



ANNUAL REPORT
2004

Profile

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.

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Financial Highlights

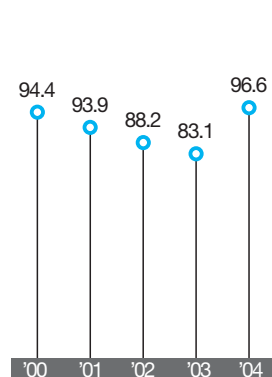
TADANO LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	2004
Net sales	¥ 96,636	¥83,065	¥ 88,197	\$ 911,660
Operating income	5,238	2,932	381	49,415
Net income (loss)	2,758	(637)	(5,903)	26,019
Total assets.....	142,473	143,593	156,934	1,344,085
Net property, plant and equipment.....	28,197	29,602	32,715	266,009
Shareholders' equity—net	64,458	62,145	63,450	608,094
		Yen		U.S. dollars
Per share of common stock:				
Net income (loss)	¥21.5	¥(4.9)	¥(43.4)	\$0.20
Cash dividends applicable to the year	5.0	5.0	3.0	0.05

Note: U.S. dollar figures have been translated into yen at the rate of ¥106 = US\$1, for convenience only.

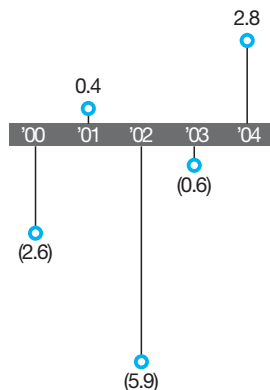
Net sales

(Billions of yen)



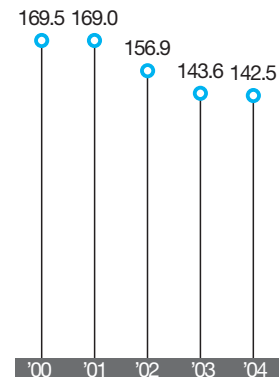
Net income

(Billions of yen)



Total assets

(Billions of yen)



⇒ To Our Shareholders



Koichi Tadano
President and Chief Executive Officer, Representative Director

Tadano Ltd., the parent company of the Tadano Group, was founded as an independent enterprise in 1910. The Company recommenced operations following World War II and was established as a joint-stock company in 1948 by Masuo Tadano with only four employees and paid-in capital of ¥500,000.

Tadano holds that the true value of a corporation lies in its contribution to society and that any monetary profit the corporation earns must result from activities that are beneficial to 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 wholesome corporate philosophy, Tadano has grown into a group that currently encompasses 35 affiliated companies.

The history of Tadano is effectively 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, 2004.

► Overview

In the fiscal year under review, we observed stronger signs of a recovery in the Japanese economy as exports and production grew, capital investment increased on the back of improved corporate earnings, and personal consumption headed for recovery.

Given these overall trends, and despite persistently harsh conditions in our industry, we did witness some promising indicators, including rising demand for replacements resulting from diesel emission regulations, and a halt to the declining trend in the domestic demand for construction cranes.

The Tadano Group formulated the Tadano Reform Plan in March 2002 to fundamentally reform its profit structure and quickly strengthen its financial position within two years.

Therefore, we focused on securing sales by introducing new products and models while pursuing full-scale reductions in product costs and other expenses. Additionally, as part of our efforts to reduce total assets, we cut down interest-bearing debt by applying funds made available from shortening the turnover period for receivables and selling fixed assets.

Domestic sales increased to ¥66,251 million (US\$625.0 million) as sales of truck loader cranes rose in the wake of replacement demand driven by diesel emission regulations, while overseas sales increased to ¥30,384 million (US\$286.6 million) due to growth in sales of construction cranes to the Middle East and Africa as oil prices sustained high levels.

As a result, consolidated net sales were ¥96,636 million (US\$911.7 million).

Ordinary income, lifted by the growth in sales and the accompanying improvement in production efficiency, combined with the effects of reforming our profit structure based on the Tadano Reform Plan, amounted to ¥4,874 million (US\$46.0 million) for the fiscal year 2004.

We reported net income of ¥2,758 million (US\$26.0 million) for fiscal 2004, even after reporting extraordinary losses of ¥216 million (US\$2.0 million), including disposal losses on fixed assets and ¥306 million (US\$ 2.9 million) in reserves for investment losses.

► Outlook for the Next Term

With regard to the economic outlook, Japan is expected to remain on a path of recovery led by the corporate sector in the context of a global economic recovery, although there are some causes for concern, including the effects of rising prices on raw materials due to Chinese demand, instability in the international situation, and the uncertain outlook on foreign exchange and long-term interest rates.

While Tadano continues to face a harsh market environment, demand for construction cranes in Japan is likely to gradually rise, while demand for truck loader cranes is expected to remain firm, supported by demand for truck replacements. In overseas markets, we expect steadily increasing sales of construction cranes to North America and sustained high levels in Middle East sales.

We are grateful for the continued support and advice of our customers and shareholders as we boldly move forward.

July 2004



Koichi Tadano
President and Chief Executive Officer,
Representative Director

► The Mid-Term Management Plan

A three-year plan that forecasts five years and ten years out.

Committed to our corporate philosophy and Tadano Value, we will transform our corporate culture, reform our profit structure and realign our business structure to launch the company into a new growth trajectory.



► Outline of the Mid-Term Management Plan

1. Transforming Our Corporate Culture

We will establish a corporate culture that is continuously learning and growing.

A company is a group of diverse people coming together to become colleagues who work hard in friendly yet competitive environments. Business performance is the expression of the company, its raison d'être.

Our mission is to provide maximum satisfaction for our stakeholders.

Personal growth = Corporate growth

⇒ Establishment of a corporate culture that is continuously learning and growing

New growth towards the future with this concept as a basis for all activities.

2. Reforming Our Profit Structure

We will seek maximum profit on the minimum optimal assets.

1) Reduce Business Costs

- Reduce product costs by reviewing the production process from development to marketing.
- Bring down selling, general and administrative costs, and financial costs, by pursuing effectiveness and efficiency with an open mind.

2) Improve Asset Efficiency

- Review assets and dispose of inefficient assets.
- Raise awareness of asset efficiency and improve turnover on operating assets.

3) Emphasize Cash Flow

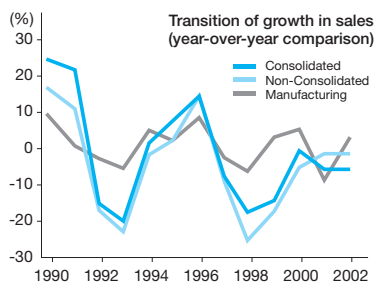
- Enhance cash position by reducing business costs and raising asset efficiency.
- Improve financial efficiency through centralized control of surplus funds of the entire Group.

3. Realigning Our Business Structure

We will overcome the challenges and obstacles inherent to our business and will transform our business structure.

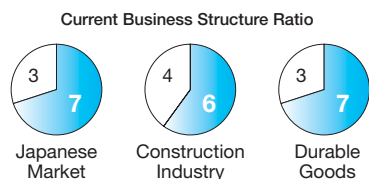
1) Business instability

Market volatility for our business is higher than that of the Japanese economy as a whole.



2) Excessive dependence in three areas

Dependence on the Japanese market, the construction industry, and durable goods.



The goals for realigning our business structure are: expansion into markets outside of Japan and into industries other than construction; and broadening of product concepts to expand lineup of products other than durable goods.

► Realigning Our Business Structure (Breaking from Dependence on the Japanese Market)

“To capture new customers by expanding our markets.”

While strengthening our relative competitiveness in the Japanese market, we will focus on promising areas outside of Japan to increase the ratio of overseas sales to more than 50%.

Target ratio of overseas sales: 50%

Japan : Overseas = 1 : 1
Cooperative system between Japan, Germany and China

	Japan	Overseas
Fiscal 2004	7	3
Fiscal 2007	6	4
Fiscal 2009	5	5

Breaking from Dependence on the Japanese Market



Enhance quality and reduce costs to compete in the global market

- Build a global network
- Develop global products
- Promote global optimal production
- Reduce costs by 20%
- Improve quality
- Build a resale system
- Cultivate staff with global perspectives

Solidify our lead by utilizing our network

- Strengthen non-price factors
- Improve sales and services
- Introduce pioneering products
- Transition to order-based production
- Reduce costs by 20%
- Improve quality
- Strengthen marketing capabilities
- Develop solution software

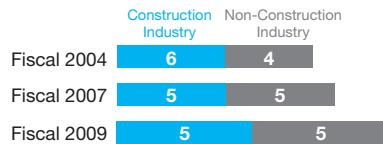
Tadano Group Mid-Term Management Plan

April 2004–March 2007

▶ Realigning Our Business Structure (Expanding Beyond the Construction Industry)

“Creating new markets by expanding into new business areas.”

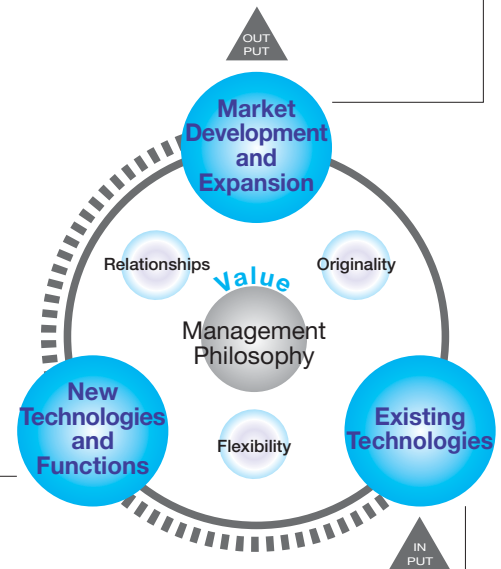
While applying and expanding our core technologies, we will obtain new technologies and enter new high-growth industries to increase the percentage of non-construction sales to more than 50% of domestic sales.



Expansion of Business Opportunities

Expanding maintenance and environmental business, as well as peripheral businesses related to construction machinery

Expanding beyond the construction industry



Tadano's Current Strengths (Developing and Expanding)

Hydraulics control
Structure analysis
Carrier loading technology
Remote control

Tadano's Future Strengths

Selecting development themes
Advanced technology and marketing functions
Recycling systems (granulators, etc.)
Joint development
Alliances
M&A

Targets of the Mid-Term Management Plan

(Millions of yen)

	Fiscal 2005 Plan	Fiscal 2007 Plan	Fiscal 2009 Target
Net sales	¥100,000	¥115,000	¥130,000
Domestic	¥65,000	¥69,000	¥65,000
Overseas	¥35,000	¥46,000	¥65,000
Ratio of overseas sales	35%	40%	50%
Cost of sales ratio	76.0%	73.5%	73.1%
Ordinary income	¥5,000	¥10,000	¥13,000
Ordinary income ratio	5.0%	8.7%	10.0%
Total assets	¥145,000	¥157,000	¥162,000
ROA (based on ordinary income)	3.4%	6.4%	8.0%
Net interest-bearing debt	¥23,000	¥22,000	¥11,000
Equity ratio	47%	49%	55%

Investment plan

Invest ¥50,000 million over next three years.

Manpower plan

Maintain the current staffing level (consolidated: 2,300 employees, non-consolidated employees: 1,000), and shift 50 employees to overseas operations over next three years.

Nominal exchange rate (¥105/U.S. dollar, ¥130/Euro)

The three-year plan (April 2004–March 2007) is based on the current level of positioning of the joint venture in the Chinese market.

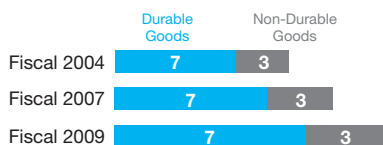
* Figures for FY2005 and thereafter could differ materially from actual results achieved.

► Realigning Our Business Structure (Breaking from Dependency on Durable Goods)

“To create new businesses by broadening product concepts.”

We will open up new business opportunities by reviewing our past emphasis on hardware (the manufacture and sales of new machines) as our core business, with all other areas peripheral.

For example, considering product life cycle from a total perspective, we will focus on such businesses as reuse and maintenance, provide solution software, and actively develop and market products in the consumer goods field.



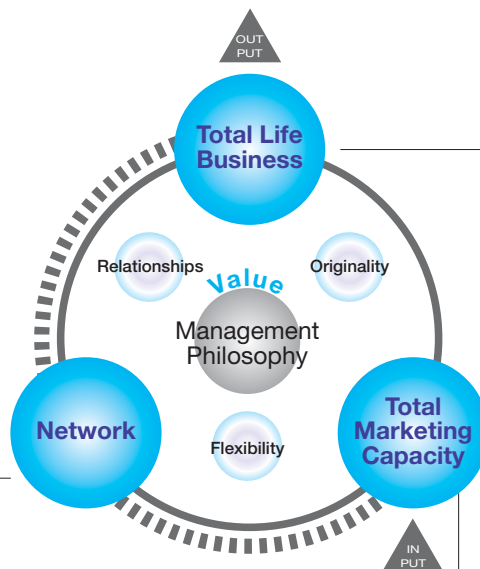
Strengthen and expand our network

Establish a global network for service, parts, used vehicles and renewal

Establishing total life businesses

Solution business
Developing new business models
Expanding consumer goods field

Breaking from our dependence on durable goods

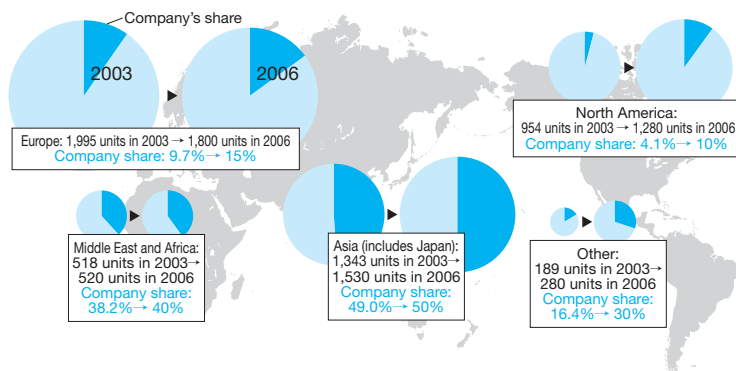


Strengthen marketing functions

Financing functions
Marketing functions
Human resource development

Company's Regional Share (2003 and 2006 calendar year)

Global share 22.4% in 2003 → **More than 25% global share in 2006**
(Total demand: 4,999 units) (Forecast of total demand: 5,400 units)
Excludes construction cranes made in China and the former Soviet Union



Values for number of units sold in 2003 and percentage figures for Company share are provided by the Company. Forecasts of total demand for each region are based on data from ISC (AEM/CEMA/FEM).

* Company share estimates for CY2006 could differ materially from actual results achieved.

Review of Operations

► Construction Cranes

In the domestic market, fiscal 2004 sales were stable due to replacement demand centering on the mainstay 25-ton capacity rough terrain crane and introduction of our new 60-ton capacity product, GR-600N. However, sales of all terrain cranes declined to ¥16,535 million, down 3.8% compared with the previous fiscal year.

In overseas markets, exports to the Middle East and Africa increased significantly as oil prices held at high levels, and sales to North America were also brisk, coming in at ¥19,733 million, up 34.3% compared with the previous fiscal year.

As a result, total sales of construction cranes were ¥36,269 million (US\$342.1 million) for the fiscal year under review.

► Truck Loader Cranes

Sales grew significantly as we pursued expanded marketing for cargo cranes in response to replacement demand for trucks that meet new diesel emission regulations, centered on the Tokyo metropolitan region.

As a result, sales of truck loader cranes were ¥16,140 million (US\$152.3 million) for fiscal 2004.



GR-600N
Rough terrain crane

► Aerial Platforms

Sales exceeded the previous fiscal year as we expanded our marketing efforts for electric utilities, and rental and general-use aerial platforms, in response to replacement demand for trucks that meet new diesel emission regulations.

As a result, fiscal 2004 sales of aerial platforms were ¥9,279 million (US\$87.5 million).

► Others

Sales of parts, used cranes and other items, and revenues from repair operations, rose from the previous fiscal year, including ¥1,080 million in sales of urban-type overhead elevated construction equipment and ¥480 million in revenues for providing technical know-how to a Chinese joint venture.

As a result, sales in this segment were ¥30,938 million (US\$291.9 million) for the fiscal year 2004.



Urban-type overhead elevated construction equipment



► Overseas Operations

The Tadano Group endeavors to expand its product lineup and offer sophisticated marketing and services that are responsive to the diverse needs of clients worldwide. During the year under review, we bolstered our overseas strategy by concentrating sales on markets in the Middle East, where stable oil prices have boosted economic activity, and entering the dynamic Chinese market by establishing BQ-TADANO (BEIJING) CRANE Co., Ltd., a manufacturing and marketing joint venture for the construction of cranes.

In product development, we introduced the ATF230-6 and ATF60-3 all terrain cranes and the GR-700EXL rough terrain crane.

In line with the enhancement of overseas operations mandated by the Tadano Group Mid-Term Management Plan launched as part of our overall strategy in April 2004, we will further promote the development and sales of our products on a global scale.



ATF-60-3
All terrain crane



GR-700EXL
Rough terrain crane

► bauma 2004

One of the world's largest trade shows for construction machinery, Bauma 2004, was held over a seven-day period from March 29 to April 4, 2004 in Munich, Germany. The exhibition attracted approximately 410,000 people from a total of 171 countries across the world, and a great number of them visited the TADANO booth.

The Tadano Group showcased seven models, including the Lift Adjuster models, the 160-ton capacity AFT160G-5 and the 110-ton capacity ATF110G-5 all terrain cranes, new models made by FAUN GmbH, and the new 70-ton capacity GR-700EXL rough terrain crane, all of which were well received by customers.

The Lift Adjuster is minimizing the change of working radius thus avoiding the serious danger that might be caused by the load swinging like a pendulum.



Tadano booth and exhibits at bauma 2004

► Research and Development

Tadano's R&D division produces truck cranes, aerial platforms, and crane-related products designed for both the domestic and international markets, and also develops environment-related devices as a new venture. Our Technology Research Center undertakes applied research for innovative, cutting-edge technologies.

In all terrain cranes, we developed and marketed our 360-ton capacity GA-3600N, which boasts the longest boom of domestically made cranes.

We also expanded into a new market by developing and launching sales of the 60-ton capacity GR-600N, the nation's largest 2-axle rough terrain crane.

In cargo cranes, we developed and brought to market the ZR series ship-mounted crane (marine crane).

In aerial platforms, we launched products with enhanced marketability by developing applications with added value, such as scaling up the deck size of our Super Deck.

In environment-related products, we developed and launched a hammer-type crusher (EHC-750) and a timber waste cutting and screening unit (ESC-452H).

For the overseas market, we developed the 50-ton capacity ATF500XL and the 100-ton capacity ATF1000XL all terrain cranes and the 70-ton capacity GR-700EXL rough terrain crane for the United States.



GA-3600N
All terrain crane



ZR300MR
Marine crane

► Technology Research Center

Tadano's Technology Research Center explores new, cutting-edge technologies such as mechatronics to add value and strengthen the competitiveness of our products.

We apply control technology to develop systems that ensure the smooth operation and high-precision positioning capabilities of operating machines, and also use this control technology to develop safety devices.

Other research focuses on maintenance systems for machines and plant as well as vehicle safety systems utilizing information technology such as telecommunications, GPS (global positioning system) and image processing. We are also moving to establish the utilization of new processing methods for high-strength, innovative, lighter materials.

Our Technology Research Center is actively promoting joint research in cooperation with private, academic, and public sector partners, including universities and public research institutes, toward the highest level of achievement in these areas.



EHC-750
Hammer-type crusher

Financial Section

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Consolidated Balance Sheets

TADANO LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 16,498	¥ 15,180	\$ 155,642
Marketable securities and time deposits (Notes 4 and 6)	464	546	4,378
Notes and accounts receivable (Notes 3 and 6):			
Trade	54,314	57,771	512,396
Unconsolidated subsidiaries and affiliates	844	1,083	7,962
Allowance for doubtful accounts	(5,212)	(5,820)	(49,170)
Inventories (Note 5)	21,385	21,845	201,745
Deferred tax assets (Note 8)	2,127	1,944	20,066
Other current assets	8,505	7,185	80,236
Total current assets	<u>98,925</u>	<u>99,734</u>	<u>933,255</u>
Property, plant and equipment (Note 6):			
Land	18,475	19,057	174,292
Buildings and structures	23,112	23,009	218,038
Machinery and equipment	9,179	9,488	86,594
Construction in progress	57	75	538
Total	<u>50,823</u>	<u>51,629</u>	<u>479,462</u>
Accumulated depreciation	<u>(22,626)</u>	<u>(22,027)</u>	<u>(213,453)</u>
Net property, plant and equipment	<u>28,197</u>	<u>29,602</u>	<u>266,009</u>
Investments and other assets:			
Investment securities (Note 4)	10,133	6,896	95,595
Investments in unconsolidated subsidiaries and affiliates	81	155	764
Deferred tax assets (Note 8)	2,611	4,889	24,632
Other assets	2,526	2,317	23,830
Total investments and other assets	<u>15,351</u>	<u>14,257</u>	<u>144,821</u>
Total	<u>¥142,473</u>	<u>¥143,593</u>	<u>\$1,344,085</u>

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings (Note 6)	¥ 9,933	¥ 14,694	\$ 93,708
Current portion of long-term debt (Note 6)	3,860	14,272	36,415
Notes and accounts payable			
Trade notes	14,637	11,892	138,085
Trade accounts	10,631	10,491	100,292
Unconsolidated subsidiaries and affiliates	759	471	7,160
Income taxes payable	541	312	5,104
Deferred gross profit on installment sales	1,168	1,706	11,019
Accrued product warranties	789	772	7,443
Other current liabilities	4,905	4,897	46,274
Total current liabilities	<u>47,223</u>	<u>59,507</u>	<u>445,500</u>
Long-term liabilities:			
Long-term debt (Note 6)	18,405	12,397	173,632
Liability for retirement benefits (Note 7)	4,893	4,715	46,160
Deferred tax liabilities (Note 8)	3,146	926	29,680
Other long-term liabilities	3,035	2,597	28,632
Total long-term liabilities	<u>29,479</u>	<u>20,635</u>	<u>278,104</u>
Minority interests	<u>1,313</u>	<u>1,306</u>	<u>12,387</u>
Commitments and contingent liabilities (Notes 11 and 13)			
Shareholders' equity (Notes 9, 10 and 16):			
Common stock, no par value;			
Authorized—258,049,000 shares in 2004			
and 258,749,000 shares in 2003			
Issued—129,500,355 shares in 2004			
and 130,200,355 shares in 2003	13,022	13,022	122,849
Capital surplus	16,527	16,521	155,915
Retained earnings	35,630	33,986	336,132
Land revaluation difference	(593)	1,086	(5,595)
Unrealized gain on available-for-sale securities	2,041	47	19,255
Foreign currency translation adjustments	(1,860)	(2,252)	(17,547)
Treasury stock—at cost			
1,511,642 shares in 2004 and 1,491,131 shares in 2003	(309)	(265)	(2,915)
Total shareholders' equity	<u>64,458</u>	<u>62,145</u>	<u>608,094</u>
Total	<u>¥142,473</u>	<u>¥143,593</u>	<u>\$1,344,085</u>

Consolidated Statements of Operations

TADANO LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2004	2003	2002	2004
Net sales	¥96,636	¥83,065	¥88,197	\$911,660
Cost of sales	72,668	64,546	69,915	685,547
Gross profit before net change in deferred gross profit on installment sales	23,968	18,519	18,282	226,113
Net change in deferred gross profit on installment sales	538	1,164	1,435	5,076
Gross profit	24,506	19,683	19,717	231,189
Selling, general and administrative expenses (Note 12)	19,268	16,751	19,336	181,774
Operating income	5,238	2,932	381	49,415
Other income (expenses):				
Interest and dividend income	995	1,037	1,063	9,387
Interest expense	(957)	(1,008)	(1,130)	(9,028)
Write-down of inventories	(270)	(240)	(197)	(2,547)
Gain on sales of investment securities	61	20	259	575
Write-down of investment securities (Note 2)		(1,886)	(1,742)	
Loss on sales or disposals of property, plant and equipment	(206)	(719)	(113)	(1,943)
Employees' special retirement benefits		(784)	(312)	
Charge for amount of transitional obligation for employees' retirement benefits (Note 2)			(374)	
Provision for doubtful accounts (Note 2)	(8)	(75)	(6,035)	(76)
Other—net	(319)	(8)	(402)	(3,009)
Other expenses—net	(704)	(3,663)	(8,983)	(6,641)
Income (loss) before income taxes and minority interests	4,534	(731)	(8,602)	42,774
Income taxes (Note 8):				
Current	633	374	381	5,972
Deferred	1,046	(515)	(2,114)	9,868
Total income taxes	1,679	(141)	(1,733)	15,840
Minority interests	(97)	(47)	966	(915)
Net income (loss)	¥ 2,758	¥ (637)	¥ (5,903)	\$ 26,019
Per share of common stock:		Yen		U.S. dollars (Note 1)
Basic net income (loss)	¥ 21.5	¥ (4.9)	¥ (43.4)	\$ 0.20
Cash dividends applicable to the year	5.0	5.0	3.0	0.05

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

TADANO LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2004, 2003, and 2002

	Thousands	Millions of yen						
	Outstanding number of common shares	Common stock	Capital surplus	Retained earnings	Land revaluation difference	Net unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Treasury stock
Balance at April 1, 2001	136,981	¥13,022	¥16,521	¥42,941			¥(3,266)	¥ (77)
Net loss				(5,903)				
Cash dividends, ¥5.00 per share				(685)				
Purchase of treasury stock (Note 9)	(2,514)							(483)
Sales of treasury stock	29							6
Retirement of treasury stock				(198)				198
Land revaluation surplus					¥1,041			
Net unrealized loss on available-for-sale securities						¥ (283)		
Foreign currency translation adjustments (Note 2)							616	
Balance at March 31, 2002	134,496	13,022	16,521	36,155	1,041	(283)	(2,650)	(356)
Net loss				(637)				
Cash dividends, ¥3.00 per share				(404)				
Purchase of treasury stock (Note 9)	(5,787)							(1,017)
Retirement of treasury stock				(1,108)				1,108
Change in land revaluation surplus due to change in tax rate					25			
Reversal of land revaluation surplus due to sales of land				(20)	20			
Net unrealized gain on available-for-sale securities						330		
Foreign currency translation adjustments (Note 2)							398	
Balance at March 31, 2003	128,709	13,022	16,521	33,986	1,086	47	(2,252)	(265)
Net income				2,758				
Cash dividends, ¥5.00 per share				(644)				
Purchase of treasury stock (Note 9)	(758)							(194)
Sales of treasury stock	38		6					7
Retirement of treasury stock				(143)				143
Reversal of land revaluation difference due to sales of land and other				(327)	(1,679)			
Net unrealized gain on available-for-sale securities						1,994		
Foreign currency translation adjustments (Note 2)							392	
Balance at March 31, 2004	127,989	¥13,022	¥16,527	¥35,630	¥ (593)	¥2,041	¥(1,860)	¥(309)

	Thousands of U.S. dollars (Note 1)							
Balance at March 31, 2003	\$122,849	\$155,858	\$320,623	\$10,245	\$ 444	\$(21,245)	\$ (2,500)	
Net income			26,019					
Cash dividends, \$0.05 per share			(6,076)					
Purchase of treasury stock (Note 9)								(1,830)
Sales of treasury stock			57					66
Retirement of treasury stock			(1,349)					1,349
Reversal of land revaluation difference due to sales of land and other			(3,085)	(15,840)				
Net unrealized gain on available-for-sale securities					18,811			
Foreign currency translation adjustments (Note 2)							3,698	
Balance at March 31, 2004	\$122,849	\$155,915	\$336,132	\$ (5,595)	\$19,255	\$(17,547)	\$ (2,915)	

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

TADANO LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2004	2003	2002	2004
Operating activities:				
Income (loss) before income taxes and minority interests	¥ 4,534	¥ (731)	¥(8,602)	\$ 42,774
Adjustments for:				
Income taxes paid	(403)	(363)	(375)	(3,802)
Depreciation and amortization	1,114	1,249	1,670	10,510
Net change in deferred gross profit on installment sales	(537)	(1,164)	(1,435)	(5,066)
Gain on sales of investment securities	(61)	(20)	(259)	(575)
Write-down of investment securities		1,886	1,742	
Loss on sales or disposals of property, plant and equipment	206	719	113	1,944
Changes in assets and liabilities				
Notes and accounts receivable	3,314	7,643	6,956	31,264
Inventories	648	2,820	(1,375)	6,113
Allowance for doubtful accounts	192	(1,139)	6,241	1,811
Notes and accounts payable	3,192	(7,319)	(13)	30,113
Liability for retirement benefits	153	(24)	109	1,443
Other—net	(1,702)	(719)	(94)	(16,057)
Total adjustments	6,116	3,569	13,157	57,698
Net cash provided by operating activities	10,650	2,838	4,555	100,472
Investing activities:				
Purchases of property, plant and equipment	(440)	(372)	(707)	(4,151)
Payments for purchase of investment securities	(13)	(574)	(389)	(123)
Proceeds from sales of property, plant and equipment	654	1,677	483	6,170
Proceeds from sales of investment securities	205	98	449	1,934
Decrease in other assets	271	518	436	2,557
Net cash provided by investing activities	677	1,347	272	6,387
Financing activities:				
Decrease in short-term borrowings—net	(4,863)	(3,618)	(2,014)	(45,877)
Proceeds from long-term debt	8,800	2,450	1,177	83,018
Repayments of long-term debt	(13,205)	(4,498)	(3,350)	(124,576)
Dividends paid	(643)	(404)	(685)	(6,066)
Dividends paid to minority shareholders	(16)	(11)	(18)	(151)
Purchase of treasury stock	(194)	(1,017)	(477)	(1,830)
Disposal of treasury stock	13			123
Other	181	1,811	(2)	1,708
Net cash used in financing activities	(9,927)	(5,287)	(5,369)	(93,651)
Effect of exchange rate changes on cash and cash equivalents	(82)	(74)	57	(774)
Net increase (decrease) in cash and cash equivalents	1,318	(1,176)	(485)	12,434
Cash and cash equivalents, beginning of the year	15,180	16,356	16,841	143,208
Cash and cash equivalents, end of the year	¥16,498	¥15,180	¥16,356	\$155,642
Additional cash flow information:				
Interest paid	¥ 1,004	¥ 1,030	¥ 1,129	\$9,472

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 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.

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.

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 ¥106 to \$1, the approximate rate of exchange at March 31, 2004. 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 transactions and accounts are 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 five years, with the exception of minor amounts which are charged or credited to income. Investments in unconsolidated subsidiaries and associated companies are accounted for on the cost basis. The effect on the consolidated financial statements of not applying the equity method is immaterial.

b) 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.

c) Cash and 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 cash, marketable securities and time deposits that mature or become due within three months of the date of acquisition.

d) 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 the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of shareholders' 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 is classified as available-for-sale securities, for the year ended March 31, 2003 and 2002 were ¥1,886 million and ¥1,742 million, respectively.

e) 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.

In March 2002, the Companies recorded a provision for doubtful accounts due to revaluation of additional potential losses in the specific receivables outstanding.

The amount of this additional provision is charged to income and presented as other expenses in the Companies' consolidated statements of operations.

f) 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.

g) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation for the Company and its consolidated domestic subsidiaries is computed by the declining-balance method based upon the estimated useful lives of the assets, while depreciation for foreign consolidated subsidiaries is computed by the straight-line method.

The range of useful lives is from 10 to 50 years for buildings and structures, from 4 to 15 years for machinery and equipment.

h) 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 excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of shareholders' equity. There is no effect on the statement of operation. 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, 2004, the carrying amount of the land after the above one-time revaluation exceeded estimated fair value by ¥2,255 million.

i) Leases

All leases are accounted for as operating 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 transaction if certain "as if capitalized" information is disclosed in the notes to the lessee's or lessor's financial statements.

j) Accrued product warranties

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

k) Liability for retirement benefits

Effective April 1, 2000, the Companies adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

The transitional obligation of ¥748 million, determined as of the beginning of year, is being amortized over two years.

Retirement benefits to directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date (see Note 7).

l) 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 each balance sheet date.

However, such receivables and payables hedged by forward exchange contracts are translated into Japanese yen at the contracted exchange rates.

m) 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 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 operations 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.

Forward contracts for forecasted (or committed) transactions are also measured at the fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

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.

n) Foreign currency financial statements

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

o) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

p) Amounts per share

Basic net income (loss) per share is computed by dividing net income (loss) 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 is not disclosed because it is anti-dilutive for 2004 and the Companies are net loss position for 2003 and 2002.

q) Reclassifications and rearrangements

Certain reclassifications and rearrangements have been made in the 2003 and 2002 financial statements to conform to classifications and presentations used in 2004.

r) New Accounting Pronouncements

In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No.6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that 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.

The Companies are currently in the process of assessing the effect of adoption of these pronouncements.

3. Notes and accounts receivable

Notes and accounts receivable at March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Accounts receivable	¥24,708	¥28,221	¥233,094
Notes receivable:			
Due within one year	18,202	19,262	171,717
Due after one year	12, 248	11,371	115,547
Total	¥55,158	¥58,854	\$520,358

4. Marketable and investment securities

Marketable and investment securities as of March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Current:			
Trust fund investments and other	¥ 567	¥ 566	\$ 5,349
Debt securities	10		94
Total	¥ 577	¥ 566	\$ 5,443
Non-current:			
Equity securities	¥10,052	¥ 6,763	\$ 94,830
Debt securities	62	50	585
Other	19	83	180
Total	¥10,133	¥ 6,896	\$ 95,595

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2004 and 2003 are as follows:

	Millions of yen				Thousands of U.S. dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
As of March 31, 2004								
Securities classified as:								
Available-for-sale:								
Equity securities	¥5,863	¥3,404	¥ 22	¥9,245	\$55,311	\$32,113	\$207	\$87,217
Other	601	6		607	5,670	56		5,726
Held-to-maturity	50			50	472			472
As of March 31, 2003								
Securities classified as:								
Available-for-sale:								
Equity securities	¥5,887	¥ 310	¥231	¥5,966				
Other	644	5		649				
Held-to-maturity	50			50				

Notes to Consolidated Financial Statements

The carrying amounts of available-for-sale securities whose fair value is not readily determinable as of March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Equity securities	¥807	¥797	\$7,613

Proceeds from sales of available-for-sale securities for the years ended March 31, 2004, 2003 and 2002 are ¥159 million (\$1,500 thousand), ¥98 million and ¥443 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, were ¥88 million (\$830 thousand) and ¥20 million for the year ended March 31, 2004 and 2003, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥267 million and ¥8 million, respectively, for the year ended March 31, 2002.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	Available-for-sale	Held-to-maturity	Available-for-sale	Held-to-maturity
Due after one year through five years	¥11	¥50	\$104	\$472

5. Inventories

Inventories at March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Finished products	¥11,171	¥11,168	\$105,387
Work in process	5,911	6,999	55,764
Materials and supplies	4,303	3,678	40,594
Total	¥21,385	¥21,845	\$201,745

6. Short-term borrowings and long-term debt

Short-term borrowings at March 31, 2004 and 2003 were principally represented by bank overdrafts, which bore interest at weighted average rates of 1.7% and 1.6%, 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 ¥5,000 million (\$47,170 thousand) with certain financial institutions at March 31, 2004.

Long-term debt at March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Unsecured 2.65% yen straight bonds, due December 2003		¥10,000	
Loans from banks and insurance companies, with interest at rates ranging from 1.05% to 2.68% for 2004 and 2003 maturing serially to 2011:			
With collateral	¥ 450	663	\$ 4,245
Without collateral	21,815	16,006	205,802
Total	22,265	26,669	210,047
Less current portion	3,860	14,272	36,415
Long-term debt, less current portion	¥18,405	¥12,397	\$173,632

Annual maturities of long-term debt outstanding at March 31, 2004 are as follows:

Year ending March 31,	Millions of yen		Thousands of U.S. dollars
2005	¥ 3,860		\$ 36,415
2006	4,091		38,594
2007	5,444		51,359
2008	1,712		16,151
2009	7,104		67,019
2010 and thereafter	54		509
Total	¥22,265		\$210,047

At March 31, 2004, assets pledged as collateral for short-term borrowings, long-term debt, trade notes endorsed and notes and accounts payable are as follows:

	Millions of yen		Thousands of U.S. dollars
Marketable securities and time deposits other than cash equivalents	¥ 68		\$ 642
Notes receivable	2,425		22,877
Property, plant and equipment, at carrying value	1,072		10,113
Total	¥3,565		\$33,632

As is customary in Japan, security must be given if requested by a lending bank. Banks have the right to offset cash deposited with them against any debt or obligation that becomes due or, in the case of default and certain other specified events, against all other debt payable to the banks. None of the lenders has ever exercised this right against the Companies.

7. Retirement benefits

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

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 an annuity 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, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Projected benefit obligation	¥9,397	¥9,210	\$88,651
Fair value of plan assets	(3,873)	(3,215)	(36,538)
Unrecognized actuarial loss	(1,171)	(1,779)	(11,047)
Prepaid pension cost	35	32	330
Net liability	¥4,388	¥4,248	\$41,396

The components of net periodic benefit costs for the years ended March 31, 2004, 2003 and 2002 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	2004
Service Cost	¥547	¥639	¥ 660	\$5,160
Interest Cost	201	258	282	1,896
Expected return on plan assets	(20)	(28)	(108)	(188)
Amortization of transitional obligation			374	
Recognized actuarial loss	148	82	39	1,396
Net periodic benefit costs	¥876	¥951	¥1,247	\$8,264

Notes to Consolidated Financial Statements

Assumptions used for the years ended March 31, 2004, 2003 and 2002 are as follows:

	2004	2003	2002
Discount rate	2.5%	2.5%	3.0%
Expected rate of return on plan assets	0.8%	0.8%	2.8%
Recognition period of actuarial gain/loss	13 years	15 years	15 years
Amortization period of transitional obligation			2 years

The liability for retirement benefits for directors and corporate auditors at March 31, 2004 and 2003 were ¥505 million (\$4,764 thousand) and ¥467 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

8. Income taxes

The Company and its domestic consolidated subsidiaries are subject to a number of taxes based on income which, in the aggregate, resulted in the normal effective statutory tax rates of approximately 41% for 2004, 2003 and 2002.

On March 31, 2003, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from 41.0% to 39.5%, effective for years beginning on or after April 1, 2004. The effect of this change on income tax deferred in the consolidated statements of operations for the year ended March 31, 2003 was an increase of approximately ¥142 million.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Deferred tax assets:			
Allowance for doubtful accounts	¥2,428	¥2,534	\$22,906
Tax loss carryforwards	888	1,462	8,377
Pension and severance costs	1,514	1,438	14,283
Other	2,527	3,055	23,839
Less valuation allowance	(743)	(1,033)	(7,009)
Total deferred tax assets	6,614	7,456	62,396
Deferred tax liabilities:			
Property, plant and equipment	486	527	4,585
Unrealized gain on available-for-sale securities	1,340	35	12,641
Land revaluation surplus		709	
Other	269	277	2,538
Total deferred tax liabilities	2,095	1,548	19,764
Net deferred tax assets	¥4,519	¥5,908	\$42,632

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of operations for the years ended March 31, 2004, 2003 and 2002 is as follows:

	Rate (%)		
	2004	2003	2002
Normal effective statutory tax rate	41.0	41.0	41.0
Expenses not deductible for income tax purpose	2.4	(11.2)	(1.3)
Per capita inhabitants tax	1.5	(9.2)	(0.8)
Valuation allowance	(5.5)	21.9	(17.3)
Effect of tax rate reduction		(19.5)	
Other—net	(2.4)	(3.6)	(1.4)
Actual effective tax rate	37.0	19.4	20.2

At March 31, 2004, certain of consolidated subsidiaries have tax loss carryforwards aggregating approximately ¥2,499 million (\$23,575 thousand) available to be offset against taxable income in future years, the majority of which expire in 2009 and thereafter.

9. Shareholders' equity

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which various amendments have become effective since October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders' meeting or by resolution of the Board of Directors provided it is stipulated in an article of incorporation, and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

The amount of retained earnings available for dividends under the Code was ¥29,632 million (\$279,547 thousand) as of March 31, 2004, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

10. Stock option plan

At the general shareholders' meeting held on June 29, 2000 and June 28, 2001, the Company's shareholders approved a stock option plan for the Company's directors, officers and employees.

As of March 31, 2004, options outstanding are summarized as follows:

Grant date	Authorized and granted shares	Option exercise price	Exercisable term	Exercised shares	Cancelled shares
June 29, 2000	370,000	¥360	July 1, 2002 - June 30, 2005	None	None
June 28, 2001	1,068,000	¥360	July 1, 2003 - June 30, 2006	28,000	21,000

11. Contingent liabilities

Contingent liabilities at March 31, 2004 are as follows:

	Millions of yen	Thousands of U.S. dollars
Guarantees of customers' loans and lease obligations	¥2,747	\$25,915
Trade notes endorsed	7,139	67,349

12. Research and development costs

Research and development costs charged to income for the years ended March 31, 2004, 2003 and 2002 were ¥3,406 million (\$32,132 thousand), ¥2,966 million and ¥3,224 million, respectively.

13. Leases

Company as lessee

Total lease payments under finance leases were ¥685 million (\$6,462 thousand), ¥802 million and ¥620 million for the years ended March 31, 2004, 2003 and 2002, 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, 2004 and 2003 is as follows:

	Millions of yen			Thousands of U.S. dollars		
	Machinery and equipment	Other assets	Total	Machinery and equipment	Other assets	Total
As of March 31, 2004:						
Acquisition cost	¥2,478	¥635	¥3,113	\$23,377	\$5,991	\$29,368
Accumulated depreciation	1,072	366	1,438	10,113	3,453	13,566
Net leased property	¥1,406	¥269	¥1,675	\$13,264	\$2,538	\$15,802
As of March 31, 2003:						
Acquisition cost	¥2,489	¥765	¥3,254			
Accumulated depreciation	817	526	1,343			
Net leased property	¥1,672	¥239	¥1,911			

Notes to Consolidated Financial Statements

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Due within one year	¥ 549	¥ 600	\$ 5,179
Due after one year	1,159	1,343	10,934
Total	¥1,708	¥1,943	\$16,113

The imputed interest expense portion which is computed using the interest method is excluded from the above obligations under financial leases.

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of operations, computed by the straight-line method and the interest method, respectively, for the years ended March 31, 2004, 2003 and 2002 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	2004
Depreciation expense	¥649	¥756	¥586	\$6,123
Interest expense	36	47	34	340

Company as lessor

Total lease revenues under finance leases were ¥208 million (\$1,962 thousand), ¥247 million and ¥258 million for the years ended March 31, 2004, 2003 and 2002, respectively.

Pro forma 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, 2004 and 2003 is as follows:

	Millions of yen			Thousands of U.S. dollars		
	Machinery and equipment	Other assets	Total	Machinery and equipment	Other assets	Total
As of March 31, 2004:						
Acquisition cost	¥ 796	¥49	¥ 845	\$7,510	\$462	\$7,972
Accumulated depreciation	575	12	587	5,425	113	5,538
Net leased property	¥ 221	¥37	¥ 258	\$2,085	\$349	\$2,434
As of March 31, 2003:						
Acquisition cost	¥1,019		¥1,019			
Accumulated depreciation	674		674			
Net leased property	¥ 345		¥ 345			

Future lease revenues under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Due within one year	¥129	¥185	\$1,217
Due after one year	139	177	1,311
Total	¥268	¥362	\$2,528

The imputed interest revenue portion which is computed using the interest method is excluded from the above future lease revenues under financial leases.

Depreciation expense and interest received, which are not reflected in the accompanying consolidated statements of operations, computed by the straight-line method and the interest method, respectively, for the years ended March 31, 2004, 2003 and 2002 is as follows:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	2004
Depreciation expense	¥193	¥230	¥241	\$1,821
Interest received	7	17	14	66

14. Derivatives

The Companies enter into derivative financial instruments ("derivatives"), including foreign exchange 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 related to qualified hedges of underlying business exposures. Accordingly, market gain or loss risk in the derivative instruments is basically offset by opposite movements in the value of the hedged assets or liabilities.

Because the counterparties to those 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.

The industry segments of the Companies for the years ended March 31, 2004, 2003 and 2002 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	2004
Net sales:				
Cranes				
Outside customers	¥ 92,628	¥ 79,228	¥ 84,280	\$ 873,849
Pneumatic and Robot parts				
Outside customers	1,400	1,315	1,139	13,208
Intersegment sales	7	6	8	66
Total	1,407	1,321	1,147	13,274
Others				
Outside customers	2,608	2,522	2,778	24,604
Intersegment sales	75	71	90	707
Total	2,683	2,593	2,868	25,311
Eliminations	(82)	(77)	(98)	(774)
Consolidated total	¥ 96,636	¥ 83,065	¥ 88,197	\$ 911,660
Operating income:				
Cranes	¥ 4,946	¥ 2,733	¥ 267	\$ 46,660
Pneumatic and Robot parts	141	81	25	1,330
Others	151	118	89	1,425
Consolidated total	¥ 5,238	¥ 2,932	¥ 381	\$ 49,415
Assets:				
Cranes	¥138,773	¥140,079	¥153,601	\$1,309,179
Pneumatic and Robot parts	1,226	1,131	1,076	11,566
Others	2,518	2,411	2,310	23,755
Eliminations	(44)	(28)	(53)	(415)
Consolidated total	¥142,473	¥143,593	¥156,934	\$1,344,085
Depreciation:				
Cranes	¥ 1,085	¥ 1,218	¥ 1,635	\$ 10,236
Pneumatic and Robot parts	10	10	11	94
Others	19	21	24	179
Consolidated total	¥ 1,114	¥ 1,249	¥ 1,670	\$ 10,509
Capital expenditures:				
Cranes	¥ 384	¥ 392	¥ 692	\$ 3,623
Pneumatic and Robot parts	15	12	11	142
Others	38	19	25	358
Consolidated total	¥ 437	¥ 423	¥ 728	\$ 4,123

Notes to Consolidated Financial Statements

The geographical segments of the Companies for the years ended March 31, 2004, 2003 and 2002 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	2004
Net sales:				
Japan				
Outside customers	¥ 80,103	¥ 68,738	¥ 74,996	\$ 755,689
Interarea transfer	2,767	1,657	2,588	26,104
Total	82,870	70,395	77,584	781,793
Europe				
Outside customers	12,474	11,416	9,947	117,679
Interarea transfer	2,957	2,244	2,273	27,896
Total	15,431	13,660	12,220	145,575
Other areas				
Outside customers	4,059	2,911	3,254	38,292
Interarea transfer	274	138	244	2,585
Total	4,333	3,049	3,498	40,877
Eliminations	(5,998)	(4,039)	(5,105)	(56,585)
Consolidated total	¥ 96,636	¥ 83,065	¥ 88,197	\$ 911,660
Operating income:				
Japan	¥ 5,023	¥ 3,064	¥ 299	\$47,387
Europe	(129)	(55)	136	(1,217)
Other areas	152	1	67	1,434
Eliminations	192	(78)	(121)	1,811
Consolidated total	¥ 5,238	¥ 2,932	¥381	\$49,415
Assets:				
Japan	¥129,639	¥131,407	¥144,856	\$1,223,009
Europe	12,130	11,808	11,775	114,434
Other areas	2,640	2,337	2,612	24,906
Eliminations	(1,936)	(1,959)	(2,309)	(18,264)
Consolidated total	¥142,473	¥143,593	¥156,934	\$1,344,085

Sales to foreign customers for the years ended March 31, 2004, 2003 and 2002 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	2004
Europe	¥11,978	¥10,894	¥ 9,755	\$113,000
Other areas	18,406	14,075	12,318	173,642
Consolidated total	¥30,384	¥24,969	¥22,073	\$286,642

16. Subsequent events

a) Appropriations of retained earnings

At the general shareholders' meeting held on June 25, 2004, the Company's shareholders approved the following appropriations of retained earnings as of March 31, 2004:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥5.00 (\$0.05) per share	640	6.038

b) Purchase of treasury stock

Pursuant to the revision of the Japanese Commercial Code, the Company revised its articles of incorporation as the Company could repurchase its common stock as treasury stock by resolution of the Board of Directors.

Deloitte.

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To the Board of Directors of TADANO LTD.:

We have audited the accompanying consolidated balance sheets of TADANO LTD. and consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2004, 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, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2004, 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 25, 2004

Member of
Deloitte Touche Tohmatsu

⇒ Board of Directors, Officers and Statutory Auditors



From left (seated):
Noriyuki Takato
Sakae Tadano
Koichi Tadano

From left (standing):
Hisashi Tadano
Tadashi Suzuki

BOARD OF DIRECTORS

**Chairman and
Representative Director**
Sakae Tadano

**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 Advisor
Hisashi Tadano

OFFICERS

Executive Officers
Hiroshi Kitajima
Junsuke Murakami

Officers
Yasuhiro Obikane
Seiji Tadano
Syuji Ohyabu
Satoshi Uchida
Yoshihide Ugawa
Shigeyuki Manabe
Hisao Kitano
Minoru Sakuta
Tadashi Iga

STATUTORY AUDITORS

Full-time Corporate Auditors
Keiji Yorimitsu
Issei Satou
Tadashi Kouzai

Corporate Auditor
Kiyoyuki Shirakawa

PAID-IN CAPITAL

¥13,022 million

NUMBER OF EMPLOYEES

1,018

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PRINCIPAL SUBSIDIARIES AND AFFILIATES

	Paid-in Capital	Principal Business
• New Era Co., Ltd. Osaka	¥445 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
• Kyouwa Kogyo Inc.	¥ 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

(As of March 31, 2004)

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