

April 26, 2023

Corporate name Hitachi Construction Machinery Co., Ltd.
(Code: 6305, Prime Market of the Tokyo Stock Exchange)
Name of representative Masafumi Senzaki
President and Executive Officer, COO

Notice Regarding Disposal of Treasury Stock as Restricted Stock Compensation

Hitachi Construction Machinery Co., Ltd. (the “Company”) hereby announces that, at the meeting of the Board of Directors held on this day of April 26, 2023, the Board resolved to dispose of its treasury stock (hereinafter, the “Disposal of Treasury Stock”) as follows.

1. Overview of Disposal

(1)	Date	May 25, 2023
(2)	Class and number of shares disposed	25,072 shares of the Company’s common stock
(3)	Price	JPY 3,120 per share
(4)	Total value	JPY 78,224,640
(5)	Counterparties and number of shares disposed	25,072 shares to 16 executive officers of the Company

2. Purpose and Reasons for Disposal

The Company resolved at the Compensation Committee meeting of March 31, 2023 that it will introduce a Restricted Stock Compensation Plan (hereinafter, the “Plan”), a new compensation mechanism designed to provide its executive officers (hereinafter, “Eligible Directors”) with an incentive to make ongoing efforts to enhance the Company’s corporate value over the medium to long term, and to further promote shared value with shareholders.

An outline and description of the Plan is presented below.

[Outline/description of the Plan]

Under the Plan, the Company will furnish monetary compensation claims to Eligible Directors, who will surrender them in their entirety to the company as in-kind contribution and receive shares of the Company common stock (hereinafter, “Allotted Shares”). The paid-in amount per share will be determined at a Board of Directors meeting, based on the closing price of the Company’s common stock on the Tokyo Stock Exchange Prime Market on the trading day immediately preceding the date of the Board’s resolution (or, if no transactions have been made on that trading day, the closing price on the day of the most recent transaction), within a range that will not be unduly favorable to the Eligible Directors to whom the shares will be allotted.

To effect the disposal and issuance of these shares, the Company and Eligible Directors will enter into a restricted stock allocation agreement that includes the following stipulations:

- (1) For a given period of time from the date of delivery of shares to the date of resignation or retirement from any position of the Company’s (or the Company subsidiary’s) board member, executive officer, auditor, consultant, advisor, contracted worker, employee, or equivalent post (hereinafter, “Transfer restriction period”), Eligible Directors will be prohibited from transferring to a third party the shares of the Company’s common stock they receive pursuant to the agreement, from pledging such shares as collateral, and from trading such shares in any other manner.

- (2) The occurrence of certain events will entitle the Company to acquire such shares from an Eligible Director without compensation.

Having consulted with the Compensation Committee, and in light of factors such as the Plan's purpose, the Company's business condition, and the scope of Eligible Directors' responsibilities, for the purpose of further increasing the motivation of the Eligible Directors, it has been determined that they will receive monetary compensation claims (hereinafter, the "Monetary Compensation Claims") of JPY 78,224,640 for 25,072 shares of the Company's common stock.

With this Disposal of Treasury Stock under this Plan, the 16 Eligible Directors to whom shares will be allotted will surrender their Monetary Compensation Claims to the Company in their entirety as in-kind contribution and receive their Allotted Shares. The following section presents an outline of the restricted stock allocation agreement that defines the terms and conditions of this disposal (hereinafter, the "Allocation Agreement").

3. Outline of the Allocation Agreement

(3) Transfer restriction period

Restrictions will apply beginning on May 25, 2023 (hereinafter, the "Disposal Date") and end on the later of: i) the moment immediately after the Eligible Director resigns or retires from their position as the Company's (or the Company subsidiary's) board member, executive officer, auditor, consultant, advisor, contracted worker, employee, or equivalent post; or ii) July 1, 2024.

(4) Conditions for lifting transfer restrictions

Restrictions on the transfer of all Allotted Shares will be lifted upon the expiry of the transfer restriction period, provided that the Eligible Director has continued to serve in their role as the Company's (or the Company subsidiary's) board member, executive officer, auditor, consultant, advisor, contracted worker, employee, or equivalent post from the beginning of the 60th reporting period (FYE 2024/03) until the end of the same fiscal year (hereinafter, the "Period of Service").

(5) Procedures for when an Eligible Director resigns or retires from their position during the Period of Service due to the expiry of their tenure or other due cause

1) Timing of lifting of transfer restrictions

In the event that an Eligible Director resigns or retires from their position as the Company's (or the Company subsidiary's) board member, executive officer, auditor, consultant, advisor, contracted worker, employee, or equivalent post during the Period of Service due to the expiry of their tenure or other due cause (including death), transfer restrictions will be lifted on the later of: i) the moment immediately after the Eligible Director resigns or retires from their position; or ii) three months after the Disposal Due Date's fiscal year has passed, on July 1, 2024. However, notwithstanding the foregoing, if an Eligible Director ceases to serve in their position due to death at any point before July 1, 2024, the Company will acquire without compensation all Allotted Shares held by the Eligible Director at the time of the termination of their service, as a matter of course.

2) Number of shares for which transfer restrictions will be lifted

This number will be calculated by multiplying the number of shares held by the Eligible Director upon their resignation or retirement from their position (for causes other than death) pursuant to sub-paragraph 1) with the quotient that is derived by dividing (A) the number of months in the period beginning on the month that the Disposal Date's fiscal year commences and ending on the month in which the Eligible Director resigns or retires, by (B) the number of months contained in the Period of Service (12), with such quotient to be reduced to 1 if it is larger than 1, and rounding down the number of shares to whole numbers.

(6) Acquisition without compensation by the Company.

In the event that an Eligible Director commits an illegal act or otherwise gives rise to certain cause, as defined in the Allocation Agreement, during the transfer restriction period, the Company will, as a matter of course, acquire without compensation all Allotted Shares held by the Eligible Director at that point. The Company will, as a matter of course, further acquire without compensation any Allotted Shares for which transfer restrictions are not lifted upon the expiry

of the transfer restriction period or upon the lifting of transfer restrictions pursuant to paragraph (3).

(7) Procedure in the event the Company undergoes organizational restructuring

In the event that any matters related to a merger agreement in which the Company is the non-surviving company, a share exchange agreement or equity transfer plan in which the Company becomes a wholly owned subsidiary of another company, or other measures that cause the Company to undergo organizational restructuring are approved at the Company's general shareholders meeting (or Board meeting, if such matters do not require the approval at the general shareholders meeting), then, pursuant to a Board resolution, transfer restrictions will be lifted for a certain number of Allotted Shares at the moment immediately before the commencement of the business day that precedes the day that the organizational restructuring measure takes effect; such number will be calculated by multiplying the number of shares held by the Eligible Director at that point with the quotient that is derived by dividing (A) the number of months contained in the period beginning on the month that the Disposal Date's fiscal year commences and ending on the month in which approval is issued, by (B) the number of months contained in the Period of Service (12), with such quotient to be reduced to 1 if it is larger than 1, and rounding down the number of shares to whole numbers. The Company will, as a matter of course, acquire without compensation any Allotted Shares for which transfer restrictions are not lifted upon the moment immediately after transfer restrictions have been lifted.

However, notwithstanding the foregoing, if the moment immediately before the commencement of the business day preceding the day that the organizational restructuring measure takes place falls on or before July 1, 2024, the Company will, as a matter of course, acquire without compensation all Allotted Shares held at that point.

(8) Administration of shares

During the transfer restriction period, Allotted Shares will be administered in dedicated Nomura Securities accounts opened by Eligible Directors, in order to prevent such shares from being transferred, pledged, or otherwise disposed of while the restrictions are in place. To ensure the viability of the transfer restrictions and other measures relevant to the Allotted Shares, the Company has entered into an agreement with Nomura Securities regarding the administration of accounts in which Eligible Directors' Allotted Shares are held. The Eligible Directors consent to the conditions under which such accounts will be administered.

4. Calculation of paid-in amount and other specific details

This Disposal of Treasury Stock to Eligible Directors is funded by the Monetary Compensation Claims furnished under the Plan as restricted stock compensation for the 60th reporting period (FYE 2024/03). The disposal price has been set at 3,120 JPY, the price of the Company's common stock on the Tokyo Stock Exchange Prime Market on April 25, 2023 (the trading day preceding the board resolution date), in order to ensure that the pricing is not arbitrary. This is the market price of the stock immediately prior to the day of the board resolution, and the Company believes that this is a reasonable price that does not unduly favor a particular party.