

# Human Capital Report 2023

HITACHI

Reliable Solutions



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# Section 1 Overview of Human Capital Management of the HCM Group

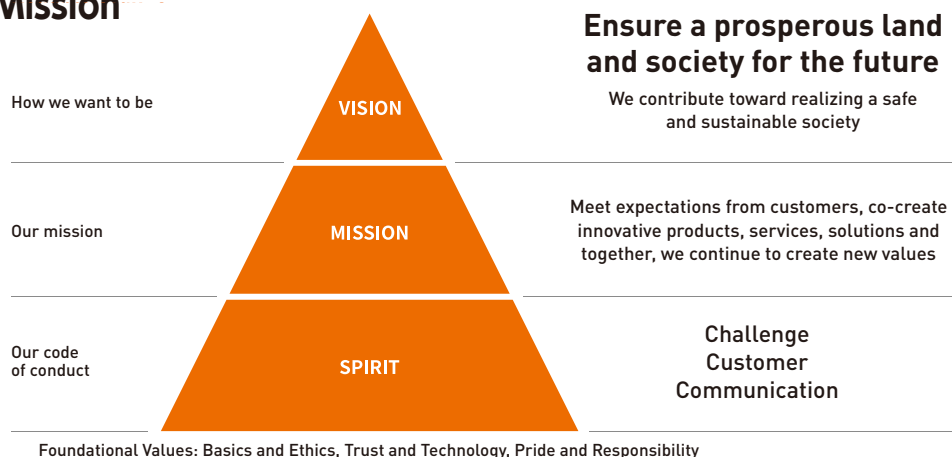
## The Group's Vision & Mission

Corporate Statement

**Reliable Solutions**  
We are a reliable solutions partner with/for our customers

Corporate Color

Reliable Orange



## Business Direction

### Second Founding and Reform

(Businesses in the Americas, separating from the Hitachi Group, digital transformation)

- Expansion of existing businesses (value chain businesses, businesses in the Americas)
- Deepening of the growth businesses (provision of digital solutions)
- Search for new businesses

## Pillar of Management Strategies in the Medium-Term Management Plan

- Delivering innovative solutions for customer needs
- Enhancing the value chain business
- Expanding business in the Americas
- Strengthening Human Capital and Corporate Capabilities

## Human Capital Management of the HCM Group

Human capital	Human "asset" = Kenkijin	
Basic Philosophy	<b>The Company and individuals to be in an equal relationship</b> Relationship to choose and to be chosen Communication Supporting career self-reliance of employees Challenge	<b>Win as a team</b> Challenge Communication Necessary for solutions and services Customer Win by combining different individuality and strengths
	<b>"equity": where everyone can demonstrate their existent and potential individuality and strengths</b>	
Definition & Objective	To create new value for customers and enhance corporate value by transforming the company and its business by fostering an organization and culture that encourages development and change so that "Kengkijin" can demonstrate their individuality and strengths 1. Vision for 2030 - achieving "triple zero" Where every Kengkijin can be themselves in Harmony ① Zero occupational accidents and diseases    ② Zero resignations due to negative reasons    ③ Zero compliance violations 2. Human capital strategies in the Medium-Term Management Plan (2023 to 2025)	
	<b>Mission</b> Contribute to the creation of new value and the enhancement of corporate value by nurturing human capital (Kengkijin) full of energy and building an organization and culture that maximizes individual strengths.	<b>Vision</b> A company is its people. We aim to enable each employee to discover an immense sense of job fulfillment and thus translate their personal growth into the expansion and development of our business operations.
Role & Stance	Refer to image under Section 5, Chapter 1	

## Section 2 Message from the President and Executive Officer, COO

### Strengthening human capital management initiatives to further enhance corporate value

Hitachi Construction Machinery Co., Ltd. has published the Human Capital Report to strengthen its human capital management and to promote dialogue with stakeholders. In accordance with the publication, the Company has acquired the ISO 30414 certification, an international guideline for the disclosure of human capital information (which makes the Company the first machinery manufacturer to obtain this certification). Moving forward, Hitachi Construction Machinery will continue to work on the human capital management initiatives and invest towards people for the growth of the Company and enhancing corporate value.

### Formulating a Unique Group Identity at the Origin of Our Second Founding

Hitachi Construction Machinery is currently in the midst of what can be described as its second founding, marked by changes in capital relationships since last year and the resumption of independent business expansion in the Americas. Against this backdrop, we are strongly committed to shaping our future with our own hands.

To clarify our *raison d'être*, we formulated our group identity in December 2022 and set forth our mission: "Meet expectations from customers, co-create innovative products, services, solutions and together, we continue to create new values." At the same time, in order to become a more global company and solution provider than ever before, we believe that we need a new image of human capital to help us achieve this goal. We have revised our code of conduct, the Kenkijin Spirit, for the first time in 15 years. We have also set "strengthening human and corporate competitiveness" as one of the four pillars in our new Medium-Term Management Plan to promote human capital management.

Through these efforts, we will create new value that will lead to our vision of "ensuring a prosperous land and society for the future," and contribute to the realization of a safe and sustainable society.

Hitachi Construction Machinery Co., Ltd.  
Representative Executive Officer,  
President and Executive Officer, Director, COO

**Masafumi Senzaki**



## Section 3 Message from the CHRO

### ■ Working From Three Perspectives to Enhance Happiness

The Human Capital Group's mission is to "contribute to the creation of new value and the enhancement of corporate value by nurturing human capital (Kenkijin) full of energy and building an organization and culture that maximizes individual strengths" under the vision "A company is its people. We aim to enable each employee to discover an immense sense of job fulfillment and thus translate their personal growth into the expansion and development of our business operations." We understand that the most important way to achieve this is to improve the happiness of each and every employee, and to link this to the growth of our business.

We believe that "happiness" is a state in which the dreams and aspirations of each and every employee, what we can do only because of Hitachi Construction Machinery, and what our customers demand of us are all connected like a direct line. In order for all employees to be in a state of happiness, it is necessary to bring out and enhance each person's individuality and strengths based on the concept of "equity" (the concept of equity is explained in Section 6, Chapter 1).

Therefore, we have incorporated three perspectives to improve the state of happiness.

①Top management perspective

To propose and implement human capital strategies that combine management strategies and business strategies

②Managers' perspective

To realize the basic philosophy and support the implementation of management strategies and business strategies

③General Employees' perspectives

To have diverse human capital work actively by maximizing their individuality and strengths, and to make their growth the driving force for the Company's growth

We are also working on retention with an eye toward optimal arrangement in the society as a whole. We believe that the growth of the organization is linked to employees acquiring skills that are valuable in the world and in the marketplace and developing their careers independently, and to individuals and the Company maintaining a relationship in which both can choose and be chosen by each other.

Hitachi Construction Machinery Co., Ltd.  
Vice President and Executive Officer,  
CHRO, President, Human Capital Group

**Seishi Toyoshima**



## Section 3 Message from the CHRO

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### ■ Newly Formulated Group Identity and Sharing & Familiarization of the Kenkijin Spirit

As we are in the *Second Founding*, we have formulated a Group identity and reviewed the Kenkijin Spirit in order to clarify the values and code of conduct that are important to the HCM Group as a whole and to foster a sense of unity within the Group. Involving all employees in this process through various discussions at all levels of the Company, we were able to create a Kenkijin Spirit that is meaningful for each and every employee, and is what they can believe in. Although the business environment and issues faced by each Group Company may vary, we will share this Group identity and the Kenkijin Spirit on a global scale so that each individual can fully demonstrate the Kenkijin Spirit and the HCM Group can demonstrate its competitiveness as one team.

### ■ Promotion of Human Capital Management

In acquiring ISO 30414, the international standard for human capital management, the Human Capital Group has taken the lead in forming the foundation for human capital management. However, we recognize that the ISO 30414 certification is a milestone toward further strengthening our human capital management. Moving forward, we will disclose widely comparable human capital information to enhance dialogue with our internal and external stakeholders. We will also strive to strengthen and improve our human capital management, aiming to increase corporate value in a sustainable manner.

## Section 4 HCM Group's Vision & Mission

### Realizing and Practicing the Kenkijin Spirit to Materialize Our Vision & Mission

The HCM Group has reviewed its identity as a Group and set forth its vision and mission for 2022, with the aim of becoming "a reliable solutions partner with/for our customers." For more than 70 years, Hitachi Construction Machinery's strengths have been honed from carefully manufacturing construction machinery designed to align with the ongoing needs of customers. While passing down the positive aspects of this tradition, we have defined our mission as becoming a solutions provider that offers proper solutions for customer needs and are deeply committed to improving customer output and productivity by helping customers reduce costs over the machinery life cycle and improve safety.

The code of conduct for all HCM Group employees to realize this vision and mission is the Kenkijin Spirit, which consists of the three elements of Challenge, Customer, and Communication. We believe that this is the basis for the speed with which we can respond to changes in the social environment that will be necessary in the future, the flexibility that supports that speed, and the unshakeable feeling in believing "this is what we must follow." The greatest strength of the HCM Group is that employees from diverse cultural backgrounds share and demonstrate the Kenkijin Spirit as a core value on a global scale. The entire HCM Group will work together to further demonstrate and practice the Kenkijin Spirit, which has been reviewed throughout the Group and in each division.

Corporate Statement

### Reliable Solutions

We are a reliable solutions partner with/for our customers

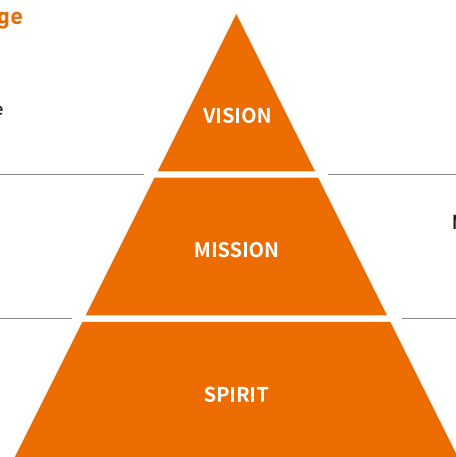
Corporate Color

Reliable Orange

How we want to be

Our mission

Our code of conduct



### Ensure a prosperous land and society for the future

We contribute toward realizing a safe and sustainable society

Meet expectations from customers, co-create innovative products, services, solutions and together, we continue to create new values

Challenge  
Customer  
Communication

Foundational Values: Basics and Ethics, Trust and Technology, Pride and Responsibility

## Section 5 Human Capital and Human Capital Management of the HCM Group

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### Bringing Out the Best of Kenkijin to Transform the Company and its Business to Create New Value and Increase Corporate Value

As the HCM Group is in its period of Second Foundation, in addition to expanding our existing businesses, we will dig deeper in the growth businesses centered on digital solutions and search for new businesses that will become future pillars.

Even during the major changes in business structure described above, for the HCM Group, human resources constitute our key asset and capital. This key asset and capital are what we refer to as "Kenkijin". In order for the Kenkijin to maximize their individuality and strengths, we believe that various initiatives are required, such as strengthening training and fostering an organization and culture that is ready to take on the challenge for change. The HCM Group's "human capital management" is to transform the Company and its businesses through such efforts, creating new value for customers and enhancing corporate value.

As part of promoting human capital management, we place particular importance on two beliefs as the basic philosophy.

First, we believe that a company must engage with individual employees on an equal footing. The basic approach is that we recognize that a company must be chosen by employees just as it has chosen its employees. Accordingly, Hitachi Construction Machinery will assist its employees in their pursuit of career development and personal growth, so that they may serve as the driving forces creating new value and enhancing corporate value.

The second is to win as a team. We will take on the challenge of new initiatives such as deepening growth businesses and exploring new businesses as a team. Especially in solution services, it is essential to have a unified team, regardless of organization or position, in order for employees in the field to recognize and provide the best services to customers. By developing an environment in which everyone can leverage their unique potential and strength, we will aim to win as a team.

## Section 6 Roles and Stance of HCM Group's Human Capital Group

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### **I Aiming to be a Human Capital Group That Leads the Transformation of the Company, its Businesses, and its General Employees**

The Human Capital Group, which supports and guides the human capital of the HCM Group, is responsible for practicing and leading human capital management, and is also required to respond to changes in the Company and its businesses. Therefore, we will take this Medium-Term Management Plan as an opportunity to revise our vision and mission as the Human Capital Group, and to push forward to more actively lead the transformation of the Company and our businesses.

At the same time, it is an important role for the Human Capital Group to be understanding of our employees. It is also an important role for the Human Capital Group to support and train managers who demonstrate the basic philosophy and lead the implementation of management and business strategies. In order to materialize the role of the Human Capital Group, we will promote human capital management from the three perspectives of top management, managers, and General Employees. These three perspectives are explained in Chapter 2, with specific measures.

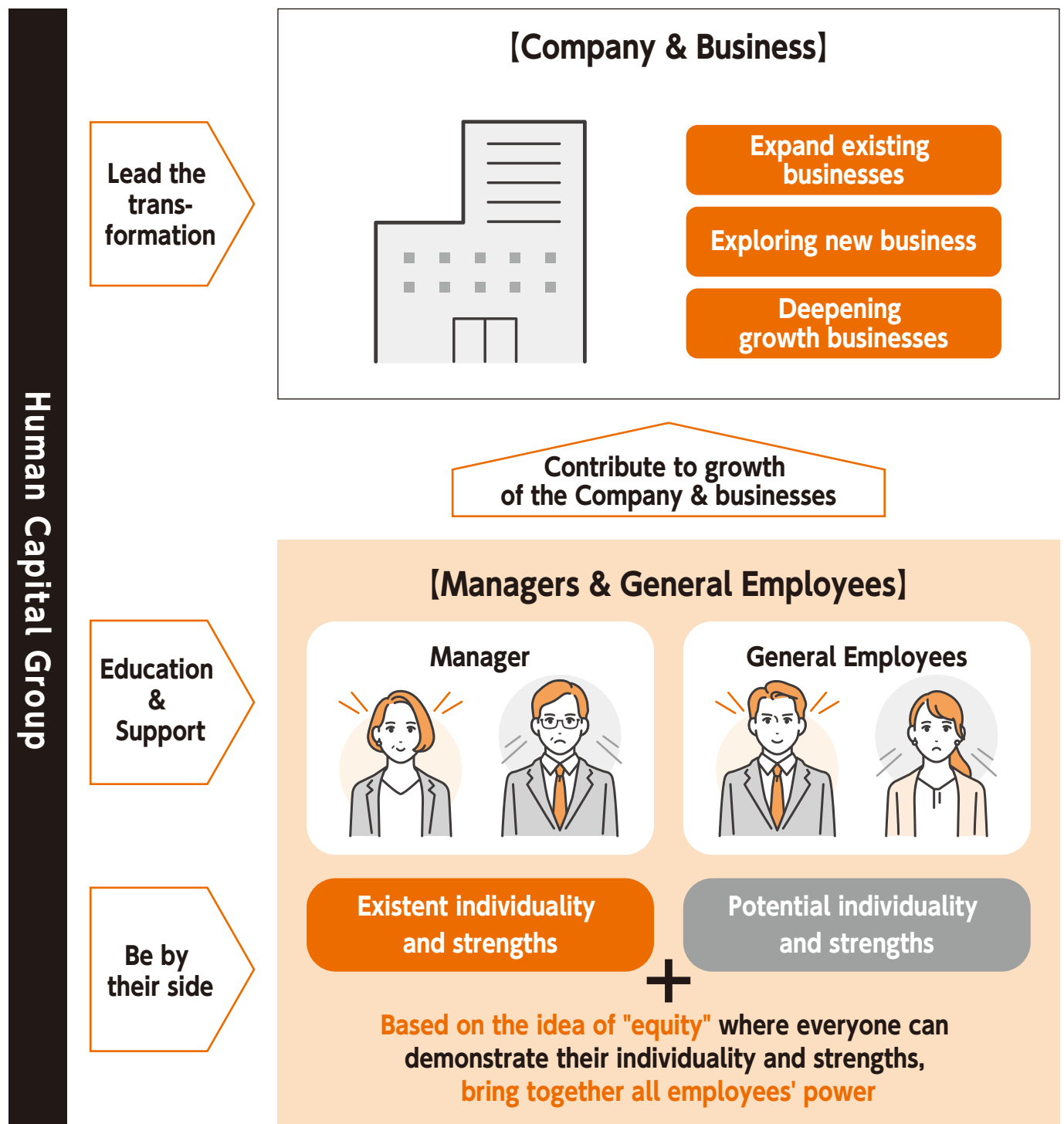
Based on the concept of "equity," the Human Capital Group is working to realize our basic philosophy of "the company and the individual in an equal relationship" and "winning as a team". For the HCM Group, "equity" refers to a state in which everyone is able to demonstrate both their existent and potential individuality and strengths. We believe that it is necessary not only to continue to bring out the best of the individuality and strengths that we can see, but also to draw out and take the individuality and strengths that we cannot see to a higher level, and to bring together the power of all employees to fight together as one. To this end, the Human Capital Group will listen to and engage in dialogue with all employees, regardless of gender, position, or affiliated organization. By doing so, we aim to highlight the individuality and strengths of our employees, and at the same time, by optimally allocating human capital from a strategic perspective, we aim to provide fair opportunities and places where everyone can play an active role and realize management and business strategies, in other words, to lead the transformation of the Company, its businesses, and its employees.

Furthermore, continuous human capital investment is important for medium- to long-term value creation and corporate value enhancement. We view all expenditures on human capital as human capital investment and seek to maximize the return on that investment. In this context, we have positioned individual visualization (dashboarding of human capital) and human capital development as our immediate priority investment areas.

## Section 6 Roles and Stance of HCM Group's Human Capital Group

**Aiming to be a Human Capital Group That Leads the Transformation of the Company, its Businesses, and its General Employees**

(Conceptual image)



## Section 1 Medium-Term Management Plan

### Aiming to Materialize the Management Strategies Under the Motto of "BUILDING THE FUTURE 2025"

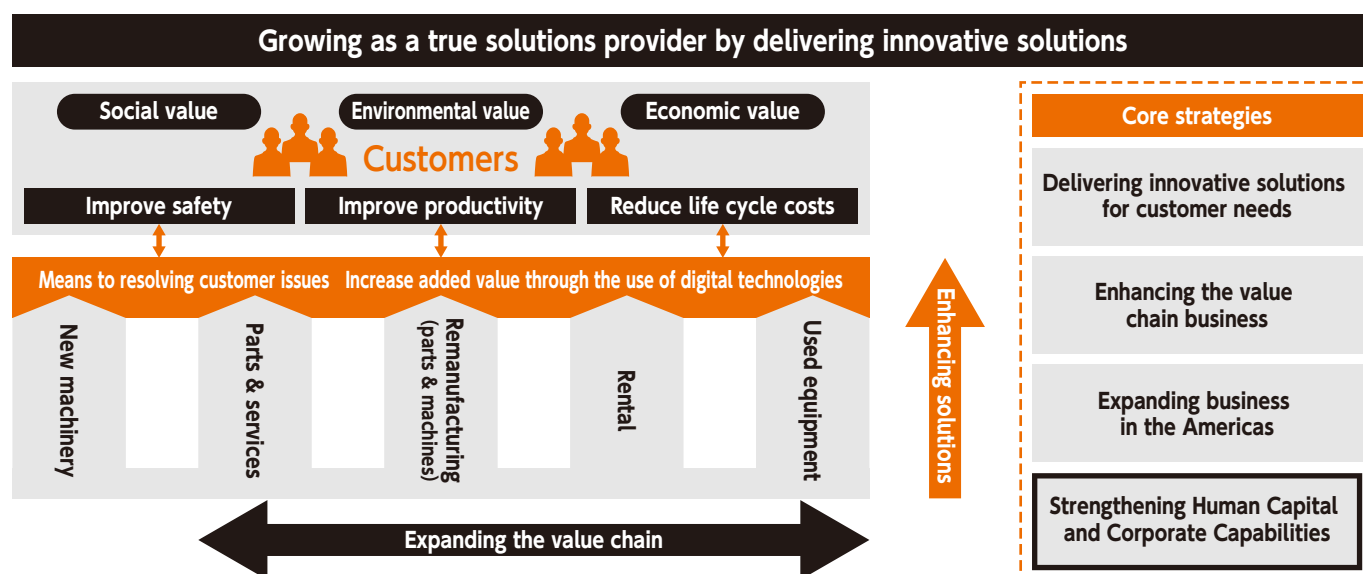
#### ► Formulation of the new Medium-Term Management Plan

Last year, the HCM Group underwent two major changes. One is that the Company is no longer consolidated by Hitachi, Ltd. and has become an equity method affiliate. The second is that the door to the business in the Americas, which had been "uncharted territory" for us, has been opened wide and we have started to roll out our own business there. With these major changes, the HCM Group has entered a new growth phase, which we refer to as the "Second Foundation". Therefore, we have formulated a new Medium-Term Management Plan (FY2023-FY2025) under the motto of "BUILDING THE FUTURE 2025" to express our strong desire to create the future with our own hands.

The new Medium-Term Management Plan consists of the four management strategies described below.

The first pillar is "delivering innovative solutions for customer needs." While customer needs are universal, solutions to the issues are becoming more and more complex. In this context, we will take on the challenge of providing more advanced solutions quicker through co-creation with our customers and partners. The second pillar is "enhancing the value chain business." We will expand our business by further strengthening our ability to propose solutions that meet customer expectations while continuing our current activities. The third is "expanding business in the Americas," which independent roll out of products in the Americas have started in March 2022. We will expand our business to stabilize earnings and contribute to global growth. The fourth is "strengthening human capital and corporate capabilities." In terms of people, we will provide training and opportunities for growth so that our people can play an important role on a global scale.

In terms of corporate capabilities, we will strengthen our business structure globally, including our organization and culture, research and development system, and earnings structure.



## Section 1 Medium-Term Management Plan

**Aiming to Materialize the Management Strategies Under the Motto of "BUILDING THE FUTURE 2025"**

### ▶ Human Capital Group's Medium-Term Management Plan

In response to the new Medium-Term Management Plan mentioned above, the Human Capital Group has set the goal of "where every Kenkijin can be themselves in Harmony" as its vision for 2030 from a long-term perspective, and has established the "triple zero" targets to achieve this vision. The "triple zero" targets consist of the following: (1) Zero occupational accidents and diseases; (2) Zero resignations due to negative reasons; (3) Zero compliance violations, which we will put in our ongoing efforts towards these targets.

We have set out the following vision and mission of the human capital strategy in the Medium-Term Management Plan, and we will strive to lead the Company and its business transformation more proactively.

#### ✓ Vision for 2023

**Where every Kenkijin can be themselves in Harmony**

#### ✓ Targets for achieving the vision

##### Triple zero

①Zero occupational accidents and diseases

②Zero resignations due to negative reasons

③Zero compliance violations

#### ✓ Human Capital Group's vision & mission in the Medium-Term Management Plan (2023 to 2025)

<b>Vision</b>	A company is its people. We aim to enable each employee to discover an immense sense of job fulfillment and thus translate their personal growth into the expansion and development of our business operations.
<b>Mission</b>	Contribute to the creation of new value and the enhancement of corporate value by nurturing human capital (Kenkijin) full of energy and building an organization and culture that maximizes individual strengths.

# Section 2 Overview of Human Capital Strategies and Human Capital Measures

## Four Human Capital Strategies to Achieve the Human Capital Group's Vision & Mission

The Human Capital Group has established four human capital strategies items to realize its vision and mission: "Human capital," "Organization," "Culture," and "Foundation".

Human capital strategies	Human capital	Provide training and opportunities for human capital to be active on a global scale, and support autonomous growth of human capital who create new value, thereby encouraging the challenge of change and maximizing individual performance.
	Organization	Create an optimized organization overall to realize management strategies such as introducing business units (April 2022) to maximize individual strengths by determining the right place for the right person, as well as maximizing the organizational performance through the optimization of personnel allocation.
	Culture	Inherit the "culture of keeping promises," and further familiarize a culture of working on measures to the very end, in which people clarify what they need to do, commit themselves to it, and achieve it. In addition, foster a diverse and vibrant organizational culture through improved organizational health.
	Foundation	Prioritize safety, health, and compliance in all aspects of the operations, and create a comfortable workplace environment, while continuously improving productivity through the use of digital technology.

## Section 2 Overview of Human Capital Strategies and Human Capital Measures

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### Effectively Support Realization of Human Capital Strategies from Three Perspectives: "Top Management," "Managers," and "General Employees"

In order to execute and lead human capital management of Hitachi Construction Machinery, the Human Capital Group ensures balanced incorporation of (1) a top management perspective; (2) a business unit manager perspective; and (3) a General Employees perspective. In other words, these strategies and measures are undertaken in a way that closely aligns with policies determined by top management while accommodating the needs of business unit managers and General Employees.

First, from a top management perspective, we will formulate and execute human capital strategies that are integrated with management and business strategies from both offensive and defensive perspectives. In terms of the "offensive" perspective, we will work on the organizational structure, human capital allocation, and development of educational infrastructure in response to the transformation of the business portfolio, in order to lead the transformation of the Company and its businesses in the *Second Founding*. In terms of the "defensive" perspective, we are also working to reduce business risks by ensuring safety management and compliance.

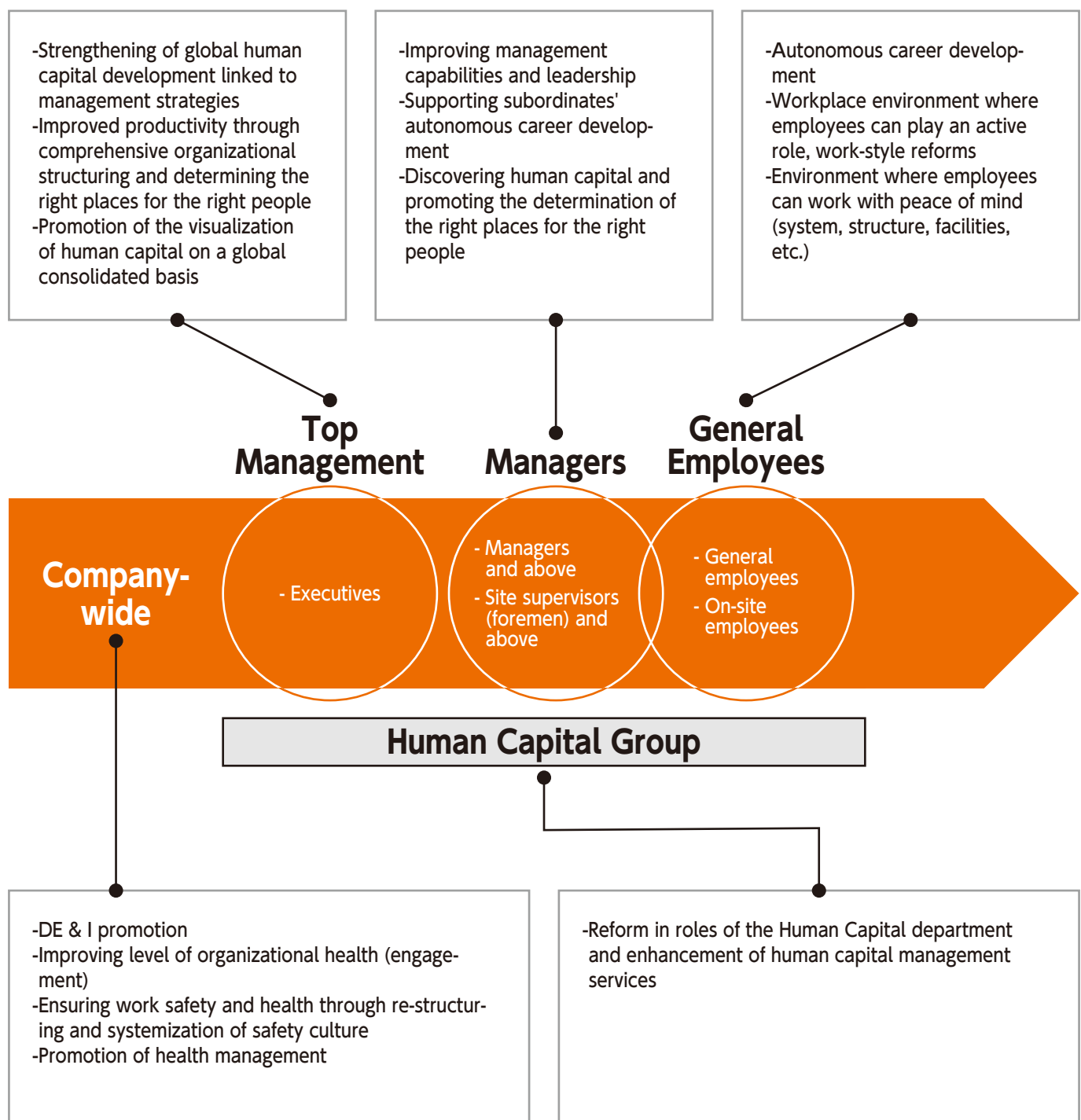
From the manager's perspective, we support the materialization of the basic philosophy of "the company and the individual in an equal relationship" and "winning as a team," as well as the implementation of management and business strategies. In order for the relationship between the Company and the individual to be a "relationship to choose and to be chosen," the manager is responsible for creating dialogue between the top management and the employees, bridging the gap, and creating an environment that draws out the strengths of all employees. The Human Capital Group supports managers in improving their management skills so that they can fulfill this role.

From the perspective of "winning as a team," the Human Capital Group will support managers in leading their General organizations to provide better value and service to customers.

From the perspective of General Employees, we are making efforts based on the concept of "equity" so that diverse human capital can maximize their individuality and strengths, and everyone can work independently and actively, placing themselves in the position of the leader. We will provide an optimal workplace environment in terms of office and operations environment as well as systems and structures. We will also foster a culture in which employees learn and challenge themselves by taking in our core value of the Kenkijin Spirit, and encouraging autonomous career development.

## Section 2 Overview of Human Capital Strategies and Human Capital Measures

To materialize the human capital strategies, key strategic themes from three perspectives (top management, managers, and General Employees) have been set from a company-wide perspective and Human Capital Group perspective



## Section 3 Specific Human Capital Measures

### Part 1 Human Capital Measures of the Entire HCM Group

#### Group-Wide Initiatives Shared Between the Three Perspectives (Top Management, Managers, General Employees)

##### ► DE&I Promotion

#### What we want to achieve

- Diverse human capital play an active role while demonstrating their skills and utilizing their experience
- Continue with sustainable growth while responding to diversifying customer needs

#### Current situation

Percentage of positive response on "index relating to diversity" in employee survey 58.2%

#### Issues

Continue improving the percentage of positive response on "index relating to diversity" in employee survey

#### Specific initiatives and details

The HCM Group seeks to enhance corporate value by providing opportunities for diverse human capital to maximize their capabilities and characteristics. We aim to further promote DE&I from the perspectives of governance, success of women at work, globalization and more.

〈Specific measures (examples)〉

Promoting success of women at work

- Promoting success of women at Hitachi Construction Machinery (foundation development, work-life support, appointment in upper management positions, hiring female employees in skilled positions)
- Achieving equal proportion of male and female employees in managerial positions across all global Group companies

Promoting employment of those with disabilities

- Compliance with the legally mandated employment ratio of those with disabilities at Group companies in Japan

Promoting globalization

- Active promotion of local human capital at overseas subsidiaries in higher managerial positions
- Continue with global leader development programs

## Section 3 Specific Human Capital Measures

### Part 1 Human Capital Measures of the Entire HCM Group

#### Specific measures/ Details

#### 〈Diversity〉

##### ■ Age

	Unit	HCM Group *1			Hitachi Construction Machinery only		
		2020	2021	2022	2020	2021	2022
Under 30	%	18.2	18.3	18.5	20.7	19.9	18.6
30 to 39 y.o.	%	34.5	34.2	33.1	32.8	32.2	31.2
40 to 49 y.o.	%	26.5	26.7	26.8	26.6	26.8	27.3
50 to 59 y.o.	%	16.2	16.3	17.0	16.5	17.7	19.3
60 and over	%	4.6	4.5	4.6	3.4	3.4	3.6

\*1 HCM Group includes Hitachi Construction Machinery by itself and its consolidated subsidiaries

##### ■ Gender

	Scope	Unit	2020	2021	2022	Target (FY2023)
Male	HCM Group	%	82.2	81.8	81.6	—
Female	HCM Group	%	17.8	18.2	18.4	—
Total male employees	Hitachi Construction Machinery only	%	92.3	92.2	91.8	—
Total female employees	Hitachi Construction Machinery only	%	7.7	7.8	8.2	—
Full-time male employees	Hitachi Construction Machinery only	%	92.7	92.5	92.1	—
Full-time female employees	Hitachi Construction Machinery only	%	7.3	7.5	7.9	Above previous FY figure
Contracted male employees	Hitachi Construction Machinery only	%	89.8	90.8	89.1	—
Contracted female employees	Hitachi Construction Machinery only	%	10.2	9.2	10.9	—

##### ■ Diversity (those with disabilities)

	Scope	Unit	2020	2021	2022
Ratio of employees with disabilities *2	Hitachi Construction Machinery only	%	1.60	1.60	1.70
Legally mandated employment ratio of those with disabilities	Hitachi Construction Machinery (including domestic Group companies)	%	2.47	2.54	2.51
	Hitachi Construction Machinery only	%	2.70	2.49	2.4

\*2 Calculation: (number of employees with disabilities ÷ total number of employees)×100 according to ISO 30414.

## Section 3 Specific Human Capital Measures

### Part 1 Human Capital Measures of the Entire HCM Group

#### Specific measures/ Details

#### ■ Other

	Scope	Unit	2020	2021	2022
Proportion of local hires in General Manager positions at overseas Group companies	HCM Group	%	67	71	72
Post-graduates	Hitachi Construction Machinery only	%	12.5	12.8	12.6
Undergraduate	Hitachi Construction Machinery only	%	21.4	21.6	22.4
Junior college / technical college	Hitachi Construction Machinery only	%	3.5	3.4	3.4
High school, other	Hitachi Construction Machinery only	%	62.6	62.2	61.6

#### ■ Diversity among the Top Management

	Scope	Unit	2020	2021	2022	Target (FY2023)
Male	HCM Group	%	99.2	98.4	98.4	—
Female	HCM Group	%	0.8	1.6	1.6	—
Male	Hitachi Construction Machinery only	%	92.0	92.3	92.3	—
Female	Hitachi Construction Machinery only	%	8.0	7.7	7.7	Above previous FY figure

\*Top Management refers to Directors and Executives

#### ■ Proportion of female managers

	Scope	Unit	2020	2021	2022
Male	HCM Group	%	16.2	14.9	16.0
Female	HCM Group	%	8.7	10.4	11.2

\*Calculated the proportion of those in a managerial position among both genders

#### ■ Percentage of males employees taking childcare leave

	Scope	Unit	2020	2021	2022
—	Hitachi Construction Machinery (including domestic Group companies)	%	10.2	13.6	27.3

\*Percentage of male employees taking childcare leave = number of male employees who have taken childcare leave ÷ number of male employees which their spouse has given birth

## Section 3 Specific Human Capital Measures

### Part 1 Human Capital Measures of the Entire HCM Group

#### Group-Wide Initiatives Shared Between the Three Perspectives (Top Management, Managers, General Employees)

#### ► Improving Level of Organizational Health (Engagement)

##### What we want to achieve

Improvement of organizational health to create an organizational culture in which diverse human capital (Kenkijin) can play an active role and achieve results, and a workplace environment in which everyone can work with enthusiasm

##### Current situation

Positive response rate on employee survey has declined since the COVID-19 pandemic

##### ■ Employee survey results

			2018	2019	2020	2021	2022	Target (FY2023)
HCM Group	Indirect	Response (%)	66.3	79.7	85.2	91.2	95.0	—
		Positive Response (%)	62.6	63.3	65.7	63.7	62.3	—
Hitachi Construction Machinery Only	Indirect	Response (%)	70.4	86.1	92.1	96.3	96.9	—
		Positive Response (%)	56.0	58.1	60.3	58.2	55.9	56.9
	Direct	Response (%)	—	—	99.4	100	100	—
		Positive Response (%)	—	—	31.0	53.2	56.5	57.5

##### Issues

Continuous implementation of fixed-point observation through a Group-wide employee survey, identification of issues based on the survey, formulation of measures, and improvement through implementation of the measures

## Section 3 Specific Human Capital Measures

### Part 1 Human Capital Measures of the Entire HCM Group

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#### Specific measures/ Details

##### ◆Top Management perspective

To lead the Group's global organizational and cultural transformation, we are developing a PDCA cycle using assessment sheets to ensure that issues are identified through employee surveys, and measures and initiatives are taken to address them. Proactive measures in line with the current status of each region, business and department are considered, and information sharing and individualized support are revitalized through global HR managers' meetings, etc. In addition, we hold Town Hall meetings where Top Management and employees gather to share organizational goals and issues, exchange opinions, and interact with each other.

##### ◆Managers' perspective

We analyze the survey results (scores\*) of our own departments and link them to daily management improvements. In order to build a better team, we have established action items for each department and are working to ensure that they are promoted.

##### ◆General Employees' perspective

We have organized a system that allows all employees to provide feedback to the company through responses to an employee survey. Survey results and various initiatives are shared on the intranet site related to organizational health, and progress can be monitored. In addition, we promote bottom-up improvement activities through employee-participation workshops.

\*We ensure the surveys and response/results are anonymous

## Section 3 Specific Human Capital Measures

### Part 1 Human Capital Measures of the Entire HCM Group

#### Group-Wide Initiatives Shared Between the Three Perspectives (Top Management, Managers, General Employees)

#### ► Ensuring work safety and health through re-structuring and systemization of safety culture

##### What we want to achieve

- Improving maturity of safety culture Shift from "Response-type, Dependent-type" to "Independent-type," "Mutual enlightenment-type"
- Realizing a workplace of "proactively protecting your own safety" and "act with colleagues' safety in mind"

##### Current situation

- Low awareness of "safety first"
- Insufficient horizontal roll out of effective company-wide safety and health activities

##### Issues

- Practice, familiarize and establish the awareness and the behavior of "safety first"
- Appropriate evaluation of activity outcomes

##### Specific measures/ Details

The HCM Group's basic philosophy is to "prioritize safety and health above all else," and the Safety and Health Committee oversees the Group's safety and health activities to ensure that all employees can work safely and with peace of mind. Three specific measures taken are described as below.

#### ◆Restructuring the safety and health culture

We will continue to practice, familiarize, and establish the awareness and the behavior of "safety first". To this end, we will promote two-way communication and a shift to proactive and autonomous activities, and we will continue to build an educational system that meet the needs of each and every person.

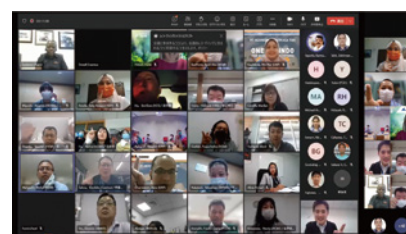
〈Specific measures (example)〉

- Mindset through the introduction of SafetyTime\*
- Increasing awareness in sensing danger with "Sensory Training Caravan"
- Active exchange and enhancing governance through the Global Safety and Health Conference

\*Stop the production line and operations and carry out safety and health activities



Danger detection training using danger experience device and VR



Global Safety and Health Conference for 85 managers from 31 domestic and international bases (online meeting)

## Section 3 Specific Human Capital Measures

### Part 1 Human Capital Measures of the Entire HCM Group

#### Specific measures/ Details

#### ◆Promotion of fundamental safety

To achieve "zero occupational accidents and diseases," which is one of the triple zero goals, we are promoting automation and visualization to reduce the risk of occupational injury and workload.

〈Specific measures (example)〉

- Visualization of risks through the introduction of the Risk Assessment Collection System (ESG-MSS)
- Effective promotion of investment towards safety

#### ◆Promoting autonomous operation of management system

We will promote awareness of departmental responsibilities and appropriate evaluation of activity results in order to firmly establish "safety first" awareness initiatives.

〈Specific measures (example)〉

- Promoting participation of activities by all members with strong leadership of the Top Management of the organization
- Work operations observation based on two-directional communication and fostering a culture of praising the subordinates

#### 〈Health, Safety, and Happiness〉

#### ■ Time lost due to occupational accidents

	Scope	Unit	2020	2021	2022	Target (FY2023)
Total time lost per one million hours	Hitachi Construction Machinery only	Hours	20.87	26.9	12.53	Figure lower than previous FY

#### ■ No. of occupational accidents (frequency rate)

	Scope	Unit	2020	2021	2022	Target (FY2023)
Rate of occupational accident (no. of incidents per one million hours)	HCM Group	incidents	0.79	0.93	1.09	Half the no. of incidents compared to previous FY
	Hitachi Construction Machinery only	incidents	0.15	0.29	0.3	

\*No. of occupational accident during the period ÷ total working time of the employee during the period x one mil. hours  
Occupational accidents concerned are those which require leave of one day or more

## Section 3 Specific Human Capital Measures

### Part 1 Human Capital Measures of the Entire HCM Group

#### Specific measures/ Details

#### ■ No. of deaths due to occupational accidents (death rate)

	Scope	Unit	2020	2021	2022	Target (FY2023)
Occupational accident death rate	HCM Group	%	0	0	0	Maintain 0
	Hitachi Construction Machinery only	%	0	0	0	Maintain 0

#### ■ Percentage of health and safety training participants

	Scope	Unit	2020	2021	2022	Target (FY2023)
Percentage of health and safety onboarding training participants * <sup>1</sup>	Hitachi Construction Machinery only	%	100.0	100.0	100.0	—
Participant percentage of mental health training* <sup>2</sup>	Hitachi Construction Machinery only	%	—	20.5	91.5	—
Specialized safety training participant percentage * <sup>3</sup>	Hitachi Construction Machinery only	%	—	15.1	73.5	—

\*1 Percentage of cumulative health and safety onboarding training participants based on ISO 30414 definition

\*2 No. of employees who took self-care training ÷ no. of employees who can sit the training×100

\*3 No. of employees who took training for managers and supervisors managing department operations or workplace environment ÷ no. of employees who can sit the training×100

## Section 3 Specific Human Capital Measures

### Part 1 Human Capital Measures of the Entire HCM Group

#### Group-Wide Initiatives Shared Between the Three Perspectives (Top Management, Managers, General Employees)

##### ► Promotion of Health and Productivity Management

#### What we want to achieve

- Maintaining and promoting physical and mental health
- Realizing a lively workplace where each and every employee can work, full of energy

#### Current situation

Selected as one of the organizations under the Certified Health & Productivity Management Outstanding Organizations Recognition Program since 2021 (three consecutive years)

#### Issues

- Achieving better performance through maintaining and promoting physical and mental health
- Appropriate evaluation of impact (loss) of maintaining and promoting health

#### Specific measures/ Details

The HCM Group promotes health and productivity management with the aim of establishing a lively workplace where everyone can work happily. We have been recognized as one of the organizations under the Certified Health & Productivity Management Outstanding Organizations Recognition Program for three consecutive years. We will continue to pursue the maintenance and promotion of physical and mental health based on our basic philosophy of "prioritize safety and health," so that each and every employee can work vigorously. Two specific measures taken are described as below.

#### ◆Improvement of each individual's performance through promotion of health and productivity management

We are promoting the maintenance of mental and physical health and workstyle reform so that each and every employee can work with enthusiasm.

〈Specific measures (example)〉

- Establishment and management of the Health and Productivity Management Promotion Committee
- Formulation and promotion of roadmap towards acquiring Health & Productivity Management Brand
- Effective support for high-stress workplaces using the results of organizational analysis of the stress check system

## Section 3 Specific Human Capital Measures

### Part 1 Human Capital Measures of the Entire HCM Group

#### Specific measures/ Details

Name of program	Details	Target
Workplace Improvement Workshop	Identify problems in the workplace based on the results of organizational analysis of stress checks, and have everyone in the workplace think about and carry out initiatives to reduce stress and make the workplace a comfortable environment to work in.	All employees
Self-care Study Sessions	Understand the idea of self-care, self-management to avoid mental illness to understand one's own stress condition, and learn to relax and refresh oneself by using stress-relieving methods suited to one's own needs.	All employees
Line Care Cases Study Sessions	As managers and supervisors, consider better ways to support subordinates before they fall into mental illness and to detect mental illness at an early stage and respond to it promptly through examination of various case studies.	Managers and Supervisors
Study sessions regarding accepting employees with mental health conditions in the workplace	Acquire correct knowledge about mental health and create a workplace where people can work with peace of mind even if they suffer from a mental health condition.	Part 1: All employees; Part 2: Managers and Supervisors

Example of Workplace Improvement Support Program for high-stress workplaces by dedicated counselors of the HCM Group

#### ◆Promoting enhancement of industrial health system

We will continue to enhance our industrial health system as a mechanism to continue promoting health and productivity management.

〈Specific measures (example)〉

- Expansion of support system by occupational physicians, public health nurses, nurses, and counselors, and provision and enhancement of support contents that meet the needs of the workplace
- Enhancing mental health measures by strengthening cooperation between the Health and Safety Department and the Human Resources Department, integrating workstyle reforms and workload reduction measures, etc.

#### ■ Employees under high-stress conditions

	Scope	Unit	2020	2021	2022
Stress check high-stress employee percentage	Hitachi Construction Machinery (including domestic Group companies)	%	14.5	16.5	16.4

\*Percentage of the number of people judged to be under high-stress conditions out of the total no. of targets in all domestic companies (High-stress judgment; evaluation criteria based on the "score conversion table" of the Ministry of Health, Labour and Welfare are used)

## Section 3 Specific Human Capital Measures

### Part 2 Human Capital Measures from the Top Management Perspective

#### ■ Human Capital Measures from the Top Management Perspective

##### ► Strengthening Global Human Capital Development Linked to Management Strategies

#### What we want to achieve

Quick execution of human capital development measures required to achieve the management targets on a global scale

#### Current situation

Insufficient visualization of human capital, organized talent management

#### Issues

Implement global human capital measures utilizing human capital data and develop human capital necessary to achieve management targets

#### Specific measures/Details

We will become a true solutions provider to develop management leaders who will drive our growth, promote group and global human capital development, and develop human capital with the skills necessary to execute our management strategies. To this end, we are building a learning platform that can be linked to the human resource and education systems of domestic and overseas Group companies so that we can monitor the status of human capital development and implement human capital development measures in a timely manner on a global scale to address the gap between current situation and the targets. This enables centralized management of human capital data and the visualization of human capital, which can then be used for planning and execution of data-based human capital measures and systematic talent management.

#### ◆ Development of Global Business Leaders

As a global company, we develop business leaders over the medium to long term to formulate and execute management strategies to achieve sustainable growth and improve competitiveness. In FY2022, the training program was reorganized, and the content was designed to strengthen management skills and networking with external human capital, and from FY2023, the training target also includes overseas business leaders.

#### ◆ Promotion of Human Capital Development Across the Global Groups

As we operate in a variety of countries and regions, we have established a system to provide education on compliance and risk management and to develop business leaders based on globally uniform standards, based on a survey of the education status of each Group company, and we are working to the share education programs and best practices across all Group companies.

## Section 3 Specific Human Capital Measures

### Part 2 Human Capital Measures from the Top Management Perspective

#### Specific measures/ Details

#### ◆Development of Digital Human Capital

We are working to develop digital human capital and improve their digital literacy in order to respond to rapid technological innovation and execute management strategies. The first step in this initiative was to carry out a self-improvement program to acquire the skills and mindset to accomplish goals, which are the foundation of digital human capital. More than 4,000 participants have taken the course at Group companies around the world. In Japan, we have set the period from FY2022 to the end of FY2023 as a period for strengthening the development of digital human capital. In addition to providing training in digital literacy to approximately 1,000 employees over a two-year period, we are also conducting a program to develop digital promotion leaders through practical experience by forming teams of business and DX departments. From FY2024, in addition to raising the level of digital literacy, to promote the development of human capital with specialized digital skills required across all divisions, we are currently preparing a dedicated training program.

#### ■ A2E (Ability to Execute) training: Participant trends

	Fiscal Year				Total
	2019	2020	2021	2022	
Hitachi Construction Machinery only	490	898	973	223	2,584
Domestic Group companies	206	238	538	397	1,379
Overseas Group companies	0	0	128	385	513
Total	696	1,136	1,639	1,005	4,476

#### ■ Courses relating to digital literacy: Participant trends

FY2022 (Results)	FY2023 (Forecast)	Total
423	715	1,138

### 〈Skills and Capabilities〉

#### ■ Total developing and training costs

	Scope	Unit	2020	2021	2022
—	Hitachi Construction Machinery only	thousand yen	533,917	595,827	755,950

## Section 3 Specific Human Capital Measures

### Part 2 Human Capital Measures from the Top Management Perspective

#### Specific measures/ Details

#### 〈Skills and Capabilities〉

##### ■ Training participation rate

	Scope	Unit	2020	2021	2022
—	Hitachi Construction Machinery only	%	100.0	100.0	74.1

\*Same definition and figure used for "Participation rate of related training and level of understanding test" on P41

##### ■ Training hours per employee

	Scope	Unit	2020	2021	2022	Target (FY2023)
Average training hours per employee	Hitachi Construction Machinery only	Hours	31.06	42.45	50.78	54 hours/person
Average training hours per participant	Hitachi Construction Machinery only	Hours	31.06	42.45	68.51	—

##### ■ Training participation rate by category

	Scope	Unit	2020	2021	2022
Cumulative participation rate of the A2E training	HCM Group	%	6.4	12.1	15.3
	Hitachi Construction Machinery only	%	22.9	38.7	41.7

## Section 3 Specific Human Capital Measures

### Part 2 Human Capital Measures from the Top Management Perspective

#### ■ Human Capital Measures from the Top Management Perspective

#### ► Improved productivity through comprehensive organizational structuring and allocation of the right places for the right people

##### What we want to achieve

Maximize organizational and individual performance to resolve customers' issues and achieve sustainable growth

##### Current situation

Introduced business unit system from FY2021

##### Issues

- Improving awareness of profitability as a business unit, deepening of the BU system through fostering a sense of unity
- Shifting human capital to departments under development and execution of "allocating the right places for the right people" through human capital matching and appointment of human capital

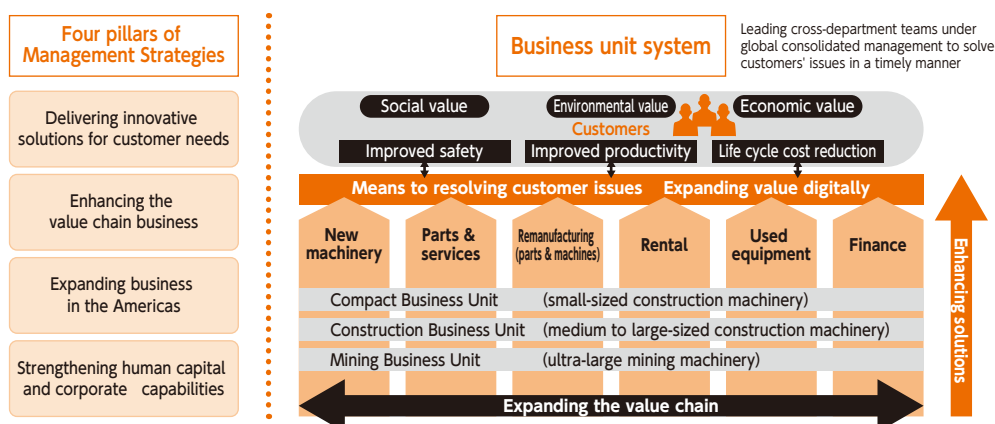
##### Specific initiatives and details

Hitachi Construction Machinery is implementing various measures based on the basic policy of maximizing organizational and individual performance through the overall optimization of the organization and the allocation of the right places for the right human capital, in order to achieve the Medium-Term Management Plan.

#### ◆ Organizational structure of overall optimization - deepening of the business unit system

We are executing an organizational structure to create an optimal value chain. In 2021, we introduced the business unit system with the aim of optimizing our business structure from the customers' perspective. In order to take this system to the next level, we have introduced bonuses linked to the department's performance and are building a system to reflect the performance of each department in the evaluations of Managers and above. We will continue our efforts to raise awareness of profitability and foster a sense of unity as a business unit.

##### Business unit system



## Section 3 Specific Human Capital Measures

### Part 2 Human Capital Measures from the Top Management Perspective

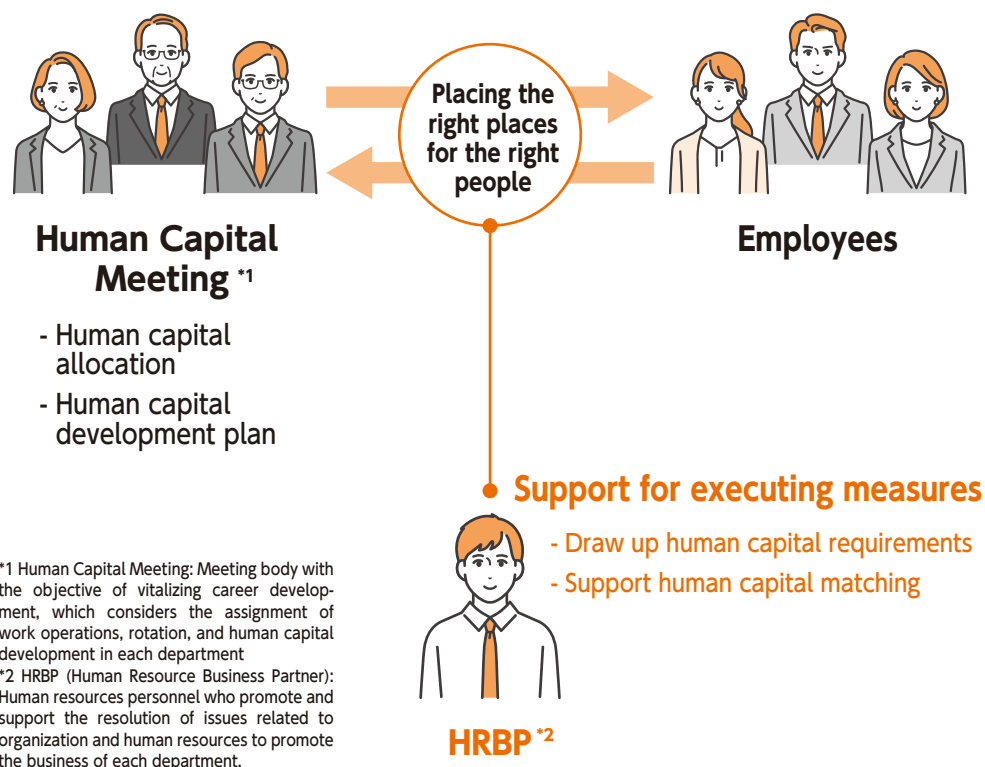
#### Specific measures/ Details

#### ◆ Allocation of the right places for the right people

We are accelerating the appointment of people in key positions and promoting early selection by delegating authority to those who meet the requirements for each position, regardless of age or years of experience. In addition, in order to respond to the increase in personnel needed to promote the Medium-Term Management Plan, we are shifting human capital to strengthening divisions in addition to securing key human capital in a timely manner, reviewing existing operations, and improving efficiency. In particular, Human Capital Meetings are held in each department to vitalize career development in order to realize the placement of the right places for the right human capital. Our HRBP also supports the implementation of human capital measures in each department, helping to identify human capital requirements and matching needs with other departments. (Refer to Fig. 1)

The status of productivity through these efforts is monitored through KPI management of consolidated and non-consolidated personnel costs and profit per employee, and ongoing efforts are being made to improve productivity.

〈Fig. 1: System in each department to allocate the right places for the right people〉



## Section 3 Specific Human Capital Measures

### Part 2 Human Capital Measures from the Top Management Perspective

#### Specific measures Details/

#### 〈Productivity〉

##### ■ Sales per employee

	Scope	Unit	2020	2021	2022	Target (FY2023)
Sales per person	Hitachi Construction Machinery only	million yen	58.6	81.1	106.7	Figure above previous FY

##### ■ Human capital ROI

	Scope	Unit	2020	2021	2022
—	Hitachi Construction Machinery only	million yen	-47.0	14.0	52.0

\*Human capital ROI = operating profit ÷ (salary + allowances)

#### 〈Recruitment, Mobility and Turnover〉

##### ■ Percentage of critical business positions filled internally\*

	Scope	Unit	2020	2021	2022
—	Hitachi Construction Machinery only	%	100	100	100

\*Critical business positions refer to business unit Managers and above

## Section 3 Specific Human Capital Measures

### Part 2 Human Capital Measures from the Top Management Perspective

#### ■ Human Capital Measures from the Top Management Perspective

##### ▶ Promotion of the visualization of human capital on a global consolidated basis

#### What we want to achieve

- Encourage feedback and dialogue with internal and external stakeholders on human capital management
- Enhancement and improvement of human capital management towards continuous improvement in corporate value

#### Current situation

Human capital visibility is limited, with only minimal disclosure of statutory requirements

#### Issues

- Visualizing the value of human capital (Kenkijin) which is the Company's important human capital in a timely manner
- Identification of human capital management issues through visualization and structuring of improvements

#### Specific measures/ Details

##### ◆Acquiring ISO 30414 international human capital management standards certification

Hitachi Construction Machinery acquired the ISO 30414 standards certification, a comprehensive and systematic information disclosure guideline for human capital, and widely communicated internally and externally that the Company's human capital management complies with international standards. Moving forward, we will use the know-how gained in this process to strengthen and improve our human capital management, which will lead to continuous enhancement and improvement of our human capital management and sustainable enhancement of our corporate value.

##### ◆Creation and disclosure of Hitachi Construction Machinery Consolidated Human Capital Report

Starting in FY2023, we began publishing the Human Capital (HC) Report and collected data on human capital-related indicators on a consolidated basis in the process of preparation. We will utilize these indicator data in discussions with Top Management and dialogue with employees to improve human capital management, ultimately leading to sustainable enhancement of corporate values. In addition, through the HC Report, we will strive to enhance dialogue with our external stakeholders to refine and improve our human capital strategies and human capital management.

## Section 3 Specific Human Capital Measures

### Part 3 Human Capital Measures from the Managers' Perspective

#### ■ Human Capital Measures from the Managers' Perspective

##### ► Improving management capabilities and leadership

#### What we want to achieve

Managers bring out the best in their subordinates, maximize results, and create innovations in each workplace

#### Current situation

- While there are opportunities for improving skills and capabilities within the Company, there is room for improvement in bringing out the best in subordinates and putting together those capabilities
- Lack of strategic initiatives for employees coming from a diverse range of backgrounds

#### Issues

Managers supporting the growth of their subordinates, improving management capabilities that respect the diversity among team members

#### Specific measurements/Details

Hitachi Construction Machinery provides training for first-year to sixth-year employees, newly appointed assistant managers, newly appointed managers, and newly appointed general managers by job level to clarify the roles and responsibilities of each job level (position) and to enable efficient work operations execution and decision-making. In accordance with the independence from the Hitachi Group in FY2022, the training content was reviewed based on the new management strategies and human capital requirements, and is being implemented since October 2023.

〈Specific measures (example)〉DE&I training

We believe that when Managers recognize the importance of DE&I, it will encourage innovation based on different perspectives and ideas, which in turn will improve our market competitiveness. Starting in FY2023, DE&I training will be incorporated into the position-specific training program, and all general managers and managers will be encouraged to take training to deepen their understanding of diversity management.

#### ■ Leadership development

	Scope	Unit	2020	2021	2022
Leadership development training participation rate	Hitachi Construction Machinery only	%	31.3	58.3	62.5

## Section 3 Specific Human Capital Measures

### Part 3 Human Capital Measures from the Managers' Perspective

#### Specific measures/ Details

#### ■ Leadership trust

	Scope	Unit	2020	2021	2022	Target (FY2023)
Employee survey Positive response towards their superior's management	HCM Group	%	66.4	64.7	65.4	—
	Hitachi Construction Machinery only	%	62.6	60.9	61.4	62.4

#### ■ Teamwork

	Scope	Unit	2020	2021	2022
Employee survey Teamwork score	HCM Group	%	71.4	69.8	70.1

Section 3 Specific Human Capital Measures

Part 3 Human Capital Measures from the Managers' Perspective

Human Capital Measures from the Managers' Perspective

Supporting subordinates' autonomous career development

What we want to achieve

Current situation

Issues

Specific initiatives and details

Management practices that can support the growth and autonomous career development of subordinates

Regularly holding one-on-one meetings (over 90% held)

Improving Managers' coaching skills leading to subordinates taking initiative to think and work towards taking their career to the next level

In order for Managers to maximize the inner capabilities and potential of their subordinates and improve their performance, coaching training has been enhanced since FY2023. Through these efforts, we aim to improve the quality of career interviews, one-on-one meetings, etc., to promote effective communication and team motivation, as well as to strengthen the organization's capabilities. The coaching training is systematically divided into three levels: general managers and managers, and younger employees. After the completion of training for department managers in September 2023, training for section managers and younger employees is underway.

■ Coaching training participation and plan

	FY2022 4Q	1Q	FY2023 2Q	3Q	4Q	~	Participants	
							FY2023	FY2024
For general managers	<div></div>						274 people	—
For managers				<div></div>			320 people	380 people
For younger employees					<div></div>		122 people	84 people

## Section 3 Specific Human Capital Measures

### Part 3 Human Capital Measures from the Managers' Perspective

#### ■ Human Capital Measures from the Managers' Perspective

#### ► Discovering human capital and promoting to allocate the right places for the right people

##### What we want to achieve

- Satisfying the needs of the business by taking in and securing a diverse range of human capital
- Create an organization where employees autonomously work on developing their career and play an active role in the organization

##### Current situation

Percentage of positive responses on "resources and support" in employee survey is low

##### Issues

Continue improving the percentage of positive responses on "resource and support" in employee survey

##### Specific measurements/Details

We believe that managers are critical in ensuring the right places for the right people, in a timely manner, to meet the needs of the business. The following measures are in place to enable managers to budget the human resources needed to manage the organization, clarify the skills and experience required, and recruit and transfer human capital.

〈Specific measures (example)〉

Promoting to secure appropriate human capital

- Promoting to secure human capital that meet the needs of the business in a timely manner
- Rolling out various measures to secure human capital (scouts, referrals, alumni, specialists, etc.)

Promoting to allocate the right places for the right people

- Expansion of human capital rotation through internal recruitment
- Visualization of internal human capital needs through company-wide organizational function review meetings and departmental human capital meetings (through HRBP) and enhancement of human capital matching
- Encouraging self-development of employees' careers (Video uploads by Top Management, internal training, organizing career consultants, etc.)

## Section 3 Specific Human Capital Measures

### Part 4 Human Capital Measures from the General Employees' Perspective

#### ■ Human Capital Measures from the General Employees' Perspective

##### ► Autonomous career development

#### What we want to achieve

- Employees actively acquiring new skills and demonstrating knowledge on their field of expertise
- Increase number of employees who feel a sense of satisfaction and purpose in life through their work activities

#### Current situation

Provide programs centered on position-specific training for skills deemed necessary

#### Issues

- Each department or individual has their own development plan and educational content, and there is not enough support for working towards "who they want to be"

#### Specific measurements/Details

As a first step to support employees' autonomous career development, we conducted a "Skills Development Survey" from June to July 2023 for all employees of Hitachi Construction Machinery. Based on the results of this survey, we will ascertain the current status of skills development as a whole company, and will carry out the following initiatives moving forward.

##### ◆ Enhancement of career training (by age group)

We will enhance age-specific career trainings according to the challenges each age group encounter in their career paths. Its purpose is to enable the employees to regularly reflect on their career, to understand their strengths, to envision their future, and to clarify the path toward its realization.

##### ◆ Improving learning content, preparing a learning platform

We plan to improve the learning content to help each employee achieve their career goals. In addition, a learning platform will be developed to visualize each person's skills and education record, as well as to provide learning opportunities that promote autonomous learning.

##### ◆ Allocation of career consultants

We will assign career consultants with whom employees can discuss their careers. Through interviews, etc. they can help the employees to understand the nature of the challenges they are facing, identify their skills, clarify the career they are aiming for, and provide support for solving problems and building their career.

## Section 3 Specific Human Capital Measures

### Part 4 Human Capital Measures from the General Employees' Perspective

#### ■ Human Capital Measures from the General Employees' Perspective

#### ▶ Workplace environment where employees can play an active role, work-style reforms

##### What we want to achieve

Provide a workplace environment where each and every employee feels fulfilled and comfortable at work, and improve employee satisfaction (engagement)\*

\*For organizational health (engagement value), refer to "employee survey results" on P18

##### Current situation

Currently working on creating a comfortable working environment, but not yet completed

##### Issues

Further improvement in workplace environment and enhancing internal and external communication

##### Specific measures/Details

Aiming to improve employee satisfaction through the development of a workplace environment that allows employees to work vigorously, we have been working to create a workplace environment that meets actual conditions, particularly in our factories.

Between 2022 and 2023, we have constructed new buildings at the Tsuchiura Works, Ryugasaki Works, and Banshu Works. In the process of constructing the new buildings, we launched an internal project and decided on the concept of the new buildings and the goals of the project, fully reflecting the opinions of our employees. For example, the new engineering building at the Tsuchiura Works, the mother plant of Hitachi Construction Machinery, was named "Orange Innovation Plaza (commonly known as Orange-Plaza)" through an internal naming contest. This name encompasses the idea of "a place where people who create the next generation of construction equipment can gather and ideas can be generated." We have various mechanisms in place to encourage communication among employees, and have positioned innovation creation as one of our main objectives.

## Section 3 Specific Human Capital Measures

### Part 4 Human Capital Measures from the General Employees' Perspective

#### Specific measures/ Details

#### ■ Concepts created for constructing new buildings

[GOAL 1]

#### Hitachi Construction Machinery's unique features & Creativity

A plan based on the corporate vision and demonstrates Hitachi Construction Machinery's unique features

[GOAL 2]

#### Environmental consideration

Create a better natural environment and  
work environment to enhance employees' happiness

[GOAL 3]

#### Diversity

Create a place where diverse people can coexist and work in a variety of different ways by  
switching appropriate locations according to the diversity and activity-based working styles

[GOAL 4]

#### Comfort

Create an environment where each employee can work comfortably in  
good health while achieving mental and physical growth

[GOAL 5]

#### Communication

By creating a space where people can easily connect with each other, create an environment  
that generates synergy, value, and collaborative creation that transcends  
"inside and outside the department" and "inside and outside the Company"

Design  
concept

Activity  
concept



Tsuchiura Works new Engineering  
Building(Orange Plaza)



New Ryugasaki General Operations  
Building



New Banshu General Operations  
Building

In addition to constructing new buildings, we are also improving welfare facilities such as the cafeterias, stores, and restrooms at manufacturing sites, as well as strengthening security, reinforcing the earthquake resistance of the production buildings, and reinforcing slopes on the site to ensure safety. Moving forward, we will conduct satisfaction surveys targeting residents of the new building and consider measures to further improve communication between departments.



Renovating the restrooms  
at manufacturing sites

## Section 3 Specific Human Capital Measures

### Part 4 Human Capital Measures from the General Employees' Perspective

#### ■ Human Capital Measures from the General Employees' Perspective

#### ▶ Environment where employees can work with peace of mind (system, structure, facilities, etc.)

##### What we want to achieve

Creating an environment that ensures peace of mind for both the employees and their family, and devote oneself to work

##### Current situation

Phase of transition of systems, etc. in accordance with separation from the Hitachi Group

##### Issues

Transition of systems, etc. is ongoing

##### Specific initiatives and details

Hitachi Construction Machinery is currently in a period of transition in its various systems and structures as it has separated from the Hitachi Group. We are reviewing and creating the necessary environment for our employees to work with peace of mind.

##### ◆ Introduction and establishment of CDC (collective defined contribution)

The Company, through the Hitachi Construction Machinery Corporate Pension Fund, has established a basic investment policy and policy asset mix, in light of the fact that the management of the corporate pension fund affects its own financial position as well as the stable asset formation of its employees.

##### ◆ Roll out of overseas travel guideline on a global scale

Overseas sales already account for more than 80% of the HCM Group's total sales; and we will continue to globalize our operations even further. We expect our employees to be active on a global scale beyond their area, and we believe that it is necessary to gradually create a guideline that outlines measures for overseas travel, and to roll out and disseminate this guideline to our employees.

〈Other specific measures (example)〉

- Monitoring of corporate pension management and establishment of stable management
- Preparation for establishment of Hitachi Construction Machinery Health Insurance Union

## Section 3 Specific Human Capital Measures

### Part 5 Human Capital Measures for the Human Capital Group

#### ■ Human Capital Measures for the Human Capital Group

#### ► Reform in roles of the Human Capital department and enhancement of human capital management services

##### What we want to achieve

Focusing on solutions operations  
(improvement and project proposal operations)

##### Current situation

Business expansion and development has increased the workload of the operation

##### Issues

- Strengthen support for resolving issues related to organization and human capital in each business
- Updating to the related optimal human resources systems
- Reviewing and streamlining the Human Capital Department operations

##### Specific measures/ Details

One of the main roles of the Human Capital Group is to propose improvements and plans to promote human capital management. However, due to the workload of the daily operations, the Group has not been able to focus on their roles described above. Moving forward, we will carry out reforms of the roles and operations among the Human Capital Group so that we can focus more on solution operations. We will continue to improve the quality of our services and aim to become a friendly and reliable partner.

〈Specific measures (example)〉

- Introduction of HRBP and continued support for all departments by the HRBP (from April 2023)
- Total review of human resources related systems from a medium- to long-term perspective
- Consideration and implementation of outsourcing of operations (BPO\*)
- Consideration and implementation of specific measures to promote the use of digital tools and systems for business reform

\*BPO=Business Process Outsourcing

## Section 4 Data Collection

### 〈Compliance and ethics〉

#### ■ Number and type of grievance filed

	Scope	Unit	2020	2021	2022
Cases of non-compliance reported	HCM Group	Incidents	33	49	54
Harassment-related	Hitachi Construction Machinery only	Incidents	7	5	5
Other work-related	Hitachi Construction Machinery only	Incidents	1	3	1

#### ■ Type and number of disciplinary actions taken

	Unit	2020	HCM Group 2021	2022	2020	Hitachi Construction Machinery only 2021	2022	Target(FY2023)
Disciplinary dismissal	Incidents	37	120	71	0	0	0	
Retirement under instruction	Incidents	—	—	—	0	0	3	
Suspension	Incidents	30	28	28	3	5	2	Figure lower than previous FY
Pay cut	Incidents	7	25	26	0	2	6	
Reprimand	Incidents	—	—	—	0	2	1	

#### ■ Percentage of employees who have completed training on compliance and ethics

	Scope	Unit	2020	2021	2022	Target (FY2023)
Percentage of participants taking Corporate Code of Ethics and Compliance	HCM Group	%	100	100	—	—
Participation rate of related training and level of understanding test	Hitachi Construction Machinery only	%	100	100	74.1	Participation by all employees (=100)

\*The participation rate of indirect employees of the HCM Group and Hitachi Construction Machinery alone is calculated based on the participation rate of the e-learning content of Corporate Code of Ethics and Compliance

\*The participation rate of direct employees of Hitachi Construction Machinery is as follows: in FY2020, all direct employees watched a compliance education video, and in FY2021, all direct employees have taken a compliance understanding test. In FY2022, the Company has conducted training for some of its contract employees at the time of hiring and for new on-site supervisors. We will continue to educate our employees through training programs and aim to achieve zero compliance violations by FY2030.

#### ■ Disputes referred to external parties

	Scope	Unit	2020	2021	2022
—	Hitachi Construction Machinery only	Incidents	0	0	0

## Section 4 Data Collection

### 〈Recruitment, Mobility and Turnover〉

#### ■ Average length of time to fill vacant positions

	Scope	Unit	2020	2021	2022
New graduates	Hitachi Construction Machinery only	days	—	—	114

#### ■ Average length of time to fill vacant critical business positions \*1

	Scope	Unit	2020	2021	2022
—	Hitachi Construction Machinery only	days	—	—	—

\*1 No record of appointment from outside the company for key positions (business division manager and above)

#### ■ Percentage of positions filled internally \*2

	Scope	Unit	2020	2021	2022
—	Hitachi Construction Machinery only	%	100.0	75.0	46.2

\*2 The percentage of positions filled internally is calculated for management positions which became vacant during the fiscal year and for new positions created as a result of recruiting experienced personnel.  
The decrease in the figures is due to the relative increase in the percentage of newly established posts associated with the recruitment of experienced personnel.

#### ■ Turnover rate

	Scope	Unit	2020	2021	2022
—	HCM Group *3	%	7.34	9.26	9.65
—	Hitachi Construction Machinery only *4	%	5.04	4.61	5.14

\*3 Sum of annual turnover ÷ total number of employees

\*4 Calculation formula for Hitachi Construction Machinery alone: sum of the annual (12-month) monthly turnover rate (monthly turnover ÷ monthly average number of employees) in accordance with ISO 30414.

#### ■ Voluntary turnover rate

	Scope	Unit	2020	2021	2022	Target (FY2023)
—	Hitachi Construction Machinery *5 (including domestic Group companies)	%	2.14	2.33	3.04	—
—	Hitachi Construction Machinery only *6	%	2.00	2.26	2.45	Maintain the current level

\*5 "Voluntary turnover" refers to employees who have left the organization voluntarily, excluding those who have reached retirement age.  
Calculation: sum of annual voluntary turnover ÷ total number of employees

\*6 Calculation formula for Hitachi Construction Machinery alone: sum of the annual (12-month) monthly voluntary turnover rate (monthly voluntary turnover ÷ monthly average number of employees) in accordance with ISO 30414.

## Section 4 Data Collection

### 〈Recruitment, Mobility and Turnover〉

#### ■ Voluntary critical turnover rate

	Scope	Unit	2020	2021	2022	Target (FY2023)
—	Hitachi Construction Machinery only *1	%	0.00	0.03	0.02	Maintain the current level

\*1 "Voluntary critical turnover rate" refer to global business leaders who have left the organization voluntarily.  
Calculation: sum of the annual (12-month) monthly disadvantageous voluntary turnover rate (monthly disadvantageous voluntary resignation ÷ monthly average number of employees) in accordance with ISO 30414.

### 〈Workforce Availability〉

#### ■ Total number of employees

	Scope	Unit	2020	2021	2022
—	HCM Group	people	28,405	28,767	29,299
—	Hitachi Construction Machinery only	people	6,073	6,098	6,201

#### ■ Total number of employees (full / part-time)

	Scope	Unit	2020	2021	2022
Executives	HCM Group	people	138	151	147
Full-time employees	HCM Group	people	24,116	24,348	24,914
Contracted employees	HCM Group	people	3,999	4,095	4,063
Part-time employees	HCM Group	people	152	173	175
Full-time employees	Hitachi Construction Machinery only	people	6,059	6,053	6,147
Part-time employees	Hitachi Construction Machinery only	people	14	45	54

#### ■ Full-time equivalents (FTE) \*2

	Scope	Unit	2020	2021	2022
—	Hitachi Construction Machinery only	FTE	6,700	6,807	6,815

\*2 Full-time equivalents = sum of total working hours of all employees ÷ annual prescribed working hours for full-time employees



## Independent Auditors Report

To all the stakeholders of Hitachi Construction Machinery Co., Ltd.

HC Produce Inc. has audited the data, statements, systems, and strategies for Human Capital reporting in the fiscal year of 2022 by Hitachi Construction Machinery Co., Ltd. as a single company (HCM) from September 2023.

HC Produce Inc. conducted conformance assessment audit in accordance with the Human Capital Reporting guideline of ISO 30414 with the validity until the November 30th, 2026. The audit includes interviews with HCM's leadership and management teams of each metric, assessment of HCM's data contents, guidelines and systems, assessment of HCM's statements clarifying strategies and internal guidelines, and assessment of HCM's external and internal reports for each metric of ISO 30414.

In our opinion, the data, statements, systems, and strategies referred to above fairly, in all material respects, the position of HCM as of 30th November 2023 results of their managements of Human Capital reporting, ended in conformance with ISO 30414.

保坂 駿介

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HC Produce Inc.  
CEO Shunsuke Hosaka  
November 30th 2023