

# Translation

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## Summary of Consolidated Financial Results for the Year Ended June 30, 2017 (Based on Japanese GAAP)

August 10, 2017

Company name: Nagaoka International Corporation  
 Stock exchange listing: Tokyo  
 Stock code: 6239 URL <http://www.nagaokajapan.co.jp/>  
 Representative: President & CEO Yasuhisa Umezu  
 Corporate Officer, Administrative  
 Inquiries: Toshiya Tatemoto TEL 0725(21)5750  
 Headquarters  
 Scheduled date of ordinary general meeting of shareholders: September 28, 2017  
 Scheduled date to file Securities Report: September 28, 2017  
 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, 2017 (from July 1, 2016 to June 30, 2017)

#### (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, 2017	2,900	(7.1)	(592)	–	(594)	–	(825)	–
Year ended June 30, 2016	3,123	(46.7)	(597)	–	(871)	–	(814)	–

	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, 2017	(376.92)	–	(46.1)	(8.8)	(20.4)
Year ended June 30, 2016	(393.04)	–	(37.0)	(11.3)	(19.1)

#### (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, 2017	6,887	2,205	27.2	532.33
As of June 30, 2016	6,643	2,160	25.7	822.43

#### (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, 2017	399	(21)	991	2,360
Year ended June 30, 2016	(656)	(191)	149	959

### 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, 2016	–	0.00	–	0.00	0.00	–	–	–
Year ended June 30, 2017	–	0.00	–	0.00	0.00	–	–	–
Year ending June 30, 2018 (Forecast)	–	0.00	–	0.00	0.00		–	

3. Forecast of consolidated financial results for the year ending June 30, 2018 (from July 1, 2017 to June 30, 2018)

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
Six months ending December 31, 2017	2,198	81.1	97	—	108	—	74	—	21.25
Full year	4,188	44.4	211	—	201	—	124	—	35.49

4. Notes

(1) Changes in significant subsidiaries during the year ended June 30, 2017

(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, 2017	3,539,200 shares	As of June 30, 2016	2,101,000 shares
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Number of treasury shares at the end of the period

As of June 30, 2017	25,088 shares	As of June 30, 2016	25,000 shares
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Average number of shares during the period

Year ended June 30, 2017	2,190,255 shares	Year ended June 30, 2016	2,072,175 shares
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**Consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of June 30, 2016	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	964,691	2,365,874
Notes and accounts receivable - trade	2,323,558	1,702,888
Merchandise and finished goods	4,891	3,565
Work in process	427,011	167,842
Raw materials and supplies	645,208	482,833
Deferred tax assets	60,418	52,202
Other	66,336	145,269
Allowance for doubtful accounts	(40,084)	(28,477)
Total current assets	4,452,031	4,891,999
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,566,149	1,607,110
Accumulated depreciation	(409,268)	(470,899)
Accumulated impairment loss	—	(78,047)
Buildings and structures, net	1,156,880	1,058,162
Machinery, equipment and vehicles	687,471	700,567
Accumulated depreciation	(309,997)	(365,045)
Accumulated impairment loss	—	(19,522)
Machinery, equipment and vehicles, net	377,473	315,999
Tools, furniture and fixtures	233,886	261,362
Accumulated depreciation	(158,623)	(182,677)
Accumulated impairment loss	—	(4,527)
Tools, furniture and fixtures, net	75,262	74,157
Leased assets	246,817	261,602
Accumulated depreciation	(66,964)	(92,317)
Leased assets, net	179,852	169,285
Construction in progress	29	—
Total property, plant and equipment	1,789,499	1,617,605
Intangible assets		
Other	279,480	276,900
Total intangible assets	279,480	276,900
Investments and other assets		
Deferred tax assets	9,004	863
Other	113,042	123,776
Allowance for doubtful accounts	—	(23,365)
Total investments and other assets	122,047	101,274
Total non-current assets	2,191,027	1,995,780
Total assets	6,643,059	6,887,779

(Thousands of yen)

	As of June 30, 2016	As of June 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	605,064	337,418
Short-term loans payable	1,824,220	1,806,000
Current portion of long-term loans payable	542,667	1,363,769
Current portion of bonds	95,000	80,000
Lease obligations	74,177	55,937
Accounts payable - other	53,922	42,116
Accrued expenses	34,634	72,045
Income taxes payable	4,622	16,039
Deferred tax liabilities	13,045	6,158
Advances received	1,160	75,203
Provision for bonuses	3,661	3,322
Provision for loss on construction contracts	15,342	—
Asset retirement obligations	—	65,314
Other	15,411	41,215
Total current liabilities	3,282,931	3,964,540
Non-current liabilities		
Bonds payable	140,000	60,000
Long-term loans payable	740,856	180,070
Lease obligations	45,315	14,357
provision for penalty burden loss	—	243,907
Net defined benefit liability	80,526	85,439
Asset retirement obligations	73,666	8,536
Long-term unearned revenue	110,860	115,080
Deferred tax liabilities	—	1,453
Other	8,471	8,471
Total non-current liabilities	1,199,696	717,316
Total liabilities	4,482,628	4,681,857
Net assets		
Shareholders' equity		
Capital stock	787,350	1,253,241
Capital surplus	810,047	1,275,938
Retained earnings	47,062	(778,488)
Treasury shares	(21,000)	(21,041)
Total shareholders' equity	1,623,460	1,729,649
Accumulated other comprehensive income		
Deferred gains or losses on hedges	(2,223)	(274)
Foreign currency translation adjustment	86,133	141,295
Total accumulated other comprehensive income	83,910	141,021
Non-controlling interests	453,060	335,251
Total net assets	2,160,430	2,205,921
Total liabilities and net assets	6,643,059	6,887,779

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

(Thousands of yen)

	Fiscal year ended June 30, 2016	Fiscal year ended June 30, 2017
Net sales	3,123,744	2,900,761
Cost of sales	2,441,028	2,410,974
Gross profit	682,716	489,786
Selling, general and administrative expenses	1,280,681	1,082,431
Operating loss	(597,965)	(592,644)
Non-operating income		
Interest income	1,454	1,484
Foreign exchange gains	—	36,001
Gain on sales of scraps	12,857	17,240
Subsidy income	15,033	16,298
Other	8,224	15,154
Total non-operating income	37,569	86,179
Non-operating expenses		
Interest expenses	38,644	36,454
Foreign exchange losses	237,537	—
Commission fee	28,907	5,019
Share issuance cost	—	27,011
Depreciation	—	12,966
Other	5,707	6,232
Total non-operating expenses	310,797	87,684
Ordinary loss	(871,194)	(594,148)
Extraordinary income		
Gain on sales of non-current assets	—	1,144
Total extraordinary income	—	1,144
Extraordinary losses		
Impairment loss	—	102,097
Loss on retirement of non-current assets	532	3,875
penalty burden provision for losses	—	240,205
Loss on liquidation of business	20,680	12,397
Total extraordinary losses	21,213	358,575
Loss before income taxes	(892,407)	(951,580)
Income taxes - current	15,723	9,131
Income taxes - deferred	28,449	9,096
Total income taxes	44,173	18,227
Loss	(936,581)	(969,808)
Loss attributable to non-controlling interests	(122,138)	(144,257)
Loss attributable to owners of parent	(814,443)	(825,550)

## Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended June 30, 2016	Fiscal year ended June 30, 2017
Loss	(936,581)	(969,808)
Other comprehensive income		
Deferred gains or losses on hedges	(2,421)	1,948
Foreign currency translation adjustment	(379,390)	81,610
Total other comprehensive income	(381,811)	83,559
Comprehensive income	(1,318,393)	(886,248)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,058,453)	(768,439)
Comprehensive income attributable to non-controlling interests	(259,939)	(117,809)

## Consolidated statements of changes in equity

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
Loss attributable to owners of parent			(814,443)		(814,443)
Purchase of treasury shares				—	—
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
Loss attributable to owners of parent					(814,443)
Purchase of treasury shares					—
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

Fiscal year ended June 30, 2017

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	787,350	810,047	47,062	(21,000)	1,623,460
Changes of items during period					
Issuance of new shares	465,891	465,891			931,782
Loss attributable to owners of parent			(825,550)		(825,550)
Purchase of treasury shares				(41)	(41)
Net changes of items other than shareholders' equity					
Total changes of items during period	465,891	465,891	(825,550)	(41)	106,189
Balance at end of current period	1,253,241	1,275,938	(778,488)	(21,041)	1,729,649

	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	(2,223)	86,133	83,910	453,060	2,160,430
Changes of items during period					
Issuance of new shares					931,782
Loss attributable to owners of parent					(825,550)
Purchase of treasury shares					(41)
Net changes of items other than shareholders' equity	1,948	55,162	57,110	(117,809)	(60,698)
Total changes of items during period	1,948	55,162	57,110	(117,809)	45,491
Balance at end of current period	(274)	141,295	141,021	335,251	2,205,921



## Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended June 30, 2016	Fiscal year ended June 30, 2017
Cash flows from operating activities		
Loss before income taxes	(892,407)	(951,580)
Depreciation	204,869	188,274
Impairment loss	—	102,097
Loss on liquidation of business	20,680	12,397
Increase (decrease) in allowance for doubtful accounts	42,187	9,899
Increase (decrease) in provision for bonuses	4,056	(571)
Increase (decrease) in provision for directors' bonuses	(70,750)	—
Increase (decrease) in provision for loss on construction contracts	12,078	(15,342)
the increase and decrease of penalty lose allowance	—	243,907
Increase (decrease) in net defined benefit liability	6,631	4,913
Interest and dividend income	(1,454)	(1,484)
Interest expenses	38,644	36,454
Commission fee	28,907	5,019
Share issuance cost	—	27,011
Loss on retirement of non-current assets	532	3,875
Loss (gain) on sales of non-current assets	—	(1,144)
Foreign exchange losses (gains)	101,079	(16,137)
Decrease (increase) in notes and accounts receivable - trade	734,397	628,407
Decrease (increase) in inventories	(296,435)	430,510
Decrease (increase) in consumption taxes refund receivable	92,809	7,706
Decrease (increase) in accounts receivable - other	2,641	11,086
Decrease (increase) in advance payments	(14,799)	(97,967)
Increase (decrease) in notes and accounts payable - trade	(237,882)	(277,053)
Increase (decrease) in accrued expenses	(105,559)	37,461
Increase (decrease) in accounts payable - other	(133,920)	(12,663)
Increase (decrease) in advances received	20,212	65,311
Other, net	2,541	2,971
Subtotal	(440,940)	443,361
Interest and dividend income received	1,454	1,484
Interest expenses paid	(38,999)	(37,442)
Income taxes paid	(178,454)	(7,561)
Net cash provided by (used in) operating activities	(656,940)	399,842
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	7,000	—
Purchase of property, plant and equipment	(185,279)	(36,502)
Proceeds from sales of property, plant and equipment	—	2,190
Purchase of intangible assets	(9,314)	(439)
Payments for guarantee deposits	(5,970)	(5,712)
Proceeds from collection of guarantee deposits	1,900	15,882
Proceeds from cancellation of insurance funds	970	6,014
Other, net	(455)	(3,384)
Net cash provided by (used in) investing activities	(191,148)	(21,951)

	(Thousands of yen)	
	Fiscal year ended June 30, 2016	Fiscal year ended June 30, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	522,293	(21,780)
Proceeds from long-term loans payable	600,000	862,000
Repayments of long-term loans payable	(587,788)	(600,687)
Redemption of bonds	(372,500)	(95,000)
Repayments of lease obligations	(57,364)	(56,177)
Proceeds from issuance of common shares	73,600	906,014
commitment fees paid	(28,907)	(3,136)
Other, net	—	(41)
Net cash provided by (used in) financing activities	149,332	991,191
Effect of exchange rate change on cash and cash equivalents	(136,248)	32,098
Net increase (decrease) in cash and cash equivalents	(835,005)	1,401,181
Cash and cash equivalents at beginning of period	1,794,471	959,466
Cash and cash equivalents at end of period	959,466	2,360,647