

## Promotion and establishment of a cost-of-capital-conscious management

In the new Mid-Term Management Plan (24-26), we declared targets of ROIC of 8.0% and ROE of 9.5% (FY26 targets). We will pursue the progress of our initiatives including ROIC-oriented management, business portfolio management, and investment decisions based on the weighted average cost of capital (WACC).

Because our products cost from several hundred million yen to over one billion yen for a single machine, there is always a tendency for working capital to balloon. In addition, given the characteristic volatility of this business, it is important to secure enough funds to withstand any sudden changes in economic conditions. Being a company that seeks to balance the improvement of business performance through proactive business expansion and the maintenance of the balance sheet at appropriate levels and to maximize profitability of our core business, we believe that the adoption of ROIC as an indicator is appropriate.

Specifically, we will work to improve ROIC by restructuring the European operations, increasing revenue capacity by launching new models and new products, reducing inventory and consolidating surplus assets, and reducing interest-bearing debt.

We will aim to achieve and maintain a P/B (Price-to-Book) ratio of 1.0x or higher through sustainable growth and med- to long-term enhancement of corporate value.

To secure a stable supply of the funds required for its business activities, the Tadano Group's basic policy is to raise funds through such means as the use of internal funds, loans from financial institutions, and issuance of corporate bonds. While monitoring financial soundness indicators, such as capital adequacy ratio and D/E ratio, as well as ROE and ROIC, we select the most appropriate financing method after also taking the reduction of financing costs and the risk of interest rate fluctuations into account. We also control our funds based on a fund management policy centered on minimum cash operations, and we make efforts to manage the surplus funds of the group as a whole and improve fund efficiency. In addition, we have entered into commitment line agreements with financial institutions, with which we ensure liquidity, alongside high levels of cash and deposits.

We will continue in our efforts to carry out proactive investment and ensure stability of our management and financial bases, for sustainable growth and the enhancement of corporate value. We will also continue to ensure liquidity of funds, remaining conscious of being prepared for unforeseen circumstances.



Director and Managing Executive Officer  
Noriaki Yashiro

## Cash allocation and shareholder return

Regarding cash obtained in our business activities, we will allocate funds to future-oriented investments for growth and stable corporate management and return surplus funds to shareholders on an ongoing basis.

The total of cash held as cash on hand and unused borrowing facilities (borrowing capacity) amounts to approximately 100 billion yen. Adding approximately 40 billion yen in cash that will be generated from existing business over the three years of the Mid-Term Management Plan to bring the total to 140 billion yen, we plan to invest 11 billion into investment in human capital and the environment, 11 billion into the establishment of a world-optimal production system, and 8 billion yen into venturing into new business areas, as future-oriented investments over a period of three years.

Viewed over the short to medium term, severe market volatility is a characteristic of our business, and it is for this reason that we have not established numerical targets for dividend payout ratio until now. Instead, we have opted to follow a policy of making stable dividends after taking performance and pay-out ratio into comprehensive account.

In the Mid-Term Management Plan (24-26), we have positioned shareholder return as a key management issue and adopted a basic policy of providing stable shareholder return with a targeted dividend payout ratio of 30% based on future business strategy and business environment. Although the characteristic market volatility of our business remains unchanged, we hope to make stable dividends by establishing stable management and financial bases and enhancing corporate value through proactive investment.

Under the slogan of "Reaching new heights," we hope to grow together with our shareholders to a new era, so I ask for your continued understanding and support.

