

Annual Business Report

April 1, 2010 through March 31, 2011

日本車両

NIPPON SHARYO, LTD.

Financial Highlights

Comparison of Sales by Segment

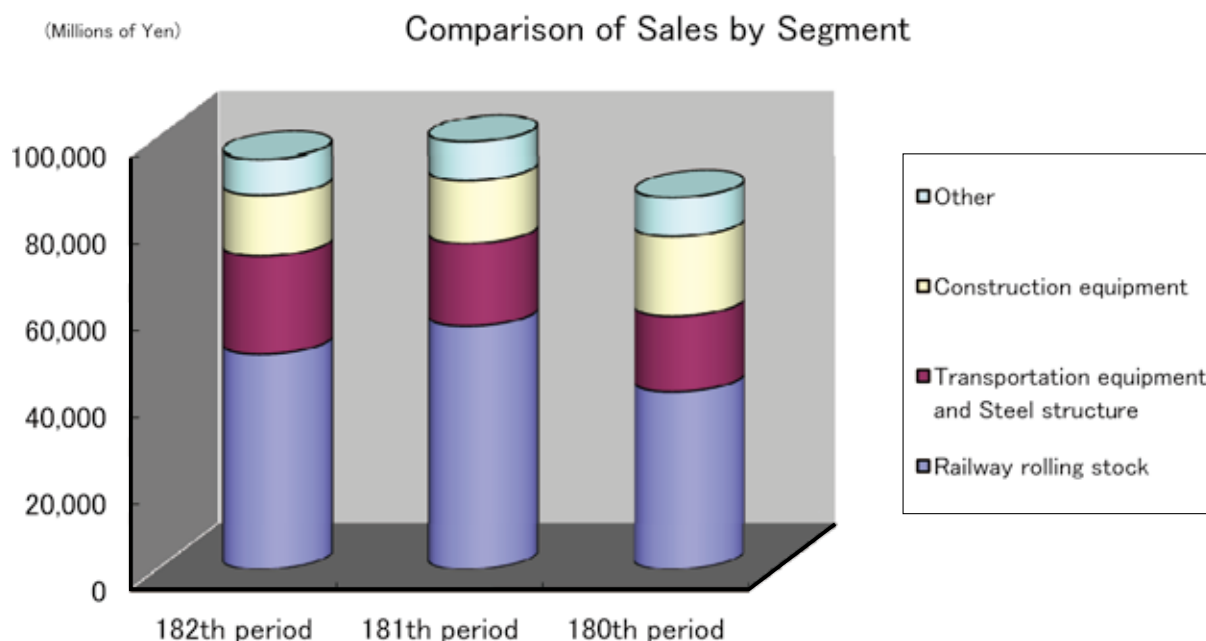
(Unit: millions of yen)

Business Segment	182th period (2010-2011)		181th period (2009-2010)		Increase/(decrease)	
	Value	%	Value	%	Value	%
Railway rolling stock	49,951	52.7 %	56,427	57.2 %	(6,476)	(11.5) %
Transportation equipment and Steel structure	22,731	23.9	19,149	19.4	3,581	18.7
Construction equipment	14,015	14.8	14,461	14.7	(446)	(3.1)
Other	8,146	8.6	8,556	8.7	(411)	(4.8)
Total	94,842	100.0	98,594	100.0	(3,752)	(3.8)

Change in Operating Performance and Asset Status

(Unit: millions of yen except Net income per share)

Titles of account	182th period (2010-2011)	181th period (2009-2010)	180th period (2008-2009)
Net sales	94,842	98,594	86,140
Ordinary income (loss)	7,859	7,478	3,174
Net income (loss)	3,703	3,787	1,601
Net income per share (loss)	¥25.63	¥26.21	¥11.08
Total assets	110,036	111,123	127,159
Total equity	49,667	47,613	43,785



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Message from the President

Review of Business Operations

During the fiscal term under review, the Japanese economy has taken a turn for the better reflecting the effects of various measures in and out of the country. While the situation has remained harsh due to the sluggish investment in plant and equipment as well as deteriorating employment, the Tohoku earthquake which occurred in March left the prospects of the Japanese economy unpredictable.

Under such harsh circumstances, the Group achieved net sales of ¥94,842 million, a decrease of 3.8% from the previous year, securing the replacement orders for railway rolling stock, mainly the Series N700 Shinkansen trains. In terms of profits, the ordinary profit reached an all time high of ¥7,859 million or an increase of 5.1%. The net profit, on the other hand, recorded ¥3,703 million or a decrease of 2.2% as the extraordinary loss of ¥727 million was credited in the course of changes in the Retirement Benefit scheme.

The Outlook

The Japanese economy is suffering a serious situation due to the direct damage from the Tohoku earthquake such as human and property losses accompanied by confusion in the supply chains of goods as well as the serious electricity shortage problem. Wide and long term influences are expected, therefore, over the Japanese economy as a whole. As for the Group Companies, there were no losses to personnel or damage to the production facilities. Although there has not been any serious influence over our operations, there are concerns that the manufacturing process may be delayed due to difficulties in the procurement of certain parts and raw materials, and there may occur the postponement of delivery times or cancellations as clients reconsider their plans of investment in capital and equipment. With these concerns, we expect that the situation surrounding our business will continue to be severe, although the tendency of the respective markets will vary among the divisions involved.

In terms of the railway rolling stock business, we received large orders for the exporting section from North America and Taiwan. It will be after the fiscal year 2012, however, that the sales are recorded. In the domestic market, although demands for railway rolling stock such as the Series N700 Shinkansen for JR Central are steady, the overall sales of railway rolling stock are expected to decrease, since the first replacement demands have been met. Along with our efforts in cost management and enhancement of profitability, we continuously aim to gain new contracts overseas targeting North American and Asian markets. NIPPON SHARYO U.S.A., INC., our nonconsolidated subsidiary, is constructing a railway rolling stock assembly plant in Illinois State, U.S.A., aiming for start-up in 2012. As its sales are expected to have an influence on our performance, we plan to include this company within the range of our connections from the period of March 2012.

In the transportation equipment and steel structure businesses, although there is a sign of recovery in replacement demand for certain products in the transportation equipment business, the situation

surrounding orders is still harsh since the investment in capital and equipment in general shows a tendency to be suppressed. Setting our eyes on such a situation, we continue to make efforts to stimulate replacement demand through the proposals of products responding to market needs as well as in cost reduction through reviewing production processes. In the steel structure business, the decrease of orders for steel bridges is continuously expected. We will carry on our efforts though to secure orders for the construction of bridges as well as to reduce costs while promoting the repair and reinforcement work of existing bridges and developing related businesses such as steel structures.

In the construction equipment business, while domestic demand for products such as small pile driving rigs has shown a relatively steady movement, demand for large pile driving rigs is low-level. Considering such a situation, we continue to make efforts in active sales development by vigorously targeting overseas demand centering on other Asian countries as well as securing profit through our optimization and improvement in production efficiency in response to market changes.

In other businesses, we expect that the severe situation will continue in the engineering section as the investment in plant and equipment stays low-level. In the next term, however, we expect that sales will increase with orders from JR Central for related equipment for extending the Yamanashi Maglev Test Line. The Company will continue to make efforts to secure orders through strengthening our technological capability and the development of new products, as well as promoting proposals in sales activities for our customers.

The whole Company has taken part in reviewing its overall production system, centering on the railway rolling stock business, in order to realize a “strengthening of engineering capability” and an “improvement of productivity throughout the Group.” This effort has been completed at the domestic production bases and has shown effects in cost reduction through improved productivity. At the same time, to win in the current unstable market situation where changes are rapid and the prospects remain uncertain, we will make further efforts to concentrate on regional and product targets which can provide us with more chances to win in the market while continuing to make efficient use of our management resources. Further, the Company will strengthen its complementary and cooperative relationship with JR Central, our parent company, through promoting technical and personnel exchanges. Our goal is to realize a synergy effect through strengthening the comprehensive technology of our railway rolling stock as well as our other related businesses. With continuous efforts, we aim at establishing bases for the sustainable development of our business.



A. Nakagawa.

Akira Nakagawa

President and Chief Executive Officer

Review by Segment

Railway Rolling Stock Business



Series N700 Shinkansen Train for JR Central

In railway rolling stock, our sales to the JR Companies amounted to ¥42,002 million, the largest amount in our history. It was achieved through the stable delivery of the Series N700 Shinkansen trains for JR Central as well as the Series E2 Shinkansen trains for JR East, the Series N700 Shinkansen trains for the through service into the Kyushu Shinkansen for JR West, the Series 313 trains and the Series Ki-Ha 25 diesel cars for JR Central. Our sales for the public and private railways reached ¥7,592 million, including sales of: the Skyliner AE Model, the latest model, and the Model 3050 EMUs for the Keisei Electric Railway Co., Ltd.; the Model N1000 and the Model



Series N700 Shinkansen Train for JR West



Model AE "Skyliner"

6050 EMUs for the Transportation Bureau, the City of Nagoya; the Series 4000 EMUs for Nagoya Railroad Co., Ltd.; the Model N800 EMUs for the Shin-Keisei Electric Railway Co., Ltd., and the Model MR-600 diesel cars for the Mitsuura Railway Co., Ltd. In exported railway cars, we had sales of ¥357 million, since export demands have come into the “off-crop” period. Consequently, our total

sales of railway rolling stock recorded ¥49,951 million, down 11.5% from the previous year.

Transportation Equipment and Steel Structure Businesses

The transportation equipment business areas met a partial recovery of demand for LPG bulk tank lorries and LNG tank trailers while sales that included freight cars, heavy-duty industrial vehicles, and air containers were realized. Demands for storage tanks and other equipment remained sluggish, influenced by investment control. As a result, sales were ¥7,925 million, down 12.9% from the previous year.



Module Unit Model of Heavy Duty Carriers

In the steel structure business, we have completed construction work for large-scale projects such as the Kiraku bridge section, the Komei section and the Otobashi section of the Nagoya Expressway, the Terano elevated bridge, the Mikawa elevated bridge and the Okabe-Takada overbridge. Construction projects such as the Oyamazaki overbridge as well as an elevated bridge

in the construction section at Shin Osaka Station have also been completed. Our sales included Damper Braces for the vibration control of the concrete feet supporting Shinkansen tracks, which recorded sales of ¥14,806 million, up 47.3% from the previous year.



Construction Project of an Elevated Bridge in the Construction Section at Shin Osaka Station

All in all, sales for the transportation equipment and steel structure businesses reached ¥22,731 million, an increase of 18.7% from the previous year.

Construction Equipment Business



Casting Rotator

For the construction equipment business, demands in response to larger-diameter and deeper foundation works as well to exhaust emission controls resulted in the steady sales of casting rotators while the sales of compact pile driving rigs shows a sign of recovery. However, demands for construction equipment

have not recovered to full scale due to the trend of decreased public construction. As a result, the sales of construction equipment totaled ¥11,555 million, a 9.3% reduction from the previous year.



Pile Driving Rig

In the generator business, domestic demand for portable generators

shows a trend of recovery as major rental companies eased their control over investment. In response to emergency demands due to the Tohoku earthquake, the sales of generators were ¥2,460 million, up 42.4% from the previous year.

All in all, the sales in our construction equipment business were ¥14,015 million, a 3.1% reduction from the previous year.

Other Businesses

Our main sales included: maintenance vehicles and machinery for Maglev, and vehicle inspection and repair machinery for JR Central, repair work for agricultural plant businesses in JA facilities in various places, as well as sales of paper manufacturing machinery-related equipment for household paper manufacturers. Other businesses included laser processing machines, income from golf course operations, and railway memorabilia.



Country Elevator

All in all, sales in other business areas totaled ¥8,146 million, down 4.8% from the previous year.

The export sales for the year under review amounted to ¥2,702 million, including ¥357 million for the railway rolling stock business, and ¥2,343 million for the construction equipment business, which represented 2.8% of total sales.

The orders on hand at the end of the year under review reached ¥131,794 million. These comprised ¥110,937 million for the railway rolling stock business (¥42,218 million for rolling stock such as the Series N700 Shinkansen trains for JR companies, ¥18,708 million for railway cars for other public and private railway companies, and ¥50,010 million for exported rolling stock), ¥15,138 million for the transportation equipment and steel structure business (¥6,746 million for transportation equipment, and ¥8,392 million for the steel structure business), ¥1,847 million for the construction equipment business, and ¥3,873 million for other businesses.

Investment in Plant and Equipment

Plant and equipment investment during the year under review totaled ¥3,359 million. At the Toyokawa Plant, it was mainly targeted at improving production capacity through the enhancement of FSW equipment as well as the optimization of processing through five-face machining centers. Investment at the Kinuura Plant included replacement of an NC laser cutter, while at the Narumi Plant it included the replacement of deteriorated, large-sized CNC milling and boring machines aiming to improve productivity. We also established a training facility in the premises of the Headquarters to improve the environment for employee training.

Financing Activities

As for the year under review, no important borrowing or other financial action took place.

**NIPPON SHARYO, LTD. AND
CONSOLIDATED SUBSIDIARIES**

**CONSOLIDATED FINANACIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2011 AND 2010**

AND

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of NIPPON SHARYO, LTD.

We have audited the accompanying consolidated balance sheets of NIPPON SHARYO, LTD. (the "Company") and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of changes in equity 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 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 NIPPON SHARYO, LTD. and consolidated subsidiaries as of March 31, 2011 and 2010, 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.

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 LLC

June 29, 2011

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Balance Sheets
March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents (Notes 14 and 17)	¥ 11,420	¥ 1,745	\$ 137,590
Notes and accounts receivable (Notes 3, 10, 14 and 17)	22,194	25,785	267,398
Inventories (Note 4)	25,696	33,497	309,590
Deferred tax assets (Note 13)	1,504	1,878	18,120
Other current assets	883	510	10,639
Total current assets	61,697	63,415	743,337
PROPERTY, PLANT AND EQUIPMENT:			
Land	16,728	16,734	201,542
Buildings and structures	24,090	23,958	290,241
Machinery and equipment	34,399	33,945	414,446
Construction in progress	257	205	3,096
Less accumulated depreciation	(44,418)	(43,632)	(535,156)
Net property, plant and equipment	31,056	31,210	374,169
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5, 9 and 14)	11,782	13,607	141,952
Investments in unconsolidated subsidiaries and associated companies (Note 14)	1,505	1,226	18,133
Deferred tax assets (Note 13)	108	108	1,301
Other assets	3,888	1,557	46,843
Total investments and other assets	17,283	16,498	208,229
TOTAL	¥ 110,036	¥ 111,123	\$ 1,325,735

(Continued)

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Balance Sheets
March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 7, 14 and 17)	¥ 445	¥ 2,591	\$ 5,361
Current portion of long-term debt (Notes 7 and 14)	25	6,025	301
Notes and accounts payable (Notes 6 and 14)	21,124	19,817	254,506
Accrued expenses	3,575	3,981	43,072
Advances received (Note 17)	8,564	5,368	103,181
Income taxes payable (Note 14)	2,192	1,314	26,410
Allowance for work-in-process on construction contracts	10	1,371	121
Other current liabilities	1,134	858	13,663
Total current liabilities	37,069	41,325	446,615
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 14)	10,088	10,113	121,542
Liability for employees' retirement benefits (Note 8)	272	521	3,277
Lease obligations (Note 14)	2,162	1,868	26,048
Allowance for PCB disposal expenses (Note 2 m.)	335	239	4,037
Provision for compensation for health damage from asbestos (Note 2 o.)	18	32	217
Deferred tax liabilities (Note 13)	3,786	4,794	45,614
Other long-term liabilities	6,639	4,618	79,988
Total long-term liabilities	23,300	22,185	280,723
COMMITMENTS AND			
CONTINGENT LIABILITIES (Note 10)			
EQUITY (Note 12):			
Common stock, authorized, 328,000,000 shares; issued, 146,750,129 shares in 2011 and 2010	11,811	11,811	142,301
Capital surplus	12,045	12,044	145,120
Retained earnings	23,909	20,928	288,060
Treasury stock, at cost, 2,306,756 shares in 2011 and 2,268,568 shares in 2010	(479)	(463)	(5,771)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	2,303	3,213	27,747
Deferred gain (loss) on derivatives under hedge accounting	(3)	1	(36)
Total accumulated other comprehensive income	2,300	3,214	27,711
Minority interests	81	79	976
Total equity	49,667	47,613	598,397
TOTAL	¥ 110,036	¥ 111,123	\$ 1,325,735

(Concluded)

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Comprehensive Income
Year Ended March 31, 2011

	Millions of Yen	Thousands of U.S. Dollars
	2011	2011
NET INCOME BEFORE MINORITY INTERESTS	¥ 3,705	\$ 44,638
OTHER COMPREHENSIVE INCOME (Note 18):		
Unrealized loss on available-for-sales securities	(910)	(10,964)
Deferred loss on derivatives under hedge accounting	(4)	(48)
Total other comprehensive income	(914)	(11,012)
COMPREHENSIVE INCOME (Note 18)	¥ 2,791	\$ 33,626
TOTAL COMPREHENSIVE INCOME		
ATTRIBUTABLE TO (Note 18):		
Owners of the parent	¥ 2,789	\$ 33,602
Minority interests	2	24

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended March 31, 2011 and 2010

Millions of Yen

	Number of shares of common stock outstanding	Common stock	Capital surplus	Retained earnings
BALANCE, APRIL 1, 2009	144,493,960	¥ 11,811	¥ 12,043	¥ 17,863
Cash dividends, ¥5.0 per share	-	-	-	(722)
Net income	-	-	-	3,787
Purchase of treasury stock, net	(12,399)	-	1	-
Net changes in the year	-	-	-	-
BALANCE, MARCH 31, 2010	144,481,561	¥ 11,811	¥ 12,044	¥ 20,928
Cash dividends, ¥5.0 per share	-	-	-	(722)
Net income	-	-	-	3,703
Purchase of treasury stock, net	(38,188)	-	1	-
Net changes in the year	-	-	-	-
BALANCE, MARCH 31, 2011	144,443,373	¥ 11,811	¥ 12,045	¥ 23,909

Thousands of U.S. Dollars

	Common stock	Capital surplus	Retained earnings
BALANCE, MARCH 31, 2010	\$ 142,301	\$ 145,108	\$ 252,145
Cash dividends, \$0.06 per share	-	-	(8,699)
Net income	-	-	44,614
Purchase of treasury stock, net	-	12	-
Net changes in the year	-	-	-
BALANCE, MARCH 31, 2011	\$ 142,301	\$ 145,120	\$ 288,060

See notes to consolidated financial statements.

Millions of Yen

Treasury stock	Accumulated other comprehensive income			Minority interests	Total equity
	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Total accumulated other comprehensive income		
¥ (455)	¥ 2,439	¥ 7	¥ 2,446	¥ 77	¥ 43,785
-	-	-	-	-	(722)
-	-	-	-	-	3,787
(8)	-	-	-	-	(7)
-	774	(6)	768	2	770
¥ (463)	¥ 3,213	¥ 1	¥ 3,214	¥ 79	¥ 47,613
-	-	-	-	-	(722)
-	-	-	-	-	3,703
(16)	-	-	-	-	(15)
-	(910)	(4)	(914)	2	(912)
¥ (479)	¥ 2,303	¥ (3)	¥ 2,300	¥ 81	¥ 49,667

Thousands of U.S. Dollars

Treasury stock	Accumulated other comprehensive income			Minority interests	Total equity
	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Total accumulated other comprehensive income		
\$ (5,578)	\$ 38,711	\$ 12	\$ 38,723	\$ 952	\$ 573,651
-	-	-	-	-	(8,699)
-	-	-	-	-	44,614
(193)	-	-	-	-	(181)
-	(10,964)	(48)	(11,012)	24	(10,988)
\$ (5,771)	\$ 27,747	\$ (36)	\$ 27,711	\$ 976	\$ 598,397

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statements of Cash Flows
Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 6,437	¥ 6,382	\$ 77,554
Adjustments for:			
Income taxes-paid	(1,859)	(99)	(22,397)
Income taxes refunded	-	102	-
Depreciation	2,699	2,701	32,518
Loss on impairment of property, plant and equipment	271	274	3,265
Equity in net earnings of associated companies	(18)	(22)	(217)
Loss on sales and disposals of property, plant and equipment, net	73	153	880
Loss on write-down of investment securities	298	90	3,590
Gain on sales of investment securities, net	(6)	(37)	(72)
Changes in assets and liabilities:			
Decrease (increase) in trade notes and accounts receivable	3,630	(4,551)	43,735
Decrease in inventories	7,801	8,402	93,988
Increase (decrease) in trade notes and accounts payable	443	(2,352)	5,338
(Decrease) increase in allowance for work-in-process on construction contracts	(1,361)	260	(16,398)
Decrease in provision for compensation for health damage from asbestos	(14)	(718)	(169)
Increase (decrease) in advances received	3,197	(9,090)	38,518
(Decrease) increase in liability for employees' retirement benefits	(249)	32	(3,000)
Other- net	106	1,917	1,277
Net cash provided by operating activities	21,448	3,444	258,410
INVESTING ACTIVITIES:			
Payments for time deposits	(100)	-	(1,205)
Purchases of property, plant and equipment	(2,337)	(3,452)	(28,157)
Proceeds from sales of property, plant and equipment	25	64	301
Purchases of investment securities	(265)	(402)	(3,193)
Proceeds from sales of investment securities	99	47	1,193
Other-net	(201)	(50)	(2,421)
Net cash used in investing activities	(2,779)	(3,793)	(33,482)
FINANCING ACTIVITIES:			
Net decrease in short-term borrowings	(2,146)	(3,344)	(25,855)
Repayments of long-term debt	(25)	(4,350)	(301)
Repayments of bonds	(6,000)	(3,000)	(72,289)
Dividends paid	(724)	(723)	(8,723)
Other-net	(96)	(155)	(1,157)
Net cash used in financing activities	(8,991)	(11,572)	(108,325)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON			
CASH AND CASH EQUIVALENTS	(3)	0	(37)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,675	(11,921)	116,566
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,745	13,666	21,024
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 11,420	¥ 1,745	\$ 137,590

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Notes to Consolidated Financial Statements
Years Ended March 31, 2011 and 2010

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 18. In addition, “Net income before minority interests” is disclosed in the consolidated statement of income from the year ended March 31, 2011.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2010 financial statements to conform to the classifications used in 2011.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which NIPPON SHARYO, 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 ¥83 to \$1, the approximate rate of exchange at March 31, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2011 include the accounts of the Company and its significant subsidiaries (together, the “Group”). Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in unconsolidated subsidiaries and associated companies are accounted for by the equity method. Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

The number of the consolidated subsidiaries, unconsolidated subsidiaries and associated companies for the years ended March 31, 2011 and 2010 was as follows:

	2011	2010
Consolidated subsidiaries (domestic)	4	4
Unconsolidated subsidiaries, stated at cost	2	2
Associated companies accounted for by the equity method	1	1
Associated companies stated at cost	4	4

For equity-method associated companies that have a different fiscal year from that of the Company, the associated companies’ financial statements with the closest closing date prior to that of the Company are used for consolidation purposes.

b. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

In March 2008, the Accounting Standards Board of Japan (the “ASBJ”) issued ASBJ Statement No. 16, “Accounting Standard for Equity Method of Accounting for Investments”. The new standard requires adjustments to be made to conform the associate’s accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate’s financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either IFRS or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of fair value model accounting for property, plant, and equipment and investment properties and incorporation of cost model accounting; 5) recording the prior years’ effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. This standard was applicable to equity method of accounting for fiscal years beginning on or after April 1, 2010. The Company applied this accounting standard effective April 1, 2010.

There was no effect of this change on the consolidated statements of income for the year ended March 31, 2011.

c. Cash Equivalents

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

Cash equivalents include time deposits, certificate of deposits, commercial paper and bond funds, all of which

mature or become due within three months from the date of acquisition.

d. Investment Securities

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

i) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings, ii) 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 iii) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

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

e. Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Forward foreign currency contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: 1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and 2) for derivatives used for hedging purposes, if the derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on those derivatives are deferred until maturity of the hedged transactions.

The forward foreign currency contracts employed to hedge foreign exchange exposures for export sales are measured at fair value and unrealized gains / losses are recognized in income. Forward contracts applied 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 is recognized and included in interest expense or income.

f. Allowance for doubtful accounts

An allowance for doubtful accounts is provided for at the aggregate amount of estimated credit loss based on an individual analysis of certain doubtful or troubled receivables and a general reserve for other receivables calculated using the historical loss experience.

g. Inventories

Inventories are stated at the lower of cost, determined principally by specific identification method for merchandise, finished goods and work-in-process and by moving average method for semi-finished goods, raw materials and supplies, or net selling value, which

is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate.

h. Property, plant and equipment

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

The range of useful lives is principally from 10 to 60 years for buildings and structures and from 6 to 17 years for machinery and equipment.

i. Long-lived assets

The Company reviews 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 is recognized in the income statement by reducing the carrying amount of an impaired asset or a group of assets to the recoverable amount, measured as the higher of the asset's net selling price or value in use. For the years ended March 31, 2011 and 2010, the Group recognized ¥271 million (\$3,265 thousand) and ¥274 million, respectively, as impairment loss on fixed assets.

j. Leases

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and did not transfer ownership of the leased property to the lessee to be measured at the obligations under finance leases less interest expense at the transition date and recorded as acquisition cost of lease assets.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted for leases, which existed at the transition date and did not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the obligations under finance leases less interest expense at the transition date.

All other leases are accounted for as operating leases.

k. Allowance for work-in-process on construction contracts

Allowance for work-in-process on construction contracts is provided based on an estimate of the total loss in respect to construction projects on which eventual losses are deemed inevitable and the amounts of the loss can be reasonably estimated.

l. Liability for employees' retirement benefits

Employees who terminate their service with the Company and its consolidated subsidiaries are entitled to retirement benefits generally determined by reference to the basic rate of pay at the time of termination, length of service and conditions under which the termination occurs. The Company has a lump-sum retirement benefit plan and has a non-contributory defined benefit pension plan, which is assumed to cover retirement benefits for employees who have retired voluntarily. The Company's consolidated subsidiaries have similar retirement benefit plans.

Effective April 1, 2000, the Group 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 ¥4,250 million, determined as of April 1, 2000, is being amortized over 15 years.

If the fair value of plan assets exceeds the amount of projected benefit obligations after adjusting for the unrecognized transitional obligation, unrecognized prior service cost and unrecognized actuarial gain or loss, the excess amount is recorded as prepaid pension cost which is included in other assets in the consolidated balance sheets.

The Company and certain consolidated subsidiaries implemented a defined contribution pension plan effective April 1, 2011 by which a portion of the non-contributory defined benefit pension plan was terminated. The Company applied accounting treatments specified in the guidance issued by ASBJ. The effect of this transfer of ¥727 million (\$ 8,759 thousand) was recorded as loss on transfer of pension plans in the consolidated statements of income for the year ended March 31, 2011.

m. Allowance for Polychlorinated Biphenyl ("PCB") disposal expenses

An allowance for PCB disposal expenses has been provided based on the published estimated disposal fee schedule issued by the Japan Environmental Safety Corporation.

n. Asset Retirement Obligations

In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21 "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period in which the obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost

is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accrued to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal year beginning on or after April 1, 2010. The Company applied this accounting standard effective April 1, 2010.

There was no effect of this change on the consolidated statements of income for the year ended March 31, 2011.

o. Provision for compensation for health damage from asbestos

A provision for compensation for health damage from asbestos has been recorded based on the estimated compensation amount for former employees who suffered health damage from asbestos.

p. Income taxes

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

q. Foreign currency transactions

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

r. Research and development expenses

Expenses related to research and development activities are charged to income as incurred. Research and development expenses amounted to ¥1,534 million (\$18,482 thousand) and ¥986 million for the years ended March 31, 2011 and 2010, respectively, and are included in general and administrative expenses and manufacturing costs in the accompanying consolidated statements of income.

s. Appropriation of retained earnings

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

t. Per share information

Basic 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 year. Diluted net income per share for the years ended March 31, 2011 and 2010 was not applicable because the Company had no dilutive common shares. Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

u. Construction contracts

Construction revenue and construction costs are recognized by the percentage-of-completion method if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method is applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.

v. New Accounting Pronouncements

Accounting Changes and Error Corrections — In December 2009, ASBJ issued ASBJ Statement No. 24 “Accounting Changes and Error Corrections” and ASBJ Guidance No. 24 “Guidance on Accounting Standard for Accounting Changes and Error Corrections”. Accounting treatment under this standard and guidance are as follows:

(1) Changes in Accounting Policies - When a new accounting policy is applied with a revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions. (2) Changes in Presentation - When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates - A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior Period Errors - When an error in prior period financial statements is discovered, those statements are restated. This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

3. NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Trade notes	¥ 4,659	¥ 3,688	\$ 56,133
Trade notes			
- Unconsolidated subsidiaries and associated companies	84	75	1,012
Trade accounts	11,564	18,733	139,325
Trade accounts			
- Unconsolidated subsidiaries and associated companies	5,819	3,259	70,108
Other	156	156	1,880
Less, allowance for doubtful accounts	(88)	(126)	(1,060)
	<u>¥ 22,194</u>	<u>¥ 25,785</u>	<u>\$267,398</u>

4. INVENTORIES

Inventories at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Merchandise	¥ 375	¥ 125	\$ 4,518
Finished goods	1,560	1,516	18,795
Work-in-process and semi-finished goods	22,538	30,379	271,542
Raw materials	1,223	1,477	14,735
	<u>¥ 25,696</u>	<u>¥ 33,497</u>	<u>\$309,590</u>

5. INVESTMENT SECURITIES

Investment securities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Equity securities	¥ 11,772	¥ 13,597	\$141,832
Bonds	10	10	120
Total	<u>¥ 11,782</u>	<u>¥ 13,607</u>	<u>\$141,952</u>

The costs and aggregate fair values of investment securities at March 31, 2011 and 2010 were as follows:

	Millions of Yen	
	2011	
	Cost	Gross unrealized gains
Securities classified as Available-for-sale:		
Equity securities	¥ 6,895	¥ 4,207
Bonds	10	0
	<u>¥ 6,905</u>	<u>¥ 4,207</u>

	Millions of Yen	
	2010	
	Cost	Gross unrealized gains
Securities classified as Available-for-sale:		
Equity securities	¥ 7,195	¥ 5,548
Bonds	10	0
	<u>¥ 7,205</u>	<u>¥ 5,548</u>

	Thousands of U.S. Dollars	
	2011	
	Cost	Gross unrealized gains
Securities classified as Available-for-sale:		
Equity securities	\$ 83,072	\$ 50,687
Bonds	120	0
	<u>\$ 83,192</u>	<u>\$ 50,687</u>

	Millions of Yen	
	2011	
	Gross unrealized losses	Fair and carrying value
Securities classified as Available-for-sale:		
Equity securities	¥ (336)	¥ 10,766
Bonds	-	10
	<u>¥ (336)</u>	<u>¥ 10,776</u>

	Millions of Yen	
	2010	
	Gross unrealized losses	Fair and carrying value
Securities classified as Available-for-sale:		
Equity securities	¥ (166)	¥ 12,577
Bonds	-	10
	<u>¥ (166)</u>	<u>¥ 12,587</u>

	Thousands of U.S. Dollars	
	2011	
	Gross unrealized losses	Fair and carrying value
Securities classified as Available-for-sale:		
Equity securities	\$ (4,048)	\$ 129,711
Bonds	-	120
	<u>\$ (4,048)</u>	<u>\$ 129,831</u>

The information of available-for-sale securities which were sold during the year ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		
	2011		
	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	¥ 99	¥ 8	¥ 2
Total	<u>¥ 99</u>	<u>¥ 8</u>	<u>¥ 2</u>

	Millions of Yen		
	2010		
	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	¥ 47	¥ 39	¥ 2
Total	<u>¥ 47</u>	<u>¥ 39</u>	<u>¥ 2</u>

	Thousands of U.S. Dollars		
	2011		
	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	\$ 1,193	\$ 96	\$ 24
Total	<u>\$ 1,193</u>	<u>\$ 96</u>	<u>\$ 24</u>

The impairment losses on available-for-sale equity securities for the years ended March 31, 2011 and 2010 were ¥298 million (\$ 3,590 thousand) and ¥90 million, respectively.

6. NOTES AND ACCOUNTS PAYABLE

Notes and accounts payable at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
	Trade notes	¥ 2,058	¥ 2,268
Trade accounts	15,477	14,848	186,470
Trade accounts			
-Unconsolidated subsidiaries and associated companies	70	46	843
Other	3,519	2,655	42,398
	<u>¥ 21,124</u>	<u>¥ 19,817</u>	<u>\$254,506</u>

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
	Unsecured bank loans with an average interest rate of 1.98% (2011) and 0.80% (2010)	¥ 445	¥ 2,591

Long-term debt at March 31, 2011 and 2010 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
	1.992% unsecured straight bond due December 2012	¥ 2,500	¥ 2,500
Unsecured straight bonds with floating rates due 2010 through 2012	7,500	13,500	90,361
Unsecured bank loans due through 2015 with interest rate of 3.04% (2011 and 2010)	113	138	1,362
	<u>10,113</u>	<u>16,138</u>	<u>121,843</u>
Less current portion	(25)	(6,025)	(301)
	<u>¥ 10,088</u>	<u>¥ 10,113</u>	<u>\$121,542</u>

The Company entered into contracts with banks to swap interest from floating rates based on TIBOR to fixed rates in order to hedge against future fluctuations in interest rates. 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, 2011 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2012	¥ 25	\$ 301
2013	10,025	120,783
2014	25	301
2015	25	301
2016	13	157
	<u>¥ 10,113</u>	<u>\$ 121,843</u>

8. EMPLOYEES' RETIREMENT BENEFITS

The liability for employees' retirement benefits at March 31, 2011 and 2010 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Projected benefit obligation	¥ 12,678	¥ 16,991	\$ 152,747
Fair value of plan assets	(9,481)	(10,440)	(114,229)
Unrecognized transitional obligation	(880)	(1,415)	(10,602)
Unrecognized actuarial loss	(4,068)	(4,615)	(49,012)
Unrecognized prior service cost	61	-	735
Net liability	(1,690)	521	(20,361)
Prepaid pension cost	(1,962)	-	(23,638)
Provision for retirement benefits	¥ 272	¥ 521	\$ 3,277

Note 1: Consolidated subsidiaries adopted the simplified method for the calculation of projected benefit obligations based on the amount which would be required if all eligible employees voluntarily terminated their employment as of the year-end.

Note 2: The effect of the transfer from non-contributory defined benefit pension plans to defined contribution pension plans was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2011	2011
Decrease in projected benefit obligation	¥ 3,569	\$ 43,000
Unrecognized transitional obligation	(252)	(3,036)
Unrecognized actuarial loss	(1,151)	(13,868)
Net decrease in liability for retirement benefit	¥ 2,166	\$ 26,096

The amount of plan assets to be transferred to the defined contribution plans was ¥2,893 million (\$34,855 thousand) as of March 31, 2011, which was recorded as other current liabilities and other long-term liabilities in the consolidated balance sheets and will be transferred over eight years.

Note 3: The prepaid pension cost was recorded as other assets in the consolidated balance sheet as of March 31, 2011.

The components of benefit costs for the years ended March 31, 2011 and 2010 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Service cost	¥ 690	¥ 680	\$ 8,313
Interest cost	326	345	3,928
Expected return on plan assets	(176)	(181)	(2,121)
Amortization of transitional obligation	283	283	3,410
Recognized actuarial loss	402	501	4,843
Amortization of prior service cost	(4)	-	(48)
Net periodic benefit costs	1,521	1,628	18,325
Loss on transfers to defined contribution plans	727	-	8,759
Total	¥ 2,248	¥ 1,628	\$ 27,084

Note: Benefit costs of subsidiaries, calculated by the simplified method, were included in "service cost."

Major assumptions used in the calculations of the above information at March 31, 2011 and 2010 were as follows:

	2011	2010
	Straight-line method	Straight-line method
Method attributing the projected benefits to periods of service		
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.0%	2.0%
Amortization period of prior service cost	15 years	-
Recognition period of actuarial gain/loss	15 years	15 years
Amortization period of transitional obligation	15 years	15 years

9. ASSETS PLEDGED AS COLLATERAL

Securities pledged as substitutes for cash deposits at an institution of real estate business at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Investment securities	¥ 10	¥ 10	\$ 120

10. CONTINGENT LIABILITIES

In some cases, the Company sells its construction equipment products through leasing companies. Some of these leasing companies request that the Company enter into lease credits guarantee contracts. Under these contracts, if the lease credits are unrecoverable from users of the Company's construction equipment products, the Company guarantees payment of the amount defined by the contract to the leasing companies. Such guarantees at March 31, 2011 and 2010 amounted to ¥818 million (\$9,855 thousand) and ¥1,091 million, respectively.

Trade notes discounted at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Trade notes receivable discounted with banks	¥ 22	¥ 129	\$ 265

11. LEASE TRANSACTIONS

The Group uses certain machinery and equipment under finance lease contracts.

All finance lease transactions are accounted for in a manner similar to that used with ordinary sale or purchase transactions.

A consolidated subsidiary subleases machinery.

Investments in leases and lease obligations resulting from sublease transactions at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Investments in leases:			
Due within one year	¥ 276	¥ 225	\$ 3,325
Due after one year	992	787	11,952
Total	<u>¥ 1,268</u>	<u>¥ 1,012</u>	<u>\$ 15,277</u>
	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Lease obligations:			
Due within one year	¥ 291	¥ 234	\$ 3,506
Due after one year	1,087	851	13,096
Total	<u>¥ 1,378</u>	<u>¥ 1,085</u>	<u>\$ 16,602</u>

12. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

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

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(2) Increases / decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(3) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

13. INCOME TAXES

The Company and its subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 40% for the years ended March 31, 2011 and 2010.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deferred tax assets:			
Employee retirement benefit liability	¥ 816	¥ 1,680	\$ 9,831
Amount transferred to defined contribution pension plan	1,175	-	14,157
Loss on impairment of fixed assets	1,468	1,409	17,687
Revaluation of fixed assets	905	907	10,904
Accrued bonuses to employees	640	590	7,711
Loss on write-down of inventories	322	408	3,879
Allowance for work-in-process on construction contracts	0	550	0
Loss on write-down of marketable securities and other	207	96	2,494
Other	1,382	1,060	16,650
	<u>6,915</u>	<u>6,700</u>	<u>83,313</u>
Less valuation allowance	<u>(3,131)</u>	<u>(2,910)</u>	<u>(37,723)</u>
Total deferred tax assets	<u>3,784</u>	<u>3,790</u>	<u>45,590</u>
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(1,531)	(2,138)	(18,446)
Deferred gain on sales of property	(1,692)	(1,718)	(20,385)
Revaluation of property	(2,735)	(2,741)	(32,952)
Other	-	(1)	-
Total deferred tax liabilities	<u>(5,958)</u>	<u>(6,598)</u>	<u>(71,783)</u>
Net deferred tax liabilities	<u>¥ (2,174)</u>	<u>¥ (2,808)</u>	<u>\$(26,193)</u>

Deferred tax assets and liabilities at March 31, 2011 and 2010 were recorded as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deferred tax assets:			
Current	¥ 1,504	¥ 1,878	\$ 18,120
Noncurrent	108	108	1,301
Deferred tax liabilities:			
Current	(0)	(0)	(0)
Noncurrent	(3,786)	(4,794)	(45,614)
Net deferred tax liabilities	<u>¥ (2,174)</u>	<u>¥ (2,808)</u>	<u>\$ (26,193)</u>

The Group records deferred tax assets to the extent the management of the Group believes these assets will more likely than not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. At March 31, 2011 and 2010, a valuation allowance was

provided to reduce the deferred tax assets to the amount that management believed the deferred tax assets to be realizable.

The reconciliation of the difference between the Japanese statutory tax rate and the effective tax rate on pretax income for the year ended March 31, 2011 was as follows:

Japanese statutory tax rate:	2011
Increase (decrease) due to:	40.1 %
Permanently nondeductible expenses	0.9
Valuation allowance	3.4
Tax exempt income	(1.0)
Other	(1.0)
Actual effective income tax rate	<u>42.4 %</u>

The reconciliation for the year ended March 31, 2010 was not disclosed because the difference between the Japanese statutory tax rate and the effective tax rate on pretax income was immaterial.

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

In March 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". This accounting standard and the guidance was applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the revised accounting standard and the guidance effective March 31, 2010.

(1) Group policy for financial instruments

The Group utilizes CMS (Cash Management System) provided by its parent company, Central Japan Railway Company (the "Parent"), to operate and finance funds. The Group finances capital investments mainly with bank loans and bond issues. Derivative transactions are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and extent of risks arising from financial instruments

Receivables, such as notes and accounts receivables, are exposed to customer credit risk.

Although receivables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts. Investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Although payables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates, the position, net of receivables in foreign currencies, is hedged by using forward foreign currency contracts.

Short-term borrowings are mainly used for financing operating capital, and bonds, long-term debt and lease obligations are primarily used for financing capital investments. Although a part of long-term debt is exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest rate swaps.

Long-term deposits included in other long-term liabilities are mainly related to membership liabilities from golf course operations.

Derivatives mainly include forward foreign currency contracts and interest-rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables, payables and forecasted transactions, and from changes in interest rates of long-term debt. Please see the Note 15 for more information about derivatives.

(3) Risk management for financial instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables by monitoring payment terms and balances of customers to identify default risk of customers at an early stage.

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

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts. In addition, when foreign currency trade receivables and payables are expected from forecasted transactions, forward foreign currency contracts may be used.

Interest-rate swaps are used to manage exposure to market risks from changes in the interest rates of loan payables and bond payables.

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

The basic principles of derivative transactions have been approved by the manager of corporate planning. Reconciliations of

the derivative transactions and balances with customers are performed, and transaction data is reported to the manager of corporate planning.

Liquidity risk management

The Group establishes or updates its cash management plan according to reports from each department in order to monitor its liquidity risk.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Please see Note 15 for the detail of the fair value of derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
	2011		Unrealized gain/loss
Carrying amount	Fair Value		
Cash and cash equivalents	¥ 11,420	¥ 11,420	-
Notes and accounts receivable	22,194	22,194	-
Investment securities	10,776	10,776	-
Total	¥ 44,390	¥ 44,390	-
Notes and accounts payable	¥ 21,124	¥ 21,124	-
Short-term borrowings	445	445	-
Income taxes payable	2,192	2,192	-
Long-term debt including current portion	10,113	10,245	¥ 132
Lease obligations	2,162	2,097	(65)
Total	¥ 36,036	¥ 36,103	¥ 67

	Millions of Yen		
	2010		Unrealized gain/loss
Carrying amount	Fair Value		
Cash and cash equivalents	¥ 1,745	¥ 1,745	-
Notes and accounts receivable	25,785	25,785	-
Investment securities	12,587	12,587	-
Total	¥ 40,117	¥ 40,117	-
Notes and accounts payable	¥ 19,817	¥ 19,817	-
Short-term borrowings	2,591	2,591	-
Income taxes payable	1,314	1,314	-
Long-term debt including current portion	16,138	16,350	¥ 212
Lease obligations	1,868	1,766	(102)
Total	¥ 41,728	¥ 41,838	¥ 110

	Thousands of U.S. Dollars		
	2011		Unrealized gain/loss
Carrying amount	Fair Value		
Cash and cash equivalents	\$ 137,590	\$ 137,590	-
Notes and accounts receivable	267,398	267,398	-
Investment securities	129,831	129,831	-
Total	\$ 534,819	\$ 534,819	-
Notes and accounts payable	\$ 254,506	\$ 254,506	-
Short-term borrowings	5,361	5,361	-
Income taxes payable	26,410	26,410	-
Long-term debt including current portion	121,843	123,434	\$ 1,591
Lease obligations	26,048	25,265	(783)
Total	\$ 434,168	\$ 434,976	\$ 808

Cash and cash equivalents and notes and accounts receivable

The carrying values of cash and cash equivalents and notes and accounts receivable approximate fair value because of their short maturities.

Investment securities

The fair values of investment securities are measured at the quoted market prices of the stock exchange and at the quoted prices obtained from financial institutions for certain debt instruments. The information on the fair value of the investment securities by classification is included in Note 5.

Notes and accounts payable, short-term borrowings and income taxes payable

The carrying values of notes and accounts payable, short-term borrowings and income tax payable approximate fair value since they are scheduled to be settled in a short period of time.

Long-term debt and lease obligations

The fair values of long-term debt and lease obligations are measured at the present value of the total of the principal and interest discounted by the interest rate applied to new loans.

Derivative transactions

The information on the fair value of derivatives is included in Note 15.

(b) Financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Unlisted securities	¥ 1,006	¥ 1,020	\$ 12,121
Investments in unconsolidated subsidiaries and associated companies	1,505	1,226	18,133
Long-term deposits included in other long-term liabilities	3,871	4,161	46,639

(5) Maturity analysis for financial asset and securities with contractual maturities

	Millions of Yen			
	2011			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 11,420	-	-	-
Notes and accounts receivable-trade	21,974	¥ 220	-	-
Investment securities:				
Available-for-sale securities with contractual maturities	-	10	-	-
Total	¥ 33,394	¥ 230	-	-

	Thousands of U.S. Dollars			
	2011			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	\$ 137,590	-	-	-
Notes and accounts receivable-trade	264,747	\$ 2,651	-	-
Investment securities:				
Available-for-sale securities with contractual maturities	-	120	-	-
Total	\$ 402,337	\$ 2,771	-	-

Please see Note 7 for annual maturities of long-term debt and Note 11 for obligations under finance leases, respectively.

15. DERIVATIVE TRANSACTIONS

The Group enters into forward foreign currency contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

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

Derivative transactions to which hedge accounting is applied for the years ended March 31, 2011 and 2010 were as follows:

	Hedged item	Millions of Yen					
		2011			2010		
		Contract amount	Contract Amount Due after one year	Fair value	Contract amount	Contract Amount Due after one year	Fair value
Currency:							
Forward foreign currency contracts USD (Buying)	Advance payment	¥ 61	-	¥ (5)	¥ 30	-	¥ 0
Interest rate:							
Interest rate swap contracts Receive floating/Pay fixed	Long-term debt	¥ 7,613	¥ 7,588	Note	¥ 13,637	¥ 7,612	Note

	Hedged item	Thousands of U.S. Dollars			
		2011			
		Contract amount	Contract Amount Due after one year	Fair value	
Currency:					
Forward foreign currency contracts USD (Buying)	Advance payment	\$ 735	-	\$ (60)	
Interest rate:					
Interest rate swap contracts Receive floating/Pay fixed	Long-term debt	\$ 91,723	\$ 91,422	Note	

Note: Fair value of the interest rate swap contracts is included in the fair value of long-term debt (Note 14) since the interest rate swaps qualify for hedge accounting and meet specific matching criteria and are not remeasured at market value.

16. LOSS ON IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The Group recognized impairment loss on the following asset groups.

For the year ended March 31, 2011:

Asset group	Location	Account	Millions of Yen	Thousands of U.S. Dollars
			2011	2011
Unused property (4 items)	Koga-shi, Ibaraki, etc.	Buildings and structures, etc.	¥ 271	\$ 3,265
		Total	¥ 271	\$ 3,265

For the year ended March 31, 2010:

Asset group	Location	Account	Millions of Yen
			2010
Forging operation	Handa-shi, Aichi	Building, machinery and equipment, etc.	¥ 271
Unused property (2 items)	Kani-shi, Gifu, etc.	Land, etc.	3
		Total	¥ 274

The Group reviewed its long-lived assets for impairment as of March 31, 2011 and 2010.

For the year ended March 31, 2011, the Group recognized an impairment loss of ¥271 million (\$3,265 thousand) for unused property since its market price decreased below its book value.

For the year ended March 31, 2010, the Group recognized an impairment loss of ¥274 million for assets used for forging operations due to continuous loss of the forging operation and for unused property. The recoverable amounts of such assets were measured at net selling value.

17. RELATED PARTY DISCLOSURES

The Parent directly owned 51.3% of the total shares of the Company as of March 31, 2011. The Company distributes transportation vehicles to the Parent.

Transactions of the Company with the Parent for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Sales	¥ 37,451	¥ 26,792	\$ 451,217
Interest income	27	-	325
Interest expense	1	-	12

The balances due to or from the Parent at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Trade notes and accounts receivable	¥ 5,789	¥ 3,230	\$ 69,747
Short-term loans receivable (included in cash and cash equivalents in the consolidated balance sheets)	9,374	-	112,940
Short-term borrowings	-	2,146	-
Advances received	1,541	-	18,566

18. COMPREHENSIVE INCOME

Total comprehensive income for the year ended March 31, 2010 was as follows:

	Millions of Yen
	2010
Total comprehensive income attributable to:	
Owners of the parent	¥ 4,556
Minority interests	2
Total comprehensive income	¥ 4,558

Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	Millions of Yen
	2010
Other comprehensive income:	
Unrealized gain on available-for-sale securities	¥ 775
Deferred loss on derivatives under hedge accounting	(7)
Total other comprehensive income	¥ 768

19. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2011 was approved at the Company's shareholders meeting held on June 29, 2011:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥2.5 (\$0.03) per share	¥ 361	\$ 4,349

20. SEGMENT INFORMATION

For the year ended March 31, 2011 and 2010

In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures". Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

(1) Description of reportable segments

The Group's reportable segments are those for which separately financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group.

The Group has operational headquarters by each product or service. Each operational headquarters develops comprehensive strategies and engages in business activities relating to each product and service. Accordingly, the Group comprises segments by products or services based on the operational headquarters and there are three reportable segments: “Railway Rolling Stock”, “Transportation Equipment and Steel Structure” and “Construction Equipment”.

“Railway Rolling Stock” consists of manufacture and sales of rolling stocks such as EMUs and railway motor cars.

“Transportation Equipment and Steel Structure” consists of manufacture and sales of transportation equipment such as freight cars, tank trucks and heavy-duty industrial vehicles, and manufacture and construction of roadway and railway bridges.

“Construction Equipment” consists of manufacture and sales of pile driving rigs, crawler cranes, casing rotators, portable diesel generator sets and emergency generators.

(2) Method of measurement for the amount of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2 “Summary of Significant Accounting Policies”. Reporting segment profit represents operating income. Intersegment transactions are based upon arm’s length transactions.

(3) Information of sales, profit (loss), assets and other items is as follows:

	Millions of Yen						
	2011						
	Reportable segment			Other	Total	Reconciliations	Consolidated
Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment					
Net sales							
Sales to external customers	¥ 49,951	¥ 22,731	¥ 14,015	¥ 8,145	¥ 94,842	-	¥ 94,842
Intersegment sales or transfers	144	-	159	718	1,021	¥ (1,021)	-
Total	50,095	22,731	14,174	8,863	95,863	(1,021)	94,842
Segment profit (loss)	¥ 6,270	¥ 864	¥ 1,478	¥ 156	¥ 8,768	¥ (904)	¥ 7,864
Segment assets	¥ 39,002	¥ 20,850	¥ 18,760	¥ 5,415	¥ 84,027	¥ 26,009	¥110,036
Other:							
Depreciation	¥ 1,071	¥ 673	¥ 564	¥ 73	¥ 2,381	¥ 318	¥ 2,699
Increase in property, plant and equipment, and intangible assets	1,639	426	654	75	2,794	415	3,209

	Millions of Yen						
	2010						
	Reportable segment			Other	Total	Reconciliations	Consolidated
Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment					
Net sales							
Sales to external customers	¥ 56,427	¥ 19,149	¥ 14,461	¥ 8,557	¥ 98,594	-	¥ 98,594
Intersegment sales or transfers	238	698	22	1,278	2,236	¥ (2,236)	-
Total	56,665	19,847	14,483	9,835	100,830	(2,236)	98,594
Segment profit (loss)	¥ 6,206	¥ 808	¥ 1,300	¥ (20)	¥ 8,294	¥ (679)	¥ 7,615
Segment assets	¥ 41,313	¥ 28,393	¥ 18,584	¥ 5,882	¥ 94,172	¥ 16,951	¥111,123
Other:							
Depreciation	¥ 982	¥ 643	¥ 624	¥ 155	¥ 2,404	¥ 297	¥ 2,701
Increase in property, plant and equipment, and intangible assets	1,350	415	984	48	2,797	239	3,036

	Thousands of U.S. Dollars						
	2011						
	Reportable segment				Total	Reconciliations	Consolidated
Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Other				
Net sales							
Sales to external customers	\$601,819	\$273,868	\$168,855	\$ 98,133	\$1,142,675	-	\$1,142,675
Intersegment sales or transfers	1,735	-	1,916	8,650	12,301	\$(12,301)	-
Total	603,554	273,868	170,771	106,783	1,154,976	(12,301)	1,142,675
Segment profit (loss)	\$ 75,542	\$ 10,410	\$ 17,807	\$ 1,880	\$105,639	\$(10,892)	\$ 94,747
Segment assets	\$469,903	\$251,205	\$226,024	\$ 65,241	\$1,012,373	\$313,362	\$1,325,735
Other:							
Depreciation	\$ 12,904	\$ 8,108	\$ 6,795	\$ 880	\$ 28,687	\$ 3,831	\$ 32,518
Increase in property, plant and equipment, and intangible assets	19,747	5,133	7,879	904	33,663	5,000	38,663

Notes: 1. "Other" represents businesses which are not included in any reportable segment, which includes manufacture and sales of railway rolling stock inspection/maintenance systems, agricultural plants, pulp and paper plants and cast steel and forged products, real estate rental and golf course operations.

2. "Reconciliations" in Segment profit (loss) includes corporate expenses of ¥(888) million (\$ (10,699) thousand) and ¥(669) million, elimination of intersegment transactions of ¥10 million (\$ 120 thousand) and ¥13 million and adjustments in inventories of ¥(33) million (\$ (398) thousand) and ¥(11) million for the years ended March 31, 2011 and 2010, respectively. Corporate expenses principally consist of general and administrative expenses which are not attributable to any reportable segment.

3. "Reconciliations" in Segment assets includes total corporate assets of ¥26,325 million (\$ 317,169 thousand) and ¥17,305 million, elimination of intersegment balances of ¥(247) million (\$ (2,976) thousand) and ¥(267) million and adjustments in inventories of ¥(86) million (\$ (1,036) thousand) and ¥(52) million as of March 31, 2011 and 2010, respectively. Total corporate assets principally consist of cash, investments in securities and general management properties.

4. Segment profit (loss) is reconciled to operating income in the consolidated statements of income.

Associated Information

(1) Information about products and services is not disclosed since similar information is disclosed above.

(2) Information about geographical areas is not disclosed since domestic sales and property, plant and equipment for the year ended March 31, 2011 exceed 90% of consolidated net sales and property, plant and equipment.

(3) Information about major customers

Name of major customers	Sales		Related segment
	Millions of Yen	Thousands of U.S. Dollars	
	2011		
Central Japan Railway Company	¥ 37,451	\$ 451,217	Railway Rolling Stock

(4) Information about loss on impairment of property, plant, and equipment by reportable segment

	Millions of Yen						
	2011						
	Reportable segment				Total	Reconciliations	Consolidated
Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Other				
Impairment loss	-	-	-	-	-	¥ 271	¥ 271

	Thousands of U.S. Dollars						
	2011						
	Reportable segment				Total	Reconciliations	Consolidated
Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Other				
Impairment loss	-	-	-	-	-	\$ 3,265	\$ 3,265

For the year ended March 31, 2010

(1) Business segment information

The Group's operations are classified into four segments: Transportation Equipment business, Construction Equipment business, Steel Structure business and Other business. The 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. The Construction Equipment segment is principally involved in the manufacture and sale of foundation work equipment for construction, portable/emergency diesel generators and machinery for paper mills. The Steel Structure segment is composed of manufacture and construction of roadway and railway bridges and water gates. Information by business segment for the year ended March 31, 2010 was as follows:

	Millions of Yen						
	2010						
	Transportation Equipment	Construction Equipment	Steel Structure	Other	Total	Corporate/ eliminations	Consolidated
For the year 2010:							
Sales to customers	¥ 65,527	¥ 14,461	¥ 10,049	¥ 8,557	¥ 98,594	-	¥ 98,594
Intersegment sales	505	4	-	871	1,380	¥ (1,380)	-
Total sales	66,032	14,465	10,049	9,428	99,974	(1,380)	98,594
Operating expenses	58,226	12,845	9,491	9,311	89,873	1,106	90,979
Operating income (loss)	¥ 7,806	¥ 1,620	¥ 558	¥ 117	¥ 10,101	¥ (2,486)	¥ 7,615
Total assets	¥ 50,099	¥ 18,702	¥ 19,235	¥ 7,356	¥ 95,392	¥ 15,731	¥111,123
Depreciation	1,243	624	382	155	2,404	297	2,701
Impairment loss	-	-	-	271	271	3	274
Capital expenditures	1,512	984	253	59	2,808	228	3,036

Notes: 1. Operating expenses in the corporate / eliminations column represent unallocated corporate operating expenses in the amount of ¥2,579 million for the year ended March 31, 2010, such as general and administrative expenses of the Company, net of intersegment transactions.

2. Total assets in the corporate / eliminations column represent unallocated general corporate items in the amount of ¥16,756 million as of March 31, 2010, such as cash and short-term or long-term investments in securities and general managed property, net of intersegment balances.

3. As disclosed in Note 2u, from the year ended March 31, 2010, the Company adopted the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007). As a result, net sales increased by ¥1,133 million and operating income increased by ¥177 million for the year ended March 31, 2010 in the Steel Structure business.

(2) Geographical segment information

The Company has no consolidated subsidiaries or significant branches outside Japan.

(3) Sales to foreign customer

Sales to foreign customer for the year ended March 31, 2010 was summarized as follows:

		Millions of Yen
		2010
Asia		¥ 9,731
North America		792
Other area		6,416
	Total	¥ 16,939
Total sales		¥ 98,594
Percentage of sales to foreign customers to total sales		17.2%

Note1. Classification of countries or area is based on geographical proximity.

Note2. Countries or area in each classification is as follows:

(1) North America... United States of America

(2) Asia ... Taiwan and South Korea

Corporate Information

Corporate Profile

Company Name: Nippon Sharyo, Ltd.

Capital Stock

Common Stock:Authorized	328,000,000 shares
Common Stock:Issued	146,750,129 shares
Number of Shareholders	16,097 persons (March 31, 2011)

Company History

Sep. 1896	Established in Nagoya City.
Jun. 1938	Founded Narumi Plant.
May. 1949	Re-listed on Tokyo Security Exchange.
Jan. 1959	Began Construction Machinery Business.
Oct. 1961	Started Bridge Manufacturing.
Jul. 1964	Founded Toyokawa Plant.
Jun. 1975	Founded Kinuura Plant.
Sep. 1996	100th Anniversary.
Feb. 2002	Manufactured 2000th Shinkansen EMU.
Aug. 2008	Equity and business tie-up entered into with Central Japan Railway Company.

Line of Business

Overview of the Main Segments

Nippon Sharyo manufactures and sells the following products:

Business segment	Lines of business
Railway rolling stock	EMUs, Railway Motor Cars, Passenger Cars, Linear Motor Cars, Track Maintenance Machines, Rolling Stock Components, and Automated Guideway Transit Systems
Transportation equipment and Steel structure	Freight Cars, Locomotives, Tank Trucks, Tank Trailers, Storage Tanks, Heavy-duty Industrial Vehicles, Containers, Automated Guided Vehicles, Roadway Bridges, Railway Bridges, Water Gates
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
Other	Agricultural Plants, Grain Complex, Seed Processing Plants, Railway Rolling Stock Inspection/Maintenance System, Pulp and Paper Plants, Real Estate Rental, Cast Steel Products, Forged Products, Golf Course Operations

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