

FY 2023 Second Quarter (Jan. – Jun.) Financial Explanatory Briefing

August 2023
Tadano Ltd.

<Notes>

- Forward-looking statements contained in this report are based on information available as of the date this report was prepared. A variety of factors may cause actual results to differ from projections.
- Presentation of demand and share:
 - Figures showing demand based on Tadano research are rounded to the nearest ten units.
 - Figures showing share are rounded to the nearest whole share.
 - Mobile Cranes produced in Russia and produced in China for the Chinese market are excluded from demand.
- Abbreviation in this report: “TC” refers to Truck Cranes, “RT” to Rough Terrain Cranes, “AT” to All Terrain Cranes.

FY 2023 Second Quarter (Jan. – Jun.) Results and FY 2023 Full Year Forecast

FY 2023 2Q (Jan. - Jun.) Results and FY 2023 Forecast

- **FY 2023 2Q Results: Operating income and ordinary income increased.**
 - Net sales increased, supported by strong demand both in and outside of Japan (driven by rough terrain cranes in Japan, North America, and Middle East), while sales situation in Europe continued to be challenging.
 - Despite increases in raw material prices, etc., operating income increased by ¥5.0 billion (YoY) due to increases in sales volume and improvements in selling prices, combined with effects of the depreciation of the Japanese yen.

- **FY 2023 Forecast: Revised upward from the initial plan.**
 - Net sales and outside Japan sales ratio will reach record highs.
 - Demand will remain firm overall, although there are variations by region.
 - Exchange rate: The Japanese yen will remain weak (the weak Japanese yen against the U.S. dollar is a tailwind for Tadano's business performance).
 - Cost increases will be passed on to selling prices to minimize profit deterioration.
 - Future-oriented investments/expenses will continue to be executed.
 - In response to struggling sales in Europe in the first half (due to procurement difficulties), measures will be taken in the second half (increased procurement from Japan). However, visible effects will not be expected until FY 2024 or later.

Despite sales and profit boost from depreciation of the Japanese yen, the company is struggling to meet the final targets of the Mid-Term Management Plan (21-23) due to unexpected cost increases, production constraints and others.

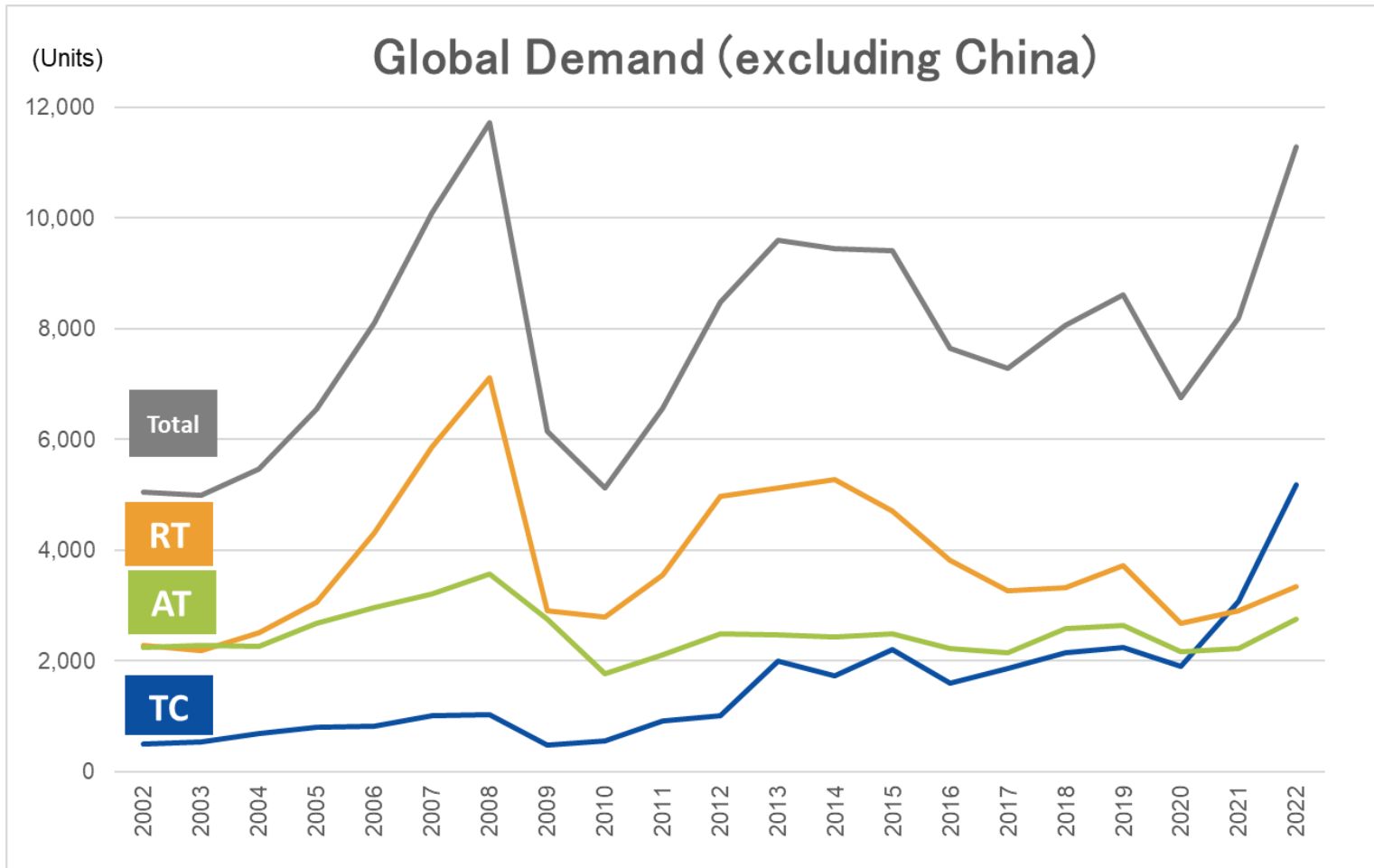
	FY2021	FY2022 (*irregular)	FY2022 (**adjusted)	FY2023 Forecast (as of August 10th)	FY2023 MTP Targets
Net sales	¥205.6 billion	¥192.9 billion	¥226.7 billion	¥275 billion	¥275 billion
Operating income	¥5.2 billion	¥7.1 billion	¥9.0 billion	¥15.0 billion	¥27.5 billion
Operating margin	2.6%	3.7%	4.0%	5.5%	10.0%
Outside Japan sales ratio	54.8%	67.2%	58.9%	65.3%	66.9%
ROIC	0.9%	0.4%	0.8%	2.6%	8.0%
Exchange rate *full year average	USD: ¥109.80 EUR: ¥129.89	USD: ¥131.43 EUR: ¥138.04	USD: ¥131.43 EUR: ¥138.04	USD: ¥134.93 EUR: ¥150.39 *Forecasts from July USD: ¥135 EUR: ¥155	USD: ¥105 EUR: ¥125

**FY 2022(irregular)" is the 9-month fiscal period from April 1, 2022 to December 31, 2022.

***FY 2022(adjusted)" figures are adjusted to 12-month fiscal period from January 1, 2022 to December 31, 2022.

Future Outlook

Demand Trends for Mobile Cranes



* Figures are based on Tadano research (Figures showing demand are rounded to the nearest ten units).

* Mobile Cranes produced in Russia are excluded.

* Starting from 2010 the graph includes Chinese construction cranes produced for export.

* Mobile cranes produced in China for the Chinese market are excluded.

Demand Trends for Mobile Cranes

- In CY 2022, demand recovered to above pre-COVID-19 levels.
- In CY 2023, demand will remain strong despite some concerns in each region.

Region	CY2019	CY2020	CY2021	CY2022 (Jan. - Jun.)	(Units)		
					CY2022 2Q	CY2023 2Q (Jan. - Jun.)	vs CY2022 2Q
Europe	1,650	1,390	1,360	1,470	800	790	99%
North America	1,650	980	1,090	1,150	550	680	124%
Latin America	270	200	370	590	320	350	109%
Asia	1,290	1,020	1,360	2,020	940	1,520	162%
Middle East	650	480	520	910	350	740	211%
Oceania	240	160	300	440	160	300	188%
CIS	740	790	1,430	2,340	990	1,890	191%
Africa	260	220	350	980	440	510	116%
Subtotal (total outside Japan)	6,750	5,240	6,780	9,900	4,550	6,780	149%
Japan	1,870	1,520	1,420	1,380	760	780	103%
Total	8,620	6,760	8,200	11,280	5,310	7,560	142%

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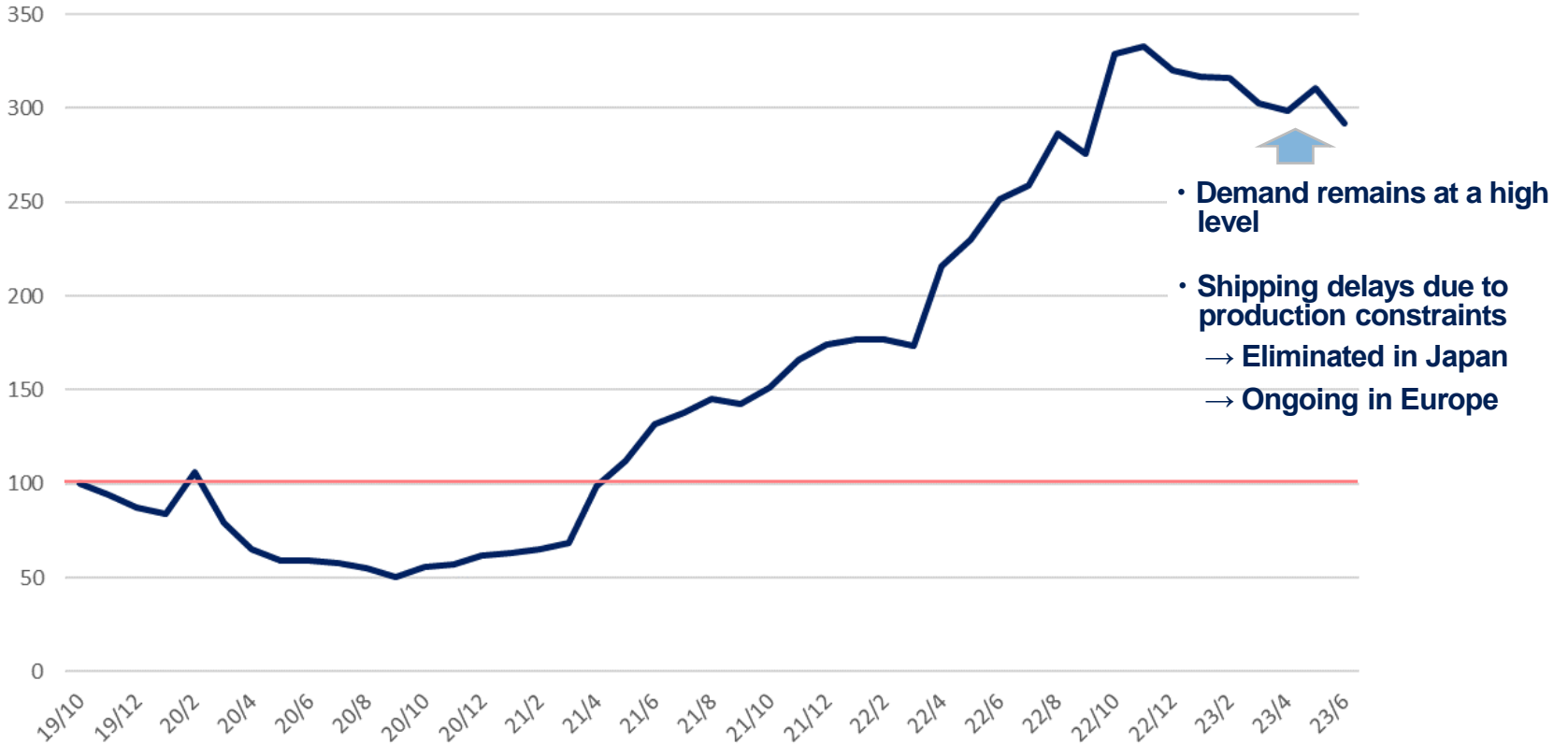
*Mobile cranes produced in China for Chinese market are excluded.

*Mobile cranes produced in Russia are excluded.

Order Backlog Trends for Mobile Cranes

- Demand remains high.
- For rough terrain cranes, production constraints have been lifted and full-scale production is under way, for all terrain cranes, production will recover from the second half; order backlog will be eliminated.

Trends in order backlog (by monetary value) in October 2019 normalized to the value of 100



Production Situation

**Planning to increase production volumes, although there are variations by product.
Production situation is recovering.**

FY 2022:

- **COVID-19 pandemic (prolonged + lockdown in China), Ukraine crisis, truck chassis supply constraints**
- **These problems affected both Japan and Germany, and production was constrained in all product segments (mobile cranes, truck loader cranes, aerial work platforms).**

Shortage of goods: Electronic components, trucks, etc.

Shortage of manpower: Delays in delivery of outsourced products, logistics delays

FY 2023:

- **Production constraints have been eliminated in Japan except for aerial work platforms, while production in Germany continues to face challenges.**

Japan

- Mobile cranes: Production constraints have been eliminated and production has returned to full capacity.
- Truck loader cranes: Demand is increasing as truck registrations are recovering.
- Aerial work platforms: Truck chassis supply constraints will be eased to a certain level in the first half.

Germany

- Procurement of can manufacturing parts is recovering, but challenges in hydraulic parts procurement are still ongoing. Multi-sourcing strategy is being implemented (from Japanese suppliers in addition to European suppliers).

Progress in Restructuring of European Operations

- Despite the uncertain outlook for the European economy, global demand and orders remain strong. On the other hand, production constraints are prolonged and profits continue to decline due to deteriorating production efficiency and rising raw material prices, etc.
- Under the leadership of the new CEO of Tadano Europe, Kenichi Sawada, we will accelerate efforts to establish optimal development and production systems that only Tadano can achieve by combining the strengths of Japan and Germany. We will also continue efforts to build a relationship in which both parties can express their thoughts and ideas freely. (Towards a true One Tadano)
 - Japan's strengths: High quality, stability in terms of costs and delivery times
 - Germany's strengths: Cutting-edge technologies, environmental consideration

Concrete Actions:

- ✓ Review of product lineup
 - ⇒ **Work on product development and cost reduction through collaboration between Japan and Germany (strengthening cost awareness).**
- ✓ Establishment of an optimal production system in collaboration with Japan
 - ⇒ **Strengthen procurement and production in Japan to eliminate ongoing production constraints.**
- ✓ Quality Desk
 - ⇒ **Spread Japan's strengths of high quality and quick response (initial response) to Germany.**
- ✓ Tadano Europe Research Center
 - ⇒ **Apply the latest trends to product development and manufacturing for the entire Group.**

Highlights

Highlights: Introduction of New Products

Launch of AT-280XTG, a compact aerial work platform with an ultra-lightweight boom

In April 2023, Tadano released a new aerial work platform, the AT-280XTG. The new model, although downsized from the previous model, has a maximum platform height of 28 meters, higher than the previous model's 27 meters. Due to its compact vehicle size, the AT-280XTG can be driven with a semi-mid-sized motor vehicle license. In addition, the new model features improved fuel efficiency and reduced CO₂ emissions compared to conventional models, thereby contributing to environmental improvement.



AT-280XTG

Launch of two new truck crane models for the United States and Canada, GT-1200XL-2 and GT-800XL-2

The GT-1200XL-2 and GT-800XL-2 were launched in April 2023 as new truck crane models built with many of the same field-proven, reliable components as Tadano GR Series rough terrain cranes, which are highly acclaimed in North America. With a width of 2.6 meters, these models meet stringent axle load regulation requirements, so special permits for transport can be obtained easily. They are also equipped with boom dolly mounting supports to meet the most stringent axle load limits in certain states.



GT-1200XL-2



GT-800XL-2

Highlights: CONEXPO 2023

Products and solutions for achieving net zero carbon emissions

In March 2023, the Tadano Group unveiled a new product lineup at CONEXPO-CON/AGG 2023, one of the world's largest construction machinery exhibitions held in Las Vegas, USA. We are proud that our new products offer superior usability and efficiency while featuring innovative technologies to reduce environmental impact, such as electrification. Going forward, we will continue to lead the lifting equipment industry toward achieving net zero carbon emissions, by carrying out "Tadano Green Solutions."



<Products and solutions for CO₂ emissions reduction>

- "GR-250N EVOLT" and "GR-1000XLL EVOLT" are the world's first fully electric rough terrain cranes, with zero CO₂ emissions.
- The "e-PACK" Electric Power Unit makes it possible to perform crane operations without starting the engine with an external power source.
- The Hybrid All Terrain Crane makes it possible to perform crane operations with an external power supply such as a battery or generator.
- The Auxiliary Power Unit (APU) makes it possible to use air conditioning and cabin power supply during standby.
- An electric aerial work platform and an electric model of the CC 88.1600-1 crawler crane are also under research and development.

Highlights: Sustainability Promotion

Reconstruction assistance for the Turkey-Syria Earthquake, and humanitarian aid for Ukraine

We donated an ATF50G-3 all terrain crane to the Turkish government to support the ongoing recovery and reconstruction efforts in the areas affected by the Turkey-Syria Earthquake, which occurred in February 2023. Regarding the ongoing conflict in Russia and Ukraine, we donated approximately ten million Japanese yen to the Japanese Red Cross Society in March 2022 to provide humanitarian assistance to people in Ukraine and those who have fled to neighboring countries. Since the same month, the Tadano Group has suspended shipments of products and parts to Russia and Belarus, as well as to the self-proclaimed Donetsk People's Republic and Luhansk People's Republic.



Introduction of job challenge and Internal FA Programs

While supporting the education and development of individual employees, we have introduced a “job challenge system” to provide opportunities for employees to actively take on challenging jobs. In 2022, as an initiative to provide opportunities for employees who empathize with the needs of the organization and are willing to take on challenges, we implemented an overseas job challenge program through a company-wide open application system. In April 2023, we also introduced an Internal FA Program which allows eligible employees to solicit offers from other departments.



**Pursuing Further Excellence
for the World and the Future.**