

January 27, 2023

Corporate name	Hitachi Construction Machinery Co., Ltd. (Code: 6305, Prime Market of the Tokyo Stock Exchange)
Name of representative	Kotaro Hirano Executive Officer, President & CEO

Notice Regarding a Temporary Loss Due to a Change in Retirement Benefit Plans and Regarding the Target Dividend Payout Ratio

Hitachi Construction Machinery Co., Ltd. (the “Company”) has adopted a defined benefit pension plan to provide retirement benefits to its employees. The Hitachi Construction Machinery Corporate Pension Fund, in which the Company and its domestic group companies participate, has decided to revise its corporate pension plan and shift to a risk-sharing corporate pension plan.

The Company expects to record a temporary loss as a result of this plan revision, and in consideration of this, the Company would like to announce its policy regarding the target dividend payout ratio for the fiscal year ending March 31, 2023 (April 1, 2022 to March 31, 2023).

1.Changes in the Corporate Pension Plan

(1) Purpose of the Change in the Corporate Pension Plan

The shift to a risk-sharing corporate pension plan is intended to improve the level of benefits to employees while ensuring the sustainability of the pension plan. Specifically, the plan will increase employee benefits by enhancing the possibility of benefit level recovery amid concerns that benefit levels will decline due to the continuing low-interest-rate-environment. At the same time, it eliminates the management risks associated with maintaining a pension plan and aims to realize a pension plan that is sustainable over the medium to long term.

(2) Date of Change in the Corporate Pension Plan

March 1, 2023

(3) Impact on Business Performance

In the 4Q of the fiscal year ending March 31, 2023 (January 1, 2023 to March 31, 2023), the difference between the defined benefit obligations related to the portion transferred to the revised plan and the amount of assets transferred to the revised plan corresponding to the decrease in defined benefit obligations, ¥12 billion, was recognized as a settlement loss in “Other expenses” in the consolidated statements of income. There will be no cash outflow due to this plan revision. Please refer to the following material released today for details of the consolidated earnings forecast for the fiscal year ending March 31, 2023 (April 1, 2022 - March 31, 2023).

"Consolidated Financial Results for the Third Quarter Ended December 31, 2022 [IFRS] "

2. Target Dividend Payout Ratio

The Company will work to bolster its internal reserves while considering maintenance and strengthening of its financial structure and implementation plans for upfront investments, including investments for technology development and facilities based on medium- and long-term business strategies. At the same time, the Company will, in principle, pay dividends of surplus linked to its consolidated business results twice a fiscal year as interim and year-end dividends, and aim to achieve a consolidated dividend payout ratio of approx. 30% or more.

The year-end dividend forecast for the fiscal year ending March 31, 2023 has not yet been determined. However, the Company’s policy is not to take the above-mentioned temporary loss into account for the purpose of calculating the consolidated dividend payout ratio, since it will be a one-time treatment under the revised plan.