Global environmental issues including climate change are extremely important issues that could threaten the very survival of humankind. Solutions or adaptation to these issues requires inclusive initiatives and in particular companies are expected to play an important role. The HCM Group is working to reduce the environmental impacts of its products throughout the entire life cycle and to provide environmentally conscious solutions through ICT, IoT and open innovation.

### Progress of main activities in FY2018

**Boost electrification of construction machinery**
In Germany, which has some of the world’s strictest regulations for preventing global warming, we established a new company that engages in the electrification of construction machinery and development of applied products. At an international trade fair on construction machinery, we announced the ZE85 and ZE19 electric-powered excavator concept models.

**Switching to solar power at plants in India**
Tata Hitachi Construction Machinery (India) began using electricity produced from solar power generation at the Kharagpur Works. In FY 2018, we estimate that they sourced about 30% of their annual electricity consumption, or around 7,000 MWh, from renewable energy.

**Visualizing electricity using IoT technology**
At the Group’s plants in Japan, we continue to carry out initiatives to reduce standby power using EMilia, which visualizes electricity consumption, and to recover unused energy. We received the Energy Conservation Center Chairman’s Award at the FY 2018 Energy Conservation Grand Prize.

### Environmental Vision

This environmental vision is shared throughout the Hitachi Group, and it is to resolve environmental issues and achieve both a higher quality of life and a sustainable society through its Social Innovation Business in collaborative creation with its stakeholders.

In order to create a society which has the three attributes of a “Low-Carbon Society”, “Resource Efficient Society” and “Harmonized Society with Nature,” the HCM Group Action Guidelines for Environmental Conservation form the basic policy of our environmental activities, under which we are making efforts.

### Ideal society laid out in our environmental vision

**Low-Carbon Society**
We will work to reduce emissions at the “use” stage, which accounts for more than 90% of greenhouse gas emissions throughout the value chain, along with reductions at our own “production” stage.

**Resource Efficient Society**
Through our businesses, we will contribute to building a water and resource recycling society.

**Harmonized Society with Nature**
At each stage of the value chain, we will evaluate the impact on the ecosystem and promote measures to minimize the burden.

### Approach to value creation

The HCM Group’s CSV for the environment involves efforts in the three areas of “manufacturing”, “using” and “taking on challenges” create, use and challenge for maximizing value creation in terms of both economic value and environmental value together with all people related to the society we aim to achieve. In terms of “manufacturing”, we are carrying out activities including with suppliers to lower environmental costs. In terms of “using”, we aim to increase earnings by boosting the environmental and social value of our products and businesses. In terms of “taking on challenges”, we are working to expand business opportunities by solving social issues globally. These initiatives to increase economic value and environmental value help to secure the long-term, stable growth of the Group. In addition, the main products and services related to CSV are managed and promoted under the long-term CSV 2030 targets.
Environmental Management

With respect to environmental management, our system is centered around the newly established Sustainability Promotion Division, which comprehensively manages and promotes environmental, social, and governance matters for the entire Group as well as discloses information as appropriate. The Sustainability Promotion Committee, which meets biannually, is comprised of members including the president and executive officers. It carries out deliberations and approvals on ESG matters related to management decisions, including our response to climate change.

In addition, the HCM Group implements an ISO 14001-compliant environmental management system centered on production Group companies that accounts for more than 95% of environmental impacts from plants and offices. In FY2018, there was a change in the number of Group companies, resulting in a 33% certification ratio, including simplified environmental management systems at production Group companies.

Sustainability promotion system

Representative Executive Officer, President, Executive Officer and Director CEO

Chairman, Representative Executive Officer, President, Executive Officer and Director CEO

Representative Executive Officer, Executive Officer and Director CEO

Corporate Outline

Finance

Our Business

Materiality

Manufacturing of Construction Machinery

Environmental impact reduction in manufacturing processes

The HCM Group has engaged in green procurement in an effort to achieve a highly efficient supply chain together with suppliers that reduces environmental impacts. In manufacturing processes, we have implemented a number of measures aimed at reducing energy efficiency; facilities, encouraging recycling, and reducing waste. In FY 2019, we introduced an internal carbon pricing system in order to further promote investments in energy efficient facilities.

The internal carbon pricing (ICP) system is a voluntary mechanism for companies to assign a price to carbon emissions or reduced carbon usage, in order to make investment decisions and carry out risk management internally. This makes it possible to visualize the impacts carbon emissions have on business operations and to strategically determine and promote low-carbon investments. Going forward, we will work to raise awareness inside the company about ICP-driven efforts to reduce carbon.

Obtained SBT approval for greenhouse gas reduction targets

In May 2019, the Science Based Targets Initiative (SBTI) approved our long-term goals for reducing greenhouse gas emissions as targets based on scientific facts.

The HCM Group will accelerate its energy-saving and carbon-reduction initiatives to achieve these goals, and thereby contribute to the 2°C target set in the Paris Agreement.

SBT of the HCM Group

Scope 1+2: Reduce our greenhouse gas emissions by 45% by 2030 (based on FY 2010)

Scope 3: Reduce our greenhouse gas-emissions by 33% by 2030 (based on FY 2010)

Using of Construction Machinery

Providing environmentally-conscious products and low-carbon machines

The HCM Group engages in environmentally-friendly product development aimed at resolving global environmental issues, including climate change. Since the year 2000, we have implemented “DIE (Design for Environment) Assessment” that set forth, at the time of development and design of all new products, specific details of environmentally conscious products throughout the product life cycle. From FY2016, we launched new “Environmentally Conscious Design Assessments” compliant with IEC 62430, an international standard, to further enhance the environmental friendliness of products.

In addition, this assessment includes life cycle assessment (LCA) for environmental impacts, which involves quantifying energy use associated with materials, manufacturing, transport, product use and disposal along with water, fuel and materials, including CO2 emissions.

Using advanced IoT to lower the energy basic unit of five plants in Ibaraki Prefecture by 37%

We introduced EMAl, an integrated energy and facility management system using Hitachi’s advanced IoT technology, at our five plants in Ibaraki Prefecture. This system enables us to visualize electricity consumption as well as standby power and to reduce wasteful electricity usage. The visualized data is used for making production facilities more energy efficient and conserving electricity consumed inside offices.

This has included such measures as cutting electricity usage during peak times and reducing standby power. As a result, in FY2018 we lowered the energy basic unit of these five plants by 37% compared to FY2010. These initiatives were recognized with the Energy Conservation Center Chairman’s Award in the successful case of energy conversation category at the FY2018 Energy Conservation Grand Prize organized by the Energy Conservation Center, Japan.

Using of Construction Machinery

Eco-friendly mining operation solutions

In recent years, the mining industry faces the challenge of realizing greater efficiencies through total mining operation optimization while addressing growing demand for commodities. For this reason, the industry requires not only reliable machines, but also mining machinery and solutions that harness ICT and IoT technologies.

In order to meet these needs, HCM is focusing its energy on research and development and commercialization of mining information and communication technology (MICT) that will generate innovation in mining operation through the use of cutting-edge information technology. In particular, our Fleet Management System (IFMS) already used at mines around the world optimizes vehicle operations and increases mine productivity. This system also monitors the condition of construction machinery used at mines, making it possible to predict and prevent failures; thus, reduce down time.

Using of Construction Machinery

Released the ZH120-6, the industry’s first*1 12-ton hybrid hydraulic excavator

In October 2018, we released the ZH120-6 all-new hybrid hydraulic excavator for the Japanese market. This machine features the HIOS IV-HX, a new hybrid hydraulic regeneration system developed by drawing on HCM’s portfolio of technologies, for even greater fuel economy. Compared to the standard ZX120-5B, which complies with the 2011 standards specified in Japan’s Off-road Act, it offers a 12% reduction in fuel consumption*2.

Using of Construction Machinery

Released the EH5000AC-3 rigid dump truck with trolley system

In June 2018, we released the EH5000AC-3 rigid dump truck with trolley system for use in large-scale mining operations overseas. This product offers even higher efficiency operations. This is achieved by first installing overhead power lines or Hill roads at mines with a power plant, and then using the pantograph on top of the truck to capture electricity running through these overhead power lines when driving uphill.

In trolley mode, the electricity is used to operate the drive motor, eliminating the need to operate the generator at high revolutions using the engine and reducing the burden placed on the engine, which also reduces maintenance costs.

*1 HCM research

*2 Comparison using HD7000’s testing standards

Challenge with and through Construction Machinery

Eco-friendly mining operation solutions

In recent years, the mining industry faces the challenge of realizing greater efficiencies through total mining operation optimization while addressing growing demand for commodities. For this reason, the industry requires not only reliable machines, but also mining machinery and solutions that harness ICT and IoT technologies.

In order to meet these needs, HCM is focusing its energy on research and development and commercialization of mining information and communication technology (MICT) that will generate innovation in mining operation through the use of cutting-edge information technology. In particular, our Fleet Management System (IFMS) already used at mines around the world optimizes vehicle operations and increases mine productivity. This system also monitors the condition of construction machinery used at mines, making it possible to predict and prevent failures; thus, reduce down time.

Challenge with and through Construction Machinery

Eco-friendly mining operation solutions

In recent years, the mining industry faces the challenge of realizing greater efficiencies through total mining operation optimization while addressing growing demand for commodities. For this reason, the industry requires not only reliable machines, but also mining machinery and solutions that harness ICT and IoT technologies.

In order to meet these needs, HCM is focusing its energy on research and development and commercialization of mining information and communication technology (MICT) that will generate innovation in mining operation through the use of cutting-edge information technology. In particular, our Fleet Management System (IFMS) already used at mines around the world optimizes vehicle operations and increases mine productivity. This system also monitors the condition of construction machinery used at mines, making it possible to predict and prevent failures; thus, reduce down time.

Challenge with and through Construction Machinery

Eco-friendly mining operation solutions

In recent years, the mining industry faces the challenge of realizing greater efficiencies through total mining operation optimization while addressing growing demand for commodities. For this reason, the industry requires not only reliable machines, but also mining machinery and solutions that harness ICT and IoT technologies.

In order to meet these needs, HCM is focusing its energy on research and development and commercialization of mining information and communication technology (MICT) that will generate innovation in mining operation through the use of cutting-edge information technology. In particular, our Fleet Management System (IFMS) already used at mines around the world optimizes vehicle operations and increases mine productivity. This system also monitors the condition of construction machinery used at mines, making it possible to predict and prevent failures; thus, reduce down time.

Challenge with and through Construction Machinery

Eco-friendly mining operation solutions

In recent years, the mining industry faces the challenge of realizing greater efficiencies through total mining operation optimization while addressing growing demand for commodities. For this reason, the industry requires not only reliable machines, but also mining machinery and solutions that harness ICT and IoT technologies.

In order to meet these needs, HCM is focusing its energy on research and development and commercialization of mining information and communication technology (MICT) that will generate innovation in mining operation through the use of cutting-edge information technology. In particular, our Fleet Management System (IFMS) already used at mines around the world optimizes vehicle operations and increases mine productivity. This system also monitors the condition of construction machinery used at mines, making it possible to predict and prevent failures; thus, reduce down time.

Challenge with and through Construction Machinery

Eco-friendly mining operation solutions

In recent years, the mining industry faces the challenge of realizing greater efficiencies through total mining operation optimization while addressing growing demand for commodities. For this reason, the industry requires not only reliable machines, but also mining machinery and solutions that harness ICT and IoT technologies.

In order to meet these needs, HCM is focusing its energy on research and development and commercialization of mining information and communication technology (MICT) that will generate innovation in mining operation through the use of cutting-edge information technology. In particular, our Fleet Management System (IFMS) already used at mines around the world optimizes vehicle operations and increases mine productivity. This system also monitors the condition of construction machinery used at mines, making it possible to predict and prevent failures; thus, reduce down time.

Challenge with and through Construction Machinery

Eco-friendly mining operation solutions

In recent years, the mining industry faces the challenge of realizing greater efficiencies through total mining operation optimization while addressing growing demand for commodities. For this reason, the industry requires not only reliable machines, but also mining machinery and solutions that harness ICT and IoT technologies.

In order to meet these needs, HCM is focusing its energy on research and development and commercialization of mining information and communication technology (MICT) that will generate innovation in mining operation through the use of cutting-edge information technology. In particular, our Fleet Management System (IFMS) already used at mines around the world optimizes vehicle operations and increases mine productivity. This system also monitors the condition of construction machinery used at mines, making it possible to predict and prevent failures; thus, reduce down time.
**CSV theme 2**

**Enhancing initiatives to increase social infrastructure workforce**

In the future the world will need infrastructure development that underpins an affluent life and promotes industrial development. It will also need commodities development that generates a stable supply of energy to be carried out in a way that contributes to a sustainable society. The HCM Group is addressing various issues faced by work sites including labor shortages and a lack of experienced technicians, while utilizing cutting-edge technology including ICT.

<table>
<thead>
<tr>
<th>Targets</th>
<th>Key Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Contribute to enhanced site productivity for customers using ICT and IoT</td>
<td>• Provide solutions to optimize mining processes and management</td>
</tr>
<tr>
<td>• Reduce life cycle costs and improve utilization rate of customer machinery</td>
<td>• Achieve stable machinery operations and the reduction of life cycle costs</td>
</tr>
<tr>
<td>• Improve the safety of machinery and prevent occupational injuries on site</td>
<td>• Popularize machinery and systems that increase work efficiency</td>
</tr>
<tr>
<td>• Contribute to alleviating the shortage of skilled technicians through advancement of machinery and systems</td>
<td>• Develop and deliver labor-saving machinery that is unmanned/uses robotics</td>
</tr>
</tbody>
</table>

**Progress of main activities in FY2018**

- **Developed all-new ICT hydraulic excavator**
  Following the 20-ton ZX200X-6 in 2017, we developed the 13-ton ZX135USX-6 and began offering for the Japan market a rental in July and for sale in October. It greatly reduces work processes, such as staking and measurement, resulting in significantly shortened work time.

- **Began collaboration on autonomous haulage system for mining dump trucks**
  We agreed to work with Whitehaven, Australia’s largest specialized coal producer and seller, on the introduction of an autonomous haulage system for mining dump trucks. This system is expected to secure a higher degree of safety and raise the efficiency of mining operations.

- **Making advancements in the use of AI in ConSite service solutions**
  ConSite uses AI to estimate anomaly trends by analyzing big data including repair history. The accuracy of AI is improved by using testing tools to inspect machines before they fail and then re-learning based on the results and repair details.

**Future initiatives**

To continually provide customers with high quality services, we have been steadily installing ConSite Oil Sensor (predicts failures of engines and hydraulics by remotely detecting the condition of oil) on our main machinery. Through this aim to achieve a failure detection rate of 90% in 2020 and beyond. Looking ahead, we will continue to promote products and solutions that utilize ICT and IoT to improve safety, productivity, and reduce life-cycle costs.

---

**Reinforcing R&D system**

HCM carries out R&D on its mainstay product lines that generate new customer value as well as on cutting edge technologies and platforms underpinning its products. This is achieved through collaboration within the Hitachi Group and with outside R&D partners, primarily through its R&D divisions, quality assurance department, and production engineering divisions.

With co-creation activities together with customers at the forefront, we pursue R&D for solutions that resolve the three customer challenges of improving safety and productivity, reducing life-cycle costs as well as for the creation of basic value in machinery that underpins these challenges, based on our solutions building, development and manufacturing capabilities.

In FY2018, we developed and implemented “Solution Linkage”, a series of solutions utilizing ICT. In addition, in April 2019, we newly established the Marketing Strategy Group with the purpose of quickly reflecting market trends and the voice of customers in our products and businesses. Through these activities, we are providing high value-added products and optimized solutions for customer challenges.

**Solution Linkage—new value provided by HCM**

In FY2017 the HCM Group began rolling out a proprietary solution called Solution Linkage that accumulates know-how while working together with customers to solve their unique challenges. Solution Linkage represents a form of value creation provided by the HCM Group, which has extensive experience in supporting customers’ businesses using ICT and IoT. HCM’s construction machinery that underpins social infrastructure has evolved considerably over the years driven by various technological innovations. At the same time, the mining sector, which is searching for greater management efficiencies, and construction sites, faced with labor shortages, both require greater innovations in the production process. The key to resolving these challenges is One Hitachi, where HCM spearheads efforts that transcend the geographic regions and business fields of the Hitachi Group to deliver valuable solutions for customers and society, along with the use of open innovation converging expert technologies with business partners.

The HCM Group uses One Hitachi and open innovation to address social issues around the world.
Launched new ICT construction machinery for small-scale civil works projects

In July 2018, we launched rentals of the ZX135USX-6 ICT hydraulic excavator in Japan. This all-new machine is ideally suited to small-scale projects by increasing the small swing radius of a 13-ton class machine while maintaining the functions of the 20-ton ZX100X-6 ICT hydraulic excavator. We launched sales of this same machine in October 2018.

In addition, we developed a mini excavator system with 3D machine control function for the PAT blade and its complex movements using 3D design data and launched sales of the ZX35U-5B mini excavator with this same function in December 2018. This machine is suited to work at sports grounds or small-scale paving works, among others.

By providing such ICT construction machinery ideally suited to relatively small-scale projects, we are working to further promote the concept of i-Construction advocated by Japan’s Ministry of Land, Infrastructure, Transport and Tourism.

Promoting i-Construction

With worker and technician shortages growing in the construction industry, the issues of improving safety and productivity, reducing life-cycle costs faced by customers at work sites continue to increase in importance. In order to resolve these challenges, it is vital that we promote i-Construction, which seeks to increase the efficiencies of construction and civil works by using information communication technology or ICT.

In 2017, the HCM Group began offering Solution Linkage Cloud, a cloud-based solution that plays a central role in ICT construction solutions. In addition, we expanded Consite services that provide optimal service solutions by remotely monitoring the operation and positional information of construction machinery. By providing ICT construction machinery and other solutions, we are supporting the realization of ICT construction at various job sites, including building foundation work, residential land development, and cultivated land improvements, among others. Furthermore, we began operating an ICT Demo Site in 2016 with the goal of broadening understanding of i-Construction and promoting ICT construction work. In April 2018, we opened Kagawa ICT Demo Site, our second such site in Japan.

In addition, in September, we revamped the demonstration area at the Amsterdam Plant of Hitachi Construction Machinery Europe in the Netherlands, marking the opening of our first ICT Demo Site outside of Japan. By promoting understanding of ICT construction among customers using this site and providing machinery for demonstrations at customer work sites, we are working to raise awareness about our ICT hydraulic excavators in the European market.

Technological development that saves labor

HCM has developed a number of products that apply the same technologies as hydraulic excavators in order to address the work needs of customers from various sectors. In 2005, we developed the Double-Arm Working Machine ASTACO (Advanced System for Twin Arm Complicated Operation) series machine, aiming to enable more complex work using a hydraulic excavator. Afterwards, we worked to increase operability, culminating in the commercialization of the ZX135TF-3 (ASTACO NEO) in 2012. Since then, we have developed the series further in order to resolve social issues, including reconstruction work in areas hit by disasters.

In 2018, we developed a Double-Arm Working Concept Machine featuring a four-leg crawler, with an eye toward further expanding the possibilities of construction machinery. This design also enables stable work on slopes and in undeveloped areas where it was difficult to maintain a level position with the standard two-leg crawler design.

Excavators with dual front arms make it possible for a single operator to perform complex actions such as cutting an object while holding it and bending long objects, which reduces labor. In addition, the four-leg crawler design expands the scope of activities. This technology is also expected to be useful in natural disasters. Looking ahead, we will continue R&D with a focus on the future potential of construction machinery.
CSV theme 3
Contributing to community development

In order to develop and grow in local communities, a company must understand the various characteristics of each local community and aim to grow together with it. The HCM Group, considering local communities to be an important stakeholder, aims to realize a sustainable society through activities that contribute to the development of communities while harnessing the characteristics of its business operations.

### Targets
- Support the self-reliance of emerging countries through infrastructure development
- Create jobs in the local community through the parts remanufacturing business
- Support environmental activities in the local community

### Key Initiatives
- Develop machinery and human resources that meet regional requirements
- Support the development of overall community infrastructure utilizing Hitachi Group integrated capability
- Provide financing and machinery to support infrastructure development

### Progress of main activities in FY2018

#### Fostering human resources in development in India

Tata Hitachi Construction Machinery in India established a training center within Dharwad Plant as a Japan-India Institute for Manufacturing (JIM) (opened in December 2017) with the aim of training 30 manufacturing workers in three years through lectures and on-the-job training (OJT) in cultivating the future leaders of the industry in India.

#### Creating employment opportunities in Zambia

The parts remanufacturing plant of Hitachi Construction Machinery Zambia actively hires local human resources as a plant closely rooted in the community. Currently, 155 out of 168 employees are Zambian, with OJT being implemented for employees as well as efforts put in to ensure prompt learning of skills.

#### Future initiatives

In FY2018, we worked on developing human resources in local communities with the goal of growing our businesses together with communities. These initiatives included our ongoing involvement in the Manufacturing Skill Transfer Promotion Program being implemented through a public-private partnership involving Japan and India. Looking ahead, we will further strengthen partnerships with various stakeholders around the world and engage in activities that contribute to community development.

### Policies concerning social contributions

In order to promote social contributions in a prioritized manner, the HCM Group formulated the Hitachi Construction Machinery Group Social Contribution Policy in FY2006. Based on this policy, we genuinely recognize our role as a member of society and continually engage in activities that address social issues, including humanitarian support, environmental conservation and local community coexistence. In FY2018, social contribution-related costs totaled 187 million yen.

Details of our social contribution activities are featured on our website, which further deepens our relationship with society and propels continued implementation.

### Initiatives for local community support

In order to cultivate land in countries and regions around the world and establish a wholesome and enriched living environment for those living there, it is essential to thoroughly understand environmental issues on a global scale and address environmental and social issues faced by each local community.

For example, Cambodia is known as the country with the highest density of landmines in the world and its people still suffer from injuries and fatalities from landmine accidents even though its civil war is long over. The HCM Group has been donating to Good Earth Japan (GEJ), an NPO, since FY2007 to support the removal of landmines and infrastructure development. Following the removal of landmines, activities such as agricultural instruction and infrastructure development guidance are provided to support the self-reliance of local residents in Cambodia.

### Support activities in Cambodia (support activities by GEJ)

Support activities in Cambodia*: support activities by GEJ

- **Infrastructure development**
  - Road development
  - Reservoir construction and flood control work
  - Building schools and teacher housing

- **Support for self-sufficiency**
  - Instruction in agriculture
  - Instruction in infrastructure facility maintenance

- **Fund-raising activities**
  - Support by the Hitachi Construction Machinery Group

- **Employees participating in Cambodia study tours**

*Support activities in Cambodia

- **Mine clearing**
  - Mine clearing (CMAC)
  - Providing base machines for mine clearing

- **Infrastructure development**
  - Building schools and teacher housing

- **Support activities in Zambia**: support activities by GEJ

- **Creating employment opportunities**
  - Road development
  - Reservoir construction and flood control work
  - Building schools and teacher housing

- **Future initiatives**
  - Instruction in agriculture
  - Instruction in infrastructure facility maintenance

- **Fund-raising activities**
  - Support by the Hitachi Construction Machinery Group
### Results of domestic activities in FY2018

<table>
<thead>
<tr>
<th>Activity name</th>
<th>Company visit/tality</th>
<th>Period</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forest Maintenance Activities at Hyogo Prefectural Mikiyama Forest Park</td>
<td>KCM</td>
<td>April 21 and November 13, 2018</td>
<td>We conducted forest maintenance activities at Hyogo Prefectural Mikiyama Forest Park in Miki, Hyogo as a way to promote forest development.</td>
</tr>
<tr>
<td>Toyotomi Donguri no Mori Woodland Preservation Activity</td>
<td>Tadakiko</td>
<td>July 23 and December 14, 2018</td>
<td>At the Chiba Toyotomi Donguri no Mori event, employees volunteered participated in undergrowth and thinning activities to preserve the undeveloped soil area.</td>
</tr>
<tr>
<td>Hitachi Construction Machinery Festival in Hyogo Prefecture</td>
<td>Hitachi Construction Machinery Tiema</td>
<td>October 21, 2018</td>
<td>Held at the Hitachi Naka Rikino Works, the event was attended by approximately 3,500 participants, and held as a way of giving back to the local community.</td>
</tr>
<tr>
<td>Environment-related Lecture at the University of Shiga Prefecture</td>
<td>Hitachi Construction Machinery Tiema</td>
<td>November 7, 2018</td>
<td>Our environmental activities were highlighted in the lecture entitled &quot;Environmental Management Theory&quot; from the University of Shiga Prefecture as part of the Member Lecturer Dispatch Program mediated by Shiga Green-activity Network, a general incorporated association.</td>
</tr>
<tr>
<td>14th Hitachi Construction Machinery Festival</td>
<td>Hitachi Construction Machinery Tiema</td>
<td>November 18, 2018</td>
<td>The event was held at the Tsuchiga Works as a way of giving back to the local community at the Tsuchiga Works. Approximately, 5,500 people took part.</td>
</tr>
<tr>
<td>Cleanup activities as part of Environmental Beautification Day at Shiga Prefecture</td>
<td>Hitachi Construction Machinery Tiema</td>
<td>November 20 and December 4, 2018</td>
<td>In November, five employees took part in a cleanup campaign organized by the Prefectures, joining a total of 50 participants from the community in picking up 30kg of garbage.</td>
</tr>
</tbody>
</table>

### Results of overseas activities in FY2018

<table>
<thead>
<tr>
<th>Activity name</th>
<th>Company visit/tality</th>
<th>Period</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>LET'S PLAY: COMMUNITY DEVELOPMENT PROGRAM</td>
<td>Hitachi Construction Machinery Shangai</td>
<td>Year-round</td>
<td>We helped develop four multipurpose sports facilities during the year in less fortunate communities in South Africa together with other sponsors.</td>
</tr>
<tr>
<td>KAIZEN Activities Win Gold at the International Convention on Quality Control Circles</td>
<td>Hitachi Construction Machinery Zambia</td>
<td>Year-round</td>
<td>These activities are ongoing.</td>
</tr>
<tr>
<td>Participation in afforestation activities in India</td>
<td>Breaken</td>
<td>September and December, 2018</td>
<td>In September, we planted 120 seedlings around the Chettipalayam Reservoir close to the Komathor Works. In December, we planted an additional 80 seedlings as part of these activities.</td>
</tr>
<tr>
<td>Desert afforestation volunteer activities in the Horqin Desert</td>
<td>Hitachi Construction Machinery (Chn), Hitachi Construction Machinery (Shangai)</td>
<td>September 18-21, 2018</td>
<td>A total of 40 volunteers took part from the suppliers' organization of Hitachi Construction Machinery (Chn) and Hitachi Construction Machinery (Shangai), conducting a bucket relay to supply water.</td>
</tr>
<tr>
<td>Workshop on universal design</td>
<td>Hitachi Construction Machinery (Malaysia)</td>
<td>October 10, 2018</td>
<td>This workshop was held to educate Klang Valley high school students in Malaysia about the importance of designing accessible products and facilities for a diversifying society.</td>
</tr>
<tr>
<td>Company visits by students</td>
<td>Hitachi Construction Machinery Indonesia</td>
<td>December 12, 2018</td>
<td>We hosted a company visit by 63 high school students and five teachers from Kansana Bides in Central Java State, where we explained about the company and took the group on a plant tour. This workplace visit provided an educational opportunity for students.</td>
</tr>
</tbody>
</table>

### TOPICS

#### Forest Maintenance Activities at Hyogo Prefectural Mikiyama Forest Park

On April 1, 2018, KCM entered into the “Agreement Concerning Initiatives for Forest Maintenance Activities by Companies” with Hyogo Prefecture, Miki City, and the Hyogo Green Promotion Council. We established the approx. 1.2 hectare area of NPO Hyogo Mori Club. Going forward, we will continue to regularly implement activities.

*KCM was acquired by Hitachi Construction Machinery as of April 1, 2019 in absorption-type merger.*

#### Desert afforestation activities in China recognized by the United Nations Decade on Biodiversity-Japan (UNDB-J)

Hitachi Construction Machinery (Shangai) launched afforestation volunteer activities in the Horqin Desert in 2004. By 2014, vegetation and trees had been restored covering some 100,000 m² of desert in an area known as the Hitachi Construction Machinery Forest. Starting in 2015, we began tree planting as part of a 10-year plan with the goal of restoring 130,000 m² of forest land in a separate location in the desert together with dealers in China. In a separate location, Hitachi Construction Machinery (Chn) is also working to restore vegetation covering 100,000 m² over a 10-year period beginning in 2017. The activities of both companies were recognized as an authorized cooperative project by the United Nations Decade on Biodiversity-Japan (UNDB-J) in March 2018.
In 1950, HCM became the first to mass produce a mechanical excavator using purely Japanese technologies. With our excellent technical capabilities as a foundation, we deliver innovative and highly reliable products, we make construction machinery that is safer and more efficient for workers, and we are working collectively as a group to further increase site productivity.

Since the establishment of the HCM Group, we have dedicated ourselves to customer-first quality assurance that centers on the legendary ochohi hirô (cleaning) concept passed down from Hitachi. This philosophy is illustrated in The Gleaners by artist Jean-François Millet, which suggests that each accident and defect should be examined for lessons to be learned from mistakes in order to thoroughly prevent recurrences. The Quality Assurance Center established at the Tsuchiura Works (the mother plant for the HCM Group) under the Corporate Quality Assurance Division provides information, practical instructions and support to the quality assurance departments of HCM Group companies. The Corporate Quality Assurance Division oversees the quality assurance operations of all Group companies inside and outside of Japan, which ensures the entire HCM Group delivers and improves upon the same uniform level of quality to achieve the Made by Hitachi vision.

In FY2019, the Corporate Quality Assurance Division was placed under direct control of the president. By having the president directly oversee the Quality Assurance Division, we are able to further strengthen governance for quality assurance.

The reliability paramount to the construction machinery of HCM is made possible by strict quality control. Our basic philosophy is to contribute to the enhancement of social capital and the improvement of people’s lives by developing excellent proprietary technologies and products. We are committed to providing customers with safe products and reliable technologies that fully meet their needs both inside and outside of Japan.

We have established the Company-wide PSI Committee as a management system for product safety. This committee promotes activities that ensure we supply customers with products with an even higher level of safety and reliability. The head of the Corporate Quality Assurance Division serves as the committee chair. The committee conducts information sharing of product safety and product liability within and outside of the company, as well as deliberates countermeasures based on reports on safety defects received from service divisions.

Moreover, we utilize media such as the website to promptly publish recall information as well as apply feedback received from customers to product safety.

In order to achieve the vision of “Made by Hitachi” within the expanding global supply system, it is important to promptly obtain data on quality and address any deficiency in quality without delay. Going forward, we will prevent defects through statistical processing, stop forged data and false positives (quality compliance) through automation, and improve operational efficiency by introducing IoT.
Every company maintains the important duty of protecting its employees from occupational injuries and health problems. Moreover, ensuring a good work-life balance and work environment that enables employees to thrive will also enhance corporate value. The HCM Group is promoting workplaces where its diverse workforce can fully contribute its skills, under the basic philosophy of giving priority to safety and health in everything we do.

Key Initiative Theme 2

Occupational safety and health

Every company maintains the important duty of protecting its employees from occupational injuries and health problems. Moreover, ensuring a good work-life balance and work environment that enables employees to thrive will also enhance corporate value. The HCM Group is promoting workplaces where its diverse workforce can fully contribute its skills, under the basic philosophy of giving priority to safety and health in everything we do.

Every company maintains the important duty of protecting its employees from occupational injuries and health problems. Moreover, ensuring a good work-life balance and work environment that enables employees to thrive will also enhance corporate value. The HCM Group is promoting workplaces where its diverse workforce can fully contribute its skills, under the basic philosophy of giving priority to safety and health in everything we do.

Materiality

Hitachi Construction Machinery CSR & Financial Report 2019

Hitachi Construction Machinery CSR & Financial Report 2019
**Key Initiative Theme 3**

**Developing human resources globally and locally**

It is becoming more difficult for companies to secure the human resources they need due to the diversification of work styles and changes in values, among other factors. Fostering of human capital is critical to improving productivity given Japan’s limited labor force. The HCM Group is now promoting various initiatives aimed at developing both global human resources who can play an active role around the world and local human resources who can carefully respond to the needs of local markets.

### Targets

- Develop human resources development system that takes into account local cultures and business practices
- Expand educational opportunities for developing global human resources
- Transform the diversity of our workforce into an engine of organizational growth

### Key Initiatives

- Management localization
- Development and recruitment of local human resources
- Global personal management leveraging diversity

### Progress of main activities in FY2018

#### Activities to develop global human resources

In fostering the successors of tomorrow, we are implementing a succession plan to promote assignment of the right individual to the right job as well as localization. We have systematically rolled out the succession plan as well as selection and fostering of leaders based on global governance.

#### Empower women in the workplace

We have promoted measures for developing an employment environment where women can work at a high level of motivation. As part of our career development support system, we dispatched junior female employees to an outside career development seminar and published career models internally by division.

#### Promote diversity

We have implemented many measures based on the policy of harnessing the individual characteristics of our diverse pool of human resources to add to the strength of the organization, which contributes to the continued growth of both individuals and the organization. We are working on initiatives recognizing that achieving diversity is an important task of management.

### Future initiatives

With the economy becoming more globalized, it is critical to cultivate global human resources. The succession plan will be promoted as a continuous initiative. In addition, we aim to foster global and local human resources through expanding education opportunities and enriching education programs. We strive for the continued growth of individuals and the Group by encouraging innovation with the synergistic effects from various sources.

### Basic policy on human resource development

Human resource development is a common challenge for all divisions both in Japan and overseas. The HCM Group considers human resource development one of management’s most important themes, and promotes expansion of education opportunities and enrichment of education programs. The HCM Group has developed a succession plan that applies to the entire Group. The plan involves the heads of each company and division identifying the requirements of the duties of the workers they are responsible for. In turn, the duties and career path of each individual employee of the HCM Group can be visualized across the entire organization in order to plan and execute training of successors with a medium- to long-term vision. This approach enables us to utilize human resources strategically.

Since 1996, each division in Japan has actively accepted intern trainees from overseas Group companies as part of the successor training program. Since 2016, managerial level trainees have also been accepted. As of FY2018, a total of 260 intern trainees have been accepted, while there are currently 34 in training as of May 2019. We hope to enhance the organization’s performance by actively accepting diverse overseas personnel and expanding opportunities to utilize such human resources.

### Basic policy on diversity

In order to be recognized and thrive as a truly global company, we cannot continue on a linear path; instead we need to develop our business based on new strategies and ideas. To achieve this vision, it is important to recognize the different values and characteristics of each and every person who supports the business while respecting their diversity, regardless of race, nationality, gender, and age.

Based on this recognition, we established the Diversity Promotion Group in 2011, which strives to address the five themes on diversity for the HCM Group; namely, building a foundation for diversity, work style reforms (work-life-management), supporting the participation of women and minorities, supporting the activities of national staff, and globalization of HCM in Japan. From FY2016, the Human Resource Division has headed up these efforts. The progress and planning of activities is verified through the CSR and Diversity Committee.

We aim to promote and instill the values of diversity through platforms such as various rank-specific training for our employees.
The business activities of the HCM Group, which offers diverse products and services around the world, are made possible with the support of many business partners and customers. The HCM Group shares its vision and policies on CSR with suppliers to promote CSR activities across the entire value chain.

### Key Initiative Theme 4

**Creating better business transactions and value chains**

The HCM Group revised its Anti-Corruption Regulations in 2017 in order to address the global risk of bribery. The revisions clear language on banning facilitation payments, compliance screenings of suppliers, and procedures for compliance screenings when hiring current or former public servants. Overseab Group companies newly joining the Group are required to adopt the newly revised regulations to ensure the same standards across the entire HCM Group. Suppliers are required to fully prevent improper benefits as part of the business ethics clearly stipulated in the Hitachi Group CSR Procurement Guideline. We also utilize e-learning (global edition) on Anti-bribery released by Hitachi in order to address the global risk of bribery. The revisions cleared the basics of competition laws published by Hitachi.

We provide training and education to employees using manuals, conduct regular audits, develop rules, and share messages from officers. In order to raise the level of knowledge, the HCM Group utilizes the e-learning program (global edition) on the basics of competition laws published by Hitachi.

Through these initiatives, in FY2018, there were no incidents involving violations or sanctions related to competition laws.

### Procurement Policy

As the social responsibilities of companies increase in the international community, we must share CSR awareness with business partners and take steps to prevent risk in the supply chain.

The HCM Group distributes and makes known to suppliers the Hitachi Group CSR Procurement Guideline the 3rd Edition as its CSR code of conduct and standards that must be complied with during the course of business. In addition, the HCM Group has established the Procurement Policy and Guidelines for Procurement Activities, which is made known to widely to the general public through its website. These policies give due consideration to social and environmental aspects, including legal compliance, environmental conservation, human rights and labor environment, and sharing of social responsibility awareness with business partners.

Procurement divisions conduct strict screenings when selecting new suppliers that examine whether or not these new suppliers are fulfilling their social responsibilities, such as sharing awareness of social responsibilities with business partners.

### Initiatives for preventing bribery

The HCM Group revised its Anti-Corruption Regulations in 2017 in order to address the global risk of bribery. The revisions cleared language on banning facilitation payments, compliance screenings of suppliers, and procedures for compliance screenings when hiring current or former public servants. Overseas Group companies newly joining the Group are required to adopt the newly revised regulations to ensure the same standards across the entire HCM Group. Suppliers are required to fully prevent improper benefits as part of the business ethics clearly stipulated in the Hitachi Group CSR Procurement Guideline. We also utilize e-learning (global edition) on Anti-bribery released by Hitachi in order to increase basic knowledge about all aspects of corrupt practices, including bribery.

Thanks to these initiatives, in FY2018, there were no incidents involving bribe-related violations or sanctions.

### Activities of Chikuhou-kai and Tokiwa-kai

HCM asks that procurement partners who we regularly do business with (to join the Chikuhou-kai (50 member companies) or the Tokiwa-kai (48 member companies) for the purpose of building and maintaining partnerships with procurement partners. (As of April, 2019)

In FY2018, we held joint seminars and joint presentations on safety, quality and the environment. We promote CSR activities across the entire supply chain through the continuation of these measures.

### Implementation of supplier CSR survey

In FY2018, we conducted a CSR survey targeting suppliers who account for approx. 90% of Hitachi Construction Machinery’s independent purchases of products. The response rate was 83.5%. We have requested improvements from suppliers whose evaluation results were not favorable and are carrying out continual improvement activities.

### Transaction audits and legal compliance training

We are focusing efforts on transaction audits and legal compliance training for employees, aimed at ensuring fair transactions. We are increasing the transparency of audits by performing transaction audits bi-annually using self-audits as well as annual reciprocal audits within the HCM Group.

### Response to conflict minerals

To ensure that we do not fund the activities of armed groups in conflict areas by procuring parts that contain conflict minerals, we have established a clear policy on responsible procurement activities and we engage suppliers to ensure they do not use conflict minerals.

### Future initiatives

In FY2018, we worked to prevent risks in the supply chain by strictly carrying out the internal review process for new suppliers, in addition to requesting all suppliers to comply with the Hitachi Group CSR Procurement Guideline. We believe responding to procurement risks is an ongoing issue and going forward we will seek to identify such risk as far in advance as possible to help mitigate it.
In order to enhance competitiveness as a company and enhance corporate value over the long term, it is crucial to accurately understand global trends and shifts in management environment as well as establish a structure for decision making. The HCM Group is strengthening its governance system in order to establish a structure to promptly and reliably execute management strategies as well as realize a fair and transparent management style.

### Targets
- Establish a fair and highly transparent organizational framework
- Respect international principles on human rights
- Respond to diversifying global risks
- Instill and establish awareness of compliance

### Key Initiatives
- Strengthen global governance
- Management transparency
- Fair tax strategies
- Risk management, including ESG

### Compliance Education and Training

We provide e-learning on the HCM Group Codes of Conduct, bribery prevention, and compliance with competition laws to the officers, employees and temporary employees of HCM and HCM Group companies in Japan along with managers at HCM Group companies overseas. In fiscal 2018, a total of 15,153 employees from across the HCM Group took part in compliance training.

### Human rights training

We continually provide education on human rights for the purpose of improving each individual employee’s awareness in developing an organization free of human rights violations. In FY2018, a total of 1,912 employees (total of HCM and domestic Group companies) attended various training opportunities.

### Safety confirmation system training

In addition to the use of the safety confirmation system regularly, we have developed a centralized information management system to handle information on disasters, incidents, accidents, and infrastructure failures in order to facilitate the confirmation of employees’ safety.

### Future initiatives

In order to enhance competitiveness as a company and enhance corporate value over the long term, it is crucial to accurately understand global trends and shifts in management environment as well as establish a structure for decision making.

The HCM Group is strengthening its governance system in order to establish a structure to promptly and reliably execute management strategies as well as realize a fair and transparent management style.

---

### Corporate governance system (as of June 25, 2018)

#### Board of Directors

- Five (5) directors (of whom three (3) are outside directors)

#### Compensation Committee

- Five (5) directors (of whom three (3) are outside directors)

#### Audit Committee

- Five (5) directors (of whom three (3) are outside directors)

#### Nominating Committee

- Five (5) directors (of whom three (3) are outside directors)

#### Executive Committee

- Eighteen (18) executive officers

#### Officers

- Representative Executive Officer, President and Chief Executive Officer (two [2] male and one [1] female)

#### Shareholders' Meeting

- Five (5) directors (of whom three (3) are outside directors)

#### Corporate Outline

- Corporate governance system framework

---

### Ensuring constant independence from the parent company

As a member of the Hitachi Group, the HCM Group shares Hitachi, Ltd.’s Basic Philosophy and Conduct guidelines and stipulates its own codes of conduct in line with them. The HCM Group positions this code of conduct as the basic policies on corporate governance. The HCM Group has adopted a corporate organizational system based on the structure for a company with a nominating committee, etc., as defined in the Companies Act. We have greatly strengthened our system of corporate governance through this separation of management oversight from business execution. The Board of Directors comprises ten (10) Directors, of which three (3) are Outside Directors (two [2] male and one [1] female). The Representative Executive Officer and other Executive Officers, who are authorized to do so by the Board of Directors, have the right to make operational decisions and execute work in accordance with the company’s basic policies. The Board of Directors determines the responsibilities and duties of the Executive Officers, matters regarding supervision and authority, and the mutual relationships among the Executive Officers. An Executive Committee (convening twice a month, in principle), comprising all the Executive Officers has been established as a consultative organ for the Representative Executive Officer, President and Chief Executive Officer in making business decisions. The Executive Committee exercises control regarding important matters related to the company’s operation.
### Basic policy on compliance

The HCM Group defines compliance as understanding of the codes of conduct and taking actions with a high degree of ethics, honesty and fairness, in addition to observing laws.

The HCM Group’s compliance promotion structure is headed by the Compliance and Risk Management Division, which is in charge of compliance activities for the entire HCM Group. Meetings of the Compliance and Risk Management Division are convened on a regular basis to review, plan, and evaluate the results of various compliance measures. Meetings also deliberate on the effectiveness of measures for preventing the recurrence of misconduct.

We establish a Compliance Promotion Officer and Compliance Manager at each Group company and promote activities in coordination with the Compliance Promotion Center of HCM’s Legal Department. Furthermore, we have two types of whistle-blowing system in place to promote compliance awareness among employees; namely, the Compliance Hot Line and Global Alert Line. In FY2018, there were 69 reports filed. Among these, about 20% were related to harassment while 30% were related to violations of laws or regulations during the course of business operations. None of the details communicated or reports filed pose major risk to the HCM Group.

### Compliance-Risk management structure

<table>
<thead>
<tr>
<th>Headquarter of Hitachi Construction Machinery</th>
<th>Compliance &amp; Risk Management Div.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Office</td>
<td>Branch Group Company</td>
</tr>
<tr>
<td>Compliance Promotion Officer</td>
<td></td>
</tr>
<tr>
<td>Compliance Manager</td>
<td></td>
</tr>
<tr>
<td>Compliance Promotion Center</td>
<td></td>
</tr>
<tr>
<td>Risk Management Sec. of General Affairs</td>
<td></td>
</tr>
<tr>
<td>IT Promotion Div.</td>
<td></td>
</tr>
<tr>
<td>R Committee</td>
<td></td>
</tr>
</tbody>
</table>

### Basic structure of risk management

When engaging in corporate activities, there are risks of encountering natural disasters, accidents, or legal violations. Based on this awareness, the HCM Group addresses risk management under the lead of the Compliance and Risk Management Division. We always assess risks, and strive to prevent those risks, or to minimize influence when it occurred. As a way to avoid risk overseas, we continuously monitor for incidents and disasters and issue appropriate instructions to employees traveling on business and expatriate workers.

In addition, we are working to reinforce our business continuity plan (BCP) and business continuity management (BCM), so that when faced with a risk, such as natural disaster or accident, we are able to minimize the impacts on our business activities and restore operations as soon as practical. In FY2018, regular training was conducted on the use of the safety confirmation system, which was adopted in preparation for disasters such as major earthquakes. Going forward, we will continue to heighten awareness of crisis management across the entire Group and take steps to strengthen our risk management system.

### Results of human rights training in fiscal 2018

<table>
<thead>
<tr>
<th>Training on human rights management activities</th>
<th>Number of participants that are managers</th>
<th>Number of participants</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training on human rights management activities</td>
<td>1,412 persons</td>
<td>335 persons</td>
<td>1,191 persons</td>
</tr>
<tr>
<td>Total</td>
<td>1,912 persons</td>
<td>319 persons</td>
<td>1,593 persons</td>
</tr>
</tbody>
</table>

*1 The number of HCM participants are participants of rank-specific training.
*2 Group companies are the total for the 8 domestic companies, and in the overseas market 10 companies.

### Management’s Discussion and Analysis

#### Business Performance

The HCM Group launched a new medium-term management plan, “CONNECT TOGETHER 2019”, in April 2017. We are promoting the development of “Solution Linkages” utilizing ICT and IoT to offer solutions to customers’ challenges on safety, productivity, and decrease in lifecycle costs. And, to expand the source of revenue besides new machine sales in addition to the existing parts & service business, we are expanding the value chain (Parts & Services, Solution business, Rental etc. other than new machine sales) by enhancing the parts & service business for mining machines and factories provided by H-E Parts and Bradken, HCM’s consolidated subsidiary that we acquired in FY2016, and by entry into the rental business in North America through ACME, and in the U.K. through Synergy Hire, which was established in February 2019. We promoted enhancement of the parts & service business through a globally launched service called “ConSite,” and added to the menu of “ConSite OIL,” the first service in the industry to predict problems of engines and hydraulic equipment by remotely inspecting the condition of its oil by oil sensors installed in each machine, in order to contribute to reducing customers’ lifecycle costs.

In the Amsterdam factory of Hitachi Construction Machinery Europe, we opened ICT demonstration sites where customers can experience ICT construction. We also decided to introduce ICT hydraulic excavators to the European market, which will be the first in the overseas market, to strive to spread ICT construction beyond the Japanese market. In Oceania, we decided to establish a new regional headquarters in April 2019 in order to strengthen its business in the region and further expand its construction machinery and mining machinery sales as well as its parts and service business. In Europe, which has so some of the strictest regulations in the world, the prospect of a rise in demand for EV construction machinery, a new company, EAC, which was established with a German distributor for developing electric construction machinery and special application products, developed electric excavators in the 2t and 8t classes as concept models. We are focusing on expanding sales of the well-accepted AC-3 series of rigid dump trucks equipped with an advanced vehicle body stability assist function, in addition to offering a fleet management system and aggressively developing an autonomous haulage system (AHS) to optimize the mining operations that we promote jointly with Whitehaven Coal in Australia, by taking advantage of Hitachi Group’s strengths.

Additionally, we are working to restructure the main domestic bases to further strengthen our technical capabilities and product development to create a more efficient production system. At the same time, we are working to optimize capital investments and reduce fixed costs, establishing a high profit structure. As part of restructuring, on April 1, 2019 we implemented an absorption-type merger of KCM Corporation, which is a full subsidiary and takes part in the development and production of wheel loaders. Also, at five factories in Ibaraki Prefecture, our energy consumption activities have been well appraised and we won the ECOJ Chief Award of the Energy Conservation Grand Prize for excellent energy conservation equipment for Fiscal 2018 (hosted by The Energy Conservation Center, Japan).

Consolidated revenue for this term (April 1, 2018 to March 31, 2019) increased by 7.8% year on year to ¥1,033,703 million due to increased sales of new machines mainly in Asia and Oceania, North America, and Europe, as well as increased sales of the value chain business mainly from parts & services.

Adjusted operating income increased by 24.9% year on year to ¥116,841 million, operating income increased by 6.9% to ¥102,296 million, and net income attributable to the owners of the parent increased by 14.2% to ¥88,542 million due to a decrease in the cost of sales, in addition to the contribution of the parts & service business and mining business.

#### Principles Regarding Appropriation of Earnings and Dividends for the Year under Review and the Fiscal Year Ending March 31, 2020

The HCM Group will maintain and strengthen its financial structure and work to bolster its internal reserves while considering implementation plans for upfront investments, including investments for technology development and facilities based on medium- and long-term business strategies. At the same time, HCM will pay dividends of surplus linked to its consolidated business results twice annually, comprising interim and year-end dividends, with a target payout ratio of around 30% or higher. With the aim of enabling the execution of a flexible capital policy, Hitachi Construction Machinery will acquire treasury shares in consideration of necessary financial conditions, and stock price movement.

With regard to the FY2018 year-end dividend, at the Meeting of the Board of Directors held on May 31, 2019, a resolution was approved for cash dividends per share of ¥57 with the record date of March 31, 2019. As a result, cash dividends for the entire FY2018 amounted to ¥100 per share. Dividends for FY2019 are to be determined.