

# Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

## Summary of Consolidated Financial Results for the Six Months Ended December 31, 2017 (Based on Japanese GAAP)

February 14, 2018

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 Tatamoto TEL 0725(21)5750  
 Scheduled date to file Quarterly Securities Report: February 14, 2018  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

### 1. Consolidated financial results for the six months ended December 31, 2017 (from July 1, 2017 to December 31, 2017)

#### (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, 2017	1,987	60.6	211	–	322	–	141	–
Six months ended December 31, 2016	1,237	15.1	(213)	–	(170)	–	(212)	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended December 31, 2017	40.50	–
Six months ended December 31, 2016	(102.36)	–

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2017	5,977	2,536	34.5
As of June 30, 2017	6,906	2,226	27.4

### 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, 2017	–	0.00	–	0.00	0.00
Year ending June 30, 2018	–	0.00			
Year ending June 30, 2018 (Forecast)			–	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
Full year	4,188	41.7	211	–	201	–	124	–	35.49

#### 4. Notes

- (1) Changes in significant subsidiaries during the six months ended December 31, 2017  
(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, 2017	3,539,200 shares	As of June 30, 2017	3,539,200 shares
-------------------------	------------------	---------------------	------------------

Number of treasury shares at the end of the period

As of December 31, 2017	39,288 shares	As of June 30, 2017	25,088 shares
-------------------------	---------------	---------------------	---------------

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

Six months ended December 31, 2017	3,502,845 shares	Six months ended December 31, 2016	2,075,930 shares
------------------------------------	------------------	------------------------------------	------------------

**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of June 30, 2017	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	2,365,874	2,078,051
Notes and accounts receivable - trade	1,692,364	1,330,282
Merchandise and finished goods	3,565	4,098
Work in process	168,286	208,227
Raw materials and supplies	482,833	574,216
Deferred tax assets	55,273	66,319
Other	145,859	254,686
Allowance for doubtful accounts	(3,765)	(1,886)
Total current assets	4,910,293	4,513,996
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,058,162	638,827
Machinery, equipment and vehicles, net	315,999	270,062
Leased assets, net	169,285	161,020
Construction in progress	—	25,525
Other, net	74,157	68,591
Total property, plant and equipment	1,617,605	1,164,026
Intangible assets	276,900	281,656
Investments and other assets		
Deferred tax assets	863	593
Other	123,776	41,819
Allowance for doubtful accounts	(23,365)	(24,216)
Total investments and other assets	101,274	18,195
Total non-current assets	1,995,780	1,463,879
Total assets	6,906,073	5,977,875

(Thousands of yen)

	As of June 30, 2017	As of December 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	333,609	461,374
Short-term loans payable	1,806,000	1,516,333
Current portion of long-term loans payable	1,363,769	440,901
Current portion of bonds	80,000	70,000
Income taxes payable	16,039	7,874
Deferred tax liabilities	6,158	4,505
Provision for bonuses	3,322	–
Provision for loss on construction contracts	–	224
Asset retirement obligations	65,314	–
Other	286,517	341,496
Total current liabilities	3,960,731	2,842,710
Non-current liabilities		
Bonds payable	60,000	30,000
Long-term loans payable	180,070	103,346
provision for penalty burden loss	243,907	256,347
Net defined benefit liability	85,439	68,238
Asset retirement obligations	8,536	8,602
Deferred tax liabilities	2,796	5,297
Other	137,910	127,246
Total non-current liabilities	718,659	599,077
Total liabilities	4,679,391	3,441,787
Net assets		
Shareholders' equity		
Capital stock	1,253,241	1,253,241
Capital surplus	1,275,938	1,275,938
Retained earnings	(756,442)	(614,569)
Treasury shares	(21,041)	(21,041)
Total shareholders' equity	1,751,695	1,893,567
Accumulated other comprehensive income		
Deferred gains or losses on hedges	(274)	(10,091)
Foreign currency translation adjustment	140,147	176,223
Total accumulated other comprehensive income	139,873	166,131
Non-controlling interests	335,113	476,388
Total net assets	2,226,681	2,536,087
Total liabilities and net assets	6,906,073	5,977,875

**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, 2016	Six months ended December 31, 2017
Net sales	1,237,185	1,987,331
Cost of sales	945,913	1,362,824
Gross profit	291,271	624,507
Selling, general and administrative expenses	504,889	412,659
Operating profit (loss)	(213,618)	211,848
Non-operating income		
Interest income	542	1,555
Foreign exchange gains	41,902	38,415
Gain on sales of scraps	8,862	13,858
Gain on insurance cancellation	—	49,988
Compensation income	—	21,855
Subsidy income	8,316	8,208
Other	10,390	8,423
Total non-operating income	70,014	142,304
Non-operating expenses		
Interest expenses	16,840	14,027
Commission fee	2,637	5,683
Depreciation	6,336	—
Other	1,027	12,144
Total non-operating expenses	26,842	31,855
Ordinary profit (loss)	(170,446)	322,297
Extraordinary income		
Gain on sales of non-current assets	301	4,288
Total extraordinary income	301	4,288
Extraordinary losses		
Loss on retirement of non-current assets	258	1,926
Loss on liquidation of business	2,446	—
Expense on relocation of factory	—	30,262
Prior year earnings results related costs	—	38,554
Total extraordinary losses	2,704	70,744
Profit (loss) before income taxes	(172,849)	255,841
Income taxes	64,689	(7,870)
Profit (loss)	(237,539)	263,711
Profit (loss) attributable to non-controlling interests	(25,050)	121,839
Profit (loss) attributable to owners of parent	(212,488)	141,872

**Consolidated statements of comprehensive income (cumulative)**

(Thousands of yen)

	Six months ended December 31, 2016	Six months ended December 31, 2017
Profit (loss)	(237,539)	263,711
Other comprehensive income		
Deferred gains or losses on hedges	(23,411)	(9,816)
Foreign currency translation adjustment	98,398	55,511
Total other comprehensive income	74,986	45,694
Comprehensive income	(162,552)	309,406
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(173,563)	168,130
Comprehensive income attributable to non-controlling interests	11,011	141,275

## Consolidated statements of cash flows

(Thousands of yen)

	Six months ended December 31, 2016	Six months ended December 31, 2017
Cash flows from operating activities		
Profit (loss) before income taxes	(172,849)	255,841
Depreciation	92,251	76,293
Loss on liquidation of business	2,446	–
Increase (decrease) in allowance for doubtful accounts	(441)	(2,202)
Increase (decrease) in provision for bonuses	20,534	(3,495)
Increase (decrease) in provision for loss on construction contracts	(15,227)	224
Increase (decrease) in net defined benefit liability	5,669	(17,201)
Interest and dividend income	(542)	(1,555)
Interest expenses	16,840	14,027
Commission fee	2,637	5,683
Loss on retirement of non-current assets	258	1,926
Loss (gain) on sales of non-current assets	(301)	(4,288)
Loss (gain) on cancellation of insurance contract	–	(49,988)
Foreign exchange losses (gains)	(17,049)	35,176
Decrease (increase) in notes and accounts receivable - trade	121,334	383,855
Decrease (increase) in inventories	15,413	(120,799)
Decrease (increase) in consumption taxes refund receivable	(1,918)	(32,387)
Increase (decrease) in notes and accounts payable - trade	(161,186)	113,552
Increase (decrease) in accrued expenses	7,432	(34,473)
Increase (decrease) in advances received	43,598	84,084
Other, net	(33,062)	(50,972)
Subtotal	(74,160)	653,301
Interest and dividend income received	542	1,555
Interest expenses paid	(17,415)	(13,509)
Income taxes paid	(3,679)	(3,711)
Net cash provided by (used in) operating activities	(94,712)	637,634
Cash flows from investing activities		
Payments into time deposits	–	(86,000)
Purchase of property, plant and equipment	(13,287)	(36,411)
Proceeds from sales of property, plant and equipment	–	377,052
Purchase of intangible assets	(439)	–
Payments for guarantee deposits	(5,058)	(2,082)
Proceeds from collection of guarantee deposits	5,505	29,641
Proceeds from cancellation of insurance funds	6,014	105,086
Other, net	(118)	–
Net cash provided by (used in) investing activities	(7,383)	387,285
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(115,280)	(292,245)
Proceeds from long-term loans payable	155,000	–
Repayments of long-term loans payable	(278,594)	(1,000,079)
Redemption of bonds	(55,000)	(40,000)
Repayments of lease obligations	(27,403)	(27,843)
commitment fees paid	(2,637)	(3,743)
Other, net	(41)	(1,458)
Net cash provided by (used in) financing activities	(323,957)	(1,365,371)

	(Thousands of yen)	
	Six months ended December 31, 2016	Six months ended December 31, 2017
Effect of exchange rate change on cash and cash equivalents	31,614	(33,371)
Net increase (decrease) in cash and cash equivalents	(394,439)	(373,822)
Cash and cash equivalents at beginning of period	959,466	2,360,647
Cash and cash equivalents at end of period	565,026	1,986,824