

Aiming for appropriate execution of fair, transparent management

We adopted the committee style corporate governance system in 2003 to speed up management strategies, raise the trustworthiness of management and promote global management. Our group improved the internal control system to ensure appropriate execution of management. Fair and transparent management will be conducted on this base.

Meeting called Top Caravan for thorough execution of the medium-term management plan

Our group started the medium-term management plan “創(Soh) 2010 — for the new stage” in April 2007. We conducted the meeting called Top Caravan from July to October to explain the main points of the plan to employees all over the world and to ensure thorough execution of the plan. Mr. Kikawa (president), Mr. Nakaura (vice president) and Mr. Arita (vice president) separately visited thirty major business centers to explain the gist of the medium-term management plan and to directly exchange opinions with the employees of our group all over the world.



Mr. Kikawa, president (top), Mr. Nakaura, vice president (bottom left), and Mr. Arita, vice president (bottom right)

Improvement in our group internal control systems

Our group is obliged to have sound internal control systems under the U.S. SOX Act because the parent company, Hitachi Ltd., is listed on New York Stock Exchange. In fiscal 2006, seventy group companies improved their internal control systems. In fiscal 2007, we checked the effectiveness of the internal control systems with audits by independent auditors. In Japan, the Company Law and the Financial Products Trading Law mandate the establishment of internal control systems and creation of internal control reports. We will respond to the Japanese version of the SOX Act making the most of the base we built to respond to the U.S. SOX Act.

Creation of “Kenkijin Spirit”

To pursue company visions such as corporate philosophy and code of conduct and to execute the medium-term management plan, etc., it is vital that all of the group employees act with the same sense of values. A handbook titled “Kenkijin Spirit” states the values and principles of conduct that each of our group employees (Kenkijin) should have. We distributed this handbook to about 16,000 employees worldwide. All of our group employees will be united under the Kenkijin Spirit to raise customer satisfaction and the brand image.



The Kenkijin Spirit is based on three Cs: challenge (spirit of challenge), customers (individual customer orientation), communications (open atmosphere).

English version handbook

“Kenkijin Day”

In Thailand the color and the Buddhist statue to worship are determined according to the day of the week. People believe that wearing the clothes of color of the day of your birth and worshipping the Buddhist statue of the day of your birth brings you luck. At Hitachi Construction Machinery (Thailand) and two other companies in Thailand, employees wear orange shirts on Thursdays because orange is the color of Hitachi Construction Machinery. Therefore by doing so the employees raise their awareness of being Kenkijin.



Suphatra, Administrative Department manager (back, left) We explained the concept of “Kenkijin” to all of the employees in fiscal 2007. We also decided to wear Kenkijin shirts on Thursdays to raise awareness.

Aiming to raise the awareness of all employees in our group

Our group implements various measures to ensure thorough compliance and to improve risk management.

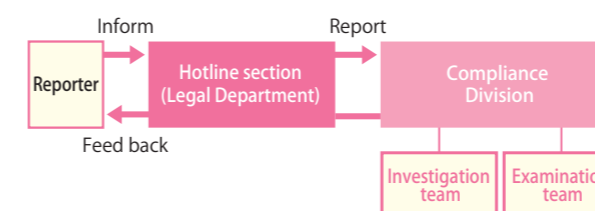
Compliance training and compliance questionnaires for group companies in Japan

We raise the awareness of employees of group companies in Japan towards compliance by firstly training managers, then surveying all of the employees using questionnaires, and finally providing training to the employees based on the results of the survey. The aim of these procedures is for each group company to clarify problems relating to compliance, solve them, become able to raise the awareness of the employees of compliance, and maintain thorough compliance itself. In fiscal 2007, we provided training to 451 managers of 13 group companies, excluding RECs and other companies for which the training had already been provided. In August and September, we conducted the survey about compliance to all of the employees of the companies, using questionnaires. In fiscal 2008, we will provide training to the employees, focusing on problems revealed by the survey.

Compliance hotline

In May 2004, our group set up a compliance hotline to find problems relating to compliance early on, and deal with them appropriately. At the beginning, only a few cases were reported using the hotline a year, but 24 cases were reported in fiscal 2007 as a result of efforts made to disseminate the existence of the hotline in fiscal 2006. The reported problems were dealt with swiftly to solve them.

◆ Communication Flow



Activities relating to compliance of our group companies in Japan to suit their business features

Group companies in Japan conduct various activities

relating to compliance which suit their business features. The main business of REC Kansai OKG (the current Hitachi Construction Machinery REC) is renting machines for civil engineering and mining. The company frequently transports heavy machines such as hydraulic excavators as part of its business and has to take care not to exceed load limits. In fiscal 2007, the company prepared a table showing “allowed” or “not allowed” for loads, by model of the delivery vehicle and by the machine to be loaded. In July, loading supervisors at all branches were informed how to use the table. In addition, compliance was checked at all offices in October. The company will conduct transportation in compliance with the law. Five employees from Hitachi Construction Machinery Comec attended a seminar for managers at staffing and job agencies in fiscal 2007 as the company started conducting a staffing agency business. These five employees appropriately manage the people being dispatched.

Statutory compliance relating to export and export control

In order to thoroughly comply with the laws relating to exports, in fiscal 2007, training was provided to Middle East Center and export-related divisions in Japan, and audits were performed at six business establishments of five companies including Hitachi Construction Machinery Trading. Export controllers were appointed at eight group companies in Japan and outside Japan to improve export control rules. Two of these companies, including Hitachi Kenki Business Frontier completed the improvement.

Tadakiko categorized risks and determined measures for the risks

Tadakiko CSR committee spent the two months of July and August categorizing risks into the three types of infrastructure risks, production risks and ethical risks. They decided to implement measures to reduce each risk by means such as raising the awareness of the employees and taking out insurance cover.