

## Governance Strategies

### Corporate Governance System (As of August 31, 2023)

#### 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, as a member of society, the company is obligated to engage in fair and transparent corporate behavior. By extension, it is our belief that doing so will lead to an increase in corporate value and a further increase in shareholder value. Therefore, in order to construct a management execution system that enables the powerful and swift development of management strategies and to realize fair and transparent management, we aim to strengthen our corporate governance by separating management supervision and 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.

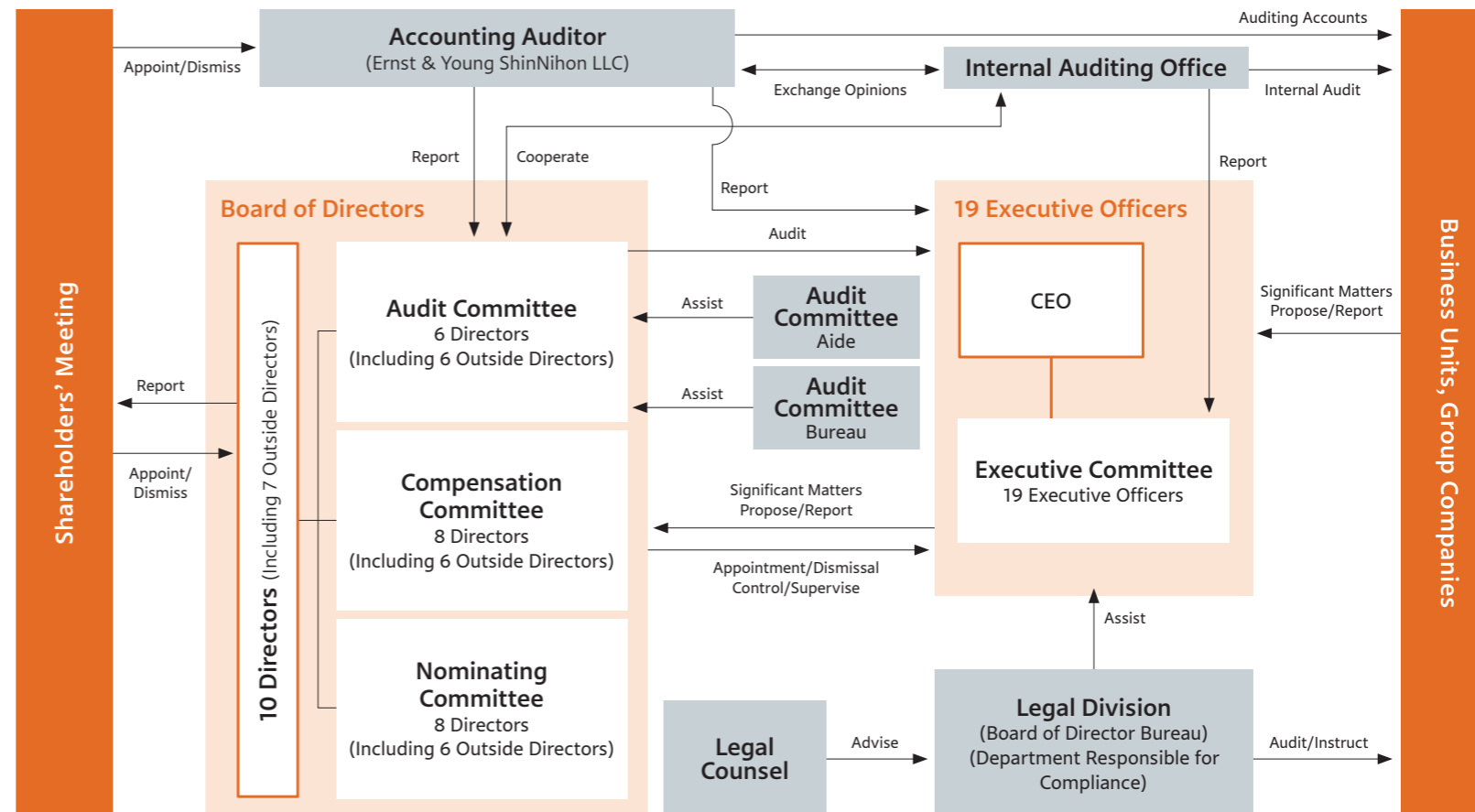
#### Corporate Governance System

The Group has developed an execution system that can ensure the prompt and exact performance of 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 7 Outside Directors (5 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 the 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 maintains an Executive Committee that meets twice a month in principle comprising all Executive Officers, as an advisory body for deciding the business executions of Chief Executive Officer (CEO).

### Corporate Governance System



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### 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 as well as 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 only of a monthly salary.

- A monthly salary shall be set at a fixed amount commensurate with the duty that is the supervisory function. The level of payment is determined in accordance with the individual's position, full-time or part-time status and basic salary and may also include an allowance for committee membership. For 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.

- Monthly salaries are set to standard amounts according to position.
- Please refer to the website to learn more about the breakdown of monthly salaries and performance-linked compensation for Executive Officers.



Corporate Governance

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

### Evaluation of the Effectiveness of the Board of Directors

The company has conducted evaluations of the effectiveness of the Board of Directors since fiscal 2015. Continuing discussions of evaluations, practices and improvement measures have gradually improved its effectiveness. In January 2023, we commissioned a third-party organization to conduct questionnaires regarding the following items. In addition, based on the results of the questionnaire, we held interviews with 10 Directors, including Outside Directors.

#### <Questionnaire Areas>

- (1) Ideals regarding the Board of Directors' operations
- (2) Composition of the Board of Directors
- (3) Management of the Board of Directors
- (4) Discussions by the Board of Directors
- (5) Monitoring functions provided by the Board of Directors
- (6) Performance of Directors and Outside Directors
- (7) Support system and training for Directors
- (8) Dialogue with shareholders (investors)
- (9) Committees (nominating, audit, and compensation)
- (10) General assessment

#### <Analyses & Evaluations>

Since the fiscal 2015 launch of such evaluation, the Board of Directors Bureau had been playing a central role in the evaluation of the Board of Directors' effectiveness. However, following the change in capital stock in August 2022, the company decided to commission a third-party organization to conduct such evaluations. In fiscal 2022, said organization was tasked with the entire process ranging from the issuance of questionnaires and conduct of interviews to the aggregation and analysis of results, with the aim of leveraging an external perspective to more accurately assess the Board of Directors' effectiveness, to identify topics needing more intensive discussion or otherwise requiring specific responses and to enable the Board to enhance the quality of its discussions.

The evaluation conducted by the third-party organization granted the Company's Board of Directors with higher than average scores compared with other corporations while concluding that it is "generally functioning." On the other hand, it was suggested that for the Board to engage in more meaningful discussions, it should tackle the following issues: (1) allocate more time to the deliberation of management and business portfolio strategies; (2) improve the Board's monitoring functions; and (3) review the operation of the Nominating Committee.

#### <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) Expand opportunities for discussions of management and business portfolio strategies
- (ii) Reorganize agenda items while stepping up ongoing monitoring over such items
- (iii) Task the Nominating Committee with the review of the skill matrix and appoint individuals with specialist strengths in diverse areas as Directors

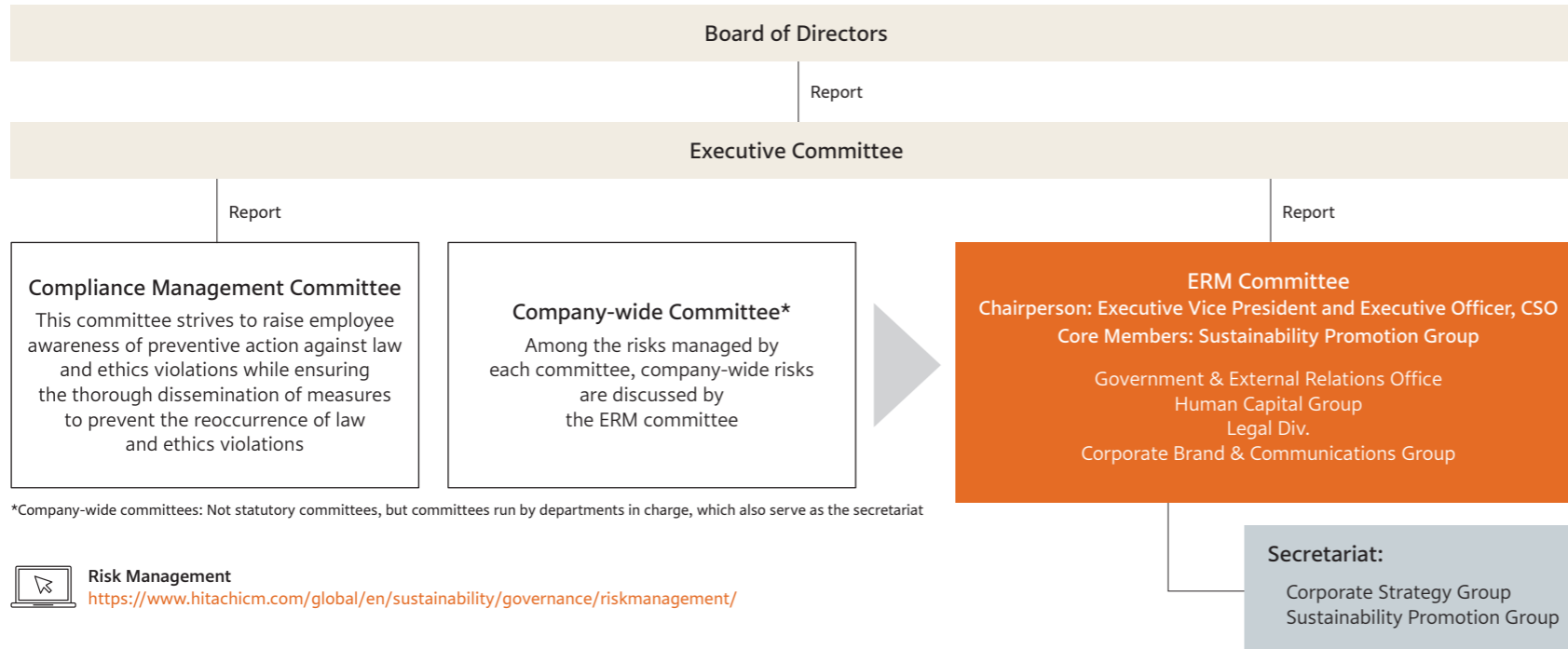
### Risk Management

The business environment surrounding society, including the development of information communication technology, geopolitical risks, and changes in economic conditions, has continued to change daily. The Group endeavors to understand and analyze the business environment in real time, to control for future risks while protecting opportunities for further growth, to take into consideration social issues as well as the competitive advantages and management resources of the company, and to reflect these factors in its management strategies.

In April 2022, we established the ERM (Enterprise Risk Management) Committee to take on the responsibility of company-wide risk management. Under the leadership of the CSO (Chief Strategy Officer) and other members of management, we have a system in place that enables us, when faced with risks that require company-wide response policies and management decisions based on business operations, including risks that could shake the very foundations of our global operations, to quickly respond with company-wide management and countermeasures. 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.

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ERM Committee System Diagram



**Risk Management**  
<https://www.hitachicm.com/global/en/sustainability/governance/riskmanagement/>

Supply Chain Sustainable Management

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

In fiscal 2022, a sustainable survey was conducted with procurement partners accounting for approximately 80% of Hitachi Construction Machinery's

non-consolidated purchase volume, for a collection rate of 84%. The percentage of procurement partners that did not meet the minimum score was 0%, compared with 3.7% in the previous round of the survey. Looking ahead, we will work together with our procurement partners to make further improvements.



**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 annual “Compliance Briefing Program,” a video-based e-learning program, to ensure that the Code of Conduct, along with the Code of Ethics and Compliance, is well understood. The total number of trainees in fiscal 2022 was 20,447 for the entire Hitachi Construction Machinery Group.



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