

Translation

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Summary of Consolidated Financial Results for the Year Ended June 30, 2020 (Based on Japanese GAAP)

August 7, 2020

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 29, 2020
 Scheduled date to file Securities Report: September 29, 2020
 Scheduled date to commence dividend payments: September 30, 2020
 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, 2020 (from July 1, 2019 to June 30, 2020)

(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, 2020	6,436	46.9	1,076	117.5	1,045	149.7	703	93.9
Year ended June 30, 2019	4,380	2.7	494	15.6	418	(16.7)	362	101.0

	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, 2020	101.51	—	25.7	18.9	16.7
Year ended June 30, 2019	52.31	—	16.1	8.4	11.3

(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, 2020	6,345	3,031	47.8	437.56
As of June 30, 2019	4,715	2,436	51.7	353.14

(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, 2020	5	(375)	300	978
Year ended June 30, 2019	438	(2)	(530)	1,058

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, 2019	—	0.00	—	0.00	0.00	—	—	—
Year ended June 30, 2020	—	0.00	—	10.00	10.00	69	9.9	2.5
Year ending June 30, 2021 (Forecast)	—	0.00	—	7.00	7.00		9.7	

3. Forecast of consolidated financial results for the year ending June 30, 2021 (from July 1, 2020 to June 30, 2021)

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	5,800	(9.9)	700	(35.0)	700	(33.0)	500	(28.9)	72.16

4. Notes

(1) Changes in significant subsidiaries during the year ended June 30, 2020

(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: 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, 2020	7,078,400 shares	As of June 30, 2019	7,078,400 shares
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Number of treasury shares at the end of the period

As of June 30, 2020	149,160 shares	As of June 30, 2019	179,110 shares
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Average number of shares during the period

Year ended June 30, 2020	6,931,759 shares	Year ended June 30, 2019	6,936,730 shares
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Consolidated financial statements

Consolidated balance sheets

(Thousands of yen)

	As of June 30, 2019	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	1,149,783	1,069,612
Notes and accounts receivable - trade	1,232,777	2,697,707
Merchandise and finished goods	4,620	5,915
Work in process	123,825	165,040
Raw materials and supplies	469,181	560,428
Other	314,218	296,830
Allowance for doubtful accounts	(1,561)	(6,808)
Total current assets	3,292,846	4,788,726
Non-current assets		
Property, plant and equipment		
Buildings and structures	864,772	847,096
Accumulated depreciation	(178,361)	(211,873)
Buildings and structures, net	686,410	635,222
Machinery, equipment and vehicles	693,897	720,515
Accumulated depreciation	(416,545)	(465,787)
Accumulated impairment loss	(16,269)	(16,269)
Machinery, equipment and vehicles, net	261,081	238,457
Tools, furniture and fixtures	265,753	306,870
Accumulated depreciation	(207,795)	(231,886)
Accumulated impairment loss	(536)	(536)
Tools, furniture and fixtures, net	57,421	74,448
Leased assets	158,187	158,938
Accumulated depreciation	(76,323)	(88,749)
Leased assets, net	81,863	70,188
Construction in progress	801	18,303
Total property, plant and equipment	1,087,579	1,036,621
Intangible assets		
Other	235,346	300,567
Total intangible assets	235,346	300,567
Investments and other assets		
Investments in capital of subsidiaries and associates	—	110,870
Deferred tax assets	60,536	66,055
Other	38,712	42,558
Total investments and other assets	99,248	219,484
Total non-current assets	1,422,175	1,556,672
Total assets	4,715,021	6,345,399

(Thousands of yen)

	As of June 30, 2019	As of June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	222,731	412,121
Short-term borrowings	1,076,176	1,329,308
Lease obligations	3,249	3,718
Accounts payable - other	72,724	207,411
Accrued expenses	142,735	168,428
Income taxes payable	32,835	226,310
Advances received	170,170	405,261
Other	114,554	106,384
Total current liabilities	1,835,178	2,858,946
Non-current liabilities		
Long-term borrowings	—	100,000
Lease obligations	9,862	11,411
provision for penalty burden loss	210,993	204,937
Retirement benefit liability	67,961	76,198
Asset retirement obligations	1,823	1,826
Long-term unearned revenue	77,797	60,101
Other	75,010	—
Total non-current liabilities	443,448	454,474
Total liabilities	2,278,627	3,313,421
Net assets		
Shareholders' equity		
Share capital	1,253,241	1,253,241
Capital surplus	785,075	777,755
Retained earnings	448,540	1,152,176
Treasury shares	(76,226)	(102,755)
Total shareholders' equity	2,410,631	3,080,417
Accumulated other comprehensive income		
Deferred gains or losses on hedges	(22,971)	(64,857)
Foreign currency translation adjustment	48,734	16,418
Total accumulated other comprehensive income	25,763	(48,439)
Total net assets	2,436,394	3,031,978
Total liabilities and net assets	4,715,021	6,345,399

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

(Thousands of yen)

	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2020
Net sales	4,380,415	6,436,887
Cost of sales	2,906,416	4,080,320
Gross profit	1,473,999	2,356,566
Selling, general and administrative expenses	979,192	1,280,128
Operating profit	494,806	1,076,437
Non-operating income		
Interest income	9,228	9,733
Gain on sales of scraps	13,247	25,258
Subsidy income	15,846	14,970
Other	2,276	8,260
Total non-operating income	40,599	58,223
Non-operating expenses		
Interest expenses	43,826	28,253
Foreign exchange losses	61,279	60,247
Commission expenses	1,563	212
Other	9,988	435
Total non-operating expenses	116,658	89,148
Ordinary profit	418,746	1,045,513
Extraordinary income		
Gain on sales of non-current assets	359	158
Reversal of provision for penalty burden loss	22,013	—
Gain on liquidation of subsidiaries and associates	7,328	—
Insurance claim income	37,677	—
Total extraordinary income	67,379	158
Extraordinary losses		
Loss on sales of non-current assets	—	7
Loss on retirement of non-current assets	245	1,258
Head office relocation expenses	3,203	—
Loss on disaster	31,499	—
Total extraordinary losses	34,948	1,266
Profit before income taxes	451,177	1,044,405
Income taxes - current	126,614	342,482
Refund of income taxes for prior periods	(10,510)	—
Income taxes - deferred	(27,813)	(1,713)
Total income taxes	88,290	340,768
Profit	362,886	703,636
Profit attributable to owners of parent	362,886	703,636

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2020
Profit	362,886	703,636
Other comprehensive income		
Deferred gains or losses on hedges	(3,967)	(41,886)
Foreign currency translation adjustment	(80,596)	(32,316)
Total other comprehensive income	(84,564)	(74,202)
Comprehensive income	278,322	629,433
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	278,322	629,433

Consolidated statements of changes in equity

Fiscal year ended June 30, 2019

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,253,241	1,275,938	(575,901)	(21,178)	1,932,099
Changes 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 in items other than shareholders' equity					
Total changes during period	—	(490,862)	1,024,441	(55,047)	478,531
Balance at end of 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 period	(19,003)	149,911	130,908	508,533	2,571,540
Changes 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 in items other than shareholders' equity	(3,967)	(101,177)	(105,144)	(508,533)	(613,677)
Total changes during period	(3,967)	(101,177)	(105,144)	(508,533)	(135,146)
Balance at end of period	(22,971)	48,734	25,763	—	2,436,394

Fiscal year ended June 30, 2020

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,253,241	785,075	448,540	(76,226)	2,410,631
Changes during period					
Profit attributable to owners of parent			703,636		703,636
Purchase of treasury shares				(77,589)	(77,589)
Disposal of treasury shares		(7,320)		51,060	43,740
Net changes in items other than shareholders' equity					
Total changes during period	–	(7,320)	703,636	(26,529)	669,786
Balance at end of period	1,253,241	777,755	1,152,176	(102,755)	3,080,417

	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 period	(22,971)	48,734	25,763	–	2,436,394
Changes during period					
Profit attributable to owners of parent					703,636
Purchase of treasury shares					(77,589)
Disposal of treasury shares					43,740
Net changes in items other than shareholders' equity	(41,886)	(32,316)	(74,202)	–	(74,202)
Total changes during period	(41,886)	(32,316)	(74,202)	–	595,583
Balance at end of period	(64,857)	16,418	(48,439)	–	3,031,978

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2020
Cash flows from operating activities		
Profit before income taxes	451,177	1,044,405
Depreciation	156,678	143,255
Increase (decrease) in allowance for doubtful accounts	(22,754)	5,246
the increase and decrease of penalty lose allowance	(22,013)	—
Increase (decrease) in retirement benefit liability	3,620	8,237
Interest and dividend income	(9,228)	(9,733)
Foreign exchange losses (gains)	18,709	950
Interest expenses	43,826	28,253
Commission expenses	1,563	212
Loss on retirement of non-current assets	245	1,258
Loss (gain) on sales of non-current assets	(359)	(150)
Loss (gain) on liquidation of subsidiaries and associates	(7,328)	—
Insurance claim income	(37,677)	—
Loss on disaster	31,499	—
Decrease (increase) in trade receivables	349,951	(1,495,252)
Decrease (increase) in inventories	(108,262)	(143,102)
Increase (decrease) in trade payables	(248,730)	187,258
Increase (decrease) in accrued expenses	4,619	36,018
Increase (decrease) in advances received	(11,101)	238,412
Increase (decrease) in accounts payable - other	9,926	120,288
Other, net	(22,634)	25,451
Subtotal	581,725	191,008
Interest and dividends received	9,228	9,733
Interest paid	(36,805)	(37,736)
Income taxes paid	(121,829)	(157,977)
Proceeds from insurance income	37,677	—
Payments associated with disaster loss	(31,499)	—
Net cash provided by (used in) operating activities	438,496	5,027
Cash flows from investing activities		
Purchase of property, plant and equipment	(118,928)	(196,276)
Purchase of intangible assets	—	(63,025)
Proceeds from sales of property, plant and equipment	631	—
Payments of guarantee deposits	(5,822)	(1,905)
Proceeds from refund of guarantee deposits	12,356	1,770
Proceeds from liquidation of subsidiaries	109,928	—
Payments for investments in capital of subsidiaries and associates	—	(110,870)
Other, net	(628)	(5,038)
Net cash provided by (used in) investing activities	(2,464)	(375,345)

	(Thousands of yen)	
	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(113,429)	281,112
Proceeds from long-term borrowings	–	100,000
Repayments of long-term borrowings	(48,392)	–
Repayments of lease obligations	(12,025)	(3,237)
commitment fees paid	(977)	–
Purchase of treasury shares	(55,185)	(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	(530,324)	300,072
Effect of exchange rate change on cash and cash equivalents	(54,832)	(9,926)
Net increase (decrease) in cash and cash equivalents	(149,124)	(80,171)
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	1,058,555	978,383