



October 15, 2018

Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending February 28, 2019 (FY2/19)
(Six Months Ended August 31, 2018)

[Japanese GAAP]

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Scheduled date of filing of Quarterly Report: October 15, 2018
 Scheduled date of payment of dividend: November 9, 2018
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and securities analysts)

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

1. Consolidated Financial Results for the Second Quarter of FY2/19 (March 1, 2018 – August 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	%
Six months ended Aug. 31, 2018	17,141	5.1	889	24.8	922	13.0	602	15.2
Six months ended Aug. 31, 2017	16,307	4.9	712	(12.6)	816	10.2	522	26.9

Note: Comprehensive income Six months ended Aug. 31, 2018: 499 million yen (down 13.3%)
 Six months ended Aug. 31, 2017: 576 million yen (up 363.8%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended Aug. 31, 2018	73.71	-
Six months ended Aug. 31, 2017	63.99	-

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 Aug. 31, 2018	26,412	11,784	43.3	1,398.28
As of Feb. 28, 2018	25,935	11,509	43.0	1,363.58

Reference: Equity capital As of Aug. 31, 2018: 11,427 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	-	27.50	-	-	-
FY2/19 (forecast)	-	-	-	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
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 10 “2. Quarterly Consolidated Financial Statements and Notes, (4) 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 10 “2. Quarterly Consolidated Financial Statements and Notes, (4) 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 Aug. 31, 2018: | 8,173,320 shares | As of Feb. 28, 2018: | 8,173,320 shares |
| 2) Number of treasury shares at the end of the period | | | |
| As of Aug. 31, 2018: | 937 shares | As of Feb. 28, 2018: | 912 shares |
| 3) Average number of shares during the period | | | |
| 2Q FY2/19: | 8,172,403 shares | 2Q FY2/18: | 8,172,584 shares |

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 4 for forecast assumptions and notes of caution for usage.

How to view supplementary information at the quarterly financial results meeting

Nakamoto Packs plans to hold an information meeting for institutional investors and analysts on Thursday, October 25, 2018.

Materials to be distributed at this event will be available on the company’s website immediately thereafter.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first half of the current fiscal year, an earthquake in Osaka and heavy rain in western Japan had a negative effect on some sectors of the economy. However, Japan's economy continued to recover slowly due to improvements in corporate earnings and the labor market. The outlook is uncertain as concerns increase over trade friction that originated with protectionist policies of the United States.

The Nakamoto Packs Group took many actions during the first half 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 5.1% to 17,141 million yen. Operating profit increased 24.8% to 889 million yen, ordinary profit increased 13.0% to 922 million yen and profit attributable to owners of parent increased 15.2% to 602 million yen.

Results of operations for product categories were as follows.

Food Packaging and Containers

As in the first quarter, orders for thin film used mainly for products sold at convenience stores were stable. Overall, orders in this category were strong, including a large volume of orders in the agricultural products sector, where orders are highest in the spring and early summer. The result was a 3.9% increase in sales to 11,656 million yen.

Gross profit increased 12.7% to 1,346 million yen as price negotiations and proposal for and adoption of the replacement of some materials with others more than offset the negative effects on earnings of intense competition.

IT and Industrial Materials

In the electronic components and devices sector, there was increasing demand associated with the higher speed of smartphones and growing use of automotive electronics as the Internet of things business expands. Orders also increased in the functional film processing sector, primarily for film used for manufacturing semiconductors and electronic components. Orders in new business sectors, such as film used in smartphone and television screens, also contributed to sales growth. Sales increased 35.7% to 2,625 million yen and the gross profit increased 56.3% to 688 million yen.

Pharmaceuticals and Health Care

Although orders for products for generic drugs were strong, there was a decline in sales of products for patented and brand-name drugs. In addition, sales of transdermal patches were impacted by inventory adjustments and price competition resulting from national health insurance drug price revisions. Sales decreased 9.3% to 636 million yen and the gross profit decreased 10.7% to 150 million yen.

Printing Sheets for Building Materials

Difficulties involving the procurement of lauan plywood and other secondary processing materials that began late in 2017 have slowly declined. This made it possible to maintain a stable supply of decorative paper sheets and decorative films (PVC, PP and our N coat (polypropylene-based synthetic paper)) used for interior finishing for houses, apartment buildings and residential renovation projects and for furniture. Sales increased 6.8% to 378 million yen and the gross profit increased 1.8% to 63 million yen.

Consumer Product Packaging and Materials

A decrease in the number of items for certain types of vacuum storage bags and inventory reductions resulting from a change in the inventory policies of customers caused sales to decrease. Lower sales of value-added products also reduced sales. Sales decreased 13.1% to 1,658 million yen and the gross profit decreased 23.8% to 422 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 there was a decline in selling prices of recycled pellets. Sales decreased 2.7% to 185 million yen and the gross profit was down 1.2% to 59 million yen.

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Assets

Total assets increased 476 million yen from the end of the previous fiscal year to 26,412 million yen at the end of the second quarter under review.

Current assets decreased 41 million yen to 14,113 million yen. This was mainly due to a decrease in cash and deposits of 452 million yen, while there were increases in electronically recorded monetary claims-operating of 321 million yen and inventories of 48 million yen.

Non-current assets increased 518 million yen to 12,299 million yen. This was mainly due to an increase in property, plant and equipment of 546 million yen for the purchase of equipment for increasing output capacity.

Liabilities

Total liabilities increased 202 million yen to 14,627 million yen.

Current liabilities increased 132 million yen to 11,797 million yen. This was mainly due to increases in income taxes payable of 125 million yen and provision for bonuses of 68 million yen, while there was a decrease in electronically recorded obligations-operating of 72 million yen.

Non-current liabilities increased 69 million yen to 2,830 million yen. This was mainly due to an increase in long-term loans payable of 95 million yen.

Net assets

Net assets increased 274 million yen to 11,784 million yen. This was mainly due to an increase in retained earnings of 377 million yen due to profit attributable to owners of parent and other items.

2) Cash flows

Cash and cash equivalents (hereinafter "net cash") at the end of the second quarter under review was 3,132 million yen, down 452 million yen over the end of the previous fiscal year.

The cash flow components and the main reasons for changes are as described below.

Cash flows from operating activities

Net cash provided by operating activities was 724 million yen (compared with net cash provided of 413 million yen in the same period of the previous fiscal year). Positive factors include profit before income taxes of 919 million yen and depreciation of 425 million yen, which offset negative factors including an increase in notes and accounts receivable-trade of 319 million yen and income taxes paid of 180 million yen.

Cash flows from investing activities

Net cash used in investing activities was 1,080 million yen (compared with net cash used of 533 million yen in the same period of the previous fiscal year). Although there were positive factors including proceeds from sales of property, plant and equipment of 12 million yen, there were negative factors including the payment for the purchase of property, plant and equipment (production processing equipment, etc.) of 1,052 million yen.

Cash flows from financing activities

Net cash used in financing activities was 75 million yen (compared with net cash used of 223 million yen in the same period of the previous fiscal year). Positive factors include proceeds from long-term loans payable of 530 million yen and a net increase in short-term loans payable of 60 million yen. Negative factors include repayments of long-term loans payable of 434 million yen and cash dividends paid of 225 million yen.

(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)	Second quarter of FY2/19 (As of Aug. 31, 2018)
Assets		
Current assets		
Cash and deposits	3,601,164	3,148,903
Notes and accounts receivable-trade	6,884,040	6,867,582
Electronically recorded monetary claims-operating	899,632	1,221,535
Merchandise and finished goods	1,568,348	1,642,600
Work in process	338,548	368,264
Raw materials and supplies	608,893	553,068
Other	259,770	316,195
Allowance for doubtful accounts	(5,836)	(5,129)
Total current assets	14,154,561	14,113,020
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,659,792	4,508,674
Machinery, equipment and vehicles, net	2,182,999	2,073,810
Land	2,845,829	2,928,210
Other, net	609,450	1,334,347
Total property, plant and equipment	10,298,071	10,845,042
Intangible assets	173,684	163,767
Investments and other assets		
Other	1,336,447	1,317,523
Allowance for doubtful accounts	(27,095)	(27,095)
Total investments and other assets	1,309,351	1,290,427
Total non-current assets	11,781,107	12,299,237
Total assets	25,935,669	26,412,257

	(Thousands of yen)	
	FY2/18 (As of Feb. 28, 2018)	Second quarter of FY2/19 (As of Aug. 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,814,014	2,777,977
Electronically recorded obligations-operating	3,486,910	3,414,609
Short-term loans payable	3,414,524	3,461,342
Current portion of long-term loans payable	779,841	780,176
Income taxes payable	225,258	351,251
Provision for bonuses	189,098	257,450
Other	754,413	754,228
Total current liabilities	11,664,061	11,797,035
Non-current liabilities		
Long-term loans payable	2,365,512	2,460,687
Net defined benefit liability	172,692	153,659
Other	223,498	216,520
Total non-current liabilities	2,761,702	2,830,866
Total liabilities	14,425,763	14,627,902
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	8,548,655
Treasury shares	(838)	(885)
Total shareholders' equity	10,386,521	10,763,646
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	247,405	208,118
Deferred gains or losses on hedges	3,778	31
Foreign currency translation adjustment	428,704	381,871
Remeasurements of defined benefit plans	77,345	73,616
Total accumulated other comprehensive income	757,233	663,638
Non-controlling interests	366,149	357,069
Total net assets	11,509,905	11,784,354
Total liabilities and net assets	25,935,669	26,412,257

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

(Thousands of yen)

	First six months of FY2/18 (Mar. 1, 2017 – Aug. 31, 2017)	First six months of FY2/19 (Mar. 1, 2018 – Aug. 31, 2018)
Net sales	16,307,830	17,141,210
Cost of sales	13,827,395	14,409,923
Gross profit	2,480,434	2,731,286
Selling, general and administrative expenses	1,767,669	1,841,404
Operating profit	712,765	889,882
Non-operating income		
Interest income	886	947
Dividend income	7,652	7,550
Share of profit of entities accounted for using equity method	3,905	2,931
Land and house rent received	17,202	15,622
Other	123,141	67,281
Total non-operating income	152,788	94,335
Non-operating expenses		
Interest expenses	31,333	31,794
Foreign exchange losses	3,166	19,035
Other	14,604	10,624
Total non-operating expenses	49,103	61,454
Ordinary profit	816,449	922,763
Extraordinary income		
Gain on sales of non-current assets	15,401	2,976
Total extraordinary income	15,401	2,976
Extraordinary losses		
Loss on sales of non-current assets	7,797	3,214
Loss on retirement of non-current assets	351	579
Impairment loss	-	2,183
Total extraordinary losses	8,149	5,976
Profit before income taxes	823,702	919,763
Income taxes	264,999	314,741
Profit	558,703	605,022
Profit attributable to non-controlling interests	35,751	2,629
Profit attributable to owners of parent	522,951	602,393

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

(Thousands of yen)

	First six months of FY2/18 (Mar. 1, 2017 – Aug. 31, 2017)	First six months of FY2/19 (Mar. 1, 2018 – Aug. 31, 2018)
Profit	558,703	605,022
Other comprehensive income		
Valuation difference on available-for-sale securities	53,185	(40,350)
Deferred gains or losses on hedges	(9,419)	(3,746)
Foreign currency translation adjustment	(26,705)	(58,542)
Remeasurements of defined benefit plans, net of tax	(522)	(3,728)
Share of other comprehensive income of entities accounted for using equity method	889	1,062
Total other comprehensive income	17,427	(105,304)
Comprehensive income	576,131	499,717
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	544,966	508,797
Comprehensive income attributable to non-controlling interests	31,164	(9,080)

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY2/18 (Mar. 1, 2017 – Aug. 31, 2017)	First six months of FY2/19 (Mar. 1, 2018 – Aug. 31, 2018)
Cash flows from operating activities		
Profit before income taxes	823,702	919,763
Depreciation	453,340	425,573
Impairment loss	-	2,183
Share of (profit) loss of entities accounted for using equity method	(3,905)	(2,931)
Increase (decrease) in allowance for doubtful accounts	776	(626)
Increase (decrease) in provision for bonuses	55,568	68,501
Increase (decrease) in net defined benefit liability	(15,786)	(24,405)
Interest and dividend income	(8,538)	(8,498)
Interest expenses	31,333	31,794
Foreign exchange losses (gains)	4,214	21,547
Loss on retirement of non-current assets	351	579
Loss (gain) on sales of non-current assets	(7,604)	237
Decrease (increase) in notes and accounts receivable-trade	(77,304)	(319,548)
Decrease (increase) in inventories	(289,168)	(65,772)
Increase (decrease) in notes and accounts payable-trade	(206,983)	(60,284)
Increase (decrease) in accrued consumption taxes	(24,859)	42,132
Other, net	(66,535)	(103,428)
Subtotal	668,601	926,816
Interest and dividend income received	10,363	10,323
Interest expenses paid	(31,071)	(31,756)
Income taxes paid	(234,312)	(180,696)
Net cash provided by (used in) operating activities	413,581	724,687
Cash flows from investing activities		
Purchase of property, plant and equipment	(546,770)	(1,052,048)
Proceeds from sales of property, plant and equipment	32,855	12,650
Payments for retirement of property, plant and equipment	-	(438)
Purchase of intangible assets	(4,266)	(21,981)
Purchase of investment securities	(8,871)	(8,794)
Payments of loans receivable	-	(3,000)
Collection of loans receivable	1,381	1,269
Payments for guarantee deposits	(70)	(605)
Proceeds from collection of guarantee deposits	1,059	129
Other, net	(8,546)	(7,569)
Net cash provided by (used in) investing activities	(533,227)	(1,080,389)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	26,000	60,000
Proceeds from long-term loans payable	400,000	530,000
Repayments of long-term loans payable	(419,630)	(434,490)
Repayments of lease obligations	(5,598)	(6,006)
Purchase of treasury shares	-	(47)
Cash dividends paid	(224,444)	(225,074)
Net cash provided by (used in) financing activities	(223,673)	(75,619)
Effect of exchange rate change on cash and cash equivalents	(13,655)	(20,940)
Net increase (decrease) in cash and cash equivalents	(356,976)	(452,261)
Cash and cash equivalents at beginning of period	3,769,794	3,585,164
Cash and cash equivalents at end of period	3,412,818	3,132,903

(4) 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.