

Financial Results Briefing

May 2021

Tadano Ltd.

Change

➤ **Largest Operating Loss in Company History**

➤ **Challenges**

① **Dramatic changes in the external business environment caused by the coronavirus pandemic**

→ **Sudden Demand Decrease**

(Signs of recovery in market sentiment currently, robust recovery expected in the second half of FY 2021)

(New business opportunities)

② **Reorganization of European Operations**

→ **Completion of restructuring procedures** (FY 2020 extraordinary loss of 2.8 billion yen <actual>, FY 2021 extraordinary gain of 10 billion yen <forecast>)

③ **Related to Violations of Emission Regulations**

→ **Discussions ongoing** (Provision of allowance for loss of approximately 4 billion 200 million yen recorded in FY 2020)

⇒ **Road forward to the future**

Effects of Coronavirus Disruption and Future Outlook

Effects of Coronavirus Disruption(Demand)

Mobile Crane demand by region (Compared to same period of previous fiscal year)

Region	2020				2021
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
Japan	-7%	-24%	-39%	+13%	-24%
Middle East	-12%	-28%	-42%	-4%	-14%
North America	-16%	-47%	-47%	-46%	-25%
Europe	-9%	-23%	-7%	-24%	-15%
Latin America	-15%	-34%	-44%	-12%	+24%
Asia	-1%	-26%	-43%	-21%	-15%
Other	-16%	+5%	-22%	-1%	+47%

Fiscal Year 1Q
 Fiscal Year 2Q
 Fiscal Year 3Q
 Fiscal Year 4Q

Note: The table above excludes China and Crawler Cranes

Future Outlook (By Region)

【Immediate Future Outlook by Region】

Region	Immediate Future Outlook
Japan	Crane utilization rates are strong due to large-scale construction, but some projects have been postponed due to COVID-19. Sales opportunities are tending to increase as a whole.
USA	Crane utilization rates are rising due to the Biden administration's \$1.9 trillion American Rescue Plan, as well as the recovery of oil prices; signs are pointing to a recovery in market sentiment.
Europe	Demand seems to be recovering due to the EU's €1.8 trillion economic stimulus. COVID-19 infections vary highly on a country-by-country basis, and recovery is also progressing unevenly.
Asia	Still no signs of demand recovery due in large part to accelerating COVID-19 infections in Indonesia and the Philippines, countries where infrastructure projects were expected to spark demand.
Middle East	Vaccinations have started in multiple countries. Demand recovery is expected to continue based on disclosures of large-scale projects related to resource development that has been enabled by recovery in oil prices.
Other	In Australia, crane utilization rates are strong due to economic policies and increasing prices for natural resource exports.

Reorganization of European Operations

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Reorganization of European Operations

- **Background, Objective of Demag Acquisition**
 - Increasing demand for clean energy, including wind power
 - Demand for larger cranes for construction projects
 - Expanded lineup as part of goal of becoming No. 1 worldwide in the Lifting Equipment industry (with CCs, super-large ATs)
- **Restructuring Procedures for European Operations (TDG/TFG)**
 - Speeding up profitability timeline, which coronavirus had delayed
 - Leveraging the best of both TDG and TFG through fundamental reorganization (essential improvements)
 - Made decision to engage in this legal procedure, with an aim toward long-term growth (enhancing company's value)
- **Execution of Restructuring Plan**
 - Expanded product lineup, integrated production scheme, optimized organization and workforce
 - P/L: Reduced fixed costs (headcount) and procurement costs
 - BS: Reduced pension liabilities for an improved balance sheet
 - Aiming for quicker path toward recovery from coronavirus and return to profitability

Notes: CC = crawler cranes, AT = all terrain cranes, TFG/TDG = German manufacturing subsidiaries

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Overview of Mid-Term Management Plan (21-23)

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Mid-Term Management Plan Points of Revision

- ◆ Given dramatic changes in the external business environment caused by the coronavirus pandemic in 2020, Tadano has drafted the new Mid-Term Management Plan (21-23) as a revision of the preceding Mid-Term Management Plan (20-22).
- ◆ Points of Revision
 1. Enhanced AT/CC sales and initiatives toward rising clean energy demand following the reorganization of Tadano's European Operations
 2. ESG/SDG Initiatives
 3. Digital Transformation and Green Transformation initiatives as catalysts for a shift in business domain: from Lifting Equipment to Lifting Solutions
 4. Advancing the One Tadano Concept, enhancing governance, and diversifying company management

Notes: AT = all terrain cranes, CC = crawler cranes, ESG = Environment, Social, Governance, SDGs = Sustainable Development Goals

1. Enhanced AT/CC sales and initiatives toward rising clean energy demand following the reorganization of Tadano's European Operations

【European Operation Reorganization Outline】

- ① Broader and more complete lifting equipment solutions portfolio featuring new, jointly developed models
- ② Strategically leveraging the best of both TFG and TDG through an integrated production scheme and reduced procurement costs
- ③ Optimization of operations, organizational structure
- ④ Optimization of inventory, assets, and balance sheets



Crawler cranes loading offshore wind turbine components at a port.



A crawler crane lifting the blades for assembly of an offshore wind turbine.

Notes: AT = all terrain cranes, CC = crawler cranes, TFG/TDG = German manufacturing subsidiaries

2. ESG/SDG Initiatives

- Setting and Advancement of Tadano Group Long-Term Environmental Targets
- Support for the Recommendations of the Task Force on Climate-related Financial Disclosures

We aim for Net Zero Carbon Emissions by 2050.

Towards that goal we will work to achieve the following targets:

【Long-Term Environmental Targets 2030】



<Reduce CO2 Emissions> Compared to 2019 Baseline

- ① CO2 emissions from business activities: **25% reduction**
- ② CO2 emissions from product use: **35% reduction**

<Reduce Industrial Waste> Compared to 2019 Baseline

Industrial waste from business activities: **50% reduction**



About TCFD:

The TCFD was established by the Financial Stability Board at the request of the G20. The TCFD has recommended that companies disclose information about climate related risks and opportunities.

3. Digital Transformation and Green Transformation initiatives as catalysts for a shift in business domain: from Lifting Equipment to Lifting Solutions
 - Business innovation and delivery of solutions utilizing AI, digital, and telecommunications technologies
 - Development of products and services that are environmentally friendly (Example: electrification of products)
 - Establishment of an advanced technology research center in Europe



Tadano technology exhibit at a construction expo.



Expansion in 2020 of Tadano's Advanced Technology Research Center (In Takamatsu, Japan).

4. Advancing the One Tadano Concept, enhancing governance, and diversifying company management

◆ Harmonization Under One Global Brand



◆ Advancement of the global concept of “One Tadano”

- Unified management through standardization of the Tadano Group accounting period
- Integrative global projects, streamlined meeting processes, etc.

◆ Enhanced Board of Director Governance

- Separation of responsibilities for Chairman of the Board and CEO
- Diversification through an increased ratio of external directors (From an internal/external ratio of 4:3 to 4:5)
- Tadano Group's first female director & first female Audit and Supervisory Board member
(Final approval pending at June 25th General Shareholder Meeting)

	FY 2020	FY 2023 Targets
Sales	¥186 billion	¥275 billion
Operating Profit	- ¥4.2 billion	¥27.5 billion
Operating Margin	-2.3%	10.0%
Outside Japan Sales Ratio	49.9%	66.9%
ROIC	-2.1%	more than 8.0%

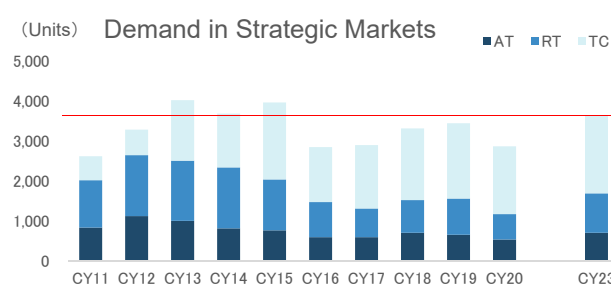
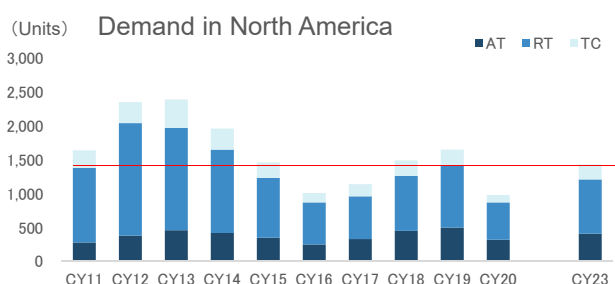
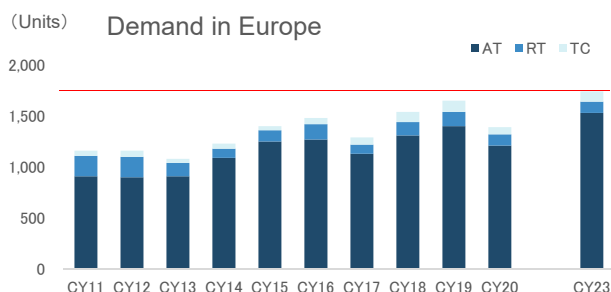
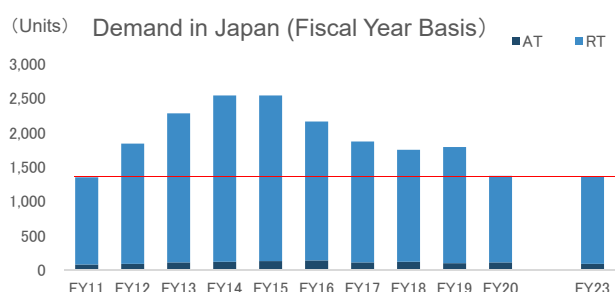
Foreign Exchange Assumptions: USD : ¥105, EUR : ¥125

Notes:

- ROIC (Return on Invested Capital) = Net Operating Profit After Tax / Invested Capital
- Invested Capital = Net Assets + Interest Bearing Debt (Previous and Current Fiscal Year-End Average)

Demand

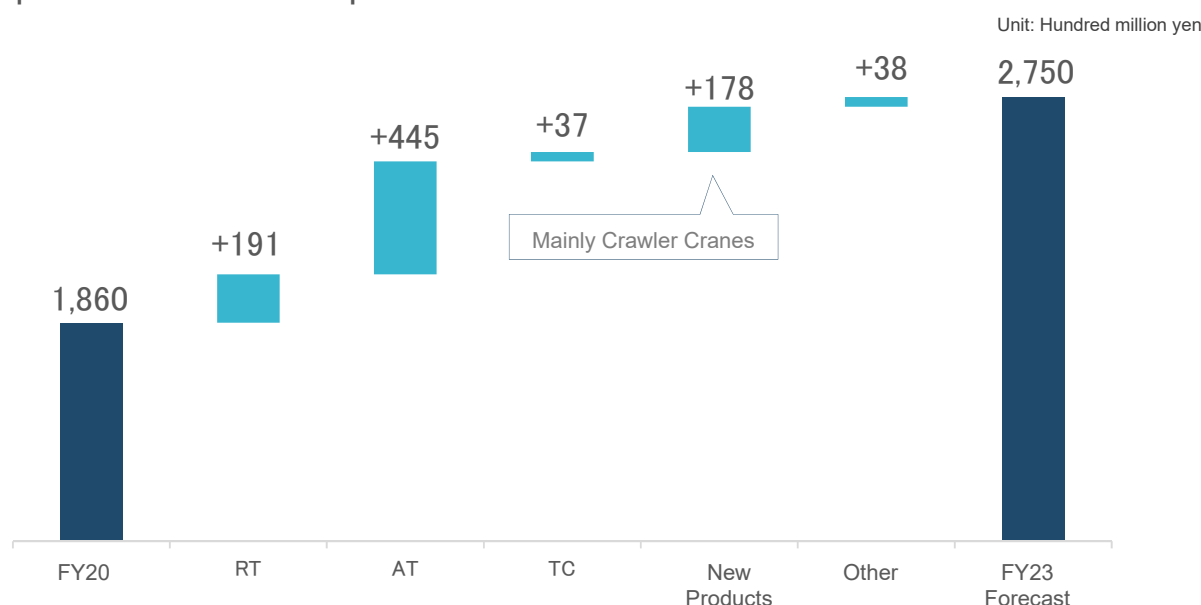
- ✓ Japan: Demand will be in line with FY 2020 trends
- ✓ Europe: Gradual recovery in FY 2021, increasing demand in clean energy sectors
- ✓ North America: Demand will rebound from FY 2020 bottom due to handling of the coronavirus pandemic and new initiatives of the current administration



Notes: AT = all terrain cranes, RT = rough terrain cranes, FY = Japan Fiscal Year (April 1 through March 31), CY = Calendar Year

Elements Contributing to Forecasted Changes in Sales

- ✓ Approximately 1.5 x increase in sales due to demand recovery and introduction of new products and new models
- ✓ AT products will make up about half of the sales increase

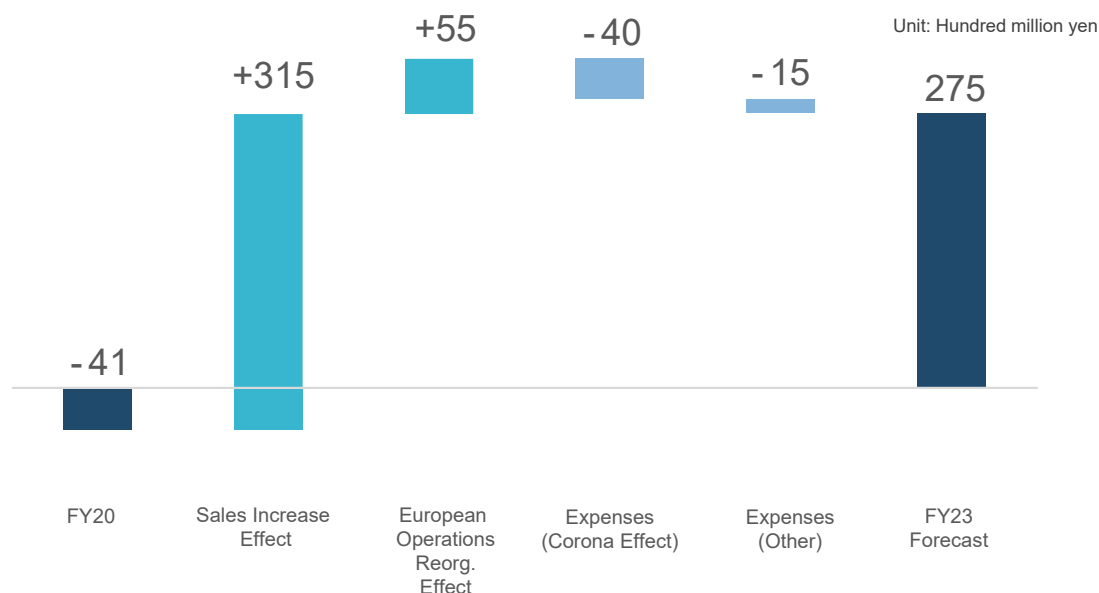


Notes:

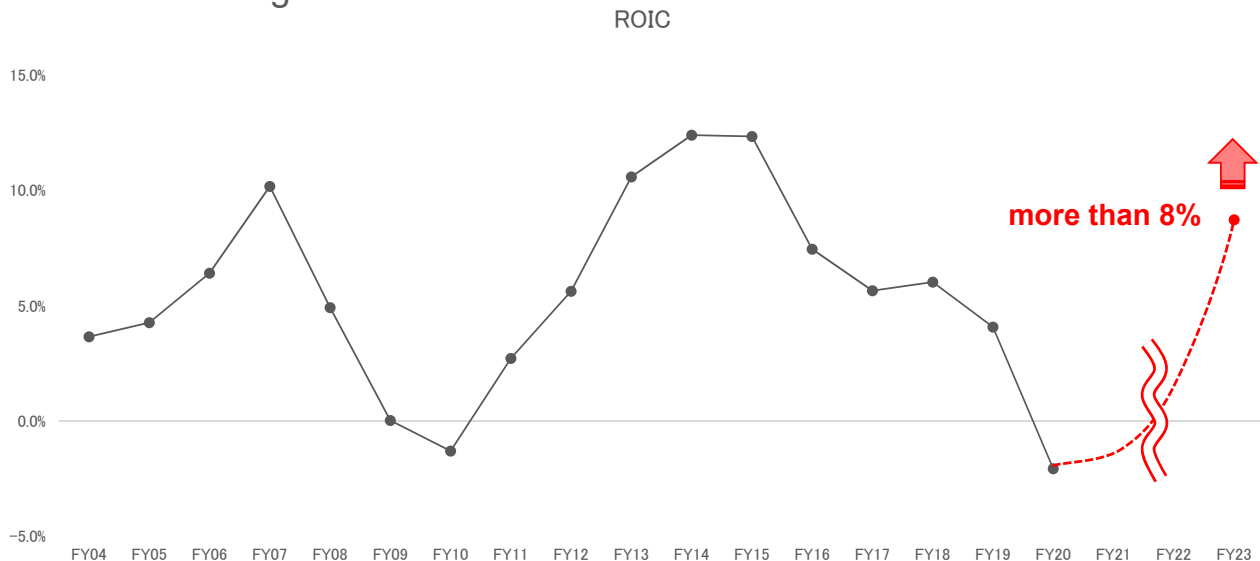
- Nomenclature: RT = rough terrain cranes, AT = all terrain cranes, TC = truck cranes
- "New Products" include lattice boom crawler cranes made at TDG and truck cranes made at Indian Joint Venture TEI

Elements Contributing to Increased Operating Income

- ✓ Operating Margin of 10% resulting from increased sales, especially due to reorganization of European Operations
- ✓ Focus on making European Operations profitable



- ✓ Improved profitability due to reorganization of European Operations, introduction to market of new models and new products
- ✓ Reduction of inventory, streamlining of surplus assets, reduction of interest-bearing debt



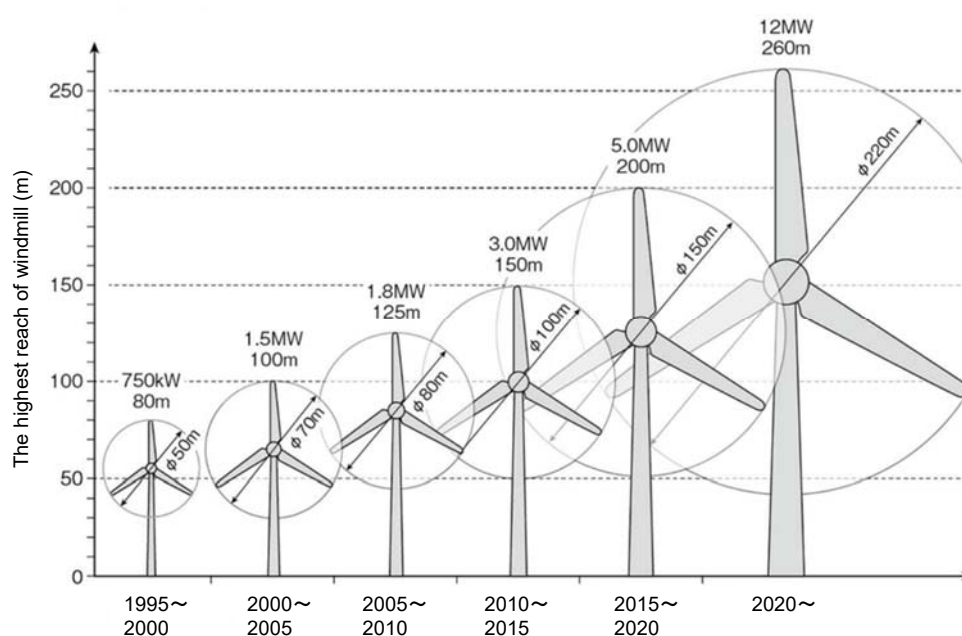
Improved Market Position

- ◆ Increased share from introduction of new models
 - AT: Introduction of 15 new models over 4 years via joint development between TDG and TFG
 - RT: Introduction of GR-1300XL to US market
 - TC: Planned introduction of new, US-directed truck crane model
- ◆ Responses to Changes in Demand Structure
 - ⇒ Initiatives toward rising clean energy demand, including wind power
 - ⇒ Introduction of Indian-produced truck crane (measure against Chinese manufacturer activities)



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Changes in Wind Turbine Height



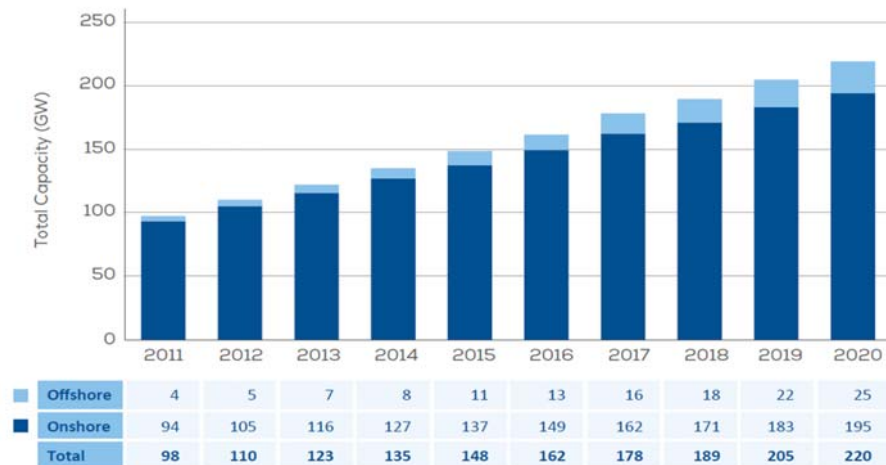
The above information is a convenience translation drafted by Tadano Ltd. of an excerpt from *World Renewable Energy and Electrical Systems, Wind Power Generation Edition* (世界の再生可能エネルギーと電力システム 風力発電編)

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Trends in Wind Power Installation Volume in Europe

- Cumulative total for wind power installation volume in Europe as of 2020: 220,000 MW
- Offshore wind power generation comprises 11% of total at 25,000MW

FIGURE 4
Total wind installations in Europe



Source: WindEurope

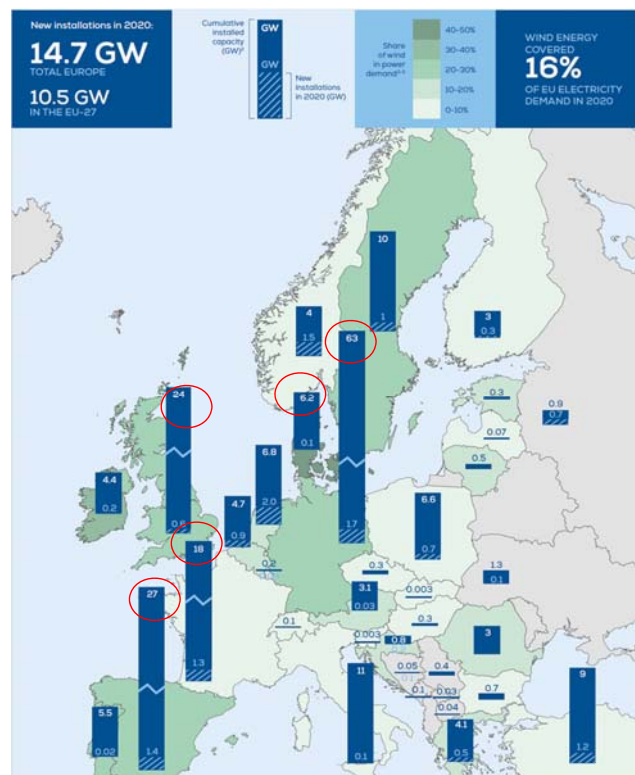
Source: Wind energy in Europe (2020 Statistics and the outlook for 2021-2025)



European Wind Power Installation by Country

Wind Power Installation by Country (Cumulative)

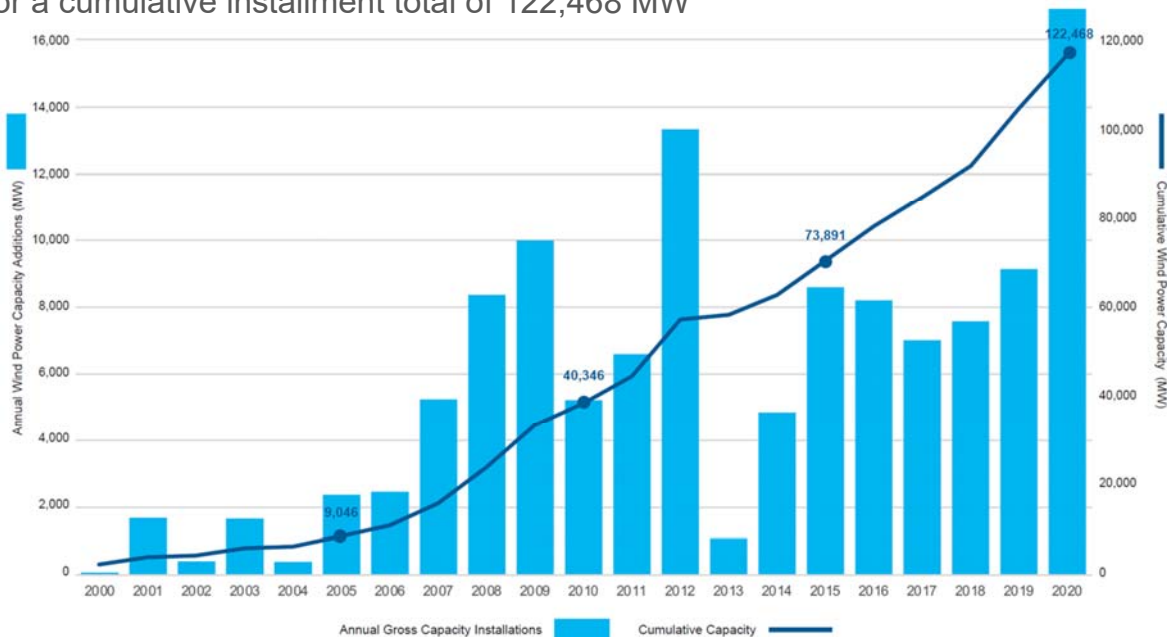
Germany: 63,000MW
Spain: 27,000MW
UK: 24,000MW
France: 18,000MW



Source: Wind energy in Europe (2020 Statistics and the outlook for 2021-2025)

Trends in Wind Power Installation Volume in the United States

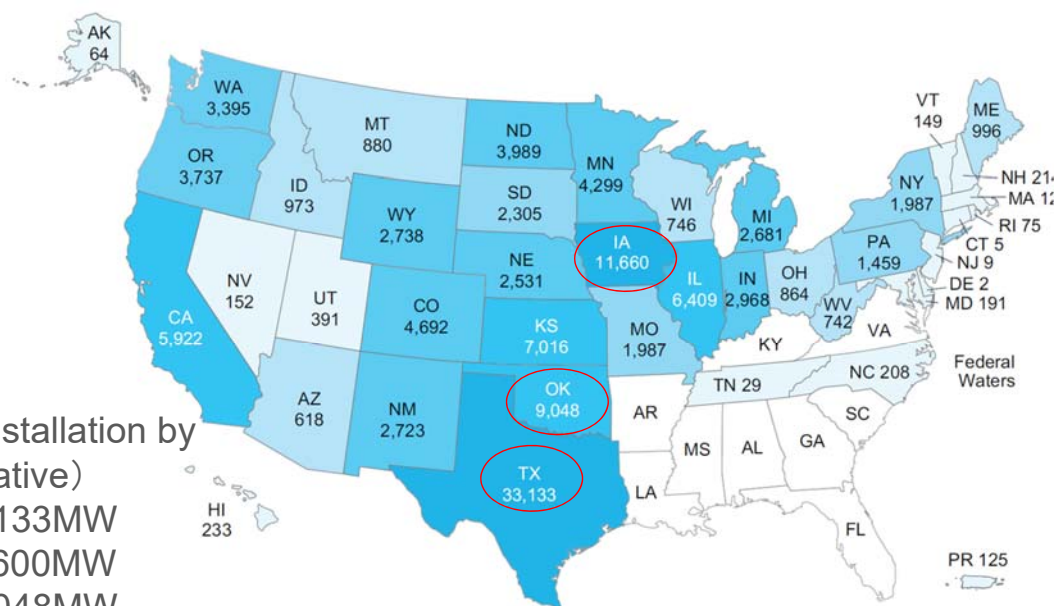
- The US set a new annual record in 2020 with 16,913MW of new wind power installments
- More than 60,000 wind turbines are active in 41 states and 2 territories, combine for a cumulative installment total of 122,468 MW



Source: American Clean Power | ACP Market Report Fourth Quarter 2020

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Wind Power Installation Volume in the United States



Wind Power Installation by State (Cumulative)

Texas: 33,133MW

Iowa: 11,600MW

Oklahoma: 9,048MW

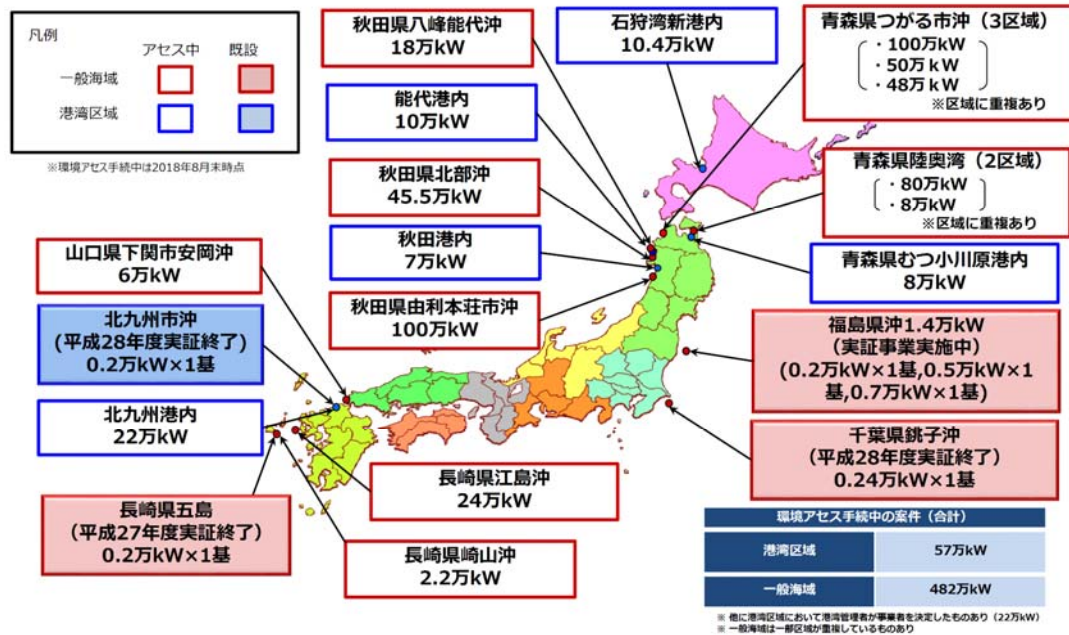
1 to 500MW >500MW to 1,000MW >1,000MW to 2,500MW >2,500MW to 5,000MW >5,000MW to 10,000MW >10,000MW

Source: American Clean Power | ACP Market Report Fourth Quarter 2020

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Offshore Wind Power Generation in Japan

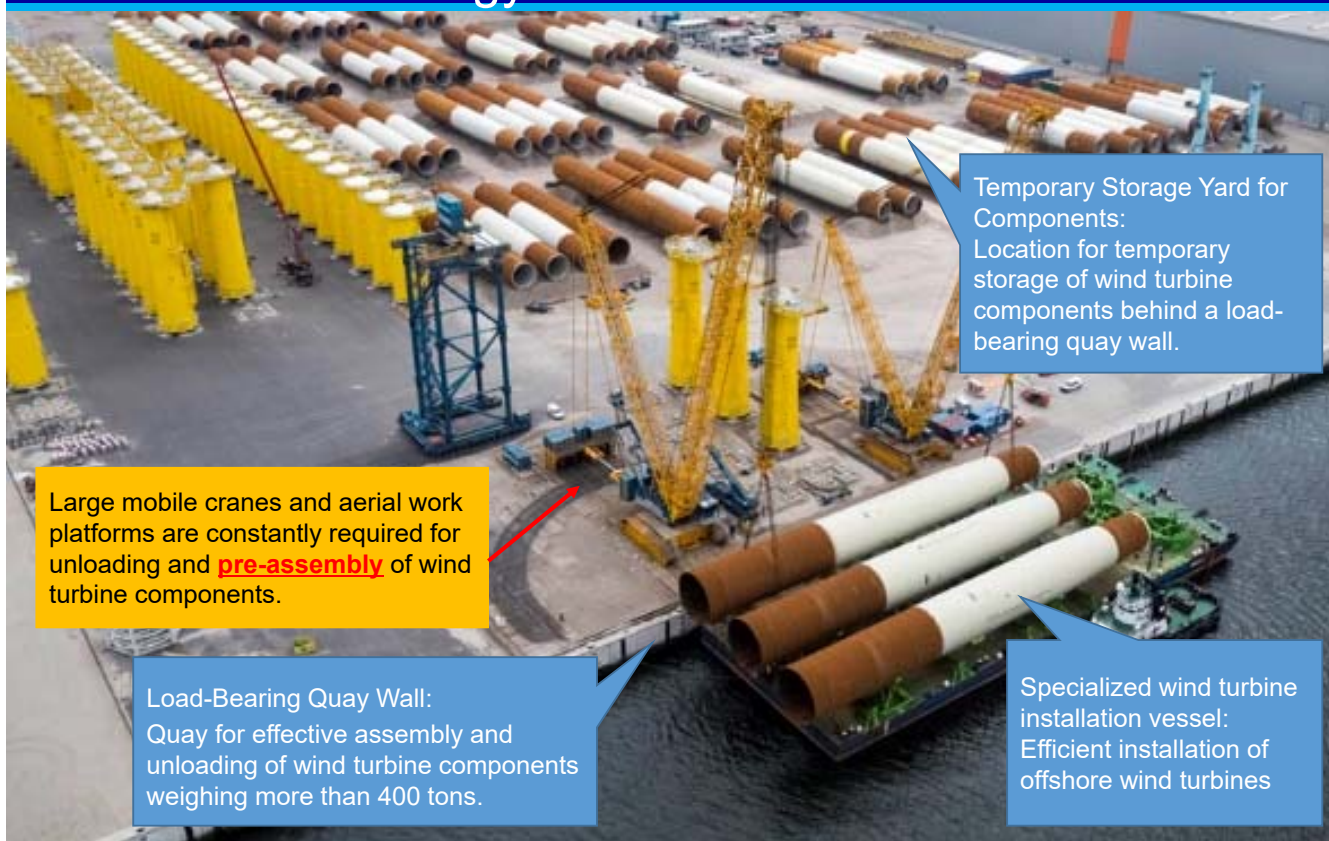
- Economic effect of approx. 15 trillion yen (installation of turbines, cables, etc.)
- Construction industry effect is approximately 5 trillion yen
- General Contractors are expecting special demand for offshore wind generation stemming from the Tokyo Olympic Games



From METI Homepage

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Need for Large-Scale Harbors and Crane in Offshore Wind Energy



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**Pursuing Further Excellence
for the World and the Future.**

Appendix I

Overview of FY 2020

Financial Results

Key Points of FY 2020 Financial Results

- ✓ **Despite consolidation of Demag business, net sales decreased by about 18%. Profits declined substantially due to changes in product sales composition. First operating loss recorded for the first time in ten years since FY2010.**

(Unit: millions of yen)

	FY2019		FY2020		Percent Change
	Amount	Percentage	Amount	Percentage	
Net Sales	227,949	100%	186,040	100%	-18.4%
Operating income	13,949	6.1%	-4,196	-2.3%	—
Ordinary income	13,791	6.1%	-4,683	-2.5%	—
Net income attributable to owners of the parent	6,433	2.8%	-12,987	-7.0%	—
Capital investment	12,902		5,666		
Depreciation	4,527		5,695		
* Figures for capital investments include leased assets.					
USD	¥109.05		¥106.82		
EUR	¥122.07		¥121.81		

Income Statement

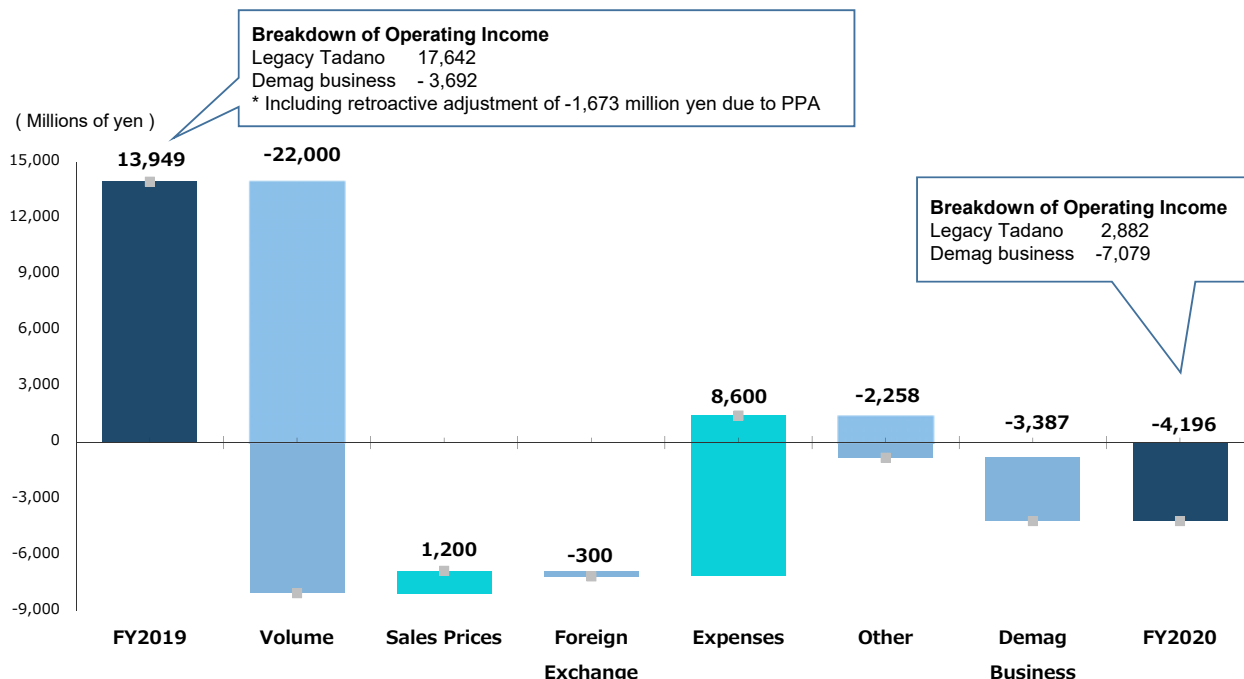
- ✓ **Cost of sales ratio deteriorated due to changes in product sales composition.**
- ✓ **SG&A expenses decreased as a result of cost-cutting efforts.**
- ✓ **Provision of allowance for losses related to violations of emission regulations and expenses related to reorganization of European Operations were recorded as extraordinary losses.**

(Unit: millions of yen)

	FY2019		FY2020		Increase/Decrease
	Amount	Percentage	Amount	Percentage	
Net sales	227,949	100%	186,040	100%	-41,909
Cost of sales	172,007	75.5%	150,944	81.1%	-21,062
Gross profit on installment sales	-69	-0.0%	55	0.0%	124
Gross profit	55,872	24.5%	35,150	18.9%	-20,722
Selling, general, and administrative expenses	41,923	18.4%	39,347	21.1%	-2,575
Operating income	13,949	6.1%	-4,196	-2.3%	-18,146
Non-operating income and loss	-158	-0.1%	-486	-0.3%	-328
Ordinary income	13,791	6.1%	-4,683	-2.5%	-18,474
Extraordinary income and loss	-1,753	-0.8%	-7,674	-4.1%	-5,921
Income before income taxes	12,038	5.3%	-12,358	-6.6%	-24,396
Corporate taxes	5,683	2.5%	599	0.3%	-5,084
Net income attributable to noncontrolling interests	-78	-0.0%	29	0.0%	108
Net income attributable to owners of the parent	6,433	2.8%	-12,987	-7.0%	-19,420

Major Factors Leading to Change in Operating Income

- ✓ Despite expense reductions, operating income decreased by ¥18.1 billion due to decrease in sales volume and consolidation of Demag business.



Consolidated Financial Results(Comprehensive) for FY 2020(cited from P4)

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Balance Sheet

- ✓ Both accounts receivable and inventories decreased.
- ✓ Preparations for prolonged Coronavirus disruption. (Cash deposits and Interest-bearing debt increased)

(Unit: millions of yen)

	FY2019 Year-end	FY2020 Year-end	Increase/ Decrease		FY2019 Year-end	FY2020 Year-end	Increase/ Decrease
Cash deposits	57,075	103,110	46,034	Accounts payable	40,745	32,043	-8,702
Accounts receivable	63,267	48,774	-14,492	Interest-bearing debt	63,035	94,586	31,551
Inventories	97,434	82,010	-15,424	Other liabilities	49,320	51,885	2,564
Other current assets	9,415	5,254	-4,160	Total liabilities	153,102	178,515	25,413
Total current assets	227,192	239,149	11,956	Total equity	158,158	145,404	-12,754
Tangible fixed assets	68,433	68,046	-386	Total liabilities and equity	311,260	323,920	12,659
Intangible fixed assets	1,675	1,692	17				
Investment and other assets	13,958	15,031	1,072				
Total fixed assets	84,067	84,770	703				
Total assets	311,260	323,920	12,659				

	FY2019	FY2020
Receivable turnover	88.1 days	95.7 days
Inventory turnover	135.6 days	160.9 days
Equity ratio	50.5%	44.5%
Net D/E Ratio	0.04	-0.06
ROA (based on Operating Income)	4.9%	-1.3%
ROE	4.1%	-8.6%

Consolidated Financial Results(Comprehensive) for FY 2020(cited from P5)

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✓ **As a result of efforts to reduce accounts receivable and inventories, cash flow from operating activities increased.**

(Unit: millions of yen)

		FY2019	FY2020	Increase/ Decrease
Cash flow from operating activities	Income before income taxes	12,038	-12,358	-24,396
	Depreciation	4,527	5,695	1,167
	Accounts receivable	-5,196	14,317	19,514
	Inventories	-4,026	15,539	19,565
	Accounts payable	-6,762	-7,980	-1,218
	Other	-3,561	5,235	8,797
	Total	-2,982	20,448	23,430
Cash flow from investing activities	Total	-31,543	-3,731	27,811
Cash flow from financing activities	Total	25,954	29,039	3,084
Increase(decrease) in Cash and Cash Equivalents		-8,755	45,997	54,753

Net Sales by Product

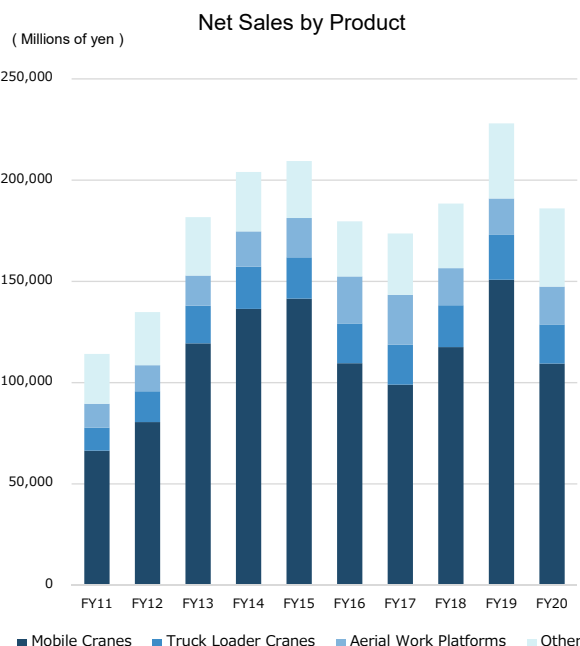
✓ **Mobile Crane and Truck Loader Crane sales decreased, Aerial Work Platform sales increased.**

(Unit: millions of yen)

	FY2019	FY2020	Increase/Decrease Amount	Percentage
Mobile Cranes	150,818	109,430	-41,387	-27.4%
Truck Loader Cranes	22,162	19,314	-2,848	-12.9%
Aerial Work Platforms	17,986	18,701	715	4.0%
Other	36,982	38,593	1,611	4.4%
Total	227,949	186,040	-41,909	-18.4%

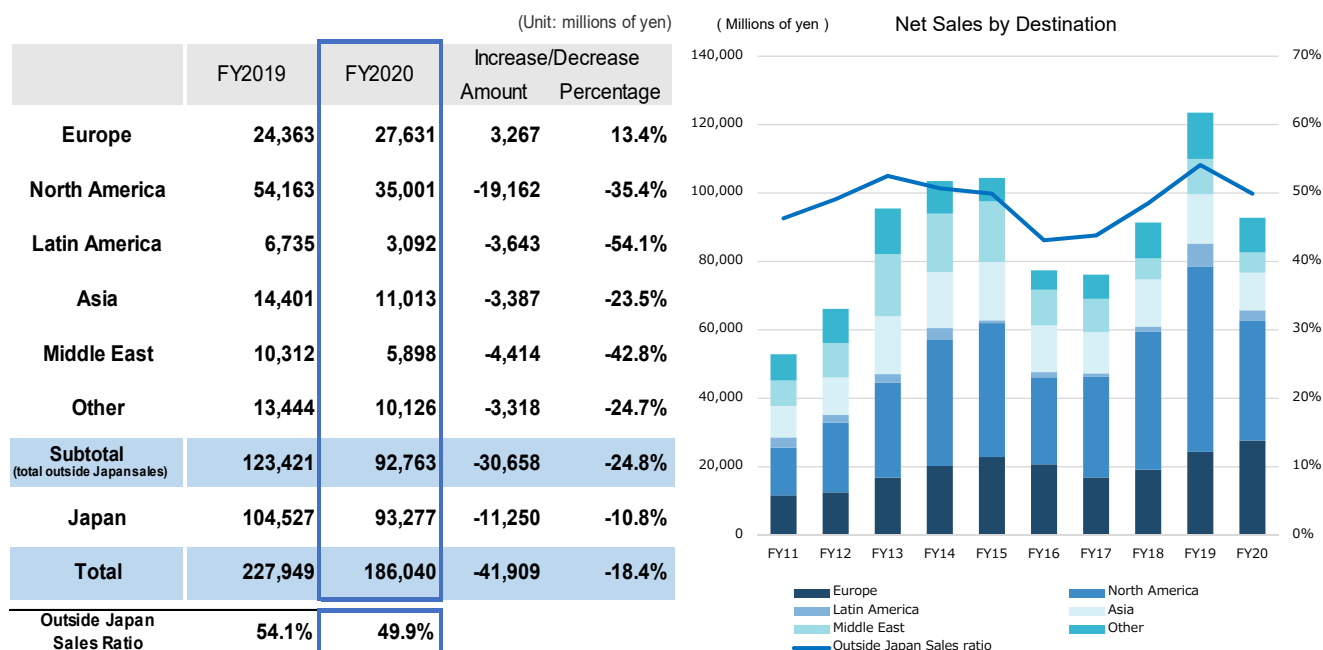
Breakdown of Mobile Crane Sales Inside and Outside Japan

Japan	47,833	39,615	-8,217	-17.2%
Outside Japan	102,984	69,815	-33,169	-32.2%
Total	150,818	109,430	-41,387	-27.4%



Net Sales by Destination

✓ **Net sales increased in Europe due to consolidation of Demag business, but net sales decreased in all other regions.**



Consolidated Financial Results(Comprehensive) for FY 2020 (cited from P8)

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FY 2021 Forecast

Appendix II

Overview of FY 2021

Forecast

FY 2021 Business Performance Forecast

(Unit: millions of yen)

	FY2020		FY2021		Percent Change
	Amount	Percentage	Amount	Percentage	
Net Sales	186,040	100%	215,000	100%	15.6%
Operating income	-4,196	-2.3%	4,200	2.0%	—
Ordinary income	-4,683	-2.5%	3,400	1.6%	—
Net income attributable to owners of the parent	-12,987	-7.0%	10,500	4.9%	—

*We estimate the recording of extraordinary income in FY 2021 of approximately ¥10 billion resulting from, among other factors, gains on debt forgiveness related to the reorganization of European Operations.

Capital investment	5,666	6,500
Depreciation	5,695	5,900

* Figures for capital investments include leased assets.

USD	¥106.82	¥105.00
EUR	¥121.81	¥125.00

Dividends per share	Mid-year	¥0.00	Mid-year	¥3.00
	Year-end	¥3.00	Year-end	¥4.00
	Full-year	¥3.00	Full-year	¥7.00

Consolidated Financial Results(Comprehensive) for FY 2020(cited from P20)

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FY 2021 Forecast (Major Factors Leading to Change in Operating Income)

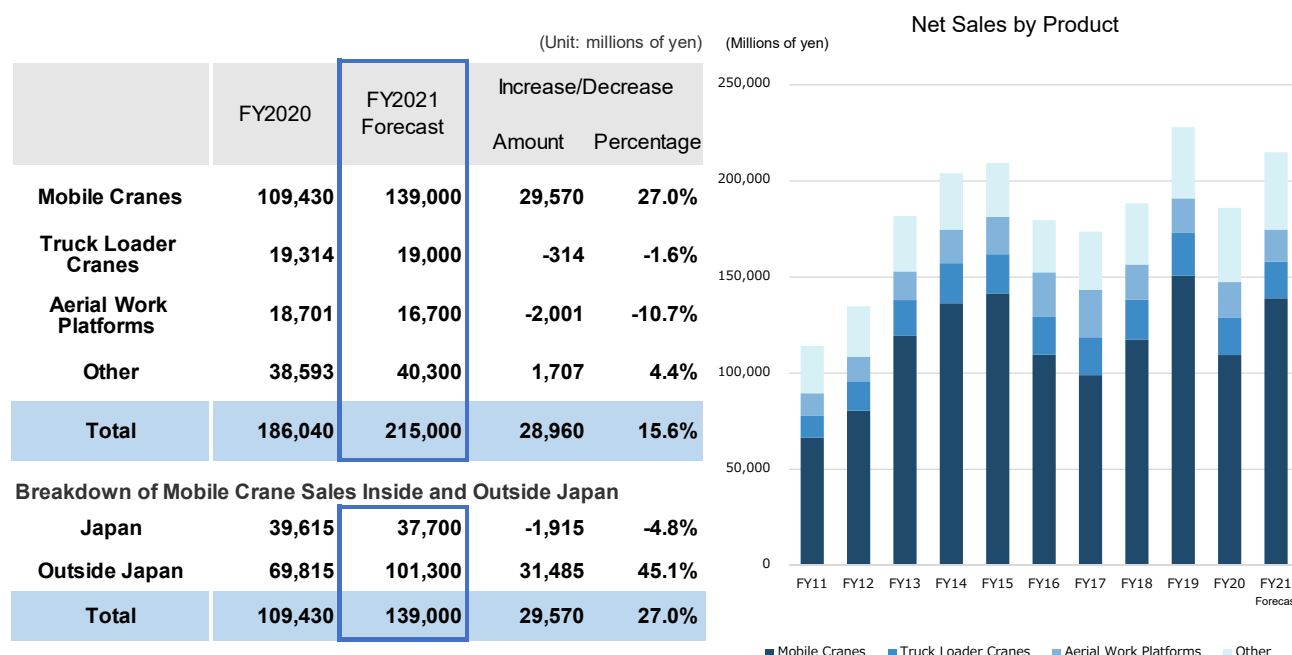
✓ **Operating income will increase by ¥8.3 billion due to increase in sales, etc.**



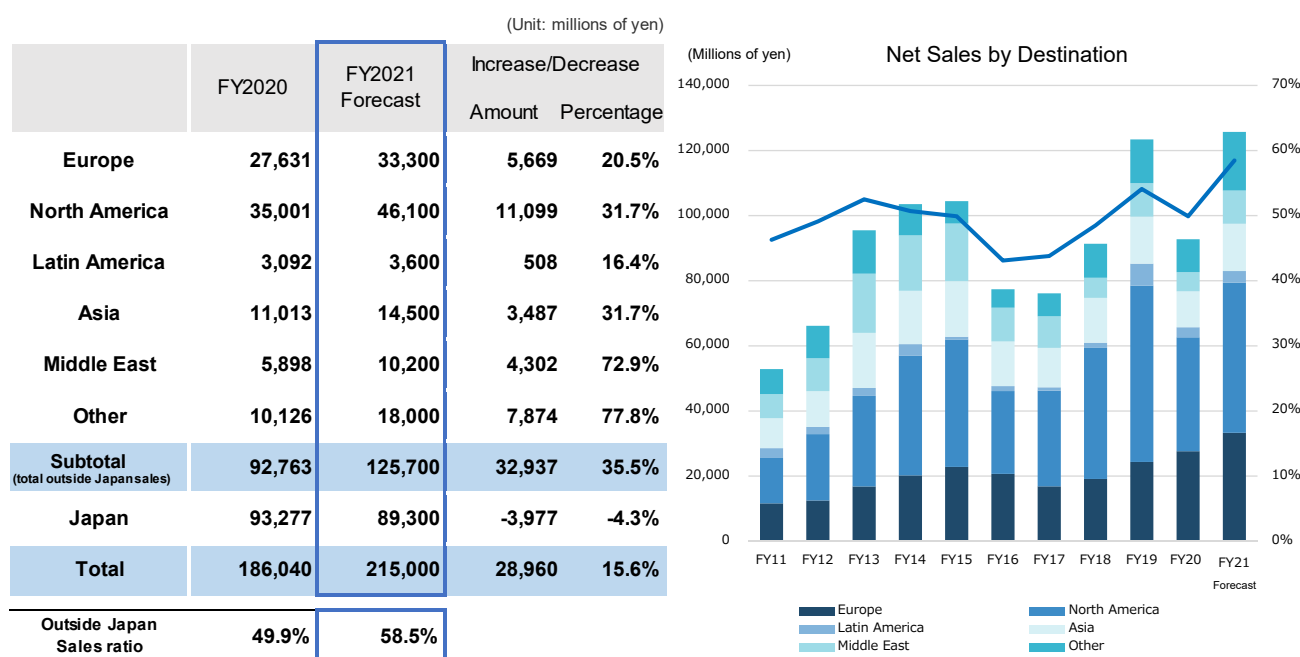
Consolidated Financial Results(Comprehensive) for FY 2020(cited from P21)

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FY 2021 Forecast (Net Sales by Product)



FY 2021 Forecast (Net Sales by Destination)



The graph above excludes Japan.
"Other" is comprised of Oceania, Africa and the CIS.