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February 7, 2024

Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 6744
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 Scheduled date to file quarterly securities report: February 13, 2024
 Scheduled date to commence dividend payments: -
 Preparation of supplementary materials on quarterly financial results: None
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(1) Consolidated operating results (year to date)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2023	78,877	11.3	3,475	65.3	3,832	55.9	2,650	20.6
Nine months ended December 31, 2022	70,846	(8.9)	2,102	(68.1)	2,458	(64.8)	2,198	(54.6)

(Note) Comprehensive income Nine months ended December 31, 2023: ¥3,463 million [27.8%]
 Nine months ended December 31, 2022: ¥2,710 million [(47.8)%]

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended December 31, 2023	43.92		-	
Nine months ended December 31, 2022	36.44		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity-to-asset ratio	
	Millions of yen		Millions of yen		%	
As of December 31, 2023	144,381		117,442		80.2	
As of March 31, 2023	151,602		116,635		75.8	

(Reference) Equity
 As of December 31, 2023: ¥115,802 million
 As of March 31, 2023: ¥114,942 million

2. Cash Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	-	20.00	-	20.00	40.00
Fiscal year ending March 31, 2024	-	23.00	-		
Fiscal year ending March 31, 2024 (forecast)				23.00	46.00

(Note) Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	113,800	7.8	10,000	12.6	10,300	9.3	7,230	3.0	119.83

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

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in the scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2023	60,832,771 shares
As of March 31, 2023	60,832,771 shares

- (ii) Number of treasury shares at the end of the period

As of December 31, 2023	493,715 shares
As of March 31, 2023	500,251 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2023	60,336,446 shares
Nine months ended December 31, 2022	60,318,957 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Explanation of the proper use of financial results forecast and other special matters

The results forecast and other forward-looking statements contained in this document are based on information currently available to the Company and certain assumptions deemed to be reasonable. Actual results may differ significantly due to various factors. Please refer to “Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information” on page 2 of the Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Attachments) for the assumptions for financial results forecast and notes on using the financial results forecast.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months ended December 31, 2023, the Japanese economy continued a moderate recovery trend such as showing signs of improvement in the employment and income situation as economic activities normalized with the transition of the status of COVID-19 to a Category V Infectious Disease under the Infectious Diseases Control Law. On the other hand, the outlook remains uncertain mainly due to concerns over the economic impact of rising prices, exchange rate fluctuations, and global monetary tightening.

In the fire protection industry, although supply constraints on parts have been resolved on the whole amid the recovery trend of private capital investment, it is necessary to keep paying close attention mainly to the effects of rising raw material prices.

Under these circumstances, the Group has formulated the vision for fiscal 2028 and the measures to realize it as “Medium- to Long-Term Vision 2028: Shaping the Customers’ Expectations.” Starting in fiscal 2022, it has been undertaking a variety of initiatives to transform itself into a company that can create higher added value.

As a result of working on active business activities as the second year of this medium- to long-term vision, orders received in the nine months ended December 31, 2023, totaled ¥97,589 million (up 8.8% year-on-year) and net sales were ¥78,877 million (up 11.3% year-on-year).

In terms of profits, mainly due to an increase in net sales amid a solid order-receiving environment and planned efforts for a price revision, operating income was ¥3,475 million (up 65.3% year-on-year), ordinary income came to ¥3,832 million (up 55.9% year-on-year), and net income attributable to owners of parent was ¥2,650 million (up 20.6% year-on-year).

By business segment, net sales and operating income in the Fire Alarm Systems segment were ¥28,610 million (up 8.1% year-on-year) and ¥3,601 million (up 36.9% year-on-year), respectively. Net sales and operating income in the Fire Extinguishing Systems segment were ¥26,203 million (up 15.4% year-on-year) and ¥2,330 million (down 1.5% year-on-year), respectively. Net sales and operating income in the Maintenance Services segment were ¥20,370 million (up 12.1% year-on-year) and ¥3,496 million (up 25.4% year-on-year), respectively. Net sales and operating income in the Other segment were ¥3,692 million (up 5.3% year-on-year) and ¥151 million (up 3.4% year-on-year), respectively.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the fiscal year under review were ¥144,381 million, down ¥7,220 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥7,976 million in notes and accounts receivable–trade, and contract assets and a decrease of ¥3,513 million in cash and deposits, despite an increase of ¥1,415 million in raw materials and supplies and an increase of ¥1,367 million in investment securities.

Liabilities fell ¥8,027 million from the end of the previous fiscal year to ¥26,939 million. This was mainly due to a decrease of ¥5,231 million in electronically recorded obligations–operating, a decrease of ¥1,725 million in provision for bonuses, and a decrease of ¥1,119 million in income taxes payable.

Net assets were up ¥806 million from the end of the previous fiscal year to ¥117,442 million, mainly due to an increase of valuation difference on available-for-sale securities.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information

Regarding the full-year financial results forecast for the fiscal year ending March 2024, there are no changes to the forecast announced on May 10, 2023.

At the Group, our sales tend to be concentrated in the latter half of the fiscal year, particularly in the fourth quarter, because the construction industry has a significant impact on our sales.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

	(Millions of yen)	
	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	48,805	45,291
Notes and accounts receivable–trade, and contract assets	46,395	38,418
Merchandise and finished goods	4,528	5,638
Work in process	1,309	1,833
Raw materials and supplies	6,641	8,056
Other	1,415	1,190
Allowance for doubtful accounts	(440)	(568)
Total current assets	108,655	99,861
Non-current assets		
Property, plant and equipment	23,709	23,874
Intangible assets	3,082	3,380
Investments and other assets		
Investment securities	7,550	8,917
Other	8,667	8,410
Allowance for doubtful accounts	(63)	(63)
Total investments and other assets	16,154	17,264
Total non-current assets	42,946	44,520
Total assets	151,602	144,381
Liabilities		
Current liabilities		
Notes and accounts payable–trade	4,305	3,729
Electronically recorded obligations–operating	5,231	-
Income taxes payable	1,273	153
Provision for bonuses	3,507	1,782
Provision for product warranties	39	137
Provision for warranties for completed construction	85	58
Provision for loss on construction contracts	1,446	1,452
Other	9,784	10,001
Total current liabilities	25,672	17,317
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	147	158
Provision for product warranties	114	111
Reserve for loss on construction performance guarantee	182	182
Retirement benefit liability	7,683	7,695
Asset retirement obligations	118	119
Other	1,047	1,355
Total non-current liabilities	9,293	9,621
Total liabilities	34,966	26,939

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Net assets		
Shareholders' equity		
Share capital	13,302	13,302
Capital surplus	12,937	12,942
Retained earnings	87,820	87,872
Treasury shares	(263)	(259)
Total shareholders' equity	113,797	113,857
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	917	1,423
Foreign currency translation adjustment	823	1,042
Remeasurements of defined benefit plans	(595)	(520)
Total accumulated other comprehensive income	1,145	1,945
Non-controlling interests	1,693	1,639
Total net assets	116,635	117,442
Total liabilities and net assets	151,602	144,381

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

Quarterly Consolidated Statements of Income

Consolidated nine-month period

(Millions of yen)

	Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)
Net sales	70,846	78,877
Cost of sales	49,670	55,260
Gross profit	21,175	23,617
Selling, general and administrative expenses	19,072	20,141
Operating income	2,102	3,475
Non-operating income		
Interest income	13	7
Dividend income	81	89
Share of profit of entities accounted for using equity method	174	198
Foreign exchange gains	-	13
Insurance return	31	9
Other	102	101
Total non-operating income	402	421
Non-operating expenses		
Interest expenses	8	13
Foreign exchange losses	9	-
Rental expenses	17	17
Other	12	33
Total non-operating expenses	47	64
Ordinary income	2,458	3,832
Extraordinary income		
Gain on sale of non-current assets	774	-
Gain on sale of investment securities	38	-
Total extraordinary income	813	-
Extraordinary losses		
Loss on disposal of non-current assets	8	9
Loss from COVID-19 pandemic	101	-
Loss on valuation of investment securities	5	-
Total extraordinary losses	114	9
Income before income taxes	3,157	3,822
Income taxes	1,005	1,265
Net income	2,151	2,557
Net loss attributable to non-controlling interests	(46)	(92)
Net income attributable to owners of parent	2,198	2,650

Quarterly Consolidated Statements of Comprehensive Income

Consolidated nine-month period

(Millions of yen)

	Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)
Net income	2,151	2,557
Other comprehensive income		
Valuation difference on available-for-sale securities	(72)	500
Foreign currency translation adjustment	514	324
Remeasurements of defined benefit plans, net of tax	115	74
Share of other comprehensive income of entities accounted for using equity method	1	5
Total other comprehensive income	558	905
Comprehensive income	2,710	3,463
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,580	3,450
Comprehensive income attributable to non-controlling interests	129	12

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Application of accounting treatment specific to the preparation of quarterly consolidated financial statements)

How to calculate tax expenses

Tax expenses are calculated by rationally estimating the effective tax rate after the application of tax effect accounting to income before income taxes for the consolidated fiscal year including the third quarter of the fiscal year under review and multiplying income before income taxes by the estimated effective tax rate.

(Segment Information)

I Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

Information on the amount of net sales and income or loss by reportable segment and information on the breakdown of profit

(Millions of yen)

	Reportable segment				Other (Note) 1	Total	Adjust- ment (Note) 2	Amount reported on the quarterly consoli- dated statements of income (Note) 3
	Fire Alarm Systems	Fire Extin- guishing Systems	Mainte- nance Services	Subtotal				
Net sales								
Goods or services transferred at a point in time	11,357	1,859	10,879	24,096	1,162	25,259	-	25,259
Goods or services transferred over a certain period of time	15,112	20,837	7,294	43,244	2,342	45,586	-	45,586
Revenue from contracts with customers	26,469	22,696	18,174	67,340	3,505	70,846	-	70,846
Net sales to external customers	26,469	22,696	18,174	67,340	3,505	70,846	-	70,846
Intersegment sales or transfers	56	49	0	105	149	254	(254)	-
Subtotal	26,525	22,746	18,174	67,446	3,654	71,100	(254)	70,846
Segment income	2,630	2,367	2,788	7,785	146	7,932	(5,829)	2,102

(Notes) 1 The “Other” segment is a business segment not included in the reportable segment and includes parking lot and lane control systems.

2 The adjustment for segment income of ¥(5,829) million is for corporate expenses. Corporate expenses mainly consist of general and administrative expenses and research and development expenses, which are not attributable to reportable segments.

3 Segment income is reconciled to operating income in the quarterly consolidated statements of income.

II Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

Information on the amount of net sales and income or loss by reportable segment and information on the breakdown of profit

(Millions of yen)

	Reportable segment				Other (Note) 1	Total	Adjust- ment (Note) 2	Amount reported on the quarterly consoli- dated statements of income (Note) 3
	Fire Alarm Systems	Fire Extin- guishing Systems	Mainte- nance Services	Subtotal				
Net sales								
Goods or services transferred at a point in time	12,993	1,940	11,022	25,956	1,053	27,010	-	27,010
Goods or services transferred over a certain period of time	15,616	24,262	9,348	49,228	2,638	51,866	-	51,866
Revenue from contracts with customers	28,610	26,203	20,370	75,184	3,692	78,877	-	78,877
Net sales to external customers	28,610	26,203	20,370	75,184	3,692	78,877	-	78,877
Intersegment sales or transfers	177	19	0	197	151	348	(348)	-
Subtotal	28,788	26,222	20,371	75,381	3,844	79,226	(348)	78,877
Segment income	3,601	2,330	3,496	9,428	151	9,579	(6,104)	3,475

(Notes) 1 The "Other" segment is a business segment not included in the reportable segment and includes parking lot and lane control systems.

2 The adjustment for segment income of ¥(6,104) million is for corporate expenses. Corporate expenses mainly consist of general and administrative expenses and research and development expenses, which are not attributable to reportable segments.

3 Segment income is reconciled to operating income in the quarterly consolidated statements of income.