TADANO

ANNUAL REPORT 2014

Lifting your dreams

TADANO

Cranes have long contributed to the development of towns, cities, and nations and ultimately to the foundations for an affluent future. The history of hydraulic cranes in Japan started in 1955 with the TADANO's development of the OC-2 truck crane.

We started exporting our products overseas in 1960 and created our first overseas subsidiary in 1973. Since then, TADANO has been advancing along with the worldwide development of business and established a solid international position in the field of hydraulic cranes.

Now TADANO is aiming to achieve a new growth trajectory by expanding business and domain to become the No.1 manufacturer of Lifting Equipment. Not only in cranes, but in machinery and equipment reflecting the concept of mobile, gravity-defying equipment for aerial work, that is Lifting Equipment.

TADANO's objective is to forge a new trajectory of growth, achieve true globalization, and become a respected enterprise around the world for generations to come.

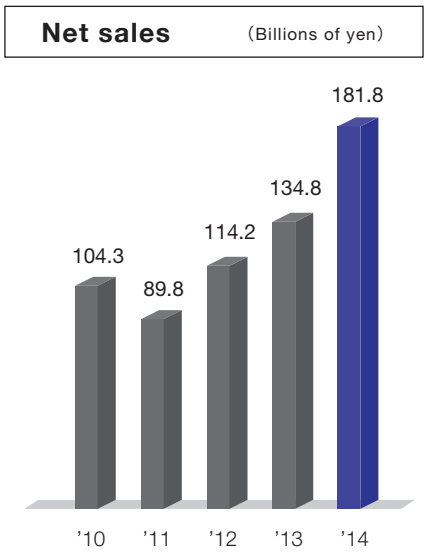
Contents

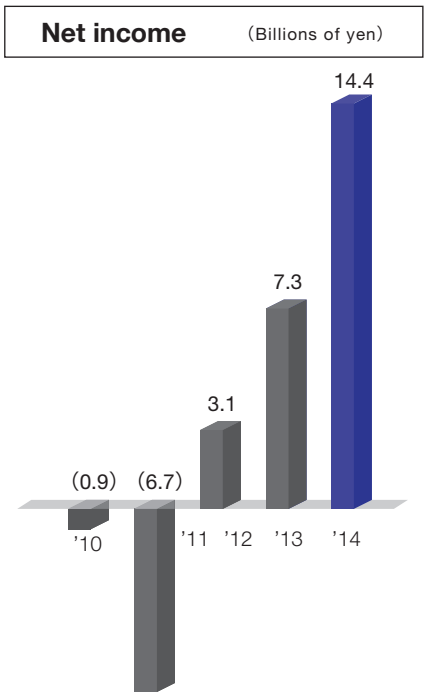
FINANCIAL HIGHLIGHTS

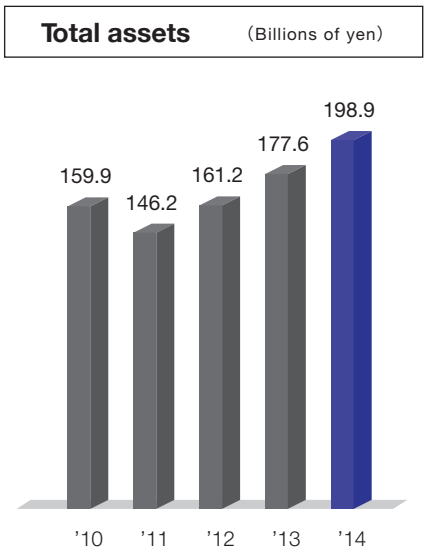
TADANO LTD. and consolidated subsidiaries
Years Ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Net sales	**¥ 181,764**	¥ 134,836	**$ 1,764,699**
Operating income	**21,141**	10,925	**205,252**
Net income	**14,411**	7,341	**139,913**
Total assets	**198,944**	177,611	**1,931,495**
Net property, plant and equipment	**36,860**	34,585	**357,864**
Total equity	**102,966**	86,674	**999,670**
	Yen		U.S. dollars
Per share of common stock			
Basic net income	**¥ 113.68**	¥ 57.84	**$ 1.10**
Cash dividends applicable to the year	**19.00**	12.00	**0.18**

Note: U.S. dollar figures have been translated into yen at the rate of ¥103 = US$1 for convenience only.







TO OUR SHAREHOLDERS

Koichi Tadano
Representative Director,
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 27 subsidiaries and 3 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, 2014.

▶ Overview

The Japanese economy recovered at a gentle pace during the fiscal year under review. Personal consumption remained steady, backed by improving conditions in employment and income. Production increased, corporate earnings grew, and capital investment improved. The U.S. economy continued to recover, while the European economy showed signs of improvement. However, economic activity appeared to slow in certain emerging markets.

Within our industry, increasing utilization rates in the Japanese market driven by various factors, including earthquake restoration and recovery measures, disaster preparedness and mitigation efforts, and efforts to address an aging infrastructure, created circumstances in which cranes were perceived to be in short supply. Demand grew against a backdrop of improvements in prices and improved business confidence following Tokyo's winning 2020 Olympics bid. Outside of Japan, demand grew in the Middle East, Southeast Asia, and other markets, driven primarily by the energy and infrastructure sectors. Nevertheless, some regional variation was apparent. Overall, demand decreased slightly outside of Japan.

Sales of Mobile Cranes, Truck Loader Cranes, and Aerial Work Platforms all increased in the Japanese market, resulting in total sales in this market of 86,277 million yen, up 25.6% from the same period of the previous fiscal year. Outside of Japanese markets, improved competitive strength due to foreign exchange effects and efforts to expand sales of larger products and capture demand in energy and infrastructure sectors helped increase

market share, pushing outside Japan sales to 95,487 million yen, up 44.3% from the same period of the previous fiscal year. Total sales climbed to 181,764 million yen, up 34.8% from the same period of the previous fiscal year. Outside Japan sales accounted for 52.5% of all sales.

Various factors, including sales growth, efforts to resume appropriate pricing, exchange rates, improved operating ratios, and cost savings boosted gross profits, resulting in operating income of 21,141 million yen, up 93.5% from the same period of the previous fiscal year. Net income totaled 14,411 million yen, up 96.3% from the same period of the previous fiscal year.

These figures resulted in a third consecutive year of revenue and profit growth. Both sales and profits reached new record highs.

▶ Outlook for the Next Term

We expect the Japanese economy to maintain its current course of recovery, supported by increasing exports and capital investments, with the effects of the higher consumption tax gradually weakening. Outside of Japan, we expect the U.S. and European economies to continue moving toward recovery. Potential concerns include downward pressures on emerging markets and events and conditions in the Ukraine and issues related to North Korea.

We expect demand in the Japanese market to rise, driven by a number of factors: increased utilization rates stemming from measures for earthquake restoration and recovery, disaster preparedness and mitigation, and aging infrastructure improvements, price improvements, and improved business confidence following Tokyo's winning 2020 Olympics bid. Despite the gentle recovery in Europe and demand in energy and infrastructure sectors in regions including North America and the Middle East, slowing demand in emerging markets is expected to result in a slight decrease in demand outside Japan.

Under the TADANO Group Mid-Term Management Plan (14-16), the TADANO Group will implement seven strategies to realize three priorities, based on its basic policy of becoming a Stronger Company.

- A Stronger Company means being able to continuously generate profits and develop human resources year after year, no matter what environment it faces.
- Three priorities;
  Further Globalization, Higher Resilience, Enhanced Competitiveness.
- Seven strategies;
  (1) Enhance volume & quality in Core Market, Expand volume in Strategic Market
  (2) Provide No.1 products and expand our sales lineup
  (3) Pursue global & flexible MONOZUKURI
  (4) Provide Outstanding Quality & Service
  (5) Improve life-cycle value of our products
  (6) Raise profitability level
  (7) Strengthen the TADANO group & global management structure

In fiscal year 2014, the first fiscal year of the TADANO Group Mid-Term Management Plan (14-16), we will enhance volume & quality in Core Market, expand volume in Strategic Market, improve profitability, and improve and pursue quality.

July 2014

Koichi Tadano
Representative Director
President and CEO

REVIEW OF OPERATIONS

Mobile Cranes

Japanese sales of Mobile Cranes rose by 43.8% from the previous fiscal year to 38,295 million yen, due primarily to a focus on expanding sales of products compatible with new emissions regulations as demand increased.

Outside Japan sales rose to 81,160 million yen, up 50.6% from the previous fiscal year, thanks to improved competitive strength and share resulting from foreign exchange effects and efforts to expand sales of larger products and capture demand in energy and infrastructure sectors.

Total sales of Mobile Cranes increased by 48.3% from the previous fiscal year to 119,455 million yen.

Truck Loader Cranes

Backed by rising truck demand and high installation rates, Japanese sales of Truck Loader Cranes rose by 22.9% from the previous fiscal year to 17,176 million yen.

Outside Japan sales totaled 1,414 million yen, up 14.5% from the previous fiscal year.

Total sales of Truck Loader Cranes increased to 18,590 million yen, up 22.2% from the previous fiscal year.

Aerial Work Platforms

Demand for sales to the rental industry, which has seen vigorous capital investment, helped boost sales of Aerial Work Platforms by 15.7% from the previous fiscal year to 14,871 million yen, despite low demand for electric power and electrical construction use.

Other Businesses

Sales of parts, repairs, used cranes, and other products and services rose by 10.0% from the previous fiscal year to 28,848 million yen.

Overseas Operations

In fiscal year 2013, despite regional variations that included second half economic slowing following a bullish first half in North American markets, demand surged in the key markets of the Middle East and Southeast Asia, primarily in sectors related to resources and infrastructure. Markets in the Middle East in particular continued to exhibit robust demand, driven by the petroleum industry and by infrastructure and other projects, chiefly those in Saudi Arabia. In Southeast Asian markets, demand surged notably in Thailand and Malaysia.

Amid these business conditions, overseas sales jumped 44.3% from the previous fiscal year to a new record high, thanks in particular to efforts to expand sales of larger products and efforts targeting demand related to resources and infrastructure, as well as improved price competitiveness resulting from yen devaluation. Overseas sales accounted for 52.5% of all sales, up from 49.1% in fiscal 2012.

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 ¥4,497 million, 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

- For the Japanese market, we have developed and launched sales of domestic versions of the ATF400G-6 and ATF300G-6, our largest global All Terrain Crane models. Based on the ATF360G-6, these new models feature improvements in quality, safety, and lifting capacity and allow disassembly for transportation. We are currently seeking to expand sales of these products in the Japanese market.
- For the Japanese market, we also have developed four new models of Rough Terrain Cranes (the GR-700N-1, GR-250N-3, GR-160N-3, and GR-130N-1). Meeting 2011-2012 emissions restrictions for diesel-powered special-purpose vehicles, the GR-700N-1 and GR-130N-1 deliver greater maximum lifting capacities than preceding models: up from 60 to 70 tons and from 12 to 13 tons, respectively. We are seeking to expand sales of these models by focusing on customers seeking life-cycle cost savings, environmental performance, operating performance, and safety. These cranes incorporate various eco-friendly systems, including fuel-consumption monitors to promote awareness of fuel savings and an Eco Mode to reduce fuel consumption during crane operations, as well as further enhancements in safety features.
- We also have developed versions of the TM-ZE250, 260, and 290 Loader Cranes with eco-friendly specifications to expand sales in the Japanese market. Incorporating our proprietary two-speed winch motor, which was well-received in the TM-ZE300, 360, and 500 models, these products are designed to achieve environmental performance, including low fuel consumption and low noise output.
- For the telecommunications market, we simultaneously developed four models of the 11- and 10-meter class Aerial Work Platforms (AT-110TTE(D)-5, AT-110TTE(S)-5, AT-100TTE-5, and AT-100TT-5). Designed with a focus on operating performance and compact dimensions suitable for work in dense urban environments and on narrow streets, these models offer improved fuel efficiency, reduced noise, and larger toolbox capacity, with maneuverability improvements achieved through reduced boom shake during startup and stopping, thus enhancing operability, environmental performance, and convenience. An optional feature offered with these models is HELLO-NET, an Internet-based support system already offered on larger cranes that provides information on usage, location, and equipment maintenance. In these and other ways, we are working to meet diversifying customer needs and to expand sales in this market.
- We have also developed the CL-500-2 removable lifter for All Terrain Cranes (AC). The CL-500-2 features additional improvements in operability and ease of use over the CL-500-1, its predecessor, including improved compatibility with AC models from other manufacturers, as seen in the enhanced maneuverability of its mounting system, and revised clamp height to achieve installation compatibility with the AR-5500M, our largest model. We plan to leverage this model to expand sales in this market.
- With a 145-ton-class lifting capacity, the GR-1600XL-2 (GR-1450EX-2)* developed for overseas markets is one of the world's largest Rough Terrain Cranes. Intended to help expand sales in overseas markets, this model offers numerous attractive features and TADANO technologies, including a six-stage 61-meter high-tensile steel boom, the longest in its class; total height and width typical of models one class smaller; increased maneuverability in narrow spaces, thanks to our first three-axle vehicle carrier; and outriggers and counterweights that do not require another crane for attachment or removal, making for improved convenience during trailer transport.

  * The GR-1600XL-2 is the model for the North, Central, and South American markets; the GR-1450EX-2 is the model for other overseas markets.
- A Truck Mounted Crane developed to meet the needs of customers in Brazil, the GS-900BR offers improvements in safety and mountability of crane to chassis, as well as improvements designed to meet the requirements of local vehicle laws and road use regulations.
- In Central and South America, we launched sales of the TM-35100 30-ton Truck Mounted Crane, developed for mounting on North American trucks. Based on a review of processes ranging from production through transport, we strove to simplify the process of mounting these crane models to their chassis for our customers in Central and South America. To ensure safety, we are also providing Spanish-language explanatory materials. These efforts are part of a push to expand sales in Central and South America, a new TADANO market.
- The GS-600EX-1 was developed as a Truck Mounted Crane for the Singapore market. Mounted on a general-purpose right-hand-drive vehicle carrier, this model can be driven on Singapore streets. Designed to help expand sales in this market, this model is the first TADANO Truck Mounted Crane compatible with HELLO-NET. It also meets customer demand for greater ease of use and environmental performance and features an Eco Mode to reduce fuel consumption during crane operations.
- We developed the TM-ZT820, 650, 630, 500, and 400 models, which feature eight-ton, six-ton, five-ton, and four-ton-class capacities, respectively as Truck Loader Cranes for emerging markets where we anticipate growth. We launched sales of these models after initiating mass production at our plant in Thailand. These models meet market demand for lower-cost products with basic configurations and are primarily intended to expand sales in the regions of Asia, the Middle East, and Africa.

(2) Europe

We initiated efforts to ensure compliance with the Euro 4 emissions standards for our 70 to 400-ton-class All Terrain Cranes, now available in Europe. We are continuing to work toward offering a full lineup of models equipped with engines that meet emissions standards.

(3) The Americas

At CONEXPO 2014 held in Las Vegas in March of this year, we exhibited the GTC-1200EX Telescopic Boom Crawler Crane, a model that is currently under development as a flagship model that surpasses the preceding model's 100-ton lifting capacity. In response to numerous inquiries received from CONEXPO 2014 attendees, we are continuing to develop this product in the aims of releasing it onto the market at the earliest possible date.

(4) Other markets

There were no notable developments in other markets.

Two models of All Terrain Cranes introduced

The ATF400G-6 (400-ton lifting capacity) and ATF300G-6 (300-ton lifting capacity) were introduced in May 2013. These strategic global All Terrain Crane models were jointly developed for the global market with TADANO FAUN GmbH, a wholly-owned subsidiary in Germany.

These two products are the latest in a line of strategic global models, which includes the ATF160G-5, ATF220G-5, ATF360G-6, and ATF130G-5.

These models feature specifications intended to meet wide-ranging customer needs for Mobile Cranes, including increasing expectations in operating performance, new control equipment for improved safety, improved driving capability, disassembly for transportation, and environmental performance.

One of the world's largest Rough Terrain Cranes introduced

In August 2013, we introduced the GR-1600XL-2 (160-short-ton lifting capacity) [labeled in some markets as the GR-1450EX-2 (145-ton lifting capacity)], a Rough Terrain Crane for overseas markets that boast world-leading lifting capacity.

There is strong demand in overseas markets for larger, farther reaching Rough Terrain Cranes capable of maneuvering in narrow spaces to carry out construction and maintenance on increasingly large plant facilities, particularly at sites used for energy resource development and similar purposes in North America.

In response, TADANO has developed a Rough Terrain Crane that incorporates a compact three-axle vehicle carrier while boasting world-leading lifting capacity.

This crane features a full range of equipment intended to protect the environment and to achieve high operational safety and efficiency.

Notes:
GR-1600XL-2: model name for the North, Central, and South American markets; GR-1450EX-2: model name for other overseas markets

Short ton: a unit of weight in general use in the North American market (equal to 0.907 metric tons)

Seven models exhibited at CONEXPO 2014, one of the world's three major construction equipment trade shows

Held in Las Vegas in March 2014, CONEXPO 2014 attracted approximately 2,400 exhibitors from 170 countries and 130,000 attendees.

The TADANO Group exhibited eight cranes (seven different models), including new flagship models of our All Terrain Cranes, Rough Terrain Cranes, and our latest Telescopic Boom Crawler Crane: the ATF400G-6, GR-1600XL, and GTC1200, respectively.

All models displayed at the TADANO booth impressed the attendees, leading to numerous sales contracts being concluded during the trade show.

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

Director, Senior Executive Officer
Tadashi Suzuki

Directors, Executive Officers
Tamaki Okuyama
Yoichiro Nishi

Directors
Nobuhiko Ito*
Yasuyuki Yoshida*

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Executive Officers
Alexander Knecht
Shinichi Iimura
Toshiyuki Takanashi

Officers
Jian Cheng
Hidemi Uchida
Kenichi Sawada
Chikashi Kawamoto
Hiroyuki Fujino
Akihiko Kitamura
Hiroyuki Takaki
Yuji Tadano
Yo Kakinuma
Soroku Hashikura
Masahiko Ikeura
Kozo Hayashi

STATUTORY AUDITORS

Audit and Supervisory Board Members
Yoshihito Kodama
Minoru Kawada
Kazushi Inokawa

External Auditor
Yuichiro Miyake

*Outside Director

CONSOLIDATED BALANCE SHEET

TADANO LTD. and consolidated subsidiaries
March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
ASSETS			
Current assets:			
Cash and cash equivalents (Note 14)	**¥ 48,156**	¥ 39,512	**$ 467,534**
Short-term investments (Note 14)	**209**	70	**2,029**
Notes and accounts receivable (Notes 3 and 14):			
Trade	**47,873**	40,180	**464,786**
Unconsolidated subsidiaries and affiliates	**387**	640	**3,757**
Allowance for doubtful accounts	**(277)**	(361)	**(2,689)**
Inventories (Note 5)	**45,969**	45,342	**446,301**
Deferred tax assets (Note 10)	**3,950**	2,872	**38,350**
Other current assets	**4,422**	4,303	**42,932**
Allowance for doubtful accounts	**(21)**	(414)	**(204)**
Total current assets	**150,668**	132,144	**1,462,796**
Property, plant and equipment (Note 6):			
Land	**20,246**	20,136	**196,563**
Buildings and structures	**31,349**	29,699	**304,359**
Machinery and equipment	**17,807**	15,593	**172,883**
Lease assets	**849**	744	**8,243**
Construction in progress	**990**	458	**9,612**
Total	**71,241**	66,630	**691,660**
Accumulated depreciation	**(34,381)**	(32,045)	**(333,796)**
Net property, plant and equipment	**36,860**	34,585	**357,864**
Investments and other assets:			
Investment securities (Notes 4 and 14)	**6,995**	6,534	**67,913**
Investments in unconsolidated subsidiaries and affiliates	**1,797**	1,797	**17,447**
Deferred tax assets (Note 10)	**1,158**	1,038	**11,243**
Asset for retirement benefits (Note 8)	**18**		**175**
Other assets	**1,448**	1,513	**14,057**
Total investments and other assets	**11,416**	10,882	**110,835**
Total	**¥198,944**	¥ 177,611	**$ 1,931,495**

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET

TADANO LTD. and consolidated subsidiaries
March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term borrowings (Notes 7 and 14)	**¥ 6,890**	¥ 6,660	**$ 66,893**
Current portion of long-term debt (Notes 7 and 14)	**21,134**	9,004	**205,184**
Notes and accounts payable (Note 14):			
Trade	**29,888**	31,069	**290,175**
Other	**4,364**	3,557	**42,369**
Unconsolidated subsidiaries and affiliates	**199**	49	**1,932**
Income taxes payable (Note 14)	**7,651**	2,009	**74,282**
Deferred gross profit on installment sales	**117**	194	**1,136**
Accrued product warranties	**1,772**	1,416	**17,204**
Other current liabilities	**4,027**	6,047	**39,097**
Total current liabilities	**76,042**	60,005	**738,272**
Long-term liabilities:			
Long-term debt (Notes 7 and 14)	**10,209**	23,043	**99,117**
Liability for retirement benefits (Note 8)	**6,593**	4,736	**64,010**
Deferred tax liabilities (Note 10)	**155**	166	**1,505**
Deferred tax liabilities for land revaluation (Notes 2.k and 10)	**2,455**	2,455	**23,835**
Other long-term liabilities	**524**	532	**5,086**
Total long-term liabilities	**19,936**	30,932	**193,553**
Commitments and contingent liabilities (Notes 11 and 13)			
Equity (Notes 9 and 19):			
Common stock:			
Authorized—400,000,000 shares in 2014 and 2013			
Issued—129,500,355 shares in 2014 and 2013	**13,022**	13,022	**126,427**
Capital surplus	**16,848**	16,847	**163,573**
Retained earnings	**73,075**	61,272	**709,466**
Treasury stock—at cost			
2,777,623 shares in 2014 and 2,701,046 shares in 2013	**(2,490)**	(2,383)	**(24,175)**
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities	**1,745**	1,445	**16,942**
Land revaluation difference (Notes 2.k and 10)	**875**	295	**8,495**
Foreign currency translation adjustments	**7**	(4,619)	**68**
Defined retirement benefit plans	**(955)**		**(9,272)**
Total	**102,127**	85,879	**991,524**
Minority interests	**839**	795	**8,146**
Total equity	**102,966**	86,674	**999,670**
Total	**¥ 198,944**	¥ 177,611	**$ 1,931,495**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

TADANO LTD. and consolidated subsidiaries
Year Ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Net sales	**¥ 181,764**	¥ 134,836	**$ 1,764,699**
Cost of sales	**132,336**	101,365	**1,284,816**
Gross profit before net change in deferred gross profit on installment sales	**49,428**	33,471	**479,883**
Net change in deferred gross profit on installment sales	**77**	160	**748**
Gross profit	**49,505**	33,631	**480,631**
Selling, general and administrative expenses (Note 12)	**28,364**	22,706	**275,379**
Operating income	**21,141**	10,925	**205,252**
Other income (expenses):			
Interest and dividend income	**272**	274	**2,641**
Interest expense	**(570)**	(580)	**(5,534)**
Gain on sales of investment securities		154	
Loss on valuation of investment securities	**(8)**	(47)	**(78)**
Loss on sale or disposal of property, plant and equipment	**(224)**	(156)	**(2,175)**
Loss on impairment of long-lived assets (Note 6)		(27)	
Provision of allowance for doubtful accounts		(133)	
Foreign exchange gain	**886**	961	**8,602**
Commitment fees	**(116)**	(41)	**(1,126)**
Other—net	**30**	42	**292**
Other income—net	**270**	447	**2,622**
Income before income taxes and minority interests	**21,411**	11,372	**207,874**
Income taxes (Note 10):			
Current	**7,787**	2,210	**75,602**
Deferred	**(760)**	1,913	**(7,378)**
Total income taxes	**7,027**	4,123	**68,224**
Net income before minority interests	**14,384**	7,249	**139,650**
Minority interests	**27**	92	**263**
Net income	**14,411**	7,341	**139,913**

	Yen		U.S. dollars (Note 1)
Per share of common stock (Notes 2.t and 18):			
Basic net income	**¥ 113.68**	¥ 57.84	**$ 1.10**
Cash dividends applicable to the year	**19.00**	12.00	**0.18**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TADANO LTD. and consolidated subsidiaries
Year Ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Net income before minority interests	**¥ 14,384**	¥ 7,249	**$ 139,650**
Other comprehensive income (Note 16):			
Unrealized gain on available-for-sale securities	**300**	429	**2,913**
Foreign currency translation adjustments	**4,752**	2,169	**46,136**
Total other comprehensive income	**5,052**	2,598	**49,049**
Comprehensive income	**¥ 19,436**	¥ 9,847	**$ 188,699**
Total comprehensive income attributable to:			
Owners of the parent	**¥ 19,337**	¥ 9,853	**$ 187,738**
Minority interests	**99**	(6)	**961**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TADANO LTD. and consolidated subsidiaries
Year Ended March 31, 2014

	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 (loss) on available-for-sale securities	Land revaluation difference	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Minority Interests	Total Equity
Balance, April 1, 2012	126,954	¥13,022	¥16,847	¥55,454	¥(2,229)	¥ 1,017	¥ 295	¥(6,701)		¥ 77,705	¥ 813	¥ 78,518
Net income				7,341						7,341		7,341
Cash dividends, ¥12.00 per share				(1,523)						(1,523)		(1,523)
Purchase of treasury stock	(155)				(155)					(155)		(155)
Disposal of treasury stock	0		(0)		1					1		1
Net changes in the year						428		2,082		2,510	(18)	2,492
Balance, March 31, 2013	126,799	¥13,022	¥16,847	¥61,272	¥(2,383)	¥ 1,445	¥ 295	¥(4,619)		¥ 85,879	¥ 795	¥ 86,674
Net income				14,411						14,411		14,411
Cash dividends, ¥16.00 per share				(2,029)						(2,029)		(2,029)
Purchase of treasury stock	(82)				(112)					(112)		(112)
Disposal of treasury stock	5		1		5					6		6
Land revaluation difference				(579)						(579)		(579)
Net changes in the year						300	580	4,626	(955)	4,551	44	4,595
Balance, March 31, 2014	126,722	¥13,022	¥16,848	¥73,075	¥(2,490)	¥ 1,745	¥ 875	¥ 7	¥(955)	¥102,127	¥ 839	¥102,966

	Thousands of U.S. dollars (Note 1)										
Balance, March 31, 2013	$126,427	$163,563	$594,874	$(23,136)	$ 14,029	$2,864	$(44,845)		$833,776	$ 7,718	$841,494
Net income			139,913						139,913		139,913
Cash dividends, $0.16 per share			(19,699)						(19,699)		(19,699)
Purchase of treasury stock				(1,088)					(1,088)		(1,088)
Disposal of treasury stock		10		49					59		59
Land revaluation difference			(5,622)						(5,622)		(5,622)
Net changes in the year					2,913	5,631	44,913	(9,272)	44,185	428	44,613
Balance, March 31, 2014	$126,427	$163,573	$709,466	$(24,175)	$ 16,942	$8,495	$ 68	$(9,272)	$991,524	$ 8,146	$999,670

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

TADANO LTD. and consolidated subsidiaries
Year Ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Operating activities:			
Income before income taxes and minority interests	**¥ 21,411**	¥ 11,372	**$ 207,874**
Adjustments for:			
Income taxes—paid	**(2,936)**	(1,199)	**(28,505)**
Depreciation and amortization	**2,366**	2,167	**22,971**
Net change in deferred gross profit on installment sales	**(77)**	(160)	**(748)**
Gain on sales of investment securities		(154)	
Loss on valuation of investment securities	**8**	47	**78**
Loss on sale or disposal of property, plant and equipment	**224**	156	**2,175**
Loss on impairment of long-lived assets		27	
Changes in assets and liabilities:			
Notes and accounts receivable	**(5,692)**	(4,500)	**(55,262)**
Inventories	**4,461**	(8,650)	**43,311**
Allowance for doubtful accounts	**(92)**	204	**(893)**
Notes and accounts payable	**(3,460)**	1,038	**(33,592)**
Liability for retirement benefits	**233**	(38)	**2,262**
Other—net	**(979)**	1,878	**(9,506)**
Total adjustments	**(5,944)**	(9,184)	**(57,709)**
Net cash provided by operating activities	**15,467**	2,188	**150,165**
Investing activities:			
Purchases of property, plant and equipment	**(3,849)**	(2,435)	**(37,369)**
Proceeds from sales of property, plant and equipment	**199**	7	**1,932**
Purchases of investment securities	**(10)**		**(97)**
Proceeds from sales of investment securities		419	
Other—net	**(93)**	36	**(903)**
Net cash used in investing activities	**(3,753)**	(1,973)	**(36,437)**
Financing activities:			
Increase (decrease) in short-term borrowings—net	**(1,475)**	713	**(14,320)**
Proceeds from long-term debt	**7,750**	1,411	**75,243**
Repayments of long-term debt	**(8,809)**	(2,383)	**(85,524)**
Purchases of treasury stock	**(112)**	(31)	**(1,087)**
Disposal of treasury stock	**6**	0	**58**
Dividends paid	**(2,029)**	(1,523)	**(19,699)**
Dividends paid to minority shareholders	**(12)**	(13)	**(117)**
Other—net	**(229)**	(224)	**(2,224)**
Net cash used in financing activites	**(4,910)**	(2,050)	**(47,670)**
Foreign currency translation adjustments on cash and cash equivalents	**1,840**	1,191	**17,864**
Net increase (decrease) in cash and cash equivalents	**8,644**	(644)	**83,922**
Cash and cash equivalents, beginning of year	**39,512**	40,156	**383,612**
Cash and cash equivalents, end of year	**¥ 48,156**	¥ 39,512	**$ 467,534**
Additional cash flow information:			
Interest paid	**¥ 572**	¥ 585	**$ 5,553**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TADANO LTD. and consolidated subsidiaries
Year ended March 31, 2014

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 2013 consolidated financial statements to conform to the classifications used in 2014.
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 ¥103 to $1, the approximate rate of exchange at March 31, 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of significant accounting policies

a) Consolidation

The consolidated financial statements as of March 31, 2014 include the accounts of the Company and its 26 significant subsidiaries (together, 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 unconsolidated subsidiaries and affiliated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.
The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being 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

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that 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 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 directly recorded in equity; (c) expensing capitalized development costs of R&D; (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; and (e) exclusion of minority interests from net income, if contained in net income.

c) Business Combinations

In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interest. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.
In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the 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. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

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 certificate of deposits, 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 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 would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

k) Land Revaluation

Under the "Law of Land Revaluation," promulgated on March 31, 1998, and revised on March 31, 1999 and March 31, 2001, the Company elected a onetime 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, 2014, the carrying amount of the land after the above onetime revaluation exceeds the estimated fair value by ¥6,460 million ($62,718 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 overseas consolidated subsidiaries 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.
Effective April 1, 2000, the Company adopted a new accounting standard for retirement benefits and accounted 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 straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over 12 years within the average remaining service period.
In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.
(a) Under the revised accounting standard, 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 any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).
(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 2 .v).
(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.
This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for above, effective March 31, 2014. As a result, liability for retirement benefits of ¥6,593 million ($ 64,010 thousand) was recorded as of March 31, 2014, and accumulated other comprehensive income for the year ended March 31, 2014, decreased by ¥955 million ($ 9,272 thousand).

n) Research and Development Costs

Research and development costs are charged to income as incurred.

o) Leases

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions.
Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet.
In addition, the revised accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.
The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases that existed at the transition date and does not transfer ownership of the leased property to the lessee as operating lease transactions.
All other leases are accounted for as operating leases.

p) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated 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 basis of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

q) Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the 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 exchange contracts.

r) 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 the consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

s) Derivative and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts 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 remeassured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense.

t) Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.
Diluted net income per share is not disclosed because there are no potentially dilutive securities for the years ended March 31, 2014 and 2013.
Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

u) Accounting Changes and Error Corrections

In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies – When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provision, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation – When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates – A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors – When an error in prior-period financial statements is discovered, those statements are restated.

v) New Accounting Pronouncements

Accounting Standard for Retirement Benefits—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.
Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.
The Company applied the revised accounting standard for (a) and (b) above effective March 31, 2014, and expects to apply (c) above from April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard for (c) above in future applicable periods.

3. Notes and accounts receivable

Notes and accounts receivable at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	**2013**	**2014**
Accounts receivable	**¥ 33,621**	¥ 27,363	**$ 326,417**
Notes receivable:			
Due within one year	**14,258**	13,013	**138,427**
Due after one year	**381**	444	**3,699**
Total	**¥ 48,260**	¥ 40,820	**$ 468,543**

4. Marketable and investment securities

Marketable and investment securities at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	**2013**	**2014**
Non-current			
Equity securities	**¥ 6,967**	¥ 6,507	**$ 67,641**
Other	**28**	27	**272**
Total	**¥ 6,995**	¥ 6,534	**$ 67,913**

The costs and aggregate fair values of marketable and investment securities at March 31, 2014 and 2013, 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, 2014								
Securities classified as:								
Available-for-sale:								
Equity securities	**¥ 4,148**	**¥ 2,695**	**¥ 23**	**¥ 6,820**	**$ 40,272**	**$ 26,165**	**$ 223**	**$ 66,214**
Other	**30**		**2**	**28**	**291**		**19**	**272**
At March 31, 2013								
Securities classified as:								
Available-for-sale:								
Equity securities	¥ 4,195	¥ 2,214	¥ 47	¥ 6,362				
Other	30		3	27				

Available-for-sale securities whose fair values are not readily determinable at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Equity securities	¥ 147	¥ 145	$ 1,427

No proceeds from sales of available-for-sale securities were recognized in 2014. Proceeds from sales of available-for-sale securities for the year ended March 31, 2013, were ¥419 million. No net realized gains on these sales, computed on the moving-average cost basis, were recognized in 2014. Net realized gains on these sales were ¥154 million for the year ended March 31, 2013.
The impairment losses on available-for-sale equity securities were ¥8 million ($78 thousand) and ¥47 million for the year ended March 31, 2014 and 2013, respectively.

5. Inventories

Inventories at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Merchandise and finished products	¥ 20,498	¥ 23,233	$ 199,010
Work in process	15,915	13,351	154,514
Raw materials and supplies	9,556	8,758	92,777
Total	¥ 45,969	¥ 45,342	$ 446,301

6. Long-lived assets

No impairment loss was recognized in 2014.
The Group reviewed its long-lived assets for impairment for the year ended March 31, 2013, and recognized an impairment loss of ¥27 million for machinery and equipment due to the deterioration of the profitability of a wholly owned subsidiary, JC-TADANO (Beijing) Hydraulic Co., Ltd., resulting from a significant change in the business environment.
The carrying amount of the relevant assets was written down to the recoverable amount for the year ended March 31, 2013. The recoverable amount of that machinery group was measured at its value in use and the discount rate used for computation of the present value of future cash flows was 9.5%.

7. 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 0.9% and 0.8%, at March 31, 2014 and 2013, respectively.
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 sheets but are disclosed as contingencies (see Note 11).
The Company has unused lines of credit amounting to ¥11,611 million ($112,728 thousand) and ¥10,589 million with certain financial institutions at March 31, 2014 and 2013, respectively.

Long-term debt at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Bonds and loans from banks and insurance companies, with interest rates ranged from 0.80% to 2.70% and 0.80% to 2.70% at March 31, 2014 and 2013, respectively, maturing serially to 2020:			
Unsecured loans	¥ 10,670	¥ 11,473	$ 103,592
Unsecured bonds	20,000	20,000	194,175
Obligation under finance lease	673	574	6,534
Total	31,343	32,047	304,301
Less current portion	(21,134)	(9,004)	(205,184)
Long-term debt, less current portion	¥ 10,209	¥ 23,043	$ 99,117

Annual maturities of long-term debt outstanding at March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31,		
2015	¥ 21,134	$ 205,184
2016	350	3,398
2017	1,005	9,758
2018	73	709
2019	6,821	66,223
2020 and thereafter	1,960	19,029
Total	¥ 31,343	$ 304,301

There are no assets pledged as collateral for long-term debt at March 31, 2014.

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

8. Retirement benefits

Year Ended March 31, 2014

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 overseas-consolidated subsidiaries have defined benefit pension plans.
Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.
Some consolidated subsidiaries which have a defined benefit pension plan and a lump-sum severance payment plan recorded liability for retirement benefits and net periodic benefit costs based on the simplified method.

a) The changes in defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	¥ 7,463	$ 72,456
Current service cost	349	3,388
Interest cost	93	903
Actuarial losses	105	1,019
Benefits paid	(409)	(3,970)
Others	161	1,563
Balance at end of year	¥ 7,762	$ 75,359

Note: Except the plans that applied the simplified method.

b) The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	¥ 1,300	$ 12,621
Expected return on plan assets	16	155
Actuarial gains	5	49
Contributions from the employer	369	3,583
Benefits paid	(290)	(2,816)
Balance at end of year	¥ 1,400	$ 13,592

Note: Except the plans that applied the simplified method.

c) The changes in defined benefit obligation of simple method for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	¥ 177	$ 1,718
Net periodic benefit costs	64	621
Benefits paid	(3)	(28)
Contributions for fund	(25)	(243)
Others	1	10
Balance at end of year	¥ 214	$ 2,078

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

	Millions of yen	Thousands of U.S. dollars
Funded defined benefit obligation	¥ 3,150	$ 30,583
Plan assets	(1,720)	(16,699)
	1,430	13,884
Unfunded defined benefit obligation	5,145	49,951
Net liability arising from defined benefit obligation	¥ 6,575	$ 63,835

	Millions of yen	Thousands of U.S. dollars
Liability for retirement benefits	¥ 6,593	$ 64,010
Asset for retirement benefits	(18)	(175)
Balance at end of year	¥ 6,575	$ 63,835

Note: Include liability for retirement benefits accounted by the simplified method.

e) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Service cost	¥ 349	$ 3,388
Interest cost	93	903
Expected return on plan assets	(16)	(155)
Recognized actuarial losses	262	2,544
Net periodic benefit costs accumulated by the simplified method	64	621
Others	22	214
Net periodic benefit costs	¥ 774	$ 7,515

f) Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014

	Millions of yen	Thousands of U.S. dollars
Unrecognized actuarial (gains) losses	¥ 1,461	$ 14,184
Total	¥ 1,461	$ 14,184

g) Plan assets

a. Components of plan assets

Whole plan assets are invested in general accounts.

b. Method of determining the expected return on plan assets

Whole plan assets are invested in general accounts that take advantages of insurance contracts.
The company has set for the long-term expected rate return on plan assets based on the minimum expected rate of return on plan assets guaranteed by an insurance company (1.25%).

h) Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	1%
Expected rate of return on plan assets	1.25%

i) Defined contribution pension plan

Contributions for defined contribution pension plan of the Company and domestic consolidated subsidiaries are 244 millions of yen.

Year Ended March 31, 2013

a) The liability (asset) for retirement benefits at March 31, 2013, consisted of the following:

	Millions of yen
Projected benefit obligation	¥ 7,939
Fair value of plan assets	(1,599)
Unrecognized actuarial (loss)	(1,623)
Net liability arising from defined benefit obligation	4,717
Prepaid pension cost	19
Net liability arising from defined benefit obligation	¥ 4,736

b) The components of net periodic benefit costs for the year ended March 31, 2013, are as follows:

	Millions of yen
Service cost	¥ 454
Interest cost	125
Expected return on plan assets	(15)
Recognized actuarial loss	183
Net periodic benefit costs	747
Others	241
Total	¥ 988

Note: “Others” represents the payments to defined contribution pension plans.

c) Assumptions used for the year ended March 31, 2013, are set forth as follows:

Discount rate	1%
Expected rate of return on plan assets	1.25%
Recognition period of actuarial gain/loss	12 years

9. 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. 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 is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.
The Companies Act permits companies to distribute dividends-in-kind (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 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.

10. 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 37% for the years ended March 31, 2014 and 2013, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2014 and 2013, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Allowance for doubtful accounts	**¥ 158**	¥ 168	**$ 1,534**
Tax loss carryforwards	**549**	875	**5,330**
Liability for retirement benefits	**2,073**	1,484	**20,126**
Other	**4,712**	3,534	**45,748**
Less valuation allowance	**(972)**	(901)	**(9,437)**
Total	**6,520**	5,160	**63,301**
Deferred tax liabilities:			
Property, plant and equipment	**397**	399	**3,854**
Unrealized gain on available-for-sale securities	**924**	765	**8,971**
Land revaluation difference	**211**	211	**2,049**
Other	**39**	41	**378**
Total	**1,571**	1,416	**15,252**
Net deferred tax assets	**¥ 4,949**	¥ 3,744	**$ 48,049**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2014, with the corresponding figures for 2013, is as follows:

	Rate (%)	
	2014	**2013**
Normal effective statutory tax rate	**37.0**	37.0
Expenses not deductible for income tax purpose	**0.3**	0.7
Per capita inhabitants tax	**0.3**	0.9
Differences in tax rates applicable to consolidated subsidiaries	**(3.2)**	(0.3)
Valuation allowance	**0.5**	0.6
Tax credit for research and development costs	**(1.5)**	(0.8)
Tax effect on elimination of unrealized profit	**(1.2)**	(1.6)
Effect of tax rate reduction	**0.7**	
Other—net	**(0.1)**	(0.2)
Actual effective tax rate	**32.8**	36.3

At March 31, 2014, certain subsidiaries have tax loss carryforwards aggregating approximately ¥1,556 million ($15,107 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 follow:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31,		
2015		
2016	¥ 44	$ 427
2017	19	184
2018	175	1,699
2019	306	2,971
2020 and thereafter	1,012	9,826
Total	¥ 1,556	$ 15,107

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 37% to 35%. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as of March 31, 2014, by ¥143 million ($1,388 thousand) and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥143 million ($1,388 thousand).

11. Contingent liabilities

At March 31, 2014, the Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantees of customers' loans and lease obligations	**¥ 5,640**	**$ 54,757**
Trade notes endorsed	**200**	**1,942**

12. Research and development costs

Research and development costs included in selling, general and administrative expenses were ¥4,498 million ($43,670 thousand) and ¥3,999 million for the years ended March 31, 2014 and 2013, respectively.

13. Leases

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

Pro forma Information of Leased Property Whose Lease Inception Was before March 31, 2008

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee and whose lease inception was before March 31, 2008, to continue to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Company applied ASBJ Statement No. 13 effective April 1, 2008, and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008, was as follows:

Company as lessee

	Millions of yen			Thousands of U.S. dollars		
	Machinery and equipment	Other assets	Total	Machinery and equipment	Other assets	Total
At March 31, 2014:						
Acquisition cost	**¥ 493**	**¥ 61**	**¥ 554**	**$ 4,786**	**$ 592**	**$ 5,378**
Accumulated depreciation	**431**	**50**	**481**	**4,184**	**485**	**4,669**
Net leased property	**¥ 62**	**¥ 11**	**¥ 73**	**$ 602**	**$ 107**	**$ 709**
At March 31, 2013:						
Acquisition cost	¥ 534	¥ 129	¥ 663			
Accumulated depreciation	434	102	536			
Net leased property	¥ 100	¥ 27	¥ 127			

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2014	**2013**	**2014**
Due within one year	**¥ 44**	¥ 57	**$ 427**
Due after one year	**37**	81	**359**
Total	**¥ 81**	¥138	**$ 786**

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, and are computed by the straight-line method and the interest method, respectively, for the years ended March 31, 2014 and 2013, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2013**	**2014**
Depreciation expense	**¥ 50**	¥ 96	**$ 485**
Interest expense	**2**	4	**19**
Total	**¥ 52**	¥100	**$ 504**
Lease payments	**¥ 59**	¥105	**$ 573**

Company as lessor

	Millions of yen		
	Machinery and equipment	Other assets	Total
At March 31, 2013:			
Acquisition cost	¥ 30	¥ 0	¥ 30
Accumulated depreciation	26	0	26
Net leased property	¥ 4	¥ 0	¥ 4

There is no lease contract as lessor at March 31, 2014.

Future lease revenues under finance leases:

	Millions of yen
	2013
Due within one year	¥ 3
Total	¥ 3

Depreciation expense and imputed interest income computed by the straight-line method and the interest method, respectively, for the years ended March 31, 2014 and 2013, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Depreciation expense	¥ 4	¥ 9	$ 39
Lease revenue	¥ 3	¥ 9	$ 29

14. 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 Company, 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 netted against the balance of receivables denominated in the same foreign currency as noted above.

Derivatives mainly include forward foreign currency 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 15 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 from 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, 2014.

Market risk management (foreign 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 exchange risk is hedged by forward foreign currency 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 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 business 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, other rational valuation techniques are used instead. Please see Note 4 for investment securities whose fair values are not readily determinable and Note 15 for the detail of fair value for derivatives. These amounts are not included in the table below.

	Millions of yen			Thousands of U.S. dollars		
March 31, 2014	Carrying amount	Fair value	Unrealized (loss) gain	Carrying amount	Fair value	Unrealized (loss) gain
Cash and cash equivalents	**¥ 48,156**	**¥ 48,156**		**$ 467,534**	**$ 467,534**	
Short-term investments	**209**	**209**		**2,029**	**2,029**	
Notes and accounts receivable	**48,260**			**468,543**		
Allowance for doubtful accounts	**(277)**			**(2,689)**		
Notes and accounts receivable—net	**47,983**	**47,971**	**¥ (12)**	**465,854**	**465,738**	**$ (116)**
Investment securities	**6,848**	**6,848**		**66,486**	**66,486**	
Total	**¥ 103,196**	**¥ 103,184**	**¥ (12)**	**$ 1,001,903**	**$ 1,001,787**	**$ (116)**
Short-term borrowings	**¥ 6,890**	**¥ 6,890**		**$ 66,893**	**$ 66,893**	
Current portion of long-term debt	**21,134**	**21,134**		**205,184**	**205,184**	
Notes and accounts payable	**34,451**	**34,451**		**334,476**	**334,476**	
Income taxes payable	**7,651**	**7,651**		**74,282**	**74,282**	
Long-term debt	**10,209**	**10,303**	**¥ 94**	**99,117**	**100,029**	**$ 912**
Total	**¥ 80,335**	**¥ 80,429**	**¥ 94**	**$ 779,952**	**$ 780,864**	**$ 912**

	Millions of yen		
March 31, 2013	Carrying amount	Fair value	Unrealized (loss) gain
Cash and cash equivalents	¥ 39,512	¥ 39,512	
Short-term investments	70	70	
Notes and accounts receivable	40,821		
Allowance for doubtful accounts	(361)		
Notes and accounts receivable—net	40,460	40,451	¥ (9)
Investment securities	6,389	6,389	
Total	¥ 86,431	¥ 86,422	¥ (9)
Short-term borrowings	¥ 6,660	¥ 6,660	
Current portion of long-term debt	9,004	9,004	
Notes and accounts payable	34,675	34,675	
Income taxes payable	2,009	2,009	
Long-term debt	23,043	23,334	¥ 291
Total	¥ 75,391	¥ 75,682	¥ 291

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 the marketable and investment securities by classification is included in Note 4.

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 15.

Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen				Thousands of U.S. dollars			
March 31, 2014	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥48,156				$467,534			
Short-term investments	209				2,029			
Notes and accounts receivable	47,879	¥ 370	¥ 11		464,844	$ 3,592	$ 107	
Total	¥96,244	¥ 370	¥ 11		$934,407	$ 3,592	$ 107	

Please see Note 7 for annual maturities of long-term debt.

15. Derivatives

The Group enters into foreign currency forward contracts and currency options to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage interest rate exposures on certain liabilities. It is the Group's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities. The Group does not hold or issue derivatives for trading purposes.
All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within 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 losses arising from credit risk.
Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.
Forward exchange contracted amounts which are assigned to associated assets or liabilities and are reflected on the balance sheet at year-end, are not subject to the disclosure of market value information.

Derivative transactions to which hedge accounting is applied at March 31, 2014, is as follows:

	Millions of yen			
March 31, 2014	Hedged item	Contract amount	Contract amount due after one year	Fair value
Foreign currency forward contracts:				
Selling AUD$	Receivables	¥ 61		*1

*1 The fair values of foreign currency forward contracts are included in the fair value of receivables.

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 Company's exposure to credit or market risk.
No derivative transactions were recognized in 2013.

16. Comprehensive income

The components of other comprehensive income (loss) for the years ended March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unrealized gain on available-for-sales securities:			
Gains arising during the year	¥ 459	¥ 656	$ 4,457
Foreign currency translation adjustments:			
Gains arising during the year	¥ 4,752	¥ 2,169	$ 46,136
Amount before income tax effect	5,211	2,825	50,593
Income tax effect	(159)	(227)	(1,544)
Total other comprehensive income	¥ 5,052	¥ 2,598	$ 49,049

	Millions of yen			Thousands of U.S. dollars		
	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
March 31, 2014						
Unrealized gain on available-for-sales securities	¥ 459	¥ (159)	¥ 300	$ 4,457	$ (1,544)	$ 2,913
Foreign currency translation adjustment	4,752		4,752	46,136		46,136
Total other comprehensive income	¥ 5,211	¥ (159)	¥ 5,052	$ 50,593	$ (1,544)	$ 49,049
March 31, 2013						
Unrealized gain on available-for-sales securities	¥ 656	¥ (227)	¥ 429			
Foreign currency translation adjustment	2,169		2,169			
Total other comprehensive income	¥ 2,825	¥ (227)	¥ 2,598			

17. Segment information

Under the ASBJ revised 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.

1. 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 America.

2. 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.

3. Information about sales, profit, assets and other items is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net sales:			
Japan			
Sales to external customers	¥ 113,112	¥ 85,638	$ 1,098,175
Intersegment sales or transfers	33,291	29,546	323,214
Total	146,403	115,184	1,421,389
Europe			
Sales to external customers	22,264	15,237	216,155
Intersegment sales or transfers	18,428	12,368	178,913
Total	40,692	27,605	395,068
America			
Sales to external customers	29,379	22,477	285,233
Intersegment sales or transfers	173	332	1,680
Total	29,552	22,809	286,913
Other areas			
Sales to external customers	17,009	11,484	165,136
Intersegment sales or transfers	446	211	4,330
Total	17,455	11,695	169,466
Reconciliations	(52,338)	(42,457)	(508,137)
Consolidated total	¥ 181,764	¥ 134,836	$ 1,764,699
Segment profit:			
Japan	¥ 18,214	¥ 8,680	$ 176,835
Europe	1,629	1,207	15,815
America	1,792	1,737	17,398
Other areas	817	776	7,932
Reconciliations	(1,311)	(1,475)	(12,728)
Consolidated total	¥ 21,141	¥ 10,925	$ 205,252
Segment assets:			
Japan	¥ 163,316	¥ 146,005	$ 1,585,592
Europe	25,535	21,899	247,913
America	16,175	18,024	157,039
Other areas	11,065	8,996	107,427
Reconciliations	(17,147)	(17,313)	(166,476)
Consolidated total	¥ 198,944	¥ 177,611	$ 1,931,495
Other			
Depreciation:			
Japan	¥ 1,747	¥ 1,721	$ 16,961
Europe	407	303	3,952
America	129	94	1,252
Other areas	83	49	806
Consolidated total	¥ 2,366	¥ 2,167	$ 22,971
Increase in property, plant and equipment and intangible assets:			
Japan	¥ 2,335	¥ 1,705	$ 22,670
Europe	1,414	629	13,728
America	69	220	670
Other areas	360	372	3,495
Consolidated total	¥ 4,178	¥ 2,926	$ 40,563

Notes:
1. "Other areas" consisted of operation of overseas subsidiaries in Asia, Oceania and others.
2. a) Reconciliations for segment profit mainly consisted of elimination of intersegment unrealized profit of ¥1,344 million ($13,049 thousand) and ¥1,478 million for the years ended March 31, 2014 and 2013, respectively.
   b) Reconciliations for segment assets mainly consisted of elimination of intersegment balance of ¥13,143 million ($127,602 thousand) and ¥14,654 million, and elimination of intersegment unrealized profit of ¥4,004 million ($38,874 thousand) and ¥2,660 million for the years ended March 31, 2014 and 2013, respectively.
3. Segment profit is reconciled to consolidated operating income.

Information about products/services

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net sales:			
Mobile Cranes	**¥119,455**	¥ 80,547	**$1,159,757**
Truck Loader Cranes	**18,590**	15,213	**180,485**
Aerial Work Platforms	**14,871**	12,854	**144,379**
Other	**28,848**	26,222	**280,078**
Total	**¥181,764**	¥134,836	**$1,764,699**

Information about geographical area

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net sales:			
Japan	**¥ 86,277**	¥ 68,675	**$ 837,641**
Europe	**16,845**	12,510	**163,544**
America	**30,232**	22,608	**293,515**
Other areas	**48,410**	31,043	**469,999**
Total	**¥181,764**	¥134,836	**$1,764,699**
Net property, plant and equipment:			
Japan	**¥ 30,674**	¥ 30,335	**$ 297,806**
Europe	**4,594**	2,786	**44,602**
America	**498**	758	**4,835**
Other areas	**1,094**	706	**10,621**
Total	**¥ 36,860**	¥ 34,585	**$ 357,864**

Note: Net sales are classified in countries or regions based on location of customers.

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, 2014.

18. Per share information

Basic net income per share ("EPS") for the years ended March 31, 2014 and 2013, is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted-average shares	EPS	
For the year ended March 31, 2014:				
Basic EPS				
Net income available to common shareholders	**¥ 14,411**	**126,767**	**¥ 113.68**	**$ 1.10**
For the year ended March 31, 2013:				
Basic EPS				
Net income available to common shareholders	¥ 7,341	126,928	¥ 57.84	

19. Subsequent events

Appropriations of retained earnings

The following appropriation of retained earnings at March 31, 2014, was approved at the Company's shareholders meeting held on June 25, 2014:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥10.00 ($0.10) per share	**¥ 1,267**	**$ 12,301**

An important event after the reporting period

The Board of Directors of the Company resolved at its meeting held on May 20, 2014, to issue domestic straight bonds with the following terms and conditions:

(1) Title: No.5 unsecured bonds of Tadano Ltd.,
(2) Issue amount: ¥10,000 million
(3) Issue price: ¥100 for face value of ¥100
(4) Interest rate: 0.969%
(5) Date of maturity: June 12, 2024
(6) Date of issuance: June 12, 2014
(7) Use of proceeds: proceeds for repayments of bonds (Date of maturity: January 27, 2014)
(8) Remarks: bonds with negative pledge clause

INDEPENDENT AUDITOR'S REPORT

Deloitte.

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To the Board of Directors of TADANO LTD.:

We have audited the accompanying consolidated balance sheet of TADANO LTD. and its consolidated subsidiaries as of March 31, 2014, 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 consolidated subsidiaries as of March 31, 2014, 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 25, 2014

Member of
Deloitte Touche Tohmatsu Limited

CORPORATE DATA

PAID-IN CAPITAL
JPY13,021 million (As of March 31, 2014)

NUMBER OF EMPLOYEES
1,335 (As of March 31, 2014)

CONSOLIDATED NUMBER OF EMPLOYEES
3,227 (As of March 31, 2014)

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