Annual Business Report

April 1, 2014 through March 31, 2015

日本車両

NIPPON SHARYO, LTD.

Financial Highlights

Comparison of Sales by Segment

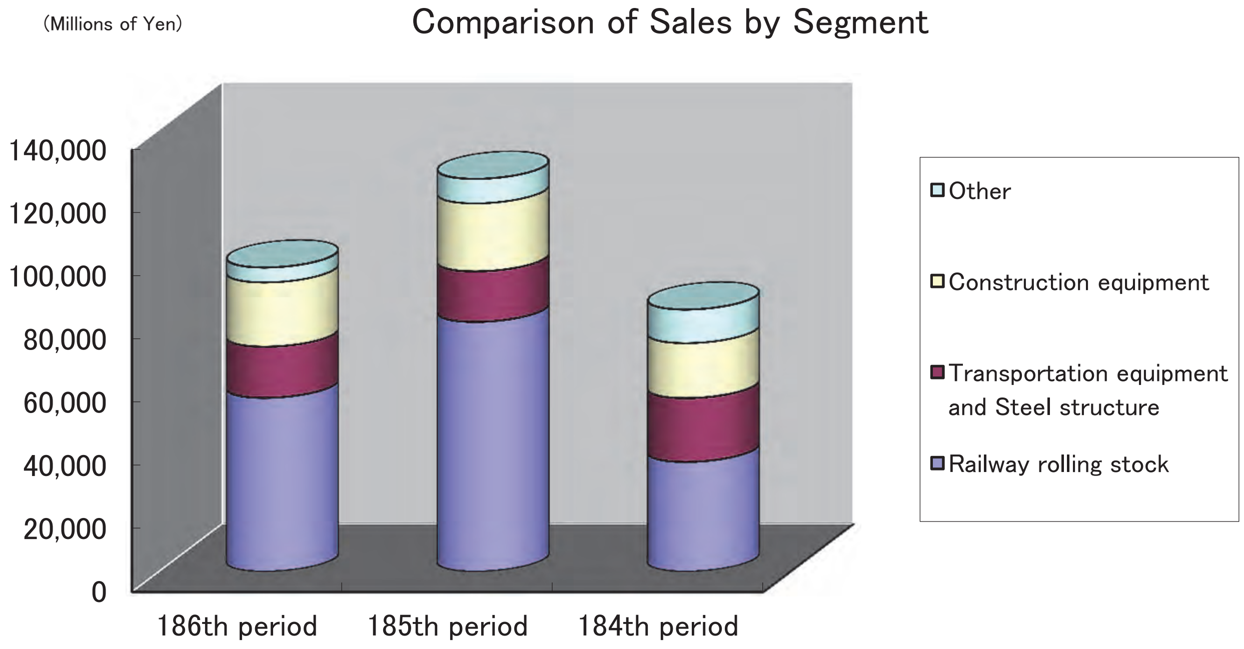
(Unit: millions of yen)

Business Segment	186th period (2014-2015)		185th period (2013-2014)		Increase/(Decrease)	
Railway rolling stock	55,035	57.1 %	79,100	63.6 %	(24,065)	(30.4)%
Transportation equipment and Steel structure	16,260	16.9	16,008	12.9	252	1.6
Construction equipment	20,311	21.1	21,479	17.3	(1,168)	(5.4)
Other	4,693	4.9	7,724	6.2	(3,031)	(39.3)
Total	96,299	100.0	124,311	100.0	(28,012)	(22.5)

Change in Operating Performance and Asset Status

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

Titles of account	186th period (2014-2015)	185th period (2013-2014)	184th period (2012-2013)
Net sales	96,299	124,311	83,018
Ordinary income (loss)	(8,234)	6,677	2,096
Net income (loss)	(14,568)	6,930	1,598
Net income per share (loss)	(¥100.91)	¥48.00	¥11.07
Total assets	145,137	141,453	133,400
Total equity	51,461	63,332	57,403



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N700A Shinkansen train

Message from the President

Review of Business Operations

During the fiscal term under review, the Japanese economy saw an improvement in capital investment and employment as a result of various economic policies and measures although consumer spending showed weak growth in reaction to last-minute demands prior to the consumption tax hike.

Under this business environment, the Group performance showed a reactionary fall following concentrated sales of railway rolling stock in the previous fiscal year, totaling ¥96,299 million, down 22.5% from the previous year. In terms of profits, the US subsidiary recognized loss on contract and an impairment loss for the plant and equipment. As a result, the ordinary loss was ¥8,234 million, and net loss was ¥14,568 million.

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. In terms of expansion to the overseas market, we are setting our eyes on Asian markets where growth in demands is anticipated. We will make an effort in increasing sales by developing and proposing railway rolling stock which matches local needs in Taiwan and Southeast Asian countries. As for our North American business promoted mainly by the railway rolling stock plant in Illinois, U.S.A., the entire Group is working to improve performance through establishing stable production and reducing costs.

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 promptly capture market trends including energy and environmental trends. Our efforts in the steel structure business will be focused on enhancing our ability to propose technological solutions and reducing costs. At the same time, we will expand our 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 in Japan as well as overseas market situations. We will capture business opportunities by proposing products that cater to market 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 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 improvement, and material changes.

In March 2015, the Fair Trade Commission made an announcement that there was a violation of antitrust laws in relation to construction work of grain drying, mixing, and storing facilities and rice-processing facilities ordered by the Agricultural Cooperatives, etc. The Fair Trade Commission further announced that a cease and desist order and an administrative monetary penalty payment order were issued against multiple business entities. The Group submitted an application for the leniency policy in August 2013 to the Fair Trade Commission. The application was approved and, therefore, the Group has not received either of the aforementioned orders. Prior to this, the board of directors has reconfirmed that the Group's intention of non-violation of antitrust laws and reviewed in-house compliance programs in order to ensure compliance. However, we take this matter seriously and will redouble our efforts in fulfilling regulatory compliance as well as consolidating the internal control systems.

T. Morimura

Tsutomu Morimura
President and Chief Executive Officer

Review by Segment

Railway Rolling Stock Business

N700A Shinkansen trains for JR Central

In the railway rolling stock business, our sales to the JR Companies amounted to ¥24,717 million. It was achieved through the sales of the N700A Shinkansen trains, the Series L0 Superconductive Maglev trains, the Series 313 trains, and the Model KiHa 25 diesel cars to JR Central. Our sales for the public and private railways reached ¥9,522 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 3300 trains for Nagoya Railroad Co., Ltd.; the Model 3000 trains for Keisei Electric Railway Co., Ltd.; the Model 12-600 trains for the Bureau of Transportation Tokyo Metropolitan Government, and the Model 2000 trains for Enshu Railway Co., Ltd. For railway cars for overseas, we had sales of ¥20,796 million, including bi-level EMU and passenger cars for the U.S.A.; trains for Venezuela; and diesel cars for Canada. Consequently, our total sales for railway rolling stock recorded ¥55,035 million, down 30.4% from the previous year, when sales were concentrated due to delayed timing of sales.

Series 3300 trains for Nagoya Railroad Co., Ltd

Trains for Venezuela

Transportation Equipment and Steel Structure Businesses

LPG Tank Lorry

In the transportation equipment business, we had sales of carriers, AGV, and other heavy-duty industrial vehicles, as well as LPG tank lorries, container flat cars, and limestone hopper cars. There were also demands for LNG tank lorries. As a result, sales reached ¥9,138 million, up 7.3% from the previous year.

In the steel structure business, sales included Kunimoto-nishi Elevated Bridge and the Yoro Junction - G Ramp Bridge for the Chubu Regional Bureau; Miyayama Elevated Bridge, Fukushigawa Second Bridge for Central Nippon Expressway Company; as well as temporary construction work of Mita overpass. The sales also included a large-scale repair work for Tokaido Shinkansen. Yet, sales were down 4.9% from the previous year to ¥7,122 million.

In all, sales for the transportation equipment and steel structure businesses were ¥16,260 million, up 1.6% from the previous year.

Miyayama Elevated Bridge

Construction Equipment Business

In the construction equipment business, the domestic demand in large 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 to South Korea and casing rotators to China. Yet, sales did not reach the level of the previous year when we operated at a high operation capacity, resulting at ¥16,637 million, down 7.8% from the previous year.

Large Pile Driving Rig

Casing Rotator

The generator business showed healthy movement even though some products suffered from a reactionary fall in sales following last-minute demands prior to the consumption tax hike. The sales of generators were ¥3,675 million, up 7.3% from the previous year.

In all, sales in our construction equipment business were ¥20,311 million, down 5.4% from the previous year.

Other Businesses

Our main sales included; mechanical equipment for Maglev trains for JR Central; vehicle inspection/repair facilities; paper-manufacturing equipment for household paper manufacturers; laser processing machines; and railway memorabilia. However, due to dissolution of Nissha Washino Steel Co., Ltd. and reduction in sales in agricultural plants, sales in other businesses areas totaled ¥4,693 million, down 39.3% from the previous year.

Vehicle Inspection/Repair Facility

The overseas sales for the year under review amount to ¥22,993 million, representing 23.9% of total sales, which includes ¥20,796 million for the railway rolling stock business and ¥2,054 million for the construction equipment business.

The order on hand at the end of the year under review reached ¥177,803 million. These comprised ¥150,068 million for the railway rolling stock business (¥36,680 million for rolling stock for JR companies such as the N700A Shinkansen trains, ¥21,071 million for railway cars for other public and private railway companies, ¥92,317 million for rolling stock for overseas), ¥22,688 million for the transportation equipment and steel structure businesses (¥8,617 million for the transportation equipment business, ¥14,071 million for the steel structure business), ¥2,289 million for the construction equipment business, and ¥2,758 million for other businesses.

Investment in Plant and Equipment

Plant and equipment investment during the year under review totaled ¥5,191 million. At the Toyokawa Plant, investment was mainly targeted at consolidating technical and development capabilities, including renewal of supercomputer used for noise, vibration, and fluid analysis as well as implementation of a design modularization system. Investment was also made at all of our plants to maintain the production capacity, exemplified by the renewal of the transport trolley in the Toyokawa Plant, yard cranes in the Kinuura Plant, and the main-frame welding positioner in the Narumi Plant. Also as a part of our business continuity plan, or BCP, seismic reinforcement construction is being undertaken on the Narumi Plant production building. The implementation of measures to prevent cranes from falling was completed at all locations in December 2014. As for consolidated subsidiaries, NIPPON SHARYO U.S.A., INC. and its subsidiaries completed the construction of the railway rolling stock assembly plant in Illinois, U.S.A. (Rochelle Plant) in July 2014. The plant has begun operation.

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, 2015,
AND
INDEPENDENT AUDITOR'S REPORT

Deloitte.

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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 (the "Company") as of March 31, 2015, and the related consolidated statements of operations, 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, 2015, 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.

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Emphasis of Matter

As discussed in Note 20 to the consolidated financial statements, the Company resolved to borrow long-term debt at the Board of Directors' meeting held on May 21, 2015. Our opinion is not modified in respect of this matter.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 26, 2015

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Balance Sheet
March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
<u>ASSETS</u>	2015	2014	2015
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	¥ 3,181	¥ 7,045	$ 26,510
Notes and accounts receivable (Notes 4, 15, and 18)	29,213	34,224	243,445
Inventories (Note 5)	48,244	37,711	402,035
Deferred tax assets (Note 14)	2,794	3,226	23,281
Other current assets	3,115	5,047	25,951
Total current assets	86,547	87,253	721,222
PROPERTY, PLANT, AND EQUIPMENT:			
Land	15,089	15,486	125,741
Buildings and structures	27,783	26,352	231,524
Machinery and equipment	34,429	34,310	286,909
Construction in progress	333	2,235	2,773
Total	77,634	78,383	646,947
Accumulated depreciation	(45,777)	(44,081)	(381,473)
Net property, plant, and equipment	31,857	34,302	265,474
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 6 and 15)	18,040	14,543	150,334
Investments in an unconsolidated subsidiary and associated companies	1,293	1,258	10,774
Asset for employees' retirement benefits (Notes 2.o and 9)	5,895	2,240	49,124
Deferred tax assets (Note 14)	87	97	725
Other assets (Note 10)	1,418	1,760	11,822
Total investments and other assets	26,733	19,898	222,779
TOTAL	¥ 145,137	¥ 141,453	$ 1,209,475

(Continued)

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Balance Sheet
March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY	2015	2014	2015
CURRENT LIABILITIES:			
Short-term borrowings (Notes 8, 15, and 18)	¥ 10,015	¥ 4,101	$ 83,460
Current portion of lease obligations (Notes 12 and 15)	987	989	8,221
Notes and accounts payable (Notes 7 and 15)	22,499	25,446	187,489
Accrued expenses	5,819	3,700	48,490
Advances received	28,766	24,715	239,718
Income taxes payable (Note 15)	770	4,832	6,418
Allowance for work in process on construction contracts	9	95	72
Provision for loss on order received	9,576	445	79,797
Other current liabilities	286	366	2,394
Total current liabilities	78,727	64,689	656,059
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 15)	5,000	5,000	41,667
Liability for employees' retirement benefits (Notes 2.o and 9)	229	226	1,908
Lease obligations (Notes 12 and 15)	1,672	2,019	13,930
Allowance for PCB disposal expenses	334	334	2,783
Provision for compensation for health damage from asbestos	149	143	1,242
Deferred tax liabilities (Note 14)	6,946	4,768	57,886
Other long-term liabilities	619	942	5,158
Total long-term liabilities	14,949	13,432	124,574
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 11 and 16)			
EQUITY (Note 13):			
Common stock, authorized, 328,000,000 shares; issued, 146,750,129 shares in 2015 and 2014	11,811	11,811	98,423
Capital surplus	12,045	12,045	100,384
Retained earnings	18,049	34,914	150,401
Treasury stock, at cost, 2,388,628 shares in 2015 and 2,379,834 shares in 2014	(511)	(508)	(4,257)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	7,486	4,728	62,387
Deferred gain on derivatives under hedge accounting	(47)	12	(396)
Foreign currency translation adjustments	(2,155)	(338)	(17,959)
Defined retirement benefit plans (Note 2.o)	4,709	604	39,238
Total accumulated other comprehensive income	9,993	5,006	83,270
Minority interests	74	64	621
Total equity	51,461	63,332	428,842
TOTAL	¥ 145,137	¥ 141,453	$ 1,209,475

(Concluded)

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Operations
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET SALES (Note 18)	¥ 96,299	¥ 124,311	$ 802,490
COST OF SALES (Notes 2.i and 2.m)	97,134	110,143	809,447
Gross (loss) profit	(835)	14,168	(6,957)
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	7,343	7,464	61,196
Operating (loss) income	(8,178)	6,704	(68,153)
OTHER (EXPENSES) INCOME:			
Interest and dividend income	240	244	2,000
Interest expense (Note 18)	(87)	(60)	(728)
Equity in earnings of affiliated companies	40	46	337
Gain on sales of investment securities, net (Note 6)	247	562	2,057
Loss on impairment of property, plant, and equipment (Note 17)	(4,815)	(55)	(40,123)
(Loss) gain on sales and disposals of property, plant, and equipment, net	(23)	2,800	(195)
Other – net	(279)	(438)	(2,319)
Other (expenses) income – net	(4,677)	3,099	(38,971)
(LOSS) INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	(12,855)	9,803	(107,124)
INCOME TAXES (Note 14):			
Current	1,002	4,103	8,354
Deferred	700	(1,237)	5,830
Total income taxes	1,702	2,866	14,184
NET (LOSS) INCOME BEFORE MINORITY INTERESTS	(14,557)	6,937	(121,308)
MINORITY INTERESTS IN NET INCOME	11	7	94
NET (LOSS) INCOME	¥ (14,568)	¥ 6,930	$ (121,402)

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.v):			
Basic net (loss) income	¥ (100.91)	¥ 48.00	$ (0.84)
Cash dividends applicable to the year	2.50	5.00	0.02

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Comprehensive Income
Year Ended March 31, 2015

	Millions of Yen				Thousands of U.S. Dollars (Note 1)	
	2015		2014		2015	
NET (LOSS) INCOME BEFORE MINORITY INTERESTS	¥	(14,557)	¥	6,937	$	(121,308)
OTHER COMPREHENSIVE INCOME (Note 19):						
Unrealized gain (loss) on available-for-sale securities		2,759		(773)		22,992
Deferred loss on derivatives under hedge accounting		(59)		(25)		(492)
Foreign currency translation adjustments		(1,817)		(90)		(15,144)
Defined retirement benefit plans		4,103		-		34,197
Share of other comprehensive income in an associated company		(0)		8		(2)
Total other comprehensive income		4,986		(880)		41,551
COMPREHENSIVE INCOME	¥	(9,571)	¥	6,057	$	(79,757)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:						
Owners of the parent	¥	(9,582)	¥	6,050	$	(79,851)
Minority interests		11		7		94

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Changes in Equity
Year Ended March 31, 2015

	Number of shares of common stock outstanding	Millions of Yen			
		Common stock	Capital surplus	Retained earnings	Treasury stock
BALANCE, APRIL 1, 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 (APRIL 1, 2014, as previously reported)	144,370,295	11,811	12,045	34,914	(508)
Cumulative effect of accounting change	-	-	-	(1,575)	-
BALANCE, APRIL 1, 2014 (as restated)	144,370,295	11,811	12,045	33,339	(508)
Cash dividends, ¥5.0 per share	-	-	-	(722)	-
Net loss	-	-	-	(14,568)	-
Increase in treasury stock, net	(8,794)	-	0	-	(3)
Net changes in the year	-	-	-	-	-
BALANCE, MARCH 31, 2015	144,361,501	¥ 11,811	¥ 12,045	¥ 18,049	¥ (511)

	Thousands of U.S. Dollars (Note 1)			
	Common stock	Capital surplus	Retained earnings	Treasury stock
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	$ 98,423	$ 100,384	$ 290,944	$ (4,230)
Cumulative effect of accounting change	-	-	(13,125)	-
BALANCE, APRIL 1, 2014 (as restated)	98,423	100,384	277,819	(4,230)
Cash dividends, $0.04 per share	-	-	(6,016)	-
Net loss	-	-	(121,402)	-
Increase in treasury stock, net	-	0	-	(27)
Net changes in the year	-	-	-	-
BALANCE, MARCH 31, 2015	$ 98,423	$ 100,384	$ 150,401	$ (4,257)

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
¥ 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
-	-	-	-	-	-	(1,575)
4,728	12	(338)	604	5,006	64	61,757
-	-	-	-	-	-	(722)
-	-	-	-	-	-	(14,568)
-	-	-	-	-	-	(3)
2,758	(59)	(1,817)	4,105	4,987	10	4,997
¥ 7,486	¥ (47)	¥ (2,155)	¥ 4,709	¥ 9,993	¥ 74	¥ 51,461

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
$ 39,397	$ 96	$ (2,815)	$ 5,042	$ 41,720	$ 537	$ 527,778
-	-	-	-	-	-	(13,125)
39,397	96	(2,815)	5,042	41,720	537	514,653
-	-	-	-	-	-	(6,016)
-	-	-	-	-	-	(121,402)
-	-	-	-	-	-	(27)
22,990	(492)	(15,144)	34,196	41,550	84	41,634
$ 62,387	$ (396)	$ (17,959)	$ 39,238	$ 83,270	$ 621	$ 428,842

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Cash Flows
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
OPERATING ACTIVITIES:			
(Loss) income before income taxes and minority interests	¥ (12,855)	¥ 9,803	$ (107,124)
Adjustments for:			
Income taxes-paid	(4,433)	(677)	(36,946)
Depreciation	3,021	2,901	25,172
Loss on impairment of property, plant, and equipment	4,815	55	40,123
Loss (gain) on sales and disposals of property, plant, and equipment	9	(2,871)	78
Gain on sales of investment securities	(247)	(562)	(2,057)
Changes in assets and liabilities:			
Decrease (increase) in trade notes and accounts receivable	5,062	(12,505)	42,183
(Increase) decrease in inventories	(7,935)	11,381	(66,126)
Decrease in trade notes and accounts payable	(1,341)	(3,516)	(11,172)
(Decrease) increase in allowance for work in process on construction contracts	(86)	27	(721)
Increase (decrease) in provision for loss on orders received	7,994	(822)	66,617
Increase in provision for compensation for health damage from asbestos	6	68	50
Increase (decrease) in advances received	1,020	(3,919)	8,497
Decrease in liability for employees' retirement benefits	(1,572)	(82)	(13,096)
Other-net	2,856	2,856	23,803
Net cash (used in) provided by operating activities	(3,686)	2,137	(30,719)
INVESTING ACTIVITIES:			
Purchases of property, plant, and equipment	(4,414)	(3,985)	(36,784)
Proceeds from sales of property, plant, and equipment	48	3,076	398
Purchases of investment securities	(3)	(5)	(27)
Proceeds from sales of investment securities	440	991	3,665
Other-net	(381)	(247)	(3,166)
Net cash used in investing activities	(4,310)	(170)	(35,914)
FINANCING ACTIVITIES:			
Net increase in short-term borrowings	4,772	383	39,768
Repayments of long-term debt	-	(63)	-
Dividends paid	(722)	(722)	(6,021)
Other-net	(70)	(61)	(577)
Net cash provided by (used in) financing activities	3,980	(463)	33,170
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	152	675	1,266
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,864)	2,179	(32,197)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,045	4,866	58,707
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 3,181	¥ 7,045	$ 26,510

See notes to consolidated financial statements.

(Concluded)

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Notes to Consolidated Financial Statements
Year Ended March 31, 2015

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 2014 consolidated financial statements to conform to the classifications used in 2015.

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 ¥120 to $1, the approximate rate of exchange at March 31, 2015. 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, 2015, 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.

Investment in an associated company is 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, 2015 and 2014, was as follows:

	2015	2014
Consolidated subsidiaries	6	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 recorded in equity through other comprehensive income; (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 operations 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 based on 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, and raw materials, 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 ¥3,059 million ($25,495 thousand) and ¥3,565 million for the years ended March 31, 2015 and 2014, 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. Intangible assets

Intangible assets that are included in other 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 ¥(86) million ($(721) thousand) and ¥27 million for the years ended March 31, 2015 and 2014, 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.

Liabilities for employees' retirement benefits are calculated 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 benefit formula basis. The transitional obligations are amortized on a straight-line basis over 15 years. Prior service costs are amortized on a straight-line basis over 15 years, which is within the average remaining service period. Actuarial gains and losses are amortized on a straight-line basis mainly over 15 years, which is within the average remaining service period in the following the fiscal year.

The Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" in May 2012 and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits" in March 2015, 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 prior 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 prior 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 prior 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 prior service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period, are treated as reclassification adjustments (see Note 19).

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

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all 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 Companies applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Companies changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rate, and recorded the effect above as of April 1, 2014, in retained earnings. As a result, asset for employees' retirement benefits as of April 1, 2014, increased by ¥142 million ($1,185 thousand), liability for employees' retirement benefits as of April 1, 2014, increased by ¥2,569 million ($21,408 thousand), and retained earnings as of April 1, 2014, decreased by ¥1,575 million ($13,125 thousand). In addition, basic net income per share for the year ended March 31, 2015, increased by ¥10.90 ($0.09). The effect of this change on the consolidated statement of operations for the year ended March 31, 2015, was immaterial.

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 operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax 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 operations 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 ¥1,130 million ($9,415 thousand) and ¥1,356 million for the years ended March 31, 2015 and 2014, respectively, and are included in general and administrative expenses and manufacturing costs in the accompanying consolidated statements of operations.

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, 2015 and 2014, were 144,366 thousand shares and 144,379 thousand shares, respectively. Diluted net income per share for the years ended March 31, 2015 and 2014, was not applicable because the Company had no dilutive common shares. Cash dividends per share presented in the accompanying consolidated statement of operations 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.

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3. CHANGES IN PRESENTATION METHOD

(Consolidated statement of cash flows)

Prior to April 1, 2014, "Provision for loss on order received" was included in "Other - net" in the "OPERATING ACTIVITIES" section of the consolidated statement of cash flows. Since the amount increased significantly during this fiscal year ended March 31, 2015, such amount is disclosed separately in the "OPERATING ACTIVITIES" section of the consolidated statement of cash flows for the year ended March 31, 2015. The amount included in "Other - net" for the year ended March 31, 2014, was ¥(822) million (cash outflow).

4. NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Trade notes	¥ 3,903	¥ 3,694	$ 32,521
- Unconsolidated subsidiary and associated companies	138	126	1,147
Trade accounts	21,955	26,513	182,956
- The Parent, unconsolidated subsidiary and associated companies	3,186	3,873	26,552
Other	51	61	431
Less allowance for doubtful accounts	(20)	(43)	(162)
Total	¥ 29,213	¥ 34,224	$ 243,445

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

5. INVENTORIES

Inventories as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Merchandise	¥ 92	¥ 171	$ 770
Finished goods	1,297	852	10,804
Work in process and semifinished goods	38,947	31,397	324,559
Raw materials	7,908	5,291	65,902
Total	¥ 48,244	¥ 37,711	$ 402,035

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, allowance for work in process on construction contracts of ¥14 million is provided and included in work in process above. At March 31, 2015, no respective allowance is provided and included in work in process.

6. INVESTMENT SECURITIES

Investment securities as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Equity securities	¥ 18,040	¥ 14,543	$ 150,334
Total	¥ 18,040	¥ 14,543	$ 150,334

The costs and aggregate fair values of investment securities as of March 31, 2015 and 2014, were as follows:

	Millions of Yen			
	2015			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Securities classified as available-for-sale:				
Equity securities	¥ 6,060	¥ 10,938	¥ -	¥ 16,998
Total	¥ 6,060	¥ 10,938	¥ -	¥ 16,998

	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

	Thousands of U.S. Dollars			
	2015			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Securities classified as available-for-sale:				
Equity securities	$ 50,499	$ 91,149	¥ -	$ 141,648
Total	$ 50,499	$ 91,149	¥ -	$ 141,648

The information of available-for-sale securities which were sold for the years ended March 31, 2015 and 2014, was as follows:

	Millions of Yen		
	2015		
	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	¥ 420	¥ 228	¥ -
Total	¥ 420	¥ 228	¥ -

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

	Thousands of U.S. Dollars		
	2015		
	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	$ 3,497	$ 1,902	$ -
Total	$ 3,497	$ 1,902	$ -

No impairment losses on available-for-sale equity securities for the years ended March 31, 2015 and 2014, were recognized.

7. NOTES AND ACCOUNTS PAYABLE

Notes and accounts payable as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Trade notes	¥ 941	¥ 1,050	$ 7,838
Electronically recorded obligations-operating	8,964	8,822	74,698
-Unconsolidated subsidiary and associated companies	18	20	151
Trade accounts	10,478	11,529	87,318
-Unconsolidated subsidiary and associated companies	39	115	324
Other	2,059	3,910	17,160
Total	¥ 22,499	¥ 25,446	$ 187,489

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
CMS with average interest rates of 0.49% and 0.45% in 2015 and 2014, respectively	¥ 648	¥ 4,101	$ 5,404
Unsecured bank loans with interest rates ranging from 0.47% to 0.70%	9,367	-	78,056
Total	¥ 10,015	¥ 4,101	$ 83,460

Long-term debt as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unsecured bank loans due in 2018 with average interest rates of 0.55% in 2015 and 2014	¥ 5,000	¥ 5,000	$ 41,667
Total	¥ 5,000	¥	$ 41,667

Note: Long-term debt as of March 31, 2015 and 2014 had no current portion.

The aggregate annual maturities of long-term debt as of March 31, 2015, were as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	-	-
2017	-	-
2018	¥ 5,000	$ 41,667
2019	-	-
2020	-	-
Total	¥ 5,000	$ 41,667

9. 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 are 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 domestic consolidated subsidiaries have similar retirement benefit plans.

(1) Defined benefit plans

(a) The changes in defined benefit obligation for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year (as previously reported)	¥ 11,880	¥ 11,995	$ 98,997
Cumulative effect of accounting change	2,426	-	20,223
Balance at beginning of year (as restated)	14,306	11,995	119,220
Current service cost	699	604	5,821
Interest cost	125	231	1,044
Actuarial losses (gains)	88	(119)	738
Benefits paid	(1,207)	(831)	(10,061)
Balance at end of year	¥ 14,011	¥ 11,880	$ 116,762

(b) The changes in plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥ 13,880	¥ 11,940	$ 115,664
Expected return on plan assets	205	189	1,712
Actuarial gains	5,766	1,621	48,047
Contribution from the employer	456	482	3,802
Benefits paid	(630)	(352)	(5,247)
Balance at end of year	¥ 19,677	¥ 13,880	$ 163,978

(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, 2015 and 2014, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Funded defined benefit obligation	¥ 13,782	¥ 11,653	$ 114,854
Plan assets	(19,677)	(13,880)	(163,978)
Total	(5,895)	(2,227)	(49,124)
Unfunded defined benefit obligation	229	213	1,908
Net asset arising from defined benefit obligation	¥ (5,666)	¥ (2,014)	$ (47,216)
Asset for employees' retirement benefits	¥ (5,895)	¥ (2,240)	$ (49,124)
Liability for employees' retirement benefits	229	226	1,908
Net asset arising from defined benefit obligation	¥ (5,666)	¥ (2,014)	$ (47,216)

(d) The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Service cost *(Note)*	¥ 719	¥ 612	$ 5,991
Interest cost	125	231	1,044
Expected return on plan assets	(205)	(189)	(1,712)
Amortization of transitional obligation	214	226	1,783
Recognized actuarial losses	99	214	829
Amortization of prior service cost	(4)	(4)	(36)
Net periodic benefit costs	¥ 948	¥ 1,090	$ 7,899

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

(e) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Transitional obligation	¥ (199)	¥ -	$ (1,662)
Prior service cost	4	-	36
Actuarial gains	(5,777)	-	(48,139)
Total	¥ (5,972)	¥ -	$ (49,765)

(f) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrecognized transitional obligation	¥ -	¥ 199	$ -
Unrecognized prior service cost	(44)	(48)	(365)
Unrecognized actuarial gains	(6,860)	(1,083)	(57,169)
Total	¥ (6,904)	¥ (932)	$ (57,534)

(g) Plan assets

(i) Components of plan assets

Plan assets consisted of the following:

	2015	2014
Debt investments	11%	14%
Equity investments	84%	79%
Cash and deposits	2%	3%
Other	3%	4%
Total	100%	100%

Note: The employees' retirement benefit trusts for the contributory pension plans accounted for 50% and 44%, and that for the lump-sum retirement benefit plan accounts for 18% and 17% of total plan assets for the years ended March 31, 2015 and 2014, 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.
(h) Assumptions used for the years ended March 31, 2015 and 2014, were set forth as follows:

	2015	2014
Discount rate	0.9%	2.0%
Expected rate of return on plan assets	2.0%	2.0%

(2) Defined contribution plans
The required contribution of the Company and its consolidated subsidiaries amounted to ¥116 million ($970 thousand) and ¥112 million for the years ended March 31, 2015 and 2014, respectively.

10. ASSETS PLEDGED AS COLLATERAL
Assets pledged as collateral required by the Building Lots and Buildings Transaction Business Law as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Other assets	¥ 10	¥ 10	$ 83
Total	¥ 10	¥ 10	$ 83

11. CONTINGENT LIABILITIES
In some cases, the Company sells its construction equipment products through leasing companies. Some of these leasing companies request that the Company enter into lease 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, 2015 and 2014, amounted to ¥598 million ($4,983 thousand) and ¥744 million, respectively.

12. LEASE TRANSACTIONS
The Group uses certain machinery and equipment under finance lease contracts.
All finance lease transactions are accounted for in a manner similar to ordinary sale or purchase transactions.
The aggregate annual maturities of lease obligations as of March 31, 2015, were as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥ 987	$ 8,221
2017	664	5,529
2018	508	4,236
2019	274	2,283
2020	150	1,253
2021 and thereafter	76	629
Total	¥ 2,659	$ 22,151

A consolidated subsidiary subleases machinery.
Investments in leases and lease obligations, which include an interest portion, resulting from sublease transactions as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Investments in leases:			
Due within one year	¥ 287	¥ 293	$ 2,392
Due after one year	356	569	2,968
Total	¥ 643	¥ 862	$ 5,360

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Lease obligations:			
Due within one year	¥ 296	¥ 321	$ 2,468
Due after one year	411	624	3,422
Total	¥ 707	¥ 945	$ 5,890

13. EQUITY

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

(1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria 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 being prescribed as one year rather than the normal two year 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 within equity 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 a 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.

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14. 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 35.1% and 37.5% for the years ended March 31, 2015 and 2014, respectively.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Deferred tax assets:			
Loss on write-down of inventories	¥ 7,979	¥ 2,433	$ 66,490
Provision for loss on business of subsidiaries and associates	3,407	-	28,389
Loss on impairment of fixed assets	2,058	509	17,153
Loss on write-down of securities and other	1,887	108	15,725
Allowance for doubtful accounts	1,618	31	13,486
Accrued bonuses to employees	534	595	4,447
Amount transferred to defined contribution pension plan	245	428	2,040
Other	1,892	3,340	15,769
	19,620	7,444	163,499
Less valuation allowance	(16,742)	(2,269)	(139,518)
Total	2,878	5,175	23,981
Deferred tax liabilities:			
Revaluation of property	(2,168)	(2,394)	(18,070)
Deferred gain on sales of property	(1,289)	(1,436)	(10,743)
Unrealized gain on available-for-sale securities	(3,486)	(2,537)	(29,048)
Other	-	(253)	-
Total	(6,943)	(6,620)	(57,861)
Net deferred tax liabilities	¥ (4,065)	¥ (1,445)	$ (33,880)

Deferred tax assets and liabilities as of March 31, 2015 and 2014, were recorded as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Deferred tax assets:			
Current	¥ 2,794	¥ 3,226	$ 23,281
Noncurrent	87	97	725
Deferred tax liabilities:			
Noncurrent	(6,946)	(4,768)	(57,886)
Net deferred tax liabilities	¥ (4,065)	¥ (1,445)	$ (33,880)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of operations for the year ended March 31, 2015, with the corresponding figures for 2014, is as follows:

	2015	2014
Normal effective statutory tax rate	35.1 %	37.5 %
Increase (decrease) due to:		
Expenses not deductible for income tax purposes	(0.2)	0.3
Tax-exempt income	0.6	(0.8)
Changes in valuation allowance	(49.4)	(4.0)
Refund of income taxes, etc.	-	(6.9)
Per capita inhabitant tax	(0.3)	0.4
Effect of changes in tax rate	(0.6)	2.4
Other	1.6	0.3
Actual effective income tax rate	(13.2) %	29.2 %

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, from approximately 35.1% to 32.6% and the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2016, to approximately 31.8%. The effect of these changes was to decrease deferred tax liabilities, net of deferred tax assets, in the consolidated balance sheet as of March 31, 2015, by ¥285 million ($2,376 thousand), and to increase income taxes - deferred in the consolidated statement of operations for the year then ended by ¥74 million ($620 thousand) and unrealized gain on available-for-sale securities in the consolidated balance sheet as of March 31, 2015, by ¥361 million ($3,010 thousand).

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

The Group utilizes CMS provided by the Parent to operate and finance funds. The Group finances capital investments mainly with bank loans. Derivative transactions are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

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

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

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

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

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

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

(3) Risk management for financial instruments

Credit risk management

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

Market risk management (foreign exchange risk and interest rate risk)
Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts. In addition, when foreign currency trade receivables and payables are expected from forecasted transactions, forward foreign currency contracts may be used.
Currency swaps and interest rate swaps are used to manage exposure to market risks from changes in the interest rates of 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 16 for the details of the fair value of derivatives.
(a) Fair value of financial instruments

	Millions of Yen		
	2015		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	¥ 3,181	¥ 3,181	-
Notes and accounts receivable	29,213	29,213	-
Investment securities	16,998	16,998	-
Total	¥ 49,392	¥ 49,392	-
Notes and accounts payable	¥ 22,499	¥ 22,499	-
Short-term borrowings	10,015	10,015	-
Income taxes payable	770	770	-
Long-term debt, including current portion	5,000	5,021	¥ (21)
Lease obligations, including current portion	2,659	2,639	20
Total	¥ 40,943	¥ 40,944	¥ (1)

	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

	Thousands of U.S. Dollars		
	2015		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	$ 26,510	$ 26,510	-
Notes and accounts receivable	243,445	243,445	-
Investment securities	141,648	141,648	-
Total	$ 411,603	$ 411,603	-
Notes and accounts payable	$ 187,489	$ 187,489	-
Short-term borrowings	83,460	83,460	-
Income taxes payable	6,418	6,418	-
Long-term debt, including current portion	41,667	41,844	$ (177)
Lease obligations, including current portion	22,151	21,982	169
Total	$ 341,185	$ 341,193	$ (8)

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 6.

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 16.

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unlisted securities	¥ 1,042	¥ 1,023	$ 8,685
Investments in unconsolidated subsidiary and associated companies	1,293	1,258	10,774

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

	Millions of Yen			
	2015			
	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	¥ 3,181	-	-	-
Notes and accounts receivable	29,172	¥ 41	-	-
Total	¥ 32,353	¥ 41	-	-

	Thousands of U.S. Dollars			
	2015			
	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	$ 26,510	-	-	-
Notes and accounts receivable	243,100	$ 345	-	-
Total	$ 269,610	$ 345	-	-

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

16. DERIVATIVE TRANSACTIONS

The Group enters into forward foreign currency contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into currency and interest rate swap contracts to manage its interest rate exposures on 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, 2015 and 2014, were as follows:

		Millions of Yen					
		2015			2014		
	Hedged item	Contract amount	Contract amount due after one year	Fair value	Contract amount	Contract amount due after one year	Fair value
Currency:							
Forward foreign currency contracts							
Buying							
USD	Advance payments	¥ 112	-	¥ 1	¥ 67	-	¥ 1
EUR	Advance payments	40	-	(1)	78	-	31
TWD	Advance payments	-	-	-	109	-	18
Selling							
USD	Advances received	786	-	(69)	1,079	-	(32)
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	1,300	1,300	*Note*	1,300	1,300	*Note*

		Thousands of U.S. Dollars		
		2015		
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Currency:				
Forward foreign currency contracts				
Buying				
USD	Advance payments	$ 937	-	$ 9
EUR	Advance payments	332	-	(11)
Selling				
USD	Advances received	6,549	-	(578)
Interest rate:				
Interest rate currency swap contracts (USD floating rate receipt/ JPY fixed-rate payment)	Long-term debt	$ 20,833	$ 20,833	*Note*
Interest rate swap contracts (floating rate receipt/fixed-rate payment)	Long-term debt	10,833	10,833	*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 15.

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

The Group recognized impairment loss on the following asset groups.
For the year ended March 31, 2015:

			Millions of Yen	Thousands of U.S. Dollars
Asset group	Location	Account	2015	2015
Railway rolling stock business property	Illinois, the United States	Buildings and structures, Machinery and equipment, etc.	¥ 4,815	$ 40,123
		Total	¥ 4,815	$ 40,123

The Group reviewed its long-lived assets for impairment as of March 31, 2015.
For the year ended March 31, 2015, the Group recognized impairment losses for railway rolling stock business property of NIPPON SHARYO U.S.A., INC. and two other subsidiaries by writing down the property to its recoverable amounts due to their consecutive operating losses in recent years. As a result, impairment losses were recognized on buildings and structures, machinery and equipment, land, construction in progress, and other in the amounts of ¥2,674 million ($22,281 thousand), ¥826 million ($6,882 thousand), ¥449 million ($3,741 thousand), ¥366 million ($3,047 thousand), and ¥500 million ($4,172 thousand), respectively.
For the year ended March 31, 2014:

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

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 writing down the property to its recoverable amounts due to consecutive operating losses in recent years. As a result, impairment losses were recognized on machinery and equipment, buildings, and other in the amounts of ¥8 million, ¥1 million, and ¥2 million, respectively. A further impairment loss was recognized for cast steel and forged product business property by writing down the property to its recoverable amounts 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, ¥5 million, and ¥3 million, respectively.

18. RELATED-PARTY DISCLOSURES

The Parent directly owned 51.2% of the total shares of the Company as of March 31, 2015 and 2014. The Company distributes transportation vehicles to the Parent.
Transactions of the Company with the Parent for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Sales	¥ 25,993	¥ 24,368	$ 216,607
Interest expense	31	25	259

The balances due to or from the Parent as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Accounts receivable	¥ 3,048	¥ 3,768	$ 25,396
Short-term borrowings	648	4,101	5,404

19. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥ 3,920	¥ (628)	$ 32,669
Reclassification adjustments to profit or loss	(228)	(514)	(1,902)
Amount before income tax effect	3,692	(1,142)	30,767
Income tax effect	(933)	369	(7,775)
Total	¥ 2,759	¥ (773)	$ 22,992
Deferred loss on derivatives under hedge accounting:			
Losses arising during the year	¥ (88)	¥ (41)	$ (735)
Income tax effect	29	16	243
Total	¥ (59)	¥ (25)	$ (492)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (1,817)	¥ (90)	$ (15,144)
Total	¥ (1,817)	¥ (90)	$ (15,144)
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 5,677	¥ -	$ 47,309
Reclassification adjustments to profit or loss	295	-	2,456
Amount before income tax effect	5,972	-	49,765
Income tax effect	(1,869)	-	(15,568)
Total	¥ 4,103	¥ -	$ 34,197
Share of other comprehensive income in an associated company.			
(Losses) gains arising during the year	¥ (0)	¥ 12	$ (3)
Income tax effect	0	(4)	1
Total	¥ (0)	¥ 8	$ (2)
Total other comprehensive income	¥ 4,986	¥ (880)	$ 41,551

20. SUBSEQUENT EVENT

Substantial amount of Long-term Debts

The Company resolved to borrow long-term debt at the Board of Directors' meeting held on May 21, 2015 under the following conditions:

1. Syndicated loan led by the Bank of Tokyo-Mitsubishi UFJ, Ltd.

(1)Porpose of the loan:	Capital increase at the consolidated subsidiary NIPPON SHARYO U.S.A., INC.
(2)Aggregate amount of borrowings:	$110,000 thousand
(3)Interest rate:	Fixed (interest rate currency swap contract)
(4)Borrowing date:	June 19, 2015
(5)Maturity date:	June 17, 2022
(6)Pledged assets or security:	None

2. Syndicated loan led by Mizuho Bank, Ltd.

(1)Porpose of the loan:	Capital increase at the consolidated subsidiary NIPPON SHARYO U.S.A., INC.
(2)Aggregate amount of borrowings:	Japanese yen equivalent to $45,000 thousand
(3)Interest rate:	Fixed (interest rate swap contract)
(4)Borrowing date:	June 19, 2015
(5)Maturity date:	June 17, 2022
(6)Pledged assets or security:	None

21. 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 is comprised of segments organized 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 stock, 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						
	2015						
	Reportable segment						
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Other	Total	Reconciliations	Consolidated
Net sales							
Sales to external customers	¥ 55,035	¥ 16,260	¥ 20,311	¥ 4,693	¥ 96,299	-	¥ 96,299
Intersegment sales or transfers	30	622	10	246	908	¥ (908)	-
Total	¥ 55,065	¥ 16,882	¥ 20,321	¥ 4,939	¥ 97,207	¥ (908)	¥ 96,299
Segment profit (loss)	¥(10,785)	¥ 407	¥ 3,352	¥ (27)	¥ (7,053)	¥ (1,125)	¥ (8,178)
Segment assets	¥ 75,774	¥ 17,225	¥ 20,571	¥ 2,671	¥116,241	¥ 28,896	¥145,137
Other:							
Depreciation	¥ 1,581	¥ 421	¥ 655	¥ 35	¥ 2,692	¥ 329	¥ 3,021
Increase in property, plant, and equipment and intangible assets	4,037	329	902	48	5,316	288	5,604

	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

	Thousands of U.S. Dollars						
	2015						
	Reportable segment						
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Other	Total	Reconciliations	Consolidated
Net sales							
Sales to external customers	$458,625	$135,500	$169,262	$ 39,103	$802,490	-	$802,490
Intersegment sales or transfers	247	5,187	83	2,047	7,564	$ (7,564)	-
Total	$458,872	$140,687	$169,345	$ 41,150	$810,054	$ (7,564)	$802,490
Segment profit (loss)	$(89,875)	$ 3,388	$ 27,933	$ (224)	$(58,778)	$ (9,375)	$(68,153)
Segment assets	$631,448	$143,540	$171,422	$ 22,265	$968,675	$240,800	$1,209,475
Other:							
Depreciation	$ 13,179	$ 3,510	$ 5,456	$ 282	$ 22,427	$ 2,745	$ 25,172
Increase in property, plant, and equipment and intangible assets	33,638	2,738	7,520	398	44,294	2,402	46,696

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, and pulp and paper plants, and real estate rental for the year ended March 31, 2015, and manufacture and sales of Railway Rolling Stock inspection/maintenance systems, agricultural plants, pulp and paper plants, and cast steel and forged products, and real estate rental for the year ended March 31, 2014.

2. "Reconciliations" in segment profit (loss) include corporate expenses of ¥(1,158) million ($(9,647) thousand) and elimination of intersegment transactions of ¥28 million ($231 thousand) for the year ended March 31, 2015, and corporate expenses of ¥(1,012) million and adjustments in inventories of ¥4 million for the year ended March 31, 2014. 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 ¥24,653 million ($205,439 thousand) and ¥20,685 million, elimination of intersegment balances of ¥(113) million ($(943) thousand) and ¥(186) million, and adjustments in inventories of ¥(105) million ($(878) thousand) and ¥(101) million as of March 31, 2015 and 2014, respectively. Total corporate assets principally consist of investment securities and general management properties as of March 31, 2015 and 2014.

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

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, 2015 and 2014, was as follows:

	Millions of Yen				
	2015				
	Japan	North America	Asia	Other	Total
Sales	¥ 73,317	¥ 10,594	¥ 7,630	¥ 4,758	¥ 96,299

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

	Thousands of U.S. Dollars				
	2015				
	Japan	North America	Asia	Other	Total
Sales	$ 610,975	$ 88,287	$ 63,578	$ 39,650	$ 820,490

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

	Millions of Yen 2015				
	Japan	North America	Asia	Other	Total
Property, plant, and equipment	¥ 26,050	¥ 5,805	¥ 2	¥ 0	¥ 31,857

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

	Thousands of U.S. Dollars 2015				
	Japan	North America	Asia	Other	Total
Property, plant, and equipment	$ 217,085	$ 48,375	$ 14	$ 0	$ 265,474

(3) Information about major customers

Name of major customer	Sales: Millions of Yen 2015	Sales: Millions of Yen 2014	Sales: Thousands of U.S. Dollars 2015	Related segment
The Parent	¥ 25,993	¥ 24,368	$ 216,607	Railway Rolling Stock
Sumitomo Corporation	-	31,063	-	Railway Rolling Stock
Sumitomo Corporation of Americas	-	14,704	-	Railway Rolling Stock

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

	Millions of Yen 2015						
	Reportable segment						
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Other	Total	Reconciliations	Consolidated
Impairment loss	¥ 4,815	-	-	-	¥ 4,815	-	¥ 4,815

	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

	Thousands of U.S. Dollars 2015						
	Reportable segment						
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Other	Total	Reconciliations	Consolidated
Impairment loss	$ 40,123	-	-	-	$ 40,123	-	$ 40,123

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	15,903 persons
	(March 31, 2015)

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, DMUs, 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

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NARUMI PLANT
(Construction equipment)

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KINUURA PLANT
(Steel structure)

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