

CEO Message



I believe that LANDCROS is a mirror in which we can check our *Kenkijin* Spirit-based attitude and actions, and a banner that guides us to take actions on our own will.

Representative Executive Officer
Chairman and Executive Officer, Director, CEO
Kotaro Hirano

The Hitachi Construction Machinery Group's Evolution Symbolized by LANDCROS

The Hitachi Construction Machinery Group is committed to being a company that proactively and directly addresses a range of issues faced by customers on-site and finds the best solutions for the issues in cooperation with the customers. In order to fulfill this strong commitment, we established the LANDCROS concept in July 2024. Based on our corporate vision, “Ensure a prosperous land and society for the future; Contribute toward realizing a safe and sustainable society,” we are determined to sincerely work to deliver innovative solutions while promoting co-creation with our customers and partners. In order to show this determination, we coined the word “LANDCROS.” “LAND” symbolizes all the land our company becomes connected to as part of our business and “CROS” stands for “Customer, Reliable, Open, Solutions.” LANDCROS is a term that communicates the Group’s unshakable commitment to co-creating value that cannot be created on our own by cooperating with others to forge the future.

We created this concept against the backdrop of on-site issues that are becoming more complex and serious, including the difficulty of passing down the skills of machine operators to the next generation and of ensuring safety and increasing productivity, as well as the rise in business costs. Moreover, for the development of

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mines, there are a wide range of issues to be solved by our customers and ourselves, including the need for environmental consideration. Under these circumstances, we can no longer meet the true expectations of our customers by providing them with machines and services only, no matter how excellent in performance and quality they are.

We therefore need to continually evolve as a partner to help customers solve their on-site issues in an integrated manner beyond providing them with ConSite-based solutions, specifically by sophisticating our machines based on the advanced use of ICT, promoting the automation and remote control of the machines using information technologies, and working for the optimal management of our customers' fleets, including machines made by other manufacturers.

LANDCROS is not a mere brand name or a collection of functions. It embodies the expertise that we have accumulated on-site, the technologies that we have honed, and the trust that we have built with our customers over many years. We are now in the phase of instilling this concept both internally and externally, thereby implementing it as a driving force for our next stage of business growth.

Momentum for LANDCROS—Mission as the CEO and Organizational Evolution

A key part of my mission as CEO is to create the concepts that lead us to the future and instill them deeply in our organizations while renewing the entire Hitachi Construction Machinery Group's values and behavioral patterns, beyond just formulating the management strategies for the Group. The LANDCROS concept is a symbolic example of this. I hope that LANDCROS will help employees change their mindsets and behaviors for the evolution and reform of our organizations.

LANDCROS is not a concept created based on my own ideas alone. It was created in collaboration with employees over a long period of time by listening to and considering their opinions and on-site experience. Since becoming CEO, I have been constantly engaging in dialogue with employees and in the process, I strongly felt the need for them to share a concept that symbolizes on-site solutions that can be created by incorporating on-site opinions. LANDCROS was

born as such a concept. Presently, the LANDCROS concept is widely incorporated in development, manufacturing and management strategies across the board, as well as in sales and service strategies, and is expected to be further utilized.

In order to instill this concept, we are taking multifaceted approaches. For example, in the lead up to bauma 2025, the world's largest-class construction machinery trade fair (held in Germany in April 2025), we worked to put the LANDCROS branding on the products we displayed, and also communicated the significance of LANDCROS regularly through our internal training and global meetings leading up to the implementation of the concept. These measures are expected to help instill LANDCROS across our organizations, not as a mere corporate slogan, but as a management concept that encourages workers on the ground to consider and change their behaviors in a positive way.

Collaborating with Startups to Gain More Speed in Business

The LANDCROS concept is also being fostered in activities for co-creation with our external partners. Specifically, we are collaborating with startups and other technology partners in multiple development projects and demonstration tests in the fields of remote control, autonomous driving, and AI analysis. Beyond simply introducing new technologies to our organizations through these measures, we are encouraging our employees to gain more speed in their business activities and propel themselves to meet the expectations of their customers while embodying the LANDCROS concept. To this end, we are working to provide individual employees with an environment where they can recognize how they are contributing to their customers and society at large by implementing the LANDCROS concept in their work.

LANDCROS is a mirror in which we can reexamine our *Kenkijin* Spirit-based attitude and actions and a banner that leads us to create new value for the future. No company can be reformed only by its top executives. For the reform of a company, employees' understanding, support and ability to take actions on their own will be essential. We established the LANDCROS concept, expecting employees to demon-

strate the ability to take actions on their own will, and our organizations are being steadily reformed thanks to the demonstration of such ability by employees.

Progress of Global Development Capabilities and Development of Diverse Human Resources

The Hitachi Construction Machinery Group is creating new value and developing human resources with the capabilities of conducting activities on a global scale, thereby providing the Hitachi Construction Machinery Group with a driving force to forge its future. Based on this idea, the Group regards enhancing the human resource base for both technologies and skills for the future growth of its business in South America and North America as one of its top priorities.

Pursuit of Product Value and Optimal Cost Structure through the Establishment of a Development Company in India

I have long thought that a Japan-centric development system imposes constraints on the Hitachi Construction Machinery Group's global development capabilities. We need to nurture our development capabilities with more sensitivity and in consideration of global market needs as a precondition to making the Group a truly strong global enterprise. In order to meet this requirement, we established Hitachi Construction Machinery Development Center India Private Limited in India in January 2025, not as an additional overseas development base of the Group, but as a base where our Japanese and Indian development staff will work together. The Japanese developers will acquire international caliber by working closely with people who speak a different language and have different customs, and the Indian developers will learn about the sophistication and quality provided by Japanese products. I also expect that the developers of the two countries will gain insights as individuals in the course of developing new products together.

I hope that such collaboration, cultural exchange and sharing of issues will increase the creativity and diversity of our employees and

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generate synergy effects among them. Hitachi Construction Machinery aims to build a sustainable product development system, and I attribute importance to providing an environment in which developers with different backgrounds can inspire each other and work with pride together. To this end, together with President Senzaki and Executive Vice President Kajita, I have been listening to the voices of on-site workers while communicating the importance of diversity—not as a principle, but as our belief—to our Japanese development teams in my capacity as a member of the management team.

The role of Hitachi Construction Machinery Development Center India is not to develop models for the Indian market. It is tasked with creating the optimal product value and cost structure by combining the Group's development capabilities with local creativity to enhance our overall capabilities, while contributing to the core development activities conducted in Japan and making use of the highly proficient design ability developed in the country.

Environment and System for Diverse People to Demonstrate Their Respective Abilities

With regard to skills, we are building an environment where diverse people can demonstrate their respective skills. Many parts used in our products are large and heavy. Historically, perhaps due to the physical nature of our workplaces, we hired a male-dominated workforce, with only a small percentage of workers being female or older people. However,

we have been implementing a range of measures to remedy this preconception, and launched a preliminary product assembly contest for female employees as part of the Hitachi Construction Machinery Group's international skills competition, which is held annually. Through this initiative, issues that had been overlooked, such as the heavy weight of the tools and the height of the working tables, were identified, leading to the improvement of the manufacturing equipment and the working environment. As a result, multiple female employees are now working on a range of assembly lines, which proves the effectiveness of the system that we have adopted to promote the diversity of our employees. We will also challenge the preconception that assembly work should be mainly conducted by young people. We are now considering the organization of a new contest for skilled workers aged 50 and older in our effort to provide all employees with workplaces where they can thrive regardless of their age.

For the successful implementation of these on-site reforms, the management team, including myself, should visit the sites to listen to on-site workers and then incorporate their feedback in the reforms. I believe that this will help build a foundation for sustainable growth by providing each employee with a workplace in which they feel that their voices are both valued and contributing to the operation of their company. I expect that by repeating a cycle of giving such encouragement to employees to achieve more personal growth, the Group will gain more driving force to forge its future.

Sharing of the *Kenkijin* Spirit and Values

As I mentioned in my message in our previous year's integrated report, the Group had to consider a number of changes to achieve further growth. Specifically, we need to increase the speed of business management and to respond appropriately to changes in our customers' ways of thinking. We have already succeeded in launching a business unit (BU) system in April 2022 as one of the measures to meet these requirements. In our conventional vertical business structure, there were invisible walls between the development, sales, and production departments, making it difficult for them to share information and make decisions promptly. In order to break down these walls, we have established a business unit for each product item and given the head of the BU responsibility for the development, cost management, production, and sale of the product item in an integrated manner.

Developing Human Resources and Sharing Values as the Basis of Organizational Reforms

Under the newly established BU system, the heads of the BUs can now listen directly to the opinions of their customers and dealers, and then swiftly reflect their needs in the product specifications and price strategies. I feel this is quite effective for our business. For example, when a large order is placed by a customer for a specific model, the head of the BU will promptly set the price and decide upon and implement the production schedule to speedily respond to the customer. This is indeed the practice of "on-site approach" for business management.

However, connecting our organizations horizontally entails the risk of diluting the expertise and functions that have been accumulated vertically, as well as the risk of immobilizing human resources. In order to avoid these risks, we must work on the development of human resources very seriously. Specifically, we need to provide not only personnel who are in senior positions, such as directors and executive officers, but also personnel who will be the next generation of management leaders with opportunities to work overseas and

Column <Actual example> Building a production line in which diverse workers, including women, can demonstrate their abilities



The Hitachi Construction Machinery Group is building production lines with lower workloads, aiming to provide diverse workers with workplaces where they can thrive. For example, at the Kasumigaura Works, we have made various improvements on the hydraulic motor assembly line, which used to impose heavy physical demands on workers, in relation to the transportation of parts by cart and in the hammering work. The improvements made so far include the electrification of tightening tools and the automation of the heavy item inverting and transportation work. In addition, we started to conduct a small-group activity for female employees and organized an exchange meeting with other companies for the provision of mutual training opportunities to employees. Now, the rate of women working on the production line has increased to approximately 30% of the total (as of the end of July 2025), and these female workers are demonstrating their abilities on a daily basis.

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participate in cross-departmental projects to help them nurture the ability to think from the perspective of total optimization, as well as from the viewpoint of their own sites. Going forward, we will establish in-house rules to promote labor mobility in each BU.

The key to succeeding in such organizational reforms is to share values. The Hitachi Construction Machinery Group has the *Kenkijin* Spirit as its global values and code of conduct. Employees are required to understand the vision of the Group and take actions autonomously in line with the *Kenkijin* Spirit, for which we are upholding three Cs—namely, *Challenge*, *Customer*, and *Communication*—as the keywords to be shared across the Group beyond language barriers. Even in this time of rapid change, the Spirit provides each of us with the guidelines to make decisions and take actions without hesitation. It is not a mere slogan but a basis on which we decide what to prioritize and how to behave in our daily operations and on site.

I think it is even more necessary for us to have a sense of unity as an organization because we are living in an age characterized by cultural and religious diversity. We have about 26,000 *Kenkijin* people working for the Group, who are connecting and working hard together based on the Group's vision and in line with the shared values and code of conduct toward the direction shown in the medium-term management plan. I feel that the Group is showing its strength as one united team, for example when seeing support from colleagues for employees who need to adjust their working hours for Ramadan.

For Advanced Governance and Greater Corporate Value

As the chairperson of the Board of Directors, I am working to create the opportunities for the directors to discuss important issues in a balanced manner to increase the effectiveness of the Group's corporate governance. While COO Senzaki and CFO Shiojima express their opinions as executive officers, I give my opinions as the chairperson from a neutral position at Board meetings, while

leading the discussions from a strategic viewpoint. I also have a deep understanding of on-site situations as an executive officer, which gives me a strength. Accordingly, I propose the inclusion of issues identified from that position into the agenda for Board meetings, such as medium- to long-term management issues and strategic themes, not just having the results of discussions of the Executive Committee reported at Board meetings.

Measures to Deepen Mutual Understanding between Directors and Executive Officers

Adopting the opinions expressed in the Board of Directors effectiveness evaluation carried out two years ago, we frankly discussed last year's issues such as human resource development, business portfolio, and sustainability together with outside directors at Board meetings. I am working to deepen mutual understanding between directors and executive officers through such discussions and to build an environment where they can examine management issues from multiple viewpoints. I communicate the opinions and proposals given at Board meetings and opinion exchange meetings to executive officers for their incorporation in the Group's strategies and system designs, regarding it as my responsibility.

We are also reviewing the compensation system for officers to improve the performance-linked compensation system and its transparency. For the management team to take actions in consideration of the long-term increase of corporate value, we have also incorporated non-financial KPIs for sustainability into the compensation system in addition to financial KPIs, such as profit targets based on the medium-term management plan. Moreover, we discussed the review of the Board's roles and structure in the effectiveness evaluation carried out in FY2024.

I welcome the opinions being expressed through these discussions, which will help advance our corporate governance, and think that our governance system should be flexibly changed according to changes of the times and of the management environment. I am convinced that pursuing optimization without being trapped in a fixed framework will help the Group achieve sustainable growth.

Fully Committed to Increasing Our Corporate Value in a Sustainable Manner

Corporate value cannot be measured only by business performance. We deem it essential to ensure highly transparent management and the fulfillment of accountability to our shareholders, provide employees with job satisfaction and fair salaries, keep relationships of trust with our business partners, deliver visible results to customers, and contribute to local communities in a sustainable manner as the core of our corporate value. By achieving these in a balanced manner and gaining even more trust from our stakeholders, we will increase our corporate value, which is what the Hitachi Construction Machinery Group should pursue as its vision.

Going forward, we will continue to have dialogue with diverse stakeholders, share our vision with them, and win the trust of society at large. I will sincerely work to build a foundation to achieve this goal, for which I would ask for your kind understanding and continued support.

