TADANO

Material for FY2016 Second Quarter Financial Results Briefing

Lifting your dreams

Nov 2016
TADANO Ltd.

Content

Lifting your dreams

I. Basic Business Vision & Mid-Term Management Plan
（pp. 1-16）

II. FY2016 Interim and Beyond
（pp.17-27）

I. Basic Business Vision & Mid-Term Management Plan

1. Business Domain

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- 1948 Tadano Ltd. established
- 1955 Developed Japan's first hydraulic truck crane

- Current Business Domain:

Lifting Equipment (LE) Industry

2. Corporate Philosophy

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The TADANO Group's business objective is the actualization of our corporate philosophy: Sozo (Creation), Hoshi (Contribution), Kyoryoku (Cooperation). We consider this as something towards which we must constantly and diligently strive.



Corporate Philosophy

Sozo (Creation)

We will create innovative and high-quality products of which we can be proud.

Hoshi (Contribution)

We will contribute to our customers' success and serve society.

Kyoryoku (Cooperation)

We will cooperate to ensure our happiness and strengthen the bonds between us.

3. Vision

Pursuing Further Excellence for the World and the Future.

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The TADANO Group

- Seeks to maximize our corporate value in response to the expectations of our stakeholders.
- Establishes an organizational culture which allows for individuals and the company as a whole to continue to learn and grow.



We work to bring sustainable growth to our business activities and to maximize our corporate value.

Shareholders

Employees

We take initiative, increase our competitiveness and improve ourselves together with our company.

Society

Partners

We remain aware at all times of safety and environmental issues and offer products that are useful to society.

Customers

We dedicate ourselves to growing as a team and creating better products and services.

We always take the customers' perspective and work to enhance the value of their business through our products and services.

4. Core Values

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We constantly share and pursue a set of Core Values, which take precedence over everything else. They are “safety first, quality second, efficiency third,” and we always uphold them in this critical order of priority.

However, it is impossible to manage our company without the third value of efficiency. Therefore, we must ensure “safety first” and “quality second” by any means.



1. Safety（S）

Prioritizing the safety of society and of all those who make and use our products or services

2. Quality（Q）

Pursuing quality improvement, including quality of products, services and business operations

3. Efficiency（E）

Enhancing efficiency in our business operation, as well as contributing to customer business efficiency improvement

5. Long-Term Goals

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- **No.1 worldwide in the LE Industry**
- **Outside Japan Sales Ratio: 80%**
- **Company with stable and high profitability**

(Constant 20% Operating Income ratio)

6. LE industry

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・From the perspective of demographics,

LE is a GROWTH INDUSTRY

・Both the LE industry and Tadano have big potential

Uptrends in the long term…

However, in the mid- and short-term, demand is volatile



Volatile Up-Down Trends

7. Self-Support Effort (The Red Arrow)

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Market

（Demand・Exchange rate）

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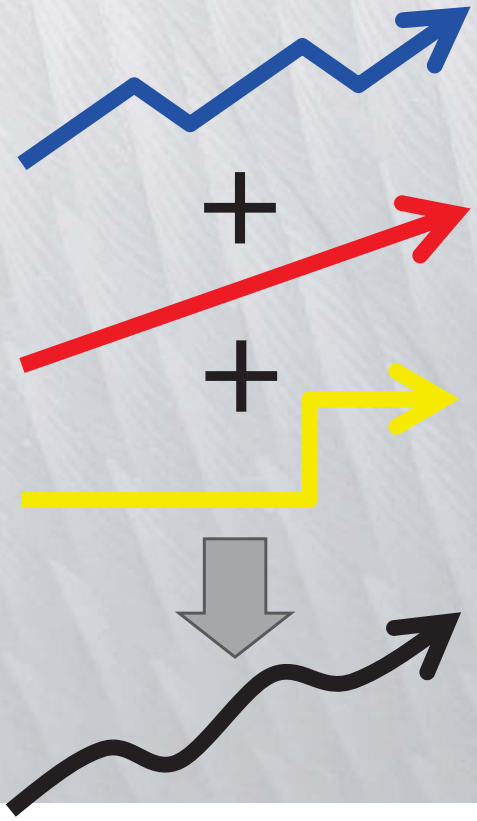
Self-Support Effort

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Investment

（New Plant・M & A）

Performance



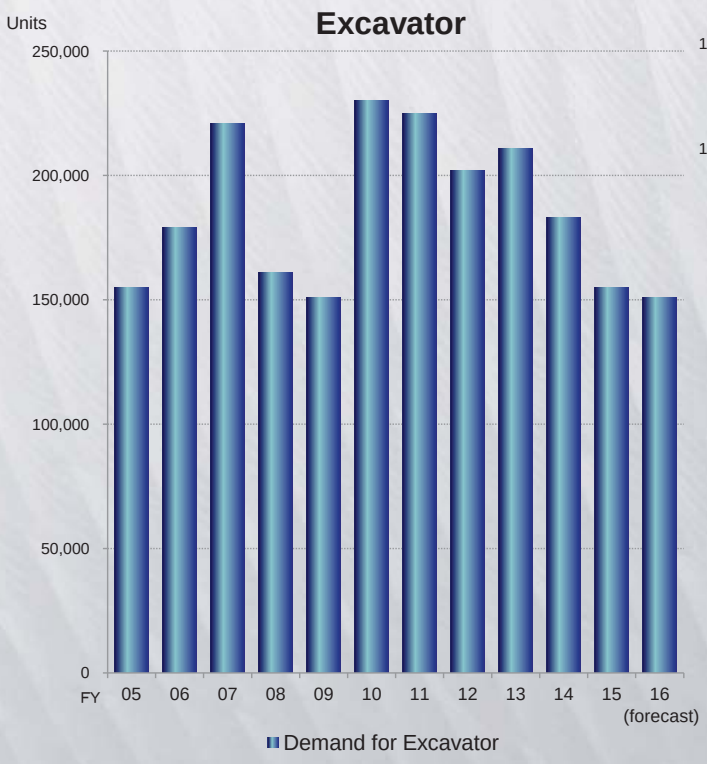
8. Crane Characteristics

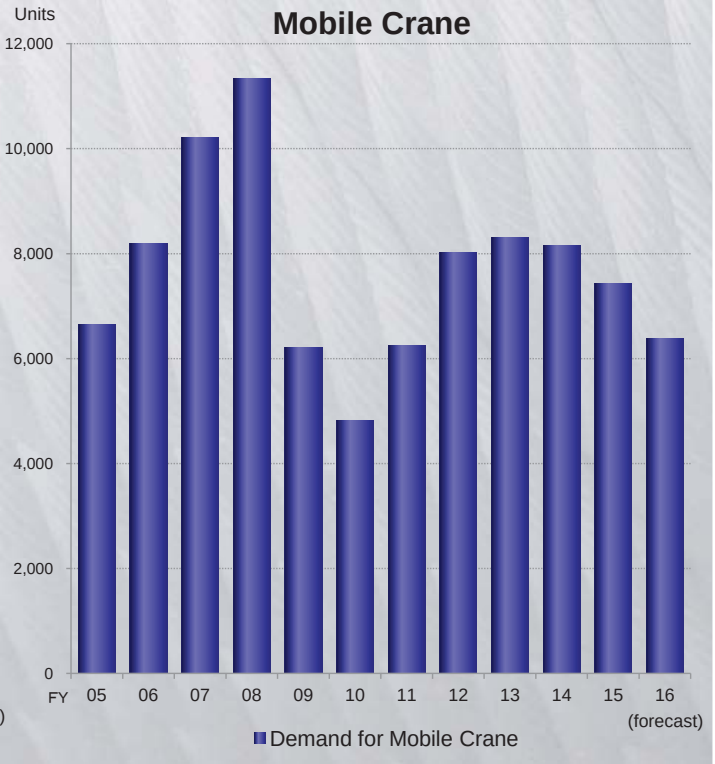
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- Complicated, Difficult : Number of parts: Many
  Process Accuracy: High
- Demand Fluctuation: Volatile
- Parts Sales Ratio: Low
- Used Machine Value: High

9. Trends in Demand

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Based on Tadano research. Mobile cranes produced in China and Russia are excluded

10. Parts Sales Ratio（Consolidated)

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	FY2014	FY2015	FY2016.2Q
Komatsu	19.6%	21.4%	22.1%
HCM	21.4%	23.2%	23.3%
TADANO	6.3%	6.3%	6.4%

*HCM: Hitachi Construction Machinery

11. Manufacturer With Four Synergistic Strengths

Product Competitiveness
＋
Product Quality
＋
CS Capability
＋
Used Crane Value

- Competitiveness that can be attained after a long-term effort
- **A manufacturer with four synergistic strengths!**

12. Mid-Term Management Plan (14-16)

<< Basic Policy >>

Becoming a Stronger Company

A *Stronger company* means being able to continuously do the following 2 things even if demand were to fall by half in the next fiscal year:



13. Mid-Term Management Plan (14-16)

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<< Three Priorities >>



14. Mid-Term Management Plan (14-16)

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Seven Strategies

① Enhance volume & quality in Core Market, Expand volume in Strategic Market

② Provide No.1 products and expand our sales lineup

③ Pursue global & flexible MONOZUKURI

④ Provide Outstanding Quality & Service

⑤ Improve life-cycle value of our products

⑥ Raise profitability level

⑦ Strengthen the TADANO group & global management structure

15.Mid –Term Management Plan (14-16)Target and Results

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	Management Targets		FY2014	FY2015	FY2016 Forecast
Sales	¥220.0billion		¥204.0billion	¥209.4billion	¥180.0billion
Inside Japan	¥88.0billion		¥100.5billion	¥104.9billion	¥102.0billion
Outside Japan	¥132.0billion		¥103.5billion	¥104.4billion	¥78.0billion
Outside Japan Ratio	60.0%		50.7%	49.9%	43.3%
Operating Income	¥30.0billion		¥29.4billion	¥31.0billion	¥18.0billion
Operating Income Ratio	13.6%		14.4%	14.8%	10.0%
Inventory Turnover Ratio	5.0		4.0	3.9	3.7
ROA	13.0%		13.9%	13.5%	7.7%

Ⅱ. FY2016 Interim and Beyond

1. FY2016 Interim

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・Japanese Market: Stable

・Outside the Japanese Market:

- ・Market peak in FY2012
- ・Demand has been decreasing for three consecutive fiscal years (starting in FY2013)
- ・Demand decreased further in FY2016
- ・Tadano's market share is up

・Up through FY2015 Tadano's revenues and profits reached record highs for three consecutive fiscal years. However, in the first half of FY2016, we posted decrease in revenues and profits for the first time in six years.

2. FY2016 & FY2017

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•Current Outlook: Severe conditions for next two years
- ・Japanese Market: Stable
  (High plateau through FY2018. Decline expected from FY2019)
- ・Markets Outside Japan: Severe
  (Decline through FY2017. Recovery expected from FY2018)

•We seek to improve our market position outside of Japan while we continue to benefit from favorable conditions within the Japanese market

•FY2017 results will be on par with those of FY2016

•The external market environment is unclear, but we expect to maintain sales and profits at or above the FY2007 levels (record highs at the time) that preceded the Lehman Shock

3. Comparing FY2007 and FY2016

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	FY2007	FY2016 Forecast
Sales	¥174.3billion	¥180.0billion
Inside Japan	¥92.8billion	¥102.0billion
Outside Japan	¥81.5billion	¥78.0billion
Operating Income	¥17.9billion	¥18.0billion
World Demand	10,204Units	6,390Units
Japan（fiscal year base）	2,458Units	2,300Units
Outside Japan（calendar year base）	7,746Units	4,090Units
Share inside Japan	51.3%	49.3%
Share outside Japan	14.1%	25.9%
Exchange Rate（USD）	¥117.84	¥107.77

4. Aiming for Long-Term Growth

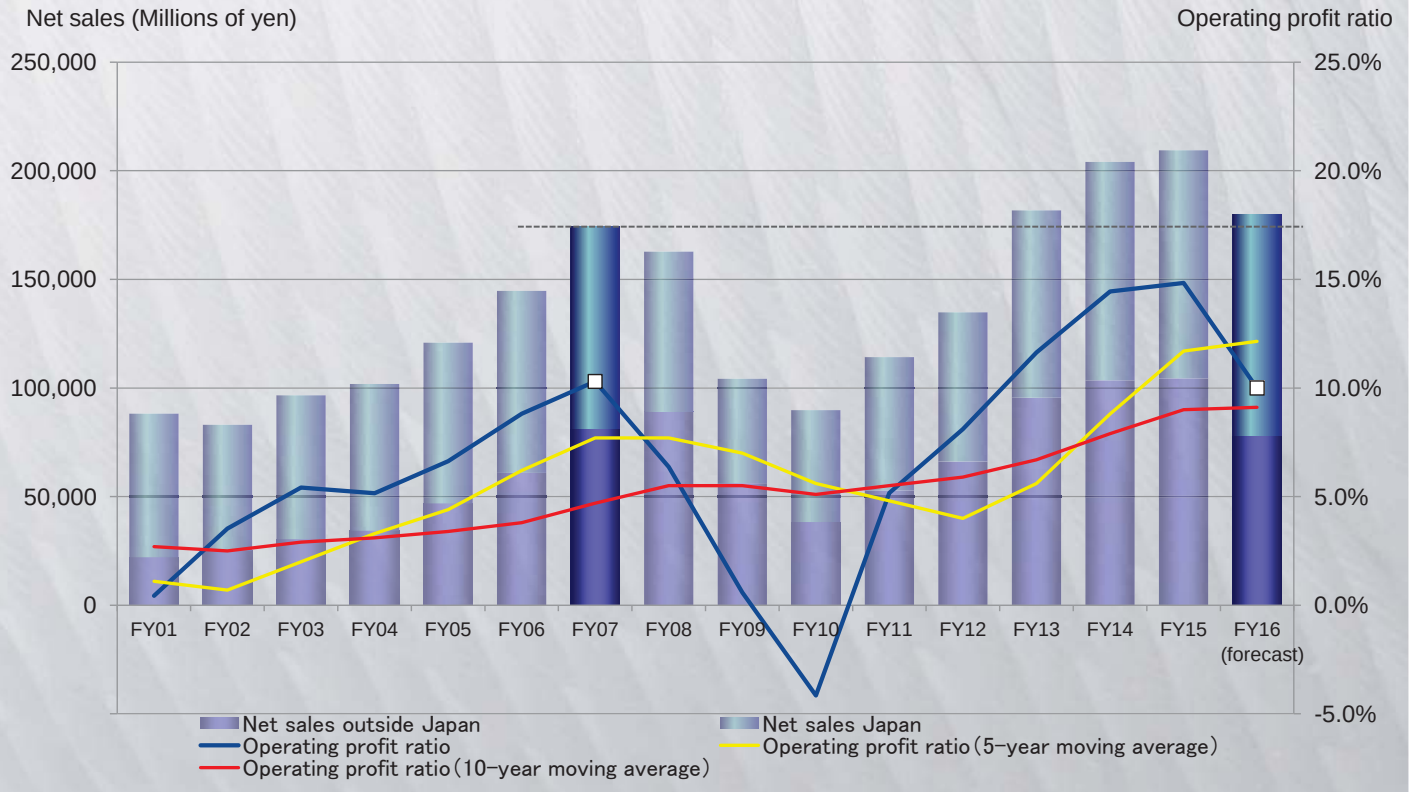
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- Tadano Up Until Now

- Tadano From Here on Out

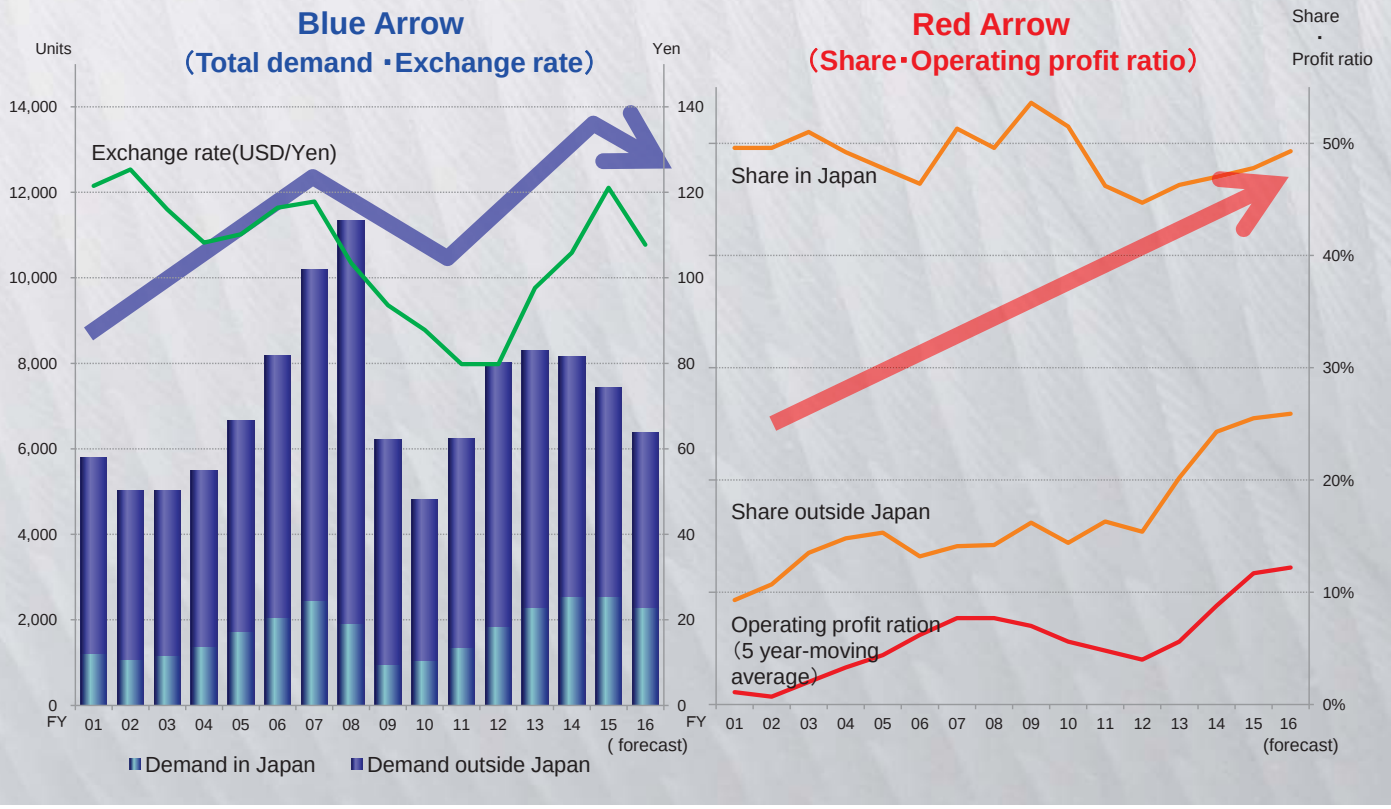
5.Trends in Net Sales and Operating Profit Ratio

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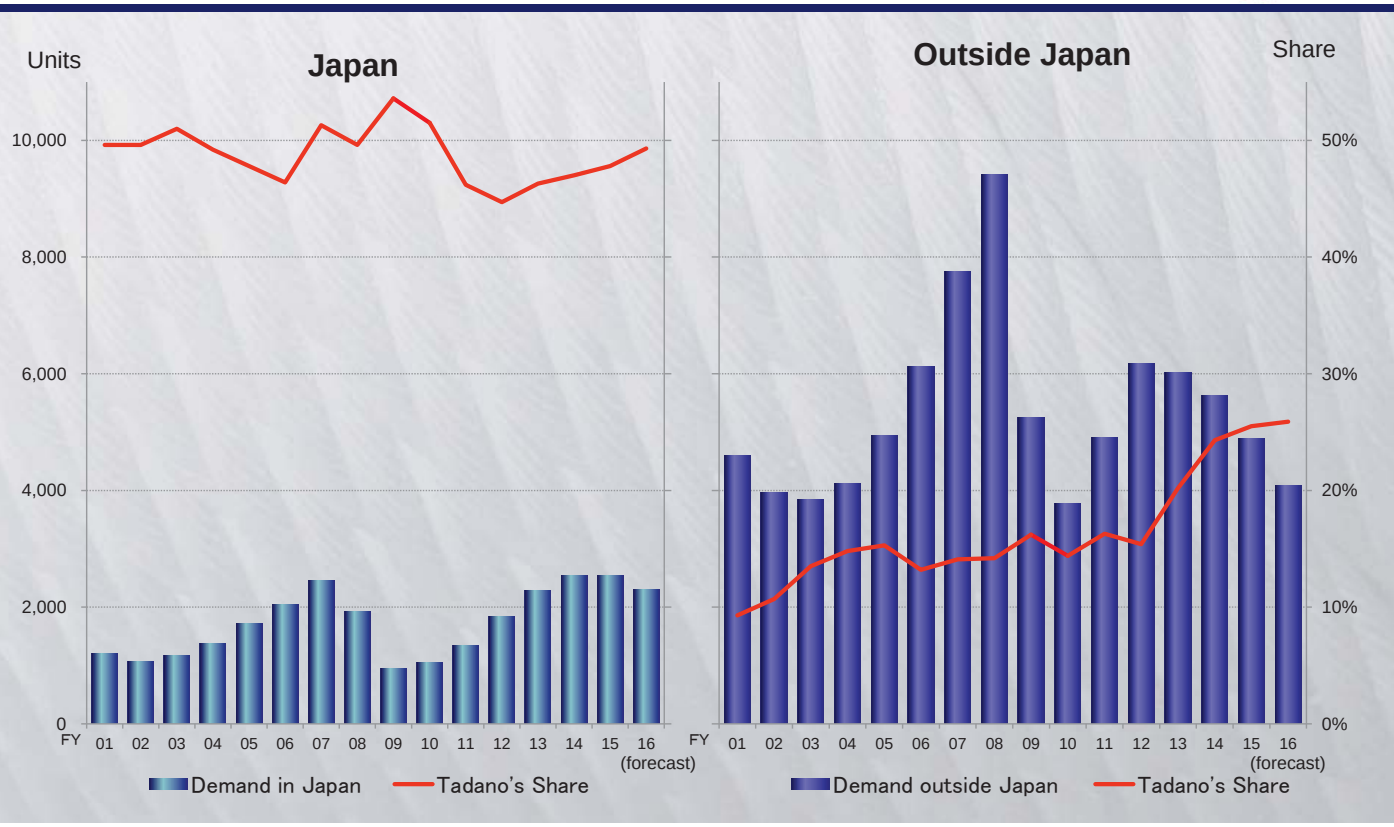
6. Blue Arrow and Red Arrow

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7.Trends in Demand and Share

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Next Mid -Term Management Plan（17-19）

Under development

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Mid-Term Target for achieving Long-Term Goals

Sales **¥300billion**

- Inside Japan ¥100billion
- Outside Japan ¥200billion

Operating Income **¥50billion**

- Operating income rate 16.7%

10. Strategies

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In order to Become a Manufacturer with Four Synergistic Strengths

- Establish more sales, parts, and service locations
- Enhance our Used Crane Operation
- Establish a new plant
- M&A　2 companies

- Further increase for rough terrain crane (RC) market share
- There are growth opportunities in all terrain crane (AC) and truck crane (TC) markets
  - -AC: Establish stronger foundation over next 2 years, then begin increasing share from FY2018
  - -TC: Re-establish TC strategy and start to expand sales from FY2017
- Increase truck loader crane sales outside of Japan

- Expand solution-based business through information and communication technology

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Pursuing Further Excellence
for the World and the Future.

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Safety First!!
Glück auf !!