

Our future business expansion strategy of North, Central and South America

August 19, 2021

- 1. Summary of Joint Venture Dissolution and New OEM Supply Agreement with Deere & Company**
- 2. Market strategies for North, Central and South America after Joint Venture Dissolution**
- 3. Medium-to long-term business effect after Joint Venture Dissolution**

1. Summary of Joint Venture Dissolution and New OEM Supply Agreement with Deere & Company

Dissolution of the joint venture

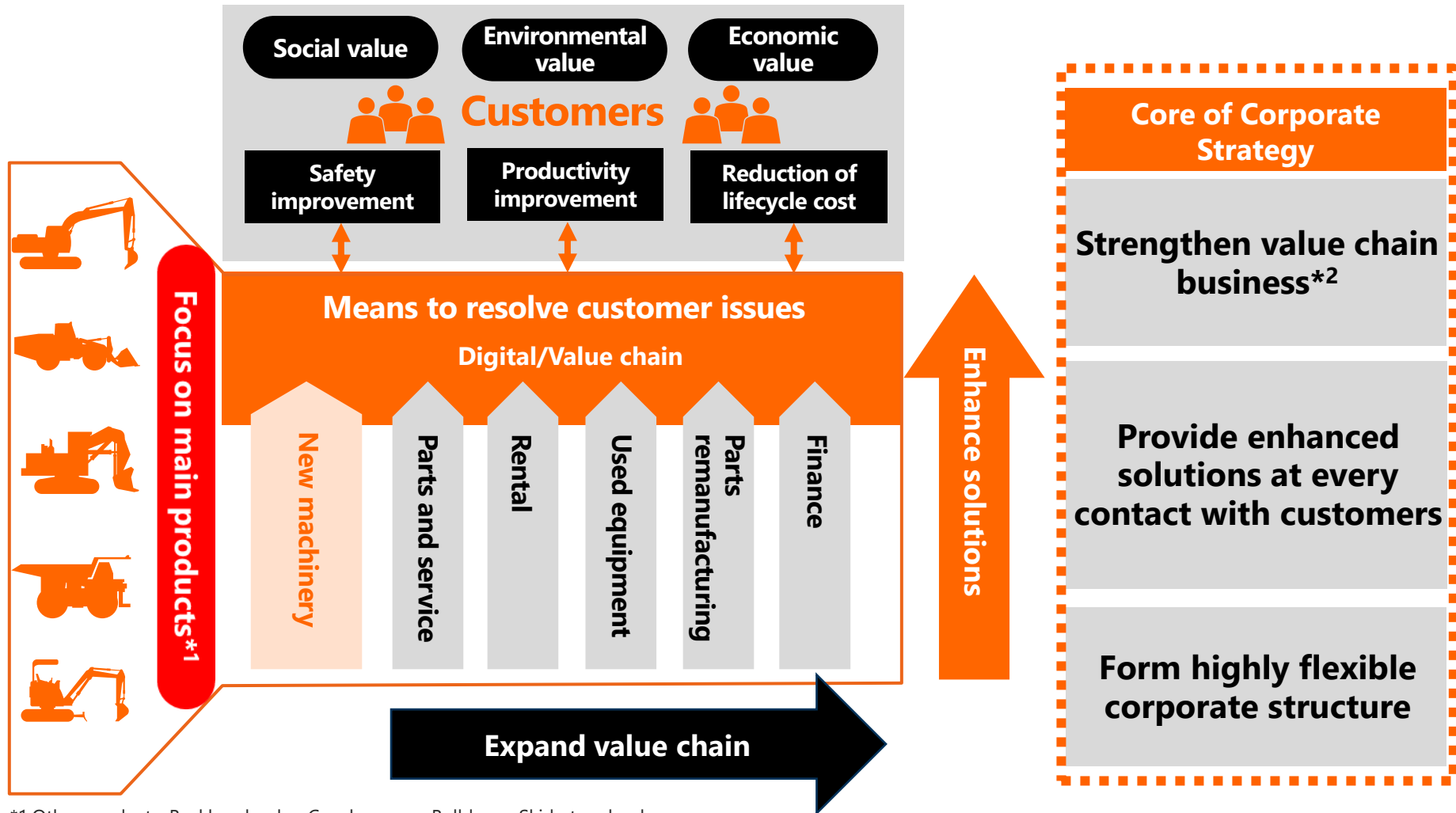
1. Hitachi Construction Machinery and Deere & Company will dissolve Joint Venture Relationship.
2. Our shares of Deere-Hitachi and Deere-Hitachi Brazil, equity method affiliates, will be transferred to Deere & Company.
3. The brands, "Hitachi" and "Deere", jointly managed by Deere & Company, will be separately managed by their respective companies.



New OEM Supply Agreement

Hitachi Construction Machinery and Deere & Company have entered into a new OEM supply agreement, and completed excavators, components and service parts will be supplied to Deere & Company.

Core of Corporate Strategy consists of strengthening value chain business, providing enhanced solutions, and forming flexible corporate structure



*1:Other products: Backhoe loader, Crawler crane, Bulldozer, Skid-steer loader

*2:value chain businesses: parts and service, rental, used equipment, remanufactured parts, financing, etc.

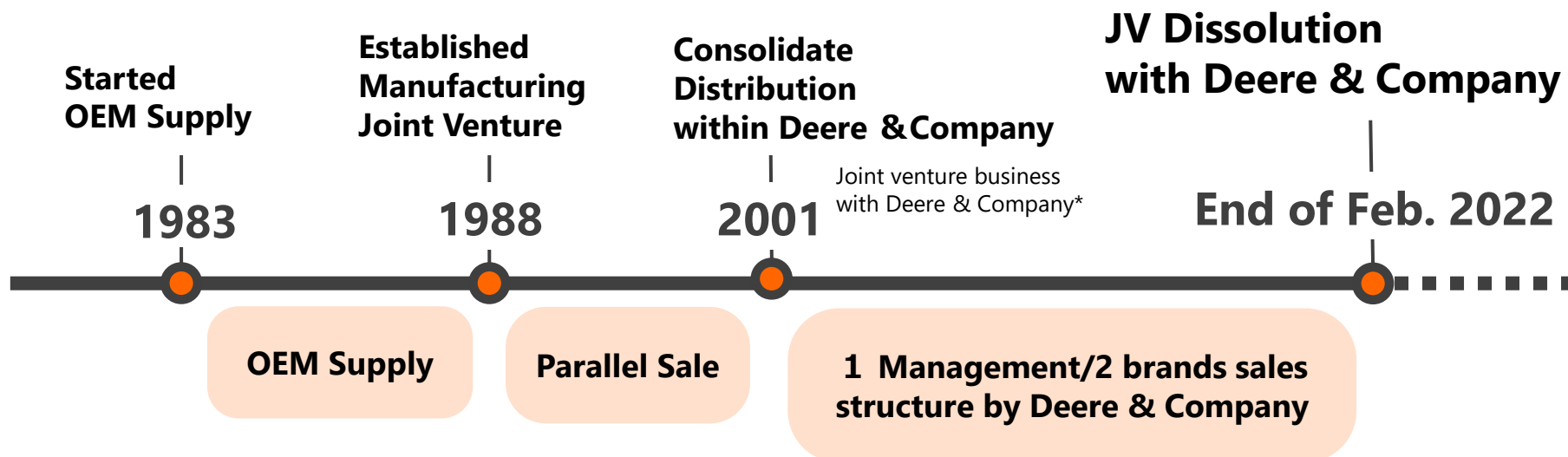
1-3. History of our relationship with Deere and change of market needs

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Reliable solutions

The market and strategy have changed dramatically since the manufacturing joint venture was formed in 1988.

History of relationship



Market needs Change

Focuses on new machinery sale with highly reliable products

Provide solutions for products life cycle

*: Joint venture business with Deere & Co.

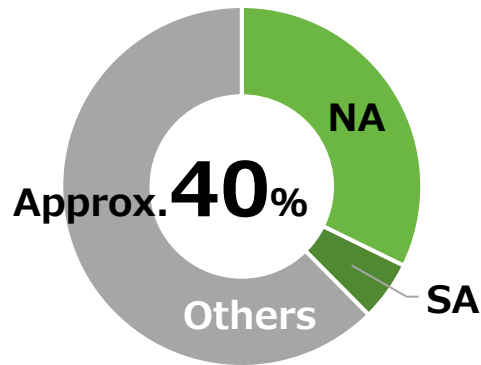
Supply of components to joint ventures of medium-sized hydraulic excavators in the United States and Brazil.

Supply of completed products such as mini excavators, some medium-sized and extra-large hydraulic excavators, and mining trucks to the joint venture.

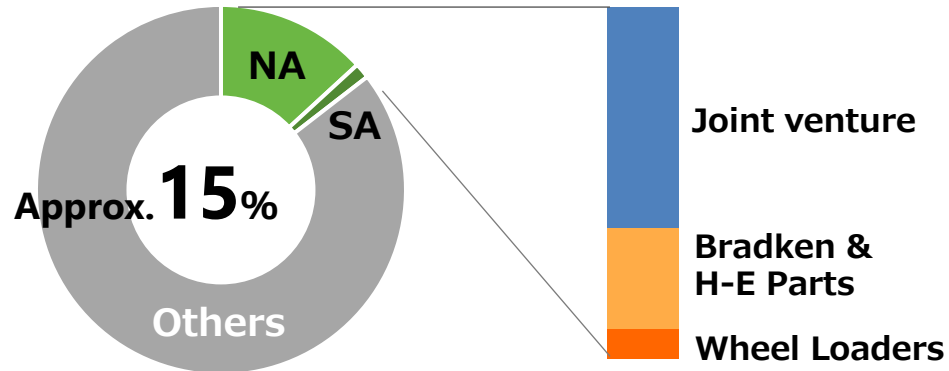
Deere & Co. has been responsible for sales and service in the Americas, and Hitachi Construction Machinery has received profits in an agreed-upon ratio from sales of both brands.

The Americas is the largest market, 30-40% of the world

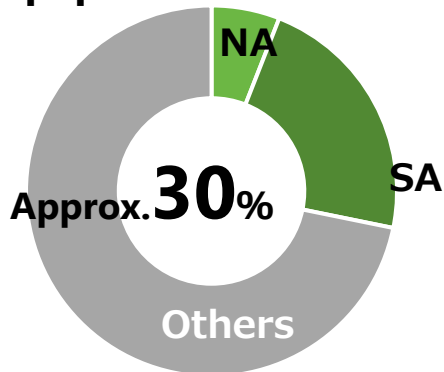
The Americas' share of global construction equipment market*¹



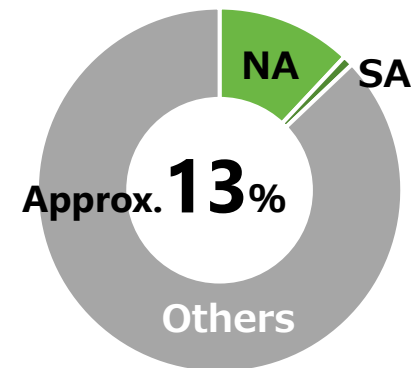
The Americas' share of our business *³



The Americas' share of global mining equipment market*²



The Americas' share of our mining business*³



Unable to strategically develop our own value chain business
Our mining business share in Central and South America is particularly small

*1: Estimates by HCM *2: Estimates by HCM based on Parker Bay statistics *3: HCM Revenue in FY20

Full-scale development of our own business in the large markets of North, Central, and South America

Core of Corporate Strategy

Strengthen value chain business



Expand value chain business in the Americas; in addition to sales of new machinery, expand rentals, used equipment, parts and services.

Provide enhanced solutions at every contact with customers



Provide in-depth and high-quality solution with implementation of ConSite® in North, Central and South America

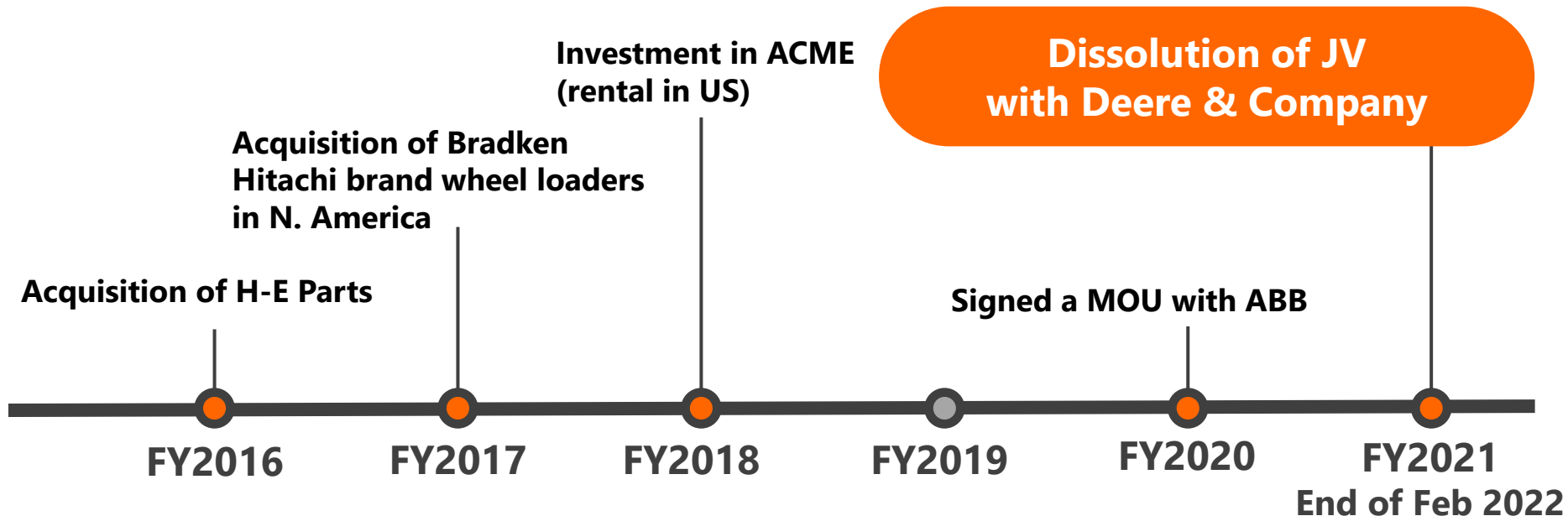
Form highly flexible corporate structure



Significantly expand highly profitable value chain and mining businesses in North, Central, and South America to establish stable profit base for the company.

Restructure the business in North, Central and South America

- Developing business channels with major mining customers through the acquisition of Bradken and H-E Parts
- Launch of wheel loader business in North America under Hitachi brand
- Invested in ACME, a rental company in the USA, and entry into rental business under Hitachi brand
- Joint development with ABB of trolley dynamic charging dump truck



2. Market strategies for North, Central and South America after Joint Venture Dissolution

Acquire sales and service rights and develop own business

1. For compact & construction products, focus our resources on North American market first.
Launch the newest products equipped with new hydraulic system and ConSite® to the market.
2. Expand sales of mining products throughout North, Central and South America by combining high market share excavators and the latest dump trucks.
Provide high quality services utilizing the bases of group companies such as Bradken, H-E Parts, Wenco.
3. Expand parts and service business utilizing ConSite® / ConSite® Mine
4. Expand value chain business with rental and used equipment in the world's largest construction equipment market



Form the structure for stable growth as a global company

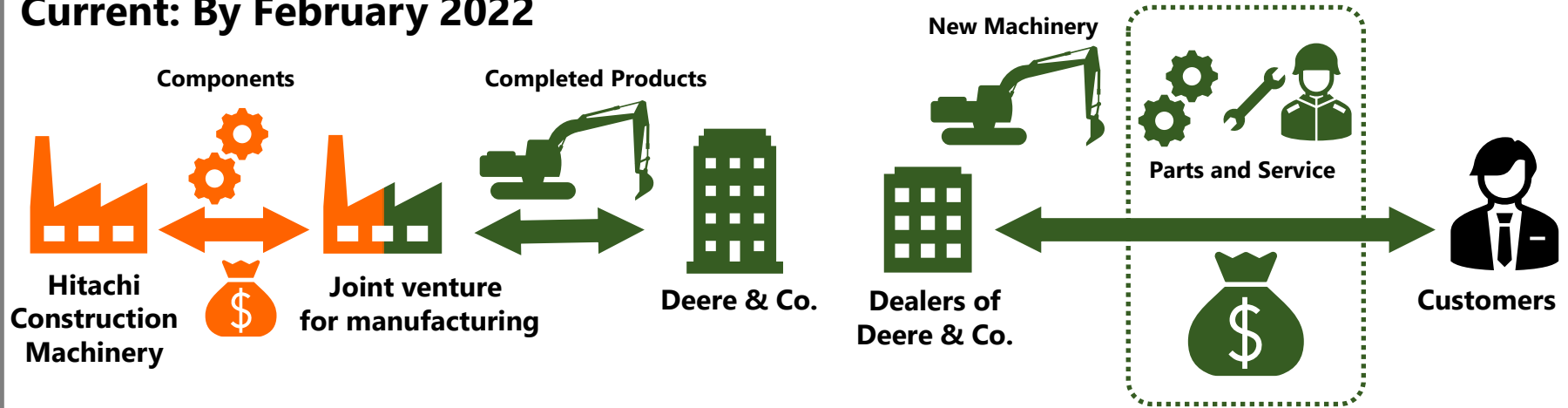
2-2. Current and future changes in commercial distribution (new machinery, parts and services)

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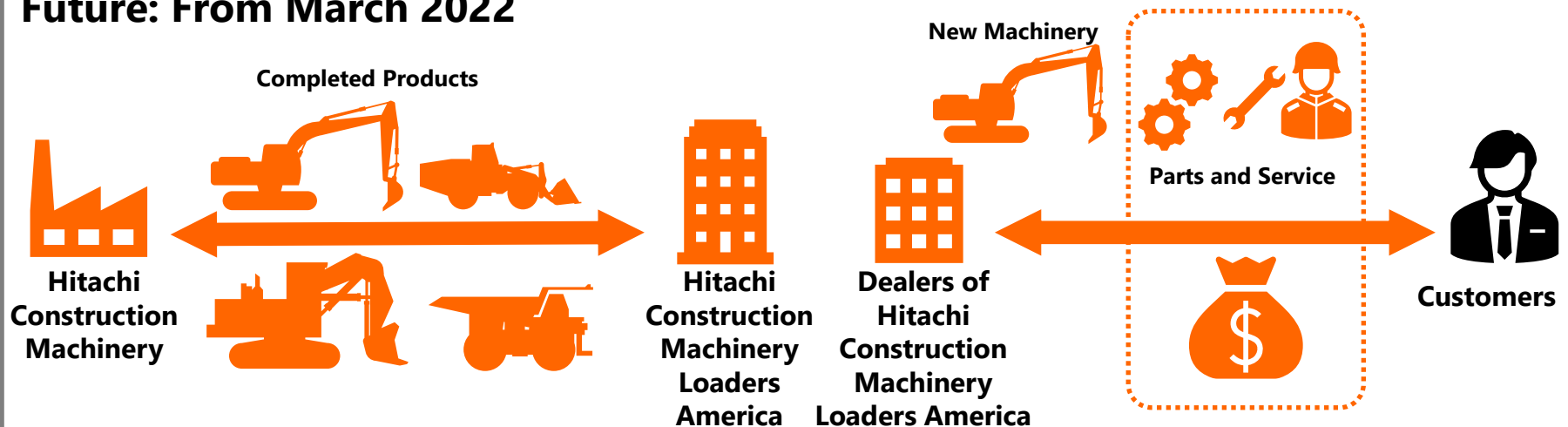
Reliable solutions

Take in highly profitable parts and service businesses mainly in North America

Current: By February 2022



Future: From March 2022

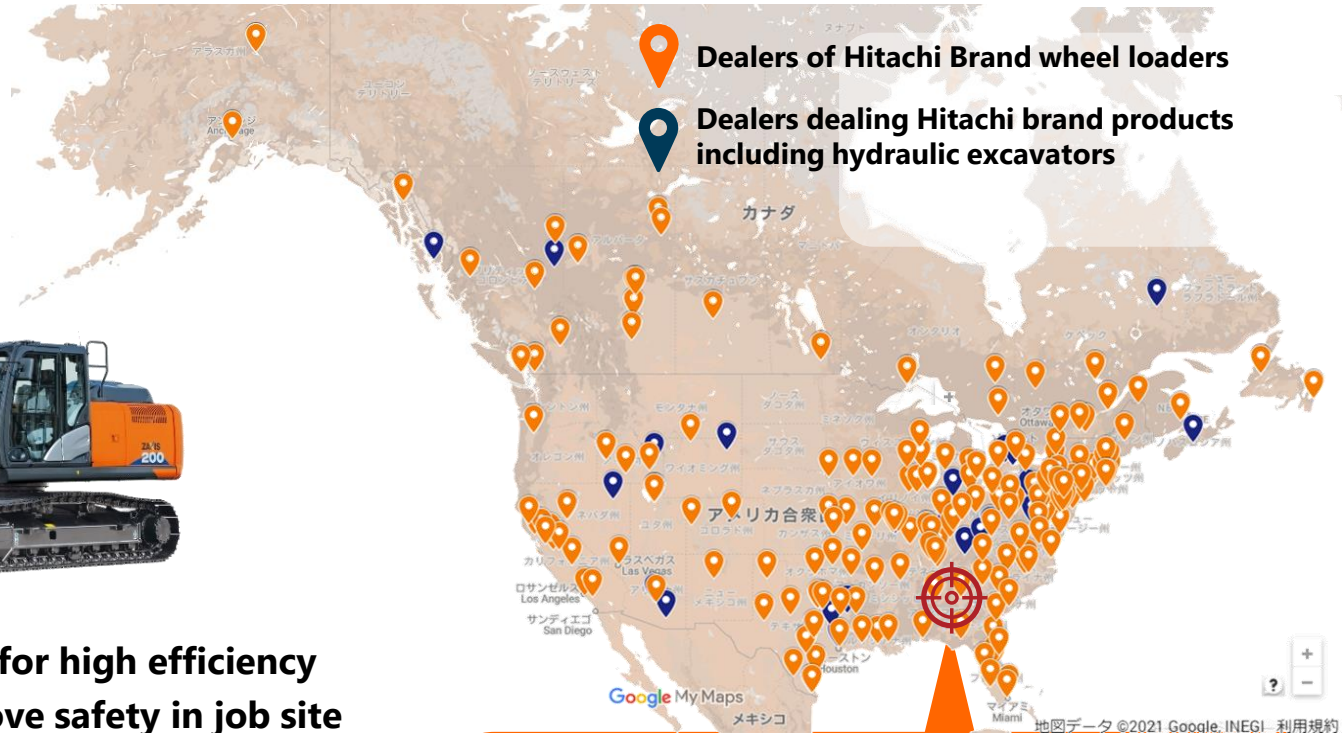


Utilize and strengthen sales network based on existing Hitachi brand dealers

Network of dealers handling Hitachi brand wheel loaders and other products



- New hydraulic system for high efficiency
- Aerial Angle® to improve safety in job site
- ConSite® OIL equipped as standard, to reduce product lifecycle costs

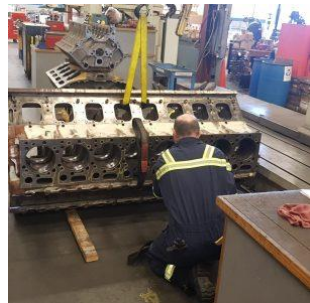


Hitachi Construction Machinery Loaders America
(Regional Headquarter in the Americas)

Launch attractive & newest excavators in North American market and expand sales

Full use of current dealers' and group companies' network

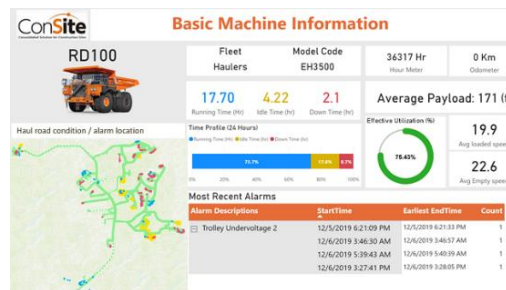
Use the network of Hitachi Construction Machinery's group company,
Wenco, H-E Parts and Bradken



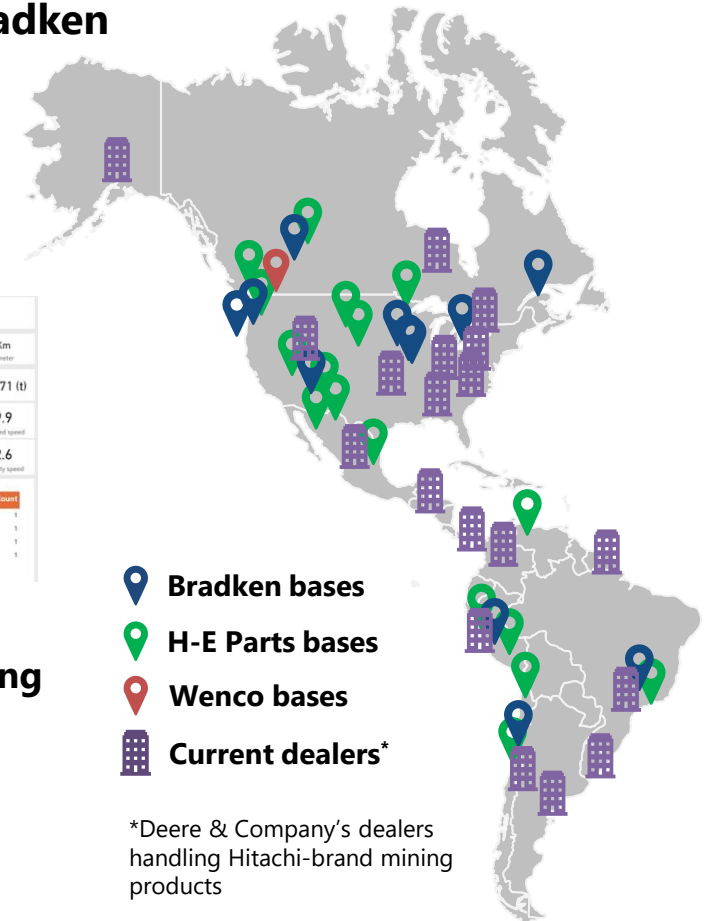
**Parts
Remanufacturing
Business of
H-E Parts**



**Ground
Engaging
Tools of
Bradken**



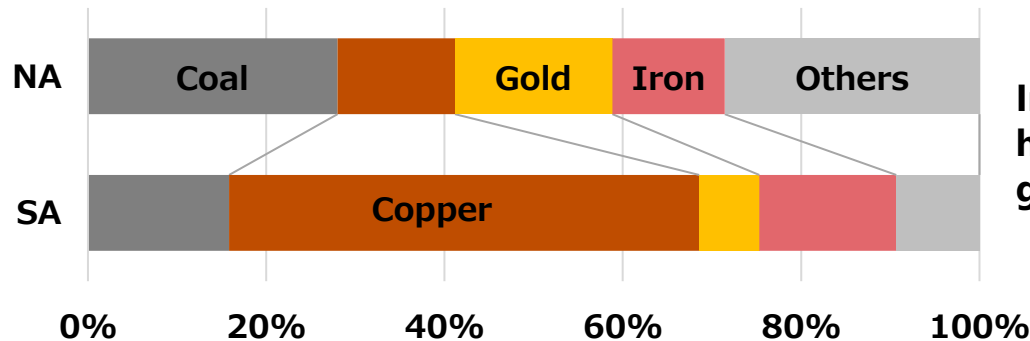
**ConSite® Mine
remotely monitoring mining
machines on 24/7**



Provide high quality solutions by manufacturer's direct support through dealers

Expanding sales in Central and South America markets, rich in hard-rock, utilizing collaboration with ABB

Demand ratio by mineral in the Americas

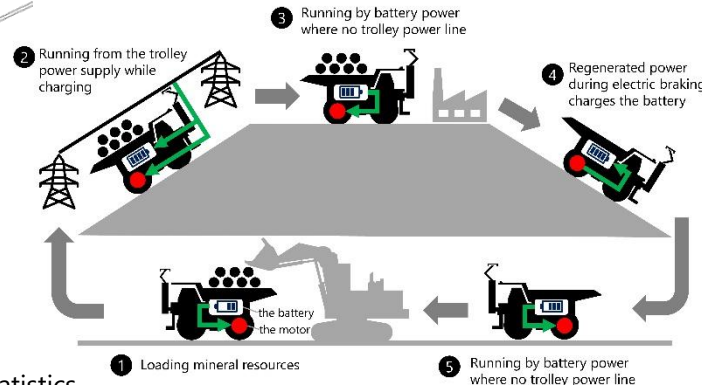


In SA market, rich in hard-rock, sustainable growth is expected

Focus on trolley-type dump trucks that streamline with long climbing roads in Central & South American mines

Promptly provide solutions to CO2 reduction by joint development with ABB

Greatly enhance efficiency of mining site including Full Battery Dump Truck



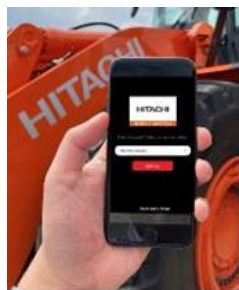
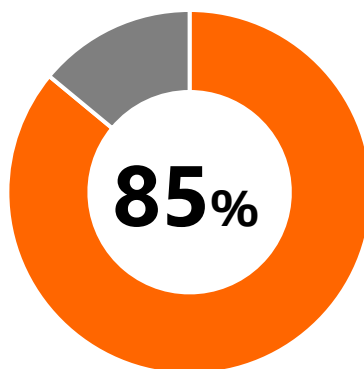
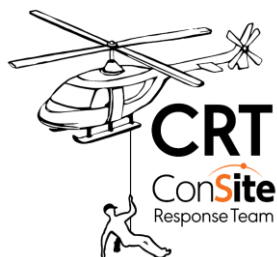
*1: HCM estimate based on Parker bay statistics

*2: Deere & Company's dealers handling Hitachi brand mining products

Provide the newest service solution utilizing ConSite®

ConSite® contract rate in wheel loaders

As of March 31, 2021



**Failure Warning →
Remedial Action → Repair Estimate**





**Quick response in
the field**



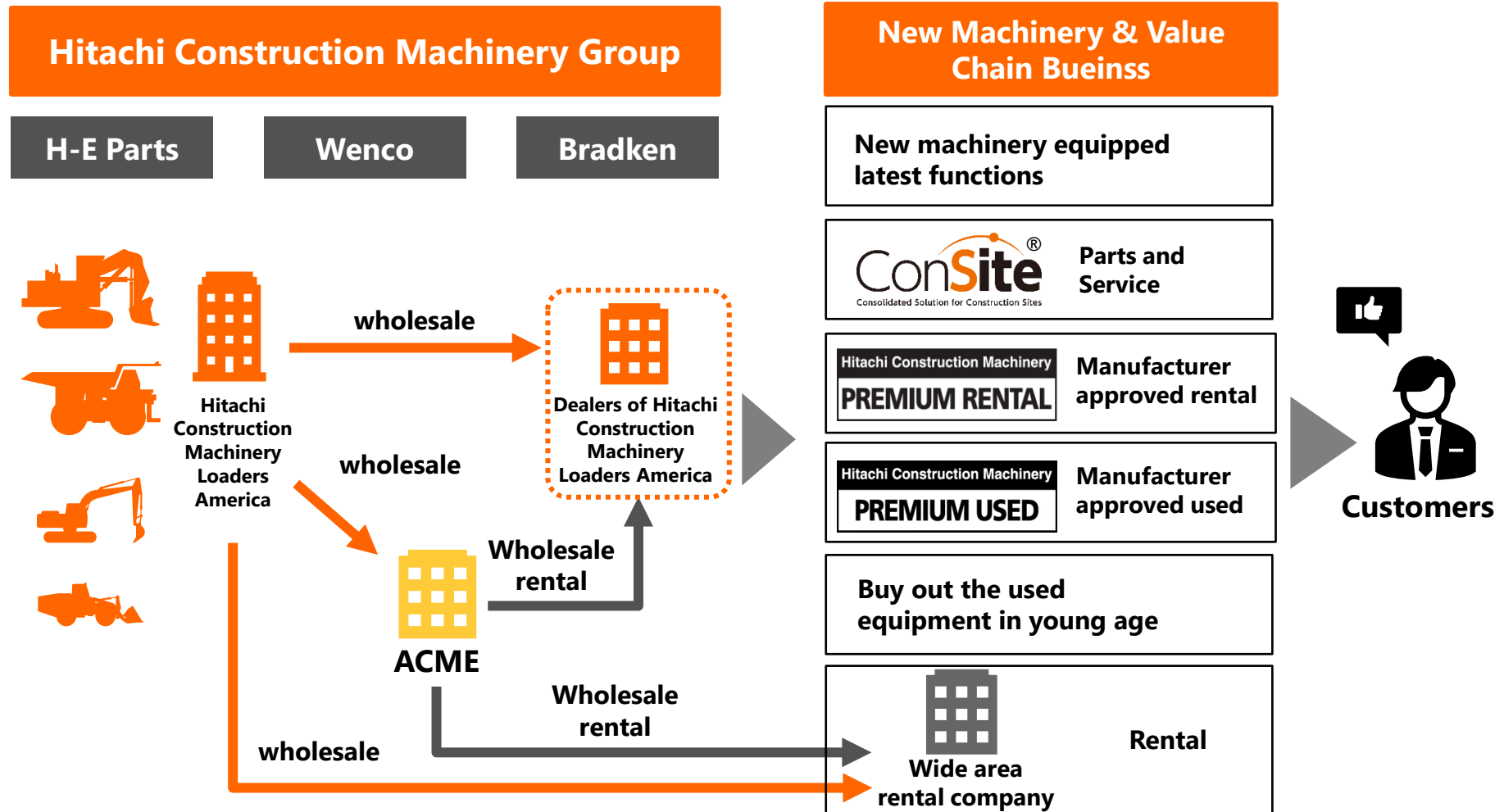
**Central Parts Depot
To be established near
Atlanta (FY2021)**

**Planning regional parts warehouses
Utilize Bradken and H-E Parts bases
for Parts Remanufacturing**

-  Bradken bases
-  H-E Parts bases

Promote the establishment and expansion of parts and service bases mainly in North America

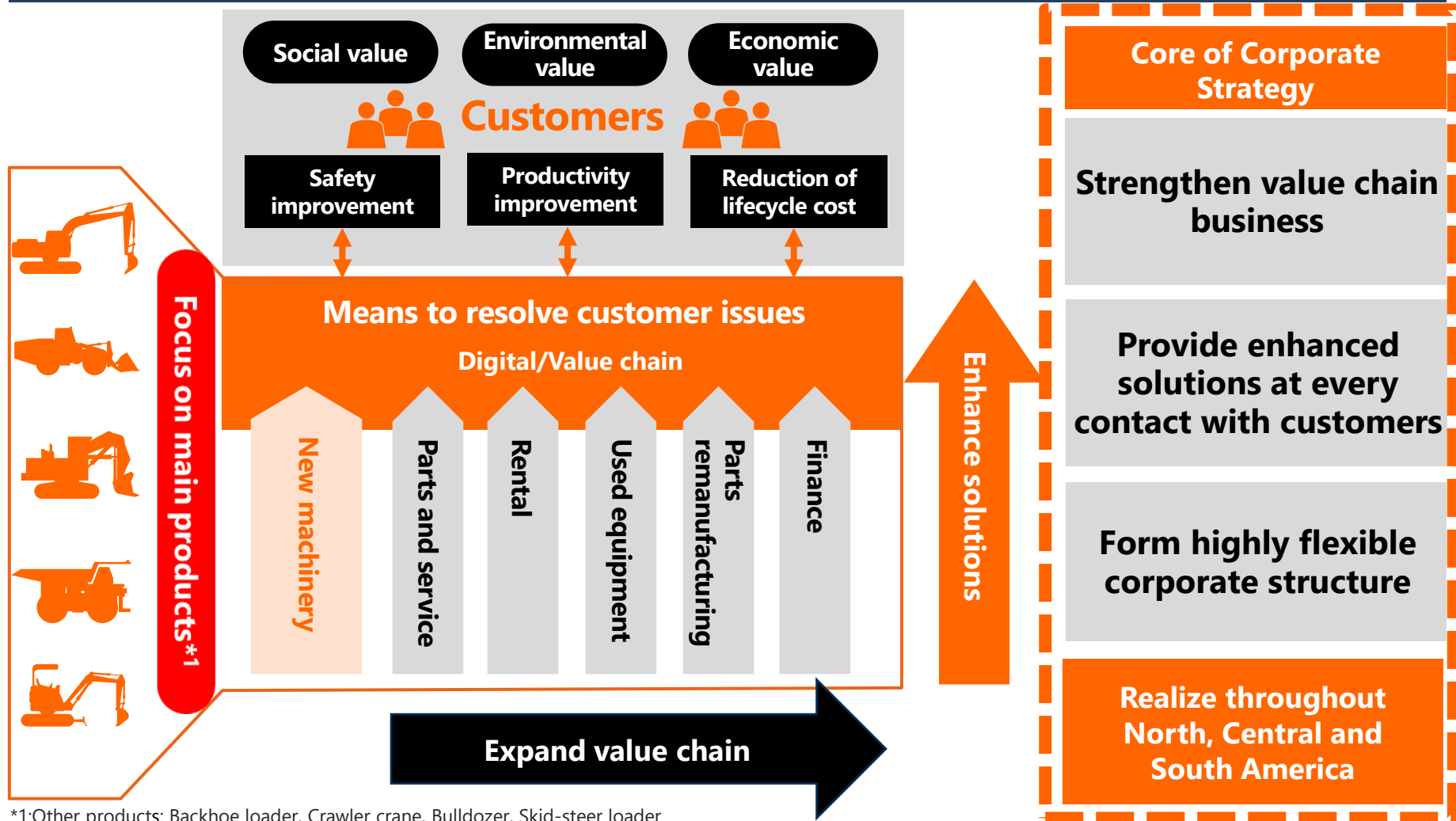
Provide various service menus for customers through group companies



Form structure to provide customers with a variety of options and best solutions

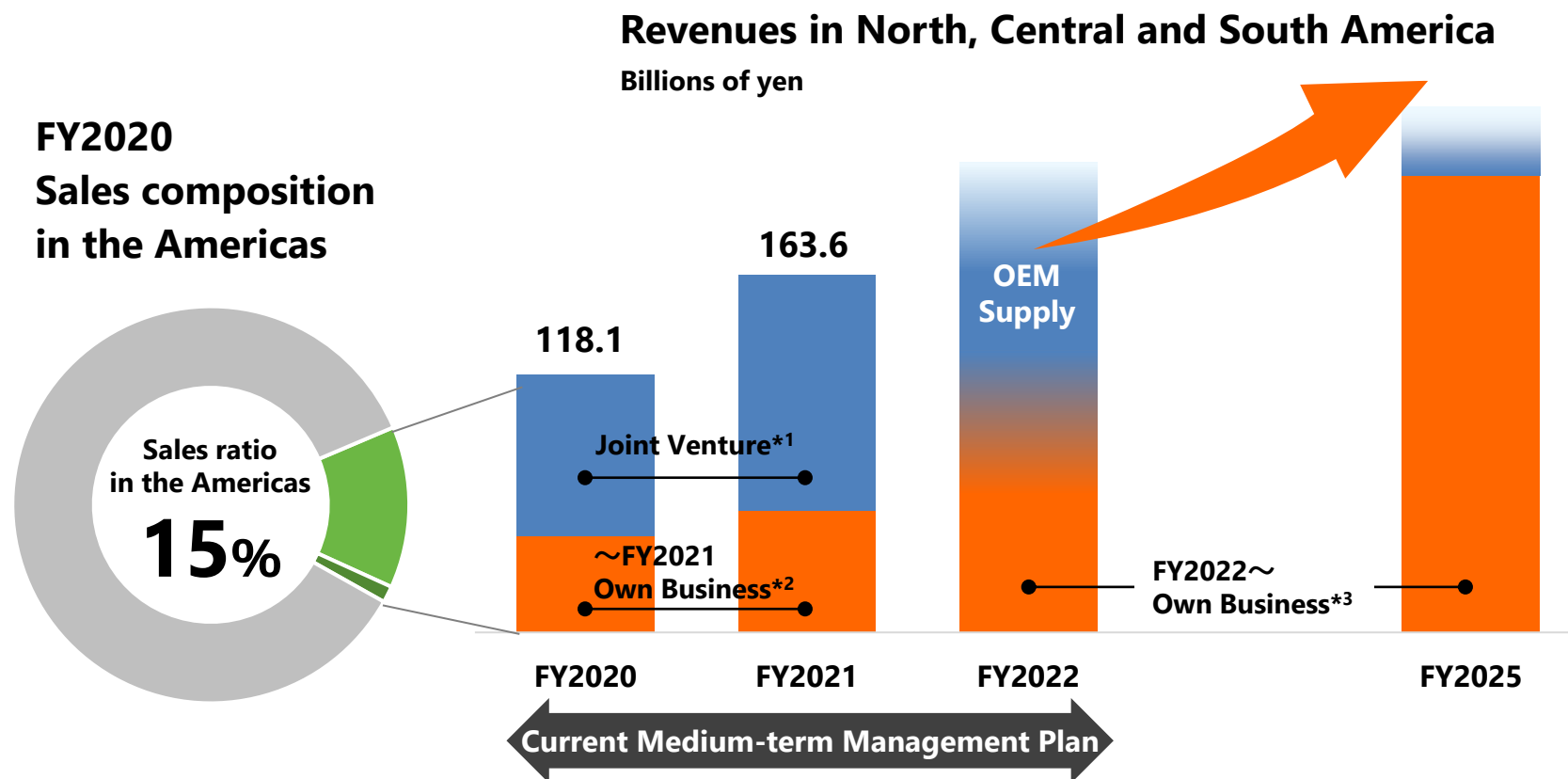
3. Medium- and long-term business effect after Joint Venture Dissolution

Realize stable growth by integrating mining and value chain business in North, Central and South America



*1: Other products: Backhoe loader, Crawler crane, Bulldozer, Skid-steer loader

Expand business in the medium & long term to stable revenue



*1: Joint venture business with Deere & Co.
Supply of components to joint ventures of medium-sized hydraulic excavators in the United States and Brazil.
Supply of completed products such as mini excavators, some medium-sized and extra-large hydraulic excavators, and mining trucks to the joint venture.
Deere & Co. has been responsible for sales and service in the Americas, and Hitachi Construction Machinery has received profits in an agreed-upon ratio from sales of both brands.

*2: ~FY2021 Own Business
Wheel Loaders, Bradken, H-E Parts

*3: FY2022~ Own Business
All Products, Parts & Service, Rental, Bradken, H-E Parts

**Current
medium-term
management
Plan period
(~2022)**

1. Prompt construction of network for sales, service and rental
2. Market launch of the newest excavators
3. Total support across product life cycle with ConSite®

**Future
(2023~)**

1. Planning for expansion of operational bases for product manufacturing, service and parts remanufacturing
2. Efforts to develop and introduce electrified products

Invest approx. 30 billion yen in parts and service network development and rental business expansion, etc.

Business Expansion

**Improve Customer
Satisfaction**

**Stabilization of
Revenue**

Reestablishing business in North, Central and South America, expand business aiming for over 1 trillion yen consolidated Sales Revenue or more and stable double-digit Operating Income Margin

Cautionary Statement

This material contains forward-looking statements that reflect management's views and assumptions in the light of information currently available with respect to certain future events, including expected financial position, operating results, and business strategies. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured.

Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, changes in the economic conditions in the Company's principal markets; changes in demand for the Company's products, changes in exchange rates, and the impact of regulatory changes and accounting principles and practices.

END

For further inquiries:

Corporate Brand & Communications Div.

 **Hitachi Construction Machinery Co., Ltd.**