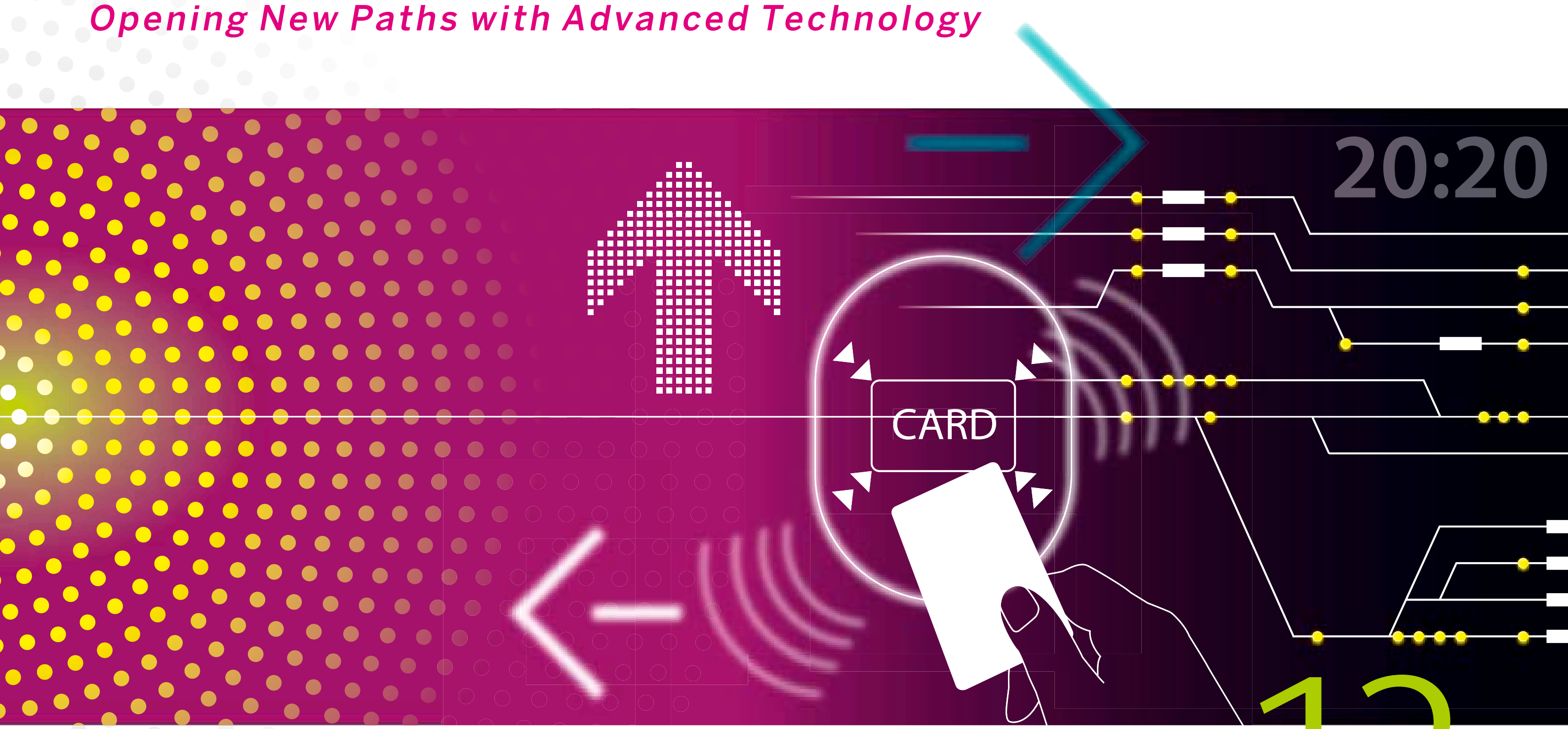
NIPPON SIGNAL

Opening New Paths with Advanced Technology



Annual Report 2013

Profile

Since its establishment in 1928, Nippon Signal has contributed to the realization of a more comfortable society with advanced technologies for "Safety and Reliability."

In order for us to continue to contribute to society, we formulated and are currently implementing "Vision-2020 3E," a long-term management plan to guide us through fiscal 2020, with the goal of helping us transform into a company that generates sustainable growth, while continually adapting to the wide fluctuations in the social environment. We are actively seeking market expansion through the implementation of this long-term plan, including the development and growth of new businesses that apply the technologies of existing businesses, along with overseas expansion focused on the Asia region.

Nippon Signal will continue to follow its corporate philosophy of "Contribute to society through advanced technologies for 'Safety and Reliability,' with the aim of realizing a more livable society," and will pursue the type of advanced manufacturing expected of a company recognized by society.

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Consolidated Financial Highlights

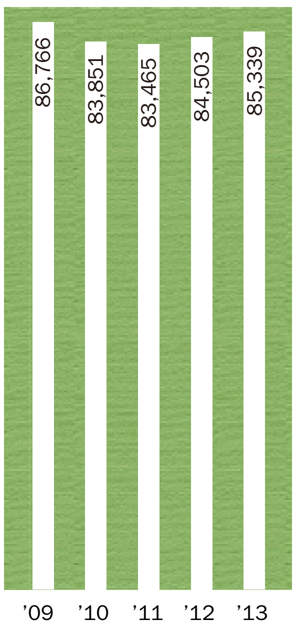
The Nippon Signal Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011, 2012 and 2013

	Millions of yen			Thousands of U.S. dollars (Note 1)
For the fiscal year	2011	2012	**2013**	**2013**
Net sales	¥ 83,465	¥ 84,503	**¥ 85,339**	**$ 907,862**
Operating income	4,809	3,296	**5,082**	**54,068**
Income before income taxes and minority interests	5,300	3,576	**5,985**	**63,673**
Net income	2,643	1,628	**3,135**	**33,356**
Comprehensive income	2,407	3,001	**6,735**	**71,651**
Amounts per share of common stock (in yen and U.S. dollars):				
Net income	¥ 42.35	¥ 26.09	**¥ 50.25**	**$ 0.54**
Cash dividends applicable to the year	13.00	10.00	**13.00**	**0.14**
At fiscal year-end				
Net assets	¥ 54,904	¥ 57,126	**¥ 62,955**	**$ 669,730**
Total assets	108,578	105,591	**111,059**	**1,181,473**
Amounts per share of common stock (in yen and U.S. dollars):				
Net assets	¥ 794.12	¥ 828.24	**¥ 917.15**	**$ 9.76**

Note: U.S. dollar amounts represent translation of Japanese yen, for convenience only, at the rate of ¥94 to US$1, the approximate exchange rate at March 31, 2013.

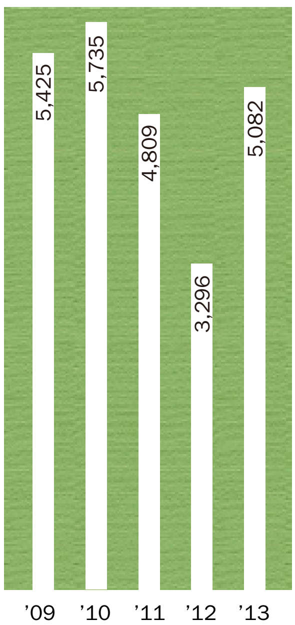
Net Sales

Millions of yen



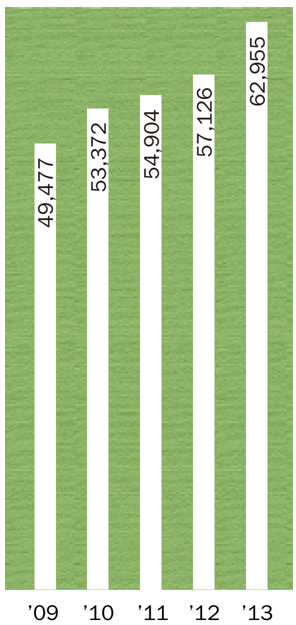
Operating Income

Millions of yen



Net Assets

Millions of yen



Performance recovered centered on the sales and increased profits.
Nippon Signal will further strengthen management plan "Vision-2020 3E" and

I would like to take this opportunity to extend my warmest greetings to our shareholders in presenting this Annual Report on the Nippon Signal Group's operating performance for the fiscal year ended March 31, 2013, covering the period from April 1, 2012 to March 31, 2013.

Summary of Operating Performance during the Fiscal Year under Review

During the fiscal year ended March 31, 2013, the outlook for the Japanese economy remained unstable and unclear with concerns about a slowdown from the European debt crisis and other factors. There were also some positive signs, however, with indications of improvement in business sentiment from early 2013 from the further devaluation of the yen and the recovery in stock prices.

Under these circumstances, regarding the Nippon Signal Group's operating environment, in the Traffic and Transportation Infrastructure business, the Company won large-scale orders for railway signals, but sales of ATS, ATC, and other new signal systems declined. In traffic information systems, the environment grew harsh amid severe competition over orders for traffic safety equipment that prevents accidents and traffic jams. In contrast, performance improved in the ICT Solutions business. In the AFC business

ICT Solutions business, with increased

the promotion of its long-term
accelerate investment toward growth.

centered on equipment for automating station operations, pent up demand to replace all types of equipment centered on automatic wicket machines and automatic ticket vending machines increased, while sales of the Company's control equipment centered on parking lot systems rose on favorable capital investment in parking lots.

Moreover, the temporary factors that had worsened profits during the prior fiscal year of lowered production efficiency because of the summertime electricity restrictions and increased new product research and development expenses passed. Consequently, profits increased greatly year on year. The performance recovery of the ICT Solutions business was particularly outstanding.

As a result of these developments, the value of orders received rose 20.4% year on year to ¥93,475 million, while consolidated net sales increased 1.0% to ¥85,339 million. Profits were up sharply. Operating income grew 54.2% to ¥5,082 million, and net income jumped 92.6% to ¥3,135 million.

Dividend Policy

The Nippon Signal Group seeks to maintain stable dividend payments and performance-based distribution of profits to shareholders. In accordance with this policy, we have set a consolidated dividend payout ratio target of approximately 25% for the time being. Based on the maintenance of stable dividend payments to shareholders and after comprehensively considering the Group's consolidated performance and payout ratio, the year-end dividend was set at ¥8.00 per share. Consequently, together with the distributed interim dividend of ¥5.00 per share, the annual cash dividend amounted to ¥13.00 per share.

Medium-Term Management Plan

Nippon Signal has prepared its long-term management plan "Vision-2020 3E" as a vision for the Group in 2020. Under this Vision, to win against harsh global competition, the Stage 2 medium–term management plan (fiscal 2012-2014) calls for the speedy execution of strategic expansion into international markets and the creation of new businesses in the mature domestic market under the slogans "implementing manufacturing reform with integrated trunk system ERP" and "embracing the challenge of new business fields." The priority issues for fiscal 2013—the second year of Stage 2— are "expanding into new business fields including new areas of existing businesses," "strengthening manufacturing with complete revision of QCD (Quality, Cost, Delivery)," and "boosting capital efficiency." In the coming year, we will improve QCD, which are essential functions for our competitiveness as a manufacturer, effectively utilize management resources, and advance investments toward future growth.

In these endeavors, I look forward to the continued support and guidance of all our shareholders.

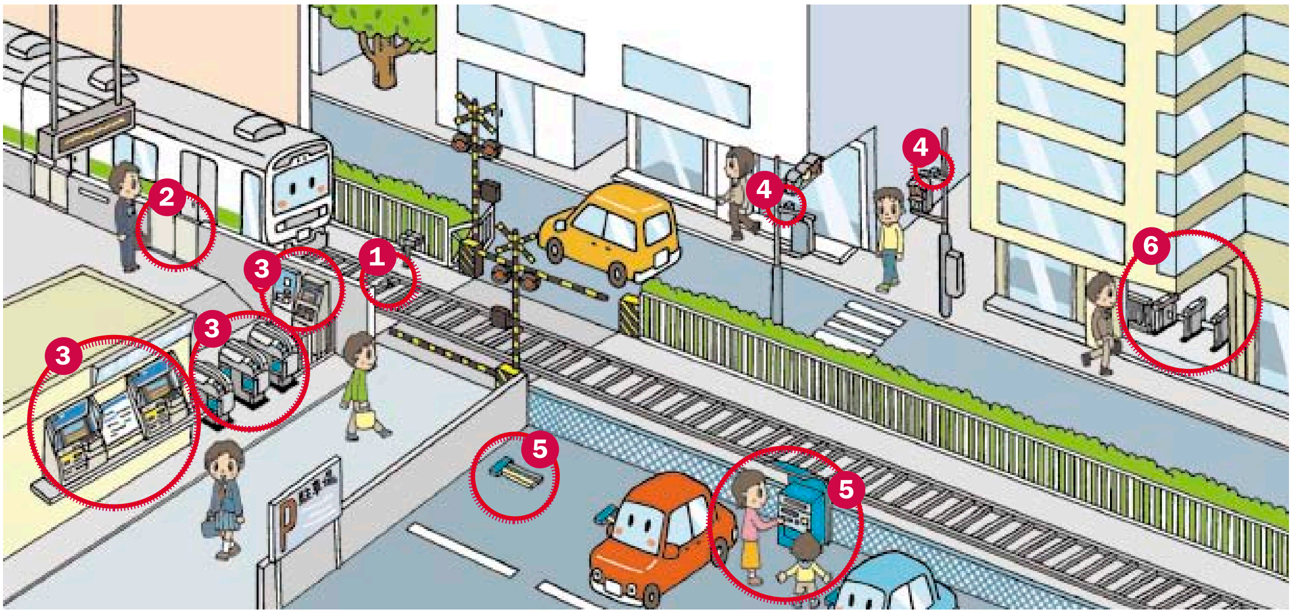
June 2013

Yohei Furuhata
President

Special Feature 1:
The Nippon Signal Group's Business Domains

Nippon Signal is engaged in railway, road, and other transportation infrastructure works. This page introduces our products, with a focus on those used in urban areas.

Nippon Signal's technologies support safe and comfortable transit in railways. In road infrastructure, our technologies provide appropriate traffic control and easy-to-use parking systems, contributing to a reduction in traffic accidents and traffic congestion.



1 Automatic Train Protection (ATP) System
To prevent train accidents caused by ignoring traffic signals and speeding, the ATP system automatically applies the brakes when trains pass a given point moving faster than a set speed. ATP is one of the "new signal systems" that Nippon Signal is advancing nationwide. It has supported our long-term business performance.

2 Platform Gates
Heartbreaking accidents resulting in injury or death occur at train stations nationwide from accidental falls from platforms and collisions. The installation of platform door equipment will increase to secure the safety of train station users, ensure safe and stable train operations and prevent such incidents.

3 Automatic Fare Collection (AFC) Systems
AFC systems is an overall term for ticket vending machines, collection machines, fair adjustment machines, and other equipment related to automated fare collection. The spread of IC cards is making the use of AFC systems even smoother.

4 Image-type Pedestrian Sensor
These sensors detect pedestrians in crosswalks, extend green lights so even elderly people who walk slowly can cross without concern, and prevent crossing against red and flashing lights with verbal warnings. There are plans to install these sensors — which prevent pedestrian traffic accidents using high-sensitivity detection eqiupment — at many intersections from now on.

5 PARK-LOC® System
Ever since we introduced the PARK-LOC® system in 1970, Nippon Signal has continuously pursued optimal parking lot management equipment as a pioneer in this field. The PARK-LOC® system enables unattended parking lot operations from a single parking space. The system is composed of one fee collection machine and multiple lock devices.

6 Security Gates
Security gates have become an essential feature at office building entrances. Nippon Signal provides highly durable and reliable security gates that beautifully accent office entryways. We are presently developing touchless security gates using body area network technologies.

Special Feature 2:

Fiscal 2012 Topics

This page introduces a few main topics from orders received and sales of Nippon Signal's products worldwide during the subject fiscal year (April 1, 2012 through March 31, 2013).

When the platform gate is closed

When the platform gate is open

Trial Operations of New Type of Platform Gate

Nippon Signal will conduct trial operations of a new type of raising and lowering screen door platform gate at platforms for trains moving away from central Tokyo at Tsukimino Station on the Tokyu Den-en-toshi Line from around the summer of 2013. This gate was developed with a railway technology development grant from the Ministry of Land, Infrastructure, Transport and Tourism.

Unlike prior types, the new platform gate forms a door using multiple wires which are lifted by about two meters when a train arrives so passengers can enter and exit the train. The new gate has openings that are large, at about 10 meters, and can be used on lines handling different trains with different door locations and numbers of doors, which would be difficult using conventional gates. The simple structure makes it possible to reduce platform remodeling and equipment installation works time, and can greatly reduce construction, equipment, and other introduction costs.

Delivery of Railway Signal Equipment to the Kansai Region Freight Terminal Stations

Nippon Signal is delivering railway signal equipment to Suita Freight Terminal Station and Kudara Freight Terminal Station, which were opened as freight bases for the Kansai region along with the revision of railway schedules in March 2013. Both freight terminal stations were prepared as alternate freight facilities for the re-development of the site of the former Umeda Station.

The Suita Freight Terminal Station is a huge terminal station stretching approximately 6.3 kilometers from east to west with 564 routes, and Nippon Signal's electronic interlocking devices are organizing the routes in this huge and complex station. We installed a large projector in the central signal box to grasp the route structure and track use status throughout the huge terminal. Nippon Signal also installed interlocking devices for the 197 routes at Kudara Freight Terminal Station, as well combining the hard logic of electronic relay interlocking machines with computerized interlocking device software.

Relay control board and large-scale projector (Suita Freight Terminal Station)

Equipment room (Kudara Freight Terminal Station)

Traffic and Transportation
Division

Despite securing orders and sales for signal safety devices in railway signaling systems and for LED signal lamps and emergency electricity supply units in traffic information systems, sales declined 7.5% year on year and operating income fell 20.7%.

Business Performance

In the railway signaling systems business, while the peak introduction of ATS, ATC, and other new signaling systems has passed inside Japan, we did secure orders and sales for various types of signal safety devices including ATC equipment for the Sanyo Shinkansen. We also conducted sales activities overseas focused on China, Taiwan, and other parts of Asia.

In the traffic information systems business, amid intensifying competition to win orders for control devices, LED signal lamps, and other terminal equipment from police in each prefecture, the Company secured orders and sales for the replacement of the central control equipment at the Mie Prefectural Police Headquarters, as well as other orders and sales of LED signal lamps, which provide superior energy conservation, and of emergency electricity supply units.

As a result, in the Traffic and Transportation Infrastructure Division, the value of orders received rose 13.0% from the previous fiscal year to ¥51,707 million. However, net sales decreased 7.5% to ¥46,128 million and operating income declined ¥20.7% to ¥4,743 million.

Infrastructure

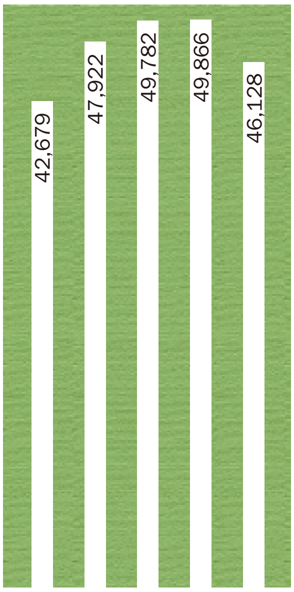
Future Outlook

In the railway signaling systems business, making up for the decreased investment in new signaling systems, we expect increased replacement orders for railway signal interlocking equipment and CTC devices. Overseas, we will advance the expansion of sales routes centered on Asia by gaining international certifications for our main products, which is important for bids.

In the traffic information systems business, in addition to the main traffic safety equipment market, we will advance proposals and sales of products using visual recognition and identification technologies for the road management market, and of lithium battery power sources, which are in high demand for disaster preparation.

Net Sales

(Traffic and Transportation Infrastructure Division)
Millions of yen



1. Automatic train protection system (ATP)
2. Relay interlocking equipment
3. Railway crossing system
4. LED traffic light
5. Image expression pedestrian detection device
6. Bus rapid transit

ICT Solutions
Division

Performance greatly improved with the start of mutual use of transportation IC cards nationwide and the replacement demand for automatic wicket machines and automatic ticket vending machines. Sales rose 13.2% year on year while operating income shot up 4,484.8%.

Business Performance

In the AFC business centered on equipment for automating station operations, the mutual use of transportation IC cards began from March 23, 2013. Moreover, replacement demand for automated wicket machines and automatic ticket vending machines, which had been postponed the previous fiscal year because of the effects of the Great East Japan Earthquake, increased at the Sendai City Subway and among railway operators starting with those in the Kanto and Kansai regions.

In our control equipment business centered on parking lot systems, replacement demand from parking lot operators remained strong, while new sales also increased. Orders and sales were also gained for information display systems including new products with liquid crystal displays.

As a result, in the ICT Solutions Division, the value of orders received increased 31.1% from the previous fiscal year to ¥41,767 million. Net sales rose 13.2% to ¥39,211 million, while operating income jumped 4,484.8% to ¥3,026 million.

1 2 3

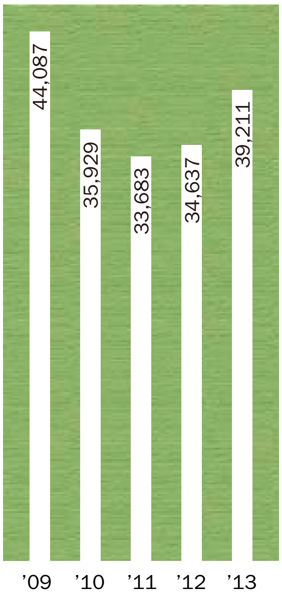
Future Outlook

In the AFC business centered on equipment for automating station operations, additional orders and sales are expected especially in the Kanto region, where equipment replacement is due. We will conduct trial operations of a new type of platform gate (rope format) announced in a March 5, 2013 press release on the Tokyu Den-en-toshi Line to assess and verify its performance parameters, and advance the development of new products using body area network technologies for office building entrances and other security gates.

In the control equipment business centered on parking lot systems, demand is projected to remain firm with expected new construction of hourly rental parking lots. We will strive to sharpen competitiveness with the development of new products that meet diverse customer needs.

Net Sales

(ICT Solutions Division)
Millions of yen



1 Automatic passenger gate

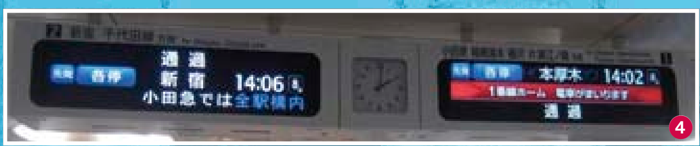
2 Automatic ticket vending machine

3 Compact style gate

4 Passenger information display

5 Entry/exit gate parking management system

6 7 Parking information board



Management's Discussion and Analysis

Group Overview

The Nippon Signal Group comprises the Company, its 11 consolidated subsidiaries, and seven other companies to which the equity method is not applied (six non-consolidated subsidiaries and one affiliated company). The Group is engaged in the manufacture and sale of railway signaling systems, traffic information systems, automatic fare collection (AFC) systems, and control equipment, as well as related business operations.

Results for the Fiscal Year Ended March 31, 2013

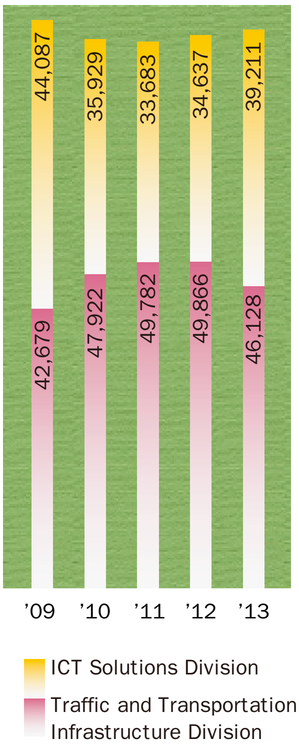
During the fiscal year under review (ended March 31, 2013), in the market environment surrounding the Nippon Signal Group, the Company won large-scale orders for railway signals. In AFC

Consolidated Five-Year Summary

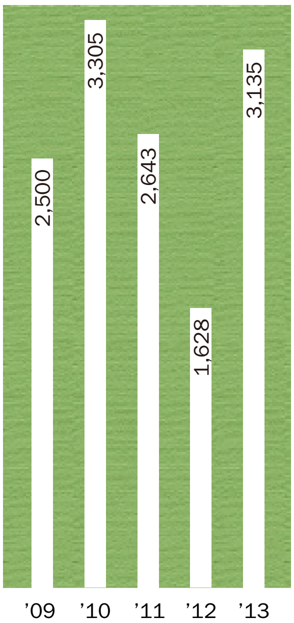
The Nippon Signal Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen				
For the fiscal year	2009	2010	2011	2012	**2013**
Net sales	¥86,766	¥83,851	¥ 83,465	¥ 84,503	**¥ 85,339**
Operating income	5,425	5,735	4,809	3,296	**5,082**
Income before income taxes and minority interests	4,943	6,307	5,300	3,576	**5,985**
Net income	2,500	3,305	2,643	1,628	**3,135**
Per share (in yen):					
Net income	¥ 40.07	¥ 52.96	¥ 42.35	¥ 26.09	**¥ 50.25**
Cash dividends applicable to the year	12.00	13.00	13.00	10.00	**13.00**
At fiscal year-end					
Net assets	¥49,477	¥53,372	¥ 54,904	¥ 57,126	**¥ 62,955**
Total assets	91,691	98,902	108,578	105,591	**111,059**

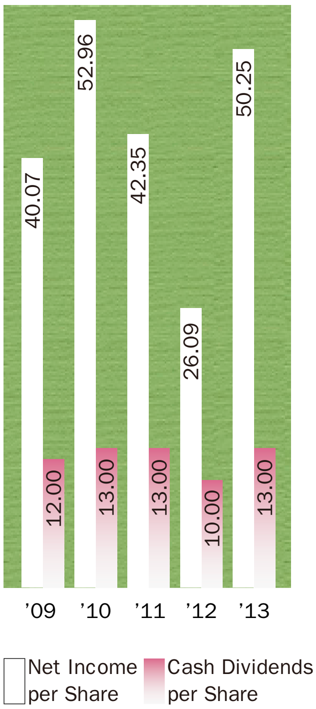
Net Sales by Business Segment
Millions of yen



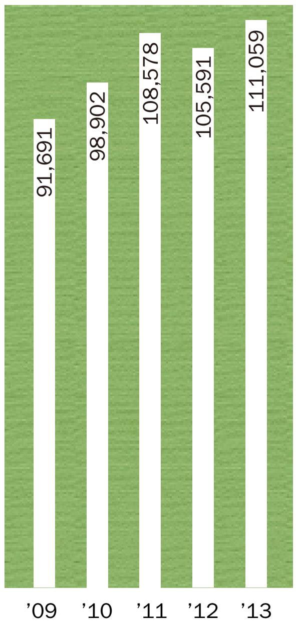
Net Income
Millions of yen



Net Income per Share/ Cash Dividends per Share
Yen



Total Assets
Millions of yen



systems, replacement demand increased for all types of equipment centered on automatic wicket machines, where capital investment had been restricted, and sales of the Company's control equipment centered on parking lot systems rose on favorable capital investment in parking lots.

Moreover, the temporary factors that worsened profits during the prior fiscal year of lowered production efficiency because of the summertime electricity restrictions and increased new product research and development expenses passed. Consequently, profits increased greatly year on year. The performance recovery of the ICT solutions business was particularly outstanding.

As a result of these developments, the value of orders received rose 20.4% year on year to ¥93,475 million (US$994 million), while consolidated net sales increased 1.0% to ¥85,339 million (US$908 million). Profits were up sharply. Operating income grew 54.2% to ¥5,082 million (US$54 million), and net income jumped 92.6% to ¥3,135 million (US$33 million). Net income per share nearly doubled, from ¥26.09 the previous fiscal year to ¥50.25 (US$0.54).

■ Financial Position

Total assets at March 31, 2013 amounted to ¥111,059 million (US$1,181 million), up ¥5,468 million from the end of the previous fiscal year. This growth was mostly because of increases in notes and accounts receivable and in marketable securities.

Total liabilities amounted to ¥48,104 million (US$512 million), down ¥361 million year on year. This decrease was mostly because of declines in notes and accounts payable and short-term bank loans.

Total net assets amounted to ¥62,955 (US$670 million), up ¥5,829 million from the end of the previous fiscal year. This increase primarily reflected an increase in valuation difference on available-for-sale securities. The equity ratio rose from 48.9% at the end of the previous fiscal year to 51.5%.

■ Analysis of Cash Flows

Net cash provided by operating activities amounted to ¥5,847 million (US$ 62 million), an increase of ¥12,890 million from the previous fiscal year with the posting of income before income taxes and minority interests.

Net cash used in investing activities amounted to ¥741 million (US$8 million), ¥728 million less than during the previous fiscal year, although there were expenditures for the purchase of property, plant and equipment and expenditures for the purchase of intangible assets,

Net cash used in financing activities amounted to ¥2,436 million (US$26 million), with the cash outflows rising ¥6,673 million from the previous fiscal year. Cash was used for such items as the payment of dividends and the repayment of short-term bank loans.

As a result of the above developments, cash and cash equivalents at the end of the fiscal year amounted to ¥9,359 million (US$ 100 million), an increase of ¥2,756 million from the end of the previous fiscal year.

■ Outlook for the Fiscal Year Ending March 31, 2014

For the fiscal year ending March 31, 2014, in the Traffic and Transportation Infrastructure Division, we will work to respond to increasing replacement orders for railway signal interlocking equipment and CTC devices while strengthening proposals and sales of new traffic information systems products. We forecast net sales for the division of ¥44,000 million (down 4.6% from the subject fiscal year), with operating income of ¥5,300 million (up 11.7%).

In the ICT Solutions Division, we expect additional orders and sales particularly in the Kanto region, where the renewal of automatic wicket machines is due. Demand for parking lot systems is also projected to remain firm, with expected new construction of hourly rental parking lots. We forecast net sales for the division of ¥43,000 million (up 9.7%), with operating income of ¥3,600 million (up 18.9%).

For the Nippon Signal Group as a whole, we forecast consolidated net sales of ¥87,000 million (up 1.9%), with operating income of ¥6,000 million (up 18.1%) and net income of ¥3,300 million (up 5.2%).

■ Basic Policy on Distribution of Profits

The Nippon Signal Group seeks to maintain stable dividend payments and performance-based distribution of profits to shareholders. In accordance with this policy, we have set a consolidated dividend payout ratio target of approximately 25% for the time being.

For the fiscal year ended March 31, 2013, in line with this dividend policy and after comprehensively considering the Group's consolidated performance, we decided to implement a year-end dividend of ¥8.00 (US$0.09) per share. Consequently, the annual cash dividend amounted to ¥13.00 (US$0.14) per share, comprising an interim dividend of ¥5.00 per share and a year-end dividend of ¥8.00 per share. The consolidated dividend payout ratio was 25.9%.

In February 2014, Nippon Signal will celebrate its 85th anniversary. For the fiscal year ending March 31, 2014, we plan to pay an ordinary annual dividend of ¥13.00 per share (consisting of an interim dividend of ¥5.00 per share and a year-end dividend of ¥8.00 per share) plus a commemorative dividend of ¥2.00 per share for a total dividend for the year of ¥15.00 per share.

Consolidated Balance Sheets

The Nippon Signal Co., Ltd. and Consolidated Subsidiaries
March 31, 2012 and 2013

ASSETS	Millions of yen 2012	Millions of yen 2013	Thousands of U.S. dollars (Note 1) 2013
Current assets:			
Cash and time deposits (Notes 3 and 13)	¥ 6,751	**¥ 9,456**	**$ 100,591**
Notes and accounts receivable (Note 3)	41,928	**44,275**	**471,007**
Marketable securities (Notes 3, 4 and 13)	19	**26**	**276**
Inventories (Notes 2 and 5)	26,091	**21,656**	**230,379**
Deferred tax assets (Note 7)	3,178	**3,825**	**40,695**
Other current assets	547	**797**	**8,493**
Allowance for doubtful accounts (Note 3)	(17)	**(11)**	**(118)**
Total current assets	78,497	**80,024**	**851,323**
Property, plant and equipment:			
Land (Note 16)	5,782	**5,782**	**61,515**
Buildings and structures (Note 16)	11,637	**11,708**	**124,551**
Machinery and equipment	16,984	**17,365**	**184,736**
Construction in progress	131	**18**	**192**
Lease assets (Note 12)	21	**21**	**223**
	34,555	**34,894**	**371,217**
Accumulated depreciation	(22,517)	**(23,215)**	**(246,975)**
Total property, plant and equipment	12,038	**11,679**	**124,242**
Intangible assets	1,841	**1,370**	**14,566**
Investments and other assets:			
Investment securities (Notes 3 and 4)	10,638	**15,503**	**164,927**
Lease deposits	822	**759**	**8,070**
Other investments	464	**417**	**4,440**
Deferred tax assets (Note 7)	237	**187**	**1,991**
Other assets	1,109	**1,170**	**12,448**
Allowance for doubtful accounts	(55)	**(50)**	**(534)**
Total investments and other assets	13,215	**17,986**	**191,342**
Total assets	¥105,591	**¥111,059**	**$1,181,473**

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2012	2013	Thousands of U.S. dollars (Note 1) 2013
Current liabilities:			
Notes and accounts payable (Note 3)	¥ 15,785	**¥ 14,027**	**$ 149,224**
Short-term bank loans (Notes 3 and 6)	14,000	**12,500**	**132,979**
Lease obligations (Note 12)	5	**4**	**41**
Advances received	680	**784**	**8,338**
Accrued expenses	1,786	**1,919**	**20,410**
Income taxes payable (Note 7)	777	**2,592**	**27,579**
Accrued employees' bonuses	2,421	**2,472**	**26,298**
Accrued bonuses to directors	106	**136**	**1,443**
Accrued contract losses (Note 2)	577	**524**	**5,574**
Other current liabilities	3,519	**3,096**	**32,939**
Total current liabilities	39,656	**38,054**	**404,825**
Long-term liabilities:			
Long-term payable	220	**192**	**2,046**
Lease obligations (Note 12)	6	**2**	**19**
Deferred tax liabilities (Note 7)	497	**2,414**	**25,682**
Employees' severance and retirement benefits (Note 10)	7,893	**7,304**	**77,702**
Directors' and corporate auditors' retirement benefits	193	**138**	**1,469**
Total long-term liabilities	8,809	**10,050**	**106,918**
Total liabilities	48,465	**48,104**	**511,743**
Contingent liabilities (Note 11)			
Net assets:			
Shareholders' equity (Note 9):			
Common stock:			
Authorized—200,000,000 shares			
Issued—62,448,052 shares in 2012 and 2013	6,846	**6,846**	**72,835**
Capital surplus	5,303	**5,303**	**56,418**
Retained earnings	35,749	**38,136**	**405,687**
Treasury stock, at cost: 48,475 shares in 2012 and 48,481 shares in 2013	(24)	**(24)**	**(252)**
Total shareholders' equity	47,874	**50,261**	**534,688**
Accumulated other comprehensive income			
Valuation difference on availabe-for-sale securities	3,808	**6,969**	**74,140**
Total accumulated other comprehensive income	3,808	**6,969**	**74,140**
Minority interests	5,444	**5,725**	**60,902**
Total net assets	57,126	**62,955**	**669,730**
Total liabilities and net assets	¥105,591	**¥111,059**	**$1,181,473**

See accompanying notes.

Consolidated Statements of Income and Comprehensive Income

for the Years Ended March 31, 2011, 2012 and 2013

The Nippon Signal Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011, 2012 and 2013

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2012	**2013**	**2013**
Net sales (Note 14)	¥83,465	¥84,503	**¥85,339**	**$907,862**
Cost of sales (Notes 2,5 and 10)	65,016	68,111	**67,358**	**716,575**
Gross profit	18,449	16,392	**17,981**	**191,287**
Selling, general and administrative expenses (Notes 10 and 15)	13,640	13,096	**12,899**	**137,219**
Operating income (Note 14)	4,809	3,296	**5,082**	**54,068**
Other income (expenses):				
Interest and dividend income	493	329	**325**	**3,461**
Interest expenses	(35)	(42)	**(68)**	**(720)**
Gain on sales of marketable and investment securities (Note 4)	—	5	**—**	**—**
Life insurance dividend	160	209	**196**	**2,081**
Loss on sales and disposals of property, plant and equipment, net	(94)	(9)	**(13)**	**(135)**
Loss on devaluation of investment securities (Note 4)	(413)	(6)	**(19)**	**(207)**
Reversal of allowance for doubtful accounts	16	—	**—**	**—**
Loss on disaster	(50)	—	**—**	**—**
Gain on termination of defined benefit plans (Note 2)	597	34	**—**	**—**
Special retirement expenses (Notes 2 and 10)	(145)	(268)	**—**	**—**
Other, net	(38)	28	**482**	**5,125**
	491	280	**903**	**9,605**
Income before income taxes and minority interests	5,300	3,576	**5,985**	**63,673**
Income taxes (Note 7)**:**				
Current	2,241	977	**2,802**	**29,810**
Deferred	70	799	**(325)**	**(3,461)**
	2,311	1,776	**2,477**	**26,349**
Income before minority interests	2,989	1,800	**3,508**	**37,323**
Minority interests in net income of consolidated subsidiaries	(346)	(172)	**(373)**	**(3,967)**
Net income	¥ 2,643	¥ 1,628	**¥ 3,135**	**$ 33,356**
Minority interests in net income of consolidated subsidiaries	(346)	(172)	**(373)**	**(3,967)**
Income before minority interests	2,989	1,800	**3,508**	**37,323**
Other comprehensive income (Note 8)**:**				
Valuation difference on available-for-sale securities	(582)	1,201	**3,227**	**34,328**
Total other comprehensive income	(582)	1,201	**3,227**	**34,328**
Comprehensive income	¥ 2,407	¥ 3,001	**¥ 6,735**	**$ 71,651**
Comprehensive income attributable to:				
Comprehensive income attributable to owners of the parent	¥ 2,068	¥ 2,815	**¥ 6,297**	**$ 66,989**
Comprehensive income attributable to minority interests	¥ 339	¥ 186	**¥ 438**	**$ 4,662**

	Yen			U.S. dollars (Note 1)
Amounts per share of common stock:				
Net income	¥ 42.35	¥ 26.09	**¥ 50.25**	**$ 0.54**
Cash dividends applicable to the year	13.00	10.00	**13.00**	**0.14**

See accompanying notes.

Consolidated Statements of Changes in Net Assets

The Nippon Signal Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011, 2012 and 2013

	Thousands	Millions of yen						
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Minority interests	Total net assets
Balance at March 31, 2010	62,448	¥6,846	¥5,303	¥32,975	¥(23)	¥3,196	¥5,075	¥53,372
Net income	—	—	—	2,643	—	—	—	2,643
Cash dividends paid	—	—	—	(811)	—	—	—	(811)
Increase in treasury stock	—	—	—	—	(1)	—	—	(1)
Other, net	—	—	—	—	—	(575)	276	(299)
Balance at March 31, 2011	62,448	6,846	5,303	34,807	(24)	2,621	5,351	54,904
Net income	—	—	—	1,628	—	—	—	1,628
Cash dividends paid	—	—	—	(686)	—	—	—	(686)
Increase in treasury stock	—	—	—	—	(0)	—	—	(0)
Other, net	—	—	—	—	—	1,187	93	1,280
Balance at March 31, 2012	62,448	6,846	5,303	35,749	(24)	3,808	5,444	57,126
Net income	**—**	**—**	**—**	**3,135**	**—**	**—**	**—**	**3,135**
Cash dividends paid	**—**	**—**	**—**	**(748)**	**—**	**—**	**—**	**(748)**
Increase in treasury stock	**—**	**—**	**—**	**—**	**(0)**	**—**	**—**	**(0)**
Disposal of treasury stock	**—**	**—**	**(0)**	**—**	**0**	**—**	**—**	**0**
Other, net	**—**	**—**	**—**	**—**	**—**	**3,161**	**281**	**3,442**
Balance at March 31, 2013	**62,448**	**¥6,846**	**¥5,303**	**¥38,136**	**¥(24)**	**¥6,969**	**¥5,725**	**¥62,955**

	Thousands of U.S. dollars (Note 1)						
Balance at April 1, 2012	$72,835	$56,418	$380,297	$(252)	$40,506	$57,917	$607,721
Net income	—	—	33,356	—	—	—	33,356
Cash dividends paid	—	—	(7,966)	—	—	—	(7,966)
Increase in treasury stock	—	—	—	(0)	—	—	(0)
Disposal of treasury stock	—	(0)	—	0	—	—	0
Other, net	—	—	—	—	33,634	2,985	36,619
Balance at March 31, 2013	**$72,835**	**$56,418**	**$405,687**	**$(252)**	**$74,140**	**$60,902**	**$669,730**

See accompanying notes.

Consolidated Statements of Cash Flows

The Nippon Signal Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011, 2012 and 2013

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2012	**2013**	**2013**
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 5,300	¥ 3,576	**¥ 5,985**	**$ 63,673**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	1,820	1,916	**1,635**	**17,394**
Interest and dividend income	(493)	(329)	**(325)**	**(3,461)**
Interest expenses	35	42	**68**	**720**
Loss on sales and disposals of property, plant and equipment, net	94	9	**13**	**135**
Decrease in notes and accounts receivable	(1,821)	(3,257)	**(2,348)**	**(24,980)**
Increase (decrease) in inventories	(8,657)	1,578	**4,436**	**47,187**
Increase (decrease) in notes and accounts payable	5,021	(6,525)	**(1,755)**	**(18,671)**
Decrease in employees' severance and retirement benefits	(85)	(349)	**(589)**	**(6,266)**
Increase (decrease) in advances received	276	(1,719)	**103**	**1,099**
Other, net	183	(303)	**(624)**	**(6,627)**
Sub total	1,673	(5,361)	**6,599**	**70,203**
Interest and dividends received	493	329	**325**	**3,461**
Interest paid	(36)	(42)	**(68)**	**(720)**
Income taxes paid	(3,524)	(1,969)	**(1,009)**	**(10,737)**
Net cash provided by (used in) operating activities	(1,394)	(7,043)	**5,847**	**62,207**
Cash flows from investing activities:				
Payments into time deposits	(162)	(192)	**(81)**	**(863)**
Proceeds from withdrawal of time deposits	147	192	**127**	**1,352**
Expenditure for purchase of property, plant and equipment	(1,203)	(1,301)	**(734)**	**(7,808)**
Proceeds from sale of property, plant and equipment	6	24	**0**	**3**
Expenditure for purchase of intangible assets	(829)	(352)	**(140)**	**(1,487)**
Expenditure for purchase of marketable and investment securities	(18)	(58)	**(15)**	**(157)**
Proceeds from sale of marketable and investment securities	35	206	**—**	**—**
Other, net	(103)	12	**102**	**1,080**
Net cash used in investing activities	(2,127)	(1,469)	**(741)**	**(7,880)**
Cash flows from financing activities:				
Net increase (decrease) in short-term bank loans	3,500	5,000	**(1,500)**	**(15,957)**
Net increase (decrease) from deposits received from subsidiaries and an affiliate	20	20	**(100)**	**(1,064)**
Cash dividends paid	(811)	(686)	**(741)**	**(7,888)**
Cash dividends paid for minority shareholders	(64)	(91)	**(89)**	**(947)**
Other, net	(5)	(6)	**(6)**	**(56)**
Net cash provided by (used in) financing activities	2,640	4,237	**(2,436)**	**(25,912)**
Effect of exchange rate changes on cash and cash equivalents	(14)	5	**86**	**911**
Net increase (decrease) in cash and cash equivalents	(895)	(4,270)	**2,756**	**29,326**
Cash and cash equivalents at beginning of year	11,768	10,873	**6,603**	**70,241**
Cash and cash equivalents at end of year (Note 13)	¥10,873	¥ 6,603	**¥ 9,359**	**$ 99,567**

See accompanying notes.

1 BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The Nippon Signal Co., Ltd. (the “Company”) and its consolidated subsidiaries (together the “Companies”) maintain their official accounting records in Japanese yen, in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate as of March 31, 2013, which was ¥94 to U.S. $1. The translations included for convenience should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. Intercompany accounts and transactions have been eliminated.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

In the year ended March 31, 2011, the number of subsidiaries included in the consolidated financial statements decreased by one (IPOS NET INC.), due to merger with Nisshin Electronics Service Co., Ltd. as of April 1, 2010.

In the year ended March 31, 2013, the number of subsidiaries included in the consolidated financial statements increased by one (Nisshin IT Field Service Co., Ltd.), due to Incorporation-type Company Split.

As a result, the number of subsidiaries included in the consolidated financial statements was 11, 11 and 12 for the years ended March 31, 2011, 2012 and 2013, respectively.

Equity method

Investments in unconsolidated subsidiaries and affiliates are stated at cost since they are considered immaterial in the aggregate. Earnings of these companies are recorded in the Company’s books only to the extent that cash dividends are received.

Statements of cash flows

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

Marketable securities and investment securities

The Companies examine the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereafter, “trading securities”), (b) debt securities intended to be held to maturity (hereafter, “held-to-maturity debt securities”), (c) equity securities issued by subsidiaries and affiliated companies and (d) all other securities that are not classified in any of the above categories (hereafter, “available-for-sale securities”).

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliates which are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of such securities are computed using moving-average cost. The Companies have no trading securities.

As well the equity to the income and expenses concerning anonymous associations is recorded under non-operating profit and loss and the amount is included in investment securities.

Inventories

Inventories are stated at cost, being determined principally by the following methods:

- Finished goods and raw materials—Moving average method (The method of write-down based on decrease in profitability is applied in order to calculate the inventory value on the balance sheet.)
- Goods in process—Specific identification method per each order (The method of write-down based on decrease in profitability is applied in order to calculate the inventory value on the balance sheet.)
- Supplies—Mainly last purchase price method

Depreciation

Buildings, structures, machinery and equipment are carried at cost. Depreciation is computed primarily using the declining-balance method. Buildings acquired after March 31, 1998 are depreciated using the straight-line method.

Software costs

The Companies include software in intangible assets and depreciate it using the straight-line method over the estimated useful lives (three to five years).

Accounting for lease transactions
Finance leases which do not transfer ownership are capitalized as the lease assets and depreciated by the straight-line method over lease periods, supposing estimated residual value to be zero.

Allowance for doubtful accounts
Allowance for doubtful accounts is provided in amounts sufficient to cover possible losses on collection by estimating individually uncollectible amounts and applying a percentage based on collection experience in the past to the remaining accounts.

Accrued employees' bonuses
The Companies accrue the estimated amounts of employees' bonuses to be paid in the subsequent period.

Accrued bonuses to directors
The Companies accrue directors' bonuses based on the estimated amounts to be paid in the subsequent period.

Accrued contract losses
Accrued contract losses are provided at the fiscal year-end when losses are anticipated in the future and such losses can be reasonably estimated.

The inventories and accrued contract losses are represented in current assets and liabilities respectively, without offset. As of March 31, 2012 and 2013, accrued contract losses corresponding to inventories are ¥568 million (Goods-in-process: ¥568 million) and ¥232 million ($2,471 thousand) (Goods-in-process: ¥232 million ($2,471 thousand)).

For the years ended March 31, 2012 and 2013, provision for accrued contract losses included in cost of sales are ¥323 million and ¥504 million ($5,362 thousand).

Employees' severance and retirement benefits
The liabilities and expenses for employees' severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Companies recognized liabilities for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the balance sheet date.

Unrecognized prior service obligation is being amortized by the straight-line method within the specific period (15 years) in the remaining period of the employees' average working period.

Actuarial differences incurred are recognized on a one-time basis in the following years' income statement, while two consolidated subsidiaries recognize actuarial differences using the declining-balance method over the average of the estimated remaining service life (15 years) commencing with the following year.

<Additional information>

1. At October 1, 2010, Nisshin Electronics Service Co., Ltd., which is a consolidated subsidiary of the Company changed its pension plan from a tax-qualified retirement pension plan to a defined contribution pension plan and a defined benefit pension plan.

   Additionally, three other consolidated subsidiaries changed from a tax-qualified retirement pension plan and an unfunded lump-sum payment plan to a defined contribution pension plan and a defined benefit pension plan at April 1, 2010 and October 1 2010.

   As a result, in the year ended March 31, 2011, the Companies recorded gain on termination of defined benefit plans of ¥597 million.

   In these changes, the Companies adopted "Guidance on Accounting Standard for Transfers between Retirement Benefit Plans" (Accounting Standards Board of Japan ("ASBJ") Guidance No. 1, issued on January 14, 2002).
2. At October 1, 2011, Nisshin Industry Co., Ltd., which is a consolidated subsidiary of the Company, changed its pension plan from a tax-qualified retirement pension plan to a smaller and medium enterprise retirement allowance cooperative plan. The unfunded lump-sum payment plan remains the same.

   Additionally, Sendai Nisshin Electronics Co., Ltd. which is a consolidated subsidiary of the Company, changed from a tax-qualified retirement pension plan to an unfunded lump-sum payment plan and a defined contribution pension plan at October 1, 2011.

   As a result, in the year ended March 31, 2012, the Companies recorded gain on termination of defined benefit plans of ¥34 million.

   In these changes, the Companies adopted "Guidance on Accounting Standard for Transfers between Retirement Benefit Plans" (ASBJ Guidance No. 1, issued on January 14, 2002).

Directors' and corporate auditors' retirement benefits
Certain consolidated subsidiaries accrue directors' and corporate auditors' retirement benefits which are required if they retire at the balance sheet date.

Recognition of revenue and costs of construction contracts
Revenue and costs of construction contracts, the outcome of which can be estimated reliably during the accounting period, are recognized by using the percentage-of-completion method. The percentage of completion at the end of the reporting period is measured by the percentage of the cost incurred to the estimated total costs.

Revenue and costs of other constructions are recognized by using the completed-contract method.

Translation of foreign currencies
Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date with the resulting gain or loss included in the current statements of income.

Income taxes
The Companies provide tax effects of temporary differences between the carrying amounts and the tax basis of assets and liabilities. The asset and liability approach is used to recognize deferred tax assets and

liabilities for the expected future tax consequences of temporary differences.

Asset retirement obligations
Effective from the year ended March 31, 2011, the Companies adopted "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No.18, issued on March 31, 2008) and "Guidance on Accounting Standard for Assets Retirement Obligations" (ASBJ Guidance No.21, issued on March 31, 2008).

As a result, operating income decreased by ¥2 million and income before income taxes and minority interests decreased by ¥20 million for the year ended March 31, 2011.

Business combination
Effective from the year ended March 31, 2011, the Companies adopted "Accounting Standards for Business Combinations" (ASBJ Statement No.21, revised on December 26, 2008), and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, revised on December 26, 2008).

Changes in classification of costs of specification development
Until the first quarter of the year ended March 31, 2011, costs of specification development by engineering divisions had been classified as selling, general and administrative expenses. However, effective from the second quarter of the year ended March 31, 2011, these costs have been classified as cost of manufacturing.

This change was aimed at calculating periodic profit and loss more accurately, taking the opportunity of having become possible to manage each project cost exactly due to the enhancement of the project control function by introduction of the Enterprise Resource Planning System (ERP).

As a result, gross profit decreased by ¥125 million and operating income and income before income taxes and minority interests increased by ¥643 million for the year ended March 31, 2011, compared with the amounts which would have been calculated under the former method.

Effects of this change on the segment information are disclosed in Note 14.

Accounting changes and error corrections
The Companies adopted "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No.24 issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) for accounting changes and corrections of prior period errors which are made from the fiscal year beginning on April 1, 2011.

Change in depreciation method
From the year ended March 31, 2013, in accordance with the amendment in the Corporate Tax Law, the Companies have changed its depreciation method for property, plant and equipment. Assets acquired on or after April 1, 2012 are depreciated using the method prescribed in the amended Corporate Tax Law.

The effect of this change on the Companies' profits and losses is immaterial.

New accounting pronouncements
"Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, issued on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on May 17, 2012) have been issued (together, the "New Retirement Benefits Standard").
Major changes are as follows:

1. Summary
   Under the amended rule, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss would be recognized within the net asset section, after adjusting for tax effects, and the deficit or surplus would be recognized as a liability or asset without any adjustments.
   For determining method of attributing expected benefit to periods, the "New Retirement Benefits Standard" now allows to choose benefit formula basis as well as straight-line basis. Method for determination of discount rate has also been amended.
2. Effective dates
   Effective for the end of annual periods ending on or after March 31, 2014. Amendments relating to determination of retirement benefit obligations and current service costs are effective from the beginning of annual periods ending on or after March 31, 2015. However, no retrospective application of the "New Retirement Benefits Standard" to the consolidated financial statements in prior periods will be required.
3. Effect of application of the standard
   Net assets will increase (or decrease) due to the immediate recognition of actuarial gains and losses on the consolidated balance sheet. The Companies are currently in the process of determining the effects of the "New Retirement Benefits Standard" on the consolidated financial statements.

Change in estimation method of the percentage-of-completion method
From the year ended March 31, 2013, the Companies have changed the estimation method in measuring the percentage-of-completion in construction.

Until the year ended March 31, 2012, the estimated percentage-of-completion in construction at the end of the reporting period was measured by the proportion of the estimated cost of the finished process to the estimated total cost of the whole process. However, from the year ended March 31, 2013, such method was changed to the percentage-of-cost method. The percentage-of-completion at the end of the reporting period is measured by the percentage of cost incurred by the estimated total costs.

This change was made to have become possible to estimate more accurately the percentage-of-completion in line with the actual condition by improving the project control function incorporated into ERP, that enabled to obtain the costs incurred of each project under construction more comprehensively.

As a result, net sales increased by ¥705 million ($7,496 thousand) and operating income, and income before income taxes and minority interests each increased by ¥179 million ($1,909 thousand) for the year ended March 31, 2013 as compared with the amounts which would have been calculated under the former method.

Effects of this change on segment information are disclosed in Note 14.

Per share data
Computations of net income per share are based on the weighted average number of shares of common stock outstanding during each year.

Diluted net income per share for the years ended March 31, 2011, 2012 and 2013 is not presented since the Company had no securities with dilutive effect to net income per share.

Cash dividends per share presented in the consolidated statements of income and comprehensive income represent the cash dividends declared applicable to each respective year.

Reclassifications
Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no impact on previously reported results of operations or total net assets.

3 FINANCIAL INSTRUMENTS

(1) Qualitative information on financial instruments

- Policies for using financial instruments

The Companies procure capital required (mainly from finance institutions) based on investing plan.

Temporary idle funds are operated mainly to highly liquid financial instruments, and the Companies procure short-term operating money by loaning from banks.

- Details of financial instruments used and the exposures to risk and policies and processes for managing risk

Notes and accounts receivable are exposed to the credit risk of customers. The Companies control this risk by credit exposure management based on operating management rule, term and credit balance management for every customer, and early recognition and management of doubtful receivables which occur after stimulation by worsening financial conditions. In addition, some receivables are exposed to the foreign currency risk, but the Companies control due date and manage credit balance.

Investment securities, obtained mainly through business relationships, are exposed to the market risk, but the Companies regularly recognize their fair value.

Notes and accounts payable are due within one year.

The Companies have no long-term bank loans as of March 31, 2012 and 2013. Short-term bank loans are used for temporary operating money, and the interest rate is fixed.

Notes and accounts payable and bank loans are exposed to the liquidity risk. The Companies control this risk by monthly cash management etc.

(2) Fair values of financial instruments

Book values, fair values, and differences of the financial instruments included in the consolidated balance sheets as of March 31, 2012 and 2013 are as follows:

March 31, 2012	Millions of yen		
	Book values	Fair values	Differences
Cash and time deposits	¥ 6,751	¥ 6,751	¥ —
Notes and accounts receivable	41,928		
Allowance for doubtful accounts	(17)		
	41,911	41,842	(69)
Marketable securities and investment securities	9,530	9,530	—
Assets	58,192	58,123	(69)
Notes and accounts payable	15,785	15,785	—
Short-term bank loans	14,000	14,000	—
Liabilities	29,785	29,785	—

March 31, 2013	Millions of yen		
	Book values	Fair values	Differences
Cash and time deposits	**¥ 9,456**	**¥ 9,456**	**¥ —**
Notes and accounts receivable	**44,275**		
Allowance for doubtful accounts	**(11)**		
	44,264	**44,261**	**(3)**
Marketable securities and investment securities	**14,465**	**14,465**	**—**
Assets	**68,185**	**68,182**	**(3)**
Notes and accounts payable	**14,027**	**14,027**	**—**
Short-term bank loans	**12,500**	**12,500**	**—**
Liabilities	**26,527**	**26,527**	**—**

March 31, 2013	Thousands of U.S. dollars		
	Book values	Fair values	Differences
Cash and time deposits	**$100,591**	**$100,591**	**$ —**
Notes and accounts receivable	**471,007**		
Allowance for doubtful accounts	**(118)**		
	470,889	**470,855**	**(34)**
Marketable securities and investment securities	**153,896**	**153,896**	**—**
Assets	**725,376**	**725,342**	**(34)**
Notes and accounts payable	**149,224**	**149,224**	**—**
Short-term bank loans	**132,979**	**132,979**	**—**
Liabilities	**282,203**	**282,203**	**—**

(3) Method of calculating fair value of financial instruments and securities

Assets

Cash and time deposits:

Book value is considered to be a fair value, because it is settled within short terms.

Notes and accounts receivable:

Fair value means the current value discounting receivable which is periodically sorted out by the rate at which credit risk is taken into consideration.

Marketable securities and investment securities:

As for the stocks of available-for-sale securities, fair value means market price, and as for the bonds of available-for-sale securities, fair value means market price or price presented by financial institutions.

Liabilities

Notes and accounts payable and Short-term bank loans:

Book value is considered to be a fair value, because it is settled within short terms.

(4) The following tables summarize book values of securities with difficulty in calculating fair values as of March 31, 2012 and 2013.

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Money management fund	¥ 19	**¥ 26**	**$ 276**
Non-listed equity securities	654	**635**	**6,749**
Preferred subscription certificate	145	**97**	**1,030**
Investment in anonymous association	39	**37**	**388**
Securities of unconsolidated subsidiaries and affiliated companies	270	**269**	**2,864**

(5) Expected repayment of monetary assets and investment securities with maturities as of March 31, 2012 and 2013 are as follows:

March 31, 2012	Millions of yen	
	Within one year	Over one year but within five years
Cash and time deposits	¥ 6,751	¥ —
Notes and accounts receivable	36,093	5,835
	¥42,844	¥5,835

March 31, 2013	Millions of yen	
	Within one year	Over one year but within five years
Cash and time deposits	**¥ 9,456**	**¥ —**
Notes and accounts receivable	**42,294**	**1,981**
	¥51,750	**¥1,981**

March 31, 2013	Thousands of U.S. dollars	
	Within one year	Over one year but within five years
Cash and time deposits	**$100,591**	**$ —**
Notes and accounts receivable	**449,929**	**21,078**
	$550,520	**$21,078**

4 SECURITIES

(1) The following tables summarize book values and acquisition costs of securities with fair value as of March 31, 2012 and 2013:

Available-for-sale securities

March 31, 2012	Millions of yen		
	Book value	Acquisition cost	Difference
Securities with book values (fair value) exceeding acquisition costs:			
Equity securities	¥8,137	¥2,044	¥6,093
	¥8,137	¥2,044	¥6,093
Securities with book values (fair value) not exceeding acquisition costs:			
Equity securities	¥1,393	¥1,589	¥ (196)
	¥1,393	¥1,589	¥ (196)

March 31, 2013	Millions of yen		
	Book value	Acquisition cost	Difference
Securities with book values (fair value) exceeding acquisition costs:			
Equity securities	**¥14,135**	**¥3,307**	**¥10,828**
	¥14,135	**¥3,307**	**¥10,828**
Securities with book values (fair value) not exceeding acquisition costs:			
Equity securities	**¥ 330**	**¥ 388**	**¥ (58)**
	¥ 330	**¥ 388**	**¥ (58)**

March 31, 2013	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
Securities with book values (fair value) exceeding acquisition costs:			
Equity securities	**$150,380**	**$35,180**	**$115,200**
	$150,380	**$35,180**	**$115,200**
Securities with book values (fair value) not exceeding acquisition costs:			
Equity securities	**$ 3,516**	**$ 4,136**	**$ (620)**
	$ 3,516	**$ 4,136**	**$ (620)**

(2) Sales of securities classified as available-for-sale securities
Sales and aggregate gain and loss on sales of securities classified as available-for-sale securities for the years ended March 31, 2011, 2012 and 2013 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2012	**2013**	**2013**
Sales proceeds	¥—	¥6	**¥—**	**$—**
Gain	—	5	**—**	**—**
Loss	—	—	**—**	**—**

(3) Impairment losses of investment securities
Impairment losses of ¥413 million, ¥6 million, and ¥19 million ($207 thousand) were recognized in the consolidated statements of income as "Loss on devaluation of investment securities", for available-for-sale securities for the years ended March 31, 2011, 2012 and 2013, respectively.

Where the fair market value of available-for-sale securities has declined by more than 50% from their acquisition costs, the value of those securities is considered to have "substantially declined" and the impairment losses are recognized in the consolidated statements of income on those securities, unless the value is considered recoverable.

5 INVENTORIES

Inventories as of March 31, 2012 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Finished goods	¥ 6,906	**¥ 5,641**	**$ 60,011**
Goods in process	12,730	**12,044**	**128,125**
Raw materials and supplies	6,455	**3,971**	**42,243**
	¥26,091	**¥21,656**	**$230,379**

Loss on valuation of inventories for the years ended March 31, 2011, 2012 and 2013 are ¥351 million, ¥464 million and ¥1,035 million ($11,007 thousand), and are included in cost of sales.

6 SHORT-TERM BANK LOANS

Short-term bank loans outstanding bore interest at average rates of 0.6% and 0.5% as of March 31, 2012 and 2013, respectively.

7 INCOME TAXES

The Companies are subject to a number of taxes based on income, which consist of corporate taxes, inhabitants taxes and enterprise taxes. As a result, the normal statutory income tax rate is approximately 40.0% for the years ended March 31, 2011, 2012 and 38.0% for the year ended March 31, 2013, respectively.

The following table summarizes the significant differences between the statutory tax rates and the Companies' effective tax rates for financial statement purposes for the years ended March 31, 2011, 2012 and 2013.

	2011	2012	2013
Statutory tax rate	40.0%	40.0%	**38.0%**
Non-taxable income including dividends	(1.9)	(2.1)	**(1.1)**
Non-deductible expenses including entertainment	2.1	3.0	**1.5**
Per capita inhabitants taxes	2.0	2.9	**1.8**
Tax credit on research and development costs, etc.	(0.5)	(0.5)	**(0.2)**
Valuation allowance	1.5	(2.7)	**(0.2)**
Adjustment of deferred tax assets for enacted changes in tax laws and rates	—	8.6	**—**
Other	0.4	0.5	**1.6**
Effective tax rate	43.6%	49.7%	**41.4%**

Significant components of deferred tax assets and liabilities of the Companies as of March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Deferred tax assets:			
Depreciation	¥ 516	**¥ 484**	**$ 5,146**
Impairment loss of fixed assets	1,006	**1,006**	**10,699**
Bonuses accrued	925	**938**	**9,983**
Employees' severance and retirement benefits	2,521	**2,234**	**23,766**
Directors' and corporate auditors' retirement benefits	71	**43**	**456**
Non-deductible inventory losses	1,677	**2,260**	**24,038**
Accrued contract losses	219	**199**	**2,118**
Enterprise taxes	76	**211**	**2,248**
Valuation allowance	(1,571)	**(1,562)**	**(16,616)**
Other	741	**696**	**7,408**
Total deferred tax assets	6,181	**6,509**	**69,246**
Deferred tax liabilities:			
Tax deferment for capital gain on property	(1,180)	**(1,180)**	**(12,555)**
Net unrealized holding gains on securities	(2,078)	**(3,724)**	**(39,613)**
Other	(4)	**(7)**	**(74)**
Total deferred tax liabilities	(3,262)	**(4,911)**	**(52,242)**
Net deferred tax assets	¥ 2,919	**¥ 1,598**	**$ 17,004**

<Additional Information>
On December 2, 2011, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate for the Companies will be reduced for the years beginning on or after April 1, 2012. Due to these changes in statutory income tax rates, net deferred tax assets decreased by ¥10 million as of March 31, 2012 and net unrealized holding gains on securities increased by ¥296 million, and income taxes-deferred increased by ¥307 million.

8 COMPREHENSIVE INCOME

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

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Unrealized gains on available-for-sale securities:			
Increase during the year	¥1,488	**¥ 4,873**	**$ 51,838**
Reclassification adjustments	—	**—**	**—**
Sub total, before tax	1,488	**4,873**	**51,838**
Tax effect	(287)	**(1,646)**	**(17,510)**
Sub total, net of tax	1,201	**3,227**	**34,328**
Total other comprehensive income	¥1,201	**¥ 3,227**	**$ 34,328**

9 SHAREHOLDERS' EQUITY

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

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

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

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

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

At the annual shareholders' meeting held on June 25, 2013, the shareholders approved cash dividends of ¥8.00 per share, Total amounts of devidends paid to shareholders were ¥499 million ($5,311 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2013.

Such appropriations are recognized in the period in which they are approved by the shareholders.

Changes in number of shares issued and treasury stocks outstanding during the years ended March 31, 2011, 2012 and 2013 are as follows:

Common stock issued

	2011	2012	**2013**
Balance at beginning of year	62,448,052	62,448,052	**62,448,052**
Balance at end of year	62,448,052	62,448,052	**62,448,052**

Treasury stock outstanding

	2011	2012	**2013**
Balance at beginning of year.	47,931	48,326	**48,475**
Increase due to purchase of odd stock	395	149	**44**
Decrease due to disposal of odd stock	—	—	**(38)**
Balance at end of year	48,326	48,475	**48,481**

10 EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The liabilities for employees' severance and retirement benefits included in the consolidated balance sheets as of March 31, 2012 and 2013 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Projected benefit obligation	¥13,028	**¥12,316**	**$131,025**
Unrecognized actuarial differences	(273)	**(126)**	**(1,338)**
Unrecognized prior service obligation	887	**814**	**8,663**
Fair value of pension assets	(6,796)	**(6,821)**	**(72,570)**
Prepaid pension cost	1,047	**1,121**	**11,922**
Liabilities for severance and retirement benefits	¥ 7,893	**¥ 7,304**	**$ 77,702**

Included in the consolidated statements of income and comprehensive income for the years ended March 31, 2011, 2012 and 2013 are employees' severance and retirement benefit expenses comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2011	2012	**2013**	**2013**
Service costs – benefits earned during the year	¥ 855	¥ 677	**¥ 663**	**$ 7,052**
Interest cost on projected benefit obligation	260	229	**218**	**2,321**
Expected return on plan assets	(47)	(26)	**(109)**	**(1,161)**
Amortization of actuarial differences	435	49	**(57)**	**(605)**
Amortization of prior service obligation	(49)	(73)	**(73)**	**(775)**
Severance and retirement benefit expenses	1,454	856	**642**	**6,832**
Premiums paid to defined contribution pension plan	444	505	**495**	**5,264**
Total	¥1,898	¥1,361	**¥1,137**	**$12,096**

Severance and retirement benefits expenses of consolidated subsidiaries using the simplified method are included in the service costs above.

Other than the items listed on the above table, in the years ended March 31, 2011 and 2012, gain on termination of defined benefit plans of ¥597 million and ¥34 million was recognized on the consolidated statement of income and comprehensive income, respectively.

The discount rate used by the Companies is 2.0% for the years ended March 31, 2011, 2012 and 2013. The expected rates of return on plan assets for the year ended March 31, 2011 used by the Company and subsidiaries are 0.6% and 0.76%, for the year ended March 31, 2012 are 0.6% and 0.43%, and for the year ended March 31, 2013 are 0.6% and 2.33%, respectively.

The estimated amount of all retirement benefits to be paid at a future retirement date will be allocated equally to each service year using the estimated number of total service years. Unrecognized prior service obligation is being amortized by the straight-line method within the specific period (15 years) in the remaining period of the employees' average working period.

Actuarial differences incurred by the Company are recognized at one-time in the following years' income statement, while two consolidated subsidiaries recognize the actual gains or losses using the declining-balance method over 15 years, commencing with the following year.

11 CONTINGENT LIABILITIES

The Company is contingently liable under guarantees for bank borrowings of employees, etc., in the amount of ¥230 million and ¥187 million ($1,989 thousand) as of March 31, 2012 and 2013, respectively.

12 INFORMATION ON LEASE TRANSACTIONS

Assets capitalized under finance leases consist of equipments for board production (machinery and equipment) and software (intangible assets). Depreciation method was discussed in Note 2.

Finance leases which commenced prior to April 1, 2009 and have been accounted for as operating leases continue to be accounted for as operating leases. Their information was as follows:

(1) A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value as of March 31, 2012 and 2013

March 31, 2012	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	¥ 96	¥ 80	¥16

March 31, 2013	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	**¥ 31**	**¥ 26**	**¥ 4**

March 31, 2013	Thousands of U.S. dollars		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	**$339**	**$281**	**$58**

(2) Lease obligations under such leases, including finance charges, as of March 31, 2012 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Payments due within one year	¥10	**¥5**	**$49**
Payments due after one year	6	**1**	**12**
	¥16	**¥6**	**$61**

(3) Lease payments under such leases for the years ended March 31, 2011, 2012 and 2013 were ¥61 million, ¥30 million and ¥10 million ($103 thousand), respectively.

In addition, lease obligations under operating leases, including finance charges, as of March 31, 2012 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Payments due within one year	¥122	**¥105**	**$1,121**
Payments due after one year	244	**160**	**1,698**
	¥366	**¥265**	**$2,819**

13 CASH AND CASH EQUIVALENTS

Reconciliations of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2011, 2012 and 2013 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2012	**2013**	**2013**
Cash and time deposits	¥11,029	¥6,751	**¥9,456**	**$100,591**
Add: Marketable securities	213	19	**26**	**276**
Less: Time deposits with maturities exceeding three months	(168)	(167)	**(123)**	**(1,300)**
Less: Bonds with maturities exceeding three months	(201)	—	**—**	**—**
Cash and cash equivalents	¥10,873	¥6,603	**¥9,359**	**$ 99,567**

14 SEGMENT INFORMATION

[General information about reportable segments]

The Companies report separated financial information for each segment, and management periodically validate each segment to decide management resource allocation to evaluate the performance.

The Companies have two reportable segments, "Traffic and Transportation Infrastructure Division" and "ICT Solutions Division" which are related to its products and services.

The "Traffic and Transportation Infrastructure Division" provides services for the manufacture, sale and maintenance of products relating to Railway signals and Traffic systems.

The "ICT Solutions Division" provides services for the manufacture, sale and maintenance of products relating to Automatic fare collection, Automatic control systems and Parking systems.

[Basis of measurement about reported segment profit or loss, segment assets, segment liabilities and other material items]

The accounting method of reportable segments are almost the same as those described in Note 2.

Segment profit is based on operating income.

[Information about reportable segment profit or loss, segment assets, segment liabilities and other material items]

Information by reportable segment as of and for the years ended March 31, 2011, 2012 and 2013 is summarized as follows:

	Millions of yen				
	Traffic and Transportation Infrastructure Division	ICT Solutions Division	Total	Adjustments	Consolidated
Year ended March 31, 2011:					
Net sales:					
Customers	¥49,782	¥33,683	¥83,465	¥ —	¥ 83,465
Segment profit	¥ 7,415	¥ 236	¥ 7,651	¥ (2,842)	¥ 4,809
Segment assets	¥58,017	¥36,891	¥94,908	¥13,670	¥108,578
Depreciation and amortization	¥ 995	¥ 682	¥ 1,677	¥ 143	¥ 1,820
Increase of property, plant, equipment and intangible assets	928	465	1,393	766	2,159
Year ended March 31, 2012:					
Net sales:					
Customers	¥49,866	¥34,637	¥84,503	¥ —	¥ 84,503
Segment profit	¥ 5,978	¥ 66	¥ 6,044	¥ (2,748)	¥ 3,296
Segment assets	¥57,390	¥33,947	¥91,337	¥14,254	¥105,591
Depreciation and amortization	¥ 826	¥ 585	¥ 1,411	¥ 505	¥ 1,916
Increase of property, plant, equipment and intangible assets	699	359	1,058	492	1,550
Year ended March 31, 2013:					
Net sales:					
Customers	**¥46,128**	**¥39,211**	**¥85,339**	**¥ —**	**¥ 85,339**
Segment profit	**¥ 4,743**	**¥ 3,026**	**¥ 7,769**	**¥ (2,687)**	**¥ 5,082**
Segment assets	**¥52,443**	**¥36,391**	**¥88,834**	**¥22,225**	**¥111,059**
Depreciation and amortization	**¥ 679**	**¥ 472**	**¥ 1,151**	**¥ 484**	**¥ 1,635**
Increase of property, plant, equipment and intangible assets	**447**	**375**	**822**	**11**	**833**

	Thousands of U.S. dollars				
	Traffic and Transportation Infrastructure Division	ICT Solutions Division	Total	Adjustments	Consolidated
Year ended March 31, 2013:					
Net sales:					
Customers	**$490,727**	**$417,135**	**$907,862**	**$ —**	**$ 907,862**
Segment profit	**$ 50,455**	**$ 32,198**	**$ 82,653**	**$ (28,585)**	**$ 54,068**
Segment assets	**$557,907**	**$387,139**	**$945,046**	**$236,427**	**$1,181,473**
Depreciation and amortization	**$ 7,226**	**$ 5,015**	**$ 12,241**	**$ 5,153**	**$ 17,394**
Increase of property, plant, equipment and intangible assets	**4,761**	**3,985**	**8,746**	**119**	**8,865**

Adjustments of segments profits are corporate cost allocated to no segments. They are mainly related with the management departments of the Company..

Segment profits have been adjusted for operating income of consolidated statements of income.

Adjustments of segment assets are principally cash and time deposits, marketable securities and investment securities, and are related with management departments of the Company.

<Change in accounting policies>

1. As discussed in Note 2, the Companies changed in classification of costs of specification development by the engineering division, effective from the second quarter of the year ended March 31, 2011.
   This change was aimed at calculating periodic profit and loss more accurately, taking the opportunity of having become possible to manage each project cost exactly due to the enhancement of the project control function by introduction of the Enterprise Resource Planning System (ERP).
   As a result, segment profits increased by ¥428 million ($5,154 thousand) in the Traffic and Transportation Infrastructure Division and ¥215 million ($2,596 thousand) in the ICT Solutions Division compared with the amounts which would have been calculated under the former method.
2. As discussed in Note 2, the Companies have changed the estimation method in measuring the percentage-of-completion in construction from the year ended March 31, 2013.
   Until the year ended March 31, 2012, the estimated percentage-of-completion in construction at the end of the reporting period was measured by the proportion of the estimated cost of the finished process to the estimated total cost of whole the process. However, from the year ended march 31, 2013, such method was changed to the percentage-of-cost method.
   As a result, segment net sales increased by ¥659 million ($7,005 thousand) and segment profit increased by ¥168 million ($1,790 thousand) in the Traffic and Transportation Infrastructure Division, and segment net sales increased by ¥46 million ($491 thousand) and segment profit increased by ¥11 million ($119 thousand) in the ICT Solutions Division, compared with the amounts which would have been calculated under the former method.

<Additional information>

The Companies adopted ASBJ Statement No.17 issued on March 27, 2009, "Accounting Standard for Disclosures about Segments of an Enterprise and Related information" and ASBJ Guidance No.20 issued on March 21, 2008, " Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related information" in the year ended March 31, 2011.

<Related information>

Information about products and services is not shown since the information is provided previously in this section.

<Information about geographic area>

<Revenues>

Information of revenues is not shown since domestic sales of the Companies for the years ended March 31, 2011, 2012 and 2013 was more than 90% of net sales of Consolidated Statements of Income and Comprehensive income.

<Property, plant and equipment>

The information of property, plant and equipment is not shown since the amount of property, plant and equipment that located Japan as of March 31, 2011, 2012 and 2013 was more than 90% of the amount of property, plant and equipment of Consolidated Balance Sheets.

<Information about major customers>

Information about major customers is not shown since net sales to every customer for the year ended March 31, 2013 was less than 10 % of the amount of net sales of Consolidated Statements of Income and Comprehensive income.

15 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses of the Companies for the years ended March 31, 2011, 2012 and 2013 were ¥2,298 million, ¥2,221 million and ¥2,363 million ($25,141 thousand), respectively, and are included in selling, general and administrative expenses.

16 FAIR VALUE OF INVESTMENT AND RENTAL PROPERTY

The Companies rent a part of the land in Saitama Prefecture and other areas.

The main property is the site of the former Yono Plant, which is temporarily rented out as a parking lot, but the Companies have decided to rent the property as Fixed Term Land Lease for Business Purposes, based on Article 23 of the Act on Land and Building Leases.

For the period ended March 31, 2011, 2012 and 2013, the net loss of the rental properties is ¥39 million, ¥37 million and ¥44 million ($467 thousand). Rental revenue is ¥19 million, ¥20 million and ¥21 million ($226 thousand), and rental cost is ¥58 million, ¥57 million and ¥65 million ($693 thousand) each year.

Information about fair value of investment and rental property included in the consolidated financial statements as of March 31, 2012 and 2013 is as follows:

March 31, 2012	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Book value at the end of prior fiscal year	¥ 192	**¥ 474**	**$ 5,047**
Increase (decrease) in the fiscal year	282	**(3)**	**(38)**
Book value	474	**471**	**5,009**
Fair value	¥6,816	**¥6,920**	**$73,622**

The fair value of major real estate is computed based on the appraised amount valued by real estate appraisers from outside of the Companies and others are computed based on fair value and appraised value.

17 BUSINESS COMBINATIONS

(1) Names of the combined party and description of its business
(a) Names of the combined party
Supporting service in parking management of Nisshin Electronics Service Co., Ltd. and IPOS NET INC.
(b) Description of the combined party
Nisshin Electronics Service Co., Ltd. is mainly engaged in the maintenance of electrical equipment manufactured by the Company. IPOS NET INC. is mainly engaged in supporting service in the development and sales of parking management.
(2) Date of combination
April 1, 2010
(3) Legal form of the business combination
IPOS NET INC. merged by absorption with Nisshin Electronics Service Co., Ltd.
(4) Name of company after business combination
Nisshin Electronics Service Co., Ltd.
(5) Other related the transaction
The purpose of the combination is concentration of management resources and enhancement of business base by combining organically the know-how of parking maintenance services and sales in Nisshin Electronics Service Co., Ltd. with supporting service in parking management in IPOS NET INC.

The business combination has been accounted for as a "Transaction under Common Control " in accordance with the accounting standards, "Accounting Standards for Business Combinations" (ASBJ Statement No. 21, as revised by on December 26, 2008) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, as revised on December 26, 2008).

18 SUBSEQUENT EVENT

At the annual shareholders' meeting held on June 25, 2013, the shareholders approved cash dividends of ¥8.00 per share, Total amounts of devidends paid to shareholders were ¥499 million ($5,311 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2013.

Such appropriations are recognized in the period in which they are approved by the shareholders.

19 PER SHARE DATA

Net assets worth per share and net income per share as of and for the years ended March 31, 2012 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Net assets worth per share of common stock	828.24	**917.15**	**9.76**
Basic net income per share of common stock	26.09	**50.25**	**0.54**

Diluted net income per share is not presented for the years ended March 31, 2012 and 2013, because the Company has not had dilutive potential share.

(1) Basis of net assets per share of common stock for the years ended March 31, 2012 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Net assets	¥57,126	**¥62,955**	**$669,730**
Amounts deducted from net assets	5,444	**5,725**	**60,902**
Minority interests	5,444	**5,725**	**60,902**
Net assets applicable to common stock	51,682	**57,230**	**608,828**
Number of share of common stock at end of year (in thousands of shares)	62,400	**62,400**	**62,400**

(2) Basis of net income per share of common stock for the years ended March 31, 2012 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Net income	¥ 1,628	**¥ 3,135**	**$33,356**
Net income not available to common stock holders	—	**—**	**—**
Net income available to common stock	1,628	**3,135**	**33,356**
Number of share of common stock at end of year (in thousands of shares)	62,400	**62,400**	**62,400**

KPMG

Independent Auditor's Report

To the Board of Directors of The Nippon Signal Co., Ltd.:

We have audited the accompanying consolidated financial statements of The Nippon Signal Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2013 and 2012, and the consolidated statements of income and comprehensive income, statements of changes in net assets and statements of cash flows for each of the three years in the period ended March 31, 2013, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Nippon Signal Co., Ltd. and its consolidated subsidiaries as at March 31, 2013 and 2012, and their financial performance and cash flows for each of the three years in period ended March 31, 2013, in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter
Without qualifying our opinion, we draw attention to the following:
As discussed in Note 2 to the consolidated financial statements, in the year ended March 31, 2011, the Companies changed in classification of costs of specification development.

Convenience Translation
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

KPMG AZSA LLC
July 10, 2013
Tokyo, Japan

Board of Directors and Corporate Auditors

As of July 1, 2013

Chairman

Kazuyoshi Nishimura

President

Yohei Furuhata

Senior Executive Officers

Hidehiko Tsukamoto
Hisatoshi Horiuchi

Executive Officers

Yoshinori Azuma
Toshio Takano
Takashi Hasegawa
Hideo Oshima
Kazumi Shimizu
Yoji Shimizu
Atsushi Sato

Director and Deputy Chief Executive Officer

Nariyuki Ohashi

Director and Senior Executive Officer

Yasuo Saito

Director and Senior Executive Officer

Yoshitaka Tokubuchi

Director and Senior Executive Officer

Takeshi Fujiwara

Director

Takashi Kobayashi

Audit & Supervisory Board Member

Shoji Kawada

Audit & Supervisory Board Member

Yukio Yoshikawa

Audit & Supervisory Board Member

Keiichiro Sue

Audit & Supervisory Board Member

Ryoichi Tahara

Corporate Data

As of March 31, 2013

THE NIPPON SIGNAL CO., LTD.

Date of Establishment
December 27, 1928

Number of Employees
1,215

Paid-in Capital
¥6,846 million

Number of Shares of Common Stock Issued
62,448,052

Number of Stockholders
10,476

Securities Traded
Tokyo Stock Exchange (First Section)

Transfer Agent and Registrar
The Mizuho Trust & Banking Co., Ltd.
The Mizuho Investors Securities Co., Ltd.

Independent Certified Public Accountant
KPMG AZSA LLC

Head Office
1-5-1, Marunouchi, Chiyoda-ku, Tokyo 100-6513, Japan
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Fax: +81-3-3217-7300

Osaka Branch
3-6-3, Awaji-machi, Chuo-ku,
Osaka, Osaka 541-0047, Japan
Tel: +81-6-6202-2021

Kuki Plant
1836-1, Ooya, Aza, Ezura, Kuki,
Saitama 346-8524, Japan
Tel: +81-480-28-3000

Utsunomiya Plant
11-2, Hiraide Kogyo Danchi, Utsunomiya,
Tochigi 321-8651, Japan
Tel: +81-28-660-3000

SUBSIDIARIES

Consolidated Subsidiaries

■ ***Manufacturing***
The Nisshin Electrics Construction Co., Ltd.
Nisshin Industry Co., Ltd.
Tochigi Nisshin Co., Ltd.
Nisshin Software Engineering Co., Ltd.
Yamagata Nisshin Electronics Co., Ltd.
Nisshin Tokki Co., Ltd.

■ ***Servicing***
Nisshin Electronics Service Co., Ltd.
Sapporo Nisshin Electronics Co., Ltd.
Fukuoka Nisshin Electronics Co., Ltd.
Mie Nisshin Electronics Co., Ltd.
Sendai Nisshin Electronics Co., Ltd.

Non-Consolidated Subsidiaries

■ ***Manufacturing***
Asahi Electronics Co., Ltd.

■ ***Servicing***
Nisshin Enterprise Co., Ltd.
Nisshin TECHNO Service Co., Ltd.
Nisshin Career Service Co., Ltd.
Circuit Technology Inc.
Beijing Nippon Signal Co., Ltd.

Organization

As of July 1, 2013

- Board of Corporate Auditors
  - Corporate Auditors
- Chairman
- Board of Directors — President — Committee of Directors
- Risk Management Committee
- Jikeijyuku

- Internal Audit Dept.
- Quality & Environmental Management Dept.
- IT Strategy Dept.
- Research & Development Center
- **Business Administration Division**
  - Vision-2020 3E (Corporate Strategy) Office
  - General Affairs Dept.
  - Personnel Dept.
  - Finance & Accounting Dept.
- Business Support Center
- **Business Head Office**
  - Business Control Dept.
  - **Traffic and Transportation Infrastructure Business**
    - Railway Signal Systems Division
    - Traffic Information Systems Division
  - **ICT Solutions Business**
    - Automatic Fare Collection Systems Division
    - Information Systems Division
  - Traffic and Transportation Infrastructure System Engineering Division
  - ICT Solutions Engineering Division
- **Monodukuri Division**
  - Kuki Plant
  - Utsunomiya Plant
- Overseas Division
- Visionary Business Center
- Osaka Branch Office
- Hokkaido Branch Office
- Tohoku Branch Office
- Kitakanto Branch Office
- Chubu Branch Office
- Kyushu Branch Office

Product Outline

As of March 31, 2013

1. Railway Signaling Systems

Automatic Train Supervision System
Automatic Train Protection System (ATP)
Automatic Train Operation System (ATO)
Train Detection Equipment
Transponder
Maintenance Management System
Relay Interlocking Equipment
Train Information Processing System
Electronic Interlocking Equipment
Electronic Block System
Railway Crossing System
Train Navigation System (TNS)
Other Signal Equipment

2. Traffic Control Systems

Universal Traffic Management System
Centralized Area Traffic Control System
Local Controllers
Traffic Signal-Integrated Street Lights
Ultrasonic Vehicle Detector
Vehicle-Type Classifying Detector
Image Processing Vehicle Detector
Road Traffic Information System
Traffic Information Board
Traffic Flow Data Counter

3. Automatic Fare Collection Systems

Automatic Passenger Gate
Automatic Ticket Vending Machine
Automatic Fare Adjustment Machine
Data Processing Equipment
Station Controller
Coupon Vending Machine
Automatic Coupon Vending Machine
Automatic Prepaid Card Vending Machine
Centralized Card Encoder
Ticket Issuing Machine for Station Staff
Centralized Monitoring Equipment

4. Integrated Airport Passenger Systems

Boarding Pass Printer
Boarding Pass Reader

5. Parking Control Systems

Parking Fee Collection System (ISP)
PARK-LOC® System (P/L)
Parking Management and Control System
Intelligent PARK-LOC® (IPL)
Centralized Monitoring System
Parking Management Support System
Bicycle Parking Lot Management Support System
Information Port System (IPOS)

6. Electronics Information and Control Equipment

(1) Card Systems

Visible Magnetic Card (VISMAC)
Point Card System
Contact-Less IC Card
Various Card Writers and Readers

(2) Entry/Exit Control Systems

Security Gate System
Security Control System for Buildings
Automatic Card Vending Machine

(3) Information Display Systems

LED Display System
Passenger Information System

7. RFID

8. MEMS

NIPPON SIGNAL
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