Scope of performance data

This report provides an overview of the activities of the Hitachi Construction Machinery Group's management strategies and financial and non-financial (ESG) information.

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 gained so 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 individual investors.

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

Corporate Social Responsibility

(Society, Environment) Report

Website


This website provides in-depth articles about our activities and other 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 of our environmental management systems and environmental performance in a wide range of areas.

Financial Section

Ten-year Financial History

Management’s Discussion and Analysis

Consolidated Financial Statements

Notes to Consolidated Financial Statements

Report of Independent Auditors

Major Consolidated Subsidiaries

Corporate Information

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 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 maintain the environmental, contributing to society and participating in cultural activities, striving for a symbiotic coexistence with society.

We are adopting the 3Cs to train employees globally 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.

“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
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 ¥99.2 billion, a growth of 34%, and net income was ¥68.9 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 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

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 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.

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.

![CSR & Financial Report 2014](image)

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

- **2008**: ¥744.2
- **2009**: ¥605.8
- **2010**: ¥773.8
- **2011**: ¥817.1
- **2012**: ¥772.4
- **2013**: ¥803.0

*Reference: Exchange rates as of March 31*

- **US dollar**: 98.2
- **Euro**: 124.9
- **Yen**: 129.8

Management Vision

**2020 VISION**

- **1st STEP**
  - Go Together 2013
  - Encourage growth and seeds to the next
  - Create a structure that is resilient to change

- **2nd STEP**
  - Go Together 2014
  - Ensure localization and global governance
  - “Cost per Ton” reduction through the total solution proposal
  - Reinforce platform and secure service parts profit
  - Strengthen sales capability and dealer support based on enhanced sales marketing

- **3rd STEP**
  - 2020 Vision
  - Global Production
  - Global Management
  - Life-Cycle Support

**Seeds for growth**

- **2011—2013**
  - Mining & Operations
  - Research & Development
  - Products plan
  - Markets & Sales
  - Global Foundation

**Life-Cycle Support**

- Solutions
- Soft
- Products plan
- Markets & Sales
- Global Foundation

**Six Imperatives**

1. **Global Production**
2. **Global Management**
3. **Life-Cycle Support**
4. **Research & Development**
5. **Products plan**
6. **Markets & Sales**

**Close and Reliable Partner**

**Anywhere on the Earth**

**through with Best Solutions**

**Kenkijin**

**Spirit**

**2020 VISION**

- **Close and Reliable Partner**
- **Anywhere on the Earth**
- **through with Best Solutions**
- **Kenkijin**
- **Spirit**

**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 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.**

**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 Goto 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 aim 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 our product range, globalize to reduce cost of goods, as we found these activities to be successful under Go Togeth 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 “reporting” stage, “sustainability” stage, and are 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 aim to reduce CO₂ emissions. We 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 know-how. We are actively promoting activities such as supplying construction machinery for use in disaster areas around the world including the areas devastated by 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.
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.

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.

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.

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

Strengthening business processes, including those in the mainstay mining operations

The construction machinery market should continue to be a growth industry in the medium-long term.

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.

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

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.
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

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 manufacture companies 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 MONOZUKURI methods, and “forecast, analysis, and maintenance methods”.

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 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 MONOZUKURI methods, and “forecast, analysis, and maintenance methods”.

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.

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

In 2013, we launched the EH5000AC-3 rigid dump truck, 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.

Demand to improve productivity and safety in mining is increasing. For better buffering 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.

A major advantage is the increased options for solving problems

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

Hitachi Power Solutions Co., Ltd.
Power Systems Company, Hitachi Ltd.
Hitachi Research Laboratory, Hitachi, Ltd.
Infrastructure Systems Company, Hitachi Ltd.

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

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

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.

Creating value with ICT

Creating value with ICT

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.

Two types of data report services

Sending regular reports

ConSite, a new service using our Global e-Service

Sending emergency reports

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.

Providing value for customers by keeping their machinery running

In 2013, we launched ConSite, 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.
**Financial and Non-Financial Highlights**

**Hitachi Construction Machinery and Consolidated Subsidiaries**

**Fiscal years ended March 31**

### Financial Highlights

<table>
<thead>
<tr>
<th>Metric</th>
<th>2014 (millions of yen)</th>
<th>2013 (millions of yen)</th>
<th>2012 (millions of yen)</th>
<th>2011 (millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>For the year:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>802,968</td>
<td>772,355</td>
<td>817,143</td>
<td>773,769</td>
</tr>
<tr>
<td>Operating income</td>
<td>288,169</td>
<td>51,496</td>
<td>54,837</td>
<td>41,511</td>
</tr>
<tr>
<td>Net income before income taxes and minority interests</td>
<td>52,775</td>
<td>45,763</td>
<td>50,129</td>
<td>35,745</td>
</tr>
<tr>
<td>Net income</td>
<td>28,939</td>
<td>23,464</td>
<td>23,036</td>
<td>11,088</td>
</tr>
<tr>
<td>At year-end:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>1,087,191</td>
<td>1,099,901</td>
<td>1,086,116</td>
<td>944,370</td>
</tr>
<tr>
<td>Working capital</td>
<td>271,977</td>
<td>286,564</td>
<td>232,252</td>
<td>248,870</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>383,355</td>
<td>361,874</td>
<td>345,689</td>
<td>327,496</td>
</tr>
<tr>
<td>Interest-bearing debt</td>
<td>363,411</td>
<td>393,102</td>
<td>388,904</td>
<td>327,768</td>
</tr>
<tr>
<td>Per share data (yen):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>136.24</td>
<td>110.77</td>
<td>108.86</td>
<td>52.44</td>
</tr>
<tr>
<td>Diluted net income</td>
<td>136.20</td>
<td>110.75</td>
<td>108.86</td>
<td>52.41</td>
</tr>
<tr>
<td>Net assets</td>
<td>1,827.59</td>
<td>1,704.34</td>
<td>1,522.86</td>
<td>1,447.52</td>
</tr>
<tr>
<td>Cash dividends (declared)</td>
<td>130.00</td>
<td>40.00</td>
<td>30.00</td>
<td>20.00</td>
</tr>
<tr>
<td>Other indicators:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on net sales (%)</td>
<td>3.6</td>
<td>3.0</td>
<td>2.8</td>
<td>1.4</td>
</tr>
<tr>
<td>Return on equity (%)</td>
<td>7.7</td>
<td>6.9</td>
<td>7.3</td>
<td>3.6</td>
</tr>
<tr>
<td>Equity ratio (%)</td>
<td>35.7</td>
<td>32.8</td>
<td>29.7</td>
<td>32.4</td>
</tr>
<tr>
<td>Price/earning ratio (times)</td>
<td>14.59</td>
<td>18.31</td>
<td>16.82</td>
<td>39.72</td>
</tr>
</tbody>
</table>

### Non-Financial Highlights

<table>
<thead>
<tr>
<th>Metric</th>
<th>2014 (millions of yen)</th>
<th>2013 (millions of yen)</th>
<th>2012 (millions of yen)</th>
<th>2011 (millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated net sales by region</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Americas</td>
<td>80,418</td>
<td>113,923</td>
<td>92,324</td>
<td>62,351</td>
</tr>
<tr>
<td>Europe</td>
<td>71,549</td>
<td>57,342</td>
<td>64,415</td>
<td>66,367</td>
</tr>
<tr>
<td>Russia, CIS, Africa and the Middle East</td>
<td>87,382</td>
<td>80,915</td>
<td>71,715</td>
<td>65,149</td>
</tr>
<tr>
<td>Asia and Oceania</td>
<td>217,313</td>
<td>237,487</td>
<td>242,750</td>
<td>202,444</td>
</tr>
<tr>
<td>China</td>
<td>114,480</td>
<td>90,773</td>
<td>134,860</td>
<td>204,757</td>
</tr>
<tr>
<td>Japan</td>
<td>231,846</td>
<td>191,915</td>
<td>210,979</td>
<td>172,701</td>
</tr>
</tbody>
</table>

### Environmental performance data

<table>
<thead>
<tr>
<th>Metric</th>
<th>2014 (tons)</th>
<th>2013 (tons)</th>
<th>2012 (tons)</th>
<th>2011 (tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total amount of energy input (kJ/yr)*1</td>
<td>3,146,235</td>
<td>2,854,920</td>
<td>3,159,007</td>
<td>3,048,117</td>
</tr>
<tr>
<td>Amount of CO2 emissions (tons)*1</td>
<td>171,544</td>
<td>162,712</td>
<td>187,011</td>
<td>169,513</td>
</tr>
<tr>
<td>Amount of water resources input (m³/yr)*2</td>
<td>1,003,108</td>
<td>1,159,279</td>
<td>1,236,973</td>
<td>1,517,430</td>
</tr>
<tr>
<td>Sales of environmentally conscious products (million yen)*3</td>
<td>526,214</td>
<td>470,208</td>
<td>499,672</td>
<td>440,028</td>
</tr>
<tr>
<td>Environmental conservation cost (million yen)*4</td>
<td>8,658</td>
<td>8,134</td>
<td>8,006</td>
<td>6,546</td>
</tr>
<tr>
<td>Environmental investment (million yen)*5</td>
<td>40</td>
<td>839</td>
<td>1,254</td>
<td>685</td>
</tr>
<tr>
<td>Economic effects of environmental conservation (million yen)*6</td>
<td>978</td>
<td>1,030</td>
<td>1,282</td>
<td>1,704</td>
</tr>
</tbody>
</table>

*1 All Hitachi Construction Machinery Group bases (global)
*2 Major production bases of the Hitachi Construction Machinery Group (global)
*3 Amount of CO2 emissions (tons)*1

### Commonly used abbreviations

- **CO2**: Carbon Dioxide
- **CO2 emission**: Carbon Dioxide Emission
- **CO2 equivalent**: Carbon Dioxide Equivalent
- **CO2 sequestered**: Carbon Dioxide Sequestered

---

**Note:**

- 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.

---

**Financial Highlights**

**For the year:**

- **Net sales**: ¥802,968 million (up ¥7,687 million year-on-year, reflecting the impact from foreign exchange rates and a reduction in material costs.

- **Operating income**: ¥288,169 million.

- **Net income before income taxes and minority interests**: ¥52,775 million.

- **Net income**: ¥28,939 million.

**At year-end:**

- **Total assets**: ¥1,087,191 million.

- **Working capital**: ¥271,977 million.

- **Shareholders’ equity**: ¥383,355 million.

- **Interest-bearing debt**: ¥363,411 million.

**Per share data (yen):**

- **Net income**: ¥136.24.

- **Diluted net income**: ¥136.20.

- **Net assets**: ¥1,827.59.

- **Cash dividends (declared)**: ¥130.00.

**Other indicators:**

- **Return on net sales (%)**: 3.6.

- **Return on equity (%)**: 7.7.

- **Equity ratio (%)**: 35.7.

- **Price/earning ratio (times)**: 14.59.

---

**Consolidated net sales by region**

- **The Americas**: 80,418 million.

- **Europe**: 71,549 million.

- **Russia, CIS, Africa and the Middle East**: 87,382 million.

- **Asia and Oceania**: 217,313 million.

- **China**: 114,480 million.

- **Japan**: 231,846 million.

**Non-Financial Highlights**

**No. of employees by region**

- **The Americas**: 463.

- **Europe**: 578.

- **Russia, CIS, Africa and the Middle East**: 887.

- **Asia and Oceania**: 6,472.

- **China**: 3,164.

- **Japan**: 9,347.

**Man environmental performance data**

- **Total amount of energy input (kJ/yr)*1**: 3,146,235.

- **Amount of CO2 emissions (tons)*1**: 171,544.

- **Amount of water resources input (m³/yr)*2**: 1,003,108.

- **Sales of environmentally conscious products (million yen)*3**: 526,214.

- **Environmental conservation cost (million yen)*4**: 8,658.

- **Environmental investment (million yen)*5**: 40.

- **Economic effects of environmental conservation (million yen)*6**: 978.

---

**Note:**

*1 All Hitachi Construction Machinery Group bases (global)
*2 Major production bases of the Hitachi Construction Machinery Group (global)
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 Global markets’.

The Hitachi Construction Machinery Group is promoting market trends in regions worldwide and deliver products and services aligned to these needs, as Together 2013, a mid-term management plan, under which we embarked on initiatives to strengthen the global business and region sales.

The vision is to grasp market needs and deliver the products and services that meet these needs. The vision is to become a ‘Close and Reliable Partner anywhere on the Earth with Best Solutions through Global markets’.

Main CSR Activities

Governance

Social report

Environmental report

Regional Business Division Sales (fiscal years ended March 31)

Asia & Oceania

Japan

China

Europe, Russia, CIS & the Middle East

Africa

The Americas

Regional Business Division

Regional Strategies and Policies

Main CSR Activities

- 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))
- 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 photovoltaic panel and large dump trucks at a plant in the suburbs of Brisbane (Hitachi Construction Machinery (Australia))
- Implemented training on the Kanji Spirit 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 companies)

- 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
- Hipassuku Sanrakudo Marathon co-sponsor and supporter (Hitachi Construction Machinery Carmeo)
- Counterweight recycling activities honored with Excellence Prize at the GREEN 21 award program (Hitachi Construction Machinery)
- Participated in Toyotomi Dongri-no-Mori forest preservation activities (Tadabashi)

- 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 (India) and Hitachi Construction Machinery (Shanghai))
- Developed “The Great Wall of China” to protect a eucalyptus forest in Inner Mongolia to prevent desertification (Hitachi Construction Machinery (Shanghai))
- Provided support for Mang Elementary School (Hitachi Construction Machinery (China) and Hitachi Construction Machinery (Shanghai))
- Certified as a member of the Corporate Social Responsibility Alliance in China (Shanghai) Pilot Trade Zone (Hitachi Construction Machinery (Shanghai))

- Loaned hydraulic excavators free of charge to technical school in Mwanza (Heavy Construction Machinery)
- Purchased education donation to offer effective education to the retirees working at mining sites (Hitachi Construction Machinery Europa Sales)
- Began improvement activities in light of results of employee satisfaction survey (Hitachi Construction Machinery (Europe))
- Regularly communicable HNCe world news (once a month) (Hitachi Construction Machinery Middle East)

- Implemented 54/CUT for local employees so that workers could quickly acquire technical skills and to expand job opportunities (Hitachi Construction Machinery Zambia)
- Co-sponsored 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)

- Implemented quarterly dialogue between management and employees (Hitachi Construction Truck Manufacturing)
- Held an open house family day (Hitachi Construction Truck Manufacturing)
- Distributed CSR guidelines to new employees, and provided with CSR and compliance training (Wenco International Mining Systems)

- Began improvement activities in light of results of employee satisfaction survey (Hitachi Construction Machinery (Europe))

- Implemented quarterly dialogue between management and employees (Hitachi Construction Truck Manufacturing)
- Held an open house family day (Hitachi Construction Truck Manufacturing)
- Distributed CSR guidelines to new employees, and provided with CSR and compliance training (Wenco International Mining Systems)

- Began production at new plant in Brazil and established local production and sales system

- Implemented quarterly dialogue between management and employees (Hitachi Construction Truck Manufacturing)
- Held an open house family day (Hitachi Construction Truck Manufacturing)
- Distributed CSR guidelines 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, we stopped 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 dealer financing. and also plan to attend to the increase in demand for aftermarket in tandem with the introduction of ConSite

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, we stopped 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 dealer financing. and also plan to attend to the increase in demand for aftermarket in tandem with the introduction of ConSite

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.

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.

It has also come to describe educational programs to improve literacy among children living in slums.

Children give a dance performance

CSR & Financial Report 2014
Market Trends & Regional Strategies

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.

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.

China

Identifying and targeting customers with a high operating rate is key.

We aim to expand sales by using our Global e-Service system

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.

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.

Corporate Social Responsibility
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 recovering. 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.

Africa

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

Focus 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 to 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.

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.

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.
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, has a local production and sales system in place.

New plant in Brazil

CSR Topics

Open House and Family Day event
Deere-Hitachi Truck Manufacturing

In June 2013, Deere-Hitachi Truck Manufacturing opened up its headquarters plant site and invited business partners and the families and friends of its employees to attend an Open House event. This event, which attracted 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 a chance for visitors to sit in the driver’s seat of the EH4000 ACL, a dump truck developed and manufactured by Hitachi Construction Truck Manufacturing. Many visitors enjoyed this new 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

CSR & Financial Report 2014

Mining

Implementing sales expansion strategies that match market needs

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 Tool) General term for interchangeable parts, such as the bucket tips

Mining

Markets 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 Wenco (Canada) and Hitachi Ltd.

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

CSR Topics

Open House and Family Day event
Deere-Hitachi Truck Manufacturing

In June 2013, Deere-Hitachi Truck Manufacturing opened up its headquarters 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 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 Tool): General term for interchangeable parts, such as the bucket tips

CSR & Financial Report 2014

Note: The content provided is a representation of the natural text as it appears in the document. It may not include all visual elements or formatting as seen in the original document.
Building trust with stakeholders
Building a positive relationship of trust with various stakeholders, including customers, employees, business partners, and the local community, is essential to promoting smooth business activities. In FY2005, we established our CSR Policy in line with the Hitachi Group guidelines so that we at the Hitachi Construction Machinery Group can accurately grasp the impact of our business activities on stakeholders, and promote responsible behavior. In accordance with these guidelines, we developed the CSR Roadmap and are fortifying our CSR management by employing the PDCA cycle. In FY2014, in addition to the launch of our new mid-term management plan, GROW TOGETHER 2016, we are also aiming to become a “close and reliable partner anywhere on the earth” with best solutions through Kenkijin Spirit,” based on the key words “trust and differentiation.” We also plan to sustain stable profit growth while co-existing with society at large, including being in harmony with the environment, contributing to society, and implementing cultural activities. It is our goal to promote CSR activities as a group as a whole.
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.

<table>
<thead>
<tr>
<th>Action Policy 1</th>
<th>Commitment to Corporate Social Responsibility (CSR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsibility (CSR)</td>
<td>Commitment to</td>
</tr>
<tr>
<td>Measures</td>
<td>Every</td>
</tr>
<tr>
<td>FY2013 Measures</td>
<td>Implemented stratified training (domestic group companies)</td>
</tr>
<tr>
<td></td>
<td>Implemented new employee training (domestic group companies)</td>
</tr>
<tr>
<td></td>
<td>Implemented Kenkijin Spirit training using HGB (HCM Global Basics) (overseas group companies)</td>
</tr>
<tr>
<td></td>
<td>Implemented training for Tata Code of Conduct (Tata Hitachi Construction Machinery Company)</td>
</tr>
<tr>
<td></td>
<td>Provided examples of Kenkijin Spirit and published them in the in-house newsletter (Hitachi Sumitomo Heavy Industries Construction Crane)</td>
</tr>
<tr>
<td>FY2013 Measures</td>
<td>In addition to implementing a risk management plan, we also draw on the CSR Guidebook (activity report on page 10).</td>
</tr>
<tr>
<td></td>
<td>We 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.</td>
</tr>
<tr>
<td></td>
<td>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.</td>
</tr>
<tr>
<td></td>
<td>At overseas group companies, new employees are provided training that is based on HCM Global Basics (HGBM). 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.</td>
</tr>
<tr>
<td></td>
<td>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.</td>
</tr>
<tr>
<td>Progress Report on FY2013 Measures</td>
<td>Implemented measures to alleviate critical risks (domestic and overseas group companies)</td>
</tr>
<tr>
<td></td>
<td>Further establish business continuity plans (BCP) (domestic and overseas group companies)</td>
</tr>
<tr>
<td></td>
<td>Implement human rights due diligence</td>
</tr>
<tr>
<td>Stakeholder engagement (Group Information and Exchange System to support management decisions)</td>
<td>Implemented stakeholder communication</td>
</tr>
<tr>
<td>FY2014 Measures</td>
<td>Promote CSR training and further instill the Kenkijin Spirit</td>
</tr>
<tr>
<td></td>
<td>Further fortify global risk management</td>
</tr>
<tr>
<td></td>
<td>Expand communications with stakeholders</td>
</tr>
</tbody>
</table>

Strengthening CSR Management

CSR Activities Highlights 2013

Promotion of CSR training

The Hitachi Construction Machinery Group conducted CSR training 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 (HGBM). 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.

Communication with stakeholders

The Hitachi Construction Machinery Group is promoting 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 mid-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.

We also 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
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.

### Action Policy 2

**Promoting our products**
- Promote use of Hi-STEP
- Implement measures in Go Together 2013
- Establish a global production system
- Implement development and introduction training for ConSite
- Expand areas in which Hi-STEP is used
- Create a new dealer support program
- Promote Hi-STEP through role playing

**Promotion of a new personnel training program to improve customer satisfaction**
- Implement measures in Go Together 2013
- Secure product quality
- Secure performance quality, social and environmental quality throughout the product life-cycle (including managing safety risks)

**Promoting our social activities**
- Train engineers to the world
- Promote global quality assurance activities
- Implement measures in Go Together 2013
- Promote use of Hi-STEP
- Implement global quality assurance activities (including managing safety risks)
- Promote global quality assurance activities (including managing safety risks)

**Measures**
- We aim to make rapid progress toward growth. In GROW TOGETHER 2016, we planted seeds for growth. (Top Interview on page 13)
- In Go Together 2013, we established a new dealer support program and ConSite.

**Assessments**
- Partially achieved
- Nearly achieved
- Fully achieved

**FY2014 Measures**
- We established systems that help us respond to the demands of customers, promote safe work and maintain life-cycle business.
- We improved the quality level of our products by deploying a global system.
- We focused on training global engineers.

**FY2013 Measures**
- We improved the quality level of our production plants in Japan and abroad by introducing the global MONOZUKURI quality check.
- We planned to expand this program globally from our base in Singapore.

**Stakeholder’s Message**

I am in charge of handling quality management of 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.

Sun, Yusheng

Hitachi Construction Machinery (China) Co., Ltd.
**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.

#### Themes

<table>
<thead>
<tr>
<th>FY2013 Measures</th>
<th>Compliance with disclosure policy and timely disclosure and management of information</th>
<th>Disclose information on risks, glitches, and social costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Conduct fair and highly transparent information disclosure through proper management of internal and external information</td>
<td>Implement information disclosure standards (for both domestic and overseas group companies)</td>
</tr>
<tr>
<td></td>
<td>Improve brand strength</td>
<td>Assessment using KPIs and disclosure of results</td>
</tr>
<tr>
<td></td>
<td>Continue to implement Kenkijin Spirit training</td>
<td></td>
</tr>
</tbody>
</table>

#### Progress Report on FY2013 Measures

- Created policies and guidelines on procedures for managing official social media accounts. (Activity report on page 5)
- Implemented Kenkijin Spirit training
- Regularly disclosed news on CSR and environmental activities on our website (once a month)
- Created a feeling of solidarity among employees through Kenkijin Spirit training and other events (Hitachi Construction Machinery Asia and Pacific)

We established guidelines for official social media accounts. We are following these guidelines to properly disclose information over our official accounts. We have implemented Kenkijin Spirit training at both domestic and overseas companies. Some overseas group companies also conducted their own proprietary training.

We actively dealt with information on glitches, including recall information. We made these revisions to allow customers to quickly search for information. We also adapted some non-financial KPIs as environmental indicators.

#### Assessments

<table>
<thead>
<tr>
<th>FY2014 Measures</th>
<th>Appropriate management of internal and external information</th>
<th>Execute information disclosure standards (for both domestic and overseas group companies)</th>
<th>Improve brand strength</th>
<th>Assessment using KPIs and disclosure of results</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Partially achieved</td>
<td>Fully achieved</td>
<td>Partially achieved</td>
<td>Partially achieved</td>
</tr>
</tbody>
</table>

**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.

**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**

![Chart showing number of recall filings from 2008 to 2013](chart.png)

**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/@HCMchannel](https://www.youtube.com/@HCMchannel)

---

**Hitachi Construction Machinery Channel is our official YouTube site**

---

**Says Sales Support Media Department, Marketing Division**

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.

<table>
<thead>
<tr>
<th>Themes</th>
<th>Implement human rights and compliance training</th>
<th>Promote diversity</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2013 Measures</td>
<td>- Adopt the Hitachi Construction Machinery Group Human Rights Policy as a company regulation</td>
<td>- Instill diversity awareness (management level training at domestic group companies)</td>
</tr>
<tr>
<td></td>
<td>- Implement full-fledged human rights and compliance training (conduct e-learning on human rights issues)</td>
<td>- Support to promote the role of female employees (implement a diversity workshop)</td>
</tr>
<tr>
<td></td>
<td>- Install a global alert line</td>
<td></td>
</tr>
</tbody>
</table>

**Progress Report on FY2013 Measures**

- Implemented 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 11)

**Assessments**

- Fully achieved
- Nearly achieved
- Partially achieved
- Not achieved

**FY2014 Measures**

- Establish human rights due diligence guidelines
- Implement a compliance awareness survey and carry out training globally depending on the survey results
- Hitachi Construction Machinery and domestic group companies will aim to strengthen activities independently
- Support for female employee’s roles in the group

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

**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 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.

**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.

**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.

**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.

**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 FY2013, is an issue close to home that we have to address.
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.

**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.

#### Development and expansion of eco-products

- **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.
- **Monitored results of reduction in environmental impact**
  - From products (reduced CO2 emissions by 1.88 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.

#### FY2013 Measures

- 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)
- Full implementation of Design for Environment Assessment Ver. 4*
- Assisted in promoting the remanufactured parts business and counterweight recycling business.
- We began conducting monthly management of environmental impact at plants (monthly management of energy, 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 0.55%).
- Assisted in promoting the remanufactured parts business and counterweight recycling business.

#### Progress Report on FY2013 Measures

- 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 0.55%).
- Assisted in promoting the remanufactured parts business and counterweight recycling business.
- 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 70% of total sales.
- We adopted the eco-products assessment method for other products. Since FY2000, we have registered a total 172 models.

#### Assessments

- **Fully achieved**
- **Partially achieved**
- **Nearly achieved**
- **Not achieved**

### FY2014 Measures

- Make monthly management and fortification of the PCDA cycle permanent tasks
- 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

**CSR Activities Highlights 2013**

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 Together 2013. 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 environmental impact.

We promoted communication among group companies and carried out the monthly management of environmental impact to for 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.

**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.
**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.

### Themes
- Humanitarian support
- Environmental preservation
- Coexist with the community

### FY2013 Measures
- Support activities of NPO Good Earth Japan (GEJ)
- Promote bio-diversity initiatives
- Carry out Urahoro Eco-school activities
- Promote activities at overseas group companies
- Actively participate in the community
- Improve community education

### Progress Report on FY2013 Measures
- Collaborated with GEJ to hold an event and increased membership by recruiting new members (Activity report on page 43)
- Loaned out machinery free of charge to disaster-stricken municipalities
- Implemented eco-education at Urahoro
- Support Hompin Desert afforestation activities (Hitachi Construction Machinery (Shanghai))
- Implemented environmental preservation educational activities (Hitachi Construction Machinery (China) and Hitachi Construction Machinery (Shanghai))
- Loaned hydraulic excavators to Coleg Menai (Wales, UK) free of charge (Hitachi Construction Machinery)
- Held JAGRITI (Tata-Hitachi Construction Machinery) activity report on page 30
- Implemented the Hitachi Construction Machinery Festival at various plants in Japan. In 2013, held the festival for the first time at the Ryugasaki Works.

### Assessments
- ★★★

### FY2014 Measures
- Support GEJ activities
- Provide assistance to areas in the Philippines damaged by typhoons (provide construction machinery)
- Implement bio-diversity initiatives
- Promote environmental education
- Continue to be involved in the community
- Improve community education

---

**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 out to 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.
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.

Action Policy 7

Promote health and safety activities

Promote healthy work-life balance

Assessments

<table>
<thead>
<tr>
<th>Themes</th>
<th>FY2013 Measures</th>
<th>Progress Report on FY2013 Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Aim to acquire occupational health and safety assessment OHSAS 18001 certification (including overseas manufacturing companies)</td>
<td>• Hitachi Construction Machinery Tierra, Hitachi Construction Machinery Camino, Hitachi Sumitomo Heavy Industries Construction Crane, and Hitachi Construction Machinery (China) acquired OHSAS 18001 certification</td>
</tr>
<tr>
<td></td>
<td>• Implement global safety inspection tours</td>
<td>• Tadakiko acquired certification within the group</td>
</tr>
<tr>
<td></td>
<td>• Conduct employee awareness survey, including domestic group company employees</td>
<td>(Activity report on page 42)</td>
</tr>
<tr>
<td></td>
<td>• Disclosed results of employee awareness survey over the intranet</td>
<td>• 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)</td>
</tr>
<tr>
<td></td>
<td>(Activity report on page 42)</td>
<td>• Conducted lecture on work-life balance (details on our website)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• In May 2013, acquired the Kurumin mark in recognition of its efforts to support employees in their child care endeavors (details on our website)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 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</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• At the Hitachi Construction Machinery Group, the Occupational Safety and Health Promotion Committee meets twice a year</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 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</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 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 Shintohoku 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</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 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 the Certification Body’s Headquarters. The measure carried out to build an OHSAS 18001 system is the same as for the certification body</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 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</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 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</td>
</tr>
</tbody>
</table>

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 1801 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.

Kenichi Miura
Hitachi Construction Machinery Camino Co., Ltd.
### 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.

### Themes

<table>
<thead>
<tr>
<th>Implement CSR procurement measures with business partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Continue to implement supply chain CSR survey</td>
</tr>
<tr>
<td>- Implement supply chain CSR survey at overseas group companies</td>
</tr>
<tr>
<td>- Conduct CSR training (expand to domestic group companies that carry out procurement overseas)</td>
</tr>
</tbody>
</table>

### Progress Report on FY2013 Measures

- 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

### Assessments

- Partially achieved
- Nearly achieved
- Fully achieved

### FY2014 Measures

- Implement supply chain CSR survey at group companies
- Promote initiatives for the establishment of a business continuity plan (BCP) (includes group companies)

### 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.

#### 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 participated in the program and listening to the lectures, 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.

**Mr. Takasumi Yoshitomi**

TOKITA-DROP FORGING CO., LTD.
Corporate Governance

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

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 (convoking 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, 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.

Calculating executives’ compensation (performance-linked compensation system)

Hitachi Construction Machinery’s Compensation Committee sets the policy for determining 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.
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.

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 knowledge.

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)1 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.

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

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 countermesures 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.).
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 determine 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.
Ten-year Financial History

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

Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>1,087,191</td>
<td>1,099,901</td>
<td>1,086,116</td>
<td>944,370</td>
<td>883,047</td>
<td>841,353</td>
<td>833,096</td>
<td>655,326</td>
<td>552,341</td>
<td>463,812</td>
<td>10,563,457</td>
<td></td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>383,355</td>
<td>361,874</td>
<td>345,689</td>
<td>327,496</td>
<td>319,520</td>
<td>311,430</td>
<td>310,747</td>
<td>184,750</td>
<td>157,173</td>
<td>131,318</td>
<td>3,724,786</td>
<td></td>
</tr>
<tr>
<td>Interest-bearing debt</td>
<td>363,411</td>
<td>393,102</td>
<td>388,904</td>
<td>327,768</td>
<td>307,754</td>
<td>300,626</td>
<td>190,650</td>
<td>154,953</td>
<td>154,786</td>
<td>154,786</td>
<td>3,531,005</td>
<td></td>
</tr>
<tr>
<td>Per share data (yen)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>136.24</td>
<td>110.77</td>
<td>108.88</td>
<td>52.44</td>
<td>19.33</td>
<td>85.79</td>
<td>271.00</td>
<td>187.43</td>
<td>124.37</td>
<td>91.05</td>
<td>1.32</td>
<td></td>
</tr>
<tr>
<td>Diluted net income</td>
<td>136.20</td>
<td>110.75</td>
<td>108.86</td>
<td>52.41</td>
<td>19.32</td>
<td>85.72</td>
<td>270.23</td>
<td>186.81</td>
<td>124.00</td>
<td>90.88</td>
<td>1.32</td>
<td></td>
</tr>
<tr>
<td>Net assets</td>
<td>1,827.59</td>
<td>1,704.34</td>
<td>1,522.86</td>
<td>1,447.52</td>
<td>1,441.73</td>
<td>1,422.54</td>
<td>1,446.55</td>
<td>987.56</td>
<td>807.17</td>
<td>673.81</td>
<td>17.76</td>
<td></td>
</tr>
<tr>
<td>Cash dividends (declared)</td>
<td>50.00</td>
<td>40.00</td>
<td>30.00</td>
<td>20.00</td>
<td>10.00</td>
<td>40.00</td>
<td>42.00</td>
<td>28.00</td>
<td>18.00</td>
<td>14.00</td>
<td>0.49</td>
<td></td>
</tr>
<tr>
<td>Other indicators:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on net sales (%)</td>
<td>3.6</td>
<td>3.0</td>
<td>2.8</td>
<td>1.4</td>
<td>0.7</td>
<td>2.5</td>
<td>6.0</td>
<td>4.8</td>
<td>3.9</td>
<td>3.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on equity (%)</td>
<td>7.7</td>
<td>6.9</td>
<td>7.3</td>
<td>3.6</td>
<td>1.3</td>
<td>6.1</td>
<td>22.3</td>
<td>20.9</td>
<td>16.8</td>
<td>15.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity ratio (%)</td>
<td>35.7</td>
<td>32.8</td>
<td>29.7</td>
<td>32.4</td>
<td>34.5</td>
<td>34.9</td>
<td>37.1</td>
<td>29.4</td>
<td>28.5</td>
<td>28.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price/earning ratio (times)</td>
<td>14.59</td>
<td>18.31</td>
<td>16.82</td>
<td>39.72</td>
<td>114.28</td>
<td>14.79</td>
<td>9.21</td>
<td>17.02</td>
<td>24.92</td>
<td>16.24</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Excluding per share data

Financial highlights are presented in millions of yen, except per share data, which are presented in yen.

For the purpose of unifying the settlement dates of the parent company and the aforementioned consolidated subsidiaries, the 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.

Specifically, 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. This change was made for the purpose of unifying the settlement dates of the parent company and the aforementioned consolidated subsidiaries and for ensuring appropriate disclosure of consolidated financial information.

Net sales (Millions of yen)

Operating income (Millions of yen)

Net income per share (yen)

Net assets per share (yen)

Equity ratio (%)

Price/earning ratio (Times)
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 ¥922,988 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


[Assets]

Current assets at the end of the fiscal year amounted to ¥178,837 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 ¥6,598 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 increased 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 ¥182,591 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 ¥43,676 million from the previous fiscal year-end to ¥533,511 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.


Cash and cash equivalents at the end of the year totaled ¥33,676 million, a decrease of ¥12,846 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 ¥92,775 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 ¥60 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.
## Consolidated Balance Sheets
### Hichis Construction Machinery Co., Ltd. and its Consolidated Subsidiaries
March 31, 2014 and 2013

### ASSETS

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millions of yen</td>
<td>Thousands of U.S. dollars</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and bank deposits (Notes 18 and 26)</td>
<td>¥ 53,353</td>
</tr>
<tr>
<td>Notes and accounts receivable (Notes 8, 12 and 25)</td>
<td>212,868</td>
</tr>
<tr>
<td>Lease receivables and investment assets (Note 29)</td>
<td>30,033</td>
</tr>
<tr>
<td>Inventories (Note 12)</td>
<td>246,588</td>
</tr>
<tr>
<td>Work-in-progress (Note 12)</td>
<td>51,059</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>21,827</td>
</tr>
<tr>
<td>Deferred tax assets (Note 24)</td>
<td>11,196</td>
</tr>
<tr>
<td>Other</td>
<td>40,206</td>
</tr>
<tr>
<td>Less: Allowance for doubtful accounts (Note 26)</td>
<td>(6,702)</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>716,937</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>1,087,191</td>
</tr>
</tbody>
</table>

### LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millions of yen</td>
<td>Thousands of U.S. dollars</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>Notes and accounts payable (Notes 8, 20 and 26)</td>
<td>¥ 143,134</td>
</tr>
<tr>
<td>Short-term loans (Notes 12, 20 and 26)</td>
<td>181,801</td>
</tr>
<tr>
<td>Current portion of bonds (Notes 20 and 29)</td>
<td>32,900</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>23,157</td>
</tr>
<tr>
<td>Other (Notes 12 and 26)</td>
<td>(110)</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>384,900</td>
</tr>
</tbody>
</table>

### Non-current liabilities

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total liabilities</td>
<td>630,851</td>
</tr>
</tbody>
</table>

### Net assets

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders’ equity</td>
<td>517,336</td>
</tr>
<tr>
<td>Authorized: 780,000,000 shares in 2014 and 2013</td>
<td></td>
</tr>
<tr>
<td>Issued: 215,115,038 shares in 2014 and 2013</td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>81,577</td>
</tr>
<tr>
<td>Capital stock</td>
<td>84,893</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>220,122</td>
</tr>
<tr>
<td>Less: treasury stock, at cost 2,050,031 shares in 2014 and 3,200,857 shares in 2013</td>
<td>(2,003,303)</td>
</tr>
<tr>
<td><strong>Accumulated comprehensive income</strong></td>
<td>395,335</td>
</tr>
<tr>
<td><strong>Net unrealized gains on securities (Note 27)</strong></td>
<td>3,740</td>
</tr>
<tr>
<td>Deferred losses on hedges (Note 27)</td>
<td>2,193</td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>14,100</td>
</tr>
<tr>
<td>Reimbursements of defined benefit plans (Note 29)</td>
<td>(15,498)</td>
</tr>
<tr>
<td>Total accumulated other comprehensive income</td>
<td>(4,929)</td>
</tr>
<tr>
<td><strong>Subscription rights to shares</strong></td>
<td>20,893</td>
</tr>
<tr>
<td><strong>Minority interests</strong></td>
<td>184,500</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>1,087,191</td>
</tr>
</tbody>
</table>

---

## Consolidated Statements of Income
### Hichis Construction Machinery Co., Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2014 and 2013

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millions of yen</td>
<td>Thousands of U.S. dollars</td>
</tr>
<tr>
<td><strong>Net sales (Note 30)</strong></td>
<td>¥ 802,968</td>
</tr>
<tr>
<td><strong>Cost of sales (Note 19)</strong></td>
<td>573,581</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>229,387</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses (Note 13)</strong></td>
<td>160,324</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>69,063</td>
</tr>
</tbody>
</table>

### Other income (expenses)

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millions of yen</td>
<td></td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>4,418</td>
</tr>
<tr>
<td>Losses on equity in earnings of affiliated companies</td>
<td>(253)</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>(9,122)</td>
</tr>
<tr>
<td>Foreign exchange losses, net</td>
<td>(9,318)</td>
</tr>
<tr>
<td>Gains on change in equity</td>
<td>9,025</td>
</tr>
<tr>
<td>Gains on sales of investment securities, net</td>
<td>43</td>
</tr>
<tr>
<td>Gains on sales of shares of companies accounted for by the equity method</td>
<td>1,003</td>
</tr>
<tr>
<td>Subsidy income</td>
<td>2,191</td>
</tr>
<tr>
<td>Gains on sales of land (Note 14)</td>
<td>(166)</td>
</tr>
<tr>
<td>Business structure improvement expenses (Note 15)</td>
<td>(565)</td>
</tr>
<tr>
<td>Impairment losses (Note 13)</td>
<td>(2,984)</td>
</tr>
<tr>
<td>Other</td>
<td>(2,220)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(16,388)</td>
</tr>
<tr>
<td><strong>Income before income taxes and minority interests</strong></td>
<td>52,775</td>
</tr>
</tbody>
</table>

### Income taxes

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millions of yen</td>
<td></td>
</tr>
<tr>
<td>Tax expense</td>
<td>18,157</td>
</tr>
<tr>
<td><strong>Income before minority interests</strong></td>
<td>34,618</td>
</tr>
</tbody>
</table>

### Minority interests

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millions of yen</td>
<td></td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>28,939</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Comprehensive Income
### Hichis Construction Machinery Co., Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2014 and 2013

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millions of yen</td>
<td>Thousands of U.S. dollars</td>
</tr>
<tr>
<td><strong>Income before minority interests</strong></td>
<td>¥ 35,181</td>
</tr>
<tr>
<td><strong>Other comprehensive income (Note 17)</strong></td>
<td></td>
</tr>
<tr>
<td>Net unrealized gains and losses on securities</td>
<td>667</td>
</tr>
<tr>
<td>Deferred gains and losses on hedges</td>
<td>1,938</td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>14,547</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans (Note 29)</td>
<td>17,246</td>
</tr>
<tr>
<td><strong>Share of other comprehensive income of companies accounted for by the equity method</strong></td>
<td>3,478</td>
</tr>
<tr>
<td><strong>Total other comprehensive income</strong></td>
<td>22,429</td>
</tr>
<tr>
<td><strong>Comprehensive income</strong></td>
<td>57,607</td>
</tr>
<tr>
<td><strong>Comprehensive income attributable to shareholders of the Company</strong></td>
<td>48,735</td>
</tr>
<tr>
<td><strong>Comprehensive income attributable to minority interests</strong></td>
<td>8,872</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
### Consolidated Statements of Changes in Net Assets
Hitsuji Construction Machinery Co., Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2014 and 2013

<table>
<thead>
<tr>
<th>Million yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shareholders' equity</strong></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>¥ 81,377</td>
</tr>
<tr>
<td>Changes during the period</td>
<td></td>
</tr>
<tr>
<td>- Net income</td>
<td>¥ 2,670</td>
</tr>
<tr>
<td>- Dividends</td>
<td>-</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>¥ 84,047</td>
</tr>
<tr>
<td><strong>Capital surplus</strong></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>¥ 4,266</td>
</tr>
<tr>
<td>Changes during the period</td>
<td></td>
</tr>
<tr>
<td>- Proceeds from disposal of treasury stock</td>
<td>¥ 1,044</td>
</tr>
<tr>
<td>- Gain on share exchange</td>
<td>-</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>¥ 5,310</td>
</tr>
<tr>
<td><strong>Retained earnings</strong></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>¥ 76,839</td>
</tr>
<tr>
<td>Changes during the period</td>
<td></td>
</tr>
<tr>
<td>- Net income</td>
<td>¥ 2,670</td>
</tr>
<tr>
<td>- Dividends</td>
<td>-</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>¥ 79,509</td>
</tr>
<tr>
<td><strong>Total shareholders' equity</strong></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>¥ 81,377</td>
</tr>
<tr>
<td>Changes during the period</td>
<td></td>
</tr>
<tr>
<td>- Net income</td>
<td>¥ 2,670</td>
</tr>
<tr>
<td>- Dividends</td>
<td>-</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>¥ 84,047</td>
</tr>
</tbody>
</table>

**Accumulated other comprehensive income**

<table>
<thead>
<tr>
<th>Million yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net unrealized gains on securities</strong></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>¥ 6,086</td>
</tr>
<tr>
<td>Changes during the period</td>
<td></td>
</tr>
<tr>
<td>- Change in fair value of shareholders' equity</td>
<td>¥ 1,718</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>¥ 7,804</td>
</tr>
<tr>
<td><strong>Deferred income on bonds</strong></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>¥ 11,265</td>
</tr>
<tr>
<td>Changes during the period</td>
<td></td>
</tr>
<tr>
<td>- Change in fair value of shareholders' equity</td>
<td>¥ 2,718</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>¥ 14,043</td>
</tr>
<tr>
<td><strong>Foreign currency translation adjustments</strong></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>¥ 1,544</td>
</tr>
<tr>
<td>Changes during the period</td>
<td></td>
</tr>
<tr>
<td>- Change in fair value of shareholders' equity</td>
<td>-</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>¥ 1,544</td>
</tr>
<tr>
<td><strong>Revaluations of defined benefit plans</strong></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>¥ 15,910</td>
</tr>
<tr>
<td>Changes during the period</td>
<td></td>
</tr>
<tr>
<td>- Change in fair value of shareholders' equity</td>
<td>¥ (2,597)</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>¥ 13,313</td>
</tr>
<tr>
<td><strong>Total accumulated other comprehensive income</strong></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>¥ (711)</td>
</tr>
<tr>
<td>Changes during the period</td>
<td></td>
</tr>
<tr>
<td>- Change in fair value of shareholders' equity</td>
<td>¥ (145)</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>¥ (856)</td>
</tr>
</tbody>
</table>

**Subscriptions rights to shares**

<table>
<thead>
<tr>
<th>Million yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>¥ 764</td>
</tr>
<tr>
<td>Changes during the period</td>
<td></td>
</tr>
<tr>
<td>- Net increase in shares from shareholders' equity</td>
<td>¥ 45,441</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>¥ 54,205</td>
</tr>
<tr>
<td><strong>Minority interests</strong></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>¥ 54,712</td>
</tr>
<tr>
<td>Changes during the period</td>
<td></td>
</tr>
<tr>
<td>- Net income</td>
<td>¥ 2,670</td>
</tr>
<tr>
<td>- Dividends</td>
<td>-</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>¥ 57,382</td>
</tr>
</tbody>
</table>

**Total net assets**

<table>
<thead>
<tr>
<th>Million yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>¥ 61,567</td>
</tr>
<tr>
<td>Changes during the period</td>
<td></td>
</tr>
<tr>
<td>- Change in fair value of shareholders' equity</td>
<td>¥ 45,441</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>¥ 107,008</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.

### Consolidated Statements of Cash Flows
Hitsuji Construction Machinery Co., Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2014 and 2013

<table>
<thead>
<tr>
<th>Million yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
</tr>
<tr>
<td>Income before income taxes and minority interests</td>
<td>¥ 52,775</td>
</tr>
<tr>
<td>Adjustments to reconcile income before income taxes and minority interests to cash provided by operating activities:</td>
<td></td>
</tr>
<tr>
<td>- Depreciation and amortization</td>
<td>¥ 37,405</td>
</tr>
<tr>
<td>- Impairment losses</td>
<td>¥ 2,884</td>
</tr>
<tr>
<td>- Change in allowance for doubtful accounts</td>
<td>¥ 1,076</td>
</tr>
<tr>
<td>- Interest and dividend income</td>
<td>(4,416)</td>
</tr>
<tr>
<td>- Interest expenses</td>
<td>¥ 5,122</td>
</tr>
<tr>
<td>- Amortization of goodwill and negative goodwill</td>
<td>¥ 5,270</td>
</tr>
<tr>
<td>- Losses on equity in earnings of affiliated companies</td>
<td>¥ 253</td>
</tr>
<tr>
<td>- Change in notes and accounts payable</td>
<td>¥ 3,142</td>
</tr>
<tr>
<td>- Decrease in lease receivables and investment assets</td>
<td>¥ 22,864</td>
</tr>
<tr>
<td>- Decrease (increase) in inventories</td>
<td>¥ 4,218</td>
</tr>
<tr>
<td>- Purchase of property held for lease</td>
<td>(16,142)</td>
</tr>
<tr>
<td>- Sales of property held for lease</td>
<td>¥ 3,465</td>
</tr>
<tr>
<td>- Change in notes and accounts payable</td>
<td>(12,851)</td>
</tr>
<tr>
<td>- Gain on sales of property, plant and equipment</td>
<td>(4,000)</td>
</tr>
<tr>
<td>- Other, net</td>
<td>¥ 7,544</td>
</tr>
<tr>
<td><strong>Net income paid</strong></td>
<td>¥ 111,709</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>¥ 92,324</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
</tr>
<tr>
<td>Acquisitions of property, plant and equipment</td>
<td>(38,705)</td>
</tr>
<tr>
<td>Proceeds from sales of property, plant and equipment</td>
<td>¥ 3,878</td>
</tr>
<tr>
<td>Purchase of intangible assets</td>
<td>(3,022)</td>
</tr>
<tr>
<td>Purchase of investments in securities</td>
<td>(3,716)</td>
</tr>
<tr>
<td>Payments for sales of shares of subsidiaries resulting in change in scope of consolidation</td>
<td>(663)</td>
</tr>
<tr>
<td>Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from sales of investments in securities</td>
<td>6</td>
</tr>
<tr>
<td>Payments for investments in capital</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from issue of bonds</td>
<td>403</td>
</tr>
<tr>
<td>Dividends received from affiliated companies</td>
<td>28</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>¥ 1,384</td>
</tr>
<tr>
<td><strong>Net cash provided by investing activities</strong></td>
<td>(35,674)</td>
</tr>
</tbody>
</table>

**Cash flows from financing activities**

<table>
<thead>
<tr>
<th>Million yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net decrease in short-term loans</td>
<td>(37,504)</td>
</tr>
<tr>
<td>Proceeds from long-term loans</td>
<td>39,412</td>
</tr>
<tr>
<td>Repayments of long-term loans</td>
<td>(47,265)</td>
</tr>
<tr>
<td>Repayments of lease obligation</td>
<td>(4,475)</td>
</tr>
<tr>
<td>Proceeds from stock issue to minority shareholders</td>
<td>10</td>
</tr>
<tr>
<td>Redemption of bonds</td>
<td>-</td>
</tr>
<tr>
<td>Payment for treasury stock</td>
<td>(9,116)</td>
</tr>
<tr>
<td>Dividends paid to shareholders</td>
<td>(9,559)</td>
</tr>
<tr>
<td>Dividends paid to minority shareholders by subsidiaries</td>
<td>(3,376)</td>
</tr>
<tr>
<td>Proceeds from stock issuance to minority shareholders</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from disposal of treasury stock</td>
<td>199</td>
</tr>
<tr>
<td>Payment for treasury stock</td>
<td>(4)</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td>(72,174)</td>
</tr>
</tbody>
</table>

**Effect of exchange rate changes on cash and cash equivalents**

<table>
<thead>
<tr>
<th>Million yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain on sales of property, plant and equipment</td>
<td>¥ 3,028</td>
</tr>
<tr>
<td><strong>Net decrease in cash and cash equivalents</strong></td>
<td>(12,948)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at beginning of year</strong></td>
<td>¥ 35,251</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of year (Note 18)</strong></td>
<td>¥ 53,076</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.

57 CSR & Financial Report 2014
58 CSR & Financial Report 2014
Notes to Consolidated Financial Statements
Hitachi Construction Machinery Co., Ltd. and its Consolidated Subsidiaries

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

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 financial policies because it has 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 cost. The investments in affiliated companies which do not materially affect earning and equity are stated at cost.

3. U.S. dollar amounts
The consolidated financial statements are expressed in yen and expressed in Japanese yen. The yen's exchange rate against the U.S. dollar at the rate of 110.32 (¥110.32 = US$1), the approximate exchange rate prevailing at the Tokyo Foreign Exchange Market on May 17, 2013, was used to translate the financial statements for that year. The translation of the financial statements to U.S. dollar amounts is principally determined by the moving-average method. The movements in the exchange rate for the current fiscal year are not considered in the preparation of this report.

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 the value 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.

(b) Depreciation and amortization methods
Plant, property, and equipment are stated at cost less accumulated depreciation. Property, plant, and equipment except for leased assets are principally depreciated by the straight-line method. Intangible assets, except for leased assets

5. Cash and cash equivalents
For the purpose of the statement of cash flow, 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. Restatement of Financial Statements
Certain restatements have been made to the prior year consolidated financial statements in order to conform to the present current presentations.

7. Change in accounting policy
"Accounting Standard by the Financial Instruments and Exchange Act," (Act No. 95 of 2013), which was enacted on April 1, 2013, and the "Guidance for Accounting Standard on Foreign Exchange," (Act No. 95 of 2013), which was enacted on August 1, 2013, become applicable from the annual periods beginning on or after April 1, 2013. Accordingly, the Company applied the accounting standard immediately after the beginning of the current fiscal year. Under the accounting standard, the Company recognizes the amount of foreign exchange rate adjustment as a separate component of net equity.

8. Procedure of matured bill
Regarding the procedures 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 through financial institutions were closed on hand of the fiscal year.

9. Notes receivable discounted or endorsed

10. Secured receivables

11. Commitments and contingencies
In order to maintain the continuous operations of the Company in a fiscal year, the Company may have obligations to transfer ownership of the leased property to the lessee. Therefore, the Company has certain obligations that may be considered as commitments to transfer ownership of the leased property.

12. Assets pledged as collateral

13. Accounting standard for retirement benefits
The Company accounted for the increment of retirement benefits and the expenses related to the retirement benefits in the year of April 1, 2013, and the amendments related to the accounting standard for retirement benefits which are effective from the current fiscal year have been applied to the financial statements for the year ended March 31, 2013.

14. Prior service costs
The Company accounted for the increment of retirement benefits and the expenses related to the retirement benefits in the year of April 1, 2013, and the amendments related to the accounting standard for retirement benefits which are effective from the current fiscal year have been applied to the financial statements for the year ended March 31, 2013.

15. Shareholders' equity
The increase in shareholders' equity from April 1, 2013, to March 31, 2014, was not material. The shareholders' equity included in the statutory Japanese language financial section of the annual report is not supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, and is excluded from the scope of consolidated financial statements. The calculation method of retirement benefit obligation and service cost is adjusted to the calculation method of retirement benefit obligation and service cost adjusted to the calculation method of retirement benefit obligation and service cost. As a result, at the beginning of the current fiscal year, the Company has accumulated comprehensive income decreased ¥1,206 million (U.S.$13,671 thousand) and retained earnings increased ¥950 million (U.S.$10,281 thousand). The application of the accounting standard did not have a material effect on the consolidated financial statements for the year ended March 31, 2014, and the application of the accounting standard did not have a material effect on net income per share and the diluted net income per share.

Financial Section

CSR & Financial Report 2014

CSR & Financial Report 2014
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 ¥18,639 million (¥18,192 million in 2012) and ¥18,109 million, respectively.

16. Impairment losses on non-current assets

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

- Asset groups for which the Hitachi Construction Machinery Group recognized impairment

19. Lease transactions

20. 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:

Net unrealized gains and losses on securities

Amount arising during the year

Reclassification adjustments for gains and losses realized in net income

The amount of net unrealized gains and losses on securities before tax effect

Total unrealized gains and losses on securities

Deferred gains and losses on hedges

Amount arising during the year

Reclassification adjustments for gains and losses realized in net income

Tax effect

Deferred gains and losses on hedges

Foreign currency translation adjustments

Amount arising during the year

Reclassification adjustments for gains and losses realized in net income

Foreign currency translation adjustments

Remeasurements of defined benefit plans

Amount arising during the year

Reclassification adjustments for gains and losses realized in net income

Tax effect

Remeasurements of defined benefit plans

10. Cash and cash equivalents at the end of year consist of the following:

Millions of yen

2014

2013

Millions of U.S. dollars

2014

2013

11. Expenses related to activities of employees

Shibuya, Japan

10,031 million

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

Gains on sales of land Hitachi Construction Machinery Co., Ltd owned

Amount arising during the year

Remeasurements of defined benefit plans

Amount arising during the year

Foreign currency translation adjustments

Amount arising during the year

Tax effect

Remeasurements of defined benefit plans

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

Millions of yen

Thousand of U.S. dollars

2014

2013

2014

2013

2014

2013

2014

2013

2014

2013

2014

2013

2014

2013

2014

2013

2014

2013

2014

2013

2014

2013

2014

2013

2014

2013

2014

2013

2014

2013

2014

2013

2014

2013

2014

2013
Concentration of credit risk
The fair value of financial instruments includes, in addition to the value determined based on the market price, a valuation cal-
change in market price.

The Hitachi Construction Machinery Group has derivative instruments such as interest rate swaps to hedge the inter-
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-

The foreign currency receivables had an average maturity of 3 months. The due dates and amounts payable are within 1 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.

The risk of default is minimized by extending loans only to customers who have a history of satisfactory performance, are in good standing, have a positive outlook on their financial condition, and can provide collateral to secure the loan.
The risk of default is minimized by extending loans only to customers who have a history of satisfactory performance, are in good standing, have a positive outlook on their financial condition, and can provide collateral to secure the loan.

The foreign currency receivables and available for sale securities associated with business or capital tie-up with the customers, which are expected to mat-
change in market prices.

As of March 31, 2014
The Hitachi Construction Machinery Group raises necessary funds for capital expenditur-
Policy for financial instruments

The Hitachi Construction Machinery Group has a policy to invest the surplus fund to safety financial assets. Accor-
Derivative transactions are executed by Treasury Department and reconciled with financial institutions and recorded by Accounting Department.

Risk management in respect of fund raising
The Company prepares and updates the budget for current financial statements on a consolidated basis.

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-

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

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

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

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-

No allowance for doubtful accounts
Less: allowance for doubtful accounts (4,227)
Lease receivables and investment assets, net, (4,227)

For which hedge accounting is not applied
For which hedge accounting is applied

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

(2) Financial Section

To determine the fair value of financial instruments for which hedge accounting is not applied, the Company and certain subsidiaries use a market approach, including market participants for similar financial instruments and comparable market data, to determine the exchange rate fluctuation risk.

(1) Notes and accounts payable
Cash and sh and bank deposits ¥  62,640 ¥  62,640 ¥

With respect to derivative instruments, the Hitachi Construction Machinery Group has foreign currency forward exchange contracts to hedge the exchange rate

With respect to derivative instruments, the Hitachi Construction Machinery Group has foreign currency forward exchange contracts to hedge the exchange rate

The foreign currency receivables and available for sale securities associated with business or capital tie-up with the customers, which are expected to mat-
change in market prices.

The term structure is determined by the discount curves based on the historical yield curve for Japanese yen.

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

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

The term structure is determined by the discount curves based on the historical yield curve for Japanese yen.

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

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

#### As of March 31, 2014

<table>
<thead>
<tr>
<th>Description</th>
<th>1 year</th>
<th>1 year within 3 years</th>
<th>1 year within 5 years</th>
<th>Over 1 year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities with gross unrealized gains</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td>178,184</td>
<td>13,116</td>
<td>65</td>
<td></td>
<td>191,355</td>
</tr>
<tr>
<td>Other</td>
<td>97,291</td>
<td>9,180</td>
<td>5,080</td>
<td>14,512</td>
<td>126,063</td>
</tr>
<tr>
<td>Total</td>
<td>275,475</td>
<td>22,296</td>
<td>5,730</td>
<td>14,512</td>
<td>317,488</td>
</tr>
</tbody>
</table>

#### As of March 31, 2013

<table>
<thead>
<tr>
<th>Description</th>
<th>1 year</th>
<th>1 year within 3 years</th>
<th>1 year within 5 years</th>
<th>Over 1 year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities with gross unrealized gains</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td>170,984</td>
<td>13,116</td>
<td>65</td>
<td></td>
<td>184,165</td>
</tr>
<tr>
<td>Other</td>
<td>97,291</td>
<td>9,180</td>
<td>5,080</td>
<td>14,512</td>
<td>126,063</td>
</tr>
<tr>
<td>Total</td>
<td>268,275</td>
<td>22,296</td>
<td>5,730</td>
<td>14,512</td>
<td>304,243</td>
</tr>
</tbody>
</table>

Note: Unrealized 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.

### Forward exchange contracts

#### 2014

<table>
<thead>
<tr>
<th>Description</th>
<th>National amount</th>
<th>Estimated fair value</th>
<th>Unrealized gains (losses)</th>
</tr>
</thead>
<tbody>
<tr>
<td>To sell foreign currencies</td>
<td>21,024</td>
<td>18,403</td>
<td>0</td>
</tr>
<tr>
<td>To buy foreign currencies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>21,024</td>
<td>18,403</td>
<td>0</td>
</tr>
</tbody>
</table>

#### 2013

<table>
<thead>
<tr>
<th>Description</th>
<th>National amount</th>
<th>Estimated fair value</th>
<th>Unrealized gains (losses)</th>
</tr>
</thead>
<tbody>
<tr>
<td>To sell foreign currencies</td>
<td>18,162</td>
<td>18,084</td>
<td>78</td>
</tr>
<tr>
<td>To buy foreign currencies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>18,162</td>
<td>18,084</td>
<td>78</td>
</tr>
</tbody>
</table>

Note: The forward exchange contracts 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 benefits for employees, the Company and its consolidated subsidiaries have funded and unfunded defined-benefit corporate pension plans and defined contribution plans. The changes in plan assets during the year ended March 31, 2014 are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement benefit obligation at April 1, 2013</td>
<td>¥ 54,852</td>
<td>¥ 43,729</td>
</tr>
<tr>
<td>Cumulative effect of changes in accounting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>policies</td>
<td>(4,470)</td>
<td>(14,371)</td>
</tr>
<tr>
<td>Restated balance</td>
<td>50,382</td>
<td>29,358</td>
</tr>
<tr>
<td>Service cost</td>
<td>3,474</td>
<td>33,794</td>
</tr>
<tr>
<td>Interest cost</td>
<td>1,344</td>
<td>12,387</td>
</tr>
<tr>
<td>Actuarial gains</td>
<td>(519)</td>
<td>(961)</td>
</tr>
<tr>
<td>Retirement benefit paid</td>
<td>2,955</td>
<td>20,833</td>
</tr>
<tr>
<td>Retirement benefit obligation at March 31, 2014</td>
<td>53,337</td>
<td>30,320</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan assets at April 1, 2013</td>
<td>¥ 60,765</td>
<td>¥ 59,410</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>7,739</td>
<td>10,086</td>
</tr>
<tr>
<td>Actuarial gains</td>
<td>181</td>
<td>1,806</td>
</tr>
<tr>
<td>Contributions by the Company</td>
<td>3,815</td>
<td>37,599</td>
</tr>
<tr>
<td>Retirement benefit paid</td>
<td>(2,970)</td>
<td>(26,807)</td>
</tr>
<tr>
<td>Other</td>
<td>5,213</td>
<td>11,285</td>
</tr>
<tr>
<td>Plan assets at March 31, 2014</td>
<td>58,844</td>
<td>57,186</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funded retirement benefit obligation</td>
<td>¥ 53,765</td>
<td>¥ 42,410</td>
</tr>
<tr>
<td>Plan assets at fair value</td>
<td>60,804</td>
<td>59,410</td>
</tr>
<tr>
<td>Unfunded retirement benefit obligation</td>
<td>7,061</td>
<td>10,086</td>
</tr>
<tr>
<td>Net liability for retirement benefits in the</td>
<td>12,593</td>
<td>12,086</td>
</tr>
<tr>
<td>balance sheet</td>
<td>12,593</td>
<td>12,086</td>
</tr>
<tr>
<td>Net defined benefit liability</td>
<td>12,593</td>
<td>12,086</td>
</tr>
<tr>
<td>Net defined benefit asset</td>
<td>12,111</td>
<td>11,874</td>
</tr>
<tr>
<td>Net liability for retirement benefits in the</td>
<td>12,111</td>
<td>11,874</td>
</tr>
<tr>
<td>balance sheet</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>¥ 3,474</td>
<td>¥ 33,794</td>
</tr>
<tr>
<td>Interest cost</td>
<td>1,344</td>
<td>12,387</td>
</tr>
<tr>
<td>Actuarial gains</td>
<td>(519)</td>
<td>(961)</td>
</tr>
<tr>
<td>Amortization of actuarial loss</td>
<td>1,725</td>
<td>(16,741)</td>
</tr>
<tr>
<td>Amortization of prior service cost</td>
<td>5,455</td>
<td>24,457</td>
</tr>
<tr>
<td>Retirement benefit expenses</td>
<td>5,969</td>
<td>18,405</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial loss</td>
<td>(5,016)</td>
<td>(55,265)</td>
</tr>
<tr>
<td>Prior service cost</td>
<td>1,239</td>
<td>18,735</td>
</tr>
<tr>
<td>Total</td>
<td>(3,777)</td>
<td>(36,530)</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrecognized actuarial loss</td>
<td>¥ 20,537</td>
<td>¥ 19,545</td>
</tr>
<tr>
<td>Unrecognized prior service cost</td>
<td>30,842</td>
<td>17,920</td>
</tr>
<tr>
<td>Total</td>
<td>51,380</td>
<td>37,465</td>
</tr>
</tbody>
</table>

24. Income taxes

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

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td>Allowance for doubtful debts</td>
<td>¥ 1,937</td>
<td>¥ 2,232</td>
</tr>
<tr>
<td>Accrued employees bonuses</td>
<td>2,772</td>
<td>2,864</td>
</tr>
<tr>
<td>Net operating losses (gain)</td>
<td>4,063</td>
<td>4,374</td>
</tr>
<tr>
<td>Unrealized gains on inventories</td>
<td>1,492</td>
<td>1,642</td>
</tr>
<tr>
<td>Retirement and severance benefits</td>
<td>3,911</td>
<td>4,200</td>
</tr>
<tr>
<td>Unrealized gains on fixed assets</td>
<td>564</td>
<td>110</td>
</tr>
<tr>
<td>Other</td>
<td>28,327</td>
<td>24,184</td>
</tr>
<tr>
<td>Subtotal</td>
<td>34,068</td>
<td>30,550</td>
</tr>
<tr>
<td>Less: Valuation allowance</td>
<td>17,595</td>
<td>16,670</td>
</tr>
<tr>
<td>Total</td>
<td>16,473</td>
<td>13,880</td>
</tr>
<tr>
<td>Less: Deferred tax liability</td>
<td>(11,437)</td>
<td>(10,310)</td>
</tr>
<tr>
<td>Net deferred tax assets</td>
<td>5,036</td>
<td>3,570</td>
</tr>
</tbody>
</table>
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 assess 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 is the reporting segment. The statement of income reconciles the business activities both domestically and overseas. Based on the business groups above, the Company is organized by product and service segments, and the following lists the reporting segments: the construction machinery business and the industrial vehicle business. The construction machinery business produces hydraulic excavators, ultra-large excavators, wheeled loaders and crawler cranes, while the industrial vehicle business produces forklifts and and other steel rollers.

In the second quarter of the fiscal year ended March 31, 2013, the Company sold all issued shares of TCM Corporation, which has constituted all of the industrial vehicle business. Therefore, the 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

<table>
<thead>
<tr>
<th>Net Sales</th>
<th>% of Total</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>External Customers</td>
<td>43,405</td>
<td>118,528</td>
</tr>
<tr>
<td>Inter Segment</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>86,813</td>
<td>237,056</td>
</tr>
</tbody>
</table>

Segment income
Segment assets
1,099,001
1,099,001
Depreciation
15,563
859
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 grouped 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

<table>
<thead>
<tr>
<th>Area</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>2,252,602</td>
<td>2,111,415</td>
</tr>
<tr>
<td>Asia &amp; Oceania</td>
<td>1,344,219</td>
<td>781,964</td>
</tr>
<tr>
<td>Europe, Africa &amp; the Middle East</td>
<td>781,964</td>
<td>1,113,350</td>
</tr>
<tr>
<td>Americas</td>
<td>781,964</td>
<td>1,113,350</td>
</tr>
<tr>
<td>China</td>
<td>781,964</td>
<td>1,113,350</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,202,052</td>
<td>6,702,052</td>
</tr>
</tbody>
</table>

(2) Property, plant, and equipment

Millions of yen

<table>
<thead>
<tr>
<th>Area</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>101,916</td>
</tr>
<tr>
<td>Asia &amp; Oceania</td>
<td>138,257</td>
</tr>
<tr>
<td>Europe, Africa &amp; the Middle East</td>
<td>90,773</td>
</tr>
<tr>
<td>Americas</td>
<td>90,773</td>
</tr>
<tr>
<td>China</td>
<td>90,773</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>726,068</td>
</tr>
</tbody>
</table>

Notes:
1) Geographic areas are defined based on geographic proximity.
2) The countries included in each segment are as follows:
   A) Asia & Oceania: Indonesia, Australia, New Zealand, and India
   B) Europe, Africa, & the Middle East: The Netherlands, the United Kingdom, Russia, South Africa, and the United Arab Emirates
   C) The Americas: The United States and Canada
   D) China: China
3) Sales is based on location of customers and classified into nations or areas.

CSR & Financial Report 2014
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 as of and for the year ended March 31, 2014 and 2013 are as follows:

<table>
<thead>
<tr>
<th>Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)</th>
<th>2013</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Machinery</td>
<td>51</td>
<td>-</td>
</tr>
<tr>
<td>Industrial Vehicle</td>
<td>51</td>
<td>-</td>
</tr>
<tr>
<td>Consolidated</td>
<td>10,147</td>
<td>-</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2012)</th>
<th>2012</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Machinery</td>
<td>51</td>
<td>-</td>
</tr>
<tr>
<td>Industrial Vehicle</td>
<td>51</td>
<td>-</td>
</tr>
<tr>
<td>Consolidated</td>
<td>10,147</td>
<td>-</td>
</tr>
</tbody>
</table>

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

20. 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 ¥4,052,024 per share totaling ¥5,313 million (3,052,024 thousand) for the second half of the year, subsequently proposed by the Board of Directors in respect of the year ended March 31, 2014.

21. Stock option
The details for stock option
7. Stock option information

<table>
<thead>
<tr>
<th>Company name</th>
<th>Hitachi Construction Machinery Co., Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock option information</td>
<td></td>
</tr>
<tr>
<td>Number of options granted (common stock, shares)</td>
<td>404,000</td>
</tr>
<tr>
<td>Granted date</td>
<td>August 7, 2013</td>
</tr>
<tr>
<td>Exercised shares</td>
<td>3</td>
</tr>
<tr>
<td>Ending of the fiscal year</td>
<td></td>
</tr>
</tbody>
</table>

2. Changes in stock option during fiscal year

| Number of options granted (common stock, shares) | 404,000 |
| Granted date | August 7, 2013 |
| Exercised shares | 3 |
| Ending of the fiscal year | |
31. Per share data

<table>
<thead>
<tr>
<th>Basis in calculation</th>
<th>2014</th>
<th>2013</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Net assets</td>
<td>Millions of yen or number of shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total net assets on consolidated balance sheets</td>
<td>¥ 4,472,040</td>
<td>¥ 4,795,613</td>
<td>¥ 4,465,350</td>
</tr>
<tr>
<td>Total net assets for common stock</td>
<td>380,361</td>
<td>381,163</td>
<td>3,773,020</td>
</tr>
<tr>
<td>Subscriptions rights to shares</td>
<td>706</td>
<td>706</td>
<td>7,443</td>
</tr>
<tr>
<td>Minority interests</td>
<td>56,450</td>
<td>54,742</td>
<td>545,335</td>
</tr>
<tr>
<td>Number of common stock issued</td>
<td>2,055,021</td>
<td>2,106,407</td>
<td>1,773,407</td>
</tr>
<tr>
<td>Number of common stock for net assets per share</td>
<td>12,510,017</td>
<td>211,308,431</td>
<td>201,100</td>
</tr>
<tr>
<td>2) Net income</td>
<td>Millions of yen or number of shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>¥ 1,827,596</td>
<td>¥ 1,704,784</td>
<td>¥ 11,764</td>
</tr>
<tr>
<td>Net income not belonging to common shareholders</td>
<td>¥ 1,827,596</td>
<td>¥ 1,704,784</td>
<td>¥ 11,764</td>
</tr>
<tr>
<td>Weighted average common shares outstanding, less treasury stock</td>
<td>212,458,859</td>
<td>211,353,384</td>
<td>201,100</td>
</tr>
<tr>
<td>Dilutive effect: Number of subscription rights to shares</td>
<td>56,830</td>
<td>25,403</td>
<td>201,100</td>
</tr>
</tbody>
</table>

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 Description
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

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 Description
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

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 controls 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.

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.
Nigata Material Co., Ltd.
Tadakiku Co., Ltd.
Shinshinoku 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
Hitachi Construction Machinery Tierra Co., Ltd.
Hitachi Construction Machinery Camino Co., Ltd.
Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd.
Nigata Material Co., Ltd.
Tadakiku Co., Ltd.
Shinshinoku 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.

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

Europe, Russia, CIS and the Middle East
Hitachi Construction Machinery Tierra Co., Ltd.
Hitachi Construction Machinery Camino Co., Ltd.
Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd.
Nigata Material Co., Ltd.
Tadakiku Co., Ltd.
Shinshinoku 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.

Corporate Information
As of March 31, 2014

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)

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

*Ownership ratio is calculated without the 3,206,607 of treasury shares.
Hitachi Construction Machinery Co., Ltd.
5-1, Koraku 2-chome, Bunkyo-ku, Tokyo,
112-8563, Japan

(Inquiries)
Public Relations Strategy Office
Tel. 81-3-3830-8065
Fax. 81-3-3830-8224
CSR Promotion Department
Tel. 81-3-3830-8033
Fax. 81-3-3830-8224
URL http://www.hitachi-c-m.com/global/