TAKEUCHI MFG. CO., LTD.

Financial Results Briefing for the Fiscal Year Ended February 2023

April 24, 2023

Event Summary

[Company Name]	TAKEUCHI MFG. CO., LTD.
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[Venue]	Webcast
[Venue Size]	
[Participants]	
[Number of Speakers]	3

	Toshiya Takeuchi	President and Representative Director
	Osamu Kobayashi	Director, Manager of Business Management Department
	Hiroshi Sakai	Manager of ESG Promotion Section, Business Management Department

Presentation

Kobayashi: I am Kobayashi, General Manager of the Business Management Department. Thank you very much for taking time out of your busy schedule today to attend our earnings presentation.

I will now explain our consolidated financial results for the fiscal year ended February 28, 2023, and our full-year forecast for the current fiscal year.

Summary of FY2022 Earnings Results

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(1) Robust product demand drives significant sales volume growth in both the US and Europe

- North American sales volume increased **+15.5%** (1st H: +24.1%, 2nd H: +7.5%, YoY)
- European sales volume increased **+4.7%** (1st H : -10.2%, 2nd H : +25.3%, YoY)
- Total sales volume increased **+ 9.1%** (1st H : +2.7%, 2nd H : +16.6%, YoY)

(2) Record-high net sales and profits (net sales +27.0%, operating profit +19.5%, YoY)

- Despite a softened housing market due to rising interest rates and material shortages, product demand remained strong.
- Demand continued to boom for water and gas pipeline infrastructure projects in both the US and Europe.
- Despite factors that reduced profits, such as rising raw material prices and **soaring transportation costs**, significant profit growth was achieved through higher sales, product price increases, and the impact of foreign exchange (forex) fluctuations.

Transportation costs softened starting in 4Q

(Billions of yen)

	FY2021					FY2022				
	1Q	2Q	3Q	4Q	Full	1Q	2Q	3Q	4Q	Full
SG&A expenses	2.9	3.1	3.1	3.3	12.5	4.4	6.1	6.4	4.7	21.8
of these, transportation costs	1.3	1.5	1.5	1.7	6.2	2.6	4.1	4.3	2.7	13.8

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See page two. I would like to explain some key points regarding the results for the fiscal year ended February 28, 2023, as compared to the previous fiscal year.

First, in terms of sales volume, product demand remained strong, with a large increase in the US due to brisk construction of water and gas pipes and other infrastructure for daily life in both Europe and the US.

As a result, sales in North America increased by 15.5%, sales in Europe increased by 4.7%, and overall sales increased by 9.1%.

The reason for the weak sales volume growth in Europe compared to North America was due to insufficient product inventory at the end of the previous period and insufficient supply from headquarters during the period.

Due in part to a tailwind from foreign exchange, consolidated net sales increased 27% and consolidated operating income rose 19.5%.

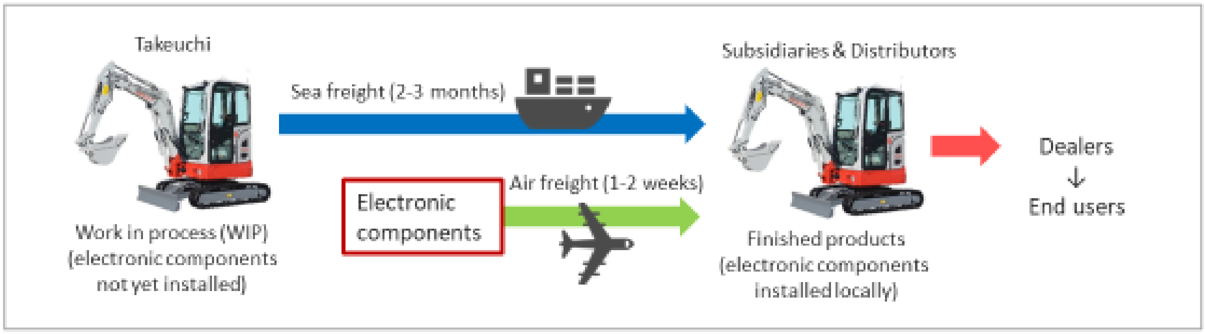
Summary of FY2022 Earnings Results

(3) Sustained high level of orders received

(Billions of yen)

	FY2021					FY2022				
	1Q	2Q	3Q	4Q	Full	1Q	2Q	3Q	4Q	Full
Orders received	60.1	52.9	63.5	53.1	229.8	66.5	64.2	47.0	57.9	235.8
Order backlog	71.7	83.7	114.7	133.8	—	158.0	178.6	178.8	190.7	—

(4) Shortage of electronic components for some models (since August 2021)



See page three.

Due to the shortage of electronic components, we continue to take temporary measures for some models as shown in the image.

Since electronic components had been delayed in arrival, work-in-progress products with electronic components unmounted were shipped ahead of time by sea, and electronic components obtained late were flown in later and retrofitted locally, thereby minimizing the impact on sales.

The effects of the ongoing actions just described are one of the reasons for the increase in work-in-progress products at the end of the period under review.

Consolidated Financial Highlights for FY2022

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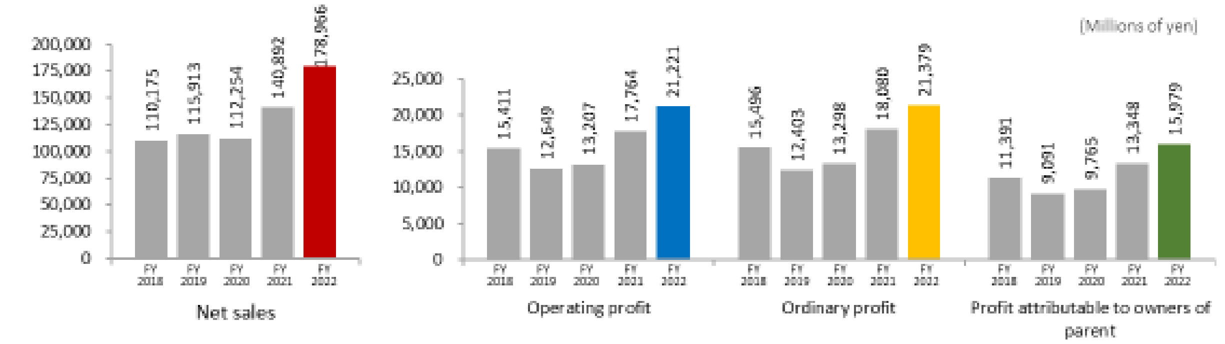
(Millions of yen)	FY2021 Full year	FY2021 Sales ratio	FY2022 1st half	FY2022 2nd half	FY2022 Full year	FY2022 Sales ratio	FY2022 Change	FY2022 (%)
Net sales	140,892	—	86,033	92,932	178,966	—	+38,074	+27.0%
Operating profit	17,764	12.6%	9,328	11,892	21,221	11.9%	+3,456	+19.5%
Ordinary profit	18,080	12.8%	10,339	11,039	21,379	11.9%	+3,298	+18.2%
Profit attributable to owners of parent	13,348	9.5%	7,663	8,316	15,979	8.9%	+2,631	+19.7%
Capital investment	4,420	3.1%	4,959	3,670	8,629	4.8%	+4,209	+95.2%
Depreciation	1,586	1.1%	780	1,258	2,039	1.1%	+452	+28.5%
Orders received	229,862	—	130,833	105,030	235,864	—	+6,002	+2.6%
Order backlog	133,849	—	178,649	190,747	190,747	—	+56,898	+42.5%



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See page four. I would like to explain the consolidated financial highlights.

Net sales totaled JPY178,966 million and operating income was JPY21,221 million, a record high.

The reasons for the increase or decrease in operating profit will be explained later on page eight.

Orders received increased JPY6,002 million to JPY235,864 million and the order backlog increased JPY56,898 million to JPY190,747 million, reflecting continued strong product demand.

Quarterly Net Sales and Operating Profit

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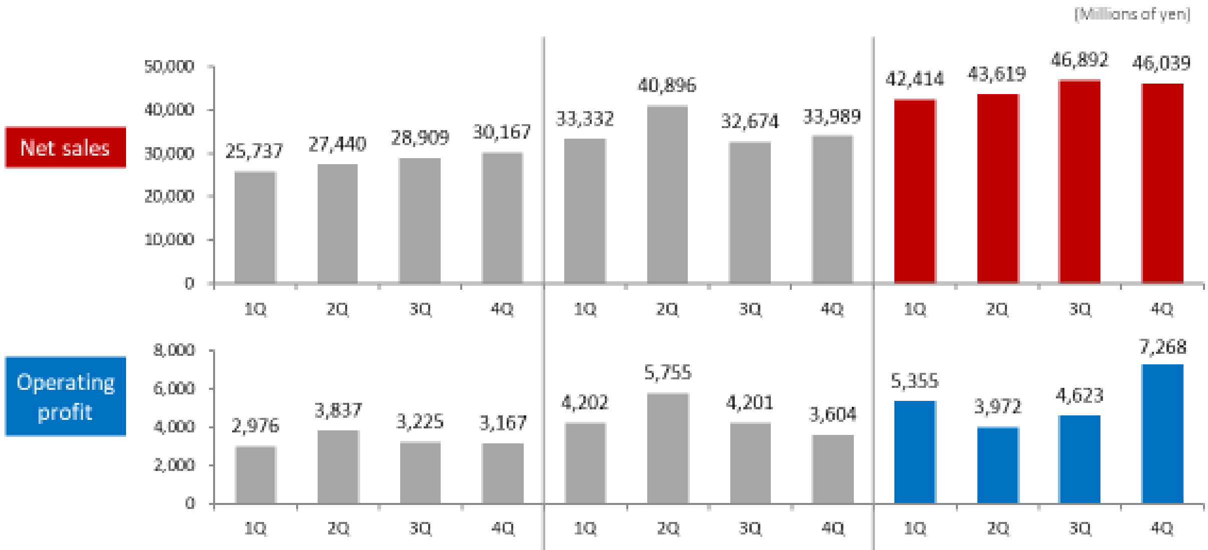

Exchange rates	FY2020				FY2021				FY2022			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
JPY/USD	108.44	106.90	105.19	104.01	108.89	109.96	110.66	114.70	121.43	133.43	143.54	134.12
JPY/GBP	135.64	133.65	136.89	140.48	151.26	153.60	152.21	154.07	157.87	163.51	166.55	163.00
JPY/EUR	120.10	120.70	123.89	125.77	130.43	131.70	130.56	129.41	133.83	138.77	142.85	142.51
JPY/RMB	15.50	15.10	15.28	15.76	16.45	17.07	17.08	17.90	18.56	19.70	20.11	19.60

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See page five. Quarterly operating revenues and operating profits.

The weak yen exchange rate provided a tailwind, resulting in high sales in both Q3 and Q4 of the current fiscal year.

While operating profit was restrained in Q2 and Q3 as ocean freight rates remained high, Q4 was a record high for the quarter due to the impact of the weaker yen and the shift to a downward trend in ocean freight rates.

Financial Results by Region for FY2022

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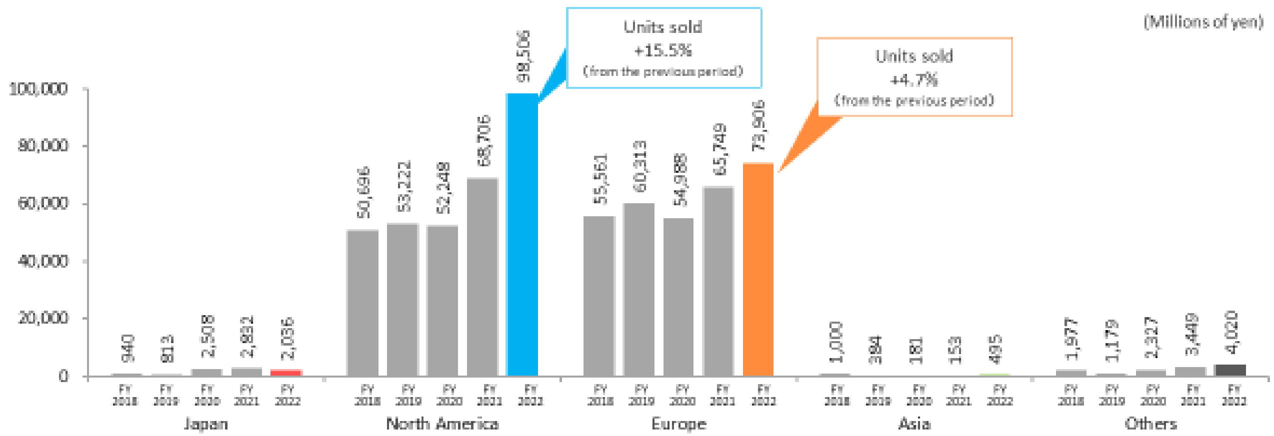
(Millions of yen)	FY2021		FY2022					
	Full year	Sales ratio	1st half	2nd half	Full year	Sales ratio	Change	(%)
Japan	2,832	2.1%	1,156	879	2,036	1.1%	(795)	(28.1%)
North America	68,706	48.8%	47,192	51,313	98,506	55.0%	+29,800	+43.4%
Europe	65,749	46.7%	35,418	38,488	73,906	41.3%	+8,157	+12.4%
Asia	153	0.1%	277	218	495	0.3%	+342	+222.8%
Others	3,449	2.4%	1,987	2,032	4,020	2.2%	+570	+16.5%
Total net sales	140,892	100.0%	86,033	92,932	178,966	100.0%	+38,074	+27.0%
Net sales overseas	138,060	98.0%	84,876	92,053	176,930	98.9%	+38,870	+28.2%



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See page six. This is operating revenues by region.

Operating revenue in North America increased JPY29.8 billion to JPY98,506 million, and operating revenue in Europe increased JPY8,157 million to JPY73,906 million.

Sales volume increased 15.5% in North America and 4.7% in Europe, and in both regions, sales were significantly higher than in the same period of the previous year, mainly due to price increases and the impact of yen depreciation.

As for the other areas, they are as you can see on the slide.

Geographic Segment Information and Results for FY2022

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(Millions of yen)		FY2021		FY2022					
		Full year	Profit ratio	1st half	2nd half	Full year	Profit ratio	Change	(%)
Japan	Net sales	48,981	—	29,448	31,210	60,658	—	+11,677	+23.8%
	Segment profit	12,449	25.4%	5,739	7,469	13,209	21.8%	+760	+6.1%
USA	Net sales	68,712	—	47,192	51,313	98,506	—	+29,793	+43.4%
	Segment profit	6,345	9.2%	4,980	4,915	9,895	10.0%	+3,550	+56.0%
UK	Net sales	13,923	—	6,022	6,107	12,130	—	(1,793)	(12.9%)
	Segment profit	1,256	9.0%	510	591	1,101	9.1%	(155)	(12.3%)
France	Net sales	9,207	—	3,282	4,240	7,523	—	(1,684)	(18.3%)
	Segment profit	623	6.8%	236	445	682	9.1%	+59	+9.6%
China	Net sales	66	—	87	60	147	—	+81	+122.7%
	Segment profit	85	—	(13)	33	20	13.8%	(64)	(76.1%)

- **Japan Segment: (TAKEUCHI MFG. CO., LTD.)**
  - Development and manufacture of construction machinery
  - Sales of construction machinery in Japan / Sales of construction machinery to distributors in Europe and Asia/Oceania
- **US Segment: (Takeuchi Mfg. (US), Ltd.)**
  - Sales of construction machinery in the US and Canada
  - [NEW] Manufacture of construction machinery in the US
- **UK Segment: (Takeuchi Manufacturing UK Ltd.)**
  - Sales of construction machinery in the UK
- **France Segment (Takeuchi France S.A.S.)**
  - Sales of construction machinery in France
- **China Segment: (Takeuchi Qingdao Mfg. Co., Ltd.)**
  - Sales of construction machinery in China
  - Manufacture of construction machinery for China and other parts of Asia
  - Manufacture, procurement, and sales of construction machinery components for the Japan segment

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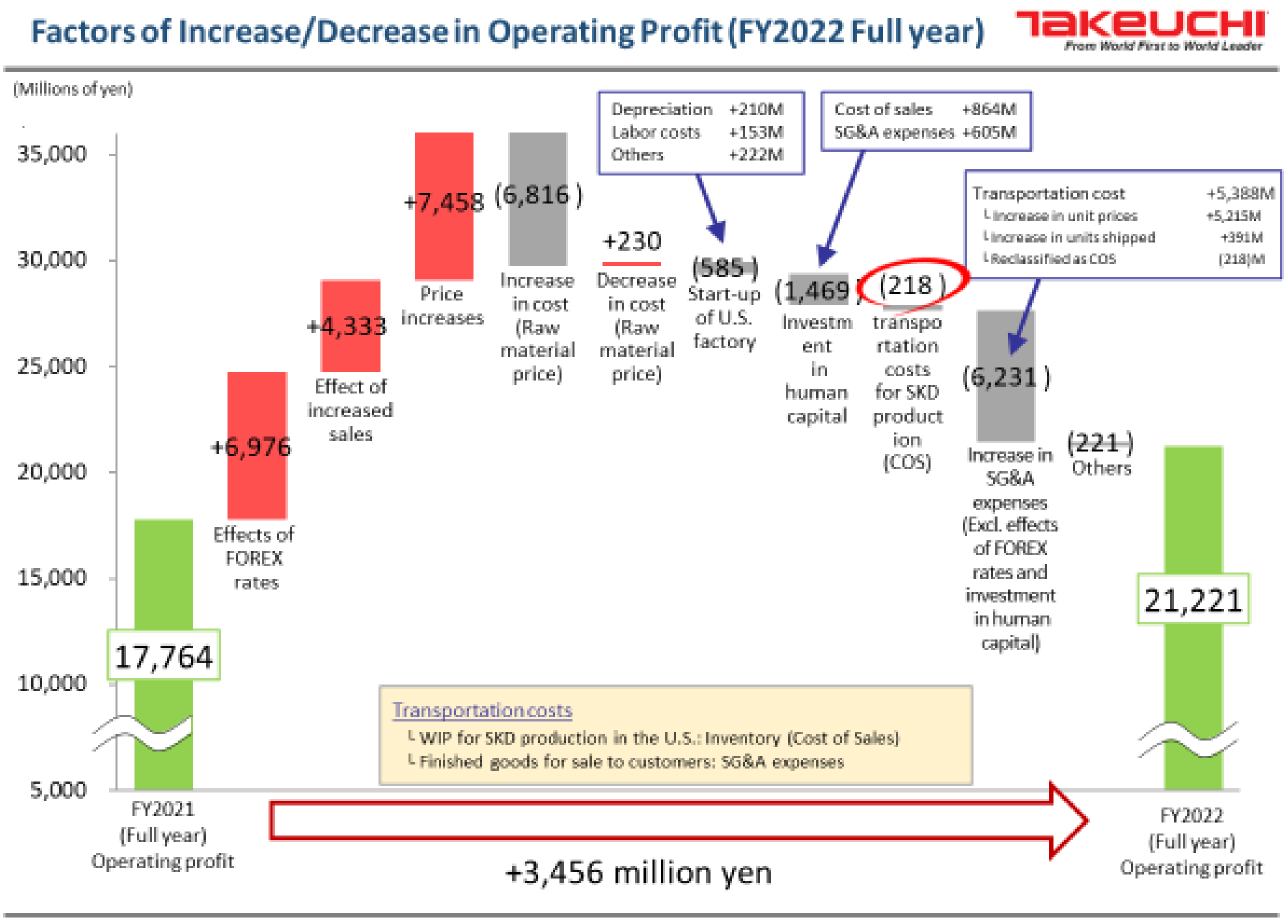
See page seven.

Segment information by geographical area is as stated, and we would like you to take a look at it.



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See page eight. I will now explain the factors behind the increase or decrease in consolidated operating profit.

The breakdown is as follows: foreign exchange effects increased income by JPY6,976 million, the effect of increased sales by JPY4,333 million, and the increase in selling prices by JPY7,458 million.

In addition, the cost increase in raw material prices led to a JPY6,816 million decrease in income, while cost reductions led to a JPY230 million increase in income. In addition, the start-up of the US plant costed JPY585 million, investments in human capital amounted to JPY1,469 million, transportation costs related to semi-knockdown production in the US amounted to JPY218 million, and an increase in SG&A expenses, excluding foreign exchange effects, amounted to JPY6,231 million, all of which contributed to the decrease in profit. Most of this increase in SG&A expenses is due to higher transportation costs.

The JPY218 million in work-in-progress product's transportation costs related to semi-knockdown production are transferred from SG&A expenses to cost of sales, and although they do not change operating profit, they are a factor that increases the cost of sales ratio, so they are shown in a separate graph.

As a result, including other factors, operating profit increased JPY3,456 million to JPY21,221 million.

Consolidated Balance Sheets (As of February 28, 2023)

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	(Millions of yen)	As of Feb. 28, 2022		As of Feb. 28, 2023			
		Balance	Composition ratio	Balance	Composition ratio	Change	(%)
Assets	Cash and deposits	47,258	34.4%	43,995	27.7%	(3,263)	(6.9%)
	Notes and accounts receivable - trade	25,737	18.8%	35,739	22.5%	+10,002	+38.9%
	Merchandise and finished goods	41,353	30.1%	47,723	30.1%	+6,369	+15.4%
	Other	2,356	1.7%	3,001	1.9%	+645	+27.4%
	Current assets	116,705	85.1%	130,459	82.2%	+13,754	+11.8%
	Non-current assets	20,496	14.9%	28,326	17.8%	+7,830	+38.2%
	Total	137,201	100.0%	158,785	100.0%	+21,584	+15.7%
Liabilities and Net assets	Notes and accounts payable - trade	24,491	17.9%	26,755	16.9%	+2,263	+9.2%
	Other current liabilities	8,045	5.9%	9,620	6.1%	+1,575	+19.6%
	Current liabilities	32,537	23.7%	36,376	22.9%	+3,838	+11.8%
	Non-current liabilities	580	0.4%	606	0.4%	+26	+4.6%
	Total Liabilities	33,117	24.1%	36,983	23.3%	+3,865	+11.7%
	Total net assets	104,083	75.9%	121,802	76.7%	+17,718	+17.0%
	Total	137,201	100.0%	158,785	100.0%	+21,584	+15.7%

See page nine. Consolidated balance sheet.

Notes and accounts receivable-trade and inventories increased significantly due to the increase in sales.

The increase in inventories was mainly due to an increase in work-in-progress products. However, this was due to prior shipments of work-in-progress products that had not yet been fitted with electronic components, as well as an increase in the number of work-in-progress that were shipped from the headquarters plant and transported to the US plant for longer distances due to the start of crawler loader production at the US plant.

Consolidated Statements of Cash Flows (FY2022, Results)

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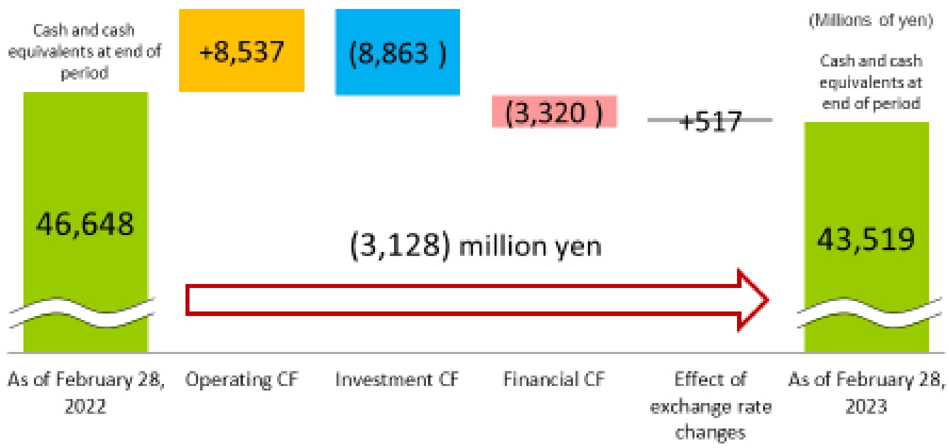

(Millions of yen)

Cash flows from operating activities	Change
Profit before income taxes	21,379
Depreciation	2,039
Decrease (increase) in merchandise and finished goods	(3,205)
Increase in working capital	(8,797)
Income taxes paid	(7,098)
Others	4,220
Total	+8,537

Cash flows from investing activities	Change
Net (increase) decrease in term deposits	(165)
Purchase of property, plant and equipment	(8,766)
Acquisition of intangible assets	(235)
Proceeds from redemption of securities	300
Others	3
Total	(8,863)

Cash flows from financing activities	Change
Dividends paid	(3,246)
Others	(74)
Total	(3,320)

See page 10.

The consolidated statements of cash flows are as stated and are available for your review.

Summary of FY2023 Earnings Results Forecast

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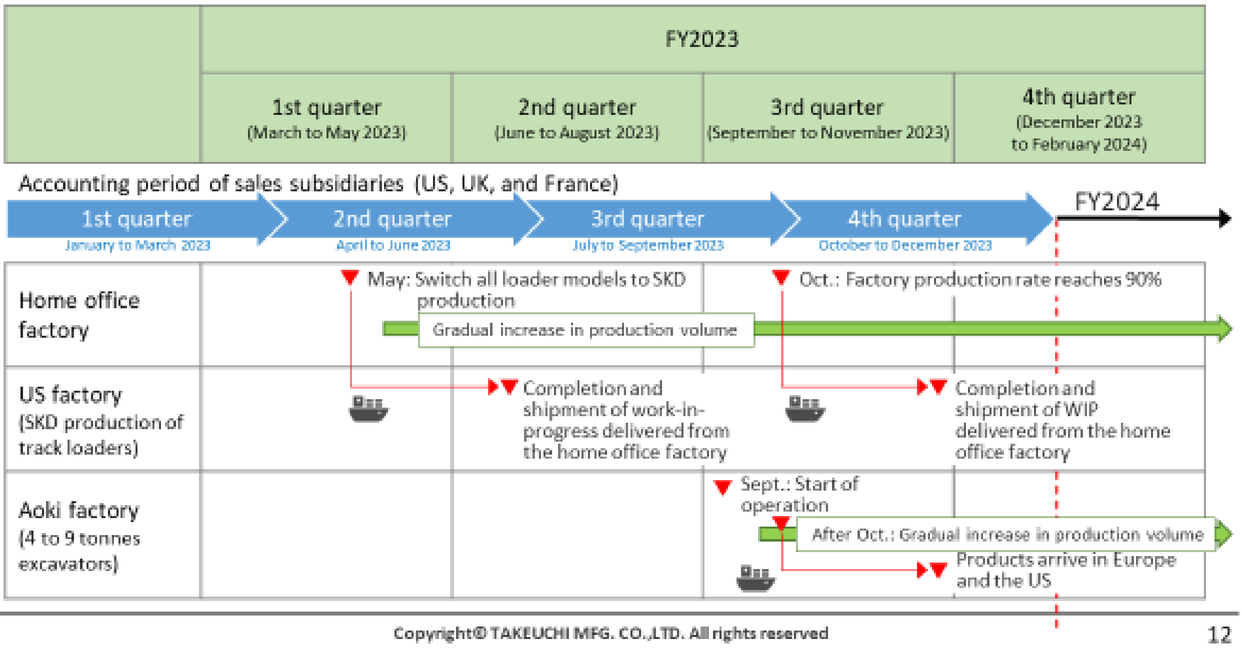
(1) Sales volume forecast

- North America: **+2.4%** expected (1st H: +2.1%, 2nd H: +2.7%, YoY)
- Europe: **+1.2%** expected (1st H: +2.5%, 2nd H: -0.2%, YoY)
- Total: **+1.8%** expected (1st H: +2.2%, 2nd H: +1.3%, YoY)

We expect the contribution of the US & Aoki factories to be reflected from FY2024.



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We will continue to explain our full-year consolidated earnings forecast for the fiscal year ending February 28, 2024.

See page 12. I would like to explain the key points of our business forecast for the fiscal year ending February 2024.

Regarding the first point, the sales volume forecast, we expect a 2.4% increase in North America, 1.2% in Europe, and 1.8% in total.

We expect that the production volume of the US plant, which started operation last September, and the Aoki plant, which is scheduled to start operation this September, will increase from H2 of the current fiscal year onward. Taking into account the accounting period of the sales subsidiaries and transportation to Europe and the US, we expect that products manufactured at both plants will contribute to the increase in sales volume only from the next fiscal year, the fiscal year ending February 2025.

Summary of FY2023 Earnings Results Forecast

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(2) Demand forecast Strong product demand is expected to continue in FY2023

Qualitative background

- The housing market has softened, but housing demand is strong (recovery trend)
- Aging infrastructure requires ongoing maintenance work

Quantitative basis

- Orders received in the previous fiscal year (12 months): 235.8 billion yen (record high)
- Order backlog at the end of the previous fiscal year: 190.7 billion yen (record high)

(3) Profit forecast … Factors that could lead to **increased profits** include:

Despite factors that could reduce profits, such as:

- Rising raw material prices
- Investment in human capital (increase in personnel and labor costs)
- Depreciation expenses for new factories and increasing expenses

- Product price increases (in both the US and Europe)
- Softening of ocean freight rates
- Increase in sales
- Foreign exchange impact (positive in 1st H)

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See page 13.

As for the second point, we expect product demand to remain strong in the current fiscal year ending February 2024. We expect demand for our products to remain firm due to strong demand in the residential market and furthermore, ongoing maintenance work on living infrastructure, which is supported by record-high orders and order backlogs.

As for the third point, we forecast an increase in profit at each stage of the profit projection. Although there are some negative factors such as the continuing rise in raw material prices, investments in human capital, and the start-up of new plants, the Company expects to see an increase in income due to higher selling prices, lower ocean freight rates, and the effect of higher revenues.

Expected Consolidated Financial Highlights for FY2023

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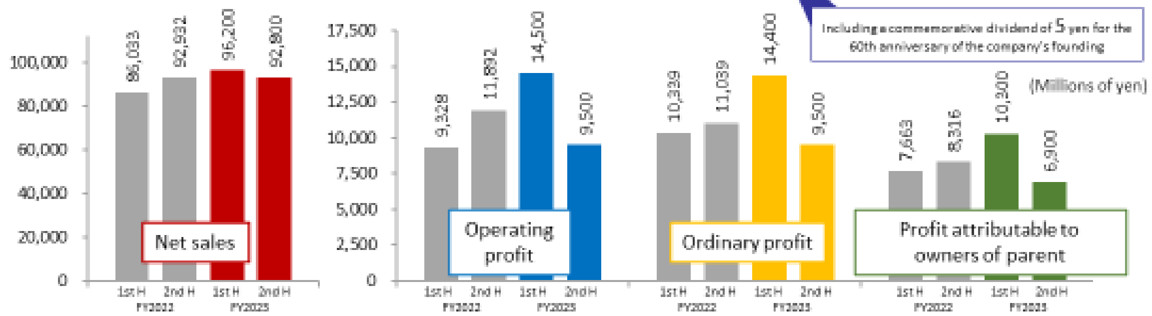
(Millions of yen)	FY2022 Full year	FY2022 Sales ratio	FY2023 (forecast) 1st half	2nd half	Full year	Sales ratio	Change	(%)
Net sales	178,966	—	96,200	92,800	189,000	—	+10,033	+5.6%
Operating profit	21,221	11.9%	14,500	9,500	24,000	12.7%	+2,778	+13.1%
Ordinary profit	21,379	11.9%	14,400	9,500	23,900	12.6%	+2,520	+11.8%
Profit attributable to owners of parent	15,979	8.9%	10,300	6,900	17,200	9.1%	+1,220	+7.6%
Capital investment	8,629	4.8%	1,688	7,362	9,050	4.8%	+420	+4.9%
Depreciation	2,039	1.1%	1,413	2,341	3,754	2.0%	+1,715	+84.1%
Earnings per share (yen)	335.19	Dividend payout ratio 29.2%	—	—	360.83	Dividend payout ratio 31.9%	+25.64	+7.6%
Dividends per share (yen)	98.00		—	—	115.00		+17.00	+17.3%

Including a commemorative dividend of 5 yen for the 60th anniversary of the company's founding



See page 14. Full-year forecast highlights.

Compared to the previous year, we forecast a 1.8% increase in overall sales volume for the Group for the full year, an increase in operating revenue of JPY10,033 million to JPY189 billion, and an increase in operating profit of JPY2,778 million to JPY24 billion.

Earnings Forecast by Region for FY2023

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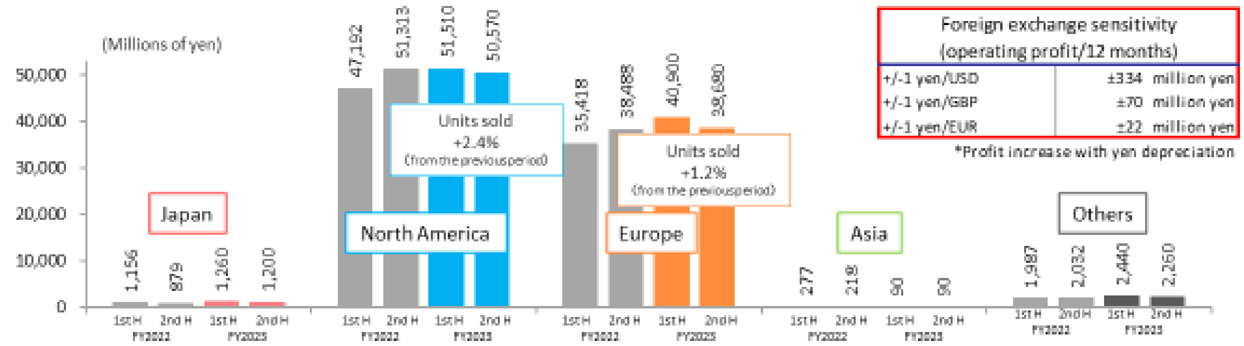
(Millions of yen)	FY2022		FY2023 (forecast)					
	Full year	Sales ratio	1st half	2nd half	Full year	Sales ratio	Change	(%)
Japan	2,036	1.1%	1,260	1,200	2,460	1.3%	+423	+20.8%
North America	98,506	55.0%	51,510	50,570	102,080	54.0%	+3,573	+3.6%
Europe	73,906	41.3%	40,900	38,680	79,580	42.1%	+5,673	+7.7%
Asia	495	0.3%	90	90	180	0.1%	(315)	(63.7%)
Others	4,020	2.2%	2,440	2,260	4,700	2.5%	+679	+16.9%
Total net sales	178,966	100.0%	96,200	92,800	189,000	100.0%	+10,033	+5.6%
JPY/USD	133.12	—	127.00	127.00	127.00	—	(6.12)	—
JPY/GBP	162.58	—	154.00	154.00	154.00	—	(8.58)	—
JPY/EUR	139.81	—	136.00	136.00	136.00	—	(3.81)	—
JPY/RMB	19.49	—	18.70	18.70	18.70	—	(0.79)	—



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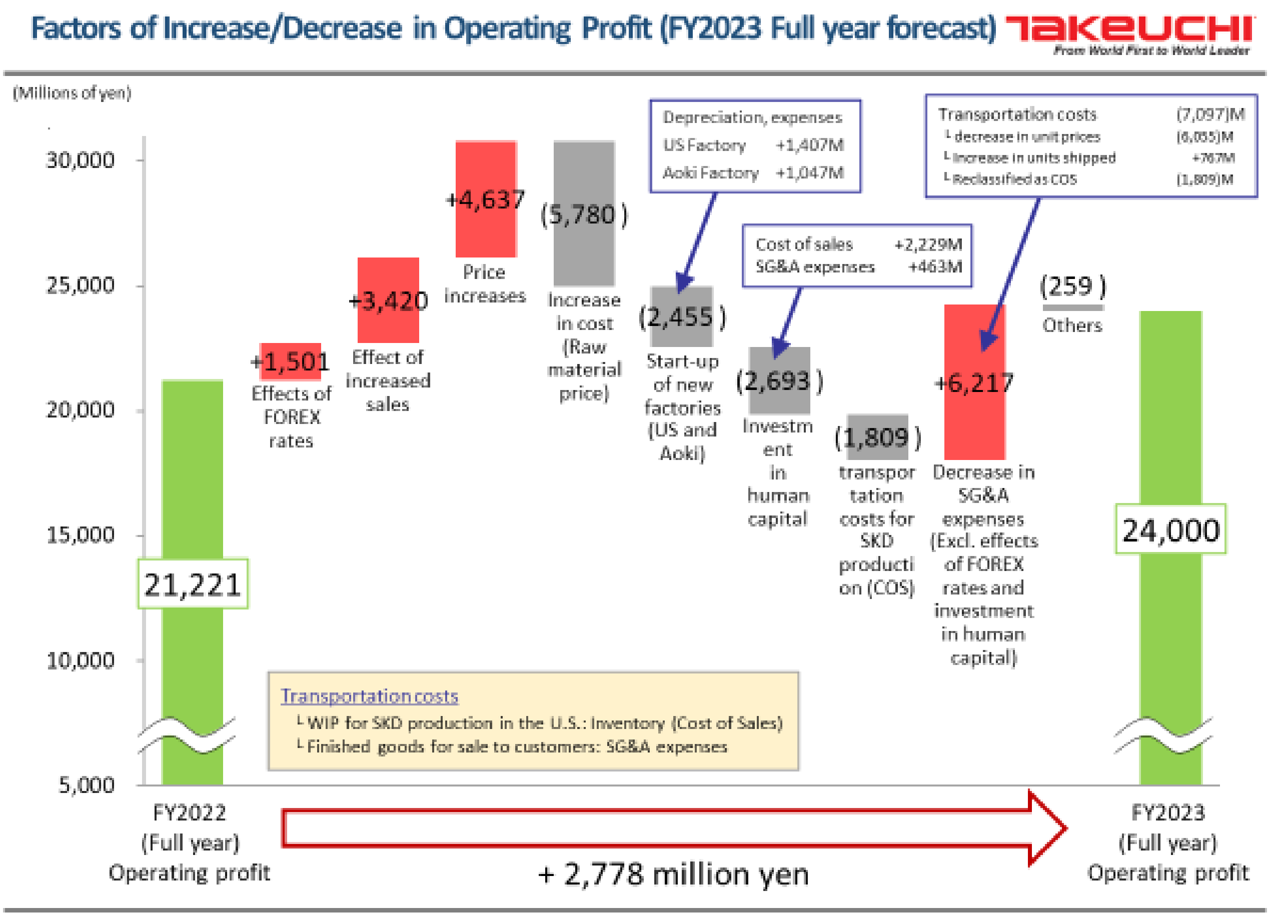
See page 15.

The full-year sales forecast by region is as shown in the table below.

The one-year foreign exchange sensitivity in operating profit is expected to be JPY334 million for the US dollar, JPY70 million for the pound sterling, and JPY22 million for the euro.



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See page 16. I would like to explain the factors behind the increase or decrease in the full-year forecast of consolidated operating profit.

The breakdown is as follows: foreign exchange impact of JPY1,501 million, revenue increase effect of JPY3,420 million, and JPY4,637 million increase in selling price.

We also expect a JPY5.78 billion increase in costs due to higher raw material prices, a JPY2.455 billion increase in depreciation and expenses associated with the start of operations at the US and Aoki plants, and a JPY2.693 billion decrease in income due to investments in human capital, primarily from higher personnel costs.

In addition, SG&A expenses, including a decrease of JPY7,097 million in transportation costs, are expected to increase due to a decrease of JPY6,217 million.

The increase of JPY1,809 million in transportation costs related to the semi-knockdown production is shown separately in the graph as a transfer to cost of sales as explained earlier on page eight.

As a result of the above, including other factors, consolidated operating income is projected to increase by JPY2,778 million to JPY24,000 million.

Despite the assumed strong yen exchange rate, we expect a foreign exchange impact of about JPY1.5 billion, which is mainly due to a change in prices for European distributors commensurate with the exchange rate fluctuation.

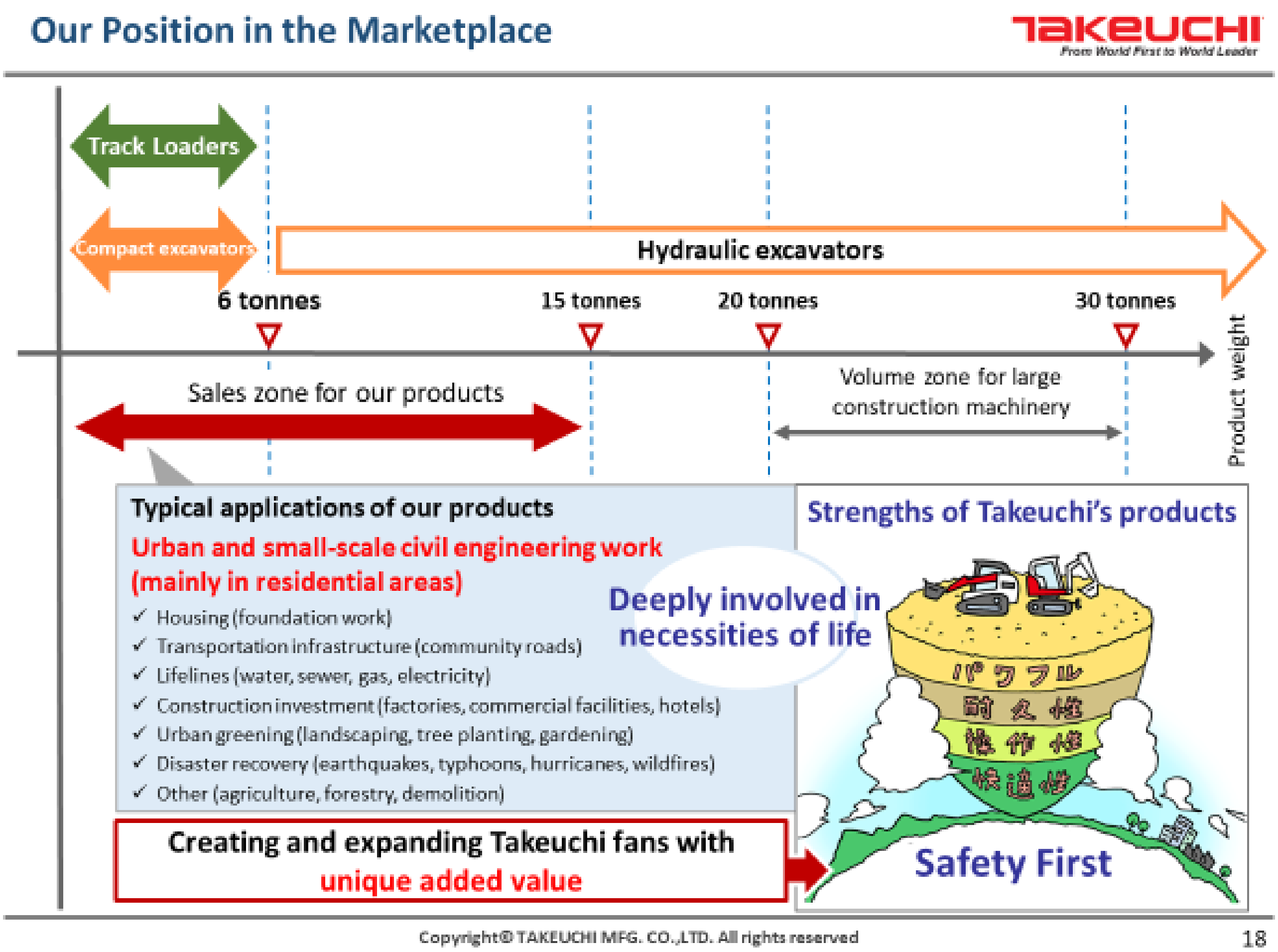
We deal with European distributors in yen, and their sales prices fluctuate depending on the exchange rate of the yen against the euro. Since selling prices are determined by reference to the historical average yen to euro rate, there is a time lag in the impact of exchange rate fluctuations.

As a result, the sharp depreciation of the yen and appreciation of the euro in H2 of 2022 will have an impact in H1 of the current fiscal year, contributing to the increase in profit.

The forecasted JPY5.78 billion decrease in raw material prices is due to the recent rise in the cost of steel and other materials as well as labor and overhead costs at suppliers due to the soaring prices.

With that, I will conclude my explanation.

President Takeuchi will explain from this point forward.

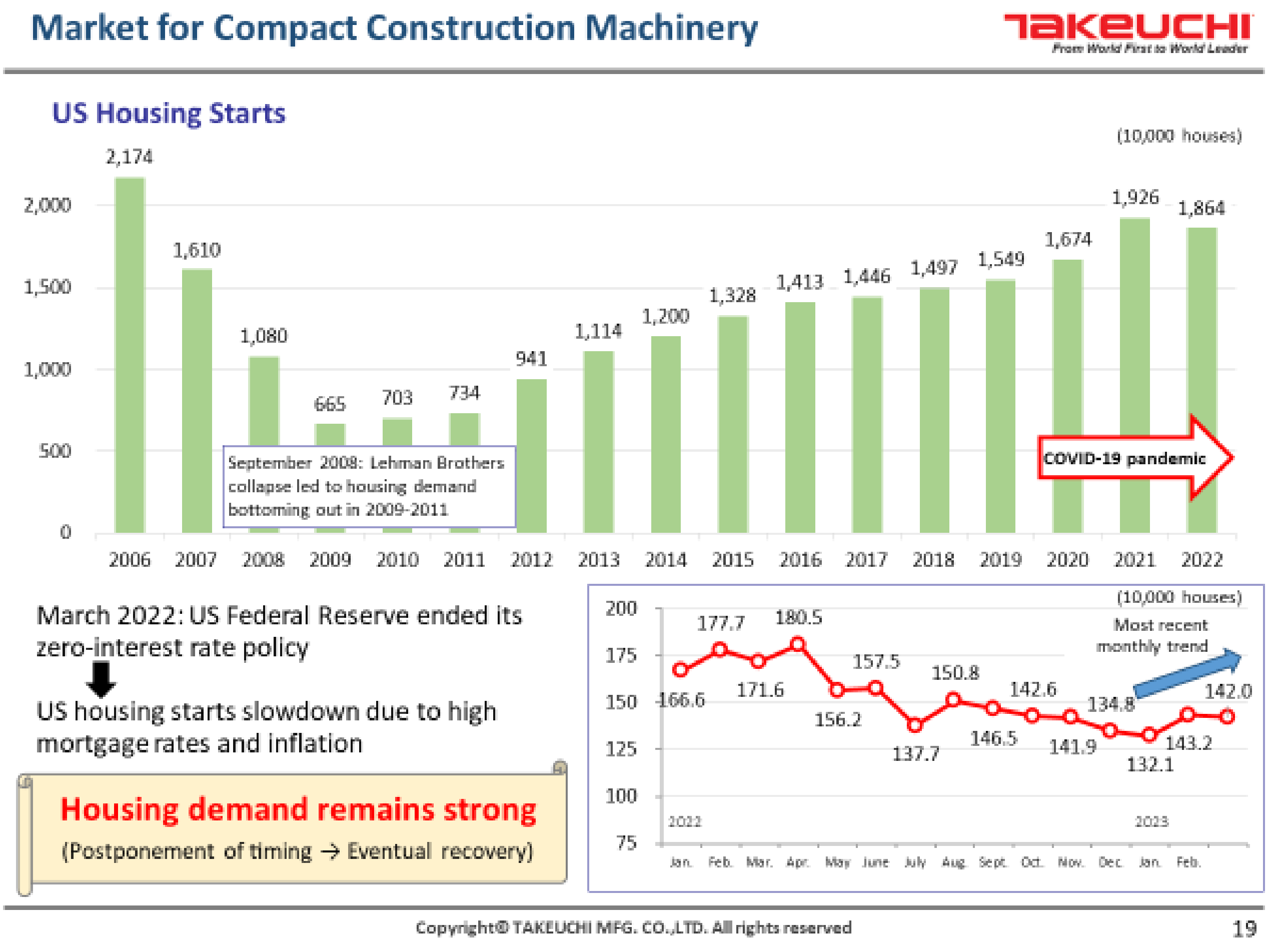


Takeuchi: I am Takeuchi, President and Representative Director. I will now explain the progress of the third medium-term management plan.

See page 18. Once again, I would like to explain the market position of our group.

While large construction equipment is used for cutting down hills, tunneling, and other large-scale construction projects, our products are used for housing-related construction, road construction, infrastructure work such as water and gas pipes, and recovery work from natural disasters.

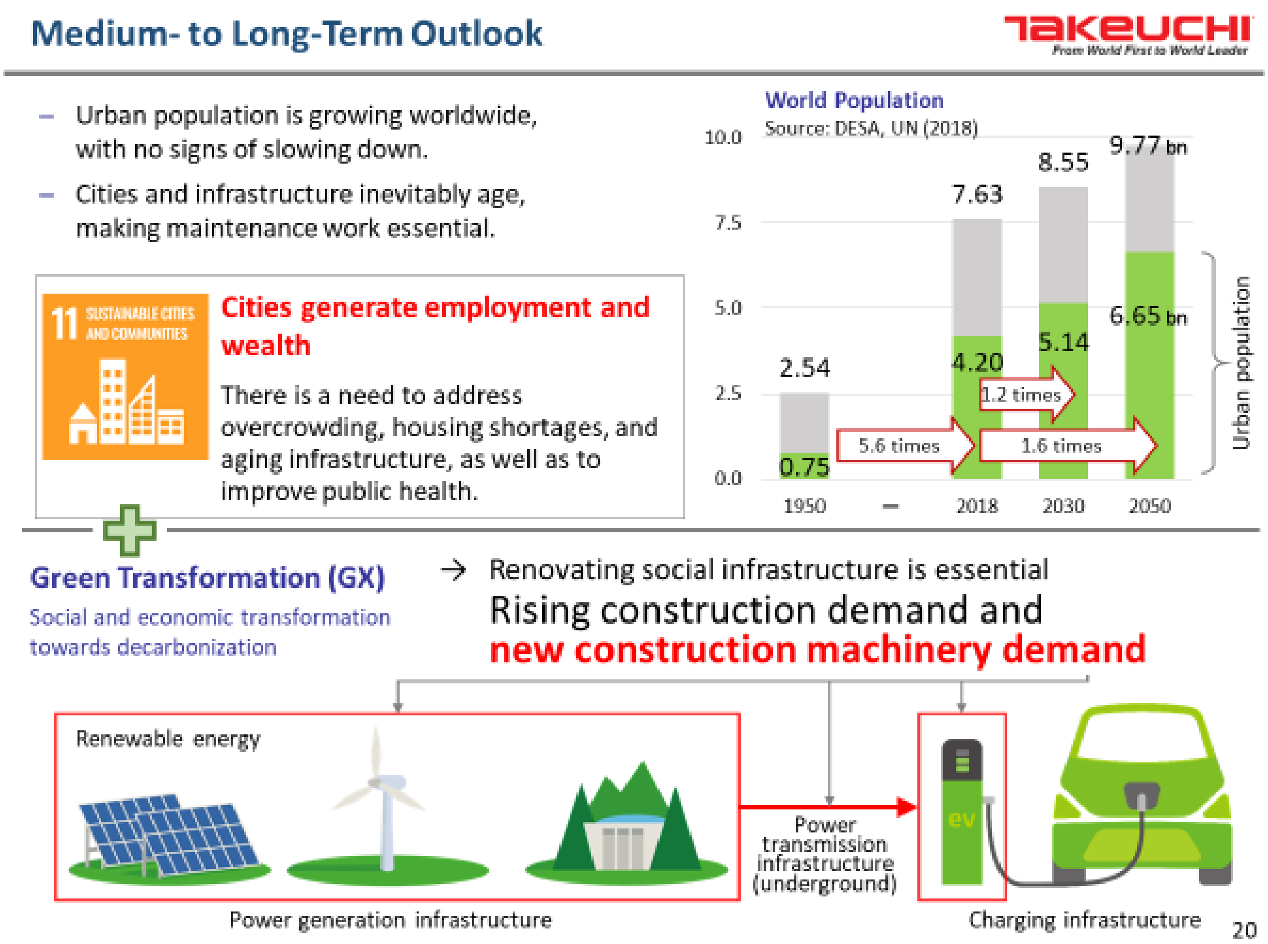
You live in a comfortable home and have clean water when you turn on the faucet. Turn on the switch and the electricity comes on. Our products are deeply involved in the daily lives that we take for granted and are deeply related to food, clothing, and housing.



See page 19. What we are showing here is the number of housing starts in the United States.

As you are all aware, US housing starts declined in 2022 due to higher interest rates and a shortage of building materials. However, over a long-time span, the level is not low in 2022 and has begun to recover as we move into 2023.

We believe that the slowdown in 2022 is the result of a postponement of the timing of purchases and that housing demand itself is strong.



See page 20. The graph shown here is an estimate published by the UN before COVID-19.

Although COVID-19 has led to more decentralization to rural areas, including remote work, the social and economic role of cities in creating jobs and wealth remains significant. We believe that overcrowding, housing shortages, and aging infrastructure in urban areas are social issues that need to be resolved.

Furthermore, demand for green transformation-related products is about to sprout anew. For example, as we move toward decarbonization, power generation infrastructure will shift from thermal power to renewable energy sources such as solar, wind, and hydroelectric power, and as cars run on electricity, charging stations will be needed. As higher-capacity electricity is needed, the transmission infrastructure will also need to increase its capacity.

Our outlook for the construction equipment market is bright and hopeful. We are not talking about a dream. I have spoken with our subsidiaries and distributors in the US and Europe, and naturally they too are concerned about the slowdown in the housing market at the moment. However, the demand is even stronger for infrastructure construction work, and they are willing to place more orders.

They have received many orders from end-users, but they are holding back on their orders because our production capacity has reached its limit and we have placed restrictions on their orders. They, too, are looking forward to the US and Aoki plants.

We believe that demand for our products is expected to grow steadily, not only in the short term, such as the current and next fiscal years, but also in the mid to long term.

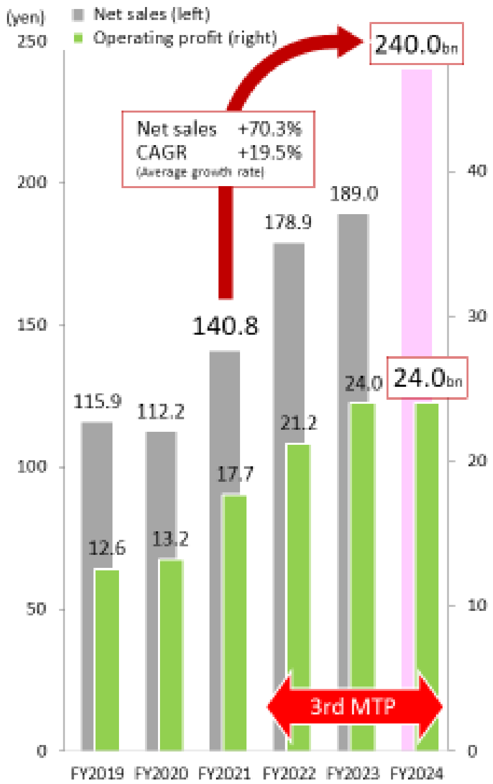
Challenge and Numerical Targets

From World First to World Leader

Challenge: Increase Sales
by 100 billion Yen
by Power Up, Speed Up, and Scale Up
Increase consolidated net sales from
140.8 billion yen (current) to 240.0 billion yen

	FY2021	FY2024	Change (%)
Net sales	140.8 bn	240.0 bn	+70.3%
Operating profit └ rate	17.7 bn 12.6%	24.0 bn 10.0%	+35.1%
Earnings per share (yen)	279.91	377.00	+34.7%
ROE	13.8%	14.0%	—
JPY/USD	111.72	115.00	+3.28
JPY/GBP	153.06	152.00	(1.06)
JPY/EUR	130.57	127.00	(3.57)
JPY/RMB	17.12	18.00	+0.88

Note: Based on the following CAPM formula, we recognize a cost of equity of 8%.
Risk free rate (1%) + beta (1.2) × Market risk premium (6%)



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See page 21. These are the numerical targets of the third medium-term management plan.

Our goal is to achieve consolidated sales of JPY240 billion in the fiscal year ending February 2025. Product demand remains strong, but we expect the current fiscal year to be a year of patience with a leveling-off phase.

Power Up **Investment in Human Capital**

TAKEUCHI
From World First to World Leader

Basic Policy:
- Human capital is the source of corporate strength, and distributing to human capital is **an investment in the future.**
- Securing the human resources necessary **to achieve the goal of the Medium-Term Business Plan**

Investment (FY2024) **3.8 bn**

Increase in labor costs in FY2024 compared to FY2021 (manufacturing costs, SG&A expenses)

Increasing workforce: 2.3 bn
- For business growth
- To create excess workforce capacity (allow a margin for education, multi-skilling and work-life balance)

Raising wages and salaries: 1.5 bn

	As of February 28, 2022			As of February 28, 2023		
	Employees	Temp staff*	Total	Employees	Temp staff*	Total
Takeuchi MFG	557	386	943	612	393	1,005
Takeuchi US	125	2	127	204	3	207
Takeuchi UK	24	1	25	22	1	23
Takeuchi France	21	1	22	20	2	22
Takeuchi China	190	37	227	195	22	217
	917	426	1,343	1,053	419	1,472

*Temp staff: permanent part-timers, part-timers, temporary employees from staffing agencies, seasonal employees, etc.

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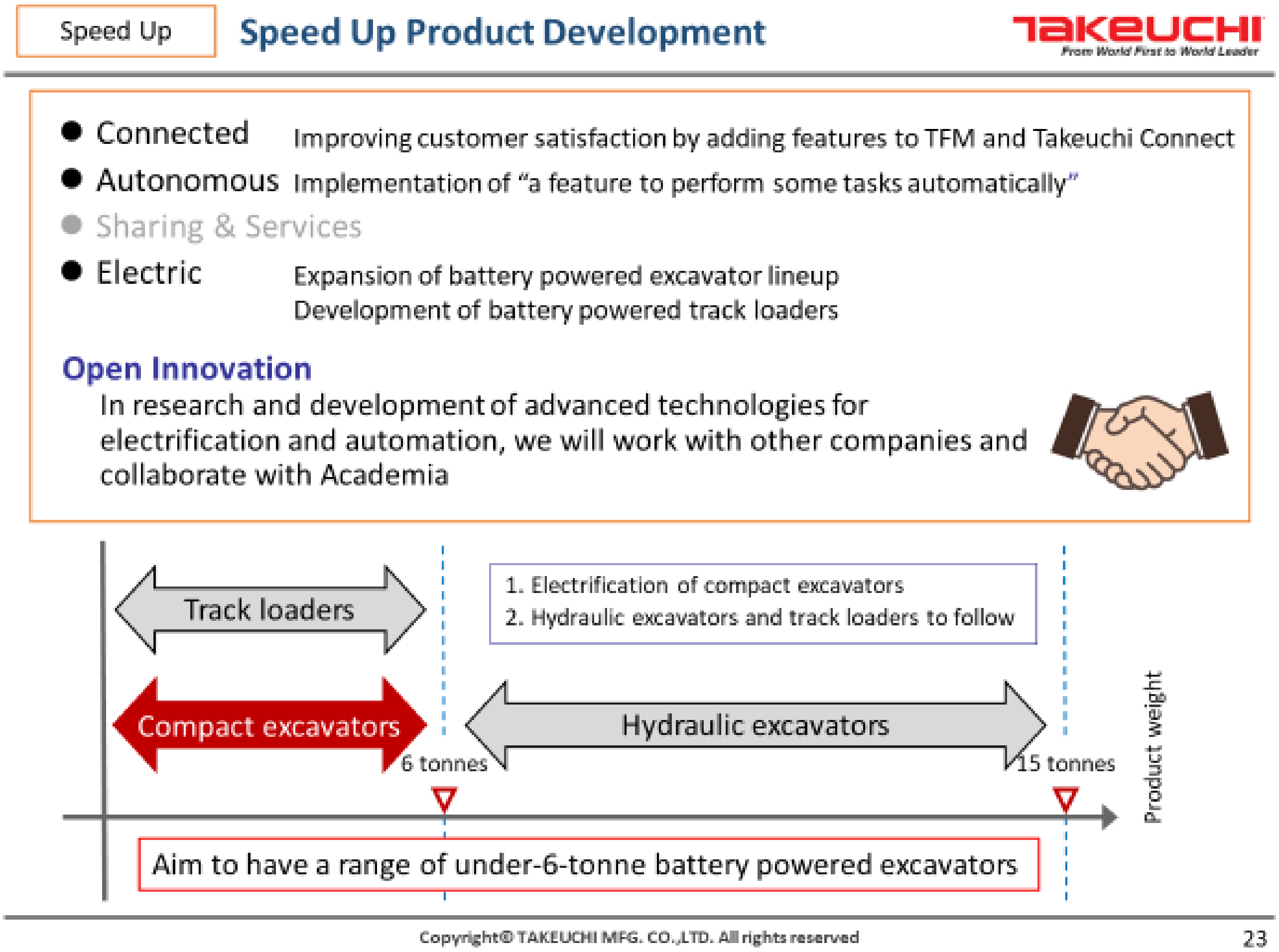
See page 22. Investment in human capital.

Our company cannot grow without empowering our people. In the fiscal year ending February 28, 2023, the first year of the medium-term management plan, the Company's total labor cost amounted to approximately JPY1.6 billion, and the number of employees, including temporary workers, increased from 1,343 to 1,472, an increase of 129.

Along with the increase in production at the Aoki and US plants, Takeuchi Manufacturing and Takeuchi US plan to increase the number of employees in the future.



See page 23. Acceleration of product development.

We believe that similar technological innovation is required for construction machinery, which, like automobiles, are powered by engines.

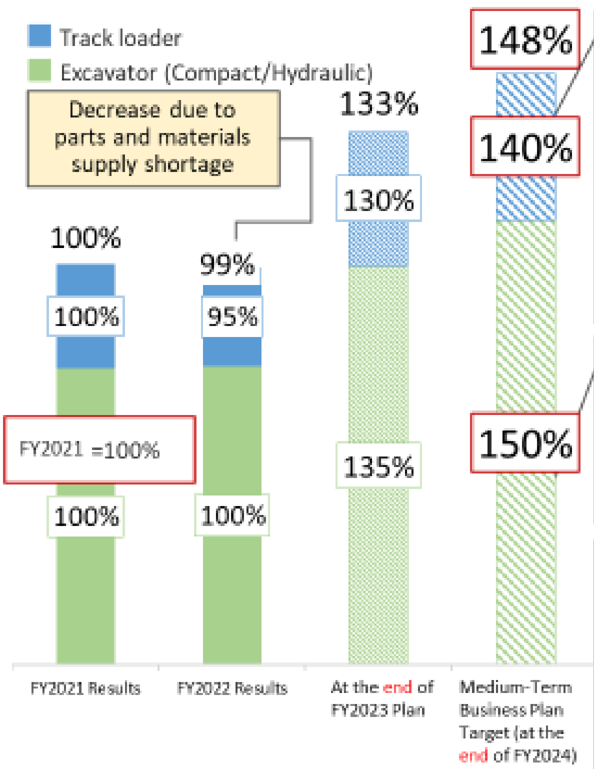
In the area of connected systems, we will enhance the functions of TFM, which remotely monitors construction equipment, and Takeuchi Connect, which connects our group and customers via the Internet, to improve customer satisfaction.

In the area of automation, we are working on developing a function that allows a machine to automatically perform certain tasks at the touch of a button, such as digging at a depth of one meter, for example. We believe that there is a high need for this type of automated operation in a wide range of areas due to the shortage of manpower and skills at construction sites rather than the need for remote and unmanned operation.

In terms of electrification, we will first work to expand our lineup of battery-powered mini-excavators under 6 tons. Since large excavators and crawler loaders require higher battery capacity, we believe that the hurdle to electrification will be higher for them.

Scale Up

Production Capacity Expansion



US Factory (started operation on September 23, 2022)

- Full operation: Planned for FY2024
- Start production of track loaders using the semi knock down (SKD) method. Home office factory production ends at ready to drive, then they are finished in the US factory.
- Work on building a US supply chain.
- Eventually aim for a complete knock down (CKD) method, where all production will be done at the US factory.

Aoki Factory (planned to start operation in September 2023)

- Full operation: Planned for FY2024
- Transfer production of medium-weight class excavators (4 to 9 tonnes) from the home office factory to the Aoki factory.

		Home Office Factory	US Factory	Aoki Factory
Excavator	Less than 3 tonnes	O	–	–
	4 -9 tonnes	–	–	O
	9 – 15 tonnes	O	–	–
Track loader		Semi Knock Down		–

See page 24. This is about an increase in production capacity.

As for the US plant, although it started operation in September 2022, it has not been able to raise production volume as expected, and we have revised the timing of full operation from the fiscal year ending February 2024 to the fiscal year ending February 2025.

As for the Aoki plant, we plan to start operation in September 2023 and gradually increase production volume from October. Full operation is scheduled for the fiscal year ending February 2025.

With these two new plants and the increased power of the employees working there, our group's production capacity will increase by 48% by the end of the fiscal year ending February 2025, and we aim to achieve our mid-term plan target of JPY240 billion in consolidated net sales.

Aoki Factory (Construction Progress)

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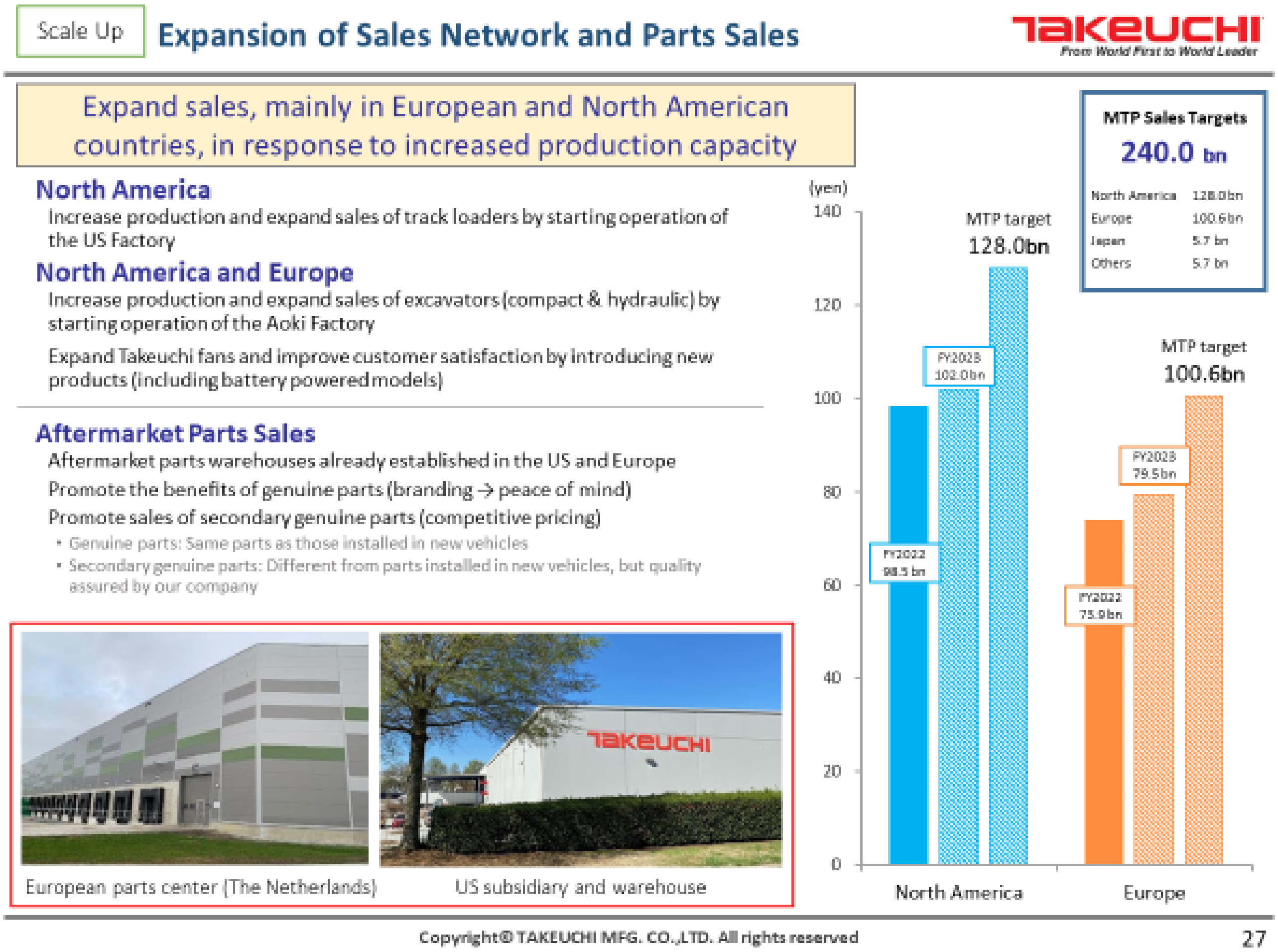
See pages 25 and 26. Construction progress at the Aoki plant.

In the photo on page 26, you can see that the majority of the roof is covered with solar panels. The majority of the electricity consumed is generated by solar power generation, and together with CO2-free electricity, the plant will operate on 100% renewable energy.



See page 27. I would like to talk about after-sales service.

As of March 1, 2023, the new fiscal year, the after-sales support department was established. Takeuchi US will promote after-sales service in the US, and the after-sales support department at the headquarters will promote sales to European distributors from the parts center opened in the Netherlands.

The strength of our products is that they are durable and resistant to breakage, but if non-original parts are installed during maintenance and upkeep, their quality will not be maintained. We are determined to communicate this to our customers and expand our after-sales service.

See page 28.

CONEXPO, one of the world's three largest exhibitions of construction equipment, was held in Las Vegas and attracted 140,000 visitors. It seemed to reflect the thriving market after the pandemic.

Takeuchi US exhibited a total of 16 units at its booth, including the TB20e electric mini excavator. We have received a great deal of feedback on what is good about our products and what they would like to see improved, and this has further strengthened our relationship with our customers.

Based on the feedback we received at the exhibition, we intend to continue product development from the customer's perspective.

Promotion of Sustainability Management

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ESG Issues and Targets

		Social Issues	Themes	By When	What Level
1	E	Mitigate climate change	CO2 emissions from product use	FY2030 (compared with FY2010)	Reduce by 30%
2	E	Mitigate climate change	CO2 emissions at factories	FY2030 (compared with FY2015)	Reduce by 50%
3	S	Occupational health and safety Employees' health	Occupational accidents resulting in absence from work for one day or more	Every year	Zero
4	S	Human Resource Development	Training hours per person	Every year	Announce actual results
5	S	Promoting work-life balance	Ratio of employees taking childcare leave (by gender)	Every year	Announce actual results
6	S	Child Labor	Collection rate of agreement forms for our CSR procurement policy	Every year	95% or more
7	G	Diversity	1. Appointment of a female director* 2. Ratio of female managers to female staff 3. Ratio of local staff in management positions in subsidiaries	1. FY2023 2. FY2030 3. Every year	1. Appointment of a female director 2. Same as the ratio of male managers to male staff 3. Announce actual results

Note: The target deadline for the appointment of a female director, originally set for FY2024, has been changed to FY2023.

11 SUSTAINABLE CITIES AND COMMUNITIES	13 CLIMATE ACTION	8 DECENT WORK AND ECONOMIC GROWTH	5 GENDER EQUALITY
Our Group's business itself	GHG emission reduction and TCFD initiatives Goals 1 and 2	Occupational health and safety Employees' health Goal: 3, 4, 5 and 6	Diversity and Inclusion Goal 7

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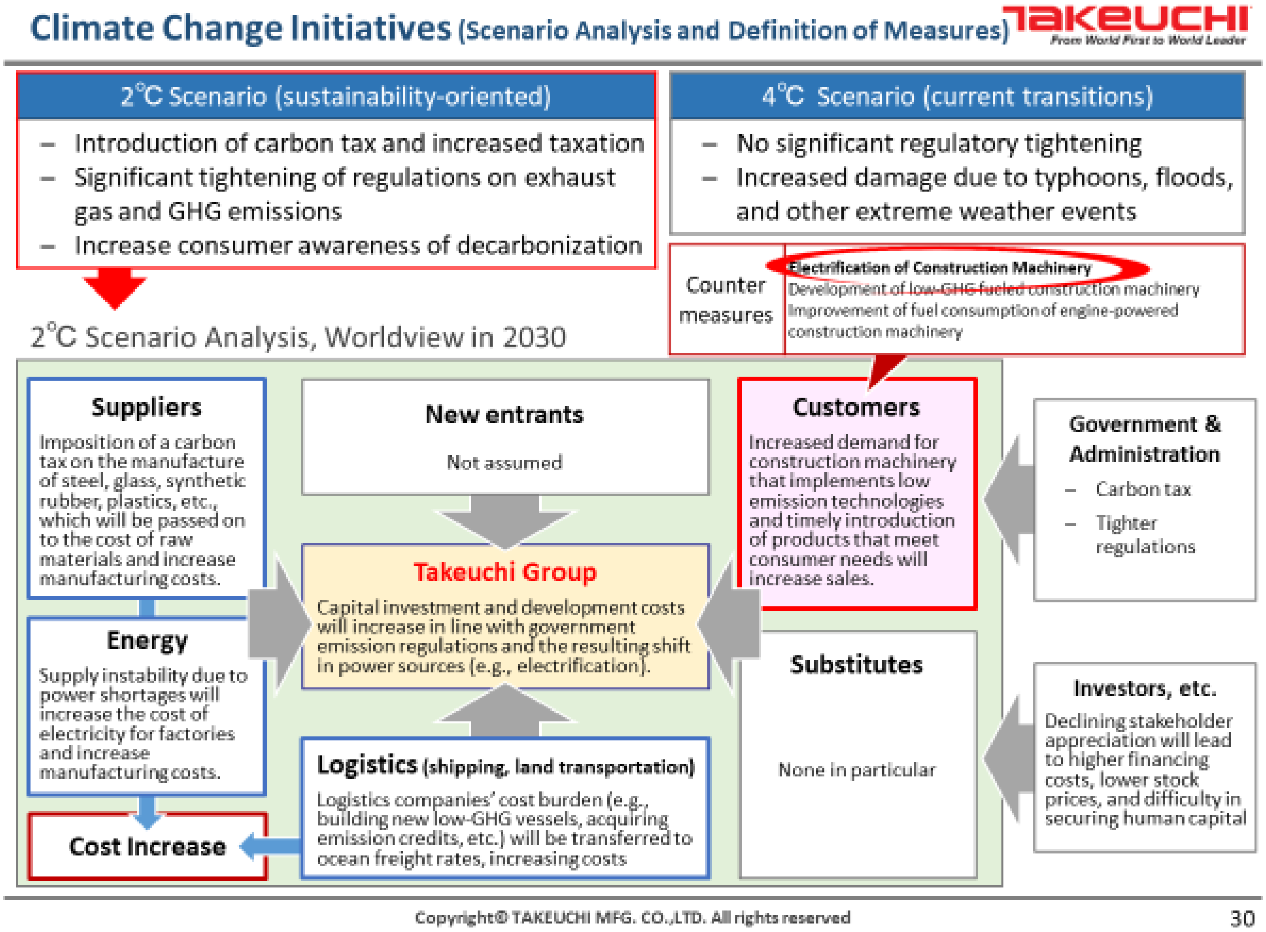
See page 29.

The goals set by the Group for ESG issues are shown below.

Climate change, in particular, is a situation that we have to address immediately. In addition to expanding our lineup of battery-powered mini excavators, we will also install solar panels at our headquarters plant, Aoki plant, and even our US plant. These three plants will operate on 100% renewable energy, along with CO2-free electricity.

A proposal for the election of female directors will be submitted to the general meeting of shareholders in May of this year. This person has extensive experience, especially in human resources. I look forward to receiving valid and substantive advice regarding goals three through seven.



See page 30. This is a scenario analysis of climate change.

In the worldview of the 2°C scenario, the key is the change in the environmental orientation of customers. That is why we recognize the electrification of construction machinery as our greatest development theme and the most important management issue.

The analysis also notes that logistics costs will increase due to tighter restrictions on greenhouse gas emissions in logistics.

The US plant is currently using a semi-knockdown system, but in the future we aim to use a complete knockdown system for local production for local consumption.

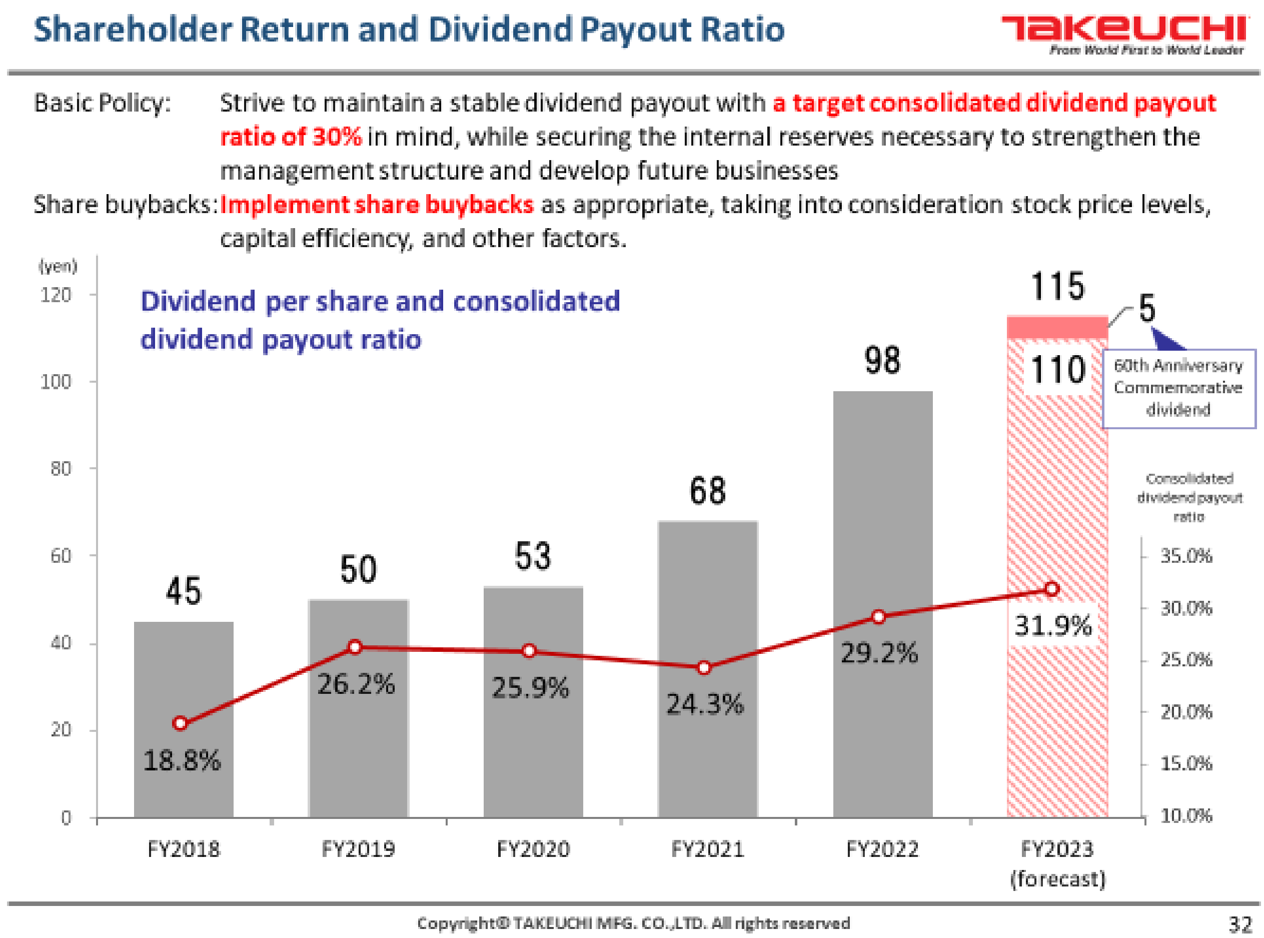
See page 31.

Capital investment of JPY9.05 billion is planned for the current fiscal year.

Takeuchi US plans to install solar panels at both its headquarters and its US plant. At the US plant, we plan to install slat conveyors as well as auxiliary equipment and machinery to increase production volume.

We are also planning to construct employee dormitories to secure human resources at the Aoki plant and the headquarters plant.

Depreciation is expected to increase by JPY600 million at the US plant and by JPY760 million at the Aoki plant, to JPY3,754 million.



See page 32. I would like to talk about shareholder returns.

Net income per share for the current fiscal year is projected to be JPY360.83, resulting in a payout ratio of 30.5% for an ordinary dividend of JPY110 per share. Adding 5 yen commemorative dividend for the 60th anniversary of the Company's founding, the year-end dividend forecast for the current fiscal year is JPY115 per share.

That concludes my explanation, but there is one last thing I would like to say.

This August, we will celebrate our 60th anniversary. We thank you for your cooperation and patronage. Looking back, we were able to overcome some difficult times, such as the collapse of the Lehman Brothers.

Although it was difficult to achieve the target in the previous fiscal year due to rising steel prices and transportation costs, we were able to achieve record-high sales and profits thanks to a tailwind from foreign exchange rates, the effect of increased production, and price increases for our products.

Looking ahead, we expect the shortage of semiconductors and rising material prices to continue, but market trends in Europe and North America are favorable, and we are still receiving many orders. We are currently experiencing a tailwind from the exchange rate, and with transport prices coming down, we feel that we will be able to achieve good results in the current fiscal year.

The Aoki plant will also begin operations this September. Customers are still asking for more machines as soon as possible. In addition, it is not only possible to increase the production of machines at our plant. At the same time, we need to increase production at suppliers and cooperate with new suppliers. I believe that each company has already completed its preparations and is in the process of setting up its delivery system to us. We would also like to take this opportunity to thank our suppliers for their cooperation.

As I said in my explanation, we are actively developing this business for the future. With the SDGs in mind, we will actively work to improve the natural environment and work environment. Among other things, we expect construction equipment to become more battery-operated, recycled, and automated. We will work on these advanced technologies to speed up and commercialize them.

I would like to close by thanking all investors and stakeholders for their continued patronage and support.

Thank you very much for your time today.

[END]

Document Notes

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2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
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