TADANO

ANNUAL REPORT

2009

Lifting your dreams

TADANO

Established in 1948, TADANO Ltd. is the world's largest manufacturer of hydraulic construction cranes, including heavy-duty mobile truck cranes, rough terrain cranes, all terrain cranes, and truck loader cranes with wide-ranging applications. The Company also manufactures a comprehensive lineup of crane-related equipment, including self-loaders and aerial work platforms, and strives to broaden the role of cranes by incorporating leading-edge technologies that enhance design and operability. In addition, TADANO emphasizes supplying parts and services that satisfy the diverse needs of its customers.

TADANO maintains four production facilities and nearly 40 sales offices throughout Japan. Overseas, the Company is continuing to expand its sales networks in Europe through its wholly-owned German subsidiaries FAUN GmbH and TADANO FAUN GmbH, and in the United States through its subsidiary TADANO America Corporation.

In the Asian market, TADANO is marketing its products directly through several joint-venture companies.

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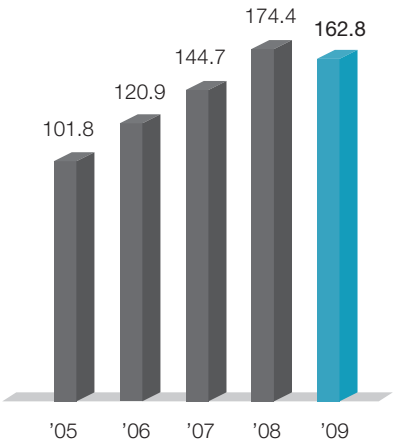
FINANCIAL HIGHLIGHTS

TADANO Ltd. and consolidated subsidiaries
Years ended March 31, 2009, 2008 and 2007

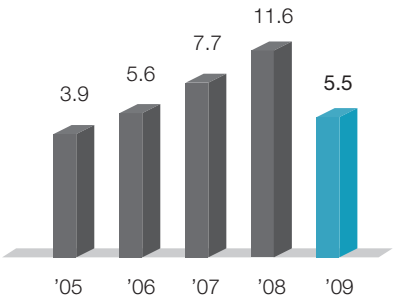
	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Net sales	**¥162,768**	¥174,360	¥144,693	**$ 1,660,898**
Operating income	**10,366**	17,961	12,762	**105,776**
Net income	**5,539**	11,620	7,689	**56,520**
Total assets	**176,465**	177,405	163,252	**1,800,663**
Net property, plant and equipment	**37,913**	36,152	29,972	**386,867**
Total equity	**86,461**	87,491	79,353	**882,255**
Per share of common stock:	Yen			U.S. dollars
Basic net income	**¥ 43.56**	¥ 91.32	¥ 60.08	**$ 0.44**
Diluted net income	**-**	-	60.08	**-**
Cash dividends	**16.00**	16.00	12.00	**0.16**

Note: U.S. dollar figures have been translated into yen at the rate of ¥98 = US$1 for convenience only.

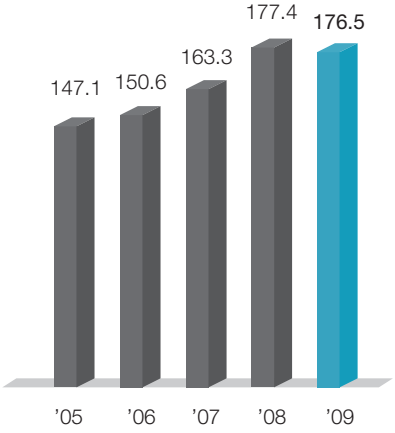
Net sales (Billions of yen)



Net income (Billions of yen)



Total assets (Billions of yen)



TO OUR SHAREHOLDERS

Koichi Tadano
President and C.E.O., Representative Director

TADANO Ltd., the parent company of the TADANO Group, was founded as an independent enterprise in 1919. In 1948, following the conclusion of World War II, we recommenced business as a joint-stock company led by Masuo Tadano with only four employees and paid-in capital of ¥500,000.

TADANO believes the genuine value of a company lies in its contribution to society and that any monetary profit the corporation earns must be the result of activities that benefit society. Based on this corporate philosophy, and in the spirit of cooperation between management and employees, the Company has contributed to society as a pioneer in the field of hydraulic cranes.

By adhering to this sound corporate philosophy, TADANO has grown into a group that now encompasses 27 subsidiaries and 5 affiliates.

The history of TADANO is, in effect, the history of the hydraulic crane industry in Japan.

This report outlines the Group's operating environment, business activities and performance on a consolidated basis for the fiscal year ended March 31, 2009.

▶ Overview

During the period under review, the Japanese economy remained under severe pressure as corporate revenues plunged, primarily due to rising costs driven by surging raw material prices in the first half of the year and declining exports caused by the deteriorating global economy in the latter half. Personal consumption, moreover, remained weak under the influence of worsening employment and income conditions.

Under these circumstances, industry demand weakened from the start of the latter half of the fiscal year, as domestic demand for mobile cranes suddenly plunged in the wake of customers' conservative purchasing policies. Overseas demand also stagnated due to changes in the fund procurement environment as well as the suspension and postponement of energy-related projects.

The TADANO Group had boosted production in the first half of the year based on solid demand for mobile cranes in the domestic and overseas markets. However, the dramatically altered business environment necessitated extraordinary effort to secure sales as demand rapidly declined in the domestic market and weakened overseas. On the procurement and production front, we had no choice but to reverse our initial stance and adjust production to reduce inventory.

On the other hand, we sought to further enhance our LE (Lifting Equipment) business by acquiring U.S. crane maker SpanDeck, Inc. (trading name subsequently changed to TADANO MANTIS Corporation in May 2009) for US$37.5 million in December 2008.

Domestic sales fell 20.9% to ¥73,413 million compared with the previous fiscal year, as sales of mobile cranes declined in the latter half of the fiscal year. Overseas sales rose 9.6% over the previous fiscal year to ¥89,354 million due to an increase in the sales of mobile cranes in the European and North American markets. As a result, total sales decreased 6.6% to ¥162,767 million. The ratio of overseas sales to total sales was 54.9%.

TO OUR SHAREHOLDERS

Despite efforts to curtail expenses, ordinary income fell 42.5% to ¥10,331 million due to higher costs driven by rising raw material prices and declining sales in the latter half of the fiscal year. The company reported ¥517 million in gains on the reversal of allowance for bad debts as an extraordinary income, and ¥951 million in valuation losses on investment securities as an extraordinary loss. As a result, net income fell 52.3% compared with the previous fiscal year to ¥5,539 million.

In the face of these challenging times, we nevertheless recognize that corporations play a key role in ensuring harmony between society and its citizenry. The TADANO Group will therefore continue to promote business activities that contribute to the development of local and international communities and preserve the global environment. We fully intend to continue operating as a corporation that earns respect worldwide for generations to come, by living up to the expectations of all our stakeholders and by maximizing corporate value.

▶ Outlook for the Next Term

The Japanese economy is expected to sink deeper into recession as the decline in corporate revenues drags down capital investment and personal consumption slackens in the face of deteriorating conditions on the employment and income front. Harsh conditions are similarly expected to continue overseas under the growing impact of the global financial crisis and concerns over continued economic stagnation.

In the market environment surrounding the TADANO Group, we expect demand for mobile cranes to fall in the domestic market due to customers' conservative purchasing policies as well as in the overseas markets due to changes in the fund procurement environment and the suspension and postponement of energy-related projects. Domestic demand for truck loader cranes and aerial work platforms is also likely to remain weak. As a result, overall business conditions will remain harsh in the near term.

In light of the dramatic change in business conditions, the TADANO Group will for the time being suspend its Mid-Term Management Plan (08–10) to concentrate on emergency response during fiscal 2010. In concrete terms, we will reduce excess inventory caused by rapidly declining demand, secure sales by boosting market share, cut the cost of sales, and endeavor to fundamentally bring down expenses. And we will maintain a steadfast focus on quality and service, which constitute the source of our competence, by further enhancing quality and reinforcing customer service systems.

July 2009

Koichi Tadano
President and C.E.O.,
Representative Director

REVIEW OF OPERATIONS

▶ Mobile Cranes

The domestic market experienced a precipitous decline in demand as customers concerned with the economic outlook delayed purchases. Sales consequently dropped 14.8% to ¥36,091 million compared with the previous fiscal year. In overseas markets, sales rose by 17.8% to ¥73,815 million over the previous fiscal year due to expanded sales, primarily in Europe, North America and the Middle East. As a result, sales of mobile cranes rose 4.7% to ¥109,906 million compared with the previous fiscal year.

▶ Truck Loader Cranes

Demand for trucks continued to recede despite efforts to expand sales by launching new models featuring enhanced mileage and quality, resulting in a 27.3% decline in sales of truck loader cranes to ¥11,084 million compared with the previous fiscal year.

▶ Aerial Work Platforms

Demand from the telecommunications market peaked in the first half of the previous fiscal year while demand from the rental industry fell considerably due to restrained capital investment. Under these circumstances, we managed to increase our market share as efforts to expand sales paid off. Sales of aerial work platforms nevertheless dropped significantly by 20.1% to ¥11,957 million compared with the previous fiscal year.

▶ Others

Sales of used cranes declined due to the rising yen and falling demand, and total sales of parts, repairs, used cranes and other items decreased 10.9% to ¥29,818 million compared with the previous fiscal year.

▶ Overseas Operations

In fiscal 2008, the first year of the Mid-Term Management Plan (08–10) launched in April 2008, the global financial crisis that followed the Lehman Shock of September last year caused a sudden reversal in the initial upward trend of the first half of the year, resulting in a contraction in demand for construction machines and a sharp downtrend.

Despite these circumstances, the overseas sales ratio for the fiscal year reached a record-high level of 54.9% as a result of our efforts to reinforce businesses in North America, Europe and China toward our “Global 60” goal of raising the overseas sales ratio to 60% and for expanding business areas in other regions.

AT-150S
Aerial work platform

Acquisition of SpanDeck

In December 2008, we acquired SpanDeck, Inc. (currently TADANO MANTIS Corporation), a U.S. maker of telescopic boom crawler cranes.

The acquisition was intended to further enhance our LE (Lifting Equipment) business and is strategically significant in further expanding our scope of business by now adding telescopic boom crawler cranes to TADANO's product line.

Telescopic boom crawler crane
(made by SpanDeck, Inc.)

GR-600N
Rough terrain crane

Research and Development Activities

The TADANO Group (TADANO Ltd. and its consolidated subsidiaries) conducts most of its research and development at TADANO Ltd.'s R&D Division, comprising the Development Department, Development and Planning Department and the Technology Research Center. The R&D Division develops cranes, aerial work platforms and applied products for both domestic and overseas markets while also pursuing applied research into innovative, cutting-edge technologies. For the fiscal year ended March 31, 2009, total consolidated expenditures for R&D activities, including R&D material costs, personnel costs and others were ¥4,200 million.

R&D activities by business sector for the fiscal year under review are summarized below:

Major Accomplishments for Fiscal 2009

1. Construction Business

(1) Mobile Cranes

Domestic market

In rough terrain cranes, we developed four types of products (GR-120N-2, GR-160N-2, GR-250N-2, GR-600N-2) that comply with exhaust emissions regulations for special diesel vehicles (third-stage emissions control). We endeavored to further enhance both safety and quality along with environmental considerations and sought to expand sales in the market.

Overseas markets

We developed the TM-35100, the largest-class product in our boom truck lineup. The adoption of a lightweight round boom and three-stage outrigger is expected to ensure stability, and we endeavored to further expand sales.

In truck cranes, we developed the GS-300XL, featuring rigid feel, quality and safety, and targeted expanded sales in the North American market.

(2) Truck Loader Cranes

We developed the TM-E074 (0.5-tonne capacity), one of the smallest products in our lineup of truck loader cranes. We focused on usability through improved performance and standardized radio controls to expand market sales.

Manual valve specifications were also developed as an added feature for our Zest series of truck loader cranes in addition to a simplified structure for enhanced ease of maintenance as we sought to expand sales in both domestic and overseas markets.

(3) Aerial Work Platforms

We commercialized simplified hybrid specifications in consideration of the surrounding environment and to preserve the natural environment.

We are seeking to expand sales by reinforcing security and safety through the development of functions such as simultaneous centralized locking of the carrier cab and tool boxes and a pair of joysticks with an enable switch for lever operation. Both of these optional functions are being offered to the telecommunications industry.

We also sought to enhance customer satisfaction by developing through commissioned research a retractable fall prevention fence for improved safety.

2. New Areas

We developed the GA-600NR-1 as an all terrain crane with heavy lifting specifications to expand sales in the heavy lift crane market.

▶ Technology Research Center

TADANO's Technology Research Center proactively conducts cutting-edge research and development into innovative technologies in areas such as mechatronics to support the incorporation of new functions that enhance the safety and competitiveness of our LE (Lifting Equipment) products, including cranes and aerial work platforms. It also pursues new designs for construction machines to boost our brand power.

Our research efforts employ electronic control and information processing technologies to develop safety devices, enable smooth machine operation, and facilitate the highly precise positioning of lifted loads.

We are constantly seeking to establish ways for applying new, stronger and lighter materials and innovative processing methods to improve performance, while conducting experiments to reduce weight and increase durability.

In recent years, we have focused our research on operating environments to discover methods for reducing noise levels around machinery and for conserving energy.

Our Technology Research Center actively engages in joint research with private, academic and public sector partners, including universities, technical colleges and public research institutions, targeting the highest level of achievement.

ATF160G-5
All terrain crane

ZE364
Truck loader crane

BOARD OF DIRECTORS, OFFICERS AND STATUTORY AUDITORS

From left (seated):
Noriyuki Takato
Koichi Tadano

From left (standing):
Yasuyuki Yoshida
Syuji Ohyabu
Tadashi Suzuki
Nobuhiko Ito

BOARD OF DIRECTORS

President and C.E.O., Representative Director
Koichi Tadano

Vice President and Representative Director
Noriyuki Takato

Director and Senior Executive Officer
Tadashi Suzuki

Director and Executive Officer
Syuji Ohyabu

Directors
Nobuhiko Ito*
Yasuyuki Yoshida*

OFFICERS

Executive Officers
Alexander Knecht
Hisao Kitano

Officers
Seiji Tadano
Minoru Sakuta
Tomohiro Ikegami
Hidemi Uchida
Yoshihito Kodama
Tetsuya Kubo
Yoshiaki Tsuchitani
Tamaki Okuyama
Kenichi Sawada
Yoichiro Nishi
Shinichi Iimura
Chikashi Kawamoto

STATUTORY AUDITORS

Full-time Corporate Auditors
Masaharu Nakanishi
Yoshihide Ugawa
Hirofumi Ishikawa*

Corporate Auditor
Yuichiro Miyake*

* The sign is an outside director and an outside auditor.

CONSOLIDATED BALANCE SHEETS

TADANO LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
ASSETS			
Current assets:			
Cash and cash equivalents	**¥ 21,396**	¥ 22,035	**$ 218,327**
Short-term investments	**70**	168	**714**
Notes and accounts receivable (Note 3):			
Trade	**40,118**	55,691	**409,367**
Unconsolidated subsidiaries and affiliates	**440**	297	**4,490**
Allowance for doubtful accounts	**(1,481)**	(2,255)	**(15,112)**
Inventories (Note 5)	**51,003**	39,948	**520,439**
Deferred tax assets (Note 10)	**3,680**	3,550	**37,551**
Other current assets	**8,173**	8,082	**83,397**
Total current assets	**123,399**	127,516	**1,259,173**
Property, plant and equipment (Note 6):			
Land	**19,716**	20,120	**201,184**
Buildings and structures	**28,707**	27,316	**292,929**
Machinery and equipment	**13,500**	13,191	**137,755**
Lease assets	**488**		**4,980**
Construction in progress	**112**	1,345	**1,143**
Total	**62,523**	61,972	**637,991**
Accumulated depreciation	**(24,610)**	(25,820)	**(251,124)**
Net property, plant and equipment	**37,913**	36,152	**386,867**
Investments and other assets:			
Investment securities (Notes 4 and 7)	**5,945**	8,372	**60,663**
Investments in unconsolidated subsidiaries and affiliates	**5,542**	1,821	**56,551**
Deferred tax assets (Note 10)	**2,154**	1,809	**21,980**
Other assets	**1,512**	1,735	**15,429**
Total investments and other assets	**15,153**	13,737	**154,623**
Total	**¥176,465**	¥177,405	**$1,800,663**

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

TADANO LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term borrowings (Note 7)	**¥ 20,616**	¥ 11,450	**$ 210,367**
Current portion of long-term debt (Note 7)	**3,383**	8,189	**34,520**
Notes and accounts payable			
Trade notes	**5,721**	7,044	**58,378**
Trade accounts	**25,902**	32,271	**264,306**
Unconsolidated subsidiaries and affiliates	**25**	56	**255**
Income taxes payable	**626**	4,805	**6,388**
Deferred gross profit on installment sales	**1,652**	1,742	**16,857**
Accrued product warranties	**1,444**	1,644	**14,735**
Deferred tax liabilities (Note 10)		39	
Other current liabilities	**5,317**	5,595	**54,255**
Total current liabilities	**64,686**	72,835	**660,061**
Long-term liabilities:			
Long-term debt (Note 7)	**17,250**	8,925	**176,020**
Liability for retirement benefits (Note 8)	**4,464**	4,442	**45,551**
Deferred tax liabilities (Note 10)	**214**	205	**2,184**
Deferred tax liabilities on land revaluation	**2,804**	2,805	**28,612**
Other long-term liabilities	**586**	702	**5,980**
Total long-term liabilities	**25,318**	17,079	**258,347**
Commitments and contingent liabilities (Note 11)			
Equity (Notes 9 and 17):			
Common stock ;			
Authorized—258,049,000 shares in 2009 and 2008			
Issued—129,500,355 shares in 2009 and 2008	**13,022**	13,022	**132,878**
Capital surplus	**16,857**	16,870	**172,010**
Retained earnings	**62,357**	58,783	**636,296**
Unrealized gain (loss) on available-for-sale securities	**(196)**	619	**(2,000)**
Deferred gain (loss) on derivatives under hedge accounting	**5**	(8)	**51**
Land revaluation difference	**(69)**	(69)	**(704)**
Foreign currency translation adjustments	**(3,700)**	116	**(37,755)**
Treasury stock—at cost			
2,373,248 shares in 2009 and 2,299,833 shares in 2008	**(2,159)**	(2,109)	**(22,031)**
Total	**86,117**	87,224	**878,745**
Minority interests	**344**	267	**3,510**
Total equity	**86,461**	87,491	**882,255**
Total	**¥176,465**	¥177,405	**$ 1,800,663**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

TADANO LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2009
Net sales	**¥ 162,768**	¥ 174,360	¥ 144,693	**$ 1,660,898**
Cost of sales	**127,343**	131,002	109,268	**1,299,418**
Gross profit before net change in deferred gross profit on installment sales	**35,425**	43,358	35,425	**361,480**
Net change in deferred gross profit on installment sales	**91**	(360)	(404)	**928**
Gross profit	**35,516**	42,998	35,021	**362,408**
Selling, general and administrative expenses (Note 12)	**25,150**	25,037	22,259	**256,632**
Operating income	**10,366**	17,961	12,762	**105,776**
Other income (expenses):				
Interest and dividend income	**909**	859	838	**9,276**
Interest expense	**(944)**	(748)	(663)	**(9,633)**
Gain on sales of investment securities	**1**	42	66	**10**
Gain on sales of investment in an affiliate	**245**			**2,500**
Write-down of investment securities	**(951)**			**(9,704)**
Loss on sale or disposal of property, plant and equipment	**(126)**	(129)	(265)	**(1,286)**
Impairment loss	**(4)**	(26)	(24)	**(41)**
Reversal of allowance for doubtful accounts	**517**	592	537	**5,276**
Other—net	**5**	(90)	623	**50**
Other income (expenses)—net	**(348)**	500	1,112	**(3,552)**
Income before income taxes and minority interests	**10,018**	18,461	13,874	**102,224**
Income taxes (Note 10):				
Current	**4,171**	7,291	5,471	**42,561**
Deferred	**204**	(535)	669	**2,082**
Total income taxes	**4,375**	6,756	6,140	**44,643**
Minority interests	**(104)**	(85)	(45)	**(1,061)**
Net income	**¥ 5,539**	¥ 11,620	¥ 7,689	**$ 56,520**

	Yen			U.S. dollars (Note 1)
Per share of common stock (Notes 2.t and 16):				
Basic net income	**¥ 43.56**	¥ 91.32	¥ 60.08	**$ 0.44**
Diluted net income			60.08	
Cash dividends applicable to the year	**16.00**	16.00	12.00	**0.16**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

TADANO LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2009, 2008 and 2007

	Thousands	Millions of yen											
	Number of shares of common stock outstanding	Common stock	Capital surplus	Retained earnings	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Land revaluation difference	Foreign currency translation adjustments	Treasury stock	Subscriptions received for stock option rights	Total	Minority Interests	Total Equity
Balance, April 1, 2006	128,523	¥13,022	¥16,869	¥42,736	¥3,942		¥(363)	¥(1,382)	¥ (427)	¥2	¥74,399		¥74,399
Reclassified balance as of March 31, 2006												¥347	347
Net income				7,689							7,689		7,689
Cash dividends,¥9.25 per share				(1,186)							(1,186)		(1,186)
Repurchase of treasury stock	(1,280)								(1,491)		(1,491)		(1,491)
Disposal of treasury stock	96		(4)						43	(2)	37		37
Reversal of land revaluation difference due to sales of land				(289)							(289)		(289)
Net changes in the year					(1,236)	¥ 6	289	910			(31)	(122)	(153)
Balance, March 31, 2007	127,339	13,022	16,865	48,950	2,706	6	(74)	(472)	(1,875)		79,128	225	79,353
Net income				11,620							11,620		11,620
Cash dividends,¥14.00 per share				(1,782)							(1,782)		(1,782)
Repurchase of treasury stock	(148)								(242)		(242)		(242)
Disposal of treasury stock	10		5						8		13		13
Reversal of land revaluation difference due to sales of land				(5)							(5)		(5)
Net changes in the year					(2,087)	(14)	5	588			(1,508)	42	(1,466)
Balance, March 31, 2008	127,201	13,022	16,870	58,783	619	(8)	(69)	116	(2,109)		87,224	267	87,491
Adjustment of retained earnings due to an adoption of PITF No. 18 (Note 2.b)				197							197		197
Net income				5,539							5,539		5,539
Cash dividends,¥17.00 per share				(2,162)							(2,162)		(2,162)
Repurchase of treasury stock	(109)								(82)		(82)		(82)
Disposal of treasury stock	35		(13)						32		19		19
Net changes in the year					(815)	13		(3,816)			(4,618)	77	(4,541)
Balance, March 31, 2009	**127,127**	**¥13,022**	**¥16,857**	**¥62,357**	**¥ (196)**	**¥ 5**	**¥ (69)**	**¥(3,700)**	**¥(2,159)**		**¥86,117**	**¥344**	**¥86,461**

	Thousands of U.S. Dollars (Note 1)										
Balance, March 31, 2008	$132,878	$172,143	$599,827	$ 6,316	$ (82)	$ (704)	$ 1,184	$ (21,520)		$890,042	$2,724	$892,766
Adjustment of retained earnings due to an adoption of PITF No. 18 (Note 2.b)			2,010							2,010		2,010
Net income			56,520							56,520		56,520
Cash dividends, $0.17 per share			(22,061)							(22,061)		(22,061)
Repurchase of treasury stock								(837)		(837)		(837)
Disposal of treasury stock		(133)						326		193		193
Net changes in the year				(8,316)	133		(38,939)			(47,122)	786	(46,336)
Balance, March 31, 2009	**$132,878**	**$172,010**	**$636,296**	**$(2,000)**	**$ 51**	**$(704)**	**$(37,755)**	**$(22,031)**		**$878,745**	**$3,510**	**$882,255**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

TADANO LTD. AND CONSOLIDATED SUBSIDIARIES
Yeaars ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2009
Operating activities:				
Income before income taxes and minority interests	**¥10,018**	¥18,461	¥13,874	**$102,224**
Adjustments for:				
Income taxes-paid	**(8,377)**	(5,769)	(3,753)	**(85,480)**
Depreciation and amortization	**2,762**	1,973	1,129	**28,184**
Net change in deferred gross profit on installment sales	**(91)**	360	404	**(928)**
Gain on sales of investment securities	**(1)**	(42)	(66)	**(10)**
Write-down of investment securities	**951**			**9,704**
Loss on sale or disposal of property, plant and equipment	**126**	129	265	**1,286**
Impairment loss	**4**	26	24	**41**
Changes in assets and liabilities:				
Notes and accounts receivable	**14,156**	(459)	(4,384)	**144,449**
Inventories	**(17,369)**	(8,222)	(4,434)	**(177,235)**
Allowance for doubtful accounts	**(1,663)**	(991)	(1,154)	**(16,969)**
Notes and accounts payable	**(6,369)**	1,926	5,522	**(64,990)**
Liability for retirement benefits	**117**	(171)	(95)	**1,194**
Allowance for product repairment claims			(361)	
Other—net	**570**	155	1,527	**5,816**
Total adjustments	**(15,184)**	(11,085)	(5,376)	**(154,938)**
Net cash provided by (used in) operating activities	**(5,166)**	7,376	8,498	**(52,714)**
Investing activities:				
Purchase of property, plant and equipment	**(5,501)**	(7,992)	(3,913)	**(56,133)**
Proceeds from sales of property, plant and equipment	**62**	67	194	**633**
Purchase of investment securities		(265)	(33)	
Purchase of investment in an affiliate	**(3,722)**			**(37,980)**
Proceeds from sales of investment securities	**21**	570	92	**214**
Proceeds from sales of investment in an affiliate	**2,622**			**26,755**
Decrease (increase) in other assets	**(144)**	(380)	15	**(1,469)**
Net cash used in investing activities	**(6,662)**	(8,000)	(3,645)	**(67,980)**
Financing activities:				
Increase (decrease) in short-term borrowings—net	**10,985**	1,478	(209)	**112,092**
Proceeds from long-term debt	**12,062**	2,360	4,552	**123,082**
Repayments of long-term debt	**(8,671)**	(2,403)	(5,936)	**(88,480)**
Repurchase of treasury stock	**(83)**	(242)	(1,491)	**(847)**
Disposal of treasury stock	**20**	13	37	**204**
Dividends paid	**(2,162)**	(1,782)	(1,186)	**(22,061)**
Dividends paid to minority shareholders	**(6)**	(8)	(18)	**(61)**
Other	**(64)**			**(653)**
Net cash provided by (used in) financing activities	**12,081**	(584)	(4,251)	**123,276**
Effect of exchange rate changes on cash and cash equivalents	**(892)**	(278)	153	**(9,102)**
Net increase (decrease) in cash and cash equivalents	**(639)**	(1,486)	755	**(6,520)**
Cash and cash equivalents, beginning of year	**22,035**	23,521	22,766	**224,847**
Cash and cash equivalents, end of year	**¥21,396**	¥22,035	¥23,521	**$218,327**
Additional cash flow information:				
Interest paid	**¥ 949**	¥ 734	¥ 654	**$ 9,684**

See notes to consolidated financial statements.

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.
In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2008 consolidated financial statements to conform to the classifications used in 2009.
The consolidated financial statements are stated in Japanese yen, the currency of the country in which TADANO LTD. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98 to $1, the approximate rate of exchange at March 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of significant accounting policies

a) Consolidation

The consolidated financial statements as of March 31, 2009 include the accounts of the Company and its 25 significant (24 in 2008) subsidiaries (together, the "Group").
Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.
Investments in the unconsolidated subsidiaries and affiliated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.
The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of 5 years.
All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.
The Company applied this accounting standard effective April 1, 2008. The effect of this change was immaterial to operating income and income before income taxes and minority interests for fiscal year ended March 31, 2009. In addition, the Company adjusted the beginning balance of retained earnings at April 1, 2008 as if this accounting standard had been retrospectively applied.

c) Business combination

In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations", and on December 27, 2005 the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures". The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

d) Sales and related profit recognition

Sales of finished products are generally recognized when goods are shipped to customers.
Installment sales and related cost of sales are recorded on the same basis as above. Gross profit on such installment sales is deferred and taken into income in proportion to the amount of installment receivables collected. Ownership of goods is transferred to customers when all installment receivables are collected.

e) Cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.
Cash equivalents include marketable securities and time deposits that mature or become due within three months of the date of acquisition.

f) Inventories

Prior to April 1 2008, inventories were stated at cost, determined by the specific identification method for finished products, work in process and crane carriers (materials), and by the average method for materials other than crane carriers. In July 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories". This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate.
The standard also requires that inventories held for trading purposes be measured at the market price. The standard was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.
The Company applied this new accounting standard for measurement of inventories effective April 1, 2008. The effect of this change was to decrease operating income by ¥358 million ($3,653 thousand) and income before income taxes and minority interests by ¥358 million ($3,653 thousand).

g) Marketable and investment securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:
i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and
ii) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.
Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

h) Allowance for doubtful accounts

The allowance for doubtful accounts is stated based on the Group's past credit loss experience and an evaluation of potential losses in the specific receivables outstanding.

i) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation for the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method based upon the estimated useful lives of the assets, while depreciation for foreign consolidated subsidiaries is computed substantially by the straight-line method.
The range of useful lives is principally from 10 to 50 years for buildings and structures, from 4 to 15 years for machinery and equipment. The useful lives for leased assets are the terms of the respective leases.

j) Long-lived assets

The Group reviews their long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

k) Land revaluation

Under the "Law of Land Revaluation", promulgated on March 31, 1998, and revised on March 31, 1999 and 2001, the Company elected a one-time revaluation of its own-use land to a value based on estimated fair value as of March 31, 2002.
The resulting land revaluation difference represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account and related deferred tax liabilities.
As of March 31, 2009, the carrying amount of the land after the above one-time revaluation exceeds estimated fair value by ¥4,950 million.

l) Accrued product warranties

Accrued product warranties are recorded to provide for estimated future after-sales service costs.

m) Liability for retirement benefits

Liability for retirement benefits is provided based on the projected benefit obligations and plan assets at the balance sheet date.

n) Research and development costs

Research and development costs are charged to income as incurred.

o) Leases

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.
Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.
The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. The effect of this accounting change was immaterial, which was presented in other expense in the 2009 consolidated statement of income.

All other leases are accounted for as operating leases.

p) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

q) Foreign currency transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated income statement to the extent that they are not hedged by forward exchange contracts.

r) Foreign currency financial statements

The balance sheet accounts of the consolidated overseas subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.
Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity.
Revenue and expense accounts of the consolidated overseas subsidiaries are translated into Japanese yen at the average exchange rate.

s) Derivative and hedging activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, currency options and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.
Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.
The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

t) Per share information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.
Diluted net income per share reflects the potential dilution that could occur if stock options were exercised. Diluted net income per share of common stock assumes full exercise of outstanding stock options.
Diluted net income per share for the year ended March 31, 2009 and 2008 is not disclosed because there are no potentialy dilutive common shares.
Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

3. Notes and accounts receivable

Notes and accounts receivable as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	**2008**	**2009**
Accounts receivable	**¥25,452**	¥31,516	**$259,714**
Notes receivable:			
Due within one year	**13,704**	22,398	**139,837**
Due after one year	**1,402**	2,074	**14,306**
Total	**¥40,558**	¥55,988	**$413,857**

4. Marketable and investment securities

Marketable and investment securities at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	**2008**	**2009**
Non-current			
Equity securities	**¥5,910**	¥8,325	**$60,306**
Other	**35**	47	**357**
Total	**¥5,945**	¥8,372	**$60,663**

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2009 and 2008 are as follows:

	Millions of yen				Thousands of U.S. dollars			
	Cost	Unrealized Gains	Unrealized Losses	Value	Cost	Unrealized Gains	Unrealized Losses	Value
At March 31, 2009								
Securities classified as:								
Available-for-sale:								
Equity securities	¥6,065	¥ 806	¥1,122	¥5,749	$61,888	$ 8,224	$11,449	$58,663
Other	43	1	9	35	439	10	92	357
At March 31, 2008								
Securities classified as:								
Available-for-sale:								
Equity securities	¥7,073	¥2,182	¥1,130	¥8,125				
Other	43	8	4	47				

Available-for-sale securities whose fair value is not readily determinable at March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	**2008**	**2009**
Equity securities	**¥161**	¥200	**$1,643**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2009, 2008 and 2007 were ¥21 million ($214 thousand), ¥570 million and ¥92 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, were ¥1 million ($10 thousand) ,¥42 million and ¥66 million for the years ended March 31, 2009 , 2008 and 2007, respectively.

5. Inventories

Inventories at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Finished products	**¥24,592**	¥14,277	**$250,939**
Work in process	**17,987**	17,759	**183,541**
Materials and supplies	**8,424**	7,912	**85,959**
Total	**¥51,003**	¥39,948	**$520,439**

6. Long-lived assets

The Group reviewed its long-lived assets for impairment for the year ended March 31, 2009 and 2008, as a result, recognized an impairment loss of ¥4 million ($41 thousand) and ¥26 million, respectively, as other expense for certain land and other, which were deemed to be idle assets with no future plan for utilization. The carrying amount of the relevant assets was written down to the recoverable amount. The recoverable amount of these assets was measured by the net selling price at disposition, which was primarily determined by independent real estate appraisals of land and buildings.

7. Short-term borrowings and long-term debt

Short-term borrowings at March 31, 2009 and 2008 were principally represented by bank overdrafts, which bore interest at weighted average rates of 1.8% and 3.0%, respectively.
As is customary in Japan, the Company obtains significant financing by discounting trade notes receivable with banks. Such discounted notes and the related contingent liabilities are not included in the consolidated balance sheets but are disclosed as contingencies (see Note 11).
The Company has unused lines of credit amounting to ¥21,700 million ($221,429 thousand) with certain financial institutions at March 31, 2009.

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Loans from banks and insurance companies, with interest at rates ranging from 1.16% to 4.78% for 2009 and 2008 maturing serially to 2017:			
Collateralized	**¥ 1,330**	¥ 1,783	**$ 13,571**
Unsecured	**18,788**	15,331	**191,714**
Obligation under finance lease	**515**		**5,255**
Total	**20,633**	17,114	**210,540**
Less current portion	**(3,383)**	(8,189)	**(34,520)**
Long-term debt, less current portion	**¥17,250**	¥ 8,925	**$176,020**

Annual maturities of long-term debt outstanding at March 31, 2009 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31,		
2010	¥ 3,383	$ 34,520
2011	1,806	18,429
2012	3,527	35,990
2013	2,582	26,347
2014	9,311	95,010
2015 and thereafter	24	244
Total	¥20,633	$210,540

The carrying amounts of assets pledged as collateral for long-term debt at March 31, 2009 are as follows:

	Millions of yen	Thousands of U.S. dollars
Investment securities	¥1,662	$16,959

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks. The Company has never been requested to provide any additional collateral.

8. Retirement benefits

The Company and certain of its consolidated subsidiaries have retirement benefit payment plans for employees.
Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liability for employees' retirement benefits at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Projected benefit obligation	**¥11,119**	¥11,318	**$113,459**
Fair value of plan assets	**(4,007)**	(5,126)	**(40,888)**
Unrecognized actuarial loss	**(2,648)**	(1,803)	**(27,020)**
Prepaid pension cost		53	
Net liability	**¥ 4,464**	¥ 4,442	**$ 45,551**

The components of net periodic benefit costs for the years ended March 31, 2009, 2008 and 2007 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Service Cost	**¥ 631**	¥ 844	¥ 642	**$ 6,439**
Interest Cost	**196**	195	186	**2,000**
Expected return on plan assets	**(44)**	(203)	(134)	**(449)**
Recognized actuarial loss	**222**	130	125	**2,265**
Net periodic benefit costs	**¥1,005**	¥ 966	¥ 819	**$10,255**

Assumptions used for the years ended March 31, 2009, 2008 and 2007 are as follows:

	2009	2008	2007
Discount rate	**2.0%**	2.0%	2.0%
Expected rate of return on plan assets	**1.0%**	4.0%	3.0%
Recognition period of actuarial gain / loss	**12 years**	12 years	12 years

9. Equity

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act").
The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.
The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.
Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. Income taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 40% for 2009, 2008 and 2007.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Allowance for doubtful accounts	**¥ 481**	¥ 766	**$ 4,908**
Tax loss carryforwards	**384**	468	**3,918**
Pension and severance costs	**1,589**	1,526	**16,214**
Accrued expenses	**840**	899	**8,571**
Other	**3,849**	3,876	**39,276**
Less valuation allowance	**(742)**	(1,040)	**(7,571)**
Total	**6,401**	6,495	**65,316**
Deferred tax liabilities:			
Property, plant and equipment	**467**	471	**4,765**
Unrealized gain on available-for-sale securities		602	
Other	**314**	307	**3,204**
Total	**781**	1,380	**7,969**
Net deferred tax assets	**¥5,620**	¥5,115	**$57,347**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2009, 2008 and 2007 is as follows:

	Rate (%)		
	2009	2008	2007
Normal effective statutory tax rate	**40.0**	40.0	40.0
Expenses not deductible for income tax purpose	**0.9**	0.5	1.0
Per capita inhabitants tax	**0.7**	0.4	0.5
Differences in tax rates applicable to consolidated subsidiaries	**(3.4)**	0.1	(0.1)
Valuation allowance	**2.8**	(2.4)	4.9
Gain on sales of investment in subsidiary	**4.4**		
Tax credit for research and development costs	**(2.2)**	(0.9)	(1.0)
Tax effect on elimination of unrealized profit	**(1.1)**	0.1	(1.5)
Other—net	**1.6**	(1.2)	0.5
Actual effective tax rate	**43.7**	36.6	44.3

At March 31, 2009, certain of foreign subsidiaries have tax loss carryforwards aggregating approximately ¥1,852 million ($18,898 thousand) which are available to be offset against taxable income of such subsidiaries in future years, which do not expire.

11. Contingent liabilities

At March 31, 2009, the Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantees of customers' loans and lease obligations	¥7,142	$72,878
Trade notes endorsed	9,426	96,184

12. Research and development costs

Research and development costs charged to income were ¥4,200 million ($42,857 thousand), ¥3,907 million and ¥3,419 million for the years ended March 31, 2009, 2008 and 2007, respectively.

13. Leases

Company as lessee

The Group has a number of lease agreements for certain machinery, computer equipment and other assets.
As discussed in Note 2.o), the Company accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transition date, such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, interest expense, on a "as if capitalized" basis for the years ended March 31, 2009 and 2008 was as follows.

	Millions of yen			Thousands of U.S. dollars		
	Machinery and equipment	Other assets	Total	Machinery and equipment	Other assets	Total
At March 31, 2009:						
Acquisition cost	**¥1,201**	**¥1,469**	**¥2,670**	**$12,255**	**$14,990**	**$27,245**
Accumulated depreciation	**772**	**902**	**1,674**	**7,877**	**9,204**	**17,081**
Net leased property	**¥ 429**	**¥ 567**	**¥ 996**	**$ 4,378**	**$ 5,786**	**$10,164**
At March 31, 2008:						
Acquisition cost	¥1,418	¥1,837	¥3,255			
Accumulated depreciation	790	918	1,708			
Net leased property	¥ 628	¥ 919	¥1,547			

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Due within one year	**¥ 390**	¥ 493	**$ 3,980**
Due after one year	**707**	1,162	**7,214**
Total	**¥1,097**	¥1,655	**$11,194**

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, computed by the straight-line method and the interest method, respectively, for the years ended March 31, 2009, 2008 and 2007 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	**2008**	**2007**	**2009**
Depreciation expense	**¥473**	¥547	¥496	**$4,827**
Interest expense	**34**	37	34	**347**

Company as lessor

The Group also has a number of lease agreements for certain machinery, computer equipment and other assets.
As discussed in Note 2.o), the Company accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transition date, such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, interest expense, on a "as if capitalized" basis for the years ended March 31, 2009 and 2008 was as follows:

	Millions of yen			Thousands of U.S. dollars		
	Machinery and equipment	Other assets	Total	Machinery and equipment	Other assets	Total
At March 31, 2009:						
Acquisition cost	**¥201**	**¥ 59**	**¥260**	**$2,051**	**$ 602**	**$2,653**
Accumulated depreciation	**125**	**43**	**168**	**1,275**	**439**	**1,714**
Net leased property	**¥ 76**	**¥ 16**	**¥ 92**	**$ 776**	**$ 163**	**$ 939**
At March 31, 2008:						
Acquisition cost	¥209	¥ 73	¥282			
Accumulated depreciation	98	43	141			
Net leased property	¥111	¥ 30	¥141			

Future lease revenues under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2009	**2008**	**2009**
Due within one year	**¥ 43**	¥ 49	**$439**
Due after one year	**54**	97	**551**
Total	**¥ 97**	¥146	**$990**

Depreciation expense and imputed interest received computed by the straight-line method and the interest method, respectively, for the years ended March 31, 2009, 2008 and 2007 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	**2008**	**2007**	**2009**
Depreciation expense	**¥48**	¥51	¥63	**$490**
Interest received	**2**	3	3	**20**

14. Derivatives

The Group enters into foreign currency forward contracts and currency options to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage interest rate exposures on certain liabilities. It is the Group's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities. The Group does not hold or issue derivatives for trading purposes.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of the hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Forward exchange contracted amounts which are assigned to associated assets or liabilities and are reflected on the balance sheet at year-end, are not subject to the disclosure of market value information.

15. Segment information

On April 1, 2008, the Company sold all of the shares of the subsidiary, New Era Co., Ltd., which was allocated to the reporting units in the Pneumatic and Robot parts segment and other segment in the previous fiscal year, to Nagano Keiki Co., Ltd.

Accordingly, the Group operates in a single industry which includes sales and manufacturing of various Cranes and related products.

Information about the geographical segments of the Group for the years ended March 31, 2009, 2008 and 2007 is as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	**2008**	**2007**	**2009**
Net sales:				
Japan				
Outside customers	**¥111,092**	¥127,842	¥111,198	**$1,133,592**
Interarea transfer	**22,538**	22,429	15,149	**229,980**
Total	**133,630**	150,271	126,347	**1,363,572**
Europe				
Outside customers	**30,459**	25,723	20,606	**310,806**
Interarea transfer	**21,652**	16,844	11,175	**220,939**
Total	**52,111**	42,567	31,781	**531,745**
Other areas				
Outside customers	**21,217**	20,795	12,889	**216,500**
Interarea transfer	**214**	433	464	**2,184**
Total	**21,431**	21,228	13,353	**218,684**
Eliminations	**(44,404)**	(39,706)	(26,788)	**(453,103)**
Consolidated total	**¥162,768**	¥174,360	¥144,693	**$1,660,898**
Operating income:				
Japan	**¥ 7,026**	¥ 14,985	¥ 11,300	**$ 71,694**
Europe	**2,112**	1,917	963	**21,551**
Other areas	**1,288**	1,629	845	**13,143**
Eliminations	**(60)**	(570)	(346)	**(612)**
Consolidated total	**¥ 10,366**	¥ 17,961	¥ 12,762	**$ 105,776**
Assets:				
Japan	**¥147,500**	¥152,159	¥145,892	**$1,505,102**
Europe	**25,899**	26,714	20,260	**264,276**
Other areas	**12,019**	8,034	6,776	**122,643**
Eliminations	**(8,953)**	(9,502)	(9,676)	**(91,358)**
Consolidated total	**¥176,465**	¥177,405	¥163,252	**$1,800,663**

Information about sales to foreign customers for the years ended March 31, 2009, 2008 and 2007 is as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	**2008**	**2007**	**2009**
Europe	**¥29,631**	¥25,567	¥19,170	**$302,357**
North America	**20,145**	18,342	12,324	**205,561**
Other areas	**39,578**	37,648	29,400	**403,857**
Consolidated total	**¥89,354**	¥81,557	¥60,894	**$911,775**

16. Net income per share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2009, 2008 and 2007 is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted average shares	EPS	
For the year ended March 31, 2009:				
Basic EPS				
Net income available to common shareholders	¥ 5,539	127,159	¥43.56	$0.44
For the year ended March 31, 2008:				
Basic EPS				
Net income available to common shareholders	¥11,620	127,248	¥91.32	
For the year ended March 31, 2007:				
Basic EPS				
Net income available to common shareholders	¥ 7,689	127,977	¥60.08	
Effect of dilutive securities				
Stock options		14		
Diluted EPS				
Net income for computation	¥ 7,689	127,991	¥60.08	

17. Subsequent events

Appropriations of retained earnings

The following appropriation of retained earnings at March 31, 2009 was approved at the Company's shareholders meeting held on June 23, 2009:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥8.00 ($0.08) per share	¥1,017	$10,378

INDEPENDENT AUDITORS' REPORT

Deloitte.

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To the Board of Directors of TADANO LTD.:

We have audited the accompanying consolidated balance sheets of TADANO LTD. (the "Company") and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in equity, and cash flows for each of the three years in the period ended March 31, 2009, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TADANO LTD. and consolidated subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 23, 2009

Member of
Deloitte Touche Tohmatsu

CORPORATE DATA

PAID-IN CAPITAL

¥13,022 million (As of March 31, 2009)

NUMBER OF EMPLOYEES

1,400 (As of March 31, 2009)

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