

January 14, 2022

To whom it may concern

Corporate name: Hitachi Construction Machinery Co., Ltd.
(Code: 6305, First Section of the Tokyo
Stock Exchange)

Name of representative:
Kotaro Hirano,
Executive Officer, President & CEO

**Notice regarding Secondary Offering of Shares, Changes in the Parent Company, Other
Affiliated Company and the Largest Shareholder that is a Major Shareholder,
and Capital Alliance**

On January 14, 2022, Hitachi, Ltd. (Headquarters: Chiyoda-ku, Tokyo; President & COO: Keiji Kojima; “Hitachi”), the parent company of Hitachi Construction Machinery Co., Ltd. (the “Company”), and HCJI Holdings G.K. (“JIP Consortium SPC”), which will be jointly funded by (i) a special purpose company, whose interests are wholly owned by a fund which Japan Industrial Partners, Inc. (Headquarters: Chiyoda-ku, Tokyo; Chief Executive Officer: Hidemi Moue; “Japan Industrial Partners”) manages, operates and provides information to and (ii) a special purpose company, whose interests are wholly owned by ITOCHU Corporation (Headquarters: Minato-ku, Tokyo; President and COO: Keita Ishii; “ITOCHU”), agreed to transfer 55,290,000 shares of common stock of the Company held by Hitachi (the ownership ratio of the voting rights attached to such shares, calculated based on the number of voting rights of total shareholders (2,125,317) as of September 30, 2021, is 26.0%) to JIP Consortium SPC (the “Share Transfer”). The Share Transfer is expected to result in changes in the Company’s Parent Company, Other Affiliated Company, and the largest shareholder that is a Major Shareholder, and the Company hereby announces as follows.

Further, in connection therewith, the Company has, subject to the consummation of the Share Transfer, determined to form a capital alliance with JIP Consortium SPC (the “Capital Alliance”), and on January 14, 2022, the Board of Directors of the Company resolved to enter into a capital alliance agreement with the JIP Consortium SPC (the “Capital Alliance Agreement”).

I. Secondary Offering of Company Shares

1. Terms and Conditions of Secondary Offering

(1)	Number of Offered Shares	55,290,000 shares of common stock of the Company
(2)	Offer Price	3,300 yen per share
(3)	Total Offer Price	182,457,000,000 yen
(4)	Owner of Offered Shares and Number of Offered Shares	Hitachi, Ltd. 55,290,000 shares
(5)	Method of Secondary Offering	Transfer of the common stock of the Company to JIP Consortium SPC through off-market trading
(6)	Application Period	January 14, 2022

(7)	Delivery Date	June 2022 (scheduled)
(8)	Deposit for Subscription	Not applicable.
(9)	Number of Offered Share Units	Not applicable.
(10)	Other	With respect to the above, the Company has filed a securities notice under the Financial Instruments and Exchange Act to the Director-General of the Kanto Local Finance Bureau.

2. Purpose of Secondary Offering

Hitachi and JIP Consortium SPC entered into a share transfer agreement, pursuant to which Hitachi is expected to transfer the Company shares through off-market trading to JIP Consortium SPC. Therefore, it is intended to conduct a transfer through secondary offering as a procedure stipulated by the relevant laws and regulations.

II. Changes in Parent Company, Other Affiliated Company, and Largest Shareholder that is a Major Shareholder

1. Background to Changes

As described above, JIP Consortium SPC entered into a share transfer agreement with the parent company of the Company, Hitachi, as of January 14, 2022, pursuant to which JIP Consortium SPC is expected to acquire 55,290,000 shares of the Company (ownership ratio of the voting rights: 26.0%) in June 2022. This is expected to result in a change in the Parent Company, an Other Affiliated Company and the largest shareholder that is a Major Shareholder, as described below. In addition to the matters described below, according to ITOCHU, the Company is expected to become an Affiliated Company of ITOCHU as a result of the Share Transfer; however, currently, the details are unknown. The Company will promptly announce when it becomes clear that ITOCHU falls under Other Affiliated Company of the Company.

2. Overview of Changes in Shareholders

(i) Shareholder who will newly become an Other Affiliated Company and the largest shareholder that is a Major Shareholder

(1)	Name	HCJI Holdings G.K. (Note 1)	
(2)	Address	1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	
(3)	Name and Title of Representative	Representative member / Japan Industrial Partners, Inc. Executor / Hidemi Moue	
(4)	Description of Business	1. Holding shares of Hitachi Construction Machinery 2. Operations incidental to the item above	
(5)	Paid-in Capital	10,000 yen (Note 2)	
(6)	Date of Incorporation	December 23, 2021	
(7)	Members and Capital Contribution Ratio	Japan Industrial Partners, Inc. 100.0% (Note 3)	
(8)	Relationship between Listed Company and Relevant Company	Capital Relationship	Not applicable.
		Personnel Relationship	Not applicable.
		Business Relationship	Not applicable.
		Status as a Related Party	Not applicable.

(Note 1) According to JIP Consortium SPC, it will convert its form of entity from Godo Kaisha to Kabushiki Kaisha after the consummation of Share Transfer.

(Note 2) The figure shows the amount of contribution as of the incorporation of JIP Consortium SPC. Prior to consummation of the Share Transfer, (i) a special purpose company, whose interests are wholly owned by a fund which Japan Industrial Partners manages, operates and provides information to and (ii) a special purpose company, whose interests are wholly owned by ITOCHU will make additional contribution to JIP Consortium SPC. The amount of contribution (equivalent to 100%) to JIP Consortium SPC after such additional contribution will be 182,477 million yen, and the interests held by (i) a special purpose company, whose interests are wholly owned by a fund which Japan Industrial Partners manages, operates and provides information to and (ii) a special purpose company, whose interests are wholly owned by ITOCHU will be 50%, respectively.

(Note 3) The matters described above are the information as of the date of this press release. According to Japan Industrial Partners, prior to the consummation of the Share Transfer, it will transfer all of the interests in JIP Consortium SPC held by it to a special purpose company, whose interests are wholly owned by a fund which Japan Industrial Partners manages, operates and provides information to.

(ii) Shareholder who will cease to be the Parent Company and the largest shareholder that is a Major Shareholder and newly become an Other Affiliated Company

(1)	Name	Hitachi, Ltd.	
(2)	Address	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	
(3)	Name and Title of Representative	Keiji Kojima, Representative Executive Officer, President & COO	
(4)	Description of Businesses	From product development and manufacturing to sales and service, engages in 9 segments: “IT”, “Energy”, “Industry”, “Mobility” and “Smart Life”, “Automotive”, Hitachi Construction Machinery, Hitachi Metals and Others	
(5)	Paid-in Capital	461,731 million yen (as of September 30, 2021)	
(6)	Date of Incorporation	February 1, 1920	
(7)	Equity Attributable to Owners of Parent	3,525,502 million yen (as of March 31, 2021)	
(8)	Consolidated Total Assets	11,852,853 million yen (as of March 31, 2021)	
(9)	Major Shareholders and Shareholding Percentages (as of September 30, 2021)	The Master Trust Bank of Japan, Ltd. (Trust Account)	15.15%
		Custody Bank of Japan, Ltd. (Trust Account)	5.92%
		STATE STREET BANK AND TRUST COMPANY 505223 (Standing proxy: Mizuho Bank, Ltd.)	2.40%
		Nippon Life Insurance Company	2.07%
		NATS CUMCO (Standing proxy: Mizuho Bank, Ltd.)	2.04%
		Hitachi Employees’ Shareholding Association	2.03%
		JP MORGAN CHASE BANK 385632 (Standing proxy: Mizuho Bank, Ltd.)	1.97%
		SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hong Kong and Shanghai Bank)	1.94%
		STATE STREET BANK AND TRUST COMPANY 505001	1.76%

	(Standing proxy: Mizuho Bank, Ltd.) STATE STREET BANK WEST CLIENT-TREATY (Standing proxy: Mizuho Bank, Ltd.)	1.71%
(10) Relationship between Listed Company and Relevant Shareholder	Capital Relationship	Hitachi owns 109,352,310 shares of the Company (51.4% of the total number of issued shares, excluding treasury shares).
	Personnel Relationship	One of the directors of the Company is an associate of Hitachi, and another serves as a corporate officer of Hitachi.
	Business Relationship	The Company has a business relationship with Hitachi and Hitachi group companies for products and services, and Hitachi is providing R&D services to the Company.

3. Number of Voting Rights and Ownership Ratio of Voting Rights Held by Relevant Shareholder Before and After Change

(i) JIP Consortium SPC

	Attributes	Number of Voting Rights (Ownership Ratio of Voting Rights)		
		Direct Ownership	Others	Total
Before Change (as of January 14, 2022)	-	- (-%)	- (-%)	- (-%)
After Change	Other Affiliated Company Largest Shareholder that is a Major Shareholder	552,900 (26.0%)	- (-%)	552,900 (26.0%)

(Note) Ownership ratio of the voting rights is calculated based on the number of voting rights of total shareholders (2,125,317) as of September 30, 2021.

(ii) Hitachi, Ltd.

	Attributes	Number of Voting Rights (Ownership Ratio of Voting Rights)		
		Direct Ownership	Others	Total
Before Change (as of January 14, 2022)	Parent Company Largest Shareholder that is a Major Shareholder	1,093,523 (51.5%)	- (-%)	1,093,523 (51.5%)
After Change	Other Affiliated Company Major Shareholder	540,623 (25.4%)	- (-%)	540,623 (25.4%)

(Note) Ownership ratio of the voting rights is calculated based on the number of voting rights of total shareholders (2,125,317) as of September 30, 2021.

4. Scheduled Date of Transfer

June 2022 (scheduled)

5. Change in Unlisted Parent Company Subject to Disclosure

Not applicable.

6. Future Outlook

As a result of this agreement, the Company's group will be removed from the scope of consolidation of Hitachi; however, the Company's group will continue to display the Hitachi brand, collaborate with Hitachi and the Hitachi group in various fields of R&D, including IoT, and contribute to the enhancement of the value of the Hitachi brand, as well as procure certain parts and components from the Hitachi group, mainly in the mining business.

The Company will discuss with Hitachi and enter into agreements such as a transition services agreement by the closing date of the Share Transfer with respect to various rights and obligations between the Company and the Hitachi group, including the use of the Hitachi brand.

The change in the Parent Company will not have a material impact on the business operations of the Company's group for the time being. There is no change in the Company's group management structure and we do not expect any immediate impact on the Company's group business performance.

The Company will announce any events that are expected to have a material impact on its business results as soon as they are ascertained.

III. Capital Alliance

1. Reasons for Capital Alliance

The Company's basic policy on growth strategy is to contribute to solving issues that its customers face on-site by developing a value chain business (such as parts and services, rentals and used equipment) in addition to its new machinery business, with a focus on major construction machinery, such as hydraulic excavators, wheel loaders, and dump trucks. Under the "Realizing Tomorrow's Opportunities 2022," the three-year medium-term management plan ending in fiscal year 2022, the Company aims to further deepen its growth strategy by thoroughly implementing its basic policy on growth strategy. The Company is working to achieve sustainable growth and the enhancement of corporate value through the three pillars of its management strategy: (i) strengthening its value chain businesses, (ii) providing enhanced solutions at every point of contact with customers, and (iii) building a highly flexible corporate structure that is resilient to change.

In addition, in the North, Central and South American businesses, the Company agreed to dissolve its joint venture relationship it had with Deere & Company since 1988, and is working to restructure its sales and service network to provide its customers with the latest products, technologies and services directly through its own distributor network in the North, Central and South American markets. Currently, the Company is steadily developing its sales and service network in major areas.

The Company and Hitachi considered it desirable for the Company to collaborate, upon transfer by Hitachi of shares of the Company resulting in the Company ceasing to be a consolidated subsidiary of Hitachi and turning into an equity method affiliate, with a new partner who would be able to share the Company's growth strategy and provide support from a medium- to long-term perspective; and considered the possibility of partnership to accelerate the Company's growth strategy and realize medium- to long-term business growth and corporate value enhancement. Under such circumstances, the Company engaged in discussions with Japan Industrial Partners and ITOCHU regarding the Capital Alliance. Japan Industrial Partners has an extensive track record of investment and providing support in Japan. The Company has already proceeded to consider collaboration with the ITOCHU group in finance business, and ITOCHU group has the know-how in distribution networks, construction

machinery and related equipment, within the group. The Company believes that they can provide support using their experiences and know-how.

Japan Industrial Partners and ITOCHU are able to relate to the Company's growth strategy and they have a high evaluation of the Company's potential, and they have also expressed their intention to support the Company from a medium- to long-term perspective. Therefore, upon their agreement with Hitachi through JIP Consortium SPC to acquire the Company shares from Hitachi, the Company and JIP Consortium SPC have agreed to enter into the Capital Alliance Agreement.

2. Details of Capital Alliance

(1) Details of Capital Alliance

The Capital Alliance Agreement aims to achieve medium- to long-term business growth and increase corporate value of the Company. For that reason, JIP Consortium SPC confirmed that it intends to hold the Company's shares over the mid-to-long term and does not intend to change its shareholding ratio by itself. It has also agreed that, for five years from the closing date of the Share Transfer, it will not acquire or transfer shares of the Company (except in cases where shares are sold in a stock market other than off-floor trading), unless certain conditions are met.

(2) Other Agreed Contents in Capital Alliance Agreement

The Company and JIP Consortium SPC have agreed that (i) JIP Consortium SPC has a right to propose one candidate for director of the Company to the Company's Nominating Committee and (ii) the Capital Alliance Committee will be established as an organization to discuss with JIP Consortium SPC the management and business development strategies of the Company to achieve the purposes of the Capital Alliance promptly after the closing date of the Share Transfer and to hold necessary discussions on a regular basis.

3. Overview of Capital Alliance Partner

(1) Name	HCJI Holdings G.K.
(2) Address	1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo

For details, please see "II. Changes in Parent Company, Other Affiliated Company, and Largest Shareholder that is a Major Shareholder: 2. Overview of Changes in Shareholders."

4. Schedule

(1) Date of Resolution of Board of Directors	January 14, 2022
(2) Contract Execution Date	January 14, 2022
(3) Commencement Date of Capital Alliance	June 2022 (scheduled)

5. Future outlook

Through the Capital Alliance, the Company aims to achieve stable, mid-to-long term growth of its business and enhance its corporate value.

The Capital Alliance will not result in any changes to the management structure of the Company's group other than those described in 2. above, and at this point in time, the Capital Alliance is not expected to have any impact on the performance of the Company's group. If there arises a prospect of a significant impact on the business results due to specific measures associated with the Capital Alliance, the

Company will announce as soon as they are ascertained.

End of document

(Reference) Consolidated Earnings Forecasts for Fiscal Year (Announced on October 26, 2021) and Actual Results for Previous Fiscal Year

(Millions of yen)

	Revenue	Adjusted Operating Income	Income before Income Taxes	Net income Attributable to Owners of the Parent
Consolidated Earnings Forecasts for the Fiscal Year (Year ending March 31, 2022)	920,000	74,000	80,000	46,000
Actual Results for the Previous Fiscal Year (Year ended March 31, 2021)	813,331	32,710	25,578	10,340