

Financial Results for the Six Months Ended September 30, 2024 (April – September)

November 8, 2024

KATO KATO WORKS CO., LTD.

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Status by segment (manufacturing base)



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Japan Net sales **23,386** million yen Operating profit **827** million yen

Same period of the previous fiscal year
Net sales 26,251 million yen
Operating profit 1,336 million yen

Manufacturing bases

- Ibaraki
- Gunma

Destinations

- Japan
- United States
- Southeast Asia
- Taiwan
- Middle and Near East, etc.

Key products

- Mobile cranes
- Construction equipment

TOPICS

- Sales decreased year on year due to delayed sales of certain large-scale products
- No large-scale sales for Southeast Asia were recorded this period, in contrast to the previous period.
- Exports for the United States decreased due to weakened demand ahead of the presidential election.

Europe Net sales **2,706** million yen Operating profit **45** million yen

Same period of the previous fiscal year
Net sales 2,872 million yen
Operating profit 60 million yen

Manufacturing base

- Italy

Destinations

- EU countries, etc.

Key products

- Construction equipment

TOPICS

- Sales decreased due to a decline in construction demand caused by rising energy prices.

China Net sales **1,037** million yen Operating profit **(231)** million yen

Same period of the previous fiscal year
Net sales 1,116 million yen
Operating profit (609) million yen

Manufacturing bases

- Kunshan
- Xiamen

Destination

- China, etc.

Key products

- Construction equipment

TOPICS

- Posted a loss on liquidation of subsidiaries (an extraordinary loss) of 6,180 million yen due to the dissolution and liquidation of two Chinese subsidiaries.

*Details are described on page 13. 2

Summary of consolidated financial results

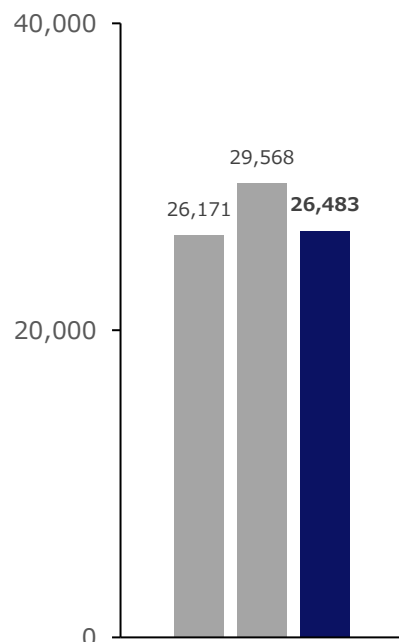


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(Unit: millions of yen)

Net sales
26,483

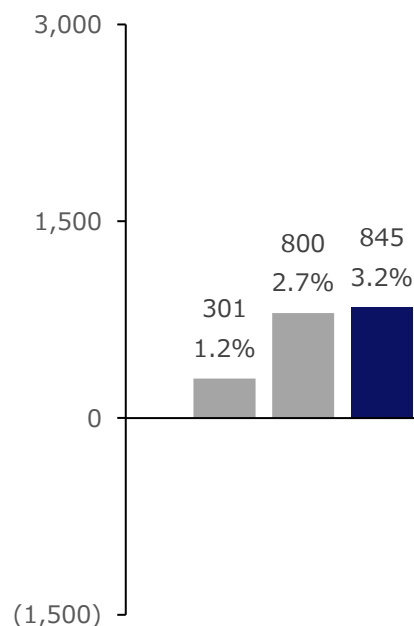
Year on year
(↓ -10.4%)



Six month ended September 30, 2022
Six month ended September 30, 2023
Six month ended September 30, 2024

Operating profit and margin
845

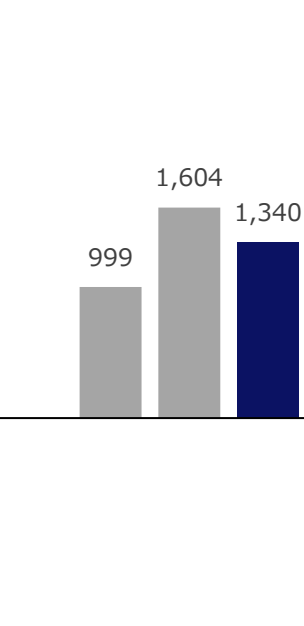
Year on year
(↑ +5.7%)



Six month ended September 30, 2022
Six month ended September 30, 2023
Six month ended September 30, 2024

Ordinary profit
1,340

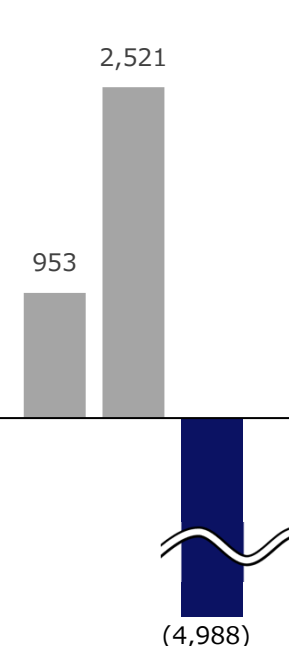
Year on year
(↓ -16.5%)



Six month ended September 30, 2022
Six month ended September 30, 2023
Six month ended September 30, 2024

Profit attributable to owners of parent
(4,988)

Year on year
(↓ -%)



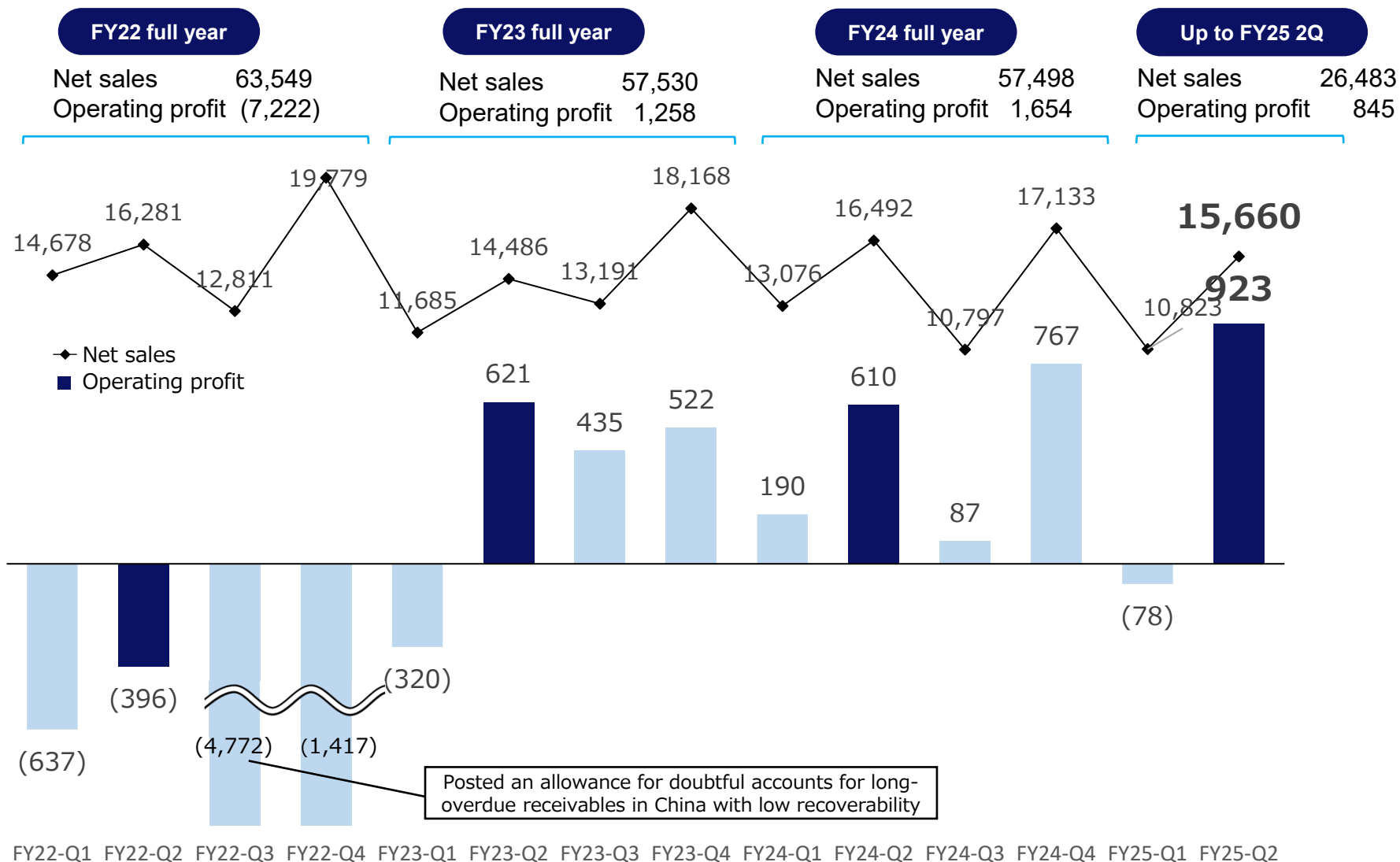
Six month ended September 30, 2022
Six month ended September 30, 2023
Six month ended September 30, 2024

Summary of consolidated financial results (Quarterly net sales and operating profit)



(Unit: millions of yen)

✓ **Seasonality:** Sales tend to be concentrated in Q2 and Q4



Consolidated statement of income



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(Unit: millions of yen)

	For the six months ended September 30, 2023		For the six months ended September 30, 2024		Year-on-year	
	Amount	Percentage	Amount	Percentage	Amount change	Percentage change
Net sales	29,568	100.0%	26,483	100.0%	(3,085)	(10.4)%
Cost of sales	24,458	82.7%	21,855	82.5%	(2,603)	(10.6)%
Gross profit	5,109	17.3%	4,627	17.5%	(482)	(9.4)%
Selling, general and administrative expenses	4,309	14.6%	3,781	14.3%	(528)	(12.3)%
Operating profit	800	2.7%	845	3.2%	45	5.7%
Non-operating income (expenses)	804	2.7%	494	1.9%	(310)	(38.6)%
Ordinary profit	1,604	5.4%	1,340	5.1%	(264)	(16.5)%
Extraordinary income (losses)	1,255	4.2%	(6,187)	(23.4)%	(7,442)	-
Profit before income taxes	2,859	9.7%	(4,847)	(18.3)%	(7,706)	-
Income taxes	372	1.3%	137	0.5%	(235)	(63.2)%
Profit (loss) attributable to non-controlling interests	(35)	(0.1)%	3	0.0%	38	-
Profit (loss) attributable to owners of parent	2,521	8.5%	(4,988)	(18.8)%	(7,510)	-

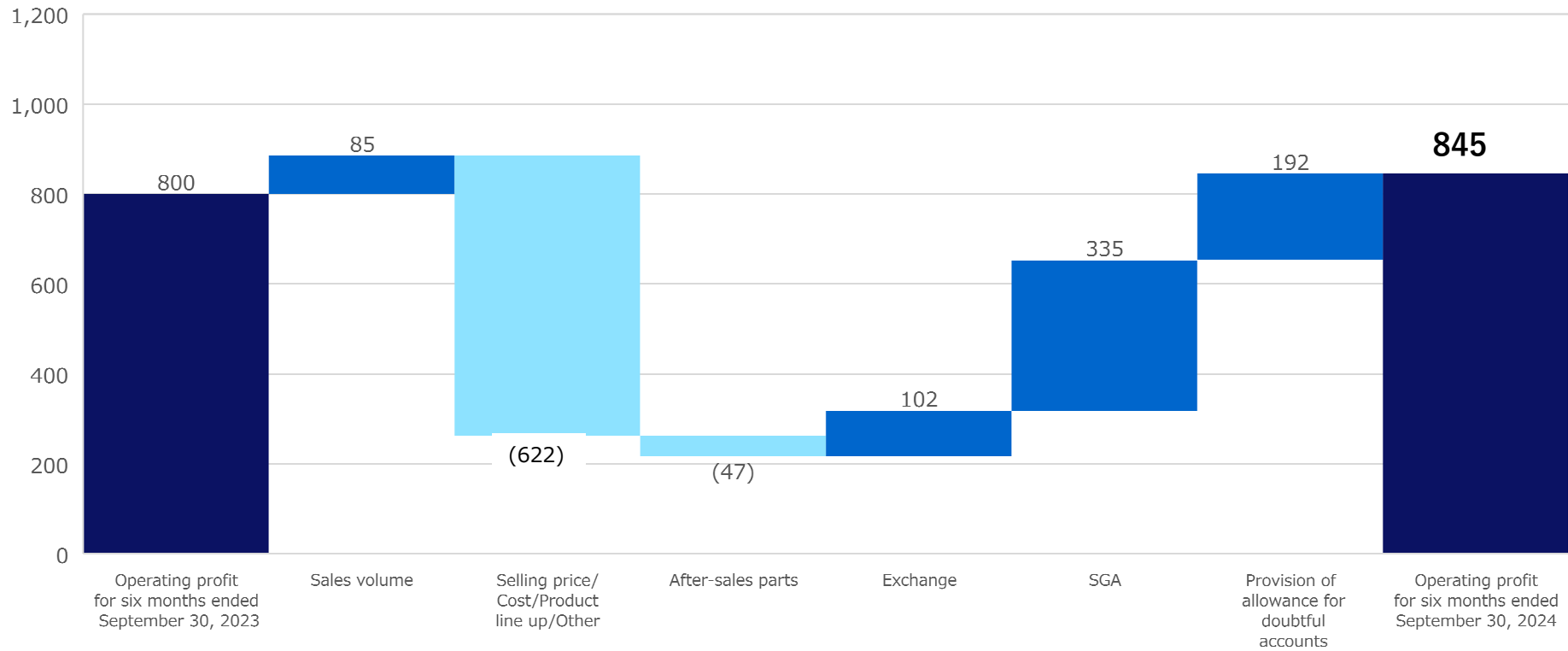
✓ **Net sales:** Sales decreased as demand in key markets fell short of initial expectations.

✓ **Cost of sales ratio:** Cost of sales ratio improved by 0.2 points from 82.7% to 82.5%. This is due to the continued implementation of profitability improvement measures in the Medium-term Management Plan.

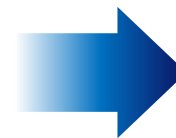
✓ **Extraordinary income (losses):** Posted an extraordinary loss of 6,180 million yen due to a loss on liquidation of subsidiaries after readjusting businesses in China.

Analysis of changes in operating profit (loss)

(Unit: millions of yen)



- Increase in sales volume 85
- Changes in selling prices/cost/product line up/others (622)
- Decrease in sales of after-sales parts (47)
- Fluctuation in exchange rates 102
- Decrease in SGA 335
- Decrease in provision of allowance for doubtful accounts 192



845

+45 year on year

Sales of inventory equipment from Chinese subsidiaries and company-wide reduction in SGA contributed to operating profit.

Consolidated balance sheet



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(Unit: millions of yen)

Total assets as of March 31, 2024
105,330

Total assets as of September 30, 2024
95,500 (-9,830)

Current assets 82,814		Current liabilities 38,420	
•Cash and deposits	22,566	•Trade payables	13,624
•Trade receivables	26,132	•Short-term borrowings	20,906
•Inventories	35,521	•Other	3,887
•Other	(1,405)		
Non-current assets 22,515		Non-current liabilities 15,358	
•Property, plant and equipment	16,833	•Long-term borrowings	14,780
•Intangible assets	706	•Other	576
•Investments and other assets	4,976		
Net assets 51,551			
		•Retained earnings	34,431
		•Valuation and translation adjustments	5,977
		•Other	11,141

Assets

Liabilities and Net assets

Current assets 73,201		Current liabilities 36,522	
•Cash and deposits	9,503	•Trade payables	14,830
•Trade receivables	19,607	•Short-term borrowings	18,087
•Inventories	42,332	•Other	3,605
•Other	1,758		
Non-current assets 22,298		Non-current liabilities 12,976	
•Property, plant and equipment	16,468	•Long-term borrowings	12,615
•Intangible assets	1,032	•Other	361
•Investments and other assets	4,797		
Net assets 46,000			
		•Retained earnings	28,915
		•Valuation and translation adjustments	5,842
		•Other	11,242

Assets

Liabilities and Net assets

✓ Trade receivables *

•Japan	17,270	Turnover period Q1: 196.2 days Q2: 135.2 days (improved)
•Europe	2,740	
•China	1,080	

✓ Inventories *

•Japan	36,579	Turnover period Q1: 358.9 days Q2: 291.7 days (improved)
•Europe	3,485	
•China	2,462	

*These are reference figures prior to consolidation adjustments and do not match those in the balance sheet.

✓ Capital efficiency

Trade receivables and inventories of our businesses in China were factors contributing to the longer turnover periods. However, with the dissolution and liquidation of the local subsidiaries, capital efficiency is improving.

✓ Liabilities

Interest burden was reduced due to the progress in repaying borrowings.

✓ Retained earnings

Decreased due to the posting of extraordinary losses related to the dissolution and liquidation of two subsidiaries of businesses in China.

✓ Equity ratio

Maintained a high equity ratio of 48.1%.

Consolidated statement of cash flows



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(Unit: millions of yen)

		For the six months ended September 30, 2023	For the six months ended September 30, 2024
		Amount	Amount
Cash flows from operating activities	Profit before income taxes	2,859	(4,847)
	Depreciation	696	658
	Decrease (increase) in trade receivables	1,009	6,822
	Decrease (increase) in inventories	(240)	(9,146)
	Increase (decrease) in trade payables	50	823
	Other, net	(1,521)	(1,051)
Net cash provided by (used in) operating activities		2,854	(6,741)
Cash flows from investing activities	Purchase of property, plant and equipment	(401)	(578)
	Loans receivable or payments of loans receivable	-	-
	Other, net	1,828	469
Net cash provided by (used in) investing activities		1,426	(109)
Cash flows from financing activities	Increase (decrease) in interest-bearing debt	(4,287)	(5,579)
	Other, net	(367)	(441)
Net cash provided by (used in) financing activities		(4,654)	(6,021)
Increase (decrease)	Effect of exchange rate change	163	9
	Net increase (decrease)	(210)	(12,862)
Cash and cash equivalents at beginning of period		19,977	22,366
Cash and cash equivalents at end of period		19,767	9,503

CF from operating activities

Increase of inventories due to production increase

CF from investing activities

Factory equipment updates, introduction of core systems, etc.

CF from financing activities

Repayment of long-term borrowings

Cash and cash equivalents at end of period

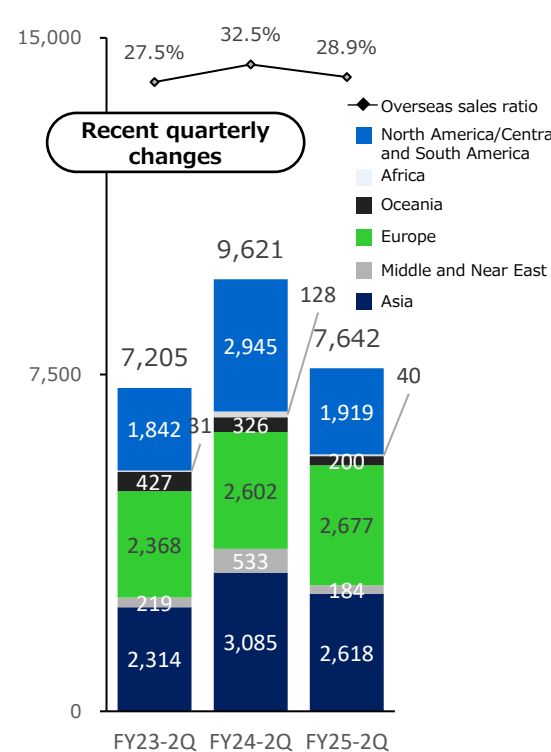
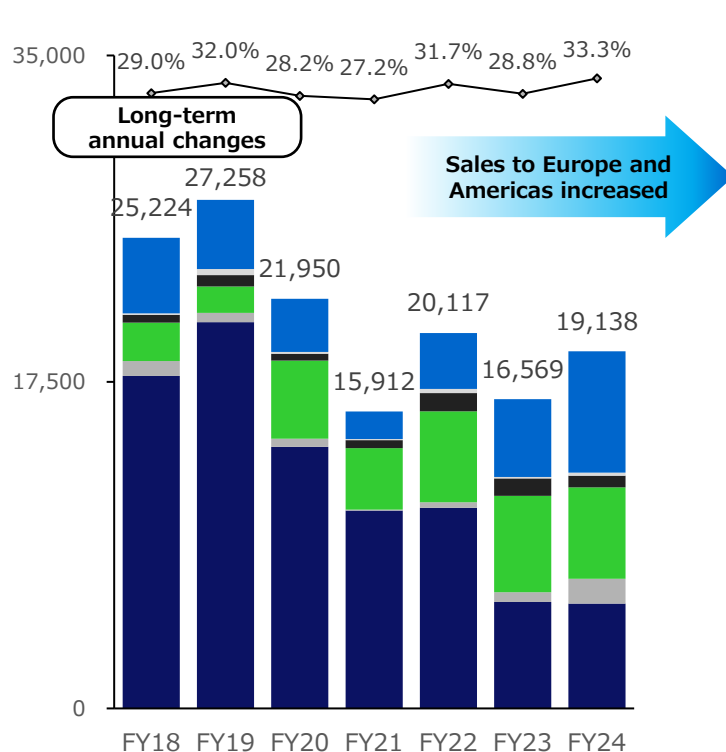
Decreased from 22,366 to 9,503

Changes in net sales by destination (excluding Japan)



(Unit: millions of yen)

	For the six months ended September 30, 2022		For the six months ended September 30, 2023		For the six months ended September 30, 2024		Year-on-year		Composition ratio of total net sales
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio	Amount change	Percent change	
Asia	2,314	32.1%	3,085	32.1%	2,618	34.3%	(466)	-15.1%	9.9%
Middle and Near East	219	3.1%	533	5.5%	184	2.4%	(348)	-65.4%	0.7%
Europe	2,368	32.9%	2,602	27.0%	2,677	35.0%	74	2.9%	10.1%
Oceania	427	5.9%	326	3.4%	200	2.6%	(125)	-38.4%	0.8%
Africa	31	0.4%	128	1.3%	40	0.5%	(87)	-68.2%	0.2%
North America/Central and South America	1,842	25.6%	2,945	30.6%	1,919	25.1%	(1,025)	-34.8%	7.2%
Total overseas sales	7,205	100.0%	9,621	100.0%	7,642	100.0%	(1,978)	-20.6%	28.9%



Transformation of Overseas Business

✓ Shift from Asia to Europe and Americas

Sales ratio in Asia decreased, mainly due to continued sales decline in China, while focus shifted to Europe and Americas to maintain overseas revenue.

North America/Central and South America

Sales declined due to cautious spending ahead of the U.S. presidential election, but a recovery is seen toward the fiscal year-end.

Europe

Sales remain flat despite economic slowdown.

Asia

Sales decline due to ongoing dissolution and liquidation of two local subsidiaries in China.

Changes in net sales by principal item



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(Unit: millions of yen)

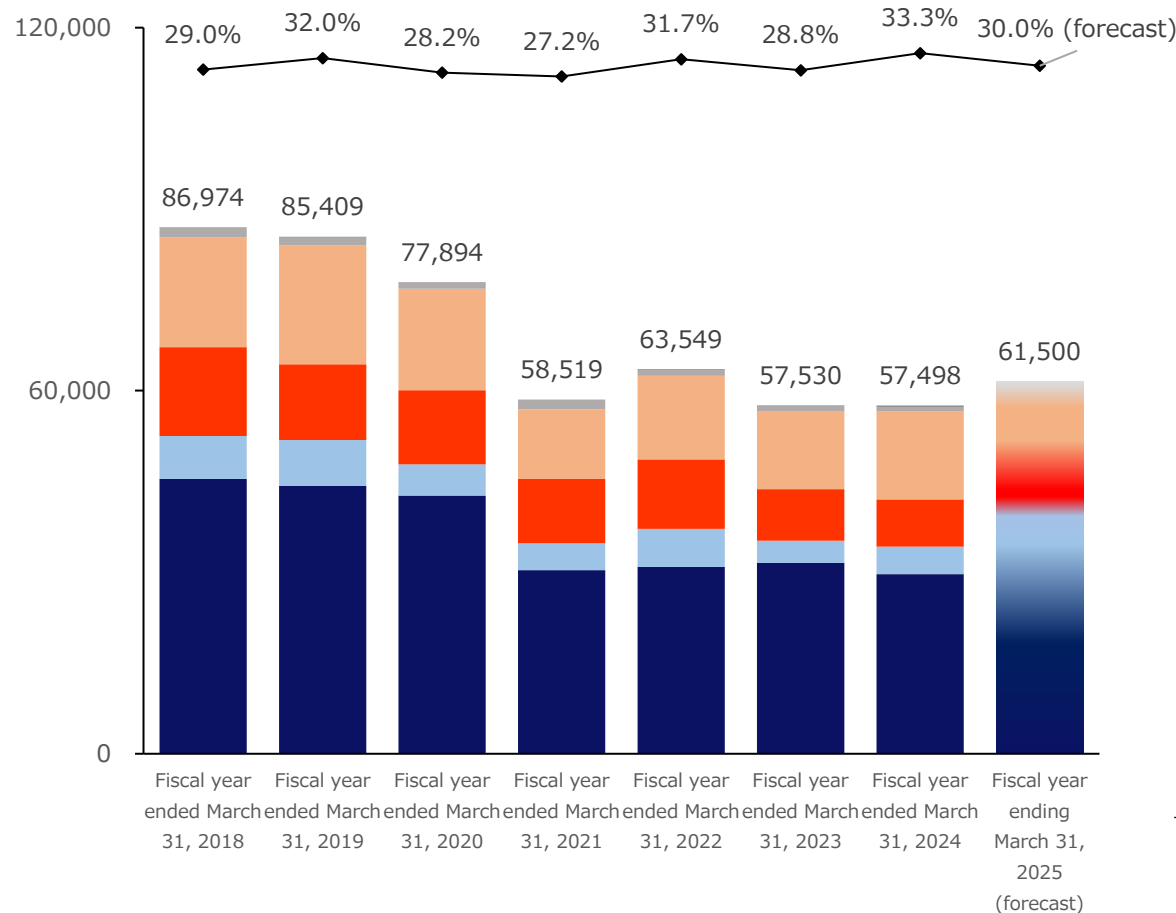
	For the six months ended September 30, 2022		For the six months ended September 30, 2023		For the six months ended September 30, 2024		Year on year	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio	Amount change	Percent change
Mobile Cranes								
Domestic sales	14,275	54.5%	15,682	53.0%	14,716	55.6%	(965)	(6.2)%
Overseas sales	1,772	6.8%	2,525	8.5%	2,196	8.3%	(329)	(13.0)%
Subtotal	16,047	61.3%	18,207	61.6%	16,912	63.9%	(1,295)	(7.1)%
Construction equipment								
Domestic sales	4,168	15.9%	3,950	13.4%	3,863	14.6%	(86)	(2.2)%
Overseas sales	5,432	20.8%	7,049	23.8%	5,394	20.4%	(1,654)	(23.5)%
Subtotal	9,600	36.7%	10,999	37.2%	9,258	35.0%	(1,740)	(15.8)%
Industrial equipment								
Domestic sales	522	2.0%	314	1.1%	260	1.0%	(54)	(17.2)%
Overseas sales	0	0.0%	46	0.2%	51	0.2%	4	10.8%
Subtotal	523	2.0%	361	1.2%	311	1.2%	(49)	(13.6)%
Total								
Domestic sales	18,966	72.5%	19,947	67.5%	18,841	71.1%	(1,106)	(5.5)%
Overseas sales	7,205	27.5%	9,621	32.5%	7,642	28.9%	(1,978)	(20.6)%
Total	26,171	100.0%	29,568	100.0%	26,483	100.0%	(3,085)	(10.4)%

Changes in net sales by principal item



(Unit: millions of yen)

✓ Expecting consolidated net sales of 61,500 million yen, with domestic sales recovery offsetting reduced demand in Europe and Americas



Mobile cranes

Domestic sales: The limited supply of major components for some mobile cranes, which began previous fiscal year, is gradually easing, with unit sales and market share expected to recover toward the end of the period.

Overseas sales: There will be no large-scale sales to Southeast Asia this period, unlike in the previous fiscal year.

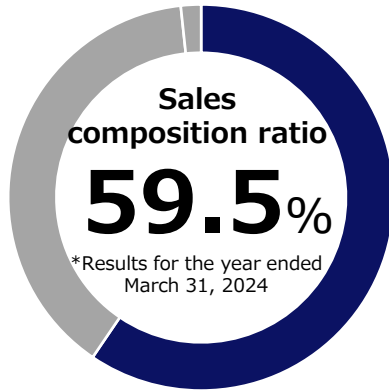
Construction equipment

Domestic sales: Sales enhancement measures implemented, with market share expansion anticipated.

Overseas sales: Sales for Europe and Americas expected to decline year on year.

Principal items

Mobile cranes



Line up

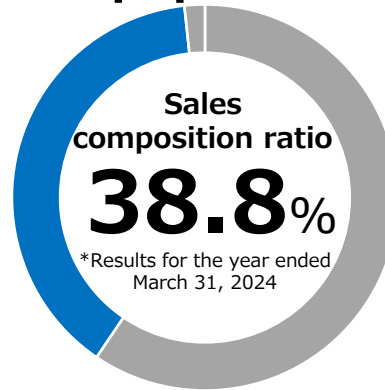


- ✓ Rough terrain cranes
*cabin integrated for traveling and crane operation
- ✓ All terrain cranes
*cabins separated for traveling and crane operation
- ✓ Crawler cranes
and other various mobile cranes, manufactured and sold

Purposes

- ✓ Used at construction sites for infrastructure, buildings, and residential housing.

Construction equipment



Hydraulic excavators



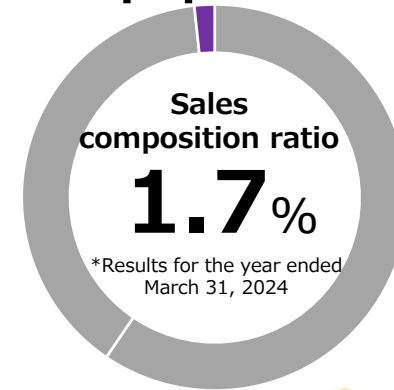
- ✓ Mini excavators (vehicle body weight: 0.9-10 tons)
- ✓ Mid- and large-sized excavators (vehicle body weight: 8-50 tons) manufactured and sold widely
- ✓ Used for developing land for construction and demolishing structures

Crawler carriers



- ✓ Used for carrying materials on rough terrain, such as infrastructure development, civil works and , and disaster areas

Industrial equipment



Street sweepers



Vacuum trucks



Snow sweepers



- ✓ Customers include public institutions and airports. Sales composition ratio is low, but competition is limited, with a wide range of special-purpose vehicles manufactured and sold.

Extraordinary losses posted



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✓ We initially estimated an extraordinary loss of 7,000 million yen (a loss on liquidation of subsidiaries) due to dissolution and liquidation of two subsidiaries in China. However, after reassessing the sales plan based on highly recoverable sales prices, the actual loss was reduced to 6,180 million yen.

✓ This adjustment was already reflected in the revised financial results forecast announced on August 9, 2024.

(Unit: millions of yen)

Retirement-related expenses	(561)	
Provision of allowance for doubtful accounts	(2,930)	
Loss on valuation of inventories	(2,566)	(6,180)
Impairment losses	(23)	
Other expenses	(98)	

Revised full-year consolidated financial results forecast for fiscal year ending March 31, 2025



- ✓ While net sales are expected to increase year on year, the Company has revised the net sales forecast downward from the August 9, 2024 announcement, as domestic and overseas demand fell short of initial expectations. Although operating profit is anticipated to decrease due to lower sales, ordinary profit is expected to increase from the August 8 forecast, driven by higher rental income in the hotel business and other revenue.
- ✓ Profit attributable to owners of parent is expected to improve as a result of reassessing the inventory sales plan in China to achieve higher recoverable prices, leading to a smaller anticipated loss.

Net sales

70,000 → 61,500

Year on year: 57,498 (+7.0%)

(Unit: millions of yen)

Operating profit

2,100 → 1,500

Year on year: 1,654 (-9.3%)

Ordinary profit

1,500 → 1,600

Year on year: 2,575 (-37.9%)

Profit

Attributable to owners of parent

(5,400) → (4,200)

Year on year: 4,235 (-%)

Exchange rate	Fiscal year ending March 31, 2025	
	First half	Second half
USD / JPY	135.0	140.0
CNY / JPY	22.0	19.0
EUR / JPY	150.0	155.0

Dividend forecast maintained for fiscal year ending March 31, 2025

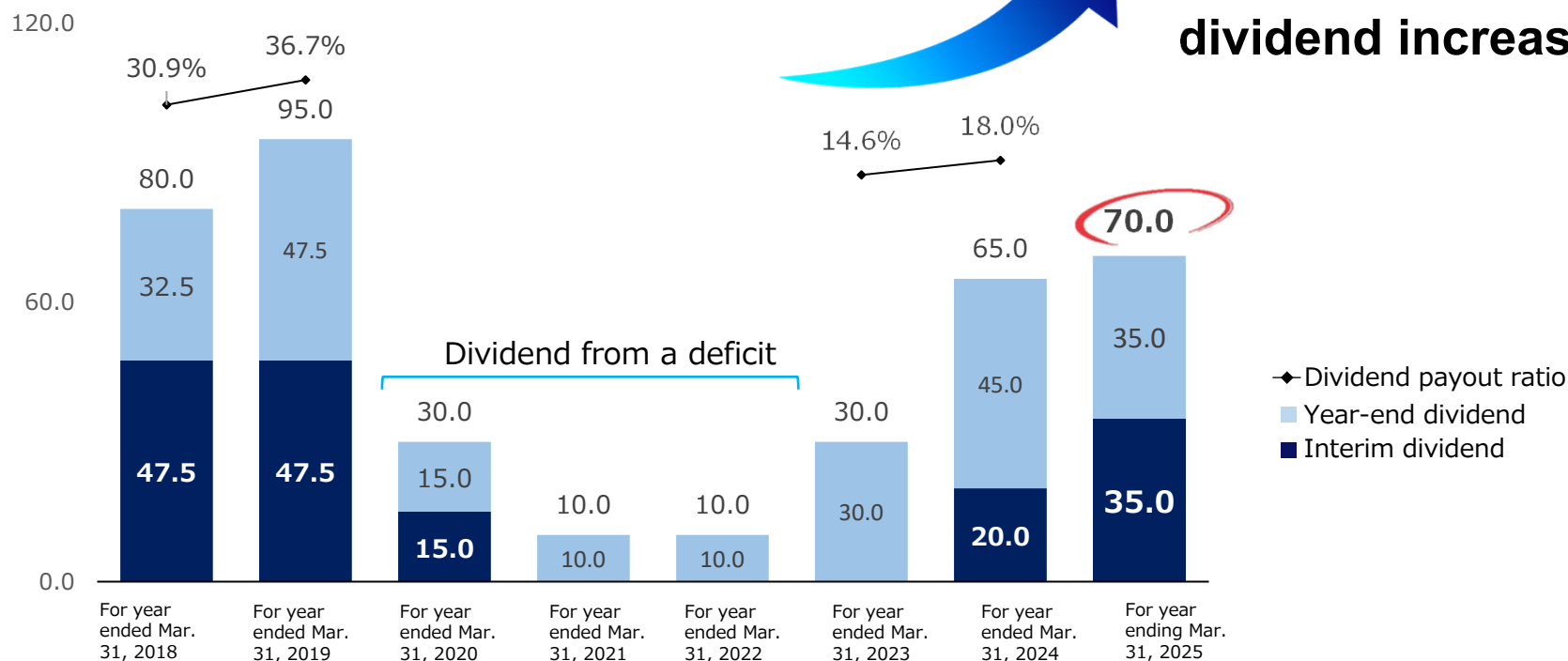
- ✓ The current stable dividend policy remain unchanged, and there are no revisions to the dividend forecast announced on August 9, 2024.
- ✓ Although the dissolution and liquidation of two subsidiaries in China led to a loss on liquidation of subsidiaries (an extraordinary loss) of 6,180 million, temporarily impacting results, the Company expects to secure long-term profits through the profitability improvement measures outlined in the Medium-term Management Plan. From the perspective of enhancing shareholder returns, the planed dividend increase of 5 yen year on year is maintained.

Dividend forecast

35 yen (Interim) **35 yen** (Year-end) **70 yen** Year on year (↑+ 5 yen)

Enhanced shareholders returns

Planned 3-year consecutive dividend increase



TOPICS

1

World's First Hybrid Power Mobile Crane* to Accept Orders from November 8, 2024

*Rough terrain crane with an integrated driver's seat and crane operator's seat



- **Zero CO₂ emissions at construction sites**
Using the standard-equipped external power hydraulic unit "EK-UNIT" achieves zero CO₂ emissions at construction sites
- **Worry-free operation without run-down battery**
Operates on both a diesel engine and electric motor, enabling uninterrupted road travel without the worry of a run-down battery
- **Affordable price**
Achieves a hybrid power model at approximately half price of a fully electric crane (a fully electric crane is estimated to cost four times more than traditional diesel models)
- **Standard retail price**
73.8 million yen (excluding tax)
- **Sales target**
100 units/5 years

**Press release on November 8, 2024*

TOPICS

2

Full-Rotating Crawler Carrier IC70R Wins Good Design Award



- **Awarded the Good Design Award**
KATO WORKS received the 2024 Good Design Award for its Crawler Carrier IC70R.
- **Judge's Comment**
"By redesigning the layout of the equipment, it ensures good visibility, and with features like automatic restriction functions to address risks during operation and movement, its thorough commitment to safety is commendable."
(*Excerpt)

*Press release on October 16, 2024

The KATO logo is displayed in white capital letters on a dark blue rectangular background.

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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.

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