Annual Business Report

April 1, 2012 through March 31, 2013

日本車両

NIPPON SHARYO, LTD.

Financial Highlights

Comparison of Sales by Segment

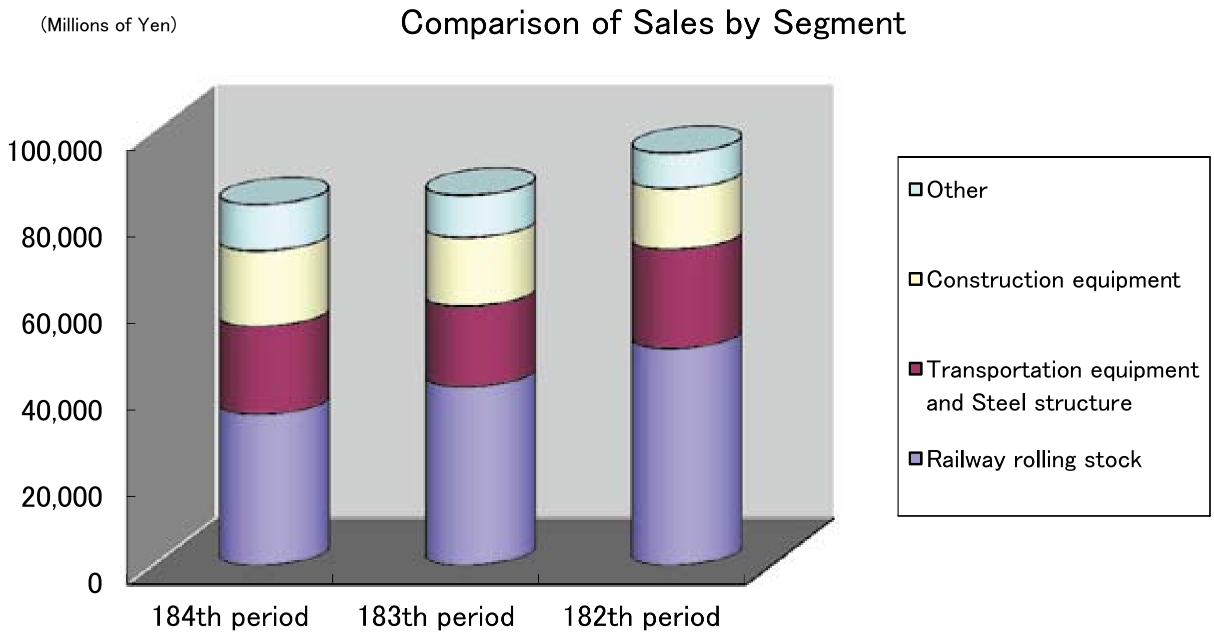
(Unit: millions of yen)

Business Segment	184th period (2012-2013)		183th period (2011-2012)		Increase/(decrease)	
Railway rolling stock	34,721	41.8 %	41,114	48.3 %	(6,393)	15.5 %
Transportation equipment and Steel structure	20,268	24.4	18,549	21.8	1,718	9.3
Construction equipment	17,419	21.0	15,752	18.5	1,666	10.6
Other	10,610	12.8	9,752	11.4	859	8.8
Total	83,018	100.0	85,167	100.0	(2,149)	(2.5)

Change in Operating Performance and Asset Status

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

Titles of account	184th period (2012-2013)	183th period (2011-2012)	182th period (2010-2011)
Net sales	83,018	85,167	94,842
Ordinary income	2,096	6,232	7,859
Net income	1,598	4,470	3,703
Net income per share	¥11.07	¥30.95	¥25.63
Total assets	133,400	123,193	110,036
Total equity	57,403	54,277	49,667



Contents

Message from the President	**2**
Review by Segment	**4**
Investment in Plant and Equipment	**6**
Financing Activities	**6**
Consolidated Financial Statements and Independent Auditor's Report	**7**
Corporate Information	**36**
Directory	**36**

N700A Shinkansen trains running with the Mt. Ibuki. They came out on February 8th, 2013.

Message from the President

Review of Business Operations

During the fiscal term under review, there were concerns of deceleration in the global economy from the European debt crisis. Yet, in terms of the Japanese economy, personal consumption and production remained above a certain level as a result of various economic policies and monetary measures.

Under this business environment, the sales of the N700A Shinkansen trains and overseas railway rolling stock helped net sales figures, totaling ¥83,018 million, down 2.5% from the previous year. In terms of profits, there were many projects involving the new models of railway rolling stock, which increased initial production expenses. As a result, the ordinary profit was ¥2,096 million or a decrease of 66.4%, and net profit was ¥1,598 million or a decrease of 64.3%.

The Outlook

A restrictive business climate surrounds the Group. In the railway rolling stock business, while a certain level of demand is expected in the Shinkansen and other domestic markets, the overall trend shows that the mid- to long-term market expansion is expected to remain poor due to replacement demands having come full cycle as well as factors related to the country's aging population. Setting our eyes on such a situation, we continue to make efforts to gain a competitive edge by raising productivity and enhancing our ability to propose technical solutions. As growth is anticipated in overseas markets, we are looking to expand our business in these areas. As a part of the scheme, a railway rolling stock assembly plant was constructed in Rochelle, Illinois, U.S.A., which began production of railway rolling stock targeted for North America in July 2012. With that local operation, we aim to continuously secure orders in the North American railway rolling stock market. Moving forward, we will expand the Illinois plant by adding a new structural parts plant to equip ourselves as an integrated railway rolling stock manufacturer which handles the entire processes of railway rolling stock, from structural parts production all the way to delivery of railway rolling stock. This scheme will give us an edge and help us gain a presence in the North American market, which is one of our main targets. The Group will also focus on Taiwan, Southeast Asia, and other markets with expected growth in demand by deploying sales activities where we propose solutions to local needs.

The transportation equipment and steel structure businesses are also facing difficulties. We will, however, continue to make efforts to secure orders by developing products which capture energy trends and respond to market needs. In the steel structure business, we are facing uncertainty in orders for new bridge structures. Therefore, in order to secure orders, our efforts will be focused on enhancing our ability to propose technological solutions, reducing costs, and expanding our sales activities to repair/maintenance and peripheral businesses, both of which are anticipated to grow.

In the construction equipment segment and other business, we will make efforts to secure profits through monitoring trends in public works and private capital investment. We will capture business opportunities by deploying domestic and overseas sales activities and proposing products that cater to each customer's needs.

The Group's major products such as railway cars and bridges are mostly built to order and order units are also relatively large; therefore, the product breakdown of the production and sales numbers changes greatly from year to year. This fluctuation poses permanent challenges to the Group; we must level the capacity utilization rate and effectively handle specifications that vary by product. Most of our projects require a long period of time from order to delivery, which greatly affects management performance because of changes in supply-demand situations and the cost of steel and other materials. The Group will make efforts to curtail cost increases by taking measures such as optimization of raw material procurement timing, yield increase, and material changes.

The Group will also fulfill our social responsibility by operating business in a fair manner. To achieve this, we will continue our efforts to enhance the internal control system by strengthening the risk management system and consolidating the compliance structure.

Akira Nakagawa
President and Chief Executive Officer

Review by Segment

Railway Rolling Stock Business

N700A Shinkansen Train for JR Central

In the railway rolling stock business, our sales to the JR Companies amounted to ¥20,444 million. It was achieved through the sales of the N700A Shinkansen trains and the Series 313 trains for JR Central as well as the delivery of the Series L0 superconductive Maglev trains to JR Central. Our sales for the public and private railways reached ¥6,482 million, including the sales of the Models N1000 and N3000 trains for Nagoya City's Transportation Bureau; the Series 4000 trains for Nagoya Railroad Co., Ltd.; the Model 3000 trains for Keisei Electric Railway Co., Ltd.; the Model N800 trains for Shin-Keisei Electric Railway Co., Ltd.; the Model 2000 trains for Enshu Railway Co., Ltd.; and the Model YR-3000 diesel cars for Yurikogen Railway Co., Ltd. For exported railway cars, we had sales of ¥7,793 million, including bi-level EMU for the U.S.A. and EMU with tilting system for Taiwan. Consequently, our total sales for railway rolling stock recorded ¥34,721 million, down 15.5% from the previous year due to the decrease in domestic sales of railway cars despite an increase in exports.

Model YR-3000 Diesel Car for Yurikogen Railway CO., Ltd

Bi-level EMU for the U.S.A

Transportation Equipment and Steel Structure Businesses

In the transportation equipment business, we had sales from container flat cars and limestone hopper cars. There were also demands for carriers and other heavy-duty industrial vehicles, diesel locomotives, and LPG tank lorries. As a result, sales reached ¥11,135 million, up 21.2% from the previous year.

Heavy-duty Industrial Car

In the steel structure business, sales included some on-going projects which were recorded using the percentage-of-completion (PoC) method. Those projects are Yatsumizo Elevated Bridge for the Chubu Regional Bureau; Owada Bridge No. 2 of the Ken-O Expressway for the Kanto Regional Bureau; Kami-arakawa Bridge for the Tohoku Regional Bureau; Doigawa Bridge for the


Overpass in Rokubancho

Kinki Regional Bureau; and Shin-shiokawa Bridge for Aichi Prefecture. We also had sales for temporary construction work for overpasses in Rokubancho and Makinouchi. As a result, sales were ¥9,131 million, down 2.4% from the previous year.

In all, sales for the transportation equipment and steel structure businesses were ¥20,268 million, up 9.3% from the previous year.

Construction Equipment Business


Large Pile Driving Rig

In the construction equipment business, the domestic demand in large pile driving rigs showed some recovery, thanks to an increase in foundation work. Also, the demand for compact pile driving rigs for small-scale residential construction showed healthy movement as well. The export business included large pile driving rigs to South Korea. As a result, the sales of construction equipment totaled ¥14,384 million, up 17.8% from the previous year.


Compact Pile Driving Rig

In the generator business, the peak of demands for portable generators has passed, resulting in sales of ¥3,034 million, down 14.4% from the previous year.

In all, sales in our construction equipment business were ¥17,419 million, up 10.6% from the previous year

Other Businesses

Our main sales included; mechanical equipment for Maglev trains for JR Central; vehicle inspection/repair facilities; new construction and repair work of agricultural plants for JA facilities in various places; paper-manufacturing equipment for household paper manufacturers; and laser processing machines. Other business also included income from golf course operations and railway memorabilia.


Vehicle Inspection/Repair Facility

In all, sales in other businesses areas totaled ¥10,610 million, up 8.8% from the previous year.

Since business conditions in the golf course industry remained severe, there were changes made to the management of Kazusa Country Club, a golf course jointly managed by the Company and its consolidated subsidiary, Nissha Business Associates Co., Ltd. (hereinafter referred to as "NBA"). From a view point of selection and concentration of businesses, the Kazusa Country Club business was separated through an incorporated-type corporate split, and the business concerning Kazusa Country Club was assigned to Accordia Golf Group as of December 14, 2012 through a stock transfer of the newly incorporated company.

The overseas sales for the year under review amount to ¥10,980 million, representing 13.2% of total sales, which includes ¥7,793 million for the railway rolling stock business and ¥2,447 million for the construction equipment business.

The order on hand at the end of the year under review reached ¥184,811 million, which is the largest term-end balance ever. These comprised ¥168,298 million for the railway rolling stock business (¥22,455 million for rolling stock for JR companies such as the N700A Shinkansen trains, ¥20,863 million for railway cars for other public and private railway companies, ¥124,979 million for exported rolling stock), ¥11,629 million for the transportation equipment and steel structure business (¥5,657 million for the transportation equipment business, ¥5,971 million for the steel structure business), ¥2,231 million for the construction equipment business, and ¥2,652 million for other businesses.

Investment in Plant and Equipment

Plant and equipment investment during the year under review totaled ¥4,171 million. At the Toyokawa Plant, investment was mainly targeted at consolidation of the high-speed train car manufacturing facility and the hairline finish facility, which enabled us to manufacturer new model trains. At the Kinuura Plant, the fund was mainly for rationalization investment, such as implementation of welding manipulators for high-pressure tank production. Investment was also made at all of our plants to maintain the production capacity, exemplified by the Narumi Plant, where machining centers were upgraded. We are also reconstructing our material inventory system on an ongoing basis in order to renew the existing material inventory system at all locations. As for consolidated subsidiaries, NIPPON SHARYO U.S.A., INC. and its subsidiaries have decided to expand a railway rolling stock assembly plant in Illinois, U.S.A. by adding a new structural parts plant, and investment for this project was made.

Financing Activities

As for the year under review, the Group borrowed ¥5,000 million from financial institutions as a long-term debt.

NIPPON SHARYO, LTD. AND
CONSOLIDATED SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013,
AND
INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte Touche Tohmatsu LLC
Nagoya Daiya Building 3-goukan
13-5, Meieki, 3-chome, Nakamura-ku
Nagoya, Aichi 450-8530
Japan

Tel:+81 (52) 565 5511
Fax:+81 (52) 569 1394
www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of NIPPON SHARYO, LTD.:

We have audited the accompanying consolidated balance sheet of NIPPON SHARYO, LTD. and its consolidated subsidiaries as of March 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NIPPON SHARYO, LTD. and its consolidated subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 20 a. to the consolidated financial statements, the board of directors of NIPPON SHARYO, LTD. on July 23, 2013, decided to sell property, plant, and equipment. Our opinion is not qualified in respect of this matter.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 27, 2013
(August 28, 2013 as to Note 20 a.)

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Balance Sheet
March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2013	2012	2013
CURRENT ASSETS:			
Cash and cash equivalents (Notes 15 and 18)	¥ 4,866	¥ 22,267	$ 51,761
Notes and accounts receivable (Notes 4, 11, 15, and 18)	21,947	20,253	233,474
Inventories (Note 5)	47,467	25,497	504,969
Deferred tax assets (Note 14)	2,123	1,549	22,587
Other current assets (Notes 10 and 15)	4,269	3,702	45,418
Total current assets	80,672	73,268	858,209
PROPERTY, PLANT, AND EQUIPMENT:			
Land	15,051	17,148	160,114
Buildings and structures	25,794	24,326	274,402
Machinery and equipment	36,012	35,102	383,108
Construction in progress	619	1,681	6,590
Less accumulated depreciation	(45,133)	(45,569)	(480,140)
Net property, plant, and equipment	32,343	32,688	344,074
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 6 and 15)	16,070	12,542	170,959
Investments in unconsolidated subsidiaries and associated companies (Note 15)	1,243	1,236	13,224
Deferred tax assets (Note 14)	92	101	978
Other assets (Notes 9 and 10)	2,980	3,358	31,704
Total investments and other assets	20,385	17,237	216,865
TOTAL	¥ 133,400	¥ 123,193	$ 1,419,148

(Continued)

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Balance Sheet
March 31, 2013

	Millions of Yen				Thousands of U.S. Dollars (Note 1)	
LIABILITIES AND EQUITY		2013		2012		2013
CURRENT LIABILITIES:						
Short-term borrowings (Notes 8, 15, and 18)	¥	3,718	¥	445	$	39,556
Current portion of long-term debt (Notes 8 and 15)		25		10,025		266
Current portion of lease obligations (Notes 12 and 15)		1,164		953		12,384
Notes and accounts payable (Notes 7 and 15)		26,253		20,190		279,293
Accrued expenses		3,682		3,541		39,173
Advances received		25,182		18,919		267,897
Income taxes payable (Note 15)		130		2,159		1,380
Allowance for work in process on construction contracts		68		12		721
Provision for loss on order received		1,109		108		11,794
Other current liabilities (Note 14)		655		335		6,960
Total current liabilities		61,986		56,687		659,424
LONG-TERM LIABILITIES:						
Long-term debt (Notes 8 and 15)		5,038		63		53,590
Liability for employees' retirement benefits (Note 9)		308		273		3,275
Lease obligations (Notes 12 and 15)		1,879		2,216		19,984
Allowance for PCB disposal expenses (Note 2 p.)		335		335		3,562
Provision for compensation for health damage from asbestos (Note 2 q.)		75		78		798
Deferred tax liabilities (Note 14)		4,951		3,466		52,671
Other long-term liabilities (Note 15)		1,425		5,798		15,169
Total long-term liabilities		14,011		12,229		149,049
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 11 and 16)						
EQUITY (Note 13):						
Common stock, authorized, 328,000,000 shares; issued, 146,750,129 shares in 2013 and 2012		11,811		11,811		125,646
Capital surplus		12,045		12,045		128,146
Retained earnings		28,706		27,830		305,377
Treasury stock, at cost, 2,361,080 shares in 2013 and 2,334,254 shares in 2012		(498)		(489)		(5,295)
Accumulated other comprehensive income:						
Unrealized gain on available-for-sale securities		5,492		3,071		58,429
Deferred gain on derivatives under hedge accounting		37		34		389
Foreign currency translation adjustments		(248)		(76)		(2,633)
Total accumulated other comprehensive income		5,281		3,029		56,185
Minority interests		58		51		616
Total equity		57,403		54,277		610,675
TOTAL	¥	133,400	¥	123,193	$	1,419,148

(Concluded)

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Income
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
NET SALES (Note 18)	¥ 83,018	¥ 85,167	$ 883,166
COST OF SALES	73,985	72,725	787,069
Gross profit	9,033	12,442	96,097
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	7,024	6,268	74,721
Operating income	2,009	6,174	21,376
OTHER INCOME (EXPENSES):			
Interest and dividend income (Note 18)	264	271	2,813
Interest expense (Note 18)	(116)	(182)	(1,235)
Equity in earnings of affiliated companies	10	18	104
Gain on sales of investment securities, net (Note 6)	271	1,016	2,879
Loss on write-down of investment securities (Note 6)	-	(106)	-
Loss on impairment of property, plant, and equipment (Note 17)	(1)	(4)	(11)
Loss on sales and disposals of property, plant, and equipment, net	(116)	(171)	(1,227)
Loss on sales of investment in unconsolidated subsidiaries and associated companies (Note 3)	(381)	-	(4,057)
Other, net	(72)	(49)	(766)
Other income (expenses) – net	(141)	793	(1,500)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	1,868	6,967	19,876
INCOME TAXES (Note 14):			
Current	613	2,983	6,521
Deferred	(351)	(492)	(3,730)
Total income taxes	262	2,491	2,791
NET INCOME BEFORE MINORITY INTERESTS	1,606	4,476	17,085
MINORITY INTERESTS IN NET INCOME	8	6	86
NET INCOME	¥ 1,598	¥ 4,470	$ 16,999

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2 v.):			
Basic net income	¥ 11.07	¥ 30.95	$ 0.12
Cash dividends applicable to the year	5.00	5.00	0.05

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Comprehensive Income
Year Ended March 31, 2013

	Millions of Yen				Thousands of U.S. Dollars (Note 1)	
	2013		2012		2013	
NET INCOME BEFORE MINORITY INTERESTS	¥	1,606	¥	4,476	$	17,085
OTHER COMPREHENSIVE INCOME (Note 19):						
Unrealized gain on available-for-sale securities		2,421		768		25,763
Deferred gain on derivatives under hedge accounting		3		37		27
Foreign currency translation adjustments		(172)		(76)		(1,830)
Total other comprehensive income		2,252		729		23,960
COMPREHENSIVE INCOME	¥	3,858	¥	5,205	$	41,045
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:						
Owners of the parent	¥	3,850	¥	5,199	$	40,959
Minority interests		8		6		86

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Changes in Equity
Year Ended March 31, 2013

	Number of shares of common stock outstanding	Millions of Yen		
		Common stock	Capital surplus	Retained earnings
BALANCE, April 1, 2011	144,443,373	¥ 11,811	¥ 12,045	¥ 23,909
Cash dividends, ¥5.0 per share	-	-	-	(722)
Net income	-	-	-	4,470
Increase in treasury stock, net	(27,498)	-	0	-
Adjustment of retained earnings for newly consolidated subsidiaries	-	-	-	173
Net changes in the year	-	-	-	-
BALANCE, MARCH 31, 2012	144,415,875	11,811	12,045	27,830
Cash dividends, ¥5.0 per share	-	-	-	(722)
Net income	-	-	-	1,598
Increase in treasury stock, net	(26,826)	-	0	-
Net changes in the year	-	-	-	-
BALANCE, MARCH 31, 2013	144,389,049	¥ 11,811	¥ 12,045	¥ 28,706

	Thousands of U.S. Dollars (Note 1)		
	Common stock	Capital surplus	Retained earnings
BALANCE, MARCH 31, 2012	$ 125,646	$ 128,146	$ 296,060
Cash dividends, $0.05 per share	-	-	(7,682)
Net income	-	-	16,999
Increase in treasury stock, net	-	0	-
Net changes in the year	-	-	-
BALANCE, MARCH 31, 2013	$ 125,646	$ 128,146	$ 305,377

See notes to consolidated financial statements.

Millions of Yen

Treasury stock	Accumulated other comprehensive income: Unrealized gain on available-for-sale securities	Deferred (loss) gain on derivatives under hedge accounting	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total equity
¥ (479)	¥ 2,303	¥ (3)	¥ -	¥ 2,300	¥ 81	¥ 49,667
-	-	-	-	-	-	(722)
-	-	-	-	-	-	4,470
(10)	-	-	-	-	-	(10)
-	-	-	-	-	-	173
-	768	37	(76)	729	(30)	699
(489)	3,071	34	(76)	3,029	51	54,277
-	-	-	-	-	-	(722)
-	-	-	-	-	-	1,598
(9)	-	-	-	-	-	(9)
-	2,421	3	(172)	2,252	7	2,259
¥ (498)	¥ 5,492	¥ 37	¥ (248)	¥ 5,281	¥ 58	¥ 57,403

Thousands of U.S. Dollars (Note 1)

Treasury stock	Accumulated other comprehensive income: Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total equity
$ (5,202)	$ 32,666	$ 362	$ (803)	$ 32,225	$ 536	$ 577,411
-	-	-	-	-	-	(7,682)
-	-	-	-	-	-	16,999
(93)	-	-	-	-	-	(93)
-	25,763	27	(1,830)	23,960	80	24,040
$ (5,295)	$ 58,429	$ 389	$ (2,633)	$ 56,185	$ 616	$ 610,675

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Cash Flows
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 1,868	¥ 6,967	$ 19,876
Adjustments for:			
Income taxes-paid	(2,643)	(3,029)	(28,122)
Depreciation	2,692	2,864	28,637
Loss on impairment of property, plant, and equipment	1	4	11
Equity in net earnings of associated companies	(10)	(18)	(104)
Loss on sales and disposals of property, plant, and equipment, net	42	51	447
Loss on write-down of investment securities	-	106	-
Gain on sales of investment securities, net	(271)	(1,016)	(2,879)
Changes in assets and liabilities:			
(Increase) decrease in trade notes and accounts receivable	(1,601)	2,056	(17,037)
(Increase) decrease in inventories	(21,416)	176	(227,832)
Increase in trade notes and accounts payable	6,717	219	71,453
Increase in allowance for work in process on construction contracts	56	2	598
(Decrease) increase in provision for compensation for health damage from asbestos	(3)	60	(32)
Increase in advances received	4,783	10,118	50,886
Increase in liability for employees' retirement benefits	34	1	365
Other-net	(4,583)	(4,272)	(48,766)
Net cash (used in) provided by operating activities	(14,334)	14,289	(152,499)
INVESTING ACTIVITIES:			
Payments for time deposits	(50)	(50)	(532)
Purchases of property, plant, and equipment	(3,857)	(3,841)	(41,030)
Proceeds from sales of property, plant, and equipment	303	22	3,227
Purchases of investment securities	(3)	(3)	(34)
Proceeds from sales of investment securities	2,885	1,027	30,689
Other-net	(193)	(90)	(2,052)
Net cash used in investing activities	(915)	(2,935)	(9,732)
FINANCING ACTIVITIES:			
Net increase in short-term borrowings	3,273	-	34,822
Proceeds from long-term debt	5,000	-	53,192
Repayments of long-term debt	(25)	(25)	(266)
Repayments of bonds	(10,000)	-	(106,383)
Dividends paid	(723)	(722)	(7,688)
Other-net	(48)	(102)	(516)
Net cash used in financing activities	(2,523)	(849)	(26,839)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	371	(92)	3,947
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(17,401)	10,413	(185,123)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	22,267	11,420	236,884
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	-	434	-
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 4,866	¥ 22,267	$ 51,761

(Continued)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Decrease in assets and liabilities due to business divestitures of golf course business during the year (Note 3):			
Current assets	¥ 221	-	$ 2,356
Noncurrent assets	2,400	-	25,534
Total assets	¥ 2,621	-	$ 27,890
Current liabilities	¥ 5	-	$ 52
Long-term liabilities	215	-	2,289
Total liabilities	¥ 220	-	$ 2,341

See notes to consolidated financial statements.

(Concluded)

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Notes to Consolidated Financial Statements
Year Ended March 31, 2013

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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 that is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the 2012 consolidated financial statements to conform to the classifications used in 2013.

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 ¥94 to $1, the approximate rate of exchange at March 29, 2013. 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, 2013, 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, 2013 and 2012, was as follows:

	2013	2012
Consolidated subsidiaries	7	7
Unconsolidated subsidiary, stated at cost	1	1
Associated company accounted for by the equity method	1	1
Associated companies stated at cost	4	4

The fiscal year-end of NIPPON SHARYO U.S.A., INC. and its subsidiaries, NIPPON SHARYO MANUFACTURING, LLC, and NIPPON SHARYO ENGINEERING & MARKETING, LLC, is December 31, and their financial statements with the closest closing date prior to that of the Company are used for consolidation purposes. Necessary adjustments for significant transactions from January 1 to March 31 are made for consolidation purposes.

For equity method associated company that has a different fiscal year from that of the Company, the associated company's 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 subsidiaries for the consolidated financial statements

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items which should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income.

c. Unification of accounting policies applied to foreign associated companies for the equity method

In March 2008, 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.

d. Business combinations
In October 2003, the Business Accounting Council (BAC) issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures," and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.
In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation.
e. Cash equivalents
Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.
Cash equivalents include time deposits and Cash Management System (CMS) funds due from the parent company, Central Japan Railway Company (the "Parent"), all of which mature or become due within three months from the date of acquisition.
f. 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, for which there is 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.
Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.
g. 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, currency swaps, 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 consolidated statement of income and 2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.
The foreign currency forward contracts are utilized to hedge foreign currency exposures in sales of merchandise and finished goods to overseas customers and procurement of raw materials from overseas suppliers. Trade receivables and payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.
The currency swaps and 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.
h. 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 is calculated using the historical loss experience.
i. 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 semifinished 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.
j. 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.

k. Long-lived assets

The Group 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 consolidated statement of income by reducing the carrying amount of an impaired asset or asset group 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, 2013 and 2012, the Group recognized ¥1 million ($11 thousand) and ¥4 million, respectively, as impairment loss on fixed assets.

l. 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. 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 be capitalized by recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be measured at the amount of 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 do not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the amount of obligations under finance leases, less interest expense at the transition date.

All other leases are accounted for as operating leases.

m. Allowance for work in process on construction contracts

An 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.

n. Provision for loss on order received

A provision for loss on orders received except for construction contracts is recorded based on an estimate of the total loss in respect to contracts on which eventual losses are deemed inevitable and the amounts of the loss can be reasonably estimated.

o. Liability for employees' retirement benefits

Employees who terminate their service with the Company and its domestic 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, a defined contribution pension plan, and a 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 that is included in other assets in the consolidated balance sheet.

p. 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.

q. 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.

r. Income taxes

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

s. Foreign currency transactions

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

t. Foreign currency financial statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate. Differences arising from such translation are shown as foreign currency translation adjustments under accumulated comprehensive income in a separate component of equity.

u. Research and development expenses

Expenses related to research and development activities are charged to income as incurred. Research and development expenses amounted to ¥1,533 million ($16,303 thousand) and ¥1,624 million for the years ended March 31, 2013 and 2012, respectively, and are included in general and administrative expenses and manufacturing costs in the accompanying consolidated statement of income.

v. Per share information

Basic net income per share is computed by dividing net 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, 2013 and 2012, was not applicable because the Company had no dilutive common shares. Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

w. 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 is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be 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.

x. Accounting changes and error corrections

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

y. New accounting pronouncements

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

Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

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

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

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

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

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

The Company expects to apply the revised accounting standard for (a) and (b) above from the end of the annual period beginning on April 1, 2013, and for (c) above from the beginning of the annual period beginning on April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

---

3. BUSINESS COMBINATION

The Group's golf course business, "KAZUSA COUNTRY CLUB," managed by the Company and operated by NISSHA BUSINESS ASSOCIATES (NBA), a consolidated subsidiary of the Company, was acquired by a newly incorporated company through a company split jointly conducted by the Company and NBA (an incorporation-type company split), and all the shares of the newly incorporated company were transferred to Accordia Asset Holding 12 Co., Ltd. ("Accordia AH 12"), the subsidiary of Accordia Golf Co., Ltd.

Transaction under Common Control

(1) Overview of transaction

(a) Name and description of relevant business

Name of business: The Group's golf course business

Description of business: Management and operation of the "KAZUSA COUNTRY CLUB" golf course

(b) Date of business combination

December 14, 2012

(c) Legal form of business combination

The company split was jointly conducted by the Company and NBA (incorporation-type company split), where the Company and NBA are splitting companies and Accordia Asset Holding 38 Co., Ltd. ("Accordia AH 38") is a newly incorporated company

(d) Company's name after business combination

Accordia AH 38

(e) Other matters related to overview of transaction

The Company and NBA jointly conducted the company split (incorporation-type company split) as it relates to the "KAZUSA COUNTRY CLUB" golf course business and the business was acquired by the newly incorporated company, Accordia AH 38. The company split was for the purpose of business divestiture.

(2) Outline of accounting treatment

The transaction was accounted for as a transaction under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008) and "Guidance for Accounting Standard for Business Combinations and Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

Business Divestiture (Transfer of shares to nongroup company)

(1) Overview of business divestiture

(a) Name of transferee

Accordia AH 12

(b) Description of divested business

Management and operation of the "KAZUSA COUNTRY CLUB" golf course

(c) Reason for business divestiture

The Company transferred its golf course business to the business operator, whose core business is management of golf courses, as part of the Group's decision to concentrate on other businesses, since it was expected that the business conditions surrounding the golf course would continue to be difficult.

(d) Date of business divestiture

December 14, 2012

(e) Summary of business divestiture including legal form

The Company transferred all the shares of Accordia AH 38 to Accordia AH 12.

(2) Outline of accounting treatment

(a) Amount of transferred loss

Loss on sale of investment in unconsolidated subsidiaries and associated companies:

¥381 million ($4,057 thousand)

(b) Appropriate book values of assets and liabilities related to transferred business

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 221	$ 2,356
Noncurrent assets	2,400	25,534
Total assets	¥ 2,621	$ 27,890
Current liabilities	¥ 5	$ 52
Long-term liabilities	215	2,289
Total liabilities	¥ 220	$ 2,341

(c) Name of reportable segment in which divested business was included

"Other" not included in any reportable segment

(d) Estimated amount of net sales and operating income related to divested business in the consolidated statement of income

	Millions of Yen	Thousands of U.S. Dollars
Net sales	¥ 357	$ 3,803
Operating income	¥ 2	$ 17

4. NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Trade notes	¥ 3,869	¥ 3,594	$ 41,163
- Unconsolidated subsidiaries and associated companies	110	90	1,167
Trade accounts	15,562	11,424	165,557
- Unconsolidated subsidiaries and associated companies	2,152	4,978	22,890
Other	299	208	3,180
Less allowance for doubtful accounts	(45)	(41)	(483)
Total	¥ 21,947	¥ 20,253	$ 233,474

Note: Allowance for doubtful accounts was not recognized for accounts receivable-other, which were included in Other in the above.

5. INVENTORIES

Inventories at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Merchandise	¥ 353	¥ 213	$ 3,755
Finished goods	1,388	1,746	14,763
Work in process and semifinished goods	42,486	22,131	451,984
Raw materials	3,240	1,407	34,467
Total	¥ 47,467	¥ 25,497	$ 504,969

6. INVESTMENT SECURITIES

Investment securities at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Equity securities	¥ 16,070	¥ 12,532	$ 170,959
Bonds	-	10	-
Total	¥ 16,070	¥ 12,542	$ 170,959

The costs and aggregate fair values of investment securities at March 31, 2013 and 2012, were as follows:

	Millions of Yen			
	2013			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Securities classified as available-for-sale:				
Equity securities	¥ 6,633	¥ 8,466	¥ (39)	¥ 15,060
Total	¥ 6,633	¥ 8,466	¥ (39)	¥ 15,060

	Millions of Yen			
	2012			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Securities classified as available-for-sale:				
Equity securities	¥ 6,793	¥ 5,030	¥ (274)	¥ 11,549
Bonds	10	0	-	10
Total	¥ 6,803	¥ 5,030	¥ (274)	¥ 11,559

	Thousands of U.S. Dollars			
	2013			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Securities classified as available-for-sale:				
Equity securities	$ 70,572	$ 90,060	$ (419)	$ 160,213
Total	$ 70,572	$ 90,060	$ (419)	$ 160,213

The information of available-for-sale securities which were sold for the years ended March 31, 2013 and 2012, was as follows:

	Millions of Yen		
	2013		
	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	¥ 438	¥ 271	¥ (0)
Total	¥ 438	¥ 271	¥ (0)

	Millions of Yen					
	2012					
	Proceeds		Realized gains		Realized losses	
Available-for-sale:						
Equity securities	¥	1,027	¥	1,016		-
Total	¥	1,027	¥	1,016		-

	Thousands of U.S. Dollars					
	2013					
	Proceeds		Realized gains		Realized losses	
Available-for-sale:						
Equity securities	$	4,657	$	2,886	$	(7)
Total	$	4,657	$	2,886	$	(7)

The impairment losses on available-for-sale equity securities for the years ended March 31, 2013 and 2012, were none and ¥106 million, respectively.

7. NOTES AND ACCOUNTS PAYABLE

Notes and accounts payable at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2013		2012		2013	
Trade notes	¥	2,558	¥	1,460	$	27,209
Electronically recorded obligations - operating		10,864		8,456		115,574
-Unconsolidated subsidiaries and associated companies		21		18		229
Trade accounts		11,127		7,827		118,373
-Unconsolidated subsidiaries and associated companies		90		57		965
Other		1,593		2,372		16,943
Total	¥	26,253	¥	20,190	$	279,293

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2013		2012		2013	
Unsecured bank loans with an average interest rate of 0.65% and 1.98% in 2013 and 2012, respectively	¥	445	¥	445	$	4,734
CMS with an average interest rate of 0.48% in 2013		3,273		-		34,822
	¥	3,718	¥	445	$	39,556

Long-term debt at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2013		2012		2013	
1.992% unsecured straight bond due December 2012		-	¥	2,500		-
Unsecured straight bonds with floating rates due 2012		-		7,500		-
Unsecured bank loans due from 2014 through 2018 with interest rate of 0.57% and 3.04% in 2013 and 2012, respectively	¥	5,063		88	$	53,856
Total		5,063		10,088		53,856
Less current portion		(25)		(10,025)		(266)
Long-term debt, less current portion	¥	5,038	¥	63	$	53,590

The Company entered into contracts with banks to swap interest rates from floating rates based on Tokyo Interbank Offered Rate to fixed rates in order to hedge against future fluctuations in interest rates. Under these swap contracts, fixed interest rates for the years ended March 31, 2013 and 2012, were 1.570% and 1.605%.

The aggregate annual maturities of long-term debt at March 31, 2013, were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2014	¥ 25	$ 266
2015	25	266
2016	13	133
2018	5,000	53,191
Total	¥ 5,063	$ 53,856

9. EMPLOYEES' RETIREMENT BENEFITS

The liability for employees' retirement benefits at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Projected benefit obligation	¥ 11,995	¥ 12,138	$ 127,602
Fair value of plan assets	(11,940)	(9,191)	(127,021)
Unrecognized transitional obligation	(440)	(660)	(4,680)
Unrecognized actuarial loss	(853)	(3,803)	(9,079)
Unrecognized prior service cost	52	57	559
Net liability	(1,186)	(1,459)	(12,619)
Prepaid pension cost	(1,494)	(1,732)	(15,894)
Provision for retirement benefits	¥ 308	¥ 273	$ 3,275

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

The components of net periodic benefit costs for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Service cost	¥ 564	¥ 576	$ 6,007
Interest cost	234	243	2,485
Expected return on plan assets	(168)	(172)	(1,785)
Amortization of transitional obligation	220	220	2,340
Recognized actuarial loss	385	378	4,100
Amortization of prior service cost	(4)	(4)	(47)
Net periodic benefit costs	1,231	1,241	13,100
Other	118	129	1,251
Total	¥ 1,349	¥ 1,370	$ 14,351

Note 1:Benefit costs of subsidiaries, calculated by the simplified method, were included in "service cost."
Note 2:Contributions paid to the defined contribution pension plans were included in "Other."

Major assumptions used in the calculations of the above information at March 31, 2013 and 2012, were as follows:

	2013	2012
Method of attributing the projected benefits to periods of service	Straight-line method	Straight-line method
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	15 years
Recognition period of actuarial gain/loss	15 years	15 years
Amortization period of transitional obligation	15 years	15 years

10. ASSETS PLEDGED AS COLLATERAL

Assets pledged as substitutes for cash deposits to a real estate business at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Other current assets	-	¥ 10	-
Other assets	¥ 10	-	$ 106
Total	¥ 10	¥ 10	$ 106

11. 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, 2013 and 2012, amounted to ¥937 million ($9,969 thousand) and ¥1,077 million, respectively.

Trade notes discounted at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Trade notes receivable discounted with banks	¥ 72	¥ 129	$ 764

12. 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.

The aggregate annual maturities of lease obligations at March 31, 2013, were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2014	¥ 1,164	$ 12,384
2015	720	7,655
2016	675	7,180
2017	300	3,194
2018	184	1,955
2019 and thereafter	-	-
Total	¥ 3,043	$ 32,368

A consolidated subsidiary subleases machinery.

Investments in leases and lease obligations, which include interest portion, resulting from sublease transactions at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Investments in leases:			
Due within one year	¥ 396	¥ 377	$ 4,208
Due after one year	401	640	4,266
Total	¥ 797	¥ 1,017	$ 8,474

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Lease obligations:			
Due within one year	¥ 569	¥ 310	$ 6,053
Due after one year	439	793	4,668
Total	¥ 1,008	¥ 1,103	$ 10,721

13. 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 an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. 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 (noncash 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 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.

14. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 37.5% and 40.1% for the years ended March 31, 2013 and 2012, respectively.
The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Deferred tax assets:			
Employee retirement benefit liability	¥ 923	¥ 803	$ 9,814
Amount transferred to defined contribution pension plan	607	807	6,455
Loss on impairment of fixed assets	548	1,257	5,830
Accrued bonuses to employees	514	602	5,472
Provision for loss on order received	453	41	4,816
Loss on write-down of inventories	1,181	607	12,566
Loss on write-down of marketable securities and other	174	185	1,851
Other	2,416	2,315	25,706
	6,816	6,617	72,510
Less valuation allowance	(2,700)	(2,878)	(28,725)
Total	4,116	3,739	43,785
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(2,917)	(1,648)	(31,034)
Deferred gain on sales of property	(1,452)	(1,468)	(15,451)
Revaluation of property	(2,394)	(2,393)	(25,462)
Other	(89)	(46)	(945)
Total	(6,852)	(5,555)	(72,892)
Net deferred tax liabilities	¥ (2,736)	¥ (1,816)	$ (29,107)

Deferred tax assets and liabilities at March 31, 2013 and 2012, were recorded as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Deferred tax assets:			
Current	¥ 2,123	¥ 1,549	$ 22,587
Noncurrent	92	101	978
Deferred tax liabilities:			
Current	(0)	(0)	(1)
Noncurrent	(4,951)	(3,466)	(52,671)
Net deferred tax liabilities	¥ (2,736)	¥ (1,816)	$ (29,107)

Note: Current deferred tax liabilities were included in other current liabilities in the consolidated balance sheet.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2013, with the corresponding figures for 2012, is as follows:

	2013	2012
Japanese statutory tax rate	37.5 %	40.1 %
Increase (decrease) due to:		
Permanently nondeductible expenses	4.6	0.5
Changes in valuation allowance	(26.8)	1.7
Tax-exempt income	(4.9)	(4.0)
Per capita inhabitant tax	1.9	0.5
Other	1.7	(0.1)
Effect of changes in tax rate	-	(3.0)
Actual effective income tax rate	14.0 %	35.7 %

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 40.1% to 37.5% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.1% afterwards.
At March 31, 2013, the Company has tax loss carryforwards aggregating approximately ¥941 million ($10 thousand) which are available to be offset against taxable income of the Company in future years. These tax loss carryforwards, if not utilized, will expire in 2022.

---

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1)Group policy for financial instruments

The Group utilizes CMS provided by the Parent to operate and finance funds. The Group finances capital investments mainly with bank loans. 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 receivable, 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 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 currency swaps and interest rate swaps.

Derivatives mainly include forward foreign currency contracts, which are used to manage exposure to risks associated with fluctuations in foreign currency exchange rates related to receivables and payables denominated in foreign currencies and forecasted transactions denominated in foreign currencies, and currency swaps and interest rate swaps, which are used to manage exposure to exchange fluctuations and interest rate fluctuations on long-term debt. Please see Note 16 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.

Currency swaps and interest rate swaps are used to manage exposure to market risks from changes in the interest rates of loans payable.

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 associated with operating payables and short-term borrowings and long-term debt.

(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 16 for the detail of the fair value of derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
	2013		
	Carrying amount	Fair value	Unrealized loss
Cash and cash equivalents	¥ 4,866	¥ 4,866	-
Notes and accounts receivable	21,947	21,947	-
Investment securities	15,060	15,060	-
Total	¥ 41,873	¥ 41,873	-
Notes and accounts payable	¥ 26,253	¥ 26,253	-
Short-term borrowings	3,718	3,718	-
Income taxes payable	130	130	-
Long-term debt, including current portion	5,063	5,062	¥ 1
Lease obligations, including current portion	3,043	3,020	23
Total	¥ 38,207	¥ 38,183	¥ 24

	Millions of Yen		
	2012		
	Carrying amount	Fair value	Unrealized loss
Cash and cash equivalents	¥ 22,267	¥ 22,267	-
Notes and accounts receivable	20,253	20,253	-
Investment securities	11,559	11,559	-
Total	¥ 54,079	¥ 54,079	-
Notes and accounts payable	¥ 20,190	¥ 20,190	-
Short-term borrowings	445	445	-
Income taxes payable	2,159	2,159	-
Long-term debt, including current portion	10,088	10,086	¥ 2
Lease obligations, including current portion	3,169	3,111	58
Total	¥ 36,051	¥ 35,991	¥ 60

	Thousands of U.S. Dollars		
	2013		
	Carrying amount	Fair value	Unrealized loss
Cash and cash equivalents	$ 51,761	$ 51,761	-
Notes and accounts receivable	233,474	233,474	-
Investment securities	160,213	160,213	-
Total	$ 445,448	$ 445,448	-
Notes and accounts payable	$ 279,293	$ 279,293	-
Short-term borrowings	39,556	39,556	-
Income taxes payable	1,380	1,380	-
Long-term debt, including current portion	53,856	53,844	$ 12
Lease obligations, including current portion	32,368	32,125	243
Total	$ 406,453	$ 406,198	$ 255

<u>Cash and cash equivalents and notes and accounts receivable</u>

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

<u>Investment securities</u>

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. As of March 31, 2012, securities with maturities of one year or less in other current assets in the consolidated balance sheet are included in the above. The information on the fair value of the investment securities by classification is included in Note 6.

<u>Notes and accounts payable, short-term borrowings, and income taxes payable</u>

The carrying values of notes and accounts payable, short-term borrowings, and income taxes 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
Information on the fair value of derivatives is included in Note 16.
(b) Financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Unlisted securities	¥ 1,010	¥ 993	$ 10,746
Investments in unconsolidated subsidiaries and associated companies	1,243	1,236	13,224
Long-term deposits included in other long-term liabilities	10	3,659	106

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

	Millions of Yen			
	2013			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and cash equivalents	¥ 4,866	-	-	-
Notes and accounts receivable	21,883	¥ 64	-	-
Total	¥ 26,749	¥ 64	-	-

	Thousands of U.S. Dollars			
	2013			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and cash equivalents	$ 51,761	-	-	-
Notes and accounts receivable	232,794	$ 680	-	-
Total	$ 284,555	$ 680	-	-

Please see Note 8 for annual maturities of long-term debt and Note 12 for obligations under finance leases.

16. 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 currency and 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.
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, 2013 and 2012, were as follows:

		Millions of Yen					
		2013			2012		
	Hedged item	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							
Buying							
USD	Advance payments	¥ 613	-	¥ 126	¥ 1,173	¥ 521	¥ 54
EUR	Advance payments	422	¥ 65	59	922	388	20
TWD	Advance payments	242	-	31	347	212	(1)
GBP	Advance payments	30	-	5	-	-	-
THB	Advance payments	9	-	2	153	-	5
Selling							
USD	Advances received	891	-	(165)	381	-	(23)
Interest rate:							
Interest rate currency swap contracts (USD floating rate receipt/ JPY fixed rate payment)	Long-term debt	¥ 2,500	¥ 2,500	*Note*	-	-	-
Interest rate swap contracts (floating rate receipt/fixed rate payment)	Long-term debt (including current portion)	1,363	1,338	*Note*	¥ 7,588	¥ 63	*Note*

		Thousands of U.S. Dollars		
		2013		
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Currency:				
Forward foreign currency contracts				
Buying				
USD	Advance payments	$ 6,520	-	$ 1,341
EUR	Advance payments	4,493	$ 693	631
TWD	Advance payments	2,573		328
GBP	Advance payments	318		49
THB	Advance payments	97	-	25
Selling				
USD	Advances received	9,481	-	(1,750)
Interest rate:				
Interest rate currency swap contracts (USD floating rate receipt/ JPY fixed rate payment)	Long-term debt	$ 26,596	$ 26,596	*Note*
Interest rate swap contracts (floating rate receipt/fixed rate payment)	Long-term debt (including current portion)	14,495	14,229	*Note*

Note: Fair values of interest rate currency swaps, for which the exceptional treatment and assignment method are applied, and interest rate swaps, for which the exceptional treatment is applied, are accounted for together with long-term debt designated as hedged items. Accordingly, their fair values are included in the fair value of the long-term debt.

17. LOSS ON IMPAIRMENT OF PROPERTY, PLANT, AND EQUIPMENT

The Group recognized impairment loss on the following asset groups.

For the year ended March 31, 2013:

Asset group	Location	Account	Millions of Yen 2013	Thousands of U.S. Dollars 2013
Unused property	Aso, Kumamoto	Land	¥ 1	$ 11
		Total	¥ 1	$ 11

For the year ended March 31, 2012:

Asset group	Location	Account	Millions of Yen 2012
Unused property (two items)	Shibata-gun, Miyagi, etc.	Land, etc.	¥ 4
		Total	¥ 4

The Group reviewed its long-lived assets for impairment as of March 31, 2013 and 2012.

For the years ended March 31, 2013 and 2012, the Group recognized an impairment loss of ¥1 million ($11 thousand) and ¥4 million, respectively, for unused property since its market price decreased below its book value.

18. RELATED-PARTY DISCLOSURES

The Parent directly owned 51.3% of the total shares of the Company as of March 31, 2013. The Company distributes transportation vehicles to the Parent.

Transactions of the Company with the Parent for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Sales	¥ 21,689	¥ 36,779	$ 230,730
Interest income	27	39	283
Interest expense	9	-	97

The balances due to or from the Parent at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Accounts receivable	¥ 2,081	¥ 4,865	$ 22,141
Short-term loans receivable (included in cash and cash equivalents in the consolidated balance sheets)	-	16,875	-
Short-term borrowings	3,273	-	34,822

19. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 3,847	¥ 779	$ 40,931
Reclassification adjustments to profit or loss	(156)	105	(1,663)
Amount before income tax effect	3,691	884	39,268
Income tax effect	(1,270)	(116)	(13,505)
Total	¥ 2,421	¥ 768	$ 25,763
Deferred gain on derivatives under hedge accounting:			
Gains arising during the year	¥ 4	¥ 60	$ 43
Income tax effect	(1)	(23)	(16)
Total	¥ 3	¥ 37	$ 27
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (172)	¥ (76)	$ (1,830)
Total	¥ (172)	¥ (76)	$ (1,830)
Total other comprehensive income	¥ 2,252	¥ 729	$ 23,960

20. SUBSEQUENT EVENTS

a.Sale of land

On July 23, 2013, the board of directors of the Company decided to sell land in Saitama in order to promote efficient use of management resources and reduce maintenance expenses. The company ("they" or "them"), who will acquire the land, was not revealed in accordance with the relating contract, though they operate a general business in Japan. Also, there are no specific matters relating to equity, persons, transaction, or related party between the Company and them.

As a consequence of this transaction, the Company intends to recognize ¥2,183 million ($23,223 thousand) (estimated amount) of gain on sales of property, plant, and equipment for the third quarter ended December 31, 2013.

Detailed information about the land was as follows:

	2013
Asset	Land (6,292.40 ㎡) 1-26 Kita-machi, Warabi-shi, Saitama-ken
Book value	¥7 million ($74 thousand)
Proceeds	¥2,206 million ($23,468 thousand)
Realized gain	¥2,183 million ($23,224 thousand)
Current state	Idle land formerly used for dormitory and company residence

Note: Realized gain is calculated by deducting book value and related expenses from proceeds.

b.Appropriations of retained earnings

The following appropriation of retained earnings at March 31, 2013, was approved at the Company's shareholders' meeting held on June 27, 2013:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥2.5 ($0.03) per share	¥ 361	$ 3,840

21. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1)Description of reportable segments

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

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, 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 was as follows:

	Millions of Yen 2013						
	Reportable segment						
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Other	Total	Reconciliations	Consolidated
Net sales							
Sales to external customers	¥ 34,721	¥ 20,268	¥ 17,419	¥ 10,610	¥ 83,018	-	¥ 83,018
Intersegment sales or transfers	41	364	148	771	1,324	¥ (1,324)	-
Total	¥ 34,762	¥ 20,632	¥ 17,567	¥ 11,381	¥ 84,342	¥ (1,324)	¥ 83,018
Segment profit (loss)	¥ (1,041)	¥ 760	¥ 2,328	¥ 879	¥ 2,926	¥ (917)	¥ 2,009
Segment assets	¥ 68,022	¥ 18,726	¥ 20,089	¥ 5,388	¥112,225	¥ 21,175	¥133,400
Other:							
Depreciation	¥ 1,243	¥ 460	¥ 660	¥ 69	¥ 2,432	¥ 260	¥ 2,692
Increase in property, plant, and equipment and intangible assets	2,885	252	1,088	76	4,301	265	4,566

	Millions of Yen 2012						
	Reportable segment						
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Other	Total	Reconciliations	Consolidated
Net sales							
Sales to external customers	¥ 41,114	¥ 18,549	¥ 15,752	¥ 9,752	¥ 85,167	-	¥ 85,167
Intersegment sales or transfers	153	7	187	699	1,046	¥ (1,046)	-
Total	¥ 41,267	¥ 18,556	¥ 15,939	¥ 10,451	¥ 86,213	¥ (1,046)	¥ 85,167
Segment profit (loss)	¥ 3,598	¥ 590	¥ 2,092	¥ 747	¥ 7,027	¥ (853)	¥ 6,174
Segment assets	¥ 44,108	¥ 19,219	¥ 19,257	¥ 7,046	¥ 89,630	¥ 33,563	¥123,193
Other:							
Depreciation	¥ 1,242	¥ 595	¥ 653	¥ 84	¥ 2,574	¥ 290	¥ 2,864
Increase in property, plant, and equipment and intangible assets	2,625	406	946	73	4,050	272	4,322

	Thousands of U.S. Dollars 2013						
	Reportable segment						
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Other	Total	Reconciliations	Consolidated
Net sales							
Sales to external customers	$369,373	$215,613	$185,308	$112,872	$883,166	-	$883,166
Intersegment sales or transfers	437	3,875	1,576	8,202	14,090	$(14,090)	-
Total	$369,810	$219,488	$186,884	$121,074	$897,256	$(14,090)	$883,166
Segment profit (loss)	$(11,073)	$ 8,085	$ 24,765	$ 9,352	$ 31,129	$ (9,753)	$ 21,376
Segment assets	$723,643	$199,208	$213,709	$ 57,327	$1,193,887	$225,261	$1,419,148
Other:							
Depreciation	$ 13,227	$ 4,893	$ 7,018	$ 734	$ 25,872	$ 2,765	$ 28,637
Increase in property, plant, and equipment and intangible assets	30,690	2,676	11,577	806	45,749	2,821	48,570

Notes:1. "Other" represents businesses that 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, cast steel and forged products, real estate rental, and golf course operations.

2. "Reconciliations" in segment profit (loss) include corporate expenses of ¥(913) million ($(9,718) thousand) and ¥(852) million, elimination of intersegment transactions of ¥10 million ($110 thousand) and ¥11 million, and adjustments in inventories of ¥(9) million ($(96) thousand) and ¥(10) million for the years ended March 31, 2013 and 2012, respectively. Corporate expenses principally consist of general and administrative expenses that are not attributable to any reportable segment.

3. "Reconciliations" in segment assets include total corporate assets of ¥21,404 million ($227,704 thousand) and ¥33,929 million, elimination of intersegment balances of ¥(164) million ($(1,740) thousand) and ¥(262) million, and adjustments in inventories of ¥(105) million ($(1,113) thousand) and ¥(96) million as of March 31, 2013 and 2012, respectively. Total

corporate assets principally consist of cash and cash equivalents, investment securities, and general management properties.
4. Segment profit (loss) is reconciled to operating income in the consolidated statement of income.

Associated Information

(1) Information about products and services is not disclosed since similar information is disclosed above.
(2) Information about geographical areas for the year ended March 31, 2013, is as follows:

	Millions of Yen				
	2013				
	Japan	North America	Asia	Other	Total
Sales	¥ 72,037	¥ 3,302	¥ 7,178	¥ 501	¥ 83,018

	Thousands of U.S. Dollars				
	2013				
	Japan	North America	Asia	Other	Total
Sales	$ 766,356	$ 35,119	$ 76,360	$ 5,331	$ 883,166

Note: Sales are based on the location of the customers and grouped by country or area.

	Millions of Yen				
	2013				
	Japan	North America	Asia	Other	Total
Property, plant, and equipment	¥ 28,014	¥ 4,329	¥ 0	¥ 0	¥ 32,343

	Thousands of U.S. Dollars				
	2013				
	Japan	North America	Asia	Other	Total
Property, plant, and equipment	$ 298,015	$ 46,050	$ 5	$ 4	$ 344,074

Information about geographical areas for the year ended March 31, 2012, is not disclosed since domestic sales and property, plant, and equipment exceeded 90% of consolidated net sales and property, plant, and equipment.
(3) Information about major customers

	Sales			
	Millions of Yen		Thousands of U.S. Dollars	Related segment
Name of major customer	2013	2012	2013	
The Parent	¥ 21,689	¥ 36,779	$ 230,730	Railway Rolling Stock

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

	Millions of Yen						
	2013						
	Reportable segment						
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Other	Total	Reconciliations	Consolidated
Impairment loss	-	-	-	-	-	¥ 1	¥ 1

	Millions of Yen						
	2012						
	Reportable segment						
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Other	Total	Reconciliations	Consolidated
Impairment loss	-	-	-	-	-	¥ 4	¥ 4

	Thousands of U.S. Dollars						
	2013						
	Reportable segment						
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Other	Total	Reconciliations	Consolidated
Impairment loss	-	-	-	-	-	$ 11	$ 11

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	14,137 persons
	(March 31, 2013)

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.
Aug.	2008	Equity and business tie-up entered into with Central Japan Railway Company.
Sep.	2010	Manufactured 3000th Shinkansen EMU.
Jul.	2012	Founded Rochelle Plant of NIPPON SHARYO U.S.A., INC.

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

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.
1-9-1 Marunouchi,
Chiyoda-ku, Tokyo 100-0005 JAPAN
Phone: +81-3-6688-6789
Fax : +81-3-6688-6809

OSAKA BRANCH

14th FL,North Gate Building.
3-1-3 Umeda,
Kita-ku, Osaka 530-0001, JAPAN
Phone: +81-6-6341-4455
Fax : +81-6-6341-4487

SHANGHAI REPRESENTATIVE OFFICE

Tomson Centre Room A1607,
No.228 Zhangyang Road,
Pudong New District,
Shanghai, PRC
Phone: +86-21-5888-8706
Fax : +86-21-5888-8705

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 : +81-569-22-7577

NIPPON SHARYO U.S.A.,INC.

2340 S. Arlington Heights Road,
Suite 605 Arlington Heights,
IL 60005 U.S.A.
Phone: +1-847-228-2700
Fax : +1-847-228-5530