

Message from the President

We are pressing forward with our initiatives for the second two years of the medium-term management plan (“Revitalize 2022” for the period from fiscal 2020 to fiscal 2021) as “a period for accumulating earning power and returning to a growth path.”



Akira Watanabe

President

Kenzo Terashima

Chairman

Results for the fiscal year ended May 2021

Although both net sales and profits decreased year on year due to the impact of COVID-19, profits exceeded the published forecasts.

The business environment for the fiscal year ended May 2021 remained harsh throughout the year due to the impact of COVID-19 and three declarations of a state of emergency triggered by it. Amid restrictions imposed on economic activities both in Japan and overseas, the significant decline in tourism demand as well as the spread of teleworking caused a sharp decrease in the number of passengers transported by railway operators. In addition, capital investments were called off in the manufacturing industry due to uncertain outlook. In the latter half of the year, some recovery was observed thanks to measures to prevent the spread of infection and large-scale economic packages both in and out of Japan. China, in particular, experienced an economic recovery as the impact of COVID-19 quickly subsided.

In such an environment, the Group's orders and sales were impacted as there were some revisions and postponements in railway operators' plans for rolling stock production and replacement as well as equipment renewal plans in the manufacturing industry. As a result, orders received, net sales, and operating income all decreased year on year to 30.0 billion yen, 33.1 billion yen, and 420 million yen, respectively. However, profits exceeded the published forecasts, helped by improved profitability. Ordinary income was 750 million yen mainly due to foreign exchange gains, and net income attributable to owners of the parent was 970 million yen as a result of efforts to reduce certain cross holdings.

By segment, the Transportation Systems segment saw a year-on-year decrease in both orders received and net sales due to

lower sales to clients other than JR Group. Segment profit declined due to decreases in net sales and profits at subsidiaries despite efforts to step up cost and process control.

In the Industrial Systems segment, orders received fell below the previous fiscal year due to a decrease in orders for processing equipment. Net sales declined primarily due to lower sales for testing equipment and power supply. Segment profit decreased

mainly owing to the impact of lower net sales, despite efforts to enhance cost control.

In the Information Equipment Systems segment, orders received, net sales, and segment profit all declined year on year mainly due to a negative rebound from the previous fiscal year's recording of large-scale orders, in addition to the impact of COVID-19.

Future outlook and message to our stakeholders

We will work on measures to establish a “muscular” business management system that can generate stable profits and to expand the scale of our business.

While the domestic and overseas economic conditions remain severe due to concerns over the resurgence of COVID-19 caused by mutant strains, there are signs of recovery in the form of visible effects of various policies and developments in the recovery of overseas economies such as China. Measures to prevent the spread of infection and vaccination are being rolled out both in Japan and overseas, and it is hoped that personal consumption and capital investment will recover as the easing of movement restrictions will progress with the subsiding of COVID-19.

In the Transportation Systems segment, the number of railway users in Japan is predicted not to return to the level seen in the past due to the decline in demand for transport as well as the intensifying population drop and increasingly aging population. However, in China, the number of passengers on trunk railways has generally recovered to the past level, raising expectations for a recovery in maintenance demand for high-speed railways and urban transport systems. Projects in overseas markets other than China, such as Southeast Asia, have also started to pick up.

In the Industrial Systems segment, production facilities and printing machines are returning to the levels seen in the past, and there has been an increasing number of inquiries from the United States, China, and South Korea. Furthermore, efforts toward the realization of a sustainable society, such as decarbonization, are gathering pace, and test equipment for the electrification of automobiles and autonomous driving as well as dispersed power source systems are projected to grow. There are also expectations for the expansion and reinforcement of infrastructure equipment,

such as emergency power generators, as part of efforts to build national resilience.

In the Information Equipment Systems segment, with increasing demand for digitalization and contactless systems, there is a growing need for compatibility with IC train tickets, including those for local lines, and as such, demand for products such as IC car-mounted terminals is expected to rise.

As new customer needs are emerging in the wake of changes in behavior and values in a post-COVID society, we believe that the areas in which our business can make contribution will further expand.

In response to these changes in the business environment, the Group reviewed the medium-term management plan “Revitalize 2020,” which will be completed in fiscal 2021, and relaunched it as “Revitalize 2022” in January 2021. Based on the achievements of efforts to improve profitability during the first two years (from fiscal 2018 to fiscal 2019), we conducted a review to address changes in the business environment and designated the second two years (from fiscal 2020 to fiscal 2021) as “a period for accumulating earning power and returning to a growth path.” We are working on measures to establish a “muscular” business management system that can generate stable profits and to expand the scale of our business.

We hope that our stakeholders will look forward to the development and expansion of our business and would like to ask for their continued support.