TADANO

TADANO LTD.
Planning and Administration Division
Tel: +81-87-839-5600
Date: May 10, 2017
URL: http://www.tadano.com

Consolidated Financial Statement for the Fiscal Year Ended March 31, 2017

1. Consolidated Business Results for the Fiscal Year from April 1, 2016 to March 31, 2017

(Unit: Millions of Yen)

	Sales	Operating Income	Net Income Attributable to Tadano Ltd.
Fiscal Year Ended March 31, 2017	179,676 (14.2%)	18,484 (40.5%)	11,881 (39.4%)
Fiscal Year Ended March 31, 2016	209,426 2.6%	31,062 5.4%	19,621 0.7%

Note: Listed values are rounded down to the nearest one million yen.
Percentage figures represent increase (decrease) in comparison to results from the same period of the previous fiscal year.

2. Outlook for Consolidated Business Performance for the Fiscal Year from April 1, 2017 to March 31, 2018

(Unit: Millions of Yen)

	Sales	Operating Income	Net Income Attributable to Tadano Ltd.
Full-Year Term	175,000 (2.6%)	17,000 (8.0%)	11,000 (7.4%)

Note: Percentage figures represent increase (decrease) in comparison to results from the same period of the previous fiscal year.
Forward-looking statements contained in this report are based on information available as of the date this report was prepared. A variety of factors may cause actual results to differ from projections.

3. Overview of the Fiscal Year Ended March 31, 2017

From the second half of the fiscal year under review, the Japanese economy saw improvements in corporate earnings, and the beginnings of recovery in capital investment and personal consumption. Production and exports improved, and the economy’s gradual recovery continued. The European economy saw no growth, the U.S. economy continued to recover, and emerging markets were in a state of slowdown. Various factors contributed to a heightened sense of uncertainty, including the economic slowdown in China, trends in crude oil and other natural resource prices, and geopolitical risks, as well as the changing face of policies in the U.S. and the political situation in Europe.

In our industry, the Japanese market shifted toward stronger demand overall, due to earthquake recovery and reconstruction, disaster preparedness and mitigation activities, efforts to address an aging infrastructure, and private sector construction investment. Outside of Japan, market demand, which had peaked in 2012, continued to fall overall, with demand in Europe remaining flat and demand in North America, the Middle East, and Southeast Asia decreasing.

Given this economic context, Tadano put its efforts into the sales of new-model cranes in the Japanese Market, and focused on maintaining prices and increasing share in markets outside of Japan, while additionally focusing on cost reductions. Furthermore, with a focus on long-term growth, we invested 2,400 million yen in signing a contract for a 20 hectare plot of land in Takamatsu, Japan to be used for a new plant that will expand our production capabilities. We are aiming for the plant to start operations sometime during FY 2018, and we plan for an estimated 17,500 million yen to be invested in the facility.

With a decreases in mobile crane sales, a slight decrease in truck loader crane sales, and an increase in aerial work platform sales, total sales in the Japanese market amounted to 102,270 million yen - down 2.6% from the previous fiscal year. Despite a focus on expanding new customer sales, our sales outside of Japan decreased by 25.9% from the previous fiscal year to 77,406 million yen, as demand trended downward and the yen rose in value. As a result total sales fell to 179,676 million yen, down 14.2% from the previous fiscal year. Sales outside of Japan accounted for 43.1% of all sales.

The combination of reduced sales, reduced gross profit and the exchange rate effects resulted in an operating income of 18,484 million yen, down 40.5% from the previous fiscal year. Net income attributable to Tadano Ltd. totaled 11,881 million yen, down 39.4% from the fiscal year. This total reflects the extraordinary loss of 1,298 million yen resulting from loss on valuation of investments in one of our affiliate companies in China.

Outline of Key Product Lines

<Mobile Cranes>

Demand in the Japanese market decreased, and despite our focus on sales expansion, mobile crane sales in Japan fell by 11.9% to 45,017 million yen, due in part to the production changeover required to make new-model cranes. Outside of Japan, despite a focus on expanding new customer sales, further drops in demand and the strong yen led to a year-on-year decrease of 28.6% with sales totaling 64,609 million yen. Total sales of mobile cranes decreased by 22.5% from the previous year to 109,627 million yen.

<Truck Loader Cranes>

As demand fell, sales of truck loader cranes in the Japanese market fell by 2.6% from the previous fiscal year to 18,192 million yen. Despite a focus on expansion of sales in emerging market countries, sales in markets outside of Japan totaled 1,440 million yen, down 14.7% from the previous fiscal year. Total sales of truck loader cranes amounted to 19,633 million yen, down 3.6% from the previous fiscal year.

<Aerial Work Platforms>

Thanks to continuing high demand in the rental industry and backed by a growing need for infrastructure inspections and capital investment in the electric utilities and electric works industries, sales of aerial work platforms increased by 19.4% to 23,202 million yen.

<Other Business>

Sales of parts, repairs, used cranes and other products and services fell 3.1% from the previous fiscal year to 27,213 million yen.

4. Outlook for the Fiscal Year Ended March 31, 2018

Despite possible downward effects on personal consumption, we expect the Japanese economy to continue on its gradual recovery, as exports increase, and capital investments improve as a result of further corporate earnings improvements. Outside of Japan, the slowdown in emerging markets, trends in exchange rates and crude oil prices, and geopolitical risks, as well as the changing face of policies in the U.S. and the political situation in Europe will all contribute to a further sense of uncertainty.

In regards to the external business environment as it affects the Tadano Group, Japan is expected to see higher utilization rates, but at the same time, a lack of qualified operators and the demand rush for trucks will act as counterforces, causing mobile crane sales to remain flat and truck loader and aerial work platform sales to decline. Outside of Japan, while US infrastructure investments and the recovery of crude oil and natural resource prices is expected to stimulate some demand areas, overall demand is expected fall. Following the demand peak of 2012, we continue to see a decline currently, but in looking at typical demand cycles we expect to see the bottoming out of that trend in 2017.

Mid-Term Management Plan (17-19)

Since 2008, the Tadano Group has declared its business domain to be lifting equipment (mobile machinery used for lifting loads and carrying out aerial work), and our long term goals are to be number one in the lifting equipment industry, attain a sales ratio of 80% outside of Japan, and become a company with stable and high profitability (attaining an average operating margin of 20%).

From the perspective of demographics, we believe that the lifting equipment is a long-term growth industry with big potential moving forward. However in the short- and mid-term, demand is volatile. In order for the Tadano Group to achieve long term growth and mid-term corporate value, we establish a mid-term management plan every three years. Since establishing our Mid-Term Management Plan (14-16) following the mobile crane demand peak in 2012, we have set our basic policy as “Becoming a Stronger Company.” Furthermore, since that time, we have set our Three Priority Points as “Further Global Growth,” “Higher Resilience,” and “Enhanced Competitiveness.” Furthermore, we have aimed to improve our business performance through increasing our market share and expanding sales of our highly value-added products. As a result, We achieved record highs in sales and operating income for two straight years from FY 2014 through FY 2015, with respective ROS (return on sales) of 14.4% and 14.8%; respective ROA (return on assets) of 13.9% and 13.5%) – very high performance levels for these indices. However, in terms of truly becoming a “Stronger Company,” we are still at the midway point, and the effects of falling demand in FY 2016 have caused us to fall to a lower level of performance with ROS and ROA during that time falling to 10.3% and 7.9%, respectively

2017 is the first year in the Tadano Group Mid-Term Management Plan (17-19), the basic policy of which is “Becoming a Stronger Company (Focusing on the Tadano Red Arrow).” Under this plan, we will implement Three Priority Points and Nine Strategies.

・“A Stronger Company” means being able to continuously generate profits and develop human resources year after year, regardless of the external business environment.

・At the Tadano Group, we focus on self-support efforts (the Tadano Red Arrow) Efforts in dealing with the surrounding environment that we cannot control (the Tadano Blue arrow, i.e. the market [demand, exchange rates, etc.]). Furthermore, by including our investment efforts (the Tadano Yellow Arrow), the result is our business performance (the Tadano Black Arrow). This serves as the background for the Mid-Term Management Plan (17-19), wherein we focus on “Red Arrow” efforts in order to become a stronger company.

・Three Priority Points

1) Further Global Growth (One Tadano, Breadth and Depth)
2) Higher Resilience (Six Keys to Success)
3) Enhanced Competitiveness (Being a Manufacturer with Four Synergistic Strengths)

・Nine Strategies

1) Improve Market Position
2) Enhance Product Competitiveness
3) Pursue Global and Flexible *Monozukuri* (i.e., manufacturing with a focus on continuous improvement)
4) Provide Outstanding Quality & Service
5) Improve Product Live-Cycle Value
6) Develop Solution Business
7) Raise Level of Profitability and Asset Efficiency
8) Establish Growth Structure
9) Strengthen the Tadano Group & Global Management Structure

During the final year of Mid-Term Management Plan (17-19), Tadano will celebrate the 100th anniversary of its Founding (August 29, 1919).

・Quantitative Management Targets

Item	FY 2019 Targets	FY 2022 Mid-Term Targets
Sales	240 billion yen	300 billion yen
・Japan	96 billion yen	100 billion yen
・Outside of Japan	144 billion yen	200 billion yen
Outside Japan Sales Ratio	60.0%	66.7%
Operating Income	36 billion yen	50 billion yen
Operating Margin	15.0%	16.7%
ROA (Operating Income/Total Assets)	13.0%	—
Inventory Turnover Ratio	4.8	—

Notes:

Assumptions: U.S. dollar = 110 yen, Euro = 120 yen.

Mid-Term Targets are targets set for the mid-term to align Tadano with its long-term goals.