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Consolidated Financial Results for the Year Ended March 31, 2022 [Japanese GAAP]

May 10, 2022

Company name: Nippon Signal Co., Ltd.

Stock exchange listing: Tokyo

Code number: 6741

URL: <https://www.signal.co.jp>

Representative: Hidehiko Tsukamoto

President and CEO and COO

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General Manager, General Affairs Dept.

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Scheduled date of Annual General Meeting of Shareholders: June 24, 2022

Scheduled date of commencing dividend payments: June 03, 2022

Scheduled date of filing annual securities report: June 24, 2022

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual financial results briefing session: Yes

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 01, 2021 to March 31, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2022	85,047	(8.3)	5,390	(5.7)	6,538	1.2	4,503	(8.4)
March 31, 2021	92,755	(16.9)	5,713	(35.9)	6,463	(33.2)	4,916	(25.3)

(Note) Comprehensive income: Fiscal year ended March 31, 2022: ¥ 3,682 million [(44.8) %]
Fiscal year ended March 31, 2021: ¥ 6,668 million [153.1 %]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2022	72.21	-	5.3	4.7	6.3
March 31, 2021	78.82	-	6.0	4.6	6.2

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	134,086	86,740	64.7	1,390.71
March 31, 2021	141,356	84,694	59.9	1,357.90

(Reference) Equity: As of March 31, 2022: ¥ 86,740 million
As of March 31, 2021: ¥ 84,694 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2022	2,099	(2,344)	(6,750)	6,344
March 31, 2021	1,145	(1,911)	1,354	13,250

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2021	-	7.00	-	20.00	27.00	1,684	34.3	2.0
March 31, 2022	-	7.00	-	20.00	27.00	1,684	37.4	2.0
Fiscal year ending March 31, 2023 (Forecast)	-	7.00	-	20.00	27.00		-	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 01, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	95,000	11.7	7,000	29.9	7,800	19.3	5,200	15.5	83.37

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

March 31, 2022: 68,339,704 shares

March 31, 2021: 68,339,704 shares

2) Total number of treasury shares at the end of the period:

March 31, 2022: 5,968,067 shares

March 31, 2021: 5,967,952 shares

3) Average number of shares during the period:

Fiscal Year ended March 31, 2022: 62,371,664 shares

Fiscal Year ended March 31, 2021: 62,371,752 shares

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The statements regarding forecast of financial results in this report are based on the information that is available to the Company, as well as certain assumptions that are deemed to be reasonable by management. Therefore, there might be cases in which actual results differ materially from forecast values due to various factors. For the forecasts, please refer to “1. Overview of Business Results, etc. (4) Future Outlook” on page 4 of this report.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

In the fiscal year under review (April 1, 2021 to March 31, 2022), while the global economy was generally on a path to recovery as progress was made in the resumption of economic activities due to the roll-out of COVID-19 vaccines and economic stimulus measures, restoring normality to production activities and a rallying of personal spending, the future outlook remains uncertain, due to geopolitical risks resulting from Russia's invasion of Ukraine, sharp rises in raw materials prices, concerns about monetary tightening in the United States, and other factors.

In the Japanese economy as well, the slump in personal spending and stagnation of economic activity, the results of the intermittent issuing of state of emergency declarations, continued until the end of September 2021. From October 2021, the constraints on economic activity gradually eased, and the economy was trending toward recovery, with personal spending showing signs of rallying and corporate earnings picking up, particularly in the manufacturing industry due to an upward trend in exports. However, the future outlook remains uncertain, due to factors such as the sharp rise in resources prices due to Russia's invasion of Ukraine, concerns about inflation caused by the weakening of the yen, and the shortage of semiconductor chips.

Under these circumstances, based on our long-term management plan, the "Vision-2028 EVOLUTION 100," in our aim to become "Nippon Signal, supporter of structural reforms" by public transport operators, we are pursuing the development of new products and business structure reforms in anticipation of changes in the business environment in and after the COVID-19 era.

The Company's business results in the fiscal year under review were 79,709 million yen in orders received (down 6.4% year-on-year) and 85,047 million yen in net sales (down 8.3% year-on-year). Operating profit was 5,390 million yen (down 5.7% year-on-year), ordinary profit was 6,538 million yen (up 1.2% year-on-year), and profit attributable to owners of parent was 4,503 million yen (down 8.4% year-on-year).

An overview of the Company's business by segment is as follows.

[Transportation Infrastructure]

In Railway Signal Systems, in the domestic market, even as various products have been affected by the shortage of semiconductor chips, we received orders and recorded sales, including signal safety products such as Automatic Train Control (ATC) systems Centralized Traffic Control (CTC) systems, and interlocking devices for railway operators.

We are also developing products related to customers' reduction of fixed costs in anticipation of the post-COVID-19 era and capital investments focused on security and safety. We are rolling out Traio, our new platform that enables comprehensive monitoring across railway facilities and station devices to facilities around stations, to railway operators all over Japan.

Further, as an initiative for the automation of train operation, in December 2020, we commenced verification tests for advanced-function Automatic Train Operations (ATO), based on existing Automatic Train Stop (ATS) devices on a section of Kyushu Railway Company's Kashii Line. As the results of these tests were favorable, the use of these devices was expanded to the whole of the Kashii Line. We will continue to promote the development of products and services that will help our customers overcome their management challenges, such as a decrease in the workforce in the railway service.

In overseas markets, we received orders and recorded sales of railway signal safety products from India, Taiwan, and Korea. Based on our installation track record in these markets, we have engaged in sales and marketing activities in response to infrastructure demand in various Asian countries.

For Smart Mobility Systems, particularly Road Traffic Safety Systems, we received orders for and recorded sales of MVNO (network provision service business) and traffic signal equipment, etc. We also worked to expand sales of advanced Pedestrian Information and Communication Systems (PICS) and participated in verification testing of autonomous driving services using a System by coordination between infrastructure and autonomous car that we developed ourselves.

As a result of the above, orders received was 44,018 million yen (down 12.7% year-on-year) and net sales was 48,831 million yen (down 4.6% year-on-year). Segment profit was 5,267 million yen (down 26.0% year-on-year).

[ICT Solutions]

In AFC, particularly Station Service Network Systems, in the domestic market, despite the continued trend of reductions in capital investment by customers due to the impact of the COVID-19 pandemic, we received orders for and recorded sales of various types of platform doors, passenger gates, and ticket vending machines updated to accommodate the new 500 yen coin.

Looking to the future, in Station Network Systems, where rapid progress in digital transformation (DX) is being made, we worked on technological development and new product proposals for digital ticketing, e-commerce, transition to the cloud, etc.

In overseas markets, we received orders for and recorded sales of AFC systems and other products in Vietnam and Bangladesh.

In Smart City Systems, particularly Security System Solutions, although the semiconductor chip shortage continues to affect various products, we received orders for and recorded sales of 3D sensors for installation in platform doors, construction machinery, and farm equipment, as well as underground exploration radars, etc.

In the robotics field, we strived to expand sales of automated cleaning robots that have bacteria elimination functions and that are able to communicate with elevators. We engaged jointly with our partner companies (Note) in the development of multifunctional railway heavy machinery with the aim of the eliminating heavy-lifting work from railway maintenance operations and improving their efficiency.

As a result of the above, orders received was 35,691 million yen (up 2.6% year-on-year) and net sales was 36,216 million yen (down 12.9% year-on-year). Segment profit was 3,300 million yen (up 99.9% year-on-year).

(Note) West Japan Railway Company and Man-Machine Synergy Effectors, Inc.

(2) Overview of Financial Position for the Fiscal Year under Review

Total assets at the end of the fiscal year under review were 134,086 million yen, a decrease of 7,270 million yen compared with the end of the previous fiscal year. This was mainly due to decreases of 6,906 million yen in cash and deposits, 3,899 million yen in inventory assets, and 1,235 million yen in investment securities due to falls in fair value and other reasons, despite an increase of 5,002 million yen in notes and accounts receivable and contract assets.

Liabilities decreased by 9,316 million yen compared with the end of the previous fiscal year to 47,345 million yen, due mainly to decreases of 4,748 million yen in short-term borrowings, 3,207 million yen in notes and accounts payable, 838 million yen in provision for loss on orders received, and 501 million yen in income taxes payable.

Net assets were 86,740 million yen, an increase of 2,046 million yen compared with the end of the previous fiscal year. This was due mainly to the recording of 4,503 million yen in profit attributable to owner of parent, despite a decrease of 1,684 million yen due to dividends of surplus and a decrease of 845 million yen in valuation difference on available-for-sale securities.

(3) Overview of Cash Flows for the Fiscal Year under Review

The balance of cash and cash equivalents at the end of the fiscal year under review was 6,344 million yen, a decrease of 6,906 million yen compared with the end of the previous fiscal year.

Cash flows in each area of activity are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities for the year ended March 31, 2022 was 2,099 million yen, compared with a cash inflow of 1,145 million yen in the previous fiscal year. The principal cash inflow factor was 6,531 million yen in profit before tax, despite cash outflow factors of an increase of 4,524 million yen in trade receivables, a decrease of 2,871 million yen in trade payables, and income taxes paid of 1,685 million yen.

(Cash flows from investing activities)

Net cash used in investing activities for the year ended March 31, 2022 was 2,344 million yen, compared with a cash outflow of 1,911 million yen in the previous fiscal year. The principal cash outflow factor was 2,299 million yen for the acquisition of property, plant and equipment and intangible assets.

(Cash flow from financing activities)

Net cash used in financing activities for the year ended March 31, 2022 was 6,750 million yen, compared with a cash inflow of 1,354 million yen in the previous fiscal year. The principal cash outflow factors were 4,923 million yen in repayments of short-term borrowings and 1,680 million yen in expenditure due to payment of dividends.

(4) Future Outlook

In terms of future initiatives, in Railway Signal Systems, we will promote the creation of added value in signal safety devices and other equipment and develop products in response to social issues such as the decline in the workforce, natural disasters, and carbon offsets.

In Smart Mobility Systems, with the aim of providing commercial services including first/last one mile (FL1M) services, where self-driving public transportation vehicles connect departure points and transport hubs, such as train stations, as well as transport hubs and destinations, and automatic operation services, available based on coordination between infrastructure, such as traffic lights, and self-driving vehicles, we will participate in validation tests across Japan and work on product development and commercialization to implement such services.

In AFC, business opportunities for cashless settlement systems and image processing are expected to expand in anticipation of full-scale development of MaaS. To respond to the new smart mobility society and settlement systems, we will bring new products into the market and create new businesses.

In Smart City Systems, we will enhance security gate lineups and accommodate new technologies, such as facial recognition and contactless technologies. Moreover, we will work on the development of autonomous general-purpose humanoid heavy machinery by leveraging the knowledge gained from cleaning robot development.

Due to the impact of COVID-19, the trend of reduction in capital investments by our major customers is expected to continue for the immediate future. We will accelerate our transformation through the challenges of developing new products and rolling out new businesses in response to the changes in the business environment in and after the COVID-19 era (labor-saving and personnel-saving moves and work style reforms at our customers) and the rapid progress in digital transformation (DX).

Forecast amounts for the next fiscal year are as follows.

(Millions of yen)

	Net sales		Segment profit	
	Amount	Year-on-year change (%)	Amount	Year-on-year change (%)
Transportation Infrastructure	56,000	14.7	6,200	17.7
ICT Solutions	39,000	7.7	4,000	21.2
Sub-total	95,000	11.7	10,200	19.1
Adjustments	—	—	(3,200)	—
Total	95,000	11.7	7,000	29.9

Notes: Adjustments in segment profit (loss) represent corporate expenses that are not allocated to reportable segments.

Corporate expenses are primarily expenses of the administration divisions of the parent company's headquarters that are not attributable to any of the reportable segments.

2. Basic Policy on Selection of Accounting Standards

Taking into consideration the comparability of consolidated financial statements across periods and among companies, the Group will maintain its policy of preparing its consolidated financial statements under Japanese GAAP for the immediate future.

With regard to the application of International Financial Reporting Standards (IFRS), the Company's policy is to take appropriate measures after consideration of the situation in Japan and overseas.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31,2021	As of March 31,2022
Assets		
Current assets		
Cash and deposits	13,303	6,397
Notes and accounts receivable - trade	55,696	-
Notes receivable - trade	-	693
Accounts receivable - trade	-	30,109
Contract assets	-	29,894
Electronically recorded monetary claims - operating	1,658	1,188
Merchandise and finished goods	4,825	3,774
Work in process	12,672	9,110
Raw materials and supplies	2,723	3,436
Other	2,065	2,052
Allowance for doubtful accounts	(2)	(1)
Total current assets	92,943	86,657
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,897	6,796
Machinery, equipment and vehicles, net	1,173	1,055
Tools, furniture and fixtures, net	1,223	1,560
Land	5,488	5,488
Leased assets, net	101	89
Construction in progress	1,628	1,621
Total property, plant and equipment	16,513	16,611
Intangible assets	1,803	1,900
Investments and other assets		
Investment securities	24,670	23,435
Long-term loans receivable	3	2
Retirement benefit asset	2,529	2,551
Deferred tax assets	1,162	1,273
Other	1,754	1,677
Allowance for doubtful accounts	(23)	(23)
Total investments and other assets	30,097	28,916
Total non-current assets	48,413	47,429
Total assets	141,356	134,086

	As of March 31,2021	As of March 31,2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,574	10,367
Electronically recorded obligations - operating	4,007	4,231
Short-term borrowings	16,531	11,782
Lease liabilities	6	61
Income taxes payable	1,387	886
Contract liabilities	-	1,270
Provision for bonuses	2,628	2,603
Provision for loss on orders received	1,515	676
Other	6,973	5,157
Total current liabilities	46,624	37,037
Non-current liabilities		
Long-term deposits received	95	99
Long-term accounts payable - other	81	52
Lease liabilities	19	109
Deferred tax liabilities	564	602
Retirement benefit liability	9,276	9,444
Total non-current liabilities	10,037	10,307
Total liabilities	56,662	47,345
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	7,585	7,585
Retained earnings	62,939	65,806
Treasury shares	(6,570)	(6,570)
Total shareholders' equity	73,954	76,821
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,650	9,805
Remeasurements of defined benefit plans	90	114
Total accumulated other comprehensive income	10,740	9,919
Total net assets	84,694	86,740
Total liabilities and net assets	141,356	134,086

(2) Consolidated Statements of Income and Comprehensive Income

(Million yen)

	For the fiscal year ended March 31,2021	For the fiscal year ended March 31,2022
Net sales	92,755	85,047
Cost of sales	72,949	65,474
Gross profit	19,805	19,573
Selling, general and administrative expenses	14,092	14,182
Operating profit	5,713	5,390
Non-operating income		
Interest income	3	0
Dividend income	354	492
Dividend income of life insurance	170	144
Foreign exchange gains	18	168
Rental income from real estate	312	312
Nursing services income	38	37
Other	84	151
Total non-operating income	983	1,308
Non-operating expenses		
Interest expenses	43	36
Commission expenses	13	-
Rental expenses on real estate	49	49
Taxes and dues	16	30
Nursing services expense	42	41
Cost of the infection control under COVID-19	42	-
Other	25	2
Total non-operating expenses	233	160
Ordinary profit	6,463	6,538
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on sale of investment securities	826	-
Total extraordinary income	826	0
Extraordinary losses		
Loss on sale and retirement of non-current assets	6	7
Loss on sale of investment securities	0	-
Loss on valuation of investment securities	0	0
Total extraordinary losses	6	7
Profit before income taxes	7,282	6,531
Income taxes - current	2,248	1,674
Income taxes - deferred	118	353
Total income taxes	2,366	2,027
Profit	4,916	4,503
(Details)		
Profit attributable to owners of parent	4,916	4,503

(Million yen)

	For the fiscal year ended March 31,2021	For the fiscal year ended March 31,2022
Other comprehensive income		
Valuation difference on available-for-sale securities	1,635	(845)
Remeasurements of defined benefit plans, net of tax	116	24
Total other comprehensive income	1,751	(820)
Comprehensive income	6,668	3,682
(Details)		
Comprehensive income attributable to owners of parent	6,668	3,682

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31,2021

(Million yen)

	Shareholders' equity					Accumulated other comprehensive income			Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholder s' equity	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	10,000	7,585	59,644	(6,570)	70,659	9,014	(26)	8,988	79,648
Changes during period									
Dividends of surplus			(1,621)		(1,621)				(1,621)
Profit attributable to owners of parent			4,916		4,916				4,916
Change from merger of consolidated and unconsolidated subsidiaries					-				-
Purchase of treasury shares				(0)	(0)				(0)
Disposal of treasury shares		(0)		0	0				0
Net changes in items other than shareholders' equity						1,635	116	1,751	1,751
Total changes during period	-	(0)	3,294	(0)	3,294	1,635	116	1,751	5,046
Balance at end of period	10,000	7,585	62,939	(6,570)	73,954	10,650	90	10,740	84,694

For the fiscal year ended March 31,2022

(Million yen)

	Shareholders' equity					Accumulated other comprehensive income			Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholder s' equity	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	10,000	7,585	62,939	(6,570)	73,954	10,650	90	10,740	84,694
Changes during period									
Dividends of surplus			(1,684)		(1,684)				(1,684)
Profit attributable to owners of parent			4,503		4,503				4,503
Change from merger of consolidated and unconsolidated subsidiaries			47		47				47
Purchase of treasury shares				(0)	(0)				(0)
Disposal of treasury shares					-				-
Net changes in items other than shareholders' equity						(845)	24	(820)	(820)
Total changes during period	-	-	2,867	(0)	2,867	(845)	24	(820)	2,046
Balance at end of period	10,000	7,585	65,806	(6,570)	76,821	9,805	114	9,919	86,740

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31,2021	For the fiscal year ended March 31,2022
Cash flows from operating activities		
Profit before income taxes	7,282	6,531
Depreciation	2,052	2,233
Loss (gain) on sale and retirement of non-current assets	6	6
Loss (gain) on sale of investment securities	(826)	-
Interest and dividend income	(357)	(493)
Interest expenses	43	36
Decrease (increase) in trade receivables	3,281	(4,524)
Decrease (increase) in inventories	(2,884)	3,923
Increase (decrease) in trade payables	(4,288)	(2,871)
Increase (decrease) in contract liabilities	(697)	(446)
Increase (decrease) in retirement benefit liability	70	331
Other, net	(134)	(1,398)
Subtotal	3,547	3,328
Interest and dividends received	357	493
Interest paid	(43)	(36)
Income taxes paid	(2,718)	(1,685)
Income taxes refund	1	-
Net cash provided by (used in) operating activities	1,145	2,099
Cash flows from investing activities		
Payments into time deposits	(54)	(54)
Proceeds from withdrawal of time deposits	54	54
Purchase of property, plant and equipment	(2,241)	(1,798)
Proceeds from sale of property, plant and equipment	0	0
Purchase of intangible assets	(621)	(500)
Purchase of investment securities	(220)	(96)
Proceeds from sale of investment securities	868	0
Other, net	303	50
Net cash provided by (used in) investing activities	(1,911)	(2,344)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,205	(4,923)
Proceeds from deposits received from an affiliated company	(40)	-
Proceeds from deposits received from an unaffiliated entity	(185)	(130)
Repayments of lease liabilities	(6)	(16)
Dividends paid	(1,618)	(1,680)
Decrease (increase) in treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	1,354	(6,750)
Effect of exchange rate change on cash and cash equivalents	95	51
Net increase (decrease) in cash and cash equivalents	684	(6,943)
Cash and cash equivalents at beginning of period	12,566	13,250
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	37
Cash and cash equivalents at end of period	13,250	6,344

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

(Changes in accounting policies)

(Accounting standard for revenue recognition)

The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Standard”) and other standards from the beginning of the fiscal year under review. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

With this adoption, for contracts to which the completed-contract method had previously been applied, the Company has shifted to a method by which it recognizes revenue over time in proportion to the fulfillment of performance obligations. In cases where percentage of completion related to fulfillment of performance obligations cannot be reasonably estimated but for which costs that are incurred when fulfilling those performance obligations are expected to be recovered, the costs that are expected to be recovered are recognized as revenue until the fulfillment of performance obligations can be reasonably estimated. For transactions in which the Company acts as an agent, whereas previously the total amount of the consideration received from the customer was recognized as revenue, the Company now recognizes the net amount as revenue.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the reporting period, with the new accounting policies applied from the beginning balance. However, the Company applies the method provided for in Paragraph 86 of the Revenue Recognition Standard, and does not apply the new accounting policies retrospectively to contracts for which substantially all revenue amounts had been recognized prior to the beginning of the reporting period in accordance with the previous treatment. In addition, applying the method stipulated in proviso (1) to Paragraph 86 of the Revenue Recognition Standard, contract modifications that occurred prior to the beginning of the reporting period were accounted for based on the terms of the contract after reflecting all contract modifications, with the cumulative impact adjusted to retained earnings at the beginning of the reporting period.

As a result of this change, net sales for the fiscal year under review increased by 1,147 million yen and cost of sales increased by the same amount, but there was no impact on operating profit, ordinary profit, and profit before tax. This change also had no effect on the beginning balance of retained earnings.

Due to the adoption of the Revenue Recognition Standard and other standards, “notes and accounts receivable - trade,” which was presented under “current assets” in the Consolidated Balance Sheet of the previous fiscal year, has been included under “notes receivable - trade,” “accounts receivable - trade,” and “contract assets” from the fiscal year under review, and “other,” which was presented under “current liabilities,” has been included under “contract liabilities” and “other” from the fiscal year under review. In addition, “increase (decrease) in advances received,” which was presented under “cash flow from operating activity” in the Consolidated Statement of Cash Flows of the previous fiscal year, has been included under “increase (decrease) in “contract liabilities” from the fiscal year under review. However, in accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous period have not been reclassified based on the new presentation method.

(Accounting standard for fair value measurement)

The Company has adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019).

This adoption has no effect on the consolidated financial statements.

(Changes in presentation methods)

(Consolidated Statements of Income and Comprehensive Income)

“Foreign exchange gains,” which was included in “other” under “non-operating income” in the previous fiscal year, is separately stated from the fiscal year under review because it exceeded 10% of the total amount of non-operating income.

In addition, “taxes and dues,” which was included in “other” under “non-operating expenses” in the previous fiscal year, is separately stated from the fiscal year under review because it exceeded 10% of the total amount of non-operating expenses.

The consolidated financial statements for the previous fiscal year have been restated to reflect these changes in presentation method.

As a result, the 103 million yen presented as “other” under “non-operating profit” in the Consolidated Statements of Income and Comprehensive Income of the previous fiscal year has been restated as 18 million yen in “foreign exchange gains” and 84 million yen in “other.” In addition, the 41 million yen presented as “other” in “non-operating expenses” has been restated as 16 million yen in “taxes and dues” and 25 million yen in “other.”

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

The Company’s reportable segments are segments for which discrete financial information is available and which are regularly reviewed by the Board of Directors to determine the allocation of management resources and assess business results

The Company’s business comprises segments by products and services provided. The Company classifies the two businesses of “Transportation Infrastructure” and “ICT Solutions” as reportable segments.

The Transportation Infrastructure segment mainly conducts the manufacture, sale, and maintenance services of railway signal safety equipment and facilities and road traffic safety systems.

The ICT Solutions segment mainly conducts the manufacture, sale, and maintenance services of AFC equipment and parking lot equipment.

2. Method of calculation of net sales, income (loss), assets, liabilities, and other items by reportable segment

The method of accounting for reported business segments is stated with the amounts based on the accounting standards adopted for the preparation of the consolidated financial statements.

Profit figures for reportable segments are based on operating profit.

As stated in changes in accounting policies, the Company has adopted the Revenue Recognition Standard from the beginning of the fiscal year under review. Because the accounting methods concerning revenue recognition have been changed, the method of calculating profit (loss) of business segments has also been similarly changed.

Due to these changes, net sales in the Transportation Infrastructure segment for the fiscal year under review increased by 562 million yen, and net sales in the ICT Solutions segment increased by 584 million yen. However, because cost of sales increased by the same amounts, there is no impact on segment profit.

3. Information on net sales, profit (loss), assets, liabilities, and other items by reportable segment and classification of revenues

For the year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segment			Adjustments	Consolidated Balance Sheet Amount
	Transportation Infrastructure	ICT Solutions	Total		
Net sales					
Net sales to external customers	51,189	41,565	92,755	—	92,755
Intersegment internal sales or transfers	—	—	—	—	—
Total	51,189	41,565	92,755	—	92,755
Segment profit	7,114	1,650	8,764	(3,051)	5,713
Segment assets	66,267	47,088	113,356	28,000	141,356
Other items					
Depreciation	1,008	809	1,817	234	2,052
Increase (decrease) in property, plant and equipment and intangible assets	1,785	889	2,674	237	2,912

- Notes: 1. Adjustments in segment profit (loss) represent corporate expenses that are not allocated to reportable segments. Corporate expenses are primarily expenses of the administration divisions of the parent company's headquarters that are not attributable to any of the reportable segments.
2. Segment profit is profit after adjustment of operating profit in the consolidated financial statements.
3. Adjustments of segment assets are primarily surplus operating funds (cash and deposits), long-term investment assets (investment securities), and assets of the administration divisions of the parent company.
4. Adjustments of depreciation are insignificant.
5. Adjustments of property, plant and equipment and intangible assets are insignificant.

For the year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segment			Adjustments	Consolidated Balance Sheet Amount
	Transportation Infrastructure	ICT Solutions	Total		
Net sales					
Net sales to external customers	48,831	36,216	85,047	—	85,047
Intersegment internal sales or transfers	—	—	—	—	—
Total	48,831	36,216	85,047	—	85,047
Goods or services transferred at a point in time	12,497	11,626	24,123	—	24,123
Goods or services transferred over time	36,334	24,589	60,924	—	60,924
Total	48,831	36,216	85,047	—	85,047
Segment profit	5,267	3,300	8,567	(3,177)	5,390
Segment assets	67,109	44,420	111,530	22,556	134,086
Other items					
Depreciation	1,134	782	1,917	253	2,170
Increase (decrease) in property, plant and equipment and intangible assets	1,521	678	2,200	316	2,516

- Notes: 1. Adjustments in segment profit (loss) represent corporate expenses that are not allocated to reportable segments. Corporate expenses are primarily expenses of the administration divisions of the parent company's headquarters that are not attributable to any of the reportable segments.

2. Segment profit is profit after adjustment of operating profit in the consolidated financial statements.
3. Adjustments of segment assets are primarily surplus operating funds (cash and deposits), long-term investment assets (investment securities), and assets of the administration divisions of the parent company.
4. Adjustments of depreciation are insignificant.
5. Adjustments of property, plant and equipment and intangible assets are insignificant.

(Per share information)

	For the year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	For the year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Net assets per share	1,357.90 yen	1,390.71 yen
Basic earnings per share	78.82 yen	72.21 yen

Note: Data on diluted earnings per share is not presented above, as there were no potential shares with a dilutive effect.

(Significant subsequent events)

Not applicable