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Fourth ESG Explanatory Meeting
Sustainability Initiatives and DX Strategy

February 27, 2024

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Corporate Brand & Communications Group

Today's Speakers

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President and
Executive Officer, COO

Masafumi Senzaki



Executive Officer, CDIO,
President of New
Business Creation Unit

Seimei Toonishi



President of
Sustainability Promotion
Group

Atsushi Tamane

Today's Agenda HITACHI
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- 1 Value Creation Strategy of Hitachi Construction Machinery Group**
- 2 DX Strategy for Accelerating Value Creation**
Organization building/corporate culture reform
/specific initiative case examples
- 3 Progress of the Sustainability Initiative**

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I am Masafumi Senzaki, President of Hitachi Construction Machinery Co. Ltd. Thank you very much for joining us despite your busy schedule and stormy weather. This is the fourth ESG Explanatory Meeting for us. What I would like to share with you today is shown on the slide. First, I will explain the Hitachi Construction Machinery Group's value creation strategy, DX strategy and organizational structure.

Next, Seimei Toonishi, our CDIO, will explain our DX strategy and our efforts to reform our corporate culture, and Atsushi Tamane, President of Sustainability Promotion Group, will explain the progress of our sustainability initiatives.

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1. Value Creation Strategy of Hitachi Construction Machinery Group

First, I would like to start with Hitachi Construction Machinery Group's value creation strategy.

Business Environment
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Changes in the social, technological, and economic environment

- Aging and a shortage of workers in secondary industry
- Broadly defined software, shift to utilization value, and progress in digital technology
- Acceleration of economic transformation to realize a sustainable global environment
- Emergence of geopolitical risks

Changes in the competitive environment

- Accelerating development of decarbonization technologies including electrification in developed countries and mining markets
- Firm establishment of conversion of customer needs "from hardware products to solutions"
- Rise of Chinese manufacturers in emerging countries
- Competition or cooperation with other industries with digitization

Capital structure changes

- **Hitachi, Ltd.** — Collaborative creation with the Hitachi Group in various R&D fields to accelerate environmental responses and the circular economy
- **ITOCHU Corporation** — Acceleration of business expanding in North America and promotion of business
- **Japan Industrial Partners, Inc.** — Strengthening of the medium- to long-term management foundation and enhancement of corporate capabilities

Hitachi Construction Machinery is entering a new phase of growth with various changes

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First, I will explain the business environment surrounding our company. The competitive environment is changing dramatically in line with changes in the social, technological, and economic environment surrounding the company. The development of decarbonization technologies including electrification, digitalization of construction sites, automated driving, and other competitions and collaborations with different industries are becoming more active.

Under these circumstances, among factors unique to our company, we experienced a change in capital structure with a shift in the largest shareholder. We believe that our collaboration with ITOCHU Corporation, which has joined us as a new shareholder, has been very successful in expanding our North American business, especially in the launch of our North American finance company.

Meanwhile, Japan Industrial Partners has contributed to the strengthening of our medium- to long-term management foundation, including the appointment of one outside director. Almost a year has passed since I became president, and while the business environment has changed during this period, we are now in a new growth phase with steady results in each of our three pillars; North America, mining and value chain.

Group Identity of Hitachi Construction Machinery HITACHI

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Formulating our own group identity in response to business environmental changes

Reliable Solutions We are a reliable solutions partner with/for our customers

How we want to be	VISION	Ensure a prosperous land and society for the future We contribute toward realizing a safe and sustainable society
Our mission	MISSION	Meet expectations from customers, co-create innovative products, services, solutions and together, we continue to create new values
Our code of conduct	SPIRIT	Challenge Customer Communication

Foundational Values :
Basics and Ethics, Trust and Technology, Pride and Responsibility

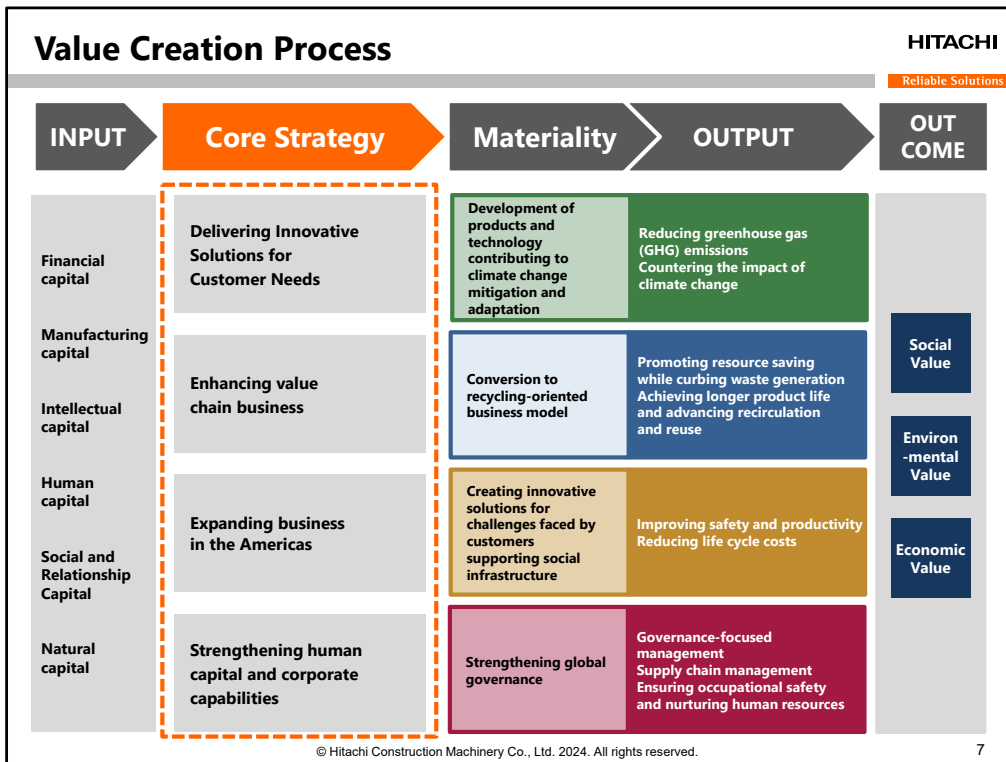
Corporate Color **Reliable Orange**

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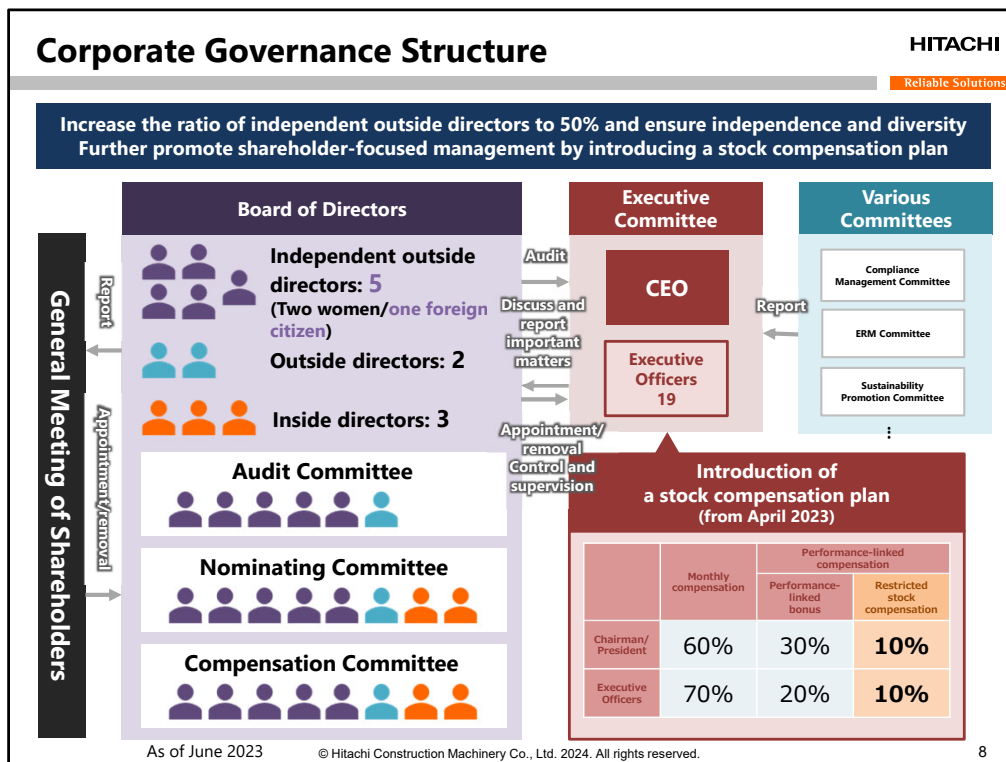
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As already announced in our medium-term management plan, we have formulated our own group identity in response to this business environment. We will contribute to the realization of a safe and sustainable society by creating new values that will lead to our vision, "Ensure a prosperous land and society for the future."

The value creation process I will explain next is also based on this group identity.



Here is our value creation process. The pillars of the core strategies of the medium-term management plan are linked across all four materialities shown here. We believe that solving each of these issues and ensuring the output of each is our way of creating value in response to the challenges required to address. Today, in Chapter 2, DX Strategy, Toonishi will explain how we will Deliver Innovative Solutions for Customer Needs, which is the first pillar of Hitachi Construction Machinery' core strategies. In Chapter 3, Tamane will explain the progress of sustainability as a whole.



In the last part of this chapter, I will explain how we are strengthening our corporate governance structure. As a result of their election at this year's General Meeting of Shareholders, the ratio of independent outside directors on the Board of Directors has increased from 40% last fiscal year to 50%. We now have directors with even more diverse backgrounds and skills, and their diverse opinions are reflected in our management.

We have introduced a new stock compensation plan for the remuneration system of executive officers in order to promote a shareholder-focused management in discussions led by independent outside directors as a company with a nominating committee, etc. In order to maximize shareholder returns now and in the future, we will continue to evolve our corporate governance structure so that all members of the management team will be engaged in management from the same perspective as our shareholders.

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2-1. DX Strategy and Organization Building for Accelerating Value Creation

We will now explain our DX strategy and organization building to accelerate value creation.

Philosophy behind Hitachi Construction Machinery's DX Strategy **HITACHI**
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We always take our customers' issues as the starting point for our actions to resolve them



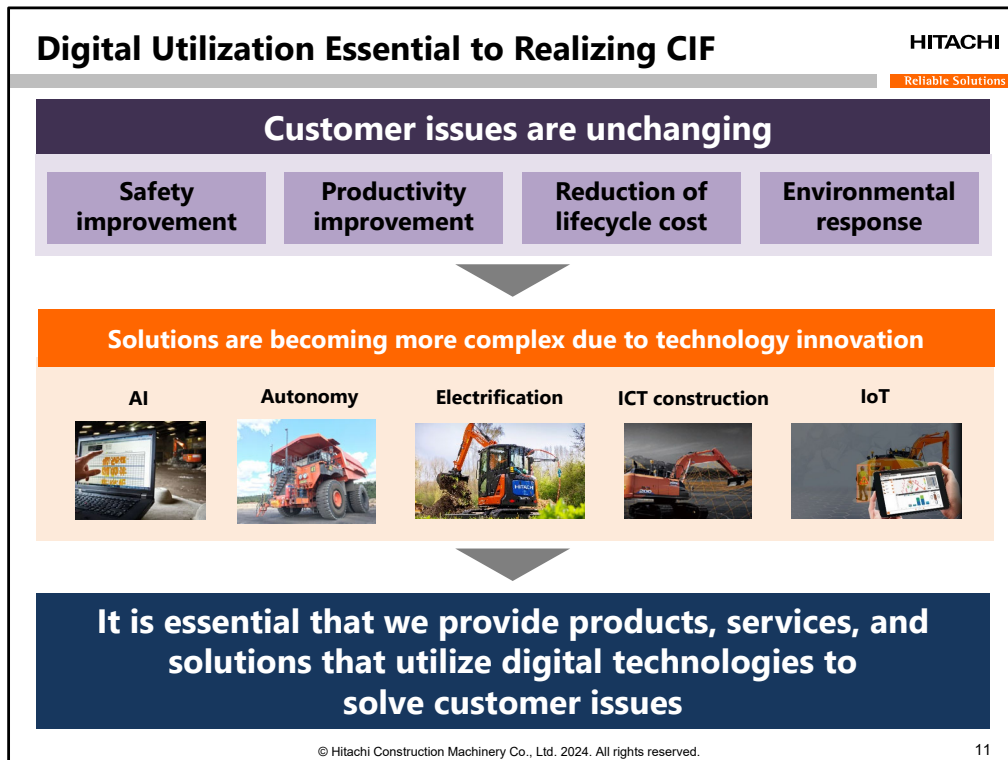
CIF
Customer Interest First

Aiming to grow as a true solutions provider

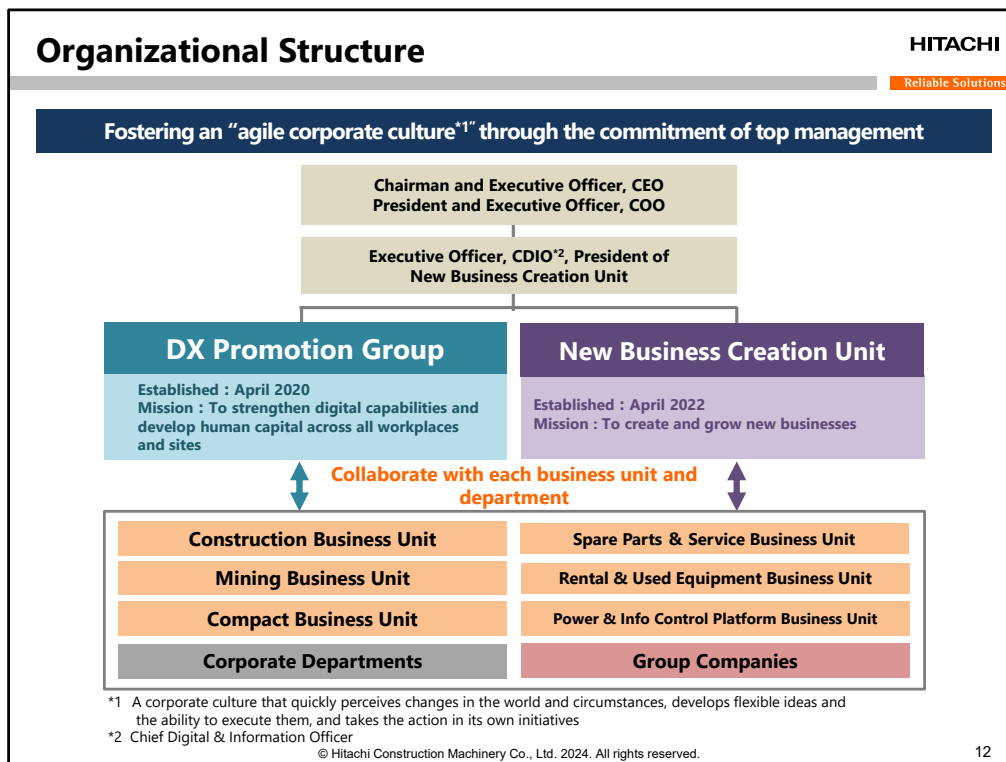
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We have always run our business taking the term "CIF," which stands for Customer Interest First, as the starting point.

In what we call the 'second start-up' of the company, we aim to transform ourselves and grow into a true solution provider as part of the medium-term management plan, which began this fiscal year. I use the phrase in many places, and the same applies to our DX strategy: We always take our customers' issues as the starting point for our actions to resolve them.



The use of digital technology and tools is indispensable for this CIF-based problem-solving. Customer issues always remain unchanged. Those are the following four: safety improvement, productivity improvement, reduction of life cycle cost, and environmental response. In accordance with technological innovations, we have been coming up with a variety of solutions and providing value, including the use of AI, autonomy, and electrification, but solutions are expected to become even more complex going forward. It is essential to provide products, services, and solutions that utilize digital technologies to solve customers' issues.

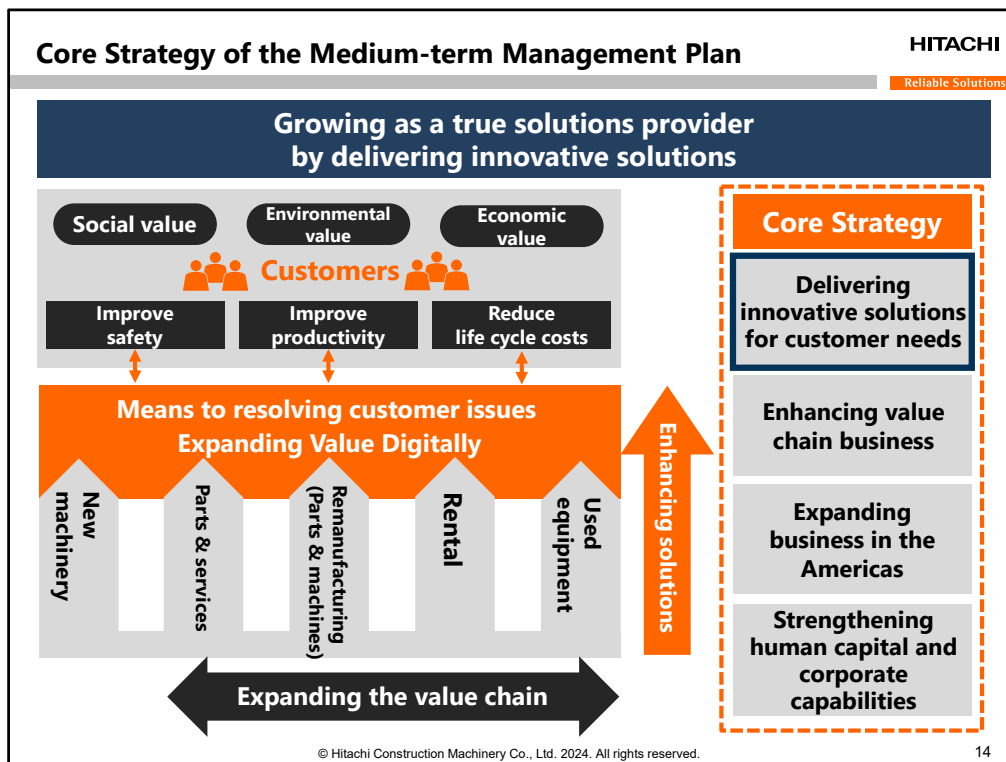


In order to promote such initiatives throughout the company, the organizational structure is extremely important. By evolving the division that had been in charge of IT promotion in the past, we established the DX Promotion Group in April 2020 and the New Business Creation Unit in April 2022. These two organizations need to work in tandem in order to transform processes through digitalization, so we have established a structure in which the CDIO, Toonishi, heads both organizations. These two organizations provide support to business units with a mission to solve problems through CIF, such as Construction and Mining, so they can trigger digital transformation. Our mission is also to foster an agile corporate culture along with this tool of new business.

Now, Toonishi will take over to explain some of the specific measures we are taking.

2-2. DX Strategy and Corporate Culture Reform

I am Toonishi, CDIO. I would like to explain about our corporate culture reform and specific examples of our initiatives.



First of all, I would like to explain the positioning of the DX strategy as it relates to the medium-term management plan. As Senzaki mentioned earlier in Chapter 1, our first priority is to deliver innovative solutions for customer needs, and we are always striving to solve our customers' pain points by making full use of the latest digital technology.

In expanding our value chain from new machinery sales to parts & services, used equipment, etc. and enhancing our solutions, we are focusing on expanding value through digital technology, especially emphasizing our approach to customer issues and reforming our customer contact points.



Next, I would like to discuss aims of the DX strategy, organized in terms of business processes.

From the CIF perspective, as society and customer needs are changing, it is important to respond quickly to these changes and to provide optimal proposals individually for each customer's unique issues. Therefore, we are working to provide solutions that realize CIF by aggregating data generated in all business processes from development and production to sales and after-sales service, and by maximizing the use of such data.

Today, among those initiatives, I would like to take up Smart Factory and data-driven proposal activities.

Let me begin by explaining our corporate culture reform and human capital development, which are the basis for all DX strategies.

Corporate Culture Reform: Agile Culture

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In addition to the waterfall development, also introduce agile development
Rapidly respond to customer needs with the optimal method

Waterfall development

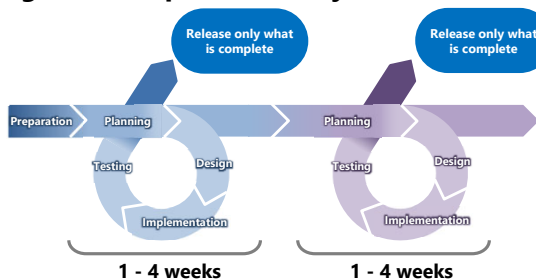


All features are released when they are complete

Ensures high quality with progress management for each phase based on a detailed plan



Agile development (newly introduce)



Prioritize and release important features

Quickly provide value with a short cycle while incorporating user feedback



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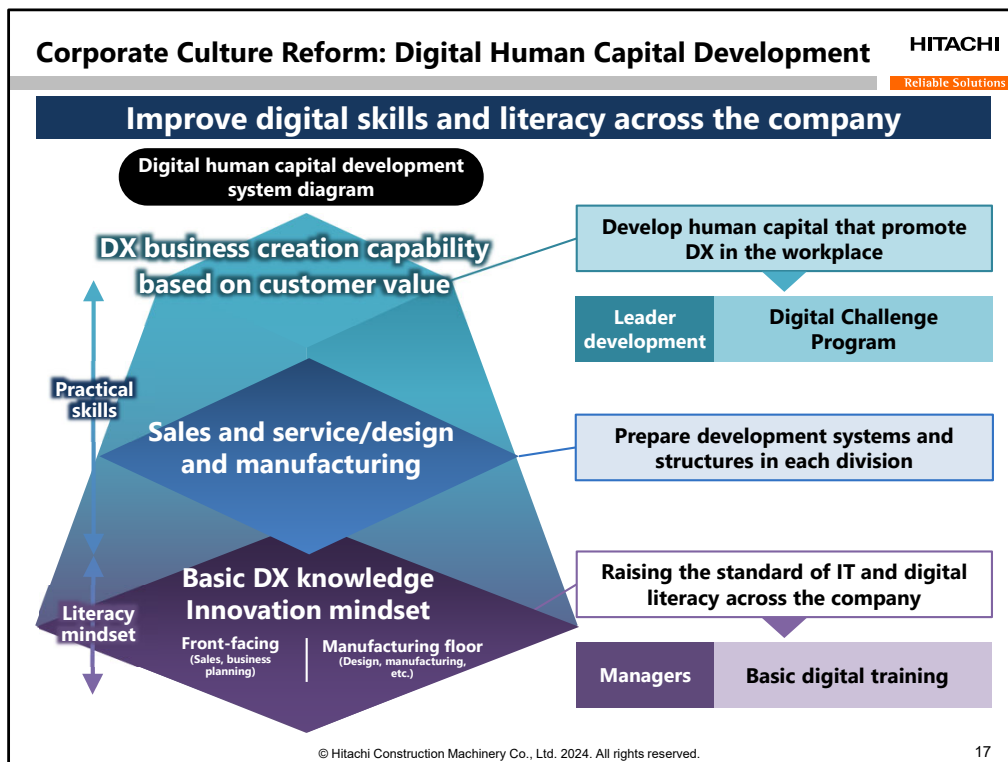
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Since DX requires not only the unprecedented ideas and transformation of development methods, but also reform of corporate culture, we are focusing on fostering agile culture.

To make strong hardware even stronger, we, as a manufacturer, will further enhance the basic performance of machines as hardware with the keywords of safety function, quality, and cost competitiveness. To this end, the conventional waterfall development is the best way. On the other hand, to develop specifications that meet customer requirements and market changes, you need to verify value in a short period of time and release each small feature while fully leveraging the power of digital technology.

To achieve these goals, both conventional waterfall and agile development methods are required. At our company, we have developed human capital and built an organization with high agility. In fact, we have a structure in place that enables agile development, and great results have been achieved in providing digital tools for users and tools for dealer sales activities .

And through these organizational activities, we are fostering agile culture and building a structure to maximize customer value.



As part of organizational activities to ensure an agile culture will take root, we will take an example of digital human capital development and company-wide improvement of digital skills and literacy. In addition to basic digital training programs offered by grade of the personnel, each division provide development systems and structures to help their members subsequently acquire practical skills.

The Digital Challenge Program, undertaken in co-creation between the DX Promotion and Human Capital Groups , provides hands-on learning experiences and fosters DX business creation capability based on customer value or CIF. About 1,000 employees are scheduled to take the basic digital training course by the end of this fiscal year. The base of digital human capital is steadily expanding.

Corporate Culture Reform: New Business Contest HITACHI
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Learn not only value creation know-how but aim to actually commercialize it

First (FY2022-2023) KENKI BUSINESS CHALLENGE (KβC)


Preparation period	Document screening	Brush-up period (1)	Interim screening	Brush-up period (2)	Actual screening	Issue validation 20% rule during business 9 teams	Commercialization validation 100% full-time Expect a budget with a scale of tens of millions of yen	Commercialization
	Application: 100 teams							

As of February 2024

Efforts aimed at commercialization

- Members can allocate up to 20% of their working hours during the issue validation period. They shift to full-time during the commercialization validation period.
- Continuously hosted every year. There were 58 team applications for the 2nd challenge (FY2023-2024), which are preparing for actual screening.

Encourage continuous challenges with the aim of creating new core businesses

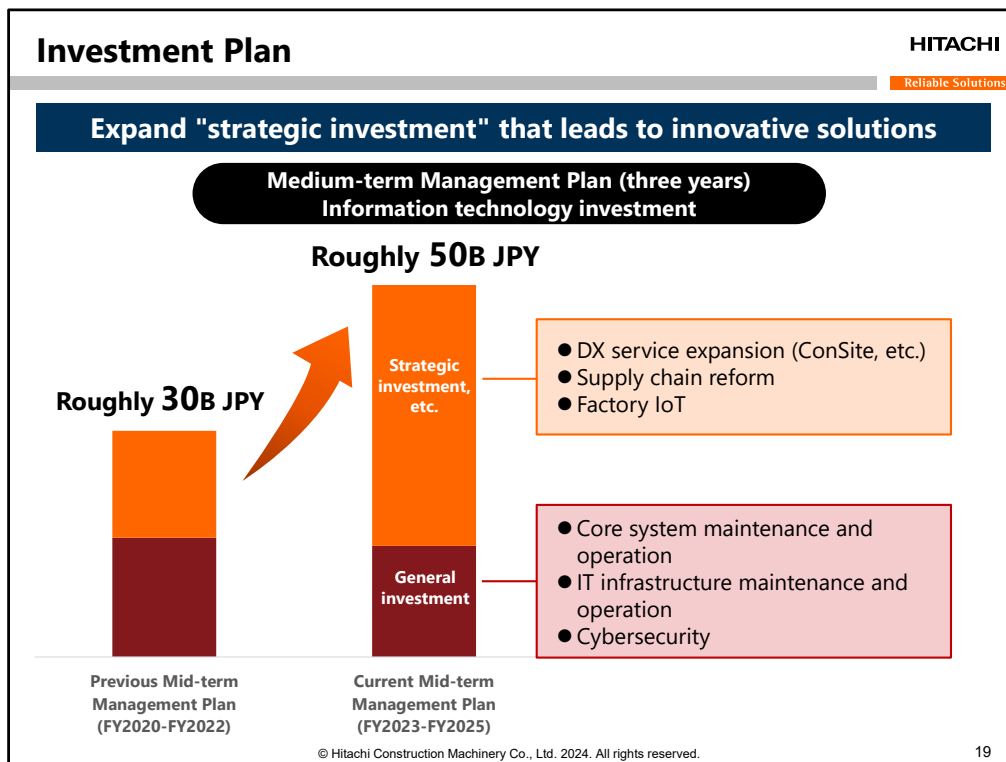


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In addition, we aim to build a corporate culture that can continuously create new businesses by firmly establishing the innovation mindset cultivated through digital human capital development. We have started a business contest for new businesses. Our aim is, while developing a system to not only learn the know-how of value creation but also to collaborate with digitally advanced companies, including start-ups, as a matter of course within the company, to realize full-fledged commercialization of new businesses.

The Kenki Business Challenge, or KβC for short, launched in 2023, is a prime example of this. As of today, nine selected teams are in the customer issue validation phase with the aim of moving on to the process of structuring new businesses after further screening.

Members of the selected teams can allocate 20% of their work time to validate issues for the project, and will be 100% dedicated once they move to the commercialization validation phase after further screening. By holding this event on an ongoing basis each year, we aim to encourage employees to continually challenge themselves and create new businesses.

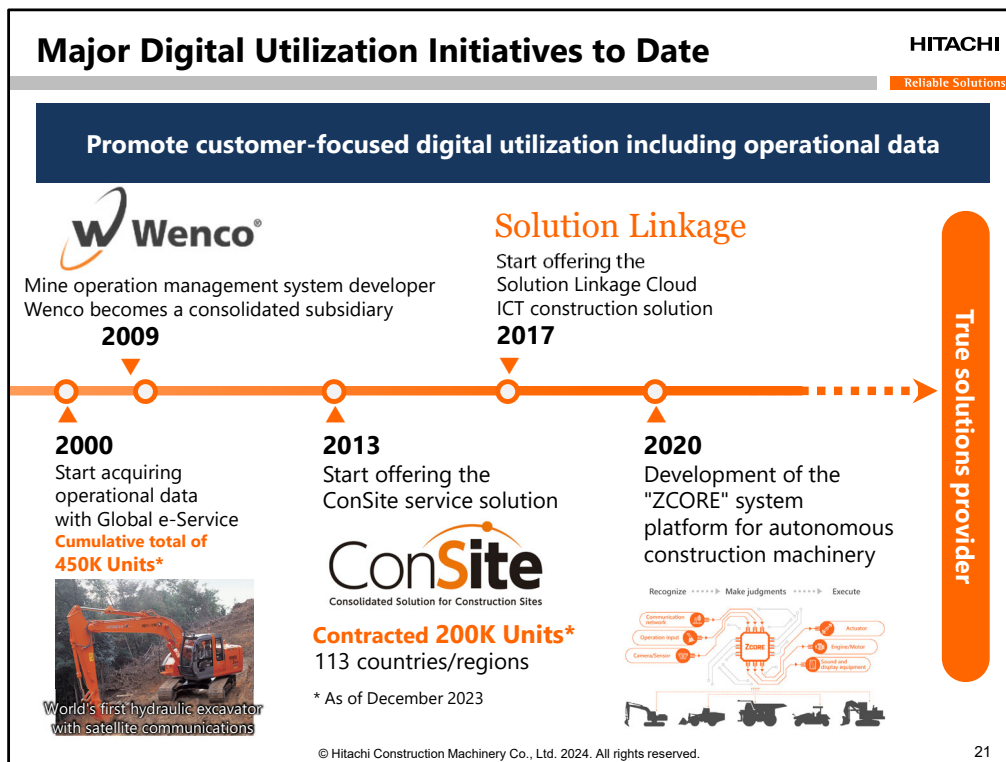


This is the investment plan. We have already reported our plan to invest about 400 billion yen over the three years of the medium-term management plan, including R&D and growth investment projects. Of the total, 50 billion yen will be allocated to information technology investment, as you can see here.

We also changed our budgeting and management system to ensure the promotion of DX. Specifically, we have divided our IT investments into two categories: general investments for maintenance of IT infrastructure and enhancement of security, and strategic investments that will lead to innovative solutions, which has led to the common understanding of promoting strategic investments on a company-wide basis.

Strategic investments in the current mid-term management plan have been doubled compared to the previous one. From the next part, I will explain specific examples of DX strategies for these investments.

2-3. Specific Initiative Case Examples



Our commitment to digital technology was started early, and already in 2000, we started monitoring the operational status of hydraulic excavators, equipped for the first time in the world with the satellite communication function Global e-Service.

This is the origin of the present ConSite. In 2013, we launched the service solution ConSite with the aim of processing big data on operating conditions to help customers reduce life cycle costs, which had been a challenge for them. Furthermore, to improve safety and productivity, we offered an ICT construction solution, SolutionLinkage series, in 2017.

In 2020, we released ZCORE, a system platform for autonomous construction machinery. Thus, we have been providing various solutions using digital technology. Through these track records and what we have presented today, promoted during the current medium-term management plan period, we will continue our activities to become a true solution provider.

Aims of the DX Strategy

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Provide solutions to realize CIF that aggregate and maximally utilize the data generated by all business processes

CIF perspective **Rapidly respond to changing needs** **Optimal proposal for customers**

Development and production

Sales, rentals, and services



Smart factories



Data-driven proposal activities

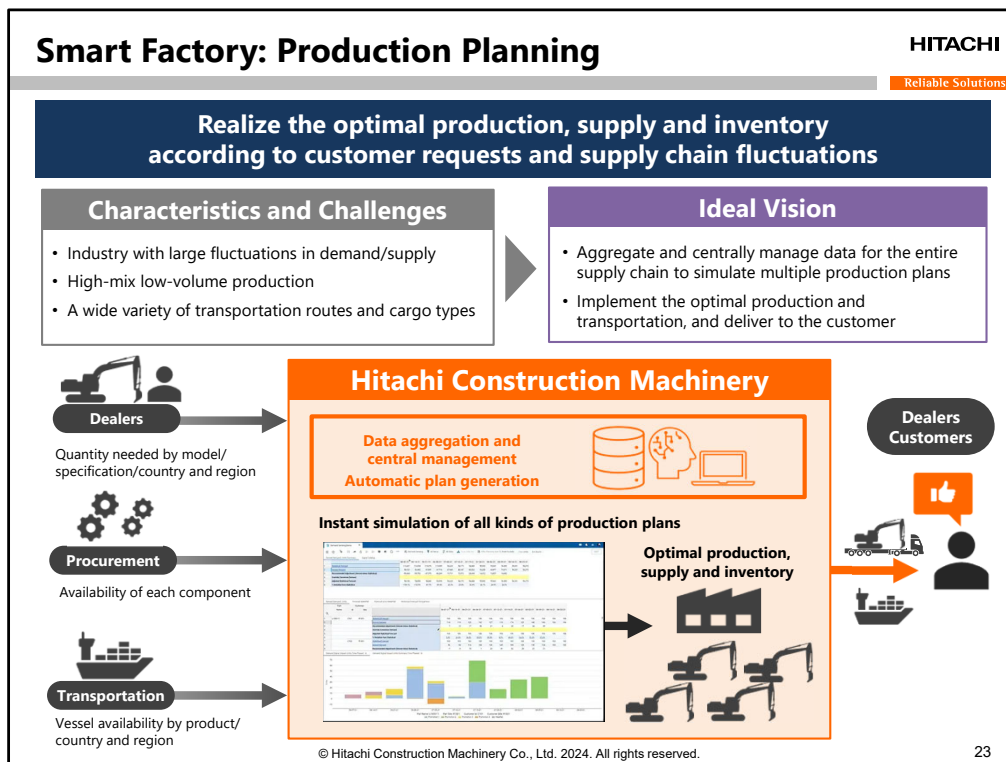


Customer requests and issues

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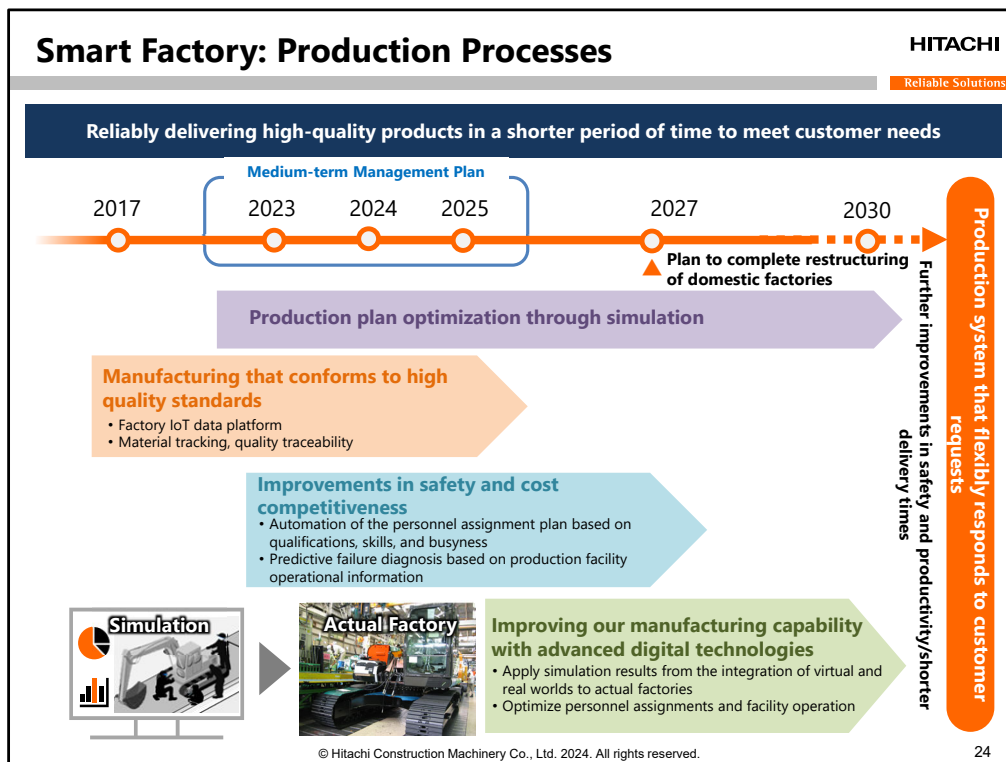
This slide was already shown earlier. I would like to explain about smart factory next.



As we strive to realize a smart factory, we are reforming our processes to improve the accuracy of production planning. Our external environment is characterized by large fluctuations in demand and supply. Recently, geopolitical risks have made it even more difficult to forecast. In supplying products, we implement high-mix-low-volume production, as models and specifications vary by region and by customer.

In addition, since transportation routes and loading methods vary widely, the ability and capability to immediately respond to these changes is an urgent issue. To this end, we collect data on forecasted quantities gathered globally from our sites and various stakeholders to create big data, which we then use in forecasting simulations to arrive at optimal solutions.

We verify production capacity, including procurement and transportation processes, and aim to eliminate sales opportunity losses and optimize inventory control by producing and supplying products that meet customer-demanded volumes and delivery deadlines.

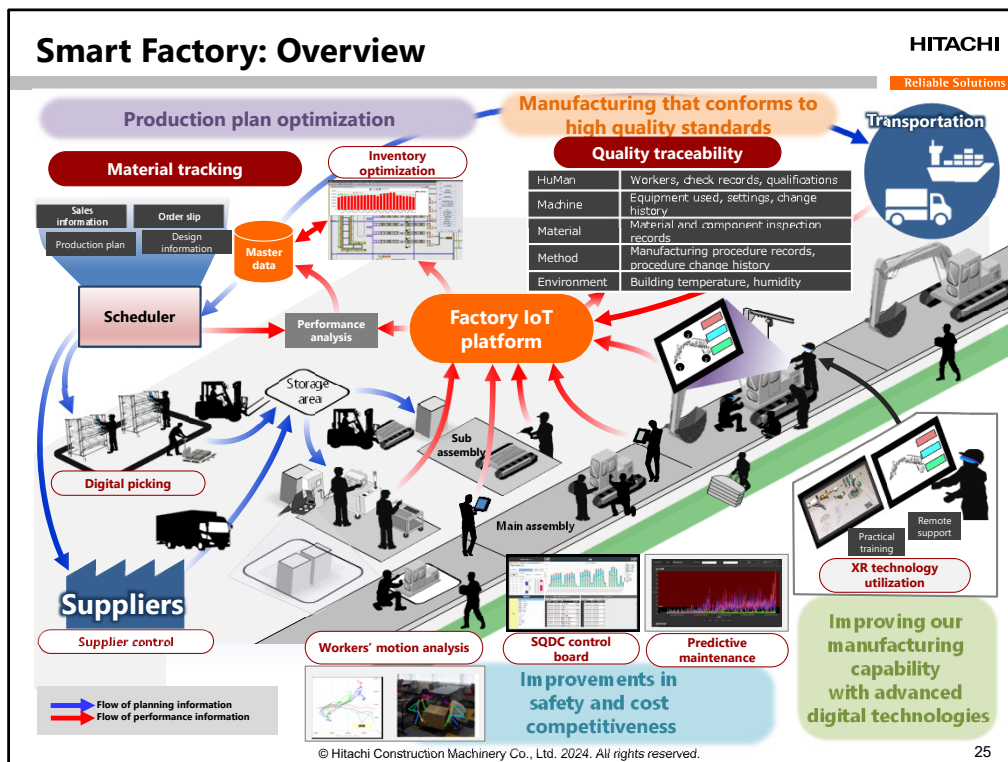


Next, it is also essential to implement reforms in the production process to ensure execution based on the production plan.

Since fiscal 2017, we have established an IoT data platform, and in parallel with the reorganization of our domestic sites, we have created projects at each of our six domestic plants to promote various initiatives. Our goal is to create a production system that meets the needs of our customers by ensuring the delivery of high-quality products in shorter period of time, while further improving safety.

First, we are developing material tracking and product traceability to ensure that manufacturing conforms to high quality standards in the process and to further improve quality. During the current medium-term management plan period, we are also developing initiatives to improve safety and cost competitiveness.

By 2030, we will utilize advanced digital technology to promote the improvement of our manufacturing capabilities.



This is the overview of smart factory.

By utilizing the material tracking platform and the IoT platform, planning and performance are matched and the correct manufacturing process is proven in-process, thereby establishing a system in which quality irregularities do not occur.

Accurate tracking information also enables quality traceability of the incident process in the event of a shopfloor problem, enabling rapid countermeasures to be taken.

The entire production site is monitored, giving a clear view of the departmental profit and loss, facility utilization rates. Information required for management decisions is captured accurately and quickly, leading to optimization of Inventory.

We will make the factory even more attractive, so please look forward to it.

Aims of the DX Strategy

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Reliable Solutions

Provide solutions to realize CIF that aggregate and maximally utilize the data generated by all business processes

CIF perspective **Rapidly respond to changing needs** **Optimal proposal for customers**

Development and production

Sales, rentals, and services



Smart factories



Data-driven proposal activities

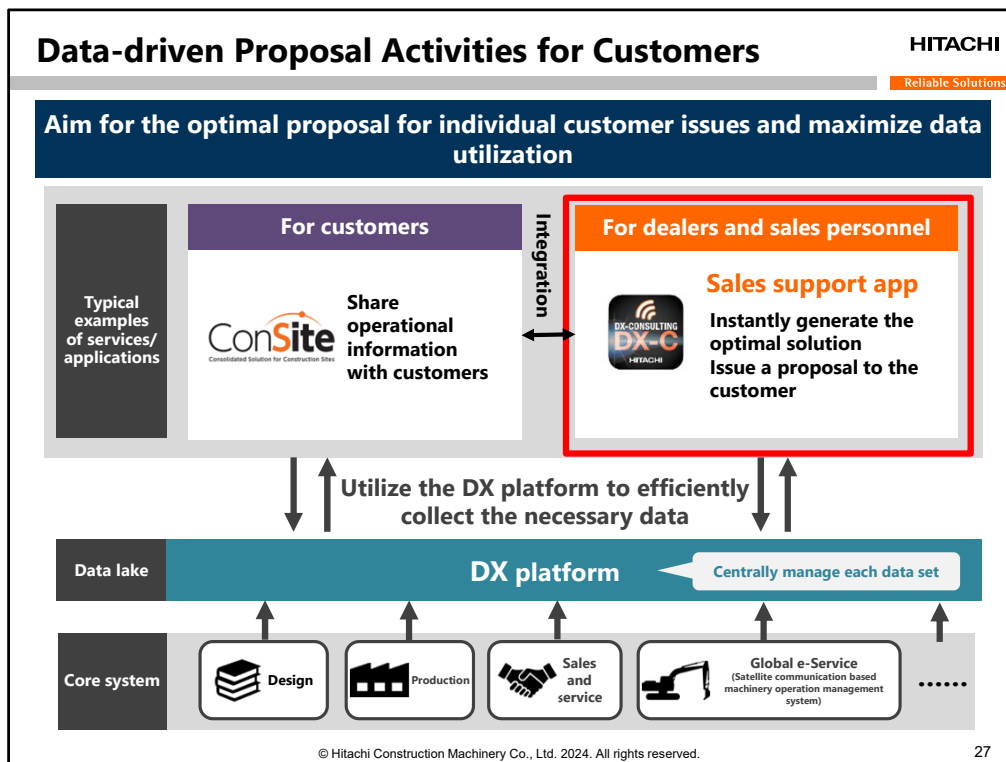


Customer requests and issues

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Next I would like to explain our data-driven proposal activities.



The main focus of our DX strategy is to transform the points of contact with our customers.

The issues faced by customers are extremely diverse. In order to respond to these issues, we are working to efficiently collect the necessary data and utilize it to the maximum extent possible, so that we can create value and make proposals that are tailored to the customer.

Top right shows the application for sales and service staff that have been newly developed in 2022.

This is a sales support tool that enable quick optimal proposals to our customers by consolidating various types of data and AI analysis.

The DX Platform, shown in the middle section, is an environment that makes it easy to develop these applications.

The DX platform consolidates the data from these systems and enables flexible and rapid development by providing APIs in advance.

For the future, we are steadily working on solutions for all kinds of customer problems, such as a fleet management system to manage the entire construction site.

To be able to rapidly provide the optimal proposal for each customer, utilize and apply big data to enhance sales and service capabilities

Application for sales and service personnel

- Aggregates separately managed information and instantly analyzes it with big data and AI
- Enables various proposals according to the customer



- Repair fees have increased, so we **recommend a new machinery!**
- The operation rate is low, why not **trade it in as used equipment?**
- Right now, we can offer **the latest model as a rental machinery**, so what do you think?



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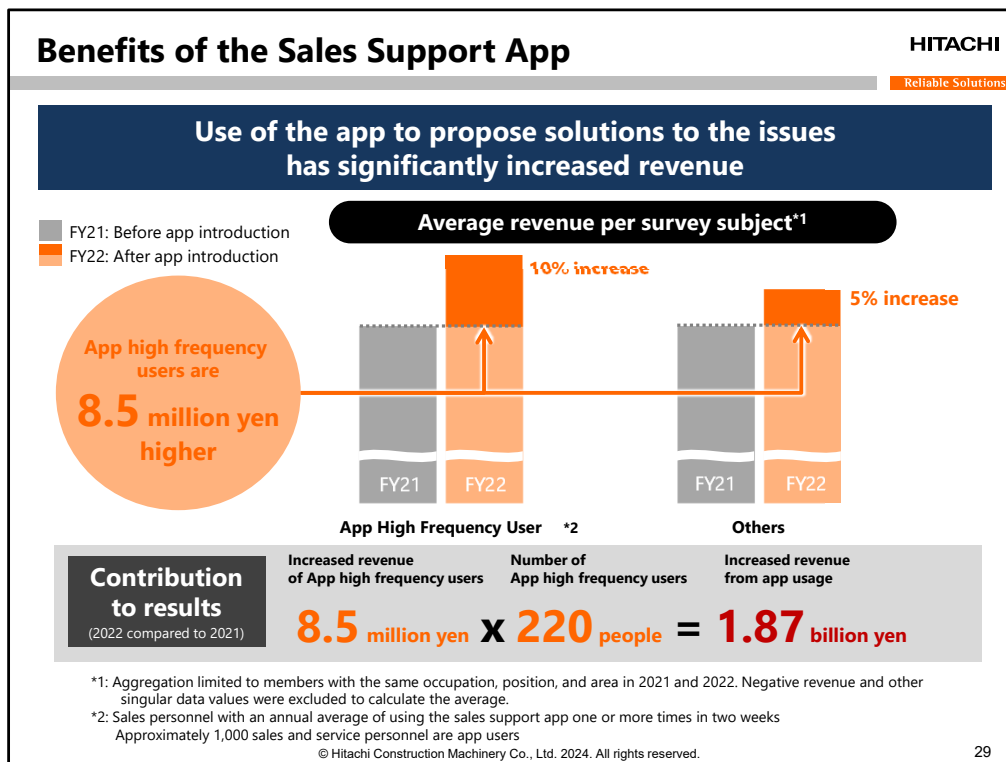
Sales support application was the first application developed utilizing this DX platform.

About 1,000 sales and service staff of Hitachi Construction Machinery Japan, who carry out sales, service and rental in Japan, use this application to provide information and make proposals to customers.

All the information needed for sales activities can be found on one tablet, and it can also be linked to AI analysis based proposal and ConSite apps.

The immediate availability of concrete proposals enables even inexperienced salespeople to negotiate speedily.

The absence of the 'I'll take it back to consider' language also leads to more effective acceptance.



This is an example of how the use of the application has significantly reduced the time taken to respond to a customer's request.

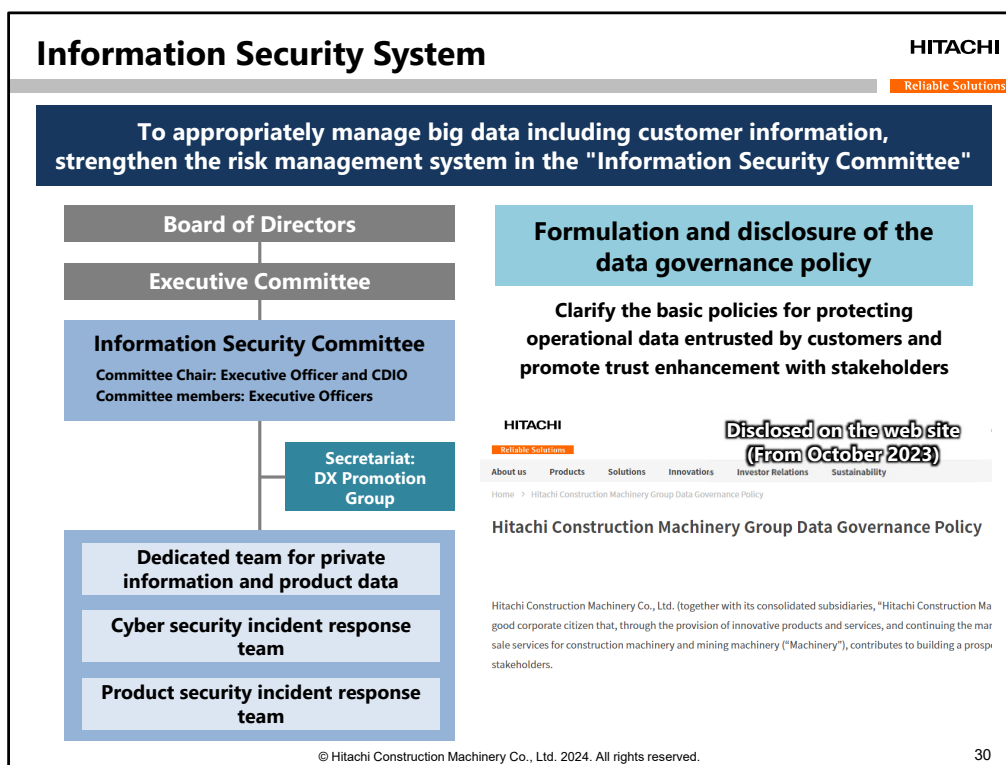
This is an example in Japan, where the system was fully deployed in 2022.

As you can see, the use of the sales support application has resulted in a significant increase in annual sales per user compared to when the application was not used.

Specifically, with 220 high frequency users at this point, this has had the effect of increasing sales by a total of ¥1.87 billion.

Traditionally, we used to do the remaining work after returning to the office, the effective use of these apps has also produced positive results in terms of work style change, such as an earlier end to the working day.

We are currently planning to introduce this kind of sales support overseas, and we believe it will be even more effective in solving individual issues while staying close to our customers.



The establishment of an information security system is also essential to the global implementation of these initiatives.

The Information Security Committee, which is chaired by me as CDIO and appointed by the President, determines the direction of initiatives and various measures concerning information security and protection of privacy.

Three specialized teams have been organized according to risk in order to carry out thorough risk management.

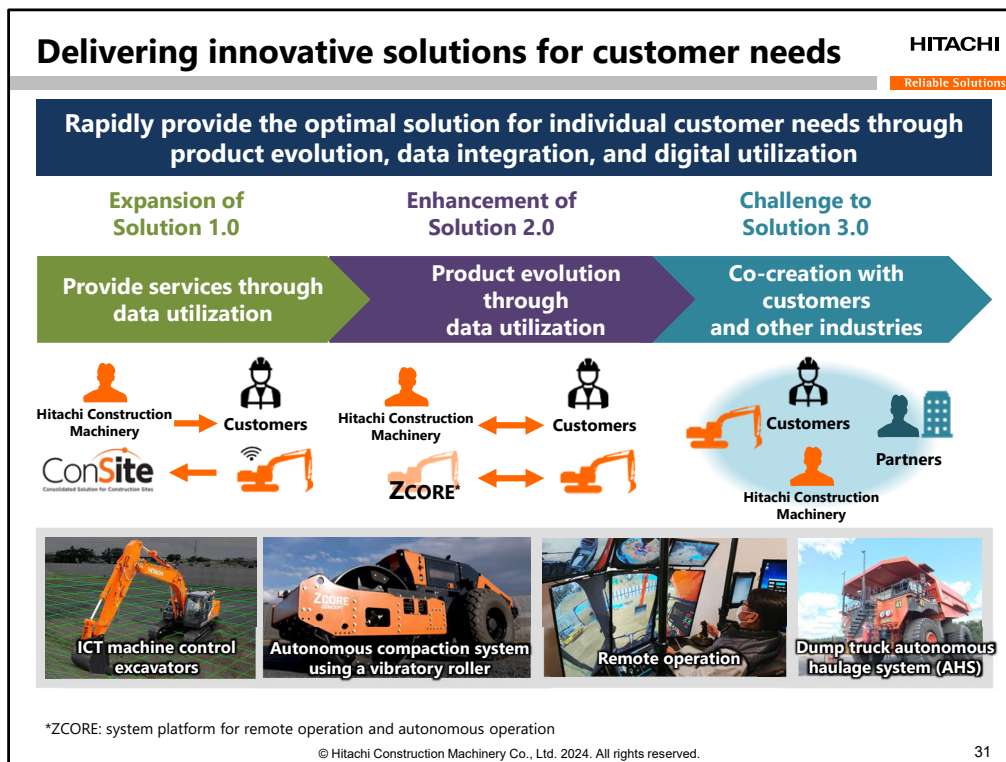
The right-hand side of the document describes our most recent initiatives.

With the advancement of digital technology in recent years, service solutions utilizing customers' machine operating data are becoming increasingly important.

Meanwhile, data protection has become a major concern for customers, with the strengthening of various data-related regulations worldwide, such as those relating to the protection of personal data and privacy.

Against this backdrop, we have formulated our Data Governance Policy in order to further build a relationship of trust with our customers and stakeholders in the use of data.

We will continue to promote various measures, recognizing this as a matter of the highest management priority.



Lastly, I would like to summarize our aim to "deliver innovative solutions".

As the diagram also included in the mid-term plan shows, we have defined 'innovative solutions' in terms of Solutions 1.0 to 3.0.

The sales support application and ConSite explained today are positioned as an extension of Solution 1.0, the data utilization initiatives we have been promoting.

Supporting these initiatives is the DX platform, which I explained earlier.

We will further develop the use of data based on the DX platform and link it to the evolution of our products, such as remote-controlled and automated autonomous construction machinery, in other words Solution 2.0.

Furthermore, by linking people and machinery including partners from different industries through the use of digital technology, we aim to build an ecosystem where everything is connected by data, in other words, Solution 3.0.

We will consider various initiatives towards Solution 3.0, so please stay tuned.

Summary HITACHI
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- **Accelerate and promote DX to realize CIF (Customer Interest First)**
- **Introduce agile methods to cultivate a culture that provides the optimal solutions**
- **Aggregate and maximally utilize the data generated by all business processes and solve individual customer issues with optimal solutions**

Promote the DX strategy and aim for growth as a true solutions provider

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This is the summary.

We are accelerating and promoting DX to realize our CIF.

To this end, we are first of all developing agile methods and scrum teams and fostering a corporate culture that enables us to offer optimal solutions.

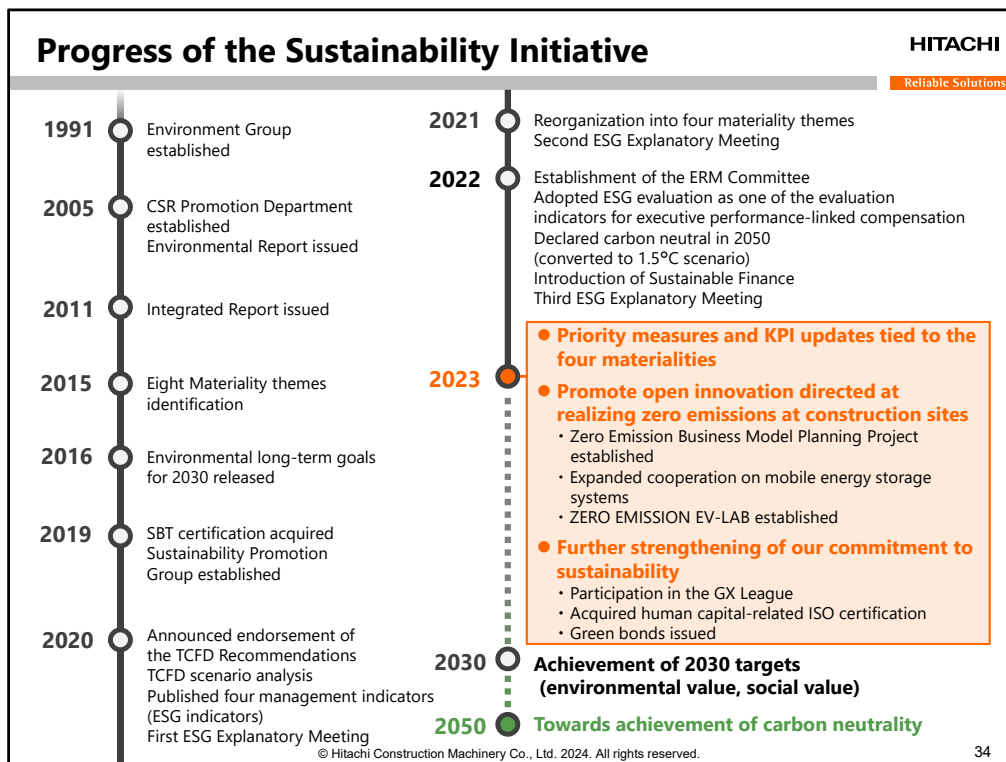
And we will consolidate and maximize the use of the data generated in all business processes and provide the optimum solutions for the individual challenges of our customers.

Ultimately, we aim to grow as a true solution provider, which is the keyword of our growth strategy.

This is the end of my report. This concludes my report. Thank you very much.

3. Progress of the Sustainability Initiative

My name is Tamane from the Sustainability Promotion Group.
I will explain the progress of our sustainability initiatives.



With regard to the progress of our sustainability initiatives, we have implemented a variety of measures over the past year, but today I will mainly focus on the topics shown in orange.

First of all, I would like to report that we have updated our key sustainability measures and KPIs.

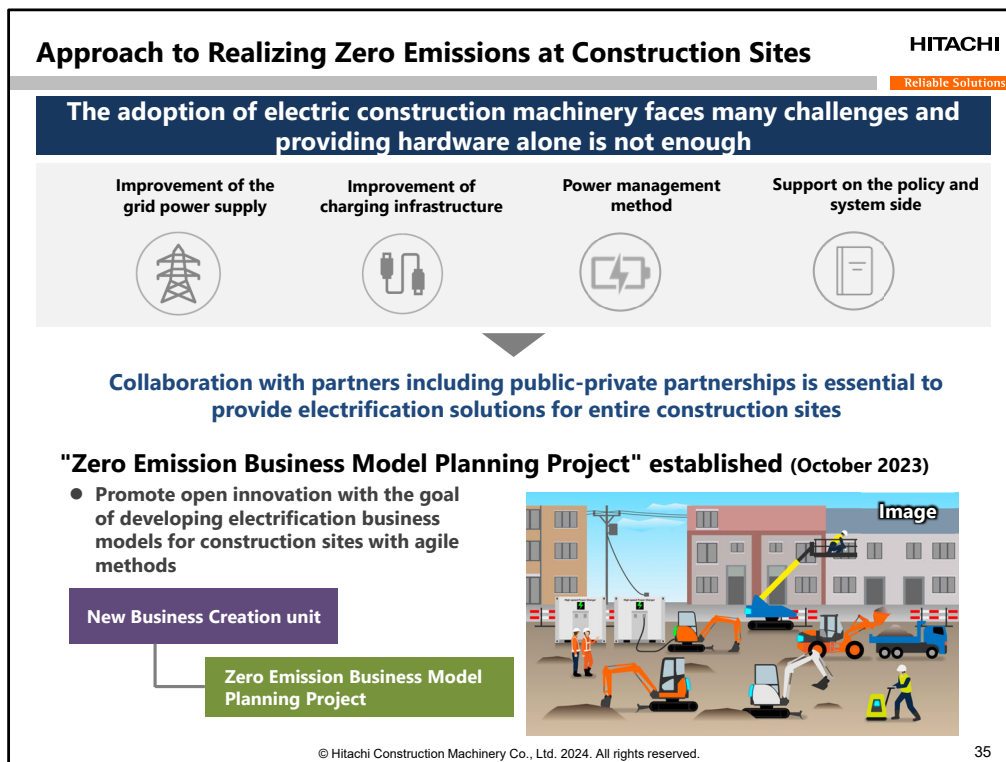
More than three years have passed since we set the key measures and KPIs for addressing the four materialities in the previous medium-term management plan, and the environment surrounding our company has gradually changed.

In order to respond to these changes, we have updated our key measures and KPIs in line with the formulation of the new mid-term plan.

As a result, we believe we are now able to more clearly show our progress towards the realization of sustainability.

For details, please refer to the reference material.

In this chapter, I will mainly explain our efforts to "Promote open innovation directed at realizing zero emissions at construction sites" and "Further strengthening of our commitment to sustainability".



First of all, I would like to talk about "Promote open innovation directed at realizing zero emissions at construction sites"

Before introducing specific initiatives, I would like to give you a brief overview of our approach to achieving zero emissions at construction sites.

We have already developed and marketed four models of electric excavators in the compact construction segment, but penetration rate in the construction and building industry as a whole is low.

This is because there are still many problems on actual construction sites that cannot be solved by providing hardware alone.

In other words, issues related to the customer's power infrastructure and energy management.

Is also necessary to establish government policies and systems that will support customers in order to promote a decarbonized society

To provide solutions to these issues, we recognizes that it is difficult to work alone and it is essential to strengthen cooperation with business partners and public/private partnerships.

With this in mind, we are accelerating collaboration and open innovation initiatives with business partners, and in October 2023 we established a new organization, the Zero Emission Business Model Planning Project, within the New Business Creation Unit.


This project will play a central role in strengthening cooperation with business partners and promoting the collaborative creation of electrification solutions.

Promoting Open Innovation to Realize Zero Emissions at Construction Sites HITACHI
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Accelerating cooperation with business partners aiming for the co-creation of electrification solutions

Expanded cooperation on mobile energy storage systems

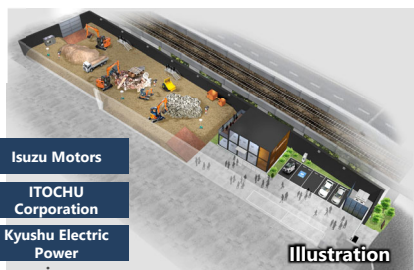
Japanese market	European market
Joint development <div style="background-color: #004a99; color: white; padding: 5px; text-align: center;">Kyushu Electric Power</div>	Sales, rentals <div style="background-color: #004a99; color: white; padding: 5px; text-align: center;">ITOCHU Corporation</div> <div style="background-color: #004a99; color: white; padding: 5px; text-align: center;">Alfen B.V.</div>



Mobile energy storage system from Alfen

Establishment of the ZERO EMISSION EV-LAB (From May 2024)

- Permanent demo area that recreates a construction site and a communication area for visitors
- In addition to electric excavators, mobile energy storage systems, EV trucks, compaction equipment, and carrier dump trucks are scheduled to be installed



Illustration

Partner companies

Isuzu Motors

ITOCHU Corporation

Kyushu Electric Power

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Next, I would like to introduce some specific initiatives for open innovation.

First, at the top, you see cooperation on mobile energy storage system, which is an essential infrastructure for electric construction machinery.

For the Japanese market, we have started joint development with Kyushu Electric Power.

For the European market, we have received financial support and cooperation from ITOCHU Corporation, and will start sales and rental of portable recharging facilities from Alfen in the Netherlands.

Demonstrations of electric construction machinery and Alfen's mobile energy storage system have already been carried out at 8 customer sites in 6 countries, including Sweden and Denmark, and verification testing has already begun.

Moving to the bottom of the slide, the ZEROE MISSION EV-LAB will be set up as a place to realize collaborative creation with business partners.

It will feature a demo area that replicates a site where electric construction machinery and equipment is in operation, and a communication area where visitors can exchange opinions and generate new ideas, allowing us to explore the challenges and possibilities of zero emission on construction sites with customers and partners around the world.

In addition to the companies listed here, we will consider collaborating with a wide range of partners.

Further Strengthening of Our Commitment to Sustainability HITACHI
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Participation in the GX League (from FY2023)



GX (Green Transformation) League

Forum for collaboration between "industry, academia, government, and financial institutions" working to transform the entire economic social system directed at achieving carbon neutrality by 2050 (led by METI)

Full-scale, voluntary trading of emissions between the participating companies is scheduled to start in FY2026

Participation goals	 Cooperation with other companies	 Participation in rule formation	 Subsidies/preferential treatment
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Acquired human capital-related ISO certification (November 2023)

- First machinery manufacturer to acquire ISO 30414 certification, international guidelines for the disclosure of human capital reporting information.
- Issued the "Human Capital Report"
- Strengthen information disclosure, deepen dialogue with stakeholders, and utilize that to improve human capital management



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Next, I would like to discuss our efforts to further strengthen our commitment to sustainability.

Starting from the top, we have joined the GX League.

The GX League is an industry-academia-government-finance collaboration project led by the Ministry of Economy, Trade and Industry with a view to becoming carbon neutral by 2050.

Our participation in the GX League is aimed at strengthening ties with environmentally active companies participating in the GX League, participating in the formation of rules such as emissions trading from an early stage, and enjoying subsidies and preferential treatment in the future.

Furthermore, the status of achievement of emission reduction targets will be publicized on the GX League's information disclosure platform.

We will further strengthen our dialogue with stakeholders.

Next, the lower part, acquisition of human-capital related ISO certification.

We recognize that our human capital strategy is the most important issue for achieving medium- to long-term growth.

We have recently acquired ISO 30414 certification, an international guideline for the disclosure of information on human capital.




In line with this, we have issued our Human Capital Report for the first time.

We are the first machinery manufacturer to acquire this certification and will actively disseminate a variety of information based on the guidelines.

By strengthening information disclosure and deepening dialogue with our stakeholders, we will continuously improve our human capital strategy.

Issuance of a Green Bond

Hitachi Construction Machinery plans to issue a Green Bond as its second sustainable financing initiative

Overview		Purpose of funds (examples)	
Total amount of issue	10 billion yen (planned)	 Development of electrification products	 Expansion of ConSite features
Term of issue	5 years (planned)	 Installation of solar power generation	 Expansion of the remanufacturing business
Issue date	March 2024 (planned)		
Notes	Reporting to be implemented after issuance		

Lastly, I would like to explain our financing through sustainable finance.

Last year, we introduced Positive Impact Finance as our first sustainable financing initiative, and this year we plan to issue Green Bonds for the first time.

The use of the funds will be limited to initiatives that contribute to emission reductions and will be used for investment in the research and development of electrified products and the installation of solar systems, with the aim of realizing zero emissions.

We will report continuously on the status of the appropriation of the funds and impact measurement of emissions reductions and communicate this information.

As explained, we are strengthening our company-wide commitment to sustainability with the aim of realizing a sustainable society.

We will continue to promote our business in order to realize our vision

To pass on a productive environment and prosperous cities to future generations.

This concludes my presentation.

4. Summary

This is Senzaki. I would like to summarize today's presentation.

Conclusion: Main Points of Today's Presentation



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1

Value Creation Strategy of Hitachi Construction Machinery Group

We have formulated a new group identity for our "Second Start-up". We aim to realize a safe and sustainable society through our four materiality initiatives.

2

DX Strategy for Accelerating Value Creation

Organization building/corporate culture reform/specific initiative case examples

Accelerating DX to achieve Customer Interest First (CIF).
We provide the best solution for each customer's issue by using agile methods and data utilization.

3

Progress of the Sustainability Initiative

Expanding collaboration with partners to achieve zero emissions at construction sites.

We strengthen our commitment to sustainability in terms of information disclosure and financing, aim to achieve carbon neutrality.

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In the first chapter, we explained the value creation strategy of Hitachi Construction Machinery Group.

We have formulated a new group identity for our 'Second Start-up', with shared values and codes of conduct for the entire group.

Through the identified Materiality Initiatives, we aim to realize our vision To pass on a productive environment and prosperous cities to future generations. and a safe and sustainable society.

In the second chapter, we explained our DX strategy, main theme of today's presentation.

Under our management stance of CIF, Customer Interest First, we are also aiming to become a 'True Solution Provider' in our medium-term management plan.

In Chapter 3, we explained the progress of our sustainability initiatives in the current year.

There are still many challenges before electric construction machinery can be popularized, and we have explained how we will achieve this and the Zero Emissions EV- Lab that will support this.

Through these efforts, we are promoting ESG management. We have explained our corporate stance to accelerate our efforts to realize carbon neutrality.

That is the end of today's explanation from our company. I would be happy to take your questions after this. Thank you very much for your attention.

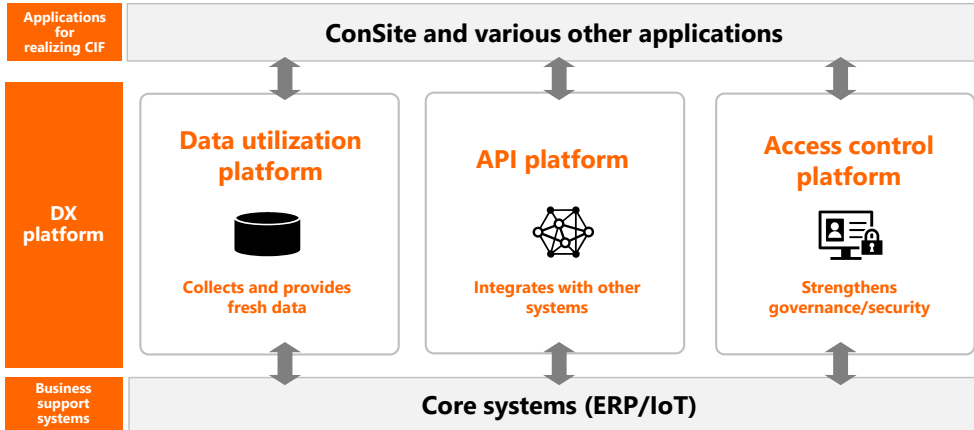
Reference Materials

What is the DX Platform?

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Provides Hitachi Construction Machinery's business data, machine and cloud data with a "data freshness that is close to reality"



Ensure business continuity by strengthening computer cyber security Build a global CSIRT* with the goal of implementing a robust structure

Background: cyber attacks increasing globally and becoming more complex and advanced

Initiative: build a CSIRT to enable early incident detection and early recovery of affected systems by responding under normal and emergency conditions



CSIRT-based cybersecurity response

- Strategy ▶ establish a cyber security structure
- Prevention and discovery ▶ independent planning, preparation, and execution
- Recovery ▶ establish and improve our incident structure



*CSIRT: Computer Security Incident Response Team. Name of an organization that handles computer security-related incidents. CSIRT activities include the constant collection and analysis of incident-related information, vulnerability information, and signs of attack and the formulation of response policy and procedures, etc.

Priority Measures and Company-wide KPIs

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...New or changed KPIs

Materialities	Priority measures	KPIs		FY2022	FY2025	FY2030	
				Results	Targets	Targets	
Product and technology development contributing to climate change mitigation and adaptation 13	Accelerating the development of decarbonization technologies	CO2 reduction	Product use (Scope3, Category11)	CO2 reduction (absolute emissions) : compared to fiscal 2010	▲21.9%	▲22%	▲33%
	Introduce renewable energy and systematically invest in high-efficiency facilities		Production (Scope1+2)	CO2 reduction (absolute emissions) : compared to fiscal 2010	▲33.0%	▲40%	▲45%
Conversion to recycling-oriented business model 12	Developing parts reuse and recycling business, against the backdrop of a circular economy	Resource recycling	Value chain	Growth rate of reused parts (weight basis) via remanufacturing : compared to fiscal 2022	±0%	+40%	+150%
	Reduction of waste		Waste	Recycling rate (Japan)	93.7%	94%	Aiming for 99.5% or higher
Effective use of water resources 6	Effective use of water resources	Regional coexistence through the promotion of a circular economy	Water	Usage reduction (intensity) compared to fiscal 2010	▲31.7%	▲34%	Advanced water recycling usage / Minimization of regional impact
	Develop branded used equipment that is well-maintained and include warranties		Expansion in used equipment business sales revenue : compared to fiscal 2022	Growth rate of certified used equipment*1 under warranty : compared to fiscal 2022	±0%	+8%	Adoption of products that meet regional needs
					±0%	+5%	+10%
	Improving the operation of rental equipment using data		Expansion in sales revenue from the rental business : compared to fiscal 2022	±0%	+30%	Adoption of products that meet regional needs	
	Rental occupancy rate in Japan (total of 3 products*2) : compared to fiscal 2022	±0%	+4%	+9%			

※1 : "PREMIUM USED" is a product brand for used equipment with warranty certified by Hitachi Construction Machinery. These products are provided with warranty only after passing inspection and satisfying set criteria stipulated by Hitachi Construction Machinery Group and authorized dealers.


※2 : Hydraulic Excavators, Mini Excavators, and Wheel Loaders
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Priority Measures and Company-wide KPIs

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... New or changed KPIs

Material ities	Priority measures	KPIs	FY2022	FY2025	FY2030	
			Results	Targets	Targets	
Creating innovative solutions for challenges faced by customers supporting social infrastructure 	Contribute to cooperative construction machinery, operation support systems, and site safety	Improving safety	Functionality to reduce accidents caused by Hitachi Construction Machinery's products	Release assistance equipment designed to reduce collision damage (small-size road construction machines)	Achieve cooperative control between people and machinery	Contribute to "zero" overturn and fatal accidents
	Accelerating the development of automated and remote operation of construction machinery	Increasing productivity	Develop and expand products and system that contribute to increasing productivity	Develop and promote the demonstration test of engine less, full-electric Dump Truck New Model Development Sec. at the Kansani Copper and Gold Mine (Zambia) by the end of FY2023	Disclose information on efforts to develop and expand products and system that contribute to improved Productivity	Aiming for the standardization of automated and labor saving construction machinery
	Reduce life cycle costs through stable construction machinery operations	Reducing life cycle costs	"ConSite Pocket" ^{※3} number of monthly access users	3,619 users	5,500 users	7,000 users
			Number of used equipment status changes ^{※4}	1,356	3,000	4,200
			Engine oil change implementation rate by "ConSite OIL" ^{※5} condition monitoring	77%	80%	90%
Accelerate the development of products and solutions	R&D system	Ratio of R&D costs to sales revenue	1.9%	3% or higher	3% or higher	

※3 : A smartphone app that monitors the status of customer-owned machines to achieve appropriate service support and down time savings. Timely alarm reports are provided by "ConSite Pocket" to realize appropriate preventive maintenance.

※4 : Transferring the machine data on system so that used equipments flowing from other regions can be managed in the area where they are in operation. The status will be changed to extend the life of the machine by strengthening support for used equipment users.

※5 : 24-Hour Monitoring Solution with oil Monitoring sensor. By monitoring the condition with "ConSite OIL" and reliably implementing oil changes, machine failure is prevented.

Priority Measures and Company-wide KPIs

HITACHI

Reliable Solutions

... New or changed KPIs

Materialities	Priority measures	KPIs		FY2022	FY2025	FY2030
				Results	Targets	Targets
Strengthening global governance	Respect for Human Rights in the Value Chain	Respect for human Rights	Participation rate of education on "Business and Human Rights"	94.6%	100%	100%
	Promoting Global Human Resource Management	Global leaders	Leadership training enrollment ratio (global)	84% (total)	100% (total)	100% (total)
5 DIVERSITY	Diversity, Equity & Inclusion (DE&I)	Diversity initiatives	Ratio of managers by gender (Consolidated)	Female 11.2% Male 16.0%	Female 13% Male 15%	Aim for gender parity
			Localization ratio of GM or higher in overseas group companies	72%	75%	87%
8 RISK REDUCTION (CORPORATE GOVERNANCE)	Global occupational safety and health management	Occupational hazards	Zero occupational hazards (compared to the previous FY)	145% (Compared to FY2021)	-50% (Compared to FY2024)	Aim for zero
	Fair and responsible procurement	Fair and responsible procurement	Implementation of supply chain sustainable survey	84%	95%	Aim for 100% recovery through stable operations
	Increased transparency of management decision-making and the process leading to results	Corporate governance	Outside directors, female directors, non-Japanese directors	Outside directors : 6 out of 10 Female directors, non-Japanese directors : 2	Majority of each of Nominating/Compensation and Audit Committee is composed of independent Outside Director.	Shift to a system suitable for strengthening the business and improving governance
	Corporate ethics and Compliance	Eradicate corruption and bribery	Number of corruption and bribery legal violations	0 cases	0 cases	0 cases
Corporate ethics and behavior		Corporate ethics and behavior	Thorough legal compliance in business activities	0 serious violations	0 serious violations	0 serious violations

Cautionary Statement

This material contains forward-looking statements that reflect management's views and assumptions in the light of information currently available with respect to certain future events, including expected financial position, operating results, and business strategies. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured.

Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, changes in the economic conditions in the Company's principal markets; changes in demand for the Company's products, changes in exchange rates, and the impact of regulatory changes and accounting principles and practices.

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