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Tadano Ltd.

TSE: 6395

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Tadano Group to Start Strategic Restructuring Procedure of Two German Subsidiaries

Tadano's German subsidiaries, Tadano Demag GmbH (based in Zweibrücken; hereafter "TDG"), and Tadano Faun GmbH (based in Lauf an der Pegnitz; hereafter "TFG"), decided to begin a restructuring procedure pursuant to German law, and made a filing to the District Court of Zweibrücken (hereafter "the Court") on October 8, 2020.

Overview

1. Reason and background for the filing

In July 2019, Tadano acquired the German-based Demag Mobile Crane Business, as part of its proactive activities aimed at achieving the Tadano Group's long-term goal of becoming a global leader in the lifting equipment industry. Through this acquisition, the Tadano Group further expanded its offering of all terrain cranes, as well as newly adding crawler cranes to its product line-up, putting Tadano in a better position to meet the diverse needs of its customers.

Since the acquisition, the two companies serving as the core of Tadano's European Operations, TDG and TFG, have been integrating their businesses, with the aim of achieving "One Tadano" synergy effects, as well as working toward higher profitability. However, the Covid-19 pandemic in 2020 slowed down the demand for cranes globally, and it became clear that plans for profitability in Europe were going to suffer a major delay.

Given this situation, the respective Boards of TDG and TFG decided to begin the restructuring under Protective Shield Procedures pursuant to §270b of the German Insolvency Directive. Under this system, companies in distress receive a certain level of protection, allowing them to restructure their businesses while continuing their day-to-day operations, without filing for insolvency. Therefore, we expect there to be no impact on the ability of TDG and TFG to continue production, sales and service operations. Tadano believes this process will further accelerate the restructuring of its European operations, and lead to the long-term growth of the Tadano Group.

2. Total amount of liabilities

374 million euros (total of TDG and TFG, approx. 45.3 billion yen, as of June 30, 2020)

(Note: Liabilities calculated based on financial statements as of June 30, 2020. Protective Shield Proceedings can only be applied to companies that are solvent and for which a successful restructuring is likely – as it is the case with both Tadano Demag and Tadano Faun.)

3. Overview of TDG

(1)	Name	Tadano Demag GmbH		
(2)	Headquarters	Europaallee 2, 66482 Zweibrücken, Germany		
(3)	Date of establishment	January 2002		
(4)	Representative	Jens Ennen		
(5)	Line of business	Production and sales of mobile cranes		
(6)	Amount of capital	20 million euros		
(7)	Major shareholders / stakes	Tadano Ltd. 100%		
(8)	Relationship with Tadano Ltd. (in Japanese market)	Capital relation	As mentioned in (7)	
		Personnel relation	Two employees from Tadano Ltd. dispatched as directors	
		Business relation	Tadano Ltd. purchase and sells the company's mobile cranes to customers in the Japanese market	
(9)	Business performance and financial situation (past 3 years)			
		FY2017	FY2018	FY2019
	Net assets	—	—	240 million euros
	Total assets	—	—	474 million euros
	Sales	—	—	204 million euros
	Operating income	—	—	-16 million euros

*Since Tadano acquired the Demag Mobile Crane Business from Terex Corporation at the end of July 2019, the above results only include the figures from August 2019 onwards.

4. Overview of TFG

(1)	Name	Tadano Faun GmbH		
(2)	Headquarters	Faunberg 2, 91207, Lauf a.d. Pegnitz, Germany		
(3)	Date of establishment	May 1990		
(4)	Representative	Jens Ennen		
(5)	Line of business	Production and sales of mobile cranes		
(6)	Amount of capital	45 million euros		
(7)	Major shareholders / stakes	Tadano Ltd. 100%		
(8)	Relationship with Tadano Ltd. (in Japanese market)	Capital relation	As mentioned in (7)	
		Personnel relation	Two executives and two employees from Tadano Ltd. dispatched as directors	
		Business relation	<ul style="list-style-type: none"> • Produces carriers for certain mobile crane models manufactured and sold by Tadano Ltd. in Japan • Purchases upper crane parts from Tadano Ltd., for production of mobile cranes • Tadano Ltd. purchases and sells the company's mobile cranes to customers in the Japanese market 	
(9)	Business performance and financial states (past 3 years)			

	FY2017	FY2018	FY2019
Net assets	119 million euros	104 million euros	78 million euros
Total assets	243 million euros	285 million euros	270 million euros
Sales	279 million euros	313 million euros	349 million euros
Operating income	-2 million euros	-9 million euros	-24 million euros

5. Tadano Ltd. Claims towards TDG and TFG

Tadano Ltd.'s claims towards TDG and TFG as of June 30, 2020 are as follows:

Loans	10.921 billion yen
Other receivables	52 million yen

6. Valuation of subject subsidiaries' shares

The Tadano Group does not disclose the market valuation of the shares of its subsidiaries and affiliates in its financial statements etc., since there is no market price for such shares and it is extremely difficult to calculate the market price of the shares.

7. Future outlook

TDG and TFG will draw up a dedicated restructuring plan under the supervision of a court-appointed trustee, and proceed with discussions with related parties. The plans will be reviewed by the Court, and will be formally approved by obtaining the consent of both i) the majority of creditors (measured by the number of creditors) that have exercised their voting rights, and ii) more than half of creditors (measured by the value attributable to their voting rights (credit amount)) that have exercised their voting rights. We will closely monitor the progress of this procedure, and make prompt disclosures if the need arises, including the impact of this procedure on Tadano's earnings.