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Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]

August 9, 2022

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 10, 2022

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, 2022 (April 01, 2022 to June 30, 2022)

(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, 2022	13,991	(21.9)	(726)	-	(126)	-	(552)	-
June 30, 2021	17,925	14.1	576	(8.1)	1,051	(0.2)	305	(18.3)

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

Three months ended June 30, 2021: ¥ (209) million [-%]

	Basic earnings per share	Diluted earnings per share
Three months ended June 30, 2022	Yen (8.86)	Yen -
June 30, 2021	4.90	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of June 30, 2022	Million yen 122,855	Million yen 84,807	69.0
March 31, 2022	134,086	86,740	64.7

(Reference) Equity: As of June 30, 2022: ¥ 84,807 million

As of March 31, 2022: ¥ 86,740 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, 2022	-	7.00	-	20.00	27.00
Fiscal year ending March 31, 2023	-				
Fiscal year ending March 31, 2023 (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, 2023 (April 01, 2022 to March 31, 2023)

(% 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	11.7	7,000	29.9	7,800	19.3	5,200	15.5	83.37

(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: Yes

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, 2022: 68,339,704 shares

As of March 31, 2022: 68,339,704 shares

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

As of June 30, 2022: 5,968,068 shares

As of March 31, 2022: 5,968,067 shares

3) Average number of shares during the period:

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

Three months ended June 30, 2021: 62,371,677 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, 2022 (April 1, 2022 to June 30, 2022), the global economy faced concerns of a recession due to rising interest rates as the U.S. and other countries turned toward tighter monetary policies against a backdrop of rising prices.

In addition, the economy is facing significant downward pressure from soaring energy and agricultural product prices due to the destabilization of the international situation caused by Russia's invasion of Ukraine.

In the Japanese economy, both personal consumption and capital investment were on a recovery trend, supported by deferred demand after the full lifting of quasi-emergency measures against COVID-19. However, the outlook remains uncertain due to concerns about soaring raw material prices and the rapid depreciation of the yen in response to the widening interest rate differential between Japan and the U.S.

Under these circumstances, the Group will continue 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 business environment in and after the COVID-19 era, based on the second medium-term management plan "Next Stage 24" of the long-term management plan "Vision-2028 EVOLUTION 100" that began in FY2022. Although some products have been affected by the difficulty in obtaining semiconductor components, we are working to address this issue by making design changes.

The Company's business results for the three months ended June 30, 2022 were 37,151 million yen in orders received (up 73.8% year-on-year) and 13,991 million yen in net sales (down 21.9% year-on-year). Operating loss was 726 million yen (operating profit of 576 million yen in the same period of the previous fiscal year), ordinary loss was 126 million yen (ordinary profit of 1,051 million yen in the same period of the previous fiscal year), and loss attributable to owners of parent was 552 million yen (profit attributable to owners of parent of 305 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 and recorded sales of various types of signal safety products, such as Automatic Train Control (ATC) systems and electronic interlocking devices, for railroad operators in the Japanese market.

In overseas markets, we received orders and recorded sales of railway signal systems in Egypt and the Philippines, and traffic signal systems in India.

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

As a result of the above, orders received were 23,827 million yen (up 126.9% year-on-year) and net sales were 7,828 million yen (down 21.2% year-on-year). Segment loss was 63 million yen (segment profit of 1,047 million yen in the same period of the previous fiscal year).

[ICT Solutions]

In AFC, particularly Station Service Network Systems, we received orders and recorded sales for the renewal of platform doors and various station devices on the strength of a diverse lineup of products.

In overseas markets, we received orders and recorded sales for platform doors and AFC systems and others in Egypt and Bangladesh.

In Smart City Systems, particularly Security System Solutions, we received orders for and recorded sales of 3D sensors for installation in platform doors, construction machinery, and farm equipment, as well as visitor reservation

reception systems.

As a result of the above, orders received were 13,323 million yen (up 22.5% year-on-year) and net sales were 6,162 million yen (down 22.8% year-on-year). Segment profit was 213 million yen (down 43.7% year-on-year).

(2) Explanation of Financial Position

(i) Assets, Liabilities and Net Assets

Total assets as of June 30, 2022 were 122,855 million yen, a decrease of 11,231 million yen from the end of the previous fiscal year, mainly due to a 19,164 million yen decrease in notes and accounts receivable - trade, and contract assets, despite a 4,162 million yen increase in inventories and a 2,907 million yen increase in cash and deposits.

Liabilities decreased by 9,298 million yen compared with the end of the previous fiscal year to 38,047 million yen, mainly due to a 7,109 million yen decrease in short-term borrowings, a 1,955 million yen decrease in notes and accounts payable - trade, and a 1,248 million yen decrease in provision for bonuses.

Net assets were 84,807 million yen, a decrease of 1,932 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 552 million yen loss attributable to owners of parent for the quarter.

(ii) Cash Flows

The balance of cash and cash equivalents (“cash”) as of June 30, 2022 totaled 9,263 million yen, an increase of 2,918 million yen from the end of the previous fiscal year.

Cash flows in each area of activity during the three months ended June 30, 2022 are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 11,947 million yen, compared with a cash inflow of 10,644 million yen in the same period of the previous fiscal year. The principal cash inflow factor was a decrease in trade receivables, despite an increase in inventories and a decrease in trade payables.

(Cash flows from investing activities)

Net cash used in investing activities was 494 million yen, compared with a cash outflow of 285 million yen in the same period of the previous fiscal year. The principal cash outflow factor was the acquisition of property, plant and equipment.

(Cash flow from financing activities)

Net cash used in financing activities was 8,598 million yen, compared with a cash outflow of 13,684 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, 2023 (April 1, 2022 to March 31, 2023) announced on May 10, 2022.

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, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	6,397	9,305
Notes and accounts receivable - trade, and contract assets	60,698	41,534
Electronically recorded monetary claims - operating	1,188	1,693
Merchandise and finished goods	3,774	5,551
Work in process	9,110	10,733
Raw materials and supplies	3,436	4,200
Other	2,052	2,709
Allowance for doubtful accounts	(1)	(0)
Total current assets	86,657	75,725
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,796	6,732
Machinery, equipment and vehicles, net	1,055	1,075
Tools, furniture and fixtures, net	1,560	1,789
Land	5,488	5,488
Leased assets, net	89	86
Construction in progress	1,621	1,245
Total property, plant and equipment	16,611	16,417
Intangible assets	1,900	1,878
Investments and other assets		
Investment securities	23,435	23,264
Long-term loans receivable	2	2
Retirement benefit asset	2,551	2,581
Deferred tax assets	1,273	1,329
Other	1,677	1,679
Allowance for doubtful accounts	(23)	(23)
Total investments and other assets	28,916	28,834
Total non-current assets	47,429	47,129
Total assets	134,086	122,855

(Million yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,367	8,411
Electronically recorded obligations - operating	4,231	4,375
Short-term borrowings	11,782	4,673
Lease liabilities	61	88
Income taxes payable	886	262
Provision for bonuses	2,603	1,354
Provision for loss on orders received	676	492
Other	6,428	8,023
Total current liabilities	37,037	27,681
Non-current liabilities		
Long-term deposits received	99	99
Long-term accounts payable - other	52	29
Lease liabilities	109	133
Deferred tax liabilities	602	610
Retirement benefit liability	9,444	9,492
Total non-current liabilities	10,307	10,365
Total liabilities	47,345	38,047
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	7,585	7,585
Retained earnings	65,806	64,006
Treasury shares	(6,570)	(6,570)
Total shareholders' equity	76,821	75,021
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,805	9,678
Remeasurements of defined benefit plans	114	107
Total accumulated other comprehensive income	9,919	9,786
Total net assets	86,740	84,807
Total liabilities and net assets	134,086	122,855

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Net sales	17,925	13,991
Cost of sales	14,021	11,260
Gross profit	3,903	2,731
Selling, general and administrative expenses	3,327	3,457
Operating profit (loss)	576	(726)
Non-operating income		
Interest income	0	0
Dividend income	232	228
Dividend income of life insurance	140	155
Foreign exchange gains	6	136
Rental income from real estate	78	78
Nursing services income	4	2
Other	47	26
Total non-operating income	510	628
Non-operating expenses		
Interest expenses	12	6
Rental expenses on real estate	12	12
Nursing services expense	10	8
Other	0	0
Total non-operating expenses	35	28
Ordinary profit (loss)	1,051	(126)
Extraordinary income		
Gain on sale of non-current assets	0	—
Total extraordinary income	0	—
Extraordinary losses		
Loss on sale and retirement of non-current assets	1	1
Loss on valuation of investment securities	0	—
Total extraordinary losses	1	1
Profit (loss) before income taxes	1,050	(127)
Income taxes	744	424
Profit (loss)	305	(552)
(Details)		
Profit (loss) attributable to owners of parent	305	(552)

(Million yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Other comprehensive income		
Valuation difference on available-for-sale securities	(543)	(126)
Remeasurements of defined benefit plans, net of tax	28	(6)
Total other comprehensive income	(515)	(133)
Comprehensive income	(209)	(685)
(Details)		
Comprehensive income attributable to owners of parent	(209)	(685)

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	1,050	(127)
Depreciation	469	551
Loss (gain) on sale and retirement of non-current assets	0	1
Interest and dividend income	(233)	(228)
Interest expenses	12	6
Decrease (increase) in trade receivables	14,396	18,659
Decrease (increase) in inventories	1,875	(4,162)
Increase (decrease) in trade payables	(3,920)	(1,781)
Increase (decrease) in contract liabilities	(335)	1,021
Increase (decrease) in retirement benefit liability	104	52
Other, net	(1,871)	(1,602)
Subtotal	11,549	12,390
Interest and dividends received	233	228
Interest paid	(12)	(6)
Income taxes paid	(1,126)	(665)
Net cash provided by (used in) operating activities	10,644	11,947
Cash flows from investing activities		
Payments into time deposits	(40)	(38)
Proceeds from withdrawal of time deposits	49	49
Purchase of property, plant and equipment	(288)	(336)
Purchase of intangible assets	(54)	(149)
Purchase of investment securities	(7)	(3)
Other, net	56	(15)
Net cash provided by (used in) investing activities	(285)	(494)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(12,304)	(7,200)
Proceeds from deposits received from an affiliated company	—	(30)
Proceeds from deposits received from an unaffiliated entity	(130)	(100)
Repayments of lease liabilities	(1)	(22)
Dividends paid	(1,248)	(1,246)
Decrease (increase) in treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	(13,684)	(8,598)
Effect of exchange rate change on cash and cash equivalents	16	64
Net increase (decrease) in cash and cash equivalents	(3,309)	2,918
Cash and cash equivalents at beginning of period	13,250	6,344
Cash and cash equivalents at end of period	9,941	9,263

(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, 2021 (from April 1, 2021 to June 30, 2021)

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 11, 2021 Board of Directors	Common shares	1,247	20.00	March 31, 2021	June 4, 2021	Retained earnings

2. Significant changes in shareholders' equity

Not applicable

II 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

(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.

(Changes in accounting policies)

The Company has adopted the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Guidance") from the beginning of the first quarter of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. This adoption has no effect on the quarterly consolidated financial statements.

(Segment information, etc.)

[Segment information]

I For the three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

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	9,937	7,988	17,925	—	17,925
Intersegment internal sales or transfers	—	—	—	—	—
Total	9,937	7,988	17,925	—	17,925
Goods or services transferred at a point in time	2,523	2,818	5,342	—	5,342
Goods or services transferred over time	7,413	5,169	12,582	—	12,582
Total	9,937	7,988	17,925	—	17,925
Segment profit	1,047	378	1,426	(849)	576

Notes: 1. Adjustments of (849) 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 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.