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## Consolidated Financial Results for the Three Months Ended June 30, 2023 [Japanese GAAP]

August 8, 2023

Company name: Nippon Signal Co., Ltd.

Stock exchange listing: Tokyo

Code number: 6741

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

Representative: Hidehiko Tsukamoto

President and CEO and COO

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Scheduled date of filing quarterly securities report: August 9, 2023

Scheduled date of commencing dividend payments: —

Availability of supplementary briefing material on quarterly financial results: Not available

Schedule of quarterly financial results briefing session: Not scheduled

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

### 1. Consolidated Financial Results for the Three Months Ended June 30, 2023 (April 1, 2023 to June 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2023	14,155	1.2	(1,521)	-	(997)	-	(1,067)	-
June 30, 2022	13,991	(21.9)	(726)	-	(126)	-	(552)	-

(Note) Comprehensive income: Three months ended June 30, 2023: ¥ 650 million [-%]  
Three months ended June 30, 2022: ¥ (685) million [-%]

	Basic earnings per share	Diluted earnings per share
Three months ended June 30, 2023	Yen (17.12)	Yen -
June 30, 2022	(8.86)	-

#### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
June 30, 2023	135,731	88,754	65.4
March 31, 2023	146,019	89,351	61.2

(Reference) Equity: As of June 30, 2023: ¥ 88,754 million  
As of March 31, 2023: ¥ 89,351 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2023	Yen -	Yen 7.00	Yen -	Yen 20.00	Yen 27.00
Fiscal year ending March 31, 2024	-				
Fiscal year ending March 31, 2024 (Forecast)		7.00	-	20.00	27.00

(Note) Revision to the forecast for dividends announced most recently: None

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	95,000	11.2	6,000	17.4	6,800	14.9	4,700	15.3	75.36

(Note) Revision to the financial results forecast announced most recently: None

\* Notes:

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

(2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: Yes

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

1) Changes in accounting policies due to the revision of accounting standards: No

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

3) Changes in accounting estimates: No

4) Retrospective restatement: No

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

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

As of June 30, 2023: 68,339,704 shares

As of March 31, 2023: 68,339,704 shares

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

As of June 30, 2023: 5,968,270 shares

As of March 31, 2023: 5,968,270 shares

3) Average number of shares during the period:

Three months ended June 30, 2023: 62,371,434 shares

Three months ended June 30, 2022: 62,371,636 shares

\* These quarterly consolidated financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

\* Proper use of earnings forecasts, and other special matters

The statements regarding forecast of financial results in this report are based on the information that is available to the Company, as well as certain assumptions that are deemed to be reasonable by management. Therefore, there might be cases in which actual results differ materially from forecast values due to various factors.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

During the three months ended June 30, 2023 (April 1, 2023 to June 30, 2023), the global economy remained unstable due to concerns such as the slowdown in economic growth caused by Russian's prolonged invasion of Ukraine and global monetary tightening, and the resulting negative impact, especially on financial markets of emerging market and developing economies.

The Japanese economy has been on a gradual recovery trend in domestic consumption, including service consumption such as hotels and restaurants as well as inbound demand due to an increase in the number of foreign visitors to Japan, helped by the downgrading of the classification of COVID-19 under the Infectious Disease Control Law to Class 5 and the easing of various policies. However, the outlook remains uncertain due to concerns about the impact of soaring raw material and energy prices and rising commodity prices.

Under these circumstances, the Group has continued to solve social issues in Japan and overseas by supporting the evolution of infrastructure with safe and comfortable solutions and promote adaptation to changes in the post-COVID-19 business environment, based on the medium-term management plan "Next Stage 24" that began in FY2022.

The Company's business results for the three months ended June 30, 2023, which were 31,383 million yen in orders received (down 15.5% year-on-year) and 14,155 million yen in net sales (up 1.2% year-on-year), with some products being impacted by the difficulty in obtaining semiconductor components. Profit and loss were impacted in part by the increase in the development cost of the "Railway Signal Systems" business: operating loss was 1,521 million yen (compared to 726 million yen in the same period of the previous fiscal year), ordinary loss was 997 million yen (compared to 126 million yen in the same period of the previous fiscal year), and profit attributable to owners of parent was 1,067 million yen (compared to 552 million yen in the same period of the previous fiscal year).

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

#### [Transportation Infrastructure]

In Railway Signal Systems, we received orders for and recorded sales of Automatic Train Control (ATC) systems and electronic interlocking devices from railroad operators in the Japanese market. In the overseas market, especially in Taiwan and the Philippines, we received orders for and recorded sales of Railway Signal Systems.

For Smart Mobility Systems, particularly Road Traffic Safety Systems, we received orders for and recorded sales of traffic control systems, signal lights, control equipment, etc.

As a result of the above, orders received were 14,973 million yen (down 37.2% year-on-year) and net sales were 6,812 million yen (down 13.0% year-on-year). Segment loss was 840 million yen (compared to 63 million yen in the same period of the previous fiscal year).

#### [ICT Solutions]

In AFC, particularly Station Service Network Systems, we received orders for and recorded sales of ticket vending machines, passenger gates, and platform screen doors in the Japanese market. In the overseas markets, especially in Vietnam and Bangladesh, we received orders for and recorded sales of platform screen doors, AFC systems, and others.

In Robotics & Sensing, we received orders for and recorded sales of 3D laser ranging image sensors to be installed in platform screen doors, construction machinery, and farm equipment, as well as various types of robot products.

As a result of the above, orders received were 16,410 million yen (up 23.2% year-on-year) and net sales were 7,343 million yen (up 19.2% year-on-year). Segment profit was 213 million yen (up 0.4% year-on-year).

## (2) Explanation of Financial Position

### (i) Assets, Liabilities and Net Assets

Total assets as of June 30, 2023 were 135,731 million yen, a decrease of 10,287 million yen from the end of the previous fiscal year, mainly due to a 20,032 million yen decrease in notes and accounts receivable - trade, and contract assets, despite a 5,043 million yen increase in inventories, a 2,086 million yen increase in investment securities due in part to a rise in fair value, and a 1,713 million yen increase in cash and deposits.

Liabilities decreased by 9,690 million yen compared with the end of the previous fiscal year to 46,977 million yen, mainly due to a 7,815 million yen decrease in short-term borrowings, a 1,273 million yen decrease in notes and accounts payable - trade, and a 1,239 million yen decrease in provision for bonuses.

Net assets were 88,754 million yen, a decrease of 596 million yen compared with the end of the previous fiscal year, mainly due to a 1,247 million yen decrease in retained earnings from dividends and a 1,067 million yen loss attributable to owners of parent, despite the recording of 1,741 million yen in valuation difference on available-for-sale securities, etc.

### (ii) Cash Flows

The balance of cash and cash equivalents (“cash”) as of June 30, 2023 totaled 10,078 million yen, an increase of 1,713 million yen from the end of the previous fiscal year.

Cash flows in each area of activity during the three months ended June 30, 2023 are as follows.

#### (Cash flows from operating activities)

Net cash provided by operating activities was 10,770 million yen, compared with a cash inflow of 11,947 million yen in the same period of the previous fiscal year. The principal cash inflow factor was a decrease in trade receivables, while the principal cash outflow factor was an increase in inventories and income taxes paid.

#### (Cash flows from investing activities)

Net cash provided by investing activities was 92 million yen, compared with a cash outflow of 494 million yen in the same period of the previous fiscal year. The principal cash inflow factor was the sale of investment securities, while the principal cash outflow factor was the acquisition of property, plant and equipment and intangible assets.

#### (Cash flow from financing activities)

Net cash used in financing activities was 9,156 million yen, compared with a cash outflow of 8,598 million yen in the same period of the previous fiscal year. The principal cash outflow factors were repayment of short-term borrowings and dividend payments.

## (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

There are no revisions to the full-year consolidated earnings forecast for the fiscal year ending March 31, 2024 (April 1, 2023 to March 31, 2024) announced on May 10, 2023.

Among the Group’s main businesses, Railway Signal Systems and Smart Mobility Systems in the Transportation Infrastructure segment and AFC in the ICT Solutions segment tend to have a higher proportion of the Group’s sales at the end of each fiscal year, as capital investment by domestic railroad operators, which are our major customers, and public investment by police and other entities are the main drivers.

## 2. Quarterly Consolidated Financial Statements and Principal Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of June 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	8,407	10,120
Notes and accounts receivable - trade, and contract assets	63,979	43,946
Electronically recorded monetary claims - operating	1,521	1,854
Merchandise and finished goods	4,609	5,913
Work in process	9,819	12,536
Raw materials and supplies	5,684	6,706
Other	3,282	4,382
Allowance for doubtful accounts	(1)	(0)
<b>Total current assets</b>	<b>97,302</b>	<b>85,459</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,486	6,422
Machinery, equipment and vehicles, net	1,069	1,073
Tools, furniture and fixtures, net	1,492	1,781
Land	5,488	5,488
Leased assets, net	77	74
Construction in progress	1,696	1,540
<b>Total property, plant and equipment</b>	<b>16,310</b>	<b>16,381</b>
<b>Intangible assets</b>	<b>2,079</b>	<b>2,220</b>
Investments and other assets		
Investment securities	24,571	26,658
Long-term loans receivable	2	2
Retirement benefit asset	2,476	2,499
Deferred tax assets	1,463	711
Other	1,833	1,818
Allowance for doubtful accounts	(20)	(20)
<b>Total investments and other assets</b>	<b>30,326</b>	<b>31,669</b>
<b>Total non-current assets</b>	<b>48,716</b>	<b>50,271</b>
<b>Total assets</b>	<b>146,019</b>	<b>135,731</b>

As of March 31, 2023

As of June 30, 2023

Liabilities		
Current liabilities		
Notes and accounts payable – trade	11,087	9,813
Electronically recorded obligations - operating	4,110	4,174
Short-term borrowings	17,515	9,700
Lease liabilities	7	7
Income taxes payable	1,489	419
Provision for bonuses	2,554	1,315
Provision for loss on orders received	742	684
Other	9,070	10,806
<b>Total current liabilities</b>	<b>46,577</b>	<b>36,921</b>
Non-current liabilities		
Long-term deposits received	99	99
Long-term accounts payable – other	28	28
Lease liabilities	7	5
Deferred tax liabilities	551	510
Retirement benefit liability	9,402	9,411
<b>Total non-current liabilities</b>	<b>10,090</b>	<b>10,055</b>
<b>Total liabilities</b>	<b>56,668</b>	<b>46,977</b>
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	7,585	7,585
Retained earnings	68,198	65,883
Treasury shares	(6,571)	(6,571)
<b>Total shareholders' equity</b>	<b>79,212</b>	<b>76,897</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,100	11,841
Remeasurements of defined benefit plans	38	15
<b>Total accumulated other comprehensive income</b>	<b>10,138</b>	<b>11,856</b>
<b>Total net assets</b>	<b>89,351</b>	<b>88,754</b>
<b>Total liabilities and net assets</b>	<b>146,019</b>	<b>135,731</b>

## (2) Quarterly Consolidated Statements of Income and Comprehensive Income

Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Net sales	13,991	14,155
Cost of sales	11,260	12,173
Gross profit	2,731	1,981
Selling, general and administrative expenses	3,457	3,503
Operating loss	(726)	(1,521)
Non-operating income		
Interest income	0	0
Dividend income	228	256
Dividend income of life insurance	155	182
Foreign exchange gains	136	107
Rental income from real estate	78	78
Nursing services income	2	2
Other	26	16
Total non-operating income	628	643
Non-operating expenses		
Interest expenses	6	14
Rental expenses on real estate	12	13
Taxes and dues	0	46
Nursing services expense	8	9
Waste disposal expenses	—	29
Other	0	6
Total non-operating expenses	28	120
Ordinary loss	(126)	(997)
Extraordinary income		
Gain on sale of non-current assets	—	0
Gain on sale of investment securities	—	425
Total extraordinary income	—	425
Extraordinary losses		
Loss on sale and retirement of non-current assets	1	0
Loss on valuation of investment securities	—	0
Total extraordinary losses	1	0
Loss before income taxes	(127)	(572)
Income taxes	424	494
Loss	(552)	(1,067)
(Details)		
Loss attributable to owners of parent	(552)	(1,067)



(Million yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Other comprehensive income		
Valuation difference on available-for-sale securities	(126)	1,741
Remeasurements of defined benefit plans, net of tax	(6)	(22)
Total other comprehensive income	(133)	1,718
Comprehensive income	(685)	650
(Details)		
Comprehensive income attributable to owners of parent	(685)	650

## (3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
<b>Cash flows from operating activities</b>		
Loss before income taxes	(127)	(572)
Depreciation	551	517
Loss (gain) on sale and retirement of non-current assets	1	0
Loss (gain) on sale of investment securities	—	(425)
Interest and dividend income	(228)	(256)
Interest expenses	6	14
Decrease (increase) in trade receivables	18,659	19,699
Decrease (increase) in inventories	(4,162)	(5,043)
Increase (decrease) in trade payables	(1,781)	(1,247)
Increase (decrease) in contract liabilities	1,021	900
Increase (decrease) in retirement benefit liability	52	(16)
Other, net	(1,602)	(1,764)
Subtotal	12,390	11,806
Interest and dividends received	228	256
Interest paid	(6)	(14)
Income taxes paid	(665)	(1,286)
Income taxes refund	—	9
Net cash provided by (used in) operating activities	11,947	10,770
<b>Cash flows from investing activities</b>		
Payments into time deposits	(38)	(37)
Proceeds from withdrawal of time deposits	49	37
Purchase of property, plant and equipment	(336)	(529)
Purchase of intangible assets	(149)	(329)
Purchase of investment securities	(3)	(23)
Proceeds from sale of investment securities	—	978
Other, net	(15)	(3)
Net cash provided by (used in) investing activities	(494)	92
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(7,200)	(7,895)
Proceeds from deposits received from an affiliated company	(30)	(10)
Proceeds from deposits received from an unaffiliated entity	(100)	—
Repayments of lease liabilities	(22)	(1)
Dividends paid	(1,246)	(1,249)
Decrease (increase) in treasury shares	(0)	—
Net cash provided by (used in) financing activities	(8,598)	(9,156)
Effect of exchange rate change on cash and cash equivalents	64	6
Net increase (decrease) in cash and cash equivalents	2,918	1,713
Cash and cash equivalents at beginning of period	6,344	8,365
Cash and cash equivalents at end of period	9,263	10,078

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

(Notes in case of significant changes in shareholders' equity)

I For the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

1. Dividends paid

(Resolution)	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (yen)	Reference date	Effective date	Source of dividends
May 10, 2022 Board of Directors	Common shares	1,247	20.00	March 31, 2022	June 3, 2022	Retained earnings

2. Significant changes in shareholders' equity

Not applicable

II For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

1. Dividends paid

(Resolution)	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (yen)	Reference date	Effective date	Source of dividends
May 10, 2023 Board of Directors	Common shares	1,247	20.00	March 31, 2023	June 2, 2023	Retained earnings

2. Significant changes in shareholders' equity

Not applicable

(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

(Deferral of cost variances)

Cost variances arising from seasonally fluctuating operating rates are expected to be mostly eliminated by the end of the cost accounting period (end of the fiscal year or the second quarter of the fiscal year); therefore, such cost variances are deferred as current assets (other) at the end of the first quarter of the fiscal year under review.

(Calculation of tax expenses)

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to profit before income taxes for the consolidated fiscal year, including the first quarter of the fiscal year under review, and multiplying income/loss before income taxes for the quarter by the estimated effective tax rate.

(Segment information, etc.)

[Segment information]

I For the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

Information on net sales and profit (loss) by reportable segment and classification of revenues

(Millions of yen)

	Reportable segment			Adjustments (Note 1)	Quarterly consolidated statements of income and comprehensive income (Note 2)
	Transportation Infrastructure	ICT Solutions	Total		
Net sales					
Net sales to external customers	7,828	6,162	13,991	-	13,991
Intersegment internal sales or transfers	-	-	-	-	-
Total	7,828	6,162	13,991	-	13,991
Goods or services transferred at a point in time	1,400	2,263	3,663	-	3,663
Goods or services transferred over time	6,428	3,899	10,327	-	10,327
Total	7,828	6,162	13,991	-	13,991
Segment profit (loss)	(63)	213	149	(875)	(726)

Notes: 1. Adjustments of (875) million yen in segment profit (loss) represent corporate expenses that are not allocated to reportable segments. Corporate expenses are primarily expenses of the administration divisions of the parent company's headquarters that are not attributable to any of the reportable segments.

2. Segment profit (loss) is adjusted with operating loss in the quarterly consolidated statements of income and comprehensive income.

II For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

Information on net sales and profit (loss) by reportable segment and classification of revenues

(Millions of yen)

	Reportable segment			Adjustments (Note 1)	Quarterly consolidated statements of income and comprehensive income (Note 2)
	Transportation Infrastructure	ICT Solutions	Total		
Net sales					
Net sales to external customers	6,812	7,343	14,155	-	14,155
Intersegment internal sales or transfers	-	-	-	-	-
Total	6,812	7,343	14,155	-	14,155
Goods or services transferred at a point in time	1,538	3,345	4,883	-	4,883
Goods or services transferred over time	5,273	3,998	9,272	-	9,272
Total	6,812	7,343	14,155	-	14,155
Segment profit (loss)	(840)	213	(626)	(894)	(1,521)

Notes: 1. Adjustments of (894) million yen in segment profit (loss) represent corporate expenses that are not allocated to reportable segments. Corporate expenses are primarily expenses of the administration divisions of the parent company's headquarters that are not attributable to any of the reportable segments.

2. Segment profit (loss) is adjusted with operating loss in the quarterly consolidated statements of income and comprehensive income.