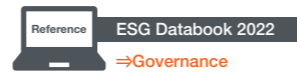


Governance Strategies



Corporate Governance System (As of August 31, 2022)

Basic Policies

The Hitachi Construction Machinery Group recognizes that sustainability is an important management issue, and that, in addition to improving business performance, the purpose of corporate governance is to deeply acknowledge that a company is a member of society which must devote itself to fair and transparent corporate behavior. By extension, it is our belief that this will lead to an increase in corporate value and a further increase in shareholder value. Therefore, in order to construct an execution system that will enable the development of management strategies both powerfully and swiftly, and to realize fair and transparent management, we aim to strengthen our corporate governance by separating the management supervision functions and the business execution functions, and have adopted the organizational structure of a company with committees, such as a nominating committee, etc., as stipulated in Article 2, Item 12 of the Companies Act.

In addition, the Hitachi Construction Machinery Group Code of Conduct is positioned as the basis of the brand and our sustainability promotion activities, and we work to share an understanding of the social responsibilities that companies must fulfill.

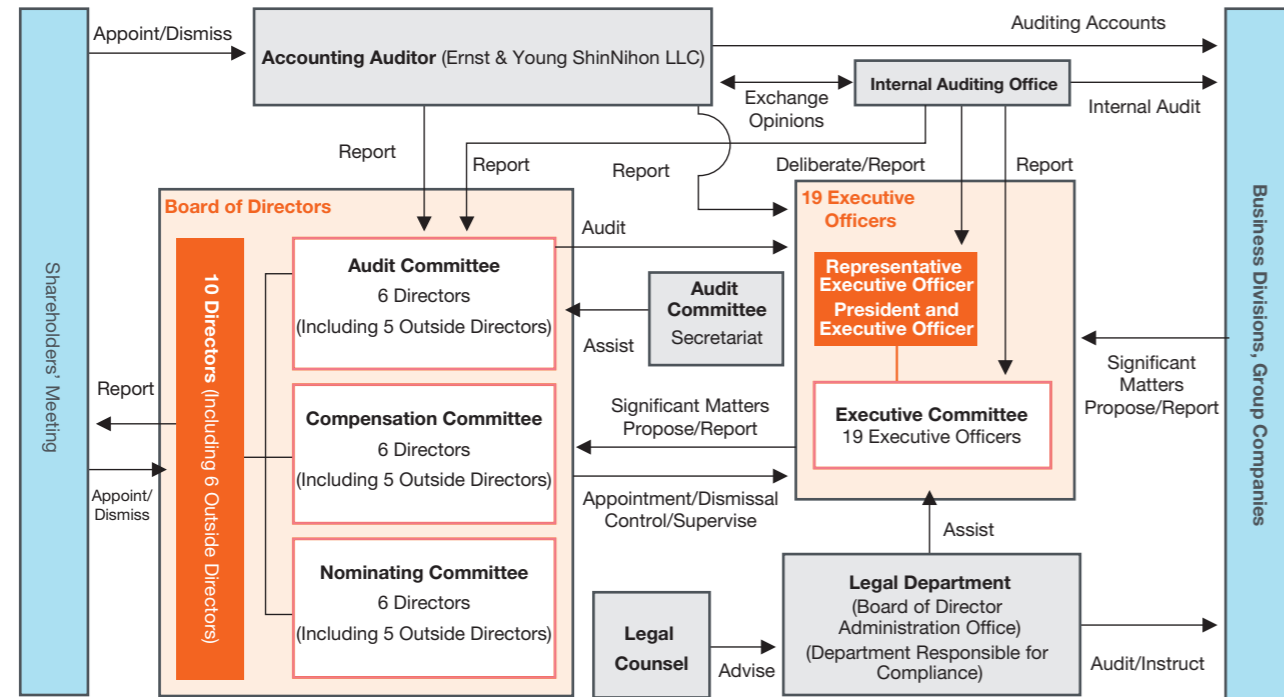
Corporate Governance System

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

The Board of Directors comprises 10 Directors including 6 Outside Directors (4 male and 2 female). In accordance with the basic management policy established by the Board of Directors, the Representative Executive Officers and Executive Officers, having been thus authorized, make decisions on the execution of business and execute business based on these decisions. The Board of Directors stipulates duties of Executive Officers and makes decisions on matters concerning the relationship between the order and instruction relationship and other mutual relationships between Executive Officers.

The Group holds an Executive Committee (twice a month in principle) comprising all Executive Officers, as an advisory body for deciding the business executions of Representative Executive Officers and the President.

Corporate Governance System



Directors and Executive Officers

Directors



Name	Nominating Committee	Compensation Committee	Audit Committee	Independent Officer	Affiliation	Reasons for Appointment (Experience and Knowledge)
Kotaro Hirano	○	○			Hitachi Construction Machinery Co., Ltd.	He has been involved in the management of the Company and the Group, and has knowledge and advanced business capabilities supported by his extensive experience in production, procurement and a wide range of other business areas.
Toshiko Oka	○	○	○	○	From other company	She has extensive experience as a top executive of consulting firm, knowledge on M&A and deep insight.
Kazunari Okuhara	○ Chairman	○ Chairman	○	○	From other company	He has extensive experience as a business manager of an international company, knowledge and deep insight regarding personnel affairs and labor policies.
Maoko Kikuchi	○	○	○	○	Lawyer	She has extensive experience and knowledge in legal matters, and experience and deep insight as a top executive and auditor.
Haruyuki Toyama	○	○	○	○	From other company	He has extensive experience and knowledge in the fields of monetary affairs and finance.
Yoshinori Hosoya			○		From other company	He has experience in information and communication systems in Hitachi Group, and has extensive experience and deep insight as a top executive.
Hidemi Moue	○	○			From other company	He has extensive experience as a manager at fund management companies, knowledge of the financial and mergers and acquisitions sector, and a high degree of insight.
Tetsuo Katsurayama			○ Chairman		Hitachi Construction Machinery Co., Ltd.	He has been involved in accounting, financial business and management of the Company and the Group and accumulated experience, achievements, and deep insight.
Keiichiro Shiojima					Hitachi Construction Machinery Co., Ltd.	He has been involved in accounting, financial business and management of the Company and the Group and accumulated experience, achievements, and deep insight.
Michifumi Tabuchi					Hitachi Construction Machinery Co., Ltd.	He has experience in "MONOZUKURI" (manufacturing) both at home and abroad at the Company and the Group, and has extensive experience and deep insight regarding corporate management.

Executive Officer

Representative Executive Officer, President and Executive Officer	Kotaro Hirano	Executive Officer	Hiroshi Kanazawa
Representative Executive officer, Executive Vice President and Executive Officer	Michifumi Tabuchi	Executive Officer	Tooru Sugiyama
Executive Vice President and Executive Officer	Naoyoshi Yamada	Executive Officer	Seimei Toonishi
Senior Vice President and Executive Officer	Sonosuke Ishii	Executive Officer	Yoshihiro Narukawa
Senior Vice President and Executive Officer	Masafumi Senzaki	Executive Officer	Masaaki Hirose
Vice President and Executive Officer	Yusuke Kajita	Executive Officer	Eiji Fukunishi
Vice President and Executive Officer	Keiichiro Shiojima	Executive Officer	Hidehiko Matsui
Vice President and Executive Officer	Seishi Toyoshima	Executive Officer	Satoshi Yamanobe
Vice President and Executive Officer	Kazunori Nakamura	Executive Officer	Sandeep Singh
Vice President and Executive Officer	Hideshi Fukumoto		

Note: Members of each category are listed in the order of the Japanese syllabary.

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

1. How to determine the policies

The Company's Compensation Committee sets forth the policy on the determination of the amount 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

(1) Matters related 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.

(2) Matters related to Directors

The compensation of Directors consists of only monthly salary.

- A monthly salary 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.

(3) Matters relating to Executive Officers

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

- A standard yearly compensation is set in accordance with societal standards by taking into account the scope and range of the Company's business, the abilities required of, and the responsibilities and risks to be borne by Executive Officers.
- Monthly salaries are set to standard amounts according to job positions.
- The standard amount for performance linked compensation is roughly 40% of standard yearly compensation for the President. For other Executive Officers it is roughly 30% of standard yearly compensation. It is determined within a certain range 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. Please refer to the website to learn more about the evaluation method.

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

Risk Management

The business environment surrounding society, including the development of information communication technology, geopolitical risks, and changes in economic conditions, have continued to change daily. The Group understands and analyzes the current business environment, endeavors to control future risks while protecting opportunities for further growth, considering social issues, the competitive advantages and management resources of the Company, and reflects these to management strategies.

In April 2022, we established the ERM (Enterprise Risk Management) Committee, which is responsible for company-wide risk management. Under the leadership of the CSO (Chief Strategy Officer) and other members of management, we have a

Evaluation of the Effectiveness of the Board of Directors

The Company has conducted evaluations of the effectiveness of the Board of Directors since FY2015. Continuing discussions of evaluations, practices and improvement measures have gradually improved their effectiveness. We surveyed all 10 Directors using a questionnaire between February 2022 regarding the following items. In addition, based on the results of the questionnaire, we had interviews with 6 Directors, including Outside Directors.

<Questionnaire Areas>

- (1) Composition of the Board of Directors
- (2) Management of the Board of Directors
- (3) Composition and roles of committees (nominating, audit, and compensation)
- (4) Support system for Directors
- (5) Relationship with investors and shareholders
- (6) Topics (Skills that the Board of Directors should focus on with respect to ESG and SDG initiatives)
- (7) Other (Describe freely) (Ideal process of creating, discussing, and determining management strategies at the Board of Directors' Meeting and ideal process of supervising the execution of strategies/ Supervision of risk management and compliance by the level of Board of Directors)

<Analyses & Evaluations>

In FY2021, as in the previous year, many items were rated as "functioning" or "generally functioning." At the same time, based on the opinions expressed in interviews with directors, new issues were raised this year regarding (1) clarification of ESG and SDG-positioning and policies, (2) further enhancement of materials for board meetings and other meetings, and (3) more proactive disclosure to investors and other stakeholders. We understand that it is necessary to take further steps to make discussions at the Board of Directors' Meetings more effective.

<Future Approaches>

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

- (i) Clarify the position of ESG and SDGs with the Board of Directors, and review the criteria for supplementary agenda items.
- (ii) Guidance to departments that prepare meeting materials
- (iii) Improve disclosure content and methods to ensure that investors understand our philosophy and vision and how they relate to our initiatives.

system in place that enables us, when faced with risks that require company-wide response policies and management decisions based on business operations, and risks that could shake the very foundations of our global operations, to quickly respond with overall management and countermeasures to. In principle, the committee meets once a term, and extraordinary meetings are held in response to requests for unexpected company-wide risk responses, or at the request of the chairperson, committees, or related departments. Ethical and legal violations are discussed by the Compliance Management Committee, which raises awareness to prevent incidents from occurring and implements measures to prevent recurrence.

ERM Committee system diagram



*Company-wide committees: Not a statutory committee, but a committee run by the department in charge as the secretariat

Supply Chain Sustainable Management

Amidst growing interest in corporate social responsibility in the international community, the Hitachi Construction Machinery Group is promoting sustainability initiatives throughout the entire supply chain, including our procurement partners. As part of this effort, every year we conduct a "Supply Chain Sustainable Survey" that targets, from among the suppliers with whom we have direct transactions (primary suppliers), major suppliers that have large transaction volumes and provide important parts and raw materials for our products. Suppliers whose evaluation results do not meet the minimum score set by the Group are identified as suppliers with high potential sustainability risks and are requested to make improvements.

In FY2021, a sustainable survey was conducted with suppliers accounting for approximately 90% of Hitachi Construction Machinery's non-consolidated purchase volume, with a collec-

tion rate of 66%. The percentage of suppliers that did not meet the minimum score was 3.7%, but improvement plans were implemented for all such suppliers.

Implementation of supply chain sustainable surveys



WEB Dialogue with suppliers
<https://www.hitachicm.com/global/en/sustainability/social/fairbusiness/supplier/>

Compliance

The Hitachi Construction Machinery Group places the highest priority on integrity in conducting its business activities and values the trust of all stakeholders, including customers, shareholders, and employees. To maintain and strengthen this trust, we comply with high ethical standards and all applicable laws and regulations in the countries and regions in which the Group operates, and respect appropriate business practices.

In addition, we conduct the "Hitachi Group Code of Ethics and Compliance Training" every year to ensure that the Code of Ethics and Compliance is well understood. The total number of trainees in fiscal 2021 was 26,783 for the entire Hitachi Construction Machinery Group.

Number of violations of anti-corruption and anti-bribery laws



WEB Compliance
<https://www.hitachicm.com/global/en/sustainability/governance/compliance/>