Annual Business Report

April 1, 2013 through March 31, 2014

日本車両

NIPPON SHARYO, LTD.

Financial Highlights

Comparison of Sales by Segment

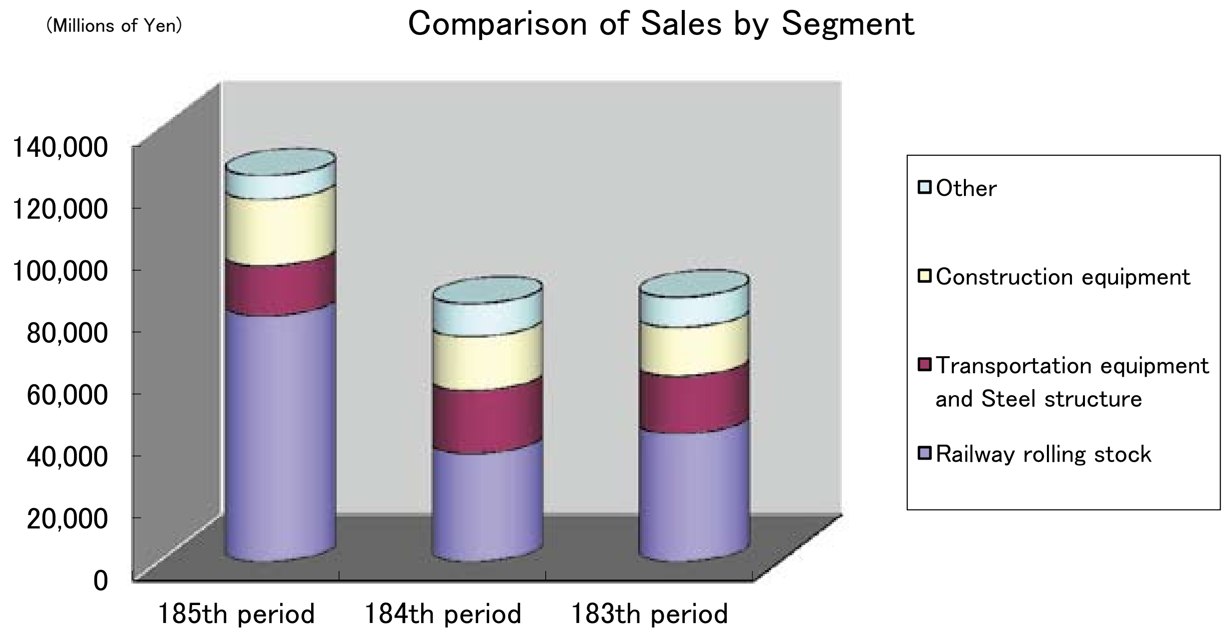
(Unit: millions of yen)

Business Segment	185th period (2013-2014)		184th period (2012-2013)		Increase/(Decrease)	
Railway rolling stock	79,100	63.6 %	34,721	41.8 %	44,379	127.8 %
Transportation equipment and Steel structure	16,008	12.9	20,268	24.4	(4,260)	(21.0)
Construction equipment	21,479	17.3	17,419	21.0	4,060	23.3
Other	7,724	6.2	10,610	12.8	(2,886)	(27.2)
Total	124,311	100.0	83,018	100.0	41,293	49.7

Change in Operating Performance and Asset Status

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

Titles of account	185th period (2013-2014)	184th period (2012-2013)	183th period (2011-2012)
Net sales	124,311	83,018	85,167
Ordinary income	6,677	2,096	6,232
Net income	6,930	1,598	4,470
Net income per share	¥48.00	¥11.07	¥30.95
Total assets	141,453	133,400	123,193
Total equity	63,332	57,403	54,277



Contents

Tilting express trains "PUYUMA" running on the Yilan Line, which is located to the northeast of Taiwan.

Message from the President

Review of Business Operations

During the fiscal term under review, there were concerns of uncertainty in the overseas economy. Yet, the Japanese economy saw improvements in production, capital investment, and employment, thanks to strong personal consumption as a result of monetary easing measures and various economic policies as well as last-minute demands in anticipation of the consumption tax hike.

Under this business environment, a large increase in the sales of railway rolling stock helped increase the Group's net sales figures, totaling ¥124,311 million, up 49.7% from the previous year. In terms of profits, the ordinary profit was ¥6,677 million or an increase of 218.6%, and net profit was ¥6,930 million or an increase of 333.7%.

The Outlook

The environment surrounding the Group is expected to grow difficult in terms of receiving orders. In the railway rolling stock business, the overall trend in the domestic market suggests that the mid- to long-term market expansion will 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 differentiating ourselves from competitors through technological developments as well as cost reductions through improvements in productivity. As growth is anticipated in overseas markets, we are looking to expand our business in these areas and aim to secure constant orders in the North American railway rolling stock market. 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. Furthermore, we have added a new structural parts plant in order 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 promoting the development of railway cars that match local needs.

In the transportation equipment and steel structure business segment, the transportation equipment business is facing difficulties. We will, however, continue to make efforts to secure orders by developing products which capture energy trends and respond to market needs. Our efforts in the steel structure business 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 businesses, 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 exchange rates and the cost of steel and other materials. The Group will therefore make efforts to reduce risks against foreign exchange fluctuation by anticipating currency movements and making use of hedging, such as foreign exchange contracts. As for raw materials, the Group will curtail cost increases by taking measures such as optimization of procurement timing, yield increase, and material changes.

In November 2013, the Group received an on-site inspection by the Fair Trade Commission for suspicion of violation of antitrust laws in relation to the construction work of agricultural facilities. The Group takes this matter seriously and fully cooperates with the Commission in the investigation. Moving forward, we will redouble our efforts in fulfilling regulatory compliance as well as consolidating the internal control systems.

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 ¥23,545 million. It was achieved through the sales of the N700A Shinkansen trains and the Series L0 superconductive Maglev trains to JR Central. Our sales for the public and private railways reached ¥8,900 million, including the sales of the Series 1000 trains for Tokyo Metro Ginza Line; 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.; and the Model YR-3000 diesel cars for Yurikogen Railway Co., Ltd. For exported railway cars, we had sales of ¥46,654 million, including bi-level EMU for the U.S.A. and EMU with tilting system and commuter trains for Taiwan. There were some projects from the last fiscal term where sales were carried over into this term. Consequently, our total sales for railway rolling stock recorded ¥79,100 million, up 127.8% from the previous year.


Series 1000 Trains for Tokyo Metro Ginza Line


EMU with Tilting System for Taiwan

Transportation Equipment and Steel Structure Businesses

In the transportation equipment business, we had sales from LPG tank lorries, LNG tank trailers, container flat cars, and carriers for steel mills. As a result, sales reached ¥8,520 million, down 23.5% from the previous year, where a large sum of sales from freight cars was recorded.


LNG Tank Trailers


Yatsumizo Elevated Bridge

In the steel structure business, sales included Yatsumizo Elevated Bridge for the Chubu Regional Bureau; Hakodate IC Bridge for the Hokkaido Regional Development Bureau; Obata Elevated Bridge for Aichi Prefecture; as well as temporary construction work of overpasses in Rokubancho and Sawaki. The sales also included tsunami evacuation towers and a large-scale repair work for Tokaido Shinkansen. Yet, sales were down 18.0% from the previous year to ¥7,488 million due to the reduction in the number of large-scale construction projects.

In all, sales for the transportation equipment and steel structure businesses were ¥16,008 million, down 21.0% from the previous year.

Construction Equipment Business

In the construction equipment business, the domestic demand in large pile driving rigs as well as compact pile driving rigs showed healthy movement, thanks to recovery efforts from the Great East Japan Earthquake and anticipation for increase in public works as Tokyo was chosen to host the Olympic games. The export business included large pile driving rigs, crawler cranes, casing rotators, etc. to South Korea and Hong Kong. As a result, the sales of construction equipment totaled ¥18,053 million, up 25.5% from the previous year.


Large Pile Driving Rig

Diesel Generator

In the generator business, sales amounted to ¥3,425 million, up 12.9% from the previous year, thanks to improved business confidence and the last-minute demands before the consumption tax hike.

In all, sales in our construction equipment business were ¥21,478 million, up 23.3% 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; laser processing machines; and railway memorabilia. In all, sales in other businesses areas totaled ¥7,724 million, down 27.2% from the previous year.


Agricultual Plant

Business performances of NISSHA WASHINO STEEL CO., LTD., one of the Group's consolidated subsidiaries, remained low due to long-term secular stagnation in demands for steel castings and forgings. It was determined that recovery would be difficult, and, on March 31, 2014, the dissolution of NISSHA WASHINO STEEL CO., LTD. passed a resolution at its special shareholders meeting.

The overseas sales for the year under review amount to ¥49,395 million, representing 39.7% of total sales, which includes ¥46,654 million for the railway rolling stock business and ¥2,735 million for the construction equipment business.

The order on hand at the end of the year under review reached ¥177,638 million. These comprised ¥158,644 million for the railway rolling stock business (¥45,849 million for rolling stock for JR companies such as the N700A Shinkansen trains, ¥24,146 million for railway cars for other public and private railway companies, ¥88,650 million for exported rolling stock), ¥14,885 million for the transportation equipment and steel structure businesses (¥6,342 million for the transportation equipment business, ¥8,543 million for the steel structure business), ¥2,475 million for the construction equipment business, and ¥1,634 million for other businesses.

Investment in Plant and Equipment

Plant and equipment investment during the year under review totaled ¥5,033 million. Some of the major investments aimed to maintain production capacity, such as renewal of large automatic drafting machines at the Toyokawa Plant and NC drill machine upgrade at the Kinuura Plant. Investment was also made to streamline operations, exemplified by the Narumi Plant, where a five-face machining center was newly installed and the plant layout was changed. We also reconstructed our material inventory system in order to streamline operations at all locations. Furthermore, we are in the process of implementing measures to prevent cranes from falling at all locations as a part of our business continuity plan, or BCP. As for consolidated subsidiaries, NIPPON SHARYO U.S.A., INC. and its subsidiaries are continuously making capital investment for production of new model train cars.

Financing Activities

As for the year under review, no significant borrowing occurred.

NIPPON SHARYO, LTD. AND
CONSOLIDATED SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014,
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, 2014, 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, 2014, 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.

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 L.L.C.

June 27, 2014

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Balance Sheet
March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2014	2013	2014
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥ 7,045	¥ 4,866	$ 69,067
Notes and accounts receivable (Notes 3, 14, and 17)	34,224	21,947	335,530
Inventories (Note 4)	37,711	47,467	369,716
Deferred tax assets (Note 13)	3,226	2,123	31,628
Other current assets	5,047	4,269	49,486
Total current assets	87,253	80,672	855,427
PROPERTY, PLANT, AND EQUIPMENT:			
Land	15,486	15,051	151,821
Buildings and structures	26,352	25,794	258,356
Machinery and equipment	34,310	36,012	336,368
Construction in progress	2,235	619	21,912
Total	78,383	77,476	768,457
Accumulated depreciation	(44,081)	(45,133)	(432,164)
Net property, plant, and equipment	34,302	32,343	336,293
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 14)	14,543	16,070	142,576
Investments in an unconsolidated subsidiary and associated companies (Note 14)	1,258	1,243	12,332
Asset for employees' retirement benefits (Notes 2.o and 8)	2,240	1,494	21,960
Deferred tax assets (Note 13)	97	92	947
Other assets (Note 9)	1,760	1,486	17,262
Total investments and other assets	19,898	20,385	195,077
TOTAL	¥ 141,453	¥ 133,400	$ 1,386,797

(Continued)

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Balance Sheet
March 31, 2014

LIABILITIES AND EQUITY	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2014
CURRENT LIABILITIES:			
Short-term borrowings (Notes 7, 14, and 17)	¥ 4,101	¥ 3,718	$ 40,205
Current portion of long-term debt (Notes 7 and 14)	-	25	-
Current portion of lease obligations (Notes 11 and 14)	989	1,164	9,695
Notes and accounts payable (Notes 6 and 14)	25,446	26,253	249,467
Accrued expenses	3,700	3,682	36,271
Advances received	24,715	25,182	242,307
Income taxes payable (Note 14)	4,832	130	47,377
Allowance for work in process on construction contracts	95	68	932
Provision for loss on order received	445	1,109	4,366
Other current liabilities (Note 13)	366	655	3,583
Total current liabilities	64,689	61,986	634,203
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 14)	5,000	5,038	49,020
Liability for employees' retirement benefits (Notes 2.o and 8)	226	308	2,211
Lease obligations (Notes 11 and 14)	2,019	1,879	19,794
Allowance for PCB disposal expenses (Note 2.p)	334	335	3,275
Provision for compensation for health damage from asbestos (Note 2.q)	143	75	1,402
Deferred tax liabilities (Note 13)	4,768	4,951	46,750
Other long-term liabilities (Note 14)	942	1,425	9,230
Total long-term liabilities	13,432	14,011	131,682
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 10 and 15)			
EQUITY (Note 12):			
Common stock, authorized, 328,000,000 shares; issued, 146,750,129 shares in 2014 and 2013	11,811	11,811	115,791
Capital surplus	12,045	12,045	118,099
Retained earnings	34,914	28,706	342,286
Treasury stock, at cost, 2,379,834 shares in 2014 and 2,361,080 shares in 2013	(508)	(498)	(4,977)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	4,728	5,492	46,349
Deferred gain on derivatives under hedge accounting	12	37	113
Foreign currency translation adjustments	(338)	(248)	(3,312)
Defined retirement benefit plans (Note 2.o)	604	-	5,932
Total accumulated other comprehensive income	5,006	5,281	49,082
Minority interests	64	58	631
Total equity	63,332	57,403	620,912
TOTAL	¥ 141,453	¥ 133,400	$ 1,386,797

(Concluded)

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Income
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NET SALES (Note 17)	¥ 124,311	¥ 83,018	$ 1,218,733
COST OF SALES (Notes 2.i, 2.m, and 2.u)	110,143	73,985	1,079,835
Gross profit	14,168	9,033	138,898
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 2.u)	7,464	7,024	73,179
Operating income	6,704	2,009	65,719
OTHER INCOME (EXPENSES):			
Interest and dividend income (Note 17)	244	264	2,388
Interest expense (Note 17)	(60)	(116)	(587)
Equity in earnings of affiliated companies	46	10	453
Gain on sales of investment securities, net (Note 5)	562	271	5,508
Loss on impairment of property, plant, and equipment (Note 16)	(55)	(1)	(540)
Gain (loss) on sales and disposals of property, plant, and equipment, net	2,800	(116)	27,452
Loss on sales of investment in an unconsolidated subsidiary	-	(381)	-
Other, net	(438)	(72)	(4,292)
Other income (expenses) – net	3,099	(141)	30,382
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	9,803	1,868	96,101
INCOME TAXES (Note 13):			
Current	4,103	613	40,221
Deferred	(1,237)	(351)	(12,131)
Total income taxes	2,866	262	28,090
NET INCOME BEFORE MINORITY INTERESTS	6,937	1,606	68,011
MINORITY INTERESTS IN NET INCOME	7	8	73
NET INCOME	¥ 6,930	¥ 1,598	$ 67,938

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2 v.):			
Basic net income	¥ 48.00	¥ 11.07	$ 0.47
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, 2014

	Millions of Yen				Thousands of U.S. Dollars (Note 1)	
	2014		2013		2014	
NET INCOME BEFORE MINORITY INTERESTS	¥	6,937	¥	1,606	$	68,011
OTHER COMPREHENSIVE INCOME (Note 18):						
Unrealized (loss) gain on available-for-sale securities		(773)		2,421		(7,572)
Deferred (loss) gain on derivatives under hedge accounting		(25)		3		(245)
Foreign currency translation adjustments		(90)		(172)		(885)
Share of other comprehensive income in an associated company		8		-		74
Total other comprehensive income		(880)		2,252		(8,628)
COMPREHENSIVE INCOME	¥	6,057	¥	3,858	$	59,383
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:						
Owners of the parent	¥	6,050	¥	3,850	$	59,310
Minority interests		7		8		73

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Changes in Equity
Year Ended March 31, 2014

		Millions of Yen			
	Number of shares of common stock outstanding	Common stock	Capital surplus	Retained earnings	Treasury stock
BALANCE, APRIL 1, 2012	144,415,875	¥ 11,811	¥ 12,045	¥ 27,830	¥ (489)
Cash dividends, ¥5.0 per share	-	-	-	(722)	-
Net income	-	-	-	1,598	-
Increase in treasury stock, net	(26,826)	-	0	-	(9)
Net changes in the year	-	-	-	-	-
BALANCE, MARCH 31, 2013	144,389,049	11,811	12,045	28,706	(498)
Cash dividends, ¥5.0 per share	-	-	-	(722)	-
Net income	-	-	-	6,930	-
Increase in treasury stock, net	(18,754)	-	0	-	(10)
Net changes in the year	-	-	-	-	-
BALANCE, MARCH 31, 2014	144,370,295	¥ 11,811	¥ 12,045	¥ 34,914	¥ (508)

	Thousands of U.S. Dollars (Note 1)			
	Common stock	Capital surplus	Retained earnings	Treasury stock
BALANCE, MARCH 31, 2013	$ 115,791	$ 118,096	$ 281,426	$ (4,880)
Cash dividends, $0.05 per share	-	-	(7,078)	-
Net income	-	-	67,938	-
Increase in treasury stock, net	-	3	-	(97)
Net changes in the year	-	-	-	-
BALANCE, MARCH 31, 2014	$ 115,791	$ 118,099	$ 342,286	$ (4,977)

See notes to consolidated financial statements.

Millions of Yen

Accumulated other comprehensive income						
Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income	Minority interests	Total equity
¥ 3,071	¥ 34	¥ (76)	-	¥ 3,029	¥ 51	¥ 54,277
-	-	-	-	-	-	(722)
-	-	-	-	-	-	1,598
-	-	-	-	-	-	(9)
2,421	3	(172)	-	2,252	7	2,259
5,492	37	(248)	-	5,281	58	57,403
-	-	-	-	-	-	(722)
-	-	-	-	-	-	6,930
-	-	-	-	-	-	(10)
(764)	(25)	(90)	¥ 604	(275)	6	(269)
¥ 4,728	¥ 12	¥ (338)	¥ 604	¥ 5,006	¥ 64	¥ 63,332

Thousands of U.S. Dollars (Note 1)

Accumulated other comprehensive income						
Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income	Minority interests	Total equity
$ 53,846	$ 359	$ (2,427)	-	$ 51,778	$ 568	$ 562,779
-	-	-	-	-	-	(7,078)
-	-	-	-	-	-	67,938
-	-	-	-	-	-	(94)
(7,497)	(246)	(885)	$ 5,932	(2,696)	63	(2,633)
$ 46,349	$ 113	$ (3,312)	$ 5,932	$ 49,082	$ 631	$ 620,912

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Cash Flows
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 9,803	¥ 1,868	$ 96,101
Adjustments for:			
Income taxes-paid	(677)	(2,643)	(6,642)
Depreciation	2,901	2,692	28,444
Loss on impairment of property, plant, and equipment	55	1	540
Equity in net earnings of associated companies	-	(10)	-
(Gain) loss on sales and disposals of property, plant, and equipment	(2,871)	42	(28,151)
Gain on sales of investment securities	(562)	(271)	(5,508)
Changes in assets and liabilities:			
Increase in trade notes and accounts receivable	(12,505)	(1,601)	(122,593)
Decrease (increase) in inventories	11,381	(21,416)	111,583
(Decrease) increase in trade notes and accounts payable	(3,516)	6,717	(34,472)
Increase in allowance for work in process on construction contracts	27	56	268
Increase (decrease) in provision for compensation for health damage from asbestos	68	(3)	667
(Decrease) increase in advances received	(3,919)	4,783	(38,420)
(Decrease) increase in liability for employees' retirement benefits	(82)	34	(807)
Other-net	2,034	(4,583)	19,944
Net cash provided by (used in) operating activities	2,137	(14,334)	20,954
INVESTING ACTIVITIES:			
Payments for time deposits	(0)	(50)	(0)
Purchases of property, plant, and equipment	(3,985)	(3,857)	(39,065)
Proceeds from sales of property, plant, and equipment	3,076	303	30,157
Purchases of investment securities	(5)	(3)	(52)
Proceeds from sales of investment securities	991	2,885	9,718
Other-net	(247)	(193)	(2,423)
Net cash used in investing activities	(170)	(915)	(1,665)
FINANCING ACTIVITIES:			
Net increase in short-term borrowings	383	3,273	3,751
Proceeds from long-term debt	-	5,000	-
Repayments of long-term debt	(63)	(25)	(613)
Repayments of bonds	-	(10,000)	-
Dividends paid	(722)	(723)	(7,081)
Other-net	(61)	(48)	(595)
Net cash used in financing activities	(463)	(2,523)	(4,538)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	675	371	6,615
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,179	(17,401)	21,366
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,866	22,267	47,701
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 7,045	¥ 4,866	$ 69,067

See notes to consolidated financial statements.

(Concluded)

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

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 which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 consolidated financial statements to conform to the classifications used in 2014.

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 ¥102 to $1, the approximate rate of exchange at March 31, 2014. 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, 2014, include the accounts of the Company and its significant subsidiaries (together, the "Group"). Under the control and influence concepts, 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 an associated company are accounted for by the equity method. Investments in the remaining unconsolidated subsidiary 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 also eliminated.

The number of the consolidated subsidiaries, unconsolidated subsidiary, and associated companies for the years ended March 31, 2014 and 2013, was as follows:

	2014	2013
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 the 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 generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that 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 research and development (R&D); (d) cancellation of the fair value model of 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 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 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 previous accounting standard required the R&D costs to be charged to income as incurred. Under the revised standard, in-process R&D costs 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:

Available-for-sale 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 and 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 and 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 are utilized to hedge foreign currency exposures in long-term debt. Long-term debt is translated at the contracted rates if the currency swaps qualify for hedge accounting.

The interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

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 the specific identification method for merchandise, finished goods, and work in process and by the 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. Write-down of inventories in the amounts of ¥3,565 million ($34,961 thousand) and ¥1,434 million for the years ended March 31, 2014 and 2013, respectively, were included in cost of sales.

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.

Depreciation of leased assets is computed by the straight-line method over the leased period.

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 circumstance indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

l. Other assets
Intangible assets are amortized by the straight-line method. Software costs are amortized over five years.

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. Provisions for work in process on construction contracts in the amounts of ¥27 million ($268 thousand) and ¥56 million for the years ended March 31, 2014 and 2013, respectively, were included in cost of sales.

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. Retirement and pension plans
The Company has a lump-sum retirement benefit plan, a defined contribution pension plan, and a defined benefit pension plan. The Company's consolidated subsidiaries have similar retirement benefit plans.

Effective April 1, 2000, the Company adopted a new accounting standard for retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the consolidated balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over 15 years within the average remaining service period. Past service costs are amortized on a straight-line basis over 15 years within the average remaining service period. The transitional obligation determined as of April 1, 2000, is being amortized over 15 years.

In May 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 Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

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

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period 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 are 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.

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, 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 applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014. As a result, asset for retirement benefits of ¥2,240 million ($21,960 thousand) and liability for retirement benefits of ¥226 million ($2,211 thousand) were recorded as of March 31, 2014, and accumulated other comprehensive income for the year ended March 31, 2014, increased by ¥604 million ($5,932 thousand).

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 rates 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 consolidated 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 consolidated 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 other comprehensive income in a separate component of equity.

u. R&D expenses

Expenses related to R&D activities are charged to income as incurred. R&D expenses amounted to ¥1,356 million ($13,304 thousand) and ¥1,532 million for the years ended March 31, 2014 and 2013, respectively, and are included in general and administrative expenses and manufacturing costs in the accompanying consolidated statements 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. Weighted-average number of shares of common stock for the years ended March 31, 2014 and 2013, were 144,379 thousand shares and 144,406 thousand shares, respectively. Diluted net income per share for the years ended March 31, 2014 and 2013, 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 consolidated 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 consolidated 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 and ASBJ Guidance No. 25 which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

Major change is as follow:

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 the 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, 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 applied the revised accounting standard for the above from April 1, 2014, and the effect of the application is to decrease retained earnings as of April 1, 2014, by approximately ¥1,500 million ($14,706 thousand).

3. NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Trade notes	¥ 3,694	¥ 3,869	$ 36,216
- Unconsolidated subsidiary and associated companies	126	110	1,240
Trade accounts	26,513	15,562	259,933
- The Parent, unconsolidated subsidiary and associated companies	3,873	2,152	37,969
Other	61	299	595
Less allowance for doubtful accounts	(43)	(45)	(423)
Total	¥ 34,224	¥ 21,947	$ 335,530

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

4. INVENTORIES

Inventories as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Merchandise	¥ 171	¥ 353	$ 1,676
Finished goods	852	1,388	8,348
Work in process and semifinished goods	31,397	42,486	307,821
Raw materials	5,291	3,240	51,871
Total	¥ 37,711	¥ 47,467	$ 369,716

Work in process and allowance for work in process on construction contracts are presented in the gross amount in the consolidated balance sheet. At March 31, 2014 and 2013, allowances for work in process on construction contracts of ¥14 million ($138 thousand) and ¥20 million, respectively, are provided and included in work in process above.

5. INVESTMENT SECURITIES

Investment securities as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Equity securities	¥ 14,543	¥ 16,070	$ 142,576
Total	¥ 14,543	¥ 16,070	$ 142,576

The costs and aggregate fair values of investment securities as of March 31, 2014 and 2013, were as follows:

	Millions of Yen			
	2014			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Securities classified as available-for-sale:				
Equity securities	¥ 6,248	¥ 7,295	¥ (23)	¥ 13,520
Total	¥ 6,248	¥ 7,295	¥ (23)	¥ 13,520

	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

	Thousands of U.S. Dollars			
	2014			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Securities classified as available-for-sale:				
Equity securities	$ 61,256	$ 71,523	$ (229)	$ 132,550
Total	$ 61,256	$ 71,523	$ (229)	$ 132,550

The information of available-for-sale securities which were sold for the years ended March 31, 2014 and 2013, was as follows:

	Millions of Yen		
	2014		
	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	¥ 902	¥ 513	¥ -
Total	¥ 902	¥ 513	¥ -

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

	Thousands of U.S. Dollars		
	2014		
	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	$ 8,843	$ 5,030	$ -
Total	$ 8,843	$ 5,030	$ -

No impairment losses on available-for-sale equity securities for the years ended March 31, 2014 and 2013, were recognized.

6. NOTES AND ACCOUNTS PAYABLE

Notes and accounts payable as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Trade notes	¥ 1,050	¥ 2,558	$ 10,288
Electronically recorded obligations - operating	8,822	10,864	86,489
-Unconsolidated subsidiary and associated companies	20	21	196
Trade accounts	11,529	11,127	113,032
-Unconsolidated subsidiary and associated companies	115	90	1,132
Other	3,910	1,593	38,330
Total	¥ 25,446	¥ 26,253	$ 249,467

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Unsecured bank loans with an average interest rate of 0.65% in 2013	-	¥ 445	$ -
CMS with average interest rates of 0.45% and 0.48% in 2014 and 2013, respectively	¥ 4,101	3,273	40,205
	¥ 4,101	¥ 3,718	$ 40,205

Long-term debt as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Unsecured bank loans due in 2018 with average interest rates of 0.55% and 0.57% in 2014 and 2013, respectively	¥ 5,000	¥ 5,063	$ 49,020
Total	5,000	5,063	49,020
Less current portion	-	(25)	-
Long-term debt, less current portion	¥ 5,000	¥ 5,038	$ 49,020

The aggregate annual maturities of long-term debt as of March 31, 2014, were as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	-	-
2016	-	-
2017	-	-
2018	¥ 5,000	$ 49,020
2019	-	-
Total	¥ 5,000	$ 49,020

8. RETIREMENT AND PENSION PLANS

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 contributed certain assets to the employee retirement benefit trust. The Company's consolidated subsidiaries have similar retirement benefit plans.

For the year ended March 31, 2014

(1) Defined benefit plans

(a) The changes in defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Balance at beginning of year	¥ 11,995	$ 117,594
Current-service cost	604	5,920
Interest cost	231	2,264
Actuarial gains	(119)	(1,171)
Benefits paid	(831)	(8,140)
Balance at end of year	¥ 11,880	$ 116,467

(b) The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Balance at beginning of year	¥ 11,940	$ 117,058
Expected return on plan assets	189	1,856
Actuarial gains	1,621	15,894
Contribution from the employer	482	4,718
Benefits paid	(352)	(3,451)
Balance at end of year	¥ 13,880	$ 136,075

(c) Reconciliation between the liability (asset) recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2014, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Funded defined benefit obligation	¥ 11,652	$ 114,239
Plan assets	(13,880)	(136,075)
	(2,228)	(21,836)
Unfunded defined benefit obligation	212	2,087
Net asset arising from defined benefit obligation	¥ (2,014)	$ (19,749)
Asset for retirement benefits	¥ (2,240)	$ (21,960)
Liability for retirement benefits	226	2,211
Net asset arising from defined benefit obligation	¥ (2,014)	$ (19,749)

(d) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Service cost *(Note)*	¥ 612	$ 6,007
Interest cost	231	2,264
Expected return on plan assets	(189)	(1,856)
Amortization of transitional obligation	226	2,215
Recognized actuarial losses	214	2,102
Amortization of prior-service cost	(4)	(43)
Net periodic benefit costs	¥ 1,090	$ 10,689

Note: Retirement benefit costs of the consolidated subsidiaries applying the simplified method are included in service cost.

(e) Accumulated other comprehensive income on defined retirement benefit plans, before tax, as of March 31, 2014, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Unrecognized transitional obligation	¥ 199	$ 1,955
Unrecognized prior-service cost	(48)	(472)
Unrecognized actuarial gains and losses	(1,083)	(10,623)
Total	¥ (932)	$ (9,140)

(f) Plan assets

(i) Components of plan assets

Plan assets consisted of the following:

	2014
Debt investments	14%
Equity investments	79%
Cash and deposits	3%
Other	4%
Total	100%

Note: Total plan assets include 44% and 17% retirement benefit trusts set up for the defined benefit pension plans and the lump-sum retirement benefit plans, respectively.

(ii) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(g) Assumptions used for the year ended March 31, 2014, were set forth as follows:

	2014
Discount rate	2.0%
Expected rate of return on plan assets	2.0%

(2) Defined contribution plans
The required contribution of the Company and its consolidated subsidiaries amounted to ¥112 million ($1,097 thousand) for the year ended March 31, 2014.
For the year ended March 31, 2013
The liability for employees' retirement benefits as of March 31, 2013, consisted of the following:

	Millions of Yen
	2013
Projected benefit obligation	¥ 11,995
Fair value of plan assets	(11,940)
Unrecognized transitional obligation	(440)
Unrecognized actuarial loss	(853)
Unrecognized prior-service cost	52
Net liability	(1,186)
Asset for retirement benefits	(1,494)
Liability for retirement benefits	¥ 308

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, were as follows:

	Millions of Yen
	2013
Service cost	¥ 564
Interest cost	234
Expected return on plan assets	(168)
Amortization of transitional obligation	220
Recognized actuarial loss	385
Amortization of prior-service cost	(4)
Net periodic benefit costs	1,231
Other	118
Total	¥ 1,349

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 as of March 31, 2013, were as follows:

	2013
Method of attributing the projected benefits to periods of service	Straight-line method
Discount rate	2.0%
Expected rate of return on plan assets	2.0%
Amortization period of prior service cost	15 years
Recognition period of actuarial gain/loss	15 years
Amortization period of transitional obligation	15 years

9. ASSETS PLEDGED AS COLLATERAL
Assets pledged as substitutes for cash deposits to a real estate business as of March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Other assets	¥ 10	¥ 10	$ 98
Total	¥ 10	¥ 10	$ 98

10. CONTINGENT LIABILITIES
In some cases, the Company sells its construction equipment products through leasing companies. Some of these leasing companies request that the Company enter into lease credit 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 as of March 31, 2014 and 2013, amounted to ¥744 million ($7,290 thousand) and ¥937 million, respectively.

11. LEASE TRANSACTIONS

The Group uses certain machinery and equipment under finance lease contracts.
All finance lease transactions are accounted for in a manner similar to ordinary sale or purchase transactions.
The aggregate annual maturities of lease obligations as of March 31, 2014, were as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 989	$ 9,695
2016	865	8,476
2017	547	5,358
2018	394	3,864
2019	175	1,719
2020 and thereafter	38	377
Total	¥ 3,008	$ 29,489

A consolidated subsidiary subleases machinery.
Investments in leases and lease obligations, which include interest portion, resulting from sublease transactions as of March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Investments in leases:			
Due within one year	¥ 293	¥ 396	$ 2,874
Due after one year	569	401	5,577
Total	¥ 862	¥ 797	$ 8,451

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Lease obligations:			
Due within one year	¥ 321	¥ 569	$ 3,143
Due after one year	624	439	6,124
Total	¥ 945	¥ 1,008	$ 9,267

12. EQUITY

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

(1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria including (1) having a 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 a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The 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.

13. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 37.5% for the years ended March 31, 2014 and 2013.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities as of March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Deferred tax assets:			
Employee retirement benefit liability	¥ 664	¥ 923	$ 6,511
Amount transferred to defined contribution pension plan	428	607	4,194
Loss on impairment of fixed assets	509	548	4,985
Accrued bonuses to employees	595	514	5,836
Loss on write-down of inventories	2,433	1,181	23,849
Loss on write-down of securities and other	108	174	1,057
Other	2,707	2,869	26,542
	7,444	6,816	72,974
Less valuation allowance	(2,269)	(2,700)	(22,243)
Total	5,175	4,116	50,731
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(2,537)	(2,917)	(24,876)
Deferred gain on sales of property	(1,436)	(1,452)	(14,082)
Revaluation of property	(2,394)	(2,394)	(23,466)
Other	(253)	(89)	(2,482)
Total	(6,620)	(6,852)	(64,906)
Net deferred tax liabilities	¥ (1,445)	¥ (2,736)	$ (14,175)

Deferred tax assets and liabilities as of March 31, 2014 and 2013, were recorded as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Deferred tax assets:			
Current	¥ 3,226	¥ 2,123	$ 31,628
Noncurrent	97	92	947
Deferred tax liabilities:			
Current	-	(0)	-
Noncurrent	(4,768)	(4,951)	(46,750)
Net deferred tax liabilities	¥ (1,445)	¥ (2,736)	$ (14,175)

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, 2014, with the corresponding figures for 2013, is as follows:

	2014	2013
Normal effective statutory tax rate	37.5 %	37.5 %
Increase (decrease) due to:		
Expenses not deductible for income tax purposes	0.3	4.6
Changes in valuation allowance	(4.0)	(26.8)
Tax-exempt income	(0.8)	(4.9)
Refund of income taxes, etc.	(6.9)	-
Per capita inhabitant tax	0.4	1.9
Effect of changes in tax rate	2.4	-
Other	0.3	1.7
Actual effective income tax rate	29.2 %	14.0 %

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 37.5% to 35.1%. The effect of this change was to increase deferred tax liabilities (net of deferred tax assets) and unrealized gain on available-for-sale securities in the consolidated balance sheet as of March 31, 2014, by ¥63 million ($626 thousand) and ¥173 million ($1,697 thousand), respectively, and to increase income taxes — deferred in the consolidated statement of income for the year then ended by ¥237 million ($2,328 thousand).

14. 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 15 for more information about derivatives.

(3) Risk management for financial instruments

Credit risk management

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

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

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

Currency swaps and interest rate swaps are used to manage exposure to market risks from changes in the interest rates of long-term debt.

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 the monthly cash management plan from each subsidiary 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 15 for the details of the fair value of derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
	2014		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	¥ 7,045	¥ 7,045	-
Notes and accounts receivable	34,224	34,224	-
Investment securities	13,520	13,520	-
Total	¥ 54,789	¥ 54,789	-
Notes and accounts payable	¥ 25,446	¥ 25,446	-
Short-term borrowings	4,101	4,101	-
Income taxes payable	4,832	4,832	-
Long-term debt, including current portion	5,000	5,005	¥ (5)
Lease obligations, including current portion	3,008	2,982	26
Total	¥ 42,387	¥ 42,366	¥ 21

	Millions of Yen		
	2013		
	Carrying amount	Fair value	Unrealized gain
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

	Thousands of U.S. Dollars		
	2014		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	$ 69,067	$ 69,067	-
Notes and accounts receivable	335,530	335,530	-
Investment securities	132,550	132,550	-
Total	$ 537,147	$ 537,147	-
Notes and accounts payable	$ 249,467	$ 249,467	-
Short-term borrowings	40,205	40,205	-
Income taxes payable	47,377	47,377	-
Long-term debt, including current portion	49,020	49,064	$ (44)
Lease obligations, including current portion	29,489	29,237	252
Total	$ 415,558	$ 415,350	$ 208

Assets

Cash and cash equivalents, and notes and accounts receivable

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

Investment securities

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

Liabilities

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

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 15.
(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Unlisted securities	¥ 1,023	¥ 1,010	$ 10,026
Investments in unconsolidated subsidiary and associated companies	1,258	1,243	12,332

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

	Millions of Yen			
	2014			
	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	¥ 7,045	-	-	-
Notes and accounts receivable	33,712	¥ 512	-	-
Total	¥ 40,757	¥ 512	-	-

	Thousands of U.S. Dollars			
	2014			
	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	$ 69,067	-	-	-
Notes and accounts receivable	330,514	$ 5,016	-	-
Total	$ 399,581	$ 5,016	-	-

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

15. DERIVATIVE TRANSACTIONS

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

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, 2014 and 2013, were as follows:

	Hedged item	Millions of Yen 2014 Contract amount	2014 Contract amount due after one year	2014 Fair value	2013 Contract amount	2013 Contract amount due after one year	2013 Fair value
Currency:							
Forward foreign currency contracts							
Buying							
USD	Advance payments	¥ 67	-	¥ 1	¥ 613	-	¥ 126
EUR	Advance payments	78	-	31	422	¥ 65	59
TWD	Advance payments	109	-	18	242	-	31
GBP	Advance payments	-	-	-	30	-	5
THB	Advance payments	-	-	-	9	-	2
Selling							
USD	Advances received	1,079	-	(32)	891	-	(165)
Interest rate:							
Interest rate currency swap contracts (USD floating rate receipt/ JPY fixed rate payment)	Long-term debt	¥ 2,500	¥ 2,500	*Note*	¥ 2,500	¥ 2,500	*Note*
Interest rate swap contracts (floating rate receipt/fixed rate payment)	Long-term debt (including current portion)	1,300	1,300	*Note*	1,363	1,338	*Note*

	Hedged item	Thousands of U.S. Dollars 2014 Contract amount	2014 Contract amount due after one year	2014 Fair value
Currency:				
Forward foreign currency contracts				
Buying				
USD	Advance payments	$ 653	-	$ 11
EUR	Advance payments	767	-	300
TWD	Advance payments	1,071	-	175
Selling				
USD	Advances received	10,578	-	(312)
Interest rate:				
Interest rate currency swap contracts (USD floating rate receipt/ JPY fixed rate payment)	Long-term debt	$ 24,510	$ 24,510	*Note*
Interest rate swap contracts (floating rate receipt/fixed rate payment)	Long-term debt	12,745	12,745	*Note*

Note: Fair values of interest rate currency swaps, which qualify for hedge accounting, and those of interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are included in the fair values of the long-term debt in Note 14

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

The Group recognized impairment loss on the following asset groups.
For the year ended March 31, 2014:

			Millions of Yen	Thousands of U.S. Dollars
Asset group	Location	Account	2014	2014
Unused property	Shinano, Nagano	Land, etc.	¥ 3	$ 27
Pulp and paper plant engineering business property	Fuji, Shizuoka	Machinery and equipment, etc.	11	112
Cast steel and forged product business property	Handa, Aichi	Machinery and equipment, etc.	41	401
		Total	¥ 55	$ 540

The Group reviewed its long-lived assets for impairment as of March 31, 2014.
For the year ended March 31, 2014, the Group recognized an impairment loss for unused property since its market price decreased below its book value. For pulp and paper plant engineering business property, an impairment loss was also recognized by write-down to a recoverable amount due to consecutive operating losses in the recent years. As a result, impairment losses were recognized on machinery and equipment, buildings, and other in the amounts of ¥8 million ($77 thousand), ¥1 million ($16 thousand), and ¥2 million ($19 thousand), respectively. A further impairment loss was recognized for cast steel and forged product business property by write-down to a recoverable amount due to the resolution for dissolution of Nissha Washino Steel Co., Ltd., at its extraordinary shareholder's meeting held on March 31, 2014. As a result, impairment losses were recognized on machinery and equipment, lease assets, and other, in the amounts of ¥33 million ($318 thousand), ¥5 million ($53 thousand), and ¥3 million ($30 thousand), respectively.
For the year ended March 31, 2013:

			Millions of Yen
Asset group	Location	Account	2013
Unused property	Aso, Kumamoto	Land	¥ 1
		Total	¥ 1

The Group reviewed its long-lived assets for impairment as of March 31, 2013.
For the year ended March 31, 2013, the Group recognized an impairment loss of ¥1 million for unused property since its market price decreased below its book value.

17. RELATED-PARTY DISCLOSURES

The Parent directly owned 51.2% of the total shares of the Company as of March 31, 2014. The Company distributes transportation vehicles to the Parent.
Transactions of the Company with the Parent for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Sales	¥ 24,368	¥ 21,689	$ 238,902
Interest income	-	27	-
Interest expense	25	9	247

The balances due to or from the Parent as of March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Accounts receivable	¥ 3,768	¥ 2,081	$ 36,942
Short-term borrowings	4,101	3,273	40,205

18. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Unrealized (loss) gain on available-for-sale securities:			
(Losses) gains arising during the year	¥ (628)	¥ 3,847	$ (6,161)
Reclassification adjustments to profit or loss	(514)	(156)	(5,030)
Amount before income tax effect	(1,142)	3,691	(11,191)
Income tax effect	369	(1,270)	3,619
Total	¥ (773)	¥ 2,421	$ (7,572)
Deferred (loss) gain on derivatives under hedge accounting:			
(Losses) gains arising during the year	¥ (41)	¥ 4	$ (399)
Income tax effect	16	(1)	154
Total	¥ (25)	¥ 3	$ (245)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (90)	¥ (172)	$ (885)
Total	¥ (90)	¥ (172)	$ (885)
Share of other comprehensive income in an associated company			
Gains arising during the year	¥ 12	-	$ 121
Income tax effect	(4)	-	(47)
Total	¥ 8	-	$ 74
Total other comprehensive income	¥ (880)	¥ 2,252	$ (8,628)

19. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2014, was approved at the Company's shareholders' meeting held on June 27, 2014:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥2.5 ($0.02) per share	¥ 361	$ 3,539

20. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for 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 of the 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, 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 with 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						
	2014						
	Reportable segment						
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Other	Total	Reconciliations	Consolidated
Net sales							
Sales to external customers	¥ 79,100	¥ 16,008	¥ 21,479	¥ 7,724	¥124,311	-	¥124,311
Intersegment sales or transfers	23	577	28	860	1,488	¥ (1,488)	-
Total	¥ 79,123	¥ 16,585	¥ 21,507	¥ 8,584	¥125,799	¥ (1,488)	¥124,311
Segment profit (loss)	¥ 4,157	¥ (280)	¥ 3,482	¥ 348	¥ 7,707	¥ (1,003)	¥ 6,704
Segment assets	¥ 77,536	¥ 17,678	¥ 20,884	¥ 2,562	¥118,660	¥ 22,793	¥141,453
Other:							
Depreciation	¥ 1,453	¥ 413	¥ 714	¥ 49	¥ 2,629	¥ 272	¥ 2,901
Increase in property, plant, and equipment and intangible assets	3,476	331	1,074	16	4,897	486	5,383

	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

	Thousands of U.S. Dollars						
	2014						
	Reportable segment						
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Other	Total	Reconciliations	Consolidated
Net sales							
Sales to external customers	$775,489	$156,942	$210,574	$ 75,728	$1,218,733	-	$1,218,733
Intersegment sales or transfers	229	5,652	278	8,431	14,590	$(14,590)	-
Total	$775,718	$162,594	$210,852	$ 84,159	$1,233,323	$(14,590)	$1,218,733
Segment profit (loss)	$ 40,756	$ (2,749)	$ 34,135	$ 3,410	$ 75,552	$ (9,833)	$ 65,719
Segment assets	$760,159	$173,318	$204,740	$ 25,116	$1,163,333	$223,464	$1,386,797
Other:							
Depreciation	$ 14,244	$ 4,053	$ 7,000	$ 484	$ 25,781	$ 2,663	$ 28,444
Increase in property, plant, and equipment and intangible assets	34,078	3,244	10,531	157	48,010	4,765	52,775

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, and real estate rental.

2. "Reconciliations" in segment profit (loss) include corporate expenses of ¥(1,012) million ($(9,926) thousand) and ¥(913) million, elimination of intersegment transactions of ¥0 and ¥10 million, and adjustments in inventories of ¥4 million ($37 thousand) and ¥(9) million for the years ended March 31, 2014 and 2013, 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 ¥20,685 million ($202,794 thousand) and ¥21,404 million, elimination of intersegment balances of ¥(186) million ($(1,820) thousand) and ¥(164) million, and adjustments in inventories of ¥(101) million ($(989) thousand) and ¥(105) million as of March 31, 2014 and 2013, respectively. Total *corporate assets principally consist of investment securities and general management properties as of March 31, 2014 and of cash and cash equivalents, investment securities, and general management properties as of March 31, 2013.*

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 years ended March 31, 2014 and 2013, was as follows:

	Millions of Yen				
	2014				
	Japan	North America	Asia	Other	Total
Sales	¥ 74,916	¥ 16,952	¥ 32,328	¥ 115	¥ 124,311

	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				
	2014				
	Japan	North America	Asia	Other	Total
Sales	$ 734,470	$ 166,198	$ 316,937	$ 1,128	$ 1,218,733

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

	Millions of Yen				
	2014				
	Japan	North America	Asia	Other	Total
Property, plant, and equipment	¥ 26,630	¥ 7,671	¥ 1	¥ 0	¥ 34,302

	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				
	2014				
	Japan	North America	Asia	Other	Total
Property, plant, and equipment	$ 261,077	$ 75,210	$ 6	$ 0	$ 336,293

(3) Information about major customers

	Sales			
	Millions of Yen		Thousands of U.S. Dollars	
Name of major customer	2014	2013	2014	Related segment
Sumitomo Corporation	¥ 31,063	¥ -	$ 304,542	Railway Rolling Stock
The Parent	24,368	21,689	238,902	Railway Rolling Stock
Sumitomo Corporation of Americas	14,704	-	144,157	Railway Rolling Stock

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

	Millions of Yen						
	2014						
	Reportable segment						
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Other	Total	Reconciliations	Consolidated
Impairment loss	-	-	-	¥ 52	¥ 52	¥ 3	¥ 55

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

	Thousands of U.S. Dollars						
	2014						
	Reportable segment						
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Other	Total	Reconciliations	Consolidated
Impairment loss	-	-	-	$ 513	$ 513	$ 27	$ 540

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	14,204 persons
	(March 31, 2014)

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