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April 25, 2025

Company name: KATO WORKS CO., LTD.
Representative: Kimiyasu Kato,
President and Representative Director
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Additional Investment in Italian Consolidated Subsidiary and Strengthening of Management Structure

At the meeting of the Board of Directors held today, we decided to invest an additional 3.4 million euros (approximately 550 million yen) in our consolidated subsidiary, KATO IMER S.p.A (headquartered in Tuscany, Italy; hereinafter “KATO IMER”), and to increase the number of directors from us by 1.

The new management structure of KATO IMER, including the appointment of the director candidate, is expected to be officially decided at the Company's Ordinary General Meeting of Shareholders to be held on May 9, 2025.

1. Background and Reason for Implementation

KATO IMER was established in 2002 as a joint venture with an Italian company (then called IHI IMER S.p.A.). Since then, The company has maintained stable business performance, primarily through the production and sales of mini excavators. However, the Company's earnings have been squeezed due to the current slump in demand and soaring materials, and the Company's liabilities to the Company, its parent company, have been gradually increasing.

In order to improve KATO IMER's financial health, we and its joint venture partner have agreed to implement a capital reduction in proportion to their current shareholding ratios (KATO WORKS CO., LTD.: 51.0%, joint venture partner: 49.0%). Following the elimination of KATO IMER's accumulated losses through this reduction, KATO WORKS CO., LTD. will contribute additional capital, which will be used to settle KATO IMER's outstanding liabilities to KATO WORKS CO., LTD., thereby strengthening the consolidated financial position of KATO WORKS CO., LTD.

Additional investment will be made by us on a stand-alone basis, and our share of investment in KATO IMER after the implementation is expected to increase from the previous 51.0% to 94.2%.

This project will be implemented with the aim of enhancing our competitiveness in the European market as part of the overseas growth strategy outlined in our mid-term management plan announced in March 27, 2025. In addition, we plan to increase the number of directors by 1, and we will strengthen our management structure to expand sales in the European market over the medium to long term.

2. Future schedule

April 25, 2025:

Resolution by the Board of Directors of KATO WORKS CO., LTD. on additional capital contribution to KATO IMER and increase in the number of directors

May 9, 2025:

Annual General Meeting of Shareholders of KATO IMER

(Approval of capital increase and election of a new director expected)

May 2025:

Termination of existing agreement with joint venture partner and registration changes for KATO IMER

3. Future Outlook

The impact of this matter on our consolidated financial results is currently considered to be immaterial. The European market is positioned as an important area where growth is expected due to the strengthening of environmental regulations and the growing demand for sustainable construction machinery.

Through this capital increase and the strengthening of our management structure, we will speed up decision-making as a group company and realize the provision of products and services that meet local needs.

Going forward, KATO WORKS CO., LTD. will review and strengthen its development, sales, and service structure in Europe, with KATO IMER serving as the central base. Through these initiatives, the Company will steadily advance the growth strategies outlined in its medium-term management plan, both in domestic and overseas markets.

[KATO IMER Company Profile]

Company name	KATO IMER S.p.A.
Year of establishment	2002 (established as a joint venture with a local company in Italy)
Location	Tuscany, Italy
Capital	3.4 million euros (KATO WORKS CO., LTD. ownership: 51.0%) → After capital reduction and increase: 3.85 million euros (KATO WORKS CO., LTD. ownership: 94.2%)
Business Activities	Manufacture and sale of mini excavators and its parts

End