

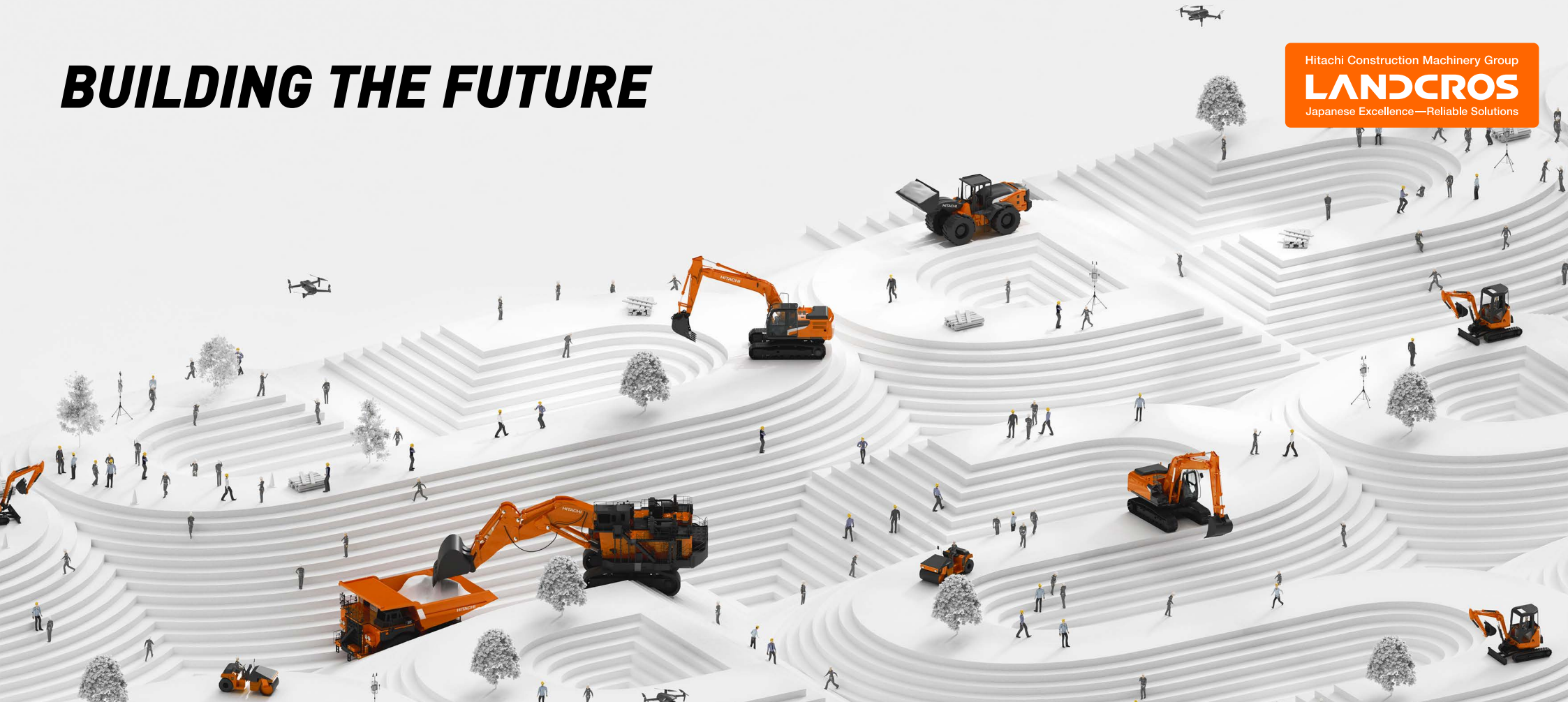
Hitachi Construction Machinery Group Integrated Report 2025

BUILDING THE FUTURE

HITACHI

Reliable Solutions

Hitachi Construction Machinery Group
LANDCROS
Japanese Excellence—Reliable Solutions



Vision of Hitachi Construction Machinery Group

How we want to be

***Ensure a prosperous land and
society for the future***

***We contribute toward realizing a safe and
sustainable society***

Equipment provided by Hitachi Construction Machinery supports the development of infrastructure, industry and housing around the world.

Working closely with our customers, we will continue to offer the world the best possible mix of innovative and reliable products and solutions to help create a prosperous land and society.

Mission of Hitachi Construction Machinery Group

Our mission

***Meet expectations from customers,
co-create innovative products, services,
solutions and together,
we continue to create new values***



SPIRIT of Hitachi Construction Machinery Group

Our code of conduct

Challenge Customer Communication

Employees of the Hitachi Construction Machinery Group share common values that we call the “*Kenkijin Spirit*” across the world. In line with this spirit, we are committed to taking actions in an autonomous manner as “*Kenkijin*,” understanding the Group’s goals and aspirations and working for their achievement.

For the *Kenkijin Spirit*, we have set three words that begin with “C” as key concepts that surpass the boundaries of language, which are Challenge, Customer and Communication. Across the globe, each person in the Group is working to demonstrate the *Kenkijin Spirit* in their own ways to offer products and services in consideration of the individual needs of their customers, thereby bringing new value to them.

Corporate Statement

Reliable Solutions

We are a reliable solutions partner with/for our customers

Corporate Color

Reliable Orange

How we want to be

VISION

Ensure a prosperous land and society for the future
We contribute toward realizing a safe and sustainable society

Our mission

MISSION

Meet expectations from customers, co-create innovative products, services, solutions and together, we continue to create new value

Our code of conduct

SPIRIT

**Challenge
Customer
Communication**

**Fundamental Values: Basics and Ethics,
Trust and Technology, Pride and Responsibility**

Editorial Policy

The Hitachi Construction Machinery Group publishes an integrated report to provide stakeholders with a deeper understanding of its business model and medium- to long-term strategy for continued value creation, and to create a virtuous cycle of enhancement of corporate value and value co-creation by promoting dialogue with them.

The 2025 report explains the company’s management strategies and its initiatives to create sustainable corporate value on a continual basis from both financial and non-financial aspects, placing a focus on “Hitachi Construction Machinery’s Vision for the Future.”

Summary of Integrated Report 2025

In this integrated report, with a focus on the new “LANDCROS” concept, the CEO and the COO of Hitachi Construction Machinery explain the roles that they are assuming to enhance its corporate value in their respective positions. Then, under the title, “Hitachi Construction Machinery’s Vision for the Future,” we describe the Hitachi Construction Machinery Group’s business strategies and also post special features on the development of DX talent and the remarkable progress of AI in recent years, including reports on a talk between the CDIO and the CHRO and on the roundtable meeting of employees who are making effective use of AI in their jobs.

Under the title, “Strategies to Achieve the Medium-term Management Plan,” the CFO explains the company’s financial and capital strategies, such as those to be implemented to enhance its capital efficiency, as well as on the changes that have been made to cash allocation. The CFO’s explanations include an evaluation of the ROIC tree to provide readers with specific and easy-to-understand details. Further, in the pages on the roundtable meeting of five outside inde-

pendent directors, which was held with Professor Nana Otsuki from the Graduate School of Nagoya University of Commerce & Business serving as facilitator, we share the directors’ frank opinions about the results of monitoring the company and the issues faced by it.

Under the title, “Global Business Expansion/ Growth Strategy by Region,” we provide an overview of our global business strategy, which is followed by the explanations given by our regional general managers on their respective business strategies. In addition, in the report, we show the plan for using digital technologies for the enhancement of our products and solutions in the CTO’s message on our technology strategy. Also, with regard to environment, social and governance (ESG) issues, we introduce our initiatives for human capital management and climate change, and include substantial information on our corporate governance in the report.

We have thus worked to disclose a wider range of information in this report to help readers deepen their understanding of the Group’s growth story.

Scope of this Report

Target Period

April 1, 2024 to March 31, 2025 (Includes some information about the period starting from Apr. 1, 2025)

Organizations Covered

Hitachi Construction Machinery Group (Hitachi Construction Machinery Co., Ltd. and its consolidated subsidiaries)

Accounting Standards

Unless otherwise specified, financial statements for the fiscal year ending March 31, 2014 or earlier comply with the J-GAAP and financial statements for the fiscal year ending March 31, 2015 or later comply with the International Financial Reporting Standards (IFRS).

Referenced Guidelines

We have prepared the Hitachi Construction Machinery Group Integrated Report 2025 and Sustainability Website in accordance with the GRI Standards and by referring to the International Integrat-

ed Reporting Framework of the International Financial Reporting Standards (IFRS) Foundation and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation of the Ministry of Economy, Trade and Industry.

Cautionary Statement Regarding Forward-Looking Statements

The forward-looking statements contained in this integrated report are based on management’s assumptions and beliefs in light of information available at the time. Actual business results and performance may differ materially due to future economic conditions, market trends, demand, exchange rate fluctuations, and other factors.

Publication Date

September 2025
Previous Issue: September 2024
Next Issue: September 2026 (tentative)

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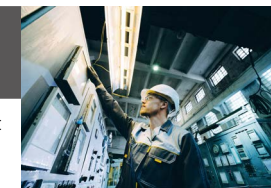
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Theme-Based Index

This index provides a list of themes addressed in this report, such as the value creation story, governance, sustainability and financial information, along with the corresponding page numbers. Please use the index to find the pages on the themes that you find interesting.

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Our Communication Map

The Hitachi Construction Machinery Group is committed to fulfilling its accountability and engaging in more meaningful communications with stakeholders through this integrated report and various other media.



- **ESG Data Book**
This book provides detailed information about our ESG performance.
 - **Sustainability Website**
This website provides a comprehensive report on our sustainability activities.
 - **Corporate Governance Report**
This report describes our basic approach to corporate governance, our capital structure and others.
 - **Human Capital Report**
This report shows quantitative information about our human capital as well as our human capital strategy and initiatives.
 - **Investor Relations Website**
This website shows our financial results and IR news in a timely manner and also provides information for individual investors and various IR materials.
 - **Annual Securities Report**
This document reports on the company's corporate affairs, business overview and financial information for each fiscal year pursuant to the Financial Instruments and Exchange Act.
 - **Explanatory Meeting Materials**
Materials used for explanatory meetings and ESG briefings for institutional investors and analysts are uploaded along with summaries of Q&A sessions.
- <Public Relations>
- **TIERRA+ (magazine)**
TIERRA+ is a magazine published to inform a wide range of stakeholders of the activities conducted by the Hitachi Construction Machinery Group in and outside Japan.

CEO Message



I believe that LANDCROS is a mirror in which we can check our *Kenkijin* Spirit-based attitude and actions, and a banner that guides us to take actions on our own will.

Representative Executive Officer
Chairman and Executive Officer, Director, CEO
Kotaro Hirano

The Hitachi Construction Machinery Group's Evolution Symbolized by LANDCROS

The Hitachi Construction Machinery Group is committed to being a company that proactively and directly addresses a range of issues faced by customers on-site and finds the best solutions for the issues in cooperation with the customers. In order to fulfill this strong commitment, we established the LANDCROS concept in July 2024. Based on our corporate vision, “Ensure a prosperous land and society for the future; Contribute toward realizing a safe and sustainable society,” we are determined to sincerely work to deliver innovative solutions while promoting co-creation with our customers and partners. In order to show this determination, we coined the word “LANDCROS.” “LAND” symbolizes all the land our company becomes connected to as part of our business and “CROS” stands for “Customer, Reliable, Open, Solutions.” LANDCROS is a term that communicates the Group’s unshakable commitment to co-creating value that cannot be created on our own by cooperating with others to forge the future.

We created this concept against the backdrop of on-site issues that are becoming more complex and serious, including the difficulty of passing down the skills of machine operators to the next generation and of ensuring safety and increasing productivity, as well as the rise in business costs. Moreover, for the development of

CEO Message

mines, there are a wide range of issues to be solved by our customers and ourselves, including the need for environmental consideration. Under these circumstances, we can no longer meet the true expectations of our customers by providing them with machines and services only, no matter how excellent in performance and quality they are.

We therefore need to continually evolve as a partner to help customers solve their on-site issues in an integrated manner beyond providing them with ConSite-based solutions, specifically by sophisticating our machines based on the advanced use of ICT, promoting the automation and remote control of the machines using information technologies, and working for the optimal management of our customers' fleets, including machines made by other manufacturers.

LANDCROS is not a mere brand name or a collection of functions. It embodies the expertise that we have accumulated on-site, the technologies that we have honed, and the trust that we have built with our customers over many years. We are now in the phase of instilling this concept both internally and externally, thereby implementing it as a driving force for our next stage of business growth.

Momentum for LANDCROS—Mission as the CEO and Organizational Evolution

A key part of my mission as CEO is to create the concepts that lead us to the future and instill them deeply in our organizations while renewing the entire Hitachi Construction Machinery Group's values and behavioral patterns, beyond just formulating the management strategies for the Group. The LANDCROS concept is a symbolic example of this. I hope that LANDCROS will help employees change their mindsets and behaviors for the evolution and reform of our organizations.

LANDCROS is not a concept created based on my own ideas alone. It was created in collaboration with employees over a long period of time by listening to and considering their opinions and on-site experience. Since becoming CEO, I have been constantly engaging in dialogue with employees and in the process, I strongly felt the need for them to share a concept that symbolizes on-site solutions that can be created by incorporating on-site opinions. LANDCROS was

born as such a concept. Presently, the LANDCROS concept is widely incorporated in development, manufacturing and management strategies across the board, as well as in sales and service strategies, and is expected to be further utilized.

In order to instill this concept, we are taking multifaceted approaches. For example, in the lead up to bauma 2025, the world's largest-class construction machinery trade fair (held in Germany in April 2025), we worked to put the LANDCROS branding on the products we displayed, and also communicated the significance of LANDCROS regularly through our internal training and global meetings leading up to the implementation of the concept. These measures are expected to help instill LANDCROS across our organizations, not as a mere corporate slogan, but as a management concept that encourages workers on the ground to consider and change their behaviors in a positive way.

Collaborating with Startups to Gain More Speed in Business

The LANDCROS concept is also being fostered in activities for co-creation with our external partners. Specifically, we are collaborating with startups and other technology partners in multiple development projects and demonstration tests in the fields of remote control, autonomous driving, and AI analysis. Beyond simply introducing new technologies to our organizations through these measures, we are encouraging our employees to gain more speed in their business activities and propel themselves to meet the expectations of their customers while embodying the LANDCROS concept. To this end, we are working to provide individual employees with an environment where they can recognize how they are contributing to their customers and society at large by implementing the LANDCROS concept in their work.

LANDCROS is a mirror in which we can reexamine our *Kenkijin* Spirit-based attitude and actions and a banner that leads us to create new value for the future. No company can be reformed only by its top executives. For the reform of a company, employees' understanding, support and ability to take actions on their own will be essential. We established the LANDCROS concept, expecting employees to demon-

strate the ability to take actions on their own will, and our organizations are being steadily reformed thanks to the demonstration of such ability by employees.

Progress of Global Development Capabilities and Development of Diverse Human Resources

The Hitachi Construction Machinery Group is creating new value and developing human resources with the capabilities of conducting activities on a global scale, thereby providing the Hitachi Construction Machinery Group with a driving force to forge its future. Based on this idea, the Group regards enhancing the human resource base for both technologies and skills for the future growth of its business in South America and North America as one of its top priorities.

Pursuit of Product Value and Optimal Cost Structure through the Establishment of a Development Company in India

I have long thought that a Japan-centric development system imposes constraints on the Hitachi Construction Machinery Group's global development capabilities. We need to nurture our development capabilities with more sensitivity and in consideration of global market needs as a precondition to making the Group a truly strong global enterprise. In order to meet this requirement, we established Hitachi Construction Machinery Development Center India Private Limited in India in January 2025, not as an additional overseas development base of the Group, but as a base where our Japanese and Indian development staff will work together. The Japanese developers will acquire international caliber by working closely with people who speak a different language and have different customs, and the Indian developers will learn about the sophistication and quality provided by Japanese products. I also expect that the developers of the two countries will gain insights as individuals in the course of developing new products together.

I hope that such collaboration, cultural exchange and sharing of issues will increase the creativity and diversity of our employees and

CEO Message

generate synergy effects among them. Hitachi Construction Machinery aims to build a sustainable product development system, and I attribute importance to providing an environment in which developers with different backgrounds can inspire each other and work with pride together. To this end, together with President Senzaki and Executive Vice President Kajita, I have been listening to the voices of on-site workers while communicating the importance of diversity—not as a principle, but as our belief—to our Japanese development teams in my capacity as a member of the management team.

The role of Hitachi Construction Machinery Development Center India is not to develop models for the Indian market. It is tasked with creating the optimal product value and cost structure by combining the Group's development capabilities with local creativity to enhance our overall capabilities, while contributing to the core development activities conducted in Japan and making use of the highly proficient design ability developed in the country.

Environment and System for Diverse People to Demonstrate Their Respective Abilities

With regard to skills, we are building an environment where diverse people can demonstrate their respective skills. Many parts used in our products are large and heavy. Historically, perhaps due to the physical nature of our workplaces, we hired a male-dominated workforce, with only a small percentage of workers being female or older people. However,

we have been implementing a range of measures to remedy this preconception, and launched a preliminary product assembly contest for female employees as part of the Hitachi Construction Machinery Group's international skills competition, which is held annually. Through this initiative, issues that had been overlooked, such as the heavy weight of the tools and the height of the working tables, were identified, leading to the improvement of the manufacturing equipment and the working environment. As a result, multiple female employees are now working on a range of assembly lines, which proves the effectiveness of the system that we have adopted to promote the diversity of our employees. We will also challenge the preconception that assembly work should be mainly conducted by young people. We are now considering the organization of a new contest for skilled workers aged 50 and older in our effort to provide all employees with workplaces where they can thrive regardless of their age.

For the successful implementation of these on-site reforms, the management team, including myself, should visit the sites to listen to on-site workers and then incorporate their feedback in the reforms. I believe that this will help build a foundation for sustainable growth by providing each employee with a workplace in which they feel that their voices are both valued and contributing to the operation of their company. I expect that by repeating a cycle of giving such encouragement to employees to achieve more personal growth, the Group will gain more driving force to forge its future.

Sharing of the *Kenkijin* Spirit and Values

As I mentioned in my message in our previous year's integrated report, the Group had to consider a number of changes to achieve further growth. Specifically, we need to increase the speed of business management and to respond appropriately to changes in our customers' ways of thinking. We have already succeeded in launching a business unit (BU) system in April 2022 as one of the measures to meet these requirements. In our conventional vertical business structure, there were invisible walls between the development, sales, and production departments, making it difficult for them to share information and make decisions promptly. In order to break down these walls, we have established a business unit for each product item and given the head of the BU responsibility for the development, cost management, production, and sale of the product item in an integrated manner.

Developing Human Resources and Sharing Values as the Basis of Organizational Reforms

Under the newly established BU system, the heads of the BUs can now listen directly to the opinions of their customers and dealers, and then swiftly reflect their needs in the product specifications and price strategies. I feel this is quite effective for our business. For example, when a large order is placed by a customer for a specific model, the head of the BU will promptly set the price and decide upon and implement the production schedule to speedily respond to the customer. This is indeed the practice of "on-site approach" for business management.

However, connecting our organizations horizontally entails the risk of diluting the expertise and functions that have been accumulated vertically, as well as the risk of immobilizing human resources. In order to avoid these risks, we must work on the development of human resources very seriously. Specifically, we need to provide not only personnel who are in senior positions, such as directors and executive officers, but also personnel who will be the next generation of management leaders with opportunities to work overseas and

Column <Actual example> Building a production line in which diverse workers, including women, can demonstrate their abilities



The Hitachi Construction Machinery Group is building production lines with lower workloads, aiming to provide diverse workers with workplaces where they can thrive. For example, at the Kasumigaura Works, we have made various improvements on the hydraulic motor assembly line, which used to impose heavy physical demands on workers, in relation to the transportation of parts by cart and in the hammering work. The improvements made so far include the electrification of tightening tools and the automation of the heavy item inverting and transportation work. In addition, we started to conduct a small-group activity for female employees and organized an exchange meeting with other companies for the provision of mutual training opportunities to employees. Now, the rate of women working on the production line has increased to approximately 30% of the total (as of the end of July 2025), and these female workers are demonstrating their abilities on a daily basis.

CEO Message

participate in cross-departmental projects to help them nurture the ability to think from the perspective of total optimization, as well as from the viewpoint of their own sites. Going forward, we will establish in-house rules to promote labor mobility in each BU.

The key to succeeding in such organizational reforms is to share values. The Hitachi Construction Machinery Group has the *Kenkijin* Spirit as its global values and code of conduct. Employees are required to understand the vision of the Group and take actions autonomously in line with the *Kenkijin* Spirit, for which we are upholding three Cs—namely, *Challenge*, *Customer*, and *Communication*—as the keywords to be shared across the Group beyond language barriers. Even in this time of rapid change, the Spirit provides each of us with the guidelines to make decisions and take actions without hesitation. It is not a mere slogan but a basis on which we decide what to prioritize and how to behave in our daily operations and on site.

I think it is even more necessary for us to have a sense of unity as an organization because we are living in an age characterized by cultural and religious diversity. We have about 26,000 *Kenkijin* people working for the Group, who are connecting and working hard together based on the Group's vision and in line with the shared values and code of conduct toward the direction shown in the medium-term management plan. I feel that the Group is showing its strength as one united team, for example when seeing support from colleagues for employees who need to adjust their working hours for Ramadan.

For Advanced Governance and Greater Corporate Value

As the chairperson of the Board of Directors, I am working to create the opportunities for the directors to discuss important issues in a balanced manner to increase the effectiveness of the Group's corporate governance. While COO Senzaki and CFO Shiojima express their opinions as executive officers, I give my opinions as the chairperson from a neutral position at Board meetings, while

leading the discussions from a strategic viewpoint. I also have a deep understanding of on-site situations as an executive officer, which gives me a strength. Accordingly, I propose the inclusion of issues identified from that position into the agenda for Board meetings, such as medium- to long-term management issues and strategic themes, not just having the results of discussions of the Executive Committee reported at Board meetings.

Measures to Deepen Mutual Understanding between Directors and Executive Officers

Adopting the opinions expressed in the Board of Directors effectiveness evaluation carried out two years ago, we frankly discussed last year's issues such as human resource development, business portfolio, and sustainability together with outside directors at Board meetings. I am working to deepen mutual understanding between directors and executive officers through such discussions and to build an environment where they can examine management issues from multiple viewpoints. I communicate the opinions and proposals given at Board meetings and opinion exchange meetings to executive officers for their incorporation in the Group's strategies and system designs, regarding it as my responsibility.

We are also reviewing the compensation system for officers to improve the performance-linked compensation system and its transparency. For the management team to take actions in consideration of the long-term increase of corporate value, we have also incorporated non-financial KPIs for sustainability into the compensation system in addition to financial KPIs, such as profit targets based on the medium-term management plan. Moreover, we discussed the review of the Board's roles and structure in the effectiveness evaluation carried out in FY2024.

I welcome the opinions being expressed through these discussions, which will help advance our corporate governance, and think that our governance system should be flexibly changed according to changes of the times and of the management environment. I am convinced that pursuing optimization without being trapped in a fixed framework will help the Group achieve sustainable growth.

Fully Committed to Increasing Our Corporate Value in a Sustainable Manner

Corporate value cannot be measured only by business performance. We deem it essential to ensure highly transparent management and the fulfillment of accountability to our shareholders, provide employees with job satisfaction and fair salaries, keep relationships of trust with our business partners, deliver visible results to customers, and contribute to local communities in a sustainable manner as the core of our corporate value. By achieving these in a balanced manner and gaining even more trust from our stakeholders, we will increase our corporate value, which is what the Hitachi Construction Machinery Group should pursue as its vision.

Going forward, we will continue to have dialogue with diverse stakeholders, share our vision with them, and win the trust of society at large. I will sincerely work to build a foundation to achieve this goal, for which I would ask for your kind understanding and continued support.



COO Message



Based on the LANDCROS concept, we will enhance relationships of trust with our customers around the world and deliver a future growth story to our stakeholders.

Representative Executive Officer
President and Executive Officer, Director, COO
Masafumi Senzaki

LANDCROS—The Hitachi Construction Machinery Group's Future Growth Story

I regard it as my mission as COO to show stakeholders steady growth of the Hitachi Construction Machinery Group every year.

So how can we continue to achieve such growth? The answer to this question lies in the Hitachi Construction Machinery Group's unshakable mission: "Meet expectations from customers, co-create innovative products, services, solutions and together, we continue to create new value." We do not provide a full lineup of construction machines, but rather have global strength in our core products, such as hydraulic excavators, dump trucks and wheel loaders. The accumulated technologies that we have been honing for more than 70 years now support construction, housing, and mining sites across the world. Based on these core technologies and in collaboration with our partner companies, we will continue to evolve to become the world's No. 1 for innovative solutions, steadily building up a track record as a truly reliable company that meets expectations. This, I think, is the core of the equity story that the Hitachi Construction Machinery Group aims to deliver to its shareholders and investors.

We will work to meet this challenge with greater speed under the LANDCROS banner. The LANDCROS concept is not a mere contrivance. It shows our unique growth story and will guide us in building an ecosystem of innovative solutions through the

COO Message

advancement of machine technologies, establishment of open partnerships, and enhancement of digital infrastructure. Our LANDCROS One concept model made its debut at bauma 2025 in April 2025, one of the world's largest trade fairs for construction machinery, and was applauded by visitors.

The central part of the ecosystem thus built is composed of LANDCROS Connect and LANDCROS Connect Insight. The former is a fleet management system for customers who have lots of machines. They can use the system regardless of the manufacturers of their machines or the industries in which they operate. The system centrally grasps and analyzes information about their machines (including those supplied by our competitors), namely, their operational status, CO₂ emissions and others, to support the optimization of on-site construction work. The latter is a higher-level LANDCROS Connect service specially designed for mining sites. In reference to real-time operational data, the system detects abnormalities at an early stage for maximization of the operating rate and optimization of maintenance work. But the system does not simply provide management functions. It also serves as an innovative solution that helps boost on-site productivity in a dramatic manner. Going forward, we will expand both our partner company base and our regional base for LANDCROS toward the establishment of a sustainable growth model.

In recent years, the Hitachi Construction Machinery Group has been expanding the territory of its own business development in the Americas and building the value chain business to establish the foundation for LANDCROS. In order to evolve the Group into a technology company for machines as well as for solutions, we will show all our stakeholders how we will steadily achieve growth going forward under the LANDCROS banner.

Building Open Partnerships—Speeding up Collaboration and Expansion

For us, our LANDCROS partner companies are not just business partners. They are colleagues who are indispensable to our future. Based on this recognition, we give priority to selecting companies that can share our corporate culture as LANDCROS partners. The

Hitachi Construction Machinery Group has been giving priority to the success and profitability of its customers as a precondition to achieving co-prosperity among our dealers and ourselves. Companies that resonate with this co-creation culture of ours and are willing to exchange information openly with us are our true partners and will help us expand the “LANDCROS family.”

Although it was also possible for us to choose to implement a closed strategy, we decided to take on the challenge of fostering open innovation. LANDCROS is a symbol of that. In order to meet this challenge, we will make exchanges with colleagues who have diverse technologies and values, and work with them to co-create a new world with unprecedented speed.

The ZERO EMISSION EV-LAB, which we opened in Ichikawa City in Chiba Prefecture in May 2024, is attracting a range of companies and organizations that find resonance with the vision of achieving zero emissions, including Isuzu Motors, ITOCHU, Kyushu Electric, and other partner companies. The LANDCROS Connect fleet management system was developed within a short period of time by an agile team that we formed with these partner companies using open source. We are convinced that repeating the cycle of innovation by using an agile development method and an open technology platform will provide us with a source of competitiveness for the coming age.

The Hitachi Construction Machinery Group will work with dedication and commitment on both partnering and market expansion based on the LANDCROS concept for further business growth and higher capital efficiency, thereby creating new value in a steady manner.

Promoting LANDCROS from the Viewpoint of Customers—Corporate Culture Conducive to Greater Reliability

We have started to set key performance indicators (KPIs) to ensure the growth of LANDCROS and to prevent the concept from becoming a mere formality. In addition to setting conventional KPIs, such as sales and the number of contracts, we set the level of on-site improvement achieved by customers, operational optimization, CO₂ emissions reduction effects, and other indicators as new value

criteria, thereby visualizing the value created by LANDCROS to establish a virtuous cycle of implementing the concept and achieving results.

With regard to this, we focus on quantifying the degree of ties that we have built with customers, regarding those ties as a driving force for our growth. To this end, we will set indicators to measure such things as an increase in the number (population) of machines in operation, the capture rate of parts sales and related services, and the repeat order rate, with an eye to building a system to objectively grasp the depth of trust earned from customers. These are not mere indicators of business performance, but also reflect our good faith in our dealings with customers.

Since its founding, Hitachi Construction Machinery has been nurturing a corporate culture of addressing the problems faced by customers proactively and directly, and dealing with issues seriously. Accordingly, we take the same approach to service with all our customers, whether they be world-leading general contractors and mining companies, small construction companies in emerging markets, or owner-operators. This sales attitude provides us with a source of competitiveness and represents our commitment to creating value as specified in the LANDCROS concept. Going forward, we will further boost the momentum to fulfill that commitment, being driven by the advancement of digital technologies. Using leading-edge digital tools will enable us to provide customers with even speedier and more attentive support and will increase the density of service offered to each customer. We have already started to sell directly to customers in nearly half of all world markets. Looking ahead, with LANDCROS at the core, we will further promote the collection and adoption of customer feedback through direct sales and sales via dealers of our products and services. What we aim for is to remain our customers' closest and most reliable partner. Furthermore, we will continue to strengthen our relationships of trust with our customers around the world, and steadily take steps forward in line with our growth story.

COO Message

Adding Unique Value Based on Our Own Hydraulic Technology

We have been embracing these challenges by making use of our own hydraulic technology, which we developed ourselves around 60 years ago and have been innovating ever since. Because of this technology, which was built to transform the power generated by an engine or motor into hydraulic pressure to support on-site work, including moving, digging, and lifting our machines are highly rated for their tremendous operability and low environmental impact. Thanks to this technology, hydraulic flow in our machines is elaborately controlled, allowing operators to operate them with ease while minimizing energy loss. The hydraulic control technology, which makes robustness and sensitivity compatible, gives us our core competence. We have then built on that by applying our unique hydraulic control technology to develop a group of products, such as “non-digging” attachments, as well as material handling and drilling machines, thereby adding to our own products the kind of value that our competitors cannot provide.

Achievements and Challenges Identified in the Second Year of the Medium-term Management Plan

In the second year of the medium-term management plan “BUILDING THE FUTURE 2025,” we made achievements in the value chain business for our parts and services. Thanks to these achievements, we were able to enhance our earnings base and move one step closer to stable growth. On a medium- to long-term basis, growth trends will also continue in the new machines market, being driven by the demand created by urban development, including the building of infrastructure. On a short-term basis, however, a decrease in demand for new machines is exerting influence, but our steady efforts to enhance our profit base through the value chain business and improve the precision of inventory management are steadily bearing fruit, increasing the importance of measures to underpin revenue gains.

Regional Strategies and Higher Capital Profitability

Toward the achievement of the numerical targets set for FY2025 in the medium-term management plan, we have identified challenges. In particular, for our own business development in the Americas, we decided to extend the deadline for the achievement of sales revenue of 300 billion yen by one year. Our future regional strategies will include Central and South America in the target in addition to North America, with the aim being to diversify the regional business portfolio and make risk distribution compatible with business growth. In Central Asia and India, we are also steadily increasing our market presence and will enhance our business foundation in these regions, which will be our key growth regions in the future. By leveraging open collaboration and localized strategies, we will further increase our market presence in the regions.

The improvement of capital profitability is an important challenge, along with the acceleration of growth going forward. While aiming to make more achievements for capital profitability-related indicators including ROE, we will steadily make growth investments for the future. Also, for R&D expenses, we will maintain our investment ratio at a certain level to continue to make strategic investments to enhance our competitiveness. To this end, it is important to expand the market share of our core product group and increase the number (population) of our machines under operation. Further, we will improve the repeat order rate and expand the capture rate for our parts and related services to transform our business model into one that is more profitable and value-added. In addition, we are providing shareholders and investors with information about our progress and challenges in a detailed and open manner.

Challenge of Creating a Sustainable Society and the Evolution of the Business Unit System

While building strong relationships of trust with customers, we are also taking on the challenge of creating a sustainable society. Specifically, for carbon neutrality and building a circular economy, we



With employees of Tata Hitachi Construction Machinery in India
(President Senzaki is in the center of the photo.)

have been steadily implementing measures. As a result, we developed an electrification technology for hydraulic excavators, which we showcased at bauma 2025. In the European market, we are establishing a leading position in terms of the electrification of construction machines. Also, in Zambia, we have entered the final stage of the demonstration test for a fully electrified rigid dump truck using a trolley system. The Hitachi Construction Machinery Group will continue to create construction machines suitable for the society of the future, while flexibly responding to the ongoing trend of electrification and the shift to the use of hydrogen-based energy. We will contribute to the creation of a sustainable society by delivering construction machines that are friendly to both the environment and people while also being truly reliable.

In parallel with working for a sustainable society, we are also focusing on advancing our internal organizations. In order to deliver construction machines suitable for future society, we need to build a system that enables us to respond flexibly and speedily to the diverse needs of individual customers. To meet this requirement, we introduced a business unit (BU) system in April 2022 and connected all development, production, and other functions across the board to build an organizational system that fosters both on-site capabilities and agility.

COO Message

Reforming Our Organization from the Viewpoint of Customers—Enhancing the BU System and Making Progress through DX

We introduced the BU system three years ago. This move has delivered steady results, including greater internal efficiency and visualization. However, we are not satisfied with these achievements. In order to transform our organizations to make them truly customer-oriented, we have enhanced our customer satisfaction (CS) scoring system, which is designed to quantify the feedback given by dealers for direct use by our development department, while rebuilding our deliberative bodies and establishing new organizations. For greater CS, we also need to further accelerate our product improvement cycle by adding new evaluation criteria, such as those related to safety and the environment, beyond just dealing with product defects.

In order to foster and speed up this organizational reform, we appointed Itaru Nishizawa, who is well-versed in the digital field including AI, as our CTO. Presently, CTO Nishizawa is also supervising



the New Business Creation Unit and serves as President of the Research & Development Group. He is leading the reform of the in-house organizations and R&D functions by making use of digital technologies as a core tool.

Going forward, Hitachi Construction Machinery will further improve its CS scoring-based customer evaluation and enhance measures to deal with potential problems. Moreover, we will proactively adopt new value criteria such as safety, laws & regulations and the environment, thereby meeting the expectations of customers in domains that we did not cover in the past. By combining the on-site capabilities developed under the BU system with digital technologies, I am convinced that the Hitachi Construction Machinery Group will be able to take steps to reach the next stage of growth, moving forward from the present stage.

Commitment to Enhancing the Driving Force to Meet Challenges and to Increasing Corporate Value

Implementing growth strategies, earning more trust from customers, working on social issues and reforming our organizations. All these will help us increase our corporate value over time. As COO, my number one mission is to facilitate this steady process. To fulfill this mission, I will clarify the definition of corporate value and attribute special importance to management strategies that value speed, thereby moving steadily forward. I will also fulfill my accountability to shareholders and investors by showing them quantified results, rather than just talking up our ideals.

Expecting All Employees to Embody the LANDCROS Concept

In order to meet the challenges described above, all employees are expected to embody the LANDCROS concept. Accordingly, in my capacity as COO, I will instill the spirit of pursuing Customer (C),

Reliable (R), Open (O), Solutions (S) (“CROS”) across our in-house organizations. I worked on-site for the Hitachi Construction Machinery Group for nearly 30 years, executing business by embodying the *Kenkijin* Spirit. The corporate DNA of the company encourages us to address the issues faced by customers head-on and to achieve further growth by trying to overcome difficulties with colleagues. This is also a source of our strength.

I believe that “the front lines are the source of all corporate activities.” Based on this belief, I will pay attention to the little findings made on-site and will support the heads of the BUs in promoting a mindset shift for the evolution of our organizational culture. In order for all employees to voluntarily strive to meet these challenges on a non-temporary basis by understanding the significance of doing so, I will continue to attribute importance to on-site communication going forward.

Decision to Increase Corporate Value

Another important role I have in my capacity as COO is to provide capital markets with an equity story about our future vision. In order to gain the understanding of capital markets, we need to understand the details of the story ourselves, including the future composition of our shareholders. It is also difficult to generate high expectations for our stock prices by simply describing an attractive future for the Group without a plausible plan for getting there. We therefore need to continuously hone our strategies and plans to increase our corporate value and to engage seriously in dialogue and other exchanges with our shareholders and investors.

Luckily, we are gaining a certain degree of support for these measures from market participants. Going forward, we will repeatedly be faced with changes in the world economy and market environment. Not being easily rattled by such changes, we will work to embody our own future vision and steadily take steps to increase our corporate value.

01

Hitachi Construction Machinery's Vision for the Future

- POINT 1. Hitachi Construction Machinery Group's commitment to becoming a true solutions provider
- POINT 2. Hitachi Construction Machinery's strength built over its 70-year history
- POINT 3. Issues of materiality for the solution of social issues and the enhancement of corporate value
- POINT 4. Value chain business to meet customers' on-site needs across the world
- POINT 5. Creation of new value through the effective use of AI and the development of DX talent

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17	Strengths We Have Gained			• Talk between the CDIO and the CHRO
18	Value Creation Process			• Examples of the Effective Use of AI by the Hitachi Construction Machinery Group
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20-22	----	Hitachi Construction Machinery Group's Materiality			

New “LANDCROS” Concept

We established the new concept “LANDCROS” as proof of our desire to deliver innovative solutions. In line with this concept, we aim to transform ourselves from a construction machinery manufacturer into a true solutions provider that can help customers solve their various issues.



LANDCROS

Customer Reliable Open Solutions

VISION

Ensure a prosperous land and society for the future
We contribute toward realizing a safe and sustainable society

Solution Provider

Our Desire behind LANDCROS

Through the discussion and questionnaire survey conducted with the participation of employees in 2022, we received nearly 5,000 proposals and then summarized the desires behind their proposals into the following five:

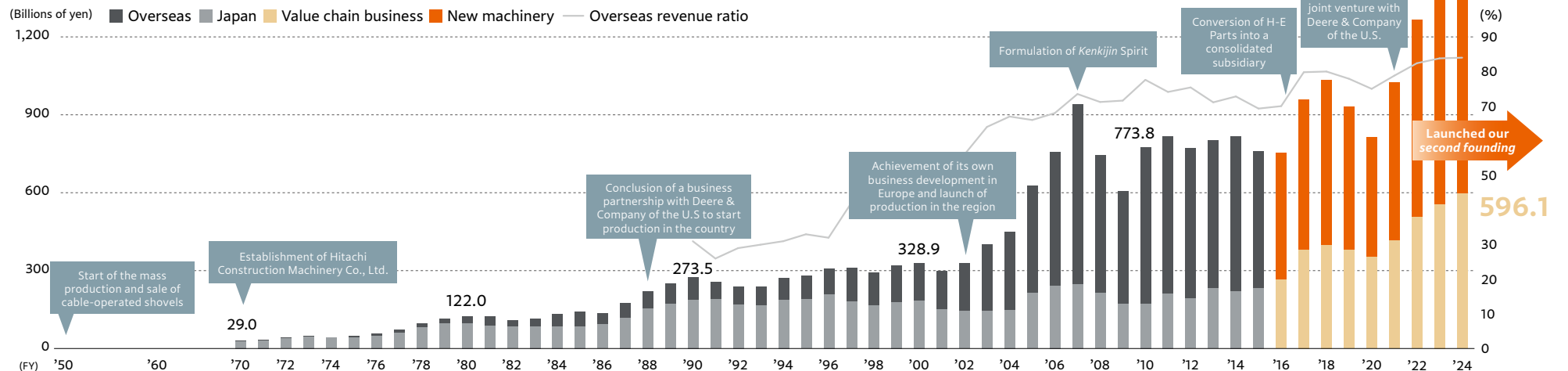
- We want to connect with land through machines and contribute to ensure a prosperous land and society for the future.
- We want to cross with our customers on their journey.
- We want to be a reliable presence for our customers.
- We want to openly co-create new businesses and value with our customers and partners, and develop together.
- We want to propose innovative solutions to our customers and various stakeholders.

LANDCROS is a word coined by combining these five desires. The LAND symbolizes our vision “Ensure a prosperous land and society for the future -We contribute toward realizing a safe and sustainable society,” which is defined in the Group Identity. The CROS represents “Customer, Reliable, Open, and Solutions” and reflects our direction toward becoming a true solutions provider.

History of the Hitachi Construction Machinery Group

For more than 70 years since the predecessor of Hitachi Construction Machinery Co., Ltd. launched the full-scale production of cable-operated shovels in 1950, the Hitachi Construction Machinery Group has been providing the construction industry with the latest advancements in construction equipment to meet their needs at construction sites. In the meantime, the Group has developed a sales and service network built on an integrated system of rental, sales and services (RSS) that allows it to meet the diverse needs of customers.

Subsequently, the Hitachi Construction Machinery Group began a new era as an independent entity in 2022, marking the greatest turning point since its founding.



Advancement of machines

1949

The U05 cable-operated shovel, designed for post war reconstruction and infrastructure improvement, was unveiled as a 100% Japanese-built machine. The full-scale production of the U06, a remodeled version of the U05 began in 1950, marking the beginning of Hitachi Construction Machinery Co., Ltd.



1965

Commercialized the UH03 as the first hydraulic excavator developed with Japanese technology. The UH03 adopted a two-pump, two-control valve hydraulic system developed via the use of Hitachi Construction Machinery's own technologies. This resulted in a drastic improvement in operability.



1986

Released the Landy EX series of new-generation hydraulic excavators incorporating electronic controls



2000

Released the ZAXIS series of hydraulic excavators incorporating the world's first satellite communication function



2013

Started the provision of the ConSite service solution designed to monitor the operation of machines used by customers



2016

Released the ZX200X-5B ICT hydraulic excavator



2024

Opened ZERO EMISSION EV-LAB as a research center to co-create zero-emission construction sites



Strengths We Have Gained

In the course of conducting its construction machinery business, Hitachi Construction Machinery since its founding has accumulated diverse types of capital while reforming its business model. This capital now provides us with a source of strength. We will create more value by making strategic use of these different types of capital and expanding them further.

Note: The figures are actual results for FY2024 or data as of the end of March 2025.

► Financial Capital

Sound financial structure

We are building a stable management foundation by stabilizing our cash flow and enhancing risk management. We prioritize the allocation of profit made through our business activities to making proactive investments and ensuring the stability of our management/financial foundation for sustainable growth and greater corporate value. We are also committed to disclosing all necessary information for highly transparent corporate management.



- Equity attributable to owners of the parent (Shareholders' equity): 809.3 billion yen
- Net interest-bearing debt: 390.7 billion yen
- Consolidated dividend payout ratio: 45.7%

► Manufacturing Capital

Establishment of a global production system

The Hitachi Construction Machinery Group has production sites in the Netherlands, Indonesia, India and other regions to assure delivery of products with global top-level quality and reliability. We also have parts remanufacturing bases around the world to establish a global support system that enables us to promptly serve customers in response to their needs.



- Production sites: 13 in Japan, 10 overseas
- Expanded investment in global bases (50 billion yen by FY2027)
- Development of a global parts remanufacturing business

► Intellectual Capital

Corporate culture conducive to the development of innovative technologies

Since its founding in 1970, Hitachi Construction Machinery has been accumulating its unique technologies and know-how for construction machinery, including hydraulic excavators. We have particular strengths in hydraulic, electronic control, remote operation and autonomous driving technologies. Recently, we have built a system for our intellectual assets and have been implementing measures to improve our digital skills on a companywide basis.



- Research and development investment: 37.5 billion yen
- Overseas patent application ratio: 30% or more
- Various patent rights, expertise in on-site operations

► Human Capital

Empowerment of diverse people who share our values

The Hitachi Construction Machinery Group has employees with diverse backgrounds working around the world and is fostering workforce management in an integrated manner while respecting their autonomy. Based on the *Kenkijin* Spirit, the Group is working on the global sharing of values and boosting employee engagement on a global scale.



- Consolidated number of employees: 26,101
- Geographical diversity: 39.5% working in Japan and 60.5% overseas
- Five independent outside directors (3 men and 2 women)

► Social and Relationship Capital

Strong relationships of trust with stakeholders

By making effective use of digital technologies, the Hitachi Construction Machinery Group is enhancing solutions to be offered to customers through various contact points in cooperation with the customers themselves as well as with its dealers and business partners. In particular, for the ConSite solution, which we have been providing since 2013, the number of ConSite-equipped machines has reached 280,000 units.



- Number of machines in operation: Around 410,000 units globally
- Sales network connecting 9 global divisions
- Business operations in more than 100 countries and regions around the world

► Natural Capital

Contribution to the reduction of environmental impact throughout product life cycles

We attribute importance to reducing the environmental impact of our products in their design stage and are committed to reducing their environmental impact throughout their life cycles by measures such as electrifying construction machines, enhancing their energy-saving performance and reducing their exhaust gases. We are also enhancing the value chain business, including the rental and used equipment business and the parts and services business, to contribute to the effective use of resources and the reduction of waste.

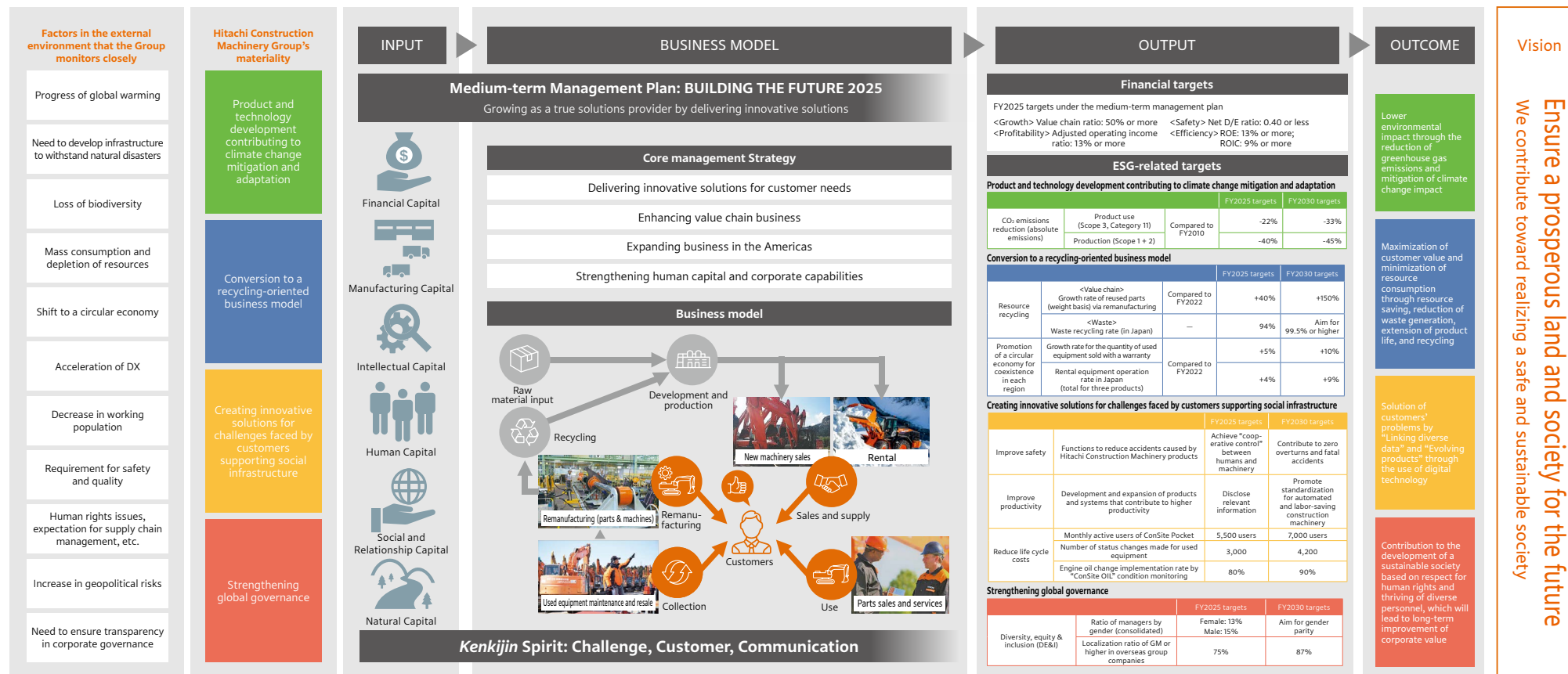


- CO₂ emissions reduction for production (Scopes 1+2) (Total): 43.0% relative to FY2010
- CO₂ emissions reduction for products (Scope 3 Category 11) (Total): 24.0% relative to FY2010
- Growth rate of the number of machines in long-term operation*: +22.3% relative to FY2022

* Growth in the proportion of machines in long-term operation (60,000 hours or longer) to the total number of active mining machines

Value Creation Process

The Hitachi Construction Machinery Group is working to achieve targets based on the key performance indicators (KPIs) set in line with its materiality, being committed to solving social issues through its business activities. By repeating this value creation process, we will increase our corporate value on a medium- to long-term basis and achieve our long-term vision.



Kenkijin Spirit: Challenge, Customer, Communication

Our Approach to Sustainability

The Hitachi Construction Machinery Group aims to contribute to the sustainable development of society by addressing the issues of materiality and integrating sustainability into business strategy. Under the Sustainability Basic Policy formulated in line with the Hitachi Construction Machinery Group’s corporate identity, we will contribute to the solution of global issues through the provision of construction machinery, thereby enhancing our corporate value.

Sustainability Basic Policy

The Hitachi Construction Machinery Group’s Vision reads as follows: “Ensure a prosperous land and society for the future. We contribute toward realizing a safe and sustainable society.” This represents our foundation of a harmonious coexistence with society. Our construction machinery contributes to the development of society by helping to build social infrastructure, thereby enriching people’s lives. Mining machinery plays a vital role in providing the minerals that are necessary for our everyday lives and the economy, and are also integral in creating reliable solutions for a sustainable future.

Furthermore, our newly defined Mission, “Meet expectations from customers, co-create innovative products, services, solutions and together, we continue to create new value,” expresses our purpose today that will help us address the challenges of tomorrow.

To realize our vision, our employees around the world work together under a spirit of “Challenge, Customer, and Communication,” strengthening our value chain business, including parts and services, rental, used equipment and parts remanufacturing, in addition to our new product sales business. Together, we aim to improve our corporate value by developing and delivering innovative products, services and solutions that contribute to the success of customers around the world. At the same time, we aim to promote and embed sustainability in our business practices through the materiality listed below.

<Hitachi Construction Machinery Group’s Materiality>
Product and technology development contributing to climate change mitigation and adaptation
In response to the impact of climate change on the global environment,

we will work to reduce CO₂ emissions in both product development and production processes, and strive to reduce the environmental impact of our entire value chain.

Conversion to a recycling-oriented business model
We will work to shift to a business model that promotes the efficient and cyclical use of resources.

Creating innovative solutions for challenges faced by customers supporting social infrastructure
We will work together with our customers to address the various issues faced in the field, such as safety improvement, productivity improvement and life-cycle cost reduction, while utilizing cutting-edge technologies.

Strengthening global governance
We will establish an organizational structure that respects human rights and fosters an environment that promotes equality and growth in which all of our employees can feel valued and play an active role, thereby enhancing corporate value.

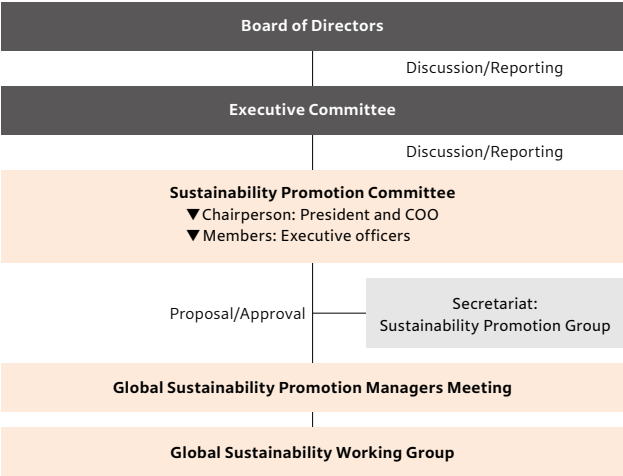
Sustainability Promotion System

Important sustainability issues including climate change are reported to the Sustainability Promotion Committee (held twice a year), which

consists of executive officers and higher position members. The Representative Executive Officer, President and Executive Officer and COO, who has the highest responsibility and authority for sustainability, chairs the Sustainability Promotion Committee. This committee deliberates and approves important management-related issues related to sustainability. These important issues are proposed and reported to the Executive Committee for approval, and then proposed and reported to and approved by the Board of Directors for appropriate monitoring and supervision. Furthermore, sustainability activities in general are reported regularly to the Board of Directors.

Overall sustainability activities, including important issues, are shared at the Global Sustainability Meeting, which consists of members including the presidents of domestic and overseas group companies and the general managers of business groups, to promote and strengthen sustainability initiatives globally.

Sustainability Promotion System

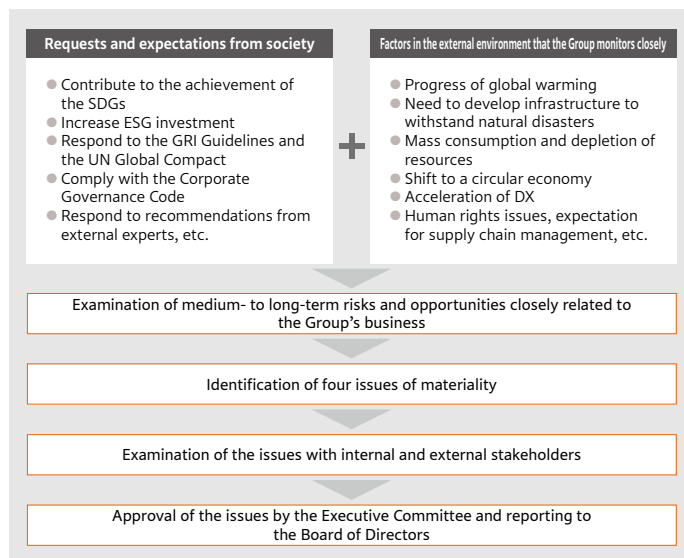


Hitachi Construction Machinery Group's Materiality

The Hitachi Construction Machinery Group reviewed its issues of materiality in 2021 from the perspective of social trends, such as the SDGs and ESG, as well as from the perspective of external environmental factors, which have the potential to both help and harm our corporate value. In this process, we examined the Group's medium- to long-term risks and opportunities and identified the four issues of materiality most likely to have a large impact on our businesses. We discussed the identified issues with both internal and external stakeholders, obtained approval from the Executive Committee, and reported on the approved issues to the Board of Directors. Furthermore, we have set key performance indicators (KPIs) for each of the issues, and are managing progress under our sustainability governance system, aiming to steadily implement action plans to achieve these targets.

We will review the issues of materiality from time to time in response to changes in the external environment.

Materiality Identification Process






Risks and Opportunities

External Environment	Risks	Opportunities	Materiality
Progress of global warming	<ul style="list-style-type: none"> Suspension of operations due to natural disasters Growing costs of regulatory compliance due to stricter environmental regulations in each country and region Changes in industrial structure due to the transition to a decarbonized society and the resulting impact on business activities 	<ul style="list-style-type: none"> Increased demand for environmentally conscious products and services Positive investor assessments of our environmental initiatives, which will lead to more ESG investment in our Group 	Product and technology development contributing to climate change mitigation and adaptation
Need to develop infrastructure to withstand natural disasters	<ul style="list-style-type: none"> Supply chain disruption due to lack of progress in infrastructure development and the resulting impact on business activities 	<ul style="list-style-type: none"> Increased demand for infrastructure maintenance and upgrades 	
Loss of biodiversity	<ul style="list-style-type: none"> Impact of business activities on biodiversity 	<ul style="list-style-type: none"> Contribution to biodiversity through the development of environmentally conscious products and the promotion of a circular economy 	
Mass consumption and depletion of resources	<ul style="list-style-type: none"> Damage to corporate value due to delays in implementation of initiatives Increased costs for introducing resource-conserving machinery 	<ul style="list-style-type: none"> Realization of a business model capable of both minimizing resource consumption and maximizing customer value 	Conversion to a recycling-oriented business model
Shift to a circular economy	<ul style="list-style-type: none"> Increase in initial investment for conversion Increased product recovery and processing costs Increased procurement costs 	<ul style="list-style-type: none"> Increase in new business opportunities, markets and demand Reduction of manufacturing costs 	
Acceleration of DX	<ul style="list-style-type: none"> Decline in competitiveness due to the expansion of competitors and new entrants as well as a failure to promote the effective use of AI Increase in development costs incurred in trying to meet the changing needs of customers 	<ul style="list-style-type: none"> Expansion of contacts with startups leading to deeper strategies as well as collaboration with companies equipped with unique technologies Provision of products, services and solutions based on the effective use of digital technologies, including AI 	Creating innovative solutions for challenges faced by customers supporting social infrastructure
Decrease in working population	<ul style="list-style-type: none"> Impact on sales caused by failure to deal with labor shortage-related issues faced by the construction industry 	<ul style="list-style-type: none"> Provision of products, services and solutions with higher safety and productivity 	
Requirement for safety and quality	<ul style="list-style-type: none"> Loss of social trust due to the provision of a product with insufficient safety/quality 	<ul style="list-style-type: none"> Winning of more trust from customers by the continuous provision of products that they can use with peace of mind 	
Human rights issues, expectation for supply chain management, etc.	<ul style="list-style-type: none"> Loss of social trust due to human rights violations or infringements Loss of trust from business partners 	<ul style="list-style-type: none"> Winning of more social trust through appropriate human rights-related initiatives 	Strengthening global governance
Increase in geopolitical risks	<ul style="list-style-type: none"> Impact on business activities caused by enhanced import/export controls 	<ul style="list-style-type: none"> Incorporation of risk management results in the formulation of management strategies 	
Need to ensure transparency in corporate governance	<ul style="list-style-type: none"> Decrease in competitiveness caused by lack of transparency 	<ul style="list-style-type: none"> Higher corporate value and sustainable growth 	



Hitachi Construction Machinery Group's Materiality

Materiality and ESG-related KPIs

Materiality	Priority Measures	Key Performance Indicators (KPIs)			FY2023 Results	FY2024 Results	FY2025 Targets	FY2030 Targets
<div>Product and technology development contributing to climate change mitigation and adaptation</div> <div></div>	Accelerate the development of decarbonization technologies	CO ₂ emissions reduction	Product use (Scope 3, Category 11)	CO ₂ emissions reduction (absolute emissions): Compared to FY2010	-20.1%	-24.0%	-22%	-33%
	Make proactive use of renewable energy and systematically invest in high efficiency facilities		Production (Scope 1 + 2)	CO ₂ emissions reduction (absolute emissions): Compared to FY2010	-40.4%	-43.0%	-40%	-45%
<div>Conversion to a recycling-oriented business model</div> <div></div>	Promote the parts reuse and recycling business in the trend toward a circular economy	Resource recycling	Value chain	Growth rate of reused parts (weight basis) via remanufacturing: Compared to FY2022	+7.4%	+1.0%	+40%	+150%
	Waste reduction		Waste	Waste recycling rate (in Japan)	92.9%	93.8%	94%	Aim for 99.5% or higher
	Effective use of water resources		Water	Reduction of use (intensity): Compared to FY2010	-39.9%	-37.6%	-34%	Advance water reuse and minimize the regional impacts of water use
	Sell branded, well-maintained used equipment with a warranty	Promotion of a circular economy for coexistence in each region		Expansion of sales revenue in the used equipment business: Compared to FY2022	-3.3%	-15.3%	+8%	Availability of products that meet regional needs
				Growth rate for the quantity of used equipment sold with a warranty ¹⁾ : Compared to FY2022	+24.7%	+10.2%	+5%	+10%
	Increase the operation rate of rental equipment by the effective use of data			Expansion of sales revenue in the rental business: Compared to FY2022	+10.3%	+32.0%	+30%	Availability of products that meet regional needs
				Rental equipment operation rate in Japan (total for three products ²⁾): Compared to FY2022	-0.2%	+0.3%	+4%	+9%
<div>Creating innovative solutions for challenges faced by customers supporting social infrastructure</div> <div></div>	Contribute to cooperative construction machinery, operation support systems and site safety	Improve safety	Functions to reduce accidents caused by Hitachi Construction Machinery products		Developed a base machine for hydraulic excavators to provide solutions for remote control and automation toward the improvement of working environments and safety at construction sites	Developed a “real-time digital twin platform” that virtually reproduces what is going on at a construction site	Achieve “cooperative control” between humans and machinery	Contribute to zero overturns and fatal accidents
	Accelerate the development of automated and remotely operated construction machinery	Improve productivity	Development and expansion of products and systems that contribute to higher productivity		Developed the RBT Series hydraulic excavators for remote operation (released in May 2024) and developed a new remote operation solution	Added RBT Core Connect hydraulic excavators, which can be connected to customers’ systems, to the lineup of RBT series	Disclose information on efforts to develop and expand products and systems that contribute to higher productivity	Promote standardization for automated and labor-saving construction machinery
	Reduce life cycle costs of construction machinery by stabilizing their operation	Reduce life cycle costs	Monthly active users of ConSite Pocket ³⁾		4,470 users	6,702 users	5,500 users	7,000 users
			Number of status changes ⁴⁾ made for used equipment		2,391	1,197	3,000	4,200
			Engine oil change implementation rate by “ConSite OIL ¹⁾ ” condition monitoring		72%	69%	80%	90%
	Accelerate the development of products and solutions	R&D system	Ratio of R&D costs to sales revenue		2.2%	2.7%	3% or higher	3% or higher

Hitachi Construction Machinery Group's Materiality

Materiality and ESG-related KPIs

Materiality	Priority Measures	Key Performance Indicators (KPIs)		FY2023 Results	FY2024 Results	FY2025 Targets	FY2030 Targets
Strengthening global governance  	Respect human rights in the value chain	Respect for human rights	Attendance rate for education on "Business and Human Rights"	95.0%	96.7%	100%	100%
	Promote global human resource management	Global leaders	Global leadership training attendance rate (global rate)	82% (cumulative total)	77% (cumulative total)	85% (cumulative total)	100% (cumulative total)
	Diversity, equity & inclusion (DE&I)	Diversity initiatives	Ratio of managers by gender (consolidated)	Female: 10.8% Male: 15.8%	Female: 10.8% Male: 16.5%	Female: 13% Male: 15%	Aim for gender parity
			Localization ratio of GM or higher in overseas group companies	71%	72%	75%	87%
	Global occupational safety and health management	Occupational hazards	Zero occupational hazards (compared to the previous FY)	135% (compared to FY2022, in Japan)	Down 38% (compared to FY2023, in Japan)	Down 50% (compared to FY2024)	Aim for zero
	Fair and responsible procurement	Fair and responsible procurement	Implementation of a supply chain sustainability survey	93%	76%	95%	Increase the response rate to 100% by making it a regular survey
	Increase the transparency of management decision-making and the process leading to the results	Corporate governance	Outside directors, female directors, non-Japanese directors	Achieved the targets for FY2025 by increasing the number of outside directors to 7 out of 10 (as of June 2023, and 6 out of 9 as of the end of March 2024) and that of female directors and non-Japanese directors to 3	Achieved the targets for FY2025 by increasing the number of outside directors to 7 out of 10 and that of female directors and non-Japanese directors to 3	Increase the number of independent outside directors to a majority on the Nominating, Compensation and Audit Committees. Appoint an independent outside director as the chairperson of each committee	Shift to a system suitable for strengthening the business and improving governance
	Corporate ethics and compliance	Eradicate corruption and bribery	Number of corruption- and bribery-related legal violations	0	0	0	0
		Corporate ethics and behavior	Thorough legal compliance in business activities	0 serious violations	0 serious violations	0 serious violations	0 serious violations

*1: Used equipment provided with a warranty, being certified as "PREMIUM USED" by Hitachi Construction Machinery (that is, certified as having met the inspection and maintenance criteria set by the Hitachi Construction Machinery Group and its authorized dealers)

*2: Hydraulic excavators, mini excavators and wheel loaders

*3: ConSite Pocket is a smartphone app that monitors the status of customer-owned machines for appropriate service support and downtime reduction and provides timely alerts regarding preventive maintenance.

*4: "Status change" means the transfer of the data of used equipment on the relevant system. It is conducted to enhance support for users of used equipment that has been transported from another region for operation in the user's region, thereby extending the product life of the equipment.

*5: By monitoring the oil status 24 hours a day, the sensor-equipped ConSite OIL system facilitates timely oil changes to prevent machine failures

Business Strategy

The Hitachi Construction Machinery Group's business portfolio is composed of the new machinery sales business focusing on hydraulic excavators and the value chain business centering on the parts and services business. In each of the two business fields, we are developing business models that contribute to a circular economy.

New Machinery Sales Business

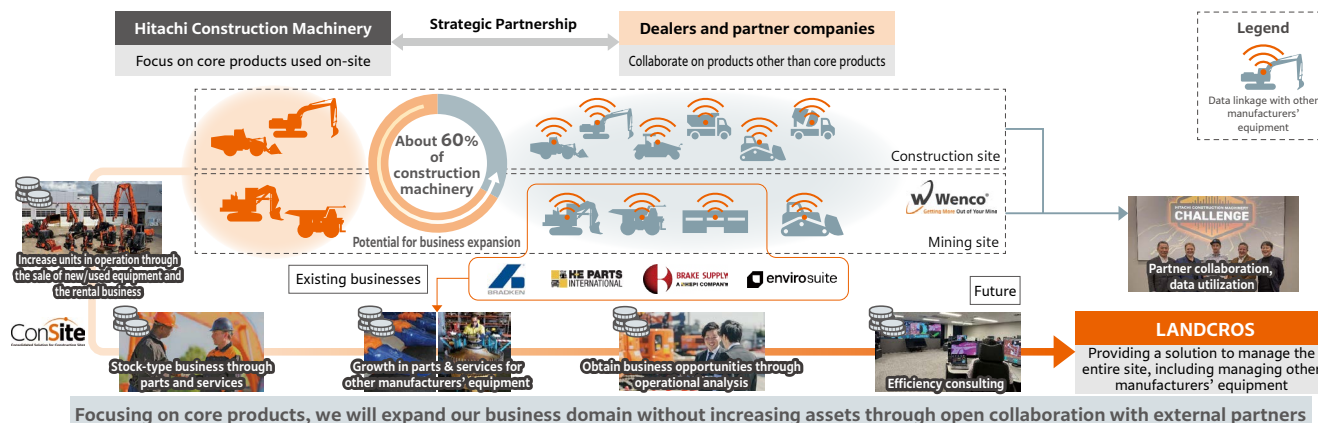
New machinery sales are divided into three categories by size into "Compact," "Construction" and "Mining" machines. For machine types, we mainly sell hydraulic excavators, dump trucks and wheel loaders, which account for 60% of the construction machines used on-site by customers.

We aim to provide customers with open and digital solutions

rather than a full lineup of products. Our customers need to manage their fleets, which comprise machines supplied by multiple manufacturers. In response, we are forming open partnerships and making maximum use of digital technologies to provide customers with value as a solutions provider, taking an approach that differentiates us from full-lineup manufacturers.

For details of new product categories, please refer to "Functionality of the Business Unit System" on pages 60 and 61.

Transformation into a solutions provider



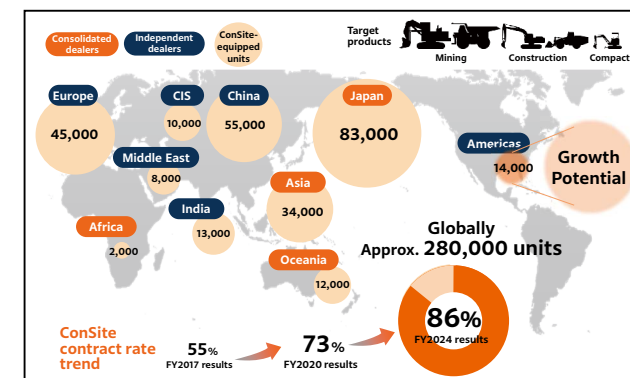
Value Chain Business

Parts and Services

The ConSite service solution tool contributes to the stable operation of machinery by proposing maintenance and parts replacement based on the operational data of each customer's construction machinery. The service was launched in 2013, and the number of ConSite-equipped machines has now reached 280,000 (as of the end of March 2025). In addition to the regular report and emergency alert distribution functions, we have offered a wide range of applications to strengthen our ability to make proposals to customers. ConSite has thus generated increased sales in parts and servicing.

As there are many varieties of compact and construction machinery in operation, operational data is used to efficiently target machines that require maintenance and servicing. When service staff inspect the targeted machines, they use the "ConSite Shot" inspection report creation app to strategically propose preventive maintenance, parts replacement or repairs.

ConSite covers 280,000 units globally



Business Strategy

As mining equipment operates 24 hours a day for 365 days a year, higher levels of reliability and durability are required. In our service proposal activities, we carry out detailed inspections of each machine, and use digital technology to measure operational data and wear, etc., to propose parts replacement or repairs.

We will accelerate these initiatives and increase sales revenue from parts and servicing.

■ Remanufacturing

Dating back to the 1960s, our remanufacturing business has a history of more than 50 years. Over the decades, we have expanded our lineup of remanufacturing parts and advanced our remanufacturing technology. We also began our overseas expansion of the remanufacturing business at an early stage, and today we are operating the business at 23 locations (including bases of affiliated companies) in 12 countries, such as Australia, Indonesia and Zambia.

In Japan, the remanufacturing facilities that had been located at the Tsuchiura Works and the Hitachinaka Works were consolidated and integrated into the Banshu Works in Hyogo Prefecture in October 2024. This new facility is used as a mother factory to strengthen global collaboration for remanufacturing. With this consolidation and integration, we have made improvements regarding the issue of space constraints and are working to increase the number of remanufactured parts handled. We also actively engage in machine remanufacturing, which involves purchasing equipment that has been submerged in water and other used machinery and using remanufactured parts to restore the purchased machines to the same level of functionality as new machines for resale. We are also undertaking the remanufacturing of the entire machine bodies of ultra-large hydraulic excavators used for long periods of time. We are developing this business at multiple overseas locations, including Zambia, Indonesia, South Africa and Turkey.

As part of our efforts to contribute to a circular economy in Japan,

we developed a technology to recycle used hydraulic oil, thereby reducing the consumption of crude oil as a raw material, and are also supplying used equipment in which recycled hydraulic oil is used.

Column

In October 2024, Eurasian Machinery LLP, an affiliated company of Hitachi Construction Machinery, enhanced the functions of its component repair center located in the Karaganda region of Kazakhstan to start operating it as a Hitachi Construction Machinery-approved component remanufacturing plant. We will establish a sustainable resource-circulation business model by shortening our production lead time through the effective use of recycled components in Central Asia, where we expect growth on a medium- to long-term basis.



Ribbon cutting ceremony (From left: Eiji Fukunishi, Vice President and Executive Officer, President of Mining Business Unit, Hitachi Construction Machinery, and Kemal Cetinelli, President of Eurasian Machinery)



Component remanufacturing plant opened in the Republic of Kazakhstan

■ Rental and Used Equipment

Since starting its rental business in 1996 in Japan, Hitachi Construction Machinery has achieved growth in the business by expanding the service areas to Europe, North America, China, Australia and India. In FY2017, we began offering the “PREMIUM RENTAL” brand overseas. For this business, the Hitachi Construction Machinery Group and its dealers become the owners of rental assets and provide rental customers with construction machinery to suit their needs. After a certain rental period, the equipment is resold as “PREMIUM USED” (used equipment with a warranty). For properly maintained used equipment that is sold in this way, parts remanufacturing, finance and other value chain services can be offered on an ongoing basis, which extends the product service life, reduces customers’ life cycle costs, and contributes to the preservation of the global environment.

For each machine offered for resale, efficient preventive and regular maintenance is provided using ConSite, as is the case with new machines. Maintenance of “PREMIUM USED” machines is conducted based on their history and condition so as to maintain their value over an extended period. With a view to extending the service life of machinery, we thus are transitioning to a resource-recycling business model.

Business Strategy

■Specialized Parts & Service Business

This business is mainly composed of the after-sale parts and services business conducted by Bradken Pty Limited, which is a manufacturer and seller of consumable parts for mining machinery, and the business conducted by H-E Parts International LLC, which provides service solutions (after-sale service) for mining machinery.

Bradken acquired land, buildings and some facilities from Fundacion Technologica S.A. which is a manufacturer of steel castings for mining sites, in 2024 and will start the production of large mill liners* in 2026. Bradken aims to rapidly supply products and further expand its mill liner business to respond to the vigorous demand in South America, the largest market for mill liners in the world, with a focus on Peru and Chile, where hard rock is mined in abundance.



Funtec foundry acquired by Bradken (Chilca, Peru)

H-E Parts International acquired the mining machinery component remanufacturing business of Brake Supply Co., Inc. in December 2024. This acquisition has enabled H-E Parts to utilize Brake Supply's North American remanufacturing bases, parts warehouses and human resources for the purpose of strengthening the structure of its remanufacturing business in the Americas as well as to expand its service network quickly and efficiently, thereby aiming to expand the scale of its business in the Americas region.

See "H-E Parts Acquires Brake Supply's Mining Machinery Component Remanufacturing Business" on [page 52](#).

* Mill liners are cast consumable parts attached inside the mineral processing equipment (mills), which crush ore extracted at mining sites and separate out useful minerals.

Contribution to a Circular Economy

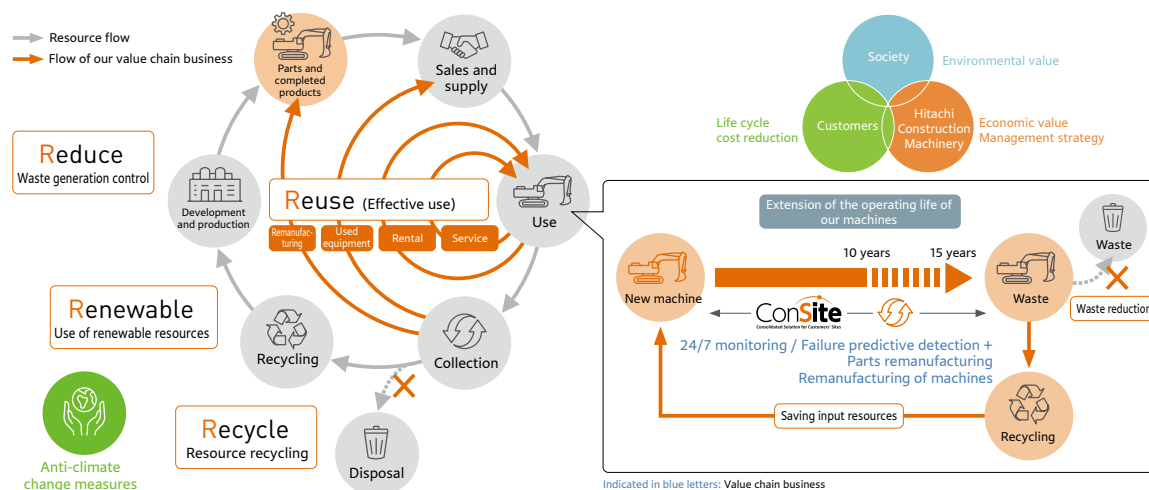
The Hitachi Construction Machinery Group is striving to design, develop and spread the use of zero-emissions construction machines. At the same time, we are implementing multifaceted measures to reduce waste in our manufacturing processes and through our value chain business, which is composed of the parts & services, remanufacturing, and rental & used equipment businesses, and are promoting "4Rs" activities across the Group.

Moreover, we are working to expand our value chain business to adopt recyclable materials as well as designs that will allow for easy repair and upgrades in the upstream design and development stage, with an eye to extending our product life cycles by 1.5 times. We are also enhancing our system to collect and reuse components from end-of-life products to eventually reduce the generation of waste and emissions of CO₂ and develop a business that contributes to a circular economy.

Shift to a sustainable resource-circulation business as targeted by the Hitachi Construction Machinery Group

Activities conducted by the entire Hitachi Construction Machinery Group for 4Rs

Significance of Hitachi Construction Machinery's circular economy measures



Special Feature

How to Develop DX talent to Generate Innovation?

Talk between the CDIO and the CHRO



CDIO Seimei Toonishi

CHRO Makoto Sawada

Transforming All Employees into DX talent Increasing On-Site Reform Capabilities for Operational Excellence

Executive Officer
CDIO, President of
New Business Creation Unit

Seimei Toonishi



Executive Officer
CHRO, President of
Human Capital Group

Makoto Sawada

◆ Building a Culture That Encourages Employees to Take Autonomous Action as Citizen Developers for On-Site Reforms

Sawada: Companies need to reform their work systems efficiently and agilely in response to various changes. On the other hand, for the creation of new value, we need to analyze and make effective use of data collected from our customers and bases around the world. Against this backdrop, the Human Capital Group started to work on the development of DX talent on a full scale in FY2021, starting with offering employees basic digital skills training. Subsequently in FY2022, we launched digital literacy-related training to help employees acquire the necessary digital mindset. More than 50% of Hitachi Construction Machinery's employees have already completed this training, which is now also being offered to employees of other Hitachi Construction Machinery Group companies.

Toonishi: It is very important to raise the overall IT literacy of all employees. At the Hitachi Construction Machinery Group, employees belonging to the IT departments used to be tasked with system development. Now, however, due to the progress of technologies, tools that enable system users to develop the systems themselves and low-code and no-code development platforms are available. Accordingly, employees are expected to become capable of reforming their operations on their own, thereby increasing the agility of their workplaces. Also, digital tools are indispensable for the

Special Feature**How to Develop DX talent to Generate Innovation?**

Business Units (BUs) to provide customers with solutions in consideration of their respective needs. Further, we need to sophisticate our products. By equipping our products with leading-edge digital technologies to offer solutions truly needed by customers, we will be able to add customer value, which will in turn help increase our market competitiveness.

Sawada: In parallel with implementing measures to raise employees' overall digital literacy, we launched the Digital Challenge Program in collaboration with the DX Promotion Group in 2021, with an eye to developing DX facilitators at our workplaces. We select participants in the program from among applicants from the BUs, and those selected attend basic training and actually experience system development by teaming up with employees with high digital skills. This six-month training program is highly evaluated by participants, and the number of applicants has been increasing each year. Now we are in the third year of the program and implementing it with a focus on team building.

Toonishi: When I launched the DX Promotion Group in 2020, I shared the goal of the Group with its members, which is to achieve operational excellence by acquiring outstanding on-site reform capabilities that our competitors cannot copy. In order to attain this goal, we are working in collaboration with each BU. For successful on-site reforms, it is essential to change the on-site way of thinking and processes, which Mr. Sawada referred to by using the word "mindset." I think that by promoting DX, we can deepen the understanding of our current business processes, identify related challenges, increase our individual ability to meet the challenges, think and take action autonomously, and reform our organizational culture, thereby acquiring on-site reform capabilities.

◆ **Now It Is Time to Demonstrate the *Kenkijin* Spirit for Both Organizational Culture and Work Style**

Sawada: Our administrative departments are already utilizing AI, which is causing the employees to change their behaviors. I can feel the effect of the digital training conducted over the past three to four years, and think it is necessary to make a quantitative evaluation

of that effect. As with other educational programs, it is not easy to immediately quantify the effect, but eventually we will be able to measure the effect by using our teams' productivity, efficiency and performance as indicators. Presently, all employees are in the process of gaining basic digital skills, and we need to wait for the full effect of the training to unfold. The Human Capital Group aims to prove that the investments made in human resource development and digitalization are successful in speeding up the improvement cycle. To this end, we have included the improvement of productivity in the human capital key goal indicators (KGIs) that are linked with management indicators.

Toonishi: To this end, team building is indeed quite important. Even when individuals acquire new skills and knowledge, it can be difficult for them to demonstrate the effect individually. However, by working in a team, they can demonstrate it more easily.

Sawada: I think it is important to increase the number of personnel who can achieve results in a team, not limited to achievements in the digital field. Also, if a team has an employee who can generate innovation and create new value, other team members will greatly be inspired by that employee and based on this idea we are implementing human resource development measures for team building as well as for the improvement of individual employees' skills. As part of this effort, we have been encouraging employees to obtain qualification as data scientists and project managers since 2024. We want to increase the number of employees with these qualifications and develop them into team leaders.

Toonishi: After shifting to the phase of actually taking action, the training effect will take hold remarkably. Employees therefore need to participate in a project and take action in it as an important part of their capacity building process.

Sawada: As for the effect measured from the viewpoint of contribution to business performance, the introduction of the DX-CONSULTING sales support app developed jointly with Hitachi Construction Machinery Japan Co., Ltd. has proved to be very effective.

Toonishi: The app enables our salespeople to make an optimal

proposal to each customer in a prompt manner, and the average sales recorded by frequent users of this app were 8.5 million yen higher than those of salespersons who seldom use the app. In light of this fact, we will further spread the use of the app among our sales personnel.

Sawada: How was the app developed?

Toonishi: The development process was very reliable. The agile development team, composed of IT engineers from our department and of those in charge of sales and services at the frontline made a pilot version of the app. Then after collecting the opinions of customers about the app, they worked on full-scale development to release it in about three months. In the conventional waterfall-type development, it would have taken more than a year for such an app to be released. Indeed, the project represents a successful example of our team building and agile development efforts.

Sawada: We need to take on a "Challenge," which is one of the three Cs set for our *Kenkijin* Spirit, for both our corporate culture and work style, in response to changes in our business environment. I want all members of the Hitachi Construction Machinery Group, including executives, to embrace challenges proactively and I also think it is necessary to build a corporate culture that encourages employees to embrace challenges even more proactively.

◆ **Transforming into an Organization with More Agility to Achieve Our Vision Sooner**

Toonishi: Our employees tend to think that they have to achieve results. However, in an organization with great agility, both failures and successes are regarded as contributors to overall success.

Sawada: Thinking that you must achieve results in six months or in one year, you might not be able to embrace the challenges boldly, being afraid of failure. If you are allowed to repeat a process of failure and success toward a goal, you will be able to expand the scope and number of things that you can do and you want to do.

Toonishi: Wanting to build a corporate culture that is conducive to greater agility, we set a new budget when launching the DX Promotion Group. Traditionally, IT-related investments are included

Special Feature**How to Develop DX talent to Generate Innovation?**

in capital investments, and if you invest 10 million yen in IT, you will be required to recover the investment in two to three years and show its net present value (NPV). In light of this, we set a “strategic investment budget” for the IT-related development projects to be implemented to meet the requirements set in view of the needs and problems faced by individual customers, and an “IT research budget” for research activities to be conducted by making effective use of the latest digital technologies. The aforementioned sales support app was developed by using these budgets.

Sawada: It is necessary to flexibly assign personnel, depending upon what challenges the company will allocate investment money to.

Toonishi: Yes, exactly. Our biggest DX target is to make effective use of the data accumulated by Hitachi Construction Machinery over 55 years since its founding. By utilizing the voluminous data that are unique to us and are therefore invaluable, we can leverage our past investments for the future management of the Hitachi Construction

Machinery Group. For the analysis of data from different periods and systems, we need both data scientists and data concierges. By acquiring these specialists and forming a “DX *Kenkijin*” team that is well versed in our products, solutions and customers as well as in DX, we will be able to achieve this ambitious target.

Sawada: We have been attributing more importance every year to the employment of highly in demand students who have expertise in data analysis. We have also been participating in a consortium of companies established to send Japanese data scientists to gain experience on the global stage. In FY2024, we invited students from Shiga University to work with us as interns and launched a project with the participation of these students. Also, at the workplaces led by Mr. Toonishi, personnel who are expected to lead our future reforms are being developed.

Toonishi: We have multiple employees who won prizes or were ranked high at external hackathons^{*1} and competitions. For example, we have an employee who won the first prize at the fintech competition held on the utilization of financial data^{*2}.

Sawada: That’s amazing. We need to build a system to highly evaluate employees who take actions outside the company like these employees and inspire others as “influencers.” The Human Capital Group’s most important role is to invest in people, and we will implement a strategy linked with the company’s strategy to become a true solutions provider, thereby supporting the entire Hitachi Construction Machinery Group in enhancing its business management.

Toonishi: We started to introduce a generative AI system to our company last year, and now about 900 employees are utilizing it. I expect that employees will be able to increase their operational quality and productivity by learning how to efficiently utilize the system at the workshop held by the company for this purpose. For the skilled use of AI by employees, it is also necessary to give them education on prompt engineering. “Prompt” means an instruction or an order, and an AI system might give an unexpected response to you if you fail to give an appropriate prompt to it. Prompt engineering skills are



indispensable for employees to expand the usage of AI, and I would like to enhance the educational content on these skills in collaboration with the Human Capital Group. Also, in order to change the current business processes and models, we need to have people who are strongly committed to changing them. I often say, “Let’s create a narrative” when giving instructions to employees. A “narrative” is a persuasive story and more than just a simple story. By creating lots of narratives, we can visualize what we aim for. By changing individual employees’ behaviors to transform our organization into one with more agility, we can offer useful solutions more promptly to customers, which will in turn help us achieve the vision of the Hitachi Construction Machinery Group. I strongly believe that we can become such a company.

^{*1} Hackathon: An event in which developers compete on a specified theme within the given period

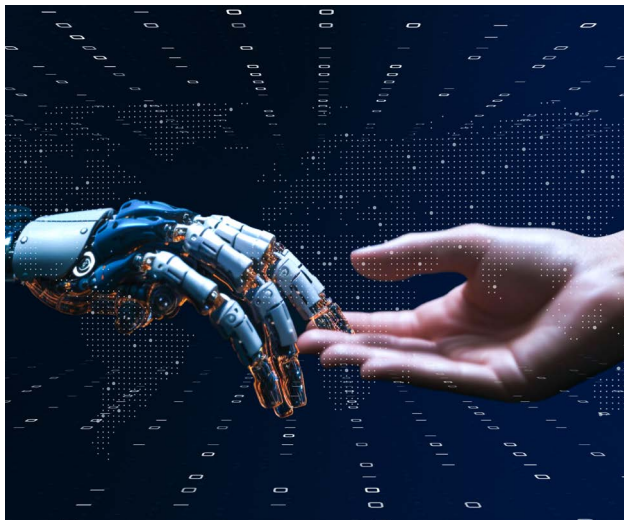
^{*2} Raito Shimizu (Data Utilization Sec., DX Promotion Group), who is featured in “Roundtable Meeting of Employees” starting on page 31 of this report.



Special Feature

How to Develop DX talent to Generate Innovation?

Examples of the Effective Use of AI by the Hitachi Construction Machinery Group



The Hitachi Construction Machinery Group is working toward DX by making effective use of AI and based on its customer interest first (CIF) approach. For each BU and department to make more effective use of data, we have built a data utilization platform (DUP) and have been implementing it by consolidating the data of the Group's core systems. The DX Promotion Group's Data Utilization Sec. is implementing measures to help each in-house department solve their operational issues by making effective use of data and AI, aiming for speedily adding value that can be offered to customers through the effective use of big data.

Example 1 Predicting the Parts Manufacturing Costs to Be Incurred at Overseas Production Bases

Value that can be created: Cost control and greater profitability through optimized production allocation

In order to increase our corporate value, it is essential to make maximum use of the production capacity of our global production bases and establish a highly efficient and cost-saving production system. The costs of producing our machines (including the parts manufacturing and assembly costs) differ by region, and it is necessary to estimate the local costs when selecting or changing the manufacturing base for a product. The Construction BU's Business Strategy Dept. estimates (predicts) the local parts manufacturing costs in the examination carried out to determine where to manufacture a product. However, one hydraulic excavator is composed of several hundred parts, and it is not easy to accurately calculate the cost of manufacturing these parts incurred at our overseas manufacturing bases. Accordingly, we tended to rely on certain personnel

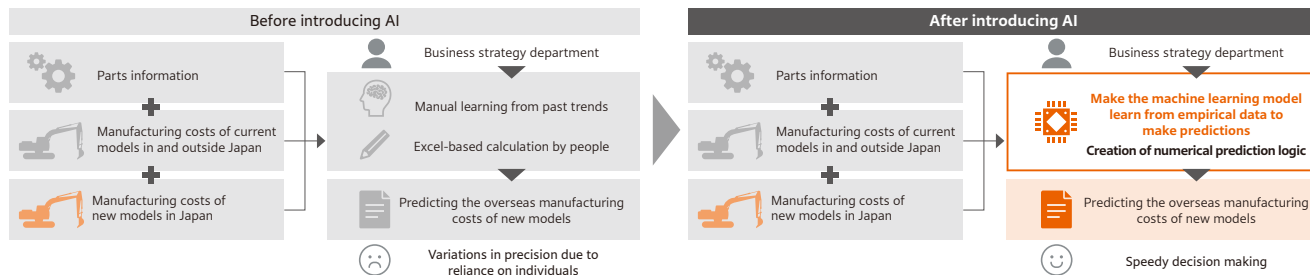
for the calculation. In order to solve this issue, the Data Utilization Sec. launched a project to shorten the lead time required for the estimation of costs and to standardize the procedures for it.

Employees in charge have a vast amount of data and expertise for the estimation, including detailed parts information (their weights, prices and so on), the costs of the parts used in our current models incurred in Japan, and the costs of making the same models outside the country (cost differences). We decided to make AI learn from the data possessed by these people to estimate the costs, thinking that numerical prediction based on structured data is a field suitable for machine learning and that generating a prediction model by using the information about our current models will enable us to estimate the cost of manufacturing the same product at a different base or the cost of manufacturing a new model.

As a result of conducting verification work, the AI model's prediction error was confirmed to be ± 1 to 10%, and the lead time was reduced from several weeks to several minutes. We spent about two months on the project and could thus realize results within a short period of time through supervised learning, which is a type of machine learning conducted by using data labelled with correct answers.

Estimating (Predicting) the Manufacturing Costs Incurred at Overseas Production Bases

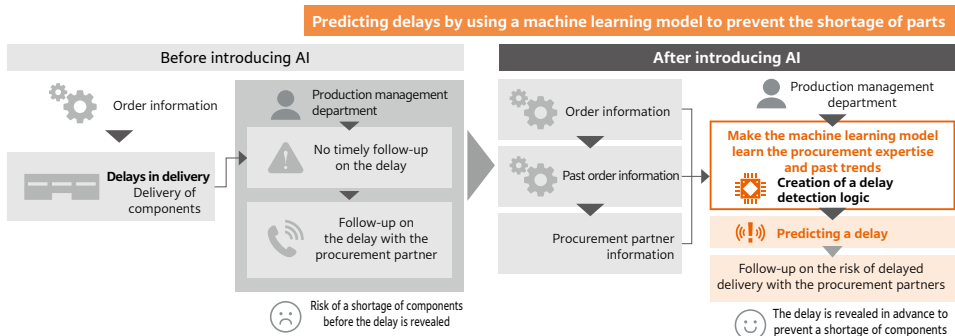
By making the machine learning model learn from empirical data, enabling reproducible prediction and prompt decision making



Special Feature How to Develop DX talent to Generate Innovation?**Example 2 Predicting Delays in the Delivery of Components****Value that can be created: Stable supply of components, improved supply chain management**

The Component Production Management Dept. of the Production Management Div. places orders for components required for manufacturing at the overseas production bases to procurement partners and then delivers the procured components to the bases. We need to manufacture a range of construction machines in small lots to meet the individual needs of customers. Against this backdrop, some of the components to be supplied to the bases were not delivered as planned, without such delays being predicted in plenty of time for the personnel in charge to detect related risks and implement follow-up measures, resulting in exerting influence over production at the bases and posing a serious problem to them. In order to solve this issue, the Data Utilization Sec. launched a project to predict delays in the delivery of components.

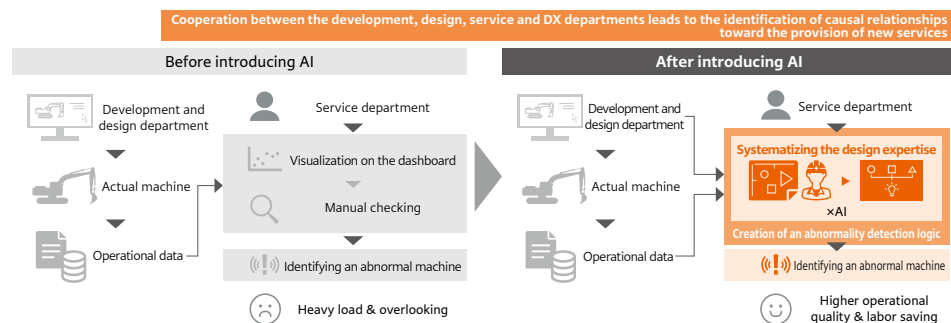
In the first phase of the project, the Sec. set the following delivery delay-related parameters: types of components (complexity, size, etc.), numbers of items ordered and the production capacity of the procurement partners, then made a machine learning model learn the causal relationships, and verified the precision of the established model. As a result of the verification work, the correct prediction rate was revealed to be 50%. In order to increase the precision of the prediction model, which is still below the expected level, we will continue to conduct the verification work. Also, we will foster discussion and carry out more tests to raise individual employees' awareness of the importance of operational reforms through this initiative and to eliminate delivery delays by making use of AI-based predictions in our conventional operational processes.

Predicting Delays in the Delivery of Components**Example 3 Automating the Monitoring of the Operational Status of Mining Machinery****Value that can be created: Addition of customer value through the preventive detection of machine failures**

The Mining BU's Data Business Promotion Dept. is monitoring the operational data of machines sent to it online, and when a sign of abnormality is detected, the Dept. works to prevent the machine failure in cooperation with the local dealer. However, there are more than 3,000 mining machines in operation across the world, and it is impossible to monitor the operation of all of them manually 24 hours a day and 365 days a year. Also, the status monitoring work requires deep expertise about the machine operation environment, including their specifications and how they are being used, and the number of employees who can fulfill this demanding monitoring role is quite limited.

In order to deal with this issue, the Data Utilization Sec. worked to select the parts targeted for abnormality detection and to identify the information necessary for the detection, and then made a machine learning model learn from the past results, thereby making it possible to predict normal values for machines in operation. When the predicted values are compared with the actual operational data and the gap is large, the abnormality detection logic will deem the status of the machine abnormal. In the normal value prediction phase, we limit the number of data used to visualize the causal relationships for machine failures by using our design expertise and adopt only relevant parameters for higher precision.

Unlike Examples 1 and 2, abnormality does not necessarily result in machine suspension, and so for the machine learning, we adopted unsupervised learning without correct answers for the project, which requires more time for evaluation and the continuation of relevant measures.

Detecting Abnormality of Mining Machines

Special Feature

How to Develop DX talent to Generate Innovation?

Roundtable Meeting of Employees

* The affiliations and titles are as of the time of the roundtable meeting.



Kazuhiro Nishimoto

Engineer, Business
Strategy Dept.
Business Planning Div.
Construction Business
Unit

Yutaka Inumaru

Assistant Manager, Customer Experience Sec.
Data Business Promotion Dept.
Digital Solution Promotion Div.
Mining Business Unit

Raito Shimizu

Assistant Manager,
Data Utilization Sec.
DX Technical Strategy Dept.,
DX Technology Div.
DX Promotion Group

Oriha Ishikawa

Component Supply Sec., Component
Production Management Dept.
Production Management Div.
Production & Procurement Group

Increasing the Future Value of the Hitachi Construction Machinery Group through On-Site/Business Innovation Fostered Autonomously by Employees

◆ Making AI Learn from the Excellent Knowledge Possessed by Employees, Thereby Eliminating Dependence on Specific Personnel

Shimizu: In 2021, the DX Promotion Group officially launched the Data Utilization Sec., which is composed of personnel who have expertise in data and who can create value from the effective use of data, including data scientists and data concierges. I am a member of this section, which is committed to making effective use of data to solve all kinds of problems faced by the company and increase its productivity with agility. However, the problems to be dealt with by the section are those faced by each of the Business Units (BUs), so we need to raise the awareness of the BUs about our section and provide them with an opportunity to create something with us to experience the value gained through data utilization. To this end, we asked the BUs to let us share their operational problems on the internal portal website.

For about three years since then, we have been able to conduct

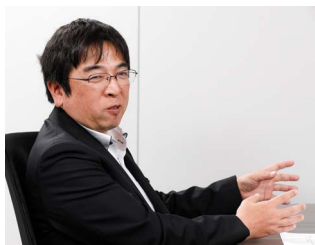
Special Feature

How to Develop DX talent to Generate Innovation?

activities with the BUs and various other departments to solve a range of issues faced by them, including individuals' need to improve their operations and issues that have a direct impact on departmental sales. To this roundtable meeting, I invited some of the people with whom we have worked to make more effective use of AI and data, wanting them to talk about the experience that we had together.

Nishimoto: I contacted Mr. Shimizu on the very day on which I had received an email asking me to share any issues with him. At the time I was faced with a problem regarding the estimation of the parts manufacturing costs to be incurred at our overseas production bases. Our total production capacity of medium-sized hydraulic excavators is more than 30,000 units per year, and we can increase the actual production quantity by making more effective use of this capacity. Before switching production from one base to another to this end, it is necessary to estimate the parts manufacturing cost incurred at that base, which is my job. For an official estimation of the cost, I show the related drawings to the procurement partners located near the base and ask them to submit quotations, however, this entails an information leakage risk and takes a considerable time. Also, some partners do not respond to my request for estimation or submit inaccurate quotations. Therefore, I sometimes estimate the cost based on past data myself.

I estimate the parts manufacturing costs by using Microsoft Excel, checking the list of parts, which comprises of several thousands of lines and indicates relevant costs. Indeed, this task depends heavily on specific individuals, as it is quite difficult to produce the same estimation results consistently. I have taught several people how to estimate the costs, but the estimation requires making some intuitive guesses, which is difficult to



teach how to do. Also, the estimation results greatly differ by person and discourages us from standardizing the estimation procedures. When I asked Mr. Shimizu to create an AI model for the estimation, I hoped the model would (1) make correct calculations and (2) find errors in manual calculation.

Shimizu: In response, I started to work with Mr. Nishimoto to find out a method to estimate the overseas manufacturing costs based on the manufacturing costs incurred in Japan for our current models, for which we utilized the operational process data possessed by Mr. Nishimoto. We had good results in the prior verification work conducted in FY2024, so in FY2025 we entered the phase of making an AI model actually estimate the domestic and overseas manufacturing costs for our new machine models, thereby checking the AI's capability. The essential part of a DX activity is to input the knowledge stored in human brains into a system, for which the knowledge owners need to communicate what they are thinking and doing to the system, and for which I need to derive enough information from the owners. Mr. Nishimoto gave me all the necessary information. Also, the data possessed by him were well organized, and so we were able to push ahead with the initiative very smoothly.

◆ Creation of an AI-Based Machine Status Monitoring System by a Data Scientist Versed in Machine Design

Shimizu: I am a data scientist who knows a lot about the operation of the company. A company that has no such data scientists usually builds an AI system jointly with an AI vendor, who is a skilled specialist in AI. However, the vendor would have little knowledge about the company's business, products and operations, and it would take a considerable time for the vendor to collect the necessary information. Mr. Inumaru, you have recognized this fact strongly recently, haven't you?

Inumaru: Yes, indeed. I have been engaging in a machine status monitoring automation project since 2023. In the past, there was a case in which the alarm rang on the pantograph-related electrical system of a trolley dump truck at a construction site of a customer, and

an electrical mechanic of our company rushed to the site for troubleshooting. However, the problem was not solved, and a machine mechanic belonging to a different department of the company took over the work and finally found out that the alarm went off due to the malfunction of a hydraulic component. Hearing about the case, I thought that we might be able to minimize unnecessary on-site work and the inconvenience caused to customers if we could detect a machine failure by a data-driven method based on our overall expertise in machines. This encouraged me to launch the project.

Initially we asked an external AI vendor to develop an AI-based machine monitoring system. However, it took a long time for the AI to learn about our construction machines. Specifically, to build the foundation of the AI-based monitoring system, three to four employees who belonged to the Product Support Dept. at the time, including myself, worked two to three hours a week to review some 100 cases in which the AI detected an abnormality based on data. As it thus took many hours for us to do the review, we were unable to proceed to the process of making the AI actually detect the signs of machine failures. But subsequently, about a year ago, Mr. Shimizu, who had become a data scientist after working as a mining machine designer, joined us to help us foster the project. Based on the structures of the machines, he included domain knowledge, such as data relationships, into the elements of machine learning, and then the AI system began to list up only truly related values. Now we are fine-tuning the system to increase its precision.

Shimizu: We cannot determine whether or not the machine for which the alarm rang truly has an abnormality that causes the machine to fail, and this fact makes the detection of the signs of failures difficult. In other words, at the time when the alarm rings, we have no



Special Feature

How to Develop DX talent to Generate Innovation?



correct answers about whether or not the machine will truly break down. We therefore have decided to choose specialists in each machine component from among our designers and ask them to examine the data about the abnormalities detected by the AI system and to check whether or not the detected abnormalities are true abnormalities. Also in this initiative, it is indeed essential to make the AI learn from the advanced knowledge possessed by people.

◆ Predicting Delays in the Delivery of Components, Which Poses the Greatest Problem to Staff Engaging in Production Management

Ishikawa: I asked Mr. Shimizu to help us predict delays in the delivery of components purchased from procurement partners for use at our overseas manufacturing bases. It is truly difficult for us to predict such delays. We want to obtain information about delivery delays as early as possible so that we can change the transportation means or ask the overseas manufacturing bases to adjust their production plans to deal with the delays. It is quite difficult for the bases to adjust the plans when the delay is revealed only on the planned delivery date. In the worst case, the manufacturing bases will have to suspend their production lines due to the delay. I hear that experienced procurement staff who are daily communicating with procurement partners can grasp the sign of a delay to some extent, but this is tacit knowledge only possessed by these specialist staff.

Shimizu: I interviewed experts in the field, and they listed the features of the components, numbers of items ordered, and the production capacity of the procurement partners as parameters related to delivery delays. It is difficult to grasp the production capacity of procurement partners. At any rate, we set a parameter for the production capacity of individual partners by using available data and then made a machine learning model learn the causal

relationships. The model's correct prediction rate is now 50% and is still too low to be useful for Ms. Ishikawa and other members to check for delays.

Ishikawa: We want to collect quantitative data, but there are a range of reasons for delivery delays, including the weather, the delivery amount, too short deadlines, the complexity of component structures, and how busy our procurement partners are.

Nishimoto: Indeed, it is difficult to measure how busy a procurement partner is. When I was working at the Production Engineering Dept., I was unable to even accurately grasp the volume of orders placed by other members of the Dept. to individual procurement partners. Therefore, it is impossible to check the volume of orders placed by our competitors to the procurement partners.

Ishikawa: Presently, we are working to increase the model's correct prediction rate by adding more data and trying a range of machine learning methods. We have found that as the production quantity increases, the prediction precision also rises, and as the production quantity decreases, the prediction precision also drops, and based on this finding we are trying various methods.

◆ Realizing DX under the Slogan, "For the Benefit of All"

Shimizu: In order to increase the number of people who proactively gain knowledge in DX like you three, I think it is best for the company to build a system to fairly evaluate such behaviors. The company already has a monetary incentive system to encourage employees to obtain qualifications, but I think a system to link the achievements made by employees with the amount of their salaries is also necessary. For employees, a salary rise is the best kind of reward, and such an incentive system will also help attract excellent human resources to the company.

Nishimoto: I am often asked to work for other departments, and I like working for them, feeling pleased to be able to support someone. I started the cost estimation initiative to perform my own job more easily, but now I want to make the AI model available to all. In the past, the company depended heavily on individuals for specific knowledge as a matter of course, and I used to beg senior staff members to advise me every time when I needed their knowledge. I hope that we will be able to build a

system that will help everyone estimate the costs easily without the need to beg for help.

Inumaru: Younger employees who have advanced digital skills can utilize digital tools quite easily and may finish a task for which I need half a day in several minutes. I cannot think as flexibly as Mr. Nishimoto, what I can do is suggest how to make improvements to what the young staff have created.

Shimizu: Mr. Inumaru, you have extensive work experience and so you can easily assess the created tools. When I joined the company, it was necessary to write code from scratch to develop a system that I strived to design. At the time I did not imagine that a day would come when tacit knowledge could be transformed into tangible data in several minutes by AI and machine learning.

Ishikawa: Delivery delays pose a serious problem to the Hitachi Construction Machinery Group. If a delay causes a shortage of a component, we have to visit the manufacturing facilities of the relevant procurement partner and stay there until we can get what we need. The delays are thus imposing a significant burden on employees. If an AI model can predict such delays with precision, we will be able to reduce the time spent on recovery and devote ourselves to doing more important tasks while improving our work-life balance. Also, by accumulating knowledge and information about the causes of delays, we will be able to take more actions to prevent such delays. I would therefore like to complete the project for the Group and members of our overseas manufacturing bases.

Inumaru: DX is a key to implementing the slogan, "For the benefit of all." If the benefit were given only to myself, I would not devote so much time and labor to make effective use of digital technologies.

Shimizu: I completely agree with you. It will make us very happy if our commitment to benefiting all eventually helps increase the corporate value of our company.



02

Strategies to Achieve the Medium-term Management Plan

- POINT 1. Medium-term management plan to increase corporate value while responding to changes
- POINT 2. Financial and capital strategies for higher capital productivity set in line with the medium-term management plan
- POINT 3. Reforming the business model for the achievement of the plan
- POINT 4. Balance between shareholder returns and growth investment
- POINT 5. Evaluation of the ROIC tree, reduction of the cost of equity

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36	Medium-term Management Plan
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43-47	Special Feature : — Discussion on the Progress of Transformation and the Future Direction of Management — <ul style="list-style-type: none">• Independent Outside Director Roundtable Discussion

Path toward Further Improvement of Corporate Value

The Hitachi Construction Machinery Group, under a series of medium-term management plans, has steadily implemented measures and built a stable foundation, while responding to rapid changes in the external environment and management issues faced by the Group.

Go Together 2013

(FY2011 to FY2013)

Basic policy

Promote reform for global management and sustainable growth

Major achievements

- Enhanced the mining business
- Enhanced the parts and services business
- Reduced direct material cost and logistic cost
- Established the Rental, New & Used Sales, Service (RSS) system at Hitachi Construction Machinery Japan Co., Ltd

Total market capitalization

FY2013	427.6 billion yen
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Sales revenue

FY2011	FY2012	FY2013
817.1 billion yen	772.4 billion yen	803.0 billion yen

GROW TOGETHER 2016

(FY2014 to FY2016)

Basic policy

Aim at securing a firm position as a global construction machinery manufacturer

Major achievements

- Reinforced product development marketing and promoted advanced R&D
 - Expanded local production
 - Enhanced R&D (for electrification, electrification, and ICT) by bringing together the Hitachi Group's technologies
- Further enhanced the mining business
- Reformed SCM and strengthened *monozukuri* capabilities
 - Integrated the operations of sales companies and manufacturing facilities and shortened total lead time from the receipt of orders
- Fortified the foundation of the parts business

Total market capitalization

FY2016	596.9 billion yen
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Sales revenue

FY2014	FY2015	FY2016
815.8 billion yen	758.3 billion yen	753.9 billion yen

CONNECT TOGETHER 2019

(FY2017 to FY2019)

Basic policy

Deepen the value chain

Major achievements

- Enhanced the parts and services business
 - Introduced the ConSite solution globally
- Acquired Bradken and H-E Parts
- Launched the rental business in the United States and the UK
- Expanded the certified used equipment business

Total market capitalization

FY2019	470.9 billion yen
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Sales revenue

FY2017	FY2018	FY2019
959.2 billion yen	1,033.7 billion yen	931.3 billion yen

Realizing Tomorrow's Opportunities 2022

(FY2020 to FY2022)

Basic policy

Value chain + Enhance digital solutions

Major achievements

- Enhanced the parts and services business
 - Expanded the use of the ConSite solution globally
 - Promoted the remanufacturing of parts
 - Enhanced the after-sale service of Bradken and H-E Parts
- Globalized the rental and used equipment businesses
- Fostered digital mining
- Established the Hitachi Construction Machinery Group's Group Identity

Total market capitalization

FY2022	661.5 billion yen
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Sales revenue

FY2020	FY2021	FY2022
813.3 billion yen	1,025.0 billion yen	1,279.5 billion yen

BUILDING THE FUTURE 2025

(FY2023 to FY2025)

Basic policy

Grow as a true solutions provider by delivering innovative solutions

Major achievements (FY2023)

- Expanded the Group's business on its own in the Americas
- Established ZERO EMISSION EV-LAB in collaboration with partners
- Consolidated domestic remanufacturing sites and enhanced global remanufacturing sites
- Certified by the ISO regarding human capital (FY2024)
- Announced the new "LANDCROS" concept
- Launched full-battery dump truck demonstration tests
- Acquired Brake Supply's mining machinery component remanufacturing business
- Enhanced measures for the creation of a circular economy

Total market capitalization

FY2024	849.0 billion yen
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Sales revenue

FY2023	FY2024	FY2025
1,405.9 billion yen	1,371.3 billion yen	In progress

*Total market capitalization: Calculated as of the end of each fiscal year by multiplying the total number of outstanding shares including treasury shares by the stock price (closing price on Mar. 31 of the year)

Medium-term Management Plan

The Hitachi Construction Machinery Group is implementing its “BUILDING THE FUTURE 2025” three-year medium-term management plan to achieve growth as a true solutions provider.



Targets of the Medium-term Management Plan

KPI			Medium-term Management Plan FY2025 targets	FY2024 results	FY2023 results
Growth	• Value chain ratio		50% or more	43.0%	39.4%
	• Own business revenue in the Americas		300.0 billion yen or more	210.2 billion yen	217.5 billion yen
	• R&D/Revenue ratio		3% or more	2.7%	2.2%
Profitability	• Adjusted operating income ratio		13% or more	10.6%	12.0%
	• EBITDA margin ratio ^{*1}		18% or more	16.1%	16.8%
Safety	• Net D/E ratio		0.40 or less	0.48	0.57
Efficiency	• Operating cash flow margin ratio ^{*1}		10% or more	10.5%	5.2%
	• ROE		13% or more	10.4%	13.1%
	• ROIC ^{*1, *3}		9% or more	7.5%	9.8%
Shareholder return ^{*2}	Consolidated dividend payout ratio		Stable and continuous implementation with a consolidated dividend payout ratio of 30% to 40% as a guide	45.7%	34.2%
ESG	Reducing environmental impact and CO ₂ emissions (total, compared with the 2010 level)	Production (Scope 1 + 2)	-40%	-43.0%	-40.4%
		Product (Scope 3)	-22%	-24.0%	-20.1%
	Diversity, equity & inclusion	Localization ratio of GM or higher in overseas group companies ^{*1}	75%	72%	71%
		Ratio of managers by gender (consolidated) ^{*1}	Women: 13% Men: 15%	Women: 11% Men: 17%	Women: 11% Men: 16%

*1: Indicators newly set in the current medium-term management plan

*2: We aim to allocate one third of operating cash flow to each of maintenance and strengthening investment, prior investment and shareholder returns and the payment of interest-bearing debt as our basic approach to operating cash flow and fund allocation.

*3: The level of capital cost (WACC), based on which we set the ROIC target, is recognized at about 7%

Financial Results for FY2024

Quantitative Review of the Management Results for FY2024

- Sales revenue decreased by 2% compared to the record-high performance of the previous year, due to a decline in new machine sales caused by weakened demand in major markets.
- Adjusted operating income decreased by 14% year-on-year, and net income attributable to parent company shareholders decreased by 13% year-on-year.

(Billions of yen)

		FY2024 results	FY2023 results	Year-on-year comparison
Continuing operations	Sales revenue	1,371.3	1,405.9	-2%
	Adjusted operating income ^{*1}	145.0	168.0	-14%
	Operating income	154.7	162.7	-5%
	Income before income taxes	134.2	160.5	-16%
	Profit from continuing operations	90.4	116.3	-22%
	Loss from discontinued operations	1.4	-11.8	—
	Net income attributable to owners of the parent	81.4	93.3	-13%
	EBIT ^{*2}	147.4	167.5	-12%
	Dividend per share ^{*3}	175 yen	150 yen	25 yen

*1: "Adjusted operating income" is presented as revenues less cost of sales as well as selling, general and administrative expenses

*2: "EBIT" is an indicator calculated by subtracting interest income from and adding interest expenses to profit before income taxes.

(EBIT stands for earnings before interest and taxes.)

*3: We pay dividends twice per fiscal year as interim and year-end dividends based on the principle that we distribute surplus funds in accordance with consolidated business results. We will work to maximize shareholder returns by continuing to pay dividends at the consolidated payout ratio of 30% to 40%.

Qualitative Review of the Management Results for FY2024

Delivering innovative solutions for customer needs	<ul style="list-style-type: none"> ■ Realization of LANDCROS through a new service and a concept model <ul style="list-style-type: none"> • In July 2024, established the new "LANDCROS" concept as a proof of our desire to deliver innovative solutions. • Displayed the "LANDCROS One" concept model at the world's largest construction machinery exhibition, "bauma2025," held in April 2025. Released the first service under the LANDCROS brand, "LANDCROS Connect." ■ Full battery dump truck demonstration tests <ul style="list-style-type: none"> • In June 2024, launched demonstration tests of the world's first ultra-large full battery dump truck at a mining site in Zambia to verify the battery charging performance as well as the truck's running speed and cruising distance, with commercialization in FY2027 as the target. ■ Provision of solutions that make maximum use of digital data <ul style="list-style-type: none"> • In April 2025, started to provide customers with LANDCROS Connect for the central management of their machines, as opposed to limiting the system to machines made by Hitachi Construction Machinery. • Held Hitachi Construction Machinery Challenge 2024 in the United States in November 2024, in which startups competed based on ideas, and promoted the open development of technologies and products, including exploring a collaboration with the first prize winner at the competition.
Enhancing the value chain business	<ul style="list-style-type: none"> ■ Enhancement of measures to contribute to a circular economy mainly at the overseas bases. <ul style="list-style-type: none"> • Acquired Brake Supply's mining machinery component remanufacturing business. • Opened a mining machinery component remanufacturing plant in Kazakhstan.
Expanding business in the Americas	<ul style="list-style-type: none"> ■ Enhancement of the system to supply service parts across North America ■ Enhancement of business in North America and expansion of business to Central and South America <ul style="list-style-type: none"> • Established Hitachi Construction Machinery Latin America SpA as the regional headquarters for Latin America in Chile. • Established a sales and service company for the mining business (ZAMine Service Brasil LTDA) in Brazil, jointly with Marubeni Corporation.
Strengthening human capital and corporate capabilities	<ul style="list-style-type: none"> ■ Enhancement of the entire Group's product development capabilities <ul style="list-style-type: none"> • Established Hitachi Construction Machinery Development Center India Private Limited in Hubballi, Karnataka, India, as a construction machinery development and design company. • Started the mass production of 120 ton-class ultra-large hydraulic excavators in Indonesia.

*Includes some activities conducted in FY2025.

Financial Results for FY2024

Consolidated sales revenue by region

Our sales revenue increased in Africa and Oceania due to brisk demand from mining companies but decreased in Europe, North America and Asia. Although sales revenue from our own business expansion in the Americas decreased relative to the previous year, in which we had substantially increased revenue, we have steadily been expanding our share in the North American market for retail sales.

(Billions of yen)

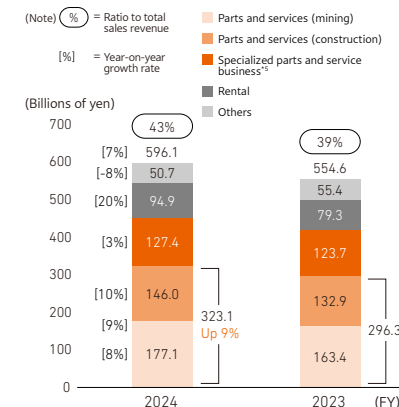
		FY2024 results		FY2023 results		Year-on-year comparison	
						Amount	Change
Japan		220.0	16%	226.9	16%	-6.9	-3%
Asia		118.5	9%	127.0	9%	-8.5	-7%
India		87.5	6%	85.0	6%	2.5	3%
Oceania		258.9	19%	251.1	18%	7.8	3%
Europe		159.7	12%	182.9	13%	-23.2	-13%
The Americas	North America	312.4	23%	334.4	24%	-22.0	-7%
	Central and South America	43.8	3%	40.9	3%	2.8	7%
Gained through expansion on our own		356.1 (210.2)	26% (15%)	375.2 (217.5)	27% (15%)	-19.1 (-7.3)	-5% (-3%)
Russia & CIS		19.6	1%	23.4	2%	-3.8	-16%
Middle East		33.6	2%	34.7	2%	-1.1	-3%
Africa		85.0	6%	70.4	5%	14.6	21%
China		32.5	2%	29.2	2%	3.3	11%
Total		1,317.3	100%	1,405.9	100%	-34.6	-2%
Overseas sales revenue ratio		84%	—	84%	—	—	—

Changes in Sales Revenue in the Value Chain Business*4

In FY2024, sales revenue increased by 7% year on year to 596.1 billion yen, reaching a record high. Revenue in the parts and services business increased by 9% year on year. Also, revenue increased by 20% and by 3% in the rental business and the specialized parts and services business, respectively. The ratio of the value chain business in consolidated sales revenue was 43%, up four percentage points year on year.

*4: The value chain business is composed of all businesses other than the sale of new equipment and includes the sale of parts and services. It also includes the specialized parts and service business and the rental business.

*5: The specialized parts and service business manages the development, manufacture, and sales of parts and offers service solutions as part of our after-sale services for mining equipment and machines outside of the construction machinery business segment.



Consolidated cash flow

For FY2024, operating cash flow was positive at 143.9 billion yen. For cash flow related to investment activities, the amount that we spent investing increased by 13.8 billion yen year on year to 52.8 billion yen, which was partially due to the acquisition of Brake Supply's business for the expansion of the specialized parts and services business in the Americas. Free cash flow including the amount spent on investment was also positive at 91.1 billion yen.

(Billions of yen)

	FY2024 results	FY2023 results	Year-on-year change
Cash flow from operating activities	143.9	73.0	70.9
Operating cash flow margin	10.5%	5.2%	5.3%
Cash flow related to investment activities	-52.8	-39.0	-13.8
Free cash flow	91.1	34.0	57.1
Cash flow related to financial activities	-85.4	-8.9	-76.5

CFO Message



Vice President and Executive Officer, Director and CFO
President of Financial Strategy Group

Keiichiro Shiojima

Our capital productivity improvement measures using an ROIC tree have been generally successful. Going forward, we will further enhance our corporate value by boosting profitability.

Hitachi Construction Machinery Group's Vision for Financial and Capital Strategies

For the Hitachi Construction Machinery Group, enhancing corporate value is synonymous with increasing capital productivity. For higher capital productivity, we are upholding the following basic policies for our financial and capital measures: (1) help employees be more aware of the cost of equity; (2) select easy-to-understand KPIs for both internal and external use; (3) appropriately manage our balance sheet; and (4) increase opportunities to engage in dialogue with shareholders and investors. In my capacity as CFO, I will foster cash flow (CF) management based on these policies so that we can make maximum use of our capital in this rapidly changing business environment, thereby increasing our corporate value on a continual basis.

Importance of Financial and Capital Strategies for the Enhancement of Corporate Value

For a company to enhance its corporate value on a continual basis, it is important to make efficient use of capital. Accordingly, Hitachi Construction Machinery is working to improve its return on capital investment (ROIC), which we use as a core indicator for the efficient use of capital, by starting with increasing employees' understanding of the cost of equity. Presently, we are calculating the net present value (NPV) of our investments based on a weighted average cost of capital (WACC) rate of about 7%, and we make and evaluate our investment decisions based on the clear quantitative criteria of realizing a gain on an investment within three years and recovering 60% of the investment cost within five years.

For higher ROIC, we clearly show our financial and non-financial KPIs set based on the medium-term management plan (MTMP) and

use these KPIs as improvement drivers in our ROIC tree. We are also enhancing the monitoring of the indicators that are directly related to ROIC, such as adjusted operating income ratio and invested capital turnover ratio.

It is also important to ensure the stability of operating cash flow (OCF) to secure funds for growth investment and shareholder returns. To this end, we need to improve the cash conversion cycle (CCC) in our balance sheet management by reducing trade receivables, inventory assets and others. The sale of idle assets and the review of our business portfolio to sell non-core businesses are also helping us generate cash.

We are also implementing capital productivity-related measures outside the company through dialogues with shareholders and investors. In these dialogues, stakeholders expect us to meet the following two requirements among others: (1) show potential for the further growth and stability of our business as well as for the expansion of our key focus businesses; and (2) clearly show the measures to reduce fixed costs to increase our cash generation ability and capital efficiency and management's commitment to reviewing the business portfolio. For FY2024, our total shareholder return (TSR) did not reach a satisfactory level partially due to the downward revision of our performance forecast. However, the frequency of shareholder/investor dialogue meetings has substantially increased from 239 in FY2023 to 318, enabling us to deepen constructive dialogues with them to explain how we plan to increase our corporate value toward the future.

Measures to Boost Our Stock Price

For the continuous improvement of our corporate value and stock price, we are making efforts to increase both our capital efficiency (ROE and ROIC) and rating from the capital market (PER), believing

CFO Message

that increasing these will help us improve our stock price-to-book value ratio (PBR) and corporate value.

In FY2017, we recorded a PBR of 1.95 when our sales revenue in the Chinese market reached its peak, and also our ROE and PER were

Basic Approach to Measures to Increase Our Corporate Value and Stock Price

Enhancement of corporate value

$$\text{PBR} \quad = \quad \text{ROE} \quad \times \quad \text{PER}$$

(Stock price/
Net assets per share) (Net income/
Net assets) (Stock price/
Net income per share)

In and after Q1 of FY2024 PBR: Less than 1.0

- <Probable causes>
- Perceived stagnation of growth in the Americas
 - Downward revision of performance forecast
 - Sensitivity to market situation
 - Weak cash generation ability
 - Bloated balance sheet and low capital efficiency

Enhancement of ROE/ROIC

Precondition: Sales and profit expansion in key focus businesses

- Higher ROIC at each BU
- Reduction of indirect expenses
- Strict selection of investment targets
- Review of business portfolio
- Working capital (inventory) control

Evaluation by investors

Focus placed on company guidance, compound annual growth rate, earnings per share and free cash flow as well as on actual performance

<Important points regarding information dissemination by the company>

- Clear equity story
- Expansion of sales in the VC business to reduce cyclical impact
- Generation of cash, commitment to shareholder returns
- Highlighting contribution to the environment
- Financial results, IR roadshows, organization of more events

Appeal points

- (1) Proved potential for the further growth and stability of our business and for the expansion of our key focus businesses
- (2) Measures to reduce fixed costs to generate cash and increase capital efficiency, management's commitment to reviewing business portfolio

as high as more than 14% and 14 to 15, respectively. Recently, however, PER has dropped more sharply than ROE, which also decreased, with PBR remaining at 0.9 to 1.3. I regard the failure to communicate our equity story to the market as one of the causal factors for these results. In the current medium-term management plan, in response to these issues, we set measures for (1) the enhancement of the value chain (VC) business, (2) our own business expansion in the Americas and for (3) the expansion of revenue in the mining business as priority measures to be implemented to ensure the stability and growth potential of our revenue.

Moreover, we position the provision of our innovative LANDCROS solution to customers as a pillar for our unique value creation process. LANDCROS is an initiative to develop a new revenue creation model through the advancement of our machine technologies, the enhancement of our digital platform and the building of open partnerships. The advancement of the VC business through the expansion of LANDCROS will help create a virtuous cycle of increasing the stability of our business portfolio, lowering the cost of equity and WACC, and expanding our equity spread and improving PER. To this end, in the next MTMP, we will set the KPIs that are based on the LANDCROS concept and can be shared both within and outside the company to show the progress we have made to achieve growth, thereby enhancing the relationships of trust with shareholders and investors.

Strategies to Implement Capital Productivity Boosting Measures

In its "BUILDING THE FUTURE 2025" medium-term management plan, the Hitachi Construction Machinery Group has set four core strategies along with some quantitative key performance indicators (KPIs) related to capital productivity and ESG issues with the aim of achieving growth as a true solutions provider. For the steady implementation of this management plan, I am promoting the Group's financial and capital policies for its medium- to long-term growth as

the Group's CFO, while appropriately identifying the opportunities and risks posed to it.

In FY2024, which was the second year of the current medium-term management plan, demand for hydraulic excavators dropped in regions including North America, Western Europe and Japan causing global market demand to fall by 1% year on year to 221,000 units, which marked the third annual decrease in a row. This market situation had a certain impact on our sales revenue by region. However, despite this severe business environment, we made steady achievements in our three key focus businesses. In particular, the VC business share of our total sales revenue increased by four percentage points to 43% year on year due to growth in the rental and spare parts and services businesses. Through our own business expansion in the Americas, we posted sales revenue of 210.2 billion yen, although a slight decrease year on year. The mining business share of our total sales revenue remained flat at 21% relative to FY2023. As a result, concerning our Group's capital productivity, ROIC came to 7.5% (9.8% for FY2023) and ROE to 10.4% (13.1% for FY2023), but we were able to retain a small increase in equity spread.

Evaluation of the ROIC Tree, Reduction of the Cost of Equity

For the fundamental improvement of our capital efficiency, we started to use an ROIC tree in FY2024 to clarify our relevant improvement targets and monitor the progress made toward the targets from the viewpoints of both investors and ourselves. Specifically, from the viewpoint of investors, we manage the progress with a focus on consolidated invested capital, and from our internal viewpoint, we manage it for each of our business units (BUs) based on their respective working capital and fixed assets.

The self-evaluation conducted using the ROIC tree has revealed the following facts: we need to meet certain challenges to increase sales revenue through our own business expansion in the Americas while also improving total asset turnover. At the same time, however, we have made steady progress for multiple indicators, as demonstrated by an increase in the VC business share of our total sales revenue, increase of the OCF margin, and the stabilization of the net

CFO Message

D/E ratio within an appropriate range. Also, for FY2024, we reduced structural reform-related costs by 3.3 billion yen year on year. Further, we have steadily reviewed our business portfolio, including selling Bradken's non-core business in North America. Moreover, we are successfully making progress with non-financial KPIs in line with the MTMP, such as CO₂ emissions reduction and DE&I. We have thus continued to make improvements both financially and non-financially. On a medium-term basis, we need to maintain net income attributable to owners of the parent at 100 billion yen or more in order to achieve an ROE of 12% with net assets amounting to about 800 billion yen.

We also regard reducing the cost of equity as an important target to achieve for higher capital efficiency. Our cost of equity and WACC are affected by the high β value, which means high stock price volatility and hinders us from reducing our capital cost. The causal factors for

the value include capital-related factors such as the low free float ratio. If, however, the VC business share of our total sales revenue further increases to stabilize our business performance, it will lead to the reduction of the risk premium and the cost of equity. I will work to stabilize our business performance and increase our capital efficiency to lead the creation of a virtuous cycle of decreasing WACC and increasing our corporate value from a financial aspect.

Working for Higher Profitability as the Next Theme

The biggest management challenge presently faced by our company is the need to reduce fixed costs. Our marginal profit ratio has remained at around 40%, but our fixed cost ratio has reached around 29%. For FY2024, our adjusted operating income ratio was 10.6%. A causal factor behind this was that we had boosted our production

capacity on the assumption that global demand for hydraulic excavators would expand, but the actual production quantity was lower than initially expected, making it difficult to offset the higher fixed costs. Our depreciation-to-sales revenue ratio is high at slightly more than 6%, and we aim to lower it to less than 6% by keeping the amount spent on existing businesses and the regular renewal of current equipment within the annual depreciation limit, while making strict investment decisions for new businesses. I also want to reduce our personnel cost from the current 12% level to the 10% level by changing it to proportional cost, thereby reducing our fixed cost ratio to around 25% eventually.

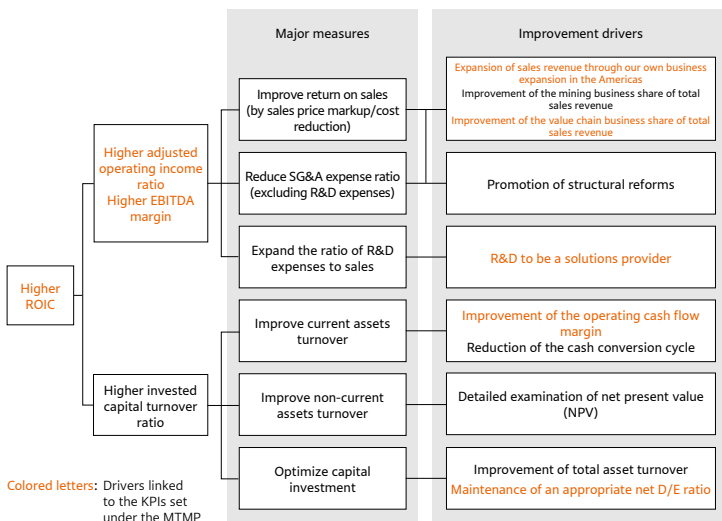
We also plan to further improve our marginal profit ratio while reducing fixed costs. For FY2025, the VC business share of our total sales will reach 48% and will further expand on a medium-term basis relative to our competitors. For example, the asset-light LANDCROS-based solution will help increase our marginal profit ratio going forward.

As for external factors, the impact of U.S. tariff measures on our products shipped in FY2025 will be 8.6 billion yen, which we will mainly deal with by price pass-through and also by enhancing the rental business and fostering cost reduction. Through these measures we aim to achieve an adjusted operating income ratio of 13% or more in the medium term, for which I will lead the implementation of financial measures for greater profitability.

Change in Cash Allocation

The Hitachi Construction Machinery Group allocates one-third of the cash it generates to each of the following three as its basic policy: (1) investment in the maintenance & enhancement of existing businesses; (2) strategic growth investment; and (3) improvement of the financial structure and shareholder returns. However, if the net D/E ratio drops to below 0.5, we will increase the cash allocated to shareholder returns. In fact, we have a favorable financial structure and will continue to allocate cash in a strategic and flexible manner for the

ROIC Tree-Based Evaluation (Forecast for FY2024 to FY2025)



Major KPI	Unit	FY2023 results	FY2024 results	Outlook for FY2025 (as of the end of July 2025)
Net sales gained through our own business expansion in the Americas	Billions of yen	217.5	210.2	207.5
Mining business share of total sales revenue	%	21	21	21
Value chain business share of total sales revenue	%	39	43	48
Promotion of structural reforms	(FY2023 to FY2024) • Structural reforms for business in China and Japan • Spin-off of a non-core business and consolidation of bases in the specialized parts and services business segment			
Ratio of R&D expenses to sales	%	2.2	2.7	3 or higher
Operating cash flow margin	%	5.2	10.5	11 or higher
Cash conversion cycle	Number of days	187	184	182 or below
Detailed examination of net present value (NPV)	Examination of NPV by project to improve non-current assets turnover			
Total asset turnover	Times	0.81	0.76	0.77
Net D/E ratio	%	0.57	0.48	0.45 or below

CFO Message

maximization of our capital efficiency and shareholder value.

Expansion of OCF Generation Ability and the Qualitative Change of Cash Allocation

In our financial and capital strategies, I regard the qualitative change of cash allocation as a symbol of the Hitachi Construction Machinery Group's reform. During the period of two years under our current medium-term management plan, OCF reached 217 billion yen, having more than doubled relative to the target set in the previous medium-term management plan. This improvement is attributable to an increase in funds from operations (FFO: cash flow from operations before changes in working capital), specifically to the enhancement of the profitability of the core business, and also to the improvement of working capital. Based on close cooperation between management and the sales and production departments, Hitachi Construction Machinery continuously assesses its inventory and accounts receivable for strict management of working capital. We will continue to manage working capital in a careful manner, limiting the number of days that it takes for us to collect cash from accounts receivable and inventory assets to 100 days and 120 days, respectively, as a guideline. On the other hand, operating assets for lease increased due to the expansion of rental assets in the U.S., which is a strategic market for us, and the increase has been putting pressure on our cash flow since the period of the previous medium-term management plan. The expansion of the rental business could also cause a decrease in ROIC, and so we are expanding the business while carefully keeping the balance in focus.

These measures implemented to expand our OCF led to the reduction of net interest-bearing debt and the enhancement of our financial structure. Further, we raised funds totaling 68.2 billion yen through sustainable finance, including concluding a positive impact finance agreement and issuing a green bond to raise 10 billion yen, thereby strengthening our fund-raising foundation for sustainable growth.

Changes in Investment Targets and Shift to Growth Fields

We have also experienced substantial quantitative and qualitative changes in cash outflow. Cash flow from investing activities, which was 81.8 billion

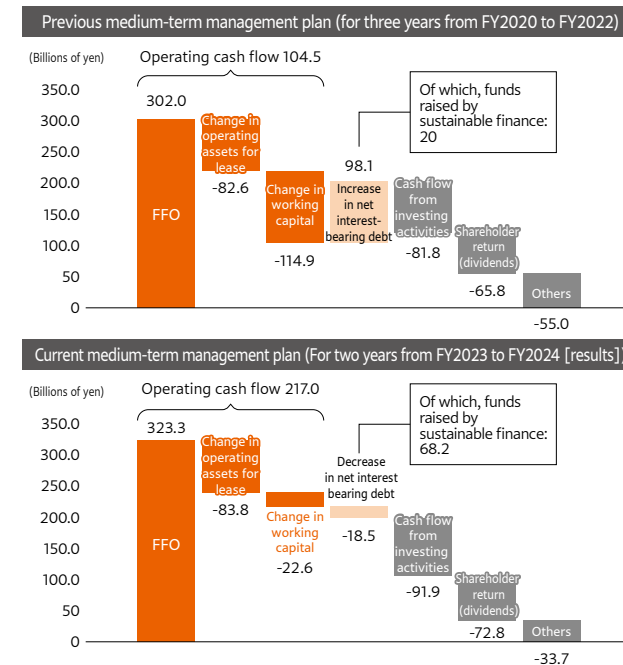
yen under the previous medium-term management plan, reached 91.9 billion yen during the period of two years under the current medium-term management plan. Eventually, it will expand to 140 billion to 150 billion yen. Further, the investment targets have greatly changed. Under the previous management plan, we mainly invested in our domestic plants and Bradken to maintain and enhance our current business, while limiting growth investments. However, under the current plan, we are substantially expanding growth investments, while limiting the investment to maintain and enhance the current businesses. We are planning to raise the proportion of growth investments to about 50% of our total investment amount. We have already been making investments to grasp global growth opportunities, including investing to acquire the assets of Brake Supply in North America, introducing mill liner production equipment in Peru, and establishing a company to serve as our South and Central American regional headquarters in Chile. Our growth investments also include investment in Hitachi Construction Truck Manufacturing in Canada, which is expected to help enhance our mining business. For the establishment of manufacturing facilities in the Americas, we will make a strategic decision during the next medium-term management plan period, based on the precondition that we will achieve sales revenue of 300 billion yen or more by expanding our business on our own in the region.

Policy on Shareholder Returns and Future Outlook

The Hitachi Construction Machinery Group regards it as one of its most important financial policies to ensure stable and continuous shareholder returns toward the maximization of its shareholder value. As the basic shareholder return policy, we are proactively paying dividends in consideration of the business environment by setting our consolidated dividend payout ratio at 30% to 40%. For FY2024, we increased the dividend per share by 25 yen to 175 yen, and our consolidated dividend payout ratio reached 45.7%. Also, for FY2025, we plan to pay 175 yen per share and will continue to attribute importance to shareholder returns under the next MTMP, while giving consideration to our business performance and cash generation ability. Under the current MTMP, the amount of shareholder returns will total around 110 billion yen, up about 70% from the level under the previous MTMP. For net D/E ratio, 0.4 or below is ideal for

us, but if it is below 0.5, we will work to ensure the flexibility of our capital policies and the improvement of our shareholder value while considering a further increase in shareholder returns.

Cash Allocation (Comparison between Current and Previous MTMPs)



Operating cash flow doubled during the period of two years under the current MTMP relative to the result under the previous three-year MTMP. This was due to the effective suppression of increase in working capital.

Interest-bearing debt also decreased, and the amount of dividends paid to shareholders during the period of two years is more than the amount paid during the period of three years under the previous MTMP.

Special Feature — Discussion on the Progress of Transformation and the Future Direction of Management —

Independent Outside Director Roundtable Discussion



The Hitachi Construction Machinery Group has positioned the period from 2022—when it started its own business development in the Americas and implemented the change in its capital structure—as a period of “second founding,” and it has been accelerating business transformation under the medium-term management plan, “BUILDING THE FUTURE 2025.” To achieve this transformation successfully, appropriate advice and oversight by independent outside directors are essential. For this roundtable, we invited Professor Nana Otsuki from the Graduate School of Management, Nagoya University of Commerce & Business as facilitator, who was joined by five of our outside directors to exchange views on the progress of the company’s transformation to date and the future direction of business management.

1 Masaaki Ito, Independent Outside Director

2 Toshiko Oka, Independent Outside Director
(Chair of the Audit Committee)

3 Kazushige Okuhara, Independent Outside Director
(Chair of the Nominating Committee and Chair of the Compensation Committee)

4 Nana Otsuki, Professor at Graduate School of Management, Nagoya University of Commerce & Business

5 Kiyomi Kikuchi, Independent Outside Director

6 Joseph P. Schmelzeis, Jr., Independent Outside Director

Nana Otsuki, Professor at Graduate School of Management, Nagoya University of Commerce & Business

Professor Otsuki engaged in research on financial systems at both domestic and international financial institutions and rating agencies. When she worked at a foreign-owned securities firm, she served as a banking sector analyst and earned high recognition from global investors. She has held positions as an outside director and statutory auditor of listed companies and served as a member of councils and committees under the Ministry of Finance, the Financial Services Agency, and the Cabinet Office.

Change in Shareholder Composition and Progress of Transformation

Otsuki: 2025 is the final year of the company’s first medium-term management plan following the change of its major shareholder, which we have positioned as our “second founding.” In July 2024, during the medium-term management plan period, a new concept called “LANDCROS” was also announced. From your perspective as outside directors, what are your views on the progress of transformation and the impact of the change of major shareholder?

Okuhara: In light of the change in the capital relationship and of the fact that it started to conduct business on its own in the Americas, the company has been conveying the message of “second founding” to all stakeholders. Breaking away from being a listed subsidiary, the company has established an environment where it can fully leverage its

Special Feature

— Discussion on the Progress of Transformation and the Future Direction of Management —

strengths. What the company needs now is agile business management, including the restructuring of the Americas business. Also, the company needs to accelerate its efforts to become psychologically independent from its former parent company. In other words, the company needs to “stand on its own.”

Oka: The company has transitioned from being a listed subsidiary to an equity-method affiliate and has gained a new major shareholder. When the company was a listed subsidiary, I felt there were many instances where the company was too dependent on the parent company. Now that it has broken free from that situation, the management needs to make decisions that are best for the company, while of course considering the interests of the new shareholder.

Structural Changes in the External Environment and Business Strategies

Otsuki: It seems that the Trump tariffs and the response measures taken by various countries are accelerating the deglobalization of the world economy. What are the potential impacts of these structural changes on the company's medium- to long-term business strategies?

Schmelzeis: Japanese manufacturers, including the company, are now facing three types of headwinds. The first is foreign exchange rates. The recent trend of yen depreciation is showing signs of stabilization. The second is the uncertainty over the U.S. economy. A slowdown in the U.S. economy will inevitably affect the construction equipment market. The third is the U.S. tariff policy. Since the company's business strategies are centered around its growth in the U.S. market, it needs to drive business model transformation and outperform its competitors in this harsh external environment. Just as Software Defined Vehicles (SDVs) are gaining attention in the automobile industry, I believe software will be a true source of competi-

tive advantage in the construction equipment industry as well.

Kikuchi: The external environment will continue to change in the future. Rather than responding to individual issues each time, it is important to develop a clear long-term strategy and build a solid foundation that can withstand headwinds. The company should not remain on the defensive. Instead, I hope the company will proactively seize opportunities and act decisively in line with its long-term strategy. As a newly appointed director, I intend to closely monitor the progress.

Okuhara: The company has the Kenkijin Spirit of not being afraid of taking on challenges. It also has a history of pioneering untapped markets where even trading companies did not venture. Now that the company is no longer a listed subsidiary and has greater autonomy in management, not only its ability to formulate strategies but also the ability to execute them is being put to the test. I hope that the company will be able to demonstrate the Kenkijin Spirit to present its renewed identity.

Oka: When the yen reached its historical high against the dollar, the company's export ratio was relatively low, therefore it seemed somewhat less resilient to the appreciation of yen compared to other export companies. Over the past five years, there were tailwinds of yen depreciation, however, going forward, the company needs to strengthen its corporate “core” so that it will be able to withstand a certain level of yen appreciation.

Kikuchi: Because the company cannot directly control exchange rates, I sometimes feel that there is a sense of giving up on taking countermeasures, however, I believe the company should thoroughly consider specific measures from a risk management perspective.

M&A and the Decision-Making Process

Otsuki: In terms of making decisions on taking proactive actions

such as on investments and M&A, which will determine the future direction of the company's business, what kind of discussions are taking place in Board of Directors meetings?

Oka: Information is shared and discussions take place prior to adopting resolutions, however, there are some issues. First, proposals tend to overly focus on the internal perspective, and lack comprehensive, rational explanations that take into account the competitive environment. Second, financial explanations often focus more on the perspective of debt providers and lack sufficient focus on the perspective of equity investors. Third, there is a lack of adequate checks and balances when proposals are discussed by the executive side before they are presented to the Board of Directors. If we are not provided with sufficient information, we have no choice but to keep requesting more information until we are satisfied.

Ito: Although explanations for important investment projects are provided in advance, presentation materials used in Board of Directors meetings are often repurposed from those used in executive committees, which makes the discussions prone to micromanagement. Ideally, we need to have information that gives a bird's-eye view, including how a project aligns with the company's long-term strategy and business portfolio transformation, how risks and opportunities are analyzed, and the feasibility of PMI. Also, it would be valuable if the minutes of executive meetings were shared as part of the reference materials.

Non-Financial Information and Corporate Value Creation

Otsuki: How do you see the relationship between non-financial KPIs and the process of creating medium- to long-term value? Also, how will achieving each of the non-financial KPIs lead to enhancing corporate value?

Special Feature

— Discussion on the Progress of Transformation and the Future Direction of Management —



Schmelzeis: As a statutory requirement, the Board of Directors must accurately understand and approve financial information, which takes considerable time. Nevertheless, because financial information mainly focuses on the past, discussions tend to be backward-looking. On the other hand, non-financial information is forward-looking, which gives us room to have discussions from the perspective of how the information aligns with the company's strategies. Going forward, I will continue to encourage the executive side to share more non-financial information.

Oka: If someone asks us which KPIs are most important for the company, we can promptly provide relevant financial metrics, however, with non-financial KPIs, some ambiguity remains. The portion of PBR exceeding 1x is essentially a reflection that the company's non-financial value has been recognized. To enhance the company's non-financial value based on its long-term strategy, we need to further clarify which KPIs should be prioritized.

Otsuki: How does the Board of Directors discuss and monitor the

promotion of sustainability? Some materiality KPIs are included as ESG evaluation items and are linked to performance-based compensation for executive officers. How are these KPIs evaluated in the Compensation Committee?

Okuhara: In the company's executive compensation design, we increased the performance-linked portion while incorporating non-financial items as performance measures. In addition to setting quantitative targets, qualitative ESG goals are incorporated into the Management by Objectives (MBO) targets of each executive officer. These are key factors considered by the Compensation Committee in determining the amounts of compensation, and we believe they are effectively functioning as incentives.

Ito: While incorporation of ESG evaluation items is effective, there is still room for improvement in terms of monitoring. For example, there are issues such as the qualitative goals of each executive officer not being shared, or interim numerical targets not being shared although targets for the final year of the medium-term plan have been set. We have been informed that these issues will be addressed and improved.

Human Capital Investment and Monitoring

Otsuki: The topics of human capital investment and enabling employees to thrive were also featured in last year's Integrated Report, indicating that the company places a high priority on them. On the other hand, quantitative targets related to human capital remain relatively limited. How does the Board of Directors monitor the value creation process of human capital?

Oka: We are interested in not only the progress of materiality KPIs but also employees' motivation. This cannot be fully measured by numbers, so we ask the executive side questions, including how they see things in the workplace.

Okuhara: Frequent topics discussed at Board of Directors meetings include appointing female managers and building an HR evaluation system that includes overseas group companies. The company is committed to ensuring diversity; however, it is equally important to appoint younger employees to take on important roles and select future management candidates. Achieving a "second founding" and independence requires younger employees to take on challenges, however, mechanisms to support them are still insufficient. One of the roles of the Nominating Committee is to have in-depth discussions on this matter.

Kikuchi: As a newly appointed director who has only attended two Board of Directors meetings, my impression is that most of the reports focus on financial information, particularly P/L. For human capital investment, it would be valuable to receive reports on how HR initiatives are linked to engagement surveys, as well as the progress in fostering an ideal corporate culture, and to have discussions based on such reports.



Special Feature

— Discussion on the Progress of Transformation and the Future Direction of Management —

**Strengthening of Governance and
Consideration for Minority Shareholders****Otsuki:** In your view, what is the mission of outside directors?**Also, could you share your thoughts on relationships with major shareholders and protecting the rights of minority shareholders?****Okuhara:** To be honest, as an independent outside director representing minority shareholders, I have encountered situations where communication becomes difficult when other outside directors represent certain shareholders. However, improving business performance by strengthening the ability to earn profits is a common expectation of all shareholders. We aim to accelerate decision making toward achieving greater goals while incorporating diverse opinions.**Schmelzeis:** I would like to share an anecdote. I once asked an airline pilot whether he felt fear when holding the control stick with hundreds of lives depending on him. He replied, “Whether flying a jumbo jet or a small plane, the basics are the same. Protecting yourself

comes first.” Since I am also a minority shareholder of the company, I believe protecting myself will ultimately lead to protecting the interests of all shareholders, and I express my views with that in mind.

Oka: Looking ahead, one of the challenges we will face as independent outside directors is when the shareholder composition becomes more fluid. Major shareholders seeking to exit will likely focus on maximizing short-term shareholder value, while we pursue long-term corporate value. There, conflicts of interest may arise. Whenever that moment comes, we will be put to the test as independent outside directors.**Kikuchi:** I believe the mission of outside directors is to monitor business management by the executive side and contribute to maximizing corporate value. In that sense, while major shareholders and minority shareholders may differ in position, the direction they are aiming is probably the same. To ensure proper monitoring, the company needs to clearly present its long-term strategies to achieve its vision to internal and external stakeholders. I also believe it is important for the company to equitably distribute the fruit of such strategies to stakeholders.**Ito:** I believe one of my important roles is to ensure equity in the exercise of shareholder rights. If the shareholder composition changes in the future, frankly, it may be somewhat a challenging task to come up with ways to achieve this while taking into account the wishes of major shareholders.**Diversity of the Board of Directors and
Operation of Committees****Otsuki:** Evaluation of the effectiveness of the Board of the Directors conducted two years ago highlighted the issue of “rationalizing the skill matrix, selecting and appointing directors with the required expertise, and selecting candidates for future**director positions.” What kind of discussions are taking place for improvement?****Okuhara:** In the Nominating Committee, we are discussing clarification of the skill matrix derived from the management strategy, and a systematic candidate selection process. While we have assessed that the current composition of the Board of Directors has reached a certain level in terms of independence and diversity of skills, we want to clearly define what the company’s Board of Directors should be like with a forward-looking perspective.**Oka:** The skills required of directors include both basic skills expected of all directors and specialized skills the team should have as a whole. I believe clarifying both of these skills will be a premise for achieving systematic succession.**Otsuki:** Hitachi Construction Machinery is a company with a nominating committee, etc., and many of the directors concurrently serve as members of the Audit Committee, Nominating Committee, and Compensation Committee. Does this pose any challenges to the activities of the committees, and how heavy is the burden?

Special Feature

— Discussion on the Progress of Transformation and the Future Direction of Management —



Oka: I believe having all outside directors concurrently serve on all committees was based on the idea of valuing their independence. However, it makes it difficult to schedule meetings, and if there are too many members, responsibility may become blurred. Therefore, I recommended minimizing concurrent duties as much as possible and limiting the number of members of each committee to two or three.

Kikuchi: I agree. I am no longer a member of the Compensation Committee, but outside directors concurrently serving on all committees is not a common practice in other companies. Especially when discussing reappointment or non-reappointment of management members in the Nominating Committee, I feel that it is difficult to reach conclusions unless the committee is comprised of a small number of members.

Separation of Execution and Oversight, and Dialogue with Capital Markets

Otsuki: Currently, the Chairman and Executive Officer concurrently serves as the Chair of the Board of Directors. As outside

officers, what do you think are the advantages and challenges of this arrangement in terms of governance?

Ito: I serve as the chair of the board of directors in a non-executive position at another company, and I feel it is somewhat difficult to separate execution and oversight when a CEO concurrently serves as the chair of the board of directors. I see it as one of the steps in the transitional phase of shareholder composition.

Schmelzeis: Although we are in a transitional phase, I believe execution and oversight should essentially be separated. It may not be an appropriate example, but I feel the “parent who gives birth” and the “parent who raises” do not have to be the same.

Otsuki: What role should outside directors play in communication with the capital markets? And how do you capture the voices of investors?

Okuhara: In the current transitional phase of shareholder composition, I believe there are certain constraints on independent officers having direct dialogue with institutional shareholders. However, through roundtables like this, we can share our perspectives.

Oka: So far, we have not received requests for dialogue, but I see this as a necessary step in the future. I met with institutional investors as an outside director in the past, and there were situations where I thought it would have been better if questions for the management and questions for outside officers were targeted in a more organized manner.

Ito: It seems that some institutional investors request for meetings simply because they have been asked by asset owners to “have dialogue.” I would like them to clarify the purpose of meeting outside officers, and the questions they want to ask. I see this as part of a process of mutual maturing.

Schmelzeis: The Board of Directors receive regular reports on investors’ feedback collected through IR activities. I place strong importance on the voices of shareholders and investors. Another key communication approach is the stock price. Market movements

reflect various messages, and I want to interpret them as accurately as possible.

Kikuchi: Japanese buy-side analysts, etc. tend not to voice criticism as directly as overseas institutional investors, so if taken at face value, companies may end up not capturing negative feedback from the market. Therefore, I believe IR strategies are extremely important, such as properly capturing market voices and applying them to business management, as well as carefully selecting which investors to make an approach to. I hope to contribute to such efforts by leveraging my experience.

Otsuki: In today’s roundtable, I felt your strong enthusiasm for the company’s future and strong determination to carry out the transformation. Breaking away from the status of a listed subsidiary is only the starting point for a new growth trajectory. I sincerely hope the company will continue to take on bold challenges, hone the strengths it has gained, and continue to create value that exceeds market expectations.



03

Global Business Expansion/Growth Strategy by Region

- POINT 1.** Global market trends and the Hitachi Construction Machinery Group's solutions
- POINT 2.** Steady growth and new challenges in the Americas business
- POINT 3.** Issues faced in each region and strategies to deal with them

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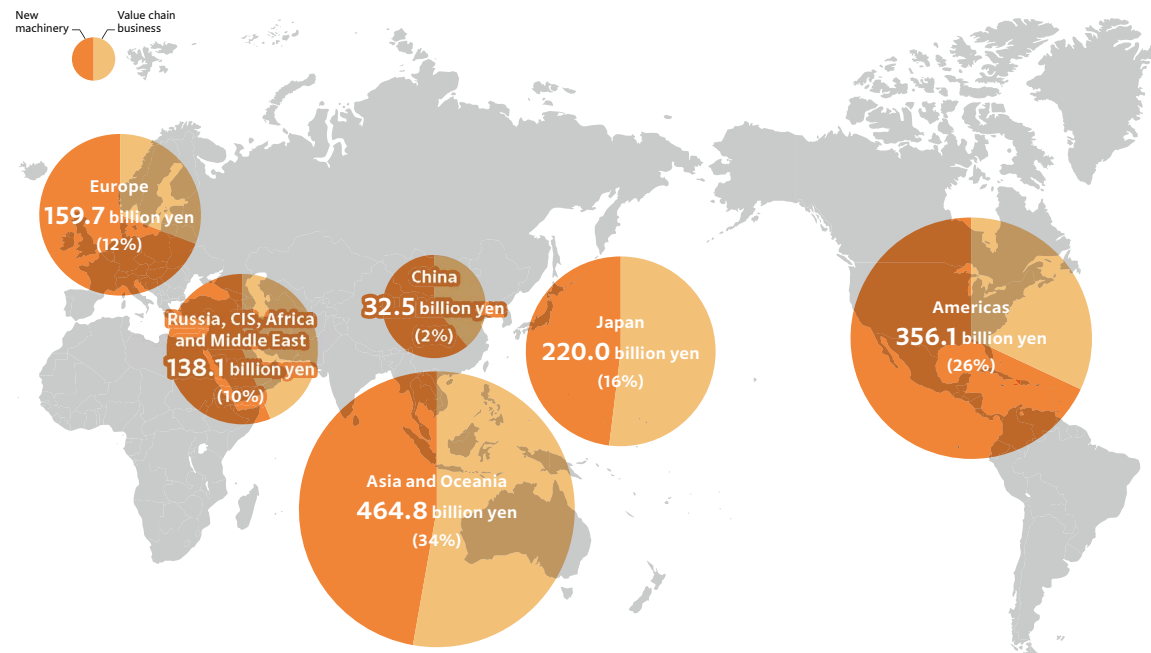
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Global Business Expansion

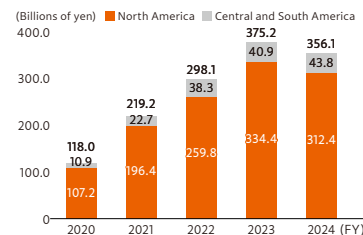
Hitachi Construction Machinery is globally developing, manufacturing and selling hydraulic excavators and other construction machines and providing related services around the world. We are implementing business strategies in consideration of the needs of local customers in each region. The proportion of overseas sales revenue to our total sales revenue was 84% for FY2024.

Sales Revenue for FY2024 (Composition)

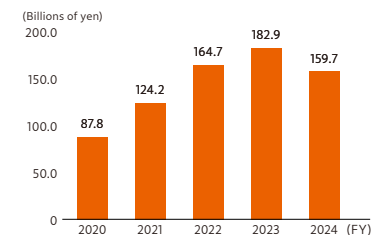


Sales Revenue by Region

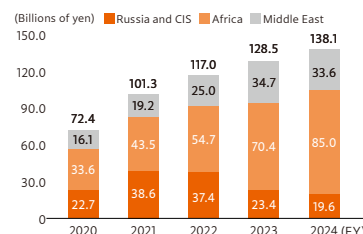
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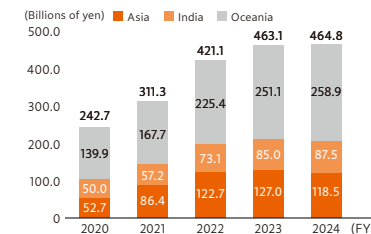
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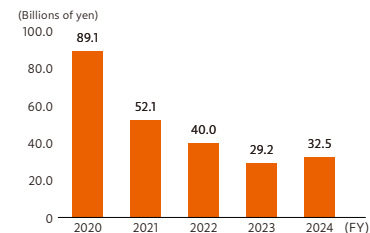
Russia, CIS, Africa and Middle East



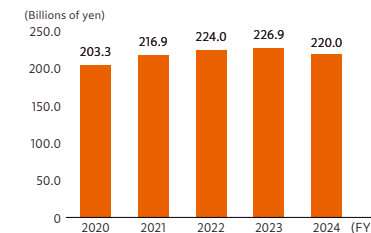
Asia and Oceania



China



Japan



Message from the President of Global Marketing Group

We will globally meet the requests of customers under the new “LANDCROS” concept.



Executive Officer
President of Global Marketing Group
President of Rental & Used Equipment
Business Unit
Tooru Takatani

I am Tooru Takatani. I became President of the Global Marketing Group in April 2025. I joined Hitachi Construction Machinery 29 years ago, and since then have worked in the production department for a total of 26 years and also worked as an expatriate in the Netherlands and India, so this is my first time to be in charge of sales strategies. However, since I am new to this field, I believe I can create new value by fostering innovations from a perspective that is different from that of sales personnel.

Market Trends and Growth Strategies

Demand for hydraulic excavators has been decreasing in the global market and there are also serious risks caused by the U.S. tariff measures and so on. These issues are making it difficult for us to be optimistic about the market environment. However, the Hitachi Construction Machinery Group still aims to boost both its sales revenue and operating income under these circumstances. We regard expanding our business on our own in the Americas, which we started in FY2022, as one of our strategic mainstays. We have steadily

increased our share in the hydraulic excavator market from 5% in FY2023 to 7% in FY2024 and aim to reach 10% in FY2025, although it is a very ambitious target. Toward this goal, we will embrace challenges with a refreshed determination.

We aim to boost our market share and business performance in the European market as well as in the Americas. To this end, we are deepening collaboration with local dealers who are close to local customers and building a system to flexibly respond to the specifications required by customers. I am convinced that these efforts will bear fruit in and after FY2025.

We are also developing economy models as another strategic mainstay. In addition to high-performance premium models, we have started to export two economy model hydraulic excavators and one economy model backhoe loader, all of which were developed and produced in India. We started to sell these three highly cost-competitive and reliable models successfully in Southeast Asia and are also beginning to sell them in the Middle East and Africa. Indeed, it gives greatest pleasure to local staff to receive positive responses directly from local customers. We will continue to sell new machines and increase our contact points with customer, thereby gaining more profit from the value chain business, including the parts and services business.

Progress toward the Medium-term Management Plan

The Hitachi Construction Machinery Group upholds, “Growing as a true solutions provider by delivering innovative solutions” in its medium-term management plan. I define “solutions” in this context to mean “solutions for all kinds of problems faced by customers, not only those related to equipment but also to software.” Issues faced by customers differ by region, but our basic attitude of carefully listening to customers to provide them with optimal solutions remains

the same across the globe.

We had long been offering solutions to customers in consideration of their needs, but two years ago we conducted a survey to check to what extent we had been able to meet their needs through these solutions. This survey revealed that we would need to have a team composed of some 100,000 people to solve each of the hundreds of problems faced by customers. In response, we created the new “LANDCROS” concept. LAND means land, which we refer to in our vision statement and CROS stands for “Customer Reliable Open Solutions.” This concept implies our commitment to helping customers solve their problems by making proactive use of open resources beyond the framework of our company.

The LANDCROS Connect, which made its debut at the bauma 2025 trade fair in Europe, is a solution developed by using open resources to help customers increase their on-site operational efficiency. Through agile development, we have accumulated successful examples in the early adopter market toward the prompt provision of solutions. LANDCROS Connect serves as a hub to widely and structurally connect the advantages that we can offer to customers and enables customers to centrally manage their assets. I am sure that it will be extensively used by customers across the globe very soon and would like you to look forward to seeing us add new LANDCROS solutions.

In the process of giving shape to this concept, I was able to clarify the path that we should follow to achieve growth hand in hand with our partners. By making use of the feature of our business unit system, which enables us to manage each business throughout its supply chain from upstream to downstream sections in an integrated manner, we will meet the needs of our customers even more speedily, with our development and design staff receiving feedback directly from customers. We will continue to evolve from being a manufacturer of competitive products to a company that can also offer a range of solutions. Please look forward to the further growth of Hitachi Construction Machinery.

Growth Strategy by Region

Americas



Business Strategies and Progress

Steady Growth of the Americas Business

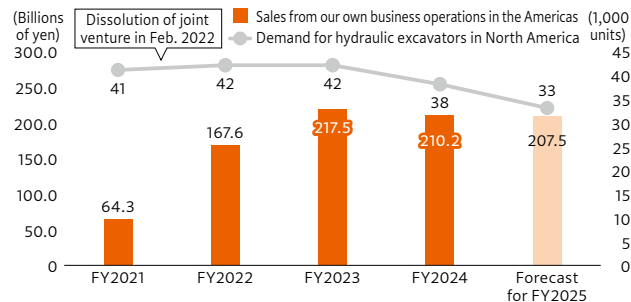
In 2022, Hitachi Construction Machinery embarked on expanding its business on its own in the Americas as a “challenger” in the local market. Subsequently, we boosted our local sales in the construction, mining and specialized parts and services (SPS) businesses and recorded total sales of 210.2 billion yen for FY2024, which was almost triple the amount that we initially gained from our own business operations in the region. In the Americas, we provide local customers with completed machines manufactured in Japan through Hitachi Construction Machinery Americas and its dealer network. Also, in this region, we offer a variety of services and solutions centered around ConSite to local customers, while the dealers of Hitachi Construction Machinery Americas support these customers through the provision of spare parts and conventional customer services.

In the Americas, Hitachi Construction Machinery has already become recognized as a reliable market leader, mostly because of the product appeal of its hydraulic excavators. However, before we start-

<ul style="list-style-type: none"> Direct access to North, Central and South American markets 	<ul style="list-style-type: none"> Need to shorten the lead time from production to delivery
Strengths	Weaknesses (Issues)
Opportunities	Risks
<ul style="list-style-type: none"> Growth in share of the North American market Growth in demand for construction machinery in Central and South America 	<ul style="list-style-type: none"> Increase in purchase costs due to progressive yen appreciation Impact of U.S. tariff measures

ed to expand our business on our own in the region, the local supply of Hitachi Construction Machinery-branded products had been limited, and so when starting we were determined to work from scratch to build trust in the brand under the banner of the Reliable Orange color. Subsequently, however, our brand recognition in the market turned out to be greater than expected, which we view as a testament to the trust we have gained from local customers since we first started to conduct business in the Americas in the 1980s. We will continue to embrace challenges to earn even more trust from local customers.

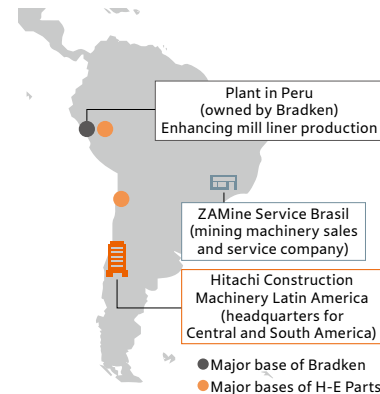
Sales from Our Own Business Operations in the Americas
(as of July 31, 2025)



Enhancement of Business Foundation in Central and South America

For Hitachi Construction Machinery, Central and South America represents an almost new market, where we started to enhance our business foundation on a full scale in 2022. Central and South America accounts for 23% of global demand for mining dump trucks in terms of the cumulative rate for the period from 2010 to 2024. Within this region, Chile and Peru are blessed with mineral resources, such as copper, iron ore and gold, and account for more than 50% of local demand for mining machines. In response, the Hitachi Construction Machinery Group established Hitachi Construction Machinery Latin America SpA in Chile as its headquarters for Central and South America. Also, in Brazil, we established ZAMine Service Brasil LTDA jointly with Marubeni Corporation as a sales and service company for mining machinery. We are able to quickly respond to the needs of our local dealers and customers through this company, for which we have already received favorable feedback locally. However, we are almost a new entrant in the local mining machinery market, where we will work for full-scale entry with a focus on our mining excavators, which are highly evaluated across the world.

At the same time, in the SPS business, we will enhance mill liner production at Bradken and expand the two major bases of H-E Parts, thereby further boosting our revenue.



Americas

Topic Value chain activity (1)

Beginning Operation of the Salt Lake City Parts Warehouse as a Base to Supply Service Parts to Western North America

We started to operate the Salt Lake City Parts Warehouse in September 2024 to strengthen our service parts supply system in the Americas. Service parts for construction and mining machinery must be supplied to customers in a rapid and reliable manner to help them maintain stable machinery operation. The Hitachi Construction Machinery Group began operation of the Jackson Parts Warehouse and McDonough Parts Warehouse in the suburbs of Atlanta in the state of Georgia in the United States in 2022 to supply service parts to regions all over the Americas including Canada and Central and South America. Now, however, from the Salt Lake City Parts Warehouse, we can deliver service parts more speedily to our dealers and customers located in western North America, shortening the delivery lead time by approximately one to three days for service parts shipped to dealers in the US states of Utah and Alaska, the Canadian province of Alberta and others. At this new warehouse we will store 30,000 different parts for the time being and ship around 500 orders per day. Going forward, we plan to expand the operation of this warehouse through further enhancement of equipment and systems.



Service parts warehouse completed in Salt Lake City in the state of Utah

Topic Value chain activity (2)

H-E Parts Acquires Brake Supply's Mining Machinery Component Remanufacturing Business

H-E Parts, which is a major Hitachi Construction Machinery Group company, acquired Brake Supply's mining machinery component remanufacturing business in December 2024. This acquisition has enabled H-E Parts to make effective use of Brake Supply's remanufacturing bases, parts warehouses and human resources in North America to enhance the structure of its remanufacturing business in the Americas.

H-E Parts provides comprehensive solutions for mining operations, including the maintenance and repair of mining machinery and equipment, as well as parts fabrication and component remanufacturing to meet customer needs. The company is expanding its business globally, with a primary focus on Australia and the Americas. Brake Supply's business activities include the remanufacturing of components for mining excavators and dump trucks, such as cylinders, fluid power components, wet brakes, and final drives. More than 90% of Brake Supply's sales are in North America, where the company has five remanufacturing bases, five parts warehouses, and engineering human resources. Since there is little overlap between H-E Parts bases and Brake Supply's bases in terms of their locations, H-E Parts will be able to expand its service network quickly and efficiently through the acquisition for further expansion of its business in the Americas.



Brake Supply's remanufacturing base in Evansville, Indiana

Voice of Regional General Manager

Enhancing the Business Foundation for Parts and Services, Finance and Others for Further Growth

Senior Vice President and Executive Officer,
General Manager of America Business Div.
Chairman and CEO of Hitachi Construction Machinery Americas Inc.
Hidehiko Matsui



We made a fresh start in the Americas business in March 2022, and in FY2023, we could achieve substantial business growth in the region, where market demand increased following the end of the COVID-19 pandemic. In FY2024, however, local demand decreased by 9% year on year partially due to stubbornly high interest rates, and this forced our dealers to adjust their inventories, although our share in the local retail market of hydraulic excavators, which represent our core product, increased. In FY2025 we will provide customers with solutions that meet their needs, such as our ConSite-based support service that can help customers reduce their overall costs, thereby increasing our brand value.

In the United States, there are many dealers who handle the products of our competitors in addition to ours. Also, captive finance companies play an important role in the local market. These factors result in a different business environment than found in other regions. Accordingly, Hitachi Construction Machinery Americas is providing its customers with various high-value-added services through ZAXIS Finance, which was established jointly by ITOCHU, Tokyo Century and Hitachi Construction Machinery. Also, in response to the remarkable growth of the rental business in the country, we are promoting the re-rental of special specification machines by ACME Lift Company, which is one of our group companies, to our local dealers and wide-area rental companies, thereby expanding the scope of our business.

For further expansion of our business in Central and South America, we established Hitachi Construction Machinery Latin America SpA in April 2025. Back in March of the same year we founded ZAMine Service Brasil LTDA in Brazil jointly with Marubeni Corporation as a sales and service company for mining machinery. Through this local company, we will expand our mining business in the region by combining the business know-how accumulated by Marubeni with Hitachi Construction Machinery's high-quality services.

Europe



LANDCROS One exhibited at bauma 2025

Business Strategies and Progress

Soaring to New Heights toward a New Age for the European Business

Hitachi Construction Machinery (Europe) has strategically repositioned itself to address the evolving demands of the EMEA market since its establishment in 1972. Recognizing the fundamental shift from traditional equipment ownership to usage-based models, we have embraced a comprehensive transformation that aligns with growing environmental consciousness and sustainability requirements. The company has moved beyond its traditional role as an equipment supplier to become a strategic partner, focusing on delivering end-to-end solutions throughout entire construction project lifecycles. Central to our progress in the region is the systematic integration of the LANDCROS concept across all operational facets, representing a holistic approach to construction machinery solutions. By embedding LANDCROS principles throughout its operations, we

● New customer-centric strategy and sales operations	● Restriction on distribution and marketing opportunities
Strengths	Weaknesses (Issues)
Opportunities	Risks
● Additional value from providing solutions tailored to individual customers	● Market and geopolitical uncertainty

demonstrate its commitment to innovation and customer-centric service delivery, ensuring its competitive advantage in the increasingly sophisticated EMEA(Europe, Middle East, Africa) construction machinery market.

At bauma 2025 in Munich, we showcased the first LANDCROS Concept solutions, marking a significant milestone in the company’s evolution. LANDCROS One, the centerpiece exhibition, represents our vision for a smarter, safer, and more sustainable construction future. We also displayed nine zero-emissions excavators, including a debut 30-ton hydrogen-fueled model with autonomous driving demonstration, along with our ConSite digital solutions and remanufactured parts.



Autonomous driving demonstration featuring the ZE135 14-ton battery-powered excavator

Voice of Regional General Manager

Closer to Our Customers.
Committed to Our Future.



General Manager of EMEA Business Div.
Chairman of Hitachi Construction Machinery (Europe) N.V.
Francesco Quaranta

I am proud to say that 2024 marked the beginning of a bold new era for Hitachi Construction Machinery in the EMEA region. It was a year of transformation in which we laid the foundations for a future that is more agile, more responsive, and above all, more customer centric, while building a competitive and responsive product portfolio, enriched with factory-fitted, customized solutions that meet the specific needs of the European market. Our base in Amsterdam is now serving as the Hitachi Construction Machinery European Customization Center for EMEA, a hub where reliability from Japan meets innovations tailored to European customer needs. This new strategy requires a cultural and operational transformation. We are repositioning our sales and marketing efforts in close cooperation with our trusted distribution partners. Together, we are embracing a new model of partnership where we listen, adapt and co-create with our customers. Moreover, we are working to increase investment in marketing, reduce lead times, establish a parts and service delivery system that provides high customer satisfaction, promote digitalization for faster decision making, and upskill our teams through investment in our people.

The year 2025 will be our year of building, putting down the structural foundations of a stronger, more resilient organization, and incorporating customer-driven thinking into our operating model. Further, from 2026, we will enter the phase of diligent execution, bringing to life a new era of partnership, performance and innovation that will redefine the construction equipment industry in Europe. The future is not something we wait for. It is something we build. We will build it hand in hand with our customers, employees, dealers and other stakeholders.

Russia, CIS, Africa and Middle East



Business Strategies and Progress

CIS: Expanding the Supply of High-Reliability Mining Machinery

In the CIS market, Eurasian Machinery, a Hitachi Construction Machinery Group dealer in Central Asia, has established solid sales and service networks mainly for mining equipment. Driven by progress in the development of the abundant underground resources in the region, we expect that demand for mining machines will continue to increase. However, given its great distance from Hitachi Construction Machinery Group's global production bases, we are facing the challenge of building an efficient logistics system. Also, in recent years, Chinese manufacturers have been aggressively entering the CIS market. Nonetheless, we will continue to maintain and strengthen our market competitiveness by supplying highly reliable machines. In FY2024, we focused on the sales promotion of dump trucks in Uzbekistan and as a result received orders for a total of 10 EH3500 machines for use in copper mining. Moreover, we were able to take the top market share in the local construction machinery market, where our share was limited in the past.

Africa: Conducting an Ultra-Large Full Battery Dump Truck Demonstration Test

In Africa, we are increasing our market presence for mining machines mainly in the Southern Africa region. Demand for copper, driven by the decarbonization trend, has been increasing the number of mining projects in this region, and it is expected that more equipment investment will be made in the Copper Belt zone, including Zambia and the Democratic Republic of the Congo (DRC). In FY2024, we delivered products to multiple large-order customers in the DRC, Zambia and South Africa, which boosted our local sales revenue by over 20%. In line with an increase in the number of machines in operation, we expanded our remanufacturing center in Zambia in July 2025. The electrification of machines has also been promoted at mining sites and we started to conduct an ultra-large full battery dump truck demonstration test at a mining site in Zambia in June 2024. We subsequently started to conduct a running test in 2025 and proceeded to phase 2 of the project, in which we are checking the changes that have occurred to the batteries used in our machines that have been operated for some years. We will make use of the findings from the demonstration test to take further steps forward for commercialization of the truck in FY2027.

Middle East: Product Strategy Responding to Diversified Needs

In the Middle East, environment-related business opportunities are expanding, including those related to the introduction of renewable energy. Digitalization is also rapidly progressing in the region, and further economic growth led by a young population is expected. Hitachi Construction Machinery Middle East is enhancing its core products, namely hydraulic excavators and wheel loaders, while implementing a product strategy to maximize the value provided by its products and services. We will focus on the sale of backhoe loaders made by Tata Hitachi, which are highly evaluated in the market, on the package sale of a hydraulic excavator and a hydraulic breaker, and on the electrification of hydraulic excavators. We are also focusing on the sale of drilling equipment for mining exploration, for which we have acquired the right to act as a sales agent. For services, we are working to spread the use of oil certified by our company to contribute to the reduction of customers' life cycle costs.

CIS

<ul style="list-style-type: none"> ● Solid sales and service networks mainly built for mining equipment 	<ul style="list-style-type: none"> ● Need to build a logistics system that covers Central Asia
Strengths	Weaknesses (Issues)
Opportunities	Risks
<ul style="list-style-type: none"> ● Growing demand for mining equipment 	<ul style="list-style-type: none"> ● Penetration of neighboring Chinese brands

Africa

<ul style="list-style-type: none"> ● Remanufacturing business of Hitachi Construction Machinery Zambia 	<ul style="list-style-type: none"> ● Lineup of construction equipment
Strengths	Weaknesses (Issues)
Opportunities	Risks
<ul style="list-style-type: none"> ● Increase in demand driven by the input of capital from outside the region ● Acceleration of measures to reduce GHG emissions at mining sites 	<ul style="list-style-type: none"> ● Political situation, foreign exchange risk and foreign exchange reserves, delayed infrastructure building

Middle East

<ul style="list-style-type: none"> ● Multi-sourcing and presence in the mining industry, provision of solutions with partners 	<ul style="list-style-type: none"> ● Finance and rental businesses
Strengths	Weaknesses (Issues)
Opportunities	Risks
<ul style="list-style-type: none"> ● Provision of hydraulic excavators and backhoe loaders made by Tata Hitachi ● Electrification of hydraulic excavators 	<ul style="list-style-type: none"> ● Unstable political and economic situation in the Middle East, high distribution costs

Russia, CIS, Africa and Middle East

Voice of Regional General Manager (CIS)

Grasping the Opportunities Provided by the Expanding Demand in Central Asian Countries



General Manager of Russia & CIS Business Div.
President of LLC Hitachi Construction Machinery Eurasia
Atsuo Hashimoto

Central Asian countries, including Kazakhstan, Uzbekistan and Kyrgyz Republic, are blessed with extensive underground resources such as oil, gas and minerals and are also achieving remarkable economic growth. In these countries, where the development of resources has been strongly promoted in recent years, Hitachi Construction Machinery has been supplying mining excavators and dump trucks, which are its core products, through Eurasian Machinery, one of its affiliates. Also, in the region, we have been continuously focusing on after-sale service to maintain high operating rates for our products, which has helped us win even more trust from local customers. Further, local demand for our products is expanding for use in civil engineering in addition to mining. In 2025, a national irrigation project is planned to be implemented against the shortage of water in the southern part of Kazakhstan, which will help accelerate the sale of our products.

In addition, we have been pursuing the sustainability of our products by measures such as remanufacturing dump trucks and certifying our existing repair bases as parts remanufacturing centers. Local customers in Kazakhstan are increasing their interest in self-driving technologies and full electrification. We will make a ceaseless effort to help customers solve their problems and take the top spot in the local market.

Products made by Chinese and Korean companies are also sold in the market and pose a threat to us. In response we will work to boost our position in the market by demonstrating the Hitachi Construction Machinery Group's ability to meet customer needs, in addition to maintaining the robust after-sale service system that we have built to date.

Voice of Regional General Manager (Africa)

Enhancing Global Collaboration to Increase Our Market Presence



General Manager of Africa Business Div.
President of Hitachi Construction Machinery Africa (Pty.) Ltd.
Toshiya Hasemi

We have a range of concerns in conducting business in African countries, including political and economic instability, vulnerable financial systems and underdeveloped logistics infrastructure, unfair business practices and public security. However, there are active foreign investments in the countries, which have abundant mineral resources and growing markets. In particular, local demand for mining and construction machines is expanding thanks to the implementation of mining, civil engineering and construction projects funded by Chinese or Indian capital. However, it is not easy for us to win orders under such projects only through the traditional sales activities conducted by our local dealers. We will therefore enhance global collaboration to build a seamless support system for their sales activities, including activities in the countries where fund providers are located, and for their services provided at the sites where our machines are operated, thereby increasing our presence in the African market.

Also, we aim to expand our value chain business to solidify our management foundation to make it more risk-resistant to ensure the stability and sustainability of our businesses. In particular, we completed the delivery of large orders for mining equipment between FY2023 and FY2024 and are leveraging these orders to drive the substantial growth of revenue and to secure stable earnings from the parts and services business over the next 10 years. We will win more orders for new machines through attentive on-site support for these machines and the maintenance of their high operation rates.

Also, at mining sites in Africa, the awareness of the need to reduce greenhouse gas emissions has been raised among related parties. In response, in addition to making traditional proposals for the use of electrified hydraulic excavators and trolley-type dump trucks, for which we have a proven track record, we will also supply products developed by incorporating new innovative technologies, thereby establishing our position as a solutions provider in the market.

Voice of Regional General Manager (Middle East)

Appropriately Responding to the Needs of Customers Capitalizing on the Diversity of Our Human Resources



President of Hitachi Construction Machinery
Middle East Corp. FZE
Norio Hisatomi

Hitachi Construction Machinery Middle East has its head office in Dubai, the U.A.E. and a base in Istanbul, Turkey to conduct marketing, sales and after-sales service activities and provide solutions in the Middle East, East Africa and Turkey. Its service area includes 30 countries, stretching from Pakistan in the east to Libya in the west, and Tanzania in the south to Turkey in the north. We are thus conducting business in the most dynamic market in the world. We have been delivering optimal solutions to customers while making flexible and speedy responses to them. We are not afraid of changes and regard challenges as opportunities for a range of success. In May 2025 we participated in a trade fair held in Lebanon, and started to conduct business in the Somaliland and Yemen markets, while also beginning to provide Hitachi Construction Machinery services in South Sudan.

We are dealing with backhoe loaders made by Tata Hitachi Construction Machinery and also attachments, soft terrain excavators, and drilling equipment for mining exploration. We are also remodeling diesel engine-powered hydraulic excavators into electric machines in our effort to proactively offer new solutions. We are aiming to expand our market share by creating life-cycle solutions for the machines, their parts and after-sale services.

Hitachi Construction Machinery Middle East is composed of employees of various nationalities, and their diversity provides us with a strength. With these employees taking different views, having various ideas and diverse experiences, we can understand our customers more deeply to appropriately identify their diverse needs. We aim to become a true solutions provider by capitalizing on our organizational strength and by creating new solutions.

Asia and Oceania



Business Strategies and Progress

Asia: Launching Two-Model Line Strategy in Southeast Asia

Hitachi Construction Machinery’s hydraulic excavators are highly rated in Southeast Asia for their durability and quality at heavy-workload civil engineering, agricultural, forestry and mining sites. To meet the increasing local demand for these high-quality products, we started to input the ZAXIS-7G series of medium- and large-sized hydraulic excavators into the Southeast Asian market in February 2024 and launched the mass production of 120-ton class ultra-large hydraulic excavators in Indonesia.

Further, in order to meet the diversified needs of the local market by providing both high-performance premium models and cost-competitive economy models, we started to sell economy models made by Tata Hitachi Construction Machinery in India, specifically, two hydraulic excavator models and one backhoe loader model in January 2025. We will work to promote the sales of these reasonably priced and highly reliable models by optimizing their specifications for the Southeast Asian market.

In Indonesia, Malaysia, Thailand, the Philippines, Vietnam and other re-

gions where the ConSite solution is widely adopted, we will promptly supply high-quality remanufactured parts to contribute to the stable operation of our customers’ machines and the reduction of their life cycle costs.

India: Holding onto the Top Market Share While Strengthening the Business Foundation

India is a rapidly growing market that is excellent in production cost competitiveness. It is also a vibrant market in terms of marketing activities. In this country, Hitachi Construction Machinery’s hydraulic excavators are sold via Tata Hitachi Construction Machinery and maintaining the top share in the local market. We have a strong customer base and engage with customers through marketing and promotional activities, which helps us maintain the top market share.

Moreover, to enhance the Hitachi Construction Machinery Group’s product development capabilities, we established the Hitachi Construction Machinery Development Center India in January 2025. We plan to launch the operation of this organization, which will develop and design construction machines, within FY2026, locally employing around 200 developers and designers to engage in mechanical engineering and IT fields.

Oceania: Enhancing Investment in the Value Chain Business

Oceania is a core market for our mining business and one where we have maintained a high level of profitability. The regional headquarters is managed mainly by local personnel, who collect the opinions of local customers and share them with their counterparts in Japan. The on-site expertise gained in Australia is also utilized for our global mining business.

Iron ore and copper mines need to be operated stably 24 hours a day, 365 days a year. In our value chain business, we help our customers in the mining sector operate their machines without interruption as a key to their success. To this end, we are taking on the challenge of reducing the burdens imposed on machine operators, increasing on-site safety and productivity, delivering products and support services that contribute to higher fuel efficiency, and developing solutions such as an autonomous driving system.

Asia	
● Development, production, sales and service system under the direct control of the manufacturer	● Need to build a system to respond to the intensification of market competition
Strengths	Weaknesses (Issues)
Opportunities	Risks
● Introduction of construction machines made by Tata Hitachi Construction Machinery	● Participation in the market by Chinese manufacturers
● Increased demand for high-quality machines and services	

India	
● Strong brand recognition, reliable products	● Long product development lead time
● Wide range of products and service options	
Strengths	Weaknesses (Issues)
Opportunities	Risks
● Strong emphasis on infrastructure development by the Indian government	● Fierce competition mainly with Chinese manufacturers
● Strong demand from the mining segment	● Shortage of skilled workers

Oceania	
● Business model that matches market needs	● Cost down pressures in the mining sector due to commodity prices
● Staff’s capability, knowledge, agility and resilience	
Strengths	Weaknesses (Issues)
Opportunities	Risks
● Greater momentum for collaboration with external partners	● Sustained cost down pressure from customers
	● Emerging competitors

Asia and Oceania

Voice of Regional General Manager (Asia)

Meeting Customers' Expectations Based on a Localized Sales and Service System

General Manager of Asia Business Div.
CEO and Director of PT Hexindo
Adiperkasa Tbk (Indonesia)
Yasumasa Zaizen



The Asian region is expected to achieve strong growth in FY2025, propelled by the expansion of infrastructure investment, progress of urbanization, enhanced focus on renewable energy, and the introduction of digital technologies. PT Hexindo Adiperkasa Tbk has manufacturing facilities in Indonesia to develop and manufacture the products that are fitted for use in Southeast Asia, which is featured by hot and humid climate and rugged topography. Our highly durable products, which boast high operation rates, are earning much trust from customers across Asia. In particular for machines used in palm plantations and forests, for which durability is much needed, our products are highly evaluated and taking a large share in the cost-conscious market.

We have been implementing a localized sales and service system to promptly provide local customers with maintenance service and parts via the network of our sales companies and dealers operating in each country. We have been expanding the lineup of the products that we handle for the establishment of a one-stop service system to meet the various needs of customers, thereby differentiating ourselves from other companies and enhancing our competitiveness. In addition, by offering solutions such as the ConSite solution using ICT and IoT technology, we are helping customers perform preventive maintenance on their machines by remotely monitoring the operation of their fleet. Demand for such digital solutions is expanding not only in Singapore and other metropolitan areas but also in places distant from cities, giving us an advantage in the market.

We are also supplying highly competitive agricultural and forestry machines in addition to construction machinery. In the market that covers multiple industrial fields, we will release models with excellent environmental performance as well as economy models made by Tata Hitachi Construction Machinery while enhancing measures in the rental and used equipment business, thereby building even stronger relationships of trust with customers to build the foundation for continuous growth.

Voice of Regional General Manager (India)

Achieving Strong Growth in Both Machine Sales and Value Chain Business

Executive Officer
General Manager of India Business Div. and
President & Director of Tata Hitachi Construction
Machinery Company Private Limited
Sandeep Singh



In FY2025-2026, we anticipate a stable market for hydraulic excavators and a decline in the wheel loaders segment, primarily due to the transition to BS5 emission norms. Chinese manufacturers remain aggressive. Against this backdrop, at Tata Hitachi, we are implementing several countermeasures with a focused and strategic approach. For example, we are upgrading models to meet evolving market needs. In FY2024, we introduced several new models including ZX38U, NX50, NX80, EX210 Infra, EX350 and ZX490 to expand our market share. We are also strengthening relationships with key accounts to drive repeat sales and service revenue, supported by our Full Maintenance Contracts and Authorized Service Centers.

On the exports front, we expect significant growth. We have seeded machines like the BX100 Backhoe Loader and EX200 Excavators in South-east Asian markets such as Vietnam, Thailand, Malaysia and Indonesia. The initial feedback has been encouraging, and we anticipate a healthy volume of orders from these regions.

Our Project Rebound initiative, launched over the past two years, has been successful in reducing manufacturing costs. We are now extending this initiative to other functions such as Sales, Marketing and Logistics to drive greater cost optimization. Overall, we are confident of achieving strong growth in both machine sales and value chain business in FY2025-2026.

Voice of Regional General Manager (Oceania)

Continuously Striving to Be the Supplier of Choice in Collaboration with Partners

Executive Officer
General Manager of Oceania Business Div. and
President & Director of Hitachi Construction Machinery
Oceania Pty., Ltd., President & Director of Hitachi
Construction Machinery Australia Pty., Ltd.

Ray Kitic



Whilst there has been a reduction in the demand for construction equipment in Oceania across the last 2 years, demand has stabilised. The demand for mining equipment remains stable and we continue to achieve the leading market share for mining excavators. Our business model is robust and agile and adjusts quickly to changing market conditions. Underpinning our resilience and success is the key focus on value chain. Our value chain ratios have continuously exceeded 50% for over a decade, and in FY2024 we achieved 58%.

Our focus in Oceania includes collaboration with key Hitachi Construction Machinery business units such as H-E Parts and Bradken. This strategy strengthens our offerings to our key customers and simplifies the manner in which business is conducted. To be the supplier of choice we must offer quality products with competitive commercial solutions and also ensure there is an ease to doing business with us.

Changing economic conditions have shifted the needs of our customer base. For mining customers, we have seen a shift to an even more flexible supply structure. We have been a pioneer in the region for providing solutions in the mining sector. In collaboration with key Japanese partners including Marubeni, we continue to strive to be the supplier of choice and remain focused on driving further efficiencies within our business.

The Oceania business model, leadership and capability ensure that we are robust enough to endure the rigours of a changing environment. We have confronted and conquered adversity at each and every stage across many years. We are proud of the capability of our committed staff and are sharing our vast knowledge with our stakeholders to support and expedite global Hitachi Construction Machinery success.

China



Business Strategies and Progress

Embracing Challenges with Highly Durable and Reliable Products, Driven by Demand for Large Hydraulic Excavators

Economic slowdown in China, including the real estate slump, has had a serious impact on local demand for construction machinery. Demand for hydraulic excavators has been sluggish since FY2021, and both domestic and foreign manufacturers have suffered a substantial decline in sales of these machines. We saw signs of recovery in FY2024, but it will take some time for the full recovery of demand. On the other hand, local Chinese manufacturers are increasing their presence in the market, and competition will be further intensified even when the real estate slump bottoms out. Accordingly, we will continue to be faced with difficulties.

In the Chinese market, however, our construction machines designed for agriculture, forestry and mining have received considerable recognition. Accordingly, we are developing sales strategies with

- Prompt response to the market by the regional headquarters
- Long-standing production bases and supplier network

Strengths

Opportunities

- Steady demand for large construction machinery and mining equipment
- Demand for electric machines, remote-controllable/automated machines and autonomous operation at mining sites

- Differentiation from Chinese manufacturers

Weaknesses (Issues)

Risks

- Prolonged real estate recession

a focus on large hydraulic excavators for mining, for which customers require high functionality, durability and reliability. I think it is of utmost importance for us to continue to serve our loyal customers attentively and provide them with products that can repay their trust.



Exhibited at the 4th Changsha International Construction Equipment Exhibition (held in Changsha, China in May 2025)



Tsunetaka Mori giving a speech at the opening ceremony

Voice of Regional General Manager

Enhancing Our Ability to Respond to Market Needs with a Focus on Safety, Environment and Efficiency

General Manager of China Business Div.
Representative in China, Chairman of Hitachi Construction Machinery (China) Co., Ltd.
Chairman of Hitachi Construction Machinery Distribution (China) Co., Ltd.
Tsunetaka Mori



In China, demand for hydraulic excavators, including those made by domestic manufacturers, is expected to increase by 10% year on year in 2025. This year is the final year of the Chinese government's 14th five-year plan, and the central government is proactively implementing fiscal and financial initiatives to encourage local governments to invest in infrastructure, farmland improvement and industrial development. Although it will take some more time for the recovery of the real property market, growth is expected for farmland improvement, infrastructure investment and the development of mines. In order to capture recovering demand for construction machines in China, Hitachi Construction Machinery Distribution (China), which is our sales base located in Shanghai, is enhancing its sales ability, ability to propose solutions, measures to deal with the central government and state-owned companies, and support for excellent dealers. Also, local Chinese manufacturers are proactively expanding their business overseas, aiming to manufacture and sell more products to make more profit by using their surplus production capacity in their home country. In particular, they are increasingly expanding their business into countries covered by the Belt and Road Initiative. In the market of machines used at mining and construction sites, where safety, environmental consideration and efficiency are required, companies are competing with advanced technologies required for green transformation, digital transformation and smart operation to further improve the quality of their products and enhance their ability to respond to market needs. At Hitachi Construction Machinery (China), which is our development and production base located in Hefei, capital of Anhui Province, we are making effective use of our highly competitive local supply chain to sell the products manufactured at this base within China and also to ship its products to our bases in other countries.

In the Chinese market, our large-sized machines are selected by customers in recognition of their outstanding quality and excellent durability. We will strengthen these product features and also promote measures for further electrification of our machines by making effective use of the local procurement network in China, which is the world's leading EV-producing country.

Japan



Business Strategies and Progress

Accelerating Unique Innovation First in the Japanese Market

According to a report on the global demand outlook for hydraulic excavators, demand has remained flat or slightly decreasing in Japan, one of the most important markets for the Hitachi Construction Machinery Group in terms of brand presence. We are based in Japan, and have a high market share and a strong market base including direct connection with long-term customers in the country.

However, Japan is faced with issues such as a decreasing birth-rate, aging society, declining population, depopulation in rural areas, aged infrastructure and the increased frequency of natural disasters ahead of other developed countries. Our customers in the Japanese market are also facing a range of issues at their construction sites, and we are developing our abilities to help them address such issues.

In July 2024, Hitachi Construction Machinery announced its new

- Development, production, sales and service system directly managed by the manufacturer
- Established customer base and brand presence

Strengths

Opportunities

- Growing momentum for electrified and zero emissions machinery and for sharing economy

- Approach to solving worsening work site issues, including labor shortage and aging workforce

Weaknesses (Issues)

Risks

- Progressive yen depreciation, rising costs of raw materials and energy
- Curbed infrastructure investment

“LANDCROS” concept to demonstrate the Hitachi Construction Machinery Group’s commitment to delivering innovative solutions. To fulfill this commitment, we will openly get connected with the world to accelerate innovation in Japan, where the Group is headquartered and has developed various new technologies and solutions.



Ceremony to conclude a disaster cooperation agreement with Ichikawa City in Chiba Prefecture
(Left: Ko Tanaka, Mayor of Ichikawa City; Right: Seimei Toonishi, Executive Officer, CDIO, President of New Business Creation Unit, Hitachi Construction Machinery)

Voice of Regional General Manager

Increasing Corporate Value and Achieving Sustainable Growth Based on Strong Sales Ability and Diverse Solutions



General Manager of Japan Business Div.
President and Representative Director of Hitachi
Construction Machinery Japan Co., Ltd.
Kouichi Matsumura

In Japan, the monetary value of orders received from those making construction investment has been increasing partially due to the rise of costs. However, the total area of new construction sites has been declining due to the aging of society, decreasing birthrate and labor shortage, which is causing demand for hydraulic excavators to drop. In response to this situation, we are working to increase the efficiency of our sales activities and enhance our sales ability as well as our ability to make proposals to meet the needs of customers and thereby provide them with one-stop services. As for the value chain business, which is a key to our sustainable growth, sales revenue in the business has been continuously exceeding 50% of its total sales at the Japan Business Div. In particular in the highly profitable parts and services business, we are utilizing DX tools to receive more orders for maintenance service. We have established “Mobile lab” as a “mobile demonstration website” where visitors can have a hands-on experience of using the P-LINE system that enables machine operators to exchange an attachment on their machine while sitting at the operator’s seat for higher on-site productivity. For remote solutions, we will make more contributions to construction sites by promoting the introduction of remote-control functions.

For environmental protection, we will promote co-creation with customers and partner companies for the creation of a low-carbon society. We have already concluded disaster cooperation agreements with local governments across Japan. In 2024, we concluded an agreement on the provision of equipment in the event of a disaster including hydraulic excavators and movable charging equipment with the municipal government of Ichikawa City, where we have our ZERO EMISSION EV-LAB. Based on the agreement, we will collaborate with the city for recovery from a disaster by making use of the features of our equipment, which can be operated even at disaster-afflicted sites that lack electricity and fuel. Upholding “The first choice, always with you” as our vision, we will work for the sustainable growth of the company and further improvement of its corporate value.

04

Reinforcing Management Foundation to Gain More Earning Power

- POINT 1.** Optimizing our business structure by taking a customer-driven approach under the business unit system
- POINT 2.** Making effective use of advanced technologies to develop solutions
- POINT 3.** Integrating human capital strategy with management strategy
- POINT 4.** Roadmap to carbon neutrality/ Measures for biodiversity
- POINT 5.** Respecting human rights across the supply chain

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61-62 ---- Functionality of the Business Unit
63-66 ---- Technology Strategy/ CTO Message
67-69 ---- Human Capital Management

- Human Resource Development
- Occupational Safety and Health / Health Management

70-73 ---- Our Approach to Climate Change
74 ----- Working toward a Society in Harmony with Nature—
Addressing Biodiversity
75 ----- Human Rights/Supply Chains

Functionality of the Business Unit System

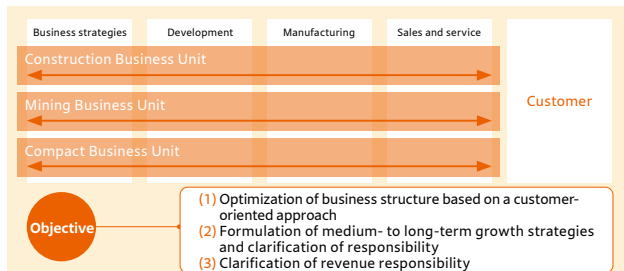
In order to optimize our business structure by taking a customer-driven approach, we introduced the business unit system in April 2022 and have been upgrading it ever since. The business units are promptly sharing customer feedback gained through the regional business divisions among the development, manufacturing and service departments to provide customers with even better products and services.

Under the business unit system, each business unit conducts business through an integrated process of development, manufacturing and after-sale servicing in response to the needs of its customers. Based on this system, through which customer feedback is directly communicated to manufacturing staff, we are speeding up the development of products and the solution of problems for the benefit of our customers.



Business Unit System Based on a Customer-driven Approach

Smoothly resolve issues confronting customers by taking a cross-departmental approach



Construction Business Unit

Hydraulic excavators: Operating weight of 10 t or less than 100 t
Wheel loaders: Engine output of 50 kW or higher

These machines are used for the development of large housing lots and the establishment/improvement of public infrastructure such as roads, railways and waterways. We provide a range of products to meet customer needs, including hybrid types for lower fuel consumption and ICT construction machinery.



Hydraulic excavator



Wheel loader



Compaction equipment

Strengths and features

- Newly established the Electric Products Development Center in April 2022 (presently Electric Products Development Department) toward zero emissions, and promoted measures to make construction machinery carbon neutral
- Has continued to develop applied products for more than 40 years, including machines with special specifications developed to meet diverse customer needs

Strategies and topics

- Promote sales in both developed and developing countries by continuously adding new products with improved digital functions to the existing product lineup
- Promote cooperation between the production and procurement departments of the regional business divisions for the expansion of global supply
- Enhance its own business expansion in the Americas and speed up activities to enter emerging markets including Central and South America

Mining Business Unit

Hydraulic excavators: Operating weight of 100 t or more
All rigid dump trucks

These machines are operated for 20 hours or more a day for the excavation and transportation of minerals at open-pit mines across the world. They offer the quality and performance required for long-hour operation in areas remote from cities.



Large and ultra-large hydraulic excavator



Rigid dump truck

Strengths and features

- Has been conducting operations since 2017, which was before the official launch of the business unit system
- By using the Fleet Management System (FMS), has been engaging in mixed fleet management (of dump trucks made by multiple manufacturers) at various mines
- Opened the AHS remote support center in Australia in April 2024 and established an around-the-clock remote but real-time monitoring support system for machines in operation

Strategies and topics

- Launched the world's first demonstration experiment of an engineless full electric rigid dump truck at a mining site of a customer in June 2024 for commercialization in FY2027 as a product differentiated for "net zero emissions mining"

Functionality of the Business Unit System

Compact Business Unit

Hydraulic excavators: Machine/operating weight of less than 10 t
Wheel loaders: Engine outputs of less than 50 kW

Our compact machines are used for civil engineering and demolition work in narrow spaces in urban environments as well as for snow removal, agriculture, forestry, landscaping and livestock farming, thereby helping customers meet their need for higher productivity.



Mini excavator



Mini wheel loader

Strengths and features

- The distinguishing feature of this business unit is that it focuses on the operation of Hitachi Construction Machinery Tierra Co., Ltd.
- In April 2023, the Business Strategy Department was established within the head office of Hitachi Construction Machinery to enable the business unit to formulate product strategies for Hitachi Construction Machinery Tierra and enhance collaboration with it.

Strategies and topics

- Aims to increase its global market share to at least 10% as a target for FY2030
- Plans to increase the number of retailers that offer its products within the current MTMP period while working on DX for retailing
- Has been promoting the development of electric construction machinery (newly developing a 2-ton class machine in collaboration with Dimaag-AI, Inc.)

Spare Parts & Service Business Unit

Strengths and features

- Provides the ConSite solution for the maintenance of machines, which contributes to the reduction of their life cycle costs and downtime. Develops status monitoring and information analysis tools and operation systems by using leading-edge remote maintenance technology
- Contributes to reducing the life cycle cost of each product by offering SELECTED PARTS and remanufactured parts in addition to genuine parts

Strategies and topics

- Positions the Banshu Works as the mother factory for the remanufacturing business and enhances collaboration with the overseas remanufacturing bases to enhance the ability to produce remanufacturing parts toward the establishment of a global production system for such parts
- As an initiative for a circular economy, promoted R&D to increase the remanufactured parts reuse rate. In addition to remanufacturing major parts, started to purchase submerged machines and used equipment in order to remanufacture the main bodies of machines by using remanufactured parts in each of the business regions

Rental & Used Equipment Business Unit

Strengths and features

- Promotes the utilization of rental and used equipment capitalizing on service quality that can be provided only by a manufacturer of the equipment and on the localized support system
- Provides sustainable solutions that make the reduction of environmental impact and economic achievement compatible

Strategies and topics

- Revitalizes the distribution of used equipment both within and outside the regions by building a central inventory management system for rental assets and used equipment within the Group
- Expands the wholesale rental business for dealers and independent rental companies in North America to increase the number of machines in operation

Power & Info Control Platform Business Unit

Strengths and features

- Is developing functions in a comprehensive manner as an organization that integrates the development and manufacture of hydraulic equipment, reduction gears, electric devices, electronic control systems and software
- A group of professionals who are working for the development of connected and digitalized construction machinery for the company

Strategies and topics

- Concluded a capital and business partnership agreement with Japanese IoT-related startup aptpod, Inc. in May 2023 to jointly develop a self-driving system as well as a system to remotely control construction machinery using digital twin technology, and developed a “real-time digital twin platform” that virtually reproduces what is going on at a construction site

New Business Creation Unit

Strengths and features

- Makes effective use of advanced technologies, services and other innovations to develop new businesses for customers in cooperation with partners, while fostering operational reforms

Strategies and topics

- Held the Hitachi Construction Machinery Challenge 2024 pitch event for global startups in November 2024, in which 127 companies participated. Then started collaboration with the selected startups to speed up innovation in the construction field. Will enhance measures also in the mining field going forward.
- Uses generative AI and other new technologies to reform operations and enhance the businesses of the business units by making use of in-house digital assets

Technology Strategy



Senior Vice President and Executive Officer, CTO
President of Research & Development Group
Itaru Nishizawa

CTO Message

We will further enhance our products and solutions and combine them with digital technologies to contribute to the solution of problems faced by customers and to the sustainability of our society, thereby embodying LANCDROS.

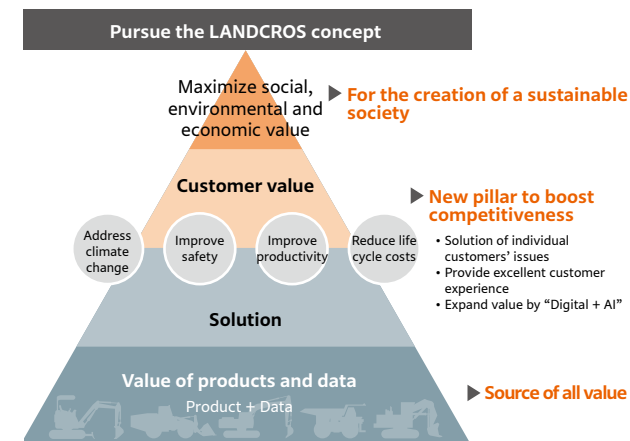
Becoming an Organization with the Industry's Top-Level R&D Capabilities to Deliver Solutions Using Leading-Edge Technologies

I am Itaru Nishizawa. I became Chief Technology Officer (CTO) of the Hitachi Construction Machinery Group in April 2025. By upholding LANCDROS as its new concept, the Group is working to enhance its capability to develop digital solutions that make maximum use of data, with an eye to transforming itself into a true solutions provider. I think I was appointed to be one of the members of the Group's new executive team, being expected to play the role of accelerating that transformation based on the expertise that I have gained by overseeing R&D projects on digital technologies, including those for data management and AI at Hitachi, Ltd. After joining Hitachi, Ltd. in 1996, my career involved many roles as a member of its Research & Development Group. In 2015, I took charge of co-creating new businesses with customers at the Digital Technology Innovation Center. Subsequently, I became General Manager of the Center for Digital Services in 2022 and CTO of the company in 2023. I have thus been engaged in the creation and implementation of innovation strategies throughout most of my business life. Now, as CTO of Hitachi Construction Machinery, I deem it my mission to deliver solutions using leading-edge technologies to customers, for which I am committed to leading the company to become an organization with the industry's top-level R&D capabilities.

In line with our R&D policy shown below, we will add solutions using digital and AI technologies to our product lineup (machinery) and their data, which give us a source of all value, thereby building a pillar

to boost our competitiveness and offering more value to our customers while maximizing our own social, environmental and economic value. Doing this will help us realize the LANCDROS concept.

Hitachi Construction Machinery's R&D Policy



Looking back on the technology history of Hitachi Construction Machinery, the company developed the UH03 as the first 100% Japanese technology hydraulic excavator 60 years ago. It is true that our strength lies in powerful machines equipped with hydraulic systems and control technologies, but now we also have strength in ConSite and other digital services. ConSite is a 24-hours-a-day,

Technology Strategy

365-days-a-year machine status monitoring system, which makes effective use of the data obtained from the targeted machines to analyze and diagnose their status to detect signs of failures at a higher rate for their stable operation and reduction of their life cycle costs. We also focus on digitalizing the entire construction process to improve the safety and productivity of construction sites. Our customers need to increase overall safety and productivity at their construction sites from the pre-construction to post-construction processes, in addition to improving the safety and productivity of their construction machines. In response, we will combine the optimal machines and solutions for individual customers to provide them with a one-stop service.

As for ICT construction based on the use of digital technologies, such as the 3D machine guidance system, many of our customers are still unaccustomed to it, so we are still only halfway through the popularization of this construction method. We are now supporting our customers in introducing ICT construction systems as a partner that works with them for the solution of their problems, attributing importance to the operability, functionality and display performance of the systems. Specifically, we developed an easy-to-see and easy-to-use 3D machine guidance monitor, an app that centrally manages related equipment and on-site information, and other innovative solutions. In order to respond promptly to the diversification of the challenges faced by our customers, we are conducting R&D on ICT construction technologies with agility. As for remote solutions, we added RBT Core Connect hydraulic excavators to the lineup of RBT series in August 2024. The Core Connect excavators can be connected to our customers' existing systems for smooth remote control and autonomous driving. To this end we have visualized the information about the excavators in an intelligible manner and also enhanced the machine & area control functions to cover the shortage of information incidental to remote operation, thereby helping our customers improve the working environment and safety at their construction sites. On the other hand, we have also been developing a new cockpit control system, which is a mainstream remote-control method, and exhibited the developed

system at CSPI-EXPO 2025 held in June 2025.

Moreover, at bauma 2025 held in Munich in April 2025, the world's largest international trade fair of construction and mining machines, we exhibited LANDCROS Connect as a system to centrally manage the machines in operation at construction sites, including machines made by other manufacturers. By introducing digital technologies and the power of data to construction sites, we will create new customer value and offer even more advanced services to our customers, which I think is the direction that Hitachi Construction Machinery should pursue toward the future.

Having a Bird's-Eye View of the Future Construction Machinery Business to Accelerate Hitachi Construction Machinery's Innovations

Our Business Units (BUs) sincerely listen to the voices of customers in line with the LANDCROS concept and work to provide them with solutions that will meet their on-site needs. On the other hand, based on the concept, the Research & Development Group is striving to create the technologies that will contribute to future construction sites from a medium-to long-term viewpoints, thereby leading the creation of value by the entire Hitachi Construction Machinery Group. The BUs and the Research & Development Group are collaborating in each business phase while playing their respective roles toward the maximization of the value that they can deliver to customers. They are thus working as one team based on the technology strategy roadmap articulated to keep consistency between (1) the customer needs identified by the BUs, including the future requirements to be met at the customers' construction sites and the technologies that Hitachi Construction Machinery should develop to meet the needs and (2) the seeds of technologies possessed by the Research & Development Group. Also, the BUs and the Research & Development Group will share the firmwide goals set in the roadmap. We update the technology strategy roadmap every year, and in the updating process

we check whether or not the development themes of the Research & Development Group and those of each BU are strategically aligned. For the maximization of the entire company's technology development capabilities, I will work for optimal personnel assignment and flexible job rotation and lead measures to help the BUs and the Research & Development Group deepen their mutual understanding and collaboration.

In order to clearly indicate our long-term technology vision in the roadmap, I started to build a portfolio of base technologies. It is of course important to foster on-site R&D in a bottom-up manner, but it would be difficult to enhance a specific technological field in a strategic and selective manner only by doing so. We need to set our R&D themes also from a top-down method by backcasting from a desirable future for us, thereby ensuring consistency between our technological strategies and actual development activities. In particular for hydraulic systems, which help ensure the high reliability and operability of our construction machines and represent our core technology, we are required to enhance the systems on a continual basis. Also, we need to proactively adopt digital technologies, especially in the sensing, AI, control and remote communication fields, which have been



Technology Strategy

rapidly advancing recently and which we regard as priority fields for us. Meanwhile, technologies are advancing with more diversity and speed, making it unrealistic for a single company to do everything on its own. Accordingly, in order to achieve quite challenging technological targets, I think it is necessary for us to actively collaborate in an open manner with startups and academic organizations that have leading-edge technologies that we lack, thereby fostering open innovation to gain the necessary technologies.

Identifying the Needs of Diverse Users in Depth for Five Advanced R&D Themes

Hitachi Construction Machinery is presently promoting R&D on the following five advanced themes: improve safety, improve productivity, reduce life cycle costs, address climate change, and foster globalization. All these five themes are important, and in order to take the next step for each of them, we need to make more specific R&D action plans based on the precondition that products and solutions be provided in an integrated manner. In order to meet this requirement, we are continuously collecting opinions from customers after providing them with solutions that help solve their problems and utilizing their feedback for the improvement of our technologies, products and solutions. We are also focusing on identifying new customer needs and potential customer value beyond making improvements through the activity. Moreover, for the future development of products and solutions from a wider perspective, it is essential for us to also collect opinions from users of our competitors' products and understand their needs in addition to listening to the voices of our existing customers. We are therefore making effective use of various opportunities, such as trade fairs, to collect opinions more widely from the industry and local users.

At CSPI-EXPO 2025 held in June 2025, we displayed the Solution Linkage Series as our ICT and IoT solutions to improve the safety and productivity and reduce the life cycle costs of construction machines; a hydraulic excavator equipped with our P-Line attachment changing

system; and a battery-powered hydraulic excavator designed for zero emissions at construction sites and portable charging equipment. These exhibits attracted much attention from visitors. In the mining field, we developed the LANDCROS Connect Insight solution by analyzing the operational data of mining machinery, which we had collected in almost real-time by remote monitoring of the machines. This solution has started to be utilized at mining sites of our customers across the world to increase on-site operational efficiency, including in Australia, Zambia, Chile and the United States.

For the theme of addressing climate change, we are speeding up measures for zero emissions at construction sites in cooperation with our customers and business partners. To this end, we started to sell three battery-powered excavator models: ZX55U-6EB (5-ton class), ZE85 (8-ton class) and ZE135 (13-ton class) along with portable charging equipment in Japan. We also showcased these three models at bauma 2025 and have received a very positive response from customers in the European market. What is important for the achievement of zero emissions is to deliver to construction sites both Hitachi Construction Machinery's products and the solutions developed by combining storage batteries and other related products with the products. For this, I think it is essential to collaborate with a greater number of partners in our development activities.

For the theme of fostering globalization, we are increasing the speed of releasing products at KTEG GmbH, which we established jointly with Kiesel Technology GmbH of Germany, for customers in the European market where there is demand for advanced machines, including electrified and ICT system-equipped machines. Also, in January 2025, we established Hitachi Construction Machinery Development Center India Private Limited as a consolidated subsidiary to engage in the design and development of construction machines tailored to meet the needs of emerging economies. In India, we will employ/develop about 200 developers and designers who are well versed in the fields of machine engineering and IT by FY2027, thereby speeding up our local development activities in the country.

Providing All Customers with Open Solutions beyond Market Boundaries

The world's construction machinery market will continue to grow with the advancement of technologies, but cost competition will become more intense in the market, where some product technologies have already reached the stage of maturity. In order to steadily achieve growth in such a business environment, we must develop innovative products in the growth sectors of the global market and also expand our business to include new domains. To this end, it is important for the management team to articulate a growth story for the future of the company and align its R&D policy with that story. Based on this recognition, we will further enhance the products and solutions that we have developed so far and combine AI and other digital technologies with them to help customers solve their issues and to contribute to the sustainability of our society. We will do this based on our LANDCROS concept. Providing customers with open solutions beyond market boundaries will surely add strength to Hitachi Construction Machinery.

To build the portfolio of base technologies that is necessary for us, we should consider expanding the scope of collaboration with external partners, including conducting joint research activities with academic organizations and participating in national projects, in addition to fostering open innovation initiatives through the Hitachi Construction Machinery Innovation Summit, Hitachi Construction Machinery Challenge 2024, ZERO EMISSION EV-LAB and the Kasumigaura Value Creation Hub. I regard it as one of my most important roles as CTO to build a technology ecosystem centering around Hitachi Construction Machinery and further raise the level of its technological development capabilities for greater corporate value. I will make all possible efforts to meet the expectations of our stakeholders in this regard.

Technology Strategy

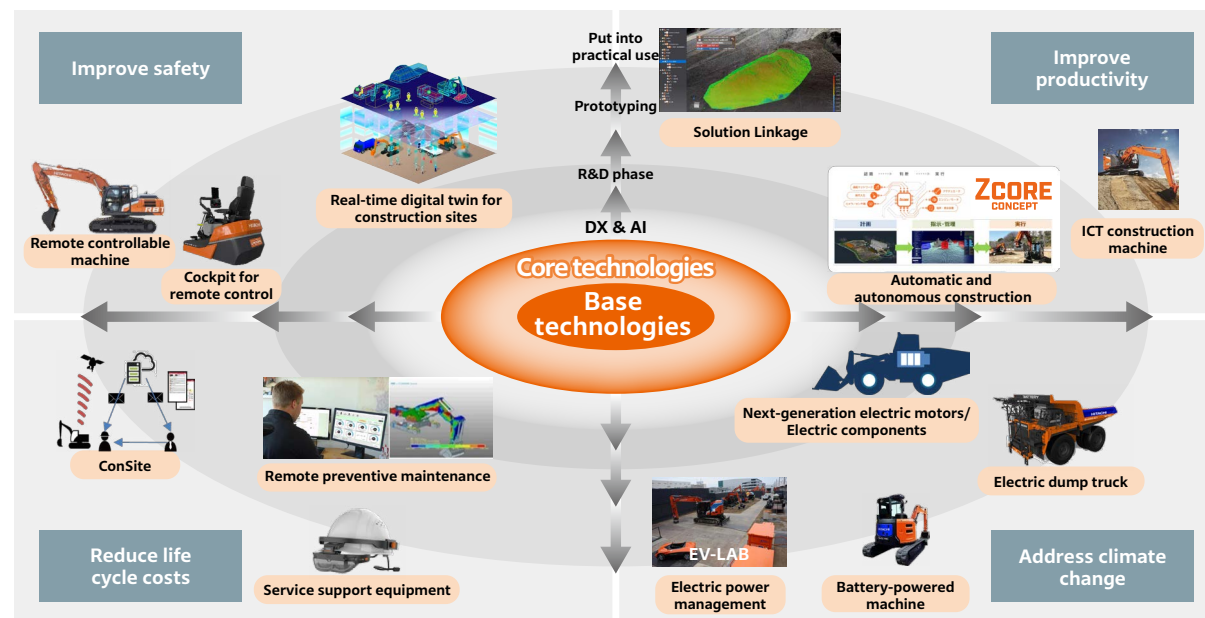
Core Technologies and Base Technologies

Hitachi Construction Machinery has been working on more than 250 R&D themes toward the achievement of the vision set for 2035. I will build a system to develop important technologies to support the R&D activities conducted on the themes and to provide customers with more value, regarding these technologies as our core technologies and base technologies. As shown in the figure, we will also conduct examinations on the aforementioned five advanced R&D

themes, combining the core technologies and base technologies for the themes with DX and AI for their practical use.

We will also divide the core technologies and base technologies into technologies for which we will set closed strategies to foster in-house R&D and those for which we will set open strategies for development in collaboration with external partners. By combining the core technologies thus developed, we will deliver new value to customers and society at large and create the industry's top-level products and solutions.

Promoting the Development of Technologies by Combining Base Technologies and Core Technologies with DX and AI



Intellectual Property Strategy

The Hitachi Construction Machinery Group sets basic policies on the protection of intellectual property and respect for the intellectual property of other parties as part of the Hitachi Construction Machinery Group Code of Conduct and has been conducting intellectual property activities based on these policies. As for the protection of our own intellectual property, we file patent applications in and outside Japan for the technologies that we have researched and developed independently to obtain patent rights for the functions and technologies that give unique features to our products and for the solutions that contribute to increasing customer value, thereby promoting our business activities and gaining advantages over competitors.

On the other hand, in recent years, we have been finding more opportunities to form technological partnerships and foster open innovation with other companies. For the achievements made through R&D activities conducted with these partners, we also promptly make patent applications to gain patent rights and competitive advantages as our basic attitude. However, we also need to respect the intellectual property of our open innovation partners, such as startups and to establish a flexible system for each party to license their own intellectual property freely as a precondition to build win-win relationships with each other. We will implement such a system with our partners to ensure that we can conduct R&D activities with latitude and speed.

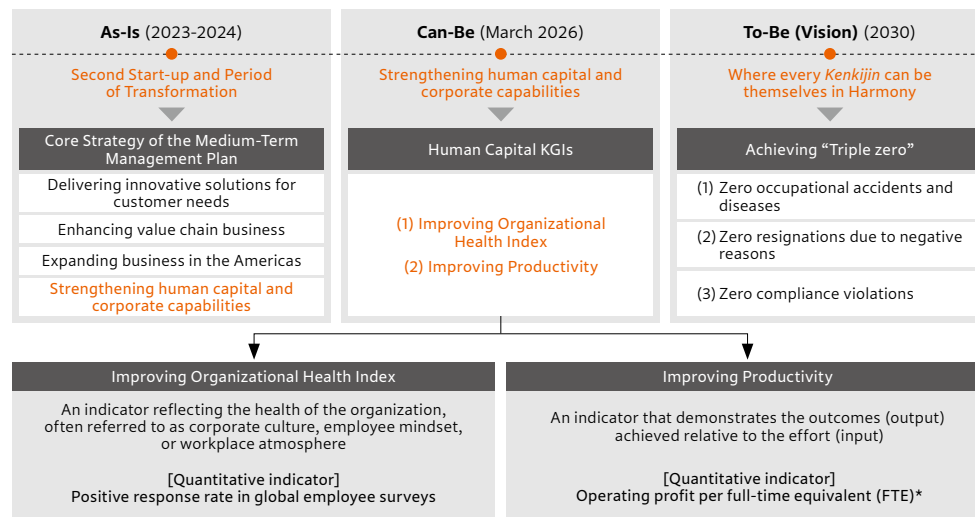
We are currently using the number of patents obtained as a KPI for our intellectual property, but in the future, the importance of conducting qualitative evaluation of our patents, for example evaluating them by using the number of times cited as an indicator, will increase. Going forward, based on our intellectual property portfolio and roadmap, we will foster strategic intellectual property activities in alignment with our companywide business policies, thereby building a global top-level intellectual property capacity.

Human Capital Management

In the current medium-term management plan, we uphold “Strengthening human capital and corporate capabilities” as one of the core management strategies that we will implement in response to changes in our business environment. We have thereby made it clear that we are linking our human capital strategies more closely to our management strategies. In order to enhance our medium- to long-term corporate value, we will work to achieve our human capital-related Key Goal Indicators (KGI) eventually to realize our desired future state.

Integration of Management and Human Capital Strategies and the Desired Direction

We have set two quantitative indicators to demonstrate how human capital initiatives aligned with management strategies can contribute to the medium- and long-term enhancement of corporate value.



*Full-time equivalent: Calculated by dividing the annual total hours worked by all employees by the annual scheduled work hours of a full-time employee to show a theoretical value for the number of employees

Targets and Results

Positive response rate in global employee surveys (%)

Scope		FY2022	FY2023	FY2024	Target for FY2025
Global (Consolidated)	Indirect employees	62.3	63.3	66.4	Up 1.0% year on year
	Direct employees	55.9	57.9	60.2	Up 1.0% year on year
Hitachi Construction Machinery (Non-consolidated)		56.5	61.5	59.8	Up 1.0% year on year

We monitor our organizational health status index through our annual global employee surveys for the management team and managers in each workplace to identify the issues faced by their organizations and formulate and implement relevant action plans. We are thereby executing a PDCA cycle for the organizational health index on a continual basis.

Operating profit per FTE

Scope		FY2022	FY2023	FY2024	Target for FY2025
Hitachi Construction Machinery (Non-consolidated)		4.4	2.3	0.3	Above previous year's figures

We are assigning the right person to the right place to support individuals' growth and enhance our team strength to ensure that all personnel (*Kenkijin*) can maximize their potential and create new value as one team.

Key Strategic Themes

Improving Organizational Health Index



- Promoting and Deepening Understanding of Group Identity, the *Kenkijin* Spirit, and Medium-term Management Plan
- Advancing Diversity, Equity, and Inclusion (DE&I)
- **Creating a Safe, Healthy, and Secure Work Environment***
- Fostering a Workplace Where Employees Can Thrive

- **Enhancing Management Skills and Leadership***
- Attracting and Securing Talent
- Strengthening Global Collaboration within the Human Capital Department
- Promoting Human Capital Visualization on a Global Scale



Improving Productivity

- **Enhancing Development of Global Talent***
- **Supporting Autonomous Career Development***
- Optimizing Organizational Structure and Ensuring Allocation of the Right People in the Right Places

* We will introduce our specific human capital-related measures on pages 68 and 69.

Human Capital Management

Human Resource Development

Group-wide Global Common Workshop

Since FY2019, with the aim of creating an organizational culture that helps employees thrive in this era of change, the Hitachi Construction Machinery Group has been implementing a workshop called the Self-Improvement Program for all Group employees worldwide. This workshop provides an overview of the basic business skills commonly necessary across the Hitachi Construction Machinery Group and consists of five programs (16 topics) that help employees acquire these skills to fulfill their job duties. Instructors for this workshop are selected from among employees.

All employees of Hitachi Construction Machinery Co., Ltd., including management, have completed the Program. Currently, the Program is mainly being offered at overseas Group companies. As of March 31, 2025, a total of 6,871 employees have participated in the Program. Moreover, instructors for the workshop have also been developed at overseas Group companies. Specifically, we now have 110 instructors at seven of our bases outside Japan, which demonstrates that an educational system has been being established at each Group company.



Qualified Instructors for and Participants in the Self-Improvement Program
(at Tata Hitachi Construction Machinery Company Private Limited)

Support for Autonomous Career Development

Amid the rapid progress of technological innovation and the diversification of values, it is becoming critical for a company to provide employees with an environment where they can re-recognize their own strengths and values, think about their future in an autonomous manner and achieve their own growth as a necessary precondition to ensure sustainable corporate growth.

Accordingly, Hitachi Construction Machinery newly formed a team of four dedicated career consultants in 2024 to provide employees with career training by age group, hold career consulting interviews and conduct employee awareness surveys with an eye to helping employees understand themselves and change their behaviors. The training and interviews are highly evaluated by participants, who appear to be more willing to embrace challenges and acquire new skills than before attending them.

Going forward, we will expand the support target to include manufacturing engineers and domestic Group companies, thereby creating an organizational culture that helps diverse people thrive and increasing the value of our human capital.

Attendance at Self-Improvement Program

Type of training	FY2022	FY2023	FY2024	Target for FY2025
For employees in their 20s	65	127	204	285
For employees in their 30s	147	113	212	229
For employees in their 40s	142	138	231	202
For employees in their 50s	324	203	148	152
Total	678	581	795	868

Enhancing Management Skills and Leadership

Hitachi Construction Machinery provides training by job position to clearly show the roles and responsibilities to be assumed by employees in each of the job positions and to help them perform their duties and make decisions in an efficient manner. Specifically, level-specific training is provided to employees in their first to sixth years at the company; newly appointed assistant managers; newly appointed section managers; and to newly appointed department managers. Furthermore, since FY2023, those in managerial positions have been mandated to attend coaching skill training so that they can support the growth of their subordinates and enhance their team's performance. As of March 2025, 80% of the managers have attended this training.

We have also established a system to strategically develop global management leaders and have defined the roles expected of them. Under this system, we are implementing a program for employees to acquire the necessary skills and mindset. Specifically, we are providing young employees with a training course in which they can acquire the knowledge that is generally required to obtain an MBA, including on subjects such as marketing, accounting and finance. For section and department managers, we have a training course that they are mandated to attend to acquire the knowledge, skills and mindset required of management leaders. Further, we are holding global leadership training to provide candidates for leaders in each country with an opportunity to meet together to discuss and make proposals, which will help them develop themselves into personnel who can lead the Group to innovation and further business growth.



Global leadership training

Human Capital Management

Occupational Safety and Health/Health Management

Securing Occupational Safety and Health through Rebuilding a Culture of Safety and Establishing a Mechanism for It

The Hitachi Construction Machinery Group has set an occupational safety and health management policy to be applied to all Group companies based on the fundamental principle of prioritizing safety and health above all else. In line with this policy, the Group's Safety and Health Promotion Committee oversees safety and health activities aimed at ensuring that all employees can work in a safe and secure environment. The specific measures we are focusing on are "Rebuilding a culture of safety," "Promoting inherent safety" and "Promoting autonomous operation of the management system." The first is about establishing the widespread adoption of a safety-first mindset and safety-first behavior. The second is about promoting automation and visualization in order to reduce the risk of work-related accidents and to manage workloads. The third is about promoting awareness of each department's responsibilities and ensuring the appropriate evaluation of activity results.

In FY2024, we worked to revitalize exchanges and strengthen governance through the Global Safety and Health Conference. We held an online meeting with 95 participants from 33 bases in Japan and overseas. Attendees learned about how to implement effective safety and health activities across the Group.

Frequency of Lost-Workday Injuries (Frequency Rate^{*1}) (%)

	FY2022	FY2023	FY2024	Target for FY2025
Hitachi Construction Machinery (Non-consolidated)	0.30	0.29	0.37	50% reduction from FY2024
Domestic Group companies^{*2}	0.30	0.48	0.63	

^{*1} Frequency rate: Frequency of lost-workday injuries including casualties per 1,000,000 employee-hours worked

Enhancing Individual Performance through the Promotion of Health Management

In 2024, we renewed the Health Management Declaration in the name of the president, attributing importance to health management as a management priority. In this post-COVID era, we view health as being the foundation of initiatives related to work-style reform, work-life balance and other reforms. In order to enhance the creativity of the organization going forward, we will focus on employee happiness and aim to achieve a positive and pleasant workplace environment for all employees. In 2025, Hitachi Construction Machinery was again certified as a Health & Productivity Management Outstanding Organization by Nippon Kenko Kaigi.

^{*} Kenko Keiei, a Japanese term that is often translated as health management, is a registered trademark of the NPO named Kenko Keiei Kenkyukai.



Ratio of People with High Stress Found in Stress Checks (%)

	FY2022	FY2023	FY2024	Target for FY2025
Domestic Group companies^{*2}	16.4	16.2	14.4	Improvement from FY2024

^{*2} Group companies in Japan including Hitachi Construction Machinery

Initiatives for Mental Health

Recognizing the importance of mental health care, the Hitachi Construction Machinery Group has been conducting activities centered on four types of care based on the Ministry of Health, Labour and Welfare guidelines on an ongoing basis. In particular, we are offering training programs on topics related to the prevention of harassment and coping with stress caused by the pandemic.

Stress checks have been conducted every year prior to the enactment of the law and have led to the awareness of stress by employees, the creation of a comfortable working environment, and promotion of the use of consultation desks by exclusive industrial counselors. In FY2024, approximately 13,700 employees, including those at domestic Group companies, took the stress checks conducted in July.

In addition, we are conducting health care activities from the viewpoint of employees and their families through self-care training for all employees; line-care training for managers including work-place improvement considerations; support for employees who are returning to work after a leave of absence; and health-related consultation support for employees and their families through the effective use of the Employee Assistance Program (EAP).

Attendance Rate in Mental Health Training (%)

	FY2022	FY2023	FY2024	Target for FY2025
Hitachi Construction Machinery (Non-consolidated)	91.5	86.6	100 ^{*3}	Improvement from FY2024

^{*3} Number of employees who participated in the training/ Number of employees eligible for the training x 100. In FY2024, conducted as part of the rank-specific training and the study meeting to accept employees returning to work.

Our Approach to Climate Change

Realizing Carbon Neutrality

The Hitachi Construction Machinery Group is working to reduce its CO₂ emissions to net zero throughout the entire value chain by 2050. To this end, we have formulated a roadmap for reduction measures to be undertaken with regard to the two aspects of product development and production processes.

With regard to product development, we have set and are promoting the goal of reducing CO₂ emissions by 22% and 33% by FY2025 and FY2030, respectively, from the FY2010 level (Diagram 1). This will serve as an indicator of our ability to provide our customers and society with environmentally friendly products that contribute to the reduction of CO₂ emissions. To achieve this goal, we are promoting the development of an entire product range—from compact equipment to ultra-large mining machines. In addition to reducing fuel consumption, we are also working on the use of substitute fuels and the expansion of lineup of electrified construction equipment and assessing the feasibility of hydrogen-fueled products from a technological perspective.

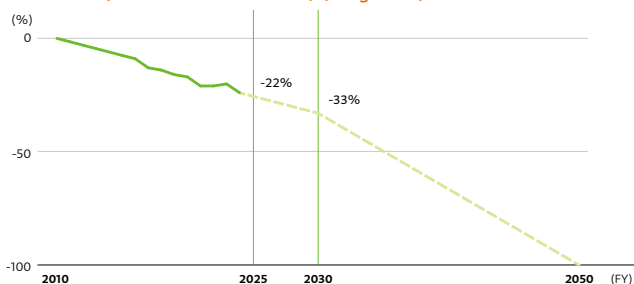
Furthermore, we are striving to provide solutions that enable our customers to reduce CO₂ emissions from their equipment in use. Specifically, we are making effective use of IoT and AI systems to provide customers with solutions such as a fleet management system to help them solve issues at their mining sites and increase the operational efficiency of their machines while reducing their CO₂ emissions. Moreover, we are committed to helping customers reduce their CO₂ emissions by predicting machine failures based on the monitoring of their machines, which enables the planned replacement of parts and ensures the high productivity of the machines (Diagram 2).

Meanwhile, as for the production process, we have set and are promoting the goal of reducing CO₂ emissions by 40% and 45% by FY2025 and FY2030, respectively, from the FY2010 level (Diagram 3). Our methods for reducing CO₂ emissions include energy conservation, conversion to renewable energy (in-house power generation through capital investment, introduction of renewable energy electricity), electrification and fuel conversion (Diagram 4).

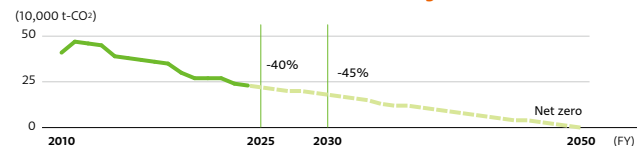
Also, in August 2025, we filed an application for the renewal of SBT^{*1} certification in our efforts to respond to the 1.5 degrees Celsius scenario. We will thereby foster our anti-climate change measures while also contributing to the creation of a decarbonized society.

*1 See “External Evaluation” on **P.95**.

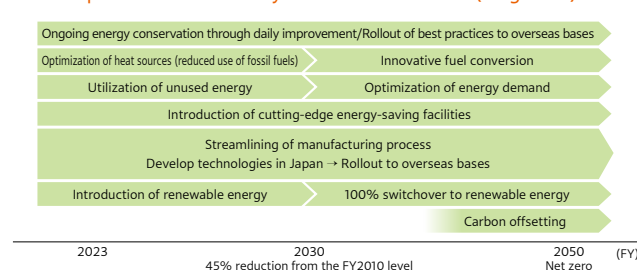
Products: Targets for the Reduction of CO₂ Emissions Volume (from the FY2010 level) (Diagram 1)



Production Process: Targets for the Reduction of CO₂ Emissions Volume (from the FY2010 level) (Diagram 3)



Roadmap for Carbon Neutrality in Production Process (Diagram 4)



Roadmap for the Development of Environmentally Friendly Products and Solutions toward Net Zero Greenhouse Gas Emissions by 2050 (Diagram 2)

Expanding environmentally friendly products and accelerating that expansion through open innovation

		FY	'20	'21	'22	'23	'24	'25	'26	'27	'28	'29	'30	—'50	
Compact	2 t	Battery-powered								★ Scheduled to go on sale (Europe)					Battery-powered/wired Expand the lineup
	5 t					★ Launch (Europe)									
Construction	8 t	Battery-powered												Hydrogen engine/fuel cell drive Commercialize—Expand the scope of installation	
		★ Launch (Europe)													
	13 t					★ Launch (Europe)									
	20 t and more	Hydrogen engine/fuel cell drive													
		Under development	→												
Mining	Ultra-large excavator dump trucks	Wired On sale												CN fuel ^{*2} Promote widespread use	
		Battery-powered													
		Under development	→					Demonstration test			★ To go on sale				
Common		Expand solutions/Improve energy efficiency													

*2 CN fuel: Carbon neutral fuel (biofuel, e-fuel and other synthetic fuel)

Our Approach to Climate Change

Response to TCFD Recommendations

In recognition of climate change action as a key issue, we have been carrying out initiatives and disclosures based on the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD). In July 2020, we established an internal task force composed of the heads and key persons of our administrative departments and business departments. In October of the same year, we expressed our support for the TCFD recommendations. In 2023, our internal task force updated scenario analysis for both 1.5°C and 4°C increases in temperature, assessing the likelihood of climate change risks and financial impacts. Based on the TCFD Framework, we disclose the risks and opportunities posed by climate change and our corresponding strategies. We strive to strengthen our initiatives in accordance with these recommendations for sustainable business development.



Governance

Important issues related to climate change are reported to the Sustainability Promotion Committee (which meets twice a year). The President and COO, who has the highest responsibility and authority for climate-related issues, chairs the Sustainability Promotion Committee, which deliberates and approves important management matters, including responses to climate change. Important matters are discussed and approved also by the Executive Committee and the Board of Directors for appropriate monitoring and supervision. Details of these deliberations and approvals are shared with the Global Sustainability Promotion Managers Meeting, in which representatives of both domestic and overseas Group companies participate, as well as by its subordinate organization the Global Sustainability Working Group.

History of Climate-Related Activities

FY	Activities
1991	• Established the Environmental Group
2005	• Established the CSR Promotion Dept • Published the Environmental Report
2011	• Published the CSR & Financial Report
2015	• Positioned climate change as an issue of materiality
2016	• Published the Long-Term Environmental Goals for 2030
2019	• Launched the Sustainability Promotion Group • Established the Sustainability Promotion Committee • Obtained SBT certification
2020	• Published four management indicators (ESG indicators) • Announced support for the TCFD Recommendations
2021	• Disclosed information in the Integrated Report in accordance with the TCFD Framework • Re-positioned climate change as an issue of materiality • Made first TCFD recommendations-based disclosure in the Corporate Governance Report
2022	• Established the Enterprise Risk Management (ERM) Committee • Conducted stakeholder dialogues on TCFD • Adopted ESG evaluation ^{*)} as one of the evaluation indicators used to determine performance-linked compensation for executives • Declared intent to aim for carbon neutrality by 2050 • Introduced sustainable financing for the first time
2023	• Became a member of the GX League • Expanded collaboration on portable charging equipment for construction sites • Issued green bonds
2024	• Opened “ZERO EMISSION EV-LAB” as a research center

^{*)} ESG evaluation is conducted via the comprehensive assessment of ratings given by the CDP regarding the company's response to climate change and water security, its inclusion in the Dow Jones Sustainability Indices, and the progress made in reducing CO₂ emissions from products and production processes.

Sustainability Meetings and Deliberations

Meeting structure	Chairperson	Members	Frequency	Principal roles
Board of Directors	Chairman and CEO	Directors	At least once a year	Deliberation and final approval of the Hitachi Construction Machinery Group's sustainability promotion policies, key measures and KPIs
Executive Committee	Chairman and CEO	Executive Officers	At least once a year	Additional deliberation and approval of the sustainability promotion policies, key measures and KPIs discussed by the Sustainability Promotion Committee
Sustainability Promotion Committee	President and COO	Executive officers and those in higher positions (including CEO, COO, CSO, CFO, CHRO, CTO, CDIO and CRO)	Twice a year	Deliberation and approval of the Hitachi Construction Machinery Group's sustainability promotion policies, key measures and KPIs
Global Sustainability Promotion Managers Meeting	President, Sustainability Promotion Group	Heads of the business and administration departments, and presidents of domestic and overseas Group companies	Twice a year	Progress management for the Group's sustainability promotion measures and medium-term nonfinancial targets; sharing of key measures and response to the need for cooperation; and sharing of the details of deliberations and decisions made by the Sustainability Promotion Committee
Global Sustainability Working Group	President, Sustainability Promotion Group	Those in charge of sustainability at domestic and overseas Group companies	Once a year	Global, groupwide sharing of sustainability policies and measures

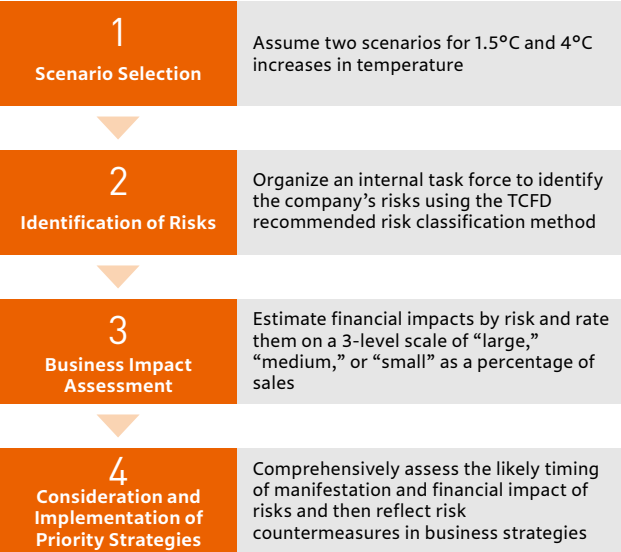
See “Sustainability Promotion System” on [page 19](#).

Our Approach to Climate Change

Strategies

Looking ahead to an uncertain future, companies must analyze scenarios in terms of the risks and opportunities they face and then develop their own response measures and strategies. The Hitachi Construction Machinery Group formed an internal task force in 2020 that has updated scenario analyses for 1.5°C and 4°C increases in temperature through the following four processes.

Scenario Analysis Processes



Assessment Results Based on Scenario Analysis

We have listed the climate-related risks and opportunities we face in terms of products, services, solutions and supply chains under the 1.5°C and 4°C scenarios.

Climate-related risks and opportunities were evaluated at three levels in terms of their likely timing of manifestation and financial impact, and a comprehensive assessment of overall significance was then carried out. We are working with internal task force members to reorganize climate-related business strategies for items that we believe are of high importance within each scenario.

Our scenario analyses helped us identify risks and opportunities in both the 1.5°C and 4°C climate change scenarios, and we are working to achieve carbon neutrality with strategies to address these risks and opportunities. We will strengthen the resilience of the Hitachi Construction Machinery Group by developing flexible and strategic businesses aimed at minimizing risks and maximizing opportunities.

See “Assessment Results Based on Scenario Analysis” on [page 73](#).

Risk Management

New risks, such as those posed by climate change, geopolitical risks and human rights issues in supply chains, could shake the very foundations of our business, and it is becoming increasingly important to manage these emerging risks. Accordingly, we regarded new risks that require company-wide response policies and management decisions as “company-wide risks,” and established the Enterprise Risk Management (ERM) Committee in April 2022 as a forum to manage these risks. Under the leadership of the Chief Risk management Officer (CRO) and other members of management, we have established a system to ensure the overall management of and prompt

response to these company-wide risks. The ERM Committee reports to the Executive Committee and the Board of Directors on important matters such as company-wide risk management policies.

See “ERM Committee Structure” on [page 90](#).

Indicators and Targets

We are working to reduce CO₂ emissions in both product development and production processes with the aim of achieving carbon neutrality throughout the entire value chain by 2050.

Interim targets for 2030

Reduction of CO ₂ emissions (absolute emissions)	Production (Scope 1+2)	45% reduction (from the FY2010 level)
	Product use (Scope 3, Category 11)	33% reduction (from the FY2010 level)

Target for 2050

Achieve carbon neutrality throughout the entire value chain

We filed an application to renew SBT 1.5°C scenario certification in August 2025, aiming to make further contributions to the realization of a decarbonized society.

Our Approach to Climate Change

Assessment Results Based on Scenario Analysis

Timing of manifestation	Short-term: Medium-term management plan (2023 to 2025) Medium-term: 2026 to 2030 Long-term: 2031 to 2050
Financial impact	Small: 1 billion yen or less Medium: 1-10 billion yen Large: Over 10 billion yen

Scenario	Type	Risk	Opportunity	Timing of manifestation	Financial impact	Measures
1.5°C scenario	Transition to a decarbonized society	Possible changes in investment/lending behavior due to tighter decarbonization regulations and increased decarbonization awareness	Establishment of a competitive advantage by developing decarbonization technologies ahead of competitors	Medium to long term	Medium	<ul style="list-style-type: none"> • Increase production facility capacity by approximately 1.3 times from the FY2021 level by FY2025 to meet growing demand for compact products in the North American and European markets • Expand the functions of Hitachi Construction Machinery Tierra's development and testing facility to accommodate more sophisticated testing of electrified construction machinery and other equipment • Conduct user tests with an eye to making practical use of hydrogen engine & fuel cell drive technologies in medium and large hydraulic excavators • Signed a joint development agreement with ABB for an engine-less, fully electric rigid dump truck and started demonstration experiments in June 2024 for its commercialization in FY2027 • Expand sales of trolley-powered dump trucks • Consider the development of stationary rechargeable EVs and fuel cell EVs/hydrogen batteries to improve dump truck user-friendliness • Extend the life of our machines by servicing used machines and releasing them with a warranty into the market as "PREMIUM USED" machines • Opened ZERO EMISSION EV-LAB as a research center for the co-creation of zero-emission construction sites, and utilize the installed machines and equipment to develop new solutions by measures such as visualizing the cycle from recharging to use and customizing power management for individual customers' construction sites • Aim to extend the operating life of our machines from 10 years to 15 years through the use of ConSite, parts recycling, and body remanufacturing
		Decline in coal demand	Increasing demand for hard rock	Medium to long term	Medium	<ul style="list-style-type: none"> • In order to help customers achieve net-zero emissions by 2050, enhance the development of decarbonization technologies, other new technologies and solutions, including electric-powered ultra-large hydraulic excavators, trolley-powered dump trucks, the autonomous haulage system (AHS) for dump trucks used in mining, and the fleet management system (FMS) designed for operation management at mining sites • Strengthen our mining sales and service system in cooperation with the Marubeni Group in Latin America, and seek closer ties with the ITOCHU Corporation Group in North America
	Supply chains	Growing pressure to decarbonize, reputation damage	Carbon tax savings	Medium to long term	Large	<ul style="list-style-type: none"> • Introduced an internal carbon pricing system in 2019, which takes carbon price into account in investment decisions, and raised our carbon price from the initially set price of 5,000 yen/t-CO₂ to 14,000 yen/t-CO₂ in FY2022 to promote decarbonization investment • Promote the introduction of solar power generation, energy-saving equipment, and low-carbon product manufacturing equipment with a view to replacing all energy used for manufacturing with renewable energy • Foster the use of renewable energy-derived electricity at the Tsuchiura Works, Kasumigaura Works, Hitachinaka Works and Banshu Works, Hitachi Construction Machinery Tierra, Hitachi Construction Machinery Camino, Tada Kiko, Tata Hitachi Construction Machinery Company and Bradken • Introduced the Hitachi Construction Machinery Energy Management System, which utilizes IoT technology, to six plants in Japan to reduce peak power and standby power consumption based on visualized data • Make proactive use of IoT at our manufacturing facilities to monitor equipment operating status, thereby improving productivity while reducing CO₂ emissions • Promote the optimization of global production and procurement, including the optimization of product inventory and transportation • Provide support for major procurement partners so they can save electricity and improve energy productivity at their production facilities
4°C Scenario	Rapid increase in natural disasters and extreme weather events	Rapid increase in the frequency and intensity of such natural disasters as typhoons and floods due to climate change	Increased demand for products, services, and solutions that can contribute to disaster control and mitigation	Short to long term	Small	<ul style="list-style-type: none"> • Offer products, including those for rental, that contribute to measures to enhance infrastructure resilience for disaster control and mitigation (light dump trucks, small general-purpose products, attachments such as fork grapples and the like.) • Offer optimal solutions to meet demand at disaster-afflicted sites through the provision of Solution Linkage series and other technologies • Provide the RBT Series hydraulic excavators that can be remotely operated for use at inaccessible sites, including use for reconstruction work at disaster-afflicted sites • Expand the usage of portable charging equipment designed to supply power to electric construction machines operated at construction sites, for example to use it as an emergency power source • Prioritizes the provision of construction equipment and materials to disaster-stricken areas based on agreements concluded by Hitachi Construction Machinery Japan with local governments and other parties
		Production stoppage due to the suspension of parts supply or the disruption of logistics networks	Establishment of a stable production system through emergency measures	Short to long term	Large	<ul style="list-style-type: none"> • Give timely restoration support to procurement partners whose facilities have been affected by disasters and make production adjustments within the Group to avoid shipment delays • Secure multiple suppliers for critical parts and establish systems to avoid delays in parts supply • Promote measures such as installing drainage channels and defense walls around key facilities at our own plants located in areas with high flooding risks • Take into account natural disaster risks, including those arising from climate change, when building/relocating our plants and offices • Plan to introduce a system that bolsters supply chain BCPS
	Supply chains	Risk of heat stroke due to rising temperatures	Establishment of a stable production system through emergency measures	Short to long term	Small	<ul style="list-style-type: none"> • Use WBGT (heat index) meters to evaluate the level of heat stress in hot environments at manufacturing sites and send out early alerts to warn of heat stroke if dangerously hot conditions are expected • Seek to automate and robotize production to avoid the risk of heat stroke and other human injury risk

Working toward a Society in Harmony with Nature—Addressing Biodiversity

Basic Concept

In June 2024, the Hitachi Construction Machinery Group formulated its biodiversity policy to outline its approach to biodiversity. Since then, we have been raising awareness of this policy both within and outside the Group, while implementing necessary measures and promoting the disclosure of relevant data.

In line with the policy, Hitachi Construction Machinery joined the 30by30 Alliance for Biodiversity, which is an initiative promoted by the Japanese Ministry of the Environment, in October 2024. “30by30” means to stop the degradation of ecosystem services and effectively conserve at least 30% of the land and sea as healthy ecosystem areas by 2030, as agreed at the G7 Summit held in the United Kingdom in June 2021. We decided to support and participate in the Alliance launched in Japan, believing it to be aligned with our own commitment to a circular economy and carbon neutrality, which are also challenges pursued by our customers.

Going forward, we will implement biodiversity conservation measures across the Hitachi Construction Machinery Group in consideration of external trends, including activities of the 30by30 Alliance.



Web: Hitachi Construction Machinery Group Biodiversity Policy
<https://www.hitachicm.com/global/en/sustainability/environment/nature/>

Biodiversity Survey Conducted at the Tsuchiura Works

The Hitachi Construction Machinery Group Biodiversity Policy clearly sets out our commitment to “understanding the relationship

Present Situation and Important Points Identified through the Survey

	State of nature	Important point
Regulating pond	<ul style="list-style-type: none"> • The water source is the rainwater that falls on the premises, which is good in quality. • A mix of deciduous trees such as Chinese hackberries, evergreen trees such as Chinese privets, Japanese cedars and other trees thrive on the waterside slopes of the pond. The droppings of martens were found around the pond, and the presence of raccoon dogs, masked palm civets and raccoons was confirmed. • More than 100 mallard ducks and more than 30 common teals pass the winter on the pond. Lots of spot-billed ducks are also observed there. • Aquatic life observed in the pond includes topmouth gudgeons and water scavenger beetles. 	<ul style="list-style-type: none"> • The water quality does not exert any adverse influence over the water environment. • The non-presence of aquatic life in shallows is a negative point for biodiversity. However, there are floating plants in shallows, which are worth conserving as they provide a habitat for damselflies and species that prefer aquatic plants. • It must be noted that the floating plants might include alien species. • The presence of invasive alien species such as carp and American crayfish poses a challenge.
Mixed forest	<ul style="list-style-type: none"> • Mainly composed of indigenous Japanese oaks and Chinese hackberries, and vegetation that is similar to the former mixed forest still exists. • The presence of Japanese white-eyes, Japanese tits, turtle doves, pale thrushes, brown-headed thrushes, dusky thrushes and other birds was confirmed. • There are multiple big Chinese hackberries. Therefore, giant purple butterflies, nymphalid butterflies and beetles, whose larvae eat the leaves of the trees, might be living in the forest. 	<ul style="list-style-type: none"> • Japanese oaks and other deciduous trees have no offspring, while evergreen trees are thriving. Accordingly, the forest might become one of evergreen trees in 10 to 20 years. • If the forest becomes dominated by evergreen trees, giant purple butterflies and other species that prefer a bright environment provided by a mixed forest may disappear from the forest. • It is necessary to maintain and manage the present light-reaching forest composed largely of deciduous trees, including by thinning evergreen trees and moso bamboo, cutting down large-diameter trees to make way for the growth of Japanese oak offspring, and raking fallen leaves.

Direction of Future Measures

The results of the survey indicate that the regulating pond and the mixed forest on the premises of the Tsuchiura Works constitute a so-called *satoyama* environment, where a variety of indigenous species including endangered ones may be living with high probability. The pond and forest are deserving of certification by the Japanese Ministry of the Environment as a “sustainably managed natural site”.

For the regulating pond, it was deemed necessary to remove the earth and sand deposited on the bottom of the pond in consideration of the risk of flooding due to heavy rain and of the need for biodiversity conservation. For the mixed forest, which had been conserved well, the need to update and revitalize it was pointed out.

The survey results testify to the fact that Hitachi Construction Machinery has been giving consideration to a range of environmental

between business and biodiversity and reducing impacts.” In line with this policy and based on cooperation between our related departments, we partnered with external experts to conduct our first biodiversity survey to check how natural ecosystems are conserved on the premises of the Tsuchiura Works and how the activities of this manufacturing base affect the surrounding environment.

issues in its business activities since its founding. We will continue to conduct similar surveys to grasp the current situation accurately in order to conduct examinations to implement measures for biodiversity, including the formulation of a related action plan.

* Sustainably managed natural sites:
The Ministry of the Environment certifies areas where biodiversity conservation measures are implemented by the private sector, such as forests and *satoyama* nature-rich sites and land protected by companies, as well as green spaces in cities as “sustainably managed natural sites.”



Human Rights/Supply Chains

Human Rights Due Diligence Initiatives

To build a corporate culture in which human resources with diverse values and perspectives can thrive, it is essential to deepen understanding of human rights and foster a mindset of mutual respect. To this end, the Hitachi Construction Machinery Group is actively promoting the exchange of human resources among its business locations worldwide.

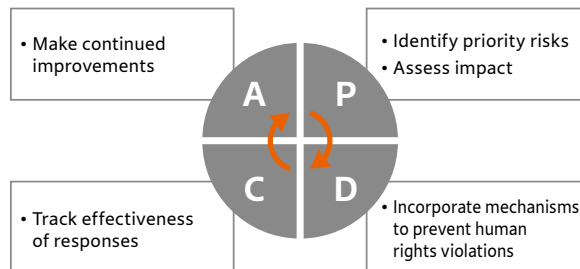
Since FY2020, we have been conducting an annual questionnaire survey (composed of 30 items) with a main focus on labor, health & safety and a grievance mechanism to deal with the risk of forced labor and migrant labor, which was identified as a priority risk common to the Group. Following surveys of a total of 64 Hitachi Construction Machinery Group bases, including the company's domestic and overseas factories, we requested a total of 18 sites that did not meet our predefined evaluation criteria for any of the items to make relevant improvements and have confirmed the completion of all necessary improvements by these sites.

We have conducted the same survey on a total of 624 procurement partners since FY2022, and for 8% of the question items, there were partners who did not meet our evaluation criteria. We asked these partners to make relevant improvements and confirmed the completion of the improvements for 97.8% of them. We will continue monitoring the progress until we confirm completion for the remaining 2.2%.

In May 2021, we established the Human Rights Due Diligence Promotion Council, headed by the president, as the organization responsible for facilitating human rights due diligence. The Council met a total of eight times by the end of FY2024 to set in motion a PDCA cycle for human rights due diligence. Also, at these meetings, the results of the aforementioned risk surveys conducted on our domestic and overseas factories and Group companies as well as on procurement partners were reported along with the measures examined and implemented to deal with the items for which there were respondents who did not meet our evaluation criteria. Moreover, in FY2024, we started to enhance collaboration between the Council

and the Sustainability Promotion Group, and now the topics reported and discussed at the Council's meetings also include the trends concerning the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD) and our measures to comply with these European regulations.

Human Rights Due Diligence Process



Human Rights Grievance Mechanism

We have two contact points for our human rights-related reporting system, one internal and the other external (expert organization in this field), to address issues on human rights.

Human Rights Education and Training

The Hitachi Construction Machinery Group continuously provides education on human rights in its training programs for new employees and new section managers and in other rank-specific training programs, with the aim of raising employee awareness of human rights.

See "Compliance Reporting System" on [page 89](#).

Human Rights Training Results (cumulative number of participants from FY2021 to FY2024)

	Total	Of which, Managers and above	Of which, Employees
Hitachi Construction Machinery (Non-consolidated)	4,315	806	3,509
Group companies	4,358	764	3,594
Total participants	8,673	1,570	7,103



Human rights
<https://www.hitachicm.com/global/en/sustainability/social/humanrights/>

Supply Chain Sustainable Management

The Hitachi Construction Machinery Group conducts an annual "Supply Chain Sustainability Survey" targeting major procurement partners (primary suppliers) with whom we have direct transactions of substantial volume and who provide important parts and raw materials for our Group's products. Procurement partners whose evaluation results do not meet the minimum scores set by the Group have been identified as procurement partners with high potential sustainability risks, and they have been making continuous improvements at our request.

In FY2024, we conducted a sustainability survey of procurement partners accounting for approximately 80% of Hitachi Construction Machinery's non-consolidated purchase volume. The response rate was 76% (vs. 93% in FY2023), and the percentage of procurement partners that did not meet the minimum scores set by our Group was 0%, the same as in FY2023.

We will continue to conduct surveys and pursue improvement activities together with our procurement partners.



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

05

Enhancing Global Governance

- POINT 1. Enhancing corporate governance for medium- to long-term growth
- POINT 2. Ensuring and improving the effectiveness of the Board of Directors
- POINT 3. Compliance with national and regional laws & regulations and business practices
- POINT 4. Integrated management of business risks and sustainability risks

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89	Promoting Compliance
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Corporate Governance

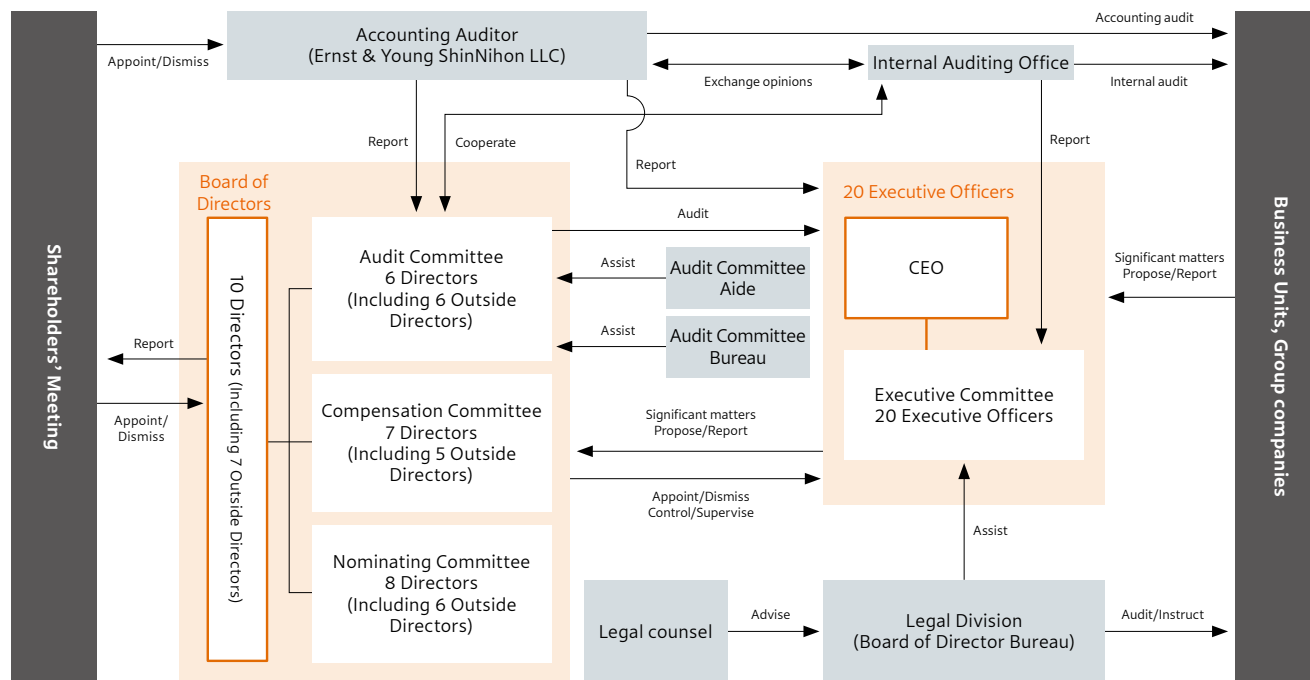
Corporate Governance System

The Hitachi Construction Machinery Group has developed a system to strongly and promptly implement its management strategies and adopted the structure of a company with committees, such as a nominating committee, as provided for in the Companies Act, thereby separating the management supervisory function from the business execution function in order to strengthen corporate governance to ensure fair and highly transparent business management.

The Board of Directors comprises 10 Directors, including 7 Outside Directors (five men and two women). 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 reporting relationship and other relationships between Executive Officers.

As an advisory body to the Chief Executive Officer (CEO), the Group maintains an Executive Committee that meets twice a month in principle and comprises all Executive Officers. This committee controls important matters related to business operations.

Corporate Governance System (as of June 23, 2025)



Corporate Governance

Evolution of Our Corporate Governance

Hitachi Construction Machinery has been enhancing its corporate governance to increase its corporate value in a sustainable manner and achieve growth on a medium- to long-term basis.

In 2003, the company became a company with committees, such as a nominating committee to separate management supervision functions from business execution functions, with the Board of Directors delegating much of its authority to executive directors for speedier decision making.

The table on the right shows examples of measures implemented by the company for the enhancement of its governance since it became a company with committees, such as a nominating committee.

Going forward, we will persistently work to increase the effectiveness of our governance system while appropriately responding to changes in our management environment and to the needs of stakeholders, thereby continuing to enhance the foundation to increase both our corporate value and earn even more trust from society.

Year	Month	What we did	Aim
2003	6	Shift to a company with committees, such as a nominating committee	Separation of management supervision and business execution functions
2015	10	Established the Corporate Governance Guidelines	Ensure the transparency and rationality of governance
2016	3	Started to conduct the Board of Directors effectiveness evaluation	Increase the effectiveness of the Board of Directors
2019	4	Established the Sustainability Promotion Committee	Enhance the ability to respond to company-wide risks and achieve sustainable growth
2022	4	Established the Enterprise Risk Management (ERM) Committee	Enhance the risk management system
2022	6	Appointed independent outside directors as chairpersons of all three committees	Ensure transparency and objectivity
2023	1	Involved a third-party evaluation organization with the Board of Directors effectiveness evaluation	Ensure transparency and objectivity, and increase the Board of Directors effectiveness
2023	6	Increased the number of independent outside directors from four to five	Enhance the auditing function
2023	6	Appointed the first non-Japanese director for the company	Ensure the diversity of the Board of Directors



Corporate Governance

Deliberations and Activities of the Board of Directors and the Committees (FY2024)

Board of Directors

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

The Board of Directors decides on the basic management policies and signals the direction of corporate strategies from a medium- to long-term viewpoint. It also effectively supervises the execution of business from an objective perspective. The majority of Board members are outside directors. Being individuals of international caliber, they have sufficient experience and expertise to ask questions and give advice on the execution of business by executive officers and to contribute to open deliberations at Board meetings. Specifically, the directors widely discuss topics such as local business in the Americas and China, value chain businesses, DX, human capital, and the promotion of sustainability.

Deliberation/Activity Themes for FY2024

- Management policies
- Business execution system
- M&A project
- Quarterly business execution report
- Report on the fulfilment of duties by each of the committees
- Resolutions made based on laws, regulations and in-house rules, and others

Nominating Committee

Chairperson: Kazushige Okuhara (Independent Outside Director)

The Nominating Committee has the authority to decide on the details of proposals to be made about the selection and dismissal of directors for submission to the general meeting of shareholders and to make proposals on the selection of representative executive officers to the Board of Directors. The Committee conducts examinations regarding the desirable composition of the Board of Directors (in terms of diversity, expertise and so on), checks the expertise and experience of candidates for director positions by making effective use of the skill matrix set by the company, deliberates and reports about executive officers and candidates for the position by business field for further development of their abilities, and carries out examinations of the roles of the Nominating Committee and its involvement in the formulation of succession plans for the CEO and COO positions.

Deliberation/Activity Themes for FY2024

- Business execution system
- Candidates for executive officer roles
- Definition of director selection criteria (reasons for the selection of the skills and skill matrix)
- Selection of candidates for director roles, and others

Compensation Committee

Chairperson: Kazushige Okuhara (Independent Outside Director)

The Compensation Committee has the authority to decide on the details of the compensation to be paid to each director and executive officer. The Committee conducts deliberations to identify the issues and items to be examined with regard to director compensation, revise the policies on the determination of the details of compensation to be paid to directors and executive officers, and offer incentives to executive officers.

Deliberation/Activity Themes for FY2024

- Basic policies on director and executive officer compensation
- Composition and standards of executive officer compensation
- Evaluation items for executive officers' performance-linked compensation
- Evaluation results for executive officers' performance-linked compensation, and others

Audit Committee

Chairperson: Toshiko Oka (Independent Outside Director)

The Audit Committee confirms whether or not directors and executive officers are performing their duties efficiently and in line with laws and regulations as well as in-house rules and basic management policies. In cooperation with accounting auditors and the internal control department, the Committee monitors the status and operation of the financial, accounting and internal control systems.

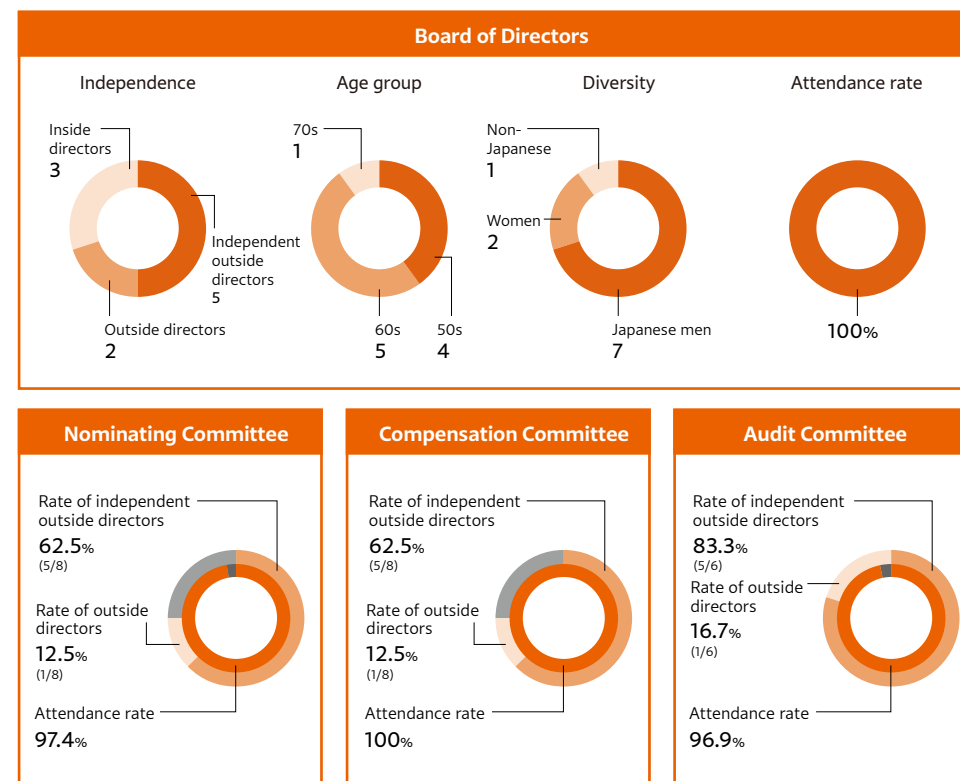
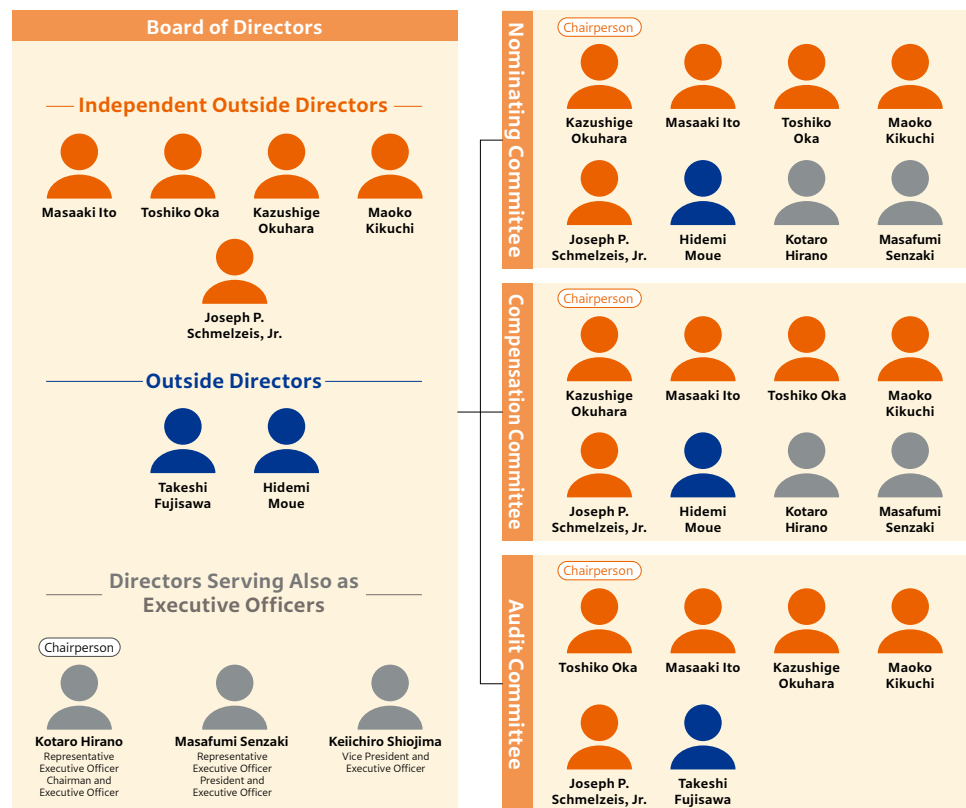
A "Company with a Nominating Committee, etc." under the Companies Act is mandated to ensure that the majority of members of the relevant committees are outside directors. Accordingly, in its Group Governance Guidelines, Hitachi Construction Machinery provides that the majority of its Audit Committee members are independent outside directors and is making efforts to further enhance the Committee's supervisory function.

Deliberation/Activity Themes for FY2024

- Exchange of opinions with representative executive officers (chairman and president), and interviews with executive officers and others who are heading the Business Units about their execution of duties
- Interviews with Group companies in and outside Japan about their business execution
- Interviews on the internal audit results and on the establishment and operation of internal control systems
- Interviews on environmental, quality and compliance audits
- Interviews on audits by accounting auditors
- Attendance at important meetings and perusal of written approvals by the Audit Committee Aide

Corporate Governance

Composition of the Board of Directors and the Committees (as of March 31, 2025)



* Ms. Maoko Kikuchi resigned from the position as of the end of the shareholders' meeting held on June 23, 2025.

Corporate Governance

Evaluation of the Effectiveness of the Board of Directors

Hitachi Construction Machinery has been conducting an annual evaluation of the effectiveness of its Board of Directors to maintain and increase its effectiveness, as provided for in Article 12 (Board Evaluation) of its Corporate Governance Guidelines.

The following provides an outline of the evaluation of the effectiveness of the Board of Directors conducted for FY2024.

Evaluation of the effectiveness of the Board of Directors

Target	All 10 directors who were incumbent as of FY2024
Evaluation method	(1) The Board conducted a self-evaluation questionnaire survey targeting all 10 directors in January 2025 via a third-party organization. (2) The third-party organization interviewed all 10 incumbent directors in February 2025 in reference to the survey results. (3) The third-party organization tabulated and analyzed the survey and interview results. (4) The secretariat for the Board made a report on the results of the evaluation conducted by the third-party organization at the Board meeting held on March 28, 2025. Based on the results, participants in the meeting deliberated on improvement measures for the issues and strengths to be further enhanced and finalized the evaluation of the Board's effectiveness for FY2024.
Question items	1. Expectations 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 duties of Directors and Outside Directors 7. Support system and training for Directors 8. Dialogue with shareholders (investors) 9. Effectiveness of the Nominating, Audit and Compensation Committees 10. General assessment

Improvements made to the issues identified in the effectiveness evaluation conducted for the previous fiscal year

Based on the results of the Board of Directors effectiveness evaluation conducted for FY2023, the related parties worked to make improvements, in particular those related to the following matters.

- Review of the agenda explanation materials to secure more time for discussion

In order to make effective use of the limited time available for Board of Directors meetings, the Board of Directors and its secretariat worked to include more objective and multifaceted information in the reference materials provided to directors prior to the meetings. Some, however, demanded even more improvements, such as including more detailed descriptions of the goals and risks and of the positioning of items in the overall strategy to make the content of the reference materials more balanced.

- Restructuring of the skill matrix and enhancement of discussions on the selection and promotion of directors with the required expertise

In order to review the skills, experience and others required for the implementation of the company's management strategies and vision and to discuss fully the selection of directors based on the skills and expertise required for the position, the Nominating Committee and its secretariat worked to make improvements by measures such as fostering deliberations and providing independent outside directors with opportunities to discuss among themselves. Some, however, pointed out the need to hold deeper discussions on the selection of director candidates and the succession of outside directors in consideration of the skills, experience and others required for the positions for gender balance and the implementation of the vision set for the Board.

Overview of the evaluation results and issues to be addressed for greater effectiveness

Based on the questionnaire and interview results and the improvements made in the previous fiscal year, the following items were selected as those to be addressed as priorities.

- Expectations regarding the Board of Directors' operations
Some made comments, such as "I want to have deeper discussions on the

functions and roles of the Board." In response, opportunities to discuss and examine the roles of the Board will be provided along with the opportunities to discuss and examine the skill matrix based on the roles.

2. Management of the Board of Directors

- Regarding the issues to be discussed by the Board, some made comments, such as "I want to discuss more deeply broad themes apart from individual agenda items, such as the direction of the company, firmwide strategies and further corporate growth, by limiting the time allocated to the individual items." In response, the Board of Directors will discuss and examine the revision of the discussion items and criteria to have enough time to discuss the direction of the company, firmwide strategies and further corporate growth.
- Respondents also gave comments such as "I want to have more time for deliberation," and "The meeting should be more balanced in terms of its agenda." In response, the Board of Directors will discuss and examine how to keep balance between the agenda items and the time allocated to them.

3. Dialogues with shareholders (investors)

In response to the comments such as "Need to give more feedback about reactions from shareholders and investors" and "I want to discuss more deeply the status of dialogue with shareholders," the Board of Directors will give more feedback about the present situation and secure opportunities and time to discuss and examine the dialogue policy and how to implement it.

4. Expectations regarding the Committees

Some commented, "I want to clarify the roles" of the Committees and gave opinions about the composition and number of members of the Committees. In response, the Board of Directors will (1) discuss, examine and clarify the roles of the Committees and (2) discuss and examine the composition of each of the Committees based on their roles. Also, the Committees will reexamine their own roles and then the Board will again discuss and examine the roles as necessary.

Corporate Governance

System to Provide Outside Directors with Information and Support

Hitachi Construction Machinery (mainly its Human Capital Group and the Legal Div., which serves as the secretariat for the Board of Directors), provides its outside directors with opportunities to learn about the Hitachi Construction Machinery Group's businesses and other matters that they need to know for the fulfillment of their duties as directors of the company, in addition to holding an orientation for newly appointed directors. Specifically, the outside directors are briefed on how the company's executive officers are executing their business duties as well as on what business activities are conducted by employees in managerial positions and how these managers are addressing issues. They are also provided with various information on market trends, general industry information, and information about the company's financial and organizational systems.

Support System

Hitachi Construction Machinery has established a system for its Audit Committee members to interview executive officers and employees of the company and other Group companies about how they are fulfilling their job duties as well as about their business situations. The members are also given access to important decision/approval-related documents, including the agenda of Executive Committee meetings. The Legal Div., which serves as the secretariat for the Board of Directors, and the Audit Committee Aide and the Audit Committee Bureau give support to members of the Board and members of the Audit Committee, respectively, so that they can obtain the necessary information.

For matters concerning Hitachi Construction Machinery and other Group companies discussed/reported at Executive Committee meetings, the executive officers share the details with the directors in a timely manner. The results of the audits carried out by internal auditors on Hitachi Construction Machinery and other Group companies are reported via the Audit Committee Aide to the Audit Committee and then to the Board of Directors through regular reporting to the Board by the Audit Committee. Collaboration between internal auditors and directors, including Audit Committee members, is thus ensured.

Costs related to the fulfillment of duties by the Audit Committee members are paid by the company, excluding costs deemed to be clearly

unrelated to the fulfillment of the duties.

Activities Conducted in FY2024

In FY2024, we conducted the following activities in order to help outside directors deepen their understanding of the Hitachi Construction Machinery Group and contribute to transparent, fair and bold decision making by the Group, in addition to providing them with necessary information.

- Briefed outside directors on the Group's businesses (Four times in total in May)
 - Invited them to participate in the Debate Session for Senior Officer (Nine times in total in and after July as a monthly event)
 - Took them on a tour of the Tsuchiura and Kasumigaura Works, where they exchanged opinions with on-site employees
 - Held a meeting for reporting and the exchange of opinions with executives, targeting outside directors visiting manufacturing and other facilities as members of the Audit Committee
- Overseas: Hitachi Construction Machinery (Europe) NV (Held online interviews and meetings for reporting and opinion exchange in Sept.)
PT Hitachi Construction Machinery Indonesia and Hexindo Adiperkasa Tbk PT (in Oct.)
- In Japan: Hitachi Kenki Logistics Technology (in Nov.)
- Invited outside directors to participate in in-house competition and presentation meetings (e.g. firmwide VEC presentation meeting and commercialization & research presentation meeting in Oct.; International skills competition and firmwide small-group presentation meeting in Nov.)



Visit to PT Hitachi Construction Machinery Indonesia by outside directors

Criteria for the Independence of Outside Directors

Hitachi Construction Machinery has set criteria for the independence of outside directors and defines outside directors to whom none of the following items apply as independent outside directors. Also, according to the rules set by Tokyo Stock Exchange, Inc., the company notified the stock exchange of the following five people as its independent outside directors as of June 23, 2025: Masaaki Ito, Toshiko Oka, Kazushige Okuhara, Kiyomi Kikuchi and Joseph P. Schmelzeis, Jr.

- Any of their first- and second-degree relatives is, or has been within the last three years a director or an executive officer of Hitachi Construction Machinery or any of its subsidiaries;
- The outside director is currently an executive director, an executive officer or an employee of a company that has made payments to, or received payments from, Hitachi Construction Machinery for products or services in an amount which, in any of the last three fiscal years, exceeds 2% of that company's consolidated sales;
- The outside director has received during any of the last three fiscal years more than 10 million yen in direct compensation for their services as a specialist in law, accounting or tax, or as a consultant from Hitachi Construction Machinery, other than director compensation.
- The outside director serves as an executive officer or director of a not-for-profit organization, and Hitachi Construction Machinery's charitable contributions to the organization in any of the last three fiscal years exceeded both 10 million yen and 2% of that organization's annual gross revenue or recurring revenue.

Corporate Governance

Details of Skills Required of Directors

Hitachi Construction Machinery specifies the skills required of directors based on the Hitachi Construction Machinery Group's management policies, Group Identity, medium-term management plans and other management strategies so that it can select candidates who have diverse backgrounds to collectively cover all the skills required of directors. The skills and why they were selected as necessary skills are detailed on the right.

Details of the skills

Skill	Details	Why they were selected as necessary skills
International business management	Business experience in and outside Japan, and management experience at a global company	Our overseas sales ratio has exceeded 80% of the total, and we are working for the expansion of the Americas business. Under these circumstances, directors need to have this skill to be able to make prompt management decisions from an international viewpoint and based on an understanding of geopolitical risks.
R&D	Expertise and practical experience in R&D for the co-creation of innovative products, services and solutions	The construction industry is facing environmental changes including a shrinking working-age population. We need to continue to deliver innovative products and solutions that will help customers in the industry respond to such changes through labor-saving measures and others, for which directors need to have this skill in order to supervise the planning of necessary strategies and the establishment of necessary systems.
Quality, production and procurement	Expertise and practical experience regarding quality, production and procurement	Directors need to have this skill to supervise the planning of necessary strategies and the establishment of necessary systems for the Group to continuously increase its productivity and provide customers with high-quality products and solutions.
Sales and marketing	Expertise and practical experience in the formulation of sales and marketing strategies based on an appropriate understanding of the global business environment and customer needs	Directors need to have this skill to supervise the planning of necessary strategies and the establishment of necessary systems for the company to continue to be a close and reliable partner to customers based on an appropriate understanding of their needs.
IT and digital technology	Expertise and practical experience in the effective use of digital technology	Directors need to have this skill to promote DX within the company and to supervise the planning of necessary strategies and the establishment of necessary systems to expand value chain businesses through the effective use of digital technology.
Financial accounting	Expertise and practical management experience in financial accounting to continue to increase corporate value	Directors need to have this skill to ensure precise financial reporting and to supervise the planning of capital policies and the establishment of relevant systems based on management strategies.
M&A	Expertise and practical experience in growth investment for the continuous increase of corporate value	Directors need to have this skill to supervise the planning of necessary strategies and the establishment of necessary systems for the company to implement cooperative projects with partners across the world and in different industries in line with the progress of globalization and the expansion of value chain businesses.
Legal affairs and compliance	Expertise and practical experience in legal affairs and compliance for continuous business growth	Directors need to have this skill to foster and supervise the establishment of a system to ensure compliance with laws, regulations and corporate ethics based on "Basics and Ethics," one of our fundamental values, and to fulfill their monitoring function to ensure appropriate business management.
Personnel affairs, human rights and human resource development	Expertise and practical experience in personnel affairs, human rights and human resource development for continuous business growth	Directors need to have this skill to enhance the abilities of employees and their organizations and to supervise the planning of necessary strategies and the establishment of necessary systems to realize Hitachi Construction Machinery's vision for human capital management: "Where every Kenkijin can be themselves in Harmony."

Corporate Governance

Skill Matrix for Current Directors

Name	Position/Title	Nominating Committee	Compen- sation Committee	Audit Committee	Independent director	Tenure	Major field of expertise and experience/Field in which contributions are expected								
							International business management	R&D	Quality, pro- duction and procurement	Sales and marketing	IT and digital technology	Financial accounting	M&A	Legal affairs and compliance	Personnel affairs, human rights and human resource development
Masaaki Ito	Independent outside director	●	●	●	●	1	●	●	●				●		
Toshiko Oka	Independent outside director	●	●	● Chairperson	●	4	●					●	●		●
Kazushige Okuhara	Independent outside director	● Chairperson	● Chairperson	●	●	9	●		●	●				●	●
Kiyomi Kikuchi	Independent outside director	●		●	●	Newly appointed	●						●	●	
Joseph P. Schmelzeis, Jr.	Independent outside director	●	●	●	●	2	●			●	●	●			●
Takeshi Fujisawa	Outside director			●		1	●	●			●				
Hidemi Moue	Outside director	●	●			3	●					●	●		
Keiichiro Shiojima	Director					4	●					●	●		
Masafumi Senzaki	Director	●	●			2	●	●	●	●	●	●		●	●
Kotaro Hirano	Director	●	●			8	●		●	●		●	●	●	●

*The tenure is as of the end of the 61st shareholders' meeting held on June 23, 2025.

Corporate Governance

Directors and Executive Officers (as of June 23, 2025)

Directors



Director,
Chairman of the
Board of Directors
Kotaro Hirano

Apr. 1981:	Joined the company
Apr. 2013:	Deputy General Manager, Production & Procurement Div.
Apr. 2014:	Executive Officer
Apr. 2016:	Vice President and Executive Officer
Apr. 2017:	Representative Director, President and Executive Officer
Jun. 2017:	Director (current)
Apr. 2023:	Representative Director, Chairman and Executive Officer (current)



Independent Outside
Director
Toshiko Oka

Apr. 1986:	Joined Tohmatsu Touche Ross Consulting Ltd.
Jul. 2000:	Joined Asahi Arthur Andersen Ltd.
Apr. 2005:	President and Representative Director of ABeam M&A Consulting Ltd.
Apr. 2016:	Partner at PwC Advisory LLC
Jun. 2016:	Outside Director, Hitachi Metals, Ltd. (presently Proterial, Ltd.)
Jun. 2018:	Outside Director, Sony Group Corporation
Jun. 2019:	Outside Director, Happinet Corporation (current)
Jun. 2020:	Outside Director, ENEOS Holdings, Inc. (current)
Apr. 2021:	Full-time professor at Meiji University Graduate School of Global Business (current)
Jun. 2021:	Outside Director, Hitachi Construction Machinery Co., Ltd. (current)
Mar. 2024:	Outside Director, Earth Corporation (current)



Independent Outside
Director
Kiyomi Kikuchi

Apr. 1986:	Joined The Dai-ichi Kangyo Bank, Ltd. (currently Mizuho Bank, Ltd.) (until December 1990)
Apr. 1999:	Registered as a lawyer and joined Asahi Law Offices
May 2003:	Admitted to the bar of the State of New York
Sept. 2004:	Joined Taiyo Law Office (currently Paul Hasting LLP/Gaikokuho Kyodo Jigyō)
Sept. 2006:	Joined JP Morgan Securities Japan Co., Ltd.
Apr. 2008:	Joined TMI Associates (current)
Mar. 2016:	External Auditor of Nissay Asset Management Corporation (current)
Jun. 2019:	Outside Director, Mitsubishi Chemical Holdings Corporation (current)
Jun. 2025:	Outside Director, Hitachi Construction Machinery Co., Ltd. (current)



Outside Director
Takeshi Fujisawa

Apr. 1989:	Joined Hitachi, Ltd.
Apr. 2015:	General Manager, Public Solutions Department 3, Public System Div., Information & Communication Systems Company
Apr. 2019:	General Manager, Enterprise Solutions Div., Industry & Distribution Business Unit
Apr. 2020:	General Manager, Digital Solutions Div., Industry & Distribution Business Unit
Apr. 2022:	General Manager, Digital Solutions Business Div., Industrial Digital Business Unit
Apr. 2024:	COO of Social Infrastructure Business Unit (current)
Jun. 2024:	Outside Director, Hitachi Construction Machinery Co., Ltd. (current)



Independent Outside
Director
Masaaki Ito

Apr. 1980:	Joined Kuraray Co., Ltd.
Apr. 2010:	General Manager of Methacrylate Division, Chemicals Company
Jun. 2012:	Executive Officer
Apr. 2013:	Vice President, Functional Materials Company
Jun. 2013:	Managing Executive Officer
Apr. 2014:	Officer responsible for Corporate Management Planning Division and CSR Division, General Manager, Corporate Management Planning Division
Jun. 2014:	Director
Jan. 2015:	Representative Director and President
Jan. 2021:	Chairman and Director (current)
Jun. 2024:	Outside Director, Hitachi Construction Machinery Co., Ltd. (current)



Independent Outside
Director
Kazushige Okuhara

Apr. 1970:	Joined Fuji Heavy Industries Ltd.
Oct. 1999:	Senior Managing Director, TOKYO SUBARU INC.
Jun. 2001:	Corporate Vice President, Senior General Manager of Japan Region, Subaru Sales & Marketing Division, Chief General Manager of Subaru Parts & Accessories Division and General Manager of Customer Service Center, Fuji Heavy Industries Ltd.
Jun. 2003:	Corporate Senior Vice President, Chief General Manager of Subaru Japan Sales & Marketing Division and Chief General Manager of Subaru Marketing Division
Apr. 2005:	Corporate Senior Vice President and General Manager of the Human Resources Department
Jun. 2006:	Director, Corporate Executive Vice President and General Manager of the Human Resources Department
Jun. 2006:	President and Chair of the Business Reforms Promotion Committee at Subaru System Service Co., Ltd.
Jun. 2010:	Representative Director and Deputy President of Fuji Heavy Industries Ltd.
Jun. 2011:	Representative Director and President of Subaru Kohsan Co., Ltd.
Jun. 2016:	Outside Director, Hitachi Construction Machinery Co., Ltd. (current)



Independent Outside
Director
**Joseph P.
Schmelzeis, Jr.**

Jul. 1984:	Joined Bain & Company
Jul. 1988:	Vice President, American Express International
Apr. 1998:	Chief Operating Officer, Fortworks International
Dec. 1999:	Interim CEO, Crimson Ventures
Nov. 2001:	Representative Director, JPS International, Inc. (current)
Jun. 2011:	Corporate Director and Division Manager, SEGA CORPORATION
Jun. 2015:	Senior Advisor, SEGA SAMMY HOLDINGS INC.
Feb. 2018:	Senior Advisor to the Ambassador, U.S. Embassy in Tokyo
Mar. 2021:	Executive Manager, Cedarfield Godo Kaisha (current)
Jun. 2022:	Outside Director, DENSO CORPORATION (current)
Jun. 2023:	Outside Director, Central Japan Railway Company (current)
Jun. 2023:	Outside Director, Hitachi Construction Machinery Co., Ltd. (current)



Outside Director
Hidemi Moue

Apr. 1979:	Joined The Industrial Bank of Japan, Limited
Jun. 1996:	General Manager, Capital Markets Department 2, IBJ Securities Co., Ltd.
Feb. 1998:	General Manager, Business Development Department, IBJ Securities Co., Ltd.
Oct. 2000:	General Manager, Corporate Finance Department, Mizuho Securities Co., Ltd.
Nov. 2002:	President and CEO, Japan Industrial Partners, Inc. (current)
Jun. 2010:	Auditor, Mobile Internal Capital, Inc. (current)
Jun. 2022:	Outside Director, Hitachi Construction Machinery Co., Ltd. (current)
Aug. 2022:	Representative Director and President, HCJ Holdings, Ltd. (current)
Jan. 2023:	Director, Proterial, Ltd. (current)
Dec. 2023:	Director, TOSHIBA CORPORATION (current)

Corporate Governance



Director
Keiichi Shiojima

Apr. 1988:	Joined Hitachi Construction Machinery Co., Ltd.
Apr. 2011:	General Manager, Credit Management Department, Finance Div.
Apr. 2014:	Director, Hitachi Construction Machinery Asia and Pacific Pte. Ltd.
Apr. 2016:	General Manager, Finance Department, Finance Div., Corporate Management Group, Hitachi Construction Machinery Co., Ltd.
Apr. 2019:	Deputy General Manager, Finance Div., Corporate Management Group
Apr. 2020:	Executive Officer, General Manager of Finance Div.
Jun. 2021:	Director (current)
Apr. 2022:	Vice President and Executive Officer, General Manager of Finance Div. (current)



Director
Masafumi Senzaki

Apr. 1991:	Joined Hitachi Construction Machinery Co., Ltd.
Apr. 2017:	General Manager, Russia and CIS Business Div. President and Director of Hitachi Construction Machinery Eurasia Manufacturing LLC
Apr. 2018:	Executive Officer, General Manager of Marketing Group, Hitachi Construction Machinery Co., Ltd.
Apr. 2021:	Vice President and Executive Officer, General Manager of Corporate Strategy and Operations Management Groups
Apr. 2022:	Senior Vice President and Executive Officer, General Manager of Corporate Strategy Group
Apr. 2023:	Representative Executive Officer, President and Executive Officer (current)
Jun. 2023:	Director (current)

Executive Officers

Representative Executive Officer, Chairman and Executive Officer, CEO

Kotaro Hirano

Representative Executive Officer, President and Executive Officer, COO

Masafumi Senzaki

Representative Executive Officer, Executive Vice President and Executive Officer
Officer responsible for Security Trade Control, President of Construction Business Unit

Yuusuke Kajita

Senior Vice President and Executive Officer
CTO and President of Research & Development Group

Itaru Nishizawa

Senior Vice President and Executive Officer
General Manager of America Business Div.
(Also serving as Chairman & CEO of Hitachi Construction Machinery Americas Inc.)

Hidehiko Matsui

Vice President and Executive Officer
CFO, President of Financial Strategy Group

Keiichi Shiojima

Vice President and Executive Officer
President of Power & Info Control Platform Business Unit

Kazunori Nakamura

Vice President and Executive Officer
Officer responsible for MONOZUKURI, President of Production & Procurement Group

Yoshihiro Narukawa

Vice President and Executive Officer
CRO and Governing External Affairs

Tetsuya Hamabe

Vice President and Executive Officer
President of Mining Business Unit

Eiji Fukunishi

Executive Officer
CSO, President of Corporate Strategy Group

Takeshi Arai

Executive Officer
President of Compact Business Unit
(Also serving as President and Director of Hitachi Construction Machinery Tierra Co., Ltd.)

Kazuhiro Ichimura

Executive Officer
Vice President of Mining Business Unit

Hiroshi Kanezawa

Executive Officer
CHRO, President of Human Capital Group

Makoto Sawada

Executive Officer
President of Global Marketing Group
President of Rental & Used Equipment Business Unit

Tooru Takatani

Executive Officer
CDIO, President of New Business Creation Unit

Seimei Toonishi

Executive Officer
President of Spare Parts & Service Business Unit

Hiroshi Hosokawa

Executive Officer
President of Safety/Health & Compliance Group

Satoshi Yamanobe

Executive Officer
General Manager of Oceania Business Div.
(Also serving as Managing Director of Hitachi Construction Machinery Oceania Pty., Ltd. and Managing Director of Hitachi Construction Machinery Australia Pty., Ltd.)

Ray Kitic

Executive Officer
General Manager of India Business Div.
(Also serving as President & Director of Tata Hitachi Construction Machinery Company Private Limited)

Sandeep Singh

Note: Listed by title and in the order of the Japanese kana syllabary

About the abbreviations

CDIO:	Chief Digital & Information Officer
CEO:	Chief Executive Officer
CFO:	Chief Financial Officer
CHRO:	Chief Human Resources Officer
COO:	Chief Operating Officer
CRO:	Chief Risk management Officer
CSO:	Chief Strategy Officer
CTO:	Chief Technical Officer

Corporate Governance

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

1. How to determine the policies

At Hitachi Construction Machinery, the Compensation Committee sets forth the company's policies on the determination of the amount of compensation to be paid to 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 policies

(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 its 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.

- Directors shall be paid their monthly salary in a fixed amount in view of the fact that their duty is of a supervisory nature. The specific amount shall be determined in accordance with the individual's position, full-time or part-time status and basic allowance for the position and may also include an allowance for committee membership. Compensation for serving as a director shall not be paid to directors who also serve as executive officers.

(3) Matters relating to executive officers

Compensation for executive officers consists of a monthly salary, performance-linked compensation and restricted stock compensation.

a. Monthly salary

Executive officers shall be paid their monthly salary according to the standards set for each position.

b. Performance-linked bonus

The amount of performance-linked bonus shall vary according to the level of achievement against the standard target and the results

achieved by each person in their respective position, and the range of variation shall be from 0% to around 200%. The bonus will be paid every June. The evaluation indicators and composition ratio for the bonus are as follows.

Category	Evaluation indicator	Composition ratio			
		Chairman and Executive Officer (CEO) President and Executive Officer (COO) Executive Vice President and Executive Officer		Senior Vice President and Executive Officer Vice President and Executive Officer Executive Officer	
(1) Company-wide performance	Net income	50%	80%	30%	60%
	Consolidated operating cash flows	20%		10%	
	Consolidated value chain revenue	—		10%	
	ESG assessment ^{*1}	10%		10%	
(2) Departmental performance targets		—		30%	
(3) Departmental targets (Three indicators for management issues including organizational health) ^{*2}		20%		10%	

^{*1} ESG assessment is an overall assessment based on the CDP's climate change and water security ratings, Dow Jones Sustainability Indices (DJSI) and the reducing rate of CO₂ emissions related to production and products.

^{*2} Organizational health is an index to evaluate the health of an organization from various perspectives such as employee engagement and diversity & inclusion.

^{*} For foreign executive officers, standard compensation is set according to the benchmarks of compensation levels of each country and region from the viewpoint of retaining capable personnel, taking into account the market competitiveness of the compensation.

c. Restricted Stock Compensation

Hitachi Construction Machinery annually offers restricted stock compensation to its executive officers living in Japan as non-monetary compensation that gives them incentives to continuously increase the company's corporate value on a medium- to long-term basis and to share more value with its shareholders. The transfer restriction

period for the shares allocated to the officers shall be from the day of the allocation to the day of their resignation from the position. When the transfer restriction period expires, the restriction on the transfer of the shares shall be lifted in principle, based on the precondition that the executive officer served in the position from the beginning through to the end of the fiscal year in which the restricted stock compensation for the year was paid.

In consideration of the purpose of the restricted stock compensation system, business situation of the company and the scope of responsibility assumed by the targeted executive officers, and based on the resolution made by the Compensation Committee, Hitachi Construction Machinery gives monetary claims to the officers, which they will exchange for the shares of the company to be allocated to them as restricted stock compensation.

(4) Ratio by compensation type

Title	Monthly salary	Performance-linked bonus	Restricted stock compensation
Chairman and Executive Officer (CEO) President and Executive Officer (COO)	42%	42%	16%
Executive Vice President and Executive Officer	55%	30%	15%
Senior Vice President and Executive Officer, Vice President and Executive Officer	60%	25%	15%

Corporate Governance

Framework for Strengthening Governance

Hitachi Construction Machinery recognizes that sustainability is an important management issue and that, in addition to improving business performance, the purpose of corporate governance is to acknowledge the company's status as a member of society that must engage in fair and transparent corporate behavior. By extension, the company believes that this will lead to an increase in its corporate value and a further increase in shareholder value. In addition to addressing important management issues, the company has structured its approach to supporting the strengthening of corporate governance into a comprehensive framework.

Corporate Governance at Hitachi Construction Machinery

1. Corporate Governance

The monitoring and control of management by the Board of Directors are defined as mechanisms that are intended to ensure that the company's decision-making and business execution take into consideration the interests of shareholders and other stakeholders, are in compliance with laws and regulations, are carried out efficiently, and enable the company to achieve sound and continuous development.

2. Governance (In-house governance)

The monitoring and control of employees by management are defined as mechanisms intended to ensure that the business is run properly, and in accordance with the requests of the Board of Directors.

The Company's Three Lines Model

The Three Lines Model is widely recognized as an effective structure and process that strongly supports governance and risk management while enabling the achievement of corporate objectives. The company acknowledges that the Three Lines Model below contributes to the

strengthening of governance and is promoting its adoption within the Group.

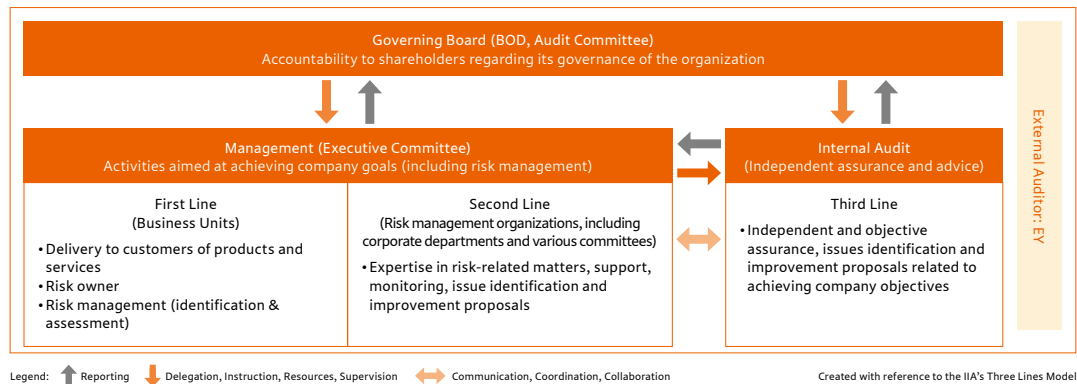
- **First Line (Business units)**
Business units have direct responsibility as owners of risks that arise from business operations, including for controlling (identifying, evaluating, responding to and monitoring) these risks.
- **Second Line (Risk management organizations, including corporate departments and various committees)**
Risk management organizations use their expertise to provide support, conduct verification and raise objections regarding the management of risks. While working in collaboration with the first

line, they monitor and report on the adequacy and effectiveness of the first line's risk management.

- **Third Line (Internal Audit Office)**
As an organization reporting directly to the COO, the Internal Audit Office provides independent and objective assurance and advice to management and governing bodies (such as the Board of Directors and the Audit Committee) on the adequacy and effectiveness of the risk management of the first and second lines.

With these three lines working in collaboration, the company will prevent the materialization of risks and strengthen its governance.

The company's overall Three Lines Model diagram



Framework for Strengthening Governance
https://www.hitachicm.com/content/dam/hitachicm/global/en/sustainability/governance/corpgovernance/docs/240724_Framework_for_Strengthening_Governance.pdf

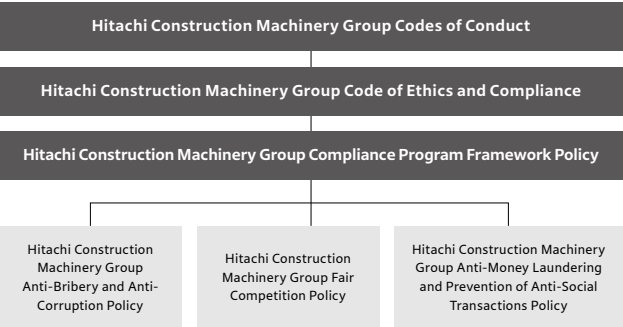
Promoting Compliance

Hitachi Construction Machinery Global Compliance Program (HGCP)

The Hitachi Construction Machinery Group places the highest priority on integrity in the conduct of its business activities, endeavors to meet the highest ethical standards and comply with all pertinent laws and regulations of every country and region in which the Group conducts business, and to respect proper business practices.

In particular, we deem it is important to implement measures to prevent bribery, comply with competition law, and prevent money laundering, terrorist financing and anti-social transactions. Based on this recognition, we have set relevant internal rules and guidelines and are implementing the Hitachi Construction Machinery Global Compliance Program (HGCP) in line with the Hitachi Construction Machinery Group Codes of Conduct and Hitachi Machinery Group Code of Ethics and Compliance.

In addition, we clearly show our responsibilities related to compliance management and the basic policies concerning compliance



activities in the “Hitachi Construction Machinery Group Compliance Program Framework Policy.”

For FY2024, the Hitachi Construction Machinery Group had no cases of violations related to anti-corruption laws, competition laws and anti-money laundering laws.

Compliance Promotion System

The Hitachi Construction Machinery Group has set the “Compliance and Risk Management Regulations” (“Management Regulations”) and has established a system to manage compliance violation cases and formulate and implement measures to prevent the reoccurrence of similar cases. If a compliance violation occurs within the Group, a Compliance and Risk Flash Report (“Flash Report”) will be issued to the secretariat established at the company, in accordance with the Management Regulations. In the Flash Report issuance process, an appropriate department/person is selected and appointed to act as the department/person responsible for making the initial response to the compliance violation incident and formulating and implementing permanent reoccurrence prevention measures.

For the follow-up on the progress made with the measures, including the initial response and final reoccurrence prevention measures taken for each violation case faced by the Group, a compliance countermeasures meeting is held quarterly and the results are reported to the executives.

In addition, we have our “Compliance and Risk Management Committee” (“the Committee”) in accordance with the Management Regulations. Through this Committee’s meetings held both regularly and irregularly and notifications issued by the Committee, we share information on instances of legal violations that have occurred within the Hitachi Construction Machinery Group, and work to raise employees’ awareness of compliance measures including those to prevent

reoccurrence across the Group.

This compliance promotion system is composed of second-line organizations under our Three Lines Model structure and supports our governance and risk management efforts.

Compliance Reporting System

With the aim of ensuring thorough statutory compliance and conducting business activities with high ethical standards, we have established the “Compliance Reporting System Management Regulation” (“Reporting Regulation”). Based on the Whistle-Blower Protection Amendment Act enforced in June 2022, the Reporting Regulations stipulate items including those concerning the protection of whistle blowers, and we operate this system in accordance with the provisions in the Reporting Regulation so that we can enhance the effectiveness of the reporting system and increase the self-purification effect.

Users of this system can make a report through either of two contact points, one internal and the other external, and conveniently via email, phone, mail or through an interview. The external contact point (expert organization in this field) accepts reports in 200 languages. The Group thus has a global reporting system in place.

For FY2024, 81 reports were made through the system, 39 on harassment-related, 19 on labor-related (excluding harassment), 11 on the violation of company rules, six on law violation, and six on other issues.

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

More Robust Global Risk Management

Activities of the ERM Committee

Developments in information and communication technology, geopolitical risks, and changes in economic conditions bring day-to-day changes to our society and business environment. The Hitachi Construction Machinery Group monitors and analyzes these environmental changes on a daily basis to prepare against risks and grasp growth opportunities in consideration of social issues as well as the Group's competitive advantages and management resources. The Group thus controls risks and opportunities and reflects them in its management strategies.

In April 2022, the Enterprise Risk Management (ERM) Committee was established to take charge of company-wide risk management and the prompt implementation of measures, with the Chief Risk Management Officer (CRO) and other management members taking the lead in the overall management of the risks that require company-wide response policies and management decisions based on the status of business operations.

Company-wide risks are identified by having the secretariats of company-wide committees determine risks once each term. The extracted risks are then evaluated in terms of importance, urgency, etc., from a company-wide perspective, and those issues positioned as important topics are shared with the ERM Committee.

The ERM Committee discusses and makes decisions on environment-related issues such as climate change, pollution, and disasters, as well as risks that could shake the very foundations of our global operations, including pandemics, cybersecurity, human rights, geopolitical risks, economic security and community issues. The committee basically meets once per term, but extraordinary meetings may be held in response to sudden requests to address company-wide risks or at the request of the chairperson, other committees, or relevant business units. In FY2024, the ERM Committee deliberated and reported on risk management systems, responses to geopolitical

risks, and compliance with legal regulations. Ethical and legal violations are discussed by the Compliance Management Committee, which is charged with raising awareness to prevent violations and implementing measures to avert their reoccurrence.

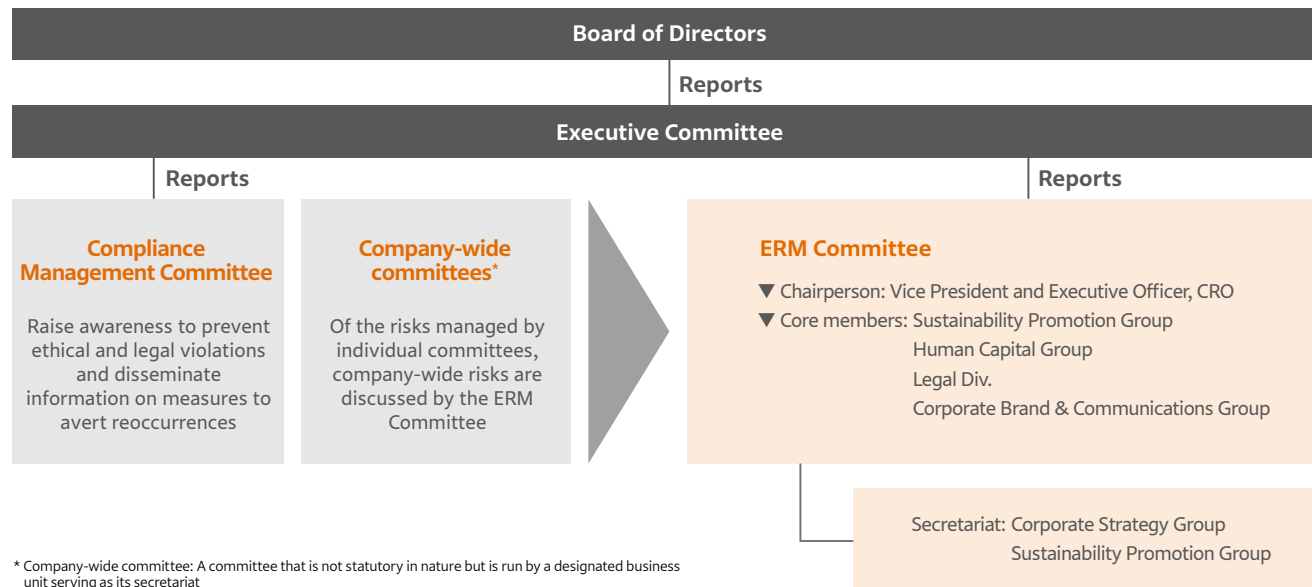
The ERM Committee reports on important matters such as company-wide risk response policies and the Compliance

Management Committee reports on major compliance matters to the Executive Committee and the Board of Directors.



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

ERM Committee Structure



* Company-wide committee: A committee that is not statutory in nature but is run by a designated business unit serving as its secretariat

06

Corporate Data

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92-93	11-Year Consolidated Financial Highlights
94	Non-Financial Highlights
95-96	External Evaluation
97	IR Information
98	Company Profile/ Investor Information

11-year Consolidated Financial Highlights

Hitachi Construction Machinery Co., Ltd., and Consolidated Subsidiaries (each fiscal year ending on March 31)						Note: Consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) from the fiscal year ended March 31, 2015; The terms in brackets are Japanese GAAP items.							
Financial Indicator		Unit	2015/3 (IFRS)	2016/3 (IFRS)	2017/3 (IFRS)	2018/3 (IFRS)	2019/3 (IFRS)	2020/3 (IFRS)	2021/3*2 (IFRS)	2022/3 (IFRS)	2023/3*4 (IFRS)	2024/3*4 (IFRS)	2025/3*4 (IFRS)
Operating Results	Revenue [Net Sales]	Millions of yen	815,792	758,331	753,947	959,153	1,033,703	931,347	813,331	1,024,961	1,264,927	1,405,928	1,371,285
	Overseas revenue [Overseas sales]	Millions of yen	594,036	525,531	527,961	765,933	827,628	725,743	609,995	808,037	1,040,941	1,179,047	1,151,255
	Overseas revenue ratio	%	72.8	69.3	70.0	79.9	80.1	77.9	75.0	78.8	82.3	83.9	84.0
	Specialized parts and services business ³	Millions of yen	-	-	6,691	92,287	95,976	90,596	79,140	94,822	116,623	129,889	135,642
	Adjusted operating income margin (loss)	Millions of yen	-	23,364	28,265	93,582	116,841	76,618	32,710	93,518	136,645	168,028	144,989
	Income (loss) before income taxes [Income before income taxes and other adjustments]	Millions of yen	58,953	24,517	23,859	95,612	102,702	67,103	25,578	110,869	115,013	160,476	134,168
	Net income (loss) attributable to owners of the parent [Net income attributable to owners of the parent]	Millions of yen	26,023	8,804	8,022	60,004	68,542	41,171	10,340	75,826	70,175	93,294	81,428
Financial Position	Total assets [Total assets]	Millions of yen	1,064,673	926,628	1,012,208	1,089,796	1,185,256	1,167,567	1,219,882	1,409,560	1,627,003	1,835,672	1,791,006
	Total equity attributable to owners of the parent [Shareholders' equity]	Millions of yen	431,227	395,963	399,619	448,502	486,407	473,537	513,602	611,608	659,992	763,380	809,337
	Net interest-bearing debt ¹	Millions of yen	236,240	138,785	183,246	148,736	237,461	276,778	249,158	258,850	395,475	432,052	390,722
	Net debt-to-equity ratio (Net D/E ratio)	Ratio	0.55	0.35	0.46	0.33	0.49	0.58	0.49	0.42	0.60	0.57	0.48
	Return on equity attributable to owners of the parent [Return on equity] (ROE)	%	6.3	2.1	2.0	14.1	14.7	8.6	2.1	13.5	11.0	13.1	10.4
	Return on assets attributable to owners of the parent [Return on assets] (ROA)	%	2.4	0.9	0.8	5.7	6.0	3.5	0.9	5.8	4.6	5.4	4.5
	Equity attributable to owners of the parent ratio [Shareholders' equity ratio]	%	40.5	42.7	39.5	41.2	41.0	40.6	42.1	43.4	40.6	41.6	45.2
	Price earnings ratio (PER)	Ratio	17.17	43.18	73.57	14.55	9.11	11.31	72.91	8.96	9.32	10.30	10.31
	Price-to-book value ratio (PBR)	Ratio	1.04	0.96	1.48	1.95	1.28	0.98	1.47	1.11	0.99	1.26	1.04

*1 Net interest-bearing debt = Interest-bearing debt - Cash and cash equivalents at end of period

*2 Some data for the fiscal year ended March 31, 2021 have been changed to figures reflecting the retrospective application of a change in accounting policies to the consolidated financial statements.

*3 Effective from the fiscal year ended March 31, 2024, the segment name "Solutions Business" has been changed to "Specialized Parts and Services Business." The change in segment name has no impact on segment information.

*4 During the fourth quarter of fiscal year 2024, we classified the non-core operations in the Specialized Parts and Services Business segment as discontinued operations. Consequently, sales revenue, adjusted operating income, and income before income taxes are presented for continuing operations, excluding discontinued operations, from the fiscal year ended March 31, 2023 onward.

11-year Consolidated Financial Highlights

Hitachi Construction Machinery Co., Ltd., and Consolidated Subsidiaries (each fiscal year ending on March 31)										Note: Consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) from the fiscal year ended March 31, 2015; The terms in brackets are Japanese GAAP items.			
	Financial Indicator	Unit	2015/3 (IFRS)	2016/3 (IFRS)	2017/3 (IFRS)	2018/3 (IFRS)	2019/3 (IFRS)	2020/3 (IFRS)	2021/3*3 (IFRS)	2022/3 (IFRS)	2023/3 (IFRS)	2024/3 (IFRS)	2025/3 (IFRS)
Per-Share Indicators	Earnings per share attributable to owners of the parent [Net earnings per share attributable to owners of the parent]	Yen	122.44	41.41	37.72	282.16	322.31	193.61	48.62	356.57	330.00	438.68	382.83
	Diluted earnings per share attributable to owners of the parent [Diluted earnings per share attributable to owners of the parent]	Yen	122.42	41.41	37.72	282.16	322.31	193.61	48.62	356.57	330.00	438.68	382.83
	Equity per share attributable to owners of the parent [Net assets]	Yen	2,028.57	1,861.93	1,879.14	2,109.04	2,287.31	2,226.80	2,415.22	2,876.11	3,103.66	3,589.46	3,805.00
	Dividends per share	Yen	60	40	12	85	100	60	20	110	110	150	175
	Consolidated dividend payout ratio	%	49.0	96.6	31.8	30.1	31.0	31.0	41.1	30.9	33.3	34.2	45.7
Capital Investment, etc.	Capital investment (construction basis) ^{*5}	Millions of yen	32,401	35,156	30,665	41,833	57,634	84,075	73,371	89,585	119,338	114,406	128,391
	R&D expenditure	Millions of yen	17,843	18,834	19,304	24,571	24,774	23,720	24,764	25,462	24,443	31,425	37,510
	R&D expenditure to revenue	%	2.2	2.5	2.6	2.6	2.4	2.5	3.0	2.5	1.9	2.2	2.7
Foreign Currency Exchange Rates ^{*6}	JPY/USD	Yen	110.5	120.1	108.7	110.9	111.0	108.7	106.0	112.6	135.4	144.8	152.6
	JPY/EUR	Yen	138.3	132.4	118.9	130.1	127.9	120.8	124.6	130.6	141.0	157.0	163.5
	JPY/RMB	Yen	17.6	18.6	16.2	16.8	16.6	15.7	15.7	17.5	19.7	20.1	21.1

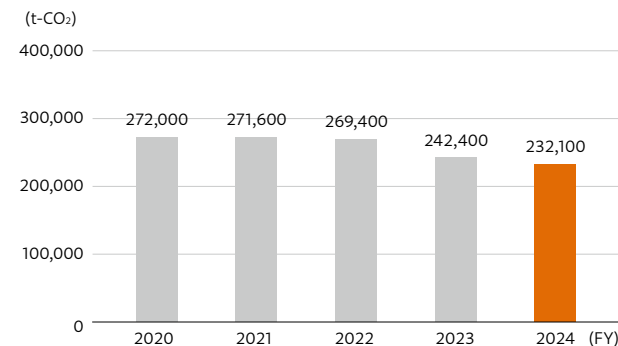
*5 Effective from this Integrated Report, capital investment will include operating assets for lease; historical information has been changed as well.

*6 Average exchange rates during the period

*7 Some data for the fiscal year ended March 31, 2021 have been changed to figures reflecting the retrospective application of a change in accounting policies to the consolidated financial statements.

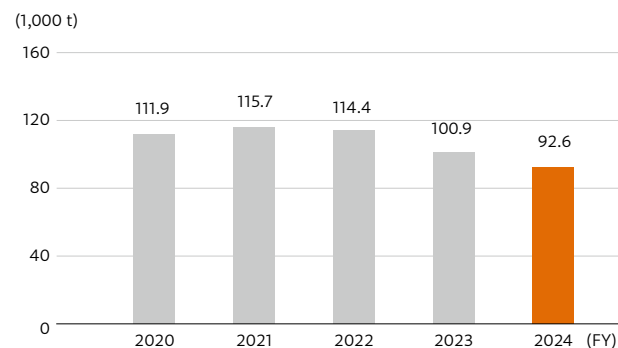
Non-Financial Highlights

GHG (CO₂) Emissions



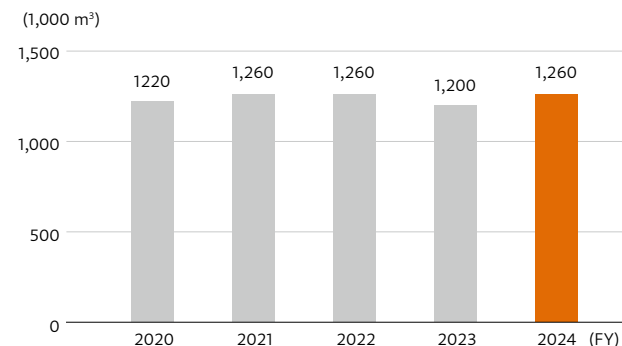
Scope of data: Scope 1 and 2 emissions from all consolidated production and non-production bases in and outside Japan

Waste Generation



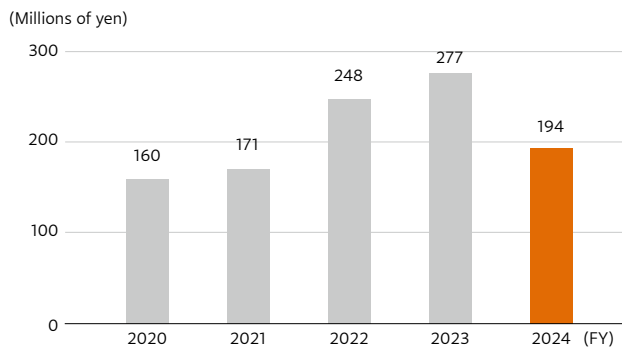
Scope of data: All consolidated production and non-production bases in and outside Japan

Water Consumption

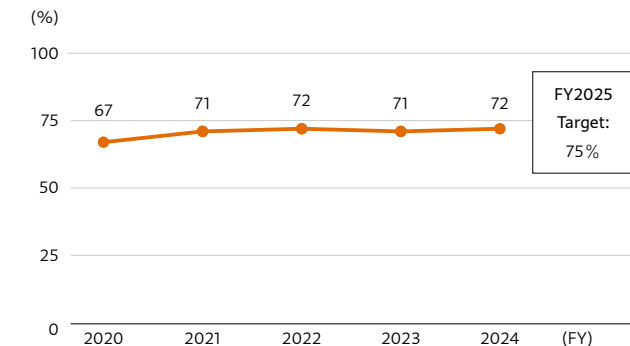


Scope of data: All consolidated production and non-production bases in and outside Japan

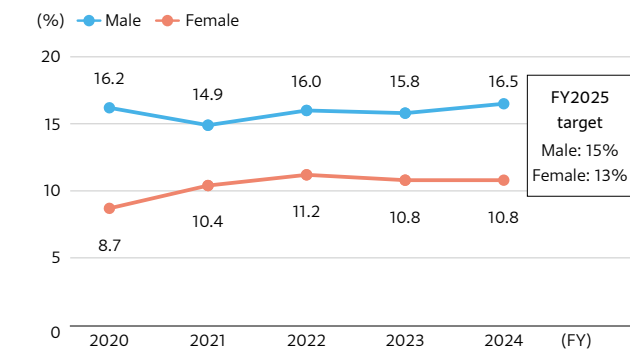
Social Contribution-related Expenses (Consolidated)



Percentage of Local Managers among GMs and Those in Higher Positions at Overseas Group Companies



Percentage of Managers among Male/Female Employees (Consolidated)



External Evaluation

SRI Index

Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA

Dow Jones Sustainability Asia Pacific Index
We are included in the Asia Pacific Index of the Dow Jones Sustainability Indices (DJSI). The DJSI was developed by S&P Global Inc. with the aim of comprehensively analyzing listed companies around the world in terms of economy, environment and society, and to select companies that excel in sustainability (as of December 2024).



FTSE Blossom Japan Index
We are recognized as a Japanese company engaging in excellent practices in environment, social and governance (ESG) (as of June 2025).



SOMPO Sustainability Index
We are included in the active index created independently by SOMPO Asset Management by combining environment, social and governance (ESG) evaluation and stock price evaluation (fundamental value) (as of June 2025).



FTSE4Good Global Index Series
We are included in the FTSE4Good Global Index Series responsible investment (RI) indices for global companies (as of June 2025).



FTSE Blossom Japan Sector Relative Index
We are recognized as a Japanese company engaging in excellent environment, social and governance (ESG) practices within the industrial sector (as of June 2025).



MSCI Selection Indexes
MSCI Selection Indexes are a family of indexes developed by MSCI Inc. of the U.S. We are included in the Indexes as a company given a high ESG rating in the industrial sector (as of June 2025).

Assessment of Sustainability and Management Strategy



CDP
CDP is a non-profit organization established in the UK in 2000. It globally surveys, discloses, and evaluates corporate initiatives regarding climate change and water. In 2024, we received a score of B for climate change and for water.

	2020	2021	2022	2023	2024
CDP Climate Change	A-	A-	A-	A-	B
CDP Water Security	B	B	B	B	B



SBT (Science Based Targets)
SBTI certifies companies that have set science-based greenhouse gas emission reduction targets consistent with the 2°C target (1.5°C target) level required by the Paris Agreement. In May 2019, our long-term targets for greenhouse gas emission reductions received this certification.



2024 IR Award
We received the "Most Liked!" IR Award at the 2024 IR Award conducted by the Japan Investor Relations Association (JIRA). (November 2024) (The theme set for this award for 2024 was "Efforts to shorten the distance between management and investors.")

External Evaluation



Health and Productivity 2025

Hitachi Construction Machinery was certified as an outstanding organization for health & productivity management (Kenko Keiei) by Nippon Kenko Kaigi, as in 2024. (March 2025)

*Kenko Keiei is a registered trademark of the NPO named Kenko Keiei Kenkyukai.



All Japanese Listed Companies' Website Ranking (2024)

This ranking is based on objective evaluation items set by Nikko Investor Relations Co., Ltd. from the three perspectives of ease of understanding, ease of use, and amount of information. This ranking evaluates the websites of all listed companies. (December 2024)



ESG Corporate Rating (ISS ESG)

From among more than 8,000 companies evaluated for their environment, social and governance (ESG) initiatives, we were selected to receive the Prime rating, which is given to companies highly evaluated for such initiatives in each industry. (November 2024)

Endorsement of Initiatives



Task Force on Climate-related Financial Disclosures (TCFD)

TCFD is an initiative established by the Financial Stability Board (FSB). It requires companies to disclose climate-related information that may impact their finances from the four perspectives of corporate governance, strategy, risk management, and metrics and targets. We announced our endorsement of TCFD in October 2020.



United Nations Global Compact (UNGC)

In April 2023, we participated in the United Nations Global Compact, which is the world's largest sustainability initiative implemented by the United Nations by joining forces with the private sector (companies and organizations) to build a healthy global society. The United Nations Global Compact has 10 principles related to the protection of human rights, the elimination of unfair labor, the response to the environment, and the prevention of corruption.



GX League

Green Transformation (GX) League is an initiative established under the leadership of Japan's Ministry of Economy, Trade and Industry as a forum for industry, academia, government and financial institutions to collaborate for the reform of the entire economic and social system to achieve carbon neutrality by 2050. Hitachi Construction Machinery participated in the GX League in May 2023.



30by30 Alliance for Biodiversity

30by30 Alliance for Biodiversity is an international initiative to achieve the "nature positive" goal of halting and restoring the loss of biodiversity by 2030. To this end, participating countries will work to conserve at least 30% of their land and sea areas as healthy ecosystems in an effective way. Hitachi Construction Machinery participated in this alliance, which the Japanese Ministry of the Environment is fostering, in October 2024.



External Evaluation

<https://www.hitachicm.com/global/en/ir/evaluation/>

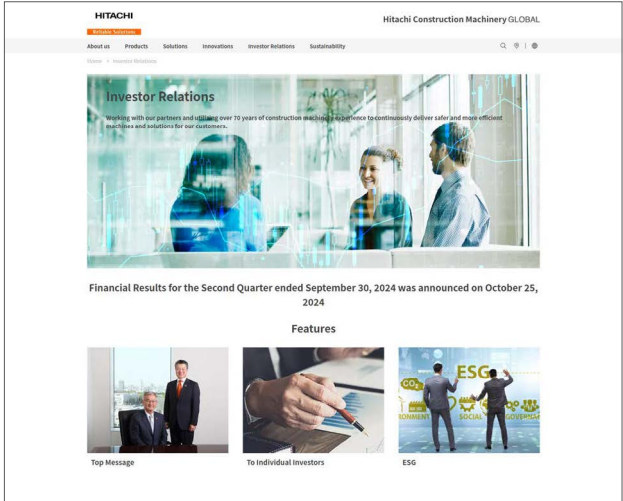
IR Information

FY2024 Dialogue with Shareholders (Stakeholder Engagement)

Key personnel involved	CEO, COO, CFO, Investor Relations Sec.		
Overview of shareholders, investors, etc., engaged in dialogue	Individual meetings (at investors' locations)	Japan	121
		Asia	98
		North America	53
		Europe	39
		Other regions	7
	Company briefing sessions (held six times) Four financial results explanatory meetings, one business explanatory meeting, one meeting of officers	Institutional investors, sell-side analysts, research companies A total of 607 people	
Principal dialogue topics and concerns	Measures to increase profitability and stability with a focus on the value chain business expansion		
	Market situation, sales performance and future strategies in the Americas, where we focus on expanding our business on our own		
	Measures to expand the mining and specialized parts service businesses		
	Policies and outlook for shareholder returns, including dividend forecasts and approach to the acquisition of treasury shares		
	Interest in new shareholder composition, and readiness for conversion to the next shareholder composition		
Attributes of shareholders participating in dialogue	Investment styles:		
	Value, Growth, GARP, ESG, etc.		
Feedback provided to management and the Board of Directors	• Reporting of dialogue details to management (from time to time)		
	• Reporting and discussion of dialogue details at the meetings of executive officers and Board of Directors (quarterly)		
Steps taken based on dialogues, etc.	• Online listing of historical data, such as the cost of capital and various financial figures and indicators		
	• Expansion of explanations about measures for cash allocation including shareholder returns		
	• Explanation of priority measures for higher profitability at business explanatory meetings and the president's meetings		

“Investor Relations” website

<https://www.hitachicm.com/global/en/ir/>



Please visit our website for the latest IR-related information.

- IR News
- Business Results & Financial Information
- IR Library
- To Individual Investors, etc.



Company Profile (as of March 31, 2025)

Company Name	Hitachi Construction Machinery Co., Ltd.
Paid-in Capital	81,577 million yen
Head Office	2-16-1 Higashi-Ueno, Taito-ku, Tokyo
Established	October 1, 1970
Representative	Masafumi Senzaki, Representative Executive Officer, President and Executive Officer, COO
Number of Employees	26,101 (consolidated), 5,991 (non-consolidated)
Business Purposes	Manufacture, sale, rental, and after-sale service of construction and transport machinery, environmental products, etc.
Principal Manufacturing Facilities	Tsuchiura Works, Kasumigaura Works, Hitachinaka-Rinko Works, Hitachinaka Works, Ryugasaki Works, Banshu Works
URL	https://www.hitachicm.com/global/en/

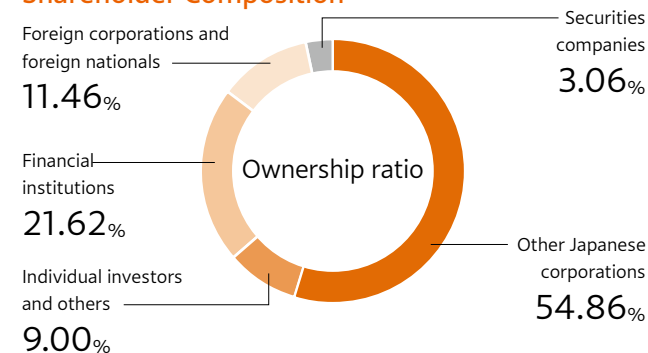


Ueno East Tower

Investor Information (as of March 31, 2025)

Stock Exchange Listing	Prime Market of the Tokyo Stock Exchange
Accounting Auditor	Ernst & Young ShinNihon LLC
Shareholder Registry Administrator	Sumitomo Mitsui Trust Bank, Limited
Number of Shares Authorized	700,000,000 shares
Number of Shares Issued	215,115,038 shares
Number of Shareholders	47,043
Annual Shareholders Meeting	Held in Tokyo every June

Shareholder Composition



Major Shareholders (Top 10)

	Number of shares held (x 1,000)	Shareholding ratio (%)
HCJI Holdings Ltd.	55,290	25.99
Hitachi, Ltd.	54,062	25.42
The Master Trust Bank of Japan, Ltd. (trust account)	30,271	14.23
Custody Bank of Japan, Ltd. (trust account)	12,122	5.70
Citrus Investment LLC	5,464	2.57
JP Morgan Securities Japan Co., Ltd.	2,686	1.26
The Nomura Trust and Banking Co., Ltd. (trust account)	1,638	0.77
HSBC HONG KONG -TREASURY SERVICES A/C AISAN EQUITIES DERIVATIVES	1,321	0.62
The Bank of New York Mellon Corporation	1,311	0.62
STATE STREET BANK WEST CLIENT-TREATY	1,241	0.58

* The 2,411,476 shares of treasury stock held by the Company are not included in the table above.

* The 2,411,476 shares of treasury stock are also excluded when calculating shareholding ratios.

Hitachi Construction Machinery Co., Ltd.

2-16-1 Higashi-Ueno, Taito-ku, Tokyo 110-0015
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