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Consolidated Financial Results for the Six Months Ended September 30, 2021 (Based on Japanese GAAP)

November 10, 2021

Company name: NAKABAYASHI CO.,LTD.
 Stock exchange listing: Tokyo
 Stock code: 7987 URL <https://www.nakabayashi.co.jp/>
 Representative: President and Representative Director Hideaki Yumoto
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 Scheduled date to file Quarterly Securities Report: November 11, 2021
 Scheduled date to commence dividend payments: December 1, 2021
 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 September 30, 2021 (from April 1, 2021 to September 30, 2021)

(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 September 30, 2021	28,653	0.0	297	(53.7)	586	(34.0)	114	(73.8)
Six months ended September 30, 2020	28,644	(7.2)	642	(5.7)	888	(1.7)	435	(5.3)

(Note) Comprehensive income: Six months ended September 30, 2022: ¥242million [(66.1%)]
 Six months ended September 30, 2021: ¥714million [48.1%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2021	4.42		-	
Six months ended September 30, 2020	16.89		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2021	57,508	27,929	44.6
As of March 31, 2021	57,113	28,046	45.2

(Reference) Equity : As of September 30, 2021: ¥25,653million
 As of March 31, 2021: ¥25,821million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2021	-	10.00	-	12.00	22.00
Year ending March 31, 2022	-	10.00	-	-	-
Year ending March 31, 2022 (Forecast)	-	-	-	12.00	22.00

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

3. Forecast of consolidated financial results for the year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

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	2.1	2,650	3.9	3,100	2.5	1,600	3.1	61.95

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

*** Notes**

(1) Changes in significant subsidiaries during the six months ended September 30, 2021
(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

1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

2) Changes in accounting policies due to other reasons: No

3) Changes in accounting estimates: No

4) Restatement of prior period financial statements: No

(Note) For details, please refer to "(3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)" of "2. Quarterly Consolidated Financial Statements and Major Notes" on page 8 of the attached material.

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2021	28,794,294 shares	As of March 31, 2021	28,794,294 shares
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2) Number of treasury shares at the end of the period

As of September 30, 2021	2,955,577 shares	As of March 31, 2021	2,993,787 shares
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3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2021	25,816,872 shares	Six months ended September 30, 2020	25,779,822 shares
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※ This financial results report is not subject to the audit by a certified public accountant or an auditing firm.

※ Explanations 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 3.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of results of operations

The outlook for the Japanese economy during the second quarter of the current fiscal year (April 1, 2021 to September 30, 2021) remains uncertain, although economic activities are expected to recover due to the progress of vaccination due to the impact of the prolonged COVID-19.

Under these circumstances, we formulated our third medium-term management plan (April 1, 2021 to March 31, 2024), "add+ venture 70" (Adventure 70). As conventional business models and processes change dramatically depending on the New normal and DX, we have set 70 new targets to increase corporate value and are working to achieve the targets. To this end, we are working to optimize the allocation of management resources and create synergies among business segments and Group companies as a whole. As a concrete policy required in the era of post-corona, our Group aims to become a leading company in the "Life-related industry" (Note), an industry field that will play a central role in the future, and will advance initiatives to strengthen existing businesses and enter new businesses. Specifically, it refers to the following five fields (1) health and medical care (2) environment (including renewable energy) (3) life and welfare (4) agriculture (5) culture.

(Note)"Life-related industries" is a concept advocated by Professor Yoshinori Hiroi of Kyoto University

In terms of profits, net sales remained unchanged from the same period of the previous fiscal year, but operating profit and ordinary profit declined due to a deterioration in the cost of sales ratio caused by an increase in raw material prices and an increase in selling, general and administrative expenses.

In addition, extraordinary income of ¥228 million was recorded, including a gain on the sale of fixed assets associated with the sale of the headquarters building of NIPPON TSUSHINSHI CO., LTD., and extraordinary loss of ¥318 million was recorded, including a provision for loss related to the Anti-Monopoly Act.

As a result, quarterly net income attributable to owners of the parent was 114 million yen.

Our Group's operating results for the second quarter of the current fiscal year are as follows.

Net sales	¥28,653 million	(Up 0.0% year on year)
Operating profit	¥297 million	(Down 53.7% year on year)
Ordinary profit	¥586 million	(Down 34.0% year on year)
Net profit attributable to owners of parent	¥114 million	(Down 73.8% year on year)

Operating results by segment are as follows.

1) Business Process Solutions Business

In the BPO (Business Process Outsourcing) business, orders are recovering due to various test operations and moves by companies to produce novelties and resume sales promotion campaigns as a result of the full-scale launch of vaccinations for COVID-19. We also worked to improve operating profit by focusing on high-value-added solution sales.

In the library solutions business, outsourcing services, such as counter operations from public libraries, and the digitization of materials from companies seeking to promote DX grew.

Orders for rolled paper continued to decrease due to the impact of requests for voluntary restraint from outside the company.

As a result, net sales in this business were 14,822 million yen (down 0.2% year on year) and operating profit was 80 million yen (up 4.7% year on year).

2) Consumer Communications Business

School lessons resumed and stationeries such as notebooks and files recovered. On the other hand, sales of products for measures to reduce spills and remote work-related goods ran their course. With respect to commercial notebooks, profits have decreased due to factors such as the deduction from sales of anticipated sales returns in accordance with the adoption of the accounting standard for revenue recognition. In addition, sales of Olympic-related products fell short of the initial sales plan.

Operating profit decreased due in part to higher raw material prices and the impact of foreign exchange rates.

As a result, net sales in this segment amounted to 9,686 million yen (up 0.9% year on year) and operating profit was 227 million yen (down 54.6% year on year).

3) Office Appliances Business

Office shredders continued to be sluggish due to companies curbing capital investment in the Corona disaster. However, maintenance operations, which had been difficult to visit, are recovering due to an increasing trend in the rate of employee visits to offices. Sales of large shredders and crushers grew due to replacement demand.

Layout changes aimed at improving the office environment and taking measures to reduce spills have been brisk, and low-party sales have been favorable.

As a result, net sales in this segment were 3,363 million yen (up 1.6% year on year) and operating profit was 191 million yen (up 45.0% year on year).

4) Energy Business

Sales and operating profit of wooden biomass power generation declined due to a decrease in unit selling prices with premiums. Solar power generation performed well.

As a result, net sales in this business were 747 million yen (down 11.2% year on year) and operating profit was 29 million yen (down 75.2% year on year).

5) Others

The Vegetable Plant Business and the Garlic Farm Business, etc. posted net sales of ¥32 million (down 22.8% year on year) and an operating loss of ¥24 million (an operating loss of ¥21 million from the same quarter of the previous year).

(2) Explanation of Financial Position

(Assets)

Current assets increased by 160 million yen from the end of the previous fiscal year to 28,475 million yen. This was mainly due to decreases of 2,699 million yen in notes and accounts receivable-trade, which offset increases of 1,340 million yen in merchandise and finished goods, 763 million yen in raw materials and supplies, 549 million yen in cash and deposits, and 421 million yen in work in process.

Non-current assets increased by 234 million yen from the end of the previous fiscal year to 29,032 million yen. This was mainly due to decreases of ¥201 million in machinery, equipment and vehicles, which offset increases of ¥178 million in construction in progress, ¥109 million in land, ¥80 million in deferred tax assets and ¥62 million in net defined benefit asset.

As a result, total assets at the end of the second quarter of the current fiscal year increased by 394 million yen from the end of the previous fiscal year to 57.508 billion yen.

(Liabilities)

Current liabilities increased by 1,869 million yen from the end of the previous fiscal year to 19,243 million yen. This was mainly due to decreases of 643 million yen in notes and accounts payable-trade and 486 million yen in accounts payable-other, while there was an increase of 2,920 million yen in short-term borrowings payable.

Non-current liabilities decreased by 1,358 million yen from the end of the previous fiscal year to 10,335 million yen. This was mainly due to a decrease of 1,322 million yen in long-term borrowings payable.

As a result, total liabilities at the end of the second quarter of the current fiscal year increased by 510 million yen from the end of the previous fiscal year to 29,578 million yen.

(Net assets)

Total net assets decreased 116 million yen from the end of the previous fiscal year to 27,929 million yen. This was mainly due to a decrease of 212 million yen in retained earnings, despite increases of 51 million yen in non-controlling interests and 31 million yen in foreign currency translation adjustments.

Due to a decrease in net assets and an increase in total assets, the equity ratio at the end of the second quarter under review was 44.6%, down 0.6 percentage points from the end of the previous fiscal year.

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

The earnings forecast announced on May 14, 2021 has not been revised.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	6,467	7,016
Notes and accounts receivable - trade	11,660	8,961
Merchandise and finished goods	5,572	6,912
Work in process	757	1,178
Raw materials and supplies	1,510	2,273
Other	2,353	2,136
Allowance for doubtful accounts	(5)	(3)
Total current assets	28,315	28,475
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,592	7,549
Machinery, equipment and vehicles, net	5,034	4,833
Land	10,042	10,151
Construction in progress	28	206
Other, net	211	202
Total property, plant and equipment	22,910	22,944
Intangible assets		
Goodwill	498	540
Other	260	248
Total intangible assets	759	789
Investments and other assets		
Investment securities	2,876	2,893
Retirement benefit asset	783	845
Deferred tax assets	476	557
Other	1,000	1,009
Allowance for doubtful accounts	(9)	(7)
Total investments and other assets	5,128	5,298
Total non-current assets	28,797	29,032
Total assets	57,113	57,508

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,908	5,265
Short-term borrowings	4,753	7,673
Accounts payable - other	3,032	2,545
Accrued expenses	456	435
Income taxes payable	872	414
Provision for bonuses	854	819
Provision for loss on Anti-Monopoly Act	—	310
Other	1,495	1,778
Total current liabilities	17,373	19,243
Non-current liabilities		
Long-term borrowings	7,697	6,374
Retirement benefit liability	3,344	3,292
Deferred tax liabilities	345	351
Other	305	315
Total non-current liabilities	11,693	10,335
Total liabilities	29,067	29,578
Net assets		
Shareholders' equity		
Share capital	6,666	6,666
Capital surplus	8,761	8,767
Retained earnings	10,965	10,753
Treasury shares	(1,530)	(1,511)
Total shareholders' equity	24,863	24,675
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	763	774
Deferred gains or losses on hedges	27	1
Foreign currency translation adjustment	80	112
Remeasurements of defined benefit plans	86	89
Total accumulated other comprehensive income	957	977
Non-controlling interests	2,225	2,276
Total net assets	28,046	27,929
Total liabilities and net assets	57,113	57,508

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
(First six-month period of fiscal year under review)

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	28,644	28,653
Cost of sales	20,988	21,208
Gross profit	7,656	7,444
Selling, general and administrative expenses	7,014	7,147
Operating profit	642	297
Non-operating income		
Rental income	82	91
Dividend income	40	40
Insurance claim income	82	159
Other	137	97
Total non-operating income	343	387
Non-operating expenses		
Interest expenses	40	33
Miscellaneous expenses of assets for rent	22	49
Other	35	16
Total non-operating expenses	97	98
Ordinary profit	888	586
Extraordinary income		
Gain on sale of non-current assets	2	227
Gain on sale of investment securities	1	1
Total extraordinary income	3	228
Extraordinary losses		
Loss on disposal of non-current assets	23	0
Loss on sale of investment securities	–	1
Loss on valuation of investment securities	–	6
Provision for loss on Anti-Monopoly Act	–	310
Total extraordinary losses	23	318
Profit before income taxes	868	496
Income taxes - current	427	311
Income taxes - deferred	(57)	(37)
Total income taxes	370	273
Profit	498	222
Profit attributable to non-controlling interests	62	108
Profit attributable to owners of parent	435	114

Consolidated Statements of Comprehensive Income
(First six-month period of fiscal year under review)

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Profit	498	222
Other comprehensive income		
Valuation difference on available-for-sale securities	264	10
Deferred gains or losses on hedges	(22)	(26)
Foreign currency translation adjustment	(8)	31
Remeasurements of defined benefit plans, net of tax	(17)	4
Total other comprehensive income	216	20
Comprehensive income	714	242
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	621	133
Comprehensive income attributable to non-controlling interests	93	108

(3)Notes to Quarterly Consolidated Financial Statements

(Notes Relating to Assumption for the Going Concern)

Not applicable.

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

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition)

The Company adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as "the revenue recognition accounting standard") from the beginning of the first quarter of the current fiscal year and recognized revenue when control of promised goods or services is transferred to customers in an amount that is expected to be received in exchange for those goods or services. As a result, for transactions where variable consideration is included in the consideration in the contract with the customer, variable consideration is included in the transaction price only to the extent that it is probable that a significant reduction in the recorded revenue will not occur by the time the uncertainty regarding the amount of the variable consideration is resolved.

Freight and packing, sales promotion and other expenses, which were previously included in selling, general and administrative expenses, are deducted from net sales.

With regard to the application of the revenue recognition accounting standard, etc., in accordance with the transitional treatment stipulated in the provisions of paragraph 84 of the revenue recognition accounting standard, the cumulative effect of retrospectively applying the new accounting policy prior to the beginning of the first quarter of the current fiscal year is added or deducted from retained earnings at the beginning of the first quarter of the current fiscal year, and the new accounting policy is applied from the beginning balance of the current fiscal year. However, the new accounting policy has not been applied retrospectively to contracts for which the method set forth in paragraph 86 of the revenue recognition accounting standard has been applied and substantially all revenue amounts have been recognized in accordance with previous treatment prior to the beginning of the first quarter of the current fiscal year.

As a result, net sales for the second quarter of the current fiscal year decreased by 151 million yen, selling, general and administrative expenses decreased by 78 million yen, and operating income, ordinary income and profit before income taxes decreased by 73 million yen each. In addition, the balance of retained earnings at the beginning of the fiscal year decreased by 17 million yen.

(Application of Accounting Standard for Fair Value Measurement)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the "Accounting Standard for Calculation of Fair Value") and other standards were applied from the beginning of the first quarter of the current fiscal year, and in accordance with the transitional treatment stipulated in paragraph 19 of the Accounting Standard for Calculation of Fair Value and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy stipulated by the Accounting Standard for Calculation of Fair Value will be applied in the future. This change did not have a material impact on the quarterly consolidated financial statements.

(Additional Information)

(Accounting Estimates for the Impact of Infections of COVID-19)

There were no material changes in the assumptions and accounting estimates for the impact of COVID-19 described in the previous fiscal year's securities report.

(On-site Inspection by the Fair Trade Commission)

On October 8, 2019, we received an on-site inspection by the Fair Trade Commission for alleged violations of the Antimonopoly Law with regard to the bidding by the Japan Pension Service, and since then we have cooperated fully in the inspection of the Commission. On November 4, 2021, we received a written notice of a hearing pursuant on the written cease and desist order (draft) based on the Antimonopoly Act and the written payment order for surcharge (draft) from the Committee. Based on this notice, ¥310 million was recorded as an extraordinary loss as a provision for loss related to the Anti-Monopoly Act in the second quarter of the current fiscal year

3. Others

Not applicable