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Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]

November 7, 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: November 8, 2023

Scheduled date of commencing dividend payments: December 1, 2023

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023 to September 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	%
Six months ended September 30, 2023	34,194	(2.5)	357	(64.0)	1,105	(34.0)	519	(28.6)
September 30, 2022	35,054	(0.4)	992	16.7	1,673	1.3	727	(23.3)

(Note) Comprehensive income: Six months ended September 30, 2023: ¥ 2,000 million [139.2 %]

Six months ended September 30, 2022: ¥ 836 million [98.7 %]

	Basic earnings per share	Diluted earnings per share
Six months ended September 30, 2023	Yen 8.33	Yen -
September 30, 2022	11.67	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
September 30, 2023	143,295	90,103	62.9
March 31, 2023	146,019	89,351	61.2

(Reference) Equity: As of September 30, 2023: ¥ 90,103 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	-	7.00			
Fiscal year ending March 31, 2024 (Forecast)			-	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 September 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 September 30, 2023: 5,968,292 shares

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

3) Average number of shares during the period:

Six months ended September 30, 2023: 62,371,427 shares

Six months ended September 30, 2022: 62,371,603 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.

For the forecast of financial results, please refer to “1. Qualitative Information on Quarterly Financial Results, (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 3 of the Attachments.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended September 30, 2023 (April 1, 2023 to September 30, 2023), the global economy faced a prospect of stagnation in economic activity due to such factors as disruptions in energy and food markets caused by Russia's invasion of Ukraine and prolonged global monetary tightening to deal with rapid inflation.

The Japanese economy has not been able to dispel concerns about a downward outlook, as energy and raw material prices remained high and consumers increasingly tended to save money due to rising prices of daily necessities.

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 six months ended September 30, 2023 were 56,726 million yen in orders received (down 10.4% year-on-year) and 34,194 million yen in net sales (down 2.5% year-on-year). Operating profit was 357 million yen (down 64.0% year-on-year), ordinary profit was 1,105 million yen (down 34.0% year-on-year) and profit attributable to owners of parent was 519 million yen (down 28.6% year-on-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, interlocking devices, and other products from railroad operators in the Japanese market. We also engaged in business activities aimed at the realization of CBTC (Communication-Based Train Control system), which contributes mainly to streamlining of facilities and efficient train operations. In the overseas market, such as in Taiwan and the Philippines, we received orders for and recorded sales of Railway Signal Systems. In Taiwan, in particular, we have received an order for a project to double track the single-track section of the Huadoing Line in order to enhance transport capacity in eastern Taiwan.

For Smart Mobility Systems, particularly Road Traffic Safety Systems, we received orders for and recorded sales of traffic control systems, traffic signal lights, and other products. We also actively participated in various automated driving demonstration projects, providing products and technologies that contribute to the "Vehicle-Infrastructure Cooperative System" linking automated vehicles with traffic signals and roadside sensors.

As a result of the above, orders received were 27,680 million yen (down 34.5% year-on-year) and net sales were 17,094 million yen (down 10.8% year-on-year). Segment profit was 461 million yen (down 67.9% year-on-year).

[ICT Solutions]

In AFC, particularly Station Service Network Systems, we received orders for and recorded sales of platform screen doors, ticket vending machines, and other products in the Japanese market. In addition, we have been developing products and services that support the digitization of tickets and electronic payments as solutions for seamless travel. In the overseas markets, especially in India and Bangladesh, we received orders for and recorded sales of AFC systems, platform screen doors, and other products.

In R&S, which focuses on robotics and sensing, we received orders for and sales of security products and security robots, especially 3D laser ranging image sensors to be installed in platform screen doors, construction and agricultural equipment. Based on the basic concept of fail-safe, we are also promoting efforts to realize a future society in which humans and robots work together by integrating the latest robotics technologies with our core technologies, such as sensors and image analysis, which we have cultivated through our past experience.

As a result of the above, orders received were 29,046 million yen (up 38.1% year-on-year) and net sales were 17,099 million yen (up 7.6% year-on-year). Segment profit was 1,615 million yen (up 26.7% year-on-year).

(2) Explanation of Financial Position

(i) Assets, Liabilities and Net Assets

Total assets as of September 30, 2023 were 143,295 million yen, a decrease of 2,723 million yen from the end of the previous fiscal year, mainly due to a 16,094 million yen decrease in notes and accounts receivable - trade, and contract assets, despite a 9,408 million yen increase in inventories, a 2,014 million yen increase in cash and deposits, and a 1,577 million yen increase in investment securities due in part to a rise in fair value.

Liabilities decreased by 3,476 million yen from the end of the previous fiscal year to 53,191 million yen, mainly due to a 3,815 million yen decrease in short-term borrowings and a 692 million yen decrease in income taxes payable, despite a 1,164 million yen increase in electronically recorded obligations - operating.

Net assets were 90,103 million yen, an increase of 752 million yen from the end of the previous fiscal year, mainly due to the recording of 1,525 million yen in valuation difference on available-for-sale securities and the recording of 519 million yen in profit attributable to owners of parent, despite a 1,247 million yen decrease in retained earnings from dividends, etc.

(ii) Cash Flows

The balance of cash and cash equivalents (“cash”) as of September 30, 2023 totaled 10,379 million yen, an increase of 2,014 million yen from the end of the previous fiscal year.

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

(Cash flows from operating activities)

Net cash provided by operating activities was 7,582 million yen, compared with a cash inflow of 3,001 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.

(Cash flows from investing activities)

Net cash used in investing activities was 579 million yen, compared with a cash outflow of 1,097 million yen in the same period of the previous fiscal year. The principal cash outflow factor was the acquisition of property, plant and equipment and intangible assets, while the principal cash inflow factor was the sale of investment securities.

(Cash flow from financing activities)

Net cash used in financing activities was 5,011 million yen, compared with a cash outflow of 548 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 September 30, 2023
Assets		
Current assets		
Cash and deposits	8,407	10,421
Notes and accounts receivable - trade, and contract Assets	63,979	47,885
Electronically recorded monetary claims – operating	1,521	1,001
Merchandise and finished goods	4,609	7,201
Work in process	9,819	15,063
Raw materials and supplies	5,684	7,256
Other	3,282	4,358
Allowance for doubtful accounts	(1)	(0)
Total current assets	97,302	93,186
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,486	6,406
Machinery, equipment and vehicles, net	1,069	1,000
Tools, furniture and fixtures, net	1,492	1,824
Land	5,488	5,488
Leased assets, net	77	71
Construction in progress	1,696	1,695
Total property, plant and equipment	16,310	16,487
Intangible assets	2,079	2,337
Investments and other assets		
Investment securities	24,571	26,149
Long-term loans receivable	2	2
Retirement benefit asset	2,476	2,529
Deferred tax assets	1,463	809
Other	1,833	1,814
Allowance for doubtful accounts	(20)	(20)
Total investments and other assets	30,326	31,283
Total non-current assets	48,716	50,108
Total assets	146,019	143,295

(Million yen)

As of March 31, 2023

As of September 30, 2023

Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,087	10,654
Electronically recorded obligations - operating	4,110	5,275
Short-term borrowings	17,515	13,700
Lease liabilities	7	7
Income taxes payable	1,489	796
Provision for bonuses	2,554	2,425
Provision for loss on orders received	742	626
Other	9,070	9,683
Total current liabilities	46,577	43,169
Non-current liabilities		
Long-term deposits received	99	99
Long-term accounts payable - other	28	27
Lease liabilities	7	4
Deferred tax liabilities	551	445
Retirement benefit liability	9,402	9,444
Total non-current liabilities	10,090	10,022
Total liabilities	56,668	53,191
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	7,585	7,585
Retained earnings	68,198	67,470
Treasury shares	(6,571)	(6,571)
Total shareholders' equity	79,212	78,484
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,100	11,626
Remeasurements of defined benefit plans	38	(7)
Total accumulated other comprehensive income	10,138	11,618
Total net assets	89,351	90,103
Total liabilities and net assets	146,019	143,295

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Net sales	35,054	34,194
Cost of sales	26,975	26,854
Gross profit	8,079	7,339
Selling, general and administrative expenses	7,086	6,982
Operating profit	992	357
Non-operating income		
Interest income	0	0
Dividend income	273	345
Dividend income of life insurance	155	189
Rental income from real estate	156	157
Nursing services income	7	8
Other	157	204
Total non-operating income	750	905
Non-operating expenses		
Interest expenses	16	21
Rental expenses on real estate	25	26
Taxes and dues	9	54
Nursing services expense	17	17
Other	1	37
Total non-operating expenses	70	157
Ordinary profit	1,673	1,105
Extraordinary income		
Gain on sale of non-current assets	—	0
Gain on sale of investment securities	—	459
Total extraordinary income	—	459
Extraordinary losses		
Loss on sale and retirement of non-current assets	1	0
Loss on valuation of investment securities	—	0
Loss on valuation of golf club membership	15	—
Total extraordinary losses	16	0
Profit before income taxes	1,656	1,563
Income taxes	928	1,044
Profit	727	519
(Details)		
Profit attributable to owners of parent	727	519

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Other comprehensive income		
Valuation difference on available-for-sale securities	121	1,525
Remeasurements of defined benefit plans, net of tax	(12)	(45)
Total other comprehensive income	108	1,480
Comprehensive income	836	2,000
(Details)		
Comprehensive income attributable to owners of parent	836	2,000

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	1,656	1,563
Depreciation	1,150	1,088
Loss (gain) on sale and retirement of non-current assets	1	0
Loss (gain) on sale of investment securities	—	(459)
Interest and dividend income	(273)	(345)
Interest expenses	16	21
Decrease (increase) in trade receivables	9,707	16,614
Decrease (increase) in inventories	(5,352)	(9,408)
Increase (decrease) in trade payables	(2,109)	695
Increase (decrease) in contract liabilities	1,371	315
Increase (decrease) in retirement benefit liability	106	(7)
Other, net	(2,979)	(1,543)
Subtotal	3,295	8,535
Interest and dividends received	273	345
Interest paid	(16)	(21)
Income taxes paid	(666)	(1,286)
Income taxes refund	114	9
Net cash provided by (used in) operating activities	3,001	7,582
Cash flows from investing activities		
Payments into time deposits	(38)	(37)
Proceeds from withdrawal of time deposits	49	37
Purchase of property, plant and equipment	(750)	(1,057)
Purchase of intangible assets	(308)	(436)
Purchase of investment securities	(8)	(28)
Proceeds from sale of investment securities	—	1,218
Other, net	(41)	(276)
Net cash provided by (used in) investing activities	(1,097)	(579)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	800	(3,895)
Proceeds from deposits received from an affiliated company	40	(10)
Proceeds from deposits received from an unaffiliated entity	(100)	147
Repayments of lease liabilities	(44)	(3)
Dividends paid	(1,244)	(1,249)
Decrease (increase) in treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	(548)	(5,011)
Effect of exchange rate change on cash and cash equivalents	60	22
Net increase (decrease) in cash and cash equivalents	1,416	2,014
Cash and cash equivalents at beginning of period	6,344	8,365
Cash and cash equivalents at end of period	7,761	10,379

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

(Notes in case of 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) or current liabilities (other) at the end of the first and third quarters of the fiscal year.

(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 second 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 six months ended September 30, 2022 (from April 1, 2022 to September 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	19,157	15,897	35,054	-	35,054
Intersegment internal sales or transfers	-	-	-	-	-
Total	19,157	15,897	35,054	-	35,054
Goods or services transferred at a point in time	4,478	4,982	9,461	-	9,461
Goods or services transferred over time	14,678	10,914	25,593	-	25,593
Total	19,157	15,897	35,054	-	35,054
Segment profit	1,435	1,275	2,710	(1,717)	992

Notes: 1. Adjustments of (1,717) million yen in segment profit represent corporate expenses that are not allocated to reportable segments. Corporate expenses are primarily expenses of the administration divisions of the parent company's headquarters that are not attributable to any of the reportable segments.

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

II For the six months ended September 30, 2023 (from April 1, 2023 to September 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	17,094	17,099	34,194	-	34,194
Intersegment internal sales or transfers	-	-	-	-	-
Total	17,094	17,099	34,194	-	34,194
Goods or services transferred at a point in time	4,534	7,418	11,953	-	11,953
Goods or services transferred over time	12,560	9,681	22,241	-	22,241
Total	17,094	17,099	34,194	-	34,194
Segment profit	461	1,615	2,077	(1,719)	357

Notes: 1. Adjustments of (1,719) million yen in segment profit represent corporate expenses that are not allocated to reportable segments. Corporate expenses are primarily expenses of the administration divisions of the parent company's headquarters that are not attributable to any of the reportable segments.

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