TADANO

ANNUAL REPORT

2008

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

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

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

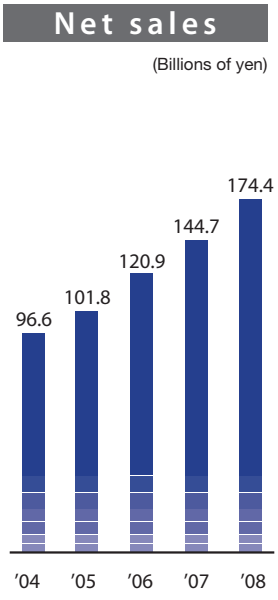
Contents

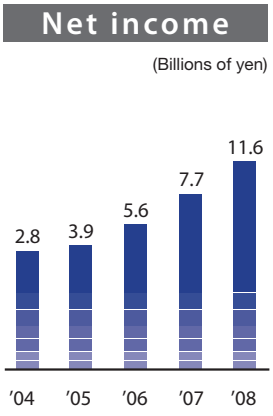
Financial Highlights

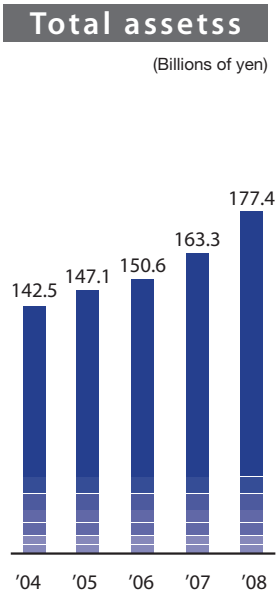
TADANO LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Net sales	**¥174,360**	¥144,693	¥120,873	**$ 1,743,600**
Operating income	**17,961**	12,762	8,018	**179,610**
Net income	**11,620**	7,689	5,601	**116,200**
Total assets	**177,405**	163,252	150,568	**1,774,050**
Net property, plant and equipment	**36,152**	29,972	26,972	**361,520**
Shareholders' equity—net	**87,491**	79,353	74,399	**874,910**
	Yen			U.S. dollars
Per share of common stock:				
Basic net income	**¥ 91.32**	¥ 60.08	¥ 43.79	**$ 0.91**
Diluted net income	**-**	60.08	43.70	**-**
Cash dividends applicable to the year	**16.00**	12.00	8.50	**0.16**

Note: U.S. dollar figures have been translated into yen at the rate of ¥100=US$1 for convenience only.







To Our Shareholders

Koichi Tadano
President and Representative Director

Tadano Ltd., the parent company of the Tadano Group, was founded as an independent enterprise in 1910. 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 25 subsidiaries and 5 affiliates.

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

This report outlines the Group's operating environment, business activities and performance on a consolidated basis for the fiscal year ended March 31, 2008.

Overview

For most of the fiscal year under review, the Japanese economy remained robust, despite the impact of delayed construction in the wake of the revised Building Standard Law and stagnant personal consumption. The growth of exports and capital investment provided positive impetus until rising costs for primary materials began affecting corporate revenues and driving down production, bringing growth to a standstill toward the end of the fiscal year.

Overseas, a number of factors including the increasing severity of the subprime mortgage crisis resulted in a more pronounced slowdown in the U.S. economy.

In light of these circumstances, domestic demand for construction cranes rose on the back of replacement demand, with overseas demand remaining strong in North America and expanding for energy-related products in Europe and the Middle East markets.

Throughout the fiscal year under review we continued to pursue our Mid-Term Management Plan (04-07) through a focused effort to expand production and sales in response to growing demand for construction cranes in domestic and overseas markets. In sales, we directed our attention to allocation by destination amid a continuing supply shortage and kept up our efforts to improve product sales prices in view of the rising costs of primary materials such as steel. In procurement and production, we endeavored to cut costs and expand production capacity while maintaining a balance between our suppliers, associated factories and our own factories amid a growing production burden and an unstable procurement environment.

Construction of the Tadotsu Plant in Kagawa Prefecture was completed at a total construction cost of approximately ¥2.7 billion (US$27.0 million) as part of our initiative to reorganize domestic plants. The plant became fully operational in July, marking the start of a product-line based production system in which the Shido, Takamatsu and Tadotsu Plants separately produce construction cranes, aerial cranes and truck loader cranes, respectively.

Bolstered by replacement demand for construction cranes, domestic sales rose 10.7% to ¥92,802 million (US$928.0 million), while overseas sales increased 33.9% to ¥81,557 million (US$815.6 million) following a sharp

yen, including extraordinary income of 591 million yen on the reversal of allowance for bad debts. As a result, revenue and profit rose for a fifth consecutive year with continued record-breaking performance in sales and income, thereby accomplishing the basic objectives and numerical targets of our Mid-Term Management Plan (04-07).

Outlook for the Next Term

While the Japanese economy is expected to avoid a slowdown due to the rebound effect from delayed construction starts and increased exports to newly emerging countries, numerous risk factors remain, including further increases in the prices of crude oil and primary materials, a rise in the value of the yen and declining stock prices. Overseas, the U.S. economy is likely to enter a recessionary period, and the European economy is also expected to decelerate.

In the overall market environment, domestic sales of construction cranes are expected to increase due to deep-seated replacement demand. Overseas sales of construction cranes are also expected to fare well as we strive to expand sales in the Middle East and North America as well as Europe. However, with respect to truck loader cranes and aerial platforms, which face the major challenge of globalization, sales of truck loader cranes are expected to fall while sales of aerial platforms are projected to remain flat in the wake of declining domestic demand.

Formidable challenges also lie ahead for the Group as a whole, from responding to the rising cost of primary materials and procurement difficulties, expanding production capacity to shorten delivery periods that have become prolonged, improving product costs and sales prices to bolster profitability, leveling out sales across the year to avoid a year-end bulge, and further enhancing quality and services as a hedge against potential future reversals in demand and supply.

Given this overall environment, we remain committed to expanding production of construction cranes and will continue to pursue our VE (Value Engineering) and Production Reform Projects.

Looking ahead, fiscal year 2009 marks our 60th anniversary, and we will launch Mid-Term Management Plan (08-10) under the theme of overcoming market fluctuations toward a new trajectory of growth. No effort will be spared in pursuing our goals of 200,000 million yen in sales, a 58% overseas sales ratio to total sales and 20,000 million yen in ordinary income on a consolidated basis by the fiscal year ending March 31, 2011.

Koichi Tadano
President and Chief Executive Officer,
Representative Director

Review of Operations

Construction Cranes

In the domestic market, sales of our mainstay 25-ton and 60-ton rough terrain cranes were bolstered in view of deep-seated replacement demand, leading to a substantial increase of 24.7% to ¥42,353 million (US$423.5 million) compared with the previous fiscal year.

In overseas markets, sales rose considerably by 41.8% to ¥62,650 million (US$626.5 million) compared with the previous fiscal year due to expanded sales in primary markets, as demand expanded in North America, continued to grow in Europe and remained high in the Middle East, on the back of active construction and capital investments.

As a result, sales of construction cranes surged 34.4% to ¥105,003 million (US$1,050.5 million)compared with the previous fiscal year.

Truck Loader Cranes

With the end of the replacement demand cycle for trucks that meet new diesel emission regulations, demand for trucks fell substantially, and we therefore sought to expand sales of cargo cranes by launching new models with improved mileage and quality. Despite these efforts, sales of truck loader cranes fell 11.5% to ¥15,250 million (US$152.5 million) compared with the previous fiscal year.

Aerial Platforms

Demand for aerial platforms peaked in the telecommunications market in the first half of the fiscal year and weakened in the rental industry in the latter half due to the impact of the revised Building Standard Law. Sales of aerial platforms nevertheless increased by 15.4% to ¥14,957 million (US$149.6 million) as a result of efforts to expand sales and production capacity.

Others

Although sales of used cranes remained flat during the fiscal year, efforts such as expanding parts sales drove total sales of parts, repairs, used cranes and other items upward by 6.9% to ¥33,478 million (US$334.8 million) compared with the previous fiscal year.

Overseas Operations

The fiscal year under review is the final year of the Mid-term Management Plan launched in April 2004. The Tadano Group continued to pursue its strategy for expanding overseas business by developing products for a global market, improving quality and enhancing its product support to aggressively undertake sales promotional activities.

Furthermore, in an effort to realize the “Global 50” overseas strategy, which aims to raise the ratio of overseas sales to 50% by fiscal 2009, we have been strengthening our operations in North America, Europe and China, while at the same time expanding business areas in other regions as well. As a result of these efforts, our overseas ratio reached 46.8% in the fiscal year under review.

Overseas sales grew significantly during this period, primarily in the European, U.S. and Middle East markets, as the global surge in resource prices led to active development of energy-related projects.

AT-146TE
Aerial platform

ConExpo 2008

ConExpo 2008 was held in Las Vegas, U.S.A., from March 11 to 15, 2008, with the participation of 2,182 companies around the world, and a record-breaking 140,000 visitors from more than 130 countries, making it the largest trade show in North America during 2008. The Tadano Group exhibited four all terrain cranes, two rough terrain cranes, two truck loader cranes and three boom trucks, including a total of four new models. Visitors were particularly enthusiastic about the ATF220G-5.

Research and Development Activities

The Tadano Group (Tadano Ltd. and its consolidated subsidiaries) conducts most of its research and development at Tadano Ltd.'s R&D Division, comprising the Development Department, the Development and Planning Department and the Technology Research Center. The R&D Division develops cranes, aerial platforms and applied products that address the needs of domestic and overseas markets. It also undertakes applied research into innovative, cutting-edge technologies. For the fiscal year ended March 31, 2008, total consolidated expenditures for Group R&D activities, including R&D material costs, personnel costs and others were ¥3,907 million (US$ 39.1 million).
The following is an overview of R&D activities by business sector for the fiscal year under review:

Major Accomplishments for Fiscal 2008

1. Construction Business

(1) Construction Cranes

Domestic market

In all terrain cranes, we developed the ATF-220G-5, with enhanced disassembly features for transport as well as better traveling performance. We sought to expand sales for this crane, the second model in our Global all terrain series, which we introduced in the Japanese market.

Overseas markets

In rough terrain cranes, we developed the GR-300XL and GR-300EX, which both comply with Tier 3 emissions regulations in North America and Europe. We endeavored to further expand sales by improving both safety and traveling performance.

In truck cranes, we developed the GT-900XL in compliance with Tier 3 emission regulations in North America that also features air suspension to significantly improve traveling performance. We also sought to expand sales in the North American market.

Review of Operations

(2) Truck Loader Cranes
We began selling silent eco pumps for truck loader cranes with a focus on the environment to conserve energy and reduce noise.

We developed the ZEST series of truck loader cranes as the first cranes in the industry to incorporate 70kg high-tensile steel plates and sought to expand sales through safety and quality improvements.

(3) Aerial Platforms
We remodeled the AT-80TT, a highly regarded aerial platform for the telecommunications market, seeking to expand sales by raising product competitiveness with an improved bucket design, where operators can get on and off easily, and greater storage capacity for toolboxes.

We developed the AT-146TE and AT-147CE, aerial platforms for power distribution work incorporating a three-axis joystick with enabling switches and other features that considerably enhance safety. We sought to expand sales in the power and electric engineering industries.

2. New Areas
We developed the AT-100SDW road-rail aerial platforms and sought to expand sales in the railway contruction-related market.

Technology Research Center

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

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

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

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

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

ATF220G-5
All terrain crane

ZE364
Truck loader crane

Board of Directors, Officers and Statutory Auditors

From left (seated):
Noriyuki Takato
Koichi Tadano

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

BOARD OF DIRECTORS

President and Chief Executive Officer, Representative Director
Koichi Tadano

Vice President and Representative Director
Noriyuki Takato

Director and Senior Executive Officer
Tadashi Suzuki

Director and Executive Officer
Syuji Ohyabu
Tadashi Iga

Directors
Nobuhiko Ito*
Yasuyuki Yoshida*

OFFICERS

Executive Officers
Masaharu Nakanishi
Shigeyuki Manabe
Hisao Kitano

Officers
Seiji Tadano
Yukio Minami
Minoru Sakuta
Tomohiro Ikegami
Hidemi Uchida
Yoshihito Kodama
Tetsuya Kubo
Yoshiaki Tsuchitani
Tamaki Okuyama
Kenichi Sawada

STATUTORY AUDITORS

Full-time Corporate Auditors
Keiji Yorimitsu
Yoshihide Ugawa
Hirofumi Ishikawa*

Corporate Auditor
Yuichiro Miyake*

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

(As of June 24, 2008)

Consolidated Balance Sheets

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
ASSETS			
Current assets:			
Cash and cash equivalents	**¥ 22,035**	¥ 23,521	**$ 220,350**
Short-term investments	**168**	170	**1,680**
Notes and accounts receivable (Notes 3 and 7):			
Trade	**55,691**	55,643	**556,910**
Unconsolidated subsidiaries and affiliates	**297**	203	**2,970**
Allowance for doubtful accounts	**(2,255)**	(3,877)	**(22,550)**
Inventories (Note 5)	**39,948**	31,142	**399,480**
Deferred tax assets (Note 10)	**3,550**	3,036	**35,500**
Other current assets	**8,082**	7,638	**80,820**
Total current assets	**127,516**	117,476	**1,275,160**
Property, plant and equipment (Notes 6 and 7):			
Land	**20,120**	17,685	**201,200**
Buildings and structures	**27,316**	23,969	**273,160**
Machinery and equipment	**13,191**	9,938	**131,910**
Construction in progress	**1,345**	2,401	**13,450**
Total	**61,972**	53,993	**619,720**
Accumulated depreciation	**(25,820)**	(24,021)	**(258,200)**
Net property, plant and equipment	**36,152**	29,972	**361,520**
Investments and other assets:			
Investment securities (Notes 4 and 7)	**8,372**	12,087	**83,720**
Investments in unconsolidated subsidiaries and affiliates	**1,821**	1,821	**18,210**
Deferred tax assets (Note 10)	**1,809**	386	**18,090**
Other assets	**1,735**	1,510	**17,350**
Total investments and other assets	**13,737**	15,804	**137,370**
Total	**¥177,405**	¥163,252	**$1,774,050**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term borrowings (Note 7)	**¥ 11,450**	¥ 9,645	**$ 114,500**
Current portion of long-term debt (Note 7)	**8,189**	2,796	**81,890**
Notes and accounts payable			
Trade notes	**7,044**	6,960	**70,440**
Trade accounts	**32,271**	29,793	**322,710**
Unconsolidated subsidiaries and affiliates	**56**	55	**560**
Income taxes payable	**4,805**	3,476	**48,050**
Deferred gross profit on installment sales	**1,742**	1,382	**17,420**
Accrued product warranties	**1,644**	1,394	**16,440**
Deferred tax liabilities (Note 10)	**39**	1	**390**
Other current liabilities	**5,595**	5,718	**55,950**
Total current liabilities	**72,835**	61,220	**728,350**
Long-term liabilities:			
Long-term debt (Note 7)	**8,925**	12,346	**89,250**
Liability for retirement benefits (Note 8)	**4,442**	4,579	**44,420**
Deferred tax liabilities (Note 10)	**205**	217	**2,050**
Deferred tax liabilities on land revaluation	**2,805**	2,804	**28,050**
Other long-term liabilities	**702**	2,733	**7,020**
Total long-term liabilities	**17,079**	22,679	**170,790**
Commitments and contingent liabilities (Note 11)			
Equity (Notes 9 and 17):			
Common stock:			
Authorized - 258,049,000 shares in 2008 and 2007			
Issued -129,500,355 shares in 2008 and 2007	**13,022**	13,022	**130,220**
Capital surplus	**16,870**	16,865	**168,700**
Retained earnings	**58,783**	48,950	**587,830**
Unrealized gain on available-for-sale securities	**619**	2,706	**6,190**
Deferred gain (loss) on derivatives under hedge accounting	**(8)**	6	**(80)**
Land revaluation difference	**(69)**	(74)	**(690)**
Foreign currency translation adjustments	**116**	(472)	**1,160**
Treasury stock - at cost			
2,299,833 shares in 2008 and 2,161,377 shares in 2007	**(2,109)**	(1,875)	**(21,090)**
Total	**87,224**	79,128	**872,240**
Minority interests	**267**	225	**2,670**
Total equity	**87,491**	79,353	**874,910**
Total	**¥ 177,405**	¥ 163,252	**$1,774,050**

See notes to consolidated financial statements.

Consolidated Statements of Income

TADANO LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2007	2006	**2008**
Net sales	**¥174,360**	¥144,693	¥120,873	**$1,743,600**
Cost of sales	**131,002**	109,268	92,467	**1,310,020**
Gross profit before net change in deferred gross profit on installment sales	**43,358**	35,425	28,406	**433,580**
Net change in deferred gross profit on installment sales	**(360)**	(404)	(49)	**(3,600)**
Gross profit	**42,998**	35,021	28,357	**429,980**
Selling, general and administrative expenses (Note 12)	**25,037**	22,259	20,339	**250,370**
Operating income	**17,961**	12,762	8,018	**179,610**
Other income (expenses):				
Interest and dividend income	**859**	838	815	**8,590**
Interest expense	**(748)**	(663)	(638)	**(7,480)**
Gain on sales of investment securities	**42**	66	597	**420**
Write-down of investment securities			(4)	
Loss on sale or disposal of property, plant and equipment	**(129)**	(265)	(192)	**(1,290)**
Impairment loss	**(26)**	(24)	(115)	**(260)**
Reversal of allowance for doubtful accounts	**592**	537	523	**5,920**
Provision for doubtful accounts			(14)	
Other–net	**(90)**	623	482	**(900)**
Other income–net	**500**	1,112	1,454	**5,000**
Income before income taxes and minority interests	**18,461**	13,874	9,472	**184,610**
Income taxes (Note 10):				
Current	**7,291**	5,471	2,839	**72,910**
Deferred	**(535)**	669	875	**(5,350)**
Total income taxes	**6,756**	6,140	3,714	**67,560**
Minority interests	**(85)**	(45)	(157)	**(850)**
Net income	**¥ 11,620**	¥ 7,689	¥ 5,601	**$ 116,200**

	Yen			U.S. dollars (Note 1)
Per share of common stock (Notes 2.u and 16):				
Basic net income	**¥ 91.32**	¥ 60.08	¥ 43.79	**$ 0.91**
Diluted net income	**–**	60.08	43.70	**–**
Cash dividends applicable to the year	**16.00**	12.00	8.50	**0.16**

See notes to consolidated financial statements.

Consolidated Statements of changes in Equity

	Thousands	Millions of yen											
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Land revaluation difference	Foreign currency translation adjustments	Treasury stock	Subscriptions received for stock option rights	Total	Minority Interests	Total Equity
Balance, April 1, 2005	128,324	¥ 13,022	¥ 16,596	¥ 38,268	¥ 1,400		¥ (473)	¥ (1,414)	¥ (272)		¥ 67,127		¥ 67,127
Net income				5,601							5,601		5,601
Cash dividends, ¥8.00 per share				(1,023)							(1,023)		(1,023)
Repurchase of treasury stock	(1,140)								(703)		(703)		(703)
Disposal of treasury stock	616		(13)						236	¥ 2	225		225
Acquisition of subsidiaries' stock in exchange for treasury stock	723		286						312		598		598
Reversal of land revaluation difference due to sales of land and other				(110)			110						
Net increase in unrealized gain on available-for-sale securities					2,542						2,542		2,542
Foreign currency translation adjustments								32			32		32
Balance, March 31, 2006	128,523	13,022	16,869	42,736	3,942		(363)	(1,382)	(427)	2	74,399		74,399
Reclassified balance as of March 31, 2006 (Note 2.n)												¥ 347	347
Net income				7,689							7,689		7,689
Cash dividends, ¥9.25 per share				(1,186)							(1,186)		(1,186)
Repurchase of treasury stock	(1,280)								(1,491)		(1,491)		(1,491)
Disposal of treasury stock	96		(4)						43	(2)	37		37
Reversal of land revaluation difference due to sales of land				(289)							(289)		(289)
Net changes in the year					(1,236)	¥ 6	289	910			(31)	(122)	(153)
Balance, March 31, 2007	127,339	13,022	16,865	48,950	2,706	6	(74)	(472)	(1,875)		79,128	225	79,353
Net income				11,620							11,620		11,620
Cash dividends, ¥14.00 per share				(1,782)							(1,782)		(1,782)
Repurchase of treasury stock	(148)								(242)		(242)		(242)
Disposal of treasury stock	10		5						8		13		13
Reversal of land revaluation difference due to sales of land				(5)							(5)		(5)
Net changes in the year					(2,087)	(14)	5	588			(1,508)	42	(1,466)
Balance, March 31, 2008	**127,201**	**¥ 13,022**	**¥ 16,870**	**¥ 58,783**	**¥ 619**	**¥ (8)**	**¥ (69)**	**¥ 116**	**¥ (2,109)**		**¥ 87,224**	**¥ 267**	**¥ 87,491**
		Thousands of U.S. dollars (Note 1)											
Balance, March 31, 2007		$ 130,220	$ 168,650	$ 489,500	$ 27,060	$ 60	$ (740)	$ (4,720)	$ (18,750)		$ 791,280	$ 2,250	$ 793,530
Net income				116,200							116,200		116,200
Cash dividends, $0.14 per share				(17,820)							(17,820)		(17,820)
Repurchase of treasury stock									(2,420)		(2,420)		(2,420)
Disposal of treasury stock			50						80		130		130
Reversal of land revaluation difference due to sales of land				(50)							(50)		(50)
Net changes in the year					(20,870)	(140)	50	5,880			(15,080)	420	(14,660)
Balance, March 31, 2008		**$ 130,220**	**$ 168,700**	**$ 587,830**	**$ 6,190**	**$ (80)**	**$ (690)**	**$ 1,160**	**$ (21,090)**		**$ 872,240**	**$ 2,670**	**$ 874,910**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

TADANO LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2007	2006	**2008**
Operating activities:				
Income before income taxes and minority interests	**¥18,461**	¥ 13,874	¥ 9,472	**$ 184,610**
Adjustments for:				
Income taxes–paid	**(5,769)**	(3,753)	(3,107)	**(57,690)**
Depreciation and amortization	**1,973**	1,129	1,024	**19,730**
Net change in deferred gross profit on installment sales	**360**	404	49	**3,600**
Gain on sales of investment securities	**(42)**	(66)	(597)	**(420)**
Write-down of investment securities			4	
Loss on sale or disposal of property, plant and equipment	**129**	265	192	**1,290**
Impairment loss	**26**	24	115	**260**
Changes in assets and liabilities				
Notes and accounts receivable	**(459)**	(4,384)	1,026	**(4,590)**
Inventories	**(8,222)**	(4,434)	(3,119)	**(82,220)**
Allowance for doubtful accounts	**(991)**	(1,154)	(1,111)	**(9,910)**
Notes and accounts payable	**1,926**	5,522	2,791	**19,260**
Liability for retirement benefits	**(171)**	(95)	(516)	**(1,710)**
Allowance for product repairment claims		(361)	(612)	
Other—net	**155**	1,527	24	**1,550**
Total adjustments	**(11,085)**	(5,376)	(3,837)	**(110,850)**
Net cash provided by operating activities	**7,376**	8,498	5,635	**73,760**
Investing activities:				
Purchase of property, plant and equipment	**(7,992)**	(3,913)	(812)	**(79,920)**
Proceeds from sales of property, plant and equipment	**67**	194	494	**670**
Purchase of investment securities	**(265)**	(33)	(234)	**(2,650)**
Proceeds from sales of investment securities	**570**	92	865	**5,700**
Increase in investments in an affiliate			(1,161)	
Decrease (increase) in other assets	**(380)**	15	147	**(3,800)**
Net cash used in investing activities	**(8,000)**	(3,645)	(701)	**(80,000)**
Financing activities:				
Increase (decrease) in short-term borrowings–net	**1,478**	(209)	(24)	**14,780**
Proceeds from long-term debt	**2,360**	2,600	658	**23,600**
Repayments of long-term debt	**(2,403)**	(5,936)	(3,845)	**(24,030)**
Increase (decrease) in long-term deposits received		1,952	(1,992)	
Repurchase of treasury stock	**(242)**	(1,491)	(703)	**(2,420)**
Disposal of treasury stock	**13**	37	225	**130**
Dividends paid	**(1,782)**	(1,186)	(1,023)	**(17,820)**
Dividends paid to minority shareholders	**(8)**	(18)	(27)	**(80)**
Net cash used in financing activities	**(584)**	(4,251)	(6,731)	**(5,840)**
Effect of exchange rate changes on cash and cash equivalents	**(278)**	153	190	**(2,780)**
Net increase (decrease) in cash and cash equivalents	**(1,486)**	755	(1,607)	**(14,860)**
Cash and cash equivalents, beginning of year	**23,521**	22,766	24,373	**235,210**
Cash and cash equivalents, end of year	**¥22,035**	¥ 23,521	¥ 22,766	**$ 220,350**
Additional cash flow information:				
Interest paid	**¥ 734**	¥ 654	¥ 641	**$ 7,340**
Noncash investing activities:				
Acquisition of subsidiaries' stock in exchange for treasury stock			¥ 598	

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

TADANO LTD. AND CONSOLIDATED SUBSIDIARIES

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law (formerly, the Japanese Securities and Exchange Law) and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

On December 27, 2005, the Accounting Standard Board of Japan (the"ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The consolidated statement of shareholder's equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed "the consolidated statement of changes in equity" in the last fiscal year.

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 2007 consolidated financial statements to conform to the classifications used in 2008.

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 ¥100 to $1, the approximate rate of exchange at March 31, 2008. 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 and investments in unconsolidated subsidiaries and affiliates

The consolidated financial statements include the accounts of the Company and all its significant subsidiaries (together, the "Companies"). All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated.

Negative goodwill represents the excess of the fair value of the net assets of the acquired subsidiary over the cost of an acquisition at the date of acquisition. Negative goodwill is included in other long-term liabilities and is amortized using the straight-line method over 5 years, with the exception of minor amounts which are charged or credited to income.

Investments in unconsolidated subsidiaries and affiliates are accounted for on the cost basis. The effect on the consolidated financial statements of not applying the equity method is immaterial.

b) Business combination

In October 2003, the Business Accounting Council (the"BAC") issued a Statement of Opinion, "Accounting for Business Combinations", and on December 27, 2005 the ASBJ issued ASBJ Statement No.7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No.10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures". These new accounting pronouncements were effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

c) Sales and related profit recognition

Sales of finished products are generally recognized when goods are shipped to customers.

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

d) Cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include marketable securities and time deposits that mature or become due within three months of the date of acquisition.

e) Inventories

Inventories are substantially stated at cost, determined by the specific identification method for finished products, work in process and crane carriers (materials), and by the average method for materials other than crane carriers.

f) Marketable and investment securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and

ii) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

The reduction of investment securities, which are classified as available-for-sale securities, for the years ended March 31, 2006 was ¥4 million.

g) Allowance for doubtful accounts

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

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

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

j) Land revaluation
Under the "Law of Land Revaluation", promulgated on March 31, 1998, and revised on March 31, 1999 and 2001, the Company elected a one-time revaluation of its own-use land to a value based on estimated fair value as of March 31, 2002.
The resulting land revaluation difference represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account and related deferred tax liabilities. As of March 31, 2008, the carrying amount of the land after the above one-time revaluation exceeded estimated fair value by ¥4,897 million.

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

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

m) Stock options
On December 27, 2005, the ASBJ issued ASBJ Statement No.8 "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

n) Presentation of equity
On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets, as the case may be, are now presented as components of equity. Such items include stock acquisition rights, minority interests and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

o) Research and development costs
Research and development costs are charged to income as incurred.

p) Leases
Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements. All other leases are accounted for as operating leases.

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

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

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

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

u) Per share information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if stock options were exercised. Diluted net income per share of common stock assumes full exercise of outstanding stock options.

Diluted net income per share for the year ended March 31, 2008 is not disclosed because there are no potentialy dilutive common shares.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

v) New accounting pronouncements

Measurement of inventories

Under generally accepted accounting principles in Japan ("Japanese GAAP"), inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories", which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease accounting

On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Lessee

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

Lessor

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessor's financial statements.

The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee shall be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee shall be recognized as investments in lease.

Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements

Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, 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". The new standard prescribes: 1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, 3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material:

(1) Amortization of goodwill

(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss

(3) Capitalization of intangible assets arising from development phases

(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets

(5) Retrospective application when accounting policies are changed

(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

Asset Retirement Obligations

On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Notes to Consolidated Financial Statements

3. Notes and accounts receivable

Notes and accounts receivable as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Accounts receivable	**¥31,516**	¥ 28,459	**$315,160**
Notes receivable:			
Due within one year	**22,398**	23,085	**223,980**
Due after one year	**2,074**	4,302	**20,740**
Total	**¥55,988**	¥ 55,846	**$559,880**

4. Marketable and investment securities

Marketable and investment securities at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Non-current:			
Equity securities	**¥8,325**	¥ 12,026	**$83,250**
Other	**47**	61	**470**
Total	**¥8,372**	¥ 12,087	**$83,720**

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2008 and 2007 are as follows:

	Millions of yen				Thousands of U.S. dollars			
	Cost	Unrealized Gains	Unrealized Losses	Value	Cost	Unrealized Gains	Unrealized Losses	Value
At March 31, 2008								
Securities classified as:								
Available-for-sale:								
Equity securities	¥7,073	¥2,182	¥1,130	¥ 8,125	$ 70,730	$ 21,820	$ 11,300	$ 81,250
Other	43	8	4	47	430	80	40	470
At March 31, 2007								
Securities classified as:								
Available-for-sale:								
Equity securities	¥6,808	¥4,490		¥ 11,298				
Other	43	18		61				

Available-for-sale securities whose fair value is not readily determinable at March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Equity securities	**¥ 200**	¥ 728	**$2,000**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2008, 2007 and 2006 were ¥570 million ($5,700 thousand), ¥92 million and ¥865 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, were ¥42 million ($420 thousand), ¥66 million and ¥597 million for the years ended March 31, 2008, 2007 and 2006, respectively.

5. Inventories

Inventories at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Finished products	**¥14,277**	¥ 13,193	**$142,770**
Work in process	**17,759**	12,828	**177,590**
Materials and supplies	**7,912**	5,121	**79,120**
Total	**¥39,948**	¥ 31,142	**$399,480**

6. Long-lived assets

The Companies reviewed its long-lived assets for impairment for the year ended March 31, 2007 and, as a result, recognized an impairment loss of ¥24 million as other expense for certain land, buildings and other, which were deemed to be idle assets with no future plan for utilization. The carrying amount of the relevant assets was written down to the recoverable amount. The recoverable amount of these assets was measured by the net selling price at disposition, which was primarily determined by independent real estate appraisals of land and buildings.

The Companies reviewed its long-lived assets for impairment for the year ended March 31, 2008 and, as a result, recognized an impairment loss of ¥26 million ($260 thousand) as other expense for certain land and buildings, which were deemed to be idle assets with no future plan for utilization and of which the carrying amount exceeded the fair value.

7. Short-term borrowings and long-term debt

Short-term borrowings at March 31, 2008 and 2007 were principally represented by bank overdrafts, which bore interest at weighted average rates of 3.0% and 2.9%, respectively.

As is customary in Japan, the Company obtains significant financing by discounting trade notes receivable with banks. Such discounted notes and the related contingent liabilities are not included in the consolidated balance sheets but are disclosed as contingencies (see Note 11).

The Company has unused lines of credit amounting to ¥3,000 million ($30,000 thousand) with certain financial institutions at March 31, 2008.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

Loans from banks and insurance companies, with interest at rates ranging from 1.16% to 4.78% for 2008 and, from 1.16% to 2.13% for 2007 maturing serially to 2013:	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Collateralized	**¥ 1,783**	¥ 112	**$17,830**
Unsecured	**15,331**	15,030	**153,310**
Total	**17,114**	15,142	**171,140**
Less current portion	**(8,189)**	(2,796)	**(81,890)**
Long-term debt, less current portion	**¥ 8,925**	¥ 12,346	**$89,250**

Annual maturities of long-term debt outstanding at March 31, 2008 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2009	¥ 8,189	$ 81,890
2010	2,753	27,530
2011	856	8,560
2012	3,433	34,330
2013	1,883	18,830
Total	¥17,114	$171,140

The carrying amounts of assets pledged as collateral for long-term debt at March 31, 2008 are as follows:

	Millions of yen	Thousands of U.S. dollars
Notes receivable	¥ 26	$ 260
Property, plant and equipment–net of accumulated depreciation	1,001	10,010
Investment securities	1,945	19,450
Total	¥2,972	$29,720

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

8. Retirement benefits

The Company and certain of its consolidated subsidiaries have retirement benefit payment plans for employees.

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

The liability for employees' retirement benefits at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Projected benefit obligation	**¥11,318**	¥11,098	**$113,180**
Fair value of plan assets	**(5,126)**	(5,794)	**(51,260)**
Unrecognized actuarial loss	**(1,803)**	(833)	**(18,030)**
Prepaid pension cost	**53**	108	**530**
Net liability	**¥ 4,442**	¥ 4,579	**$ 44,420**

Notes to Consolidated Financial Statements

The components of net periodic benefit costs for the years ended March 31, 2008, 2007 and 2006 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	**2007**	2006	**2008**
Service Cost	**¥ 844**	¥ 642	¥ 461	**$ 8,440**
Interest Cost	**195**	186	175	**1,950**
Expected return on plan assets	**(203)**	(134)	(34)	**(2,030)**
Recognized actuarial loss	**130**	125	159	**1,300**
Net periodic benefit costs	**¥ 966**	¥ 819	¥ 761	**$ 9,660**

Assumptions used for the years ended March 31, 2008, 2007 and 2006 are as follows:

	2008	2007	2006
Discount rate	**2.0%**	2.0%	2.0%
Expected rate of return on plan assets	**4.0%**	3.0%	1.0%
Recognition period of actuarial gain / loss	**12**years	**12**years	**12**years

9. Equity

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law 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 Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law 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 Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. Income taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40% for 2008, 2007 and 2006.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Deferred tax assets:			
Allowance for doubtful accounts	**¥ 766**	¥1,128	**$ 7,660**
Tax loss carryforwards	**468**	585	**4,680**
Pension and severance costs	**1,526**	1,605	**15,260**
Other	**4,775**	3,943	**47,750**
Less valuation allowance	**(1,040)**	(1,493)	**(10,400)**
Total	**6,495**	5,768	**64,950**
Deferred tax liabilities:			
Property, plant and equipment	**471**	474	**4,710**
Unrealized gain on available-for-sale securities	**602**	1,783	**6,020**
Other	**307**	307	**3,070**
Total	**1,380**	2,564	**13,800**
Net deferred tax assets	**¥ 5,115**	¥3,204	**$ 51,150**

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, 2008, 2007 and 2006 is as follows:

	Rate (%)		
	2008	**2007**	2006
Normal effective statutory tax rate	**40.0**	**40.0**	**40.0**
Expenses not deductible for income tax purpose	**0.5**	**1.0**	**1.0**
Per capita inhabitants tax	**0.4**	**0.5**	**0.8**
Valuation allowance	**(2.4)**	**4.9**	**1.4**
Tax credit for research and development costs	**(0.9)**	**(1.0)**	**(2.2)**
Tax effect on elimination of unrealized profit	**0.1**	**(1.5)**	**(0.9)**
Other—net	**(1.1)**	**0.4**	**(0.9)**
Actual effective tax rate	**36.6**	**44.3**	**39.2**

At March 31, 2008, certain of foreign subsidiaries have tax loss carryforwards aggregating approximately ¥1,265 million ($12,650 thousand) which are available to be offset against taxable income of such subsidiaries in future years, which do not expire.

11. Contingent liabilities

At March 31, 2008, the Companies had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantees of customers' loans and lease obligations	¥ 7,344	$ 73,440
Trade notes endorsed	9,854	98,540

12. Research and development costs

Research and development costs charged to income were ¥3,907 million ($39,070 thousand), ¥3,419 million and ¥3,264 million for the years ended March 31, 2008, 2007 and 2006, respectively.

13. Leases

Company as lessee

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

Total lease payments under finance leases were ¥583 million ($ 5,830 thousand), ¥500 million and ¥659 million for the years ended March 31, 2008, 2007 and 2006, respectively.

Pro forma information on leased property under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2008 and 2007 is as follows:

	Millions of yen			Thousands of U.S. dollars		
	Machinery and equipment	Other assets	Total	Machinery and equipment	Other assets	Total
At March 31, 2008:						
Acquisition cost	**¥1,418**	**¥1,837**	**¥3,255**	**$14,180**	**$18,370**	**$32,550**
Accumulated depreciation	**790**	**918**	**1,708**	**7,900**	**9,180**	**17,080**
Net leased property	**¥ 628**	**¥ 919**	**¥1,547**	**$ 6,280**	**$ 9,190**	**$15,470**
At March 31, 2007:						
Acquisition cost	¥1,397	¥1,803	¥3,200			
Accumulated depreciation	659	740	1,399			
Net leased property	¥ 738	¥1,063	¥1,801			

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Due within one year	**¥ 493**	¥ 501	**$ 4,930**
Due after one year	**1,162**	1,441	**11,620**
Total	**¥1,655**	¥1,942	**$16,550**

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, computed by the straight-line method and the interest method, respectively, for the years ended March 31, 2008, 2007 and 2006 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	**2007**	2006	**2008**
Depreciation expense	**¥547**	**¥496**	¥627	**$5,470**
Interest expense	**37**	**34**	29	**370**

Company as lessor

The Companies also have a number of lease agreements for certain machinery, computer equipment and other assets.

Total lease revenues under finance leases were ¥53 million ($530 thousand), ¥67 million and ¥72 million for the years ended March 31, 2008, 2007 and 2006, respectively.

Information on leased property, under finance leases that do not transfer ownership of the leased property to the lessee for the years ended March 31, 2008 and 2007 is as follows:

	Millions of yen			Thousands of U.S. dollars		
	Machinery and equipment	Other assets	Total	Machinery and equipment	Other assets	Total
At March 31, 2008:						
Acquisition cost	**¥ 209**	**¥73**	**¥ 282**	**$ 2,090**	**$ 730**	**$ 2,820**
Accumulated depreciation	**98**	**43**	**141**	**980**	**430**	**1,410**
Net leased property	**¥ 111**	**¥30**	**¥ 141**	**$ 1,110**	**$ 300**	**$ 1,410**
At March 31, 2007:						
Acquisition cost	¥ 237	¥73	¥ 310			
Accumulated depreciation	134	29	163			
Net leased property	¥ 103	¥44	¥ 147			

Future lease revenues under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Due within one year	**¥ 49**	¥ 48	**$ 490**
Due after one year	**97**	104	**970**
Total	**¥ 146**	¥ 152	**$ 1,460**

Depreciation expense and imputed interest received computed by the straight-line method and the interest method, respectively, for the years ended March 31, 2008, 2007 and 2006 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	**2007**	2006	**2008**
Depreciation expense	**¥51**	**¥63**	¥68	**$ 510**
Interest received	**3**	**3**	3	**30**

14. Derivatives

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

All derivative transactions are entered into to hedge interest and foreign currency exposures. Accordingly, market risk in the derivative instruments 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 Companies do not anticipate any losses arising from credit risk.

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

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

15. Segment information

The Companies operate in the following industries:

Cranes consists of the manufacture and sale of hydraulic cranes including heavy-duty truck cranes, versatile truck loader cranes and crane-related equipment. Pneumatic and Robot parts consists of the manufacture and sale of small robot devices, air cylinders and valves. Others consists of the manufacture and sale of electrical equipment and power source products.

Information about industry segment of the Companies for the years ended March 31, 2008, 2007 and 2006 is as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Net sales:				
Cranes				
Outside customers	**¥168,689**	¥ 139,677	¥ 116,581	**$ 1,686,890**
Pneumatic and Robot parts				
Outside customers	**3,070**	2,426	1,634	**30,700**
Intersegment sales	**6**	7	10	**60**
Total	**3,076**	2,433	1,644	**30,760**
Others				
Outside customers	**2,601**	2,590	2,658	**26,010**
Intersegment sales	**141**	109	125	**1,410**
Total	**2,742**	2,699	2,783	**27,420**
Eliminations	**(147)**	(116)	(135)	**(1,470)**
Consolidated total	**¥174,360**	¥ 144,693	¥ 120,873	**$ 1,743,600**
Operating income (loss):				
Cranes	**¥ 17,800**	¥ 12,502	¥ 7,737	**$ 178,000**
Pneumatic and Robot parts	**194**	307	203	**1,940**
Others	**(33)**	(47)	78	**(330)**
Consolidated total	**¥ 17,961**	¥ 12,762	¥ 8,018	**$ 179,610**
Assets:				
Cranes	**¥173,202**	¥ 158,612	¥ 146,634	**$ 1,732,020**
Pneumatic and Robot parts	**2,047**	2,086	1,310	**20,470**
Others	**2,230**	2,621	2,669	**22,300**
Eliminations	**(74)**	(67)	(45)	**(740)**
Consolidated total	**¥177,405**	¥ 163,252	¥ 150,568	**$ 1,774,050**
Depreciation:				
Cranes	**¥ 1,927**	¥ 1,097	¥ 997	**$ 19,270**
Pneumatic and Robot parts	**22**	14	9	**220**
Others	**24**	18	18	**240**
Consolidated total	**¥ 1,973**	¥ 1,129	¥ 1,024	**$ 19,730**
Impairment loss:				
Cranes	**¥ 26**	¥ 24	¥ 115	**$ 260**
Capital expenditures:				
Cranes	**¥ 8,228**	¥ 4,127	¥ 1,036	**$ 82,280**
Pneumatic and Robot parts	**115**	173	25	**1,150**
Others	**190**	335	94	**1,900**
Consolidated total	**¥ 8,533**	¥ 4,635	¥ 1,155	**$ 85,330**

Notes to Consolidated Financial Statements

Information about the geographical segments of the Companies for the years ended March 31, 2008, 2007 and 2006 is as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Net sales:				
Japan				
Outside customers	**¥127,842**	¥ 111,198	¥ 93,587	**$ 1,278,420**
Interarea transfer	**22,429**	15,149	8,439	**224,290**
Total	**150,271**	126,347	102,026	**1,502,710**
Europe				
Outside customers	**25,723**	20,606	17,067	**257,230**
Interarea transfer	**16,844**	11,175	6,848	**168,440**
Total	**42,567**	31,781	23,915	**425,670**
Other areas				
Outside customers	**20,795**	12,889	10,219	**207,950**
Interarea transfer	**433**	464	310	**4,330**
Total	**21,228**	13,353	10,529	**212,280**
Eliminations	**(39,706)**	(26,788)	(15,597)	**(397,060)**
Consolidated total	**¥174,360**	¥ 144,693	¥ 120,873	**$ 1,743,600**
Operating income:				
Japan	**¥ 14,985**	¥ 11,300	¥ 6,937	**$ 149,850**
Europe	**1,917**	963	414	**19,170**
Other areas	**1,629**	845	574	**16,290**
Eliminations	**(570)**	(346)	93	**(5,700)**
Consolidated total	**¥ 17,961**	¥ 12,762	¥ 8,018	**$ 179,610**
Assets:				
Japan	**¥152,159**	¥ 145,892	¥ 133,120	**$ 1,521,590**
Europe	**26,714**	20,260	16,385	**267,140**
Other areas	**8,034**	6,776	4,549	**80,340**
Eliminations	**(9,502)**	(9,676)	(3,486)	**(95,020)**
Consolidated total	**¥177,405**	¥ 163,252	¥ 150,568	**$ 1,774,050**

Information about sales to foreign customers for the years ended March 31, 2008, 2007 and 2006 is as follows:
Effective April 1, 2007, the Companies changed their method of geographical segmentation. As a result, the North America area formerly included in the Other areas is separated as an independent area in March 31, 2008. This change is caused by the rising importance of the North America on the information about sales to foreign customers. The information for the year ended March 31, 2007 and 2006 has been restated accordingly.

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Europe	**¥ 25,567**	¥ 19,170	¥ 16,293	**$ 255,670**
North America	**18,342**	12,324	9,798	**183,420**
Other areas	**37,648**	29,400	20,768	**376,480**
Consolidated total	**¥ 81,557**	¥ 60,894	¥ 46,859	**$ 815,570**

16. Net income per share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2008, 2007 and 2006 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, 2008:				
Basic EPS				
Net income available to common shareholders	¥ 11,620	127,248	¥ 91.32	$ 0.91
For the year ended March 31, 2007:				
Basic EPS				
Net income available to common shareholders	¥ 7,689	127,977	¥ 60.08	
Effect of Dilutive securities				
Stock options		14		
Diluted EPS				
Net income for computation	¥ 7,689	127,991	¥ 60.08	
For the year ended March 31, 2006:				
Basic EPS				
Net income available to common shareholders	¥ 5,601	127,914	¥ 43.79	
Effect of Dilutive securities				
Stock options		259		
Diluted EPS				
Net income for computation	¥ 5,601	128,173	¥ 43.70	

17. Subsequent events

Appropriations of retained earnings

The following appropriation of retained earnings at March 31, 2008 was approved at the Company's shareholders meeting held on June 24, 2008:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥9.00 ($0.09) per share	¥ 1,145	$ 11,450

Independent Auditor's Report

Deloitte.

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

To the Board of Directors of TADANO LTD.:

We have audited the accompanying consolidated balance sheets of TADANO LTD. (the "Company") and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in equity, and cash flows for each of the three years in the period ended March 31, 2008, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TADANO LTD. and consolidated subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2008, in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu

June 24, 2008

Member of
Deloitte Touche Tohmatsu

Corporate Data

PAID-IN CAPITAL
¥13,022 million

NUMBER OF EMPLOYEES
1,220

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

TOKYO OFFICE
International Sales Division
4-12 Kamezawa 2-chome,
Sumida-ku, Tokyo
130-0014, Japan
Phone: +81-3-3621-7750
Facsimile: +81-3-3621-7785
www.tadano.co.jp/indexe.htm

OVERSEAS OFFICES, SUBSIDIARIES AND AFFILIATES

Tadano Ltd., Beijing Office
Jing Guang Centre, Room No. 2905,
Hu Jia Lou, Chao Yang Qu,
Beijing, China
Phone: +86-10-6597-3210
Facsimile: +86-10-6597-3220
E-mail: beijing@tadano.co.jp

Tadano Ltd., Middle East Office
P.O. Box 18302, LOB15-323,
Jebel Ali Free Zone,
Dubai, United Arab Emirates
Phone: +971-4-8871353
Facsimile: +971-4-8871703
E-mail: tadao@tadano.ae

FAUN GmbH
Faunberg 2, P.O. Box 100108,
D-91205, Lauf a.d.
Pegnitz, Germany
Phone: +49-9123-185-0
Facsimile: +49-9123-185115
E-mail: info@faun.de

Tadano FAUN GmbH
Faunberg 2, P.O. Box 100264,
D-91205 Lauf a.d.
Pegnitz, Germany
Phone: +49-9123-955-0
Facsimile: +49-9123-3085
E-mail: info@tadanofaun.de

Tadano FAUN Holland B.V.
Antennestraat 6, 3903 LZ Veenendaal,
The Netherlands
Phone: +31-318-54-67 00
Facsimile: +31-318-54 22 82
E-mail: info@tadano-faun.nl

Tadano America Corporation
4242 West Greens Rd,
Houston Texas, 77066, U.S.A.
Phone: +1-281-869-0030
Facsimile: +1-281-869-0040

Tadano Korea Co., Ltd.
302, Koram Venture Town B/D,
907-1, Daechi-Dong, Gangnam-Ku,
Seoul, Korea
Phone: +82-2-714-1600
Facsimile: +82-2-3274-1304

BQ-Tadano (Beijing) Crane Co., Ltd.
36, Linhe Street, Linhe Industrial
Development Zone, Shunyi District,
Beijing, China
Phone: +86-10-8949-8751
Facsimile: +86-10-8949-8759

Tadano South China Co., Ltd.
Room 1803, 18/F., Seaview Commercial Building,
21-24 Connaught Road West,
Hong Kong, China
Phone: +852-2544-9310
Facsimile: +852-2541-5828
E-mail: hiwa@tadanosc.com

Tadano Asia Pte Ltd.
11 Tuas View Crescent, Multico Building,
Singapore 637643
Phone: +65-6863-6901
Facsimile: +65-6863-6902
E-mail: Tdn-crane@tadanoasia.com

Taiwan Tadano Ltd.
4F, No. 50, Sung Chiang Road,
Taipei, Taiwan
Phone: +886-2-2523-1388
Facsimile: +886-2-2523-3988
E-mail: tadano@ms18.hinet.net

PRINCIPAL SUBSIDIARIES AND AFFILIATES

	Paid-in Capital	Principal Business
• New Era Co., Ltd. Osaka	¥444 million	Manufacture of electric and hydraulic-pneumatic products
• Shikoku Metal Working Co., Ltd. Tadotsu	¥180 million	Manufacture of crane parts
• Kokusai Machinery Trading Co., Ltd. Tokyo	¥120 million	Sales of construction machinery
• Tadano Imes Ltd.	¥ 60 million	Sales of construction machinery
• FAUN GmbH Lauf a.d. Pegnitz, Germany	€ 45 million	Manufacture of cranes and special-purpose vehicles
• Tadano FAUN GmbH Lauf a.d. Pegnitz, Germany	€ 6 million	Sales of Tadano products in Europe and sales of FAUN products
• Tadano America Corp.	$ 3 million	Sales of Tadano products in America and sales of FAUN products

(As of March 31, 2008)

TADANO LTD.

HEAD OFFICE

Ko-34 Shinden-cho,
Takamatsu, Kagawa 761-0185, Japan
Phone: +81-87-839-5555
Facsimile: +81-87-839-5743
http://www.tadano.co.jp (Japanese)
http://www.tadano.co.jp/indexe.htm (English)

TOKYO OFFICE

4-12 Kamezawa 2-chome,
Sumida-ku, Tokyo 130-0014, Japan
Phone: +81-3-3621-7752
Facsimile: +81-3-3621-7785

Printed in Japan