THE KINKI SHARYO CO., LTD.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

Years ended March 31, 2018 and 2017

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, 2018 and 2017, 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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, 2018 and 2017, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

August 31, 2018
Osaka, Japan

THE KINKI SHARYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31,2018 and 2017

	Millions of yen	
	2018	2017
ASSETS		
Current Assets		
Cash and time deposits (Note 7 and 8)	¥ 4,602	¥ 3,991
Receivables		
Notes and accounts - trade (Note 8)	27,393	17,374
Other accounts	63	780
Allowance for doubtful receivables (Note 8)	(17)	(16)
	27,439	18,138
Inventories		
Work-in-process (Note 22)	23,302	23,986
Raw materials and supplies	676	780
	23,978	24,766
Other current assets	1,240	2,194
Total current assets	57,259	49,089
Property, Plant and Equipment		
Land (Note 10 and 17)	2,666	2,666
Buildings and structures (Note 10 and 17)	14,417	14,612
Machinery and equipment	12,290	12,435
Leased assets	881	831
Construction in progress	67	13
	30,321	30,557
Accumulated depreciation	(16,851)	(16,127)
	13,470	14,430
Investments and Other Assets		
Stocks of subsidiaries and affiliates (Note 8)	36	36
Investment securities (Note 8 and 9)	7,956	8,111
Intangible assets	78	91
Deferred income tax assets (Note 4, 5 and 13)	423	297
Other assets	463	596
Allowance for doubtful receivables	(15)	(15)
	8,941	9,116
Total assets	¥ 79,670	¥ 72,635

	Millions of yen	
	2018	2017
LIABILITIES AND NET ASSETS		
Current Liabilities		
Short-term loans payable (Note 8, 10, 11 and 22)	¥ 20,107	¥ 5,825
Current portion of long-term loans payable (Note 8 and 11)	1,156	1,091
Lease obligations (Note 8 and 11)	110	99
Payables (Note 15)		
Trade accounts (Note 8)	10,575	8,485
Construction	272	1,362
Advances received	299	5,201
Income and enterprise taxes payable	56	80
Accrued expenses	1,124	1,419
Provision for bonuses	279	258
Allowance for losses on contracts	6,575	14,407
Provision for product warranties	1,118	759
Other current liabilities	695	633
Total current liabilities	42,366	39,619
Noncurrent Liabilities		
Long-term loans payable (Note 8 and 11)	9,422	10,516
Lease obligations (Note 8 and 11)	656	726
Deferred income tax liabilities (Note 4, 5 and 13)	1,744	1,653
Net defined benefit liability (Note 12)	2,635	2,490
Other noncurrent liabilities (Note 10)	958	1,072
	15,415	16,457
Total liabilities	57,781	56,076
Net Assets (Note 14)		
Shareholders' equity		
Common stock	5,253	5,253
Authorized - 12,000,000 shares		
Issued - 6,908,359 shares		
Capital surplus	3,125	3,125
Retained earnings	8,982	3,816
Treasury stock, at cost	(104)	(102)
25,753 shares in Mar 2018		
25,296 shares in Mar 2017		
Total shareholders' equity	17,256	12,092
Accumulated other comprehensive income		
Net unrealized holding gains on securities	3,343	3,255
Net unrealized holding gains on derivatives	261	130
Foreign currency translation adjustments	1,286	1,371
Remeasurements of defined benefit plans	(257)	(289)
Total accumulated other comprehensive income	4,633	4,467
Total net assets	21,889	16,559
Total liabilities and net assets	¥ 79,670	¥ 72,635

See accompanying Notes.

THE KINKI SHARYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended March 31, 2018 and 2017

	Millions of yen	
	2018	2017
Net sales	¥ 61,677	¥ 45,544
Cost of sales	53,782	56,670
Gross profit (loss)	7,895	(11,126)
Selling, general and administrative expenses	2,975	3,099
Operating profit (loss)	4,920	(14,225)
Other income (expenses)		
Interest and dividend income	281	126
Interest expense	(322)	(165)
Foreign exchange gain (loss)	(487)	170
Commission fees	-	(614)
Gain on sales of investment securities (Note 9)	405	342
Gain on sales of noncurrent assets (Note 21)	204	64
Other, net	62	(273)
	143	(350)
Income (loss) before income taxes	5,063	(14,575)
Income taxes (Note 13)		
Current	(46)	(25)
Refund	-	109
Deferred (Note 4 and 5)	149	(119)
Net income (loss)	5,166	(14,610)
Net income (loss) attributable to non-controlling interests	-	-
Net income (loss) attributable to owners of the parent	¥ 5,166	¥ (14,610)

	Yen	
Amounts per share (Note 20)		
Net income (loss)	¥ 750.50	¥ (2,122.49)
Cash dividends applicable to the year (Note 14)	¥ -	¥ -

See accompanying Notes.

THE KINKI SHARYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended March 31, 2018 and 2017

	Millions of yen	
	2018	2017
Net income (loss)	¥ 5,166	¥ (14,610)
Other comprehensive income		
Net unrealized holding gains (losses) on securities	88	(254)
Net unrealized holding gains on derivatives	131	130
Foreign currency translation adjustments	(85)	(385)
Remeasurements of defined benefit plans	32	59
Total other comprehensive income (Note 6)	166	(450)
Comprehensive income	¥ 5,332	¥ (15,060)
Comprehensive income attributable to owners of the parent	5,332	(15,060)
Comprehensive income attributable to non-controlling interests	-	-

See accompanying Notes.

THE KINKI SHARYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended March 31, 2018 and 2017

		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, 2016	69,083,597	¥ 5,253	¥ 3,125	¥ 18,633	¥ (101)	¥ 3,509	¥ -	¥ 1,756	¥ (348)	¥ 31,827
Cash dividends paid at ￥3.00 per share（Note 14）	-	-	-	(207)	-	-	-	-	-	(207)
Net loss	-	-	-	(14,610)	-	-	-	-	-	(14,610)
Purchase of treasury stock	-	-	-	-	(1)	-	-	-	-	(1)
Net changes during the year	(62,175,238)	-	-	-	-	(254)	130	(385)	59	(450)
Balance at March 31, 2017	6,908,359	¥ 5,253	¥ 3,125	¥ 3,816	¥ (102)	¥ 3,255	¥ 130	¥ 1,371	¥ (289)	¥ 16,559
	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, 2017	6,908,359	¥ 5,253	¥ 3,125	¥ 3,816	¥ (102)	¥ 3,255	¥ 130	¥ 1,371	¥ (289)	¥ 16,559
Net income	-	-	-	5,166	-	-	-	-	-	5,166
Purchase of treasury stock	-	-	-	-	(2)	-	-	-	-	(2)
Net changes during the year	-	-	-	-	-	88	131	(85)	32	166
Balance at March 31, 2018	6,908,359	¥ 5,253	¥ 3,125	¥ 8,982	¥ (104)	¥ 3,343	¥ 261	¥ 1,286	¥ (257)	¥ 21,889

See accompanying Notes.

THE KINKI SHARYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2018 and 2017

	Millions of yen	
	2018	2017
Cash flows from operating activities		
Income (loss) before income taxes	¥ 5,063	¥ (14,575)
Adjustments to reconcile income (loss) before income taxes to net cash provided by (used in) operating activities		
Depreciation and amortization	1,434	1,157
Increase (decrease) in net defined benefit liability	178	110
Increase (decrease) in provision for product warranties	360	209
Increase (decrease) in allowance for losses on contracts	(7,833)	13,088
Interest and dividend income	(281)	(126)
Interest expense	323	165
Decrease (increase) in trade notes and accounts receivable	(15,264)	(8,931)
Decrease (increase) in inventories	507	(3,672)
Increase (decrease) in trade accounts payable	3,527	2,180
Increase (decrease) in accounts payable and accrued expenses	(301)	505
Other, net	311	(1,008)
Subtotal	(11,976)	(10,898)
Interest and dividends received	281	126
Interest paid	(295)	(144)
Income taxes paid	(55)	(107)
Income taxes refund	54	-
Net cash provided by (used in) operating activities	(11,991)	(11,023)
Cash flows from investing activities		
Payments into time deposits	(29)	(10)
Acquisitions of property, plant and equipment and intangible assets	(1,657)	(4,016)
Proceeds from sales of property, plant and equipment and intangible assets	208	960
Proceeds from sales of investment securities	689	626
Net cash provided by (used in) investing activities	(789)	(2,440)
Cash flows from financing activities		
Net increase in short-term loans payable	14,457	4,351
Proceeds from long-term loans payable	87	9,408
Repayments of long-term loans payable	(1,003)	(694)
Repayments of lease obligations	(59)	(49)
Cash dividends paid	(0)	(207)
Purchases of treasury stock	(1)	(2)
Net cash provided by (used in) financing activities	13,481	12,807
Effect of exchange rate changes on cash and cash equivalents	(119)	84
Net increase (decrease) in cash and cash equivalents	582	(572)
Cash and cash equivalents at beginning of year	3,981	4,553
Cash and cash equivalents at end of year (Note 7)	¥ 4,563	¥ 3,981

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. There are no equity method affiliates. 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,

(i) 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 operations in the period which includes the inception date, and

(ii) 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 mainly 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 or market using net realizable value.

(h) Property, plant and equipment (except for capitalized leases) - 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 (except for capitalized leases) - 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 as incurred. Research and development expenses amounted to ¥128 million and ¥237 million for the years ended March 31, 2018 and 2017, 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.

(n) Provision for bonuses - Provision for bonuses at the balance sheet date are based on the estimated amounts to be paid to employees in the future.

(o) 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 and at an amount based on management's estimate of the past expense ratio for sales.

(p) 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.

(q) 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.

(r) 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."

(s) 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, 2018 and 2017 was not applicable because the Company had no dilutive common shares. Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years, including dividends to be paid after the end of the year.

2. Significant accounting policies (cont'd.)

(t) 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.

(u) Reclassifications - Certain prior year amounts have been reclassified to conform to the 2018 presentation.

3. Accounting standard issued but not yet adopted

The Company and its consolidated domestic subsidiaries

The following standard and guidance were issued but not yet adopted.

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

(a) Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying following 5 steps:

Step1: Identify contract(s) with customers.

Step2: Identify the performance obligations in the contract.

Step3: Determine the transaction price.

Step4: Allocate the transaction price to the performance obligation in the contract.

Step5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(b) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

(c) Effects of the application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

Consolidated US subsidiaries

A newly established or revised major accounting standard published before March 31, 2018, which has not been adopted, is set forth in the table belows.

The potential impact on the company's financial statements from the adoption of the standard is under evaluation at the time of the preparation of the consolidated financial statements.

Standard	Outline of the new / revised standards	Adoption Date
Revenue from Contracts with Customers (ASU 2014-09)	ASU 2014-09 introduces a single comprehensive model that entities use to account for revenues from contracts with customers.	From the beginning of the year ending March 31, 2020

4. Additional information

Previous fiscal year (April 1, 2016 to March 31, 2017)

(Adoption of implementation guidance on recoverability of deferred tax assets)

The Company and its consolidated domestic subsidiary have adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets"(ASBJ Guidance No. 26, March 28, 2016) from the year ended March 31, 2017.

5. Changes in presentation method

Current fiscal year（April 1, 2017 to March 31, 2018）

(Changes due to early application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018 (hereinafter, "Statement No. 28")) became applicable for the consolidated financial statements from the current fiscal year end. As a result, the Company adopted Statement No.28 and changed the presentation and related notes of deferred tax assets and deferred tax liabilities, such that deferred tax assets and deferred tax liabilities are classified as part of 'investments and other assets' and 'noncurrent liabilities', respectively.

As a result, in the consolidated balance sheet of the previous fiscal year, "deferred tax assets" in "current assets" decreased by ¥311 million, "deferred tax assets" in "investments and other assets" increased by ¥297 million, "deferred tax liabilities" in "current liabilities" decreased by ¥31 million, and "deferred tax liabilities" in "noncurrent liabilities" increased by ¥17 million.

The notes related to tax effect accounting additionally included those described in notes 8 (excluding total amount of valuation reserves) and 9 of "Accounting Standard for Tax Effect Accounting", which are required in paragraphs 3 to 5 of Statement No. 28. However, those additional information corresponding to the previous fiscal year is not disclosed, following the transitional treatments prescribed in paragraph 7 of Statement No. 28.

6. 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			
	2018		2017	
Net unrealized holding gains (losses) on securities				
Increase (decrease) during the year	¥	533	¥	(20)
Reclassification adjustments		(405)		(343)
Subtotal, before tax		128		(363)
Tax (expense) or benefit		(40)		109
Subtotal, net of tax		88		(254)
Net unrealized holding gains on derivatives				
Increase (decrease) during the year		188		188
Reclassification adjustments		-		-
Subtotal, before tax		188		188
Tax (expense) or benefit		(57)		(58)
Subtotal, net of tax		131		130
Foreign currency translation adjustments				
Increase (decrease) during the year		(85)		(385)
Reclassification adjustments		-		-
Subtotal, before tax		(85)		(385)
Tax (expense) or benefit		-		-
Subtotal, net of tax		(85)		(385)
Remeasurements of defined benefit plans				
Increase (decrease) during the year		(43)		(19)
Reclassification adjustments		75		78
Subtotal, before tax		32		59
Tax (expense) or benefit		-		-
Subtotal, net of tax		32		59
Total other comprehensive income	¥	166	¥	(450)

7. 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, 2018 and 2017 were as follows:

	Millions of yen			
	2018		2017	
Cash and time deposits (in balance sheets)	¥	4,602	¥	3,991
Time deposits maturing after three months		(39)		(10)
Cash and cash equivalents (in statements of cash flows)	¥	4,563	¥	3,981

8. 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 with high creditworthiness. At March 31, 2018, 99.4% of the operating receivables were due from specific major customers with high creditworthiness. The Companies decrease the risk by managing the notes and receivables according to internal credit control rules.

Foreign currency forward exchange contracts - The Company uses foreign currency forward exchange contracts only to hedge foreign currency exchange risk associated with trade accounts receivables and payables, not for speculative purposes, and enters into such contracts according to the Company's internal rules.

Investment securities - Investment securities comprise mostly stocks and are evaluated for fair value or prices provided by the financial condition of corporations on a quarterly basis.

Trade accounts payable - Payment terms of payable are less than one year.

Loans payable - Short-term loans payable are mainly used for financing operating capital and long-term loans payable are primarily used for financing capital investments.

Lease obligations - Lease obligations are primarily used for financing capital investments.

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

(b) Fair values of financial instruments

The book values of the financial instruments included in the consolidated balance sheets and their fair values at March 31, 2018 and 2017 were as follows:

	Millions of yen		
	2018		
	Book value	Fair value	Difference
Cash and time deposits	¥ 4,602	¥ 4,602	¥ -
Notes and accounts receivable - trade ＊1	27,376	27,376	-
Investment securities	7,916	7,916	-
Trade accounts payable	(10,575)	(10,575)	-
Short-term loans payable	(20,107)	(20,107)	-
Long-term loans payable	(10,578)	(10,554)	(24)
Lease obligations	(766)	(766)	-
Derivatives			
Not applying hedge accounting	(13)	(13)	-
Applying hedge accounting	376	376	-

	Millions of yen		
	2017		
	Book value	Fair value	Difference
Cash and time deposits	¥ 3,991	¥ 3,991	¥ -
Notes and accounts receivable - trade ＊1	17,358	17,358	-
Investment securities	7,972	7,972	-
Trade accounts payable	(8,485)	(8,485)	-
Short-term loans payable	(5,825)	(5,825)	-
Long-term loans payable	(11,607)	(11,581)	(26)
Lease obligations	(825)	(825)	-
Derivatives			
Not applying hedge accounting	-	-	-
Applying hedge accounting	188	188	-

Notes ＊1 Allowance for doubtful receivables associated with notes and accounts receivable has been deducted.

＊2 The figures in parenthesis indicate liabilities.

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

The fair value of the financial instruments in the table above approximates the book value because the maturities are short. Derivatives are valuated with the rate of the foreign currency forward exchange contract, and long-term loans payable and lease obligations are calculated by discounting the principal and interest payments by the assumed discount rates for similar new loans or lease transactions.

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

	Millions of yen	
	2018	2017
Unlisted stocks	¥ 40	¥ 139
Stocks of subsidiaries and affiliates (unlisted stocks)	36	36

Unlisted stocks and stocks of subsidiaries and affiliates (unlisted stocks) were not included in investment securities above because they had no fair value.

Maturity value after closing date

	Millions of yen	
	2018	
	Within a year	Over a year
Cash and time deposits	¥ 4,602	¥ -
Trade notes and trade accounts	27,393	-

	Millions of yen	
	2017	
	Within a year	Over a year
Cash and time deposits	¥ 3,991	¥ -
Trade notes and trade accounts	17,374	-

9. Securities

At March 31, 2018 and 2017, 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, 2018 and 2017 were as follows:

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

	Millions of yen		
	2018		
	Acquisition cost	Book value	Difference
Equity securities	¥ 3,002	¥ 7,835	¥ 4,833
Total	¥ 3,002	¥ 7,835	¥ 4,833

	Millions of yen		
	2017		
	Acquisition cost	Book value	Difference
Equity securities	¥ 3,185	¥ 7,883	¥ 4,698
Total	¥ 3,185	¥ 7,883	¥ 4,698

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

	Millions of yen		
	2018		
	Acquisition cost	Book value	Difference
Equity securities	¥ 98	¥ 81	¥ (17)
Total	¥ 98	¥ 81	¥ (17)

	Millions of yen		
	2017		
	Acquisition cost	Book value	Difference
Equity securities	¥ 98	¥ 89	¥ (9)
Total	¥ 98	¥ 89	¥ (9)

9. Securities (cont'd.)

(d) For the year ended March 31, 2018 and 2017, total sales of available-for-sale securities (equity securities and other) were ¥689 million and ¥627 million, and gain on the sales were ¥405 million and ¥342 million.

(e) Loaned securities classified as securities as of March 31, 2018 and 2017 were as follows:

	Millions of yen	
	2018	2017
Equity securities	¥ 6,987	¥ 7,843

10. Pledged assets

At March 31, 2018, the following assets were pledged as collateral for short-term loans payable of ¥2,000 million:

	Millions of yen	
	2018	2017
Land	¥ 179	¥ -

At March 31, 2018 and 2017, the following assets were pledged as collateral for deposits on contracts of ¥328 million and ¥408 million, respectively, and deposits from tenants of ¥70 million (included in other noncurrent liabilities):

	Millions of yen	
	2018	2017
Buildings, net book value	¥ 414	¥ 437

11. Short-term loans payable , long-term loans payable and lease obligations

Short-term loans payable substantially represents short-term loans from banks at a weighted average annual rate of 1.6% and 2.0% at March 31, 2018 and 2017, respectively.

Long-term loans payable as of March 31, 2018 were as follows:

	Millions of yen
	2018
Loans from banks, due through 2023 at weighted average rate of 0.9% in 2018	¥ 10,578
Less current portion	1,156
	¥ 9,422

11. Short-term loans payable, long-term loans payable and lease obligations (cont'd.)

The aggregate annual maturities of long-term loans payable outstanding at March 31, 2018 were as follows:

		Millions of yen
Years ending March 31,		2018
2020	¥	7,086
2021		1,088
2022		1,246
2023		2
2024 and after		-
	¥	9,422

The aggregate annual maturities of finance lease obligations subsequent to March 31, 2018 were summarized as follows:

		Millions of yen
Years ending March 31,		2018
2020	¥	111
2021		112
2022		429
2023		4
2024 and after		-
	¥	656

Long-term loans payable as of March 31, 2017 were as follows:

		Millions of yen
		2017
Loans from banks, due through 2022 at weighted average rate of 1.2% in 2017	¥	11,607
Less current portion		1,091
	¥	10,516

11. Short-term loans payable, long-term loans payable and lease obligations (cont'd.)

The aggregate annual maturities of long-term loans payable outstanding at March 31, 2017 were as follows:

	Millions of yen	
Years ending March 31,	2017	
2019	¥	1,093
2020		7,094
2021		1,096
2022		1,233
2023 and after		-
	¥	10,516

The aggregate annual maturities of finance lease obligations subsequent to March 31, 2017 were summarized as follows:

	Millions of yen	
Years ending March 31,	2017	
2019	¥	100
2020		102
2021		103
2022		421
2023 and after		-
	¥	726

The Company entered into contracts with financial institutions for committed credit lines. As of March 31, 2018 and 2017, the amounts of unexercised committed credit lines were as follows:

	Millions of yen			
	2018		2017	
Total committed credit lines	¥	17,000	¥	17,000
Unexercised committed credit lines	¥	11,000	¥	17,000

12. 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.

Defined benefit plans

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

	Millions of yen			
	2018		2017	
Balance at April 1, 2017 and 2016	¥	2,490	¥	2,439
Service cost		178		154
Interest cost		19		19
Actuarial loss (gain)		43		19
Benefits paid		(95)		(141)
Balance at March 31, 2018 and 2017	¥	2,635	¥	2,490

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

	Millions of yen			
	2018		2017	
Unfunded retirement benefit obligations	¥	2,635	¥	2,490
Total net liability (asset) for retirement benefits at March 31, 2018 and 2017	¥	2,635	¥	2,490
Net defined benefit liability		2,635		2,490
Total net liability (asset) for retirement benefits at March 31, 2018 and 2017	¥	2,635	¥	2,490

(c) Retirement benefit costs

	Millions of yen			
	2018		2017	
Service cost	¥	178	¥	154
Interest cost		19		19
Net actuarial loss amortization		61		64
Net prior service cost amortization		14		14
	¥	272	¥	251

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

(d) Remeasurements of defined benefit plans

	Millions of yen			
	2018		2017	
Prior service cost	¥	14	¥	14
Actuarial loss		18		45
	¥	32	¥	59

(e) Accumulated remeasurements of defined benefit plans

	Millions of yen			
	2018		2017	
Unrecognized prior service cost	¥	(11)	¥	(25)
Unrecognized actuarial loss		(246)		(264)
	¥	(257)	¥	(289)

(f) Actuarial assumptions

The principal actuarial assumptions at March 31, 2018 and 2017 (expressed as weighted averages) were as follows:

	2018	2017
Discount rate	0.8%	0.8%
Expected salary increase rate	1.9%	2.1%

Defined contribution plans

Contributions for the defined contribution plans in 2018 and 2017 were ¥321 million and ¥264 million, respectively.

13. Income taxes

(a) Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2018 and 2017 were as follows:

	Millions of yen			
	2018		2017	
Deferred income tax assets:				
Net operating loss carryforwards ＊2	¥	2,907	¥	2,167
Allowance for losses on contracts		2,014		4,450
Net defined benefit liability		809		764
Valuation loss on inventories		369		274
Research and development expenses		355		205
Provision for product warranties		343		232
Excess depreciation		242		284
Provision for bonuses		86		80
Other		375		645
		7,500		9,101
Valuation reserve for net operating loss carryforwards ＊2		(2,904)		-
Valuation reserve for deductible temporary differences		(3,999)		-
Valuation reserve -total ＊1		(6,903)		(8,555)
Total deferred income tax assets		597		546
Deferred income tax liabilities:				
Net unrealized holding gains on securities		(1,474)		(1,434)
Accelerated depreciation		(120)		(209)
Net unrealized holding gains on derivatives		(115)		(58)
Other		(209)		(201)
Total deferred income tax liabilities		(1,918)		(1,902)
Net deferred income tax liabilities	¥	(1,321)	¥	(1,356)

Notes ＊1 Valuation reserve amount decreased by ¥1,651 Million. The main reason of this decrease is due to the fact that ¥2,432 Million decreased the company's valuation reserve for future deductible amount.

＊2 Net operating loss carryforwards and its deferred income tax assets by expiration periods were as follows:

13. Income taxes (cont'd.)

Current fiscal year (April 1, 2017 to March 31, 2018)

Year ending March 31,	Millions of yen						
	2019	2020	2021	2022	2023	2024 and after	Total
Net operating loss Carryforwards ＊3	—	—	—	—	¥ 907	¥ 2,000	¥ 2,907
Valuation reserve	—	—	—	—	(907)	(1,997)	(2,904)
Net deferred income tax assets	—	—	—	—	—	¥ 3	¥ 3

＊3 Net operating loss carryforwards shown in the above table is after multiplying the statutory tax rate.

(b) The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for the year ended March 31, 2018 after tax effect accounting was applied.

	2018
Statutory tax rate	30.9 %
Permanently nondeductible expenses	0.3
Taxation on per capita basis	0.2
Change in valuation allowance for deferred income tax assets	(32.6)
Other	(0.8)
Effective tax rate	(2.0) %

For the year ended March 31, 2017, the difference between the statutory tax rate and the effective tax rate after tax effect accounting was not described because the Company declared a loss before income taxes.

14. Net assets

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 Japanese Corporate Law (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 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 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.

(a) Number and type of shares issued and number and type of shares of treasury stock

	2018			
	Number of shares			
	April 1, 2017	Increase	Decrease	March 31, 2018
Common stock	6,908,359	-	-	6,908,359
Treasury stock	25,296	457	-	25,753

The increase in treasury stock of 457 shares was due to the acquisition of fractional shares.

14. Net assets (cont'd)

	2017			
	Number of shares			
	April 1, 2016	Increase	Decrease	March 31, 2017
Common stock	69,083,597	-	(62,175,238)	6,908,359
Treasury stock	246,131	3,004	(223,839)	25,296

The Company consolidated every 10 shares into one share on October 1, 2016 based on the number of shares held by shareholders listed in the shareholders' register as of September 30, 2016. As a result, the number of issued shares decreased by 62,175,238 shares. The increase in treasury stock of 3,004 shares was due to the acquisition of fractional shares. The decrease in treasury stock of 223,839 shares was due to the consolidation of shares.

(b) Dividends

Dividends paid

(March 31, 2017)

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting, May 11, 2016	Common stock	207	3.00	March 31, 2016	June 13, 2016

Note: Consolidation of 10 shares into one share was implemented on October 1, 2016. For the dividend per share based on a resolution of the Board of Directors meeting held on May 11, 2016, the actual amount of dividends before the consolidation of shares is stated.

At March 31, 2018, there were no dividends paid.

15. Related party transactions

At March 31, 2017, Kintetsu Track Engineering ("KTE") was the subsidiary of other related company. The Company's purchases related to construction of a new factory from KTE for the year ended March 31, 2017 were ¥1,534 million. Payables to KTE at March 31, 2017 were ¥410 million.

At March 31, 2018, there were no significant related party transaction.

16. Derivative transactions

Information on derivatives for which hedge accounting had not been applied at March 31, 2018 is as follows:

	Millions of yen							
	2018							
	Contract amount							
	Total		Due after one year		Fair value		Gain(loss)	
Non-market transactions:								
Selling								
US dollar	¥	1,460	¥	-	¥	(13)	¥	(13)
Total	¥	1,460	¥	-	¥	(13)	¥	(13)

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

At March 31, 2017, there were no derivatives for which hedge accounting had not been applied.

Information on derivatives for which hedge accounting had been applied at March 31, 2018 is as follows:

	Millions of yen					
	2018					
	Contract amount					
	Total		Due after one year		Fair value	
Foreign currency forward exchange contracts:						
Selling						
US dollar（forecasted transaction）	¥	6,003	¥	3,141	¥	283
US dollar（receivables – trade）＊1		10,045		-		-
Total	¥	16,048	¥	3,141	¥	283
Buying						
Euro（forecasted transaction）	¥	750	¥	-	¥	81
GB pound（forecasted transaction）		82		-		12
Euro（payables - trade）＊1		87		-		-
GB pound（payables - trade）＊1		16		-		-
Total	¥	935	¥	-	¥	93

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

16. Derivative transactions (cont'd)

Information on derivatives for which hedge accounting had been applied at March 31, 2017 is as follows:

	Millions of yen					
	2017					
	Contract amount				Fair value	
	Total		Due after one year			
Foreign currency forward exchange contracts:						
Selling						
US dollar（forecasted transaction）	¥	13,230	¥	10,522	¥	106
HK dollar（forecasted transaction）		829		-		1
HK dollar（receivables – trade）＊1		1,046		-		-
Total	¥	15,105	¥	10,522	¥	107
Buying						
Euro（forecasted transaction）	¥	3,286	¥	810	¥	60
GB pound（forecasted transaction）		272		103		21
Total	¥	3,558	¥	913	¥	81

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

Note ＊1 Foreign currency forward exchange contracts for which the designation method is applied are accounted for together with the receivables - trade that are the hedged items. As a result, the fair values of those contracts are included in the fair values of the receivables - trade.

17. 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 ¥688 million and ¥693 million for the years ended March 31, 2018 and 2017, respectively. The book value (balance), net changes during the year and fair value of the real estate for lease were as follows:

	Millions of yen	
	2018	
Balance at April 1, 2017	¥	1,644
Net changes during the year		(27)
Balance at March 31, 2018	¥	1,617
Fair value at March 31, 2018		9,921

17. Fair value of investment and rental property (cont'd)

	Millions of yen	
	2017	
Balance at April 1, 2016	¥	1,715
Net changes during the year		(71)
Balance at March 31, 2017	¥	1,644
Fair value at March 31, 2017		9,971

Note: The decrease represents primarily the sale of real estate, in the amount of ¥48 million.

18. Leases

(a) Finance leases

(As lessee)

Non-ownership-transfer finance lease transactions

Leased assets consist mainly of machinery and equipment.

(b) Operating leases

Obligations under operating leases at March 31, 2018 and 2017 were as follows:

	Millions of yen			
	2018		2017	
Payments due within one year	¥	120	¥	205
Payments due after one year		808		683
Total payments remaining	¥	928	¥	888

19. 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, public and 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."

19. Segment information (cont'd)

(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."

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

Current fiscal year（April 1, 2017 to March 31, 2018）:

	Millions of yen			
	Reportable segments			
	Rolling Stock	Lease of Real Estate	Adjustment	Consolidated
Net sales	¥ 60,884	¥ 793	¥ (0)	¥ 61,677
Segment Profit	5,156	688	(924)	4,920
Segment assets	74,569	1,635	3,466	79,670
Segment liabilities	27,564	999	29,218	57,781
Depreciation and amortization	1,368	27	39	1,434
Increase in tangible and intangible assets	552	-	15	567

1. Adjustments are as follows:

(a) Adjustment of segment profit of ¥(924) million is corporate expenses of ¥(924) million not attributable to reportable segments and represents administrative expenses of the Company.

(b) Adjustment of segment assets of ¥3,466 million is for surplus funds and assets that are not allocable to any reportable segments.

(c) Adjustment of segment liabilities of ¥29,218 million is for liabilities that are not allocable to any reportable segments.

(d) Depreciation and amortization of ¥39 million is depreciation and amortization that are not allocable to any reportable segments.

(e) Increase in tangible and intangible assets of ¥15 million is equipment investment that is not allocable to any reportable segments.

2. Segment profit is adjusted to operating profit in the consolidated statements of operations.

19. Segment information (cont'd)

Previous fiscal year（April 1, 2016 to March 31, 2017）:

	Millions of yen							
	Reportable segments							
	Rolling Stock		Lease of Real Estate		Adjustment		Consolidated	
Net sales	¥	44,745	¥	800	¥	(1)	¥	45,544
Segment profit (loss)		(13,858)		693		(1,061)		(14,226)
Segment assets		66,571		1,662		4,402		72,635
Segment liabilities		38,917		1,100		16,059		56,076
Depreciation and amortization		1,093		27		37		1,157
Increase in tangible and intangible assets		4,514		-		68		4,582

1. Adjustments are as follows:

(a) Adjustment of segment profit (loss) of ¥(1,061) million is corporate expenses of ¥(1,061) million not attributable to reportable segments and represents administrative expenses of the Company.

(b) Adjustment of segment assets of ¥4,402 million is for surplus funds and assets that are not allocable to any reportable segments.

(c) Adjustment of segment liabilities of ¥16,059 million is for liabilities that are not allocable to any reportable segments.

(d) Depreciation and amortization of ¥37 million is depreciation and amortization that are not allocable to any reportable segments.

(e) Increase in tangible and intangible assets of ¥68 million is equipment investment that is not allocable to any reportable segments.

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

19. Segment information (cont'd)

Related information

Information for each country and area for the year ended March 31, 2018 is as follows:

(a) Net sales

Millions of yen				
Japan	United States of America	State of Qatar	Other	Consolidated
¥ 15,115	¥ 24,073	¥ 17,797	¥ 4,692	¥ 61,677

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

Other	China (Hong Kong), United Arab Emirates, Arab Republic of Egypt, Republic of the Philippines

（Changes in presentation method）

Net sales of "State of Qatar," which was included in "Others" in the previous consolidated fiscal year, is separately presented in this consolidated fiscal year due to its increased quantitative materiality.

Africa" and "Asia", which had been presented separately in the previous consolidated fiscal year, are included in "Others" in this consolidated fiscal year due to its decreased quantitative materiality.

To reflect this change in presentation, "Related information (1) Net sales" in the previous consolidated fiscal year has been reclassified.

(b) Property, plant and equipment

Millions of yen		
Japan	United States of America	Consolidated
¥ 10,965	¥ 2,505	¥ 13,470

Information for major customers for the year ended March 31, 2018 is as follows:

Customer	Net sales (millions of yen)	Segment
Los Angeles County Metropolitan Transit Authority	¥ 20,989	Rolling stock
Mitsubishi Corporation	18,044	Rolling stock

19. Segment information (cont'd)

Information for each country and area for the year ended March 31, 2017 is as follows:

(a) Net sales

Millions of yen				
Japan	United States of America	State of Qatar	Other	Consolidated
¥ 17,167	¥ 23,422	¥ 241	¥ 4,714	¥ 45,544

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

Other	China (Hong Kong), United Arab Emirates, Arab Republic of Egypt, Republic of the Philippines

(b) Property, plant and equipment

Millions of yen		
Japan	United States of America	Consolidated
¥ 11,444	¥ 2,986	¥ 14,430

Information for major customers for the year ended March 31, 2017 is as follows:

Customer	Net sales (millions of yen)	Segment
Los Angeles County Metropolitan Transit Authority	¥ 18,252	Rolling stock
West Japan Railway Company	8,274	Rolling stock
New Jersey Transit	4,818	Rolling stock

20. Per share information

Per share information for the years ended March 31, 2018 and 2017 was as follows:

	Yen	
	2018	2017
Net assets per share	¥ 3,180.32	¥ 2,405.68
Net income (loss) per share	750.50	(2,122.49)

Notes :(1) Diluted net income per share was not disclosed because there were no dilutive shares.

(2) The Company consolidated every 10 shares into one share on October 1, 2016 based on the number of shares held by shareholders listed in the final shareholders' register as of September 30, 2016.

Per share information for the year ended March 31, 2017 is based on the assumption that the consolidation of shares had been implemented as of April 1, 2016.

(3) Net income (loss) per share was calculated on the following basis.

	2018	2017
Net income (loss) (millions of yen)	5,166	(14,610)
Amounts not attributable to ordinary shares (millions of yen)	-	-
Net income (loss) attributable to ordinary shares (millions of yen)	5,166	(14,610)
Average number of shares outstanding during each year (shares)	6,882,859	6,883,445

21. Gain on sales of noncurrent assets

For the fiscal years ended March 31, 2018 and 2017, gain on the sales of noncurrent assets was mainly gain on the sales of land.

22. Deferred payment contracts treated as financial transactions

Deferred payment contracts have been treated as financial transactions, and the amounts of the contracts as of March 31, 2018 were included as follows:

	Millions of yen	
	2018	2017
Work-in-process	¥ 957	¥ -
Short-term loans payable	957	-

23. Subsequent Events

(Transfer of fixed assets)
On April 27, 2018, the Company transferred the fixed asset as follows.

(a) Reason for the transfer
① To make effective utilization of the Company's resources
② To make improvement of the Company's financial position

(b) Summary of assets transferred

Description of asset and location	Millions of yen			Current conditions
	Transfer price	Carrying amount	Net gain(estimated) (Note)	
Inadauemachi, Higashiosaka,Osaka Land : 2,971.74 ㎡	¥ 425	¥ 83	¥ 320	Bicycle parking, etc.

Note : Net gain is the amount of transfer price less carrying amount and expected expenses relating to the transfer.

(c) Name of the transferee
Ichinen Facilities Co., LTD.

(d) Schedule
Resolution by the Board of Directors : February 27, 2018
Conclusion of transfer agreement : February 27, 2018
Date of transfer : April 27, 2018

(e) Impact on consolidated profit/loss of the relevant event
With regard to the transferred fixed asset, gain on sales of property, plant and equipment in the amount of ¥320 million is expected to be recognized as "Gain on sales of noncurrent assets" in the year ending March 31, 2019.