

Promoting CSR



CSR promotion system

The HCM Group has established “CSR Goal” and “CSR Activity Guidelines”, in addition to “CSR Agendas” which are based on the ISO 26000 global standard for corporate social responsibility; as of FY2015 we have begun work on those initiatives, and we continue to promote CSR activities. In addition, we have also discussed materiality identification when establishing creating shared value (CSV) themes, and in future we will be considering management systems based on the results.

CSR Goal

On the basis of our basic corporate credo and corporate vision, we will strive to realize sustainable society by properly understanding global social expectations into our expectations and integrating those expectations into our management, (1) contributing to resolving social issues, (2) governance, (3) and communication.

CSR Activity Guidelines

- 1 Properly recognize social responsibility
- 2 Identify relevant issues, establish priorities to address issues, and practice CSR activities
- 3 Review and improve CSR activities through proactive communication and stakeholder engagement

CSR Agendas

- 1 Recognition of Social Responsibility
- 2 Corporate governance
- 3 Human rights
- 4 Labor practices
- 5 The environment
- 6 Fair business practices
- 7 Customer-oriented (consumer issues)
- 8 Participation in and development of communities
- 9 Confirmation and improvement of CSR activities

Stakeholder engagement

It is essential to form a good relationship of mutual trust with our stakeholders in order to smoothly implement business activities. The HCM Group works towards an accurate grasp of the impact of business activities and pursues CSR activities in unity with the Group by maintaining mutual communication.



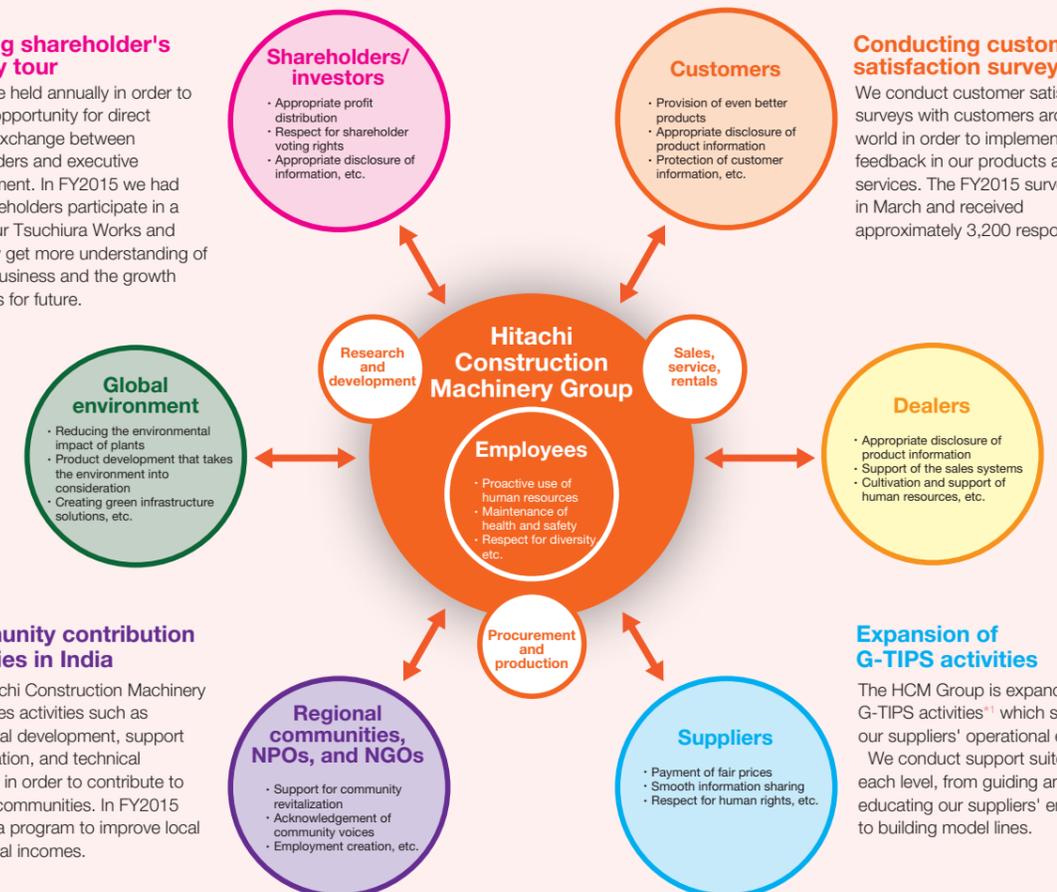
Holding shareholder's factory tour

These are held annually in order to provide opportunity for direct opinion exchange between shareholders and executive management. In FY2015 we had 105 shareholders participate in a visit to our Tsuchiura Works and then they get more understanding of HCM's business and the growth strategies for future.



Conducting customer satisfaction surveys

We conduct customer satisfaction surveys with customers around the world in order to implement their feedback in our products and services. The FY2015 survey began in March and received approximately 3,200 responses.



Community contribution activities in India

Tata Hitachi Construction Machinery undertakes activities such as agricultural development, support for education, and technical guidance in order to contribute to regional communities. In FY2015 they ran a program to improve local agricultural incomes.



*1 G-TIPS activities: Global-Total Innovative & Inventive Production System. Activities expanding production methods that include “innovation” and “creative techniques” widely to production hubs and business partners both domestically and abroad.



CSR/Diversity Committees

The HCM Group promotes CSR activities through their incorporation in the PDCA (plan-do-check-act) cycle as part of everyday work. CSR/diversity tasks are approved after deliberation by the committees. Changes in policy and important matters are reported to the Management Committee.

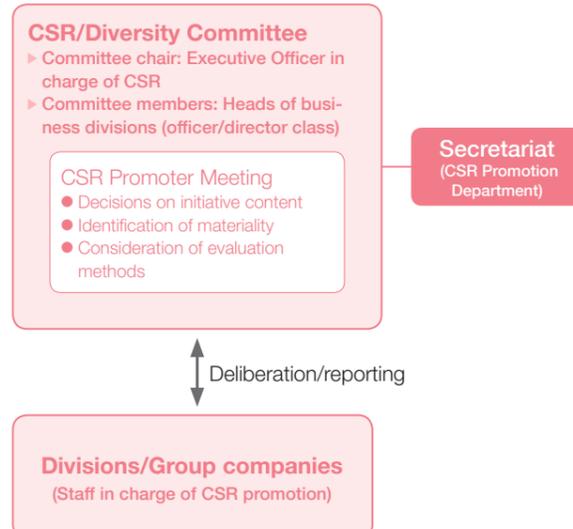
Tasks of CSR/Diversity Committees

- 1 Deliberations on important matters including promotional policies and measures
- 2 Approval of annual plans
- 3 Approval of annual operations results and evaluations

Reference

Initiatives concerning diversity ⇒ p37

Hitachi Construction Machinery Group CSR Promotion Systems



Social contributions

Business activities are only made possible by having a healthy global environment and sustainable social development. The HCM Group is deeply aware of the fact that we are part of society, and in addition to participating in the resolution of social issues through business activities we also undertake initiatives to achieve an even better society through social contribution activities.

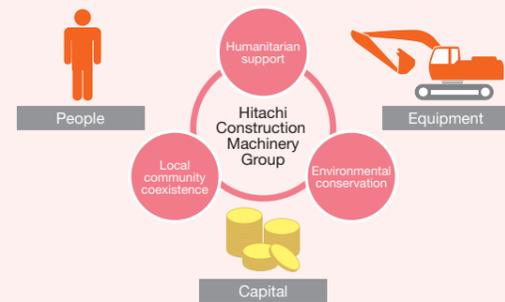
Policies concerning social contributions

In order to place an emphasis on social contributions, the HCM Group created the "Hitachi Construction Machinery Group Social Contribution Policy" in FY2006. Through this policy, we are developing social contribution activities unique to HCM.

Hitachi Construction Machinery Group Social Contribution Policy

Our group solves problems in society through our business, and contributes to society as a good corporate citizen for a better society. Also, our group contributes to society by providing personal, material and financial supports, with the participation of our employees, making the most of our group features, with the understanding of our stakeholders.

■ Important themes for social contribution activities



Humanitarian support: We do things for people, which cannot be done alone, by making the most of our group features.

Environmental conservation: Our group performs activities to materialize a sustainable society where business coexists with the natural environment.

Local community coexistence: Our group, which performs business throughout the world, goes along with the community.

We will now go over some characteristic activities from among the various activities conducted in FY2015.

Humanitarian support - doing things for people, which cannot be done alone

Social support through auctioning of mini excavators

Hitachi Construction Machinery (Australia) (HCA) continues to support the Humpty Dumpty Foundation, an NPO that helps children suffering from illnesses or disabilities.

In February 2016 they partnered with fellow Group company Hitachi Construction Machinery Tierra to conduct an Internet auction of the HCM Group's first new mini excavator and donated all the proceeds. Despite being a

first-time initiative, the auction was a vibrant success with approximately 2.5 million yen (approximately 30 thousand AUD) collected from a total of 35 bidders. These proceeds were used by the foundation to provide medical equipment mainly to pediatric hospitals.

In addition to continuing to support the activities of the Humpty Dumpty Foundation in future, we will continue undertaking social contributions rooted in local communities.



Promotional poster for the auction



Ceremony held on March 16

Environmental conversation - materializing a sustainable society where business coexists with the natural environment

Making contributions visible through the "HCM's Carbon Offset Forest"

HCM conducts carbon offset activities for the CO₂ emitted via production or business operation. In addition, we have converted the results of these activities into numbers of Japanese cedar trees and disclosed this information through a visualization of the "HCM's Carbon Offset Forest". Through these forms of communication we are aiming to convey our carbon offset activities to larger numbers of people in a more easily understandable way and support their popularization.

In March 2016 the offset volume surpassed a total of 1,300 tons. This is the equivalent of the CO₂ absorbed by roughly 93,000 Japanese cedar trees. In FY2016 we anticipate achieving our target of 100,000 trees.



*From the "Action Plan on the Mitigation of Global Warming by Forest Carbon Sinks" pamphlet (Ministry of the Environment/Forestry Agency)
One Japanese cedar tree (with a height of roughly 20-30m at 50 years old) absorbs approximately 14kg of CO₂ per year (on average)
1 ton of CO₂ -> equivalent to roughly 70 Japanese cedar trees

Holding a "Safety and Eco-friendliness Class" for employees and their families

On November 28, 2015 Hitachi Construction Machinery (China) held a Safety and Environmental Protection Classroom for all employees living in company housing and their families. A total of 200 people attended this event. In addition to an "Environmental Conservation and Energy-Saving Knowledge Quiz" that taught about garbage separation, recycling, and energy conservation methods, participants were able to learn and put into practice safe and environmentally friendly habits that can be used in every-

day life, such as "fire drills" in preparation for sudden conflagrations.



Participating employees and their families

Local community coexistence - conducting activities in step with local communities

Completion of elementary teacher housing in Cambodia through charitable donations

HCM continues to undertake initiatives in collaboration with Hitachi Construction Machinery Tierra and Hitachi Construction Machinery Japan to help with community revitalization in Cambodia after land-mine removal through donating part of the profits from sales of mini excavators to NPO Good Earth Japan which conducts activities supporting the independence of local residents.

Those donations form the lion's share of the fund which completed construction on teacher housing for the Slap Pang Hitachi Construction Machinery Elementary School in December 2015. While Cambodia is working towards enriching their education system, they haven't been able to provide improved labor conditions for teachers in remote areas which is why continued support for NPOs and other organizations is needed. The creation of

this previously non-existent teacher housing has reduced the commuting burden of the teachers that were housed in neighboring villages and improved the labor and educational environments of the region.



Teachers and children taking a commemorative photo in front of the recently completed teacher housing

Diversity

In order to achieve growth as a truly global company, it is important to create a corporate culture that allows human resources with diverse values and perspectives to make maximum use of their drive and abilities. The HCM Group promotes diversity based on this awareness.

Formulation of action plans to promote women's participation and advancement

The HCM Group established the Diversity Promotion Group in April 2011. Since then the "Diversity Committee Meeting" has been held once a year to promote diversity through confirming the progress of activities and promotion plans for the coming fiscal year.

On April 1, 2016 the "Act of Promotion of Women's Participation and Advancement in the Workplace" that requires large companies and others to create action plans with numerical target for women's active participation. As part of this HCM has established action plans for promotion of women's participation and advancement in the workplace. The action plans support the active participation of female employees through three goals: "Enhancing the employees' motivation by making use of their abilities and expanding the opportunities", "Promoting the working style which is flexible and high productivity" and "Cultivating the corporate culture which recognizes the diversity"

Accelerating the participation of human resources from overseas

Various departments in the Hitachi Construction Machinery Group accept employees from overseas Group companies. This initiative was fully launched in 1996, and around 700 such people have worked in Japan up to now. By proactively taking in diverse overseas personnel and expanding their opportunities we aim to improve the performance of the organization.

TOPICS

Holding a cross-cultural experience booth at the "Hitachi Construction Machinery Festival in Ryugasaki"

Continuing from last year's Tsuchiura Works, we held a cross-cultural experience booth at the Hitachi Construction Machinery Festival in Ryugasaki held at the Ryugasaki Works on May 24, 2015. This year the event was centered around Chinese trainees and Japanese employee volunteers, with the participation of Filipino workers through a collaboration with the Friend Nippon Cooperative, allowing for cultural exchange with local residents and employee families through events such as trying on cultural garb and quizzes on overseas plants. In future we will plan on expanding the circle of trainees from overseas to create a corporate culture that is mutually accepting of diverse cultures and values.



The entire festival had an attendance of approximately 3,200 people, making the event a great success.

Promotion of personnel exchange with the Hitachi Group

The Hitachi Group's "Global Wakate-kai: Hitachi Global Young Spirit Members" conducts activities centered around young employees, including holding various study sessions and opinion exchange sessions with global as the keyword, in order to deepen understanding of the world's cultures, including Japan, and to develop the perspective necessary to create new global values globally. The young employees of the HCM Group also participate in this membership, across the Group boundaries, in order to form English, Chinese, and Japanese speech clubs both internally and externally, contributing to the creation of "One Hitachi" through personnel exchanges. This initiative has received such positive feedback that it was voted among the "Big5" top entries in the idea contest held under "Make a Difference!", a Hitachi, Ltd. employee revitalization project.

The HCM Group encourages these kind of self-initiated activities that lead to cultivation of personnel that can understand diverse cultures and values and work globally, and we are working towards the promotion of diversity.



Hitachi, Ltd. President Toshiaki Higashihara and representative members of the Global Youth Committee that include HCM Group young employees ("Big5" selection award)

Human rights

As part of the globalization of corporate activities, there has been a rapid increase in interest in corporate initiatives for respecting human rights. The HCM Group implements initiatives for correctly understanding and acknowledging human rights issues throughout the entire supply chain as well as our business activities.

Policies about respect for human rights

In accordance with the Hitachi Group Human Rights Policy, the HCM Group clearly establishes the "Hitachi Construction Machinery Codes of Conduct" and "Hitachi Construction Machinery Group Human Rights Policy", and undertakes initiatives for respecting human rights. The "Hitachi Construction Machinery Group Human Rights Policy" that was established in March 2014 indicates that it interprets the human rights described in the "International Bill of Human Rights"^{*1} and the International Labour Organization (ILO)'s "Declaration on Fundamental Principles and Rights at Work"^{*2} as the absolute minimum for human rights. In addition, it also touches on human rights due diligence^{*3} based on the United Nations' "Guiding Principles on Business and Human Rights"^{*4} and clearly defines the implementation of appropriate education for employees, compliance with the laws of the countries or regions in which business is conducted, and the pursuit of methods for respecting international human rights principles when there are conflicts between internationally recognized human rights and the domestic laws of individual countries.

In March 2015 the Hitachi Group established the human rights due diligence guidelines. As a member of the Hitachi Group, the HCM Group is undertaking initiatives that adhere to these precepts. In FY2015 we participated in the "Human Rights Workshop" held by the Hitachi Group. This workshop was held as part of the Hitachi Group's initiatives for human rights due diligence based on the "Hitachi Group Human Rights Policy" with consultation by American NPO Shift, and evaluated risks and priorities for human rights in the supply chain and confirmed measures for reducing those risks.

Moreover, we have established a "whistle-blowing system" for employees and "advice lines" for external stakeholders as part of our human rights reporting mechanisms.

^{*1} The collective name for the International Covenants on Human Rights and Universal Declaration of Human Rights adopted by the United Nations General Assembly.

^{*2} Includes upholding the freedom of association and the effective recognition of the right to collective bargaining, rejecting forced labor, effective elimination of child labor, and abolition of discrimination in hiring and employment.

^{*3} "Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, John Ruggie."

^{*4} This refers to evaluating and responding to the impact that business has on human rights and continually verifying and disclosing the results of measures to prevent, mitigate, or provide aid for the negative impact.

Websites

Hitachi Construction Machinery Codes of Conduct

<https://www.hitachicm.com/global/company/company-profile/conduct/>

Hitachi Construction Machinery Supply Chain CSR Guidebook (Japanese only)

<http://www.hitachi-c-m.com/global/jp/pdf/generator/company/csr/business/supplier/01.pdf>

Human rights education and training

The HCM Group continually implements education concerning human rights included in stratified training for new employee and new section manager, and so on, for the purpose of improving each individual employee's awareness of human rights. In addition, we conduct training concerning harassment during our compliance training.

Results of human rights training in 2015

	Actual participants in FY2015	Number of participants at or above section manager status	Number of general employee participants	Number of participants in harassment training ^{*7}
Hitachi Construction Machinery ^{*5}	341	60	281	79
Group companies ^{*6}	1,313	191	1,122	105
Total	1,654	251	1,403	184

^{*5} This is the number of HCM participants are participants of stratified training.

^{*6} Group companies are the total for the 10 domestic companies.

^{*7} The number of harassment training includes training done as part of compliance training for department and section managers.

Respect for human rights in the supply chain

"Respect for Human Rights", Chapter 4 in the "Hitachi Construction Machinery Codes of Conduct", clarifies respect for various human rights starting with fundamental labor rights (such as freedom of association, collective bargaining, prohibition of forced labor, elimination of child labor, and abolition of discrimination in hiring and employment). In addition, it also makes reference to procurement activities that maintain a focus on human rights, including prohibition of unfair discrimination in hiring and employment, and the elimination of child labor and forced labor.

The "Hitachi Construction Machinery Supply Chain CSR Guidebook" covers areas such as the prohibition of forced labor, the prohibition of inhumane treatment, the prohibition of child labor, the prohibition of discrimination, appropriate wages, management of working hours, and respect for employee collective bargaining rights, and we demand that suppliers comply with these precepts. Moreover, HCM continues its dialogue with suppliers on the non-use of conflict minerals as per the Hitachi Group Conflict Minerals Procurement Policy.

Compliance

Thorough penetration of compliance throughout the Group is essential for achieving fair and transparent management. The HCM Group believes that compliance is one of the most important issues for management, and the whole Group unites to achieve it.

Compliance promotion systems

The HCM Group defines “compliance” as conformity to laws and regulations, the basis of corporate activities, and actions in accordance with corporate ethics. We repeatedly carry out awareness surveys targeting all employees at HCM and our domestic Group companies, and implement follow-up training in line with the results of these surveys. In this manner, we are able to assess our level of compliance and carry out improvements.

We hold meetings of the Compliance and Risk Management Division twice a year and deliberate on activity reports and various strategy plans. We establish a Compliance Promotion Officer at Group companies and promote compliance activities in coordination with the Compliance Promotion Center of Legal Department.

In addition, in 2010 we established the “Hitachi Construction Machinery Codes of Conduct” which acts as the specific code of conduct applied throughout the HCM Group. Our code of conduct is thoroughly implemented by our top management leadership, and we are expanding our business activities rooted in corporate ethics and legal compliance in accordance with the “basics and ethics”. In future, we will continue working towards even further awareness and penetration throughout the Group.

Compliance Education and Training

In order to increase awareness of compliance throughout the Group, the HCM Group conducts various educational and training programs.

Domestic Group companies held 246 compliance training sessions in FY2015 for assistant manager and staff with a “zero employees misconduct and compliance incident” goal for a total of 4,300 participants. These training sessions were conducted as part of the compliance training held for each different corporate level, starting with the top management training held for HCM executives in October 2014 and including top management training for domestic Group company executives and middle management training for middle management posts or above the section manager level.

At overseas Group companies, we provided more workshop-style training sessions that provide scenarios based on actual operations, conducting training sessions with the emphasis placed on cultivating perspectives on compliance that can be immediately applied to actual operations.

In addition, in accordance with initiatives throughout the Hitachi Group, we establish the month of October as “Corporate Ethics Month” every year and work towards the reinforcing and re-evaluation of compliance. On October 1, 2015, Chairman Hiroaki Nakanishi of Hitachi, Ltd. and President Yuichi Tsujimoto released their messages to encourage employees to achieve a new level of compliance awareness in their work.

A global compliance reporting system

We established a “compliance hotline” with the goal of quickly identifying and properly handling compliance issues. In addition, we have established an independent contact “global alert line” that supports multiple languages for our overseas Group companies’ employees’ use and we continue to raise awareness of these two reporting systems.

Flow for global alert line



Hitachi Global Compliance Program

Risks are increasing around the world for compliance violations, particularly bribery, anti-social transactions, and competition law violations. Since these risks need to be addressed by the entire Hitachi Group, we have established regulations and guidelines under the guidance of Hitachi, Ltd. and are working to prevent the occurrence of compliance violations.

Risk management

In order to ensure sound management, it is important to comprehensively consider the various risks, big and small, that the Group encounters. In addition to working to prevent risks, the HCM Group also conducts risk management using appropriate methods in order to minimize damages when a crisis occurs.

Perspective on risk

When engaging in corporate activities, there is a risk of encountering natural disasters, accidents, or legal violations. Based on this awareness, the HCM Group address risk under the lead of the Compliance and Risk Management Division. In addition, we define risk under the premise that “risk will always become actualized”, so we conduct risk assessments in advance and address it through making rules that dictate how to handle it when it occurs.

Defining risk

Risk is defined as the possibility of incidents, accidents, or other problems that may cause loss or damage directly or indirectly to the HCM Group’s business, employees or their families or to people with some connection with the Group.

Types of risk

- 1 Damage to people: Death, injury, or the possibility of such.
- 2 Damage to assets: Breakage or destruction of the company assets, hindrance in production or sales, etc. caused by such breakage or destruction, or the possibility of such.
- 3 Financial damage: Payment of compensation, lost profits, or the possibility of such.
- 4 Loss of trust: Loss of trust in the Company, our products or employees, etc., thereby damaging the Company’s image, or the possibility of such.
- 5 Breach of laws and regulations: Breach of laws and regulations, or the possibility of such.
- 6 Breach of ethics: Acts contravening company ethics, or the possibility of such.

Risk countermeasures

The HCM Group conducts risk countermeasures in accordance with the procedures determined by the Compliance and Risk Management Division.

- 1 When a risk arises, we will implement initial measures immediately. We will promptly ascertain the risk level and decide the range of the people to be informed, according to the severity of the risk.
- 2 We will make constant efforts to raise the awareness of employees and other relevant persons to ensure that they recognize risks as risks, thoroughly understand the importance of compliance, proactively work to prevent the occurrence of

risks and scandals, and take proper measures to cope with risks when they occur.

- 3 When a risk arises, or there is the possibility of such, no matter how minor the risk is, we will immediately report the matter to a superior or to the Compliance Promotion Department manager.
- 4 We will regularly check risk potentialities and take measures to prevent the occurrence of each risk.
- 5 We will always endeavor to maintain good relations with the local community (including police stations, labor standards inspection offices, fire stations, public employment security offices, local residents, etc.).

Establishing global risk management

The HCM Group is promoting the fortification of the risk management system for the overall Group in order to grow as a global corporation.

The HCM Group is developing “Business Continuity Plans (BCPs)” and strengthening its “Business Continuity Management (BCM)” to minimize the impact to business activities from risks that arise around the world from events such as natural disasters, and to attain the quickest possible recovery. We are also working to sustain our supply chain.

In FY2015, in addition to preventing risk we conducted internal business risk assessments for all domestic and overseas Group companies as an initiative to keep the impact from risk occurrence to the absolute minimum (risk minimization). In addition to increasing crisis management awareness among employees throughout the Group, in future we will be undertaking the reinforcement of company-wide management systems.

