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Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]

November 5, 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

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General Manager, General Affairs Department

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Scheduled date of filing semi-annual securities report:

November 12, 2024

Scheduled date of commencing dividend payments:

December 2, 2024

Availability of supplementary briefing material on financial results: Yes

Schedule of 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, 2024 (April 1, 2024 to September 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	%
Six months ended September 30, 2024	40,380	18.1	1,794	401.8	2,487	125.1	1,631	214.1
September 30, 2023	34,194	(2.5)	357	(64.0)	1,105	(34.0)	519	(28.6)

(Note) Comprehensive income: Six months ended September 30, 2024: ¥ 463 million [(76.8)%]
Six months ended September 30, 2023: ¥ 2,000 million [139.2%]

	Basic earnings per share	Diluted earnings per share
Six months ended September 30, 2024	Yen 26.16	Yen -
September 30, 2023	8.33	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of September 30, 2024	Million yen 155,480	Million yen 95,788	61.6
March 31, 2024	165,295	96,821	58.6

(Reference) Equity: As of September 30, 2024: ¥ 95,788 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	-	10.00			
Fiscal year ending March 31, 2025 (Forecast)			-	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 semi-annual 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, 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 September 30, 2024: 5,968,462 shares

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

3) Average number of shares during the period:

Six months ended September 30, 2024: 62,371,295 shares

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

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* 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 Semi-annual 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 Semi-annual Financial Results

(1) Explanation of Operating Results

During the six months ended September 30, 2024 (April 1, 2024 to September 30, 2024), the global economy continued to face challenges that required close monitoring, such as geopolitical risks due to Russia's prolonged invasion of Ukraine and the intensifying situation in the Middle East, and the U.S. presidential election, which has now moved into full swing.

The Japanese economy is expected to recover gradually with strong inbound consumption due to the weaker yen, wage increases and improving employment situation, despite concerns about the impact of rising energy and other commodity prices due to economic sanctions against Russia and the results of the House of Representatives election.

Under these circumstances, the Group has launched its third medium-term management plan, "Realize-EV100," which newly started from FY2024. In the light of manufacturing industry challenges identified through the business environment that have drastically changed due to the COVID-19 pandemic, the Group will work to further improve business efficiency, develop new businesses and new materials, and broaden global business.

The Company's business results for the six months ended September 30, 2024 were 49,013 million yen in orders received (down 13.6% year-on-year) and 40,380 million yen in net sales (up 18.1% year-on-year). Operating profit was 1,794 million yen (up 401.8% year-on-year), ordinary profit was 2,487 million yen (up 125.1% year-on-year) and profit attributable to owners of parent was 1,631 million yen (up 214.1% 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 systems, interlocking devices, passenger information system, and other products from railroad operators in the Japanese market. We also focused on the development of Communication-Based Train Control systems for local railways that contribute to reducing the amount of ground equipment and that of maintenance and inspection. It has been officially determined that these systems will be introduced on the Izuhakone Railway Daiyuzan Line. We will continue to contribute to the realization of safe and comfortable travel.

In overseas markets, such as in Indonesia, Taiwan, and India, we received orders for and recorded sales of Railway Signal Systems. 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 traffic signal lights, MVNO (network provision service business), and other products. Going forward, with an eye to the future, we will participate in various autonomous driving demonstration projects, provide products and technologies that are related to the "Vehicle-Infrastructure Cooperative System," and thus develop systems that will help ensure the safety of autonomous vehicles.

In overseas markets, we received orders related to the traffic control improvement project in Uganda. We opened a sales office in Uganda in July and will expand our sales activities in the East African market.

As a result of the above, orders received were 26,441 million yen (down 4.5% year-on-year) and net sales were 19,262 million yen (up 12.7% year-on-year). Segment profit was 802 million yen (up 74.0% 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, passenger gates, parking lot equipment, and other products in the Japanese market. We have also been proactively conducting demonstration trials on a new fare service using cashless payments such as contactless payment for credit or debit cards, and QR code authentication which is expected to be introduced, mainly in metropolitan areas throughout Japan.

In the overseas markets, especially in Bangladesh, Vietnam, and Egypt, 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 3D laser ranging image sensors to be installed in multiple handling vehicle and in construction and agricultural equipment, as well as X-ray baggage checking equipment, which speedily detects the presence of dangerous items. Our multiple handling vehicle has been used as a maintenance vehicle for railway equipment since July, attracting attention in various media, and has also been featured as a model in a TV anime. Based on the basic concept of fail-safe, we integrate the latest robotics technologies with our core technologies, such as sensors and image analysis that we have cultivated, and thus promote efforts to realize a future society in which humans and robots work together.

As a result of the above, orders received were 22,571 million yen (down 22.3% year-on-year) and net sales were 21,117 million yen (up 23.5% year-on-year). Segment profit was 2,821 million yen (up 74.6% year-on-year).

(2) Explanation of Financial Position

(i) Assets, Liabilities and Net Assets

Total assets as of September 30, 2024 were 155,480 million yen, a decrease of 9,814 million yen from the end of the previous fiscal year, mainly due to a 13,886 million yen decrease in notes and accounts receivable - trade, and contract assets and a 1,641 million yen decrease in investment securities due to sales purpose of reducing cross-shareholdings and due in part to a fall in fair value, despite a 6,722 million yen increase in inventories.

Liabilities decreased by 8,780 million yen from the end of the previous fiscal year to 59,692 million yen, mainly due to a 2,869 million yen decrease in notes and accounts payable – trade, a 2,800 million yen decrease in short-term borrowings, and a 1,053 million yen decrease in income taxes payable.

Net assets were 95,788 million yen, a decrease of 1,033 million yen from the end of the previous fiscal year, mainly due to a 1,496 million yen decrease in retained earnings from dividends and a 1,080 million yen decrease in valuation difference on available-for-sale securities, despite the recording of 1,631 million yen in profit attributable to owners of parent.

(ii) Cash Flows

The balance of cash and cash equivalents (“cash”) as of September 30, 2024 totaled 10,325 million yen, a decrease of 1,435 million yen from the end of the previous fiscal year.

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

(Cash flows from operating activities)

Net cash provided by operating activities was 4,389 million yen, compared with a cash inflow of 7,582 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 1,368 million yen, compared with a cash outflow of 579 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, while the principal cash inflow factor was the sale of investment securities.

(Cash flow from financing activities)

Net cash used in financing activities was 4,297 million yen, compared with a cash outflow of 5,011 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. Semi-annual Consolidated Financial Statements and Principal Notes

(1) Semi-annual Consolidated Balance Sheets

(Million yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	11,803	10,367
Notes and accounts receivable - trade, and contract assets	72,154	58,268
Electronically recorded monetary claims - operating	1,151	633
Merchandise and finished goods	6,239	9,057
Work in process	9,119	12,947
Raw materials and supplies	7,175	7,251
Other	2,999	3,377
Allowance for doubtful accounts	(1)	(0)
Total current assets	110,641	101,904
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,316	6,204
Machinery, equipment and vehicles, net	1,009	1,241
Tools, furniture and fixtures, net	1,965	2,093
Land	5,488	5,488
Leased assets, net	68	62
Construction in progress	2,277	2,142
Total property, plant and equipment	17,125	17,233
Intangible assets	2,876	3,022
Investments and other assets		
Investment securities	29,043	27,401
Long-term loans receivable	2	1
Retirement benefit asset	3,040	3,117
Deferred tax assets	686	1,009
Other	1,899	1,811
Allowance for doubtful accounts	(20)	(20)
Total investments and other assets	34,650	33,320
Total non-current assets	54,653	53,576
Total assets	165,295	155,480

(Million yen)

As of March 31, 2024 As of September 30, 2024

Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,397	10,527
Electronically recorded obligations - operating	5,989	5,281
Short-term borrowings	18,700	15,900
Lease liabilities	5	3
Income taxes payable	2,491	1,438
Provision for bonuses	2,755	2,611
Provision for loss on orders received	719	718
Other	13,750	12,866
Total current liabilities	57,809	49,348
Non-current liabilities		
Long-term deposits received	99	99
Long-term accounts payable - other	27	26
Lease liabilities	5	3
Deferred tax liabilities	727	523
Provision for contingent loss	545	545
Retirement benefit liability	9,259	9,145
Total non-current liabilities	10,663	10,343
Total liabilities	68,473	59,692
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	7,585	7,585
Retained earnings	71,860	71,995
Treasury shares	(6,571)	(6,571)
Total shareholders' equity	82,874	83,009
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,574	12,493
Remeasurements of defined benefit plans	372	284
Total accumulated other comprehensive income	13,947	12,778
Total net assets	96,821	95,788
Total liabilities and net assets	165,295	155,480

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	34,194	40,380
Cost of sales	26,854	31,173
Gross profit	7,339	9,206
Selling, general and administrative expenses	6,982	7,412
Operating profit	357	1,794
Non-operating income		
Interest income	0	0
Dividend income	345	431
Dividend income of life insurance	189	164
Rental income from real estate	157	156
Nursing services income	8	6
Other	204	28
Total non-operating income	905	787
Non-operating expenses		
Interest expenses	21	28
Rental expenses on real estate	26	27
Taxes and dues	54	2
Nursing services expense	17	15
Other	37	18
Total non-operating expenses	157	93
Ordinary profit	1,105	2,487
Extraordinary income		
Gain on sale of non-current assets	0	2
Gain on sale of investment securities	459	360
Total extraordinary income	459	362
Extraordinary losses		
Loss on sale and retirement of non-current assets	0	2
Loss on valuation of investment securities	0	-
Total extraordinary losses	0	2
Profit before income taxes	1,563	2,847
Income taxes	1,044	1,215
Profit	519	1,631
(Details)		
Profit attributable to owners of parent	519	1,631

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Other comprehensive income		
Valuation difference on available-for-sale securities	1,525	(1,080)
Remeasurements of defined benefit plans, net of tax	(45)	(87)
Total other comprehensive income	1,480	(1,168)
Comprehensive income	2,000	463
(Details)		
Comprehensive income attributable to owners of parent	2,000	463

(3) Semi-annual Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	1,563	2,847
Depreciation	1,088	1,175
Loss (gain) on sale and retirement of non-current assets	0	0
Loss (gain) on sale of investment securities	(459)	(360)
Interest and dividend income	(345)	(432)
Interest expenses	21	28
Decrease (increase) in trade receivables	16,614	14,404
Decrease (increase) in inventories	(9,408)	(6,722)
Increase (decrease) in trade payables	695	(3,672)
Increase (decrease) in contract liabilities	315	(31)
Increase (decrease) in retirement benefit liability	(7)	(190)
Other, net	(1,543)	(1,355)
Subtotal	8,535	5,691
Interest and dividends received	345	381
Interest paid	(21)	(28)
Income taxes paid	(1,286)	(2,215)
Income taxes refund	9	560
Net cash provided by (used in) operating activities	7,582	4,389
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	(1,057)	(1,478)
Purchase of intangible assets	(436)	(400)
Purchase of investment securities	(28)	(8)
Proceeds from sale of investment securities	1,218	461
Other, net	(276)	57
Net cash provided by (used in) investing activities	(579)	(1,368)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(3,895)	(2,800)
Proceeds from deposits received from an affiliated company	(10)	50
Proceeds from deposits received from an unaffiliated entity	147	(45)
Repayments of lease liabilities	(3)	(3)
Dividends paid	(1,249)	(1,498)
Decrease (increase) in treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	(5,011)	(4,297)
Effect of exchange rate change on cash and cash equivalents	22	(158)
Net increase (decrease) in cash and cash equivalents	2,014	(1,435)
Cash and cash equivalents at beginning of period	8,365	11,760
Cash and cash equivalents at end of period	10,379	10,325

(4) Notes to Semi-annual 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 semi-annual 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 semi-annual period 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 semi-annual period of the fiscal year under review, and multiplying income/loss before income taxes for the semi-annual period by the estimated effective tax rate.

(Segment information, etc.)

[Segment information]

I 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

(Million yen)

	Reportable segment			Adjustments (Note 1)	Semi-annual 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 semi-annual consolidated statements of income and comprehensive income.

II For the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

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

(Million yen)

	Reportable segment			Adjustments (Note 1)	Semi-annual consolidated statements of income and comprehensive income (Note 2)
	Transportation Infrastructure	ICT Solutions	Total		
Net sales					
Net sales to external customers	19,262	21,117	40,380	-	40,380
Intersegment internal sales or transfers	-	-	-	-	-
Total	19,262	21,117	40,380	-	40,380
Goods or services transferred at a point in time	5,555	9,181	14,736	-	14,736
Goods or services transferred over time	13,707	11,936	25,644	-	25,644
Total	19,262	21,117	40,380	-	40,380
Segment profit	802	2,821	3,624	(1,830)	1,794

Notes: 1. Adjustments of (1,830) 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 semi-annual consolidated statements of income and comprehensive income.

[Related information]

I For the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

Information by region

Net sales

(Million yen)

Japan	Asia	Other	Total
30,813	3,237	143	34,194

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

II For the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

Information by region

Net sales

(Million yen)

Japan	Asia	Other	Total
35,960	4,172	247	40,380

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