

[English Translation]



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**Agreement with US Government to Civil Penalty Settlement in Relation to
US Regulations Concerning the Transition Program for Equipment Manufacturers**

In a public press release dated January 19, 2018 and titled “Self Reporting to the U.S. Environmental Protection Agency Regarding U.S. Regulations Concerning the Transition Program for Equipment Manufacturers,” the Tadano Group disclosed the possibility that, in regards to a certain number of engines mounted on mobile cranes imported to and sold in the United States, the company may not have met all requirements of a program for accommodating equipment manufacturers with flexibility in complying with more demanding exhaust regulations in the United States.

The Tadano Group has reached an agreement with the relevant United States Government agencies the Environmental Protection Agency (EPA) and the Department of Justice (DOJ) to a settlement of this matter, including the payment of a civil penalty and contributions to an environmental mitigation project. The Tadano Group is continuing to make every effort to prevent recurrence and ensure compliance with laws and regulations.

1. Background

The EPA established the Transition Program for Equipment Manufacturers (“TPEM”)*, as a program for accommodating equipment manufacturers with limited flexibility in complying with more demanding exhaust emissions regulations applied to equipment engines.

Tadano Ltd. and its U.S. subsidiary companies Tadano America Corporation (with headquarters in Houston, TX) and Tadano Mantis Corporation (with headquarters in Franklin, TN) and its German subsidiary Tadano Faun GmbH (with headquarters in Lauf an der Pegnitz, Germany) became aware that certain TPEM requirements for a certain number of engines mounted on mobile cranes imported to and sold in the United States likely were not met during the period from 2011 to 2017, and Tadano’s U.S. subsidiaries submitted a self-report to EPA that provided details learned from an independent investigation conducted by a U.S. law firm. Thereafter, the Tadano Group fully cooperated with the EPA and DOJ in all subsequent discussions and requests for information.

This is an English translation of the release made in the Japanese language. If there is any difference in its substance or meaning, the Japanese version shall prevail.

* TPEM allows for the sales of a certain limited number of cranes installed with engines that do not meet the most stringent emission control requirements that otherwise would apply, for a certain period of time in the United States as long as the cranes and their engines meet with certain conditions and the crane manufacturer satisfies certain reporting requirements.

2. Final Agreement

The Tadano Group has reached an agreement with the relevant United States Government agencies for a civil penalty of \$40 million and contributions of \$3.2 million to an environmental mitigation project.

3. Impact on consolidated financial results

Due to the fact that the entire amount of the settlement payment for this matter is covered by provisions taken in USD in previous fiscal years, there will be no impact to the company's business results for the current fiscal year. Furthermore, since the company's self reporting on this matter, the Tadano Group has been selling only cranes with engines meeting the most demanding United States exhaust requirements. Thus, this matter has no impact on cranes currently being sold by the Tadano Group.

4. Root Causes and Recurrence Prevention

Since the 2011 fiscal year, the Tadano Group increased the volume of sales in markets outside of Japan, including the U.S. market. Amid that growth, the Tadano Group continued to import and sell cranes in the United States, despite not fully confirming whether the TPEM requirements were met in full. The United States government has indicated that the Tadano Group sold cranes in excess of the TPEM allowances and failed to submit required annual reports, among other matters.

The investigation regarding this matter found that three major structural and organizational issues were the fundamental source of the problems, rather than being the result of a single individual's specific decisions or actions. The fundamental Tadano Group organizational failures included: 1) the Company did not sufficiently gather and process regulatory information, 2) Tadano Group companies in Japan, the United States, and Germany made preparations independently of each other and did not clearly communicate information or work on alignment together, and 3) the Company did not have an effective organizational structure for managing regulatory compliance related to the emissions rules, including the employment of personnel with relevant expertise.

Since the self-report of this matter to the United States government, the Tadano Group has implemented the recurrence prevention measures listed below. The Tadano Group will continue to engage in integrative initiatives for strengthening our legal compliance capabilities at the global level, in addition to focusing on the quick and effective recruitment of personnel with further professional expertise.

<Enhancement of the Processing of Regulatory Information and Confirming

Compliance with Laws and Regulations at All Levels of the Tadano Group>

- Investigation of and response to product-related legal requirements, such as engine regulations, especially in Japan, the U.S., and Europe
- Clarification of assignments and responsibilities of the company departments in charge of collecting and confirming regulatory information
- Clarification of the proper channels for sharing of information within the Tadano Group
- Establishment and execution of the Tadano Group Compliance Regulations
- Establishment of an internal reporting system for all Tadano Group companies worldwide.

<Organizational and Personnel Enhancements>

- Active hiring of personnel with regulatory expertise and legal qualifications
- Enhancement of the organization to strengthen its governance structure
⇒ Establishment of Compliance Officer (CO) roles and a Compliance Office, among other initiatives
- Revision and thorough communication of the Tadano Group Core Values
“C+SQE: Safety, Quality, and Efficiency based on Compliance.”
- Continuous implementation of periodic compliance educational initiatives.