Translation

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Summary of Consolidated Financial Results for the Year Ended June 30, 2016 (Based on Japanese GAAP)

August 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: Corporate Officer, Administrative Headquarters Toshiya Tatemoto TEL 0725(21)5750
Scheduled date of ordinary general meeting of shareholders: September 28, 2016
Scheduled date to file Securities Report: September 28, 2016
Scheduled date to commence dividend payments: –
Preparation of supplementary material on financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended June 30, 2016 (from July 1, 2015 to June 30, 2016)

(1) Consolidated operating results

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	%
Year ended June 30, 2016	3,123	(46.7)	(597)	–	(871)	–	(814)	–
Year ended June 30, 2015	5,858	(7.9)	257	9.8	412	69.1	216	41.5

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended June 30, 2016	(393.04)	–	(37.0)	(11.3)	(19.1)
Year ended June 30, 2015	134.48	118.25	10.1	5.4	4.4

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2016	6,643	2,160	25.7	822.43
As of June 30, 2015	8,735	3,405	30.8	1,328.84

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended June 30, 2016	(656)	(191)	149	959
Year ended June 30, 2015	(294)	(166)	795	1,794

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended June 30, 2015	–	0.00	–	0.00	0.00	–	–	–
Year ended June 30, 2016	–	0.00	–	0.00	0.00	–	–	–
Year ending June 30, 2017 (Forecast)	–	0.00	–	0.00	0.00		–	

3. Forecast of consolidated financial results for the year ending June 30, 2017 (from July 1, 2016 to June 30, 2017)

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
Six months ending December 31, 2016	1,580	48.4	(169)	–	(183)	–	(126)	–	(60.92)
Full year	5,037	61.3	187	–	161	–	113	–	54.53

4. Notes

(1) Changes in significant subsidiaries during the year ended June 30, 2016 (changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) 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

(3) Number of issued shares (common shares)

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

As of June 30, 2016	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 June 30, 2016	25,000 shares	As of June 30, 2015	25,000 shares

Average number of shares during the period

Year ended June 30, 2016	2,072,175 shares	Year ended June 30, 2015	1,609,123 shares

Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of June 30, 2015	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	1,806,696	964,691
Notes and accounts receivable - trade	3,129,049	2,323,558
Merchandise and finished goods	44,122	4,891
Work in process	190,869	427,011
Raw materials and supplies	616,223	645,208
Deferred tax assets	71,545	60,418
Other	221,457	66,336
Allowance for doubtful accounts	–	(40,084)
Total current assets	6,079,963	4,452,031
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,704,167	1,566,149
Accumulated depreciation	(362,723)	(409,268)
Buildings and structures, net	1,341,443	1,156,880
Machinery, equipment and vehicles	697,946	687,471
Accumulated depreciation	(268,291)	(309,997)
Machinery, equipment and vehicles, net	429,655	377,473
Tools, furniture and fixtures	220,314	233,886
Accumulated depreciation	(133,572)	(158,623)
Tools, furniture and fixtures, net	86,741	75,262
Leased assets	311,600	246,817
Accumulated depreciation	(53,560)	(66,964)
Leased assets, net	258,040	179,852
Construction in progress	13,927	29
Total property, plant and equipment	2,129,807	1,789,499
Intangible assets		
Other	362,871	279,480
Total intangible assets	362,871	279,480
Investments and other assets		
Deferred tax assets	48,682	9,004
Other	114,175	113,042
Total investments and other assets	162,858	122,047
Total non-current assets	2,655,537	2,191,027
Total assets	8,735,501	6,643,059

(Thousands of yen)

	As of June 30, 2015	As of June 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	896,498	605,064
Short-term loans payable	1,310,062	1,824,220
Current portion of long-term loans payable	516,127	542,667
Current portion of bonds	185,000	95,000
Lease obligations	59,874	74,177
Accounts payable - other	229,049	53,922
Accrued expenses	138,830	34,634
Income taxes payable	174,029	4,622
Deferred tax liabilities	36,676	13,045
Advances received	51,207	1,160
Provision for bonuses	–	3,661
Provision for directors' bonuses	70,750	–
Provision for loss on construction contracts	3,263	15,342
Other	45,448	15,411
Total current liabilities	3,716,818	3,282,931
Non-current liabilities		
Bonds payable	422,500	140,000
Long-term loans payable	756,249	740,856
Lease obligations	140,542	45,315
Net defined benefit liability	73,895	80,526
Asset retirement obligations	70,148	73,666
Long-term unearned revenue	137,401	110,860
Other	12,721	8,471
Total non-current liabilities	1,613,458	1,199,696
Total liabilities	5,330,277	4,482,628
Net assets		
Shareholders' equity		
Capital stock	750,550	787,350
Capital surplus	773,247	810,047
Retained earnings	861,506	47,062
Treasury shares	(21,000)	(21,000)
Total shareholders' equity	2,364,303	1,623,460
Accumulated other comprehensive income		
Deferred gains or losses on hedges	197	(2,223)
Foreign currency translation adjustment	327,722	86,133
Total accumulated other comprehensive income	327,920	83,910
Non-controlling interests	712,999	453,060
Total net assets	3,405,224	2,160,430
Total liabilities and net assets	8,735,501	6,643,059

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Thousands of yen)

	Fiscal year ended June 30, 2015	Fiscal year ended June 30, 2016
Net sales	5,858,371	3,123,744
Cost of sales	4,086,943	2,441,028
Gross profit	1,771,427	682,716
Selling, general and administrative expenses	1,513,444	1,280,681
Operating income (loss)	257,983	(597,965)
Non-operating income		
Interest income	2,284	1,454
Foreign exchange gains	228,943	–
Gain on sales of scraps	19,645	12,857
Subsidy income	11,217	15,033
Other	17,650	8,224
Total non-operating income	279,740	37,569
Non-operating expenses		
Interest expenses	47,941	38,644
Foreign exchange losses	–	237,537
Commission fee	6,628	28,907
Listed expenses	61,134	–
Other	9,867	5,707
Total non-operating expenses	125,572	310,797
Ordinary income (loss)	412,151	(871,194)
Extraordinary losses		
Loss on retirement of non-current assets	10,574	532
Loss on sales of non-current assets	710	–
Loss on liquidation of business	–	20,680
Total extraordinary losses	11,284	21,213
Profit (loss) before income taxes	400,867	(892,407)
Income taxes - current	185,105	15,723
Income taxes - deferred	1,345	28,449
Total income taxes	186,451	44,173
Profit (loss)	214,416	(936,581)
Loss attributable to non-controlling interests	(1,974)	(122,138)
Profit (loss) attributable to owners of parent	216,390	(814,443)

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended June 30, 2015	Fiscal year ended June 30, 2016
Profit (loss)	214,416	(936,581)
Other comprehensive income		
Deferred gains or losses on hedges	396	(2,421)
Foreign currency translation adjustment	275,929	(379,390)
Total other comprehensive income	276,326	(381,811)
Comprehensive income	490,742	(1,318,393)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	372,815	(1,058,453)
Comprehensive income attributable to non-controlling interests	117,926	(259,939)

Consolidated statements of changes in equity

Fiscal year ended June 30, 2015

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	380,250	402,947	645,115	(21,000)	1,407,313
Changes of items during period					
Issuance of new shares	220,800	220,800			441,600
Conversion of convertible bonds	149,500	149,500			299,000
Profit (loss) attributable to owners of parent			216,390		216,390
Net changes of items other than shareholders' equity					
Total changes of items during period	370,300	370,300	216,390	–	956,990
Balance at end of current period	750,550	773,247	861,506	(21,000)	2,364,303

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	(198)	171,792	171,593	595,073	2,173,979
Changes of items during period					
Issuance of new shares					441,600
Conversion of convertible bonds					299,000
Profit (loss) attributable to owners of parent					216,390
Net changes of items other than shareholders' equity	396	155,930	156,326	117,926	274,253
Total changes of items during period	396	155,930	156,326	117,926	1,231,244
Balance at end of current period	197	327,722	327,920	712,999	3,405,224

Fiscal year ended June 30, 2016

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	750,550	773,247	861,506	(21,000)	2,364,303
Changes of items during period					
Issuance of new shares	36,800	36,800			73,600
Conversion of convertible bonds					–
Profit (loss) attributable to owners of parent			(814,443)		(814,443)
Net changes of items other than shareholders' equity					
Total changes of items during period	36,800	36,800	(814,443)	–	(740,843)
Balance at end of current period	787,350	810,047	47,062	(21,000)	1,623,460

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	197	327,722	327,920	712,999	3,405,224
Changes of items during period					
Issuance of new shares					73,600
Conversion of convertible bonds					–
Profit (loss) attributable to owners of parent					(814,443)
Net changes of items other than shareholders' equity	(2,421)	(241,588)	(244,010)	(259,939)	(503,949)
Total changes of items during period	(2,421)	(241,588)	(244,010)	(259,939)	(1,244,793)
Balance at end of current period	(2,223)	86,133	83,910	453,060	2,160,430

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended June 30, 2015	Fiscal year ended June 30, 2016
Cash flows from operating activities		
Profit (loss) before income taxes	400,867	(892,407)
Depreciation	198,208	204,869
Loss on liquidation of business	–	20,680
Increase (decrease) in allowance for doubtful accounts	–	42,187
Increase (decrease) in provision for bonuses	–	4,056
Increase (decrease) in provision for directors' bonuses	17,950	(70,750)
Increase (decrease) in provision for loss on construction contracts	143	12,078
Increase (decrease) in net defined benefit liability	23,861	6,631
Interest and dividend income	(2,284)	(1,454)
Interest expenses	47,941	38,644
Commission fee	6,628	28,907
Listed expenses	61,134	–
Loss on retirement of non-current assets	10,574	532
Loss (gain) on sales of non-current assets	710	–
Foreign exchange losses (gains)	(2,278)	101,079
Decrease (increase) in notes and accounts receivable - trade	(1,253,541)	734,397
Decrease (increase) in inventories	(84,934)	(296,435)
Decrease (increase) in consumption taxes refund receivable	(67,357)	92,809
Decrease (increase) in accounts receivable - other	(3,607)	2,641
Increase (decrease) in notes and accounts payable - trade	377,148	(237,882)
Increase (decrease) in accrued expenses	(22,188)	(105,559)
Increase (decrease) in accounts payable - other	102,815	(133,920)
Increase (decrease) in advances received	(92,563)	20,212
Other, net	28,266	(12,258)
Subtotal	(252,505)	(440,940)
Interest and dividend income received	2,284	1,454
Interest expenses paid	(50,099)	(38,999)
Income taxes paid	–	(178,454)
Income taxes refund	5,472	–
Net cash provided by (used in) operating activities	(294,847)	(656,940)
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	–	7,000
Purchase of property, plant and equipment	(119,240)	(185,279)
Proceeds from sales of property, plant and equipment	1,393	–
Purchase of intangible assets	(25,395)	(9,314)
Payments for guarantee deposits	(5,062)	(5,970)
Proceeds from collection of guarantee deposits	1,690	1,900
Purchase of insurance funds	(22,574)	–
Proceeds from cancellation of insurance funds	2,814	970
Other, net	(1)	(455)
Net cash provided by (used in) investing activities	(166,374)	(191,148)

(Thousands of yen)

	Fiscal year ended June 30, 2015	Fiscal year ended June 30, 2016
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	108,361	522,293
Proceeds from long-term loans payable	763,653	600,000
Repayments of long-term loans payable	(464,627)	(587,788)
Proceeds from issuance of bonds	295,725	–
Redemption of bonds	(147,500)	(372,500)
Repayments of lease obligations	(168,758)	(57,364)
Proceeds from issuance of common shares	441,600	73,600
commitment fees paid	(7,023)	(28,907)
Payment of listed expenses	(26,016)	–
Net cash provided by (used in) financing activities	795,413	149,332
Effect of exchange rate change on cash and cash equivalents	64,861	(136,248)
Net increase (decrease) in cash and cash equivalents	399,052	(835,005)
Cash and cash equivalents at beginning of period	1,395,419	1,794,471
Cash and cash equivalents at end of period	1,794,471	959,466