

# Translation

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## Summary of Consolidated Financial Results for the Six Months Ended December 31, 2018 (Based on Japanese GAAP)

February 12, 2019

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 06(6261)6600  
 Scheduled date to file Quarterly Securities Report: February 12, 2019  
 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, 2018 (from July 1, 2018 to December 31, 2018)

#### (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, 2018	2,083	4.8	224	6.0	198	(38.5)	159	12.7
Six months ended December 31, 2017	1,987	60.6	211	–	322	–	141	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended December 31, 2018	45.87	–
Six months ended December 31, 2017	40.50	–

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2018	5,161	2,299	44.6
As of June 30, 2018	5,250	2,571	39.3

### 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, 2018	–	0.00	–	0.00	0.00
Year ending June 30, 2019	–	0.00			
Year ending June 30, 2019 (Forecast)			–	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
Full year	4,431	4.0	317	(25.7)	277	(44.8)	243	34.6	70.05

#### 4. Notes

- (1) Changes in significant subsidiaries during the six months ended December 31, 2018  
(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
- (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: Yes
- 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, 2018	3,539,200 shares	As of June 30, 2018	3,539,200 shares
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Number of treasury shares at the end of the period

As of December 31, 2018	89,438 shares	As of June 30, 2018	39,396 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended December 31, 2018	3,486,740 shares	Six months ended December 31, 2017	3,502,845 shares
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## Quarterly consolidated financial statements

### Consolidated balance sheets

(Thousands of yen)

	As of June 30, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	1,474,753	1,098,190
Notes and accounts receivable - trade	1,628,846	1,777,291
Merchandise and finished goods	5,356	38,321
Work in process	207,580	181,230
Raw materials and supplies	292,091	376,368
Other	205,324	199,385
Allowance for doubtful accounts	(2,537)	(2,208)
Total current assets	3,811,416	3,668,580
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	586,060	727,128
Machinery, equipment and vehicles, net	290,987	293,035
Leased assets, net	90,540	84,027
Construction in progress	55,370	—
Other, net	66,221	62,286
Total property, plant and equipment	1,089,180	1,166,478
Intangible assets	263,268	247,572
Investments and other assets		
Deferred tax assets	39,807	38,605
Other	71,236	39,845
Allowance for doubtful accounts	(24,199)	—
Total investments and other assets	86,843	78,450
Total non-current assets	1,439,292	1,492,501
Total assets	5,250,708	5,161,082

(Thousands of yen)

	As of June 30, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	483,387	379,890
Short-term loans payable	1,240,409	1,628,530
Current portion of long-term loans payable	48,392	11,706
Income taxes payable	32,982	33,693
Provision for directors' bonuses	—	9,600
Other	444,908	342,298
Total current liabilities	2,250,080	2,405,718
Non-current liabilities		
provision for penalty burden loss	246,721	217,452
Net defined benefit liability	64,341	65,533
Asset retirement obligations	1,821	1,822
Deferred tax liabilities	3,697	—
Other	112,506	170,576
Total non-current liabilities	429,087	455,384
Total liabilities	2,679,167	2,861,103
Net assets		
Shareholders' equity		
Capital stock	1,253,241	1,253,241
Capital surplus	1,275,938	785,075
Retained earnings	(575,901)	245,603
Treasury shares	(21,178)	(76,129)
Total shareholders' equity	1,932,099	2,207,790
Accumulated other comprehensive income		
Deferred gains or losses on hedges	(19,003)	(3,654)
Foreign currency translation adjustment	149,911	95,842
Total accumulated other comprehensive income	130,908	92,188
Non-controlling interests	508,533	—
Total net assets	2,571,540	2,299,978
Total liabilities and net assets	5,250,708	5,161,082

**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, 2017	Six months ended December 31, 2018
Net sales	1,987,331	2,083,066
Cost of sales	1,362,824	1,392,062
Gross profit	624,507	691,004
Selling, general and administrative expenses	412,659	466,437
Operating profit	211,848	224,567
Non-operating income		
Interest income	1,555	3,421
Foreign exchange gains	38,415	—
Gain on sales of scraps	13,858	7,657
Gain on insurance cancellation	49,988	—
Compensation income	21,855	—
Subsidy income	8,208	7,957
Other	8,423	1,541
Total non-operating income	142,304	20,578
Non-operating expenses		
Interest expenses	14,027	18,044
Foreign exchange losses	—	26,469
Commission fee	5,683	2,293
Other	12,144	68
Total non-operating expenses	31,855	46,875
Ordinary profit	322,297	198,270
Extraordinary income		
Gain on sales of non-current assets	4,288	462
Reversal of provision for penalty burden loss	—	22,108
Gain on liquidation of subsidiaries and associates	—	7,328
Total extraordinary income	4,288	29,899
Extraordinary losses		
Loss on retirement of non-current assets	1,926	229
Expense on relocation of factory	30,262	—
Head office transfer cost	—	3,203
Prior year earnings results related costs	38,554	—
Loss on disaster	—	31,194
Total extraordinary losses	70,744	34,627
Profit before income taxes	255,841	193,541
Income taxes	(7,870)	33,592
Profit	263,711	159,949
Profit attributable to non-controlling interests	121,839	—
Profit attributable to owners of parent	141,872	159,949

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

(Thousands of yen)

	Six months ended December 31, 2017	Six months ended December 31, 2018
Profit	263,711	159,949
Other comprehensive income		
Deferred gains or losses on hedges	(9,816)	15,349
Foreign currency translation adjustment	55,511	(33,488)
Total other comprehensive income	45,694	(18,138)
Comprehensive income	309,406	141,811
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	168,130	141,811
Comprehensive income attributable to non-controlling interests	141,275	—

## Consolidated statements of cash flows

(Thousands of yen)

	Six months ended December 31, 2017	Six months ended December 31, 2018
Cash flows from operating activities		
Profit before income taxes	255,841	193,541
Depreciation	76,293	78,228
Increase (decrease) in allowance for doubtful accounts	(2,202)	(22,108)
Increase (decrease) in provision for bonuses	(3,495)	—
Increase (decrease) in provision for directors' bonuses	—	9,600
Increase (decrease) in provision for loss on construction contracts	224	—
the increase and decrease of penalty lose allowance	—	(22,108)
Increase (decrease) in net defined benefit liability	(17,201)	1,192
Interest and dividend income	(1,555)	(3,421)
Interest expenses	14,027	18,044
Commission fee	5,683	2,293
Loss on retirement of non-current assets	1,926	229
Loss (gain) on sales of non-current assets	(4,288)	(462)
Loss (gain) on liquidation of subsidiaries and associates	—	(7,328)
Loss (gain) on cancellation of insurance contract	(49,988)	—
Foreign exchange losses (gains)	35,176	(18,945)
Decrease (increase) in notes and accounts receivable - trade	383,855	(171,953)
Decrease (increase) in inventories	(120,799)	(96,155)
Increase (decrease) in notes and accounts payable - trade	113,552	(94,666)
Increase (decrease) in accrued expenses	(34,473)	(93,459)
Increase (decrease) in advances received	84,084	43,385
Other, net	(83,359)	14,380
Subtotal	653,301	(169,714)
Interest and dividend income received	1,555	3,421
Interest expenses paid	(13,509)	(14,007)
Income taxes paid	(3,711)	(29,432)
Net cash provided by (used in) operating activities	637,634	(209,732)
Cash flows from investing activities		
Payments into time deposits	(86,000)	(0)
Purchase of property, plant and equipment	(36,411)	(98,725)
Proceeds from sales of property, plant and equipment	377,052	735
Payments for guarantee deposits	(2,082)	(2,040)
Proceeds from collection of guarantee deposits	29,641	8,433
Proceeds from cancellation of insurance funds	105,086	—
Proceeds from liquidation of subsidiaries	—	90,278
Other, net	—	(268)
Net cash provided by (used in) investing activities	387,285	(1,588)

(Thousands of yen)

	Six months ended December 31, 2017	Six months ended December 31, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(292,245)	405,808
Repayments of long-term loans payable	(1,000,079)	(36,686)
Redemption of bonds	(40,000)	–
Repayments of lease obligations	(27,843)	(10,205)
commitment fees paid	(3,743)	(1,736)
Purchase of treasury shares	–	(55,089)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(300,000)
Other, net	(1,458)	(315)
Net cash provided by (used in) financing activities	(1,365,371)	1,776
Effect of exchange rate change on cash and cash equivalents	(33,371)	8,827
Net increase (decrease) in cash and cash equivalents	(373,822)	(200,716)
Cash and cash equivalents at beginning of period	2,360,647	1,383,526
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	–	(175,847)
Cash and cash equivalents at end of period	1,986,824	1,006,962