# TAKEUCHI MFG. CO., LTD.

Financial Results Briefing for the Fiscal Year Ended February 2024

April 22, 2024

# Event Summary

| | |
|---|---|
| **[Company Name]** | TAKEUCHI MFG. CO., LTD. |
| **[Company ID]** | 6432-QCODE |
| **[Event Language]** | JPN |
| **[Event Type]** | Earnings Announcement |
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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, Manager of 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 29, 2024 and our full-year forecast for the current fiscal year.

### Summary of FY2023 Earnings Results

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

- North American sales volume increased **+6.1%** (1st H: +3.6%, 2nd H: +8.8%, YoY)

  Although the housing market entered an adjustment phase due to continued high interest rates and housing prices, latent demand for housing remained strong.
  Demand for products remained strong due to firm demand for water and gas pipeline infrastructure projects.

- European sales volume increased **+5.3%** (1st H: +7.0%, 2nd H: +3.5%, YoY)

  Rising mortgage rates and energy prices pushed down housing demand.
  Demand was firm for non-housing-related construction such as infrastructure work and construction investment.

- Total sales volume increased **+5.7%** (1st H: +5.5%, 2nd H: +6.0%, YoY)

(2) Record-high net sales and profits (net sales +18.8%, operating profit +66.3%, YoY)

(Billions of yen)

| | FY2022 | | | | | FY2023 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | Full year | 1Q | 2Q | 3Q | 4Q | Full year |
| Net sales | 42.4 | 43.6 | 46.8 | 46.0 | 178.9 | 53.0 | 52.1 | 53.6 | 53.7 | 212.6 |
| Gross profit | 9.8 | 10.1 | 11.1 | 11.9 | 43.0 | 12.9 | 12.5 | 12.9 | 13.6 | 52.1 |
| SG&A expenses | 4.4 | 6.1 | 6.4 | 4.7 | 21.8 | 4.4 | 4.1 | 4.3 | 3.9 | 16.8 |
| of these, transportation costs | 2.6 | 4.1 | 4.3 | 2.7 | 13.8 | 2.1 | 1.5 | 1.7 | 1.7 | 7.1 |
| Operating profit | 5.3 | 3.9 | 4.6 | 7.2 | 21.2 | 8.5 | 8.4 | 8.6 | 9.6 | 35.2 |

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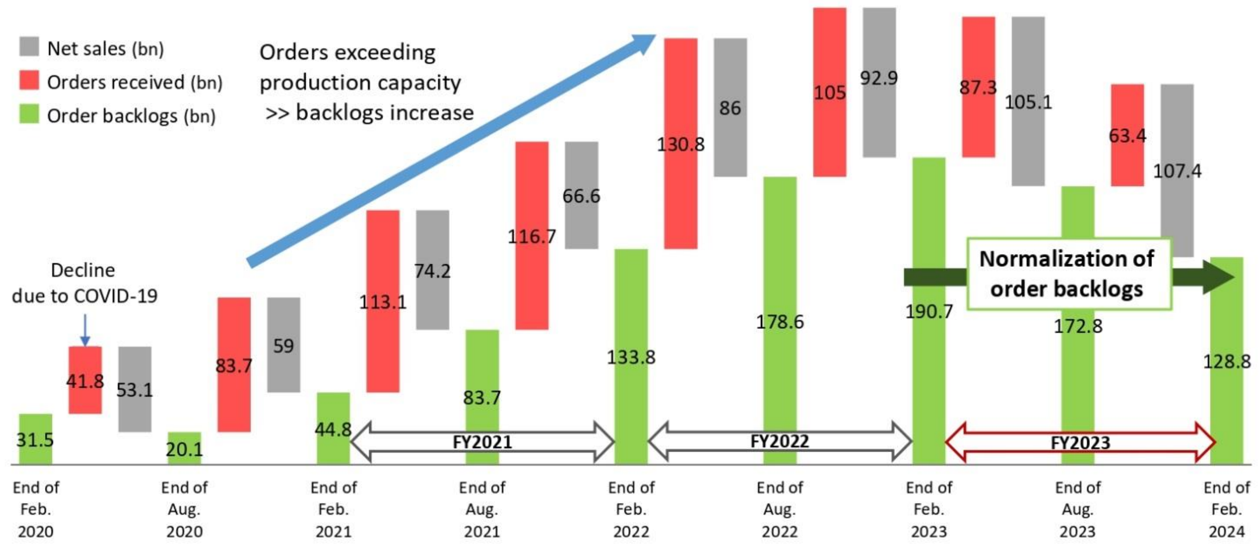
See page two. I would like to explain some key points regarding the results for the fiscal year ended February 29, 2024, as compared to the previous fiscal year.

First, in terms of sales volume, the housing market in North America entered an adjustment phase due to high-interest rates and housing prices, but latent demand for housing was strong and living infrastructure construction was robust, resulting in strong product demand. In Europe, higher housing interest rates and energy prices pushed down demand for residential construction, while demand for non-residential work, such as living infrastructure construction and construction investment, was strong. As a result, sales in North America increased by 6.1%, sales in Europe increased by 5.3%, and overall sales increased by 5.7%.

Next, with regard to sales and profits, although there were increases in raw material prices, depreciation, and labor costs at the US and Aoki plants, sales and all profits items reached record highs due to the increase in sales volume, price hikes, lower transportation costs and a tailwind from the weak yen exchange rate.

## Summary of FY2023 Earnings Results

### (3) Net Sales, Orders Received, and Order Backlogs by Half Year




✓ Order adjustments by both customers and Takeuchi to normalize accumulated backlogs

>> Normal level of order backlogs: 3 to 4 months of sales

>> Reduce order backlogs by expanding production volume and sales volume with new factories

| | FY2022 | | | | FY2023 | | | |
|---|---|---|---|---|---|---|---|---|
| (Billions of yen) | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| Net sales | 42.4 | 43.6 | 46.8 | 46.0 | 53.0 | 52.1 | 53.6 | 53.7 |
| Orders received | 66.5 | 64.2 | 47.0 | 57.9 | 47.6 | 39.6 | 38.2 | 25.2 |
| Order backlogs | 158.0 | 178.6 | 178.8 | 190.7 | 185.3 | 172.8 | 157.4 | 128.8 |

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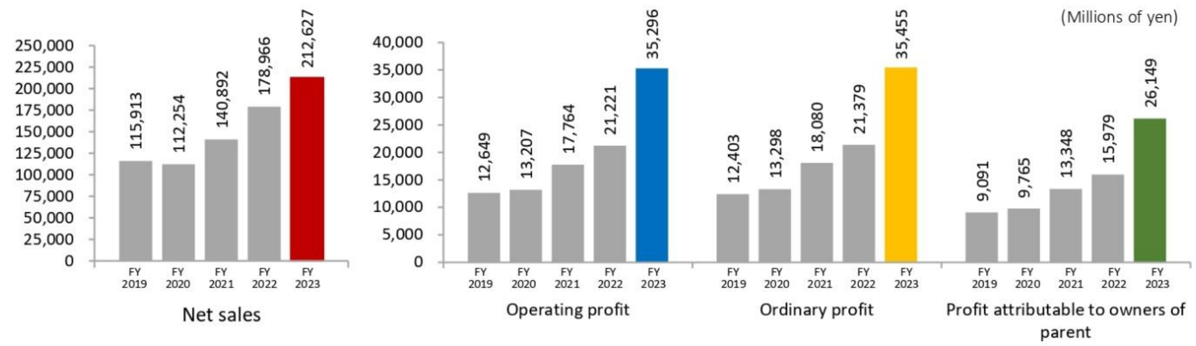
See page three. The following table shows the changes in sales, order received, and order backlog per half-year.

In the previous year, orders received exceeded production capacity, causing the order backlog to reach a level exceeding annual sales, and delivery times continued to lengthen. In order to rectify this situation, during the current fiscal year, the Company and its customers discussed and adjusted order placement and receipt, and the order backlog has been gradually cleared, finally returning to a level where delivery can be made on the customer's desired delivery date. Going forward, we will focus on securing orders commensurate with the increased production capacity and expanding production and sales volume.

The table below right shows the quarterly changes between the previous and current fiscal year. The decrease in orders received in Q4 was due to the timing of an order from a major US rental company, which would normally have come in during this period, being moved to the beginning of the next fiscal year.

## Consolidated Financial Highlights for FY2023

| (Millions of yen) | FY2022 | | FY2023 | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Full year | Sales ratio | 1st half | 2nd half | Full year | Sales ratio | Change | (%) |
| Net sales | 178,966 | - | 105,176 | 107,451 | 212,627 | - | +33,661 | +18.8% |
| Operating profit | 21,221 | 11.9% | 16,969 | 18,327 | 35,296 | 16.6% | +14,075 | +66.3% |
| Ordinary profit | 21,379 | 11.9% | 17,072 | 18,382 | 35,455 | 16.7% | +14,076 | +65.8% |
| Profit attributable to owners of parent | 15,979 | 8.9% | 12,670 | 13,479 | 26,149 | 12.3% | +10,169 | +63.6% |
| Capital investment | 8,629 | 4.8% | 4,798 | 3,272 | 8,070 | 3.8% | (558) | (6.5)% |
| Depreciation | 2,039 | 1.1% | 1,285 | 2,036 | 3,321 | 1.6% | +1,282 | +62.9% |
| Orders received | 235,864 | - | 87,309 | 63,468 | 150,777 | - | (85,086) | (36.1)% |
| Order backlog | 190,747 | - | 172,880 | 128,897 | 128,897 | - | (61,850) | (32.4)% |

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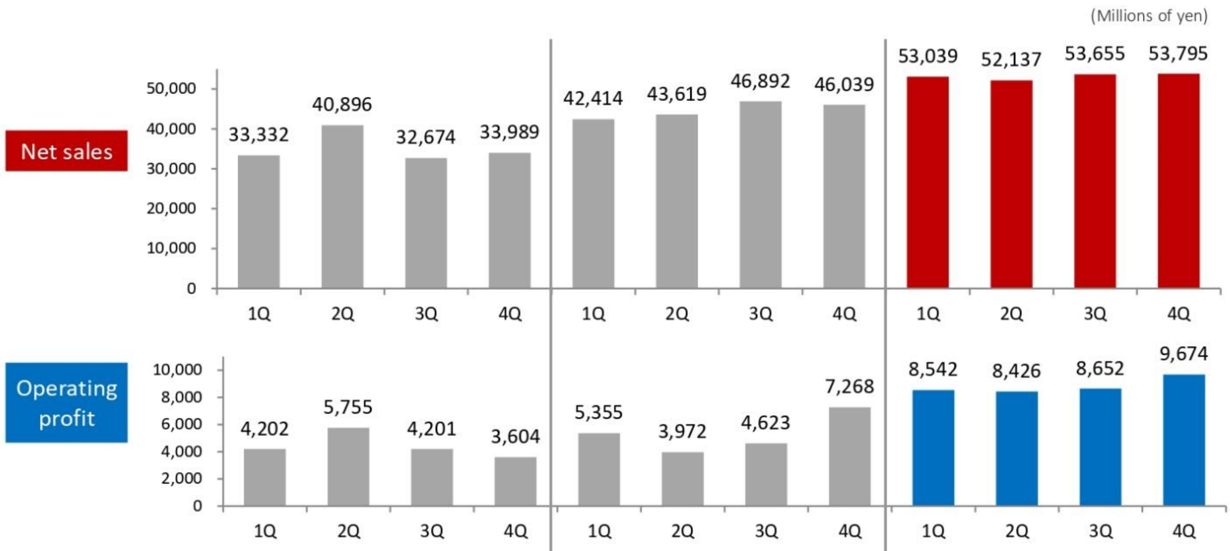
See page four. I would like to explain the consolidated financial highlights.

Net sales increased by 18.8% to JPY212,627 million and operating profit rose by 66.3% to JPY35,296 million. The reasons for the increase or decrease in operating profit will be explained later on page eight.

Order received and order backlog decreased by JPY85,086 million to JPY150,777 million and by JPY61,850 million to JPY128,897 million, respectively, for the reasons I just explained.

## Quarterly Net Sales and Operating Profit




| Exchange rates | FY2021 | | | | FY2022 | | | | FY2023 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| JPY/USD | 108.89 | 109.96 | 110.66 | 114.70 | 121.43 | 133.43 | 143.54 | 134.12 | 134.74 | 140.48 | 148.62 | 145.93 |
| JPY/GBP | 151.26 | 153.60 | 152.21 | 154.07 | 157.87 | 163.51 | 166.55 | 163.00 | 165.80 | 179.25 | 183.10 | 185.38 |
| JPY/EUR | 130.43 | 131.70 | 130.56 | 129.41 | 133.83 | 138.77 | 142.85 | 142.51 | 146.10 | 154.14 | 158.55 | 159.56 |
| JPY/RMB | 16.45 | 17.07 | 17.08 | 17.90 | 18.56 | 19.70 | 20.11 | 19.60 | 19.43 | 19.66 | 20.08 | 20.31 |




See page five. Quarterly sales and operating profit.

The increase in production from Q3 to Q4 of the current fiscal year contributed to higher sales. In Q4, both net sales and operating profit reached record highs for the quarter due to higher selling prices, lower transportation costs, and a weaker yen.

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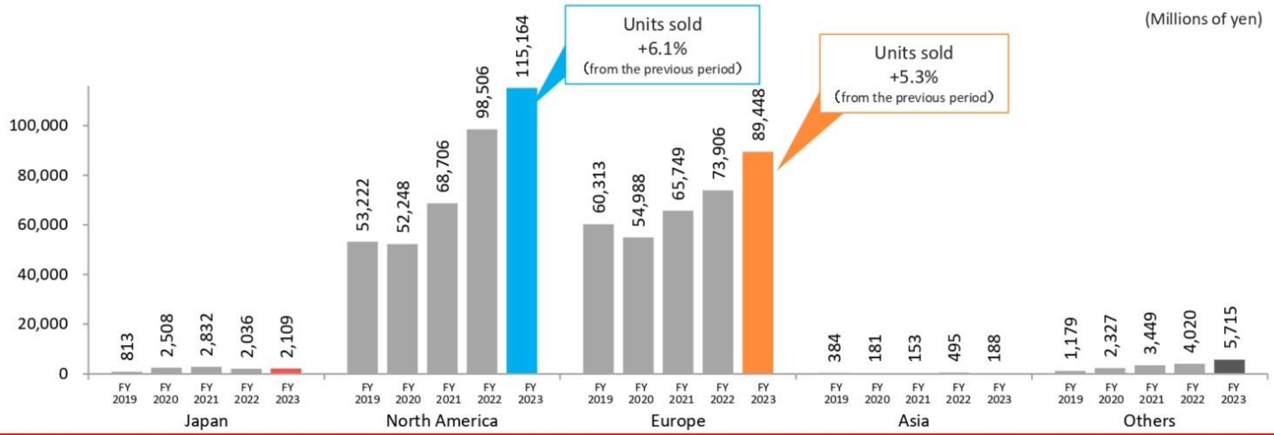
## Earnings by Region for FY2023

| (Millions of yen) | FY2022 | | FY2023 | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Full year | Sales ratio | 1st half | 2nd half | Full year | Sales ratio | Change | (%) |
| Japan | 2,036 | 1.1% | 1,094 | 1,015 | 2,109 | 1.0% | +73 | +3.6% |
| North America | 98,506 | 55.0% | 56,610 | 58,554 | 115,164 | 54.2% | +16,658 | +16.9% |
| Europe | 73,906 | 41.3% | 44,318 | 45,129 | 89,448 | 42.1% | +15,541 | +21.0% |
| Asia | 495 | 0.3% | 60 | 128 | 188 | 0.1% | (307) | (61.9)% |
| Others | 4,020 | 2.2% | 3,092 | 2,623 | 5,715 | 2.7% | +1,695 | +42.2% |
| Total net sales | 178,966 | 100.0% | 105,176 | 107,451 | 212,627 | 100.0% | +33,661 | +18.8% |
| Net sales overseas | 176,930 | 98.9% | 104,082 | 106,435 | 210,518 | 99.0% | +33,587 | +19.0% |







See page six. Sales by region.

Sales in North America increased by 16.9% to JPY115,164 million, and sales in Europe increased by 21% to JPY89,448 million, 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. Other areas are as shown.

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## Geographic Segment Information and Results for FY2023

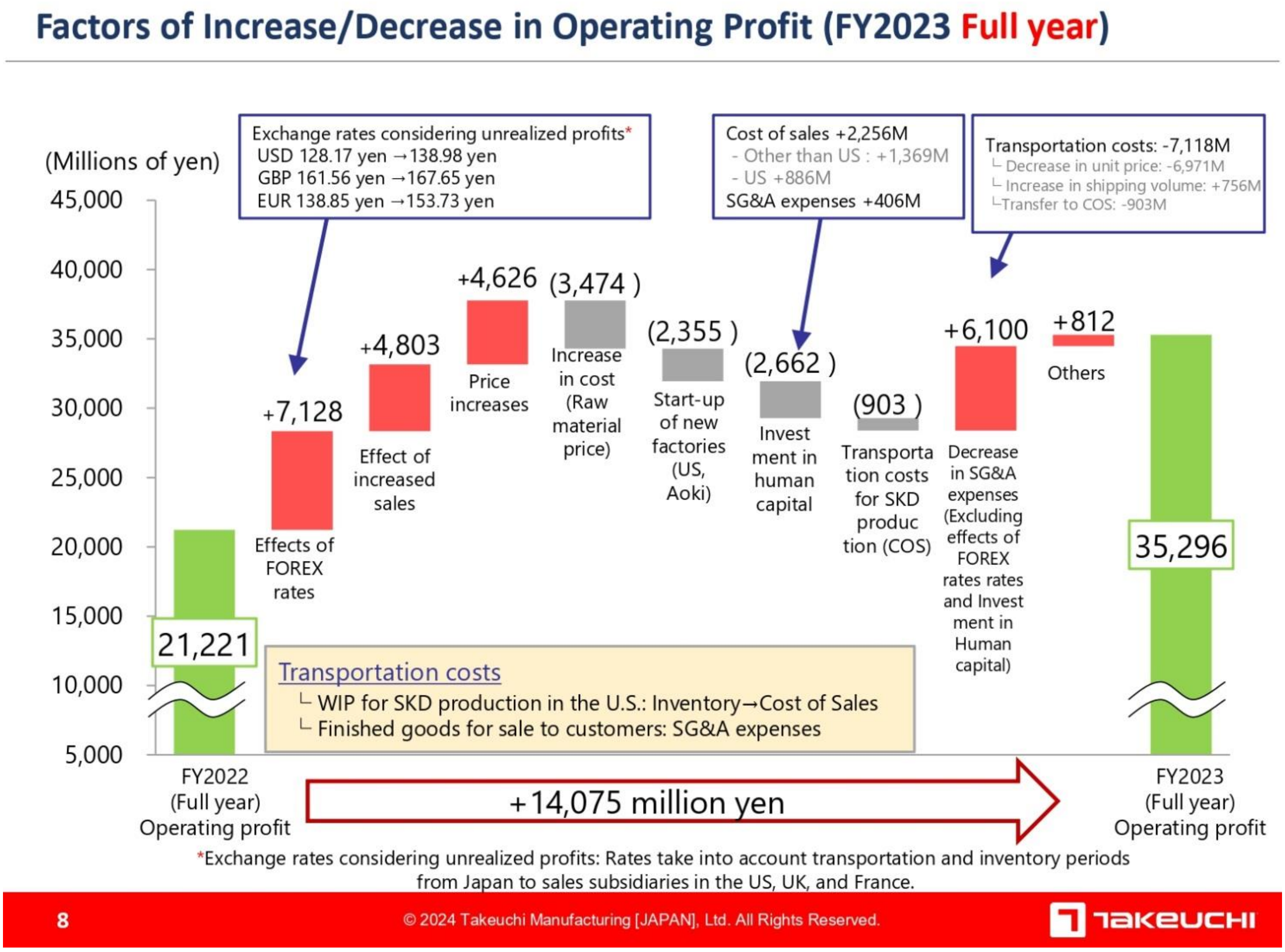
| (Millions of yen) | | FY2022 | | FY2023 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Full year | Profit ratio | 1st half | 2nd half | Full year | Profit ratio | Change | (%) |
| Japan | Net sales | 60,658 | — | 36,166 | 39,238 | 75,404 | — | +14,745 | +24.3% |
| | Segment profit | 13,209 | 21.8% | 12,458 | 18,266 | 30,724 | 40.7% | +17,514 | +132.6% |
| USA | Net sales | 98,506 | — | 56,618 | 58,565 | 115,183 | — | +16,677 | +16.9% |
| | Segment profit | 9,895 | 10.0% | 5,167 | 5,703 | 10,870 | 9.4% | +974 | +9.8% |
| UK | Net sales | 12,130 | — | 7,488 | 4,642 | 12,131 | — | +1 | +0.0% |
| | Segment profit | 1,101 | 9.1% | 842 | 69 | 912 | 7.5% | (189) | (17.2)% |
| France | Net sales | 7,523 | — | 4,867 | 4,926 | 9,794 | — | +2,271 | +30.2% |
| | Segment profit | 682 | 9.1% | 520 | 452 | 972 | 9.9% | +290 | +42.5% |
| China | Net sales | 147 | — | 35 | 78 | 113 | — | (34) | (23.1)% |
| | Segment profit | 20 | 13.8% | 26 | 112 | 139 | 123.1% | +119 | +587.4% |

- **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
- **US 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




See page seven. Geographic segment information.

In the UK, both sales and segment income declined due to a softening market for mini excavators under 3 tons since Q2.




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

The breakdown is as follows: JPY7,128 million from foreign exchange impact, JPY4,803 million from revenue growth, and JPY4,626 million from sales price increases. Factors contributing to lower profits included JPY3,474 million in higher raw material costs, JPY2,355 million in depreciation and other expenses associated with the start of operations at the US and Aoki plants, JPY2,662 million in investments in human capital, and JPY903 million in transportation costs related to semi-knockdown production in the United States.

In addition, a decrease in SG&A expenses excluding the effect of foreign exchange resulted in an increase of JPY6.1 billion. The majority of this decrease in SG&A expenses was due to lower transportation costs.

The upper left corner of this document shows a breakdown of rate fluctuations by currency as rates that take into account unrealized gains. This is because it takes a couple of months for transportation from the head office to the subsidiary and for inventory to be ready for sale, so the effect of exchange rate fluctuations occurs with a delay.

As a result, including other factors, operating profit increased by JPY14,075 million to JPY35,296 million.

## Consolidated Balance Sheets (As of February 29, 2024)

| | | (Millions of yen) | As of Feb. 28, 2023 Balance | As of Feb. 28, 2023 Composition ratio | As of Feb. 29, 2024 Balance | As of Feb. 29, 2024 Composition ratio | Change | (%) |
|---|---|---|---|---|---|---|---|---|
| Assets | | Cash and deposits | 43,995 | 27.7% | 55,175 | 27.8% | +11,180 | +25.4% |
| | | Notes and accounts receivable - trade | 35,739 | 22.5% | 44,572 | 22.5% | +8,832 | +24.7% |
| | | Inventories | 47,723 | 30.1% | 58,263 | 29.4% | +10,540 | +22.1% |
| | | Other | 3,001 | 1.9% | 3,908 | 2.0% | +907 | +30.2% |
| | Current assets | | 130,459 | 82.2% | 161,920 | 81.7% | +31,460 | +24.1% |
| | Non-current assets | | 28,326 | 17.8% | 36,233 | 18.3% | +7,907 | +27.9% |
| | Total | | 158,785 | 100.0% | 198,153 | 100.0% | +39,367 | +24.8% |
| Liabilities and Net assets | | Notes and accounts payable - trade | 26,755 | 16.9% | 36,381 | 18.4% | +9,625 | +36.0% |
| | | Other current liabilities | 9,620 | 6.1% | 13,490 | 6.8% | +3,869 | +40.2% |
| | Current liabilities | | 36,376 | 22.9% | 49,872 | 25.2% | +13,495 | +37.1% |
| | Non-current liabilities | | 606 | 0.4% | 655 | 0.3% | +49 | +8.1% |
| | Total Liabilities | | 36,983 | 23.3% | 50,527 | 25.5% | +13,544 | +36.6% |
| | Total net assets | | 121,802 | 76.7% | 147,625 | 74.5% | +25,822 | +21.2% |
| | Total | | 158,785 | 100.0% | 198,153 | 100.0% | +39,367 | +24.8% |

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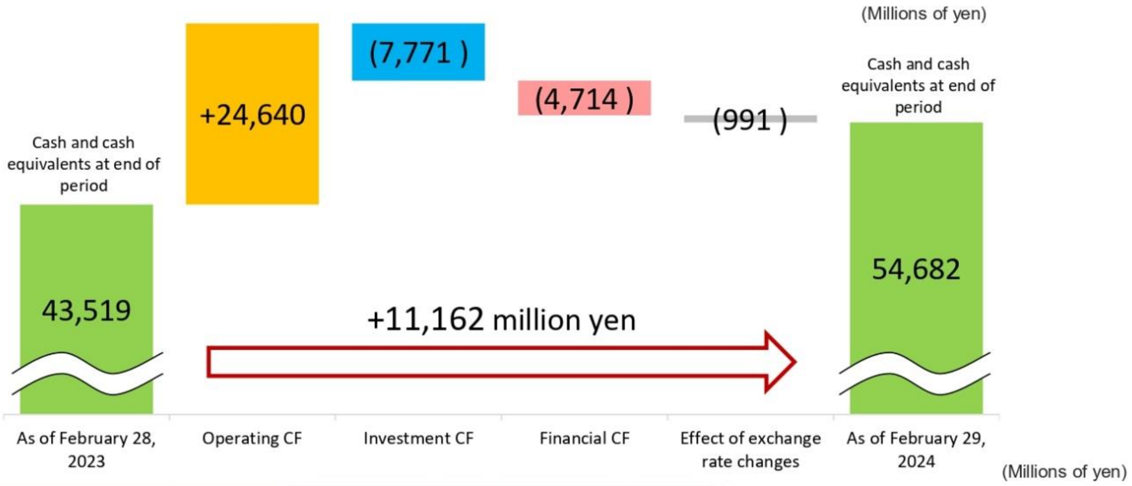
See page nine. Consolidated balance sheet. The increase in production and sales led to increases in cash and deposits, notes and accounts receivable - trade, inventories, and notes and accounts payable trade, mainly due to higher production and sales.

## Consolidated Statements of Cash Flows (FY2023, Results)




(Millions of yen)

| Cash flows from operating activities | Change |
|---|---|
| Profit before income taxes | 35,455 |
| Depreciation | 3,321 |
| Decrease (increase) in inventories | (8,506) |
| Decrease in working capital | 1,612 |
| Income taxes paid | (6,923) |
| Others | (318) |
| Total | +24,640 |

| Cash flows from investing activities | Change |
|---|---|
| Net (increase) decrease in term deposits | (18) |
| Purchase of property, plant and equipment | (7,537) |
| Acquisition of intangible assets | (325) |
| Proceeds from redemption of securities | 100 |
| Others | 9 |
| Total | (7,771) |

| Cash flows from financing activities | Change |
|---|---|
| Dividends paid | (4,679) |
| Others | (35) |
| Total | (4,714) |

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See page 10. The consolidated statements of cash flows are as stated and are available for your review.

## FY2024 Earnings Forecasts (Full Year)

(1) Net sales forecast… **Increase**

Despite a decline in Europe, performance will remain strong in North America

- North American sales volume increased +17.2% (1st H: +15.6%, 2nd H: +18.9%, YoY)
  - The housing market has softened temporarily, but housing demand is still strong
  - Aging infrastructure requires ongoing maintenance work
  - Sales increases expected for compact excavators, hydraulic excavators and track loaders, backed by expanded production capacity from new factories
- European sales volume decreased -10.2% (1st H: -11.0%, 2nd H: -9.4%, YoY)
  - Housing demand will decline due to inflation and interest rate hikes, but infrastructure work will remain firm
  - Decline in sales volume of compact excavators used in housing construction
  - Solid demand projected for hydraulic excavators weighing 6 tonnes or more used in infrastructure work
- Total sales volume increased +1.0% (1st H: -0.2%, 2nd H: +2.2%, YoY)

(2) Profit forecast … **Increase** (Operating profit, ordinary profit and net profit)

Factors that could increase profits: Price increases (Europe and North America), sales growth, forex impact (unrealized profit)

Factors that could reduce profits: Continued rise in raw material prices, investment in human capital (increase in personnel and labor costs), Aoki Factory expenses for full year, ocean freight rates hikes

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We will continue to explain our full-year consolidated earnings forecast for the fiscal year ending February 28, 2025.

See page 12. I would like to explain the key points of our business forecast for the fiscal year ending February 28, 2025.

As for the forecast of sales volume, we expect a 17.2% increase in North America, a 10.2% decrease in Europe, and a 1% increase in total sales.

In North America, product sales will continue to be strong on the back of strong housing demand and solid demand in living infrastructure construction, and we expect unit sales of each main product to exceed the previous year's level by taking advantage of the increased production capacity created by the new plant.

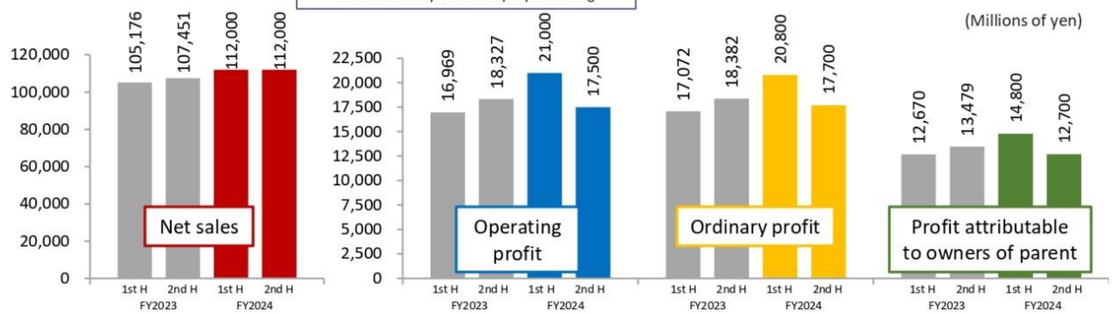
In Europe, on the other hand, repair work on aging infrastructure is essential, and we expect sales of hydraulic excavators, which are mainly used there, to remain strong. However, we expect sales of mini excavators, which are mainly used in housing construction, to decline due to a drop in housing demand caused by soaring prices and rising interest rates.

As for the profit forecast, we expect that positive factors such as higher selling prices, the effect of increased sales, and the impact of foreign exchange rates will outweigh negative factors such as the continuing rise in raw material prices, investment in human capital, expenses at the Aoki plant, and a renewed rise in ocean freight costs, and we expect an increase in profit.

## Expected Consolidated Financial Highlights for FY2024

| (Millions of yen) | FY2023 | | FY2024 (forecast) | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Full year | Sales ratio | 1st half | 2nd half | Full year | Sales ratio | Change | (%) |
| Net sales | 212,627 | - | 112,000 | 112,000 | 224,000 | - | +11,372 | +5.3% |
| Operating profit | 35,296 | 16.6% | 21,000 | 17,500 | 38,500 | 17.2% | +3,203 | +9.1% |
| Ordinary profit | 35,455 | 16.7% | 20,800 | 17,700 | 38,500 | 17.2% | +3,044 | +8.6% |
| Profit attributable to owners of parent | 26,149 | 12.3% | 14,800 | 12,700 | 27,500 | 12.3% | +1,350 | +5.2% |
| Capital investment | 8,070 | 3.8% | 1,794 | 3,458 | 5,253 | 2.3% | (2,817) | (34.9)% |
| Depreciation | 3,321 | 1.6% | 1,809 | 2,196 | 4,005 | 1.8% | +683 | +20.6% |
| Earnings per share (yen) | 548.58 | Dividend payout ratio 28.8% | - | - | 576.91 | Dividend payout ratio 34.7% | +28.33 | +5.2% |
| 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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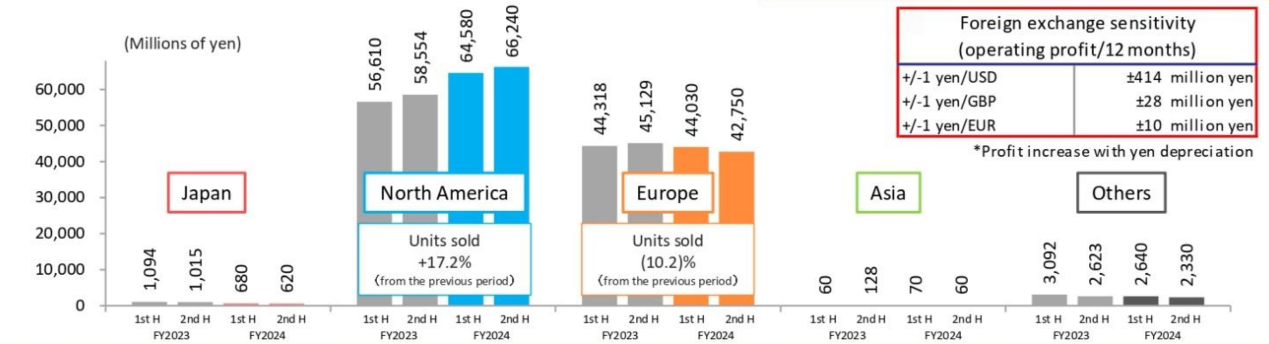
See page 13. Full-year forecast highlights.

Compared to the previous year, we forecast a 1% increase in overall sales volume for the Group for the full-year, a 5.3% increase in net sales to JPY224 billion, and a 9.1% increase in operating profit to JPY38.5 billion.

## Earnings Forecast by Region for FY2024

| (Millions of yen) | FY2023 | | FY2024 (forecast) | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Full year | Sales ratio | 1st half | 2nd half | Full year | Sales ratio | Change | (%) |
| Japan | 2,109 | 1.0% | 680 | 620 | 1,300 | 0.6% | (809) | (38.4)% |
| North America | 115,164 | 54.2% | 64,580 | 66,240 | 130,820 | 58.4% | +15,655 | +13.6% |
| Europe | 89,448 | 42.1% | 44,030 | 42,750 | 86,780 | 38.7% | (2,668) | (3.0)% |
| Asia | 188 | 0.1% | 70 | 60 | 130 | 0.1% | (58) | (31.2)% |
| Others | 5,715 | 2.7% | 2,640 | 2,330 | 4,970 | 2.2% | (745) | (13.0)% |
| Total net sales | 212,627 | 100.0% | 112,000 | 112,000 | 224,000 | 100.0% | +11,372 | +5.3% |
| JPY/USD | 143.25 | - | 140.00 | 140.00 | 140.00 | - | (3.25) | - |
| JPY/GBP | 177.55 | - | 180.00 | 180.00 | 180.00 | - | +2.45 | - |
| JPY/EUR | 155.05 | - | 153.00 | 153.00 | 153.00 | - | (2.05) | - |
| JPY/RMB | 19.87 | - | 19.50 | 19.50 | 19.50 | - | (0.37) | - |

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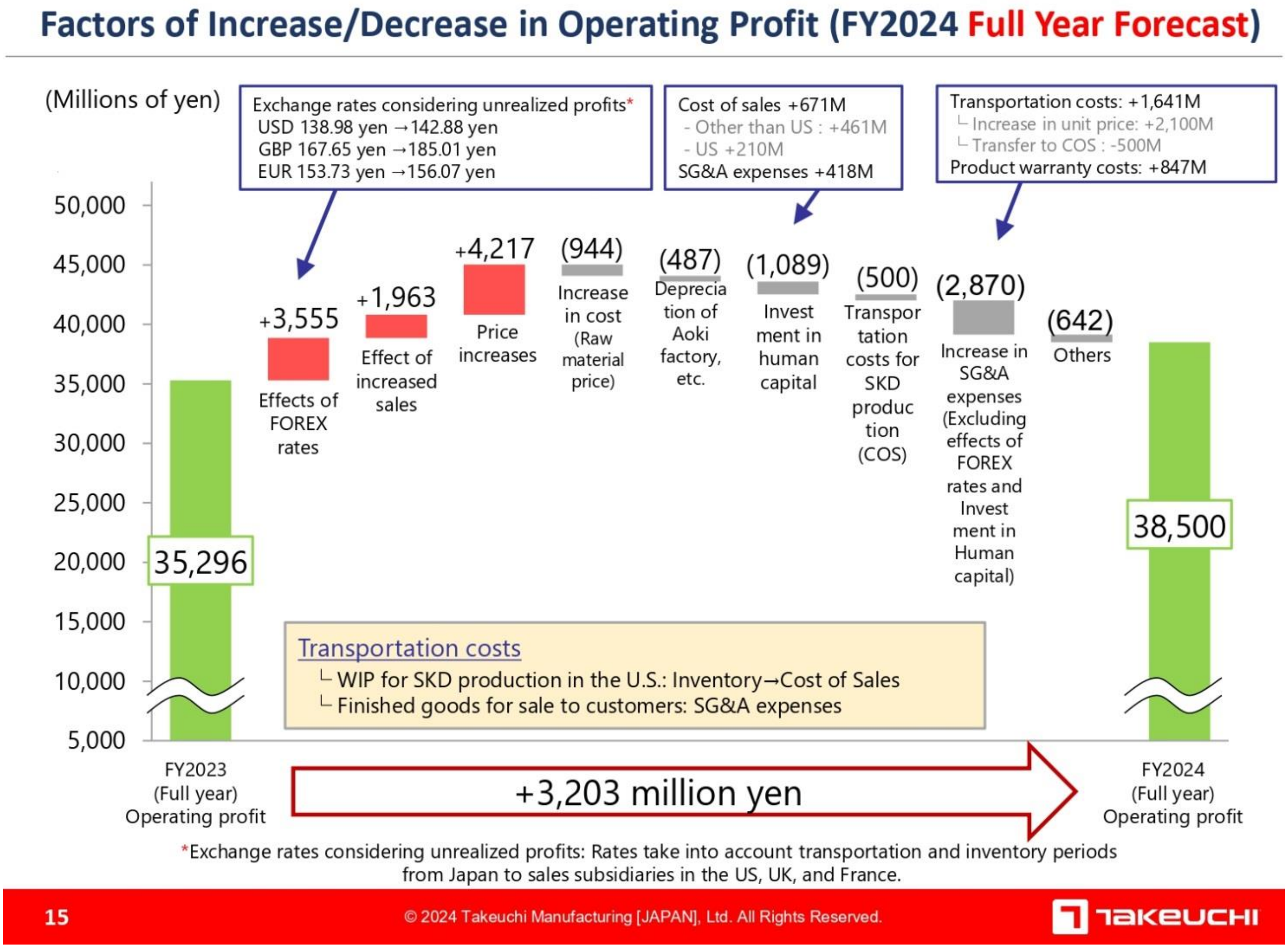
See page 14. This is the sales forecast by region for the full year.

In Europe, while sales volume is forecasted to decline by 10.2%, net sales will decline only 3%, mainly due to the expected decline in sales volume of mini excavators with low unit prices.

The annual exchange rate sensitivity in operating profit is projected to be JPY414 million for the US dollar, JPY28 million for the pound sterling, and JPY10 million for the euro.




See page 15. 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 effects are expected to increase income by JPY3,555 million, profit increase effects by JPY1,963 million, and selling price increases by JPY4,217 million.

Other factors expected to contribute to lower profits include a JPY944 million cost increase due to higher raw material prices, a JPY487 million increase in depreciation and other expenses at the Aoki plant, a JPY1,089 million increase in personnel expenses mainly as an investment in human capital, and JPY500 million in transportation costs related to semi-knockdown production in the United States. We expect a decrease in profit due to a JPY2.87 billion increase in SG&A expenses, including a JPY1.641 billion increase in transportation expenses due to the impact of the Panama Canal traffic restrictions, and a JPY847 million increase in provision for product warranties.

As a result of the above, including other factors, consolidated operating profit is projected to increase by JPY3,203 million to JPY38,500 million.

With that, I will conclude my explanation. President Takeuchi will explain from this point forward.

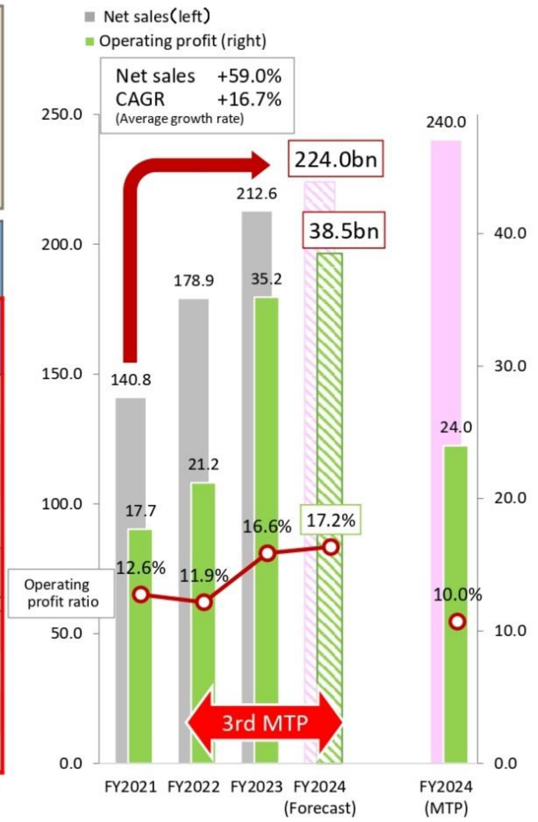
**Takeuchi:** I am Takeuchi, President and Representative Director. We would like to express our deepest sympathies to all those affected by the Noto Peninsula earthquake that occurred on January 1, 2024. As we have already disclosed in the press release, we will start providing construction equipment in May in addition to the donations we have already made so that the recovery will be made as soon as possible.

## Slogans, numerical targets

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

| | Consolidated Financial results for FY2024 | | |
|---|---|---|---|
| | Forecast April 12, 2024 | MTP targets April 12, 2024 | Change |
| Net sales | 224.0 bn | 240.0 bn | (16.0) bn |
| Operating profit | 38.5 bn | 24.0 bn | +14.5 bn |
| └ ratio | 17.2% | 10.0% | +7.2 pts |
| Earnings per share (yen) | 576.91 | 377.00 | +199.91 |
| ROE | 17~18% | 14.0% | - |
| JPY/USD | 140.00 | 115.00 | +25.00 |
| JPY/GBP | 180.00 | 152.00 | +28.00 |
| JPY/EUR | 153.00 | 127.00 | +26.00 |
| JPY/RMB | 19.50 | 18.00 | +1.50 |

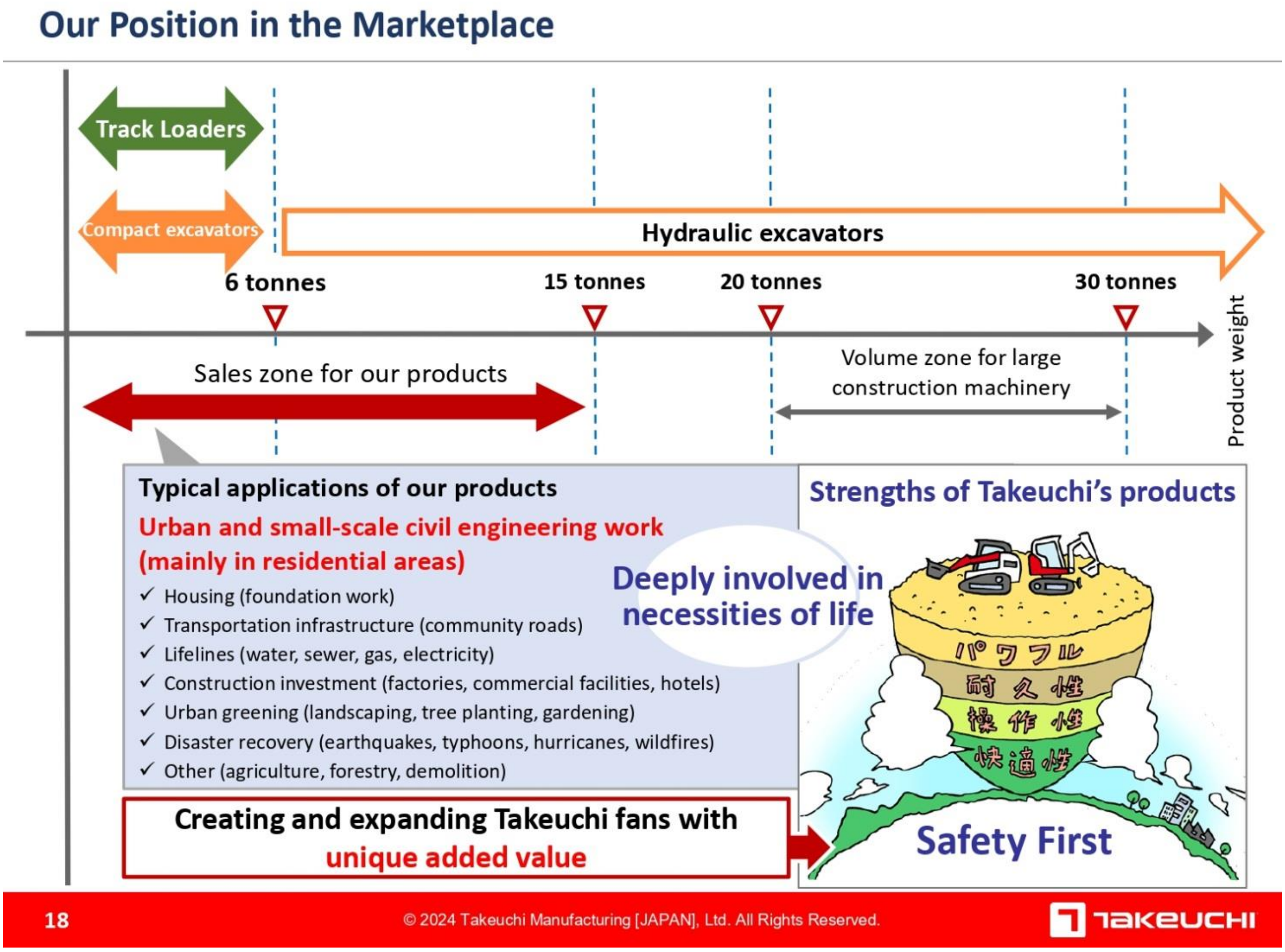
Note: Based on the following CAPM formula, **we recognize a cost of equity of 8%.**
Risk free rate (1%) + beta (1.2) ✕ Market risk premium (6%)




17  TAKEUCHI

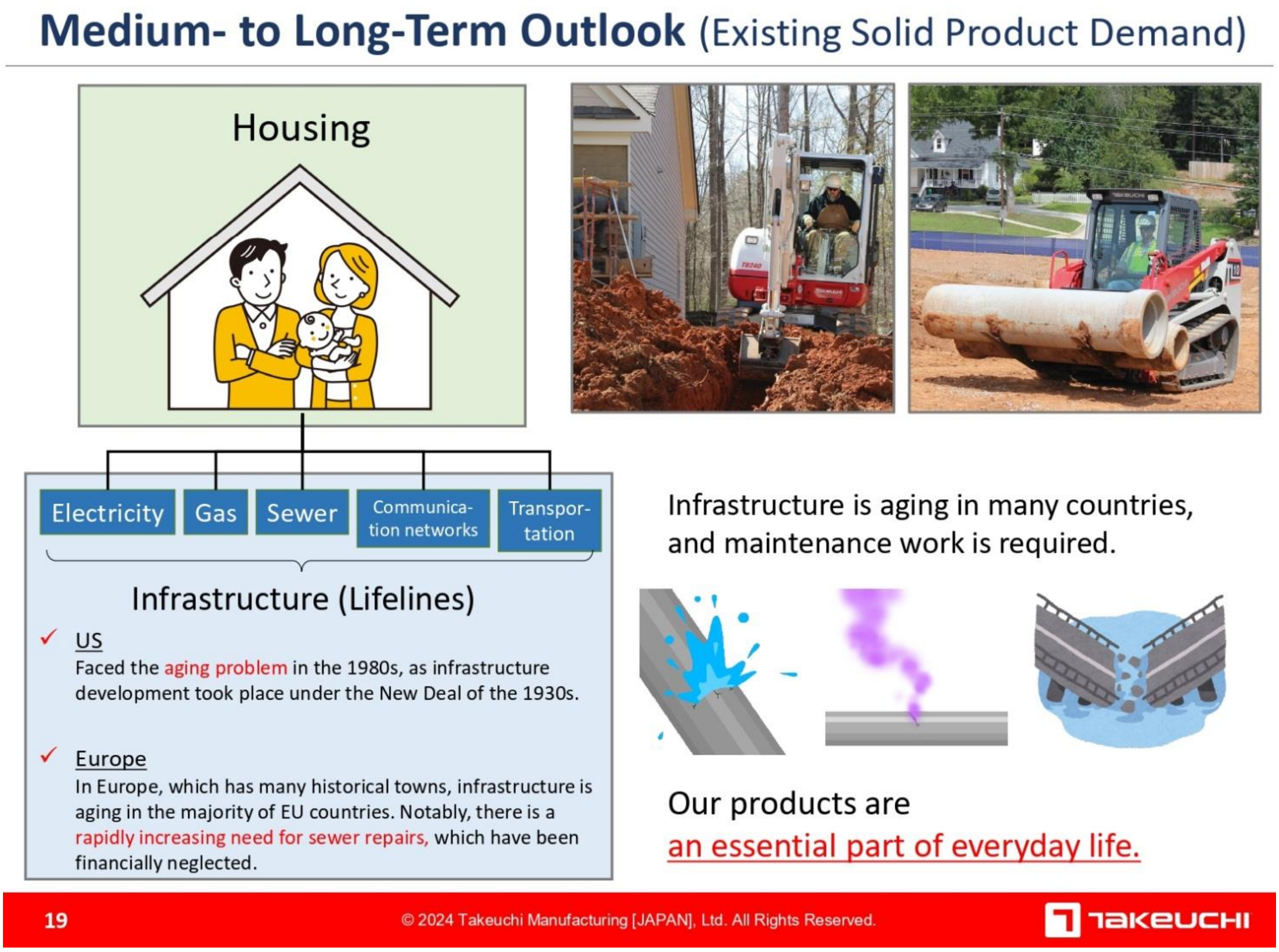
I will now explain the progress of the third medium-term management plan. See page 17. These are the numerical targets of the third medium-term management plan.

We had targeted consolidated net sales of JPY240 billion for the fiscal year ending February 28, 2025, the final year of the plan, but as explained earlier by the Manager of Business Management Department, we now forecast that consolidated net sales will be JPY224 billion. We expect both operating profit and earnings per share ROE to exceed our targets, as the operating profit ratio has improved significantly since the fiscal year ended February 28, 2024, due to significant yen depreciation, product price increases, and normalization of ocean freight rates.

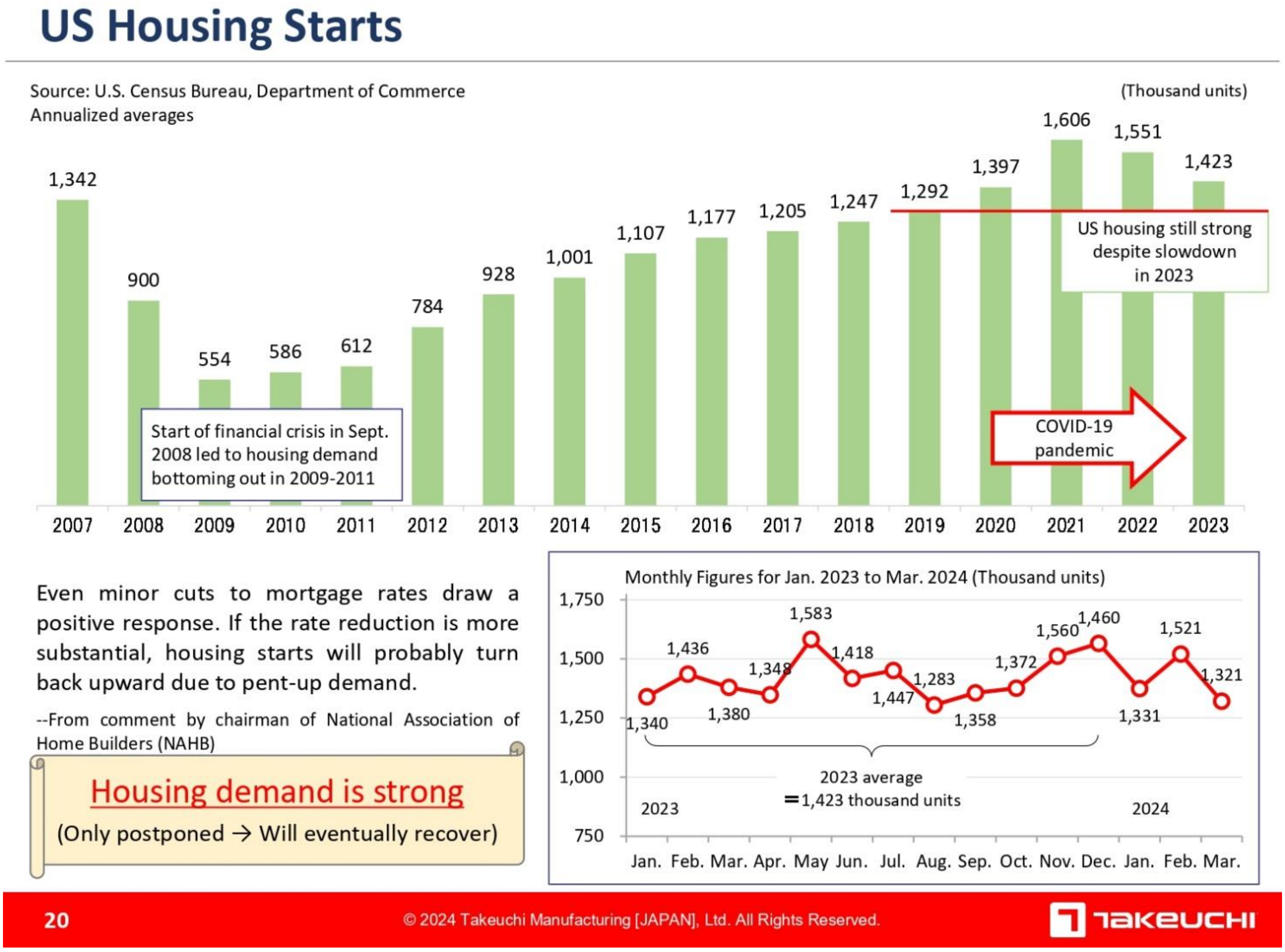



See page 18. Once again, I would like to explain the market position of our group.

Our products are used in housing-related construction projects, road construction, and as part of infrastructure works for daily life such as water and gas pipes, as well as for restoration work after natural disasters. Our products are deeply involved in the daily lives we take for granted and are deeply related to food, clothing, and shelter. In addition to durability, our commitment to operability, comfort, and power has created and expanded the Takeuchi fan base in its own unique way.

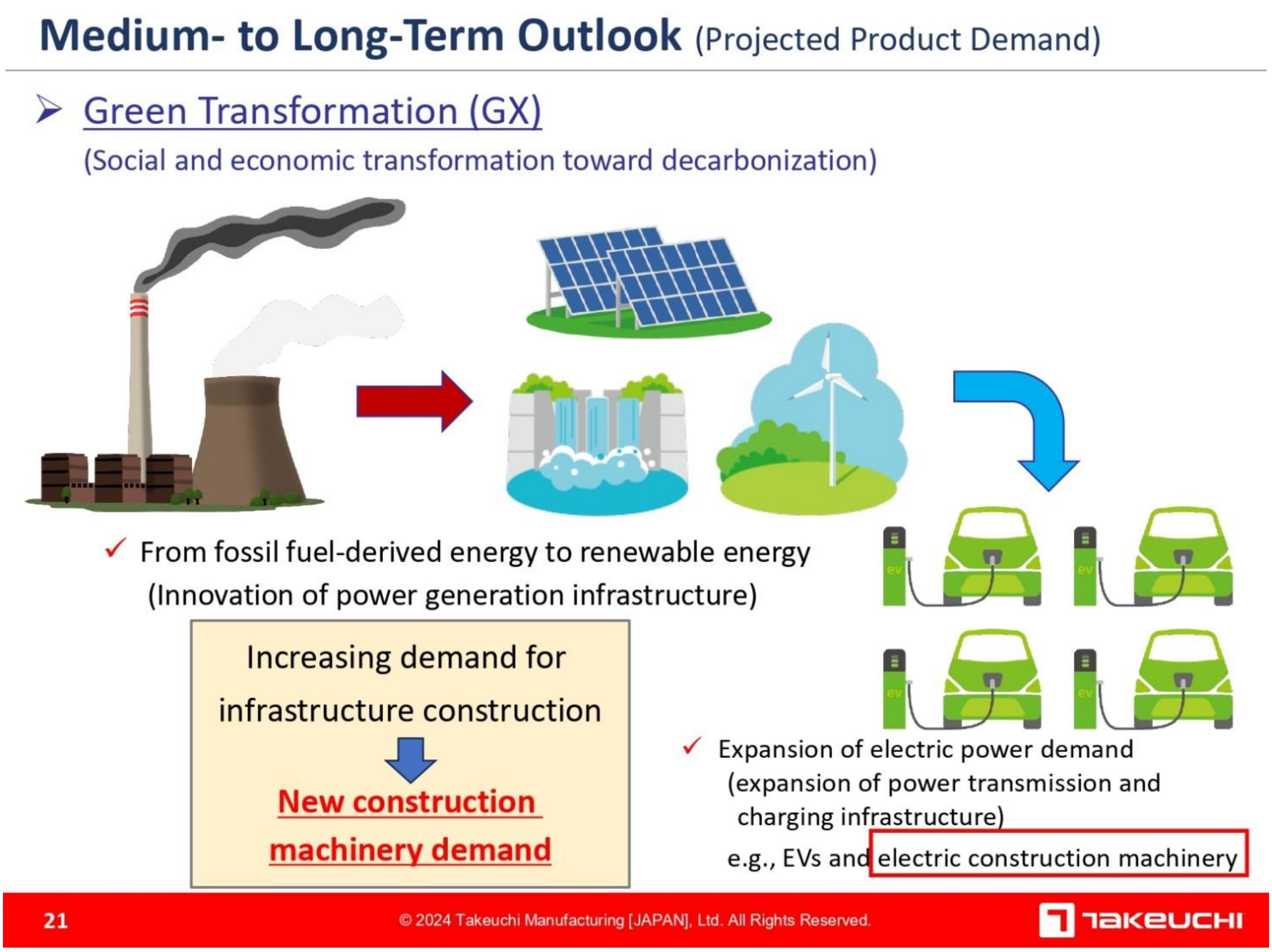



See page 19. The aging of living infrastructure is becoming a serious social issue in many countries around the world. Inspection and maintenance work on living infrastructure is not something that can be completed on a perennial level but is said to be a never-ending project on a multi-decade level. We believe that this solid demand for our products today will continue to support our business in the future.




See page 20. What we are showing here is the number of housing starts in the United States.

As you are all aware, there was a slowdown from 2022 to 2023, but over a longer time span, it is still at a strong level. The US housing business itself has strong roots, and we believe that once interest rates are clearly reduced, it will begin to increase, partly due to the business carried over to date.




See page 21. The shift to renewable energy is essential for decarbonization, and there is great potential for the expansion of infrastructure work related to charging in power generation and other areas.

We believe that the future of the heavy-duty construction equipment market is very bright, supported by the solid product demand that I mentioned earlier, and we expect that new demand for GX-related products will add to it.

Power Up

## Investment in Human Capital

**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 amount in Human Capital

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

| The 3rd MTP (April 12, 2022) | Expected amount (April 12, 2024) |
|---|---|
| 3.8 bn | 5.6 bn |

Increasing workforce: 3.4 bn (MTP: 2.3 bn)
- For business growth
- To create excess workforce capacity (allow a margin for education and work-life balance)

Raising wages and salaries: 1.5 bn (MTP: 1.5 bn)
Exchange rates: 0.7 bn

| | As of February 28, 2022 | | | As of February 29, 2024 | | | |
|---|---|---|---|---|---|---|---|
| | Employees | Temp staff* | Total | Employees | Temp staff* | Total | Change |
| Takeuchi MFG | 557 | 386 | 943 | 674 | 495 | 1,169 | +226 |
| Takeuchi US | 125 | 2 | 127 | 272 | 4 | 276 | +149 |
| Others | 235 | 39 | 274 | 252 | 22 | 274 | 0 |
| Total | 917 | 426 | 1,343 | 1,198 | 521 | 1,719 | +376 |

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

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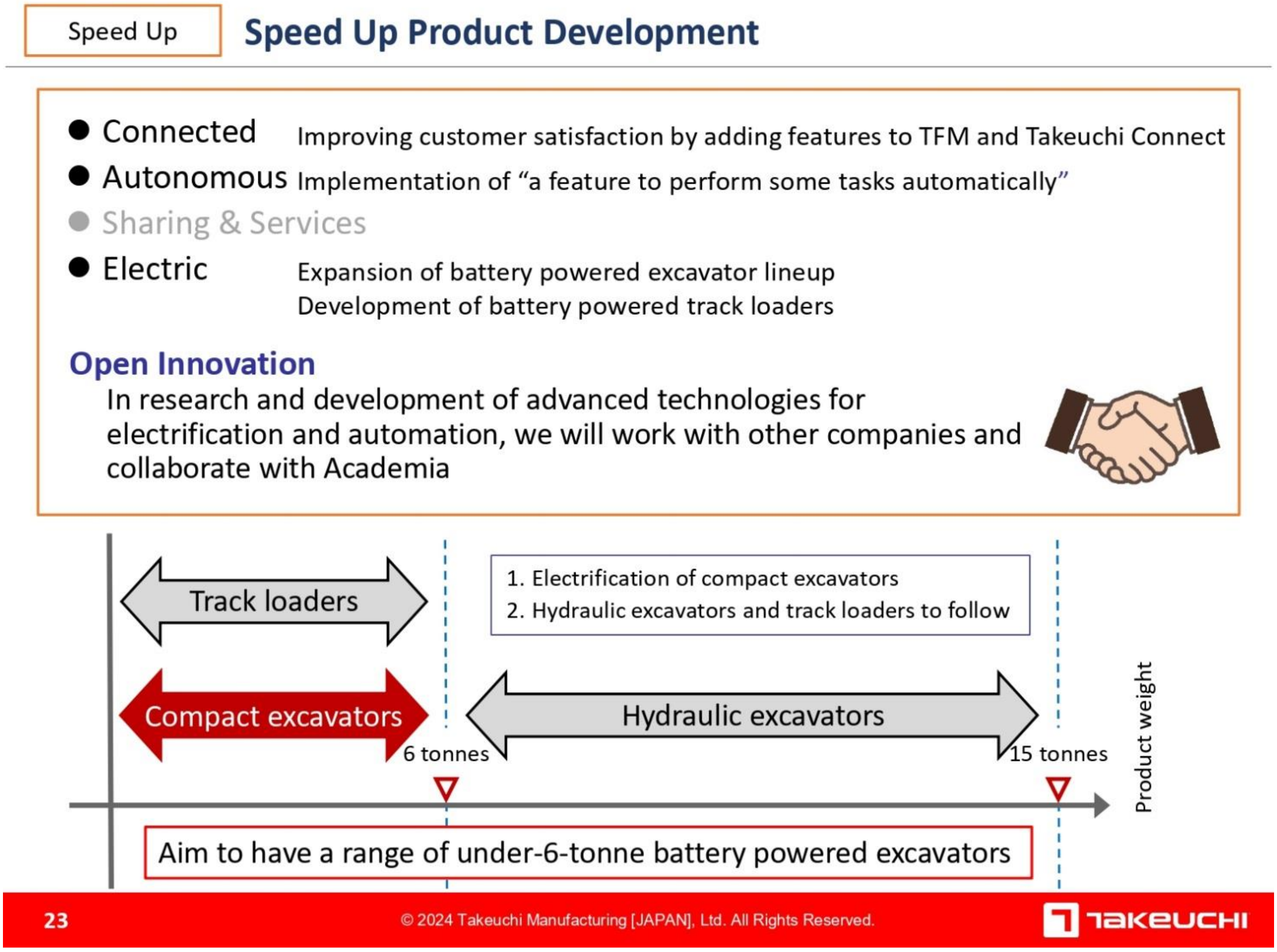
See page 22. I will now explain the priority policies of the third medium-term management plan.

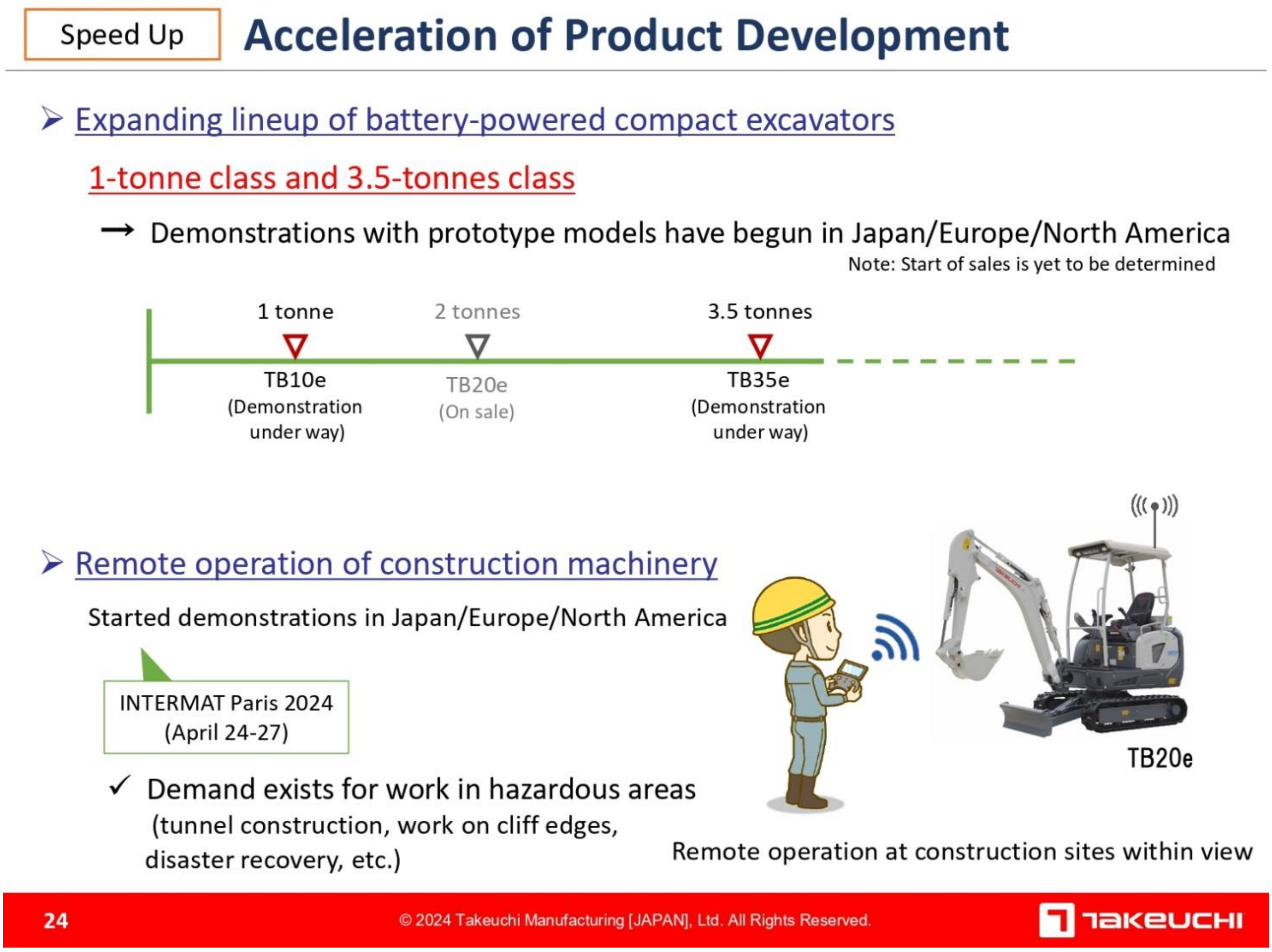
The first is investment in human capital. Without that increased power, our company cannot grow. At the end of the fiscal year ended February 28, 2024, the second year of the medium-term management plan, the number of employees, including temporary workers, reached 1,719, and the monetary amount, including the increase in personnel expenses at overseas subsidiaries when converted to yen, is expected to reach JPY5.6 billion by the end of the medium-term management plan.

The first is to expand the business, and the second is to increase the number of employees in order to have extra human resources. Only with this extra human resource capacity will it be possible to enhance human resource development through education and training, and to improve work-life balance, such as through the use of paid leave and childcare leave.



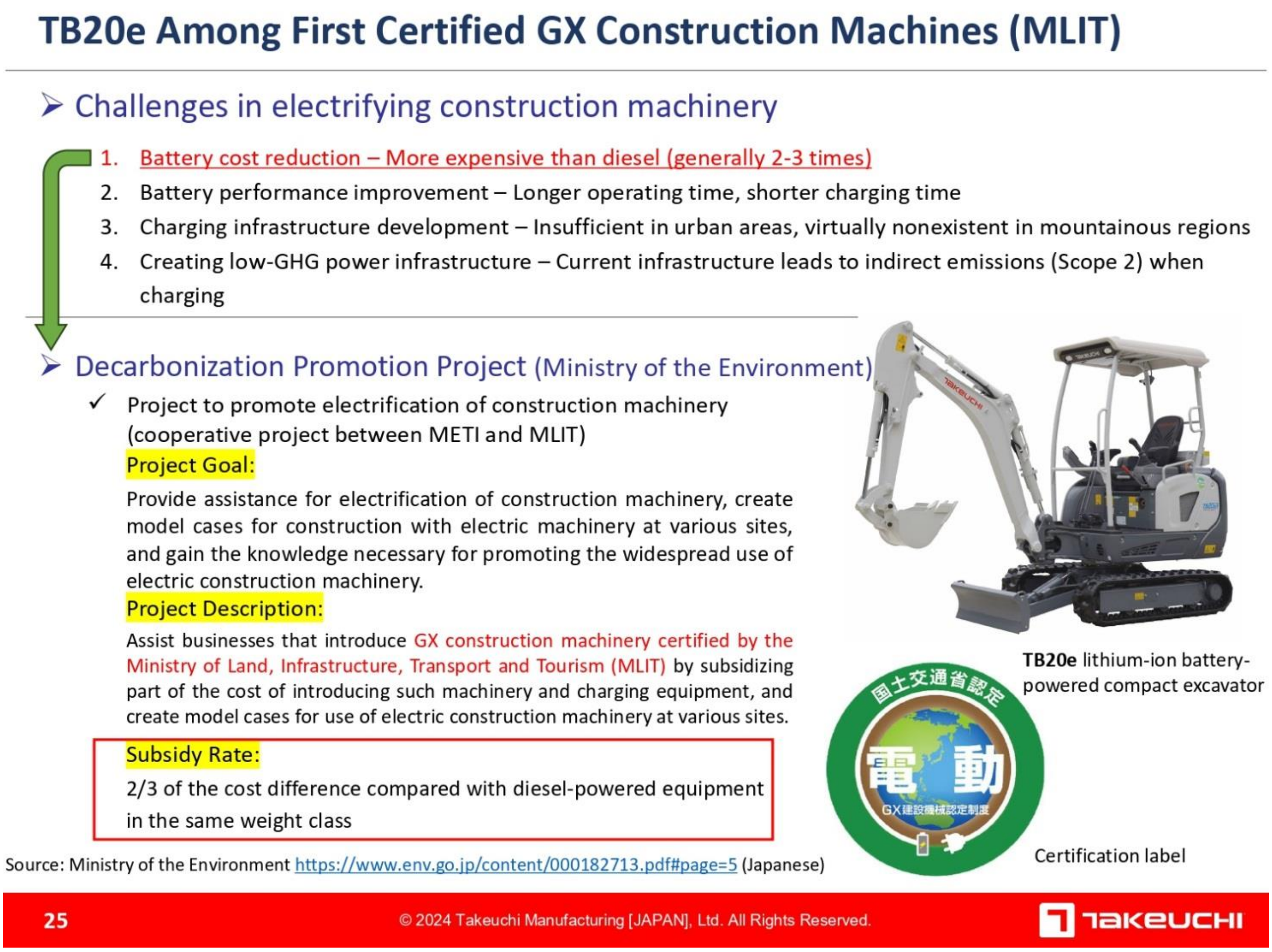

See page 23. Next, we will accelerate product development.

Like automobiles, we believe that electrification is particularly important for engine-powered construction machinery, and we are working to expand our lineup of battery-powered mini excavators weighing less than 6 tons as a first step. Since the battery capacity required for hydraulic excavators and crawler loaders is high, we believe that the hurdle to electrification is higher for these machines.



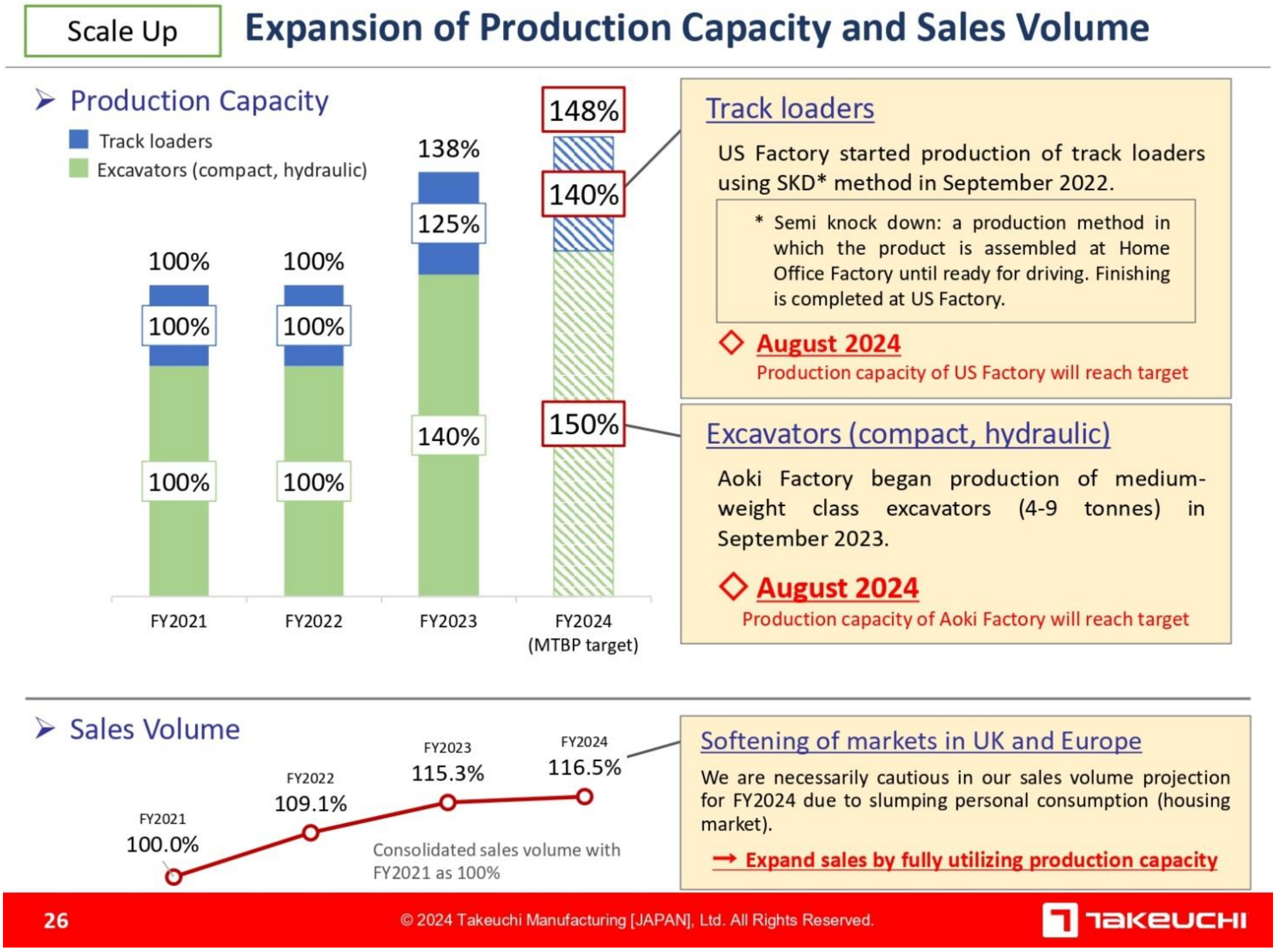

See page 24. As for battery-powered mini excavators, the 2-ton class TB20e is currently on sale, and demonstrations of prototype models of the 1-ton class TB10e and 3.5-ton class TB35e, the next new products, will begin in Japan, Europe, and the United States. Although the timing of sales has not yet been determined, improvements will be made based on feedback from the market, leading to mass production and sales.

This will be followed by the remote control operation of construction equipment, which is scheduled to be demonstrated in Japan, Europe, and the United States, and will be demonstrated and exhibited at INTERMAT, a large-scale global construction equipment exhibition scheduled to be held in Paris. Although remote-controlled operations are used at construction sites within visual range, they are in demand for work in hazardous areas such as tunnel construction, work at the edge of cliffs, and disaster recovery work such as removing collapsed buildings.



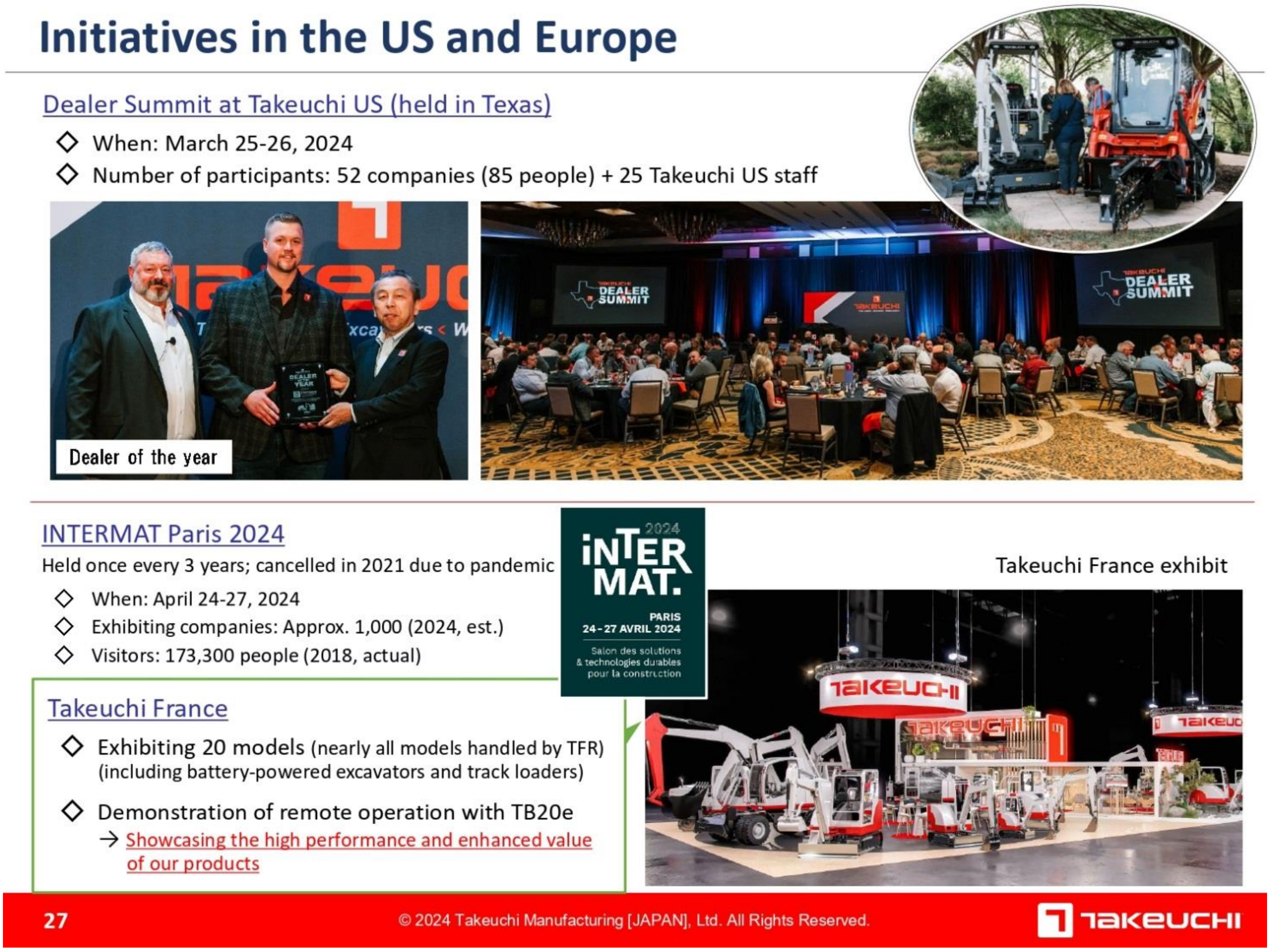

See page 25. The four items you are seeing are the challenges to the electrification of construction equipment, and full-scale widespread will be difficult unless the first hurdle, in particular, price, is overcome.

In Japan, the Ministry of the Environment has launched a project to promote electrification of construction machinery. As an overview, when GX construction equipment certified by the Ministry of Land, Infrastructure, Transport and Tourism is introduced, two-thirds of the difference between diesel-powered construction equipment of the same weight class is subsidized. The Ministry of Land, Infrastructure, Transport and Tourism's GX Construction Equipment Certification System started in December 2023, and our TB20e has received the initial certification under this system. This is a topic in Japan, but similar subsidy programs have been launched in Europe ahead of other countries, and we expect them to spread throughout the world.




See page 26. We have caused inconvenience due to our lack of production capacity, which has resulted in customers waiting for orders. However, we are on track to increase production capacity by August 2024.

Product sales in the United States are expected to remain strong in the current fiscal year, while the UK and Europe must be cautiously anticipated. Based on the fiscal year ended February 2022, consolidated sales volume is projected to increase by 16.5% while production capacity will be increased by 48%. This differential is an area of future sales growth and will be a challenge for the Group to address. As explained earlier, we believe that the future of the construction equipment market is bright and that we can fully utilize the increased production capacity to expand sales.

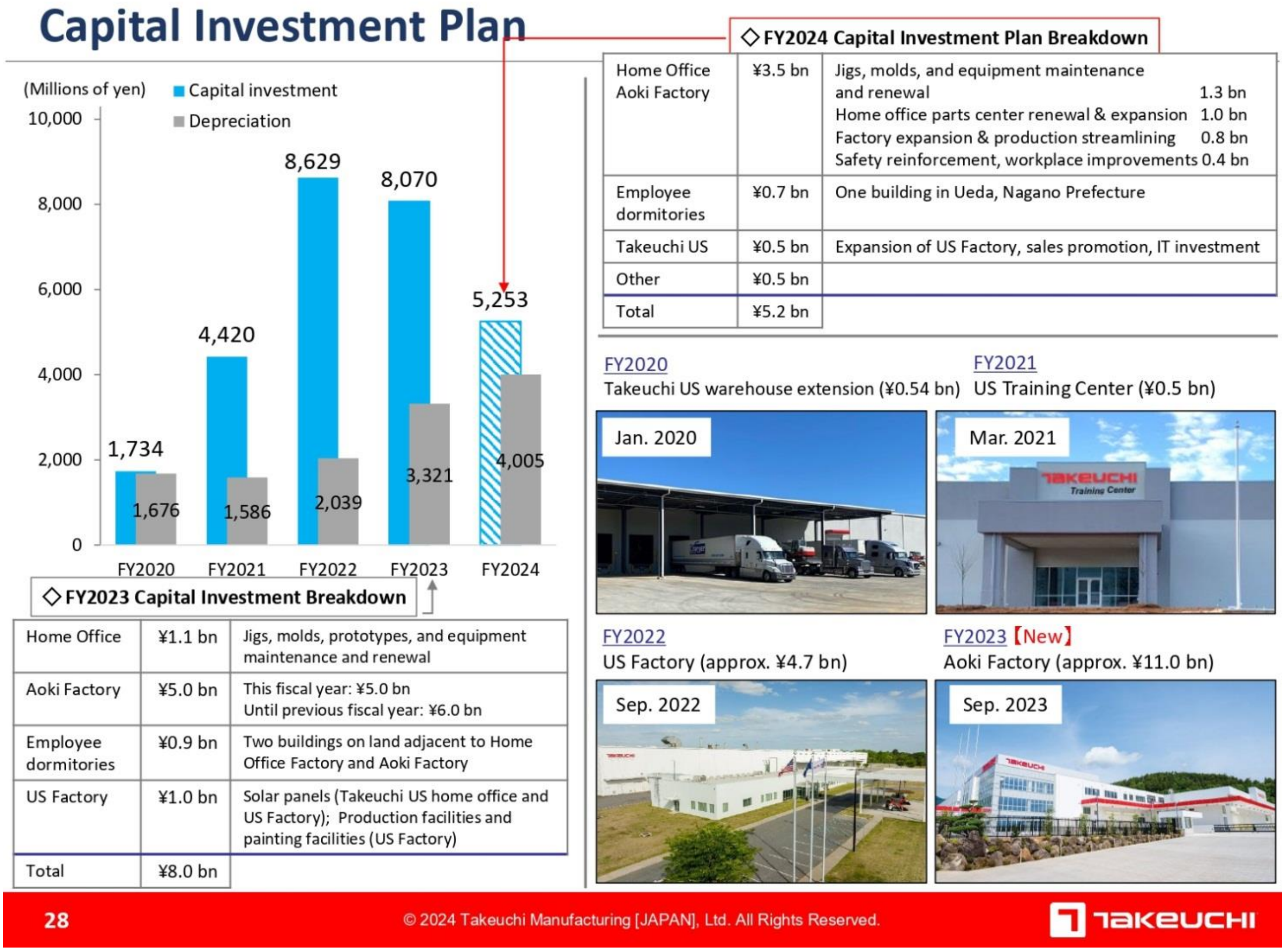



See page 27. This is the sales aspect in the US and Europe.

Takeuchi US held a dealer summit and I attended. We were able to talk face-to-face with customers in the US, where sales are strong, and were pleased to hear that they still want construction equipment.

Takeuchi US explained the market trends in the US, the promotion of understanding of the superiority of our products, and our sales program, and at the same time, asked for feedback from the dealers.

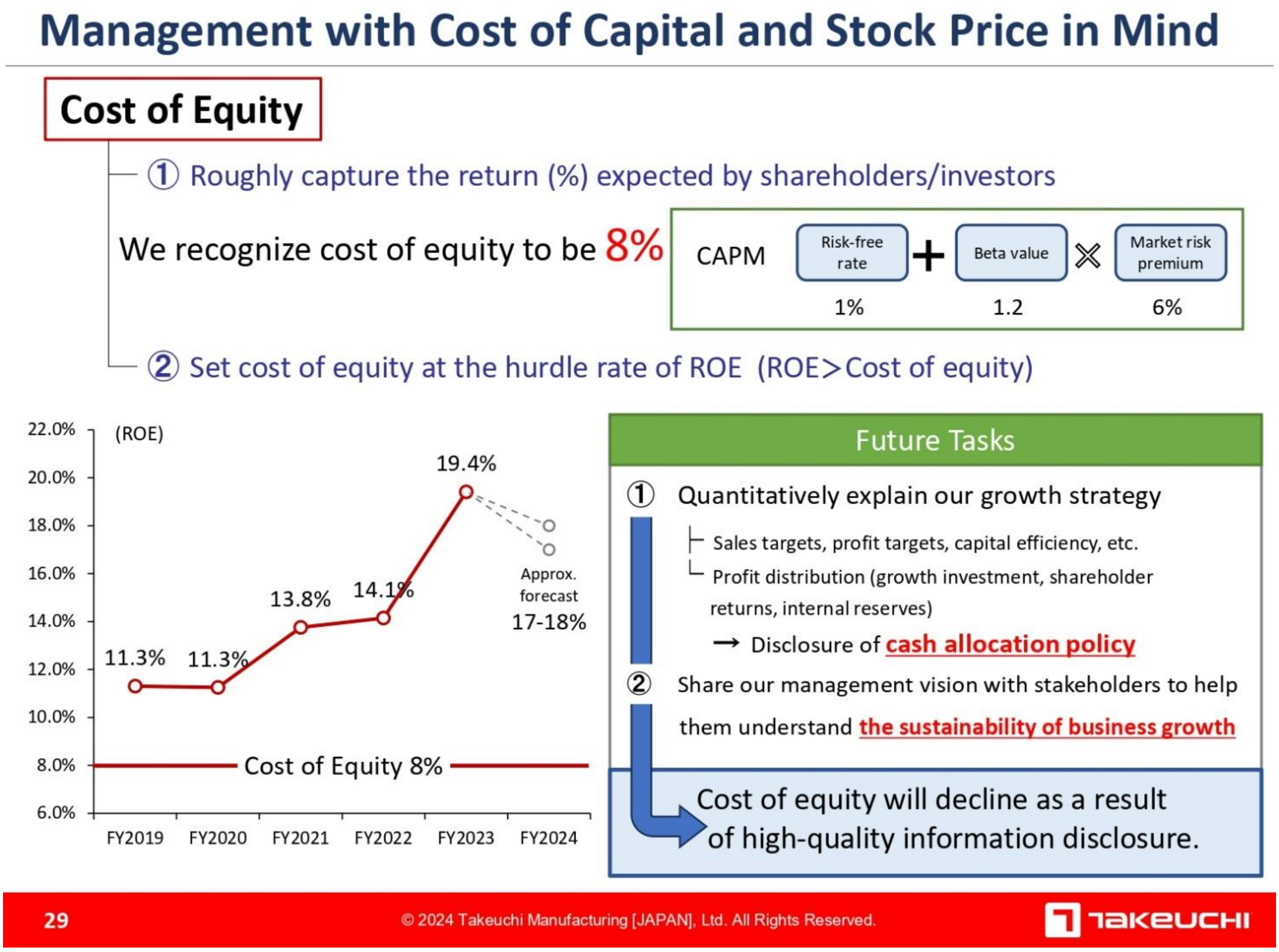
In Europe, INTERMAT, the world's largest construction machinery exhibition, will be held in Paris from the day after tomorrow, April 24. We want to listen to our customers in France and throughout Europe to see what our competitors are doing and what is happening in the European market.




See page 28. Capital investment of JPY5,253 million is planned for the current fiscal year.

While capital investment will also be made at the Aoki plant and Takeuchi US, this fiscal year we plan to focus on the head office plant. In addition to the expansion of the headquarters parts center building, investments will be made to maintain and upgrade facilities at the headquarters plant, rationalize production, and strengthen safety.

As you can see for depreciation and amortization.




See page 29. The Tokyo Stock Exchange and investors expect us to achieve management that is conscious of the cost of capital and stock prices.

The Company recognizes that the cost of shareholders' equity is 8% and that ROE in excess of the cost of shareholders' equity is essential. As a numerical target of the third mid-term management plan, we have set an ROE of 14%, aiming to increase profit, which is the numerator, while at the same time focusing on net assets, which is the denominator, in our management efforts.

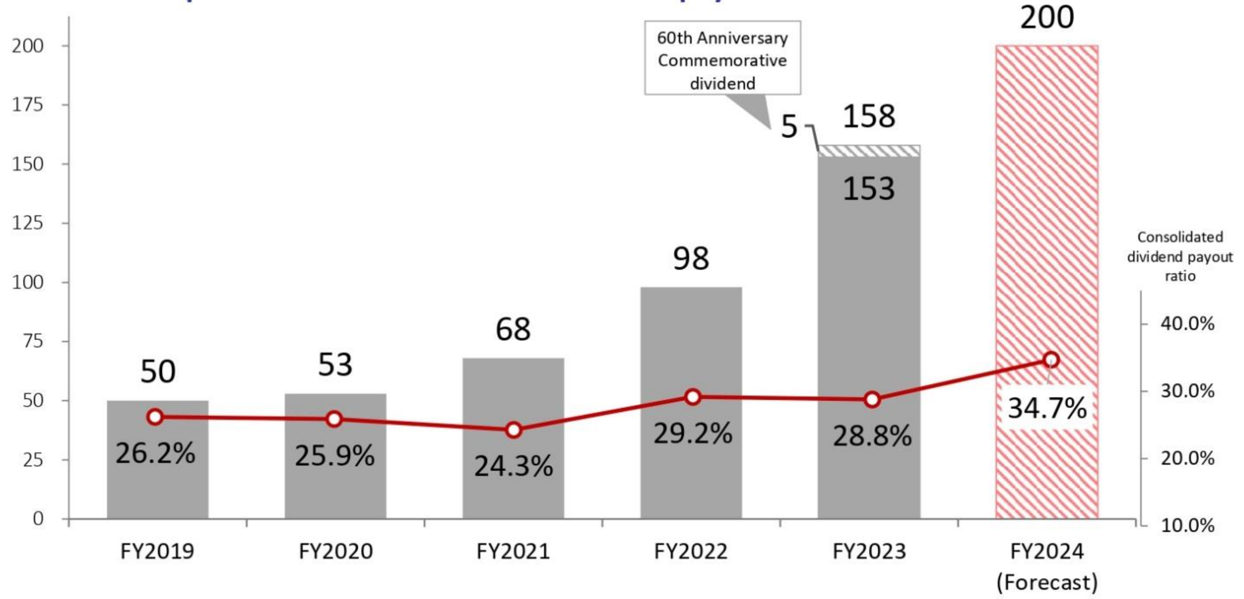
As for future issues, in the next medium-term management plan to be announced in April 2025, we hope to disclose cash flow allocations in addition to the numerical targets we have set so far and to present a more step-by-step, quantitative growth strategy. If we can then share our management vision with our stakeholders and gain their understanding of the sustainability of our business growth, we believe this will result in a lower cost of shareholders' equity and a wider spread with ROE.

## 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**




30  TAKEUCHI

See page 30. I would like to talk about shareholder returns.

There is no change in our dividend policy, which is to strive to maintain stable dividends with a target consolidated payout ratio of 30%, but we have set the year-end dividend forecast for this fiscal year at JPY200 per share, taking into account the financial situation and earnings forecast of our group.

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

Today, I was explaining our full-year financial results for the fiscal year ended February 28, 2024, and I would like to talk about how the construction equipment market, especially the excavator and crawler loader market, is faring.

As for the construction equipment market, the COVID-19 infection has subsided, visits to various countries have returned, and we are now able to talk face-to-face with our customers. Against this backdrop, the North American market continues to boom, and when I recently attended a dealer summit in Texas, there was continued construction activity in our region, including highway expansion and building construction.

The highway expansion, for example, was constructed in a narrow space between the current highway and the new one, and the work was done using medium or smaller size excavators rather than large excavators. As I mentioned earlier, many dealers told us that the volume of construction work is increasing and that they still need more construction equipment. When we explained to the dealers that production at the Aoki plant and the loader plant in the US was progressing as planned, we were able to supply the products on time as requested by our customers.

In this presentation, it was explained that the amount of orders received is lower than before, but this is not because the market has cooled down, but because we have established a system that enables us to supply the products as requested by our customers. If the market were cooling, our sales themselves would decline, but they remain high.

On the other hand, in the European market, a slight oversupply occurred in the UK because construction equipment companies were increasing production of smaller models. We believe that one of the factors was that customers ordered more when machines were in short supply. In Europe, the economy is sluggish and we expect sales volume to decline in the current fiscal year, but we believe it will bottom out and begin to recover again by the end of the year. Also, in Italy and other countries, subsidies will be provided for the purchase of construction equipment this year to help the economy recover.

In order to meet the expectations of our investors and clients, all of our employees will work together to move forward with increased power, speed, and scale.

I would like to close my explanation by asking for your continued support and cooperation. Thank you very much.

[END]

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***Document Notes***

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