Value Creation Model

The HCM Group is working to boost management capital and maximize corporate value by identifying social issues that we can solve and continuously implementing our value creation model.

**Social issues to be solved**
- Prevent global warming
- Formation of recycling-oriented society
- Diminishing safety and productivity at work sites caused by labor shortages
- Development of resilient infrastructure
- etc.

**Business domains**
- Financial capital
- Manufacturing capital
- Human capital
- Intellectual capital
- Social and related capital
- Natural capital

**INPUT (Capital committed)**

We are expanding our support services spanning the entire product life cycle in order to create products that our customers truly need and ensure these products are delivered promptly to customers and are used easily and continuously, with the ultimate goal of creating the next business opportunity.

**OUTCOME (Value creation)**

**Customers**
- Create value that grows businesses, such as improved safety, improved productivity, and reduced life cycle costs at work sites

**Shareholders and investors**
- Consolidated views of profitability, financial condition, and mid-to-long-term enhancement of corporate value

**Employees**
- Realize work environments with high labor productivity and where a diverse and healthy workforce can play an active role

**Suppliers**
- Build relationships capable of mutually enhancing corporate value through legal compliance, etc.

**The environment**
- Curtail global warming and use resources in a closed loop through the development, production and promotion of eco-friendly products

**Local communities**
- Develop resilient social infrastructure through the provision of products and collaboration with outside organizations, etc.

**Product development**

- Development marketing
- We are developing a system that enables the development of a global product line in order to create products and services with the greatest possible value for our customers.

- Research
- We have established a comprehensive research and development system to ensure the development of innovative products and technologies.

- Human capital
- Our product development team consists of experts from various fields, including mechanical, electrical, and information technology.

- Intellectual capital
- Knowledge and skills concerning construction machinery and mining machinery, various industries and management consulting know-how

- Social and related capital
- Brand power of the Hitachi Group, and high profile established relationships with customers, suppliers and local communities.

- Natural capital
- Primary energy, including water, air, soil, minerals, and forests; etc., and secondary energy, including electricity and utility gas, etc.

**Output (Products and Services)**

**Sophisticated products**

- Provide high performance and highly functional construction machinery under-pinned by our advanced technological prowess, including hybrid hydraulic excavators and ICT hydraulic excavators, etc.

- We have developed products that are energy efficient and low cost to mitigate environmental impacts.

- We support new product and technology development and innovation.

- We offer various financing plans for our products to ensure that they can be employed by customers in a format that meets their needs.

**Solution service**

- Provide solutions that exceed customer expectations in the value chain spanning the entire life cycle of construction machinery.

- Assist customers in solving business challenges and help resolve social issues through the provision of products, services and solutions closely tied to the needs of various work sites.

- We focus on products that meet high performance and highly functional specifications.

- We offer various financing plans for our products to ensure that they can be employed by customers in a format that meets their needs.

**Strategy**

- Customers
- Shareholders and investors
- Employees
- Suppliers
- The environment
- Local communities

**Value Creation**

- By solving social issues, we can create value that grows businesses, such as improved safety, improved productivity, and reduced life cycle costs at work sites.

- By consolidating our research and development resources, we can create innovative products and technologies.

- By focusing on high performance and highly functional specifications, we can provide products that meet the needs of various work sites.

- By offering various financing plans, we can ensure that our products can be used in a format that meets the needs of customers.

**Finance**

- We operate a high-performance and high-quality business while considering the needs of stakeholders, including customers, employees, shareholders, and society.

- We strive to create value that grows businesses, such as improved safety, improved productivity, and reduced life cycle costs at work sites.

- We focus on products that meet high performance and highly functional specifications.

- We offer various financing plans for our products to ensure that they can be employed by customers in a format that meets their needs.

**Corporate Outline**

- Hitachi Construction Machinery CSR & Financial Report 2019