

# Financial Results Briefing

In 2019, Tadano celebrated the 100th anniversary of its founding.

November, 2019

Tadano Ltd.

Tadano Ltd.

- 1919** Founded by Masuo Tadano
- 1948** Established as a company
- 1955** Developed Japan's first hydraulic truck crane

⋮



The OC-2 hydraulic truck crane

- 2019** 100<sup>th</sup> anniversary of founding

## Dinglerstrasse Factory



## Wallerscheid Factory



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## All Terrain Cranes

→ **Tadano can now realize a full lineup in this segment**

- Combining Tadano's legacy lineup (centering on small/mid-sized models) with Demag's legacy lineup (with its strengths in the large-sized models), we can better respond to the needs of our customers
- 15 models in a capacity range from 40 to 1200 metric tons (Reference: TFG in Germany has 13 models in a capacity range from 40 to 400 metric tons)



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## Lattice Boom Crawler Cranes

→ **A new crane category for Tadano**

- Outstanding mobility on rough terrain and soft foundations
- Used for heavy construction (bridges, wind turbines, plants, etc.)
- 7 models in a capacity range from 400 to 3200 metric tons



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## Results from FY 2019 First Half

- **First half revenues and profits increased for the first time in 4 years**
- **Full year profit forecast revised downward**

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# FY 2019 First Half Overview

Demag not included in P/L  
Demag included in B/S

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## Key Points of FY 2019 First Half Financial Results

(Unit: millions of yen)

	FY2018 First Half		FY2019 First Half		Percent change
	Amount	Percentage	Amount	Percentage	
Net sales	82,272	100.0%	100,304	100.0%	21.9%
Operating income	5,743	7.0%	7,573	7.6%	31.9%
Ordinary income	5,673	6.9%	7,262	7.2%	28.0%
Net income attributable to owners of the parent	4,081	5.0%	5,064	5.0%	24.1%

	FY2018 First Half	FY2019 First Half
Capital investment	¥6,595 million	¥9,852 million
Depreciation	¥1,432 million	¥1,588 million
Exchange rate (USD)	¥108.68	¥110.05
Exchange rate (EUR)	¥131.64	¥124.32

\* Figures for capital investments include leased assets.

\* The exchange rates given above are average rates for the period from January to June. (Subsidiaries outside Japan undertake their settlement of accounts in December)

⇒ Capital investment of the first half of FY2019 includes ¥7,135 million related to Kozai plant construction.

### [FY2019 Management Policy]

- (i) Pursue the Tadano Group's Core Values (Safety, Quality, Efficiency)
- (ii) Engage in last-year activities of the Mid-Term Management Plan (17-19)
- (iii) Focus on the Tadano Red Arrow, and engage in Tadano Yellow Arrow activities
- (iv) Prepare for and respond to Tadano Blue Arrow changes and escalating competition

◆ **Second quarter revenues and profits increased for the first time in four years**

◆ **Sales exceeded ¥100 billion for the first time in four years**

◆ **Sales increased both inside and outside Japan**

⇒ Net sales in Japan: ¥44.4 billion → ¥54.1 billion (+21.9%)  
Sales of Mobile Crane, Truck Loader Cranes, and Aerial Work Platforms all increased.

**The highest sales results since Tadano first began disclosing half-year consolidated financial results**

⇒ Net sales outside Japan: ¥37.8 billion → ¥46.1 billion (+21.9%)

Sales increased in all regions except Europe.

◆ **Outside Japan sales ratio: 46.0% → 46.0%**

◆ **Operating income ratio: 7.0% → 7.6%**

Operating income: ¥5.7 billion → ¥7.5 billion  
Ordinary income: ¥5.6 billion → ¥7.2 billion  
Net income: ¥4.0 billion → ¥5.0 billion

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(Unit: millions of yen)

	FY 2018 First Half		FY 2019 First Half		Increase/ Decrease
	Amount	Percentage	Amount	Percentage	
Net sales	82,272	100.0%	100,304	100.0%	18,031
Cost of sales	60,382	73.4%	74,195	74.0%	13,813
Gross profit on installment sales	121	0.1%	-56	-0.1%	-178
Gross profit	22,011	26.8%	26,051	26.0%	4,039
Selling, general, and administrative expenses	16,267	19.8%	18,478	18.4%	2,210
Operating income	5,743	7.0%	7,573	7.6%	1,829
Non-operating income and loss	-70	-0.1%	-310	-0.3%	-240
Ordinary income	5,673	6.9%	7,262	7.2%	1,589
Extraordinary income and loss	-3	-0.0%	476	0.5%	479
Income before income taxes	5,669	6.9%	7,739	7.7%	2,069
Corporate taxes	1,569	1.9%	2,684	2.7%	1,115
Net income attributable to noncontrolling interests	19	0.0%	-9	0.0%	-29
Net income attributable to owners of the parent	4,081	5.0%	5,064	5.0%	982

## [Key Changes]

### ◆ COGS ratio: 73.4% → 74.0%

- Despite the efforts to maintain appropriate sales prices and cost reductions, the COGS ratio went up by 0.6% from the same period of the previous fiscal year due to the increase in production costs and changes in the composition of sold cranes.

### ◆ Selling, general, and administrative expenses: ¥2,210 million increase

- Variable costs: + ¥538 million
- Personnel costs: + ¥173 million
- Other expenses: + ¥1,498 million

### ◆ Non-operating income and loss:

- Non-operating income: ¥178 million → ¥192 million
- Non-operating loss: ¥249 million → ¥503 million

### ◆ Extraordinary income and loss:

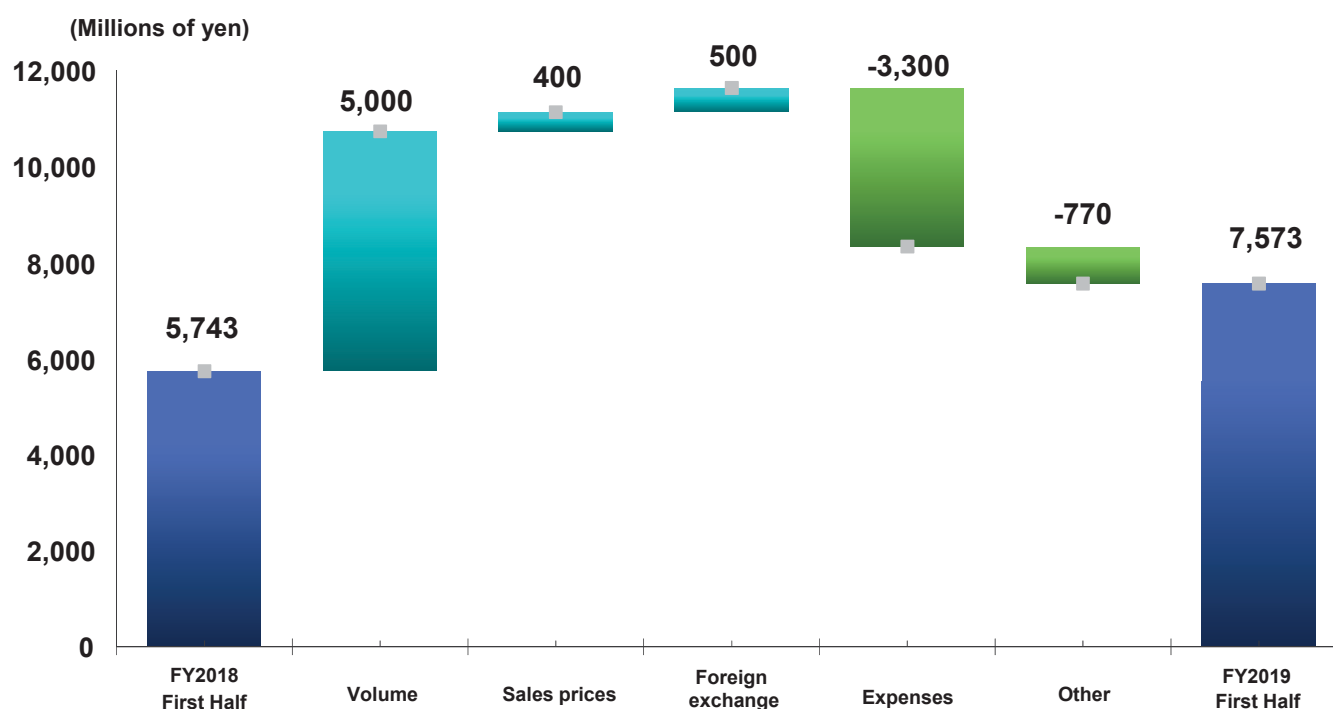
- Extraordinary income: ¥6 million → ¥492 million
- Extraordinary loss: ¥9 million → ¥16 million

\*Gain on negative goodwill of ¥487 million was recorded as extraordinary income.

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# Income Statement (Major Factors Leading to Change in Operating Income)

Sales increased, and operating income increased ¥1.8 billion.



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# Balance Sheet (vs. End of Previous Fiscal Year)

(Unit: millions of yen)

	FY 2018 Year-End		FY 2019 First Half		Increase/ Decrease	Demag (Included in the total)
	Amount	Percentage	Amount	Percentage		
Cash deposits	65,952	25.8%	77,441	24.4%	11,489	2,496
Accounts receivable	50,836	19.9%	52,187	16.4%	1,350	6,578
Inventories	62,757	24.5%	96,486	30.4%	33,729	27,938
Other current assets	6,610	2.6%	6,994	2.2%	384	1,444
<b>Total current assets</b>	<b>186,156</b>	<b>72.8%</b>	<b>233,109</b>	<b>73.4%</b>	<b>46,953</b>	<b>38,458</b>
Tangible fixed assets	52,597	20.5%	65,967	20.8%	13,370	4,461
Intangible fixed assets	1,703	0.7%	1,854	0.6%	150	198
Investment and other assets	15,336	6.0%	16,602	5.2%	1,265	-16,287
<b>Total fixed assets</b>	<b>69,637</b>	<b>27.2%</b>	<b>84,424</b>	<b>26.6%</b>	<b>14,787</b>	<b>-11,627</b>
<b>Total assets</b>	<b>255,793</b>	<b>100.0%</b>	<b>317,534</b>	<b>100.0%</b>	<b>61,740</b>	<b>26,830</b>

Accounts payable	41,792	16.3%	44,652	14.0%	2,860	6,210
Interest-bearing debt	30,165	11.8%	69,124	21.8%	38,958	1,321
Other liabilities	28,810	11.3%	46,622	14.7%	17,811	18,767
<b>Total liabilities</b>	<b>100,768</b>	<b>39.4%</b>	<b>160,399</b>	<b>50.5%</b>	<b>59,630</b>	<b>26,299</b>
<b>Total equity</b>	<b>155,025</b>	<b>60.6%</b>	<b>157,135</b>	<b>49.5%</b>	<b>2,109</b>	<b>531</b>
<b>Total liabilities and equity</b>	<b>255,793</b>	<b>100.0%</b>	<b>317,534</b>	<b>100.0%</b>	<b>61,740</b>	<b>26,830</b>

## [Key Changes]

### ◆ Accounts receivable increased:

¥50.8 billion → ¥52.1 billion

(¥52.1 billion total includes ¥6.5 billion at Demag)

⇒ The receivable turnover period ameliorated.

(FY2018 First Half: 87.2 days, FY2018: 98.5 days

→ FY2019 First Half: 83.2 days)

\*Demag is excluded from the calculation of turnover for FY2019 First Half

### ◆ Inventories increased:

¥62.7 billion → ¥96.4 billion

(¥96.4 billion total includes ¥20.2 billion at TFG and ¥27.9 billion at Demag)

⇒ The inventory turnover period deteriorated.

(FY2018 First Half: 139.0 days, FY2018: 121.5 days

→ FY2019 First Half: 125.1 days)

\*Demag is excluded from the calculation of turnover for FY2019 First Half

### ◆ Interest-bearing debt increased:

¥30.1 billion → ¥69.1 billion

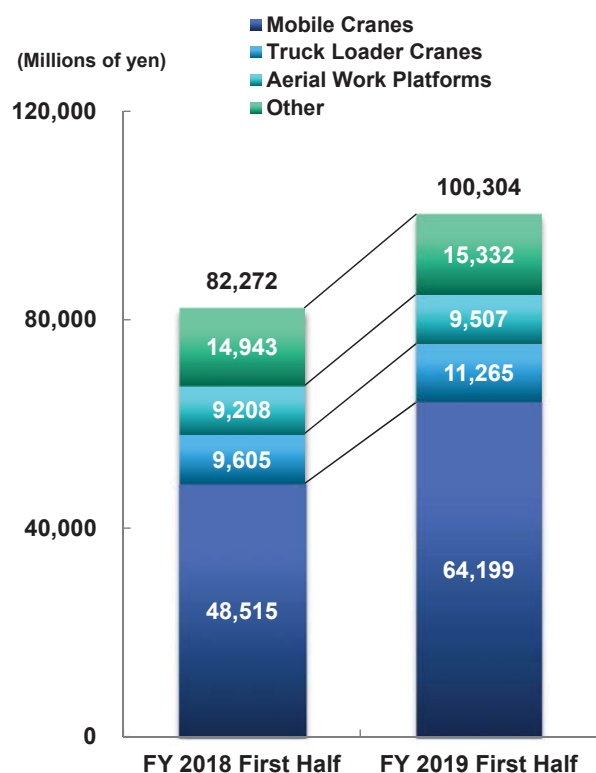
⇒ Short-term: increased by ¥36.1 billion

Long-term: increased by ¥2.7 billion

\*¥35.6 billion of bridge loan was obtained to finance the acquisition of Demag and the capital injection, etc.

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# Net Sales by Product



(Unit: millions of yen)

	FY 2018 First Half		FY 2019 First Half		Increase / Decrease	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Mobile Cranes	48,515	59.0%	64,199	64.0%	15,683	32.3%
Truck Loader Cranes	9,605	11.7%	11,265	11.2%	1,659	17.3%
Aerial Work Platforms	9,208	11.2%	9,507	9.5%	299	3.3%
Other	14,943	18.1%	15,332	15.3%	388	2.6%
<b>Total</b>	<b>82,272</b>	<b>100%</b>	<b>100,304</b>	<b>100%</b>	<b>18,031</b>	<b>21.9%</b>

◆ Outside Japan sales ratio: 46.0% → 46.0%

### Breakdown of Mobile Crane Sales Inside and Outside Japan

Japan	17,915	24,984	7,069	39.5%
Outside Japan	30,600	39,214	8,614	28.2%

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## ➤ Mobile Cranes

- Japan Expanding sales in midst of rising demand
- Outside Japan Sales increased in all regions, except Europe

## ➤ Truck Loader Cranes

- Japan Demand up ahead of safety device and emissions regulation changes
- Outside Japan Put efforts into expanding sales in Southeast Asia and the Middle East

## ➤ Aerial Work Platforms

- Amidst demand increase ahead of emissions regulation changes, decreasing demand

For inspection/maintenance needs in telecommunications industry, increasing sales in the rental industry

# Overview of Forecast Revision

Demag results include the 5 months  
from August through December

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## FY 2019 Business Performance Forecast

(Unit: millions of yen)

	FY 2018		FY 2019 forecast		Tadano (Existing business)		Demag		Percent change
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	
Net sales	188,451	100.0%	228,000	100.0%	200,700	100.0%	27,300	100.0%	21.0%
Operating income	15,835	8.4%	10,000	4.4%	14,500	7.2%	-4,500	-16.5%	-36.8%
Ordinary income	15,604	8.3%	10,000	4.4%					-35.9%
Net income attributable to owners of the parent	11,462	6.1%	5,000	2.2%					-56.4%

FY 2019 business performance forecast was revised on October 30.

Dividends per share	Mid-year	¥13.00	Mid-year	¥14.00
	Year-end	¥13.00	Year-end	¥14.00
	Full-year	¥26.00	Full-year	¥28.00

Mid-year and year-end dividends for FY19 include ¥1 memorial dividend.

Capital investment	¥14,458 million	¥11,500 million
Depreciation	¥2,984 million	¥3,800 million
Exchange rate (USD)	¥110.43	¥108.00(2nd Half)
Exchange rate (EUR)	¥130.42	¥120.00(2nd Half)

Figures for capital investment include leased assets.

The interim exchange rate of EUR was revised on October 30.

### [ FY2019 Management Policy ]

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- (ii) Engage in last-year activities of the Mid-Term Management Plan (17-19)
- (iii) Focus on the Tadano Red Arrow, and engage in Tadano Yellow Arrow activities
- (iv) Prepare for and respond to Tadano Blue Arrow changes and escalating competition

◆ FY 2019 proportion of sales  
outside Japan: 55.5%

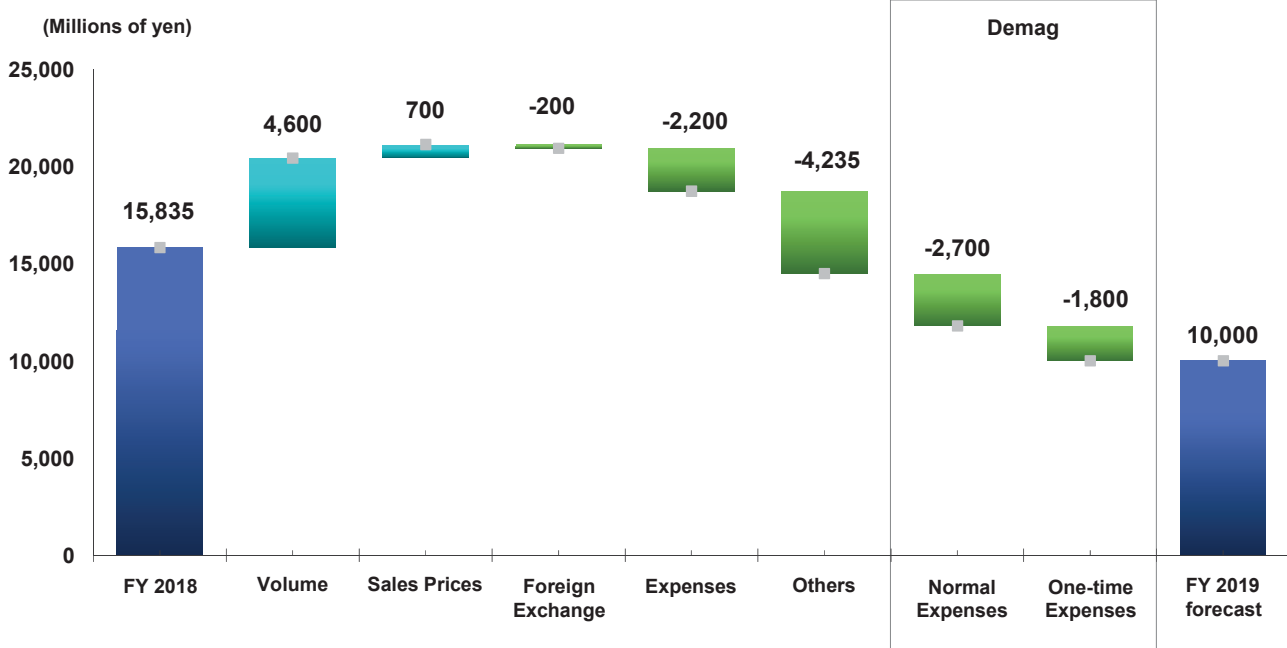
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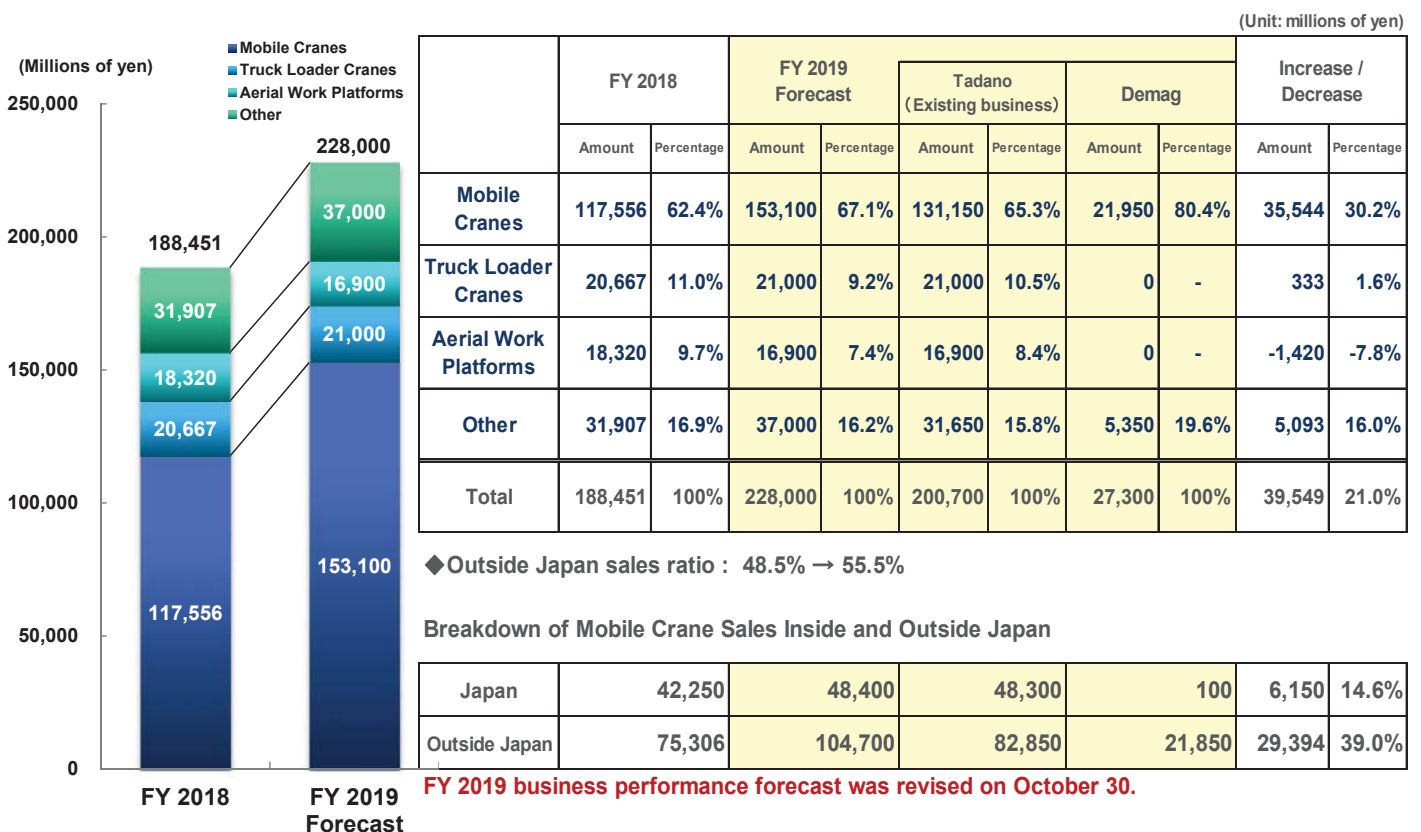
# FY2019 Business Performance forecasts

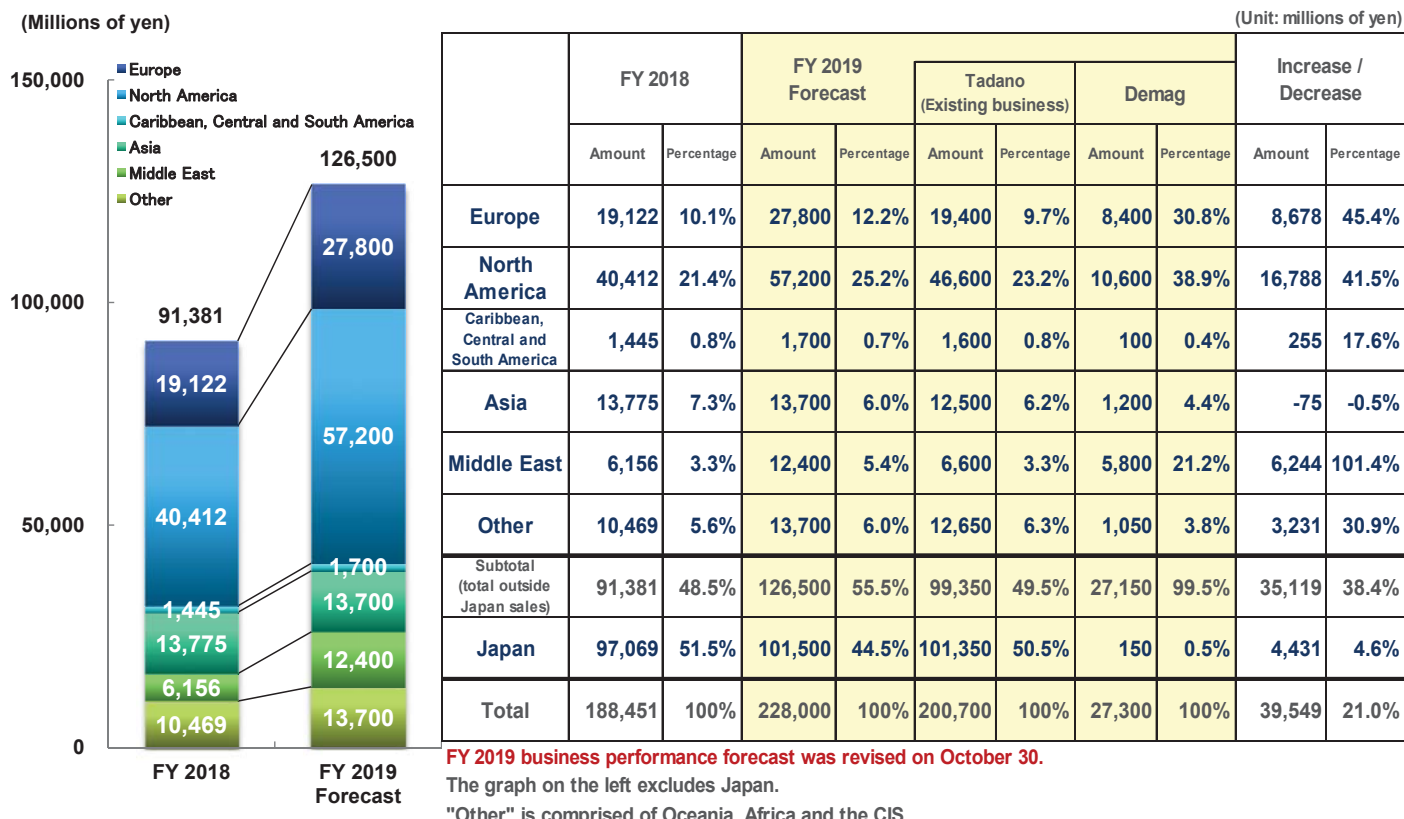
(Forecasted Main Causes of Changes in Operating Income)

Despite sales growth, operating income will decrease ¥5.8 billion due to increased costs and consolidation of Demag.



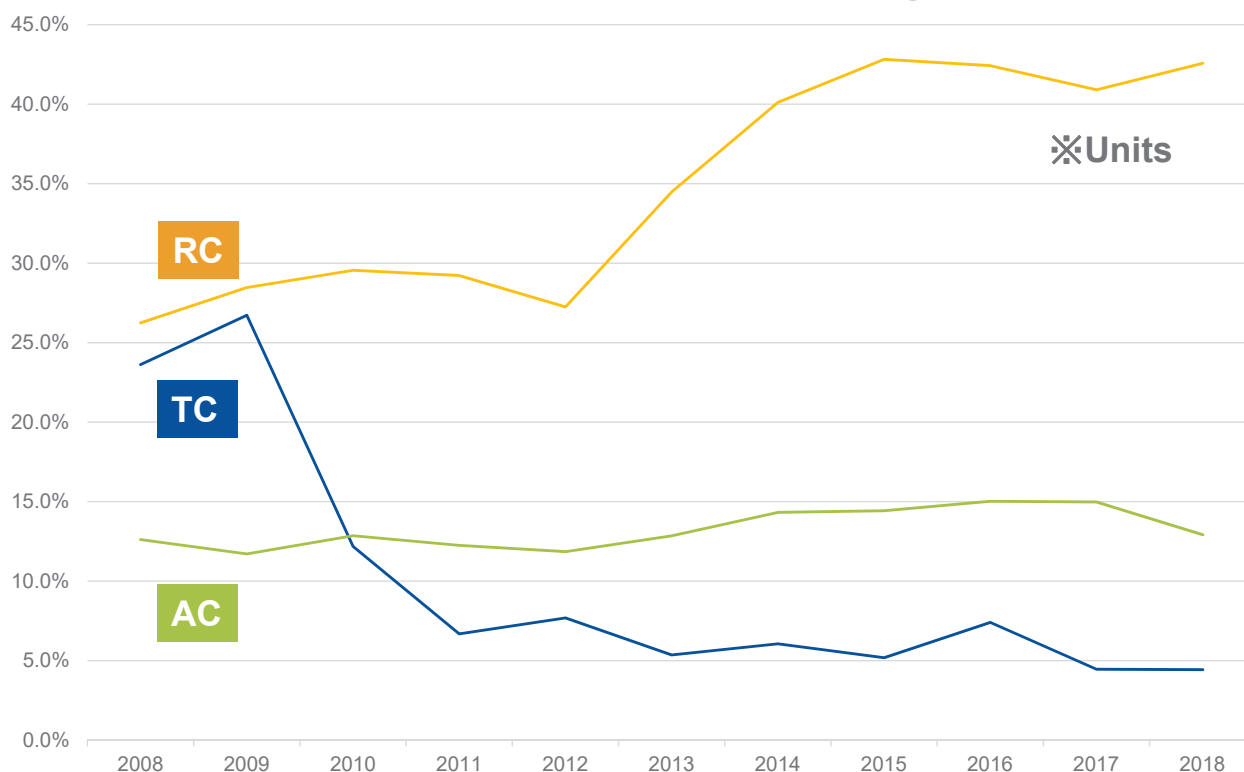
## FY 2019 Forecast (Net Sales by Product)



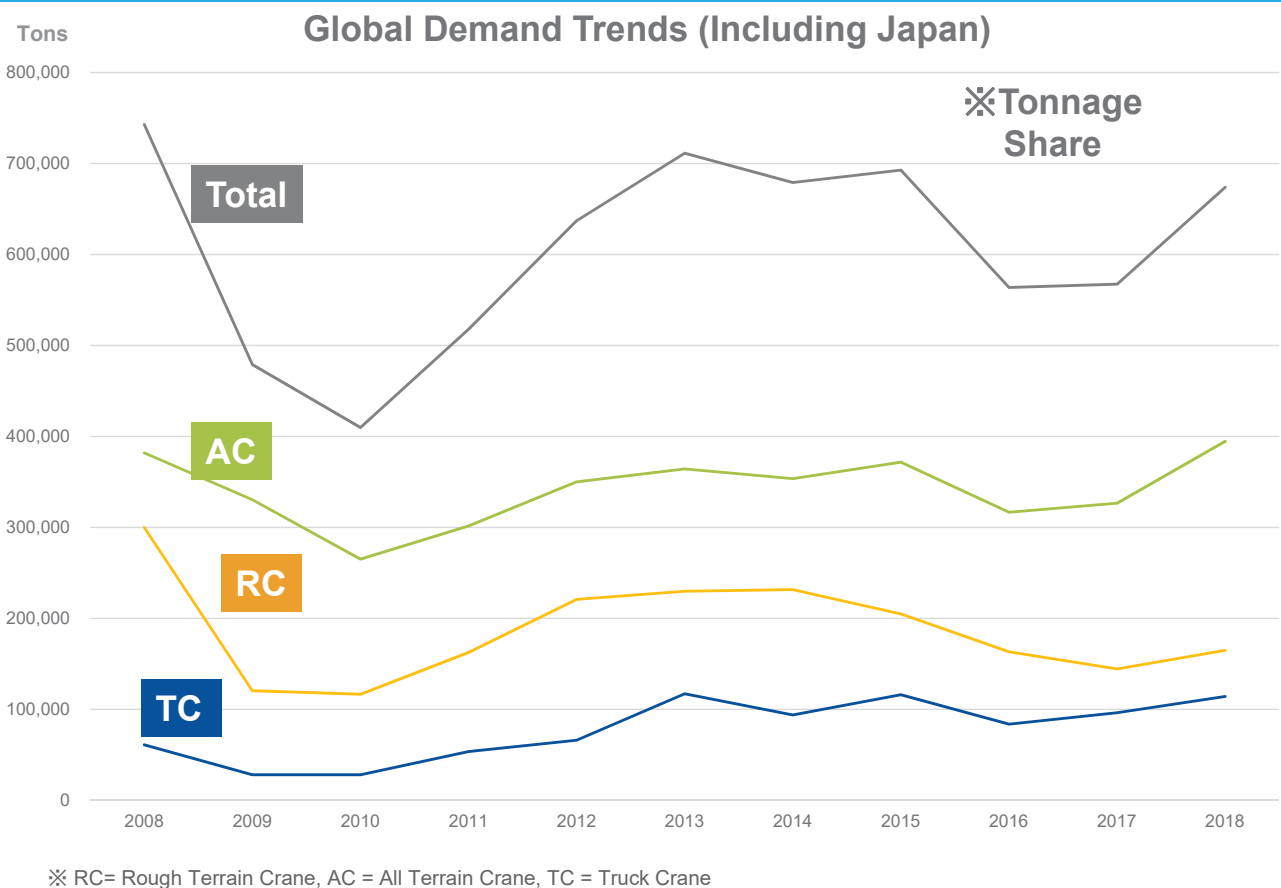
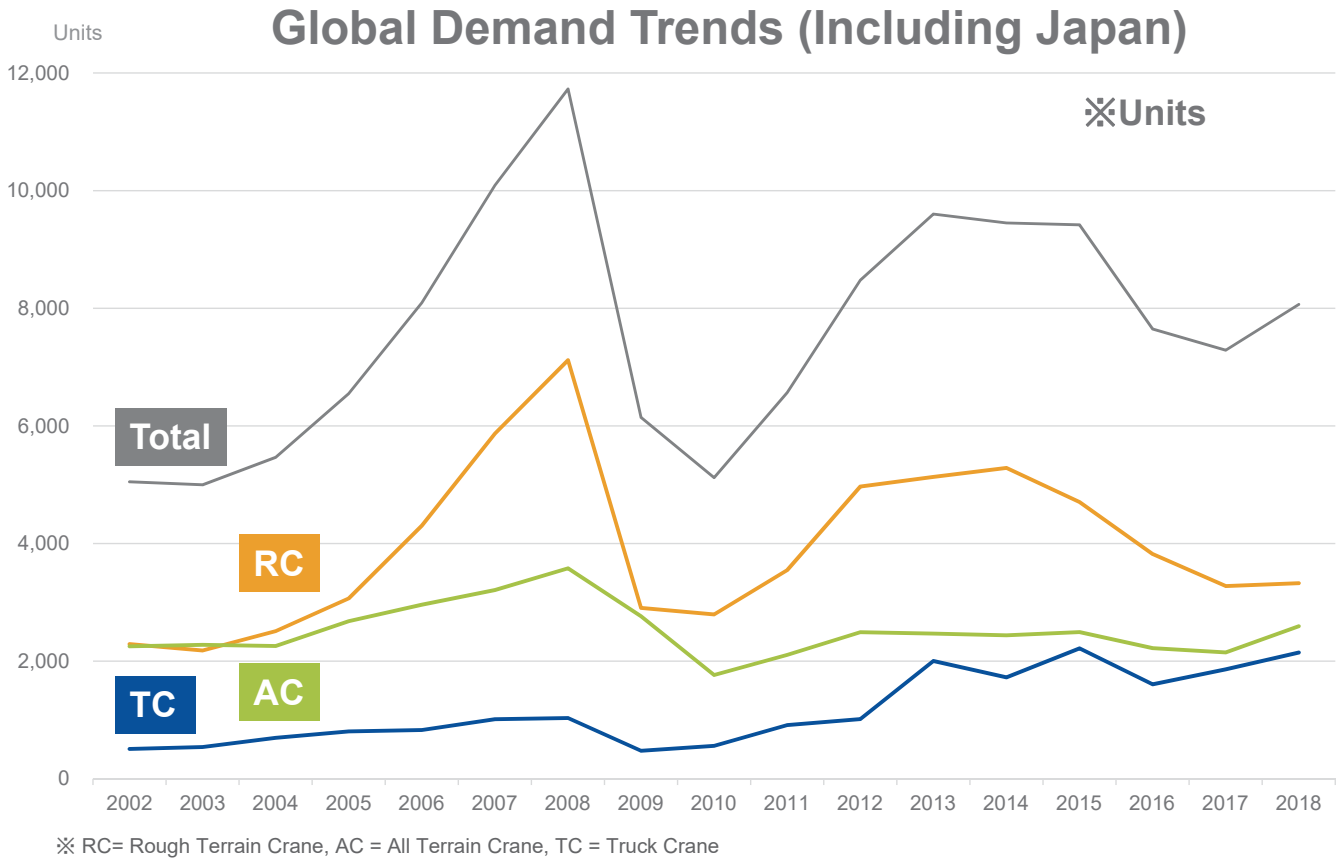


## Red Arrow (Position in the Mobile Crane Market)

### Tadano's Global Share (Including Japan)



※ RC= Rough Terrain Crane, AC = All Terrain Crane, TC = Truck Crane



- Kozai Plant
    - Aiming to raise RC·TC market share
  - Demag Acquisition (TFG + TDG)
    - Make a move for the top of the AC Market and enter the CC market
  - Indian Operations (TEI)
    - Counter Chinese TC makers
- ⇒ We have **“Shouldered the Weight”** in our move toward further growth and vitality.

※ TFG: Tadano Faun GmbH, TDG: Tadano Demag GmbH, TEI: Tadano Escorts India

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## Toward Becoming No. 1 in the Lifting Equipment Industry

- We now have the **tools in hand** as we aim for sales of 300 billion yen
  - ***From now on we will develop the roadmap towards ONE TADANO***
- ⇒ We seek “long-term profit growth,” as we focus our efforts on “organic growth”

The key success factor is leveraging the synergies within our **European Operations (TFG, TDG)**

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For the past two years we have been facing a number of challenges:

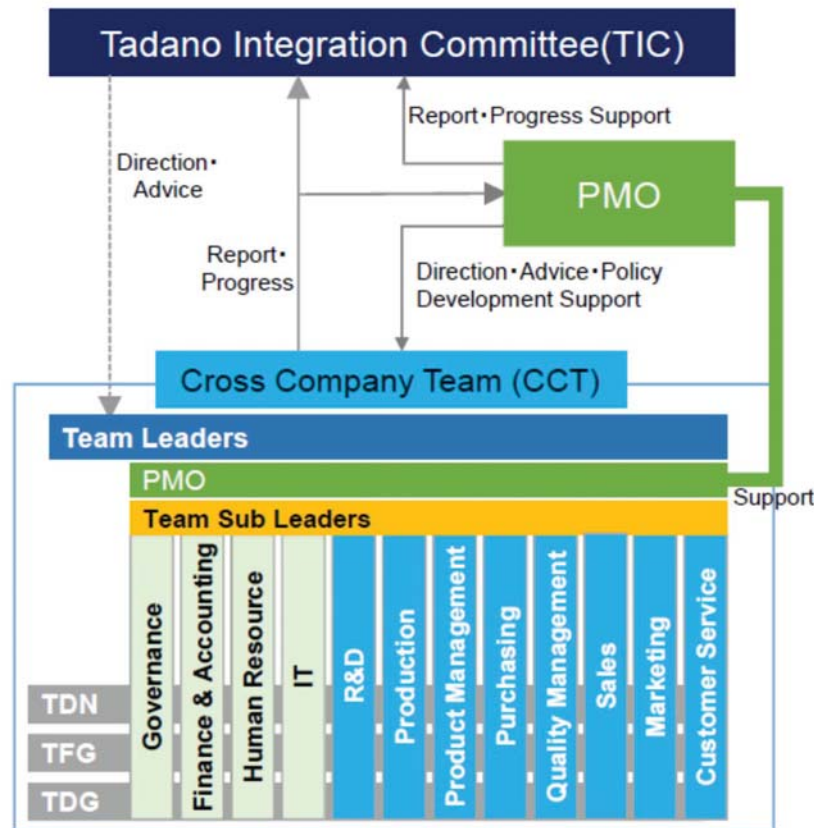
- Regulatory changes, like Tier 4 emissions regulations, have hindered our efforts to renew the product line-up.
- We had to overcome supplier quality issues.
- Product cost is increasing due to labor cost and purchase cost impact.
- Product pricing did not improve as anticipated.

This led to negative operating income for the past two years, and 2019 will continue to be a struggle.

For the coming years our major initiatives will focus on:

- (Supplier) Quality improvements
- Speeding up the R&D process
- Enhancing our customer support capabilities

**Newly acquired Tadano Demag GmbH  
(TDG) faces chronic deficits**



## TFG and TDG Integration Synergies

In order to achieve the necessary synergies between TDG and TFG as quickly as possible, we have established the Tadano Integration Committee and Cross Company Teams.

Their purpose is to pursue Tadano Group best practices

Key areas of attention are procurement, production, and customer support.

Furthermore, we will streamline and integrate the product lineup and put intense effort into expanding our sales network.

**Revitalize TFG+TDG during FY 20 and FY 21.  
Achieve profitability by FY 22**

**⇒ Maintaining over 10 billion yen in  
consolidated Tadano Group Profit in the  
years of FY 20 and FY 21, respectively**

**From FY 22, getting on track with profitability**

# CHANGE

or

# DIE

Pursuing Further Excellence  
for the World and the Future.