Translation

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Summary of Consolidated Financial Results for the Six Months Ended December 31, 2015 (Based on Japanese GAAP)

February 9, 2016

Company name: Nagaoka International Corporation
Stock exchange listing: Tokyo
Stock code: 6239 URL http://www.nagaokajapan.co.jp/
Representative: President & CEO Hitoshi Mimura
Inquiries: Managing Director, Administrative Headquarters Kazuo Ohmura TEL 0725(21)5750
Scheduled date to file Quarterly Securities Report: February 10, 2016
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended December 31, 2015 (from July 1, 2015 to December 31, 2015)

(1) Consolidated operating results (cumulative) Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended December 31, 2015	1,064	–	(374)	–	(454)	–	(288)	–
Six months ended December 31, 2014	–	–	–	–	–	–	–	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended December 31, 2015	(139.25)	–
Six months ended December 31, 2014	–	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2015	7,355	2,995	32.3
As of June 30, 2015	8,735	3,405	30.8

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended June 30, 2015	–	0.00	–	0.00	0.00
Year ending June 30, 2016	–	0.00			
Year ending June 30, 2016 (Forecast)			–	0.00	0.00

3. Forecast of consolidated financial results for the year ending June 30, 2016 (from July 1, 2015 to June 30, 2016)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	6,187	5.6	382	48.3	353	(14.4)	228	5.4	110.11

4. Notes

(1) Changes in significant subsidiaries during the six months ended December 31, 2015 (changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations:	Yes
Changes in accounting policies due to other reasons:	No
Changes in accounting estimates:	No
Restatement of prior period financial statements:	No

(4) Number of issued shares (common shares)

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

As of December 31, 2015	2,101,000 shares	As of June 30, 2015	2,051,000 shares

Number of treasury shares at the end of the period

As of December 31, 2015	25,000 shares	As of June 30, 2015	25,000 shares

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

Six months ended December 31, 2015	2,068,391 shares	Six months ended December 31, 2014	– shares

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of June 30, 2015	As of December 31, 2015
Assets		
Current assets		
Cash and deposits	1,806,696	1,421,728
Notes and accounts receivable - trade	3,129,049	1,976,564
Merchandise and finished goods	44,122	7,810
Work in process	190,869	381,198
Raw materials and supplies	616,223	635,125
Deferred tax assets	71,545	183,775
Other	221,457	186,487
Total current assets	6,079,963	4,792,690
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,341,443	1,300,949
Machinery, equipment and vehicles, net	429,655	441,527
Leased assets, net	258,040	226,324
Construction in progress	13,927	15,123
Other, net	86,741	83,899
Total property, plant and equipment	2,129,807	2,067,823
Intangible assets	362,871	334,870
Investments and other assets		
Deferred tax assets	48,682	48,176
Other	114,175	112,318
Total investments and other assets	162,858	160,494
Total non-current assets	2,655,537	2,563,188
Total assets	8,735,501	7,355,879

(Thousands of yen)

	As of June 30, 2015	As of December 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	896,498	506,403
Short-term loans payable	1,310,062	1,336,569
Current portion of long-term loans payable	516,127	605,554
Current portion of bonds	185,000	110,000
Income taxes payable	174,029	12,000
Deferred tax liabilities	36,676	11,466
Provision for directors' bonuses	70,750	8,200
Provision for loss on construction contracts	3,263	–
Other	524,410	211,307
Total current liabilities	3,716,818	2,801,500
Non-current liabilities		
Bonds payable	422,500	180,000
Long-term loans payable	756,249	998,743
Net defined benefit liability	73,895	74,562
Asset retirement obligations	70,148	72,972
Other	290,665	232,559
Total non-current liabilities	1,613,458	1,558,837
Total liabilities	5,330,277	4,360,338
Net assets		
Shareholders' equity		
Capital stock	750,550	787,350
Capital surplus	773,247	810,047
Retained earnings	861,506	573,492
Treasury shares	(21,000)	(21,000)
Total shareholders' equity	2,364,303	2,149,890
Accumulated other comprehensive income		
Deferred gains or losses on hedges	197	(391)
Foreign currency translation adjustment	327,722	222,888
Total accumulated other comprehensive income	327,920	222,497
Non-controlling interests	712,999	623,153
Total net assets	3,405,224	2,995,540
Total liabilities and net assets	8,735,501	7,355,879

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended December 31, 2015
Net sales	1,064,871
Cost of sales	768,318
Gross profit	296,552
Selling, general and administrative expenses	670,609
Operating loss	(374,056)
Non-operating income	
Interest income	637
Gain on sales of scraps	7,107
Subsidy income	7,495
Other	6,551
Total non-operating income	21,791
Non-operating expenses	
Interest expenses	22,059
Foreign exchange losses	51,418
Commission fee	28,014
Other	915
Total non-operating expenses	102,407
Ordinary loss	(454,672)
Extraordinary losses	
Loss on retirement of non-current assets	315
Total extraordinary losses	315
Loss before income taxes and minority interests	(454,988)
Income taxes	(124,777)
Loss	(330,210)
Loss attributable to non-controlling interests	(42,197)
Loss attributable to owners of parent	(288,013)

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended December 31, 2015
Loss	(330,210)
Other comprehensive income	
Deferred gains or losses on hedges	(589)
Foreign currency translation adjustment	(152,483)
Total other comprehensive income	(153,072)
Comprehensive income	(483,283)
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	(393,436)
Comprehensive income attributable to non-controlling interests	(89,846)

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended December 31, 2015
Cash flows from operating activities	
Loss before income taxes and minority interests	(454,988)
Depreciation	101,754
Increase (decrease) in provision for directors' bonuses	(62,550)
Increase (decrease) in provision for loss on construction contracts	(3,263)
Increase (decrease) in net defined benefit liability	667
Interest and dividend income	(637)
Interest expenses	22,059
Commission fee	28,014
Loss on retirement of non-current assets	315
Foreign exchange losses (gains)	38,493
Decrease (increase) in notes and accounts receivable - trade	1,134,982
Decrease (increase) in inventories	(212,798)
Decrease (increase) in consumption taxes refund receivable	99,307
Decrease (increase) in accounts receivable - other	825
Increase (decrease) in notes and accounts payable - trade	(374,930)
Increase (decrease) in accrued expenses	(78,770)
Increase (decrease) in accounts payable - other	(155,240)
Increase (decrease) in advances received	2,801
Other, net	(114,903)
Subtotal	(28,862)
Interest and dividend income received	637
Interest expenses paid	(22,332)
Income taxes paid	(164,000)
Net cash provided by (used in) operating activities	(214,557)
Cash flows from investing activities	
Proceeds from withdrawal of time deposits	7,000
Purchase of property, plant and equipment	(154,825)
Purchase of intangible assets	(3,520)
Payments for guarantee deposits	(1,922)
Proceeds from collection of guarantee deposits	210
Proceeds from cancellation of insurance funds	970
Other, net	(378)
Net cash provided by (used in) investing activities	(152,465)
Cash flows from financing activities	
Net increase (decrease) in short-term loans payable	27,292
Proceeds from long-term loans payable	600,000
Repayments of long-term loans payable	(267,502)
Redemption of bonds	(317,500)
Repayments of lease obligations	(29,344)
Proceeds from issuance of common shares	73,600
commitment fees paid	(28,014)
Net cash provided by (used in) financing activities	58,531
Effect of exchange rate change on cash and cash equivalents	(69,477)
Net increase (decrease) in cash and cash equivalents	(377,968)
Cash and cash equivalents at beginning of period	1,794,471
Cash and cash equivalents at end of period	1,416,502