

**HITACHI**

**Reliable Solutions**

# Notice of Convocation of the 60<sup>th</sup> Annual Shareholder's Meeting



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Note: The amounts and number of shares contained in this notice for reference are rounded to the nearest integer.

Note: This document has been translated from part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Securities Code: 6305

June 5, 2024

To Our Shareholders

Masafumi Senzaki  
Representative Executive Officer, President and  
Executive Officer

**Hitachi Construction Machinery Co., Ltd.**  
16-1, Higashiueno 2-chome, Taito-ku, Tokyo

## **Notice of the convocation for the 60<sup>th</sup> Annual Shareholder's Meeting**

Your presence is cordially requested for the 60<sup>th</sup> Annual Shareholder's Meeting of Hitachi Construction Machinery Co., Ltd. (the "Company") that will be held as indicated below.

When convening this general meeting of shareholders, the Company takes measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. (matters for which measures for providing information in electronic format are to be taken) in electronic format, and posts this information as "Notice of the 60<sup>th</sup> Annual Shareholder's Meeting" on the Company's website. Please access the Company's website by using the internet address shown below to review the information.

The Company's website:

<https://www.hitachicm.com/global/en/ir/stock-and-bond/smeeting/>



In addition to posting matters subject to measures for electronic provision on the website above, the Company also posts this information on the website of Tokyo Stock Exchange, Inc. (TSE). To access this information from the latter website, access the TSE website (Listed Company Search) by using the internet address shown below, enter the issuer's name (company name) "Hitachi Construction Machinery" or securities code "6305," and click "Search," and then click "Basic information" and select "Documents for public inspection/PR information." Under "Filed information available for public inspection," click "Click here for access" under "[Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting]."

TSE website (Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>



**If you are unable to attend the Shareholder's Meeting in person, you could exercise your voting rights in writing or via electromagnetic means (the Internet, etc.). Please exercise your voting rights in accordance with the guidance on the following pages.**

This Shareholder's Meeting will be live-streamed in real time on the Internet. Please see the enclosed guide for details.

1. **Date and Time:** Monday, June 24, 2024, at 10:00 a.m. (Japan Standard Time (JST)) (Reception starts at 9:00 a.m.)
2. **Venue:** CYNTHIA, 1<sup>st</sup> basement floor, Tokyo Dome Hotel  
3-61 Koraku 1-chome, Bunkyo-ku, Tokyo

3. **Purpose of the Shareholder's Meeting**

**Matters to be reported:**

The Business Report, the Consolidated Financial Statements, the results of audits of the Consolidated Financial Statements by the Financial Auditor, the results of audits of the Consolidated Financial Statements by the Audit Committee and Non-Consolidated Financial Statements, for the 60<sup>th</sup> fiscal year (from April 1, 2023 to March 31, 2024)

**Matters to be resolved:**

**Proposal:** Election of Ten (10) Directors Due to Expiration of Terms of Office of All Directors

4. **Guide to the Exercise of Voting Rights**

- (1) If there is no indication of approval or disapproval for the proposal after exercising your voting rights in writing (voting card), the Company shall assume you have indicated approval.
- (2) If you exercise your voting rights via electromagnetic means (the Internet, etc.), even if the voting card is returned to us by postal mail, the Company shall treat the vote placed via electromagnetic means (the Internet, etc.) as valid.
- (3) If you exercise your voting rights more than once via electromagnetic means (the Internet, etc.), the latest exercise shall be deemed to be valid.
- (4) Please return the voting card so that it will be received by us **no later than 5:00 p.m. on Friday, June 21, 2024.**
- (5) Please exercise your voting rights via electromagnetic means (the Internet, etc.) **no later than 5:00 p.m. on Friday, June 21, 2024.**
- (6) As provided for in the Company's Articles of Incorporation, you may appoint another shareholder with voting rights in the Company to attend as your proxy. Please note, however, that it is necessary to submit a document evidencing the authority of proxy.
- (7) If you intend to diversely exercise your voting rights, you are requested to notify the Company in writing of your intention to do so and state the reason for this till Thursday, June 20, 2024.
- (8) If you have questions in advance, please forward them to us by accessing the dedicated website (<https://www.soukai-portal.net>) directly or by scanning the two-dimensional code in the lower right corner of the voting rights exercise form, and entering your login ID and password. Questions are accepted until 5:00 p.m. on Friday, June 21, 2024 (JST).

### **Company's Decisions Regarding the Convocation of the Annual Shareholder's Meeting**

- If there are any modifications to the matters subject to measures for electronic provision or paper-based documents stating the matters subject to measures for electronic provision, we will announce them on our website and on the TSE website (Listed Company Search).
- Among the matters subject to measures for electronic provision, in accordance with the provisions of laws and regulations and Article 14 of the Articles of Incorporation of the Company, the following matters are not provided in the paper-based documents delivered to shareholders who have made a request for delivery of such documents.
  - Business Report (Financing Activities [Major Borrowings], Principal Businesses, Principal Business Locations, Employees, Matters Concerning Outside Directors and Audit Committee Members, Matters Concerning the Company's Stock, Financial Auditor, Policy on Decisions for Dividends of Surplus, and System to Ensure the Appropriateness of Operations and the Operational Status of the Relevant System)

These matters are included in the Business Report that has been audited by the Audit Committee in preparing its audit report.

- Notes to the Consolidated Financial Statements in the Consolidated Financial Statements
- Notes to the Non-Consolidated Financial Statements in the Non-Consolidated Financial Statements

These matters are included in the Consolidated Financial Statements and Non-Consolidated Financial Statements that have been audited by the financial auditors in preparing their accounting auditor's report.

**The Company's website** <https://www.hitachicm.com/global/en/>

## **Guidance for Exercising Voting Rights**

You are able to exercise your voting rights for the Shareholder's Meeting by either of the following methods.

### **If you intend to attend the Shareholder's Meeting in person**

#### **Attending the Shareholder's Meeting**

Please submit the voting card at the reception desk. We also ask that you bring this notice for reference during the Shareholder's Meeting.

Date and Time: Monday, June 24, 2024, at 10:00 a.m. (JST)

### **If you do not intend to attend the Shareholder's Meeting in person**

#### **In the event of posting the voting card**

Please indicate your vote for or against the proposal on the voting card and return it by post. Voting Deadline:  
**To be received by Friday, June 21, 2024 at 5:00 p.m. (JST)**

#### **Via the Internet**

Please access the "Website for Exercising Voting Rights" using a PC or a smartphone, etc., refer to the "Guidance for Exercising Voting Rights via the Internet, Etc." on the next page and register "for" or "against" for each agenda item. Voting Deadline: **Friday, June 21, 2024 at 5:00 p.m. (JST)**

## Guidance for Exercising Voting Rights via the Internet, Etc.

### By scanning the QR code, “Smart Exercise”

1. Scan the “QR code for logging into the portal site for the Shareholders’ Meeting” in the lower right corner of the voting rights exercise form.  
\* “QR code” is a registered trademark of DENSO WAVE INCORPORATED.
2. You can check the agenda information, company information, etc. in an easy-to-read format on your smartphone.  
Click the “Voting Rights Exercise” button at the top of the screen to open the screen for voting rights exercise.
3. Please follow the instructions on the screen to enter “for” or “against” with respect to proposal. When the “Speaker’s greetings complete” screen appears, the voting process is complete.

### **Note that your voting rights can be exercised only once by using the “Smart Exercise” method.**

If you need to make a correction to the content of your vote after you have exercised your voting rights, please access the website for personal computer and log in by entering your “Voting Rights Exercise Code” and “Password” printed on the voting rights exercise form, and exercise your voting rights again.

\* You can access the website for personal computer by scanning the QR Code again.

### How to enter “Voting Rights Exercise Code” and “Password”

Website for Exercising Voting Rights  
<https://www.tosyodai54.net>

1. Please access the Website for Exercising Voting Rights.
2. Please enter the “Voting Rights Exercise Code” shown on the voting rights exercise form.
3. Please enter the “Password” shown on the voting rights exercise form.
4. Please then follow the instructions on the screen to enter “for” or “against.”

If you have a question on how to use a PC, smartphone or mobile phone for the exercise of voting rights via the Internet, please contact the organization on the right.

**Tokyo Securities Transfer Agent Co., Ltd.**  
Phone: **0120-88-0768** (toll free)  
Business hours: 9:00 a.m. – 9:00 p.m. (JST)

For institutional investors

The electronic voting platform for institutional investors operated by ICJ Inc. may be used as a means of exercising voting rights for the Company’s Shareholder’s Meeting.

- Please note that communication expenses incurred when accessing the Website for Exercising Voting Rights should be borne by yourself.
- Please note that there may be cases where you are not able to exercise your voting rights depending on the device you use.

## Reference Documents for the Shareholder's Meeting

For exercising your voting rights (reference)

### Management Policy and Group Identity

#### Management policy of Hitachi Construction Machinery Group

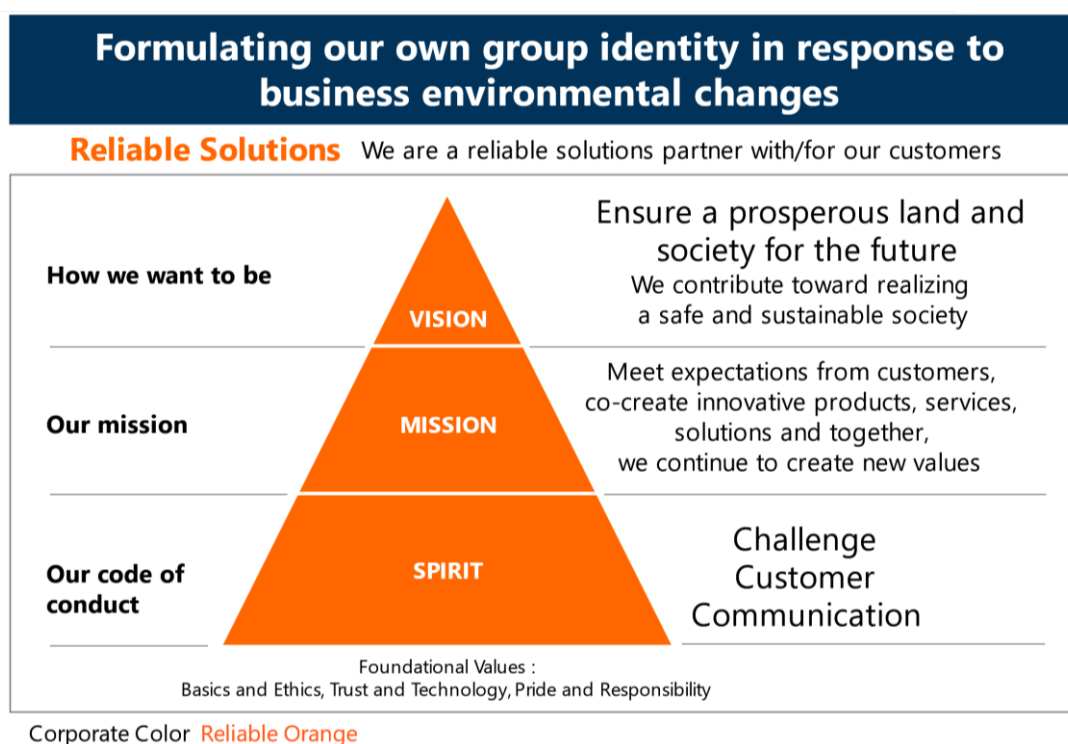
The Hitachi Construction Machinery Group has set forth the vision: “Ensure a prosperous land and society for the future. We contribute toward realizing a safe and sustainable society.” Under our spirit, “Challenge, Customer, and Communication,” which is the Group’s shared code of conduct, all of our employees continue to create new value together with our customers by meeting their expectations and co-creating innovative products, services, and solutions as “reliable solutions partner with/for our customers.”

By doing so, we seek to strengthen our business competitiveness and group management capabilities; improve our profitability and ability to generate cash; and realize the building of a sustainable society and business growth with SDGs, ESG and other management issues, with the aim of increasing corporate value and further enhancing shareholder value.

#### Group identity of Hitachi Construction Machinery

We have formulated our “group identity of Hitachi Construction Machinery,” which defines how we want to be, our mission, and other things.

We strive to swiftly respond to the expectations of our customers and address the issues they are confronting. Based on outstanding technologies, we will thus deliver innovative products, services and solutions through co-creation with our customers and alliance partners. Through these endeavors, we will create new value to “ensure a prosperous land and society for the future” in line with our vision, thereby contributing to the realization of a safe and sustainable society.



## Corporate Governance Initiatives

### Basic policies

The Company aims to improve its corporate value over the medium to long term by putting the Hitachi Construction Machinery Group's management policy, group identity, etc., into practice.

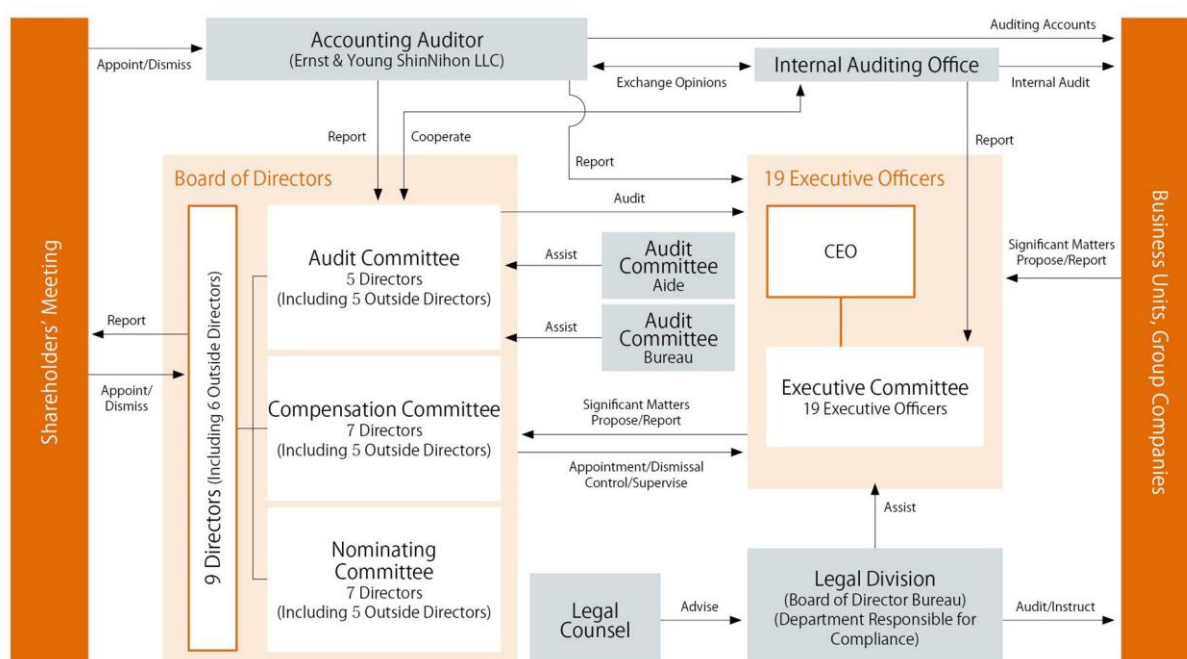
In order to ensure highly fair and transparent management while building an operational system that facilitates the prompt and sound execution of such management strategies, the Company has adopted a corporate organizational system based on a structure for company with Nominating Committee, etc., with the aim of strengthening its system of corporate governance through this separation of management oversight from business execution.

[Hitachi Construction Machinery's Corporate Governance]

<https://www.hitachicm.com/global/en/sustainability/governance/corpgovernance/>

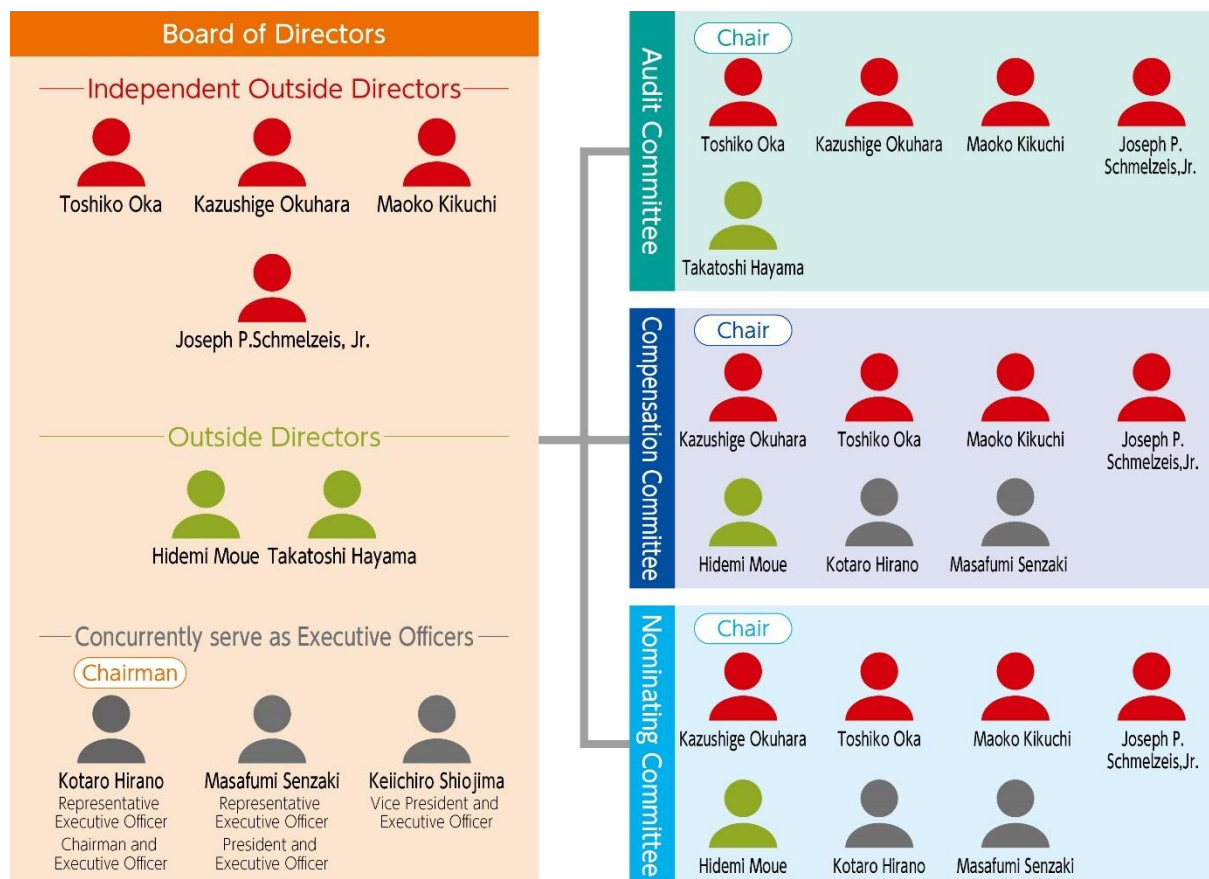
### Corporate governance system (as of March 31, 2024)

#### ■ Corporate Governance System





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



### POINT 1

All committees are chaired by Independent Outside Directors.

The Company ensures the independence of discussions by appointing Independent Outside Directors who are independent of both the management and major shareholders as the chairs.

### POINT 2

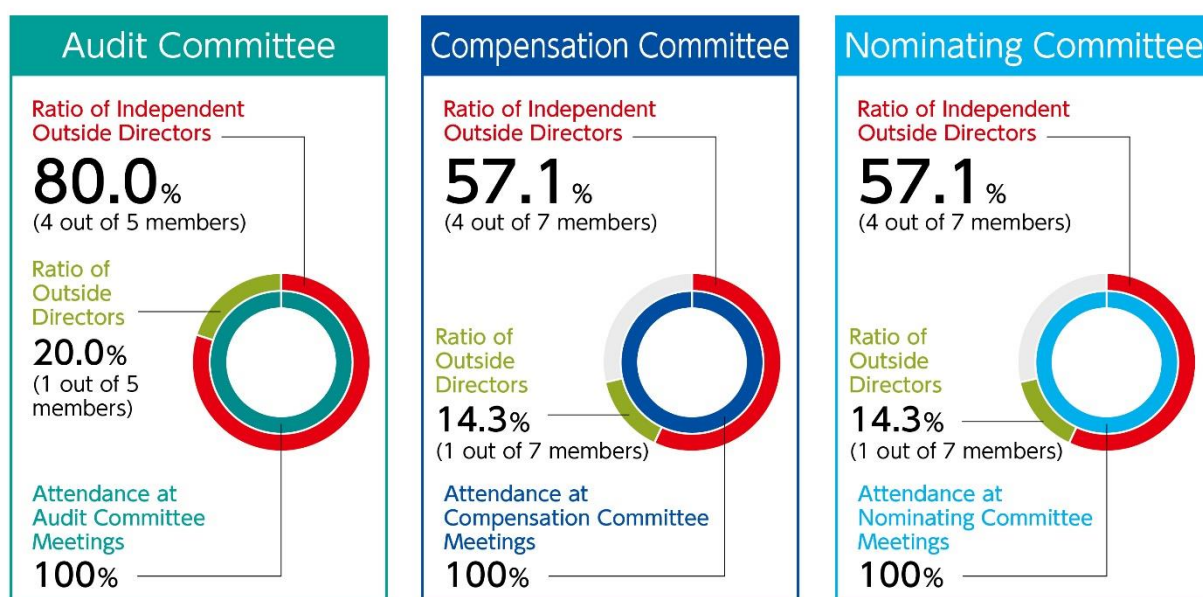
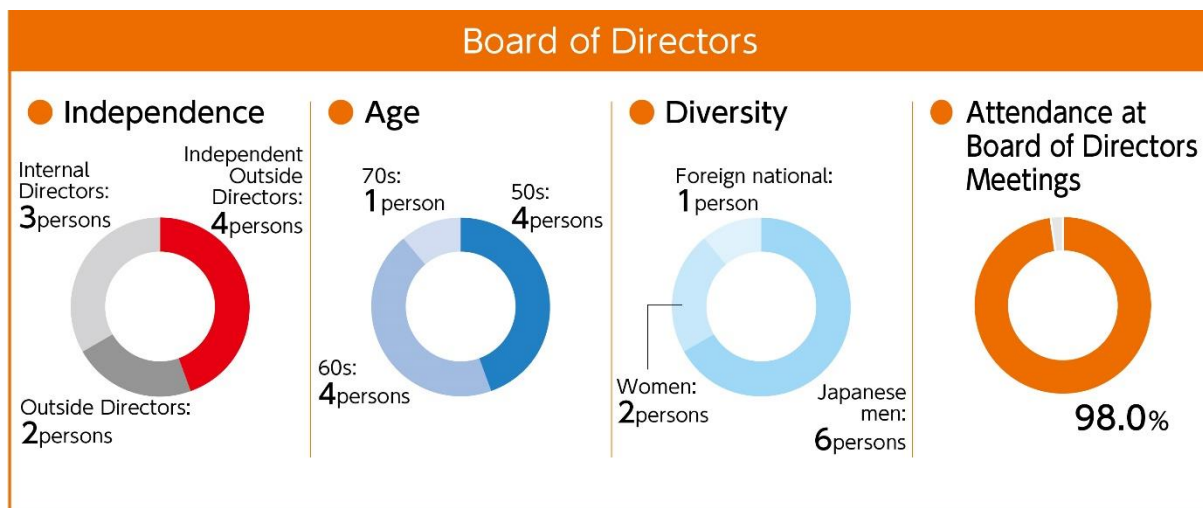
Majority of each committee consists of Independent Outside Directors

To further ensure management transparency and objectivity, a majority of each committee consists of Independent Outside Directors.

### POINT 3

Well-balanced composition of the Board of Directors

The Company supervises the management to maximize the common interests of shareholder by appointing executive officers of major shareholders as Directors (= Outside Directors). At the same time, the Company appropriately protects the interests of minority shareholders by appointing multiple Independent Outside Directors to ensure that Outside Directors concurrently serving as executive officers of major shareholders do not take actions that damage the interests of minority shareholders.



\*Because one Independent Outside Director resigned during the term of office, the current number of Independent Outside Directors is four. The figures in the above graph is calculated based on the number of Independent Outside Directors as of March 31, 2024.

## **Details of Deliberations and Activities of the Board of Directors and Committees (FY2023)**

### **Board of Directors**

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

The Board of Directors makes decisions on basic management policies, sets the direction of corporate strategy from a medium- to long-term perspective, and provides highly effective supervision of business execution from an objective standpoint. In addition, the Board of Directors comprises a majority of Outside Directors who have specialist knowledge, abundant experience and an international outlook. They ask questions and provide advice from a variety of perspectives on the execution of the Executive Officers' duties and discuss in a free and open-minded manner.

<Details of deliberations and activities in FY2023>

- Management policy
- Execution system
- M&A projects
- Reports on the status of business execution for each quarter
- Reports on the status of execution of duties by each committee
- Items for resolution based on statutes and the Company's rules, etc.

### **Audit Committee**

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

The Audit Committee audits whether the execution of duties by Directors and Executive Officers complies with laws and regulations, the Company's Articles of Incorporation and basic management policies, and is carried out efficiently.

In cooperation with the Financial Auditor and the Internal Auditing Division, the committee monitors the status of the development and operation of the financial, accounting and internal control systems, etc.

\*The Companies Act requires companies with a nominating committee, etc., to have a majority of outside directors on each committee. The Company's Group Governance Guidelines stipulate that a majority of the Audit Committee members should consist of Independent Outside Directors as a minimum line to further strengthen supervisory function.

< Details of deliberations and activities in FY2023>

- Exchange of opinions with Representative Executive Officers and interviews on the execution of duties by Executive Officers and heads of business units
- Hearings on the status of business execution at domestic and overseas Group companies
- Hearings on the results of internal audits and the status of internal control development and operation
- Environmental and quality compliance audits, other compliance-related hearings
- Attendance at important meetings by Assistants to the Audit Committee and review of approval documents and other documents, etc.

## **Compensation Committee**

### **Chair: Kazushige Okuhara (Independent Outside Director)**

The Compensation Committee has the authority to determine compensation for the respective Directors and Executive Officers, and relative matters.

The committee identifies issues and items for consideration in compensation for Executive Officers, revises the policy for determining the content of compensation, etc., for Directors and Executive Officers, and deliberates on the incentive plan, for Executive Officers, etc.

< Details of deliberations and activities in FY2023 >

- Basic policy on compensation, etc., for Executive Officers
- Composition and level of compensation, etc., for Executive Officers
- Evaluation items for the performance-linked bonus for Executive Officers
- Evaluation results of performance-linked bonus for Executive Officers, etc.

## **Nominating Committee**

### **Chair: Kazushige Okuhara (Independent Outside Director)**

The Nominating Committee has the authority to determine proposals submitted to the shareholder's meetings for the election and dismissal of Directors, and relative matters.

The committee reviews the composition of the Board of Directors, examines and confirms the expertise and experience of candidates for Directors using the skills matrix established by the Company, and provides supervision, etc., on the plans (development and selection) of the management and candidates for Executive Officers.

< Details of deliberations and activities in FY2023 >

- Development of candidates for Executive Officers
- Execution system
- Definition of requirements for appointment of Directors (skills matrix, composition)
- Election of candidates for Directors, etc.

## Skills Required of Directors and Details

The Company selected the skills required for management strategies, including the management policy, group identity and medium-term management plan of the Hitachi Construction Machinery Group, and appoints candidates for Directors who have a diverse background covering each skill widely.

Details of each skill selected by the Company and the reasons for selecting the skills are as follows.

Skill	Details of the skill	Why we selected the skill
International management	Business experience outside Japan or management experience in a company operating globally	We believe that this skill is required in order to quickly make management decisions that require an international perspective and an understanding of geopolitical risks, as the Company works to <b>expand business in the Americas, while its overseas sales account for more than 80% of total sales.</b>
Research and development	Specialized knowledge and experience in the field of research and development that enables co-creation of innovative products, services, and solutions	We believe that this skill is required in order to supervise the strategic planning and establishment of a system <b>to continuously provide innovative products and solutions</b> that can respond to changes in the environment, such as the decline in the working population and manpower saving in the construction industry.
Quality control, production and procurement	Specialized knowledge and experience in the fields of quality control, production, and procurement	We believe that this skill is required in order to supervise the strategic planning and establishment of a system to continuously <b>improve productivity</b> and provide <b>high-quality products and solutions</b> to our customers.
Sales and service	Specialized knowledge and experience in accurately grasping the global business environment and customer orientation, which enables us to develop sales and marketing strategies in advance	We believe that this skill is required in order to supervise the strategic planning and establishment of a system to continuously be <b>“a reliable solutions partner with/for our customers”</b> who is always close to our customers and accurately understands their needs.
IT and digital	Specialized knowledge and experience in the use and application of digital technologies	We believe that this skill is required in order to supervise the strategic planning and establishment of a system to achieve the <b>expansion of the value chain business</b> through the use of digital technology, as well as to promote digital transformation (DX) within the Company.
Finance and accounting	Specialized knowledge and experience in the field of financial accounting for sustainable improvement of corporate value	We believe that this skill is required in order to supervise the development of a capital policy and establishment of a system based on management strategies while conducting accurate financial reporting.
M&A	Specialized knowledge and experience in growth investment for sustainable improvement of corporate value	We believe that this skill is required in order to supervise the strategic planning and establishment of a system to <b>collaborate with partner companies around the world, including those in different industries</b> , as globalization progresses and our value chain business expands.
Legal and compliance	Specialized knowledge and experience in the field of legal and compliance to support sustainable business growth	We believe that this skill is required in order to promote and supervise the establishment of a compliance system to exercise a proper management-monitoring function and to comply with laws, regulations and corporate ethics, in accordance with our fundamental values <b>“Basics and Ethics.”</b>
Human resources, human rights and personnel development	Specialized knowledge and experience in the field of human resources, human rights, and personnel development to support sustainable business growth	We believe that this skill is required in order to supervise the strategic planning and establishment of a system to strengthen human resources and corporate capabilities and realize Hitachi Construction Machinery’s human capital management <b>“Where every Kenjin can be themselves in Harmony.”</b>

## **Skills Matrix of Candidates for Directors**

The skills matrix of each Director if the proposal is approved as proposed is as follows.

No.	Name	Current position and responsibilities in the Group	Candidate's attributes	Number of years in office
1	Masaaki Ito	–	Candidate for Outside Director Candidate for Independent Director	–
2	Toshiko Oka	Independent Outside Director/Audit Committee (Chair)/Compensation Committee Member/ Nominating Committee Member	Candidate for Outside Director Candidate for Independent Director	3
3	Kazushige Okuhara	Independent Outside Director/Audit Committee Member/Compensation Committee (Chair)/ Nominating Committee (Chair)	Candidate for Outside Director Candidate for Independent Director	8
4	Maoko Kikuchi	Independent Outside Director/Audit Committee Member/Compensation Committee Member/ Nominating Committee Member	Candidate for Outside Director Candidate for Independent Director	4
5	Joseph P. Schmelzeis, Jr.	Independent Outside Director/Audit Committee Member/Compensation Committee Member/ Nominating Committee Member	Candidate for Outside Director Candidate for Independent Director	1
6	Takeshi Fujisawa	–	Candidate for Outside Director	–
7	Hidemi Moue	Outside Director/Compensation Committee Member/Nominating Committee Member	Candidate for Outside Director	2
8	Keiichiro Shiojima	Vice President and Executive Officer, Director /CFO/General Manager of the Finance Division		3
9	Masafumi Senzaki	Representative Executive Officer/President and Executive Officer, Director/COO/supervising the Internal Auditing Office, health and safety, compliance, quality assurance and the consolidated inventory optimization project/Compensation Committee Member/ Nominating Committee Member		1
10	Kotaro Hirano	Representative Executive Officer/Chairman and Executive Officer, Director/CEO/Compensation Committee Member/Nominating Committee Member		7

\*The number of years in office is as of the conclusion of the 60<sup>th</sup> Annual Shareholder's Meeting to be held on June 24, 2024.

	Main areas of professional experience/Areas where each candidate is expected to contribute								
	International management	Research and development	Quality, production and procurement	Sales and service	IT and digital	Finance and accounting	M&A	Legal and compliance	Human resources, human rights and personnel development
	●	●	●				●		
	●					●	●		●
	●		●	●				●	●
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**Proposal: Election of Ten (10) Directors Due to Expiration of Terms of Office of All Directors**

In accordance with Article 332 of the Companies Act, the terms of office of all nine (9) Directors will expire at the conclusion of the Shareholder's Meeting. In addition, one (1) Director ceased to be a Director of the Company on February 9, 2024, due to his death. Accordingly, the Company proposes the election of ten (10) Directors based on the decision to propose their election by the Nominating Committee. It should be noted that under the provisions of the Company's Articles of Incorporation the election of Directors is not conducted by cumulative voting.

If the proposal is approved as originally proposed, seven (7) of the ten (10) Directors will be Outside Directors (including five (5) Independent Outside Directors). We believe that this will enable us to continue to fulfill our supervisory function with a high degree of independence and fairness.

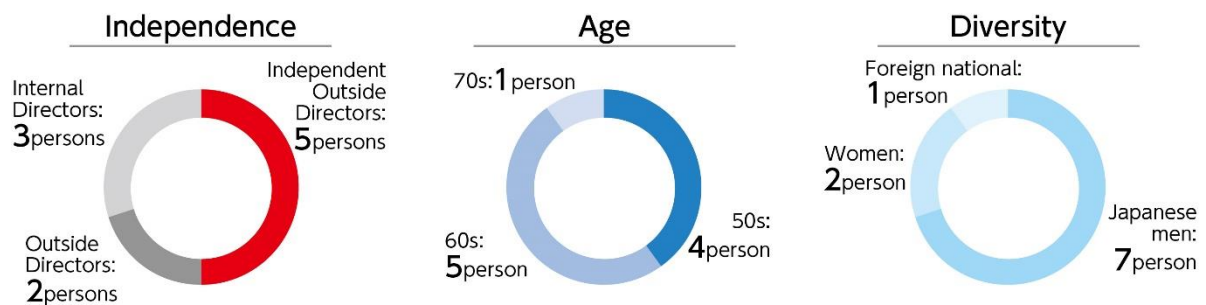
The backgrounds, etc. of the candidates for Director are as follows. All of the candidates for Director have accepted in advance to be a Director, if they are elected at the Shareholder's Meeting.

Candidate No. / Name			Current position and responsibilities at the Company and Committee to which the Director belongs	
1	Masaaki Ito	New appointment Candidate for Outside Director Candidate for Independent Director	—	
2	Toshiko Oka	Reappointment Candidate for Outside Director Candidate for Independent Director	Independent Outside Director	Audit Committee (Chair) Compensation Committee Nominating Committee
3	Kazushige Okuhara	Reappointment Candidate for Outside Director Candidate for Independent Director	Independent Outside Director	Audit Committee Compensation Committee (Chair) Nominating Committee (Chair)
4	Maoko Kikuchi	Reappointment Candidate for Outside Director Candidate for Independent Director	Independent Outside Director	Audit Committee Compensation Committee Nominating Committee
5	Joseph P. Schmelzeis, Jr.	Reappointment Candidate for Outside Director Candidate for Independent Director	Independent Outside Director	Audit Committee Compensation Committee Nominating Committee



Candidate No. / Name			Current position and responsibilities at the Company and Committee to which the Director belongs	
6	Takeshi Fujisawa	New appointment Candidate for Outside Director	—	
7	Hidemi Moue	Reappointment Candidate for Outside Director	Outside Director	Compensation Committee Nominating Committee
8	Keiichiro Shiojima	Reappointment	Director and Executive Officer	—
9	Masafumi Senzaki	Reappointment	Director and Executive Officer	Compensation Committee Nominating Committee
10	Kotaro Hirano	Reappointment	Director and Executive Officer	Compensation Committee Nominating Committee

#### Organizational structure after the Annual Shareholder's Meeting on June 24, 2024 (planned)



No.	Name	Position and responsibilities at the Company, Career summary and other principal positions held
1	<p><b>Masaaki Ito</b> (June 23, 1957)</p> <p>[Candidate for Independent Director]</p> <p>[Candidate for Outside Director]</p> <p>[New appointment]</p> <p>Share Ownership —</p> <p>Term of office as Director —</p>	<p><b>Position and responsibilities at the Company</b></p> <p>—</p> <p>Attendance at Board of Directors Meetings on FY2023: —</p> <p>Attendance at Audit Committee Meetings in FY2023: —</p> <p>Attendance at Compensation Committee Meetings in FY2023: —</p> <p>Attendance at Nominating Committee Meetings in FY2023: —</p> <p><b>Expertise possessed by the candidate</b></p> <p>International management</p> <p>Research and development</p> <p>Quality, production and procurement</p> <p>M&amp;A</p> <p><b>Career summary and other principal positions held</b></p> <p>4/1980    Joined Kuraray Co., Ltd.</p> <p>4/2010    General Manager, Methacrylate Division, Chemicals Company</p> <p>6/2012    Executive Officer</p> <p>4/2013    Vice President, Functional Materials Company</p> <p>6/2013    Managing Executive Officer</p> <p>4/2014    Officer Responsible for Corporate Management Planning Division and CSR Division</p> <p>6/2014    Director</p> <p>1/2015    Representative Director and President</p> <p>1/2021    Chairman and Director (to present)</p> <p><b>Reason for the election of candidate for Outside Director, overview of expected roles, etc.</b></p> <p>As the top executive of an international manufacturing company, he has experience in production and research and development as well as deep insight in the fields of corporate planning, CSR, etc. The Company nominates him as a candidate for Outside Director so that he can provide advice on the Company's overall management and supervise the execution of duties by Executive Officers from an independent position, utilizing his extensive experience in business and management.</p> <p><b>Message from the candidate</b></p> <p>In various decision-making processes in the course of the Company's business operations, I will do my part as an oversight function not only from the perspective of compliance and governance but also from the perspective of corporate social responsibility and contributions. At the same time, I will strive to provide appropriate advice to meet the expectations of all our stakeholders, including our shareholders. I will also work to make recommendations from the perspective of ensuring the rights of shareholders and the substantive equality in exercising those rights as my important role.</p>

No.	Name	Position and responsibilities at the Company, Career summary and other principal positions held
2	<p><b>Toshiko Oka</b> (March 7, 1964)</p> <p>[Candidate for Independent Director]</p> <p>[Candidate for Outside Director]</p> <p>[Reappointment]</p> <p>Share Ownership 475 shares</p> <p>Term of office as Director 3 years (*as of the conclusion of this Annual Shareholder's Meeting)</p>	<p><b>Position and responsibilities at the Company</b> Independent Outside Director, Nominating Committee Member, Audit Committee (Chair), Compensation Committee Member</p> <p>Attendance at Board of Directors Meetings on FY2023: 12/12 (100%)</p> <p>Attendance at Audit Committee Meetings in FY2023: 13/13 (100%)</p> <p>Attendance at Compensation Committee Meetings in FY2023: 5/5 (100%)</p> <p>Attendance at Nominating Committee Meetings in FY2023: 4/4 (100%)</p> <p><b>Expertise possessed by the candidate</b></p> <p>International management</p> <p>Finance and accounting</p> <p>M&amp;A</p> <p>Human resources, human rights and personnel development</p> <p><b>Career summary and other principal positions held</b></p> <p>4/1986    Joined Tohmatsu Touche Ross Consulting Limited</p> <p>7/2000    Joined Asahi Arthur Anderson Limited</p> <p>4/2005    President and Representative Director, ABeam M&amp;A Consulting Ltd.</p> <p>4/2016    Partner, PwC Advisory LLC</p> <p>6/2016    Outside Director, Hitachi Metals, Ltd. (currently Proterial, Ltd.)</p> <p>6/2018    Outside Director, Sony Group Corporation (to present)</p> <p>6/2019    Outside Director, Happinet CORPORATION (to present)</p> <p>6/2020    Outside Director, ENEOS Holdings, Inc. (to present)</p> <p>4/2021    Professor, Graduate School of Global Business, Meiji University (to present)</p> <p>6/2021    Outside Director, the Company (to present)</p> <p>3/2024    Outside Director, Earth Corporation (to present)</p> <p><b>Reason for the election of candidate for Outside Director, overview of expected roles, etc.</b></p> <p>She has experience as the top executive of a consulting firms, knowledge and deep insight in M&amp;A and human resource development. The Company again nominates her as a candidate for Outside Director so that she can provide advice on the Company's overall management and supervise the execution of duties by Executive Officers from an independent position, utilizing her extensive experience in business and management. It should be noted that she has served as an Outside Director of the Company since June 2021, and her term of office will be three (3) years at the close of the 60<sup>th</sup> Annual Shareholder's Meeting.</p> <p><b>Message from the candidate</b></p> <p>As an Independent Outside Director, I have closely witnessed the Company's efforts to be a "reliable solutions partner with/for our customers." As the future business environment is expected to change and diversify at an unprecedented pace, issues we must address will also become more diverse and sophisticated. Based on my more than 20 years of experience in M&amp;A consulting, I will put my efforts into contributing to the enhancement of our Company's corporate value.</p>

No.	Name	Position and responsibilities at the Company, Career summary and other principal positions held
3	<p><b>Kazushige Okuhara</b> (January 27, 1948)</p> <p>[Candidate for Independent Director]</p> <p>[Candidate for Outside Director]</p> <p>[Reappointment]</p> <p>Share Ownership 8,191 shares</p> <p>Term of office as Director 8 years (*as of the conclusion of this Annual Shareholder's Meeting)</p>	<p><b>Position and responsibilities at the Company</b> Independent Outside Director, Nominating Committee (Chair), Audit Committee Member, Compensation Committee (Chair)</p> <p>Attendance at Board of Directors Meetings on FY2023: 12/12 (100%)</p> <p>Attendance at Audit Committee Meetings in FY2023: 13/13 (100%)</p> <p>Attendance at Compensation Committee Meetings in FY2023: 5/5 (100%)</p> <p>Attendance at Nominating Committee Meetings in FY2023: 4/4 (100%)</p> <p><b>Expertise possessed by the candidate</b> International management Quality, production and procurement Sales and service Legal and compliance Human resources, human rights and personnel development</p> <p><b>Career summary and other principal positions held</b> 4/1970    Joined Fuji Heavy Industries Ltd. 10/1999   Senior Managing Director, TOKYO SUBARU Inc. 6/2001    Corporate Vice President, Senior General Manager of Japan Region, Subaru Sales &amp; Marketing Division, Chief General Manager of Subaru Parts &amp; Accessories Division and General Manager of Customer Service Center, Fuji Heavy Industries Ltd. 6/2003    Corporate Senior Vice President, Chief General Manager of Subaru Japan Sales &amp; Marketing Division and Chief General Manager of Subaru Marketing Division 4/2005    Corporate Senior Vice President, General Manager of Human Resources Department 6/2006    Director, Corporate Executive Vice President, General Manager of Human Resources Department 6/2006    President, Chairman of the Business Reforms Promotion Committee, Subaru System Service Co., Ltd. 6/2010    Representative Director of the Board and Deputy President, Fuji Heavy Industries Ltd. 6/2011    Representative Director of the Board and President, Subaru Kosan Co., Ltd. 6/2016    Outside Director, the Company (to present)</p> <p><b>Reason for the election of candidate for Outside Director, overview of expected roles, etc.</b> He has experience as the top executive of a global company, extensive knowledge and deep insight ranging from personnel and labor policy to sales and services. The Company again nominates him as a candidate for Outside Director so that he can provide advice on the Company's overall management and supervise the execution of duties by Executive Officers from an independent position, utilizing his extensive experience in business and management. It should be noted that he has served as an Outside Director of the Company since June 2016, and his term of office will be eight (8) years at the close of the 60<sup>th</sup> Annual Shareholder's Meeting.</p> <p><b>Message from the candidate</b> Our Company's "second founding" has taken off extremely smoothly. As a global company, I believe that our objective of realizing the Group's vision of "To ensure a prosperous land and society for the future" will be supported by many of our stakeholders. For my part, without forgetting the origin of my field-oriented business and career, I will continue to focus on building appropriate governance for our "second founding" this fiscal year.</p>

No.	Name	Position and responsibilities at the Company, Career summary and other principal positions held
4	<p><b>Maoko Kikuchi</b> (July 14, 1965)</p> <p>[Candidate for Independent Director]</p> <p>[Candidate for Outside Director]</p> <p>[Reappointment]</p> <p>Share Ownership 135 shares</p> <p>Term of office as Director 4 years (*as of the conclusion of this Annual Shareholder's Meeting)</p>	<p><b>Position and responsibilities at the Company</b> Independent Outside Director, Nominating Committee Member, Audit Committee Member, Compensation Committee Member</p> <p>Attendance at Board of Directors Meetings on FY2023: 12/12 (100%)</p> <p>Attendance at Audit Committee Meetings in FY2023: 13/13 (100%)</p> <p>Attendance at Compensation Committee Meetings in FY2023: 5/5 (100%)</p> <p>Attendance at Nominating Committee Meetings in FY2023: 4/4 (100%)</p> <p><b>Expertise possessed by the candidate</b></p> <p>International management</p> <p>M&amp;A</p> <p>Legal and compliance</p> <p>Human resources, human rights and personnel development</p> <p><b>Career summary and other principal positions held</b></p> <p>4/1992      Joined the Ministry of Justice Public Prosecutors Office as a Public Prosecutor</p> <p>8/1997      Joined Paul Hastings LLP, Los Angeles Office</p> <p>3/1999      Registered as an Attorney at Law in Japan and registered as an Attorney at Law in the State of New York, the United States Joined Nagashima &amp; Ohno (currently Nagashima Ohno &amp; Tsunematsu)</p> <p>4/2004      Joined the General Secretariat, Japan Fair Trade Commission</p> <p>5/2006      Executive Officer and CCO, Vodafone K.K. (currently SoftBank Corp.)</p> <p>4/2014      Executive Officer, in charge of Legal and Policy Planning Supervision, Microsoft Japan Co., Ltd.</p> <p>6/2016      Standing Outside Audit &amp; Supervisory Board Member, MITSUI-SOKO HOLDINGS Co., Ltd.</p> <p>6/2020      Outside Director, MITSUI-SOKO HOLDINGS Co., Ltd. (to present) Outside Audit and Supervisory Board Member, KADOKAWA CORPORATION</p> <p>7/2020      Outside Director, the Company (to present)</p> <p>8/2020      Managing Partner, Compass International Law Office (to present)</p> <p>11/2023      Outside Corporate Auditor, Ryohin Keikaku Co., Ltd. (to present)</p> <p><b>Reason for the election of candidate for Outside Director, overview of expected roles, etc.</b></p> <p>She has experience in the field of law and knowledge on legal affairs, compliance and M&amp;As, as well as experience and deep insight as a top executive and corporate auditor. The Company again nominates her as a candidate for Outside Director so that she can provide advice on the Company's overall management and supervise the execution of duties by Executive Officers from an independent position, utilizing her extensive experience in management and her insight. It should be noted that she has served as an Outside Director of the Company since July 2020, and her term of office will be four (4) years at the close of the 60<sup>th</sup> Annual Shareholder's Meeting.</p> <p><b>Message from the candidate</b></p> <p>The world is now in a period of great change, including climate change, unstable international situation, and generative AI revolution. The Company is also facing the challenge of a "second founding." Based on my legal mindset, I have been involved in various practices at administrative agencies, domestic and international law firms, corporations, etc. By utilizing these experiences and diversity perspectives, I will make every effort to maintain and strengthen the Company's governance system from an objective standpoint as an Independent Outside Director as well as enhance corporate value.</p>

No.	Name	Position and responsibilities at the Company, Career summary and other principal positions held
5	<p><b>Joseph P. Schmelzeis, Jr.</b> (November 2, 1962)</p> <p>[Candidate for Independent Director]</p> <p>[Candidate for Outside Director]</p> <p>[Reappointment]</p> <p>Share Ownership 193 shares</p> <p>Term of office as Director 1 year (*as of the conclusion of this Annual Shareholder's Meeting)</p>	<p><b>Position and responsibilities at the Company</b> Independent Outside Director, Nominating Committee Member, Audit Committee Member, Compensation Committee Member</p> <p>Attendance at Board of Directors Meetings on FY2023: 9/10 (90%) Attendance at Audit Committee Meetings in FY2023: 9/9 (100%) Attendance at Compensation Committee Meetings in FY2023: 3/3(100%) Attendance at Nominating Committee Meetings in FY2023: 4/4 (100%)</p> <p><b>Expertise possessed by the candidate</b> International management Sales and service IT and digital Finance and accounting Human resources, human rights and personnel development</p> <p><b>Career summary and other principal positions held</b> 7/1984    Joined Bain &amp; Company 7/1988    Vice President, American Express International 4/1998    Chief Operating Officer, Fontworks International 12/1999    Interim CEO, Crimson Ventures 11/2001    Representative Director, JPS International, Inc. (to present) 6/2011    Corporate Director, Division Manager, SEGA CORPORATION 6/2015    Senior Advisor, SEGA SAMMY HOLDINGS INC. 2/2018    Senior Advisor to the Ambassador, U.S. Embassy in Tokyo 3/2021    Executive Manager, Cedarfield Godo Kaisha (to present) 6/2022    Outside Director, DENSO CORPORATION (to present) 6/2023    Outside Director, Central Japan Railway Company (to present) 6/2023    Outside Director, the Company (to present)</p> <p><b>Reason for the election of candidate for Outside Director, overview of expected roles, etc.</b> In addition to the management experience in a global company, he has extensive experience in including launching venture business, as a strategic consultant, and striving to promote friendly relations between the United States and Japan as Senior Advisor to the Ambassador at the U.S. Embassy in Japan. The Company again nominates him as a candidate for Outside Director so that he can provide advice on the Company's overall management and supervise the execution of duties by Executive Officers from an independent position, utilizing his extensive business experience and knowledge of geopolitics. It should be noted that he has served as an Outside Director of the Company since June 2023, and his term of office will be one (1) year at the close of the 60<sup>th</sup> Annual Shareholder's Meeting.</p> <p><b>Message from the candidate</b> While Hitachi Construction Machinery has long been respected worldwide as a manufacturer of reliable products, it seeks now to offer new and expanded value to its customers by providing comprehensive solutions in the construction and mining businesses. I seek to apply my experience and perspective providing solutions in a variety of industries and geographies to help Hitachi Construction Machinery become the champion in my home country of the United States and beyond. As the changing geopolitical landscape continues to present opportunities and challenges, I hope earnestly my experience in government and diplomacy will be of value as we “<i>Kenkijin</i>” pursue our mission together.</p>

No.	Name	Position and responsibilities at the Company, Career summary and other principal positions held
6	<p><b>Takeshi Fujisawa</b> (August 13, 1966)</p> <p>[Candidate for Outside Director]</p> <p>[New appointment]</p> <p>Share Ownership —</p> <p>Term of office as Director —</p>	<p><b>Position and responsibilities at the Company</b></p> <p>—</p> <p>Attendance at Board of Directors Meetings on FY2023: —</p> <p>Attendance at Audit Committee Meetings in FY2023: —</p> <p>Attendance at Compensation Committee Meetings in FY2023: —</p> <p>Attendance at Nominating Committee Meetings in FY2023: —</p> <p><b>Expertise possessed by the candidate</b></p> <p>International management</p> <p>Research and development</p> <p>IT and digital</p> <p><b>Career summary and other principal positions held</b></p> <p>4/1989    Joined Hitachi, Ltd.</p> <p>4/2015    General Manager, Government &amp; Public Solutions Dept. III, Government &amp; Public Corporation Information Systems Division, Information &amp; Communications Systems Company</p> <p>4/2019    General Manager, Enterprise Solutions Dept., Industrial &amp; Distribution Business Unit</p> <p>4/2020    General Manager, Digital Solution Business Dept., Industrial &amp; Distribution Business Unit</p> <p>4/2022    General Manager, Digital Solution Business Dept., Industrial Digital Business Unit</p> <p>4/2024    COO, Social Infrastructure Systems Business Unit (to present)</p> <p><b>Reason for the election of candidate for Outside Director, overview of expected roles, etc.</b></p> <p>He has experience in information and communications systems and digital fields in the Hitachi Group, as well as experience and deep insight as a top executive. The Company nominates him as a candidate for Outside Director as he will be able to contribute to further strengthening the Company's management structure and increasing its corporate value over the medium to long term by utilizing his extensive experience and knowledge of business and management to provide advice on the Company's overall management.</p> <p><b>Message from the candidate</b></p> <p>We are striving to share new value with our customers by expanding the value chain business and enhancing our solutions beyond serving as only a manufacturer. Leveraging my experience in the digital solution business at the previous company, I would like to contribute to planning and providing innovative solutions that meet future customer demands through the use of digital technology.</p>

No.	Name	Position and responsibilities at the Company, Career summary and other principal positions held																				
7	<p><b>Hidemi Moue</b> (October 1, 1955)</p> <p>[Candidate for Outside Director]</p> <p>[Reappointment]</p> <p>Share Ownership —</p> <p>Term of office as Director 2 years (*as of the conclusion of this Annual Shareholder’s Meeting)</p>	<p><b>Position and responsibilities at the Company</b></p> <p>Outside Director, Nominating Committee Member, Compensation Committee Member</p> <p>Attendance at Board of Directors Meetings on FY2023: 12/12 (100%)</p> <p>Attendance at Audit Committee Meetings in FY2023: –</p> <p>Attendance at Compensation Committee Meetings in FY2023: 5/5 (100%)</p> <p>Attendance at Nominating Committee Meetings in FY2023: 4/4 (100%)</p> <p><b>Expertise possessed by the candidate</b></p> <p>International management</p> <p>Finance and accounting</p> <p>M&amp;A</p> <p><b>Career summary and other principal positions held</b></p> <table><tr><td>4/1979</td><td>Joined The Industrial Bank of Japan, Limited</td></tr><tr><td>6/1996</td><td>General Manager, Capital Markets Group 2, IBJ Securities Co., Ltd.</td></tr><tr><td>2/1998</td><td>General Manager, Business Development, Capital Markets Group</td></tr><tr><td>10/2000</td><td>General Manager, Corporate Finance Department, Capital Markets Group, Mizuho Securities Co., Ltd.</td></tr><tr><td>11/2002</td><td>President and CEO, Japan Industrial Partners, Inc. (to present)</td></tr><tr><td>6/2010</td><td>Auditor, Mobile Internet Capital, Inc. (to present)</td></tr><tr><td>6/2022</td><td>Outside Director, the Company (to present)</td></tr><tr><td>8/2022</td><td>Representative Director and President, HCJI Holdings, Ltd. (to present)</td></tr><tr><td>1/2023</td><td>Director, Proterial, Ltd. (to present)</td></tr><tr><td>12/2023</td><td>Director, TOSHIBA CORPORATION (to present)</td></tr></table>	4/1979	Joined The Industrial Bank of Japan, Limited	6/1996	General Manager, Capital Markets Group 2, IBJ Securities Co., Ltd.	2/1998	General Manager, Business Development, Capital Markets Group	10/2000	General Manager, Corporate Finance Department, Capital Markets Group, Mizuho Securities Co., Ltd.	11/2002	President and CEO, Japan Industrial Partners, Inc. (to present)	6/2010	Auditor, Mobile Internet Capital, Inc. (to present)	6/2022	Outside Director, the Company (to present)	8/2022	Representative Director and President, HCJI Holdings, Ltd. (to present)	1/2023	Director, Proterial, Ltd. (to present)	12/2023	Director, TOSHIBA CORPORATION (to present)
		4/1979	Joined The Industrial Bank of Japan, Limited																			
		6/1996	General Manager, Capital Markets Group 2, IBJ Securities Co., Ltd.																			
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		11/2002	President and CEO, Japan Industrial Partners, Inc. (to present)																			
		6/2010	Auditor, Mobile Internet Capital, Inc. (to present)																			
		6/2022	Outside Director, the Company (to present)																			
		8/2022	Representative Director and President, HCJI Holdings, Ltd. (to present)																			
		1/2023	Director, Proterial, Ltd. (to present)																			
12/2023	Director, TOSHIBA CORPORATION (to present)																					
<p><b>Reason for the election of candidate for Outside Director, overview of expected roles, etc.</b></p> <p>He has experience as the top executive of fund management firms, and knowledge and deep insight on finance and M&amp;A fields. The Company again nominates him as a candidate for Outside Director as he will be able to contribute to further strengthening the Company’s management structure and increasing its corporate value over the medium to long term by utilizing his extensive experience and knowledge of business and management to provide advice on the Company’s overall management. It should be noted that he has served as an Outside Director of the Company since June 2022, and his term of office will be two (2) years at the close of the 60<sup>th</sup> Annual Shareholder’s Meeting.</p>																						
<p><b>Message from the candidate</b></p> <p>In addition to the manufacture and sale of construction machinery, the Company is seeking to achieve business growth in the global market by strengthening the value chain business, including maintenance services and the rental business. To this end, I will fulfill my role as Director to ensure a more robust management infrastructure and dramatically expand corporate value through prompt and active management decision-making.</p>																						



No.	Name	Position and responsibilities at the Company, Career summary and other principal positions held
8	<p><b>Keiichiro Shiojima</b> (November 24, 1965)</p> <p>[Reappointment]</p> <p>Share Ownership 5,715 shares</p> <p>Term of office as Director 3 years (*as of the conclusion of this Annual Shareholder's Meeting)</p>	<p><b>Position and responsibilities at the Company</b> Vice President and Executive Officer, Director, CFO, General Manager of Finance Division</p> <p>Attendance at Board of Directors Meetings on FY2023: 12/12 (100%)</p> <p>Attendance at Audit Committee Meetings in FY2023: –</p> <p>Attendance at Compensation Committee Meetings in FY2023: –</p> <p>Attendance at Nominating Committee Meetings in FY2023: –</p> <p><b>Expertise possessed by the candidate</b> International management Finance and accounting M&amp;A</p> <p><b>Career summary and other principal positions held</b></p> <p>4/1988    Joined the Company</p> <p>4/2011    General Manager, Credit Management Department, Finance Division</p> <p>4/2014    Director, Hitachi Construction Machinery Asia and Pacific Pte. Ltd.</p> <p>4/2016    General Manager, Finance Department, Finance Division, Corporate Management Group, the Company</p> <p>4/2019    Deputy General Manager, Finance Division, Corporate Management Group</p> <p>4/2020    Executive Officer, General Manager of Finance Division</p> <p>6/2021    Director (to present)</p> <p>4/2022    Vice President and Executive Officer, General Manager of Finance Division (to present)</p> <p><b>Reason for the election of candidate for Director</b> He has extensive experience, excellent performance and deep insight by being engaged in the operations of business such as accounting and finance and the management of the Company and Hitachi Construction Machinery Group Companies. The Company again nominates him as a candidate for Director, as he will be able to further strengthen the Company's management structures by sharing information, as a member of the Board of Directors, with other members.</p> <p><b>Message from the candidate</b> Amid our growth phase marked by independent development and business expansion in the Americas, we regard improvement of corporate value as being equivalent to an increase in capital productivity. We have thus established (1) fostering internal awareness of cost of capital, (2) introducing easy-to-understand KPIs, (3) balance sheet management, and (4) expansion of investor engagement, as our financial and capital policy. I will strive to improve capital efficiency and achieve stable shareholder returns by promoting greater awareness of ROIC within the Company and encouraging each business unit to focus on specific items for improvement.</p>

No.	Name	Position and responsibilities at the Company, Career summary and other principal positions held
9	<p><b>Masafumi Senzaki</b> (July 16, 1965)</p> <p>[Reappointment]</p> <p>Share Ownership 6,232 shares</p> <p>Term of office as Director 1 year (*as of the conclusion of this Annual Shareholder's Meeting)</p>	<p><b>Position and responsibilities at the Company</b> Representative Executive Officer, President and Executive Officer, Director, COO, supervising Internal Auditing Office, health and safety, compliance, quality assurance and the consolidated inventory optimization project, Nominating Committee Member, Compensation Committee Member</p> <p>Attendance at Board of Directors Meetings on FY2023: 10/10 (100%) Attendance at Audit Committee Meetings in FY2023: – Attendance at Compensation Committee Meetings in FY2023: 3/3 (100%) Attendance at Nominating Committee Meetings in FY2023: 4/4 (100%)</p> <p><b>Expertise possessed by the candidate</b> International management Research and development Quality, production and procurement Sales and service IT and digital Finance and accounting Legal and compliance Human resources, human rights and personnel development</p> <p><b>Career summary and other principal positions held</b> 4/1991    Joined the Company 4/2017    General Manager, Russia and CIS Business Division             Director and President of LLC Hitachi Construction Machinery Eurasia Manufacturing 4/2018    Executive Officer,             General Manager of Marketing Group 4/2021    Vice President and Executive Officer,             General Manager of Corporate Strategy Group, and General             Manager of Operations Management Group 4/2022    Senior Vice President and Executive Officer, General Manager of             Corporate Strategy Group 4/2023    Representative Executive Officer, President and Executive Officer             (to present) 6/2023    Director (to present)</p> <p><b>Reason for the election of candidate for Director</b> He has experience in the field of “MONOZUKURI” (manufacturing) and extensive experience and deep insight in corporate management gained both in Japan and overseas for the Company and Hitachi Construction Machinery Group Companies. The Company again nominates him as a candidate for Director as he will be able to further strengthen the Company's management structure to take on suitable important responsibilities of the Group management and share information, as a member of the Board of Directors, with other members.</p> <p><b>Message from the candidate</b> In this new phase of Hitachi Construction Machinery's “second founding,” we will develop products and technologies that address the problem of climate change, aim to shift to a recycling-oriented business through the expansion of our value chain business, and co-create innovative solutions to solve issues faced by individual customers. We will ensure our growth by expanding our business in the Americas and other regions around the world.</p>

No.	Name	Position and responsibilities at the Company, Career summary and other principal positions held
10	<p><b>Kotaro Hirano</b> (June 4, 1958)</p> <p>[Reappointment]</p> <p>Share Ownership 19,091 shares</p> <p>Term of office as Director 7 years (*as of the conclusion of this Annual Shareholder's Meeting)</p>	<p><b>Position and responsibilities at the Company</b> Representative Executive Officer, Chairman and Executive Officer, Director, CEO, Nominating Committee Member, Compensation Committee Member Attendance at Board of Directors Meetings on FY2023: 12/12 (100%) Attendance at Audit Committee Meetings in FY2023: – Attendance at Compensation Committee Meetings in FY2023: 5/5 (100%) Attendance at Nominating Committee Meetings in FY2023: 4/4 (100%)</p> <p><b>Expertise possessed by the candidate</b> International management Quality, production and procurement Sales and service Finance and accounting M&amp;A Legal and compliance Human resources, human rights and personnel development</p> <p><b>Career summary and other principal positions held</b> 4/1981    Joined the Company 4/2013    Deputy General Manager, Production &amp; Procurement Division 4/2014    Executive Officer 4/2016    Vice President and Executive Officer 4/2017    Representative Executive Officer, President and Executive Officer 6/2017    Director (to present) 4/2023    Representative Executive Officer, Chairman and Executive Officer (to present)</p> <p><b>Reason for the election of candidate for Director</b> He has been engaged in the management of the Company and Hitachi Construction Machinery Group Companies, and has extensive knowledge and outstanding capability in management through the experience of business in various fields including production and procurement. The Company again nominates him as a candidate for Director to take on suitable important responsibilities of the Group management and share information, as a member of the Board of Directors, with other members.</p> <p><b>Message from the candidate</b> Issues faced by our customers have become more diversified and complex in recent years, such as the aging of seasoned operators, shortage of labor, further advances in work efficiency measures, and response to environmental issues. To address these issues, we are not only developing, producing, and selling construction and mining equipment of superior performance and quality, but also directing our efforts into expanding our value chain business, including repairs and sales of consumable parts as well as equipment rental. I will ensure that the Board of Directors engages in active discussions on our growth strategy.</p>

#### Notes on the candidates

1. Mr. Takeshi Fujisawa serves concurrently as COO of the Social Infrastructure Systems Business Unit of Hitachi, Ltd. The Company and Hitachi, Ltd. have a licensing relationship related to the Hitachi brand. Mr. Hidemi Moue serves concurrently as Representative Director and President of HCJI Holdings, Ltd. The Company and HCJI Holdings, Ltd. have entered into a capital alliance agreement. There are no relationships of special interest between the other respective candidates and the Company.
2. Matters pertaining to candidates for Outside Director
  - (1) The seven (7) candidates Mr. Masaaki Ito, Ms. Toshiko Oka, Mr. Kazushige Okuhara, Ms. Maoko Kikuchi, Mr. Joseph P. Schmelzeis, Jr., Mr. Takeshi Fujisawa, and Mr. Hidemi Moue meet the requirements as candidates for Outside Director stipulated in the Regulations for Enforcement of the Companies Act. The five (5) candidates Mr. Masaaki Ito, Ms. Toshiko Oka, Mr. Kazushige Okuhara, Ms. Maoko Kikuchi, and Mr. Joseph P. Schmelzeis, Jr. are also candidates for Independent Director based on the provisions of Tokyo Stock Exchange, Inc.
  - (2) Any violation of laws and regulations or the Articles of Incorporation or any other wrongful execution of operations at the other companies at which candidates served as Director, Executive Officer, or Audit & Supervisory Board Member during the past five (5) years, which occurred during their terms of office
    - 1) In November 2019, during Mr. Masaaki Ito's service as Representative Director and President of Kuraray Co., Ltd., the company received a cease and desist order and a penalty payment order from the Japan Fair Trade Commission for violations of the Antimonopoly Act in the manufacture and sale of activated carbon used in some water purification, waste incineration, and other facilities in the East Japan and Kinki regions. Although he was not aware of this fact in advance, he had been regularly calling attention to the importance of complying with laws and regulations and had made efforts to strengthen the compliance system. After the case was revealed, he took the gravity of the matter seriously and sincerely, placed compliance with the Antimonopoly Act as one of the company's top management priorities, and as Representative Director and President of the company, took various measures to prevent a recurrence of the case.
    - 2) Proterial, Ltd. (previously, Hitachi Metals, Ltd.) revealed in April 2020 that inappropriate numerical values had been recorded in inspection reports submitted to customers over a number of years for some products of the company and its subsidiaries. Ms. Toshiko Oka has been an Outside Director of the company from June 2016 to June 2021 and was not aware of the case until it was revealed. She has been regularly making statements from the perspective of compliance at meetings of the company's Board of Directors and Audit Committee, and after the case was revealed, she has been working to further strengthen the governance system such as by receiving reports on the investigation to determine the facts and identify the causes and the progress of customer response, and making recommendations for preventing recurrence.
3. "Share ownership" is as of March 31, 2024. It also shows the real share ownership, which includes holdings in the Hitachi Construction Machinery Officers' Shareholding Association.

#### Summary of details of agreements to limit liability

The Company has concluded agreements with Directors (excludes executive Directors etc.) under the provisions of paragraph 1, Article 427 of the Companies Act and Article 23 of the Company's Articles of Incorporation to limit liability for damages under paragraph 1, Article 423 of the Act. In the event that the reappointment of the five (5) candidates Ms. Toshiko Oka, Mr. Kazushige Okuhara, Ms. Maoko Kikuchi, Mr. Joseph P. Schmelzeis, Jr., and Mr. Hidemi Moue is approved, the Company intends to continue these agreements with them. In the event that the appointment of two (2) candidates Mr. Masaaki Ito and Mr. Takeshi Fujisawa is approved, the Company intends to conclude the agreement with them. A summary of the agreements is as below.

1. In the event of liability for damages to the Company caused by failure to perform duties as a Director (excludes executive Directors etc.), the total shall be limited to the amount in each item of paragraph 1, Article 425 of the Companies Act.
2. The aforementioned limitation of liability is admitted only when the Director (excluding those who are Executive Directors, etc.) acts in good faith and there is no gross negligence with regard to the execution of duties that caused the liability.

#### Summary of details of directors and officers liability insurance policy

To ensure that Directors and Executive Officers are fully able to execute their expected duties and to attract highly qualified individuals, the Company has entered into a directors and officers liability insurance ("D&O insurance") policy as provided for in Article 430-3 of the Companies Act that includes all Directors and Executive Officers as insureds, and the candidates for reappointment in this proposal are included in the insureds of the said insurance policy. Furthermore, if this proposal is approved as proposed and the candidates assume office as Directors, all candidates, including new candidates, will become insureds under the insurance policy. This insurance policy covers losses that may arise from the insured's assumption of liability incurred in the course of the performance of duties as an officer or a person at a certain position, or receipt of claims pertaining to the pursuit of such liability. However, there are certain reasons for coverage exclusion, such as performance of an illegal act with full knowledge of its illegality, where the losses will not be covered. The Company plans to renew the insurance policy during the term of office as Director of each of the candidates in this proposal.

## **Business Report** (From April 1, 2023 to March 31, 2024)

### **I Matters Pertaining to the Current State of the Consolidated Group**

\*The Company has been preparing consolidated financial statements in accordance with International Financial Reporting Standards (hereinafter referred to as “IFRS”) from the fiscal year ended March 2015.

#### **1. Business activities and results**

The Consolidated Group newly formulated the three-year medium-term management plan entitled “BUILDING THE FUTURE 2025,” which began in the fiscal year ended March 31, 2024 and ends in the fiscal year ending March 31, 2026. We are committed to sustainable growth and improvement of corporate value under four management strategies: (1) Delivering innovative solutions for customer needs; (2) Enhancing value chain business; (3) Expanding business in the Americas; and (4) Strengthening human capital and corporate capabilities.

In these efforts, beginning with the fourth quarter, the non-core businesses in the Specialized Parts and Service Business segment are classified as discontinued operations in line with IFRS accounting standards. As a result, for the current and previous fiscal years, revenue, adjusted operating income (a performance indicator, calculated by subtracting the sum of cost of sales and selling, general and administrative expenses from revenue), operating income, and income before income taxes are presented in amounts for continuing operations excluding discontinued operations, while net income and net income attributable to owners of parent are presented as the sum of continuing operations and discontinued operations.

During the fiscal year under review (April 1, 2023 to March 31, 2024), demand for hydraulic excavators declined significantly year on year in China, where market conditions were sluggish. In addition, demand decreased in Asia, where customers’ willingness to invest slowed down due to the impact of elections in major countries, and in Western Europe, which was affected by high interest rates and other factors. On the other hand, demand remained firm in North America and Japan, supported by stable public investment and private capital investment.

Demand for mining machinery remained firm overall, due to a continued strong appetite of customers for investment supported by healthy resource prices and continued demand for overhaul and regular maintenance associated with high utilization.

Under such circumstances, revenue significantly increased year on year in the Americas business, which has been undergoing full-scale independent development since March 2022. In addition, the mining business and the value chain business, on which we have been focusing our efforts, also grew significantly.

These results, combined with the impact of foreign exchange rates and other factors, showed a significant increase in revenue to ¥ 1,405,928 million (an increase of 11.1% year on year), a record high for the second year in a row.

As for the consolidated income items, adjusted operating income increased significantly as a result of cost reduction activities and efforts to raise selling prices, in addition to increased revenue and foreign exchange effects and other factors, despite the impact of increased costs, mainly material and logistics costs. As a result, adjusted operating income was ¥168,028 million (an increase of 23.0% year on year), a record high for the second year in a row as well as for revenue. Net income attributable to owners of parent reached a record high of ¥93,294 million (an increase of 32.9% year on year) due to improvement in financial income and expenses and share of profits of investments accounted for using the equity method, despite the recording of restructuring expenses in discontinued operations.

(Millions of yen)

Classification	Consolidated (% of the previous year)	Classification	Non-consolidated (% of the previous year)
Revenue	1,405,900 (11.1%)	Revenue	810,600 (11.5%)
Adjusted operating income	168,000 (23.0%)	Operating income	16,300 (-45.5%)
Income before income taxes	160,500 (39.5%)	Ordinary income	76,300 (32.4%)
Net income attributable to owners of the parent	93,300 (32.9%)	Net income for this term	65,800 (34.5%)

(Note) “Adjusted operating income” is used as an indicator of consolidated results instead of “operating income.”

## (1) Summary of revenue by region



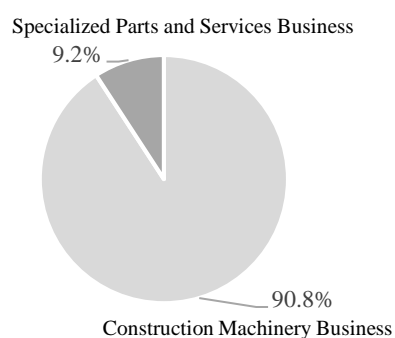
## (2) Summary of revenue by business

### 1 Construction Machinery Business

During the fiscal year under review (April 1, 2023 to March 31, 2024), revenue was ¥1,282,332 million (up 11.1% of the previous year's level) and adjusted operating income was ¥153,538 million (up 23.9% of the previous year's level), a year-on-year increase in both revenue and adjusted operating income.

Due to the continued strong expansion of our full-scale independent development in the Americas from the previous fiscal year, not only new machinery sales in both construction and mining but also value chain business centered on parts and services performed well, resulting in a significant year-on-year increase in earnings.

Revenue composition ratio



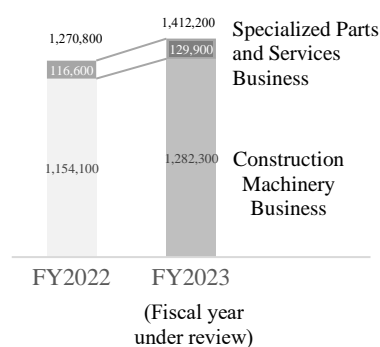
### 2 Specialized Parts and Service Business

This segment consists primarily of Bradken Pty Limited and its subsidiaries, which are engaged in the parts service business for after-sales of mining equipment and machinery, and H-E Parts International LLC and its subsidiaries, which provide service solutions.

During the fiscal year under review (April 1, 2023 to March 31, 2024), revenue increased to ¥129,889 million (up 11.4% of the previous year's level) due to the strong performance of the mining market environment. Adjusted operating income was ¥14,490 million (up 14.2% of the previous year's level), achieving greater growth than revenue, mainly due to an increase in revenue and the impact of foreign exchange rates and growth in profitable businesses as a result of business structural reforms that have been undertaken so far.

(Note) The reportable segment "Solutions Business" was renamed "Specialized Parts and Services Business" from the fiscal year ended March, 31, 2024. This is only a change in segment name and does not have an effect on the segment information.

Revenue trends (Millions of yen)



\* The above revenues by business are figures before intersegment adjustments.



## **2. Capital investments**

The Group carefully reviewed investment options for improved capital efficiency, and made capital investment of ¥109,016 million in total for the fiscal year under review. Major investments made are as below.

### **(1) Capital investments by the Company**

- Investment to establish more testing facilities for the development of the next Series 7

### **(2) Capital investments by the subsidiaries**

- Investment to expand and upgrade the functions of product development at Hitachi Construction Machinery Tierra Co., Ltd.
- Investment to construct a new company building at Hitachi Construction Machinery Americas Inc. for independent development of the Americas business

## **3. Financing Activities**

### **Financing Activities of the Group**

The Group procured funds through short-term borrowings of ¥27,926 million and long-term borrowings of ¥43,476 million, and issued bonds of ¥10,000 million in order to allocate funds for working capital and capital expenditure as well as funds for investments and loans during the fiscal year under review, and repaid long-term borrowings of ¥39,268 million.

#### 4. Issues to be Addressed

We are promoting a new medium-term management plan (BUILDING THE FUTURE 2025) starting in FY2023 to realize our vision of “To ensure a prosperous land and society for the future. We contribute toward realizing a safe and sustainable society”. We aim to achieve our medium-term management plan targets while responding to changes in the business environment so that we can achieve steady growth and lead to results by FY2025.

##### Changes in the business environment

The competitive environment is rapidly changing as a result of changes in the social, technological, and economic environment that surrounds companies. Competition and collaboration with other industries is increasing, such as accelerated development of decarbonization technologies including electrification, digitalization of construction sites, and automated driving.

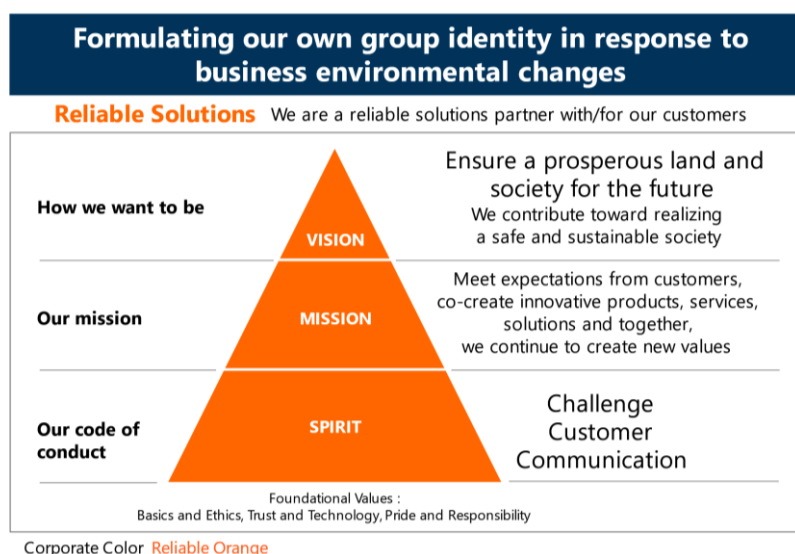
Changes in the social, technological, and economic environment	Changes in the competitive environment
<ul style="list-style-type: none"><li>● Aging and a shortage of workers in secondary industry</li><li>● Broadly defined software, shift to utilization value, and progress in digital technology</li><li>● Acceleration of economic transformation to realize a sustainable global environment</li><li>● Emergence of geopolitical risks</li></ul>	<ul style="list-style-type: none"><li>● Accelerating development of decarbonization technologies including electrification in developed countries and mining markets</li><li>● Firm establishment of conversion of customer needs “from hardware products to solutions”</li><li>● Rise of Chinese manufacturers in emerging countries</li><li>● Competition or cooperation with other industries with digitization</li></ul>

##### Group Identity of Hitachi Construction Machinery

In response to the changes in the business environment such as own business in the Americas and capital structure, we have formulated our own group identity in 2022.

As stated in our mission, we will collaborate with our customers and collaborative partners to co-create innovative products, services, solutions based on our outstanding technologies by promptly responding to customer expectations and challenges.

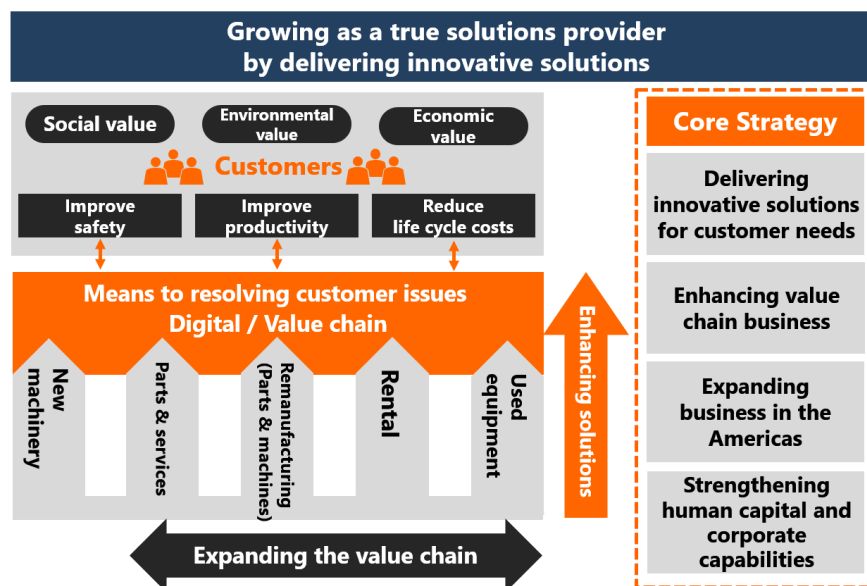
Through these initiatives, we will contribute toward realizing a safe and sustainable society by creating new value to ensure a prosperous land and society for the future as stated in our vision.



## Core Strategy of the Medium-term Management Plan

In this medium-term management plan, we have set the four “core strategies” shown here, and by giving top priority to “innovative solutions”, we aim to become a true solutions provider.

That is the mission in our group identity “Meet expectations from customers, co-create innovative products, services, solutions and together, we continue to create new values”.



This slide explains the overview of the medium-term management plan. We show the results of the five initiatives in FY2023.

Core Strategy	Key initiatives
Delivering innovative solutions for customer needs	<ul style="list-style-type: none"> <li>■ Building an ecosystem through collaborative creation with customers and partners in other industries <b>P35</b></li> <li>■ Offering site solutions with a digital platform <b>P36</b></li> </ul>
Enhancing value chain business	<ul style="list-style-type: none"> <li>■ Expanding remanufacturing capacity and establishing a global optimum production system <b>P36</b></li> <li>■ Expanding overseas rental business suited to different market environments</li> </ul>
Expanding business in the Americas	<ul style="list-style-type: none"> <li>■ Diversifying sales channels and enhancing finance business in the Americas <b>P37</b></li> <li>■ Establishing an own sales network in Central &amp; South America</li> </ul>
Strengthening human capital and corporate capabilities	<ul style="list-style-type: none"> <li>■ Providing education and opportunities for human capital to play an active role globally <b>P38</b></li> <li>■ Transforming the corporate culture through agile development</li> </ul>

### 1.1 Delivering innovative solutions for customer needs

-Building an ecosystem through collaborative creation with customers and partners in other industries in the Construction and Compact business-

We have started to develop and sell electric excavators, but the penetration rate in the construction and civil engineering industry as a whole is not high.

This is because there are still many issues at actual construction sites that cannot be solved by providing only hardware products.

In order to provide solutions to these issues, it is difficult for HCM to respond alone, and collaboration with partner companies in different industries is essential.

As some specific initiatives, there is cooperation on a 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.

Next, the ZERO EMISSION EV-LAB will be set up in May 2024 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 in other industries.

## Collaboration with partners in other industries toward realizing zero emissions at construction sites

### Expanded cooperation on mobile energy storage systems

Japanese market	European market
Joint development	Sales, rentals
Kyushu Electric Power	ITOCHU Corporation
	Alfen B.V.

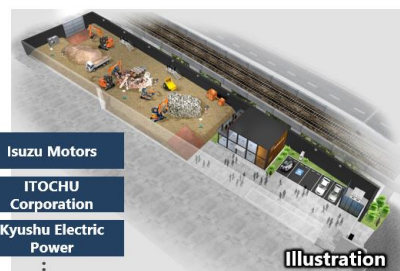


Mobile energy storage system from Alfen

### Establishment of the ZERO EMISSION EV-LAB by collaboration with partners

- 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

Partner companies	Isuzu Motors
	ITOCHU Corporation
	Kyushu Electric Power
	...



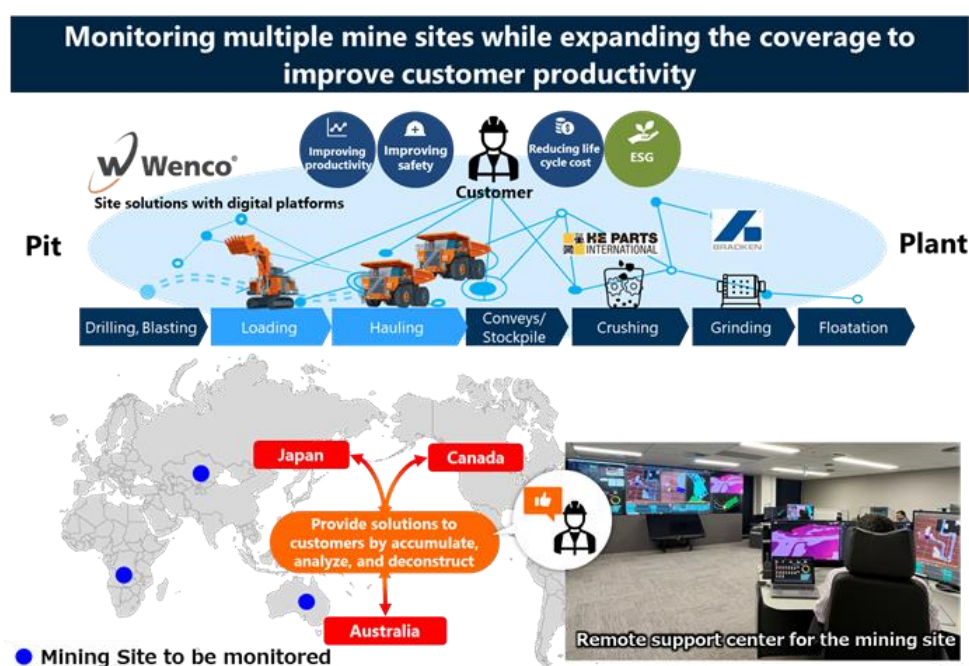
## 1.2 Delivering innovative solutions for customer needs

-Offering site solutions with digital platforms in the Mining business-

We are monitoring the operating status at multiple mine sites from three bases in Japan, Canada, and Australia at various touchpoints of our business area, from mining (Pit) to mineral processing (Plant).

Experts in who are well versed in specialized fields such as mining machinery, mine management, and software make full use of advanced digital technologies to accumulate, analyze, and deconstruct all kinds of data acquired in real time from multiple mine sites, and provide solutions to the issues faced by each customer.

At present, the main monitoring scope is the loading and hauling processes, but we are gradually expanding the scope and aiming to contribute to the efficiency and optimization of the entire mine.



## 2 Enhancing value chain business

-Expanding remanufacturing capacity and establishing a global optimum production system-

In Japan, we will consolidate and integrate our remanufacturing plants, which are currently dispersed between Tsuchiura Works and Hitachi Naka Works, into Banshu Works in Hyogo Prefecture by the end of FY2024, in order to strengthen global collaboration as the mother plant for the remanufacturing business.

We plan to increase sales to approximately 80 billion yen in FY2030, by improving space constraints and increasing the volume of remanufactured parts handled through consolidation and integration.

Overseas, we are strengthening remanufacturing business across the Americas.

Previously, the remanufacturing business was carried out to the extent that each distributor could handle it, but from FY2023, Hitachi Construction Machinery Americas oversees the remanufacturing business in the Americas.

Hitachi Construction Truck Manufacturing began remanufacturing parts for large and ultra-large hydraulic excavators, dump trucks, and wheel loaders. And H-E Parts is responsible for the remanufacturing of cooling systems and engines for mining equipment.

As mentioned above, we aim to expand our production capacity in Japan and overseas and realize a recycling-oriented business.

## Consolidating domestic remanufacturing sites and enhancing global remanufacturing sites aiming for a recycling-oriented business model

### Establishing the Banshu Works as the mother factory of remanufacturing plants and strengthening cooperation worldwide



### Strengthening remanufacturing business across the Americas



### 3 Expanding business in the Americas

#### -Diversifying sales channels and enhancing finance business in the Americas-

In August 2023, we started sales of the high-value-added products, the ZAXIS-7 series. Moreover, about 100 dealer sales and service professionals from all over North America gathered and we hosted a training session on the operability and features of the ZAXIS-7 series and sales are expanding steadily.

By providing ZAXIS-7, a high-value-added product, in addition to the conventional ZAXIS-6 product, dealers can provide products and services that meet customer needs and diversify sales channels.

At the same time, our sales support structures are being developed.

ZAXIS Finance, a joint finance venture with each US subsidiary of ITOCHU, Tokyo Century, and Hitachi Construction Machinery, began offering finance to US customers in May 2023 and to US dealers in September.

The start of company operations will allow Hitachi Construction Machinery America to accelerate sales while reducing the increase in trade receivables.

We will continue to strengthen our structures in the Americas, our key market, with the aim of achieving further growth.



## Delivery of high-value-added products started.

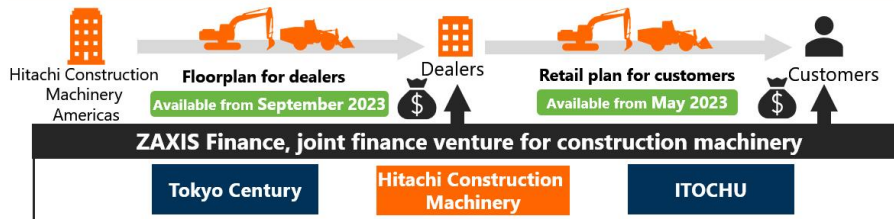
In August 2023, we started delivery of its newest ZAXIS-7 series, and the sales are expanding steadily.



Sales of high-value-added products in Americas



## The joint finance venture with the ITOCHU Group begins operations.



### 4 Strengthening human capital and corporate capabilities

-Providing education and opportunities for human capital to play an active role globally-

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.

Next, there is concentrating R&D resources and promoting innovation. In May 2023, the “Orange Innovation Plaza” started operation at Tsuchiura Works. Approximately 3,000 people mainly gather under one roof to work on development for the next generation. A variety of communication spaces, designed with input from young employees, will help foster cross-departmental collaboration.

In addition, we started an effort to build a corporate culture that can continuously create new businesses by firmly establishing the innovation mindset.

The Kenki Business Challenge, or KβC for short, launched in 2023, is a prime example of systems to not only learn the know-how of value creation but also to realize full-fledged commercialization of new businesses. By holding this event on an ongoing basis each year, we aim to encourage employees to continually challenge themselves and create new businesses.

## 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 2023"
- Strengthening information disclosure, deepening dialogue with stakeholders, and utilizing this to improve human capital management



## Concentrating R&D resources in Tsuchiura Works to promote innovation (May 2023)

- A place where approximately 3,000 people, mostly from R&D departments, gather
- Diverse communication spaces to create collaboration across departmental boundaries



Orange Innovation Plaza

## Transforming the corporate culture through new business contests

- The First (FY2022-2023) KENKI BUSINESS CHALLENGE (KBC) was hosted to learn not only value creation know-how but aim to actually commercialize it.



Scene from the actual screening

## Targets of the Medium-term Management Plan

There is no change to the targets for FY2025 from the initial plan figures announced last fiscal year.

In terms of profitability, we have set an adjusted operating income ratio of 13% or more and aim for an EBITDA margin of 18% or more as an indicator of our ability to generate cash, which is the ability to earn on sales.

In terms of efficiency, we will stably maintain our ROIC target of 9% or more, develop our business with an awareness of the operational efficiency of invested capital, and improve capital profitability.

In addition, in order to return profits to shareholders, we will maximize shareholder returns based on "stable and continuous implementation with a consolidated dividend payout ratio of 30%-40% as a guide".

## Progress on the Financial Targets of the Medium-term Management Plan

KPI		Medium-term Management Plan FY2025 targets	FY2023 results
Growth	• Value chain ratio	50% or more	39.4%
	• Own business revenue in the Americas	300.0 billion yen or more	217.5 billion yen
	• R&D/Revenue ratio	3% or more	2.2%
Profitability	• Adjusted operating income ratio	13% or more	12.0%
	• EBITDA margin <sup>*1</sup>	18% or more	16.8%
Safety	• Net D/E ratio	0.40 or less	0.57
Efficiency	• Operating cash flow margin <sup>*1</sup>	10% or more	5.2%
	• ROE	13% or more	13.1%
	• ROIC <sup>*1*3</sup>	9% or more	9.8%
Shareholder return <sup>*2</sup>	• Consolidated dividend payout ratio	Stable and continuous implementation with a consolidated dividend payout ratio of 30%-40% as a guide	34.2%

\*1: Newly established indicators in this medium-term management plan

\*2: We aim to allocate one-third of operating cash flow to maintenance and strengthening investment, prior investment, and shareholder return & debt payment respectively, based on our fund allocation policy.

\*3: The level of capital cost (WACC) to be compared in the ROIC target is recognized at about 7%.



## Progress on the ESG-related Targets of the Medium-term Management Plan

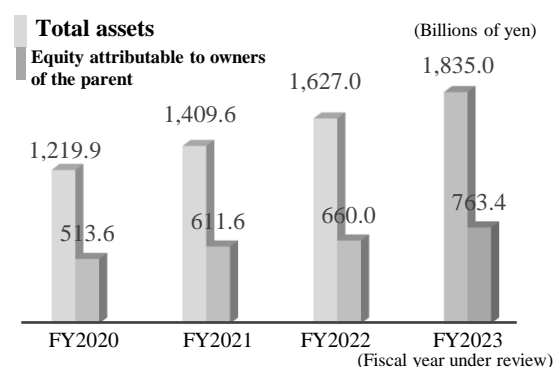
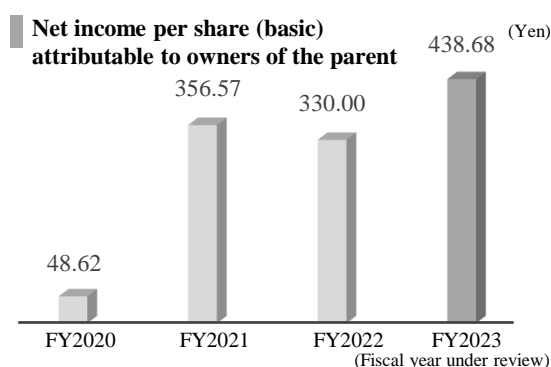
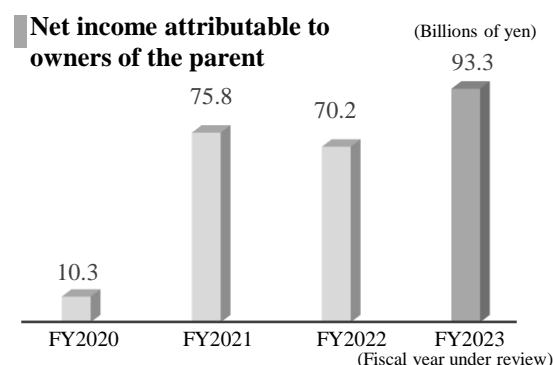
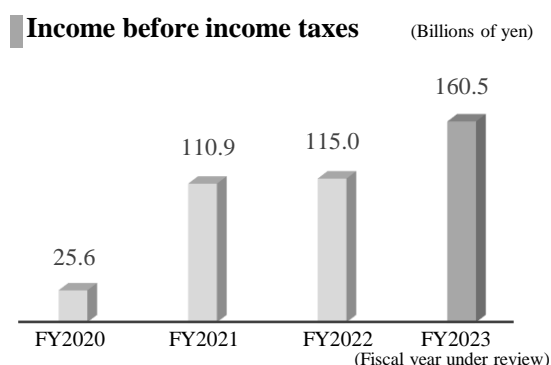
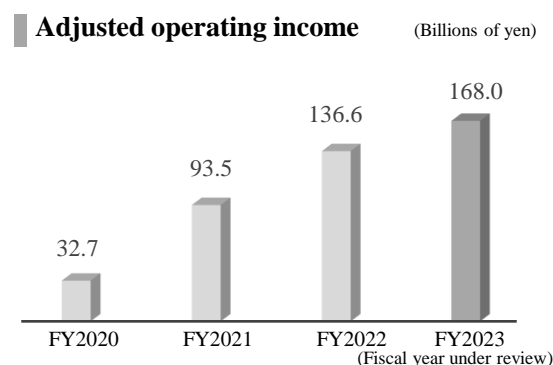
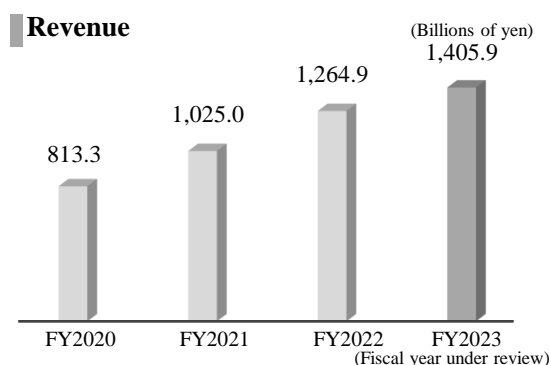
KPI			Medium-term Management Plan FY2025 targets	FY2023 results
ESG	• Reducing environmental impact and CO <sub>2</sub> (total)	Production (Scope 1+2)	-40% VS. FY2010	Scheduled to be published in "Integrated Report 2024"
		Product (Scope 3)	-22% VS. FY2010	
	• Diversity, equity & inclusion	• Localization ratio of GM or higher in overseas group companies <sup>*1</sup>	75%	71% <sup>*2</sup>
		• Ratio of managers by gender (consolidated) <sup>*1</sup>	Women 13% Men 15%	Women 11% <sup>*3</sup> Men 16%

\*1: Newly established indicators in this medium-term management plan

\*2: As of August 2023

\*3: Outlook for result of FY2023

## 5. Summary of Assets and Results of Operation



- (Notes) 1. Net income per share (basic) attributable to owners of the parent is calculated based on the average total number of shares issued during the period (excluding treasury shares).
2. “Adjusted operating income” is used as an indicator of consolidated results instead of “operating income.” Adjusted operating income is calculated by subtracting the sum of cost of sales and selling, general and administrative expenses from revenue.

## 6. Significant subsidiaries

Name of entity	Common stock	Shareholding ratio (%)	Principal businesses
Hitachi Construction Machinery Tierra Co., Ltd.	¥1,441 million	100.00	Manufacturing, sales and services of mini excavators, etc.
Hitachi Construction Machinery Camino Co., Ltd.	¥400 million	100.00	Manufacturing and sales of construction machinery, transportation machinery and their parts
Tadakiko Co., Ltd.	¥277 million	100.00	Manufacturing and sales of parts, etc. of construction machinery
Shintoshoku Metal Co., Ltd.	¥295 million	100.00	Manufacturing and sales of steel castings and special steel castings
Hitachi Kenki Logistics Technology Co., Ltd.	¥360 million	100.00	Packaging, shipping, and export and import service of construction machinery, etc.
Hitachi Construction Machinery Leasing Co., Ltd.	¥50 million	100.00	Installment sales and leasing of construction machinery, etc.
Hitachi Construction Machinery Japan Co., Ltd.	¥5,000 million	100.00	Rental, sales and services of construction machinery
Hitachi Construction Machinery (Europe) N.V.	70,154 thousand euros	98.88	Manufacturing, sales and services of construction machinery
P.T. Hitachi Construction Machinery Indonesia	17,200 thousand U.S. dollars	81.96 (33.87)	Manufacturing and sales of construction machinery
Hitachi Construction Machinery (China) Co., Ltd.	1,500,000 thousand RMB	91.34	Manufacturing and sales of construction machinery
Hitachi Construction Truck Manufacturing Ltd.	84,100 thousand U.S. dollars	100.00	Manufacturing and sales of rigid dump trucks
Tata Hitachi Construction Machinery Company Private Limited	1,143 million Indian rupees	60.00	Manufacturing, sales and services of construction machinery
LLC Hitachi Construction Machinery Eurasia	1,740 million Russian rubles	100.00	Manufacturing and sales of construction machinery
Hitachi Construction Machinery Asia and Pacific Pte. Ltd.	39,956 thousand U.S. dollars	100.00	Sales and services of construction machinery
Hitachi Construction Machinery Distribution (China) Co., Ltd.	200,000 thousand RMB	100.00	Sales and services of construction machinery
Hitachi Construction Machinery Financial Leasing (China) Co., Ltd.	1,103,578 thousand RMB	100.00	Installment sales and leasing of construction machinery, etc.
Hitachi Construction Machinery Africa Pty. Ltd.	167,935 thousand rand	100.00	Sales and services of construction machinery
PT Hexindo Adiperkasa Tbk	23,233 thousand U.S. dollars	53.67 (5.07)	Sales and services of construction machinery
Hitachi Construction Machinery Oceania Holdings Pty., Ltd.	29,122 thousand Australian dollars	100.00	Sales, etc. of construction machinery
Hitachi Construction Machinery Holding U.S.A. Corp.	1,000 thousand U.S. dollars	100.00	Sales, etc. of construction machinery
Wenco International Mining Systems Ltd.	18,205 thousand Canadian dollars	100.00	Development, manufacturing, sales and maintenance of mining operation management systems
Hitachi Construction Machinery Middle East Corporation FZE.	¥500 million	100.00	Sales and services of construction machinery
Hitachi Construction Machinery Americas Inc.	8,000 thousand U.S. dollars	100.00	Sales of construction machinery
H-E Parts International LLC	-	100.00	Provision of services related to mining and construction machinery
Bradken Pty Limited	653,215 thousand Australian dollars	100.00	Manufacturing of metal casting parts for mining and infrastructure industries, and provision of mining facilities and consumables in mining as well as maintenance service, etc.

- (Notes) 1. The numbers in brackets in the shareholding ratio column represent the ratio of indirect ownership (included in the total) owned by the subsidiaries of the Company.
2. The total number of consolidated subsidiaries as stipulated in Article 2, paragraph (3), item (xxii) of the Regulations on Corporate Accounting is 86 including 25 significant subsidiaries in the above. There are 15 affiliates to which the equity method is applied.
3. Hitachi Construction Machinery (Shanghai) Co., Ltd. has been removed from the list significant subsidiaries as it is currently preparing for liquidation.

## II Matters Concerning Directors and Audit Committee Members of the Company

### 1. Details of Directors and Executive Officers of the Company

#### (1) Directors

Position	Name	Responsibilities (Committee)	Significant concurrent positions outside the Company
Director	Toshiko Oka	Nominating Committee Member Audit Committee (Chair) Compensation Committee Member	Professor, Graduate School of Global Business, Meiji University Outside Director, Sony Group Corporation Outside Director, Happinet CORPORATION Outside Director, ENEOS Holdings, Inc. Outside Director, Earth Corporation
Director	Kazushige Okuhara	Nominating Committee (Chair) Audit Committee Member Compensation Committee (Chair)	
Director	Maoko Kikuchi	Nominating Committee Member Audit Committee Member Compensation Committee Member	Managing Partner; Compass International Law Office Outside Director, MITSUI-SOKO HOLDINGS Co., Ltd. Outside Corporate Auditor, Ryohin Keikaku Co., Ltd.
Director	Toshinori Yamamoto*	Nominating Committee Member Audit Committee Member Compensation Committee Member	Senior Advisor, Tosoh Corporation
Director	Joseph P. Schmelzeis, Jr.*	Nominating Committee Member Audit Committee Member Compensation Committee Member	Representative Director, JPS International, Inc. Executive Manager, Cedarfield Godo Kaisha Outside Director, DENSO CORPORATION Outside Director, Central Japan Railway Company
Director	Takatoshi Hayama*	Audit Committee Member	COO, Social Infrastructure Systems Business Unit, Hitachi, Ltd.
Director	Hidemi Moue	Nominating Committee Member Compensation Committee Member	President and CEO, Japan Industrial Partners, Inc. Auditor, Mobile Internet Capital, Inc. Representative Director and President, HCJI Holdings, Ltd. Director, Proterial, Ltd. Director, TOSHIBA CORPORATION
Director	Keiichiro Shiojima		
Director	Masafumi Senzaki*	Nominating Committee Member Compensation Committee Member	
Director	Kotaro Hirano	Nominating Committee Member Compensation Committee Member	

(Notes) 1. The six (6) Directors Ms. Toshiko Oka, Mr. Kazushige Okuhara, Ms. Maoko Kikuchi, Mr. Joseph P. Schmelzeis, Jr., Mr. Takatoshi Hayama, and Mr. Hidemi Moue are Outside Directors stipulated in the Companies Act, and the four (4) Directors Ms. Toshiko Oka, Mr. Kazushige Okuhara, Ms. Maoko Kikuchi, and Mr. Joseph P. Schmelzeis, Jr. are also Independent Officers based on the provisions of Tokyo Stock Exchange, Inc.

2. Directors marked with an asterisk (\*) were newly appointed at the 59<sup>th</sup> Annual Shareholder's Meeting of the Company held on June 26, 2023.
3. Mr. Haruyuki Toyama, Mr. Tetsuo Katsurayama, Mr. Michifumi Tabuchi, and Mr. Yoshinori Hosoya resigned as Director due to the expiry of their terms of office at the conclusion of the 59<sup>th</sup> Annual Shareholder's Meeting of the Company held on June 26, 2023.
4. Mr. Toshinori Yamamoto ceased to be a Director of the Company on February 9, 2024, due to his death. During his term in office, he was an Outside Director stipulated in the Companies Act and an Independent Officer based on the provisions of Tokyo Stock Exchange, Inc.
5. Director (Audit Committee Member), Ms. Toshiko Oka, has many years of experience as a consultant in finance, accounting and M&A practices and possesses extensive experience and knowledge in the fields of finance and accounting. Director (Audit Committee Member), Mr. Joseph P. Schmelzeis, Jr. has experience as a business manager in financial institutions, as well as in the establishment and operation of hedge funds and asset management companies, and possesses extensive experience and knowledge in the fields of finance and accounting. During his term in office, Director (Audit Committee Member), Mr. Toshinori Yamamoto, had considerable experience in accounting-related divisions of an operating company, and possessed extensive knowledge in the fields of finance and accounting.
6. The Company has concluded agreements with six (6) Directors of Ms. Toshiko Oka, Mr. Kazushige Okuhara, Ms. Maoko Kikuchi, Mr. Joseph P. Schmelzeis, Jr., Mr. Takatoshi Hayama, and Mr. Hidemi Moue, under the provisions of paragraph (1), Article 427 of the Companies Act and Article 23 of the Articles of Incorporation to limit liability for damages under paragraph (1), Article 423 of the Companies Act. The Company also had the same agreement with Mr. Toshinori Yamamoto during his term of office. Those agreements are intended to limit the liability for damages of those Directors (excluding those who are Executive Directors, etc.) to the total amount of each item of paragraph (1), Article 425 of the Companies Act.  
Furthermore, the limitation of liability is admitted only when the Director (excluding those who are Executive Directors, etc.) acts in good faith and there is no gross negligence with regard to the execution of duties that caused the liability.
7. In order to interview Executive Officers, etc., receive reports from the Internal Auditing Division, obtain information through audits on the subsidiaries and attend various meetings on a continuing and effective basis, the Company used to appoint a full-time Audit Committee Member; however, the effectiveness of audits is now ensured by the Audit Committee by having Assistants to the Audit Committee newly appointed by the Audit Committee from April 1, 2023, attend important meetings, report information necessary to auditing activities to the Audit Committee in a timely and accurate manner, and report to the Audit Committee the results of audits implemented by the auditing division based on annual audit plans, as well as improvement status. Therefore, the Company has not appointed a full-time Audit Committee Member since the conclusion of the 59<sup>th</sup> Annual Shareholder's Meeting of the Company.

## (2) Executive Officers

Position	Name	Responsibilities in the Company and significant concurrent positions outside the Company
Representative Executive Officer, Chairman and Executive Officer	Kotaro Hirano*	CEO
Representative Executive Officer, President and Executive Officer	Masafumi Senzaki*	COO, supervising Internal Auditing Office and quality assurance
Representative Executive Officer, Executive Vice President and Executive Officer	Michifumi Tabuchi	Officer responsible for "MONOZUKURI" (manufacturing) and Corporate Export Regulation, President of Production & Procurement Group
Executive Vice President and Executive Officer	Naoyoshi Yamada	CSO, in charge of Corporate Strategy Group, Sustainability Promotion Group, Marketing Strategy Group, Government & External Group, and Brand & Communications Group headquarters
Senior Vice President and Executive Officer	Sonosuke Ishii	President of Mining Business Unit and General Manager of America Business Division (concurrently serving as Chairman of Hitachi Construction Machinery Americas Inc.)
Senior Vice President and Executive Officer	Yusuke Kajita	President of Construction Business Unit
Vice President and Executive Officer	Keiichiro Shiojima*	CFO and General Manager of Finance Division

Position	Name	Responsibilities in the Company and significant concurrent positions outside the Company
Vice President and Executive Officer	Seishi Toyoshima	CHRO, President of Human Capital Group, and in charge of Legal Division
Vice President and Executive Officer	Kazunori Nakamura	CTO, General Manager of Research & Development Group and President of Power & Information Control Platform Business Unit, and in charge of Compact Business Unit
Vice President and Executive Officer	Eiji Fukunishi	President of Spare Parts and Service Business Unit
Vice President and Executive Officer	Hidehiko Matsui	CMO, President of Rental & Used Machine Business Unit and General Manager of Global Marketing Group
Executive Officer	Hiroshi Kanezawa	General Manager of Mining Development & Production Division, Mining Business Unit
Executive Officer	Tooru Sugiyama	Vice President of Mining Business Unit
Executive Officer	Seimei Toonishi	CDIO, President of New Business Creation Unit, and in charge of DX Promotion Group
Executive Officer	Yoshihiro Narukawa	CPO and Vice President of Production & Procurement Group
Executive Officer	Tetsuya Hamabe	General Manager of Corporate Strategy Group
Executive Officer	Masaaki Hirose	General Manager of Japan Business Division (concurrently serving as Representative Director of the Board and President of Hitachi Construction Machinery Japan Co., Ltd.)
Executive Officer	Satoshi Yamanobe	General Manager of China Business Division (concurrently serving as President and Director of Hitachi Construction Machinery (China) Co., Ltd.)
Executive Officer	Sandeep Singh	General Manager of India Business Division (concurrently serving as President and Director of Tata Hitachi Construction Machinery Company Private Limited)

- (Notes) 1. The Board of Directors of the Company resolved on March 31, 2023 to appoint the above Executive Officers who took office as of April 1, 2023.
2. Executive Officers marked with an asterisk (\*) concurrently serve as Director.
3. They are listed in Japanese syllabic order by position.

## 2. Other important matters concerning Directors and Audit Committee Members of the Company

Changes to Executive Officers were made effective April 1, 2024.

### <New management structure>

Position	Name	Responsibilities in the Company and significant concurrent positions outside the Company
Representative Executive Officer, Chairman and Executive Officer	Kotaro Hirano	CEO
Representative Executive Officer, President and Executive Officer	Masafumi Senzaki	COO, supervising Internal Auditing Office, health and safety, compliance, quality assurance and the consolidated inventory optimization project
Executive Vice President and Executive Officer	Naoyoshi Yamada	CSO, in charge of the Corporate Strategy Group, Sustainability Promotion Group, Marketing Strategy Group, Government & External Group, Brand & Communications Group headquarters, and Legal Division
Senior Vice President and Executive Officer	Sonosuke Ishii	General Manager of America Business Division (concurrently serving as Chairman and of Hitachi Construction Machinery Americas Inc.)
Representative Executive Officer, Senior Vice President and Executive Officer	Yusuke Kajita	Officer responsible for Corporate Export Regulation and President of Construction Business Unit
Vice President and Executive Officer	Keiichiro Shiojima	CFO and General Manager of Finance Division
Vice President and Executive Officer	Seishi Toyoshima	CHRO and President of Human Capital Group
Vice President and Executive Officer	Kazunori Nakamura	CTO, General Manager of Research & Development Group and President of Power & Information Control Platform Business Unit
Vice President and Executive Officer	Yoshihiro Narukawa	Officer responsible for “MONOZUKURI” (manufacturing) and President of Production & Procurement Group
Vice President and Executive Officer	Eiji Fukunishi	President of Mining Business Unit
Vice President and Executive Officer	Hidehiko Matsui	CMO, President of Rental & Used Machine Business Unit, General Manager of Global Marketing Group, and General Manager of China Business Division
Executive Officer	Kazuhiro Ichimura	President of the Compact Business Unit (concurrently serving as President and Director of Hitachi Construction Machinery Tierra Co., Ltd.)
Executive Officer	Hiroshi Kanezawa	Vice President of Mining Business Unit
Executive Officer	Tooru Sugiyama	Vice President of Mining Business Unit
Executive Officer	Seimei Toonishi	CDIO, President of New Business Creation Unit, and in charge of DX Promotion Group
Executive Officer	Tetsuya Hamabe	General Manager of Corporate Strategy Group
Executive Officer	Masaaki Hirose	General Manager of Japan Business Division (concurrently serving as Representative Director of the Board and President of Hitachi Construction Machinery Japan Co., Ltd.)
Executive Officer	Hiroshi Hosokawa	President of Spare Parts & Service Business Unit
Executive Officer	Satoshi Yamanobe	General Manager of Safety / Health & Compliance Group
Executive Officer	Ray Kitic	General Manager of Oceania Business Division (concurrently serving as Managing Director of Hitachi Construction Machinery Oceania Holdings Pty., Ltd. and Managing Director of Hitachi Construction Machinery Australia Pty., Ltd.)

Position	Name	Responsibilities in the Company and significant concurrent positions outside the Company
Executive Officer	Sandeep Singh	General Manager of India Business Division (concurrently serving as President and Director of Tata Hitachi Construction Machinery Company Private Limited)

(Note) They are listed in Japanese syllabic order by position.



### 3. Policy on Determining the Details of Compensation for Directors and Executive Officers

#### (1) Method of Determination of Policies

The Company sets forth the policy on the determination of the details of compensation for 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 Policy

(i) Matters relating to both Directors and Executive Officers

Compensation will be commensurate with the scope and range of the Company's business, the ability required of, and the responsibilities and risks to be borne by, the Company's Directors and Executive Officers, taking into consideration compensation packages at other companies.

(ii) Director

Compensation for Directors consists of monthly compensation.

- Monthly compensation shall be set as a fixed amount in light of the duty that is the supervisory function. The level of payment is determined in accordance with a full-time or part-time basis, basic salary, allowance for committee members for committees to which the Director belongs and his or her position.

In case of Directors who also serve as Executive Officers, compensation as a Director is not paid.

(iii) Executive Officer

Compensation for Executive Officers consists of monthly compensation and performance-linked compensation.

- Monthly compensation is set to standard amounts according to job positions.
- Monthly compensation and the breakdown of performance-linked compensation for Executive Officers are as follows:

Category	Monthly compensation	Performance-linked compensation	
		Performance-linked bonus	Restricted stock compensation
Chairman and President	60%	30%	10%
Executive Officer	70%	20%	10%

- The standard amount for performance-linked bonus shall fluctuate depending on the degree of achievement of standard performance targets and achievement of individual roles. The fluctuation range is about 0 to 200%. The evaluation method will be carried out at the following ratio.

Category	Company-wide performance	Division performance	Individual / Divisional Mission
Chairman and President	80%	-	20%
Executive Officer	50%	30%	20%

- The evaluation indicators and composition ratios of performance-linked bonus are as follows.

The evaluation indicators and composition ratios of performance-linked bonds are as follows:					
Category	Evaluation indicator	Composition ratio			
		President		Other Executive Officers	
(i) Company-wide performance	Adjusted operating profit margin	32%	80%	20%	50%
	Consolidated operating cash flows	16%		10%	
	Consolidated value chain sales	16%		10%	
	ESG assessment	16%		10%	
(ii) Division performance targets		-		30%	
(iii) Division targets (three indicators for the management issues including organizational health)		20%		20%	

\* ESG assessment is a comprehensive evaluation of CDP's climate change and water security, Dow Jones Sustainability Indices (DJSI) selection, and progress on CO2 reduction rates in the production activities and use of our products.

\* Organizational health is an indicator that assesses the health of an organization from various perspectives, including employee engagement and diversity & inclusion.

\* For foreign Executive Officers, standard compensation is set according to the benchmarks of compensation levels of the country or region in question from the viewpoint of retaining capable personnel, taking into account the competitiveness of the compensation.

- The Company has introduced a restricted stock compensation plan for the purpose of providing incentives for the Company's Executive Officers to continuously improve corporate value over the medium to long term, and to promote further value sharing with shareholders. Under this plan, shares of common stock with transfer restrictions are granted to the eligible recipients, which they are to hold onto during their terms of office. The Compensation Committee determines the total number and allocation of restricted shares to be granted by the Company to the Executive Officers each year, taking into consideration the purpose of the plan, the Company's business conditions, the scope of the Executive Officers' responsibilities, and other factors.

During the fiscal year under review, 25,072 shares were delivered to Executive Officers as compensation for the execution of their duties to a total of 16 eligible recipients.

- The Compensation Committee, at its meeting held on March 29, 2023, partially amended the above policy and approved a new resolution on the amount of compensation for Executive Officers effective April 1, 2024 and thereafter.

The major amendments are as follows:

- Monthly compensation and the breakdown of 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%

b. Evaluation method of performance-linked bonus

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

c. Evaluation indicators and composition ratios of performance-linked bonus

Category	Evaluation indicator	Composition ratio			
		CEO, COO, and Executive Vice President		Senior Vice President and lower positions	
(i) Company-wide performance	Net income	50%	80%	30%	60%
	Consolidated operating cash flows	20%		10%	
	Consolidated value chain sales	-		10%	
	ESG assessment	10%		10%	
(ii) Division performance targets		-		30%	
(iii) Division targets (three indicators for the management issues including organizational health)		20%		10%	

#### 4. Total Amount of Compensation, etc. for Directors and Executive Officers

Classification	Number of persons	Total amount for each type of compensation (Millions of yen)			Total amount of compensation (Millions of yen)
		Basic compensation	Performance-linked compensation (Performance-linked bonus)	Performance-linked compensation (Restricted stock)	
Director (of which, Outside Directors)	9 (8)	95 (88)	- -	- -	95 (88)
Executive Officer	19	597	208	78	883
Total	28	692	208	78	978

- (Notes)
1. There are nine (9) Directors (out of which six (6) are Outside Directors) and 19 Executive Officers as at the end of the fiscal year under review; however, the total number of officers is 25 as three (3) Directors concurrently serve as Executive Officer. The three (3) Directors who concurrently serve as Executive Officers receive only compensation as Executive Officers.
  2. The number of Directors shown above excludes one (1) Director who receives no compensation and four (4) Directors who concurrently serve as Executive Officers (including one (1) Director who concurrently serves as an Executive Officer who resigned during the fiscal year under review) and includes four (4) Directors who resigned during the fiscal year under review.
  3. The Compensation Committee of the Company held three meetings on the details of compensation for individual Directors and Executive Officers for the fiscal year ended March 31, 2024 to determine those details in line with the policy described in “3. Policy on Determining the Details of Compensation for Directors and Executive Officers” above. Accordingly, we judge that the details of individual compensation conform with such policy.
  4. The Company pays performance-linked bonus to Executive Officers as performance-linked compensation. As performance indicators for performance-linked compensation, the Company has set financial indicators, such as the adjusted operating income ratio, and targets, etc., in the medium-term management plan. The reason for selecting these targets is to calculate the amount of compensation based on the business plan and business results for the relevant fiscal year within a certain range stipulated in the “Basic Policy for Compensation to Director and Executive Officers.” As for the method of calculating the performance-linked compensation, the amount shall be determined within a certain range, depending on the degree of achievement of targets and outcome of business operations of which each person is in charge. The results of the performance indicators for performance-linked compensation paid to the Company’s executive officers for the fiscal year under review were adjusted operating margin of 12.0%, consolidated operating cash inflow of ¥73,000 million, and consolidated value chain sales of ¥5,546 million, etc. In terms of ESG evaluation, we improved our CO<sub>2</sub> reduction rate concerning emissions, for both those from production activities and those associated with use of the Company’s products.
  5. The Company grants restricted shares to Executive Officers as non-monetary compensation. The details of this stock compensation and the status of its delivery are described in “3. Policy on Determining the Details of Compensation for Directors and Executive Officers” above.
  6. The performance-linked compensation (restricted stock compensation) above presents the amount recorded as expenses for the fiscal year under review based on the restricted stock compensation plan.

#### 5. Summary of Details of Directors and Officers Liability Insurance Policy

The Company has entered into a directors and officers liability insurance (“D&O insurance”) policy as provided for in Article 430-3 of the Companies Act that includes Directors and Executive Officers as the insureds. The insurance premiums, including those for special clauses, are fully borne by the Company, and there are no insurance premiums actually borne by the insureds. This insurance policy covers losses that may arise from the insured’s assumption of liability incurred in the course of the performance of duties as a Director or an Executive Officer, or receipt of claims pertaining to the pursuit of such liability. However, there are certain reasons for coverage exclusion, such as performance of an illegal act with full knowledge of its illegality, where the losses will not be covered.

## 6. Overview of Effectiveness Evaluation Results of Board of Directors

The Company conducts an annual evaluation of the effectiveness of the Board of Directors in accordance with Article 12 (Evaluation of the Board of Directors) of the Company's "Corporate Governance Guidelines" to ensure and improve the effectiveness of the Board of Directors. Overview of the evaluation results of the effectiveness of the Board of Directors in FY2023 are as follows.

### <Evaluation Method>

- (1) Discussed at Board of Directors meeting held in November 2023 to incorporate a third-party investigation into effectiveness evaluation.
- (2) In January 2024, a third-party organization conducted a questionnaire-based survey based on the following items for all ten (10) Directors. Interviews were conducted for all nine (9) Directors in February based on the results of the survey.

#### Questionnaire Items

No.	Items	No.	Items
1.	Desirable Status of Board of Directors	6.	Performance of Directors and Executive Officers
2.	Composition of Board of Directors	7.	Support system and training for Directors
3.	Management of Board of Directors	8.	Dialogue with shareholders (investors)
4.	Discussion of Board of Directors	9.	Committees (Audit Committee, Nominating Committee, Compensation Committee)
5.	Monitoring function of Board of Directors	10.	Summary

- (3) The third-party organization aggregates and analyzes the survey results, based on the questionnaires and interviews.
- (4) The Board of Directors Bureau summarizes the improvement status of the issues with respect to the results of the previous fiscal year, and reports the results at the Board of Directors meeting held in March. Issues to be improved and improvement measures are deliberated, and disclosure in corporate governance reports, etc. is discussed during the meeting.

### <Analysis and Evaluation>

The evaluation of the effectiveness of the Board of Directors, which began in FY2015, has been led by the in-house Board of Directors Secretariat. After the equity change that took place in August 2022, we asked a third-party organization to evaluate the effectiveness of our Board of Directors, and outsourced all of the questionnaires, interviews, tabulations, and analyses in order to identify inadequate discussions and responses at the Board of Directors and conduct more substantial discussions. Subsequently, we have been working to improve the items that were identified as issues requiring improvement. In FY2023, we decided to continue the external evaluation to enhance the effectiveness of our Board of Directors, since 70% of the Directors appointed at the Annual Shareholder's Meeting are Outside Directors, half are Independent Directors, a foreign national Director was appointed for the first time, and each of the Committees are chaired by Outside Directors.

As a result of the evaluation, while the Company exceeded the average score compared with other companies and was evaluated as "mostly functioning," some items were rated below the previous year's score. Furthermore, items such as (1) securing opportunities and time for discussion of management strategy, business portfolio strategy and other important matters, (2) improving management, (3) reviewing the management of the Nominating Committee and Compensation Committee, and (4) revision of methods for dialogue with shareholders were identified as issues to improve the effectiveness of the Board of Directors.

### <Future Initiatives>

Based on the analysis and evaluation results, the Board of Directors of the Company will discuss each item, and work on the following items to continuously improve effectiveness.

1. Ensuring time for discussion by reviewing explanations of proposals
2. Requesting improvement to proposing divisions and proposing Directors

3. Organizing the skill matrix, nominating and appointing Directors with expertise, and selecting candidates for their successor
4. Enhancement of dialogue with shareholders and institutional investors

# Consolidated Financial Statements (International Financial Reporting Standards)

## Consolidated statements of financial position (as of March 31, 2024)

(Millions of yen)

Assets		Liabilities	
<b>Current assets</b>		<b>Current liabilities</b>	
Cash and cash equivalents	143,530	Lease liabilities	11,711
Trade receivables	305,179	Liabilities Trade and other payables	261,930
Contract assets	552	Contract liabilities	14,314
Inventories	552,319	Borrowings	396,302
Income taxes receivable	2,994	Income taxes payable, etc.	15,210
Other financial assets	33,538	Other financial liabilities	19,164
Other current assets	19,590	Other current liabilities	3,679
Subtotal	1,057,702	Subtotal	722,310
Assets held for sale	19,848	Liabilities held for sale	5,438
<b>Total current assets</b>	<b>1,077,550</b>	<b>Total current liabilities</b>	<b>727,748</b>
<b>Non-current assets</b>		<b>Non-current liabilities</b>	
Right-of-use assets	66,973	Lease liabilities	62,531
Property, plant and equipment	471,287	Liabilities Trade and other payables	3,720
Intangible assets	43,630	Contract liabilities	9,439
Goodwill	51,536	Bonds and borrowings	179,280
Investments accounted for using the equity method	23,844	Retirement and severance benefits	22,505
Trade receivables	47,196	Deferred tax liabilities	9,368
Deferred tax assets	26,222	Other financial liabilities	629
Other financial assets	21,177	Other non-current liabilities	5,372
Other non-current assets	5,590	<b>Total non-current liabilities</b>	<b>292,844</b>
<b>Total non-current assets</b>	<b>757,455</b>	<b>Total liabilities</b>	<b>1,020,592</b>
		<b>Equity</b>	
		<b>Equity attributable to owners of the parent</b>	
		Common stock	81,577
		Capital surplus	75,965
		Retained earnings	526,307
		Accumulated other comprehensive income	82,600
		Treasury stock, at cost	(3,069)
		<b>Total equity attributable to owners of the parent</b>	<b>763,380</b>
		<b>Non-controlling interests</b>	<b>51,033</b>
		<b>Total equity</b>	<b>814,413</b>
<b>Total assets</b>	<b>1,835,005</b>	<b>Total liabilities and equity</b>	<b>1,835,005</b>

**Consolidated statements of income (April 1, 2023 to March 31, 2024)**

(Millions of yen)

<b>Continuing operations</b>	
Revenue	1,405,928
Cost of sales	(970,758)
<b>Gross profit</b>	<b>435,170</b>
Selling, general and administrative expenses	(267,142)
Other income	5,175
Other expenses	(10,513)
<b>Operating income</b>	<b>162,690</b>
Financial income	11,557
Financial expenses	(17,213)
Equity in net earnings of associates	3,442
<b>Income before income taxes</b>	<b>160,476</b>
Income tax expense	(44,186)
<b>Net income from continuing operations</b>	<b>116,290</b>
<b>Discontinued operations</b>	
<b>Net income from discontinued operations</b>	<b>(11,823)</b>
<b>Net income</b>	<b>104,467</b>
Net income attributable to:	
Owners of the parent	93,294
Non-controlling interests	11,173
Net income	104,467



**Consolidated statements of changes in equity (April 1, 2023 to March 31, 2024)**

(Millions of yen)

	Equity attributable to owners of the parent					
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income		
				Re-measurements of defined benefit plans	Net gains and losses from financial assets measured at fair value through OCI	Cash flow hedges
Balance at beginning of period	81,577	75,724	463,174	(666)	7,182	(206)
Net income			93,294			
Other comprehensive income				270	2,153	12
Comprehensive income	—	—	93,294	270	2,153	12
Acquisition of treasury stock						
Paid dividends			(30,836)			
Share-based payment transactions		47				
Change in scope of consolidation						
Amount transferred to retained earnings			675		(675)	
Written put options over non-controlling interests		194				
Total transactions with equity owners	—	241	(30,161)	—	(675)	—
Balance at end of period	81,577	75,965	526,307	(396)	8,660	(194)

(Millions of yen)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Accumulated other comprehensive income		Treasury stock, at cost	Total		
	Foreign currency translation adjustments	Total				
Balance at beginning of period	36,301	42,611	(3,094)	659,992	41,048	701,040
Net income		—		93,294	11,173	104,467
Other comprehensive income	38,229	40,664		40,664	4,517	45,181
Comprehensive income	38,229	40,664	—	133,958	15,690	149,648
Acquisition of treasury stock		—	(6)	(6)		(6)
Paid dividends		—		(30,836)	(6,232)	(37,068)
Share-based payment transactions		—	31	78		78
Change in scope of consolidation		—		—	620	620
Amount transferred to retained earnings		(675)		—		—
Written put options over non-controlling interests		—		194	(93)	101
Total transactions with equity owners	—	(675)	25	(30,570)	(5,705)	(36,275)
Balance at end of period	74,530	82,600	(3,069)	763,380	51,033	814,413

# Non-Consolidated Financial Statements

## Non-consolidated balance sheet (as of March 31, 2024)

(Millions of yen)

Assets		Liabilities	
<b>Current assets</b>	<b>506,938</b>	<b>Current liabilities</b>	<b>331,774</b>
Cash and deposits	5,331	Electronically recorded obligations – operating	28,004
Electronically recorded monetary claims – operating	293	Accounts payable - trade	82,372
Accounts receivable - trade	249,957	Short-term borrowings	79,000
Merchandise and finished goods	87,609	Short-term borrowings from subsidiaries and affiliates	13,540
Work in process	21,192	Current portion of long-term borrowings	37,740
Raw materials and supplies	4,219	Lease obligations	228
Prepaid expenses	2,127	Accounts payable - other	17,504
Short-term loans receivable	93,959	Allowance for doubtful accounts	13,240
Accounts receivable - other	33,708	Income taxes payable	1,572
Others	8,837	Deposits received	51,600
Allowance for doubtful accounts	(294)	Contract liabilities	2,826
<b>Non-current assets</b>	<b>417,115</b>	Others	4,150
<b>Property, plant and equipment</b>	<b>119,766</b>	<b>Fixed liabilities</b>	<b>174,267</b>
Buildings, net	42,820	Bonds payable	50,000
Structures, net	7,119	Long-term borrowings	106,056
Machinery and equipment, net	25,162	Lease obligations	2,685
Vehicles, net	163	Provision for retirement benefits	8,560
Tools, furniture and fixtures, net	5,032	Contract liabilities	6,745
Land	36,296	Others	221
Construction in progress	3,175	<b>Total liabilities</b>	<b>506,042</b>
<b>Intangible assets</b>	<b>19,231</b>	<b>Net assets</b>	
Software	19,152	<b>Shareholders' equity</b>	<b>413,699</b>
securities	79	<b>Common stock</b>	<b>81,577</b>
<b>Investments and other assets</b>	<b>278,118</b>	<b>Capital surplus</b>	<b>85,006</b>
Investment securities	9,451	Legal capital surplus	81,084
Shares of subsidiaries and associates	143,368	Other capital surplus	3,922
Investments in capital of subsidiaries and affiliates	52,472	<b>Retained earnings</b>	<b>250,185</b>
Long-term prepaid expenses	438	Legal retained earnings	2,169
Prepaid pension costs	1,282	Other retained earnings	248,016
Deferred tax assets	6,298	Reserve for reduction entry	6,291
Long-term accounts receivable - other with subsidiaries and affiliates	58,203	General reserve	12,952
Long-term accounts receivable - trade with subsidiaries and affiliates	16,229	Retained earnings brought forward	228,773
Others	2,583	<b>Treasury stock, at cost</b>	<b>(3,069)</b>
Allowance for doubtful accounts	(12,207)	<b>Valuation and translation adjustments</b>	<b>4,313</b>
<b>Total assets</b>	<b>924,054</b>	<b>Valuation difference on available-for-sale securities</b>	<b>4,303</b>
		<b>Deferred gains or losses on hedges</b>	<b>10</b>
		<b>Total net assets</b>	<b>418,012</b>
		<b>Total liabilities and net assets</b>	<b>924,054</b>

**Non-consolidated statements of income (April 1, 2023 to March 31, 2024)**

(Millions of yen)

Revenue	810,556
Cost of sales	690,549
Gross profit	120,008
Selling, general and administrative expenses	103,680
<b>Operating income</b>	<b>16,328</b>
Non-operating income	66,345
Interest income and dividends	61,269
Miscellaneous income	5,076
Non-operating expenses	6,412
Interest expenses	1,147
Foreign exchange losses	2,454
Miscellaneous losses	2,811
<b>Ordinary income</b>	<b>76,261</b>
Extraordinary income	987
Gain on sale of investment securities	972
Gain on sales of property, plant and equipment	15
Extraordinary losses	4,975
Provision for doubtful accounts	2,769
Impairment losses on fixed assets	93
Impairment losses on investment securities	94
Cost related to resolution of disputes	2,019
<b>Income before income taxes</b>	<b>72,274</b>
Income taxes – current	6,598
Income taxes – deferred	(78)
<b>Net income</b>	<b>65,754</b>

**Non-consolidated statements of changes in equity (April 1, 2023 to March 31, 2024)**

(Millions of yen)

(in millions of yen)

	Shareholders' equity									
	Common stock	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						Reserve for reduction entry	Reduction entry	Reserve for reduction entry	Retained earnings brought forward	
Balance at beginning of period	81,577	81,084	3,876	84,959	2,169	4,201	1,923	12,952	194,023	215,268
Changes of items during period										
Dividends of surplus				—					(30,836)	(30,836)
Net income				—					65,754	65,754
Acquisition of treasury stock				—						—
Disposal of treasury shares			0	0						—
Share-based payment transactions			47	47						—
Accumulation of reserve for reduction entry				—		2,306			(2,306)	—
Reversal of reserve for reduction entry				—		(216)			216	—
Provision of reserve for special account for reduction entry				—						—
Reversal of reserve for special account for reduction entry				—			(1,923)		1,923	—
Net changes of items other than shareholders' equity				—						—
Total changes of items during period	—	—	47	47	—	2,091	(1,923)	—	34,750	34,917
Balance at end of period	81,577	81,084	3,922	85,006	2,169	6,291	—	12,952	228,773	250,185

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	(3,094)	378,710	3,414	113	3,527	382,237
Changes of items during period						
Dividends of surplus		(30,836)			–	(30,836)
Net income		65,754			–	65,754
Acquisition of treasury stock	(7)	(7)			–	(7)
Disposal of treasury shares	0	0			–	0
Share-based payment transactions	31	78			–	78
Accumulation of reserve for reduction entry		–			–	–
Reversal of reserve for reduction entry		–			–	–
Provision of reserve for special account for reduction entry		–			–	–
Reversal of reserve for special account for reduction entry		–			–	–
Net changes of items other than shareholders' equity		–	889	(103)	786	786
Total changes of items during period	25	34,989	889	(103)	786	35,775
Balance at end of period	(3,069)	413,699	4,303	10	4,313	418,012

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To Our Shareholders

# **Items not included in paper-based documents delivered to shareholders requesting delivery of paper-based documents in accordance with laws and regulations and the Articles of Incorporation on giving notice of convocation of the 60th Annual Shareholder's Meeting**

## **Business Report**

- I. Financing Activities [Major Creditors]**
- II. Principal Businesses**
- III. Principal Business Locations**
- IV. Employees**
- V. Matters Concerning Outside Directors**
- VI. Matters Concerning the Company's Stock**
- VII. Financial Auditor**
- VIII. Policy on Decisions for Dividends of Surplus**
- IX. System to Ensure the Properness of Operations and the Operational Status of the Relevant System**

## **Consolidated Financial Statements**

- X. Notes to the Consolidated Financial Statements**

## **Non-Consolidated Financial Statements**

- XI. Notes to the Non-Consolidated Financial Statements**

 **Hitachi Construction Machinery Co., Ltd.**

<p>The aforementioned materials are provided to the shareholders for their review by posting them on the Company's website pursuant to laws and regulations and the provisions of the Articles of Incorporation of the Company.</p>
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## I. Financing Activities [Major Creditors]

Major creditors of the Group

Major borrowings of the Group at the end of the fiscal year under review are as follows.

(Millions of yen)

Creditor	Balance as of March 31, 2024
Mitsubishi UFJ Financial Group, Inc.	126,644
Sumitomo Mitsui Financial Group, Inc.	113,927
Mizuho Financial Group, Inc.	73,575
Sumitomo Mitsui Trust Bank, Limited	31,483
The Chiba Bank, Ltd.	19,771

## II. Principal Businesses

Businesses	Main products, etc.	
Construction Machinery Business	Construction	Medium- and small-sized hydraulic excavators, wheeled excavators, mini excavators, wheel loaders, backhoe loaders, machinery for foundation works, and road construction machinery
	Resource development	Ultra-large and large hydraulic excavators, hydraulic backhoe vessels, and rigid dump trucks
	Environment	Soil improvement equipment, shredders, timber recycling equipment, and screens
	Product development	Super-long excavators, demolition machines, scrap processing machines, forestry specification machines, electric-powered excavators, radio-controlled operating systems, and double-arm working machines
	Equipment	Hydraulic equipment for construction machinery, and generic hydraulic equipment
	Rental service	Rental of construction machinery and construction-related products
	Used equipment	Sales of used construction machinery, etc.
	Services	Maintenance of and services for construction machinery and others, specific self-inspection, parts sales, technical training, and operational management of mining machinery
	Transportation and finance	Transportation of construction machinery and parts, etc., and finance including installment sale and leasing of construction machinery
Specialized Parts and Services Business	Services	Parts development, manufacturing and sales as well as provision of services and solutions after the sale of mining facilities and machinery that are not included in the Construction Machinery Business segment

### III. Principal Business Locations

#### (1) Principal business locations of the Company

Name	Location	Name	Location
Head Office	Tokyo	Hitachinaka Works	Ibaraki Prefecture
Tsuchiura Works	Ibaraki Prefecture	Hitachinaka-Rinko Works	Ibaraki Prefecture
Kasumigaura Works	Ibaraki Prefecture	Banshu Works	Hyogo Prefecture
Ryugasaki Works	Ibaraki Prefecture		

#### (2) Principal business locations of the subsidiaries

Name (in Japan)	Location	Name (overseas)	Location
Hitachi Construction Machinery Tierra Co., Ltd.	Shiga Prefecture	Hitachi Construction Machinery (Europe) N.V.	The Netherlands
Hitachi Construction Machinery Camino Co., Ltd.	Yamagata Prefecture	P.T. Hitachi Construction Machinery Indonesia	Indonesia
Tadakiko Co., Ltd.	Chiba Prefecture	Hitachi Construction Machinery (China) Co., Ltd.	China
Shintohoku Metal Co., Ltd.	Akita Prefecture	Hitachi Construction Truck Manufacturing Ltd.	Canada
Hitachi Kenki Logistics Technology Co., Ltd.	Ibaraki Prefecture	Tata Hitachi Construction Machinery Company Private Limited	India
Hitachi Construction Machinery Leasing Co., Ltd.	Saitama Prefecture	LLC Hitachi Construction Machinery Eurasia	Russia
Hitachi Construction Machinery Japan Co., Ltd.	Saitama Prefecture	Hitachi Construction Machinery Asia and Pacific Pte.	Singapore
		Hitachi Construction Machinery Distribution (China) Co., Ltd.	China
		Hitachi Construction Machinery Financial Leasing (China) Co., Ltd.	China
		Hitachi Construction Machinery Africa Pty. Ltd.	South Africa
		PT Hexindo Adiperkasa Tbk	Indonesia
		Hitachi Construction Machinery Oceania Holdings Pty., Ltd.	Australia
		Hitachi Construction Machinery Holding U.S.A. Corp.	U.S.A.
		Wenco International Mining Systems Ltd.	Canada
		Hitachi Construction Machinery Middle East Corporation FZE.	UAE
		Hitachi Construction Machinery Americas Inc.	U.S.A.
		H-E Parts International LLC	U.S.A.
		Bradken Pty Limited	Australia

## IV. Employees

Construction Machinery Business [Increase/(decrease) from the previous period]	Specialized Parts and Services Business [Increase/(decrease) from the previous period]	Total number of employees [Increase/(decrease) from the previous period]	Average age [The Company]	Average length of service [The Company]
22,391 [+590]	3,839 [+210]	26,230 [+800]	40.3 years old	15.4 years

(Note) The number of employees is the number of full-time employees.

## V. Matters Concerning Outside Directors

### (1) Concurrent positions at other organizations and relationships between the Company and such other organizations

Name	Significant concurrent positions outside the Company
Toshiko Oka	Professor, Graduate School of Global Business, Meiji University Outside Director, Sony Group Corporation Outside Director, Happinet CORPORATION Outside Director, ENEOS Holdings, Inc. Outside Director, Earth Corporation
Maoko Kikuchi	Managing Partner, Compass International Law Office Outside Director, MITSUI-SOKO HOLDINGS Co., Ltd. Outside Corporate Auditor, Ryohin Keikaku Co., Ltd.
Toshinori Yamamoto	Senior Advisor, Tosoh Corporation
Joseph P. Schmelzeis, Jr.	Representative Director, JPS International, Inc. Executive Manager, Cedarfield Godo Kaisha Outside Director, DENSO CORPORATION Outside Director, Central Japan Railway Company
Takatoshi Hayama	COO, Social Infrastructure Systems Business Unit, Hitachi, Ltd.
Hidemi Moue	President and CEO, Japan Industrial Partners, Inc. Auditor, Mobile Internet Capital, Inc. Representative Director and President, HCJI Holdings, Ltd. Outside Director, Proterial, Ltd. Outside Director, TOSHIBA CORPORATION

(Notes) 1. Significant concurrent positions outside the Company held by Outside Directors are as shown in the table above. Director Hidemi Moue concurrently serves as President and Representative Director of HCJI Holdings Co., Ltd. HCJI Holdings Co., Ltd. is a major shareholder in the Company holding more than 25% of the Company's shares, and has entered into a capital tie-up agreement with the Company. In addition, Director Takatoshi Hayama serves concurrently as COO of Social Infrastructure Systems Business Unit of Hitachi, Ltd. Hitachi, Ltd. is a major shareholder of the Company, holding over 25% of the Company's shares. The Company and Hitachi, Ltd. have a licensing relationship related to the Hitachi brand.

2. Mr. Toshinori Yamamoto left office due to his death on February 9, 2024.

### (2) Relatives of executive officers or officers (excluding those who are executive officers) of the Company or entities that have a special relationship with the Company

There are no applicable persons.



### (3) Major activities of Outside Directors

Name	Activities and the outline of duties conducted in relation to roles expected from outside Director
Toshiko Oka	Ms. Toshiko Oka attended all twelve (12) Board of Directors' meetings, all four (4) Nominating Committee's meetings, all thirteen (13) Audit Committee's meetings, and all five (5) Compensation Committee's meetings held during the fiscal year under review and stated her opinions necessary for the deliberation of the agenda as appropriate by capitalizing on her extensive experience as a top executive of consulting firms, knowledge and deep insight on M&A.
Kazushige Okuhara	Mr. Kazushige Okuhara attended all twelve (12) Board of Directors' meetings, all four (4) Nominating Committee's meetings and all thirteen (13) Audit Committee's meetings, and all five (5) Compensation Committee's meetings held during the fiscal year under review, and stated his opinions necessary for the deliberation of the agenda as appropriate by capitalizing on his extensive experience as the top executive of a global company and knowledge and deep insight on personnel and labor policy.
Maoko Kikuchi	Ms. Maoko Kikuchi attended all twelve (12) Board of Directors' meetings, all four (4) Nominating Committee's meetings and all thirteen (13) Audit Committee's meetings, and all five (5) Compensation Committee's meetings held during the fiscal year under review, and stated her opinions necessary for the deliberation of the agenda as appropriate by capitalizing on her extensive experience and knowledge in the field of law, and her experience and deep insight as a top executive and corporate auditor.
Toshinori Yamamoto	Mr. Toshinori Yamamoto attended all eight (8) Board of Directors' meetings, all three (3) Nominating Committee's meetings, all eight (8) Audit Committee's meetings, and all two (2) Compensation Committee's meetings held after his appointment on June 26, 2023 until his retirement on February 9, 2024, and stated his opinions necessary for the deliberation of the agenda as appropriate by capitalizing on his extensive experience and deep insight as a top executive of international companies, and business experience in the fields of business planning and management and manufacturing in Japan and overseas.
Joseph P. Schmelzeis, Jr.	Mr. Joseph P. Schmelzeis, Jr. attended nine (9) out of ten (10) Board of Directors' meetings, all four (4) Nominating Committee's meetings, all nine (9) Audit Committee's meetings, and all three (3) Compensation Committee's meetings held after his appointment on June 26, 2023, and stated his opinions necessary for the deliberation of the agenda as appropriate by capitalizing on his extensive experience and deep insight, including establishing venture businesses, serving as a strategic consultant, and making efforts to promote friendly relations between the U.S. and Japan as Senior Advisor to the Ambassador, U.S. Embassy in Tokyo, in addition to his experience in management of international companies.
Takatoshi Hayama	Mr. Takatoshi Hayama attended nine (9) out of ten (10) Board of Directors' meetings and all nine (9) Audit Committee's meetings held after his appointment on June 26, 2023, and stated his opinions necessary for the deliberation of the agenda as appropriate by capitalizing on his business experience in the fields of information and communications systems in the Hitachi Group and his extensive knowledge and deep insight as a top executive.
Hidemi Moue	Mr. Hidemi Moue attended all twelve (12) Board of Directors' meetings, all four (4) Nominating Committee's meetings, and all five (5) Compensation Committee's meetings held during the fiscal year under review, and stated his opinions necessary for the deliberation of the agenda as appropriate by capitalizing on his extensive experience and deep insight as a top executive of fund management firms, and knowledge on finance and M&A fields.

(Notes) 1. In addition to the above number of Board of Directors' meetings, there was one (1) written resolution that was deemed to have been passed by the Board of Directors in accordance with the provisions of Article 370 of the Companies Act and Article 22 of the Company's Articles of Incorporation.

2. Mr. Toshinori Yamamoto left office due to his death on February 9, 2024.

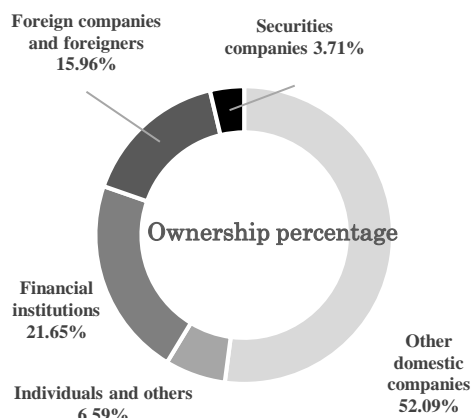
## VI. Matters Concerning the Company's Stock

(1) Total number of authorized shares 700,000,000

(2) Total number of shares issued 215,115,038  
(including treasury stock of 2,442,175 shares)

Capital stock	¥81,576,592,620
Number of shares per share unit	100

(3) Number of shareholders 26,302



### (4) Major shareholders (top 10 shareholders)

Name of the shareholder	Share ownership (Thousands of shares)	Shareholding ratio (%)
HCJI Holdings, Ltd.	55,290	26.00
Hitachi, Ltd.	54,062	25.42
The Master Trust Bank of Japan, Ltd. (Trust Account)	30,516	14.35
Custody Bank of Japan, Ltd. (Trust Account)	12,335	5.80
JPMorgan Securities Japan Co., Ltd.	3,437	1.62
HSBC HONG KONG -TREASURY SERVICES A/C AISAN EQUITIES DERIVATIVES	2,398	1.13
STATE STREET BANK WEST CLIENT-TREATY 505234	2,015	0.95
Goldman Sachs Japan Co., Ltd. BNYM	1,944	0.91
JPMORGAN CHASE BANK 385781	1,447	0.68
SSBTC CLIENT OMNIBUS ACCOUNT	1,212	0.57

(Notes) 1. The 2,442,175 shares of treasury stock held by the Company are not included in the above table.  
2. Shareholding ratios are calculated by excluding the 2,442,175 shares of treasury stock.

### (5) Shares delivered as consideration for the execution of duties to Directors and Executive Officers

The shares delivered to Directors and Executive Officers during the fiscal year under review are shown in “II Matters Concerning Directors and Audit Committee Members of the Company, 3. Policy on Determining the Details of Compensation for Directors and Executive Officers” on page 49 of the Notice of Convocation of the Annual Shareholder's Meeting.

## VII. Financial Auditor

### (1) Name of Financial Auditor

Ernst & Young ShinNihon LLC

### (2) Fees, etc. to Financial Auditor for the fiscal year

(Millions of yen)

Category	Amount
Total of money and other economic benefits to be paid by the Company and its subsidiaries	173
Out of which, the amount of fees, etc. payable by the Company*	133

(Notes) 1. The audit agreement between the Company and the Financial Auditor does not separate between the fees for audit under the Companies Act and those for audit under the Financial Instruments and Exchange Act, and it is impractical to distinguish between the two, either. Accordingly, the amount marked with an asterisk “\*” presents the sum of those two.

2. The Audit Committee confirmed the contents of the audit plan of the Financial Auditor, status of development of the quality control structure, status of work performance of accounting audit and others, and analyzed and examined the basis for calculation and determination of estimates of audit fees, etc. Consequently, the Audit Committee has determined that the fees, etc. to the Financial Auditor are appropriate, and given the consent in accordance with Article 399, paragraph (1) of the Companies Act.

### (3) Description of non-audit services

The Company paid compensation to the Financial Auditor for work other than that set forth in Article 2, Paragraph 1 of the Certified Public Accountants Act, such as work related to the preparation of comfort letters.

### (4) Matters pertaining to persons to whom a business suspension order has been issued for the past two (2) years

No applicable matters.

### (5) Policy regarding decisions on the dismissal or non-reappointment of the Financial Auditor

If the Audit Committee considers that the Financial Auditor falls under any of the provisions of Article 340, paragraph (1) of the Companies Act and judges it necessary to dismiss the Financial Auditor immediately, the Audit Committee shall dismiss the Financial Auditor, having obtained unanimous consent of the Audit Committee Members.

In such case, an Audit Committee Member appointed by the Audit Committee will report on the decision of dismissal and its reasons at the first shareholder's meeting convened after the dismissal.

In addition to the cases mentioned above, the Audit Committee shall, when deemed necessary to change the Financial Auditor, such as in cases where the Financial Auditor is recognized to have difficulty in properly fulfilling its auditing duties, decide the contents of a proposal to be submitted to the shareholder's meeting related to the dismissal or non-reappointment of the Financial Auditor.

## VIII. Policy on Decisions for Dividends of Surplus

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 in a well-balanced manner. At the same time, the Company will, in principle, pay dividends of surplus linked to its consolidated business results twice a year as interim and year-end dividends and aim to maximize shareholder returns by maintaining a consolidated dividend payout ratio of 30% to 40% on a stable and continuous basis.

With the aim of enabling the execution of a flexible capital policy, the Company will acquire treasury stock in consideration of necessity, financial conditions, and stock movements, etc.

## **IX. System to Ensure the Properness of Operations and the Operational Status of the Relevant System**

### **1. Matters that are deemed necessary by the Ministry of Justice Order for the execution of duties of the Audit Committee**

#### **(1) Matters concerning Directors and employees to assist in duties of the Audit Committee of the Company**

- (i) The Audit Committee Bureau has been provided as an organization to assist the duties of the Audit Committee, and full-time personnel members who work exclusively for the Bureau and are not subject to orders and instructions of Executive Officers have been assigned.
- (ii) The Internal Auditing, Legal and General Administrative Departments are to provide support to the Audit Committee in addition to the personnel of the Audit Committee Bureau, and specific areas in which they provide support are as below.
  - (a) Internal Auditing Department      Implementation of internal audit in accordance with audit plans reported to the Audit Committee
  - (b) Legal Department                      Determination of the agenda for the Board of Directors' meetings, administration relating to the preparation and provision of the minutes, administration relating to the management of materials, and other administration relating to the interpretation and application, etc. of laws and regulations
  - (c) Secretary Department              Coordination of the schedule of each Director
- (iii) The Audit Committee may appoint Assistants from among the Company's employees to assist with duties, in addition to those stipulated in the preceding two paragraphs.

Assistants shall assist the Audit Committee in conducting audits and on-site audits, and assist in all activities of the Audit Committee, such as investigating, analyzing, reporting, and expressing opinions on matters to be audited in cooperation with related departments.

There are no Directors with the particularly explicit duty of assisting the duties of the Audit Committee.

#### **(2) System for ensuring the independence of the Directors and the personnel in the preceding items from Executive Officers as well as the effectiveness of instructions to such Directors and personnel from the Audit Committee**

- (i) The Audit Committee Bureau is staffed with personnel who work exclusively for the Audit Committee Bureau and are not subject to orders and instructions of Executive Officers.
- (ii) In order to ensure independence of the personnel who belong to the Audit Committee Bureau and Assistants from Executive Officers, the Audit Committee shall be informed in advance of planned transfers of such personnel and Assistants, and may request a change to the Executive Officer in charge of human resources as necessary, by providing reasons thereof.
- (iii) If a disciplinary action is to be taken against the personnel who belong to the Audit Committee Bureau or Assistants, the Executive Officer in charge of human resources shall obtain approval from the Audit Committee in advance.

#### **(3) System for reporting to the Audit Committee and ensuring no disadvantageous treatment for reason of reporting**

- (i) Executive Officers shall report to the Audit Committee matters related to the Company and its subsidiaries that were brought up to or reported to the Executive Committee.
- (ii) Results of internal audits of the Company and its subsidiaries performed by the Internal Auditing Department shall be reported to the Audit Committee without delay.
- (iii) When Executive Officers become aware of facts that may have adverse effects on the Company, they shall immediately report such facts to the Audit Committee.
- (iv) The compliance department, which is the secretariat of the "Compliance Reporting System," shall report to the Audit Committee the status of reporting through the "Compliance Reporting System" available for employees of the Company and its subsidiaries. The Company stipulates in its regulations that a whistleblower shall not be treated disadvantageously due to such reporting, and the compliance department thoroughly ensures its implementation of such regulations.
- (v) Reports from Executive Officers and employees of the Company as well as directors, corporate auditors and employees of the subsidiaries shall be directed to the Members designated by resolution of the Audit Committee or Assistants.

**(4) Policies related to advance payments and/or reimbursements of expenses incurred for execution of the duties of the Audit Committee of the Company and processing of other expenses and liabilities incurred for execution of duties**

The General Administrative Department is in charge of the payment of expenses and other clerical work related to the execution of duties by the Audit Committee. When there is a request from the Audit Committee for advance payments or other payments for expenses, General Administrative Department shall immediately process the request unless it is clearly evident that such expenses or liabilities are not required for execution of the duties of the Audit Committee.

**(5) Other systems to ensure the effectiveness of audits by the Audit Committee of the Company**

- (i) The Audit Committee shall effectively audit the following matters based on annual audit policies and audit plans.
  - (a) The Audit Committee Members attend important meetings
  - (b) The Audit Committee Members make inquiries to Executive Officers and employees of the status about the execution of their duties
  - (c) The Audit Committee Members review important internal approval documents, etc.
  - (d) The Audit Committee Members observe operations and inspect the assets of the Company's headquarter, major offices and subsidiaries, and make inquiries as necessary.
- (ii) In order to ensure the effectiveness of the accounting audits by accounting auditors, the Audit Committee receives the audit plans and audit priority items of the accounting auditors in advance, and receives the results along with the accounting audit results. Also, in order to ensure independence of the accounting auditors, compensation for accounting auditors and non-guaranteed services requested from accounting auditors require the prior consent of the Audit Committee.

**2. System for ensuring that execution of duties by Executive Officers and employees is in compliance with laws and regulations and the Articles of Incorporation**

The following business management system ensures compliance with laws and regulations on an ongoing basis.

- (1) Same as "System for ensuring that execution of duties by employees of the Company and directors and employees of the subsidiaries is in compliance with laws and regulations and the Articles of Incorporation" below.
- (2) In addition to the above, for ensuring that the execution of duties by Executive Officers is in compliance with laws and regulations and the Articles of Incorporation, the Company has implemented a system which enables employees of the Company to report issues through an external agency.

**3. Establishment of other systems at the Company that are deemed necessary by the Ministry of Justice Order to ensure the appropriateness of operation of a corporate group consisting of the Company and subsidiaries**

- (1) **System for saving and maintaining the information pertaining to the execution of duties by Executive Officers of the Company**
  - (i) Information and documents pertaining to the decision and execution of duties of the Executive Officers shall be stored and maintained in accordance with company regulations.
  - (ii) Such information and documents shall be submitted promptly by Executive Officers upon the request of an Audit Committee Member.
- (2) **Regulations and other systems for management of the risk of losses to the Company and its subsidiaries**
  - (i) A system shall be established in which each relevant department establishes rules and guidelines, conduct training, and prepare and distribute manuals, etc. with respect to risks such as health and safety, compliance, information security, quality assurance, export control, environment, and disaster. Subsidiaries of the Company shall also establish the same system depending on the size, etc. of the respective subsidiaries.
  - (ii) A company-wide Risk Management Committee (ERM committee) identifies risks that require company-wide response policies and management decisions, informs relevant departments, assesses risks, discusses important themes of risk management, and make policy decisions on countermeasures.

- (iii) Efforts shall be made to identify possible new risks through periodic reports, etc. from Executive Officers on the status of business operation at the Company and its subsidiaries that are given periodically by Executive Officers at the Executive Committee's meetings, among other things. Also, the President and Executive Officer instructs each relevant department and promptly appoints an Executive Officer responsible for taking measures therefore.
- (iv) When the risks materialize and significant losses are expected to be incurred, the Executive Officer shall report to Audit Committee Members promptly.

**(3) System for ensuring that duties of Executive Officers of the Company and directors of the subsidiaries are executed efficiently**

The following business management system shall ensure the efficiency of the execution of duties by Executive Officers of the Company and Directors of the subsidiaries.

- (i) Decision-making by Executive Officers
 

For any important matters that may affect the Company or the entire Hitachi Construction Machinery Group, the Executive Committee Rules, which have been established as a mechanism to make decisions carefully after deliberations from various points of view at meetings, require that such important matters be deliberated at the Executive Committee meetings and meetings on management and policies, etc. before a decision is made by an Executive Officer in charge.

  - (a) Executive Committee
    - It is a committee comprised of all Executive Officers and meets twice a month, in principle.
    - It deliberates and reports on important matters stipulated in the Executive Committee Rules.
  - (b) Meetings on management and policies
    - It is a committee comprised of Executive Officers in the post of Vice President or above, and meets once a month, in principle.
    - It deliberates on individual important matters.
- (ii) Budget and performance management
 

Performance management of the Company and its subsidiaries uses a matrix management system that manages performance by business unit that is responsible for financial performance, and that manages performance by business units for each region where the units are responsible for management performance. Such performance management aims for increased emphasis on independent profitability and self-management. Further, we work on improving corporate value with an awareness of capital cost from both financial and management perspectives by using NPV, to thoroughly implement performance management of the Hitachi Construction Machinery Group. Budget management and NPV performance management are applicable to non-consolidated financial and management performance, performance of consolidated group companies, and consolidated results of the group.
- (iii) Internal audit
 

Rules for internal audit shall be established and a system shall be implemented to audit each department in the Company and its subsidiaries regularly in order to understand the status of and improve business operations of the Company and its subsidiaries.
- (iv) Ensuring the reliability of financial reporting
  - (a) In order for the Audit Committee to supervise the Accounting Auditor and for ensuring the independence of the Accounting Auditor from the Executive Officers, the Audit Committee shall carry out the following matters as duties therefore.
    - Receive reports in advance about audit plans of the Accounting Auditor
    - Give prior approval on the compensation of the Accounting Auditor
  - (b) A documented business process for matters to be reflected in financial reporting shall be executed steadily and examined by internal auditors, or external auditors when necessary, at the Company and its subsidiaries.
- (v) Other matters concerning the subsidiaries
  - (a) The Company dispatches Directors and corporate auditors to subsidiaries.
  - (b) The Company establishes a support desk to respond to inquiries from its subsidiaries regarding corporate matters, including legal, accounting, and general administrative issues, research and development activities, and management of intellectual property such as patents, in order to operate properly and efficiently as the Group.

**(4) System for ensuring that execution of duties by employees of the Company and directors and employees of the subsidiaries is in compliance with laws and regulations and the Articles of Incorporation**

The following business management system ensures compliance with laws and regulations on an ongoing basis.

- (i) Compliance with laws and regulations related to business activities
  - (a) Internal audits by the Internal Auditing Office and other relevant departments of the Company and its subsidiaries are conducted to ensure compliance and to deter violations of laws and regulations.
  - (b) Various committees may be established in accordance with regulations of the Company or a decision by relevant departments in order to achieve cross-functional management regarding compliance.
  - (c) The Company has implemented a “Compliance Reporting System” which enables employees of the Company and its subsidiaries to report to the relevant departments of the Company.
    - The compliance department, which is the secretariat of the “Compliance Reporting System,” shall receive internal reports of any illegal activities, etc.
    - The compliance department, which is the secretariat of the “Compliance Reporting System,” carries out necessary investigations, etc., replies to the whistleblower.
    - The compliance department ensures that there is no disadvantageous treatment to the whistle-blower.
  - (d) As compliance education, the Company and its subsidiaries conduct training using educational materials such as handbooks for applicable the various laws and regulations related to their business activities.
- (ii) Company rules

To ensure implementation and effectiveness of the overall internal control systems, Executive Officers, as their duties, establish various policies and company regulations with primary focus on compliance with laws and regulations applicable to operations of the Group, including information security, environmental matters, quality control, export control, and prohibition of anti-social transactions. Establishment, amendment or abolishment of regulations that stipulate the following matters relating to internal controls shall be approved by the Board of Directors.

  - (a) Regulations that determine the system the method of establishment of regulations
  - (b) Regulations related to the company institutions
  - (c) Particularly important rules regarding compliance with laws and regulations, information management, etc.

An Executive Officer shall be appointed to approve establishment and abolishment of other company rules depending on their materiality.

Policies and regulations, etc. that should be formulated as common across the Group shall be informed to the subsidiaries, and subsidiaries shall establish their own rules that are in conformity with such policies and regulations, etc.

**(5) System for reporting the execution of duties by Directors of the subsidiaries to the Company**

- (i) Any significant operational matters regarding a subsidiary shall be deliberated by the Executive Committee of the Company.
- (ii) In the medium-term management plan and budget system, performance targets and measures, etc. are determined and evaluations are performed on a consolidated basis including subsidiaries. Subsidiaries will report the status to the Company through this system.

**(6) System for ensuring the appropriateness of operation of a corporate group consisting of the Company and its subsidiaries**

- (i) The Company positions the Hitachi Construction Machinery Group’s Code of Conduct as the basis for brand and sustainability promotion activities, and shares an understanding of the social responsibilities that companies should fulfill.
- (ii) The Company shall inform its subsidiaries of the Hitachi Construction Machinery Group’s Code of Conduct and the policies, rules, etc. based on it, and work to maintain them.
- (iii) The Company and its subsidiaries have a policy to conduct transactions within Hitachi Construction Machinery Group fairly based on market prices.

The operational status of the ‘system to ensure the properness of operations’ during the fiscal year ended March 31, 2024 is outlined below.

#### **(1) Audit Committee**

The Company has appointed an Assistant to the Audit Committee to assist in the duties of the Audit Committee, and assigned one (1) employee dedicated to serve on the Audit Committee Bureau, which is an organization to assist the duties of the Audit Committee, and two (2) employees who also serve at the Internal Auditing Office. The Audit Committee Bureau is not under the supervision of any Executive Officer, and reports to the Audit Committee. The Internal Auditing Office, Legal and Secretarial Divisions also assist with its duties.

- Audit Committee Members interview all Executive Officers and Presidents of business units regarding the status of the execution of their duties, including exchanging views with Representative Executive Officers, and deliberate and review the appropriateness of the execution of the duties.
- Audit Committee Members receive periodic reports on the contents of whistle-blowing through the “Compliance Reporting System” and actions taken at the Company and its group companies from the departments in charge of compliance, and confirm the results of actions as needed.
- Expenses arising from the execution of the duties of Audit Committee Members are processed for payment, etc. by General Affairs Division.
- Audit Committee Members and an Assistant to the Audit Committee perform the following based on annual audit policies and audit plans.
  - (a) Attend important meetings.
  - (b) Interview Executive Officers and employees on the status of the execution of duties.
  - (c) Inspect documents for important internal approval, etc.
  - (d) Observe operations and inspect the assets of the Company’s Head Office, major business locations and its group companies, and receive reports from various divisions including the Internal Auditing Office, Accounting and Finance Division, or divisions in charge of product quality and environment.
    - In the fiscal year 2023, the Audit Committee met thirteen (13) times and interviewed Executive Officers and Presidents of business units six (6) times regarding the execution of their duties. The Company visited two (2) domestic group companies, and conducted inspections of two (2) overseas group companies: one (1) company via Internet and one (1) company via a visit, to hear reports on their businesses and business operations.

#### **(2) Compliance and risk management**

- The Company and its group companies have established the “Hitachi Construction Machinery Group’s Code of Conduct” and the “Hitachi Construction Machinery Group’s Code of Ethics and Compliance,” and have been working on education and various measures with the highest priority on ‘safety and compliance.’

#### **Initiatives for compliance**

- The Company established the Compliance Management Committee to share information regarding compliance management within the Company, while working in cooperation with compliance management committees of its group companies to implement measures for compliance and ensure that compliance measures are thoroughly understood.
- The Compliance Management Committee met once during the first half and second half, respectively (two (2) times in total).
- Major compliance rules common to the Hitachi Construction Machinery Group have been established to ensure compliance with antibribery laws, competition laws and control of money laundering laws (including the prevention of transactions with antisocial forces) in all countries and regions in which the Company and the group companies operate.
- The Company and its group companies distribute a message from the President of the Company on compliance every year to its group companies as well.
- With a view to raising awareness of compliance, videos for e-Learning training have been produced (in thirteen (13) languages in total). Also, the training videos are split in parts to shorten the viewing time per video and make it easier to watch them. Those e-Learning training videos are distributed to all group companies, and the specific contents of training are as below.
  - (a) Message from top management to clarify the stance of the Company and its group companies toward compliance
  - (b) Raising awareness of ethics and laws and regulations in general, by using concrete examples
  - (c) Raising awareness of the importance of antibribery laws, competition laws and control of money laundering laws (including the prevention of transactions with antisocial forces), and operations based on the major compliance rules



- In order to grasp the status of compliance for the Company group as a whole, the Company conducts compliance audits based on a plan as part of operational audits by divisions in charge of audits, while clarifying the reporting practices based on the “Compliance and Risk Management Regulation,” which have been newly established at the Company and its group companies. Further, in addition to thoroughly implementing measures to prevent cases detected through those efforts from re-occurring, we rolled them out across the Company and its group companies to prevent re-occurrence.

### **Reporting system**

- A whistle-blowing system through which a department in charge of compliance receives reports directly or through an external organization has been established and is operated carefully in accordance with the “Compliance Whistleblowing System Regulation.”

### **BCP**

- With respect to material risks that may impact business continuity, the Company shall respond in accordance with the “Compliance and Risk Management Regulation” and also discloses to the employees’ pamphlets that describe urgent responses so that an accident or natural disaster can be dealt with promptly and without fail. The Company also conducts quarterly safety confirmation drills for all employees.

### **Export control, environmental matters and information security**

- Departments in charge work in cooperation with relevant departments at the Company and its group companies to provide rules and procedures to prevent issues in light of revisions to relevant laws and regulations in line with changes in global circumstances and the environment and technological progress, to establish a structure to perform checking from various aspects.
- The relevant various committees that met during the fiscal year 2023 together with the matters deliberated/reported on are as below.
  - (a) Export Regulation Committee: two (2) times in total  
 Matters deliberated/reported on: First half: one (1) meeting held “Deliberation on matters to be reported periodically”  
 Second half: one (1) meeting held “Deliberation on matters to be reported periodically”  
 Dissemination of export control notices and communication notes, details of export control training and attendance, status of export control voucher reviews, audit status, activities for maintaining the Authorized Economic Operator (AEO) status (systems, activity records, and reports on audits conducted), and others (reports on export control systems and system-based export control measures at group companies)
  - (b) Sustainability Promotion Committee: three (3) times in total  
 Matters deliberated/reported on: Review of important measures and KPIs for each materiality, promotion of carbon neutrality, promotion of Circular Economy, and ESG information disclosure reports
  - (c) CSR Promotion Managers Meeting: two (2) times in total  
 Matters deliberated/reported on: Review of important measures and KPIs for each materiality and ESG information disclosure reports
  - (d) Environmental Promotion Managers Meeting: two (2) times in total  
 Matters deliberated/reported on: Proposal on carbon neutrality and Circular Economy policies, planning of measures for environmental compliance, and records of and plans for reducing four (4) environmental loads
  - (e) Environment Management Committee: six (6) times in total  
 Matters deliberated/reported on: Environmental compliance, environmental accidents, and records of and plans for reducing four (4) environmental loads
  - (f) Information Security Committee: two (2) times in total  
 Matters deliberated/reported on: Information Security Committee System, status of security incidents, status of cyberattacks, establishment of a computer security incident response team (CSIRT), results of software license inventory-taking, report on CSIRT activities, report on results of various security measures, Product/Service Data Governance Subcommittee Report, Product Cybersecurity Subcommittee Report, and revision of the company regulations on information security
- It provides periodic group training and e-Learning.

### **(3) Monitoring**

- In order to monitor if respective measures are being implemented properly, departments in charge carry out self-audits and internal audits periodically.

#### **Self-audits and internal audits**

- In addition to self-audits that are carried out in accordance with various rules for health and safety, environmental management, export control and quality control, among other things, self-audits are conducted by each division of the Company to confirm voluntarily that business operations are being run properly.
- As a department in charge of internal audits, the Company has the Internal Auditing Office that directly reports to the President and is staffed with twelve (12) dedicated staff including the Head of the Office, and two (2) persons who concurrently work at the Audit Committee Bureau.
- The Internal Auditing Office chooses subjects to be audited based on the risk-based approach, and audits whether the operation of each department and group companies is being carried out accurately, legitimately and reasonably.
- The Internal Auditing Office has two reporting lines, as it reports directly to the President within the organizational structure while also reporting on audit plans and audit results to the Audit Committee.
- We conducted internal audits of five (5) companies in Japan and seven (7) outside Japan for a total of twelve (12) companies by implementing remote audits that use Internet-based tools, in addition to on-site audits, and outsourcing audits of certain overseas group companies to specialized internal audit service providers. With respect to the audit findings, we follow up on the improvement status of each relevant company, including on those from audits in the past years, provide them with support to organizational response, and grasp overall progress.
- We obtain audit plans and audit reports from the group companies with a division dedicated to internal audit to improve the audit quality across the Group and, at the Internal Auditing Office of the Company, have introduced internal assessment in accordance with the standards of the Institute of Internal Auditors to improve its own audit quality.

#### **J-SOX (internal control)**

- The J-SOX Committee is a deliberative body that determines implementation policies on internal control of the Company and group companies and assesses the effectiveness thereof. It reviews the operational status of the internal control system for confirming the reliability of financial reporting and, if any deficiencies are found, demands improvements and confirms the improvement status.
- The J-SOX Committee consists of the head of each division in charge of DX (IT system information management), legal matters, accounting and finance, and audit.
- Four (4) meetings of the J-SOX Committee were held in the fiscal year 2023, and the content of these meetings was reported to the Audit Committee.

### **(4) Decisions on important matters**

- Various committees that met during the fiscal year 2023 regarding important management matters that affect the Company or its group companies and the matters deliberated/reported on are as follows.
  - (a) Executive Committee's meetings: twenty-four (24) times in total  
Matters deliberated/reported on: Deliberations and reports on important matters stipulated in the Executive Committee Rules
  - (b) Meetings on sales and production: twelve (12) times in total  
Matters deliberated/reported on: Matters regarding demand, sales and inventory forecast, those relating to sales of the Company on a standalone basis (locally required values), those relating to production plans at respective plants, and consultation, discussion, and progress reporting on matters relating to various measures
  - (c) Meetings on management and policies: forty-one (41) times in total  
Matters deliberated/reported on: Medium-term management plan, matters pertaining to important measures in annual budgets, management issues relating to the future, and cross-divisional consultation, discussion, and progress reporting on management issues

## X. Notes to the Consolidated Financial Statements

### 1. Notes, etc. on basis of presenting consolidated financial statements

#### (1) Basis for preparation of consolidated financial statements

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (hereinafter referred to as “IFRS”) pursuant to the provisions of Article 120, paragraph 1 of the Regulations on Corporate Accounting. The consolidated financial statements have certain disclosure items, as required by IFRS, omitted pursuant to the second sentence of the said paragraph.

Amounts shown are rounded off to the nearest one million yen.

#### (2) Matters pertaining to the scope of consolidation, etc.

The number of consolidated subsidiaries that are within the scope of consolidation is 86.

Main consolidated subsidiaries are as below.

Hitachi Construction Machinery Japan Co., Ltd., Hitachi Construction Machinery Tierra Co., Ltd., Hitachi Construction Machinery Camino Co., Ltd., Hitachi Construction Machinery (China) Co., Ltd., Hitachi Construction Machinery Sales (China) Co., Ltd., Tata Hitachi Construction Machinery Company Private Limited, Hitachi Construction Machinery Asia Pacific Pte. Ltd., P.T. Hitachi Construction Machinery Indonesia, Hitachi Construction Machinery (Europe) N.V., Hitachi Construction Machinery America Inc., Hitachi Construction Machinery Truck Ltd., Hitachi Construction Machinery Financing and Leasing (China) Co., Ltd., Hitachi Construction Machinery Oceania Holdings Pty., Ltd., H-E Parts International LLC, Bradken Pty Limited

The scope of consolidation has been changed from the fiscal year ended March 31, 2024 as below.

Number of companies included in the scope of consolidation during the fiscal year ended March 31, 2024: 10

##### (i) Inclusion due to acquisition: 3

Hitachi Construction Machinery France S.A.S and 2 other companies

##### (ii) Inclusion due to additional share acquisition: 7

ACME Business Holdco, LLC and 6 other companies

Number of companies excluded from the scope of consolidation during the fiscal year ended March 31, 2024: 3

##### (i) Dissolved due to merger: 1

##### (ii) Exclusion due to sale of shares: 2

#### (3) Matters pertaining to the application of the equity method

The number of associates accounted for by the equity method is 15.

Main affiliates subject to the equity method are as below.

P.T. Hexa Finance Indonesia, HTC Leasing Company Limited

The scope of application of the equity method has been changed from the fiscal year ended March 31, 2024 as below.

Number of companies excluded from equity-method affiliates during the fiscal year ended March 31, 2024: 8

##### (i) Dissolved due to merger: 1

##### (ii) Exclusion due to consolidation: 7

ACME Business Holdco, LLC and 6 other companies

Associates not accounted for by the equity method: 3

#### (4) Matters pertaining to fiscal years, etc. of consolidated subsidiaries

The consolidated subsidiaries settle their accounts on the same date as the rest of the consolidated group, except for the following.

Hitachi Construction Machinery (China) Co., Ltd., Hitachi Construction Machinery Sales (China) Co., Ltd., Hefei Rijian Shearing Co., Ltd., Hitachi Construction Machinery Financial Leasing (China) Co., Ltd., LLC Hitachi Construction Machinery Eurasia, and 25 other companies

To create the consolidated financial statements, the Company uses the statements of financial position and statements of income of these subsidiaries which are prepared based on provisional account settlement as of March 31, 2024.

(5) Matters pertaining to accounting policies

(i) Valuation standards and valuation methods for important assets

i) Financial instruments

(a) Non-derivative financial assets

The Group initially recognizes trade receivables on the date such receivables arise. All other financial assets are initially recognized at the transaction date on which the Group becomes a party to the agreement.

The Group derecognizes financial assets when contractual rights to cash flows from the financial assets expire or when the contractual rights to receive cash flows from the financial assets are transferred in transactions where the risks and economic rewards of owning the financial assets are substantially transferred. In transactions where the risks and economic rewards of owning the financial assets are neither substantially transferred nor retained, the Group continues to recognize the financial assets to the extent of its continuing involvement and only derecognizes such financial assets when its control is transferred.

The classification and measurement models of non-derivative financial assets are summarized as follows.

Financial assets measured at amortized cost

Financial assets are subsequently measured at amortized cost when they meet the following requirements

- The asset is held within a business model of the Group the objective of which is to hold the asset to collect contractual cash flows.
- The contractual terms of the financial asset provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value (also including direct transaction costs). After initial recognition, the carrying amount of financial assets measured at amortized cost is measured using the effective interest method. Interest accrued on financial assets measured at amortized cost is included in finance income in the consolidated statements of income.

Financial assets measured at fair value through other comprehensive income (FVTOCI financial assets)

The Group holds certain equity instruments with the purpose of expanding its revenue base by maintaining and strengthening business relations with the investees. These equity instruments are classified as FVTOCI financial assets by designation. They are initially and subsequently measured at fair value, and the changes in fair value are recognized in OCI. Changes in fair value are recognized in other comprehensive income, with the cumulative amount recognized in accumulated other comprehensive income. However, dividends on equity instruments designated as FVTOCI financial assets are recognized in profit or loss, except where they are considered to be a return of the investment.

Financial assets measured at fair value through profit or loss (FVTPL financial assets)

The Group classifies equity instruments not designated as FVTOCI financial assets and debt instruments not classified as financial assets measured at amortized cost, as FVTPL financial assets. After initial recognition, these instruments are measured at fair value and the changes in fair value are recognized in profit or loss.

Impairment of financial assets

The Group evaluates the allowance for doubtful receivables based on expected credit losses on financial assets measured at amortized cost, trade receivables, contract assets, and other receivables depending on whether the credit risk has increased significantly since initial recognition on a regular basis, but no less frequently than at the end of each quarterly reporting period.

If the credit risk has increased significantly since initial recognition, the allowance for doubtful receivables is measured in an amount equal to the lifetime expected credit losses on the financial assets. If the credit risk has not increased significantly since initial recognition, the allowance for doubtful receivables is measured in an amount equal to the expected credit losses within the next 12 months after the end of the fiscal year. However, for trade receivables, contract assets, and lease receivables, allowance for doubtful receivables is always measured in an amount equal to the lifetime expected credit losses.

Whether credit risk has increased significantly is determined based on changes in the risk of default. Default is defined as the state in which a critical problem with a debtor's payment of contractual cash flows has been identified and there are no reasonable expectations for recovering the financial asset in its entirety or a portion thereof. To determine whether there have been any changes in the risk of default, external credit ratings, past due information and other factors are mainly taken into consideration.

Expected credit losses are measured by taking the probability weighted average of the discounted present values of differences between the total amount of the contractual cash flows and the total amount of future cash flows expected to be received in the future from the financial assets. If one or more events occur, such as overdue payments, extended payment terms, negative evaluation by third party credit rating agencies, and/or a deterioration in financial position and operating results, including capital deficit, the financial assets are individually assessed as credit-impaired financial assets and expected credit losses are measured based mainly on historical credit loss experience, future recoverable amounts and other factors. The expected credit losses on the financial assets that are not credit-impaired are measured through collective assessment based mainly on provision rates depending on historical credit loss experience adjusted by the current and future economic situation and other factors, if necessary.

For the expected credit losses on financial assets measured at amortized cost, contract assets, and lease receivables, the allowances for doubtful receivables are recorded instead of directly reducing the carrying amounts. Changes in expected credit losses are recognized in profit or loss as impairment losses and are included in selling, general and administrative expenses in the consolidated statements of income. For financial assets, after all means of collection have been exhausted and the potential for recovery is considered remote, it is determined that there are no longer any reasonable expectations for recovering the financial assets in their entirety or a portion and the carrying amounts are generally written off.

(b) Non-derivative financial liabilities

The Group initially recognizes debt instruments on the date of issuance. All other financial liabilities are initially recognized at the transaction date on which the Company becomes a party to the agreement.

The Group derecognizes financial liabilities when extinguished, when the obligation in the contract is redeemed or the liability is discharged, cancelled or expires.

As non-derivative financial liabilities the Group holds bonds, borrowings, trade payables, and other financial liabilities. They are initially recognized at fair value (less direct transaction costs) and bonds and borrowings are subsequently measured at amortized cost using the effective interest method. Interest accrued on these financial liabilities is included in interest expenses in the consolidated statements of income.

(c) Derivatives and hedge accounting

The Group uses derivative instruments including forward exchange contracts, currency swaps and interest rate swaps in order to hedge foreign currency exchange risks and interest rate risks. All derivatives are measured at fair value irrespective of the objective and intent of holding them.

The Group accounts for hedging derivatives as follows

- “Fair value hedge” is a hedge against changes in fair value of a recognized asset or liability or of an unrecognized firm commitment. The changes in fair value of the recognized assets or liabilities or unrecognized firm commitments and the related derivatives are both recorded in profit or loss if the hedge is considered effective.
- “Cash flow hedge” is a hedge of a forecast transaction or of the variability of future cash flows to be received or paid related to a recognized asset or liability. The changes in fair value of the derivatives designated as cash flow hedges are recorded in OCI if the hedge is considered highly effective. This treatment continues until profit or loss is affected by the variability of future cash flows or the unrecognized firm commitment of the designated hedged item, at which point changes in fair value of the derivative are recognized in profit or loss. If a non-financial asset or a non-financial liability is recognized due to a hedged forecast transaction, the changes in the fair value of the derivative recognized in OCI are included directly in the acquisition cost or other carrying amount of the asset or liability when the asset or liability is recognized.

The Group follows the documentation requirements as prescribed by IFRS 9 “Financial Instruments” (amended in July 2014), which includes the risk management objective and strategy for undertaking various hedge transactions. In addition, a formal assessment is made at the hedge’s inception and subsequently on a periodic basis, as to whether the derivative used in hedging activities is highly effective in offsetting changes in fair values or future cash flows of the hedged items. Hedge accounting is discontinued if a hedge becomes ineffective.

(d) Offsetting financial assets and liabilities

Financial assets and liabilities are offset and reported as net amounts in the consolidated statements of financial position, only when the Group currently has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

ii) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the specific identification method or by the moving average method for finished goods, semi-finished goods and work in process, and generally by the moving average method for raw materials. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to sell.

(ii) Depreciation and amortization methods for important assets

i) Property, plant and equipment

The Group uses the cost method to measure property, plant and equipment. They are stated at cost, less accumulated depreciation and accumulated impairment losses. Acquisition cost includes direct costs of acquisition, and costs of dismantling, removing and restoring the assets. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives for major classes of assets: Estimated useful life for each major class of assets are as follows.

- Buildings and structures 2 to 67 years
- Machinery, equipment and vehicles 2 to 30 years
- Tools, furniture and fixtures 2 to 30 years

Residual value, estimated useful lives and the method of depreciation are reviewed at the fiscal year-end. Changes in residual value, estimated useful lives or depreciation method are accounted for on a prospective basis as a change in accounting estimate.

ii) Intangible assets

(a) Goodwill

After initial recognition, goodwill is not amortized and is stated at cost less any accumulated impairment losses.

(b) Other intangible assets

The Group applies the cost model to other intangible assets and states such assets at cost less accumulated amortization and impairment losses.

Intangible assets are amortized using the straight-line method over the following estimated useful lives for major classes of assets: Estimated useful life for each major class of assets are as follows.

- Software 2 to 10 years
- Others 2 to 20 years

iii) Right-of-use assets

The Group applies a cost model to measure the right-of-use asset, and presents the corresponding amount as “Right-of-use assets” in the consolidated statements of financial position at cost at the commencement date of the lease less any accumulated depreciation and any accumulated impairment losses. The cost of right-of-use asset includes the amount of the initial measurement of the lease liability and the initial direct cost incurred by the lessee. The Group depreciates the right-of-use asset from the commencement date of the lease to the earlier of the end of the useful life of the underlying asset or the end of the lease term on a straight-line basis. Changes in the useful life or the lease term are accounted for on a prospective basis as a change in accounting estimate. The useful life of right-of-use assets or the lease term is 2 to 50 years.

iv) Impairment of non-financial assets

The Group determines any indications of impairment with each asset, and conducts an impairment test when there are indications that the carrying value is not recoverable. Irrespective of any indicators of impairment, the Group tests goodwill for impairment at the end of each fiscal year.

An impairment test is performed by estimating the recoverable amount of each asset of cash-generating unit (CGU) and comparing it with its carrying amount. A CGU is the smallest group of assets that generates cash flows generally independent from other assets or asset groups.

The recoverable amount means an amount that is the higher of fair value less costs of disposal or value in use per asset or CGU. In calculating value in use, estimated future cash flows are discounted to the present value at a pretax discount rate that reflects the time value of money and risks specific to relevant assets. If the carrying amount of the asset or the CGU exceeds its recoverable amount, an impairment loss is recognized for such asset.

For an asset other than goodwill, its recoverable amount is subsequently estimated for the asset or the CGU when there is an indication that an impairment loss previously recognized on the asset may no longer exist or has decreased. If it is found that the estimated recoverable amount exceeds the carrying amount, the impairment loss recognized previously is reversed to the extent of the carrying amount that would have been recorded, net of depreciation or amortization, if impairment had not been recognized previously.

(iii) Significant allowances and provisions

The Group recognizes provisions when it has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of obligation can be reliably estimated.

When the time to settle an obligation is expected to be long, and thus the time value of money is material, the amount of a provision is measured at the present value of the amount of expenditures expected to be required to settle the obligation. The pretax discount rate reflecting the time value of money and risks specific to the obligation is used in the calculation of the present value.

(iv) Other important matters for compiling consolidated financial statements

i) Revenue recognition

The Group recognizes revenue in accordance with the following five-step approach.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the separate performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group conducts multiple transactions to meet its customers' needs which may involve the delivery or performance of multiple elements, such as goods or services. When the Group enters into multiple contracts for providing the goods or services, related contracts are combined based on interdependencies between each contract's consideration and the time the Group entered into such contracts, and the transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service for the purpose of recognizing revenue, and revenue is recognized when ownership is deemed to have been transferred.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer. Variable consideration, such as discounts and rebates, is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The promised amount of consideration does not include a significant financing component, because ordinary transactions are completed with payments within one (1) year.

In estimating the stand-alone selling price, the Company considers various factors such as market conditions, market price of competing products, etc., cost of products, and customers' business conditions.

For transactions whereby control over goods and services, etc. is transferred over time, the Company measures its progress towards complete satisfaction of that performance obligation on the basis of output or input methods in consideration of the nature of the goods and services for the purpose of recognizing revenue. When the Company cannot reasonably measure the progress, revenue is recognized only to the extent of the costs incurred. The Group recognizes the incremental costs of obtaining a contract with a customer and the costs directly related to fulfilling a contract as an asset if those costs are expected to be recovered, and those assets are amortized based on the methods used to recognize revenue of the goods or services to which the assets relate. The Group recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset is less than one (1) year.

ii) Leases

(a) Lessee

Leases of the Group are mainly leases of real estate and leases of construction machinery. The Group recognizes a right-of-use asset, a right to use the underlying asset, and a lease liability, which is an obligation to make lease payments, and recognizes lease costs as depreciation expense for right-of-use assets and interest expenses on lease liabilities. Lease payments for short-term leases with a lease term of 12 months or less are recognized in profit or loss on a straight-line basis over the lease term.

The lease liability is measured at the present value of lease payments that are not paid at the commencement date of the lease, discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate, and presented as "Lease liabilities" in the consolidated statements of financial position. Interest expense on the lease liability in each period during the lease term that produces a constant periodic rate of interest on the remaining balance of the lease liability is recognized in profit or loss over the lease term and is included in "Financial expenses" in the consolidated statements of income.

(b) Lessor

The Group, as a lessor, mainly leases construction machinery. If substantially all the risks and rewards incidental to the ownership of items of property, plant and equipment are transferred to the lessee in a lease, it is classified as a finance lease with the recognition of the underlying asset discontinued and the present value of the total amount of lease payments is used to recognize and measure the net investment in the lease.

If substantially all the risks and rewards incidental to the ownership remain with the lessor in a lease, it is classified as an operating lease, and the underlying asset is continuously recognized, and lease income is recognized over the lease term on a straight-line basis.



iii) Accounting treatment of post-retirement benefits

The Company and certain consolidated subsidiaries have defined benefit pension plans and severance lump-sum payment plans to provide retirement and severance benefits to employees. The present value of defined benefit obligations and retirement benefit costs are measured based on the projected unit credit method.

The present value of defined benefit obligations and the fair value of plan assets are remeasured as of the end of the fiscal year. Actuarial differences arising during the year and changes in fair value of plan assets (excluding interest income) are recognized in OCI and are not subsequently reclassified into profit or loss. Any prior service cost that arises at the time of a plan amendment is recognized immediately in profit or loss when such an amendment occurs.

In the consolidated statements of financial position, the net amount calculated by deducting the fair value of plan assets from the present value of defined benefit obligations is presented as defined benefit liability or asset in non-current liabilities or non-current assets.

The risk-sharing pension plan introduced by the Company and certain consolidated subsidiaries is classified as a defined contribution pension plan because the Company and certain consolidated subsidiaries have no substantial obligation to make additional contributions.

iv) Translation of material foreign currency-denominated assets and liabilities into yen

The consolidated financial statements of the Company are presented in Japanese yen, which is the Company's functional currency.

(a) Foreign currency-denominated transactions

Foreign currency transactions are converted into the relevant functional currencies of the Company and its consolidated subsidiaries using the exchange rate prevailing at the transaction date or a rate that approximates such rate. Monetary assets and liabilities denominated in foreign currencies are converted into the functional currency using the exchange rate at the end of the reporting period. Foreign exchange gains and losses resulting from the currency conversion and settlement are recognized in profit or loss, except where gains and losses on assets or liabilities are recognized in OCI, foreign exchange effects relating to such assets or liabilities are also recognized in OCI.

(b) Statements of financial position and statements of income of foreign entities

Assets and liabilities of foreign entities are translated into Japanese yen using the exchange rate at the end of the reporting period. Revenue and expense items are translated using the rate at the transaction date, or the average exchange rate during the period if there are no significant fluctuations in the exchange rate.

Such foreign exchange gains and losses resulting from the currency conversion of the statements of financial position and the statements of income of a foreign entity are recognized in OCI. Cumulative foreign exchange gains or losses that have been recognized in OCI are transferred to profit or loss upon the divestiture of a foreign entity.

v) Group Relief System adopted

The Company and certain consolidated subsidiaries adopt Group Relief System.

vi) Treatment of Global Minimum Tax System

The Group has applied the International Tax Reform—Pillar Two Model Rules (amendments to IAS 12 Income Taxes). The revision clarifies that IAS 12 applies to corporate income taxes arising from tax laws enacted or substantively enacted to introduce the Global Anti-Base Erosion Model Rules (GloBE), which is the Pillar Two Rules (global minimum taxation) of the OECD's base erosion and profit shifting (BEPS) project. However, it provides temporary exceptional measures that require companies not to recognize and disclose deferred tax assets and liabilities related to corporate income taxes arising from the global minimum taxation rules.

The Group has applied the exceptional measures provided by IAS 12 and has not recognized or disclosed deferred tax assets and liabilities related to corporate income taxes arising from the global minimum taxation rules.

vii) Non-current assets held for sale and discontinued operations

Non-current assets or disposal groups that will be recovered primarily through sale transactions rather than continued use are classified as non-current assets held for sale or disposal groups if it is highly probable that they will be sold within one year, they are available for immediate sale in their current condition, and the Group's management has made a commitment to implement the sale plan.

While classified as held for sale or while being part of a disposal group classified as held for sale, the non-current assets are not depreciated or amortized, and the non-current assets or the disposal group

classified as held for sale are measured at the carrying amount or fair value after deducting cost for sale, whichever is lower.

The Group classifies an operation as a unit of management decision-making into a discontinued operation when it has already been sold or meets the requirements to be classified as held for sale.

(Changes in accounting policies)

The Group has applied the “Deferred Tax related to Assets and Liabilities arising from a Single Transaction (amendments to IAS 12)” announced on May 7, 2021, effective from the fiscal year ended March 31, 2024. The standard clarifies the accounting of transactions that give rise to an equal amount of future taxable temporary differences and future deductible temporary differences at the time of initial recognition for transactions, and deferred tax liabilities and deferred tax assets will be recognized for such future taxable temporary differences and future deductible temporary differences in the consolidated statements of financial position, respectively. The adoption of this standard will not have a material impact on the Group’s consolidated financial statements.

## 2. Change in presentation

At a meeting held on February 29, 2024, the Company’s Board of Directors resolved the sale policy of the non-core business in the Specialized Parts and Service Business segment. Effective the fourth quarter, we have categorized the non-core business as a discontinued operation as the completion of its sale is expected to be within one year from March 31, 2024, and it is highly probable. With respect to profits (losses) related to the non-core business which was categorized as a discontinued operation, the amount after deducting income tax expense is presented as a separate line item after net income from continuing operations in the consolidated statements of income.

## 3. Notes on accounting estimates

### (1) Valuation of goodwill

The method to determine impairment losses for goodwill is described in “iv) Impairment of non-financial assets” in “(ii) Depreciation and amortization methods for important assets” in “(5) Matters pertaining to accounting policies.”

Significant goodwill recorded in the consolidated statements of financial position as of March 31, 2024 is principally goodwill of ¥10,173 million mainly due to the inclusion of H-E Parts International LLC as a consolidated subsidiary following the acquisition of this company in 2016, and goodwill of ¥20,157 million mainly due to the inclusion of Bradken Pty Limited as a consolidated subsidiary following the takeover offer in 2017.

The recoverable amount per cash-generating unit (CGU) is calculated at the higher of fair value less costs of disposal or value in use. Comparison with similar publicly traded companies, and a market approach where a price that can be achieved in orderly transactions between market participants, such as market capitalization of the asset, etc. is reasonably estimated and calculated, are principally used as valuation techniques used to calculate fair value less costs of disposal. Value in use is calculated by the estimated future cash flows based on business plans approved by management, discounted at the discount rate which is derived from the weighted average cost of capital. The business plan used is based on external information, reflects historical experiences, and generally covers a maximum of five (5) years. Estimated cash flows beyond the period covered by the business plan are calculated using the estimated growth rate not exceeding the long-term average growth rate of the market to which the CGU belongs.

The major assumption on which calculation of recoverable amount in impairment test is based is a discount rate. Although the value in use per CGU exceeded the carrying amount as of March 31, 2024, the value in use may fall below the carrying amount in and after the next fiscal year if the discount rate increases, and this may affect operating results, etc.

### (2) Recoverability of deferred tax assets

Deferred tax assets recorded in the consolidated statement of financial position as of March 31, 2024 was ¥26,222 million.

Deferred tax assets are recognized only to the extent that it is probable that future taxable income will be available against which unused tax losses, unused tax credits and future deductible temporary differences can be utilized. In assessing the recoverability of deferred tax assets, the Group considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized, by examining whether or not future taxable income can be generated in specific tax jurisdictions during the periods in which these deductible differences, etc. become deductible.

The Group has judged that it is more likely than not that it will realize the benefits of these deductible differences as of March 31, 2024. However, the period in which taxable income is generated and the amount

are affected by future changes in uncertain economic conditions. If the period in which taxable income is actually generated and the amount differs from the estimates in and after the next fiscal year, this may affect operating results, etc.

(3) Impact of the Russia-Ukraine conflict

The consolidated statement of financial position as of March 31, 2024 includes components of the non-consolidated statement of financial position of LLC Hitachi Construction Machinery Eurasia (hereinafter referred to as “HCMR”), which is a consolidated subsidiary of the Company located in Russia.

Main items in HCMR’s non-consolidated statement of financial position include trade receivables from sales agents of ¥8,949 million and inventories of ¥4,857 million. Although an allowance for doubtful receivables on trade receivables has been recorded by estimating their lifetime expected credit losses, such estimate is based on an assumption that the most recent conditions will be maintained over the collection period, in light of the financial conditions of sales agents, circumstances of industries to which their clients belong, recent status of collections, and other factors. While inventories have also been evaluated upon taking into account future sales plans based on orders received.

This assumption has been judged to be based on the Management’s best estimates as of March 31, 2024. However, the impact of the Russia-Ukraine conflict on economic activities contains uncertainties. If the actual progress of economic activities and other developments differ from the estimates, accounting estimates in and after the next fiscal year may be affected, posing a risk of significant changes to the evaluations on allowance for doubtful receivables and inventories.

4. Notes to the consolidated statements of financial position

(Millions of yen)

(1) Matters pertaining to provisions directly deducted from assets	
Trade receivables	16,676
Other financial assets	18
(2) Matters pertaining to accumulated depreciation and impairment losses of assets	
Right-of-use assets	61,976
Property, plant and equipment	490,570
(3) Matters concerning guarantee obligations	
The Group’s guarantee obligations and guarantee commitment associated with borrowings from financial institutions are as follows	
Guarantee obligations	30,407
Guarantee commitment	49
(4) Assets pledged as collateral	
Trade receivables	9,376
Inventories	15,709
Property, plant and equipment	48,532
Liabilities corresponding to the above	
Trade and other payables (current)	3,446
Bonds and borrowings (current)	17,688
Trade and other payables (non-current)	4,583
Bonds and borrowings (non-current)	17,670

5. Notes to the consolidated statements of changes in equity

(1) Total number of issued shares Common stock	215,115,038
(2) Number of treasury shares Common stock	2,442,175

(3) Matters pertaining to distribution of surplus

(i) Dividends paid

Resolved by	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
The Board of Directors meeting held on May 22, 2023	Common stock	Retained earnings	12,759	60	March 31, 2023	May 31, 2023
The Board of Directors meeting held on October 26, 2023	Common stock	Retained earnings	18,077	85	September 30, 2023	November 30, 2023

(ii) Dividends on common stock whose record date falls in the fiscal year under review and whose effective date falls in the following fiscal year

To be resolved by	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
The Board of Directors meeting held on May 21, 2024	Common stock	Retained earnings	13,824	65	March 31, 2024	June 6, 2024

(4) Matters pertaining to share award rights and subscription rights to shares

No applicable matters.

## 6. Notes on financial instruments

### (1) Matters pertaining to financial instruments

The Group is engaged in business activities worldwide and may be affected by various risks such as interest rate risk, currency exchange risk and credit risk.

#### (i) Market risk

Since the Group conducts manufacturing activities worldwide and has customers all over the world, trade receivables and payables denominated in foreign currencies are exposed to currency exchange fluctuation risk. In addition, some long-term debts held by the Company and certain consolidated subsidiaries to finance capital investments and working capital are floating-interest bearing, and thus are exposed to interest rate fluctuation risk.

##### i) Interest rate risk

The Group is exposed to interest rate fluctuation risk mainly related to long-term debts. In order to minimize this risk, the Group enters into interest rate swap agreements to manage the fluctuation risk of cash flows. The interest rate swaps entered into are receive-variable, pay-fixed agreements. Under the interest rate swaps, the Group receives variable interest rate payments on long-term debts, including long-term borrowings, and makes fixed interest rate payments, thereby creating fixed interest rate long-term debt.

##### ii) Currency exchange risk

The Group holds assets and liabilities exposed to currency exchange risk. In order to hedge this risk, the management uses forward exchange contracts or cross currency swaps.

##### iii) Equity instruments price volatility risk

The Group holds listed stock of entities with which it has business relationships and is exposed to price volatility risk of equity instruments. In order to manage this risk, market values of such equity instruments and the financial condition of issuing entities are monitored on a regular basis, and holding of such equity instruments is continuously reviewed.

#### (ii) Credit risk (risk of non-performance, etc. of counterparties)

The Group extends credit to customers through various operating transactions and is exposed to credit risk associated with potential losses from credit deterioration or bankruptcy, etc. of the customers. In order to manage this risk, the Credit Management Division of the Company and its consolidated subsidiaries regularly monitors the conditions of the customers for trade receivables exposed to credit risk in accordance with credit management rules so that the due dates and balances are assessed for individual customers and the risk of doubtful receivables due to deterioration, etc. in the customers' financial conditions, etc. are identified in a timely way and mitigated. Basically, no significant concentration of credit risk is present as the Group has transactions with customers in various geographical areas.

Since securities held to maturity are highly rated securities, the Group finds little credit risk.

In addition, the Group enters into derivative transactions only with counterparties that are highly rated financial institutions; therefore, the Group considers the counterparty risk is remote.

With the exception of guarantee obligations, the maximum exposure of the Company and its consolidated subsidiaries to credit risk equals the financial assets' carrying amount after impairment reported in the consolidated statements of financial position, if collateral held is not considered.

#### (iii) Liquidity risk (risk of becoming unable to make payment on the due date)

The Finance Department within the Group prepares and updates cash management plans based on a report from each department. The Group maintains a commitment line and credit line to mitigate liquidity risk while minimizing liquidity in hand to enhance capital efficiency.

#### (iv) Capital management

In pursuing sustainable growth, the Group has made upfront investments including investments in technology development and facilities based on medium- and long-term business strategies. With the principal capital management policy of maintaining and strengthening its sound financial structure, the Group closely monitors the balance of interest-bearing liabilities, net of cash, deposits, and pooled deposits.

(2) Matters pertaining to fair value, etc. of financial instruments

(i) Fair value measurements

The following methods and assumptions are used to measure the fair value of financial assets and financial liabilities.

i) Cash and cash equivalents, trade receivables and trade and other payables

Current portion of cash and cash equivalents, trade receivables and trade and other payables are settled in a short period, and thus, their carrying amount reasonably approximates the fair value. Fair value of non-current items is determined at the present value of expected cash flows from principal and interest discounted by the rate that would be reasonably applied to new transactions.

ii) Other financial assets and other financial liabilities

Other financial assets include other receivables and loans receivable, and other financial liabilities mainly include deposits. Current items are settled in a short period, and thus their carrying amount reasonably approximates the fair value. As for investment securities classified as financial assets measured at FVTOCI, the fair value of listed stock is determined based on a market price quoted on an exchange. The fair value of non-listed stock is determined based on a valuation technique using observable inputs such as quoted market prices of comparable companies as well as unobservable inputs. The fair value of derivative instruments, which are FVTPL financial assets or financial liabilities, is determined based on prices obtained from financial institutions. The fair value of liabilities for written put options over non-controlling interests is calculated by the method where future cash flows are discounted.

iii) Bonds and borrowings

The fair value of unsecured debentures and borrowings is determined based on the expected future cash flows from principal and interest discounted at the rate that would be applied to additional borrowings and bonds with same terms and conditions.

(ii) Financial instruments measured at amortized cost

The carrying amounts and fair values of financial assets and financial liabilities measured at amortized cost are as follows. Financial assets and financial liabilities whose carrying amounts reasonably approximate the fair values are not included.

(Millions of yen)

Category	Carrying amount	Fair value
<u>Assets</u>		
Trade receivables	352,375	355,124
<u>Liabilities</u>		
Liabilities Trade and other payables	265,650	265,910
Bonds and borrowings	575,582	575,676

(iii) Financial instruments measured at fair value in the consolidated statements of financial position

Financial instruments measured at fair value on a recurring basis after the initial recognition are classified into three (3) levels of the fair value hierarchy based on the measurement inputs' observability and materiality as follows

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2: Valuations measured by direct or indirect observable inputs other than Level 1

Level 3: Valuations measured by significant unobservable inputs

When several inputs are used for a fair value measurement, the level is determined based on the input with the lowest level in the fair value measurement as a whole.

Transfers between levels are deemed at the beginning of each quarter period.

The following tables present the financial assets and financial liabilities that are measured at fair value on a recurring basis.

(Millions of yen)

As March 31, 2024	Level 1	Level 2	Level 3	Total
FVTOCI financial assets:				
Other financial assets				
Equity securities	8,920	—	9,974	18,894
FVTPL financial assets:				
Other financial assets				
Derivative assets	—	6,322	—	6,322
Other financial assets	—	—	557	557
Total financial assets	8,920	6,322	10,531	25,773
FVTPL financial liabilities				
Other financial liabilities				
Derivative liabilities	—	(3,584)	—	(3,584)
Other				
Other financial liabilities				
Liabilities for written put options over non-controlling interests	—	—	(3,575)	(3,575)
Total liabilities	—	(3,584)	(3,575)	(7,159)

The following tables present the changes in Level 3 financial instruments measured at fair value on a recurring basis for the fiscal year under review.

(Millions of yen)

	Year ended March 31, 2024
Balance at beginning of the year	8,980
Total gain/(loss)	776
Other comprehensive income	776
Purchased	788
Sold	(16)
Other	3
Balance at end of the year	10,531

#### 7. Notes on per share information

(1) Equity per share attributable to owners of the parent	¥3,589.46
(2) Net income attributable to owners of the parent per share (basic)	
Continuing operations	¥494.27
Discontinued operations	¥(55.59)
Net income attributable to owners of the parent per share (basic)	¥438.68

#### 8. Notes on revenue recognition

##### (1) Disaggregation of revenue

The Group derives revenues primarily from contracts with customers. The following table shows the disaggregation of revenue attributable to each reportable segment and geographic area of the Company. In the fiscal year under review, the non-core business in the Specialized Parts and Service Business segment was classified as a discontinued operation and deducted from revenue in the fiscal year under review.

(Millions of yen)

	Construction Machinery Business	Specialized Parts and Service Business	Total revenues
Japan	226,853	28	226,881
The Americas	325,435	49,812	375,247
Europe	181,332	1,561	182,893
Russia-CIS, Africa, and Middle East	118,999	9,527	128,526
Asia and Oceania	401,161	61,984	463,145
China	28,493	743	29,236
Others Total	1,282,273	123,655	1,405,928

##### (2) Information about satisfaction of performance obligations

The following is information about satisfaction of performance obligations related to major goods and services of each reportable segment.

##### (Construction Machinery Business)

The Construction Machinery Business primarily provides customers with hydraulic excavators, ultra-large-sized hydraulic excavators, wheel loaders, and other products as well as parts related to these products.

Since performance obligations for sale of products and parts are satisfied at a point in time upon completion of the sale and customers' acceptance and inspection of the goods, revenue is recognized when control over the goods is transferred to customers. Conditions for acceptance, such as loading to a ship, receipt by the customer, completion of performance tests, are determined under contracts with customers or relevant agreements. Consideration for a transaction is generally collected within four (4) months after the relevant performance



obligations are satisfied. Because the period between when performance obligations are satisfied and when consideration is received is usually within one (1) year, a practical expedient is adopted and these receivables are not adjusted for significant financing components. Although there are some transactions for which consideration is collected over a period longer than one (1) year, they are immaterial.

Revenue from periodic maintenance services and paid product guarantee services is recognized when the provision of services is completed or over the period during which services are provided. Conditions for completion of services to be provided, such as receipt of a completion report, are determined under contracts with customers or relevant agreements.

Consideration for a transaction is usually paid in fixed amounts every one (1) to three (3) months in case of periodic maintenance services. For paid product guarantee services, consideration for the duration of a contract is collected in advance at the time of executing the contract. Because the period between when performance obligations are satisfied and when consideration is received is usually within one (1) year, a practical expedient is adopted and these receivables are not adjusted for significant financing components. Although there are some transactions for which consideration is collected over a period longer than one (1) year, they are immaterial. In contracts with some customers, revenue is measured at the amount of promised consideration less discounts, sales returns and the like.

#### (Specialized Parts and Service Business)

The Specialized Parts and Service Business provides customers with parts services, etc. that are not included in the Construction Machinery Business Segment. Since performance obligations are principally satisfied at a point in time upon completion of the sale and customers' acceptance and inspection of the goods, revenue is recognized when control over the goods is transferred to customers.

Because the period between when performance obligations are satisfied and when consideration is received is usually within one (1) year, a practical expedient is adopted and these receivables are not adjusted for significant financing components. Although there are some transactions for which consideration is collected over a period longer than one (1) year, they are immaterial.

#### (3) Information about contract balances

The following table shows the beginning and ending balances of the Group's trade receivables, contract assets and contract liabilities from contracts with customers.

For the year ended March 31, 2024

	(Millions of yen)	
	April 1, 2023	March 31, 2024
Trade receivables	340,349	352,375
Contract assets	4,221	552
Contract liabilities	22,931	23,753

Of the revenue recognized during the fiscal year under review, the amount included in contract liabilities at the beginning of the fiscal year was ¥13,917 million. There is no revenue related to performance obligations that were satisfied in prior periods and no cumulative catch-up adjustment to revenue. Impairment losses on trade receivables and contract assets recognized during the fiscal year under review were ¥2,376 million.

The Construction Machinery Business segment and the Specialized Parts and Service Business segment have no material transactions related to contract assets which arise when goods or services are transferred before receipt of consideration or performance by an entity is completed.

Contract liabilities, which arise when consideration is received or payment becomes due before goods or services are transferred, are mainly advances received from customers as payments for products in relation to sales of construction machinery and paid product guarantee service contracts. Performance obligations are considered to be satisfied upon the fact of having performed the obligation to deliver products in case of sales of construction machinery, and the lapse of the period over which guarantee is offered in case of paid product guarantee service contracts, and contract liabilities are reclassified to revenue when performance obligations are satisfied.

(4) Transaction price allocated to remaining performance obligations

The following table shows the balances of performance obligations to be performed in relation to contracts for products and services as of the end of the previous fiscal year and the end of the fiscal year under review.

(Millions of yen)

	April 1, 2023	March 31, 2024
Products and services	10,910	10,528

The Group expects to perform roughly 90% of the balance of performance obligations to be performed as of March 31, 2024 within three (3) years, and roughly 10% after three (3) years and within five (5) years.

There is no significant amount of consideration arising from contracts with customers that is not included in the transaction price.

(5) Assets recognized from the costs incurred for obtaining or fulfilling contracts with customers

In the Group, there were no costs incurred for obtaining or fulfilling contracts with customers during the fiscal year under review.

9. Notes on significant subsequent events

No applicable matters.

## 10. Other notes

### (1) Notes to the consolidated statements of income

The main components of other income are as follows:

(Millions of yen)

Category	Amount
Gain on sales of property, plant and equipment	598
Subsidy income	449
Gain on business restructuring	648
Other	3,480
Total	5,175

The main components of other expenses are as follows:

(Millions of yen)

Category	Amount
Loss on sales of property, plant, and equipment	192
Loss on disposal of property, plant and equipment	1,759
Impairment of property, plant, and equipment	518
Expenses for business structure reform (Note 1)	4,801
Other	3,243
Total	10,513

(Note 1) Expenses for business structure reform

Expenses for business structure reform recognized for the year ended March 31, 2024 include a ¥2,481 million loss on debt forgiveness due to sale of shares in consolidated subsidiaries and a ¥2,019 million cost related to the resolution of disputes against ACME Business Holdco, LLC (hereinafter referred to as “ACME”) and other related parties.

### (2) Notes on business combination

A business combination that occurred during the fiscal year under review is as follows:

(Consolidation of ACME through acquisition of its shares)

In the previous fiscal year, ACME, an affiliate of the Group subject to the equity method, defaulted on loans from financial institutions. As guarantor of these obligations, the Company repaid its debt to the financial institutions. Despite a dispute with ACME and other related parties over indemnification claims arising from this repayment, an agreement was reached to end the dispute. This resulted in Hitachi Construction Machinery Investment U.S.A. Corporation, a consolidated subsidiary of the Company, acquiring additional shares of ACME from Weld Holdco, LLC, which became a 100% subsidiary on March 12, 2024.

#### (i) Purpose of business combination

The Group acquired additional shares of ACME, which was an equity-method affiliate engaged in the rent-to-rent business in the U.S.A., resulting in a 100% subsidiary in order to further strengthen “Enhancing value chain business” and “Expanding business in the Americas,” which are key pillars of management strategies in the medium-term management plan “BUILDING THE FUTURE 2025.” As a result, the Company will maximize the utilization of ACME’s rent-to-rent business operational expertise and sales infrastructure to support the rental operations deployed by dealers and rental companies in North America. Through its rent-to-rent business, the Company aims to provide high-quality rental machinery to end users and contribute to the creation of high-quality used excavators. In this way, the Company is committed to realizing a circular economy, enhancing its brand value in the North American market, and further strengthening its value chain business in the Americas.

#### (ii) Name of the acquired company and its business

Overview of share acquisition

Date of acquisition:	March 12, 2024
Name of the acquired company:	ACME Business Holdco, LLC
Business of the acquired company:	Rent-to-rent business
Percentage of voting rights acquired:	66.67%

(iii) Consideration for the acquisition and fair value of assets acquired and liabilities assumed

Consideration for the acquisition of ACME's shares and fair value of assets acquired and liabilities assumed are as follows. These amounts are provisional based on information currently available as the allocation of the purchase price for the business combination to the assets acquired and liabilities assumed has not been partially completed.

(Millions of yen)	
	Amount
Cash and cash equivalents	18,166
Trade receivables	2,083
Other current assets	147
Non-current assets (Except goodwill)	32,577
Total assets	52,973
Current liabilities	1,759
Non-current liabilities	61,442
Total liabilities	63,201
Consideration paid (Cash)	–
Fair value of shares that the Company had already had upon acquisition of control	172
Total consideration of acquisition	172
Goodwill	10,400

The goodwill primarily reflects excess earning power and synergies with existing operations.

(iv) Trade receivables acquired

(Millions of yen)		
	Total contractual receivables and fair value	Of which, the estimated unrecoverable amount
Accounts and notes receivable - trade	2,083	–
Total	2,083	–

(v) Transaction-related expenses

Acquisition-related expenses related to this business combination were not material. A payment of ¥2,019 million related to the resolution of a dispute with ACME and its related parties over indemnification claims was recognized separately from this business combination and included in "Other expenses" in the Consolidate Statements of Income.

(vi) Gain on step acquisitions

As a result of remeasuring the 33.33% equity held by the Group before the acquisition date at fair value as of the acquisition, a gain of ¥172 million related to the step acquisition from a business combination has been recognized in the Consolidated Statements of Income under "Other income."

(vii) Revenue and net income of the acquired company and transferred business

Information on the revenue and net income of the business combination from the acquisition date to March 31, 2024 is not disclosed because it has no material impact on the consolidated financial statements.

(viii) Revenue and net income of the Group assuming that the business combination is completed at the beginning of the fiscal year

Revenue and net income of the Group assuming that the business combination is completed at the beginning of the fiscal year are not disclosed because they have no material impact on the consolidated financial statements.

(3) Notes on disposal groups classified as held for sale and discontinued operations

(i) Overview of discontinued operations

At a meeting held on February 29, 2024, the Company's Board of Directors resolved the sale policy of the non-core business in the Specialized Parts and Service Business segment. Effective the fourth quarter, we have categorized the non-core business as a discontinued operation as the completion of its sale is expected to be within one year from March 31, 2024, and it is highly probable.

(ii) Assets held for sale

Assets held for sale and directly-related liabilities are as follows:

(Millions of yen)	
	As of March 31, 2024
Assets	
Trade receivables	3,771
Contract assets	5,200
Inventories	3,686
Other financial assets	382
Other current assets	438
Property, plant and equipment	3,804
Intangible assets	118
Deferred tax assets	1,803
Other non-current assets	87
Total	19,289
Liabilities	
Liabilities Trade and other payables	2,440
Lease liabilities (current)	183
Contract liabilities	1,619
Other current liabilities	8
Lease liabilities (non-current)	509
Deferred tax liabilities	679
Total	5,438

(iii) Profits (losses) from discontinued operations

Profits (losses) from discontinued operations are as follows.

(Millions of yen)	
	Year ended March 31, 2024
Revenue	16,915
Expenses (Note)	(28,240)
Losses before income taxes	(11,325)
Income tax expense	(498)
Losses from discontinued operations	(11,823)

(Note) Profits (losses) from discontinued operations include impairment losses of ¥11,268 million recognized on assets comprising discontinued operations measured at fair value after deducting cost for sale.

Cash flows related to discontinued operations are as follows.

(Millions of yen)

	Year ended March 31, 2024
Net cash provided by operating activities	759
Net cash provided by (used in) investing activities	(774)
Net cash provided by (used in) financing activities	(74)
Total	(89)

## XI. Notes to the Non-Consolidated Financial Statements

Amounts shown are rounded off to the nearest one million yen.

### 1. Notes on matters pertaining to significant accounting policies

#### (1) Valuation standards and valuation methods for securities

Investments in subsidiaries and affiliates

Stated at cost based on the moving-average method.

Available-for-sale securities

Securities other than shares, etc. with no market price:

Stated at fair value. (Any changes in unrealized holding gain or loss, net of the applicable income taxes, are directly included in net assets, and the cost of securities sold is calculated by the moving-average method)

Shares, etc. with no market price:

Stated at cost based on the moving-average method.

#### (2) Valuation standards and valuation methods for inventories

Merchandise and finished goods, raw materials and supplies

Stated at cost based on the moving-average method.

Work in process

Stated at cost based on the specific identification method.

(In any case, the cost of inventories is written-down when their carrying amounts become unrecoverable)

#### (3) Depreciation and amortization method for non-current assets

##### (i) Property, plant and equipment (excluding leased assets)

Amortized using the straight-line method.

##### (ii) Intangible assets (excluding leased assets)

Amortized using the straight-line method. Software for internal use is amortized using the straight-line method over the usable period (5 years).

##### (iii) Leased assets

Leased assets under finance lease transactions where the ownership of the assets is not considered to be transferred

Depreciated using the straight-line method by using their useful lives as the lease period and assuming zero residual value.

#### (4) Allowances and provisions

##### (i) Write down of inventories

To prepare for bad debt losses from uncollectible receivables, a general provision for doubtful accounts is provided by applying a certain reserve percentage of the receivables based on experience from past transactions. Specific provision is provided based on the assessment of the collectability of individual receivables.

##### (ii) Provision for retirement benefits

To prepare for the payment of retirement benefits to employees, the amount based on the estimated retirement benefit obligations and fair value of plan assets as of the end of the current fiscal year is recognized as provision for retirement benefits.

Accounting for provision for retirement benefits and retirement benefit expenses are as follows:

##### i) The method to attribute expected benefits to periods of service

In calculating retirement benefits obligations, expected benefit is attributed to periods of service up to the current fiscal year based on the benefit formula basis.

##### ii) The method of recognizing actuarial gains and losses and prior service costs as expenses

Actuarial gains and losses are recognized as expenses from the next year of occurrence on a straight-line method over the average remaining service periods of employees expected in the year of occurrence.

Prior service costs are recognized as expenses on a straight-line method over the expected average remaining service periods of employees from the year of occurrence.

Treatment of unrecognized actuarial gains and losses and unrecognized prior service costs in the non-consolidated balance sheets differs from that in the consolidated statements of financial position.

#### (5) Revenue and expenses

The Company recognizes revenue in accordance with the following five-step approach.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the separate performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Company conducts multiple transactions to meet its customers' needs which may involve the delivery or performance of multiple elements, such as goods or services. When the Company enters into multiple contracts for providing the goods or services, related contracts are combined based on interdependencies between each contract's consideration and the time the Company entered into such contracts, and the transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service for the purpose of recognizing revenue, and revenue is recognized when ownership is deemed to have been transferred.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer. Variable consideration, such as discounts and rebates, is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The promised amount of consideration does not include a significant financing component, because ordinary transactions are completed with payments within one (1) year.

In estimating the stand-alone selling price, the Company considers various factors such as market conditions, market price of competing products, etc., cost of products, and customers' business conditions.

For transactions whereby control over goods and services, etc. is transferred over time, the Company measures its progress towards complete satisfaction of that performance obligation on the basis of output or input methods in consideration of the nature of the goods and services for the purpose of recognizing revenue. When the Company cannot reasonably measure the progress, revenue is recognized only to the extent of the costs incurred.

The Company recognizes the incremental costs of obtaining a contract with a customer and the costs directly related to fulfilling a contract as an asset if those costs are expected to be recovered, and those assets are amortized based on the methods used to recognize revenue of the goods or services to which the assets relate. The Company recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset is less than one (1) year.

(6) Accounting for deferred assets

(i) Share issuance cost

Bond issuance costs are fully recognized as expenses when paid.

(ii) Bond issuance cost

Bond issuance costs are fully recognized as expenses when paid.

(7) Method of hedge accounting

(i) Method of hedge accounting

Deferral hedge accounting is applied.

(ii) Hedging instruments and hedged items

The Company uses forward exchange contracts to mitigate foreign currency exchange risks associated with import and export transactions. It also engages in interest rate swap agreements according to respective financing periods, to fix the risk of fluctuations in cash flows in long-term borrowings.

(iii) Hedging policy

As currency related derivative transactions are mainly used to hedge the foreign exchange risk associated with sales contracts denominated in U.S. dollars, the use of derivatives is limited to the amount of accounts receivable - trade and sales contracts denominated in foreign currencies.

Through interest-related derivative transactions, the Company aims to fix the interest rate for each long-term borrowing at the prevailing market rate as of each fund procurement since the Company emphasizes obtaining long-term borrowings at stable interest rates.

(iv) Method of assessing hedge effectiveness

Effectiveness of hedging activities is assessed by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges up to the time of assessment.

(8) Valuation standard and valuation method for derivative financial instruments

Derivative financial instruments are measured at fair value.

(9) Translation of foreign currency-denominated assets and liabilities into yen

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the spot exchange rates as of the fiscal year-end. Foreign exchange gains and losses are recognized in profit or loss.



## 2. Notes on changes in presentation method

### (Balance sheet)

“Long-term accounts receivable - trade with subsidiaries and affiliates,” which was included in “others” of “investments and other assets” under “non-current assets” in the previous fiscal year, is presented as a separate line item from the fiscal year under review as its monetary importance has increased. “Long-term accounts receivable - trade with subsidiaries and affiliates” recorded in the previous fiscal year was ¥12,482 million.

## 3. Notes on accounting estimates

### (1) Valuation of shares of subsidiaries and affiliates with no market price

#### (i) Amounts recorded in the non-consolidated financial statements as of March 31, 2024

Shares of subsidiaries and affiliates with no market price: ¥142,744 million

Of the above amount, carrying amounts of major shares of subsidiaries and affiliates acquired through M&A, etc.

- |                               |                 |
|-------------------------------|-----------------|
| • Bradken Pty Limited         | ¥58,766 million |
| • H-E Parts International LLC | ¥20,713 million |

#### (ii) Information contributing to understanding of accounting estimates

As for shares of subsidiaries and affiliates, if the actual value of a share has decreased significantly after comparison between the actual value and the purchase price of the share, the recoverability is assessed in light of business performance based on the company’s business plan. For the business plan, actual results in and after the next fiscal year often differ from the plan due to risks related to changes in business environment and other factors. If actual results are different, this may affect operating results, etc.

In addition, certain shares of subsidiaries and affiliates acquired through M&A, etc. are assessed based on the actual value in view of excess earning power calculated in measurement of the company’s corporate value at the time of acquisition, and others. Whether or not excess earning power, etc. is impaired is affected by future achievability of the business plan. If the business plan is not achieved and excess earning power is impaired in and after the fiscal year, this may affect operating results, etc.

### (2) Recoverability of deferred tax assets

#### (i) Amounts recorded in the non-consolidated financial statements as of March 31, 2024

Net operating loss carryforwards ¥6,298 million

#### (ii) Information contributing to understanding of accounting estimates

Notes are omitted as the same information is provided in “(2) Recoverability of deferred tax assets” in “3. Notes on accounting estimates” in the Notes to the Consolidated Financial Statements.

### (3) Valuation of indemnification claim against ACME Business Holdco, LLC

#### (i) Amounts recorded in the non-consolidated financial statements as of March 31, 2024

Long-term accounts receivable - other with subsidiaries and affiliates ¥58,203 million

Write down of inventories ¥12,041 million

#### (ii) Information contributing to understanding of accounting estimates

In the previous fiscal year, ACME Business Holdco, LLC (hereinafter referred to as “ACME”), which was an affiliate of the Company, defaulted on a loan from a financial institution and the Company, the guarantor of the debt, made payments in proxy to the lender, the financial institution. The amount of ¥58,203 million in indemnity claims against ACME resulting from Company’s fulfillment of its guarantee obligation to the lender is presented as “long-term accounts receivable - other with subsidiaries and affiliates” on the balance sheet. To prepare for losses due to defaults on such indemnity claims, the estimated unrecoverable amount is calculated by taking into consideration the recoverability of each individual account, and the estimated unrecoverable amount is recorded as an allowance for doubtful accounts.

Taking into consideration the financial condition of ACME, as well as the results of an evaluation by an external evaluation specialist using a market approach of the fixed assets for rent held by ACME, the Company recorded ¥12,041 million as an allowance for doubtful accounts for the receivables from ACME for which there is concern about recovery and an extraordinary loss of ¥2,769 million as provision for doubtful accounts in the fiscal year under review.

If circumstances under which the Company made assumptions, such as ACME’s financial condition and results of operations and assumptions made in estimating the valuation of assets, change in the next fiscal year, they could have a material impact on the amount of the allowance for doubtful accounts in the non-consolidated financial statements for the next fiscal year.

4. Notes to the non-consolidated balance sheets

(Millions of yen)

(1) Accumulated depreciation for property, plant and equipment	182,911
(2) Guarantee obligations	
Guarantees	36,585
Guarantee commitment	49
(3) Monetary claims and monetary debts to subsidiaries and affiliates	
Short-term monetary claims	337,483
Short-term monetary debts	92,760

5. Notes to the non-consolidated statements of income

(Millions of yen)

(1) Transactions with subsidiaries and affiliates	
Operating transaction	
Sales	601,900
Purchase	347,577
Total amount of non-operating transactions	71,063

6. Notes to the non-consolidated statements of changes in equity

Number of treasury stock as at the last day of the fiscal year ended March 31, 2024

Common stock 2,442,175 shares

7. Notes on revenue recognition

Information that forms the basis for understanding revenue is provided in “(iv) Other important matters for compiling consolidated financial statements” in “(5) Matters pertaining to accounting policies” of “1. Notes, etc. on basis of presenting consolidated financial statements” in the Notes to the Consolidated Financial Statements and “(5) Revenue and expenses” of “1. Notes on matters pertaining to significant accounting policies” in the Notes to the Non-consolidated Financial Statements.

Information on disaggregation of revenue and information for understanding the amounts of revenue in the fiscal year under review as well as in and after the next fiscal year are omitted as the same information is provided in “8. Notes on revenue recognition” in the Notes to the Consolidated Financial Statements.

8. Notes on tax effect accounting

(1) Components of deferred tax assets and deferred tax liabilities by major cause  
(Millions of yen)

Deferred tax assets		
Net operating loss carryforwards		625
Accrued business tax		311
Provision for bonuses		2,378
Accrued expenses		3,138
Allowance for doubtful accounts		3,777
Write down of inventories		1,796
Loss on valuation of shares of subsidiaries and affiliates		12,825
Loss on valuation of investment securities		79
Provision for retirement benefits		2,621
Excess over depreciation limit		1,873
Others		2,606
Subtotal of deferred tax assets		<u>32,029</u>
Valuation allowance on tax loss carryforwards		(217)
Valuation allowance on total deductible temporary differences		(19,927)
Subtotal of valuation allowance		<u>(20,144)</u>
Total		<u>11,885</u>
Deferred tax liabilities		
Prepaid pension costs		392
Reserve for reduction entry		2,777
Valuation difference on available-for-sale securities		1,735
Others		682
Total		<u>5,587</u>
Net deferred tax assets		<u>6,298</u>

(2) Accounting treatment for national corporate taxes and local corporate taxes or tax effect accounting relating to these taxes

The Company adopts Group Relief System. Furthermore, the Company undertakes and discloses the accounting treatment for national corporate taxes and local corporate taxes or tax effect accounting relating to these taxes in compliance with provisions in the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ Practical Issues Task Force No. 42, August 12, 2021).

## 9. Notes on related-party transactions

### (1) Parent Company and major corporate shareholders, etc.

Attribute	Name of entity	Address	Common stock or investments	Business activities	Percentage of voting rights held (%)	Relationship with related party	Transaction	Transaction amount (Millions of yen)	Account	Balance as of March 31, 2024 (Millions of yen)
Other associates	ITOCHU Corporation	Minato-ku, Tokyo	¥253,448 million	General trading company	Held Indirect 26.0	Sales of the Company's products	Sales, etc. of products (Note 1)	122,316	Accounts receivable - trade	63,185
Other associates	Hitachi, Ltd.	Chiyoda-ku, Tokyo	¥463,418 million	Manufacture, sales and service of electric machinery, equipment and various products	Held Direct 25.4	Payment of brand value royalty Officers with concurrent positions	Payment of brand value royalty	2,849	Accounts payable - other	9,030

### (2) Subsidiaries, etc.

Attribute	Name of entity	Address	Common stock or investments	Business activities	Percentage of voting rights held (%)	Relationship with related party	Transaction	Transaction amount (Millions of yen)	Account	Balance as of March 31, 2024 (Millions of yen)
Subsidiary	Hitachi Construction Machinery Tierra Co., Ltd.	Koka-city, Shiga	¥1,441 million	Manufacturing, sales and services of mini excavators	Holding Direct 100.0	Manufacturing of the Company's products Lending and borrowing, etc. of funds	Purchase, etc. of products (Note 2)	169,954	Accounts payable - trade	18,911
							Receipt of deposits (Note 3)	20,493	Deposits received	49,259
							Payment of interest (Note 4)	32		
Subsidiary	Hitachi Construction Machinery Japan Co., Ltd.	Soka-city, Saitama	¥5,000 million	Rental, sales and services of construction machinery	Holding Direct 100.0	Sales, leasing and services of the Company's products Lending and borrowing, etc. of funds Officers with concurrent positions	Sales, etc. of products (Notes 1 and 6)	119,805	Accounts receivable - trade	30,002
							Lending of funds (Note 3)	1,293	Short-term loans receivable	37,446
							Receipt of interest (Note 4)	91		
Subsidiary	Hitachi Construction Machinery Leasing Co., Ltd.	Soka-city, Saitama	¥50 million	Installment sales and leasing of construction machinery, etc.	Holding Direct 100.0	Leasing of the Company's products Lending and borrowing, etc. of funds	Lending of funds (Note 3)	6,959	Short-term loans receivable	34,769
							Receipt of interest (Note 4)	95		
Subsidiary	Hitachi Kenki Logistics Technology Co., Ltd.	Tsuchiura city, Ibaraki	¥360 million	Packaging, shipping, and export and import service of construction machinery, etc.	Holding Direct 100.0	Packing and shipping of the Company's products	Purchase, etc. of products (Note 2)	87,501	Accounts payable - trade	5,086
Subsidiary	Hitachi Construction Machinery (Europe) N.V.	Oosterhout, the Netherlands	70,154 thousand euros	Manufacturing, sales and services of construction machinery	Holding Direct 98.9	Manufacturing and sales of the Company's products	Sales, etc. of products (Note 1)	129,934	Accounts receivable - trade	30,945
Subsidiary	Hitachi Construction Machinery Americas, Inc.	Georgia, U.S.A	8,000 Thousand U.S. dollars	Sales of construction machinery	Holding Direct 100.0	Sales of the Company's products Officers with concurrent positions	Sales, etc. of products (Note 1)	28,834	Accounts receivable - trade	10,761
							Lending of funds (Note 3)	4,889	Short-term loans receivable	15,141
							Receipt of interest (Note 4)	1,092		
Subsidiary	Hitachi Construction Machinery Distribution (China) Co., Ltd.	Shanghai, China	200,000 thousand RMB	Sales and services of construction machinery	Holding Direct 100.0	Borrowing, etc. of funds Officers with concurrent positions	Repayment of funds	3,732	Short-term borrowings	13,540
							Payment of interest (Note 4)	48		

Attribute	Name of entity	Address	Common stock or investments	Business activities	Percentage of voting rights held (%)	Relationship with related party	Transaction	Transaction amount (Millions of yen)	Account	Balance as of March 31, 2024 (Millions of yen)
Subsidiary	Hitachi Construction Machinery Oceania Holdings Pty., Ltd.	New South Wales, Australia	29,122 thousand Australian dollars	Sales and services of construction machinery	Holding Direct 100.0	Sales of the Company's products	Sales, etc. of products (Notes 1 and 5)	73,161	Accounts receivable - trade	28,641
Subsidiary	LLC Hitachi Construction Machinery Eurasia	Tver, Russia	1,739,357 thousand rubles	Manufacturing and sales of construction machinery	Holding Direct 100.0	Manufacturing and sales of the Company's products	Sales, etc. of products (Note 1)	4,831	Accounts receivable - trade	18,016
Subsidiary	Hitachi Construction Machinery Africa Pty. Ltd.	Gauteng Province, South Africa	167,935 thousand rand	Sales and services of construction machinery	Holding Direct 100.0	Sales of the Company's products	Sales, etc. of products (Note 1)	32,184	Accounts receivable - trade	18,871
Subsidiary	ACME Business Holdco, LLC	Delaware, U.S.A.	84,193 Thousand U.S. dollars	Rental and services of construction machinery	Holding Indirect 100.0	None	Receipt of interest (Note 4)	4,393	Long-term accounts receivable - other with subsidiaries and affiliates (Note 7, 8)	58,203
									Accounts receivable - other	4,393
Affiliate	EURASIAN MACHINERY B.V.	Almaty Province Kazakhstan	1,000 Thousand U.S. dollars	Sales and services of construction machinery	Holding Direct 40.0	Sales of the Company's products	Sales, etc. of products (Note 1)	5,503	Accounts receivable - trade	4,072
									Long-term accounts receivable - trade with subsidiaries and affiliates	15,021
Affiliate	ZAXIS Financial Services Americas, LLC	Georgia, U.S.A.	-	Installment sale and leasing of construction machinery, etc.	Holding Indirect 30.0	None	Debt guarantees (Note 9)	15,912	-	-
							Receipt of debt guarantee fees (Note 10)	19		

Transaction amounts are presented exclusive of consumption taxes, etc., and the year-end balances are presented inclusive of consumption taxes, etc. for transactions in Japan.

Transaction terms and conditions or the policy for determining them, etc.

(Note 1) Sale prices are negotiated and decided in reference to market prices, etc. for each period.

(Note 2) Purchase prices are negotiated and decided in reference to market prices, etc. for each period.

(Note 3) They represent loans and deposits of funds under the pooling system through which the funds of subsidiaries and affiliates, etc. are centralized into the Company and such funds are lent to subsidiaries and affiliates, etc. that are in need of funds, and the financial arrangements are made on a daily basis. Accordingly, the transaction amount shown is a change from the balance at the end of the fiscal year ended March 31, 2023.

Interest rates on loans and deposits of funds are decided considering the market interest rates.

(Note 4) Receipt and payment of interests are decided considering the market interest rates.

(Note 5) The transaction amount and the balance of accounts receivable - trade include those through trading companies.

(Note 6) The transaction amount and the balance of accounts receivable - trade include those through leasing companies.

(Note 7) In the previous fiscal year, ACME Business Holdco, LLC defaulted on a loan from a financial institution and the Company, the guarantor of the debt, made subrogation payments to the lender, the financial institution. Long-term accounts receivable - other with subsidiaries and affiliates described above represent indemnification claims against ACME Business Holdco, LLC resulting from the Company's fulfillment of its guarantee obligation to the lender.

(Note 8) The Company recorded an allowance for doubtful accounts of ¥12,041 million for the long-term accounts receivable - other with subsidiaries and affiliates from ACME Business Holdco, LLC. Furthermore, in the current fiscal year, the Company recorded a provision for allowance for doubtful accounts of ¥2,769 million.

(Note 9) The Company guarantees the debt borrowed by ZAXIS Financial Services Americas, LLC from financial institutions.

(Note 10) The interest rate for the debt guarantee fees is reasonably determined by considering market interest rates.

## 10. Notes on per share information

(1) Net assets per share	¥1,965.52
(2) Net income per share	¥309.18

## 11. Notes on significant subsequent events

No applicable matters.

## 12. Other notes

No applicable matters.