

Our Future Business Expansion Strategy in North, Central and South America

Dissolution of the joint venture relationship that has lasted since 1988 and reestablishment of an independent distribution and service network throughout the Americas

Tokyo, 19 August 2021 — Hitachi Construction Machinery Co., Ltd. (headquarters: Taito-ku, Tokyo, President and Executive Officer: Kotaro Hirano, hereinafter “**Hitachi Construction Machinery**”) and Deere & Company (headquarters: Moline, Illinois, Chairman of the Board and CEO: John C. May, hereinafter “**Deere**”) have agreed to terminate the joint venture manufacturing and marketing agreements that have been in place since 1988.

Upon the dissolution of the alliance 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., (headquarters: Georgia, Chairman of the Board: Masaaki Hirose, hereinafter, “**Hitachi Construction Machinery Loaders America**”), 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 the group companies in the region to build a new business structure.

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

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 excavators, as well as components and service parts to Deere’s manufacturing and distribution bases in the United States and in Brazil for the time being.

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.

Since 1988, when Hitachi Construction Machinery and Deere established Deere-Hitachi Construction Machinery Corporation, a joint venture for manufacturing and sales in North Carolina, the United States, we have built significant relationships as partners throughout North, Central and South America.

Hitachi Construction Machinery has promoted local production in earnest by providing excavator technology, which is world-class technology. Marketing has been carried out through collaboration throughout the Americas by Deere, which has a strong presence in the region in agricultural equipment.

On the other hand, in recent years, as global SDGs and other trends have increased, construction, civil engineering and mining customers have an increasing demand from construction machinery manufacturers for the three basic objectives of improved safety, improved productivity, and reduced lifecycle costs.

In order to respond to customers' needs, Hitachi Construction Machinery has been making group-wide, full-fledged efforts to expand and deepen businesses beyond new machinery sales (value chain business: parts and service, rental, used equipment, parts remanufacturing, finance, etc.), starting with our previous medium-term management plan which became implemented from FY2017. Beginning in March 2022, we will be able to provide direct, cutting-edge solutions that address the challenges of customers throughout North, Central and South America for not only compact and construction-size wheel loaders but also compact and construction-size excavators, mining excavators and mining dump trucks.

In the future, the Hitachi Construction Machinery Group will make the following specific efforts in the North, Central and South American markets.

1. Strengthen regional headquarters, formulate market strategies for the entirety of North, Central and South America, and promote the enhancement of the dealer network

As a result of the termination of the joint venture, we will significantly review our organizational structure of centered on Hitachi Construction Machinery Loaders America, which has been in charge of manufacturing and sales of Hitachi branded wheel loaders. We will conduct such a review with a view toward strengthening its position as the regional headquarters that handle all of our products, i.e., wheel loaders, compact and construction size excavators, mining excavators, and mining dump trucks.

Hitachi Construction Machinery Loaders America will work to build a nationwide network to procure machinery manufactured in Japan as the regional headquarters, sell them under Hitachi brand, and provide services. At present, Hitachi Construction Machinery Loaders America has established a dealer network for wheel loaders in North America. With respect to compact and construction size excavators, we will introduce the newest models to meet the demands of the North American market for advanced workability, safety, and services. These include the state-of-the-art hydraulic systems which realize high efficiency, Aerial Angle[®] which improves safety of work sites, and ConSite[®], a service solution that is highly regarded worldwide. We will reorganize and strengthen our marketing system in the region.

In the mining business, we will collaborate with mining-related companies in the Hitachi Construction Machinery Group to further develop our distribution network in North, Central and South America.

2. Strengthening Mining Operations throughout North, Central and South America

Under the agreement with Deere, Hitachi Construction Machinery will become able to work with existing dealers*1 in North, Central and South America to strengthen and expand its network in the future and to proactively develop business for customers involved in mining operations across the American continents.

Specifically, the Hitachi Construction Machinery Group's activities, including the efforts we recently agreed to conduct with the ABB Group to achieve net zero emissions, trolley dumps with a track record of delivering in the global market, dump truck autonomous haulage system (AHS) for automated driving at mines, and autonomous operating technologies for ultra large mining excavators, are drawing considerable attention from customers in the global mining market.

In addition to reducing CO2 emissions, more sophisticated and complex mine-wide management is also a major challenge to our mining customers. Hitachi Construction Machinery is scheduled to begin offering ConSite[®] Mine to support the operation of an entire mine. We will work with Wenco International Mining Systems Ltd. (headquarter: Vancouver, Canada; President & CEO: Andrew Pyne), a Canadian subsidiary which is one of the world's leading engineering companies for the operation and management of increasingly complex mining trucks, to develop new and expanded customer service.

In addition, Bradken Pty Ltd (headquarter: New South Wales, Australia; CEO: Sean Winstone), which manufactures components for mining equipment, as well as H-E Parts International LLC (headquarter: Atlanta, Georgia, USA; CEO: Simon Pelletier), which provides services for mining, crushing, and construction machinery and equipment as well as is in the business of development, processing, and sales of components for mining equipment, have a proven track record throughout the Americas markets. We will work with these group companies and the ABB Group to develop and cultivate markets together.

3. Full-scale entry into advanced parts and service business utilizing cutting-edge IoT

Since 2000, Hitachi Construction Machinery has been equipping excavators with communication terminals as an option. In 2006, Hitachi Construction Machinery began to install them as a standard item for all models. Using IoT, we continue to accumulate and analyze big data, such as construction machinery operation and location information, through Global e-Service®.

Since 2013, we have been contributing to the reduction of life cycle costs, among other customer issues, by providing a service solution called ConSite® that identifies failure risks through remote monitoring and distributes data reports on the status of construction machines, based on the data accumulated through Global e-Service®.

Currently, customers have signed up for ConSite® data reporting services for 158,000 units*2 in 113 countries, high acceptance by the customers in a short period of time, with a contract rate of approximately 75%*3 of total unit sales. By actively incorporating AI and analytical techniques, we have increased the failure prediction rate through remote monitoring to 75%*4. As a future goal, we aim to increase the failure prediction rate to approximately 90%.

ConSite® contract rate for wheel loaders under development under Hitachi brand is 85%*5, showing high acceptance in the North American market. In the future, we will introduce new hydraulic systems, Aerial Angle® to improve on-site safety, and the newest construction excavators equipped with ConSite® and ConSite® OIL in the North American market to meet customer expectations.

ConSite® is positioned as a use case in Lumada® business, which the Hitachi Group is focusing on. We will also be able to provide these state-of-the-art services of Hitachi Construction Machinery to customers throughout North, Central and South America, and contribute to resolving customer issues.

4. Expansion of rental and used equipment business

In 2018, Hitachi Construction Machinery invested in ACME Lift Company (headquarter: Arizona, U.S.A.; Chairman and CEO: Woodrow D. Weld, hereinafter “ACME”) and entered the rental business in the U.S. and steadily expanded its business.

Subsequent to the investment, ACME added to its wholesale rental business a fleet of Hitachi-branded excavators and wheel loaders for civil engineering rental.

Going forward, in addition to expanding ACME's transactions with regional and national rental companies, we will expand Hitachi Construction Machinery's unique rental business in cooperation with its dealer network. At the same time, we will consider expanding our manufacturer-guaranteed used equipment business, which has a proven track record in Japan, Europe, China, South East Asia and Oceania as Hitachi Construction Machinery, mainly in the cutting-edge North American market.

5. Continuation of OEM supply

Under the agreement with Deere, we have agreed to continue our OEM supply to Deere for the time being. We expect both companies to realize a smooth transition due to the continued OEM supply.

We will reorganize our business structure into a corporate group that constantly provides customers with the world's leading technologies and services that surpass those of other companies in the major mining, construction, and compact business fields.

To date, the Hitachi Construction Machinery Group has provided Reliable Solutions, a solution that solves customer issues, as a familiar and reliable partner. Going forward, we will continue to contribute to the development of the world as a whole and work to solve issues for a sustainable society under the Group's mission of "To pass on a productive environment and prosperous cities to future generations", Hitachi Construction Machinery Group helps to create comfortable living spaces.

*1: Dealers currently distributing only Hitachi-brand excavators.

*2, *3: As of the end of March 2021.

*4: Fiscal 2020 results.

*5: As of the end of March 2021.

■ Trade Marks Notes

• Global e-Service, ConSite and Aerial Angle are registered trademarks of Hitachi Construction Machinery Co., Ltd.

• Lumada is a registered trademark of Hitachi Ltd.

Hitachi Construction Machinery Co., Ltd. (TSE: 6305), headquartered in Tokyo, Japan, is a global Construction Machinery company with approximately 25,000 employees worldwide. Fiscal 2020 (ended March 31, 2021) consolidated revenues totaled 813 billion yen. Hitachi Construction Machinery will focus more than ever on the Construction and Mining Machinery Business, which includes Hydraulic Excavators, Wheel Loaders, Rigid Dump Trucks, Compaction Equipment, Applications and Mine Management Systems. For more information on Hitachi Construction Machinery, please visit the company's website at <https://www.hitachicm.com/global/>

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