

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended December 31, 2022 (Based on Japanese GAAP)

February 10, 2023

Company name: Nagaoka International Corporation  
 Stock exchange listing: Tokyo  
 Stock code: 6239 URL <https://www.nagaokajapan.co.jp/>  
 Representative: President & CEO Yasuhisa Umezu  
 Inquiries: Director, Administrative Headquarters Toshiya Tatemoto TEL 06(6261)6600  
 Scheduled date to file Quarterly Securities Report: February 13, 2023  
 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, 2022 (from July 1, 2022 to December 31, 2022)

(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, 2022 | 3,146           | (3.4) | 288              | (42.1) | 288             | (46.9) | 223                                     | (44.8) |
| Six months ended December 31, 2021 | 3,258           | 12.4  | 498              | 10.0   | 542             | 10.4   | 405                                     | 24.9   |

|                                    | Earnings per share |  | Diluted earnings per share |  |
|------------------------------------|--------------------|--|----------------------------|--|
|                                    | Yen                |  | Yen                        |  |
| Six months ended December 31, 2022 | 31.72              |  | –                          |  |
| Six months ended December 31, 2021 | 57.49              |  | –                          |  |

(2) Consolidated financial position

|                         | Total assets    | Net assets      | Equity ratio |
|-------------------------|-----------------|-----------------|--------------|
|                         | Millions of yen | Millions of yen | %            |
| As of December 31, 2022 | 7,515           | 4,925           | 65.5         |
| As of June 30, 2022     | 7,421           | 4,970           | 67.0         |

2. Cash dividends

|                                      | Annual dividends per share |                 |                 |                 |       |
|--------------------------------------|----------------------------|-----------------|-----------------|-----------------|-------|
|                                      | 1st quarter-end            | 2nd quarter-end | 3rd quarter-end | Fiscal year-end | Total |
|                                      | Yen                        |                 |                 |                 |       |
| Year ended June 30, 2022             | –                          | 0.00            | –               | 20.00           | 20.00 |
| Year ending June 30, 2023            | –                          | 0.00            |                 |                 |       |
| Year ending June 30, 2023 (Forecast) |                            |                 | –               | 23.00           | 23.00 |

3. Forecast of consolidated financial results for the year ending June 30, 2023 (from July 1, 2022 to June 30, 2023)

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 | 7,800           | 23.3 | 1,140            | 44.8 | 1,160           | 17.0 | 800                                     | 0.6 | 113.49             |

4. Notes

- (1) Changes in significant subsidiaries during the six months ended December 31, 2022  
(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: No
- (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, 2022 | 7,078,400 shares | As of June 30, 2022 | 7,078,400 shares |
|-------------------------|------------------|---------------------|------------------|

Number of treasury shares at the end of the period

|                         |               |                     |               |
|-------------------------|---------------|---------------------|---------------|
| As of December 31, 2022 | 29,199 shares | As of June 30, 2022 | 29,199 shares |
|-------------------------|---------------|---------------------|---------------|

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

|                                    |                  |                                    |                  |
|------------------------------------|------------------|------------------------------------|------------------|
| Six months ended December 31, 2022 | 7,049,201 shares | Six months ended December 31, 2021 | 7,049,201 shares |
|------------------------------------|------------------|------------------------------------|------------------|

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

(Thousands of yen)

|  | As of June 30, 2022 | As of December 31, 2022 |
|--|---------------------|-------------------------|
| <b>Assets</b>  |                     |                         |
| <b>Current assets</b>                                      |                     |                         |
| Cash and deposits  | 2,118,522           | 1,871,890               |
| Notes and accounts receivable - trade, and contract assets | 2,444,062           | 2,756,520               |
| Electronically recorded monetary claims - operating        | 295,966             | 132,761                 |
| Merchandise and finished goods                             | 11,547              | 50,796                  |
| Work in process  | 42,120              | 181,291                 |
| Raw materials and supplies                                 | 501,931             | 464,405                 |
| Other  | 301,525             | 298,740                 |
| Allowance for doubtful accounts                            | (3,445)             | (2,950)                 |
| <b>Total current assets</b>                                | <b>5,712,229</b>    | <b>5,753,455</b>        |
| <b>Non-current assets</b>                                  |                     |                         |
| <b>Property, plant and equipment</b>                       |                     |                         |
| Buildings and structures, net                              | 758,969             | 711,462                 |
| Machinery, equipment and vehicles, net                     | 371,909             | 315,075                 |
| Land   | –                   | 149,095                 |
| Leased assets, net   | 54,758              | 49,255                  |
| Construction in progress                                   | 2,660               | 2,660                   |
| Other, net   | 70,299              | 57,063                  |
| <b>Total property, plant and equipment</b>                 | <b>1,258,597</b>    | <b>1,284,611</b>        |
| <b>Intangible assets</b>                                   |                     |                         |
| Goodwill   | –                   | 21,545                  |
| Other  | 352,004             | 317,572                 |
| <b>Total intangible assets</b>                             | <b>352,004</b>      | <b>339,118</b>          |
| <b>Investments and other assets</b>                        |                     |                         |
| Deferred tax assets  | 27,830              | 28,905                  |
| Other  | 71,061              | 109,711                 |
| <b>Total investments and other assets</b>                  | <b>98,891</b>       | <b>138,616</b>          |
| <b>Total non-current assets</b>                            | <b>1,709,493</b>    | <b>1,762,346</b>        |
| <b>Total assets</b>  | <b>7,421,722</b>    | <b>7,515,801</b>        |

(Thousands of yen)

|  | As of June 30, 2022 | As of December 31, 2022 |
|--|---------------------|-------------------------|
| <b>Liabilities</b>                                       |                     |                         |
| <b>Current liabilities</b>                               |                     |                         |
| Notes and accounts payable - trade                       | 403,554             | 543,785                 |
| Short-term borrowings                                    | 929,305             | 865,594                 |
| Current portion of bonds payable                         | –                   | 10,000                  |
| Current portion of long-term borrowings                  | 184,000             | 175,524                 |
| Income taxes payable                                     | 160,453             | 17,815                  |
| Provision for bonuses                                    | –                   | 5,580                   |
| Provision for bonuses for directors (and other officers) | –                   | 17,250                  |
| Other  | 524,410             | 628,469                 |
| <b>Total current liabilities</b>                         | <b>2,201,724</b>    | <b>2,264,019</b>        |
| <b>Non-current liabilities</b>                           |                     |                         |
| Bonds payable  | –                   | 25,000                  |
| Long-term borrowings                                     | 123,600             | 165,422                 |
| Retirement benefit liability                             | 78,118              | 78,843                  |
| Deferred tax liabilities                                 | –                   | 16,372                  |
| Other  | 48,118              | 40,518                  |
| <b>Total non-current liabilities</b>                     | <b>249,836</b>      | <b>326,157</b>          |
| <b>Total liabilities</b>                                 | <b>2,451,561</b>    | <b>2,590,176</b>        |
| <b>Net assets</b>  |                     |                         |
| <b>Shareholders' equity</b>                              |                     |                         |
| Share capital  | 1,253,241           | 1,253,241               |
| Capital surplus  | 785,195             | 785,195                 |
| Retained earnings  | 2,395,252           | 2,477,857               |
| Treasury shares  | (20,106)            | (20,106)                |
| <b>Total shareholders' equity</b>                        | <b>4,413,582</b>    | <b>4,496,188</b>        |
| <b>Accumulated other comprehensive income</b>            |                     |                         |
| Deferred gains or losses on hedges                       | (6,726)             | 53,877                  |
| Foreign currency translation adjustment                  | 563,305             | 375,559                 |
| <b>Total accumulated other comprehensive income</b>      | <b>556,579</b>      | <b>429,437</b>          |
| <b>Total net assets</b>                                  | <b>4,970,161</b>    | <b>4,925,625</b>        |
| <b>Total liabilities and net assets</b>                  | <b>7,421,722</b>    | <b>7,515,801</b>        |

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

**Consolidated statements of income (cumulative)**

(Thousands of yen)

|  | Six months ended<br>December 31, 2021 | Six months ended<br>December 31, 2022 |
|--|---------------------------------------|---------------------------------------|
| Net sales                                    | 3,258,247                             | 3,146,985                             |
| Cost of sales                                | 2,013,075                             | 2,168,957                             |
| Gross profit                                 | 1,245,172                             | 978,027                               |
| Selling, general and administrative expenses | 746,648                               | 689,464                               |
| Operating profit                             | 498,523                               | 288,562                               |
| Non-operating income                         |                                       |                                       |
| Interest income                              | 3,429                                 | 2,616                                 |
| Foreign exchange gains                       | 21,350                                | 567                                   |
| Gain on sale of scraps                       | 21,186                                | 7,295                                 |
| Subsidy income                               | 8,473                                 | 10,504                                |
| Other  | 3,473                                 | 889                                   |
| Total non-operating income                   | 57,912                                | 21,872                                |
| Non-operating expenses                       |                                       |                                       |
| Interest expenses                            | 11,082                                | 19,386                                |
| Commission expenses                          | 2,486                                 | 2,486                                 |
| Other  | 34                                    | 91                                    |
| Total non-operating expenses                 | 13,603                                | 21,964                                |
| Ordinary profit                              | 542,832                               | 288,471                               |
| Extraordinary losses                         |                                       |                                       |
| Loss on retirement of non-current assets     | 1,988                                 | 123                                   |
| Total extraordinary losses                   | 1,988                                 | 123                                   |
| Profit before income taxes                   | 540,844                               | 288,348                               |
| Income taxes - current                       | 123,024                               | 60,363                                |
| Income taxes - deferred                      | 12,580                                | 4,394                                 |
| Total income taxes                           | 135,605                               | 64,758                                |
| Profit                                       | 405,239                               | 223,589                               |
| Profit attributable to owners of parent      | 405,239                               | 223,589                               |

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

(Thousands of yen)

|   | Six months ended<br>December 31, 2021 | Six months ended<br>December 31, 2022 |
|---|---------------------------------------|---------------------------------------|
| Profit  | 405,239                               | 223,589                               |
| Other comprehensive income                            |                                       |                                       |
| Deferred gains or losses on hedges                    | 5,593                                 | 60,603                                |
| Foreign currency translation adjustment               | 81,866                                | (187,745)                             |
| Total other comprehensive income                      | 87,460                                | (127,141)                             |
| Comprehensive income                                  | 492,699                               | 96,447                                |
| Comprehensive income attributable to                  |                                       |                                       |
| Comprehensive income attributable to owners of parent | 492,699                               | 96,447                                |

## Consolidated statements of cash flows

(Thousands of yen)

|   | Six months ended<br>December 31, 2021 | Six months ended<br>December 31, 2022 |
|---|---------------------------------------|---------------------------------------|
| Cash flows from operating activities  |                                       |                                       |
| Profit before income taxes  | 540,844                               | 288,348                               |
| Depreciation  | 89,228                                | 111,321                               |
| Amortization of goodwill  | –                                     | 2,393                                 |
| Increase (decrease) in allowance for doubtful accounts                          | 1,026                                 | (494)                                 |
| Increase (decrease) in provision for bonuses                                    | –                                     | 1,891                                 |
| Increase (decrease) in provision for bonuses for directors (and other officers) | 86,000                                | 17,250                                |
| Increase (decrease) in retirement benefit liability                             | 2,607                                 | 725                                   |
| Interest and dividend income  | (3,429)                               | (2,654)                               |
| Interest expenses   | 11,082                                | 19,386                                |
| Commission expenses   | 2,486                                 | 2,486                                 |
| Loss on retirement of non-current assets  | 1,988                                 | 123                                   |
| Foreign exchange losses (gains)   | 251                                   | (3,283)                               |
| Decrease (increase) in trade receivables  | (754,123)                             | (152,922)                             |
| Decrease (increase) in inventories  | 104,461                               | (28,353)                              |
| Increase (decrease) in trade payables   | (387,481)                             | 25,215                                |
| Increase (decrease) in accrued expenses   | (96,973)                              | (67,340)                              |
| Increase (decrease) in advances received  | (65,465)                              | 186,295                               |
| Other, net  | 243,676                               | (80,541)                              |
| Subtotal  | (223,821)                             | 319,846                               |
| Interest and dividends received   | 3,126                                 | 2,654                                 |
| Interest paid   | (4,788)                               | (20,769)                              |
| Income taxes paid   | (195,822)                             | (251,240)                             |
| Net cash provided by (used in) operating activities                             | (421,306)                             | 50,490                                |
| Cash flows from investing activities  |                                       |                                       |
| Purchase of property, plant and equipment                                       | (63,095)                              | (11,001)                              |
| Purchase of intangible assets   | (720)                                 | (150)                                 |
| Payments of guarantee deposits  | (4,220)                               | (5,922)                               |
| Proceeds from refund of guarantee deposits                                      | 1,529                                 | 94                                    |
| Other, net  | (4,068)                               | 325                                   |
| Net cash provided by (used in) investing activities                             | (70,575)                              | (16,654)                              |
| Cash flows from financing activities  |                                       |                                       |
| Net increase (decrease) in short-term borrowings                                | 229,457                               | (15,244)                              |
| Proceeds from long-term borrowings  | –                                     | 77,000                                |
| Repayments of long-term borrowings  | (21,000)                              | (123,662)                             |
| Redemption of bonds   | –                                     | (5,000)                               |
| Repayments of lease liabilities   | (2,022)                               | (2,371)                               |
| Dividends paid  | (105,594)                             | (140,809)                             |
| Other, net  | (2,486)                               | (2,486)                               |
| Net cash provided by (used in) financing activities                             | 98,354                                | (212,574)                             |
| Effect of exchange rate change on cash and cash equivalents                     | 12,575                                | (67,893)                              |
| Net increase (decrease) in cash and cash equivalents                            | (380,952)                             | (246,631)                             |
| Cash and cash equivalents at beginning of period                                | 1,584,985                             | 2,027,293                             |
| Cash and cash equivalents at end of period                                      | 1,204,032                             | 1,780,661                             |