

Corporate name	Hitachi Construction Machinery Co., Ltd.
Name of representative	Kotaro Hirano, Executive Officer, President & CEO (Code: 6305, First Section of the Tokyo Stock Exchange)

Announcement on Termination of Joint Venture Relationship with Deere

Hitachi Construction Machinery Co., Ltd. (“**Hitachi Construction Machinery**”) announces that its Board of Directors has resolved on August 19, 2021 to terminate and dissolve the joint venture relationship with Deere & Company (“**Deere**”) in North, Central and South America.

1. Reason for the Dissolution

Since 1988, Hitachi Construction Machinery and Deere have collaborated through a joint venture alliance in construction machinery business throughout North, Central and South America. In 1988, the two companies established Deere-Hitachi Construction Machinery Corporation (“**DHK**”) for the manufacture, import and distribution of hydraulic excavators. The distribution business of hydraulic excavators was later consolidated with distribution of mining machinery in 2001, in an unincorporated partnership under John Deere Construction and Forestry Company (“**JDCFC**”), a subsidiary of Deere. In 2011, the two companies reorganized Deere-Hitachi Máquinas de Construção do Brasil S.A. (“**DHB**”) (established in 2000) as a manufacturing joint venture in Brazil, and have expanded the joint venture business throughout North, Central and South America.

However, in response to recent changes in the business environment surrounding the joint venture, Hitachi Construction Machinery and Deere have discussed future prospects of the joint venture partnership, which has led to a decision to terminate the relationship in a future-oriented perspective to allow each to pursue its growth strategy independently.

2. Substance of the Dissolution

(1) Business to be Dissolved

The comprehensive joint venture agreements pertaining to the manufacture and distribution of hydraulic excavators and distribution of rigid dump trucks in North, Central and South America will be terminated.

Concurrently with the termination, Hitachi Construction Machinery will transfer the shares it holds in DHK and DHB, both of which are Hitachi Construction Machinery’s affiliates subject to equity-method accounting, to Deere and its wholly owned subsidiary, John Deere Brasil Ltda. (“**JDB**”), respectively. The distribution business consolidated under JDCFC will be transferred back to each of Hitachi Construction Machinery and Deere, and each company will manage its own brand independently.

(2) Overview of the Joint Venture Companies

(1) Name	Deere-Hitachi Construction Machinery Corporation
(2) Address	1000 Deere Hitachi Road, Kenersville NC, U.S.A
(3) Title and Name of Representative	President: Jonathan Chase
(4) Business Description	Construction machinery business
(5) Capital	US\$ 108.8 million
(6) Date of Incorporation	May 3, 1988
(7) Fiscal Year End	December
(8) Net Assets	US\$ 214.4 million (As of December 31, 2020)

(9)	Total Assets	US\$ 641.8 million (As of December 31, 2020)
(10)	Share Holding Ratio	Hitachi Construction Machinery:50%, Deere:50%

(1)	Name	Deere-Hitachi Máquinas de Construção do Brasil S.A.
(2)	Address	Avenida Horst Frederico João Heer, 2985, Europark Comercial – Indaiatuba/SP, Brasil
(3)	Title and name of Representative	President: Rangel Mattia
(4)	Business Description	Construction machinery business
(5)	Capital	BRL 472.8 million
(6)	Date of Incorporation	August 9, 2000
(7)	Fiscal Year End	December
(8)	Net Assets	BRL 91.6 million (As of December 31, 2020)
(9)	Total Assets	BRL 333.3 million (As of December 31, 2020)
(10)	Share Holding Ratio	Hitachi Construction Machinery:40%, Deere:40%, DHK:20%

3. Overview of the Joint Venture Partner (Unit: US\$)

(1)	Name	Deere & Company		
(2)	Address	One John Deere Place, Moline, IL 61265, U.S.A.		
(3)	Title and name of Representative	Chairman & CEO: John C. May		
(4)	Business Description	Agricultural, construction, forestry and turf equipment manufacturing & distribution		
(5)	Capital	US\$ 4.9 billion		
(6)	Date of Incorporation	1868		
(7)	Major Shareholders and Shareholding	No shareholder information is available as Deere makes no disclosure of its shareholders.		
(8)	Relationship with Hitachi Construction Machinery	Capital Relationship	There is no capital relationship with Hitachi Construction Machinery.	
		Personnel Relationship	Hitachi Construction Machinery seconds its employees to Deere.	
		Business Relationship	Deere and Hitachi Construction Machinery have transactional relationships in construction machinery business.	
		Applicability as a Related Party	Deere is not a Related Party.	
(7)	Consolidated Business Performance and Consolidated Financial Conditions for the Past 3 Years			
	Fiscal Year	Fiscal year ended 1 Nov, 2020	Fiscal year ended 3 Nov, 2019	Fiscal year ended 28 Oct, 2018
	Consolidated Net Assets	US\$ 12.9 billion	US\$ 11.4 billion	US\$ 11.3 billion
	Consolidated Total Assets	75.1 billion	73.0 billion	70.1 billion
	Consolidated Net Assets per Share	40.86	35.60	34.49
	Consolidated Net Sales	35.5 billion	39.3 billion	37.4 billion
	Consolidated Operating Income	3.9 billion	4.1 billion	4.1 billion
	Net Income Attributable to Owners of the Parent	2.8 billion	3.3 billion	2.4 billion
	Consolidated Net Income per Share	8.69	10.15	7.24
	Dividend per Share	3.04	3.04	2.58

4. Date of Dissolution (Currently Contemplated) February 28, 2022

5. Exclusion from Equity-Method Affiliates

Upon the dissolution of the joint venture, DHK and DHB will no longer be Hitachi Construction Machinery's affiliates subject to equity-method accounting.

6. Future Outlook

Upon the dissolution of the joint venture and starting from March 2022, Hitachi Construction Machinery will be able to provide the newest products, technologies, and services directly to our customers through our independent dealer network, as part of the integrated Hitachi Construction Machinery Group activities throughout the North, Central and South American markets. Hitachi Construction Machinery Group will offer sales and services of compact to construction-sized hydraulic excavators, ultra-large mining machines, and, in addition, wheel loaders, all of which are recognized globally for their excellence in performance and quality, in these markets.

Going forward, Hitachi Construction Machinery will have Hitachi Construction Machinery Loaders America, Inc., which currently serves as the production and distribution base for Hitachi branded wheel loaders, to function as the hub of its activities in the Americas. Hitachi Construction Machinery will coordinate with their group companies in the region to build a new business structure.

While utilizing and strengthening the existing network of Hitachi branded hydraulic excavators, trucks and wheel loader dealers, Hitachi Construction Machinery will build an optimal network for marketing and servicing throughout the entire North, Central and South American markets.

Hitachi Construction Machinery and Deere have entered into a new supply agreement under which Hitachi Construction Machinery will provide Deere with OEM supply of Deere branded mini excavators and completed hydraulic excavators of the current lineup, as well as components and service parts to Deere's manufacturing and distribution bases in the United States and in Brazil for the foreseeable future.

Furthermore, we are placing our utmost priority on providing uninterrupted services after the dissolution of the joint venture to our customers who own products manufactured or sold through the joint venture business.

Our shares of DHK and DHB will be transferred to Deere, and the impact of this transfer upon dissolution on the consolidated financials for the year ending March 2022 is expected to be insignificant.

(Reference)

Consolidated financial forecast for the fiscal year ending in March 2022 (as announced on April 27, 2021) and actual consolidated results from the previous fiscal year:

(Unit: million yen)

	Revenue	Adjusted Operating Income	Income Before Income Taxes	Net Income Attributable to Owners of the Parent
March 31, 2022 (Projection)	880,000	62,000	56,000	32,300
March 31, 2021	813,331	32,710	25,578	10,340