

HITACHI

Reliable solutions

Hitachi Construction Machinery Group

CSR & Financial Report 2014



Editorial and Reporting Policy

From fiscal 2011, we consolidated our Annual Report, which reported our management strategy and financial statements, and our CSR Report, which reported Environment, Social, and Governance (ESG) information, to produce a comprehensive CSR & Financial Report. We did this to provide a clear overall view of the activities of the Hitachi Construction Machinery Group as it aims at the integrated advancement of our growth strategies and CSR management as a corporate group. In this FY 2014 CSR & Financial Report, we have highlighted the areas described below to allow our stakeholders to gain a clearer understanding of the Hitachi Construction Machinery Group's corporate management.

- In FY2011, we unveiled our 2020 VISION. The second step of this vision, which we kicked off in FY2014 is GROW TOGETHER 2016. In this FY2014 CSR & Financial Report we present an interview with President and CEO Yuichi Tsujimoto to provide readers with an understanding of the achievements gleaned thus far and the challenges we face going forward.
- The special issue covers the hard (products) and soft (solutions) strategies, which are components of GROW TOGETHER 2016, the new mid-term management plan that is the second step in the mid-term vision, 2020 VISION.
- In Chapter 1, we report on the progress made in our business strategies that correspond with the market characteristics of each region, and also on CSR activity topics in each region.
- In Chapter 2, we detail the Hitachi Construction Machinery Group activities we conducted to promote CSR management in accordance with Group CSR Policy.
- More detailed information about our activities and other performance data are now available in the Web edition of this report. We are committed to information disclosure that can satisfy the various interests and concerns stakeholders and others may have.

Report period

April 1, 2013 to March 31, 2014
(Some sections include information on or after April 1, 2014.)

Organization coverage

Consolidated companies of the Hitachi Construction Machinery Group

Scope of performance data

Financial reporting: Hitachi Construction Machinery, its consolidated subsidiaries and affiliates accounted for by the equity method
Environmental reporting: Hitachi Construction Machinery and certain consolidated companies of the Hitachi Construction Machinery Group
Social reporting: Hitachi Construction Machinery and consolidated companies of the Hitachi Construction Machinery Group

Guidelines followed in the preparation of this Report

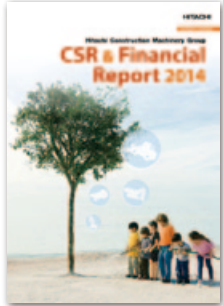
- Sustainability Reporting Guidelines, Version 3.1 (G3.1), Global Reporting Initiative (GRI)
- Environmental Reporting Guidelines (FY 2007 edition), Ministry of the Environment, government of Japan

Next issue:

Scheduled for August 2015

Information disclosure by the Hitachi Construction Machinery Group

CSR & Financial Report



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

Information for Shareholders and Investors (Website)

<http://www.hitachi-c-m.com/global/ir/index.html>



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

Corporate Social Responsibility (Society, Environment) Report (Website)

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



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

Environmental Conservation (Website)

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



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

* Forecasts, expectations, plans for the future

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

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“Close and Reliable Partner anywhere on the Earth with Best Solutions through *Kenkijin* Spirit”

Moving to 2nd STEP of 2020 VISION Growth Strategy

We launched 2020 VISION in FY2011. We wrapped up “Go Together 2013,” a mid-term management plan and the first step of our vision, in FY2013. In FY2014, we plan to embark on GROW TOGETHER 2016, the second step of our 2020 VISION. In this article, President and CEO Tsujimoto discusses the achievements made thus far, the issues the company faces going forward, and the building of a new business model.

President, Chief Executive Officer and Director **Yuichi Tsujimoto**

Q1

Please tell us the key points once again for 2020 VISION, your corporate group’s mid-term management vision which focuses on sustainable growth.

Our goal is to achieve the evolution of “machinery” and the synergy between “humans” and “business” to create rich living spaces, making them more comfortable, highly developed and efficient. The implementation of this principle is at the core of our growth strategy and the basis of CSR management.

The Hitachi Construction Machinery Group’s corporate principle is to achieve the evolution of “machinery” and the synergy between “humans” and “business” to create rich living spaces, making them more comfortable, highly developed and efficient. To realize this corporate principle, the mission of the Hitachi Construction Machinery Group is to put its diverse lineup of products and services to use in building and maintaining social infrastructures around the world and thereby contribute to the sustainable development of our customers and regional communities.

Through the promotion of our 2020 VISION, the mid-term management vision we launched in FY2011, we are pouring energy into improving our presence in advanced markets as well as emerging markets, which are continuing to exhibit economic growth, to accomplish our mission. We completed the first step of this vision in FY2013. Unfortunately, not everything went as planned, including our earnings performance, due in part to the recent change in the global demand environment. Nonetheless, our confidence remains undaunted as we still believe that demand for construction machinery, which is essential for infrastructure development, should continue to grow in the medium/long term.

Driven by our confidence, we plan to continue to steadily progress with our management plan to consistently deliver high-caliber products and services

Basic Group Policy

2020 VISION

“Close and Reliable Partner anywhere on the Earth with Best Solutions through *Kenkijin* Spirit.”



to customers worldwide by leveraging the sophisticated “hard” (products) and “soft” (solutions) technological skills and network capabilities possessed by the Hitachi Group. Moreover, we plan to embark on initiatives such as dealing with global environmental issues with energy-efficient products and supplying products that contribute to the restoration of disaster-stricken sites in regions around the world to fulfill our social responsibilities as a company that operates its businesses globally.

In addition, a key mission of management is to train employees to sustain and develop our businesses, while simultaneously cultivating our corporate identity. We are incorporating this sentiment into our concept of becoming a “close and reliable partner anywhere on the earth with best solutions through *Kenkijin* Spirit.” We are adopting the 3Cs to train employees globally to possess the *Kenkijin* spirit. The 3Cs are challenge (challenging spirit to tackle various processes, including R&D, production, procurement, new machinery sales, and life-cycle support), customer (always view things from the customer’s perspective), and communication (dialogue with various stakeholders). Through the 3Cs, we will train our employees to maintain the *Kenkijin* Spirit which will allow them to realize overall optimization and self-innovation. We also aim to contribute to the advent of a sustainable society through the delivery of construction machinery while attaining growth in tandem with our diverse stakeholders.

Hitachi Construction Machinery Group Vision & Principles

- We are active in the evolution of “machinery” and the synergy between “human” and “business” that combines to create rich living spaces, making them more comfortable, highly developed and efficient.
- We consistently develop and provide our customers with the technology, products and services that generate new value.
- While maintaining profitable operations, we act as a “corporate citizen having good judgment” by staying in harmony with the environment, contributing to society and participating in cultural activities, striving for a symbiotic coexistence with society.

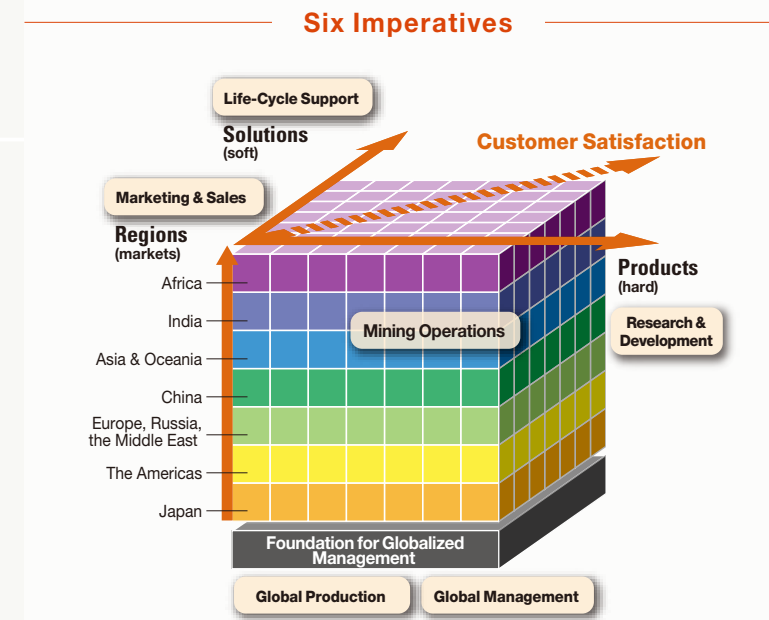
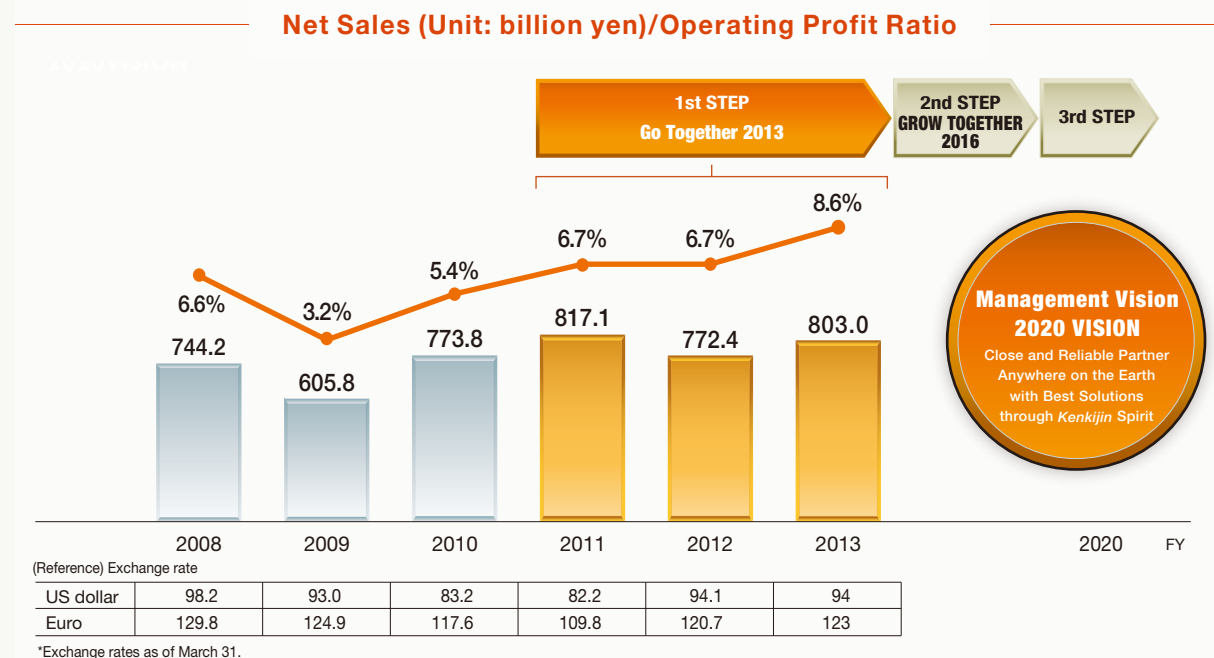
Q2 Please give us a summary of earnings performance in the year ended March 31, 2014, which was the final year of your FY2011-FY2013 mid-term management plan, Go Together 2013, and an overview of the management plan.

Unfortunately, not everything went as planned, which includes our earnings performance, due in part to the recent change in the global demand environment. However, I believe the aggressive measures we carried out, which were upfront investments for our future, laid the groundwork necessary for making the transformation to a corporate structure that facilitates sustainable growth.

The global construction machinery market went through major changes. Reflecting this climate, in FY2013 our net sales came to ¥803.0 billion, an increase of 4% versus the previous year, operating income was ¥69.2 billion, a growth of 34%, and net income was ¥28.9 billion, a rise of 23%.

When we drew up Go Together 2013, the mid-term management plan we launched in 2011, we forecast ongoing solid growth for construction machinery demand, mainly in emerging countries, such as China. But contrary to our outlook, demand in 2011 and 2012 continued to trend downward. In 2013, we saw signs that demand was heading toward recovery but not to the extent that it contributed to our earnings. In addition, in the mining machinery business, which we are aiming to strengthen, growth in demand faltered as large-scale investments were postponed reflecting a drop in materials prices that was triggered by a slowdown in economic growth in emerging markets.

In light of this decline in demand, we promoted six imperatives for the three central axes of our business—hard (products), soft (solutions), and regions (markets)—to transition into a company with a highly efficient management structure that is capable of quickly recognizing changes in market trends and immediately responding to market needs. In addition, we placed emphasis into areas such as the development of new products that meet emission control regulations, new plant construction, capacity enhancement at existing plants, and the expansion of sales & service bases. At the same time, we embarked on measures to strengthen our overall



processes. In the production front, we established plants in Russia and Brazil, which are emerging economies, and also boosted our production capacity in regions throughout the global.

Meanwhile, we also fortified our life-cycle support business. We started up "ConSite", a service that can adequately provide reports on around 160,000 construction machines in operations worldwide. Each machine's operations are monitored in real time using sensors. Also, to improve our cost performance, we carried out measures such as the development of "Hitachi Select Parts", to fortify our parts services business.

value chain with the aim of improving our earnings power via our construction machinery life-cycle business (see page 10).

Specifically, we launched the development and sales of hybrid hydraulic excavators that boast a higher energy saving performance owing to the integration of Hitachi Group technologies, and conducted trial runs for a self-driving dump truck. We also putting in place a strategic development marketing system that accurately grasps customer needs globally and gathers and analyzes information and developing a dealer support program that visually lays out regional market information and sales

Furthermore, we had major success, mainly in Japan and China, in reducing direct material costs and also in activities to reduce logistics costs.

Unfortunately, not everything went as planned, which includes our earnings performance, due in part to the recent change in the global demand environment, as mentioned above. However, I believe the aggressive measures we carried out, which were upfront investments for our future, laid the groundwork necessary for making the transformation to a corporate culture that facilitates sustainable growth.



Q3

Please tell us core measures of the new mid-term management plan GROW TOGETHER 2016, the second step to achieving 2020 VISION.

To win the trust of customers through support of the product life-cycle, we aim to expand the value chain for construction machinery and make advancements to our business model by using ICT.

In FY2014, we estimate the climate for demand is likely to be nearly the same as it was in FY2013. We do anticipate a gradual uptick following this. In the environment in which we compete, we forecast an increase in new players from emerging countries, such as China and South Korea, and thus believe global competition will likely heat up.

The key words in GROW TOGETHER 2016, the second step to achieving our 2020 VISION, are “reliability” and “differentiation.” We plan to further fortify our corporate structure by nurturing the buds that bloomed from the seeds we planted under Go Together 2013. Focusing on the construction machinery life-cycle, we aim to strengthen each step of the supply chain from start to finish, from product development that meets customer needs, to production, procurement, and sales. We also plan to utilize ICT to offer services along the construction machinery life-cycle, such as financing, rental, after service, and the resale of used machinery. By creating this value chain, we can then focus on building a business model that wins the trust of customers and enables us to differentiate from competitors. This will be the core of our initiatives for the next three years.

Taking this business model global will afford us a major advantage. In Japan, Hitachi Construction

Machinery Japan has the RSS (rental, sales, and services) function. This makes it possible to cover the value chain over a product’s life-cycle at around 240 domestic bases and provide customers with detailed services. Hitachi Construction Machinery is the only company that has developed such a system.

We plan to globally expand the business model we developed in Japan. Naturally, in China, Russia, Indonesia, and Australia, which are large in size, it will not be possible to carry this out with the same density of bases as in Japan. Our solution is to use our Global e-Service to globally expand ConSite, which provides reports on the operations of each individual unit of machinery and offers an economical maintenance plan. In addition to boosting the level of customer satisfaction through more contact with our customers, we also aim to expand our businesses, including maintenance and parts operations. We believe this will enable us to differentiate from players from emerging economies and also from traditional competitors.

We are gradually putting into place a production and procurement system that will enable us to compete in the global arena. This includes the commencement of operations at our new plants in Russia and Brazil and the enhancement of production capacity at our plants in Japan and elsewhere in the world. Going forward, we plan to promote reforms to our global supply chain. We are substantially shortening production lead times by making further improvements to safety, quality, delivery times, and cost to streamline and balance production lines, we also aim to deepen alliances with sales while organically utilizing our production bases worldwide. In addition, we plan to partner up with our strategic suppliers to expand measures globally to reduce cost of goods, as we found these activities to be successful under Go Together 2013.

The basis for our product development is reliability and durability. We plan to incorporate the electric/electronic and ICT technologies of the Hitachi Group to our core technologies for construction machinery, the forte of the Hitachi Construction Machinery Group, in line with growing needs, such as energy-saving performance and an improvement in safety. In light of this, we believe we are now on the threshold of an era in which being a member of the Hitachi Group will be a tremendous advantage for us.

Q4

As you focus on achieving 2020 VISION, what are the key criteria for the Hitachi Construction Machinery Group to attain sustainable growth?

We obviously plan to reduce environment impact through our products and services. Through our business activities, we aim to meet the expectations of our stakeholders. At the same time, we plan to grow our operations while also fulfilling our social responsibilities.

Growth strategies and CSR management are both essential components for a company to achieve sustainable growth. The Hitachi Construction Machinery Group launched CSR management when it established its CSR Promotion Dept. in 2005. We have since gone through the “fetal” stage, “sustainment” stage, and we are now ready to move on to the “enhancement” stage.

Global deployment of products and services that meet customer needs is of course the major basis for achieving sustainable growth. Sales and profits are generated by customer happiness. These profits are used to pay taxes, dividends to shareholders, remuneration to employees, and for investment into areas such as the R&D of cutting-edge products, and the expansion of sales and service bases. In this manner a company shares its growth with a variety of stakeholders. I believe this is the basic role of a company.

In addition to addressing the needs of customers, companies also actively focus on social issues. It is essential that we view the initiatives we take to resolve these issues as business opportunities. For example, to play our part in dealing with environmental issues, we are promoting energy conservation and zero emissions at our production bases focusing on the entire life-cycle of our products. CO₂ emissions are at their highest when a product is in use. In light of this, we are actively developing products, such as hybrid construction machinery, which will contribute to conservation of the global environment and cost reductions for our customers, and in turn boost our sales. The first generation of hybrid products improved fuel efficiency by 20% in comparison with traditional products. Current second generation products improved fuel efficiency by 30% and we aim to reduce this further in the future. We had success in our trial run using 100% algae-based bio-fuel, which will contribute to a reduction in CO₂ emissions, and plan to develop better products further out with the knowledge gained from the research we are carrying out on the diversification of fuel sources. Meanwhile, we were the first in Japan’s construction equipment industry to introduce the carbon offset program for forestry machinery. In this and many other ways, we are actively tackling measures to respond to environmental issues.

We are also implementing activities that contribute to society by using proprietary technologies and knowhow. We are actively promoting activities such as supplying construction machinery for use in disaster areas around

the world including the areas devastated in the Great East Japan Earthquake, and afforestation of deserts. I believe that contributing to world peace and stability is a crucial factor for long-term market growth.

The training of human resources is of the utmost importance as no matter what business we carry out, it requires people. We plan to continue with the globalization of our business operations as we move toward 2020 and also as we head toward 2030. To carry out this globalization as planned, we have to expand training opportunities to nurture global human resources and also promote the delegation of authority to local staff and fortify the localization of corporate governance. The Global Technical Center is one such measure. This center trains technical personnel in Japan who will be sent to work in other parts of the world. I am confident that the promotion of diversity via the globalization of our human resources will generate countless new ideas, and improve our competitive strength.

Also, as a manufacturer, the realization of trust and differentiation through technological developments is a crucial catalyst for medium/long-term growth. To accomplish this will require a deeper understanding of customer needs and the continued undertaking of new challenges, a key example of which is ASTACO (Advanced System with Twin Arm for Complex Operation). To this end, we plan to aggressively take on various initiatives, including technological partnerships with other members of the Hitachi Group.

Another important factor is measures to deal with the underlying risk of globalization. We plan to carry out local surveys going forward so that we can properly handle human rights risks in developing nations.

Accomplishing 2020 VISION and keep growing sustainably thereafter, we plan to actively embark on various management issues, including human resources training, technological development, and measures to deal with potential risks.



GROW TOGETHER 2016 Key Activities



SPECIAL
ISSUE

New Mid-term Management Plan

GROW TOGETHER 2016

Challenge . Customer . Communication

Aim to secure a strong position as one of the top 3 global construction machinery manufacturers

Given the development opportunities in emerging and developing economies, we believe there is substantial potential for growth in demand for construction machinery, which play an important role in many areas such as the development of the social infrastructure and resources. The construction machinery market should continue to be a growth industry in the medium/long term.

In FY2014, however, we anticipate demand is likely to be nearly flat. Although we expect a moderate expansion in demand further out, given current conditions, we do not forecast demand will increase rapidly. Also, from the outset we were up against leading global construction machinery companies, but we now look for the global competitive environment to grow more intense with the entry of manufacturers from emerging countries. To emerge a winner in this market environment, it is vital that we establish a corporate structure that enables us to steadily generate profit. To this end, we rolled out GROW TOGETHER 2016 (hereafter referred to as the “new mid-term management plan”), which is the second step toward achieving our 2020 VISION (see page 4). The goal of our vision is to speedily implement measures to further improve earnings strength and cash flows to transform Hitachi Construction Machinery into company with a winning corporate structure 10 and 20 years from now.

Hitachi Construction Machinery Group

Core strategy is the fortification of our business processes through the integration of our hard (products) and soft (solutions) strategies

The fortification of business processes is at the core of our new mid-term management plan.

In our previous mid-term management plan, we embarked on three key strategies: the hard (products) strategy, to enhance our functions as a manufacturer from strategic development marketing, to R&D, materials procurement, and production; the soft (solutions) strategy, which focused on strengthening customer service functions; and our regional strategy, which broke down the global market into seven areas and concentrated on fulfilling the market needs in each of those areas.

In our new mid-term management plan, we plan to fortify our business processes by integrating the hard, soft, and regional strategies. As a hard strategy, it is our goal to boost our market share by strongly differentiating from competitors through product development that integrates technologies of the Hitachi Group and that is adapted to each market. We also plan to establish an efficient and resilient business foundation by executing supply chain management reforms, in which sales companies and production plants work as one.

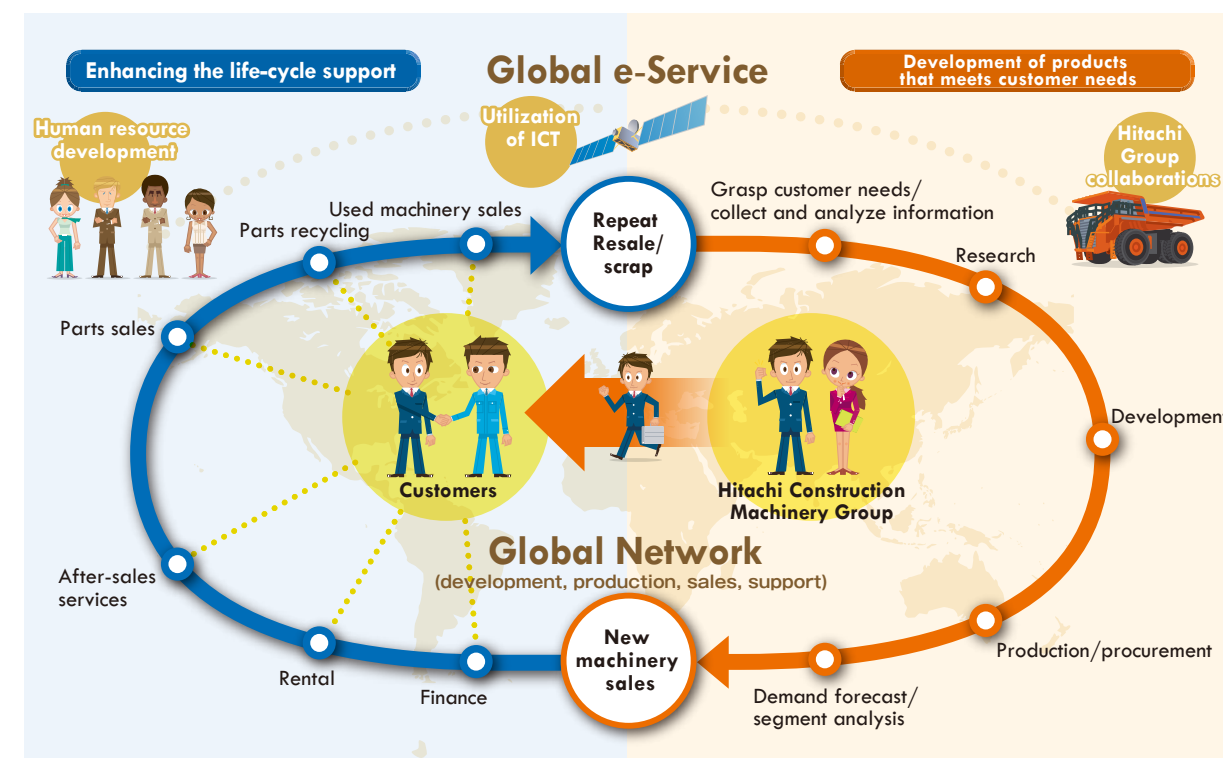
Meanwhile, our soft strategy consists of developing an extensive support base that focuses on the product life-cycle, which encompasses areas such as finance, rental, after-sales services, and parts sales and remanufacturing. It is through these strategies that we aim to expand our sales and profits.

Strengthening business processes, including those in the mainstay mining operations

For instance, we are also strengthening business processes in the mining operations, which we have positioned as a growth driver.

In our hard (products) strategies, concentrating on the strengthening of the truck business, we plan to pour energies into the development of a “smart truck” that incorporates the advanced control technologies of the Hitachi Group and sophisticated information and communications technologies (ICT), and we also aim to promote R&D for commercialization of autonomous driving technologies. Moreover, in soft (solutions) strategies, we established after-sales service bases, parts warehouses, training centers, and parts remanufacturing plants, which make up the foundation for our life-cycle support operations. We also plan to actively utilize the Hitachi Group’s advanced ICT to develop a cloud platform for Wenco’s mine management system. We aim to move forward to provide high value-added solutions that will fully support the management of mine operations. It is our goal to fortify operations in our key markets, such as Russia and CIS, China, and Africa, and expand alliances with major resource suppliers.

In this fashion, we aim to reform our business processes by developing products that meet customer needs, enhancing sales marketing, upgrading the supply chain management (SCM), and enhancing the total value chain.



GROW TOGETHER 2016 : Focal Point ①

Hard (products) strategies

Rapidly develop and supply products that will be the choice of customers in markets around the world

In our hard (products) strategy, the key point is to strengthen our development and production capabilities. We aim to develop optimal products that suit the different needs of each market around the world. Furthermore, by shortening the total lead time from arranging orders to production and machinery delivery, we aim to establish a resilient business foundation.

Key activity 1

Enhancement of development marketing and advanced technology marketing

Aim to expand market share by fully differentiating products

MONOZUKURI that meets customer needs which differ by regional market and due to regulations unique to each region around the world is an essential component for becoming a winner in global competition.

In our previous mid-term management plan, which was the first step of our vision, we embarked on initiatives for standardization, unification, and the development of modules. In the new mid-term management plan, in addition to further enhancing the development of modules, we also aim to establish a global strategic development marketing system and strengthen our R&D system.

By doing so, we will fortify alliances between mother plant manufacturing key components in Japan and our strategic development marketing systems in regions around the world, and develop products to fit in the regions, expand the localization of production. In order to develop products that differentiate from top competitors, we plan to strengthen our collaborations with the Hitachi Group to amass and actively utilize the group's advanced technologies more than before.

Moreover, we also plan to bolster our alliances with external organizations, such as non-Hitachi Group companies and research institutes, to promote open innovation. In addition to product development, we aim to take on the challenge of creating new value, including the establishment of innovative MONOZUKURI methods, and "forecast, analysis, and maintenance methods".



Forestry machinery equipped with a processor

Key activity 2

SCM reforms and enhancement of MONOZUKURI

Establish a resilient production and sales structure that will enable us to flexibly respond to market changes

An important theme for enhancing our competitive strength is to establish a streamlined, effective production and supply system that delivers products required by the market when needed as needed.

The Hitachi Construction Machinery Group embarked on supply chain management reforms and streamlined production operations and improved production efficiency.

Under the new mid-term management plan, we are accelerating SCM reforms and promoting the integration of our sales companies and production plants in regions around the world. We are also synchronizing our production and sales operations and shortening the total lead time from arranging orders to production and delivery, and working to improve the adequacy of inventory management.

Also, under the previous mid-term management plan, we promoted total cost reduction activities in Japan and China. In the new mid-term management plan, we plan to take these activities globally. We aim to further reduce our costs of goods while bolstering our partnerships with suppliers.

By executing these activities at our production sites globally, we aim to promote global production reforms and thereby establish a resilient production and sales structure that will make it possible to flexibly respond to changes in market demand.



Production line in Indonesia

IN FOCUS

Boosting our development speed with "Hitachi synergies"

The EH5000AC-3 rigid dump truck is a collection of the best in advanced technologies



Expanding our lineup by leveraging product development capabilities that were enhanced through collaborations

In 2013, we launched the EH5000AC-3 rigid dump truck (gross machine operating weight of 500 tons and a nominal payload of 296 tons) with an AC drive system, targeting the global mining market. We added the AC motor, electric control, and other technologies honed by the Hitachi Group for the Shinkansen bullet train and social infrastructure development, to the ultra-large hydraulic excavator development and design technologies we cultivated.

In 2008, we released a 190 ton-class EH3500AC II, and in a mere five year period, employing the advanced technologies of the Hitachi Group, released the 220 ton-class EH4000, and 300 ton-class EH5000 series. We did not simply bring together Hitachi Group technologies. A major factor was our ability as a group to share technological information and conduct exchanges between technicians.

Upgrading product quality for smart mining

Demand to improve productivity and safety in mining is increasing. For better cruising stability, the EH5000AC-3, which is a culmination of the Hitachi Group's latest technologies, is equipped with Hitachi Drive Control System, which collects and processes information for sensors, levers, pedals, and other vehicle parts, and sends driving directions independently to the left and right wheel motors. This system controls the vehicle and prevents slipping, sliding, skidding, and other loss of traction on slippery roads. The EH5000AC-3 is also loaded with the SkyAngle, which displays the vehicle and the surrounding areas from a sky view (looking down on the excavator). The system naturally eases the burden on the operator but it also alleviates the burden on the vehicle which extends the life of the vehicle and parts, and reduces the number of breakdowns, which in turn will minimize maintenance costs for customers. Moreover, we are developing a dump truck with an autonomous (unmanned) drive function by making further advances in these technologies.

VOICE

Steady technological development is beneficial for customers

I was in charge of developing the AC wheel motor for the EH5000AC-3. The key point of this development was to create standardized large electric parts and enhance the interchangeability of the parts used to take into account future business expansion. I believe this style of steady technological development will be beneficial to customers.



Senior Engineer, Power Plant System Department, Hitachi Works, Power Systems Company, Hitachi, Ltd. **Katsuhiko Fujii**

A major advantage is the increased options for solving problems

I was in charge of body design for the dump truck. Hitachi Group companies participated in development. This was a major advantage as it offered us a wider range of problem solving methods. This development also involved amassing the best technologies which contributed to reducing cost and time.



Engineer, Development Center, Mining & Heavy Equipment Division, Hitachi Construction Machinery **Yohei Nakate**

GROW TOGETHER 2016 : Focal Point ②

Soft (solutions) strategies

We aim to bring services close to customers by fortifying our life-cycle support system

A key point of our soft (solutions) strategy is to provide a wide range of solutions with a high level of customer satisfaction covering the areas of new machinery sales, financing, rental, after-sales service, parts sales, parts remanufacturing, and used machinery sales. We aim to use this strategy to maximize our sales and profits.

Key activity 1

Regional sales strategy

Strengthening sales marketing capabilities globally

To expand our sales and profits, it is vital that we continue to boost customer satisfaction. To do so, it is crucial that we get close to our customers, accurately understand their underlying needs, we categorize these needs into segments, such as product and region, and continually deliver products and services that fulfill these needs. At the same time, to emerge as a winner in global competition, it is important to strengthen our sales marketing capabilities by quickly grasping market changes to properly forecast demand and by boosting the efficiency of our business operations.

In April 2012, the Hitachi Construction Machinery Group established Hitachi Construction Machinery Japan Co., Ltd. to boost the level of customer satisfaction by getting closer to its customers in Japan and providing services and products that are more detailed to suit customer needs. We also created the RSS (rental, sales, and services) system to provide a one-stop solution.

In the new mid-term management plan, we aim to make Singapore a central base to train sales and service staff that work at dealerships using the sales processes and knowhow of our dealership support program in Japan.

In addition, we plan to use ICT to share information with dealerships on the operating status of more than 160,000 units of HCM construction machinery currently in use worldwide. We plan to move ahead with developing visual data to monitor sales activities, made efficient through the use of operational data, regional market trends, and the sales process. This will allow us to reflect the voice of local customers into production and sales activities in a timely fashion.



Dealers training in China

Key activity 2

Value chain enhancement strategy

Creating business opportunities by incorporating ICT into our life-cycle support system

Hitachi Construction Machinery Japan is expanding the RSS business by utilizing its sales network in Japan, which extends nationwide and is the foundation for business operations. Unlike Japan, carrying out operations in overseas markets means covering a vast area. However, we are unable to establish numerous sales bases, as we have in Japan.

This is where ICT will play an important role. In the life-cycle support business, we are working to improve customer satisfaction and maximize our business opportunities by using ConSite, which is a service we developed so that the 240 service offices located nationwide can track the operating status of machinery being used by their customers.

We are launching ConSite overseas. This will not only allow us to provide customers with information on the operating status of their machinery but will facilitate the provision of appropriate services, including maintenance. We believe this in turn should contribute to the expansion of our parts business.

Furthermore, in Japan, our strength is our ability to cover the entire value chain from the sale of new machinery to financing, rental, and sales of used machinery. We plan to share the knowhow we cultivated in Japan with our dealerships around the world. This includes knowhow on used machinery sales and financing programs. We aim to provide high quality products and services to our customers for the entirety of the product life-cycle while at the same time fortifying our earnings base.

IN FOCUS

Creating value with ICT

ConSite, a new service using our Global e-Service



Providing value for customers by keeping their machinery running

In 2013, we launched ConSite, a service for customers in Japan. ConSite is a package service that utilizes our Global e-Service, which enables remote confirmation of the operating status of our customer's machinery. We traditionally used Global e-Service to collect and analyze data on the operating status of machinery we delivered around the world. The results of this analysis were then used in the development of new products and services.

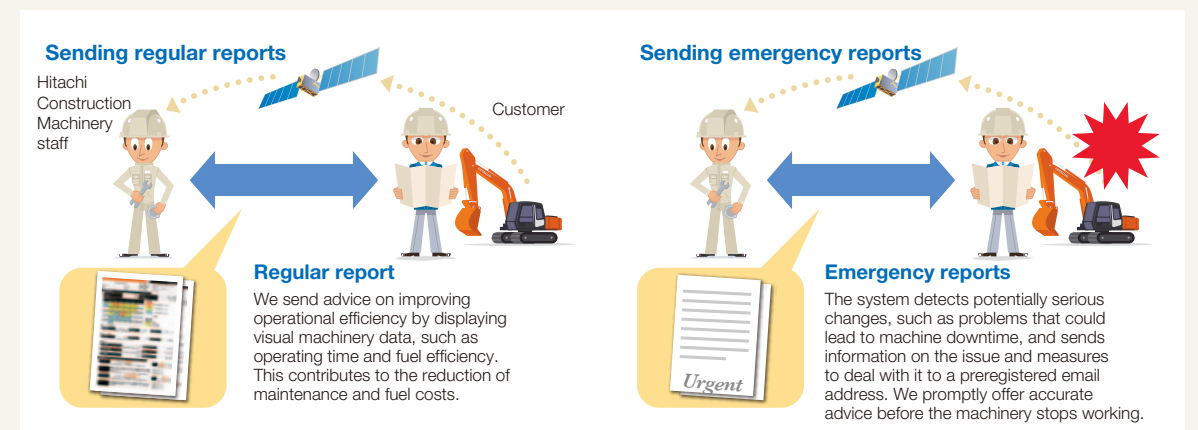
The major benefit of ConSite is that it provides customers value by keeping their machines running. The system sends out an emergency report to operators and owners when it detects some change that could potentially result in machine downtime. This allows owners and operators to take steps before the machinery is no longer operational, or to make a quick recovery in the event of machine downtime.

Global expansion of services that enhance customer satisfaction

Grasping signs of machinery abnormalities or troubles, and conducting proper maintenance will extend the life of the machinery and enhance the value when it is traded-in. For customers, this contributes to a reduction in the life-cycle cost. Meanwhile, Hitachi Construction Machinery can enhance its customer satisfaction by contacting the customer at the proper time and providing a speedy follow up. We plan to expand our service area going forward to regions in Southeast Asia and Europe.



Two types of data report services



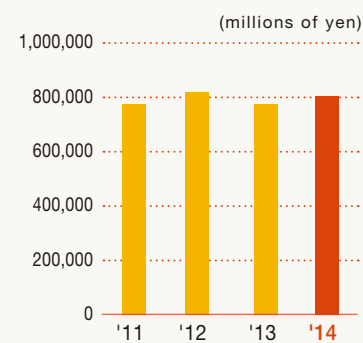
Financial and Non-Financial Highlights

Hitachi Construction Machinery and Consolidated Subsidiaries
Fiscal years ended March 31

Financial Highlights	2014	2013	2012	2011
For the year:				
Net sales	802,988	772,355	817,143	773,769
Operating income	69,163	51,496	54,837	41,511
Net income before income taxes and minority interests	52,775	45,763	50,129	35,745
Net income	28,939	23,464	23,036	11,088
At year-end:				
Total assets	1,087,191	1,099,901	1,086,116	944,370
Working capital	271,977	286,564	232,252	248,870
Shareholders' equity	383,355	361,874	345,689	327,496
Interest-bearing debt	363,411	393,102	388,904	327,768
Per share data (yen):				
Net income	136.24	110.77	108.88	52.44
Diluted net income	136.20	110.75	108.86	52.41
Net assets	1,827.59	1,704.34	1,522.86	1,447.52
Cash dividends (declared)	50.00	40.00	30.00	20.00
Other indicators:				
Return on net sales (%)	3.6	3.0	2.8	1.4
Return on equity (%)	7.7	6.9	7.3	3.6
Equity ratio (%)	35.7	32.8	29.7	32.4
Price/earning ratio (times)	14.59	18.31	16.82	39.72

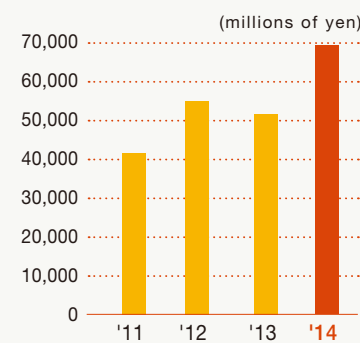
Point 1 Net sales

Sales increased ¥30.633 billion year-on-year. The positive impact from sales growth in Japan and China and reflecting foreign exchange rates outweighed the negative impact from the removal of TCM from consolidated accounts and the decrease in sales in mining operations.



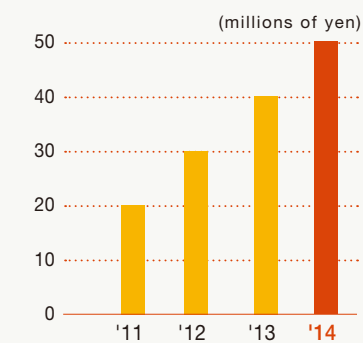
Point 2 Operating income

Operating income rose ¥17.667 billion year-on-year, reflecting in part the impact from foreign exchange rates and a reduction in materials costs.



Point 3 Cash dividends

In the fiscal year ended March 31, 2013, our annual per-share dividend was ¥40. In the fiscal year ended March 31, 2014, our annual per-share dividend payout was ¥50.



	2014	2013	2012	2011
Consolidated net sales by region				
The Americas	80,418	113,923	92,324	62,351
Europe	71,549	57,342	64,415	66,367
Russia, CIS, Africa and the Middle East	87,382	80,915	71,715	65,149
Asia and Oceania	217,313	237,487	242,750	202,444
China	114,480	90,773	134,960	204,757
Japan	231,846	191,915	210,979	172,701

Non-Financial Highlights

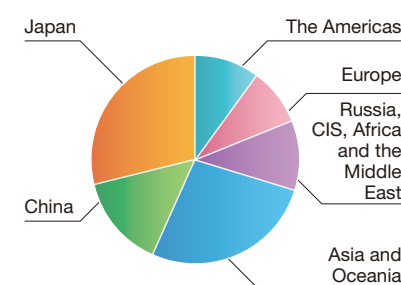
No. of employees by region	2014	2013	2012	2011
The Americas	463	479	461	395
Europe	578	558	548	557
Russia, CIS, Africa and the Middle East	887	647	557	483
Asia and Oceania	6,472	6,400	5,978	5,503
China	3,164	3,326	3,601	3,272
Japan	9,347	9,030	10,669	9,994

Main environmental performance data	2014	2013	2012	2011
Total amount of energy input (GJ) ^{*1}	3,146,235	2,854,920	3,159,007	3,048,117
Amount of CO ₂ emissions (tons) ^{*1}	171,544	162,712	187,011	169,513
Amount of water resources input (m ³ /year) ^{*1}	1,003,108	1,159,279	1,236,973	1,517,430
Sales of environmentally conscious products (million yen) ^{*1}	526,214	470,208	489,672	440,028
Environmental conservation cost (million yen) ^{*2}	8,658	8,134	8,006	6,546
Environmental investment (million yen) ^{*2}	40	839	1,254	685
Economic effects of environmental conservation (million yen) ^{*2}	978	1,030	1,292	1,704

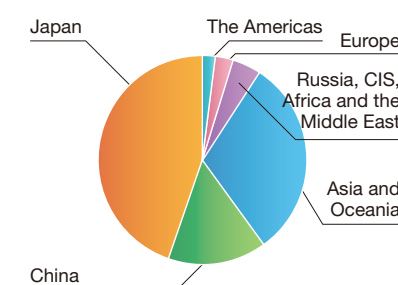
^{*1} All Hitachi Construction Machinery Group bases (global)

^{*2} Major production bases of the Hitachi Construction Machinery Group (global)

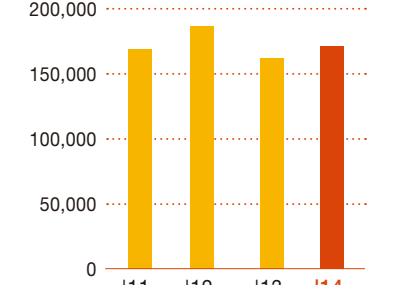
Consolidated net sales by region



No. of employees by region



Amount of CO₂ (tons)



Chapter 1

Summary of regional activities



Global markets are changing rapidly. The Hitachi Construction Machinery Group is promoting 2020 VISION: to become a 'Close and Reliable Partner anywhere on the Earth with Best Solutions through *Kenkijin Spirit*'. This vision is a roadmap for how the company plans to capture construction and mining machinery demand, mainly in emerging markets where infrastructure, resource development, and other investments are increasing, and grow as a global company. The first step to achieving this vision was Go Together 2013, a mid-term management plan, under which we embarked on initiatives to strengthen the value chain, including developing products customized for the needs of respective markets, establishing production capacity, and fortifying the life-cycle support system. In FY2014, we launched the second step for achieving our vision, GROW TOGETHER 2016. Under this new mid-term management plan, we aim to grasp market trends in regions worldwide and deliver products and services aligned to these needs, as well as tackle management reforms based on groundbreaking ideas to pursue customer satisfaction.



Regional Business Division	Regional Strategies and Policies	Main CSR Activities	Regional Business Division Sales (fiscal years ended March 31)
Asia & Oceania Business Division » p19	<ul style="list-style-type: none"> Fully deployed a sales support system and implement employee training to fortify sales and service skills Secured sales for parts and services through proposals to customers for mining machinery inspections and maintenance (Hitachi Construction Machinery Indonesia) Promoted the expansion of sales for application development of products for different industrial sectors (Hitachi Construction Machinery (Malaysia)) Expanded sales of products especially for forestry operations (Cable Price (NZ)) 	<ul style="list-style-type: none"> Held the welding competition portion of the International Skills Competition at our plant in Indonesia (Hitachi Construction Machinery Indonesia) Visited welfare facilities for the elderly (Hitachi Construction Machinery Asia and Pacific) Implemented a study group on the internal control system for new employees (Hitachi Construction Machinery (Malaysia)) Set up a thermal electrostatic painting area for large dump trucks at a plant in the suburbs of Brisbane (Hitachi Construction Machinery (Australia)) 	Asia & Oceania Net sales composition ratio 27% Net sales (for fiscal year ended March 31, 2014) 217.3 billion yen '10 '11 '12 '13 '14
India Business Division » p20	<ul style="list-style-type: none"> Promoted the expansion of sales for the new ZX-GI Fortified a sales and services system in India Began building an infrastructure to expand exports from India 	<ul style="list-style-type: none"> Implemented training on the <i>Kenkijin Spirit</i> and TATA Code of Conduct (Tata Hitachi Construction Machinery) Held Jagriti (which means "awakening" in Hindi) and new employees volunteered their support (Tata Hitachi Construction Machinery) Implemented training on employability of workers to promote a balance between jobs and education (Tata Hitachi Construction Machinery) Implemented health checkups for children of local residents (1,372 children) (Tata Hitachi Construction Machinery) 	Japan Net sales composition ratio 29% Net sales (for fiscal year ended March 31, 2014) 231.8 billion yen '10 '11 '12 '13 '14
Japan Business Division » p21	<ul style="list-style-type: none"> Promoted the expansion of multi-departmental transactions for RSS (rental, sales, and services) Successfully launched new model machinery that complied with exhaust gas regulations and also marketed the ZH200-5B a new model hybrid hydraulic excavator with improved fuel efficiency Displayed and sold maintained used machinery to expand sales of used construction machinery 	<ul style="list-style-type: none"> Continued to support Great East Japan Earthquake restoration (Hitachi Construction Machinery Group) Implemented the diversity management training program for all the managerial position in domestic group companies Higashine Sakuranbo Marathon co-sponsor and supporter (Hitachi Construction Machinery Camino) Counterweight recycling activities honored with Excellence Prize at the GREEN 21 award program (Hitachi Construction Machinery) Participated in Toyotomi Donguri-no-Mori forest preservation activities (Tadakiko) 	China Net sales composition ratio 14% Net sales (for fiscal year ended March 31, 2014) 114.5 billion yen '10 '11 '12 '13 '14
China Business Division » p22	<ul style="list-style-type: none"> Promoted market launch of key strategic machinery models and fortified sales strength of dealerships Began full-fledged use of services and parts sales management system Using ICT, implemented identification and targeting of customers with a high machinery capacity utilization to expand sales of parts and services 	<ul style="list-style-type: none"> Collected data on natural disasters, influenza outbreaks and riots, and developed emergency-response measures (Hitachi Construction Machinery (China) and Hitachi Construction Machinery (Shanghai)) Implemented the Environmental Classroom to provide education to schools and families of employees on protecting the Earth (Hitachi Construction Machinery (China) and Hitachi Construction Machinery (Shanghai)) Supported the afforestation project in the Horqin Desert in Inner Mongolia to prevent desertification (Hitachi Construction Machinery (Shanghai)) Provided support to Xi Wang Elementary School (Hitachi Construction Machinery (Shanghai)) and Qingdao Chengri Construction Machinery Certified as a member of the Corporate Social Responsibility Alliance in China (Shanghai) Pilot Free Trade Zone (Hitachi Construction Machinery (Shanghai)) 	Europe Net sales composition ratio 9% Net sales (for fiscal year ended March 31, 2014) 71.5 billion yen '10 '11 '12 '13 '14
Europe, Russia, CIS & the Middle East Business Division » p23	<ul style="list-style-type: none"> In Europe, where there are signs demand is headed for recovery, we promoted the expansion of sales for hydraulic excavators with a low fuel consumption and wheel loaders Built a new plant in Russia and established a local production system Poured energies into expanding sales of machinery for infrastructure construction, including airports and roads, in the Middle East 	<ul style="list-style-type: none"> Loaned hydraulic excavators free of charge to technical school in Menai (Heavy Construction Machinery) Purchased radiation dosimeter to alleviate risk to employees at mining sites (Hitachi Construction Machinery Eurasia Sales) Began improvement activities in light of results of employee satisfaction survey (Hitachi Construction Machinery (Europe)) Regularly communicate HMEC world news (once a month) (Hitachi Construction Machinery Middle East) Continued to provide support to Ilmarba Primary School in Kenya (Hitachi Construction Machinery Middle East) 	Russia, CIS, Africa, and the Middle East Net sales composition ratio 11% Net sales (for fiscal year ended March 31, 2014) 87.4 billion yen '10 '11 '12 '13 '14
Africa Business Division » p24	<ul style="list-style-type: none"> Promoted further sales expansion of medium/large hydraulic excavators and mining machinery by fortifying sales and service system through cooperation with sales dealerships in various countries 	<ul style="list-style-type: none"> Implemented OJT for local employees so that workers could quickly acquire technical skills and to expand job opportunities (Hitachi Construction Machinery Zambia) Cosponsored the Let's Play Program which provides education and sports opportunities to elementary schools in underprivileged areas and provides heavy machinery for the maintenance and construction of the school grounds (Hitachi Construction Machinery Africa) 	The Americas Net sales composition ratio 10% Net sales (for fiscal year ended March 31, 2014) 80.4 billion yen '10 '11 '12 '13 '14
The Americas Business Division » p25	<ul style="list-style-type: none"> Boosted production capacity and promoted sales expansion of new model machinery that complies with exhaust gas regulations Began production at new plant in Brazil and established local production and sales system 	<ul style="list-style-type: none"> Implemented quarterly dialogue between management and employees (Hitachi Construction Truck Manufacturing) Held an open house family day (Hitachi Construction Truck Manufacturing) Distributed CSR guidebooks to new employees, and provided with CSR and compliance training (Wenco International Mining Systems) 	



Asia & Oceania

Fortifying dealer sales operations and implementing other measures to secure sales, despite murky markets in Southeast Asia

Market Trends & Regional Strategies

Demand bottoming out overall but signs of recovery in some areas. Paving the way by fortifying dealer sales operations.

In the resource-rich countries of Indonesia and Australia, demand for mining machinery declined due to a slump in resources prices and demand for construction machinery also continued to trend downward. In Thailand, political unrest triggered a decline in construction machinery demand. Although markets in Southeast Asia were plagued by uncertainties such as these, we fortified our dealer sales operations through various measures, including the full-blown deployment of our sales support system and extensive training for sales and service staff.

For instance, in Indonesia we improved our market coverage by promoting detailed sales activities while also aiming to secure parts and service sales by

making inspection and maintenance recommendations to mining machinery customers. In Thailand, we held product launch events in various regions for new models to stir up demand. In Malaysia, we implemented measures to expand sales of products developed for applications suited to the individual needs of different industrial sectors. In Australia, playing off the launch of a new model mini excavator, we are actively forging ahead with measures to expand overall sales. In New Zealand, where the economy is firm, we are boosting sales of the L-series, which is designed specifically for use in forestry work. And lastly, in emerging markets, unit sales are increasing as demand is trending toward recovery. Further out we plan to fortify operations in the aftermarket in tandem with the introduction of ConSite and also plan to attend to the increase in demand for dealer financing.

CSR Topics

Welding competition held in commemoration of the 10th International Skills Competition (P.T. Hitachi Construction Machinery Indonesia)

Hitachi Construction Machinery hosts an annual competition, the International Skills Competition, pitting engineers against one another in the six skill categories of welding, painting, assembly, measuring, transportation, and machining. The main objective of the competition is to improve the skill of the engineers working at our plants and also to share technologies. To commemorate the 10th International Skills Competition, in FY2013 we held the welding portion of the competition at the Cibitung plant no.

1 in Indonesia, where 17 welders representing 11 bases in six countries competed. The contest was held in a scorching heat of over 35 degrees but contestants maintained their concentration and an intense battle unfolded. The technical expertise of participants is higher each year. To ensure that the technical skill of all our manufacturing bases is equal, we plan to further promote the participation of engineers from our overseas sites.



Welders compete in sweltering heat of over 35 degrees

India

Infrastructure and general construction investments remain sluggish in India. Aim to retain No. 1 position in the industry by fortifying sales and service structure

Market Trends & Regional Strategies

Economic growth still slow in India. As industry leader, we are reinforcing our platform by introducing new models

India's economy is sluggish. In January 2014, the International Monetary Fund (IMF) announced India's economy grew 4.4% in 2013, due to the devaluation of the rupee, political instability, and other factors. In 2014, the pace of economic growth is expected to largely underperform the required 7%-8%.

Infrastructure and general construction investment remain sluggish in India, where the economy continues to grow at a slow pace. Consequently, the demand for construction machinery is also listless.

Despite these market conditions, Tata Hitachi Construction Machinery maintained its No. 1 position

in the industry by expanding sales of new machinery models while also fortifying its sales and service structure in India. In addition, Tata Hitachi Construction Machinery is embarking on the development of an infrastructure to expand exports from India.



The new ZX-GI

CSR Topics

Sponsoring a JAGRITI (Tata Hitachi Construction Machinery)

Every year Tata Hitachi Construction Machinery sponsors a JAGRITI* to promote a mutual exchange among students at Hindi middle schools in Jamshedpur and to expand their artistic talents. In FY2013, students from 10 schools participated. During the diverse three-day program, students displayed their talents in areas such as debate, impromptu speaking, public speaking, general knowledge quizzes, composition, drawing, singing and, traditional folk dancing. The JAGRITI are conducted by employees that have newly joined the company.

It is an opportunity for them to gain confidence and nurture their leadership skills.

*JAGRITI is a Hindi word which literally means "awakening." It has also come to describe educational programs to improve literacy among children living in slums.



Children give a dance performance



Japan

The RSS system is now functioning as one unit. We aim to promote an increase in the number of customers doing transactions with several divisions by providing optimal suggestions that satisfy customer needs



Market Trends & Regional Strategies

**Demand brisk mainly in rental business
Aiming to enhance the Hitachi brand through RSS**

Demand for construction machinery, primarily in the rental business, is trending briskly owing to an increase in public works investments, including quake restoration work and infrastructure development, and also due to the high level of new housing starts.

Amid this backdrop, we aimed to expand sales by increasing the number of customers that do business with several divisions. With Hitachi Construction Machinery Japan's RSS (rental, sales, service) system now functioning as a single unit, we are able to provide optimal recommendations to fulfill the needs of our customers. Going forward we plan to utilize our ConSite data report service to offer preventive maintenance

and recommendations to our customers. Meanwhile, in an effort to expand sales, in addition to successively releasing new models that complied with stricter emission control regulations and enhanced fuel efficiency, we also launched the ZH200-5B, a new model hybrid excavator with improved fuel efficiency.

Our branches nationwide held product exhibitions to expand sales of used machinery. The display and spot sales of well-maintained used machinery was well-received by customers. We believe this contributed to the improvement of the Hitachi brand. We plan to continue to hold these events further out.



ConSite data report

CSR Topics

**Trainees plan and conduct their own training aimed at improving operations and creating a pleasant work environment
(Hitachi Construction Machinery Operators Training Center)**

Twice a year the Hitachi Construction Machinery Operators Training Center, which is responsible for training employees to acquire the skills and licenses necessary for operating construction machinery and other tasks, implements training for employees working in an administrative capacity. The employees taking this training decide on the theme, location, and other details of this training. In FY2013, 13 employees participated from various

training centers around the country and the theme they selected was customer service. We plan to undertake steps to improve the issues brought up during group discussions before the start of training in the next fiscal year. Also, by experiencing the hospitality companies in other industries provide to their customers, the participants recognized the importance of providing service to people outside the company. Moving forward we plan to establish a training system that specializes in service.



Group discussions were carried out over a two-day period

Market Trends & Regional Strategies

**Signs of demand switching from growth to decline
Aiming to improve market presence**

China's economy saw a solid expansion in demand as the government aimed to correct the income gap through urbanization of farming areas.

In FY2013, demand for construction machinery surpassed levels in FY2012, reflecting an increase in projects, including the subsidized housing push, and road, railway, port, and environmental development. However, from the start of 2014, the government shifted the focus of its policies from growth to reforms. This has consequently triggered a slowdown in construction machinery demand.

In light of these trends, we aimed to improve our market presence by carrying out the market launch of

key strategic models and also concurrently working to strengthen the basic sales strengths of our dealers. We made full use of our service and parts sales management system and identified and targeted customers with high operating rates using our Global e-Service system to expand our parts and services sales.



Branding meeting attended by dealers

CSR Topics

**Established an elementary school to actively support children who are eager to learn
(Hitachi Construction Machinery (Shanghai) and Qingdao Chengri Construction Machinery)**

Hitachi Construction Machinery is implementing various activities to contribute to local communities in line with its objective to achieve the dual growth of the company and the local community. One such activity is the scholastic support program. In 2008, Hitachi Construction Machinery (Shanghai) and Qingdao Chengri Construction Machinery jointly assisted in the building and establishment of the Xi Wang Elementary School. Furthermore, in

2011 a scholarship program was introduced. Hitachi Construction Machinery continues to provide its support to highly motivated children. In FY2013, scholarships were presented to students in each grade who earned the highest grades on their final exams. We plan to continue to support the nurturing of human resources by contributing to social development by providing scholastic support to more children.



Elementary school children express their thanks for the school supplies that were donated

China

**Identifying and targeting customers with a high operating rate is key.
We aim to expand sales by using our Global e-Service system**



Europe, Russia CIS & the Middle East

Construction machinery market showed signs of recovery. Aiming to expand sales of hydraulic excavators and wheel loaders with low fuel consumption

Market Trends & Regional Strategies

**Filling diverse customer needs through detailed dealer support
Aiming to reinforce our platform owing to a recovery in demand**

The economy in Europe overall, including France, continues to lack strength. However, in the UK, we are seeing signs of recovery owing to tailwinds from the government's housing purchase support program and public works projects mainly being carried out in London. In Germany, the economy continues to trend firmly. Meanwhile, Southern European countries are no longer in crisis and there are indications these economies are also recouping. Given these market conditions, we took aggressive steps to expand sales of hydraulic excavators and wheel loaders of low fuel consumption.

In Russia, GDP growth has been on the decline since the latter part of 2012, mainly reflecting a decrease in natural resource exports, such as petroleum. In the sales front,

we continued to provide support to dealers in the region, through Hitachi Construction Machinery Eurasia Sales to expand sales of construction and mining machinery. We are also putting a local production system in place. In January 2014, we held a ceremony to celebrate the completion of construction of a new plant in Russia.

In the Middle East we continued to pour energies into expanding sales primarily related to infrastructure projects, such as airport and road construction. We also successfully won a large-scale order for machinery to be used in a project connected with restoration work in Iraq. Moving forward we aim to further expand sales by continuing to strengthen our alliances with local dealers and filling the increase in demand owing to infrastructure plans.



New plant built in Russia



Africa

Economy showing signs of a slowdown but construction machinery demand was solid

Market Trends & Regional Strategies

**Focusing on expanding sales of small/medium-sized excavators by strengthening ties with dealers
Aiming to boost parts revenue by fortifying mining operations**

In South Africa and its surrounding countries, we embarked on measures to expand sales. Meanwhile, in Northwest Africa we worked with dealers to fortify sales and services for construction machinery.

The economy in South Africa is growing at a slower pace, as evidenced by GDP growth of 2.0% in 2013 (versus 2.6% in 2012). In FY2014, we expect construction machinery demand to increase in comparison with FY2013.

We aim promote a further expansion in sales of

medium/large-sized excavators and mining equipment by reinforcing our sales and services system through closer ties with dealers in each country in Africa.



Mainstay, medium-sized hydraulic excavator

CSR Topics

**Support training for engineers for the next generation
(Heavy Construction Machinery)**

In July 2013, Heavy Construction Machinery entered into a three-way partnership with Coleg Menai, a vocational college in Wales (UK), and Horizon Nuclear Power, a member of the Hitachi Group, to provide training for the next generation of engineers. Heavy Construction Machinery together with Hitachi Construction Machinery (Europe) also loaned for free three excavators to

Coleg Menai's Heavy Plant Training Centre. We look forward to seeing students who acquired a high level of technical expertise at this center take an active role in the construction industry in the future.



The Heavy Plant Training Centre's opening ceremony



CSR Topics

**Providing opportunities for children to enjoy sports
(Hitachi Construction Machinery Africa)**

In March 2013, Hitachi Construction Machinery Africa began sponsoring the "Let's Play Program," which provides children at elementary schools in underprivileged areas in South Africa with opportunities for education and sports. The goal of the program is to help children to grow up healthy by giving school children in impoverished areas the chance for an education and also to enjoy sports. Hitachi Construction Machinery Africa uses its construction machinery to plow barren land and level it off into a playground for

children. We plan to carry out these activities at around 10 schools per year. Through these actions, we plan to continue to support the growth of children, who will become the pillars of our future.



Children playing in a schoolyard created by Hitachi Construction Machinery Africa



The Americas

Deere-Hitachi Brazil commences production Gearing up local production and sales system

Market Trends & Regional Strategies

Brisk number of housing starts and construction investment Construction machinery demand is solid

In the US, economy is solid as housing starts, construction investment, and the unemployment rate are improving at a brisk pace. Investment is still brisk in energy and infrastructure development, including pipelines. Owing to this market environment, demand remained firm for construction machinery. Meanwhile, demand for mining equipment declined due to sluggish prices for resources.

Deere-Hitachi Construction Machinery, our North America manufacturing base, focused on expanding sales of new machinery models that complied with emission control regulations, now that it has boosted its production

capacity.

Meanwhile, in South America, our joint venture Deere-Hitachi Brazil, which commenced production in September 2013, now has a local production and sales system in place.



New plant in Brazil

CSR Topics

Open House and Family Day event (Hitachi Construction Truck Manufacturing)

In June 2013, Hitachi Construction Truck Manufacturing opened up its headquarter plant site and invited business partners and the families and friends of its employees to attend an Open House and Family Day event. This event, which drew in around 3,000 people, was held in tandem with the completion of plant's expansion and was the first time in the five years that the event was held (it was previously held in 2008). The main event comprised of an exhibition and the chance for visitors to sit in the driver's seat of the EH4000 ACII, a dump truck developed and manufactured by

Hitachi Construction Truck Manufacturing. Many visitors enjoyed this rare opportunity to sit in the driver's seat of a dump truck. Employees interacted with visitors through various attractions such as demonstrations of our newly installed welding robots and product testing at our in-door testing site, and also at a booth which sold goods.



Visitors were given a commemorative gift

Market Trends & Regional Strategies

Glum mining market due to decline in prices for mineral resources Strengthening of global sales and support system urgent

In the mining machinery market, demand has decreased substantially from mines in regions such as North America, Indonesia, and Australia, mainly due to negative impact from a decline in mineral resource prices. In FY2014, we estimate demand is likely to remain flat from the previous year.

In light of these conditions, we embarked on the building of a global sales and support system with the aim of securing sales and profits. In addition, we acquired large-scale orders thanks to close ties with major resource customers and poured energies into developing new markets in mining regions in areas such as Russia, CIS, and Africa. We also developed GET* for mining machinery to

promote parts sales.

Meanwhile, we are fortifying our solutions business through our alliance with the Hitachi Group. We aim to optimize mining management and the management of mining machinery operations using ICT, including test runs of an autonomous driving truck, and a verification project for a mining operations management system that employs a cloud-based system with Wenco (Canada) and Hitachi, Ltd..

* GET (Ground Engaging Tools): General term for interchangeable parts, such as the bucket tips



EH5000AC-3 test run

CSR Topics

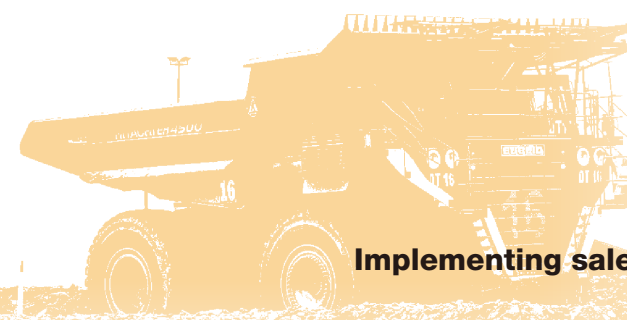
Participated in CONEXPO-CON/AGG One of the world's three largest construction equipment shows)

In March 2013, at CONEXPO-CON/AGG, an international construction equipment show held in the US, we exhibited six models at the Deere booth. We introduced the EH1100-5, the newest model of our rigid dump truck, the EX1200-6, ZX470LC-5, ZX210LC-5, ZX135, and ZX50-5. This is one of the world's three largest construction equipment show, along with Germany's BAUMA and France's INTERMAT. At this year's CONEXPO-CON/AGG, 2,000 companies and organizations displayed their products and around 130,000 people from 170

countries and regions attended the event. The international character of the event is increasing annually, as evidenced by the 24% rise in attendance by visitors from outside the US, versus the previous year's fair. Going forward we plan to actively engage in communication with customers around the world through events such as this.



Hitachi Construction Machinery products on display at the CONEXPO-CON/AGG booths



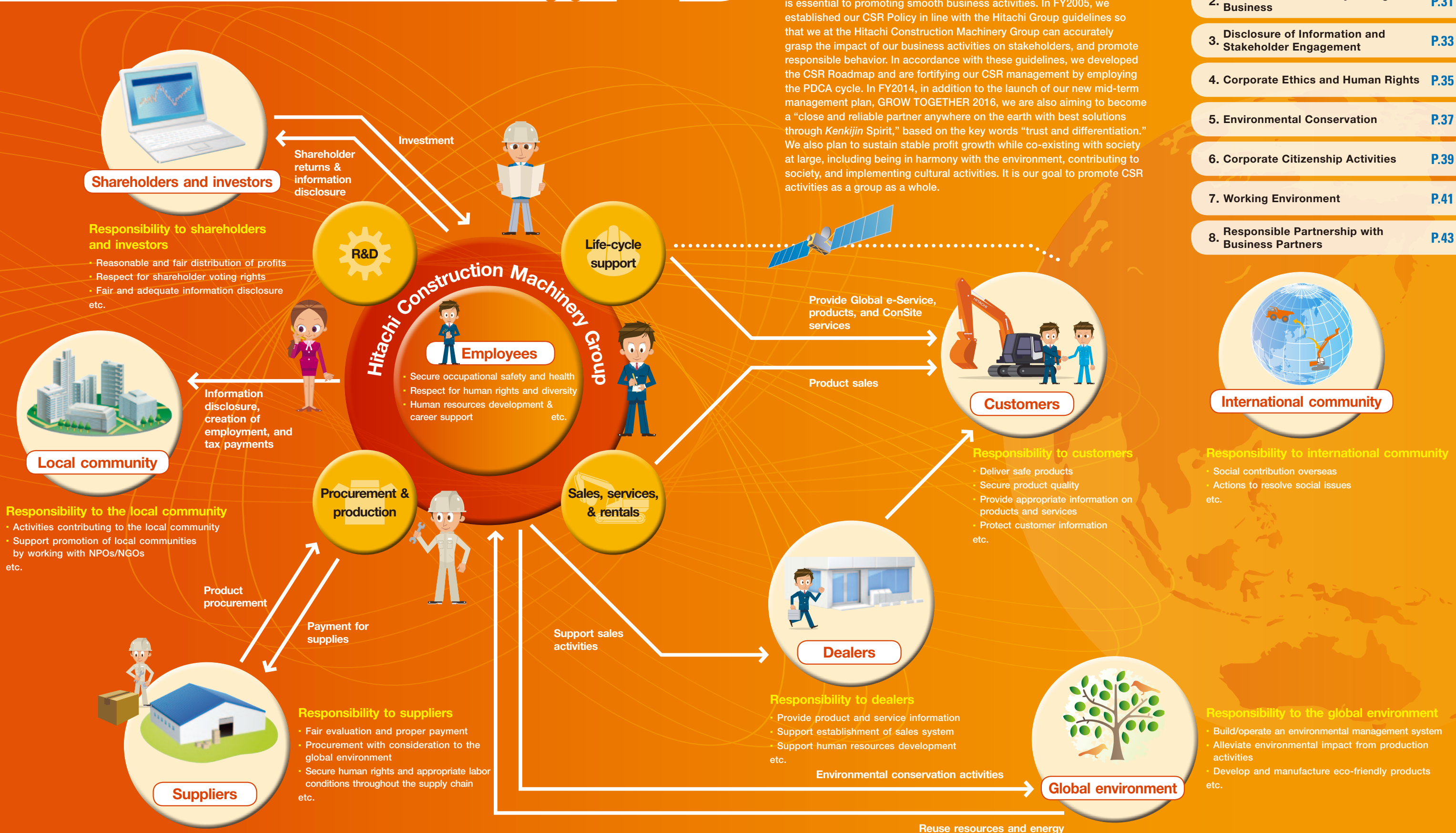
Implementing sales expansion strategies that match market needs

Mining



Chapter 2

Strengthening CSR Management



Action Policy 1

Commitment to Corporate Social Responsibility (CSR)

Every member of the Hitachi Construction Machinery Group understands the policies and goals of the CSR activities being undertaken and is responding by incorporating these policies into their duties.



Employees undergoing compliance training

Themes	CSR communications	Risk management	Stakeholder engagement (Grasp information and exchange opinions to support management decisions)
FY2013 Measures	<ul style="list-style-type: none"> Promote CSR training and carry out <i>Kenkijin</i> Spirit training 	<ul style="list-style-type: none"> Implement measures to alleviate critical risks (domestic and overseas group companies) Further establish business continuity plan (BCP) (domestic and overseas group companies) Implement human rights due diligence 	<ul style="list-style-type: none"> Implement stakeholder communication
	✚	✚	✚
Progress Report on FY2013 Measures	<ul style="list-style-type: none"> Implemented stratified training (included domestic group companies) Implemented new employee training (included domestic group companies) Implemented <i>Kenkijin</i> Spirit training using HGB* (HCM Global Basics) (overseas group companies) Implemented training for TATA Code of Conduct (Tata Hitachi Construction Machinery Company) Provided examples of <i>Kenkijin</i> Spirit and published them in the in-house newsletter (Hitachi Sumitomo Heavy Industries Construction Crane) <p>*HGB: Training program designed to provide human resources training to national staff</p> <p>We provided CSR training to employees at domestic group companies through stratified training. At overseas group companies, we carried out training that takes into account the traits and characteristics of local employees, mainly HGB training for new employees. (Activity report on page 30)</p>	<ul style="list-style-type: none"> Implemented survey to assess risk responsiveness (domestic and overseas group companies) Supported the development of business continuity plans (BCP) (domestic group companies) Established human rights policies and implement a pilot project for human rights due diligence <p>In addition to implementing a risk responsiveness survey, we also drew up HCM Group Crisis Response Guidelines. In particular, we assessed our responsiveness to risks from natural disasters and accidents. (Activity report on page 49)</p> <p>We incorporated the Hitachi Construction Machinery Group Human Rights Policy into our company regulations. (Activity report on page 36)</p>	<ul style="list-style-type: none"> Implemented a customer satisfaction survey Carried out plant tours for shareholders Top management conducted a caravan <p>Communications with stakeholders were factored into our business management. Communications included shareholder opinions heard during plant tours, voice of the customer (feedback obtained from a customer satisfaction survey), and employee opinions heard during the management caravan. (Activity report on page 30)</p>
Assessments	★★★	★★	★★
	✚	✚	✚
FY2014 Measures	<ul style="list-style-type: none"> Promote CSR training and further instill the <i>Kenkijin</i> Spirit 	<ul style="list-style-type: none"> Further fortify global risk management 	<ul style="list-style-type: none"> Expand communications with stakeholders

★ Partially achieved ★★ Nearly achieved ★★★ Fully achieved

CSR Activities Highlights 2013

Promotion of CSR training

The Hitachi Construction Machinery Group distributed the CSR Guidebook to all employees worldwide so that each employee can gain a proper understanding of our corporate philosophy and for use as a manual on how to act as a “sensible” corporate citizen. In the 2012 revised version, we added a section on respecting human rights, ISO26000, and corporate social responsibility.

CSR training is held at the Kasumigaura Institute for new employees and when employees are promoted to the position of assistant manager or section manager. Basic education training is implemented with the aim of nurturing awareness of CSR issues.

At overseas group companies, new employees are provided training that is based on HCM Global Basics (HGM). In FY2013, training was conducted at six overseas group companies. In addition, Tata Hitachi Construction Machinery Company carried out training on the Tata Code of Conduct.

Through its CSR and *Kenkijin* Spirit training programs, the Hitachi Construction Machinery Group is instilling its company philosophy and the underlying spirit of the 3Cs (Challenge, Customer, Communication) to employees in Japan and abroad.



Revised version of the CSR Guidebook

Communication with stakeholders

The Hitachi Construction Machinery Group is pursuing communication with its stakeholders through various approaches in an effort to continue to build a positive relationship. In FY2013, we conducted road shows and conferences in Asia, the US, and Europe, and also held plant tours for our shareholders and investors. We also surveyed our customers to assess customer satisfaction. We also implemented a management caravan to speak with our employees.

At the Tsuchiura Works, we held a plant tour for private shareholders where President Tsujimoto and other Tsuchiura Works executives engaged in dialogue with these shareholders. Through these events, our shareholders can reconfirm the global scope of the Hitachi Construction Machinery Group. We also conducted a customer satisfaction survey to confirm the external evaluation by customers of the measures we carried out in Go Together 2013, our previous med-term management plan. We completed our second survey. We plan to pinpoint the issues we need to solve from the survey results we obtained and use this to strengthen Hitachi Construction Machinery and its dealers. Meanwhile, we held a management caravan to talk to employees. Questions regarding management, including the progress made under Go Together 2013, were answered by President Tsujimoto and other members of management.

Going forward, we plan to actively enhance communications with our stakeholders.

Stakeholder's Message

Awareness of social responsibility in corporate activities

Our company disseminates examples of *Kenkijin* Spirit and compliance through an in-house newsletter. By explaining in detail what actions should be taken, I believe employees can review their daily actions and raise their awareness of how they should be socially responsible. The company is also carrying out activities that contribute to realizing a safe and secure society by conducting safety courses for customers. Our company's CSR activities are disclosed on our website. Please take time to read about our activities.



Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd.

Akiko Matsui

Action Policy 2

Contributing to Society through our Business Activities

The Hitachi Construction Machinery Group aims to become a player in the global construction machinery market that is trusted by customers and is taking on the challenge of solving social issues using its products and solutions.



Tsuchiura Works production line

Themes	Achieving the targets in Go Together 2013	Utilizing information and deploying a global system	Pursuing sustainable designs
FY2013 Measures	<ul style="list-style-type: none"> Implement measures in Go Together 2013 	<ul style="list-style-type: none"> Promote use of Hi-STEP Bring Global e-Service into play 	<ul style="list-style-type: none"> Secure product quality Secure performance quality, social and environmental quality throughout the product life-cycle (including managing safety risks)
	⌵	⌵	⌵
Progress Report on FY2013 Measures	<ul style="list-style-type: none"> Expanded sales of parts services by fortifying the life-cycle business Established a global production system with the startup of plants in Russia and Brazil Reduced distribution costs by promoting activities to reduce overall costs <p>In Go Together 2013, we planted seeds for growth. In GROW TOGETHER 2016, we aim to make rapid progress toward growth. (Top Interview on page 3)</p>	<ul style="list-style-type: none"> Create a new dealer support program Implement development and introduction training for ConSite^{*1} (Special Issue on page 14) Expand areas in which Hi-STEP^{*2} is used (newly introduce system in South Africa and domestic group companies) <p>^{*1} ConSite: New comprehensive service menu that uses ITC to link up with machinery being used by customers</p> <p>^{*2} Hi-STEP: A sales progress management system</p> <p>We established systems that help us respond to the demands of customers, including the development of a dealer support program and ConSite.</p>	<ul style="list-style-type: none"> Implemented global quality assurance activities (including global MONOZUKURI quality check) Trained global engineers Held the International Skills Competition (welding contest) in Indonesia (Activity report on page 19) Developed a new-model hybrid excavator <p>We improved the quality level of our production plants in Japan and abroad by introducing the global MONOZUKURI quality check system and the product safety check system. At the same time, we focused on training global engineers.</p>
Assessments	★★	★★★	★★★
	⌵	⌵	⌵
FY2014 Measures	<ul style="list-style-type: none"> Promote measures in GROW TOGETHER 2016 	<ul style="list-style-type: none"> Global expansion of a new tool to improve customer satisfaction Further deployment of ConSite and other systems 	<ul style="list-style-type: none"> Supply products that satisfy global, uniform quality standards Promote training for global staff

★ Partially achieved ★★ Nearly achieved ★★★ Fully achieved

CSR Activities Highlights 2013

Promotion of a new personnel training program to improve customer satisfaction

In FY2013, as a part of our dealer support program, we promoted a training program, mainly at our group companies in the Asia Pacific region. Hitachi Construction Machinery Asia and Pacific cooperated with the Marketing Division and Career Development Center of Hitachi Construction Machinery to plan and promote this as a standard global program. In this training program, to learn how to provide customers with value, representatives from Hitachi Construction Machinery, sales companies, and dealers gather together at once for hands-on learning sessions, including gaining skills and understanding of user sentiments through role playing. We aim to improve our customer satisfaction by supplying optimal solutions to customers through improved proposal capabilities and organizational strengths.

In FY2014, we plan to expand this program globally from our base in Singapore.



Participants at a training program

Promote global quality assurance activities

In FY2013, in conjunction with the construction of our new plants in Brazil and Russia, we established quality assurance systems. In India, we established a quality confirmation system to launch production of new models. This is a part of our continued measures to perform a global MONOZUKURI quality check and product safety (PS) check. In this manner, we improved the quality level of our production plants at home and abroad.

In FY2014, our goal is to supply products that satisfy uniform global quality standards (Made by Hitachi). We plan to create quality standards and specifications that can be employed globally and standardize our quality assurance operation processes. We also plan to continue to take in employees for training at the Tsuchiura Works. We aim to supply customers around the world with products that realize the "Made by Hitachi" quality craftsmanship.



Trainees from Hitachi Construction Machinery (China) at training graduation. Trainees from India, Indonesia, and the Netherlands all joined in the picture

Stakeholder's Message

Boosting product quality level to equal that of mother plant

I am in charge of handling quality management for parts fabrication at Hitachi Construction Machinery (China) (HCMC). I participated in training at the Tsuchiura Works Quality Assurance Center from spring 2011 to fall 2013.

A top priority issue for HCMC is to boost its product quality level equal to that of the mother plant, the Tsuchiura Works. My goal is to implement the solutions, management methods, and other skills at HCMC which I learned during the two and a half years I was at the Tsuchiura Works and improve quality standards.



Hitachi Construction Machinery (China) Co., Ltd.
Sun, Yusheng

Action Policy 3

Disclosure of Information and Stakeholder Engagement

The Hitachi Construction Machinery Group aims to actively disclose information on risks, glitches, and social costs, to improve the through ongoing dialogue with stakeholders.

Utilizing our website to disclose information at the appropriate time and in the appropriate manner

Themes	Compliance with disclosure policy and timely disclosure and management of information	Disclose information on risks, glitches, and social costs
FY2013 Measures	<ul style="list-style-type: none"> Conduct fair and highly transparent information disclosure through proper management of internal and external information Improve brand strength Continue to implement <i>Kenkijin</i> Spirit training 	<ul style="list-style-type: none"> Implement information disclosure standards (for both domestic and overseas group companies) Assessment using KPIs and disclosure of results
	⇓	⇓
Progress Report on FY2013 Measures	<ul style="list-style-type: none"> Created policies and guidelines on procedures for managing official social media accounts (Activity report on page 34) Implemented <i>Kenkijin</i> Spirit training Regularly disclosed news on CSR and environmental activities on our website (once a month) Created a feeling of solidarity among employees through <i>Kenkijin</i> Spirit training and other events (Hitachi Construction Machinery Asia and Pacific) <p>We established guidelines for official social media accounts. We are following these guidelines to properly disclose information over our official accounts. We have implemented <i>Kenkijin</i> Spirit training at both domestic and overseas group companies. Some overseas group companies also conducted their own proprietary training.</p>	<ul style="list-style-type: none"> Create a special page for recall information to improve notification to customers Updated our environmental activity website and simultaneously made it easier to search for KPIs*, including environmental impact data * Key Performance Indicator (KPI) <p>We actively dealt with information on glitches, including recall information. We newly set up a link on our website that directs users to a page where they can search for recall information. We made these revisions to allow customers to quickly search for desired information. We also adopted some non-financial KPIs as environmental indicators.</p>
Assessments	★★★	★★
	⇓	⇓
FY2014 Measures	<ul style="list-style-type: none"> Appropriate management of internal and external information Improve brand strength 	<ul style="list-style-type: none"> Execute information disclosure standards (for both domestic and overseas group companies) Assessment using KPIs and disclosure of results

★ Partially achieved ★★ Nearly achieved ★★★ Fully achieved

CSR Activities Highlights 2013

Information disclosure using social media

The Hitachi Construction Machinery Group is utilizing social media with the goal of building tighter bonds with our stakeholders and with the users of social media. Our basic policy is to conduct activities that are in compliance with the Hitachi Construction Machinery Group Codes of Conduct, in accordance with "Basics and Ethics," and deeply rooted in corporate ethics and legal compliance. We have established rules that must be followed each time a section plans to launch a new official account. The newly set up account is clearly made official through disclosure over our website. We carefully disclose information over these social media accounts in accordance with guidelines that stipulate regulations that must be followed.

The Hitachi Construction Machinery Group plans to continue to use various social media sites for promotions, communication activities, notifications, advertising activities, and other business matters.



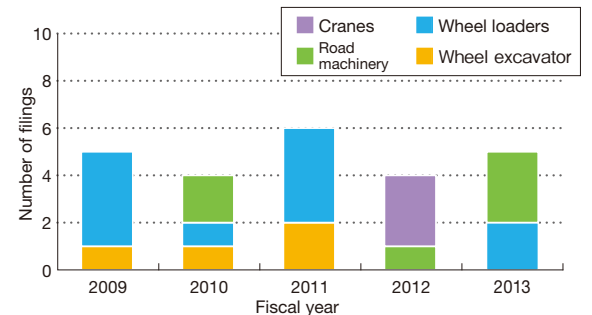
Hitachi Construction Machinery Channel is our official YouTube site

System complies with recall regulations

To ensure the quality and safety of Hitachi Construction Machinery vehicles that are on the road, we conduct post-marketing data gathering, surveys, and analysis on malfunctions. Depending on whether the malfunction is in violation of safety standards or if there is a possibility of this, Hitachi Construction Machinery immediately files for a recall with the Ministry of Land, Infrastructure, Transport and Tourism (MLIT). The malfunctioning products are fixed free of charge. Our system is in compliance with the recall regulations stipulated under the Road Transport Vehicle Act.

In FY2013, we filed for five recalls. In addition to providing repairs free of charge for the recalled products, we also took steps to ensure there was no reoccurrence of these malfunctions. We also disclosed information on our recalls on our website. Previously, we issued a news release at the same time we filed with regulatory authorities but to keep our customers better informed we set up a link on the top page of our website. The link takes customers to a page where they can search for recall information at any time.

Number of recall filings



Stakeholder's Message

We opened an official YouTube account — Hitachi Construction Machinery Channel

Hitachi Construction Machinery sells a wide range of construction machinery. However, it can be unclear to some people what type of machinery is used for certain construction sites and what purpose they serve. This can be easily comprehended at a glance by using videos. YouTube is a valuable marketing tool as it improves the recognition of our products. The advantages of our products can be conveyed to consumers through videos. As the person in charge of this account, it makes me happy when it prompts a customer to say, "I want this piece of machinery!"

Hitachi Construction Machinery Channel, our official YouTube site : <https://www.youtube.com/user/HCMchannel>



Sales Support Media Department,
Marketing Division
Hitachi Construction Machinery Co., Ltd.

Yuichi Maeno

Action Policy 4

Corporate Ethics & Human Rights

All group employees understand the Hitachi Construction Machinery Group Codes of Conduct and the Hitachi Construction Machinery Group Human Rights Policy and aim to incorporate these into their own work.



We implement training covering many themes, including operation efficiency and diversity

Themes	Implement human rights and compliance training	Promote diversity
FY2013 Measures	<ul style="list-style-type: none"> Adopt the Hitachi Construction Machinery Group Human Rights Policy as a company regulation Implement full-fledged human rights and compliance training (conduct e-learning on human rights issues) Install a global alert line 	<ul style="list-style-type: none"> Instill diversity awareness (management level training at domestic group companies) Support to promote the role of female employees (implement a diversity workshop)
	⌵	⌵
Progress Report on FY2013 Measures	<ul style="list-style-type: none"> Implement e-learning on human rights issues (for both domestic and overseas group companies) Implemented human rights training for directors and general managers (Activity report on page 36) Adopted the Hitachi Construction Machinery Group Human Rights Policy as a company regulation Installed a global alert line (Activity report on page 47) <p>We implemented e-learning on human rights issues at our domestic and overseas group companies following the establishment of the Hitachi Group Human Rights Policy. In addition, as a pioneer model for the Hitachi Group, we implemented a pilot program for human rights due diligence. We also conducted a compliance awareness survey. Based on the results of that survey, we carried out training for 3,500 employees, including those from domestic group companies.</p>	<ul style="list-style-type: none"> Completed management-level training at domestic group companies Implemented diversity workshops (four times, 102 employees participated) Conducted a questionnaire on the use of the system for managing work and home life <p>Diversity training for management-level employees, an undertaking we started in FY2011, was implemented and completed at Hitachi Construction Machinery and domestic group companies. In FY2013, we set up a working group to promote the roles of female employees. This working group played a central role in conducting workshops using the World Café method, and provided female employees with an opportunity to think about their careers and work-life balance. (Activity report on page 36)</p>
Assessments	★★★	★★
	⌵	⌵
FY2014 Measures	<ul style="list-style-type: none"> Establish human rights due diligence guidelines Implement a compliance awareness survey and carry out training globally depending on the survey results 	<ul style="list-style-type: none"> Hitachi Construction Machinery and domestic group companies will aim to strengthen activities independently Support for female employee's roles in the group

★ Partially achieved ★★ Nearly achieved ★★★ Fully achieved

CSR Activities Highlights 2013

Implementing pilot program for human rights due diligence

The Hitachi Group Human Rights Policy was formulated with the goal of conforming with international regulations, reducing the risk of human rights violations in the group overall, and attaining a quality of management befitting a true global company.

Hitachi Construction Machinery established its own Hitachi Construction Machinery Group Human Rights Policy based on the content of the Hitachi Group Human Rights Policy that was established in May 2013. In March 2014, we adopted the Hitachi Construction Machinery Group Human Rights Policy as a company regulation. We plan to gradually expand this policy to group companies by March 2015 and have them adopt it as a part of their company regulations. We are having employees take an e-learning human rights course so that all employees will become familiar with the Hitachi Construction Group Human Rights Policy.

To fulfill our responsibility to ensure respect for human rights, we conducted training for directors and general managers in FY2013. And we identified issues through interviews with people inside and outside the group. We also began creating a structure for carrying out human right due diligence within the Hitachi Construction Machinery Group.



Human rights due diligence training for general managers

Promoting diversity

To attain the Hitachi Construction Machinery Group management vision, 2020VISION and become a truly global, winning company, it is crucial that we implement new strategies and innovative concepts to expand our business. To this end, it is important that we acknowledge the different value and individuality of each employee and respect this diversity.

In the Hitachi Construction Machinery Group, the promotion of diversity is being positioned as a key management issue. In April 2011, we established the Diversity Promotion Group. In FY2013, we implemented diversity training for 189 management-level employees at five companies, and have completed management-level training at all domestic group companies.

We also set up a working group to support the roles of female employees. We conducted a diversity workshop for female employees, gave a questionnaire on the use of a system for managing work and home life to employees taking advantage of the system and their immediate bosses. We are taking into account the opinions we received from participants, and from FY2014 onward, we plan to have male employees participate in the diversity workshops.



Fourth diversity workshop

Stakeholder's Message

The road to becoming a company that values diversity

Employees from 10 different countries, including Japan, work at Tadakiko. In light of this, the promotion of diversity is an important activity for Tadakiko. There are only a few employees that cannot speak Japanese at all but they endeavor to communicate with Japanese coworkers. They work diligently every day and at the plant they cheerfully raise their hand to wave hello. The diversity training for management-level staff that was held in FY 2013, is an issue close to home that we have to address.



Tadakiko Co., Ltd.
Yoshihito Sorita

Action Policy 5

Environmental Conservation

The Hitachi Construction Machinery Group is promoting activities to alleviate impact to the ecosystem and our living environment to create a sustainable society.



The hybrid ZH210LC-5 achieves low fuel consumption

Themes	Reducing environmental impact via central management	Development and expansion of eco-products
FY2013 Measures	<ul style="list-style-type: none"> Set environment impact reduction target (evaluations based on new environmental basic units) Expand use of recycled materials (reduce the amount of final waste disposal and promote reuse of products) 	<ul style="list-style-type: none"> Full-fledged Employment of Design for Environment Assessment Ver. 4* Design of the Environment assessment: Method of quantitative evaluation for eight environmental categories at the product development stage. At the same time, it can also be used to assess the environmental impact over the product life cycle.
	⇓	⇓
Progress Report on FY2013 Measures	<ul style="list-style-type: none"> Set and managed optimal management goals for group companies (selecting environmental basic units, setting targets and assessments) Implemented activities to reduce environmental impact at plants (monthly management of energy, waste, water, and VOCs, and enhanced the PDCA cycle using the website to make the impact “visible”) Nine plants in group companies newly achieved zero emissions (final waste disposal ratio of 0.5%) Assisted in promoting the remanufactured parts business and counterweight recycling business <p>We began conducting monthly management of environmental impact at Hitachi Construction Machinery Group companies that possess production plants. We show the monthly fluctuation in environmental impact in the form of concrete data and inform the related parties of these results. By doing so we are able to deploy the results for our environmental activities and quickly remedy issues we are facing. These efforts also help in newly achieving zero emissions.</p>	<ul style="list-style-type: none"> Full implementation of Design for Environment Assessment Ver. 4 (Hitachi Construction Machinery and four group companies to assess 23 models. All models registered as eco-products.) Monitored results of reduction in environmental impact from products (reduced CO₂ emission by 1.89 million tons during product use (goal for 2025 is a reduction of 3.5 million tons)) Underwent LC-CO₂ third party evaluation (Scope 1, 2, and 3) (third-party assessment of CO₂ emissions over the life cycle from materials, to production, operation, disposal, and transport) <p>We are implementing Design for Environment assessments for all new product development to turn all our products into eco-products. Eco-product sales account for nearly 90% of total sales. In FY2013, we registered 23 models as eco-products. Since FY2000, we have registered a total 172 models.</p>
Assessments	★★★	★★★
	⇓	⇓
FY2014 Measures	<ul style="list-style-type: none"> Make monthly management and fortification of the PCDA cycle permanent tasks Promote the disclosure of data on environmental impact (disclosure credible non-financial data obtained through a third-party evaluation) 	<ul style="list-style-type: none"> Shown eco-product performance in the form of visible data and disclose results publicly Support and promote select eco-products Expand the Scope 3 category

★ Partially achieved ★★ Nearly achieved ★★★ Fully achieved

CSR Activities Highlights 2013

Promote environmental management system

Since 2011, the Hitachi Construction Group has forged ahead with environmental preservation activities in accordance with the Hitachi Group's third environmental strategy and the environmental plan in Go Together2013. As key activities, we tackled management of product life-cycle, and management and reduction of environmental impact. Given the different traits of the businesses being carried out by group companies, we reviewed the environmental load unit we employ for managing environment impact.

We promoted communication among group companies and carried out the monthly management of environmental impact to fortify the PDCA cycle. We calculate four environmental impacts on a monthly basis so that we have physical data to compare results with our goals and to make our fiscal year-end target visible. We are sending out summaries to related parties, including people handling these issues at group companies, to laterally disseminate information throughout the company. This information is not only on the issues being faced by each company, but also on environmental topics and examples of various undertakings.

In FY2014, we launched the GROW TOGETHER 2016. Under this management plan we aim to further improve performance and also set new targets. We plan to utilize our system for creating visible data to measure environmental impact to boost our performance.



Plant tour

Stimulating audits and exchanges with group companies

Hitachi Construction Machinery has improved the performance of its environmental activities through environmental audits and exchanges with group companies. In FY2013, we implemented an environmental audit at one domestic group company and conducted environmental exchanges with three overseas group companies.

We carry out environmental audits once every four years, in compliance with the Hitachi Group's standard audit procedures. This audit implemented at Hitachi Sumitomo Heavy Industries Construction Crane was the first since 2009. The audit confirmed improvements to the management system and performance.

We invited four environmental managers from two overseas group companies to Japan to hold an environmental exchange. The guests participated in the Environment Policy Division meeting, toured domestic plants, and exchanged opinions on environmental management in Japan. Meanwhile, the Environment Policy Division also sent members to overseas group companies. They heard reports on environmental management conditions and management methods being used at local plants. In addition to environmental management measures, we also began promoting and assisting in regional communication activities at our group companies.

In FY2013, the local community and environmental preservation activities being carried out by our group companies was covered on Internet news. We plan to continue to carry out these exchanges going forward.



Promoting communication between group employees in charge of environmental management

Stakeholder's Message

Environmental activities at Hitachi Construction Machinery Tierra

At Hitachi Construction Machinery Tierra, one of the basic activities we are implementing is the cleanup of the area around the plant at the beginning of the month. We are also taking the initiative to participate in eco-events sponsored by Koka City. In December 2013, we participated for the first time in the Eco Festa and Hands-on Learning Plaza. We gave children rides on our mini-excavator, which is an eco-product, and allowed them to experience what it was like to actually crush a palette. Owing to our participation, we are receiving requests for plant tours. Hitachi Construction Machinery Tierra aims to become a company that is loved by and is the pride of its hometown. We plan to continue to carry out these activities that place importance on ties with the local community.



Hitachi Construction Machinery
Tierra Co., Ltd.
Kenji Ushitani

Action Policy 6

Corporate Citizenship Activities

In accordance with the Hitachi Construction Machinery Group's social contribution policies, actively carry out corporate citizenship activities by leveraging our areas of expertise to achieve a better society.



Hitachi Construction Machinery Festival is held at various plants Japan

Themes	Humanitarian support	Environmental preservation	Coexist with the community
FY2013 Measures	<ul style="list-style-type: none"> Support activities of NPO Good Earth Japan (GEJ) Continue to provide assistance for restoration of areas devastated by the Great East Japan Earthquake 	<ul style="list-style-type: none"> Promote bio-diversity initiatives Carry out Urahoro Eco-school activities Promote activities at overseas group companies 	<ul style="list-style-type: none"> Actively participate in the community Improve community education
	⌵	⌵	⌵
Progress Report on FY2013 Measures	<ul style="list-style-type: none"> Collaborated with GEJ to hold an event and increased membership by recruiting new members (Activity report on page 40) Loaned out machinery free of charge to disaster-stricken municipalities <p>Since 2007, we have continued to provide our support to NPO Good Earth Japan, which helps local residents to become self-sufficient after landmines are cleared. Annual incomes have increased a maximum of eight-fold (comparison with FY2009) as a result of supporting agricultural vocational training.</p>	<ul style="list-style-type: none"> Implemented eco-education at Urahoro Support Horqin Desert afforestation activities (Hitachi Construction Machinery (Shanghai)) Implemented environmental preservation educational activities (Hitachi Construction Machinery (China) and Hitachi Construction Machinery (Shanghai)) <p>We are vigorously promoting environmental activities in Japan and abroad. In China, we are helping to educate children from kindergarten to middle school on environmental preservation.</p>	<ul style="list-style-type: none"> Loaned hydraulic excavators to Coleg Menai (Wales, UK) free of charge (Heavy Construction Machinery) (Activity report on page 23) Held a JAGRITI (Tata-Hitachi Construction Machinery) (Activity report on page 20) Implemented the Hitachi Construction Machinery Festival at various plants Japan. In 2013, held the festival for the first time at the Ryugasaki Works. <p>We promoted activities that took into account local attributes and needs. This included, loaning out hydraulic excavators to Coleg Menai (Wales, UK), carrying out the Let's Play Program in South Africa, and holding sports exchanges with local residents in Indonesia.</p>
Assessments	★★★	★★★	★★★
	⌵	⌵	⌵
FY2014 Measures	<ul style="list-style-type: none"> Support GEJ activities Provide assistance to areas in the Philippines damaged by typhoons (provide construction machinery) 	<ul style="list-style-type: none"> Implement bio-diversity initiatives Promote environmental education 	<ul style="list-style-type: none"> Continue to be involved in the community Improve community education

★ Partially achieved ★★ Nearly achieved ★★★ Fully achieved

CSR Activities Highlights 2013

Supporting the activities of NPO Good Earth Japan

NPO Good Earth Japan (GEJ), which is being supported by the Hitachi Construction Machinery Group, exhibited at the Global Festa 2013 and at the Yokohama International Festa 2013, both of which were held in October of that year. GEJ displayed panels with pictures and diagrams of activities being carried out in Cambodia and also conveyed the tragedy and terror of landmines using a mock landmine. GEJ carries out its operations with the hope that local residents gain their independence as quickly as possible. The interest in international contribution, regardless of age and gender, is growing each year as evidenced by the increase in the number of visitors to the event. The Hitachi Construction Machinery Group plans to continue to support GEJ's activities going forward.

[Details can be found on our website.](#)



A mock landmine made from wood and the same size as a real landmine (Global Festa)

Explaining landmine fields to visitors (Yokohama International Festa)



Hitachi Construction Machinery holds Eco School

In July 2013, Hitachi Construction Machinery held the Eco School for the second time at the Urahoro Test Site. Nine elementary school children from the town of Urahoro participated. Mr. Toshio Takishita from the Kasumigaura Citizens Association, Mr. Akihiro Murose from the Wild Bird Society of Japan, and Mr. Noritake Ichida from Bird Life International gave lectures on the global environment and plants and animals. During the hands-on-learning portion of this program, participants were allowed to ride on excavators and dump trucks to experience what it is like to use these machines for work. Lecturers also discussed the CO₂ emissions from such machinery and familiar machinery as well. The Eco School is a good opportunity to think about our current lifestyles and the environment. We will consecutively host the environmental education to contribute to the local community and awareness-raising activities.

[Details can be found on our website.](#)



Children handle a taxidermied bird with their bare hands and observe its skeletal structure

Commemorative picture in front of a large excavator



Stakeholder's Message

Building a "good" earth, bringing smiles back to children

Since 2011, I have been assisting Good Earth Japan, which provides support to local residents in Cambodia, helping them to become self-sufficient after the removal of landmines. At the request of local villagers, we are developing an infrastructure, providing agricultural vocational guidance to boost incomes, and building schools for the children who are Cambodia's future. The activities of our NPO serve as a starting point. It is our hope that our daily activities will reach more people living in demined areas, helping them to gain their independence. We hope the Hitachi Construction Machinery Group and others will continue to give us support.



Secretary General,
NPO Good Earth Japan
Makoto Terahira

Action Policy 7

Working Environment

All group employees aim for self-fulfillment through their jobs in a safe work environment and aim to live a well-balanced life working eagerly and independently.



Creating a safe and healthy manufacturing facility

Themes	Promote health and safety activities	Promote healthy work-life balance (Improve employee satisfaction)
FY2013 Measures	<ul style="list-style-type: none"> Aim to acquire occupational health and safety assessment OHSAS 18001 certification(including overseas manufacturing companies) Implement global safety inspection tours 	<ul style="list-style-type: none"> Conduct an employee awareness survey, including domestic group company employees
	⇓	⇓
Progress Report on FY2013 Measures	<ul style="list-style-type: none"> Hitachi Construction Machinery Tierra, Hitachi Construction Machinery Camino, Hitachi Sumitomo Heavy Industries Construction Crane, and Hitachi Construction Machinery (China) acquired OHSAS 18001 certification Tadakiko acquired certification within the group (Activity report on page 42) Implemented safety inspection tours at overseas group companies (7 companies in Asia and Oceania, 2 companies in China, 1 company in India, 1 company in Europe, and 1 company in Africa) <p>Domestic group companies are making smooth progress in acquiring OHSAS 18001 certification. Meanwhile, overseas, Hitachi Construction Machinery (China) acquired certification. We aim to have all group companies OHSAS certified by the end of FY2016.</p>	<ul style="list-style-type: none"> Disclosed results of employee awareness survey over the intranet (Activity report on page 42) Conducted lecture on work-life balance (details on our website) In May 2013, acquired the Kurumin mark in recognition of its efforts to support for employees in their child care endeavors (details on our website) <p>We implemented an employee awareness survey. A total of 4,134 employees, included workers at domestic group companies, responded to the survey. Going forward we plan to conduct an employee awareness survey which will include employees at our overseas group companies.</p>
Assessments	★★★	★★
	⇓	⇓
FY2014 Measures	<ul style="list-style-type: none"> Promote acquisition of occupational health and safety assessment OHSAS 18001 certification (including overseas manufacturing bases) Carry out global occupational health and safety activities 	<ul style="list-style-type: none"> Implement employee awareness survey Improve and promote communication methods, including methods for using various work-life balance systems

★ Partially achieved ★★ Nearly achieved ★★★ Fully achieved

CSR Activities Highlights 2013

Implementing health and safety management

At the Hitachi Construction Machinery Group, the Occupational Safety and Health Promotion Committee meets twice a year.

The committee gathers information on industrial accidents at each company and develops action plans. In addition, the committee supports the development of the occupational health and safety management system and the acquisition of OHSAS 18001 through measures such as training of employees to be in charge of health and safety management.

In FY2013, Hitachi Sumitomo Heavy Industries Construction Crane, Hitachi Construction Machinery Tierra, and Hitachi Construction Machinery Camino acquired OHSAS 18001 certification via a third-party certification body. Meanwhile, Tadakiko was certified within the group*, via Hitachi Construction Machinery's certification. Niigata Material and Shintoshoku Metal are scheduled to acquire certification within the group in June 2014. Overseas, Hitachi Construction Machinery (China) acquired certification via a third-party certification body. Hitachi Construction Machinery Indonesia, Hitachi Construction Machinery (Australia), Hitachi Construction Machinery Southern Africa, and Cable Price (NZ) are gearing up to acquire certification.

* OHSAS 18001 certification is acquired via an assessment by a third-party certification body. Certification within the Hitachi Construction Machinery Group is obtained through an assessment by an inspector sent by Hitachi Construction Machinery and is approved for certification by Hitachi Construction Machinery Headquarters. The measures carried out to build an OHSAS 18001 system is the same as for the certification body.



Tadakiko receives OHSAS 18001 certification within the group

Implemented employee awareness survey and disclosed results on intranet

In September 2013, the Hitachi Construction Machinery Group conducted an awareness survey of domestic group employees and received 4,134 responses. This survey was Internet-based awareness survey that targeted the entire Hitachi Group. The goal is to assess the awareness of employees to grasp the strengths and weaknesses, and issues faced at group companies and implement necessary measures based on the survey results.

The results of the September survey showed that the Hitachi Construction Machinery Group exhibited strengths such as company pride and leadership, but on the other hand a topic of concern was resources and support, including issues such as tools, systems, and the communication and sharing of information within the company. The results of the survey were posted on the group intranet for disclosure to all employees.

We plan to use the results of this survey to create a better workplace. In addition, by carrying out this assessment annually, we will be able to verify the benefits of improvements we have implemented which will in turn enhance our PDCA cycle.



Lecture on work-life balance

Stakeholder's Message

Establishing an easy-to-work environment

Health and safety activities are essential to establishing an environment where it is easy to work. Up until now, I believed that the company has fully promoted these activities but given the measures we carried out to acquire the OHSAS 18001 certification, I now realize there is still much to be done.

Simply acquiring the OHSAS 18001 will not reduce the incidence of disasters and accidents. Now that we are certified, we aim to further hone our health and safety activities in our goal to create an easy-to-work environment.



Hitachi Construction Machinery Camino Co., Ltd.
Kenichi Miura

Action Policy 8

Responsible Partnership with Business Partners

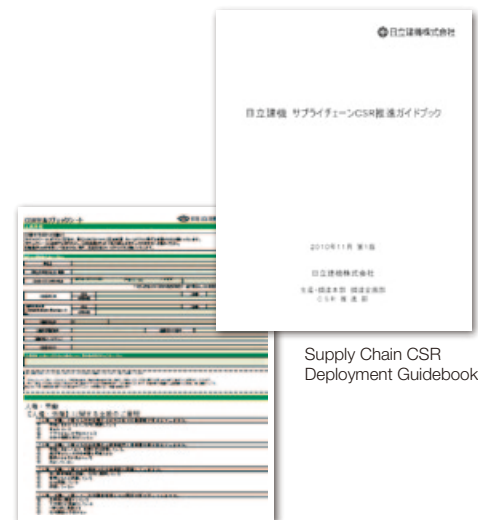
The Hitachi Construction Machinery Group aims to have all its business partners gain an understanding of its CSR activities to achieve mutually sustainable business growth and to be optimal partners that will help us support the Hitachi Construction Machinery brand.



Improvement activities being carried out with suppliers

Themes	Implement CSR procurement measures with business partners
FY2013 Measures	<ul style="list-style-type: none"> Continue to implement supply chain CSR survey Implement supply chain CSR survey at overseas group companies Conduct CSR training (expand to domestic group companies that carry out procurement overseas)
Progress Report on FY2013 Measures	<ul style="list-style-type: none"> Implemented a supply chain CSR survey targeting 202 companies (response rate was 100%) Conducted a JAMA sheet survey using the Hitachi Construction Machinery Chemical Substance Management Information System (Hi-Chemis). Ahead of conducting the 8th and 9th surveys, to ensure a 100% response rate, we held two explanatory meetings on how to input answers (July 2013 and February 2014) Implemented CSR training at a meeting with suppliers <p>We implemented a CSR survey targeting 202 domestic suppliers and received responses from all of these companies. We realized an improvement in CSR awareness among our suppliers. Going forward, we plan to conduct supply chain CSR surveys that also target group companies. (Activity report on page 44)</p>
Assessments	★★
FY2014 Measures	<ul style="list-style-type: none"> Implement supply chain CSR survey at group companies Promote initiatives for the establishment of a business continuity plan (BCP) (includes group companies)

★ Partially achieved ★★ Nearly achieved ★★★ Fully achieved



CSR Self-Check Sheet



CSR training for suppliers conducted at a budget meeting



General meeting of the Tokiwa-kai Group, an entity that provides support to the Hitachi Construction Machinery Group

CSR Activities Highlights 2013

Implemented supply chain CSR survey

As the first step to gear up for CSR procurement, the Hitachi Construction Machinery Group has been carrying out the supply chain CSR survey since 2010. In FY2013, we conducted a survey of 202 domestic suppliers. All the suppliers responded to our survey. For suppliers with low evaluations, we encouraged them to draw up and submit plans for improvement.

In FY2014, we plan to expand the survey to include our domestic group companies. In addition, in consideration of factors such as the culture and business practices, we also plan to conduct the survey at our overseas manufacturing bases.

CSR training conducted for suppliers

In November 2013, we implemented CSR training for 193 of our major suppliers at a supplier meeting.

By explaining our CSR concepts and activities in detail, we are able to share our sense of social responsibility as a company with our suppliers.

Moving forward we plan to continue to actively conduct this type of supplier training.



Presentation materials for supplier CSR training

Tokiwa-kai Group hold training for next-generation leaders

In FY2013, the Tokiwa-kai Group* conducted three training seminar for developing the next generation of leaders at Kasumigaura Institute.

The training began with a lecture on what it means to be a leader, then branched off into a wide range of topics including educating subordinates, leadership coaching, compliance, *Kenjin* Spirit, and mental health care. Later, participants broke up into groups to discuss the theme of "what is a strong leader." After debating the topic in groups, each group then presented their conclusions.

In FY2014, the Tokiwa-kai Group plans to implement more extensive training to provide an opportunity to create more next-generation leaders.

* The Tokiwa-kai Group consists of 47 companies (as of April 2014). The group provides support and cooperation with the goal of building and maintaining a partnership with the Hitachi Construction Machinery Group.



Leadership training carried out by the Tokiwa-kai Group

Stakeholder's Message

Participating in the next-generation leadership training program

I participated in the recent next-generation leadership training program. I was interested in what the program had to offer. However, in the beginning, my daily work routine kept me quite busy, so I did not have the time to participate in the training. However, after having actually participate in the program and listening to the lecturers, I began to believe that in the future, I could play a central role in my company. The two-day training program gave me a sense of responsibility. In addition, we broke up into groups and each member of the group openly discussed the issues and concerns they faced in their respective companies. This gave us an opportunity to gain a mutual understanding of one another.



TONAN DROP FORGING CO., LTD.
Mr. Takasumi Yoshitomi

Corporate Governance

Committed to optimally fair and transparent corporate management with the recognition we are a member of the global society.

Corporate Governance

Our basic philosophy

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

In addition, we share a basic corporate philosophy and brand, as well as a basic management policy, as a member of the group led by Hitachi Ltd., our parent company. Hitachi Construction Machinery's own corporate codes of conduct, based on that of Hitachi Ltd., guides our basic policy for corporate governance, and serves as the foundation for the Hitachi brand and our CSR activities.

Corporate governance system

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

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

The Board of Directors comprises three (3) Outside Directors and six (6) Directors. The Chief Executive Officer and Executive Officers, who are authorized to do so by the Board of Directors, have the right to make

operational decisions and execute work in accordance with the company's basic management policies. The Board of Directors decides the responsibilities and duties of the Executive Officers, matters regarding supervision and authority, and the mutual relationships among the Executive Officers.

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

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

Ensuring constant independence from the parent company

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

Since two outside directors on Hitachi Construction Machinery's Board of Directors also concurrently serve as executives of Hitachi Ltd., the parent company exerts influence on decisions on our management policy through the views expressed by these directors at Board meetings.

However, with the exception of the two aforementioned directors, Hitachi Construction Machinery's Board of Directors consists of nine members, one of whom is another outside director designated as an independent outside director, and six of whom are other directors with no concurrent relationships with Hitachi Ltd. or companies in the Hitachi Group. This ensures that we are able to make independent management decisions.

Calculating executives' compensation (performance-linked compensation system)

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

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

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

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

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

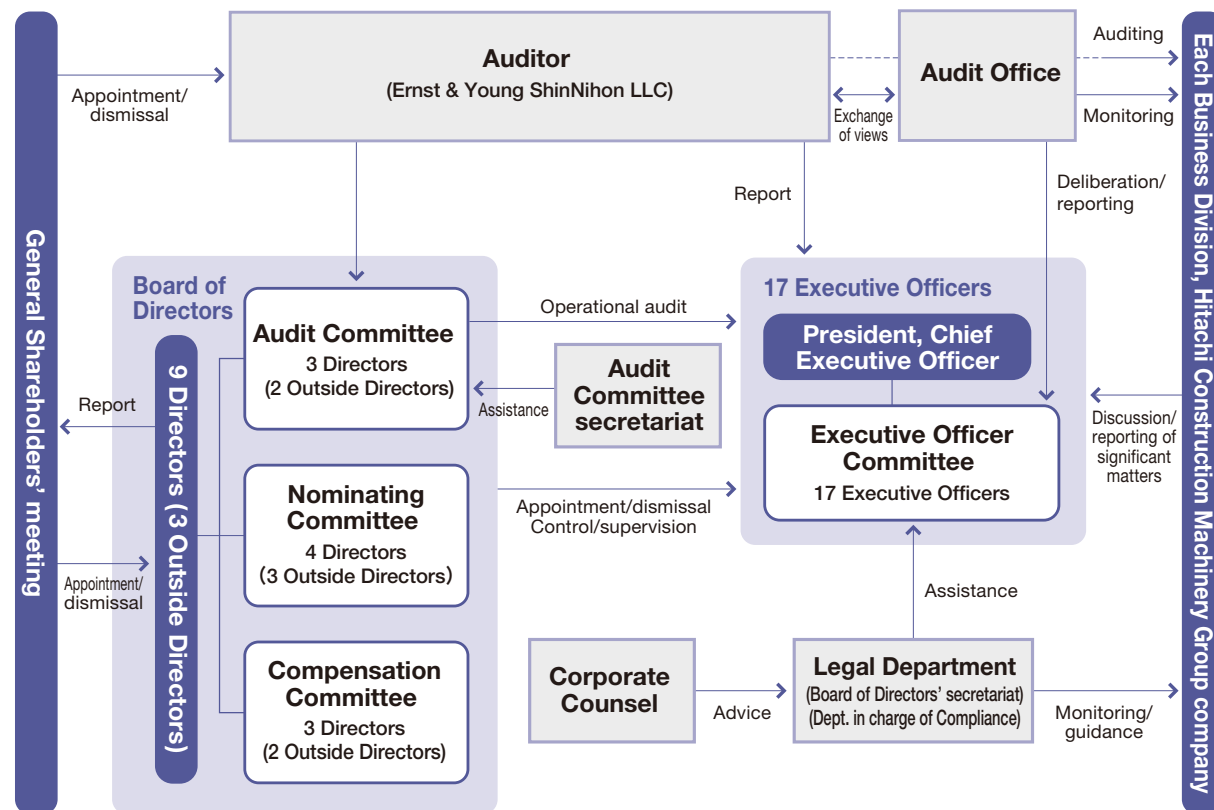
Internal Controls

Our basic policy

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

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

Corporate Governance System



As of June 23, 2014

Compliance

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

Compliance

Promoting compliance activities

The Hitachi Construction Machinery Group defines compliance as conformity to laws and regulations, the basis of corporate activities, and actions in accordance with corporate ethics. We are actively embarking on activities to improve our level of compliance.

Specifically, we repeatedly carry out awareness surveys targeting all employees at Hitachi Construction Machinery and our domestic group companies, and implement training in line with the results of these surveys. In this manner, we are able to assess our level of compliance and carry out improvements.

Moreover, during our Corporate Ethics Month in FY2013 we gave the directors and all employees of Hitachi Construction Machinery and its domestic group companies a pocket-sized card that has the Hitachi Construction Machinery Codes of Conduct printed on it to promote the shared understanding of compliance by renewing awareness. Our actions promoted further awareness of compliance issues and improved the level of compliance knowhow.

■ Conducting an employee compliance awareness survey

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

We plan to implement the survey at domestic group companies for the second time from 2013 to 2014.

The survey data will be processed and analyzed and the results released to employees. It will be used in measures aimed at improving compliance.

■ Promoting compliance training

At the Hitachi Construction Machinery Group, we implement stratified compliance training and various sales training programs for new employees, newly appointed supervisors and managers. We also provide supplier training. In addition, we provide individual training programs as a follow up to our compliance awareness

survey. In FY2013, more than 3,500 employees partook in this training.

At our overseas group companies, we have been deploying compliance training in line with our HCM Global Basics (HGB)* training for national staff in FY2011. From FY2014, we plan to continue to carry out training with the goal of improving compliance awareness and competence globally using the same process of awareness surveys and training as in Japan.

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



Compliance training at convention hall in Tsuchiura Works

■ Establishing a global compliance hotline

We established a compliance “whistleblowing” hotline with the goal of quickly identifying and properly handling compliance issues.

In FY2013, there were more than 20 cases reported, including consultations and questions regarding the organizational system and measures. Cooperation with relevant departments was carried out as needed and the issues were resolved.

In FY2013, we established a global alert line, which is a global hotline capable of handling questions in a number of languages so that employees at overseas group companies can use the hotline equally. In doing so, we plan to further strengthen compliance functions throughout the Group.

● Flow for global alert line



Risk management

Strengthening of cooperation among group companies and heightening response capabilities against risks from global point of view.

Our basic policy

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

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

■ Definition of Risk

Risk is defined as the possibility of incidents, accidents, or other problems that may cause loss or damage directly or indirectly to the Hitachi Construction Machinery Group’s business, employees or their families or to people with some connection with the Group.

■ Categories of Risk

1. Damage to people: Death, Injury, or the possibility of such.
2. Damage to assets: Breakage or destruction of the company assets, hindrance in production or sales, etc. caused by such breakage or destruction, or the possibility of such.
3. Financial damage: Payment of compensation, lost profits, or the possibility of such.

4. Loss of trust: Loss of trust in the company, our products or employees, etc., thereby damaging the company’s image, or the possibility of such.
5. Breach of laws and regulations: Breach of laws and regulations, or the possibility of such.
6. Breach of ethics: Acts contravening company ethics, or the possibility of such.

■ Measures against Risks

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

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

Risk management

Establishing global risk management

The fortification of the risk management system for the overall Group is crucial for the Hitachi Construction Machinery Group to grow as a global company. To fulfill its manufacturer accountability, the Hitachi Construction Machinery Group is developing Business Continuity Plans (BCPs) and strengthening its Business Continuity Management (BCM) to minimize the impact to business activities from risks that arise from events such as natural disasters, and to attain the quickest possible recovery. We are also working to sustain our supply chain.

In FY2013, we implemented a survey to assess the risk response capabilities of our group companies in Japan and abroad. In the Compliance and Risk Management Division, we established crisis response guidelines and adopting a global perspective, we solidly grasped risks with the potential to impact the group globally. In addition to promoting necessary measures, such as safety confirmation for our global staff who travelled outside of their own countries to unstable countries and regions for work, we also provided training.

In FY2014, we plan to continue to fortify our global risk response capabilities by further enhancing our crisis management system and also by promoting collaborations for risk response throughout the Group.

■ Survey on risk response capabilities at group companies in Japan and abroad

Global affairs are constantly changing owing to various catalysts. Amid this environment, in 2012 we created a global risk map to reconfirm the risks surround our Group. In FY2013, we conducted a survey and assessed our response capabilities to various risks, such as natural disasters and accidents.

Going forward, given the results of our survey, we plan to sustain and reinforce our crisis management system by forming collaborations between group companies. We also plan to promote measures for key risks.

■ Crisis response guidelines

After the terrorist hostage crisis in Algeria occurred in January 2013, we believed there would likely be an increase in similar incidents. The president issued a message to group companies to adopt a well-prepared

system to ensure safety. In light with this, we reviewed and reinforced our system.

The Compliance and Risk Management Division strengthened the risk management system at all group companies to prepare for various unexpected events including natural disasters, terrorist attacks, infections, crimes, and to adapt to different cultures. We established our crisis response guidelines, which is a basic policy for taking maximum action and sparing no efforts to secure safety for related parties including our employees. We fully disseminated information on response during normal conditions and times of crisis, and the proper handling of post-crisis situations.

We are fortifying our crisis response system. In particular, when employees are preparing to travel to an unstable country or region for work, we confirm local conditions beforehand based on information from sources such as the foreign ministry and diplomatic agencies abroad. After taking necessary safety measures, we then determined whether it was safe for the employee to travel to their destination.

Also, in cooperation with Hitachi, Ltd., we invited specialists to give a crisis management seminar for our management-level personnel. Training covered the regional trends globally and provided an understanding of risks unique to specific regions. It also offered information on how to respond when faced with a risk.

Going forward, in accordance with our guidelines, we plan to promote activities such as the creation of manual and expanded training. Our goal is to improve our employees' knowledge and awareness of risks and thereby establish a strong corporate structure that is resilient to risk.



Crisis management seminar

Directors and Executive Officers

As of June 23, 2014

Directors



Takashi Kawamura
Chairman of the Board



Shigeru Azuhata
Outside Director



Hideto Mitamura
Outside Director



Yukio Arima
Senior Vice President,
Executive Officer and
Director



Osamu Okada
Director



Mitsuhiro Tabei
Senior Vice President,
Representative
Executive Officer and
Director



Yuichi Tsujimoto
President, Chief
Executive Officer



Hiroshi Tokushige
Director



Tsutomu Mizutani
Senior Vice President,
Executive Officer and
Director

Executive Officers

President, Chief Executive Officer

Yuichi Tsujimoto

Executive Officer

Kenji Oota

Senior Vice President, Executive Officer

Yukio Arima

Executive Officer

Tetsuo Katsurayama

Senior Vice President, Representative
Executive Officer

Mitsuhiro Tabei

Executive Officer

Morio Kadoya

Senior Vice President, Executive Officer

Tsutomu Mizutani

Executive Officer

Genroku Sugiyama

Vice President and Executive Officer

Toshihiro Oono

Executive Officer

Masato Tamaki

Vice President and Executive Officer

Yasushi Ochiai

Executive Officer

Kotaro Hirano

Vice President and Executive Officer

Koji Sumioka

Executive Officer

Hideshi Fukumoto

Vice President and Executive Officer

Akihiko Hiraoka

Executive Officer

Tadashi Motoi

Vice President and Executive Officer

Norio Hirota

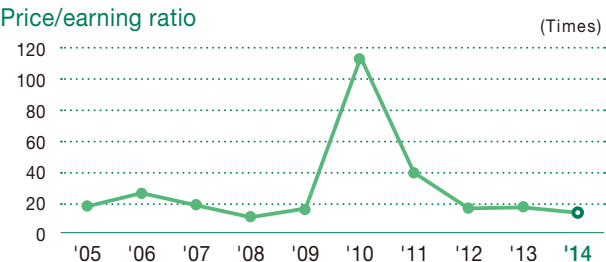
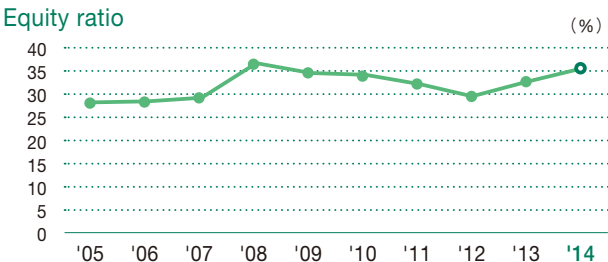
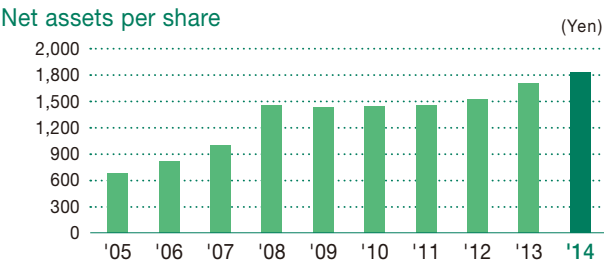
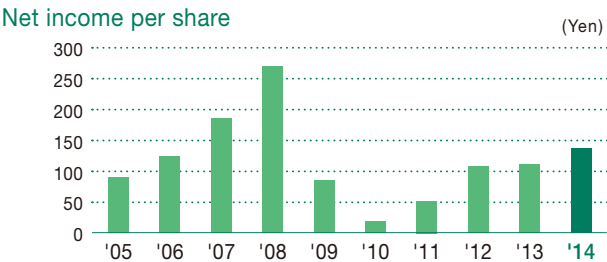
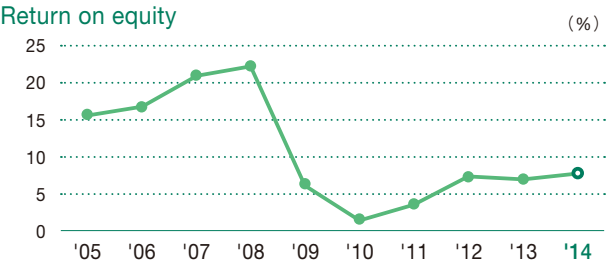
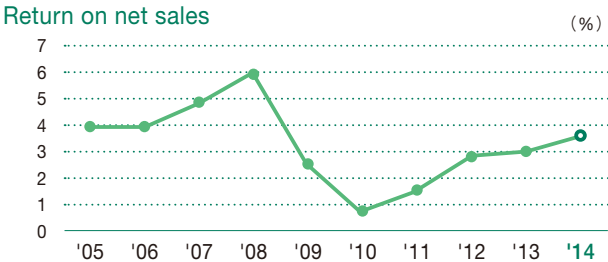
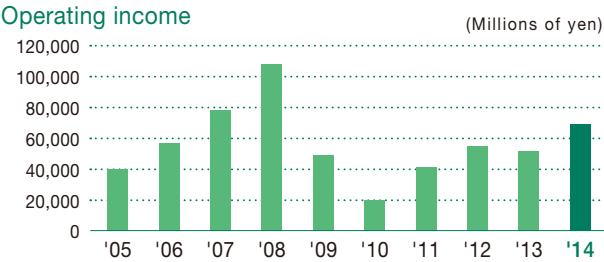
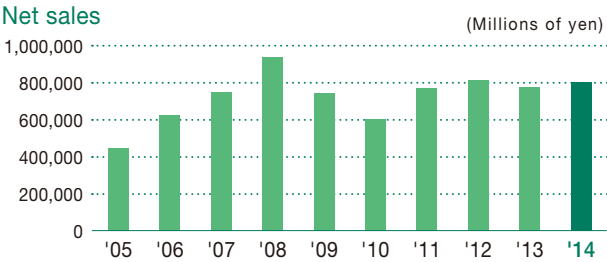
Note: Executive officers are listed in the Japanese syllabic order.

Ten-year Financial History

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

Financial Highlights	2014	2013	2012	2011	2010	2009	2008	2007	2006	Millions of yen	Thousands of
										Excluding per share data	U.S. dollars (Note 3), Excluding per share data
										2005	2014
For the year:											
Net sales	802,988	772,355	817,143	773,769	605,788	744,167	940,537	756,453	626,457	448,043	7,802,060
Operating income	69,163	51,496	54,837	41,511	19,669	48,836	108,458	78,352	57,177	40,120	672,007
Net income before income taxes and minority interests	52,775	45,763	50,129	35,745	18,333	44,142	100,564	70,081	46,795	31,862	512,777
Net income	28,939	23,464	23,036	11,088	4,019	18,253	55,985	36,502	24,223	17,325	281,180
At year-end:											
Total assets	1,087,191	1,099,901	1,086,116	944,370	883,047	841,353	833,096	655,326	552,341	463,812	10,563,457
Working capital	271,977	286,564	232,252	248,870	207,948	124,398	155,901	98,891	99,213	96,638	2,642,606
Shareholders' equity	383,355	361,874	345,689	327,496	319,520	311,430	310,747	184,750	157,173	131,318	3,724,786
Interest-bearing debt	363,411	393,102	388,904	327,768	307,754	300,626	190,650	165,910	152,953	154,786	3,531,005
Per share data (yen):											
Net income	136.24	110.77	108.88	52.44	19.33	85.79	271.00	187.43	124.37	91.05	1.32
Diluted net income	136.20	110.75	108.86	52.41	19.32	85.72	270.23	186.81	124.00	90.88	1.32
Net assets	1,827.59	1,704.34	1,522.86	1,447.52	1,441.73	1,422.54	1,446.55	987.56	807.17	673.81	17.76
Cash dividends (declared)	50.00	40.00	30.00	20.00	10.00	44.00	42.00	28.00	18.00	14.00	0.49
Other indicators:											
Return on net sales (%)	3.6	3.0	2.8	1.4	0.7	2.5	6.0	4.8	3.9	3.9	—
Return on equity (%)	7.7	6.9	7.3	3.6	1.3	6.1	22.3	20.9	16.8	15.6	—
Equity ratio (%)	35.7	32.8	29.7	32.4	34.5	34.9	37.1	29.4	28.5	28.3	—
Price/earning ratio (times)	14.59	18.31	16.82	39.72	114.28	14.79	9.21	17.02	24.92	16.24	—

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



Financial Section

Management’s Discussion and Analysis

Business Performance

During the consolidated fiscal year under review (April 1, 2013 to March 31, 2014), the Japanese economy has gradually recovered, underpinned by a revival of capital investment and increased production. In China, the economy has gradually expanded because of the recovery trend in exports and the domestic demand expansion policy implemented by the government. The US has shown a gradual trend toward recovery, and Europe has also recovered, driven by the economies of the UK and Germany. On the other hand, the economies of Southeast Asia and India continued to be sluggish because of currency depreciation and political instability, among other factors.

With respect to the construction machinery market, particularly for hydraulic excavators, the demand continued to be brisk in Japan. This was supported by increased housing starts and public investments including the demand for reconstruction. In China, despite recovering demand backed by the urbanization of rural areas and increased investment in roads and railways, demand for construction machinery has increasingly shown signs of a slowdown since the beginning of 2014. This has been due to the government’s policy of placing more emphasis on “reform than growth.” On the other hand, demand has significantly declined in Thailand, India, and Indonesia.

With respect to the mining machinery market, the demand for machinery for mines in the US, Indonesia, and Australia has severely decreased because of a fall in the price of coal, among other minerals.

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

Regarding construction machinery, in Japan, we introduced a new line-up of machinery including new generation hybrid hydraulic excavators, which achieved considerably better fuel efficiency. Furthermore, we began offering the new service menu “ConSite” to provide comprehensive customer support. Overseas, we strove to expand our global production/supply structure and strengthen cooperation with dealers.

We have continued to focus on proactive marketing for new customers and large clients with respect to mining machinery.

Consequently, consolidated net sales increased by 4% year-on-year to ¥802,988 million. Operating income and ordinary income also increased by 34% and 47% year-on-year, to ¥69,163 million and ¥53,671 million, respectively.

Analysis of Financial Conditions

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

Current assets at the end of the fiscal year amounted to ¥718,937 million, a decrease of 2.0%, or ¥14,882 million from the previous fiscal year-end. This was due mainly to a decrease of ¥9,287 million in cash and deposit and ¥5,588 million yen in the total of accounts receivable (notes and accounts receivable, lease receivable and investment asset).

Fixed assets increased 0.6%, or ¥2,172 million from the end of the previous fiscal year to ¥368,254 million.

As a result, total assets decreased 1.2% or ¥12,710 million from the previous fiscal year-end to ¥1,087,191 million.

[Liabilities]

Current liabilities at the end of the fiscal year amounted to ¥ 446,960 million, a decrease of 0.1%, or ¥295 million from the previous fiscal year-end.

Non-current liabilities decreased 18.4%, or ¥43,384 million from the previous fiscal year-end to ¥192,591 million. This was mainly due to a decrease of ¥ 30,000 million in bonds caused by transferring bonds to bonds redeemable within one year, and a decrease of ¥18,671 million in long-term debt.

As a result, total liabilities decreased 6.4% or ¥43,679 million from the previous fiscal year-end to ¥639,551 million.

[Net Assets]

Net assets increased 7.4%, or ¥30,969 million from the previous fiscal year-end to ¥447,640 million. This was mainly due to net income in this fiscal year amounting to ¥5,475 million, and an increase of ¥15,502 million in foreign currency translation adjustments.

[2] Analysis on Status of Consolidated Cash Flows

Cash and cash equivalents at the end of the year totaled ¥53,676 million, a decrease of ¥12,946 million from the end of the previous fiscal year. Factors relating to each cash flow category were as follows:

[Cash Flows from Operating Activities]

Factors that increased cash included ¥52,775 million in income before income taxes and minority interests, ¥37,405 million in depreciation and amortization, and ¥26,006 million in decrease in notes and accounts receivable (including lease receivable). Factors that reduced cash included the ¥12,851 million in decrease in notes and accounts payable, ¥16,142 million in increase in purchase of property held for lease, and ¥19,385 million of income taxes payment.

As a result, cash flows from operating activities amounted to ¥92,324 million, by ¥32,359 million increase from the previous fiscal year.

[Cash Flows from Investing Activities]

Net cash used in investing activities for this fiscal year was ¥36,724 million, a decrease of ¥356 million from the previous fiscal year, mainly due to an outlay of ¥38,705 million for acquisition of property, plant and equipment.

As a result, free cash flows, the sum of cash flows from operating activities and cash flows from investing activities, amounted to an inflow of ¥55,600 million.

[Cash Flows from Financing Activities]

Net cash used in financing activities totaled ¥72,174 million. This was due mainly to outflows of ¥37,504 million in net decreased/increased short-term debt, ¥9,118 million in interests paid and ¥12,832 million in dividends paid.

Principles Regarding Appropriation of Earnings and Dividends for the Year under Review and the Fiscal Year Ending March 31, 2015

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

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

At the Meeting of the Board of Directors scheduled for May 23, 2014, a resolution for cash dividends per share of ¥25 for the fiscal year ended March 31, 2014 was approved. As a result, cash dividends for the entire fiscal year ended March 31, 2014 amounted to ¥50 per share.

As for dividends for the fiscal year ending March 2015, we aim to pay ¥30 per share for interim dividends and ¥30 per share for year-end dividends -a total of ¥60 per share annually.

Hitachi Construction Machinery Co., Ltd. and its Consolidated Subsidiaries
March 31, 2014 and 2013

March 31, 2014 and 2013			
		Thousands of U.S. dollars (Note 3)	
	Millions of yen		
ASSETS	2014	2013	2014
Current assets			
Cash and bank deposits (Notes 18 and 20).....	¥ 53,353	¥ 62,640	\$ 518,393
Notes and accounts receivable (Notes 8, 9, 12 and 20)	212,585	204,918	2,065,536
Lease receivables and investment assets (Note 20)	90,033	103,288	874,786
Merchandise and manufactured goods (Note 12).....	248,586	239,643	2,415,332
Work in process (Note 12)	51,059	54,125	496,104
Materials and supplies (Note 12)	21,627	21,143	210,134
Deferred tax assets (Note 24).....	11,186	13,903	108,686
Other	40,208	42,108	390,673
Less: Allowance for doubtful accounts (Note 20)	(9,700)	(7,949)	(94,248)
Total current assets	718,937	733,819	6,985,396
Non-current assets			
Property, plant and equipment			
Property held for lease (Notes 12 and 30).....	115,618	104,370	1,123,377
Land (Note 12)	57,783	55,562	561,436
Buildings and structures (Note 12)	166,321	150,781	1,616,022
Machinery, equipment and vehicles (Note 12).....	237,129	219,876	2,304,013
Construction in progress.....	11,545	17,110	112,175
	588,396	547,699	5,717,023
Less: Accumulated depreciation	(299,449)	(276,504)	(2,909,532)
Net property, plant and equipment	288,947	271,195	2,807,491
Intangible assets			
Software	12,793	17,802	124,300
Goodwill.....	5,224	10,457	50,758
Other	4,710	4,402	45,764
Total intangible assets	22,727	32,661	220,822
Investments and other assets			
Investments in securities (Notes 20 and 21).....	33,345	27,086	323,990
Deferred tax assets (Note 24).....	6,222	5,263	60,455
Net defined benefit asset (Note 23)	452	—	4,392
Other	16,896	30,395	164,166
Less: Allowance for doubtful accounts (Note 20)	(335)	(518)	(3,255)
Total investments and other assets	56,580	62,226	549,748
Total non-current assets	368,254	366,082	3,578,061
Total assets	¥ 1,087,191	¥ 1,099,901	\$ 10,563,457

	Millions of yen		Thousands of U.S. dollars (Note 3)
LIABILITIES AND NET ASSETS	2014	2013	2014
Current liabilities			
Notes and accounts payable (Notes 8,20 and 30)	¥ 143,134	¥ 149,128	\$ 1,390,731
Short-term loans (Notes 12,20,25 and 30)	181,801	192,821	1,766,430
Current portion of bonds (Notes 20 and 25)	30,000	—	291,489
Income taxes payable.....	8,699	14,563	84,522
Other (Notes 8,12 and 30)	83,326	90,743	809,619
Total current liabilities	446,960	447,255	4,342,791
Non-current liabilities			
Bonds (Notes 20 and 25).....	20,000	50,000	194,326
Long-term loans (Notes 12,20 and 25).....	131,610	150,281	1,278,760
Lease obligations(Note 25)	15,942	9,984	154,897
Retirement and severance benefits (Note 23).....	—	8,913	—
Net defined benefit liability (Note 23)	12,563	—	122,066
Other (Notes 12 and 26)	12,476	16,797	121,219
Total non-current liabilities	192,591	235,975	1,871,268
Total liabilities	639,551	683,230	6,214,059
Net assets			
Shareholders' equity			
Common stock	81,577	81,577	792,625
Authorized: 700,000,000 shares in 2014 and 2013			
Issued: 215,115,038 shares in 2014 and 2013			
Capital surplus	84,893	84,500	824,845
Retained earnings	220,122	199,779	2,138,768
Less: treasury stock, at cost: 2,605,021 shares in 2014 and 3,206,607 shares in 2013	(3,237)	(3,982)	(31,452)
	383,355	361,874	3,724,786
Accumulated other comprehensive income			
Net unrealized gains on securities (Note 21)	3,746	3,056	36,397
Deferred losses on hedges	(282)	(2,323)	(2,740)
Foreign currency translation adjustments	14,058	(1,444)	136,592
Remeasurements of defined benefit plans (Note 23)	(12,496)	—	(121,415)
Total accumulated other comprehensive income.....	5,026	(711)	48,834
Subscription rights to shares	766	766	7,443
Minority interests	58,493	54,742	568,335
Total net assets	447,640	416,671	4,349,398
Total liabilities and net assets	¥ 1,087,191	¥ 1,099,901	\$ 10,563,457

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Hitachi Construction Machinery Co., Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Net sales (Note 30)	¥ 802,988	¥ 772,355	\$ 7,802,060
Cost of sales (Note 13)	573,501	566,180	5,572,299
Gross profit	229,487	206,175	2,229,761
Selling, general and administrative expenses (Note 13)	160,324	154,679	1,557,754
Operating income	69,163	51,496	672,007
Other income (expenses)			
Interest and dividend income	4,418	3,497	42,927
Losses on equity in earnings of affiliated companies	(253)	(646)	(2,458)
Interest expenses	(9,122)	(11,672)	(88,632)
Foreign exchange losses, net	(9,318)	(6,844)	(90,536)
Gains on change in equity	—	9,904	—
Gains on sales of investment securities, net	—	964	—
Gains on sales of shares of subsidiaries	43	—	418
Subsidy income	1,003	1,135	9,745
Gains on sales of land (Note 14)	2,101	—	20,414
Business structure improvement expenses (Note 15)	(156)	(565)	(1,516)
Impairment losses (Note 16)	(2,884)	(931)	(28,022)
Other, net	(2,220)	(575)	(21,570)
	(16,388)	(5,733)	(159,230)
Income before income taxes and minority interests	52,775	45,763	512,777
Income taxes:			
Current	18,157	17,285	176,419
Deferred	(563)	(811)	(5,471)
Income before minority interests	35,181	29,289	341,829
Minority interests	6,242	5,825	60,649
Net income	28,939	23,464	281,180
	Yen		U.S. dollars (Note 3)
	2014	2013	2014

Per share data (Note 31)

Net income	¥	136.24	¥	110.77	\$	1.32
Diluted net income		136.20		110.75		1.32
Cash dividends (declared)		50.00		40.00		0.49

Weighted average number of shares (thousands)	212,407	211,835
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See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Hitachi Construction Machinery Co., Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2014 and 2013

For the years ended March 31, 2014 and 2013			Thousands of U.S. dollars (Note 3)	
	Millions of yen			
	2014	2013	2014	
Income before minority interests	¥ 35,181	¥ 29,289	\$ 341,829	
Other comprehensive income (Note 17)				
Net unrealized gains and losses on securities	687	(570)	6,675	
Deferred gains and losses on hedges	1,939	(605)	18,840	
Foreign currency translation adjustments	14,547	28,969	141,343	
Remeasurements of defined benefit plans	1,775	—	17,246	
Share of other comprehensive income of companies accounted for by the equity method	3,478	861	33,793	
Total other comprehensive income	22,426	28,655	217,897	
Comprehensive income	57,607	57,944	559,726	
Comprehensive income attributable to shareholders of the Company	48,942	45,872	475,534	
Comprehensive income attributable to minority interests	8,665	12,072	84,192	

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Hitachi Construction Machinery Co., Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Shareholders' equity			
Common stock			
Balance at beginning of year	¥ 81,577	¥ 81,577	\$ 792,625
Changes during the period	—	—	—
Total changes during the period	—	—	—
Balance at end of year	81,577	81,577	792,625
Capital surplus			
Balance at beginning of year	84,500	84,477	821,026
Changes during the period			
Disposal of treasury stock	393	23	3,819
Total changes during the period	393	23	3,819
Balance at end of year	84,893	84,500	824,845
Retained earnings			
Balance at beginning of year	199,779	183,728	1,941,110
Cumulative effect of changes in accounting policies	953	—	9,259
Restated balance	200,732	183,728	1,950,369
Changes during the period			
Cash dividends	(9,549)	(7,414)	(92,781)
Net income	28,939	23,464	281,180
Total changes during the period	19,390	16,051	188,399
Balance at end of year	220,122	199,779	2,138,768
Treasury stock			
Balance at beginning of year	(3,982)	(4,093)	(38,690)
Changes during the period			
Purchase of treasury stock	(6)	(2)	(58)
Disposal of treasury stock	170	113	1,652
Increase by share exchanges	581	—	5,644
Total changes during the period	745	111	7,238
Balance at end of year	(3,237)	(3,982)	(31,452)
Total shareholders' equity			
Balance at beginning of year	361,874	345,689	3,516,071
Cumulative effect of changes in accounting policies	953	—	9,259
Restated balance	362,827	345,689	3,525,330
Changes during the period			
Cash dividends	(9,549)	(7,414)	(92,781)
Net income	28,939	23,464	281,180
Purchase of treasury stock	(6)	(2)	(58)
Disposal of treasury stock	563	136	5,471
Increase by share exchanges	581	—	5,644
Total changes during the period	20,528	16,185	199,456
Balance at end of year	383,355	361,874	3,724,786
Accumulated other comprehensive income			
Net unrealized gains on securities			
Balance at beginning of year	3,056	3,621	29,693
Changes during the period			
Net changes in items other than those in shareholders' equity	690	(565)	6,704
Total changes during the period	690	(565)	6,704
Balance at end of year	3,746	3,056	36,397
Deferred losses on hedges			
Balance at beginning of year	(2,323)	(1,713)	(22,571)
Changes during the period			
Net changes in items other than those in shareholders' equity	2,041	(610)	19,831
Total changes during the period	2,041	(610)	19,831
Balance at end of year	(282)	(2,323)	(2,740)
Foreign currency translation adjustments			
Balance at beginning of year	(1,444)	(25,027)	(14,030)
Changes during the period			
Net changes in items other than those in shareholders' equity	15,502	23,583	150,622
Total changes during the period	15,502	23,583	150,622
Balance at end of year	14,058	(1,444)	136,592
Remeasurements of defined benefit plans			
Balance at beginning of year	—	—	—
Cumulative effect of changes in accounting policies	(14,266)	—	(138,613)
Restated Balance	(14,266)	—	(138,613)
Changes during the period			
Net changes in items other than those in shareholders' equity	1,770	—	17,198
Total changes during the period	1,770	—	17,198
Balance at end of year	(12,496)	—	(121,415)
Total accumulated other comprehensive income			
Balance at beginning of year	(711)	(23,119)	(6,908)
Cumulative effect of changes in accounting policies	(14,266)	—	(138,613)
Restated Balance	(14,977)	(23,119)	(145,521)
Changes during the period			
Net changes in items other than those in shareholders' equity	20,003	22,408	194,355
Total changes during the period	20,003	22,408	194,355
Balance at end of year	5,026	(711)	48,834
Subscription rights to shares			
Balance at beginning of year	766	766	7,443
Changes during the period			
Net changes in items other than those in shareholders' equity	—	—	—
Total changes during the period	—	—	—
Balance at end of year	766	766	7,443
Minority interests			
Balance at beginning of year	54,742	45,441	531,889
Cumulative effect of changes in accounting policies	(30)	—	(291)
Restated Balance	54,712	45,441	531,598
Changes during the period			
Net changes in items other than those in shareholders' equity	3,781	9,301	36,737
Total changes during the period	3,781	9,301	36,737
Balance at end of year	58,493	54,742	568,335
Total net assets			
Balance at beginning of year	416,671	368,777	4,048,495
Cumulative effect of changes in accounting policies	(13,343)	—	(129,645)
Restated Balance	403,328	368,777	3,918,850
Changes during the period			
Cash dividends	(9,549)	(7,414)	(92,781)
Net income	28,939	23,464	281,180
Purchase of treasury stock	(6)	(2)	(58)
Disposal of treasury stock	563	136	5,471
Increase by share exchanges	581	—	5,644
Net changes in items other than those in shareholders' equity	23,784	31,709	231,092
Total changes during the period	44,312	47,894	430,548
Balance at end of year	447,640	416,671	4,349,398

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Hitachi Construction Machinery Co., Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 52,775	¥ 45,763	\$ 512,777
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	37,405	36,232	363,438
Impairment losses	2,884	931	28,022
Change in allowance for doubtful accounts	1,078	1,462	10,474
Interest and dividend income	(4,418)	(3,273)	(42,927)
Interest expenses	9,122	11,672	88,632
Amortization of goodwill and negative goodwill	5,270	5,742	51,205
Losses on equity in earnings of affiliated companies	253	646	2,458
Change in notes and accounts receivable	3,142	38,989	30,529
Decrease in lease receivables and investment assets	22,864	29,497	222,153
Decrease (increase) in inventories	4,218	(32,793)	40,983
Purchase of property held for lease	(16,142)	(13,305)	(156,840)
Sales of property held for lease	3,465	2,432	33,667
Change in notes and accounts payable	(12,851)	(38,644)	(124,864)
Gains on sales of property, plant and equipment	(4,900)	(1,348)	(47,610)
Other, net	7,544	(909)	73,299
Subtotal	111,709	83,094	1,085,396
Income taxes paid	(19,385)	(23,129)	(188,350)
Net cash provided by operating activities	92,324	59,965	897,046
Cash flows from investing activities			
Acquisitions of property, plant and equipment	(38,705)	(52,134)	(376,069)
Proceeds from sales of property, plant and equipment	3,875	1,692	37,651
Purchase of intangible assets	(3,022)	(2,599)	(29,363)
Purchase of investments in securities	(3,716)	(11,640)	(36,106)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(853)	—	(8,288)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	29,297	—
Proceeds from sales of investments in securities	6	2,263	58
Payments for investments in capital	(24)	—	(233)
Interest and dividends received	4,403	3,339	42,781
Dividends received from affiliated companies	28	39	272
Other, net	1,284	(7,337)	12,476
Net cash used in investing activities	(36,724)	(37,080)	(356,821)
Cash flows from financing activities			
Net decrease in short-term loans	(37,504)	(11,854)	(364,400)
Proceeds from long-term loans	39,412	62,439	382,938
Repayments of long-term loans	(47,852)	(67,010)	(464,944)
Repayments of lease obligation	(4,475)	(3,301)	(43,480)
Proceeds from issuance of bonds	—	19,906	—
Redemption of bonds	—	(20,070)	—
Interest paid	(9,118)	(11,780)	(88,593)
Dividends paid to shareholders	(9,556)	(7,405)	(92,849)
Dividends paid to minority shareholders by subsidiaries	(3,276)	(5,250)	(31,831)
Proceeds from stock issuance to minority shareholders	—	1,491	—
Proceeds from disposal of treasury stock	199	136	1,935
Purchase of treasury stock	(4)	(2)	(39)
Other, net	—	0	—
Net cash used in financing activities	(72,174)	(42,700)	(701,263)
Effect of exchange rate changes on cash and cash equivalents	3,628	5,378	35,251
Net decrease in cash and cash equivalents	(12,946)	(14,437)	(125,787)
Cash and cash equivalents at beginning of year	66,622	81,059	647,318
Cash and cash equivalents at end of year (Note 18)	¥ 53,676	¥ 66,622	\$ 521,531

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Hitachi Construction Machinery Co., Ltd., and its Consolidated Subsidiaries

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan.

The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions from the consolidated financial statements of Hitachi Construction Machinery Co., Ltd. (the "Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Financial Services Agency as required by the Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

2. Consolidation and investments in affiliates

The consolidated financial statements include the accounts of the Company and those of its majority-owned subsidiaries, whether directly or indirectly controlled. Companies over which the Company exercises significant influence in terms of their operating and the financial policies have been accounted for by the equity method. All significant intercompany accounts and transactions have been eliminated in consolidation. Most of the investments in affiliated companies are stated at their underlying equity value, and the appropriate portion of the earnings of such companies is included in earnings. The investments in affiliated companies which do not materially affect earnings and equity are stated at cost.

As of March 31, 2014, the number of consolidated subsidiaries and affiliates accounted for by the equity method were 46 and 12 (48 and 12 in 2013), respectively.

The Company sold all issued shares of its subsidiary Yamanashi Hitachi Construction Machinery Co., Ltd, therefore Yamanashi Hitachi Construction Machinery Co., Ltd. was excluded from the scope of consolidation. Additionally, the subsidiary of the Company Telco Ecoroad Resurfaces Private Limited was excluded from the scope of consolidation by share exchange.

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

3. U.S. dollar amounts

The accompanying consolidated financial statements expressed in yen and solely for the convenience of readers have been translated into U.S. dollars at the rate of ¥102.92 = US\$1, the approximate exchange rate prevailing at the Tokyo Foreign Exchange Market as of March 31, 2014. This translation should not be construed as a representation that any amount shown could be converted into U.S. dollars.

4. Summary of significant accounting policies

- (a) **Investments in securities**
The Company and its subsidiaries classify their securities other than equity securities issued by subsidiaries and affiliates as other securities
- Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gains or losses. Unrealized holding gains and losses of marketable securities are reported in a net amount as a separate component of shareholders' equity until realized. Non-marketable securities classified as other securities are carried at cost.
- In computing realized gain or loss, cost of other securities sold is principally determined by the moving-average method.
- (b) **Inventories**
Inventories held by the Company are stated at lower of cost or market, which is mainly determined by the moving average method.
- (c) **Depreciation and amortization methods**
Property, plant and equipment, except for leased assets
Property, plant and equipment except for leased assets are principally depreciated by the straight-line method.
- Intangible assets, except for leased assets**
Software is amortized mainly by the straight-line method over 5 years, and other intangible assets are amortized mainly by the straight-line method.
- Leased assets**
Depreciation of leased assets from finance lease transactions that are not deemed to transfer ownership of the leased property to the lessee is depreciated using the straight-line method over the period of the lease, with zero residual value. Regarding leases which existed at the end of March 31, 2008 and do not transfer ownership of the leased property to the lessee, the Company and several subsidiaries are accounted for as operating leases.
- (d) **Allowance for doubtful accounts**
General provision for doubtful receivables is provided by applying a certain reserve percentage of the receivables based on experience from past transactions. Specific reserves are provided based on the assessment of the collectability of individual receivables.
- (e) **Retirement and severance benefits**
1. The method to attribute expected benefit to periods of service
Expected benefit is attributed to periods of service based on the benefit formula basis.
2. The method of recording of actuarial gains and losses and prior service

costs

Actuarial gains and losses are recognized as expense from the next year of the occurrence on a straight-line method over the expected average remaining employment period of the employees.

Prior service costs are recognized as expense on a straight-line method over the expected average remaining employment period from the year of occurrence.

- (f) **Revenue and expense recognition**
Finance lease transactions
Revenues and the related costs for the finance lease transactions are recognized upon the receipt of lease payment. For the sublease transactions interests are recognized upon the receipt of lease payment.
- (g) **Translation of foreign currency-denominated assets or liabilities**
At year-end, monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates in effect at the balance sheet date. Gains or losses resulting from the translation of foreign currencies, including gains and losses on settlement, are credited or charged to earnings as incurred.
- The financial statements of the consolidated foreign subsidiaries are translated into the reporting currency of yen as follows: all assets and liabilities are translated at the exchange rates in effect at the balance sheet date; shareholders' equity accounts are translated at historical rates; income and expenses are translated at an average of the exchange rates in effect during the year; and a comprehensive adjustment resulting from the translation of assets, liabilities and shareholders' equity is included in minority interests and, as "Foreign currency translation adjustments," a separate component of net assets.
- (h) **Derivatives**
Derivatives are carried at fair value with changes in unrealized gains or losses charged or credited to operations except for those which meet the criteria for deferral hedge accounting as regulated in "Accounting Standard for Financial Instruments" under which the unrealized gains or losses are deferred until gain or loss relating to the hedge object are recognized.
- The Company and certain consolidated subsidiaries utilize forward foreign exchange contracts, currency option contracts and interest rate swap agreements in order solely to hedge associated risks of adverse fluctuations in foreign currency exchange rates and interest rates. The Company and consolidated subsidiaries do not enter into such financial instruments for trading or speculative purposes.
- (i) **Per share data**
Basic net income per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during each year. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares or resulted in the issuance of common shares that then participate in the earnings of the entity.
- (j) **Impairment of long-lived assets**
Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.
- When amounts of undiscounted future cash flows of non-current assets are less than the carrying amounts, the non-current assets are determined to be impaired. Then, an amount by which the carrying amount exceeds the recoverable amount is recognized as an impairment loss. The recoverable amount of non-current assets is the greater of the net selling price or the present value of the future cash flows expected to be derived from the non-current assets. The Company and consolidated subsidiaries identify groups of assets by their business units as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.
- (k) **Goodwill/Negative goodwill**
Differences between the cost and the underlying net assets at fair value of investments acquired by the Company which are accounted for goodwill have been amortized by the straight-line basis over a period of five years. The amounts of negative goodwill occurred prior to March 31, 2010 have been evenly amortized over a period of five years. The amounts of negative goodwill occurred subsequent to April 1, 2010 are credited to the income in the year of acquisition.
- (l) **Other**
① Consumption tax
Consumption tax is excluded from presentation of sales, cost of sales, income and expenses.
- ② Income taxes
Deferred income taxes are accounted for under the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured by using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.
- ③ Consolidated tax return
The Company and its wholly owned domestic subsidiaries adopted consolidated income tax return filing.

5. Cash and cash equivalents

For the purpose of the statements of cash flows, the Company considers all highly liquid investments with insignificant risk of change in value, which have maturities of generally three months or less when purchased, to be cash equivalents.

6. Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements in order to conform to the current presentations.

7. Change in accounting policy

"Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No. 26 issued on May 17, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 on May 17, 2012) became applicable from the annual periods beginning on or after April 1, 2013. Accordingly, the Company applied the accounting standard from the beginning of the current fiscal year. Under the accounting standard, the Company recognizes the amount of retirement benefit obligation less plan assets as net defined benefit liability. In addition, the Company reviewed its calculation method of retirement benefit obligation and service cost and

8. Procedure of matured bill

Regarding the procedure of matured bills for the year ended March 31, 2013, the Company accounted for these notes receivable and notes payable as if they had been settled on the maturity date though financial institutions were closed on holiday at the end of the fiscal year.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Notes receivable-trade	¥ —	¥ 2,726	\$ —
Notes payable-trade	—	197	—
Notes payable-facilities	—	113	—

9. Notes receivable discounted or endorsed

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Notes receivable discounted	¥ 313	¥ 279	\$ 3,041
Notes receivable endorsed	—	45	—

10. Securitized receivables

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Notes receivable and accounts receivable	¥ 33,516	¥ 24,482	\$ 325,651

11. Commitments and contingencies

At March 31, 2014 and 2013, the Company was contingently liable for guarantees given in respect of bank loans of affiliated companies and other entities amounting to ¥21,180 million (US\$205,791 thousand) and ¥23,096 million, respectively.

12. Assets pledged as collateral

Assets pledged as collateral at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Accounts receivable	¥ 4,933	¥ 4,783	\$ 47,930
Inventory	5,274	7,467	51,244
Property held for lease	22,753	20,866	221,075
Buildings and structures	6,596	3,123	64,089
Machinery	8,881	8,488	86,290
Land	400	335	3,886
Total	48,837	45,062	474,514

Related debts secured with the above assets at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Short-term loans	¥ 15,416	¥ 8,976	\$ 149,786
Other current liabilities	977	—	9,493
Long-term loans	28,538	27,819	277,283
Other non-current liabilities	1,894	—	18,403
Total	46,825	36,795	454,965

13. Research and development costs

Research and development costs that were charged to cost of sales as incurred and included in selling, general and administrative expenses for the years ended March 31, 2014 and 2013 were ¥18,809 million (US\$182,754 thousand) and ¥18,109 million, respectively.

14. Gains on sales of land for the year consist of the followings:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Gains on sales of land Hitachi Construction Machinery Co., Ltd owned	¥ 2,101	¥ —	\$ 20,414

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Additional retirement benefits	¥ 156	¥ 565	\$ 1,516

16. Impairment losses on non-current assets

Impairment losses on non-current assets for the year ended March 31, 2014 are as follows:

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

Category	Description	Type of assets	Impairment losses
Idle assets	core system for group companies	Software	¥2,884million (US\$28,022 thousand)

2. Background of impairment losses

The HCM Group recognized impairment losses on its core system for group companies for which there are no probability of future use, diversion for other purposes or sales due to a plan to develop a new unified core system for group companies.

3. Method of grouping assets

Idle assets are grouped individually.

4. Calculation method of recoverable amount

The recoverable amount of this asset group is measured by estimated net selling price and it is estimated as 0 since this asset group has no probability of diversion for other purposes or sales.

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

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

Location	Usage	Type of assets	Impairment losses
Minamisoma City, Fukushima Prefecture	Idle assets	Land	¥931 million

2. Background of impairment losses

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

3. Method of grouping assets

Idle assets are grouped individually.

4. Calculation method of recoverable amount

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

17. Other comprehensive income

The following table presents reclassification and tax effects allocated to each component of other comprehensive income for the year ended March 31, 2014 and 2013:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net unrealized gains and losses on securities			
Amount arising during the year	¥ 1,067	¥ (111)	\$ 10,367
Reclassification adjustments for gains and losses realized in net income	—	(771)	—
The amount of net unrealized gains and losses on securities before tax effect	1,067	(882)	10,367
Tax effect	(380)	312	(3,692)
Net unrealized gains and losses on securities	687	(570)	6,675
Deferred gains and losses on hedges			
Amount arising during the year	¥ (5,043)	¥ (4,785)	\$ (48,999)
Reclassification adjustments for gains and losses realized in net income	8,021	3,847	77,934
The amount of net unrealized losses from hedging instruments before tax effect	2,978	(938)	28,935
Tax effect	(1,039)	332	(10,095)
Deferred gains and losses on hedges	1,939	(605)	18,840
Foreign currency translation adjustments			
Amount arising during the year	¥ 14,547	¥ 28,969	\$ 141,343
Reclassification adjustments for gains and losses realized in net income	—	—	—
Foreign currency translation adjustments	14,547	28,969	141,343
Remeasurements of defined benefit plans			
Amount arising during the year	¥ 878	¥ —	\$ 8,531
Reclassification adjustments for gains and losses realized in net income	1,993	—	19,365
The amount of net unrealized gains and losses on remeasurements of defined benefit plans	2,871	—	27,896
Tax effect	(1,096)	—	(10,649)
Remeasurements of defined benefit plans	1,775	—	17,246

Share of other comprehensive income of affiliates accounted for by the equity method

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Amount arising during the year	¥ 3,480	¥ 866	\$ 33,813
Reclassification adjustments for gains and losses realized in net income	(2)	(5)	(20)
Share of other comprehensive income of affiliates accounted for by the equity method	3,478	861	33,793
Total other comprehensive income	22,426	28,655	217,897

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Cash and bank deposits	¥ 53,353	¥ 62,640	\$ 518,393
Deposit to parent company	1,149	5,412	11,164
Less: time deposits with the maturity longer than three months	(826)	(1,430)	(8,026)
Total	53,676	66,622	521,531

19. Lease transactions

Information relating to finance leases accounted for as operating leases is as follows:

(Lessee)**1. Acquisition cost, accumulated depreciation and net leased property**

	Millions of yen			Thousands of U.S. dollars		
	2014			2014		
	Machinery, equipment and vehicles	Other	Total	Machinery, equipment and vehicles	Other	Total
Acquisition cost	¥ 5	¥ 2,710	¥ 2,715	\$ 49	\$ 26,331	\$ 26,380
Accumulated depreciation	(5)	(1,395)	(1,400)	(49)	(13,554)	(13,603)
Net leased property	0	1,315	1,315	0	12,777	12,777
	Millions of yen					
	2013					
	Machinery, equipment and vehicles	Other	Total			
Acquisition cost	¥ 241	¥ 2,736	¥ 2,977			
Accumulated depreciation	(224)	(1,258)	(1,481)			
Net leased property	17	1,478	1,495			

2. Lease obligation under finance leases inclusive of interest portion

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥ 155	¥ 178	\$ 1,506
Due over one year	1,438	1,581	13,972
Total	1,593	1,759	15,478

3. Lease payments, depreciation expense and interest portion

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Lease payments	¥ 473	¥ 563	\$ 4,596
Depreciation expense	147	207	1,428
Interest portion	78	85	758

4. Calculation method of depreciation expense and interest portion

Leased property is depreciated over the lease term by the straight-line method with no residual value. Excess of total lease payments over the assumed acquisition costs is regarded as assumed interest payable and is allocated to each period by using the interest method.

Future minimum lease payments and income under non-cancelable operating lease arrangement are as follows:

	Millions of yen		Thousands of U.S. dollars
(Lessee)	2014	2013	2014
Due within one year	¥ 129	¥ 140	\$ 1,253
Due over one year	238	264	2,312
Total	367	404	3,565
(Lessor)	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥ 2,815	¥ 2,723	\$ 27,351
Due over one year	6,814	5,668	66,207
Total	9,629	8,391	93,558

20. Financial instruments

1. Description of financial instruments

(1) Policy for financial instruments

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

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

(2) Types of risks associated with financial instruments

The Hitachi Construction Machinery Group has various types of financial instruments, such as notes and accounts receivable and lease receivables, which are exposed to credit risk of the customers.

The foreign currency receivables originated from our global operation are exposed to market risk which arises from foreign exchange rate fluctuation. The Hitachi Construction Machinery Group hedges exchange rate fluctuation risks with foreign currency forward exchange contracts. Investment securities consist of held-to-maturity securities and available for sale securities associated with business or capital tie-up with the customers, which are exposed to market risks mainly arise from change in market price.

The due dates of notes and accounts payable are within one year.

The loans and bonds are applied for capital expenditures and working capital, and the final redemption year is 12 years after March 31, 2014.

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

With respect to derivative instruments, the Hitachi Construction Machinery Group has foreign currency forward exchange contracts to hedge the exchange rate fluctuation risk for foreign currency receivables and has interest rate swaps to hedge the interest rate fluctuation risks for loans.

(3) Risk management relating to financial instruments

Credit risk management

The Hitachi Construction Machinery Group regularly monitors and assesses the credit portfolios and uses uniform credit rating and asset evaluation and assessment systems to ensure timely and proper evaluation of credit risk.

Since held-to-maturity securities are high rated securities, the Hitachi Construction Machinery Group finds no credit risks. Since the counter parties are only high rated financial institution the Hitachi Construction Machinery Group find no counter party risk.

The carrying amount in the consolidated financial statement reflects the maximum amount of credit risk in each account.

Market risk management

The Company and certain subsidiaries hedge the exchange rate fluctuation risk for foreign currency receivables with foreign currency forward exchange contracts.

In evaluating currency exchange market, the Company and certain subsidiaries hedge foreign currency receivables considered to occur definitely in the future periods by foreign currency forward exchange contracts.

The Company and certain subsidiaries consider whether the Company and certain subsidiaries continue to hold the securities of the customers continuously except for the held-to-maturity securities.

The Company and certain subsidiaries hedge the interest rate fluctuation risks with interest rate swap.

Derivative transactions are executed by Treasury Department and reconciled with financial institutions and recorded by Accounting Department.

The results and forecasts of transactions are monthly reported to the officer in charge of Treasury Department and the sales and manufacturing meeting.

Liquidity risk management in respect of fund raising

The Company prepares and updates the budget for cash flows based on the report distributed from each department.

The Company maintains the commitment line and credit line to manage the liquidity risk.

(4) Supplementary explanation on fair value and other information related to financial instruments

The fair value of financial instruments includes, in addition to the value determined based on the market price, a valuation calculated on a reasonable basis if no market price is available. Certain assumptions are used for the calculation of such amount. Accordingly, the result of such calculation may vary if different assumptions are used.

(5) Concentration of credit risk

There is no accounts receivable from specific customer with material balance as of March 31, 2014.

2. Fair value and other information related to financial instruments

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2014 and 2013 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (see Note 2).

As of March 31, 2014				(Millions of yen)
	Carrying amount	Fair value	Difference	
(1) Cash and bank deposits	¥ 53,353	¥ 53,353	¥ —	
(2) Notes and accounts receivable	212,585	—	—	
Less: allowance for doubtful accounts	(6,059)	—	—	
Notes and accounts receivable, net	206,526	204,353	(2,173)	
(3) Lease receivables and investment assets	90,033	—	—	
Less: allowance for doubtful accounts	(3,641)	—	—	
Lease receivables and investment assets, net	86,392	83,694	(2,698)	
(4) Investments in securities				
Other securities	9,791	9,791	—	
Investments in affiliate	312	1,152	840	
Total assets	356,374	352,343	(4,031)	
(5) Notes and accounts payable	(143,134)	(143,134)	—	
(6) Short-term loans	(181,801)	(181,801)	—	
(7) Current portion of bonds	(30,000)	(30,000)	—	
(8) Long-term loans	(131,610)	(130,662)	948	
(9) Bonds	(20,000)	(20,051)	(51)	
Total liabilities	(506,545)	(505,648)	(897)	
(10) Derivative financial instruments				
For which hedge accounting is not applied	(435)	(435)	—	
For which hedge accounting is applied	(357)	(357)	—	
Total derivatives	(792)	(792)	—	

As of March 31, 2014				(Thousands of U.S. dollars)
	Carrying amount	Fair value	Difference	
(1) Cash and bank deposits	\$ 518,393	\$ 518,393	\$ —	
(2) Notes and accounts receivable	2,065,536	—	—	
Less: allowance for doubtful accounts	(58,871)	—	—	
Notes and accounts receivable, net	2,006,665	1,985,552	(21,113)	
(3) Lease receivables and investment assets	874,786	—	—	
Less: allowance for doubtful accounts	(35,377)	—	—	
Lease receivables and investment assets ,net	839,409	813,195	(26,214)	
(4) Investments in securities				
Other securities	95,132	95,132	—	
Investments in affiliate	3,031	11,193	8,162	
Total assets	3,462,630	3,423,465	(39,165)	
(5) Notes and accounts payable	(1,390,731)	(1,390,731)	—	
(6) Short-term loans	(1,766,430)	(1,766,430)	—	
(7) Current portion of bonds	(291,489)	(291,489)	—	
(8) Long-term loans	(1,278,760)	(1,269,549)	9,211	
(9) Bonds	(194,326)	(194,821)	(495)	
Total liabilities	(4,921,736)	(4,913,021)	8,715	
(10) Derivative financial instruments				
For which hedge accounting is not applied	(4,227)	(4,227)	—	
For which hedge accounting is applied	(3,469)	(3,469)	—	
Total derivatives	(7,696)	(7,696)	—	

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

Derivative assets/liabilities are reported net with those resulting in net liabilities in total presented in parentheses.

(Note 1) Method used for determining the fair value of financial instruments

Assets

(1) Cash and deposits in banks

Cash and deposits, including deposits with maturity and without maturity, are carried at cost taking into account that their fair value approximates the book value as they are settled in a short-term period.

(2) Notes and accounts receivable, (3) Lease receivables and investment assets

The fair value of the items with due over 1 year is determined as the present value of expected future cash flows for principal and interest with the discount rates to be applied to new transactions with same terms and conditions as the existing transactions. The balances with due within 1 year are carried at cost taking into account that their fair value approximates the book value as they are settled in a short-term period.

(4) Investments in securities

The fair value of equity securities is determined based on the quoted market prices.

(5) Notes and accounts payable, (6) Short-term loan, (7) Current portion of bonds

These items are carried at cost taking into account that their fair value approximates the book value as they are settled in a short-term period.

(8) Long-term loans

The fair value is measured as the present value of expected future cash flows for principal and interest with the discount rates to be applied to additional loans with same terms and conditions.

(9) Bonds

The fair value is measured as the present value of expected future cash flows for principal and interest with the discount rates to be applied to additional bonds with same terms and conditions.

(10) Derivative financial instruments

Please see Note 22. Derivative financial instruments.

(Note 2) Financial instruments for which it is extremely difficult to determine the fair value

The above table does not include non-listed equity securities (¥23,242 million (US\$225,826 thousand) and ¥18,748 million on the consolidated balance sheet as of March 31, 2014 and 2013, respectively) as no quoted market price is available and it is extremely difficult to determine the fair value.

(Note 3) Redemption schedule for receivables as of March 31, 2014 and 2013 are as follows:

As of March 31, 2014				(Millions of yen)
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	
Cash and bank deposits	¥ 52,412	¥ —	¥ —	
Notes and accounts receivable	197,184	9,178	164	
Lease receivables and investment assets	48,457	36,820	1,115	
Total	298,053	45,998	1,279	

As of March 31, 2014				(Thousands of U.S. dollars)
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	
Cash and bank deposits	\$ 509,250	\$ —	\$ —	
Notes and accounts receivable	1,915,896	89,176	1,593	
Lease receivables and investment assets	470,822	357,754	10,834	
Total	2,895,968	446,930	12,427	

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

(Note 4) Repayment schedule for bonds, long-term loans, lease obligations and other interest-bearing debt as of March 31, 2014 and 2013 are as follows:

As of March 31, 2014							(Millions of yen)
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	
Short-term loans	¥ 130,432	¥ —	¥ —	¥ —	¥ —	¥ —	
Bonds	30,000	—	—	20,000	—	—	
Long-term loans	51,369	44,744	63,639	15,439	7,038	750	
Lease obligations	4,400	3,806	3,005	2,659	3,113	3,359	
Total	216,201	48,550	66,644	38,098	10,151	4,109	

As of March 31, 2014							(Thousands of U.S. dollars)
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	
Short-term loans	\$ 1,267,314	\$ —	\$ —	\$ —	\$ —	\$ —	
Bonds	291,489	—	—	194,326	—	—	
Long-term loans	499,116	434,745	618,335	150,010	68,383	7,287	
Lease obligations	42,752	36,980	29,197	25,836	30,247	32,637	
Total	2,100,671	471,725	647,532	370,172	98,630	39,924	

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

21. Investments in securities
Marketable Securities

	Millions of yen			Thousands of U.S. dollars		
	2014			2014		
	Carrying value	Acquisition cost	Unrealized gains (losses)	Carrying value	Acquisition cost	Unrealized gains (losses)
Securities with gross unrealized holding gains						
Stocks	¥ 9,499	¥ 3,889	¥ 5,610	\$ 92,295	\$ 37,787	\$ 54,508
Debt securities	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total	9,499	3,889	5,610	92,295	37,787	54,508
Securities with gross unrealized holding losses						
Stocks	292	336	(44)	2,837	3,265	(428)
Debt securities	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total	292	336	(44)	2,837	3,265	(428)
Grand Total	9,791	4,225	5,566	95,132	41,052	54,080
	Millions of yen					
	2013					
	Carrying value	Acquisition cost	Unrealized gains (losses)			
Securities with gross unrealized holding gains						
Stocks	¥ 8,122	¥ 3,639	¥ 4,483			
Debt securities	—	—	—			
Other	—	—	—			
Total	8,122	3,639	4,483			
Securities with gross unrealized holding losses						
Stocks	—	—	—			
Debt securities	—	—	—			
Other	—	—	—			
Total	—	—	—			
Grand Total	8,122	3,639	4,483			

Note:Unlisted equity securities (balance sheet carrying amount ¥1,433 million (US\$13,923 thousand) and ¥1,440 million as of March 31, 2014 and 2013, respectively) have no market quoted prices and, as it is considered difficult to identify their fair values, they are excluded from "investments in securities" above.

The proceeds from sales of marketable securities amounted to ¥2,255 million with an aggregate gain of ¥972 million and loss of ¥8 million for the year ended March 31, 2013.

22. Derivative financial instruments

Summarized below are the notional amounts and the estimated fair values of the derivative financial instruments outstanding as of March 31, 2014 and 2013, for which hedged accounting has not been applied.

Forward exchange contracts

	Millions of yen			Thousands of U.S. dollars		
	2014			2014		
	Notional amount	Estimated fair value	Unrealized gains (losses)	Notional amount	Estimated fair value	Unrealized gains (losses)
To sell foreign currencies	¥ 137,081	¥ (305)	¥ (305)	\$ 1,331,918	\$ (2,963)	\$ (2,963)
To buy foreign currencies	21,034	(94)	(94)	204,372	(914)	(914)
Total	—	(399)	(399)	—	(3,877)	(3,877)
	Millions of yen					
	2013					
	Notional amount	Estimated fair value	Unrealized gains (losses)			
To sell foreign currencies	¥ 64,114	¥ (5,459)	¥ (5,459)			
To buy foreign currencies	12,157	(774)	(774)			
Total	—	(6,233)	(6,233)			

Interest rate swaps

	Millions of yen				Thousands of U.S. dollars			
	2014				2014			
	Notional amount	Notional amount of which maturing over one year	Estimated fair value	Unrealized gains (losses)	Notional amount	Notional amount of which maturing over one year	Estimated fair value	Unrealized gains (losses)
Receive/floating and pay/fixed	¥ 7,410	¥ 7,410	¥ (36)	¥ (36)	\$ 71,998	\$ 71,998	\$ (350)	\$ (350)
	Millions of yen							
	2013							
	Notional amount	Notional amount of which maturing over one year	Estimated fair value	Unrealized gains (losses)				
Receive/floating and pay/fixed	¥ 9,772	¥ 6,772	¥ (110)	¥ (110)				

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

Summarized below are the notional amounts and the estimated fair values of the derivative financial instruments outstanding as of March 31, 2014 and 2013, for which hedged accounting has been applied.

Forward exchange contracts

	Millions of yen		Thousands of U.S. dollars	
	2014		2014	
	Notional amount	Estimated fair value	Notional amount	Estimated fair value
To sell foreign currencies	¥ 8,746	¥ 41	\$ 84,979	\$ 398
To buy foreign currencies	2,647	39	25,719	380
Total	—	80	—	778
	Millions of yen			
	2013			
	Notional amount	Estimated fair value		
To sell foreign currencies	¥ 50,621	¥ (2,734)		
To buy foreign currencies	10,895	70		
Total	—	(2,664)		

Interest rate swaps

	Millions of yen			Thousands of U.S. dollars		
	2014			2014		
	Notional amount	Notional amount of which maturing over one year	Estimated fair value	Notional amount	Notional amount of which maturing over one year	Estimated fair value
Receive/floating and pay/fixed	¥ 55,347	¥ 25,347	¥ (437)	\$ 537,767	\$ 246,279	\$ (4,246)
	Millions of yen					
	2013					
	Notional amount	Notional amount of which maturing over one year	Estimated fair value			
Receive/floating and pay/fixed	¥ 64,997	¥ 59,997	¥ (735)			

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

23. Retirement and severance benefits

For the year ended March 31, 2014

In order to cover retirement benefit for employees, the Company and its consolidated subsidiaries have funded and unfunded defined-benefit corporate pension plans and defined contribution plans.

Under defined benefit plans (funded), lump-sum payment or pension are paid based on salary and service period. However, the Company and certain consolidated subsidiaries introduced cash balance plans. In the system, each participant has his or her own hypothetical account. Interest credit, which is mainly based on the trend of market interest rate, and pay credit, which is based on salary standard, accumulate in the hypothetical accounts.

Under lump-sum plans (unfunded), lump-sum payment is provided as retirement benefit based on salary and service period.

Meanwhile, certain consolidated subsidiaries have adopted the simplified method to determine net defined benefit liability and retirement benefit expenses.

The changes in the retirement benefit obligation during the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Retirement benefit obligation at April 1, 2013	¥ 70,328	\$ 683,327
Cumulative effect of changes in accounting policies	(1,479)	(14,371)
Restated balance	68,849	668,956
Service cost	3,474	33,754
Interest cost	1,244	12,087
Actuarial gains	(101)	(981)
Retirement benefit paid	(3,829)	(37,204)
Other	1,278	12,418
Retirement benefit obligation at March 31, 2014	70,915	689,030

The changes in plan assets during the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Plan assets at April 1, 2013	¥ 54,832	\$ 532,763
Expected return on plan assets	1,723	16,741
Actuarial gains	191	1,856
Contributions by the Company	3,815	37,068
Retirement benefit paid	(2,970)	(28,857)
Other	1,213	11,785
Plan assets at March 31, 2014	58,804	571,356

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2014 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded retirement benefit obligation	¥ 60,765	\$ 590,410
Plan assets at fair value	(58,804)	(571,356)
	1,961	19,054
Unfunded retirement benefit obligation	10,150	98,620
Net liability for retirement benefits in the balance sheet	12,111	117,674
Net defined benefit liability	12,563	122,066
Net defined benefit asset	(452)	(4,392)
Net liability for retirement benefits in the balance sheet	12,111	117,674

The components of retirement benefit expense for the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost	¥ 3,474	\$ 33,754
Interest cost	1,244	12,087
Expected return on plan assets	(1,723)	(16,741)
Amortization of actuarial loss	2,512	24,407
Amortization of prior service cost	(519)	(5,042)
Retirement benefit expenses	4,988	48,465

Prior service cost and actuarial loss included in other comprehensive income (before tax effect) for the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Actuarial loss	¥ (3,012)	\$ (29,265)
Prior service cost	141	1,370
Total	(2,871)	(27,895)

Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unrecognized actuarial loss.....	¥ 20,537	\$ 199,543
Unrecognized prior service cost	(2,843)	(27,623)
Total	17,694	171,920

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2014 are as follows:

	2014
Bonds	52%
Stocks	22%
Other	26%
Total	100%

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above plans are as follows:

Discount rates 2.0%
Expected rates of long return on plan assets 2.5%

Defined contribution plans

Required contributions to the defined contribution plans for the Company and its consolidated subsidiaries amount to ¥1,580 million (US\$15,352 thousand).

For the year ended March 31, 2013

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

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

	Millions of yen
	2013
Projected benefit obligation	¥ (70,328)
Plan assets at fair value	54,832
Funded status	(15,496)
Unrecognized actuarial losses	23,550
Unrecognized prior service cost	(2,987)
Total	5,067
Prepaid pension cost	13,980
Retirement and severance benefits	(8,913)

Net periodic benefit cost for the contributory, funded benefit pension plans and the unfunded lump-sum payment plans of the Company for the years ended March 31, 2013 consist of the following components:

	Millions of yen
	2013
Service cost	¥ 3,053
Interest cost	1,757
Expected return on plan assets	(1,451)
Amortization of unrecognized actuarial losses	2,502
Amortization of unrecognized prior service cost	(510)
Cost for defined contribution plan	1,626
Net periodic benefit cost	6,977

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

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

Unrecognized prior service cost is amortized using the straight-line method over 10 to 22 years.

Unrecognized actuarial gains and losses are amortized using the straight-line method over 9 to 24 years.

24. Income taxes

The tax effects of the temporary difference that give rise to significant position of tax assets and liabilities as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets			
Allowance for doubtful accounts	¥ 539	¥ 582	\$ 5,237
Accrued employees bonuses	2,772	2,784	26,934
Net operating losses carryforward	4,639	5,868	45,074
Unrealized gains on inventories	1,492	1,043	14,497
Retirement and severance benefits	—	3,486	—
Net defined benefit liability	3,911	—	38,000
Unrealized gains on fixed assets	404	110	3,925
Other	26,527	24,184	257,744
Subtotal	40,284	38,057	391,411
Less: Valuation allowance	(11,559)	(13,601)	(112,311)
Total	28,725	24,456	279,100
Less: Deferred tax liabilities	(11,317)	(5,290)	(109,959)
Net deferred tax assets	17,408	19,166	169,141

Deferred tax liabilities

Undistributed earnings generated in consolidated subsidiaries and affiliated companies after initial consolidation	7,170	7,015	69,666
Net unrealized holding gains on investment in securities	1,983	1,588	19,267
Prepaid pension cost	181	4,274	1,759
Other	5,068	1,519	49,242
Total	14,402	14,396	139,934
Less: Deferred tax assets	(11,317)	(5,290)	(109,959)
Net deferred tax liabilities	3,085	9,106	29,975

The aggregate statutory tax rate for the Company was approximately 37.8% for the years ended March 31, 2014 and 2013.

Reconciliations between the statutory income tax rate and effective tax rate as a percentage of income before income taxes and minority interests for the year ended March 31, 2014 and 2013 are as follows:

	Percentage	
	2014	2013
Statutory tax rate applicable to the Company (Reconciliations)	37.8 %	37.8 %
Expenses not deductible for tax purposes	0.6	0.7
Inhabitant tax on per capita basis	0.4	0.4
Difference in statutory tax rates of foreign subsidiaries	(8.4)	(7.9)
Permanently non-taxable income	(16.7)	(12.1)
Elimination of dividends from subsidiaries	20.8	16.9
Amortization of goodwill	4.0	4.9
Losses (gains) on equity in earnings of affiliated companies	0.0	0.4
Income tax effect on undistributed earnings of subsidiaries and affiliated companies	0.3	2.2
Tax credit for R&D expenses	(1.8)	(2.5)
Effect of foreign tax credit	(7.6)	(3.2)
Change in valuation allowance	1.1	(4.0)
Other	2.8	2.4
Effective income tax rate	33.3	36.0

[Disclosure for the year ended March 31, 2014]

"Act for Partial Amendment of the Income Tax Act, etc," (Act No. 10 of 2014) was promulgated on March 31, 2014 and, as a result, the Company is no longer subject to the Special Reconstruction Corporation Tax effective for fiscal years beginning on or after April 1, 2014.
As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities will be changed from 37.8% to 35.6% for the temporary differences expected to be realized or settled form fiscal years beginning on or after April 1, 2014. The effect of the announced change in the effective statutory tax rate was not material.

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

1. Short-term loans principally consist of bank loans with maturity within one year. The weighted-average interest rates on short-term loans outstanding at March 31, 2014 and 2013 were 2.52% and 2.80%, respectively.

2. Current portion of bonds at March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unsecured bonds, interest 1.38%, due 2014	¥ 30,000	¥ —	\$ 291,489

3. Bonds other than current portion at March 31, 2014 and 2013 are as follows:

		30,000	—
Unsecured bonds, interest 1.38%, due 2014	—		
Unsecured bonds, interest 0.46%, due 2017	20,000	20,000	194,326
Total	20,000	50,000	194,326

4. Loans from banks and other financial institutions

Loans from banks and other financial institutions:

		160,871	1,267,314
Short-term loans	130,432		
Current portion of long-term loans included in current liabilities	51,369	31,950	499,116
Short-term lease obligation	4,400	3,191	42,752
Long-term loans	131,610	150,281	1,278,760
Long-term lease obligation	15,942	9,984	154,897
Total loans	333,753	356,277	3,242,839

26. Asset retirement obligations

Asset retirement obligations for the years ended March 31, 2014 and 2013 are as follows:

1. Summary information

Asset retirement obligations are recorded at the time of acquisition or construction of a tangible fixed asset and when there is a statutory or similar obligation associated with the removal of such tangible fixed asset.

2. Methods of calculating the amounts for asset retirement obligations

The discount rate used for calculating the discounted value of the asset retirement obligations is 1.01% to 2.33% corresponding with 10 to 50 years for the estimated useful life of the relevant tangible assets from the acquisition date.

3. Changes in applicable asset retirement obligations

The following table indicates the change in applicable asset retirement obligations for the years ended March 31, 2014 and 2013.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Balance at beginning of year	¥ 534	¥ 557	\$ 5,188
Liabilities incurred due to the acquisition of property, plant and equipment	6	—	58
Adjustment due to passage of time	58	33	564
Liabilities settled	(4)	(20)	(39)
Others	3	(36)	29
Balance at end of year	597	534	5,800

27. Segment information

For the years ended March 31, 2014 and 2013:

Reportable segment information

The Company's reportable segments are its structural units, for which separate financial information is available, and which are subject to periodic review by the Board of Directors in order to assist decision-making on the allocation of managerial resources and assessment of business performance. The Company has established business groups organized by product and service in headquarters, and each business group formulates comprehensive strategies and promotes business activities both domestically and overseas. Based on the business groups above, the Company is organized by product and service segments, and the following two are the reporting segments: the construction machinery business and the industrial vehicle business. The construction machinery business produces hydraulic excavators, ultra-large excavators, wheel loaders and crawler cranes, while the industrial vehicle business produces forklifts and skid steer loaders.

In the second quarter on the fiscal year ended March 31, 2013, the Company sold all issued shares of TCM Corporation, which has constituted all of the industrial vehicle business. Therefore, the Company has only a single segment of the construction machinery business for the fiscal year ended March 31, 2014.

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

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

The construction machinery business segment is the sole operating segment of the Group. The information by business segment is therefore omitted.

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

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

Segment income is agreed to the operating income stated on the Consolidated Statements of Income.

Geographical information

A summary of sales and property, plant and equipment by geographic area for the year ended March 31, 2014 and 2013 are as follows:

(1) Sales

Millions of yen					
2014					
Japan	Asia & Oceania	Europe, Africa, & the Middle East	The Americas	China	Total
¥ 231,846	¥ 217,313	¥ 158,931	¥ 80,418	¥ 114,480	¥ 802,988

Thousands of U.S. dollars					
2014					
Japan	Asia & Oceania	Europe, Africa, & the Middle East	The Americas	China	Total
\$ 2,252,682	\$ 2,111,475	\$ 1,544,219	\$ 781,364	\$ 1,112,320	\$ 7,802,060

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

Notes

1) Geographic areas are decided based on geographic proximity.

2) The countries included in each segment are as follows:

- ① Asia & Oceania: Indonesia, Australia, New Zealand, and India
- ② Europe, Africa, & the Middle East: The Netherlands, the United Kingdom, Russia, South Africa, and the United Arab Emirates
- ③ The Americas: The United States and Canada
- ④ China: China

3) Sales is based on location of customers and classified into nations or areas.

(2) Property, plant and equipment

Millions of yen					
2014					
Japan	Asia	Europe	The Americas	Others	Total
¥ 190,843	¥ 60,922	¥ 16,717	¥ 3,114	¥ 17,351	¥ 288,947

Thousands of U.S. dollars					
2014					
Japan	Asia	Europe	The Americas	Others	Total
\$ 1,854,285	\$ 591,935	\$ 162,427	\$ 30,257	\$ 168,587	\$ 2,807,491

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

Notes:

- 1) Geographic areas are decided based on geographic proximity.
2) The countries included in each segment are as follows:
① Asia: China, Indonesia, Singapore, Thailand, Malaysia, and India
② Europe: The Netherlands, France, the United Kingdom and Russia
③ The Americas: The United States and Canada
④ Others: Australia, New Zealand, and South Africa
3) Property, plant and equipment is based on countries and areas where the Company and its consolidated subsidiaries are located.

Information on the impairment losses of non-current assets

For the fiscal year ended in March 31, 2014, the construction machinery business segment is the sole operating segment of the Group. The information by business segment is therefore omitted.

For the fiscal year ended in March 31, 2013, the impairment losses on land amounting to ¥931 million were recorded in the construction machinery business.

Information on the amortization and balance of goodwill/negative goodwill

The amortization and balance of goodwill/negative goodwill as of and for the year ended March 31, 2014 and 2013 are as follows:

(a) The balance of goodwill

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

The construction machinery business segment is the sole operating segment of the Group. The information by business segment is therefore omitted.

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)	Millions of yen		
	2013		
	Construction Machinery	Industrial Vehicle	Consolidated
Balance as of March 31, 2013	¥ 10,457	¥ —	¥ 10,457

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

(b) The amortization and balance of negative goodwill

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

The construction machinery business segment is the sole operating segment of the Group. The information by business segment is therefore omitted.

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)	Millions of yen		
	2013		
	Construction Machinery	Industrial Vehicle	Consolidated
Amortization of negative goodwill	¥ 17	¥ 60	¥ 77
Balance as of March 31, 2013	11	—	11

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

28. Legal reserve and cash dividends

The Japanese Corporate Law provides that earnings in an amount equal to at least 10% of appropriations of retained earnings to be paid in cash be appropriated as legal reserve until legal reserve equals 25% of stated common stock. In addition to reduction of a deficit and transfer to stated common stock, legal reserve may be available for dividends by resolution of the shareholders' meeting.

Cash dividends during the years ended March 31, 2014 and 2013 represent dividends resolved during those years. The accompanying consolidated financial statements do not include any provision for the semiannual dividend of ¥25.00 (US\$0.24) per share totaling ¥5,313 million (US\$51,623 thousand) for the second half of the year, subsequently proposed by the Board of Directors in respect of the year ended March 31, 2014.

29. Stock option

The details for stock option

1. Stock option information

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

2. Changes in stock option during fiscal year

① Numbers of stock option

Company name		Hitachi Construction Machinery Co., Ltd.				
Resolution date		June 26, 2003	June 29, 2004	June 28, 2005	June 26, 2006	June 25, 2007
Before vested						
Beginning of the fiscal year		—	—	—	—	—
Granted		—	—	—	—	—
Expired		—	—	—	—	—
Vested		—	—	—	—	—
Outstanding		—	—	—	—	—
After vested						
Beginning of the fiscal year		16,000	77,000	214,300	305,000	332,000
Vested		—	—	—	—	—
Exercised		6,000	45,000	85,400	—	—
Expired		10,000	—	—	—	—
Ending of the fiscal year		—	32,000	128,900	305,000	332,000

② Price information

Company name	Hitachi Construction Machinery Co., Ltd.				
	June 26, 2003	June 29, 2004	June 28, 2005	June 26, 2006	June 25, 2007
Exercise price	¥1,211	¥1,325	¥1,557	¥2,728	¥4,930
Average stock prices when exercised	¥2,601	¥2,288	¥2,181	—	—
Fair value at the grant date	—	—	—	¥877	¥1,501
Exercise price	\$11.77	\$12.87	\$15.13	\$26.51	\$47.90
Average stock prices when exercised	\$25.27	\$22.23	\$21.19	—	—
Fair value at the grant date	—	—	—	\$8.52	\$14.58

Estimation method for number of options to vest:

The Company estimates number of option to vest based on actual vesting as no reliable basis for the estimation other than actual number is available.

30. Related party transactions

As of March 31, 2014, Hitachi, Ltd., the parent company of the Company, holds 50.9% of the Company's total number of shares issued and 51.5% (including indirect shareholdings) of the total number of shares with voting rights. Hitachi, Ltd. oversees numerous affiliated companies, and engages in a wide variety of operations covering the manufacture, sale and service of products.

The Company maintains a close cooperative relationship with Hitachi, Ltd. and the Hitachi Group companies.

The transactions and balances with Hitachi, Ltd. and the Hitachi Group companies for and as of the year ended March 31, 2014 and 2013 are summarized as follows:

Transactions between the Company and related party

Transactions with Hitachi, Ltd.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Withdrawals from the Hitachi Group's cash pooling system	¥ 18,967	¥ 3,000	\$ 184,289
Interest on deposits	1	6	10
Interest on loans	93	12	904
Borrowings from the Hitachi Group's cash pooling system	—	20,000	—

Balances with Hitachi, Ltd.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deposits paid as of March 31	¥ —	¥ 5,056	\$ —
Short-term loans as of March 31	14,003	—	136,057
Long-term loans as of March 31	20,000	20,000	194,326

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Commission of payment transaction	¥ 63,467	¥ 81,048	\$ 616,663

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Accounts payable as of March 31	¥ 19,964	¥ 27,491	\$ 193,976
Other payable as of March 31	392	1,706	3,809

Transactions between subsidiary of the Company and related party

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Commission of payment transaction	¥ 64,459	¥ 59,765	\$ 626,302
Pledge of purchase of property held for lease	7,874	8,178	76,506

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Accounts payable as of March 31	¥ 23,753	¥ 22,909	\$ 230,791

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Withdrawals from the Hitachi Group's cash pooling system	¥ —	¥ 5,156	\$ —

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Short-term Loans as of March 31	¥ —	¥ 12,073	\$ —

31. Per share data

	Yen		U.S. dollars
	2014	2013	2014
Per share data:			
Net assets	¥ 1,827.59	¥ 1,704.34	\$ 17.76
Net income	136.24	110.77	1.32
Diluted net income	136.20	110.75	1.32
Basis in calculation			
	Millions of yen or number of shares		Thousands of U.S. dollars
	2014	2013	2014
1) Net assets			
Total net assets on consolidated balance sheets	¥ 447,640	¥ 416,671	\$ 4,349,398
Total net assets for common stock	388,381	361,163	3,773,620
Major items for above discrepancies			
Subscription rights to shares	766	766	7,443
Minority interests	58,493	54,742	568,335
Number of common stock issued	215,115,038	215,115,038	—
Number of treasury stock	2,605,021	3,206,607	—
Number of common stock for net assets per share	212,510,017	211,908,431	—
	Millions of yen or number of shares		Thousands of U.S. dollars
	2014	2013	2014
2) Net income			
Net income	¥ 28,939	¥ 23,464	\$ 281,180
Net income not belonging to common shareholders	—	—	—
Net income for common shareholders	28,939	23,464	281,180
Weighted average common shares outstanding, less treasury stock	212,406,699	211,835,384	—
Dilutive effect: Number of subscription rights to shares	68,839	25,403	—

32. Subsequent Events

The issue of domestic straight bonds

The Company has issued 15th domestic straight bonds under the following condition according to the resolution on the board of directors held on May 23, 2014.

Item	Descriptions
The nature of bond	15th domestic straight bonds (unsecured)
Total amount of bond issue	¥30,000 million
Terms	5 years
Coupon rate	0.319%
Issue price	¥100 per face value of ¥100
The date of issue	June 10, 2014
The details of pledge	No guarantee, no pledge and no specification
The purpose of funds	Redemption of bonds, Working capital
Redemption method	Bullet repayment
Other important clause	Negative pledge clause

The issue of domestic straight bonds

The Company has issued 16th domestic straight bonds under the following condition according to the resolution on the board of directors held on May 23, 2014.

Item	Descriptions
The nature of bond	16th domestic straight bonds (unsecured)
Total amount of bond issue	¥10,000 million
Terms	7 years
Coupon rate	0.487%
Issue price	¥100 per face value of ¥100
The date of issue	June 10, 2014
The details of pledge	No guarantee, no pledge and no specification
The purpose of funds	Redemption of bonds, Working capital
Redemption method	Bullet repayment
Other important clause	Negative pledge clause

Independent Auditor’s Report

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

We have audited the accompanying consolidated financial statements of Hitachi Construction Machinery Co., Ltd. (the “Company”) and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hitachi Construction Machinery Co., Ltd. and consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As described in Note 32, the Board of Directors made a comprehensive resolution on May 23, 2014 to issue 15th and 16th domestic unsecured straight bonds. As a result of this resolution, unsecured straight bonds were issued on June 10, 2014. Our opinion is not qualified in respect of this matter.

Convenience Translation

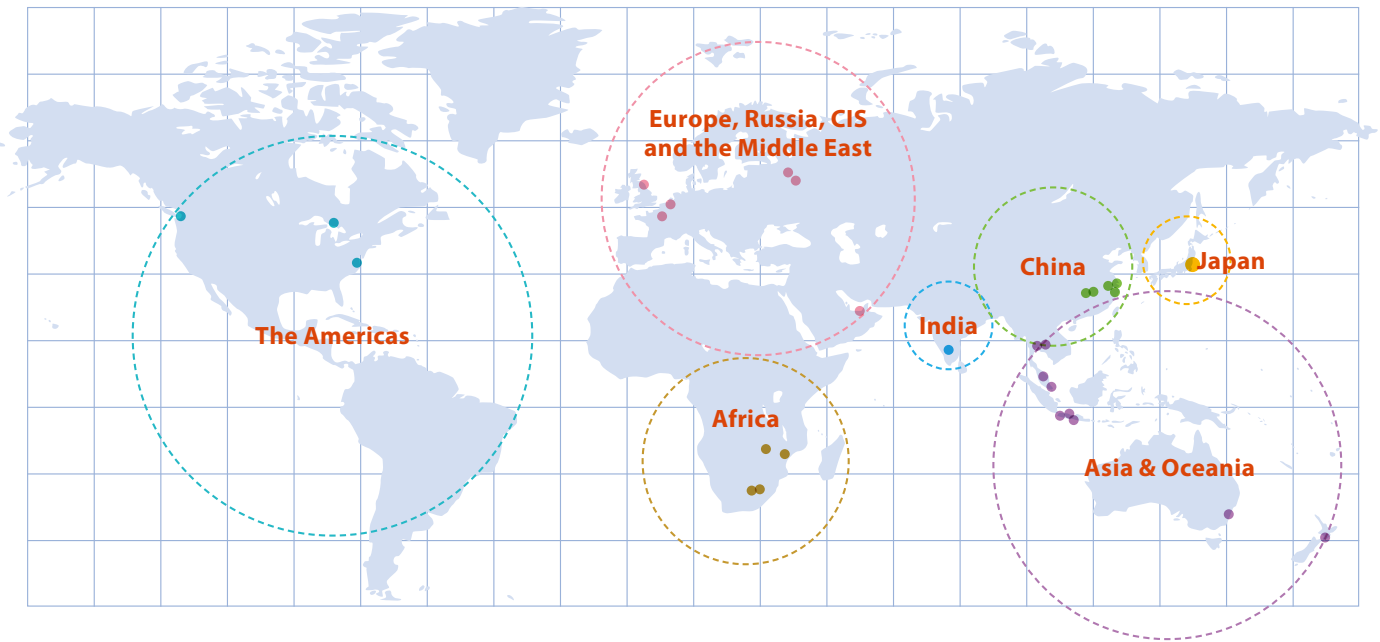
We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young Shinron LLC

June 23, 2014
Tokyo, Japan

Major Consolidated Subsidiaries

As of April 1, 2014



Japan

- Hitachi Construction Machinery Tierra Co., Ltd.
- Hitachi Construction Machinery Camino Co., Ltd.
- Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd.
- Niigata Material Co., Ltd.
- Tadakiko Co., Ltd.
- Shintoshoku Metal Co., Ltd.
- Hitachi Construction Machinery Japan Co., Ltd.
- Hitachi Kenki Logistics Technology Co., Ltd.
- Hitachi Construction Machinery Trading Co., Ltd.
- Hitachi Construction Machinery Operators Training Center Co., Ltd.
- Hitachi Construction Machinery Leasing Co., Ltd.

India

- Tata Hitachi Construction Machinery Company Limited

China

- Hitachi Construction Machinery (China) Co., Ltd.
- Hefei Rijian Shearing Co., Ltd.
- Hitachi Construction Machinery (Shanghai) Co., Ltd.
- Hitachi Construction Machinery Leasing (China) Co., Ltd.
- Hitachi Sumitomo Heavy Industries Construction Crane (Shanghai) Co., Ltd.

Asia & Oceania

- P.T. Hitachi Construction Machinery Indonesia
- Hitachi Construction Machinery Asia and Pacific Pte. Ltd.

- Cable Price (NZ) Ltd.
- P.T. Hexindo Adiperkasa Tbk
- Hitachi Construction Machinery Australia Pty., Ltd.
- Hitachi Construction Machinery Thailand Co., Ltd.
- Hitachi Construction Machinery (Malaysia) Sdn. Bhd.
- Hitachi Construction Machinery Leasing (Thailand) Co., Ltd.
- P.T. Hitachi Construction Machinery Finance (Indonesia)

Africa

- Hitachi Construction Machinery Africa Pty. Ltd.
- Hitachi Construction Machinery Southern Africa Co., Ltd.
- Hitachi Construction Machinery Zambia Co., Ltd.
- Hitachi Construction Machinery Mozambique Ltd.

Europe, Russia, CIS and the Middle East

- Hitachi Construction Machinery (Europe) N.V.
- Hitachi Construction Machinery Eurasia Manufacturing LLC
- Hitachi Construction Machinery Eurasia Sales LLC
- Hitachi Construction Machinery Sales and Service France S.A.S
- Heavy Construction Machinery Ltd.
- Hitachi Construction Machinery Middle East Corp. FZE

The Americas

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

Corporate Information

As of March 31, 2014

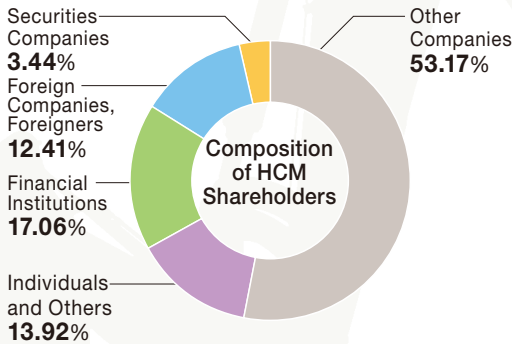
Company Outline

Company Name	Hitachi Construction Machinery Co., Ltd. (Hitachi Kenki Kabushiki Kaisha)
Head Office	5-1, Koraku 2-chome, Bunkyo-ku, Tokyo, 112-8563, Japan
Tel.	+81-3-3830-8065
Fax.	+81-3-3830-8224
Establishment	October 1,1970
Paid in Capital	¥ 81,576,592,620
Major Operations	Manufacturing, sales and service of construction machinery, transportation machinery, and other machines and devices
Employees	20,911 (Consolidated) 4,756 (Non-consolidated)
URL	http://www.hitachi-c-m.com/global/



Investor Information

Stock Exchange Listings	Tokyo, Osaka (#6305)
Accounting Auditor	Ernst & Young ShinNihon LLC
Stock Transfer Agent	Tokyo Securities Transfer Agent Co., Ltd.
Number of Shares Authorized	700,000,000
Number of Shares Issued	215,115,038 (treasury share: 3,206,607)
Number of Shareholders	48,897
Annual Meeting	The annual meeting of shareholders is usually held before the end of June in Tokyo.



Major Shareholders (Top 10 Largest Shareholders)

Shareholders	Number of shares held (Thousands)	Ownership ratio (%)
Hitachi, Ltd.	108,058	50.85
The Master Trust Bank of Japan, Ltd. (trust account)	13,054	6.14
Japan Trustee Services Bank, Ltd. (trust account)	8,856	4.17
BNP Paribas Securities Co., Ltd.	3,180	1.50
Trust & Custody Services Bank, Ltd. (securities investment trust account)	2,519	1.19
Societe Generale Securities (North Pacific) Limited	1,393	0.66
The Bank of New York 133522	1,379	0.65
Hitachi Urban Investment, Ltd.	1,295	0.61
State Street Bank West Client - Treaty	1,161	0.55
Japan Trustee Services Bank, Ltd. (trust account 1)	1,140	0.54

*Hitachi Construction Machinery holds 2,605,021 of treasury shares, but these have been excluded from the list of major shareholders above.
*Ownership ratio is calculated without the 2,605,021 of treasury shares.



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