Annual Business Report

April 1, 2018 through March 31, 2019

日本車両

NIPPON SHARYO, LTD.

Financial Highlights

Comparison of Sales by Segment

(Unit: millions of yen)

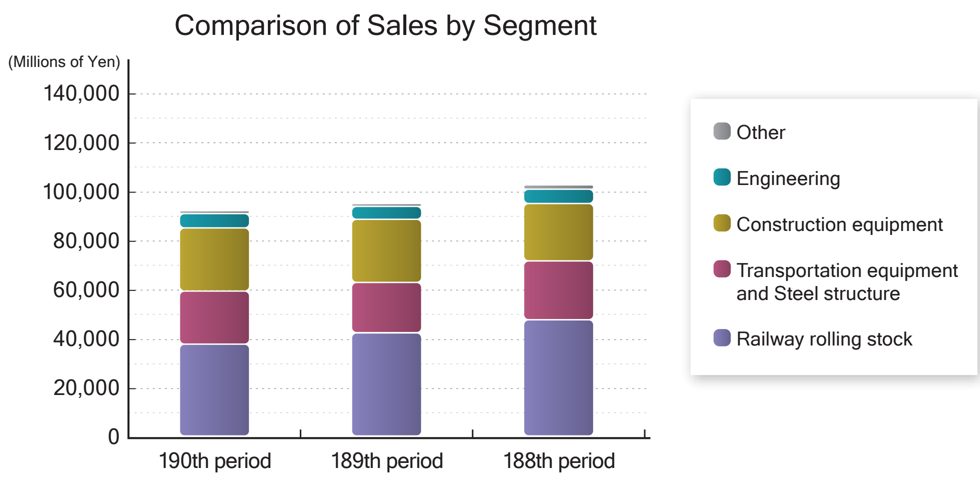
Business Segment	190th period (2018-2019)		189th period (2017-2018)		Increase/(Decrease)	
Railway rolling stock	38,049	41.7%	41,455	43.5%	(3,406)	(8.2)%
Transportation equipment and Steel structure	21,794	23.9	22,475	23.6	(681)	(3.0)
Construction equipment	25,167	27.6	24,573	25.8	594	2.4
Engineering	6,006	6.6	6,560	6.9	(554)	(8.4)
Other	163	0.2	248	0.2	(85)	(34.3)
Total	91,179	100.0	95,311	100.0	(4,132)	(4.3)

Change in Operating Performance and Asset Status

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

Titles of account	190th period (2018-2019)	189th period (2017-2018)	188th period (2016-2017)
Net sales	91,179	95,311	101,094
Ordinary income (loss)	8,862	7,315	(5,149)
Net income (loss) attributable to owners of the parent	9,199	(8,271)	(5,124)
Net income per share (loss)	¥637.29	(¥573.01)	(¥35.50)
Total assets	134,194	127,413	129,194
Total equity	32,446	20,954	28,109

Note: Effective October 1, 2018, the Company has implemented a 1-for-10 reverse stock split of common stock. Per share of common stock is retroactively adjusted. Per share information is disclosed as if the reverse stock split had been effected at the beginning of the fiscal year ended March 31, 2018.



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subway cars for Jakarta

Message from the President

Review of Business Operations

During the fiscal term under review, the Japanese economy had a continuous tendency to improve in capital investment, employment, etc., supported by the effect of various economic policies, as well as gradual recovery of overseas business conditions. However, some weaknesses were found in production and export.

Under this business environment, our performance for the year showed a decrease in sales of the transportation equipment and steel structure business segment and our consolidated subsidiary NIPPON SHARYO U.S.A., INC., totaling ¥91,179 million, was down 4.3% from the previous year. In terms of profits, provisions for loss on order received recorded in the previous year did not arise, and other business segments showed healthy movement as in the previous year, while the reversal of the amount recorded as provisions for the large railway rolling stock project for the U.S.A. in the railway rolling stock business in the previous year did not exist any longer. As a result, the operating profit was ¥8,500 million, up 17.0%, and the ordinary profit ¥8,862 million, up 21.1% from the previous year. We no longer had an extraordinary loss due to payment of the settlement money for the large railway rolling stock project for the U.S.A. recorded in the previous year. Consequently, the net profit that belongs to the stockholders of the parent company was ¥9,199 million (¥8,271 million net loss in the previous year).

The Outlook

Considering the downturn in recent years, losses recorded for four consecutive years until the previous year, and an increasingly severe market environment, the Group will seek "enhancement of the operation control structure and human resources development" and promote "technology and product development with exertion of our overall capabitilies" while securing the profit with "business development where we can exhibit our strengths." Concretely, we will seek to enhance the operation control structure including the quality, cost, and process with a focus on the railway rolling stock business, or our core business, exhibit our strengths in the strong area of each business segment by providing products and service that match customer needs, and gain a competitive edge by cost reductions to secure stable order receipt with all our strength. In such efforts, we will develop closer cooperative ties with the parent company to contribute to improve the corporate value of the entire JR Central Group as well as to develop our business.

In the railway rolling stock business, the environment will be continuously difficult in terms of receiving orders. In such a circumstance, we will continue to make efforts to gain a competitive edge concerning various railway rolling stocks with a focus on high speed railways, by differentiating ourselves from competitors through technological developments as well as cost reductions through improvements in efficiency of production processes, etc. For projects with losses, we will make efforts to improve the circumstances by reviewing the project promotion system, etc.

In the transportation equipment and steel structure business segment, the transportation equipment business is facing difficulties of receiving orders. We will, however, make efforts to secure orders and develop new customers by developing products which promptly capture market trends and reducing costs. Our efforts in the steel structure business will be focused on enhancing our ability to propose technological solutions that match customer specifications in bridge construction work, etc. and reducing costs to secure orders. At the same time, we will expand our business to peripheral areas such as repair/maintenance projects.

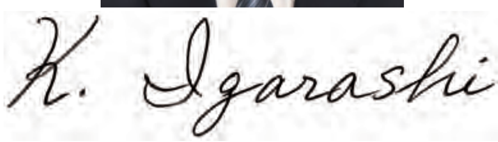
In the construction equipment business segment, we will capture business opportunities steadily through maintenance/enhancement of the production system to meet the healthy domestic demand and by promoting flexible measures to meet the needs of each region in the overseas market with a focus on Asia.

In the engineering business segment, we will secure profits by proposing products that cater to market needs.

Concerning existence of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the Group recorded net losses that belong to the stockholders of the parent company for four consecutive years until the previous year, however, we exhibited our strength in the strong area of each business segment to deal with it and gained a competitive edge by promotion of cost reductions to secure stable order receipt with all our strength. Consequently, we recorded quarterly net profits that belong to the stockholders of the parent company in succession from the first quarter consolidated cumulative period, totaling ¥9,199 million net profit in this year.

For financing, we make efforts to stably secure funds necessary for business activities and maintain liquidity while keeping a sound financial balance and secure funds that will fully meet the demand expected based on the financial plan.

Based on the above, we consider that events or conditions that might cast significant doubt on the entity's ability to continue as a going concern did not exist any longer in the first quarter consolidated accounting period.



Kazuhiro Igarashi
President and Chief Executive Officer

Review by Segment

Railway Rolling Stock Business


N700A Shinkansen trains for JR Central and JR West

In the railway rolling stock business, we had sales of trains for Odakyu Electric Railway Co., Ltd., Nagoya Railroad Co., Ltd., Tokyo Metro Co., Ltd., Keisei Electric Railway Co., Ltd., Shin-Keisei Electric Railway Co., Ltd., Indonesia, etc. in addition to the N700A Shinkansen trains for JR Central and JR West. Compared with the previous year, our sales of railway cars increased for the public and private railways and overseas but decreased for JR Companies. Consequently, our total sales for the railway rolling stock business were ¥38,049 million, down 8.2% from the previous year.


Series 2000 train for Tokyo Metro Co., Ltd.

Transportation Equipment and Steel Structure Business

LPG bulk tank lorry

In the transportation equipment business, we had sales of LPG tank lorries, consumer-purpose LPG bulk tank lorries, etc., however, the sales of container flat cars decreased compared with the previous year. As a result, sales were ¥8,725 million, down 22.3% from the previous year.


Tokai-Kanjo Expressway Nagafuke Number 4 Bridge

In the steel structure business, sales included Tokai-Kanjo Expressway Takatomi IC East Main Line Bridge; Higashi-Fukase Number 4 Viaduct; Higashi-Isshiki Viaduct; Nagafuke

Number 4 Bridge, Nishi-Zakura Number 2 Viaduct; as well as large-scale repair work for Tokaido Shinkansen. Sales were up 16.2% from the previous year to ¥13,068 million.

In all, sales for the transportation equipment and steel structure businesses were ¥21,794 million, down 3.0% from the previous year.

Construction Equipment Business

In the construction equipment business, domestic sales continuously showed healthy movement thanks to demands for reconstruction works from the Great East Japan Earthquake and construction work related to the Tokyo Olympic Games. As a result, sales in the construction equipment business reached ¥25,167 million, up 2.4% from the previous year.

Casing Rotator

Engineering Business

Our main sales included; vehicle inspection/repair facilities for railway companies; mechanical equipment for Maglev trains for JR Central; agricultural plants for Agricultural Cooperatives all over Japan; and paper-manufacturing equipment for household paper manufacturers. We had a decrease in sales for agricultural plants compared with the previous year. As a result, sales in the engineering business totaled ¥6,006 million, down 8.4% from the previous year.

The overseas sales for the year under review amount to ¥9,702 million, representing 10.6% of total sales, which includes ¥6,483 million for the railway rolling stock business and ¥3,216 million for the construction equipment business.

The orders on hand at the end of the year under review reached ¥78,049 million. These comprised ¥48,218 million for the railway rolling stock business, ¥25,015 million for the transportation equipment and steel structure businesses (¥9,428 million for the transportation equipment business, ¥15,586 million for the steel structure business), ¥2,947 million for the construction equipment business, and ¥1,867 million for the engineering business.

Wheelset lifting device

Investment in Plant and Equipment

Plant and equipment investment during the year under review totaled ¥2,065 million. Investment was mainly targeted at renewal of equipment necessary for production of construction machinery. Investment was also made for renewal of equipment to maintain/improve the production capacity at each plant.

On April 20, 2017, the Group transferred the plant property of Toyokawa Plant, Kinuura Plant, and Narumi Plant to our parent company (Central Japan Railway Company). Since the relevant transaction is a transaction with our parent company, and we concluded a lease contract with our parent company and continuously use the transferred plant property as plants as before even after transfer, we recorded the "land" and "buildings and structures" of this plant property as tangible fixed assets instead of executing sales and purchase accounting. The relevant transaction is not a finance lease transaction, so we recorded the transfer price of the plant property as a long-term debt (including the long-term debt to be cleared within one year).

Therefore, equipment investment concerning the transferred plant property was also recorded as "buildings and structures" and "machinery and equipment", and some of the equipment investment amount as long-term debt (including the long-term debt to be cleared within one year).

Financing Activities

In this year, no major borrowing was made.

NIPPON SHARYO, LTD. AND
CONSOLIDATED SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019
AND
INDEPENDENT AUDITOR'S REPORT

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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. (the "Company") and its consolidated subsidiaries as of March 31, 2019, 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

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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, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 27, 2019

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Balance Sheet
March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2019	2018	2019
CURRENT ASSETS:			
Cash and cash equivalents (Notes 14 and 17)	¥ 12,721	¥ 15,837	$ 115,645
Notes and accounts receivable (Notes 3, 14 and 17)	29,756	28,526	270,513
Inventories (Notes 2.i and 4)	31,484	26,705	286,219
Other current assets (Note 9)	1,039	1,146	9,443
Total current assets	75,000	72,214	681,820
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 9)	14,971	14,996	136,102
Buildings and structures (Note 9)	27,438	27,639	249,432
Machinery and equipment	34,686	34,860	315,325
Construction in progress	846	35	7,694
Total	77,941	77,530	708,553
Accumulated depreciation	(49,527)	(48,966)	(450,247)
Net property, plant, and equipment	28,414	28,564	258,306
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5, 9 and 14)	20,381	18,632	185,281
Investments in an unconsolidated subsidiary and associated companies (Note 14)	795	728	7,226
Asset for employees' retirement benefits (Note 8)	7,910	5,623	71,909
Deferred tax assets (Note 13)	159	136	1,442
Other assets (Note 9)	1,535	1,516	13,968
Total investments and other assets	30,780	26,635	279,826
TOTAL	¥ 134,194	¥ 127,413	$ 1,219,952

(Concluded)

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Balance Sheet
March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY	2019	2018	2019
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 7, 14 and 17)	¥ 296	¥ 287	$ 2,688
Current portion of lease obligations (Notes 11 and 14)	678	748	6,168
Notes and accounts payable (Notes 6 and 14)	22,912	24,845	208,287
Accrued expenses (Note 17)	5,422	5,003	49,291
Advances received	4,281	3,467	38,915
Income taxes payable (Note 14)	538	132	4,888
Allowance for work in process on construction contracts	176	36	1,600
Provision for loss on orders received (Note 2.n)	1,837	6,128	16,702
Other current liabilities	1,158	1,408	10,531
Total current liabilities	37,298	42,054	339,070
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7, 9 14 and 17)	55,219	55,400	501,996
Liability for employees' retirement benefits (Note 8)	292	273	2,656
Lease obligations (Notes 11 and 14)	1,650	1,725	14,996
Allowance for PCB disposal expenses	203	457	1,845
Provision for compensation for health damage from asbestos	87	99	791
Deferred tax liabilities (Note 13)	6,048	6,233	54,980
Other long-term liabilities	951	218	8,648
Total long-term liabilities	64,450	64,405	585,912
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 10 and 15)			
EQUITY (Note 12):			
Common stock, authorized, 32,800,000 and 328,000,000 shares; issued, 14,675,012 and 146,750,129 shares in 2019 and 2018, respectively	11,811	11,811	107,370
Capital surplus	-	12,045	-
Retained earnings	9,585	(11,659)	87,141
Treasury stock, at cost, 241,136 shares in 2019 and 2,406,621 shares in 2018	(517)	(516)	(4,703)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	8,919	7,708	81,082
Deferred loss on derivatives under hedge accounting	-	(8)	-
Foreign currency translation adjustments	(2,224)	(2,191)	(20,215)
Defined retirement benefit plans	4,754	3,661	43,216
Total accumulated other comprehensive income	11,449	9,170	104,083
Noncontrolling interests	118	103	1,079
Total equity	32,446	20,954	294,970
TOTAL	¥ 134,194	¥ 127,413	$ 1,219,952

(Concluded)

Note: Effective October 1, 2018, the Company has implemented a 1-for-10 reverse stock split of common stock. The numbers of authorized or issued shares are not retroactively adjusted.
See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Operations
Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
NET SALES (Note 17)	¥ 91,179	¥ 95,311	$ 828,904
COST OF SALES (Notes 2.i, 2.m and 2.u)	75,816	80,897	689,240
Gross profit	15,363	14,414	139,664
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 2.u)	6,863	7,148	62,394
Operating income	8,500	7,266	77,270
OTHER INCOME (EXPENSES)			
Interest and dividend income (Note 17)	344	311	3,128
Interest expense (Note 17)	(344)	(212)	(3,130)
Equity in earnings of associated companies	82	81	742
Gain on sales of investment securities, net (Note 5)	3	54	31
Loss on impairment of property, plant and equipment (Note 16)	(270)	(34)	(2,456)
(Loss) gain on sales and disposals of property, plant and equipment, net	(52)	8,950	(470)
Loss on early repayment of long-term debt	-	(1,077)	-
Loss on payment for settlement	-	(26,445)	-
Other – net	284	(134)	2,584
Other income (expenses) – net	47	(18,506)	429
INCOME (LOSS) BEFORE INCOME TAXES	8,547	(11,240)	77,699
INCOME TAXES (Note 13):			
Current	543	105	4,939
Deferred	(1,216)	(3,089)	(11,057)
Total income taxes	(673)	(2,984)	(6,118)
NET INCOME (LOSS)	9,220	(8,256)	83,817
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	21	15	193
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 9,199	¥ (8,271)	$ 83,624

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.v):			
Basic net income (loss)	¥ 637.29	¥ (573.01)	$ 5.79
Cash dividends applicable to the year	-	-	-

Note: Effective October 1, 2018, the Company has implemented a 1-for-10 reverse stock split of common stock. Per share of common stock is retroactively adjusted. Per share information is disclosed as if the reverse stock split had been effected at the beginning of the fiscal year ended March 31, 2018.

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Comprehensive Income
Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
NET INCOME (LOSS)	¥ 9,220	¥ (8,256)	$ 83,817
OTHER COMPREHENSIVE INCOME (Note 18):			
Unrealized gain on available-for-sale securities	1,220	777	11,090
Deferred gain (loss) on derivatives under hedge accounting	8	(5)	69
Foreign currency translation adjustments	(33)	(105)	(301)
Defined retirement benefit plans	1,093	668	9,938
Share of other comprehensive (loss) income in associated companies	(9)	36	(81)
Total other comprehensive income	2,279	1,371	20,715
COMPREHENSIVE INCOME (LOSS)	¥ 11,499	¥ (6,885)	$ 104,532
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥ 11,478	¥ (6,900)	$ 104,339
Noncontrolling interests	21	15	193

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Changes in Equity
Year Ended March 31, 2019

		Millions of Yen			
	Number of shares of common stock outstanding	Common stock	Capital surplus	Retained earnings	Treasury stock
BALANCE, APRIL 1, 2017	144,347,475	¥ 11,811	¥ 12,045	¥ (3,157)	¥ (515)
Net loss attributable to owners of the parent	-	-	-	(8,271)	-
Increase in treasury stock, net	(3,967)	-	0	-	(1)
Change of scope of equity method	-	-	-	(231)	-
Net changes in the year	-	-	-	-	-
BALANCE, MARCH 31, 2018	144,343,508	11,811	12,045	(11,659)	(516)
Disposition of deficit	-	-	(12,045)	12,045	-
Net income attributable to owners of the parent	-	-	-	9,199	-
Increase in treasury stock, net	(475)	-	0	-	(1)
Transfer to capital surplus from retained earnings	-	-	0	(0)	-
Net changes in the year	(129,909,157)*	-	-	-	-
BALANCE, MARCH 31, 2019	14,433,876	¥ 11,811	¥ -	¥ 9,585	¥ (517)

	Thousands of U.S. Dollars (Note 1)			
	Common stock	Capital surplus	Retained earnings	Treasury stock
BALANCE, MARCH 31, 2018	$ 107,370	$ 109,511	$ (105,994)	$ (4,691)
Disposition of deficit	-	(109,511)	109,511	-
Net income attributable to owners of the parent	-	-	83,624	-
Increase in treasury stock, net	-	0	-	(12)
Transfer to capital surplus from retained earnings	-	0	(0)	-
Net changes in the year	-	-	-	-
BALANCE, MARCH 31, 2019	$ 107,370	$ -	$ 87,141	$ (4,703)

*Effective October 1, 2018, the Company has implemented a 1-for-10 reverse stock split of common stock. The number of shares of common stock outstanding is not retroactively adjusted.

See notes to consolidated financial statements.

Millions of Yen						
Accumulated other comprehensive income						
Unrealized gain on available-for-sale securities	Deferred loss on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income	Noncontrolling interests	Total equity
¥ 6,905	¥ 5	¥ (2,068)	¥ 2,993	¥ 7,835	¥ 90	¥ 28,109
-	-	-	-	-	-	(8,271)
-	-	-	-	-	-	(1)
-	5	(42)	-	(37)	-	(268)
803	(18)	(81)	668	1,372	13	1,385
7,708	(8)	(2,191)	3,661	9,170	103	20,954
-	-	-	-	-	-	-
-	-	-	-	-	-	9,199
-	-	-	-	-	-	(1)
-	-	-	-	-	-	-
1,211	8	(33)	1,093	2,279	15	2,294
¥ 8,919	¥ -	¥ (2,224)	¥ 4,754	¥ 11,449	¥ 118	¥ 32,446

Thousands of U.S. Dollars (Note 1)						
Accumulated other comprehensive income						
Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income	Noncontrolling interests	Total equity
$ 70,073	$ (69)	$ (19,914)	$ 33,277	$ 83,367	$ 932	$ 190,495
-	-	-	-	-	-	-
-	-	-	-	-	-	83,624
-	-	-	-	-	-	(12)
-	-	-	-	-	-	-
11,009	69	(301)	9,939	20,716	147	20,863
$ 81,082	$ -	$ (20,215)	$ 43,216	$ 104,083	$ 1,079	$ 294,970

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Cash Flows
Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars(Note 1)
	2019	2018	2019
OPERATING ACTIVITIES:			
Income (loss) before income taxes	¥ 8,547	¥ (11,240)	$ 77,699
Adjustments for:			
Income taxes-paid	(5)	(750)	(42)
Loss on early repayment of long-term debt	-	1,077	-
Loss on payment for settlement	-	26,445	-
Depreciation	2,370	2,728	21,549
Loss on impairment of property, plant and equipment	270	34	2,456
Loss (gain) on sales and disposals of property, plant and equipment	21	(9,067)	195
Gain on sales of investment securities	(3)	(54)	(31)
Changes in assets and liabilities:			
(Increase) decrease in trade notes and accounts receivable	(1,029)	3,367	(9,352)
(Increase) decrease in inventories	(4,792)	3,248	(43,561)
(Decrease) increase in trade notes and accounts payable	(2,053)	1,146	(18,661)
Increase (decrease) in allowance for work in process on construction contracts	140	(394)	1,272
Decrease in provision for loss on orders received	(4,248)	(10,159)	(38,616)
(Decrease) increase in provision for compensation for health damage from asbestos	(12)	7	(109)
Increase (decrease) in advances received	814	(1,208)	7,401
Increase in liability for employees' retirement benefits	20	14	178
Other-net	(1,376)	(4,308)	(12,529)
Sub-total	(1,336)	886	(12,151)
Payments for loss on early repayment of long-term debt	-	(1,077)	-
Settlement paid	-	(37,001)	-
Net cash used in operating activities	(1,336)	(37,192)	(12,151)
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(1,235)	(1,001)	(11,224)
Proceeds from sales of property, plant and equipment	46	12,827	417
Purchases of investment securities	(3)	(3)	(31)
Proceeds from sales of investment securities	11	100	99
Other-net	(66)	(130)	(593)
Net cash(used in)provided by investing activities	(1,247)	11,793	(11,332)
FINANCING ACTIVITIES:			
Net decrease in short-term borrowings	-	(1,595)	-
Proceeds from long-term debt	118	56,000	1,072
Repayments of long-term debt	(289)	(24,487)	(2,631)
Dividends paid	(0)	(3)	(1)
Other-net	(303)	(84)	(2,746)
Net cash (used in) provided by financing activities	(474)	29,831	(4,306)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(59)	(308)	(542)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,116)	4,124	(28,331)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,837	11,713	143,976
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 12,721	¥ 15,837	$ 115,645

(Concluded)

See notes to consolidated financial statements.

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 the 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 2018 consolidated financial statements to conform to the classifications used in 2019.

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 ¥110 to $1, the approximate rate of exchange at March 31, 2019. 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, 2019, 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 associated companies are accounted for by the equity method. Investments in the remaining unconsolidated subsidiary and associated company 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, 2019 and 2018, was as follows:

	2019	2018
Consolidated subsidiaries	6	6
Unconsolidated subsidiary stated at cost	1	1
Associated companies accounted for by the equity method	2	2
Associated company stated at cost	1	1

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

b. Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements

Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," 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

(Financial Accounting Standards Board Accounting Standards Codification—"FASB ASC") 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); and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting.

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

ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," 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

Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

e. Cash equivalents

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

Cash equivalents include time deposits and Cash Management System ("CMS") funds due from Central Japan Railway Company ("CJR") group, all of which mature or become due within three months from the date of acquisition. CJR is the parent company of the Company.

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 are utilized by the Group to reduce foreign currency exchange 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 forward foreign currency 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.

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 semi-finished goods, raw materials, and supplies, or net selling value, which is defined as the selling price, less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. Reversal of write-downs of inventories in the amounts of ¥(1,157) million ($(10,521) thousand) and ¥(10,135) million for the years ended March 31, 2019 and 2018, 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 building improvements and structures acquired on or after April 1, 2016, and by the declining-balance method for other property at rates based on the estimated useful lives of the assets.

Depreciation of leased assets relating to financial lease transactions without transfer of ownership 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 six to 17 years for machinery and equipment.

The Company has transferred its factory assets of Toyokawa Plant, Kinuura Plant, and Narumi Plant to CJR on April 20, 2017. The transfer was not treated as a buying and selling transaction since the relevant factory assets were transferred to CJR and the Company continues to utilize these factory assets as before based on a lease agreement concluded between the Company and CJR. The relevant factory assets were therefore still recorded under property, plant and equipment of the Company. As the relevant transactions do not fall under a finance lease transaction, the total transfer price was recorded as long-term debt (including the current portion). In addition, capital expenditure related to the transferred factory assets was recorded under "buildings and structures" and "machinery and equipment," and a part of the capital expenditure was recorded as long-term debt (including the current portion), for the year ended March 31, 2019.

As a result, the relevant factory assets as of March 31, 2019, were recorded under property, plant and equipment in the carrying amount of ¥11,975 million ($108,867 thousand) as land, of ¥3,827 million ($34,794 thousand) as buildings and structures and ¥7 million ($68 thousand) as machinery and equipment, while long-term debt (including the current portion) was recorded in the carrying amount of ¥20,515 million ($186,501 thousand) as of March 31, 2019. As of March 31, 2018, the relevant factory assets were recorded under property, plant and equipment in the carrying amount of ¥11,975 million as land and of ¥4,022 million as buildings (net), while long-term debt (including the current portion) was recorded in the carrying amount of ¥20,687 million.

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 value 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 and (reversal of provision) for work in process on construction contracts in the amounts of ¥140 million ($1,272 thousand) and ¥(394) million for the years ended March 31, 2019 and 2018, respectively, were included in cost of sales.

n. Provision for loss on orders 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 domestic 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. 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.

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 ¥1,344 million ($12,214 thousand) and ¥1,261 million for the years ended March 31, 2019 and 2018, respectively, and are included in general and administrative expenses and manufacturing costs in the accompanying consolidated statement of operations.

v. Per share information

Basic net income (loss) per share is computed by dividing net income (loss) attributable 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, 2019 and 2018, were 14,434 thousand shares. Diluted net income (loss) per share for the years ended March 31, 2019 and 2018, 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.

Effective October 1, 2018, the Company has implemented a 1-for-10 reverse stock split of common stock. Per share of common stock is retroactively adjusted as if the reverse stock split had been effected at the beginning of the fiscal year ended March 31, 2018.

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 such construction contracts.

x. Accounting changes and error corrections

Under 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 are required as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively, unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period consolidated financial statements is discovered, those statements are restated.

y. New accounting pronouncement

Accounting Standard for Revenue Recognition, etc.

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued on March 30, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, issued on March 30, 2018)

(a) Overview

The International Accounting Standards Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) have jointly developed a comprehensive accounting standard for revenue recognition and issued it as converged guidance on recognizing revenue in contracts with customers in May 2014 as IFRS 15 (IASB) and Topic 606 (FASB), respectively. To respond to both IFRS 15 and Topic 606 effective from the fiscal years beginning on or after January 1, 2018 and December 15, 2017, respectively, ASBJ has developed a comprehensive accounting standard for revenue recognition and issued it with the respective implementation guidance.

In developing the accounting standard for revenue recognition, ASBJ basically integrated the core principle of IFRS 15 from a comparability point of view of the financial statements, which is one of the benefits of ensuring consistency with IFRS 15. ASBJ, on the other side, considered additional alternative treatments where current practices under Japanese GAAP are to be reflected as far as such treatments would not significantly impair international comparability.

(b) Effective date

The above standard and guidance are scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

(c) Effects of application of the standards

The effects of the application of the above standard and guidance on the consolidated financial statements are currently being assessed.

z. Change in presentation

Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”

On February 16, 2018, the ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and long-term liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after April 1, 2018. The Group retrospectively applied the revised accounting standard effective April 1, 2018, and deferred tax assets of ¥51 million which were previously classified as current assets as of March 31, 2018, have been reclassified as investments and other assets in the accompanying consolidated balance sheet. In accordance with transitional treatment allowed for the adoption of the revised accounting standard, the note information of valuation allowances for tax loss carryforwards and for temporary differences for the year ended March 31, 2018, was not separately disclosed.

3. NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Trade notes receivable	¥ 5,022	¥ 4,848	$ 45,654
- Unconsolidated subsidiary and associated companies	215	198	1,956
Trade accounts receivable	17,600	16,793	160,001
- CJR, unconsolidated subsidiary and associated companies	6,054	6,051	55,040
Other	911	640	8,277
Less allowance for doubtful accounts	(46)	(4)	(415)
Total	¥ 29,756	¥ 28,526	$ 270,513

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

4. INVENTORIES

Inventories as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Merchandise	¥ 224	¥ 258	$ 2,039
Finished goods	1,303	1,642	11,841
Work in process and semi-finished goods	28,676	23,450	260,695
Raw materials	1,281	1,355	11,644
Total	¥ 31,484	¥ 26,705	$ 286,219

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, 2019 and 2018, allowance for work in process on construction contracts of ¥80 million ($725 thousand) and none, respectively, was provided and included in work in process and semi-finished goods above.

5. INVESTMENT SECURITIES

Investment securities as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Equity securities	¥ 20,381	¥ 18,632	$ 185,281
Total	¥ 20,381	¥ 18,632	$ 185,281

The costs and aggregate fair values of investment securities as of March 31, 2019 and 2018, were as follows:

	Millions of Yen			
	2019			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Securities classified as available-for-sale:				
Equity securities	¥ 6,063	¥ 12,743	¥ (25)	¥ 18,781
Total	¥ 6,063	¥ 12,743	¥ (25)	¥ 18,781

	Millions of Yen							
	2018							
	Cost		Gross unrealized gains		Gross unrealized losses		Fair and carrying value	
Securities classified as available-for-sale:								
Equity securities	¥	6,059	¥	10,965	¥	-	¥	17,024
Total	¥	6,059	¥	10,965	¥	-	¥	17,024

	Thousands of U.S. Dollars							
	2019							
	Cost		Gross unrealized gains		Gross unrealized losses		Fair and carrying value	
Securities classified as available-for-sale:								
Equity securities	$	55,117	$	115,842	$	(226)	$	170,733
Total	$	55,117	$	115,842	$	(226)	$	170,733

The information of available-for-sale securities which were sold for the years ended March 31, 2019 and 2018, was as follows:

	Millions of Yen					
	2019					
	Proceeds		Realized gains		Realized losses	
Available-for-sale:						
Equity securities	¥	10	¥	3	¥	(0)
Total	¥	10	¥	3	¥	(0)

	Millions of Yen					
	2018					
	Proceeds		Realized gains		Realized losses	
Available-for-sale:						
Equity securities	¥	100	¥	54	¥	-
Total	¥	100	¥	54	¥	-

	Thousands of U.S. Dollars					
	2019					
	Proceeds		Realized gains		Realized losses	
Available-for-sale:						
Equity securities	$	90	$	31	$	(9)
Total	$	90	$	31	$	(9)

No impairment losses were recognized on available-for-sale equity securities for the years ended March 31, 2019 and 2018.

6. NOTES AND ACCOUNTS PAYABLE

Notes and accounts payable as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2019		2018		2019	
Trade notes payable	¥	1,418	¥	1,208	$	12,890
Electronically recorded obligations-operating		10,670		10,667		96,993
-Unconsolidated subsidiary and associated companies		25		17		226
Trade accounts payable		8,001		10,323		72,740
-Unconsolidated subsidiary and associated companies		94		50		857
Other		2,704		2,580		24,581
Total	¥	22,912	¥	24,845	$	208,287

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

There was no balance of short-term borrowings as of March 31, 2019 and 2018.

Long-term debt as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Loans from CJR due through 2027 (Note) with average interest rate of 0.61%	¥ 55,515	¥ 55,687	$ 504,684
Less current portion	(296)	(287)	(2,688)
Total	¥ 55,219	¥ 55,400	$ 501,996

The aggregate annual maturities of long-term debt as of March 31, 2019, were as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2020	-	-
2021	-	-
2022	¥ 2,900	$ 26,364
2023	2,900	26,364
2024	2,900	26,364
2025 and thereafter	26,300	239,090
Total	¥ 35,000	$ 318,182

Note: Long-term debt recorded for the transfer price of the factory assets transferred to CJR and for a part of capital expenditure related to the transferred factory assets in the total amount of ¥20,219 million ($183,814 thousand) was not reflected.

8. RETIREMENT AND PENSION PLANS

Employees who terminate their service with the Company and its domestic consolidated subsidiaries are entitled to retirement benefits generally determined by reference to the basic rate of pay at the time of termination, length of service and conditions under which the termination occurs. The Company has a lump-sum retirement benefit plan, a defined contribution pension plan and a defined benefit pension plan, which 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, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥ 13,359	¥ 13,445	$ 121,448
Current service cost	738	724	6,709
Interest cost	118	119	1,071
Actuarial gains	(93)	(42)	(844)
Benefits paid	(484)	(838)	(4,406)
Prior service cost	-	(49)	-
Balance at end of year	¥ 13,638	¥ 13,359	$ 123,978

Note: The domestic consolidated subsidiaries of the Company apply the simplified method in calculating the defined benefit obligation.

(b) The changes in plan assets for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥ 18,710	¥ 17,269	$ 170,088
Expected return on plan assets	245	232	2,232
Actuarial gains	2,123	1,305	19,300
Contribution from the employer	380	383	3,449
Benefits paid	(202)	(479)	(1,838)
Balance at end of year	¥ 21,256	¥ 18,710	$ 193,231

(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, 2019 and 2018, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Funded defined benefit obligation	¥ 13,346	¥ 13,086	$ 121,322
Plan assets	(21,256)	(18,709)	(193,231)
Total	(7,910)	(5,623)	(71,909)
Unfunded defined benefit obligation	292	273	2,656
Net asset arising from defined benefit obligation	¥ (7,618)	¥ (5,350)	$ (69,253)
Asset for employees' retirement benefits	¥ (7,910)	¥ (5,623)	$ (71,909)
Liability for employees' retirement benefits	292	273	2,656
Net asset arising from defined benefit obligation	¥ (7,618)	¥ (5,350)	$ (69,253)

(d) The components of net periodic benefit costs for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Service cost *(Note)*	¥ 738	¥ 728	$ 6,709
Interest cost	118	118	1,071
Expected return on plan assets	(245)	(232)	(2,232)
Recognized actuarial gains	(640)	(426)	(5,817)
Amortization of prior service cost	(8)	(5)	(70)
Net periodic benefit costs	¥ (37)	¥ 183	$ (339)

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, 2019 and 2018

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Prior service cost	¥ 8	¥ (44)	$ 70
Actuarial (gains) losses	(1,576)	(920)	(14,329)
Total	¥ (1,568)	¥ (964)	$ (14,259)

(f) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2019 and 2018

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrecognized prior service cost	¥ (71)	¥ (79)	$ (647)
Unrecognized actuarial gains	(6,749)	(5,173)	(61,355)
Total	¥ (6,820)	¥ (5,252)	$ (62,002)

(g) Plan assets

(i) Components of plan assets
Plan assets consisted of the following:

	2019	2018
Debt investments	12%	14%
Equity investments	80%	78%
Cash and deposits	3%	3%
Other	5%	5%
Total	100%	100%

Note: The employees' retirement benefit trusts for the contributory pension plans accounted for 18% of total plan assets for the years ended March 31, 2019 and 2018.

(ii) Method of determining the expected rate of return on plan assets
The expected rate of return on plan assets is determined considering the current and future asset portfolio and 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, 2019 and 2018, were set forth as follows:

	2019	2018
Discount rate	0.9%	0.9%
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 ¥139 million ($1,265 thousand) and ¥133 million for the years ended March 31, 2019 and 2018, respectively.

9. ASSETS PLEDGED AS COLLATERAL

(1)Assets pledged as collateral for long-term debt from CJR in the amount of ¥35,000 million ($318,182 thousand) for the payment of settlement money related to a large railway rolling stock project in the U.S.A. as of March 31, 2019 and 2018 were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2019		2018		2019	
Buildings and structures	¥	261	¥	277	$	2,372
Land		15		15		136
Investment securities		12,606		12,338		114,598
Total	¥	12,882	¥	12,630	$	117,106

(2)Other assets pledged as collateral as of March 31, 2019 and 2018, were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2019		2018		2019	
Other current assets *(Note 1)*	¥	56	¥	56	$	505
Other assets under Investments and Other Assets *(Note 2)*		10		10		91
Investment securities *(Note 3)*		5,887		4,487		53,525
Total	¥	5,953	¥	4,553	$	54,121

Notes 1: Deposit required by insurance contracts
2: Guarantee deposit required by the Building Lots and Buildings Transaction Business Law
3: Deposit for letter of credit

10. CONTINGENT LIABILITIES

In some cases, the Company sells its construction equipment products through leasing companies. Some of these leasing companies request that the Company enters 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, 2019 and 2018, amounted to ¥226 million ($2,056 thousand) and ¥389 million, respectively.

11. LEASE TRANSACTIONS

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

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

The aggregate annual maturities of lease obligations as of March 31, 2019, were as follows:

Years ending March 31	Millions of Yen		Thousands of U.S. Dollars	
2020	¥	678	$	6,168
2021		651		5,913
2022		665		6,045
2023		244		2,221
2024		90		817
2025 and thereafter		-		-
Total	¥	2,328	$	21,164

A consolidated subsidiary subleases machinery.

Investments in leases and lease obligations, which include an interest portion, resulting from sublease transactions as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Investments in leases:			
Due within one year	¥ 122	¥ 154	$ 1,112
Due after one year	205	327	1,859
Total	¥ 327	¥ 481	$ 2,971

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Lease obligations:			
Due within one year	¥ 140	¥ 170	$ 1,272
Due after one year	235	375	2,139
Total	¥ 375	¥ 545	$ 3,411

12. EQUITY

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

(1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, 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.

Effective June 28, 2018, the Company transferred capital surplus to retained earnings based on the resolution of the Shareholders' Meeting held on June 28, 2018.

Effective October 1, 2018, the Company has implemented a 1-for-10 reverse stock split of common stock based on the resolution of the Shareholders' Meeting held on June 28, 2018.

13. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.2% and 30.5% for the years ended March 31, 2019 and 2018, respectively.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Deferred tax assets:			
Tax loss carryforwards (Note 2)	¥ 3,630	¥ 3,642	$ 32,999
Liability for employees' retirement benefits	2,510	2,528	22,815
Loss on write-downs of inventories	1,761	2,101	16,013
Land and building of plants	1,458	1,487	13,253
Loss on impairment of fixed assets	1,155	1,218	10,502
Accrued bonuses to employees	485	446	4,411
Provision for loss on orders received	273	1,682	2,485
Other	1,834	2,352	16,664
Sub-total	13,106	15,456	119,142
Less valuation allowance for tax loss crryforwards (Note 2)	(3,630)	-	(32,999)
Less valuation allowance pertaining to total amount of deductible temporary differences	(7,974)	-	(72,493)
Valuation allowance, total (Note 1)	(11,604)	(15,320)	(105,492)
Total	¥ 1,502	¥ 136	$ 13,650
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (3,842)	¥ (3,308)	$ (34,924)
Deferred gain on sales of property	-	(22)	-
Other	(3,549)	(2,903)	(32,264)
Total	(7,391)	(6,233)	(67,188)
Net deferred tax liabilities	¥ (5,889)	¥ (6,097)	$ (53,538)

Notes 1: Valuation allowance decreased by ¥3,716 million ($33,779 thousand) during the year ended March 31, 2019. This is mainly due to the decrease of deductible temporary differences on the one hand. On the other hand, the respective deferred tax assets related to tax loss carryforwards were partly judged as recoverable as a result of careful consideration taking into account the current and estimated future taxable income.

2: Expected maturity of the deferred tax assets after the balance sheet date for tax loss carryforwards as of March 31, 2019, was as follows:

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2019, were as follows:

	Millions of Yen						
2019	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years	Total
Deferred tax assets relating to tax loss carryforwards (*)	-	-	-	-	-	¥ 3,630	¥ 3,630
Less valuation allowance for tax loss carry forwards	-	-	-	-	-	(3,630)	(3,630)
Net deferred tax assets relating to tax loss carry forwards	-	-	-	-	-	-	-

	Thousands of U.S. Dollars						
2019	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years	Total
Tax loss carryforwards (*)	-	-	-	-	-	$ 32,999	$ 32,999
Valuation allowance	-	-	-	-	-	(32,999)	(32,999)
Deferred tax assets	-	-	-	-	-	-	-

(*)The amount of tax loss carryforwards was calculated by using the statutory tax rate.

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, 2019, with the corresponding figures for 2018, is as follows:

	2019	2018
Normal effective statutory tax rate	30.2 %	30.5 %
Increase (decrease) due to:		
Expenses not deductible for income tax purposes	3.9	(29.0)
Tax-exempt income	(0.3)	0.2
Changes in valuation allowance	(37.6)	15.6
Per capita inhabitant tax	0.4	(0.3)
Transfer price adjustments on consolidation	(5.4)	9.1
Higher (lower) income tax rates applicable to income in certain foreign countries	1.8	(0.7)
Other	(0.9)	1.2
Actual effective income tax rate	(7.9) %	26.6 %

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14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

The Group finances capital investments and necessary funds mainly internally and with CMS provided by a consolidated subsidiary of CJR. The Company also operates funds by utilizing CMS. 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.

Long-term debt recorded for the transfer price of the factory assets transferred to CJR and for a part of capital expenditure related to the transferred factory assets is not exposed to market risks from changes in variable interest rates since the Company repays a constant lease fee including the interest portion based on the lease agreement. Long-term debt from CJR for the payment of settlement money related to a large railway rolling stock project in the U.S.A. is also not exposed to market risks from changes in variable interest rates due to the fixed interest rate. Lease obligations are primarily used for financing capital investments.

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. Please see Note 15 for more information about derivatives.

(3)Risk management for financial instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables by monitoring financial position, 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.

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

Liquidity risk management

The Group establishes or updates its cash management plan according to the monthly cash management plan from each subsidiary in order to monitor its liquidity risk associated with operating payables and short-term borrowings and long-term debt.

(4)Fair values of financial instruments

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

(a) Fair value of financial instruments

	Millions of Yen		
	2019		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	¥ 12,721	¥ 12,721	-
Notes and accounts receivable	29,756	29,756	-
Investment securities	18,781	18,781	-
Total	¥ 61,258	¥ 61,258	-
Notes and accounts payable	¥ 22,912	¥ 22,912	-
Income taxes payable	538	538	-
Long-term debt, including current portion	35,000	35,609	¥ (609)
Lease obligations, including current portion	2,328	2,315	13
Total	¥ 60,778	¥ 61,374	¥ (596)

	Millions of Yen					
	2018					
	Carrying amount		Fair value		Unrealized gain (loss)	
Cash and cash equivalents	¥	15,837	¥	15,837		-
Notes and accounts receivable		28,526		28,526		-
Investment securities		17,024		17,024		-
Total	¥	61,387	¥	61,387		-
Notes and accounts payable	¥	24,845	¥	24,845		-
Income taxes payable		132		132		-
Long-term debt, including current portion		35,000		35,127	¥	(127)
Lease obligations, including current portion		2,473		2,454		19
Total	¥	62,450	¥	62,558	¥	(108)

	Thousands of U.S. Dollars					
	2019					
	Carrying amount		Fair value		Unrealized gain (loss)	
Cash and cash equivalents	$	115,645	$	115,645		-
Notes and accounts receivable		270,513		270,513		-
Investment securities		170,733		170,733		-
Total	$	556,891	$	556,891		-
Notes and accounts payable	$	208,287	$	208,287		-
Income taxes payable		4,888		4,888		-
Long-term debt, including current portion		318,183		323,721	$	(5,538)
Lease obligations, including current portion		21,164		21,046		118
Total	$	552,522	$	557,942	$	(5,420)

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. The information on the fair value of investment securities by classification is included in Note 5.

Liabilities

Notes and accounts payable, and income taxes payable

The carrying values of notes and accounts payable, 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 (including the current portion) and lease obligations are measured at the present value of the total of the principal and interest discounted by the interest rate applied to new loans.

Derivative transactions

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

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unlisted securities	¥ 1,600	¥ 1,608	$ 14,548
Investments in an unconsolidated subsidiary and associated companies	795	728	7,226
Long-term debt recorded for the transfer price of the factory assets transferred to CJR and for a part of capital expenditure related to the transferred factory assets (including the current portion)	20,515	20,687	186,501

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

	Millions of Yen			
	2019			
	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	¥ *12,721*	-	-	-
Notes and accounts receivable	29,402	¥ 354	¥ -	-
Total	¥ *42,123*	¥ 354	¥ -	-

	Thousands of U.S. Dollars			
	2019			
	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	$ 115,645	-	-	-
Notes and accounts receivable	267,294	$ 3,219	$ -	-
Total	$ *382,939*	$ 3,219	$ -	-

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

15. DERIVATIVE TRANSACTIONS

The Group enters into forward foreign currency contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

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.

There was no derivative transaction to which hedge accounting was applied for the year ended March 31, 2019. Derivative transactions to which hedge accounting was applied for the year ended March 31, 2018, were as follows:

		Millions of Yen		
		2018		
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Currency:				
Forward foreign currency contracts				
Buying				
USD	Advance payments	¥ 152	-	¥ (8)

16. LOSS ON IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The Group recognized impairment losses on the following asset groups.

For the year ended March 31, 2019:

			Millions of Yen	Thousands of U.S. Dollars
Asset group	Location	Account	2019	2019
Idle assets	Shinanomachi, Nagano	Land	¥ 14	$ 133
Idle assets	Nagoya, Aichi	Buildings and structures, etc.	17	153
Idle assets	Illinois, U.S.A.	Machinery and equipment	239	2,170
		Total	¥ 270	$ 2,456

For the year ended March 31, 2018:

			Millions of Yen
Asset group	Location	Account	2018
Idle assets	Nakatsugawa, Gifu	Buildings and structures, land, etc.	¥ 34
		Total	¥ 34

The Group reviewed its long-lived assets for impairment as of March 31, 2019 and 2018.

For the years ended March 31, 2019 and 2018, the Group recognized an impairment loss for idle assets by writing down the property to its net selling value (based on reasonably adjusted amount of property tax assessment value).

Upon the decision to close the manufacturing plant of an U.S. subsidiary, NIPPON SHARYO U.S.A., INC. in Rochelle, Illinois, U.S.A., on July 24, 2018, the sale of the plant to a third party has been considered. Therefore, we recognized an impairment loss on the manufacturing plant at its net selling value for the year ended March 31, 2019.

Impairment losses other than the above were not disclosed as they were immaterial.

17. RELATED-PARTY DISCLOSURES

(1)Parent and major shareholders

CJR directly owned 51.2% of the total shares of the Company as of March 31, 2019 and 2018. The Company distributes transportation vehicles to CJR.

Transactions of the Company with CJR for the years ended March 31, 2019 and 2018, were as follows:

For the year ended March 31, 2019	Millions of Yen	Thousands of U.S. Dollars
	2019	2019
Sales	¥ 19,955	$ 181,413
Borrowing of funds	117	1,072
Repayment of debt	289	2,631
Interest expense	337	3,067

Borrowing of funds, repayment of debt, and interest expense of ¥117 million ($1,072 thousand), ¥289 million ($2,631 thousand), and ¥127 million ($1,158 thousand), respectively, were recorded for the transfer of the factory assets transferred to CJR and for a part of capital expenditure related to the transferred factory assets.

For the year ended March 31, 2018	Millions of Yen
	2018
Sales	¥ 24,001
Borrowing of funds	56,000
Repayment of debt	313
Interest expense	193

Borrowing of funds, repayment of debt and interest expense of ¥21,000 million, ¥313 million and ¥122 million, respectively, were recorded for the transfer of the factory assets transferred to CJR and for a part of capital expenditure related to the transferred factory assets.

The balances due to or from CJR as of March 31, 2019 and 2018, were as follows:

As of March 31, 2019	Millions of Yen	Thousands of U.S. Dollars
	2019	2019
Accounts receivable	¥ 5,993	$ 54,483
Current portion of long-term debt	296	2,688
Long-term debt	55,219	501,996
Accrued expenses	43	392

Current portion of long-term debt, long-term debt, and accrued expenses of ¥296 million ($2,688 thousand), ¥20,220 million ($183,815 thousand), and ¥42 million ($381 thousand), respectively, were the balances related to long-term debt for the transfer price of the factory assets transferred to CJR and for a part of capital expenditure related to the transferred factory assets.

As of March 31, 2018	Millions of Yen
	2018
Accounts receivable	¥ 5,947
Current portion of long-term debt	287
Long-term debt	55,400
Accrued expenses	43

Current portion of long-term debt, long-term debt and accrued expenses of ¥287 million, ¥20,400 million and ¥42 million, respectively, were the balances related to long-term debt for the transfer price of the factory assets transferred to CJR and for a part of capital expenditure related to the transferred factory assets.

(2)Fellow subsidiaries and subsidiaries of other affiliates

Transactions of the Company with the fellow subsidiaries for the years ended March 31, 2019 and 2018, were as follows:

For the year ended March 31, 2019	Millions of Yen	Thousands of U.S. Dollars
	2019	2019
JR Central Financial Management Co., Ltd.		
Interest income	¥ 5	$ 45

For the year ended March 31, 2018	Millions of Yen
	2018
JR Central Financial Management Co., Ltd.	
Interest income	¥ 2

The balances due to or from the fellow subsidiaries as of March 31, 2019 and 2018, were as follows:

As of March 31, 2019	Millions of Yen	Thousands of U.S. Dollars
	2019	2019
JR Central Financial Management Co., Ltd.		
Cash and cash equivalents	¥ 7,398	$ 67,255

As of March 31, 2018	Millions of Yen
	2018
JR Central Financial Management Co., Ltd.	
Cash and cash equivalents	¥ 7,534

18. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 1,753	¥ 1,131	$ 15,938
Reclassification adjustments to profit or loss	-	(0)	-
Amount before income tax effect	1,753	1,131	15,938
Income tax effect	(533)	(354)	(4,848)
Total	¥ 1,220	¥ 777	$ 11,090
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the year	¥ 8	¥ (5)	$ 69
Income tax effect	-	-	-
Total	¥ 8	¥ (5)	$ 69
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (33)	¥ (105)	$ (301)
Total	¥ (33)	¥ (105)	$ (301)
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 2,216	¥ 1,396	$ 20,145
Reclassification adjustments to profit or loss	(648)	(432)	(5,887)
Amount before income tax effect	1,568	964	14,258
Income tax effect	(475)	(296)	(4,320)
Total	¥ 1,093	¥ 668	$ 9,938
Share of other comprehensive (loss) income in associated companies			
Gains arising during the year	¥ (9)	¥ 36	$ (81)
Income tax effect	-	-	-
Total	¥ (9)	¥ 36	$ (81)
Total other comprehensive income	¥ 2,279	¥ 1,371	$ 20,715

19. 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 four reportable segments: "Railway Rolling Stock," "Transportation Equipment and Steel Structure," "Construction Equipment," and "Engineering."

“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.

“Engineering” consists of manufacture and sales of railway rolling stock inspection/maintenance systems, agricultural plants, and pulp and paper plants.

(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							
	2019							
	Reportable segment							
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Engineering	Other	Total	Reconciliations	Consolidated
Net sales								
Sales to external customers	¥ 38,049	¥ 21,794	¥ 25,167	¥ 6,006	¥ 163	¥ 91,179	-	¥ 91,179
Intersegment sales or transfers	129	187	13	67	185	581	¥ (581)	-
Total	¥ 38,178	¥ 21,981	¥ 25,180	¥ 6,073	¥ 348	¥ 91,760	¥ (581)	¥ 91,179
Segment profit (loss)	¥ 2,034	¥ 2,040	¥ 4,887	¥ 386	¥ (27)	¥ 9,320	¥ (820)	¥ 8,500
Segment assets	¥ 47,448	¥ 22,556	¥ 22,978	¥ 2,906	¥ 645	¥ 96,533	¥ 37,661	¥ 134,194
Other:								
Depreciation	¥ 1,046	¥ 276	¥ 779	¥ 15	¥ 2	¥ 2,118	¥ 252	¥ 2,370
Increase in property, plant and equipment and intangible assets	1,010	937	740	22	2	2,711	160	2,871

	Millions of Yen							
	2018							
	Reportable segment							
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Engineering	Other	Total	Reconciliations	Consolidated
Net sales								
Sales to external customers	¥ 41,455	¥ 22,475	¥ 24,573	¥ 6,560	¥ 248	¥ 95,311	-	¥ 95,311
Intersegment sales or transfers	261	331	10	23	192	817	¥ (817)	-
Total	¥ 41,716	¥ 22,806	¥ 24,583	¥ 6,583	¥ 440	¥ 96,128	¥ (817)	¥ 95,311
Segment profit (loss)	¥ 1,413	¥ 1,991	¥ 5,270	¥ (75)	¥ (93)	¥ 8,506	¥ (1,240)	¥ 7,266
Segment assets	¥ 46,176	¥ 19,734	¥ 22,724	¥ 4,684	¥ 669	¥ 93,987	¥ 33,426	¥ 127,413
Other:								
Depreciation	¥ 1,340	¥ 319	¥ 760	¥ 14	¥ 2	¥ 2,435	¥ 293	¥ 2,728
Increase in property, plant and equipment and intangible assets	563	143	962	5	0	1,673	107	1,780

	Thousands of U.S. Dollars							
	2019							
	Reportable segment							
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Engineering	Other	Total	Reconciliations	Consolidated
Net sales								
Sales to external customers	$ 345,904	$ 198,128	$ 228,791	$ 54,601	$ 1,480	$ 828,904	-	$ 828,904
Intersegment sales or transfers	1,169	1,696	122	608	1,682	5,277	$ (5,277)	-
Total	$ 347,073	$ 199,824	$ 228,913	$ 55,209	$ 3,162	$ 834,181	$ (5,277)	$ 828,904
Segment profit (loss)	$ 18,494	$ 18,548	$ 44,423	$ 3,512	$ (248)	$ 84,729	$ (7,459)	$ 77,270
Segment assets	$ 431,340	$ 205,056	$ 208,891	$ 26,422	$ 5,859	$ 877,568	$ 342,384	$ 1,219,952
Other:								
Depreciation	$ 9,513	$ 2,515	$ 7,080	$ 133	$ 14	$ 19,255	$ 2,294	$ 21,549
Increase in property, plant and equipment and intangible assets	9,186	8,514	6,725	202	15	24,642	1,461	26,103

Notes: 1. "Other" represents businesses that are not included in any reportable segment, which includes manufacture and sales of laser processing system, sales of railroad-related merchandise and real estate rental.

2. "Reconciliations" in segment profit (loss) include corporate expenses of ¥(854) million ($(7,766) thousand) and ¥(1,294) million for the years ended March 31, 2019 and 2018, respectively, elimination of intersegment transactions of ¥27 million ($246 thousand) and ¥42 million for the years ended March 31, 2019 and 2018. 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 ¥32,158 million ($292,350 thousand) and ¥29,889 million, elimination of intersegment balances of ¥(116) million ($(1,051) thousand) and ¥(136) million, and adjustments in inventories of ¥(61) million ($(556) thousand) and ¥(68) million as of March 31, 2019 and 2018, respectively. Total corporate assets principally consist of investment securities and general management properties as of March 31, 2019 and 2018.

4. Segment profit (loss) is reconciled to operating 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 year ended March 31, 2019 was as follows.

	Millions of Yen				
	2019				
	Japan	U.S.A.	Asia	Other	Total
Net sales	¥ 81,477	¥ 156	¥ 9,503	¥ 43	¥ 91,179

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

Information about net sales by geographical areas for the year ended March 31, 2018 is not disclosed since net sales to external customers in Japan exceeds 90% of consolidated net sales.

	Millions of Yen				
	2019				
	Japan	U.S.A.	Asia	Other	Total
Property, plant and equipment	¥ 24,784	¥ 3,630	¥ 0	¥ 0	¥ 28,414

	Millions of Yen				
	2018				
	Japan	U.S.A.	Asia	Other	Total
Property, plant and equipment	¥ 24,306	¥ 4,258	¥ 0	¥ 0	¥ 28,564

	Thousands of U.S. Dollars				
	2019				
	Japan	U.S.A.	Asia	Other	Total
Property, plant and equipment	$ 225,304	$ 33,001	$ 1	$ 0	$ 258,306

(3) Information about major customers

	Net sales			
	Millions of Yen		Thousands of U.S. Dollars	Related segment
Name of major customer	2019	2018	2019	
CJR	¥ 19,955	¥ 24,001	$ 181,413	Railway Rolling Stock, Transportation Equipment and Steel Structure

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

	Millions of Yen							
	2019							
	Reportable segment							
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Engineer-ing	Other	Total	Recon-ciliations	Consoli-dated
Impairment loss	¥ 238	-	-	-	-	¥ 238	32	¥ 270

	Millions of Yen							
	2018							
	Reportable segment							
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Engineer-ing	Other	Total	Recon-ciliations	Consoli-dated
Impairment loss	¥ -	-	-	-	-	¥ -	34	¥ 34

	Thousands of U.S. Dollars							
	2019							
	Reportable segment							
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Engineer-ing	Other	Total	Recon-ciliations	Consoli-dated
Impairment loss	$ 2,168	-	-	-	-	$ 2,168	288	$ 2,456

Note: The amount of "Reconciliations" is related to idle assets which are not attributable to any reporting segment.

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Corporate Information

Corporate Profile

Company Name: NIPPON SHARYO, LTD.

Capital Stock

Common Stock:Authorized	32,800,000 shares
Common Stock:Issued	14,675,012 shares
Number of Shareholders	12,509 persons
	(March 31, 2019)

Company History

Sep.	1896	Established in Nagoya City.
Jun.	1938	Founded Narumi Plant.
May.	1949	Re-listed on Tokyo Stock 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.
Aug.	2019	Manufactured 4000th Shinkansen EMU.

Line of Business

Overview of the Main Segments
NIPPON SHARYO manufactures and sells the following products:

Business segment	Lines of business
Railway rolling stock	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
Engineering	Agricultural Plants, Grain Complex, Seed Processing Plants, Railway Rolling Stock Inspection/Maintenance System, Pulp and Paper Plants

Directory

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(Railway rolling stock & other transportation equipment)

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NARUMI PLANT
(Construction equipment)

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Fax : +81-52-623-4349

KINUURA PLANT
(Steel structure)

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