

Top Message

Pursuing Further Excellence for the World and the Future



Moving Beyond the 100th Anniversary

A 100-year history

Masuo Tadano, the founder of Tadano, was born and raised in Takamatsu, Kagawa. In August 1919 he left his hometown for Asahikawa, Hokkaido, to start a welding business. At that time, welding technology was developing rapidly outside of Japan, and its introduction in Japan was only beginning. Captivated by the sparks of welding, a cutting-edge technology at the time, Masuo mastered the art of welding and ventured to start a business in Hokkaido.

A few years later Masuo relocated to Muroran, where he earned a reputation for his conscientious attitude and quality craftsmanship. His business was going well when, in 1923, the Great Kanto Earthquake struck. The disaster drove the entire country into chaos, and Masuo decided to return home. Back in Takamatsu, Masuo tried his hand at various businesses in addition to welding: He even once owned a copper mine.

In July 1945, just before the end of World War II, intense air raids devastated Takamatsu and burned down 80% of the city area. Having lost everything but his life, Masuo started Tadano Iron Works Co., Ltd., the predecessor of Tadano Ltd., in 1948, three years after the war ended. It was off to a humble beginning with just four workers and a small factory. Masuo and his staff repeatedly experimented to make something new by combining welding technology, the company's original source of business, and hydraulic technology, which is capable of generating strong force. Driving these trials and errors was the founder's simple and single-minded determination to "make something that will contribute to the world" and "become a company that can contribute to the advancement of society." Their efforts culminated in the development of the OC-2, Japan's first hydraulic truck crane, in 1955. This marked the beginning of Tadano's journey as a crane manufacturer that continues to this day.

On August 29, 2019, Tadano celebrated the 100th anniversary of its founding.

Fueki-ryuko ("immutability and fluidity")

Companies with histories of more than 100 years tend to achieve a fine balance between the characteristics of "Constancy" and "Innovation." Matsuo Basho, the Japanese poet in the 17th century, summed up this idea perfectly in his famous adage *fueki-ryuko*. I believe that combining *fueki* ("immutability") and *ryuko* ("fluidity") is crucial to corporate longevity.

In this day and age, the fact that a company survived its first 100 years does not necessarily mean its future is guaranteed in 20 years, or even 10. We must have a strong foundation that endures the test of time, while having the flexibility to introduce changes whenever necessary.

If we apply the concept of *fueki-ryuko* to Tadano, the business objective, vision, and core values—positioned at the first three levels of the corporate philosophy pyramid (p.4)—correspond to our enduring principles and values (*fueki*). Tadano's business objective is "implementing the corporate philosophy (creation, contribution, cooperation)." Along with the company's vision of "pursuing further excellence for the world and the future" and its core values, this business objective must remain intact as long as Tadano continues to exist.

Until now, Tadano's core values have been expressed as SQE, representing Safety, Quality and Efficiency. We have modified this into "C+SQE" (SQE based on C), where C stands for Compliance. This expresses our belief that, while Tadano's core values are "Safety First, Quality Second, Efficiency Third" and we always uphold them in this critical order of priority, compliance provides the groundwork that enables Tadano to actualize each of these core values.

All levels positioned at or below the fourth level of the corporate philosophy pyramid (business domain and long-term goals) are *ryuko* that will be changed flexibly with time. That said, they should not be modified frequently. Hopefully, our business domains and long-term goals last for at least a decade or two.

President and CEO

Koichi Tadano

Born in Takamatsu, Kagawa in 1954, Koichi Tadano joined Tadano Ltd. in 1988 after working for Marubeni Corporation. In 1997 he was elected as a president of Faun GmbH (now Tadano Faun GmbH), the company's German subsidiary, and was appointed as a director of Tadano Ltd. in the same year. He has been serving as the company's President and CEO since 2003.

Management Based on Industry Characteristics

Lifting equipment industry's vulnerability to economic fluctuations

Compared with construction equipment like hydraulic excavators, mobile cranes and other lifting equipment are distinguished by their outstanding durability, long service life, and higher prices for used products. Rather than replacing old equipment when it breaks, our customers tend to invest in new products only when the economy is booming, and to postpone purchases when the economy is faltering. In other words, lifting equipment tends to be vulnerable to economic fluctuations.

As the top manager of a company particularly vulnerable to external factors, perhaps I should simply accept the reality of the economic cycle and hope that our business will turn a profit again when demand recovers. But while accepting the demand fluctuations in the lifting equipment industry, we must face the challenge of overcoming our vulnerability. We often hear the expression "unforeseeable events." Rather than blaming our performance on "unforeseeable events," we want to build a company capable of incorporating these challenges into our strategies.

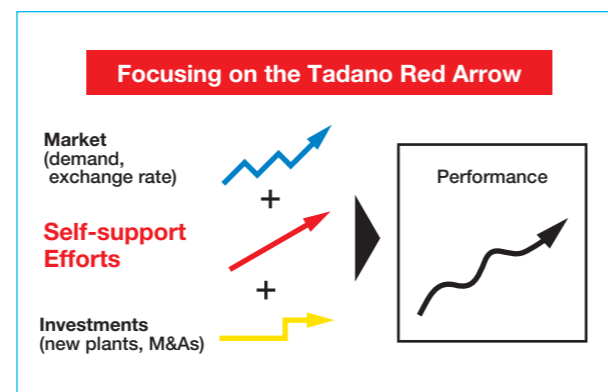
This approach is embodied in the "Four Tadano Arrows."

The "Four Tadano Arrows"

The Tadano Blue Arrow (the color of the sky) represents trends in markets, demands, and exchange rates (the external business environment) that change in complex ways like the weather. The Tadano Red Arrow (the color of passion) represents self-support efforts, or things which we can control ourselves by putting in our best efforts. The Tadano Yellow Arrow (the color of gold)

represents large-scale investments such as construction of new plants and M&As. Combining the three Tadano Arrows produces the Tadano Black Arrow (the color of profits).

It is important to focus on the Red Arrow, which we can control, instead of overreacting to the Blue Arrow. We must continue to strive both in good times and bad, and grow while producing results every year. This means that the Red Arrow must always be pointing up. This is the kind of company that we want to be. In the past, we celebrated when a rise in demand led to better performance. We panicked when a drop in demand resulted in poor performance. Even though the fluctuations in our performance were primarily caused by shifts in demand, we simply reacted to only the results each time. We established the Four Tadano Arrows to break this cycle, and we need to focus especially on the Red Arrow. At the same time, we constantly need to anticipate, prepare for, and respond to the Blue Arrow given the unpredictability of the world we live in. We should prepare ourselves in both ways, so that we are ready to face changes at any time.



What we must never forget

I always tell our employees about the three important events we must never forget. The first is the layoffs we implemented three times during the recession between 1998 and 2002. The second is the recall in 2004, and the third is the four workplace fatalities we have suffered in the past.

Since experiencing these events, we have renewed our commitment to human resources development based on our understanding that employees are our greatest assets. Recognizing that our cranes being allowed on public roads is a privilege that comes with great responsibility, we began to devote our efforts to our Corporate Social Responsibility (CSR). Guided by safety, quality, and efficiency, our core values we hold sacrosanct, we put safety first in everything we do.

A Path toward New Growth

The era of complicated, rapid, and extreme changes

The world is presently in a state of great instability and we have entered an era of complicated, rapid, and extreme changes. As the major advanced nations lose their political leadership, some are describing the current world situation as a "G-Zero" era, characterized by the absence of leaders. This political instability is impacting the economic environment, and natural disasters are unpredictable.

Also, as the pace of technological evolution accelerates, we are beginning to witness exponential changes generated by a world-changing technological revolution. Once a change manifests itself, it spreads explosively and results in social transformation. A similar change is imminent in the lifting equipment industry and we need to be ready.

Major changes caused by technological innovation

Tadano developed Japan's first hydraulic truck crane, the OC-2, in 1955, and over the next 60 years has made technological advancements essentially to lift heavier loads over longer distances for various constructions, maintenance, and service purposes. In 2017, the company established an Advanced Technology Research Division and is set to achieve further advances in technological innovation.

For instance, the construction sector, where Tadano's products play a vital role, now faces a major problem, particularly in Japan. The country's low birth rate and aging demographics are resulting in a decrease in the working age population and the number of construction workers. Given the declining number of experienced operators capable of maneuvering cranes with skill and ease, we must move toward further simplifying, facilitating, and automating crane operation through technological innovation to ensure on-site safety. Moving forward, we will likely shift toward the production of fully-electric and automated equipment.

We should keep in mind, however, that mobile cranes can be transformed into a range of traveling and operating configurations with the length and the angle of the boom. We need to ensure that our products are safe and secure and that they do not topple over when their positions change. Also, it serves no value if only our products demonstrate outstanding technology at construction sites; rather, it is more important to improve the efficiency of the entire operation. In addition, mobile cranes must be environmentally friendly. In light of our awareness for the need to revisit the role of cranes at construction sites, Tadano has signed an agreement with Kyoto University for a comprehensive partnership for collaborative research. The company is also engaged in research with many other universities and partners on individual themes such as AI.

Demag Mobile Cranes Business

On July 31, 2019, Tadano completed its acquisition of the Demag Mobile Cranes Business, and launched the new company Tadano Demag GmbH (TDG) on August 1. On the same day, all employees of TDG were invited to the "Day 1 Event" held in Zweibrücken, Germany and learned about Tadano's management policy and corporate philosophy. TDG offers an extensive lineup of lifting equipment, including all terrain cranes with a lifting capacity of up to 1,200 tons and crawler cranes with a lifting capacity ranging from 400 to 3,200 tons.

Important Themes and Strategies

Maximizing group synergy (+ TDG)

The past year saw the launch of Tadano Escorts India Pvt. Ltd. (TEI), an Indian joint venture company officially formed in December 2018; the commencement of operations of the new Kozai Plant in August 2019; and the addition of TDG to the German business currently led by Tadano Faun GmbH (TFG). With these three operations, the Tadano Group now the Tadano Group now has the tools in hand to break through the sales threshold of 300 billion yen that will move us toward becoming No. 1 worldwide in the lifting equipment industry. One big challenge lying ahead of us is how to use those tools. Going forward, the Tadano Group will leverage the synergies generated by the Group companies, including Tadano Mantis Corporation (TMC) in the U.S. and Tadano (Thailand) Co., Ltd. (TTC) in Thailand to achieve long-term profit growth, and put in its utmost efforts as "One Tadano" to realize organic growth.



Overview of Kozai Plant

Name: Kozai Plant	Total floor area: Approx. 47,000 m ²
Location: Kozai Kitamachi, Takamatsu, Kagawa	Amount invested: Over 20 billion yen
Site area: Approx. 200,000 m ²	No. of employees: Approx. 100



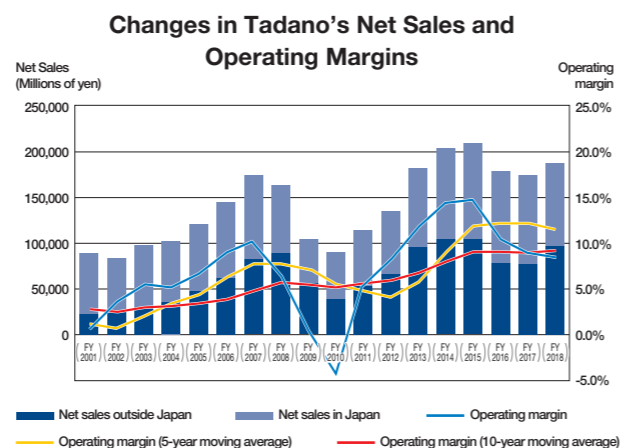


Aim High, and Keep Moving Forward

What “growth” means for Tadano

To repeat, our basic policy is to focus on areas we can control (the Red Arrow), instead of overreacting to the Blue Arrow. By maintaining our focus on the Red Arrow, we can continue to grow. We can confirm how much we have grown by checking our results against that of the previous cycle.

Specifically, looking at the progression of our financial results (net sales and operating margin) over the past 18 years in the bar graph, the upsurge that began in fiscal year 2002 peaked in fiscal year 2007 then plummeted as a result of the Lehman Shock. In the latter half of the graph, the cycle that began after hitting the trough in fiscal year 2010 shows that our net sales and operating margin are much higher than they were in the former cycle. This shows Tadano’s true growth. Achieving net sales and profit growth at all times would be ideal, but we believe that true growth comes from always outperforming the previous cycle. I try to convince our employees that we can continue to grow even if we record a sales and profit loss because of the impact of the Blue Arrow.



Pursuing further excellence

Learning a lesson from a record loss in FY 2010 caused by a plummet in demand following the Lehman Shock, we strived to adapt to structural change under the 2011-2013 Mid-Term Management Plan, and pursued our basic policy of becoming a strong company (focusing on the Red Arrow) under the 2014-2016 and 2017-2019 Mid-Term Management Plan. While fragility remains in some areas, I believe Tadano has grown considerably stronger than before.

However, this approach also had negative consequences. Being a strong company is only one aspect of being a good company. We believed that we needed to be stronger first in order to

Higher resilience

Tadano has established the following six keys to success to cultivate higher resilience to sudden demand changes: Extending our capabilities, becoming lean, flexibility, diversification, agility, and quality improvement. One of the biggest challenges we face is bolstering our resilience to change and achieving stable growth, given the high volatility of the lifting equipment industry.

Enhanced competitiveness

To become No.1 worldwide in the lifting equipment industry, we want to differentiate ourselves from our competitors and establish a lead that cannot be closed by our competitors even in 10 years. To this end, we aim to be a manufacturer with four synergistic strengths, which consist of product competitiveness and used crane value, along with the Tadano Group core competencies—the source of our competitive strengths—of product quality and service capability (including parts).

What do we need to do to increase profits? One might naively believe that all we need to do is to raise the selling prices of our products and lower the costs. It’s not that simple, however. All our efforts will be lost if a higher sales price means a loss of competitiveness and market share, and thus a fall in sales. The real challenge is maintaining and improving our sale prices while expanding our market share. From our customers’ perspectives, the important question is whether we can offer equipment and services that are truly useful to them and whether we can create value-added features that enable them to use our equipment safely, efficiently, and with sense of security. We want to distinguish ourselves from our competitors by becoming a manufacturer with four well-balanced, synergistic strengths.

become a good company, but this approach lacked balance. Given that we just celebrated the milestone of the 100th anniversary and, as mentioned above, we now have all the tools in hand needed to move on to the next step, we decided to formulate a more balanced basic policy for the 2020-2022 Mid-Term Management Plan.

And the balanced basic policy is to realize “further excellence.” This idea is at the root of the company’s vision of “pursuing further excellence for the world and the future,” which is positioned at the second level of the corporate philosophy pyramid. In order to fulfill the basic policy, we need to gain and maintain strong approval and support from all our stakeholders including customers, partners, shareholders, investors, and the greater society. Most important of all is that each and every one of the employees working at Tadano can take pride in the company’s excellence.

To this end, we will take more concrete steps to integrate ESG initiatives and SDGs into our corporate management.

The battle right in front of us, the battle with the current era

Moving forward, we must fight two battles: the battle right in front of us and the battle with the current era. The first is the battle right in front of us. Each year and each month we must continue to fight the battles in front of us or there will be no tomorrow. However, if that is all we do, we may survive today but will have no future beyond tomorrow.

The use of IoT and AI technology has increased dramatically. Cars and trucks are heading in the direction of full electrification, signaling the death of the internal combustion engine. We are on the brink of a technological revolution which will greatly change the world. Unless we fight the battle with this era there will be no future for us.

The importance of aspirations

What we want to achieve for the future is long-term profit growth. But while this is our goal, it is not our mission. Our true mission is to forever continue to pursue and implement “Sozo (Creation), Hoshi (Contribution), Kyoryoku (Cooperation),” Tadano’s corporate philosophy. This corporate philosophy, along with Tadano’s vision and core values, will remain unchanged.

We aspire to uphold these enduring corporate principles and values, as well as the long-term targets and policies set by the company, instead of simply following the instructions of the president or superiors. We want to be able to object to our superiors when their instructions contradict company policies and steer them in the right direction.

We will continue in our pursuit of Tadano’s original mission of providing products that will contribute to society and becoming a company that can contribute to the world through its business. At Tadano, we always make the distinction between “being profitable” and “making profits.” If a company sets mere profit generation as its only goal, it will end up losing its way. It is important to be a company that naturally becomes profitable as a result of contributing to the world, a concept described by Peter F. Drucker as a creation of customers. Going forward, we will remain committed to Tadano’s aspirations that have endured since the time of its founding.

