

Financial Results Briefing

November, 2020

TADANO LTD.

Results from FY 2020 First Half and Full Year Forecast

- **FY 2020 First Half**
First loss during a fiscal year first half since FY 2010
- **FY 2020 Full Year Forecast**
Predicted largest loss ever

October 8, 2020

European Subsidiaries TDG·TFG Strategic Restructuring Procedure

Note: TFG = Tadano Faun GmbH, TDG = Tadano Demag GmbH

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Two Battles

- **The Battles in Front of Us**
- **The Battle with the Times**

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- **Coronavirus affects decrease in demand**
- **Reverse Oil Shock**
- **Struggles of European Business**

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Effects of Coronavirus Disruption (Demand)

Demand by region (Compared to same period of previous fiscal year)

Region	2020			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Japan	-7%	-24%	-39%	
Middle East	-12%	-28%	-42%	
North America	-16%	-47%	-47%	
Europe	-9%	-23%	-7%	
Latin America	-15%	-34%	-44%	
Asia	-1%	-26%	-43%	
Other	-16%	+5%	-22%	

Fiscal Year 1Q

Fiscal Year 2Q

Fiscal Year 3Q

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【Immediate Future Outlook by Region】

Region	Immediate Future Outlook
Japan	While crane utilization rates are recovering, uncertain future outlook preventing capital investments.
USA	Forecasts for future outlook will take more time due to continued spread of infection and necessity of figuring out economic policy after presidential election.
Europe	Second COVID-19 wave is serious and some countries have re-entered lockdown, which may affect crane demand.
Asia	Market recovery will take more time due to COVID-19 prevention measures continuing to be implemented in each country.
Other	Australia: Infrastructure investments as economic measures are helping to stabilize market conditions. Middle east: Crane demand is not expected to recover soon due to downturn of crude oil prices.

Reverse Oil Shock

- **OPEC-Plus production disagreement coinciding with coronavirus disruption**
⇒ Agreed on oil production cut after drastic drop in oil price, current oil price is in latter half of \$30
- **Impacts on crane industry**
⇒ Large effect on upstream applications (production), but limited effect on downstream applications (see how it goes)
- **Acceleration of fossil fuel independence**
⇒ Demand in clean energy such as wind power increases

Worst-case scenario of Coronavirus: FY 2021

※1 year to contain pandemic, and 1 more year for economy to recover



<Tadano Basic Policy>

Predict worst-case scenario and do our best

Preparation For Prolonged Coronavirus Disruption

【Funds and funding limit secures ¥53 billion】

- Short-term loans payable: ¥15 billion
- Bond issuance cost: ¥10 billion
- Additional commitment line: ¥28 billion

Sufficient funds secured even if situation gets worse than current situation and prolongs until FY 2021

Loss recorded for three years in a row until FY 2019

⇒ Cost of sales ratio and product quality are worse because it took a lot of labor-hours to develop new super-large AT and many quality problems from suppliers happened at the same time

Note: TFG = Tadano Faun GmbH, AT = All Terrain Crane

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Demag experienced chronic losses

⇒ Necessary change of model was delayed, this resulted in decrease in sales

⇒ Poor after-sales service led to lower product sales price

⇒ Low productivity and high fixed costs

Note: TDG = Tadano Demag GmbH

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➤ Integration of TDG and TFG

- **Organization**: established holding company and integrated HQ functions
- **R&D**: Joint development to integrate products
- **Procurement**: Pursue cost advantage through joint procurement (Approaches to cost reduction)
- **Production**: Share production among factories
- **Sales**: Restructure sales organization within Tadano Group
- **CS**: Restructure CS organization within Tadano Group (Customer service, Parts)

Note: TFG = Tadano Faun GmbH, TDG = Tadano Demag GmbH

Strategic Restructuring Procedure of Two German Subsidiaries

- Work on reducing fixed costs such as redundancies and work time, but plan of recovering profitability was significantly behind predicted schedule due to coronavirus, which led to decision to this strategic decision to file for restructuring procedures
- Draw up and submit restructuring plan (End of December)
Approval from local Court (End of March)
- European business (AT·CC) is one of Tadano's core businesses
- Getting the two German subsidiaries into the black will lead to achievement of long-term goals and improvement of enterprise value for Tadano Group as a whole

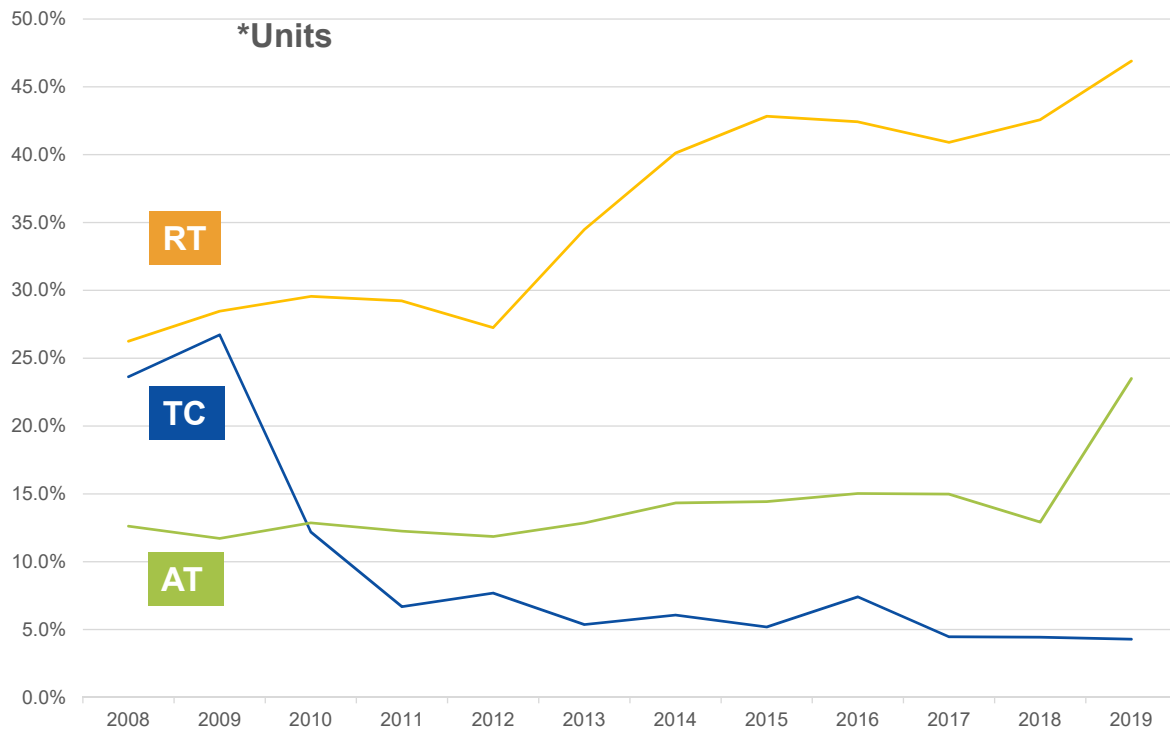
Note: AT = All Terrain Crane, CC = Crawler Crane

- **Response to Mobile crane market's structural changes**
- **Approaches to new technology**

Japanese market tends to shrink in terms of population movement in the long run

⇒ Maintain Japanese market as base market while aim to expand overseas

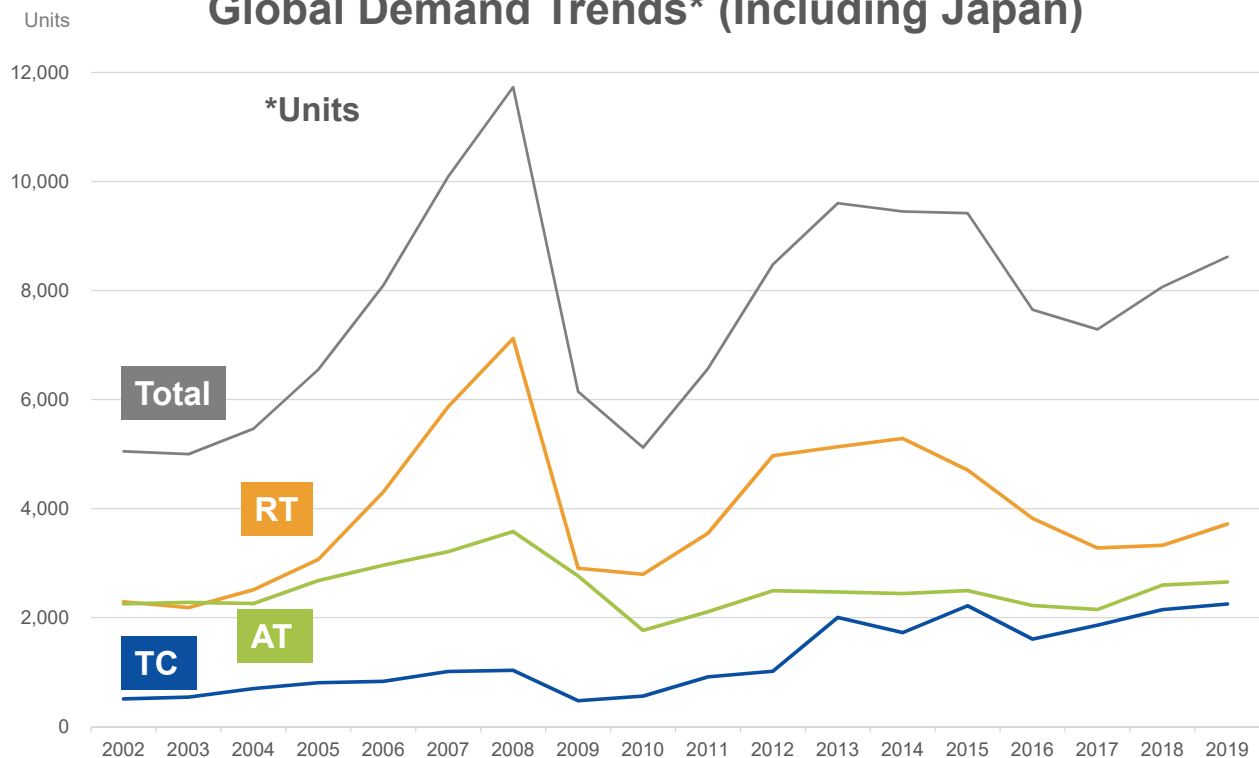
Tadano Group Global Share* (Including Japan)



Note: RT = Rough Terrain Crane, AT = All Terrain Crane, TC = Truck Crane

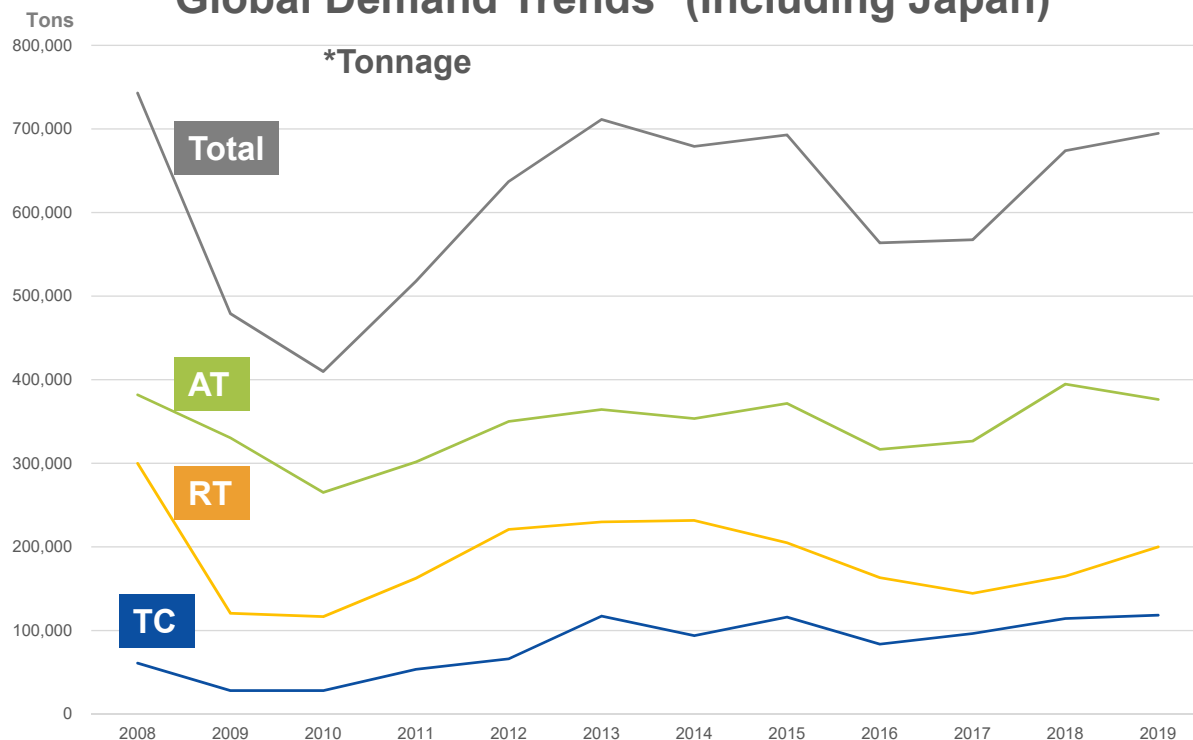
Mobile Crane Market's Structural Changes

Global Demand Trends* (Including Japan)



Note: RT = Rough Terrain Crane, AT = All Terrain Crane, TC = Truck Crane

Global Demand Trends* (Including Japan)



Note: RT = Rough Terrain Crane, AT = All Terrain Crane, TC = Truck Crane

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Response to Mobile Crane Market's Structural Changes

- **Enhancement of AT business**
⇒ Acquisition of Demag business
- **Increase in RT share**
⇒ Establishment of Kozai Plant

Note: RT = Rough Terrain Crane, AT = All Terrain Crane, TC = Truck Crane

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➤ Countermeasure against Chinese TC

⇒ Joint Venture with Escorts Ltd. in India (TEI)

- Manufacture cranes for Indian market
- Export cranes from India

⇒ Truck Cranes Crafted in Japan

Note: TC = Truck Crane, TEI = Tadano Escorts India Pve.Ltd.

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Approaches To New Technology

➤ **Autonomous**

➤ **Electric**

➤ **New functions and materials**

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FY 2020 First Half Financial Results Overview

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Key Points of FY 2020 First Half Financial Results

- ✓ **Consolidation of Demag business limited decrease in net sales to around 9%, but profits declined substantially due to changes in product sales composition. First operating loss recorded during a fiscal year first half since FY 2010.**

(Unit: millions of yen)

	FY2019 First Half		FY2020 First Half		Percent Change
	Amount	Percentage	Amount	Percentage	
Net Sales	100,304	100%	91,106	100%	-9.2%
Operating income	7,573	7.6%	-1,038	-1.1%	-
Ordinary income	7,262	7.2%	-1,590	-1.7%	-
Net income attributable to owners of the parent	5,267	5.3%	-2,566	-2.8%	-
Capital investment		9,852		3,242	
Depreciation		1,588		2,457	
* Figures for capital investments include leased assets.					
USD		¥110.05		¥108.27	
EUR		¥124.32		¥119.30	

- ✓ **Cost of sales ratio deteriorated due to changes in product sales composition, mainly including effects from Demag product line.**
- ✓ **Despite cost-cutting efforts, SG&A expenses increased due to consolidation of Demag business.**

(Unit: millions of yen)

	FY2019 First Half		FY2020 First Half		Increase/ Decrease
	Amount	Percentage	Amount	Percentage	
Net sales	100,304	100%	91,106	100%	-9,198
Cost of sales	74,195	74.0%	72,805	79.9%	-1,390
Gross profit on installment sales	-56	-0.1%	32	0.0%	89
Gross profit	26,051	26.0%	18,332	20.1%	-7,718
Selling, general, and administrative expenses	18,478	18.4%	19,370	21.3%	892
Operating income	7,573	7.6%	-1,038	-1.1%	-8,611
Non-operating income and loss	-310	-0.3%	-552	-0.6%	-241
Ordinary income	7,262	7.2%	-1,590	-1.7%	-8,853
Extraordinary income and loss	679	0.7%	85	0.1%	-594
Income before income taxes	7,942	7.9%	-1,504	-1.7%	-9,447
Corporate taxes	2,684	2.7%	1,051	1.2%	-1,633
Net income attributable to noncontrolling interests	-9	-0.0%	10	0.0%	19
Net income attributable to owners of the parent	5,267	5.3%	-2,566	-2.8%	-7,834

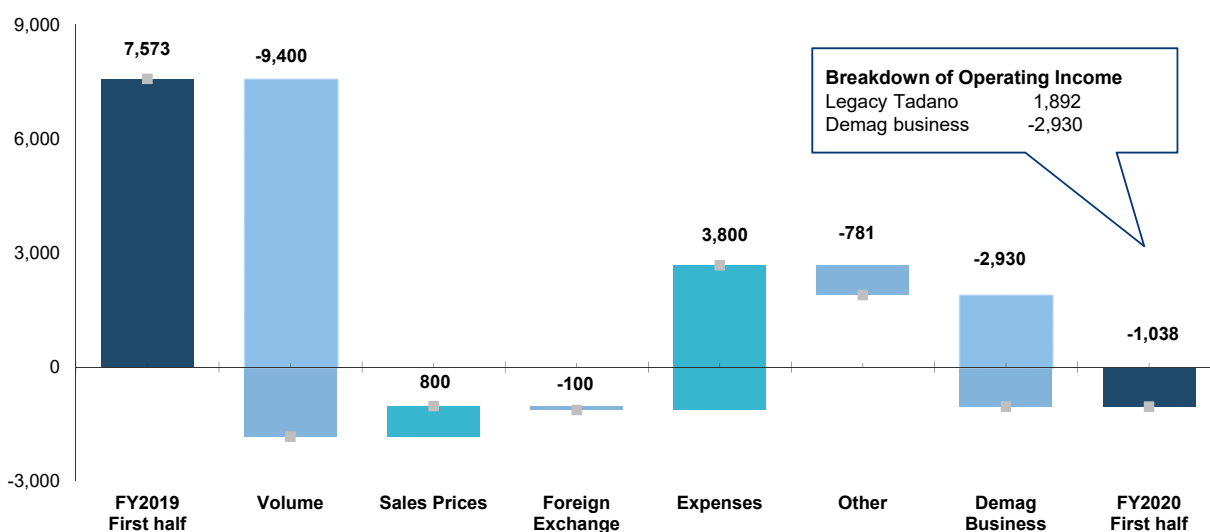
Consolidated Financial Results (Comprehensive) For Second Quarter of FY 2020(cited from P3)

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Major Factors Leading to Change in Operating Income

- ✓ **Despite expense reduction, operating income decreased by ¥8.6 billion due to decrease in sales volume and consolidation of Demag business.**

(Millions of yen)



Consolidated Financial Results (Comprehensive) For Second Quarter of FY 2020(cited from P4)

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✓ **Accounts receivable decreased.**

✓ **Inventories increased.**

(¥102.6 billion total includes ¥17.0 billion at TFG and ¥26.6 billion at TDG)

(Unit: millions of yen)

	FY2019 Year-end	FY2020 First Half	Increase/ Decrease		FY2019 Year-end	FY2020 First Half	Increase/ Decrease
Cash deposits	57,075	73,051	15,975	Accounts payable	40,745	24,822	-15,923
Accounts receivable	63,267	44,257	-19,009	Interest-bearing debt	63,035	85,627	22,591
Inventories	97,434	102,619	5,185	Other liabilities	49,320	44,393	-4,926
Other current assets	9,415	4,239	-5,175	Total liabilities	153,102	154,843	1,741
Total current assets	227,192	224,168	-3,024	Total equity	158,158	152,897	-5,260
Tangible fixed assets	68,433	68,534	100	Total liabilities and equity	311,260	307,741	-3,519
Intangible fixed assets	1,675	1,647	-27				
Investment and other assets	13,958	13,390	-568				
Total fixed assets	84,067	83,573	-494				
Total assets	311,260	307,741	-3,519				

	FY2019 First Half	FY2019	FY2020 First Half
Receivable turnover	83.2 days	88.1 days	88.9 days
Inventory turnover	125.1 days	135.6 days	206.1 days
Equity ratio	48.8%	50.5%	49.3%

Net Sales by Product

✓ **Net sales decreased in all segments except "Other".**

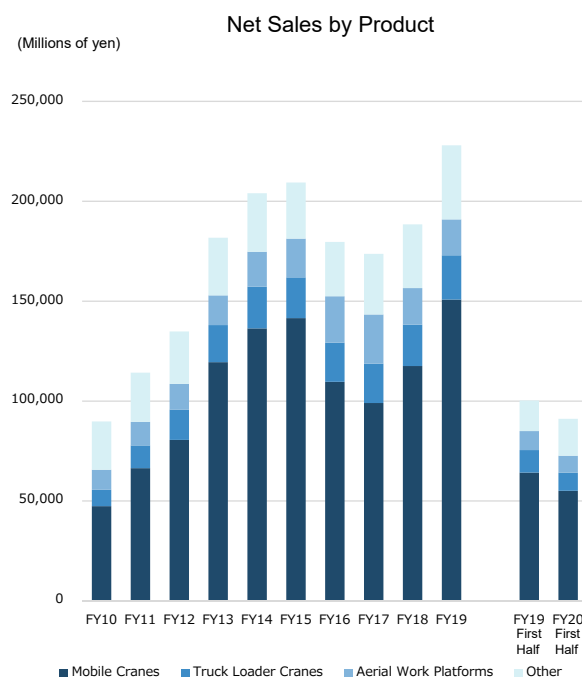
(Unit: millions of yen)

	FY2019 First Half	FY2020 First Half	Increase/Decrease Amount Percentage
Mobile Cranes	64,199	55,106	-9,092 -14.2%
Truck Loader Cranes	11,265	9,099	-2,165 -19.2%
Aerial Work Platforms	9,507	8,493	-1,014 -10.7%
Other	15,332	18,406	3,074 20.1%
Total	100,304	91,106	-9,198 -9.2%

Breakdown of Mobile Crane Sales Inside and Outside Japan				
Japan	24,984	18,122	-6,862	-27.5%
Outside Japan	39,214	36,984	-2,230	-5.7%
Total	64,199	55,106	-9,092	-14.2%

Exchange Rate		
USD	¥110.05	¥108.27
EUR	¥124.32	¥119.30

* Since the fiscal year for subsidiaries outside Japan ends in December, the rates given here are January-June average.



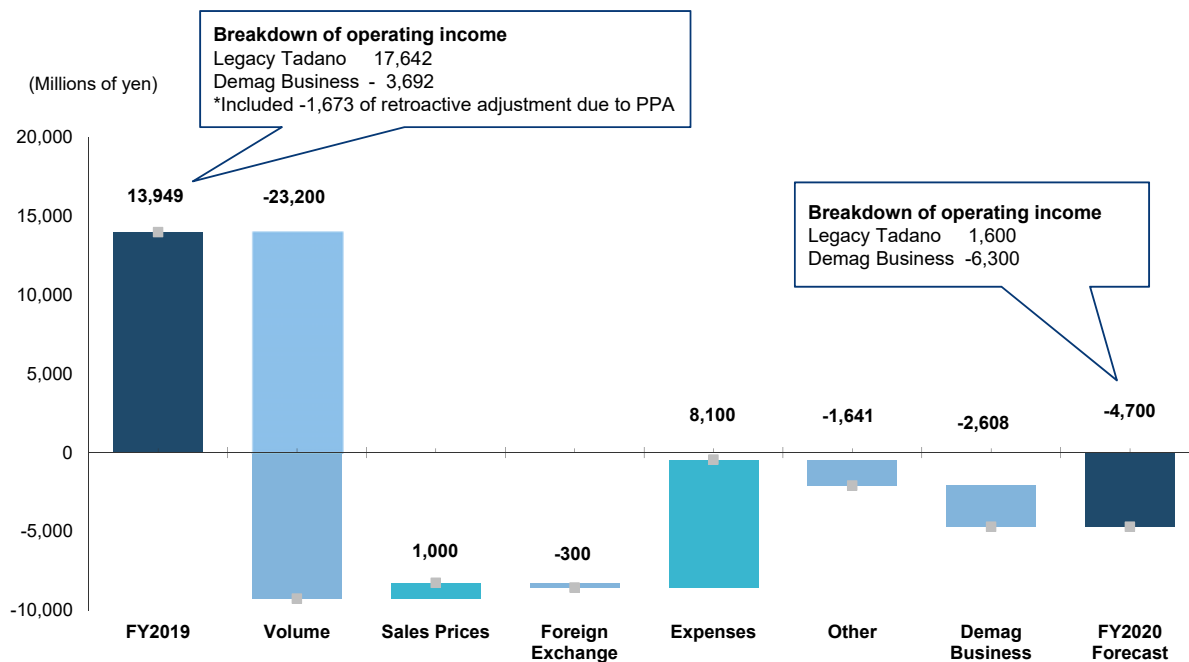
Overview of FY 2020 Business Performance Forecast

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(Unit: millions of yen)

	FY2019		FY2020		Percent Change
	Amount	Percentage	Amount	Percentage	
Net Sales	227,949	100%	182,000	100%	-20.2%
Operating income	13,949	6.1%	-4,700	-2.6%	—
Ordinary income	13,791	6.1%	-6,200	-3.4%	—
Net income attributable to owners of the parent	6,433	2.8%	-7,900	-4.3%	—
Capital investment		12,902		5,500	
Depreciation		4,527		4,800	
* Figures for capital investments include leased assets.					
USD		¥109.05	Second Half	¥105.00	
EUR		¥122.07	Second Half	¥125.00	
Dividends per share	Mid-year	¥14.00	Mid-year	¥0.00	
	Year-end	¥14.00	Year-end	¥3.00	
	Full-year	¥28.00	Full-year	¥3.00	

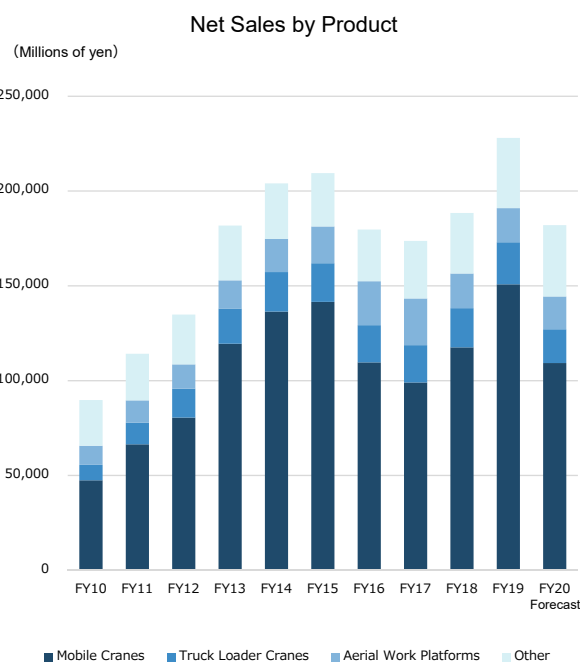
FY 2020 Forecast (Major Factors Leading to Change in Operating Income)



FY 2020 Forecast (Net Sales by Product)

(Unit: millions of yen)

	FY2019	FY2020 Forecast	Increase/Decrease	
			Amount	Percentage
Mobile Cranes	150,818	109,300	-41,518	-27.5%
Truck Loader Cranes	22,162	17,800	-4,362	-19.7%
Aerial Work Platforms	17,986	17,300	-686	-3.8%
Other	36,982	37,600	618	1.7%
Total	227,949	182,000	-45,949	-20.2%
Breakdown of Mobile Crane Sales Inside and Outside Japan				
Japan	47,833	37,800	-10,033	-21.0%
Outside Japan	102,984	71,500	-31,484	-30.6%
Total	150,818	109,300	-41,518	-27.5%



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