

CHRO Message

A Letter from **the Chief Human Resources Officer**



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»» **Kenkijin Spirit as a Wellspring for Harnessing Abilities of Diverse Human Resources**

The *Kenkijin Spirit* is a value standard and code of conduct shared by the Hitachi Construction Machinery Group. The *Kenkijin Spirit* traces its origins to 2004, when, as a result of our accelerated global expansion, there became a need to have a shared set of values for Japanese and foreign employees. Our thinking at the time was that employees working in any region or field around the world should be able to refer to a consistent set of behavioral guidelines; effectively, a point of reference to which they could always return. About 100 employees from both within and outside

Instilling the *Kenkijin Spirit* to Draw Out Diverse Abilities of Our Human Resources

Japan gathered and shared their opinions over several months, giving shape to the *Kenkijin Spirit*, which was introduced in 2008. It has been translated into eight languages, including English and Chinese.

Today, the Hitachi Construction Machinery Group has reached a stage that can be described as its *second founding*, as it resumes independent business expansion in the Americas and takes on other initiatives in the wake of becoming independent from the Hitachi Group. To accompany this *second founding*, Hitachi Construction Machinery has created a group identity consisting of vision, mission, and spirit components, valuing and evolving the unique character of Hitachi Construction Machinery nurtured since its founding. Of these, Hitachi Construction Machinery has partially reviewed spirit, namely, the *Kenkijin Spirit*.

The three Cs of the *Kenkijin Spirit* are defined as: Challenge, Customer and Communication. While the three Cs are shared by all business divisions, a unique code of conduct is defined by departments responsible for development, manufacturing, sales, service, rentals, quality assurance, new business creation and staffing. For example, in the staffing department, our vision is translated into specific actions with “support” as a keyword. Designed as a two-tiered structure, with common elements and department-specific guidelines, the three Cs are structured to be easily applicable and practiced by each individual in their work. We believe it is a wellspring for harnessing the abilities of our diverse human resources, which number 25,000 worldwide.

»» **Focus on Global Human Resource Training Groupwide**

Human resource development is one of the most important issues for management to address in order to maximize employee performance and realize sustainable growth for the company. On a non-consolidated basis, the number of training hours per employee has increased each year, with approximately 35 hours in fiscal 2020, 44 hours in fiscal 2021 and 52 hours in fiscal 2022. Especially from fiscal 2022, we initiated enhanced measures for human resource development focusing on digital technologies. Over two years, until the end of fiscal 2023, we plan to train approximately 1,000 employees on topics related to digital literacy. Furthermore, teams formed from business departments and DX departments are implementing programs to cultivate leaders who can promote digital solutions through practical experience.

Hitachi Construction Machinery is also putting extra effort into training human resources around the globe.

The company has an ongoing workshop called the Self-Improvement Program with the aim of creating an organizational culture that can prosper in this era of transformation. This is a structured program for learning the business skills and mindset required of a *Kenkijin* (an HCM employee), with the aim of helping employees acquire foundational capabilities to put the *Kenkijin Spirit* into practice. Employees become instructors and teach business skills and mindsets while referring to their own work experiences.

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This program started in Japan in 2019 and from fiscal 2022, it is being rolled out to Group companies worldwide in a bid to establish a shared culture for Hitachi Construction Machinery. So far, approximately 4,000 employees have participated in the program.

Additionally, across the entire Group, we are training global leaders. Specifically, we are exposing employees to new experiences through systematic job rotation based on individual career paths and implementing programs aimed at imparting management skills and a management mindset. In terms of management skills acquisition, apart from traditional means, we have expanded methodologies, including the dispatch of individuals for training outside their company. In fiscal 2022, we organized a program spanning a week to deepen intercultural understanding and exchanges among global leaders.

At the foundation of the Group's human resource development is a commitment to maintaining in-house instructors for training and to amplifying their impact throughout our vast organization. We are keenly aware of the importance of cultivating a mindset that places the responsibility for autonomous learning on each individual, rather than just providing them with lessons.

Going forward, we will continue to manage our talent, focusing on leader development and enhancing the capabilities of our employees.

»» Initiatives in Diversity, Equity & Inclusion

Diversity, equity & inclusion is a source of new value creation for Hitachi Construction Machinery. We understand the importance of recognizing and respecting the diverse values and individuality of each person, irrespective of race, nationality, gender or age, as people who support our business. Based on this understanding, we are actively engaged in diversity, equity & inclusion on a global basis.

With over 25,000 *Kenkijin* worldwide, it is crucial that we provide opportunities and nurturing environments for our employees to thrive

globally. On a worldwide basis, we are implementing initiatives focused on sharing and ingraining our group identity and global human resource policies while promoting local employees to general manager or even higher leadership positions at overseas companies.

From a global perspective, management is well aware of the imbalance in the percentage of female employees in management positions in Japan (fiscal 2022: men 16.0%, women 11.2%; medium-term target: men 15%, women 13%). We understand that increasing the ratio of female managers can lead to innovations from fresh perspectives, and we aim to equalize this ratio globally.

»» Our Vision for 2030

From a longer-term perspective, as a vision for 2030, the Human Capital Group aspires to create a work environment where every *Kenkijin* can be themselves in Harmony. We aim to align the growth of our employees to the growth of the company, strengthening the bond between both, creating a cycle in which enhancing customer value improves profitability and corporate value and, ultimately, returns value back to employees and the company.

To achieve this, we have outlined five key points in our human resource strategy.

The first key is a relationship of equals between the company and its employees. The company supports the career development and growth of its employees, with both parties considering their relationship as one of mutual selection.

The second key is building an organizational culture based on our group identity and the *Kenkijin Spirit*. As President Senzaki stated in his message with “continuation” and “evolution” as keywords, we will inherit the good and add something new, building a new culture.

The third is winning as a team. We strive to maintain an environment in which every *Kenkijin* proactively plays their part, takes on challenges

and uses their individual talents and strengths to their utmost. By identifying the strengths of each employee, we can work together in unison to create new value.

The fourth key pertains to visualizing the state of individuals and the organization through the use of digital technology. While addressing various organizational issues, we aim to utilize digital technology to shed light on the state of individuals, the organization and assets.

Lastly, we intend to implement measures that, when discussed either internally or externally, are universally acknowledged as beneficial.

One of our unique strengths is our approach to business operations, which values the constant participation of all employees. By nature, each employee is equipped to think and act autonomously. We aim to leverage this in our speedy and laser-focused offensive posture as well as in a solid yet flexible defense. We will tackle various social challenges with the strength of our human resources (*Kenkijin*).

