

Summary of questions and answers for the explanatory meeting for business results for the first quarter ended June 30, 2025

Date: **Wednesday July 30, 2025, 5:00-6:00 p.m.**

Speaker: Masafumi Senzaki President and Executive Officer, COO
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※The content has been summarized.

■Impact of US tariffs

Q. Please explain the details of the ¥8.6 billion cost increase and ¥2.3 billion price increase due to tariffs.

A. The net impact of tariffs is a cost increase of ¥6.3 billion after offsetting the price increase. In the "Comparison of consolidated income forecast," the ¥2.3 billion price increase due to tariffs is additionally factored in, but there is a ¥2.0 billion reduction due to volume decline, resulting in only a ¥0.3 billion increase compared to the previous plan.

Q. What accounts for the difference from the previous tariff impact estimate of ¥30 billion? Will the price increase ultimately fully offset the tariff impact?

A. The ¥30 billion was an estimate based on cash outflow as of April. The current forecast expects a cash outflow of ¥13.2 billion. This reflects changes in the timing of tariff application and tax rates. The impact of steel and aluminum tariffs is minimal. The basic policy is to offset the impact through price increases, and we aim to respond as quickly as possible while monitoring competitors' actions.

■Q1 Performance**Q. How does Q1 performance compare to internal plans?**

A. Compared to internal plans, revenue fell short by approximately ¥16 billion in local currency. The year-on-year revenue decline in the North American OEM business was largely in line with the plan. However, Japan and Oceania underperformed against the plan, and Europe and Asia also slightly missed expectations. The Americas' independent business exceeded the plan. Adjusted operating income fell short by approximately ¥10 billion in local currency, with about 60% of the shortfall due to volume decline. Revenue decline in Japan and Oceania worsened the product mix, and increased indirect costs also had an impact.

■Earnings Forecast**Q. Regarding the downward revision of ¥75 billion in revenue, can it be broken down into tariff impact and other factors?**

A. While general construction machinery in Japan and Oceania is currently weak, no market deterioration is observed in other regions including the Americas. The maximum estimated risk from tariffs has been factored in for regions outside Japan and Oceania.

Q. In the "Comparison of consolidated income forecast," which regions saw lowered outlooks due to volume and mix changes? How much risk has been factored in?

A. Given the uncertainty surrounding tariffs, the outlook for the Americas' independent business has been lowered. Market deterioration in Japan's general construction machinery and China's mining sector has also been reflected. Other regions have also been adjusted downward to appropriately factor in tariff impacts.

Q. Even if adjusted operating income is multiplied by four based on Q1 results, it does not reach the full-year forecast. Were there any one-off negative factors in Q1? What is the basis for recovery from Q2 onward?

A. The adjusted operating income margin in Q1 was planned to be around 10%, but fell short. In Oceania, maintenance orders for mining and specialized parts and services were postponed, which had a significant impact. Recovery from Q2 onward is expected due to seasonal factors and improved product mix from the increased value chain ratio. Mining operation hours remain solid, so the outlook is considered stable. Additionally, company-wide efforts are underway to reduce fixed costs. Along with reduced variable costs due to

lower sales, we are implementing measures such as curbing strategic expenses and depreciation, and executing integration plans for H-E Parts and Brake Supply.

Q. What is the reason for the downward revision of the outlook for India?

A. Like other regions, India's outlook has been conservatively adjusted to reflect demand risk due to tariffs.

■Americas Business

Q. Regarding the Americas business, Q1 results exceeded the plan, but there are concerns about the future. Please explain in detail.

A. The revision reflects the risk of purchase hesitation due to tariff uncertainty, mainly in new construction machinery sales. However, even in the revised plan, the independent business is expected to achieve year-on-year revenue growth on a local currency basis. The impact of the Brake Supply acquisition and increased rental revenue will offset the decline in new construction machinery sales.

Q. What led to the increase in North American retail share in Q1?

A. Dealer support has been successful. The launch of finance and rental companies also contributed. Although customer purchasing behavior shows signs of hesitation and the North American market must be viewed cautiously, continued collaboration with dealers is expected to achieve a 10% market share.