

May 14, 2024

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### **Readjustments of Mini Excavator Business in China**

KATO WORKS CO., LTD. (the “Company”) hereby announces that the Company is currently readjusting the mini excavator business where the Company’s joint venture (subsidiary), KATO SCE (XIAMEN) CONSTRUCTION MACHINERY CO., LTD. (“KATO SCE”) is producing and selling mini excavators in Xiamen City, Fujian Province, CHINA, and plans to take steps, including the liquidation of KATO SCE.

KATO SCE was established and jointly funded by Ishikawajima Construction Machinery Co., Ltd. (acquired by the Company thereafter) and SCE Construction Machinery Co., Ltd. in Hong Kong in 2004. After licensing of technology, KATO SCE started producing and selling mini excavators in the following year. Since then, the sales and sales volume of KATO SCE have steadily increased helped by the rapid economic growth of China and high evaluation of the products from the market. Even during the period of economic slowdown in China, KATO SCE has remained in surplus and has delivered strong business results.

In recent years, however, severe business environment has continued, such as decrease in demand for construction machines due to the slowdown of infrastructure investments arising from the slump in real estate business in addition to the rise of the Chinese local manufacturers, and we now see no prospect for recovery.

In such a situation, after examining the future prospect of KATO SCE’s business and risks in case of its continuation, the Company has decided not to extend the joint venture agreement, which will expire in June 2024, and enter into negotiations with the joint venture partner, in which it will discuss several matters, including the liquidation of KATO SCE.

This is a part of the readjustments of our overseas business portfolio for the formulation of foundation for the future (“selection and concentration”) described in the Medium-term Management Plan. As described in “Suspension of production in KATO SCE (XIAMEN) CONSTRUCTION MACHINERY CO., LTD.” announced in March 8, 2024, the Company is now fundamentally reviewing its business, including this case, assuming the liquidation of two manufacturing bases in China which have played a part in the Group’s business results for a long time.

Meanwhile, for a next step, in order to form the business foundation in India which has grown to the world’s largest populous country by surpassing China as a new growing market, the Company has created the “Office for Indian Business” in the headquarters in January 2024. In addition to capturing huge demand for construction machines in India, a new major market replacing China, the Company will

expand its market area including neighbor countries around India to which the Company has not approached so far, and secure medium-and-long term revenues sources.

The Company is currently examining the impact this matter may have on its consolidated financial results for the fiscal year ending March 31, 2025. The Company plans to make timely announcements regarding the development of its overseas business, including this plan, as it progresses.

(Reference) Company profile of KATO SCE (XIAMEN) CONSTRUCTION MACHINERY CO., LTD.

Company name:	KATO SCE (XIAMEN) CONSTRUCTION MACHINERY CO., LTD.
Location:	Xiamen City, Fujian Province, CHINA
Date of establishment:	October 22, 2004
Capital:	30 million RMB (holding 51.0% of shares)
Business description:	Production and sales of products and parts such as hydraulic excavators