Annual Business Report

April 1, 2021 through March 31, 2022

NIPPON SHARYO

Financial Highlights

Comparison of Sales by Segment

(Unit: millions of yen)

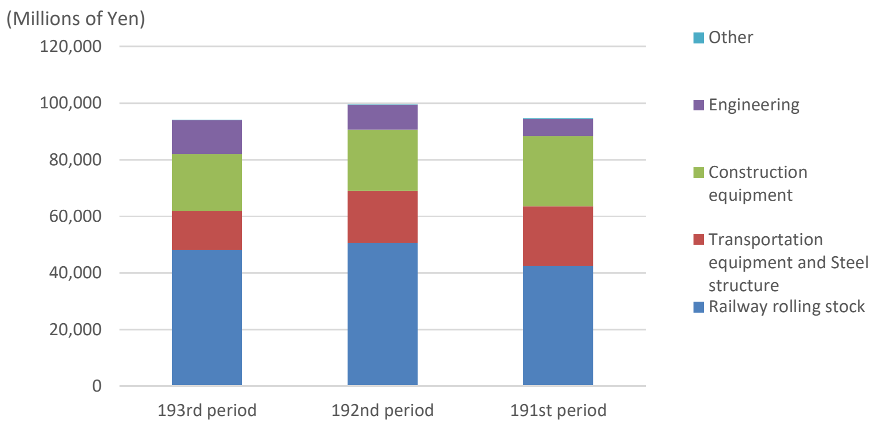
Business Segment	193rd period (2021-2022)		192nd period (2020-2021)		Increase/(Decrease)	
Railway rolling stock	47,958	51.0	50,486	50.8	(2,528)	(5.0)
Transportation equipment and Steel structure	13,855	14.7	18,502	18.6	(4,647)	(25.1)
Construction equipment	20,186	21.5	21,646	21.7	(1,460)	(6.7)
Engineering	11,957	12.7	8,738	8.8	3,219	36.8
Other	66	0.1	76	0.1	(10)	(15.0)
Total	94,022	100.0	99,448	100.0	(5,426)	(5.5)

Change in Operating Performance and Asset Status

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

Titles of account	193rd period (2021-2022)	192nd period (2020-2021)	191st period (2019-2020)
Net sales	94,022	99,448	94,635
Income before income taxes	6,042	9,274	7,530
Net income attributable to owners of the parent	5,227	7,929	7,895
Net income per share	¥362.14	¥549.31	¥547.00
Total assets	132,868	136,596	127,813
Total equity	48,018	45,288	34,504

Comparison of Sales by Segment



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Series 315 trains

Message from the President

Review of Business Operations

During the fiscal year ended March 31, 2022 (hereinafter referred to as the “fiscal year under review”), despite the repeated imposition and lifting of restrictions on economic activity as a consequence of novel coronavirus disease (COVID-19), the Japanese economy showed signs of a gentle recovery. However, close attention must be paid to downside risks due to the semiconductor shortage and trends in the prices of raw materials, the impact on both the domestic economy and overseas economies of infectious diseases, including variants, and rising tensions in Ukraine, and the outlook remains uncertain.

As a result of this business environment, the Group’s net sales for the fiscal year under review came to ¥94,022 million, a decrease of 5.5% from the previous year, due to decreases in the railway rolling stock business, the transportation equipment and steel structure business and the construction equipment business, despite an increase in the engineering business. With regard to profit, despite an increase in the engineering business, the railway rolling stock business, the transportation equipment and steel structure business and the construction equipment business recorded decreases, resulting in overall operating income dropping by 31.1% year on year to ¥6,238 million, income before income taxes falling 34.9% year on year to ¥6,042 million, and net income attributable to owners of the parent declining 34.1% year on year to ¥5,227 million.

The Outlook

When formulating the “Nippon Sharyo Innovative Change 2030” medium-term business plan in 2021, the Group drew up a long-term vision that expressed the ideal form to become by 2030 as “a business partner that solves customers’ problems by providing safety and reliability in the workplace.”

Based on this long-term vision, the “Nippon Sharyo Innovative Change 2030” medium-term business plan designates areas of focus and organizes them into three pillars.

(1) Thorough strengthening of profitability (the ability to generate profit)

(2) Reforming the foundations of the business for growth

(3) Achieving a transformation of the business model

With the aim of enhancing corporate value over the medium and long term, the Board of Directors has also formulated a basic policy on sustainability designed to appropriately address sustainability issues, including social and environmental problems. In addition, an Executive Sustainability Committee, chaired by the President and Chief Executive Officer, has been established to identify materiality from a long-term perspective and to promote initiatives to resolve them.

We expect the order environment to remain difficult for the railway rolling stock business going forward, due to contractions in upgrade demand caused by the prolongation of the impact of COVID-19, etc. 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 continue to strengthen our competitiveness by differentiating ourselves through our new brand "N-QUALIS" and technology development that utilizes our condition-monitoring technology, and by striving to reduce costs mainly through reforming production processes.

With respect to the transportation equipment and steel structure business, due to the economic uncertainty in Japan and overseas caused by the prolongation of COVID-19, which has resulted in the suppression of capital investment and other issues, the order environment is very challenging for transportation equipment. In this environment, we are working on launching new products aimed at meeting market needs, 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. In addition, we will take steps to reduce costs through such actions as standardizing design, while strengthening our competitiveness and acquiring new customers. 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, while moving ahead with cost reduction, 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 know-how we have accumulated in the course of bridge repair work conducted during major repair work on the Tokaido Shinkansen to grow our orders for repair and maintenance of highway bridges. Through the above initiatives, we will work to reduce losses in the transportation equipment and steel structure business.

In the construction equipment business, due to the risk of an undershoot caused by the prolongation of the impact of COVID-19 in both domestic and overseas markets, the outlook for demand is becoming increasingly uncertain. In this environment, we will leverage our development and manufacturing know-how in construction equipment, including pile-driving rigs, and respond flexibly to the needs of different regions, while striving to strengthen our competitiveness through the adoption of automation and energy-saving technology.

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.

Furthermore, in FY2021 we began repaying the long-term debt that the Company borrowed from the parent company in November 2017. We will continue to work on gradually reducing long-term debt and strengthening our financial foundation.

Moreover, although there is a possibility that the prolongation of the impact of COVID-19 affects the performance and financial position of the Group, we have taken steps in each business to address concerns regarding the order environment. In addition, in order to prevent a temporary shutdown in corporate activities, we have introduced online meetings for sales activities, implemented systems for staggered shifts and working from home that take into account the need to maintain operating rates, and put in place measures to prevent infection, such as wearing masks while working.

K. Igarashi

Kazuhiro Igarashi
President and Chief Executive Officer

Review by Segment

Railway Rolling Stock Business

Our sales to the JR Companies, including Series N700S Shinkansen trains and Series 315 trains to Central Japan Railway Company, and rail transporting vehicles for East Japan Railway Company, resulted in net sales of ¥38,882million.

Odakyu Electric Railway Co., Ltd.

Sales to public and private railways included trains provided to Odakyu Electric Railway Co., Ltd. and Nagoya City's Transportation Bureau, resulting in net sales of ¥9,075 million. As a result of these decreases in rail transporting vehicles for East Japan Railway Company and others, the railway rolling stock business recorded net sales of ¥47,958 million, down 5.0% year on year.

Series N700S Shinkansen trains

Transportation Equipment and Steel Structure Business

In transportation equipment business, sales of freight cars rose year on year, but Automated Guided Vehicles and bulk tank trucks for consumer use recorded a decline.

In steel structures business, we recorded sales in relation to work on the steel superstructure of Ono Aburasaka Highway Nakatsugawa Viaduct, the Tanigoike Bridge, the Shimana No.1 Bridge on the Ken-o Expressway, and major repair work on the Tokaido Shinkansen, but sales related to highway bridges, etc. for government and municipal offices declined year on year.

Liquid Chlorine Tank Truck

As a result of the above, net sales for the transportation equipment and steel structure business came to ¥13,855 million, a decline of 25.1% year on year.

Kinuura-ohashi Bridge

Construction Equipment Business

Sales of construction equipment remained at high levels due to demand for urban redevelopment projects in Japan, but due to year-on-year declines caused by the completed withdrawal from the power generation business and other factors, net sales in the construction equipment business were ¥20,186 million, a decline of 6.7% year on year.

Mini Piling Rig

Engineering Business

Grain Elevator

The main components of sales in this business included mechanical equipment for railway companies as well as manufacturing equipment for household paper manufacturers and agricultural plant facilities for Japan Agricultural Cooperatives all over Japan. As a result of an increase in sales of mechanical equipment for railway companies and manufacturing equipment for household paper manufacturers, net sales in the engineering business totaled ¥11,957 million, up 36.8% from the previous year.

The order backlog at the end of the fiscal year under review was ¥ 123,494 million. The components of this were ¥89,530 million in the railway rolling stock business, ¥18,026 million in the transportation equipment and steel structure business, ¥13,976 million in the construction equipment business, and ¥1,962 million in the engineering business.

Investment in Plant and Equipment

Plant and equipment investment during the fiscal year under review totaled ¥2,749 million. Investment was mainly targeted at renewal of equipment to maintain and improve the production capacity at each plant.

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

Financing Activities

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

NIPPON SHARYO, LTD. AND
CONSOLIDATED SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022
AND
INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of NIPPON SHARYO, LTD. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2022, 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, 2022, 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. This accounting policy is applied principally to the steel structure business that manufactures, builds, and sells mainly road bridges, railway bridges, and floodgates. The revenue recognized where performance obligations are satisfied over time amounted to ¥8,667 million for the year ended March 31, 2022.	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 construction 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 calculating revenue in applying the revenue recognition where performance obligations are satisfied over time.

In applying revenue recognition where performance obligations are satisfied over time , the amount of construction revenue for each construction project is its total construction 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 includes estimates of material costs, labor costs and subcontractor costs for construction projects. The significant assumptions of estimates of labor and subcontractor costs include 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. In addition, since the working budget of the total cost of construction requires updating each time when the designs of construction projects 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.	● Examined whether the amount of the estimated total cost for each construction contract unit were consistent with the working budget approved by the general manager of the steel structure business division. ● Compared the labor cost ratio and subcontractor cost ratio for construction works based on 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. ● Tested whether the estimated total cost of construction had changed for the construction projects with design change agreements selected from those accounted for by the revenue recognition where performance obligations are satisfied over time. ● 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 6 to the consolidated financial statements, the Group recognized work in process of ¥27,431 million as of March 31, 2022. 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 ¥1,151 million for the year ended March 31, 2022. 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 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 significant assumptions of the estimates of these costs include 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.	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 work in process and provision for 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, 2022 for testing the completeness of identifying the estimated loss on orders received. ● Compared the Group' judgement 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 past 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, the accuracy of the estimated total cost was evaluated by comparing the labor hours for each manufacturing process included in the latest work results of similar railway rolling stock with the

	labor hours 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.

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

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

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

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.

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.

加納 俊平

Shumpei Kano
Designated Engagement Partner
Certified Public Accountant

Deloitte Touche Tohmatsu LLC

September 28, 2022

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Balance Sheet
March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2022	2021	2022
CURRENT ASSETS:			
Cash and cash equivalents (Notes 15 and 17)	¥ 29,112	¥ 20,767	$ 238,620
Notes and accounts receivable, and contract assets (Notes 5, 15 and 17)	20,510	27,610	168,115
Inventories (Notes 2.i and 6)	31,031	32,112	254,354
Other current assets (Note 11)	709	1,272	5,815
Total current assets	81,362	81,761	666,904
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 11)	14,171	14,380	116,159
Buildings and structures (Note 11)	26,345	26,159	215,944
Machinery and equipment	35,521	35,550	291,156
Construction in progress	178	148	1,453
Total	76,215	76,237	624,712
Accumulated depreciation	(47,852)	(47,635)	(392,227)
Net property, plant and equipment	28,363	28,602	232,485
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 7, 11 and 15)	15,673	19,091	128,463
Investments in an unconsolidated subsidiary and associated companies (Note 15)	947	885	7,762
Asset for employees' retirement benefits (Note 10)	5,128	4,917	42,032
Deferred tax assets (Note 14)	149	138	1,218
Other assets (Note 11)	1,246	1,202	10,220
Total investments and other assets	23,143	26,233	189,695
TOTAL	¥ 132,868	¥ 136,596	$ 1,089,084

(Continued)

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Balance Sheet
March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY	2022	2021	2022
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 9, 15 and 17)	¥ 3,370	¥ 3,360	$ 27,626
Current portion of lease obligations (Notes 12 and 15)	633	906	5,187
Notes and accounts payable (Notes 8 and 15)	20,510	21,442	168,115
Accrued expenses (Note 17)	3,987	4,694	32,683
Advances received	1,076	1,109	8,820
Income taxes payable (Note 14)	712	1,347	5,833
Allowance for work in process on construction contracts	272	32	2,228
Provision for losses on orders received (Note 2.n)	49	-	405
Other current liabilities	365	399	2,985
Total current liabilities	30,974	33,289	253,882
LONG-TERM LIABILITIES:			
Long-term debt (Notes 9, 11, 15 and 17)	48,763	51,946	399,695
Liability for employees' retirement benefits (Note 10)	280	259	2,295
Lease obligations (Notes 12 and 15)	1,299	1,092	10,646
Provision for compensation for health damage from asbestos	105	92	861
Deferred tax liabilities (Note 14)	3,266	4,329	26,768
Other long-term liabilities	163	301	1,341
Total long-term liabilities	53,876	58,019	441,606
EQUITY (Note 13):			
Common stock, authorized, 32,800,000 shares; issued, 14,675,012 shares in 2022 and 2021	11,811	11,811	96,809
Retained earnings	30,396	25,409	249,149
Treasury stock, at cost, 242,928 shares in 2022 and 242,109 shares in 2021	(522)	(520)	(4,276)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	6,329	8,646	51,879
Foreign currency translation adjustments	(2,243)	(2,228)	(18,385)
Defined retirement benefit plans	2,096	2,031	17,181
Total accumulated other comprehensive income	6,182	8,449	50,675
Non-controlling interests	151	139	1,239
Total equity	48,018	45,288	393,596
TOTAL	¥ 132,868	¥ 136,596	$ 1,089,084

(Concluded)

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Income
Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
NET SALES (Notes 17 and 20)	¥ 94,022	¥ 99,448	$ 770,675
COST OF SALES (Notes 2.i, 2.m and 2.t)	80,732	83,395	661,737
Gross profit	13,290	16,053	108,938
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 2.t)	7,052	7,005	57,810
Operating income	6,238	9,048	51,128
OTHER (EXPENSES) INCOME			
Interest and dividend income (Note 17)	281	286	2,301
Interest expense (Note 17)	(345)	(354)	(2,826)
Equity in earnings of associated companies	64	47	523
Gain on sales of investment securities, net (Note 7)	157	115	1,291
Loss on impairment of property, plant and equipment (Note 16)	(245)	(29)	(2,008)
Loss (gain) on sales and disposals of property, plant and equipment	(164)	(123)	(1,342)
Other – net	56	284	456
Other (expenses) income – net	(196)	226	(1,605)
INCOME BEFORE INCOME TAXES	6,042	9,274	49,523
INCOME TAXES (Note 14):			
Current	886	1,188	7,264
Deferred	(87)	144	(716)
Total income taxes	799	1,332	6,548
NET INCOME	5,243	7,942	42,975
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	16	13	134
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 5,227	¥ 7,929	$ 42,841

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.u):			
Basic net income	¥ 362.14	¥ 549.31	$ 2.97
Cash dividends applicable to the year	20.00	10.00	0.16

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Comprehensive Income
Year Ended March 31, 2022

	Millions of Yen				Thousands of U.S. Dollars (Note 1)	
	2022		2021		2022	
NET INCOME	¥	5,243	¥	7,942	$	42,975
OTHER COMPREHENSIVE (LOSS) INCOME (Note 18):						
Unrealized (loss) gain on available-for-sale securities		(2,321)		1,783		(19,026)
Foreign currency translation adjustments		(15)		14		(120)
Defined retirement benefit plans		65		1,048		526
Share of other comprehensive income in associated companies		4		3		35
Total other comprehensive (loss) income		(2,267)		2,848		(18,585)
COMPREHENSIVE INCOME	¥	2,976	¥	10,790	$	24,390
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:						
Owners of the parent	¥	2,959	¥	10,776	$	24,256
Non-controlling interests		17		14		134

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Changes in Equity
Year Ended March 31, 2022

	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	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total equity
BALANCE, APRIL 1, 2020	14,433,307	¥ 11,811	¥ -	¥ 17,480	¥ (519)	¥ 6,860	¥ (2,242)	¥ 984	¥ 5,602	¥ 130	¥ 34,504
Net income attributable to owners of the parent	-	-	-	7,929	-	-	-	-	-	-	7,929
Increase in treasury stock, net	(404)	-	-	-	(1)	-	-	-	-	-	(1)
Net changes in the year	-	-	-	-	-	1,786	14	1,047	2,847	9	2,856
BALANCE, MARCH 31, 2021 (April 1, 2021, as previously reported)	14,432,903	11,811	-	25,409	(520)	8,646	(2,228)	2,031	8,449	139	45,288
Cumulative effect of change in accounting policy	-	-	-	49	-	-	-	-	-	-	49
BALANCE, April 1, 2021 (as restated)	14,432,903	11,811	-	25,458	(520)	8,646	(2,228)	2,031	8,449	139	45,337
Cash dividends	-	-	-	(289)	-	-	-	-	-	-	(289)
Net income attributable to owners of the parent	-	-	-	5,227	-	-	-	-	-	-	5,227
Increase in treasury stock, net	(819)	-	-	-	(2)	-	-	-	-	-	(2)
Net changes in the year	-	-	-	-	-	(2,317)	(15)	65	(2,267)	12	(2,255)
BALANCE, MARCH 31, 2022	14,432,084	¥ 11,811	¥ -	¥ 30,396	¥ (522)	¥ 6,329	¥ (2,243)	¥ 2,096	¥ 6,182	¥ 151	¥ 48,018

	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	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total equity
BALANCE, MARCH 31, 2021 (April 1, 2021, as previously reported)	$ 96,809	$ -	$ 208,272	$ (4,262)	$ 70,872	$ (18,266)	$ 16,655	$ 69,261	$ 1,136	$ 371,216
Cumulative effect of change in accounting policy	-	-	402	-	-	-	-	-	-	402
BALANCE, April 1, 2021 (as restated)	96,809	-	208,674	(4,262)	70,872	(18,266)	16,655	69,261	1,136	371,618
Cash dividends	-	-	(2,366)	-	-	-	-	-	-	(2,366)
Net income attributable to owners of the parent	-	-	42,841	-	-	-	-	-	-	42,841
Increase in treasury stock, net	-	-	-	(14)	-	-	-	-	-	(14)
Net changes in the year	-	-	-	-	(18,993)	(119)	526	(18,586)	103	(18,483)
BALANCE, MARCH 31, 2022	$ 96,809	$ -	$ 249,149	$ (4,276)	$ 51,879	$ (18,385)	$ 17,181	$ 50,675	$ 1,239	$ 393,596

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Consolidated Statement of Cash Flows
Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
OPERATING ACTIVITIES:			
Income before income taxes	¥ 6,042	¥ 9,274	$ 49,523
Adjustments for:			
Income taxes (paid) refunded	(1,401)	203	(11,485)
Depreciation	2,693	2,657	22,077
Loss on impairment of property, plant and equipment	245	29	2,008
Loss (gain) on sales and disposals of property, plant and equipment	15	1	121
Loss on valuation of investment securities	43	-	349
Gain on sales of investment securities	(157)	(115)	(1,291)
Changes in assets and liabilities:			
Decrease in trade notes and accounts receivable, and contract assets	9,319	740	76,389
(Increase) decrease in inventories	(1,405)	1,256	(11,519)
Increase (decrease) in trade notes and accounts payable	967	(2,308)	7,929
Increase (decrease) in allowance for work in process on construction contracts	240	(89)	1,969
Increase (decrease) in provision for losses on orders received	49	(313)	405
Increase in provision for compensation for health damage from asbestos	13	30	107
(Decrease) increase in advances received	(95)	496	(779)
Increase (decrease) in liability for employees' retirement benefits	21	(194)	171
Other-net	(2,082)	(130)	(17,062)
Net cash provided by operating activities	14,507	11,537	118,912
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(2,561)	(3,120)	(20,991)
Proceeds from sales of property, plant and equipment	59	14	485
Purchases of investment securities	(3)	(4)	(24)
Proceeds from sales of investment securities	44	1,003	363
Other-net	(176)	(188)	(1,448)
Net cash used in investing activities	(2,637)	(2,295)	(21,615)

(Continued)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
FINANCING ACTIVITIES:			
Proceeds from long-term debt	191	177	1,564
Repayments of long-term debt	(3,364)	(1,685)	(27,572)
Dividends paid	(287)	-	(2,353)
Other-net	(111)	(130)	(912)
Net cash used in financing activities	(3,571)	(1,638)	(29,273)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	46	(93)	377
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,345	7,511	68,401
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	20,767	13,256	170,219
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 29,112	¥ 20,767	$ 238,620

(Concluded)

See notes to consolidated financial statements.

NIPPON SHARYO, LTD. and Consolidated Subsidiaries
Notes to Consolidated Financial Statements
Year Ended March 31, 2022

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 2021 consolidated financial statements to conform to the classifications used in 2022.

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 ¥122 to $1, the approximate rate of exchange at March 31, 2022. 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, 2022, 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, 2022 and 2021, was as follows:

	2022	2021
Consolidated subsidiaries	4	6
Unconsolidated subsidiary stated at cost	1	1
Associated companies accounted for by the equity method	2	2
Associated company stated at cost	1	1

NIPPON SHARYO U.S.A., INC. and NIPPON SHARYO ENGINEERING & MARKETING, LLC have been excluded from the scope of consolidation because of an absorption-type merger with NIPPON SHARYO MANUFACTURING, LLC on January 1, 2021.

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 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 ¥75 million ($616 thousand) and ¥2,803 million for the years ended March 31, 2022 and 2021, respectively, were included in cost of sales.

j. Property, plant and equipment

Property, plant and equipment, including significant renewals and additions, are stated at cost and are depreciated principally by the straight-line method for buildings and building improvements and structures acquired on or after April 1, 2016, and by the declining-balance method for other property at rates based on the estimated useful lives of the assets.

Depreciation of leased assets relating to financial lease transactions without transfer of ownership is computed by the straight-line method over the leased period. 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, Kinuura Plant, and Narumi 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, 2022 and 2021.

As a result, the relevant factory assets as of March 31, 2022, were recorded under property, plant and equipment with carrying amounts of ¥11,975 million ($98,159 thousand) as land, of ¥5,545 million ($45,447 thousand) as buildings and structures and ¥119 million ($973 thousand) as machinery and equipment, while long-term debt (including the current portion) was recorded with a carrying amount of ¥22,336 million ($183,083 thousand) as of March 31, 2022. As of March 31, 2021, the relevant factory assets were recorded under property, plant and equipment with carrying amounts of ¥11,975 million as land, of ¥5,767 million as buildings and structures and ¥153 million as machinery and equipment, while long-term debt (including the current portion) was recorded with a carrying amount of ¥22,609 million.

k. Long-lived assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling value at disposition.

l. Intangible assets

Intangible assets that are included in other assets are amortized by the straight-line method. Software costs are amortized over 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. Provisions and (reversal of provisions) for work in process on construction contracts with an amount of ¥240 million ($1,969 thousand) and ¥(89) million for the years ended March 31, 2022 and 2021, 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 ¥2,127 million ($17,437 thousand) and ¥1,773 million for the years ended March 31, 2022 and 2021, 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, 2022 and 2021, were 14,432 thousand shares and 14,433 thousand shares, respectively. Diluted net income per share for the years ended March 31, 2022 and 2021, 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, Transportation Equipment and Steel Structure, Construction Equipment, 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 of 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; or
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. Changes in accounting policies

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Group has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, hereinafter the “Fair Value Measurement Accounting Standard”), etc. from the beginning of the year ended March 31, 2022, and it has prospectively applied the new accounting policy provided for in the Fair Value Measurement Accounting Standard, etc. in accordance with the transitional treatments provided for in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no impact on the consolidated financial statements.

Additionally, the Group added information of financial instruments categorized by fair value hierarchy described in Note 15 “Financial Instruments and Related Disclosures.” However, information of financial instruments categorized by fair value hierarchy of the year ended March 31, 2021 were omitted since the Group followed transitional treatment provided for in Paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019).

(Application of Accounting Standard for Revenue Recognition, etc.)

The Group has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, hereinafter the “Revenue Recognition Accounting Standard”) etc. from the beginning of the year ended March 31, 2022.

Accordingly, the Group recognizes revenue from construction contracts and other contracts as contracts that performance obligation is satisfied over time. 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.

In applying the Revenue Recognition Accounting Standard, etc., the Group followed the transitional treatment provided for in the provision of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the year ended March 31, 2022, was added to or subtracted from retained earnings at the beginning of the year ended March 31, 2022, and thus the new accounting policy was applied from the beginning balance of the year ended March 31, 2022. However, the Group has applied the method provided for in Paragraph 86 of the Revenue Recognition Accounting Standard, and thus new accounting policy has not been applied retrospectively to contracts for which substantially all of the revenue was recognized in accordance with the previous treatment prior to the beginning of the year ended March 31, 2022. Additionally, the Group has applied the method provided for in item (1) of the supplementary provisions of Paragraph 86 of the Revenue Recognition Accounting Standard. Contract modifications that occur before the beginning of the year ended March 31, 2022 were accounted for based on the contractual terms after all contract modifications were reflected, and the cumulative effect is added to or subtracted from retained earnings at the beginning of the year ended March 31, 2022.

As a result, for the year ended March 31, 2022, net sales increased by ¥80 million ($656 thousand), cost of sales increased by ¥77 million ($632 thousand) and operating income and income before income taxes increased by ¥3 million ($24 thousand), respectively. In addition, the beginning balance of retained earnings increased by ¥49 million ($402 thousand).

The effect on per share information is immaterial.

Additionally, disaggregation of revenue from contracts with customers for the year ended March

31, 2021 were omitted, since the Group followed transitional treatment provided for in Paragraph 89-3 of the Revenue Recognition Accounting Standard.

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, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Net sales	¥ 8,667	¥ 7,333	$ 71,043

(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 construction project 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 includes estimates of material costs, labor costs and subcontractor costs for construction projects. The significant assumptions of estimates of labor and subcontractor costs include 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.

(iii) Impact on the next fiscal year's consolidated financial statements
In case of engineering design change of a contract construction, 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, 2022 and 2021 (before offsetting the amount of gains on reversals in the previous fiscal years)

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Loss on write-downs of inventories and provision for losses on orders received	¥ 1,151	¥ 1,177	$ 9,436

(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 significant assumptions of the estimates of these costs include 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.

(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 (before offsetting the balance of deferred tax liabilities)

(a) Carrying amounts as of March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Deferred tax assets	¥ 2,222	¥ 2,163	$ 18,213

(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. CHANGE IN PRESENTATION

"Allowance for PCB disposal expenses," which was presented separately in "LONG-TERM LIABILITIES" in the consolidated balance sheet as of March 31, 2021, became immaterial, and is included in "Other long-term liabilities" as of March 31, 2022. To reflect this change in presentation, the consolidated balance sheet as of March 31, 2021 has been reclassified.
As a result, ¥106 million that was presented as "Allowance for PCB disposal expenses" in "LONG-TERM LIABILITIES" in the consolidated balance sheet as of March 31, 2021 is included in "Other long-term liabilities" in the amount of ¥301 million.

5. NOTES AND ACCOUNTS RECEIVABLE, AND CONTRACT ASSETS

Notes and accounts receivable, and contract assets as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Trade notes receivable	¥ 3,323	¥ 4,419	$ 27,234
- Unconsolidated subsidiary and associated companies	92	98	756
Trade accounts receivable and contract assets	12,271	18,637	100,584
- CJR, unconsolidated subsidiary and associated companies	4,427	4,272	36,291
Other	427	200	3,498
Less allowance for doubtful accounts	(30)	(16)	(248)
Total	¥ 20,510	¥ 27,610	$ 168,115

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

6. INVENTORIES

Inventories as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Merchandise	¥ 257	¥ 224	$ 2,109
Finished goods	708	1,046	5,805
Semi-finished goods	1,148	1,228	9,409
Work in process	27,432	28,133	224,850
Raw materials and supplies	1,486	1,481	12,181
Total	¥ 31,031	¥ 32,112	$ 254,354

Work in process and the allowance for work in process on construction contracts are presented in the gross amount in the consolidated balance sheet. At March 31, 2022 and 2021, the balances of work in process for which an allowance for work in process on construction contracts were provided were ¥23 million ($185 thousand) and ¥16 million, respectively.

7. INVESTMENT SECURITIES

Investment securities as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Equity securities	¥ 15,673	¥ 19,091	$ 128,463
Total	¥ 15,673	¥ 19,091	$ 128,463

The costs and aggregate carrying amount (fair value) of investment securities as of March 31, 2022 and 2021, were as follows:

	Millions of Yen			
	2022			
	Cost	Gross unrealized gains	Gross unrealized losses	Carrying amount (Fair value)
Securities classified as available-for-sale:				
Equity securities	¥ 5,052	¥ 9,088	¥ (45)	¥ 14,095
Total	¥ 5,052	¥ 9,088	¥ (45)	¥ 14,095

	Millions of Yen			
	2021			
	Cost	Gross unrealized gains	Gross unrealized losses	Carrying amount (Fair value)
Securities classified as available-for-sale:				
Equity securities	¥ 5,115	¥ 12,407	¥ (19)	¥ 17,503
Total	¥ 5,115	¥ 12,407	¥ (19)	¥ 17,503

	Thousands of U.S. Dollars			
	2022			
	Cost	Gross unrealized gains	Gross unrealized losses	Carrying amount (Fair value)
Securities classified as available-for-sale:				
Equity securities	$ 41,411	$ 74,489	$ (371)	$ 115,529
Total	$ 41,411	$ 74,489	$ (371)	$ 115,529

The information of available-for-sale securities which were sold for the years ended March 31, 2022 and 2021, was as follows:

	Millions of Yen		
	2022		
	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	¥ 191	¥ 158	¥ 0
Total	¥ 191	¥ 158	¥ 0

	Millions of Yen		
	2021		
	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	¥ 1,003	¥ 148	¥ 33
Total	¥ 1,003	¥ 148	¥ 33

	Thousands of U.S. Dollars		
	2022		
	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	$ 1,563	$ 1,291	$ 1
Total	$ 1,563	$ 1,291	$ 1

8. NOTES AND ACCOUNTS PAYABLE

Notes and accounts payable as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Trade notes payable	¥ 263	¥ 479	$ 2,156
Electronically recorded obligations-operating	10,509	10,110	86,137
-Unconsolidated subsidiary and associated companies	4	10	36
Trade accounts payable	7,948	7,145	65,144
-Unconsolidated subsidiary and associated companies	20	32	163
Other	1,766	3,666	14,479
Total	¥ 20,510	¥ 21,442	$ 168,115

9. LONG-TERM DEBT

Long-term debt as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Loans from CJR due through 2027 (Note) with average interest rate of 0.61%	¥ 52,133	¥ 55,306	$ 427,321
Less current portion	(3,370)	(3,360)	(27,626)
Total	¥ 48,763	¥ 51,946	$ 399,695

The aggregate annual maturities of long-term debt as of March 31, 2022, were as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2023	¥ 2,900	$ 23,770
2024	2,900	23,770
2025	2,900	23,770
2026	2,900	23,770
2027	2,900	23,770
2028 and thereafter	15,297	125,388
Total	¥ 29,797	$ 244,238

Note: Long-term debt recorded for the transfer price of the factory assets transferred to CJR and for a part of capital expenditure related to the transferred factory assets in the total amount of ¥22,336 million ($183,083 thousand) was not reflected.

10. 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, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥ 13,668	¥ 13,731	$ 112,032
Current service cost	721	746	5,912
Interest cost	121	122	989
Actuarial losses (gains)	34	(474)	283
Benefits paid	(593)	(457)	(4,865)
Prior service cost	(63)	-	(513)
Balance at end of year	¥ 13,888	¥ 13,668	$ 113,838

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, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥ 18,326	¥ 16,642	$ 150,211
Expected return on plan assets	275	255	2,250
Actuarial gains	51	1,223	421
Contribution from the employer	330	423	2,704
Benefits paid	(246)	(217)	(2,011)
Balance at end of year	¥ 18,736	¥ 18,326	$ 153,575

(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, 2022 and 2021, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Funded defined benefit obligation	¥ 13,608	¥ 13,409	$ 111,543
Plan assets	(18,736)	(18,326)	(153,575)
Total	(5,128)	(4,917)	(42,032)
Unfunded defined benefit obligation	280	259	2,295
Net asset arising from defined benefit obligation	¥ (4,848)	¥ (4,658)	$ (39,737)
Asset for employees' retirement benefits	¥ (5,128)	¥ (4,917)	$ (42,032)
Liability for employees' retirement benefits	280	259	2,295
Net asset arising from defined benefit obligation	¥ (4,848)	¥ (4,658)	$ (39,737)

(d) The components of net periodic benefit costs for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Service cost *(Note)*	¥ 721	¥ 746	$ 5,912
Interest cost	121	122	989
Expected return on plan assets	(275)	(255)	(2,250)
Recognized actuarial losses (gains)	27	(176)	222
Amortization of prior service cost	(14)	(12)	(115)
Net periodic benefit costs	¥ 580	¥ 425	$ 4,758

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

(e) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Prior service cost	¥ 49	¥ (12)	$ 398
Actuarial gains	44	1,522	361
Total	¥ 93	¥ 1,510	$ 759

(f) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrecognized prior service cost	¥ (163)	¥ (114)	$ (1,336)
Unrecognized actuarial gains	(2,857)	(2,814)	(23,421)
Total	¥ (3,020)	¥ (2,928)	$ (24,757)

(g) Plan assets

(*i*) Components of plan assets

Plan assets as of March 31, 2022 and 2021, consisted of the following:

	2022	2021
Debt securities	15%	17%
Equity securities	68%	72%
Cash and deposits	5%	5%
Other	12%	6%
Total	100%	100%

Note: The employees' retirement benefit trusts for the contributory pension plans accounted for 14% and 15% of total plan assets as of March 31, 2022 and 2021, respectively.

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

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

(h) Assumptions used for the years ended March 31, 2022 and 2021, were set forth as follows:

	2022	2021
Discount rate	0.9%	0.9%
Expected rate of return on plan assets	2.0%	2.0%

(2) Defined contribution plans

The required contribution of the Company and its consolidated subsidiaries for defined contribution plans amounted to ¥150 million ($1,231 thousand) and ¥143 million for the years ended March 31, 2022 and 2021, respectively.

11. ASSETS PLEDGED AS COLLATERAL

(1) Assets pledged as collateral for long-term debt borrowed from CJR in November 2017 for the payment of settlement money related to a large railway rolling stock project in the U.S.A. were as follows. The balance of the long-term debt, including current portion, as of March 31, 2022 and 2021 was ¥29,797 million ($244,238 thousand) and ¥32,697 million, respectively.

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Buildings and structures	¥ 249	¥ 259	$ 2,042
Land	15	15	123
Investment securities	13,980	17,225	114,592
Total	¥ 14,244	¥ 17,499	$ 116,757

(2) Other assets pledged as collateral as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Other assets under Investments and Other Assets *(Note)*	¥ 10	¥ 10	$ 82
Total	¥ 10	¥ 10	$ 82

Note: Guarantee deposit required by the Real Estate Brokerage Act

12. LEASE TRANSACTIONS

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

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

The aggregate annual maturities of lease obligations as of March 31, 2022, were as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2023	¥ 633	$ 5,187
2024	495	4,059
2025	428	3,508
2026	176	1,440
2027	131	1,075
2028 and thereafter	69	564
Total	¥ 1,932	$ 15,833

A consolidated subsidiary subleases machinery.

Investments in leases and lease obligations, which include an interest portion, resulting from sublease transactions as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Investments in leases:			
Due within one year	¥ 130	¥ 163	$ 1,065
Due after one year	371	160	3,042
Total	¥ 501	¥ 323	$ 4,107

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Lease obligations:			
Due within one year	¥ 142	¥ 187	$ 1,171
Due after one year	426	180	3,488
Total	¥ 568	¥ 367	$ 4,659

13. EQUITY

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

(1) Dividends

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

14. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2022 and 2021.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Deferred tax assets:			
Tax loss carryforwards (Note 2)	¥ 4,605	¥ 5,239	$ 37,750
Liability for employees' retirement benefits	2,468	2,509	20,231
Loss on write-downs of inventories	338	360	2,765
Land and building of plants	1,509	1,514	12,370
Loss on impairment of long-lived assets	477	418	3,913
Accrued bonuses to employees	521	559	4,269
Other	1,593	1,756	13,052
Sub-total	11,511	12,355	94,350
Less valuation allowance for tax loss carryforwards (Note 2)	(4,237)	(4,595)	(34,726)
Less valuation allowance pertaining to total amount of deductible temporary differences	(5,052)	(5,597)	(41,411)
Valuation allowance, total (Note 1)	(9,289)	(10,192)	(76,137)
Total	¥ 2,222	¥ 2,163	$ 18,213
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (2,764)	¥ (3,788)	$ (22,659)
Other	(2,575)	(2,566)	(21,104)
Total	(5,339)	(6,354)	(43,763)
Net deferred tax liabilities	¥ (3,117)	¥ (4,191)	$ (25,550)

Notes 1: Valuation allowance decreased by ¥904 million ($7,407 thousand) during the year ended March 31, 2022. This is mainly due to the decreases in valuation allowance for the Company's tax loss carryforwards and valuation allowances for loss on impairment of long-lived assets.

2: The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2022 and 2021, were as follows:

	Millions of Yen						
2022	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 (*)	-	-	-	-	-	¥ 4,605	¥ 4,605
Less valuation allowance for tax loss carryforwards	-	-	-	-	-	(4,236)	(4,236)
Net deferred tax assets relating to tax loss carryforwards	-	-	-	-	-	369	(**) 369

2021	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
	Millions of Yen						
Deferred tax assets relating to tax loss carryforwards (*)	-	-	-	-	-	¥ 5,239	¥ 5,239
Less valuation allowance for tax loss carryforwards	-	-	-	-	-	(4,595)	(4,595)
Net deferred tax assets relating to tax loss carryforwards	-	-	-	-	-	644	(**) 644

2022	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
	Thousands of U.S. Dollars						
Deferred tax assets relating to tax loss carryforwards (*)	-	-	-	-	-	$ 37,750	$ 37,750
Less valuation allowance for tax loss carryforwards	-	-	-	-	-	(34,725)	(34,725)
Net deferred tax assets relating to tax loss carryforwards	-	-	-	-	-	3,025	(**) 3,025

(*) 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, 2022, with the corresponding figures for 2021, is as follows:

	2022	2021
Normal effective statutory tax rate	30.6 %	30.6 %
Increase (decrease) due to:		
Permanently non-deductible expenses for income tax purposes	0.1	0.1
Permanently non-taxable income for income tax purposes	(0.4)	(0.3)
Changes in valuation allowance	(15.4)	(16.4)
Per capita inhabitant tax	0.5	0.4
Higher (lower) income tax rates applicable to taxable income in certain foreign countries	(0.2)	0.1
Income tax credit	(0.4)	(1.4)
Other	(1.6)	1.3
Actual effective income tax rate	13.2 %	14.4 %

15. 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		
	2022		
	Carrying amount	Fair value	Unrealized gain (loss)
Investment securities	¥ 14,095	¥ 14,095	-
Total	¥ 14,095	¥ 14,095	-
Long-term debt, including current portion	¥ 29,797	¥ 30,017	¥ (220)
Lease obligations, including current portion	1,932	1,920	12
Total	¥ 31,729	¥ 31,937	¥ (208)

	Millions of Yen		
	2021		
	Carrying amount	Fair value	Unrealized gain (loss)
Investment securities	¥ 17,503	¥ 17,503	-
Total	¥ 17,503	¥ 17,503	-
Long-term debt, including current portion	¥ 32,697	¥ 33,268	¥ (571)
Lease obligations, including current portion	1,998	1,934	64
Total	¥ 34,695	¥ 35,202	¥ (507)

	Thousands of U.S. Dollars		
	2022		
	Carrying amount	Fair value	Unrealized gain (loss)
Investment securities	$ 115,529	$ 115,529	-
Total	$ 115,529	$ 115,529	-
Long-term debt, including current portion	$ 244,238	$ 246,044	$ (1,806)
Lease obligations, including current portion	15,833	15,734	99
Total	$ 260,071	$ 261,778	$ (1,707)

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, 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
	2022	2021	2022
Unlisted securities	¥ 1,578	¥ 1,588	$ 12,934
Investments in an unconsolidated subsidiary and associated companies	947	885	7,762
Long-term debt recorded for the transfer price of the factory assets transferred to CJR and for a part of capital expenditure related to the transferred factory assets (including the current portion)	22,336	22,609	183,083

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

	Millions of Yen			
	2022			
	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	¥ 29,112	-	-	-
Notes and accounts receivable	17,548	¥ 215	-	-
Total	¥ 46,660	¥ 215	-	-

	Thousands of U.S. Dollars			
	2022			
	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	$ 238,620	-	-	-
Notes and accounts receivable	143,837	$ 1,763	-	-
Total	$ 382,457	$ 1,763	-	-

Please see Note 9 for annual maturities of long-term debt and Note 12 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

As of March 31, 2022	Millions of Yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	¥ 14,095	-	-	¥ 14,095
Total assets	¥ 14,095	-	-	¥ 14,095

As of March 31, 2022	Thousands of U.S. Dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	$ 115,529	-	-	$ 115,529
Total assets	$ 115,529	-	-	$ 115,529

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

As of March 31, 2022	Millions of Yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term debt, including current portion	-	¥ 30,017	-	¥ 30,017
Lease obligations, including current portion	-	1,920	-	1,920
Total liabilities	-	¥ 31,937	-	¥ 31,937

As of March 31, 2022	Thousands of U.S. Dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term debt, including current portion	-	$ 246,044	-	$ 246,044
Lease obligations, including current portion	-	15,734	-	15,734
Total liabilities	-	$ 261,778	-	$ 261,778

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.

16. LOSS ON IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The Group recognized impairment losses on the following asset groups.

For the year ended March 31, 2022:

Asset group	Location	Account	Millions of Yen 2022		Thousands of U.S. Dollars 2022	
Idle assets	Agui, Aichi Kawasaki, Miyagi Koga, Ibaraki, etc.	Land, buildings and structures	¥	245	$	2,008
		Total	¥	245	$	2,008

For the year ended March 31, 2021:

Asset group	Location	Account	Millions of Yen 2021	
Idle assets	Shinanomachi, Nagano	Land	¥	3
Assets for generator business	Nagoya, Aichi	Machinery and equipment, etc.		26
		Total	¥	29

The Group reviewed its long-lived assets for impairment as of March 31, 2022 and 2021.

The Group recognized an impairment loss for idle assets by writing down the property to its net selling value (based on estimated sales amount of contract for the year ended March 31, 2022 and reasonably adjusted amount of property tax assessment value for the year ended March 31, 2021).

The impairment loss of ¥245 million ($2,008 thousand) for the year ended March 31, 2022 consisted of ¥208 million ($1,707 thousand) on land and ¥37 million ($301 thousand) on buildings and structures.

The Company resolved at the Board of Directors held on November 26, 2020 to withdraw from the generator business. The Group recognized an impairment loss for assets related to the generator business by writing down the assets to their net selling value (memorandum value as no sale is expected). The impairment loss of ¥26 million consisted of ¥26 million on machinery and equipment and ¥0 million on other.

17. RELATED-PARTY DISCLOSURES

(1) Parent and major shareholders

CJR directly owned 51.2% of the total shares of the Company as of March 31, 2022 and 2021. The Company distributes transportation vehicles to CJR.

Transactions of the Company with CJR for the years ended March 31, 2022 and 2021, were as follows:

For the year ended March 31, 2022

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Net sales	¥ 41,807	$ 342,683
Borrowing of funds	191	1,564
Repayment of debt	3,364	27,572
Interest expense	337	2,764

Borrowing of funds, repayment of debt, and interest expense of ¥191 million ($1,564 thousand), ¥464 million ($3,802 thousand), and ¥141 million ($1,156 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, 2021

	Millions of Yen
	2021
Net sales	¥ 31,606
Borrowing of funds	177
Repayment of debt	1,685
Interest expense	346

Borrowing of funds, repayment of debt, and interest expense of ¥177 million, ¥461 million, and ¥142 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, 2022 and 2021, were as follows:

As of March 31, 2022

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Trade accounts receivable and contract assets	¥ 4,357	$ 35,709
Current portion of long-term debt	3,370	27,626
Long-term debt	48,763	399,695
Accrued expenses	40	329

Current portion of long-term debt, long-term debt, and accrued expenses of ¥470 million ($3,855 thousand), ¥21,866 million ($179,228 thousand), and ¥40 million ($329 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, 2021

	Millions of Yen
	2021
Trade accounts receivable	¥ 4,199
Current portion of long-term debt	3,360
Long-term debt	51,946
Accrued expenses	41

Current portion of long-term debt, long-term debt, and accrued expenses of ¥460 million, ¥22,149 million, and ¥41 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, 2022 and 2021, were as follows:

For the year ended March 31, 2022

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
JR Central Financial Management Co., Ltd.		
Loan of funds and interest income	¥ 26	$ 216

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, 2021

	Millions of Yen
	2021
JR Central Financial Management Co., Ltd.	
Loan of funds and interest income	¥ 12

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, 2022 and 2021, were as follows:

As of March 31, 2022

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
JR Central Financial Management Co., Ltd.		
Cash and cash equivalents	¥ 25,752	$ 211,084

As of March 31, 2021

		Millions of Yen
		2021
JR Central Financial Management Co., Ltd.		
Cash and cash equivalents	¥	16,079

18. OTHER COMPREHENSIVE (LOSS) INCOME

The components of other comprehensive (loss) income for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrealized (loss) gain on available-for-sale securities:			
(Losses) gains arising during the year	¥ (3,262)	¥ 2,662	$ (26,738)
Reclassification adjustments to profit or loss	(83)	(93)	(679)
Amount before income tax effect	(3,345)	2,569	(27,417)
Income tax effect	1,024	(786)	8,391
Total	¥ (2,321)	¥ 1,783	$ (19,026)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (15)	¥ 14	$ (120)
Total	¥ (15)	¥ 14	$ (120)
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 80	¥ 1,697	$ 651
Reclassification adjustments to profit or loss	13	(187)	108
Amount before income tax effect	93	1,510	759
Income tax effect	(28)	(462)	(233)
Total	¥ 65	¥ 1,048	$ 526
Share of other comprehensive income in associated companies			
Gains arising during the year	¥ 4	¥ 3	$ 35
Income tax effect	-	-	-
Total	¥ 4	¥ 3	$ 35
Total other comprehensive (loss) income	¥ (2,267)	¥ 2,848	$ (18,585)

19. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2022, was approved at the Company's shareholders' meeting held on June 29, 2022:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥10 ($0.08) per share	¥ 144	$ 1,183

20. REVENUE RECOGNITION

(1) Disaggregation of revenue from contracts with customers

The businesses of the Group are composed of Railway Rolling Stock, Transportation Equipment and Steel Structure, Construction Equipment, Engineering, and Other. The Group presented revenue from these businesses as net sales. Additionally, there is no performance obligations in which the Group acts as an agent.
The disaggregation of revenue from contracts with customers by reportable segment for the year ended March 31, 2022 is as follows.

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Reportable segment:		
Railway Rolling Stock:		
JR	¥ 38,882	$ 318,709
Public operated or private operated companies	9,075	74,385
Sub-total	47,957	393,094
Transportation Equipment and Steel Structure:		
Transportation equipment	7,238	59,325
Steel structure	6,611	54,191
Sub-total	13,849	113,516
Construction Equipment	19,340	158,516
Engineering	11,957	98,015
Other (Note 1)	66	538
Total	¥ 93,169	$ 763,679
Revenue recognized from contracts with customers:		
Goods transferred at a point in time	¥ 84,502	$ 692,636
Goods transferred over time	8,667	71,043
Total	93,169	763,679
Revenue recognized from other sources (Note 2)	853	6,996
Sales to external customers	¥ 94,022	$ 770,675

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 Revenue Recognition Accounting Standard.

(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, 2022

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

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Trade notes receivable (Balance at beginning of year)	¥ 2,846	$ 23,325
Trade notes receivable (Balance at end of year)	2,020	16,555
Trade accounts receivable (Balance at beginning of year)	21,714	177,987
Trade accounts receivable (Balance at end of year)	13,833	113,384
Contract assets (Balance at beginning of year)	3,065	25,125
Contract assets (Balance at end of year)	2,747	22,515
Advances received (Balance at beginning of year)	1,169	9,583
Advances received (Balance at end of year)	1,076	8,820

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 year ended March 31, 2022, the amounts included in the balance of advances received at the beginning of the year ended March 31, 2022, was ¥1,169 million ($9,583 thousand).

Additionally, the amount of revenue recognized during the year ended March 31, 2022 from performance obligations satisfied (or partially satisfied) in previous periods was ¥154 million ($1,259 thousand).

(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, 2022 is as follows.

	Millions of Yen		Thousands of U.S. Dollars	
Reportable segment:	2022		2022	
Railway Rolling Stock	¥	89,530	$	733,851
Transportation Equipment and Steel Structure		18,021		147,714
Construction Equipment		13,976		114,563
Engineering		1,962		16,080
Other (Note)		-		-
Total	¥	123,489	$	1,012,208

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 number of the years from March 31, 2022.

- Railway Rolling Stock	Within 4 years (of which approximately 60% within 1 year)
- Transportation Equipment and Steel Structure	Within 3 years
- Construction Equipment	Within 2 years
- Engineering	Within 1 year

21. SEGMENT INFORMATION

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

(1) Description of reportable segments

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

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

"Railway Rolling Stock" consists of manufacture and sales of rolling stock, such as EMUs and railway motor cars.

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

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

"Engineering" consists of manufacture and sales of 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.

As described in Note 2 (x), the Group has changed accounting treatment for revenue recognition and the method for measuring reportable segment profit or loss by applying the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) from the beginning of the year ended March 31, 2022. As a result, in the year ended March 31, 2022, net sales increased by ¥92 million ($758 thousand) and segment profit decreased by ¥60 million ($492 thousand) in Railway Rolling Stock business, and net sales decreased by ¥12 million ($102 thousand) and segment profit increased by ¥63 million ($516 thousand) in Transportation Equipment and Steel Structure business.

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

	Millions of Yen							
	2022							
	Reportable segment							
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Engineering	Other	Total	Reconciliations	Consolidated
Net sales								
Sales to external customers	¥ 47,958	¥ 13,855	¥ 20,186	¥ 11,957	¥ 66	¥ 94,022	-	¥ 94,022
Intersegment sales or transfers	217	198	64	-	264	743	¥ (743)	-
Total	¥ 48,175	¥ 14,053	¥ 20,250	¥ 11,957	¥ 330	¥ 94,765	¥ (743)	¥ 94,022
Segment profit (loss)	¥ 4,419	¥ (1,265)	¥ 3,393	¥ 609	¥ 53	¥ 7,209	¥ (971)	¥ 6,238
Segment assets	¥ 40,848	¥ 18,249	¥ 20,773	¥ 4,805	¥ 618	¥ 85,293	¥ 47,575	¥ 132,868
Other:								
Depreciation	¥ 982	¥ 697	¥ 714	¥ 59	¥ 2	¥ 2,454	¥ 239	¥ 2,693
Increase in property, plant and equipment and intangible assets	1,422	209	1,094	45	1	2,771	169	2,940

	Millions of Yen							
	2021							
	Reportable segment							
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Engineering	Other	Total	Reconciliations	Consolidated
Net sales								
Sales to external customers	¥ 50,486	¥ 18,502	¥ 21,646	¥ 8,738	¥ 76	¥ 99,448	-	¥ 99,448
Intersegment sales or transfers	110	66	102	15	231	524	¥ (524)	-
Total	¥ 50,596	¥ 18,568	¥ 21,748	¥ 8,753	¥ 307	¥ 99,972	¥ (524)	¥ 99,448
Segment profit	¥ 5,007	¥ 712	¥ 3,981	¥ 332	¥ 92	¥ 10,124	¥ (1,076)	¥ 9,048
Segment assets	¥ 45,316	¥ 20,117	¥ 22,397	¥ 5,901	¥ 648	¥ 94,379	¥ 42,217	¥ 136,596
Other:								
Depreciation	¥ 944	¥ 676	¥ 720	¥ 75	¥ 2	¥ 2,417	¥ 240	¥ 2,657
Increase in property, plant and equipment and intangible assets	1,332	806	666	62	2	2,868	335	3,203

	Thousands of U.S. Dollars							
	2022							
	Reportable segment							
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Engineering	Other	Total	Reconciliations	Consolidated
Net sales								
Sales to external customers	$ 393,102	$ 113,568	$ 165,452	$ 98,015	$ 538	$ 770,675	-	$ 770,675
Intersegment sales or transfers	1,772	1,619	530	-	2,167	6,088	$ (6,088)	-
Total	$ 394,874	$ 115,187	$ 165,982	$ 98,015	$ 2,705	$ 776,763	$ (6,088)	$ 770,675
Segment profit (loss)	$ 36,218	$ (10,368)	$ 27,811	$ 4,989	$ 443	$ 59,093	$ (7,965)	$ 51,128
Segment assets	$ 334,824	$ 149,579	$ 170,271	$ 39,384	$ 5,062	$ 699,120	$ 389,964	$ 1,089,084
Other:								
Depreciation	$ 8,050	$ 5,711	$ 5,855	$ 486	$ 14	$ 20,116	$ 1,961	$ 22,077
Increase in property, plant and equipment and intangible assets	11,651	1,714	8,967	370	10	22,712	1,389	24,101

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 ¥(995) million ($(8,155) thousand) and ¥(1,085) million for the years ended March 31, 2022 and 2021, respectively, and elimination of intersegment transactions of ¥16 million ($127 thousand) and ¥16 million for the years ended March 31, 2022 and 2021, 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 ¥45,418 million ($372,277 thousand) and ¥40,283 million, elimination of intersegment balances of ¥(78) million ($(640) thousand) and ¥(134) million, and adjustments in inventories of ¥(60) million ($(494) thousand) and ¥(67) million as of March 31, 2022 and 2021, respectively. Total corporate assets principally consist of investment securities and general management properties as of March 31, 2022 and 2021.

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, 2022 and 2021 was as follows.

	Millions of Yen				
	2022				
	Japan	U.S.A.	Asia	Other	Total
Net sales	¥90,738	¥275	¥2,978	¥31	¥94,022

	Millions of Yen				
	2021				
	Japan	U.S.A.	Asia	Other	Total
Net sales	¥96,082	¥68	¥3,272	¥26	¥99,448

	Thousands of U.S. Dollars				
	2022				
	Japan	U.S.A.	Asia	Other	Total
Net sales	$743,754	$2,255	$24,414	$252	$770,675

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

	Millions of Yen				
	2022				
	Japan	U.S.A.	Asia	Other	Total
Property, plant and equipment	¥28,318	¥32	¥13	¥0	¥28,363

	Millions of Yen				
	2021				
	Japan	U.S.A.	Asia	Other	Total
Property, plant and equipment	¥28,521	¥63	¥18	¥0	¥28,602

	Thousands of U.S. Dollars				
	2022				
	Japan	U.S.A.	Asia	Other	Total
Property, plant and equipment	$232,110	$266	$109	$0	$232,485

(3) Information about major customers

Name of major customer	Net sales: Millions of Yen 2022	Net sales: Millions of Yen 2021	Net sales: Thousands of U.S. Dollars 2022	Related segment
CJR	¥ 41,807	¥ 31,606	$ 342,683	Railway Rolling Stock, Transportation Equipment and Steel Structure, Engineering

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

	Millions of Yen							
	2022							
	Reportable segment							
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Engineer-ing	Other	Total	Recon-ciliations	Consoli-dated
Impairment loss	-	-	-	-	-	-	¥ 245	¥ 245

	Millions of Yen							
	2021							
	Reportable segment							
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Engineer-ing	Other	Total	Recon-ciliations	Consoli-dated
Impairment loss	-	-	¥ 26	-	-	¥ 26	¥ 3	¥ 29

	Thousands of U.S. Dollars							
	2022							
	Reportable segment							
	Railway Rolling Stock	Transportation Equipment and Steel Structure	Construction Equipment	Engineer-ing	Other	Total	Recon-ciliations	Consoli-dated
Impairment loss	-	-	-	-	-	-	$ 2,008	$ 2,008

Note: "Reconciliations" for the year ended March 31, 2022, represents an impairment loss of idle assets which are not attributable to any reportable segment.

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Corporate Information

Corporate Profile

Company Name: NIPPON SHARYO, LTD.

Capital Stock

Common Stock:Authorized	32,800,000 shares
Common Stock:Issued	14,675,012 shares
Number of Shareholders	11,725 persons
	(March 31, 2022)

Company History

Sep. 1896 Established in Nagoya City.
Jun. 1938 Founded Narumi Plant.
May. 1949 Re-listed on Tokyo Stock Exchange.
Jan. 1959 Began Construction Machinery Business.
Oct. 1961 Started Bridge Manufacturing.
Jul. 1964 Founded Toyokawa Plant.
Jun. 1975 Founded Kinuura Plant.
Sep. 1996 100th Anniversary.
Aug. 2008 Equity and business tie-up entered into with Central Japan Railway Company.
Aug. 2019 Manufactured 4000th Shinkansen.

Line of Business

Overview of the Main Segments

NIPPON SHARYO manufactures and sells the following products:

Business segment	Lines of business
Railway rolling stock	EMUs, DMUs, Passenger Cars, Linear Motor Cars, Track Maintenance Machines and Rolling Stock Components
Transportation equipment and Steel structure	Tank Trucks, Tank Trailers, Containers, Storage Tanks,Heavy Duty Carriers, Automated Guided Vehicles, Freight Cars, Roadway Bridges and Railway Bridges
Construction equipment	Pile Driving Rigs, Casing Rotators, Earth Drilling Rig, Obstacle Removal Equipment,Crawler Cranes, Other Products Related to Foundation Work
Engineering	Agricultural Plants, Railway Rolling Stock Inspection/Maintenance System and Pulp and Paper Facilities

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