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## Consolidated Financial Results for the Nine Months Ended December 31, 2023 [Japanese GAAP]

February 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

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Scheduled date of filing quarterly securities report:

February 7, 2024

Scheduled date of commencing dividend payments:

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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 Nine Months Ended December 31, 2023 (April 1, 2023 to December 31, 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	%
Nine months ended December 31, 2023	57,105	6.3	1,395	15.0	2,151	8.4	667	(15.5)
December 31, 2022	53,711	(1.6)	1,213	22.2	1,985	(1.3)	789	(24.7)

(Note) Comprehensive income: Nine months ended December 31, 2023: ¥ 2,489 million [33.8 %]  
 Nine months ended December 31, 2022: ¥ 1,860 million [-%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	10.70	-
December 31, 2022	12.66	-

#### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
December 31, 2023	152,739	90,156	59.0
March 31, 2023	146,019	89,351	61.2

(Reference) Equity: As of December 31, 2023: ¥ 90,156 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 December 31, 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 December 31, 2023: 5,968,292 shares

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

3) Average number of shares during the period:

Nine months ended December 31, 2023: 62,371,422 shares

Nine months ended December 31, 2022: 62,371,551 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 nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023), the outlook of the global economy remained uncertain due to such factors as monetary tightening by central banks in the US and Europe, Russia's invasion of Ukraine, heightened tensions in the Middle East, and concerns over the slowdown in economic activities in China caused by its stagnant real estate market.

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. However, there exist concerns over the slowdown in economic activities due to factors such as soaring energy prices caused in part by the impact of the economic sanctions against Russia and weak consumer consumption caused by rising 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 second medium-term management plan "Next Stage 24" that began in FY2022.

The Company's business results for the nine months ended December 31, 2023 were 77,808 million yen in orders received (down 1.9% year-on-year) and 57,105 million yen in net sales (up 6.3% year-on-year). Operating profit was 1,395 million yen (up 15.0% year-on-year), ordinary profit was 2,151 million yen (up 8.4% year-on-year), and profit attributable to owners of parent was 667 million yen (down 15.5% 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, Communication-Based Train Control (CBTC) systems and other products from railroad operators in the Japanese market.

In addition, in terms of our new initiative, we have been conducting demonstration operations utilizing an automatic train operation device on the Kashii Line of Kyushu Railway Company since December 2020. As their results have been satisfactory, we plan to start automatic operation in March 2024. Promoting the automatization and mechanization of work related to operation are expected to improve safety and reduce costs of training train operators, as well as solve social challenges such as the decrease in the working population.

In the overseas market, such as in Taiwan and India, 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 and parking meters. We participated in the Smart Mobility Infrastructure Collaborative Innovation Partnership established in November 2023 with the aim of conducting research on and developing a system, with which vehicles, bicycles, and pedestrians notify each other of danger and other information. We will continue to provide products and technologies which achieve linkage with existing transportation infrastructure.

As a result of the above, orders received were 36,996 million yen (down 26.2% year-on-year) and net sales were 28,248 million yen (down 1.2% year-on-year). Segment profit was 1,347 million yen (down 20.1% 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. In terms of future initiatives, we will promote efforts towards realization of a society in which MaaS is widely utilized, through development of products from the perspective of reducing fixed costs and enhancing our capabilities to respond to customer needs with a focus on digital transformation (DX).

In the overseas markets, especially in Bangladesh and Egypt, we received orders for and recorded sales of AFC systems, platform screen doors.

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. 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 40,811 million yen (up 40.0% year-on-year) and net sales were 28,856 million yen (up 14.9% year-on-year). Segment profit was 2,612 million yen (up 25.2% year-on-year).

## (2) Explanation of Financial Position

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

Total assets as of December 31, 2023 were 152,739 million yen, an increase of 6,720 million yen from the end of the previous fiscal year, mainly due to a 11,915 million yen increase in inventories, a 2,096 million yen increase in investment securities due in part to a rise in fair value, and a 1,364 million yen increase in cash and deposits, despite a 9,786 million yen decrease in notes and accounts receivable - trade, and contract assets.

Liabilities increased by 5,915 million yen from the end of the previous fiscal year to 62,583 million yen, mainly due to a 3,384 million yen increase in short-term borrowings and a 1,686 million yen increase in electronically recorded obligations - operating.

Net assets were 90,156 million yen, an increase of 805 million yen from the end of the previous fiscal year, mainly due to the recording of 1,890 million yen in valuation difference on available-for-sale securities and the recording of 667 million yen in profit attributable to owners of parent, despite a 1,684 million yen decrease in retained earnings from dividends, etc.

### (ii) Cash Flows

The balance of cash and cash equivalents (“cash”) as of December 31, 2023 totaled 9,729 million yen, an increase of 1,364 million yen from the end of the previous fiscal year.

Cash flows in each area of activity during the nine months ended December 31, 2023 are as follows.

#### (Cash flows from operating activities)

Net cash provided by operating activities was 1,281 million yen, compared with a cash inflow of 1,523 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 1,635 million yen, compared with a cash outflow of 2,397 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 provided by financing activities was 1,753 million yen, compared with a cash inflow of 3,592 million yen in the same period of the previous fiscal year. The principal cash inflow factor was an increase in cash from short-term borrowings, while the principal cash outflow factor was 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 December 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	8,407	9,771
Notes and accounts receivable - trade, and contract assets	63,979	54,192
Electronically recorded monetary claims - operating	1,521	1,046
Merchandise and finished goods	4,609	8,448
Work in process	9,819	15,668
Raw materials and supplies	5,684	7,911
Other	3,282	4,923
Allowance for doubtful accounts	(1)	(0)
<b>Total current assets</b>	<b>97,302</b>	<b>101,961</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,486	6,390
Machinery, equipment and vehicles, net	1,069	1,020
Tools, furniture and fixtures, net	1,492	1,773
Land	5,488	5,488
Leased assets, net	77	71
Construction in progress	1,696	1,678
<b>Total property, plant and equipment</b>	<b>16,310</b>	<b>16,422</b>
<b>Intangible assets</b>	<b>2,079</b>	<b>2,610</b>
Investments and other assets		
Investment securities	24,571	26,667
Long-term loans receivable	2	2
Retirement benefit asset	2,476	2,555
Deferred tax assets	1,463	730
Other	1,833	1,811
Allowance for doubtful accounts	(20)	(20)
<b>Total investments and other assets</b>	<b>30,326</b>	<b>31,745</b>
<b>Total non-current assets</b>	<b>48,716</b>	<b>50,777</b>
<b>Total assets</b>	<b>146,019</b>	<b>152,739</b>

(Million yen)

As of March 31, 2023 As of December 31, 2023

Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,087	11,319
Electronically recorded obligations - operating	4,110	5,797
Short-term borrowings	17,515	20,900
Lease liabilities	7	6
Income taxes payable	1,489	535
Provision for bonuses	2,554	1,300
Provision for loss on orders received	742	443
Other	9,070	11,654
<b>Total current liabilities</b>	<b>46,577</b>	<b>51,958</b>
Non-current liabilities		
Long-term deposits received	99	99
Long-term accounts payable - other	28	27
Lease liabilities	7	6
Deferred tax liabilities	551	506
Provision for contingent loss	—	545
Retirement benefit liability	9,402	9,439
<b>Total non-current liabilities</b>	<b>10,090</b>	<b>10,624</b>
<b>Total liabilities</b>	<b>56,668</b>	<b>62,583</b>
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	7,585	7,585
Retained earnings	68,198	67,181
Treasury shares	(6,571)	(6,571)
<b>Total shareholders' equity</b>	<b>79,212</b>	<b>78,196</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,100	11,990
Remeasurements of defined benefit plans	38	(29)
<b>Total accumulated other comprehensive income</b>	<b>10,138</b>	<b>11,960</b>
<b>Total net assets</b>	<b>89,351</b>	<b>90,156</b>
<b>Total liabilities and net assets</b>	<b>146,019</b>	<b>152,739</b>

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

Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Net sales	53,711	57,105
Cost of sales	41,678	45,102
Gross profit	12,033	12,002
Selling, general and administrative expenses	10,820	10,607
Operating profit	1,213	1,395
Non-operating income		
Interest income	0	0
Dividend income	443	446
Dividend income of life insurance	155	189
Rental income from real estate	234	236
Nursing services income	14	15
Other	64	71
Total non-operating income	912	958
Non-operating expenses		
Interest expenses	30	31
Rental expenses on real estate	38	40
Taxes and dues	18	63
Nursing services expense	26	25
Other	27	42
Total non-operating expenses	141	202
Ordinary profit	1,985	2,151
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on sale of investment securities	0	459
Total extraordinary income	0	460
Extraordinary losses		
Loss on sale and retirement of non-current assets	2	0
Loss on valuation of investment securities	–	0
Loss on valuation of golf club membership	12	–
Provision for contingent loss	–	545
Total extraordinary losses	15	546
Profit before income taxes	1,969	2,064
Income taxes	1,180	1,397
Profit	789	667
(Details)		
Profit attributable to owners of parent	789	667



(Million yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Other comprehensive income		
Valuation difference on available-for-sale securities	1,089	1,890
Remeasurements of defined benefit plans, net of tax	(19)	(68)
Total other comprehensive income	1,070	1,821
Comprehensive income	1,860	2,489
(Details)		
Comprehensive income attributable to owners of parent	1,860	2,489

## (3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,969	2,064
Depreciation	1,764	1,696
Loss (gain) on sale and retirement of non-current assets	2	0
Loss (gain) on sale of investment securities	(0)	(459)
Increase (decrease) in provision for contingent loss	–	545
Interest and dividend income	(444)	(446)
Interest expenses	30	31
Decrease (increase) in trade receivables	9,150	10,261
Decrease (increase) in inventories	(8,253)	(11,915)
Increase (decrease) in trade payables	(1,425)	1,918
Increase (decrease) in contract liabilities	2,625	1,361
Increase (decrease) in retirement benefit liability	170	(37)
Other, net	(3,470)	(2,330)
<b>Subtotal</b>	<b>2,118</b>	<b>2,691</b>
Interest and dividends received	444	446
Interest paid	(30)	(31)
Income taxes paid	(1,123)	(1,834)
Income taxes refund	114	9
<b>Net cash provided by (used in) operating activities</b>	<b>1,523</b>	<b>1,281</b>
<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	(1,095)	(1,577)
Purchase of intangible assets	(393)	(904)
Purchase of investment securities	(754)	(31)
Proceeds from sale of investment securities	0	1,218
Other, net	(165)	(339)
<b>Net cash provided by (used in) investing activities</b>	<b>(2,397)</b>	<b>(1,635)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	5,400	3,304
Proceeds from deposits received from an affiliated company	40	(10)
Proceeds from deposits received from an unaffiliated entity	(100)	147
Repayments of lease liabilities	(65)	(5)
Dividends paid	(1,681)	(1,682)
Decrease (increase) in treasury shares	(0)	(0)
<b>Net cash provided by (used in) financing activities</b>	<b>3,592</b>	<b>1,753</b>
Effect of exchange rate change on cash and cash equivalents	(9)	(34)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,708</b>	<b>1,364</b>
Cash and cash equivalents at beginning of period	6,344	8,365
<b>Cash and cash equivalents at end of period</b>	<b>9,053</b>	<b>9,729</b>

#### (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 liabilities (other) at the end of the third 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 third quarter of the fiscal year under review, and multiplying income/loss before income taxes for the quarter by the estimated effective tax rate.

(Additional information)

The Company had a disagreement with the tax authority in India regarding the disallowance of expenses incurred outside India and so forth in the tax return of its project offices in India. The Company then filed a suit with the Income Tax Appellate Tribunal in India in January 2024, as a determination was made in December 2023, which did not accept part of the Company's assertions.

Against the backdrop of the events, the Company has appropriated provision for contingent loss of 319 million Indian rupees (545 million yen at the exchange rate as of the end of December 2023) to provide for penalties which may arise due to such rejection and any other determination.

The Company deems the amount reasonable at this moment, as it is calculated based on the notices by the tax authority in India, although the amount may change depending future situations.

(Segment information, etc.)

[Segment information]

I For the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 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	28,588	25,123	53,711	-	53,711
Intersegment internal sales or transfers	-	-	-	-	-
Total	28,588	25,123	53,711	-	53,711
Goods or services transferred at a point in time	7,126	7,778	14,904	-	14,904
Goods or services transferred over time	21,462	17,345	38,807	-	38,807
Total	28,588	25,123	53,711	-	53,711
Segment profit	1,685	2,085	3,771	(2,557)	1,213

Notes: 1. Adjustments of (2,557) 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 nine months ended December 31, 2023 (from April 1, 2023 to December 31, 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	28,248	28,856	57,105	-	57,105
Intersegment internal sales or transfers	-	-	-	-	-
Total	28,248	28,856	57,105	-	57,105
Goods or services transferred at a point in time	7,825	11,958	19,783	-	19,783
Goods or services transferred over time	20,423	16,898	37,321	-	37,321
Total	28,248	28,856	57,105	-	57,105
Segment profit	1,347	2,612	3,959	(2,563)	1,395

Notes: 1. Adjustments of (2,563) 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.