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Corporate Governance Report

Last Update: July 17th, 2024
Hitachi Construction Machinery Co., Ltd.
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Securities Code: 6305
<https://www.hitachicm.com/global/en/>

The corporate governance of Hitachi Construction Machinery Co., Ltd. (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

We recognize that sustainability is an important management issue, and that, in addition to improving business performance, the purpose of corporate governance is to deeply acknowledge that a company is a member of society which must devote itself to fair and transparent corporate behavior. By extension, it is our belief that this will lead to an increase in corporate value and a further increase in shareholder value.

Therefore, in order to construct an execution system that will enable the development of management strategies both powerfully and swiftly, and to realize fair and transparent management, we aim to strengthen our corporate governance by separating the management supervision functions and the business execution functions, and have adopted the organizational structure of a "company with committees", such as a nominating committee, etc., as stipulated in Article 2, Item 12 of the Companies Act.

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

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

Supplementary principle 1-2-5

At this moment in time, there are no plans to conduct the exercise of voting rights by beneficial shareholders at general meetings of shareholders, but we will consider the situation appropriately, in the light of the current legal system and global trends.

Supplementary principle 2-5-1

Our current internal reporting (whistleblowing) system is operated within the operational execution framework, and is operated by outside experts or the Legal Division as a direct contact point. All reports and any countermeasures taken are reported to the Board of Directors and the Audit Committee. In addition, in the operation of the internal reporting system, we have established rules that include the confidentiality of persons providing information and the prohibition of any unfavorable treatment. In the future, we will consider establishing a contact point that is independent of the execution framework.

[Disclosure Based on the Principles of the Corporate Governance Code]

All 83 of the Basic Principles, Principles and Supplementary Principles, including disclosure items based on the principles of the Corporate Governance Code, are described at the end of this report as "Company initiatives regarding each principle of the Corporate Governance Code."

Further, the descriptions of the 83 principles, include supplementary principles described in "Reasons for Non-compliance with the Principles of the Corporate Governance Code", above.

【 Action to Implement Management focusing on Cost of Capital and Stock Price 】

As quantitative objectives of the medium-term management plan, the Company is setting a ROIC target at 9 % or more. We will pursue business development with an eye on operational efficiency of invested capital and improve our return on capital.

【 Disclosure on Dialogue with Shareholders 】

For the Company's implementation status, please refer to "Principle 5.1 Policy for Constructive Dialogue with Shareholders" above, " III. Implementation of Measures for Shareholders and Other Stakeholders 2. IR Activities" of this report, and "the Stakeholder Engagement" section of our website.

URL: <https://www.hitachicm.com/global/en/sustainability/engagement/>

2. Capital Structure

Percentage of Foreign Shareholders	From 10% to less than 20% /
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
HCJI Holdings, Ltd.	55,290,000	26.00
Hitachi, Ltd.	54,062,310	25.42
The Master Trust Bank of Japan, Ltd. (Trust Account)	30,515,600	14.35
Custody Bank of Japan, Ltd. (Trust Account)	12,334,900	5.80
JPMorgan Securities Japan Co., Ltd.	3,437,242	1.62
HSBC HONG KONG-TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES	2,397,614	1.13
STATE STREET BANK WEST CLIENT-TREATY 505234	2,014,705	0.95
Goldman Sachs Japan Co., Ltd. BNYM	1,944,185	0.91
JPMORGAN CHASE BANK 385781	1,446,780	0.68
SSBTC CLIENT OMNIBUS ACCOUNT	1,211,831	0.57

Controlling Shareholder (except for Parent Company)	-
Parent Company	none

Supplementary Explanation

- " Status of Major Shareholders " describes the status as of March 31, 2024.
- The table does not include 2,442,175 shares of treasury stock (as of March 31, 2024).
- A report of possession of large volume was provided for public inspection on December 6, 2023. However, the information in the report is not included in the above major shareholders since the Company cannot confirm the actual status of shareholdings as of the record date for exercise of voting rights.
 Holders: Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other entity
 Date on which the duty to file report arose: November 30, 2023
 Number of shares, etc. held: 8,893,000 shares
 Ownership ratio: 4.13%

4. A report of possession of large volume was provided for public inspection on February 7, 2024. However, the information in the report is not included in the above major shareholders since the Company cannot confirm the actual status of shareholdings as of the record date for exercise of voting rights.

Holders: Nomura Asset Management Co., Ltd.

Date on which the duty to file report arose: January 31, 2024

Number of shares, etc. held: 12,298,300 shares

Ownership ratio: 5.72%

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Section
Fiscal Year-End	March
Type of Business	Machinery
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales(consolidated) as of the End of the Previous Fiscal Year	More than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholders

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

Company entered into the contract with Hitachi, Ltd. regarding the license of Hitachi brand, and into the contract for capital alliance with HCJI Holdings, LTD.

Also, 2 of the 10 director of the Company is from the above major shareholders. As a result, those major shareholders are able to exert influence on decisions on our management policy through the views expressed by these directors at Board meeting.

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Nomination, etc. Committee, etc.
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairperson of the Company

Number of Directors	10
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[Outside Directors]

Number of Outside Directors	7
Number of Independent Directors	5

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Masaaki Ito	From the other company												
Toshiko Oka	From the other company												
Kazushige Okuhara	From the other company												
Maoko Kikuchi	Lawyer												
Joseph P.Schmelzeis,Jr.	From the other company												
Takeshi Fujisawa	From the other company									○			
Hidemi Moue	From the other company									○			

* Categories for "Relationship with the Company"

* "○" if the director presently falls or has recently fallen under the category;

"△" if the director fell under the category in the past

* "●" if a close relative of the director presently falls or has recently fallen under the category;

"▲" if a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Outside Directors' Relationship with the Company (2)

Name	Membership of Committees	Designation as	Supplementary Explanation of the Relationship	Reasons of Appointment
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		Independent Director		
Masaaki Ito	Nomination / Compensation / Audit	Yes	-	As the top executive of an international manufacturing company, he has experience in production and research and development as well as deep insight in the fields of corporate planning, CSR, etc. The Company appointed him as the Outside Director so that he can provide advice on the Company's overall management and supervise the execution of duties by Executive Officers from an independent position, utilizing his extensive experience in business and management.
Toshiko Oka	Nomination / Compensation / Audit	Yes	-	She has experience as the top executive of a consulting firms, knowledge and deep insight in M&A and human resource development. The Company again appointed her as the Outside Director so that she can provide advice on the Company's overall management and supervise the execution of duties by Executive Officers from an independent position, utilizing her extensive experience in business and management.
Kazushige Okuhara	Nomination / Compensation / Audit	Yes	-	He has experience as the top executive of a global company, extensive knowledge and deep insight ranging from personnel and labor policy to sales and services. The Company again appointed him as the Outside Director so that he can provide advice on the Company's overall management and supervise the execution of duties by Executive Officers from an independent position, utilizing his extensive experience in business and management.
Maoko Kikuchi	Nomination / Compensation / Audit	Yes	-	She has experience in the field of law and knowledge on legal affairs, compliance and M&As, as well as experience and deep insight as a top executive and corporate auditor. The Company again

				appointed her as the Outside Director so that she can provide advice on the Company's overall management and supervise the execution of duties by Executive Officers from an independent position, utilizing her extensive experience in management and her insight.
Joseph P.Schmelzeis,Jr.	Nomination / Compensation / Audit	Yes	-	In addition to the management experience in a global company, he has extensive experience in including launching venture business, as a strategic consultant, and striving to promote friendly relations between the United States and Japan as Senior Advisor to the Ambassador at the U.S. Embassy in Japan. The Company again appointed him as the Outside Director so that he can provide advice on the Company's overall management and supervise the execution of duties by Executive Officers from an independent position, utilizing his extensive business experience and knowledge of geopolitics.
Takeshi Fujisawa	Audit	-	-	He has experience in information and communications systems and digital fields in the Hitachi Group, as well as experience and deep insight as a top executive. The Company appointed him as the Outside Director as he will be able to contribute to further strengthening the Company's management structure and increasing its corporate value over the medium to long term by utilizing his extensive experience and knowledge of business and management to provide advice on the Company's overall management.
Hidemi Moue	Nomination / Compensation	-	-	He has experience as the top executive of fund management firms, and knowledge and deep insight on finance and M&A fields. The Company

				again appointed him as the Outside Director as he will be able to contribute to further strengthening the Company's management structure and increasing its corporate value over the medium to long term by utilizing his extensive experience and knowledge of business and management to provide advice on the Company's overall management.
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[Committees]

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Nomination Committee	8	2	2	6	Outside Director
Compensation Committee	8	2	2	6	Outside Director
Audit Committee	6	0	0	6	Outside Director

[Executive Officers (Shikkoyaku)]

Number of Executive Officers (Shikkoyaku)	21
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Status of Additional Duties

Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Compensation Committee Member	
Kotaro Hirano	Yes	Yes	Yes	Yes	No
Masafumi Senzaki	Yes	Yes	Yes	Yes	No
Naoyoshi Yamada	No	No	No	No	No
Sonosuke Ishii	No	No	No	No	No
Yusuke Kajita	Yes	No	No	No	No
Keiichiro Shiojima	No	Yes	No	No	No
Seishi Toyoshima	No	No	No	No	No
Kazunori Nakamura	No	No	No	No	No
Yoshihiro Narukawa	No	No	No	No	No
Eiji Fukunishi	No	No	No	No	No
Hidehiko Matsui	No	No	No	No	No
Kazuhiro Ichimura	No	No	No	No	No

Hiroshi Kanezawa	No	No	No	No	No
Tooru Sugiyama	No	No	No	No	No
Seimei Toonishi	No	No	No	No	No
Tetsuya Hamabe	No	No	No	No	No
Masaaki Hirose	No	No	No	No	No
Hiroshi Hosokawa	No	No	No	No	No
Satoshi Yamanobe	No	No	No	No	No
Ray Kitic	No	No	No	No	No
Sandeep Singh	No	No	No	No	No

[Auditing Structure]

Appointment of Directors and/or Staff to Support the Audit Committee	Appointed
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Matters Related to the Independence of Such Directors and/or Staff from Executive Officers (Shikkoyaku)

(1) Matters concerning directors and employees who should assist the work of the Audit Committee of the Company

The Audit Committee Bureau has been established as an organization to assist the duties of the Audit Committee, one personnel member who works exclusively for the Bureau and is not subject to orders and instructions of Executive Officers and two personnel members who also serve for the Internal Auditing Office in the internal audit department have been assigned to the Bureau from the perspective of BCP. Furthermore, we have newly appointed one Assistant to the Audit Committee.

In addition to the employees who belong to the Audit Committee Bureau, the Internal Audit Department and the Legal and General Affairs Department also assist the work of the Audit Committee.

There are no Directors with the particularly explicit duty of assisting the duties of the Audit Committee.

(2) Matters concerning the independence of directors and employees in (1) above from executive officers and ensuring the feasibility of instructions given to the directors and employees by the Audit Committee.

In order to ensure independence of the personnel who belong to the Audit Committee Bureau and Assistants from Executive Officers, the Audit Committee shall be informed in advance of planned transfers of such personnel and Assistants, and may request a change to the Executive Officer in charge of human resources as necessary, by providing reasons thereof.

Cooperation among Audit Committee, Accounting Auditors and Internal Audit Departments

The results of internal audits conducted by the department in charge of internal audits on the Company and its subsidiaries will be reported to the Audit Committee without delay.

The Audit Committee has effectively conduct audits based on the annual audit policy and audit plan.

In order to fully understand the status of business operations of the Company and its subsidiaries and improve them, rules regarding internal audits have been established, along with a system to regularly audit each department of the Company and its subsidiaries.

In order for the Audit Committee to supervise the Accounting Auditor and to ensure the independence of the Accounting Auditor from the executive officers, the Audit Committee shall receive prior reports of the Accounting Auditor's audit plans and pre-approve the compensation of the Accounting Auditor.

The Company and its subsidiaries will steadily execute and verify the documented business processes for all matters to be reflected in financial reports, either internally or by an external auditor as necessary.

In order to confirm the status of regulatory compliance and prevent violations of laws and regulations, internal audits will be conducted by the Internal Auditing Office and other departments in charge and the departments in charge in the subsidiaries, and the various committees established in accordance with the rules or the decisions of the departments in charge in order to manage regulatory compliance in a cross-functional manner.

[Independent Directors]

Number of Independent Directors	5
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Matters relating to Independent Directors

Five of the outside directors who meet the qualification requirements for independent directors are registered as independent directors.

[Incentives]

Incentive Policies for Directors and/or Executive Officers (Shikkoyaku)	Introduction of Performance-linked Compensation
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Supplementary Explanation

Introduction of performance-linked Compensation system
 We have introduced a performance-based compensation system as part of the compensation of executive officers, which is described in "Disclosure of Policy on Determining Compensation Amounts and Calculation Methods" under "Compensation for Directors and Executive Officers" in this Report, with the Compensation Committee determining the basic policy regarding executives' compensation.

Recipients of Stock Options	
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Supplementary Explanation

[Compensation for Directors and Executive Officers (Shikkoyaku)]

Disclosure of Individual Directors' Compensation	No Individual Disclosure
Disclosure of Individual Executive Officers' Compensation	No Individual Disclosure

Supplementary Explanation:

In accordance with the provisions of the Cabinet Office Ordinance on Disclosure of Corporate Information, we disclose individual compensation for some Executive Officers in securities reports. In addition, the total amount of compensation for directors and Executive Officers is stated in securities reports and business reports.

Policy on Determining Compensation Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

Disclosure of Policy on Determining Compensation Amounts and Calculation Methods is disclosed below.
Notice of Convocation of the 60th Annual Shareholder's Meeting (P48)
https://www.hitachicm.com/content/dam/hitachicm/global/en/ir/stock-and-bond/smeeting/docs/Notice_of_Convocation_of_the_60th_en.pdf

[Supporting System for Outside Directors]

(1) Materials for meetings of the Board of Directors are distributed early, and advance explanation of the details of important agenda items is provided where necessary.
(2) Important matters related to the business operations of the company are deliberated on and examined by the Executive Officers' Meeting, etc. before the decision by the Executive Officer in charge is made, in order to reach a careful decision from multiple perspectives. Outside directors can view the materials of the Executive Committee managed by the Legal Division, and the Legal Division will explain the materials as necessary.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Compensation Decisions (Overview of Current Corporate Governance System)

(1) Business execution, audit and supervision methods
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 division of duties of Executive Officers and makes decisions on matters concerning the relationship between the order and instruction relationship and other mutual relationships between Executive Officers.

The Company holds an Executive Committee (twice a month in principle) comprising all Executive Officers, as an advisory body for deciding the business executions of Representative Executive Officers and the President and Executive Officer regarding important matters related to the business operations of the Company. Moreover, in order to deliver a speedy response to the globalization of business and changes in the business environment, the Executive Officers' Meeting and other important meetings have adopted a Web-based meeting system.

In addition, audits and supervision of business execution are conducted in accordance with the rules of the Board of Directors, the rules of the Audit Committee, and the rules of internal audit.

(2) Outline of the membership of the Board of Directors and various committees, their selection methods, frequency of meetings, main items for deliberation, attendance statuses of individual officers, establishment of bureau, etc.

a. Membership, selection methods, main items for deliberation, frequency of meetings and attendance statuses in FY2023

Directors are appointed at general meetings of shareholders, in accordance with the selection of candidates made by the Nominating Committee, and the members of various other committees are decided by the Board of Directors.

■ Board of Directors

As of the date of submission, the Board consists of 3 full-time internal directors, and 7 outside directors, giving a total of 10.

In addition to determining the Company's management philosophy, mid-term management plan, consolidated management policy, business budget, and other basic management policies from a wide range of knowledge and perspectives, including those of outside directors specializing in management, finance, and law, the Board also deliberates on and studies the Company's quarterly financial results and the consolidated financial statements.

In principle, the Board convenes once a month, a total of 12 times in FY2023, and the individual attendance was as follows;

Toshiko Oka (Attended 12 /12)

Kazushige Okuhara (Attended 12 /12)

Maoko Kikuchi (Attended 12/ 12)

Haruyuki Toyama (Attended 2 / 2) * Resigned at the general meeting of shareholders in June, 2023
Takatoshi Hayama (Attended 9/10) * Appointed at the general meeting of shareholders in June, 2023
Yoshinori Hosoya (Attended 1 / 2) * Resigned at the general meeting of shareholders in June, 2023
Hidemi Moue (Attended 12 / 12)
Toshinori Yamamoto (Attended 8/8) * Appointed at the general meeting of shareholders in June, 2023 and resigned by death in February, 2024.
Joseph P. Schmelzeis, Jr. (Attended 10/10) * Appointed at the general meeting of shareholders in June, 2023
Tetsuo Katsurayama (Attended 2 / 2) * Resigned at the general meeting of shareholders in June, 2023
Keiichiro Shiojima (Attended 12/ 12)
Masafumi Senzaki (Attended 10/10) * Appointed at the general meeting of shareholders in June, 2023
Michifumi Tabuchi (Attended 2 / 2) * Resigned at the general meeting of shareholders in June, 2023
Kotaro Hirano (attended 12 /12)

■ Nominating Committee

As of the date of submission, the Committee consists of 2 full-time internal director, and 6 outside directors, giving a total of 8.

In addition to selecting candidates for directors, the Committee also deliberates and considers plans to develop successors.

The Committee convened 4 times in FY2023, and the individual attendance was as follows.

Toshiko Oka (Attended 4 /4)
Kazushige Okuhara (Attended 4 /4)
Maoko Kikuchi (Attended 4 /4)
Hidemi Moue (Attended 4 / 4)
Toshinori Yamamoto (Attended 3/3) * Resigned in February, 2024
Joseph P. Schmelzeis, Jr. (Attended 4 /4)
Masafumi Senzaki (Attended 4 /4)
Kotaro Hirano (Attended 4 /4)

■ Compensation Committee

As of the date of submission, the Committee consists of 2 full-time internal director and 6 outside directors, giving a total of 8.

The Committee deliberates and considers the basic policy of compensation for directors and executive officers, the details and appropriate amount of compensation for each individual.

The Committee convened 5 times in FY2023, and the individual attendance was as follows.

Toshiko Oka (Attended 5 /5)
Kazushige Okuhara (Attended 5 /5)
Maoko Kikuchi (Attended 5 /5)
Haruyuki Toyama (Attended 2 /2) * Resigned in June, 2023
Hidemi Moue (Attended 5 /5)
Toshinori Yamamoto (Attended 2 /2) * Appointed in June, 2023 and resigned in February, 2024
Joseph P. Schmelzeis, Jr. (Attended 3 / 3) * Appointed in June, 2023
Masafumi Senzaki (Attended 3 /3) * Appointed in June, 2023
Kotaro Hirano (Attended 5 /5)

■ Audit Committee

As of the date of submission, the Committee consists of 6 outside directors.

In order to audit the Company's financial and accounting conditions, as well as the status of business execution, members of the Committee conduct deliberation, and also conduct on-site inspections and interview via the internet tool to group companies in Japan and overseas. In addition to reports from related departments, the Committee also interviews all executive officers including representative executive officers and presidents of Business Units, and deliberates and considers appropriate business execution.

The Committee convened 13 times in FY2023, and the individual attendance was as follows.

Toshiko Oka (Attended 13 /13)
Kazushige Okuhara (Attended 13 /13)

Maoko Kikuchi (Attended 13 /13)
Haruyuki Toyama (Attended 4 /4) * Resigned in June, 2023
Takatoshi Hayama (Attended 9 /9) * Appointed in June, 2023
Yoshinori Hosoya (Attended 4 /4) * Resigned in June, 2023
Toshinori Yamamoto (Attended 8 /8) * Appointed in June, 2023 and resigned in February, 2024
Joseph P. Schmelzeis, Jr. (Attended 9 /9) * Appointed in June, 2023
Tetsuo Katsurayama (Attended 4 /4) * Resigned in June, 2023

b. Establishment of Audit Committee Bureau

An Audit Committee Bureau has been established, with one full-time staff member and one concurrent post member assigned.

In addition, April 1, 2023, we have newly appointed an Assistant to the Audit Committee to strengthen the audit system.

(3) Policies and requirements regarding audit standards, selection of candidate directors, and determination of compensation details

a. Audit standards

The authority of the Audit Committee is stipulated in the rules of the Board of Directors, as well as the rules of the Audit Committee, which are complied with.

Moreover, internal audit rules covering the basic matters of internal audits have been established and are complied with.

b. Selection of candidate directors

The authority of the Nominating Committee is stipulated in the rules of the Board of Directors, as well as the rules of the Nominating Committee, which are complied with.

c. Determination of compensation details

The authority of the Compensation Committee is stipulated in the rules of the Board of Directors as well as the rules of the Compensation Committee, which are complied with.

(4) Internal audit

The Company has established the Internal Auditing Office as a department in charge of internal audit. The Internal Auditing Office consists of a general manager, 13 dedicated employees, and 2 of the employees who also concurrently serves for the Audit Committee Bureau. The Internal Auditing Office chooses subjects to be audited based on the risk-based approach, and audits whether the business process of each department and group companies is being carried out accurately, legitimately and reasonably.

Although the Internal Auditing Office reports directly to the president in the company organization and also reports audit plans and results to the Audit Committee as a dual reporting line.

In the FY2023, We conducted internal audits of five (5) companies in Japan and seven (7) outside Japan for a total of twelve (12) companies by implementing remote audits that use Internet-based tools, in addition to on-site audits, and outsourcing audits of certain overseas group companies to specialized internal audit service providers.

The Internal Auditing Office has been following up the status of the improvement for audit findings including the previous audit every half year, supporting the organizational response and grasping the overall progress.

In addition, the Internal Auditing Office obtains audit plans and reports from internal auditing department of group companies and strives to improve the audit quality of the entire group. Furthermore, the Internal Auditing Office tries to improve own audit quality by introducing internal valuations in accordance with the standards of the Institute of Internal Auditors.

(5) Audit by the Audit Committee

As an internal organization of the Board of Directors, the Audit Committee audits whether the execution of duties by Directors and Executive Officers is in compliance with laws and regulations, Articles of Incorporation, and the basic management policies, and whether it is being carried out effectively. Specifically, for monitoring financial and accounting conditions and the status of improvement and operation of the internal

control system, and auditing execution of business operations and management appropriateness of subsidiaries, in FY2023 the Committee conducted on-site inspections and interview via the internet tool to group companies in Japan and overseas.

In addition to making inquiries from the internal audit department, the financial and accounting department, legal department, or each department such as the department managing product quality, sustainability and ESG, the committee made inquiries on the status of execution of duties from all Executive Officers and presidents of Business Units, including exchange of opinions with Representative Executive Officer, and discussed and examined appropriateness of the execution of business operations.

Beyond legal responsibility for consideration, the committee has closely worked with the accounting auditors on reporting of quarterly review, reporting of an annual accounting audit, and inquiries on audit findings, as well as holding of the three-way audit committee meeting, which the internal audit department also attended, and others.

In FY2023, the Audit Committee meetings were held 13 times.

(6) Accounting Auditor

The certified accountants who carried out the accounting audit work for FY2023 are Mr. Kazuhiro Ishiguro, Mr. Yoichi Takanashi and Ms. Kaori Onuma, who are business executives of EY Shinnihon LLC.

Furthermore, in accordance with their instructions, certified accountants, assistant accountants, and others belonging to EY Shinnihon Limited Liability Audit Corporation assisted in the accounting audit work as necessary. The number of assistants involved in the Company's accounting audit was 8 certified accountants and 52 other staffs.

3. Reasons for Adoption of Current Corporate Governance System

The current corporate governance system was adopted in order to separate the Company's business execution functions and supervisory functions so as to enable prompt management with clear accountability, and strengthen the supervisory function of the Board of Directors by establishing three committees to realize highly objective and transparent management.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	Notification is being sent earlier in order to give shareholders.
Scheduling AGMs Avoiding the Peak Day	In order to attract more shareholders, the meeting will be held on a day other days when other shareholder meetings are commonly held.
Allowing Electronic Exercise of Voting Rights	On the dedicated website established by Tokyo Securities Transfer Agent Co., Ltd., the Company's shareholder registry administrator, it is possible to exercise voting rights by electromagnetic means.
Participation in Electronic Voting Platform	It uses an electronic voting platform for institutional investors operated by ICJ, Inc.
Providing Convocation Notice in English	An English text was drafted from the convocation notice of the June 2016 General Assembly and posted on our website at the same time as the Japanese text.
Other	<ul style="list-style-type: none"> • Notices of convocation of general meetings of shareholders and reference materials are disclosed on the Company's website 21 days before the date of the ordinary general meeting of shareholders. • There is also live broadcast on the day of the general meeting of shareholders (participation type virtual general meeting of shareholders) and archive video broadcast.

2. IR Activities

Supplementary Explanations

Preparation and Publication of Disclosure Policy	As a "Disclosure Policy," the Company has established a basic information disclosure policy, information disclosure standards, disclosure methods, quiet period settings, and forward-looking statements, and has made these available on the Company website.
Regular Investor Briefings for Individual Investors	<p>The president periodically explains the Company's business performance and management strategy and other factor. In addition, the Investor Relations Sec. responds to individual inquiries on a case-by-case basis.</p> <ul style="list-style-type: none"> - Radio NIKKEI program (four times a year, President) - Online explanatory meeting for individual shareholders and investors (multiple times a year, including once by the President) - Factory tours for individual shareholders (once a year, President and other executive officers)
Regular Investor Briefings for Analysts and Institutional Investors	<p>We regularly hold various briefings and site tours for analysts and domestic and oversea institutional investors, where the President, CFO, and other executives engage in dialogue. The meetings are held in a hybrid format, and institutional investors residing overseas attend mainly online.</p> <p>We also provide video and audio streaming of explanatory meetings for financial results, business, and ESG on our IR website so that those who are unable to attend can view them.</p> <p>Individual interviews are available upon request.</p> <ul style="list-style-type: none"> - Explanatory meeting for the Medium-term Management Plan (once a year, President) - President's small meeting (once a year, President) - Financial results explanatory meeting (four times a year, President, CFO and other executive officers) - Small meetings after financial results announcement (four times a year, CFO and other executive officers) - Business explanatory meeting (once a year, President and managing director * Site tour may include.) - ESG explanatory meeting (once a year, President and other managing director) - Individual interviews (As needed, Chairman/President/CFO/ Investor Relations Sec.)
Regular Investor Briefings for Overseas Investors	Meetings with overseas investors in Europe, North America and Asia are held multiple times a year by our management (Chairman, President and CFO).
Posting of IR Materials on Website	<p>Earnings reports, financial results briefing materials, securities reports, Hitachi Construction Machinery Group integrated reports, financial data, and news releases, etc., are uploaded onto our website in a timely manner.</p> <p>URL: https://www.hitachicm.com/global/en/ir/</p>
Establishment of Department and/or Manager in Charge of IR	Investor Relations Sec. Public Relations & Investor Relations Dept. has been established within the Corporate Brand & Communications Group as a specialized department, and dedicated personnel have been assigned to it.

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	In corporate rules such as the Hitachi Construction Machinery Group Code of Conduct, it is stipulated that, along with recognizing the fact that a company is a member of society, as we devote ourselves to fair and transparent corporate behavior, we should strive to win the trust of society, including our shareholders, customers, business partners, and local residents in Japan and overseas, in order to realize a truly prosperous society as a

	conscientious global citizen through harmony with the environment and activities that make positive contribution to society.
Implementation of Environmental Activities, CSR Activities etc.	<p>With regard to sustainability promotion activities for the Hitachi Construction Machinery Group overall, we have set up a specialist department for the sharing and global promotion of a common direction through regular communication with group companies in Japan and overseas.</p> <p>Hitachi Construction Machinery Group has worked with various internal and external stakeholders to analyze issues that could lead to the improvement or detriment of the company's corporate value, and has identified important issues (materiality) that contribute to solving social and environmental issues through its business. Environmental conservation activities and other specific sustainability promotion activities are posted on the Company's website. In addition, the "Hitachi Construction Machinery Group Integrated Report", which is an annual report summarizing the status of said activities, is also posted on the website.</p> <p>Sustainability: https://www.hitachicm.com/global/en/sustainability/ Integrated Report: https://www.hitachicm.com/global/en/sustainability/download/</p>
Development of Policies on Information Provision to Stakeholders	<p>A disclosure policy has been posted on the website, based on a fundamental policy of providing fair and highly transparent information disclosure and responding responsibly to a variety of stakeholders such as shareholders, investors, etc., through various communication activities.</p> <p>English URL: https://www.hitachicm.com/global/en/ir/disclosure-policy/</p> <p>Climate change is one of the most important environmental issues that has a profound impact not only on the natural environment and ecosystems, but also on the economy and society. In October 2020, Hitachi Construction Machinery announced its support for the Task Force on Climate-related Financial Disclosures (TCFD), and is working to promote activities in line with this recommendation, with the aim of developing sustainable and resilient businesses. The Company is also focusing on strengthening stakeholder engagement through information disclosure based on the TCFD framework.</p> <p>English URL: https://www.hitachicm.com/content/dam/hitachicm/global/en/sustainability/download/docs/ir2022/2022_39-47e.pdf</p>
Other	

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

Outline of basic policy regarding internal control system in accordance with the Companies Act

(1) Basic thinking (basic policy)

The Company has positioned the "Hitachi Construction Machinery Group Code of Conduct" as a common code of conduct for the entire Group, and we share the core elements of other important rules and basic systems.

(2) Current status

In accordance with the provisions of the Companies Act, the Company's Board of Directors has resolved to "establish a system for ensuring the properness of operations," and is working to develop this. The outline of the resolution is as follows.

a. Matters concerning Directors and employees to assist in duties of the Audit Committee of the Company

The Audit Committee Bureau has been provided as an organization to assist in the duties of the Audit Committee. One personnel member, who works exclusively for the Bureau and is not subject to orders and instructions of Executive Officers, and two personnel members, who also serve for the Internal Auditing Office in the internal audit department, have been assigned to the Bureau from the perspective of BCP. In addition, the Company appoints one Assistant who assists in the duties of the Audit Committee. The internal audit department and legal / general affairs department also assist the Audit Committee in addition to the above.

There are no Directors with the explicit duty of assisting the duties of the Audit Committee.

b. System for ensuring the independence of the Directors and the personnel in a. above from Executive Officers as well as the effect of instructions to such Directors and personnel from the Audit Committee

In order to ensure independence of the personnel who belong to the Audit Committee Bureau and Assistants from Executive Officers, the Audit Committee shall be informed in advance of planned transfers of such personnel and Assistants, and may request a change to the Executive Officer in charge of human resources as necessary, by providing reasons thereof.

c. System for reporting to the Audit Committee and ensuring no disadvantageous treatment for reason of reporting

-Executive Officers shall report to the Audit Committee without delay matters related to the Company and its subsidiaries that were brought up to or reported to the Executive Committee.

-Results of internal audits of the Company and its subsidiaries performed by the internal audit department shall be reported to the Audit Committee without delay.

-When Executive Officers become aware of facts that may have adverse effects on the Company, they shall immediately report such facts to the Audit Committee.

-The compliance department, which is the secretariat of the "Compliance Reporting System," shall report to the Audit Committee the status of reporting through the Compliance Reporting System available for employees of the Company and its subsidiaries. Also, the Company stipulates in its regulations that there shall be no disadvantageous treatment to the whistleblower due to such reporting, and the compliance department thoroughly ensures its implementation of such regulations.

- Reports from Executive Officers and employees of the Company as well as directors, corporate auditors and employees of the subsidiaries shall be directed to the full-time member of the Audit Committee. The Audit Committee, by way of a resolution, shall appoint a member of the Committee to receive such reports.

d. Policies related to advance payments and/or reimbursements of expenses incurred for execution of the duties of the Audit Committee of the Company and processing of other expenses and liabilities incurred for execution of duties

The general affairs department is in charge of payment of expenses and other administrative matters related to execution of the duties of the Audit Committee. When there is a request from the Audit Committee for advance payments or other payments for expenses, the general affairs department shall immediately process the requests unless it is clearly evident that such expenses or liabilities are not required for execution of the duties of the Audit Committee.

e. Other systems to ensure the effectiveness of audits by the Audit Committee of the Company

The Audit Committee appoints a full-time member and effectively audits the following matters based on annual audit policies and audit plans.

- The Audit Committee members attend important meetings, make inquiries to Executive Officers and employees of the status about the execution of their duties, and review approval documents, etc. on significant matters.

- The Audit Committee members observe operations and inspect the assets of the Company's headquarter, major offices and subsidiaries, and make inquiries as necessary.

-In order to ensure the effectiveness of the accounting audits by accounting auditors, the Audit Committee receives the audit plans and audit priority items of the accounting auditors in advance, and receives the results along with the accounting audit results. Also, in order to ensure independence of the accounting auditors, compensation for accounting auditors and non-guaranteed services requested from accounting auditors shall require the prior consent of the Audit Committee.

f. System for ensuring that execution of duties by Executive Officers and employees is in compliance with laws and regulations and the Articles of Incorporation

The following business management system ensures compliance with laws and regulations on an ongoing basis.

- Same as j. "System for ensuring that execution of duties by employees of the Company and directors and employees of the subsidiaries is in compliance with laws and regulations and the Articles of Incorporation" below.

- In addition to the above, for ensuring that the execution of duties by Executive Officers is in compliance with laws and regulations and the Articles of Incorporation, the Company has implemented a system which enables employees of the Company to report issues through an external agency.

g. System for saving and maintaining the information pertaining to the execution of duties by Executive Officers of the Company

Information pertaining to the decisions and the execution of duties of the Executive Officers are stored and maintained in accordance with the company regulations.

h. Regulations and other systems for management of the risk of losses to the Company and its subsidiaries
- A system shall be established in which each relevant department shall establish rules and guidelines as necessary, conduct training, and prepare and distribute manuals, etc. with respect to risks such as compliance, information security, environment, disaster, quality assurance and export control. Subsidiaries of the Company shall establish the same system depending on the size, etc. of the respective subsidiaries.

- Enterprise Risk Management committee (ERM committee) identifies the "company-wide risks" which needs company-wide response policies and management decisions, and notify those risks to relative departments. Also, ERM committee shall evaluate those risk, discuss important topics regarding risk management, and establish the counter measure policies.

- Efforts shall be made to identify possible new risks through periodic reports, etc. from Executive Officers on the status of business operation of the Company and its subsidiaries. Should it become necessary to take measures for a new risk, the President and Executive Officer instructs each relevant department and promptly appoints an Executive Officer responsible for taking measures therefor.

i. System for ensuring efficient execution of duties of Executive Officers of the Company and directors of the subsidiaries

The following business management system ensures the efficiency of the execution of duties by Executive Officers of the Company and directors of the subsidiaries

- For any matters that may affect the Company and the Group, Executive Committee regulations, etc. require such matters shall be deliberated from various points of view in the Executive Committee and policy meetings, etc. before a decision is made by an Executive Officer in charge.

- Performance of the Company and its subsidiaries is managed using a matrix framework, i.e., by each component unit responsible for its financial performance and by each component unit responsible for its managerial performance.

- Rules for internal audit shall be established and a system shall be implemented to audit each department in the Company and its subsidiaries regularly in order to understand the status of and improve business operations of the Company and its subsidiaries.

- The Audit Committee oversees the accounting auditors. Also, for ensuring the independence of accounting auditors from Executive Officers, the duties of the Audit Committee include receiving reports in advance about audit plans of accounting auditors and prior approval of the fees to be paid to the accounting auditors.

- A documented business process for matters to be reflected in financial reports shall be executed and examined by internal auditors, or external auditors when necessary, within the Company and its subsidiaries.

- The Company dispatches Directors and corporate auditors to subsidiaries and establishes a support desk to respond to inquiries from its subsidiaries regarding corporate matters including legal, accounting, and general administrative issues, research and development activities, and intellectual property management such as patents in order to operate properly and efficiently as the Group.

j. System for ensuring that execution of duties by employees of the Company and directors and employees of the subsidiaries is in compliance with laws and regulations and the Articles of Incorporation

Following business management system ensures compliance with laws and regulations on an ongoing basis

- Internal audits by the Internal Audit Office, other relevant departments of the Company and its subsidiaries are conducted to ensure compliance and to deter violations of laws and regulations. In addition, various committees may be established in accordance with regulations of the Company or a decision by relevant departments in order to achieve cross-functional management regarding compliance.

- The Company has implemented a "Compliance Reporting System" which enables employees of the Company and its subsidiaries to internally report any illegal activities, etc. to the relevant departments of the Company. Further, the compliance department in charge of this system carries out necessary investigations,

etc., replies to the whistle-blower, and also ensures there is no disadvantageous treatment to the whistle-blower.

- As compliance education, the Company and its subsidiaries conduct training using educational materials such as handbooks, for the applicable laws and regulations related to their business activities.

- To ensure implementation and effectiveness of the overall internal control systems, Executive Officers, as their duties, establish various policies and company regulations with primary focus on compliance with laws and regulations applicable to operations of the Group, including information security, environmental matters, quality control, export control, and prohibition of anti-social transactions. Establishment, amendment or abolishment of regulations that stipulate matters relating to internal controls shall be approved by the Board of Directors. An Executive Officer shall be appointed to approve establishment and abolishment of other company regulations depending on their materiality.

- Policies and regulations, etc. that should be formulated as common across the Group are informed to the subsidiaries, and subsidiaries shall establish their own rules that are in conformity with such policies and regulations, etc.

k. System for reporting the execution of duties by Directors of the subsidiaries to the Company

- Any significant operational matters regarding the subsidiary shall be deliberated in the Executive Committee of the Company.

- In the medium-term management plan and budget system, performance targets and measures, etc. are determined and evaluations are performed on a consolidated basis including subsidiaries. Subsidiaries will report the status to the Company through this system.

l. System for ensuring the appropriateness of operation of a corporate group consisting of the Company, its parent and subsidiaries

-The Hitachi Construction Machinery Group Code of Conduct is positioned as a basis for the brand and our sustainability promotion activities and the company shares an understanding of the corporate social responsibilities that companies must fulfill.

-We establish policies and regulations, etc. at the Company and its subsidiaries in conformity with the Hitachi Construction Machinery Group Code of Conduct.

- The Company and its subsidiaries have a policy to conduct transactions within the Hitachi Construction Machinery Group fairly based on market prices.

2. Basic Views on Preventing Anti-Social Forces

(1) Basic policy

The Hitachi Construction Machinery Group Code of Conduct stipulates that "we will take strict measures in accordance with laws against anti-social forces that threaten social order and safety." Hitachi Construction Machinery Group Code of Conduct has been deployed in each group company, and the entire group is working to exclude antisocial forces.

(2) Current status

In accordance with the Hitachi Construction Machinery Group Code of Conduct, entire group companies have established the "Guidelines for preventing new business partners from violating laws and regulations" and conduct review on all business partners.

"Compliance Management Committee" composed of department heads of the Company and every president of each subsidiary company disseminates and thoroughly implements policies and rules, and conducts audit on review of transactions.

We call attention regarding policies and rules by preparing and distributing e-learning program ("Compliance Instruction Program").

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

By listing the Company's shares, we are able to raise the funds necessary for maintaining business operations and expanding our business from the stock market, and to be evaluated by our shareholders, investors and the stock market. We believe that recognizing the expectations of the Company and the Group in response to this constant evaluation and conducting our management with a sense of urgency will greatly contribute to the improvement of our corporate value.

Based on the basic policy described above, the Company is working to build a governance system and formulate and promote management plans to improve corporate value and maximize the value widely provided to all shareholders.

2. Other Matters Concerning to Corporate Governance System

Outline of timely disclosure system

The Company has stipulated in its disclosure policy that information will be appropriately disclosed in a fair and transparent manner in accordance with pertinent laws and regulations and the rules established by the financial instruments exchanges on which the Company is listed.

Under this disclosure policy, the Company complies with the Financial Instruments and Exchange Act and other laws and regulations, and the rules established by the Tokyo Stock Exchange through the internal system described below, and discloses appropriate company information in a timely manner.

- Status of internal systems related to timely disclosure of company information

(1) According to internal regulations, the departments in charge of information are determined according to the type of facts that need to be disclosed in a timely manner, and if the facts to be disclosed are expected to occur, the department in charge will notify the Brand Communication Department.

(2) Regarding the facts related to the Company's decisions, as a general rule, facts requiring to be disclosed in a timely manner are to be submitted to the Executive Committee and the Board of Directors as necessary.

(3) The Brand Communication Department confirms the information with the Accounting Department and the Legal Affairs Department as necessary, and judges the necessity of the disclosure of the information after confirming the pertinent laws and regulations, such as the Financial Instruments and Exchange Act and the rules established by the Tokyo Stock Exchange.

(4) If said information is judged to fall under the category of a disclosure item, the Legal Affairs Department cooperates with the department in charge of disclosure and prepares disclosure materials in accordance with the Financial Instruments and Exchange Act, and the Brand Communication Department prepares disclosure materials in accordance with the rules established by the Tokyo Stock Exchange. Then, with the approval of the related executive officers, and the President, the information is disclosed in a timely manner.

(5) In addition, the Brand Communication Department and the accounting department in charge of settlement of accounts jointly prepare materials for the full-year and quarterly financial results, and the Brand Communication Department discloses these after obtaining a resolution of the Executive Committee and the Board of Directors.

In accordance with the Financial Instruments and Exchange Act, we are developing an internal control system for financial information using a standard framework (COSO framework), in order to further improve the reliability of our financial information.

In addition, the Company does not only disclose information stipulated in laws and regulations and disclosure regulations, but recognizes that business and financial information judged by the Company to be useful in deepening the understanding of stakeholders regarding our management policy and business content, as well as environmental, social and other non-financial information, is important information regarding our corporate activity and is required by society, and pro-actively discloses it.

- Responding to sustainability issues

Discussed important sustainability matters including climate change at the CSR Promotion Managers Meeting and the Environmental Promotion Managers Meeting. We also reported to the Sustainability Promotion Committee (held twice a year), which consists of executive officers and presidents of main Group companies. The President and COO, who has the highest responsibility and authority for sustainability, chairs the Sustainability Promotion Committee. This committee deliberates and approves important management-related matters related to sustainability. These important matters are proposed and reported to the Executive Committee for approval, and then discussed and reported to and approved by the Board of Directors for appropriate monitoring and supervision.

English URL:<https://www.hitachicm.com/global/en/sustainability/management/>

■ Corporate Governance System

