THE KINKI SHARYO CO., LTD.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

Years ended March 31, 2015 and 2014

KPMG

Independent Auditor's Report

To the Board of Directors of THE KINKI SHARYO Co., Ltd.:

We have audited the accompanying consolidated financial statements of THE KINKI SHARYO Co., Ltd. and its consolidated subsidiaries , which comprise the consolidated balance sheets as at March 31, 2015 and 2014, and the consolidated statements of operations, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of THE KINKI SHARYO Co., Ltd. and its consolidated subsidiaries as at March 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

September 4, 2015
Osaka, Japan

THE KINKI SHARYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2015 and 2014

	Millions of yen	
	2015	2014
ASSETS		
Current Assets		
Cash and time deposits (Note 4)	¥ 9,156	¥ 20,202
Receivables (Note 11)		
Trade notes	84	161
Trade accounts	4,425	3,632
Other accounts	544	174
Allowance for doubtful receivables	(11)	(9)
	5,042	3,958
Inventories		
Work-in-process	19,719	10,027
Raw materials and supplies	763	546
	20,482	10,573
Deferred income tax assets (Note 9)	392	596
Other current assets	1,275	474
Total current assets	36,347	35,803
Property, Plant and Equipment		
Land	2,704	2,704
Buildings and structures (Note 7)	9,940	9,508
Machinery and equipment	10,482	10,297
Construction in progress	146	29
	23,272	22,538
Accumulated depreciation	(15,319)	(14,950)
	7,953	7,588
Investments and Other Assets		
Unconsolidated subsidiaries and affiliates (Note 6)	36	36
Investment securities (Note 6)	8,937	5,913
Long-term receivables	139	152
Intangible assets	83	97
Deferred income tax assets (Note 9)	62	51
Long-term prepaid expenses	663	846
Allowance for doubtful receivables	(69)	(62)
	9,851	7,033
Total assets	¥ 54,151	¥ 50,424

	Millions of yen	
	2015	2014
LIABILITIES AND NET ASSETS		
Current Liabilities		
Payables		
Trade accounts	¥ 7,409	¥ 3,314
Construction	358	531
Advances received	6,440	7,532
Income and enterprise taxes payable	25	16
Deferred income tax liabilities (Note 9)	4	—
Accrued expenses	1,492	1,120
Allowance for losses on contracts	1,067	2,561
Provision for product warranties	638	196
Other current liabilities	432	291
Total current liabilities	17,865	15,561
Noncurrent Liabilities		
Deferred income tax liabilities (Note 9)	1,870	940
Net defined benefit liability (Note 8)	2,449	2,336
Other noncurrent liabilities (Note 7)	1,249	1,324
	5,568	4,600
Total liabilities	23,433	20,161
Net Assets (Note 10)		
Shareholders' equity		
Common stock		
Authorized - 120,000,000 shares		
Issued - 69,083,597 shares	5,253	5,253
Capital surplus	3,125	3,125
Retained earnings	17,767	21,135
Treasury stock, at cost	(99)	(98)
241,977 shares in 2015		
237,423 shares in 2014		
Total shareholders' equity	26,046	29,415
Accumulated other comprehensive income		
Net unrealized holding gains on securities	3,555	1,428
Net unrealized holding gains on derivatives	4	—
Foreign currency translation adjustments	1,545	43
Remeasurements of defined benefit plans	(432)	(623)
Total accumurated other comprehensive imcome	4,672	848
Total net assets	30,718	30,263
Total liabilities and net assets	¥ 54,151	¥ 50,424

See accompanying notes.

THE KINKI SHARYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended March 31, 2015 and 2014

	Millions of yen	
	2015	2014
Net sales (Note 11)	¥ 22,104	¥ 13,219
Cost of sales	21,791	14,740
Gross profit (loss)	313	(1,521)
Selling, general and administrative expenses	3,420	3,096
Operating profit (loss)	(3,107)	(4,617)
Other income (expenses)		
Interest and dividend income	129	127
Interest expense	—	(0)
Foreign exchange gain (loss)	(80)	69
Subsidy income	84	—
Other, net	(12)	(42)
	121	154
Income (loss) before income taxes	(2,986)	(4,463)
Income taxes (Note 9)		
Current	(79)	(7)
Refund	—	27
Deferred	(288)	(1,471)
Net income (loss)	¥ (3,353)	¥ (5,914)

	Yen	
Amounts per share		
Net income (loss)	¥ (48.71)	¥ (85.90)
Cash dividends applicable to the year	¥ —	¥ —

See accompanying notes.

THE KINKI SHARYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended March 31, 2015 and 2014

	Millions of yen	
	2015	2014
Net income	¥ (3,353)	¥ (5,914)
Other comprehensive income		
Net unrealized holding gains (losses) on securities	2,126	166
Net unrealized holding gains (losses) on derivatives	4	(2)
Foreign currency translation adjustments	1,503	1,529
Remeasurement of defined benefit, net of tax	191	—
Total other comprehensive income (Note 3)	3,824	1,693
Comprehensive income	471	(4,221)
Comprehensive income attributable to		
Owners of the parent	471	(4,221)

See accompanying notes.

THE KINKI SHARYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended March 31, 2015 and 2014

		Millions of yen								
		Shareholders' equity				Accumulated other comprehensive income				
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Net unrealized holding gains on derivatives	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total
Balance at April 1, 2013	69,083,597	¥ 5,253	¥ 3,125	¥ 27,393	¥ (96)	¥ 1,262	¥ 2	¥ (1,486)	¥ -	¥ 35,453
Cash dividends paid at ￥5.00 per share	-	-	-	(344)	-	-	-	-	-	(344)
Net income (loss)	-	-	-	(5,914)	-	-	-	-	-	(5,914)
Treasury stock	-	-	-	-	(2)	-	-	-	-	(2)
Net changes during the year	-	-	-	-	-	166	(2)	1,529	(623)	1,070
Balance at March 31, 2014	69,083,597	¥ 5,253	¥ 3,125	¥ 21,135	¥ (98)	¥ 1,428	¥ -	¥ 43	¥ (623)	¥ 30,263

	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Net unrealized holding gains on derivatives	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total
Balance at April 1, 2014	69,083,597	¥ 5,253	¥ 3,125	¥ 21,135	¥ (98)	¥ 1,428	¥ -	¥ 43	¥ (623)	¥ 30,263
Cumulative effects of changes in accounting policies	-	-	-	(15)	-	-	-	-	-	(15)
Restated balance	69,083,597	5,253	3,125	21,120	(98)	1,428	-	43	(623)	30,248
Net income (loss)	-	-	-	(3,353)	-	-	-	-	-	(3,353)
Treasury stock	-	-	-	-	(1)	-	-	-	-	(1)
Net changes during the year	-	-	-	-	-	2,127	4	1,502	191	3,824
Balance at March 31, 2015	69,083,597	¥ 5,253	¥ 3,125	¥ 17,767	¥ (99)	¥ 3,555	¥ 4	¥ 1,545	¥ (432)	¥ 30,718

See accompanying notes.

THE KINKI SHARYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2015 and 2014

	Millions of yen	
	2015	2014
Cash flows from operating activities		
Net income (loss) before income taxes	¥ (2,986)	¥ (4,463)
Adjustments to reconcile net income (loss) before income taxes to net cash provided by (used in) operating activities		
Depreciation and amortization	657	554
Increase (decreace) in retirement benefits	-	(1,500)
Increase (decreace) in net defined benefit liability	289	1,713
Increase (decrease) in provision for product warranties	441	(264)
Increase (decrease) in allowance for losses on contracts	(1,499)	1,638
Interest and dividend income	(129)	(127)
Interest expense	-	0
Decrease (increase) in trade notes and accounts receivable	(2,307)	3,460
Decrease (increase) in inventories	(8,996)	(5,783)
Increase (decrease) in trade notes and trade accounts payable	3,734	1,635
Increase (decrease) in accounts payable and accrued expenses	343	73
Other, net	(572)	(1,072)
Subtotal	(11,025)	(4,136)
Interest and dividends received	129	127
Interest paid	-	(0)
Income taxes paid	(60)	(61)
Income taxes refund	-	477
Net cash provided by (used in) operating activities	(10,956)	(3,593)
Cash flows from investing activities		
Payments into time deposits	(528)	(6,901)
Proceeds from withdrawal from time deposits	2,300	5,901
Acquisitions of property, plant and equipment and intangible assets	(1,113)	(681)
Proceeds from sales of property, plant and equipment and intangible assets	1	1
Purchases of short term investment securities	(3,100)	(3,900)
Proceeds from sales of investment securities	5	-
Proceeds from sales of short term investment securities	3,100	3,900
Net cash (used in) investing activities	665	(1,680)
Cash flows from financing activities		
Cash dividends paid	(2)	(346)
Payments for treasury stock	(2)	(2)
Net cash (used in) financing activities	(4)	(348)
Effect of exchange rate changes on cash and cash equivalents	1,021	2,075
Net increase (decrease) in cash and cash equivalents	(9,274)	(3,546)
Cash and cash equivalents at beginning of year	18,402	21,948
Cash and cash equivalents at end of year (Note 4)	¥ 9,128	¥ 18,402

See accompanying notes.

THE KINKI SHARYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of THE KINKI SHARYO CO., LTD. (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP") which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the Company's overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles in the United States of America ("US GAAP") and partially reflect the adjustments which are necessary to conform with Japanese GAAP. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

2. Significant accounting policies

(a) Consolidation - The consolidated financial statements include the accounts of the Company and three significant companies over which the Company has power of control through majority voting rights or the existence of certain other conditions evidencing control. Intercompany transactions and accounts have been eliminated.

(b) Consolidated subsidiaries' fiscal year-ends - The consolidated overseas subsidiaries have fiscal years ending on December 31. Significant transactions between December 31 and March 31, the fiscal year-end of the Company, are reflected in the consolidated financial statements.

(c) Cash flow statements - In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

2. Significant accounting policies (cont'd.)

(d) Allowance for doubtful receivables - The Company and its consolidated subsidiaries (the "Companies") provide for doubtful accounts principally at an amount based on management's estimate of the bad debt ratio plus the estimated uncollectible amount of certain individual receivables.

(e) Securities - Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Securities with no available fair market values, including equity securities issued by subsidiaries and affiliates which are not consolidated or accounted for using the equity method, are stated at moving average cost.

(f) Derivatives and hedge accounting - The Companies state derivative financial instruments at fair value and recognize a change in the fair value as gain or loss unless the derivative financial instrument was accounted for with hedge accounting. If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gain or loss resulting from a change in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized. However, in cases in which forward foreign exchange contracts are used as hedges and meet certain hedging criteria, the contracts and the hedged items are accounted for in the following manner:

1. If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,

(a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the statement of income in the period which includes the inception date, and

(b) the discount or premium on the contract (the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

2. If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction is recorded using the contracted forward rate, and no gain or loss on the forward foreign exchange contract is recognized.

2. Significant accounting policies (cont'd.)

(g) Inventories - Work-in-process is stated at identified cost. Raw materials and supplies are stated at cost determined by the moving average method. For balance sheet valuation, in the event that an impairment in the value of inventory is determined, the inventory is written down to the lower of cost of market using net realizable value.

(h) Property, plant and equipment - Property, plant and equipment are carried at cost. Depreciation is calculated by the straight-line method over the estimated useful life of the asset.

(i) Intangible assets - Intangible assets are amortized by the straight-line method over the estimated useful life of the asset.

(j) Software costs - The Companies include software used for internal purposes in intangible assets and amortize it using the straight-line method over the estimated useful life of five years.

(k) Capitalized leases - Property, plant and equipment capitalized under finance leases are depreciated over the term of the lease.

(l) Research and development expenses - The Companies charge research and development expenses to selling, general and administrative expenses and manufacturing costs as incurred. Research and development expenses amounted to ¥545 million and ¥285 million for the years ended March 31, 2015 and 2014, respectively.

(m) Retirement and severance benefits for employees - Under the terms of the Company's and its consolidated domestic subsidiary's unfunded lump-sum retirement plans, substantially all employees are entitled to a lump-sum payment at the time of retirement. The amount of the retirement benefit is, in general, based on the length of service, base salary at the time of retirement and the reason for retirement. The Company also has a funded noncontributory pension plan which covers a portion of total retirement benefits.

In order to provide for the employees' retirement benefits, the Company and its consolidated domestic subsidiary accrue the liability as of the end of the fiscal year in an amount based on the estimated projected benefit obligation and value of plan assets. Actuarial gains and losses are recognized in expenses using the straight-line method over 10 years, which is within the average of the estimated remaining service years of employees, commencing from the following period.

2. Significant accounting policies (cont'd.)

(m) Retirement and severance benefits for employees (cont'd.)

Prior service cost is also recognized in expenses using the straight-line method over 10 years, commencing from the following period.

(Change in Accounting Policy)

The Company and its consolidated domestic subsidiary have adopted Article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012 (hereinafter, "Statement No. 26")) and Article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015 (hereinafter, "Guidance No. 25")) from the year ended March 31, 2015 and have changed the determination of retirement benefit obligation and current service cost. In addition, the Company and its consolidated domestic subsidiary have changed the method used to attribute expected benefits to periods from the straight-line method to the benefit formula basis and the method used to determine the discount rate from the method in which the average remaining service years were regarded as almost the same as the bond maturity to the method in which a single weighted average discount rate reflecting the estimated timing and amount of benefit payment is used.

In accordance with Article 37 of Statement No. 26, the effect of changing the method used to determine of retirement benefit obligation and current service cost has been recognized in retained earnings at the beginning of the current fiscal year.

As a result of the application, the liability for retirement benefits obligation increased by ¥ 15 million and retained earnings decreased by ¥15 million at the beginning of the current fiscal year. The effect on profit and loss and the effect on net assets per share and net income (loss) per share were immaterial.

(n) Provision for product warranties - A provision for product warranties is provided at the balance sheet date when future losses for product warranties can be reasonably estimated.

(o) Allowance for losses on contracts - An allowance for losses on contracts is provided at the balance sheet date when future losses on particular contracts can be reasonably estimated.

(p) Income taxes - Income taxes comprise corporate tax, prefectural and municipal inhabitants taxes and enterprise tax. The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

2. Significant accounting policies (cont'd.)

(q) Translation of foreign currencies - Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at exchange rates prevailing at the balance sheet date. Financial statements of the consolidated overseas subsidiaries are translated at the rates in effect at the balance sheet date, except for net assets accounts, which are translated at historical rates, and revenue and expense accounts, which are translated at the average exchange rates in effect during the year. The resulting translation adjustments are reflected in the consolidated financial statements as "foreign currency translation adjustments."

(r) Net income (loss) and cash dividends per share - Basic net income (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of shares of common stock outstanding during the respective year. Diluted net income per share for the years ended March 31, 2015 and 2014 was not applicable because the Company had no dilutive common shares. Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

(s) Revenue and related cost recognition – The Company generally records the revenues and related costs on construction contracts by the percentage-of-completion method if the progress of the construction activity can be reliably measured, otherwise, the completed contract method is applied. The progress, or percent of the contract completed, as of the end of the reporting period is measured by the proportion of the cost incurred as of the end of the period to the estimated total cost.

The consolidated overseas subsidiaries also apply the percentage-of-completion method, and the progress or percent of the contract completed as of the end of the reporting period is measured by the proportion of the physical contract work completed.

(t) Reclassifications - Certain prior year amounts have been reclassified to conform to the 2015 presentation.

3. Comprehensive income information

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income were as follows:

	Millions of yen	
	2015	2014
Net unrealized holding gains on securities		
Increase (decrease) during the year	¥ 3,025	¥ 258
Reclassification adjustments	-	-
Subtotal, before tax	3,025	258
Tax (expense) or benefit	(899)	(92)
Subtotal, net of tax	2,126	166
Net unrealized holding gains on derivatives		
Increase (decrease) during the year	8	(3)
Reclassification adjustments	-	-
Subtotal, before tax	8	(3)
Tax (expense) or benefit	(4)	1
Subtotal, net of tax	4	(2)
Foreign currency translation adjustments		
Increase (decrease) during the year	1,503	1,529
Reclassification adjustments	-	-
Subtotal, before tax	1,503	1,529
Tax (expense) or benefit	-	-
Subtotal, net of tax	1,503	1,529
Remeasurement of defined benefit, net of tax		
Increase (decrease) during the year	(30)	-
Reclassification adjustments	221	-
Subtotal, before tax	191	-
Tax (expense) or benefit	-	-
Subtotal, net of tax	191	-
Total other comprehensive income	¥ 3,824	¥ 1,693

4. Cash flow information

The reconciliations of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2015 and 2014 were as follows:

	Millions of yen	
	2015	2014
Cash and time deposits (in balance sheets)	¥ 9,156	¥ 20,202
Time deposits maturing after three months	(28)	(1,800)
Cash and cash equivalents (in statements of cash flows)	¥ 9,128	¥ 18,402

5. Financial instruments: disclosure

(a) Qualitative information on financial instruments

Short-term deposits — The Companies use short-term deposits to manage excess funds.

Trade notes and accounts receivable — Because of the nature of the business, the credit risk associated with trade notes and accounts receivable is concentrated with a limited number of major customers. The Companies decrease the risk by managing the notes and receivables according to internal credit control rules.

Foreign currency exchange contracts — The Company uses foreign currency exchange contracts only to hedge foreign currency exchange risk, not for speculative purposes, and enters into such contracts according to the Company's internal rules.

Investments securities — Investments securities comprise mostly stocks and are evaluated for fair value on a quarterly basis.

(b) Fair values of financial instruments

The book values of the financial instruments included in the consolidated balance sheet and their fair values at March 31, 2015 and 2014 were as follows:

	Millions of yen		
	2015		
	Book value	Fair value	Difference
Cash and time deposits	¥ 9,156	¥ 9,156	¥ -
Trade notes and trade accounts receivable	4,498	4,498	-
Investment securities	8,807	8,807	-
Trade notes and trade accounts payable	7,409	7,409	-
Derivatives			
Not applying hedge accounting	1	1	-
Applying hedge accounting	8	8	-

	Millions of yen		
	2014		
	Book value	Fair value	Difference
Cash and time deposits	¥ 20,202	¥ 20,202	¥ -
Trade notes and trade accounts receivable	3,784	3,784	-
Investment securities	5,613	5,613	-
Trade notes and trade accounts payable	3,314	3,314	-

5. Financial instruments: disclosure (cont'd.)

The fair value of the financial instruments in the table above, except for some trade accounts, approximates the book value because the maturities are short. Some trade accounts are valuated with the rate of the foreign currency exchange contract, and some, such as trade accounts with maturities over a year, are discounted to their present value.

Financial instruments for which the fair value was difficult to determine were as follows:

	Millions of yen	
	2015	2014
Unlisted stocks	¥ 165	¥ 336

Unlisted stocks were not included in investment securities above because they had no market value.

Maturity value after closing date

	Millions of yen	
	2015	
	Within a year	Over a year
Cash and time deposits	¥ 9,156	¥ -
Trade notes and trade accounts	4,509	-

	Millions of yen	
	2014	
	Within a year	Over a year
Cash and time deposits	¥ 20,202	¥ -
Trade notes and trade accounts	3,793	-

6. Securities

At March 31, 2015 and 2014, information on securities was as follows:

a. Trading securities: None

b. Bonds intended to be held to maturity with readily determinable fair values: None

c. Available-for-sale securities with readily determinable fair value as of March 31, 2015 and 2014 were as follows:

Securities with book value (fair value) that exceeded acquisition cost

	Millions of yen		
	2015		
	Acquisition cost	Book value	Difference
Equity securities	¥ 3,559	¥ 8,789	¥ 5,230
Other	9	18	9
Total	¥ 3,568	¥ 8,807	¥ 5,239

	Millions of yen		
	2014		
	Acquisition cost	Book value	Difference
Equity securities	¥ 3,390	¥ 5,598	¥ 2,208
Other	9	15	6
Total	¥ 3,399	¥ 5,613	¥ 2,214

Securities with book value (fair value) that did not exceed acquisition cost

	Millions of yen		
	2015		
	Acquisition cost	Book value	Difference
Equity securities	¥ -	¥ -	¥ -
Other	-	-	-
Total	¥ -	¥ -	¥ -

	Millions of yen		
	2014		
	Acquisition cost	Book value	Difference
Equity securities	¥ -	¥ -	¥ -
Other	-	-	-
Total	¥ -	¥ -	¥ -

6. Securities (cont'd.)

d. For the year ended March 31, 2015, total sales of available-for-sale securities were ¥5 million, and profits on the sales were ¥3 million, respectively.

7. Pledged assets

At March 31, 2015 and 2014, the following assets were pledged as collateral for deposits on contracts of ¥569 million and ¥649 million, respectively, and deposits from tenants of ￥70 million (included in other liabilities in noncurrent liabilities):

	Millions of yen	
	2015	2014
Buildings, net book value	¥ 484	¥ 507

8. Retirement and severance benefits

The Company provides for employees' retirement and severance benefits under two plans, a defined contribution pension plan and unfunded lump-sum benefits plan. The Company's consolidated domestic subsidiary provides an unfunded lump-sum benefits plan, and its consolidated overseas subsidiaries provide a defined contribution pension plan.

The following table sets forth the changes in retirement benefit obligations and funded status of the Companies at March 31, 2015 and 2014.

Defined benefit plans

(1) Movement in retirement benefit obligations, except for plans that applied the simplified method

	Millions of yen	
	2015	2014
Balance at April 1, 2014 and 2013	¥ 2,336	¥ 2,274
Cumulative effects of changes in accounting policies	15	-
Restated balance	2,351	2,274
Service cost	144	120
Interest cost	18	28
Actuarial loss (gain)	30	74
Benefits paid	(94)	(160)
Balance at March 31,2015 and 2014	¥ 2,449	¥ 2,336

8. Retirement and severance benefits (cont'd.)

(2) Reconciliation from retirement benefit obligations to liability for retirement benefits

	Millions of yen			
	2015		2014	
Unfunded retirement benefit obligations	¥	2,449	¥	2,336
Total net liability (asset) for retirement benefits at March 31, 2015 and 2014	¥	2,449	¥	2,336
Liability for retirement benefits		2,449		2,336
Total net liability (asset) for retirement benefits at March 31, 2015 and 2014	¥	2,449	¥	2,336

(3) Retirement benefit costs

	Millions of yen			
	2015		2014	
Service cost	¥	144	¥	120
Interest cost		18		28
Net actuarial loss amortization		81		85
Net prior service cost amortization		14		14
Net transition obligation amortization		126		126
	¥	383	¥	373

(4) Adjustments for retirement benefits

	Millions of yen			
	2015		2014	
Prior service cost	¥	14	¥	-
Actuarial loss		51		-
Transition obligation		126		-
	¥	191	¥	-

(5) Accumulated adjustments for retirement benefits

	Millions of yen			
	2015		2014	
Unrecognized prior service cost	¥	(54)	¥	(68)
Unrecognized actuarial loss		(378)		(429)
Unrecognized transition obligation		-		(126)
	¥	(432)	¥	(623)

(6) Actuarial assumptions

The principal actuarial assumptions at March 31, 2015 and 2014 (expressed as weighted averages) were as follows:

	2015	2014
Discount rate	0.8%	1.3%
Expected salary increase rate	2.3%	2.2%

8. Retirement and severance benefits (cont'd.)

(7) Payments to contribution plans

Payments to contribution plans in 2015 and 2014 were ¥193 million and ¥179 million, respectively.

9. Income taxes

(a) Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2015 and 2014 were as follows:

		Millions of yen
		2015
Deferred income tax assets:		
Net operating loss carryforwards	¥	2,216
Liability for retirement benefits		788
Allowance for losses on contracts		353
Valuation loss on inventories		273
Provision for product warranties		211
Research and development		153
Excess depreciation		150
Excess bonuses accrued		105
Other		766
		5,015
Valuation allowance		(4,561)
Total deferred income tax assets		454
Deferred income tax liabilities:		
Net unrealized holding gains on securities		(1,685)
Net unrealized holding gains on derivatives		(4)
Other		(185)
Total deferred income tax liabilities		(1,874)
Net deferred income tax liabilities	¥	(1,420)

9. Income taxes (cont'd)

		Millions of yen
		2014
Deferred income tax assets:		
Net operating loss carryforwards	¥	1,337
Allowance for losses on contracts		1,005
Liability for retirement benefits		829
Excess depreciation		244
Excess bonuses accrued		108
Provision for product warranties		70
Research and development		32
Valuation loss on inventories		15
Other		413
		4,053
Valuation allowance		(3,406)
Total deferred income tax assets		647
Deferred income tax liabilities:		
Net unrealized holding gains on securities		(786)
Other		(154)
Total deferred income tax liabilities		(940)
Net deferred income tax liabilities	¥	(293)

(b) For the year ended March 31, 2015 and 2014, the difference between the statutory tax rate and the effective tax rate after tax effect accounting was not described because the Company declared loss before income taxes.

Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates:
Following the promulgation on March 31, 2015 of "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 9 of 2015) and "Act for Partial Amendment of the Council Tax Act, etc." (Act No. 2 of 2015), the effective statutory tax rate used to measure deferred tax assets and liabilities was changed from 35.6% to 33.1% for temporary differences expected to be eliminated in the fiscal year beginning on April 1, 2015 and to 32.3% for temporary differences expected to be eliminated in the fiscal year beginning on and after April 1, 2016.
As a result, deferred tax liabilities decreased by ¥197 million and income taxes - deferred decreased by ¥19 million. Net unrealized holding gains on securities increased by ¥177 million and net unrealized holding gains on derivatives increased by ¥1 million.

10. Net assets

The Japanese Corporate Law (the "Law") became effective on May 1, 2006, replacing the Japanese Commercial Code (the "Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock. Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve was included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

11. Related party transactions

At March 31, 2015 and 2014, Kintetsu Corporation ("KC") directly owned 14% of the Company's outstanding common stock and indirectly owned another 30% through The Master Trust Bank of Japan, Ltd. The Company's sales to KC for the years ended March 31, 2015 and 2014 were ¥941 million and ¥121 million, respectively. Receivables from KC at March 31, 2015 and 2014 were ¥15 million and ¥4 million, respectively.

12. Derivative transactions

Information on derivatives for which hedge accounting had been applied at March 31, 2015 is as follows:

			Millions of yen		
			2015		
			Contract amount		
Hedge accounting method	Type	Main hedged item	Total	Due after one year	Fair value
Foreign exchange forward contracts that are subject to appropriated treatment	Foreign exchange forward contracts: selling				
	US dollar	Receivables	¥ 4,633	¥ -	¥ 13
	HK dollar	Receivables	274	-	(5)
Total			¥ 4,907	¥ -	¥ 8

Fair values in the above table were calculated based on future exchange rates.

Information on derivatives for which hedge accounting had not been applied at March 31, 2015 is as follows:

	Millions of yen			
	2015			
	Contract amount			
	Total	Due after one year	Fair value	Realized gain (loss)
Foreign exchange forward contracts:				
selling				
US dollar	¥ 197	¥ -	¥ 1	¥ 1
Total	¥ 197	¥ -	¥ 1	¥ 1

Fair values in the above table were calculated based on future exchange rates.

At March 31, 2014, there were no derivatives for which hedge accounting had either been applied or not applied.

13. Fair value of investment and rental property

The Company owns real estate for lease in Osaka and other prefectures. The income from the real estate for lease was ￥683 million and ￥657 million as of and for the years ended March 31, 2015 and 2014, respectively. The book value (balance), net changes during the year and fair value of the real estate for lease were as follows:

Current related		Millions of yen
		2015
Balance at April 1, 2014	¥	1,768
Net changes during the year		(27)
Balance at March 31, 2015	¥	1,741
Fair value at March 31, 2015		8,614

Current related		Millions of yen
		2014
Balance at April 1, 2013	¥	1,795
Net changes during the year		(27)
Balance at March 31, 2014	¥	1,768
Fair value at March 31, 2014		8,557

14. Leases

Obligations under operating leases at March 31, 2015 and 2014 were as follows:

	Millions of yen	
	2015	2014
Payments due within one year	¥ 140	¥ 30
Payments due after one year	228	79
Total payments remaining	¥ 368	¥ 109

15. Segment information

(a) General information about reportable segments

Reportable segment information of the Company is the obtainable financial information which is made available to and used by the Officers Committee and Board of Directors to determine the allocation of management resources and to evaluate business performance. The Company has a Rail Transit Division that focuses on manufacturing rolling stock. It formulates strategy and deals with business concerning trains and the related parts and maintenance for the JR group, private railways and subways. In addition, the Company deals with the lease of real estate. Therefore, the reportable segments of the Company are that of "Rolling Stock" and "Lease of Real Estate."

(b) Basis of measurement for reportable segment profit or loss, segment assets, segment liabilities and other material items

The accounting policies for reportable segment information are basically the same as in Note 2, "Significant accounting policies."

15. Segment information (cont'd)

(c) Information about reported segment profit or loss, segment assets, segment liabilities and other material items

Year ended March 31, 2015:

	Millions of yen							
	Reportable segment							
	Rolling Stock		Lease of Real Estate		Adjustment		Consolidated	
Net sales	¥	21,312	¥	793	¥	(1)	¥	22,104
Segment income (loss)		(2,774)		683		(1,016)		(3,107)
Segment assets		49,358		1,758		3,035		54,151
Segment liabilities		16,094		1,296		6,043		23,433
Depreciation and amortization		590		27		40		657
Increase in tangible and intangible assets		859		-		8		867

1. Adjustments are as follows:

(a) Adjustment of segment income (loss) of (¥1,016 million) is corporate costs of (¥1,016 million) not allocated to either segment and represents the Control Department's cost.

(b) Adjustment of segment assets of ¥3,035 million is for assets of the Control Department.

(c) Adjustment of segment liabilities of ¥6,043 million is for liabilities of the Control Department.

(d) Increase in tangible and intangible assets of ¥8 million is equipment investment for the Control Department.

2. Segment income (loss) is adjusted to operating income in the consolidated statements of income.

15. Segment information (cont'd)

Year ended March 31, 2014:

	Millions of yen			
	Reportable segment			
	Rolling Stock	Lease of Real Estate	Adjustment	Consolidated
Net sales	¥ 12,450	¥ 771	¥ (2)	¥ 13,219
Segment income (loss)	(4,196)	657	(1,078)	(4,617)
Segment assets	37,965	1,785	10,674	50,424
Segment liabilities	13,824	1,389	4,948	20,161
Depreciation and amortization	493	28	33	554
Increase in tangible and intangible assets	1,054	0	61	1,115

1. Adjustments are as follows:

(a) Adjustment of segment income (loss) of (¥1,078 million) is corporate costs of (¥1,078 million) not allocated to either segment and represents the Control Department's cost.

(b) Adjustment of segment assets of ¥10,674 million is for assets of the Control Department.

(c) Adjustment of segment liabilities of ¥4,948 million is for liabilities of the Control Department.

(d) Increase in tangible and intangible assets of ¥61 million is equipment investment for the Control Department.

2. Segment income (loss) is adjusted to operating income in the consolidated statements of income.

Related information

Information for each country and area for the year ended March 31, 2015 is as follows:

(1) Net sales

Millions of yen				
Japan	North America	Africa	Asia	Consolidated
¥ 12,382	¥ 8,035	¥ 1,214	¥ 473	¥ 22,104

The principal countries and areas in each segment were as follows:

North America	United States of America
Africa	Arab Republic of Egypt
Asia	China (Hong Kong), United Arab Emirates

15. Segment information (cont'd)

(2) Property, plant and equipment

Information about property, plant and equipment by geographic area is omitted because the amount of fixed assets held in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheet.

Information for major customers for the year ended March 31, 2015 is as follows:

Customer	Net sales (millions of yen)	Segment
West Japan Railway Company	¥ 5,940	Rolling stock
Los Angeles County Metropolitan Transit Authority	5,530	Rolling stock
New Jersey Transit	2,281	Rolling stock

Information for each country and area for the year ended March 31, 2014 was as follows:

(1) Net sales

Millions of yen				
Japan	North America	Africa	Asia	Consolidated
¥ 8,429	¥ 3,936	¥ 558	¥ 296	¥ 13,219

The principal countries and areas in each segment were as follows:

North America	United States of America
Africa	Arab Republic of Egypt
Asia	China (Hong Kong), United Arab Emirates

(2) Property, plant and equipment

Information about property, plant and equipment by geographic area is omitted because the amount of fixed assets held in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheet.

Information for major customers for the year ended March 31, 2014 was as follows:

Customer	Net sales (millions of yen)	Segment
West Japan Railway Company	¥ 2,415	Rolling stock
New Jersey Transit	2,260	Rolling stock
Osaka Municipal Transportation Bureau	1,853	Rolling stock
Los Angeles County Metropolitan Transit Authority	1,522	Rolling stock

15. Segment information (cont'd)

Information about impairment loss on fixed assets for each segment for the year ended March 31, 2015 and 2014, respectively: None

Information about amortization of goodwill and the unamortized balance for each segment for the year ended March 31, 2015 and 2014, respectively: None

Information about profit from negative goodwill for each segment for the year ended March 31, 2015 and 2014, respectively: None