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## Consolidated Financial Results for the Three Months Ended June 30, 2022 (Based on Japanese GAAP)

August 5, 2022

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: August 8, 2022

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 three months ended June 30, 2022 (from April 1, 2022 to June 30, 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	%
Three months ended								
June 30, 2022	13,534	(3.6)	(157)	–	2	(99.2)	(139)	–
June 30, 2021	14,046	0.5	168	(34.2)	310	(21.2)	310	74.2

(Note) Comprehensive income: Three months ended June 30, 2022: ¥(99) million [–%]  
Three months ended June 30, 2021: ¥433 million [17.2%]

	Earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	(5.09)	–
June 30, 2021	12.03	–

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2022	57,716	28,073	45.7
March 31, 2022	58,225	28,504	46.1

(Reference) Equity: As of June 30, 2022: ¥26,348 million  
As of March 31, 2022: ¥26,861 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, 2022	–	10.00	–	12.00	22.00
Year ending March 31, 2023	–				
Year ending March 31, 2023 (Forecast)		10.00	–	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, 2023 (from April 1, 2022 to March 31, 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
Six months ending September 30, 2022	29,000	1.2	400	34.5	600	2.3	250	119.2	9.13
Full year	65,000	3.0	2,550	40.2	3,000	28.4	1,700	66.9	62.10

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

#### 4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 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: Yes
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No
- (Note) For details, please refer to "2. Quarterly Consolidated Financial Statements and Major Notes, (3) Notes to Quarterly Consolidated Financial Statements, (Changes in Accounting Policies)" on page 9 of the Attached Material.

(4) Number of issued shares (common shares)

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

As of June 30, 2022	28,794,294 shares	As of March 31, 2022	28,794,294 shares
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Number of treasury shares at the end of the period

As of June 30, 2022	1,420,533 shares	As of March 31, 2022	1,420,245 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2022	27,373,924 shares	Three months ended June 30, 2021	25,800,424 shares
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- \* 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.

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# 1. Qualitative Information on Quarterly Financial Results

## (1) Explanation of Operating Results

During the three months under review (from April 1, 2022 to June 30, 2022), the Japanese economy faced soaring raw material prices, the prolonged situation in Russia and Ukraine, and rapid depreciation of the yen in the foreign exchange market, despite signs of recovery in consumption activities due to psychological aspects of a decrease in the number of COVID-19 cases, and the outlook for the economy remains uncertain.

In the environment surrounding the Company group (the "Group"), we need to revise our products and services due in part to the major change in lifestyles and corporate activities caused by COVID-19. In addition, the business environment remains challenging due to the weak yen and soaring raw material prices.

Under these circumstances, we formulated our third medium-term management plan (from 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. To achieve the plan, 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-COVID, the 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 and (5) culture.

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

Net sales decreased by 3.6% year on year. An operating loss was recorded due to a worsening cost of sales ratio caused by rising raw material prices, while ordinary profit also declined. In addition, extraordinary income recorded ¥77 million, including gain on extinguishment of tie-in shares due to the absorption-type merger of unconsolidated subsidiaries, and extraordinary losses recorded ¥93 million, including loss on Anti-Monopoly Act.

As a result, loss attributable to owners of parent was ¥139 million.

The Group's operating results for the three months under review are as follows.

Net sales	¥13,534 million (Down 3.6% year on year)
Operating loss	¥157 million (Operating profit of ¥168 million in the same period of the previous fiscal year)
Ordinary profit	¥2 million (Down 99.2% year on year)
Loss attributable to owners of parent	¥139 million (Profit attributable to owners of parent of ¥310 million in the same period of the previous fiscal year)

Operating results by segment are as follows.

### (i) Business Process Solutions Business

The business process outsourcing (BPO) business was deemed to have committed an act in violation of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Anti-Monopoly Act) in relation to tendering for Japan Pension Service on March 3, 2022, and was subject to a Cease and Desist Order and a Payment Order for a surcharge, so our designation was suspended for some government and public offices and municipalities for approximately two to eight months. Consequently, BPO-related sales have declined. In the library solutions business, outsourcing services, such as counter operations from public libraries, and the library binding business declined due to designation suspension.

Sales of packaging materials such as paper containers and packaging were firm in part due to a recovery in consumer sentiment and heightened awareness of plastic waste reduction.

The performance of Hirota Shiko Co., Ltd., which became a consolidated subsidiary through an M&A in the previous fiscal year, contributes to the full year results.

Consequently, net sales in this business amounted to ¥6,619 million (down 8.1% year on year), and operating loss amounted to ¥26 million (operating profit of ¥24 million in the same period of the previous fiscal year).

(ii) Consumer Communications Business

Sales of airborne-reduction products and remote work-related products have run their course. Stationary items such as files and notebooks declined due to the spread of the Global and Innovation Gateway for All (GIGA) School Program.

The Meguri-ing business, which proposes new tourism, was firm, particularly for Goshuin-cho and Gojoin-cho stamp books.

In addition, there was also a substantial increase in sales of stuffed toys by Sunlemon Co., Ltd. particularly for theme-park related toys due to the recovery in the flow of people and for licensed products that are popular with younger generations.

However, we recorded an operating loss due to rising raw material prices, the rapid depreciation of the yen and worldwide shortage of semiconductors.

The performance of Sunlemon Co., Ltd., which became a consolidated subsidiary through an M&A in the previous fiscal year, contributes to the full year results.

Consequently, net sales in this business amounted to ¥4,789 million (up 1.5% year on year), while operating loss amounted to ¥120 million (operating profit of ¥131 million in the same period of the previous fiscal year).

(iii) Office Appliances Business

There has been an easing of COVID-19 related restrictions as well as a recovery in the rate of employee attendance at offices, and sales of office shredders and maintenance and inspection operations were firm.

KAGUKURO Co., Ltd., which is operating the e-commerce business for office furniture, had firm sales but the profit ratio deteriorated due the rapid depreciation of the yen and soaring purchase prices.

Consequently, net sales in this business amounted to ¥1,755 million (up 0.1% year on year), while operating profit amounted to ¥53 million (down 43.8% year on year).

(iv) Energy Business

Wooden biomass power generation and solar power generation performed well.

Consequently, net sales in this business amounted to ¥360 million (up 0.7% year on year), and operating profit amounted to ¥25 million (up 97.5% year on year).

(v) Others

The Vegetable Plant Business and the Garlic Farm Business, etc. posted net sales of ¥9 million (down 40.7% year on year) and operating loss of ¥5 million (operating loss of ¥7 million in the same period of the previous fiscal year).

## (2) Explanation of Financial Position

### [Assets]

Current assets decreased by ¥507 million from the end of the previous fiscal year to ¥29,692 million. This was mainly due to a decrease of ¥2,376 million in notes and accounts receivable - trade, despite increases of ¥797 million in merchandise and finished goods, ¥479 million in cash and deposits, ¥371 million in work in process and ¥305 million in raw materials and supplies.

Non-current assets decreased by ¥1 million from the end of the previous fiscal year to ¥28,023 million. This was mainly due to decreases of ¥132 million in investment securities and ¥56 million in goodwill, despite increases of ¥96 million in deferred tax assets and ¥81 million in machinery, equipment and vehicles.

As a result, total assets as of June 30, 2022 decreased by ¥509 million from the end of the previous fiscal year to ¥57,716 million.

[Liabilities]

Current liabilities decreased by ¥2,475 million from the end of the previous fiscal year to ¥16,663 million. This was mainly due to decreases of ¥2,087 million in short-term borrowings and ¥321 million in income taxes payable.

Non-current liabilities increased by ¥2,398 million from the end of the previous fiscal year to ¥12,980 million. This was mainly due to an increase of ¥2,434 million in long-term borrowings.

As a result, total liabilities as of June 30, 2022 decreased by ¥77 million from the end of the previous fiscal year to ¥29,643 million.

[Net assets]

Total net assets decreased by ¥431 million from the end of the previous fiscal year to ¥28,073 million. This was mainly due to decreases of ¥467 million in retained earnings and ¥71 million in valuation difference on available-for-sale securities, despite an increase of ¥81 million in non-controlling interests.

As a result, the equity ratio as of June 30, 2022 was 45.7%, down 0.4 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 earnings forecasts since the announcement we made on May 13, 2022.

## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	8,097	8,576
Notes and accounts receivable - trade	10,864	8,488
Merchandise and finished goods	5,993	6,790
Work in process	851	1,223
Raw materials and supplies	1,637	1,943
Other	2,758	2,672
Allowance for doubtful accounts	(4)	(1)
Total current assets	30,199	29,692
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,323	7,298
Machinery, equipment and vehicles, net	4,508	4,589
Land	9,863	9,863
Construction in progress	428	391
Other, net	165	181
Total property, plant and equipment	22,290	22,325
Intangible assets		
Goodwill	427	370
Other	224	234
Total intangible assets	651	605
Investments and other assets		
Investment securities	2,729	2,597
Retirement benefit asset	950	983
Deferred tax assets	455	551
Other	954	967
Allowance for doubtful accounts	(7)	(7)
Total investments and other assets	5,083	5,092
Total non-current assets	28,025	28,023
Total assets	58,225	57,716



(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	5,352	5,173
Short-term borrowings	6,855	4,768
Accounts payable - other	3,309	3,214
Accrued expenses	425	423
Income taxes payable	457	136
Provision for bonuses	628	405
Provision for loss on Anti-Monopoly Act	300	–
Other	1,809	2,541
Total current liabilities	19,139	16,663
Non-current liabilities		
Long-term borrowings	6,654	9,088
Retirement benefit liability	3,293	3,265
Deferred tax liabilities	348	341
Other	285	284
Total non-current liabilities	10,581	12,980
Total liabilities	29,720	29,643
<b>Net assets</b>		
Shareholders' equity		
Share capital	6,666	6,666
Capital surplus	8,515	8,515
Retained earnings	11,399	10,931
Treasury shares	(723)	(723)
Total shareholders' equity	25,858	25,390
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	730	658
Deferred gains or losses on hedges	10	12
Foreign currency translation adjustment	134	166
Remeasurements of defined benefit plans	127	121
Total accumulated other comprehensive income	1,003	958
Non-controlling interests	1,642	1,724
Total net assets	28,504	28,073
Total liabilities and net assets	58,225	57,716

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

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	14,046	13,534
Cost of sales	10,313	10,128
Gross profit	3,732	3,405
Selling, general and administrative expenses	3,564	3,562
Operating profit (loss)	168	(157)
Non-operating income		
Rental income	45	44
Dividend income	36	52
Insurance claim income	93	80
Other	38	42
Total non-operating income	213	220
Non-operating expenses		
Interest expenses	15	16
Miscellaneous expenses of assets for rent	38	10
Foreign exchange losses	8	27
Other	8	5
Total non-operating expenses	71	60
Ordinary profit	310	2
Extraordinary income		
Gain on sale of non-current assets	224	0
Gain on sale of investment securities	0	-
Gain on extinguishment of tie-in shares	-	76
Total extraordinary income	224	77
Extraordinary losses		
Loss on disposal of non-current assets	0	0
Loss on sale of investment securities	0	-
Loss on valuation of investment securities	6	-
Loss on Anti-Monopoly Act	-	92
Total extraordinary losses	6	93
Profit (loss) before income taxes	528	(13)
Income taxes - current	136	100
Income taxes - deferred	(8)	(61)
Total income taxes	128	39
Profit (loss)	400	(53)
Profit attributable to non-controlling interests	89	86
Profit (loss) attributable to owners of parent	310	(139)

## Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit (loss)	400	(53)
Other comprehensive income		
Valuation difference on available-for-sale securities	21	(73)
Deferred gains or losses on hedges	(13)	1
Foreign currency translation adjustment	23	31
Remeasurements of defined benefit plans, net of tax	2	(5)
Total other comprehensive income	33	(46)
Comprehensive income	433	(99)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	335	(184)
Comprehensive income attributable to non-controlling interests	97	84

**(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.

**(Changes in Accounting Policies)**

**(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)**

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the first quarter under review, and it has applied the new accounting policy provided for by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures provided for in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. This change did not have a material impact on the quarterly consolidated financial statements.

### **3. Others**

Not applicable.