



July 13, 2018

Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending February 28, 2019 (FY2/19)
(Three Months Ended May 31, 2018)

[Japanese GAAP]

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Scheduled date of filing of Quarterly Report: July 13, 2018

Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: None

Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of FY2/19 (March 1, 2018 – May 31, 2018)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended May 31, 2018	8,520	5.7	439	28.1	466	24.7	299	27.6
Three months ended May 31, 2017	8,059	1.4	343	(23.5)	374	(11.4)	234	(3.1)

Note: Comprehensive income Three months ended May 31, 2018: 220 million yen (up 7.6%)
 Three months ended May 31, 2017: 204 million yen (up 18.3%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended May 31, 2018	36.59		-	
Three months ended May 31, 2017	28.67		-	

Notes: 1. Nakamoto Packs conducted a 2-for-1 common stock split effective on March 1, 2018. Earnings per share is calculated as if this stock split had taken place at the beginning of the previous fiscal year.
 2. Diluted earnings per share is not presented since there is no dilutive share.

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
As of May 31, 2018	26,517		11,504		42.0		1,363.85	
As of Feb. 28, 2018	25,935		11,509		43.0		1,363.58	

Reference: Equity capital As of May 31, 2018: 11,145 million yen As of Feb. 28, 2018: 11,143 million yen

Note: Nakamoto Packs conducted a 2-for-1 common stock split effective on March 1, 2018. Net assets per share is calculated as if this stock split had taken place at the beginning of the previous fiscal year.

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2/18	-	55.00	-	55.00	110.00
FY2/19	-				
FY2/19 (forecast)		27.50	-	27.50	55.00

Notes: 1. Revision to the most recently announced dividend forecast: None

2. Nakamoto Packs conducted a 2-for-1 common stock split effective on March 1, 2018. Dividends per share for FY2/18 are the actual amounts before the stock split.

3. Breakdown of dividend for FY2/18: 2Q-end: Ordinary dividend of 50.00 yen, commemorative dividend of 5.00 yen
 Year-end: Ordinary dividend of 50.00 yen, commemorative dividend of 5.00 yen

3. Consolidated Forecast for FY2/19 (March 1, 2018 – February 28, 2019)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	16,600	1.8	720	1.0	780	(4.5)	480	(8.2)	58.73
Full year	34,500	4.6	1,500	12.6	1,600	7.6	1,000	1.9	122.36

Note: Revision to the most recently announced consolidated forecast: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Newly added: 2 (Nakamoto Packs USA, Inc., Cangzhou Nakamoto Huaxiang New Materials Co., Ltd.) Excluded: -

Note: Please refer to page 8 “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Changes in Significant Subsidiaries during the Period” for details.

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes

Note: Please refer to page 8 “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements” for details.

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of issued shares (common stock)

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

As of May 31, 2018:	8,173,320 shares	As of Feb. 28, 2018:	8,173,320 shares
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2) Number of treasury shares at the end of the period

As of May 31, 2018:	912 shares	As of Feb. 28, 2018:	912 shares
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3) Average number of shares during the period

1Q FY2/19:	8,172,408 shares	1Q FY2/18:	8,172,584 shares
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Note: Nakamoto Packs conducted a 2-for-1 common stock split effective on March 1, 2018. The number of shares issued (common stock) is calculated as if this stock split had taken place at the beginning of the previous fiscal year.

* The current financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Explanation of appropriate use of earnings forecasts and other special items

Cautionary statement with respect to forecasts

Forward-looking statements in these materials are based on certain assumptions judged to be valid and information currently available to Nakamoto Packs. These statements are not promises by Nakamoto Packs regarding future performance. Actual performance may differ significantly from these forecasts for a number of reasons. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 3 for forecast assumptions and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

The Japanese economy continued to recover slowly during the first quarter of the current fiscal year. There were improvements in the labor market and personal income as well as upturns in consumer spending and capital expenditures. The global economy has also been recovering gradually but the outlook remains unclear. One cause is concerns that U.S. economic policies may result in worldwide trade friction. There are also concerns about geopolitical risk involving North Korea and China, the health of the global economy going forward, and instability in EU countries.

The Nakamoto Packs Group took many actions during the first quarter based on the theme of “Using modifying ecological technologies to alter the world of packaging, increasing sales of N brand products, and retaining a commitment to environmental responsibility.” One priority was strengthening sales activities across the entire group in order to increase sales of products developed by the group and capture more orders from key customers. There were also measures to raise productivity, upgrade quality assurance programs and make other improvements.

Due to these activities, sales increased 5.7% to 8,520 million yen. Operating profit increased 28.1% to 439 million yen, ordinary profit increased 24.7% to 466 million yen and profit attributable to owners of parent increased 27.6% to 299 million yen.

Results of operations for product categories were as follows.

Food Packaging and Containers

As in the previous fiscal year, orders for thin film used mainly for products sold at convenience stores were stable. The higher cost of raw materials, intense competition with other companies and the update of packaging materials had a negative impact on the performance of this category. However, performance benefited from negotiations to raise prices and overseas sales activities for film that resulted in new orders. As a result, orders were firm overall, including in the agricultural products sector. Another contributor to sales and earnings was sales activities for functional packaging materials. This includes N brand products that contribute to food safety and to protecting the environment. As a result, sales increased 3.6% to 5,797 million yen and the gross profit increased 11.7% to 667 million yen.

IT and Industrial Materials

The pace of growth in the mobile electronics sector slowed somewhat but new sources of demand continued to emerge, such as automotive and industrial equipment and sensors. Orders increased primarily for materials used for automotive interior materials, a consistently strong category, and for manufacturing semiconductors and electronic components. As a result, sales increased 41.6% to 1,289 million yen and the gross profit increased 73.5% to 339 million yen.

Pharmaceuticals and Health Care

Although some sectors of sales to stores and hospitals were firm, inventory adjustments as well as price competition resulting from national health insurance drug price revisions negatively impacted sales and earnings in this category. Sales decreased 7.8% to 306 million yen and the gross profit decreased 2.3% to 77 million yen.

Printing Sheets for Building Materials

Purchasing lauan plywood was difficult due to flooding in Indonesia late in 2017, but the supply of this plywood is starting to increase. There were orders for materials used for the construction of rental apartment buildings, but shipments of building materials were slow because of the high cost of materials and delays in construction starts caused by Japan’s shortage of construction workers. Sales decreased 5.2% to 174 million yen and the gross profit decreased 28.3% to 26 million yen.

Consumer Product Packaging and Materials

A decrease in the number of items for certain types of vacuum storage bags and inventory reductions and lower sales of kitchen and cleaning products along with the higher cost of procuring these products due to the yen's depreciation had a negative effect on sales and earnings. Sales decreased 10.6% to 841 million yen and the gross profit decreased 24.2% to 198 million yen.

Others

There was an increase in the processing of the imaging layer of thermal cash register paper, ink jet printing paper and other paper. But a decline in sales of recycled pellets, which have a relatively high profit margin, reduced earnings. Sales increased 16.4% to 110 million yen and the gross profit was down 10.4% to 28 million yen.

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

Total assets increased 581 million yen from the end of the previous fiscal year to 26,517 million yen at the end of the first quarter under review.

Current assets increased 388 million yen to 14,543 million yen. This was mainly due to increases in notes and accounts receivable-trade of 152 million yen and inventories of 217 million yen, while there was a decrease in cash and deposits of 121 million yen.

Non-current assets increased 193 million yen to 11,974 million yen. This was mainly due to an increase in property, plant and equipment of 219 million yen for the purchase of equipment for increasing output capacity.

Liabilities

Total liabilities increased 587 million yen to 15,012 million yen.

Current liabilities increased 328 million yen to 11,992 million yen. This was mainly due to increases in notes and accounts payable-trade of 432 million yen and provision for bonuses of 156 million yen, while there was a decrease in electronically recorded obligations-operating of 234 million yen.

Non-current liabilities increased 258 million yen to 3,020 million yen. This was mainly due to an increase in long-term loans payable of 270 million yen.

Net assets

Net assets decreased 5 million yen to 11,504 million yen. This was mainly due to decreases in valuation difference on available-for-sale securities of 28 million yen and foreign currency translation adjustment of 33 million yen, while there was an increase in retained earnings of 73 million yen due to profit attributable to owners of parent and other items.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

There are no revisions to the consolidated forecasts for the fiscal year ending February 28, 2019, which was announced on April 13, 2018.

An announcement will be made promptly if a revision to the forecasts is required due to upcoming changes in the operating environment.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

(Thousands of yen)

	FY2/18 (As of Feb. 28, 2018)	First quarter of FY2/19 (As of May 31, 2018)
Assets		
Current assets		
Cash and deposits	3,601,164	3,479,181
Notes and accounts receivable-trade	6,884,040	7,036,825
Electronically recorded monetary claims-operating	899,632	928,542
Merchandise and finished goods	1,568,348	1,670,413
Work in process	338,548	403,746
Raw materials and supplies	608,893	659,359
Other	259,770	370,233
Allowance for doubtful accounts	(5,836)	(5,297)
Total current assets	14,154,561	14,543,004
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,659,792	4,574,337
Machinery, equipment and vehicles, net	2,182,999	2,103,932
Land	2,845,829	2,932,702
Other, net	609,450	906,765
Total property, plant and equipment	10,298,071	10,517,738
Intangible assets	173,684	167,817
Investments and other assets		
Other	1,336,447	1,316,182
Allowance for doubtful accounts	(27,095)	(27,095)
Total investments and other assets	1,309,351	1,289,086
Total non-current assets	11,781,107	11,974,642
Total assets	25,935,669	26,517,647

(Thousands of yen)

	FY2/18 (As of Feb. 28, 2018)	First quarter of FY2/19 (As of May 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,814,014	3,246,198
Electronically recorded obligations-operating	3,486,910	3,252,492
Short-term loans payable	3,414,524	3,409,476
Current portion of long-term loans payable	779,841	823,858
Income taxes payable	225,258	179,412
Provision for bonuses	189,098	345,445
Other	754,413	735,470
Total current liabilities	11,664,061	11,992,353
Non-current liabilities		
Long-term loans payable	2,365,512	2,635,980
Net defined benefit liability	172,692	163,003
Other	223,498	221,528
Total non-current liabilities	2,761,702	3,020,511
Total liabilities	14,425,763	15,012,865
Net assets		
Shareholders' equity		
Capital stock	1,057,468	1,057,468
Capital surplus	1,158,408	1,158,408
Retained earnings	8,171,483	8,245,319
Treasury shares	(838)	(838)
Total shareholders' equity	10,386,521	10,460,357
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	247,405	218,919
Deferred gains or losses on hedges	3,778	(4,531)
Foreign currency translation adjustment	428,704	395,702
Remeasurements of defined benefit plans	77,345	75,481
Total accumulated other comprehensive income	757,233	685,570
Non-controlling interests	366,149	358,853
Total net assets	11,509,905	11,504,781
Total liabilities and net assets	25,935,669	26,517,647

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****(For the Three-month Period)**

(Thousands of yen)

	First three months of FY2/18 (Mar. 1, 2017 – May 31, 2017)	First three months of FY2/19 (Mar. 1, 2018 – May 31, 2018)
Net sales	8,059,437	8,520,551
Cost of sales	6,857,814	7,184,244
Gross profit	1,201,623	1,336,307
Selling, general and administrative expenses	858,347	896,645
Operating profit	343,276	439,661
Non-operating income		
Interest income	459	516
Dividend income	872	468
Share of profit of entities accounted for using equity method	2,661	897
Land and house rent received	8,531	7,574
Dividend income of insurance	11,637	12,619
Other	47,689	28,866
Total non-operating income	71,852	50,944
Non-operating expenses		
Interest expenses	15,666	15,849
Foreign exchange losses	21,276	3,000
Other	3,939	5,199
Total non-operating expenses	40,882	24,049
Ordinary profit	374,246	466,556
Extraordinary income		
Gain on sales of non-current assets	15,401	301
Total extraordinary income	15,401	301
Extraordinary losses		
Loss on sales of non-current assets	7,636	-
Loss on retirement of non-current assets	35	141
Impairment loss	-	2,183
Total extraordinary losses	7,671	2,324
Profit before income taxes	381,977	464,533
Income taxes	138,343	165,854
Profit	243,633	298,679
Profit (loss) attributable to non-controlling interests	9,326	(377)
Profit attributable to owners of parent	234,307	299,057

Quarterly Consolidated Statement of Comprehensive Income**(For the Three-month Period)**

(Thousands of yen)

	First three months of FY2/18 (Mar. 1, 2017 – May 31, 2017)	First three months of FY2/19 (Mar. 1, 2018 – May 31, 2018)
Profit	243,633	298,679
Other comprehensive income		
Valuation difference on available-for-sale securities	28,924	(28,356)
Deferred gains or losses on hedges	(5,864)	(8,310)
Foreign currency translation adjustment	(63,150)	(39,920)
Remeasurements of defined benefit plans, net of tax	(261)	(1,864)
Share of other comprehensive income of entities accounted for using equity method	1,264	(129)
Total other comprehensive income	(39,087)	(78,581)
Comprehensive income	204,546	220,097
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	206,049	227,393
Comprehensive income attributable to non-controlling interests	(1,503)	(7,296)

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Significant Subsidiaries during the Period

Nakamoto Packs USA, Inc. and Cangzhou Nakamoto Huaxiang New Materials Co., Ltd. were included in the scope of consolidation because they were newly established during the first quarter of the current fiscal year.

Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

The tax expense was calculated by first estimating the effective tax rate after the application of tax effect accounting with respect to profit before income taxes during the fiscal year, and multiplying that rate by the quarterly profit before income taxes.

Income taxes-deferred were included in and displayed with income taxes.

This summary report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.