ANNUAL REPORT 2011

Year ended March 31, 2011

ShinMaywa Industries, Ltd.

Aspiring to be an enterprise characterized by responsiveness, creativity and love of a challenge

Ever since the foundation of ShinMaywa in 1949, based on the production technologies developed by forerunner Kawanishi Aircraft, we have expanded the scope of our business. Consequently, we have been making a great contribution to the development of Japan's social infrastructure in various spheres as a provider of special purpose trucks, industrial machinery, and other equipment.

Drawing on 60 years of experience, the ShinMaywa Group is engaged in business not only in Japan but globally. Products bearing the ShinMaywa logo are hard at work around the world.

Despite the changes in our business fields and geographical coverage, our aspiration to contribute to society by deploying the Group's accumulated expertise is unchanged.

Resolved to contribute to a better tomorrow by playing an indispensable role in society through our products and services, we respond to the trust and fulfill the expectations of our stakeholders, always striving to create a rich living environment and social infrastructure while endeavoring to be a source of happiness and transform dreams into everyday reality.

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Disclaimer

Caution Concerning Forward-Looking Statements

This annual report contains forward-looking statements—that is, statements related to future, not past, events. Such statements are in accordance with management's present plans, strategies and outlook, based on management's judgment in light of information currently available. These forward-looking statements involve potential risks and uncertainties, and ShinMaywa offers no guarantee as to their accuracy and reliability. It should be noted that the Company's actual performance may differ materially from that expressed in the forward-looking statements herein, owing to various factors. These factors include future economic conditions, competition in the industry, market demand, exchange rates, other social and economic circumstances and contingencies.

Note: The Company's fiscal year is from April 1 to March 31. Fiscal 2010 is a fiscal year from April 1, 2010, to March 31, 2011 (from page 1 to page 3).

Message To Our Shareholders

Overview of fiscal 2010

Business results for fiscal 2010 were extremely challenging. The Great East Japan Earthquake which struck at the end of the fiscal year had an effect, but the main factor was that sales of core products did not reach the level initially forecasted.

In the special purpose truck business, where demand has fallen by half over the past five years, we have worked to improve profitability by increasing the in-house manufacturing ratio and streamlining operations from order to delivery. However, in the midst of tough competition for orders, we were not able to achieve results above the company plan for fiscal 2010.

Performance was also driven down by factors including the fact that orders for water treatment equipment did not meet the planned targets and a worsening profit picture for aircraft passenger boarding bridges. As a result, we were not able to achieve the estimated sales and profit figures that were presented in October of 2010.

Mid-to-long-term Management Challenges

As a manufacturer, we believe that it is our responsibility to establish a cycle in which we "provide products and services that are needed in the market, earn an appropriate profit from which we pay dividends and taxes, maintain employment, and invest for the future."

In order to fulfill this responsibility, the Group's most important task is to devote our energy to "expanding sales and enhancing productivity," and "improving profitability."

Our product line is centered on the social infrastructure business; however, the majority of our products have reached the maturity stage. Under these circumstances, in order to ensure domestic sales, "marketing, factory, and service" must act as one, continuing our efforts to create products and services that can deliver satisfaction and security to our customers.

At the same time, while the Group is noted for operating in a wide range of fields, putting an equal effort into each business area will not yield substantial results. Therefore, we will carefully examine the potential of each business, and concentrate investment of management resources in those operations that should be built up, in order to reap steady returns.

With regard to overseas markets, we believe that the way to earn recognition and trust for our company's brand is to use our key technologies to create and put on the market products based on a solid grasp of local needs, and at the same time to set up a system that can provide ongoing after-sales service. Beginning with thorough market studies for each region, we will construct a business flow from production through sales and maintenance.

Fiscal 2011 Business Environment

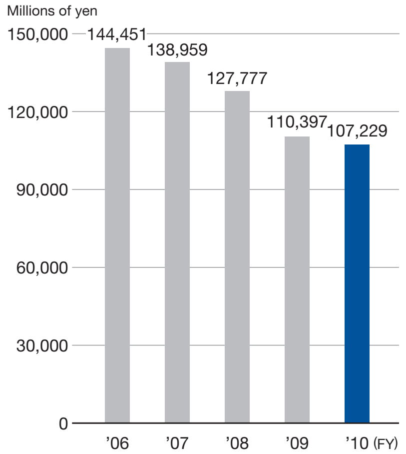
The harsh environment surrounding the Group is expected to continue in fiscal 2011, with the effects of the Great East Japan Earthquake added to other factors including the downward pressure of the rising yen on sales and profits. In this environment, we will devote the united strength of the Group to resolving the mid-to-long-term management challenges mentioned above, and to meeting our performance goals.

Going forward, I would like to extend my sincere appreciation to each and every one of our shareholders for their ongoing support and understanding of our Group.

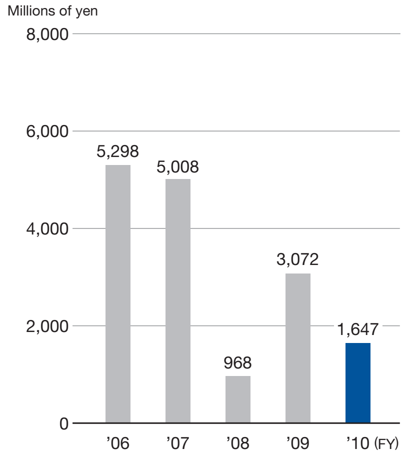
Yoshihiro Onishi
President & Chief Executive Officer
ShinMaywa Industries, Ltd.

Financial Highlights

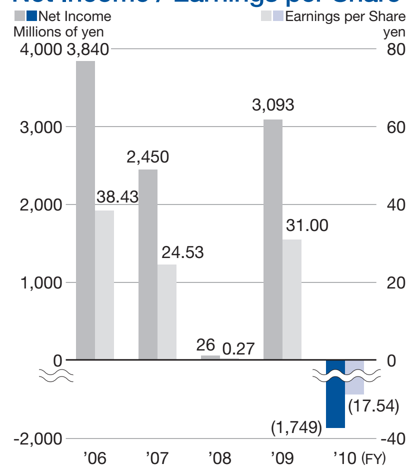
Net Sales



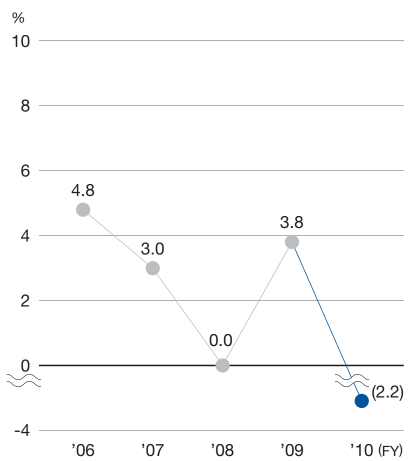
Operating Income



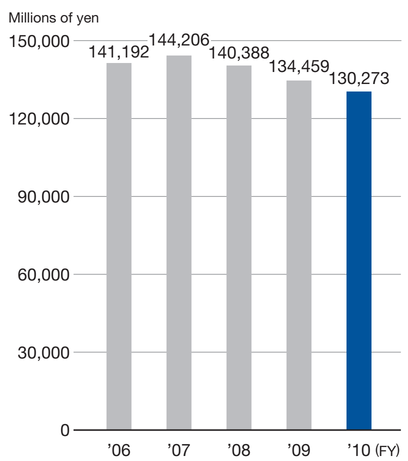
Net Income / Earnings per Share



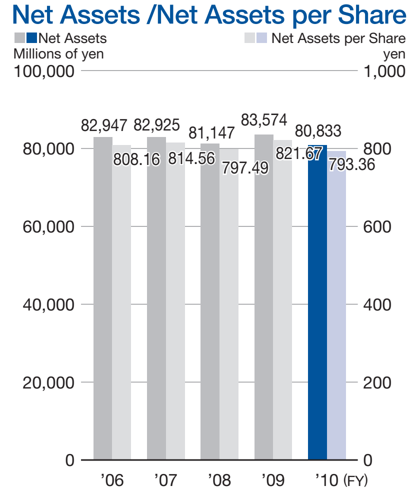
Return on Equity



Total Assets



Net Assets /Net Assets per Share



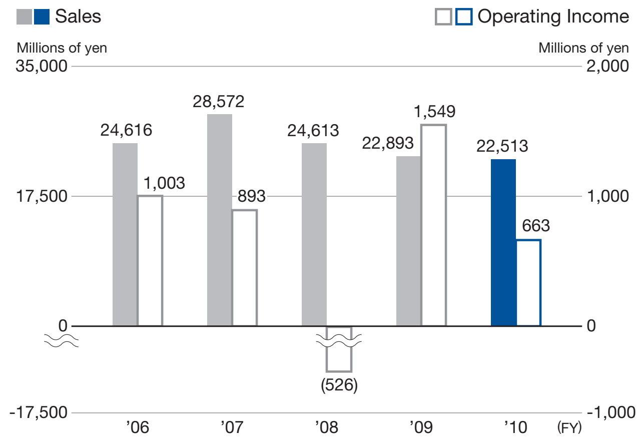
Business Results

In fiscal 2010, the Japanese economy continued on a moderate recovery trend on the strength of improving overseas economies and the effects of various government-led, economic stimulus measures; however, uncertainty continued to prevail due to certain downside risks including the effects of deflation and the deterioration of the employment situation, in addition to the severe repercussions of the Great East Japan Earthquake on the economy.

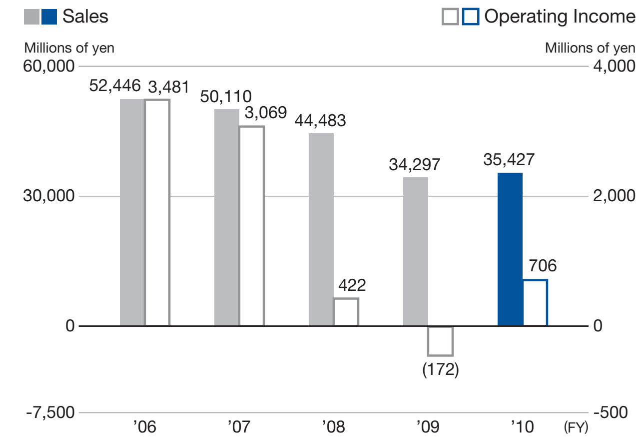
Under these circumstances, despite increased demand as a result of the government's subsidy program for the dissemination of environmentally friendly vehicles and last-minute purchases in anticipation of stricter vehicle emission controls in the special purpose truck segment, the decline in orders received and sales from the Ministry of Defense in the Aircraft segment compounded with the poor sales of car parking systems, whose orders received were dismal in the previous fiscal year, caused orders received to decrease 1.8% year on year to ¥98,480 million and net sales to decrease 2.9% to ¥107,229 million overall. Substantial declines in profits compared to the previous year were also recorded due to the appreciating yen and the decline in net sales, as operating income decreased 46.4% year on year to ¥1,647 million and ordinary income decreased 56.1% to ¥1,372 million. Additionally, as a result of recording a loss on the sale of noncurrent assets under extraordinary loss necessitated by the Great East Japan Earthquake and the reversal of a portion of deferred tax assets upon careful review of their collectibility, the Group recorded a net loss of ¥1,749 million.

Performance by Segments

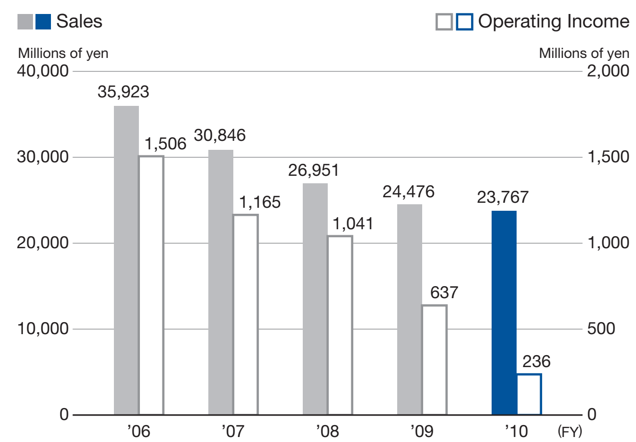
Aircraft



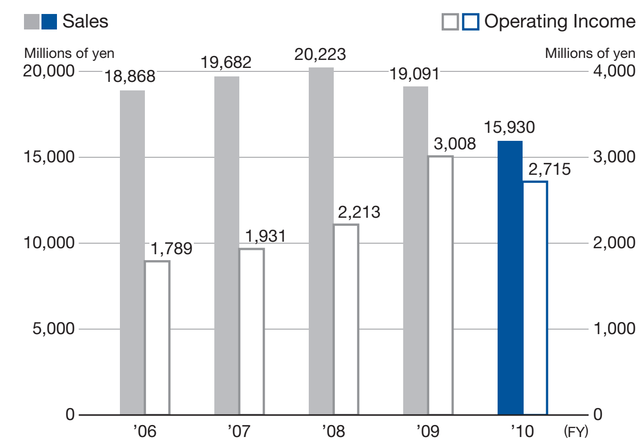
Special Purpose Truck



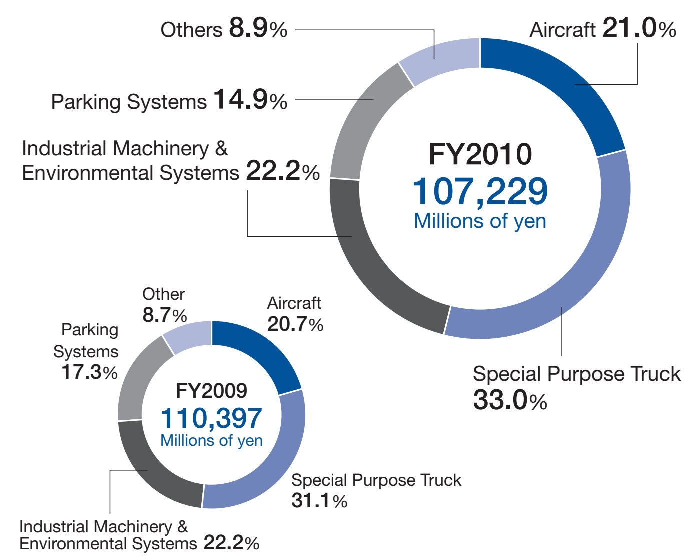
Industrial Machinery & Environmental Systems



Parking Systems



● Contribution of Each Segment to Net Sales



● Major Products by Segments

Aircraft
US-2 STOL Search and Rescue Amphibian, Components for Boeing 777, 787 and Gulfstream G550

Special Purpose Truck
Rear Dump Body and Tipping Gear, Detachable Container System, Arm Hinge Type Tail Gate Lifter, Refuse Collector

Industrial Machinery & Environmental Systems
Pumps and related products, Automatic Wire Terminating Machines, Refuse Transfer Station System

Parking Systems
Elevator Type Car Parking System

Consolidated Five-year Summary

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007, 2008, 2009, 2010 and 2011

	Millions of yen					Thousands of U.S. dollars
	2007	2008	2009	2010	2011	2011
For the year:						
Net sales	¥144,451	¥138,959	¥127,777	¥110,397	¥107,229	$1,291,916
Net (loss) income	3,840	2,450	26	3,093	(1,749)	(21,072)
Net cash (used in) provided by operating activities	(1,930)	6,498	(2,021)	10,571	4,142	49,904
Net cash used in investing activities	(3,352)	(4,183)	(3,330)	(843)	(1,347)	(16,229)
Net cash provided by (used in) financing activities	2,943	(1,054)	4,919	(3,092)	(3,022)	(36,410)
Cash and cash equivalents at end of the year	10,099	11,333	10,794	17,448	17,150	206,627
At year-end:						
Total net assets	82,947	82,925	81,147	83,574	80,833	973,892
Total assets	141,192	144,206	140,388	134,459	130,273	1,569,554
			Yen			U.S. dollars
Per share amounts:						
Net assets per share	¥808.16	¥814.56	¥797.49	¥821.67	¥793.36	$9.58
Net (loss) income per share	38.43	24.53	0.27	31.00	(17.54)	(0.21)
Ratios:						
Capital adequacy ratio (%)	57.1	56.4	56.7	61.0	60.8	–
Rate of return on equity capital (%)	4.8	3.0	0.0	3.8	(2.2)	–
Price earnings ratio (multiple)	15.87	12.56	766.67	11.16	–	–
Other:						
Number of employees	3,761	3,954	3,883	3,753	3,717	

Note: U.S. dollar amounts in this annual report are translated from Japanese yen, for convenience only, at the rate of ¥83 = US$1.00, the approximate rate prevailing on March 31, 2011.

Report of Independent Auditors

Grant Thornton

Report of Independent Auditors

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The Board of Directors of
ShinMaywa Industries, Ltd.

We have audited the accompanying consolidated balance sheets of ShinMaywa Industries, Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ShinMaywa Industries, Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements are presented solely for convenience. Our audits also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translations have been made on the basis described in Note 3 to the consolidated financial statements.

Grant Thornton Taiyo ASG

Osaka, Japan
June 28, 2011

Consolidated Balance Sheets

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)	
	2011	2010	2011	2010
Assets				
Current assets:				
Cash and deposits (Notes 4 and 20)	¥ 17,150	¥ 17,548	$ 206,627	$ 211,422
Trade notes and accounts receivable (Note 20)	46,370	42,578	558,675	512,988
Allowance for doubtful receivables	(45)	(102)	(542)	(1,229)
Inventories (Note 5)	31,237	35,914	376,349	432,699
Deferred income taxes (Note 10)	2,997	2,002	36,108	24,120
Prepaid expenses and other current assets	896	1,086	10,795	13,084
Total current assets	98,606	99,028	1,188,024	1,193,108
Property, plant and equipment (Notes 6 and 14):				
Land (Note 11)	4,554	5,252	54,867	63,277
Buildings and structures	35,414	35,478	426,675	427,446
Machinery, equipment and vehicles	35,325	34,683	425,602	417,867
Construction in progress	163	727	1,964	8,759
	75,458	76,142	909,133	917,373
Less accumulated depreciation and impairment loss	(54,489)	(53,055)	(656,494)	(639,217)
Property, plant and equipment, net	20,968	23,086	252,627	278,145
Investments and long-term loans receivable:				
Investments in an unconsolidated subsidiary and affiliates	476	385	5,735	4,639
Investment securities (Notes 7 and 20)	2,722	2,718	32,795	32,747
Long-term loans receivable	225	50	2,711	602
Total investments and long-term loans receivable	3,424	3,155	41,253	38,012
Deferred income taxes (Note 10)	3,163	5,352	38,108	64,482
Other assets	4,111	3,835	49,530	46,205
Total assets	¥130,273	¥134,459	$1,569,554	$1,619,988

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)	
	2011	2010	2011	2010
Liabilities and net assets				
Current liabilities:				
Trade notes and accounts payable (Note 20)	¥ 16,795	¥ 14,935	$ 202,349	$ 179,940
Short-term bank loans (Notes 8 and 20)	6,000	6,000	72,289	72,289
Current portion of long-term debt (Notes 8 and 20)	2,000	2,000	24,096	24,096
Accrued expenses	5,885	4,835	70,904	58,253
Accrued income taxes (Note 10)	453	568	5,458	6,843
Accrued bonuses for directors	23	68	277	819
Provision for product warranty	15	57	181	687
Provision for losses on construction contracts (Note 15)	1,362	953	16,410	11,482
Other current liabilities	2,702	4,623	32,554	55,699
Total current liabilities	35,238	34,042	424,554	410,145
Long-term liabilities:				
Long-term debt (Notes 8 and 20)	524	2,532	6,313	30,506
Accrued retirement benefits for employees (Note 9)	7,970	7,840	96,024	94,458
Accrued retirement benefits for directors and corporate auditors	484	540	5,831	6,506
Deferred income taxes (Note 10)	72	149	867	1,795
Deferred income taxes on land revaluation reserve (Note 11)	62	62	747	747
Negative goodwill	239	385	2,880	4,639
Other long-term liabilities	4,847	5,330	58,398	64,217
Total long-term liabilities	14,201	16,841	171,096	202,904
Total liabilities	49,440	50,884	595,663	613,060
Net assets:				
Shareholders' equity (Note 12):				
Common stock				
Authorized – 300,000,000 shares				
Issued – 119,727,565 shares at March 31, 2011 and 2010	15,981	15,981	192,542	192,542
Capital surplus	15,737	15,737	189,602	189,602
Retained earnings (Note 24)	55,897	58,645	673,458	706,566
Less treasury common stock, at cost; 19,958,438 shares at March 31, 2011 and 19,943,009 shares at March 31, 2010	(8,202)	(8,196)	(98,819)	(98,747)
Total shareholders' equity	79,414	82,167	956,795	989,964
Accumulated other comprehensive income (loss):				
Unrealized gain on securities (Note 7)	451	435	5,434	5,241
Land revaluation reserve (Note 11)	(389)	(389)	(4,687)	(4,687)
Translation adjustments	(324)	(224)	(3,904)	(2,699)
Total accumulated other comprehensive loss	(261)	(178)	(3,145)	(2,145)
Minority interests	1,680	1,585	20,241	19,096
Total net assets	80,833	83,574	973,892	1,006,916
Total liabilities and net assets	¥130,273	¥134,459	$1,569,554	$1,619,988

The accompanying notes are an integral part of these statements.

Consolidated Statements of Operations

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)	
	2011	2010	2011	2010
Net sales	¥107,229	¥110,397	$1,291,916	$1,330,084
Cost of sales (Notes 5, 15 and 16)	91,313	93,975	1,100,157	1,132,229
Gross profit	15,916	16,422	191,759	197,855
Selling, general and administrative expenses (Notes 13 and 16)	14,269	13,349	171,916	160,831
Operating income	1,647	3,072	19,843	37,012
Other income (expenses):				
Interest and dividend income	64	48	771	578
Interest expense	(84)	(118)	(1,012)	(1,422)
Amortization of negative goodwill	146	146	1,759	1,759
Equity in earnings (losses) of an unconsolidated subsidiary and affiliates	116	(8)	1,398	(96)
Foreign exchange losses, net	(648)	(201)	(7,807)	(2,422)
Loss on disaster (Note 17)	(326)	–	(3,928)	–
Other, net (Note 14)	(798)	482	(9,614)	5,807
	(1,530)	349	(18,434)	4,205
Income before income taxes and minority interests	116	3,421	1,398	41,217
Income taxes (Note 10):				
Current	753	992	9,072	11,952
Deferred	1,124	(673)	13,542	(8,108)
(Loss) income before minority interests	(1,762)	3,102	(21,229)	37,373
Minority interests in (loss) income	(12)	8	(145)	96
Net (loss) income	¥ (1,749)	¥ 3,093	$ (21,072)	$ 37,265

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)	
	2011	2010	2011	2010
(Loss) income before minority interests	¥(1,762)	¥3,102	$(21,229)	$37,373
Other comprehensive (loss) income:				
Unrealized gain on securities	12	279	145	3,361
Translation adjustments	(70)	31	(843)	373
Share of other comprehensive (loss) income of associates accounted for using equity method	(31)	4	(373)	48
Total other comprehensive (loss) income	(88)	315	(1,060)	3,795
Comprehensive (loss) income	¥(1,850)	¥3,417	$(22,289)	$41,169
Comprehensive (loss) income attributable to:				
Owners of the parent company	(1,833)	3,405	(22,084)	41,024
Minority interests	(16)	11	(193)	133

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

		Millions of yen								
		Shareholders' Equity				Accumulated other comprehensive income (loss)				
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury common stock, at cost	Unrealized gain on securities	Land revaluation reserve	Translation adjustments	Minority interests	Total net assets
Balance at March 31, 2009	119,727,565	¥15,981	¥15,737	¥56,549	¥(8,194)	¥158	¥(389)	¥(259)	¥1,563	¥81,147
Disposal of treasury stock	–	–	–	(0)	0	–	–	–	–	0
Acquisition of treasury stock	–	–	–	–	(3)	–	–	–	–	(3)
Dividends paid	–	–	–	(997)	–	–	–	–	–	(997)
Net income for the year	–	–	–	3,093	–	–	–	–	–	3,093
Net changes in items other than those in shareholders' equity	–	–	–	–	–	277	–	34	22	334
Balance at March 31, 2010	119,727,565	15,981	15,737	58,645	(8,196)	435	(389)	(224)	1,585	83,574
Acquisition of treasury stock	–	–	–	–	(5)	–	–	–	–	(5)
Dividends paid	–	–	–	(997)	–	–	–	–	–	(997)
Net loss for the year	–	–	–	(1,749)	–	–	–	–	–	(1,749)
Net changes in items other than those in shareholders' equity	–	–	–	–	–	15	–	(99)	95	11
Balance at March 31, 2011	119,727,565	¥15,981	¥15,737	¥55,897	¥(8,202)	¥451	¥(389)	¥(324)	¥1,680	¥80,833

	Thousands of U.S. dollars (Note 3)								
	Shareholders' Equity				Accumulated other comprehensive income (loss)				
	Common stock	Capital surplus	Retained earnings	Treasury common stock, at cost	Unrealized gain on securities	Land revaluation reserve	Translation adjustments	Minority interests	Total net assets
Balance at March 31, 2009	$192,542	$189,602	$681,313	$(98,723)	$1,904	$(4,687)	$(3,120)	$18,831	$977,675
Disposal of treasury stock	–	–	(0)	0	–	–	–	–	0
Acquisition of treasury stock	–	–	–	(36)	–	–	–	–	(36)
Dividends paid	–	–	(12,012)	–	–	–	–	–	(12,012)
Net income for the year	–	–	37,265	–	–	–	–	–	37,265
Net changes in items other than those in shareholders' equity	–	–	–	–	3,337	–	410	265	4,024
Balance at March 31, 2010	192,542	189,602	706,566	(98,747)	5,241	(4,687)	(2,699)	19,096	1,006,916
Acquisition of treasury stock	–	–	–	(60)	–	–	–	–	(60)
Dividends paid	–	–	(12,012)	–	–	–	–	–	(12,012)
Net loss for the year	–	–	(21,072)	–	–	–	–	–	(21,072)
Net changes in items other than those in shareholders' equity	–	–	–	–	181	–	(1,193)	1,145	133
Balance at March 31, 2011	$192,542	$189,602	$673,458	$(98,819)	$5,434	$(4,687)	$(3,904)	$20,241	$973,892

The accompanying notes are an integral part of these statements.

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)	
	2011	2010	2011	2010
Operating activities				
Income before income taxes and minority interests	¥ 116	¥ 3,421	$ 1,398	$ 41,217
Depreciation and amortization	3,236	3,566	38,988	42,964
Equity in (earnings) losses of an unconsolidated subsidiary and affiliates	(116)	8	(1,398)	96
Increase (decrease) in accrued retirement benefits for employees, directors and corporate auditors	74	(369)	892	(4,446)
Interest and dividend income	(64)	(48)	(771)	(578)
Interest expense	84	118	1,012	1,422
(Increase) decrease in trade notes and accounts receivable	(3,793)	4,574	(45,699)	55,108
Decrease in inventories	4,739	6,568	57,096	79,133
Increase (decrease) in trade notes and accounts payable	1,871	(3,516)	22,542	(42,361)
Other, net	(1,047)	(2,378)	(12,614)	(28,651)
	5,101	11,943	61,458	143,892
Interest and dividends received	63	48	759	578
Interest paid	(83)	(118)	(1,000)	(1,422)
Income taxes paid	(938)	(1,302)	(11,301)	(15,687)
Net cash provided by operating activities	4,142	10,571	49,904	127,361
Investing activities				
Purchases of property, plant and equipment	(1,575)	(1,633)	(18,976)	(19,675)
Purchases of intangible assets	(192)	(312)	(2,313)	(3,759)
Proceeds from sales of property, plant and equipment	537	63	6,470	759
Proceeds from transfer of business	–	838	–	10,096
Other, net	(116)	201	(1,398)	2,422
Net cash used in investing activities	(1,347)	(843)	(16,229)	(10,157)
Financing activities				
Repayment of long-term loans payable	(2,000)	(2,000)	(24,096)	(24,096)
Acquisition of treasury stock, net	(5)	(2)	(60)	(24)
Dividends paid	(997)	(997)	(12,012)	(12,012)
Dividends paid to minority shareholders	(21)	(21)	(253)	(253)
Repayments of finance lease obligations	(145)	(102)	(1,747)	(1,229)
Other, net	146	32	1,759	386
Net cash used in financing activities	(3,022)	(3,092)	(36,410)	(37,253)
Effect of exchange rate changes on cash and cash equivalents	(70)	18	(843)	217
Net (decrease) increase in cash and cash equivalents	(298)	6,654	(3,590)	80,169
Cash and cash equivalents at beginning of the year	17,448	10,794	210,217	130,048
Cash and cash equivalents at end of the year (Note 4)	¥17,150	¥17,448	$206,627	$210,217

The accompanying notes are an integral part of these statements.

ShinMaywa Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

1. Summary of Significant Accounting Policies

(a) Basis of presentation

ShinMaywa Industries, Ltd. (the "Company") and its domestic consolidated subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and its overseas consolidated subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required under the Financial Instruments and Exchange Act of Japan and, therefore, have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

As permitted by the Financial Instruments and Exchange Act, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

(b) Scope of Consolidation

The consolidated financial statements included the accounts of the Company and its 19 and 18 subsidiaries for the years ended March 31, 2011 and 2010, respectively. Investments in 1 subsidiary and 2 affiliates are accounted for by the equity method for the years ended March 31, 2011 and 2010.

(c) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and significant companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

The balance sheet date of certain consolidated subsidiaries is December 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from January 1 through March 31 have been adjusted, if necessary.

(d) Foreign currency translation

All monetary assets and liabilities, regardless of whether they are short-term or long-term, denominated in foreign currencies are translated into yen at the exchange rates prevailing as of the fiscal year end, and the resulting gain and loss are included in income.

Balance sheet accounts and revenue and expense accounts of the overseas consolidated subsidiaries are translated into yen at the exchange rates prevailing as of the fiscal year end, except for the components of net assets excluding minority interests which are translated at their historical exchange rates. Translation adjustments are presented as a component of valuation and translation adjustments and minority interests.

(e) Cash equivalents

For the purpose of the consolidated statements of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

(f) Securities

Securities are generally classified into three categories: trading, held-to-maturity or other securities. Securities held by the Company and its consolidated subsidiaries are all classified as other securities. Marketable securities classified as other securities are carried at fair value with any changes in unrealized gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(g) Inventories

Inventories are stated principally at the lower of cost, cost being determined by the moving average method, or net selling value.

(h) Property, plant and equipment

Depreciation of property, plant and equipment is computed by the declining-balance method, except that certain foreign subsidiaries apply the straight-line method. The Company and its principal domestic consolidated subsidiaries apply useful lives and residual value of the respective assets as prescribed by the Corporation Tax Law for accounting purposes.

Leased assets under lease transactions that do not transfer ownership of the leased assets to the lessee are depreciated over the respective lease periods by the straight-line method to a nil residual value. Finance leases commencing prior to April 1, 2008 that do not transfer ownership of the leased assets to the lessee are accounted for as operating lease transactions as permitted by the revised accounting standard.

Property, plant and equipment and intangible fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized if certain indicators of asset impairment exist and the book value of an asset exceeds the undiscounted sum of future cash flows of the asset and is measured as the excess of the book value over the higher of (1) the fair market value of the asset, net of disposition costs, and (2) the present value of future cash flows arising from ongoing utilization of the asset and from disposal of the asset after use.

Business assets of the Company and its consolidated subsidiaries are grouped at its management accounting units for impairment testing. However, the Company and its consolidated subsidiaries determine whether an asset is impaired on an individual asset basis for leased assets and when a business asset is deemed to be idle or it is scheduled to be disposed of.

(i) Allowance for doubtful receivables

An allowance for doubtful receivables is provided at an amount calculated based on historical experience, while specific allowances for doubtful receivables are provided for the estimated amounts considered to be uncollectible after reviewing individual collectibility.

(j) Accrued bonuses for directors

Accrued bonuses for directors are provided for payments of bonuses to directors based on estimated amounts.

(k) Provision for product warranty

For payments of the after-sales service expense of the product and the repair cost of the completed work, provision for product warranty is provided based on past experience.

(l) Provision for losses on construction contracts

With regard to construction contracts that have not yet been delivered and are with high probability of generating losses at the end of the fiscal year, and where it is possible to reasonably estimate the amount of such losses, the estimated amount of losses to be incurred is provided as provision for losses on construction contracts.

(m) Retirement benefits

Accrued retirement benefits for employees are provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the balance sheet dates, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated remaining years of service of the eligible employees.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over a period of 13 years which falls within the average remaining years of service of the eligible employees.

Prior service cost is amortized as incurred by the straight-line method over a period of 13 years which falls within the average remaining years of service of the eligible employees.

Certain domestic consolidated subsidiaries have adopted a simplified method for calculating their retirement benefit obligation which is permitted under the accounting standard for retirement benefits.

In addition, subject to the shareholders' approval, directors and corporate auditors of the Company and its consolidated subsidiaries are customarily entitled to lump-sum payments of retirement benefits. Provision for retirement benefits for those officers has been made at estimated amounts under the internal rules of the Company and its consolidated subsidiaries.

(n) Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(o) Significant revenue recognition

The Company applies the percentage-of-completion method to the construction contracts (estimated percentage of completion is calculated using the cost-to-cost method) for which the outcome of their activities at the end of the fiscal year is deemed certain, and the completed contract method to other construction contracts.

(Change in accounting policies)
With regard to the recognition of revenues from contract works, prior to this fiscal year, production of STOL Search and Rescue Amphibians were recognized by the percentage-of-completion method. Revenues from

production of waste treatment facilities with contracted amounts exceeding ¥400 million ($4,819 thousand) and production periods exceeding one year were also recognized by the percentage-of-completion method, while other manufacturer contracts were recognized by the completed contract method. However, from the year ended March 31, 2010, the Company has adopted the “Accounting Standard for Construction Contracts” (ASBJ Statement No.15 issued on December 27, 2007) and “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No.18 issued on December 27, 2007) and it applies the percentage-of-completion method to the construction contracts (estimated percentage of completion is calculated using the cost-to-cost method) for which the outcome of their activities at the end of the year ended March 31, 2010 is deemed certain, and the completed contract method to other construction contracts, to the construction contracts that commenced during the year ended March 31, 2010. As a result of this change, net sales increased by ¥2,070 million ($24,940 thousand), and operating income and income before income taxes and minority interests increased by ¥96 million ($1,157 thousand) for the year ended March 31, 2010 compared with the corresponding amounts which would have been recorded under the previous method.

(p) Research and development costs

Research and development costs are charged to income as incurred and are included in cost of sales and selling, general and administrative expenses.

(q) Amounts per share

Net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Amounts per share of net assets are computed based on net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end.

(r) Derivative financial instruments

Derivatives are stated at fair value.

(s) Goodwill and negative goodwill

Goodwill or negative goodwill, the differences between the cost and the underlying equity in net assets at the respective dates of acquisition of the consolidated subsidiaries, is amortized on a straight-line method over the period of 5 years.

(t) Consumption taxes

All amounts in the accompanying financial statements are stated exclusive of consumption tax. Non-deductible consumption taxes paid by a domestic consolidated subsidiary which can not be reduced from consumption taxes received in accordance with the Consumption Tax Law of Japan are charged to income as incurred.

2. Change in Accounting Policy

Effective the year ended March 31, 2011, the Company and its consolidated subsidiaries applied “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.18 issued on March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No.21 issued on March 31, 2008). As a result of this application, operating income decreased by ¥1 million ($12 thousand) and income before income taxes and minority interests decreased by ¥78 million ($940 thousand) for the year ended March 31, 2011.

3. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made for both 2011 and 2010, as a matter of arithmetic computation only, at the rate of ¥83 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2011. The translations should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. Supplementary Cash Flow Information

Information related to cash and cash equivalents as of March 31, 2011 and 2010 is as follows:

	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Cash and deposits	¥17,150	¥17,548	$206,627	$211,422
Time deposits with deposit terms of more than three months	–	(100)	–	(1,205)
Cash and cash equivalents at end of the year	¥17,150	¥17,448	$206,627	$210,217

The following shows a breakdown of assets and liabilities that decreased as a result of the transfer of the incinerated ash nitrification business and the proceeds from transfer of business.

	Millions of yen	Thousands of U.S. dollars
	2010	
Current assets	¥248	$ 2,988
Fixed assets	639	7,699
Current liabilities	(130)	(1,566)
Long-term liabilities	(17)	(205)
Gain on transfer of business	234	2,819
Value of the business transfer	975	11,747
Cash and cash equivalents of the transfer company	(136)	(1,639)
Net proceeds from transfer of business	¥838	$10,096

5. Inventories

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Finished goods	¥ 1,884	¥ 2,131	$ 22,699	$ 25,675
Work in process	19,960	23,383	240,482	281,723
Raw materials and supplies	9,298	10,305	112,024	124,157
Real estate for sale	93	94	1,120	1,133
	¥31,237	¥35,914	$376,349	$432,699

A loss on devaluation of inventories in the amount of ¥33 million ($398 thousand) is recorded under cost of sales for the year ended March 31, 2011. Reversal of loss on devaluation of inventories in the amount of ¥13 million ($157 thousand) is recorded under cost of sales for the year ended March 31, 2010.

Inventories and provision for contract losses are not offset. The amount of provision for contract losses against the inventories (work in process) is ¥132 million ($1,590 thousand) and ¥140 million ($1,687 thousand) for the years ended March 31, 2011 and 2010, respectively.

6. Fair Value of Investment and Rental Properties

The Company and part of its consolidated subsidiaries own rental apartments in Hyogo and other areas. Rent income from such real estate was ¥137 million ($1,651 thousand) and ¥153 million ($1,843 thousand) for the years ended March 31, 2011 and 2010, respectively. Impairment loss was ¥29 million ($349 thousand) and ¥40 million ($482 thousand) for the years ended March 31, 2011 and 2010, respectively. Loss on sales was ¥214 million ($2,578 thousand) for the year ended March 31, 2011.

The carrying amount and fair value of investment and rental properties at the end of the years ended March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Carrying amount	¥1,797	¥2,643	$21,651	$31,843
Fair Value	3,780	4,766	45,542	57,422

Among the increases and decreases during the year ended March 31, 2011, the major decrease comprised the disposal of idle properties of ¥735 million ($8,855 thousand).

(Additional Information)
Effective from the year ended March 31, 2010, the Company has adopted the “Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Statement No.20 issued on November 28, 2008) and “Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Guidance No.23 issued on November 28, 2008).

7. Securities

a) Information with respect to marketable securities classified as other securities as of March 31, 2011 and 2010 are as follows:

	Millions of yen			Thousands of U.S. dollars		
	March 31, 2011					
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
Securities whose fair value exceeds their acquisition cost:						
Equity securities	¥ 642	¥1,532	¥ 890	$ 7,735	$18,458	$10,723
Bonds and debentures	–	–	–	–	–	–
Other securities	–	–	–	–	–	–
	¥ 642	¥1,532	¥ 890	$ 7,735	$18,458	$10,723
Securities whose acquisition cost exceeds their fair value:						
Equity securities	¥ 761	¥ 569	¥(192)	$ 9,169	$ 6,855	$(2,313)
Bonds and debentures	–	–	–	–	–	–
Other securities	–	–	–	–	–	–
	¥ 761	¥ 569	¥(192)	$ 9,169	$ 6,855	$(2,313)
	¥1,403	¥2,101	¥ 697	$16,904	$25,313	$ 8,398

	Millions of yen			Thousands of U.S. dollars		
	March 31, 2010					
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
Securities whose fair value exceeds their acquisition cost:						
Equity securities	¥ 642	¥1,464	¥ 821	$ 7,735	$17,639	$ 9,892
Bonds and debentures	–	–	–	–	–	–
Other securities	–	–	–	–	–	–
	¥ 642	¥1,464	¥ 821	$ 7,735	$17,639	$ 9,892
Securities whose acquisition cost exceeds their fair value:						
Equity securities	¥ 760	¥ 634	¥(126)	$ 9,157	$ 7,639	$(1,518)
Bonds and debentures	–	–	–	–	–	–
Other securities	–	–	–	–	–	–
	¥ 760	¥ 634	¥(126)	$ 9,157	$ 7,639	$(1,518)
	¥1,402	¥2,098	¥ 695	$16,892	$25,277	$ 8,373

b) The aggregate book value of securities with no available fair value as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Unlisted stocks	¥620	¥620	$7,470	$7,470

8. Short-Term Bank Loans and Long-Term Debt

The weighted average interest rate on short-term bank loan as of March 31, 2011 and 2010 was 0.73% and 0.80%, respectively.

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Unsecured loans due through 2013 with weighted-average interest rates of 0.83% at March 31, 2011 and 0.93% at March 31, 2010	¥ 2,012	¥ 4,000	$ 24,241	$ 48,193
Lease obligations due through 2017	512	532	6,169	6,410
	2,524	4,532	30,410	54,602
Less current portion	(2,000)	(2,000)	(24,096)	(24,096)
	¥ 524	¥ 2,532	$ 6,313	$ 30,506

The aggregate annual maturities of long-term debt subsequent to March 31, 2011 are as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31,		
2012	¥2,160	$26,024
2013	147	1,771
2014	114	1,373
2015	56	675
2016	27	325
2017	18	217
Total	¥2,524	$30,410

Lease obligations of ¥160 million ($1,928 thousand) as of March 31, 2011 whose maturity dates are in the year ending March 31, 2012 are included in the long-term debt of ¥524 million ($6,313 thousand) presented in the consolidated balance sheet as of March 31, 2011.

9. Retirement Benefit Plans for Employees

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., corporate pension plans and lump-sum payment plans, covering substantially all their employees. Eligible employees, upon termination of employment, are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. The certain consolidated subsidiaries participate in the multi-employer welfare pension fund plan.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2011 and 2010 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Retirement benefit obligation	¥(24,146)	¥(24,047)	$(290,916)	$(289,723)
Plan assets at fair value	14,256	13,905	171,759	167,530
Unfunded retirement benefit obligation	(9,889)	(10,142)	(119,145)	(122,193)
Unrecognized actuarial loss	3,390	3,212	40,843	38,699
Unrecognized prior service cost	(105)	(99)	(1,265)	(1,193)
Net retirement benefit obligation	(6,605)	(7,029)	(79,578)	(84,687)
Prepaid pension cost	1,365	811	16,446	9,771
Accrued retirement benefits	¥ (7,970)	¥ (7,840)	$ (96,024)	$ (94,458)

Certain domestic consolidated subsidiaries have adopted a simplified method for calculating their retirement benefit obligation which is permitted under the accounting standard for retirement benefits.

The components of retirement benefit expenses for the years ended March 31, 2011 and 2010 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Service cost	¥1,077	¥1,079	$12,976	$13,000
Interest cost	456	453	5,494	5,458
Expected return on plan assets	(104)	(19)	(1,253)	(229)
Amortization of actuarial loss	503	565	6,060	6,807
Amortization of prior service cost	6	6	72	72
Total	¥1,940	¥2,085	$23,373	$25,120

Retirement benefit expenses of certain domestic consolidated subsidiaries, which have been calculated by a simplified method, are included in service cost in the above table.

The assumptions used in the accounting for the above plans were as follows:

	2011	2010
Discount rate	2.0%	2.0%
Expected rates of return on plan assets	0.8%	0.2%

Certain subsidiaries contributed ¥40 million ($482 thousand) and ¥39 million ($470 thousand) to the multi-employer welfare pension fund plan for the years ended March 31, 2011 and 2010, which was not included in the table of retirement benefit expenses above. The funded status of the multi-employer welfare pension fund plan as of March 31, 2011 and 2010 is as follows:

	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Plan assets	¥ 71,359	¥ 62,486	$ 859,747	$ 752,843
Projected benefit obligation recorded by pension fund	(95,550)	(104,869)	(1,151,205)	(1,263,482)
Unfunded status	¥(24,191)	¥ (42,383)	$ (291,458)	$ (510,639)

The Company's contribution percentage for the multi-employer welfare pension fund plan was 0.9% and 0.8% for the years March 31, 2011 and 2010, respectively. This percentage does not agree with the actual share percentage of the consolidated subsidiaries to the pension plan.

The unfunded status of the multi-employer welfare plan mainly represented past service liabilities of ¥14,242 million ($171,590 thousand), added amount of asset valuation adjustments of ¥10,900 million ($131,325 thousand) and surplus funds of ¥951 million ($11,458 thousand) as of March 31, 2011. The unfunded status of the multi-employer welfare plan mainly represented past service liabilities of ¥17,416 million ($209,831 thousand), added amount of asset valuation adjustments of ¥9,644 million ($116,193 thousand) and unfunded amounts of ¥15,324 million ($184,627 thousand) as of March 31, 2010. Past service liabilities are amortized with interest by the straight-line method over a period of 20 years. Special retirement benefit expenses of ¥13 million ($157 thousand) were charged to consolidated income for the years ended March 31, 2011 and 2010.

10. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in a statutory tax rate of approximately 40.6% for both 2011 and 2010. Income taxes of the overseas consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The tax effects of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Deferred tax assets:				
Net operating loss carryforwards	¥2,029	¥2,202	$ 24,446	$ 26,530
Accrued retirement benefits for employees	2,611	2,778	31,458	33,470
Accrued bonuses	832	835	10,024	10,060
Accrued retirement benefits for directors and corporate auditors	197	220	2,373	2,651
Depreciation and amortization	274	300	3,301	3,614
Provision for losses on construction contracts	551	385	6,639	4,639
Other	2,577	1,651	31,048	19,892
	9,073	8,374	109,313	100,892
Valuation allowance	(2,426)	(527)	(29,229)	(6,349)
	6,647	7,846	80,084	94,530
Deferred tax liabilities:				
Deferred gain on sales of property, plant and equipment	182	184	2,193	2,217
Unrealized gain on securities	245	256	2,952	3,084
Negative goodwill	121	197	1,458	2,373
Other	9	3	108	36
	558	642	6,723	7,735
Net deferred tax assets	¥6,088	¥7,203	$ 73,349	$ 86,783

The effective tax rate reflected in the consolidated statements of operations for the years ended March 31, 2011 and 2010 differs from the statutory tax rate for the following reasons:

	2011	2010
Statutory tax rate	40.6 %	40.6 %
Expenses not deductible for tax purposes	68.4	3.4
Revenues not taxable for tax purposes	(6.7)	(0.2)
Per capital portion of inhabitants' taxes	107.0	3.7
Changes in valuation allowance	1,549.4	(33.9)
Amortization of negative goodwill	(46.2)	(1.6)
Tax credit	(19.0)	(0.7)
Deferred income taxes on unrealized intercompany profits	(72.5)	(3.5)
Other	(9.3)	1.5
Effective tax rate	1,611.7 %	9.3 %

11. Land Revaluation

Pursuant to the "Law Concerning the Revaluation of Land," land used for a consolidated subsidiary's business operations was revalued on March 31, 2000. The income tax effect of the difference between the book value and the revalued amounts have been presented under liabilities as "Deferred income taxes on land revaluation reserve" and the remaining balances have been presented under valuation and translation adjustments as "Land revaluation reserve" in the accompanying consolidated balance sheets.

Revaluation of the land was determined based on the property tax assessment values in accordance with Paragraph 3, Article 2 of the "Enforcement Ordinance Concerning Land Revaluation."

The carrying value of the land after revaluation exceeded its fair value by ¥196 million ($2,361 thousand) and ¥192 million ($2,313 thousand) at March 31, 2011 and 2010, respectively.

12. Shareholders' Equity

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

Movements in treasury stock during the years ended March 31, 2011 and 2010 are summarized as follows:

	Number of shares			
	2011			
	March 31, 2010	Increase	Decrease	March 31, 2011
Treasury stock	19,943,009	15,429	–	19,958,438

	2010			
	March 31, 2009	Increase	Decrease	March 31, 2010
Treasury stock	19,933,888	11,053	1,932	19,943,009

Dividends paid in the years ended March 31, 2011 and 2010 are as follows:

	Resolution			
	2011		2010	
	Annual general meeting of shareholders held on June 28, 2010	Board of directors meeting held on October 28, 2010	Annual general meeting of shareholders held on June 25, 2009	Board of directors meeting held on October 29, 2009
Class of shares	Common stock	Common stock	Common stock	Common stock
Total cash dividends				
(Millions of yen)	¥ 498	¥ 498	¥ 498	¥ 498
(Thousands of U.S. dollars)	$6,000	$6,000	$6,000	$6,000
Cash dividends per share				
(Yen)	¥ 5	¥ 5	¥ 5	¥ 5
(U.S. dollars)	$ 0.06	$ 0.06	$ 0.06	$ 0.06
Record date	March 31, 2010	September 30, 2010	March 31, 2009	September 30, 2009
Effective date	June 29, 2010	December 1, 2010	June 26, 2009	December 1, 2009

Dividends whose record date falls in the years ended March 31, 2011 or 2010, but whose effective date falls in the following year are as follows:

	Resolution	
	2011	2010
	Annual general meeting of shareholders to be held on June 28, 2011	Annual general meeting of shareholders to be held on June 28, 2010
Class of shares	Common stock	Common stock
Total cash dividends		
(Millions of yen)	¥ 498	¥ 498
(Thousands of U.S. dollars)	$6,000	$6,000
Cash dividends per share		
(Yen)	¥ 5	¥ 5
(U.S. dollars)	$ 0.06	$ 0.06
Record date	March 31, 2011	March 31, 2010
Effective date	June 29, 2011	June 29, 2010

13. Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of the following for the years ended March 31, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Employees salaries and allowances	¥5,406	¥4,885	$65,133	$58,855
Provision of allowance for doubtful receivable	1	63	12	759
Accrued bonuses for directors	23	68	277	819
Retirement benefit expenses	532	497	6,410	5,988
Provision for directors' and corporate auditors' retirement benefits	107	131	1,289	1,578

14. Impairment Loss on Fixed Assets

Impairment loss on fixed assets, a component of "other, net" included in other expenses in the consolidated statements of operations for the years ended March 31, 2011 and 2010 is as follows:

Location	Usage	Category	Millions of yen 2011	Thousands of U.S. dollars 2011
Yanai-city, Yamaguchi	Assets for rent	Buildings and structures and equipment	¥29	$349

Location	Usage	Category	Millions of yen 2010	Thousands of U.S. dollars 2010
Yanai-city, Yamaguchi	Assets for rent	Buildings and structures and equipment	¥40	$482

Assets for rent were written down to the recoverable amounts and impairment loss was recorded for the year ended March 31, 2011 since it became apparent that future profitability had deteriorated dramatically as a result of the fall in land prices, in addition to the fact that the property had no prospects of being transferred. The recoverable amounts of these assets were measured at net selling value, which was computed from the appraisal value based on the Real Estate Appraisal Standard.

Assets for rent were written down to the recoverable amounts and impairment loss was recorded for the year ended March 31, 2010 since they are to be sold. The recoverable amounts of these assets were measured at net selling value, which was computed at expected selling value less estimated disposal costs.

Breakdown of the impairment loss by asset type for the years ended March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Buildings and structures	¥29	¥40	$349	$482
Machinery, equipment and vehicles	0	0	0	0
Total	¥29	¥40	$349	$482

15. Provision for Losses on Construction Contracts

Provision for losses on construction contracts included in cost of sales for the years ended March 31, 2011 and 2010 amounted to ¥1,362 million ($16,410 thousand) and ¥953 million ($11,482 thousand), respectively.

16. Research and Development Expenses

Research and development expenses included in manufacturing cost and selling, general and administrative expenses for the years ended March 31, 2011 and 2010 amounted to ¥1,678 million ($20,217 thousand) and ¥1,447 million ($17,434 thousand), respectively.

17. Loss on Disaster

Loss on disaster is the loss associated with the earthquake, which struck the East Japan on March 11, 2011, and ¥326 million ($3,928 thousand) was recorded for the year ended March 31, 2011. Major components are inspection costs for parking facilities that had already been delivered and expenses associated with the dismantlement and removal of property, plant and equipment that had been devastated by the earthquake.

18. Amounts per Share

Amounts per share are summarized as follows:

	Yen		U.S. dollars	
Years ended March 31,	2011	2010	2011	2010
Net (loss) income	¥(17.54)	¥ 31.00	$(0.21)	$0.37
Net assets:				
Basic	793.36	821.67	9.56	9.90
Diluted	–	–	–	–

Diluted net income per share has not been presented because there were no potentially dilutive shares at March 31, 2011 and 2010, and the Company recorded net loss for the year ended March 31, 2011.

19. Leases

a) Finance leases which commencing on or before March 31, 2008 that do not transfer ownership of the leased assets to lessee

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2011 and 2010, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen			Thousands of U.S. dollars		
	March 31, 2011					
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	¥1,243	¥1,036	¥207	$14,976	$12,482	$2,494
Other assets	23	21	1	277	253	12
Total	¥1,266	¥1,058	¥208	$15,253	$12,747	$2,506

	Millions of yen			Thousands of U.S. dollars		
	March 31, 2010					
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	¥1,562	¥1,093	¥468	$18,819	$13,169	$5,639
Other assets	36	31	4	434	373	48
Total	¥1,598	¥1,125	¥473	$19,253	$13,554	$5,699

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥310 million ($3,735 thousand) and ¥404 million ($4,867 thousand) for the years ended March 31, 2011 and 2010, respectively. Depreciation of the leased assets computed by the straight-line method over the respective lease terms and the interest portion included in the lease payments amounted to ¥264 million ($3,181 thousand) and ¥7 million ($84 thousand), respectively, for the year ended March 31, 2011, and ¥355 million ($4,277 thousand) and ¥14 million ($169 thousand), respectively, for the year ended March 31, 2010. Reversal of reserve for loss on impairment of finance leases amounted to ¥2 million ($24 thousand) for the year ended March 31, 2010.

Future minimum lease payments subsequent to March 31, 2011 for finance lease transactions accounted for as operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31,		
2012	¥184	$2,217
2013 and thereafter	41	494
Total	¥226	$2,723

Future minimum lease payments subsequent to March 31, 2011 for operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31,		
2012	¥10	$120
2013 and thereafter	6	72
Total	¥16	$193

b) Finance leases that do not transfer ownership of the leased assets to the lessee

With respect to the contents of the leased assets, these are mainly production facilities for aircraft business and vehicles for operational use as tangible fixed assets.

Depreciation method of the leased assets are described in Note 1 (h).

20. Financial Instruments

a) Policy for financial instruments

The Group raises its necessary funds mainly through bank loans, according to its capital expenditure plan especially for the manufacture and sales of special purpose trucks and aircraft. Temporary idle funds are invested in low risk financial assets and the Group finances its short-term operating funds through bank loans. Derivatives contracts are used for the purpose of avoiding risks as described later, not for speculative purposes, limited to transactions associated with commercial needs.

b) Nature and extent of risks arising from financial instruments

Receivables such as trade notes and accounts receivable are exposed to customer credit risk. Trade receivables denominated in foreign currencies are exposed to foreign currency exchange fluctuation risk.

Investment securities are shares in the companies with which the Group has business relationships. These shares are exposed to the risk associated with fluctuation in market prices.

The payment terms of trade notes and accounts payable, which are trade liabilities, are mostly within one year. Also, part of these liabilities are related to imported raw materials, denominated in foreign currencies; therefore they are exposed to foreign currency exchange fluctuation risk but their amounts are constantly less than those of accounts receivable balances quoted in the same currencies.

Of the Group's debts, short-term bank loans provide the funds to finance its operating activities, while long-term debt is used primarily for capital investment. All the debts carry floating interest rates, thus they are exposed to the risk of interest rate fluctuations.

Derivative transactions mainly include forward foreign currency contracts, for the purpose of hedging the foreign currency exchange fluctuation risk to the Company's operating receivables denominated in foreign currencies. Forward foreign currency transactions are exposed to market price risk associated with the future fluctuation in exchange rates. They also pose risk arising from the possibility of counterparty financial institutions' default on their contracts.

c) Risk management for financial instruments

1. Credit risk management (customers' default risk)

With regard to trade notes and accounts receivable, which are operating receivables, the sales and accounting departments of the Company aim to identify and mitigate the default risk of customers due to deterioration of their financial conditions or other factors in the early stage, by regularly monitoring customers' financial conditions and managing the payment dates and outstanding balances of each customer's liabilities in accordance with internally defined procedures. The Company's consolidated subsidiaries conduct the same procedures according the Company's rules.

The Group enters into derivative contracts only with high credit rated financial institutions, in order to reduce the risk of counterparty default on these contracts.

2. Market risk management (foreign currency exchange and interest rate fluctuation risks)

In principle, the Company uses forward foreign exchange contracts to hedge against the monthly recognized foreign currency exchange fluctuation risk of each currency, associated with operating receivables denominated in foreign currencies. In addition, the amount of operating receivables denominated in foreign currencies that is certainly expected to be generated from projected export transactions, after deduction of the amount of foreign currency denominated payments which regularly occur monthly, is hedged by forward foreign exchange contracts under the limited maximum contract term of one year.

With respect to investment securities, the Company periodically monitors the movement of their fair values and financial condition of related issuers (trading counterparties), continuously reviewing its holdings.

Each derivative transaction needs to be approved by authorized persons and conducted by the finance department, in accordance with accounting regulations. The department books transactions and checks balances with counterparties. Monthly transaction results are reported to the director of the finance department. Meanwhile, the Company's consolidated subsidiaries do not conduct derivative transactions.

3. Liquidity risk management on fund raising (risk for delinquency)

The Company manages its liquidity risk through its finance department's compilation and upgrading of cash flow projections, based on the reports submitted by each business unit.

4. Supplementary explanations concerning fair values of financial instruments

Fair values of financial instruments comprise values determined based on market prices and values determined reasonably when there is no market price. Since variable factors are incorporated in computing the relevant fair values, such fair values may vary depending on the different assumptions. The notional amounts and other information described in Note 21 do not indicate the amounts of market risk exposed to derivative transactions.

The carrying amount on the consolidated balance sheets and fair value of financial instruments as of March 31, 2011 and 2010 are as follows:

	Millions of yen			Thousands of U.S. dollars		
	2011					
	Carrying amount	Fair value	Unrealized loss	Carrying amount	Fair value	Unrealized loss
Cash and deposits	¥17,150	¥17,150	¥ –	$206,627	$206,627	$ –
Trade notes and accounts receivable	46,370			558,675		
Allowance for doubtful receivables	(10)			(120)		
Subtotal	46,359	46,336	(22)	558,542	558,265	(265)
Investment securities:						
Available-for-sale securities	2,101	2,101	–	25,313	25,313	–
Total	¥65,612	¥65,589	¥(22)	$790,506	$790,229	$(265)
Trade notes and accounts payable	16,795	16,795	–	202,349	202,349	–
Short-term bank loans	6,000	6,000	–	72,289	72,289	–
Long-term debt	2,012	2,012	–	24,241	24,241	–
Total	¥24,807	¥24,807	¥ –	$298,880	$298,880	$ –
Derivative transactions	(23)	(23)	–	(277)	(277)	–

	Millions of yen			Thousands of U.S. dollars		
	2010					
	Carrying amount	Fair value	Unrealized loss	Carrying amount	Fair value	Unrealized loss
Cash and deposits	¥17,548	¥17,548	¥ –	$211,422	$211,422	$ –
Trade notes and accounts receivable	42,578			512,988		
Allowance for doubtful receivables	(10)			(120)		
Subtotal	42,567	42,552	(15)	512,855	512,675	(181)
Investment securities:						
Available-for-sale securities	2,098	2,098	–	25,277	25,277	–
Total	¥62,215	¥62,200	¥(15)	$749,578	$749,398	$(181)
Trade notes and accounts payable	14,935	14,935	–	179,940	179,940	–
Short-term bank loans	6,000	6,000	–	72,289	72,289	–
Long-term debt	4,000	4,000	–	48,193	48,193	–
Total	¥24,935	¥24,935	¥ –	$300,422	$300,422	$ –
Derivative transactions	(46)	(46)	–	(554)	(554)	–

Receivables and payables incurred by derivative transactions are presented in net. Net payables are presented in parenthesis.

Cash and deposits

Deposits are stated at book value, because their fair values approximate their book values due to the short maturity of these instruments.

Trade notes and accounts receivable

The fair value of these installments is stated at present value. Present value is computed by discounting periodically sectioned receivables, using a rate applied to the period to maturity adjusted by the claim's credit risk.

Investment securities

The fair value of investment securities is determined using the quoted price at the stock exchange. For the notes to each classified securities by holding purpose, see Note 7.

Trade notes and accounts payable and Short-term bank loans

These assets are recorded using book values because fair values approximate book values because of their short-term maturities.

Long-term debt

The fair value of long-term debt is stated at its book value. Its fair value approximates its book value because the debt carries variable interest rates that reflect the market rate of interest in the short term and the Company's credit standing has not changed significantly since it implemented the debt.

Derivatives
The information of the fair value for derivatives is described in Note 21.

The redemption schedule at March 31, 2011 for monetary assets after the balance sheet date is summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2011			
	Due in one year or less	Due after one year	Due in one year or less	Due after one year
Cash and deposits	¥17,150	¥ –	$206,627	$ –
Trade notes and accounts receivable	41,876	4,493	504,530	54,133
Total	¥59,027	¥4,493	$711,169	$54,133

The redemption schedule at March 31, 2011 for short-term bank loans and long-term debt after the balance sheet date is described in Note 8.

(Additional information)
Effective from the year ended March 31, 2010, the Company adopted the "Accounting Standard for Financial Instruments" (ASBJ Statement No.10 issued on March 10, 2008) and "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19 issued on March 10, 2008).

21. Derivatives

The contract or notional amounts of the derivative financial instruments held at March 31, 2011 and 2010 are summarized as follows:

	Millions of yen			
	March 31, 2011			
	Contracts due			
	Within one year	After one year	Fair value	(Loss)
Forward foreign exchange contracts:				
To sell foreign currencies U.S. dollars	¥ 2,427	¥ –	¥ 2,451	¥ (23)
	Thousands of U.S. dollars			
Forward foreign exchange contracts:				
To sell foreign currencies U.S. dollars	$29,241	$ –	$29,530	$(277)

	Millions of yen			
	March 31, 2010			
	Contracts due			
	Within one year	After one year	Fair value	(Loss)
Forward foreign exchange contracts:				
To sell foreign currencies U.S. dollars	¥ 1,426	¥ –	¥ 1,473	¥ (46)
	Thousands of U.S. dollars			
Forward foreign exchange contracts:				
To sell foreign currencies U.S. dollars	$17,181	$ –	$17,747	$(554)

22. Business Combination

(Transactions under common control)
The Company acquired ShinMaywa Engineering, Ltd., the Company's wholly owned subsidiary, together with Sigma Technos, Co. Ltd. and Kinki Technos, Co. Ltd., wholly owned subsidiaries of ShinMaywa Engineerings, Ltd., effective from June 1, 2009. The major business of the subjects of this merger is the manufacture, sales, and maintenance of parking equipment. It is positioned as one of the core businesses in our group and, in more recent years, as a source of earnings in the segment of industrial equipment. Partly under the influence of the prevailing economic downturn, however, it has become an urgent task for us to increase our rate of market dominance and effect prompt entry into overseas markets to compensate for the shrinkage of the domestic demand over the coming years. Through this merger, we intend to accelerate our activities of development and cost reduction as well as our cultivation of external markets in this business, and thereby to heighten our competitiveness with an eye on the global market.

These transactions are recorded as transactions under common control, based on "Accounting Standard for Business Combinations" (The Business Accounting Council (BAC), issued on October 31, 2003) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10 issued on November 15, 2007).

(Business divestitures)
Since its establishment in 1995, MELTEC, Ltd. has been involved in the business of the collection, transportation and intermediate treatment (e.g. crushing and separation processing) of industrial and municipal waste, together with resource recycling. With the aim of a more focused utilization of the Group's management resources on its core businesses in the coming years, it decided to transfer MELTEC, Ltd.'s incinerated ash nitrification business to DOWA ECO-SYSTEM Co., Ltd.

Estimated income and expenses associated with the separated business reported on the consolidated balance sheets for the year ended March 31, 2010 are as follows:

	Millions of yen	Thousands of U.S. dollars
Net sales	¥777	$9,361
Operating income	49	590

Assets and liabilities that decreased as a result of the transfer of business and the gain on transfer of business is described in Note 4.

23. Segment Information

a) Outline of reportable segments

Reportable segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigations to determine distribution of management resources and evaluate their business results. The Company operates under the system whereby the organization that oversees the cross-sectional functions of the Company is defined as the headquarter structure, while the organizations responsible for production activities that are directly linked to the Company's businesses are controlled by being divided into business segments according to their product. Consequently, the Company is made up of segments based on products and services, which form the bases of its business divisions. The four reportable segments are "Aircraft Business," "Special Purpose Truck Business," "Industrial Machinery and Environmental Systems Business" and "Parking Systems Business."

The "Aircraft Business" manufactures and sells amphibian aircraft and aircraft parts to overseas aircraft manufacturers. The "Special Purpose Truck Business" manufactures and sells special purpose trucks including dump trucks, tail gate lifters and refuse collectors, as well as forestry machinery. The "Industrial Machinery and Environmental Systems Business" manufactures and sells pumps and water treatment equipment, automatic wire processors, aircraft passenger boarding bridges and refuse processing facilities and equipment. The "Parking Systems Business" manufactures, sells, maintains, and restores mechanical parking facilities.

b) Calculation method of the amount of net sales, income (loss), assets and other items by reportable segments

The accounting method applied to reportable business segments is the same as that stated in "Summary of Significant Accounting Policies." The segment profit (loss) is based on operating income. Intersegment sales or transfers are determined based on current market prices.

Information about net sales, profit (loss), assets and other items by reportable segments for the years ended March 31, 2011 and 2010 are as follows:

	Millions of yen							
	Year ended March 31, 2011							
	Reportable segments							
	Aircraft	Special Purpose Trucks	Industrial Machinery and Environmental Systems	Parking Systems	Other	Total	Adjustments	Consolidated statements
Net Sales:								
Customers	¥22,513	¥35,427	¥23,767	¥15,930	¥9,591	¥107,229	¥ –	¥107,229
Inter-segment	2	246	4	28	1,669	1,952	(1,952)	–
Total	22,516	35,674	23,771	15,959	11,261	109,182	(1,952)	107,229
Segment profit	663	706	236	2,715	180	4,501	(2,854)	1,647
Segment assets	44,948	26,808	19,035	7,239	11,263	109,295	20,978	130,273
Other:								
Depreciation	¥ 1,038	¥ 939	¥ 680	¥ 167	¥ 166	¥ 2,992	¥ 244	¥ 3,236
Increase in property, plant and equipment and intangible assets	1,015	588	564	217	65	2,451	61	2,513
	Thousands of U.S. dollars							
Net Sales:								
Customers	$271,241	$426,831	$286,349	$191,928	$115,554	$1,291,916	$ –	$1,291,916
Inter-segment	24	2,964	48	337	20,108	23,518	(23,518)	–
Total	271,277	429,807	286,398	192,277	135,675	1,315,446	(23,518)	1,291,916
Segment profit	7,988	8,506	2,843	32,711	2,169	54,229	(34,386)	19,843
Segment assets	541,542	322,988	229,337	87,217	135,699	1,316,807	252,747	1,569,554
Other:								
Depreciation	$ 12,506	$ 11,313	$ 8,193	$ 2,012	$ 2,000	$ 36,048	$ 2,940	$ 38,988
Increase in property, plant and equipment and intangible assets	12,229	7,084	6,795	2,614	783	29,530	735	30,277

	Aircraft	Special Purpose Trucks	Industrial Machinery and Environmental Systems	Parking Systems	Other	Total	Adjustments	Consolidated statements
	Millions of yen							
	Year ended March 31, 2010							
	Reportable segments							
Net Sales:								
Customers	¥22,893	¥34,297	¥24,476	¥19,091	¥ 9,638	¥110,397	¥ –	¥110,397
Inter-segment	–	222	23	17	2,570	2,834	(2,834)	–
Total	22,893	34,519	24,499	19,109	12,209	113,231	(2,834)	110,397
Segment profit (loss)	1,549	(172)	637	3,008	282	5,305	(2,233)	3,072
Segment assets	42,821	27,809	21,275	9,754	11,245	112,906	21,552	134,459
Other:								
Depreciation	¥ 1,179	¥ 1,026	¥ 755	¥ 164	¥ 183	¥ 3,309	¥ 257	¥ 3,566
Increase in property, plant and equipment and intangible assets	296	945	681	65	78	2,066	37	2,104
	Thousands of U.S. dollars							
Net Sales:								
Customers	$275,819	$413,217	$294,892	$230,012	$116,120	$1,330,084	$ –	$1,330,084
Inter-segment	–	2,675	277	205	30,964	34,145	(34,145)	–
Total	275,819	415,892	295,169	230,229	147,096	1,364,229	(34,145)	1,330,084
Segment profit (loss)	18,663	(2,072)	7,675	36,241	3,398	63,916	(26,904)	37,012
Segment assets	515,916	335,048	256,325	117,518	135,482	1,360,313	259,663	1,619,988
Other:								
Depreciation	$ 14,205	$ 12,361	$ 9,096	$ 1,976	$ 2,205	$ 39,867	$ 3,096	$ 42,964
Increase in property, plant and equipment and intangible assets	3,566	11,386	8,205	783	940	24,892	446	25,349

The "Other" consists of business not included in the reportable segments, such as construction, real estate and software development.

(Additional Information)
Effective from the year ended March 31, 2011, the Company has adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related information" (ASBJ Statement No.17 issued on March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related information" (ASBJ Guidance No.20 issued on March 21, 2008).

Information about geographic areas for the year ended March 31, 2011 are as follows:

	Japan	Asia	North America	Other areas	Total
	Millions of yen				
	Year ended March 31, 2011				
Net Sales to Customers	¥ 87,139	¥ 5,014	¥ 11,917	¥ 3,158	¥ 107,229
	Thousands of U.S. dollars				
Net Sales to Customers	$1,049,867	$60,410	$143,578	$38,048	$1,291,916

Information about impairment loss of fixed assets in reportable segments for the year ended March 31, 2011 are as follows:

	Aircraft	Special purpose trucks	Industrial machinery and environmental systems	Parking systems	Other	Adjustment	Total
	Millions of yen						
	Year ended March 31, 2011						
Impairment Loss	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 29	¥ 29
	Thousands of U.S. dollars						
Impairment Loss	$ –	$ –	$ –	$ –	$ –	$349	$349

Information about goodwill in reportable segments for the year ended March 31, 2011 are as follows:

	Millions of yen						
	Year ended March 31, 2011						
	Aircraft	Special purpose trucks	Industrial machinery and environmental systems	Parking systems	Other	Adjustment	Total
(Negative goodwill) Amortization	¥ –	¥ 84	¥ –	¥14	¥48	¥ –	¥146
Unamortized balance	¥ –	¥133	¥ –	¥27	¥79	¥ –	¥239
	Thousands of U.S. dollars						
Amortization	$ –	$1,012	$ –	$169	$578	$ –	$1,759
Unamortized balance	$ –	$1,602	$ –	$325	$952	$ –	$2,880

24. Subsequent Event

The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2011, was proposed upon resolution at the meeting of the Board of Directors held on May 20, 2011 and is subject to approval at a shareholders' meeting to be held on June 28, 2011:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥5.00 = U.S.$0.06 per share)	¥498	$6,000

Company Profile

Company Name	ShinMaywa Industries, Ltd.
Head Office	1-1 Shinmeiwa-cho, Takarazuka-shi, Hyogo 665-8550, Japan
Paid-in Capital	15,981,967,991 yen
Founded	November 5, 1949
President	Yoshihiro Onishi
Category of Business	Transportation Equipment
Number of Employees	Consolidated 3,717 / Non-consolidated 2,643
Number of Affiliated Companies	23

Board of Directors

President and Chief Executive Officer	Yoshihiro Onishi
Board Member and Senior Vice President and Executive Officer	Yoshifumi Fujiwara
Board Members and Vice Presidents and Executive Officers	Keisuke Endo Mikiaki Kato
Board Member and Executive Officer	Masao Mizuta
Board Members	Nobutane Yamamoto *1 Kazuo Hiramatsu *1

*1 Outside Director *2 Outside Auditor

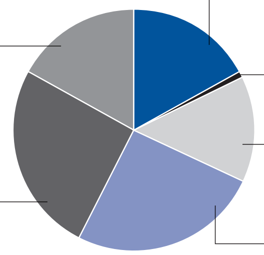
Senior Vice President and Executive Officer	Masachika Matsuoka
Vice Presidents and Executive Officers	Takeshi Ho Hiroichi Sano
Executive Officers	Masaharu Ishii Taku Ikeda Jitsuo Nakane Kanji Ishimaru
Corporate Auditors	Isao Nishimura Tomoya Teramoto Yuka Shimokobe *2 Kyozo Hayashi *2 Kaoru Kawano *2

Stock Information

Total Number of Shares Authorized	300,000,000 shares
Total Number of Shares Issued	119,727,565 shares
Number of Shares per Unit	1,000 shares
Number of Shareholders	10,287

Note: Figures in parentheses ( ) represent the number of respective shareholders.

Breakdown of Shareholders



Major Shareholders

Order	Name of Shareholders	Number of Shares Held	Shareholding Ratio (%)
1	SANSHIN CO., LTD.	9,293,065	9.31
2	Japan Trustee Services Bank, Ltd. (Trust Account)	7,276,000	7.29
3	The Master Trust Bank of Japan, Ltd. (Trust Account)	4,524,000	4.53
4	Hitachi, Ltd.	4,000,337	4.01
5	ShinMaywa Employees' Stock Ownership	3,620,286	3.63
6	CBNYDFA International Small Cap Value Portfolio	2,777,000	2.78
7	Credit Suisse (Luxembourg) S.A. On Behalf of Clients	2,088,600	2.09
8	JUNIPER	1,991,000	2.00
9	JP Morgan Chase Bank 385166	1,868,000	1.87
10	Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	1,771,000	1.78

Note: The Company holds 19,958,438 treasury stocks, but it has been excluded from the above list of major shareholders.

ShinMaywa

www.shinmaywa.co.jp

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