

Translation

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Summary of Consolidated Financial Results for the Year Ended June 30, 2018 (Based on Japanese GAAP)

August 10, 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 Tatemoto TEL 06(6261)6600
 Scheduled date of ordinary general meeting of shareholders: September 27, 2018
 Scheduled date to file Securities Report: September 27, 2018
 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, 2018 (from July 1, 2017 to June 30, 2018)

(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, 2018	4,263	44.2	427	–	502	–	180	–
Year ended June 30, 2017	2,956	(6.4)	(486)	–	(491)	–	(722)	–

	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, 2018	51.56	–	9.1	8.3	10.0
Year ended June 30, 2017	(330.00)	–	(41.1)	(7.3)	(16.5)

(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, 2018	5,250	2,571	39.3	589.46
As of June 30, 2017	6,906	2,226	27.4	538.28

(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, 2018	941	360	(2,254)	1,383
Year ended June 30, 2017	399	(21)	991	2,360

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, 2017	–	0.00	–	0.00	0.00	–	–	–
Year ended June 30, 2018	–	0.00	–	0.00	0.00	–	–	–
Year ending June 30, 2019 (Forecast)	–	0.00	–	0.00	0.00		–	

3. Forecast of consolidated financial results for the year ending June 30, 2019 (from July 1, 2018 to June 30, 2019)

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, 2018	2,454	23.5	198	(6.5)	184	(42.9)	85	(39.4)	24.55
Full year	4,430	3.9	290	(32.2)	270	(46.2)	113	(37.2)	32.40

4. Notes

(1) Changes in significant subsidiaries during the year ended June 30, 2018

(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, 2018	3,539,200 shares	As of June 30, 2017	3,539,200 shares
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Number of treasury shares at the end of the period

As of June 30, 2018	39,396 shares	As of June 30, 2017	25,088 shares
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Average number of shares during the period

Year ended June 30, 2018	3,501,348 shares	Year ended June 30, 2017	2,190,255 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of June 30, 2017	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	2,365,874	1,474,753
Notes and accounts receivable - trade	1,692,364	1,628,846
Merchandise and finished goods	3,565	5,356
Work in process	168,286	207,580
Raw materials and supplies	482,833	292,091
Deferred tax assets	55,273	33,269
Other	145,859	205,324
Allowance for doubtful accounts	(3,765)	(2,537)
Total current assets	4,910,293	3,844,685
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,607,110	754,544
Accumulated depreciation	(470,899)	(159,172)
Accumulated impairment loss	(78,047)	(9,311)
Buildings and structures, net	1,058,162	586,060
Machinery, equipment and vehicles	700,567	722,308
Accumulated depreciation	(365,045)	(415,051)
Accumulated impairment loss	(19,522)	(16,269)
Machinery, equipment and vehicles, net	315,999	290,987
Tools, furniture and fixtures	261,362	256,908
Accumulated depreciation	(182,677)	(190,145)
Accumulated impairment loss	(4,527)	(541)
Tools, furniture and fixtures, net	74,157	66,221
Leased assets	261,602	156,816
Accumulated depreciation	(92,317)	(66,276)
Leased assets, net	169,285	90,540
Construction in progress	–	55,370
Total property, plant and equipment	1,617,605	1,089,180
Intangible assets		
Other	276,900	263,268
Total intangible assets	276,900	263,268
Investments and other assets		
Deferred tax assets	863	6,537
Other	123,776	71,236
Allowance for doubtful accounts	(23,365)	(24,199)
Total investments and other assets	101,274	53,574
Total non-current assets	1,995,780	1,406,022
Total assets	6,906,073	5,250,708

(Thousands of yen)

	As of June 30, 2017	As of June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	333,609	483,387
Short-term loans payable	1,806,000	1,240,409
Current portion of long-term loans payable	1,363,769	48,392
Current portion of bonds	80,000	—
Lease obligations	55,937	11,737
Accounts payable - other	42,116	79,809
Accrued expenses	72,045	134,386
Income taxes payable	16,039	32,982
Deferred tax liabilities	6,158	1,517
Advances received	75,203	190,354
Provision for bonuses	3,322	—
Asset retirement obligations	65,314	—
Other	41,215	28,620
Total current liabilities	3,960,731	2,251,598
Non-current liabilities		
Bonds payable	60,000	—
Long-term loans payable	180,070	—
Lease obligations	14,357	2,724
provision for penalty burden loss	243,907	246,721
Net defined benefit liability	85,439	64,341
Asset retirement obligations	8,536	1,821
Long-term unearned revenue	115,080	99,410
Deferred tax liabilities	2,796	2,179
Other	8,471	10,371
Total non-current liabilities	718,659	427,569
Total liabilities	4,679,391	2,679,167
Net assets		
Shareholders' equity		
Capital stock	1,253,241	1,253,241
Capital surplus	1,275,938	1,275,938
Retained earnings	(756,442)	(575,901)
Treasury shares	(21,041)	(21,178)
Total shareholders' equity	1,751,695	1,932,099
Accumulated other comprehensive income		
Deferred gains or losses on hedges	(274)	(19,003)
Foreign currency translation adjustment	140,147	149,911
Total accumulated other comprehensive income	139,873	130,908
Non-controlling interests	335,113	508,533
Total net assets	2,226,681	2,571,540
Total liabilities and net assets	6,906,073	5,250,708

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

(Thousands of yen)

	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2018
Net sales	2,956,646	4,263,270
Cost of sales	2,511,184	2,930,592
Gross profit	445,461	1,332,677
Selling, general and administrative expenses	932,138	904,773
Operating profit (loss)	(486,676)	427,903
Non-operating income		
Interest income	1,484	4,555
Foreign exchange gains	32,412	3,775
Gain on sales of scraps	17,240	26,243
Gain on insurance cancellation	—	49,988
Compensation income	—	21,855
Subsidy income	16,298	16,526
Other	15,154	2,335
Total non-operating income	82,590	125,281
Non-operating expenses		
Interest expenses	36,454	25,618
Commission fee	5,019	7,216
Share issuance cost	27,011	—
Depreciation	12,966	—
Other	6,232	17,934
Total non-operating expenses	87,684	50,768
Ordinary profit (loss)	(491,769)	502,417
Extraordinary income		
Gain on sales of non-current assets	1,144	757
Total extraordinary income	1,144	757
Extraordinary losses		
Impairment loss	102,097	9,311
Loss on retirement of non-current assets	3,875	1,937
Loss on sales of non-current assets	—	7,212
Penalty burden provision for losses	240,205	—
Loss on liquidation of business	12,397	—
Head office transfer cost	—	9,723
Expense on relocation of factory	—	30,262
Prior year earnings results related costs	—	38,963
Total extraordinary losses	358,575	97,411
Profit (loss) before income taxes	(849,201)	405,763
Income taxes - current	9,131	41,875
Income taxes - deferred	8,714	10,062
Total income taxes	17,845	51,937
Profit (loss)	(867,047)	353,825
Profit (loss) attributable to non-controlling interests	(144,257)	173,284
Profit (loss) attributable to owners of parent	(722,789)	180,541

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2018
Profit (loss)	(867,047)	353,825
Other comprehensive income		
Deferred gains or losses on hedges	1,948	(18,728)
Foreign currency translation adjustment	79,709	9,898
Total other comprehensive income	81,658	(8,830)
Comprehensive income	(785,389)	344,995
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(667,580)	171,575
Comprehensive income attributable to non-controlling interests	(117,809)	173,419

Consolidated statements of changes in equity

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	(33,653)	(21,000)	1,542,745
Changes of items during period					
Issuance of new shares	465,891	465,891			931,782
Profit (loss) attributable to owners of parent			(722,789)		(722,789)
Purchase of treasury shares				(41)	(41)
Net changes of items other than shareholders' equity					
Total changes of items during period	465,891	465,891	(722,789)	(41)	208,950
Balance at end of current period	1,253,241	1,275,938	(756,442)	(21,041)	1,751,695

	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)	86,887	84,664	452,922	2,080,331
Changes of items during period					
Issuance of new shares					931,782
Profit (loss) attributable to owners of parent					(722,789)
Purchase of treasury shares					(41)
Net changes of items other than shareholders' equity	1,948	53,260	55,209	(117,809)	(62,599)
Total changes of items during period	1,948	53,260	55,209	(117,809)	146,350
Balance at end of current period	(274)	140,148	139,873	335,113	2,226,681

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 (loss) attributable to owners of parent			180,541		180,541
Purchase of treasury shares				(136)	(136)
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)	140,148	139,873	335,113	2,226,681
Changes of items during period					
Profit (loss) attributable to owners of parent					180,541
Purchase of treasury shares					(136)
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

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2018
Cash flows from operating activities		
Profit (loss) before income taxes	(849,201)	405,763
Depreciation	188,274	155,364
Impairment loss	102,097	9,311
Loss on liquidation of business	12,397	—
Increase (decrease) in allowance for doubtful accounts	(14,869)	(639)
Increase (decrease) in provision for bonuses	(571)	(3,526)
Increase (decrease) in provision for loss on construction contracts	(15,227)	—
The increase and decrease of penalty lose allowance	243,907	—
Increase (decrease) in net defined benefit liability	4,913	(21,098)
Interest and dividend income	(1,484)	(4,555)
Foreign exchange losses (gains)	(16,137)	13,378
Loss (gain) on cancellation of insurance contract	—	(49,988)
Compensation income	—	(21,855)
Interest expenses	36,454	25,618
Commission fee	5,019	7,216
Share issuance cost	27,011	—
Loss on retirement of non-current assets	3,875	1,937
Loss (gain) on sales of non-current assets	(1,144)	6,454
Expense on relocation of factory	—	30,262
Prior year earnings results related costs	—	38,963
Decrease (increase) in notes and accounts receivable - trade	458,951	60,603
Decrease (increase) in inventories	528,382	155,154
Increase (decrease) in notes and accounts payable - trade	(266,066)	150,598
Increase (decrease) in accrued expenses	37,461	60,959
Increase (decrease) in advances received	45,911	114,671
Other, net	(86,595)	(106,690)
Subtotal	443,361	1,027,904
Interest and dividend income received	1,484	4,555
Interest expenses paid	(37,442)	(23,417)
Income taxes paid	(7,561)	(20,629)
Proceeds from compensation	—	21,855
Expense on relocation of factory paid	—	(30,262)
Prior year earnings results related costs paid	—	(38,423)
Net cash provided by (used in) operating activities	399,842	941,582
Cash flows from investing activities		
Payments into time deposits	—	(86,000)
Purchase of property, plant and equipment	(36,502)	(74,354)
Proceeds from sales of property, plant and equipment	2,190	417,868
Purchase of intangible assets	(439)	—
Payments for guarantee deposits	(5,712)	(33,211)
Proceeds from collection of guarantee deposits	15,882	31,545
Proceeds from cancellation of insurance funds	6,014	105,086
Other, net	(3,384)	(460)
Net cash provided by (used in) investing activities	(21,951)	360,473

	(Thousands of yen)	
	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(21,780)	(554,234)
Proceeds from long-term loans payable	862,000	–
Repayments of long-term loans payable	(600,687)	(1,495,934)
Redemption of bonds	(95,000)	(140,000)
Repayments of lease obligations	(56,177)	(56,993)
Proceeds from issuance of common shares	906,014	–
Commitment fees paid	(3,136)	(4,500)
Other, net	(41)	(2,370)
Net cash provided by (used in) financing activities	991,191	(2,254,032)
Effect of exchange rate change on cash and cash equivalents	32,098	(25,143)
Net increase (decrease) in cash and cash equivalents	1,401,181	(977,120)
Cash and cash equivalents at beginning of period	959,466	2,360,647
Cash and cash equivalents at end of period	2,360,647	1,383,526