

Mid-Term Management Plan (21-23)

Basic Policy

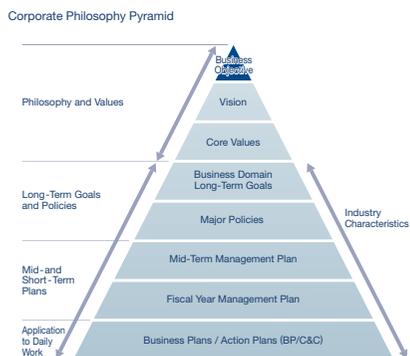
Pursuing Further Excellence, Focusing on the Tadano Red Arrow Winning Both the “Battles in Front of Us” and the “Battle with the Times”

Tadano Group's Corporate Philosophy Pyramid

The Tadano Group upholds its business objective of “implementing the corporate philosophy (creation, contribution, cooperation), our vision of “pursuing further excellence for the world and the future,” and core values of “C+SQE (SQE based on C).” These are the philosophy and values we hold sacred and that will remain unchanged no matter how the external environment changes.

On that basis, we have identified lifting equipment as our business domain and declared as our long-term goals becoming No.1 worldwide in the lifting equipment industry, attaining a sales ratio of 80% outside of Japan, and becoming a company with stable and high profitability (attaining an average operating margin of 20%).

“Our core values, “C+SQE (SQE based on C),” represent that compliance forms the foundation of all our actions. We will always uphold our core values of “Safety First, Quality Second, Efficiency Third” in this critical order of priority.



From the perspective of demographics, lifting equipment is a growth industry and one that we believe has major potential in the long term. However, in the short- and mid-term, demand tends to be volatile despite the uptrends in the long term. Moreover, not only the lifting equipment industry, but business conditions and the economy in general are currently facing an era of instability. In these times of dramatic change, we will take on the challenge of making various changes ourselves, working united as a Group to become a leader in the lifting equipment industry.

Background to Revision of Mid-Term Management Plan (20-22)

To realize sustainable growth and the mid- to long-term enhancement of corporate value, the Tadano Group formulates a Mid-Term Management Plan every three years. It announced the Mid-Term Management Plan (20-22) in April 2020. However, fiscal year 2020 was an extremely difficult year for us. In addition to the slowdown in global markets resulting from the coronavirus disruption, we also faced a number of challenges that were particular to the Tadano Group, including strategic restructuring in our German subsidiaries and the continuing negotiations with the United States regarding past emissions regulations programs. Moreover, the effects of the coronavirus disruption have accelerated changes that were already in motion, such as changes in the way we work and increasing awareness of environmental problems. In the midst of such change, expectations for the benefits of electrification and other new technologies have grown rapidly. In times of dramatic change, a slow start could put our company in a disadvantaged position. On the other hand, I believe that this same change can also lead us to further opportunities in our efforts to become an industry leader. With this in mind, we decided to revise our plan in the form of the Mid-Term Management Plan (21-23).

Context

We have summarized the context of the Mid-Term Management Plan (21-23), which starts in fiscal year 2021, in the following three points.

- Overcoming Corona, Growing Organically Toward Becoming No.1 Worldwide in the Lifting Equipment Industry**
We must overcome the impact of the COVID-19 pandemic on the market and business results and achieve further growth. Due to the three major initiatives (acquisition of Demag Mobile Cranes business, construction of Kozai plant, and establishment of Indian joint venture) that were implemented under the Mid-Term Management Plan (17-19) as the “Tadano Yellow Arrow, we have refrained from large investments for the past several years, and our key challenge will be how we can prepare the ingredients we have for future growth and leaps forward. It is in that respect that we have adopted the term “organic growth.”
- Enhancing Centrifugal Force (Empowerment) and Centripetal Force (Control), Balancing Both at a High Level**
“Centrifugal force” refers to our individual businesses and divisions acquiring self-discipline and the ability to develop in a self-contained way at a high standard, while “centripetal force” refers to developing the ability to band the Tadano Group together as a single entity that is heading toward globalization (One Tadano). If we are unable to balance these two forces to a high degree, we will not be able to grow into a truly global company.
- Beginning to Shift Focus From Lifting Equipment to Lifting Solutions**
Currently, our business is the sale of products equipped with crane functions, but as the use of IoT and AI spreads rapidly due to innovation in digital technology, we will integrate digital technology into our products and adapt our business model. Specifically, we aim to respond to the needs of customers and construction sites by offering not only tangible products but also intangible solution services that focus on the lifting function.

Basic Policy

The basic policy for the Mid-Term Management Plan (21-23) is “Pursuing Further Excellence, Focusing on the Tadano Red Arrow” and “Winning Both the ‘Battles in Front of Us’ and the ‘Battle with the Times.’”

A company of “further excellence” is one that meets the following five requirements. In an environment that it cannot control, namely “market: demand and exchange rate” (Blue Arrow), the Tadano Group focuses on “self-support effort” in business (Red Arrow), to which it adds the outcomes of “investment” (Yellow Arrow) to deliver “performance” (Black Arrow). The basic policy of the Mid-Term Management Plan (21-23) is to “focus on the Tadano Red Arrow” in the pursuit of “further excellence.”



“Battles in Front of Us” means responding to and overcoming the immediate economic climate and fluctuations in demand and winning against our competitors. “Battle with the Times” refers to responding to technological innovation and changes in the demand structure amid the rapid, complex, and extreme changes in the times. By continuing to win both the “Battles in Front of Us” and the “Battle with the Times” at the same time, we hope to grow sustainably as a company and increase our corporate value.

Basic Policy

Pursuing Further Excellence, Focusing on the Tadano Red Arrow

“Further Excellence” means:

- Being a Robust Company
- Being a Company that Continues to Evolve
- Being a Company that Benefits Society and Customers
- Being a Company that Earns the Esteem of the Greater World
- Being a Company that Earns the Pride of its Employees



Basic Policy

Winning Both the “Battles in Front of Us” and the “Battle with the Times”

“Battles in Front of Us” include the way we deal with the current state of the economy and demand, as well as how we engage the competition

“Battle with the Times” includes how we deal with rapid, complex and extreme changes in technology and structural changes in demand

Priority Points

The following five points have been chosen as the priority points of the Mid-Term Management Plan (21-23).

- Maximize Tadano Group Synergy**
To achieve long-term profit growth, we will work to maximize Group synergy as a united Group under the keyword of “One Tadano.”
- Increase Resilience**
We aim to bolster our resilience to change and achieve stable growth given the high volatility of the lifting equipment industry, which is susceptible to changes in the external environment and demand.
- Enhance Competitiveness**
We need to deliver products and services with greater added value than those offered by our competitors to ensure that we will continue to be the first choice for our customers. To this end, we aim to be a manufacturer with four synergistic strengths optimally combined to achieve excellence: product competitiveness, product quality, service capability (including parts), and used crane liquidity.
- Engage in ESG and SDGs**
We promote ESG and SDGs initiatives mainly through our products and services that derive from our corporate activities throughout the value chain of “Designing, Manufacturing, Delivering and Servicing.”
- Digital Transformation and Green Transformation Initiatives**
We will engage in the provision of solutions and operational reforms through the adoption of digital, AI, and telecommunications technologies, the deployment of environmentally friendly products and services such as electrification, and the establishment of an Advanced Technology Research Center in Europe.

Strategies

We will work on the following nine strategies to realize the basic policy and priority points of the Mid-Term Management Plan (21-23).

- Strengthen Market Position**
 - Enhance the Four Synergetic Strengths**
 - Engage in Global and Flexible *Monozukuri****
 - Improve Life Cycle Value**
 - Implement Electrification and AI Solutions**
 - Ensure a Robust Financial Base**
 - Strengthen the Tadano Group and Global Management Structure (Restructuring of European Operations, Growth of Indian Operations)**
 - Digital Transformation and Green Transformation Initiatives**
 - Empower Human Resources**
- * *Monozukuri* = Manufacturing with a focus on continuous improvement

Management Targets

In the Mid-Term Management Plan (21-23), we have adopted net sales, operating profit, operating margin, outside-Japan sales ratio, and ROIC as indicators for the measurement of progress. Management targets for fiscal year 2023, the final year of the Plan, are net sales of 275 billion yen, operating profit of 27.5 billion yen, an operating margin of 10.0%, outside-Japan sales ratio of 66.9% (overseas net sales of 184 billion yen), and ROIC of more than 8.0%.

	FY 2020	FY 2023 Targets
Net Sales	186 billion yen	275 billion yen
Operating Profit	(4.2 billion yen)	27.5 billion yen
Operating Margin	(2.3%)	10.0%
Outside Japan Sales Ratio	49.9%	66.9%
ROIC	(2.1%)	more than 8.0%

ROIC: Return on invested capital after tax Exchange rate assumptions: 105 JPY/USD; 125 JPY/EUR
Invested capital = Net assets + interest-bearing debt
(calculated as average of amount at end of previous fiscal year and end of fiscal year under review)