

TOP MESSAGE

“We will maximize the profitability of our European operations and strengthen our markets outside of Japan to bring certainty to our growth trajectory.”



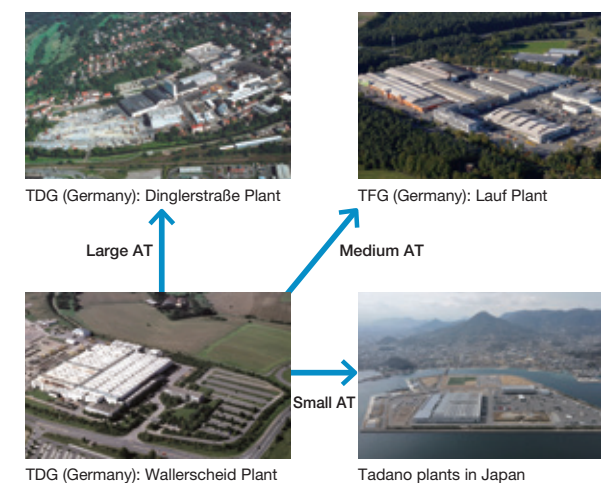
President, CEO, and
Representative Director
Toshiaki Ujiie

A solid start to the Mid-Term Management Plan (24-26) in its first year

In our financial results for FY 2024, although sales reached a record high level of 291,500 million yen (104.0% year on year), profit attributable to owners of parent fell to 6,642 million yen (85.5% year on year). The recording in extraordinary losses of plant reorganization-related costs associated with rebuilding our European operations had no small impact on these results. After acquiring Demag's crane business (now Tadano Demag GmbH; "TDG") in 2019, we proceeded to integrate its operations with the existing Tadano Faun GmbH ("TFG") with the aims of demonstrating synergies as a group and turning an early profit. However, due to the impact of the COVID-19 pandemic that began in 2020, the subsequent turmoil in the supply chain caused by the Russia-Ukraine conflict, and other factors, despite implementing measures to improve profitability, including business revitalization procedures, we have not yet managed to turn a profit. Under these circumstances, with the aim of further improvement of production efficiency, we decided to consolidate our German production into two locations and to transfer some production to Japan at the same time. This led to the decision to close and sell TDG's Wollerscheid Plant in June 2025. Maximizing the profitability of our European operations as One Tadano by building a production network that takes maximum advantage of the strengths of Germany and Japan is one of the basic strategies of the Mid-Term Management Plan (24-26). At this point in time, we are making good progress.

Regarding another of our basic strategies, "Venturing into new areas," we achieved a significant milestone with the acquisition of what is now Tadano Utilities ("TUL"; formerly Nagano Industry), a producer of aerial work platforms, in February 2024, and the Manitex Group, which has a wide range of products, including truck loader cranes, in January 2025. As such, my sense is that we made a satisfactory start in the first year of the Mid-Term Management Plan.

In terms of the outlook for FY 2025, we expect to achieve record high sales, partly due to the effects of our acquisitions, and for profit attributable to owners of parent to increase significantly in a rebound from the recording of extraordinary losses in FY 2024. We expect the maximization of profits in the European operations to happen in FY 2026 or later.



We are working to build relationships with suppliers, which hold the key to increasing profits

I will take this opportunity to explain the process for maximizing profitability of European operations once more. The Wollerscheid Plant is to be closed by the end of June this year, and it will later be sold. We plan to complete the work of transferring operations to the Dingerstraße Plant in Germany, which produces large all terrain cranes, and the Lauf Plant, also in Germany, which produces medium all terrain cranes, by the end of June 2025. Regarding the production of small all terrain cranes in Japan, after the Marugame Plant, which produces large components, is completed by the end of 2025, we plan to progressively start production from the beginning of 2026.

The key to maximizing profitability going forward lies in our ties with our suppliers of various components. The impact of the COVID-19 pandemic, as well as the Russia-Ukraine conflict, caused disruptions to supply from our suppliers in Central and Eastern Europe, but things are now almost back to normal. Nevertheless, because the Wollerscheid Plant closure has caused our suppliers some unease about the future, I have taken the initiative to call on those suppliers, and I am in the process of explaining our future growth strategies to them. As a result, we have been able to build even stronger relationships of trust with several of those suppliers. Tadano and its suppliers in Japan formed the "Tadano Kyoei Society" some time ago, through which we closely share information about the Tadano Group's production plans and the like. I would like to build a similar relationship with our suppliers in Europe as well.

The specifications of all terrain cranes (AT), which can be driven on paved roads as well as irregular terrains (off-road), must comply with the road regulations of the various countries. For example, ATs that comply with Japan's road traffic laws cannot be driven on public roads virtually anywhere outside Japan. However, ATs products manufactured in line with European road regulations can basically be driven anywhere in the world, including the Americas, as they are. Also, because they are manufactured in compliance with strict road regulations, Europe-made cranes have become increasingly lighter in weight. That technology has a slight edge.

The Tadano Group's share of the global AT market has currently fallen to single digits from the 25% we enjoyed prior to acquiring the two German companies. However, this is the result of efforts to narrow our operations down to more profitable models and regions in the wake of the restrictions on production that occurred several years ago. Going forward, by making products that are competitive in all respects, including the advantage of having production sites in Europe, the improvement of productivity resulting from the consolidation of production, and the reliability of performance and products, we will once again expand our global market share.



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We will use M&A to increase the presence of the Tadano Group in markets outside of Japan

If we look at the ratios of the Tadano Group's sales in Japan, mobile cranes account for 50%, while Aerial work platforms (AWP) and truck loader cranes together account for 40%. By contrast, mobile cranes account for almost all of our sales outside Japan, and we want to change that to similar percentages as the Japan market. To lay the groundwork for this, I mentioned earlier our acquisition of the former Nagano Industry (now TUL) and the Manitex Group.

To help you understand the significance of these acquisitions, if we look at the AWP market, it is, in fact, larger than the market for mobile cranes, which makes it extremely attractive. As a late entrant to the global market, TUL will aim to penetrate the market with niche products. For example, its high-capacity AWP, which can lift workers and materials at once, have no equivalent in the global market, including the North American market, so we have high hopes that they will be accepted as a novel concept. Taking advantage of the high profile of the Tadano brand for cranes, we will aim to popularize our AWP in Europe and the Americas.

In addition, truck loader cranes are essential for carrying loads. In terms of the order of tasks on construction sites, there is demand for truck loader cranes both before and after the processes where large mobile cranes come into play. Large mobile cranes, which account for a large percentage of the Group's sales, are inherently characterized by high demand volatility due to fluctuations in construction investment and demand and changes in overall economic conditions. By contrast, the truck loader crane business experiences more stable demand cycles. As such, strengthening and expanding this business will enable us to benefit from greater earnings stability.

The boom trucks manufactured by Manitex handle upper structures (slewing bodies) that are mounted on large trucks commercially available in the United States. As such, they do not compete with the Tadano Group's truck cranes, which are manufactured as a finished product combined with the truck. However, they are similar in that they are both cranes, so by replacing the components procured by Manitex with those manufactured by the Tadano Group or our partner companies, we will be able to enhance their reliability and increase their price competitiveness. Manitex already has a 30% share of the Pan-American market, but by making more reliable products, we hope to increase our presence in that market.

We will acquire the transportation systems business of IHI Transport Machinery Co., Ltd. by around July 2025. That company specializes in static cranes and bulk handling systems. We can expect demand for static cranes for on-shore and off-shore wind power plants overseas, so by leveraging Tadano's brand power, we will focus our efforts on opening up the Pan-American and Oceania markets. Bulk handling systems are used to transport coal from the ship to the conveyor belt on land at coal-fired power stations. While the decarbonization trend means that we cannot expect the construction of new thermal power stations, if we consider the continued expansion of electricity demand, existing coal-fired

power stations are expected to remain in operation well into the future, so we can anticipate a certain level of demand for maintenance and repair work going forward. We also believe that we can expect demand for conveyance in new areas, such as biomass and other alternative energy sources, as well as future mining developments. We also have the advantage of being able to apply Germany-based TDG's technology for processing lightweight, high-tensile-strength steel materials to static cranes.

As the number of Group companies continues to increase, we are currently building a purchasing system that can be shared by all Group companies. Making the product numbers of all procured items visible will lead to more efficient, less wasteful purchasing, which we expect to contribute to cost reductions. This will be one option for the future expansion of business and overseas expansion, and we will actively consider it within the scope of lifting equipment, the core business domain of the Tadano Group.

Increased future-oriented investments will be allocated to new equipment establishment and replacement at acquired companies

In the "Management in consideration of capital cost and stock price" section of the Mid-Term Management Plan as it was originally presented, we indicated clearly that we would allocate the funds generated from business activities to future-oriented investments for growth and stable management and that we would return surplus funds to shareholders on an ongoing basis. Specifically, from a total of 140 billion yen, comprising existing business cash flow, cash on hand, and unused borrowing facilities, 30 billion yen would be allocated to future-oriented investments, 60-70 billion yen to working capital, 28-40 billion yen to reduction of interest-bearing debt, and 10-12 billion yen to shareholder returns. We also mentioned that, regarding the 28-40 billion yen for the reduction of interest-bearing debt, we also have the option of allocating those funds to investments if doing so would earn returns that meet the ROE and ROIC targets. In that vein, we allocated funds to the acquisitions that I mentioned earlier.

We repaid 40 billion yen in interest-bearing debt and subsequently took out new loans. In doing so, we added an extra 30 billion yen in future-oriented investments, bringing that allocation to 60 billion yen. Regarding what those funds will be used for, we are considering allocating them as a priority to future-oriented investments in new equipment establishment and replacement at the three acquired companies. In addition, the Shido Plant, which serves as the mother factory of the Tadano Group, and our headquarters building Takamatsu are aging, so we intend to allocate investment toward improving these facilities to create a more comfortable working environment for our employees.

Among our targets for 2026 of ROIC of 8.0%, ROE of 9.5%, and dividend payout ratio of 30%, ROE fell to 3.6% due to the recording in extraordinary losses of plant reorganization-related

costs associated with rebuilding our European operations in FY 2024. While the numbers may fluctuate due to special factors, we are confident that we will be able to achieve our target for ROE of 9.5%, as well as our ROIC target of 8.0%, in 2026.

In the pursuit of ROIC-oriented management, I believe that we need to instill the concept in our employees in a way that is easy for them to understand. The key question is how much return we can generate on the capital that we have invested, which includes not only the equity provided by our shareholders, but also the funds that we have been able to borrow thanks to the creditworthiness that we have built up over time. On the other hand, while taking on more debt without limits may increase ROE, it does raise concerns about financial safety. Therefore, we need to consider what level of debt, as a percentage of equity, would be regarded as safe. We will create opportunities to explain these kinds of concepts in more easily understood ways to all employees and strive to practice ROIC-oriented management as a united team across our entire organization. Also, by steadily progressing initiatives to maximize the profitability of our European operations, we will aim to achieve a P/B (Price-to-Book) ratio of 1.0x.



To realize even further growth, we will focus efforts on improving employee engagement and motivation

To ensure the Tadano Group's sustainable growth, the strengthening of our human resource base is essential. Until now, our recruitment efforts have centered on Takamatsu, where our head office is based, but we now need to pursue recruitment that is not limited to that area. The relocation of our Tokyo Office from Ryogoku to Kanda led to an increase in applicants. Additionally, our research and development division was previously based in Takamatsu, but we have now extended it to Tokyo as well. We will also seek out new human resources in India, where we have opened a back-up office, and the Philippines, where we will establish a site in future.

We will further create a workplace environment that will make our new employees want to keep working with us for the long term. In response to voices expressing a desire to develop leadership skills or to become professional human resources, we will continue to enhance our education and training programs. And above all, I believe that it is vital that we indicate clearly a future vision of the Tadano Group continuing to grow steadily into the future.

We are steadily treading the path toward growth in line with the Mid-Term Management Plan (24-26) announced by the Tadano Group last year. In accomplishing the Mid-Term Management Plan (24-26) and realizing further growth beyond that, I believe that the most important thing is to improve employee engagement and motivation. As well as the further promotion of investment in human capital, we intend to research the degree of employee engagement in each division and follow up meticulously. I hope you will look forward to the future growth of the Tadano Group.

*This message is based on interviews conducted in March 2024.

