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March 27, 2025

Company name: KATO WORKS CO., LTD.
Representative: Kimiyasu Kato,
President and Representative Director
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Director, Managing Executive Officer
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Notification of the New Mid-Term Management Plan

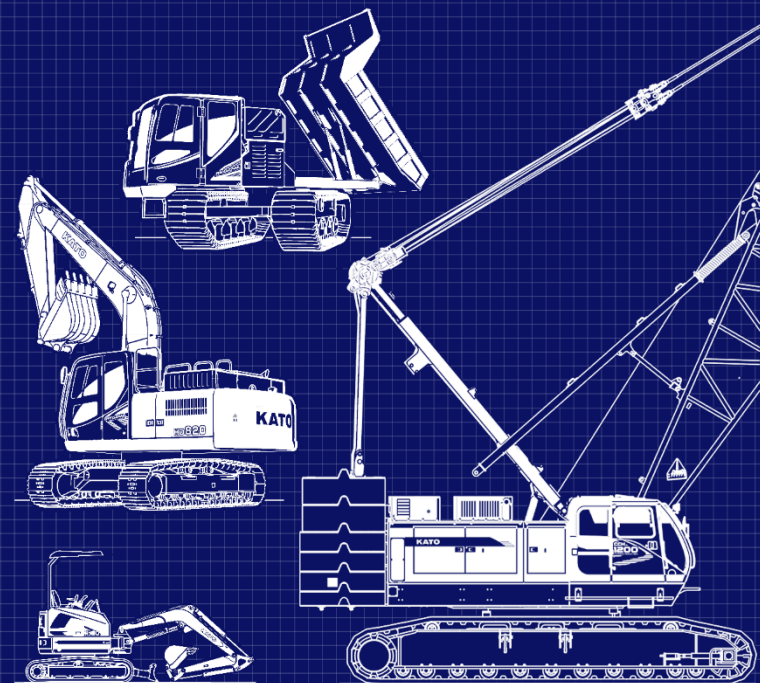
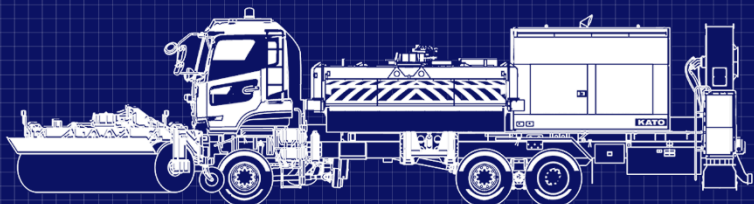
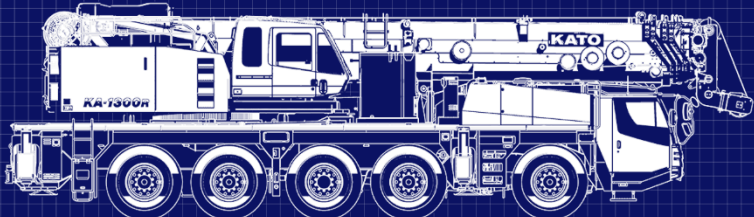
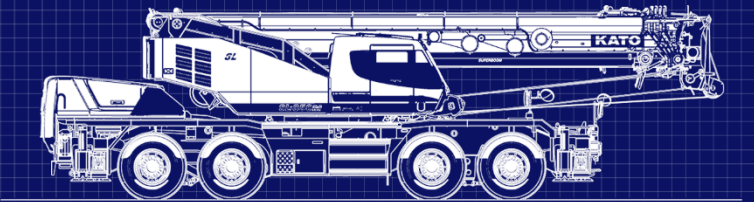
KATO WORKS CO., LTD. (the “Company”) hereby announces that it has formulated a mid-term management plan covering the three-year period from the fiscal year ending March 2026 to March 2028, which was approved at the Board of Directors’ meeting held today.

Please refer to the attached document for details of the mid-term management plan.

[Attachment]

Presentation document

End



Mid-Term Management Plan

FY2025 – 2027

Leap Forward ; Into The Next Era

KATO KATO WORKS CO., LTD.

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1. Introduction
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3. Mid-term management plan (FY2025-2027)
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 - (1) Enhancement of corporate value
 - (2) Strategy for growth with effective investment
 - (3) Further improvement of profitability
 - (4) Implementation of sustainability management

1. Introduction



Introduction

Under the Mid-Term Management Plan (FY2022-2024, hereinafter called as "PREVIOUS PLAN"), we placed the highest priority on improving business performance and promoted thorough measures to improve profitability under the theme of "Transformation into a Lean and Solid Structure."

Looking at the PREVIOUS PLAN, although some issues remain, we recognize that the reforms to our corporate structure, which had been our top priority, have made significant progress over the past 3 years, and as a result, have led to improved profitability and stability.

We also implemented "Selection and Concentration" as part of our business strategy aimed at building a foundation for the future. Specifically, while we proceeded with the sale of our Thai factory and the liquidation of our business in China, we began entering the business in India, a growing market, and conducted a fundamental review of our global strategy. We believe that the results of these management decisions will be reflected in our results for FY2025 and beyond. However, due to the severe slump in the Chinese market and the disruption in the supply chain which was far beyond our expectation at the time of preparation of the PREVIOUS PLAN, we were unable to achieve the numerical targets set forth in the PREVIOUS PLAN.

In the Mid-Term Management Plan (FY2025–2027) (hereinafter called as "NEW PLAN"), we aim to achieve our numerical targets by benefiting from the effects of initiatives implemented during the PREVIOUS PLAN period. With the main theme of "Leap Forward ; Into The Next Era." we will prepare for further growth and expansion.

Geopolitical risks still exist and the market environment continues to be volatile. However, we will build a strong management foundation that is less susceptible to external factors and make effective investments in line with our growth strategy.

The deep trust and understanding of everyone who supports us is essential for the further leap forward and sustainable growth of our group. We will spare no effort to earn the empathy and support of our stakeholders, and we will work together to move forward into the future.



加藤 公康

Kimiyasu Kato, President and Representative Director

- We will achieve “leap forward” by enhancing understanding and support from all stakeholders involved with our company, thereby fostering mutually integrated growth.



2.Mid-term management plan (FY2022-2024) review



- The basic policies of the PREVIOUS PLAN were largely achieved.

Basic strategy	Evaluation	Status
Improve and enhance profitability	○	<p>■ Reduce cost on sales price ratio and achieved profitability</p> <ul style="list-style-type: none"> •Promoting cost reduction of existing models through the implementation of the KATO Reborn Project (KRP: Profitability Improvement Project). •Development of new models (partly delayed by major parts supply restrictions). •Implementation of optimization of sales prices. •Consolidation of sales bases.
		<p>■ Optimize working capital and improve financial efficiency.</p> <ul style="list-style-type: none"> •Review the business portfolio to improve capital profitability, including reassessment of overseas operations and the sale of idle or non-operating assets. •Due to market downturn, inventories temporarily increased.
Build the foundation for the future	◎	<p>■ Build a Foundation for the Future</p> <ul style="list-style-type: none"> •Selection and concentration of production models. •Development and promotion of environmentally conscious construction equipment. •Preparation for establishing a joint venture in India.

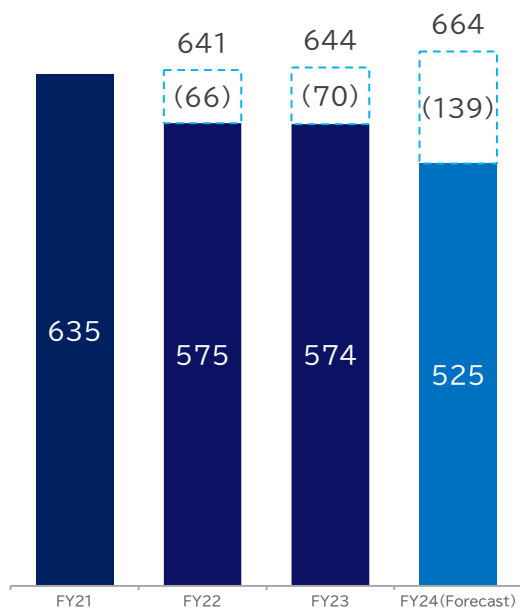
Mid-term management plan (FY2022-2024) review

- Net sales fell short of target due to changes in the operating environment.
- Operating profit not achieved due to sales decline and deteriorating Chinese market.
- Cost on sales price ratio improved due to KRP. *KATO Reborn Project
- Inventories increased due to lower sales.

(Unit: 100 millions of yen)

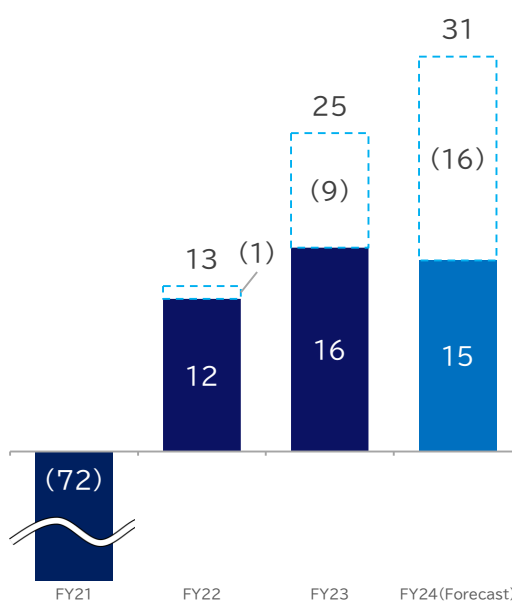
Consolidated statement of income	FY2021	FY2022 (1st year of PREVIOUS PLAN)		FY2023 (2nd year of PREVIOUS PLAN)		FY2024 Forecast (3rd year of PREVIOUS PLAN)	
	Results	Plan	Results	Plan	Results	Plan	Forecast
Net sales	635	641	575	644	574	664	525
Cost on sales price ratio	89.6%	85.4%	84.2%	83.7%	81.7%	83.2%	81.2%
Operating profit	(72)	13	12	25	16	31	15
Inventories	320	310	315	318	355	327	460

Net sales



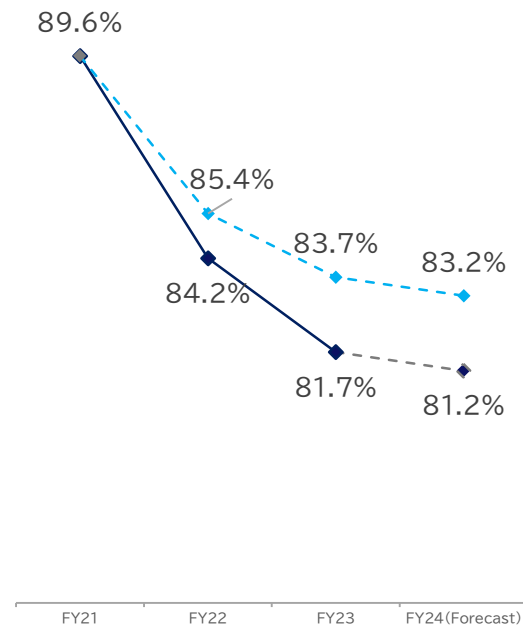
■ Results □ Gap between the plan and actual results

Operating profit



■ Results □ Gap between the plan and actual results

Cost on sales price ratio



◆ Results - - - Plan

3.Mid-term management plan (FY2025-2027)



Positioning of this Mid-term management plan

(Unit: 100 millions of yen)



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2022-2024

Transformation into a
Lean and Solid Structure

- Building a foothold for a leap forward
- Retained profitability
- To restore confidence
- Preparing for the future

2025-2027

Leap Forward ; Into The Next Era

- Enhancement of corporate value
- Strategy for growth with effective investment
- Further improvement of profitability
- Implementation of sustainability management

Vision for the Future

- To be a company that gains the understanding and support of all stakeholders.
- Achieving further sustainable growth.

Theme

Leap Forward ; Into The Next Era

Basic strategy

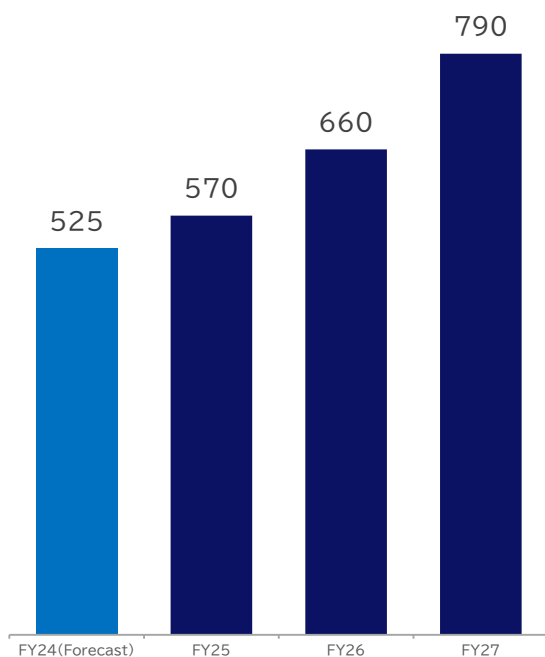
- (1) Enhancement of corporate value
 - Implementation of management with an awareness of the Capital Cost
 - Implementation of various measures to improve PBR
- (2) Strategy for growth with effective investment
 - Benefiting from the effects of the PREVIOUS PLAN initiatives
 - Strategic investments in growth fields
- (3) Further improvement of profitability
 - Improve profitability by deepening measures implemented under the PREVIOUS PLAN
 - Building a strong management foundation that is less susceptible to external factors
- (4) Implementation of sustainability management
 - Enhance corporate value by strengthening sustainability management
 - Promotion of Materiality

Quantitative plan

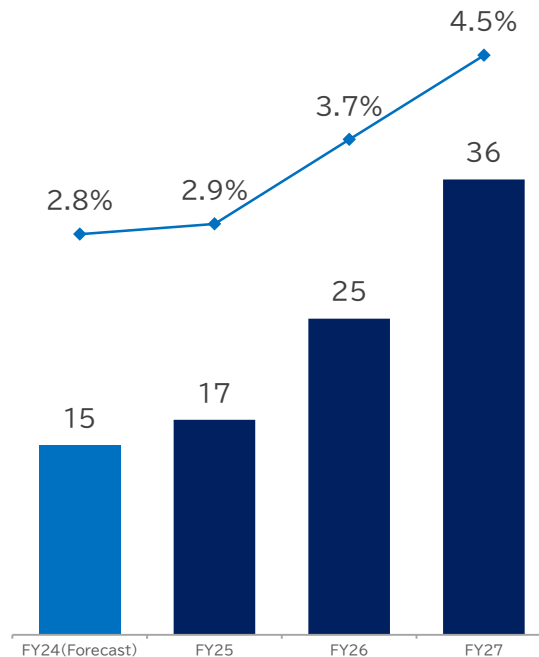
(Unit: 100 millions of yen)

Consolidated statement of income	FY2024 (Forecast)	FY2025 (1st Year)	FY2026 (2nd Year)	FY2027 (3rd Year)
Net sales	525	570	660	790
Operating profit	15	17	25	36
Operating profit margin	2.8%	2.9%	3.7%	4.5%
ROE(%)	(9.9)%	3.7%	5.4%	8.0%

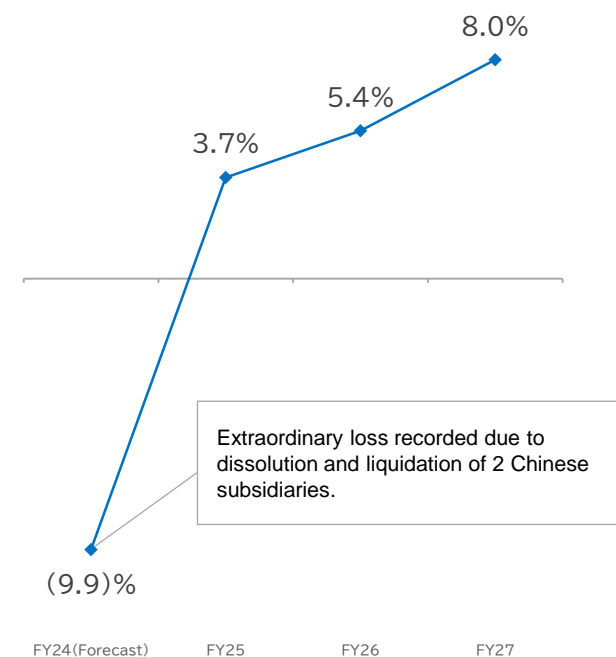
Net sales



Operating profit and margin



ROE



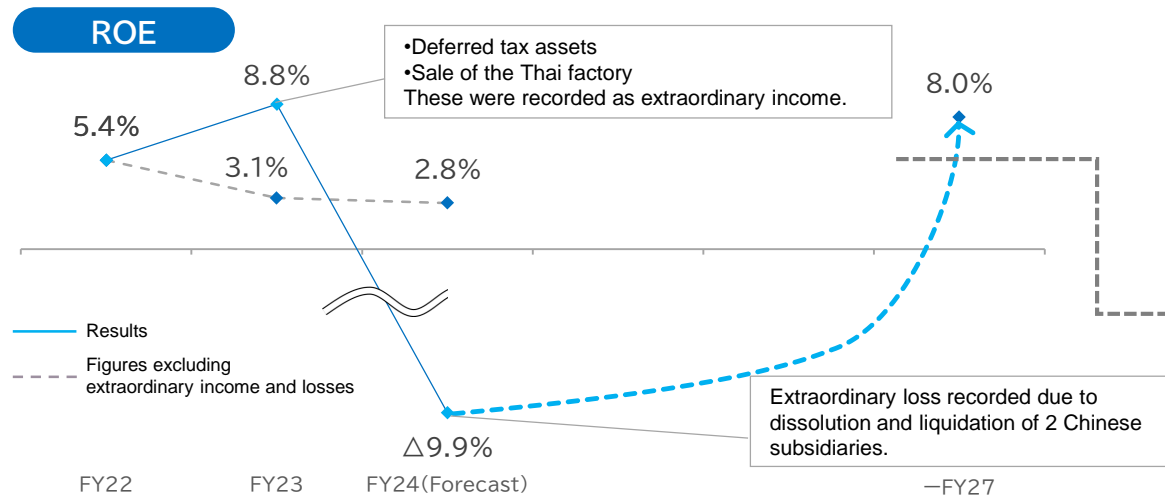
4. Basic strategy



(1) Enhancement of corporate value

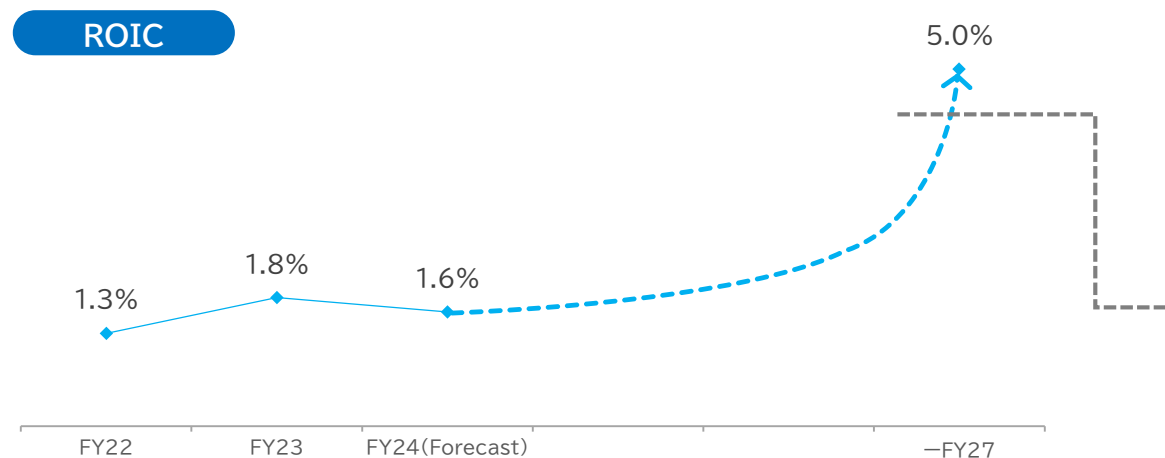
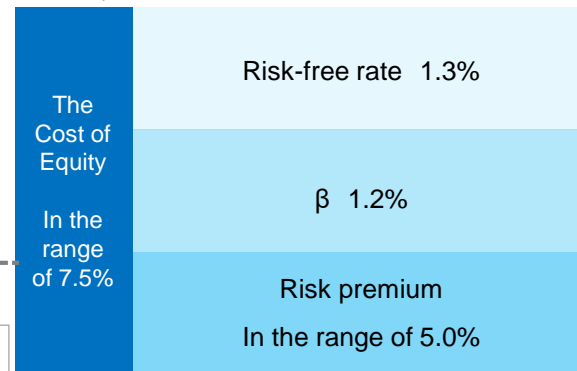
Perception of the capital cost

- Taking the current market valuation into consideration, we aim to achieve ROE over the Cost of Equity, and ROIC over WACC.

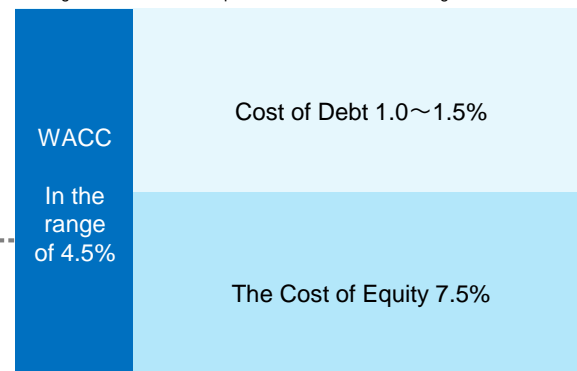


Assumptions for Our Estimated Capital Cost

- The calculation is based on the CAPM formula.
- The risk-free rate is referenced from the Ministry of Finance's government bond yield data.
- Beta is calculated by our company based on data from comparable companies.
- The market risk premium is calculated with reference to data from the Japan Securities Research Institute.

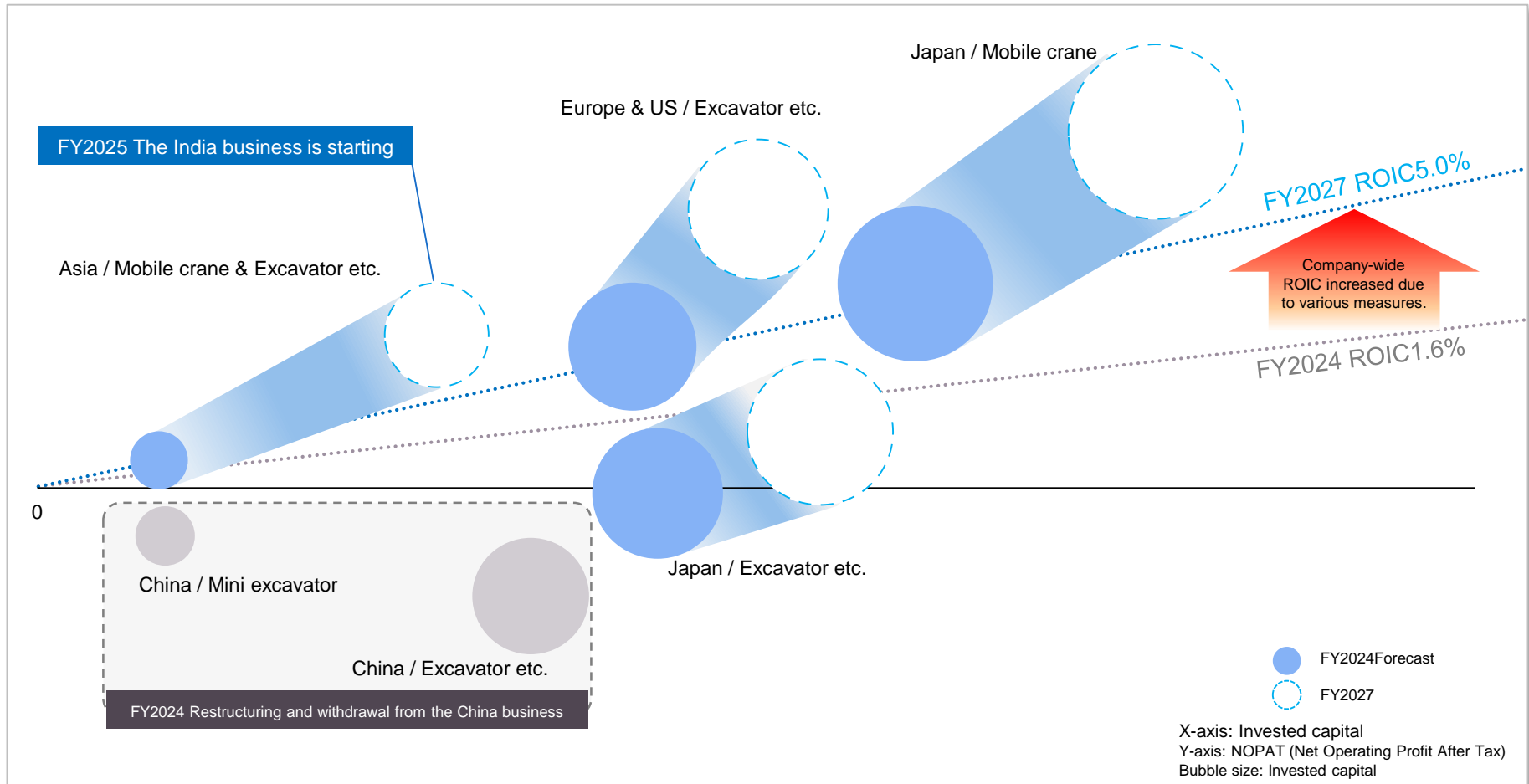


The cost of equity and after-tax cost of debt are calculated as a weighted average based on market capitalization and interest-bearing debt.



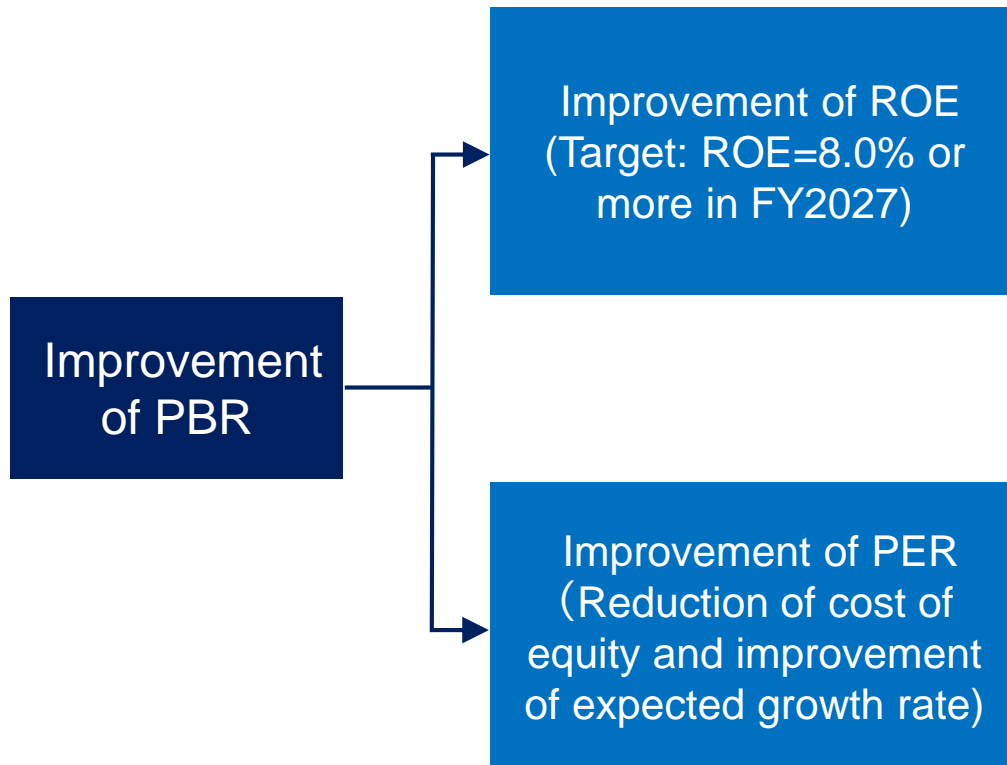
(1) Enhancement of corporate value Improvement of ROIC

- Improve ROIC by being conscious of the Capital Cost.
- Investing in core businesses and realigning low ROIC businesses.
- Aim to achieve ROIC 5.0% or higher in FY2027 (improve 3.4% compared to FY2024).



(1) Enhancement of corporate value Improvement of PBR

- PBR with less than 1.0 is recognized as one of our top management issues.
- We will improve PBR by improving profitability and capital-efficiency.



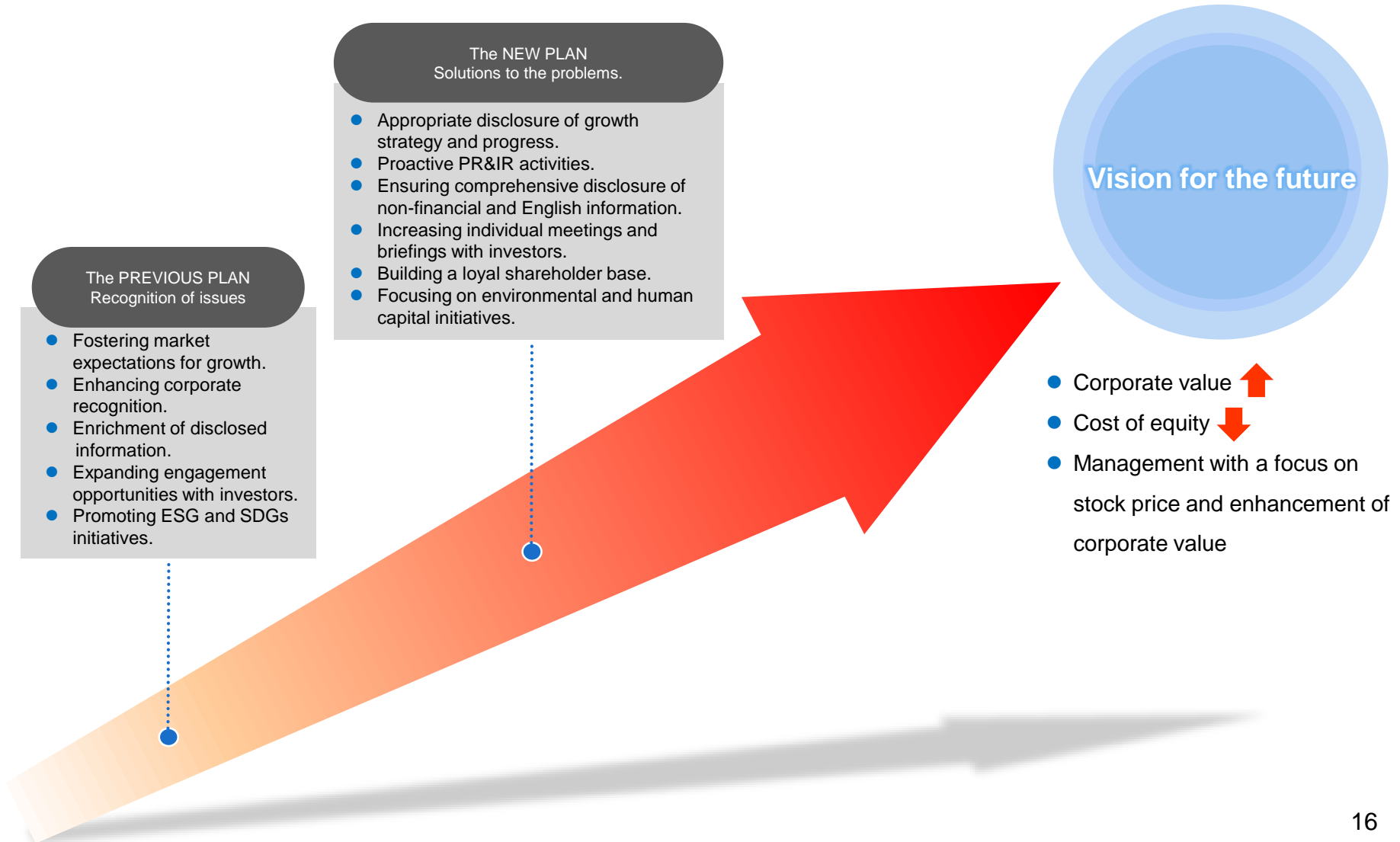
Details

- Improve profitability**
 - Implementation of this NEW PLAN
 - Launch of valuable products.
 - Review of production system and improvement of production efficiency.
 - ROIC management.
- Optimize business portfolio**
 - Strategic investment in growth areas.
 - Restructuring of businesses with low growth, profitability, and capital efficiency.
- Make appropriate investments**
 - Optimal capital investment and M&A.
 - Supervising and improving investment efficiency.
- Dialogue with Capital Markets**
 - Growth strategy and appropriate disclosure.
 - Proactive PR and IR activities.
- Increase shareholder returns**
 - Attractive dividend policy.
 - Consideration of share buybacks.

(1) Enhancement of corporate value

Proactive PR and IR activities

- Current stock price level reflects market valuation including recent performance and growth expectations.
- Strengthen PR・IR activities to further increase corporate value.

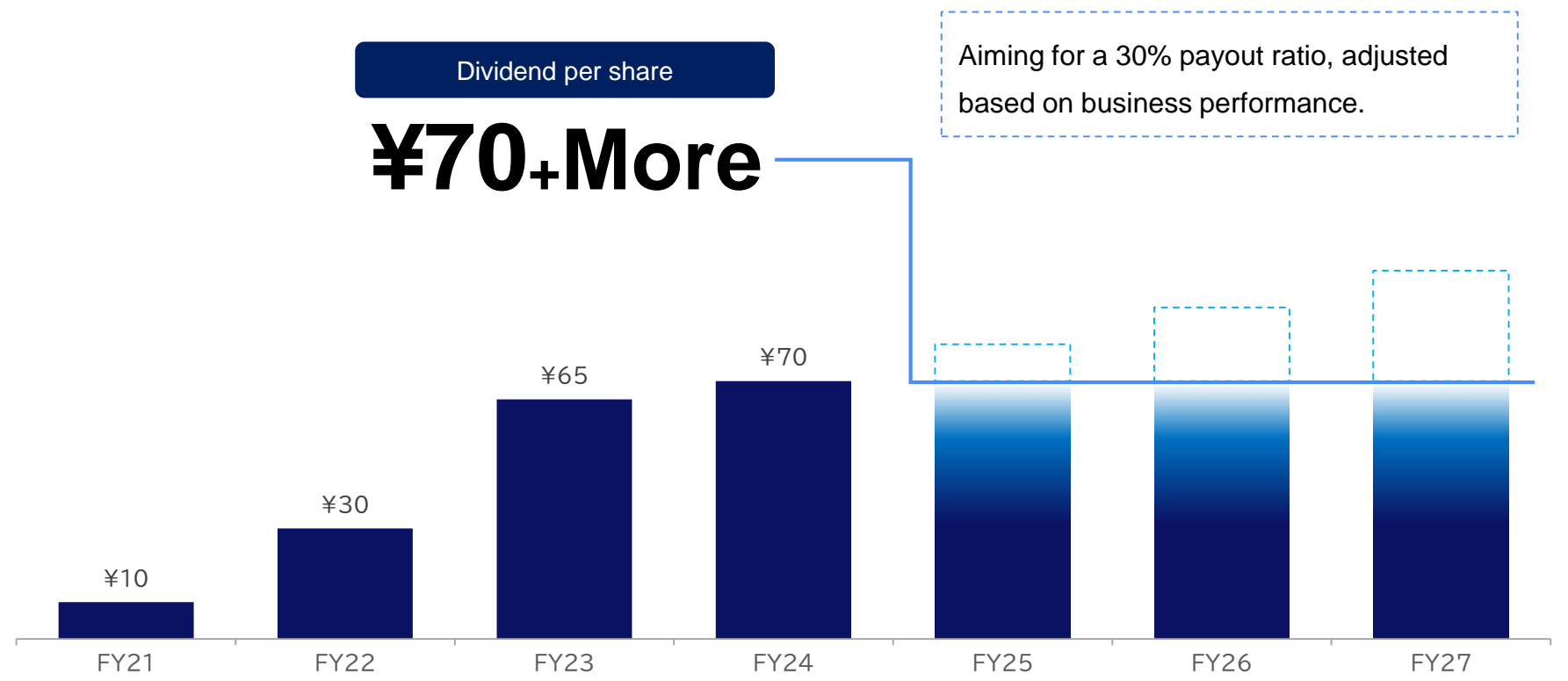


(1) Enhancement of corporate value

Shareholder returns

- During this mid-term management plan period, dividends will be allocated with a target payout ratio of 30% of ordinary profit, excluding one-time gains and losses.
- To maintain the existing policy of stable dividends and support stock price stability and growth, a minimum dividend of 70 yen per share from the previous fiscal year will be set.
- While considering capital policy, we will evaluate the acquisition of treasury shares, targeting approximately 5% of total outstanding shares.

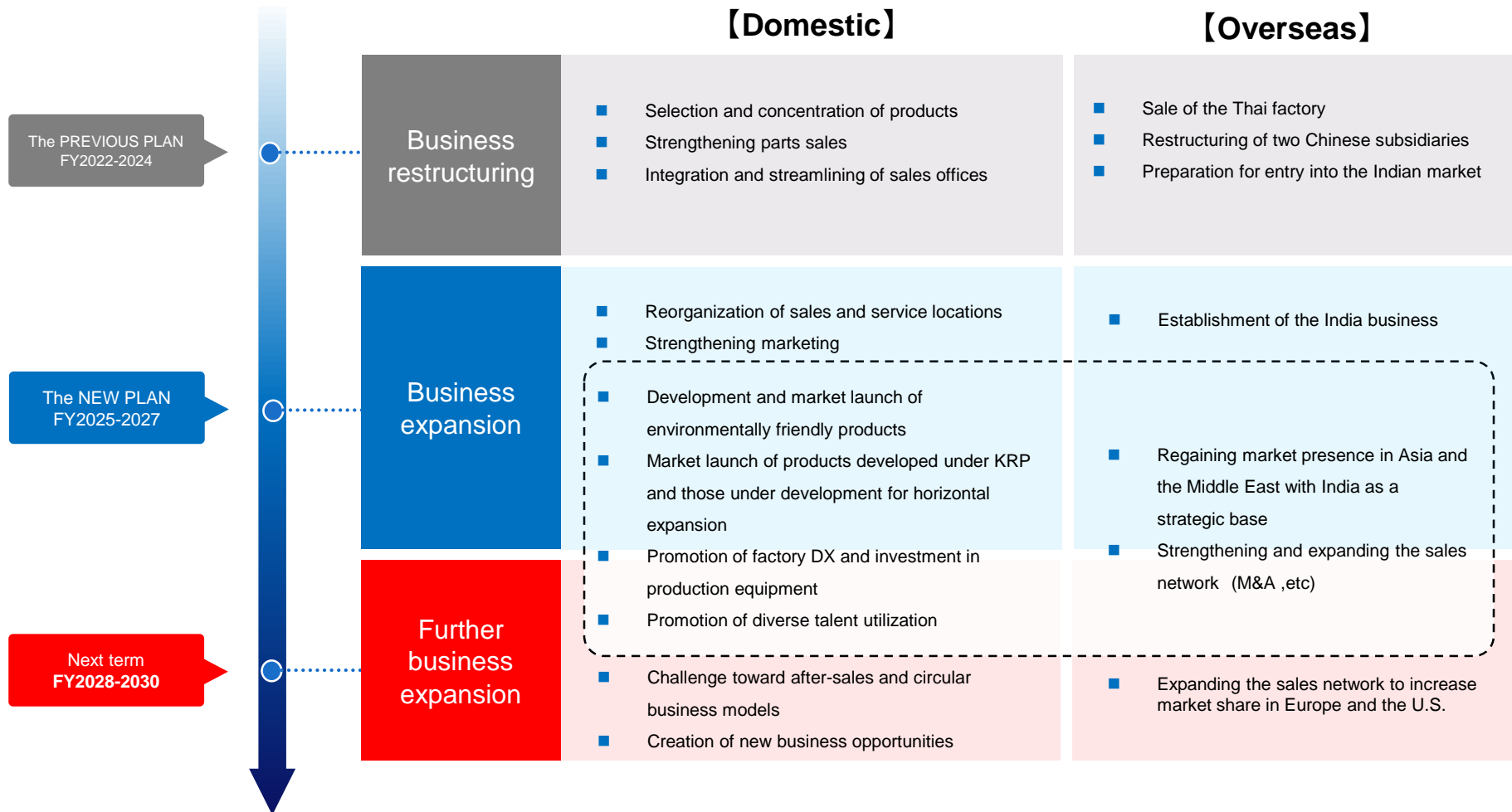
Dividend per share(Forecast)



(2) Strategy for growth with effective investment

Overview of growth strategy and transition of key strategies

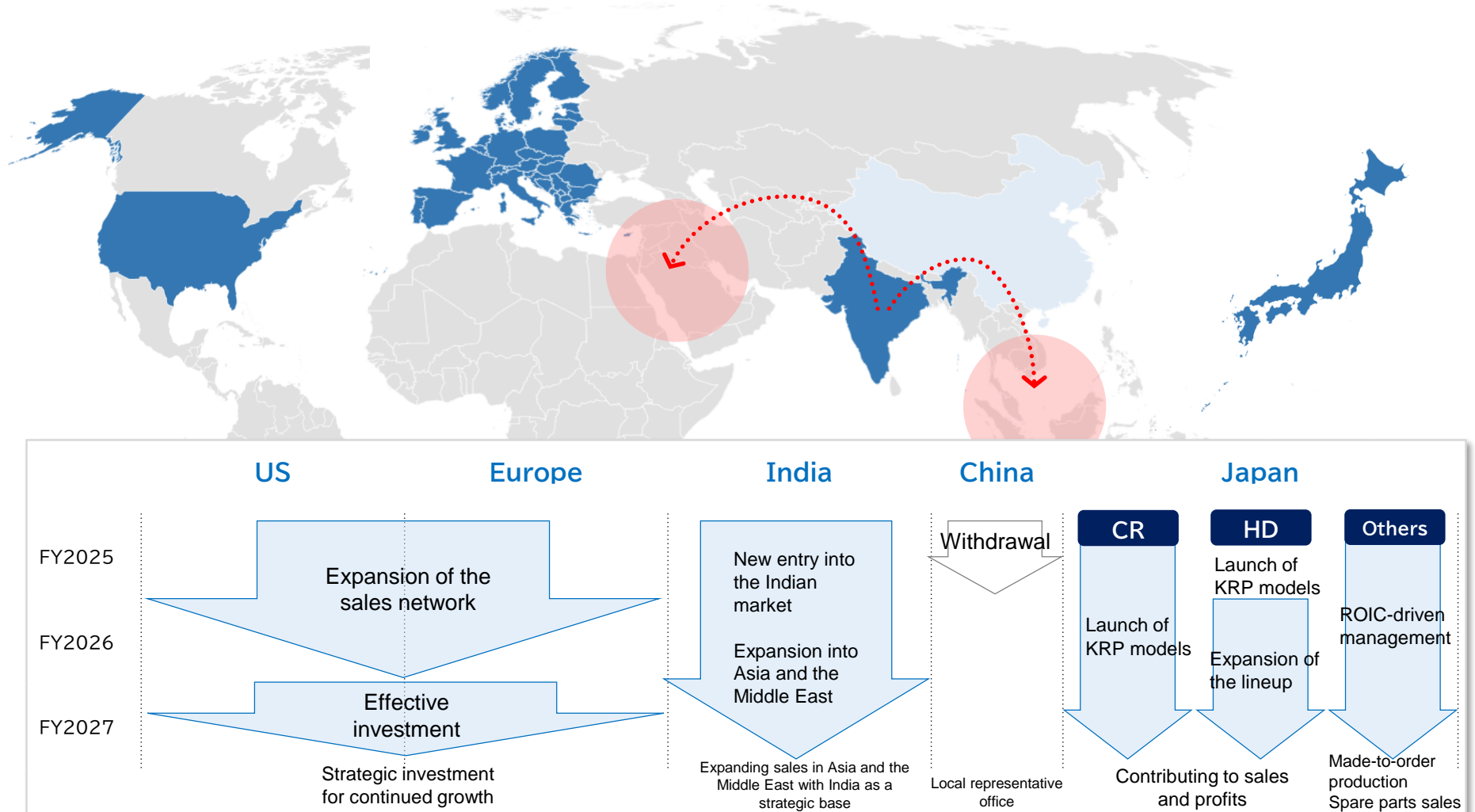
- Shifting from the PREVIOUS PLAN, which prioritized rationalization for a return to profitability, to a strategy focused on strengthening and expanding business capabilities for performance growth.
- Maintaining domestic sales while strengthening overseas sales, including business in India, for sustainable growth.



(2) Strategy for growth with effective investment

Regional growth strategy

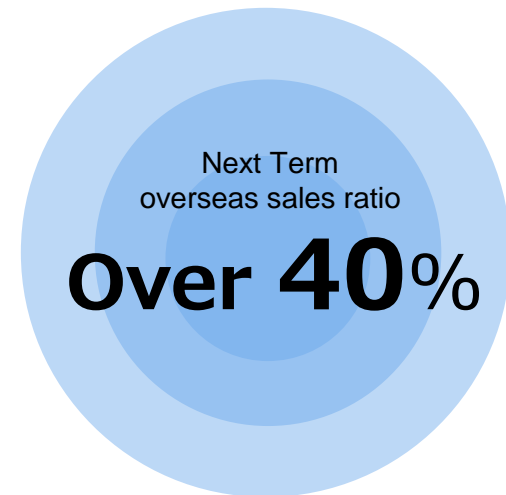
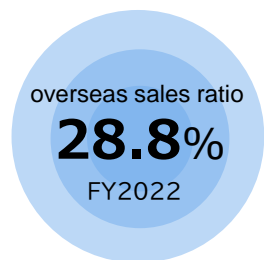
- In the domestic market, aim to increase sales and profits through competitiveness enhancement and the launch of new models.
- In overseas markets, pursue further business growth by entering new markets and strengthening sales networks in existing regions.



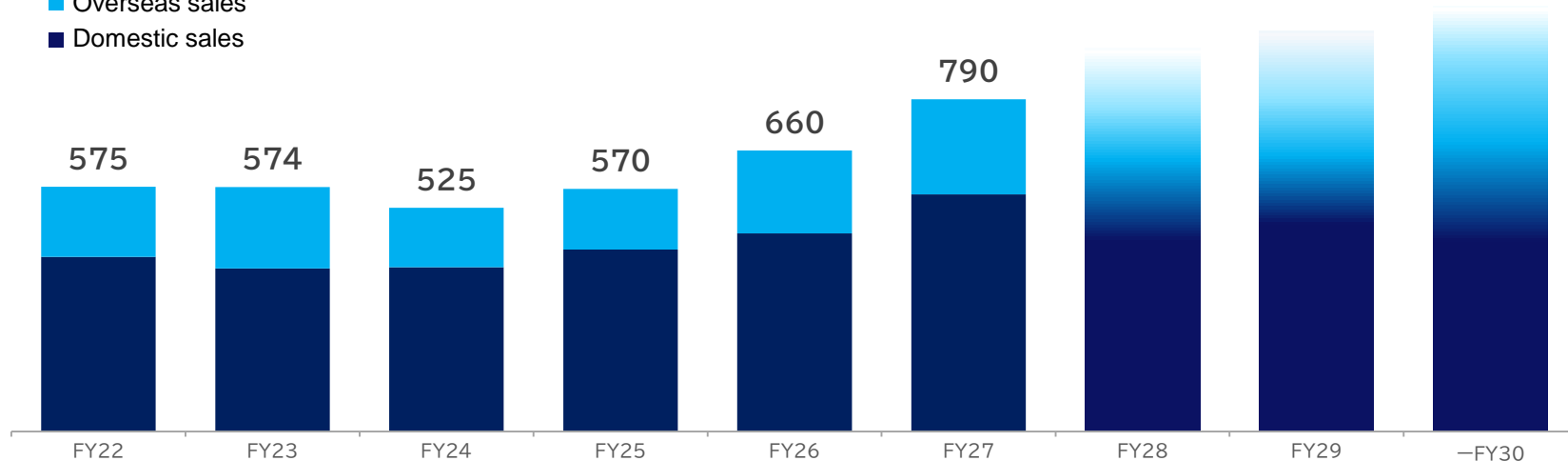
(2) Strategy for growth with effective investment Domestic and overseas sales

(Unit: 100 millions of yen)

- Although the domestic market is mature, we aim to expand our market share and increase revenue by enhancing product competitiveness and sales capabilities.
- In the medium to long term, we position our overseas business as a growth driver and aim to increase the overseas sales ratio to over 40%.

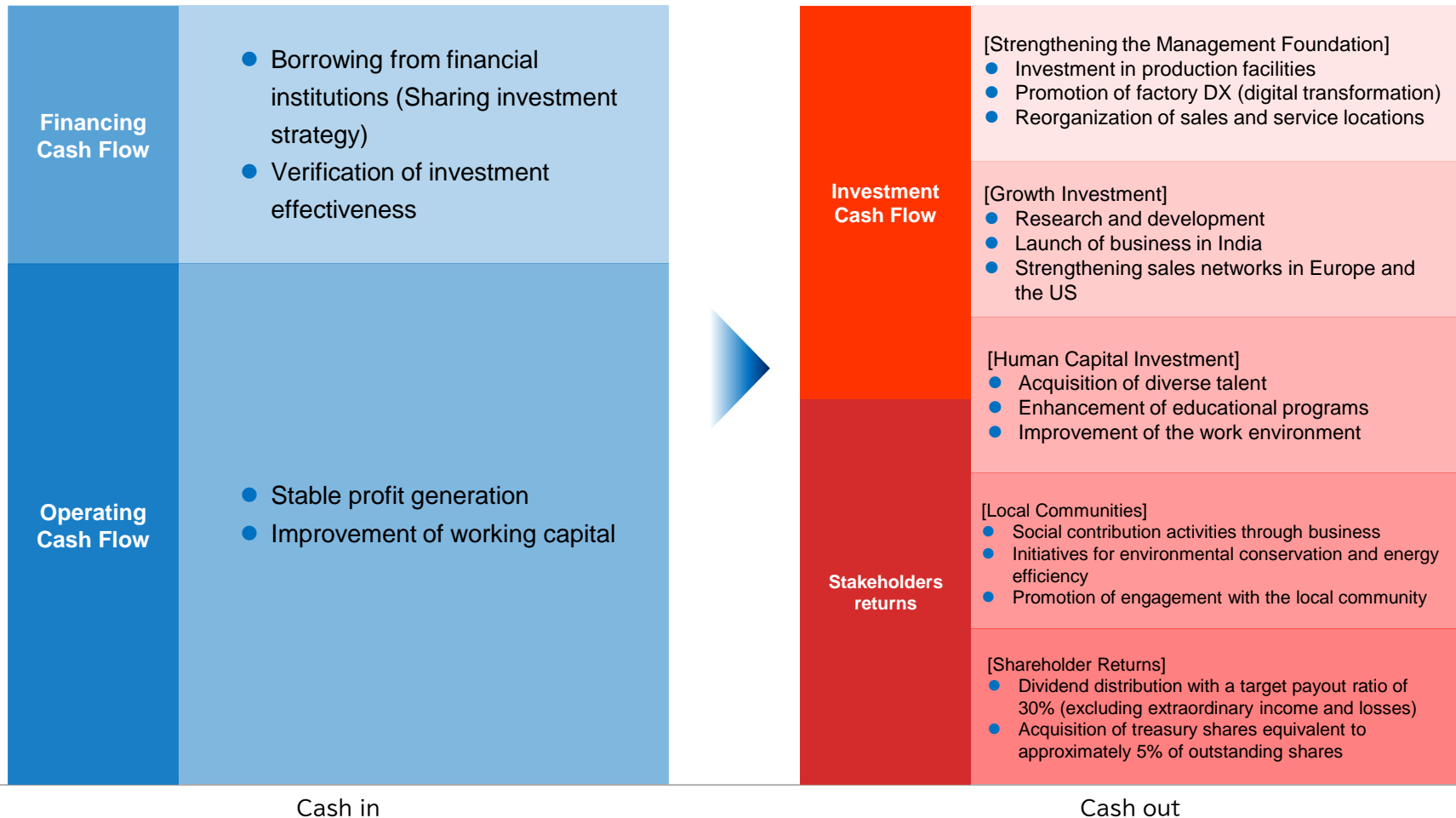


■ Overseas sales
■ Domestic sales



(2) Strategy for growth with effective investment Cash allocation

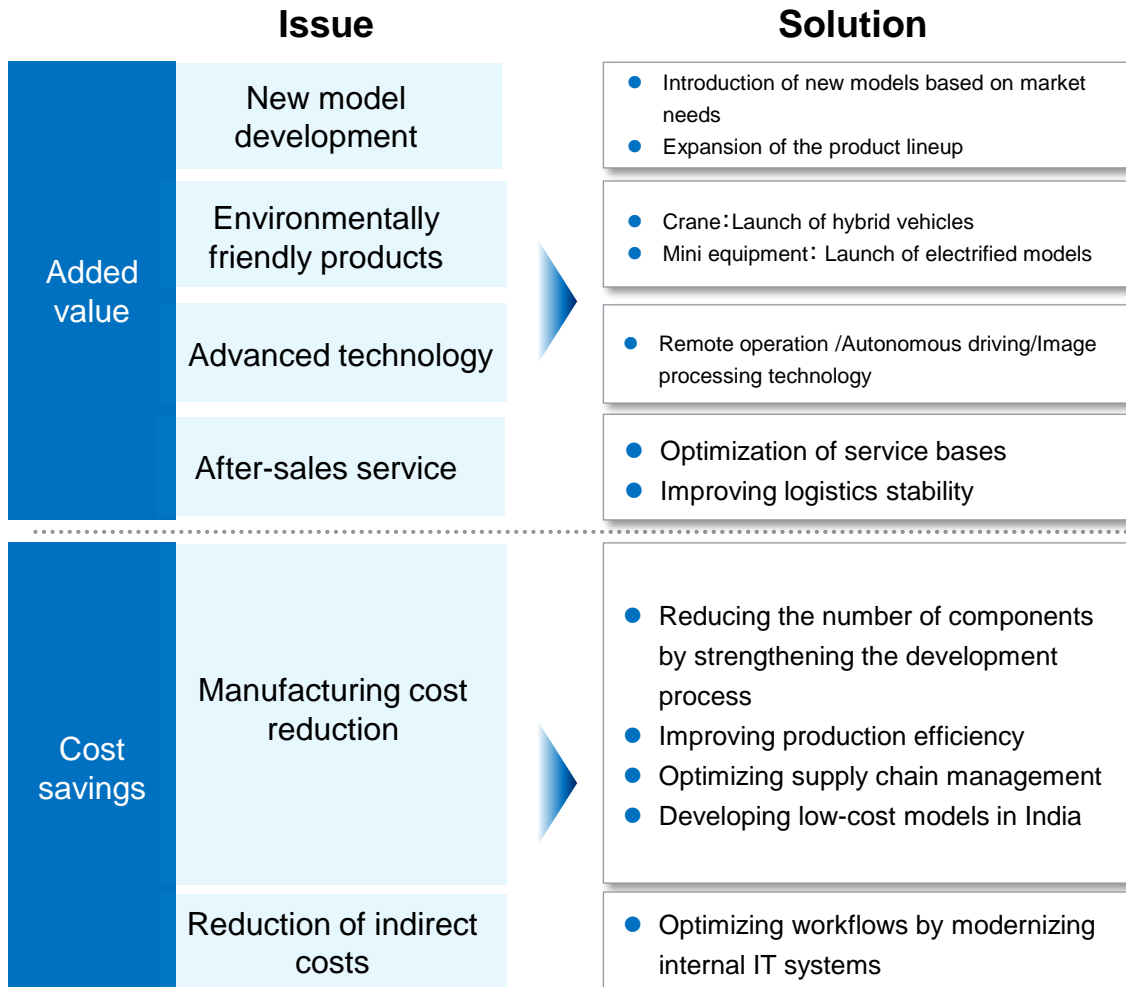
- Building on business revenue, we will further strengthen trust with financial institutions and stabilize cash inflows.
- To achieve mid-to-long-term business growth and improve capital profitability, we will implement investments and returns for stakeholders.



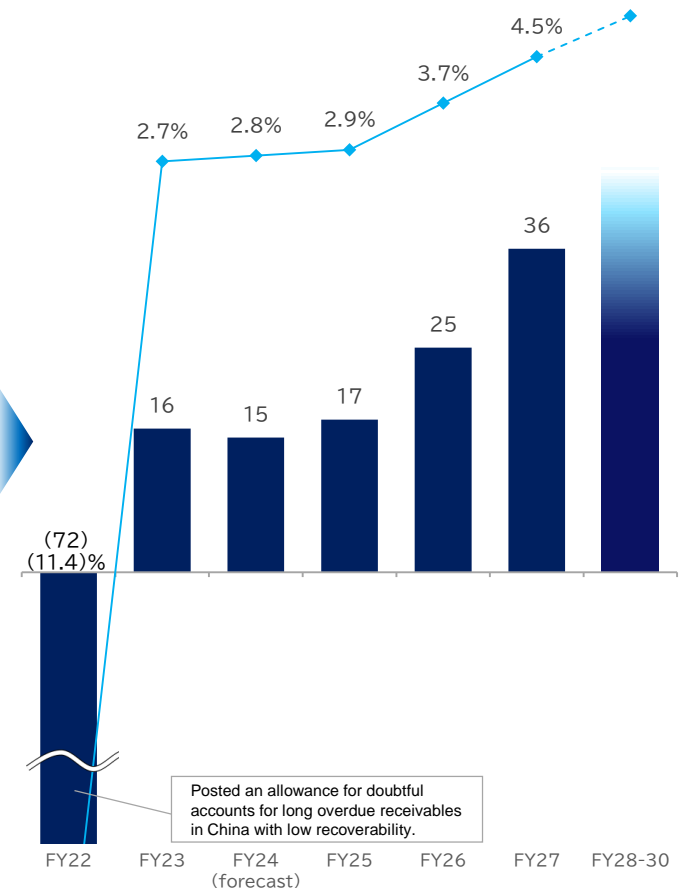
(3) Further improvement of profitability Plan to enhance profitability

(Unit: 100 millions of yen)

- Maintain the strategies of the PREVIOUS PLAN.
- Improve profitability by providing added value that meets market demand and saving costs.



Operating profit and margin



(4) Implementation of sustainability management Promotion of materiality

- By addressing the five materialities, we aim to become a company that earns the empathy and support of all stakeholders.

The five key materialities

Creating innovations that enrich society

- Technology development that creates new value
- Developing human-friendly products
- Improving customer satisfaction



Contributing to a sustainable global environment

- Reduction of CO₂ emissions
- Sustainable and efficient energy consumption
- Reduction of waste
- Development of environmentally friendly products



Creating a workplace where employees thrive

- Establishing a safe and hygienic work environment
- Strengthening diversity in recruitment and talent development
- Promoting women's empowerment in the workplace
- Promoting work-life balance
- Strengthening employee engagement



Consolidating the supply chain

- Strengthening sustainable procurement activities
- Improving quality across the entire supply chain
- Practicing fair trade



Establishing a responsible organizational structure

- Enhancing the effectiveness of the Board of Directors
- Strengthening compliance
- Risk assessment and response

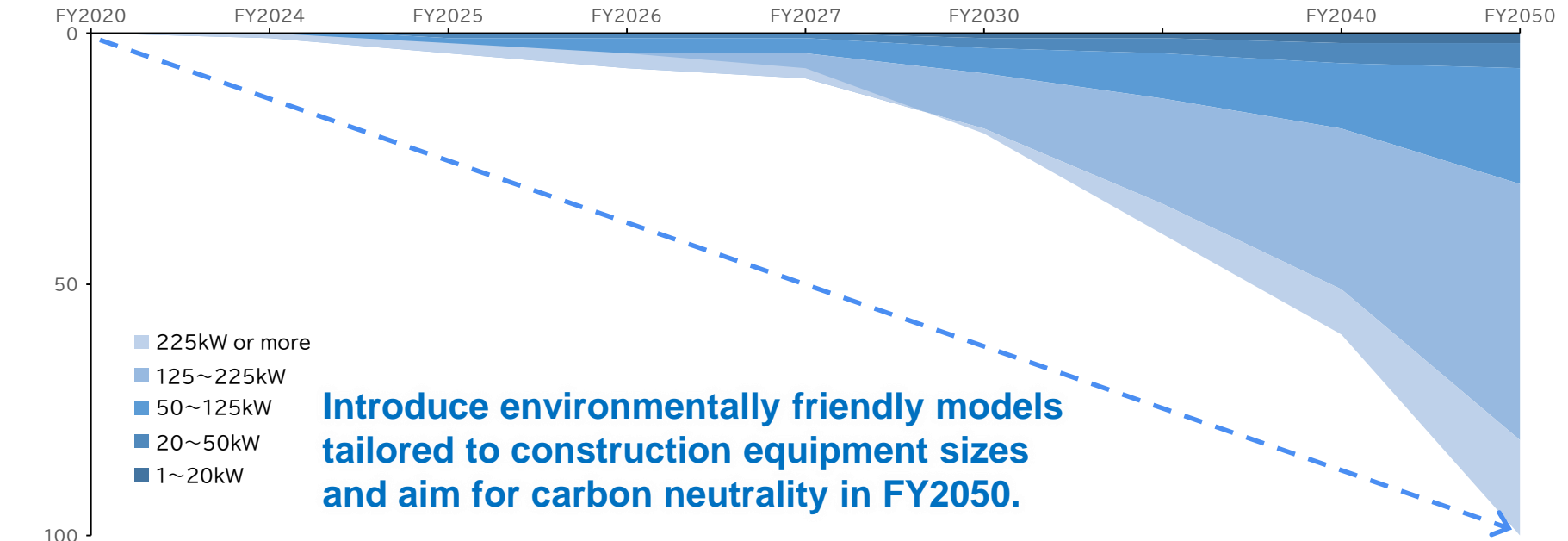


Achieving continuous corporate value growth

Details <https://www.kato-works.co.jp/sustainability/>

(4) Implementation of sustainability management Development of environmentally friendly products

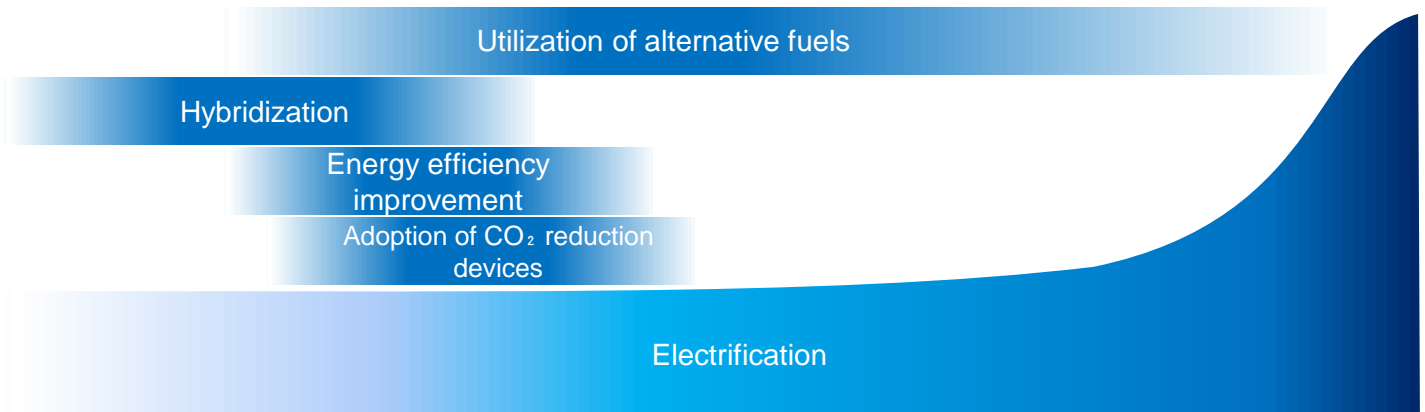
■ Achieving carbon neutrality by 2050, with 2020 CO₂ emissions set as the baseline (100).



Construction equipment size

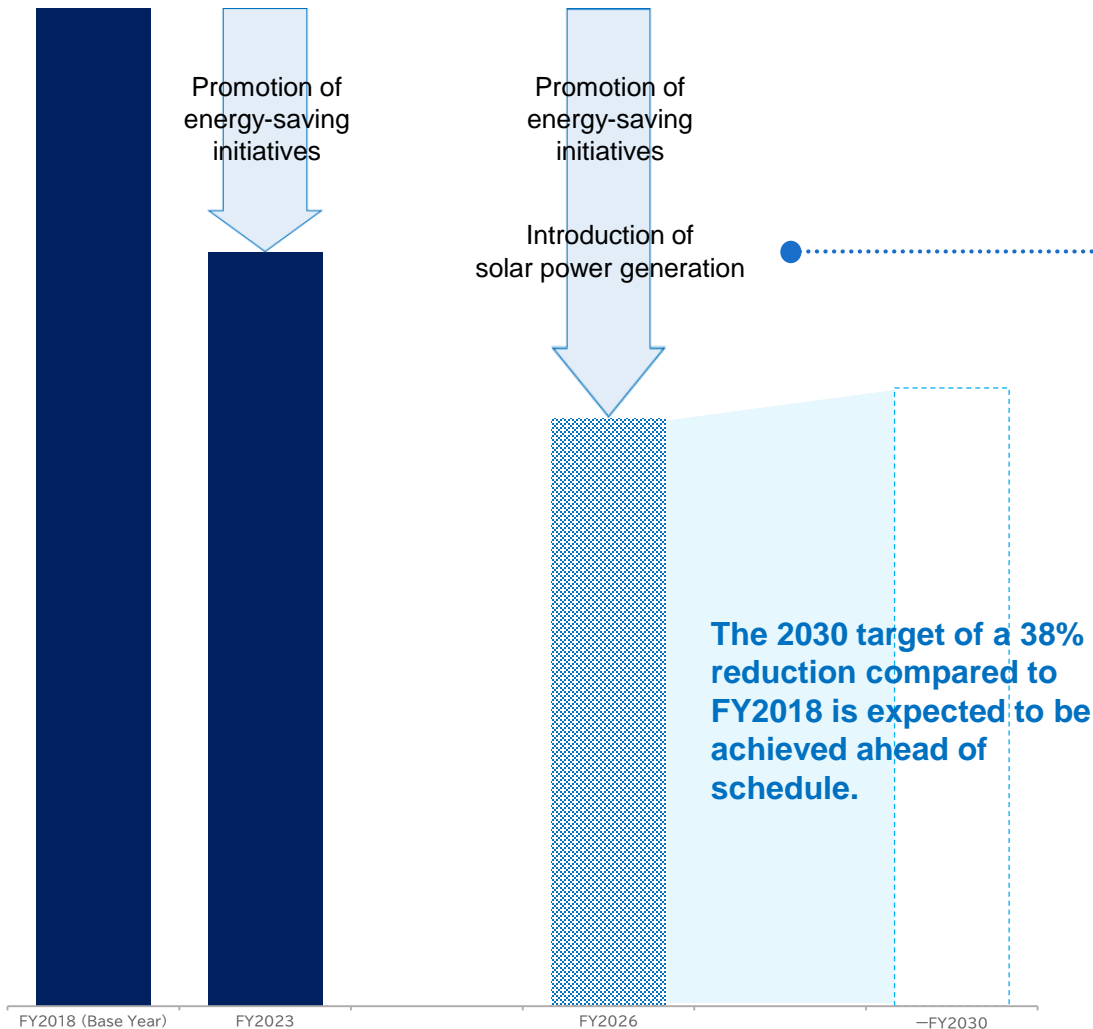
Big

Small



(4) Implementation of sustainability management Development of environmentally friendly products

- Utilizing electricity generated from solar power for business activities and continuously promoting CO₂ reduction.



Solar panels are scheduled to be installed at the Gunma Plant in January 2026.



- To continuously reduce CO₂ emissions and lower electricity costs, solar panels will be installed on part of the factory buildings at the Gunma Plant.
- With the introduction of the solar power generation system, we aim to achieve further CO₂ reductions beyond the decrease already achieved in FY2023 through energy-saving initiatives such as LED adoption.
- The full-scale operation of this system is expected to significantly advance our progress toward achieving our 2030 goal of a **38% reduction in CO₂ emissions compared to FY2018**.
- Exploring the possibility of introducing solar power generation systems at locations other than the Gunma Plant.

(4) Implementation of sustainability management Contribution to society

- We recognize that contributing to local communities, pursuing employee well-being, and enhancing the workplace environment lead to increased corporate value, and we are actively promoting these initiatives.

Support for earthquake recovery



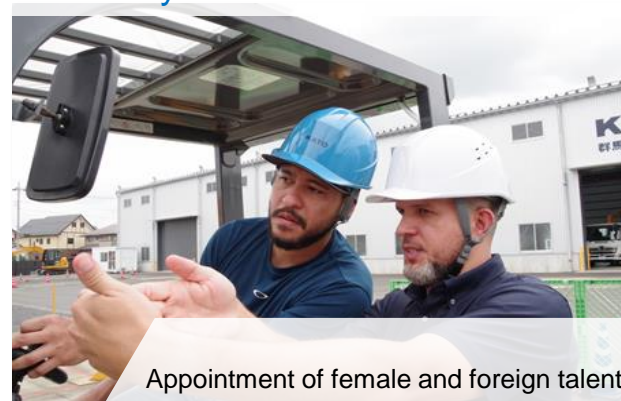
Workplace environment



Local communities



Diversity



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Notes

Contents on the present plans and the forecasts included in these materials are based on information presently obtained and certain premises deemed reasonable by the Company.

Actual business results, etc. may be significantly different due to various factors. Therefore, the materials do not promise or guarantee the realization of the plans or forecasts.