

# Nippon Signal Group 28 Medium-term Management Plan

# Realize-EV100

## Toward the 100th Anniversary of Foundation

May 14, 2024



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日本信号株式会社  
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## Nippon Signal Group Philosophy



### Our Mission

**We help realize a more secure and comfortable society through superior technologies that provide safety and reliability.**

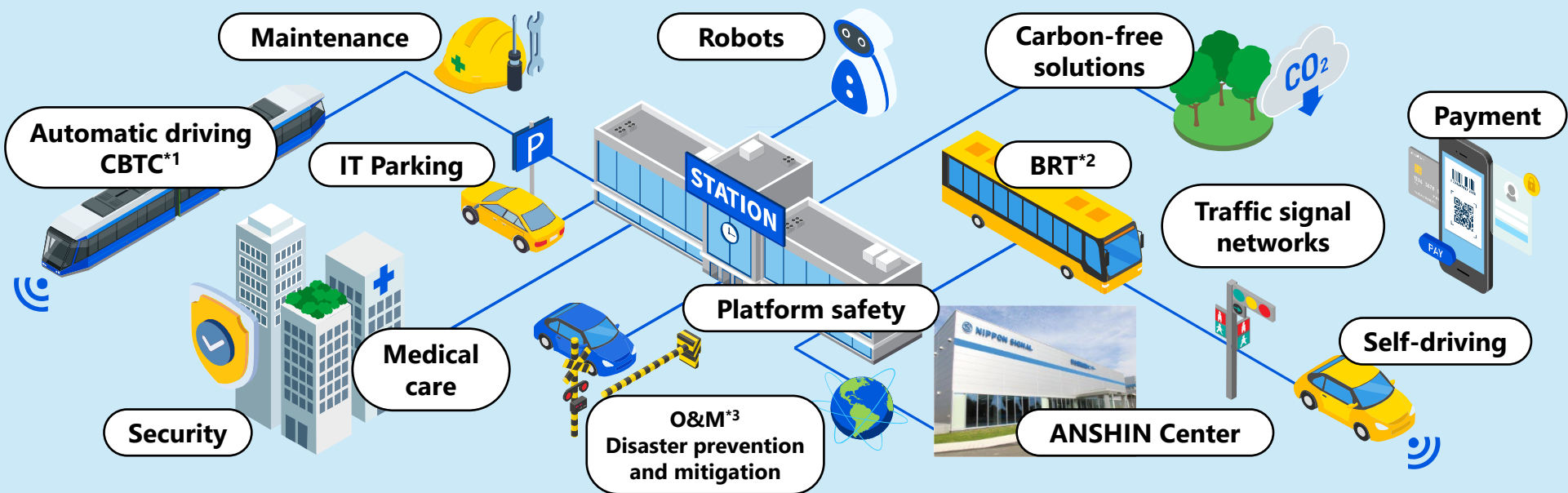
### Our Vision

**We strive to become a global company by pursuing world-leading technologies with ingenuity and passion to inspire our customers.**

# Businesses supported by Nippon Signal Group

On our mission to "help realize a more secure and comfortable society through superior technologies that provide safety and reliability," we strive to provide products and solutions involved in the next generation society and living infrastructure.

"One-stop solution provider" connected through networks



Cooperation, merger and working across borders of businesses and Group companies

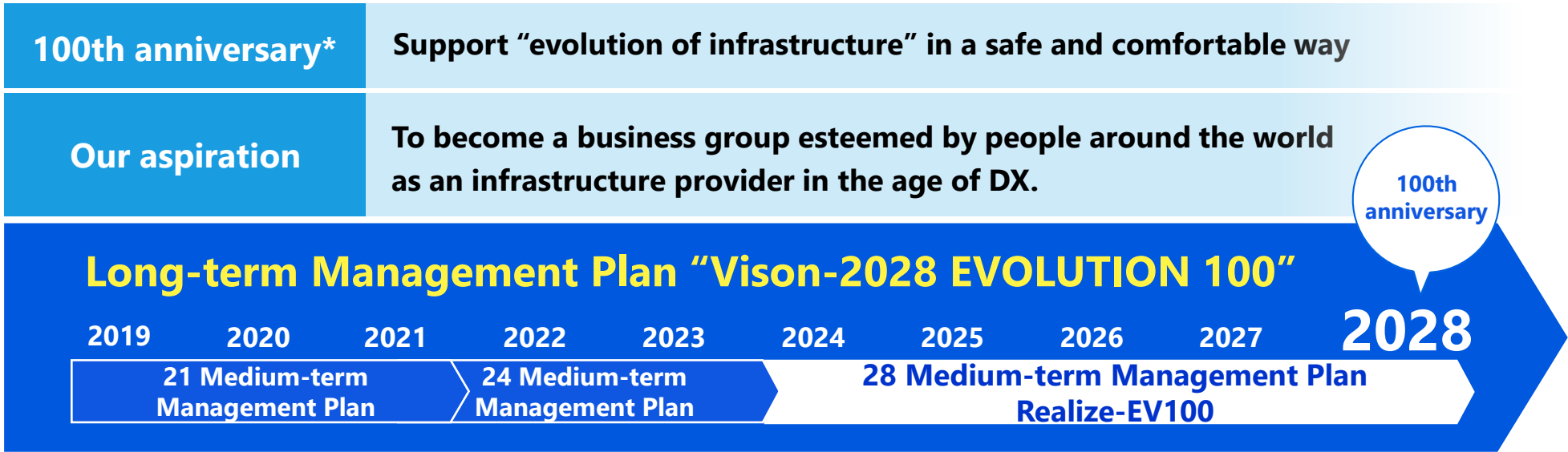
Safer and more comfortable

Total support of transportation

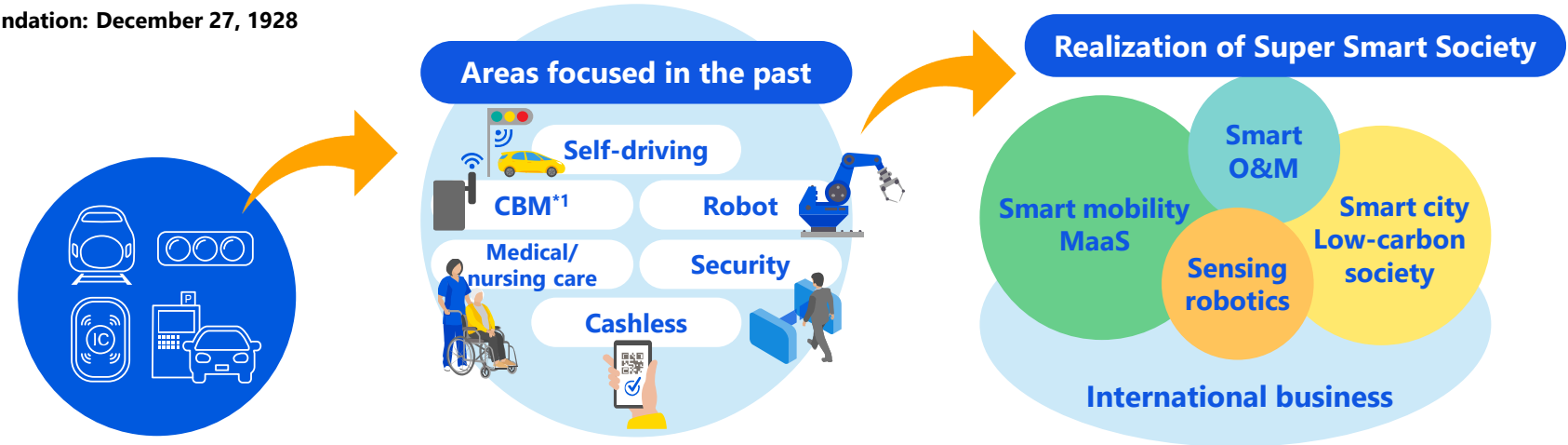
## Realizing MaaS to support transformation of public transportation

\*1 CBTC: Communication based train control system, \*2 BRT: Bus rapid transit system, \*3 O&M: Operation and maintenance management

# Whole frame



\* Date of foundation: December 27, 1928



**Safety Security Comfort Reliability**

\*1 CBM: Condition Based Maintenance, where maintenance is carried out based on condition criteria

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## Progress of the Previous Medium-term Management Plan (24 Medium-term Management Plan)

### Support the next stage of infrastructure

Creating value with customers, expanding international business and increasing profitability

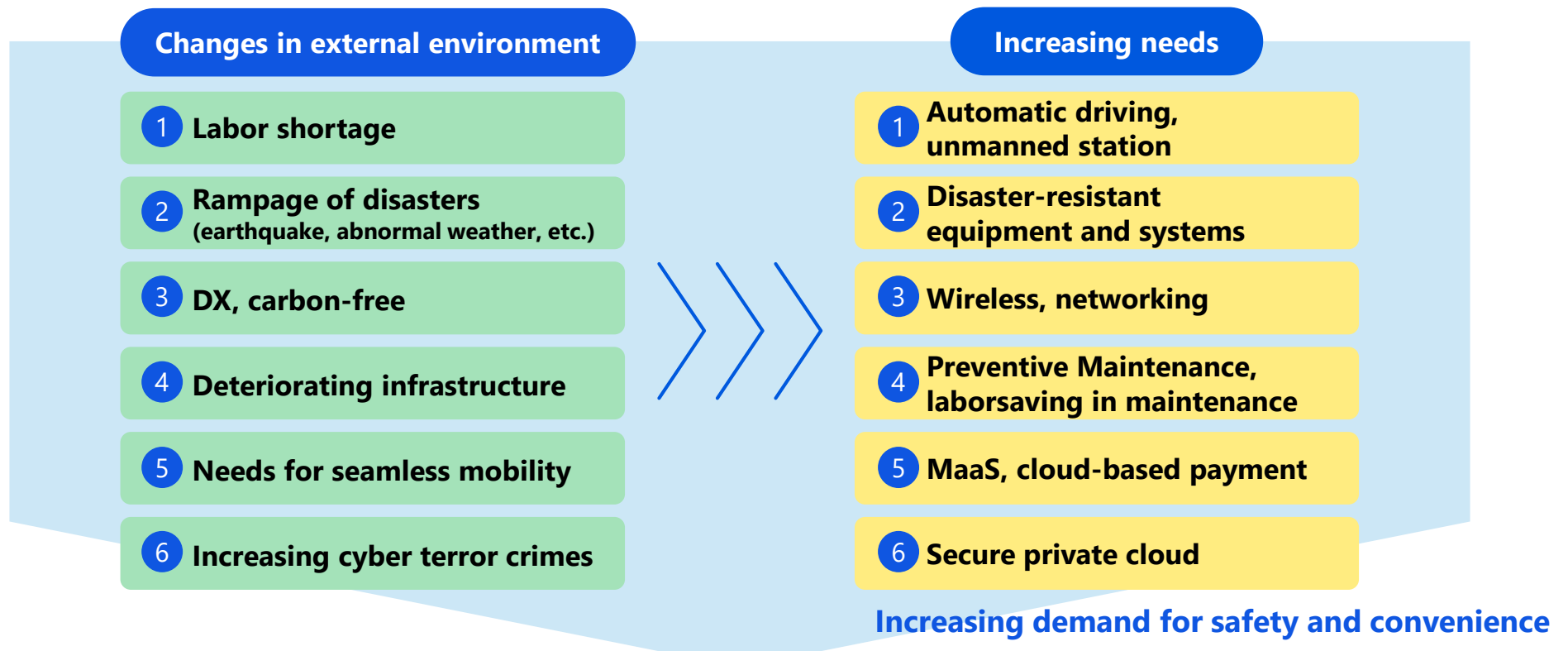
Segment	Results
Railway system	<ul style="list-style-type: none"> <li>Implementation of domestic CBTC in society (Toei Oedo line and Seibu Tamagawa line) and launching CBM</li> <li>Starting Utsunomiya LRT</li> </ul>
Smart mobility	<ul style="list-style-type: none"> <li>Implementation of Kuru Link (Hitahikosan Line BRT) and automatic driving (Kesennuma Line BRT) in society</li> <li>Increase in sales of MVNO*1</li> </ul>
AFC	<ul style="list-style-type: none"> <li>Introduction of cashless payment terminals and systems to various businesses</li> <li>Implementation of a cloud system for parking space fee settlement in society</li> </ul>
R&S	<ul style="list-style-type: none"> <li>Orders received for work robots with Man-Machine Synergy Effectors, Inc.</li> <li>Orders received for and sales of X-ray inspection apparatus</li> </ul>
International	<ul style="list-style-type: none"> <li>Orders received for large projects in Egypt, the Philippines and India</li> </ul>

	FY2022 (Result)	FY2023 (Result)	FY2024 (Forecast)	FY2024 (Goals of the prev. mid-term management plan)
Sales	85.4 B yen	98.5 B yen	100.0 B yen	130.0 B yen
Operating margin	6.0%	6.9%	8.0%	11%
ROE	4.6%	5.7%	5.8%	10%

\*1 MVNO: A fully closed duplex wireless network using general lines

## ○ In establishing a new Medium-term Management Plan (28 Medium-term Management Plan)

Nippon Signal Group Medium-term Management Plan "Next Stage 24" announced in May 2022 has been implemented. Now we **establish a new Medium-term Management Plan targeted for FY2028, the year marking the 100th anniversary of the company foundation**, taking into account the rapid changes in business circumstances and customer needs occurred during the coronavirus pandemic.



# 28 Mid-term Management Plan Realize-EV100

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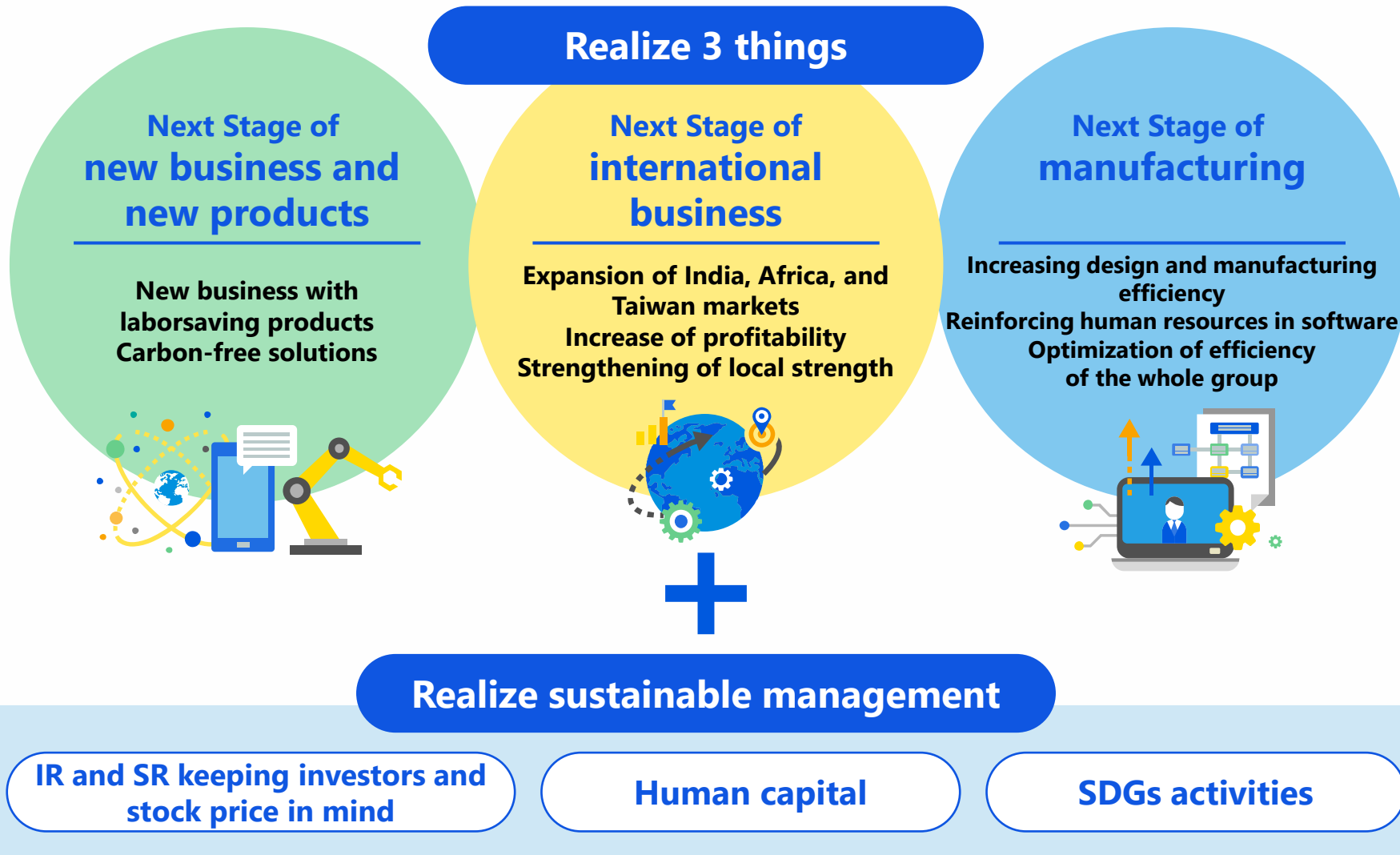
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28 Mid-term Management Plan "Realize EV-100" -- Toward the 100th Anniversary of Foundation --  
Basic concept



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## Management target

	2024/3 (Result)	2025/3 (Forecast)	2029/3 (Mid-term Plan target)
<b>Sales</b>	<b>98.5 B yen</b>	<b>100.0 B yen</b>	<b>150.0 B yen</b>
<b>ROE</b>	<b>5.7%</b>	<b>5.8%</b>	<b>10% or more</b>
<b>ROIC</b>	<b>4.6%</b>	<b>5.0%</b>	<b>9% or more</b>

		2024/3 (Result)	2025/3 (Forecast)	2029/3 (Mid-term Plan target)	
<b>Sales by segment</b>	<b>Transport</b>	<b>Railway signal</b>	<b>46.6 B yen</b>	<b>47.0 B yen</b>	<b>67.0 B yen</b>
		<b>Smart mobility</b>	<b>7.3 B yen</b>	<b>8.0 B yen</b>	<b>15.0 B yen</b>
		<b>Overseas portion of transport</b>	<b>10.8 B yen</b>	<b>11.7 B yen</b>	<b>25.0 B yen</b>
	<b>ICT solutions</b>	<b>AFC</b>	<b>34.6 B yen</b>	<b>35.0 B yen</b>	<b>46.0 B yen</b>
		<b>R&amp;S</b>	<b>9.9 B yen</b>	<b>10.0 B yen</b>	<b>22.0 B yen</b>
		<b>Overseas portion of ICT</b>	<b>0.6 B yen</b>	<b>0.8 B yen</b>	<b>5.0 B yen</b>

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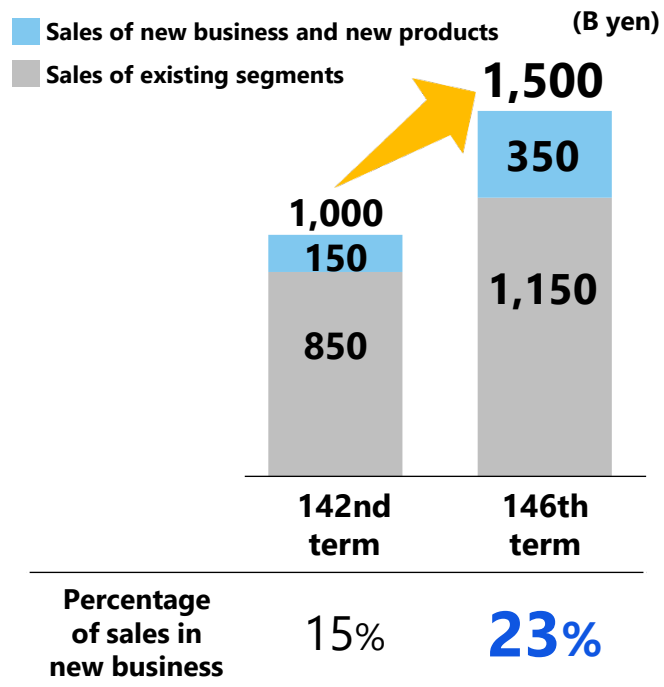
# Realize. 1

## Next Stage of New Business and Products

## Image of sales by increasing sales volume of new business and new products in 28 Med-term Management Plan

We will strive to develop core technologies and implement new products in society targeting new markets which are expected to grow in the future to gain market share with the aim of ensuring our business growth.

### Image of sales in new business and new products in 28 Med-term Management Plan



Segment	Product	Market size*
Railway system	O&M service, etc.	25.0 (B yen)
Smart mobility	Automatic driving, road-vehicle cooperation, MVNO, etc.	25.0 (B yen)
AFC	Cloud-based payment, Cloud-based parking space, etc.	50.0 (B yen)
R&S	3D sensor market	20.0 (B yen)
	Market of heavy machinery-type robot	10.0 (B yen)

\*Market size in FY2028 (estimated by Nippon Signal)

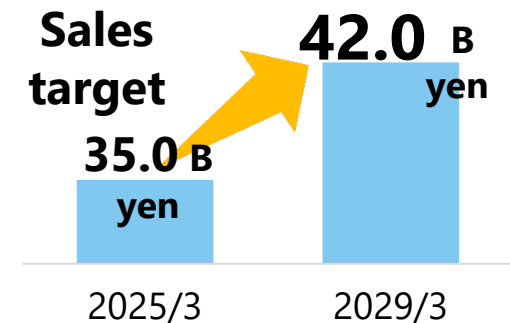
## Railway system business

### Our vision

Co-creation partners beyond the relationship with customers

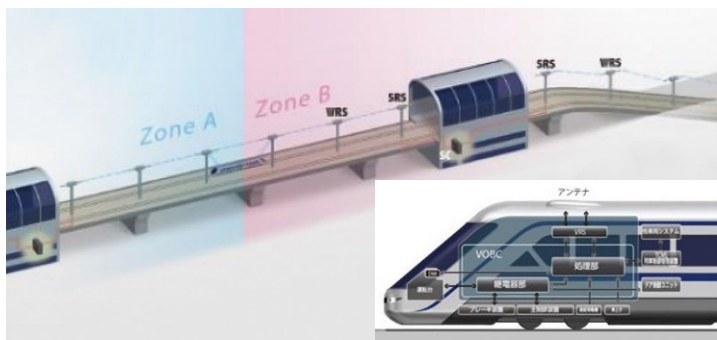
### Primary measures

- <1> Expanding markets of next generation traffic signal safety system  
Expansion for communications-based train Control (CBTC), automatic driving, O&M solutions, etc.
- <2> Product strategy for co-creation of customer's structural reform
- <3> Development of a system for continuation of local public transportation



### Strategic product "Next generation railway signal safety system"

#### CBTC



#### Automatic driving



#### O&M Solution



## Smart mobility business

### Our vision

One-stop solution provider for road traffic to solve issues of business operators

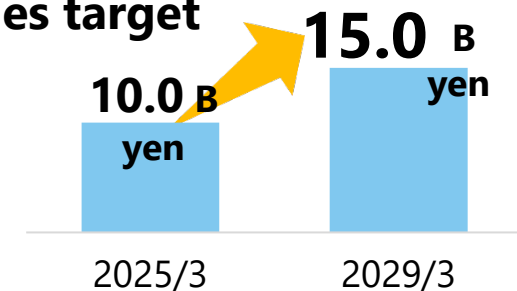
### Primary measures

#### <1> Activities for dissemination of automatic driving

Promoting the dissemination of automatic driving and solving issues faced by local governments and business operators through its implementation in society.

#### <2> Building an environment for easier mobility through MaaS-related services.

### Sales target



### Strategic product "Kuru Link (automatic driving system)," "I2X (road-vehicle coordinated driving)"

#### Kuru Link



#### I2X Coordination with the transport infrastructure through road-vehicle coordinated driving



## AFC business

### Our vision

Real (facilities/services) innovation to "Realize motivation for mobility"

### Primary measures

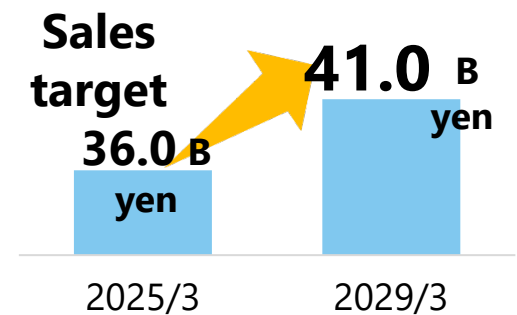
#### <1> Expansion of ABT\* solution which leads users/business operators services

High-value-added ticket gate that supports various authentication methods such as credit card, QR, and facial recognition

#### <2> Provision of a system for safe and unmanned (laborsaving) station

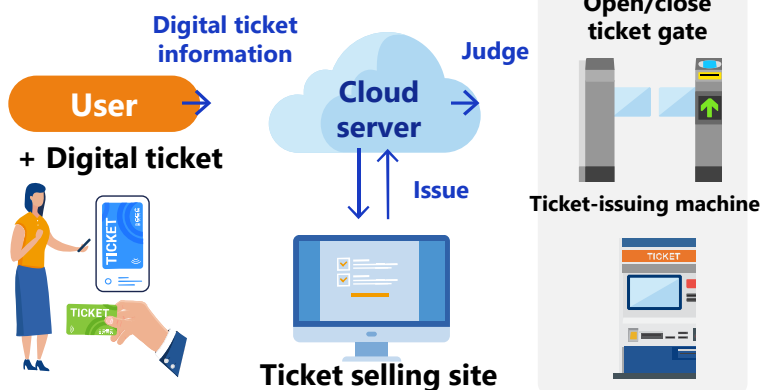
#### <3> Provision of a cloud-based parking space system

\*ABT: Account Based Ticketing, which is a ticket system using unique IDs

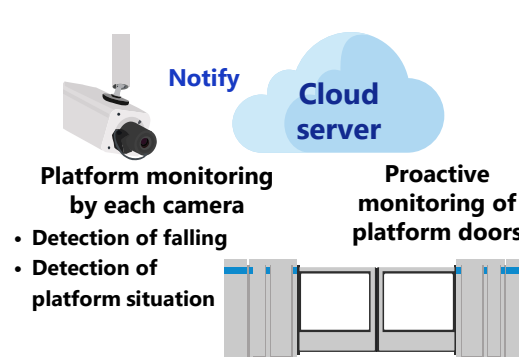


### Strategic products "cloud-based payment system," "station monitoring system" and "cloud-based parking space system"

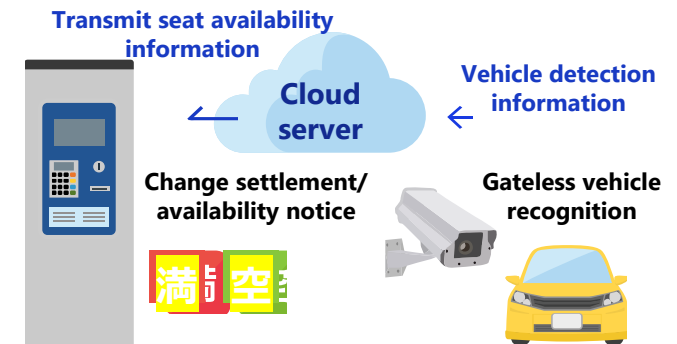
#### Cloud-based payment system



#### Station monitoring system



#### Cloud-based parking space system





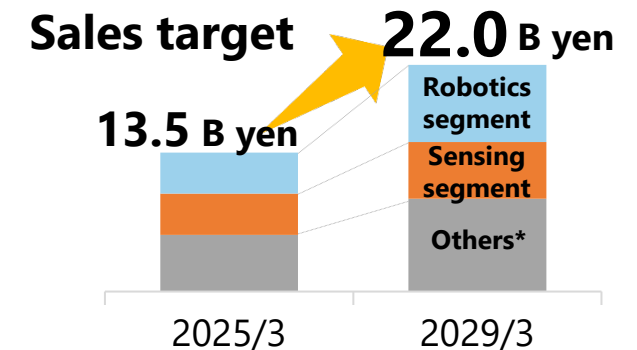
## R&S business

### Our vision

Create products having overwhelming competitiveness in robotics and sensing segments to win the position of market leader

### Primary measures

- <1> Strive to establish our robots as de facto standard for work at height
- <2> Expand service robot market by launching promotion activities
- <3> Win the position of market leader with cutting-edge technology in sensing segment



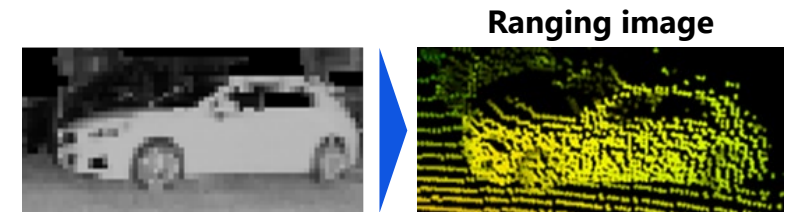
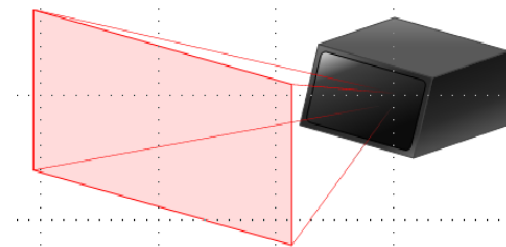
\* Others include sales operations outside the Group including medical equipment and solar power generation business.

### Strategic products "heavy machinery robot," "next generation 3DLiDAR," etc.

#### Heavy machinery robot



#### Next generation 3DLiDAR



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# Realize. 2

## Next Stage of International Business

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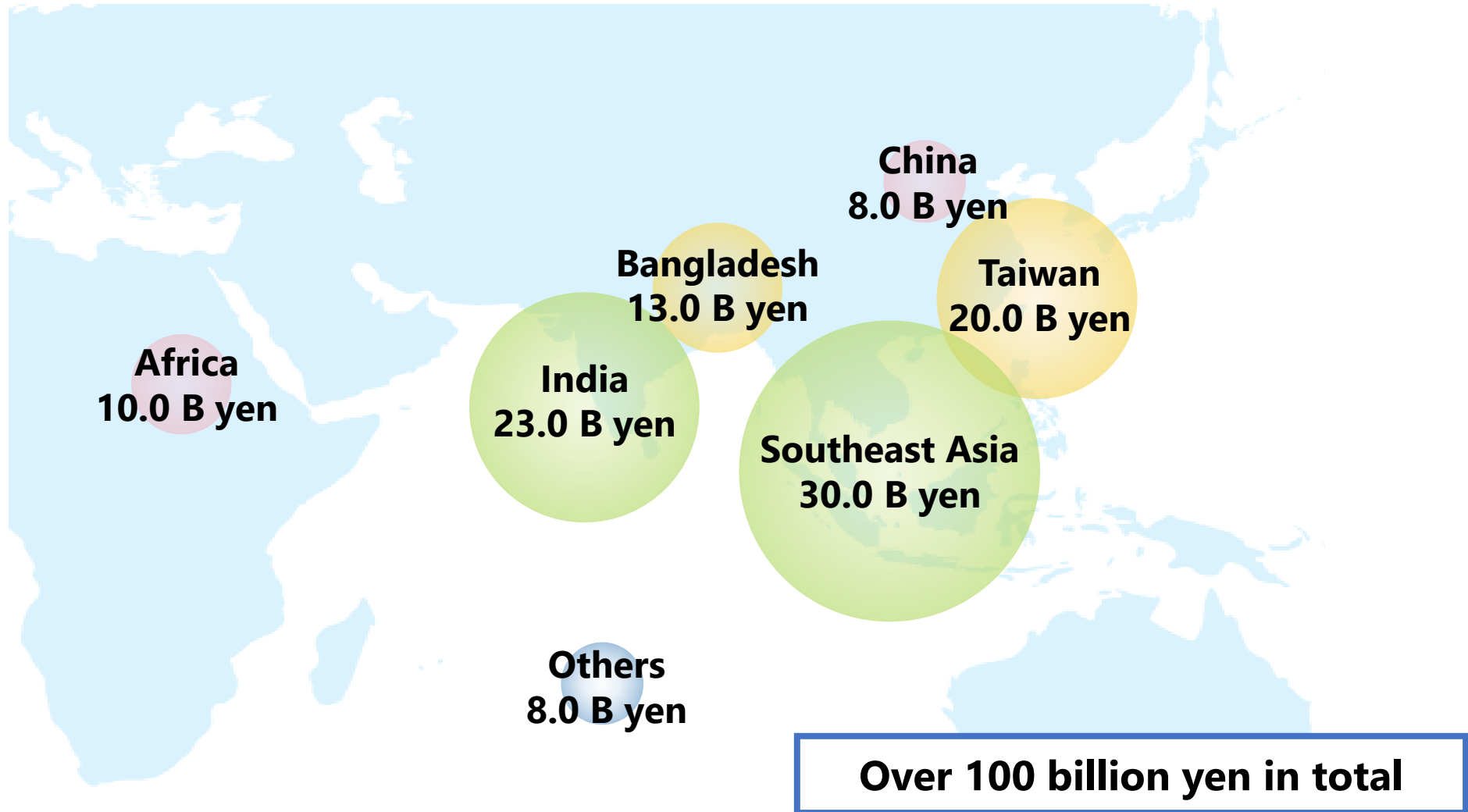
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## Goals by region for international business\*1



\*1 Image of sales of our international business by region during the period of 28 Medium-term Management Plan (FY2024 to FY2028)

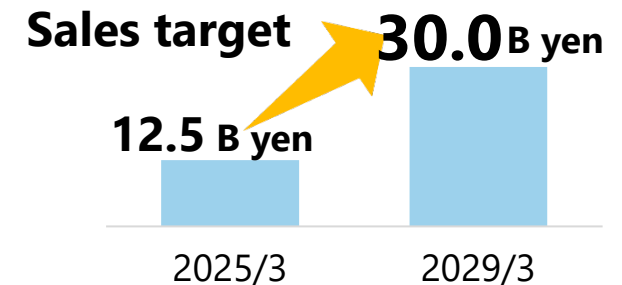
## International business

### Our vision

**Aiming to be a global company that contributes to de-carbonized society and evolution of infrastructure and continues to inspire people worldwide**

### Primary measures

- <1> Realize world-class competitiveness by using digital technologies
- <2> Provide smart maintenance services through O&M services
- <3> Increase earnings through business development rooted in priority countries and regions
- <4> Establish new sales offices in new markets to conduct activities to enter the rail and transportation markets



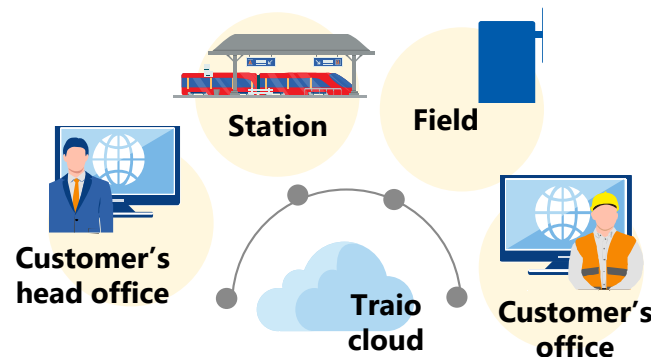
### Priority countries and regions

Focus our efforts on the following countries and regions where our company has offices:

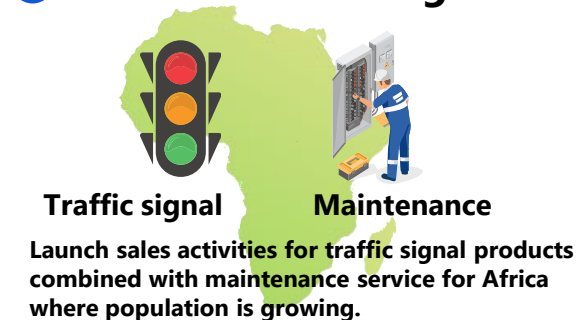
India, Bangladesh, Southeast Asia, Taiwan, China, Africa, etc.

### Strategic products "CBTC," "overseas O&M service," "overseas traffic signals," etc.

#### Overseas O&M service



#### Overseas traffic signals



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# Realize. 3

## Next Stage of Manufacturing

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## Manufacturing for traffic and transportation

## Manufacturing for ICT

Traffic infrastructure in the world supported with DX

Software-first manufacturing



Visualization and increasing efficiency  
using data

Development of human resources in  
design and manufacturing

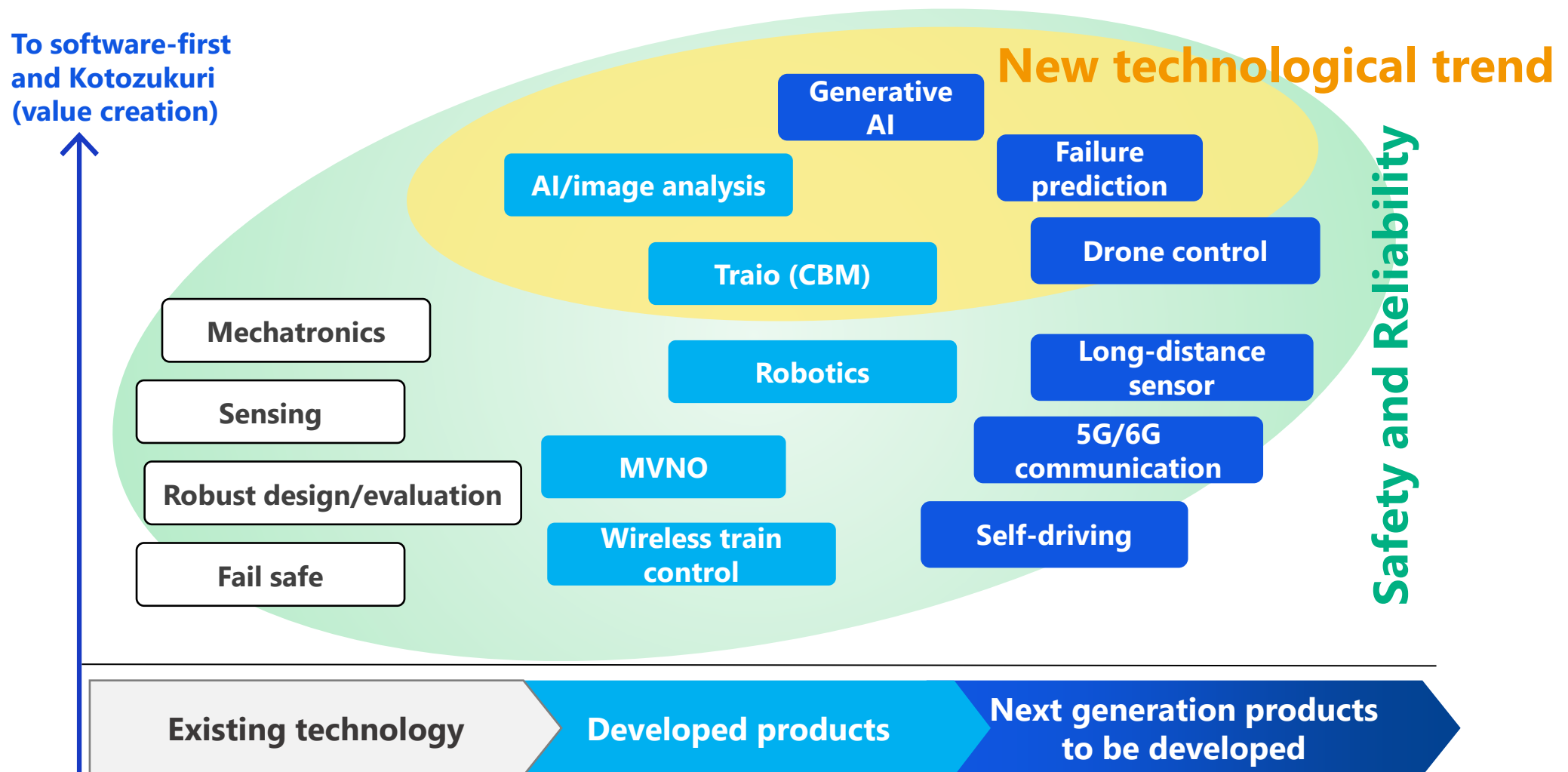
In-house production of core technology  
within the Group

Group-wide optimization of  
manufacturing

**Aim to ensure stable supply and quality and an increase of profitability  
at each plant**

## Core technology evolution

Capture core technology evolution and new technology trend based on "Safety and Reliability"



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**To Realize Sustainable  
Management**



# Management keeping investors and stock price in mind

## (1) PBR, ROIC

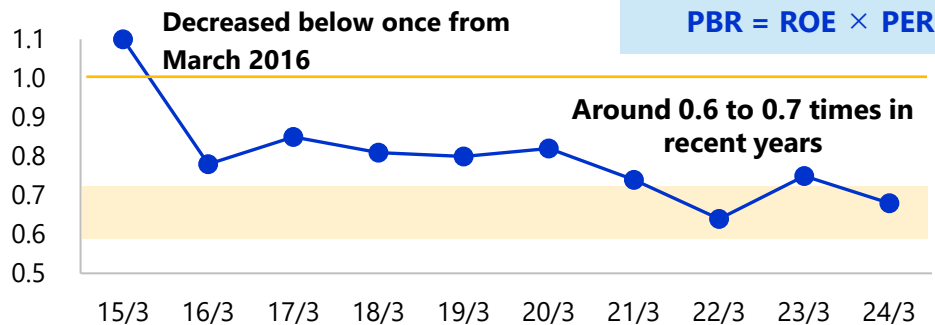
### PBR

ROE 10.0% or more is set as the target as an index to achieve 1.0 times or more PBR.  
 (Current state) PBR is around 0.6 to 0.7 times due to sluggish ROE.

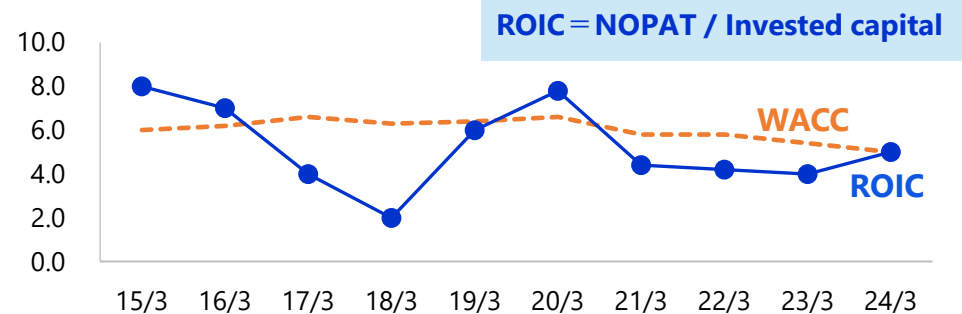
### ROIC

ROIC 9.0% or more is set as the target against assumed WACC 6.0%.  
 (Current state) ROIC is below WACC due to sluggish NOPAT for an increase of capital invested.

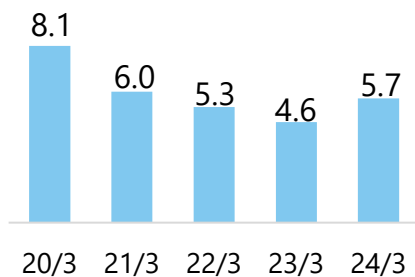
PBR change (Unit: times)



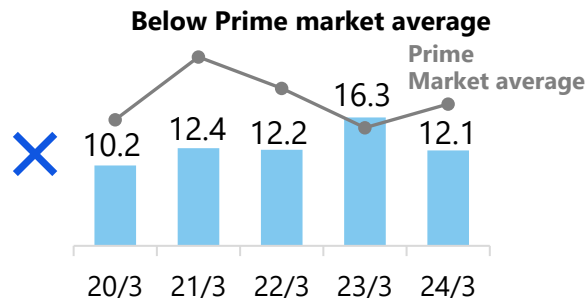
ROIC / WACC change (Unit: %)



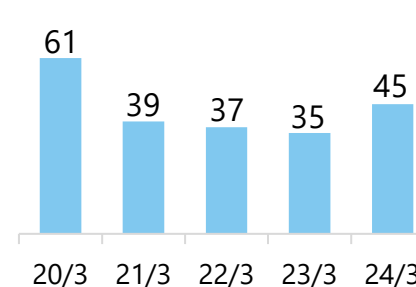
ROE change (Unit: %)



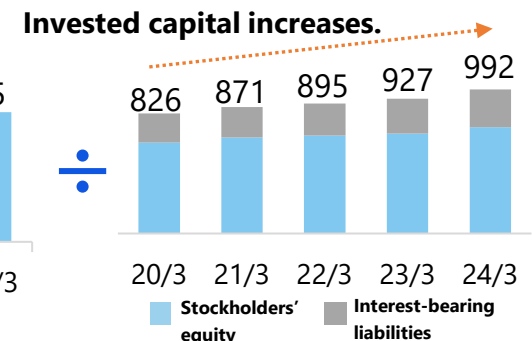
PER change (Unit: times)



NOPAT change (Unit: 100 B yen)



Invested capital change (Unit: 100 B yen)

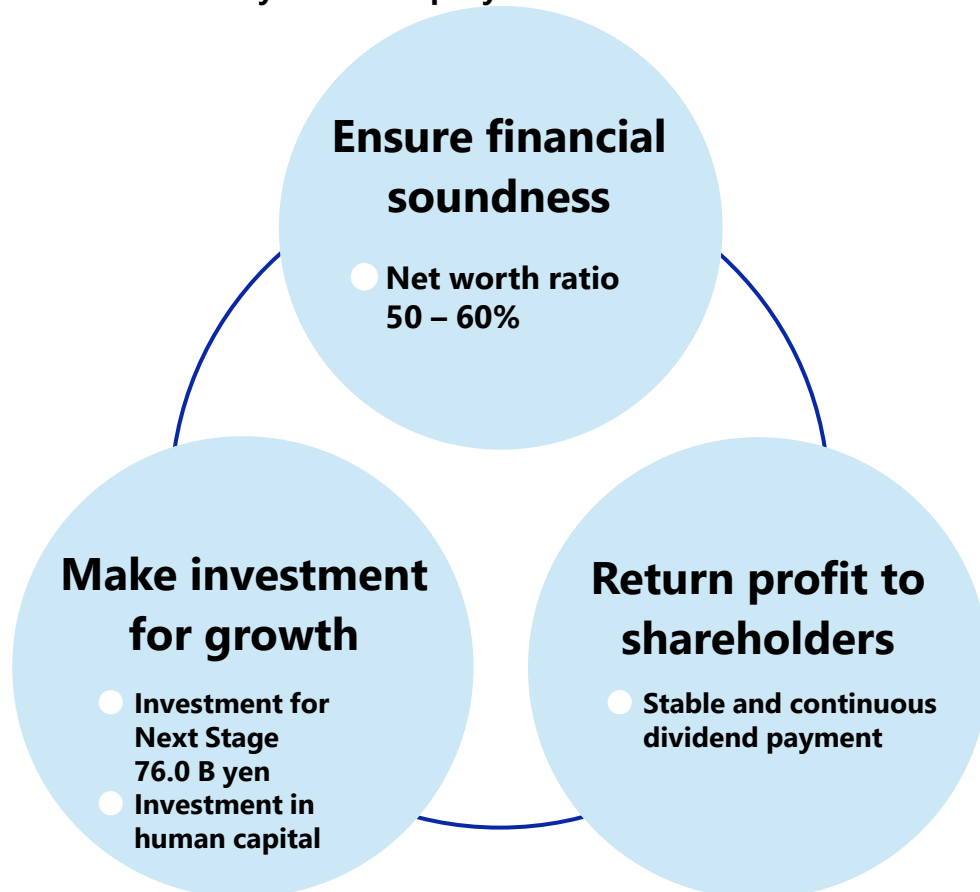


PBR: Price book-value ratio ROE: Return on equity PER: Price earning ratio  
 ROIC: Return on invested capital NOPAT: Net operating profit after tax  
 WACC: Weighted average cost of capital

## (2) Capital/financial strategy

### Basic policy

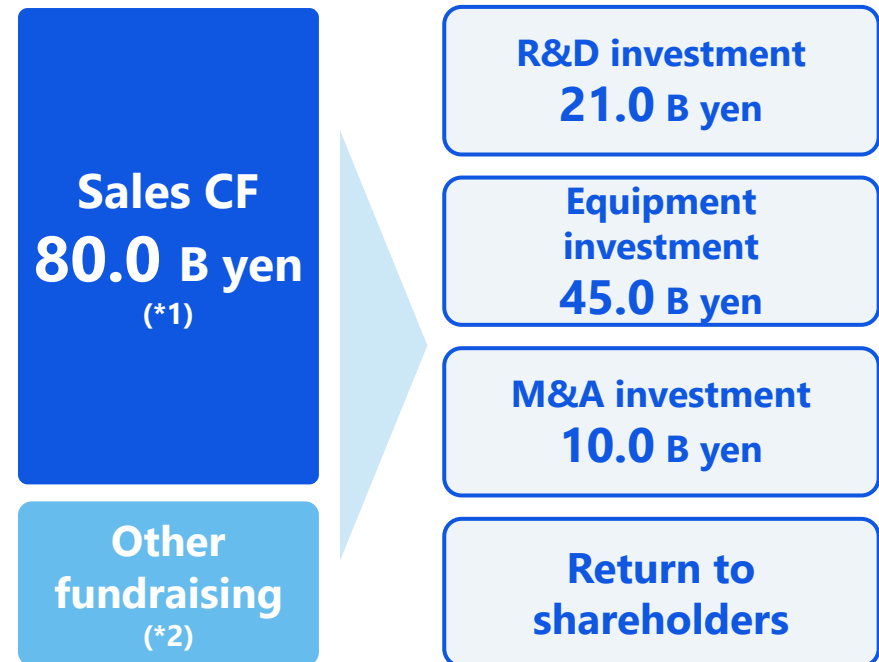
We perform well-balanced management between investment for growth and return of profit to shareholders while maintaining financial soundness to ensure sustainability of the company.



### Cash allocation plan

(accumulation during the Mid-term Management Plan period)

We actively make investment in growth areas on a capital of sales cashflow during the Mid-term Management Plan period.

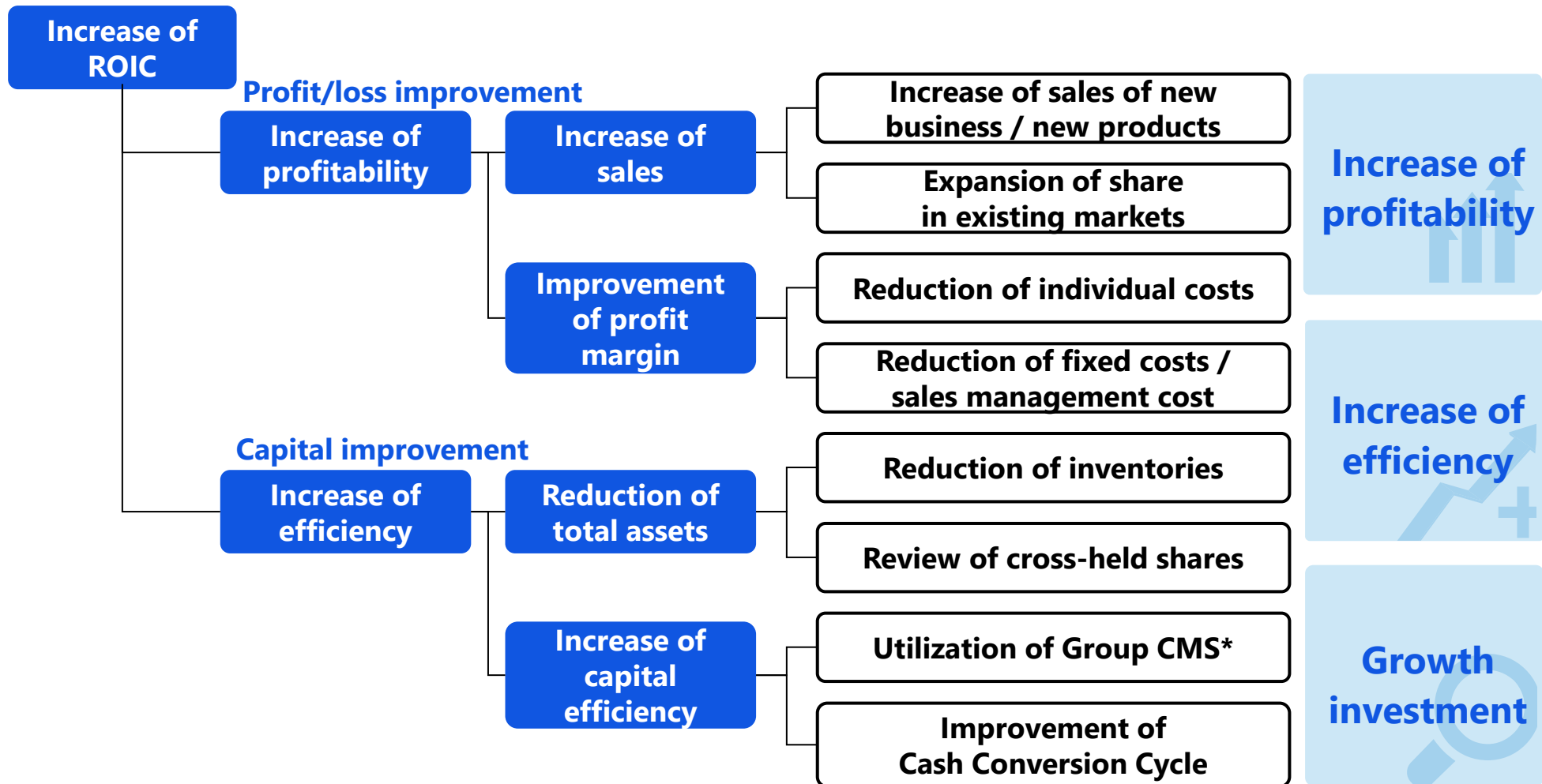


\*1: Before deduction of R&D cost

\*2: Borrowing and sale of cross-held shares

### (3) Activities to increase ROIC

Strive to increase ROIC through improvements in both aspects of profit/loss and capital.

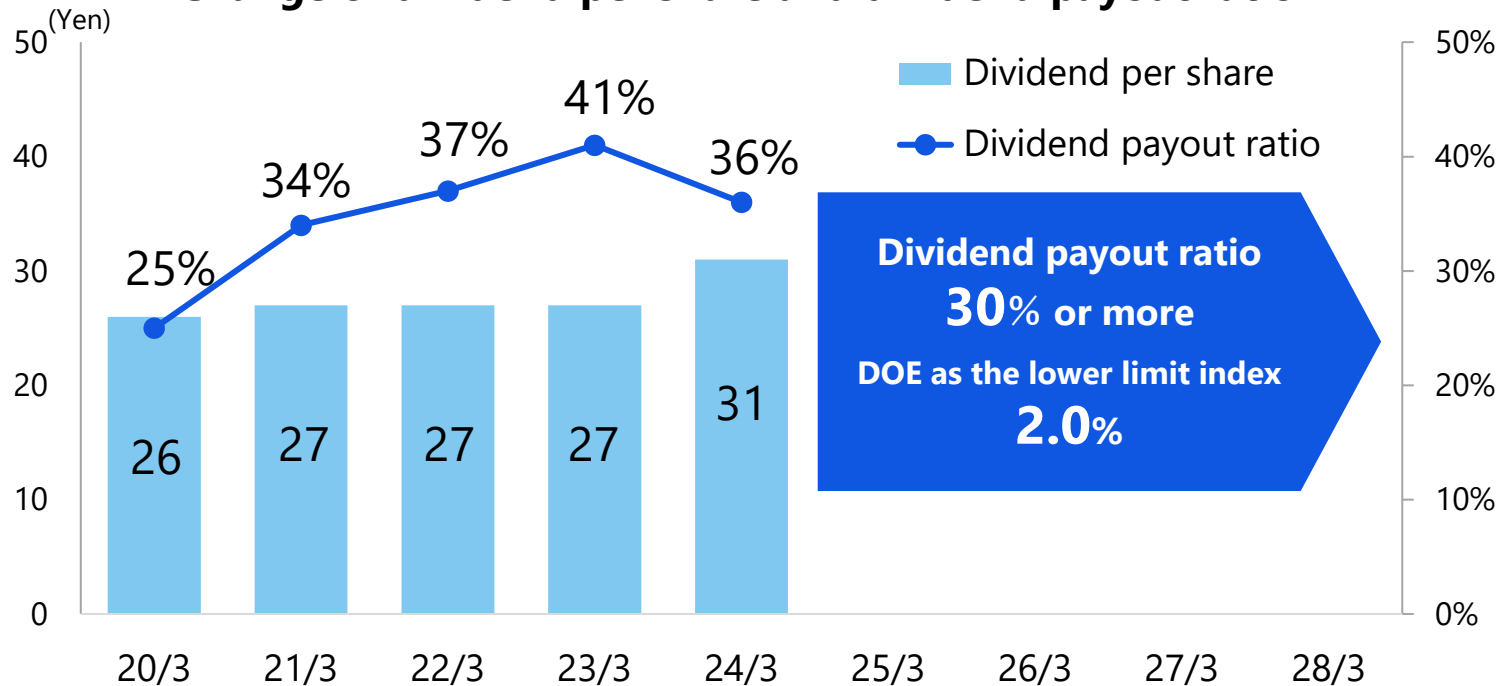


\* CMS: A system to centrally manage financing conditions in the Group aimed to increase the financial accommodations efficiency within the Group. (Cash Management System)

## (4) Dividend policy for surplus

In principle, the consolidated payout ratio of 30% or more and DOE of 2.0% as the lower limit index are our current targets.

### Change of dividend per share and dividend payout ratio



<b>DOE (%) *</b>	2.0	2.0	2.0	1.9	2.1
<b>Total amount of dividend</b>	16.3	16.8	16.8	16.8	19.3

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\* DOE (Consolidated Dividend on Equity)  
= Annual total of dividend / Consolidated average amount of net assets for the period

## Non-financial information (ESG initiatives)

E

**Environment-  
related targets**

Participate in TCFD and endeavor to achieve 50% reduction of greenhouse effect gas emission (compared to the level in 2013) by 2030 and substantially zero emission by 2050.

### Decarbonization efforts in Nippon Signal Group (image)

Reduction of  
emission from  
products

1) Products of lower power consumption,  
2) Increased maintainability of products,  
3) Provision of energy saving solutions, etc.

Clean electric power  
procurement, introduction of  
solar power generation, etc.

Emission control in  
business activities

Labor saving  
Streamlining



CBM



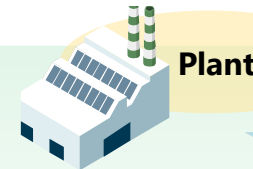
Self-driving



Robot



Carbon-free  
solution



Plant



Office

Toward  
zero carbon

S

### Continue and strengthen community-based efforts of contribution to society

HR system reform and  
promoting diverse  
working styles

Increasing digital literacy  
through reskilling

Systematic and continual  
training of model skills  
and engineers

Business development  
taking root in overseas  
regions and job creation

Increasing engagement of employees and improving the ratio of male employees who take childcare leave

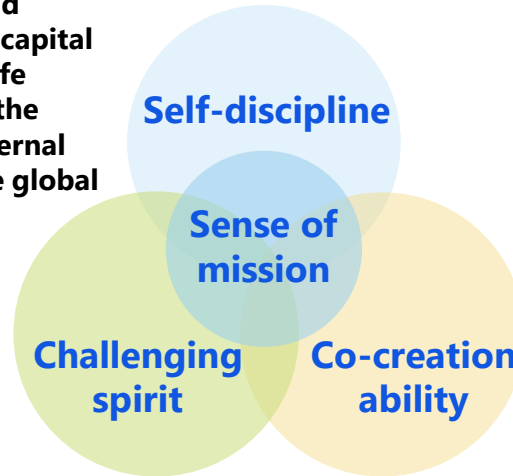
G

- Business management using ROIC, evaluation and review of business portfolio to achieve once or more PBR
- Communications with shareholders and investors, review of cross-held shares, establishment of BCP and risk management

## Human capital strategy

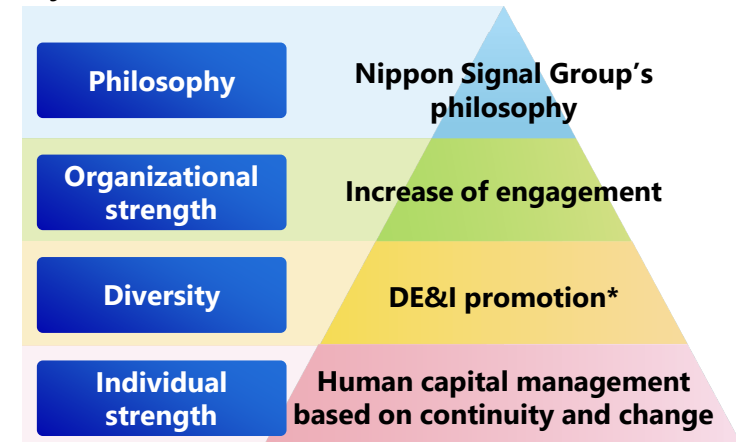
### 1 Human capital envisioned by Nippon Signal Group

Promote recruitment and development of human capital centering around fail-safe technology to adapt to the drastically changing external environment and realize global business development.



### 2 Basic concept of human capital strategy

Address issues to find solutions through coordination of efforts in each layer.



\* DE&I: Diversity, Equity and Inclusion

### 3 Primary measures of human capital strategy

#### Increase of engagement

- Ensuring quality and volume of employees
- Maintaining physical and mental health
- Activating organization through common objectives, better communications and increased motivation

#### DE&I promotion

- Offering diverse opportunities to show great performance
- Flexible work style
- Participation of women
- Participation of global talent

#### Human capital management based on continuity and change

- Inheritance of technologies including fail safe
- Inheritance of manufacturing technologies
- Recruitment and development of DX human resources



## Precautions

Earnings forecasts and the like are based on information currently available to us and certain assumptions that we believe reasonable. Actual results may differ due to various factors such as risks and uncertainties.