



[English Translation]

To whom it may concern:

January 29, 2021

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**Extraordinary Loss Related to Violation of U.S. Emission Regulations and Downward
Revision of Forecasted FY 2020 Financial Results**

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 that it had self-reported to the United States Environmental Protection Agency (EPA) in regards to possible violations of a program for accommodating equipment manufacturers with flexibility in complying with more demanding exhaust regulations in the United States.

The Tadano Group has received notification from the EPA and the U.S. Department of Justice (DOJ) of a proposed civil penalty amount and other terms and conditions for agreement.

Upon receipt of such notification, the Tadano Group has recognized an extraordinary loss in its FY 2020 third quarter financial results and has revised its forecasted results for FY 2020.

1. Background from Past Disclosures

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 and its U.S. subsidiary companies Tadano America Corporation (with headquarters in Houston, TX) and Tadano Mantis Corporation (with headquarters in Franklin, TN) and Tadano’s German subsidiary Tadano Faun GmbH (with headquarters in Lauf an der Pegnitz, Germany) became aware that certain TPEM requirements 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. While continuing to provide the EPA and DOJ with all requested information, the Tadano Group entered into a confidentiality agreement with the United States Government and continues to cooperate in discussion with the concerned agencies.

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* 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. Disclosure of Ongoing Procedures

As part of resolving the United States government's proposed findings of violations of the TPEM requirements, the EPA and the DOJ have proposed a civil penalty of 40.5 million dollars, in addition to certain other terms and conditions for agreement yet to be determined.

Tadano continues to fully cooperate in ongoing discussions with the EPA and DOJ and will make further disclosures once discussions have been finalized.

From and after the time of our self-report, the Tadano Group has only sold cranes in the United States with engines meeting the most demanding exhaust requirements, and this matter has no impact on cranes currently being sold in the United States.

3. Provision for Extraordinary Loss

Due to the difficulty of reasonably estimating the relevant penalties prior to notification from the EPA and DOJ, Tadano has been unable to reflect their impact in prior consolidated or non-consolidated financial disclosures.

Tadano is now able to reasonably estimate incurred expenses and is making a provision of allowance of 4 billion 207 million yen for "losses related to violations of emission regulations."

4. Revision of Forecasted Results

As a result of the provision for losses related to violations of emission regulations, Tadano revises the forecast for full year FY 2020 results, previously disclosed on October 30, 2020, as follows:

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Forecast for Consolidated Financial Results FY 2020

(April 1, 2020 through March 31, 2021)

	Net Sales	Operating Income	Ordinary Income	Net income attributable to owners of the parent	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Prior Forecast (A)	182,000	(4,700)	(6,200)	(7,900)	(62.36)
Revised Forecast (B)	182,000	(4,700)	(6,200)	(10,900)	(86.03)
Difference (B-A)	—	—	—	(3,000)	
Percentage Change (%)	—	—	—	—	
FY 2019 Results (Reference)	227,949	13,949	13,791	6,433	50.80

Assumed exchange rates for FY 2020 fourth quarter are 105 yen/dollar and 125 yen/euro. The forecast above has been created based on information available at the time of this disclosure. Actual business results may vary according to various effects incurred hereafter.

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