Translation

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Summary of Consolidated Financial Results for the Year Ended June 30, 2019 (Based on Japanese GAAP)

August 9, 2019

Company name: Nagaoka International Corporation
Stock exchange listing: Tokyo
Stock code: 6239 URL http://www.nagaokajapan.co.jp/
Representative: President & CEO Yasuhisa Umezu
Inquiries: Director, Administrative Headquarters Toshiya Tatemoto TEL 06(6261)6600
Scheduled date of ordinary general meeting of shareholders: September 26, 2019
Scheduled date to file Securities Report: September 26, 2019
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, 2019 (from July 1, 2018 to June 30, 2019)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended June 30, 2019	4,380	2.7	494	15.6	418	(16.7)	362	101.0
Year ended June 30, 2018	4,263	44.2	427	–	502	–	180	–

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended June 30, 2019	104.63	–	16.1	8.4	11.3
Year ended June 30, 2018	51.56	–	9.1	8.3	10.0

(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, 2019	4,715	2,436	51.7	706.27
As of June 30, 2018	5,250	2,571	39.3	589.46

(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, 2019	438	(2)	(530)	1,058
Year ended June 30, 2018	941	360	(2,254)	1,383

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, 2018	–	0.00	–	0.00	0.00	–	–	–
Year ended June 30, 2019	–	0.00	–	0.00	0.00	–	–	–
Year ending June 30, 2020 (Forecast)	–	0.00	–	0.00	0.00		–	

3. Forecast of consolidated financial results for the year ending June 30, 2020 (from July 1, 2019 to June 30, 2020)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	5,380	22.8	444	(10.2)	429	2.5	316	(12.9)	91.64

4. Notes

(1) Changes in significant subsidiaries during the year ended June 30, 2019 (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

(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:	No
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, 2019	3,539,200 shares	As of June 30, 2018	3,539,200 shares

Number of treasury shares at the end of the period

As of June 30, 2019	89,555 shares	As of June 30, 2018	39,396 shares

Average number of shares during the period

Year ended June 30, 2019	3,468,365 shares	Year ended June 30, 2018	3,501,348 shares

Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of June 30, 2018	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	1,474,753	1,149,783
Notes and accounts receivable - trade	1,628,846	1,232,777
Merchandise and finished goods	5,356	4,620
Work in process	207,580	123,825
Raw materials and supplies	292,091	469,181
Other	205,324	314,218
Allowance for doubtful accounts	(2,537)	(1,561)
Total current assets	3,811,416	3,292,846
Non-current assets		
Property, plant and equipment		
Buildings and structures	754,544	864,772
Accumulated depreciation	(159,172)	(178,361)
Accumulated impairment loss	(9,311)	–
Buildings and structures, net	586,060	686,410
Machinery, equipment and vehicles	722,308	693,897
Accumulated depreciation	(415,051)	(416,545)
Accumulated impairment loss	(16,269)	(16,269)
Machinery, equipment and vehicles, net	290,987	261,081
Tools, furniture and fixtures	256,908	265,753
Accumulated depreciation	(190,145)	(207,795)
Accumulated impairment loss	(541)	(536)
Tools, furniture and fixtures, net	66,221	57,421
Leased assets	156,816	158,187
Accumulated depreciation	(66,276)	(76,323)
Leased assets, net	90,540	81,863
Construction in progress	55,370	801
Total property, plant and equipment	1,089,180	1,087,579
Intangible assets		
Other	263,268	235,346
Total intangible assets	263,268	235,346
Investments and other assets		
Deferred tax assets	39,807	60,536
Other	71,236	38,712
Allowance for doubtful accounts	(24,199)	–
Total investments and other assets	86,843	99,248
Total non-current assets	1,439,292	1,422,175
Total assets	5,250,708	4,715,021

(Thousands of yen)

	As of June 30, 2018	As of June 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	483,387	222,731
Short-term loans payable	1,240,409	1,076,176
Current portion of long-term loans payable	48,392	–
Lease obligations	11,737	3,249
Accounts payable - other	79,809	72,724
Accrued expenses	134,386	142,735
Income taxes payable	32,982	32,835
Advances received	190,354	170,170
Other	28,620	114,554
Total current liabilities	2,250,080	1,835,178
Non-current liabilities		
Lease obligations	2,724	9,862
provision for penalty burden loss	246,721	210,993
Retirement benefit liability	64,341	67,961
Asset retirement obligations	1,821	1,823
Long-term unearned revenue	99,410	77,797
Deferred tax liabilities	3,697	–
Other	10,371	75,010
Total non-current liabilities	429,087	443,448
Total liabilities	2,679,167	2,278,627
Net assets		
Shareholders' equity		
Capital stock	1,253,241	1,253,241
Capital surplus	1,275,938	785,075
Retained earnings	(575,901)	448,540
Treasury shares	(21,178)	(76,226)
Total shareholders' equity	1,932,099	2,410,631
Accumulated other comprehensive income		
Deferred gains or losses on hedges	(19,003)	(22,971)
Foreign currency translation adjustment	149,911	48,734
Total accumulated other comprehensive income	130,908	25,763
Non-controlling interests	508,533	–
Total net assets	2,571,540	2,436,394
Total liabilities and net assets	5,250,708	4,715,021

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

(Thousands of yen)

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Net sales	4,263,270	4,380,415
Cost of sales	2,930,592	2,906,416
Gross profit	1,332,677	1,473,999
Selling, general and administrative expenses	904,773	979,192
Operating profit	427,903	494,806
Non-operating income		
Interest income	4,555	9,228
Foreign exchange gains	3,775	–
Gain on sales of scraps	26,243	13,247
Gain on insurance cancellation	49,988	–
Compensation income	21,855	–
Subsidy income	16,526	15,846
Other	2,335	2,276
Total non-operating income	125,281	40,599
Non-operating expenses		
Interest expenses	25,618	43,826
Foreign exchange losses	–	61,279
Commission expenses	7,216	1,563
Other	17,934	9,988
Total non-operating expenses	50,768	116,658
Ordinary profit	502,417	418,746
Extraordinary income		
Gain on sales of non-current assets	757	359
Reversal of provision for penalty burden loss	–	22,013
Gain on liquidation of subsidiaries and associates	–	7,328
Insurance income	–	37,677
Total extraordinary income	757	67,379
Extraordinary losses		
Impairment loss	9,311	–
Loss on sales of non-current assets	7,212	–
Loss on retirement of non-current assets	1,937	245
Head office transfer cost	9,723	3,203
Expense on relocation of factory	30,262	–
Prior year earnings results related costs	38,963	–
Loss on disaster	–	31,499
Total extraordinary losses	97,411	34,948
Profit before income taxes	405,763	451,177
Income taxes - current	41,875	126,614
Refund of income taxes for prior periods	–	(10,510)
Income taxes - deferred	10,062	(27,813)
Total income taxes	51,937	88,290
Profit	353,825	362,886
Profit attributable to non-controlling interests	173,284	–
Profit attributable to owners of parent	180,541	362,886

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Profit	353,825	362,886
Other comprehensive income		
Deferred gains or losses on hedges	(18,728)	(3,967)
Foreign currency translation adjustment	9,898	(80,596)
Total other comprehensive income	(8,830)	(84,564)
Comprehensive income	344,995	278,322
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	171,575	278,322
Comprehensive income attributable to non-controlling interests	173,419	–

Consolidated statements of changes in equity

Fiscal year ended June 30, 2018

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,253,241	1,275,938	(756,442)	(21,041)	1,751,695
Changes of items during period					
Profit attributable to owners of parent			180,541		180,541
Additional purchase of capital of subsidiaries and associates					–
Deficit disposition					–
Purchase of treasury shares				(136)	(136)
Increase in retained earnings from exclusion of subsidiaries from consolidation					–
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	180,541	(136)	180,404
Balance at end of current period	1,253,241	1,275,938	(575,901)	(21,178)	1,932,099

	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	(274)	140,147	139,873	335,113	2,226,681
Changes of items during period					
Profit attributable to owners of parent					180,541
Additional purchase of capital of subsidiaries and associates					–
Deficit disposition					–
Purchase of treasury shares					(136)
Increase in retained earnings from exclusion of subsidiaries from consolidation					–
Net changes of items other than shareholders' equity	(18,728)	9,763	(8,965)	173,419	164,454
Total changes of items during period	(18,728)	9,763	(8,965)	173,419	344,859
Balance at end of current period	(19,003)	149,911	130,908	508,533	2,571,540

Fiscal year ended June 30, 2019

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,253,241	1,275,938	(575,901)	(21,178)	1,932,099
Changes of items during period					
Profit attributable to owners of parent			362,886		362,886
Additional purchase of capital of subsidiaries and associates		156,623			156,623
Deficit disposition		(647,485)	647,485		–
Purchase of treasury shares				(55,047)	(55,047)
Increase in retained earnings from exclusion of subsidiaries from consolidation			14,069		14,069
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(490,862)	1,024,441	(55,047)	478,531
Balance at end of current period	1,253,241	785,075	448,540	(76,226)	2,410,631

	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	(19,003)	149,911	130,908	508,533	2,571,540
Changes of items during period					
Profit attributable to owners of parent					362,886
Additional purchase of capital of subsidiaries and associates					156,623
Deficit disposition					–
Purchase of treasury shares					(55,047)
Increase in retained earnings from exclusion of subsidiaries from consolidation					14,069
Net changes of items other than shareholders' equity	(3,967)	(101,177)	(105,144)	(508,533)	(613,677)
Total changes of items during period	(3,967)	(101,177)	(105,144)	(508,533)	(135,146)
Balance at end of current period	(22,971)	48,734	25,763	–	2,436,394

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Cash flows from operating activities		
Profit before income taxes	405,763	451,177
Depreciation	155,364	156,678
Impairment loss	9,311	–
Increase (decrease) in allowance for doubtful accounts	(639)	(22,754)
Increase (decrease) in provision for bonuses	(3,526)	–
the increase and decrease of penalty lose allowance	–	(22,013)
Increase (decrease) in retirement benefit liability	(21,098)	3,620
Interest and dividend income	(4,555)	(9,228)
Foreign exchange losses (gains)	13,378	18,709
Loss (gain) on cancellation of insurance contract	(49,988)	–
Compensation income	(21,855)	–
Interest expenses	25,618	43,826
Commission expenses	7,216	1,563
Loss on retirement of non-current assets	1,937	245
Loss (gain) on sales of non-current assets	6,454	(359)
Loss (gain) on liquidation of subsidiaries and associates	–	(7,328)
Insurance income	–	(37,677)
Expense on relocation of factory	30,262	–
Prior year earnings results related costs	38,963	–
Loss due disaster	–	31,499
Decrease (increase) in notes and accounts receivable - trade	60,603	349,951
Decrease (increase) in inventories	155,154	(108,262)
Increase (decrease) in notes and accounts payable - trade	150,598	(248,730)
Increase (decrease) in accrued expenses	60,959	4,619
Increase (decrease) in advances received	114,671	(11,101)
Other, net	(106,690)	(12,708)
Subtotal	1,027,904	581,725
Interest and dividend income received	4,555	9,228
Interest expenses paid	(23,417)	(36,805)
Income taxes paid	(20,629)	(121,829)
Proceeds from compensation	21,855	–
Proceeds from insurance income	–	37,677
Expense on relocation of factory paid	(30,262)	–
Prior year earnings results related costs paid	(38,423)	–
Payments for loss on disaster	–	(31,499)
Net cash provided by (used in) operating activities	941,582	438,496
Cash flows from investing activities		
Payments into time deposits	(86,000)	(0)
Purchase of property, plant and equipment	(74,354)	(118,928)
Proceeds from sales of property, plant and equipment	417,868	631
Payments for guarantee deposits	(33,211)	(5,822)
Proceeds from collection of guarantee deposits	31,545	12,356
Proceeds from cancellation of insurance funds	105,086	–
Proceeds from liquidation of subsidiaries	–	109,928
Other, net	(460)	(628)
Net cash provided by (used in) investing activities	360,473	(2,464)

(Thousands of yen)

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(554,234)	(113,429)
Repayments of long-term loans payable	(1,495,934)	(48,392)
Redemption of bonds	(140,000)	–
Repayments of lease obligations	(56,993)	(12,025)
commitment fees paid	(4,500)	(977)
Purchase of treasury shares	–	(55,185)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(300,000)
Other, net	(2,370)	(315)
Net cash provided by (used in) financing activities	(2,254,032)	(530,324)
Effect of exchange rate change on cash and cash equivalents	(25,143)	(54,832)
Net increase (decrease) in cash and cash equivalents	(977,120)	(149,124)
Cash and cash equivalents at beginning of period	2,360,647	1,383,526
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	–	(175,847)
Cash and cash equivalents at end of period	1,383,526	1,058,555