

Major questions and answers for extraordinary conference regarding change of representative executive officers

Date: Monday, February 27, 2023, 17:00-17:30

Participants: Kotaro Hirano Current: President and Executive Officer & CEO

New: Chairman and Executive Officer & CEO

Masafumi Senzaki Current: Senior Vice President and Executive Officer & COO

President of Corporate Strategy Group

New: President and Executive Officer & COO

※Some excerpts are included in this report.

Q: What was the background behind the decision to change president at this time?

A. Hirano: The timing of this move was largely due to two major changes: independent development in the Americas and independence from the Hitachi Group. In particular, the door had been opened for independent development in the Americas, but full-scale development was yet to begin. In the second start, Senzaki was highly trusted within the company, and I would like him to proceed with the implementation plan for the independent development of the Americas.

Another reason was the start of the next medium-term management plan. This plan was developed internally under Senzaki's leadership. I would like him to execute the plan that he had developed under his leadership. The reason I am staying on as Chairman and CEO is that, amid the rapid changes in the world and the company, it is necessary for me to manage the business with close attention to detail and take steps not only for the next medium-term management plan, but also for the next phase of the company. I thought that a system in which I would lead the company's overall strategy and resource allocation, while Senzaki organized the execution team, would maximize enterprise value.

Q: I would like to ask COO Senzaki, of the various experiences you have had, what have been the most difficult? How will you apply these experiences to your future work as president?

A. Senzaki: I have always believed that "the front line is the source of everything" and have tried to actually walk the manufacturing and sales frontlines. With approximately 25,000 employees, especially those in overseas divisions sometimes feel a distance from Japan, on the other hand we in Japan sometimes feel that our customers are far away. Since Hitachi Construction Machinery was not such a large company, we have expanded our business by forming alliances with various companies in the past. Each company had its own slightly different approach to visualization of the work site, so there were issues with data collection. In order to become a truly global company in the true sense of the word, it is important to integrate data, establish a system that allows us to talk with customers immediately, visualize the work site, and proceed based on unified promises. Through these efforts, we would like to listen to the voices of customers on the front lines and to be a solution provider. To this end, it is necessary to properly promote strategies for the group as a whole, for each group company and for resource, therefore I would like to work closely with Hirano in this regard.

Q: I would like to ask CEO Hirano, looking back over the past six years, what have you accomplished and what challenges do you see for the future?

A. Hirano: When I became president, my first priority was to consider what the joint venture with Deere should be and how to proceed with the business in the Americas. One to two years after assuming the position of president, I decided that dissolving the joint venture was the best option for both companies, and we proceeded with negotiations. The door was open for independent development in the Americas, but there was no clear path ahead. I would like Senzaki to develop the market with his skills.

Q: When CEO Hirano was appointed president six years ago, he declared that he would expand the value chain business and achieve an adjusted operating income margin of 10% as a KPI. What does COO Senzaki want to achieve as president?

A. Senzaki: Specific numerical targets will be announced in April, so please look forward to them. Under the current situation, we believe that providing customers with solutions will add value. As a manufacturer, we would like to provide our customers with machines and support them in their efforts to create various things while fighting the ground. As a manufacturer, we would like to provide hardware and then offer solutions by utilizing digital technology.

Q: There are various uncertainties such as the situation in Russia and Ukraine, soaring material prices, and measures to achieve carbon neutrality. What issues and concerns does COO Senzaki face as the next president. Also, how will CEO Hirano support COO Senzaki as chairman?

A. Senzaki: In uncertain times, "speed of judgment" is crucial. In order to enhance the speed with which we can grasp what is happening on the front lines, we would like to implement various measures, such as reviewing the way the company and organization are structured, data handling methods, and infrastructure expansion.

Hirano: We believe that change is an opportunity. It is precisely because things are changing that we have business opportunities and can grow our business. In times of rapid change, human capital and resource aspects are important in order to respond with a sense of speed. In order to maximize enterprise value, it is important to consider human capital, organization, and relationships with customers. Based on the idea that "change is an opportunity," I will build a solid foundation (in terms of human capital, organization, and relationships with customers) and determine the direction of the company, and I would like Senzaki to manage the business.