Translation

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Summary of Consolidated Financial Results for the Six Months Ended December 31, 2019 (Based on Japanese GAAP)

February 13, 2020

Company name: Nagaoka International Corporation
Stock exchange listing: Tokyo
Stock code: 6239 URL http://www.nagaokajapan.co.jp/
Representative: President & CEO Yasuhisa Umezu
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Scheduled date to file Quarterly Securities Report: February 13, 2020
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: No
Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended December 31, 2019 (from July 1, 2019 to December 31, 2019)

(1) Consolidated operating results (cumulative) 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	%
Six months ended December 31, 2019	3,436	65.0	677	201.8	668	237.4	501	213.7
Six months ended December 31, 2018	2,083	4.8	224	6.0	198	(38.5)	159	12.7

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended December 31, 2019	72.35	–
Six months ended December 31, 2018	22.94	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2019	5,522	2,870	52.0
As of June 30, 2019	4,715	2,436	51.7

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, 2019	–	0.00	–	0.00	0.00
Year ending June 30, 2020	–	0.00			
Year ending June 30, 2020 (Forecast)			–	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	6,434	46.9	848	71.5	847	102.5	625	72.3	90.64

4. Notes

(1) Changes in significant subsidiaries during the six months ended December 31, 2019 (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:	No
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, 2019	7,078,400 shares	As of June 30, 2019	7,078,400 shares

Number of treasury shares at the end of the period

As of December 31, 2019	149,160 shares	As of June 30, 2019	179,110 shares

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

Six months ended December 31, 2019	6,934,250 shares	Six months ended December 31, 2018	6,973,480 shares

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of June 30, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	1,149,783	1,248,069
Notes and accounts receivable - trade	1,232,777	1,886,364
Merchandise and finished goods	4,620	4,227
Work in process	123,825	115,482
Raw materials and supplies	469,181	554,613
Other	314,218	340,247
Allowance for doubtful accounts	(1,561)	(2,673)
Total current assets	3,292,846	4,146,331
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	686,410	665,943
Machinery, equipment and vehicles, net	261,081	255,837
Leased assets, net	81,863	74,464
Construction in progress	801	10,304
Other, net	57,421	71,188
Total property, plant and equipment	1,087,579	1,077,739
Intangible assets	235,346	236,853
Investments and other assets		
Deferred tax assets	60,536	17,226
Other	38,712	44,658
Total investments and other assets	99,248	61,885
Total non-current assets	1,422,175	1,376,478
Total assets	4,715,021	5,522,809

(Thousands of yen)

	As of June 30, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	222,731	400,685
Short-term borrowings	1,076,176	1,002,482
Income taxes payable	32,835	67,697
Provision for bonuses for directors (and other officers)	–	26,700
Other	503,435	791,226
Total current liabilities	1,835,178	2,288,791
Non-current liabilities		
provision for penalty burden loss	210,993	210,993
Retirement benefit liability	67,961	72,029
Asset retirement obligations	1,823	1,825
Other	162,670	78,433
Total non-current liabilities	443,448	363,281
Total liabilities	2,278,627	2,652,073
Net assets		
Shareholders' equity		
Share capital	1,253,241	1,253,241
Capital surplus	785,075	777,755
Retained earnings	448,540	950,241
Treasury shares	(76,226)	(102,755)
Total shareholders' equity	2,410,631	2,878,482
Accumulated other comprehensive income		
Deferred gains or losses on hedges	(22,971)	(68,775)
Foreign currency translation adjustment	48,734	61,029
Total accumulated other comprehensive income	25,763	(7,746)
Total net assets	2,436,394	2,870,736
Total liabilities and net assets	4,715,021	5,522,809

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, 2018	Six months ended December 31, 2019
Net sales	2,083,066	3,436,804
Cost of sales	1,392,062	2,207,027
Gross profit	691,004	1,229,777
Selling, general and administrative expenses	466,437	552,108
Operating profit	224,567	677,669
Non-operating income		
Interest income	3,421	6,824
Gain on sales of scraps	7,657	14,471
Subsidy income	7,957	7,485
Other	1,541	3,443
Total non-operating income	20,578	32,224
Non-operating expenses		
Interest expenses	18,044	17,316
Foreign exchange losses	26,469	22,440
Commission expenses	2,293	212
Other	68	1,025
Total non-operating expenses	46,875	40,994
Ordinary profit	198,270	668,899
Extraordinary income		
Gain on sales of non-current assets	462	–
Reversal of provision for penalty burden loss	22,108	–
Gain on liquidation of subsidiaries and associates	7,328	–
Total extraordinary income	29,899	–
Extraordinary losses		
Loss on retirement of non-current assets	229	234
Head office relocation expenses	3,203	–
Loss on disaster	31,194	–
Total extraordinary losses	34,627	234
Profit before income taxes	193,541	668,665
Income taxes	33,592	166,964
Profit	159,949	501,701
Profit attributable to owners of parent	159,949	501,701

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended December 31, 2018	Six months ended December 31, 2019
Profit	159,949	501,701
Other comprehensive income		
Deferred gains or losses on hedges	15,349	(45,804)
Foreign currency translation adjustment	(33,488)	12,294
Total other comprehensive income	(18,138)	(33,509)
Comprehensive income	141,811	468,191
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	141,811	468,191

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended December 31, 2018	Six months ended December 31, 2019
Cash flows from operating activities		
Profit before income taxes	193,541	668,665
Depreciation	78,228	70,138
Increase (decrease) in allowance for doubtful accounts	(22,108)	1,111
Increase (decrease) in provision for bonuses for directors (and other officers)	9,600	26,700
the increase and decrease of penalty lose allowance	(22,108)	–
Increase (decrease) in retirement benefit liability	1,192	4,068
Interest and dividend income	(3,421)	(6,824)
Interest expenses	18,044	17,316
Commission expenses	2,293	212
Loss on retirement of non-current assets	229	234
Loss (gain) on sales of non-current assets	(462)	–
Loss (gain) on liquidation of subsidiaries and associates	(7,328)	–
Foreign exchange losses (gains)	(18,945)	1,225
Decrease (increase) in trade receivables	(171,953)	(639,099)
Decrease (increase) in inventories	(96,155)	(78,805)
Increase (decrease) in trade payables	(94,666)	172,218
Increase (decrease) in accrued expenses	(93,459)	(49,126)
Increase (decrease) in advances received	43,385	306,852
Other, net	14,380	7,680
Subtotal	(169,714)	502,567
Interest and dividends received	3,421	6,824
Interest paid	(14,007)	(26,705)
Income taxes paid	(29,432)	(105,207)
Net cash provided by (used in) operating activities	(209,732)	377,478
Cash flows from investing activities		
Purchase of property, plant and equipment	(98,725)	(126,933)
Proceeds from sales of property, plant and equipment	735	–
Purchase of intangible assets	–	(5,483)
Payments of guarantee deposits	(2,040)	(1,719)
Proceeds from refund of guarantee deposits	8,433	195
Proceeds from liquidation of subsidiaries	90,278	–
Other, net	(269)	(5,040)
Net cash provided by (used in) investing activities	(1,588)	(138,982)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	405,808	(64,329)
Repayments of long-term borrowings	(36,686)	–
Repayments of lease obligations	(10,205)	(1,910)
commitment fees paid	(1,736)	–
Purchase of treasury shares	(55,089)	(77,802)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(300,000)	–
Other, net	(315)	–
Net cash provided by (used in) financing activities	1,776	(144,041)
Effect of exchange rate change on cash and cash equivalents	8,827	3,831
Net increase (decrease) in cash and cash equivalents	(200,716)	98,286
Cash and cash equivalents at beginning of period	1,383,526	1,058,555
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(175,847)	–
Cash and cash equivalents at end of period	1,006,962	1,156,841