



Second Opinion

Hitachi Construction Machinery Co., Ltd.

Green Finance Framework

February 2, 2024

ESG Division
Hiroki Maeguchi

Rating and Investment Information, Inc. (R&I) has confirmed the alignment of the Green Finance Framework of Hitachi Construction Machinery Co., Ltd. formulated in February 2024 with Green Bond Principles 2021 of the International Capital Market Association (ICMA), Green Loan Principles 2023 of the Loan Market Association, the Asia Pacific Loan Market Association and the Loan Syndications and Trading Association, and Green Bond Guidelines 2022 and Green Loan Guidelines 2022 of the Ministry of the Environment. This opinion is based on the following views:

■ Overview of the Opinion

(1) Use of Proceeds

The proceeds will be allocated to, among others, investments in development and manufacturing of battery-powered excavators, investments in energy-efficient facilities and renewable energy, investments in parts remanufacturing and rental, and system development for managing the operational status of machinery and improving the productivity of the entire construction site. For each project, corresponding project categories illustrated in the Green Bond/Loan Principles are indicated. These projects are expected to produce clear environmental benefits in an array of fields, such as reducing CO₂ emissions from both the use of products and production processes, converting to a recycling-oriented business model, and resolving environmental challenges faced by customers engaging in social infrastructure construction. When implementing individual projects, Hitachi Construction Machinery will confirm that measures are taken to reduce environmental and social risks, including complying with environmental laws, encouraging suppliers to reduce negative environmental impacts, and respecting human rights. The use of proceeds is reasonable.

(2) Process for Project Evaluation and Selection

In response to changes in the business environment, Hitachi Construction Machinery formulated a group identity in 2022, a year when it launched the pursuit of a revival akin to a second start-up, envisioning the realization of a safe and sustainable society. In April 2023, it unveiled a medium-term management plan comprised of four strategic pillars with the aim of growing as a true solutions provider by creating value that resolves the issues its customers are confronting. Target projects address the Hitachi Construction Machinery Group's materialities, embedded in the medium-term management plan. To evaluate and select projects, a process is in place where the Finance Division and the Sustainability Promotion Division will confirm the satisfaction of the eligibility criteria and the general managers of both divisions will make the final decision. The process for project evaluation and selection is clear and rational.

(3) Management of Proceeds

The Finance Division will track and manage the proceeds every half year using an internal management system so that all proceeds will be allocated to eligible projects. Unallocated proceeds will be managed in cash or cash equivalents. The management of proceeds is appropriate.

(4) Reporting

Hitachi Construction Machinery will disclose the allocation of proceeds until full allocation, and environmental benefits as long as the financing executed under the Framework remains outstanding, on its website annually. Impact reporting will be disclosed using quantitative indicators where possible and qualitative information, such as the overview of projects and cases of impact creation, according to the environmental objectives of projects to the extent practicable. The reporting is appropriate.

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Outline of the Issuer

(1) Business Overview and Business Strategy

- Hitachi Construction Machinery is a construction and mining machinery manufacturer with the world's third largest sales scale. In 1950, Hitachi, Ltd., the precursor of Hitachi Construction Machinery, launched the full-scale marketing of cable-operated shovels. Over the following 70 years, the Hitachi Construction Machinery Group has produced the latest advancements in construction machinery as demanded by the construction industry. While doing so, the group has developed a sales and service network to meet the needs of customers globally.
- Amid changes in the social, technological and economic environment surrounding companies and accompanying changes in the competitive environment as well as the start of a full-scale independent business in the Americas in March 2022 and changes in its capital structure in August 2022, Hitachi Construction Machinery launched the pursuit of a revival akin to a second start-up and formulated a unique group identity in 2022. Its mission was defined as becoming a solutions provider that meets customer needs. The company will create new value to "ensure a prosperous land and society for the future" in line with its vision, thereby contributing to the realization of a safe and sustainable society.
- To provide a concrete path for value creation with the intention of achieving this vision, Hitachi Construction Machinery formulated a new three-year medium-term management plan, "BUILDING THE FUTURE 2025," in April 2023 with four strategic pillars of "Delivering innovative solutions for customer needs," "Enhancing value chain business," "Expanding business in the Americas," and "Strengthening human capital and corporate capabilities." The company will strive to grow as a true solutions provider by delivering innovative solutions to resolve three management issues of its customers: improving safety and productivity, reducing life cycle costs, and environmental response.

■ Hitachi Construction Machinery Group's Business Portfolio

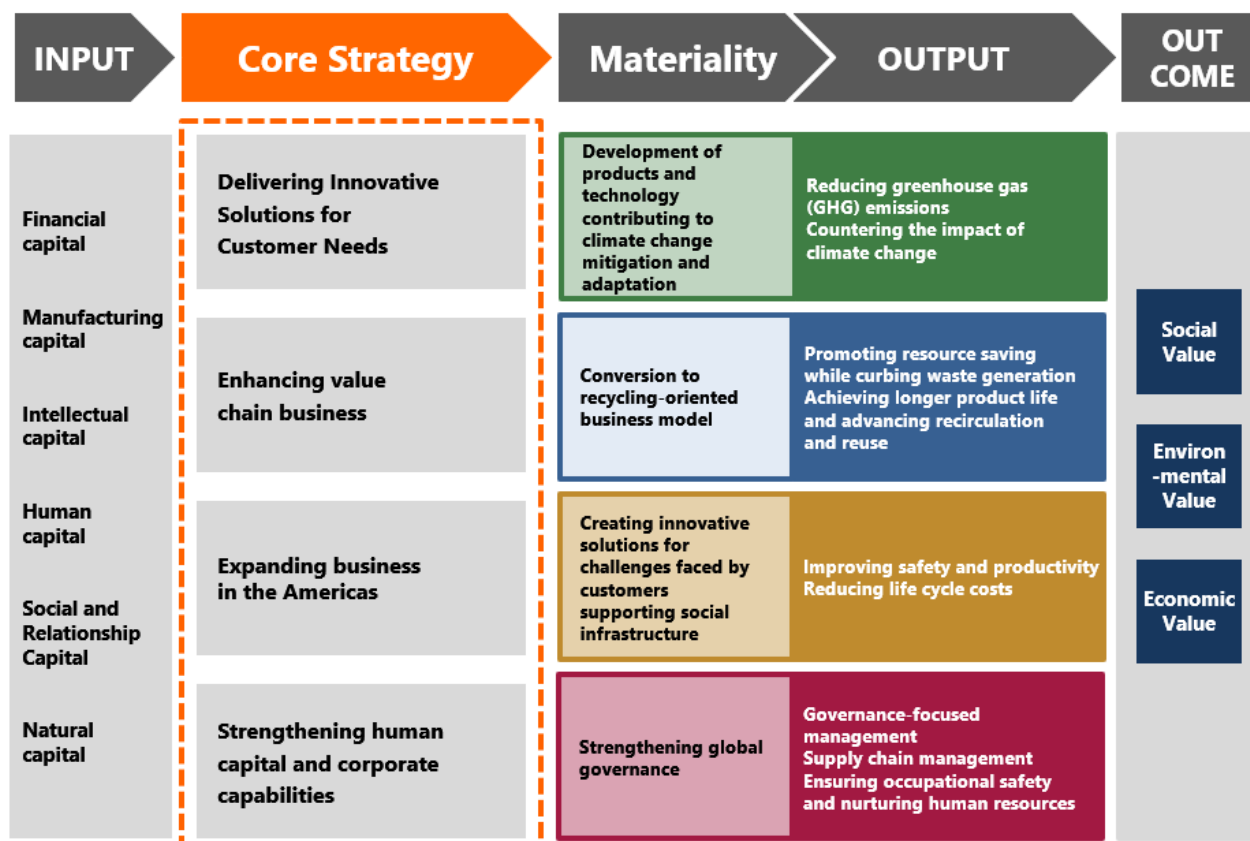


[Source: Hitachi Construction Machinery]

(2) Promotion of Sustainability

- The Hitachi Construction Machinery Group's Sustainability Basic Policy calls for improving its enterprise value by delivering products and services that contribute to the success of customers around the world, and at the same time, helping create a sustainable society by promoting sustainability through the practice of materialities.
- Materialities were reassessed in fiscal 2021. After repeated discussions focused on social issues, such as the SDGs, and issues that can enhance or damage its enterprise value, and taking into account the opinions of outside experts and internal and external stakeholders, the group identified four categories of materiality (Product and technology development contributing to climate change mitigation and adaptation, Conversion to recycling-oriented business model, Creating innovative solutions for challenges faced by customers supporting social infrastructure, and Strengthening global governance) in accordance with its decision-making process. Initiatives to address materialities are incorporated in management strategies, which are embedded in the group's value creation process.
- Sustainability-related initiatives, including the practice of materialities, are comprehensively managed and promoted by the Sustainability Promotion Group, an organization established in April 2019 under the direct control of President and COO (Chief Operating Officer), with CSO (Chief Strategy Officer) being the director in charge. Furthermore, ESG-related issues requiring management decisions, including responses to climate change, are discussed and approved by the Sustainability Promotion Committee, which meets twice a year chaired by President and COO and composed of executive officers, and issues of particular importance are discussed and approved by the Executive Committee and the Board of Directors.

■ Value Creation Process and Materiality



[Source: Hitachi Construction Machinery]

1. Use of Proceeds

(1) Eligible Projects

- The proceeds will be used to finance or refinance expenditures for the eligible projects listed below. In the case of refinancing, the proceeds will be allocated only to expenditures that have been made within 36 months prior to the execution of the green finance under the Framework.

Materiality Themes	Project Categories in Green Bond Principles, etc.	Eligible Projects
Product and technology development contributing to climate change mitigation and adaptation	Circular economy adapted products, production technologies and processes and/or certified eco-efficient products	Environmentally Friendly Products <ul style="list-style-type: none"> Capital investments and R&D related to manufacturing and/or development of battery-powered/wired electric construction machinery, hydrogen engine/fuel cell drive construction machinery, and associated products/services
	Energy efficiency	CO₂ Emissions Reduction from Production Process <ul style="list-style-type: none"> Capital investments related to installation of energy-efficient equipment and facilities that contribute to the improvement of energy efficiency, and energy-efficient buildings
	Renewable energy	CO₂ Emissions Reduction from Production Process <ul style="list-style-type: none"> Capital investments and providing capital related to solar power that contribute to expanding renewable energy capacity Power purchase of renewable energy sources
	Green buildings Energy efficiency	CO₂ Emissions Reduction from Production Process <ul style="list-style-type: none"> Construction and acquisition of buildings that have received or are expected to receive a certification listed below <ul style="list-style-type: none"> - CASBEE: A or above - DBJ Green Building Certification: Three stars or above - LEED: Silver or above - ZEB: Oriented or above
Conversion to recycling-oriented business model	Circular economy adapted products, production technologies and processes and/or certified eco-efficient products	Parts and Machines Remanufacturing <ul style="list-style-type: none"> Capital investments and R&D related to parts and machines remanufacturing that result in reduction of waste emissions and suppression of resource input
		Rental <ul style="list-style-type: none"> Capital investments and expenditure related to rental of battery powered/wired electric construction machinery and hydrogen engine/fuel cell drive construction machinery
Creating innovative solutions for challenges faced by customers supporting social infrastructure	Circular economy adapted products, production technologies and processes and/or certified eco-efficient products	Machinery Status Management Systems <ul style="list-style-type: none"> R&D related to systems and solutions that contribute to long-term life cycle of products and their stable operation
		Increase Productivity <ul style="list-style-type: none"> R&D related to ICT products, systems and solutions that result in increased productivity and safety of construction sites

(2) Project Categories and Expected Environmental Benefits of Eligible Projects

① Environmentally Friendly Products

Green Eligible Category: Circular economy adapted products, production technologies and processes and/or certified eco-efficient products

Project Summary & Eligibility Criteria: Capital investments and R&D related to manufacturing and/or development of battery-powered/wired electric construction machinery, hydrogen engine/fuel cell drive construction machinery, and associated products/services

<Example Projects>

- R&D related to battery-powered excavators

Hitachi Construction Machinery is advancing efforts to deliver electric construction machinery in Europe, ahead of other regions. It aims to expand globally through the development and mass production of cost-competitive electric construction machinery, incorporating the products and technologies developed by KTEG GmbH, a joint venture between Hitachi Construction Machinery and a subsidiary of European dealer Kiesel GmbH, while meeting the high quality standards set by the Hitachi Construction Machinery Group. Its lineup of battery-powered mini and small-size excavators, which consists of four models in the 2-ton, 5-ton, 8-ton and 13-ton classes, is easily comparable to competing brands' products that may have been released earlier than its models. Development of 20-ton class excavators is also underway, with the adoption of hydrogen engine, fuel cell or other drive technologies being discussed.

One of the challenges for widespread use of electric construction machinery is securing power sources such as batteries. Construction machinery, which is continuously under a large instantaneous load compared to passenger cars, requires power sources that enable instantaneous power output and long hours of operation. Hitachi Construction Machinery's battery-powered excavators feature a dual system that allows for a cable connection to a commercial power supply, enabling work performance and long hours of operation equivalent to engine-powered excavators.

- R&D related to full battery rigid dump trucks

Hitachi Construction Machinery is developing an engineless, full battery rigid dump truck in collaboration with ABB Ltd., a leading heavy electrical equipment company in Switzerland, as a step toward the realization of net zero emission mining, aimed at achieving net zero GHG emissions from mining equipment. This truck will utilize a "trolley-powered system"¹ which takes in electricity as needed from power lines strung above roads and charges its batteries simultaneously. The approach tackles challenges associated with the electrification of dump trucks, namely, increasing battery capacity results in higher vehicle weight and thus reduced payloads and the need to stop to recharge batteries results in lower operating rates. Hitachi Construction Machinery is progressing with plans to conduct a demonstration test of this battery dump truck at a copper-gold mine in Zambia.

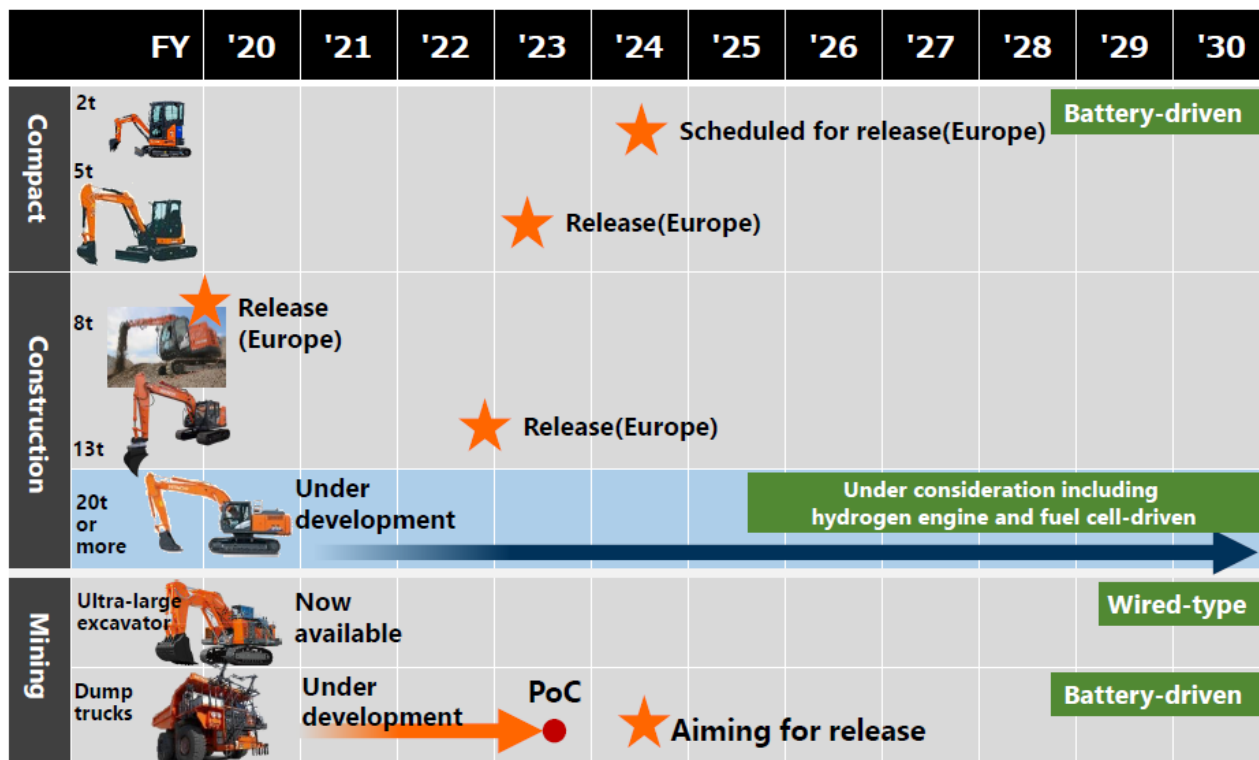
Environmental Benefits: Hitachi Construction Machinery will contribute to reducing CO₂ emissions from the use of products, through capital investments and R&D related to manufacturing and/or development of battery-powered/wired electric construction machinery, hydrogen engine/fuel cell drive construction machinery, and associated products/services. Environmental benefits will be assessed using quantitative indicators such as the amount of CO₂ emissions reduction per product and Scope 3 (Category 11) CO₂ emissions for the entire group. For projects where assessments based on quantitative indicators are difficult, such as those in their R&D stage, the overview of R&D/validation, expected impacts and other qualitative information will be used.

¹ The trolley-powered system takes in electricity as needed from power lines strung above roads, charging the battery while the vehicle drives along. When the vehicle moves away from the overhead lines, it switches to battery power. In addition, the system can recharge the battery with regenerative energy from braking. This system not only reduces battery weight and increases payload, but also contributes to keeping initial vehicle costs in check.

Relevance to SDGs:

SDGs	
 13 気候変動に具体的な対策を	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

■ Roadmap for the Development of Environmentally Friendly Products



[Source: Hitachi Construction Machinery]

② CO₂ Emissions Reduction from Production Process

Green Eligible Category: Renewable energy / Energy efficiency / Green buildings

Project Summary & Eligibility Criteria:

- Capital investments related to installation of energy-efficient equipment and facilities that contribute to the improvement of energy efficiency, and energy efficient buildings
- Capital investments and providing capital related to solar power that contribute to expanding renewable energy capacity
- Power purchase of renewable energy sources
- Construction and acquisition of buildings that have received or are expected to receive a certification listed below
 - CASBEE: A or above
 - DBJ Green Building Certification: Three stars or above
 - LEED: Silver or above
 - ZEB: Oriented or above



<Example Projects>

- Initiatives for CO₂ Emissions Reduction from Production Process

Hitachi Construction Machinery is working to reduce CO₂ emissions from its production process through initiatives such as energy conservation (installation of LED lighting, HVAC system energy efficiency upgrades), conversion to renewable energy (in-house power generation through capital investment, introduction of renewable energy electricity), electrification of HVAC systems and manufacturing facilities, and construction of facilities with green building certifications. Its group-wide initiatives include the purchase of electricity generated by a solar power producer it invests in, aimed at reducing CO₂ emissions from an Indian factory of Bradken Pty. Ltd., a wholly owned subsidiary that manufactures parts for mining equipment.

Environmental Benefits: Hitachi Construction Machinery will reduce CO₂ emissions from its business activities and help realize a carbon neutral society through, among others, capital investments related to installation of energy-efficient equipment and facilities that contribute to the improvement of energy efficiency, and energy-efficient buildings, capital investments and providing capital for expanding renewable energy capacity, and construction and acquisition of buildings with green building certifications. Environmental benefits will be assessed using quantitative indicators such as the amount of energy reduction, renewable electricity generation and CO₂ emissions reduction achieved by projects. For green buildings, assessments will be based on the type and level of green building certification obtained.

Relevance to SDGs:

SDGs	
 	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

- "Integrated Building" of Banshu Works, which has obtained a S-rank certification in CASBEE



[Source: Hitachi Construction Machinery]

③ Parts and Machines Remanufacturing

Green Eligible Category: Circular economy adapted products, production technologies and processes and/or certified eco-efficient products

Project Summary & Eligibility Criteria: Capital investments and R&D related to parts and machines remanufacturing that result in reduction of waste emissions and suppression of resource input

<Example Projects>


- Parts and machines remanufacturing in the remanufacturing business

Hitachi Construction Machinery is strengthening its remanufacturing business as part of efforts to achieve conversion to a recycling-oriented business model. The company has accumulated its unique remanufacturing technologies for years since the launch of parts remanufacturing services at its domestic service bases in 1970, and in April 2021, it established the Remanufacturing Division to reinforce its organizational framework. In the parts remanufacturing business, used genuine parts are collected at the time of repair or periodic replacement, disassembled and serviced at parts remanufacturing plants, and reshipped to maintenance bases as remanufactured parts with warranty of the same performance as new parts. The company runs the business globally, with its parts remanufacturing plants not only in Japan, but also in Australia, Indonesia, Zambia, India and elsewhere.

In November 2021, Hitachi Construction Machinery refurbished into the equivalent of a brand new one a 20-ton class mid-sized hydraulic excavator that had been submerged due to abnormally heavy rains in July 2018, and sold it under warranty as PREMIUM USED equipment in the domestic market. The company has subsequently started a business that purchases water-damaged or used equipment, revitalizes the equipment using remanufactured parts and sells it.

Environmental Benefits: Hitachi Construction Machinery will contribute to the realization of a circular economy by reducing waste and resource input through capital investments and R&D related to parts and machines remanufacturing. Environmental benefits will be assessed using quantitative indicators such as the growth rate of the number of mining machines in long-term operations and the growth rate of reused parts (weight basis) via remanufacturing achieved by projects on a group-wide basis.

Relevance to SDGs:

SDGs	
	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

■ Hydraulic excavator ZX200-3 after remanufacturing



[Source: Hitachi Construction Machinery]

④ Rental

Green Eligible Category: Circular economy adapted products, production technologies and processes and/or certified eco-efficient products

Project Summary & Eligibility Criteria: Capital investments and expenditure related to rental of battery powered/wired electric construction machinery and hydrogen engine/fuel cell drive construction machinery



<Example Projects>

- Rental business for environmentally friendly products

In the rental business of Hitachi Construction Machinery, the Hitachi Construction Machinery Group together with authorized new equipment dealers set themselves up as the owners of rental assets, offering customers finely maintained and certified construction machinery for rent. After a period of use as rental equipment, units are resold as used equipment with warranty. This initiative contributes to a circular economy, as Hitachi Construction Machinery intends to utilize its service solution "ConSite" mentioned below for preventative maintenance services. Renting battery powered/wired electric construction machinery and hydrogen engine/fuel cell drive construction machinery will also promote the widespread use of products that help mitigate climate change.

Environmental Benefits: Hitachi Construction Machinery will contribute to the realization of a circular economy by reducing waste and resource input through its rental business. Wider adoption of battery powered/wired electric construction machinery and hydrogen engine/fuel cell drive construction machinery by customers will help reduce their CO₂ emissions. Environmental benefits will be assessed using quantitative indicators such as revenue of the rental sector, the amount of CO₂ emissions reduction per product, and Scope 3 (Category 11) CO₂ emissions for the entire group.

Relevance to SDGs:

SDGs	
 	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

⑤ Machinery Status Management Systems

Green Eligible Category: Circular economy adapted products, production technologies and processes and/or certified eco-efficient products

Project Summary & Eligibility Criteria: R&D related to systems and solutions that contribute to long-term life cycle of products and their stable operation

<Example Projects>

- R&D related to machinery status management system "ConSite"



"ConSite" is a machinery status management system based on the operational data of construction machinery collected using GPS and sensors. It provides a service solution that extends the lifespan of machinery by sharing operational data between Hitachi Construction Machinery, dealers and customers and utilizing them for the machinery's stable operation, lower fuel consumption and preventative maintenance.

ConSite monthly reports visualize information such as construction machinery's fuel efficiency, operating hours, fuel consumption amount, and the ratios of swing operation and driving hours to operating hours. This enables, for example, a customer with a higher swing operation ratio than other customers to reduce fuel consumption and increase operational efficiency based on a proposal for operational improvement by the dealer's service staff who have visited the construction site.

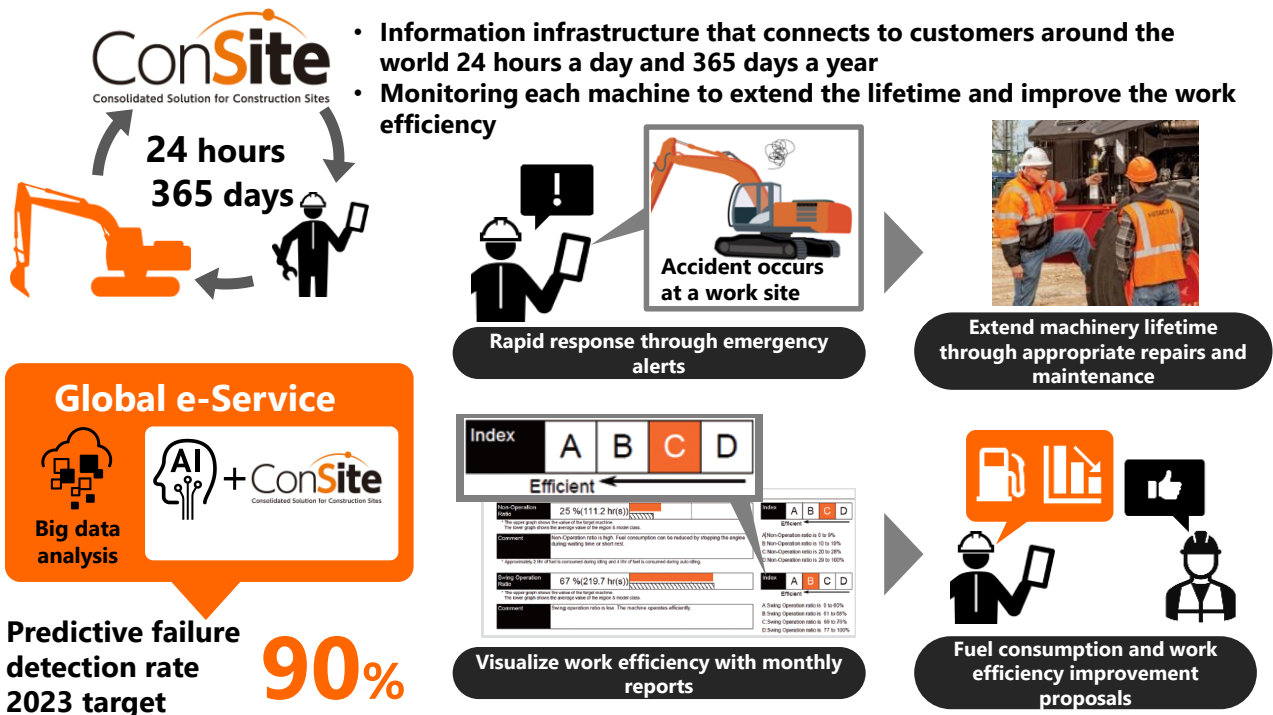
As the first attempt in the construction machinery industry, "ConSite OIL" constantly monitors the condition of oil using oil sensors and offers predictive failure detection based on the AI-powered analysis of the operational data of construction machinery and the big data accumulated by Hitachi Construction Machinery. These preventative maintenance services prevent machine failures, helping reduce their down-time.

Environmental Benefits: Hitachi Construction Machinery will help extend the lifespan of products and reduce CO₂ emissions from the use of products through R&D related to systems and solutions that contribute to long-term life cycle of products, their stable operation and greater fuel consumption and operational efficiency. Environmental benefits will be assessed using qualitative information such as the overview of R&D and cases that have contributed to reducing CO₂ emissions or extending the lifespan of products.

Relevance to SDGs:

SDGs	
 	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

■ ConSite Service Solution



[Source: Hitachi Construction Machinery]

⑥ Increase Productivity

Green Eligible Category: Circular economy adapted products, production technologies and processes and/or certified eco-efficient products

Project Summary & Eligibility Criteria: R&D related to ICT products, systems and solutions that result in increased productivity and safety of construction sites

<Example Projects>

- R&D related to "ZCORE" designed for both collaborative safety and autonomous construction machinery

Hitachi Construction Machinery envisions a construction site based on "collaborative safety," which is capable of autonomously both improving the safety of the entire site and increasing its productivity based on optimization and efficiency enhancement, by sharing data about people, machinery and construction environment within the site. This requires advanced construction machinery that operates autonomously, and ZCORE is a system platform developed to that end.

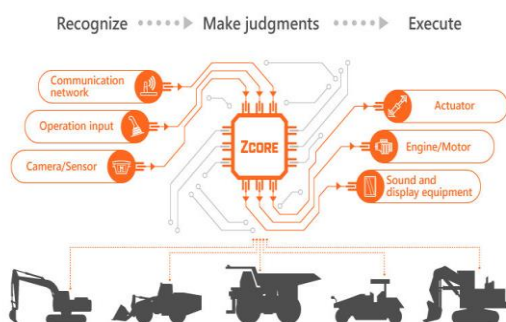
ZCORE consists of an "information processing platform," which collects data from various sensors installed on construction machinery and communication networks, and a "machine control platform," which controls hydraulic components and power-train components according to instructions from the information processing platform. It enables the machinery to recognize, judge and execute tasks, which operators conventionally do at construction sites. In May 2023, Hitachi Construction Machinery developed a base machine for hydraulic excavators compatible with remote and automation solutions under this concept. The company plans to continue to promote R&D to utilize ZCORE on wheel loaders and dump trucks.

Environmental Benefits: Hitachi Construction Machinery will improve the productivity of construction sites and contribute to reducing CO₂ emissions from the use of products through R&D related to ICT products, systems and solutions. Environmental benefits will be assessed using qualitative information such as the overview of R&D and cases that have contributed to reducing CO₂ emissions through shortened work hours, etc.

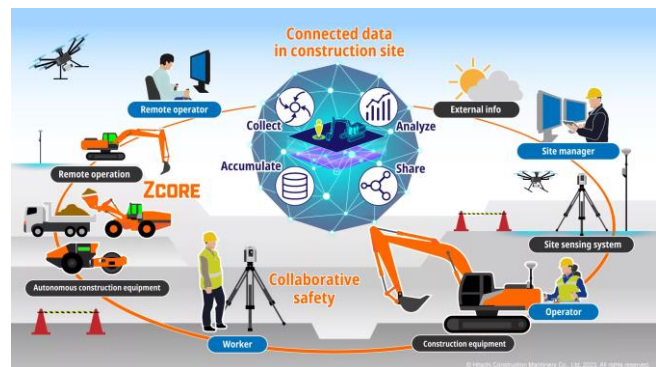
Relevance to SDGs:

SDGs	
	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

■ Concept of ZCORE



■ Future Construction Sites Envisioned by Hitachi Construction Machinery



[Source: Hitachi Construction Machinery]

(3) Consideration for Negative Environmental and Social Impacts

- When selecting individual projects, Hitachi Construction Machinery will confirm that the following measures are taken to reduce environmental and social risks related to all eligible projects:
 - Compliance with environmental laws required by the central and local governments of the area where the projects are implemented and conducting environmental impact assessments as necessary
 - Promoting the acquisition of environmental management system certifications such as ISO 14001 and Eco Stage for major suppliers
 - Respecting human rights based on the "Hitachi Construction Machinery Group Codes of Conduct" and "Hitachi Construction Machinery Group Human Rights Policy"

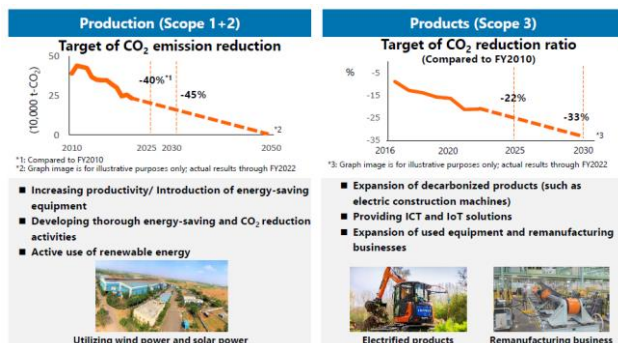
The proceeds will be allocated to, among others, investments in development and manufacturing of battery-powered excavators, investments in energy-efficient facilities and renewable energy, investments in parts remanufacturing and rental, and system development for managing the operational status of machinery and improving the productivity of the entire construction site. For each project, corresponding project categories illustrated in the Green Bond/Loan Principles are indicated. These projects are expected to produce clear environmental benefits in an array of fields, such as reducing CO₂ emissions from both the use of products and production processes, converting to a recycling-oriented business model, and resolving environmental challenges faced by customers engaging in social infrastructure construction. When implementing individual projects, Hitachi Construction Machinery will confirm that measures are taken to reduce environmental and social risks, including complying with environmental laws, encouraging suppliers to reduce negative environmental impacts, and respecting human rights. The use of proceeds is reasonable.

2. Process for Project Evaluation and Selection

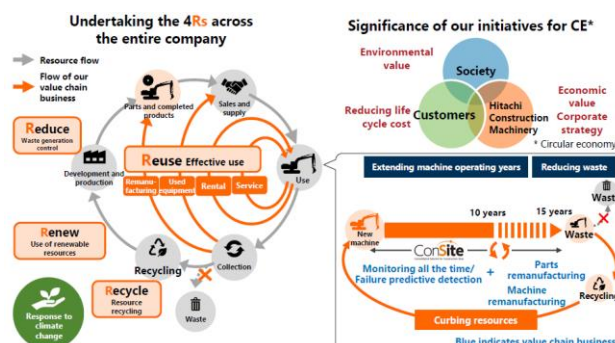
(1) Incorporation into Comprehensive Objectives, Strategies and so on

- Hitachi Construction Machinery identified "Product and technology development contributing to climate change mitigation and adaptation," "Conversion to recycling-oriented business model" and "Creating innovative solutions for challenges faced by customers supporting social infrastructure" as its materialities on the environmental front, and established key initiatives and KPIs for each materiality. Efforts to achieve the materialities are also embedded in its medium-term management plan.
 - For "Product and technology development contributing to climate change mitigation and adaptation," Hitachi Construction Machinery has established interim targets for fiscal 2030 and a roadmap for both product development and production processes, working to reduce CO₂ emissions with the aim of realizing carbon neutrality throughout the entire value chain by 2050.
 - For "Conversion to recycling-oriented business model," the company is promoting resource circulation by implementing the "4Rs," namely, "Reduce, Reuse, Recycle and Renewable," through parts remanufacturing, rental, used equipment sales and services, in addition to waste reduction in development and production processes.
 - For "Creating innovative solutions for challenges faced by customers supporting social infrastructure," the company set out KPIs to improve safety and productivity and reduce life cycle costs, for instance, and intends to provide ICT products, systems and solutions that help achieve these goals.
- The use of proceeds defined in the Framework contributes to the realization of these materialities, incorporated in the medium-term management plan.

■ Initiatives toward Carbon Neutrality



■ Initiatives of the Circular Economy



[Source: Hitachi Construction Machinery]

(2) Criteria for Project Evaluation and Selection

- Eligible projects corresponding to project categories in the Green Bond Principles, etc. are clearly defined in the Framework as the criteria for the evaluation and selection of eligible projects.
- To select individual projects, a process for confirming measures for negative environmental and social impacts is in place.

(3) Process for Project Evaluation and Selection

- The Finance Division and the Sustainability Promotion Division will select eligible projects that meet the eligibility criteria, after discussing the consistency between these projects and Hitachi Construction Machinery's materialities and medium-term management plan as well as the negative environmental and social impacts of the projects. The general managers of the Finance Division and the Sustainability Promotion Division will make the final decision.

In light of the above, the process for project evaluation and selection is clear and rational.

3. Management of Proceeds

- The Finance Division will track and manage the proceeds every half year using an internal management system so that all proceeds will be allocated to eligible projects.
- Unallocated proceeds will be managed in cash or cash equivalents.

In light of the above, the management of proceeds is appropriate.

4. Reporting

(1) Overview of Disclosure

- Reporting will be made as shown below. Timely disclosure will be made in the event of significant events such as a notable change in the allocation of proceeds.

	Item	Timing	Method
Allocation of Proceeds	<ul style="list-style-type: none"> Allocation amount by eligible project Amount of unallocated proceeds and expected allocation timing Approximate amount or ratio of proceeds allocated to refinance 	Annually until full allocation of the proceeds	Website
Impact	<ul style="list-style-type: none"> As shown below 	Annually as long as the balance of proceeds exists	

■ Impact Reporting Items for Green Projects

Eligible Project		Reporting Items
Environmentally Friendly Products		<ul style="list-style-type: none"> Overview of the target products and CO₂ emissions reduction per product (t-CO₂) Scope 3 (Category 11) CO₂ emissions for the entire group (t-CO₂) Revenue of the business sector to which the target products belong (In case of R&D) Overview of the R&D/validation and expected impacts
CO ₂ Emissions Reduction from Production Process	Energy efficiency	<ul style="list-style-type: none"> Energy reduction (Crude oil equivalent) (KL) Amount of CO₂ emissions reduction (t-CO₂)
	Renewable energy	<ul style="list-style-type: none"> Renewable electricity generated (MWh) Amount of CO₂ emissions reduction (t-CO₂)
	Green buildings Energy efficiency	<ul style="list-style-type: none"> Type and level of certification
Parts and Machines Remanufacturing		<ul style="list-style-type: none"> Growth rate of the number of machines in long term operations for the entire group Growth rate of reused parts (weight basis) via remanufacturing for the entire group

Rental	<ul style="list-style-type: none"> ● Overview of the target products and CO₂ emissions reduction per product (t-CO₂) ● Scope 3 (Category 11) CO₂ emissions for the entire group (t-CO₂) ● Revenue of the rental sector to which the target products belong
Machinery Status Management Systems	<ul style="list-style-type: none"> ● Overview of the projects ● Cases that have contributed to reducing CO₂ emissions or extending the lifespan of the machinery
Increase Productivity	<ul style="list-style-type: none"> ● Overview of the projects ● Cases that have contributed to reducing CO₂ emissions through shortened work hours, etc.

(2) Indicators to Show Environmental Benefits and Calculation Method, etc.

- Hitachi Construction Machinery will disclose impact reporting using quantitative indicators where possible and qualitative information, such as the overview of projects and cases of impact creation, according to project objectives to the extent practicable.

In light of the above, the reporting is appropriate.

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[Expertise and Third-Party Characteristics]

R&I launched the R&I Green Bond Assessment business in 2016, and since then, R&I has accumulated knowledge through numerous evaluations. Since 2017, R&I has been participating as an observer in the Green Bond Principles and Social Bond Principles, which have their own secretariat at the International Capital Market Association (ICMA). It also has been registered since 2018 as an Issuance Supporter (external review entity) of the Financial Support Programme for Green Bond Issuance, a project by the Ministry of the Environment. In 2022, R&I was designated as an external reviewer for transition finance in the global warming countermeasures promotion project of the Ministry of Economy, Trade and Industry.

The R&I assessment method and results are disclosed on the R&I website (at <https://www.r-i.co.jp/en/rating/esg/index.html>).

In December 2022, R&I expressed its support for the intent of and its endorsement of the "Code of Conduct for ESG Evaluation and Data Providers" (ESG Code of Conduct) published by the Financial Services Agency. Disclosures on R&I's compliance with the six Principles of the ESG Code of Conduct and the Guidelines for their implementation are available on the R&I website at <https://www.r-i.co.jp/en/rating/products/esg/index.html> (Disclosures on Compliance with the ESG Code of Conduct).

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