

TOP MESSAGE



President and CEO
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**We will lead changes as “One Tadano”
and contribute to improve local
communities and our planet.**

Current business opportunities and risks in light of the business environment surrounding the Tadano Group

The mobile crane industry has reached a turning point in recent years, driven by emission exhaust regulations, ongoing efforts to decarbonize the world, and remarkable technological innovations such as automated driving using AI. This situation can present both opportunities and risks depending on whether we quickly adapt to or miss these big changes of the times.

The industry mainly follows build-to-order production, and the current forms and individual specifications of products have been created after receiving various requests from customers. As such, the industry has high entry barriers. Especially in the Japanese market, where there are only a limited number of competitors in each product segment, competition in product development may stall, risking losing out to overseas companies.

The changes in energy and fuels used to operate cranes will affect not only the future of mobile cranes but also how infrastructure will be developed. The Tadano Group is a global company with markets outside Japan accounting for approximately 60% of our sales. We believe that we must constantly evolve by paying attention to trends in society, industries, and companies around the world, and quickly adapting to the changes of the times.

Progress in the Mid-Term Management Plan (21-23)

As already announced, it is becoming increasingly likely that the FY 2023 results will regrettably miss the targets set for the final year of the Mid-Term Management Plan (21-23). The last year's suspension of production at the Shido Plant and Kozai Plant due to the lockdown in Shanghai, China, as well as the deterioration of the procurement and logistics environment stemming from the prolonged Russo-Ukrainian war, had a major impact on production and caused repeated shipment delays. Another factor is that the restructuring plan of the European operations centered on German group companies Tadano Demag GmbH and Tadano Faun GmbH did not progress as expected due to slow demand in Europe.

The pace of orders is generally favorable so far in the current fiscal year. Although production constraints due to the Russo-Ukrainian war remain, we hope to capitalize on the fading COVID-19 pandemic and gradual normalization to successfully increase sales. To meet the expectations of our customers and society, we will press forward with the development of products aimed at attaining a Net Zero Carbon Emissions society by 2050.

Initiatives for “One Tadano,” one of the priority points under the Mid-Term Management Plan

We adopted the slogan of “One Tadano,” renewing the idea that the entire group will become one team with shared values following the consolidation of large-scale production locations in Japan and Germany. In particular, as Faun GmbH acquired in 1990

and the Demag Mobile Cranes business acquired in 2019 used to be competitors in their country, it is not an easy task to foster good relations between them. We have so far unified the brands, aligned the accounting periods, and overhauled the organizational structures. We feel that a truthful relationship is finally emerging between the two companies.

“Japan boasts high quality, stable cost and reliable delivery schedules. Germany possesses cutting-edge technology and leads the world on the environmental front. We hope to increase our presence by combining the strengths of each of them.”

The Tadano Group has development and production locations in Germany and Japan, the world's manufacturing leading countries. The two German companies, Tadano Demag GmbH and Tadano Faun GmbH, have been focusing their efforts on operational restructuring since they received court approval for their operational restructuring plan and completed the legal proceeding in March 2021.

We have already completed personnel optimization, asset reduction, and unification of brands. The current focus of work is establishing pathways for consolidating the two German companies' product lineups in the same categories and standardizing components used and procurement operations.

In terms of business conditions, sales are steadily increasing in the Japanese, US, and Australian markets, where the Tadano Group has a strong presence, as we set the same level of quality assurance and services as Tadano products for former Demag products. However, in the current European market, the construction market as a whole has somewhat slowed against the backdrop of the Russo-Ukrainian war, dragging down demand for mobile cranes. Overall, we are only halfway through restructuring and still need trial and error.

Our aim will be to build an optimal global production scheme that does not cause delivery delays and contributes to cost reduction through cooperation with Japan, while keeping an eye on the continuously turbulent supply chain situation. We will also work on the standardization of specifications for components of products manufactured in Japan and Germany.

Additionally, we established the new Tadano Europe Research Center in Germany in anticipation of the future. Europe has been actively deploying wind power and offshore wind power in the promotion of renewable energy to build a net zero carbon emissions society. Europe is also where the Tadano Group's crawler cranes, large mobile cranes, have a strong presence. While closely monitoring European environmental regulations and exchanging information with leading local wind power manufacturers, we hope to ascertain any development trends.



Focused initiatives in R&D and manufacturing

As mentioned earlier, we have development and production locations in Germany and Japan, leading players in global manufacturing. It is our great strength to be able to make optimal selections from among the diverse resources related to manufacturing that we have in both countries. For example, as mobile cranes become larger, they also need to be lighter, and we are working on material development to make this possible.

Also, from a sustainability perspective, we cannot forget about how we can contribute to the future of our planet and the next generations. When it comes to SDG-related initiatives, our view tends to become narrow by rather focusing on the effects they have on the Tadano Group's business. However, we hope to engage in manufacturing and development with a higher perspective of what we can do to prevent adverse effects on the global environment in the future. As part of the greater society, the Tadano Group gathers all of its sustainable solutions under the name Tadano Green Solutions which are integral to our efforts to protect the global environment and achieve the goal of making a net zero carbon world a reality.

“While using innovative technology, we should be able to deliver usability and high efficiency to our customers.

We believe that we are the only company in the lifting equipment industry that takes serious environmental initiatives to such an extent.”

The Tadano Group's mobile cranes are equipped with diesel engines and use them for traveling to work sites and driving the hydraulic pump in crane operations. Our lifting equipment products consume large amounts of light oil for travel and crane operations, and generate large emissions of CO₂. Therefore, as an initiative to reduce CO₂ emissions, the “e-PACK,” a system that uses electricity to drive the hydraulic pump, was launched in January 2022 for the Japanese market. The e-PACK enables crane work without starting the engine by activating the electric motor-driven hydraulic pump

with an external power supply. As a result, there is no fuel consumption during crane operations, achieving zero CO₂ emissions. Moreover, at bauma 2022, the world's largest construction machinery trade show held in Germany in October 2022, we presented a prototype of a hybrid product that uses a diesel engine for traveling and electricity for crane operations. At the construction machinery trade show CONEXPO held in Las Vegas in March 2023, we also showcased a prototype of a new device called “APU (auxiliary power unit),” which stops the diesel engine and operates the minimum necessary devices such as controller and air conditioner during standby before the crane starts operating.

Furthermore, the world's first electric rough terrain crane named “EVOLT,” which can travel and operate with electricity, is scheduled to be commercialized for the Japanese market in 2023. Since its announcement in April 2022, EVOLT's impact on the market has been considerable, and we have received many inquiries not only from our direct customers, but also from so-called general contractors and suppliers of related parts.

Batteries are heavy and may be subject to constraints imposed by relevant regulations for road driving. For this reason, we see the need to have a lineup of products for net zero carbon emissions that meet the needs of society and customers, including partially electric vehicles, while ultimately aiming for making our products fully electric. In addition to electricity, we are also considering other fuel types, such as hydrogen engines, in our development efforts.

Possibilities in offshore wind power and marine resource development

Earlier, I talked about the potential of the offshore wind power market in the topic of the Tadano Europe Research Center. Japan is also seeing offshore wind power projects underway, and the market is likely to attract even more attention going forward. Taking full advantage of the know-how gained in Germany, a leading country in wind power generation, the Tadano Group hopes to make as much contribution as possible serving as a bridge between Europe and Japan.

Also, when considering the future of natural resources and energy, marine resource development is an essential topic for Japan, which is hardly a resource-rich country. Europe leads the world in marine resource development, including oil field development in the North Sea. The Tadano Group has accumulated know-how related to the development of marine resources in Europe.

Meanwhile, while Europe's marine resource development is being carried out in shallow waters, Japan's seas quickly become deep. Furthermore, the resources extracted in Japan, such as methane hydrate, are different from marine resources in Europe, which are oil gas. Therefore, new mobile cranes need to be developed. The Tadano Group's Head Office is located in Kagawa Prefecture, which faces the beautiful Seto Inland Sea, home to several leading Japanese shipbuilders. We have high expectations for opening up new fields by utilizing the strength of these companies in combination with the strength of the Tadano Group.

As part of our efforts for a net zero carbon emissions society, we also completed installing a large-scale solar power generating

system with a capacity of 606kW on the roof of the Tadotsu Plant in January 2023. It is estimated that more than 30% of the Tadotsu Plant's annual power consumption can be covered by renewable energy. Installing a solar power generating system to the crane itself, for example, may be an idea in the future.

“To evolve Tadano, I would like to focus on employee diversity on a global scale and create an organizational culture that makes the most of it. The next challenge is to become “the world's No. 1” together with all our employees.”

With the vision of “Pursuing Further Excellence for the World and the Future,” the Tadano Group values creating an organizational culture that allows for continued learning and growth. Moreover, we believe that the success of a company is built on human resource development and concentrate our efforts on the development of human resources.

Above all, diversity and inclusion are one of the priority points. Tadano hires women in a well-planned and proactive manner, aiming to increase the percentage of female employees at the company to 10% by the end of FY 2026. Also, we are making steady progress in developing a work environment and a job rotation system to promote the advancement of women through initiatives such as providing more training opportunities to help them succeed as the next generation of leaders. We will promote diversity by increasing the ratio of female employees and by increasing the number of women in manager and supervisor positions. Being a global company, we will also focus our attention on cross-border diversity. Aiming to acquire diverse human resources, we produced recruitment PR videos focusing on our employees in FY 2022. Two themes were used for the videos: “empowering women at the workplace” and “sharing our dreams at Tadano.” In terms of recruitment methods, we will step up year-round hiring, including mid-career hiring. We accept diversity in terms of various factors, including each person's backgrounds, abilities, and experience. Harnessing it for use inside our organization will improve employee job satisfaction and



productivity, helping to create added value. Driven by this belief, we will continue to create workplace environments where diverse employees can best utilize their talents.

Medium- to long-term growth strategy and its foundations

As I mentioned at the beginning, the mobile crane industry is facing major changes. We will first invest the Tadano Group's management resources in the European operations to accelerate restructuring. To acquire new technologies that enable us to lead the changes in the world and supply the world with more efficient products and systems as well as products with no environmental impact, we will speedily respond to the changes through open innovation and collaboration with other companies.

As an initiative to reform the organizational structure to realize this, beginning from this fiscal year, directors in charge have been removed from the business execution line. The role of directors is to make important decisions and supervise business execution, while the role of executive officers in charge of each division is to take the highest responsibility for execution. This represents a transfer of authority to the executive officers, and a first step in making clear where authorities and responsibilities are placed. We will clarify the authorities and responsibilities of managers and leaders in the future.

As the current fiscal year is the final year of the Mid-Term Management Plan, we need to think about the next Mid-Term Management Plan. We think that various changes that will determine the future of the mobile crane industry will take place at once during the next few decades, setting the direction of the industry. As such, we will formulate a long-term vision after determining what the social environment surrounding the industry will be like in 2040, and outline what we should be working on first in the Mid-Term Management Plan by working backwards from the long-term vision. To that end, we have created a project team mainly comprising the generation of people who will be leading the company in 2040, and tasked them to come up with a long-term vision.

Infrastructure such as buildings, bridges, and roads will continue to be developed in Japan and around the world to improve the lives and work of people living there. Mobile cranes will always be used in any construction process. Meanwhile, crane work always involves danger as a very large force is used to lift heavy objects. For this reason, we believe that the most important mission of the Tadano Group is to anticipate all possible dangers and create machines that operate safely. As a prerequisite to leading various changes, we first take to heart the future of zero accidents in our manufacturing activities.

Finally, under the slogan of “One Tadano,” the Tadano Group aims to become No.1 worldwide in the lifting equipment industry by developing new technologies that contribute to improve local communities and our planet, while pursuing an optimal global production scheme to generate maximum synergies.