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Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]

August 6, 2024

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

Contact: Hiromasa Fujimoto

General Manager, General Affairs Department

Phone: 03-3217-7200

Scheduled date of commencing dividend payments: —

Availability of supplementary briefing material on financial results: Not available

Schedule of 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, 2024 (April 1, 2024 to June 30, 2024)

(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, 2024	16,654	17.6	(202)	-	618	-	2	-
June 30, 2023	14,155	1.2	(1,521)	-	(997)	-	(1,067)	-

(Note) Comprehensive income: Three months ended June 30, 2024: ¥ (67) million [-%]
Three months ended June 30, 2023: ¥ 650 million [-%]

	Basic earnings per share	Diluted earnings per share
Three months ended June 30, 2024	Yen 0.03	Yen -
June 30, 2023	(17.12)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of June 30, 2024	Million yen 150,151	Million yen 95,257	63.4%
March 31, 2024	165,295	96,821	58.6

(Reference) Equity: As of June 30, 2024: ¥ 95,257 million
As of March 31, 2024: ¥ 96,821 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	7.00	-	24.00	31.00
Fiscal year ending March 31, 2025	-				
Fiscal year ending March 31, 2025 (Forecast)		10.00	-	21.00	31.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% 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	100,000	1.5	8,000	17.2	8,800	11.5	5,700	6.6	91.39

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

* Notes:

(1) Significant changes in the scope of consolidation during the period : 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, 2024: 68,339,704 shares

As of March 31, 2024: 68,339,704 shares

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

As of June 30, 2024: 5,968,382 shares

As of March 31, 2024: 5,968,382 shares

3) Average number of shares during the period:

Three months ended June 30, 2024: 62,371,322 shares

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

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm : No

* 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 three months ended June 30, 2024 (April 1, 2024 to June 30, 2024), the outlook of the global economy remained uncertain due to such factors as increasing geopolitical risks caused by Russia's prolonged invasion of Ukraine and heightened tensions in the Middle East as well as market trends surrounding the forthcoming US presidential election.

The Japanese economy has been on a gradual recovery trend due to such factors as strong consumption by tourists visiting Japan on the back of the weaker yen, despite the continuing effect of rising energy prices caused in part by the impact of the economic sanctions against Russia. The economy is expected to moderately recover against the backdrop of wage increases and an improvement in the employment conditions, despite concerns over a slowdown in consumer consumption caused by rising prices.

Under these circumstances, the Group newly began its third medium-term management plan "Realize-EV100" in FY2024. In the light of manufacturing industry challenges identified by the business environment and needs that have drastically changed due to the COVID-19 pandemic, the Group will work to further improve its business efficiency, develop new business and new materials, and broaden global business. As one of the initiatives under the plan, the Group established a sales office in the Republic of Uganda in July to engage in business activities in East Africa, where chronic traffic congestion is an issue.

The Company's business results for the three months ended June 30, 2024 were 26,573 million yen in orders received (down 15.3% year on year) and 16,654 million yen in net sales (up 17.6% year on year). Operating loss was 202 million yen (compared to operating loss of 1,521 million yen in the same period of the previous fiscal year), ordinary profit was 618 million yen (compared to ordinary loss of 997 million yen in the same period of the previous fiscal year), and profit attributable to owners of parent was 2 million yen (compared to loss attributable to owners of parent of 1,067 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 systems, interlocking devices, Communication-Based Train Control systems and other products from railroad operators in the Japanese market. We also engaged in the development of new products that support safe travel, such as releasing a new railway crossing status detection/support system using a high-resolution camera. We will continue to contribute to the realization of safe and comfortable travel.

In overseas markets, such as Indonesia, we received orders for and recorded sales of Railway Signal Systems. In particular, we have successfully received an order for a set of signal system for a new extended section from Jakarta Mass Rapid Transit in Indonesia, where our value was recognized for the system already implemented. We will continue to contribute to the creation of safe and comfortable communities through traffic infrastructure meeting infrastructure demand of Asian countries based on our installation track record in these markets.

For Smart Mobility Systems, particularly Road Traffic Safety Systems, we received orders for and recorded sales of products such as MVNO (network provision service business) and traffic control systems. We also actively participated in various automated driving demonstration projects and will continue to provide 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 16,024 million yen (up 7.0% year on year) and net sales were 7,393 million yen (up 8.5% year on year). Segment loss was 45 million yen (compared to 840 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 platform screen doors, ticket vending machines, passenger gates, parking lot equipment and other products in the Japanese market. In addition, we proactively worked on a fare service using cashless payments such as credit cards, debit cards, and QR codes, which is expected to be rapidly introduced in metropolitan areas, as well as conducted demonstration trials of such a service.

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

In R&S, which focuses on robotics and sensing, we received orders for and sales of 3D laser ranging image sensors to be installed in platform screen doors as well as construction and agricultural equipment, X-ray baggage checking equipment, which speedily detects the presence of dangerous items and other products. In July, West Japan Railway Company started using a humanoid robot for work at height (our multiple handling vehicle) along its railroad routes. With the aim of addressing the social issue of heavy labor and dangerous work on site, we will continue to contribute to improved safety and efficiency.

As a result of the above, orders received were 10,549 million yen (down 35.7% year on year) and net sales were 9,260 million yen (up 26.1% year on year). Segment profit was 783 million yen (up 266.5% year on year).

(2) Explanation of Financial Position

(i) Assets, Liabilities and Net Assets

Total assets as of June 30, 2024 were 150,151 million yen, a decrease of 15,143 million yen from the end of the previous fiscal year, mainly due to a 21,197 million yen decrease in notes and accounts receivable - trade, and contract assets, despite a 4,837 million yen increase in inventories.

Liabilities decreased by 13,579 million yen from the end of the previous fiscal year to 54,893 million yen, mainly due to a 7,400 million yen decrease in short-term borrowings, a 2,545 million yen decrease in notes and accounts payable - trade, a 1,758 million yen decrease in income taxes payable, and a 1,303 million yen decrease in provision for bonuses.

Net assets were 95,257 million yen, a decrease of 1,564 million yen from the end of the previous fiscal year, mainly due to a 1,496 million yen decrease in retained earnings from dividends, etc.

(ii) Cash Flows

The balance of cash and cash equivalents (“cash”) as of June 30, 2024 totaled 11,996 million yen, an increase of 235 million yen from the end of the previous fiscal year.

Cash flows in each area of activity during the three months ended June 30, 2024 are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 10,032 million yen, compared with a cash inflow of 10,770 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 factors were an increase in inventories and a decrease in trade payables.

(Cash flows from investing activities)

Net cash used in investing activities was 866 million yen, compared with a cash inflow of 92 million yen in the same period of the previous fiscal year. The principal cash outflow factor was the purchase of property, plant and equipment and intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities was 8,953 million yen, compared with a cash outflow of 9,156 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, 2025 (April 1, 2024 to March 31, 2025) announced on May 14, 2024.

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, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	11,803	12,038
Notes and accounts receivable - trade, and contract assets	72,154	50,957
Electronically recorded monetary claims - operating	1,151	1,660
Merchandise and finished goods	6,239	7,876
Work in process	9,119	11,766
Raw materials and supplies	7,175	7,729
Other	2,999	3,583
Allowance for doubtful accounts	(1)	(0)
Total current assets	110,641	95,611
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,316	6,225
Machinery, equipment and vehicles, net	1,009	1,294
Tools, furniture and fixtures, net	1,965	2,036
Land	5,488	5,488
Leased assets, net	68	65
Construction in progress	2,277	1,817
Total property, plant and equipment	17,125	16,927
Intangible assets	2,876	3,034
Investments and other assets		
Investment securities	29,043	29,006
Long-term loans receivable	2	2
Retirement benefit asset	3,040	3,078
Deferred tax assets	686	707
Other	1,899	1,803
Allowance for doubtful accounts	(20)	(21)
Total investments and other assets	34,650	34,577
Total non-current assets	54,653	54,540
Total assets	165,295	150,151

(Million yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,397	10,851
Electronically recorded obligations - operating	5,989	5,153
Short-term borrowings	18,700	11,300
Lease liabilities	5	4
Income taxes payable	2,491	733
Provision for bonuses	2,755	1,451
Provision for loss on orders received	719	629
Other	13,750	14,077
Total current liabilities	57,809	44,201
Non-current liabilities		
Long-term deposits received	99	99
Long-term accounts payable - other	27	26
Lease liabilities	5	4
Deferred tax liabilities	727	719
Provision for contingent loss	545	615
Retirement benefit liability	9,259	9,227
Total non-current liabilities	10,663	10,692
Total liabilities	68,473	54,893
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	7,585	7,585
Retained earnings	71,860	70,365
Treasury shares	(6,571)	(6,571)
Total shareholders' equity	82,874	81,380
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,574	13,548
Remeasurements of defined benefit plans	372	328
Total accumulated other comprehensive income	13,947	13,877
Total net assets	96,821	95,257
Total liabilities and net assets	165,295	150,151

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	14,155	16,654
Cost of sales	12,173	13,211
Gross profit	1,981	3,442
Selling, general and administrative expenses	3,503	3,645
Operating loss	(1,521)	(202)
Non-operating income		
Interest income	0	0
Dividend income	256	411
Dividend income of life insurance	182	157
Foreign exchange gains	107	193
Rental income from real estate	78	78
Nursing services income	2	0
Other	16	16
Total non-operating income	643	858
Non-operating expenses		
Interest expenses	14	12
Rental expenses on real estate	13	13
Taxes and dues	46	2
Nursing services expense	9	8
Waste disposal expenses	29	-
Other	6	0
Total non-operating expenses	120	37
Ordinary profit (loss)	(997)	618
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on sale of investment securities	425	-
Total extraordinary income	425	0
Extraordinary losses		
Loss on sale and retirement of non-current assets	0	0
Loss on valuation of investment securities	0	-
Total extraordinary losses	0	0
Profit (loss) before income taxes	(572)	618
Income taxes	494	616
Profit (loss)	(1,067)	2
(Details)		
Profit (loss) attributable to owners of parent	(1,067)	2

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Other comprehensive income		
Valuation difference on available-for-sale securities	1,741	(25)
Remeasurements of defined benefit plans, net of tax	(22)	(43)
Total other comprehensive income	1,718	(69)
Comprehensive income	650	(67)
(Details)		
Comprehensive income attributable to owners of parent	650	(67)

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Cash flows from operating activities		
Profit (loss) before income taxes	(572)	618
Depreciation	517	552
Loss (gain) on sale and retirement of non-current assets	0	0
Loss (gain) on sale of investment securities	(425)	-
Increase (decrease) in provision for contingent loss	-	70
Interest and dividend income	(256)	(412)
Interest expenses	14	12
Decrease (increase) in trade receivables	19,699	20,688
Decrease (increase) in inventories	(5,043)	(4,837)
Increase (decrease) in trade payables	(1,247)	(3,406)
Increase (decrease) in contract liabilities	900	413
Increase (decrease) in retirement benefit liability	(16)	(70)
Other, net	(1,764)	(2,300)
Subtotal	11,806	11,328
Interest and dividends received	256	362
Interest paid	(14)	(12)
Income taxes paid	(1,286)	(2,206)
Income taxes refund	9	560
Net cash provided by (used in) operating activities	10,770	10,032
Cash flows from investing activities		
Payments into time deposits	(37)	(37)
Proceeds from withdrawal of time deposits	37	37
Purchase of property, plant and equipment	(529)	(653)
Purchase of intangible assets	(329)	(286)
Purchase of investment securities	(23)	(2)
Proceeds from sale of investment securities	978	-
Other, net	(3)	76
Net cash provided by (used in) investing activities	92	(866)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(7,895)	(7,400)
Proceeds from deposits received from an affiliated company	(10)	40
Proceeds from deposits received from an unaffiliated entity	-	(93)
Repayments of lease liabilities	(1)	(2)
Dividends paid	(1,249)	(1,498)
Net cash provided by (used in) financing activities	(9,156)	(8,953)
Effect of exchange rate change on cash and cash equivalents	6	22
Net increase (decrease) in cash and cash equivalents	1,713	235
Cash and cash equivalents at beginning of period	8,365	11,760
Cash and cash equivalents at end of period	10,078	11,996

(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, 2023 (from April 1, 2023 to June 30, 2023)

1. Dividends paid

(Resolution)	Type of shares	Total amount of dividends (Million 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

II For the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

1. Dividends paid

(Resolution)	Type of shares	Total amount of dividends (Million yen)	Dividend per share (Yen)	Reference date	Effective date	Source of dividends
May 14, 2024 Board of Directors	Common shares	1,496	24.00	March 31, 2024	May 31, 2024	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, 2023 (from April 1, 2023 to June 30, 2023)

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

	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.

II For the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

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

	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	7,393	9,260	16,654	-	16,654
Intersegment internal sales or transfers	-	-	-	-	-
Total	7,393	9,260	16,654	-	16,654
Goods or services transferred at a point in time	2,109	3,883	5,993	-	5,993
Goods or services transferred over time	5,284	5,376	10,661	-	10,661
Total	7,393	9,260	16,654	-	16,654
Segment profit (loss)	(45)	783	738	(941)	(202)

Notes: 1. Adjustments of (941) 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.

[Related information]

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

Information by region

Net sales

(Million yen)

Japan	Asia	Other	Total
12,805	1,310	40	14,155

Note: Net sales are classified by region based on the location of the customer.

II For the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

Information by region

Net sales

(Million yen)

Japan	Asia	Other	Total
15,494	1,072	87	16,654

Note: Net sales are classified by region based on the location of the customer.