

TAKEUCHI MFG. CO., LTD.

Financial Results Briefing for the Second Quarter of the Fiscal Year Ending February 2025

October 22, 2024

Event Summary

[Company Name]	TAKEUCHI MFG. CO., LTD.	
[Company ID]	6432- QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Financial Results Briefing for the Second Quarter of the Fiscal Year Ending February 2025	
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[Number of Pages]	25	
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[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	2	
	Osamu Kobayashi	Director
	Hiroshi Sakai	Manager of ESG Promotion Section, Business Management Department

Presentation

Summary of Earnings Results for the First Half of FY2024

(1) Sales volume decreased in both the US and Europe

- North American sales volume decreased 2.5% (1Q: +2.1%, 2Q: -7.1%, YoY)
The housing market remained in an adjustment phase, and sales of compact excavators were sluggish. Defects in purchased parts delayed shipments of some track loaders until the third quarter.
- European sales volume decreased 16.2% (1Q: -23.2%, 2Q: -8.5%, YoY)
High mortgage interest rates and rising energy prices have increased the cost of living and depressed housing demand.
- Total sales volume decreased 11.0% (1Q: -13.0%, 2Q: -8.9%, YoY)

(2) Record-high net sales and profits for 1H (net sales +4.2%, operating profit +46.5%, YoY)

- Factors that reduced profits included a decrease in sales volume and increases in raw material prices and fixed costs. However, profits increased significantly due to positive factors including the weak yen, price increases, and changes in the product and customer mix.

(Billions of yen)

	FY2023 (Previous FY)						FY2024 (Current FY)		
	1Q	2Q	1H	3Q	4Q	2H	1Q	2Q	1H
Net sales	53.0	52.1	105.1	53.6	53.7	107.4	55.1	54.4	109.6
Gross profit	12.9	12.5	25.5	12.9	13.6	26.6	15.7	18.5	34.2
SG&A expenses	4.4	4.1	8.5	4.3	3.9	8.2	4.6	4.8	9.4
of these, transportation costs	2.1	1.5	3.6	1.7	1.7	3.5	1.7	1.9	3.7
Operating profit	8.5	8.4	16.9	8.6	9.6	18.3	11.1	13.7	24.8

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Kobayashi: I am Kobayashi, Director of the Company. Thank you very much for taking time out of your busy schedule to participate in our financial results briefing today.

As Mr. Takeuchi, the president, is absent today, I will proceed on his behalf.

Let me now discuss the consolidated results for H1 and full-year forecasts for the fiscal year ending February 2025. Please see page two. I will review the summary of the H1 results of FY2024 compared to the same period of the previous year.

First, in terms of sales volume, sales of compact excavators were sluggish in North America due to the ongoing adjustment phase in the housing market. Sales volume of track loaders also declined due to the postponement of some shipments to Q3 as a result of production stoppage caused by defects in purchased parts.

In Europe, sales of track loaders increased, but sales of compact excavators declined sharply due to a slump in the housing market caused by rising mortgage rates and energy prices. As a result, sales volume in North America decreased by 2.5%, in Europe by 16.2% and overall sales volume decreased by 11%.

As for net sales and profits, there were negative factors such as lower sales volume, higher raw material prices, higher depreciation at the Aoki factory and labor costs that squeezed profits. However, positive factors such

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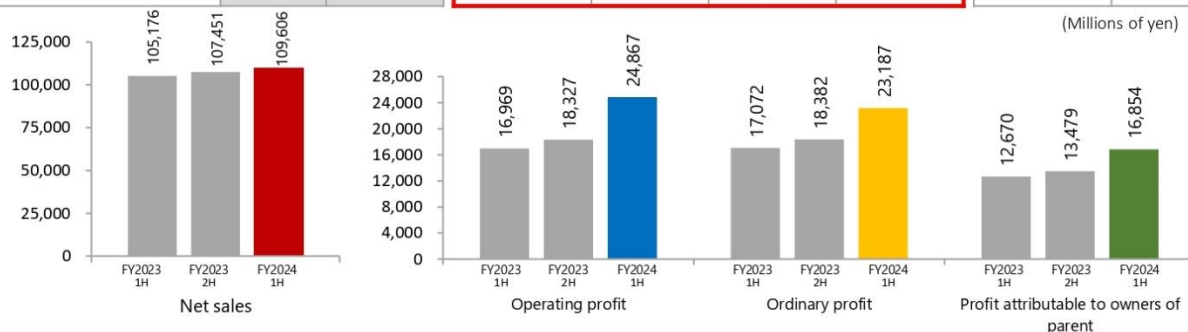
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as foreign exchange effects and price increases, as well as changes in product and customer mix, resulted in record-high net sales and each profit item for H1.

Consolidated Financial Highlights for the First Half of the FY2024

Millions of yen	FY2023		FY2024				1H Initial Forecast	Change
	1st half	Sales ratio	1st half	Sales ratio	Change	(%)		
Net sales	105,176	-	109,606	-	+4,430	+4.2%	112,000	(2,393)
Operating profit	16,969	16.1%	24,867	22.7%	+7,898	+46.5%	21,000	+3,867
Ordinary profit	17,072	16.2%	23,187	21.2%	+6,114	+35.8%	20,800	+2,387
Profit attributable to owners of parent	12,670	12.0%	16,854	15.4%	+4,183	+33.0%	14,800	+2,054
Capital investment	4,798	4.6%	1,397	1.3%	(3,401)	(70.9)%	1,794	(396)
Depreciation	1,285	1.2%	1,807	1.6%	+522	+40.7%	1,809	(1)
Orders received	87,309	-	97,311	-	+10,002	+11.5%	***	-
Order backlog	172,880	-	116,602	-	(56,278)	(32.6)%	***	-



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Please see page three for consolidated financial highlights.

Net sales increased by 4.2% to JPY109,606 million and operating profit increased by 46.5% to JPY24,867 million. Factors behind the increase or decrease in operating profit, as well as orders received and order backlog, will be explained later.

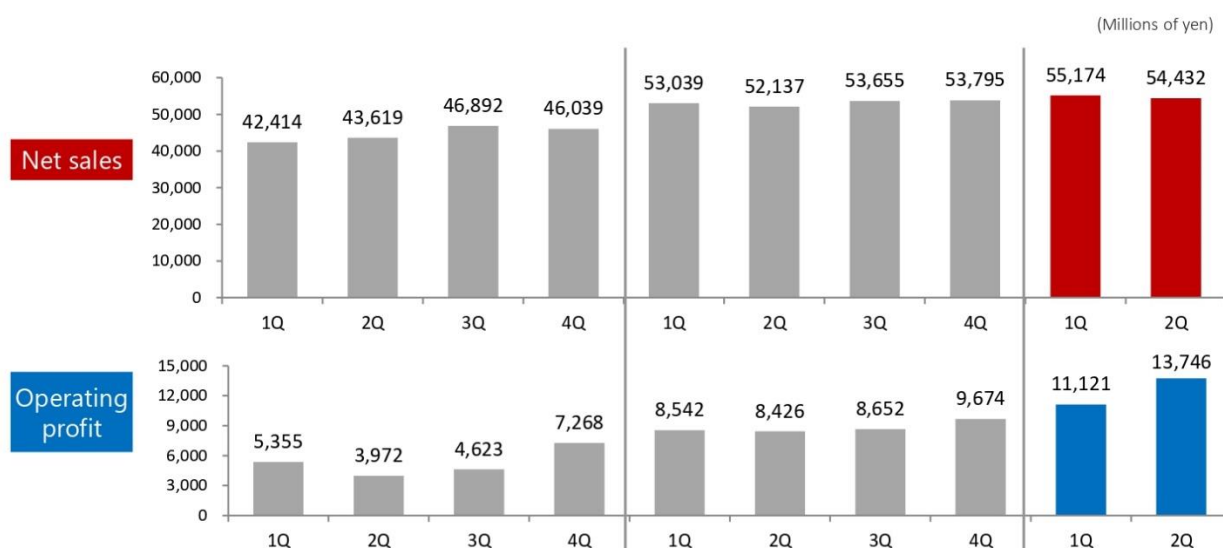
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Quarterly Net Sales and Operating Profit



Exchange rates	FY2022				FY2023				FY2024	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
JPY/USD	121.43	133.43	143.54	134.12	134.74	140.48	148.62	145.93	152.45	156.84
JPY/GBP	157.87	163.51	166.55	163.00	165.80	179.25	183.10	185.38	194.22	199.39
JPY/EUR	133.83	138.77	142.85	142.51	146.10	154.14	158.55	159.56	164.58	168.43
JPY/RMB	18.56	19.70	20.11	19.60	19.43	19.66	20.08	20.31	20.75	21.76

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Please refer to page four. This slide shows the quarterly changes in sales and operating profit.

As you can see, operating profit in both Q1 and Q2 of the current fiscal year was at a high level, mainly due to the weaker yen and product price increases.

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Financial Results by Region for First Half FY2024

(Millions of yen)	FY2023		FY2024				1H Prev. Forecast	Change
	1st half	Sales ratio	1st half	Sales ratio	Change	(%)		
Japan	1,094	1.0%	985	0.9%	(108)	(9.9)%	680	+305
North America	56,610	53.8%	62,906	57.4%	+6,296	+11.1%	64,580	(1,673)
Europe	44,318	42.1%	43,745	39.9%	(573)	(1.3)%	44,030	(284)
Asia	60	0.1%	49	0.0%	(10)	(18.1)%	70	(20)
Others	3,092	2.9%	1,919	1.8%	(1,173)	(37.9)%	2,640	(720)
Total net sales	105,176	100.0%	109,606	100.0%	+4,430	+4.2%	112,000	(2,393)
Net sales overseas	104,082	99.0%	108,621	99.1%	+4,538	+4.4%	111,320	(2,698)



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Please turn to page five. This shows net sales by region.

Sales in North America increased 11.1% to JPY62,906 million, while sales in Europe decreased 1.3% to JPY43,745 million. Sales volume declined 2.5% in North America and 16.2% in Europe.

Although sales volume in North America was down, net sales were significantly higher than in the same period of the previous year due to the impact of the weak yen and product price increases. As for Europe, sales did not decrease as much as the number of units sold and remained almost flat compared to the same period of the previous year, mainly due to sluggish sales of low-priced compact excavators and the weak yen. Performance in other regions is as described here.

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Geographic Segment Information and Results for 1H FY2024

(Millions of yen)		FY2023		FY2024			
		1H	Profit ratio	1H	Profit ratio	Change	(%)
Japan	Net sales	36,166	-	33,163	-	(3,002)	(8.3)%
	Segment profit	12,458	34.4%	22,400	67.5%	+9,942	+79.8%
USA	Net sales	56,618	-	62,921	-	+6,303	+11.1%
	Segment profit	5,167	9.1%	6,975	11.1%	+1,807	+35.0%
UK	Net sales	7,488	-	7,346	-	(142)	(1.9)%
	Segment profit	842	11.2%	110	1.5%	(731)	(86.8)%
France	Net sales	4,867	-	6,132	-	+1,264	+26.0%
	Segment profit	520	10.7%	533	8.7%	+12	+2.5%
China	Net sales	35	-	42	-	+6	+18.9%
	Segment profit	26	75.4%	192	457.4%	+165	+621.4%

- **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
- **U.S. segment (TAKEUCHI MFG. (U.S.), LTD.)**
 - Sales of construction machinery in the US and Canada
 - Manufacture of construction machinery in the US
- **UK Segment: (Takeuchi Mfg. (U.K.) 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

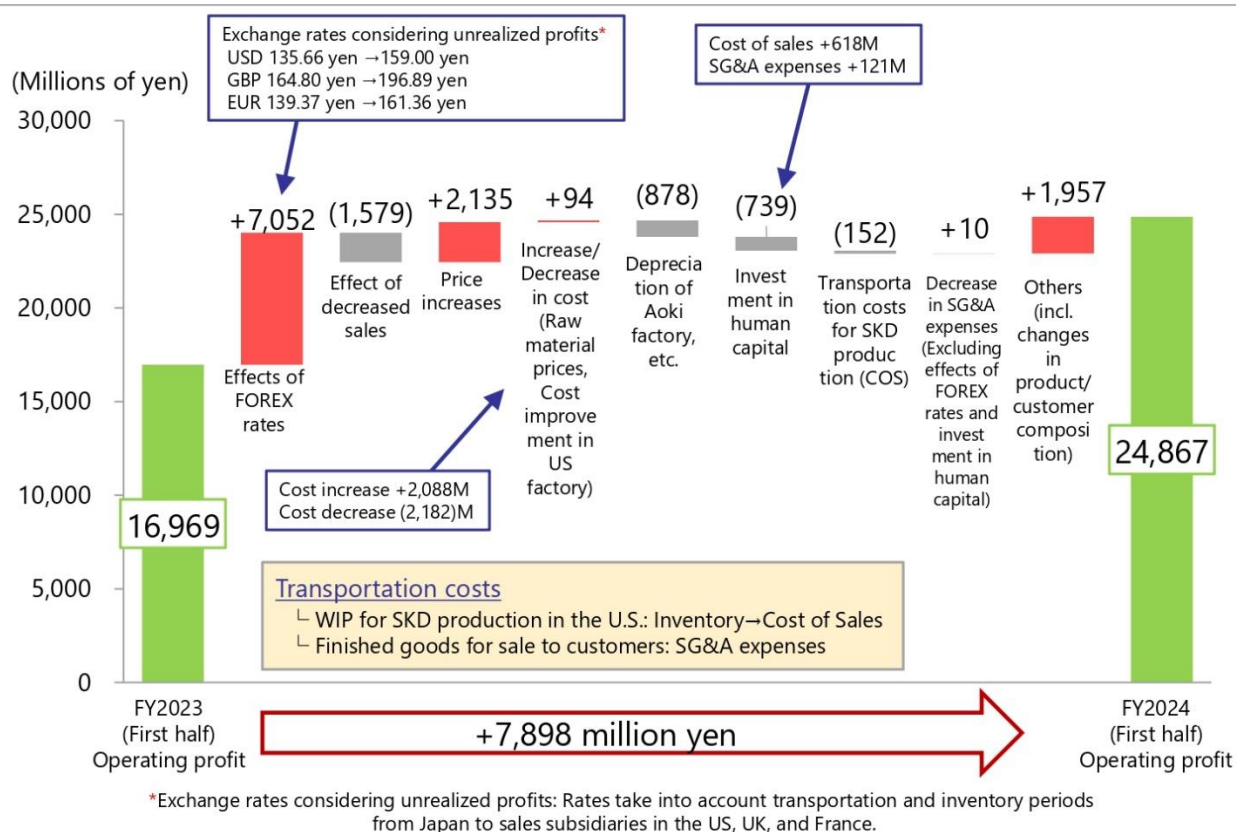
Please refer to page six. This is information on the geographic segment for your reference.

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Factors of Increase/Decrease in Operating Profit (FY2024 First Half)



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Please refer to page seven. I will explain the factors behind the increase and decrease in operating profit.

Factors contributing to the increase include JPY7,052 million from foreign exchange effects, JPY2,135 million from selling price increases, JPY94 million from cost reductions to offset the cost increases, JPY10 million from a decrease in SG&A expenses excluding currency effects, and JPY1,957 million from other factors including changes in product mix and customer mix, etc.

The cost reductions were mainly due to cost improvements resulting from an increase in production volume at the US plant. Factors for profit decrease include JPY1,579 million from the effect of decreased sales with lower volume, JPY878 million from depreciation of the Aoki factory etc., JPY739 million mainly from an increase of labor cost as part of investment in human capital, and JPY152 million from increased transportation costs related to semi-knockdown production in the US.

As a result, operating profit increased JPY7,898 million to JPY24,867 million.

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Consolidated Balance Sheets (As of August 31, 2024)

		As of Feb. 29, 2024		As of Aug. 31, 2024			
		Balance	Composition ratio	Balance	Composition ratio	Change	(%)
(Millions of yen)							
Assets	Cash and deposits	55,175	27.8%	37,382	18.0%	(17,792)	(32.2)%
	Notes and accounts receivable - trade	44,572	22.5%	51,086	24.6%	+6,513	+14.6%
	Inventories	58,263	29.4%	76,308	36.8%	+18,045	+31.0%
	Other	3,908	2.0%	3,771	1.8%	(137)	(3.5)%
	Current assets	161,920	81.7%	168,548	81.3%	+6,628	+4.1%
	Non-current assets	36,233	18.3%	38,801	18.7%	+2,568	+7.1%
	Total	198,153	100.0%	207,350	100.0%	+9,197	+4.6%
Liabilities and Net assets	Notes and accounts payable - trade	36,381	18.4%	26,387	12.7%	(9,993)	(27.5)%
	Other current liabilities	13,490	6.8%	14,260	6.9%	+769	+5.7%
	Current liabilities	49,872	25.2%	40,647	19.6%	(9,224)	(18.5)%
	Non-current liabilities	655	0.3%	695	0.3%	+39	+6.0%
	Total Liabilities	50,527	25.5%	41,342	19.9%	(9,184)	(18.2)%
	Total net assets	147,625	74.5%	166,007	80.1%	+18,381	+12.5%
	Total	198,153	100.0%	207,350	100.0%	+9,197	+4.6%

Please see page eight for the consolidated balance sheets.

Inventories increased approximately JPY18 billion. There are three main factors behind that. The first is the foreign exchange impact of converting inventories of overseas subsidiaries denominated in local currencies into yen. The second point is the longer inventory period required for logistics due to the bypassing of the Red Sea in shipping to Europe. The third factor is the buildup of product inventories at the US subsidiary with the aim of expanding sales.

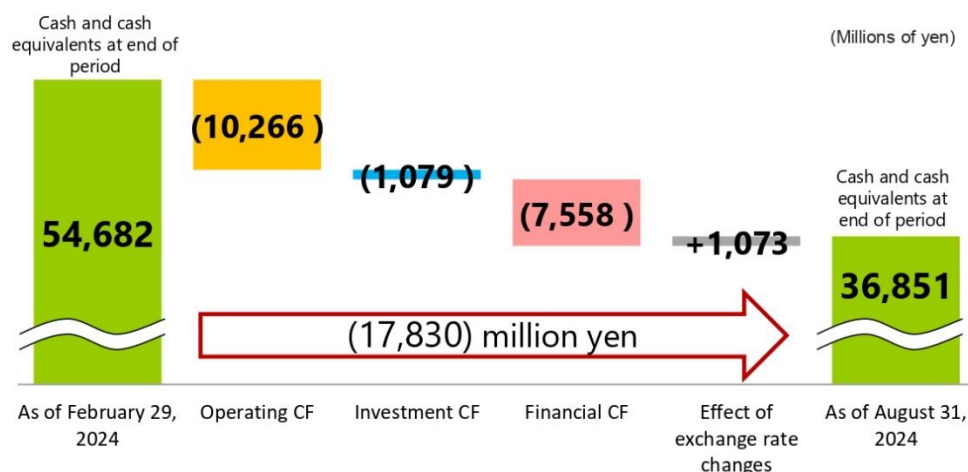
Since Q2 of the current fiscal year, the entire group has been adjusting production as product inventories have become sufficient. Production volume trends are shown on page 33 for your reference.

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Consolidated Statements of Cash Flows (1H FY2024, Results)



(Millions of yen)

Cash flows from operating activities	Change	Cash flows from investing activities	Change	Cash flows from financing activities	Change
Profit before income taxes	23,187	Purchase of property, plant and equipment	(1,302)	Dividends paid	(7,537)
Depreciation	1,807	Acquisition of intangible assets	(39)		
Increase in inventories	(11,860)	Proceeds from redemption of securities	300		
Increase in working capital	(16,769)	Others	(37)	Others	(20)
Income taxes paid	(8,693)				
Others	2,061				
Total	(10,266)	Total	(1,079)	Total	(7,558)

Please see page nine for consolidated statements of cash flows.

Operating cash flow decreased by JPY10,266 million due to an increase in inventories and working capital as well as an increase in income tax payments.

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FY2024 Earnings Forecasts (full year)

(Millions of yen)	Previous forecast (announced on April 12, 2024)			Revised forecast (announced on October 10, 2024)				
	1st half	2nd half	Full year	1st half (results)	2nd half	Full year	Change	(%)
Japan	680	620	1,300	985	874	1,860	+560	+43.1%
North America	64,580	66,240	130,820	62,906	59,353	122,260	(8,560)	(6.5)%
Europe	44,030	42,750	86,780	43,745	43,604	87,350	+570	+0.7%
Asia	70	60	130	49	100	150	+20	+15.4%
Others	2,640	2,330	4,970	1,919	1,960	3,880	(1,090)	(21.9)%
Total net sales	112,000	112,000	224,000	109,606	105,893	215,500	(8,500)	(3.8)%
Operating profit	21,000	17,500	38,500	24,867	19,632	44,500	+6,000	+15.6%
Ordinary profit	20,800	17,700	38,500	23,187	18,812	42,000	+3,500	+9.1%
Profit attributable to owners of parent	14,800	12,700	27,500	16,854	13,145	30,000	+2,500	+9.1%

(1) Demand for products in 2H

- Product demand in the European and US markets is expected to remain at the same level as in 1H
- In North America, sales volume is expected to increase as some shipments have been delayed to the 2H and due to the acquisition of new customers

(2) Forecasting **record-high** net sales and profits even though net sales may be below forecast

- Full-year sales volume forecast is lower than the previous forecast due to a lull in North America (North America -13.3%, Europe -5.3% compared with previous forecast)
- All earnings forecasts to be higher than expected due to lower ocean freight rates and the weak yen

Next, I will explain our full-year consolidated earnings forecast for the fiscal year ending February 2025. Please refer to page 11. On October 10, 2024, we revised our full-year earnings forecast. I will go through the key points of the revised forecast.

Product demand in H2 is expected to be the same level as in H1, both in Europe and the United States. In North America, we had expected a significant increase in sales volume in our previous forecast, but due to a lull in the market, we now forecast a 13.3% decrease in sales volume for the full year compared to the previous forecast.

In Europe, we had previously forecasted a significant decline in sales volume, particularly of compact excavators, and we now expect full-year sales volume to drop further, 5.3% below our previous forecast.

As a result, consolidated net sales for the full year are expected to fall short of the previous forecast, but profits at each stage are expected to exceed the previous forecast due to lower-than-expected ocean freight rates and the impact of foreign exchange rates.

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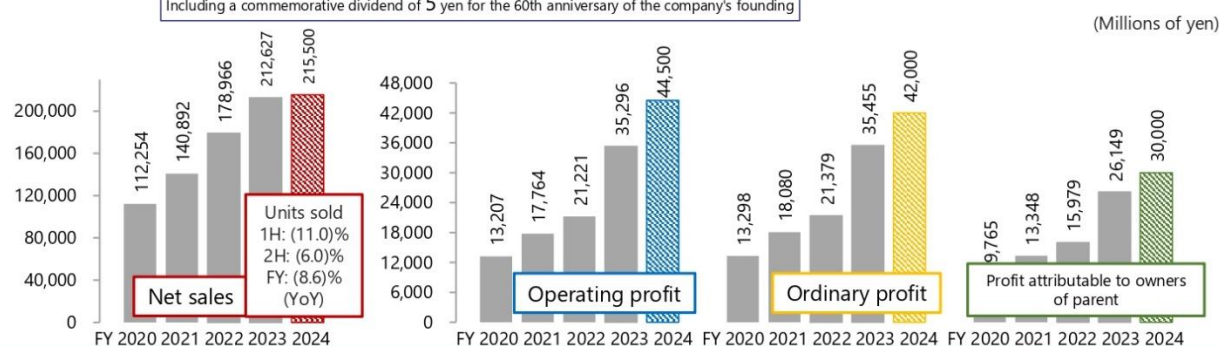
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Expected Consolidated Financial Highlights for FY2024

(Millions of yen)	FY2023		FY2024					
	Full year	Sales ratio	1st half (results)	2nd half (forecast)	Full year (forecast)	Sales ratio	Change	(%)
Net sales	212,627	-	109,606	105,893	215,500	-	+2,872	+1.4%
Operating profit	35,296	16.6%	24,867	19,632	44,500	20.6%	+9,203	+26.1%
Ordinary profit	35,455	16.7%	23,187	18,812	42,000	19.5%	+6,544	+18.5%
Profit attributable to owners of parent	26,149	12.3%	16,854	13,145	30,000	13.9%	+3,850	+14.7%
Capital investment	8,070	3.8%	1,397	4,007	5,404	2.5%	(2,666)	(33.0)%
Depreciation	3,321	1.6%	1,807	2,147	3,954	1.8%	+632	+19.0%
Earnings per share (yen)	548.58	Dividend payout ratio 28.8%	353.58	-	629.36	Dividend payout ratio 31.8%	+80.78	+14.7%
Dividends per share (yen)	158.00		-	-	200.00		+42.00	+26.6%

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



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Please see page 12 for the highlights of the full-year consolidated earnings forecast.

We forecast an 8.6% YoY decrease in total sales volume for the group as a whole, with net sales increasing 1.4% to JPY215.5 billion, operating profit increasing 26.1% to JPY44.5 billion, ordinary profit increasing 18.5% to JPY42 billion, and net profit increasing 14.7% to JPY30 billion, all record highs for both sales and profits.

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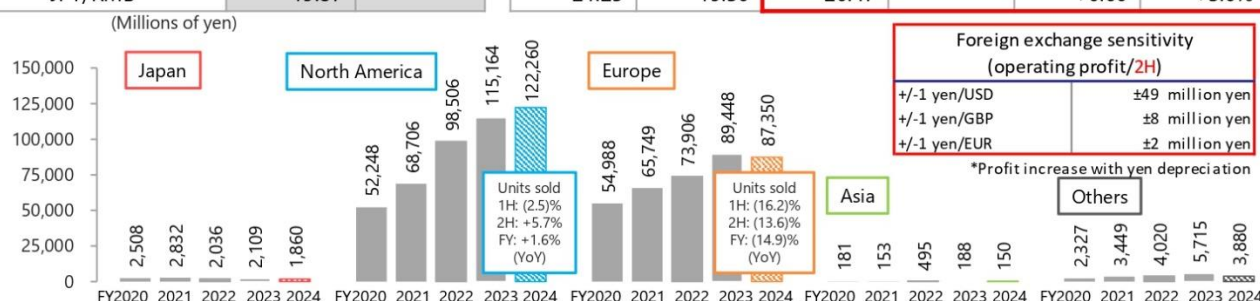
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Earnings Forecast by Region for FY2024

(Millions of yen)	FY2023		FY2024 (forecast)					
	Full year	Sales ratio	1st half (results)	2nd half (forecast)	Full year (forecast)	Sales ratio	Change	(%)
Japan	2,109	1.0%	985	874	1,860	0.9%	(249)	(11.8)%
North America	115,164	54.2%	62,906	59,353	122,260	56.7%	+7,095	+6.2%
Europe	89,448	42.1%	43,745	43,604	87,350	40.5%	(2,098)	(2.3)%
Asia	188	0.1%	49	100	150	0.1%	(38)	(20.6)%
Others	5,715	2.7%	1,919	1,960	3,880	1.8%	(1,835)	(32.1)%
Total net sales	212,627	100.0%	109,606	105,893	215,500	100.0%	+2,872	+1.4%
JPY/USD	143.25	-	154.54	138.00	147.54	-	+4.29	+3.0%
JPY/GBP	177.55	-	197.73	179.00	188.03	-	+10.48	+5.9%
JPY/EUR	155.05	-	166.48	152.00	159.71	-	+4.66	+3.0%
JPY/RMB	19.87	-	21.25	19.30	20.47	-	+0.60	+3.0%



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Please refer to page 13 for our full-year sales forecast by region.

Compared to the previous fiscal year, full-year sales volume in Europe is expected to drop by 14.9%, a significant decrease. This is due to the expectation of demand in H2 to stay almost flat from H1.

On the other hand, we forecast a slight increase of 1.6% in North America. This is because the sales volume in H2 is expected to be higher than in H1 due to some carried-over shipments caused by defects in purchased parts as well as more aggressive sales promotion activities in H2.

Foreign exchange sensitivity on operating profit for H2, for the six months period, is assumed to be JPY49 million for the US dollar, JPY8 million for the Great Britain pound, and JPY2 million for the euro.

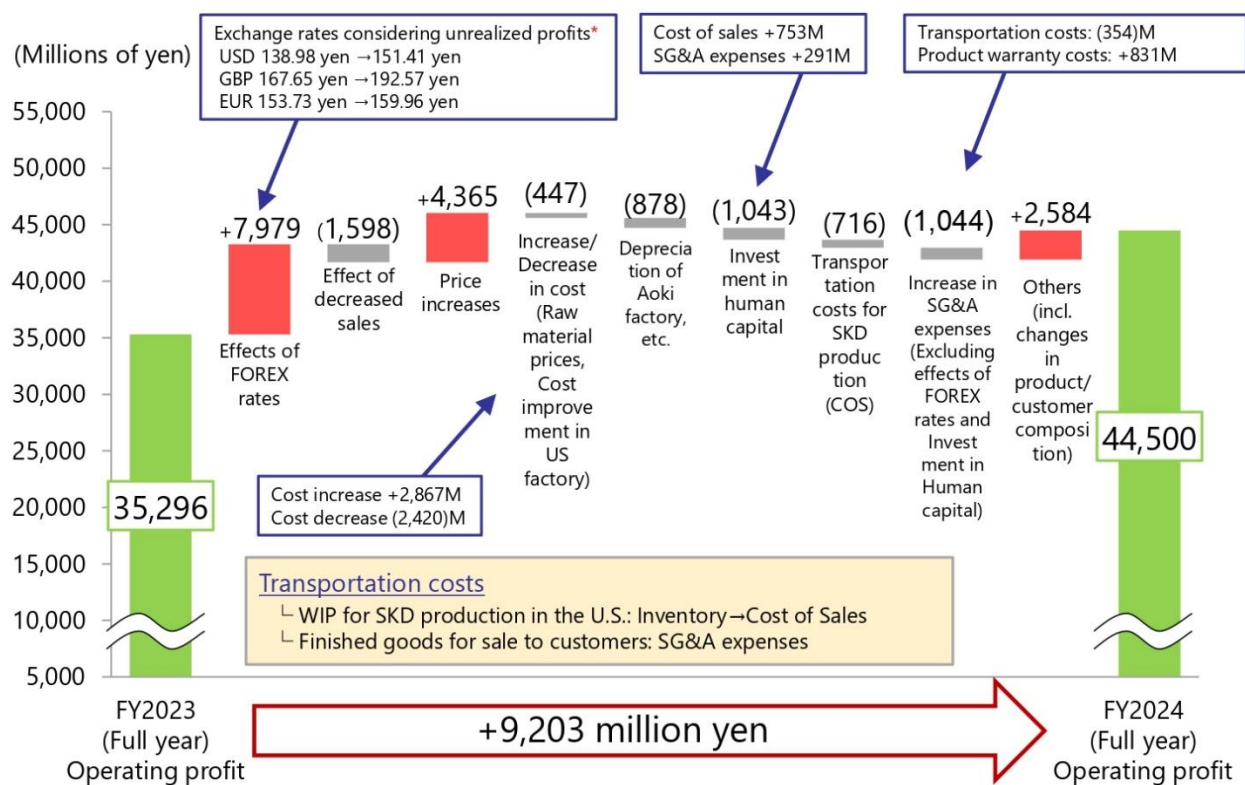
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Factors of Increase/Decrease in Operating Profit (FY2024 Full Year Forecast)



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Please refer to page 14. I will explain the factors of increase/decrease in consolidated operating profit for the full-year forecast.

The factors for increase include foreign exchange effects of JPY7,979 million, selling price increases of JPY4,365 million, and other factors including changes in the product mix and customer composition of JPY2,584 million.

Factors for decrease include JPY1,598 million from the effect of decreased sales with lower volume, JPY447 million from cost increases such as higher raw material prices, JPY878 million from depreciation of the Aoki factory etc., JPY1,043 million mainly from higher labor costs as part of an investment in human capital, JPY716 million from higher transportation costs related to semi-knockdown production in the US, and JPY1,044 million from an increase in SG&A expenses including the incremental product warranty allowance of JPY831 million.

As a result of the above, consolidated operating profit is projected to increase by JPY9,203 million to JPY44,500 million.

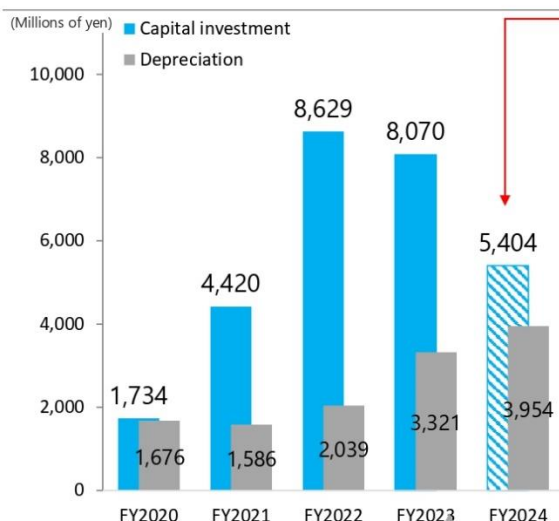
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Capital Investment Plan



◇ FY2023 Capital Investment Plan Breakdown

Home office	1.1 bn	Maintenance and renewal of jigs, molds, prototype machines, and equipment
Aoki Factory	5.0 bn	FY2023: 5.0 bn Through the previous FY: 6.0 bn
Employee dormitories	0.9 bn	Two buildings, each next to the home office factory and the Aoki Factory, respectively
Takeuchi US	1.0 bn	Solar panels (US headquarter and factory) Production and painting equipment (US factory)
Total	8.0 bn	

◇ FY2024 Capital Investment Plan Breakdown

Home office Aoki Factory	3.5 bn	Jigs, molds, maintenance and renewal of equipment: 1.3 bn Home office parts center equipment renewal, building expansion: 1.0 bn Factory equipment expansion, production streamlining: 0.8 bn Safety enhancement, work environment improvement: 0.4 bn
Employee dormitories	0.7 bn	1 Building in Ueda, Nagano Prefecture
Takeuchi US	0.5 bn	Expansion of US Factory facilities, marketing enhancements, IT investment
Others	0.7 bn	
Total	5.4 bn	

FY2020: Takeuchi US warehouse expansion (approx. 0.54 bn)



FY2021: US training center (approx. 0.5 bn)



FY2022: US Factory (approx. 4.7 bn)



FY2023: Aoki Factory (approx. 11.0 bn)



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Please refer to page 15 for our capital investment plan.

The capital investment is expected to amount to JPY5,404 million for the current fiscal year ending February 2025. The breakdown for main investment includes approximately JPY3.5 billion for maintenance and renewal of equipment at the home office and Aoki factory, expansion of the parts center etc., approximately JPY700 million for construction of a dormitory for employees, and approximately JPY500 million for facility expansion at the US subsidiary etc.

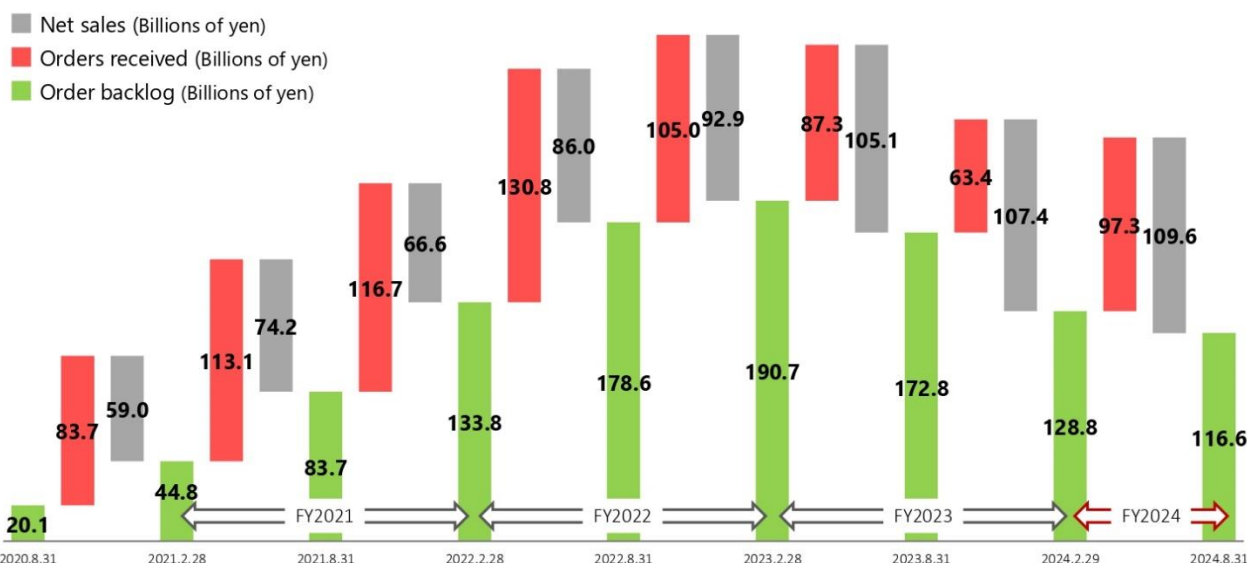
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Net Sales, Orders Received and Order Backlog



	FY2021				FY2022				FY2023				FY2024	
(Billions of yen)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Net sales	33.3	40.8	32.6	33.9	42.4	43.6	46.8	46.0	53.0	52.1	53.6	53.7	55.1	54.4
Orders received	60.1	52.9	63.5	53.1	66.5	64.2	47.0	57.9	47.6	39.6	38.2	25.2	61.5	35.7
Order backlog	71.7	83.7	114.7	133.8	158.0	178.6	178.8	190.7	185.3	172.8	157.4	128.8	135.2	116.6

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Next, let me discuss recent topics. Please see page 17. First, I will explain orders received and order backlog.

As shown on the right-hand of the bottom table, orders received in Q1 was as high as JPY61.5 billion due to the postponement of order timing by a major US rental company from the end of the previous year to the beginning of the current fiscal year. In Q2, orders received were only JPY35.7 billion.

The order backlog at the end of Q2 was JPY116.6 billion, of which approximately JPY90 billion was in the US and JPY25 billion was in Europe. If we translate them to monthly sales by applying this year's sales forecast by region, the order backlog for the US would be around 9 months and that for Europe would be around 3.5 months.

Given that our perception of the normal level of order backlog is generally three to four months, we believe that the level of order backlog in the US is still high but it has generally returned to normal level in Europe. As a result, we expect the normal cycle of orders corresponding to actual demand to continue in Europe where order backlogs have normalized, and in the US, sales will continue to outpace orders for some time until order backlogs normalize.

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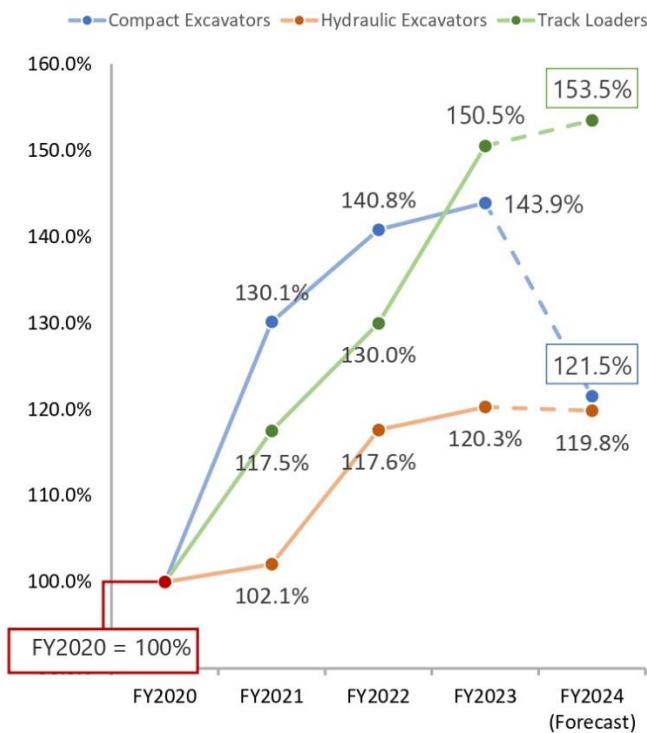
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Sales by Model (Excavators (Compact/Hydraulic) and Track Loaders)

➤ Sales Volume Growth Rates (Group Totals)

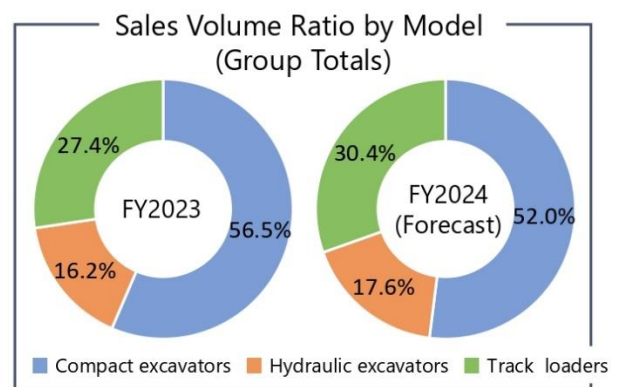


➤ Compact Excavators

- Primary products in Europe
Sales in Europe are slowing, especially for models under 3 tonnes, due to lackluster personal consumption and rising housing interest rates.
- Compact excavator sales in North America are strong and we expect sales volume to exceed FY2023.

➤ Track Loaders

- Primary products in North America
The Group sells most of its track loaders in North America.
- Sales are also beginning to grow gradually in Europe.



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Please see page 18. This page provides an overview of sales by product model.

The line graph shows the growth rate of unit sales of compact excavators, hydraulic excavators, and track loaders assuming FY2020 as 100%.

As you can see, the growth rate of track loaders has exceeded that of compact excavators since the previous fiscal year, demonstrating rapid growth. The pie chart on the lower right shows the ratio of unit sales by model. In the full-year forecast for the current fiscal year, the ratio of track loaders has increased to compensate for the decline in compact excavators.

Let me first explain the situation of compact excavators, which are by far the largest selling model. Sales are slowing in Europe, our main market, in the current fiscal year. We see this as the result of sluggish personal consumption due to rising prices and other factors, as well as downward pressure on housing demand due to soaring mortgage rates. We believe that this situation will not improve for some time, and we must expect that sales of compact excavators in Europe will be sluggish for a while.

On the other hand, sales of compact excavators in North America are steady and we expect the sales volume to exceed the previous year's level. In addition, track loaders, our mainstay products in North America, also maintain steady momentum. Furthermore, demand for track loaders, which used to be mainly for the North American market, is gradually increasing in Europe, and sales are beginning to grow.

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In the US where interest rates were cut in September and mortgage rates are on a downward trend, we believe there is a strong possibility that housing demand will recover and expand, leading to materialization of pent-up demand in 2025 once the newly elected President's economic policies become clear.

Therefore, we plan to expand sales of track loaders, which have promising growth potential, not only in the US but also in Europe in the next fiscal year and beyond.

Track Loader Features

Track loaders excel at transporting earth and leveling land

Compact and hydraulic excavators are good for excavation.

- ✓ Takeuchi developed and began producing the world's first track loader in September 1986

1. Faster than compact and hydraulic excavators



2. Primarily popular in the United States

Expansive U.S. construction sites increase efficiency using specialized construction machinery.

- ✓ Excavation
→ Compact and hydraulic excavators
- ✓ Transporting earth and leveling land
→ Fast-moving track loaders are more efficient

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Please see page 19. I will explain the product features of track loaders, which are expected to have greater growth potential.

First of all, the track loaders that we pioneered the world to develop and market following the compact excavators is called a compact track loader, or CTL for short, in the construction equipment industry. For the purposes of this slide, I will refer to it simply as a loader.

The first feature is that when the loader was first introduced to the market, it was mainly intended for use in transporting earth dug out by compact excavators or hydraulic excavators to another location, or in leveling the excavated area. So, it has the capabilities to travel quickly even on muddy ground such as clay-like soil.

The second feature pertains to the fact that loaders have become popular mainly in the US where there are many large-scale construction sites. Excavators and loaders each have their own characteristics, and these work together to provide the advantage of efficient civil engineering work.

For your information, in urban areas of Japan and Europe where civil engineering work has to be done in relatively small areas, there is no room for loaders to transport earth and sand, so compact excavators have

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taken care of all work, including excavation, transport, and leveling. This is the main reason why the primary market for loaders has been the United States.

Track Loader Features

3. Various operations are possible by changing the attachment

→ Capable of multiple uses ranging from construction and agriculture to forestry and landscaping



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Please see page 20. The third feature is that loaders can be used not only on construction sites but also for multiple purposes by changing attachments.

As you may notice from these images, the end users of loaders also leverage them for other purposes than civil engineering, since loaders can transport not only earth and sand but also grass, trees, and other heavy objects. We believe that this broad base of end users is our major competitive advantage for expanding sales.

For your reference, there is an image of a loader carrying solar panels in the upper right corner. As you can see, we believe that the demand for installation of new equipment and facility rework to realize a decarbonized society will increase, and this will be a tailwind for the sales of our loaders as well as excavators.

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Track Loader Features

4. Also useful for post-disaster reconstruction such as debris removal



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Please see page 21. The fourth feature is that loaders are capable to play an important role in reconstruction work at disaster sites.

Once again, we would like to express our deepest sympathies to the victims of the Noto Peninsula earthquake on New Year's Day and the torrential rain that hit the region on September 21 this year.

Immediately after receiving permission from the local government, we dispatched loaders, compact excavators, and operators to the site to support reconstruction efforts. We sincerely hope for the earliest possible recovery.

Returning to the explanation of the loaders, as you can see from these images, they are used in the reconstruction effort to grab, lift, remove, or transport debris as well as vessels and vehicles washed by the Tsunami. In the past, our products have been used for similar purposes in areas affected by hurricanes and wildfires in the United States.

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European Market Status (Exhibition in Nuremberg, Germany, September 11-14, 2024)



Track loader on display.

- Equipped with a brush cutter (mulcher). Mainly used for forestry.

<https://www.youtube.com/watch?v=HTnRStp9ELk>

- ✓ Many customers visited our booth as soon as it opened at 9:00 AM. (The booth served many customers who wanted to see and touch our premium products.)
- ✓ The jobs of end users have not decreased.
- ✓ Dealers purchased extra products during the product shortage after COVID-19, so they are now in a period of inventory adjustment.
- ✓ In the German construction machinery market, sales of small excavators under 3 tonnes are lackluster, but sales of those over 4 tonnes are solid.

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Please see page 22. The outlook for Europe is difficult to predict, but we would like to report you of a trade show in Germany that our distributor participated as an exhibitor in September.

For the first time, our loader was also showcased to raise awareness and expand sales. To attract visitors' attention with the aim of uncovering latent demand, we exhibited a loader with an attachment for a brush cutter called a mulcher, which is mainly used in forestry. We have a demonstration video on how the loader and mulcher are working together which you can access via the link here. We hope you see it later.

The bullet points at the bottom are market information obtained directly from visitors by our distributor who exhibited at the show. The information that end-users' jobs are not decreasing is very encouraging and positive.

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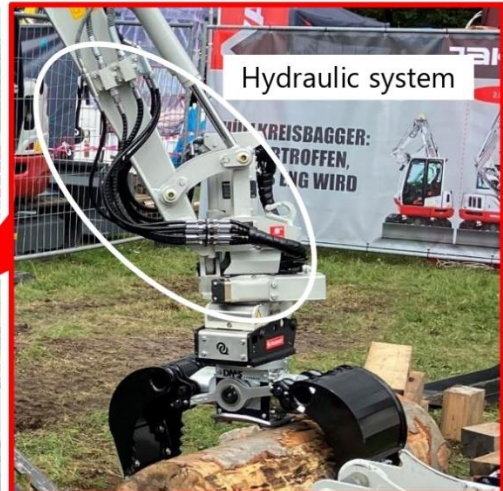
European Market Status (Exhibition in Nuremberg, Germany, September 11-14, 2024)

Outdoor demonstration area

- ✓ Demonstration with different attachments
- ✓ Demonstrated the appeal of product features and the expandability and versatility of our products



TB225 (Product weight: 2.3 tonnes)



To operate attachments that perform complex movements such as grabbing, releasing and rotating, construction machinery needs to be equipped with a full hydraulic system.

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Please see page 23. These are the pictures of the compact excavators with different attachments at outdoor demonstration area, as I just explained.

We have a suite of compact excavator models that support wide range of attachments. As shown here, the demonstration also appealed the superiority, expandability, and versatility of our product by showing how the standard bucket for excavating the ground can be removed and replaced with another attachment that can grab the timber, rotate it, and change its placement without leaving the driver's seat, simply by operating the hydraulic system.

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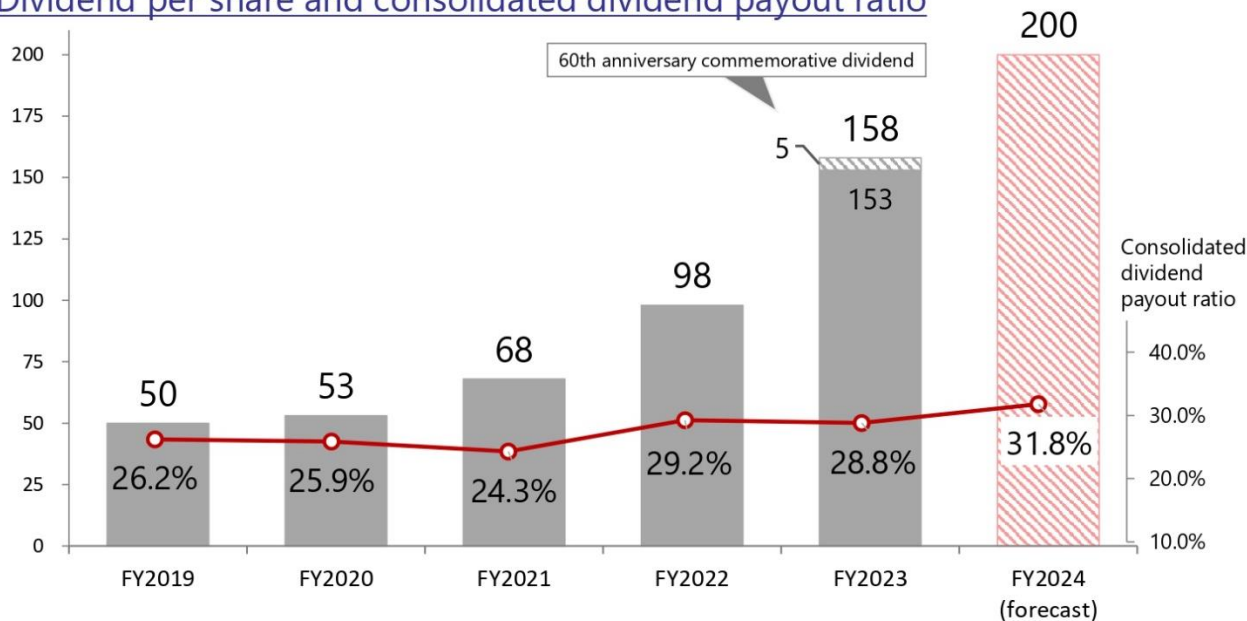
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Shareholder Return and Dividend Payout Ratio

Basic policy: Strive to maintain a stable dividend payout with **a target consolidated dividend payout ratio of 30%** in mind, while securing the internal reserves necessary to strengthen the management structure and develop future businesses

Share buybacks: **Implement share buybacks** as appropriate, taking into consideration stock price levels, capital efficiency, and other factors.

Dividend per share and consolidated dividend payout ratio



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Please refer to page 24. I will explain shareholder returns and the consolidated dividend payout ratio.

Our current basic policy is to maintain stable dividends with a target consolidated payout ratio of 30%. In consideration of the group's financial position and earnings forecast, we plan the year-end dividend for the current fiscal year to be JPY200 per share, unchanged from the forecast at the beginning of the fiscal year.

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Share Buybacks

- Basic policy: Strive to maintain a stable dividend payout with **a target consolidated dividend payout ratio of 30%** in mind, while securing the internal reserves necessary to strengthen the management structure and develop future businesses
- Share buybacks: **Implement share buybacks** as appropriate, taking into consideration stock price levels, capital efficiency, and other factors.

➤ Share Buyback Resolution by the Board of Directors (October 10, 2024)

Total number of shares to be repurchased	Up to 2 million shares (4.2% of total number of issued shares (excluding treasury shares))
Total amount of share repurchase costs	Up to 7.0 billion yen
Period of repurchases	October 11, 2024 to January 31, 2025
Buyback rationale	The buyback is based on the current shareholder return policy with due consideration of issues including share price and capital efficiency, and is an additional means of providing returns to shareholders.

Reference

- ✓ Total number of issued shares (excluding treasury shares): 47,744,971 shares (as of September 30, 2024)
- ✓ Number of treasury shares: 1,254,029 shares (as of September 30, 2024)

Please turn to page 23.

We consider the recent share price level of the Company as being undervalued. Therefore, in accordance with our shareholder return policy, we have decided to repurchase our own shares, as stated here, to meet the expectations of our shareholders who have been supporting us, and we are repurchasing our own shares within the set period.

We would like to take this opportunity to ask for the understanding and continued support of our shareholders. This concludes my explanation of the financial results for Q2.

Thank you for your attention.

[END]

Document Notes

1. Portions of the document where the audio is unclear are marked with [inaudible].
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