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Consolidated Financial Results for the Six Months Ended September 30, 2024 (Based on Japanese GAAP)

November 8, 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

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Division

Scheduled date to file Semi-annual Securities Report: November 11, 2024

Scheduled date to commence dividend payments: December 2, 2024

Preparation of supplementary material on financial results: No

Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

(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, 2024	29,147	2.9	448	–	585	–	356	62.9
September 30, 2023	28,334	0.3	(371)	–	7	(95.3)	218	–

(Note) Comprehensive income: Six months ended September 30, 2024: ¥201 million [(34.7)%]
Six months ended September 30, 2023: ¥308 million [–%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
September 30, 2024	12.97	–
September 30, 2023	7.97	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
September 30, 2024	57,600	28,006	47.5
March 31, 2024	57,965	28,119	47.3

(Reference) Equity: As of September 30, 2024: ¥27,335 million
As of March 31, 2024: ¥27,440 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, 2024	–	10.00	–	12.00	22.00
Year ending March 31, 2025	–	10.00			
Year ending March 31, 2025 (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, 2025 (from April 1, 2024 to March 31, 2025)

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	61,500	0.7	1,845	298.9	2,460	145.1	1,540	75.7	56.09

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

* **Notes**

(1) Significant changes in the scope of consolidation during the six months ended September 30, 2024: No

(2) Application of special accounting methods for preparing semi-annual 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. Semi-annual Consolidated Financial Statements and Major Notes, (3) Notes to Semi-annual Consolidated Financial Statements, (Notes on Changes in Accounting Policies)” on page 9 of the Accompanying Materials.

(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, 2024	28,794,294 shares	As of March 31, 2024	28,794,294 shares
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Number of treasury shares at the end of the period

As of September 30, 2024	1,327,621 shares	As of March 31, 2024	1,357,711 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, 2024	27,449,446 shares	Six months ended September 30, 2023	27,419,394 shares
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* Semi-annual financial results reports are exempt from review conducted by certified public accountants 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. These statements do not purport that the Company pledges to realize such statements. For the assumptions underlying the earnings forecasts and cautions concerning the earnings forecasts, please refer to “1. Overview of Operating Results, (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information” on page 4 of the Accompanying Materials.

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1. Overview of Operating Results

(1) Overview of Operating Results for the Period under Review

During the six months under review, the Japanese economy saw a gradual recovery in economic activity against a backdrop of improved employment and income conditions and increased demand from inbound tourism. At the same time, tensions in the Middle East, concerns about the future of the Chinese economy, instability in exchange rate trends, and the effects of soaring energy and raw material prices have kept the outlook of the economy uncertain.

The circumstances surrounding the Company group (the “Group”) have necessitated a response to major changes in lifestyles and corporate activities, and under our purpose of “It’s for SMILE,” we are striving to enhance our corporate value by creating valuable products and services that are appropriate for an age of 100-year lifespans.

Under these circumstances, in April 2024 we formulated our fourth medium-term management plan (from April 1, 2024 to March 31, 2027), “Go on going,” and will work to achieve it by solving social issues related to the five areas set forth in our mission and vision, “Life-related industry” (Note), creating product services that capture changing consumption trends, optimizing the allocation of management resources, and creating synergies between business segments and group companies.

(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.

In addition, the Consumer Communications Business and the Office Appliances Business have been integrated from the six months under review, in order to respond quickly to new lifestyles. Accordingly, reportable segments have been reorganized into the four segments of Business Process Solutions Business, Consumer Communications Business, Energy Business, and Others.

During the six months under review, the Group worked to revise sales prices, reduce manufacturing costs, and review unprofitable businesses among other measures, resulting in net sales of ¥29,147 million, operating profit of ¥448 million, and ordinary profit of ¥585 million.

As a result, profit attributable to owners of parent was ¥356 million.

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

Net sales	¥29,147 million	(Up 2.9% year on year)
Operating profit	¥448 million	(Operating loss of ¥371 million in the same period of the previous fiscal year)
Ordinary profit	¥585 million	(Ordinary profit of ¥7 million in the same period of the previous fiscal year)
Profit attributable to owners of parent	¥356 million	(Up 62.9% year on year)

Operating results by segment are as follows.

(i) Business Process Solutions Business

In various BPO services and data printing services (DPS), competition is intensifying as order sizes become smaller, but the cost of sales ratio is improving thanks to the effects of rationalization in manufacturing departments. The Company will continue to streamline sales departments and work to develop a “BPO Integrated Support Service” that provides total support related to changes in the business environment throughout society. For paper container-related products, multi-tiered food boxes such as “JIYUBACO” and paper packaging such as “asueco” performed well. The seals and labels area also continued to perform well. The library solutions business remained strong, partly due to the contribution of new projects from public

libraries. We will continue to promote the movement of bookshelves, etc. in conjunction with the outsourcing of library management and large-scale renovations of facilities.

Consequently, net sales in this business amounted to ¥14,434 million (down 0.4% year on year), and operating profit amounted to ¥313 million (up 434.3% year on year).

(ii) Consumer Communications Business

Stationary office supplies remained strong, partly due to OEM orders for commercially available paper products and environmentally friendly products, and the effect of price increases. Gadget peripheral goods, such as PCs, smartphones, and tablets, as well as security and disaster prevention goods remained steady, partly due to the synergy effect of the absorption-type mergers of the consolidated subsidiaries Miyoshi Co., Ltd. and Revex Co., Ltd. on January 1, 2024. We will continue to expand our product lineup and accelerate the launch of new products.

In our Meguri-ing business, sales of Goshuin-cho and Gojoin-cho stamp books and stuffed toys for theme parks and souvenirs continued to increase, partly due to an increase in tourists from measures for inbound tourism and travel support among others, as well as a growing interest in experiential and time-driven consumption.

KAGUKURO Co., Ltd., which is operating the e-commerce business for office furniture, remained strong due to the continued trend of workers returning to work in offices, but shredders continued to face difficult conditions due to a cycle of replacement demand and the shift away from paper. The Company will continue to promote the sales of crushers for media such as hard disk drives and solid state drives and the development of recycling equipment and systems for materials other than paper such as the destruction of circuit boards used in the GIGA School Program.

Consequently, net sales in this business amounted to ¥13,949 million (up 6.6% year on year), and operating profit amounted to ¥340 million (operating loss of ¥171 million in the same period of the previous fiscal year).

(iii) Energy Business

Wooden biomass power generation had a reduced number of operating days due to a statutory inspection conducted in May 2024. In addition, operation has been carried out after adjustment of output in consideration of the woodchip stockpile situation. Solar power generation performed well.

Consequently, net sales in this business amounted to ¥717 million (up 0.0% year on year), while operating profit amounted to ¥1 million (down 56.0% year on year).

(iv) Others

The Vegetable Plant Business and the Garlic Farm Business, etc. posted net sales of ¥44 million (up 41.1% year on year) and operating loss of ¥1 million (operating loss of ¥31 million in the same period of the previous fiscal year).

(2) Overview of Financial Position for the Period under Review

(Assets)

Current assets increased by ¥78 million from the end of the previous fiscal year to ¥30,151 million. This was mainly due to increases of ¥1,119 million in merchandise and finished goods, ¥943 million in cash and deposits, and ¥716 million in raw materials and supplies, despite a decrease of ¥2,359 million in notes and accounts receivable - trade.

Non-current assets decreased by ¥443 million from the end of the previous fiscal year to ¥27,448 million. This was mainly due to an increase of ¥173 million in construction in progress, despite decreases of ¥322 million in machinery, equipment and vehicles and ¥156 million in investment securities.

As a result, total assets as of September 30, 2024 decreased by ¥365 million from the end of the previous fiscal year to ¥57,600 million.

(Liabilities)

Current liabilities decreased by ¥188 million from the end of the previous fiscal year to ¥17,479 million. This was mainly due to a decrease of ¥674 million in short-term borrowings.

Non-current liabilities decreased by ¥64 million from the end of the previous fiscal year to ¥12,114 million. This was mainly due to a decrease of ¥64 million in deferred tax liabilities.

As a result, total liabilities as of September 30, 2024 decreased by ¥252 million from the end of the previous fiscal year to ¥29,593 million.

(Net assets)

Total net assets decreased by ¥112 million from the end of the previous fiscal year to ¥28,006 million. This was mainly due to a decrease of ¥118 million in deferred gains or losses on hedges.

As a result, the equity ratio as of September 30, 2024 was 47.5%, up 0.2 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 10, 2024.

2. Semi-annual Consolidated Financial Statements and Major Notes

(1) Semi-annual Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	7,214	8,158
Notes and accounts receivable - trade	11,106	8,746
Merchandise and finished goods	6,355	7,475
Work in process	917	1,272
Raw materials and supplies	1,784	2,500
Other	2,695	1,998
Allowance for doubtful accounts	(0)	(0)
Total current assets	30,073	30,151
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,463	7,308
Machinery, equipment and vehicles, net	4,603	4,280
Land	9,494	9,419
Construction in progress	33	207
Other, net	155	158
Total property, plant and equipment	21,750	21,375
Intangible assets		
Goodwill	13	-
Other	278	253
Total intangible assets	292	253
Investments and other assets		
Investment securities	3,010	2,853
Retirement benefit asset	1,754	1,792
Deferred tax assets	226	377
Other	867	833
Allowance for doubtful accounts	(8)	(36)
Total investments and other assets	5,850	5,819
Total non-current assets	27,892	27,448
Total assets	57,965	57,600

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,632	4,372
Short-term borrowings	6,248	5,574
Accounts payable - other	2,962	2,960
Accrued expenses	429	420
Income taxes payable	458	361
Provision for bonuses	517	791
Other	2,418	2,998
Total current liabilities	17,667	17,479
Non-current liabilities		
Long-term borrowings	8,674	8,714
Retirement benefit liability	2,972	2,925
Deferred tax liabilities	250	186
Provision for loss on business of subsidiaries and associates	–	10
Other	280	277
Total non-current liabilities	12,178	12,114
Total liabilities	29,846	29,593
Net assets		
Shareholders' equity		
Share capital	6,666	6,666
Capital surplus	8,943	8,944
Retained earnings	10,677	10,704
Treasury shares	(691)	(675)
Total shareholders' equity	25,595	25,639
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,028	923
Deferred gains or losses on hedges	56	(62)
Foreign currency translation adjustment	149	249
Remeasurements of defined benefit plans	610	584
Total accumulated other comprehensive income	1,844	1,695
Non-controlling interests	678	671
Total net assets	28,119	28,006
Total liabilities and net assets	57,965	57,600

(2) Semi-annual Consolidated Statements of Income and Semi-annual Consolidated Statements of Comprehensive Income**Semi-annual Consolidated Statements of Income**

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	28,334	29,147
Cost of sales	21,532	21,791
Gross profit	6,801	7,355
Selling, general and administrative expenses	7,172	6,907
Operating profit (loss)	(371)	448
Non-operating income		
Rental income	86	85
Dividend income	57	56
Insurance claim income	128	69
Other	179	91
Total non-operating income	452	302
Non-operating expenses		
Interest expenses	41	43
Miscellaneous expenses of assets for rent	21	19
Foreign exchange losses	–	57
Other	9	43
Total non-operating expenses	73	165
Ordinary profit	7	585
Extraordinary income		
Gain on sale of non-current assets	2	5
Gain on sale of investment securities	476	–
Total extraordinary income	479	5
Extraordinary losses		
Loss on disposal of non-current assets	9	0
Impairment losses	–	74
Loss on sale of investment securities	3	–
Loss on valuation of shares of subsidiaries and associates	–	11
Provision for loss on business of subsidiaries and associates	–	10
Total extraordinary losses	13	97
Profit before income taxes	472	493
Income taxes - current	340	272
Income taxes - deferred	(80)	(128)
Total income taxes	259	143
Profit	213	350
Loss attributable to non-controlling interests	(5)	(5)
Profit attributable to owners of parent	218	356

Semi-annual Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	213	350
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(105)
Deferred gains or losses on hedges	56	(118)
Foreign currency translation adjustment	34	100
Remeasurements of defined benefit plans, net of tax	4	(25)
Total other comprehensive income	95	(149)
Comprehensive income	308	201
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	313	206
Comprehensive income attributable to non-controlling interests	(5)	(5)

(3) Notes to Semi-annual Consolidated Financial Statements

(Notes on Changes in Accounting Policies)

Application of the “Accounting Standard for Current Income Taxes” and other relevant ASBJ regulations

The Company has applied the “Accounting Standard for Current Income Taxes” (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the “Revised Accounting Standard of 2022”) and other relevant ASBJ regulations from the beginning of the six months ended September 30, 2024.

Revisions regarding the classification of income taxes (taxation on other comprehensive income) are in accordance with the transitional treatment stipulated in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and the transitional treatment prescribed in the proviso of paragraph 65-2 (2) of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022; the “Revised Application Guidance of 2022”). This change in accounting policies did not have an impact on the semi-annual consolidated financial statements.

In addition, the Company has applied the Revised Implementation Guidance of 2022 related to the revision of the treatment in consolidated financial statements of the deferral for tax purposes of gains or losses on sale of investments in subsidiaries among consolidated companies from the beginning of the six months ended September 30, 2024. This change in accounting policies has been applied retrospectively, and the semi-annual consolidated financial statements and the consolidated financial statements for the previous period and the previous fiscal year have been prepared on a retrospective basis. This change in accounting policies did not have an impact on the semi-annual consolidated financial statements of the previous period or the consolidated financial statements of the previous fiscal year.

(Notes on Segment Information)

Six months ended September 30, 2023 (April 1, 2023 to September 30, 2023)

1. Information Concerning Monetary Amounts for Net Sales, and Profit or Loss by Reportable Segment

(Millions of yen)

	Reportable segment				Others (Note) 1	Total	Adjusted amount (Note) 2	Amount on semi- annual consolidated statements of income (Note) 3
	Business Process Solutions Business	Consumer Communications Business	Energy Business	Total				
Net sales								
Net sales to external customers	14,496	13,088	717	28,302	31	28,334	–	28,334
Inter-segment net sales or transfers	754	131	–	885	10	895	(895)	–
Total	15,251	13,219	717	29,187	41	29,229	(895)	28,334
Segment profit (loss)	58	(171)	3	(109)	(31)	(140)	(231)	(371)

- Notes
- The “Others” category is business segments not included in the reportable segments, including the Vegetable Plant Business and the Garlic Farm Business.
 - Adjusted amount of (¥231 million) for segment profit (loss) includes inter-segment transaction eliminations of ¥72 million, an adjustment of ¥6 million for inventories, and company-wide expenses of (¥310 million) that are not allocated to reportable segments. Company-wide expenses are primarily selling, general and administrative expenses that do not belong to reportable segments.
 - Segment profit (loss) is adjusted for operating loss on the semi-annual consolidated statements of income.

2. Impairment Losses on Non-current Assets or Goodwill, etc. by Reportable Segment

Not applicable.

Six months ended September 30, 2024 (April 1, 2024 to September 30, 2024)

1. Information Concerning Monetary Amounts for Net Sales, and Profit or Loss by Reportable Segment

(Millions of yen)

	Reportable segment				Others (Note) 1	Total	Adjusted amount (Note) 2	Amount on semi- annual consolidated statements of income (Note) 3
	Business Process Solutions Business	Consumer Communications Business	Energy Business	Total				
Net sales								
Net sales to external customers	14,434	13,949	717	29,102	44	29,147	–	29,147
Inter-segment net sales or transfers	996	146	–	1,143	4	1,147	(1,147)	–
Total	15,431	14,096	717	30,245	49	30,294	(1,147)	29,147
Segment profit (loss)	313	340	1	654	(1)	653	(205)	448

- Notes
- The “Others” category is business segments not included in the reportable segments, including the Vegetable Plant Business and the Garlic Farm Business.
 - Adjusted amount of (¥205 million) for segment profit (loss) includes inter-segment transaction eliminations of ¥51 million, an adjustment of ¥8 million for inventories, and company-wide expenses of (¥266 million) that are not allocated to reportable segments. Company-wide expenses are primarily selling, general and administrative expenses that do not belong to reportable segments.
 - Segment profit (loss) is adjusted for operating profit on the semi-annual consolidated statement of income.

2. Impairment Losses on Non-current Assets or Goodwill, etc. by Reportable Segment
(Significant impairment losses related to non-current Assets)

(Millions of yen)

	Reportable segment				Others	Company-wide/ elimination	Total
	Business Process Solutions Business	Consumer Communications Business	Energy Business	Total			
Impairment losses	–	74	–	74	–	–	74

3. Items Related to Changes in Reportable Segments, etc.

The Consumer Communications Business and the Office Appliances Business have been integrated from the six months ended September 30, 2024, in order to quickly respond to new lifestyles. Accordingly, reportable segments have been changed to the four categories of Business Process Solutions Business, Consumer Communications Business, Energy Business, and Others.

Segment information for the six months of the previous fiscal year is disclosed based on the reporting segment classification after the change.

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

Not applicable.

(Notes on the Going Concern Assumption)

Not applicable.