



70th Anniversary
Special Commemorative Round Table

President × Kenkijin

Human resources are the key to value creation that is essential to the HCM Group's sustainable growth. How does each person think of the SDGs and implement them in their everyday work as they shoulder the responsibility of the society's development? A round table discussion was held with President Hirano.

Q : First, what is HCM's basic policy on SDGs?

Hirano: Our company has stated clearly it will contribute to the 10 SDGs that are deeply relevant to our business. Aside from contributing through the products and services we provide, there are also many things we can do in our day to day jobs. As such, I believe we must increase the level of awareness among our employees.

Marcos: I have made "always remember safety" a policy in my daily work. For example, one feels more relaxed as they get used to their work, but on the flip side they may not see dangers around them. However, if one has a sense of crisis that "accidents may occur," they can become aware of small changes and anything out of the ordinary. This not only prevents accidents but should also contribute to improving quality and customers' safety, and may even contribute to the SDGs.

Asaga: I share the same thoughts. I think it is important to extend the thought to society beyond the place of business for those who work around us. For example, as the company recommends telework, thinking about how to bring telework to construction sites may also contribute to the SDGs.



Toshiyuki Asaga

Kotaro Hirano

(Representative Executive Officer, President and Executive Officer, CEO)

Shiho Izumi

(Senior Engineer, IoT System Sec., Advanced Development Center, Research & Development Group)

Marcos Medeiros

(MDAP Sec., Product Support Dept., Mining Sales and Service Div., Mining Group)

Toshiyuki Asaga

(Assistant Manager, Support Sec., Remanufacturing Promotion Dept., Spare Parts Div., Life Cycle Support Group)

Weiling Chen

(Manager, Human Resources Planning Sec., Global Human Resources Planning Dept., Human Resources Div., Human Capital Group)

Facilitator : Hiro Motoki (President, E-Square Inc.)



Shiho Izumi

Izumi: We must utilize ICT in order to implement work style reform on the frontline. However, I feel there are discrepancies among customers as far as the domestic environment goes. For example, the Ministry of Land, Infrastructure, Transport and Tourism has a program for i-Construction aimed at improving productivity of construction sites utilizing ICT. While there are some customers who proactively implement this program, there are also customers who don't know where to start. For this reason, while it is important to develop construction machinery with high functionality, I believe it is also an important role of ours to share information on how to get the most out of ICT.

Hirano: The adoption of ICT not only improves productivity on the job site but also opens up opportunities for women to be more involved, and enables work-life balance. Furthermore, it will also lead to more employment opportunities and enriching society as a whole. It is essential to depict stories on how to contribute to the SDGs and be ready and willing to develop new products and services.

Q : The HCM Group follows the principle of CSV (Creating Shared Value) in order to crystallize contributions to the SDGs. As it is important to grasp social issues in terms of CSV, for example, do you feel there are any changes concerning environmental issues?

Chen: Policies with strict restrictions particularly concerning environmental issues have emerged overseas, and we are finding models that aren't compatible with the new environmental regulations are being passed up. In China, for example, lately there are a growing number of projects demanding environmentally conscious conditions, such as shortened construction period in order to reduce environmental impact, whereas environmental issues were not typically part of the consideration for project bidding before.

Asaga: Currently, countries in Europe are starting to develop standards for remanufactured products. For example, remanufactured products had been considered as used goods up until now, and countries that do not allow import of used goods also didn't allow remanufactured goods. There is a movement to define remanufactured products as something separate from used ones in order to expand the import of remanufactured products with lower environmental impacts. Also,

whether or not a company has a line up of remanufactured products is becoming one of the indicators for assessing the company's sustainability.

Marcos: I also find lately there are a growing number of customers in Mozambique who prefer to only do business with "sustainable companies" that are undertaking initiatives for a sustainable society, including addressing, including climate change. Whether sustainability is being integrated into the entire value chain is becoming the basis for evaluating a corporate value. Also, customers are starting to pay close attention to whether their business partners are conducting proper instruction and training for their employees. This trend will likely grow going forward.



Marcos Medeiros

Hirano: Our company recognizes climate change as a very important issue and believes it is associated with risks as well as opportunities. Therefore, we are implementing measures across the entire value chain from the two aspects: mitigating CO₂ emissions and adapting to disasters caused by climate change.

* Disaster prevention, reduction, and reconstruction, etc.

Q : It must be really important to train employees as a form of risk hedging. On the other hand, human resources training also forms the foundation of capitalizing on opportunities for value creation. In terms of the policies on this, what areas are you focused on?

Chen: While my job is to secure and train global human resources and create the training program, I find it very difficult to come up with a training program that will increase everyone's motivation, given we have a mix of nationalities, ethnicities, and cultures. Even though the SDGs may provide some hint to addressing this as a globally common language, to be honest, I am still working on it through trial and error. I believe human resources training should be implemented while making revisions according to changes in society.

Asaga: Before I joined the company, I had wanted to become an engineer who can provide technical support overseas, but now in my 10th year with the company I feel I am stepping up towards the ideal image at a faster speed than I anticipated. I was assigned to Zambia

for four years until last year, where I was able to work together with other overseas engineers. I believe our company has the system and environment to support employees seeking growth, as well as the field that enables further development by harnessing such experience.

Izumi: I feel being able to make products in a place near the customer has helped with my personal growth. The frontline where construction machinery is used each has their unique conditions. In other words, if there were 100 customers, they would be 100 different challenges to address. I think our job enables us to meet users nationwide in helping them as a “a close and reliable partner” while growing together.

Hirano: I believe the key in human resource cultivation is to address each individual working at the company. Without having employees fitting into one generic mold, it is important to create an environment and structure that enables employees to choose what matters to them from a number of choices in order to succeed, which I believe would also contribute to the SDGs.

Q: It is important to harness the power of individuals who can exert their potential in work into a collective strength of the Group. What do you think will be necessary in order to further promote diversity?

Marcos: There are many people seconded from overseas Group companies to HCM in Japan, for which I believe we are very much

ahead in diversity compared to other companies. I believe a new culture will form by respecting the work style and culture of those individuals and deepening the mutual understanding among one another. It will also expand partnerships with customers.



Weiling Chen

Chen: It is necessary to integrate the different gender perspectives and sensibilities in order to build a company adaptive to change. Our company hopes to see female employees taking the center stage in all departments from management to development and production. In addition, I hope to enhance the organization's performance by proactively taking in diverse human resources from overseas. Moreover, I feel it is essential to support the success of persons with disabilities and be responsive to LGBT.

Izumi: From the development standpoint, I think we have created a workplace that is easy for communication without gender barriers. However, due to the impact of the novel coronavirus, I believe we will transform into a new society that demands communication while maintaining social distancing. While some aspects may not go as well following the existing methods, since valuing the connection between each individual is a feature of the HCM Group, I hope this aspect can remain unchanged.

Hirano: Our Group has employees that share the criteria of Kenkijin Spirit, known as Kenkijin. Also we have a company culture that cultivates the individuality of each employee while we share a common aspiration. I believe that's the biggest strength. In today's world, we cannot talk about management without contributing to the SDGs. In such a time, every Kenkijin are the biggest asset that supports the continued growth of the company. I was convinced that we could continue to build a stronger HCM in 2030 and even further in 2050 by integrating individual perspectives and ideas into our business strategy. Thank you everyone for your participation today.

Summary of Mid-term Management Plan (FY2017-2019)

The HCM Group announced 2020VISION as its vision for 10 years into the future from 2010. The mid-term management plan **CONNECT TOGETHER 2019**, which began in FY2017, has been positioned as the final step toward realizing this vision, with various initiatives implemented.



Targets and progress of CONNECT TOGETHER 2019

Under CONNECT TOGETHER 2019, we made great strides toward providing products, services and solutions closely in tune with customer needs. As a result, in FY2018, the second year of the plan, we were able to beat nearly all of our targets.

In FY2019, the final year of the mid-term management plan, we continued working to reinforce the value chain businesses of

parts used equipment and rentals as cited as a focus theme, expanded the wheel loader and dump truck business, and stepped up development of solutions using ICT and IoT. Our goal was to establish a stable business foundation resilient in the face of a changing business climate, but we fell short of our targets.

	CONNECT TOGETHER 2019			
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2019	Fiscal year ending March 31, 2019
Adjusted operating income ratio	9.8%	11.3%	8.2%	9% or more
ROE	14.1%	14.7%	8.6%	9% or more
Net D/E ratio	0.33	0.49	0.58	0.4 or less
Dividend payout policy	30.1%	31.0%	31.0%	30% approximately 30% or more

Assumptions for the fiscal year ending March 31, 2020

Foreign exchange rates	\$100 yen / €110 yen / Renminbi 15 yen	Global demand (outlook for hydraulic excavators determined by HCM)	170,000 units
Sales revenue	850 billion yen		* Guidance as of April 2017