Hitachi Construction Machinery Co., Ltd.

Securities Code: 6305

Notice of Convocation of the 58th Annual Shareholder's Meeting

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Note: The amounts and number of shares contained in this notice for reference are rounded to the nearest integer.

Note: This document has been translated from part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Securities Code: 6305
June 6, 2022

To Our Shareholders:

Kotaro Hirano
President and Executive Officer, Director
Hitachi Construction Machinery Co., Ltd.
16-1, Higashiueno 2-chome, Taito-ku, Tokyo

Notice of the convocation for the 58th Annual Shareholder's Meeting

Please note that the 58th Annual Shareholder's Meeting of Hitachi Construction Machinery Co., Ltd. (the "Company") will be held as indicated below.

In order to prevent the spread of the novel coronavirus disease (COVID-19), you are recommended to exercise your voting rights beforehand. If you are unable to attend the Shareholder's Meeting in person, you can exercise your voting rights in writing or via electromagnetic means (the Internet, etc.). Please exercise your voting rights in accordance with the guidance on the following pages.

This Shareholder's Meeting will be live-streamed in real time on the Internet. Please see the enclosed guide for details. The start time and the venue may change depending on changes in the circumstances. Please note that in such a case, we will promptly announce the start time and the venue after the change on our website.

1. **Date and Time:** Monday, June 27, 2022, at 10:00 a.m. (Japan Standard Time (JST)) (Reception starts at 9:00 a.m.)

2. **Venue:** Tenku Ballroom, 1st basement floor, Tokyo Dome Hotel
3-61 Koraku 1-chome, Bunkyo-ku, Tokyo

3. **Purpose of the Shareholder's Meeting**

Matters to be reported:

The Business Report, the Consolidated Financial Statements, the results of audits of the Consolidated Financial Statements by the Financial Auditor, the results of audits of the Consolidated Financial Statements by the Audit Committee and Non-Consolidated Financial Statements, for the 58th fiscal year (from April 1, 2021 to March 31, 2022)

Matters to be resolved:

Proposal No. 1: Amendments to the Articles of Incorporation

Proposal No. 2: Election of ten (10) Directors due to expiration of terms of office of all Directors

4. **Guide to the Exercise of Voting Rights**

(1) If there is no indication of approval or disapproval for the proposal after exercising your voting rights in writing (voting card), the Company shall assume you have indicated approval.

(2) If you exercise your voting rights via electromagnetic means (the Internet, etc.), even if the voting card is returned to us by postal mail, the Company shall treat the vote placed via electromagnetic means (the Internet, etc.) as valid.

(3) If you exercise your voting rights more than once via electromagnetic means (the Internet, etc.), the latest exercise shall be deemed to be valid.

(4) Please return the voting card so that it will be received by us **no later than 5:00 p.m. on Friday, June 24, 2022** (JST).

(5) Please exercise your voting rights via electromagnetic means (the Internet, etc.) **no later than 5:00 p.m. on Friday, June 24, 2022** (JST).

(6) As provided for in the Company's Articles of Incorporation, you may appoint another shareholder with voting rights in the Company to attend as your proxy. Please note, however, that it is necessary to submit a document evidencing the authority of proxy.

(7) If you intend to diversely exercise your voting rights, you are requested to notify the Company in writing of your intention to do so and state the reason for this no later than Thursday, June 23, 2022 (JST).

(8) If you plan to view live-streaming and have questions in advance, you are requested to send them through the dedicated website (https://www.icue-gmos.com/soukai/hitachicm/58/) no later than 5 p.m. on Friday, June 24, 2022 (JST).

Disclosure via the Internet

■ In the event of revisions to the Reference Documents for the Shareholder's Meeting, Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements, the Company will disclose the revised contents on its website immediately.

■ The following items are provided to the shareholders for their review by posting them on the Company's website on the Internet pursuant to the relevant laws and regulations as well as the provisions in Article 13 of the Articles of Incorporation of the Company.

- Business Report (Financing Activities [Major Borrowings], Principal Businesses, Principal Business Locations, Employees, Matters Concerning Outside Directors and Audit Committee Members, Matters Concerning the Company's Stock, Financial Auditor, Policy on Decisions for Dividends of Surplus, System to Ensure the Appropriateness of Operations and the Operational Status of the Relevant System, and Basic Policy on Control of the Company)

These matters are included in the Business Report that has been audited by the Audit Committee in preparing its audit report.

- Notes to the Consolidated Financial Statements in the Consolidated Financial Statements
- Notes to the Non-Consolidated Financial Statements in the Non-Consolidated Financial Statements

These matters are included in the Consolidated Financial Statements and Non-Consolidated Financial Statements that have been audited by the financial auditors in preparing their accounting auditor's report.

The Company's website **https://www.hitachicm.com/global/jp/**

Guidance for Exercising Voting Rights

You are able to exercise your voting rights for the Shareholder's Meeting by either of the following methods.

If you intend to attend the Shareholder's Meeting in person

Attending the Shareholder's Meeting

Please submit the enclosed voting card at the reception desk. We also ask that you bring this notice for reference during the Shareholder's Meeting.

Date and Time: Monday, June 27, 2022, at 10:00 a.m. (JST)

If you do not intend to attend the Shareholder's Meeting in person

In the event of posting the voting card

Please indicate your vote for or against the proposal on the enclosed voting card and return it by post. Voting deadline: **To be received by Friday, June 24, 2022, at 5:00 p.m. (JST)**

Via the Internet

Please access the "Website for Exercising Voting Rights" (https://www.tosyodai54.net) using a PC or a smartphone, etc., refer to the "Guide" shown on the enclosed voting card to enter a "Voting Rights Exercise Code" and "Password," and follow the instructions on the screen to register "for" or "against" for each agenda item. Voting deadline: **Friday, June 24, 2022, at 5:00 p.m. (JST)**

Guidance for Exercising Voting Rights via the Internet, Etc.

By scanning the QR code, "Smart Exercise"

You can log in to the Website for Exercising Voting Rights without entering the Voting Rights Exercise Code and Password.

1. Please use a smartphone or tablet device to scan the QR code shown at the bottom right of the enclosed voting rights exercise form.
   * "QR code" is a registered trademark of DENSO WAVE INCORPORATED.
2. Please then follow the instructions on the screen to enter "for" or "against."

You can exercise the voting rights only once through "Smart Exercise."
If you would like to change the voting details after exercising your voting rights, you are kindly requested to access the website for PCs to log in by using "Voting Rights Exercise Code" and "Password" shown on the voting rights exercise form and to exercise the voting rights again.

* If you scan the QR code again, it will direct you to the website for PCs.

How to enter "Voting Rights Exercise Code" and "Password"

Website for Exercising Voting Rights
https://www.tosyodai54.net

1. Please access the Website for Exercising Voting Rights and click the "Next" button.
2. Please enter the "Voting Rights Exercise Code" shown on the voting rights exercise form and click the "Log-in" button.
3. Please enter the "Password" shown on the voting rights exercise form and enter your own new password and click the "Register" button.
4. Please then follow the instructions on the screen to enter "for" or "against."

If you have a question on how to use a PC, smartphone or mobile phone for the exercise of voting rights via the Internet, please contact the organization on the right.

Tokyo Securities Transfer Agent Co., Ltd.
Phone: **0120-88-0768** (toll free)
Business hours: 9:00 a.m. – 9:00 p.m. (JST)

For institutional investors	The electronic voting platform for institutional investors operated by ICJ Inc. may be used as a means of exercising voting rights for the Company's Shareholder's Meeting.

- Please note that communication expenses incurred when accessing the Website for Exercising Voting Rights should be borne by yourself.
- Please note that there may be cases where you are not able to exercise your voting rights depending on the device you use.

The Company’s preventive measures for COVID-19

We will take the following measures in holding this Annual Shareholder’s Meeting for our shareholders’ safety and health and we would like to ask all our shareholders for their understanding and cooperation.

- The Shareholders’ Meeting will be live-streamed so that you can view the discussions in real time on the Internet without visiting the venue in person.

  Please see the enclosed “Guide for Live-Streaming of the Shareholder’s Meeting” for details.

  You can send in advance questions on the matters to be reported and those to be resolved at this Shareholders’ Meeting through the dedicated website. Please note that you will not be able to ask a question through live-streaming on the day.

  You are not able to exercise your voting rights through live-streaming, either. You are cordially requested to exercise your voting rights in advance in writing or via electromagnetic means (the Internet, etc.).
- Your questions on the matters to be reported and those to be resolved at this Shareholders’ Meeting can be sent in advance through the dedicated website.

  (From Monday, June 6 to no later than 5 p.m. on Friday, June 24, 2022 (JST))

  Dedicated website: https://www.icue-gmos.com/soukai/hitachicm/58/

  Frequently asked questions will be responded to at the venue on the day or on the Company’s website at a later date.
- The number of seats available will be limited because we will need to space them out to prevent the spread of COVID-19. As a result, it is **possible that not everyone** who comes to the meeting **will be able to enter the venue**.
- Please **wear a mask** to prevent infection to yourself or others. Also, please cooperate with measures to prevent infection, such as alcohol disinfection at the venue and temperature measurement.
- **We may refuse your entry if we observe your temperature is 37.5°C or over or you are unwell** on the day of the meeting.
- The officers and management staff communicating with shareholders will wear a mask and gloves after having their physical condition checked.

* In the event of major changes to the way the Shareholder’s Meeting will be held due to factors such as the spread of infection up to the day of the meeting or announcements by the government, we will inform you on our website.

Company’s website: https://www.hitachicm.com/global/

Reference Documents for the Shareholder's Meeting

Proposal No. 1: Amendments to the Articles of Incorporation

1. Reasons for the Amendments

(1) In accordance with the "Act on Partial Amendment of the Act Strengthening Industrial Competitiveness" (Act No.70 of 2021) enacted on June 16, 2021, which would permit the convening of shareholder's meetings without any set place (so-called "virtual-only" shareholder's meetings), the Company will newly establish Article 11 to its Articles of Incorporation "Chapter 3. Organs" "Section 1. General Meetings of Shareholders". Its paragraph 1 defines how to deal with convocation, and its paragraph 2 will be added to enable convening of shareholder's meetings without any set place.

By order of the Ministry of Economy, Trade and Industry and the Ministry of Justice, virtual-only shareholder's meetings are required to contribute to strengthen industrial competitiveness with consideration for securing the interests of shareholders. In light of this requirement, the proposed amendment of Article 11 paragraph 2 will take effect subject to (1) approval at the annual shareholder's meeting, (2) confirmation by the Minister of Economy, Trade and Industry, and the Minister of Justice as provided for in those ministerial orders.

Due to the newly established article, the following number including the current Article 11 will be put off by one.

(2) The amended provisions provided for in proviso to Article 1 of the supplementary provisions of the "Act Partially Amending the Companies Act" (Act No.70 of 2019) will be enforced on September 1, 2022. Accordingly, in order to prepare for the introduction of the provisions of materials for shareholder's meeting in electronic format, the Articles of Incorporation of the Company shall be amended as follows.

(a) Article 14 (Provision in electronic format, etc.), paragraph 1 will be newly established due to the obligation to provide in Articles of Incorporation that information contained in the reference documents, etc. for shareholder's meeting shall be provided electronically.
(b) Article 14, (Provision in electronic format, etc.), paragraph 2 will be newly established to enable limiting of the scope of the items stated in paper-based documents delivered to shareholders who have requested the delivery of written documents, among the items of information that constitutes the content of reference documents for the shareholder's meeting, etc, to be provided in electronic format, to the scope stipulated by the regulations of Ministry of Justice.
(c) Since the provisions for Article 13 (Provision of Information for a General Meeting of Shareholders Using the Internet) of the current Articles of Incorporation will no longer required after the introduction of the provisions of materials for shareholder's meeting in electronic format, they will be deleted.
(d) In line with the above establishment and deletion of provisions, supplementary provisions related to the effective date and other matters shall be established. These supplementary provision will be deleted after the term provided in its Article 1 paragraph 3.

(3) To clarify that the director who convenes and takes chair at meetings of the Board of Directors shall be elected by the resolution of the Board of Directors as the important and key person, the current Article 19 will be amended to define that director who convene and preside over meetings shall be resolved by Board of Directors.

2. Details of the Amendments

The contents of the amendments are as follows:

(Amended parts are underlined.)

Current articles of incorporation	Proposed amendment
(Newly established)	Article 11 (Convocation) The Ordinary General Meeting of Shareholders of the Company shall be convened in June of each year, and an Extraordinary General Meeting of Shareholders may be convened from time to time, whenever necessary. The Company may convene General Meetings of Shareholders without any set place.
Article 11 ~ Article 12 (Article omitted)	Article 12 ~ Article 13 (Same as at present)
Article 13 (Provision of Information for a General Meeting of Shareholders Using the Internet) When holding a General Meeting of Shareholders, the Company may provide information which is or should be in documents prepared for the general meeting, business reports, statements and consolidated statements (including audit reports on the consolidated statements and on general accounting) to the shareholders by using the Internet in compliance with laws and ordinances, and in which case the Company shall have the right to assume that it has delivered the information to relevant shareholders.	(Deleted)
(Newly established)	Article 14 (Provision in electronic format, etc.) In convening a General Meeting of Shareholders, the Company shall take measures for provision in electronic format in relation to information constituting the contents of reference documents, etc. for the General Meeting of Shareholders. Of the matters subject to measures for provision in electronic format, the Company may forgo stating all or part of the matters stipulated by ordinance of the Ministry of Justice in written documents delivered to shareholders who have requested delivery of written documents before the record date for voting rights.
Article 14 ~ Article 18 (Article omitted)	Article 15 ~ Article 19 (Same as at present)
Article 19 (Chairman of the Board of Directors) One chairman of the Board of Directors may be elected by resolution of the Board of Directors.	Article 20 (One Director who convenes and takes the chair at meetings of the Board of Directors) The Director who convenes and takes the chair at meetings of the Board of Directors shall be elected by the resolution of the Board of Directors.
Article 20 ~ Article 33 (Article omitted)	Article 21 ~ Article 34 (Same as at present)
(Newly established)	(Supplementary Provisions) Article 1 (Transitional measure for provisions of materials for General Meeting of Shareholders in electronic format) The delete of Article 13 (Provision of Information for a General Meeting of Shareholders Using the Internet) and establishment of Article 14 (Provision in electronic format, etc.) of the Articles of Incorporation shall become effective on and from September 1, 2022.

Current articles of incorporation	Proposed amendment
	Notwithstanding the provisions of the preceding paragraph, Article 13 (Provision of Information for a General Meeting of Shareholders Using the Internet) of the Articles of Incorporation shall be effective in relation to a General Meeting of Shareholders which will be held within six (6) months after September 1, 2022. These Supplementary Provisions shall be deleted on the day six (6) months after September 1, 2022 or the day three (3) months after the General Meeting of Shareholders provided for in the preceding paragraph, whichever comes later.

Proposal No. 2: Election of Ten (10) Directors Due to Expiration of Terms of Office of All Directors

In accordance with Article 332 of the Companies Act, the terms of office of all ten (10) Directors will expire at the conclusion of the Shareholder's Meeting. Accordingly, the Company proposes the election of ten (10) Directors based on the decision to propose their election by the Nominating Committee. It should be noted that under the provisions of the Company's Articles of Incorporation the election of Directors is not conducted by cumulative voting.

The backgrounds, etc. of the candidates for Director are as follows. All of the candidates for Director have accepted in advance to be a Director, if they are elected at the Shareholder's Meeting.

When electing Directors, the Company considers the experience, insight and expertise of each candidate, as well as the diversity of those attributes. As shown below, all of the candidates have extensive experience, deep insight, a high level of expertise, etc., and the Company believes that the diversity of those attributes has also been ensured.

No.	Name	Reappointment or New Appointment	Expertise of the candidate								
			International management	Design and development	Production and procurement	Sales and service	IT and digital	Finance and accounting	M&A	Legal	Human resources
<Candidate for Outside Director> <Candidate for Independent Director>											
1	Toshiko Oka	Reappointment						○	○		
2	Kazushige Okuhara	Reappointment	○			○					○
3	Maoko Kikuchi	Reappointment								○	
4	Haruyuki Toyama	Reappointment						○		○	
<Candidate for Outside Director>											
5	Hidemi Moue	New Appointment	○					○	○		
<Candidate for Director>											
6	Tetsuo Katsurayama	Reappointment						○			
7	Keiichiro Shiojima	Reappointment						○			
8	Michifumi Tabuchi	Reappointment	○	○	○						
9	Kotaro Hirano	Reappointment	○		○	○					
10	Yoshinori Hosoya	Reappointment					○				

(Note) Upon a change to the largest shareholder as announced on January 14, 2022 resulting in Hitachi Ltd. ceasing to be the Company's Parent Company, Mr. Yoshinori Hosoya will meet the requirements as a candidate for Outside Director stipulated in the Regulations for Enforcement of the Companies Act.

No.	Name	Position and responsibilities at the Company, Career summary and other principal positions held
1	**Toshiko Oka** (March 7, 1964) [Candidate for Outside Director] [Candidate for Independent Director] [Reappointment] Share Ownership 108	**Position and responsibilities at the Company** Outside Director, Audit Committee Member Attendance at Board of Directors Meetings on FY2021: 13/14 (93%) **Career summary and other principal positions held** 4/1986 Joined Tohmatsu Touche Ross Consulting Limited 7/2000 Joined Asahi Arthur Anderson Limited 4/2005 President and Representative Director, ABeam M&A Consulting Ltd. 4/2016 Partner, PwC Advisory LLC 6/2016 Outside Director, Hitachi Metals, Ltd. 6/2018 Outside Director, Sony Group Corporation (to present) 6/2019 Outside Director, Happinet CORPORATION (to present) 6/2020 Outside Director, ENEOS Holdings, Inc. (to present) 4/2021 Professor, Graduate School of Global Business, Meiji University (to present) 6/2021 Outside Director, the Company (to present)
		Reason for the election of candidate for Outside Director, overview of expected roles, etc. The Company again nominates her as a candidate for Outside Director so that she can further strengthen the Company's management structures by providing advice on the Company's overall management utilizing her extensive experience as a top executive of consulting firms, knowledge on M&A and deep insight. It should be noted that she has served as an Outside Director of the Company since June 2021, and her term of office will be one (1) year at the close of the 58th Annual Shareholder's Meeting.

<table>
<tr><th>No.</th><th>Name</th><th>Position and responsibilities at the Company,
Career summary and other principal positions held</th></tr>
<tr><td rowspan="2">2</td><td rowspan="2">Kazushige Okuhara
(January 27, 1948)

[Candidate for Outside Director]

[Candidate for Independent Director]

[Reappointment]

Share Ownership
6,359</td><td>Position and responsibilities at the Company
Outside Director, Nominating Committee Member, Audit Committee Member, Compensation Committee Member

Attendance at Board of Directors Meetings on FY2021: 16/16 (100%)

Career summary and other principal positions held
4/1970 Joined Fuji Heavy Industries Ltd.
10/1999 Senior Managing Director, TOKYO SUBARU Inc.
6/2001 Corporate Vice President, Senior General Manager of Japan Region, Subaru Sales & Marketing Division, Chief General Manager of Subaru Parts & Accessories Division and General Manager of Customer Service Center, Fuji Heavy Industries Ltd.
6/2003 Corporate Senior Vice President, Chief General Manager of Subaru Japan Sales & Marketing Division and Chief General Manager of Subaru Marketing Division
4/2005 Corporate Senior Vice President, General Manager of Human Resources Department
6/2006 Director, Corporate Executive Vice President, General Manager of Human Resources Department
6/2006 President, Chairman of the Business Reforms Promotion Committee, Subaru System Service Co., Ltd.
6/2010 Representative Director of the Board and Deputy President, Fuji Heavy Industries Ltd.
6/2011 Representative Director of the Board and President, Subaru Kosan Co., Ltd.
6/2013 Retired from Subaru Kosan Co., Ltd.
6/2016 Outside Director, the Company (to present)</td></tr>
<tr><td>Reason for the election of candidate for Outside Director, overview of expected roles, etc.
The Company again nominates him as a candidate 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 as a top executive of a global company and knowledge and deep insight on personnel and labor policy.
It should be noted that he has served as an Outside Director of the Company since June 2016, and his term of office will be six (6) years at the close of the 58th Annual Shareholder’s Meeting.</td></tr>
</table>

No.	Name	Position and responsibilities at the Company, Career summary and other principal positions held
3	**Maoko Kikuchi** (July 14, 1965) [Candidate for Outside Director] [Candidate for Independent Director] [Reappointment] Share Ownership 0	**Position and responsibilities at the Company** Outside Director, Nominating Committee Member, Audit Committee Member Attendance at Board of Directors Meetings on FY2021: 16/16 (100%) **Career summary and other principal positions held** 4/1992 Joined the Ministry of Justice Public Prosecutors Office as a Public Prosecutor 8/1997 Joined Paul, Hastings, LLP, Los Angeles Office 3/1999 Joined Nagashima Ohno & Tsunematsu 4/2004 Joined the General Secretariat of the Japan Fair Trade Commission 4/2014 Executive Officer, in charge of Legal and Policy Planning Supervision, Microsoft Japan Co., Ltd. 6/2016 Standing Outside Audit & Supervisory Board Member, MITSUI-SOKO HOLDINGS Co., Ltd., Corporate Auditor of MITSUI-SOKO Co., Ltd., and Audit & Supervisory Board Member of MITSUI-SOKO Supply Chain Solutions, Inc. 6/2020 Outside Director, MITSUI-SOKO HOLDINGS Co., Ltd. (to present) Outside Audit and Supervisory Board Member, KADOKAWA CORPORATION (to present) 7/2020 Outside Director, the Company (to present)
		Reason for the election of candidate for Outside Director, overview of expected roles, etc. The Company again nominates her as a candidate 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 and knowledge in the field of law and her experience and deep insight as a top executive and corporate auditor. It should be noted that she has served as an Outside Director of the Company since July 2020, and her term of office will be two (2) years at the close of the 58th Annual Shareholder's Meeting.

<table>
<tr><th>No.</th><th>Name</th><th>Position and responsibilities at the Company,
Career summary and other principal positions held</th></tr>
<tr><td rowspan="2">4</td><td rowspan="2">Haruyuki Toyama
(March 23, 1959)

[Candidate for Outside Director]

[Candidate for Independent Director]

[Reappointment]

Share Ownership
4,659</td><td>Position and responsibilities at the Company
Outside Director, Nominating Committee Member, Audit Committee Member, Compensation Committee Member
Attendance at Board of Directors Meetings on FY2021: 16/16 (100%)
Career summary and other principal positions held
4/1982 Joined the Bank of Japan
1/2000 Alternate Executive Director for Japan, International Monetary Fund
3/2009 Director General, Financial Markets Department
5/2011 General Manager for the Americas
11/2012 Director General, International Department
8/2014 Retired from the Bank of Japan
3/2015 Registered as an attorney-at-law admitted in Japan
6/2015 Outside Director, the Company (to present)
1/2019 Special Counsel, IWATA GODO (to present)
3/2021 Outside Director, HORIBA, Ltd. (to present)</td></tr>
<tr><td>Reason for the election of candidate for Outside Director, overview of expected roles, etc.
The Company again nominates him as a candidate 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 the extensive experience and knowledge in the fields of monetary affairs and finance that he has cultivated to date.
It should be noted that he has served as an Outside Director of the Company since June 2015, and his term of office will be seven (7) years at the close of the 58th Annual Shareholder’s Meeting.</td></tr>
</table>

No.	Name	Position and responsibilities at the Company, Career summary and other principal positions held
5	**Hidemi Moue** (October 1, 1955) [Candidate for Outside Director] [New Appointment] Share Ownership 0	**Position and responsibilities at the Company** — **Career summary and other principal positions held** 4/1979 Joined The Industrial Bank of Japan, Limited 6/1996 General Manager of Capital Markets Group 2, IBJ Securities Co., Ltd. 2/1998 General Manager of Business Development, Capital Markets Group, IBJ Securities Co., Ltd. 10/2000 General Manager of Corporate Finance Department, Capital Markets Group, Mizuho Securities Co., Ltd. 11/2002 CEO of Japan Industrial Partners, Inc. (to present) 6/2010 Auditor of Mobile Internet Capital, Inc. (to present) 12/2021 Executive Manager of HCJI Holdings G.K. (to present)
		Reason for the election of candidate for Outside Director, overview of expected roles, etc. The Company nominates him as a candidate for Outside Director so that he can further strengthen the Company's management structures by providing advice on the Company's overall management utilizing his extensive experience as a top executive of a fund management firm, knowledge in the fields of finance and M&A and deep insight.

<table>
<tr><th>No.</th><th>Name</th><th>Position and responsibilities at the Company,
Career summary and other principal positions held</th></tr>
<tr><td rowspan="2">6</td><td rowspan="2">Tetsuo Katsurayama
(April 10, 1956)

[Reappointment]

Share Ownership
3,980</td><td>Position and responsibilities at the Company
Director, Audit Committee (Chair)
Attendance at Board of Directors Meetings on FY2021: 16/16 (100%)
Career summary and other principal positions held
4/1981 Joined the Company
4/2012 Deputy General Manager of Finance Division, General Manager of Finance Department, and General Manager of Foreign Exchange Center
4/2013 Executive Officer
4/2015 Vice President and Executive Officer
6/2015 Vice President and Executive Officer, Director
4/2017 General Manager, Finance Division
4/2018 Senior Vice President and Executive Officer, Director
4/2020 Director (to present)</td></tr>
<tr><td>Reason for the election of candidate for Director
He has extensive experience, excellent performance and deep insight by being engaged in the operations of business such as accounting and finance and the management of the Company and Hitachi Construction Machinery Group Companies. The Company again nominates him as a candidate for Director so that he can perform appropriate roles as a member of the Board of Directors, such as supervising the execution of duties by Executive Officers.</td></tr>
</table>

No.	Name	Position and responsibilities at the Company, Career summary and other principal positions held
7	**Keiichiro Shiojima** (November 24, 1965) [Reappointment] Share Ownership 4,400	**Position and responsibilities at the Company** Vice President and Executive Officer, Director, CFO, General Manager of Finance Division Attendance at Board of Directors Meetings on FY2021: 14/14 (100%) **Career summary and other principal positions held** 4/1988 Joined the Company 4/2011 General Manager, Credit Management Department, Finance Division 4/2014 Director, Hitachi Construction Machinery Asia and Pacific Pte. Ltd. 4/2016 General Manager, Finance Department, Finance Division, Corporate Management Group, the Company 4/2019 Deputy General Manager, Finance Division, Corporate Management Group 4/2020 Executive Officer, General Manager of Finance Division 6/2021 Director (to present) 4/2022 Vice President and Executive Officer, General Manager of Finance Division (to present)
		Reason for the election of candidate for Director He has extensive experience, excellent performance and deep insight by being engaged in the operations of business such as accounting and finance and the management of the Company and Hitachi Construction Machinery Group Companies. The Company again nominates him as a candidate for Director, as he will be able to further strengthen the Company's management structures by sharing information, as a member of the Board of Directors, with other members.

No.	Name	Position and responsibilities at the Company, Career summary and other principal positions held
8	**Michifumi Tabuchi** (November 16, 1958) [Reappointment] Share Ownership 10,079	**Position and responsibilities at the Company** Representative Executive Officer, Executive Vice President and Director, Officer responsible for "MONOZUKURI" (manufacturing), Officer responsible for Corporate Export Regulation, General Manager of Production & Procurement Group Attendance at Board of Directors Meetings on FY2021: 16/16 (100%) **Career summary and other principal positions held** 4/1984 Joined the Company 4/2004 General Manager, Manufacturing Dept., Component Div., Tsuchiura Works 4/2012 President and Director, Hitachi Construction Machinery (China) Co., Ltd. 4/2015 Executive Officer 4/2016 Vice President and Executive Officer 4/2017 Senior Vice President and Executive Officer 4/2020 Representative Executive Officer, Executive Vice President (to present) Officer responsible for "MONOZUKURI" (manufacturing), General Manager of Production & Procurement Group and General Manager of Corporate Export Regulation Group 7/2020 Director (to present) 10/2021 Officer responsible for "MONOZUKURI" (manufacturing), Officer responsible for Corporate Export Regulation, and General Manager of Production & Procurement Group (to present)
		Reason for the election of candidate for Director He has experience in the field of "MONOZUKURI" (manufacturing) and extensive experience and deep insight in corporate management gained both in Japan and overseas for the Company and Hitachi Construction Machinery Group Companies. The Company again nominates him as a candidate for Director to share information, as a member of the Board of Directors, with other members.

<table>
<tr><th>No.</th><th>Name</th><th>Position and responsibilities at the Company,
Career summary and other principal positions held</th></tr>
<tr><td rowspan="2">9</td><td rowspan="2">Kotaro Hirano
(June 4, 1958)

[Reappointment]

Share Ownership
13,525</td><td>Position and responsibilities at the Company
Representative Executive Officer, President and Executive Officer, Director, CEO, supervising Internal Auditing Office and quality assurance, Nominating Committee Member, Compensation Committee (Chair)

Attendance at Board of Directors Meetings on FY2021: 16/16 (100%)

Career summary and other principal positions held
4/1981 Joined the Company
4/2013 Deputy General Manager of Production & Procurement Division
4/2014 Executive Officer
4/2016 Vice President and Executive Officer
4/2017 Representative Executive Officer, President and Executive Officer (to present)
6/2017 Director (to present)</td></tr>
<tr><td>Reason for the election of candidate for Director
He has been engaged in the management of the Company and Hitachi Construction Machinery Group Companies, and has extensive knowledge and outstanding capability in management through the experience of business in various fields including production and procurement. The Company again nominates him as a candidate for Director to take on suitable important responsibilities of the Group management and share information, as a member of the Board of Directors, with other members.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name</th><th colspan="2">Position and responsibilities at the Company,
Career summary and other principal positions held</th></tr>
<tr><td rowspan="2">10</td><td rowspan="2">Yoshinori Hosoya
(February 5, 1965)

[Reappointment]

Share Ownership
0</td><td colspan="2">Position and responsibilities at the Company
Director, Audit Committee Member
Attendance at Board of Directors Meetings on FY2021: 14/14 (100%)
Career summary and other principal positions held
4/1988 Joined Hitachi, Ltd.
4/2013 General Manager, Public Solutions Division No. 2, Government & Public Corporation Information Systems Division, Information & Telecommunication Systems Company
10/2014 Supervisory Officer, Government & Public Corporation Information Systems Division, System Solutions Division, Information & Telecommunication Systems Company
4/2017 General Manager, Government & Public Corporation Information Systems Division, Public Corporation & Social Infrastructure Business Unit
4/2018 General Manager, Government & Public Corporation Information Systems Division, Social Infrastructure Systems Business Unit
4/2021 COO, Social Infrastructure Systems Business Unit (to present)
6/2021 Director of the Company (to present)</td></tr>
<tr><td colspan="2">Reason for the election of candidate for Director
The Company again nominates him as a candidate for Director, as he will be able to further strengthen the Company’s management structures by providing advice on the Company’s overall management utilizing his experience in the field of information and communications systems in the Hitachi Group and his extensive experience and deep insight as a top executive.
Upon a change to the largest shareholder as announced on January 14, 2022 resulting in Hitachi Ltd. ceasing to be the Company’s Parent Company, he will meet the requirements as a candidate for Outside Director stipulated in the Regulations for Enforcement of the Companies Act. An overview of the role that he is expected to perform when he becomes Outside Director is the same as described in the above.</td></tr>
</table>

Notes on the candidates

1. Mr. Yoshinori Hosoya serves concurrently as COO of the Social Infrastructure Systems Business Unit of Hitachi, Ltd. The Company and Hitachi, Ltd. have a business relationship that includes lending and borrowing of funds. Moreover, the Company collaborates with Hitachi, Ltd. in areas such as research and development. There are no relationships of special interest between the other candidates and the Company.
2. Positions and responsibilities when candidates for Director serve currently or served in the past ten (10) years as an executive officer at the Company's parent company or one of its subsidiaries (excluding the Company)
   (1) Mr. Keiichiro Shiojima served as an executive officer at Hitachi Construction Machinery Asia and Pacific Pte. Ltd., which is a subsidiary of the Company's parent company, as stated in "Career summary and other principal positions held" above.
   (2) Mr. Michifumi Tabuchi served as an executive officer at Hitachi Construction Machinery (China) Co., Ltd., which is a subsidiary of the Company's parent company, as stated in "Career summary and other principal positions held" above.
   (3) Mr. Yoshinori Hosoya serves as an executive officer at Hitachi, Ltd., the Company's parent company, and also served in the past as an executive officer as Chairman or Vice-Chairman of Hitachi Beijing Tech Information Systems Co.,Ltd., Director of Hitachi Solutions Create, Ltd., Director of Hitachi Public Systems, Ltd., Director of Hitachi Social Information Services, Ltd., Director of ICS Co., Ltd., Director of Hitachi India Pvt. Ltd., and Director of Hitachi Solutions (China), Co., Ltd., which are subsidiaries of the Company's parent company, as stated in "Career summary and other principal positions held" above.
3. Matters pertaining to candidates for Outside Director
   (1) The five (5) candidates of Ms. Toshiko Oka, Mr. Kazushige Okuhara, Ms. Maoko Kikuchi, Mr. Haruyuki Toyama and Mr. Hidemi Moue meet the requirements as candidates for Outside Director stipulated in the Regulations for Enforcement of the Companies Act. Upon a change to the largest shareholder as announced on January 14, 2022 resulting in Hitachi Ltd. ceasing to be the Company's Parent Company, Mr. Yoshinori Hosoya will meet the requirements as a candidate for Outside Director stipulated in the Regulations for Enforcement of the Companies Act. The four (4) candidates of Ms. Toshiko Oka, Mr. Kazushige Okuhara, Ms. Maoko Kikuchi and Mr. Haruyuki Toyama are candidates for Independent Director based on the provisions of Tokyo Stock Exchange, Inc.
   (2) When candidates served as Director, Executive Officer, or Audit & Supervisory Board Member at other company during the past five (5) years and there was a violation of laws and regulations or the Articles of Incorporation or any other wrongful execution of operations at the other company concerned during the term of office of the candidates

   Hitachi Metals, Ltd. revealed in April 2020 that inappropriate numerical values had been recorded in inspection reports submitted to customers over a number of years for some products of the company and its subsidiaries. Ms. Toshiko Oka served as Outside Director of the company from June 2016 to June 2021; however, she was not aware of the case until it was revealed. She had been regularly making statements from the perspective of compliance at meetings of the company's Board of Directors and Audit Committee, and after the case was revealed, she worked to further strengthen the governance system such as by receiving reports on the investigation to determine the facts and identify the causes and the progress of customer response, and making recommendations for preventing recurrence.
   (3) Relationships between candidates for Outside Director and entities that have a special relationship with the Company

   The relationships between Mr. Yoshinori Hosoya and entities that have a special relationship with the Company are as described in 2.(3) above. He currently receives and received during the last two (2) years compensation as an executive officer. There are no other applicable matters.
4. "Share ownership" is as of March 31, 2022. It also shows the real share ownership, which includes holdings in the Hitachi Construction Machinery Officers' Shareholding Association.

Summary of details of agreements to limit liability

The Company has concluded agreements with Directors (excludes Executive Directors etc.) under the provisions of paragraph (1), Article 427 of the Companies Act and Article 22 of the Company's Articles of Incorporation to limit liability for damages under paragraph 1, Article 423 of the Act. In the event that the reappointment of Ms. Toshiko Oka, Mr. Kazushige Okuhara, Ms. Maoko Kikuchi, Mr. Haruyuki Toyama, Mr. Tetsuo Katsurayama and Mr. Yoshinori Hosoya is approved, the Company intends to continue these agreements with them. Moreover, in the event that the appointment of Mr. Hidemi Moue is approved, the Company intends to conclude the agreement with him. A summary of the agreements is as below.

1. In the event of liability for damages to the Company caused by failure to perform duties as a Director (excludes Executive Directors etc.), the total shall be limited to the amount in each item of paragraph (1), Article 425 of the Companies Act.
2. The aforementioned limitation of liability is admitted only when the Director (excluding those who are Executive Directors, etc.) acts in good faith and there is no gross negligence with regard to the execution of duties that caused the liability.

Summary of details of directors and officers liability insurance policy

To ensure that Directors and Executive Officers are fully able to execute their expected duties and to attract highly qualified individuals, the Company has entered into a directors and officers liability insurance ("D&O insurance") policy as provided for in Article 430-3 of the Companies Act that includes all Directors as insureds, and the candidates for reappointment among the candidates for this proposal are included in the insureds of the said insurance policy. Furthermore, if this proposal is approved as proposed and the candidates assume office as Directors, each candidate, including the candidate for new appointment, will become insureds under the insurance policy. This insurance policy covers losses that may arise from the insured's assumption of liability incurred in the course of the performance of duties as an officer or a person at a certain position, or receipt of claims pertaining to the pursuit of such liability. However, there are certain reasons for coverage exclusion, such as performance of an illegal act with full knowledge of its illegality, where the losses will not be covered. The Company plans to renew the insurance policy during the term of office as Director of each of the candidates in this proposal.

(Reference Materials attached to Notice of the 58th Annual Shareholder's Meeting)

Business Report (From April 1, 2021 to March 31, 2022)

I Matters Pertaining to the Current State of the Consolidated Group

*The Company has been preparing consolidated financial statements in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS") from the fiscal year ended March 2015.

1. Business activities and results

In order to further strengthen our value chain business, which we have been focusing on since FY2017, the Consolidated Group has been working to use cutting-edge digital technologies at every point of contact with customers under "Realizing Tomorrow's Opportunities 2022," the medium-term management plan from FY2020. In this way, we are providing more advanced solutions and working to transform ourselves into a corporate structure that is resilient to changes.

In addition, with the dissolution of the joint venture with Deere & Company ("Deere"), we started a full-scale independent business in North, Central and South America in March 2022. We are aiming to further improve our enterprise value by providing the value chain business and more advanced solutions that we have been focusing on throughout the world's largest North, Central and South American markets, and by establishing a system to proactively develop our business globally.

During the fiscal year under review (April 1, 2021 to March 31, 2022), although there were effects such as behavioral constraints caused by the spread of new variants of the coronavirus in some regions, the market environment remained strong in major regions other than China. Revenue increased to ¥1,024,961 million (126% of the previous year's level) due to an increase in the value chain business centered on parts and services in addition to new machinery sales for construction and mining, the impact of foreign exchange rates, and other factors.

As for consolidated income items, adjusted operating income was ¥93,518 million (286% of the previous year's level) due to an increase in revenue against the backdrop of a favorable market environment, an adjustment amount due to sales price determination for the Americas recorded in the second quarter, an improvement in profitability due to enhanced production capacity utilization rates, and the impact of foreign exchange rates, despite the impact of an increase in costs, mainly steel prices. Net income attributable to owners of the parent amounted to ¥75,826 million (733% of the previous year's level) due to an increase in adjusted operating income, gain on transfer of equity-method affiliates (Deere-Hitachi Construction Machinery Corporation and Deere-Hitachi Máquinas de Construção do Brasil S.A.) due to the dissolution of the joint venture with Deere, and an increase in equity in earnings of affiliates of overseas bases, as well as gains on the sale of land adjacent to the Hitachinaka works in the fourth quarter.

(Millions of yen)

Classification	Consolidated (% of the previous year)		Classification	Non-consolidated (% of the previous year)	
Revenue	1,025,000	(126%)	Revenue	551,900	(140%)
Adjusted operating income	93,500	(286%)	Operating income	17,700	(-)
Income before income taxes	110,900	(433%)	Ordinary income	52,700	(589%)
Net income attributable to owners of the parent	75,800	(733%)	Net income	67,600	(557%)

(1) Summary of revenue by region

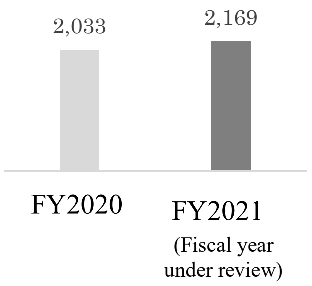
Japan

Revenue composition ratio 21.2%

Revenue 216,900

Up 6.7% year-on-year

(Millions of yen)



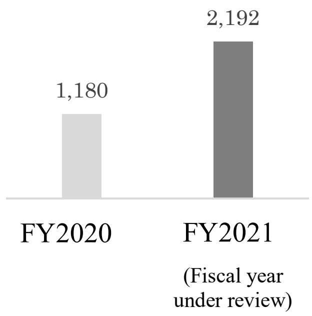
The Americas

Revenue composition ratio 21.4%

Revenue 219,200

Up 85.6% year-on-year

(Millions of yen)



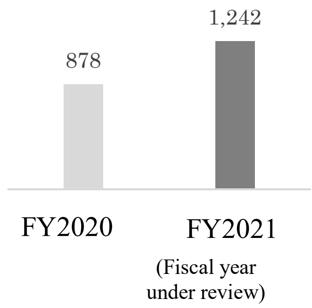
Europe

Revenue composition ratio 12.1%

Revenue 124,200

Up 41.4% year-on-year

(Millions of yen)



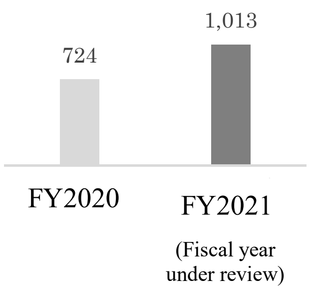
Russia-CIS, Africa, and Middle East

Revenue composition ratio 9.9%

Revenue 101,300

Up 40.0% year-on-year

(Millions of yen)



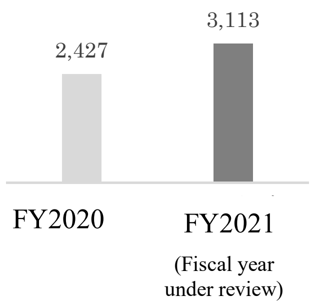
Asia and Oceania

Revenue composition ratio 30.4%

Revenue 311,300

Up 28.3% year-on-year

(Millions of yen)



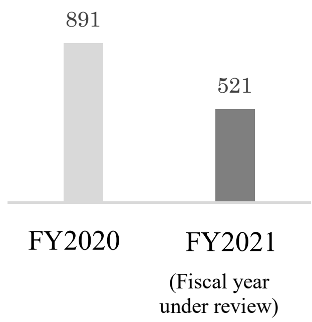
China

Revenue composition ratio 5.1%

Revenue 52,100

Down 41.5% year-on-year

(Millions of yen)



(2) Revenue by business

1 Construction Machinery Business

During the fiscal year under review (April 1, 2021 to March 31, 2022), demand for hydraulic excavators in China declined significantly year on year, while demand in major regions other than China remained strong. As a result, overall demand increased year on year.

In mining machinery, demand for both new machinery sales and parts and services remained strong. This was due to the operation of mines, which were affected by COVID-19, returning to almost normal, the recovery of investment motivation of customers with the tailwind of strong resource prices, and the demand for overhaul of suspended machines as mines restart.

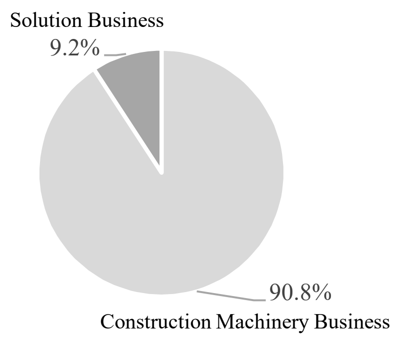
Consequently, revenue in the fiscal year under review (April 1, 2021 to March 31, 2022) grew in the sales of new machinery (construction and mining) and the value chain business centered on parts and services. In addition to the above, affected by exchange rates and other factors, revenue was ¥933,864 million (127% of the previous year's level).

2 Solution Business

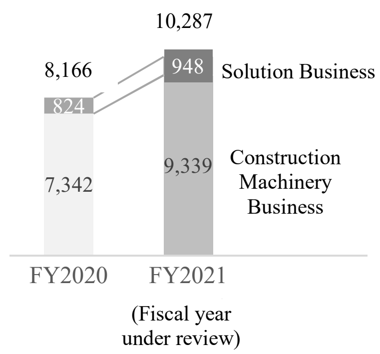
This segment consists primarily of Bradken Pty Limited and its subsidiaries, which are engaged in the parts service business in the after-sales of mining facilities and machinery, and H-E Parts International LLC and its subsidiaries, which provide service solutions.

During the fiscal year under review (April 1, 2021 to March 31, 2022), revenue was ¥94,822 million (115% of the previous year's level), due to favorable conditions in the mining market environment and the effects of exchange rates.

Revenue composition ratio



Revenue trends (Millions of yen)



*The above revenues by business are figures before intersegment adjustments.

2. Capital investments

The Group carefully reviewed investment options for improved capital efficiency, and made capital investment of ¥89,585 million in total for the fiscal year under review. Major investments made are as below.

(1) Capital investments by the Company

- Investments to renew and streamline a manufacturing facility, etc. for hydraulic excavators etc. at Tsuchiura Works

(2) Capital investments by the subsidiaries

- Investment to expand and upgrade the functions of product development at Hitachi Construction Machinery Tierra Co., Ltd.
- Investment to consolidate and relocate sales offices at Hitachi Construction Machinery Japan Co., Ltd.

3. Financing Activities

Financing Activities of the Group

The Group procured funds through short-term borrowings of ¥21,314 million and long-term borrowings of ¥36,487 million in order to allocate funds for working capital and capital expenditure as well as funds for investments and loans during the fiscal year under review, and repaid long-term borrowings of ¥40,160 million and redeemed bonds of ¥10,000 million.

4. Issues to be addressed

Change in shareholder composition

On January 14, 2022, Hitachi, Ltd. (“Hitachi”), the Parent Company of the Company, and HCJI Holdings G.K. (“JIP Consortium SPC”), which will be jointly funded by (i) a special purpose company, whose interests are wholly owned by a fund which Japan Industrial Partners, Inc. (“Japan Industrial Partners”) manages, operates and provides information to and (ii) a special purpose company, whose interests are wholly owned by ITOCHU Corporation (“ITOCHU”), agreed to transfer 55,290,000 shares of common stock of the Company held by Hitachi (the ownership ratio of the voting rights attached to such shares, calculated based on the number of voting rights of total shareholders (2,125,317) as of September 30, 2021, is 26.0%) to JIP Consortium SPC.

Change in shareholder composition

1. Japan Industrial Partners and ITOCHU set up JIP Consortium SPC*, each contributing 50% of the capital
2. Hitachi, Ltd. sells 26% of the Company’s shares held to JIP Consortium SPC which will become the largest shareholder
3. Japan Industrial Partners and ITOCHU will support the growth of the Company via JIP Consortium SPC

Relationship between the Company and the Hitachi Group

1. The Company will continue to use the HITACHI brand, and make a contribution to enhancing the value of the HITACHI brand globally
2. The Company will continue to collaborate with the Hitachi Group in various R&D fields, including IoT
3. While maintaining parts transactions and technical collaborations with the Hitachi Group, the Company will accelerate its environmental and circular economy initiatives

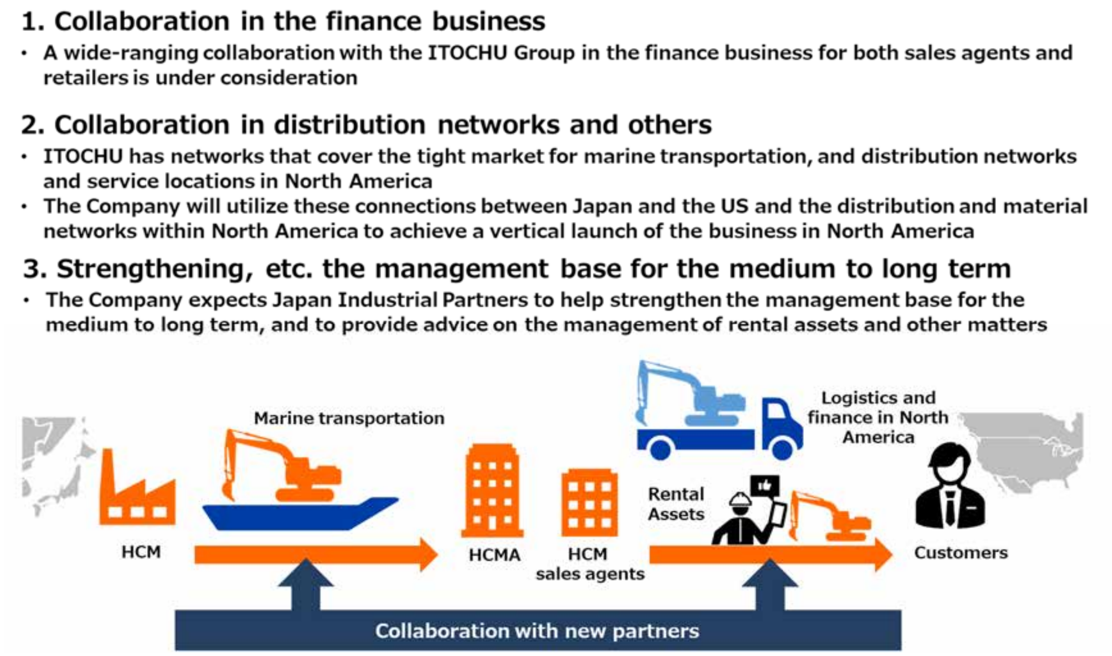
*SPC :Special Purpose Company

Japan Industrial Partners has stated that its business purpose is to cooperate with entrepreneurs and management who are willing to transform existing businesses and industries while respecting the corporate culture, and, by formulating new businesses and industries that meet the needs of the times, assist in fully drawing out potential and original strengths in the relevant businesses and industries.

The Company believes that Japan Industrial Partners, by holding the Company’s shares for the mid-to-long term after the agreement, will utilize its experience, know-how, and broad network of experts to support the Company in formulating business strategies and strengthening the management foundation required to execute the business strategies, and to contribute to enhancing the efficiency of the Company’s financial base. In addition, the Company believes that Japan Industrial Partners will, based on its abundant experience in the finance business, provide optimal advice in respect of the management and operation of the Company’s rental assets and other related support together with ITOCHU group, which has a proven track record of collaboration with the Company in the finance business.

ITOCHU has formed various business relationships in the construction machinery business with the Company in the areas of export trade finance projects and business operations of a joint venture established with the Company. In particular, the Company has been engaging in joint projects in the areas of manufacturing, sales and finance in Indonesia for over 30 years. ITOCHU has distribution networks including land and sea transportation spanning Japan and the United States, and warehouses and logistics and materials centers in North America, and a customer network of construction machinery rental companies in the United States that has been established by a manufacturing and sales company specializing in small-sized construction machinery and an online construction machinery rental company. In addition, the ITOCHU group own companies providing finance services in the United States. The Company will extensively consider collaboration in the finance business with ITOCHU group in North America in financing arranged for both sales agents and retailers.

In this way, through the new capital relationship with these partners, the Company will further solidify its business development in North America, which is the world’s largest market. At the same time, the Company will continue to collaborate with existing business partners around the world, including those in the South America market, to accelerate its global growth strategy.

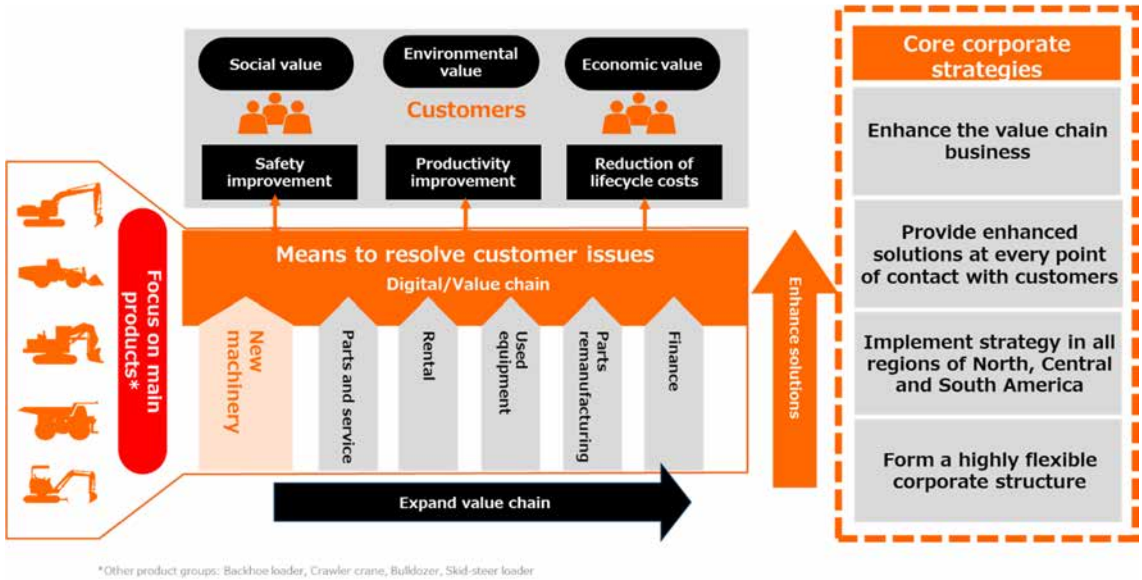


Core of four corporate strategies

The HCM Group has set the corporate vision “To pass on a productive environment and prosperous cities to future generations. The HCM Group helps to create comfortable living spaces,” and will play a maximum role in creating “a productive environment” and “prosperous cities,” which are a symbol of comfortable living spaces, to contribute to society.

In our three-year medium-term management plan “Realizing Tomorrow’s Opportunities 2022,” which ends in the fiscal year ending March 31, 2023, we strive for sustainable growth and improvement of corporate value based on the four core corporate strategies of 1) strengthen the value chain business, 2) provide enhanced solutions at every point of contact with customers, and 3) form a highly flexible corporate structure, as well as newly added 4) implement strategy in all regions of North, Central and South America.

The market environment has recently been characterized by reduced levels of activity at suppliers and in the transportation industry as a result of COVID-19, surging material costs, transportation expenses, and resource prices, and concerns about the impact on operations from geopolitical risks, leading to an unclear outlook. In these conditions, based on the four core corporate strategies, we seek to utilize digital technology with the aim of resolving customer issues to continue earning the unwavering trust of our customers, thus building an unshakable position in the global market with the slogan of “Providing reliable solutions.”



Core corporate strategies	Important measures
Enhance the value chain business Provide enhanced solutions at every point of contact with customers	● Strengthening rental and used equipment, remanufacturing business, expansion of ConSite® ● Expanding environmentally conscious products -Electric excavators, fully electric dump trucks, etc. ● Investing in advanced development areas -Improvements to functionality and safety of construction machinery (automation, autonomy, driving support)
Implement strategy in all regions of North, Central and South America	● Putting in place a supervisory structure and rebuilding the sales agent network, commencing full-fledged initiatives to achieve further market penetration ● Expanding the value chain businesses in North America through deployment of ConSite® and other measures, and providing solutions ● Strengthening the mining business in Central and South America
Form a highly flexible corporate structure	● Restructuring business locations with the aim of improving productivity

1) Enhance the value chain business

While social challenges and customers' business and needs are changing, the HCM Group offers the best solutions to customers through the whole machinery lifecycle. The Group has positioned businesses other than new machinery sales, such as the Parts and Service Business, Rental and Used Equipment Business, Finance Business, and Solution Business, as value chain businesses and works to strengthen them as activities designated as important in the corporate strategies.

2) Provide enhanced solutions at every point of contact with customers

The Company offers various solutions to resolve customers' challenges of "safety improvement," "productivity improvement," and "reduction in lifecycle costs" together with customers. Going forward, we will continue to provide solutions surpassing other companies, using a wide range of advanced technologies and open innovation technologies that merge expert technologies developed with business partners, with a sense of speed.

3) Implement strategy in all regions of North, Central and South America

In August 2021, the Company agreed with Deere & Company ("Deere") to dissolve the joint venture relationship in North, Central and South America. Following the dissolution of the joint venture relationship with Deere, we began developing our own business through Hitachi Construction Machinery Americas Inc., which is now the headquarters in the Americas, in March 2022.

By building a sales and service network in North, Central and South America for compact and construction-sized hydraulic excavators, ultra-large mining excavators, dump trucks, and wheel loaders, strengthening the parts supply structure, developing a rental and used equipment business tailored to the characteristics of the market, broadening the foundation of the mining business (including the remanufacturing business), utilizing global production sites, and putting in place a new product supply structure by increasing production capacity in North America, we aim to provide true customer satisfaction. We have also deployed ConSite® for use with hydraulic excavators bound for North, Central and South America.

4) Form a highly flexible corporate structure

We will address commitments to zero emissions, primarily in Europe, and rapid advances in digital technology, by forming a highly flexible corporate structure. We will do this by striving for a globally integrated cooperative system for marketing, technology, information, and digital initiatives. Moreover, by responding to the diverse challenges faced by customers, such as electrification and the shift to multifunctionality in developed countries, and demand for machinery with a restricted set of functions and a lower price in emerging countries, we aim to become a close and reliable partner. In addition to continuing with the restructuring of production and research locations, in April 2022 we introduced a business unit structure of compact, construction, mining, and other units. In this way we seek to facilitate rapid, connected decision-making, from development and design to manufacturing.

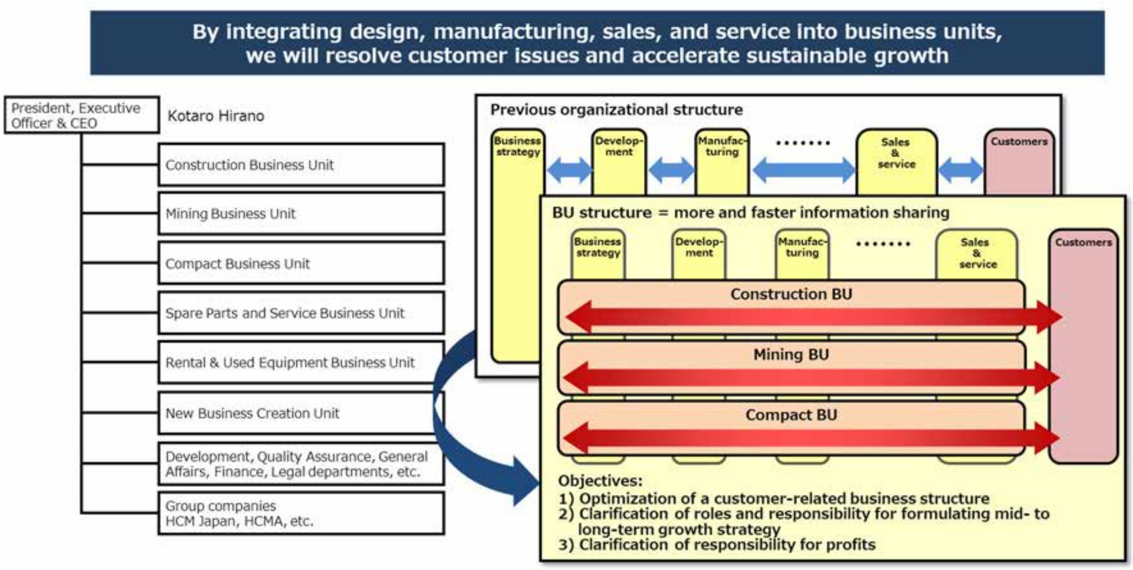
Introduction of business unit structure

In April 2022, Hitachi Construction Machinery introduced a business unit structure, consisting of 5 new business units ("BU") and one new unit. Specifically, these are the Construction BU for mid- to large-sized construction machinery used on general construction sites; the Mining BU for ultra-large construction machinery used for the extraction and transportation of resources in applications such as mining; the Compact BU for small machinery used in urban construction, forestry and agriculture; the Parts & Services BU for enabling the expansion of value chain businesses; the Rental & Used Equipment BU; and the New Business Creation Unit as an organization for generating and growing new businesses.

Previously the divisions had been segmented by function, but this move has enabled individual business units to control their operations, and to take responsibility for promoting and explaining the business. In this business unit structure, we will reduce the barriers between them, and speed up business plan decision-making while simultaneously clarifying responsibility for performance. The objectives are (1) optimization of a customer-oriented business structure (rectifying the structure and optimizing management resources), (2) clarifying roles and responsibility for formulating mid- to long-term growth strategy, (3) clarifying responsibility for profits.

We plan to shape into a Group that is capable of providing quick responses to the great transformations occurring in the world for solutions to our customers' problems, response to environment, strategies for the US business, the digital transformation (DX) and more as we invest in startup businesses, identify the solution oriented functions and products that we envision for our business in ten years, and formulate the necessary strategies, etc. In addition, we will provide the underlying support for the entire Group with corporate divisions such as a development headquarters to take global command of functions, a headquarters to take command of quality assurance, production and procurement, as well as headquarters for finance, legal affairs and human resources. We will accomplish the current medium-term management plan under this new organizational structure, and begin working on the creation of the next medium-term management plan, which begins in FY2023.

Introduction of business unit structure



Circular economy initiatives

Through its business, the Company aggressively promotes activities that contribute to ESG and the SDGs.

In the Remanufacturing Business, we are building a new business model that involves not only remanufacturing parts but also entire machines. In Japan we are remanufacturing hydraulic excavators for sale. Reductions in the volume of scrap and CO_2 emissions achieved by remanufacturing enormous mining machines will be even larger. Not only do we return the machinery to a like-new condition, but we are also able to respond in a way that only the manufacturer can attempt, such as by implementing minor changes in the product, and we help the customer by transforming it into a highly valuable product.

Going forward, the Company will continue to contribute to solving customer, social, and environmental issues, while simultaneously establishing and promoting a sustainable recycling-oriented business model.

Aim to enhance corporate value by opening the way to growth through businesses that contribute to achieving a sustainable society

Management indicators		Previous medium-term management plan	Current medium-term management plan			
		FY2019	FY2020	FY2021	FY2022	
		Results			Medium-term management plan targets	Outlook
ESG *Compared to FY2010	・ConSite® adoption rate ・Parts remanufacturing sales ・Product CO_2	73% 296%* (15.9%)*	75% 308%* (16.5%)*	72% 402%* (21.4%)*	90% 420%* (20%)*	90% 420%* (20%)*

Develop the machine remanufacturing business globally, contributing to further reductions in environmental impacts

・Remanufacturing of ultra-large hydraulic excavator (EX1200) by HCM Zambia

Resolution of challenges, value creation and sustainable development goals (SDGs) in the entire value chain

Based on the corporate vision "To pass on a productive environment and prosperous cities to future generations. The HCM Group helps to create comfortable living spaces," the HCM Group has worked to resolve social issues through its business activities and increase its corporate value. We will make efforts toward achieving the SDGs with our customers and other stakeholders around the world by creating new value throughout the entire value chain.

In order to remain a company needed by society, we will work to achieve the targets for 2030.

10 SDGs focused on by the HCM Group

We have organized the business activities of the HCM Group based on the relationship with the 17 SDGs, and set 10 priority goals to particularly focus on.

SDGs	Initiatives	Expected outcomes
4 QUALITY EDUCATION	[Activities for education] • Support for acquisition of qualifications at training schools • Overseas intern program/self-reliance support [Provide opportunities for employees to acquire technical skills/education] • Succession plan (planning for the development of successors)	• Develop leaders • Raising the level of everybody, and raising the technical level both in Japan and overseas, contribute to sustainable growth
5 GENDER EQUALITY	[Empower women in the workplace] • Build a foundation for the empowerment of women, and support continuing employment, return to work, and career formation • Developing female instructors at training centers	Promote gender equality by putting in place an environment in which women are highly motivated to work
6 CLEAN WATER AND SANITATION	[Reduce emissions and prevent pollution] • Identify areas with a high water stress level • Reduce water usage in business activities • Management of chemical substances (reduce water risk)	In addition to ensuring sustainable management of water resources, support local communities through water-saving activities in areas with a high water risk
7 AFFORDABLE AND CLEAN ENERGY	[Reduce environmental impact for manufacturing processes] • Introduce systems to monitor electric power	Adopt own technology for production sites to achieve efficient energy usage
	[Utilize renewable energy] • Install solar panels	Ensure access to sustainable and modern energy
8 DECENT WORK AND ECONOMIC GROWTH	[Expand new businesses globally] • Parts remanufacturing business	By employing local human resources, we contribute to local employment creation and economic growth
	[Business structure reforms] • Restructuring of domestic research and manufacturing locations	Create safe and efficient manufacturing lines and provide decent work
	[Work Style Reform] • Strengthening health and safety/promoting diversity	Promoting decent work to facilitate sustainable economic growth and full and productive employment
	[Promote a safe and secure work environment] • Corporate governance/compliance • Human rights initiatives	Through governance initiatives the organization is strengthened, corporate value is enhanced, and economic productivity rises
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	[Develop products and solutions using ICT and the IoT] • Expand Solution Linkage® • Develop labor-saving machinery that is unmanned/uses robotics	By developing innovative technology that creates new value, support economic growth and the welfare of people, and achieve a safe and productive working environment
	[Enhance services globally] • Establish regional sales companies	By expanding sales channels, contribute to the development of local infrastructure and economic growth

SDGs	Initiatives	Expected outcomes
	[Risk management] • Formulate a business continuity plan (BCP) • Enhance the Business Continuity Management (BCM) structure	By addressing the risks that face a company, such as natural disasters and man-made disasters (terrorism, violence), we will put in place resilient infrastructure and promote sustainable industrialization
11 SUSTAINABLE CITIES AND COMMUNITIES	[Supply of and support for construction machinery] • Develop infrastructure in each country • Supply rental equipment to local governments	Realize sustainable cities and human settlements that are resilient to disasters
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	[Enhance value chain business] • Expand rental business globally	Enhance the lifecycle value of products and ensure sustainable consumption and production patterns
	[Reuse and recycling of products] • Initiatives of the parts remanufacturing business	Contribute to reductions in waste
	[Provide accurate information on products and services] • Prompt disclosure of recall information • Prevent risk in the supply chain	Ensure sustainable consumption and production patterns
	[Improve the quality of our products] • Realize the vision of "Made by Hitachi": uniform worldwide quality • Increase used equipment distribution • Develop technologies for competitive differentiation	Ensure sustainable consumption and production patterns by guaranteeing safety and quality, and minimize the impact of the product on the environment through its lifecycle
13 CLIMATE ACTION	[Development of clean technologies and environmentally conscious technologies] • Differentiation through expanded development of decarbonization technologies such as electrification and hydrogen engines • High-efficiency mining operation management systems	By developing and commercializing products equipped with low-carbon technologies, we help mitigate climate risk
	[Address risks of climate change] • Introduce solar power generation • Introduce internal carbon pricing	By using renewable energy and installing energy-saving facilities, we help resolve global environmental problems
17 PARTNERSHIPS FOR THE GOALS	[Development support in local communities through cooperation with outside organizations] • Desert afforestation activities in the Horqin Desert in China • Program to Transfer Manufacturing Technology in India	Contribute by revitalizing innovation through the Global Partnership
	[Promote CSR throughout the entire value chain] • Promote fair procurement among suppliers • Pass down and transfer technologies globally	Revitalize the Global Partnership

2030 social value

Provide solutions that offer **safety, productivity, and life cycle cost reductions** to the global infrastructure development

Safety improvement
Contribute to zero deaths due to falls or contact accidents

Productivity improvement
Standardize automation and labor-saving construction machinery

Reduction of lifecycle costs
Aim for zero downtime

2030 environmental value

Provide low-carbon technology to the global infrastructure development

Preventing global warming
Product lifecycle CO_2 reductions
Aim for -33% for products and -45% in production

2022 management goals (social value)

Safety improvement
Achieve contact prevention technology
Commercialize human-machine cooperative control technology

Productivity improvement
Promote ICT machinery 2800 units*
*Applicable worksites: Over 5,000 sites

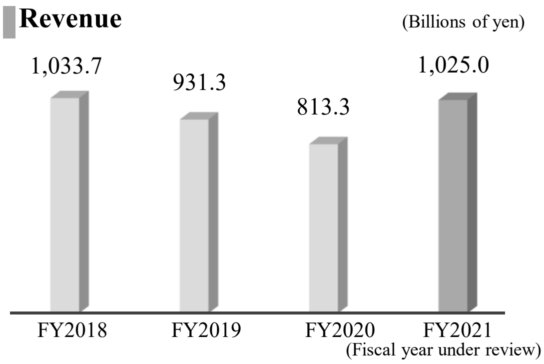
Reduction of lifecycle costs
Operating status management system dissemination rate: 90%
Applicable units: 200,000 units

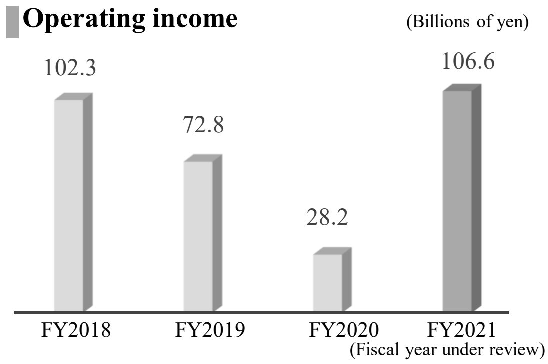
(Environmental value)

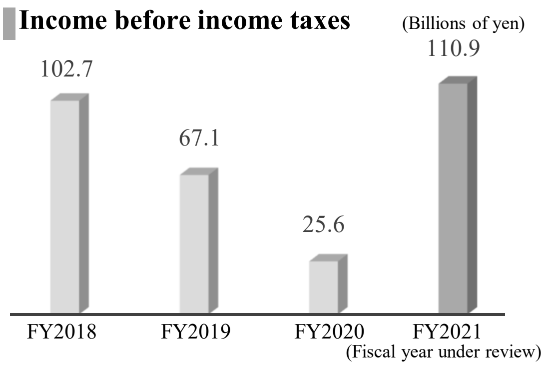
Preventing global warming
Reduce CO_2 emissions
Products CO_2: -20%
Production CO_2: -25%
Applicable units: 500,000 units

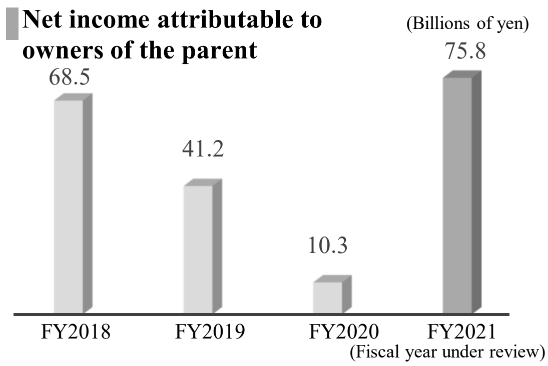
Note: We have chosen to align our activities with 10 of the 17 SDG's.

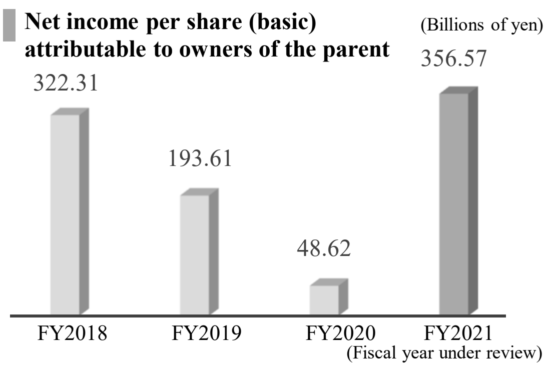
5. Summary of Assets and Results of Operation

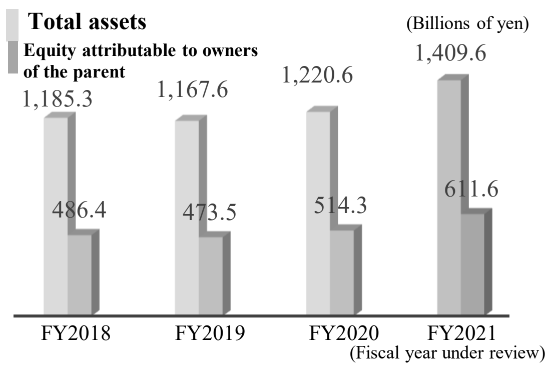












(Note) Net income per share (basic) attributable to owners of the parent is calculated based on the average total number of shares issued during the period (excluding treasury shares).

6. Parent Company and Significant Subsidiaries

(1) Parent Company

The Parent Company of the Company is Hitachi, Ltd. which owns 109,352 thousand shares of the Company's stock.

Mr. Hideaki Takahashi, the Chairman of the Board, concurrently works for Hitachi, Ltd. on a contract basis, and Mr. Yoshinori Hosoya, Director, concurrently serves as COO of its Social Infrastructure Systems Business Unit.

The Company collaborates with Hitachi, Ltd. in areas such as research and development.

With respect to transactions with Hitachi, Ltd., the Parent Company, the Company is licensed to use the brand of Hitachi, Ltd., and the transaction terms are determined to be fair and reasonable by taking into consideration its brand value. In addition, there are transactions of lending and borrowing funds under the pooling system of the Hitachi Group, and interest rates are on a floating rate basis based on market rates and decided reasonably so that they are equivalent to the transaction terms with other financial institutions after considering efficiency and the superiority in handling cost.

The Board of Directors of the Company has confirmed the appropriateness and reasonableness of those transactions, after gaining an understanding of such transaction terms, and judged that they do not prejudice the Company's interests.

(Note) As announced on January 14, 2022, Hitachi, Ltd. which owns the Company's shares plans to transfer shares equivalent to 26%. As a result, Hitachi, Ltd. will no longer be the parent of the Company and be its affiliated company.

(2) Significant subsidiaries

Name of entity	Common stock	Shareholding ratio (%)	Principal business activities
Hitachi Construction Machinery Tierra Co., Ltd.	¥1,441 million	100.00	Manufacturing, sales and services of mini excavators
Hitachi Construction Machinery Camino Co., Ltd.	¥400 million	100.00	Manufacturing and sales of construction machinery, transportation machinery and their parts
Tadakiko Co., Ltd.	¥277 million	100.00	Manufacturing and sales of parts, etc. of construction machinery
Shintohoku Metal Co., Ltd.	¥295 million	100.00	Manufacturing and sales of steel castings and special steel castings
Hitachi Kenki Logistics Technology Co., Ltd.	¥360 million	100.00	Packaging, shipping, and export and import service of construction machinery, etc.
Hitachi Construction Machinery Leasing Co., Ltd.	¥50 million	100.00	Installment sales and leasing of construction machinery, etc.
Hitachi Construction Machinery Japan Co., Ltd.	¥5,000 million	100.00	Rental, sales and services of construction machinery
Hitachi Construction Machinery (Europe) N.V.	70,154 thousand euros	98.88	Manufacturing, sales and services of construction machinery
P.T. Hitachi Construction Machinery Indonesia	17,200 thousand U.S. dollars	81.96 (33.87)	Manufacturing and sales of construction machinery
Hitachi Construction Machinery (China) Co., Ltd.	1,500,000 thousand RMB	81.34	Manufacturing and sales of construction machinery
Hitachi Construction Truck Manufacturing Ltd.	84,100 thousand U.S. dollars	100.00	Manufacturing and sales of rigid dump trucks
Tata Hitachi Construction Machinery Co., Pvt., Ltd.	1,143 million Indian rupees	60.00	Manufacturing, sales and services of construction machinery
LLC Hitachi Construction Machinery Eurasia	1,740 million Russian rubles	100.00	Manufacturing and sales of construction machinery
Hitachi Construction Machinery Asia and Pacific Pte. Ltd.	39,956 thousand U.S. dollars	100.00	Sales and services of construction machinery
Hitachi Construction Machinery (Shanghai) Co., Ltd.	66,224 thousand RMB	54.38	Sales and services of construction machinery
Hitachi Construction Machinery Financial Leasing (China) Co., Ltd.	1,103,578 thousand RMB	85.25 (24.50)	Installment sales and leasing of construction machinery, etc.
Hitachi Construction Machinery Africa Pty. Ltd.	167,935 thousand rand	100.00	Operational headquarters for South Africa region, and sales and services of construction machinery
PT Hexindo Adiperkasa Tbk	23,233 thousand U.S. dollars	53.67 (5.07)	Sales and services of construction machinery
Hitachi Construction Machinery Oceania Holdings Pty., Ltd.	29,122 thousand Australian dollars	100.00	Operational headquarters for Oceania region
Hitachi Construction Machinery Holding U.S.A. Corp.	1,000 thousand U.S. dollars	100.00	Sales, etc. of construction machinery
Wenco International Mining Systems Ltd.	18,205 thousand Canadian dollars	100.00	Development, manufacturing, sales and maintenance of mining operation management systems
Hitachi Construction Machinery Middle East Corp. FZE	¥500 million	100.00	Sales and services of construction machinery
Hitachi Construction Machinery Americas Inc.	8,000 thousand U.S. dollars	100.00	Sales of construction machinery
H-E Parts International LLC	-	100.00	Provision of services related to mining and construction machinery
Bradken Pty Limited	653,215 thousand Australian dollars	100.00	Manufacturing of metal casting parts for mining and infrastructure industries, and provision of mining facilities and consumables in mining as well as maintenance service, etc.

(Notes)
1. The numbers in brackets in the shareholding ratio column represent the ratio of indirect ownership (included in the total) owned by the subsidiaries of the Company.
2. The total number of consolidated subsidiaries as stipulated in Article 2, paragraph (3), item (xxii) of the Regulations on Corporate Accounting is 80 including 25 significant subsidiaries in the above. There are 22 affiliates to which the equity method is applied.
3. Hitachi Construction Machinery Loaders America Inc. has been renamed to Hitachi Construction Machinery Americas Inc. as of October 1, 2021.

II Matters Concerning Directors and Audit Committee Members of the Company

1. Details of Directors and Executive Officers of the Company

(1) Directors

Position	Name	Responsibilities (Committee)	Concurrent positions outside the Company
Chairman of the Board	Hideaki Takahashi	Nominating Committee (Chair)	Hitachi, Ltd. (contract)
Director	Toshiko Oka*	Audit Committee Member	Professor, Graduate School of Global Business, Meiji University Outside Director, Sony Group Corporation Outside Director, Happinet CORPORATION Outside Director, ENEOS Holdings, Inc.
Director	Kazushige Okuhara	Nominating Committee Member Audit Committee Member Compensation Committee Member	
Director	Maoko Kikuchi	Nominating Committee Member Audit Committee Member	Outside Director, MITSUI-SOKO HOLDINGS Co., Ltd. Outside Audit and Supervisory Board Member, KADOKAWA CORPORATION
Director	Haruyuki Toyama	Nominating Committee Member Audit Committee Member Compensation Committee Member	Special Counsel, IWATA GODO Outside Director, HORIBA, Ltd.
Director	Tetsuo Katsurayama	Audit Committee (Chair)	
Director	Keiichiro Shiojima*		
Director	Michifumi Tabuchi		
Director	Kotaro Hirano	Compensation Committee (Chair) Nominating Committee Member	
Director	Yoshinori Hosoya*	Audit Committee Member	COO, Social Infrastructure Systems Business Unit, Hitachi, Ltd.

(Notes)
1. The four (4) Directors of Ms. Toshiko Oka, Mr. Kazushige Okuhara, Ms. Maoko Kikuchi and Mr. Haruyuki Toyama are Outside Directors stipulated in the Companies Act, and are also Independent Officers based on the provisions of Tokyo Stock Exchange, Inc.
2. Directors marked with an asterisk (*) were newly appointed at the 57th Annual Shareholder's Meeting of the Company held on June 28, 2021.
3. The three people (3) of Mr. Seishi Toyoshima, Ms. Junko Hirakawa and Mr. Kuniaki Minami resigned as Director due to the expiry of their terms of office at the conclusion of the 57th Annual Shareholder's Meeting of the Company held on June 28, 2021.
4. Director (Audit Committee Member), Mr. Haruyuki Toyama, was involved in finance practices at the Bank of Japan over many years and possesses extensive experience and knowledge in the fields of monetary affairs and finance. In addition, Director (Audit Committee Member), Mr. Tetsuo Katsurayama, served as the head of the Accounting and Finance Division of the Company, as well as Executive Officer in charge of the said Division and the Chief Financial Officer, over many years and possesses extensive experience and knowledge in the fields of finance and accounting.
5. The Company has concluded agreements with seven (7) Directors of Mr. Hideaki Takahashi, Ms. Toshiko Oka, Mr. Kazunari Okuhara, Ms. Maoko Kikuchi, Mr. Haruyuki Toyama, Mr. Tetsuo Katsurayama, and Mr. Yoshinori Hosoya under the provisions of paragraph (1), Article 427 of the Companies Act and Article 22 of the Articles of Incorporation to limit liability for damages under paragraph (1), Article 423 of the Companies Act. Those

agreements are intended to limit the liability for damages of those Directors (excluding those who are Executive Directors, etc.) to the total amount of each item of paragraph (1), Article 425 of the Companies Act.
The limitation of liability is admitted only when the Director (excluding those who are Executive Directors, etc.) acts in good faith and there is no gross negligence with regard to the execution of duties that caused the liability.

6. In order to interview Executive Officers, etc., receive reports from the Internal Auditing Division and others, obtain information through audits on the subsidiaries and attend various meetings on a continuing and effective basis, the Company has appointed Director Mr. Tetsuo Katsurayama as a full-time Audit Committee Member.

(2) Executive Officers

Position	Name	Responsibilities in the Company and significant concurrent positions outside the Company
Representative Executive Officer, President and Executive Officer	Kotaro Hirano*	CEO, and supervising Internal Auditing Office
Representative Executive Officer, Executive Vice President and Executive Officer	Michifumi Tabuchi*	Officer responsible for “MONOZUKURI” (manufacturing) and Corporate Export Regulation, President of Production & Procurement Group, and in charge of Sustainability Promotion Group
Executive Vice President and Executive Officer	Yasushi Ochiai	CMO, and supervising Marketing Group and Life Cycle Support Group
Senior Vice President and Executive Officer	Sonosuke Ishii	President of Mining Group, and General Manager of America Business Div., Marketing Group (concurrently serving as Chairman of Hitachi Construction Machinery Americas Inc.)
Senior Vice President and Executive Officer	Naoyoshi Yamada	CSO, supervising Corporate Strategy Group and Operations Management Group, and in charge of Marketing Strategy Group, Brand & Communications Group, and Government & External Group
Vice President and Executive Officer	Yusuke Kajita	General Manager, Research & Development Group
Vice President and Executive Officer	Masafumi Senzaki	General Manager, Corporate Strategy Group, and General Manager, Operations Management Group
Vice President and Executive Officer	Seishi Toyoshima	CHRO, President of Human Capital Group, and in charge of Legal Division
Vice President and Executive Officer	Hideshi Fukumoto	CTO, President of Client Solutions Group, supervising Research & Development Group, and in charge of Development Strategy Office and Power & Information Control Platform Business Group
Executive Officer	Moriaki Kadoya	Vice President of Marketing Group, and General Manager of America Business Div.
Executive Officer	Keiichiro Shiojima*	CFO and President of Financial Strategy Group
Executive Officer	Seimei Toonishi	CDIO and President of DX Promotion Group
Executive Officer	Kazunori Nakamura	President of Hitachi Construction Machinery Tierra Co., Ltd.
Executive Officer	Masaaki Hirose	Associate General Manager of America Business Div. (concurrently serving as the Vice Chairman and Director of Hitachi Construction Machinery Americas Inc.)
Executive Officer	Eiji Fukunishi	President, Life Cycle Support Group
Executive Officer	Hidehiko Matsui	President, Marketing Div.
Executive Officer	Satoshi Yamanobe	General Manager of China Business Div. (concurrently serving as President of Hitachi Construction Machinery (China) Co., Ltd.)
Executive Officer	David Harvey	General Manager of Oceania Business Div. (concurrently serving as President of Hitachi Construction Machinery Oceania Holdings Pty., Ltd. and Chairman of CablePrice (NZ) Ltd.)
Executive Officer	Sandeep Singh	General Manager of India Business Div. (concurrently serving as President and Director of Tata Hitachi Construction Machinery Co., Pvt., Ltd.)

(Notes)
1. The Board of Directors of the Company resolved on March 31, 2021 to appoint the above Executive Officers who took office as of April 1, 2021.
2. Executive Officers marked with an asterisk (*) concurrently serve as Director.
3. They are listed in Japanese syllabic order by position.
4. There were changes in the positions of Mr. Michifumi Tabuchi, Mr. Sonosuke Ishii, and Mr. Moriaki Kadoya as of October 1, 2021. Details of changes are as described below.

Name	Before change	After change
Michifumi Tabuchi	Officer responsible for "MONOZUKURI" (manufacturing), President of Production & Procurement Group, President of Corporate Export Regulation Group, and in charge of Sustainability Promotion Group	Officer responsible for "MONOZUKURI" (manufacturing), Officer responsible for Corporate Export Regulation, and General Manager of Production & Procurement Group In charge of Sustainability Promotion Group
Sonosuke Ishii	President of Mining Group	President of Mining Group, and General Manager of America Business Div., Marketing Group
Moriaki Kadoya	Deputy General Manager of Marketing Group, and General Manager of America Business Div.	Deputy General Manager of Marketing Group, and Associate General Manager of America Business Div.

5. Effective October 19, 2021, Mr. Sonosuke Ishii took office as Chairman of Hitachi Construction Machinery Americas Inc. As a result, the position of Mr. Masaaki Hirose at the company was changed to Vice Chairman from Chairman.

2. Other important matters concerning Directors and Audit Committee Members of the Company

Changes to Executive Officers were made effective April 1, 2022.

<New management structure>

Position	Name	Responsibilities in the Company and significant concurrent positions outside the Company
Representative Executive Officer, President and Executive Officer	Kotaro Hirano	CEO, and supervising Internal Auditing Office
Representative Executive Officer, Executive Vice President and Executive Officer	Michifumi Tabuchi	Officer responsible for "MONOZUKURI" (manufacturing), Officer responsible for Corporate Export Regulation, and General Manager of Production & Procurement Group
Executive Vice President and Executive Officer	Naoyoshi Yamada	CSO, and supervising Corporate Strategy Group, Sustainability Promotion Group, Marketing Strategy Group, Government & External Group, and Brand & Communications Group
Senior Vice President and Executive Officer	Sonosuke Ishii	President of Mining Business Unit and General Manager of America Business Div. (concurrently serving as Chairman of Hitachi Construction Machinery Americas Inc.)
Senior Vice President and Executive Officer	Masafumi Senzaki	COO, President of Corporate Strategy Group, and in charge of Sustainability Promotion Group, Marketing Strategy Group, Government & External Group, and Brand & Communications Group
Vice President and Executive Officer	Yusuke Kajita	President of Construction Business Unit
Vice President and Executive Officer	Keiichiro Shiojima	CFO and President of Financial Strategy Group
Vice President and Executive Officer	Seishi Toyoshima	CHRO, President of Human Capital Group, and in charge of Legal Division
Vice President and Executive Officer	Kazunori Nakamura	CTO, President of Research & Development Group, General Manager of Development Strategy Office, and General Manager of Power & Information Control Platform Div.
Vice President and Executive Officer	Hideshi Fukumoto	President of New Business Creation Unit
Executive Officer	Hiroshi Kanezawa	General Manager of Mining Development & Production Division, Mining Business Unit
Executive Officer	Tooru Sugiyama	Vice President of Mining Business Unit
Executive Officer	Seimei Toonishi	CDIO and General Manager of DX Promotion Group
Executive Officer	Yoshihiro Narukawa	CPO and Vice President of Production & Procurement Group
Executive Officer	Masaaki Hirose	General Manager of Japan Business Div. (concurrently serving as President and Director of Hitachi Construction Machinery Japan Co., Ltd.)
Executive Officer	Eiji Fukunishi	President of Spare Parts and Service Business Unit
Executive Officer	Hidehiko Matsui	CMO, President of Global Marketing Group, and Rental & Used Machine Business Unit
Executive Officer	Satoshi Yamanobe	General Manager of China Business Div. (concurrently serving as President and Director of Hitachi Construction Machinery (China) Co., Ltd.)
Executive Officer	Sandeep Singh	General Manager of India Business Div. (concurrently serving as President and Director of Tata Hitachi Construction Machinery Co., Pvt., Ltd.)

(Note) They are listed in Japanese syllabic order by position.

3. Policy on Determining the Amount of Compensation for Directors and Executive Officers

(1) Method of Determination of Policies

The Company's Compensation Committee sets forth the policy on the determination of the amount of compensation for individual Directors and Executive Officers pursuant to the provision of the Companies Act applicable to companies with a nominating committee, etc.

(2) Overview of the Policy

(i) Matters relating to both Directors and Executive Officers

Compensation will be commensurate with the scope and range of the Company's business, the ability required of, and the responsibilities and risks to be borne by the Company's Directors and Executive Officers, taking into consideration compensation packages at other companies.

(ii) Director

Compensation for Directors consists of a monthly salary and year-end allowance.

- A monthly salary shall be set as a fixed amount in light of the duty that is the supervisory function. The level of payment is determined in accordance with whether the post is on a full-time or part-time basis, basic salary, allowance for committee members for committees to which the Director belongs and his or her position.
- Year-end allowance shall be, in principle, paid in an amount calculated by multiplying the amount of basic salary by a certain factor. However, the allowance may be reduced depending on the operating results of the Company.

  In case of Directors who also serve as Executive Officers, compensation as a Director is not paid.

(iii) Executive Officer

Compensation for Executive Officers consists of a monthly salary and performance-linked compensation.

- A standard yearly compensation is set in accordance with the 50th percentile level of societal standards by taking into account the scope and range of the Company's business, and the abilities required of, and the responsibilities and risks to be borne by the Company's Executive Officers.
- Monthly salaries are set to standard amounts according to job positions.
- The standard amount for performance-linked compensation is roughly 40% of standard yearly compensation for the President. For other Executive Officers it is roughly 30% of standard yearly compensation. It is determined within a certain range depending on the degree of achievement of standard performance targets and achievement of individual roles, with the magnitude of variance being 0 to 200% or so. The evaluation shall be based on the following ratios, in principle.

Classification	Company-wide performance	Division performance	Individual's mission
President	80%	-	20%
Executive Officer	50%	30%	20%

- The evaluation indicators and composition ratios for performance-linked compensation are as follows.

<table>
<tr><th rowspan="2">Classification</th><th rowspan="2">Evaluation indicator</th><th colspan="4">Composition ratio</th></tr>
<tr><th colspan="2">President</th><th colspan="2">Other Executive Officers</th></tr>
<tr><td rowspan="3">(i) Company-wide performance</td><td>Adjusted operating income ratio</td><td>40%</td><td rowspan="3">80%</td><td>25%</td><td rowspan="3">50%</td></tr>
<tr><td>Consolidated operating cash flows</td><td>16%</td><td>10%</td></tr>
<tr><td>Consolidated value chain revenue</td><td>24%</td><td>15%</td></tr>
<tr><td colspan="2">(ii) Division performance targets</td><td colspan="2">-</td><td colspan="2">30%</td></tr>
<tr><td colspan="2">(iii) Division targets (three indicators for the management issues including organizational health)</td><td colspan="2">20%</td><td colspan="2">20%</td></tr>
</table>

・ For foreign Executive Officers, standard compensation is set according to the benchmarks of compensation levels of the country or region in question from the viewpoint of retaining capable personnel, taking into account the competitiveness of the compensation.

4. Total Amount of Compensation, etc. for Directors and Executive Officers

Classification	Number of persons	Total amount for each type of compensation (Millions of yen)			Total amount of compensation (Millions of yen)
		Basic compensation	Year-end allowance/ performance-linked compensation	Non-monetary compensation	
Director (of which, Outside Directors)	9 (5)	104 (54)	8 (5)	-	113 (59)
Executive Officer	19	522	312	-	834
Total	28	626	320	-	947

(Notes)
1. There are ten (10) Directors (out of which four (4) are Outside Directors) and 19 Executive Officers as at the end of the fiscal year under review; however, the total number of officers is 26 as three (3) Directors concurrently serve as Executive Officer. The three (3) Directors who concurrently serve as Executive Officers receive only compensation as Executive Officers.
2. Directors shown in the above table include two (2) Directors who resigned during the fiscal year under review.
3. The Compensation Committee of the Company held two meetings on the details of compensation for individual Directors and Executive Officers for the fiscal year ended March 31, 2022 to determine those details in line with the policy described in 3. above. Accordingly, we judge that the details of individual compensation conform with such policy.
4. As performance indicators for performance-linked compensation, the Company has set financial indicators, such as the adjusted operating income ratio, and targets, etc., in the medium-term management plan. The reason for selecting these targets is to calculate the amount of compensation based on the business plan and business results for the relevant fiscal year within a certain range stipulated in the “Basic Policy for Compensation to Directors and Executive Officers.” As for the method of calculating the performance-linked compensation, the amount shall be determined within a certain range, depending on the degree of achievement of targets and outcome of business operations of which each person is in charge. Results of the evaluation indicators for performance-linked compensation to be paid to Executive Officers of the Company for the fiscal year under review were adjusted operating income ratio of 9.1%, consolidated operating cash flows of ¥39,317 million, and consolidated value chain revenue of ¥415,054 million, among others.
5. The total amount of compensation paid to Outside Directors and Audit Committee Members by the Parent Company, etc. or the Parent Company’s subsidiaries, etc. (excluding the Company) as their officers during the year ended March 31, 2022 was ¥8 million.

5. Summary of Details of Directors and Officers Liability Insurance Policy

The Company has entered into a directors and officers liability insurance (“D&O insurance”) policy as provided for in Article 430-3 of the Companies Act that includes Directors and Executive Officers as the insureds. The insurance premiums, including those for special clauses, are fully borne by the Company, and there are no insurance premiums actually borne by the insureds. This insurance policy covers losses that may arise from the insureds’ assumption of liability incurred in the course of the performance of duties as a Director or an Executive Officer, or receipt of claims pertaining to the pursuit of such liability. However, there are certain reasons for coverage exclusion, such as performance of an illegal act with full knowledge of its illegality, where the losses will not be covered.

Consolidated Financial Statements (IFRS)

Consolidated Statements of Financial Position (as of March 31, 2022)

(Millions of yen)

Assets	
Current assets	
Cash and cash equivalents	94,257
Trade receivables	261,448
Contract assets	4,816
Inventories	368,267
Income tax receivables	1,884
Other financial assets	25,262
Other current assets	8,421
Total current assets	**764,355**
Non-current assets	
Right-of-use assets	58,740
Property, plant and equipment	384,164
Intangible assets	42,008
Goodwill	39,071
Investments accounted for using the equity method	26,972
Trade receivables	42,747
Deferred tax assets	16,099
Other financial assets	20,450
Other non-current assets	14,954
Total non-current assets	**645,205**
Total assets	**1,409,560**

Liabilities	
Current liabilities	
Lease liabilities	10,714
Trade and other payables	222,841
Contract liabilities	11,527
Bonds and borrowings	174,337
Income taxes payable	15,059
Other financial liabilities	18,810
Other current liabilities	2,017
Total current liabilities	**455,305**
Non-current liabilities	
Lease liabilities	50,717
Trade and other payables	8,495
Contract liabilities	9,353
Bonds and borrowings	178,770
Retirement and severance benefit	17,622
Deferred tax liabilities	8,865
Other financial liabilities	4,986
Other non-current liabilities	7,516
Total non-current liabilities	**286,324**
Total liabilities	**741,629**
Equity	
Equity attributable to owners of the parent	
Common stock	81,577
Capital surplus	78,397
Retained earnings	414,541
Accumulated other comprehensive income	40,183
Treasury stock, at cost	(3,090)
Total equity attributable to owners of the parent	**611,608**
Non-controlling interests	**56,323**
Total equity	**667,931**
Total liabilities and equity	**1,409,560**

Consolidated Statements of Income (from April 1, 2021 to March 31, 2022)

(Millions of yen)

Revenue	1,024,961
Cost of sales	(744,973)
Gross profit	**279,988**
Selling, general and administrative expenses	(186,470)
Other income	17,212
Other expenses	(4,140)
Operating income	**106,590**
Financial income	4,459
Financial expenses	(6,404)
Share of profits of investments accounted for using the equity method	6,224
Income before income taxes	**110,869**
Income taxes	(31,005)
Net income	**79,864**

Net income attributable to:	
Equity attributable to owners of the parent	75,826
Non-controlling interests	4,038
Net income	79,864

Consolidated Statements of Changes in Equity (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Equity attributable to owners of the parent					
				Accumulated other comprehensive income		
	Common stock	Capital surplus	Retained earnings	Remeasurements of defined benefit obligations	Net gains and losses from financial assets measured at fair value through OCI	Cash flow hedges
Balance at beginning of period	81,577	80,620	350,918	1,669	7,510	(355)
Cumulative impact of change in accounting policy			(689)			
Balance at beginning of period reflecting change in accounting policy	81,577	80,620	350,229	1,669	7,510	(355)
Net income			75,826			
Other comprehensive income				1,574	(140)	7
Comprehensive income	–	–	75,826	1,574	(140)	7
Acquisition of treasury stock						
Disposal of treasury stock		0				
Dividends paid			(11,696)			
Changes in the scope of consolidation						
Transfer to retained earnings			182		(182)	
Written put options over non-controlling shareholders		(2,223)				
Transaction with owners	–	(2,223)	(11,514)	–	(182)	–
Balance at end of period	81,577	78,397	414,541	3,243	7,188	(348)

(Millions of yen)

	Equity attributable to owners of the parent					
	Accumulated other comprehensive income					
	Foreign currency translation adjustments	Total	Treasury stock, at cost	Total	Non-controlling interests	Total equity
Balance at beginning of period	(4,562)	4,262	(3,086)	514,291	54,954	569,245
Cumulative impact of change in accounting policy				(689)		(689)
Balance at beginning of period reflecting change in accounting policy	(4,562)	4,262	(3,086)	513,602	54,954	568,556
Net income		–		75,826	4,038	79,864
Other comprehensive income	34,662	36,103		36,103	6,206	42,309
Comprehensive income	34,662	36,103	–	111,929	10,244	122,173
Acquisition of treasury stock		–	(4)	(4)		(4)
Disposal of treasury stock		–	0	0		0
Dividends paid		–		(11,696)	(8,826)	(20,522)
Changes in the scope of consolidation		–		–		–
Transfer to retained earnings		(182)		–		–
Written put options over non-controlling shareholders		–		(2,223)	(49)	(2,272)
Transaction with owners	–	(182)	(4)	(13,923)	(8,875)	(22,798)
Balance at end of period	30,100	40,183	(3,090)	611,608	56,323	667,931

Non-Consolidated Financial Statements

Non-consolidated Balance Sheets (as of March 31, 2022)

(Millions of yen)

Assets	
Current assets	**408,545**
Cash and deposits	18,365
Electronically recorded monetary claims - operating	203
Accounts receivable - trade	189,408
Merchandise and finished goods	65,011
Work in process	17,921
Raw materials and supplies	1,352
Prepaid expenses	1,356
Short-term loans receivable	80,293
Accounts receivable - other	34,747
Others	196
Allowance for doubtful accounts	(306)
Non-current assets	**306,892**
Property, plant and equipment	**104,204**
Buildings, net	30,863
Structures, net	4,222
Machinery and equipment, net	22,191
Vehicles, net	105
Tools, furniture and fixtures, net	3,582
Land	36,386
Construction in progress	6,854
Intangible assets	**11,735**
Software	11,522
Others	214
Investments and other assets	**190,953**
Investment securities	6,930
Shares of subsidiaries and affiliates	141,780
Investments in capital of subsidiaries and affiliates	18,942
Long-term prepaid expenses	561
Prepaid pension costs	9,003
Deferred tax assets	5,440
Others	8,463
Allowance for doubtful accounts	(166)
Total assets	**715,436**

Liabilities	
Current liabilities	**210,136**
Electronically recorded obligations - operating	26,705
Accounts payable - trade	70,614
Short-term borrowings	24,860
Short-term borrowings from subsidiaries and affiliates	10,208
Current portion of long-term borrowings	2,448
Current portion of bonds payable	10,000
Lease obligations	113
Accounts payable - other	14,469
Accrued expenses	10,620
Income taxes payable	9,124
Deposits received	20,483
Contract liabilities	2,836
Others	7,655
Non-current liabilities	**148,877**
Bonds payable	40,000
Long-term borrowings	90,150
Lease obligations	2,501
Provision for retirement benefits	8,338
Contract liabilities	7,688
Others	200
Total liabilities	**359,013**
Net assets	
Shareholders' equity	**354,264**
Common stock	**81,577**
Capital surplus	**84,959**
Legal capital surplus	81,084
Other capital surplus	3,876
Retained earnings	**190,818**
Legal retained earnings	2,169
Other retained earnings	188,649
Reserve for reduction entry	861
General reserve	12,952
Retained earnings brought forward	174,836
Treasury stock, at cost	**(3,090)**
Valuation and translation adjustments	**2,159**
Valuation difference on available-for-sale securities	**2,503**
Deferred gains or losses on hedges	**(344)**
Total net assets	**356,424**
Total liabilities and net assets	**715,436**

Non-Consolidated Statements of Income (from April 1, 2021 to March 31, 2022)

(Millions of yen)

Revenue	551,859
Cost of sales	464,865
Gross profit	86,994
Selling, general and administrative expenses	69,250
Operating income	**17,744**
Non-operating income	39,321
Interest income and dividends	35,595
Miscellaneous income	3,726
Non-operating expenses	4,332
Interest expenses	744
Foreign exchange losses	2,101
Miscellaneous loss	1,487
Ordinary income	**52,733**
Extraordinary income	20,464
Gain on sale of shares of affiliates	15,888
Gain on sales of investment securities	236
Gain on sales of property, plant and equipment	4,340
Extraordinary losses	47
Impairment losses on fixed assets	47
Income before income taxes	**73,150**
Income taxes - current	6,924
Income taxes - deferred	(1,362)
Net income	**67,589**

Non-Consolidated Statements of Changes in Equity (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Common stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for special depreciation	Reserve for reduction entry	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	81,577	81,084	3,875	84,959	2,169	–	985	12,952	118,820	134,926
Changes of items during period										
Dividends of surplus				–					(11,696)	(11,696)
Net income				–					67,589	67,589
Acquisition of treasury stock				–						–
Disposal of treasury stock			0	0						–
Reversal of reserve for special depreciation				–						–
Reversal of reserve for reduction entry				–			(124)		124	–
Net changes of items other than shareholders' equity				–						–
Total changes of items during period	–	–	0	0	–	–	(124)	–	56,017	55,893
Balance at end of period	81,577	81,084	3,876	84,959	2,169	–	861	12,952	174,836	190,818

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	(3,086)	298,376	2,937	(322)	2,615	300,991
Changes of items during period						
Dividends of surplus		(11,696)			–	(11,696)
Net income		67,589			–	67,589
Acquisition of treasury stock	(4)	(4)			–	(4)
Disposal of treasury stock	0	0			–	0
Reversal of reserve for special depreciation		–			–	–
Reversal of reserve for reduction entry		–			–	–
Net changes of items other than shareholders' equity		–	(435)	(21)	(456)	(456)
Total changes of items during period	(4)	55,889	(435)	(21)	(456)	55,433
Balance at end of period	(3,090)	354,264	2,503	(344)	2,159	356,424

To Our Shareholders:

The 58th Annual Shareholder's Meeting
Disclosure via the Internet

Hitachi Construction Machinery Co., Ltd.

The aforementioned materials are provided to the shareholders for their review by posting them on the Company's website pursuant to laws and regulations and the provisions of the Articles of Incorporation of the Company.

I. Financing Activities

Major creditors of the Group

Major borrowings of the Group as at the end of the fiscal year under review are as follows.

(Millions of yen)

Creditor	Balance as of March 31, 2022
Sumitomo Mitsui Financial Group, Inc.	72,086
Mitsubishi UFJ Financial Group, Inc.	68,843
Mizuho Financial Group, Inc.	41,822
Shinkin Central Bank	7,250
The Norinchukin Bank	7,000

II. Principal Businesses

<table>
<tr><th>Businesses</th><th colspan="2">Main products, etc.</th></tr>
<tr><td rowspan="9">Construction Machinery Business</td><td>Construction</td><td>Medium- and small-sized hydraulic excavators, wheeled excavators, mini excavators, wheel loaders, backhoe loaders, crawler cranes, machinery for foundation works, road construction machinery, and crawler-type carriers</td></tr>
<tr><td>Resource development</td><td>Ultra-large and large hydraulic excavators, hydraulic backhoe vessels, rigid dump trucks, and articulated dump trucks</td></tr>
<tr><td>Environment</td><td>Soil improvement equipment, shredders, timber recycling equipment, and screens</td></tr>
<tr><td>Product development</td><td>Super-long excavators, demolition machines, scrap processing machines, forestry specification machines, electric-powered excavators, radio-controlled operating systems, and double-arm working machines</td></tr>
<tr><td>Equipment</td><td>Hydraulic equipment for construction machinery, and generic hydraulic equipment</td></tr>
<tr><td>Rental service</td><td>Rental of construction machinery and construction-related products</td></tr>
<tr><td>Used equipment</td><td>Sales of used construction machinery, etc.</td></tr>
<tr><td>Services</td><td>Maintenance of and services for construction machinery and others, specific self-inspection, parts sales, technical training, and operational management of mining machinery</td></tr>
<tr><td>Transportation and finance</td><td>Transportation of construction machinery and parts, etc., and finance including installment sale and leasing of construction machinery</td></tr>
<tr><td>Solution Business</td><td>Services</td><td>Parts development, manufacturing and sales as well as provision of services and solutions after the sale of mining facilities and machinery that are not included in the Construction Machinery Business segment</td></tr>
</table>

III. Principal Business Locations

(1) Principal business locations of the Company

Name	Location	Name	Location
Head Office	Tokyo	Hitachinaka Works	Ibaraki Prefecture
Tsuchiura Works	Ibaraki Prefecture	Hitachinaka-Rinko Works	Ibaraki Prefecture
Kasumigaura Works	Ibaraki Prefecture	Banshu Works	Hyogo Prefecture
Ryugasaki Works	Ibaraki Prefecture		

(2) Principal business locations of the subsidiaries

Name (in Japan)	Location	Name (overseas)	Location
Hitachi Construction Machinery Tierra Co., Ltd.	Shiga Prefecture	Hitachi Construction Machinery (Europe) N.V.	The Netherlands
Hitachi Construction Machinery Camino Co., Ltd.	Yamagata Prefecture	P.T. Hitachi Construction Machinery Indonesia	Indonesia
Tadakiko Co., Ltd.	Chiba Prefecture	Hitachi Construction Machinery (China) Co., Ltd.	China
Shintohoku Metal Co., Ltd.	Akita Prefecture	Hitachi Construction Truck Manufacturing Ltd.	Canada
Hitachi Kenki Logistics Technology Co., Ltd.	Ibaraki Prefecture	Tata Hitachi Construction Machinery Co., Pvt., Ltd.	India
Hitachi Construction Machinery Leasing Co., Ltd.	Saitama Prefecture	LLC Hitachi Construction Machinery Eurasia	Russia
Hitachi Construction Machinery Japan Co., Ltd.	Saitama Prefecture	Hitachi Construction Machinery Asia and Pacific Pte. Ltd.	Singapore
		Hitachi Construction Machinery (Shanghai) Co., Ltd.	China
		Hitachi Construction Machinery Financial Leasing (China) Co., Ltd.	China
		Hitachi Construction Machinery Africa Pty. Ltd.	South Africa
		PT Hexindo Adiperkasa Tbk	Indonesia
		Hitachi Construction Machinery Oceania Holdings Pty., Ltd.	Australia
		Hitachi Construction Machinery Holding U.S.A. Corp.	U.S.A.
		Wenco International Mining Systems Ltd.	Canada
		Hitachi Construction Machinery Middle East Corp. FZE	UAE
		Hitachi Construction Machinery Americas Inc.	U.S.A.
		H-E Parts International LLC	U.S.A.
		Bradken Pty Limited	Australia

IV. Employees

Construction Machinery Business [Increase/(decrease) from the previous period]	Solution Business [Increase/(decrease) from the previous period]	Total number of employees [Increase/(decrease) from the previous period]	Average age [The Company]	Average length of service [The Company]
21,668 [+146]	3,319 [-32]	24,987 [+114]	39.9 years old	15.6 years

(Note) The number of employees is the number of full-time employees.

V. Matters Concerning Outside Directors

(1) Concurrent positions at other organizations and relationships between the Company and such other organizations

Name	Significant concurrent positions outside the Company
Toshiko Oka	Professor, Graduate School of Global Business, Meiji University Outside Director, Sony Group Corporation Outside Director, Happinet CORPORATION Outside Director, ENEOS Holdings, Inc.
Maoko Kikuchi	Outside Director, MITSUI-SOKO HOLDINGS Co., Ltd. Outside Audit and Supervisory Board Member, KADOKAWA CORPORATION
Haruyuki Toyama	Special Counsel, IWATA GODO Outside Director, HORIBA, Ltd.

(Note) Significant concurrent positions outside the Company held by Outside Directors are as shown in the table above. There are no trading or other relationships between organizations at which those concurrent positions are held and the Company.

(2) Relatives of executive officers or officers (excluding those who are executive officers) of the Company or entities that have a special relationship with the Company

There are no applicable persons.

(3) Major activities of Outside Directors

Name	Activities and the outline of duties conducted in relation to roles expected from outside Director
Toshiko Oka	Ms. Toshiko Oka attended 13 out of the 14 Board of Directors' meetings and 13 out of the 15 Audit Committee's meetings held since her taking office on June 28, 2021, and stated her opinions necessary for the deliberation of the agenda as appropriate by capitalizing on her extensive experience as a top executive of consulting firms, knowledge on M&A and deep insight.
Kazushige Okuhara	Mr. Kazushige Okuhara attended all 16 Board of Directors' meetings, all six (6) Nominating Committee's meetings and all 22 Audit Committee's meetings held during the fiscal year under review, as well as all four (4) Compensation Committee's meetings held after his appointment as a Compensation Committee Member on June 28, 2021, and stated his opinions necessary for the deliberation of the agenda as appropriate by capitalizing on his extensive experience as the top executive of a global company and knowledge and deep insight on personnel and labor policy.
Maoko Kikuchi	Ms. Maoko Kikuchi attended all 16 Board of Directors' meetings, all six (6) Nominating Committee's meetings and all 22 Audit Committee's meetings held during the fiscal year under review, and stated her opinions necessary for the deliberation of the agenda as appropriate by capitalizing on her extensive experience and knowledge in the field of law, and her experience and deep insight as a top executive and corporate auditor.
Haruyuki Toyama	Mr. Haruyuki Toyama attended all 16 Board of Directors' meetings, all six (6) Nominating Committee's meetings, all 22 Audit Committee's meetings and all five (5) Compensation Committee's meetings held during the fiscal year under review, and stated his opinions necessary for the deliberation of the agenda as appropriate by capitalizing on his extensive experience and knowledge in the fields of monetary affairs and finance.

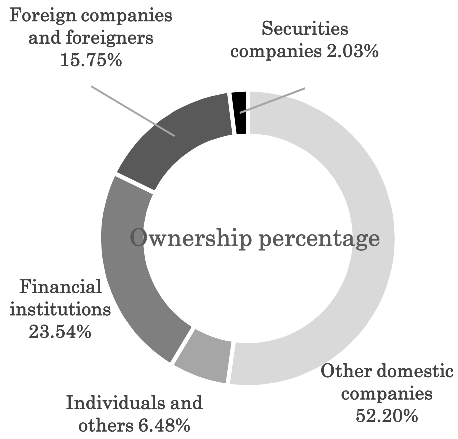
VI. Matters Concerning the Company's Stock

(1) Total number of authorized shares 700,000,000

(2) Total number of shares issued 215,115,038
(including treasury stock of 2,464,315 shares)
Common stock ¥81,576,592,620
Number of shares per share unit 100

(3) Number of shareholders 22,694

(4) Major shareholders (top 10 shareholders)



Name of the shareholder	Share ownership (Thousands of shares)	Shareholding ratio (%)
Hitachi, Ltd.	109,352	51.42
The Master Trust Bank of Japan, Ltd. (Trust Account)	35,214	16.56
Custody Bank of Japan, Ltd. (Trust Account)	10,348	4.87
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	2,690	1.26
STATE STREET BANK WEST CLIENT – TREATY 505234	1,989	0.94
The Bank of New York Mellon (International) Limited 131800	1,635	0.77
JP MORGAN CHASE BANK 385781	1,356	0.64
HSBC HONG KONG – TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES	1,323	0.62
BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M LSCB RD	1,076	0.51
Goldman Sachs Japan Co., Ltd. BNYM	971	0.46

(Notes) 1. The 2,464,315 shares of treasury stock held by the Company are not included in the above table.
2. Shareholding ratios are calculated by excluding the 2,464,315 shares of treasury stock.

VII. Financial Auditor

(1) Name of Financial Auditor

Ernst & Young ShinNihon LLC

(2) Fees, etc. to Financial Auditor for the fiscal year

(Millions of yen)

Category		Amount
Total of money and other economic benefits to be paid by the Company and its subsidiaries		162
	Out of which, the amount of fees, etc. payable by the Company*	125

(Notes) 1. The audit agreement between the Company and the Financial Auditor does not separate between the fees for audit under the Companies Act and those for audit under the Financial Instruments and Exchange Act, and it is impractical to distinguish between the two, either. Accordingly, the amount marked with an asterisk "*" presents the sum of those two.

2. The Audit Committee confirmed the contents of the audit plan of the Financial Auditor, status of development of the quality control structure, status of work performance of accounting audit and others, and analyzed and examined the basis for calculation and determination of estimates of audit fees, etc. Consequently, the Audit Committee has determined that the fees, etc. to the Financial Auditor are appropriate, and given the consent in accordance with Article 399, paragraph (1) of the Companies Act.

(3) Description of non-audit services

No applicable matters

(4) Matters pertaining to persons to whom a business suspension order has been issued for the past two (2) years

No applicable matters.

(5) Policy regarding decisions on the dismissal or non-reappointment of the Financial Auditor

If the Audit Committee considers that the Financial Auditor falls under any of the provisions of Article 340, paragraph (1) of the Companies Act and judges it necessary to dismiss the Financial Auditor immediately, the Audit Committee shall dismiss the Financial Auditor, having obtained unanimous consent of the Audit Committee Members.

In such case, an Audit Committee Member appointed by the Audit Committee will report on the decision of dismissal and its reasons at the first shareholder's meeting convened after the dismissal.

In addition to the cases mentioned above, the Audit Committee shall, when deemed necessary to change the Financial Auditor, such as in cases where the Financial Auditor is recognized to have difficulty in properly fulfilling its auditing duties, decide the contents of a proposal to be submitted to the shareholder's meeting related to the dismissal or non-reappointment of the Financial Auditor.

VIII.Policy on Decisions for Dividends of Surplus

The Company will work to bolster its internal reserves while considering maintenance and strengthening of its financial structure and implementation plans for upfront investments, including investments for technology development and facilities based on medium- and long-term business strategies. At the same time, the Company will, in principle, pay dividends of surplus linked to its consolidated business results twice a year as interim and year-end dividends and aim to achieve a consolidated dividend payout ratio of approx. 30% or more.

With the aim of enabling the execution of a flexible capital policy, the Company will acquire treasury stock in consideration of necessity, financial conditions, and stock price movements, etc.

IX. System to Ensure the Properness of Operations and the Operational Status of the Relevant System

1. Matters that are deemed necessary by the Ministry of Justice Order for the execution of duties of the Audit Committee

(1) Matters concerning Directors and employees to assist in duties of the Audit Committee of the Company

(i) The Audit Committee Bureau has been provided as an organization to assist the duties of the Audit Committee, and personnel members who work exclusively for the Bureau and are not subject to orders and instructions of Executive Officers have been assigned.

(ii) The Internal Auditing, Legal and General Administrative Departments are also to provide support to the Audit Committee, and specific areas in which they provide support are as below.

(a) Internal Auditing Department: Implementation of internal audit in accordance with audit plans reported to the Audit Committee

(b) Legal Department: Determination of the agenda for the Board of Directors' meetings, administration relating to the preparation and provision of the minutes, administration relating to the management of materials, and other administration relating to the interpretation and application, etc. of laws and regulations

(c) Secretary Department: Coordination of the schedule of each Director

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

(2) System for ensuring the independence of the Directors and the personnel in (1) above from Executive Officers as well as the effect of instructions to such Directors and personnel from the Audit Committee

(i) The Audit Committee Bureau is staffed with personnel who work exclusively for the Audit Committee Bureau and are not subject to orders and instructions of Executive Officers.

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

(iii) If a disciplinary action is to be taken against the personnel who belong to the Audit Committee Bureau, the Executive Officer in charge of human resources shall obtain approval from the Audit Committee in advance.

(3) System for reporting to the Audit Committee and ensuring no disadvantageous treatment for reason of reporting

(i) 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.

(ii) Executive Officers shall report to the Audit Committee without delay the results of internal audits of the Company and its subsidiaries.

(iii) 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.

(iv) The compliance department shall report to the Audit Committee on the status of reporting through the "Compliance Reporting System," which is 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 whistleblowers due to such reporting, and the department the compliance department thoroughly ensure its implementation of such regulations.

(v) 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.

(4) 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

When there is a request from the Audit Committee for advance payments or other payments for expenses, General Administrative Department shall immediately process the request unless it is clearly evident that such expenses or liabilities are not required for execution of the duties of the Audit Committee.

(5) 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.

(a) The Audit Committee Members attend important meetings including those on management and policies

(b) The Audit Committee Members make inquiries to Executive Officers and employees of the status about the execution of duties

(c) The Audit Committee Members review approval documents, etc. on significant matters for important internal approval, etc.

(d) The Audit Committee Members observe operations and inspect the assets of the Company's headquarter, major offices and subsidiaries, and make inquiries as necessary.

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

We not only develop a '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,' which is stated below, but also establish a system which allows the employees of the Company to whistleblow through an external institution to ensure that the execution of the duties by Executive Officers complies with laws and regulations as well as the Articles of Incorporation, so as to maintain a legal compliance system on a continuing basis.

3. Establishment of other systems at the Company that are deemed necessary by the Ministry of Justice Order to ensure the appropriateness of operation of a corporate group consisting of the Company, its parent and subsidiaries

(1) 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 and, be submitted promptly by Executive Officers upon the request of an Audit Committee Member.

(2) Regulations and other systems for management of the risk of losses to the Company and its subsidiaries

(i) A system shall be established in which each relevant shall department establishes rules and guidelines, 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 also establish the same system depending on the size, etc. of the respective subsidiaries.

(ii) Efforts shall be made to identify possible new risks through periodic reports, etc. from Executive Officers on the status of business operation at the Company and its subsidiaries that are given periodically by Executive Officers at the Executive Committee's meetings, among other things. The President and Executive Officer instructs each relevant department and promptly appoints an Executive Officer responsible for taking measures therefor.

(iii) When the risks materialize and significant losses are expected to be incurred, the Executive Officer shall report to Audit Committee Members promptly.

(3) System for ensuring that duties of Executive Officers of the Company and directors of the subsidiaries are executed efficiently

(i) Decision-making by Executive Officers

For any important matters that may affect the Company and the Group, the Executive Committee Rules, which have been established as a mechanism to make decisions carefully after deliberations from various points of view at meetings, require that such important matters be deliberated at the Executive Committee meetings and meetings on management and policies before a decision is made by an Executive Officer in charge.

(a) Executive Committee

- It is a committee comprised of all Executive Officers and meets twice a month, in principle.
- It deliberates and reports on important matters stipulated in the Executive Committee Rules.

(b) Meetings on management and policies
- It is a committee comprised of Executive Officers in the post of Vice President or above, and meets once a month, in principle.
- It deliberates on important matters including management issues and annual business plans.
- It deliberates on individual important matters.

(ii) Budget and performance management

Performance management of the Company and its subsidiaries uses a matrix management system that manages performance by profit center such as business units that are responsible for financial performance, and that manages performance by business units for each region where the units are responsible for management performance. Such performance management aims for increased emphasis on independent profitability and self-management. Further, we work on improving corporate value with an awareness of capital cost from both financial and management perspectives, to thoroughly implement performance management of the Group.

(iii) Internal audit

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.

(iv) Ensuring the reliability of financial reporting

The Audit Committee oversees the accounting auditors. Also, for ensuring the independence of accounting auditors from Executive Officers, duties of the Audit Committee include receiving reports in advance about audit plans of accounting auditors and gives prior approval on the fees to be paid to the accounting auditors. A documented business process for matters to be reflected in financial reporting shall be executed steadily and examined by internal auditors, or external auditors when necessary, at the Company and its subsidiaries.

(v) Other matters concerning the 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, and intellectual property management, in order to establish a system to operate properly and efficiently as the Group.

(4) 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

(i) Compliance with laws and regulations related to business activities

(a) Internal audits by the Internal Auditing Department and other relevant departments of the Company and its subsidiaries are conducted to ensure compliance and to deter violations of laws and regulations.

(b) 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.

(c) The Company has implemented a “Compliance Reporting System” which enables employees of the Company and its subsidiaries to whistle-blow to the relevant departments of the Company. Further, the compliance departments receive whistle-blowing reports as the secretariat and carries out necessary investigations, etc., replies to and also ensures there is no disadvantageous treatment to the whistle-blower.

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

(ii) Company rules

To ensure implementation and effectiveness of the overall internal control systems, the Company has Executive Officers, as their duties, to establish various policies and company rules with the 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, and to get the subsidiaries to be informed so that the subsidiaries shall establish their own rules that are in conformity with such policies, regulations, etc.

(5) System for reporting the execution of duties by Directors of the subsidiaries to the Company

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

(ii) 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.

(6) System for ensuring the appropriateness of operation of a corporate group consisting of the Company, its parent and subsidiaries

(i) System with the Parent Company

(a) The Company respects the basic philosophy of the Parent Company as a basis for the HITACHI brand and CSR activities. The Company fosters the Hitachi Group's common values and shares the same understanding of our corporate social responsibilities.

(b) We shall establish policies and regulations, etc. at the Company and its subsidiaries in conformity with the common policies and regulations, etc. within the Hitachi Group as stipulated by the Parent Company.

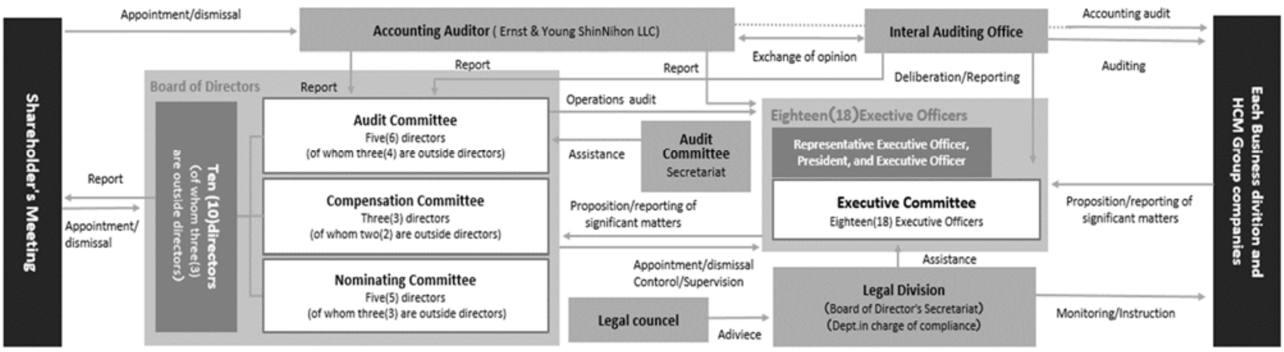
(c) In order to confirm the status of the establishment of systems in a way that is commensurate with the size, etc. of the Company with the aim of ensuring the properness of the operations of the Hitachi Group, the Parent Company dispatches Directors to the Company to conduct periodic audits, etc. of respective departments of the subsidiaries. It also provides a support desk to respond to inquiries from the Company regarding corporate matters including accounting, general administrative, and legal issues, and research and development, in order to establish a system to operate properly and efficiently as the Hitachi Group.

(ii) Ensuring fair transactions among Hitachi Group companies

The Parent Company as well as the Company and its subsidiaries have a policy to conduct transactions within the Hitachi Group fairly based on market prices.

■ Corporate governance system

(as of April 1, 2022)



The operational status of the 'system to ensure the properness of operations' during the fiscal year ended March 31, 2022 is outlined below.

(1) Audit Committee

- The Company has assigned one (1) full-time member to the Audit Committee, and established the Audit Committee Bureau as an organization to assist the duties of the Audit Committee with one (1) dedicated employee and another who also serves at the Internal Auditing Office, assigned from the perspective of BCP. The Audit Committee Bureau is not under the supervision of any Executive Officer, and reports to the Audit Committee. The Internal Auditing Office, Legal and Secretarial Divisions also assist with its duties.
- Audit Committee Members interview all Executive Officers regarding the status of the execution of their duties, including exchanging views with Representative Executive Officers, and deliberate and review the appropriateness of the execution of the duties.
- Audit Committee Members receive periodic reports on the contents of whistle-blowing through the "Compliance Reporting System" and actions taken at the Company and its group companies from the departments in charge of compliance, and confirm the results of actions as needed.
- Expenses arising from the execution of the duties of Audit Committee Members are processed for payment, etc. by General Affairs Division.
- Audit Committee Members perform the following based on annual audit policies and audit plans.
  (a) Attend important meetings.
  (b) Interview Executive Officers and employees on the status of the execution of duties.
  (c) Inspect documents for important internal approval, etc.
  (d) Observe operations and inspect the assets of the Company's Head Office, major business locations and its group companies, and receive reports from various divisions including the Internal Auditing Office, Accounting and Finance Division, or divisions in charge of product quality and ESG.
- The Audit Committee met 22 times during fiscal 2021. In light of the spread of COVID-19, it received business reports and reports on operations, etc. from overseas group companies four (4) times (five (5) companies in total) by using Internet tools.

(2) Compliance and risk management

- The Company and its group companies have established the "Hitachi Construction Machinery Group's Code of Conduct" and the "Hitachi Group's Code of Ethics and Compliance," and have been working on education and various measures with the highest priority on 'safety and compliance.'

Initiatives for compliance

- The Company established the Compliance and Risk Management Committee to share information regarding compliance and risk management within the Company, while working in cooperation with compliance and risk management committees of its group companies to implement measures for compliance and ensure that compliance measures are thoroughly understood.
- The Compliance and Risk Management Committee met once during the first half and second half, respectively (two (2) times in total).
- Major compliance rules common to the Hitachi Group have been established to ensure compliance with antibribery laws, competition laws and control of money laundering laws (including the prevention of transactions with antisocial forces) in all countries and regions in which the Company and the group companies operate. In addition to establishing/revising the rules at the Company and its group companies on a full-fledged basis in June 2021, we worked to establish guidelines, etc. in line with the practices of the Group sequentially to ensure that they are even more thoroughly implemented.
- The Company and its group companies set every October as the "Corporate Ethics Month," with the message from the President of the Company on compliance distributed to its group companies as well.
- With a view to raising awareness of compliance, videos for e-Learning training have been produced (in 11 languages in total). Also, the training videos are split in parts to shorten the viewing time per video and make it easier to watch them. Those e-Learning training videos are distributed to all group companies, and the specific contents of training are as below.
  (a) Message from top management to clarify the stance of the Company and its group companies toward compliance
  (b) Raising awareness of ethics and laws and regulations in general, by using concrete examples
  (c) Raising awareness of the importance of antibribery laws, competition laws and control of money laundering laws (including the prevention of transactions with antisocial forces), and operations based on the major compliance rules
- In order to grasp the status of compliance for the Company group as a whole, the Company conducts compliance audits based on a plan as part of operational audits by divisions in charge of audits, while clarifying the reporting

practices based on the “Compliance and Risk Management Regulation,” which have been newly established at the Company and its group companies. Further, in addition to thoroughly implementing measures to prevent cases detected through those efforts from re-occurring, we rolled them out across the Company and its group companies to prevent re-occurrence.

Reporting system

・ A whistle-blowing system through which a department in charge of compliance receives reports directly or through an external organization has been established and is operated carefully in accordance with the “Compliance Whistleblowing System Regulation.”

BCP

・ With respect to material risks that may impact business continuity, the Company shall respond in accordance with the “Compliance and Risk Management Regulation” and also distributes to the employees’ pamphlets that describe urgent responses so that an accident or natural disaster can be dealt with promptly and without fail.

Export control, environmental matters and information security

・ Departments in charge work in cooperation with relevant departments at the Company and its group companies to provide rules and procedures to prevent issues in light of revisions to relevant laws and regulations in line with changes in global circumstances and the environment and technological progress, to establish a structure to perform checking from various aspects.

・ The relevant various committees that met during fiscal 2021 together with the matters deliberated/reported on are as below.

(a) Regular reporting by the Administrative Office of Export Control Committee: seven (7) times in total
Matters deliberated/reported on: Dissemination of export control notices and communication notes, details of export control training and attendance, status of export control voucher reviews, audit status, activities for maintaining the Authorized Economic Operator (AEO) status (systems, activity records, and reports on audits conducted), and others (reports on export control systems and system-based export control measures at group companies)

(b) Sustainability Promotion Committee: two (2) times in total
Matters deliberated/reported on: Estimated results of SDGs Medium-Term Management Plan KPIs, proposal on decarbonization and CE policies, and reporting on the disclosure of ESG information

(c) CSR Promotion Managers Meeting: two (2) times in total
Matters deliberated/reported on: Estimated results of SDGs Medium-Term Management Plan KPIs, and policy for the disclosure of ESG information

(d) Environmental Promotion Managers Meeting: two (2) times in total
Matters deliberated/reported on: Proposal on decarbonization and CE policies, and planning of measures for compliance with environment-related laws and regulations

(e) Environment Management Committee: six (6) times in total
Matters deliberated/reported on: Compliance with environment-related laws and regulations, environmental accidents, and records of and plans for reducing four (4) environmental loads

(f) Information Security Committee: two (2) times in total
Matters deliberated/reported on: Re-confirmation of the setup of the Information Security Committee, reporting on security incidents and cyberattacks occurred, deliberation of cyberattack countermeasures, reporting on improvement status on the findings by Hitachi’s audit, status of prompting more robust security, reporting on the results of internal audit for personal data protection, launch of a sub-committee for handling of the Company’s machine operation data, and launch of a sub-committee for cyber security for the Company’s products and services

・ It provides periodic group training and e-Learning.

・ It shared information and held meetings by using Internet tools so that the committee can continue to operate in the same manner as before even during the COVID-19 pandemic.

(3) Monitoring

・ In order to monitor if respective measures are being implemented properly, departments in charge carry out self-audits and internal audits periodically.

Self-audits and internal audits

・ In addition to self-audits that are carried out in accordance with various rules for health and safety, environmental management, export control and quality control, among other things, self-audits are conducted by each division of the Company to confirm voluntarily that business operations are being run properly.
・ As a department in charge of internal audits, the Company has the Internal Auditing Office in place. It directly reports to the President and is staffed with 11 dedicated staff including the Head of the Office, and one (1) person who concurrently works at the Audit Committee Bureau.
・ The Internal Auditing Office chooses subjects to be audited based on the risk-based approach, and audits whether the operation of each department and group companies is being carried out accurately, legitimately and reasonably.
・ The Internal Auditing Office has two reporting lines, as it reports directly to the President within the organizational structure while also reporting on audit plans and audit results to the Audit Committee.
・ We conducted internal audits of two (2) companies in Japan and 14 outside Japan for a total of 16 companies by successfully implementing remote audits that use Internet-based tools and outsourcing audits of certain overseas group companies to specialized internal audit service providers. With respect to the audit findings, we follow up on the improvement status of each relevant company, including on those from audits in the past years, provide them with support to organizational response, and grasp overall progress.
・ We obtain audit plans and audit reports from the group companies with a division dedicated to internal audit to improve the audit quality across the Group and, at the Internal Auditing Office of the Company, have introduced internal assessment in accordance with the standards of the Institute of Internal Auditors to improve its own audit quality.

J-SOX (internal control)

・ The J-SOX Committee is a deliberative body that determines implementation policies on internal control of the Company and group companies and assesses the effectiveness thereof. It reviews the operational status of the internal control system for confirming the reliability of financial reporting and, if any deficiencies are found, demands improvements and confirms the improvement status.
・ The J-SOX Committee consists of the head of each division in charge of DX (IT system information management), legal matters, accounting and finance, and internal audit, and full-time Audit Committee Members attend meetings of the committee as observers.
・ The J-SOX Committee met four (4) times during fiscal 2021.
・ It held meetings by using Internet tools so that the committee can continue to operate in the same manner as before even during the COVID-19 pandemic.

(4) Decisions on important matters

・Various committees that met during fiscal 2021 regarding important management matters that affect the Company or its group companies and the matters deliberated/reported on are as follows.

(a) Executive Committee's meetings: 25 times in total
Matters deliberated/reported on: Deliberations and reports on important matters stipulated in the Executive Committee Rules

(b) Meetings on sales and production: 13 times in total
Matters deliberated/reported on: Matters regarding demand, sales and inventory forecast, those relating to sales of the Company on a standalone basis (locally required values), those relating to production plans at respective plants, and consultation, discussion, and progress reporting on matters relating to various measures

(c) Meetings on management and policies: 42 times in total
Matters deliberated/reported on: Medium-term management plan, matters pertaining to important measures in annual budgets, management issues relating to the future, and consultation, discussion, and progress reporting on cross-divisional management issues

・It held meetings by using Internet tools so that the meeting body can continue to operate in the same manner as before even during the COVID-19 pandemic.

X. Basic Policy on Control of the Company

By listing shares, the Company raises the funds necessary for running and expanding the business from the stock market, and at the same time, the Company is evaluated by shareholders, investors and the stock markets. The Company believes that practicing management under pressure while recognizing expectations about the Company and the Group through such day-to-day evaluations will greatly contribute to the improvement of corporate value.

In addition, the Company, as a group company of Hitachi, Ltd., the Parent Company, shares the basic philosophy and brand of Hitachi, Ltd. while maintaining the independence of business operations, and believes that integration of the basic management policy is necessary. Also, we believe that effectively leveraging research and development capabilities, brand strength, and other management resources of Hitachi, Ltd. and its group companies will contribute to further improvement of the corporate value of the Company and the Group.

Under the basic policy described above, the Company takes the initiative in building a governance framework and developing and promoting management plans, and strives to improve the corporate value and maximize the value provided to shareholders in general.

(Note) As announced on January 14, 2022, Hitachi, Ltd. which owns the Company's shares plans to transfer shares equivalent to 26%. Since Hitachi, Ltd. will no longer be the parent of the Company as a result, this policy is to be reviewed.

XI. Notes to the Consolidated Financial Statements

1. Notes, etc. on basis of presenting consolidated financial statements

(1) Basis for preparation of consolidated financial statements

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (hereinafter referred to as “IFRS”) pursuant to the provisions of Article 120, paragraph (1) of the Regulations on Corporate Accounting. The consolidated financial statements have certain disclosure items, as required by IFRS, omitted pursuant to the second sentence of the said paragraph.

Amounts shown are rounded off to the nearest one million yen.

(2) Matters pertaining to the scope of consolidation, etc.

The number of consolidated subsidiaries that are within the scope of consolidation is 80.

Main consolidated subsidiaries are as below.

Hitachi Construction Machinery Japan Co., Ltd., Hitachi Construction Machinery Tierra Co., Ltd., Hitachi Construction Machinery Camino Co., Ltd., Hitachi Construction Machinery (China) Co., Ltd., Hitachi Construction Machinery (Shanghai) Co., Ltd., Tata Hitachi Construction Machinery Co., Pvt., Ltd., Hitachi Construction Machinery Asia and Pacific Pte. Ltd., P.T. Hitachi Construction Machinery Indonesia, Hitachi Construction Machinery (Europe) N.V., Hitachi Construction Machinery Holding U.S.A. Corp., Hitachi Construction Truck Manufacturing Ltd., Hitachi Construction Machinery Financial Leasing (China) Co., Ltd., Hitachi Construction Machinery Oceania Holdings Pty., Ltd., H-E Parts International LLC, and Bradken Pty Limited

The scope of consolidation has been changed from the fiscal year ended March 31, 2022 as below.

Number of companies included in the scope of consolidation during the fiscal year ended March 31, 2022: 1

(i) Inclusion due to acquisition: 1

Number of companies excluded from the scope of consolidation during the fiscal year ended March 31, 2022: 2

(i) Exclusion due to liquidation: 2

(3) Matters pertaining to the application of the equity method

The number of affiliates accounted for by the equity method is 22.

Main affiliates subject to the equity method are as below.

P.T. HEXA FINANCE INDONESIA, HTC Leasing Company Limited, Sumitomo Heavy Industries Construction Cranes Co., Ltd.

The scope of application of the equity method has been changed from the fiscal year ended March 31, 2022 as below.

Number of companies included in equity-method affiliates during the fiscal year ended March 31, 2022: 1

(i) Inclusion due to new establishment: 1

Number of companies excluded from equity-method affiliates during the fiscal year ended March 31, 2022: 2

(i) Exclusion from the scope of application of the equity method due to sale of shares: 2

Deere-Hitachi Construction Machinery Corp., Deere-Hitachi Máquinas de Construção do Brasil S.A.

Number of Non-equity-method associates: 3

(4) Matters pertaining to fiscal years, etc. of consolidated subsidiaries

The consolidated subsidiaries settle their accounts on the same date as the rest of the consolidated group, except for the following.

Hitachi Construction Machinery Holding U.S.A. Corp., Hitachi Construction Machinery (China) Co., Ltd., Hitachi Construction Machinery (Shanghai) Co., Ltd., and Hefei Rijian Shearing Co., Ltd., Qingdao Chengri Construction Machinery Co., Ltd., Suzhou Chengya Construction Machinery Co., Ltd., Hitachi Construction Machinery Financial Leasing (China) Co., Ltd., LLC Hitachi Construction Machinery Eurasia, and 14 other companies

To create the consolidated financial statements, the Company uses the statements of financial position and statements of income of these subsidiaries which are prepared based on provisional account settlement as of March 31.

(5) Matters pertaining to accounting policies

(i) Valuation standards and valuation methods for important assets

i) Financial instruments

(a) Non-derivative financial assets

The Group initially recognizes trade receivables on the date such receivables arise. All other financial assets are initially recognized at the transaction date on which the Group becomes a party to the agreement.

The Group derecognizes financial assets when contractual rights to cash flows from the financial assets expire or when the contractual rights to receive cash flows from the financial assets are transferred in transactions where the risks and economic rewards of owning the financial assets are substantially transferred. In transactions where the risks and economic rewards of owning the financial assets are neither substantially transferred nor retained, the Group continues to recognize the financial assets to the extent of its continuing involvement and only derecognizes such financial assets when its control is transferred.

The classification and measurement models of non-derivative financial assets are summarized as follows.

<u>Financial assets measured at amortized cost</u>

Financial assets are subsequently measured at amortized cost when they meet the following requirements:

- The asset is held within a business model of the Group the objective of which is to hold the asset to collect contractual cash flows.
- The contractual terms of the financial asset provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value (also including direct transaction costs). After initial recognition, the carrying amount of financial assets measured at amortized cost is measured using the effective interest method. Interest accrued on financial assets measured at amortized cost is included in finance income in the consolidated statements of income.

<u>Financial assets measured at fair value through other comprehensive income (FVTOCI financial assets)</u>

The Group holds certain equity instruments with the purpose of expanding its revenue base by maintaining and strengthening business relations with the investees. These equity instruments are classified as FVTOCI financial assets by designation. They are initially and subsequently measured at fair value, However, dividends on equity instruments designated as FVTOCI financial assets are recognized in profit or loss, except where they are considered to be a return of the investment.

<u>Financial assets measured at fair value through profit or loss (FVTPL financial assets)</u>

The Group classifies equity instruments not designated as FVTOCI financial assets and debt instruments not classified as financial assets measured at amortized cost, as FVTPL financial assets. After initial recognition, these instruments are measured at fair value and the changes in fair value are recognized in profit or loss.

<u>Impairment of financial assets</u>

The Group evaluates the allowance for doubtful receivables based on expected credit losses on financial assets measured at amortized cost, trade receivables, contract assets, and other receivables depending on whether the credit risk has increased significantly since initial recognition on a regular basis, but no less frequently than at the end of each quarterly reporting period.

If the credit risk has increased significantly since initial recognition, the allowance for doubtful receivables is measured in an amount equal to the lifetime expected credit losses on the financial assets. If the credit risk has not increased significantly since initial recognition, the allowance for doubtful receivables is measured in an amount equal to the expected credit losses within the next 12 months after the end of the fiscal year. However, for trade receivables, contract assets, and lease receivables, allowance for doubtful receivables is always measured in an amount equal to the lifetime expected credit losses.

Whether credit risk has increased significantly is determined based on changes in the risk of default. Default is defined as the state in which a critical problem with a debtor’s payment of contractual cash flows has been identified and there are no reasonable expectations for recovering the financial asset in its entirety or a portion thereof. To determine whether there have been any changes in the risk of default, external credit ratings, past due information and other factors are mainly taken into consideration.

Expected credit losses are measured by taking the probability weighted average of the discounted present values of differences between the total amount of the contractual cash flows and the total amount of future cash flows expected to be received in the future from the financial assets. If one or more events occur, such as overdue payments, extended payment terms, negative evaluation by third party credit rating agencies, and/or a deterioration in financial position and operating results, including capital deficit, the financial assets are individually assessed as credit-impaired financial assets and expected credit losses are measured based mainly on historical credit loss experience, future recoverable amounts and other factors. The expected credit losses on the financial assets that are not credit-impaired are measured through collective assessment based mainly on provision rates depending on historical credit loss experience adjusted by the current and future economic situation and other factors, if necessary.

For the expected credit losses on financial assets measured at amortized cost, contract assets, and lease receivables, the allowances for doubtful receivables are recorded instead of directly reducing the carrying amounts. Changes in expected credit losses are recognized in profit or loss as impairment losses and are included in selling, general and administrative expenses in the consolidated statements of income. For financial assets, after all means of collection have been exhausted and the potential for recovery is considered remote, it is determined that there are no longer any reasonable expectations for recovering the financial assets in their entirety or a portion and the carrying amounts are generally written off.

(b) Non-derivative financial liabilities

The Group initially recognizes debt instruments on the date of issuance. All other financial liabilities are initially recognized at the transaction date on which the Company becomes a party to the agreement.

The Group derecognizes financial liabilities when extinguished, when the obligation in the contract is redeemed or the liability is discharged, cancelled or expires.

As non-derivative financial liabilities the Group holds bonds, borrowings, trade

payables, and other financial liabilities. They are initially recognized at fair value (less direct transaction costs),

(c) Derivatives and hedge accounting

The Group uses derivative instruments including forward exchange contracts, currency swaps and interest rate swaps in order to hedge foreign currency exchange risks and interest rate risks. All derivatives are measured at fair value irrespective of the objective and intent of holding them.

The Group accounts for hedging derivatives as follows:

- “Fair value hedge” is a hedge against changes in fair value of a recognized asset or liability or of an unrecognized firm commitment. The changes in fair value of the recognized assets or liabilities or unrecognized firm commitments and the related derivatives are both recorded in profit or loss if the hedge is considered effective.
- “Cash flow hedge” is a hedge of a forecast transaction or of the variability of future cash flows to be received or paid related to a recognized asset or liability. The changes in fair value of the derivatives designated as cash flow hedges are recorded in OCI if the hedge is considered highly effective. This treatment continues until profit or loss is affected by the variability of future cash flows or the unrecognized firm commitment of the designated hedged item, at which point changes in fair value of the derivative are recognized in profit or loss. If a non-financial asset or a non-financial liability is recognized due to a hedged forecast transaction, the changes in the fair value of the derivative recognized in OCI are included directly in the acquisition cost or other carrying amount of the asset or liability when the asset or liability is recognized.

The Group follows the documentation requirements as prescribed by IFRS 9 “Financial Instruments” (amended in July 2014), which includes the risk management objective and strategy for undertaking various hedge transactions. In addition, a formal assessment is made at the hedge’s inception and subsequently on a periodic basis, as to whether the derivative used in hedging activities is highly effective in offsetting changes in fair values or future cash flows of the hedged items. Hedge accounting is discontinued if a hedge becomes ineffective.

(d) Offsetting financial assets and liabilities

Financial assets and liabilities are offset and reported as net amounts in the consolidated statements of financial position, only when the Group currently has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

ii) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the specific identification method or by the moving average method for finished goods, semi-finished goods and work in process, and generally by the moving average method for raw materials. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to sell.

(ii) Depreciation and amortization methods for important assets

i) Property, plant and equipment

The Group uses the cost method to measure property, plant and equipment. They are stated at cost, less accumulated depreciation and accumulated impairment losses. Acquisition cost includes direct costs of acquisition, and costs of dismantling, removing and restoring the assets. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives for major classes of assets: Estimated useful life for each major class of assets are as follows.

- Buildings and structures 2 to 67 years
- Machinery, equipment and vehicles 2 to 30 years
- Tools, furniture and fixtures 2 to 30 years

Residual value, estimated useful lives and the method of depreciation are reviewed at the fiscal year-end. Changes in residual value, estimated useful lives or depreciation method are accounted for on a prospective basis as a change in accounting estimate.

ii) Intangible assets

(a) Goodwill

After initial recognition, goodwill is not amortized and is stated at cost less any accumulated impairment losses.

(b) Other intangible assets

The Group applies the cost model to other intangible assets and states such assets at cost less accumulated amortization and impairment losses.

Intangible assets are amortized using the straight-line method over the following estimated useful lives for major classes of assets: Estimated useful life for each major class of assets are as follows.

- Software 2 to 10 years
- Others 2 to 20 years

iii) Right-of-use assets

The Group applies a cost model to measure the right-of-use asset, and presents the corresponding amount as “Right-of-use assets” in the consolidated statements of financial position at cost at the commencement date of the lease less any accumulated depreciation and any accumulated impairment losses. The cost of right-of-use asset includes the amount of the initial measurement of the lease liability and the initial direct cost incurred by the lessee. The Group depreciates the right-of-use asset from the commencement date of the lease to the earlier of the end of the useful life of the underlying asset or the end of the lease term on a straight-line basis. Changes in the useful life or the lease term are accounted for on a prospective basis as a change in accounting estimate. The useful life of right-of-use assets or the lease term is 2 to 50 years.

iv) Impairment of non-financial assets

The Group determines any indications of impairment with each asset, and conducts an impairment test when there are indications that the carrying value is not recoverable. Irrespective of any indicators of impairment, the Group tests goodwill for impairment at the end of each fiscal year.

An impairment test is performed by estimating the recoverable amount of each asset of cash-generating unit (CGU) and comparing it with its carrying amount. A CGU is the smallest group of assets that generates cash flows generally independent from other assets or asset groups.

The recoverable amount means an amount that is the higher of fair value less costs of disposal or value in use per asset or CGU. In calculating value in use, estimated future cash flows are discounted to the present value at a pretax discount rate that reflects the time value of money and risks specific to relevant assets. If the carrying amount of the asset or the CGU exceeds its recoverable amount, an impairment loss is recognized for such asset.

For an asset other than goodwill, its recoverable amount is subsequently estimated for the asset or the CGU when there is an indication that an impairment loss previously recognized on the asset may no longer exist or has decreased. If it is found that the estimated recoverable amount exceeds the carrying amount, the impairment loss recognized previously is reversed to the extent of the carrying amount that would have been recorded, net of depreciation or amortization, if impairment had not been recognized previously.

(iii) Significant allowances and provisions

The Group recognizes provisions when it has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of obligation can be reliably estimated.

When the time to settle an obligation is expected to be long, and thus the time value of money is material, the amount of a provision is measured at the present value of the amount of expenditures expected to be required to settle the obligation. The pretax discount rate reflecting the time value of money and risks specific to the obligation is used in the calculation of the present value.

(iv) Other important matters for compiling consolidated financial statements

i) Revenue recognition

The Group recognizes revenue in accordance with the following five-step approach.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the separate performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group conducts multiple transactions to meet its customers' needs which may involve the delivery or performance of multiple elements, such as goods or services. When the Group enters into multiple contracts for providing the goods or services, related contracts are combined based on interdependencies between each contract's consideration and the time the Group entered into such contracts, and the transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service for the purpose of recognizing revenue, and revenue is recognized when ownership is deemed to have been transferred.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer. Variable consideration, such as discounts and rebates, is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The promised amount of consideration does not include a significant financing component, because ordinary transactions are completed with payments within one (1) year.

In estimating the stand-alone selling price, the Group considers various factors such as market conditions, market price of competing products, etc., cost of products, and customers' business conditions.

For transactions whereby control over goods and services, etc. is transferred over time, the Group measures its progress towards complete satisfaction of that performance obligation on the basis of output or input methods in consideration of the nature of the goods and services for the purpose of recognizing revenue. When the Group cannot reasonably measure the progress, revenue is recognized only to the extent of the costs incurred.

The Group recognizes the incremental costs of obtaining a contract with a customer and the costs directly related to fulfilling a contract as an asset if those costs are expected to be recovered, and those assets are amortized based on the methods used to recognize revenue of the goods or services to which the assets relate. The Group recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset is less than one (1) year.

ii) Leases

(a) Lessee

Leases of the Group are mainly leases of real estate and leases of construction machinery. The Group recognizes a right-of-use asset, a right to use the underlying asset, and a lease liability, which is an obligation to make lease payments, and recognizes lease costs as depreciation expense for right-of-use assets and interest expenses on lease liabilities. Lease payments for short-term leases with a lease term of 12 months or less are recognized in profit or loss on a straight-line basis over the lease term.

The lease liability is measured at the present value of lease payments that are not paid at the commencement date of the lease, discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate, and presented as "Lease liabilities" in the consolidated statements of financial position. Interest expense on the lease liability in each period during the lease term that produces a constant periodic rate of interest on the remaining balance of the lease liability is recognized in profit or loss over the lease term and is included in "Financial expenses" in the consolidated statements of income.

(b) Lessor

The Group, as a lessor, mainly leases construction machinery. If substantially all the risks and rewards incidental to the ownership of items of property, plant and equipment are transferred to the lessee in a lease, it is classified as a finance lease with the recognition of the underlying asset discontinued and the present value of the total amount of lease payments is used to recognize and measure the net investment in the lease.

If substantially all the risks and rewards incidental to the ownership remain with the lessor in a lease, it is classified as an operating lease, and the underlying asset is continuously recognized, and lease income is recognized over the lease term on a straight-line basis.

iii) Accounting treatment of post-retirement benefits

The Company and certain consolidated subsidiaries have defined benefit pension plans and severance lump-sum payment plans to provide retirement and severance benefits to employees. The present value of defined benefit obligations and retirement benefit costs are measured based on the projected unit credit method.

The present value of defined benefit obligations and the fair value of plan assets are remeasured as of the end of the fiscal year. Actuarial differences arising during the year and changes in fair value of plan assets (excluding interest income) are recognized in OCI and are not subsequently reclassified into profit or loss. Any prior service cost that arises at the time of a plan amendment is recognized immediately in profit or loss when such an amendment occurs.

In the consolidated statements of financial position, the net amount calculated by deducting the fair value of plan assets from the present value of defined benefit obligations is presented as defined benefit liability or asset in non-current liabilities or non-current assets.

iv) Translation of material foreign currency-denominated assets and liabilities into yen

The consolidated financial statements of the Company are presented in Japanese yen, which is the Company's functional currency.

(a) Foreign currency-denominated transactions

Foreign currency transactions are converted into the relevant functional currencies of the Company and its consolidated subsidiaries using the exchange rate prevailing at the transaction date or a rate that approximates such rate. Monetary assets and liabilities denominated in foreign currencies are converted into the functional currency using the exchange rate at the end of the reporting period. Foreign exchange gains and losses resulting from the currency conversion and settlement are recognized in profit or loss, except where gains and losses on assets or liabilities are recognized in OCI, foreign exchange effects relating to such assets or liabilities are also recognized in OCI.

(b) Statements of financial position and statements of income of foreign entities

Assets and liabilities of foreign entities are translated into Japanese yen using the exchange rate at the end of the reporting period. Revenue and expense items are translated using the rate at the transaction date, or the average exchange rate during the period if there are no significant fluctuations in the exchange rate.

Such foreign exchange gains and losses resulting from the currency conversion of the statements of financial position and the statements of income of a foreign entity are recognized in OCI. Cumulative foreign exchange gains or losses that have been recognized in OCI are transferred to profit or loss upon the divesture of a foreign entity.

v) Consolidated tax return

The Company and certain consolidated subsidiaries file consolidated income tax returns.

(Changes in accounting policies)

The Group used to recognize an intangible asset in relation to the configuration or customization costs in a cloud computing arrangement based on IAS 38 "Intangible Assets." The Group changed its accounting policies from the beginning of the fiscal year under review to recognize the costs as an expense when it receives a configuration or customization service, taking into account the discussions held by the IFRS Interpretations Committee to finalize the agenda decision published in April 2021.

This change in accounting policies has been applied retrospectively. As a result of the retrospective application, the beginning balance of retained earnings in the consolidated statement of changes in equity has decreased by ¥689 million.

2. Notes on accounting estimates

(1) Valuation of goodwill

The method to determine impairment losses for goodwill is described in "iv) Impairment of non-financial assets" in "ii) Depreciation and amortization methods for important assets" in "(5) Matters pertaining to accounting policies."

Significant goodwill recorded in the consolidated statements of financial position as of March 31, 2022 is principally goodwill of ¥7,921 million due to the inclusion of H-E Parts International LLC as a consolidated subsidiary following the acquisition of this company in 2016, and goodwill of ¥21,883 million due to the inclusion of Bradken Pty Limited as a consolidated subsidiary following the takeover offer in 2017.

The recoverable amount per cash-generating unit (CGU) is calculated at the higher of fair value less costs of disposal or value in use. Comparison with similar publicly traded companies, and a market approach where a price that can be achieved in orderly transactions between market participants, such as market capitalization of the asset, etc. is reasonably estimated and calculated, are principally used as valuation techniques used to calculate fair value less costs of disposal. Value in use is calculated by the estimated future cash flows based on business plans approved by management, discounted at the discount rate which is derived from the weighted average cost of capital. The business plan used is based on external information, reflects historical experiences, and generally covers a maximum of five (5) years. Estimated cash flows beyond the period covered by the business plan are calculated using the estimated growth rate not exceeding the long-term average growth rate of the market to which the CGU belongs.

The major assumption on which calculation of recoverable amount in impairment test is based is a discount rate. Although the value in use per CGU exceeded the carrying amount as of March 31, 2022, the carrying amount may exceed the value in use in and after the next fiscal year if the discount rate increases, and this may affect operating results, etc.

(2) Recoverability of deferred tax assets

Deferred tax assets recorded in the consolidated statement of financial position as of March 31, 2022 was ¥16,099 million.

Deferred tax assets are recognized only to the extent that it is probable that future taxable income will be available against which unused tax losses, unused tax credits and future deductible temporary differences can be utilized. In assessing the recoverability of deferred tax assets, the Group considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized, by examining whether or not future taxable income can be generated in specific tax jurisdictions during the periods in which these deductible differences, etc. become deductible.

The Group has judged that it is more likely than not that it will realize the benefits of these deductible differences as of March 31, 2022. However, the period in which taxable income is generated and the amount are affected by future changes in uncertain economic conditions. If the period in which taxable income is actually generated and the amount differs from the estimates in and after the next fiscal year, this may affect operating results, etc.

<u>Viewpoints in making accounting estimates</u>

Impact of the novel coronavirus disease (COVID-19)

Significant accounting estimates based on future earnings forecasts in the fiscal year ended March 31, 2022 are based on the assumption that the impact of COVID-19 on the Group's business results will be limited, although the Group conducts its business activities globally and circumstances are different depending on regions. Therefore, COVID-19 posed no significant impact on the Group's accounting estimates or judgment involving estimates in the fiscal year under review.

This assumption has been judged to be based on the Management's best estimates as of March 31, 2022. However, if the actual progress of economic activities differs from the assumption, judgment of significant accounting estimates in and after the next fiscal year may be affected.

Impact of the Russia-Ukraine conflict

The consolidated statement of financial position as of March 31, 2022 includes components of the non-consolidated statement of financial position of LLC Hitachi Construction Machinery Eurasia (hereinafter referred to as "HCMR"), which is a consolidated subsidiary of the Company located in Russia.

Main items in HCMR's non-consolidated statement of financial position include trade receivables from sales agents of ¥20,087 million and inventories of ¥10,823 million. Although an allowance for doubtful receivables on trade receivables has been recorded by estimating their lifetime expected credit losses, such estimate is based on an assumption that the most recent conditions will be maintained over the collection period, in light of the financial conditions of sales agents, circumstances of industries to which their clients belong, recent status of collections, and other factors. While inventories have also been evaluated upon taking into account future sales plans based on orders received, the evaluation is based on an assumption that the inventories will be sold according to the plan as they are primarily held to fulfill the outstanding orders received.

This assumption has been judged to be based on the Management’s best estimates as of March 31, 2022. However, the impact of the Russia-Ukraine conflict on economic activities contains uncertainties. If the actual progress of economic activities and other developments differ from the estimates, accounting estimates in and after the next fiscal year may be affected, posing a risk of significant changes to the evaluations on allowance for doubtful receivables and inventories.

3. Notes to the consolidated statements of financial position

(Millions of yen)

(1) Matters pertaining to provisions directly deducted from assets

Trade receivables	10,331
Other financial assets	46

(2) Matters pertaining to accumulated depreciation and impairment losses of assets

Right-of-use assets	53,979
Property, plant and equipment	445,362

(3) Matters concerning guarantee obligations

The Group's guarantee obligations and guarantee commitment associated with borrowings from financial institutions are as follows:

Guarantee obligations	64,003
Guarantee commitment	49

(4) Assets pledged as collateral

Trade receivables	6,796
Inventories	12,529
Property, plant and equipment	62,717
Liabilities corresponding to the above	
Trade and other payables (current)	4,067
Bonds and borrowings (current)	21,986
Trade and other payables (non-current)	8,495
Bonds and borrowings (non-current)	25,989

4. Notes to the consolidated statements of changes in equity

(1) Total number of issued shares Common stock 215,115,038

(2) Number of treasury shares Common stock 2,464,315

(3) Matters pertaining to distribution of surplus

(i) Dividends paid

Resolved by	Class of shares	Source of dividends	Total dividends paid (Millions of yen)	Dividend per share (yen)	Record date	Effective date
The Board of Directors meeting held on May 24, 2021	Common stock	Retained earnings	2,127	10	March 31, 2021	May 31, 2021
The Board of Directors meeting held on October 26, 2021	Common stock	Retained earnings	9,569	45	September 30, 2021	November 30, 2021

(ii) Dividends on common stock whose record date falls in the fiscal year under review and whose effective date falls in the following fiscal year

To be resolved by	Class of shares	Source of dividends	Total dividends paid (Millions of yen)	Dividend per share (yen)	Record date	Effective date
The Board of Directors meeting held on May 23, 2022	Common stock	Retained earnings	13,822	65	March 31, 2022	May 31, 2022

(4) Matters pertaining to share award rights and subscription rights to shares

No applicable matters

5. Notes on financial instruments

(1) Matters pertaining to financial instruments

The Group is engaged in business activities worldwide and may be affected by various risks such as interest rate risk, currency exchange risk and credit risk.

(i) Market risk

Since the Group conducts manufacturing activities worldwide and has customers all over the world, trade receivables and payables denominated in foreign currencies are exposed to currency exchange fluctuation risk. In addition, some long-term debts held by the Company and certain consolidated subsidiaries to finance capital investments and working capital are floating-interest bearing, and thus are exposed to interest rate fluctuation risk.

i) Interest rate risk

The Group is exposed to interest rate fluctuation risk mainly related to long-term debts. In order to minimize this risk, the Group enters into interest rate swap agreements to manage the fluctuation risk of cash flows. The interest rate swaps entered into are receive-variable, pay-fixed agreements. Under the interest rate swaps, the Group receives variable interest rate payments on long-term debts, including long-term borrowings, and makes fixed interest rate payments, thereby creating fixed interest rate long-term debt.

ii) Currency exchange risk

The Group holds assets and liabilities exposed to currency exchange risk. In order to hedge this risk, the management uses forward exchange contracts or cross currency swaps.

iii) Equity instruments price volatility risk

The Group holds listed stock of entities with which it has business relationships and is exposed to price volatility risk of equity instruments. In order to manage this risk, market values of such equity instruments and the financial condition of issuing entities are monitored on a regular basis, and holding of such equity instruments is continuously reviewed.

(ii) Credit risk (risk of non-performance, etc. of counterparties)

The Group extends credit to customers through various operating transactions and is exposed to credit risk associated with potential losses from credit deterioration or bankruptcy, etc. of the customers. In order to manage this risk, the Credit Management Division of the Company and its consolidated subsidiaries regularly monitors the conditions of the customers for trade receivables exposed to credit risk in accordance with credit management rules so that the due dates and balances are assessed for individual customers and the risk of doubtful receivables due to deterioration, etc. in the customers' financial conditions, etc. are identified in a timely way and mitigated. Basically, no significant concentration of credit risk is present as the Group has transactions with customers in various geographical areas.

Since securities held to maturity are highly rated securities, the Group finds little credit risk.

In addition, the Group enters into derivative transactions only with counterparties that are highly rated financial institutions; therefore, the Group considers the counterparty risk is remote.

With the exception of guarantee obligations, the maximum exposure of the Company and its consolidated subsidiaries to credit risk equals the financial assets' carrying amount after impairment reported in the consolidated statements of financial position, if collateral held is not considered.

(iii) Liquidity risk (risk of becoming unable to make payment on the due date)

The Finance Department within the Group prepares and updates cash management plans based on a report from each department. The Group maintains a commitment line and credit line to mitigate liquidity risk while minimizing liquidity in hand to enhance capital efficiency.

(iv) Capital management

In pursuing sustainable growth, the Group has made upfront investments including investments in technology development and facilities based on medium- and long-term business strategies. With the principal capital management policy of maintaining and strengthening its sound financial structure, the Group closely monitors the balance of interest-bearing liabilities, net of cash, deposits, and pooled deposits.

(2) Matters pertaining to fair value, etc. of financial instruments

(i) Fair value measurements

The following methods and assumptions are used to measure the fair value of financial assets and financial liabilities.

i) Cash and cash equivalents, trade receivables and trade and other payables

Current portion of cash and cash equivalents, trade receivables and trade and other payables are settled in a short period, and thus, their carrying amount reasonably approximates the fair value. Fair value of non-current items is determined at the present value of expected cash flows from principal and interest discounted by the rate that would be reasonably applied to new transactions.

ii) Other financial assets and other financial liabilities

Other financial assets include other receivables and loans receivable, and other financial liabilities mainly include deposits. Current items are settled in a short period, and thus their carrying amount reasonably approximates the fair value. As for investment securities classified as financial assets measured at FVTOCI, the fair value of listed stock is determined based on a market price quoted on an exchange. The fair value of non-listed stock is determined based on a valuation technique using observable inputs such as quoted market prices of comparable companies as well as unobservable inputs. The fair value of derivative instruments, which are FVTPL financial assets or financial liabilities, is determined based on prices obtained from financial institutions. The fair value of liabilities for written put options over non-controlling interests is calculated by the method where future cash flows are discounted.

iii) Bonds and borrowings

The fair value of unsecured debentures and borrowings is determined based on the expected future cash flows from principal and interest discounted at the rate that would be applied to additional borrowings and bonds with same terms and conditions.

(ii) Financial instruments measured at amortized cost

The carrying amounts and fair values of financial assets and financial liabilities measured at amortized cost are as follows. Financial assets and financial liabilities whose carrying amounts reasonably approximate the fair values are not included.

(Millions of yen)

Classification	Carrying amount	Fair value
Assets		
Trade receivables	304,195	306,090
Liabilities		
Trade and other payables	231,336	231,602
Bonds and borrowings	353,107	352,460

(iii) Financial instruments measured at fair value in the consolidated statements of financial position

Financial instruments measured at fair value on a recurring basis after the initial recognition are classified into three (3) levels of the fair value hierarchy based on the measurement inputs' observability and materiality as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets
Level 2: Valuations measured by direct or indirect observable inputs other than Level 1
Level 3: Valuations measured by significant unobservable inputs

When several inputs are used for a fair value measurement, the level is determined based on the input with the lowest level in the fair value measurement as a whole.

Transfers between levels are deemed at the beginning of each quarter period.

The following tables present the financial assets and financial liabilities that are measured at fair value on a recurring basis.

(Millions of yen)

As of March 31, 2022	Level 1	Level 2	Level 3	Total
FVTOCI financial assets:				
Other financial assets	6,606	–	9,609	16,215
Stock				
FVTPL financial assets:				
Other financial assets				
Derivative assets	–	2,012	–	2,012
Other financial assets	–	–	497	497
Total financial assets	6,606	2,012	10,106	18,724
FVTPL financial liabilities:				
Other financial liabilities				
Derivative liabilities	–	(8,256)	–	(8,256)
Other:				
Other financial liabilities				
Liabilities for written put options over non-controlling interests	–	–	(3,877)	(3,877)
Total liabilities	–	(8,256)	(3,877)	(12,133)

The following tables present the changes in Level 3 financial instruments measured at fair value on a recurring basis for the fiscal year under review.

(Millions of yen)

	Year ended March 31, 2022
Balance at beginning of the year	9,566
Total gain/(loss)	185
Other comprehensive income	185
Purchased	455
Sold	(44)
Other	(56)
Balance at end of the year	10,106

6. Notes on per share information

(1) Equity per share attributable to owners of the parent ¥2,876.11
(2) Net income attributable to owners of the parent per share (basic) ¥356.57

7. Notes on revenue recognition
(1) Disaggregation of revenue
The Group derives revenues primarily from contracts with customers. The following table shows the disaggregation of revenue attributable to each reportable segment and geographic area of the Company.

(Millions of yen)

	Construction Machinery Business	Solution Business	Total revenues
Japan	216,896	28	216,924
The Americas (Note)	176,136	43,020	219,156
Europe	123,855	325	124,180
Russia-CIS, Africa, and Middle East	94,178	7,121	101,299
Asia and Oceania	271,296	40,014	311,310
China	51,496	596	52,092
Total	933,857	91,104	1,024,961

(Note) Revenues of the Construction Machinery Business segment in the Americas for the fiscal year under review included an adjustment of ¥11.1 billion, which is a revenue related to performance obligations that were satisfied in prior periods. The adjustment follows the agreement on the dissolution of the joint venture with Deere & Company, which allowed the finalization of selling prices on sales in the Americas that had been recorded provisionally while negotiation was underway. Subsequent to this decision, other non-current liabilities related to the relevant transactions, previously recorded as liabilities, have been reversed.

(2) Information about satisfaction of performance obligations
The following is information about satisfaction of performance obligations related to major goods and services of each reportable segment.

(Construction Machinery Business)
The Construction Machinery Business primarily provides customers with hydraulic excavators, ultra-large-sized hydraulic excavators, wheel loaders, and other products as well as parts related to these products.
Since performance obligations for sale of products and parts are satisfied at a point in time upon completion of the sale and customers' acceptance and inspection of the goods, revenue is recognized when control over the goods is transferred to customers. Conditions for acceptance, such as loading to a ship, receipt by the customer,

completion of performance tests, are determined under contracts with customers or relevant agreements. Consideration for a transaction is generally collected within four (4) months after the relevant performance obligations are satisfied. Because the period between when performance obligations are satisfied and when consideration is received is usually within one (1) year, a practical expedient is adopted and these receivables are not adjusted for significant financing components. Although there are some transactions for which consideration is collected over a period longer than one (1) year, they are immaterial.

Revenue from periodic maintenance services and paid product guarantee services is recognized when the provision of services is completed or over the period during which services are provided. Conditions for completion of services to be provided, such as receipt of a completion report, are determined under contracts with customers or relevant agreements.

Consideration for a transaction is usually paid in fixed amounts every one (1) to three (3) months in case of periodic maintenance services. For paid product guarantee services, consideration for the duration of a contract is collected in advance at the time of executing the contract. Because the period between when performance obligations are satisfied and when consideration is received is usually within one (1) year, a practical expedient is adopted and these receivables are not adjusted for significant financing components. Although there are some transactions for which consideration is collected over a period longer than one (1) year, they are immaterial. In contracts with some customers, revenue is measured at the amount of promised consideration less discounts, sales returns and the like.

(Solution Business)

The Solution Business provides customers with parts services, etc. that are not included in the Construction Machinery Business Segment. Since performance obligations are principally satisfied at a point in time upon completion of the sale and customers' acceptance and inspection of the goods, revenue is recognized when control over the goods is transferred to customers. For certain transactions whereby goods are supplied to customers over a long period of time, progress toward satisfaction of the performance obligation is measured and revenue is recognized over the duration of the contract in light of the nature of the goods provided to customers. With regard to services, etc. offered, uniform services are mainly provided according to the duration of the contract, and revenue is recognized over time based on the passage of time.

Because the period between when performance obligations are satisfied and when consideration is received is usually within one (1) year, a practical expedient is adopted and these receivables are not adjusted for significant financing components. Although there are some transactions for which consideration is collected over a period longer than one (1) year, they are immaterial.

(3) Information about contract balances

The following table shows the beginning and ending balances of the Group's trade receivables, contract assets and contract liabilities from contracts with customers.

For the year ended March 31, 2022

(Millions of yen)

	April 1, 2021	March 31, 2022
Trade receivables	247,807	304,195
Contract assets	4,845	4,816
Contract liabilities	10,870	20,880

Of the revenue recognized during the fiscal year under review, the amount included in contract liabilities at the beginning of the fiscal year was ¥8,818 million. There is no revenue related to performance obligations that were satisfied in prior periods and no cumulative catch-up adjustment to revenue. Impairment losses on trade receivables and contract assets recognized during the fiscal year under review were ¥122 million.

Contract assets, which arise when goods or services are transferred before receipt of consideration or performance by an entity is completed, mainly correspond to transactions in the Solution Business segment involving manufacture and sale of large metal casted products in specific countries, in which the process from contract execution to delivery takes a long period of time. These contract assets are contractual rights to receive consideration on the condition of delivering finished products in the future. These rights are derived according to the progress of contractual product manufacturing carried out for the purpose of receiving consideration in the future, and contract assets are reclassified to receivables when performance obligations are satisfied through delivery of products. The Construction Machinery Business segment has no material transactions related to contract assets.

Contract liabilities, which arise when consideration is received or payment becomes due before goods or services are transferred, are mainly advances received from customers as payments for products in relation to sales of construction machinery and paid product guarantee service contracts. Performance obligations are considered to be satisfied upon the fact of having performed the obligation to deliver products in case of sales of construction machinery, and the lapse of the period over which guarantee is offered in case of paid product guarantee service contracts, and contract liabilities are reclassified to revenue when performance obligations are satisfied.

(4) Transaction price allocated to remaining performance obligations

The following table shows the balances of performance obligations to be performed in relation to contracts for products and services as of the end of the previous fiscal year and the end of the fiscal year under review.

(Millions of yen)

	April 1, 2021	March 31, 2022
Products and services	2,050	10,913

During the fiscal year under review, pursuant to a licensing agreement executed following the dissolution of the joint venture with Deere & Company, the Group received a lump-sum payment of royalties pertaining to the use of technology license required for assembly of components for existing machinery to be supplied to hydraulic excavator manufacturing and sales locations in the United States and Brazil. The payment was accounted for as a contract liability.

The Group expects to perform roughly 70% of the balance of performance obligations to be performed as of March 31, 2022 within three (3) years, and roughly 30% after three (3) years and within five (5) years.

There is no significant amount of consideration arising from contracts with customers that is not included in the transaction price.

(5) Assets recognized from the costs incurred for obtaining or fulfilling contracts with customers

In the Group, there were no costs incurred for obtaining or fulfilling contracts with customers during the fiscal year under review.

8. Notes on significant subsequent events

No applicable matters.

9. Other notes

(1) Notes to the consolidated statements of income

The main components of other income are as follows:

(Millions of yen)

Category	Amount
Gain on sales of property, plant and equipment (Note 1)	4,691
Subsidy income	232
Gain on business restructuring (Note 2)	8,755
Other	3,534
Total	17,212

(Note 1) Gain on sales of property, plant and equipment

Gain on sales of property, plant and equipment for the fiscal year under review was mainly attributable to the sale of land adjacent to the Hitachinaka Works of the Company.

(Note 2) Gain on business restructuring

Gain on business restructuring for the fiscal year under review was attributable to the sale of shares held by the Company in Deere-Hitachi Construction Machinery Corp. and Deere-Hitachi Maquinas de Construcao do Brasil S.A., which had been equity-method affiliates of the Company.

The main components of other expenses are as follows:

(Millions of yen)

Classification	Amount
Loss on sales of property, plant, and equipment	94
Loss on disposal of property, plant and equipment	1,413
Impairment of property, plant, and equipment	196
Expenses for business structure reform (Note)	595
Other	1,842
Total	4,140

(Note) Expenses for business structure reform

Expenses for business structure reform recognized for the year ended March 31, 2022 include a special severance payment and so forth.

XII. Notes to the Non-Consolidated Financial Statements

Amounts shown are rounded off to the nearest one million yen.

1. Notes on matters pertaining to significant accounting policies

(1) Valuation standards and valuation methods for securities

Investments in subsidiaries and affiliates

Stated at cost based on the moving-average method.

Available-for-sale securities

Securities with fair value: Stated at fair value as of the end of the fiscal year.

(Any changes in unrealized holding gain or loss, net of the applicable income taxes, are directly included in net assets, and the cost of securities sold is calculated by the moving-average method.)

Securities without fair value: Stated at cost based on the moving-average method.

(2) Valuation standards and valuation methods for inventories

Merchandise and finished goods, raw materials and supplies

Stated at cost based on the moving-average method.

Work in process

Stated at cost based on the specific identification method.

(In any case, the cost of inventories is written-down when their carrying amounts become unrecoverable.)

(3) Depreciation and amortization method for non-current assets

(i) Property, plant and equipment (excluding leased assets)

Amortized using the straight-line method.

(ii) Intangible assets (excluding leased assets)

Amortized using the straight-line method. Software for internal use is amortized using the straight-line method over the usable period (5 years).

(iii) Leased assets

Leased assets under finance lease transactions where the ownership of the assets is not considered to be transferred

Depreciated using the straight-line method by using their useful lives as the lease period and assuming zero residual value.

(4) Allowances and provisions

(i) Allowance for doubtful accounts

To prepare for bad debt losses from uncollectible receivables, a general provision for doubtful accounts is provided by applying a certain reserve percentage of the receivables based on experience from past transactions. Specific provision is provided based on the assessment of the collectability of individual receivables.

(ii) Provision for retirement benefits

To prepare for the payment of retirement benefits to employees, the amount based on the estimated retirement benefit obligations and fair value of plan assets as of the end of the current fiscal year is recognized as provision for retirement benefits.

Accounting for provision for retirement benefits and retirement benefit expenses are as follows:

i) The method to attribute expected benefits to periods of service

In calculating retirement benefits obligations, expected benefit is attributed to periods of service up to the current fiscal year based on the benefit formula basis.

ii) The method of recognizing actuarial gains and losses and prior service costs as expenses

Actuarial gains and losses are recognized as expenses from the next year of occurrence on a straight-line method over the average remaining service periods of employees expected in the year of occurrence.

Prior service costs are recognized as expenses on a straight-line method over the expected average remaining service periods of employees from the year of occurrence.

Treatment of unrecognized actuarial gains and losses and unrecognized prior service costs in the non-consolidated balance sheets differs from that in the consolidated statements of financial position.

(5) Revenue and expenses

The Company recognizes revenue in accordance with the following five-step approach.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the separate performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Company conducts multiple transactions to meet its customers' needs which may involve the delivery or performance of multiple elements, such as goods or services. When the Company enters into multiple contracts for providing the goods or services, related contracts are combined based on interdependencies between each contract's consideration and the time the Company entered into such contracts, and the transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service for the purpose of recognizing revenue, and revenue is recognized when ownership is deemed to have been transferred.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer. Variable consideration, such as discounts and rebates, is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The promised amount of consideration does not include a significant financing component, because ordinary transactions are completed with payments within one (1) year.

In estimating the stand-alone selling price, the Company considers various factors such as market conditions, market price of competing products, etc., cost of products, and customers' business conditions.

For transactions whereby control over goods and services, etc. is transferred over time, the Company measures its progress towards complete satisfaction of that performance obligation on the basis of output or input methods in consideration of the nature of the goods and services for the purpose of recognizing revenue. When the Company cannot reasonably measure the progress, revenue is recognized only to the extent of the costs incurred.

The Company recognizes the incremental costs of obtaining a contract with a customer and the costs directly related to fulfilling a contract as an asset if those costs are expected to be recovered, and those assets are amortized based on the methods used to recognize revenue of the goods or services to which the assets relate. The Company recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset is less than one (1) year.

(6) Accounting for deferred assets

(i) Share issuance cost

Share issuance costs are fully recognized as expenses when paid.

(ii) Bond issuance cost

Bond issuance costs are fully recognized as expenses when paid.

(7) Method of hedge accounting

(i) Method of hedge accounting

Deferral hedge accounting is applied.

(ii) Hedging instruments and hedged items

The Company uses forward exchange contracts to mitigate foreign currency exchange risks associated with import and export transactions. It also engages in interest rate swap agreements according to respective financing periods, to fix the risk of fluctuations in cash flows in long-term borrowings.

(iii) Hedging policy

As currency related derivative transactions are mainly used to hedge the foreign exchange risk associated with sales contracts denominated in U.S. dollars, the use of derivatives is limited to the amount of accounts receivable - trade and sales contracts denominated in foreign currencies.

Through interest-related derivative transactions, the Company aims to fix the interest rate for each long-term borrowing at the prevailing market rate as of each fund procurement since the Company emphasizes obtaining long-term borrowings at stable interest rates.

(iv) Method of assessing hedge effectiveness

Effectiveness of hedging activities is assessed by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges up to the time of assessment.

(8) Valuation standard and valuation method for derivative financial instruments

Derivative financial instruments are measured at fair value.

(9) Translation of foreign currency-denominated assets and liabilities into yen

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the spot exchange rates as of the fiscal year-end. Foreign exchange gains and losses are recognized in profit or loss.

(10) Consolidated tax return

The Company adopted consolidated income tax return filing.

(11) Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

The Company will transition from the consolidated taxation system to the group tax sharing system in the next fiscal year. However, as for items regarding the transition to the group tax sharing system introduced in the “Act Partially Amending the Income Tax Act” (Act No. 8 of 2020) and items revised on non-consolidated taxation system in connection with the transition to the group tax sharing system, the Company has not applied the provisions of paragraph (44) of the “Guidance on Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018) as allowed by the provisions of paragraph (3) of the “Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020). Accordingly, amounts of deferred tax assets and deferred tax liabilities are determined in accordance with the provisions of the tax law before revision.

The Company also plans to apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021), which stipulates procedures for the accounting and disclosure of national corporate tax, local corporate tax, and tax effect accounting when applying the group tax sharing system, from the beginning of the next fiscal year.

2. Notes on changes in accounting policies

(1) Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year under review, and in accordance with the transitional treatment prescribed in paragraph (19) of the Accounting Standard for Fair Value Measurement and paragraph (44)-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the new accounting policies set forth in the Accounting Standard for Fair Value Measurement and relevant regulations have been applied prospectively. This change in accounting policies had no impact on the fiscal year under review.

(2) Application of Accounting Standard for Revenue Recognition, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

Furthermore, with the application of the standard from the fiscal year under review, the "unearned revenue" has been changed to "contract liabilities" and "net sales" has been changed to "revenue."

This change in accounting policies has no impact.

3. Notes on accounting estimates

(1) Valuation of shares of subsidiaries and affiliates with no market price

(i) Amounts recorded in the non-consolidated financial statements as of March 31, 2022

Shares of subsidiaries and affiliates with no market price: ¥141,156 million

Of the above amount, carrying amounts of major shares of subsidiaries and affiliates acquired through M&A, etc.

- Bradken Pty Limited ¥58,766 million
- H-E Parts International LLC ¥20,713 million

(ii) Information contributing to understanding of accounting estimates

As for shares of subsidiaries and affiliates, if the actual value of a share has decreased significantly after comparison between the actual value and the purchase price of the share, the recoverability is assessed in light of business performance based on the company's business plan. For the business plan, actual results in and after the next fiscal year often differ from the plan due to risks related to changes in business environment and other factors. If actual results are different, this may affect operating results, etc.

In addition, certain shares of subsidiaries and affiliates acquired through M&A, etc. are assessed based on the actual value in view of excess earning power calculated in measurement of the company's corporate value at the time of acquisition, and others. Whether or not excess earning power, etc. is impaired is affected by future achievability of the business plan. If the business plan is not achieved and excess earning power is impaired in and after the fiscal year, this may affect operating results, etc.

(2) Recoverability of deferred tax assets

(i) Amounts recorded in the non-consolidated financial statements as of March 31, 2022

Deferred tax assets: ¥5,440 million

(ii) Information contributing to understanding of accounting estimates

Notes are omitted as the same information is provided in "(2) Recoverability of deferred tax assets" in "2. Notes on accounting estimates" in the Notes to the Consolidated Financial Statements.

Viewpoint for the impact of the novel coronavirus disease in making accounting estimates

Significant accounting estimates based on future earnings forecasts in the fiscal year ended March 31, 2022 are based on the assumption that the impact of COVID-19 on the Company's business results will be limited, although the Company conducts its business activities globally and circumstances are different depending on regions. Therefore, COVID-19 posed no significant impact on the Company's accounting estimates or judgment involving estimates in the fiscal year under review.

This assumption has been judged to be based on the Management's best estimates as of March 31, 2022. However, if the actual progress of economic activities differs from the assumption, judgment of significant accounting estimates in and after the next fiscal year may be affected.

(Changes in presentation)

Non-consolidated balance sheets

"Asset retirement obligations," which had been stated separately under "non-current liabilities" in the previous fiscal year, is included in "others," from the fiscal year under review due to its decreased materiality.

"Contract liabilities," which had been included in "others" under "non-current liabilities" in the previous fiscal year, is stated separately from the fiscal year under review due to its increased materiality.

The amount of "contract liabilities" for the previous fiscal year was ¥1,316 million.

Non-consolidated statements of income

"Gain on sales of property, plant and equipment," which had been included in "miscellaneous income" under "non-operating income" in the previous fiscal year, is stated separately under "extraordinary income" from the fiscal year under review due to its increased materiality.

4. Notes to the non-consolidated balance sheets

	(Millions of yen)
(1) Accumulated depreciation for property, plant and equipment	177,684
(2) Guarantee obligations	
Guarantees	59,416
Guarantee commitment	49
(3) Monetary claims and monetary debts to subsidiaries and affiliates	
Short-term monetary claims	255,782
Short-term monetary debts	49,589

5. Notes to the non-consolidated statements of income

	(Millions of yen)
(1) Transactions with subsidiaries and affiliates	
Operating transaction	
Sales	438,679
Purchase	176,899
Total amount of non-operating transactions	41,473

6. Notes to the non-consolidated statements of changes in equity

Number of treasury stock as at the last day of the fiscal year ended March 31, 2022

Common stock 2,464,315 shares

7. Notes on revenue recognition

Information that forms the basis for understanding revenue is provided in "(iv) Other important matters for compiling consolidated financial statements" in "(5) Matters pertaining to accounting policies" of "1. Notes, etc. on basis of presenting consolidated financial statements" in the Notes to the Consolidated Financial Statements and "(5) Revenue and expenses" of "1. Notes on matters pertaining to significant accounting policies" in the Notes to the Non-consolidated Financial Statements.

Information on disaggregation of revenue and information for understanding the amounts of revenue in the fiscal year under review as well as in and after the next fiscal year are omitted as the same information is provided in "7. Notes on revenue recognition" in the Notes to the Consolidated Financial Statements.

8. Notes on tax effect accounting

Components of deferred tax assets and deferred tax liabilities by major cause

(Millions of yen)

Deferred tax assets	
Net operating loss carryforwards	1,882
Accrued business tax	470
Provision for bonuses	1,973
Accrued expenses	2,339
Allowance for doubtful accounts	94
Write down of inventories	1,571
Loss on valuation of shares of subsidiaries and affiliates	12,825
Loss on valuation of investment securities	122
Provision for retirement benefits	2,553
Foreign tax credit carryforwards	232
Excess over depreciation limit	1,790
Others	926
Subtotal of deferred tax assets	26,775
Valuation allowance on tax loss carryforwards	(1,738)
Valuation allowance on total deductible temporary differences	(14,787)
Subtotal of valuation allowance	(16,525)
Total	10,250
Deferred tax liabilities	
Prepaid pension costs	2,757
Reserve for reduction entry	380
Valuation difference on available-for-sale securities	989
Others	685
Total	4,810
Net deferred tax assets	5,440

9. Notes on related-party transactions

(1) Parent Company and major corporate shareholders, etc.

Attribute	Name of entity	Address	Common stock or investments	Business activities	Percentage of voting rights held (%)	Relationship with related party	Transaction	Transaction amount (Millions of yen)	Account	Balance as of March 31, 2022 (Millions of yen)
Parent Company	Hitachi, Ltd.	Chiyoda-ku, Tokyo	¥461,731 million	Manufacture, sales and service of electric machinery, equipment and various products	Held Direct 51.5	Lending and borrowing, etc. of funds Payment of brand value royalty Officers with concurrent positions	Repayment of borrowings (Note)	2	Accounts payable - other	6,163
							Interest on borrowings (Note)	36		
							Payment of brand value royalty	1,398		

Transaction terms and conditions or the policy for determining them, etc.

(Note) The Company participates in the cash pooling system of the Hitachi Group which aims at centralized management of funds, and the financial arrangements are made on a daily basis. Accordingly, the transaction amount shown is a change from the balance at the end of the fiscal year ended March 31, 2021.
Interest rates on deposits and borrowing of funds are decided considering the market interest rates. No collateral is provided.

(2) Subsidiaries, etc.

Attribute	Name of entity	Address	Common stock or investments	Business activities	Percentage of voting rights held (%)	Relationship with related party	Transaction	Transaction amount (Millions of yen)	Account	Balance as of March 31, 2022 (Millions of yen)
Subsidiary	Hitachi Construction Machinery Tierra Co., Ltd.	Koka-city, Shiga	¥1,441 million	Manufacturing, sales and services of mini excavators	Holding Direct 100.0	Manufacturing of the Company's products Lending and borrowing, etc. of funds	Purchase, etc. of products (Note 1)	95,915	Accounts payable - trade	13,280
							Receipt of deposits (Note 3)	3,608	Deposits received	20,122
							Payment of interest (Note 4)	23		
Subsidiary	Hitachi Construction Machinery Japan Co., Ltd.	Soka-city, Saitama	¥5,000 million	Rental, sales and services of construction machinery	Holding Direct 100.0	Sales, leasing and services of the Company's products Lending and borrowing, etc. of funds Officers with concurrent positions	Sales, etc. of products (Notes 2 and 6)	126,021	Accounts receivable - trade	33,709
							Lending of funds (Note 3)	7,119	Short-term loans receivable	30,123
							Receipt of interest (Note 4)	76		
Subsidiary	Hitachi Construction Machinery Leasing Co., Ltd.	Soka-city, Saitama	¥50 million	Installment sales and leasing of construction machinery, etc.	Holding Direct 100.0	Leasing of the Company's products Lending and borrowing, etc. of funds	Loans of funds (Note 3)	4,541	Short-term loans receivable	25,182
							Receipt of interest (Note 4)	75		
Subsidiary	Hitachi Construction Machinery Holding U.S.A. Corp.	United States North Carolina	1,000 thousand U.S. dollars	Sales, etc. of construction machinery	Holding Direct 100.0	Sales of the Company's products	Sales of products (Notes 2 and 5)	56,460	Accounts receivable - trade	3,294
Subsidiary	Hitachi Construction Machinery (Europe) N.V.	The Netherlands Oosterhout	70,154 thousand euros	Manufacturing, sales and services of construction machinery	Holding Direct 98.9	Manufacturing and sales of the Company's products	Sales, etc. of products (Note 2)	86,383	Accounts receivable - trade	37,799
Subsidiary	Hitachi Construction Machinery Americas Inc.	Georgia, U.S.A.	8,000 thousand U.S. dollars	Sales of construction machinery	Holding Direct 100.0	Sales of the Company's products Officers with concurrent positions	Sales, etc. of products (Note 2)	30,824	Accounts receivable - trade	20,695
							Lending of funds (Note 3)	18,359	Short-term loans receivable	18,359
							Receipt of interest (Note 4)	24		
Subsidiary	Hitachi Construction Machinery (Shanghai) Co., Ltd.	Shanghai, China	66,224 thousand RMB	Sales and services of construction machinery	Holding Direct 54.4	Borrowing, etc. of funds	Repayment of funds	8,316	Short-term borrowings	10,208
							Payment of interest (Note 4)	39		

Attribute	Name of entity	Address	Common stock or investments	Business activities	Percentage of voting rights held (%)	Relationship with related party	Transaction	Transaction amount (Millions of yen)	Account	Balance as of March 31, 2022 (Millions of yen)
Subsidiary	Hitachi Construction Machinery Oceania Holdings Pty., Ltd.	New South Wales, Australia	29,122 thousand Australian dollars	Sales and services of construction machinery	Holding Direct 100.0	Sales of the Company's products	Sales, etc. of products (Notes 2 and 5)	53,979	Accounts receivable - trade	26,010
Subsidiary	LLC Hitachi Construction Machinery Eurasia	Tver, Russia	1,739,357 thousand rubles	Manufacturing and sales of construction machinery	Holding Direct 100.0	Manufacturing and sales of the Company's products	Sales, etc. of products (Note 2)	24,882	Accounts receivable - trade	13,950
Affiliate	Acme Business Holdco, LLC	Delaware, U.S.A.	-	Rental and services of construction machinery	Holding Indirect 33.3	None	Guarantees (Note 7)	46,961	–	–
							Receipt of guarantee fees (Note 8)	74		

Transaction amounts are presented exclusive of consumption taxes, etc., and the year-end balances are presented inclusive of consumption taxes, etc. for transactions in Japan.
Transaction terms and conditions or the policy for determining them, etc.
(Note 1) Purchase prices are negotiated and decided in reference to market prices, etc. for each period.
(Note 2) Sale prices are negotiated and decided in reference to market prices, etc. for each period.
(Note 3) They represent loans and deposits of funds under the pooling system through which the funds of subsidiaries and affiliates, etc. are centralized into the Company and such funds are lent to subsidiaries and affiliates, etc. that are in need of funds, and the financial arrangements are made on a daily basis. Accordingly, the transaction amount shown is a change from the balance at the end of the fiscal year ended March 31, 2021.
Interest rates on loans and deposits of funds are decided considering the market interest rates.
(Note 4) Receipt and payment of interests are decided considering the market interest rates.
(Note 5) The transaction amount and the balance of accounts receivable - trade include those through trading companies.
(Note 6) The transaction amount and the balance of accounts receivable - trade include those through leasing companies.
(Note 7) This represents a guarantee provided with respect to a bank loan.
(Note 8) Guarantee fees are decided considering the market interest rates.

10. Notes on per share information

(1) Net assets per share ¥1,676.10
(2) Net income per share ¥317.84

11. Notes on significant subsequent events

No applicable matters.

12. Other notes

No applicable matters.