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

November 11, 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

Inquiries: of Accounting Department, Hiroshi Nishiuchi TEL 06-6943-5555  
Administration Division

Scheduled date to file Quarterly Securities Report: November 14, 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 six months ended September 30, 2022 (from April 1, 2022 to September 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	%
Six months ended								
September 30, 2022	28,236	(1.5)	(158)	–	151	(74.2)	(132)	–
September 30, 2021	28,653	0.0	297	(53.7)	586	(34.0)	114	(73.8)

(Note) Comprehensive income: Six months ended September 30, 2022: ¥(25) million [–%]  
Six months ended September 30, 2021: ¥242 million [(66.1)%]

	Earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2022	(4.85)	–
September 30, 2021	4.42	–

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2022	57,305	28,163	46.1
March 31, 2022	58,225	28,504	46.1

(Reference) Equity: As of September 30, 2022: ¥26,398 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	–	0.00			
Year ending March 31, 2023 (Forecast)			–	12.00	12.00

(Note) Revisions of dividend forecasts from recently announced figures: Yes

For the revisions of the dividend forecasts, please refer to "Notice Concerning Dividends of Surplus (No Interim Dividend)" announced today (November 11, 2022).

## 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
Full year	62,000	(1.8)	1,500	(17.5)	2,000	(14.4)	1,350	32.5	49.28

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

#### 4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 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 September 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 September 30, 2022	1,387,062 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)

Six months ended September 30, 2022	27,388,230 shares	Six months ended September 30, 2021	25,816,872 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 six months under review (from April 1, 2022 to September 30, 2022), the Japanese economy experienced a recovery in consumption activity due to the psychological impact of a temporary decline in the number of people infected with COVID-19, but a new wave of infections from the Omicron strain from July and soaring raw material prices, as well as the prolonged situation in Russia and Ukraine, and the rapid depreciation of the yen in foreign exchange markets kept the outlook for the economy uncertain.

The environment surrounding the Company group (the "Group") continues to be challenging due to a weak yen and high material prices, and we are planning to revise our products and services due in part to the major change in lifestyles and corporate activities caused by COVID-19.

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 1.5% 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 ¥79 million, including gain on extinguishment of tie-in shares due to the absorption-type merger of unconsolidated subsidiaries, and extraordinary losses recorded ¥95 million, including loss on Anti-monopoly Act.

As a result, loss attributable to owners of parent was ¥132 million.

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

Net sales	¥28,236 million	(Down 1.5% year on year)
Operating loss	¥158 million	(Operating profit of ¥297 million in the same period of the previous fiscal year)
Ordinary profit	¥151 million	(Down 74.2% year on year)
Loss attributable to owners of parent	¥132 million	(Profit attributable to owners of parent of ¥114 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 continued to decline due to designation suspension.

Sales of packaging materials such as paper containers and packaging were firm due in part to a heightened awareness of plastic waste reduction. We also acquired the exclusive rights to manufacture the world's first(\*)

barrier packaging material for food products employing TiMELESS® gas venting technology, which eliminates the need for plastic valves, and began selling paper packages equipped with this valveless function and capable of displaying the paper recycling mark in July. For primary food packaging, the development of packaging for coffee beans has been promoted, as this is expected to be in high demand due to its degassing function.

Sales of corporate gift notebooks increased because business activities have increased with a decline in the number of people infected with COVID-19.

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 ¥14,102 million (down 4.9% year on year), while operating profit amounted to ¥134 million (up 67.0% year on year).

\* TiMELESS® is a technology jointly developed by MIB Co., Ltd. (hereinafter "MIB") and NAGASE & CO., LTD.

The development of packaging materials that combine the three technologies of "TiMELESS®," "SILBIO BARRIER" and "BioPBS®."

#### (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.

In our Meguri-ing business which was started as a measure to support new tourism, sales of Goshuin-cho and Gojoin-cho stamp books recovered to pre-COVID-19 levels as people again began to move around.

In addition, sales of stuffed toys by Sunlemon Co., Ltd. remain high, particularly for theme-park related toys and for licensed products that are popular with younger generations. We will continue to strengthen plans for products that can be provided to new sales channels.

However, we recorded an operating loss due to rising raw material prices, the rapid depreciation of the yen and the 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 ¥9,984 million (up 3.1% year on year), while operating loss amounted to ¥218 million (operating profit of ¥227 million in the same period of the previous fiscal year).

#### (iii) Office Appliances Business

Maintenance and inspection operations and document shredding outsourcing services performed well as attendance rates at the office continue to recover.

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 ¥3,374 million (up 0.3% year on year), while operating profit amounted to ¥49 million (down 74.1% year on year).

#### (iv) Energy Business

Wooden biomass power generation and solar power generation performed well.

Consequently, net sales in this business amounted to ¥755 million (up 1.1% year on year), and operating profit amounted to ¥55 million (up 88.9% year on year).

#### (v) Others

The Vegetable Plant Business and the Garlic Farm Business, etc. posted net sales of ¥19 million (down 41.0% year on year) and operating loss of ¥10 million (operating loss of ¥24 million in the same period of the previous fiscal year).

## **(2) Explanation of Financial Position**

### [Assets]

Current assets decreased by ¥1,084 million from the end of the previous fiscal year to ¥29,114 million. This was mainly due to decreases of ¥1,959 million in notes and accounts receivable - trade and ¥1,437 million in cash and deposits, despite increases of ¥1,377 million in merchandise and finished goods, and ¥824 million in raw materials and supplies.

Non-current assets increased by ¥165 million from the end of the previous fiscal year to ¥28,190 million. This was mainly due to decreases of ¥164 million in investment securities and ¥113 million in goodwill, despite increases of ¥293 million in machinery, equipment and vehicles and ¥190 million in deferred tax assets.

As a result, total assets as of September 30, 2022 decreased by ¥919 million from the end of the previous fiscal year to ¥57,305 million.

### [Liabilities]

Current liabilities decreased by ¥2,568 million from the end of the previous fiscal year to ¥16,570 million. This was mainly due to decreases of ¥2,166 million in short-term borrowings and ¥402 million in notes and accounts payable - trade.

Non-current liabilities increased by ¥1,989 million from the end of the previous fiscal year to ¥12,571 million. This was mainly due to an increase in long-term borrowings of ¥2,077 million, while retirement benefit liability decreased by ¥59 million.

As a result, total liabilities as of September 30, 2022 decreased by ¥578 million from the end of the previous fiscal year to ¥29,141 million.

### [Net assets]

Total net assets decreased by ¥340 million from the end of the previous fiscal year to ¥28,163 million. This was mainly due to a decrease of ¥461 million in retained earnings, despite an increase of ¥122 million in non-controlling interests.

Due to a decline in both net assets and total assets, the equity ratio as of September 30, 2022 was 46.1%, the same as at the end of the previous fiscal year.

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

For the full-year earnings forecast for the fiscal year ending March 31, 2023, the earnings forecast announced in the "Consolidated Financial Results for the Year Ended March 31, 2022 (Based on Japanese GAAP)," issued on May 13, 2022 has been revised. For more information, please see the "Notice Concerning Revision of Consolidated Earnings Forecasts" issued November 9, 2022.

## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	8,097	6,660
Notes and accounts receivable - trade	10,864	8,905
Merchandise and finished goods	5,993	7,370
Work in process	851	1,265
Raw materials and supplies	1,637	2,462
Other	2,758	2,451
Allowance for doubtful accounts	(4)	(1)
Total current assets	30,199	29,114
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,323	7,311
Machinery, equipment and vehicles, net	4,508	4,801
Land	9,863	9,863
Construction in progress	428	359
Other, net	165	186
Total property, plant and equipment	22,290	22,523
Intangible assets		
Goodwill	427	314
Other	224	276
Total intangible assets	651	590
Investments and other assets		
Investment securities	2,729	2,565
Retirement benefit asset	950	1,015
Deferred tax assets	455	646
Other	954	857
Allowance for doubtful accounts	(7)	(7)
Total investments and other assets	5,083	5,076
Total non-current assets	28,025	28,190
Total assets	58,225	57,305



	As of March 31, 2022	As of September 30, 2022
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	5,352	4,949
Short-term borrowings	6,855	4,689
Accounts payable - other	3,309	2,982
Accrued expenses	425	425
Income taxes payable	457	375
Provision for bonuses	628	814
Provision for loss on Anti-monopoly Act	300	-
Other	1,809	2,333
<b>Total current liabilities</b>	<b>19,139</b>	<b>16,570</b>
<b>Non-current liabilities</b>		
Long-term borrowings	6,654	8,732
Retirement benefit liability	3,293	3,233
Deferred tax liabilities	348	340
Other	285	265
<b>Total non-current liabilities</b>	<b>10,581</b>	<b>12,571</b>
<b>Total liabilities</b>	<b>29,720</b>	<b>29,141</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	6,666	6,666
Capital surplus	8,515	8,515
Retained earnings	11,399	10,937
Treasury shares	(723)	(706)
<b>Total shareholders' equity</b>	<b>25,858</b>	<b>25,413</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	730	637
Deferred gains or losses on hedges	10	36
Foreign currency translation adjustment	134	195
Remeasurements of defined benefit plans	127	115
<b>Total accumulated other comprehensive income</b>	<b>1,003</b>	<b>985</b>
<b>Non-controlling interests</b>	<b>1,642</b>	<b>1,765</b>
<b>Total net assets</b>	<b>28,504</b>	<b>28,163</b>
<b>Total liabilities and net assets</b>	<b>58,225</b>	<b>57,305</b>

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

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	28,653	28,236
Cost of sales	21,208	21,262
Gross profit	7,444	6,973
Selling, general and administrative expenses	7,147	7,132
Operating profit (loss)	297	(158)
Non-operating income		
Rental income	91	86
Dividend income	40	53
Insurance claim income	159	150
Other	97	91
Total non-operating income	387	381
Non-operating expenses		
Interest expenses	33	33
Miscellaneous expenses of assets for rent	49	24
Other	16	14
Total non-operating expenses	98	72
Ordinary profit	586	151
Extraordinary income		
Gain on sale of non-current assets	227	1
Gain on sale of investment securities	1	1
Gain on extinguishment of tie-in shares	-	76
Total extraordinary income	228	79
Extraordinary losses		
Loss on disposal of non-current assets	0	1
Loss on sale of investment securities	1	1
Loss on valuation of investment securities	6	-
Loss on Anti-monopoly Act	-	92
Provision for loss on Anti-monopoly Act	310	-
Total extraordinary losses	318	95
Profit before income taxes	496	135
Income taxes - current	311	293
Income taxes - deferred	(37)	(155)
Total income taxes	273	137
Profit (loss)	222	(2)
Profit attributable to non-controlling interests	108	130
Profit (loss) attributable to owners of parent	114	(132)

## Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit (loss)	222	(2)
Other comprehensive income		
Valuation difference on available-for-sale securities	10	(98)
Deferred gains or losses on hedges	(26)	25
Foreign currency translation adjustment	31	60
Remeasurements of defined benefit plans, net of tax	4	(11)
Total other comprehensive income	20	(23)
Comprehensive income	242	(25)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	133	(151)
Comprehensive income attributable to non-controlling interests	108	125

**(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 of the fiscal year ending March 31, 2023, 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.