

## ESG Explanatory Meeting

December 15, 2020

### **Kotaro Hirano**

Executive Officer, President & CEO

### **Atsushi Tamane**

President, Sustainability Promotion Group

 **Hitachi Construction Machinery Co., Ltd.**



**1**

**The construction machinery industry is an essential business for supporting social infrastructure**

**2**

**Previous initiatives which are unique to HCM**

**3**

**Future initiatives aimed at solving social issues**

- 1. HCM Sustainability ~From the Past to the Future~**
- 2. Governance and Human Resources Form  
the Basis of Everything**
- 3. Solving Social Issues Through Business**
- 4. Summary**

# 1. HCM Sustainability

~From the Past to the Future~

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**National land development has been the objective of our business since its founding, and we have continuously contributed to post-war reconstruction and disaster recovery**

**"To pass on a productive environment and prosperous cities to future generations..."**

**HCM Group helps to create comfortable living spaces**

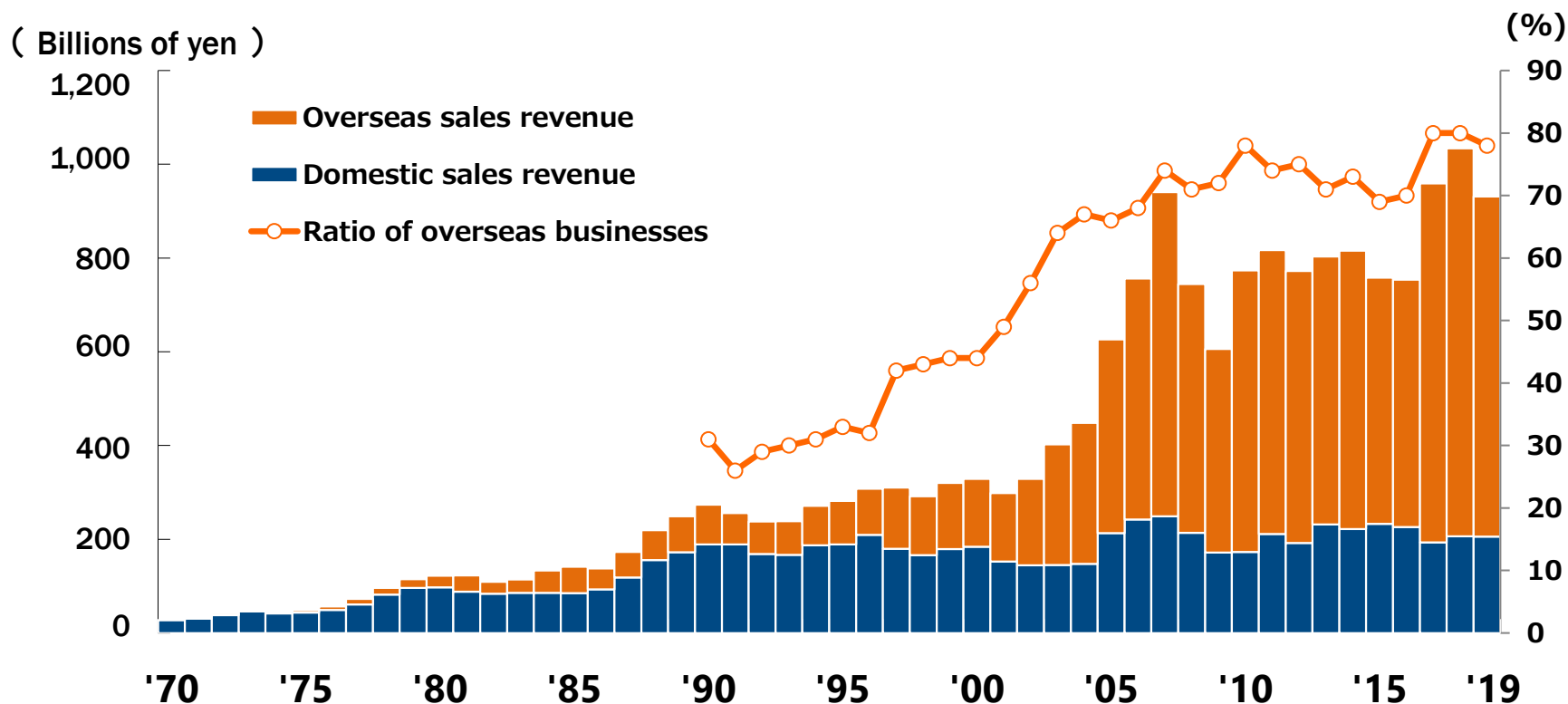
## **Corporate philosophy**

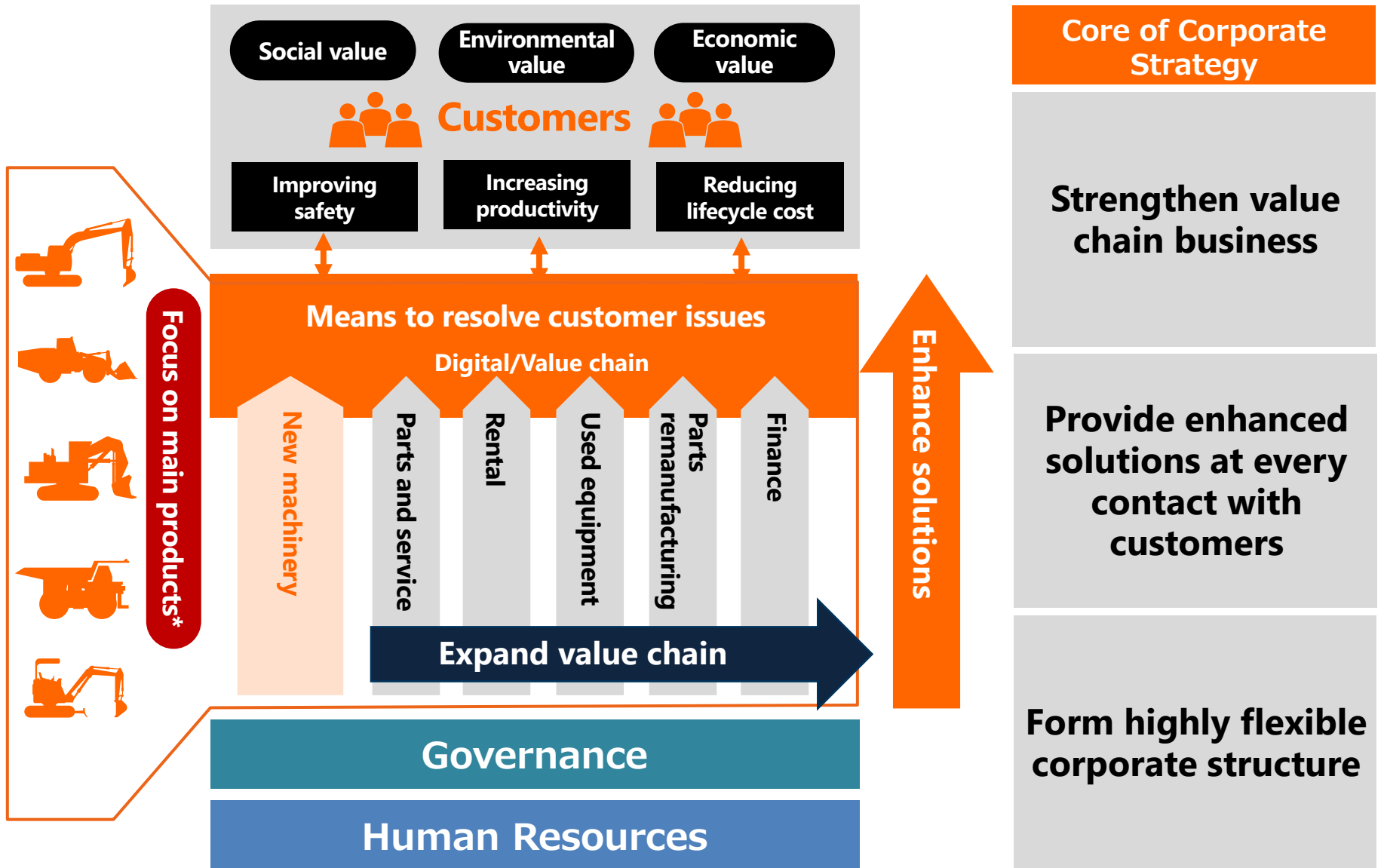
- **We are active in the evolution of “machinery” and the synergy between “people” and “work” that combines to create rich living spaces, making them more comfortable, highly developed and efficient.**
- **We consistently develop and provide our customers with the technology, products and services that generate new value.**
- **While maintaining profitable operations, we act as a “corporate citizen having good judgment” by staying in harmony with the environment and participating in cultural activities, striving for a symbiotic coexistence with society.**

# Seventy Years of Contributing to Building Fulfilling Land and Communities

Japan: contributing to post-war reconstruction and national land development

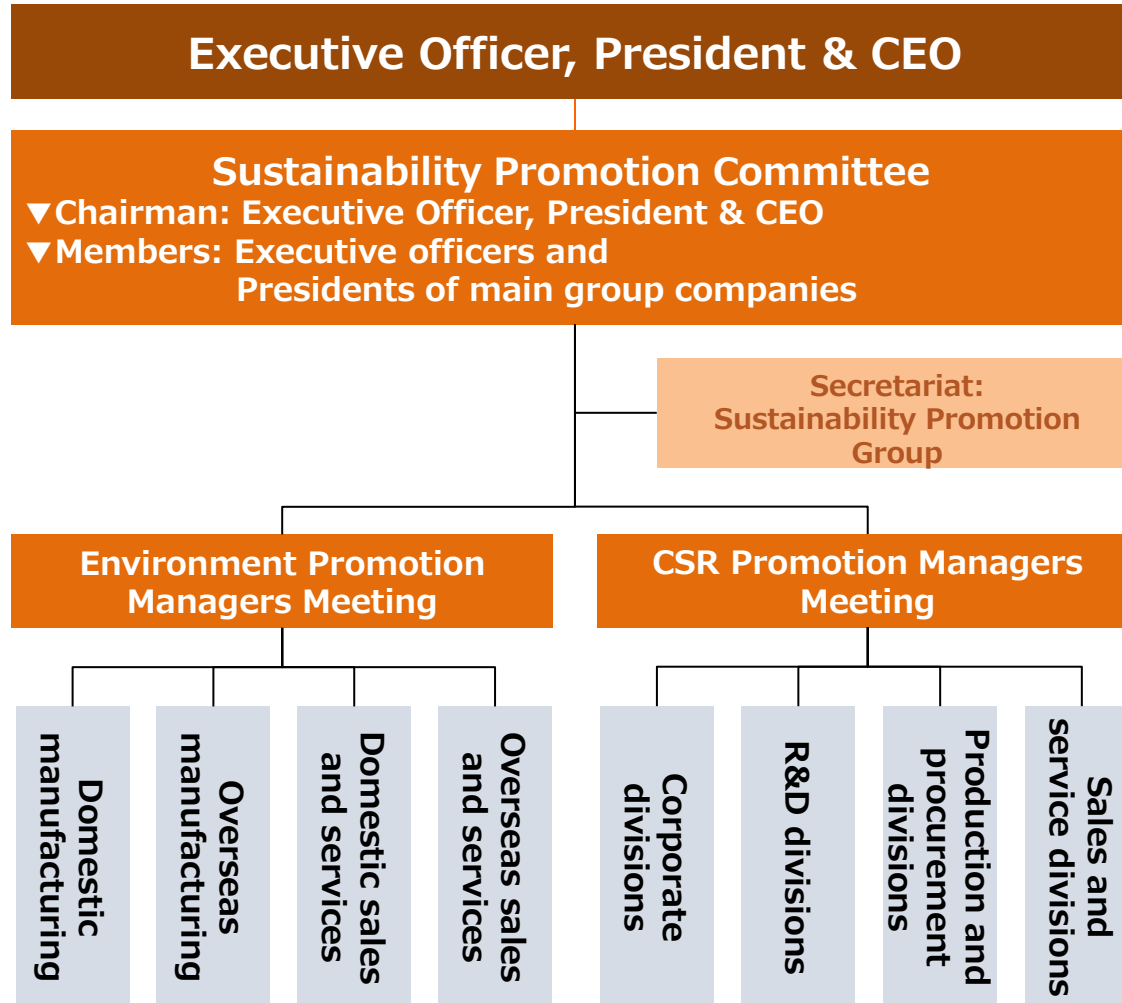
Overseas: contributing to infrastructure improvement and economic development in developing countries





\*Main products: Hydraulic excavator, Wheel loader, Dump truck, etc  
Other product group: Backhoe loader, Crawler crane, Bulldozer, Skid-steer loader

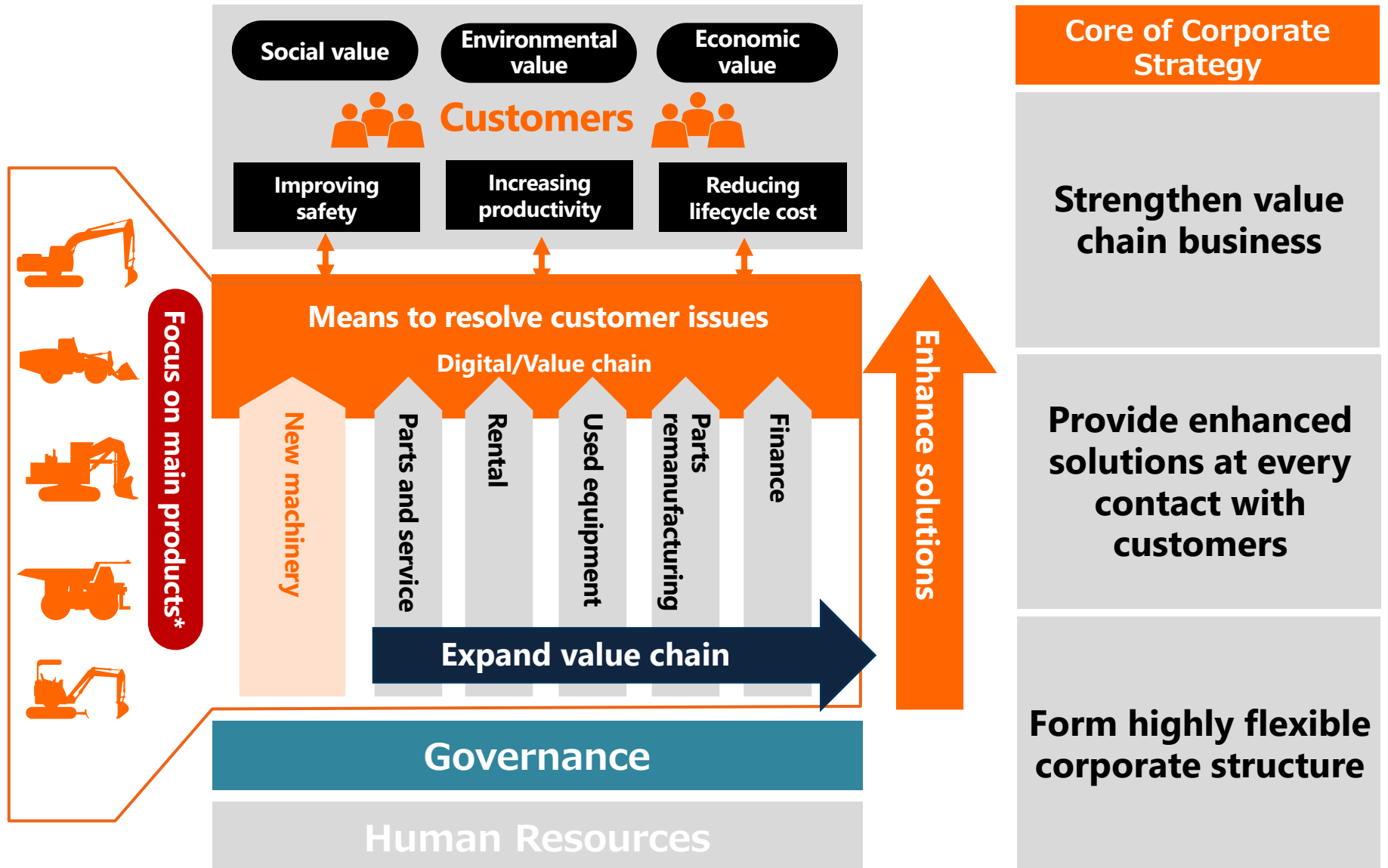
- Established the Sustainability Promotion Group in 2019 under the direct control of the President as a system to promote measures
- First disclosure of the ESG index and promotion involving each business division





## **2. Governance and Human Resources Form the Basis of Everything**

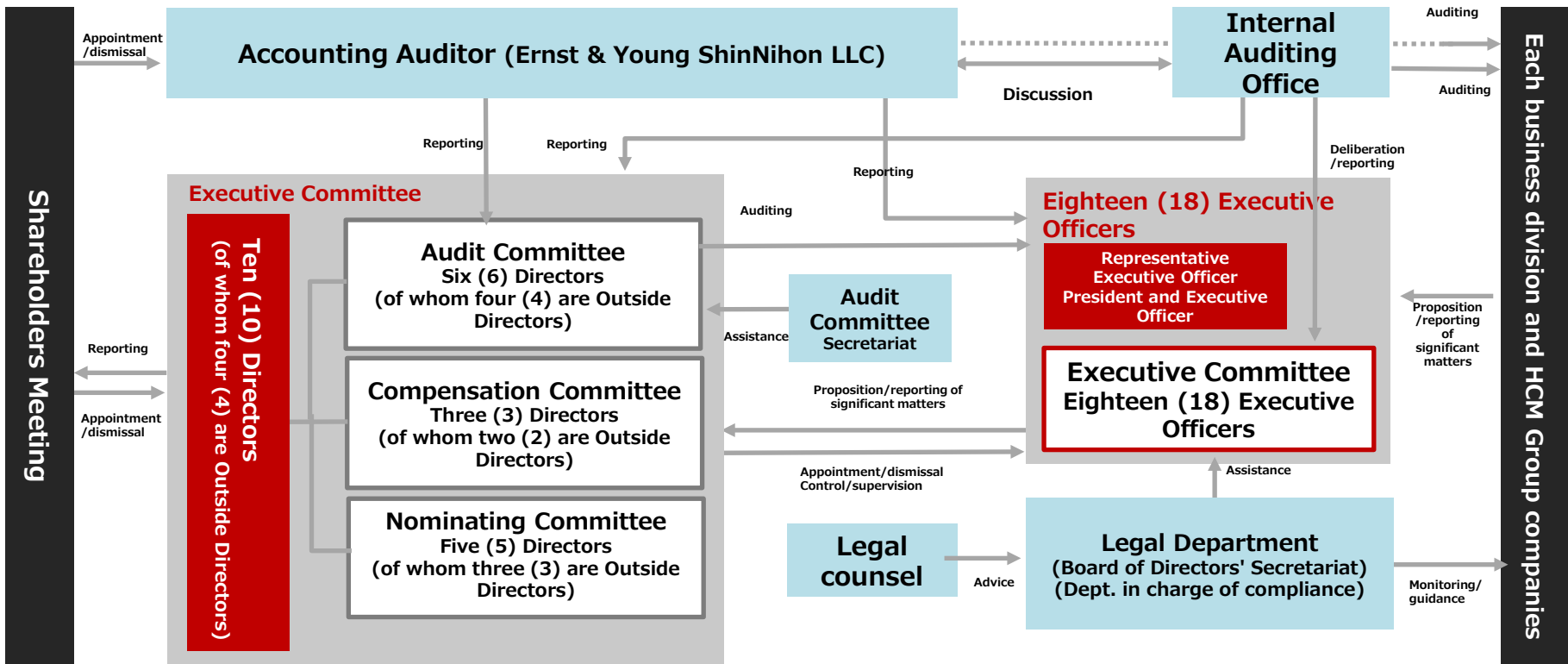
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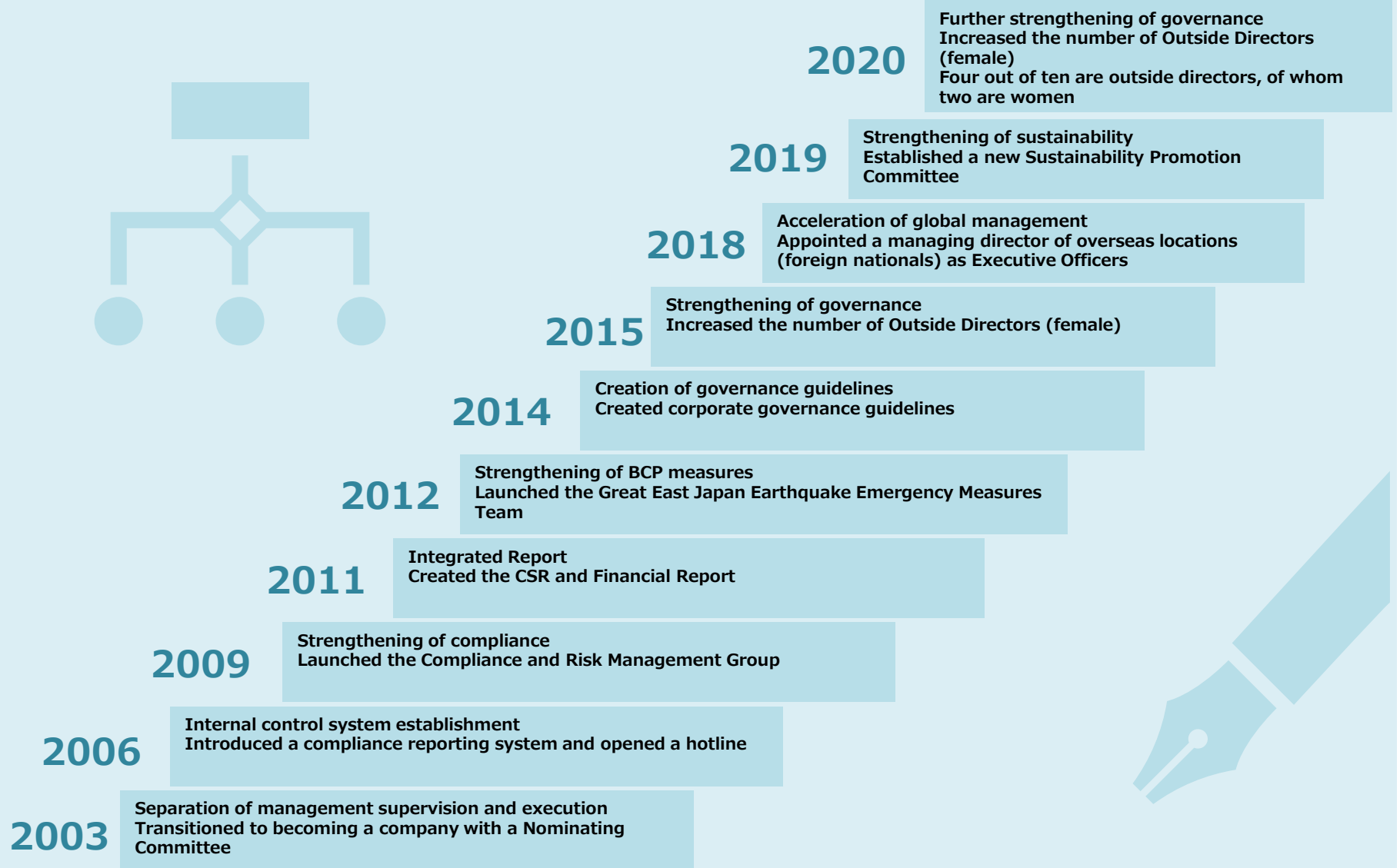
- In order to enhance competitiveness as a company and enhance corporate value over the long term, it is important to accurately understand global trends and shifts in the management environment as well as establish a structure for decision making.
- The HCM Group is strengthening its governance system with the goal of establishing a structure for the prompt and reliable execution of management strategies as well as the realization of a fair and transparent management style.

## Corporate governance system

As of July 20, 2020



## Initiatives to strengthen corporate governance



- Four out of ten are outside directors (of whom two are women)
- Discussions are carried out from a wide variety of perspectives by directors with extensive experience and knowledge of management, legal affairs, and accounting at global companies.

Name	Affiliated committees			Independent Director	Attributes	Reasons for election, expertise
	Nominating	Compensation	Auditing			
Hideaki Takahashi Chairman of the Board	○ Chairperson				From Hitachi, Ltd.	·Executive of an international company
Kazushige Okuhara	○		○	○	From another operating company	·Executive of an international company ·Human resources and labor policy
Maoko Kikuchi			○	○	Attorney	·Extensive experience and knowledge in the legal field ·Experience in deep insight as an executive and auditor
Haruyuki Toyama	○	○	○	○	From another operating company	·Extensive experience and knowledge in finance and financial affairs
Junko Hirakawa	○	○	○	○	Attorney	·Extensive experience and knowledge as a legal expert
Tetsuo Katsurayama			○ Chairperson		HCM	·Financial affairs
Michifumi Tabuchi					HCM	·Production technology
Seishi Toyoshima					HCM	·Human resources
Kotaro Hirano	○	○ Chairperson			HCM	·Production management and corporate planning
Kuniaki Minami			○		From Hitachi, Ltd.	·System development and project management

## Outside, female, and foreign national directors

FY2022

Outside directors: more than one third overall  
Female and foreign national directors: total of two or more

FY2030

Shift to a system suitable for strengthening the business and improving governance

Since FY 2015, we have been evaluating the effectiveness of the executive committee and checking that the effectiveness is improving year by year through evaluations and by repeatedly examining and putting measures for improvement into practice.

## Evaluation methods

Survey results are collected and analyzed by the Executive Committee Secretariat in two stages

(1) Survey of ten people: all Directors (February 19 to March 6, 2020)

(2) Interview of five people: Outside directors and personnel from Hitachi Ltd. (March 24, 26, and 31)

\*Implemented based on the survey results

### Survey items

1. Executive Committee composition
2. Executive Committee management condition
3. Composition and role of various committees (Nominating, Auditing, and Compensation)
4. Management condition of various committees (Nominating, Auditing, and Compensation)
5. Support system for Directors
6. Relationship with investors and shareholders
7. Topics (ESG and SDG initiatives)
8. Other freely entered statements
  - Formulation of management strategy, deliberation, and the decision-making process within the Executive Committee and the state of the strategy execution supervision process
  - Supervision of risk management and compliance within the Executive Committee

## Analysis and evaluation

- During the previous fiscal year, many items continue to be evaluated as "functioning" and "generally functioning."
- Issues (1) through (5) below were also raised during the previous fiscal year.
- While each item has been improved, it was confirmed that **further initiatives are required in order to further enable discussion within the Executive Committee.**

### Evaluation methods

### Future initiatives

- |   |   |
|---|---|
| 1. Executive Committee composition  | → Continue to verify the scale and composition of the Executive Committee   |
| 2. Executive Committee discussion methods   | → Provide information and ensure time for deliberation to engage in a more constructive discussion and exchange of views within the Executive Committee |
| 3. Discussions about the medium to long-term business strategy and corporate value enhancement in the Executive Committee or at other opportunities | → Formulate a medium to long-term business strategy to enhance corporate value and improve the discussion concerning progress management                |
| 4. Discussions regarding the successor plan and ensuring further opportunities to evaluate successor candidates                                     | → Ensure further opportunities to evaluate successor candidates based on the succession plan  |
| 5. Activities and operation of the Audit Committee  | → Reevaluate the activities and operation of the Audit Committee to strengthen global governance  |

Understand and analyze the business environment during ordinary times to carry out risk management by balancing the risks that the company should prepare for with further growth opportunities and apply that to the management strategy





## Basic policy

The goal of this policy is to standardize and improve the level of quality across the entire Group to achieve a globally uniform "Made by Hitachi" quality.

- In 2019, the Corporate Quality Assurance Group was changed to an organization under the direct control of the president
- Digitization initiatives
  - Prevent the shipping of machinery which does not comply with legal regulations by linking quality data using IT tools
    - Link the data (commercial test failure information, legal certification expiration information, qualification authentication QR codes that identify an individual, etc.) and track automatically sent alerts when a defect occurs
  - Eliminate the risk of poor quality through the automatic evaluation of commercial tests (vehicle bodies and components)

### Automatic selection of test items



### Operate the vehicle by following the guidance

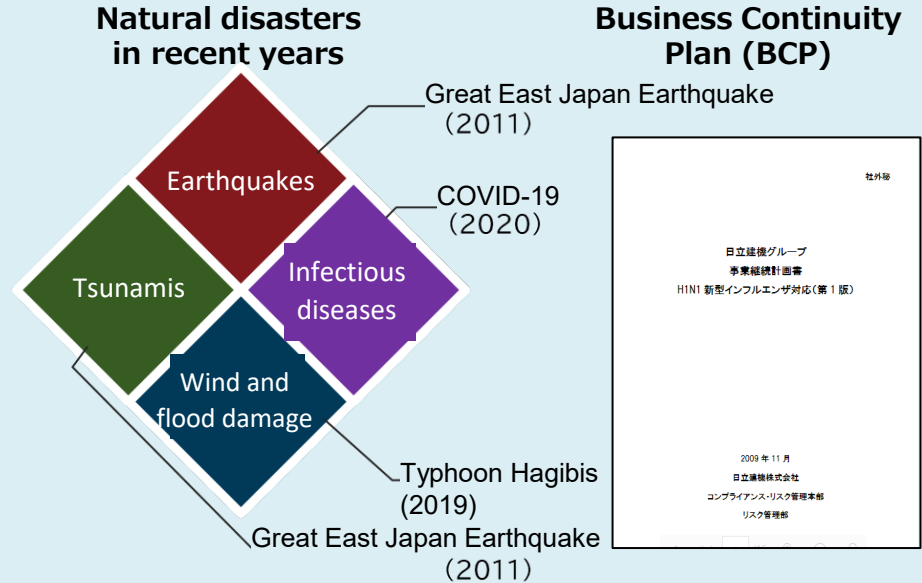
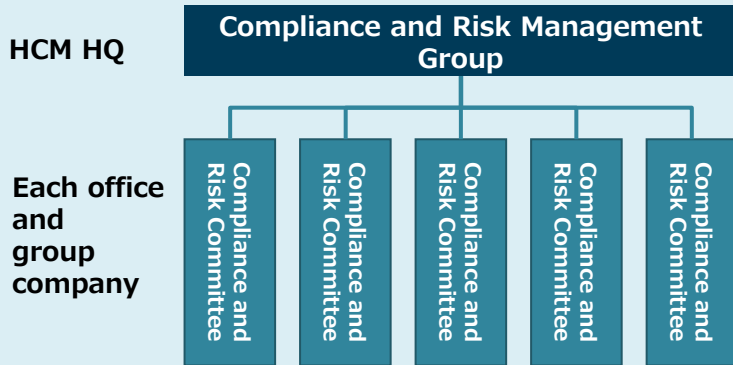


### Automatic evaluation



**Establish an organization to handle risks concerning legal compliance, natural disasters, and accidents**  
**Strengthen the risk management system across the entire Group**

Handled by the Compliance and Risk Management Group  
 Date established  
 2002 Compliance Group  
 2008 Compliance and Risk Management Group



## Response to COVID-19

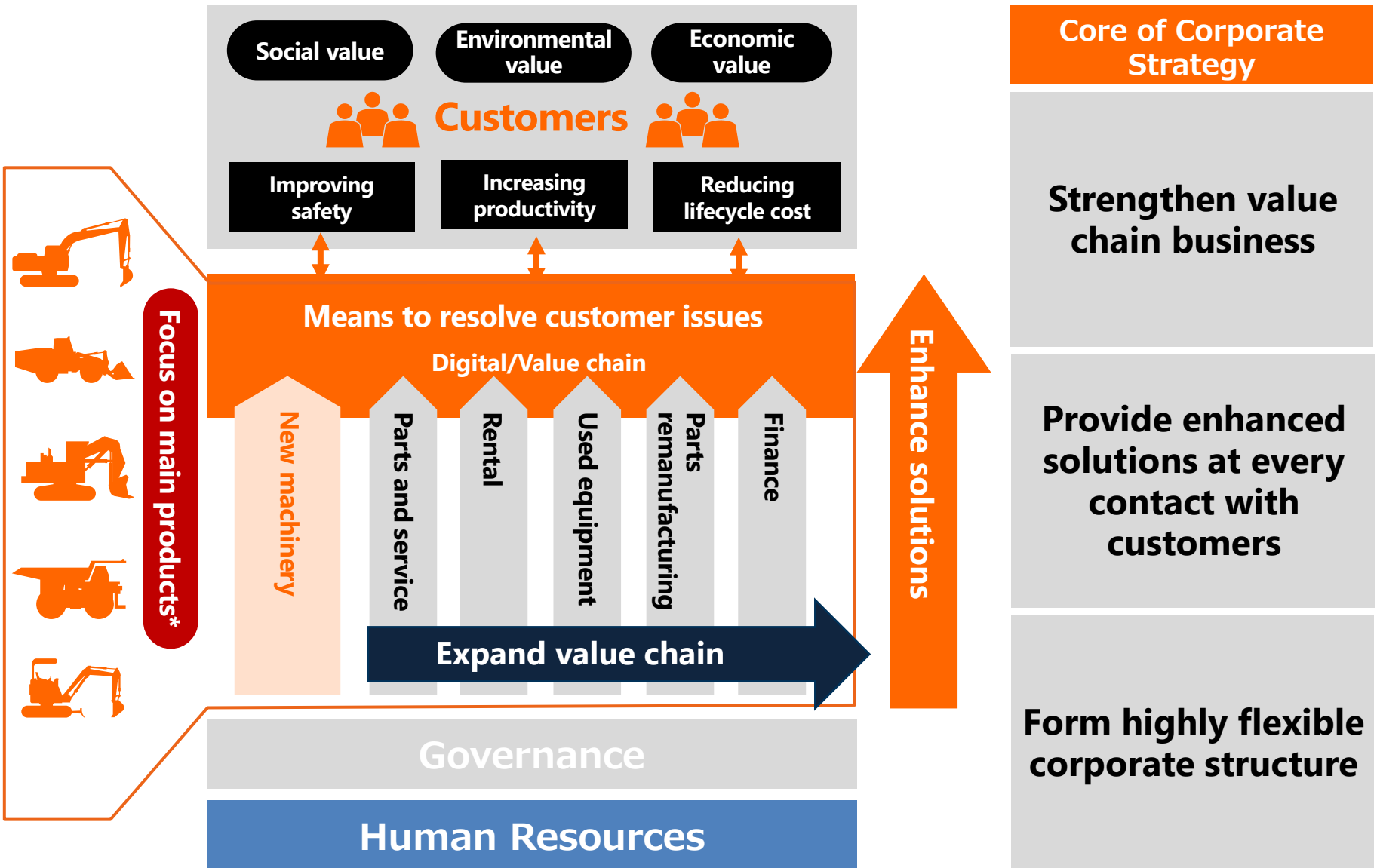
- Top management released the policies to respond to the COVID-19 crisis during the financial statement announcement at the end of May
- Appropriate information concerning emergency measures aimed at strengthening profitability and promotion of inventory optimization to immediately respond to market trends will be disclosed on a timely basis

## Received the Japan Investor Relations Association 2020 "Most Liked!" IR Award

In addition to the disclosure of the appropriate information by top management on a timely basis, the group was favorably evaluated for establishing a "special COVID-19 site" to rapidly respond to stakeholder concerns and the uniquely empathetic approach of the disclosed documents based on researching other companies



# Human Resources Form the Basis of Everything



## BASIC POLICY FOR THE DEVELOPMENT OF HUMAN RESOURCES

This has been embraced as the most important topic for management, and we are promoting the expansion of education opportunities and the improvement of education programs.

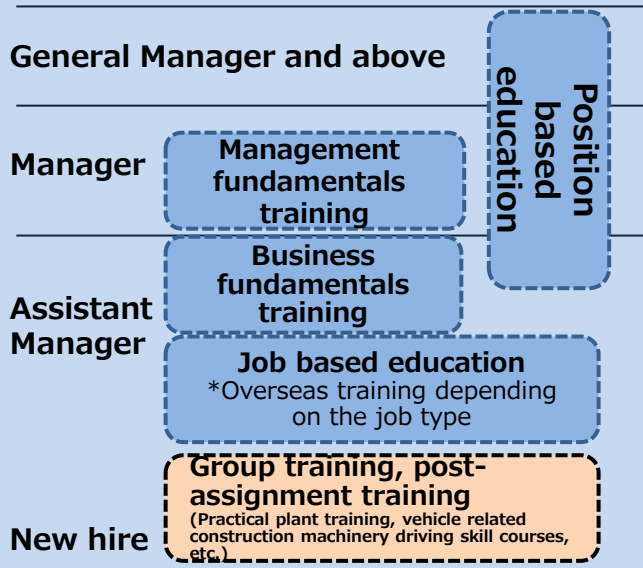
The employees of the HCM Group aim to be a "close and reliable partner anywhere on the earth with best solutions through Kenkijin Spirit."

To realize that goal, we nurture human resources that create new forms of value and contribute to business creation and transformation through a culture of "learning" and "development."

### Basic education system

Training focus aimed at achieving the medium-term business plan

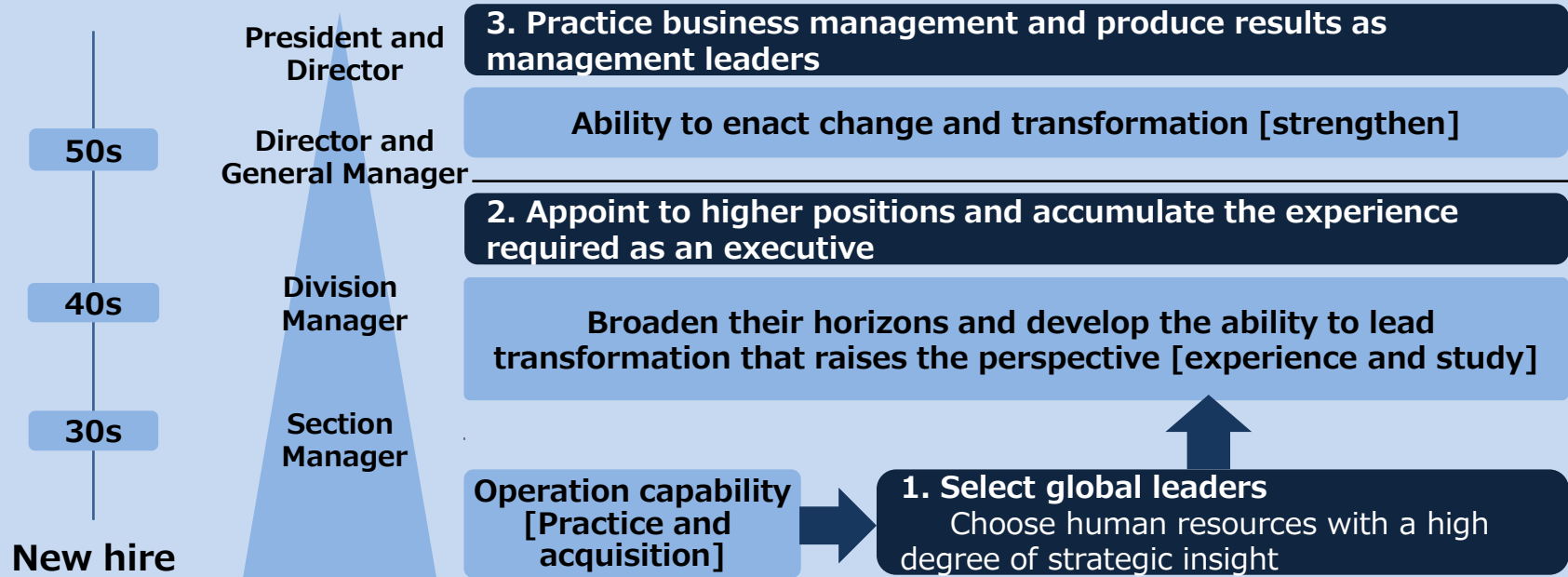
### Personal transformation



- \*Students learn the mindset and skill set for cultivating the organizational culture required in an era of transformation
- \*Cumulative number of students: more than 1,000 people (from the start in 2019 until November 2020)
- \*Participants: assistant managers and above, also including executives

## SELECTION AND DEVELOPMENT OF EXECUTIVE CANDIDATES

Early-stage development of "change and transformation leaders" who can respond to changes in the business environment and create new forms of value



### (1) Succession plan

- ① Early selection and systematic development of a successor
- ② Systematic rotation to fulfill the necessary requirements

### (2) Specialized training for potential global leaders

### Percentage of global human resources who have taken the leadership training

FY2022

100%

FY2030

100%

## BASIC POLICIES ON DIVERSITY

In order to survive as a truly global company, we need business development based on new strategies and novel ideas.

We recognize the values and individuality of each and every person who supports the business regardless of ethnicity, nationality, gender, or age and will continue to respect diversity.

### (1) Supporting the employment of female employees

1. Construct a foundation for the active participation of women  
(Executive commitment announcements, cultivate the workplace culture through holding exchanges, etc.)
2. Career development support  
(Active appointment of women to managerial positions, ensure women in technical positions, and awareness-raising for women)
3. Support for continuous employment and reinstatement  
(Support to return from maternity and childcare leave, work-life balance KPI management, etc.)

### (2) Promote the localization of General Manager posts at overseas group companies

Create succession plans for General Manager posts

#### Ratio of women in managerial positions (global)

FY2022

**9.4%**  
(Men:13.3%)

FY2030

Aim for an equal  
ratio of men  
and women

#### Local ratio at overseas group companies (General Manager positions)

FY2022

**72%**

FY2030

**87%**

## **3. Solving Social Issues Through Business**

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Identify the three CSV themes to meet the expectations of society through business. In addition, incorporate the five themes which form the foundation of this initiative into daily business activities.

## Three CSV\* themes

Three themes having high social expectations and high level of cor-relation with our business operations

Resolving global environmental issues

Enhancing initiatives to increase social infrastructure workforce

Contributing to community development

## Five Base themes

Five themes that provide the foundation for our three CSV themes

Pursuing safe, effective, and sophisticated products and working environments

Occupational safety and work style reform

Developing human resources globally and locally

Creating better business transactions and value chains

Governance

CSV\*: Creating Shared Value - balancing social problem-solving and enhanced corporate value through business activities



# Values Beyond the Important Issues for a Sustainable Society (Targets)



Major stakeholders	Suppliers, employees	Customers	People in new regions and domains
<b>CSV1</b> Global environment	<ul style="list-style-type: none"> <li>● Reduce CO<sub>2</sub> in production (absolute emissions)</li> <li>● Reduce water usage (intensity)</li> <li>● Recycling rate</li> </ul>	<ul style="list-style-type: none"> <li>● Reduce CO<sub>2</sub> from products (absolute emissions)</li> <li>● Save CO<sub>2</sub> through used equipment/parts remanufacturing</li> <li>● Waste reduction</li> </ul>	
<b>CSV2</b> Strengthen on-site capabilities		<ul style="list-style-type: none"> <li>● Productivity improvement</li> </ul>	<ul style="list-style-type: none"> <li>● Reduce accidents caused by construction machinery</li> <li>● Machinery status management systems</li> </ul>
<b>CSV3</b> Community development	<ul style="list-style-type: none"> <li>● Human resource development and labor reform</li> </ul>	<ul style="list-style-type: none"> <li>● Expand the sales revenue of the used equipment and parts remanufacturing business</li> </ul>	<ul style="list-style-type: none"> <li>● Emergency disaster and other forms of cooperation (Number of disaster agreements with local municipalities)</li> </ul>

## CSV 1: Global environment

## Manufacturing of Construction Machinery



Visualizing electrical power with Hitachi "EMilia"\*  
(5 works in Ibaraki Prefecture)



Cogeneration systems\*  
(Hitachinaka Works)



Solar panels  
(India Works)



Container Round Use  
(Shiga Works)

## Reduce CO<sub>2</sub> in production

FY2022

▲ 25%

FY2030

▲ 45%

Compared to FY2010

\*FY2018 "Energy Conservation Grand Prize" and "Chairman Prize of ECCJ" in the Energy Conservation Case Division

CSV 1: Global environment

Manufacturing of Construction Machinery

## Reduce water usage (intensity)

FY2022

FY2030

▲ 28%

Advanced water recycling usage  
Minimization of regional impact

Compared to FY2010

## Circulation type water storage tank and VOC\*1 processing equipment (both at the China Works)



## Recycling rate\*2

FY2022

FY2030

99.5%

Aiming for 99.5% or higher

## Separate collection and recycling boxes



\*1: Volatile organic compounds contained in paint solvent

\*2: Promoting the recycling of business related waste at six production sites in Japan and three production sites overseas

CSV 1: Global environment

Using of Construction Machinery

Hybrid construction machinery



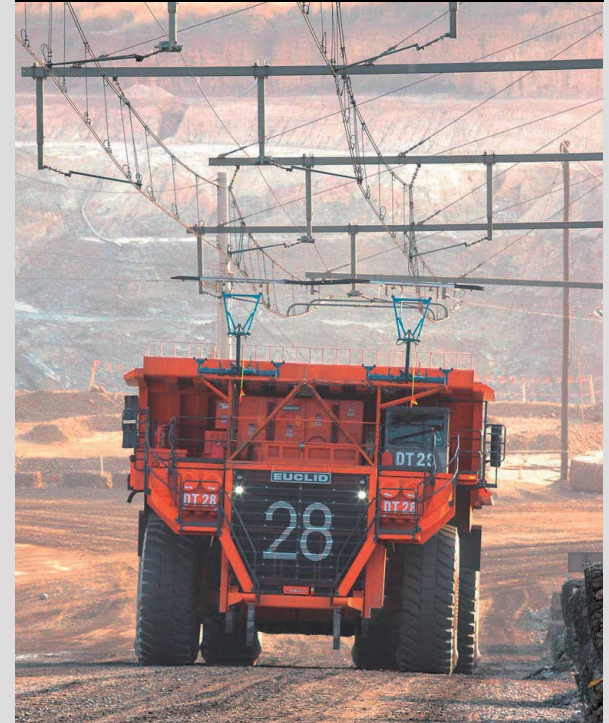
Battery-powered excavators



Wired electric excavators



Trolley-type dump trucks



Reduce CO<sub>2</sub> from products

FY2022

▲ 20%

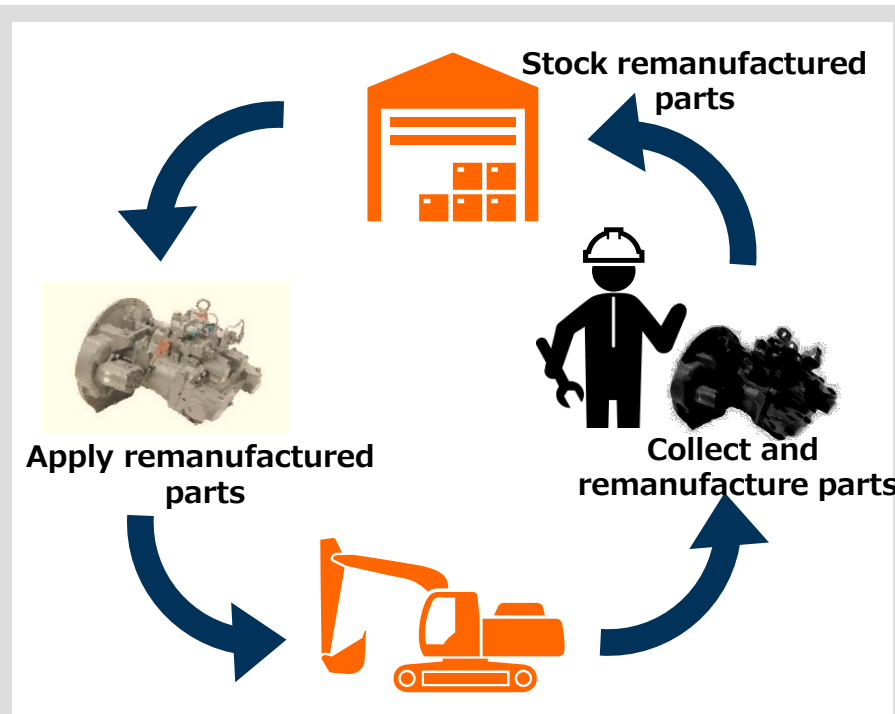
FY2030

▲ 33%

Compared to FY2010

CSV 1: Global environment

Using of Construction Machinery



Save CO<sub>2</sub> through used equipment/parts remanufacturing

FY2022

**23,800t**

FY2030

Minimize the environmental load across the entire value chain

Waste reduction\*

FY2022

**9,500t**

FY2030

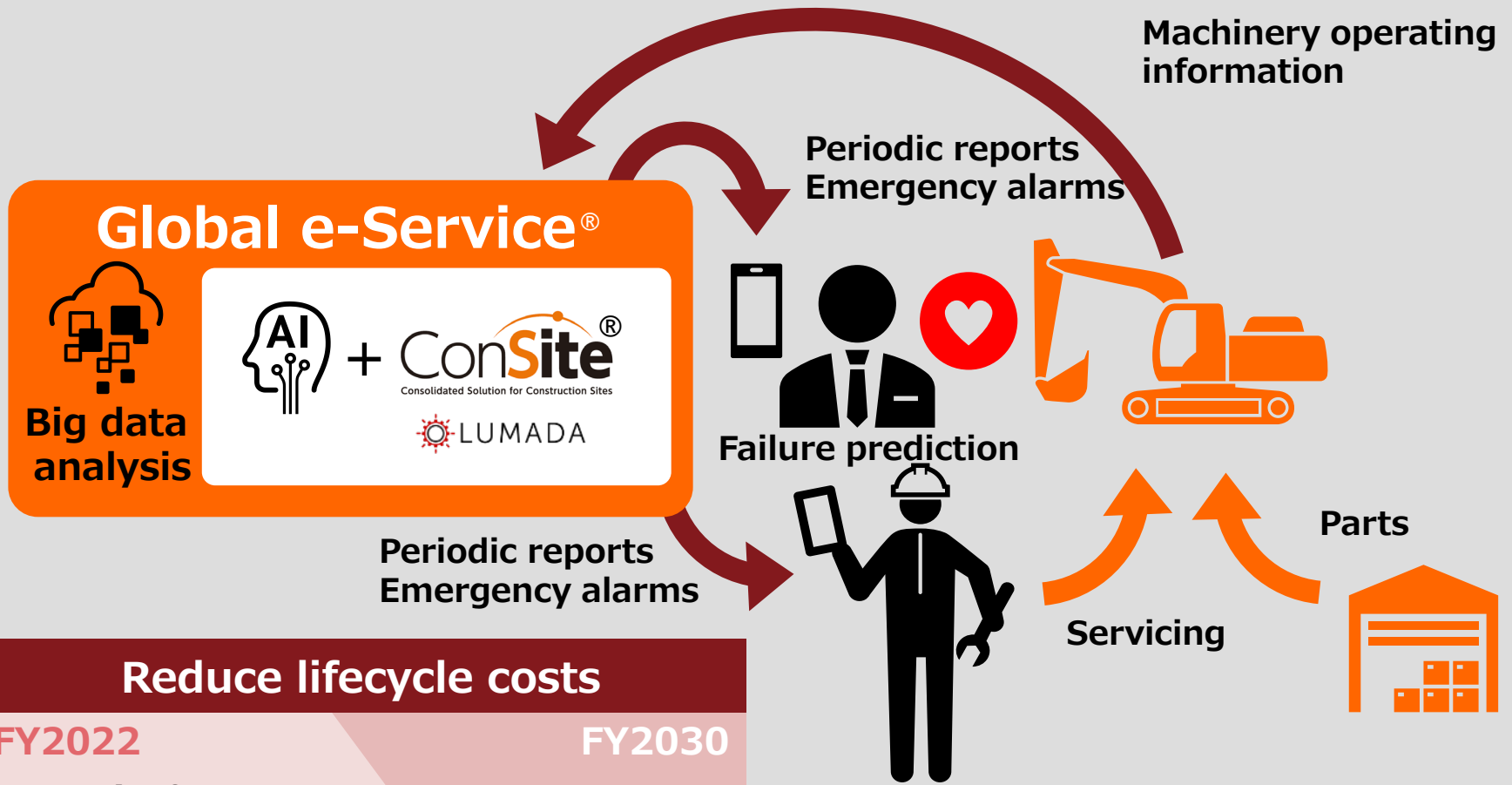
Minimize the environmental load across the entire value chain

\*FY2018 Award for Resource Recirculation Technologies and Systems and Award of the Director-General of the Industrial Science and Technology Policy and Environment Bureau, METI Minister's Prize in the FY2018 3Rs (Reduce, Reuse, and Recycle) Promotion Merit Awards

# CSV Theme 2: Enhancing Initiatives to Increase Social Infrastructure Workforce

CSV 2: Increase Social Infrastructure Workforce

Using of Construction Machinery



## Reduce lifecycle costs

FY2022

ConSite®  
Adoption  
rate **90%**

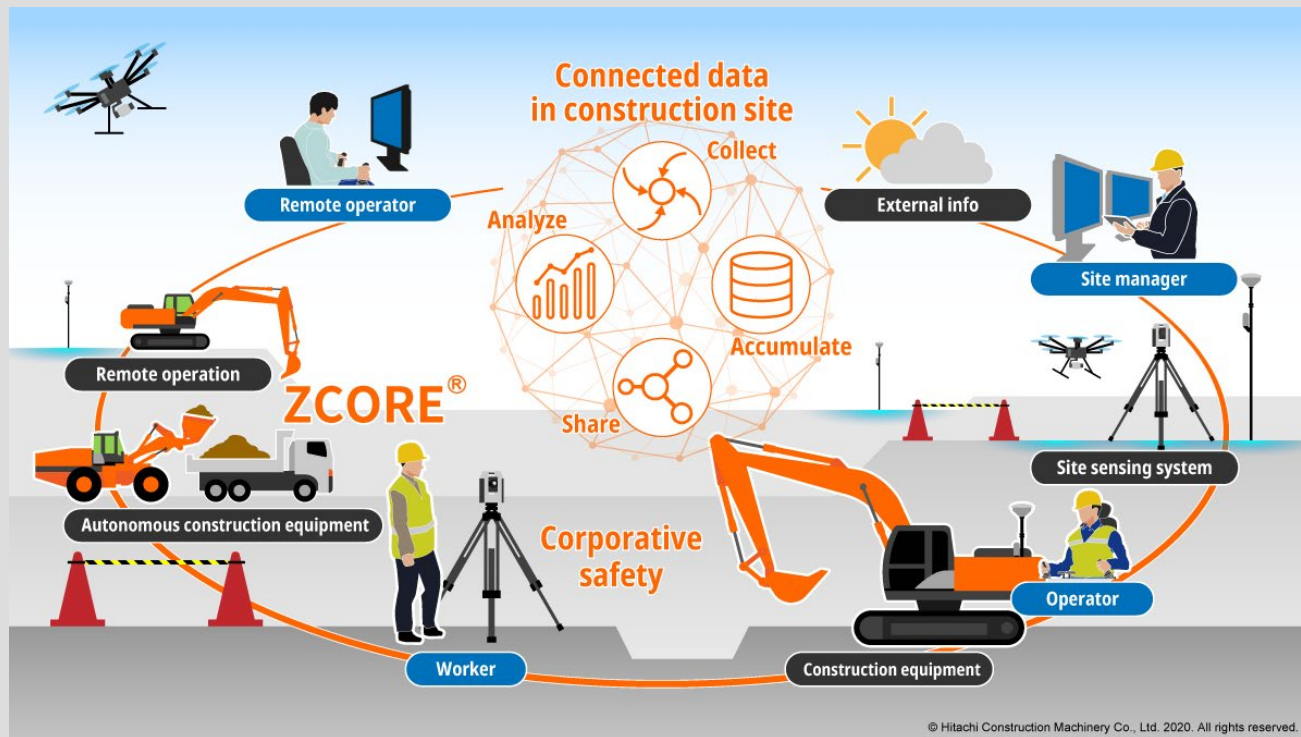
FY2030

Aiming for  
"zero" downtime

## CSV 2: Increase Social Infrastructure Workforce

## Using of Construction Machinery

## Challenge with and through Construction Machinery



### Functionality to reduce accidents caused by HCM products

FY2022

Achieve cooperative control between people and machinery

FY2030

Contribute to "zero" overturn and fatal accidents

### Number of ICT machines adopted

FY2022

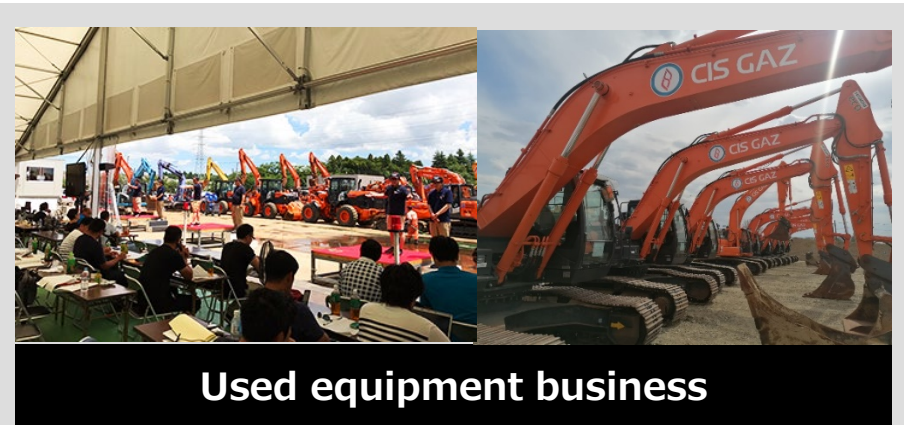
Adoption of ICT construction machinery 2,800 units (cumulative) (5,000 work sites)

FY2030

Aiming for the standardization of automated and labor saving construction machinery

CSV 3: Community development

Using of Construction Machinery



Expand the used equipment and parts remanufacturing business sales revenue

<p><b>FY2022</b> Parts remanufacturing <b>420%</b> Used equipment <b>280%</b></p>	<p><b>FY2030</b> Adoption of products and services that meet regional needs</p>
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Compared to FY2010



## CSV 3: Community development

## Challenge with and through Construction Machinery



Recovery efforts in disaster-stricken areas



Small sized mobile crane specification machine for radioactive waste sandbags

Emergency disaster and other forms of cooperation  
(number of disaster agreements with local municipalities)

FY2022

**83** agreements

Partnerships and support for major municipalities and industry groups

FY2030

# Values Beyond the Important Issues for a Sustainable Society (Targets)

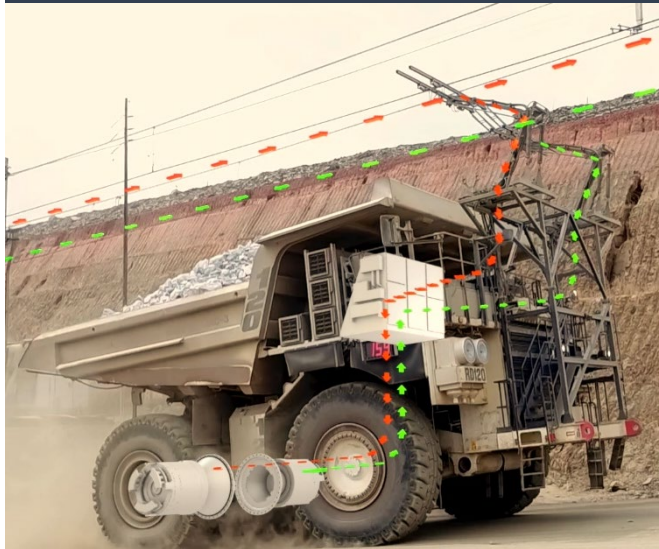


Major stakeholders	Suppliers, employees	Customers	People in new regions and domains
<div style="background-color: #0056b3; color: white; padding: 10px; text-align: center;"> <b>CSV1</b> Global environment                 </div>	<ul style="list-style-type: none"> <li>● Reduce CO<sub>2</sub> in production (absolute emissions) ▲25% -&gt; ▲45% Compared to FY2010</li> <li>● Reduce water usage (intensity) ▲28% -&gt; Advanced water recycling usage -Minimization of regional impact Compared to FY2010</li> <li>● Recycling rate 99.5% -&gt; Aiming for 99.5% or higher</li> </ul>	<ul style="list-style-type: none"> <li>● Reduce CO<sub>2</sub> from products (absolute emissions) ▲20% -&gt; ▲33% Compared to FY2010</li> <li>● Save CO<sub>2</sub> through used equipment/parts remanufacturing 23,800t -&gt; Minimize the environmental load across the entire value chain</li> <li>● Waste reduction 9,500t -&gt; Minimize the environmental load across the entire value chain</li> </ul>	<div style="border: 1px dashed black; padding: 10px;"> <p style="text-align: center;">Legend</p> <p>FY2022 Target -&gt; FY2030 Target</p> <p>*1: Japan amount *2: Including labor saving construction machinery</p> </div>
<div style="background-color: #800000; color: white; padding: 10px; text-align: center;"> <b>CSV2</b> Strengthen on-site capabilities                 </div>		<ul style="list-style-type: none"> <li>● Productivity improvement Adoption of ICT construction machinery 2,800 units (5,000 work sites) -&gt; Aiming for the standardization of automated and labor saving construction machinery</li> </ul>	<ul style="list-style-type: none"> <li>● Reduce accidents caused by construction machinery Achieve cooperative control between people and machinery -&gt; Contribute to "zero" overturn and fatal accidents</li> <li>● Machinery status management systems ConSite® Adoption rate 90% -&gt; Aiming for "zero" downtime</li> </ul>
<div style="background-color: #4CAF50; color: white; padding: 10px; text-align: center;"> <b>CSV3</b> Community development                 </div>	<ul style="list-style-type: none"> <li>● Human resource development and labor reform</li> </ul>	<ul style="list-style-type: none"> <li>● Used equipment and parts remanufacturing businesses Sales revenue ratio Parts remanufacturing 420% -&gt; Adoption of products and services that meet regional needs Used equipment 280% Compared to FY2010</li> </ul>	<ul style="list-style-type: none"> <li>● Emergency disaster and other forms of cooperation (Number of disaster agreements with local municipalities) 83 agreements -&gt; Partnerships and support for major municipalities and industry groups</li> </ul>

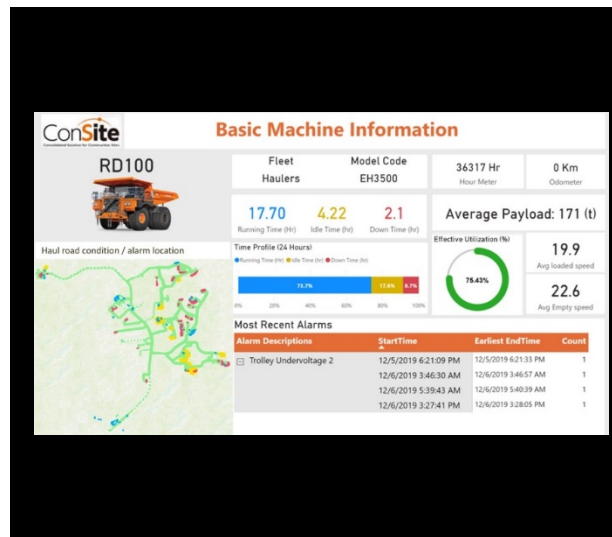
## HCM's mining strategy

- Help reduce the volume of CO<sub>2</sub> emissions at mining sites by providing environmentally-friendly products (trolley-type dump trucks/electric hydraulic excavators) and overall optimization solutions for mining operation (ConSite® Mine/operation management systems)
- Focus efforts on iron ore, copper, nickel, and other hard rocks by capturing important strategic areas (CIS, South America, Africa, etc.)
- Further strengthen our solution business which has many projects for hard rock mining (Ref.) Ratio of coal related business in the FY2019 consolidated sales revenue: 10%

### Environmentally-friendly products



### Overall optimization solutions for mining operations



Use the services, parts remanufacturing, used equipment, and rental value chain businesses to:

- Contribute to the construction of a recycling society that reuses resources and jointly uses assets, etc.
- Support the independence of developing countries and contribute to their development through job creation

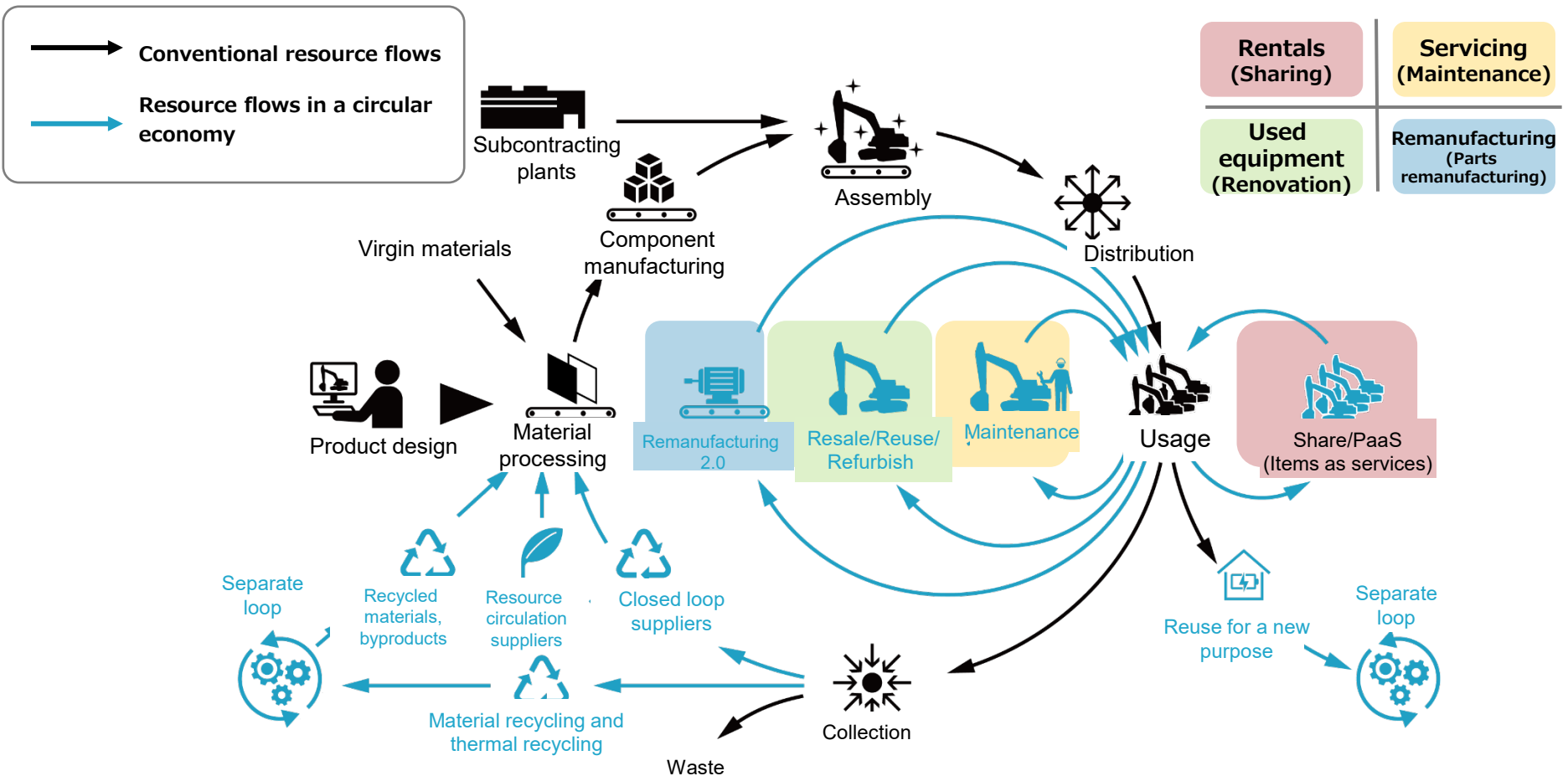


Figure notes: created by HCM based on the "circular economy" definition in the "METI Circular Economy Vision 2020 (Summary)"

Manufacturing of Construction Machinery

Using of Construction Machinery

Challenge with and through Construction Machinery



SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

## Targets for greenhouse gas emission reduction were approved by SBT\* (May 2019)

\*Science Based Targets initiative (SBTi): approved as targets based on science

Indicator		Target for absolute emissions reduction	
Reduction in greenhouse gas emissions	Scope1,2	By FY2030 (Compared to FY2010)	45% reduction
	Scope3		33% reduction

Scope 1: Direct emissions of greenhouse gases from emission sources owned or managed by companies or households  
 Scope 2: Indirect emission of greenhouse gases associated with the use of electricity, steam, and heat  
 Scope 3: Other indirect emissions excluding Scope 2



## HCM expresses its support for TCFD (registered on October 12, 2020)

Extract risks and opportunities by referring to TCFD. Internal task force organized to undertake across the entire company

(See the following page for the risks and opportunities)

# CSV Themes 1 - 3: Scenario Analysis Aimed at Climate Change Measures



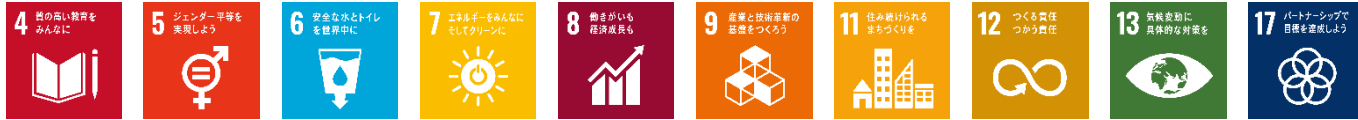
Scenarios	Analysis results	
2°C scenario Business environment and major risks and opportunities	Business environment	Strengthening of regulations for fossil fuel usage. Growing demand for construction machinery that runs on electricity/low or decarbonized fuels.
	Risks	[Risks to HCM] (1) Development cost burden (2) Loss of market opportunities due to late response (3) Cost burden to establish a customer support system for electrification and low/decarbonized fuels [Social environment risks] (1) Achieving the appropriate sales price through cost reductions of the necessary equipment (2) Late development by parts manufacturers (3) Customer reluctance to purchase due to poor usability (Restrictions on continuous operating time, new fuel supply and storage infrastructure maintenance delays, etc.) (4) Uncertainty in customer advantages/formation of usage demand (Delay in decarbonized society legal reforms/delay in establishing a scheme for the enjoyment of incentives)
	Opportunities	Construction machinery electrification, fuel diversity, ICT application and the introduction of new technologies, and the expansion of sales through measures for work site environment (revenue increase), and an increase in sales opportunities.
4°C scenario Business environment and major risks and opportunities	Business environment	Extreme increase in typhoons, heavy rain and flooding, and other natural disasters caused by climate change Increased demand for construction machinery to support faster and safer recovery activities
	Risks	Increased damage to production facilities due to natural disasters and a deteriorating labor environment Increase in parts procurement and delivery delays due to supply chain disruptions
	Opportunities	Increase in infrastructure construction for disaster prevention, disaster mitigation, and disaster recovery (recovery construction will also increase)

## 4. Summary

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## Corporate vision

# To pass on a productive environment and prosperous cities to future generations



## 2030 social value

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

### Improving safety

Contribute to zero fatalities due to falls or contact accidents

### Increasing productivity

Standardize automation and labor-saving construction machinery

### Reducing lifecycle costs

Aim for zero downtime

## 2030 environmental value

Provide low-carbon technology to the global infrastructure development

### Prevent global warming

Product lifecycle CO<sub>2</sub> reductions: Aim for Products -33%, Production -45%

## 2022 management goals (social value)

### Improving safety

Achieve contact prevention technology  
Commercialize human-machine cooperative control technology

### Increasing Productivity

Promote ICT Machinery 2800 units\*

\*Applicable worksites: Over 5,000 sites

### Reducing lifecycle costs

Operating status management system dissemination rate: 90%

Applicable units: 200,000 units

## (Environmental value)




### Preventing global warming

Reduce CO<sub>2</sub> emissions products CO<sub>2</sub> -20%  
Production CO<sub>2</sub> -25%

Applicable units: 500,000 units






# Values Beyond the Important Issues for a Sustainable Society (Targets)

Items		Description	FY2019 Results	FY2022 KPIs	FY2030 KPIs	
<b>CSV1</b> Global environment 	CO <sub>2</sub> reduction	Products	CO <sub>2</sub> reduction (absolute emissions)	▲15.9% (Compared to FY2010)	▲20% (Compared to FY2010)	▲33% (Compared to FY2010)
		Production	CO <sub>2</sub> reduction (absolute emissions)	▲25.1% (Compared to FY2010)	▲25% (Compared to FY2010)	▲45% (Compared to FY2010)
		Value chain	Save CO <sub>2</sub> through used equipment/parts remanufacturing	19,100t	23,800t	Minimize the environmental load across the entire value chain
	Waste reduction* <sup>1</sup>		7,700t	9,500t	Minimize the environmental load across the entire value chain	
	Waste		Recycling rate (Japan)	89.6%	99.5%	Aiming for 99.5% or higher
	Resource circulation	Water	Usage reduction (intensity)	▲28.9% (Compared to FY2010)	▲28% (Compared to FY2010)	Advanced water recycling usage・Minimization of regional impact
<b>CSV2</b> Increase Social Infrastructure Workforce 	Improving safety	Functionality to reduce accidents caused by HCM products	Expanded the functionality of the "Aerial Angle®" peripheral vision display system to detect objects and restrict movement (released in June 2020)	Achieve cooperative control between people and machinery	Contribute to "zero" overturn and fatal accidents	
	Increasing productivity	Number of ICT machines adopted (Target work sites)	493 units (total) (1,675 total work sites)	2,800 units (total) (5,000 total work sites)	Aiming for the standardization of automated and labor saving construction machinery	
	Reducing lifecycle costs	Adoption rate of machinery status management systems (ConSite®)	73%	90%	Aiming for "zero" downtime	
<b>CSV3</b> Community development 	Regional coexistence through the promotion of a circular economy	Expand the parts remanufacturing business sales revenue	296% (Compared to FY2010)	420% (Compared to FY2010)	Adoption of services that meet regional needs	
		Expand the used equipment business sales revenue	87% (Compared to FY2010)	280% (Compared to FY2010)	Adoption of products that meet regional needs	
	Disaster response, recovery, and reconstruction support	Emergency disaster and other forms of cooperation (Number of disaster agreements with local municipalities in Japan)	42 agreements	83 agreements	Partnerships and support for major municipalities and industry groups	

\*1: FY2018 Award for Resource Recirculation Technologies and Systems and Award of the Director-General of the Industrial Science and Technology Policy and Environment Bureau, METI Minister's Prize in the FY2018 3Rs (Reduce, Reuse, and Recycle) Promotion Merit Awards



# Values Beyond the Important Issues for a Sustainable Society (Targets)

Items	Description	FY2019 Results	FY2022 KPIs	FY2030 KPIs	
<b>Base 1</b> Safe efficiency 	R&D system	Ratio of R&D costs to sales revenue	2.5%	3.0%	3.0% or higher
	Technology transfer	"Kataribe" (Storytelling) sessions*2	Held: 41 sessions Students: 918	Quality improvement	Quality improvement
<b>Base 2</b> Occupational safety 	Occupational hazards	Zero occupational hazards (compared to the previous FY)	▲18% (Compared to FY2018, Japan)	▲50% (Compared to FY2021)	Aim for zero
<b>Base 3</b> Human resource development 	Employee education	Number of e-learning participants	175% (Compared to FY2018. Total number by HCM alone)	200% (Compared to FY2019)	500% (Compared to FY2019) Increase the total number of people by expanding enrollment opportunities
	Global leaders	Leadership training*3 enrollment ratio (global)	60.4% (total)	100% (total)	100% (total)
	Diversity initiatives	Ratio of women in managerial positions (global)	Women 8.6% (Men 15.7%)	Women 9.4% (Men 13.3%)	Aim for an equal ratio of men and women
		Local ratio at overseas group companies (General Manager positions)	69%	72%	87%

\*2: Sessions in which senior experts in various fields discuss their approach to executing tasks, past failure experiences, and technical know-how to current technicians working on the front lines

\*3: Training to acquire the skills required of a leader

# Values Beyond the Important Issues for a Sustainable Society (Targets)

Items	Description	FY2019 Results	FY2022 KPIs	FY2030 KPIs	
<b>Base 4 Transactions</b> 	Fair procurement	Implement supplier of CSR surveys	83.5% (collection rate*4)	Standardized to improve the collection rate	100% Aim for a 100% collection rate by establishing the operation
	Eradicate corruption and bribery	Number of corruption and bribery legal violations	0 cases	0 cases	0 cases
<b>Base 5 Governance</b> 	Corporate governance	Outside, female, and foreign national directors	Outside Directors: Three out of ten people  Female Directors and Foreign national Directors: One person	Outside Directors: More than one third overall  Female and foreign national directors: Total of two or more	Shift to a system suitable for strengthening the business and improving governance
	Corporate ethics and behavior	Continue to provide examples and education to employees	Implement "compliance training" for roughly 10,000 employees	Zero compliance violations	Zero compliance violations
	Respect for human rights	Education enrollment rate	Enrollment rate of 79% in the "business and human rights" e-learning course	100%	100%

\*4: Survey covering suppliers who account for roughly 90% of purchases at HCM alone

1

## **The construction machinery industry is an essential business for supporting social infrastructure**

Accelerate the promotion of future-oriented transformation as we now face unprecedented global issues.

2

## **Previous initiatives which are unique to HCM**

Evolve construction machinery by using our outstanding technical capabilities (including production processes) as a foundation while also continuing to provide a wide variety of services to support the stable operation of machinery (value chain).

3

## **Future initiatives aimed at solving social issues**

Even during situations of significant change, our employees across the globe will mutually cooperate based on the shared values of the "Kenkijin spirit" and continue to challenge their work on a daily basis from the perspective of the customers.

## [Cautionary Statement]

This material contains forward-looking statements that reflect management's views and assumptions in the light of information currently available with respect to certain future events, including expected financial position, operating results, and business strategies. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured.

Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, changes in the economic conditions in the Company's principal markets; changes in demand for the Company's products, changes in exchange rates, and the impact of regulatory changes and accounting principles and practices.

[Cautionary Statement]

## [Trademark notes]

"Solution Linkage," "e-Service," "ConSite," and " ZCORE " are registered trademarks of Hitachi Construction Machinery Co., Ltd.

# END

## ESG Explanatory Meeting

December 15, 2020

🌐 **Hitachi Construction Machinery Co., Ltd.**

**CSR & Financial Report 2020**

<https://www.hitachicm.com/global/environment-csr/csr-en/download/>

