

“We aim to become No. 1 worldwide in the mobile cranes industry by restructuring the European operations and building an optimal global production scheme.”

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Launching the world's first electric rough terrain crane in Japan, while recording the largest ever deficit for the European operations in FY 2023

In our financial results for FY 2023, sales and profits both increased. Higher sales volumes and efforts to improve selling prices enabled us to reach record high net sales. However, production constraints stemming from the severe procurement environment caused a delay in the restructuring plan of the European operations. This meant that, while operating income increased over the previous fiscal year, it failed to reach the target set out in the Mid-Term Management Plan (21-23).

Global demand for mobile cranes increased in all areas excluding Europe. The Tadano Group's market share increased in Japan and North America, and the ratio of sales outside Japan has increased as projected. In terms of environmentally friendly products, we were also able to launch the world's first electric rough terrain crane named "EVOLT" in Japan in 2023, which can execute all crane and travel operations using a battery as the power source. On the other hand, we recorded our largest ever deficit in the European operations. I believe that one factor behind this result was that, due to a lack of clarity in the objectives of acquisition of the two companies in Germany, Tadano Demag GmbH and Tadano Faun GmbH, we were unable to elucidate what measures needed to be taken.

Meaning of "Reaching new heights - Entering a new era -," the slogan of the new Mid-Term Management Plan

The most important theme in the new Mid-Term Management Plan is the improvement of the European operations. Focusing anew on the product and design strengths held by Tadano Demag GmbH and Tadano Faun GmbH and on their markets, we reworked our restructuring strategy with the aim of combining them with the Tadano Group's resources in Japan. Although we recorded our largest ever deficit in the European operations in the previous fiscal year, this process has given us a clear view deep into the state of the operations and elucidated what actions we should take. Having obtained a sense that we are finally able to step into an era of growth, we decided on "Reaching new heights - Entering a new era -" as the slogan of the new Mid-Term Management Plan.

On that basis, we established four basic strategies, namely "Advancing decarbonization," "Venture into new areas," "Manufacturing reforms that leverage strengths," and "Establishing footholds to support transformation."

Advancing decarbonization by expanding our lineup of environmentally friendly products

In the "Advancing decarbonization" strategy, we will seek to expand our environmentally friendly products. While we were able to turn EVOLT, our fully electric rough terrain crane, into a full-fledged product, we have faced challenges in reducing cost and selling price. We have been able to obtain certification from the Ministry of Land, Infrastructure, Transport and Tourism as a "Green Transformation construction machine" that does not emit CO₂ during operations. Once

we have measures in place to boost purchases with the use of government subsidies, we believe that this will help sell the product. If we are to increase sales even further, the establishment of infrastructure, particularly charging stations, will be essential. This is not something that Tadano can achieve alone; it will require collaboration with other parties, including users and service distributors. Also, because the drive system will change from an engine to a battery as the power source, to increase supply as a commercial product, we will need to focus our efforts on finding new suppliers that are able to accommodate that change.

As the massive size of these cranes will mean heavy batteries, we are developing a hybrid model that will use a diesel engine for travel and a battery for crane operations. Tests of this model are underway in Europe, and the reaction from users has been very positive. We will also increase the number of environmentally friendly product variations, such as adding a feature that will stop the engine during standby when traveling, but keep the air conditioning running.

Bringing an aerial work platform manufacturer into the Tadano Group with the aim of expanding into the global market

As part of our strategy of "Venture into new areas," with the aim of global expansion of aerial work platforms, in February 2024, we brought Nagano Industry (later renamed Tadano Utilities), a manufacturer of self-propelled crawler aerial work platforms with the largest share in the Japanese market, into the Tadano Group. Because Tadano's aerial work platforms were truck-mounted, exporting them would mean facing constraints from the road traffic laws of each country. However, a major strength of Tadano Utilities aerial work platforms is that, being self-propelled, they are less susceptible to such constraints, which will make it easier to expand into the global market. Joining the Tadano Group will allow Tadano Utilities to supplement the brand awareness and service capabilities that it lacks in markets outside Japan.

In addition, Tadano has the technology to build long booms that can be extended up to the height of 53 meters for its truck-mounted aerial work platforms. The provision of that technology for use on Tadano Utilities' self-propelled aerial work platforms, which extend up to 21 meters, will allow Tadano Utilities to expand its product offerings and markets. Outside Japan, we will set our sights on all markets, including North America, which is the largest market, as well as Europe and Asia, by achieving the expansion of the Tadano Group brand.

The Japanese market accounts for approximately 100 billion yen of the Tadano Group's sales (in total approximately 300 billion yen). In a breakdown of those sales, mobile cranes, including rough terrain cranes, account for 50%, truck loader cranes and aerial work platforms for 20% each, and parts and services the remaining 10%. The other approximately 200 billion yen is from sales in markets outside Japan, almost all of which are for mobile cranes. We hope to bring the ratio of sales in international markets to the same as the Japanese market by adding truck loader cranes and aerial work platforms to our overseas offerings, thereby increasing sales in those markets. Regarding truck loader cranes, although the European market will be difficult due to differences in boom systems, we will aim to expand sales in the Asian and North American markets.

Leveraging the respective strengths of our Japanese and German plants to improve quality, while also restructuring the European operations

For the third basic strategy of “Manufacturing reforms that leverage strengths,” we will strive to improve quality by consolidating the respective areas of expertise of each plant that are decentralized around the world and working to increase Tadano’s brand value. At the same time, we will connect those efforts to the restructuring of our European operations.

We currently have three plants in Germany—one in Lauf (Tadano Faun GmbH) and two in Zweibrücken (Tadano Demag GmbH). Of these, we will consolidate the two Zweibrücken plants into one. Until now, we had been producing 700-750 all terrain cranes in Europe a year, but forcing that production capacity into sales on the European market contributed to the deficit. As such, we believe that the optimal sales volume is around 400-450 units, which is why we have decided on the consolidation.

Production of the small all terrain cranes made at the Wallerscheid Plant, the Tadano Demag GmbH plant that is scheduled to close, will be transferred to Japan, where we produce cranes of a similar size. We determined that leveraging Tadano’s technologies and network of outstanding partner companies would enable us to produce competitive small all terrain cranes. The German plants had experienced production constraints due to the collapse of the supply chain over the past several years. We believe that spreading out our production sites will have benefits not only in terms of quality, but also in terms of delivery timeframes.

Earlier, I mentioned that we would reduce production of all terrain cranes in Europe. Much of that reduction will be transferred to Japan, with the aim of decentralizing production while maintaining our share of global sales of all terrain cranes overall by opening up new markets in Asia, Oceania, and elsewhere. It will likely take some time to stabilize production in Japan, but I hope we can generate a sense of competition and foster a culture of friendly rivalry among our plants by demonstrating how the products previously made in Germany will change after being manufactured in Japan.

Also, to strengthen our bonds as “One Tadano,” we will strive to carry out the TKN (Tadano’s design concept of creating something “Simple,” “Durable,” and “Repairable”) activities at both our Japanese and European plants. The structure of the components incorporated in the products made at our German plants has become increasingly complex. Partly for this reason, we believe that striving to improve design and production efficiency through the introduction of TKN activities will enable us to adopt more competitive components from a global perspective. Meanwhile, bringing advanced German welding technology into Japan will help enhance the technological capabilities of our Japanese plants.

I believe that this initiative of combining the respective strengths of Japan and Germany, which are at the pinnacle of crane technology in the world, will prepare us to aim for the No.1 position in the global market. Above all, by returning the European operations back to profit, we can expect the Tadano Group’s revenues to spike significantly.

Employing and developing personnel who can find issues and know how to take action to solve them

In the fourth basic strategy, “Establishing footholds to support transformation,” strengthening of the human resource base linked to management strategy is a major theme. Tadano is always looking for personnel with a high level of expertise and who promote innovative ideas, personnel who can think independently, make decisions with conviction, and act proactively toward solution, and personnel who can motivate colleagues and create great value. To ensure that our people have the kind of expertise and qualities that we seek, we will strive to rebuild our human resource portfolio by enhancing recruitment/training as well as promoting reallocation and career development, and improving internal engagement. In March, as part of these efforts, we introduced an incentive plan, under which we grant common shares as special incentive payments through the employees shareholding association. The improvement of our corporate performance and a rising stock price will help employees with their own asset building, so I am hoping that this initiative will raise their motivation.

Amid the significant changes in the environment surrounding the industry, including the electrification trend, conventional ways of thinking and ideas will not lead to breakthroughs. There can be no progress or advancement while people think they are being forced to do things. We need to become a group of people who can find issues, think for themselves about what can be done to solve problems, and put solutions into practice. To that end, I hope to create more opportunities for myself to hold direct dialogue with employees and convey my own thoughts, while also developing leaders who are able to listen to the voices of the people on-site.

Asking departments in the company and partner companies to help us think about what the cranes of the near future should look like

Amid significant changes in the industry environment, we established “2040 Envisioned by Next Generation Leaders”, a cross-company project involving next-generation employees at Tadano, as a forum for the free exchange of opinions on the types of products we should develop. Employees of overseas group companies, as well as employees of our business partners were included in the project. This initiative provides an excellent opportunity to develop a habit of thinking about how society will transform in the years ahead and how cranes will need to change in response to that changing society. The result of these discussions is planned to be available as a video content. I am looking forward to seeing what the completed video would look like.

“2040 Envisioned by Next Generation Leaders” is a cross-company project involving 22 employees from the next generation at Tadano. Through various measures, they have brainstormed ideas for more convenient mechanisms and products, envisioning the future of Tadano.

Encouraging employees to understand the importance of ROE and ROIC and working to turn borrowing capacity into future-oriented investments

In the Mid-Term Management Plan, we refer to “Management in consideration of capital cost and stock price” and clearly stated our targets of achieving ROIC of 8.0%, ROE of 9.5%, and dividend payout ratio of 30% in 2026. Of those three targets, understanding of ROIC, in particular, has probably not spread sufficiently among all employees. We are in the process of conveying to employees in simple terms an awareness that money will be used only after the return has been properly identified. I hope that this awareness will penetrate quickly, and we are considering incorporating such awareness into the evaluation criteria for personnel evaluations in the near future.

We also indicated clearly that we will allocate the fund earned from operations to future-oriented investments for growth and stable management and that we will return surplus funds to shareholders on an ongoing basis. Specifically, out of the 140 billion yen, which is the total of existing business cash flow and unused borrowing facilities at hand, we will allocate 30 billion yen to future-oriented investments, 60-70 billion yen to working capital, 28-40 billion yen to reduction of interest-bearing debt, and 10-12 billion yen to

shareholder returns. Among these allocations, regarding the 28-40 billion yen that we are considering allocating to the reduction of interest-bearing debt, I have conveyed to our employees that this does not mean that those funds must be allocated to the repayment of loans. Rather, we will also have the option of allocating them to investments if doing so would earn returns that meet the ROE and ROIC targets.

Aiming to achieve a P/B (Price-to-Book) ratio of 1x by restructuring the European operations

I believe that the target of a P/B ratio of 1x or above is something that, even before complying with the guidance of the Tokyo Stock Exchange, we need to achieve from the perspective of preventing a takeover. Achieving that target is entirely dependent on the restructuring of the European operations. As I have already mentioned, we have plotted a clear course toward the restructuring of the European operations, and I believe that by staying in that course, the achievement of a P/B ratio of 1x will become a possibility. Moreover, by conducting future-oriented investments above and beyond that, we plan to further expand our business domains and aim for numbers that exceed that target.

