TADANO

Lifting your dreams

ANNUAL REPORT
2017

Tadano's Corporate Philosophy is "Creation, Contribution, and Cooperation." This philosophy ignites our drive to provide high-value products and services, as we strive toward greater contribution to society and our customers. In line with this philosophy, our products play a vital role in the construction of everything from high-rise office buildings and highways to environmentally friendly wind turbines and the houses we call home.

In 1955 Tadano developed Japan's first hydraulic crane, the OC-2 truck crane. We started exporting our products overseas in 1960, and we have since been advancing along with the worldwide development of business to grow globally.

Tadano's current aim is to achieve a new growth trajectory and expand our business to become No. 1 worldwide in the lifting equipment industry (mobile machinery used for lifting loads and carrying out aerial work).

We believe that high-quality lifting equipment can contribute to a better society and the prosperity of our customers, and we aim to maximize our corporate value while meeting the expectations of each and every stakeholder. This is the Tadano Vision of "Pursuing Further Excellence for the World and the Future."

Contents

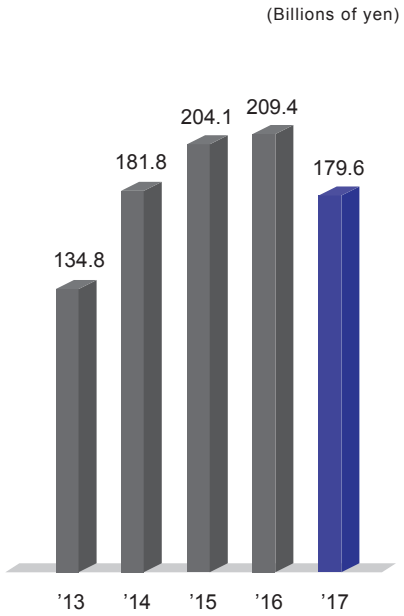
FINANCIAL HIGHLIGHTS

Tadano Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2017 and 2016

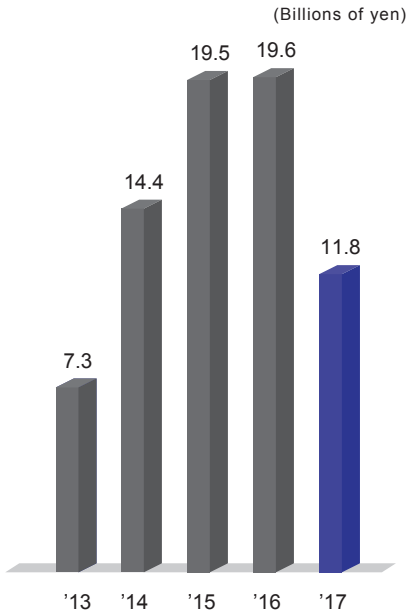
	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Net sales	¥ 179,676	¥ 209,426	$1,604,257
Operating income	18,484	31,062	165,035
Net income attributable to Tadano Ltd.	11,881	19,621	106,086
Total assets	229,799	235,400	2,051,784
Net property, plant and equipment	41,183	38,982	367,713
Total equity	142,549	134,796	1,272,765
	Yen		U.S. dollars
Per share of common stock			
Basic net income	¥ 93.83	¥ 154.93	$ 0.84
Cash dividends applicable to the year	26.00	26.00	0.23

Note: U.S. dollar figures have been translated into yen at the rate of ¥112 = US$1 for convenience only.

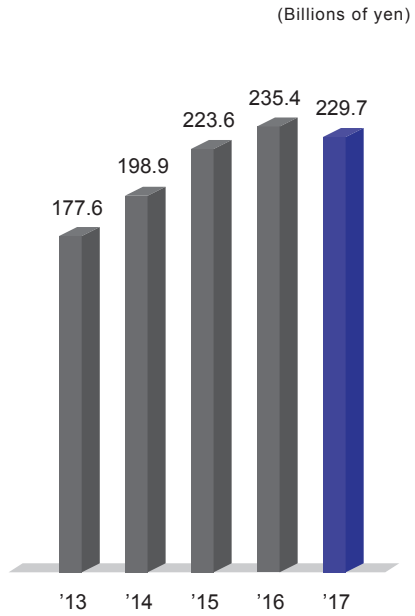
Net Sales



Net Income Attributable to Tadano Ltd.



Total Assets



TO OUR SHAREHOLDERS

Koichi Tadano
President and CEO

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 30 subsidiaries and 2 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, 2017.

▶ Overview

From the second half of the fiscal year under review, the Japanese economy saw improvements in corporate earnings, and the beginnings of recovery in capital investment and personal consumption. Production and exports improved, and the economy's gradual recovery continued. The European economy saw no growth, the U.S. economy continued to recover, and emerging markets were in a state of slowdown. Various factors contributed to a heightened sense of uncertainty, including the economic slowdown in China, trends in crude oil and other natural resource prices, and geopolitical risks, as well as the changing face of policies in the U.S. and the political situation in Europe.

In our industry, the Japanese market shifted toward stronger demand overall, due to earthquake recovery and reconstruction, disaster preparedness and mitigation activities, efforts to address an aging infrastructure, and private sector construction investment. Outside of Japan, market demand, which had peaked in 2012, continued to fall overall, with demand in Europe remaining flat and demand in North America, the Middle East, and Southeast Asia decreasing.

Given this economic context, Tadano put its efforts into the sales of new-model cranes in the Japanese market, and focused on maintaining prices and increasing share in markets outside of Japan, while additionally focusing on cost reductions. Furthermore, with a focus on long-term growth, we invested 2,400 million yen in signing a contract for a 20 hectare plot of land in Takamatsu, Japan to be used for a new plant that will expand our production capabilities. We are aiming for the plant to start operations sometime during FY 2018, and we plan for an estimated 17,500 million yen to be invested in the facility.

With a decrease in mobile crane sales, a slight decrease in truck loader crane sales, and an increase in aerial work platform

sales, total sales in the Japanese market amounted to 102,270 million yen — down 2.6% from the previous fiscal year. Despite a focus on expanding new customer sales, our sales outside of Japan decreased by 25.9% from the previous fiscal year to 77,406 million yen, as demand trended downward and the yen rose in value. As a result total sales fell to 179,676 million yen, down 14.2% from the previous fiscal year. Sales outside of Japan accounted for 43.1% of all sales.

The combination of reduced sales, reduced gross profit and the exchange rate effects resulted in an operating income of 18,484 million yen, down 40.5% from the previous fiscal year. Net income attributable to Tadano Ltd. totaled 11,881 million yen, down 39.4% from the previous fiscal year. This total reflects the extraordinary loss of 1,298 million yen resulting from loss on valuation of investments in one of our affiliate companies in China.

▶ Outlook for the Next Term

Despite possible downward effects on personal consumption, we expect the Japanese economy to continue on its gradual recovery, as exports increase, and capital investments improve as a result of further corporate earnings improvements. Outside of Japan, the slowdown in emerging markets, trends in exchange rates and crude oil prices, and geopolitical risks, as well as the changing face of policies in the U.S. and the political situation in Europe will all contribute to a further sense of uncertainty.

In regards to the external business environment as it affects the Tadano Group, Japan is expected to see higher utilization rates, but at the same time, a lack of qualified operators and the demand rush for trucks will act as counterforces, causing mobile crane sales to remain flat and truck loader and aerial work platform sales to decline. Outside of Japan, while US infrastructure investments and the recovery of crude oil and natural resource prices are expected to stimulate some demand areas, overall demand is expected to fall. Following the demand peak of 2012, we continue to see a decline currently, but in looking at typical demand cycles we expect to see the bottoming out of that trend in 2017.

▶ Mid-Term Management Plan (17–19)

Since 2008, the Tadano Group has declared its business domain to be lifting equipment (mobile machinery used for lifting loads and carrying out aerial work), and our long term goals are to be number one in the lifting equipment industry, attain a sales ratio of 80% outside of Japan, and become a company with stable and high profitability (attaining an average operating margin of 20%).

From the perspective of demographics, we believe that the lifting equipment is a long-term growth industry with big potential moving forward. However in the short- and mid-term, demand is volatile. In order for the Tadano Group to achieve long-term growth and mid-term corporate value, we establish a mid-term management plan every three years. Since establishing our Mid-Term Management Plan (14–16) following the mobile crane demand peak in 2012, we have set our basic policy as “Becoming a Stronger Company.” Furthermore, since that time, we have set our Three Priority Points as “Further Global Growth,” “Higher Resilience,” and “Enhanced Competitiveness.” Furthermore, we have aimed to improve our business performance through increasing our market share and expanding sales of our highly value-added products. As a result, we achieved record highs in sales and operating income for two straight years from FY 2014 through FY 2015, with respective ROS (return on sales) of 14.4% and 14.8%; respective ROA (return on assets) of 13.9% and 13.5%) — very high performance levels for these indices. However, in terms of truly becoming a “Stronger Company,” we are still at the midway point, and the effects of falling demand in FY 2016 have caused us to fall to a lower level of performance with ROS and ROA during that time falling to 10.3% and 7.9%, respectively.

2017 is the first year in the Tadano Group Mid-Term Management Plan (17–19), the basic policy of which is “Becoming a Stronger Company (Focusing on the Tadano Red Arrow).” Under this plan, we will implement Three Priority Points and Nine Strategies.

- “A Stronger Company” means being able to continuously generate profits and develop human resources year after year, regardless of the external business environment.
- At the Tadano Group, we focus on self-support efforts (the

Tadano Red Arrow) in dealing with the surrounding environment that we cannot control (the Tadano Blue arrow, i.e. the market [demand, exchange rates, etc.]). Furthermore, by including our investment efforts (the Tadano Yellow Arrow), the result is our business performance (the Tadano Black Arrow). This serves as the background for the Mid-Term Management Plan (17–19), wherein we focus on "Red Arrow" efforts in order to become a stronger company.

- Three Priority Points
  1) Further Global Growth (One Tadano, Breadth and Depth)
  2) Higher Resilience (Six Keys to Success)
  3) Enhanced Competitiveness (Being a Manufacturer with Four Synergistic Strengths)
- Nine Strategies
  1) Improve Market Position
  2) Enhance Product Competitiveness
  3) Pursue Global and Flexible *Monozukuri* (i.e., manufacturing with a focus on continuous improvement)
  4) Provide Outstanding Quality & Service
  5) Improve Product Live-Cycle Value
  6) Develop Solution Business
  7) Raise Level of Profitability and Asset Efficiency
  8) Establish Growth Structure
  9) Strengthen the Tadano Group & Global Management Structure

During the final year of Mid-Term Management Plan (17–19), Tadano will celebrate the 100th anniversary of its Founding (August 29, 1919).

June 2017

Koichi Tadano
President and CEO

REVIEW OF OPERATIONS

Mobile Cranes

Demand in the Japanese market decreased, and despite our focus on sales expansion, mobile crane sales in Japan fell by 11.9% to 45,017 million yen, due in part to the production changeover required to make new-model cranes. Outside of Japan, despite a focus on expanding new customer sales, further drops in demand and the strong yen led to a year-on-year decrease of 28.6% with sales totaling 64,609 million yen. Total sales of mobile cranes decreased by 22.5% from the previous fiscal year to 109,627 million yen.

Truck Loader Cranes

As demand fell, sales of truck loader cranes in the Japanese market fell by 2.6% from the previous fiscal year to 18,192 million yen. Despite a focus on expansion of sales in emerging market countries, sales in markets outside of Japan totaled 1,440 million yen, down 14.7% from the previous fiscal year. Total sales of truck loader cranes amounted to 19,633 million yen, down 3.6% from the previous fiscal year.

Aerial Work Platforms

Thanks to continuing high demand in the rental industry and backed by a growing need for infrastructure inspections and capital investment in the electric utilities and electric works industries, sales of aerial work platforms increased by 19.4% to 23,202 million yen.

Other Business

Sales of parts, repairs, used cranes and other products and services fell 3.1% from the previous fiscal year to 27,213 million yen.

Operations Outside Japan

In FY 2016 overall demand outside Japan fell 18% from the previous fiscal year. In North America, various factors reduced demand by 30% from the previous year, including lower demand for resource development projects due to low oil prices; lack of progress in exports of used equipment and slow demand for replacement equipment due to the strength of the dollar on international currency markets and slow economies in South America; and reluctance among customers to buy as they awaited the results of the US presidential election. Demand in the Middle East fell 34% from the previous year, due significantly to low oil prices and signs of growing geopolitical risks. Demand appeared to fall in both Europe and North America due to lower British demand, dampened by political instability. Demand also appeared to fall in Asia, Oceania, and Central and South America due to the effects of ongoing slowing in the Chinese economy and sluggish oil and resource prices.

Amid these business conditions, while sales to major users in Middle Eastern customers and sales to construction-related projects in Southeast Asian markets drove growth in market shares during the first half of the fiscal year, sales in North America suffered due to a significant decrease in demand in the Canadian market, where Tadano holds a significant market share. These and other factors, including slowdowns in general construction and infrastructure development projects in Middle Eastern markets and delays in construction-related projects in Southeast Asian markets, affected figures for the second half as well. Overseas sales fell 26% from the previous fiscal year. Overseas sales accounted for 43.1% of all sales, down from 49.9% in FY 2015.

AT-150S
Aerial Work Platform

Research and Development Activities

The Tadano Group (Tadano Ltd. and its consolidated subsidiaries) undertakes the majority of its research and development activities through Tadano Ltd.'s Research and Development Division, which develops cranes, Aerial Work Platforms, and applied products to meet the needs of both domestic and overseas markets. This division also pursues applied research on innovative and cutting-edge technologies. For the consolidated fiscal year under review, total Tadano Group expenditures for R&D activities were 5,993 million yen, including R&D material costs, personnel costs, and other costs.

Summarized below are R&D activities by business segment for the consolidated fiscal year under review.

(1) Japan

① Introduction of New-Model Rough Terrain Cranes for the Japanese Market

We developed three new-models, state-of-the-art Generation 4 (G4) models of rough terrain cranes and introduced them to the Japanese market. These cranes exemplify Tadano's Core Values of Safety, Quality, and Efficiency.

・GR-700N-2, ・GR-250N-4, ・GR-160N-4

These models offer benefits and features made possible both by the following new technologies and existing technologies that respond to customer need to cut life-cycle costs. The dramatic improvements in product appeal over previous models have boosted sales.

- Advantages
  1) Equipped with engines that meet 2014 emissions restrictions for diesel-powered special-purpose vehicles (4G restrictions)
  2) Winner of 2016 Good Design Award
     These models were recognized for their ingenuity and functionality with the Good Design Award, due to the dramatic improvements in visibility and operability stemming from their new cab designs and the introduction of cutting-edge equipment.
- New Technologies
  1) Remote-Controlled Setup
     This innovation allows for efficient one-person operations, including setup and retraction of outriggers and jibs that can be executed as the operator confirms the surrounding conditions.
  2) New Jib System
     The introduction of remote-controlled setup and the elimination of the need for jib guide ropes significantly reduce workload by reducing the number of times the operator must climb into and out of the cab when setting the crane up.
  3) Wide Sight View (WSV)
     This feature gives the operator an overhead view of the crane on the display panel, which is a first in Japan's crane industry.
  4) Human Alert System (HAS)
     A first for the crane industry worldwide, this system detects pedestrians and cyclists on the left side of the vehicle, typically difficult to view clearly from the driver's seat, and warns the driver.
  5) Tadano View System
     In addition to HAS and WSV, the Tadano View System improves safety during travel by displaying images from a camera positioned at the tip of the boom.
- Technologies retained from previous models
  1) Fuel consumption monitor: Encourages awareness of fuel consumption.
  2) Eco Mode: Reduces fuel consumption during crane operations.

② One of the World's Largest On-Site Rough Terrain Cranes Introduced to Japanese Market

Maintaining the basic performance and specifications of the GR-1450EX-3, one of the world's largest Rough Terrain Cranes and a model highly regarded by customers around the world, we customized the product's performance configuration to meet Japanese crane structural standards, achieved compliance with 2014 emissions restrictions for diesel-powered special-purpose vehicles, and introduced it to the Japanese market this year. Unlike domestic model rough terrain cranes sold in the Japanese market, this model does not meet requirements for travel on public roads in the country, it is limited to on-site use at ports, plants and other facilities.

- Advantages:
  1) A 61-meter, six-stage boom — the longest in its class
  2) Compact three-axle carrier: Achieves total height, total width, and maneuverability in tight spaces comparable to models one class smaller.
  3) Self-removable outriggers and counterweights eliminate the need for a separate crane for setup and takedown.

③ Rough Terrain Cranes Introduced to Markets Outside Japan

We are striving to expand sales in international markets by introducing the following models, which reflect local customer needs:

- The GR-130EX-2 for general export and the Australian market
- The GR-150XL-2 for the North American, South American, and South African markets

- Advantages:
  1) A new look thanks to redesigned bumpers and headlights
  2) Features the Hello-Net maintenance information communication system, which has been well-received in Japan and international markets.

3) Complies with local weight restrictions thanks to changes in tire size and other modifications, significantly reducing procedural burdens at the time of delivery (applies only to the GR-130EX-2 for general export and the Australian market).
4) The new model's specifications allow it to replace special-purpose rough terrain cranes currently in use in North America (applies only to the GR-150XL-2 for the North American, South American, and South African markets).

④ Truck Loader Cranes Introduced to Markets Outside Japan, Particularly the Middle East and Thailand
We're targeting sales growth in promising emerging markets through the development of the TM-ZT1000-1 truck loader crane with the largest lifting capacity (10 t) of those produced and sold by our plant in Thailand. We've configured this model as a price-competitive product designed to satisfy customer needs.
- Advantages:
  1) Maximum outrigger extension width has been increased from 3.9 m to 5.2 m, a major improvement in specifications that allows the handling of heavier loads previous models were capable of lifting.
  2) Incorporates hook-in, overwinding-prevention, and auto-acceleration features.
  3) Achieves class-leading accessibility during ground operations.

⑤ New Models of Aerial Work Platforms for Electrical Construction and Application Work introduced to the Japanese Market
In May 2017, we are introducing the AT-146TE-4 and AT-147CE-4 models, which feature dramatic improvements in product appeal and quality over previous models. These models are part of efforts to expand sales by meeting increasingly diverse market needs.
- Advantages:
  1) Increased speed of operation when used with boom extended
  2) Extended battery life
  3) Improved booster speed for faster power-line crimping work
  4) Simplified cover installation/removal and battery replacement
  5) Compatible with the Hello-Net maintenance information communication system, with its proven track record with large cranes

(2) Europe
We developed new ATF400G-6, ATF220G-5, ATF130G-5, and ATF110G-5 all terrain crane models to meet new European emissions standards. These new models have improved comfort, safety, and quality. Sales of these models have begun in Europe and other overseas markets.

- Advantages:
  1) Completely redesigned drive cab
  2) Newly developed safety equipment (excluding ATF400G-6)
  3) Revised hydraulic system and control equipment

(3) The Americas
We have developed and launched sales activities for the new GTC-800-1 and GTC-600-1 Telescopic Boom Crawler Cranes. Exhibited at Conexpo 2017, (one of the world's largest construction machinery trade shows, held March 7–11, 2017 in Las Vegas, Nevada, USA) both models drew considerable attention from attendees.
We're seeking to increase our competitive edge in the 80-ton and 60-ton classes — the main markets in the Americas — and to expand sales not just in the Americas, but in global markets.
- Advantages:
  1) Vastly improved reliability, safety and lower weight, thanks to booms, hydraulic drive systems, and overload prevention systems developed jointly by Tadano and our subsidiary Tadano Mantis Corporation.
  2) Features the Opti-Width system to enable optimal crane lifting with a new asymmetric crawler track system.

(4) Other Markets
There were no notable developments in other markets.

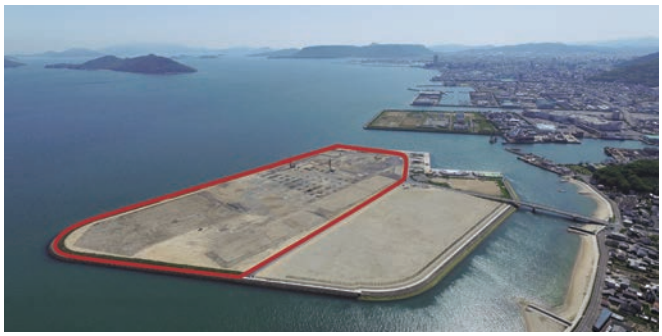
Tadano Global Parts Center begins operating

The Tadano Global Parts Center began operating in May 2016 in Kobe, Hyogo Prefecture. As a parts supply facility located in Kobe near an international port and airport, this facility will shorten the delivery times required to supply parts to customers around the world.
The Tadano Group's goal is to improve and enhance global customer support while realizing sustained global growth in line with our long-term goals of becoming the world leader in the Lifting Equipment* industry, achieving a sales balance wherein sales outside Japan account for 80% of all sales, and becoming a company with stable high revenues (with operating profit margins of 20% in normal times).

* Lifting Equipment Industry Definition: Mobile machinery used for lifting loads and carrying out aerial work

Construction Site Purchased for New Plant

This step is driven by our conviction that Tadano will need a new plant in addition to the Shido Plant to manufacture mobile construction cranes, leading to the expanded production capacity needed to reach our long-term goal of becoming No. 1 worldwide in the lifting equipment industry.
In November 2016, we acquired an approximately 20-hectare site on industrial land owned by Kagawa Prefecture, as part of its land reclamation project in the western Kozai district of the Port of Takamatsu, about a 10-minute drive west of central Takamatsu. Slated to come online during FY 2018, this next-generation smart plant will be designed based on the concept of harmony between people and machines. We plan to invest a total of approximately 17.5 billion yen on this project, including the cost of purchasing the land.

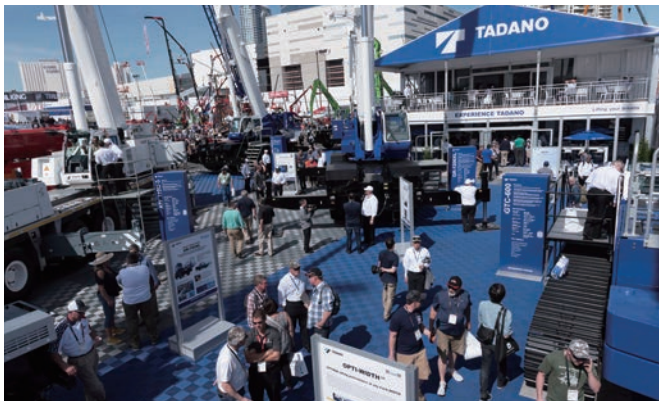


Tadano's future plant site is outlined in red

New Rough Terrain Cranes for Markets Outside Japan Exhibited at Conexpo 2017

Conexpo 2017, one of the world's largest construction machinery trade shows, was held in March 7–11, 2017 in Las Vegas, Nevada, USA. Over the course of five days, it drew 2,500 participating companies and more than 130,000 attendees from around the world. The Tadano Group exhibited four rough terrain cranes, including the new GR-1200XL/1100EX*, three all terrain cranes, and two telescopic boom crawler cranes.
The GR-1200XL/1100EX will deliver our largest lifting capacity and widest working area for a compact two-axle carrier model. We plan to introduce these two models in autumn 2017. The new models are designed to meet strong demand for large rough terrain cranes with outstanding capabilities for use in tight spots in the field of energy-resource development in markets outside Japan, particularly North America, and demand for models with lifting capacities exceeding 100 tons.
Many attendees visited the Tadano booth, creating excellent opportunities to expand awareness of our high-quality, high-performance products among a wide range of potential users.

* GR-1200XL (120 American short tons for North American and Central and South American markets)
GR-1100EX (110 metric tons for other markets)



BOARD OF DIRECTORS, OFFICERS AND STATUTORY AUDITORS

From left (standing)
Yasuyuki Yoshida
Yoichiro Nishi
Tamaki Okuyama
Nobuhiko Ito

From left (seated)
Tadashi Suzuki
Koichi Tadano

BOARD OF DIRECTORS

Representative Director, President and CEO
Koichi Tadano

Representative Director, Executive Vice President
Tadashi Suzuki

Director, Senior Executive Officer
Tamaki Okuyama

Director, Executive Officer
Yoichiro Nishi

Directors
Nobuhiko Ito*
Yasuyuki Yoshida*

OFFICERS

Executive Officers
Shinichi Iimura
Toshiyuki Takanashi
Soroku Hashikura
Kenichi Sawada

Officers
Jian Cheng
Chikashi Kawamoto
Hiroyuki Fujino
Hiroyuki Takagi
Yuji Tadano
Masahiko Ikeura
Kozo Hayashi
Yuji Tokuda
Yukio Gomi
Koichi Kanno
Ingo Schiller
Hiroyuki Goda

STATUTORY AUDITORS

Audit and Supervisory Board Members
Yoshihito Kodama
Akihiro Kitamura
Kazushi Inokawa*
Yuichiro Miyake*

Note) *Outside Director or Audit and Supervisory Board Member

Consolidated Balance Sheet

Tadano Ltd. and Consolidated Subsidiaries
As of March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
ASSETS			
Current assets:			
Cash and cash equivalents (Note 16)	¥ 68,291	¥ 73,120	$ 609,748
Short-term investments (Note 16)	453	498	4,049
Notes and accounts receivable (Notes 4 and 16):			
Trade	48,560	50,939	433,576
Affiliates	157	204	1,404
Allowance for doubtful accounts	(186)	(144)	(1,661)
Inventories (Note 6)	54,877	53,021	489,979
Deferred tax assets (Note 11)	3,452	4,217	30,829
Other current assets	2,357	3,626	21,048
Total current assets	177,965	185,483	1,588,973
Property, plant and equipment (Note 7):			
Land	22,513	20,176	201,012
Buildings and structures	35,628	34,377	318,109
Machinery and equipment	19,324	18,503	172,541
Lease assets	1,004	976	8,971
Construction in progress	979	1,473	8,748
Total	79,450	75,508	709,382
Accumulated depreciation	(38,266)	(36,526)	(341,669)
Net property, plant and equipment	41,183	38,982	367,713
Investments and other assets:			
Investment securities (Notes 5 and 16)	6,149	5,363	54,904
Investments in affiliates	128	1,104	1,149
Goodwill	325	192	2,907
Deferred tax assets (Note 11)	2,620	2,677	23,395
Asset for retirement benefits (Note 9)	20	17	187
Other assets	1,406	1,579	12,553
Total investments and other assets	10,650	10,934	95,097
Total	¥ 229,799	¥ 235,400	$ 2,051,784

See notes to consolidated financial statements.

Consolidated Balance Sheet

Tadano Ltd. and Consolidated Subsidiaries
As of March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term borrowings (Notes 8 and 16)	**¥ 15,448**	¥ 15,409	**$ 137,928**
Current portion of long-term debt (Notes 8 and 16)	**216**	1,033	**1,933**
Notes and accounts payable (Note 16):			
Trade	**26,080**	35,829	**232,860**
Other	**5,144**	4,947	**45,934**
Affiliates	**6**	26	**54**
Income taxes payable (Note 16)	**2,470**	5,523	**22,058**
Deferred gross profit on installment sales	**152**	207	**1,359**
Accrued product warranties	**1,497**	1,756	**13,366**
Other current liabilities	**4,500**	5,296	**40,180**
Total current liabilities	**55,515**	70,028	**495,676**
Long-term liabilities:			
Long-term debt (Notes 8 and 16)	**21,570**	20,426	**192,595**
Liability for retirement benefits (Note 9)	**7,299**	7,322	**65,177**
Deferred tax liabilities (Note 11)	**147**	166	**1,315**
Deferred tax liabilities for land revaluation (Notes 2.k and 11)	**2,109**	2,109	**18,833**
Other long-term liabilities	**607**	550	**5,422**
Total long-term liabilities	**31,734**	30,575	**283,343**
Commitments and contingent liabilities (Notes 12, 15 and 17)			
Equity (Notes 10 and 21):			
Common stock:			
Authorized — 400,000,000 shares in 2017 and 2016;			
Issued — 129,500,355 shares in 2017 and 2016	**13,021**	13,021	**116,264**
Capital surplus	**16,855**	16,850	**150,493**
Retained earnings	**114,507**	105,960	**1,022,387**
Treasury stock — at cost			
2,867,920 shares in 2017 and 2,878,524 shares in 2016	**(2,637)**	(2,642)	**(23,547)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**1,732**	850	**15,465**
Land revaluation difference (Notes 2.k and 11)	**1,270**	1,228	**11,346**
Foreign currency translation adjustments	**(1,875)**	(112)	**(16,744)**
Defined retirement benefit plans	**(809)**	(942)	**(7,228)**
Total	**142,065**	134,214	**1,268,437**
Noncontrolling interests	**484**	582	**4,327**
Total equity	**142,549**	134,796	**1,272,765**
Total	**¥ 229,799**	¥ 235,400	**$2,051,784**

See notes to consolidated financial statements.

Consolidated Statement of Income

Tadano Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Net sales	**¥ 179,676**	¥ 209,426	**$1,604,257**
Cost of sales	**129,682**	146,298	**1,157,883**
Gross profit before net change in deferred gross profit on installment sales	**49,993**	63,127	**446,373**
Net change in deferred gross profit on installment sales	**54**	(91)	**490**
Gross profit	**50,048**	63,036	**446,863**
Selling, general and administrative expenses (Note 13)	**31,564**	31,973	**281,827**
Operating income	**18,484**	31,062	**165,035**
Other income (expenses):			
Interest and dividend income	**282**	353	**2,522**
Insurance income	**78**	5	**702**
Interest expense	**(436)**	(477)	**(3,899)**
Foreign exchange loss	**(152)**	(363)	**(1,361)**
Gain on sales of investment securities (Note 5)	**105**	511	**937**
Gain on step acquisitions (Notes 3 and 14)	**5**		**46**
Gain on transfer of investments in capital of a subsidiary (Note 3)	**4**		**43**
Loss on impairment of long-lived assets (Note 7)	**(199)**	(283)	**(1,784)**
Loss on valuation of investments in capital of an affiliate	**(973)**	(692)	**(8,694)**
Loss on sale or disposal of property, plant and equipment	**(89)**	(80)	**(799)**
Loss on liquidation of a subsidiary		(18)	
Other — net	**234**	100	**2,090**
Other expenses — net	**(1,141)**	(945)	**(10,195)**
Income before income taxes	**17,342**	30,117	**154,840**
Income taxes (Note 11):			
Current	**5,034**	11,412	**44,954**
Deferred	**366**	(803)	**3,274**
Total income taxes	**5,401**	10,608	**48,229**
Net income	**11,940**	19,508	**106,610**
Net income attributable to noncontrolling interests	**(58)**	113	**(523)**
Net income attributable to owners of the parent	**¥ 11,881**	¥ 19,621	**$ 106,086**

	Yen		U.S. dollars (Note 1)
Per share of common stock (Notes 2.s and 21):			
Basic net income	**¥ 93.83**	¥ 154.93	**$ 0.84**
Cash dividends applicable to the year	**26.00**	26.00	**0.23**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Tadano Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	**2016**	**2017**
Net income	**¥ 11,940**	¥ 19,508	**$ 106,610**
Other comprehensive income (Note 18):			
Unrealized gain (loss) on available-for-sale securities	**882**	(1,541)	**7,875**
Land revaluation difference		120	
Foreign currency translation adjustments	**(1,799)**	(2,258)	**(16,067)**
Defined retirement benefit plans	**132**	91	**1,182**
Total other comprehensive loss	**(785)**	(3,589)	**(7,009)**
Comprehensive income	**¥ 11,155**	¥ 15,918	**$ 99,601**
Total comprehensive income attributable to:			
Owners of the parent	**¥ 11,133**	¥ 16,068	**$ 99,402**
Noncontrolling interests	**22**	(149)	**198**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Tadano Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2017

	Thousands	Millions of yen										
						Accumulated other comprehensive income						
	Number of shares of common stock outstanding	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Land revaluation difference	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Noncontrolling Interests	Total Equity
Balance, April 1, 2015	126,663	¥ 13,021	¥ 16,849	¥ 89,513	¥ (2,587)	¥ 2,391	¥ 1,108	¥ 2,110	¥ (1,033)	¥121,373	¥ 767	¥122,141
Net income attributable to owners of the parent				19,621						19,621		19,621
Cash dividends, ¥25.00 per share				(3,166)						(3,166)		(3,166)
Purchase of treasury stock	(42)				(56)					(56)		(56)
Disposal of treasury stock	1		0		1					1		1
Reversal of revaluation difference for land				(7)						(7)		(7)
Capital increase of consolidated subsidiaries			0							0		0
Net changes in the year						(1,541)	120	(2,222)	91	(3,552)	(184)	(3,737)
Balance, March 31, 2016	126,621	13,021	16,850	105,960	(2,642)	850	1,228	(112)	(942)	134,214	582	134,796
Net income attributable to owners of the parent				11,881						11,881		11,881
Cash dividends, ¥26.00 per share				(3,292)						(3,292)		(3,292)
Purchase of treasury stock	(0)				(0)					(0)		(0)
Disposal of treasury stock	11		5		5					10		10
Reversal of revaluation difference for land				(42)						(42)		(42)
Net changes in the year						882	42	(1,763)	132	(706)	(97)	(803)
Balance, March 31, 2017	126,632	¥ 13,021	¥ 16,855	¥114,507	¥ (2,637)	¥ 1,732	¥ 1,270	¥ (1,875)	¥ (809)	¥142,065	¥ 484	¥142,549

	Thousands of U.S. dollars (Note 1)										
Balance, March 31, 2016	$ 116,264	$ 150,448	$ 946,077	$ (23,591)	$ 7,590	$ 10,967	$ (1,001)	$ (8,411)	$1,198,343	$ 5,200	$1,203,543
Net income attributable to owners of the parent			106,086						106,086		106,086
Cash dividends, $0.23 per share			(29,396)						(29,396)		(29,396)
Purchase of treasury stock				(7)					(7)		(7)
Disposal of treasury stock		44		51					96		96
Reversal of revaluation difference for land			(379)						(379)		(379)
Net changes in the year					7,875	379	(15,742)	1,182	(6,304)	(872)	(7,177)
Balance, March 31, 2017	$ 116,264	$ 150,493	$1,022,387	$ (23,547)	$ 15,465	$ 11,346	$ (16,744)	$ (7,228)	$1,268,437	$ 4,327	$1,272,765

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Tadano Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Operating activities:			
Income before income taxes	**¥ 17,342**	¥ 30,117	**$ 154,840**
Adjustments for:			
Income taxes — paid	**(7,943)**	(12,758)	**(70,920)**
Depreciation and amortization	**3,169**	2,858	**28,300**
Net change in deferred gross profit on installment sales	**(54)**	91	**(490)**
Loss on sale or disposal of property, plant and equipment	**89**	80	**799**
Loss on impairment of long-lived assets (Note 7)	**199**	283	**1,784**
Gain on sales of investment securities (Note 5)	**(105)**	(511)	**(937)**
Loss on valuation of investments in capital of an affiliate	**973**	692	**8,694**
Changes in assets and liabilities:			
Notes and accounts receivable	**1,601**	325	**14,295**
Inventories	**(3,767)**	(3,636)	**(33,637)**
Allowance for doubtful accounts	**239**	(124)	**2,137**
Notes and accounts payable	**(8,623)**	2,088	**(76,993)**
Liability for retirement benefits	**227**	164	**2,027**
Other — net	**(47)**	(283)	**(423)**
Total adjustments	**(14,040)**	(10,729)	**(125,362)**
Net cash provided by operating activities	**3,301**	19,387	**29,478**
Investing activities:			
Purchases of property, plant and equipment	**(5,147)**	(3,956)	**(45,957)**
Proceeds from sales of property, plant and equipment	**31**	75	**280**
Proceeds from sales of investment securities (Note 5)	**574**	680	**5,129**
Payment for purchase of a subsidiary, net of cash acquired (Note 14)	**(5)**	(33)	**(45)**
Payment for transfer of business	**(353)**		**(3,152)**
Payment for transfer of investments in capital of a subsidiary in change in scope of consolidation	**(77)**		**(694)**
Other — net	**178**	(524)	**1,594**
Net cash used in investing activities	**(4,798)**	(3,758)	**(42,845)**
Financing activities:			
Increase in short-term borrowings — net	**645**	539	**5,760**
Proceeds from long-term debt	**1,203**		**10,743**
Repayments of long-term debt	**(746)**	(134)	**(6,661)**
Purchases of treasury stock	**0**	(56)	**(7)**
Disposal of treasury stock	**10**	1	**96**
Dividends paid	**(3,292)**	(3,166)	**(29,396)**
Dividends paid to noncontrolling interests	**(49)**	(38)	**(445)**
Other — net	**(264)**	(282)	**(2,365)**
Net cash used in financing activities	**(2,495)**	(3,136)	**(22,277)**
Foreign currency translation adjustments on cash and cash equivalents	**(836)**	(634)	**(7,465)**
Net increase in cash and cash equivalents	**(4,828)**	11,857	**(43,110)**
Cash and cash equivalents, beginning of year	**73,120**	61,262	**652,858**
Cash and cash equivalents, end of year	**¥ 68,291**	¥ 73,120	**$ 609,748**
Additional cash flow information:			
Interest paid	**¥ (432)**	¥ (479)	**$ (3,863)**

See notes to consolidated financial statements.

1. Basis of presentation of 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 accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the 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 consolidated financial statements as of and for the year ended March 31, 2016 to conform to the classifications used in those as of and for the year ended March 31, 2017.

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 ¥112 to $1, the approximate rate of exchange at March 31, 2017. 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. Japanese yen figures less than 1 million yen are rounded down to the nearest million yen, and U.S. dollar figures less than 1 thousand dollars are rounded down to the nearest thousand dollars, except for per share data.

2. Summary of significant accounting policies

a) Consolidation

The consolidated financial statements as of March 31, 2017 include the accounts of the Company and its 30 subsidiaries (collectively, the "Group"). Under the control and influence concepts, 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 remaining 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 acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is amortized over the estimated years when the amortization period can be determined or over five years when it cannot.

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 also eliminated.

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

Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No.18, 'Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements' 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. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification — "FASB ASC") tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

c) Business Combinations

Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary (see Note 3).

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 contractual 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 time deposits and certificates of deposit, all of which mature or become due within three months of the date of acquisition.

f) Inventories

Inventories are stated at the lower of cost, determined by the specific identification method for finished products, work in process and crane carriers (materials) and by the average cost method for materials and supplies other than crane carriers, or net selling value.

g) Marketable and Investment Securities

Marketable and investment securities are classified and accounted for depending on management's intent.
Available-for-sale securities, which are not classified as either trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.
Nonmarketable 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 in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

i) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method based on 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 and 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 its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is 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 March 31, 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, 2017, the carrying amount of the land after the above onetime revaluation exceeds the estimated fair value by ¥6,509 million ($58,119 thousand).

l) Accrued Product Warranties

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

m) Liability for Retirement Benefits

The Company and its domestic subsidiaries have a lump-sum severance payment plan, a defined benefit pension plan, and a defined contribution pension plan. Several consolidated subsidiaries outside Japan have defined benefit pension plans.
Liability for retirement benefits is provided based on the projected benefit obligations and plan assets at the balance sheet date.

The company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 12 years no longer than the expected average remaining service period of the employees. The discount rate is determined using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment.

n) Research and Development Costs

Research and development costs are charged to income as incurred.

o) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement 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 bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.
The Company applied ASBJ Guidance No.26, "Guidance on Recoverability of Deferred Tax Assets" effective April 1, 2016. There was no impact on the consolidated financial statements from this for the year ended March 31, 2017.

p) Foreign Currency Transactions

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

q) Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign 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" under accumulated other comprehensive income in a separate component of equity.
Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

r) 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 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 are classified and accounted for as follows: (1) 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 statement of income and (2) for derivatives used for hedging purposes, if such 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.
Foreign currency forward contracts are utilized to hedge foreign currency exposures in export sales. Trade receivables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.
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.

s) Per Share Information

Basic EPS is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.
Diluted EPS is not disclosed because there are no potentially dilutive securities for the years ended March 31, 2017 and 2016.
Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

t) Changes in Presentation

Since the year ended March 31, 2017 "Insurance income," which was included in "Other" under "Other income" of the consolidated statement of income in the year ended March 31, 2016, has been presented separately because its amount increased significantly.
The financial statements for the year ended March 31, 2016 have been restated to reflect this change in presentation method.
As a result, ¥105 million presented in the Consolidated Statement of Income for the year ended March 31, 2016 as "Other" under "Other income" was reclassified as ¥5 million in "Insurance income" and ¥100 million in "Other."

3. BUSINESS COMBINATIONS

Year ended March 31, 2017

1) Business combination through acquisition

a) Outline of the business combination

a. Name of the acquired company and its main business
Company name: NITTU JUKI SERVICE K.K.
Main business: Repairing Mobile Cranes and mounting Truck Loader Cranes

b. Purpose of the business combination
NITTU JUKI SERVICE K.K secured a superior service network in Tomakomai of Hokkaido prefecture. This acquisition is an attempt to strengthen and maintain the service activities, and improve our long-term customer relationship.

c. Date of the business combination
March 27, 2017

d. Legal form of the business combination
Stock acquisition in exchange for cash consideration

e. Company name after the business combination
Unchanged

f. Percentage of voting rights acquired
Percentage of voting rights owned before the date of business combination 20%
Percentage of voting rights additionally acquired on the date of business combination 80%
Total percentage of voting rights held 100%

g. Basis for determining the acquired company
TADANO Ltd. acquired the interests by cash consideration.

b) The period for which the operations of the acquired company are included in the consolidated financial statements
The operating results of the acquiree is not included in the consolidated statement of income for the year ended March 31, 2017 because the company deemed the acquisition date as March 31, 2017, and used the financial statements of the subsidiary as March 31, 2017, in the preparation of the consolidated financial statements.

c) The acquisition cost of the acquired company and the details

	Millions of yen	Thousands of U.S. dollars
Consideration for the acquisition — Cash	¥ 30	$ 273
Fair value of the acquired company's stock, TADANO Ltd. has held, on acquisition date	7	68
Acquisition cost	¥ 38	$ 341

d) Difference between the acquisition cost of the acquired company and the total of acquisition cost for each transaction leading to the acquisitions.

Gain on step acquisitions
¥5 million ($46 thousands)

e) Amount and details of the assets acquired and liabilities assumed at the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 111	$ 992
Noncurrent assets	3	32
Total assets	114	1,025
Current liabilities	76	683
Total liabilities	¥ 76	$ 683

f) Estimated impact on the consolidated statement of income for the year ended March 31, 2017 if the business combination had been completed at the beginning of the year ended March 31, 2017 and the calculation method

	Millions of yen	Thousands of U.S. dollars
Net sales	¥ 208	$1,866
Operating loss	(21)	(189)
Loss before income taxes	(39)	(349)
Net loss attributable to owners of the parent	¥ (39)	$ (349)

	Yen	U. S. dollars
EPS	¥ (0.31)	$ (0.00)

(Calculation method of the estimated impact)
The estimated impact amounts were calculated as the difference between sales and other profits or losses, assuming that the business combination had been completed at the beginning of the year ended March 31, 2017 and the acquirer's sales and other profits or losses had been included in the consolidated statement of income.
The estimated impact has not been audited by our independent auditor.

2) Business combination through acquisition

a) Outline of the business combination

a. Name of the acquired company and its main business
Company name: AML Equipment Pty Ltd
Main business: Sales of construction cranes, special purpose vehicles and after-sales services

b. Purpose of the business combination
AML Equipment Pty Ltd secured a customer base and high credibility in the local area through extending its agencies to Western Australia, which is characterized by high demand for cranes used in the mining and natural resources industries. This business succession resulted in expanding the sales capabilities of new and used cranes and improving our long-term customer relationship.

c. Date of the business combination
November 11, 2016

d. Legal form of the business combination
Business transfer by AML Equipment Pty Ltd which TADANO Oceania Pty Ltd, a subsidiary of the Company, established.

e. Company name after the business combination
Unchanged

f. Basis for determining the acquired company
AML Equipment Pty Ltd transferred business by cash consideration.

b) The period for which the operations of the acquired company are included in the consolidated financial statements
From November 1, 2016 through December 31, 2016

c) The acquisition cost of the acquired company and the details

	Millions of yen	Thousands of U.S. dollars
Consideration for the acquisition — Cash	¥ 353	$ 3,152
Acquisition cost	¥ 353	$ 3,152

d) Acquisition-related cost
Advisory fee, etc.
¥48 million ($429 thousands)

e) Amount of goodwill, reason for recognizing goodwill, and method and period of amortization

a. Amount of goodwill
¥214 million ($1,914 thousands)

b. Reason for recognizing goodwill
Any excess of the acquisition cost over the net amount assigned to the assets acquired and liabilities assumed is recognized as goodwill.

c. Method and period of amortization
Straight-line method over 5 years

f) Amount and details of the assets acquired and liabilities assumed at the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 187	$ 1,677
Noncurrent assets	97	866
Total assets	284	2,543
Current liabilities	17	152
Noncurrent liabilities	3	27
Total liabilities	¥ 20	$ 180

g) Estimated impact on the consolidated statement of income for the year ended March 31, 2017 if the business combination had been completed at the beginning of the year ended March 31, 2017 and the calculation method

Estimated impact on the consolidated statement of income is omitted because it is difficult to estimate reasonably.

3) Business divestiture

a) Outline of the business divestitures

a. Name of the transferred company and its main business
Company name: JTL-TADANO (Hebei) Ironparts Co., Ltd.
Main business: Manufacturing metal parts for construction machinery

b. Purpose of the business divestiture
Due to a decline in production of BQ-TADANO (Beijing) Crane Co., Ltd., JTL-TADANO (Hebei) Ironparts Co., Ltd. anticipated that manufacturing parts for the construction machinery business, for which JTL-TADANO (Hebei) Ironparts Co., Ltd. may become unprofitable. This resulted in dissolving the joint venture contract with co-founder (Hebei JINTIANLI Manufacture Co., Ltd.) and transferring its capital.

c. Date of the business divestiture
January 17, 2017

d. Legal form of the business divestiture
Business transfer for cash consideration

b) Outline of accounting process

a. Amount of gain on transfer

Gain on transfer of investments in capital of a subsidiary
¥4 million ($43 thousands)

b. Amount and details of the assets and liabilities of the business transferred

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 174	$1,557
Noncurrent assets	9	81
Total assets	183	1,639
Current liabilities	25	223
Total liabilities	¥ 25	$ 223

c. Accounting process
The difference between the carrying amount and the transfer price was recognized in extraordinary profit as gain on transfer of investments in capital of a subsidiary.

c) The reportable segment which includes the business divested
Other areas

d) Impact on the consolidated statement of income for the fiscal year

	Millions of yen	Thousands of U.S. dollars
Net sales	¥ 108	$ 973
Operating loss	¥ (63)	$ (569)

4. Notes and accounts receivable

Notes and accounts receivable at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Accounts receivable	¥ 35,314	¥ 35,327	$ 315,305
Notes receivable:			
Due within one year	13,032	15,754	116,360
Due after one year	371	61	3,315
Total	¥ 48,717	¥ 51,143	$ 434,981

5. Marketable and investment securities

Marketable and investment securities at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Noncurrent			
Equity securities	¥ 6,121	¥ 5,334	$ 54,656
Other	27	28	248
Total	¥ 6,149	¥ 5,363	$ 54,904

The costs and aggregate fair values of marketable and investment securities at March 31, 2017 and 2016 were as follows:

	Millions of yen				Thousands of U.S. dollars			
	Cost	Unrealized gains	Unrealized losses	Fair value	Cost	Unrealized gains	Unrealized losses	Fair value
At March 31, 2017								
Securities classified as:								
Available-for-sale:								
Equity securities	**¥ 3,509**	**¥ 2,472**	**¥ 4**	**¥ 5,977**	**$ 31,338**	**$ 22,071**	**$ 40**	**$ 53,369**
Other	**29**		**2**	**27**	**267**		**19**	**248**
At March 31, 2016								
Securities classified as:								
Available-for-sale:								
Equity securities	¥ 3,979	¥ 1,278	¥ 67	¥ 5,190				
Other	29		1	28				

Available-for-sale securities whose fair values are not readily determinable at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Equity securities	**¥ 144**	¥ 144	**$ 1,286**

The information for available-for-sale securities which were sold during the year ended March 31, 2017 and 2016 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	Proceeds	Realized gains	Realized losses	Proceeds	Realized gains	Realized losses
March 31, 2017						
Securities classified as:						
Available-for-sale:						
Equity securities	**¥ 574**	**¥ 105**		**$ 5,129**	**$ 937**	
March 31, 2016						
Securities classified as:						
Available-for-sale:						
Equity securities	¥ 680	¥ 511				

No impairment losses were recognized in 2017 and 2016.

6. Inventories

Inventories at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Merchandise and finished products	**¥ 25,764**	¥ 24,404	**$ 230,037**
Work in process	**20,263**	18,118	**180,920**
Raw materials and supplies	**8,850**	10,499	**79,021**
Total	**¥ 54,877**	¥ 53,021	**$ 489,979**

7. Long-lived assets

The Group reviewed its long-lived assets for impairment as of March 31, 2017. As a result, the Group recognized an impairment loss of ¥199 million ($1,784 thousand) on buildings and intangible assets due to the deterioration of the profitability of a wholly owned subsidiary, TADANO MANTIS Corporation, resulting from a significant change in the business environment surrounding the subsidiary.
The carrying amount of the relevant assets was written down to the recoverable amount for the year ended March 31, 2017. The recoverable amount of these assets was measured at their fair value.

The Group reviewed its long-lived assets for impairment as of March 31, 2016. As a result, the Group recognized an impairment loss of ¥283 million on buildings and other assets due to the deterioration of the profitability of a wholly owned subsidiary, JTL-TADANO (Hebei) Ironparts Co., Ltd., resulting from a significant change in the business environment surrounding the subsidiary.
The carrying amount of the relevant assets was written down to the recoverable amount for the year ended March 31, 2016. The recoverable amount of these assets was measured at their value in use which was a memorandum price because the discount rate used for the computation of the present value of future cash flow was negative.

8. Short-term borrowings and long-term debt

Short-term borrowings principally consisted of a revolving credit facility, which bore interest at weighted-average rates of 0.8%, at March 31, 2017 and 2016.

As is customary in Japan, the Company obtains significant financing by trade notes endorsed. Such trade notes endorsed and the related contingent liabilities are not included in the consolidated balance sheet but are disclosed as contingencies (see Note 12).

The Company has unused lines of credit amounting to ¥12,138 million ($108,380 thousand) and ¥11,415 million with certain financial institutions at March 31, 2017 and 2016, respectively.

Long-term debt at March 31, 2017 and 2016 consisted of the following:

Bonds and loans from banks and insurance companies, with interest rates ranging from 0.64% to 1.50% and 0.64% to 2.70% at March 31, 2017 and 2016, respectively, maturing serially to 2023:	Millions of yen		Thousands of U.S. dollars
	2017	**2016**	**2017**
Unsecured loans	**¥ 11,237**	¥ 10,824	**$ 100,330**
Unsecured bonds	**10,000**	10,000	**89,285**
Obligation under finance lease	**550**	635	**4,912**
Total	**21,787**	21,460	**194,528**
Less current portion	**(216)**	(1,033)	**(1,933)**
Long-term debt, less current portion	**¥ 21,570**	¥ 20,426	**$ 192,595**

Annual maturities of long-term debt outstanding at March 31, 2017 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31		
2018	**¥ 216**	**$ 1,933**
2019	**6,959**	**62,139**
2020	**1,865**	**16,657**
2021	**994**	**8,882**
2022	**1,245**	**11,119**
2023 and thereafter	**10,505**	**93,796**
Total	**¥ 21,787**	**$ 194,528**

There are no assets pledged as collateral for long-term debt at March 31, 2017.

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.

9. Retirement benefits

The Company and domestic consolidated subsidiaries have a lump-sum severance payment plan, a defined benefit pension plan, and a defined contribution pension plan (the Company: From April 1, 2011; the domestic consolidated subsidiaries: From October 10, 2011). Several consolidated subsidiaries outside Japan have defined benefit pension plans.
Employees are entitled to larger payments if their 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.
Some consolidated subsidiaries which have a defined benefit pension plan and a lump-sum severance payment plan recorded liabilities for retirement benefits and net periodic benefit costs based on the simplified method.

a) The changes in defined benefit obligation for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at beginning of year	¥ 8,740	¥ 8,758	$ 78,043
Current service cost	379	372	3,385
Interest cost	84	86	754
Actuarial losses	101	33	908
Benefits paid	(499)	(409)	(4,459)
Others	(60)	(100)	(537)
Balance at end of year	¥ 8,746	¥ 8,740	$ 78,094

Note:The plans that applied the simplified method are not included above.

b) The changes in plan assets for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at beginning of year	¥ 1,673	¥ 1,576	$ 14,943
Expected return on plan assets	20	19	186
Actuarial gains	6	18	59
Contributions from the employer	236	257	2,113
Benefits paid	(220)	(198)	(1,965)
Balance at end of year	¥ 1,717	¥ 1,673	$ 15,337

Note: The plans that applied the simplified method are not included above.

c) The changes in defined benefit obligation accounted for using the simplified method for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at beginning of year	¥ 238	¥ 223	$ 2,129
Net periodic benefit costs	66	74	596
Benefits paid	(26)	(31)	(236)
Contributions to fund	(27)	(27)	(248)
Others	(0)	(1)	(7)
Balance at end of year	¥ 250	¥ 238	$ 2,233

d) Reconciliation between the liabilities and assets recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Funded defined benefit obligation	¥ 3,342	¥ 3,385	$ 29,846
Plan assets	(2,089)	(2,025)	(18,658)
Total	1,253	1,360	11,187
Unfunded defined benefit obligation	6,025	5,945	53,802
Net liability arising from defined benefit obligation	¥ 7,278	¥ 7,305	$ 64,990

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Liability for retirement benefits	¥ 7,299	¥ 7,322	$ 65,177
Asset for retirement benefits	(20)	(17)	(187)
Balance at end of year	¥ 7,278	¥ 7,305	$ 64,990

Note: The above includes liability for retirement benefits accounted by the simplified method.

e) The components of net periodic benefit costs for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Service cost	¥ 379	¥ 372	$ 3,385
Interest cost	84	86	754
Expected return on plan assets	(20)	(19)	(186)
Recognized actuarial losses	284	177	2,536
Net periodic benefit costs accumulated by the simplified method	66	74	596
Others	50	51	447
Net periodic benefit costs	¥ 843	¥ 744	$ 7,532

f) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Actuarial gains	¥ (188)	¥ (163)	$ (1,686)
Total	¥ (188)	¥ (163)	$ (1,686)

g) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unrecognized actuarial losses	¥ 1,152	¥ 1,341	$ 10,286
Total	¥ 1,152	¥ 1,341	$ 10,286

h) Plan assets

a. *Components of plan assets*

Whole plan assets are invested in general accounts.

b. *Method of determining the expected rate of return on plan assets*

Whole plan assets are invested in general accounts that invest in insurance contracts.

The Company has set the long-term expected rate of return on plan assets based on the minimum expected rate of return on plan assets guaranteed by an insurance company (1.25%).

i) Assumptions used for the years ended March 31, 2017 and 2016 were set forth as follows:

	2017	2016
Discount rate	0.869%	0.869%
Expected rate of return on plan assets	1.25%	1.25%

j) Defined contribution pension plan

Contributions for the defined contribution pension plan of the Company and domestic consolidated subsidiaries for the years ended March 31, 2017 and 2016 were ¥261 million ($2,338 thousand) and ¥259 million, respectively.

10. Equity

Japanese companies are 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. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year 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 (noncash 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 aggregate amount of the 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 within equity 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 a 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.

11. Income taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.0% and 32.1% for the years ended March 31, 2017 and 2016, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2016**	**2017**
Deferred tax assets:			
Allowance for doubtful accounts	**¥ 117**	¥ 117	**$ 1,046**
Tax loss carryforwards	**942**	737	**8,412**
Liability for retirement benefits	**2,012**	2,015	**17,972**
Other	**5,649**	6,031	**50,440**
Less valuation allowance	**(1,504)**	(1,235)	**(13,432)**
Total	**7,217**	7,665	**64,439**
Deferred tax liabilities:			
Property, plant and equipment	**335**	337	**2,993**
Unrealized gain on available-for-sale securities	**733**	359	**6,546**
Fair value of subsidiary's land on consolidation	**187**	187	**1,675**
Other	**35**	52	**314**
Total	**1,291**	937	**11,529**
Net deferred tax assets	**¥5,925**	¥6,728	**$ 52,910**

Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2017, with the corresponding figures for 2016, was as follows:

	Rate (%)	
	2017	**2016**
Normal effective statutory tax rate	**30.0**	32.1
Expenses not deductible for income tax purpose	**0.7**	0.2
Per capita inhabitants tax	**0.4**	0.2
Differences in tax rates applicable to consolidated subsidiaries	**0.0**	0.2
Valuation allowance	**0.8**	1.4
Tax credit for research and development costs	**(2.1)**	(1.4)
Tax effect on elimination of unrealized profit	**1.1**	0.2
Effect of tax rate reduction		0.7
Other — net	**0.2**	1.6
Actual effective tax rate	**31.1**	35.2

At March 31, 2017, certain subsidiaries have tax loss carryforwards aggregating approximately ¥2,995 million ($26,748 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31		
2018	¥ 166	$ 1,488
2019	261	2,338
2020	364	3,252
2021	581	5,190
2022	249	2,223
2023 and thereafter	1,372	12,255
Total	¥2,995	$26,748

12. Contingent liabilities

At March 31, 2017, the Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantees of customers' loans and lease obligations	¥4,469	$39,903
Trade notes endorsed	¥ 8	$ 78

13. Research and development costs

Research and development costs included in selling, general and administrative expenses were ¥5,993 million ($53,516 thousand) and ¥5,611 million for the years ended March 31, 2017 and 2016, respectively.

14. Supplemental cash flow information

Acquisition cost and net payments for assets and liabilities of NITTSU JUKI SERVICE Co., Ltd a newly consolidated subsidiary acquired through stock purchase for the year ended March 31, 2017 are as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 111	$ 992
Noncurrent assets	3	32
Current liabilities	(76)	(683)
Pre-acquisition cost	(2)	(21)
Gain on step acquisitions	(5)	(46)
Additional acquisition cost	30	273
Cash and cash equivalents	(25)	(228)
Payment for purchase — net	¥ 5	$ 45

Acquisition cost and net payments for assets and liabilities of AML Equipment Pty Ltd a newly consolidated subsidiary acquired through transfer of business for the year ended March 31, 2017 were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 187	$ 1,677
Noncurrent assets	97	866
Goodwill	214	1,914
Current liabilities	(17)	(152)
Noncurrent liabilities	(3)	(27)
Acquisition cost	479	4,277
Cash and cash equivalents	(126)	(1,125)
Payment for transfer — net	¥ 353	$ 3,152

Transfer of capital of JTL-TADANO (Hebei) Ironparts Co., Ltd. resulted in removing this subsidiary from the scope of consolidation. Consequently, the subsidiary's assets and liabilities, its transfer price and cost arising from the transfer for the year ended March 31, 2017 were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥ 174**	**$ 1,557**
Noncurrent assets	**9**	**81**
Current liabilities	**(25)**	**(223)**
Noncontrolling interests	**(70)**	**(626)**
Foreign currency translation adjustments	**(93)**	**(833)**
Gain on transfer of investments in capital of a subsidiary	**4**	**43**
Transfer price of investments		
Cash and cash equivalents	**¥ (77)**	**$ (694)**
Payment for transfer — net	**77**	**694**

Acquisition cost and net payments for assets and liabilities of TAIHEIKIKOU K.K., a newly consolidated subsidiary acquired through stock purchase, for the year ended March 31, 2016 were as follows:

	Millions of yen
Current assets	¥ 99
Noncurrent assets	12
Goodwill	2
Current liabilities	(36)
Noncurrent liabilities	(13)
Acquisition cost	65
Cash and cash equivalents	(32)
Payment for purchase — net	¥ 33

15. Leases

The Group has a number of lease agreements for certain machinery, computer equipment and other assets.

The minimum rental commitments under noncancelable operating leases at March 31, 2017 are as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	**¥ 133**	**$ 1,194**
Due after one year	**401**	**3,582**
Total	**¥ 534**	**$ 4,776**

No minimum rental commitments under noncancelable operating leases were recognized in 2016.

16. Financial instruments and related disclosures

Group policy for financial instruments

The Group uses financial instruments, mainly long-term debt including bank loans and straight bonds, based on its capital financing plan. Cash surpluses, if any, are invested in low risk financial assets. Short-term borrowings are used to fund its ongoing operations. Derivatives are used not for speculative purposes, but to manage exposure to financial risks as described below.

Nature and extent of risks arising from financial instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, a part of these receivables is hedged by using forward foreign currency contracts. Marketable and investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are mitigated by receivables denominated in the same foreign currency as noted above.

Derivatives mainly include foreign currency forward contracts and interest-rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, and from changes in interest rates of bank loans. Please see Note 17 for more detail about derivatives.

Risk management for financial instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk associated with receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2017.

Market risk management (foreign currency exchange risk and interest rate risk)

Foreign currency trade receivables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. A part of such foreign currency exchange risk is hedged principally by foreign currency forward contracts.

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of loans payable.

Marketable and investment securities are managed by the monitoring market values and the financial position of issuers on a regular basis.

The basic principles of derivative transactions are based on the internal guidelines which prescribe the authority and the limit for each transaction. In order to mitigate credit risk, the Company only transacts with highly rated financial institutions.

Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead. Please see Note 5 for investment securities whose fair values are not readily determinable and Note 17 for the details of fair values of derivatives. These amounts are not included in the table below.

	Millions of yen			Thousands of U.S. dollars		
March 31, 2017	Carrying amount	Fair value	Unrealized gain	Carrying amount	Fair value	Unrealized gain
Cash and cash equivalents	**¥ 68,291**	**¥ 68,291**		**$ 609,748**	**$ 609,748**	
Short-term investments	**453**	**453**		**4,049**	**4,049**	
Notes and accounts receivable	**48,717**			**434,981**		
Allowance for doubtful accounts	**(185)**			**(1,656)**		
Notes and accounts receivable — net	**48,532**	**48,567**	**¥ 35**	**433,324**	**433,634**	**$ 312**
Investment securities	**6,005**	**6,005**		**53,617**	**53,617**	
Total	**¥123,282**	**¥123,317**	**¥ 35**	**$1,100,739**	**$1,101,049**	**$ 312**
Short-term borrowings	**¥ 15,448**	**¥ 15,448**		**$ 137,928**	**$ 137,928**	
Current portion of long-term debt	**216**	**216**		**1,933**	**1,933**	
Notes and accounts payable	**31,231**	**31,231**		**278,849**	**278,849**	
Income taxes payable	**2,470**	**2,470**		**22,058**	**22,058**	
Long-term debt	**21,570**	**22,156**	**¥ 586**	**192,595**	**197,828**	**$ 5,233**
Total	**¥ 70,936**	**¥ 71,523**	**¥ 586**	**$ 633,365**	**$ 638,598**	**$ 5,233**

	Millions of yen		
March 31, 2016	Carrying amount	Fair value	Unrealized gain
Cash and cash equivalents	¥ 73,120	¥ 73,120	
Short-term investments	498	498	
Notes and accounts receivable	51,143		
Allowance for doubtful accounts	(142)		
Notes and accounts receivable — net	51,000	51,025	¥ 24
Investment securities	5,219	5,219	
Total	¥129,838	¥129,863	¥ 24
Short-term borrowings	¥ 15,409	¥ 15,409	
Current portion of long-term debt	1,033	1,033	
Notes and accounts payable	40,802	40,802	
Income taxes payable	5,523	5,523	
Long-term debt	20,426	21,160	¥ 734
Total	¥ 83,195	¥ 83,929	¥ 734

Cash and cash equivalents, short-term investments, notes and accounts payable, short-term borrowings, current portion of long-term debt and income taxes payable

The carrying values of these instruments approximate fair value because of their short maturities.

Notes and accounts receivable

The fair values of these instruments are measured at the amount to be collected at maturity discounted at the Group's assumed corporate discount rate.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for marketable and investment securities by classification is included in Note 5.

Long-term debt

The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Derivatives

Fair value information for derivatives is included in Note 17.

Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen				Thousands of U.S. dollars			
March 31, 2017	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents.....	¥ 68,291				$ 609,748			
Short-term investments.....	453				4,049			
Notes and accounts receivable...	48,346	¥ 367	¥ 4		431,665	$ 3,278	$ 36	
Total	¥ 117,091	¥ 367	¥ 4		$ 1,045,462	$ 3,278	$ 36	

Please see Note 8 for annual maturities of long-term debt.

17. Derivatives

The Group enters into foreign currency forward contracts and currency options to hedge foreign currency 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 enter into derivatives for trading or speculative purposes.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the Group's 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 significant 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 consolidated balance sheet at year-end are not subject to the disclosure of market value information.

No derivative transactions are recognized in 2017.

Derivative transactions to which hedge accounting was not applied at March 31, 2016 were as follows:

	Millions of yen			
March 31, 2016	Contract amount	Contract amount due after 1 year	Fair value	Unrealized gain/loss
Currency option contracts:				
EUR — USD	¥ 1,333		¥ (2)	¥ (2)
Foreign currency forward contracts				
Buying EUR — Selling USD	480		3	3
Total	¥ 1,814		¥ 0	¥ 0

Derivative transactions to which hedge accounting was applied at March 31, 2016 were as follows:

	Millions of yen			
March 31, 2016	Hedged Item	Contract amount	Contract amount due after 1 year	Fair value
Foreign currency forward contract:				
Selling AUD	**Receivables**	**¥ 321**		**¥ 317**

Method used to calculate the fair value

- Currency option contracts:
  The fair value of derivative transactions is measured at the quoted price obtained from financial institution.
  The currency option contract is a zero-cost option contract. With respect to the zero-cost option contract, the call option and put option are shown in aggregate as they are deemed as one contract.
- Foreign currency forward contracts
  Forward exchange rates are used to determine fair values of foreign currency forward contracts.

The contract or notional amounts of derivatives shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

18. Other comprehensive income (loss)

The components of other comprehensive income (loss) for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2016**	**2017**
Unrealized gain (loss) on available-for-sale securities:			
Gains arising during the year	**¥ 1,360**	¥ (1,761)	**$ 12,146**
Reclassification adjustments to profit or loss	**(105)**	(511)	**(937)**
Total	**1,255**	(2,273)	**11,209**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥ (1,706)**	¥ (2,258)	**$(15,233)**
Reclassification adjustments to profit or loss	**(93)**		**(833)**
Total	**(1,799)**	(2,258)	**(16,067)**
Defined retirement benefit plans:			
Adjustments arising during the year	**¥ (20)**	¥ (20)	**$ (182)**
Reclassification adjustments to profit or loss	**208**	184	**1,865**
Total	**188**	163	**1,683**
Amount before income tax effect	**(355)**	(4,368)	**(3,174)**
Income tax effect	**(429)**	778	**(3,834)**
Total other comprehensive income (loss)	**¥ (785)**	¥ (3,589)	**$ (7,009)**

	Millions of yen			Thousands of U.S. dollars		
March 31, 2017	Amount before income tax effect	Income tax effect	Amount after income tax effect	Amount before income tax effect	Income tax effect	Amount after income tax effect
Unrealized gain on available-for-sale securities	**¥ 1,255**	**¥ (373)**	**¥ 882**	**$ 11,209**	**$ (3,333)**	**$ 7,875**
Foreign currency translation adjustment	**(1,799)**		**(1,799)**	**(16,067)**		**(16,067)**
Defined retirement benefit plans	**188**	**(56)**	**132**	**1,683**	**(500)**	**1,182**
Total other comprehensive income (loss)	**¥ (355)**	**¥ (429)**	**¥ (785)**	**$ (3,174)**	**$ (3,834)**	**$ (7,009)**
March 31, 2016						
Unrealized gain on available-for-sale securities	¥ (2,273)	¥ 731	¥ (1,541)			
Land revaluation difference		120	120			
Foreign currency translation adjustment	(2,258)		(2,258)			
Defined retirement benefit plans	163	(72)	91			
Total other comprehensive income (loss)	¥ (4,368)	¥ 778	¥ (3,589)			

19. Segment information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

a) Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments consist of Japan, Europe and the Americas.

b) Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of significant accounting policies."

Segment profit is based on operating income.
Intersegment sales or transfers are made at market price.

c) Information about sales, profit (loss), assets and other items were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Net sales:			
Japan			
Sales to external customers	¥ 120,011	¥129,364	$ 1,071,526
Intersegment sales or transfers	20,028	38,494	178,825
Total	140,039	167,858	1,250,352
Europe			
Sales to external customers	21,504	24,338	192,000
Intersegment sales or transfers	18,093	17,733	161,545
Total	39,597	42,072	353,546
The Americas			
Sales to external customers	25,452	39,495	227,257
Intersegment sales or transfers	169	317	1,513
Total	25,622	39,813	228,771
Other areas			
Sales to external customers	12,708	16,227	113,471
Intersegment sales or transfers	367	352	3,278
Total	13,075	16,580	116,749
Reconciliations	(38,658)	(56,897)	(345,163)
Consolidated total	¥ 179,676	¥209,426	$ 1,604,257
Segment profit:			
Japan	¥ 16,104	¥ 27,968	$ 143,789
Europe	869	1,374	7,765
The Americas	(64)	2,212	(575)
Other areas	219	31	1,963
Reconciliations	1,354	(524)	12,092
Consolidated total	¥ 18,484	¥ 31,062	$ 165,035
Segment assets:			
Japan	¥ 185,934	¥190,483	$ 1,660,131
Europe	29,822	30,371	266,273
The Americas	19,229	23,079	171,687
Other areas	8,691	10,488	77,606
Reconciliations	(13,878)	(19,022)	(123,913)
Consolidated total	¥ 229,799	¥235,400	$ 2,051,784
Other			
Depreciation:			
Japan	¥ 2,296	¥ 1,897	$ 20,500
Europe	585	609	5,230
The Americas	147	149	1,313
Other areas	84	137	756
Consolidated total	¥ 3,113	¥ 2,793	$ 27,799
Increase in property, plant and equipment and intangible assets:			
Japan	¥ 5,319	¥ 2,377	$ 47,495
Europe	499	1,438	4,463
The Americas	52	654	470
Other areas	375	102	3,351
Consolidated total	¥ 6,247	¥ 4,572	$ 55,781
Amortization of goodwill			
Japan		¥ 2	
Europe	¥ 48	61	$ 437
The Americas			
Other areas	7		64
Consolidated total	¥ 56	¥ 64	$ 501
Impairment losses of assets			
Japan			
Europe			
The Americas	¥ 199		$ 1,784
Other areas		¥ 283	
Consolidated total	¥ 199	¥ 283	$ 1,784

Notes:
1. "Other areas" consists of overseas subsidiaries in Asia, Oceania and other regions.
2. a) Reconciliations for segment profit mainly consist of elimination of intersegment unrealized profit of ¥1,341 million ($11,975 thousand) and ¥549 million for the years ended March 31, 2017 and 2016, respectively.
   b) Reconciliations for segment assets consist of elimination of intersegment balance of ¥4,749 million ($42,405 thousand) and ¥12,931 million and elimination of intersegment unrealized profit of ¥9,128 million ($81,507 thousand) and ¥6,090 million for the years ended March 31, 2017 and 2016, respectively.
3. Segment profit is reconciled to consolidated operating income.

d) Information about products/services

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Net sales:			
Mobile Cranes	**¥ 109,627**	¥ 141,534	**$ 978,818**
Truck Loader Cranes	**19,633**	20,375	**175,296**
Aerial Work Platforms	**23,202**	19,432	**207,168**
Other	**27,213**	28,084	**242,973**
Total	**¥ 179,676**	¥ 209,426	**$ 1,604,257**

e) Information about geographical areas

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Net sales:			
Japan	**¥ 102,270**	¥ 104,981	**$ 913,130**
Europe	**20,701**	22,844	**184,833**
The Americas	**26,951**	39,954	**240,641**
Other areas	**29,752**	41,645	**265,651**
Total	**¥ 179,676**	¥ 209,426	**$ 1,604,257**
Net property, plant and equipment:			
Japan	**¥ 34,452**	¥ 31,514	**$ 307,607**
Europe	**5,164**	5,579	**46,114**
The Americas	**790**	1,134	**7,057**
Other areas	**776**	753	**6,934**
Total	**¥ 41,183**	¥ 38,982	**$ 367,713**

Notes:
1. Net sales are classified by country or region based on the location of customers.
2. Net sales of "The Americas" contains sales for United States of America, ¥23,818 million ($212,665 thousand) and ¥31,501 million for the years ended March 31, 2017 and 2016, respectively.
3. Net property, plant and equipment of "Europe" contains that of Germany, ¥5,159 million ($46,069 thousand) and ¥5,570 million for the years ended March 31, 2017 and 2016, respectively.

f) Information about major customers
The Company has no customers that accounted for more than 10% of consolidated net sales for the year ended March 31, 2017.

g) Information on the balance of goodwill of reportable segments

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Goodwill:			
Japan			
Europe	**¥ 106**	¥ 192	**$ 952**
The Americas			
Other areas	**218**		**1,954**
Total	**¥ 325**	¥ 192	**$ 2,907**

20. Per share information

EPSs for the years ended March 31, 2017and 2016 were as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income attributable to owners of the parent	Weighted-average shares	EPS	
For the year ended March 31, 2017:				
Basic EPS				
Net income available to common shareholders	**¥11,881**	**126,628**	**¥ 93.83**	**$0.84**
For the year ended March 31, 2016:				
Basic EPS				
Net income available to common shareholders	¥19,621	126,644	¥154.93	

21. Subsequent events

Appropriations of retained earnings

The following appropriation of retained earnings at March 31, 2017 was approved at the Company's shareholders' meeting held on June 27, 2017:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥13.00 ($0.11) per share	**¥ 1,646**	**$ 14,698**

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte Touche Tohmatsu LLC
Takamatsu Fukoku Seimei Building
2-6, Konyamachi,Takamatsu 760-0027
Japan
Tel: +81 (87) 822 5662
Fax: +81 (87) 821 9322
www.deloitte.com/jp

To the Board of Directors of TADANO LTD.:

We have audited the accompanying consolidated balance sheet of TADANO LTD. and its subsidiaries as of March 31, 2017, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 its subsidiaries as of March 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 27, 2017

Member of
Deloitte Touche Tohmatsu Limited

CORPORATE DATA

PAID-IN CAPITAL
JPY13,021 million (As of March 31, 2017)

NUMBER OF EMPLOYEES
1,433 (As of March 31, 2017)

CONSOLIDATED NUMBER OF EMPLOYEES
3,346 (As of March 31, 2017)

HEAD OFFICE
Ko-34 Shinden-cho, Takamatsu,
Kagawa 761-0185 Japan
Phone: +81-87-839-5555
Facsimile: +81-87-839-5743
http://www.tadano.co.jp/

TOKYO OFFICE
(International Sales Division)
4-12 Kamezawa 2-chome,
Sumida-ku, Tokyo 130-0014 Japan
Phone: +81-3-3621-7750
Facsimile: +81-3-3621-7785
http://www.tadano.com/

TADANO GROUP OFFICES, SUBSIDIARIES AND AFFILIATES OUTSIDE JAPAN

Tadano Ltd., Beijing Office
Room 1902A, No.302 Huateng Mansion,
Jinsong 3 District Chaoyang, Beijing, China
Phone: +86-10-8776-9766
Facsimile: +86-10-8775-9766

Tadano Ltd., Middle East Representative Office
P.O.Box 18302, LOB15-323,
Jebel Ali Free Zone, Dubai, UAE
Phone: +971-4-8871353
Facsimile: +971-4-8871703

Tadano Faun GmbH
Faunberg 2, 91207, Lauf a.d. Pegnitz,
Germany
Phone: +49-9123-185-0
Facsimile: +49-9123-753-20

Tadano Faun Stahlbau GmbH
Faunberg 2, 91207, Lauf a.d. Pegnitz,
Germany
Phone: +49-9123-185-171

Tadano UK Ltd
1-4 Wentworth Way, Wentworth Industrial Park,
Tankersley, South Yorkshire, S75 3DH, UK
Phone: +44-870-066-5466
Facsimile: +44-870-066-5501

Tadano France SAS
27, rue du Champ de Mars CS 60919
57209 Sarreguemines, France
Phone: +33-6-75-71-22-77

Tadano America Corporation
4242 West Greens Road,
Houston, Texas 77066, USA
Phone: +1-281-869-0030
Facsimile: +1-281-869-0040

Tadano Mantis Corporation
1705 Columbia Avenue
Franklin, Tennessee 37064, USA
Phone: +1-800-272-3325
Facsimile: +1-615-790-6803

Tadano America Holdings, Inc.
4242 West Greens Road,
Houston, Texas 77066, USA
Phone: +1-281-869-0030
Facsimile: +1-281-869-0040

Tadano Panama S.A.
Bella Vista, Calle 51, Habitats Plaza,
Oficina 400-4, Panama
Phone: +507-209-5787

Tadano Brasil Equipamentos de Elevação Ltda.
Avenida Angélica, 2491-Conjunto 77,
São Paulo-SP-CEP 01227-200, Brazil
Phone: +55-11-4772-0222

Tadano (Beijing) Ltd.
Room 1902, No.302 Huateng Mansion,
Jinsong 3 District Chaoyang, Beijing, China
Phone: +86-10-8776-9766
Facsimile: +86-10-8775-9766

JC-Tadano (Beijing) Hydraulic Co., Ltd.
(Currently undergoing liquidation.)

Tadano Korea Co., Ltd.
2F, B213, 52, Chungmin-ro, Songpa-gu,
Seoul, 05839, Korea
Phone: +82-2-714-1600
Facsimile: +82-2-3274-1304

Tadano Asia Pte. Ltd.
11 Tuas View Crescent,
Multico Building, Singapore 637643
Phone: +65-6863-6901
Facsimile: +65-6863-6902

Tadano (Thailand) Co., Ltd.
500/70 Moo.2, T.Tasit, A.Pluak Daeng,
Rayong 21140, Thailand
Phone: +66-33-010-939
Facsimile: +66-33-010-940

Tadano Italthai Co., Ltd.*
7th floor 2013 New Petchaburi Road,
Bangkapi, Huay Kwang, Bangkok 10310,
Thailand
Phone: +66-2-318-5192
Facsimile: +66-2-318-5194

Tadano India Pvt. Ltd.
Unit No.707-710, 7th Floor, Prestige
Meridian -1, No.29 M.G Road,
Bangalore-560001, Karnataka, India
Phone: +91-80-4093-1566
Facsimile: +91-80-4093-7934

Tadano Oceania Pty Ltd
4/12 Archimedes Street, Darra,
QLD 4076 Australia
Phone: +61-7-3120-8750
Facsimile: +61-7-3120-8760

AML Equipment Pty Ltd
25 Quarimor Road, Bibra Lake WA 6163,
Australia
Phone: +61-8-9499-6500
Facsimile: +61-8-9418-4160

BQ-Tadano (Beijing) Crane Co., Ltd.
No. 36 Linhe Street,
Linhe Industrial Development Zone,
Shunyi District, Beijing, China
Phone: +86-10-8949-8703
Facsimile: +86-10-8949-8705

Taiwan Tadano Ltd.
4F., No.77, Sec. 2, Dunhua S. Rd., Da'an
Dist., Taipei City 10682, Taiwan (R.O.C.)
Phone: +886-2-2754-0252
Facsimile: +886-2-2709-2086

* Changed from Tadano Thai Parts and Service Co., Ltd. in June 2017.

Tadano Ltd. http://www.tadano.co.jp/ Japanese http://www.tadano.com/ English

HEAD OFFICE
Ko-34 Shinden-cho, Takamatsu, Kagawa 761-0185 Japan
Phone: +81-87-839-5555 Facsimile: +81-87-839-5743

TOKYO OFFICE
4-12 Kamezawa 2-chome, Sumida-ku, Tokyo 130-0014 Japan
Phone: +81-3-3621-7750 Facsimile: +81-3-3621-7785

Printed in Japan