

Annual Business Report

April 1, 2006 through March 31, 2007

日本車両

NIPPON SHARYO, LTD.

Financial Highlights

Comparison of Sales by Segment

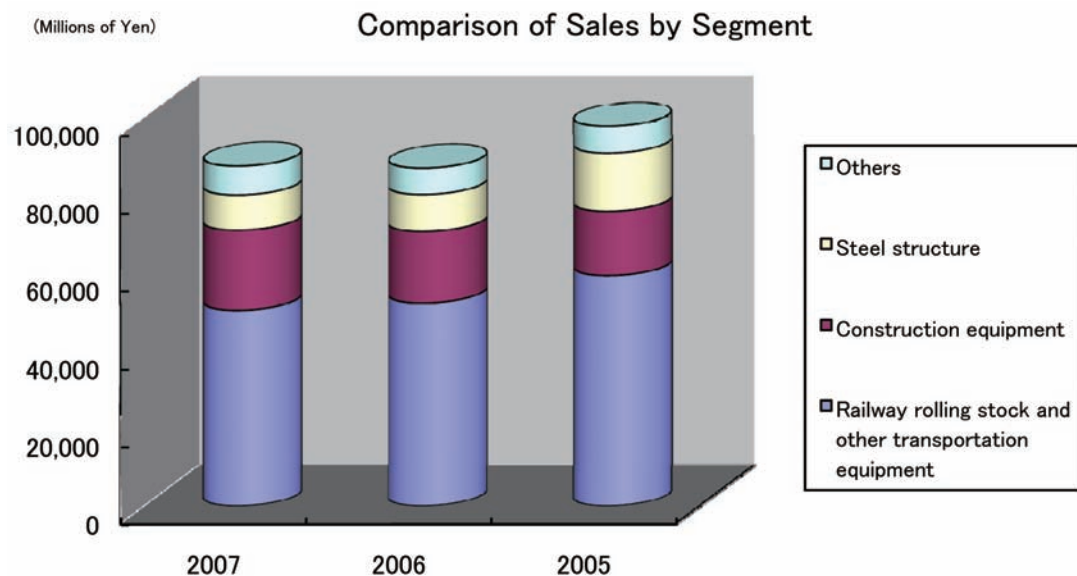
(Unit: million yen)

Business Segment	2007		2006		Increase/(decrease)	
	Value	%	Value	%	Value	%
Railway rolling stock and other transportation equipment	50,603	57.8	52,358	60.2	(1,755)	(3.4)
Construction equipment	20,482	23.4	18,379	21.1	2,103	11.4
Steel structure	9,056	10.3	9,520	10.9	(464)	(4.9)
Others	7,413	8.5	6,762	7.8	651	9.6
Total	87,554	100.0	87,019	100.0	535	0.6

Change in Operating Performance and Asset Status

(Unit: million yen except Net income per share)

Titles of account	178th period (2006-2007)	177th period (2005-2006)	176th period (2004-2005)
Net sales	87,554	87,019	97,476
Ordinary income	1,099	1,939	2,127
Net income	959	(1,715)	1,268
Net income per share	¥6.63	(¥11.86)	¥8.75
Total assets	143,778	140,649	133,963
Total equity	56,744	57,005	55,923



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Message from the President

Review of Business Operations

During the fiscal year under review, the Japanese economy followed its still moderate but upward trend, supported by continued strong equipment investment in the private sector reflecting good corporate income levels as well as showing a gradual recovery trend in consumer spending reflecting improvements in the employment situation.

Under these circumstances, the Group developed energetic marketing activities not only in Japan but also in the United States and other overseas markets and secured a record amount of orders on hand. Meanwhile, in our production activities, we promoted equipment investment to fill the large backorders, while making company-wide efforts to improve our achievement performance through promoting project activities to produce safe and high quality products, increasing productivity, and cutting costs.

As an overall result, sales remained roughly flat at ¥87,554 million, or 0.6% up from the previous year, on a balance of opposing factors: On the one hand, sales largely increased thanks to a strong replacement demand for JR railway rolling stock (including the Series N700 mass production Shinkansen trains and commuter trains) and construction equipment, but on the other hand, the delivery of the large export orders for the EMUs for the Shinkansen line in Taiwan was completed in the previous year. In terms of total profits, the ordinary profit was ¥1,098 million, or 43.3% down from the previous year and the net profit was ¥959 million (compared to a net loss of ¥1,715 million in the previous year posted to reflect extraordinary charges that included the impairment loss of fixed assets).

The business operations of each division are summarized in the following.

The Outlook

In terms of a forecast, we expect that the Japanese economy, which has followed moderate but stable growth, will maintain its trend of recovery based on balanced domestic and foreign demand, driven by still strong equipment investment and other domestic demands and supported by the anticipation that the international economy, so far a cause for concern, will keep its steady undertone.

For the Group, the steady demand for equipment investment is a favorable factor, but the conditions facing the Group still seem to be severe owing to continued cutbacks in public investment, rising raw material prices and other factors.

In the Group's railway rolling stock and other transportation equipment businesses, after finishing the delivery of the Series 313 commuter trains to the Central Japan Railway Company (JR Tokai), we started delivering the large orders for the Series N700 mass production Shinkansen trains to the Central Japan Railway Company (JR Tokai) and the West Japan Railway Company (JR Nishi-Nippon) based on their plans to introduce these trains over three years, thus maintaining a high level of production. However, profitability is expected to be very low due to intensifying price competition, cost increases resulting from rising prices and the short supply of raw materials, etc. The Company will therefore make more effort to improve productivity by reviewing its production line and parts supply systems and also streamline its production management systems. In other transportation equipment businesses, we expect a strong and continuous demand for LNG-related products and intend to expand our sales by proposing products that meet market needs.

In the construction equipment business, we also expect the strong demand for products related to foundation work, especially pile driving rigs, will remain and accordingly, keep production lines busy. In response to the situation, the Company intends to secure domestic sales and expand export sales by optimizing and streamlining its production, while developing detailed strategies and policies for each product.

In the steel structure business, the environment is expected to remain very severe due to a gradual decrease in orders for steel bridges and the intensifying price competition. To face such a situation, the Company will strive to secure orders by enhancing our capacity for technical proposals and establishing production and marketing systems matching the market size.

In other businesses, the Company intends to reinforce its organization in a synergy of technical and marketing capabilities by promoting the consolidation of its engineering departments in the fields of agricultural and environmental facilities, vehicle inspection and repair facilities, paper-manufacturing machinery, etc. In the PCB detoxification processing business, we will continue our preparations to start up commercial plant operation in a safe and steady manner.

Further, as group-wide policies, we intend to improve profitability through completion of our training and education systems so as to nurture technical experts for technical capability reinforcement as well as by reviewing production facilities and personnel allocations for productivity improvement.

Meanwhile, to ensure the implementation and management of these policies, the Company will launch a group-wide “NTP (Nissha Technology & Productivity Innovation)” campaign, and will reinforce its management base by promoting the improvement of internal control, compliance and risk control systems.



K. Ikushima

Katsuyuki Ikushima

President and Chief Executive Officer

Review by Segment

Railway Rolling Stock and Other Transportation Equipment Businesses

In railway rolling stock, our sales to the JR railway companies, including those for the Series N700 mass production Shinkansen trains and the Series 313 commuter trains for the Central Japan Railway Company (JR Tokai) and the Series 220 diesel cars for the Kyushu Railway Company (JR Kyushu), amounted to 18,834 million. Our sales of EMUs for the public and private railways except for the JR railway companies reached ¥6,719 million, including sales of: the Series 3000S EMUs for the Transportation Bureau, City of Yokohama; the Series 2000/3150 EMUs for the Nagoya Railroad Co., Ltd.; the Series 3000M/3200 EMUs for the Odakyu Electric Railway Co., Ltd.; the Series 9000 EMUs for the Keio Corporation; the Series 3000 EMUs for the Keisei Electric Railway Co., Ltd.; and the Series 7500 EMUs for the Hokuso-Railway Co., Ltd. In exported railway cars, we had sales of ¥12,035 million, including the diesel locomotives for the Taiwan Forest Bureau in Taiwan; bi-level passenger cars for Virginia Rail Express, USA; LRVs for the Light Rail Transit Authority, Manila; and commuter trains for the Taiwan Railway Administration, Taiwan. The strong demand for diesel locomotives, container cars, and gasoline tank cars also contributed to sales. Despite an increase of sales for JR trains, our total sales of railway rolling stock were limited to ¥39,319 million, or 2.4% down from the previous year, due to the reduction in the sales of exported railway cars, resulting from completing delivery of large orders in the previous year, with a record amount of sales.



Series N700 Shinkansen Train



LRVs for the Light Rail Transit Authority, Manila

In other transportation equipment business areas, the Company achieved a first in the industry with the 1000th delivery of its consumer-purpose LPG bulk tank lorry since their sales started in 1997, and received steady orders for heavy-duty industrial vehicles, such as carriers and automated guided vehicles, as well as super-low temperature LNG tank trailers, but the sales remained low because of a scarcity of significant orders for transportation systems. As a result, the sales of other transportation equipment was ¥11,283 million, or 6.4% down from the previous year.

All in all, the sales of railway rolling stock and other transportation equipment totaled ¥50,603 million, or 3.4% down from the previous year.



Heavy-duty Industrial Vehicle

Construction Equipment Business

In the construction equipment business, supported by strong replacement demand related to an increase in redevelopment projects such as office buildings and condominiums in the private sector, the Company increased sales for large and middle-size pile driving rigs, while the sales of small-size

pile driving rigs remained steady thanks to strong housing investment in such as quakeproofing work. As a result, the sales of construction equipment totaled ¥13,236 million, or 15.5% up from the previous year.

In our paper manufacturing machinery business, sales were limited to ¥3,327 million, or 6.8% down from the previous year, due to weak replacement demand for processing equipment from household paper manufacturers.

Meanwhile, in the generator business, demand was strong from major leasing and rental companies, the main users of this equipment, and sales totaled to ¥3,918 million, a 16.9% increase from the previous year.

All in all, the sales in our construction equipment business were ¥20,482 million, an 11.4% increase from the previous year.



Pile Driving Rigs

Steel Structure Business

In our steel structure business, the business environment remained severe with the reduction of orders for steel bridges due to the cutback of public works projects and a unit price fall in price competition. To face such a situation, the Company exerted every effort to improve productivity, raise the level of construction technology, and cut construction costs. For road bridges, our sales included the construction of the Komakado Bridge piers, the Shibata Elevated Bridge, the Yatsuda Bo Bridge for the Shinkansen. As for railway bridges, our sales included the Yokoimichishita Bridge repair work on the JR Tokaido Line, and construction of the Asuwagawa Bridge on the Etsumi Line.



the Shibata Elevated Bridge

All in all, sales for the steel structure business were ¥9,056 million, or 4.9% down from the previous year.

The Company accepted the sentence given by the Tokyo High Court in November 2006 for violation of the Antitrust Law in connection with the bidding for steel bridges. Further, in March 2007, the Company was given a retraction order by the Japan Fair Trade Commission and an administrative sanction (suspension of designated contractor status) by the Ministry of Land, Infrastructure and Transport for violation of the Antitrust Law in connection with the construction of floodgates on specific rivers.

Other Businesses

In the agricultural plant business, sales mainly included the reinforcement, repair and replacement

work for existing facilities such as country elevators for the Japan Agricultural Cooperatives (JA). In the area of environmental equipment, we had sales of composting plants and carbonization plants. Sales also included microfabrication laser equipment such as stencil processing machines, income from golf course operations, and railway memorabilia.

All in all, sales in other business areas totaled ¥7,413 million, or 9.6% up from the previous year.



Carbonization Plant

The export sales for the year under review amounted to ¥13,530 million, including ¥12,011 million for railway rolling stock and other transportation equipment businesses and ¥1,457 million for the construction equipment business, and represented 15.4% of the total sales.

Meanwhile, the orders on hand at the end of the year under review reached a record amount of ¥129,357 million, thanks to large orders for the Series N700 mass production Shinkansen trains. These comprised ¥101,557 million for the railway rolling stock and other transportation equipment business (¥60,767 million for rolling stock for JR railway companies, ¥14,275 million for EMUs for public and private railway companies except for JR railway companies, ¥20,527 million for exported rolling stock, and ¥4,826 million for other transportation equipment), ¥9,056 million for the construction equipment business, ¥15,232 million for the steel structure business, and ¥3,510 million for other businesses.

Investment in Plant and Equipment

Plant and equipment investment during the year under review totaled ¥1,763 million. Intended to improve productivity and replace production facilities, it included the introduction of five-axis processing machines and the installation of painting booths with hanger conveyers at the Toyokawa Plant, as well as the addition of self-driven dollies for bridge construction at the Kinuura Plant.

Financing Activities

As for funding during the year under review, there is nothing to be specially reported. The balance of the bonds payable and the borrowing at the end of the year under review was ¥35,550 million, or ¥2,914 million down from the previous year.

NIPPON SHARYO, LTD.
Audited Consolidated Financial Statements
March 31, 2007 and 2006

Dai Nagoya Building
3-28-12, Meieki, Nakamura-ku
Nagoya, 450-8565 Japan
Telephone 81-52-551-3001
Facsimile 81-52-551-3005

Report of Independent Auditors

To the Board of Directors and Shareholders of
NIPPON SHARYO, LTD.

We have audited the accompanying consolidated balance sheets of NIPPON SHARYO, LTD. and its consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, 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 audit in accordance with auditing standards generally accepted in Japan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 NIPPON SHARYO, LTD. and its consolidated subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 2(k), effective from the year ended March 31, 2006, NIPPON SHARYO, LTD. and its consolidated subsidiaries adopted a new accounting standard for impairment of fixed assets.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1(b) to the accompanying consolidated financial statements.

Misuzu Audit Corporation

Misuzu Audit Corporation
Nagoya, Japan
June 28, 2007

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statements of Income
For the Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Net sales (Note 16)	¥ 87,554	¥ 87,019	\$ 741,987
Cost of sales	80,176	78,262	679,458
Gross profit	7,378	8,757	62,529
Selling, general and administrative expenses	5,892	6,350	49,934
Operating income (Note 16)	1,486	2,407	12,595
Other income (expenses):			
Interest and dividend income	328	253	2,779
Interest expense	(519)	(399)	(4,398)
Other, net	(196)	(322)	(1,665)
	(387)	(468)	(3,284)
Ordinary income	1,099	1,939	9,311
Special gain (loss):			
Gain on sales of property	304	431	2,576
Gain on sales of investment securities	1,000	2,881	8,482
Loss on write-down of marketable securities and other	(5)	(114)	(44)
Loss on impairment of fixed assets	(142)	(2,971)	(1,203)
Loss on write-down of bad debt	-	(1,407)	-
Loss on write-down of inventories	-	(1,058)	-
Penalty or charges on violation of the antimonopoly law	(291)	(893)	(2,467)
Special severance benefit	-	(198)	-
Other, net	(121)	(17)	(1,025)
	745	(3,346)	6,319
Income (loss) before income taxes and minority interests	1,844	(1,407)	15,630
Income taxes (Note 13):			
Current	840	193	7,118
Deferred	30	114	256
	870	307	7,374
Less, minority interests in net income of consolidated subsidiaries	15	1	125
Net income (loss)	¥ 959	¥ (1,715)	\$ 8,131
		Yen	U.S. Dollars
Per share:			
Net income (loss)	¥ 6.63	¥ (11.86)	\$ 0.06
Cash dividends	5.00	5.00	0.04

The accompanying notes are an integral part of these financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statements of Changes in Net Assets
For the Years Ended March 31, 2007 and 2006

	Number of common shares issued	Common stock	Capital surplus	Retained earnings	Net unrealized gains on available-for-sale securities	Treasury stock	Total shareholders' equity
Millions of Yen							
Balance at March 31, 2005	146,750,129	¥ 11,811	¥ 12,040	¥ 24,950	¥ 7,414	¥ (387)	¥ 55,828
Net loss for the year	-	-	-	(1,715)	-	-	(1,715)
Cash dividends	-	-	-	(724)	-	-	(724)
Bonuses to directors	-	-	-	(1)	-	-	(1)
Change in net unrealized gains on available-for-sale securities, net of applicable income taxes	-	-	-	-	3,535	-	3,535
Purchase of fractional shares, net	-	-	1	-	-	(12)	(11)
Balance at March 31, 2006	<u>146,750,129</u>	<u>¥ 11,811</u>	<u>¥ 12,041</u>	<u>¥ 22,510</u>	<u>¥ 10,949</u>	<u>¥ (399)</u>	<u>¥ 56,912</u>

	Shareholders' Equity						
	Number of common shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity	
Millions of Yen							
Balance at March 31, 2006	146,750,129	¥ 11,811	¥ 12,041	¥ 22,510	¥ (399)	¥ 45,963	
Cash dividends	-	-	-	(723)	-	(723)	
Bonuses to directors	-	-	-	(0)	-	(0)	
Net income for the year	-	-	-	959	-	959	
Purchase of fractional shares, net	-	-	0	-	(18)	(18)	
Net changes other than shareholders' equity	-	-	-	-	-	-	
Balance at March 31, 2007	<u>146,750,129</u>	<u>¥ 11,811</u>	<u>¥ 12,041</u>	<u>¥ 22,746</u>	<u>¥ (417)</u>	<u>¥ 46,181</u>	

	Thousands of U.S. Dollars					
Balance at March 31, 2006		\$ 100,091	\$ 102,040	\$ 190,768	\$ (3,384)	\$ 389,515
Cash dividends		-	-	(6,130)	-	(6,130)
Bonuses to directors		-	-	(7)	-	(7)
Net income for the year		-	-	8,131	-	8,131
Purchase of fractional shares, net		-	5	-	(149)	(144)
Net changes other than shareholders' equity		-	-	-	-	-
Balance at March 31, 2007		<u>\$ 100,091</u>	<u>\$ 102,045</u>	<u>\$ 192,762</u>	<u>\$ (3,533)</u>	<u>\$ 391,365</u>

	Revaluation and Translation Adjustments				
	Net unrealized gains on available-for-sale securities	Loss on deferred hedges	Total revaluation and translation adjustments	Minority interest	Total equity
Millions of Yen					
Balance at March 31, 2006	¥ 10,949	¥ -	¥ 10,949	¥ 93	¥ 57,005
Cash dividends	-	-	-	-	(723)
Bonuses to directors	-	-	-	-	(0)
Net income for the year	-	-	-	-	959
Purchase of fractional shares, net	-	-	-	-	(18)
Net changes other than shareholders' equity	(493)	(0)	(493)	14	(479)
Balance at March 31, 2007	<u>¥ 10,456</u>	<u>¥ (0)</u>	<u>¥ 10,456</u>	<u>¥ 107</u>	<u>¥ 56,744</u>
Thousands of U.S. Dollars					
Balance at March 31, 2006	\$ 92,789	\$ -	\$ 92,789	\$ 787	\$ 483,091
Cash dividends	-	-	-	-	(6,130)
Bonuses to directors	-	-	-	-	(7)
Net income for the year	-	-	-	-	8,131
Purchase of fractional shares, net	-	-	-	-	(144)
Net changes other than shareholders' equity	(4,180)	(0)	(4,180)	123	(4,057)
Balance at March 31, 2007	<u>\$ 88,609</u>	<u>\$ (0)</u>	<u>\$ 88,609</u>	<u>\$ 910</u>	<u>\$ 480,884</u>

The accompanying notes are an integral part of these financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ 1,844	¥ (1,407)	\$ 15,630
Adjustments for:			
Depreciation	1,680	1,790	14,237
Loss on impairment of fixed assets	142	2,971	1,203
Interest and dividend income	(328)	(253)	(2,779)
Interest expense	519	399	4,398
Gain on disposal or sales of property, plant and equipment	(183)	(297)	(1,554)
Loss on write-down of marketable securities and other	5	114	44
Gain on sales of investment securities	(1,000)	(2,881)	(8,482)
Increase/Decrease of assets and liabilities			
Trade notes and accounts receivable	1,091	(4,273)	9,253
Inventories	(3,363)	3,042	(28,503)
Trade notes and accounts payable	6,705	(4,370)	56,824
Allowance for loss on construction in progress	511	-	4,329
Advances received	913	(2,926)	7,734
Other, net	(2,169)	39	(18,375)
Subtotal	6,367	(8,052)	53,959
Interest and dividend received	331	253	2,804
Interest paid	(521)	(370)	(4,413)
Income taxes paid	(491)	(780)	(4,156)
Net cash provided by (used in) operating activities	5,686	(8,949)	48,194
Cash flows from investing activities:			
Payments for purchase of property, plant and equipment	(3,060)	(4,439)	(25,933)
Proceeds from sales of property, plant and equipment	985	570	8,345
Payments for purchase of investment securities	(873)	(2,774)	(7,402)
Proceeds from sales of investment securities	1,419	3,502	12,032
Other, net	415	(53)	3,514
Net cash used in investing activities	(1,114)	(3,194)	(9,444)
Cash flows from financing activities:			
Net decrease in short-term borrowings	(1,900)	(855)	(16,102)
Increase in long-term debt	-	13,000	-
Repayments of long-term debt	(1,014)	(1,501)	(8,593)
Payments for purchase of fractional shares	(19)	(14)	(158)
Dividends paid	(723)	(722)	(6,131)
Other, net	1	2	12
Net cash (used in) provided by financing activities	(3,655)	9,910	(30,972)
Effect of exchange rate changes on cash and cash equivalents	(0)	0	(0)
Net increase (decrease) in cash and cash equivalents	917	(2,233)	7,778
Cash and cash equivalents at the beginning of the year	12,511	14,744	106,022
Cash and cash equivalents at the end of the year	¥ 13,428	¥ 12,511	\$ 113,800

The accompanying notes are an integral part of these financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

1. Basis of Consolidated Financial Statements

(a) Basis of presenting the consolidated financial statements

The accompanying consolidated financial statements of NIPPON SHARYO, LTD. (the "Company") and its consolidated subsidiaries have been prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the original consolidated financial statements in Japan prepared by the Company as required by the Securities and Exchange Law of Japan and submitted to the Director of Kanto Finance Bureau of Japan.

(b) U.S. dollar amounts

The Company and its consolidated subsidiaries maintain its accounting records in Japanese Yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetic results of translating Japanese Yen into U.S. dollars at a rate of ¥118 to \$1, the approximate rate of exchange at March 31, 2007. The inclusion of such dollar amounts is solely for convenience of the readers and is not intended to imply that the assets and liabilities originating in Yen have been or could be readily converted, realized or settled in U.S. dollars at ¥118 to \$1 or at any other rates.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. Investments in unconsolidated subsidiaries and affiliates are carried at cost, since the equities in retained earning and net income of these companies are not material. All significant intercompany transactions and accounts have been eliminated. The differences between the cost of investments in subsidiaries and the underlying equity in their net assets adjusted based on the fair value at the acquisition are charged to income in the year of acquisition. The number of the consolidated subsidiaries, unconsolidated subsidiaries and affiliates for the years ended March 31, 2007 and 2006 is as follows:

	2007	2006
Consolidated subsidiaries (domestic)	6	6
Unconsolidated subsidiaries, stated at cost	2	2
Affiliates, stated at cost	6	7

(b) Accounting standard for presentation of net assets in the balance sheet

The Accounting Standards Board of Japan ("ASBJ") issued "Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No.5)" and Implementation Guidance "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No.8)" on December 9, 2005, which are applied for the year ending on May 1, 2006. The standard requires presenting the equity section in the balance sheet as similar to International Financial Reporting Standards. The Company and its consolidated subsidiaries have adopted these new accounting standards

from the year ended March 31, 2007. If the previous accounting method had been applied for the consolidated balance sheet at March 31, 2007, equity would have amounted to ¥56,637 million (\$479,974 thousand).

(c) Cash equivalents

The Company and its consolidated subsidiaries consider cash equivalents to be highly liquid debt instruments purchased with an original maturity of three months or less.

(d) Valuation of securities

The accounting standard for financial instruments requires that securities to be classified into three categories: trading, held-to-maturity or non-trading, available-for-sale, whose classification determines the respective accounting method. According to the Company's investment policies, the securities portfolio of the Company and its consolidated subsidiaries are classified as available-for-sale securities. The accounting standard requires stating available-for-sale securities for which market quotations are available at fair value, and to record net unrealized gains or losses on such securities as a separate component of shareholders' equity, net of applicable income taxes. Gains and losses on disposition of marketable securities are computed by the moving average method. Non-marketable securities without marketable quotations for available-for-sale securities are carried at cost determined by the moving average method. Adjustments in carrying values of individual investment securities are charged to income through write-downs, when a decline in value is deemed other than temporary.

(e) Accounting for derivatives

Derivatives are valued at fair value, if hedge accounting is not appropriate or where there is no hedging designation, and gains or losses on derivatives are recognized in current earnings. Certain transactions classified as hedging transactions are accounted for under a deferral method, whereby unrealized gains or losses on hedging instruments are carried as assets or liabilities on balance sheet until gains or losses on the hedged items are realized. Foreign exchange forward contracts are accounted for to translate foreign currency denominated assets and liabilities at such contracts rates as an interim measure, if certain hedging criteria are met. According to the special treatment as permitted by the accounting standard for financial instruments, the hedging interest swap is accounted for on an accrual basis, and recorded net of interest expenses generated from borrowings, a hedge item, if certain conditions are met.

(f) Allowance for doubtful accounts

Allowance for doubtful accounts has been provided for at the aggregate amount of estimated credit loss for doubtful or troubled receivables based on the individual financial approach and a general reserve for other receivables calculated based on the historical loss experience for a certain past period.

(g) Inventories

Merchandise, finished goods and work in process are stated at the cost method accumulated by job orders.

Semi-finished goods and raw materials and supplies are stated at the moving average cost. Adjustments in carrying values of individual inventories are charged to income through write-downs.

(h) Property, plant and equipment and depreciation

Property, plant and equipment, including significant renewals and additions, are stated at cost, and have been principally depreciated by the straight-line method for buildings, and the declining-balance method for other property at rate based on the estimated useful life of the assets.

The Company and its consolidated subsidiaries have been capitalized the property with the cost of not less than ¥100,000 and have depreciated the property of less than ¥200,000 and more than ¥100,000 over three years on a straight-line basis.

Expenditures on maintenance and repairs are charged to income as incurred. Upon the disposal of property, the cost and accumulated depreciation are removed from the related accounts and any gain or loss is recorded as income or expenses.

(i) Bond issuance expenses

Bond issuance expenses are charged to income as incurred.

(j) Accounting for finance leases

Where financing leases do not transfer ownership of the leased property to the lessee during the term of the lease, the leased property of the Company and its consolidated subsidiaries are not capitalized and the relating rental and lease expenses are charged to income as incurred.

(k) Accounting standard for impairment of fixed assets

On August 9, 2004, the Business Accounting Council of Japan issued "Accounting Standards for Impairment of Fixed Assets". The standard requires that fixed assets be received for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of the asset's net selling price or value in use. The Company and its consolidated subsidiaries adopted this standard with effect from the year ended March 31, 2006. As a result of this adoption, loss before income taxes and minority interests increased by ¥2,971 million as recorded "Loss on impairment of fixed assets" in the consolidated statements of income for the year ended March 31, 2006. The accumulated impairment loss was deducted from each asset's acquisition cost directly after amendment.

(l) Allowance for loss on construction in progress

Allowance for losses on construction in progress has been provided based on an estimate of the total losses in respect of construction projects on which eventual losses are deemed inevitable and amounts thereof can reasonably be estimated. The Company and its certain consolidated subsidiaries changed to provide for the allowance for loss on construction in progress from the year ended March 31, 2007, while the difference of actual costs incurred over the contract amount was previously charged to loss for the year. At March 31, 2006, there were no amounts comparable to such allowance.

(m) Employee retirement benefits

Employees who terminate their service with the Company and its consolidated subsidiaries are entitled to retirement benefits generally determined by the reference of current basic rates of pay, length of service and conditions under which the termination occurs. The Company has a lump-sum retirement benefit plan and has also established a non-contributory defined

benefit pension plan, which is assumed to cover retirement benefits for voluntary retirement employees. The Company's consolidated subsidiaries have similar retirement benefit plans. Effective April 1, 2000, the Company and its consolidated subsidiaries adopted the new Japanese accounting standard for employees' retirement benefits ("Opinion Concerning Establishment of Accounting Standard for Retirement Benefits"). In accordance with the accounting standard, the Company and its consolidated subsidiaries have principally recognized the retirement benefits including pension cost and related liability based on actuarial present value of projected benefit obligation using actuarial appraisal approach and the pension plan assets available for benefits at the respective year-ends. The transitional provision of adoption of this accounting standard amounted to ¥12,968 million. Transitional provision of ¥8,718 million was charged to income for the year ended March 31, 2001. The remaining unrecognized transitional provision of ¥4,250 million is to be amortized on a straight-line basis over 15 years. Unrecognized actuarial differences as changes in the projected benefit obligation or pension plan assets resulting from the experience different from that assumed and from changes in assumptions is to be amortized on a straight-line basis over 15 years within average remaining service lives of employees from the following fiscal year in which they arise.

(n) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry-forward. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

(o) Translation of foreign currency accounts

Receivables, payables and securities, other than stocks of subsidiaries and certain other securities, are translated into Japanese Yen at the exchange rates at the fiscal year-end. Transactions in foreign currencies are recorded based on the prevailing exchange rates on the transaction dates. Resulting translation gains or losses are included in the current earnings.

(p) Research and development expenses

Expenses related to research and development activities are charged to income as incurred. Research and development expenses relating to the activities amounted to ¥865 million (\$7,333 thousand) and ¥1,240 million for the years ended March 31, 2007 and 2006, respectively, are included in general and administrative expenses and manufacturing cost in the accompanying consolidated statements of income.

(q) Appropriation of retained earnings

Cash dividends are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the Board of Directors and/or shareholders.

(r) Per share data

Net income per share is computed by dividing income available to common shareholders by the weighted-average number of shares of common stock outstanding during the respective years. Diluted net income per share for the years

ended March 31, 2007 and 2006 was not applicable, as the Company has no diluted common shares. Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of income represent dividends declared as applicable to the respective years.

3. Notes and Accounts Receivable

Notes and accounts receivable at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Trade notes	¥ 5,698	¥ 4,957	\$ 48,290
Trade notes			
- Unconsolidated subsidiaries and affiliates	94	137	798
Trade accounts	30,780	31,369	260,847
Trade accounts			
- Unconsolidated subsidiaries and affiliates	77	1,277	648
Other	36	97	304
Less, allowance for doubtful accounts	(90)	(73)	(760)
	<u>¥ 36,595</u>	<u>¥ 37,764</u>	<u>\$310,127</u>

At March 31, 2007, the Company and its consolidated subsidiaries had the trade notes receivable of ¥829 million (\$7,029 thousand), which have due on the current fiscal year-end date. As March 31, 2007 was a banking holiday, the clearance of such trade notes receivable was accounted for on a settlement date basis and such trade notes were included in the balance above at the fiscal year-end.

4. Inventories

Inventories at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Merchandise	¥ 557	¥ 680	\$ 4,722
Finished goods	1,401	1,515	11,871
Work in process and semi-finished goods	22,221	18,931	188,311
Raw materials	1,675	1,365	14,197
	<u>¥ 25,854</u>	<u>¥ 22,491</u>	<u>\$219,101</u>

5. Investments

Short-term investments at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Time deposits with an original maturity of more than three months	¥ 120	¥ 120	\$ 1,017

Investment securities at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Marketable securities:			
Equity securities	¥ 28,035	¥ 28,026	\$237,586
Bond	20	19	166
Total marketable securities	28,055	28,045	237,752
Other non-marketable securities	2,874	2,869	24,358
	<u>¥ 30,929</u>	<u>¥ 30,914</u>	<u>\$262,110</u>

Marketable securities classified as available-for-sale are stated at fair value with unrealized gains and losses excluded from the current earnings and reported as a net amount within the equity account until realized. Gross unrealized gains and losses for marketable available-for-sale securities at March 31, 2007 and 2006 were summarized as follows:

	Cost	Gross unrealized gains
	Millions of Yen	
At March 31, 2007:		
Marketable securities:		
Equity securities	¥ 10,614	¥ 17,442
Bonds	20	-
	<u>¥ 10,634</u>	<u>¥ 17,442</u>

At March 31, 2006:		
Marketable securities:		
Equity securities	¥ 9,874	¥ 18,153
Bonds	20	-
	<u>¥ 9,894</u>	<u>¥ 18,153</u>
	Thousands of U.S. dollars	

At March 31, 2007:		
Marketable securities:		
Equity securities	\$ 89,953	\$ 147,812
Bonds	169	-
	<u>\$ 90,122</u>	<u>\$ 147,812</u>

	Gross unrealized losses	Fair and carrying value
	Millions of Yen	
At March 31, 2007:		
Marketable securities:		
Equity securities	¥ (21)	¥ 28,035
Bonds	(0)	20
	<u>¥ (21)</u>	<u>¥ 28,055</u>

At March 31, 2006:		
Marketable securities:		
Equity securities	¥ (1)	¥ 28,026
Bonds	(1)	19
	<u>¥ (2)</u>	<u>¥ 28,045</u>
	Thousands of U.S. dollars	

At March 31, 2007:		
Marketable securities:		
Equity securities	\$ (179)	\$ 237,586
Bonds	(3)	166
	<u>\$ (182)</u>	<u>\$ 237,752</u>

During the year ended March 31, 2007 and 2006, the Company and its consolidated subsidiaries recorded a loss on write-down on investment securities due to a permanent diminution in value in the amount of ¥5 million (\$44 thousand) and ¥112 million, respectively. In addition, for the year ended March 31, 2007, the Company and its consolidated subsidiaries recorded realized gains of ¥370 million (\$3,142 thousand) for the sale of available-for-sale securities, and a gain of ¥630 million (\$5,340 thousand) for the sale of an equity security of affiliate on the accompanying consolidated statements of income. For the year ended March 31, 2006, the Company and its consolidated subsidiaries sold available-for-sale securities and recorded realized gains of ¥370 million and realized losses of ¥4 million.

Expected maturities of available-for-sale securities at March 31, 2007 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥ -	\$ -
Due after one year through five years	10	84
Due after five years through ten years	10	82
	¥ 20	\$ 166

6. Notes and Accounts Payable

Notes and accounts payable at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Trade notes	¥ 10,964	¥ 9,841	\$ 92,919
Trade notes			
- Unconsolidated subsidiaries and affiliates	29	19	244
Trade accounts	14,503	8,907	122,907
Trade accounts			
- Unconsolidated subsidiaries and affiliates	71	95	600
Other	1,373	2,049	11,637
	¥ 26,940	¥ 20,911	\$ 228,307

At March 31, 2007, the Company and its consolidated subsidiaries had the trade notes payable of ¥1,367 million (\$11,588 thousand), which have due on the current fiscal year-end date. As March 31, 2007 was a banking holiday, the clearance of such trade notes receivable was accounted for on a settlement date basis and such trade notes were included in the balance above at the fiscal year-end.

7. Short-term Borrowings and Long-term Debt

Short-term borrowings at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Unsecured bank loans with an average interest rate of 1.26 % per annum at March 31, 2007	¥ 6,935	¥ 8,835	\$ 58,771

Long-term debt at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
0.68% unsecured straight bond due December 2009	¥ 3,000	¥ 3,000	\$ 25,424
1.992% unsecured straight bond due December 2012	2,500	2,500	21,186
Unsecured straight bonds with floating rate due 2010 through 2012	13,500	13,500	114,408
Unsecured bank loans due through 2012 with interest rates ranging from 0.87 % to 1.52 % at March 31, 2007	9,615	10,629	81,482
	28,615	29,629	242,500
Less, current portion	(1,264)	(1,014)	(10,712)
	¥ 27,351	¥ 28,615	\$ 231,788

The Company entered into the contracts with banks to swap interest from the floating rates based on TIBOR to fixed rates in order to hedge a future fluctuation of interest rate. Under these swap contracts, fixed interest rates ranged from 1.423% to 1.940%.

The aggregate annual maturities of long-term debt at March 31, 2007 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 1,264	\$ 10,712
2009	2,264	19,186
2010	7,837	66,416
2011	6,500	55,085
2012	500	4,237
Thereafter	10,250	86,864
	¥ 28,615	\$ 242,500

8. Employee Retirement Benefits

The Company and its consolidated subsidiaries have non-contributory defined benefit pension plans and lump-sum retirement benefit plans, which substantially cover all employees.

Employee retirement benefit liability at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Projected benefit obligation	¥ 19,571	¥ 20,286	\$ 165,859
Less, fair value of pension plan assets	(20,884)	(22,573)	(176,986)
Less, unrecognized transitional provision	(2,264)	(2,547)	(19,187)
Less, unrecognized actuarial differences	4,042	5,540	34,255
Employee retirement benefit liability	¥ 465	¥ 706	\$ 3,941

Note: Consolidated subsidiaries adopted the simplified method for the calculation of the projected benefit obligation, based on the amount which would be required if all eligible employees voluntarily terminated their employment as of the year-end.

Components of retirement benefit expenses for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Service cost	¥ 803	¥ 823	\$ 6,801
Interest cost	384	410	3,256
Expected return on pension plan assets	(198)	(166)	(1,681)
Amortization of transitional provision (Note 2(m))	283	283	2,398
Amortization of actuarial differences	(283)	131	(2,396)
Net periodic retirement benefit expenses	¥ 989	¥ 1,481	\$ 8,378

Note: Retirement benefit expenses of subsidiaries, calculated by the simplified method, were included in "service cost".

Major assumptions used in the calculations of above information at March 31, 2007 and 2006 were as follows:

	2007	2006
Method attributing the projected benefits to periods of services	Straight-line method	Straight-line method
Discount rate	2.0%	2.0%
Expected return on pension plan assets	2.0%	2.0%
Amortization period of unrecognized actuarial differences	15 years (Expensed from following fiscal year)	15 years (Expensed from following fiscal year)
Amortization period of transitional provision	15 years	15 years

9. Assets pledged as collateral

Securities pledged as substitutes for cash deposits to the institution of real estate business at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Investment securities	¥ 10	¥ 9	\$ 82

10. Contingent Liabilities

In some cases, the Company sells its construction equipment products through leasing companies to users. Some leasing companies request the Company to enter into lease credits guarantee contracts. Under those contracts, in the cases of lease credits not to be unrecoverable from lessee, the Company's construction equipment products user, the Company has guaranteed payments of the amount defined by the contracts. Such guarantees at March 31, 2007 and 2006 aggregated to ¥2,042 million (\$17,309 thousand) and ¥2,130 million, respectively.

At March 31, 2006, guarantees for bank loans of affiliated companies and other companies amounted to ¥1,000 million, which included other joint guarantors' portion of ¥625 million.

Trade notes discounted at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Trade notes receivable discounted with bank	¥ 184	¥ 299	\$ 1,555

11. Lease Transactions

The Company and its consolidated subsidiaries use certain machinery and equipment by finance lease contracts.

Pro forma information regarding the leased property such as acquisition cost, accumulated depreciation and future minimum lease payments under finance leases that do not transfer the ownership of the leased property to the lessee at March 31, 2007 and 2006 were as follows:

	Acquisition Costs	Accumulated Depreciation	Balance
Millions of Yen			

At March 31, 2007:			
Machinery	¥ 1,355	¥ 836	¥ 519
Equipment	342	211	131
	¥ 1,697	¥ 1,047	¥ 650

At March 31, 2006:			
Machinery	¥ 1,274	¥ 722	¥ 552
Equipment	426	252	174
	¥ 1,700	¥ 974	¥ 726

	Acquisition Costs	Accumulated Depreciation	Balance
Thousands of U.S. Dollars			

At March 31, 2007:			
Machinery	\$ 11,487	\$ 7,087	\$ 4,400
Equipment	2,895	1,785	1,110
	\$ 14,382	\$ 8,872	\$ 5,510

Aggregate minimum future lease obligations at March 31, 2007 and 2006 and lease expenses for the years then ended were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	¥ 306	¥ 307	\$ 2,596
Due over one year	344	419	2,914
	¥ 650	¥ 726	\$ 5,510
Lease expenses for the year	¥ 361	¥ 344	\$ 3,061

Pro forma amounts for acquisition costs and future minimum lease payments under finance leases include the imputed interest expense portion. Pro forma depreciation expenses, which were not reflected in the accompanying consolidated statements of income, computed by the straightline method, would be ¥361 million (\$3,061 thousand) and 344 million for the years ended March 31, 2007 and 2006, respectively.

12. Equity

The authorized number of shares of common stock without par value is 328 million. At March 31, 2007 and 2006, respectively, the number of shares of common stock issued was 146,750,129 shares. At March 31, 2007 and 2006, the number of treasury stock held by the Company and its consolidated subsidiaries was 2,135,085 and 2,077,904 shares, respectively.

At March 31, 2007 and 2006, respectively, capital surplus principally consisted of additional paid-in capital. In addition, retained earnings included legal reserve of the Company in the amount of ¥2,475 million (\$20,973 thousand), at March 31, 2007 and 2006, respectively. The Corporate Law of Japan (formerly the Commercial Code of Japan) provides that an amount equivalent to 10% of cash dividends as an appropriation of retained earnings shall be appropriated as legal reserve until a total amount of additional paid-in capital and such legal reserve equals 25% of common stock. The reduction of legal reserve is restricted under the certain circumstances by proper action of shareholders of the Company.

On June 28, 2007 at the annual general meeting, shareholders of the Company resolved to approve the payment of year-end cash dividends of ¥2.5 (\$0.02) per share, aggregate amount of ¥362 million (\$3,064 thousand).

13. Income Taxes

The tax effects on temporary differences that give rise to a significant portion of deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred tax assets:			
Employee retirement benefit liability	¥ 1,655	¥ 1,826	\$ 14,021
Loss on impairment of fixed assets	1,233	1,190	10,449
Revaluation for fixed assets	940	947	7,965
Accrued bonus to employees	519	573	4,401
Loss on write-down of inventories	275	303	2,334
Allowance for loss on construction in progress	200	-	1,694
Loss on write-down of marketable securities and other	149	133	1,261
Operating loss carry forwards	23	228	196
Other	646	640	5,477
	<u>5,640</u>	<u>5,840</u>	<u>47,798</u>
Less, valuation allowance	<u>(2,397)</u>	<u>(2,546)</u>	<u>(20,316)</u>
Total deferred tax assets	<u>3,243</u>	<u>3,294</u>	<u>27,482</u>
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(6,965)	(7,203)	(59,022)
Deferred gain on sale of property	(1,783)	(1,804)	(15,111)
Revaluation for fixed property	(2,741)	(2,741)	(23,231)
Total deferred tax liabilities	<u>(11,489)</u>	<u>(11,748)</u>	<u>(97,364)</u>
Net deferred tax liabilities	<u>¥ (8,246)</u>	<u>¥ (8,454)</u>	<u>\$(69,882)</u>

Deferred tax assets and liabilities at March 31, 2007 and 2006 were recorded as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred tax assets:			
Current	¥ 1,241	¥ 884	\$ 10,515
Non-current	138	144	1,175
Deferred tax liabilities:			
Non-current	(9,625)	(9,482)	(81,572)
Net deferred tax liabilities	<u>¥ (8,246)</u>	<u>¥ (8,454)</u>	<u>\$(69,882)</u>

In assessing the reliability of deferred tax assets, management of the Company and its consolidated subsidiaries consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of the future taxable income during the periods in which those temporary differences become deductible. At March 31, 2007 and 2006, a valuation allowance was provided to reduce the deferred tax assets to the extent that the management believes that the amount of the deferred tax assets is expected to be realizable.

Reconciliation items of differences between the Japanese statutory tax rate and the actual effective income tax rate on pretax income for the years ended March 31, 2007 was as follow:

	Percentage of pretax income
Japanese statutory tax rates:	40.2 %
Increase (decrease) due to:	
Permanently nondeductible expenses	1.9
Penalty on violation of the antimonopoly law	5.2
Tax exempt income	(3.4)
Local minimum taxes per capita levy	2.1
Other	1.2
Actual effective income tax rate	<u>47.2 %</u>

Such reconciliation for the year ended March 31, 2006 is not disclosed due to a record of loss before income taxes and minority interests.

14. Derivative Financial Instruments

The Company enters into foreign currency forward contracts to hedge foreign exchange risk associated with assets and liabilities. The Company also enters into interest rate swap contracts to manage its interest rate exposure on certain liabilities. As foreign currency forward contracts and interest rate swap contracts were qualified for hedge accounting for the years ended March 31, 2007 and 2006, fair value information was not disclosed.

15. Additional Information

On March 8, 2007, the Company received the exclusion measure sanctions from Fair Trade Commission of Japan for the violation of the Antimonopoly Law of Japan in relation to the Company's construction contracts for the specific rivers' sluice equipments ordered by Ministry of Land Infrastructure and Transport Regional Development Bureau. And then, on March 9, 2007, Ministry of Land Infrastructure and Transport Regional Development Bureau and other public authorities issued disciplinary orders for the nomination stop for the construction bidding against the Company. Therefore, the Company may suffer a restriction of business in the future.

16. Segment Information

The Companies' operations are classified into four segments, Transportation Equipment business, Construction Equipment business, Steel Structure business and other business. Transportation Equipment segment is composed of those operations involved in the manufacture and sale of rolling stocks, automated transit systems, high-pressure vessels and other specialized freight cars. Construction Equipment segment is principally involved in the manufacture and sale of foundation work equipments for construction, portable/emergency diesel generators and machineries for paper mills. Steel Structure segment is composed of manufacture and construction of roadway and railway bridges, water gates and building steel frames.

(1) Business segment information

Information by business segment for the years ended March 31, 2007 and 2006 were as follows:

	Transportation Equipment	Construction Equipment	Steel Structure	Other	Total	Corporate or elimination	Consolidated
Millions of Yen							
For the year 2007:							
Net sales:							
External customers	¥ 50,603	¥ 20,482	¥ 9,056	¥ 7,413	¥ 87,554	¥ -	¥ 87,554
Inter-segment sales	324	0	-	1,437	1,761	(1,761)	-
Total net sales	50,927	20,482	9,056	8,850	89,315	(1,761)	87,554
Operating costs and expenses	48,591	18,540	9,986	8,630	85,747	321	86,068
Operating income (loss)	¥ 2,336	¥ 1,942	¥ (930)	¥ 220	¥ 3,568	¥ (2,082)	¥ 1,486
Identifiable assets	¥ 57,405	¥ 19,608	¥ 15,152	¥ 12,269	¥104,434	¥ 39,344	¥143,778
Depreciation	809	286	238	132	1,465	215	1,680
Loss on impairment of fixed assets	-	-	-	135	135	7	142
Capital expenditures	1,210	275	146	76	1,707	96	1,803
For the year 2006:							
Net sales:							
External customers	¥ 52,358	¥ 18,379	¥ 9,520	¥ 6,762	¥ 87,019	¥ -	¥ 87,019
Inter-segment sales	148	16	-	1,363	1,527	(1,527)	-
Total net sales	52,506	18,395	9,520	8,125	88,546	(1,527)	87,019
Operating costs and expenses	48,951	17,169	9,736	8,056	83,912	700	84,612
Operating income (loss)	¥ 3,555	¥ 1,226	¥ (216)	¥ 69	¥ 4,634	¥ (2,227)	¥ 2,407
Identifiable assets	¥ 54,211	¥ 19,914	¥ 15,506	¥ 11,159	¥100,790	¥ 39,859	¥140,649
Depreciation	893	296	248	149	1,586	204	1,790
Loss on impairment of fixed assets	0	-	-	1,780	1,780	1,191	2,971
Capital expenditures	666	421	234	123	1,444	38	1,482
Thousands of U.S. Dollars							
For the year 2007:							
Net sales:							
External customers	\$428,844	\$173,579	\$ 76,744	\$ 62,820	\$741,987	\$ -	\$741,987
Inter-segment sales	2,742	3	-	12,181	14,926	(14,926)	-
Total net sales	431,586	173,582	76,744	75,001	756,913	(14,926)	741,987
Operating costs and expenses	411,786	157,126	84,625	73,132	726,669	2,723	729,392
Operating income (loss)	\$ 19,800	\$ 16,456	\$ (7,881)	\$ 1,869	\$ 30,244	\$(17,649)	\$ 12,595
Identifiable assets	\$486,487	\$166,169	\$128,405	\$103,974	\$885,035	\$333,424	\$1,218,459
Depreciation	6,856	2,421	2,020	1,116	12,413	1,824	14,237
Loss on impairment of fixed assets	-	-	-	1,146	1,146	57	1,203
Capital expenditures	10,255	2,328	1,236	644	14,463	820	15,283

For the year 2007:

Net sales:							
External customers	\$428,844	\$173,579	\$ 76,744	\$ 62,820	\$741,987	\$ -	\$741,987
Inter-segment sales	2,742	3	-	12,181	14,926	(14,926)	-
Total net sales	431,586	173,582	76,744	75,001	756,913	(14,926)	741,987
Operating costs and expenses	411,786	157,126	84,625	73,132	726,669	2,723	729,392
Operating income (loss)	\$ 19,800	\$ 16,456	\$ (7,881)	\$ 1,869	\$ 30,244	\$(17,649)	\$ 12,595
Identifiable assets	\$486,487	\$166,169	\$128,405	\$103,974	\$885,035	\$333,424	\$1,218,459
Depreciation	6,856	2,421	2,020	1,116	12,413	1,824	14,237
Loss on impairment of fixed assets	-	-	-	1,146	1,146	57	1,203
Capital expenditures	10,255	2,328	1,236	644	14,463	820	15,283

Notes: 1. Operating costs and expenses in the elimination column represent unallocated corporate operating expenses such as general and administrative expenses of the Company, net of inter-segment transactions.

2. Identifiable assets in the elimination column represent unallocated general corporate items such as cash and short-term or long-term investments in securities, and general managed property, net of inter-segment balances.

(Changes in segment classification)

As the Company established "Engineering Division" through the integration of "Plant Engineering Division" and "Engineering Department" as of October 1, 2006, the Company changed the industry segment of the "Engineering Division", which manufactures the products such as wheelchair stair lift or railway rolling stock inspection/maintenance system, from "Transportation equipment" segment to "Other" segment from the current year ended March 31, 2007. This change resulted in no material effects on the segment information.

(2) Geographic segment information

Information summarized by geographic area for the years ended March 31, 2007 and 2006 were not shown here, as the operating income and employed assets of the "Japan" segment exceeded 90% of those of all segments combined.

(3) Overseas sales information

Overseas sales (export sales from Japan) for the years ended March 31, 2007 and 2006 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Overseas sales:			
Asia	¥ 10,245	¥ 18,817	\$ 86,820
North America	2,180	5,513	18,473
Other area	1,105	171	9,372
Total	¥ 13,530	¥ 24,501	\$114,665
Consolidated net sales	¥ 87,554	¥ 87,019	\$741,987
Percentage of overseas sales to total consolidated net sales	15.4%	28.2%	15.4%

Corporate Information

Corporate Profile

Company Name: Nippon Sharyo, Ltd.

Corporate History

Capital Stock

Common Stock:Authorized	328,000,000 shares
Common Stock:Issued	146,750,129 shares
Number of Shareholders	16,830 persons (March 31, 2007)

Sep. 1896	Established in Nagoya City.
Jun. 1938	Founded Narumi Plant.
May 1949	Re-listed on Tokyo Security Exchange.
Jun. 1959	Began Construction Machinery Business.
Oct. 1961	Started Bridge Manufacturing.
Jul. 1964	Founded Toyokawa Plant.
Jun. 1975	Founded Kinuura Plant.
May 1983	Closed Nagoya Plant.
Sep. 1996	100th Anniversary.
Feb. 2002	Manufactured 2000th Shinkansen EMU

Line of Business

Overview of the Main Segments

Nippon Sharyo manufactures and sells the following products:

Business segment	Lines of business
Railway rolling stock and other transportation equipment	EMUs, Railway Motor Cars, Passenger Cars, Linear Motor Cars, Freight Cars, Locomotives, Track Maintenance Machines, Rolling Stock Components, Tank Trucks and Tank Trailers, Storage Tanks, Heavy-duty Industrial Vehicles, Containers, Automated Guideway Transit Systems, Automated Guided Vehicles
Construction equipment	Pile Driving Rigs, Crawler Cranes, Hydraulic Hammers, Casing Rotators, Other Products Related to Foundation Work, Portable Diesel Generator Sets, Emergency Generators, Various Products Related to Electric Machines, Pulp and Paper Plants
Steel structure	Roadway Bridges, Railway Bridges, Water Gates
Others	Agricultural Plants, Grain Complex, Seed Processing Plants, Composting Plants, Carbonization Facility, Laminated Lumber, Waste Incinerators, Stair Lifts for Wheelchairs, Railway Rolling Stock Inspection/Maintenance System, Real Estate Rental, Cast Steel Products, Forged Products, Golf Course Operations

Directory

OFFICE

HEAD OFFICE (NAGOYA)

1-1 Sanbonmatsu-cho,
Atsuta-ku, Nagoya 456-8691, JAPAN
Phone: +81-52-882-3316
Fax: +81-52-882-3781

TOKYO OFFICE

12th Fl. Marunouchi Central Bldg.
1-9 Marunouchi 1-Chome,
Chiyoda-ku, Tokyo 100-0005 JAPAN
Phone: +81-3-6688-6789
Fax: +81-3-6688-6809

OSAKA BRANCH

8th Fl. ANA Building Annex
7-18 2-chome, Shibata
Kita-ku, Osaka 530-0012, JAPAN
Phone: +81-6-6372-5851
Fax: +81-6-6372-5886

SHANGHAI REPRESENTATIVE OFFICE

6th Floor No.610, Apollo Building
No.1440, Yan An Road(C),
Shanghai, 200040,
P.R.China
Phone: +86-21-62484794
Fax: +86-21-62491383

PLANT

TOYOKAWA PLANT

(Railway rolling stock & other transportation equipment)
2-20 Honohara,
Toyokawa, Aichi-pref 442-8502, JAPAN
Phone: +81-533-85-4112
Fax: +81-533-85-3619

NARUMI PLANT

(Construction equipment)
80 Ryucho, Narumi-cho,
Midori-ku, Nagoya 458-8502, JAPAN
Phone: +81-52-623-3311
Fax: +81-52-623-4349

KINUURA PLANT

(Steel structure)
20 11-gouchi,
Handa, Aichi 475-0831, JAPAN
Phone: +81-569-22-7511
Fax: +81-569-22-7103