Annual Business Report

April 1, 2019 through March 31, 2020

NIPPON SHARYO

Financial Highlights

Comparison of Sales by Segment

(Unit: millions of yen)

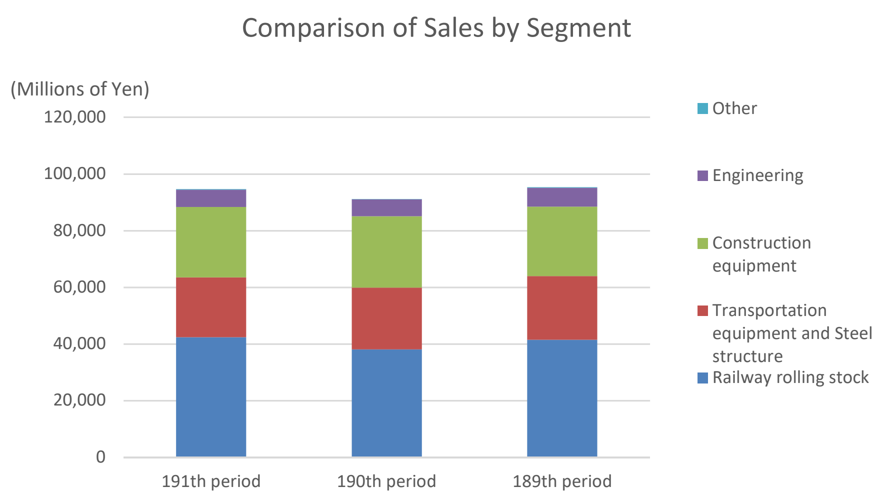
Business Segment	191th period (2019-2020)		190th period (2018-2019)		Increase/(Decrease)	
Railway rolling stock	42,371	44.8%	38,049	41.7%	4,322	11.4%
Transportation equipment and Steel structure	21,078	22.3	21,794	23.9	(716)	(3.3)
Construction equipment	24,939	26.3	25,167	27.6	(228)	(0.9)
Engineering	6,100	6.4	6,006	6.6	94	1.6
Other	147	0.2	163	0.2	(16)	(9.5)
Total	94,635	100.0	91,179	100.0	3456	3.8

Change in Operating Performance and Asset Status

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

Titles of account	191th period (2019-2020)	190th period (2018-2019)	189th period (2017-2018)
Net sales	94,635	91,179	95,311
Income before income taxes	7,530	8,547	(11,240)
Net income (loss) attributable to owners of the parent	7,895	9,199	(8,271)
Net income per share (loss)	¥547.00	¥637.29	(¥573.01)
Total assets	127,813	134,194	127,413
Total equity	34,504	32,446	20,954

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.



Contents

Series N700S Shinkansen

Message from the President

Review of Business Operations

During the fiscal term under review, the Japanese economy had a tendency to decrease mainly in personal consumption with the global economic slowdown and under the influence of the consumption tax increase, natural disasters as well as the spread of the new coronavirus in the last half of the year.

Under this business environment, our performance for the year showed sales of ¥94,635 million, up 3.8% from the previous year, with an increase in sales of the railway rolling stocks. In terms of profits, the profits of the railway rolling stock business increased while the profits of the transportation equipment and steel structure business decreased. As a result, the operating profit was ¥8,538 million, up 0.5%, and the income before income taxes amounted to ¥7,530 million, down 11.9% from the previous year. With the decision of plant sell-off made by the subsidiary in the U.S.A., we recorded the impairment loss. Consequently, the net income attributable to owners of the parent was ¥7,895 million, down 14.2% from the previous year.

The Outlook

Considering the losses accumulated mainly in the railway rolling stock business in the U.S.A in the past that significantly damaged the financial base and an increasingly straitened market environment, the Group has been seeking “enhancement of the operation control structure and human resources development” and has been promoting “technology/product development by exerting collective strength” while securing the profit with “business development where we can exhibit our strengths.” Concretely, we have been seeking to enhance the operation control structure including the quality, cost, and process with a focus on the railway rolling stock business, our core business, exhibiting our strengths in the strong area of each business segment by providing products and service that match customer needs, and gaining 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 improving 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.

In the transportation equipment and steel structure business segment, the transportation equipment business is facing severe competition. 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, demands are increasingly uncertain in the domestic and overseas markets due to the influence of the spread of the new coronavirus on the economy though there are plans for renewal in urban areas. We will capture business opportunities steadily by promoting flexible measures to meet the needs of each region.

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

K. Igarashi

Kazuhiro Igarashi
President and Chief Executive Officer

Review by Segment

Railway Rolling Stock Business

Model AE Express E.M.U.

In the railway rolling stock business, our sales to the JR Companies amounted to ¥23,637 million. It was achieved through the sales of the Series N700A Shinkansen trains to Central Japan Railway Company and West Japan Railway Company, and the testing hybrid multiple units used as limited express to Central Japan Railway Company, etc. Our sales for the public and private railways reached ¥13, 841 million, including the sales of the Marunouchi Line Series 2000 trains for Tokyo Metro Co., Ltd.; the Model AE Express E.M.U. and Model 3100 trains for Keisei Electric Railway Co., Ltd.; the Model 80000 trains for Shin-Keisei Electric Railway Co., Ltd.; and the Series 9500 and 2200 trains for Nagoya Railroad Co., Ltd. For railway cars for overseas, we had sales of ¥4,892 million, including subway cars for Indonesia. Consequently, our total sales for railway rolling stock recorded ¥42,371 million, up 11.4% from the previous year, with an increase in railway cars for the public and private railways and a decrease in railway cars for overseas.

Series N700A Shinkansen

Transportation Equipment and Steel Structure Business

Heavy Duty Carriers

In the transportation equipment business, we had sales of ¥8,979 million, up 2.9% from the previous year, with an increase in tank cars and sales of large land vehicles such as carriers and consumer-purpose LPG tank trucks.

In the steel structure business, we had sales of the Fukuoka Urban Expressway Route 6 Kashiihama Viaduct, Shin-Tomei Expressway Shin-Komakado-Higashi Number 3 Viaduct, Kansai Main Line Haruta Footbridge construction work, and large-scale repair work for Tokaido Shinkansen, etc., however, the sales of highway bridges for government and municipal offices decreased. As a result, sales were ¥12,097 million, down

Shin-Komakado-Higashi Number 3 Viaduct

7.4% from the previous year.

In all, sales for the transportation equipment and steel structure businesses were ¥21,078 million, down 3.3% from the previous year.

Construction Equipment Business

In the construction equipment business, sales of casting rotators, large and mini pile driving rigs, etc. were continuously at a high level thanks to demands for reconstruction work from the Great East Japan Earthquake and construction work for urban renewal. As a result, sales in the construction equipment business reached ¥22,332 million, up 1.6% from the previous year.

Casting rotator

In the generator business, sales were ¥2,605 million, down 18.4% from the previous year, with a decrease in transportable diesel generators.

In all, sales in our construction equipment business were ¥24,939 million, down 0.9% from the previous year.

Engineering Business

Our main sales included; mechanical equipment for Superconducting Maglev trains for Central Japan Railway Company; vehicle inspection/repair facilities for railway companies; agricultural plants for Japan Agricultural Cooperatives all over Japan; and paper-manufacturing equipment for household paper manufacturers. As a result, sales in the engineering business totaled ¥6,100 million, up 1.6% from the previous year.

Railway turntable

Other Businesses

The overseas sales for the year under review amounted to ¥8,124 million, representing 8.6% of total sales, which includes ¥4,892 million for the railway rolling stock business and ¥3,226 million for the construction equipment business.

The orders on hand at the end of the year under review reached ¥127,485 million. These comprised ¥101,878 million for the railway rolling stock business, ¥19,732 million for the transportation equipment and steel structure businesses (¥9,532 million for the transportation equipment business and ¥10,200 million for the steel structure business), ¥3,769 million for the construction equipment business, and ¥2,102 million for the engineering business.

Investment in Plant and Equipment

Plant and equipment investment during the year under review totaled ¥3,801 million. Investment was mainly targeted at renewal of equipment necessary for production of transportation equipment and the steel structure business. 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, plant and equipment investment concerning the transferred plant property was also recorded as “buildings and structures”, “machinery and equipment”, and “other”, and some of the equipment investment amount as long-term debt (including the long-term debt to be cleared within one year).

Concerning our consolidated subsidiary, the sale of the U.S.A plant of NIPPON SHARYO U.S.A., INC. (closed in August 2018) to a third party was completed.

Financing Activities

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

NIPPON SHARYO, LTD. AND
CONSOLIDATED SUBSIDIARIES

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

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of NIPPON SHARYO LTD. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated financial performance and its consolidated 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.

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Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

北方宏樹
Hiroki Kitagata
Designated Engagement Partner
Certified Public Accountant

加納俊平
Shumpei Kano
Designated Engagement Partner
Certified Public Accountant

Deloitte Touche Tohmatsu LLC
June 26, 2020

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Balance Sheet
March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2020	2019	2020
CURRENT ASSETS:			
Cash and cash equivalents (Notes 14 and 17)	¥ 13,256	¥ 12,721	$ 122,738
Notes and accounts receivable (Notes 3, 14 and 17)	29,314	29,756	271,425
Inventories (Notes 2.i and 4)	33,369	31,484	308,969
Other current assets (Note 9)	692	1,039	6,411
Total current assets	76,631	75,000	709,543
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 9)	14,383	14,971	133,173
Buildings and structures (Note 9)	25,898	27,438	239,798
Machinery and equipment	34,925	34,686	323,383
Construction in progress	109	846	1,013
Total	75,315	77,941	697,367
Accumulated depreciation	(47,092)	(49,527)	(436,042)
Net property, plant, and equipment	28,223	28,414	261,325
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5, 9 and 14)	17,405	20,381	161,162
Investments in an unconsolidated subsidiary and associated companies (Note 14)	842	795	7,796
Asset for employees' retirement benefits (Note 8)	3,365	7,910	31,154
Deferred tax assets (Note 13)	124	159	1,150
Other assets (Note 9)	1,223	1,535	11,327
Total investments and other assets	22,959	30,780	212,589
TOTAL	¥ 127,813	¥ 134,194	$ 1,183,457

(Continued)

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Balance Sheet
March 31, 2020

LIABILITIES AND EQUITY	Millions of Yen 2020	Millions of Yen 2019	Thousands of U.S. Dollars (Note 1) 2020
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 7, 14 and 17)	¥ 450	¥ 296	$ 4,169
Current portion of lease obligations (Notes 11 and 14)	744	678	6,887
Notes and accounts payable (Notes 6 and 14)	22,883	22,912	211,880
Accrued expenses (Note 17)	5,469	5,422	50,640
Advances received	613	4,281	5,676
Income taxes payable (Note 13)	26	538	243
Allowance for work in progress on construction contracts	120	176	1,114
Provision for losses on orders received (Note 2.n)	313	1,837	2,900
Other current liabilities	1,100	1,158	10,173
Total current liabilities	31,718	37,298	293,682
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7, 9 14 and 17)	56,364	55,219	521,885
Liability for employees' retirement benefits (Note 8)	454	292	4,200
Lease obligations (Notes 11 and 14)	1,436	1,650	13,301
Allowance for PCB disposal expenses	141	203	1,306
Provision for compensation for health damage from asbestos	62	87	574
Deferred tax liabilities (Note 13)	2,923	6,048	27,068
Other long-term liabilities	211	951	1,955
Total long-term liabilities	61,591	64,450	570,289
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 10 and 15)			
EQUITY (Note 12):			
Common stock, authorized, 32,800,000 shares; issued, 14,675,012 shares in 2020 and 2019	11,811	11,811	109,358
Capital surplus	-	-	-
Retained earnings	17,480	9,585	161,859
Treasury stock, at cost, 241,705 shares in 2020 and 241,136 shares in 2019	(519)	(517)	(4,804)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	6,860	8,919	63,521
Foreign currency translation adjustments	(2,242)	(2,224)	(20,764)
Defined retirement benefit plans	984	4,754	9,113
Total accumulated other comprehensive income	5,602	11,449	51,870
Non-controlling interests	130	118	1,203
Total equity	34,504	32,446	319,486
TOTAL	¥ 127,813	¥ 134,194	$ 1,183,457

(Concluded)

Note: Effective October 1, 2018, the Company implemented a 1-for-10 consolidation of common stock. The number of authorized and issued shares were not retroactively adjusted.
See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Income
Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
NET SALES (Note 17)	¥ 94,635	¥ 91,179	$ 876,248
COST OF SALES (Notes 2.i, 2.m and 2.u)	79,033	75,816	731,783
Gross profit	15,602	15,363	144,465
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 2.u)	7,064	6,863	65,403
Operating income	8,538	8,500	79,062
OTHER INCOME (EXPENSES)			
Interest and dividend income (Note 17)	352	344	3,259
Interest expense (Note 17)	(372)	(344)	(3,445)
Equity in earnings of associated companies	53	82	489
Gain on sales of investment securities, net (Note 5)	68	3	630
Loss on impairment of property, plant and equipment (Note 16)	(1,123)	(270)	(10,396)
Loss on sales and disposals of property, plant and equipment, net	(57)	(52)	(530)
Other – net	71	284	660
Other (expenses) income – net	(1,008)	47	(9,333)
INCOME BEFORE INCOME TAXES	7,530	8,547	69,729
INCOME TAXES (Note 13):			
Current	238	543	2,203
Deferred	(618)	(1,216)	(5,720)
Total income taxes	(380)	(673)	(3,517)
NET INCOME	7,910	9,220	73,246
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	15	21	143
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 7,895	¥ 9,199	$ 73,103
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.v):			
Basic net income	¥ 547.00	¥ 637.29	$ 5.06
Cash dividends applicable to the year	-	-	-

Note: Effective October 1, 2018, the Company implemented a 1-for-10 consolidation of common stock. Per share of common stock has been retroactively adjusted. Per share information has been disclosed as though the consolidation occurred at the beginning of the fiscal year ended March 31, 2019.

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Comprehensive Income
Year Ended March 31, 2020

	Millions of Yen				Thousands of U.S. Dollars (Note 1)	
	2020		2019		2020	
NET INCOME	¥	7,910	¥	9,220	$	73,246
OTHER COMPREHENSIVE (LOSS) INCOME (Note 18):						
Unrealized (loss) gain on available-for-sale securities		(2,060)		1,220		(19,070)
Deferred gain on derivatives under hedge accounting		-		8		-
Foreign currency translation adjustments		(19)		(33)		(175)
Defined retirement benefit plans		(3,769)		1,093		(34,903)
Share of other comprehensive income (loss) in associated companies		1		(9)		8
Total other comprehensive (loss) income		(5,847)		2,279		(54,140)
COMPREHENSIVE INCOME	¥	2,063	¥	11,499	$	19,106
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:						
Owners of the parent	¥	2,048	¥	11,478	$	18,964
Non-controlling interests		15		21		142

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Changes in Equity
Year Ended March 31, 2020

		Millions of Yen										
						Accumulated other comprehensive income						
	Number of shares of common stock outstanding	Common stock	Capital surplus	Retained earnings	Treasury stock	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
BALANCE, APRIL 1, 2018	144,343,508	¥ 11,811	¥ 12,045	¥ (11,659)	¥ (516)	¥ 7,708	¥ (8)	¥ (2,191)	¥ 3,661	¥ 9,170	¥ 103	¥ 20,954
Disposition of deficit	-	-	(12,045)	12,045	-	-	-	-	-	-	-	-
Net income attributable to owners of the parent	-	-	-	9,199	-	-	-	-	-	-	-	9,199
Increase in treasury stock, net	(475)	-	0	-	(1)	-	-	-	-	-	-	(1)
Transfer to capital surplus from retained earnings	-	-	0	(0)	-	-	-	-	-	-	-	-
Net changes in the year	(129,909,157)*	-	-	-	-	1,211	8	(33)	1,093	2,279	15	2,294
BALANCE, MARCH 31, 2019	14,433,876	11,811	-	9,585	(517)	8,919	-	(2,224)	4,754	11,449	118	32,446
Net income attributable to owners of the parent	-	-	-	7,895	-	-	-	-	-	-	-	7,895
Increase in treasury stock, net	(569)	-	-	-	(2)	-	-	-	-	-	-	(2)
Net changes in the year	-	-	-	-	-	(2,059)	-	(18)	(3,770)	(5,847)	12	(5,835)
BALANCE, MARCH 31, 2020	14,433,307	¥ 11,811	¥ -	¥ 17,480	¥ (519)	¥ 6,860	¥ -	¥ (2,242)	¥ 984	¥ 5,602	¥ 130	¥ 34,504

	Thousands of U.S. Dollars (Note 1)										
					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	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
BALANCE, MARCH 31, 2019	$ 109,358	$ -	$ 88,756	$ (4,790)	$ 82,584	$ -	$ (20,590)	$ 44,016	$ 106,010	$ 1,099	$ 300,433
Net income attributable to owners of the parent	-	-	73,103	-	-	-	-	-	-	-	73,103
Increase in treasury stock, net	-	-	-	(14)	-	-	-	-	-	-	(14)
Net changes in the year	-	-	-	-	(19,063)	-	(174)	(34,903)	(54,140)	104	(54,036)
BALANCE, MARCH 31, 2020	$ 109,358	$ -	$ 161,859	$ (4,804)	$ 63,521	$ -	$ (20,764)	$ 9,113	$ 51,870	$ 1,203	$ 319,486

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

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Cash Flows
Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
OPERATING ACTIVITIES:			
Income before income taxes	¥ 7,530	¥ 8,547	$ 69,729
Adjustments for:			
Income taxes-paid	(802)	(5)	(7,431)
Depreciation	2,362	2,370	21,870
Loss on impairment of property, plant and equipment	1,123	270	10,396
(Gain) loss on sales and disposals of property, plant and equipment	(139)	21	(1,289)
Gain on sales of investment securities	(68)	(3)	(630)
Changes in assets and liabilities:			
Decrease (increase) in trade notes and accounts receivable	697	(1,029)	6,457
Increase in inventories	(1,896)	(4,792)	(17,559)
Decrease in trade notes and accounts payable	(119)	(2,053)	(1,106)
(Decrease) increase in allowance for work in progress on construction contracts	(56)	140	(515)
Decrease in provision for losses on orders received	(1,524)	(4,248)	(14,111)
Decrease in provision for compensation for health damage from asbestos	(25)	(12)	(231)
(Decrease) increase in advances received	(3,668)	814	(33,960)
Increase in liability for employees' retirement benefits	161	20	1,495
Other-net	(2,267)	(1,376)	(20,994)
Net cash provided by (used in) operating activities	1,309	(1,336)	12,121
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(4,615)	(1,235)	(42,734)
Proceeds from sales of property, plant and equipment	2,665	46	24,677
Purchases of investment securities	(4)	(3)	(33)
Proceeds from sales of investment securities	145	11	1,346
Other-net	(93)	(66)	(864)
Net cash used in investing activities	(1,902)	(1,247)	(17,608)

(Continued)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
FINANCING ACTIVITIES:			
Proceeds from long-term debt	2,739	118	25,362
Repayments of long-term debt	(1,440)	(289)	(13,332)
Dividends paid	(0)	(0)	(0)
Other-net	(151)	(303)	(1,405)
Net cash provided by (used in) financing activities	1,148	(474)	10,625
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(20)	(59)	(186)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	535	(3,116)	4,952
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,721	15,837	117,786
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 13,256	¥ 12,721	$ 122,738

(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 2019 consolidated financial statements to conform to the classifications used in 2020.

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 ¥108 to $1, the approximate rate of exchange at March 31, 2020. 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, 2020, include the accounts of the Company and its significant subsidiaries (together, the "Group"). Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 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 on consolidation. All material unrealized profit included in assets resulting from transactions within the Group was also eliminated.

The number of the consolidated subsidiaries, unconsolidated subsidiaries, and associated companies for the years ended March 31, 2020 and 2019, was as follows:

	2020	2019
Consolidated subsidiaries	6	6
Unconsolidated subsidiaries stated at cost	1	1
Associated companies accounted for by the equity method	2	2
Associated companies 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 non-controlling 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 non-controlling interest is adjusted is accounted for as capital surplus for 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 ¥(1,837) million ($(17,010) thousand) and ¥(1,157) million for the years ended March 31, 2020 and 2019, 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, but 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 years ended March 31, 2020 and 2019.

As a result, the relevant factory assets as of March 31, 2020, were recorded under property, plant and equipment with carrying amounts of ¥11,975 million ($110,883 thousand) as land, of ¥5,997 million ($55,531 thousand) as buildings and structures and ¥200 million ($1,848 thousand) as machinery and equipment, while long-term debt (including the current portion) was recorded with a carrying amount of ¥22,893 million ($211,970 thousand) as of March 31, 2020. As of March 31, 2019, the relevant factory assets were recorded under property, plant and equipment with carrying amounts of ¥11,975 million as land, of ¥3,827 million as buildings and structures and ¥7 million as machinery and equipment, while long-term debt (including the current portion) was recorded with a carrying amount of ¥20,515 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 progress on construction contracts

An allowance for work in progress on construction contracts is provided based on an estimate of the total loss on construction projects for which eventual losses are deemed inevitable and for which the quantum of loss can be reasonably estimated. Provisions and (reversal of provisions) for work in progress on construction contracts with an amount of ¥56 million ($515 thousand) and ¥140 million for the years ended March 31, 2020 and 2019, respectively, were included in cost of sales.

n. Provision for losses on orders received

A provision for losses on orders received, except for construction contracts, is recorded based on an estimate of the total anticipated loss on contracts for which eventual losses are deemed inevitable and for which the quantum of 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 Storage & 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 ¥1,480 million ($13,700 thousand) and ¥1,344 million for the years ended March 31, 2020 and 2019, 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 per share is computed by dividing net income 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, 2020 and 2019, were 14,433 and 14,434 thousand shares, respectively. Diluted net income per share for the years ended March 31, 2020 and 2019, 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 consolidation of common stock. Per share of common stock has been retroactively adjusted as though the share consolidation occurred at the beginning of the fiscal year ended March 31, 2019.

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 is applied. When it is probable that the total construction costs will exceed total construction revenue, the estimated loss on the contract is recognized.

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. Change in accounting policies

Accounting Standards Codification (ASC) 606 – Revenue from Contract with Customers

Foreign subsidiaries adopting generally accepted accounting principles in the United States of America ("US-GAAP") have applied ASC 606 "Revenue from Contract with Customers" from the fiscal year ended March 31, 2020. The effects of the application of this standard on the consolidated financial statements are immaterial.

z. New accounting pronouncements

Accounting Standard for Revenue Recognition, etc.

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, revised on March 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, revised on March 31, 2020)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, revised on March 31, 2020)

(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 guidances 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 guidances on the consolidated financial statements are currently being assessed.

Accounting Standard for Fair Value Measurement, etc.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, issued on July 4, 2019)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, issued on July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, issued on July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Management (ASBJ Guidance No. 31, issued on July 4, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, revised on March 31, 2020)

(a) Overview
Both the IASB and the FASB each established a nearly identical and detailed guidance for fair value measurement (IFRS 13 "Fair Value Measurement" in IFRS and ASC Topic 820 "Fair Value Measurement" in US-GAAP.) Given this fact, ASBJ issued the "Accounting Standard for Fair Value Measurement" to establish consistency between Japanese standards and international standards regarding the guidance and disclosure mainly for fair value of financial instruments.

ASBJ's basic policy in developing the accounting standard for fair value measurement was to adopt entire IFRS 13 with the unified measurement methodology for a better comparability of the financial statements of domestic and foreign enterprises. ASBJ, on the other side, specified other alternative treatments in individual items considering the current practices under Japanese GAAP as far as such treatments would not significantly impair international comparability.

(b) Effective date
The above standards and guidances are scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

(c) Effects of application of the standards, etc.
The effects of the application of the above standards and guidances on the consolidated financial statements are currently being assessed.

Accounting Standard for Disclosure of Accounting Estimates
- Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, issued on March 31, 2020)

(a) Overview
Paragraph 125 of International Accounting Standards ("IAS") 1 "Presentation of Financial Statements" issued by IASB in 2003 requires disclosure of "sources of estimation uncertainty." As this information was considered highly useful to users of financial statements, there were requests for discussion on implementation of such disclosure requirement in Japanese GAAP. Accordingly, ASBJ developed and issued the "Accounting Standard for Disclosure of Accounting Estimates."

ASBJ's basic policy in developing this accounting standard was to refer to requirements of Paragraph 125 of IAS 1. The standard was intended not to enhance existing note disclosure requirements, but to require enterprises to specify the purposes of disclosure and to determine what to disclose according to such purposes.

(b) Effective date
The above standard is scheduled to be applied from the end of the fiscal year ending March 31, 2021.

Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections
- Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No. 24, issued on March 31, 2020)

(a) Overview
In response to suggestions to discuss improving the note disclosure of "principle and procedure applied to accounting treatments when related accounting standards are undefined," ASBJ accordingly revised the "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections."

To avoid conflict with the current practices of disclosure when related accounting standards are defined, in adopting this standard, it should be noted that Paragraph 1-2 of annotations of Accounting Principles for Business Enterprises is still effective.

(b) Effective date
The above standard is scheduled to be applied from the end of the fiscal year ending March 31, 2021.

3. NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2020		2019		2020	
Trade notes receivable	¥	4,230	¥	5,022	$	39,162
- Unconsolidated subsidiary and associated companies		136		215		1,260
Trade accounts receivable		16,750		17,600		155,094
- CJR, unconsolidated subsidiary and associated companies		7,065		6,054		65,418
Other		1,147		911		10,621
Less allowance for doubtful accounts		(14)		(46)		(130)
Total	¥	29,314	¥	29,756	$	271,425

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, 2020 and 2019, consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2020		2019		2020	
Merchandise	¥	424	¥	224	$	3,923
Finished goods		968		1,303		8,959
Work in process and semi-finished goods		30,457		28,676		282,009
Raw materials		1,520		1,281		14,078
Total	¥	33,369	¥	31,484	$	308,969

Work in process and the allowance for work in progress on construction contracts are presented in the gross amount in the consolidated balance sheet. At March 31, 2020 and 2019, an allowance for work in progress on construction contracts of ¥nil and ¥80 million, respectively, was provided and included in work in process and semi-finished goods above.

5. INVESTMENT SECURITIES

Investment securities as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Equity securities	¥ 17,405	¥ 20,381	$ 161,162
Total	¥ 17,405	¥ 20,381	$ 161,162

The costs and aggregate fair values of investment securities as of March 31, 2020 and 2019, were as follows:

	Millions of Yen			
	2020			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Securities classified as available-for-sale:				
Equity securities	¥ 5,993	¥ 10,064	¥ (246)	¥ 15,811
Total	¥ 5,993	¥ 10,064	¥ (246)	¥ 15,811

	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

	Thousands of U.S. Dollars			
	2020			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Securities classified as available-for-sale:				
Equity securities	$ 55,492	$ 93,192	$ (2,282)	$ 146,402
Total	$ 55,492	$ 93,192	$ (2,282)	$ 146,402

The information of available-for-sale securities which were sold for the years ended March 31, 2020 and 2019, was as follows:

	Millions of Yen		
	2020		
	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	¥ 145	¥ 68	¥ -
Total	¥ 145	¥ 68	¥ -

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

	Thousands of U.S. Dollars		
	2020		
	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	$ 1,346	$ 630	$ -
Total	$ 1,346	$ 630	$ -

No impairment losses were recognized on available-for-sale equity securities for the years ended March 31, 2020 and 2019.

6. NOTES AND ACCOUNTS PAYABLE

Notes and accounts payable as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Trade notes payable	¥ 384	¥ 1,418	$ 3,558
Electronically recorded obligations-operating	10,774	10,670	99,755
-Unconsolidated subsidiary and associated companies	12	25	112
Trade accounts payable	8,886	8,001	82,277
-Unconsolidated subsidiary and associated companies	32	94	300
Other	2,795	2,704	25,878
Total	¥ 22,883	¥ 22,912	$ 211,880

7. LONG-TERM DEBT

Long-term debt as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2020		2019		2020	
Loans from CJR due through 2027 (Note) with average interest rate of 0.61%	¥	56,814		55,515	$	526,054
Less current portion		(450)		(296)		(4,169)
Total	¥	56,364	¥	55,219	$	521,885

The aggregate annual maturities of long-term debt as of March 31, 2020, were as follows:

Years ending March 31	Millions of Yen		Thousands of U.S. Dollars	
2021		-		-
2022	¥	2,900	$	26,852
2023		2,900		26,852
2024		2,900		26,852
2025		2,900		26,852
2026 and thereafter		22,321		206,676
Total	¥	33,921	$	314,084

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 ¥22,893 million ($211,970 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, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at beginning of year	¥ 13,638	¥ 13,359	$ 126,274
Current service cost	750	738	6,946
Interest cost	120	118	1,112
Actuarial gains	(14)	(93)	(132)
Benefits paid	(698)	(484)	(6,462)
Prior service cost	(65)	-	(595)
Balance at end of year	¥ 13,731	¥ 13,638	$ 127,143

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, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at beginning of year	¥ 21,256	¥ 18,710	$ 196,809
Expected return on plan assets	258	245	2,389
Actuarial gains	(4,908)	2,123	(45,445)
Contribution from the employer	380	380	3,522
Benefits paid	(344)	(202)	(3,178)
Balance at end of year	¥ 16,642	¥ 21,256	$ 154,097

(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, 2020 and 2019, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Funded defined benefit obligation	¥ 13,498	¥ 13,346	$ 124,985
Plan assets	(16,642)	(21,256)	(154,097)
Total	(3,144)	(7,910)	(29,112)
Unfunded defined benefit obligation	233	292	2,158
Net asset arising from defined benefit obligation	¥ (2,911)	¥ (7,618)	$ (26,954)
Asset for employees' retirement benefits	¥ (3,365)	¥ (7,910)	$ (31,154)
Liability for employees' retirement benefits	454	292	4,200
Net asset arising from defined benefit obligation	¥ (2,911)	¥ (7,618)	$ (26,954)

(d) The components of net periodic benefit costs for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Service cost *(Note)*	¥ 750	¥ 738	$ 6,946
Interest cost	120	118	1,112
Expected return on plan assets	(258)	(245)	(2,389)
Recognized actuarial gains	(563)	(640)	(5,217)
Amortization of prior service cost	(9)	(8)	(84)
Net periodic benefit costs	¥ 40	¥ (37)	$ 368

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, 2020 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Prior service cost	¥ 55	¥ 8	$ 511
Actuarial gains	(5,457)	(1,576)	(50,530)
Total	¥ (5,402)	¥ (1,568)	$ (50,019)

(f) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2020 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unrecognized prior service cost	¥ (126)	¥ (71)	$ (1,170)
Unrecognized actuarial gains	(1,292)	(6,749)	(11,961)
Total	¥ (1,418)	¥ (6,820)	$ (13,131)

(g) Plan assets

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

	2020	2019
Debt investments	17%	12%
Equity investments	72%	80%
Cash and deposits	4%	3%
Other	7%	5%
Total	100%	100%

Note: The employees' retirement benefit trusts for the contributory pension plans accounted for 16% and 18% of total plan assets for the years ended March 31, 2020 and 2019, respectively.

(*ii*) Method of determining the expected rate of return on plan assets
The expected rate of return on plan assets is determined considering the 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, 2020 and 2019, were set forth as follows:

	2020	2019
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 ¥143 million ($1,322 thousand) and ¥139 million for the years ended March 31, 2020 and 2019, respectively.

9. ASSETS PLEDGED AS COLLATERAL

(1) Assets pledged as collateral for long-term debt borrowed from CJR in November 2017 for the payment of settlement money related to a large railway rolling stock project in the U.S.A. were as follows. The balance of the long-term debt as of March 31, 2020 and 2019 was ¥33,921 million ($314,083 thousand) and ¥35,000 million, respectively.

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Buildings and structures	¥ 259	¥ 261	$ 2,398
Land	15	15	138
Investment securities	14,881	12,606	137,784
Total	¥ 15,155	¥ 12,882	$ 140,320

(2) Other assets pledged as collateral as of March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Other current assets *(Note 1)*	¥ 1	¥ 56	$ 10
Other assets under Investments and Other Assets *(Note 2)*	10	10	93
Investment securities *(Note 3)*	-	5,887	-
Total	¥ 11	¥ 5,953	$ 103

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, 2020 and 2019, amounted to ¥129 million ($1,197 thousand) and ¥226 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, 2020, were as follows:

Years ending March 31	Millions of Yen		Thousands of U.S. Dollars	
2021	¥	744	$	6,887
2022		778		7,206
2023		318		2,949
2024		164		1,517
2025		176		1,629
2026 and thereafter		-		-
Total	¥	2,180	$	20,188

A consolidated subsidiary subleases machinery.

Investments in leases and lease obligations, which include an interest portion, resulting from sublease transactions as of March 31, 2020 and 2019, were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2020		2019		2020	
Investments in leases:						
Due within one year	¥	116	¥	122	$	1,070
Due after one year		112		205		1,043
Total	¥	228	¥	327	$	2,113

	Millions of Yen				Thousands of U.S. Dollars	
	2020		2019		2020	
Lease obligations:						
Due within one year	¥	132	¥	140	$	1,221
Due after one year		129		235		1,195
Total	¥	261	¥	375	$	2,416

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 consolidation 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 30.3% and 30.2% for the years ended March 31, 2020 and 2019, respectively.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities as of March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Deferred tax assets:			
Tax loss carryforwards (Note 2)	¥ 6,479	¥ 3,630	$ 59,987
Liability for employees' retirement benefits	2,496	2,510	23,109
Loss on write-downs of inventories	1,218	1,761	11,279
Land and building of plants	1,517	1,458	14,050
Loss on impairment of fixed assets	417	1,155	3,858
Accrued bonuses to employees	536	485	4,964
Provision for losses on orders received	96	273	888
Other	1,545	1,834	14,309
Sub-total	14,304	13,106	132,444
Less valuation allowance for tax loss carryforwards (Note 2)	(5,929)	(3,630)	(54,898)
Less valuation allowance pertaining to total amount of deductible temporary differences	(6,094)	(7,974)	(56,427)
Valuation allowance, total (Note 1)	(12,023)	(11,604)	(111,325)
Total	¥ 2,281	¥ 1,502	$ 21,119
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (3,002)	¥ (3,842)	$ (27,794)
Other	(2,078)	(3,549)	(19,243)
Total	(5,080)	(7,391)	(47,037)
Net deferred tax liabilities	¥ (2,799)	¥ (5,889)	$ (25,918)

Notes 1: Valuation allowance increased by ¥419 million ($3,879 thousand) during the year ended March 31, 2020. This is mainly due to the increase of the Company's tax loss carryforwards.

2: Expected maturity of the deferred tax assets after the balance sheet date for tax loss carryforwards as of March 31, 2020, was as follows:

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2020, were as follows:

2020	Millions of Yen						
	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 (*)	-	-	-	-	-	¥ 6,479	¥ 6,479
Valuation allowance	-	-	-	-	-	(5,929)	(5,929)
Deferred tax assets	-	-	-	-	-	550	(**) 550

2019	Millions of Yen						
	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 (*)	-	-	-	-	-	¥ 3,630	¥ 3,630
Valuation allowance	-	-	-	-	-	(3,630)	(3,630)
Deferred tax assets	-	-	-	-	-	-	-

2020	Thousands of U.S. Dollars						
	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 (*)	-	-	-	-	-	$ 59,987	$ 59,987
Valuation allowance	-	-	-	-	-	(54,898)	(54,898)
Deferred tax assets	-	-	-	-	-	5,089	(**) 5,089

(*) The amount of tax loss carryforwards was calculated by using the statutory tax rate.
(**) The amount of deferred tax assets related to tax loss carryforwards is determined to be recovered based on the expected future taxable income.

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, 2020, with the corresponding figures for 2019, is as follows:

	2020	2019
Normal effective statutory tax rate	30.3 %	30.2 %
Increase (decrease) due to:		
Expenses not deductible for income tax purposes	14.4	3.9
Tax-exempt income	(0.4)	(0.3)
Changes in valuation allowance	(4.5)	(37.6)
Per capita inhabitant tax	0.4	0.4
Transfer price adjustments on consolidation	10.3	(5.4)
Higher (lower) income tax rates applicable to income in certain foreign countries	2.4	1.8
Transfer price adjustment	(58.3)	-
Effect of changes in tax rate	0.2	-
Other	0.2	(0.9)
Actual effective income tax rate	(5.0) %	(7.9) %

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 borrowed from CJR in November 2017 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		
	2020		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	¥ 13,256	¥ 13,256	-
Notes and accounts receivable	29,314	29,314	-
Investment securities	15,811	15,811	-
Total	¥ 58,381	¥ 58,381	-
Notes and accounts payable	¥ 22,883	¥ 22,883	-
Income taxes payable	26	26	-
Long-term debt, including current portion	33,921	34,513	¥ (592)
Lease obligations, including current portion	2,180	2,169	11
Total	¥ 59,010	¥ 59,591	¥ (581)

	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)

	Thousands of U.S. Dollars		
	2020		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	$ 122,738	$ 122,738	-
Notes and accounts receivable	271,425	271,425	-
Investment securities	146,402	146,402	-
Total	$ 540,565	$ 540,565	-
Notes and accounts payable	$ 211,880	$ 211,880	-
Income taxes payable	243	243	-
Long-term debt, including current portion	314,084	319,569	$ (5,485)
Lease obligations, including current portion	20,188	20,085	103
Total	$ 546,395	$ 551,777	$ (5,382)

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
	2020	2019	2020
Unlisted securities	¥ 1,595	¥ 1,600	$ 14,760
Investments in an unconsolidated subsidiary and associated companies	842	795	7,796
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)	22,893	20,515	211,970

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

	Millions of Yen			
	2020			
	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	¥ 13,256	-	-	-
Notes and accounts receivable	28,674	¥ 640	¥ -	-
Total	¥ 41,930	¥ 640	¥ -	-

	Thousands of U.S. Dollars			
	2020			
	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	$ 122,738	-	-	-
Notes and accounts receivable	265,497	$ 5,928	$ -	-
Total	$ 388,235	$ 5,928	$ -	-

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 years ended March 31, 2020 and 2019.

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, 2020:

Asset group	Location	Account	Millions of Yen 2020		Thousands of U.S. Dollars 2020	
Idle assets	Illinois, U.S.A.	Land and buildings, etc.	¥	1,123	$	10,396
		Total	¥	1,123	$	10,396

For the year ended March 31, 2019:

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

The Group reviewed its long-lived assets for impairment as of March 31, 2020 and 2019.

The Group recognized an impairment loss for idle assets by writing down the property to its net selling value (based on estimated sales amount of contract for the year ended March 31, 2020, and reasonably adjusted amount of property tax assessment value for the year ended March 31, 2019).

The Company resolved at the Board of Directors held on November 22, 2019 to sell all the assets of the manufacturing plant of an U.S. subsidiary, NIPPON SHARYO U.S.A., INC. in Rochelle, Illinois, U.S.A. The Company recognized an impairment loss by writing down to its recoverable amount since the carrying amount of the asset exceeds its recoverable amount based on the net selling value.

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, 2020 and 2019. The Company distributes transportation vehicles to CJR.

Transactions of the Company with CJR for the years ended March 31, 2020 and 2019, were as follows:

For the year ended March 31, 2020

	Millions of Yen	Thousands of U.S. Dollars
	2020	2020
Sales	¥ 18,290	$ 169,350
Borrowing of funds	2,740	25,362
Repayment of debt	1,441	13,338
Interest expense	345	3,192

Borrowing of funds, repayment of debt, and interest expense of ¥2,740 million ($25,362 thousand), ¥362 million ($3,348 thousand), and ¥134 million ($1,244 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, 2019

	Millions of Yen
	2019
Sales	¥ 19,955
Borrowing of funds	117
Repayment of debt	289
Interest expense	337

Borrowing of funds, repayment of debt and interest expense of ¥117 million, ¥289 million and ¥127 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, 2020 and 2019, were as follows:

As of March 31, 2020

	Millions of Yen	Thousands of U.S. Dollars
	2020	2020
Accounts receivable	¥ 7,018	$ 64,986
Current portion of long-term debt	450	4,169
Long-term debt	56,363	521,885
Accrued expenses	42	388

Current portion of long-term debt, long-term debt, and accrued expenses of ¥450 million ($4,169 thousand), ¥22,443 million ($207,802 thousand), and ¥42 million ($385 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, 2019

	Millions of Yen	
	2019	
Accounts receivable	¥	5,993
Current portion of long-term debt		296
Long-term debt		55,219
Accrued expenses		43

Current portion of long-term debt, long-term debt and accrued expenses of ¥296 million, ¥20,220 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, 2020 and 2019, were as follows:

For the year ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars	
	2020		2020	
JR Central Financial Management Co., Ltd.				
Interest income	¥	7	$	64

For the year ended March 31, 2019

	Millions of Yen	
	2019	
JR Central Financial Management Co., Ltd.		
Interest income	¥	5

The balances due to or from the fellow subsidiaries as of March 31, 2020 and 2019, were as follows:

As of March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars	
	2020		2020	
JR Central Financial Management Co., Ltd.				
Cash and cash equivalents	¥	6,872	$	63,626

As of March 31, 2019

	Millions of Yen	
	2019	
JR Central Financial Management Co., Ltd.		
Cash and cash equivalents	¥	7,398

18. OTHER COMPREHENSIVE (LOSS) INCOME

The components of other comprehensive (loss) income for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unrealized (loss) gain on available-for-sale securities:			
(Losses) gains arising during the year	¥ (2,831)	¥ 1,753	$ (26,216)
Reclassification adjustments to profit or loss	(68)	-	(630)
Amount before income tax effect	(2,899)	1,753	(26,846)
Income tax effect	839	(533)	7,776
Total	¥ (2,060)	¥ 1,220	$ (19,070)
Deferred gain on derivatives under hedge accounting:			
Gains arising during the year	¥ -	¥ 8	$ -
Income tax effect	-	-	-
Total	¥ -	¥ 8	$ -
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (19)	¥ (33)	$ (175)
Total	¥ (19)	¥ (33)	$ (175)
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (4,830)	¥ 2,216	$ (44,718)
Reclassification adjustments to profit or loss	(572)	(648)	(5,301)
Amount before income tax effect	(5,402)	1,568	(50,019)
Income tax effect	1,633	(475)	15,116
Total	¥ (3,769)	¥ 1,093	$ (34,903)
Share of other comprehensive income (loss) in associated companies			
Gains (losses) arising during the year	¥ 1	¥ (9)	$ 8
Income tax effect	-	-	-
Total	¥ 1	¥ (9)	$ 8
Total other comprehensive (loss) income	¥ (5,847)	¥ 2,279	$ (54,140)

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							
	2020							
	Reportable segment							
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Engineering	Other	Total	Reconciliations	Consolidated
Net sales								
Sales to external customers	¥ 42,371	¥ 21,078	¥ 24,939	¥ 6,100	¥ 147	¥ 94,635	-	¥ 94,635
Intersegment sales or transfers	133	100	6	-	149	388	¥ (388)	-
Total	¥ 42,504	¥ 21,178	¥ 24,945	¥ 6,100	¥ 296	¥ 95,023	¥ (388)	¥ 94,635
Segment profit	¥ 3,014	¥ 895	¥ 4,952	¥ 349	¥ 152	¥ 9,362	¥ (824)	¥ 8,538
Segment assets	¥ 46,827	¥ 23,415	¥ 23,139	¥ 4,669	¥ 687	¥ 98,737	¥ 29,076	¥ 127,813
Other:								
Depreciation	¥ 901	¥ 489	¥ 803	¥ 35	¥ 2	¥ 2,230	¥ 132	¥ 2,362
Increase in property, plant and equipment and intangible assets	1,334	3,239	793	228	2	5,596	202	5,798

	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

	Thousands of U.S. Dollars							
	2020							
	Reportable segment							
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Engineering	Other	Total	Reconciliations	Consolidated
Net sales								
Sales to external customers	$ 392,330	$ 195,162	$ 230,912	$ 56,481	$ 1,363	$ 876,248	-	$ 876,248
Intersegment sales or transfers	1,230	925	56	-	1,378	3,589	$ (3,589)	-
Total	$ 393,560	$ 196,087	$ 230,968	$ 56,481	$ 2,741	$ 879,837	$ (3,589)	$ 876,248
Segment profit	$ 27,903	$ 8,290	$ 45,848	$ 3,236	$ 1,413	$ 86,690	$ (7,628)	$ 79,062
Segment assets	$ 433,584	$ 216,806	$ 214,248	$ 43,231	$ 6,359	$ 914,228	$ 269,229	$ 1,183,457
Other:								
Depreciation	$ 8,344	$ 4,525	$ 7,433	$ 329	$ 17	$ 20,648	$ 1,222	$ 21,870
Increase in property, plant and equipment and intangible assets	12,351	29,992	7,343	2,113	19	51,818	1,870	53,688

Notes: 1. "Other" represents businesses that are not included in any reportable segment, which includes manufacture and sales of laser processing system.

2. "Reconciliations" in segment profit (loss) include corporate expenses of ¥(839) million ($(7,767) thousand) and ¥(854) million for the years ended March 31, 2020 and 2019, respectively, and elimination of intersegment transactions of ¥15 million ($141 thousand) and ¥27 million for the years ended March 31, 2020 and 2019, respectively. Corporate expenses principally consist of general and administrative expenses that are not attributable to any reportable segment.

3. "Reconciliations" in segment assets include total corporate assets of ¥29,807 million ($275,992 thousand) and ¥32,158 million, elimination of intersegment balances of ¥(110) million ($(1,016) thousand) and ¥(116) million, and adjustments in inventories of ¥(61) million ($(564) thousand) and ¥(61) million as of March 31, 2020 and 2019, respectively. Total corporate assets principally consist of investment securities and general management properties as of March 31, 2020 and 2019.

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 years ended March 31, 2020 and 2019 was as follows.

	Millions of Yen				
	2020				
	Japan	U.S.A.	Asia	Other	Total
Net sales	¥86,510	¥405	¥7,701	¥19	¥94,635

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

	Thousands of U.S. Dollars				
	2020				
	Japan	U.S.A.	Asia	Other	Total
Net sales	$801,022	$3,751	$71,304	$171	$876,248

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

	Millions of Yen				
	2020				
	Japan	U.S.A.	Asia	Other	Total
Property, plant and equipment	¥28,214	¥8	¥1	¥0	¥28,223

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

	Thousands of U.S. Dollars				
	2020				
	Japan	U.S.A.	Asia	Other	Total
Property, plant and equipment	$261,245	$70	$10	$0	$261,325

(3) Information about major customers

Name of major customer	Net sales: Millions of Yen 2020	Net sales: Millions of Yen 2019	Net sales: Thousands of U.S. Dollars 2020	Related segment
CJR	¥ 18,290	¥ 19,955	$ 169,350	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							
	2020							
	Reportable segment							
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Engineer-ing	Other	Total	Recon-ciliations	Consoli-dated
Impairment loss	¥ 1,123	-	-	-	-	¥ 1,123	-	¥ 1,123

	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

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

	Thousands of U.S. Dollars							
	2020							
	Reportable segment							
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Engineer-ing	Other	Total	Recon-ciliations	Consoli-dated
Impairment loss	$ 10,396	-	-	-	-	$ 10,396	-	$ 10,396

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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	11,356 persons
	(March 31, 2020)

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.

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, 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

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