Annual Business Report

April 1, 2024 through March 31, 2025

NIPPON SHARYO

Financial Highlights

Comparison of Sales by Segment

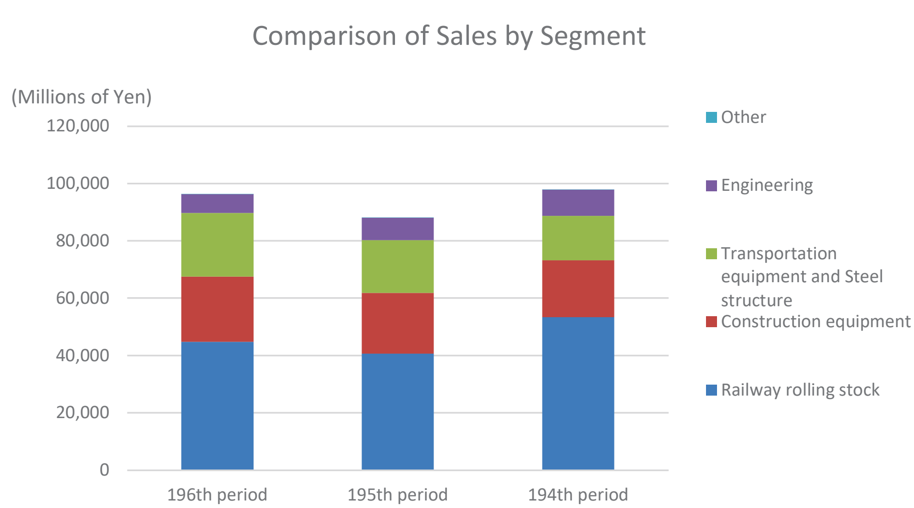
(Unit: millions of yen)

Business Segment	196th period (2024-2025)		195th period (2023-2024)		Increase/(Decrease)	
Railway rolling stock	44,747	46.4	40,615	46.1	4,132	10.2
Construction equipment	22,810	23.7	21,206	24.1	1,604	7.6
Transportation equipment and Steel structure	22,182	23.0	18,423	20.9	3,759	20.4
Engineering	6,549	6.8	7,746	8.8	(1,197)	(15.5)
Other	52	0.1	69	0.1	(17)	(24.6)
Total	96,340	100.0	88,059	100.0	8,281	9.4

Change in Operating Performance and Asset Status

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

Titles of account	196th period (2024-2025)	195th period (2023-2024)	194th period (2022-2023)
Net sales	96,340	88,059	97,969
Income before income taxes	8,220	6,267	4,232
Net income attributable to owners of the parent	6,416	5,382	3,118
Net income per share	¥444.62	¥372.93	¥216.08
Total assets	131,165	136,397	124,364
Total equity	64,649	62,228	51,123



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Model 3200 EMU

Message from the President

Review of Business Operations

During the fiscal year ended March 31, 2025 (hereinafter referred to as the “fiscal year”), the Japanese economy showed signs of a gradual recovery due to improved corporate earnings and other factors. However, the outlook remains uncertain, with the need to closely pay attention to the impact of continued increases in commodity prices, the U.S. policy trends such as trade policy, etc.

As a result of this business environment, the Group’s net sales for the fiscal year came to ¥96,340 million, an increase of 9.4% from the previous fiscal year, due to increases in the railway rolling stock business, the construction equipment business, and the transportation equipment and steel structure business. With regard to profit, the construction equipment business and the transportation equipment and steel structure business recorded increases, resulting in overall operating income rising by 14.4% year on year to ¥ 6,936 million, income before income taxes increasing 31.2% year on year to ¥8,220 million, and net income attributable to owners of the parent rising by 19.2% year on year to ¥6,416 million.

The Outlook

By continuing to promote our medium-term business plan, “Nippon Sharyo Innovative Change 2030,” we aim to secure stable profits relative to net sales with the management indicator of “securing a stable consolidated ordinary income to net sales ratio of 5%.”

In light of the consolidated earnings forecast for the next fiscal year, we will strive to strengthen business capabilities by further improving quality, reducing costs and streamlining business processes. The challenges to be addressed by each business are as follows.

We expect the order environment to remain difficult for the railway rolling stock business going forward, due to contractions in demand for upgrading rolling stock among railway companies in the post-COVID era. In response to this environment, we will leverage our strength in handling a wide variety of rolling stock, such as Shinkansen trains, limited express trains, commuter trains, and operational vehicles. In addition, we will promote differentiation through “N-QUALIS,” a brand that builds the next generation with its enhanced and advanced safety, quality, and maintenance, and technological development, including improvements in the aerodynamic performance of vehicles. We will also continue to strengthen our competitiveness by striving to reduce costs through reforming production processes.

Market demand for the construction equipment business is expected to continue from urban redevelopment projects in the domestic market, and a certain level of construction demand is expected to continue in overseas markets, albeit with some fluctuations. In these market situations, we will leverage our development and manufacturing knowledge in construction equipment, including pile-driving rigs, and respond flexibly to the needs of different regions. Furthermore, by addressing market needs, such as those to reduce CO_2 emissions at construction sites and implement labor-saving measures to compensate for labor shortages, we will work to enhance our competitiveness by realizing the electrification and automation of construction equipment and developing services that contribute to energy saving for customers in the maintenance sector.

In the transportation equipment and steel structure business, the adverse situations for soliciting orders still remain, although a certain level of demand is expected to continue for various types of tank trucks, carriers for steel mills, and Automated Guided Vehicles mainly due to demand for equipment renewals. In this environment, we are working on launching new products aimed at meeting market needs such as future energy trends and labor-saving features to address labor shortages, and on R&D aimed at introducing new technology, primarily in the area of our mainstay high-pressure gas tank trucks and heavy duty carriers. We have also announced the autonomous driving system for carriers, "N-SEMAC." Additionally, we will strengthen our competitiveness and acquiring new customers by taking steps to reduce costs through actions such as standardizing design. For steel structures, we forecast that a certain level of orders for the construction of new steel bridges will be maintained, but the order environment is likely to be difficult. Conversely, repair and maintenance work to deal with deterioration is becoming increasingly important, as it can be seen from the trend of increasing orders for major upgrade and renovation programs for expressways. In response to this environment, we will continue to strengthen our ability to provide technical proposals for new bridges, as well as secure order volume. At the same time, in the repair and maintenance business, we will leverage the knowledge we have accumulated in the course of bridge repair work conducted during major repair work on the Tokaido Shinkansen to receive orders for repair and maintenance of highway bridges.

In the engineering business, mechanical equipment for railway companies, country elevator, and paper-making facility are essential components of social infrastructure, and we expect a certain level of demand to continue going forwards. In addition to enhanced safety and reduced power consumption, customers are requiring labor-saving features and improved maintainability for such equipment to address labor shortages caused by the aging of the population. In response, we will provide detailed proposals to meet market needs, enabling us to secure profits.

As a countermeasure against the deteriorating financial situation caused by the large losses incurred on large railway car projects in the past for the U.S. market, we transferred in April 2017 the plant property of Toyokawa Plant, Narumi Plant, and Kinuura Plant to our parent company (Central Japan Railway Company). Further, in November 2017, we took out a long-term debt of ¥35 billion from the parent company.

In FY 2021, we started the repayment of the above long-term debt and in March 2023 we repurchased one of the transferred plant properties, Toyokawa Plant, from the parent company. We will continue to work on gradually reducing long-term debt and strengthening our financial foundation as well as to strengthen our business capabilities by promoting improvements in business management and profitability that we are working on.

M. Tanaka

Mamoru Tanaka
President and
Chief Executive Officer

Review by Segment

Railway Rolling Stock Business

Sales were recorded for Series N700S Shinkansen Super-Express EMU to Central Japan Railway Company and West Japan Railway Company and Series 315 Express EMU to Central Japan Railway Company, as well as trains to the Bureau of Transportation Tokyo Metropolitan Government and trains to Nagoya Railroad Co., Ltd. Accordingly, due to a year-on-year increase in sales of trains to public and private railways, net sales in the rolling stock business amounted to ¥44,747 million, an increase of 10.2% from the previous fiscal year.

Series N700S Shinkansen Super-Express EMU

Model 3200 EMU

Construction Equipment Business

Sales recorded included large pile driving rigs, compact pile driving rigs, and casting rotators. Due to an increase in sales of large pile driving rigs, parts, and other products for the domestic market from the previous fiscal year and other factors, net sales in the construction equipment business amounted to ¥22,810 million, an increase of 7.6% from the previous fiscal year.

Mini Piling Rig

Transportation Equipment and Steel Structure Business

In the transportation equipment business, sales recorded included consumer-purpose bulk tank lorries, heavy duty carriers, Automated Guided Vehicles, and freight cars, and sales of LNG tank trailers increased from the previous fiscal year.

bulk tank lorry

In the steel structure business, sales recorded included the works on the Ken-O Expressway Iinuma River Viaduct, the Sasebo Road Susaki Bridge, the Tokai-Kanjo Expressway Yoro Interchange Main Line Bridge, and the National Route 1 Shimizu Interchange Anbara Viaduct, and sales to highway bridges increased from the previous fiscal year.

Yumeshima NorthBridge

As a result of the above, net sales for the transportation equipment and steel structure business came to ¥22,182 million, an increase of 20.4% from the previous fiscal year.

Engineering Business

The main components of sales in this business included mechanical equipment for railway companies as well as agricultural plant facilities for Japan Agricultural Cooperatives all over Japan and manufacturing equipment for household paper manufacturers. As a result of a decline in sales of mechanical equipment for railway companies, net sales in the engineering business totaled ¥6,549 million, a decline of 15.5% from the previous fiscal year.

Mechanical equipment
for Railway Company

The order backlog at the end of the fiscal year was ¥163,169 million. The components of this were ¥102,791 million in the railway rolling stock business, ¥19,538 million in the construction equipment business, ¥37,053 million in the transportation equipment and steel structure business, and ¥3,785 million in the engineering business.

Investment in Plant and Equipment

Plant and equipment investment during the fiscal year totaled ¥3,049 million. Investment was mainly targeted at renewal of equipment to maintain and improve the production capacity at each plant, including the renewal of horizontal machining centers and laser processing machines.

In April 2017, we transferred the plant property of Toyokawa Plant, Kinuura Plant, and Narumi Plant to our parent 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 current portion of long-term debt).

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 current portion of long-term debt).

Long-term debt decreased as we repurchased one of the transferred plant properties, Toyokawa Plant, from the parent company in March 2023. This has no impact on the amount of tangible fixed assets recorded.

Financing Activities

As for the fiscal year, no significant borrowing occurred.

NIPPON SHARYO, LTD. AND
CONSOLIDATED SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2025
AND
INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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

<Audit of Consolidated Financial Statements>

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, 2025, 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, 2025, 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.

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
[Revenue recognition of performance obligations satisfied over time] As stated in Note 3 to the consolidated financial statements, the Group recognizes revenue where performance obligations are satisfied over time in construction contracts. The revenue recognized where performance obligations are satisfied over time amounted to ¥21,550 million for the year ended March 31, 2025. In applying revenue recognition where performance obligations are satisfied over time, the amount of construction revenue for each	Our audit procedures to test the construction revenue recognized where performance obligations are satisfied over time included the following, among others: ● Evaluated the design and operating effectiveness of controls over the process of identifying ordered projects subject to the revenue recognition where performance obligations are satisfied over time, the process of preparing and approving the working budget of estimated total construction costs and the process of

project is its total construction revenue as estimated gross revenue multiplied by the percentage of incurred cost of construction to its total cost of construction based on the working budget. The working budget of the total construction costs mainly includes estimated incurred costs of material costs, labor costs and subcontractor costs, etc. as significant assumptions, and labor costs and subcontractor costs reflect locations and timing of construction projects, degrees of difficulty of construction based on the construction method and cost improvement effects of skill levels based on past construction performance, etc. In addition, since the working budget of the total cost of construction requires updating each time when the designs are changed, it is necessary to reflect such changes to the revenue recognition where performance obligations are satisfied over time, based on timely determination of the degrees and ranges of the effects of the design changes on the working budget. We have identified the revenue recognition where performance obligations are satisfied over time as a key audit matter since the estimate of total cost of construction used in the revenue recognition of performance obligations satisfied over time is affected by the significant assumptions made by management.	calculating revenue in applying the revenue recognition where performance obligations are satisfied over time. ● Examined whether the amount of the estimated total cost for each contract unit were consistent with the working budget approved by the general manager of the steel structure business division. In addition, examined the part of estimated total cost with supporting documents such as the quotations. ● Compared the material cost ratio, labor cost ratio and subcontractor cost ratio for construction works based on the significant assumptions of material costs, labor costs and subcontractor costs, etc., of which labor costs and subcontractor costs reflect characteristics of construction projects by contractor, bridge types, timing, location, term and method of constructions, with those for past years and examined if the monthly costs by cost category were consistent with the cost structure and the work progress. ● Examined the rationality of the estimated changed total cost of construction with design change agreements selected from those accounted for by the revenue recognition where performance obligations are satisfied over time by comparing with the inquiries to appropriate people in positions in related departments or the latest internal material costs forecasting. ● Made site inspection for selected construction projects subject to the revenue recognition where performance obligations are satisfied over time and tested the consistency of cost of construction incurred with the stage of the completion of the contract by comparing the progress toward completion to the whole contract period or total construction process.
[Valuation of work in process and provision for loss on orders received in railway rolling stock business] As stated in Note 5 to the consolidated financial statements, the Group recognized work in process of ¥25,218 million as of March 31, 2025. Most of the work in process was the railway rolling stock business related assets. In addition, as stated in Note 3 to the consolidated financial statements, the cost of sales included the write-down of work in process and other inventories and provision for loss on orders received of ¥1,613 million for the year ended March 31, 2025. The Group compares the order amount and the estimated total cost for each order when calculating write-down and provision for loss on orders received related to work in process in railway rolling stock business. The estimated total	Our audit procedures to evaluate the reasonableness of valuation of work in process and provision for loss on orders received included the following, among others: ● Evaluated the design and operating effectiveness of controls over the process of identifying orders for which order losses had occurred in the railway rolling stock business, the process of preparing and approving working budgets of the total estimated costs and the process of evaluating loss on work in process and loss on orders received. ● Examined the consistency of the schedule for calculating the estimated loss on orders received and the list of construction contracts outstanding as of March 31, 2025 for testing the completeness of identifying

cost is based on the working budget prepared for each order and includes estimated material costs, labor costs, subcontracting costs and other expenses at each related department in the business unit. The working budgets include estimated incurred costs of material costs, labor costs, subcontractor costs and other costs as significant assumptions, and those costs reflect the impact of price fluctuations, the applicability of know-how based on the past design and manufacturing of similar railway rolling stock, load forecast based on actual results and cost improvement due to progress in mass production of the similar railway rolling stock and improvement of cost proficiency. We have identified the valuation of work in process and provision for loss on orders received in railway rolling stock business as a key audit matter since the estimated total cost per order is affected by the significant assumptions made by management.	the estimated loss on orders received. ● Compared the Group's judgment of the estimated loss on orders received with the profit/loss experience of the similar railway rolling stock in the prior periods and the most recent estimated cost of construction projects and evaluated the reasonableness of the estimated loss on orders received. ● Regarding the subject of the order with expected loss, we compared the amount of each item of cost breakdown between the latest production of similar railway rolling stock and the subject of the order in process and examined whether the items to be reflected in the estimated total cost were comprehensively considered. In addition, considering the impact of price fluctuations, etc., the accuracy of the estimated total cost was evaluated by comparing the material costs, expenses or labor hours for each manufacturing process included in the manufacturing costs per latest similar railway rolling stock with the material costs, etc., per railway rolling stock included in the estimates made by management.

Other Information

Management is responsible for the other information. 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 other information. The other information comprises the information included in the Annual business report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

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.

• 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.

• Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2025, which were charged by us and our network firms to NIPPON SHARYO, LTD. and its subsidiaries were ¥74 million and ¥7 million, respectively.

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.

水上　圭祐

Keisuke Mizukami
Designated Engagement Partner
Certified Public Accountant

細井　怜

Rei Hosoi
Designated Engagement Partner
Certified Public Accountant

September 24, 2025

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Balance Sheet
March 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2025	2024	2025
CURRENT ASSETS:			
Cash and cash equivalents (Notes 14 and 16)	¥ 11,528	¥ 15,348	$ 77,371
Notes and accounts receivable, and contract assets (Notes 4, 14, 16 and 19)	31,055	30,303	208,423
Inventories (Notes 2.i and 5)	30,080	29,149	201,879
Other current assets	1,517	971	10,181
Total current assets	74,180	75,771	497,854
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 10)	14,100	14,100	94,634
Buildings and structures (Note 10)	26,010	25,776	174,561
Machinery and equipment	35,747	35,345	239,915
Construction in progress	1,201	449	8,056
Total	77,058	75,670	517,166
Accumulated depreciation	(48,854)	(48,001)	(327,879)
Net property, plant and equipment	28,204	27,669	189,287
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 6, 10 and 14)	16,365	20,822	109,831
Investments in an unconsolidated subsidiary and associated companies (Note 14)	1,165	1,107	7,821
Asset for employees' retirement benefits (Note 9)	9,714	9,784	65,192
Deferred tax assets (Note 13)	149	154	1,001
Other assets	1,388	1,090	9,313
Total investments and other assets	28,781	32,957	193,158
TOTAL	¥ 131,165	¥ 136,397	$ 880,299

(Continued)

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Balance Sheet
March 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY	2025	2024	2025
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 8, 10, 14 and 16)	¥ 3,215	¥ 3,211	$ 21,577
Current portion of lease obligations (Notes 11 and 14)	489	662	3,283
Notes and accounts payable (Notes 7 and 14)	14,569	20,304	97,778
Accrued expenses (Note 16)	6,460	5,068	43,355
Advances received (Note 19)	1,185	620	7,952
Income taxes payable (Note 13)	800	606	5,366
Allowance for work in process on construction contracts (Notes 2.m and 5)	71	270	479
Provision for losses on orders received (Note 2.n)	538	468	3,610
Other current liabilities	260	505	1,742
Total current liabilities	27,587	31,714	185,142
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8, 10, 14 and 16)	31,332	34,454	210,283
Liability for employees' retirement benefits (Note 9)	318	304	2,136
Lease obligations (Notes 11 and 14)	1,438	1,214	9,648
Provision for compensation for health damage from asbestos	107	72	718
Deferred tax liabilities (Note 13)	5,559	6,247	37,312
Other long-term liabilities	175	164	1,175
Total long-term liabilities	38,929	42,455	261,272
EQUITY (Note 12):			
Common stock, authorized, 32,800,000 shares; issued, 14,675,012 shares in 2025 and 2024	11,811	11,811	79,267
Capital surplus	157	157	1,053
Retained earnings	44,302	38,319	297,330
Treasury stock, at cost, 245,193 shares in 2025 and 244,270 shares in 2024	(527)	(526)	(3,538)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	7,204	10,113	48,348
Deferred loss on derivatives under hedge accounting	(2)	-	(10)
Foreign currency translation adjustments	(2,233)	(2,238)	(14,986)
Defined retirement benefit plans	3,937	4,592	26,421
Total accumulated other comprehensive income	8,906	12,467	59,773
Total equity	64,649	62,228	433,885
TOTAL	¥ 131,165	¥ 136,397	$ 880,299

(Concluded)

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Income
Year Ended March 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
NET SALES (Notes 16 and 19)	¥ 96,340	¥ 88,059	$ 646,579
COST OF SALES (Notes 2.i, 2.m and 2.t)	81,648	73,982	547,979
Gross profit	14,692	14,077	98,600
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 2.t)	7,756	8,017	52,051
Operating income	6,936	6,060	46,549
OTHER INCOME (EXPENSES)			
Interest and dividend income (Note 16)	471	369	3,164
Interest expense (Note 16)	(240)	(258)	(1,611)
Equity in earnings of associated companies	100	53	672
Loss on impairment of property, plant and equipment (Note 15)	(18)	-	(118)
Gain on sales of investment securities, net (Note 6)	1,038	497	6,968
Loss on sales and disposals of property, plant and equipment	(98)	(537)	(660)
Other-net	31	83	206
Other income (expenses) – net	1,284	207	8,621
INCOME BEFORE INCOME TAXES	8,220	6,267	55,170
INCOME TAXES (Note 13):			
Current	1,120	909	7,517
Deferred	684	(24)	4,592
Total income taxes	1,804	885	12,109
NET INCOME	6,416	5,382	43,061
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 6,416	¥ 5,382	$ 43,061

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.u):			
Basic net income	¥ 444.62	¥ 372.93	$ 2.98
Cash dividends applicable to the year	35.00	25.00	0.23

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Comprehensive Income
Year Ended March 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
NET INCOME	¥ 6,416	¥ 5,382	$ 43,061
OTHER COMPREHENSIVE INCOME (Note 17):			
Unrealized (loss) gain on available-for-sale securities	(2,874)	3,310	(19,291)
Deferred loss on derivatives under hedge accounting	(2)	-	(10)
Foreign currency translation adjustments	5	3	37
Defined retirement benefit plans	(655)	2,636	(4,401)
Share of other comprehensive income in associated companies	(35)	70	(231)
Total other comprehensive income	(3,561)	6,019	(23,896)
COMPREHENSIVE INCOME	¥ 2,855	¥ 11,401	$ 19,165
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 2,855	¥ 11,401	$ 19,165

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Changes in Equity
Year Ended March 31, 2025

	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	Non-controlling interests	Total equity
BALANCE, APRIL 1, 2023	14,431,477	¥ 11,811	¥ -	¥ 33,226	¥ (524)	¥ 6,733	¥ -	¥ (2,241)	¥ 1,956	¥ 6,448	¥ 162	¥ 51,123
Change in capital surplus due to change in equity of consolidated subsidiaries	-	-	157	-	-	-	-	-	-	-	-	157
Cash dividends	-	-	-	(289)	-	-	-	-	-	-	-	(289)
Net income attributable to owners of the parent	-	-	-	5,382	-	-	-	-	-	-	-	5,382
Increase in treasury stock, net	(735)	-	-	-	(2)	-	-	-	-	-	-	(2)
Net changes in the year	-	-	-	-	-	3,380	-	3	2,636	6,019	(162)	5,857
BALANCE, MARCH 31, 2024	14,430,742	11,811	157	38,319	(526)	10,113	-	(2,238)	4,592	12,467	-	62,228
Cash dividends	-	-	-	(433)	-	-	-	-	-	-	-	(433)
Net income attributable to owners of the parent	-	-	-	6,416	-	-	-	-	-	-	-	6,416
Increase in treasury stock, net	(923)	-	0	-	(1)	-	-	-	-	-	-	(1)
Net changes in the year	-	-	-	-	-	(2,909)	(2)	5	(655)	(3,561)	-	(3,561)
BALANCE, MARCH 31, 2025	14,429,819	¥ 11,811	¥ 157	¥ 44,302	¥ (527)	¥ 7,204	¥ (2)	¥ (2,233)	¥ 3,937	¥ 8,906	¥ -	¥ 64,649

	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	Non-controlling interests	Total equity
BALANCE, MARCH 31, 2024	$ 79,267	$ 1,053	$ 257,175	$ (3,524)	$ 67,870	$ -	$ (15,023)	$ 30,822	$ 83,669	$ -	$ 417,640
Cash dividends	-	-	(2,906)	-	-	-	-	-	-	-	(2,906)
Net income attributable to owners of the parent	-	-	43,061	-	-	-	-	-	-	-	43,061
Increase in treasury stock, net	-	0	-	(14)	-	-	-	-	-	-	(14)
Net changes in the year	-	-	-	-	(19,522)	(10)	37	(4,401)	(23,896)	-	(23,896)
BALANCE, MARCH 31, 2025	$ 79,267	$ 1,053	$ 297,330	$ (3,538)	$ 48,348	$ (10)	$ (14,986)	$ 26,421	$ 59,773	$ -	$ 433,885

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Cash Flows
Year Ended March 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
OPERATING ACTIVITIES:			
Income before income taxes	¥ 8,220	¥ 6,267	$ 55,170
Adjustments for:			
Income taxes paid	(967)	(789)	(6,488)
Depreciation	2,502	2,429	16,795
Loss on impairment of property, plant and equipment	18	-	118
(Gain) loss on sales and disposals of property, plant and equipment	(8)	10	(52)
Gain on sales of investment securities	(1,038)	(497)	(6,968)
Changes in assets and liabilities:			
Increase in trade notes and accounts receivable, and contract assets	(745)	(8,200)	(5,000)
Increase in inventories	(931)	(2,322)	(6,245)
(Decrease) increase in trade notes and accounts payable	(5,548)	1,840	(37,232)
Decrease in allowance for work in process on construction contracts	(199)	(217)	(1,333)
Increase (decrease) in provision for losses on orders received	70	(32)	467
Increase (decrease) in provision for compensation for health damage from asbestos	35	(3)	235
Increase in advances received	557	118	3,741
Increase in liability for employees' retirement benefits	14	13	92
Other-net	(533)	(1,095)	(3,587)
Net cash provided by (used in) operating activities	1,447	(2,478)	9,713
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(2,826)	(2,031)	(18,968)
Proceeds from sales of property, plant and equipment	25	90	168
Purchases of investment securities	(0)	(0)	(0)
Proceeds from sales of investment securities	1,470	612	9,867
Other-net	(391)	(114)	(2,621)
Net cash used in investing activities	(1,722)	(1,443)	(11,554)

(Continued)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
FINANCING ACTIVITIES:			
Proceeds from long-term debt	94	56	632
Repayments of long-term debt	(3,212)	(3,751)	(21,558)
Dividends paid	(431)	(288)	(2,894)
Other-net	(8)	(19)	(53)
Net cash used in financing activities	(3,557)	(4,002)	(23,873)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	12	8	82
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,820)	(7,915)	(25,632)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,348	23,263	103,003
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 11,528	¥ 15,348	$ 77,371

(Concluded)

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Notes to Consolidated Financial Statements
Year Ended March 31, 2025

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 2024 consolidated financial statements to conform to the classifications used in 2025.

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 ¥149 to $1, the approximate rate of exchange at March 31, 2025. 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, 2025, 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 subsidiary, and associated companies for the years ended March 31, 2025 and 2024, was as follows:

	2025	2024
Consolidated subsidiaries	4	4
Unconsolidated subsidiary stated at cost	1	1
Associated companies accounted for by the equity method	2	2
Associated company stated at cost	1	1

The fiscal year-end of NIPPON SHARYO MANUFACTURING, LLC is December 31 and its 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); (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (e) a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

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. In addition, financial statements prepared by foreign associated companies in accordance with either IFRS or FASB ASC tentatively may be used in applying the equity method if the following items are adjusted 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 on pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign associate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

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 other than equity securities without market price are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Available-for-sale securities such as equity securities without market price 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 rate. 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 income and 2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains and losses on derivatives are deferred until maturity of the hedged transactions.

The 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 notes and accounts receivable and trade notes and accounts payable denominated in foreign currencies are translated at the contracted rates if the forward foreign currency 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. Net loss on write-downs of inventories (after offsetting the reversal of loss on write-downs of inventories in the previous fiscal years) in the amounts of ¥223 million ($1,499 thousand) for the year ended March 31, 2025, and net gain on write-downs of inventories (after offsetting the reversal of loss on write-downs of inventories in the previous fiscal years) in the amounts of ¥360 million for the year ended March 31, 2024, 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. For leases with a guaranteed minimum residual value, the contracted residual value is considered to be the residual value. For other leases, the residual value is zero.

The range of useful lives is principally from 10 to 60 years for buildings and structures and from 6 to 17 years for machinery and equipment.

The Company has transferred its factory assets of Toyokawa Plant, Narumi Plant, and Kinuura Plant to CJR on April 20, 2017. The transfer was not treated as a purchase or sales 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. Therefore, the relevant factory assets were 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, 2025 and 2024.

On March 31, 2023, of the transferred assets, the Company repurchased Toyokawa Plant from CJR, resulting in a decrease in long-term debt. There is no impact of the repurchase on carrying amounts of property, plant, and equipment. In addition, "land" and "buildings and structures" of Toyokawa Plant formed a factory foundation. The Company additionally pledged them as collateral for long-term debt borrowed from CJR in November 2017.

As a result, the relevant factory assets as of March 31, 2025, were recorded under property, plant and equipment with carrying amounts of ¥7,415 million ($49,764 thousand) as land, of ¥3,110 million ($20,869 thousand) as buildings and structures and ¥54 million ($362 thousand) as machinery and equipment, while long-term debt (including the current portion) was recorded with a carrying amount of ¥14,187 million ($95,215 thousand) as of March 31, 2025. As of March 31, 2024, the relevant factory assets were recorded under property, plant and equipment with carrying amounts of ¥7,415 million as land, of ¥3,262 million as buildings and structures and ¥72 million as machinery and equipment, while long-term debt (including the current portion) was recorded with a carrying amount of ¥14,405 million as of March 31, 2024.

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 5 years.

m. Allowance for work in process on construction contracts

An allowance for work in process on construction contracts is provided based on an estimate of the total loss on construction projects for which eventual losses are deemed inevitable and for which the amount of loss can be reasonably estimated. Reversal of provisions for work in process on construction contracts with an amount of ¥199 million ($1,333 thousand) and ¥217 million for the years ended March 31, 2025 and 2024, 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 amount 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 over 15 years, which is within the average remaining service period from the following the fiscal year.

p. 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.

q. Income taxes

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

r. Foreign currency transactions

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

s. 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 Japanese 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.

t. R&D expenses

Expenses related to R&D activities are charged to income as incurred. R&D expenses amounted to ¥1,555 million ($10,436 thousand) and ¥1,812 million for the years ended March 31, 2025 and 2024, respectively, and are included in selling, general and administrative expenses and cost of sales in the accompanying consolidated statement of income.

u. 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, 2025 and 2024, were 14,430 thousand shares and 14,431 thousand shares, respectively. Diluted net income per share for the years ended March 31, 2025 and 2024, was not applicable because the Company had no dilutive common shares. Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

v. 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.

w. Revenue recognition

The Group recognizes revenue from contracts with customers based on the following five-step approach.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group is engaged in offering a variety of products and services in Railway Rolling Stock, Construction Equipment, Transportation Equipment and Steel Structure, and Engineering businesses, etc.

(1) Performance obligations satisfied at a point in time

The Group considers that control of finished products or merchandises is, in principle, transferred to customers at the time of customer acceptance, and the performance obligations are satisfied. Therefore, revenue from sales of finished products and merchandises is mainly recognized at the time of customer acceptance.

However, the Group considers that control of finished products is transferred to customers at the time of shipment if the period from the time of shipment to the time of delivery is very short, and revenue from such sales is recognized at a time of shipment.

(2) Performance obligations satisfied over time

The Group recognizes revenue over time if one of the following criteria is met.

a. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs
b. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced
c. The Group's performance does not create an asset with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date

The Group's revenue from performance obligations satisfied over time relates to construction contracts and others. If reasonable estimates of the total contract cost and the progress towards complete satisfaction of performance obligations under the contracts are available, the Group determines that it is appropriate to use the input method to measure the progress based on the costs incurred to date relative to the total expected costs by contract. Additionally, revenue is recognized based on the cost recovery method when it is not possible to reasonably estimate the progress towards complete satisfaction of performance obligations, but it is probable that the costs incurred will be recovered.

x. Change in accounting policies

(Application of Accounting Standard for Current Income Taxes, etc.)

The Group applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, revised on October 28, 2022) (hereinafter referred to as "ASBJ Statement No. 27 (revised 2022)") from the beginning of the fiscal year ended March 31, 2025.

Regarding the amendment related to the classification of current income taxes (taxation on other comprehensive income), the Group follows the transitional treatment prescribed in the proviso to Paragraph 20-3 of ASBJ Statement No. 27 (revised 2022), as well as the transitional treatment prescribed in the proviso to Paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, revised on October 28, 2022) (hereinafter referred to as "ASBJ Guidance No. 28 (revised 2022)"). These changes in accounting policies have no impact on the Group's consolidated financial statements.

In addition, the Group applied ASBJ Guidance No. 28 (revised 2022) from the beginning of the fiscal year ended March 31, 2025, regarding the amendment related to the review of the treatment in the consolidated financial statements when deferring for tax purposes the gain or loss on the sale of subsidiary shares and others among the Group companies. This change in accounting policy has been applied retrospectively and has no impact on the Group's consolidated financial statements for the fiscal year ended March 31, 2024.

y. New accounting pronouncements

- Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024)
- Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024), etc.

(a) Overview

As part of its efforts to ensure consistency between Japanese GAAP and international accounting standards, the ASBJ reviewed the Accounting Standard for Leases to recognize assets and liabilities for all leases held by a lessee, with international accounting standards taken into consideration. Accordingly, the ASBJ issued the Accounting Standard for Leases, etc., adopting only the key provisions of IFRS 16 based on the single accounting model, rather than incorporating all of its provisions. The revision aims to be simple and highly convenient, and to make it unnecessary to revise non-consolidated financial statements to which the provisions of IFRS 16 have been applied.

Regarding the method for allocating the lease expenses in the lessee's accounting treatment, using the same approach as IFRS 16, a single accounting model is applied for recording the depreciation associated with the right-of-use assets and the amount equivalent to the interest on the lease liabilities for all leases regardless of whether the lease is a finance lease or an operating lease.

(b) Effective date

The above standard and guidance are scheduled to be applied from the beginning of the fiscal year ending March 31, 2028.

(c) Effects of application of the standards

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

3. SIGNIFICANT ACCOUNTING ESTIMATES

In preparing the consolidated financial statements of the Group, management makes judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income, and expenses. The Group's significant estimates and underlying assumptions are reviewed on an ongoing basis. Those revisions could result in a material adjustment to carrying amounts of assets and liabilities in the future periods due to uncertainty of estimates and assumptions. The Group's significant estimates and assumptions used are as follows:

(1) Revenue recognition (performance obligations satisfied over time)

(a) Amount recognized for the fiscal years ended March 31, 2025 and 2024

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Net sales	¥ 21,550	¥ 13,062	$ 144,632

(b) Information on the nature of significant account estimates useful for the users of the consolidated financial statements

(i) Calculation method
In recognizing revenue for performance obligations satisfied over time, the amount of revenue for each contract is mainly its total construction revenue multiplied by the percentage of incurred cost of construction to its total cost of construction based on the working budget.

(ii) Key assumptions
The working budget of the total construction costs mainly includes estimates of material costs, and of labor costs and subcontractor costs, which reflect the significant assumptions such as degrees of difficulty of construction based on locations, timing and method of construction projects, and cost improvement effects due to enhanced skill levels accumulated through past construction performance.

(iii) Impact on the next fiscal year's consolidated financial statements
In case of engineering design change, the working budget is reviewed by assessing the impact level and extent of the design change in a timely manner. The revenue amount may vary, if the percentage of completion is to be changed significantly based on such a revision of the working budget.

(2) Valuation of inventories and provision for losses on orders received

(a) Amount recognized for the fiscal years ended March 31, 2025 and 2024 (before offsetting the amount of gains on reversals in the previous fiscal years)

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Loss on write-downs of inventories and provision for losses on orders received	¥ 1,613	¥ 1,321	$ 10,829

(b) Information on the nature of significant account estimates useful for the users of the consolidated financial statements

(i) Calculation method
In calculating write-down and provision for loss on orders received related to work in process in the Railway Rolling Stock business, the order amounts are compared to the estimated total cost for each order.

(ii) Key assumptions
The estimated total cost is based on the working budget prepared for each order and includes estimated material costs, labor costs, subcontracting costs and other expenses at each related department in the business unit. The working budget includes estimates of these costs, which reflect the significant assumptions such as the impact of price fluctuations, the applicability of know-how based on the past design and manufacturing of similar railway rolling stock, load forecast based on actual results, and cost improvement effects due to enhanced skill levels through progress in mass production of the similar railway rolling stock.

(iii) Impact on the next fiscal year's consolidated financial statements
In case of engineering design change, the working budget is reviewed by assessing the impact level and extent of the design change in a timely manner. The amount of loss on valuation of work in process and provision for losses on orders received may vary if the working budget is to be changed significantly.

(3) Recoverability of deferred tax assets

(a) Amount recognized as of March 31, 2025 and 2024 (before offsetting the balance of deferred tax liabilities)

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Deferred tax assets	¥ 1,545	¥ 1,995	$ 10,371

(b) Information on the nature of significant account estimates useful for the users of the consolidated financial statements

(i) Calculation method
In judgment for recoverability of deferred tax assets, the Group recognizes deferred tax assets within the expected range of amount for the future period where taxable income is reasonably estimated, depending on the fiscal year where temporary differences are expected to be eliminated by scheduling of temporary differences and tax loss carried forward.

(ii) Key assumptions
For calculating the expected amount of taxable income, projected business results are used which are based on the business strategies of each business unit considering its market volume, customer need, capital investments, etc.

(iii) Impact on the next fiscal year's consolidated financial statements
Changes in taxation system and tax rates could affect the calculation results for the tax purpose, while changes in market environment and a shortfall of management objectives could affect the future business results, thus such changes and shortfalls could affect valuation of deferred tax assets.

4. NOTES AND ACCOUNTS RECEIVABLE, AND CONTRACT ASSETS

Notes and accounts receivable, and contract assets as of March 31, 2025 and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Trade notes receivable	¥ 3,278	¥ 3,069	$ 21,999
- Unconsolidated subsidiary and associated companies	184	205	1,237
Trade accounts receivable and contract assets	23,970	17,177	160,870
- CJR, unconsolidated subsidiary and associated companies	3,453	9,689	23,178
Other	181	171	1,213
Less allowance for doubtful accounts	(11)	(8)	(74)
Total	¥ 31,055	¥ 30,303	$ 208,423

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

5. INVENTORIES

Inventories as of March 31, 2025 and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Merchandise	¥ 252	¥ 164	$ 1,693
Finished goods	1,105	1,138	7,413
Semi-finished goods	1,326	1,300	8,901
Work in process	25,218	24,519	169,245
Raw materials and supplies	2,179	2,028	14,627
Total	¥ 30,080	¥ 29,149	$ 201,879

Work in process and the allowance for work in process on construction contracts are presented in the gross amount in the consolidated balance sheet.

6. INVESTMENT SECURITIES

Investment securities as of March 31, 2025 and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Equity securities	¥ 16,365	¥ 20,822	$ 109,831
Total	¥ 16,365	¥ 20,822	$ 109,831

The costs and aggregate carrying amount (fair value) of investment securities as of March 31, 2025 and 2024, were as follows:

	Millions of Yen			
	2025			
	Cost	Gross unrealized gains	Gross unrealized losses	Carrying amount (Fair value)
Securities classified as available-for-sale:				
Equity securities	¥ 4,466	¥ 10,137	¥ (0)	¥ 14,603
Total	¥ 4,466	¥ 10,137	¥ (0)	¥ 14,603

	Millions of Yen			
	2024			
	Cost	Gross unrealized gains	Gross unrealized losses	Carrying amount (Fair value)
Securities classified as available-for-sale:				
Equity securities	¥ 4,895	¥ 14,113	¥ -	¥ 19,008
Total	¥ 4,895	¥ 14,113	¥ -	¥ 19,008

	Thousands of U.S. Dollars			
	2025			
	Cost	Gross unrealized gains	Gross unrealized losses	Carrying amount (Fair value)
Securities classified as available-for-sale:				
Equity securities	$ 29,973	$ 68,034	$ (0)	$ 98,007
Total	$ 29,973	$ 68,034	$ (0)	$ 98,007

The information of available-for-sale securities which were sold for the years ended March 31, 2025 and 2024, was as follows:

	Millions of Yen		
	2025		
	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	¥ 1,470	¥ 1,038	¥ -
Total	¥ 1,470	¥ 1,038	¥ -

	Millions of Yen		
	2024		
	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	¥ 612	¥ 497	¥ -
Total	¥ 612	¥ 497	¥ -

	Thousands of U.S. Dollars		
	2025		
	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	$ 9,867	$ 6,968	$ -
Total	$ 9,867	$ 6,968	$ -

7. NOTES AND ACCOUNTS PAYABLE

Notes and accounts payable as of March 31, 2025 and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Trade notes payable	¥ 165	¥ 224	$ 1,112
Electronically recorded obligations-operating	4,980	10,311	33,423
-Unconsolidated subsidiary and associated companies	-	9	-
Trade accounts payable	7,068	7,179	47,434
-Unconsolidated subsidiary and associated companies	40	77	266
Other	2,316	2,504	15,543
Total	¥ 14,569	¥ 20,304	$ 97,778

8. LONG-TERM DEBT

Long-term debt as of March 31, 2025 and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Loans from CJR due through 2027 (Note) with average interest rate of 0.61%	¥ 34,547	¥ 37,665	$ 231,860
Less current portion	(3,215)	(3,211)	(21,577)
Total	¥ 31,332	¥ 34,454	$ 210,283

The aggregate annual maturities of long-term debt as of March 31, 2025, were as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2026	¥ 2,900	$ 19,463
2027	2,900	19,463
2028	14,560	97,718
Total	¥ 20,360	$ 136,644

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 ¥14,187 million ($95,215 thousand) was not reflected.

9. RETIREMENT AND PENSION PLANS

Employees who terminate their service with the Company and its domestic consolidated subsidiaries are entitled to retirement benefits generally determined by reference to the basic rate of pay at the time of termination, length of service and conditions under which the termination occurs. The Company has a lump-sum retirement benefit plan, a defined contribution pension plan and a defined benefit pension plan, which are assumed to cover retirement benefits for employees who have retired voluntarily. The Company contributed certain assets to the employee retirement benefit trust. The Company's domestic consolidated subsidiaries have similar retirement benefit plans.

(1) Defined benefit plans

(a) The changes in defined benefit obligation for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Balance at beginning of year	¥ 14,040	¥ 14,183	$ 94,225
Current service cost	696	706	4,671
Interest cost	124	125	831
Actuarial gains	(1,233)	(18)	(8,278)
Benefits paid	(802)	(956)	(5,374)
Balance at end of year	¥ 12,825	¥ 14,040	$ 86,075

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, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Balance at beginning of year	¥ 23,520	¥ 19,194	$ 157,848
Expected return on plan assets	390	323	2,619
Actuarial (losses) gains	(1,254)	4,080	(8,418)
Contribution from the employer	363	377	2,439
Benefits paid	(798)	(454)	(5,357)
Balance at end of year	¥ 22,221	¥ 23,520	$ 149,131

(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, 2025 and 2024, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Funded defined benefit obligation	¥ 12,507	¥ 13,736	$ 83,939
Plan assets	(22,221)	(23,520)	(149,131)
Total	(9,714)	(9,784)	(65,192)
Unfunded defined benefit obligation	318	304	2,136
Net asset arising from defined benefit obligation	¥ (9,396)	¥ (9,480)	$ (63,056)
Asset for employees' retirement benefits	¥ (9,714)	¥ (9,784)	$ (65,192)
Liability for employees' retirement benefits	318	304	2,136
Net asset arising from defined benefit obligation	¥ (9,396)	¥ (9,480)	$ (63,056)

(d) The components of net periodic benefit costs for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Service cost (Note)	¥ 696	¥ 706	$ 4,671
Interest cost	124	125	831
Expected return on plan assets	(390)	(323)	(2,619)
Recognized actuarial gains	(834)	(283)	(5,593)
Amortization of prior service cost	(16)	(16)	(108)
Net periodic benefit costs	¥ (420)	¥ 209	$ (2,818)

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 deducting current income taxes and income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2025 and 2024

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Prior service cost	¥ (16)	¥ (16)	$ (108)
Actuarial (losses) gains	(854)	3,815	(5,733)
Total	¥ (870)	¥ 3,799	$ (5,841)

(f) Amounts recognized in accumulated other comprehensive income (before deducting current income taxes and income tax effect) in respect of defined retirement benefit plans as of March 31, 2025 and 2024

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Unrecognized prior service cost	¥ (115)	¥ (131)	$ (769)
Unrecognized actuarial gains	(5,632)	(6,487)	(37,802)
Total	¥ (5,747)	¥ (6,618)	$ (38,571)

(g) Plan assets

(*i*) Components of plan assets
Plan assets as of March 31, 2025 and 2024, consisted of the following:

	2025	2024
Debt securities	16%	14%
Equity securities	70%	71%
Cash and deposits	4%	5%
Other	10%	10%
Total	100%	100%

Note: The employees' retirement benefit trusts for the contributory pension plans accounted for 15% of total plan assets as of March 31, 2025 and 2024.

(*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, 2025 and 2024, were set forth as follows:

	2025	2024
Discount rate	1.9%	0.9%
Expected rate of return on plan assets	2.0%	2.0%

Note: The discount rate which was applied in calculation at the beginning of the year ended March 31, 2025 was 0.9%. However, after examining the discount rate at the end of the year ended March 31, 2025, the Company determined that changing the discount rate will have a significant impact on the amount of the defined benefit obligation and changed the discount rate to 1.9%.

(2) Defined contribution plans

The required contribution of the Company and its consolidated subsidiaries for defined contribution plans amounted to ¥173 million ($1,160 thousand) and ¥166 million for the years ended March 31, 2025 and 2024, respectively.

10. ASSETS PLEDGED AS COLLATERAL

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, including current portion, as of March 31, 2025 and 2024 was ¥20,360 million ($136,644 thousand) and ¥23,260 million, respectively.

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Buildings and structures	¥ 1,704	¥ 1,848	$ 11,437
Land	4,576	4,576	30,708
Investment securities	14,603	19,007	98,007
Total	¥ 20,883	¥ 25,431	$ 140,152

11. LEASE TRANSACTIONS

(1) Finance leases

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, 2025, were as follows:

Years ending March 31	Millions of Yen		Thousands of U.S. Dollars	
2026	¥	489	$	3,283
2027		417		2,801
2028		444		2,979
2029		289		1,938
2030		238		1,598
2031 and thereafter		50		332
Total	¥	1,927	$	12,931

(2) Operating leases

Future minimum payments under non-cancellable operating lease were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2025		2024		2025	
Due within one year	¥	67	¥	112	$	448
Due after one year		53		120		358
Total	¥	120	¥	232	$	806

(3) Subleases

A consolidated subsidiary subleases machinery.

Investments in leases and lease obligations, which include an interest portion, resulting from sublease transactions as of March 31, 2025 and 2024, were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2025		2024		2025	
Investments in leases:						
Due within one year	¥	117	¥	146	$	784
Due after one year		358		293		2,401
Total	¥	475	¥	439	$	3,185

	Millions of Yen				Thousands of U.S. Dollars	
	2025		2024		2025	
Lease obligations:						
Due within one year	¥	130	¥	186	$	874
Due after one year		402		330		2,696
Total	¥	532	¥	516	$	3,570

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.

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 30.6% for the years ended March 31, 2025 and 2024.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities as of March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Deferred tax assets:			
Tax loss carryforwards (Note 2)	¥ 2,871	¥ 3,507	$ 19,269
Liability for employees' retirement benefits	2,206	2,270	14,807
Loss on write-downs of inventories	334	261	2,243
Land and building of plants	1,620	1,579	10,872
Loss on impairment of long-lived assets	17	26	111
Accrued bonuses to employees	559	541	3,753
Research and development assets	862	1,135	5,788
Other	1,851	1,396	12,422
Sub-total	10,320	10,715	69,265
Less valuation allowance for tax loss carryforwards (Note 2)	(2,864)	(2,886)	(19,223)
Less valuation allowance pertaining to total amount of deductible temporary differences	(5,911)	(5,834)	(39,671)
Valuation allowance, total (Note 1)	(8,775)	(8,720)	(58,894)
Total	¥ 1,545	¥ 1,995	$ 10,371
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (3,234)	¥ (4,385)	$ (21,702)
Other	(3,721)	(3,703)	(24,980)
Total	(6,955)	(8,088)	(46,682)
Net deferred tax liabilities	¥ (5,410)	¥ (6,093)	$ (36,311)

Notes: 1. Valuation allowance increased by ¥55 million ($372 thousand) during the year ended March 31, 2025. This is mainly due to the increases in valuation allowances for the Company's loss on write-downs of inventories and for the Company's land and building of plants.

2. The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2025 and 2024, were as follows:

	Millions of Yen						
2025	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years	Total
Deferred tax assets relating to tax loss carryforwards (*)	-	-	-	-	-	¥ 2,871	¥ 2,871
Less valuation allowance for tax loss carryforwards	-	-	-	-	-	(2,864)	(2,864)
Net deferred tax assets relating to tax loss carryforwards	-	-	-	-	-	7	(**) 7

2024	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
Deferred tax assets relating to tax loss carryforwards (*)	-	-	-	-	-	¥ 3,507	¥ 3,507
Less valuation allowance for tax loss carryforwards	-	-	-	-	-	(2,886)	(2,886)
Net deferred tax assets relating to tax loss carryforwards	-	-	-	-	-	621	(**) 621

2025	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
Deferred tax assets relating to tax loss carryforwards (*)	-	-	-	-	-	$ 19,269	$ 19,269
Less valuation allowance for tax loss carryforwards	-	-	-	-	-	(19,223)	(19,223)
Net deferred tax assets relating to tax loss carryforwards	-	-	-	-	-	46	(**) 46

(*) The amount of deferred tax assets relating to tax loss carryforwards was calculated by using the normal effective statutory tax rate.

(**) The amount of net deferred tax assets relating 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 income for the year ended March 31, 2025, with the corresponding figures for 2024, is as follows:

	2025	2024
Normal effective statutory tax rate	30.6 %	30.6 %
Increase (decrease) due to:		
Permanently non-deductible expenses for income tax purposes	0.4	0.4
Permanently non-taxable income for income tax purposes	(0.5)	(0.5)
Changes in valuation allowance	(4.9)	(15.0)
Per capita inhabitant tax	0.4	0.5
Higher income tax rates applicable to taxable income in certain foreign countries	0.2	0.2
Income tax credit	(0.4)	(0.5)
Tax credits for research and development expenses	(3.4)	(1.5)
Increase in deferred tax assets at end of year due to tax rate changes	0.7	-
Other	(1.2)	(0.1)
Actual effective income tax rate	21.9 %	14.1 %

(Adjustments to deferred tax assets and liabilities due to the changes in corporate income tax rate)
The "Act for Partial Revision of the Income Tax Act, etc." (Act No. 13 of 2025) was enacted by the Diet on March 31, 2025, and the "Defense Special Corporate Tax" will be imposed from the fiscal years beginning on or after April 1, 2026. As a result, the normal effective statutory tax rate for deferred tax assets and liabilities related to temporary differences that are expected to be settled in and after the fiscal year beginning April 1, 2026, has been changed from 30.6% to 31.5%. As a result of this change, the amount of deferred tax liabilities (after deducting the amount of deferred tax assets) as of March 31, 2025 increased by ¥189 million ($1,266 thousand), and the amount of income taxes-deferred for the year ended March 31, 2025 increased by ¥53 million ($359 thousand). Additionally, the amounts recognized in accumulated other comprehensive income for defined retirement benefit plans and unrealized gain on available-for-sale securities as of March 31, 2025 decreased by ¥52 million ($347 thousand) and ¥83 million ($560 thousand), respectively.

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 not used for speculative purposes but to manage exposure to risks as described in (2) below.

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

Trade notes and accounts receivables, such as trade notes receivable, trade accounts receivable and electronically recorded monetary claims, are exposed to customer credit risk.

Although trade notes and accounts receivable in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is, in principle, hedged by using forward foreign currency contracts.

Investment securities, mainly equity securities of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of trade notes and accounts payable, such as trade notes payable, trade accounts payable and electronically recorded obligation, are generally less than one year. Although trade notes and accounts 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, if necessary, 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 trade notes and accounts receivable and trade notes and accounts payable denominated in foreign currencies and forecasted transactions denominated in foreign currencies. Please see Note 2 "Summary of Significant Accounting Policies," "g. Derivatives and hedging activities" for more information about derivatives.

(3) Risk management for financial instruments

Credit risk management

The Group manages its credit risk from trade notes and accounts receivable by periodically monitoring circumstances of the financial position of major customers and managing due dates and balances by each customer.

Market risk management (foreign exchange risk and market price risk)

Trade notes and accounts receivable and trade notes and accounts payable in foreign currencies 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.

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 trade notes and accounts payable and long-term debt.

(4) Fair values of financial instruments

Since various assumptions and factors are reflected in estimating fair value, different assumptions and factors could result in different fair value.

Fair value of financial instruments

	Millions of Yen		
	2025		
	Carrying amount	Fair value	Unrealized gain (loss)
Investment securities	¥ 14,603	¥ 14,603	-
Total	¥ 14,603	¥ 14,603	-
Long-term debt, including current portion	¥ 20,360	¥ 19,794	¥ 566
Lease obligations, including current portion	1,927	1,876	51
Total	¥ 22,287	¥ 21,670	¥ 617

	Millions of Yen		
	2024		
	Carrying amount	Fair value	Unrealized gain (loss)
Investment securities	¥ 19,008	¥ 19,008	-
Total	¥ 19,008	¥ 19,008	-
Long-term debt, including current portion	¥ 23,260	¥ 23,012	¥ 248
Lease obligations, including current portion	1,876	1,852	24
Total	¥ 25,136	¥ 24,864	¥ 272

	Thousands of U.S. Dollars		
	2025		
	Carrying amount	Fair value	Unrealized gain (loss)
Investment securities	$ 98,007	$ 98,007	-
Total	$ 98,007	$ 98,007	-
Long-term debt, including current portion	$ 136,645	$ 132,845	$ 3,800
Lease obligations, including current portion	12,931	12,587	344
Total	$ 149,576	$ 145,432	$ 4,144

Notes: 1. Cash and cash equivalents are omitted as their carrying amounts approximate the fair values since they are cash or scheduled to be settled in a short period of time. Additionally, notes and accounts receivable, short-term loan receivables, notes and accounts payable and income taxes payable are also omitted as their carrying amounts approximate the fair values since they are scheduled to be settled in a short period of time.

2. Carrying amounts of equity securities without market price

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Unlisted securities	¥ 1,762	¥ 1,814	$ 11,824
Investments in an unconsolidated subsidiary and associated companies	1,165	1,107	7,821
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)	14,187	14,405	95,215

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

	Millions of Yen			
	2025			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	¥ 11,528	-	-	-
Notes and accounts receivable	19,041	¥ 514	¥ 45	-
Total	¥ 30,569	¥ 514	¥ 45	-

	Thousands of U.S. Dollars			
	2025			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	$ 77,371	-	-	-
Notes and accounts receivable	127,787	$ 3,450	$ 304	-
Total	$ 205,158	$ 3,450	$ 304	-

Please see Note 8 for annual maturities of long-term debt and Note 11 for obligations under finance leases.

(6) Financial instruments categorized by fair value hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(a) The financial assets and liabilities measured at the fair values in the consolidated balance sheet

	Millions of Yen			
As of March 31, 2025	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	¥ 14,603	-	-	¥ 14,603
Total assets	¥ 14,603	-	-	¥ 14,603

As of March 31, 2024	Millions of Yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	¥ 19,008	-	-	¥ 19,008
Total assets	¥ 19,008	-	-	¥ 19,008

As of March 31, 2025	Thousands of U.S. Dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	$ 98,007	-	-	$ 98,007
Total assets	$ 98,007	-	-	$ 98,007

(b) Financial instruments other than those recorded at fair value in the consolidated balance sheet

As of March 31, 2025	Millions of Yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term debt, including current portion	-	¥ 19,794	-	¥ 19,794
Lease obligations, including current portion	-	1,876	-	1,876
Total liabilities	-	¥ 21,670	-	¥ 21,670

As of March 31, 2024	Millions of Yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term debt, including current portion	-	¥ 23,012	-	¥ 23,012
Lease obligations, including current portion	-	1,852	-	1,852
Total liabilities	-	¥ 24,864	-	¥ 24,864

As of March 31, 2025	Thousands of U.S. Dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term debt, including current portion	-	$ 132,845	-	$ 132,845
Lease obligations, including current portion	-	12,587	-	12,587
Total liabilities	-	$ 145,432	-	$ 145,432

Note: Explanation of valuation techniques and valuation inputs used in fair value measurements

Investment securities
The fair values of listed equity securities are measured at the quoted market prices. Since listed equity securities are traded in active markets, their fair values are classified as Level 1.

Long-term debt and lease obligations
The fair values of long-term debt (including the current portion) and lease obligations are measured using the discounted cash flow method based on the total amount of the principal and interest, and interest rates reflecting the remaining periods of such obligations and credit risks, and are classified as Level 2.

15. LOSS ON IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

For the year ended March 31, 2025:

The Group recognized impairment losses on the following asset group.

			Millions of Yen	Thousands of U.S. Dollars
Asset group	Location	Account	2025	2025
Railway rolling stock business property	Illinois, the United States	Buildings and structures, machinery and equipment, other	¥ 18	$ 118
		Total	¥ 18	$ 118

The Group reviewed its long-lived assets for impairment as of March 31, 2025.

At the Board of Directors meeting held on February 27, 2025, the Company resolved to dissolve and liquidate NIPPON SHARYO MANUFACTURING, LLC. As a result, the Group recognized an impairment loss of ¥18 million ($118 thousand) for the railway rolling stock business property of NIPPON SHARYO MANUFACTURING, LLC by writing down the property to its memorandum value.

The impairment loss of ¥18 million ($118 thousand) for the year ended March 31, 2025, consisted of impairment losses of ¥1 million ($7 thousand) on buildings and structures and ¥17 million ($111 thousand) on machinery and equipment.

For the year ended March 31, 2024:

No loss on impairment was recognized.

16. RELATED-PARTY DISCLOSURES

(1) Parent and major shareholders

CJR directly owned 51.2% of the total shares of the Company as of March 31, 2025 and 2024. The Company distributes transportation vehicles to CJR.

Transactions of the Company with CJR for the years ended March 31, 2025 and 2024, were as follows:

For the year ended March 31, 2025

	Millions of Yen	Thousands of U.S. Dollars
	2025	2025
Net sales	¥ 29,078	$ 195,157
Borrowing of funds	94	632
Repayment of debt	3,212	21,558
Interest expense	233	1,564

Borrowing of funds, repayment of debt, and interest expense of ¥94 million ($632 thousand), ¥312 million ($2,095 thousand), and ¥93 million ($627 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, 2024

	Millions of Yen
	2024
Net sales	¥ 34,414
Borrowing of funds	56
Repayment of debt	3,751
Interest expense	253

Borrowing of funds, repayment of debt, and interest expense of ¥56 million, ¥295 million, and ¥94 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, 2025 and 2024, were as follows:

As of March 31, 2025

	Millions of Yen	Thousands of U.S. Dollars
	2025	2025
Trade accounts receivable and contract assets	¥ 3,381	$ 22,693
Current portion of long-term debt	3,215	21,577
Long-term debt	31,332	210,283
Accrued expenses	25	166

Current portion of long-term debt, long-term debt, and accrued expenses of ¥314 million ($2,107 thousand), ¥13,872 million ($93,101 thousand), and ¥25 million ($166 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, 2024

	Millions of Yen
	2024
Trade accounts receivable and contract assets	¥ 9,610
Current portion of long-term debt	3,211
Long-term debt	34,454
Accrued expenses	26

Current portion of long-term debt, long-term debt, and accrued expenses of ¥311 million, ¥14,094 million, and ¥26 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, 2025 and 2024, were as follows:

For the year ended March 31, 2025

	Millions of Yen	Thousands of U.S. Dollars
	2025	2025
JR Central Financial Management Co., Ltd.		
Loan of funds and interest income	¥ 46	$ 307

Transactions related to loan of funds are omitted since the transactions are conducted using CMS provided by a consolidated subsidiary of CJR.

For the year ended March 31, 2024

		Millions of Yen
		2024
JR Central Financial Management Co., Ltd.		
Loan of funds and interest income	¥	15

Transactions related to loan of funds are omitted since the transactions are conducted using CMS provided by a consolidated subsidiary of CJR.

The balances due to or from the fellow subsidiaries as of March 31, 2025 and 2024, were as follows:

As of March 31, 2025

		Millions of Yen		Thousands of U.S. Dollars
		2025		2025
JR Central Financial Management Co., Ltd.				
Cash and cash equivalents	¥	8,284	$	55,594

As of March 31, 2024

		Millions of Yen
		2024
JR Central Financial Management Co., Ltd.		
Cash and cash equivalents	¥	11,641

17. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Unrealized (loss) gain on available-for-sale securities:			
(Losses) gains arising during the year	¥ (2,987)	¥ 5,261	$ (20,049)
Reclassification adjustments to profit or loss	(1,038)	(497)	(6,968)
Amount before adjustments of current income taxes and income tax effect	(4,025)	4,764	(27,017)
Amount of current income taxes and income tax effect	1,151	(1,454)	7,726
Total	¥ (2,874)	¥ 3,310	$ (19,291)
Deferred loss on derivatives under hedge accounting:			
Losses arising during the year	¥ (2)	¥ -	$ (15)
Amount of current income taxes and income tax effect	0	-	5
Total	¥ (2)	¥ -	$ (10)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 5	¥ 3	$ 37
Total	¥ 5	¥ 3	$ 37
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (21)	¥ 4,098	$ (141)
Reclassification adjustments to profit or loss	(849)	(299)	(5,700)
Amount before adjustments of current income taxes and income tax effect	(870)	3,799	(5,841)
Amount of current income taxes and income tax effect	215	(1,163)	1,440
Total	¥ (655)	¥ 2,636	$ (4,401)
Share of other comprehensive (loss) income in associated companies			
(Losses) gains arising during the year	¥ (35)	¥ 70	$ (231)
Amount of current income taxes and income tax effect	-	-	-
Total	¥ (35)	¥ 70	$ (231)
Total other comprehensive (loss) income	¥ (3,561)	¥ 6,019	$ (23,896)

18. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2025, was approved at the Company's shareholders' meeting held on June 27, 2025:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥20 ($0.13) per share	¥ 289	$ 1,937

19. REVENUE RECOGNITION

(1) Disaggregation of revenue from contracts with customers

The businesses of the Group are composed of Railway Rolling Stock, Construction Equipment, Transportation Equipment and Steel Structure, Engineering, and Other. The Group presented revenue from these businesses as net sales.
The disaggregation of revenue from contracts with customers by reportable segment for the years ended March 31, 2025 and 2024, is as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Reportable segment:			
Railway Rolling Stock:			
JR	¥ 34,322	¥ 35,353	$ 230,352
Public operated or private operated companies	10,425	5,262	69,961
Sub-total	44,747	40,615	300,313
Construction Equipment	21,852	20,339	146,658
Transportation Equipment and Steel Structure:			
Transportation equipment	10,359	8,604	69,520
Steel structure	11,814	9,805	79,288
Sub-total	22,173	18,409	148,808
Engineering	6,549	7,746	43,953
Other (Note 1)	52	69	354
Total	¥ 95,373	¥ 87,178	$ 640,086
Revenue recognized from contracts with customers:			
Goods transferred at a point in time	¥ 73,823	¥ 74,116	$ 495,454
Goods transferred over time	21,550	13,062	144,632
Total	95,373	87,178	640,086
Revenue recognized from other sources (Note 2)	967	881	6,493
Sales to external customers	¥ 96,340	¥ 88,059	$ 646,579

Notes: 1. "Other" represents operating segments, etc. that are not included in any reportable segment.
2. "Revenue recognized from other sources" includes lease transactions, etc. stipulated in "Accounting Standard for Lease Transaction" (ASBJ Statement No. 13), which is outside of the scope of the Accounting Standard for Revenue Recognition.

(2) Basic information to understand revenue from contracts with customers

(a) Information on contracts and performance obligations

With respect of information on contracts, performance obligations and the timing of satisfactions of performance obligations, please see Note 2 “Summary of Significant Accounting Policies” “w. Revenue recognition.” Payment terms are on general terms, and consideration is primarily received within one year. The amount of consideration promised does not include a significant financing component.

(b) Information on determining the amounts allocated to performance obligations

Transaction price is primarily allocated to each performance obligation based on observable stand-alone selling prices when contracts contain multiple performance obligations.

(3) Information on the relationship between the satisfactions of performance obligations based on contracts with customers, the cash flows from such contracts and the amount and timing of revenue expected to be recognized in subsequent fiscal years from the contracts with the customers that existed as of March 31, 2025 and 2024

(a) Balance of contract assets and contract liabilities, etc.

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Trade notes receivable (Balance at beginning of year)	¥ 1,072	¥ 1,123	$ 7,191
Trade notes receivable (Balance at end of year)	1,242	1,072	8,334
Trade accounts receivable (Balance at beginning of year)	19,117	12,467	128,303
Trade accounts receivable (Balance at end of year)	15,856	19,117	106,416
Contract assets (Balance at beginning of year)	7,609	5,841	51,065
Contract assets (Balance at end of year)	11,455	7,609	76,882
Electronically recorded monetary claims (Balance at beginning of year)	2,202	2,382	14,777
Electronically recorded monetary claims (Balance at end of year)	2,220	2,202	14,902
Advances received (Balance at beginning of year)	620	498	4,159
Advances received (Balance at end of year)	1,185	620	7,952

Contract assets relate to the Group’s rights to consideration for performance obligations satisfied under the construction contracts, etc. but not billed as of the end of the fiscal year. The contract assets are reclassified to trade accounts receivables when the Group’s rights become unconditional. Considerations for those performance obligations are billed and received by the Group in accordance with the terms and conditions of the transactions with customers.

Advances received primarily related to payments received in advance under construction contracts, etc. for which revenues are recognized over time. Advances received decreases as revenue is recognized. Of the revenue recognized during the years ended March 31, 2025 and 2024, the amounts included in the balance of advances received at the beginning of the years ended March 31, 2025 and 2024, were ¥541 million ($3,631 thousand) and ¥497 million, respectively.

Additionally, the amounts of revenue recognized during the years ended March 31, 2025 and 2024 from performance obligations satisfied (or partially satisfied) in previous periods were ¥269 million ($1,806 thousand) and ¥360 million, respectively.

(b) Transaction prices allocated to the remaining performance obligations

The aggregate amount of transaction prices allocated to unsatisfied (or partially unsatisfied) performance obligations by reportable segment as of March 31, 2025 and 2024 is as follows.

	Millions of Yen				Thousands of U.S. Dollars	
Reportable segment:	2025		2024		2025	
Railway Rolling Stock	¥	102,792	¥	97,712	$	689,878
Construction Equipment		19,539		16,037		131,132
Transportation Equipment and Steel Structure		37,053		29,005		248,681
Engineering		3,785		3,711		25,406
Other (Note)		-		-		-
Total	¥	163,169	¥	146,465	$	1,095,097

Note: "Other" represents operating segments, etc. that are not included in any reportable segment.

Remaining performance obligations for each reportable segment are expected to be satisfied and recognized as revenue within the following number of years from March 31, 2025 and 2024.

For the year ended March 31, 2025

- Railway Rolling Stock	Within 4 years (of which approximately 40% within 1 year)
- Construction Equipment	Within 2 years
- Transportation Equipment and Steel Structure	Within 3 years
- Engineering	Within 1 year

For the year ended March 31, 2024

- Railway Rolling Stock	Within 4 years (of which approximately 40% within 1 year)
- Construction Equipment	Within 2 years
- Transportation Equipment and Steel Structure	Within 3 years
- Engineering	Within 2 years

20. SEGMENT INFORMATION

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

(1) Description of reportable segments

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

The Group has operational headquarters by each product or service. Each of the operational headquarters develops comprehensive strategies and engages in business activities relating to each product and service. Accordingly, the Group is comprised of segments organized by products or services based on the operational headquarters, and there are four reportable segments: "Railway Rolling Stock," "Construction Equipment," "Transportation Equipment and Steel Structure," and "Engineering."

"Railway Rolling Stock" consists of manufacture and sales of EMUs, railway motor cars, etc.

"Construction Equipment" consists of manufacture and sales of pile driving rigs, casing rotators, portable diesel generator sets and emergency generators.

"Transportation Equipment and Steel Structure" consists of manufacture and sales of freight cars, tank trucks, heavy-duty industrial vehicles, etc. and manufacture and construction of roadway and railway bridges.

"Engineering" consists of manufacture and sales of mechanical equipment for railway companies, manufacturing equipment for household paper manufacturers, and agricultural 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 mainly based upon market prices or manufacturing costs.

(3) Information of sales, profit (loss), assets and other items was as follows:

	Millions of Yen							
	2025							
	Reportable segment							
	Railway Rolling Stock	Construction Equipment	Transportation Equipment and Steel Structure	Engineering	Other	Total	Reconciliations	Consolidated
Net sales								
Sales to external customers	¥ 44,747	¥ 22,810	¥ 22,182	¥ 6,549	¥ 52	¥ 96,340	-	¥ 96,340
Intersegment sales or transfers	67	5	126	61	309	568	¥ (568)	-
Total	¥ 44,814	¥ 22,815	¥ 22,308	¥ 6,610	¥ 361	¥ 96,908	¥ (568)	¥ 96,340
Segment profit (loss)	¥ 2,734	¥ 4,255	¥ 1,805	¥ (831)	¥ 172	¥ 8,135	¥ (1,199)	¥ 6,936
Segment assets	¥ 42,476	¥ 22,747	¥ 22,692	¥ 6,429	¥ 551	¥ 94,895	¥ 36,270	¥ 131,165
Other:								
Depreciation	¥ 997	¥ 715	¥ 525	¥ 32	¥ 2	¥ 2,271	¥ 231	¥ 2,502
Loss on impairment of property, plant and equipment	18	-	-	-	-	18	-	18
Increase in property, plant and equipment and intangible assets	935	1,020	293	3	3	2,254	890	3,144

	Millions of Yen							
	2024							
	Reportable segment							
	Railway Rolling Stock	Construction Equipment	Transportation Equipment and Steel Structure	Engineering	Other	Total	Reconciliations	Consolidated
Net sales								
Sales to external customers	¥ 40,615	¥ 21,206	¥ 18,423	¥ 7,746	¥ 69	¥ 88,059	-	¥ 88,059
Intersegment sales or transfers	151	9	199	169	257	785	¥ (785)	-
Total	¥ 40,766	¥ 21,215	¥ 18,622	¥ 7,915	¥ 326	¥ 88,844	¥ (785)	¥ 88,059
Segment profit (loss)	¥ 2,761	¥ 3,798	¥ 955	¥ (271)	¥ 136	¥ 7,379	¥ (1,319)	¥ 6,060
Segment assets	¥ 43,989	¥ 22,887	¥ 20,446	¥ 5,184	¥ 551	¥ 93,057	¥ 43,340	¥ 136,397
Other:								
Depreciation	¥ 959	¥ 668	¥ 545	¥ 36	¥ 2	¥ 2,210	¥ 219	¥ 2,429
Increase in property, plant and equipment and intangible assets	1,133	898	308	4	0	2,343	367	2,710

	Thousands of U.S. Dollars							
	2025							
	Reportable segment							
	Railway Rolling Stock	Construction Equipment	Transportation Equipment and Steel Structure	Engineering	Other	Total	Reconciliations	Consolidated
Net sales								
Sales to external customers	$ 300,313	$ 153,085	$ 148,874	$ 43,953	$ 354	$ 646,579	-	$ 646,579
Intersegment sales or transfers	451	33	849	410	2,068	3,811	$ (3,811)	-
Total	$ 300,764	$ 153,118	$ 149,723	$ 44,363	$ 2,422	$ 650,390	$ (3,811)	$ 646,579
Segment profit (loss)	$ 18,349	$ 28,558	$ 12,112	$ (5,577)	$ 1,158	$ 54,600	$ (8,051)	$ 46,549
Segment assets	$ 285,073	$ 152,663	$ 152,296	$ 43,146	$ 3,704	$ 636,882	$ 243,417	$ 880,299
Other:								
Depreciation	$ 6,690	$ 4,799	$ 3,524	$ 214	$ 13	$ 15,240	$ 1,555	$ 16,795
Loss on impairment of property, plant and equipment	118	-	-	-	-	118	-	118
Increase in property, plant and equipment and intangible assets	6,275	6,845	1,967	23	20	15,130	5,970	21,100

Notes: 1. "Other" represents operating segments, etc. that are not included in any reportable segment.

2. "Reconciliations" in segment profit (loss) include corporate expenses of ¥(1,217) million ($(8,169) thousand) and ¥(1,338) million for the years ended March 31, 2025 and 2024, respectively, and elimination of intersegment transactions of ¥16 million ($107 thousand) and ¥16 million for the years ended March 31, 2025 and 2024, 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 ¥30,424 million ($204,190 thousand) and ¥36,869 million, elimination of intersegment balances of ¥(88) million ($(590) thousand) and ¥(83) million, adjustments in asset for employees' retirement benefits of ¥5,163 million ($34,649 thousand) and ¥5,844 million, and adjustments in inventories of ¥(38) million ($(254) thousand) and ¥(41) million as of March 31, 2025 and 2024, respectively. Total corporate assets principally consist of investment securities and general management properties as of March 31, 2025 and 2024.

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

Associated Information

(1) Information about products and services is not disclosed since similar information is disclosed above.

(2) Information about geographical areas for the years ended March 31, 2025 and 2024 was as follows.

	Millions of Yen 2025				
	Japan	U.S.A.	Asia	Other	Total
Net sales	¥95,126	¥341	¥860	¥13	¥96,340

	Millions of Yen 2024				
	Japan	U.S.A.	Asia	Other	Total
Net sales	¥85,851	¥274	¥1,873	¥61	¥88,059

	Thousands of U.S. Dollars 2025				
	Japan	U.S.A.	Asia	Other	Total
Net sales	$638,431	$2,286	$5,771	$91	$646,579

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

	Millions of Yen 2025				
	Japan	U.S.A.	Asia	Other	Total
Property, plant and equipment	¥28,204	¥0	¥0	¥0	¥28,204

	Millions of Yen 2024				
	Japan	U.S.A.	Asia	Other	Total
Property, plant and equipment	¥27,646	¥22	¥1	¥0	¥27,669

	Thousands of U.S. Dollars 2025				
	Japan	U.S.A.	Asia	Other	Total
Property, plant and equipment	$189,287	$0	$0	$0	$189,287

(3) Information about major customers

Name of major customer	Net sales: Millions of Yen 2025	Net sales: Millions of Yen 2024	Net sales: Thousands of U.S. Dollars 2025	Related segment
CJR	¥ 29,078	¥ 34,414	$ 195,157	Railway Rolling Stock, Transportation Equipment and Steel Structure, Engineering

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

For the year ended March 31, 2025

	Millions of Yen							
	2025							
	Reportable segment							
	Railway Rolling Stock	Construction Equipment	Transportation Equipment and Steel Structure	Engineer-ing	Other	Total	Recon-ciliations	Consoli-dated
Impairment loss	¥ 18	-	-	-	-	18	-	¥ 18

	Thousands of U.S. Dollars							
	2025							
	Reportable segment							
	Railway Rolling Stock	Construction Equipment	Transportation Equipment and Steel Structure	Engineer-ing	Other	Total	Recon-ciliations	Consoli-dated
Impairment loss	$ 118	-	-	-	-	118	-	$ 118

For the year ended March 31, 2024

No loss on impairment was recognized.

* * * * * *

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	11,409persons
	(March 31, 2025)

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.
Oct. 2008 Central Japan Railway Company became the parent 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, Hybrid Cars, Passenger Cars, Track Maintenance Machines and Rolling Stock Components
Transportation equipment and Steel structure	Tank Truck, LNG Tank Semi-Trailer, Containers, Storage Tanks, Heavy Duty Carrier, Automated Guided Vehicle, Freight Cars, Roadway Bridges and Railway Bridges
Construction equipment	Piling Rigs, Casing Rotators, Rotary Drilling Rigs, Other Products Related to Foundation Work
Engineering	Railway Rolling Stock Inspection/Maintenance System, Agricultural Plants, Pulp and Paper Facilities

Directory

OFFICE

HEAD OFFICE (NAGOYA)
1-1 Sanbonmatsu-cho,
Atsuta-ku, Nagoya 456-8691 JAPAN
Phone: +81-52-882-3316
Fax: +81-52-882-3781

TOKYO OFFICE
Shinagawa Intercity Tower C 6F,
2-15-3, Konan,Minato-ku, Tokyo 108-6206 Japan

NIPPON SHARYO MANUFACTURING, LLC
1051 Perimeter Drive, Suite 270
Schaumburg, IL 60173 U.S.A.
Phone: +1-847-228-2700
Currently in the process of dissolution and liquidation

PLANT

TOYOKAWA PLANT
(Railway rolling stock)
2-20 Honohara,
Toyokawa, Aichi 442-8502 JAPAN
Phone: +81-533-85-4900
Fax: +81-533-85-4123

KINUURA PLANT
(Transportation equipment and Steel structure)
20 11-gouchi,
Handa, Aichi 475-0831 JAPAN

NARUMI PLANT
(Construction equipment)
80 Ryucho, Narumi-cho,
Midori-ku, Nagoya 458-8502 JAPAN
Phone: +81-52-623-3529
Fax: +81-52-623-4349