

Toward a Fair and easy-to-understand management system

We continuously revise our corporate governance system to ensure sustainable and steady growth and to respond to the needs of the times. We run our own training programs and conduct self-audits to maintain a fair, transparent management system capable of realizing sound, appropriate management strategies.

Our corporate governance system

There is strong worldwide demand for transparent corporate management. We, as a member of Hitachi Group, became a committee-style corporate governance company in 2003 to speed up management strategies, increase trustworthiness of management and to promote global management. Now, the management and business performance of our company are separate, enabling rapid decision making and prudent management control. Establishment of internal control became a major issue consequent to the introduction of a law requiring substantial corporate internal control in Japan, following in the footsteps of the U.S. We set up the Internal Control Committee in May 2006 to improve our internal control and the internal control of group companies in Japan and overseas, and to audit internal control at the companies. We will comply with the Japanese version of the SOX Act, making the most of the above mentioned base.

"Kenki-jin" spreading all over the world

Brand management strategy

A brand management booklet "Let's become Kenki-jin!!", with the slogan of "Best Solution Partner", was printed in several languages and distributed to employees. In-house training was provided in Japan and overseas. Employees of our group all over the world have a common consciousness towards the



Brand management booklet in Japanese, English, Chinese and Indonesian

corporate brand and values based on a thorough understanding of our corporate philosophy, code of conduct and work approach.

Global web management

Use of information technology is expanding and IT control is becoming vital for corporate governance. We started global web management to facilitate IT control.

Each company in our group has managed its own website. As part of global web management, these worldwide sites have the same design, brand, content and structure from FY2006. The comprehensive power of our group is shown to the world through the global web management. This management also contributes to the Hitachi brand through coordination with Hitachi, Ltd. global sites. Global web management is also effective in helping local agency employees to feel they are part of our group.

Hitachi Construction Machinery (Europe) is endeavoring to spread the Hitachi brand in Europe by launching a new website in five major European languages (English, Germany, French, Spanish and Italian), referring to the guidelines commonly used by our group worldwide.



Ms. Xenia Kolijin explaining web strategy at Hitachi Construction Machinery (Europe)

Raising awareness among all employees

Our group has been working towards thorough compliance and risk management with high-standard corporate ethics for our business.

Providing training to all employees to raise awareness of compliance

Since the establishment of the Compliance Division in 2002, we have been training all employees, mainly on compliance with the Antimonopoly Act. In addition, we provide regular training in-house, in accordance with the position of employees, covering new recruits, young sales staff and section managers. A questionnaire-based survey into compliance in FY2005 of all employees revealed that a high percentage were not aware of the code of conduct or our compliance hotline. In response to this, in FY2006, We provided 289 training sessions in compliance at many offices nationwide to all employees of Hitachi Construction Machinery and RECs and to employees of our group companies working at Tsuchiura Works and Kasumigaura Works (6,540 employees). The main aims of the training were raising awareness of compliance and solving the problems uncovered by the survey. We will provide the same training at group companies.

Raising awareness of the compliance hotline

The compliance hotline is set up to detect various problems relating to compliance at an early stage so that such problems can be dealt with appropriately. The compliance hotline allows our employees and employees of group companies who have noticed a problem to directly contact the Compliance Division, and affords proper protection of such employees. Although we have received a few reports every year through the compliance hotline since its establishment in May 2004, the survey showed that a high percentage of employees still do not know about the hotline, as stated above. One of the major issues for training in FY2006 was raising awareness of the compliance hotline. In FY2007, we intend to investigate the feasibility of outsourcing the running of the compliance hotline, in response to requests from employees after the training. We will also study how to improve

the ease of use of the hotline for overseas group companies.

Compliance with laws concerning exports and export control

The Regulations for Export Control for Security are complying with Japanese law concerning exports and with other countries' trade-related legislation. We ensure compliance through regular training and audits.

Training was given at Hitachi Construction Machinery (Europe) including Middle East Center in FY2006. The sales division was audited. Practical training will continue to be provided to relevant sections.

Risk management

We have a Risk Management Division because of the conviction that appropriate measures against various risks (natural calamities, scandals, etc.) are a major management issue. The various risks faced are analyzed, divisions to be responsible for major risks are assigned, and rules are devised in case of the occurrence of the risks.

At Tsuchiura Works, meetings are held to discuss ways to minimize damage caused by a possible large earthquake and how to restart work as soon as possible after a major earthquake.

Measures being implemented include reinforcement of buildings, anchoring machines to prevent overturning, installation of stoppers to prevent crane saddles falling from the ceiling and reinforcement of the server room.



Tsuchiura Works East Building with earthquake reinforcement