

Human Resource Strategy

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. For the Hitachi Construction Machinery Group, human resources constitute our key asset and capital. As we consider human capital essential to achieving corporate growth, we have identified “Where every Kenkijin can be themselves in Harmony” as a vision regarding our workplace for 2030. In line with this vision, we have also set a target of achieving “triple zero” in the following important indicators: (1) the number of occupational accidents and diseases; (2) the number of resignations due to negative reasons; and (3) the number of compliance violations. We will persistently pursue this target.

Currently, the Group is striving to achieve a revival akin to its *second founding*. With this in mind, we are promoting global human resource management aimed at realizing our business strategies. At the same time, in order to empower each employee to realize their unique potential and strength to the fullest, we are engaged in the development of diverse human resources as well as endeavoring to improve overall organizational health. We also endeavor to thoroughly implement human resource governance on a global basis. Through the various human resource management measures described above, we are striving to create new value to be delivered to customers and thereby improve our corporate value.

In the course of promoting these human resource management measures, we cherish two fundamental concepts. First, we believe that a company must engage with individual employees on an equal footing. 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. Second, we aim to win as a team. By developing an environment in which everyone can leverage their unique potential and strength, we will pull together as one team, irrespective of organizational affiliation and positions, with all employees doing their best to accommodate customer needs and create new value.

Global Human Resource Governance

The Human Resource Committee, which is chaired by the CEO, deliberates and determines human resource-related strategies and measures. In the course of executing these strategies and measures, we strive to ensure the balanced incorporation of (1) a top management perspective; (2) a business unit manager perspective; and (3) a front-line employee 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 front-line employees.

Global Human Resource Management

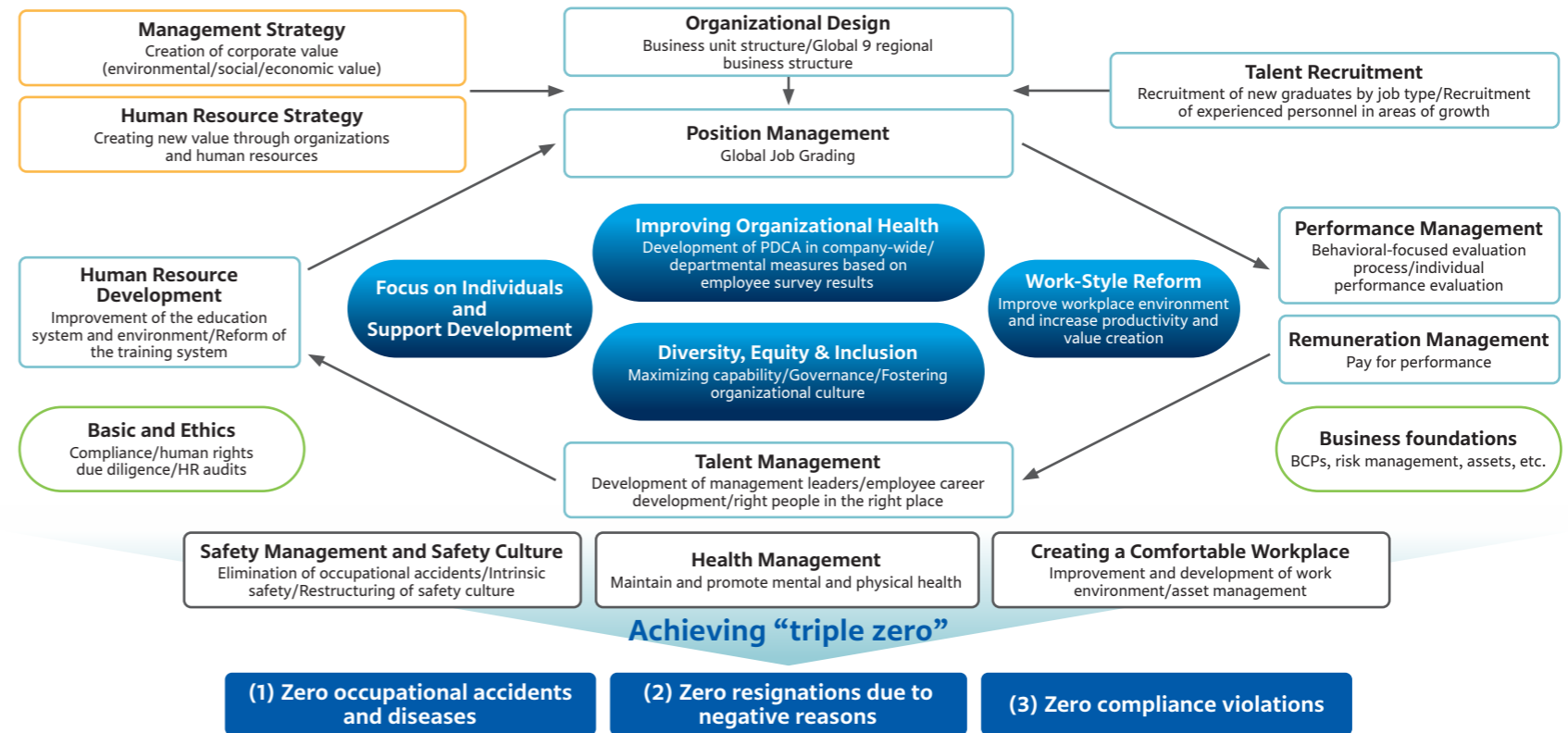
The strength of Hitachi Construction Machinery comes from the fact that the individuals who make up our diverse global workforce share the same vision, mission, strategies and plans and execute them with the *Kenkijin Spirit* in order to achieve

results and create corporate value. The mechanism for achieving this is a global human resource management system. Although we had previously undertaken differing human resource management measures by region and company, we formulated the Global Human Resource Management Policy in 2020. Since then, we have striven to roll out this universal policy and ensure that it is shared by all Group HR members. The Group has thus promoted human resource governance, including the advancement of diversity in our workforce and improvement of organizational health, as well as health, safety and human rights.

Specifically, we have created frameworks for “organizational design and position

management,” “performance management,” “talent management” and “human resource development,” which together underpin human resource strategies closely aligned with business strategies. Under these frameworks, we implement necessary human resource management measures. In addition, we are engaged in endeavors to support the above frameworks and measures, namely, improving organizational health, promoting diversity, equity & inclusion and executing work-style reforms while striving to focus on individuals and support their development. Furthermore, we pursue the creation of a safe, sound and employee-friendly workplace on a global basis, believing that such a workplace will provide a basis for all the initiatives described above.

Human Resource Management System Chart



Vision for 2030

Where every *Kenkijin* can be themselves in Harmony

Human Resource Strategy

Strengthening Global Human Resource Development Linked with Business Strategies

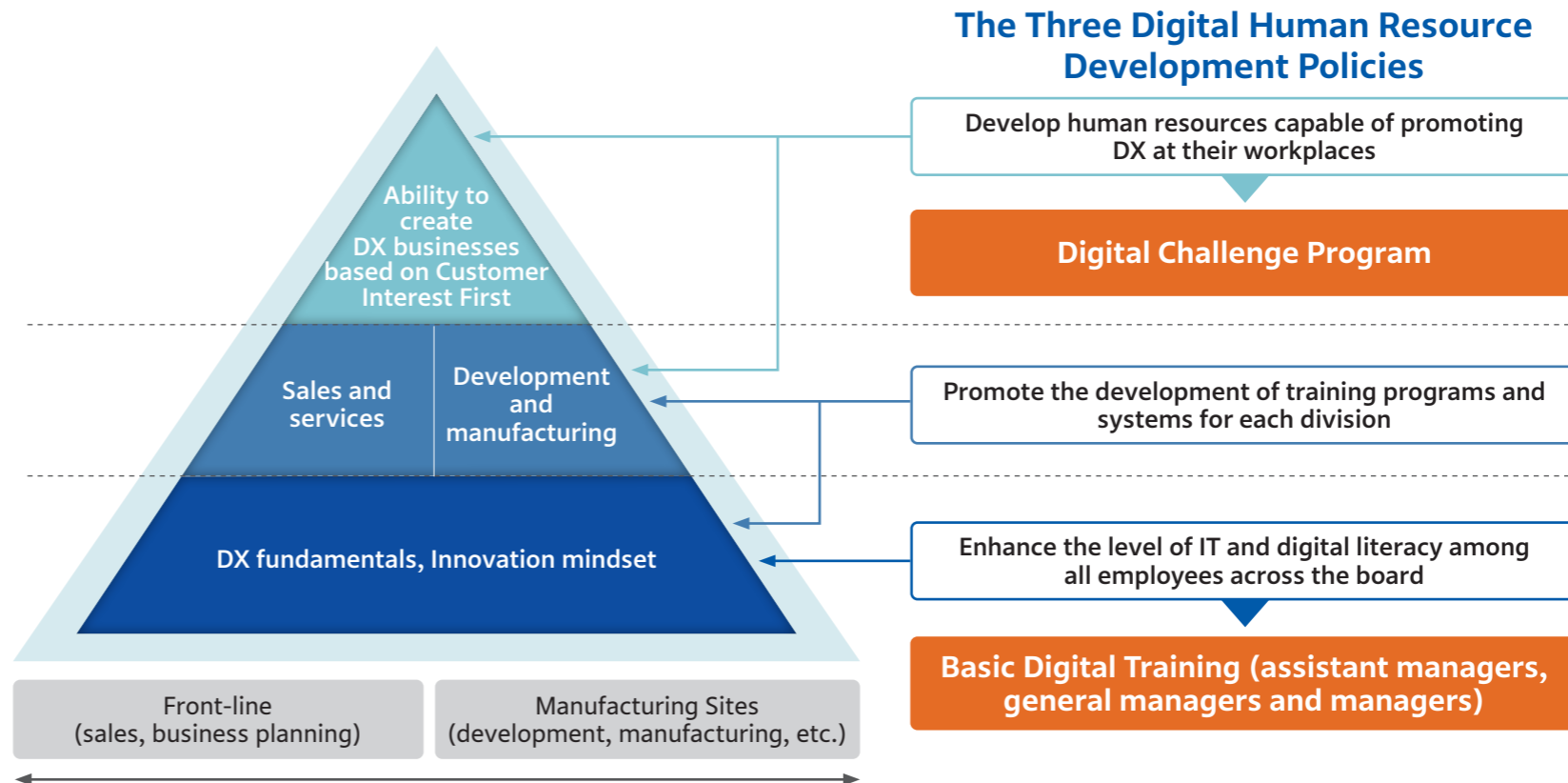
Basic Policy for Human Resource Development

We have identified a basic policy of “nurturing human resources capable of creating new value, taking on the challenge of transformation and contributing to society through the development of a corporate culture supportive of individuals pursuing self-directed learning and growth.” In line with this basic policy, we have established the Companywide Education Committee chaired by the CEO to implement various human resource development measures. We also manage the status of investment in human resources by monitoring hours spent in education. In fiscal 2022, the average length of education per employee amounted to 52 hours, seven hours longer than planned. For fiscal 2023, our planned target is set at 54 hours per employee, taking into account an expected increase due to the strengthening of manager training as well as training for supervisors at manufacturing worksites.

Developing human resources to meet the challenges of transformation and digitalization

Today, we are facing a stronger call than ever before to pursue digital transformation (DX) in all aspects of business operations, with construction machinery itself being expected to incorporate sophisticated functions powered by digital technologies. Accordingly, we aim to further strengthen our digital solution business and step up operational process reforms. To this end, we have launched the “Basic Digital Training” and the “Digital Challenge Program,” with the goal of ensuring that 1,000 employees complete these programs by March 2024. Currently, these programs are under way as planned. As we aim to enhance our ability to create a DX-driven business based on a concept of “customer interest first,” we strive to equip employees with practical skills in a way that gives due consideration to the two types of digital skills required in front-line operations and manufacturing worksites. We will continue to develop our human resources so that we can swiftly accommodate future growth in DX needs.

Structure of Digital Human Resource Development Policies



The Three Digital Human Resource Development Policies

Develop human resources capable of promoting DX at their workplaces

Digital Challenge Program

Promote the development of training programs and systems for each division

Enhance the level of IT and digital literacy among all employees across the board

Basic Digital Training (assistant managers, general managers and managers)

Human Resource Strategy

Improving Organizational Health (engagement)

Corporate performance and organizational health are both essential elements. Through the improvement of organizational health, we will build an organizational culture in which employees with diverse backgrounds can play an active role and achieve results, and promote the development of a workplace environment in which everyone can work with vitality and enthusiasm. We monitor our annual employee survey, and develop PDCA cycles for the entire company and individual divisions to improve organizational health. In fiscal 2023, we began stepping up activities to improve organizational health on a global basis through the sharing of best practices at global meetings and the provision of individual assistance. We will further promote value creation by supporting the enhancement of happiness for all employees (*Kenkijin*) around the globe.

Employee Survey Results

Consolidated	2018	2019	2020	2021	2022	YoY change
Response rate (%)	66.3	79.7	85.2	91.2	95.0	+3.8
Favorable rate (%)	62.6	63.3↑	65.7↑	63.7↓	62.3↓	▲1.4

Individual	2018	2019	2020	2021	2022	YoY change
Response rate (%)	70.4	86.1	92.1	96.3	96.9	+0.6
Favorable rate (%)	56.0	58.1↑	60.3↑	58.2↓	55.9↓	▲2.3

Diversity, Equity & Inclusion (DE&I)

At Hitachi Construction Machinery, the ratio of overseas human resources amounts to 60% of the overall headcount. Accordingly, we consider DE&I a means of improving corporate value. We respect the uniqueness of and diversity among individual employees and are striving to create a workplace in which everyone can succeed. In this way, we will secure sustainable growth for both employees and our organization. We are thus working to develop mechanisms and operations from the perspectives of organizational culture, governance, personnel systems, global and women's empowerment.

Addressing Human Resource Management Risks and Human Rights Violation Risks

The Hitachi Construction Machinery Group has placed utmost priority on addressing issues associated with forced labor and immigrant workers. In line with this priority, we promote human rights due diligence on a global basis. We convene the Hitachi Construction Machinery Human Rights Due Diligence Promotion Council twice a year, with the President taking responsibility for the promotion of due diligence. Under this structure, the council examines reports on results of surveys regarding human rights due diligence undertaken by consolidated subsidiaries and suppliers and the status of improvement measures they implement.

Thorough Safety Management

Under the basic policy of “Prioritize safety and health,” the Group oversees group safety and health activities led by the Safety and Health Promotion Committee to (1) eliminate occupational accidents, (2) ensure that machinery and equipment are intrinsically safe and (3) rebuild a safety culture. In addition, through the introduction of risk assessment systems, we endeavor to visualize worksite risks and facilitate effective investment in safety measures even as we work to prevent accidents and injuries. The reduction of occupational accidents is an urgent issue, and we will strive even harder to lower the number to half compared to the previous year.

Pursue Health Management

The Group pursues health management with the aim of establishing a vibrant work environment in which everyone can work with vitality. In both 2022 and 2023 Hitachi Construction Machinery was certified as a Health & Productivity Management Outstanding Organization. In the current fiscal year, we will further promote the strengthening of health management initiatives with the aim of maintaining and improving our employees' mental and physical health. Specifically, while strengthening the industrial health system, we will strive to expand mental health programs based on the results of stress check survey and robustly manage the status of employee mental health in line with specific KPIs, with the goals of reducing overall health risks. In these and other ways, we will continue further enhancing health management.

**Updating the Workplace Environment**

To improve the level of our organizational health, we have promoted the updating of our workplace environment in a way that aligns with the actual status of each factory. These endeavors include the launch of a project associated with the construction of a new building on the premises of our factory, with the concepts for the construction and project goals determined by fully incorporating voices from employees. In addition, we promote the renovation or updating of cafeterias, in-house stores, restrooms and other employee welfare facilities along with the strengthening of security measures. We have also introduced seismic retrofitting for production facility buildings and slope reinforcement on factory premises. As such, we have also pushed ahead with safety-oriented phased facility upgrades.



Exterior view of a recently constructed engineering building (Tsuchiura City, Ibaraki Prefecture)

Initiatives to Visualize the Status of Human Capital

We strive to understand and utilize ISO30414, which provides comprehensive and systematic indicators for the disclosure of human capital-related information. Through these efforts, we aim to develop a framework for assessing human capital-related information on a Groupwide and global basis even as we promote the proper disclosure of such information. By doing so, we will improve the quality of human resource management while securing medium- to long-term improvement in corporate value. Specific initiatives to that end include the preparation and disclosure of the first edition of the “Human Capital (HC) Report” in fiscal 2023. With this report as a guideline, we will proactively disclose our human resource strategies, KPIs, issues to be tackled, and other relevant matters to stakeholders within and outside the Group.