

COO Message

Thoroughly Examining On-Site Operations

My name is Masafumi Senzaki and, as of April 1, 2023, I have assumed the role of Representative Executive Officer and President. 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.

In the previous fiscal year, as the Senior Executive COO, I led the formulation of the Group identity and the medium-term management plan. During this time, I also provided direction for the company's efforts in sustainability and CO₂ reduction. When the offer to become the president came, I was mentally prepared to accept it.

I have extensive experience in the manufacturing division and have always placed emphasis on on-site operations. Even in a single assembly process, it is crucial that all parts are in place and of good quality. Visiting production sites reveals not only the positives but also the challenges in operations, as well as risks related to quality and safety.

Since moving to the sales division, I have visited almost all of our more than 50 sales bases worldwide. In the field of sales, it is essential to accurately propose our services to the customer, and only when they are satisfied, can a contract be signed. Conversations with various individuals often reveal that there are many areas where we have not yet gained customer approval or have caused dissatisfaction. These issues can become challenges for our staff. What is most important is that we must never betray the trust of our customers, or our dealers.

In this manner, I will continue to visit the sites of a wide range of operations, so much so that the local operators might exclaim, "He came

With "On-Site Operations" and "Trust" as our mottos, we will ensure a prosperous land and society for the future.



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

Masafumi Senzaki

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here all the way from Japan!” I do not want to rely solely on information that comes up through the hierarchy or organization; I want to hear the voices of those on the front lines, rather than managers, especially at manufacturing sites where I have extensive experience. I plan to continue visiting our customers and dealers on a frequent basis.

The essence of everything we do lies in our on-site operations. I believe it is the duty of each of us, including myself, in indirect departments to provide full support for each and every effort made to maximize the efficiency of our sites and to gain the trust and approval of our customers.

I believe that the best management style is one that encourages all employees to dedicate their full energy to on-site operations, the heart of our company. As such, my personal mottos are “on-site operations” and “trust.”

Formulating a Unique Group Identity at the Starting Line of Our *Second Founding*

Through its independent business expansion in the Americas and changes in its capital structure, Hitachi Construction Machinery has significantly changed course towards a *second founding*.

We took this as an opportunity to delve deeper into the question of what kind of company Hitachi Construction Machinery wants to be. To clarify our *raison d'être*, we formulated our group identity in December 2022, informed by discussions at all levels within the company. Let me explain our vision in terms of two keywords: “continuation” and “evolution.”

Our vision, “ensure a prosperous land and society for the future” remains unchanged. The key concept here is “continuation.” 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. We will, without a doubt, pass this strength down to future generations. On the other hand,

customer requirements go beyond the provision of the machinery itself; rather they encompass the needed function of the machinery within the wider context of construction sites. We have therefore redefined 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. In addition to providing hardware, Hitachi Construction Machinery is keen to become a manufacturer that also offers solutions.

For us to be capable of evolving in the current business environment, we not only need to upgrade our technical capabilities but also to promote DX and agile development,* including software technologies. By building a system that can provide all of these features, we will also transform ourselves.

Through the initiatives of “continuation” of our legacy and “evolution,” Hitachi Construction Machinery will create new value and contribute to the realization of a safe and sustainable society.

* Agile development: A methodology that involves conducting tests in short cycles to speed up the development process.

Refreshing the *Kenkijin Spirit* for the First Time in 15 Years

To ensure that the concepts of “continuation” and “evolution” will be adopted globally across the Group, we believe that a new human resource model is necessary.

Accordingly, we have reviewed the *Kenkijin Spirit*, which was established in 2008 as a code of conduct shared across the Group.

This process entailed a close examination of the mindset of all our employees, and to do so we divided our effort into seven groups—sales, manufacturing, development, indirect departments, etc.—engaging in dialogue with each group to determine the values intrinsic to each of their operations. We then made summaries of each group’s conclusions.

Interestingly, as the discussions progressed, all seven groups eventually converged on three key words: Challenge, Customer and Communication. This showed us that the mindset defined as the *Kenkijin Spirit* is being continued while continuing to evolve. We have formally positioned this refreshed *Kenkijin Spirit* as our code of conduct (spirit) within our Group identity.

The future is, of course, unknown. When it is necessary, we will need the ability to speedily respond to changes in the social environment, the flexibility to support that speed, and an unwavering commitment to doing what needs to be done. The Three Cs form the foundation for this. We believe that if this mindset can be more deeply ingrained in our employees, both our speed and flexibility will undoubtedly increase.

Support for Two Turning Points

Hitachi Construction Machinery’s independent business expansion in the Americas is going exceptionally well, benefiting from strong tailwinds. With local customers having greater expectations for our operations than estimated, we have been challenged to fully meet demand with our current production capacity or fulfill all required specifications, but I feel that this pressure is good for the company.

This reminds me of my experience in Europe over 20 years ago.

Back then, Hitachi Construction Machinery was operating under a three-pronged structure in Japan, the United States and Europe. In Europe, we were conducting business through a joint venture with CNH Global, the agricultural machinery and construction equipment division of the Italian manufacturer Fiat. However, due to differences in business strategy, we dissolved the joint venture in 2002 and decided to operate independently. I was a frequent visitor to the Netherlands as we worked to launch the Amsterdam factory, which became the production base for our independent business expansion in Europe after the dissolution of the joint venture.

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Although I had significant concerns about the future of the European business, the situation improved as major dealers offered contracts, trusting in our manufacturing and quality. I still vividly remember the tailwinds propelling the business forward back then.

Our expansion in the Americas with the transfer of sales rights to Deere & Company in 2001 went similarly and facilitated our current independent expansion. We have been receiving comments from customers along the lines of “we have been waiting for this opportunity for 20 years,” which gives me an indescribable sense of reassurance about the trust customers have in our orange construction machinery.

A common thread running through these experiences is the trust we have built over the years in our manufacturing and brand, supported by the *Kenkijin Spirit*. From this foundation, we aim to ensure a prosperous land and society for the future and achieve sustainable growth.

Considering that more than 80% of the Company’s sales are overseas, we cannot accomplish anything unless we are well-versed in local markets. For that, we need a work environment where local members can play an increasingly active role. In this context, I would like to significantly lower the high walls within the head office.

Hitachi Construction Machinery’s Unique Approach to Carbon Neutrality and a Circular Economy

We understand that the recycling rate for construction machinery has reached around 95%. Construction machinery is made mainly of steel. I feel that there is still room for further refinement, for example, altering structures and using materials that facilitate recycling.

On the other hand, in addition to recycling after scrapping, we are focusing on prolonging the service life of machinery. By utilizing our ConSite remote monitoring solution for construction machinery, as well

as by remanufacturing parts and bodies, we are able to extend the operational years of our construction machinery. This leads to a reduction in waste and the amount of resources used, ultimately contributing to CO₂ reduction. We believe this, combining initiatives promoting a circular economy and carbon neutrality, is a unique approach to reducing CO₂ and one open only to a manufacturer.

Another initiative related to carbon neutrality is the full electrification of mining equipment. We aim to accomplish a world first through our system in which large electrically powered dump trucks at mines draw power from overhead trolley lines through a pantograph mounted on top of the vehicle body on uphill roads and run on batteries in areas where overhead lines are unavailable. We take pride in this being an initiative that embodies our vision: ensure a prosperous land and society for the future.

Creation of Value through the Medium-term Management Plan

To provide a concrete path for value creation with the intention of achieving our vision: ensure a prosperous land and society for the future, we have newly formulated a medium-term management plan.

In this new medium-term management plan, we aim to offer innovative solutions that are closely aligned with the needs of our customers, refine the value chain business that serves as a tool enabling these solutions and expand globally, with a focus on the Americas. We will strengthen the human resources and corporate capabilities that will help make this possible.

We also aim to elevate the level of ESG management under the new medium-term management plan. For example, we have set numerical targets for extending the operational years of vehicles from 10 to 15 years in order to further reduce CO₂. As a responsible manufacturer, we will continue to work on initiatives aimed at carbon neutrality and the

circular economy, in line with the demands of society.

As the President and COO, I will ensure the successful execution of the medium-term management plan that I had a hand in creating and make Hitachi Construction Machinery a company that continues to be respected by all of our stakeholders. To achieve this, I am strongly determined to improve our out-facing communication and clearly convey to our stakeholders what we are working on and what we aim to achieve.

Maintaining an open stance, we will listen carefully to others’ opinions, even to critical ones like “shouldn’t Hitachi Construction Machinery be more like this?” We aim to become a better company by receiving the “power to grow” from all our stakeholders.

