of Corporate Affairs.
Filed with Director-General of Kanto Local Finance Bureau on June 25, 2024

Extraordinary Securities Report based on the provisions of Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act and Article 19, paragraph (2), item 2-2 of the Cabinet Office Order on Disclosure of Corporate Affairs.
Filed with Director-General of Kanto Local Finance Bureau on April 25, 2025

(5) Amended Shelf Registration Statement

Filed with Director-General of Kanto Local Finance Bureau on April 25, 2024

Filed with Director-General of Kanto Local Finance Bureau on June 25, 2024

Filed with Director-General of Kanto Local Finance Bureau on April 25, 2025

Part II Information about Company Which Provides Guarantee to the Company, Etc.

Not applicable.