

Human Resources Initiatives

Talent Management

Talent Management Initiatives for Overseas Companies

The Hitachi Construction Machinery Group (the Group) considers the development of talent to be one of the most important management themes. We position it as the foundation of all management strategies along with governance. 74 out of 81 group companies are located overseas, with local employees accounting for about 60% of the workforce. For us, global human resource management is the cornerstone of our human resource strategy. Even with the COVID-19 pandemic, 75% of sales revenue is generated overseas, and local staff are active in each country.

To support their activities, we are working to share our human resource systems and policies globally from the second half of FY2020. The company has introduced a global standard model for compensation systems and development programs, which have traditionally been different in each country. By doing so, we are maximizing the performance of human resources and the organization. The aim is to create an environment in which more diverse human resources can play an active role.

In addition, we are also focusing on the development of future global leaders. We have a system in place to invite executive



candidates selected in each country to Japan and train them over a period of one to two years. From FY2016 to FY2020, we have accepted approximately 290 candidates. Eventually, we will be global and have more diverse members in our senior management than we have now. This is expected to further strengthen the cooperation of the group.

Self-Improvement Program

One of the education programs we are focusing on to achieve our mid-term management plan is our self-improvement program. This program targets senior management levels and above, including senior executives. It is to learn the mindset and skill set to foster the organizational culture needed in an era of change. From the start of FY2019 to June 2021, the cumulative number of participants has exceeded 2,000 across the Group in Japan and overseas.

Going forward, by centering on this educational program, we will continue to strive to transform our corporate structure to be resilient to changes in business environment.



Commemorative photo taken when the number of participants reached 1,000.

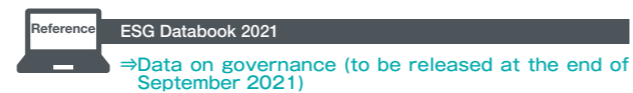
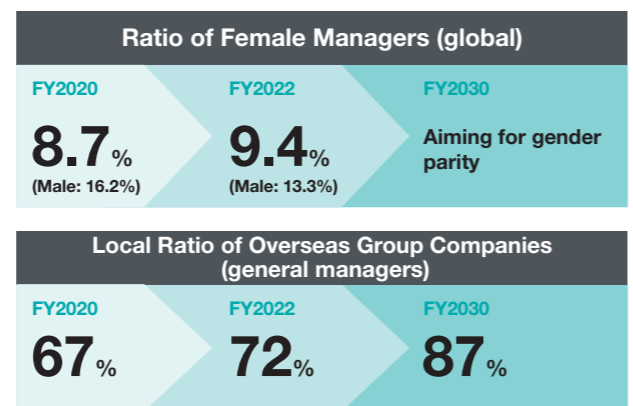


Diversity & Inclusion

In order to survive as a truly global company, we must not be an extension of the past. We need to develop business with new strategies and fresh ideas. To achieve this, it is important to respect and respond to diversity by recognizing the values and individuality of each and every person who supports our business, regardless of race, nationality, gender, age, etc. Based on this approach, the Group is working to promote diversity.

In order to support the utilization of female employees, we have implemented measures such as career development support for female employees, including active promotion to management positions, and support for continued employment and return to work for returning to work after maternity or childcare leave and ensuring work-life balance. Through these measures, we are working to build a foundation for the advancement of women.

In addition, we are also promoting the localization of general managers of overseas group companies, with a target of 87% by FY2030.



Occupational Health and Safety

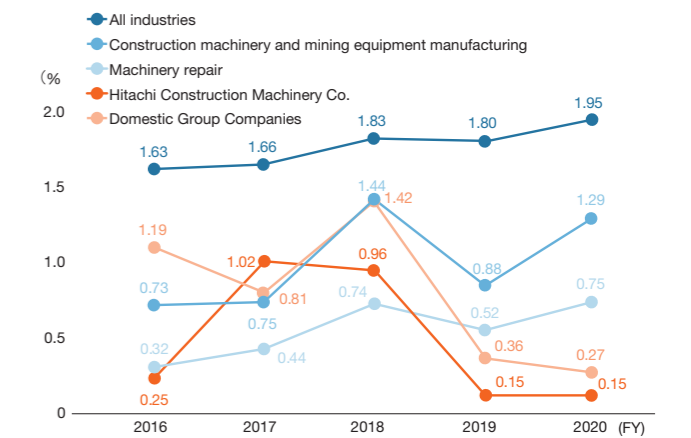
The Group is committed to preventing occupational accidents and protecting the safety and health of our employees. To this end, we promote a variety of safety and health activities by setting basic policies and priority implementation items for each fiscal year. In terms of activities, the Safety and Health Promotion Committee oversees the safety and health activities of the entire group. It works to share information on occupational accidents, report on activities, and formulate plans.

In addition, the committee has established subcommittees. They conduct training of personnel in charge of promoting occupational health and safety activities, technical reviews, and mutual check. Along with these, the committee supports the efforts of each group company based on the occupational health and safety management system.

The number of occupational accidents at Hitachi Construction Machinery in FY2020 was 11. This is a decrease of 13 cases from the previous fiscal year. Overall, 35 occupational accidents occurred at Group companies in Japan. Of these, 21 were in the manufacturing division and 14 in the sales and service division. The frequency of accidents resulting in lost work time improved both for Hitachi Construction Machinery alone and for Group

companies in Japan.

Trends in Frequency of Occupational Accidents Resulting in Absence from Work (frequency rate*)



*Frequency rate: The number of fatalities and injuries due to occupational accidents per 1 million total working hours. (Statistics cover at least one day of absence)



Improving Organizational Health

Organizational health is also referred to as corporate culture, employee awareness, or corporate spirit. Along with improved performance (business results), it is the other essential element for a company to achieve change. Hitachi Construction Machinery launched the Organizational Health Workstream in 2017, led by the Human Resources Division, as a cross-divisional, horizontal function. It plans, develops, and implements measures and disseminates information both internally and externally. In addition, the entire group conducts an annual employee survey (awareness survey). In fiscal 2020, approximately 12,000 employees in Japan and overseas participated in the program.

Based on the results of the employee survey, Hitachi Construction Machinery is steadily implementing the PDCA (Plan-Do-Check-Action) cycle: identifying issues, planning and implementing measures, and checking and reviewing the effects. We are then working to improve the level of organizational health. In identifying issues and formulating measures, we try to bring about these measures through workshops involving not only senior management but also younger employees. At the same time, we appoint a person responsible for each measure to help achieve the goal.

Examples of Introduced Measures

Main Activities	Specific Initiatives
Enhancement of Internal Communication	<ul style="list-style-type: none"> Implementation of 1-on-1 meetings Development of town hall meetings and round tables
Strengthen Management and Administration Skills	<ul style="list-style-type: none"> Improvement of training systems
Secure human resources in areas to be strengthened by utilizing internal and external channels	<ul style="list-style-type: none"> Adoption of internal recruitment system Adoption of referral recruitment system Adoption of referral recruitment Strengthen Recruitment of Experienced Personnel
Review of compensation evaluation system	<ul style="list-style-type: none"> Revision of the personnel treatment system Further improvement of evaluation interviews to improve the conviction of evaluations
Implementation of career development	<ul style="list-style-type: none"> Adoption of career and skill maps Enhance career interviews Introduction of a human resources meeting to discuss systematic rotation and human resources development
Foster and strengthen a customer interest first (CIF) culture	<ul style="list-style-type: none"> Implementation of internal seminars and training to promote CIF
Improvement of the Work Environment	<ul style="list-style-type: none"> Enhance collaboration space to enhance communication Achieve a comfortable and productive work environment

Respect for Human Rights

Human Rights Due Diligence Initiatives

The Group has clarified the Hitachi Construction Machinery Group Codes of Conduct and the “Hitachi Construction Machinery Group Human Rights Policy. This is in line with the Hitachi Construction Machinery Group Human Rights Policy. We are promoting initiatives for the respect of human rights. It also mentions human rights due diligence based on the UN Guiding Principles on Business and Human Rights and clearly stipulates implementation of appropriate education for employees, compliance with the laws and regulations of the countries and regions where we do business. Furthermore, if there are any discrepancies between internationally recognized human rights and the domestic laws of each country or region, we will pursue ways to respect international human rights principles.

With this in mind, the Group is actively promoting the exchange of human resources among its global bases. In May 2021, we held our first meeting promoting human rights due diligence. The president and other relevant officers attended this meeting and discussed understanding the human rights risks in our company, the identification of priority risks and measures to be taken. Going forward, we will establish a system to promote human rights due diligence. At the same time, we plan to conduct surveys on the status of forced labor and migrant labor responses at Group companies and suppliers.

Supply Chain Management

As corporate social responsibility increases in the international community, we need to share CSR awareness with our business partners and prevent risks in the supply chain. The Group distributes the Hitachi Group Sustainable Procurement Guidelines (Fourth Edition) to ensure that all suppliers are aware of the guidelines. These are the CSR codes of conduct and standards that all suppliers are required to follow. In addition, we have created the Basic Policy for Procurement of Materials and the Action Guidelines for Purchasing Transactions which we have made widely available to the public through our Web site.

The procurement department conducts rigorous screening when selecting new suppliers. We give full consideration to whether they fulfill their social responsibilities, such as sharing awareness of social responsibility with their business partners.

Reference Hitachi Group Sustainable Procurement Guidelines
https://www.hitachi.com/procurement/csr/EN_HG_SPG_1.pdf

Reference Basic Policy for Procurement of Materials
<https://www.hitachicm.com/global/corporate/procurement/>

Reference Guidelines for Procurement Activities
<https://www.hitachicm.com/global/wp-content/uploads/2017/09/guidelines.pdf>

Human Rights Education and Training

To raise the awareness of human rights among each employee, we continuously provide human rights enlightenment education as part of training by job level. In addition, we have an internal reporting system for employees to report human rights issues. For external stakeholders, we respond through the “Contact Us” section of our website.

We will continue to incorporate human rights initiatives into our work at the individual level. We will also continue to create an environment in which diverse human resources can play an active role.

Results of Human Rights Training in FY2020

(Number of People)

	Overall Number of Participants	Manager and above	General employees
Hitachi Construction Machinery	1,433	52	1,381
Group companies*	1,121	221	900
Total	2,554	273	2,281

*Group companies are the sum of seven domestic companies.

Implementation of Fair Trade with Suppliers

To ensure fair transactions, we are focusing on auditing the status of transactions and providing legal education to employees. We conduct self-audits twice a year to audit the status of our transactions. In addition to this, we conduct a mutual audit within the Group once a year. By doing so, we are enhancing the transparency of our audits. We also provide education and training on the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors for all employees involved in consignment acceptance. Employees responsible consignment acceptance and inspection must attend the training.

We plan to continue auditing transactions and educating employees on legal compliance in FY2021 and beyond.

Message from Outside Directors



Kazushige Okuhara
Outside Director

In 1970, Mr. Okuhara joined Fuji Heavy Industries, Ltd. (currently Subaru Corporation). He served as the Director of the Board, Corporate Executive Vice President, and General Manager of Human Resources Dept. at Fuji Heavy Industries, Ltd., President and Chairman of the Business Reforms Promotion Committee at Subaru System Service Co., Ltd. Representative Director of the Board and Deputy President of Fuji Heavy Industries Ltd., and Representative Director of the Board and President of Subaru Kohsan Co., Ltd., before joining Hitachi Construction Machinery Co., Ltd. in June 2016.



Maoko Kikuchi
Outside Director

In 1992, Ms. Kikuchi was appointed as a prosecutor in the Public Prosecutor's Office of the Ministry of Justice. After serving as a lawyer at law firms in U.S and Japan, and the Japan Fair Trade Commission, she worked for Softbank Corp. as its COO, Microsoft Japan Co., Ltd. as an Executive officer, and Mitsui-Soko Holdings Co., Ltd., as a Member of Audit and Supervisory Board. She has been an Outside Director of the Company (since July 2020), an Outside Director of Mitsui-Soko Holdings Co., Ltd., and a Member of Audit and Supervisory Board of KADOKAWA Corporation.



Haruyuki Toyama
Outside Director

Mr. Toyama joined the Bank of Japan in 1982. After serving as Director General of the Financial Markets Dept., General Manager for the Americas, and Director General of the International Dept. there, he retired from the Bank in 2014. He got registered as an attorney-at-law in 2015. Since January 2019, he has been Special Counsel at IWATA GODO (current position), and since March 2021, Non-executive Director of Horiba, Ltd. (current position). He has been an outside director of the Company since June 2015.



Toshiko Oka
Outside Director (Newly Appointed)

In 1986, Ms. Oka joined Tohmatsu Touche Ross Consulting Ltd. She had served as President and Representative Director of ABeam M&A Consulting Ltd., after Asahi Arthur Andersen Ltd. She also had served as Partner at PwC Advisory LLC., Currently, she is Outside Director at Sony Group Corporation, Outside Director at Hap-pinet Corporation, Outside Director at ENEOS Holdings, Inc., and full-time professor at Meiji University Graduate School of Global Business, and has been an Outside Director of the Company since June 2021.