

Summary of questions and answers for the explanatory meeting for business results for the year ended March 31, 2025

Date: **Friday April 25, 2025, 4:30-6:00 p.m.**

Speaker:	Masafumi Senzaki	President and Executive Officer, COO
	Keiichiro Shiojima	Vice President and Executive Officer, CFO
	Atsushi Konno	President of Corporate Brand & Communications Group
	Tatsuya Kubo	Chief Communication Officer, Corporate Brand & Communications Group

※The content has been summarized.

■ Tariff Impact

Q: What is the estimated impact of tariffs and how is it reflected in the FY2025 forecast?

A: We estimate that the impact will be up to ¥30 billion, but this has not been factored into the performance forecast for FY2025. Some inventory is not subject to tariffs, so the actual impact on the income statement for FY2025 will be less. The lead time for shipments to the US is about 100 days, and there is 2-3 months' worth of safety stock in the US. A total of 5-6 months' worth of products are not subject to tariffs.

Q: What are the countermeasures for tariffs?

A: Gradual price increase, strengthening of rental business, cost reduction, and front-loaded shipments in Q1.

Q: Is there a possibility of establishing production bases in the U.S.?

A: No plans at this time, but local production of value-added parts like attachments is under consideration.

Q: What is the impact of tariffs on sales volume and pricing?

A: Due to high uncertainty, both dealers and customers are taking a wait-and-see approach. However, construction investment indicators remain strong, and high levels of construction activity continue. The company plans to proceed with price pass-through, but the impact on demand and sales volume is still uncertain. Potential downside includes purchase hesitation, while the upside includes early purchases by large rental companies and growth in our rental business.

■ Regional and Business Outlook**Q: What is the outlook for the North American business?**

A: Due to persistently high interest rates, demand for hydraulic excavators is expected to be 35,000 units in FY2025, returning to pre-COVID levels. Inventory adjustments by North American dealers are progressing smoothly.

Q: What is the outlook for the European business?

A: Revenue is expected to increase in FY2025 due to interest rate cuts by the ECB and BOE and normalization of dealer inventories. Inventory adjustments have shown signs of bottoming out since the latter half of last fiscal year.

Q: What is the outlook for the Chinese business?

A: Increased domestic coal production is driving demand for large hydraulic excavators.

Q: What is the outlook for the mining business?

A: Demand is expected to decline by 10–15% due to falling coal and iron ore prices, but stable operation of existing machines supports revenue through the parts & services business. We receive orders in each region, but we are conservative in our demand forecasts.

Q: What are the growth drivers for the Specialized Parts & Services business?

A: Full-year contribution from Brake Supply Co., INC. (approx. ¥18 billion year-on-year revenue increase) and expansion of the mill liner business in Latin America are improving profitability. We aim for an adjusted operating income margin of 13%.

■ Earnings Forecast**Q: What is the outlook for profit items below operating income in FY2025?**

A: Financial income and expenses are expected to improve due to foreign exchange gains/losses and reduced interest payments (from lower borrowings).

Q: What explains the gap between revenue and demand forecasts across businesses and regions?

A: In North America, growth is driven by expansion of the rental business and the acquisition of Brake Supply Co., INC. Growth in other regions is based on self-help efforts.

■ Shareholder Structure**Q: What is your view on Itochu Corporation increasing its stake?**

A: We maintain close communication with Itochu. We view their investment as support for our independent management and performance improvement. Collaboration with Marubeni, including company establishment in South America, is ongoing and has not had any negative impact.