

Corporate Governance

Basic Policies on Corporate Governance

As a member of Hitachi Group, Hitachi Construction Machinery Group shares the Mission of Hitachi Ltd. and the Hitachi Founding Spirit, and stipulates the Code of Conduct in line with them as the basic policies of its corporate governance.

To reinforce corporate governance through the separation of management oversight and execution of operation, the Group has adopted a corporate organizational system based on the governance structure of a company with committees, etc. as specified by the Companies Act. The Board of Directors comprises 10 Directors including 4 Outside Directors (2 male and 2 female). With their accumulated experience and knowledge in management, laws, and accounting through their careers at global companies, they discuss issues from diverse perspectives.

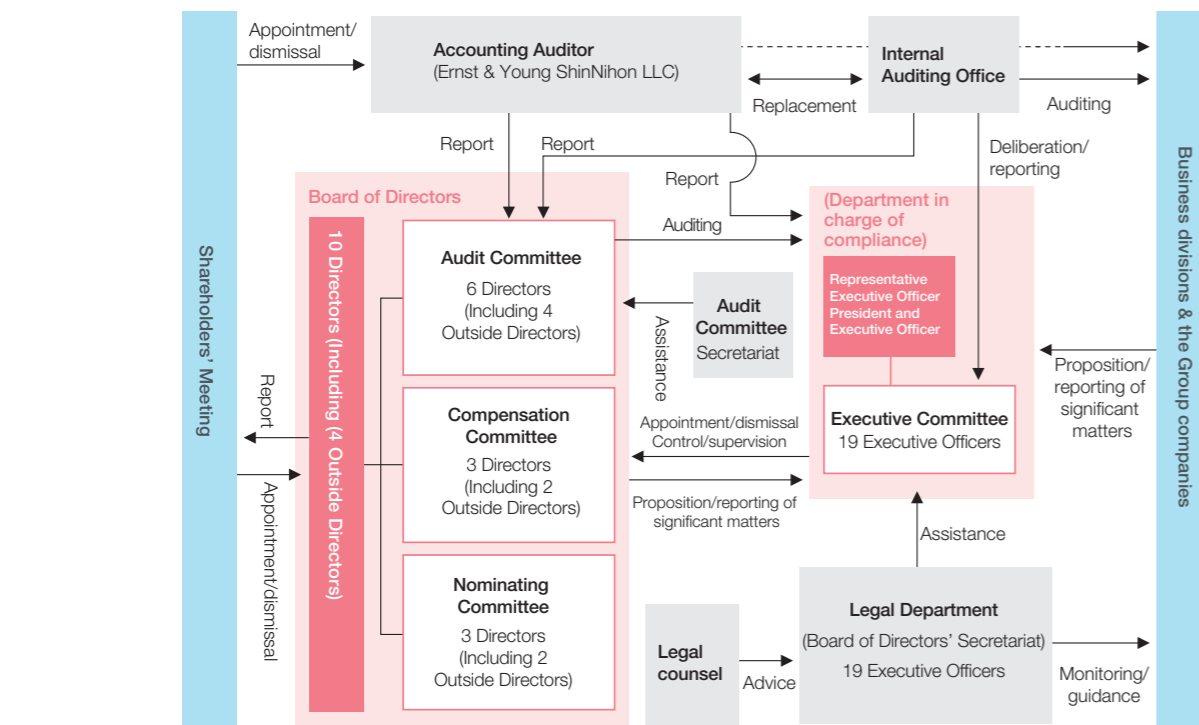
The Representative Executive Officer and other Executive Officers who are authorized by the Board of Directors make operational decisions and execute business in accordance with the Company's basic management policies established by the Board of Directors. The Board of Directors also determines the responsibilities and duties of the Executive Officers, matters regarding supervision and authority, and the mutual relationships among the Executive Officers. The Group also has an Executive Committee comprising all Executive Officers as an advisory or-

gan for the representative Executive Officer, President, and Chief Executive Officer for business decisions. Executive Committee meetings are held twice a month in principle to manage important matters regarding the Company's business operation.

Ensuring Independence from the Parent Company

Among the 10 Directors of the Company, Hideaki Takahashi, the Chairman of the Board, who serves to Hitachi Ltd. as Senior Advisor, and Yoshinori Hosoya, who serves the Social Infrastructure Systems Business unit of Hitachi Ltd. as COO, Hitachi Ltd. Because of this, the parent company is in a position to exert potential influence on decisions regarding the management policies of the Company through the views expressed by these two Directors at the Board of Directors' Meetings. However, none of the other 8 Directors serve concurrently in executive or other positions at Hitachi Ltd., and there are 4 Outside Directors who have been registered with the Tokyo Stock Exchange as independent officers. Therefore, the Company is capable of making its own management decisions. In addition, terms and conditions of transactions with Hitachi Ltd. and its group companies are determined rationally upon mutual discussions in consideration of market prices and other factors.

Corporate Governance System (As of June 28, 2021)



Reference Corporate Governance Guidelines
<https://www.hitachim.com/global/sustainability/governance/corpgovernance/guidelines/>

Reference Corporate Governance Report (Published on July 7, 2021)
<https://www.hitachim.com/global/wp-content/uploads/2021/07/210707CG.pdf>
 (Japanese only)

Directors and Executive Officers

Directors (As of June 28, 2021)



| Name | Nominating Committee | Compensation Committee | Audit Committee | Independent Officer | Affiliation | Reasons for Appointment (Experience and Knowledge) |
|--------------------|----------------------|------------------------|-----------------|---------------------|--|---|
| Hideaki Takahashi | ○ Chairman | | | | From Hitachi Ltd. | He has experience in "MONOZUKURI" (manufacturing) in Hitachi Group and extensive experience and deep insight as a top executive of a global company. |
| Toshiko Oka | | | ○ | ○ | From other company | She has extensive experience as a top executive of consulting firm, knowledge on M&A and deep insight. |
| Kazunari Okuhara | ○ | ○ | ○ | ○ | From other company | He has extensive experience as a business manager of an international company, knowledge and deep insight regarding personnel affairs and labor policies. |
| Maoko Kikuchi | ○ | | ○ | ○ | Lawyer | She has extensive experience and knowledge in legal matters, and experience and deep insight as a top executive and auditor. |
| Haruyuki Toyama | ○ | ○ | ○ | ○ | From other company | He has extensive experience and knowledge in the fields of monetary affairs and finance. |
| Tetsuo Katsurayama | | | ○ Chairman | | Hitachi Construction Machinery Co., Ltd. | He has been involved in accounting, financial business and management of the Company and the Group and accumulated experience, achievements, and deep insight. |
| Keichiro Shiojima | | | | | Hitachi Construction Machinery Co., Ltd. | He has experience in "MONOZUKURI" (manufacturing) both at home and abroad at the Company and the Group, and has extensive experience and deep insight regarding corporate management. |
| Michifumi Tabuchi | | | | | Hitachi Construction Machinery Co., Ltd. | He has experience in manufacturing both at home and abroad at the Company and the Group, and has extensive experience and deep insight regarding management. |
| Kotaro Hirano | ○ | ○ Chairman | | | Hitachi Construction Machinery Co., Ltd. | He has experience in information and communication systems in Hitachi Group, and has extensive experience and deep insight as a top executive. |
| Yoshinori Hosoya | | | ○ | | From Hitachi Ltd. | He has experience in information and communication systems in Hitachi Group, and has extensive experience and deep insight as a manager. |

Executive Officers (As of June 28, 2021)

| | | | |
|--|-------------------|-------------------|-------------------|
| Representative Executive Officer, President and Executive Officer | Kotaro Hirano | Executive Officer | Moriaki Kadoya |
| Representative Executive officer, Executive Vice President and Executive Officer | Michifumi Tabuchi | Executive Officer | Keichiro Shiojima |
| Executive Vice President and Executive Officer | Yasushi Ochiai | Executive Officer | Seimei Toonishi |
| Senior Vice President and Executive Officer | Sonosuke Ishii | Executive Officer | Kazunori Nakamura |
| Senior Vice President and Executive Officer | Naoyoshi Yamada | Executive Officer | Masaaki Hirose |
| Vice President and Executive Officer | Yusuke Kajita | Executive Officer | Eiji Fukunishi |
| Vice President and Executive Officer | Masafumi Senzaki | Executive Officer | Hidehiko Matsui |
| Vice President and Executive Officer | Seishi Toyoshima | Executive Officer | Satoshi Yamanobe |
| Vice President and Executive Officer | Hideshi Fukumoto | Executive Officer | David Harvey |
| | | Executive Officer | Sandeep Singh |

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

Reference ESG Databook 2021
 ⇒Governance Data (Scheduled to be released at the end of September 2021)

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

1. How to determine the policies

The Compensation Committee of the Company sets forth the policies on the determination of the amount of compensation for individual Directors and Executive Officers in accordance with the provisions regarding a company with nominating committee, etc. specified by the Companies Act.

2. Policy overview

(1) Compensation standards of the Company are set according to the scope and range of its business, ability required, responsibility and risk to be borne, and other factors regarding individual Directors and Executive Officers considering the compensation standards of other companies.

(2) Matters related to Directors

Compensation for Directors consists of a monthly salary and a year-end allowance. The monthly salary is determined as a fixed amount considering that the duty of individual Directors is supervisory function. The level of compensation is determined according to full-time or part-time, basic allowance, allowance as a member of a committee, and the content of duties. The year-end allowance is determined by multiplying a certain coefficient by the basic allowance in principle. However, the amount may be reduced depending on the business results of the Company. Compensation as a Director is not paid to a Director who concurrently serves as an Executive Officer.

(3) Matters relating to Executive Officers

Compensation for Executive Officers consists of a monthly salary and performance-linked base compensation. Standard annual income is based on societal standards considering the scope and range of the Company's business, ability required, responsibility and risk to be borne, and other factors regarding individual Executive Officers. Standard monthly salaries are specified according to job position. The standard amount for performance-linked compensation is roughly 40% of the standard yearly compensation for the President, and roughly 30% for other Executive Officers. It is determined within a certain range depending on the degree of achievement of standard performance targets of the Company and achievement of individual roles in their businesses. Compensation standards for foreign Executive Officers are determined considering the compensation standards of the country and region in question from the viewpoint of retaining capable personnel, taking into account the competitiveness in compensation.

Evaluation of the Effectiveness of the Board of Directors

The Company has conducted evaluations of the effectiveness of the Board of Directors since FY2015. Continuing discussions of

evaluations, practices and improvement measures have gradually improved their effectiveness. We surveyed all 10 Directors using a questionnaire between February and March 2021 regarding the following items. In addition, based on the results of the questionnaire, we had interviews with 6 Directors, including Outside Directors.

<Questionnaire Areas>

- (1) Composition of the Board of Directors
- (2) Management of the Board of Directors
- (3) Composition and roles of committees (nominating, audit, and compensation)
- (4) Management of committees (nominations, audit, and compensation)
- (5) Support system for Directors
- (6) Relationship with investors and shareholders
- (7) Topics (Approaches to ESG and SDGs)
- (8) Other (Describe freely)

(Ideal process of creating, discussing, and determining management strategies at the Board of Directors' Meeting and ideal process of supervising the execution of strategies/Supervision of risk management and compliance by the level of Board of Directors)

<Analyses & Evaluations>

For FY2020, the majority of the items, including the application of web systems under the COVID-19 crisis, were judged to "Function well" and "Generally function." However, from FY2019, some issues have been identified regarding (i) management of the Board of Directors and (ii) discussions at the Board of Directors' Meetings, and issues newly identified for FY2020 were (iii) minutes of the Board of Directors' Meetings, (iv) Compensation Committee, and (v) relationship with investors and shareholders. Although each item has been improved, we understand that it is necessary to take further steps to make discussions at the Board of Directors' Meetings more effective.

<Future Approaches>

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

- (1) More effective discussions through the improvement of explanations on bills at the Board of Directors' Meetings
- (2) Creation of free and multifaceted discussions through the provision of innovative opportunities for exchange
- (3) Appropriate recording of opinions provided by Directors through the improvement of descriptions in minutes
- (4) Clarification of evaluation standards and results through the improvement of discussions at the Compensation Committee meetings and information disclosure
- (5) Promotion of investment by investors through the enhancement of content to be disclosed

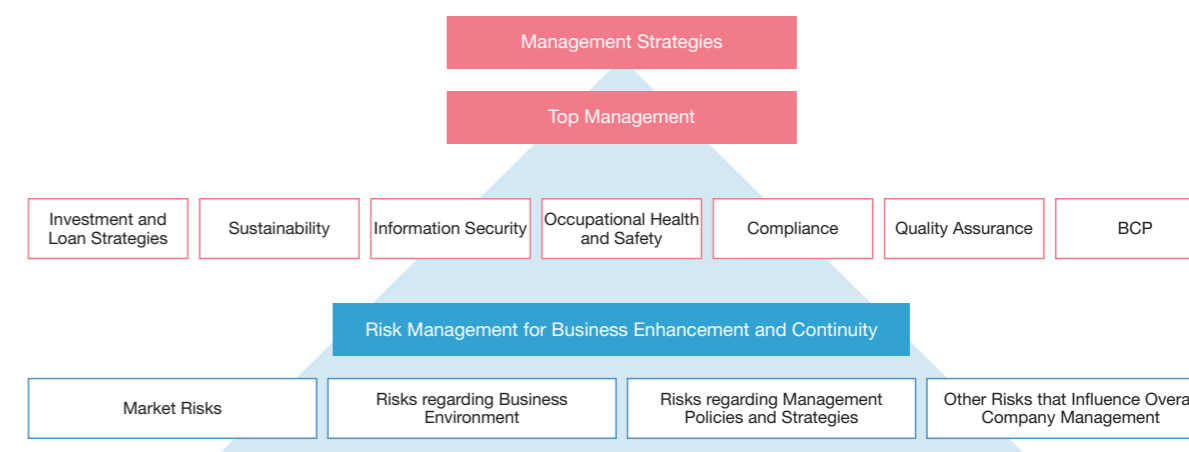
current business environment, endeavors to control future risks while protecting opportunities for further growth, considering social issues, the competitive advantages and management resources of the Company, and reflects these to management

strategies.

The Company has established a risk management structure capable of examining a wide range of factors, factors such as changes in global conditions and environment, and the revision

of laws along with the progress of technology, to prepare for potential risks. For example, the Company holds meetings on export management, environmental management, and information security on a regular basis.

Hitachi Construction Machinery Group Risk Management



Enhancement of Business Continuity Plan (BCP)

At the Group, the Compliance & Risk Management Committee plays a central role in handling risks such as the legal violations, natural disasters and accidents. The Group has also established a business continuity plan (BCP) and enhances its business continuity management (BCM) to minimize the influence of risks

such as natural disasters that may occur anywhere throughout the world, and recover business operations as soon as possible. Recently, the Group united its efforts to maintain the supply chains of Group companies that suffered damage from the Great East Japan Earthquake, Typhoon Hagibis and COVID-19. We continue increasing group-wide awareness of risk management and reinforcing the management structure.

Compliance

The Group defines compliance not only as observing laws and regulations, but also as understanding the Codes of Conduct and acting conscientiously and impartially with a strong ethical perspective. We established the Compliance & Risk Management Committee to promote group-wide compliance. The Committee is periodically convened to review the status of compliance in the Group companies, and shares and executes recurrence prevention measures. Each Group company assigns a Compliance Promotion Officer and Compliance Manager to

promote consistent compliance activities throughout the Group. We also have two whistle-blowing systems, the Compliance Hotline and the Global Alert Line, to enhance organizational self-cleansing functions. In FY2020, 33 reports were filed. Among these, about 30% were related to harassment while another 30% were related to violations of corporate rules. None posed a major risk to the Group.

Reference ESG Databook 2021
=>Governance Data (Scheduled to be released at the end of September 2021)

Global Quality Governance

The Group sets the standardization and improvement of product quality throughout the Group companies as a basic quality assurance policy, which we believe facilitates achievement of the concept of global quality standardization, Made by Hitachi. Since April 2019, the Quality Assurance Division within the Development Production Department was placed under direct control of the President. By having the President directly oversee the Quality Assurance Division, we are able to strengthen governance for quality assurance operations.

The Group also promotes digitalization in quality assurance. For example, we promote the elimination of quality risks through linkage with quality data, which allows us to prevent the delivery

of nonconforming products, and the automation of commercial tests, which detects human errors and data falsification.



Automatic judgment of commercial tests

Risk Management

The business environment surrounding society, including the development of information communication technology, geopolitical risks, and changes in economic conditions, have continued to change daily. The Company understands and analyzes the