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Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Based on Japanese GAAP)

February 9, 2024

Company name: NAKABAYASHI CO., LTD.

Stock exchange listings: Tokyo

Stock code: 7987 URL: <https://www.nakabayashi.co.jp/>

Representative: President and Representative Director Hideaki Yumoto
Executive Officer and General Manager

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Administration Division

Scheduled date to file Quarterly Securities Report: February 13, 2024

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 nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(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 | % |
| Nine months ended | | | | | | | | |
| December 31, 2023 | 44,350 | (0.9) | (383) | – | 77 | (73.5) | 164 | – |
| December 31, 2022 | 44,745 | (1.5) | (109) | – | 291 | (76.5) | (51) | – |

(Note) Comprehensive income: Nine months ended December 31, 2023: ¥186 million [45.4%]
Nine months ended December 31, 2022: ¥128 million [(78.1)%]

| | Earnings per share | Diluted earnings per share |
|-------------------|--------------------|----------------------------|
| | Yen | Yen |
| Nine months ended | | |
| December 31, 2023 | 6.01 | – |
| December 31, 2022 | (1.88) | – |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|-------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of | | | |
| December 31, 2023 | 58,973 | 26,478 | 43.8 |
| March 31, 2023 | 57,703 | 26,881 | 45.4 |

(Reference) Equity: As of December 31, 2023: ¥25,802 million
As of March 31, 2023: ¥26,204 million

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 March 31, 2023 | – | 0.00 | – | 12.00 | 12.00 |
| Year ending March 31, 2024 | – | 10.00 | – | | |
| Year ending March 31, 2024 (Forecast) | | | | 12.00 | 22.00 |

(Note) Revisions of dividend forecasts from recently announced figures: No

3. Forecast of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

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 | 65,000 | 5.6 | 2,550 | 459.3 | 3,000 | 219.4 | 1,700 | – | 61.98 |

(Note) Revisions of forecasts of financial results from recently announced figures: No

4. Notes

(1) Changes in significant subsidiaries during the nine months ended December 31, 2023
(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, 2023 | 28,794,294 shares | As of March 31, 2023 | 28,794,294 shares |
|-------------------------|-------------------|----------------------|-------------------|

Number of treasury shares at the end of the period

| | | | |
|-------------------------|------------------|----------------------|------------------|
| As of December 31, 2023 | 1,357,417 shares | As of March 31, 2023 | 1,388,104 shares |
|-------------------------|------------------|----------------------|------------------|

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

| | | | |
|-------------------------------------|-------------------|-------------------------------------|-------------------|
| Nine months ended December 31, 2023 | 27,424,647 shares | Nine months ended December 31, 2022 | 27,393,825 shares |
|-------------------------------------|-------------------|-------------------------------------|-------------------|

* This quarterly financial results report is not subject to the quarterly review by a certificated public accountant or an auditing firm.

* Explanation and other special notes concerning the appropriate use of business performance forecasts
(Cautionary Statement with Respect to Forward-Looking Statements)

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual results, etc. may differ materially from the forecasts due to various factors. For notes on the assumptions underlying the earnings forecasts and the earnings forecasts, please refer to “1. Qualitative Information on Quarterly Financial Results, (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information” on page 4.

○ Accompanying Materials – Contents

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months under review (from April 1, 2023 to December 31, 2023), the Japanese economy experienced a gradual economic recovery with the normalization of socio-economic activities. At the same time, soaring raw material prices, the prolonged situation in Russia and Ukraine, and the weakness of the yen in foreign exchange markets have kept the outlook of the economy uncertain.

The environment surrounding the Company group (the “Group”) remains challenging. We are carrying out reforms to our products and services partly in response to major changes in lifestyles and corporate activities.

Against this backdrop, in November 2023, the Group established our purpose of “It’s for SMILE—Creating a Brighter and Happier Society through Valuable Products and Services.” In our current society in which we are welcoming an age of 100-year lifespans, if the Company can resolve even one social issue, we can envision a healthy, cultural, bright and lively future with “It’s for SMILE.”

In addition, we are strengthening our existing businesses and entering new businesses toward our mission and vision of becoming a leading company in the “Life-related industry” (Note). In the final fiscal year of our third medium-term management plan (from April 1, 2021 to March 31, 2024), “add+venture 70” (Adventure 70), we are working to achieve the plan, optimize the allocation of management resources, and create synergies among business segments and Group companies as a whole.

(Note) “Life-related industry” is a concept advocated by Professor Yoshinori Hiroi of Kyoto University.

Specifically, this refers to the following five fields: (1) health and medical care, (2) environment (including renewable energy), (3) life and welfare, (4) agriculture, and (5) culture.

Net sales decreased by 0.9% year on year. An operating loss was recorded despite efforts to improve our cost of sales ratio and to reduce expenses amid the soaring prices of raw materials and continuing trend toward a weaker yen, while ordinary profit also declined. Furthermore, extraordinary income of ¥481 million was recorded, including a gain on sale of investment securities of ¥478 million, and extraordinary losses of ¥19 million were recorded, including a loss on disposal of non-current assets of ¥15 million.

As a result, profit attributable to owners of parent was ¥164 million.

The Group’s operating results for the nine months under review are as follows.

| | | |
|---|-----------------|---|
| Net sales | ¥44,350 million | (Down 0.9% year on year) |
| Operating loss | ¥383 million | (Operating loss of ¥109 million in the same period of the previous fiscal year) |
| Ordinary profit | ¥77 million | (Down 73.5% year on year) |
| Profit attributable to owners of parent | ¥164 million | (Loss attributable to owners of parent of ¥51 million in the same period of the previous fiscal year) |

Operating results by segment are as follows.

(i) Business Process Solutions Business

In the library solutions business, orders for outsourcing services including counter operations from public libraries performed well. Furthermore, data printing services (DPS) continued to perform well in range of printing and dispatch services due to the re-acquisition of a tender project from a government office and increased corporate activity. Under such circumstances, the Company’s wholly-owned subsidiary NIPPON TSUSHINSHI CO., LTD. advanced proposals for computer-based testing (CBT) that use PCs in operations work for qualification examinations and Internet-based testing (IBT), which is expected to become more widespread. However, orders for contracting of BPO work (My Number Points and subsidy work) from local government bodies remained subdued due to intensifying competition. The Company will continue to promote rationalization in manufacturing departments and streamlining in sales departments to enhance group synergies, and will work to develop a “BPO Integrated Support Service” that provides total support related to labor shortages, work style reforms, and other aspects of the business environment throughout society.

In paper containers and other areas of packaging, sales for the high-quality, paper multi-tiered food box “JIYUBACO” increased for at-home, year-end holiday food applications. Fujikogei-print Co., Ltd., which engages in the planning and printing of packaging, saw favorable sales centered around packaging for household goods. Furthermore, in the seals and labels business, sales increased for the entertainment and amusement industry as well.

Consequently, net sales in this business amounted to ¥23,149 million (up 0.2% year on year), and operating profit amounted to ¥173 million (down 58.9% year on year).

(ii) Consumer Communications Business

OEM orders for commercially available products and sales of office supplies performed strongly. We also continued to strive to launch new PC-related products and smartphone- and tablet-related items. Moreover, on January 1, 2024, we completed absorption-type mergers for the Company’s consolidated subsidiaries Miyoshi Co., Ltd. and Revex Co., Ltd. We will continue to strive to further enhance our product value and brand strength.

Meanwhile, sales of stationary office supplies decreased due to the shift away from paper in companies and the spread of the GIGA School Program. In our Meguri-ing business, which was started as a measure to support new tourism, sales of products for theme parks and souvenirs, including Goshuin-cho and Gojoin-cho stamp books, continued to increase due to nationwide tourism support and recovery in overseas tourist numbers.

For pocket notebooks, OEM orders for commercially available products were strong, and we worked to expand our lineup of commercially available calendars.

Bic Three Co., Ltd., which conducts online sales for beds, mattresses, and interior furnishings, saw a decline in sales to corporate clients, and the soaring prices of raw materials and continuing trend toward a weaker yen increased the cost of sales ratio, leading to subdued results.

Consequently, net sales in this business amounted to ¥14,595 million (down 5.7% year on year), while operating loss amounted to ¥463 million (operating loss of ¥399 million in the same period of the previous fiscal year).

(iii) Office Appliances Business

In the shredder business, sales from small- to medium-sized enterprises for office shredders and crushers for media such as hard disk drives and solid state drives, as well as orders for maintenance and inspection operations, were strong as socio-economic activities normalized. KAGUKURO Co., Ltd., which is operating the e-commerce business for office furniture, recorded sales growth due to trend of workers returning to work in offices and profit growth due to the effect of price revisions.

Consequently, net sales in this business amounted to ¥5,426 million (up 8.1% year on year), and operating profit amounted to ¥192 million (up 291.3% year on year).

(iv) Energy Business

Wooden biomass power generation had a reduced number of operating days due to a statutory inspection conducted in May, resulting in a decrease in operating profit. Solar power generation performed well.

Consequently, net sales in this business amounted to ¥1,121 million (up 1.4% year on year), while operating profit amounted to ¥29 million (down 49.5% year on year).

(v) Others

The Vegetable Plant Business and the Garlic Farm Business, etc. posted net sales of ¥56 million (up 63.3% year on year) and operating loss of ¥33 million (operating loss of ¥19 million in the same period of the previous fiscal year).

(2) Explanation of Financial Position

[Assets]

Current assets increased by ¥1,223 million from the end of the previous fiscal year to ¥31,116 million. This was mainly due to increases of ¥1,268 million in merchandise and finished goods, ¥271 million in work in process, and ¥185 million in raw materials and supplies, despite decreases of ¥473 million in notes and accounts receivable - trade and ¥57 million in cash and deposits.

Non-current assets increased by ¥46 million from the end of the previous fiscal year to ¥27,857 million. This was mainly due to an increase of ¥495 million in buildings and structures, despite decreases of ¥214 million in machinery, equipment and vehicles and ¥151 million in investment securities.

As a result, total assets as of December 31, 2023 increased by ¥1,270 million from the end of the previous fiscal year to ¥58,973 million.

[Liabilities]

Current liabilities increased by ¥1,925 million from the end of the previous fiscal year to ¥19,801 million. This was mainly due to an increase of ¥1,580 million in short-term borrowings.

Non-current liabilities decreased by ¥252 million from the end of the previous fiscal year to ¥12,693 million. This was mainly due to a decrease of ¥247 million in long-term borrowings.

As a result, total liabilities as of December 31, 2023 increased by ¥1,673 million from the end of the previous fiscal year to ¥32,495 million.

[Net assets]

Total net assets decreased by ¥403 million from the end of the previous fiscal year to ¥26,478 million. This was mainly due to a decrease of ¥438 million in retained earnings, despite an increase of ¥63 million in foreign currency translation adjustment.

As a result, the equity ratio as of December 31, 2023 was 43.8%, down 1.6 percentage points from the end of the previous fiscal year.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information

We have not changed our full-year consolidated earnings forecasts since the announcement we made on May 12, 2023.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2023 | As of December 31, 2023 |
|--|----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 7,871 | 7,814 |
| Notes and accounts receivable - trade | 10,304 | 9,831 |
| Merchandise and finished goods | 6,195 | 7,464 |
| Work in process | 955 | 1,227 |
| Raw materials and supplies | 1,785 | 1,971 |
| Other | 2,781 | 2,808 |
| Allowance for doubtful accounts | (2) | (0) |
| Total current assets | 29,893 | 31,116 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 7,117 | 7,613 |
| Machinery, equipment and vehicles, net | 4,958 | 4,743 |
| Land | 9,863 | 9,863 |
| Construction in progress | 147 | 73 |
| Other, net | 188 | 182 |
| Total property, plant and equipment | 22,274 | 22,476 |
| Intangible assets | | |
| Goodwill | 108 | 27 |
| Other | 280 | 289 |
| Total intangible assets | 388 | 317 |
| Investments and other assets | | |
| Investment securities | 2,834 | 2,683 |
| Retirement benefit asset | 876 | 929 |
| Deferred tax assets | 603 | 591 |
| Other | 839 | 867 |
| Allowance for doubtful accounts | (8) | (8) |
| Total investments and other assets | 5,146 | 5,063 |
| Total non-current assets | 27,810 | 27,857 |
| Total assets | 57,703 | 58,973 |

| | As of March 31, 2023 | As of December 31, 2023 |
|---|----------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 4,775 | 4,381 |
| Short-term borrowings | 6,400 | 7,981 |
| Accounts payable - other | 2,974 | 3,277 |
| Accrued expenses | 416 | 419 |
| Income taxes payable | 307 | 221 |
| Provision for bonuses | 569 | 331 |
| Other | 2,431 | 3,189 |
| Total current liabilities | 17,876 | 19,801 |
| Non-current liabilities | | |
| Long-term borrowings | 9,285 | 9,037 |
| Retirement benefit liability | 3,275 | 3,246 |
| Deferred tax liabilities | 139 | 139 |
| Other | 245 | 270 |
| Total non-current liabilities | 12,945 | 12,693 |
| Total liabilities | 30,822 | 32,495 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 6,666 | 6,666 |
| Capital surplus | 8,943 | 8,943 |
| Retained earnings | 10,404 | 9,965 |
| Treasury shares | (706) | (691) |
| Total shareholders' equity | 25,307 | 24,884 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 847 | 803 |
| Deferred gains or losses on hedges | 9 | 5 |
| Foreign currency translation adjustment | 116 | 180 |
| Remeasurements of defined benefit plans | (76) | (70) |
| Total accumulated other comprehensive income | 897 | 917 |
| Non-controlling interests | 677 | 676 |
| Total net assets | 26,881 | 26,478 |
| Total liabilities and net assets | 57,703 | 58,973 |

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen)

| | Nine months ended December 31, 2022 | Nine months ended December 31, 2023 |
|--|--|--|
| Net sales | 44,745 | 44,350 |
| Cost of sales | 34,108 | 33,995 |
| Gross profit | 10,637 | 10,355 |
| Selling, general and administrative expenses | 10,747 | 10,739 |
| Operating loss | (109) | (383) |
| Non-operating income | | |
| Rental income | 129 | 129 |
| Dividend income | 79 | 85 |
| Insurance claim income | 151 | 148 |
| Other | 152 | 209 |
| Total non-operating income | 512 | 573 |
| Non-operating expenses | | |
| Interest expenses | 50 | 63 |
| Miscellaneous expenses of assets for rent | 35 | 32 |
| Other | 24 | 16 |
| Total non-operating expenses | 111 | 111 |
| Ordinary profit | 291 | 77 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 1 | 2 |
| Gain on sale of investment securities | 1 | 478 |
| Subsidy income | 3 | - |
| Gain on extinguishment of tie-in shares | 76 | - |
| Total extraordinary income | 82 | 481 |
| Extraordinary losses | | |
| Loss on disposal of non-current assets | 1 | 15 |
| Loss on sale of investment securities | 1 | 3 |
| Loss on Anti-monopoly Act | 92 | - |
| Total extraordinary losses | 95 | 19 |
| Profit before income taxes | 278 | 538 |
| Income taxes - current | 366 | 357 |
| Income taxes - deferred | (216) | 16 |
| Total income taxes | 150 | 373 |
| Profit | 128 | 165 |
| Profit attributable to non-controlling interests | 180 | 0 |
| Profit (loss) attributable to owners of parent | (51) | 164 |

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

| | Nine months ended December 31, 2022 | Nine months ended December 31, 2023 |
|--|--|--|
| Profit | 128 | 165 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 51 | (44) |
| Deferred gains or losses on hedges | (43) | (4) |
| Foreign currency translation adjustment | 8 | 63 |
| Remeasurements of defined benefit plans, net of tax | (17) | 6 |
| Total other comprehensive income | (0) | 20 |
| Comprehensive income | 128 | 186 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | (46) | 185 |
| Comprehensive income attributable to non-controlling interests | 174 | 1 |

(3) Notes to Quarterly Consolidated Financial Statements
(Notes on the Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

3. Others

Not applicable.