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June 20, 2025

Company name: KATO WORKS CO., LTD.  
Representative: Kimiyasu Kato,  
President and Representative Director  
(Code number: 6390)  
Contact: Takatsugu Ishii,  
Director, Managing Executive Officer  
Manager of Corporate Planning Office  
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## Notice Regarding Forgiveness of Claims Owed by a Consolidated Subsidiary

KATO WORKS CO., LTD. hereby announces that, at the Board of Directors meeting held today, it resolved to waive a portion of the claims held by its consolidated subsidiary, KATO WORKS (CHINA) LTD., against one of its business partners, as detailed below.

### 1. Overview of Subsidiary Subject to Transfer (As of March 31, 2025)

(1) Company Name	KATO WORKS (CHINA) LTD
(2) Location	Kunshan City, Jiangsu Province, China
(3) Name and Title of Representative	Chairman: Yasunori Bando
(4) Business Description	Manufacture and sale of hydraulic excavators and its parts
(5) Capital	USD 62,500 thousand
(6) Date of Establishment	February 18, 2004
(7) Shareholding Ratio	100% owned by KATO WORKS CO., LTD.

### 2. Overview of the business partner

The counterparties consist of a number of Chinese domestic companies, and in consideration of the impact on future business continuity, we will refrain from disclosing their names and other details.

### 3. Type and amount of receivables due from the counterparty

Type of Receivable	Amount	Percentage of Consolidated Net Assets
Accounts receivable	CNY 592,437 thousand (approximately 11,848 million yen)	26.5%

#### **4. Background to this incident**

As announced on July 12, 2024, we resolved to dissolve and liquidate KATO WORKS (CHINA) LTD., a consolidated subsidiary. Since then, we have been seeking the appropriate disposition of assets held by the company.

Today, as announced on June 20, 2025, in **"Notice Regarding The Transfer of Equity Interest in a Consolidated Subsidiary,"** we entered into a transfer agreement for the Company's shares with a private company in China. As a result of repeated discussions with the recipient regarding the terms and conditions, we have determined that it would be beneficial for us to abandon accounts receivable, which are practically less likely to be collected, in advance on both the terms of transfer and the tax system in China.

#### **5. Impact of this fact on our performance**

Although we have been making efforts to recover the trade receivables held by the company, due to factors such as the deteriorating performance of the business partner caused by the economic downturn in China, a portion of these receivables has become difficult to collect. Accordingly, as stated in the **"Notice Regarding Provision for Allowance for Doubtful Accounts at a Consolidated Subsidiary"** announced on February 10, 2022, and the **"Notice Regarding Recognition of Extraordinary Loss and Revision of Earnings Forecast"** announced on November 8, 2024, we recorded an allowance for doubtful accounts in prior fiscal years for receivables that were determined, upon careful examination, to have extremely low recoverability. Since all receivables subject to the current abandonment fall under this category, we recognize that this matter will have no direct impact on our business results for the fiscal year ending March 31, 2026.

End