

Corporate Governance

Basic Policies

Hitachi Construction Machinery recognizes that sustainability is an important management issue and that, in addition to improving business performance, the purpose of corporate governance is to acknowledge the company's status as a member of society that must engage in fair and transparent corporate behavior. By extension, it is our belief that doing so will lead to an increase in corporate value and a further increase in shareholder value.

Therefore, in order to construct a management execution system that enables the powerful and swift development of management strategies and to realize fair and transparent management, we aim to strengthen our corporate governance by separating management supervision and business execution functions, and have adopted the organizational structure of a company with committees, such as a nominating committee, as stipulated in Article 2, Item 12 of the Companies Act. In addition, the Hitachi Construction Machinery Group Code of Conduct is positioned as the basis of the brand and our sustainability promotion activities, and we work to share an understanding of the social responsibilities that companies must fulfill.

Corporate Governance System

The Hitachi Construction Machinery Group has developed an execution system that can ensure the prompt and exact performance of business strategies and has also adopted the structure of a company with committees, such as a nominating committee, as provided for in the Companies Act, thereby separating the management supervisory function from the business execution function in order to strengthen corporate governance.

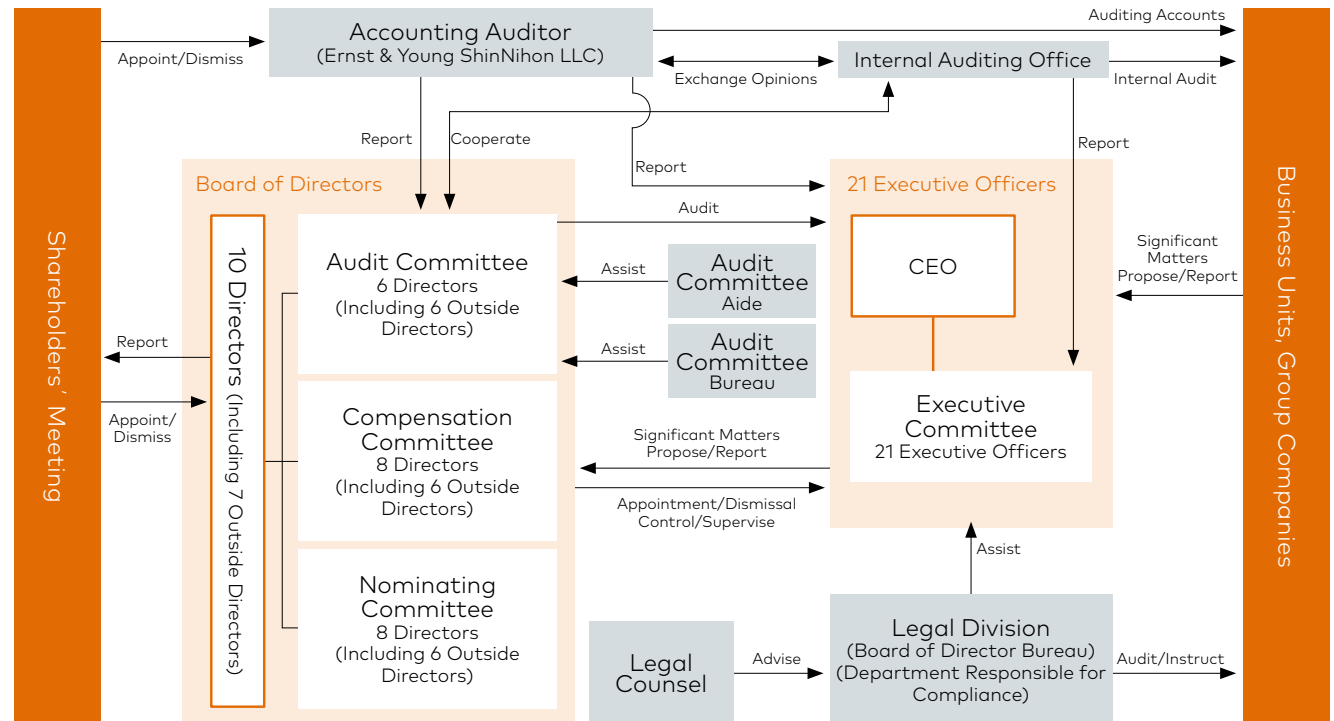
The Board of Directors comprises 10 Directors, including 7 Outside Directors (5 male and 2 female). In accordance with the basic manage-

ment policy established by the Board of Directors, the Representative Executive Officers and Executive Officers, having been thus authorized, make decisions on the execution of business and execute business based on these decisions. The Board of Directors stipulates the duties of Executive Officers and makes decisions on matters concerning the

reporting relationship and other relationships between Executive Officers.

As an advisory body to the Chief Executive Officer (CEO), the Group maintains an Executive Committee that meets twice a month in principle and comprises all Executive Officers. And It controls important matters related to business operations.

Corporate Governance System (as of June 24, 2024)



Corporate Governance

Deliberations and Activities of the Board of Directors and the Committees (FY2023)

Board of Directors

Chairperson: **Kotaro Hirano** (Representative Executive Officer, Chairman and Executive Officer, Director)

The Board of Directors decides on the basic management policies and signals the direction of corporate strategies from a medium- to long-term viewpoint. It also effectively supervises the execution of business from an objective perspective. The majority of Board members are outside directors. Being individuals of international caliber, they have sufficient experience and expertise to ask questions and give advice on the execution of business by executive officers and to contribute to open deliberations at Board meetings.

Deliberation/Activity Themes for FY2023

- Management policies
- Business execution system
- M&A project
- Quarterly business execution report
- Report on the fulfillment of duties by each of the committees
- Resolutions made based on laws, regulations and in-house rules, and others

Compensation Committee

Chairperson: **Kazushige Okuhara** (Independent Outside Director)

The Compensation Committee has the authority to decide on the details of the compensation to be given to each director and executive officer. The Committee conducts deliberations to identify the issues and items to be examined with regard to director compensation, revise the policies on the determination of the details of compensation to be paid to directors and executive officers, and offer incentives to executive officers.

Deliberation/Activity Themes for FY2023

- Basic policies on executive officer compensation
- Composition and standards of executive officer compensation
- Evaluation items for executive officers' performance-linked compensation
- Evaluation results for executive officers' performance-linked compensation, and others

Nominating Committee

Chairperson: **Kazushige Okuhara** (Independent Outside Director)

The Nominating Committee has the authority to decide on the details of proposals to be made about the selection and dismissal of directors for submission to the general meeting of shareholders. The Committee conducts examinations regarding the desirable composition of the Board of Directors, checks the expertise and experience of candidates for director positions by making effective use of the skill matrix set by the company, and makes plans to develop and select candidates to serve as top managers and executive officers.

Deliberation/Activity Themes for FY2023

- Development of candidates for executive officer roles
- Business execution system
- Definition of director selection criteria (skill matrix and composition of the Board)
- Selection of candidates for director roles, and others

Audit Committee

Chairperson: **Toshiko Oka** (Independent Outside Director)

The Audit Committee confirms whether or not directors and executive officers are performing their duties efficiently and in line with laws and regulations as well as in-house rules and basic management policies. In cooperation with accounting auditors and the internal control department, the Committee monitors the status and operation of the financial, accounting and internal control systems.

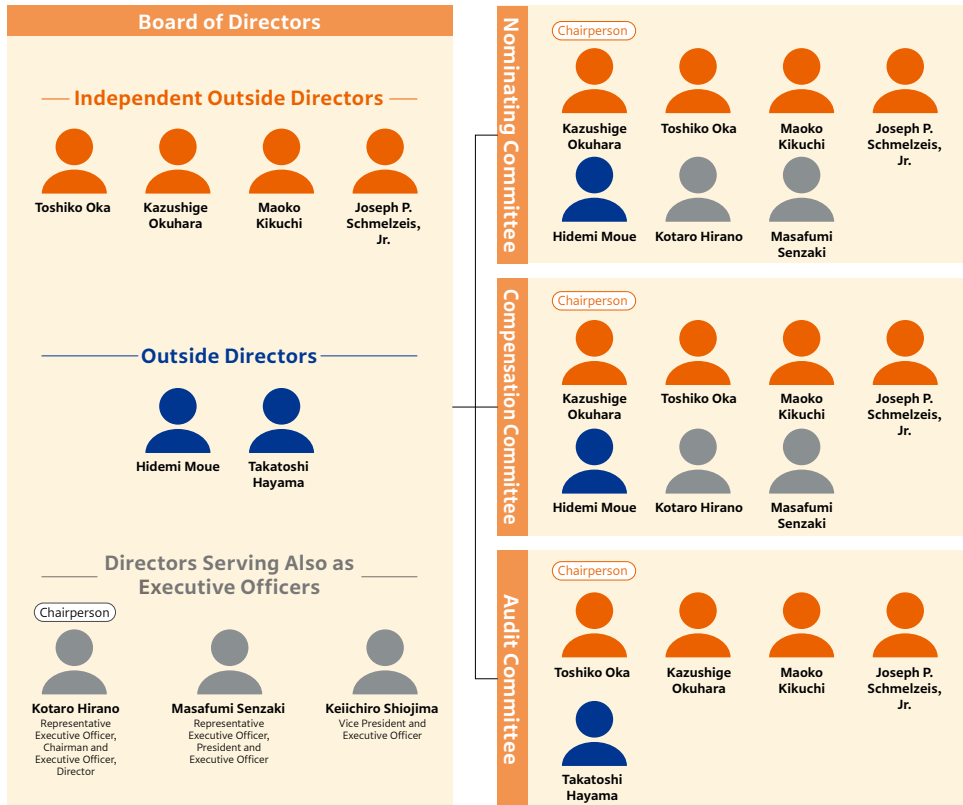
A "Company with a Nominating Committee, etc." under the Companies Act is mandated to ensure that the majority of members of the relevant committees are outside directors. Accordingly, in its Group Governance Guidelines, Hitachi Construction Machinery provides that the majority of its Audit Committee members be independent outside directors and is making efforts to further enhance the Committee's supervisory function.

Deliberation/Activity Themes for FY2023

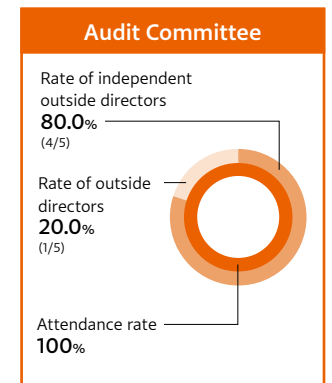
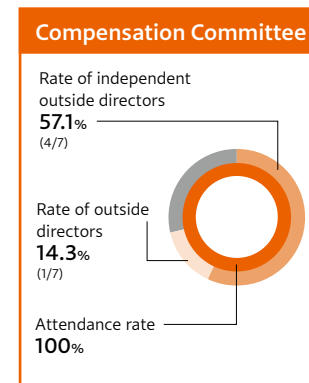
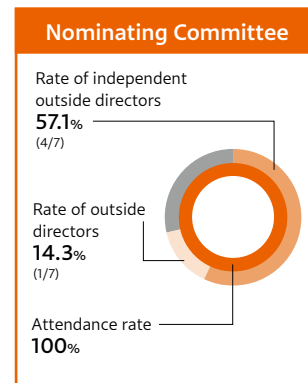
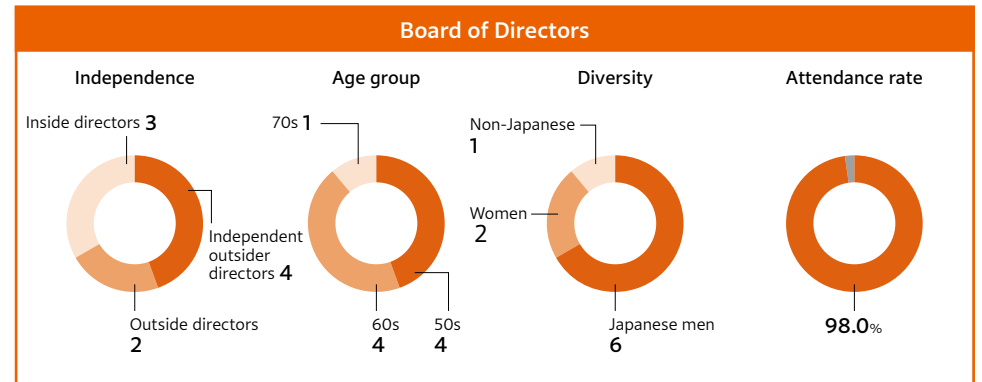
- Exchange of opinions with representative executive officers, and interviews with executive officers and heads of business units about their execution of duties
- Interviews with Group companies in and outside Japan about their business execution
- Interviews on the internal audit results and on the establishment and operation of internal control systems
- Interviews on environmental, quality and compliance audits and other compliance-related issues
- Attendance at important meetings and perusal of written approvals by the assistant to the Audit Committee

Corporate Governance

Composition of the Board of Directors and the Committees (as of March 31, 2024)



* Mr. Takatoshi Hayama resigned from the position as of the end of the general meeting of shareholders held on June 24, 2024.



* One independent outside director resigned from the position in the middle of the term. As a result, the number of independent outside directors on the Board is 4 as of March 31, 2024. The above graph shows the data as of this date.

Corporate Governance

Evaluation of the Effectiveness of the Board of Directors

Hitachi Construction Machinery has been conducting an annual evaluation of the effectiveness of its Board of Directors to maintain and increase the effectiveness, as provided for in Article 12 (Board Evaluation) of its Corporate Governance Guidelines. The effectiveness evaluation was started in FY2015. Following the change in the company's capital structure in August 2022, all evaluation procedures, including the questionnaire survey, interviews, tabulation and analysis, were entrusted to a third-party organization for the identification of discussion topics and activities to be given greater emphasis by the Board of Directors, which is expected to help the Board to engage in more meaningful discussions at its meetings.

In FY2023, the number of outside directors appointed at the general meeting of shareholders reached 70% of the total number of directors. Also, the number of independent outside directors reached one half of the total number, and the Board also now has one non-Japanese member for the first time in its history. Further, each of the committees is chaired by an outside director. Under these circumstances, we entrusted the ongoing evaluation of the effectiveness of the Board to a third-party organization with an eye to further increasing its effectiveness.

The following provides an outline of the evaluation of the effectiveness of the Board of Directors conducted for FY2023.

■ Evaluation of the effectiveness of the Board of Directors

Target	All 10 directors who are incumbent as of FY2023
Evaluation method	(1) The Board conducted deliberations about a third-party effectiveness evaluation survey at its meeting held in Nov. 2023. (2) A third-party organization conducted a questionnaire survey targeting all 10 directors in January 2024 and interviewed all 9 incumbent directors in February in reference to the survey results. (3) The third-party organization tabulated and analyzed the survey and interview results. (4) The secretariat for the Board made a summary report on the improvements made in reference to the results for the previous fiscal year and presented it at the Board meeting held in March. Participants in the meeting deliberated on the issues to be addressed going forward, the improvement measures for the issues, and matters to be disclosed in the corporate governance report and other documents.
Question items	(1) Ideals regarding the Board of Directors' operations (2) Composition of the Board of Directors (3) Management of the Board of Directors (4) Discussions by the Board of Directors (5) Monitoring functions provided by the Board of Directors (6) Performance of Directors and Outside Directors (7) Support system and training for Directors (8) Dialogue with shareholders (investors) (9) Committees (nominating, audit, and compensation) (10) General assessment

Effectiveness Evaluation Results for FY2023

The third-party organization evaluated the Board of Directors as functioning well, with all scores exceeding the average scores of other companies. For some of the items, however, the scores were below those recorded by the company for FY2022. In response, in order to further increase the effectiveness of the Board, the following issues were identified as challenges to be met: (1) Providing the Board with more time and opportunities to discuss management strategies, business portfolio strategies and other important themes; (2) Improving the management of Board meetings; (3) Reviewing the management of the Nominating and Compensation Committees; and (4) Reviewing the methods used to undertake dialogue with shareholders.

Future Approaches

Based on the results of analysis and evaluation, the Board of Directors of the company discussed each issue and decided to work on the following matters for the continual improvement of effectiveness.

1. Review the agenda explanation method to secure more time for discussion
2. Ask the departments and directors to make improvements to their proposals to be submitted to the Board
3. Rationalize the skill matrix for the selection and promotion of directors with the required expertise and for the selection of candidates for future director positions
4. Enhance dialogues with shareholders and institutional investors

Corporate Governance

Details of Skills Required of Directors

Hitachi Construction Machinery specifies the skills required of directors based on the Hitachi Construction Machinery Group's management policies, Group Identity, medium-term management plans and other management strategies so that it can select candidates who have diverse backgrounds to collectively cover all the skills required of directors.

The following shows the details of the skills, why they were selected as necessary skills, and the skill matrix for current directors.

■ Details of the skills

Skill	Details	Reason for selection
International business management	Business experience in and outside Japan, and management experience at a global company	Our overseas sales ratio has exceeded 80% of the total, and we are working for the expansion of the Americas business. Under these circumstances, directors need to have this skill to be able to make prompt management decisions from an international viewpoint and based on an understanding of geopolitical risks.
R&D	Expertise and practical experience in R&D for the co-creation of innovative products, services and solutions	The construction industry is facing environmental changes including a shrinking working population. We need to continue to deliver innovative products and solutions that will help customers in the industry respond to such changes through labor-saving measures and others, for which directors need to have this skill in order to supervise the planning of necessary strategies and the establishment of necessary systems.
Quality, production and procurement	Expertise and practical experience regarding quality, production and procurement	Directors need to have this skill to supervise the planning of necessary strategies and the establishment of necessary systems for the Group to continuously increase its productivity and provide customers with high-quality products and solutions.
Sales and marketing	Expertise and practical experience in the formulation of sales and marketing strategies based on an appropriate understanding of the global business environment and customer needs	Directors need to have this skill to supervise the planning of necessary strategies and the establishment of necessary systems for the company to continue to be a close and reliable partner to customers based on an appropriate understanding of their needs.
IT and digital technology	Expertise and practical experience in the effective use of digital technology	Directors need to have this skill to promote DX within the company and to supervise the planning of necessary strategies and the establishment of necessary systems to expand the value chain business through the effective use of digital technology.
Financial accounting	Expertise and practical management experience in financial accounting to continue to increase the corporate value	Directors need to have this skill to ensure precise financial reporting and to supervise the planning of capital policies and the establishment of relevant systems based on management strategies.
M&A	Expertise and practical experience in growth investment for the continuous increase of corporate value	Directors need to have this skill to supervise the planning of necessary strategies and the establishment of necessary systems for the company to implement cooperative projects with partners across the world and in different industries in line with the progress of globalization and the expansion of the value chain business.
Legal affairs and compliance	Expertise and practical experience in legal affairs and compliance for continuous business growth	Directors need to have this skill to foster and supervise the establishment of a system to ensure compliance with laws, regulations and corporate ethics based on "Basics and Ethics," one of our fundamental values, and to fulfill their monitoring function to ensure appropriate business management.
Personnel affairs, human rights and human resource development	Expertise and practical experience in personnel affairs, human rights and human resource development for continuous business growth	Directors need to have this skill to enhance the abilities of employees and their organizations and to supervise the planning of necessary strategies and the establishment of necessary systems to realize Hitachi Construction Machinery's vision for human capital management: "Where every <i>Kerikijin</i> can be themselves in Harmony."

■ Skill Matrix for Current Directors

Name	Position/Title	Nominating Committee	Compensation Committee	Audit Committee	Independent director	Tenure	Major field of expertise and experience/Field in which contributions are expected								
							International business management	R&D	Quality, production and procurement	Sales and marketing	IT and digital technology	Financial accounting	M&A	Legal affairs and compliance	Personnel affairs, human rights and human resource development
Masaaki Ito	Independent outside director	●	●	●	●	—	●	●	●				●		
Toshiko Oka	Independent outside director	●	●	● Chairperson	●	3	●					●	●		●
Kazushige Okuhara	Independent outside director	● Chairperson	● Chairperson	●	●	8	●		●	●				●	●
Maoko Kikuchi	Independent outside director	●	●	●	●	4	●						●	●	●
Joseph P. Schmelzeis, Jr.	Independent outside director	●	●	●	●	1	●				●	●			●
Takeshi Fujisawa	Outside director			●		—	●	●			●				
Hidemi Moue	Outside director	●	●			2	●					●	●		
Keiichiro Shiojima	Director					3	●					●	●		
Masafumi Senzaki	Director	●	●			1	●	●	●		●	●		●	●
Kotaro Hirano	Director	●	●			7	●		●		●	●	●	●	●

Corporate Governance

Directors and Executive Officers (as of June 24, 2024)

Directors



Apr. 1981:	Joined the company
Apr. 2013:	Deputy General Manager, Production & Procurement Div.
Apr. 2014:	Executive Officer
Apr. 2016:	Vice President and Executive Officer
Apr. 2017:	Representative Director, President and Executive Officer
Jun. 2017:	Director (current)
Apr. 2023:	Representative Director, Chairman and Executive Officer (incumbent)

Director,
Chairman of the
Board of Directors
Kotaro Hirano



Apr. 1986:	Joined Tohmatsu Touche Ross Consulting Ltd.
Jul. 2000:	Joined Asahi Arthur Andersen Ltd.
Apr. 2005:	President and Representative Director of ABeam M&A Consulting Ltd.
Apr. 2016:	Partner at PwC Advisory LLC
Jun. 2016:	Outside Director, Hitachi Metals, Ltd. (presently Proterial, Ltd.)
Jun. 2018:	Outside Director, Sony Group Corporation (current)
Jun. 2019:	Outside Director, Happinet Corporation (current)
Jun. 2020:	Outside Director, ENEOS Holdings, Inc. (current)
Apr. 2021:	Full-time professor at Meiji University Graduate School of Global Business (current)
Jun. 2021:	Outside Director, Hitachi Construction Machinery Co., Ltd. (current)
Mar. 2024:	Outside Director, Earth Corporation (current)

Independent Outside
Director
Toshiko Oka



Apr. 1992:	Appointed as a prosecutor in the Public Prosecutor's Office of the Ministry of Justice
Aug. 1997:	Joined the Los Angeles office of Paul Hastings LLP
Mar. 1999:	Registered as an Attorney at Law in Japan as well as in the State of New York, the United States
	Joined Nagashima & Ohno (currently Nagashima Ohno & Tsunematsu)
Apr. 2004:	Joined the General Secretariat of the Fair Trade Commission
May 2006:	Chief Compliance Officer of Softbank Corp.
Apr. 2014:	Executive Officer in Charge of Legal and Public Affairs at Microsoft Japan Co., Ltd.
Jun. 2016:	Outside Auditor for Mitsui-Soko Holdings (current)
Jun. 2020:	Outside Director, Mitsui-Soko Holdings (current)
	Outside member of the Audit and Supervisory Board of KADOKAWA Corporation
Jul. 2020:	Outside Director, Hitachi Construction Machinery Co., Ltd. (current)
Aug. 2020:	Managing Partner, Compass International Law Office (current)
Nov. 2023:	Outside Corporate Auditor for Ryohin Keikaku Co., Ltd.

Independent Outside
Director
Maoko Kikuchi



Apr. 1989:	Joined Hitachi, Ltd.
Apr. 2015:	General Manager, Public Solutions Department 3, Public System Div., Information & Communication Systems Company
Apr. 2019:	General Manager, Enterprise Solutions Div., Industry & Distribution Business Unit
Apr. 2020:	General Manager, Digital Solutions Div., Industry & Distribution Business Unit
Apr. 2022:	General Manager, Digital Solutions Business Div., Industrial Digital Business Unit
Apr. 2024:	COO of Social Infrastructure Business Unit (current)
Jun. 2024:	Outside Director, Hitachi Construction Machinery Co., Ltd. (current)

Outside Director
Takeshi Fujisawa



Apr. 1980:	Joined Kuraray Co., Ltd.
Apr. 2010:	General Manager of Methacrylate Division, Chemicals Company
Jun. 2012:	Executive Officer
Apr. 2013:	Vice President, Functional Materials Company
Jun. 2013:	Managing Executive Officer
Apr. 2014:	Officer Responsible for Corporate Management Planning Division and CSR Division, General Manager, Corporate Management Planning Division
Jun. 2014:	Director
Jan. 2015:	Representative Director and President
Jan. 2021:	Chairman and Director (current)
Jun. 2024:	Outside Director, Hitachi Construction Machinery Co., Ltd. (current)

Independent Outside
Director
Masaaki Ito



Apr. 1970:	Joined Fuji Heavy Industries Ltd.
Oct. 1999:	Senior Managing Director, TOKYO SUBARU Inc.
Jun. 2001:	Corporate Vice President, Senior General Manager of Japan Region, Subaru Sales & Marketing Division, Chief General Manager of Subaru Parts & Accessories Division and General Manager of Customer Service Center, Fuji Heavy Industries Ltd.
Jun. 2003:	Corporate Senior Vice President, Chief General Manager of Subaru Japan Sales & Marketing Division and Chief General Manager of Subaru Marketing Division
Apr. 2005:	Corporate Senior Vice President and General Manager of the Human Resources Department
Jun. 2006:	Director, Corporate Executive Vice President and General Manager of the Human Resources Department
Jun. 2006:	President and Chair of the Business Reforms Promotion Committee at Subaru System Service Co., Ltd.
Jun. 2010:	Representative Director and Deputy President of Fuji Heavy Industries Ltd.
Jun. 2011:	Representative Director and President of Subaru Kohsan Co., Ltd.
Jun. 2016:	Outside Director, Hitachi Construction Machinery Co., Ltd. (current)

Independent Outside
Director
Kazushige Okuhara



Jul. 1984:	Joined Bain & Company
Jul. 1988:	Vice President, American Express International
Apr. 1998:	Chief Operating Officer, Fontworks International
Dec. 1999:	Interim CEO, Crimson Ventures
Nov. 2001:	Representative Director, JPS International, Inc. (current)
Jun. 2011:	Corporate Director and Division Manager, SEGA CORPORATION
Jun. 2015:	Senior Advisor, SEGA SAMMY HOLDINGS INC.
Feb. 2018:	Senior Advisor to the Ambassador, U.S. Embassy in Tokyo
Mar. 2021:	Executive Manager, Cedarfield Godo Kaisha (current)
Jun. 2022:	Outside Director, DENSO CORPORATION (current)
Jun. 2023:	Outside Director, Central Japan Railway Company (current)
Jun. 2023:	Outside Director, Hitachi Construction Machinery Co., Ltd. (current)

Independent Outside
Director
**Joseph P.
Schmelzeis, Jr.**



Apr. 1979:	Joined The Industrial Bank of Japan, Limited
Jun. 1996:	General Manager, Capital Markets Department 2, IBJ Securities Co., Ltd.
Feb. 1998:	General Manager, Business Development Department, IBJ Securities Co., Ltd.
Oct. 2000:	General Manager, Corporate Finance Department, Mizuho Securities Co., Ltd.
Nov. 2002:	President and CEO, Japan Industrial Partners, Inc. (current)
Jun. 2010:	Auditor, Mobile Internal Capital, Inc. (current)
Jun. 2022:	Outside Director, Hitachi Construction Machinery Co., Ltd. (current)
Aug. 2022:	Representative Director and President, HCJ Holdings, Ltd. (current)
Jan. 2023:	Director, Proterial, Ltd. (current)
Dec. 2023:	Director, TOSHIBA CORPORATION (current)

Outside Director
Hidemi Moue

Corporate Governance



Director
Keiichiro Shiojima

Apr. 1988:	Joined Hitachi Construction Machinery Co., Ltd.
Apr. 2011:	General Manager, Credit Management Department, Finance Div.
Apr. 2014:	Director, Hitachi Construction Machinery Asia and Pacific Pte. Ltd.
Apr. 2016:	General Manager, Finance Department, Finance Div., Corporate Management Group, Hitachi Construction Machinery Co., Ltd.
Apr. 2019:	Deputy General Manager, Finance Div., Corporate Management Group
Apr. 2020:	Executive Officer, General Manager of Finance Div.
Jun. 2021:	Director (current)
Apr. 2022:	Vice President and Executive Officer, General Manager of Finance Div. (current)



Director
Masafumi Senzaki

Apr. 1991:	Joined Hitachi Construction Machinery Co., Ltd.
Apr. 2017:	General Manager, Russia and CIS Business Div. President and Director of Hitachi Construction Machinery Eurasia Manufacturing LLC
Apr. 2018:	Executive Officer, General Manager of Marketing Group, Hitachi Construction Machinery Co., Ltd.
Apr. 2021:	Vice President and Executive Officer, General Manager of Corporate Strategy and Operations Management Groups
Apr. 2022:	Senior Vice President and Executive Officer, General Manager of Corporate Strategy Group
Apr. 2023:	Representative Executive Officer, President and Executive Officer (incumbent)
Jun. 2023:	Director (current)

Executive Officer

Representative Executive Officer,
Chairman and Executive Officer, CEO
Kotaro Hirano

Representative Executive Officer,
President and Executive Officer, COO
Masafumi Senzaki

Executive Vice President, Executive Officer, CSO
Naoyoshi Yamada

Senior Vice President and Executive Officer,
General Manager of America Business Div.
Sonosuke Ishii

Representative Executive Officer,
Senior Vice President and Executive Officer
Officer responsible for Security Trade Control
President of Construction Business Unit
Yusuke Kajita

Vice President and Executive Officer, CFO
President of Financial Strategy Group
Keiichiro Shiojima

Vice President and Executive Officer, CHRO
President of Human Capital Group
Seishi Toyoshima

Vice President and Executive Officer, CTO
President of Power & Info Control Platform
Business Unit
President of Research & Development Group
Kazunori Nakamura

Vice President and Executive Officer
President of Mining Business Unit
Eiji Fukunishi

Vice President and Executive Officer, CMO
President of Rental & Used Equipment
Business Unit
President of Global Marketing Group
General Manager of China Business Div.
Hidehiko Matsui

Vice President and Executive Officer
Officer responsible for MONOZUKURI
President of Production & Procurement Group
Yoshihiro Narukawa

Executive Officer
President of Compact Business Unit
Kazuhiro Ichimura

Executive Officer
Vice President of Mining Business Unit
Hiroshi Kanezawa

Executive Officer
Vice President of Mining Business Unit
Tooru Sugiyama

Executive Officer, CDIO
President of New Business Creation Unit
Seimei Toonishi

Executive Officer
President of Corporate Strategy Group
Tetsuya Hamabe

Executive Officer
General Manager of Japan Business Div.
Masaaki Hirose

Executive Officer
President of Spare Parts & Service Business Unit
Hiroshi Hosokawa

Executive Officer
President of Safety/Health & Compliance Group
Satoshi Yamanobe

Executive Officer
General Manager of Oceania Business Div.
Ray Kitic

Executive Officer
General Manager of India Business Div.
Sandeep Singh

Note: Listed by title and in the order of the Japanese kana syllabary

About the abbreviations

CDIO:	Chief Digital & Information Officer
CEO:	Chief Executive Officer
CFO:	Chief Financial Officer
CHRO:	Chief Human Resources Officer
CMO:	Chief Marketing & Sales Officer
COO:	Chief Operating Officer
CSO:	Chief Strategy Officer
CTO:	Chief Technical Officer

Corporate Governance

Policies on Determining the Amount of Compensation, etc., for Directors and Executive Officers

1. How to determine the policies

At Hitachi Construction Machinery, the Compensation Committee sets forth the company's policies on the determination of the amount of compensation to be paid to individual directors and executive officers pursuant to the provision of the Companies Act applicable to companies with a nominating committee, etc.

2. Overview of the policies

(1) Matters related to both directors and executive officers Compensation will be commensurate with the scope and range of the Company's business as well as the ability required of and the responsibilities and risks to be borne by its directors and executive officers, taking into consideration compensation packages at other companies.

(2) Matters related to directors

The compensation of directors consists only of a monthly salary.

- Directors shall be paid their monthly salary in a fixed amount in view of the fact that their duty is of a supervisory nature. The specific amount shall be determined in accordance with the individual's position, full-time or part-time status and basic allowance for the position and may also include an allowance for committee membership. Compensation for serving as a director shall not be paid to directors who also serve as executive officers.

(3) Matters relating to executive officers

Compensation for executive officers consists of a monthly salary and performance-linked compensation.

- Executive officers shall be paid their monthly salary according to the standards set for each position.
- Please refer to the following for the breakdown of monthly salaries and performance-linked compensation for executive officers. For the amounts of salaries to be paid to executive officers on and after April 1, 2024, the Compensation Committee made a new resolution at its meeting held on March 29, 2024.

■ Breakdown of Monthly Salaries and Performance-Linked Compensation for Executive Officers

Category	Monthly compensation	Performance-linked compensation	
		Performance-linked bonus	Restricted stock compensation
Chairman and President	42%	42%	16%
Executive Vice President	55%	30%	15%
Senior Vice President and lower positions	60%	25%	15%

- The amount of performance-linked bonus shall vary according to the level of achievement against the standard target and the results achieved by each person in their respective position, and the range of variation shall be from 0% to around 200%. In principle, the evaluation shall be carried out according to the ratios shown below.

■ Evaluation Method for Performance-Linked Bonus

Category	Company-wide performance	Division performance	Individual/Division mission
CEO, COO and Executive Vice President	80%	—	20%
Executive Officer	60%	30%	10%

- The evaluation indicators and composition ratio for performance-linked bonus are as follows.

■ Evaluation Indicators and Composition Ratio for Performance-Linked Bonus

Category	Evaluation Indicator	Composition ratio	
		CEO, COO and Executive Vice President	Senior Vice President and lower positions
(1) Company-wide performance	Net income	50%	30%
	Consolidated operating cash flows	20%	10%
	Consolidated value chain sales	—	10%
	ESG assessment	10%	10%
(2) Division performance targets		—	30%
(3) Division targets (three indicators for the management issues including organizational health)		20%	10%

* ESG assessment is an overall assessment based on the CDP's climate change and water security ratings, Dow Jones Sustainability Indices (DJSI) and the reducing rate of CO₂ emissions related to production and products.

* Organizational health is an index to evaluate the health of an organization from various perspectives such as employee engagement and diversity & inclusion.

* For foreign executive officers, standard compensation is set according to the benchmarks of compensation levels of each country and region from the viewpoint of retaining capable personnel, taking into account the market competitiveness of the compensation.

Details of the Restricted Stock Compensation System

Hitachi Construction Machinery, in line with the resolution made by its Compensation Committee on March 31, 2023, introduced the restricted stock compensation system (hereinafter, "the system") to: (1) provide executive officers (hereinafter, "the targeted officers") with an incentive to make greater efforts for the medium- to long-term and continuous improvement of corporate value and (2) foster value sharing between the targeted officers and shareholders.

(1) Outline of the stock holding system for officers and employees Under the system, the targeted officers receive monetary claims from Hitachi Construction Machinery. All of these claims are to be used to make an investment in kind to receive shares of the company's ordinary stock ("ordinary stock"). The investment cost per share shall be determined by the Board of Directors based on the closing price of the company's ordinary stock on the Prime Market of the Tokyo Stock Exchange on one business day before the day on which the Board makes the decision (or the closing price on the latest trading day if no trading has been completed on the day) and shall be set at an amount that will not be particularly advantageous to the targeted officers

The targeted officers are obliged to hold the stock allocated to them under the system until they resign from their position. The total number of shares to be allocated to the officers under the system and how to allocate them shall be determined by the Compensation Committee in consideration of the purpose of the system, business situation of the company, and the scope of responsibilities assumed by the targeted officers.

(2) Type and total amount of stock to be allocated to the targeted officers under the system

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During the period from the start of the 61st term to the end of the term, the company plans to allocate a total of 31,688 shares to the targeted officers. During the period from the start of the 60th term to the end of the term, the company allocated 25,072 shares to the targeted officers.

- (3) Those who are entitled to beneficial rights and other rights under the system
Executive officers (excluding those living outside Japan)

Framework for Strengthening Governance

Hitachi Construction Machinery recognizes that sustainability is an important management issue and that, in addition to improving business performance, the purpose of corporate governance is to acknowledge the company's status as a member of society that must engage in fair and transparent corporate behavior. By extension, the company believes that this will lead to an increase in corporate value and a further increase in shareholder value. In addition to addressing important management issues, the company has structured its approach to supporting the strengthening of corporate governance into a comprehensive framework.

Corporate Governance at Hitachi Construction Machinery

1. Corporate Governance

The monitoring and control of management by the Board of Directors are defined as mechanisms that are intended to ensure that the company's decision-making and business execution take into consideration the interests of shareholders and other stakeholders, are in compliance with laws and regulations, are carried out efficiently, and enable the company to achieve sound and continuous development.

2. Governance (In-house governance)

The monitoring and control of employees by management are defined as mechanisms intended to ensure that the business is run properly, in accordance with the requests of the Board of

Directors.

The Company's Three Lines Model

The Three Lines Model is widely recognized as an effective structure and process that strongly supports governance and risk management while enabling the achievement of corporate objectives. The company acknowledges that the Three Lines Model below contributes to the strengthening of governance and is promoting its adoption within the Group.

- First Line (Business units)
Business units have direct responsibility as owners of risks that arise from business operations, including for controlling (identifying, evaluating, responding to and monitoring) these risks.
- Second Line (Risk management organizations, including corporate

departments and various committees)

Risk management organizations use their expertise to provide support, conduct verification and raise objections regarding the management of risks. While working in collaboration with the first line, they monitor and report on the adequacy and effectiveness of the first line's risk management.

- Third Line (Audit office)

As an organization reporting directly to the COO, the audit office provides independent and objective assurance and advice to management and governing bodies (such as the Board of Directors and the Audit Committee) on the adequacy and effectiveness of the risk management of the first and second lines.

With these three lines working in collaboration, the company will prevent the materialization of risks and strengthen its governance.

■ The company's overall Three Lines Model diagram



Legend: ↑ Reporting ↓ Delegation, Instruction, Resources, Supervision ↔ Communication, Coordination, Collaboration

Reference: Created with reference to the IIA's Three Lines Model



Framework for Strengthening Governance

https://www.hitachicm.com/content/dam/hitachicm/global/en/sustainability/governance/corpgovernance/docs/240724_Framework_for_Strengthening_Governance.pdf