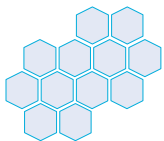




# Results of Operations for the Fiscal Year Ended February 28, 2019

April 24, 2019

Jun Kawata, President



---

1.	FY2/19 Financial Summary	...	P.3
----	--------------------------	-----	-----

---

2.	FY2/20 Outlook	...	P.21
----	----------------	-----	------

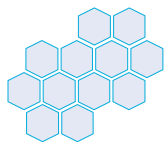
---

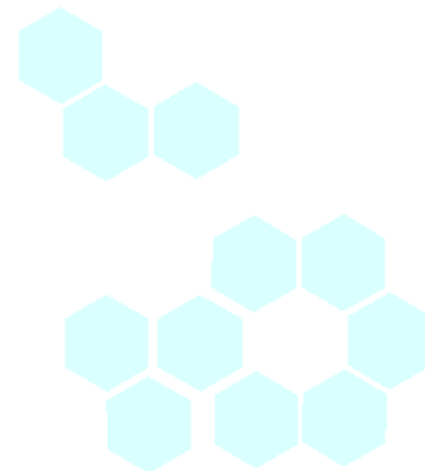
3.	Business Climate and Key Initiatives in FY2/20	...	P.25
----	--	-----	------

---

4.	Reference	...	P.42
----	-----------	-----	------

---





# FY2/19 Financial Summary

## FY2/19 Results of operations

Third consecutive year of sales and earnings growth and achieved new record highs

Consolidated sales and operating profit **increased** and earnings surpassed the initial plan.

Consolidated sales: 33,942 million yen (**+2.9%** YoY)

Consolidated operating profit: 1,645 million yen(**+23.6%** YoY)

Growth was attributable mainly to higher sales of food packaging and containers used for products sold by convenience stores and higher sales of IT and industrial materials due primarily to smartphone-related materials in the fiscal year's first half and semiconductor-related materials in the second half.

Construction of the Saitama Plant III has been completed and mass production has started.

Recent photograph of the plant



Construction completed at the end of September 2018

Sep. 2018: Completion of plant construction

Feb. 2019: Receipt of all regulatory approvals completed

Mar. 2019: Start of trial operations

Apr. 2019: Start of mass production

Jun. 2019: Planning to start full-scale operations

# Financial Summary

- The Cangzhou Plant fell far behind schedule, but regulatory problems have been resolved.
- The Nashville Sales Office started operating in July 2018. Warehouses were added in three locations and North America operations are growing steadily.

## Relocation of production from Langfang to Cangzhou



Cangzhou Nakamoto Huaxiang New Materials Co., Ltd.

Jan. 2019: Completion of plant construction

Mar. 2019: Start of trial operations

Jun. 2019: Start of mass production

## New company for North America operations



Nashville Sales Office in the United States

Jul. 2018: Operations started at sales office and warehouse

Feb. 2019: Added two warehouses as orders continue to climb

Established the Market Development Office in September 2018 to create solutions for special applications. The office seeks opportunities in new businesses by using information from sales sections, which interact directly with customers.

## Printing Sheets for Building Materials

### Spray Coater

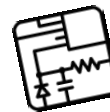
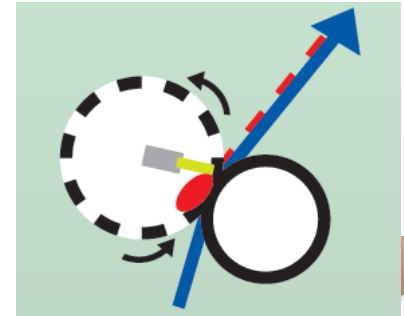


- Nakamoto Inshokan started full-scale operations in Jan. 2019
- Used for creating intricate shapes
- Started full-scale activities for new product development with sanitary appliance and other manufacturers

## IT and Industrial Materials

### Rotary Screen

Roll-to-roll continuous processing



- Rotary screen operations started in Sep. 2018 at the Nabari Plant
- The main application is pattern printing, such as for the growing markets for wearable sensors and circuit substrates

# Results Highlights

(Consolidated)

(Millions of yen; (% to sales))

	FY2/18 Results	FY2/19					
		Results	YoY change		Plan	Vs. plan	
			Amount	%		Amount	%
Net sales	32,981	33,942	+961	+2.9%	34,500	(557)	(1.6)%
Gross profit	4,904 (14.9%)	5,287 (15.6%)	+382	+7.8%	5,300 (15.4%)	(12)	(0.2)%
Selling, general and administrative expenses	3,573 (10.8%)	3,642 (10.7%)	+69	+1.9%	3,800 (11.0%)	(157)	(4.2)%
Operating profit	1,331 (4.0%)	1,645 (4.8%)	+313	+23.6%	1,500 (4.3%)	+145	+9.7%
Ordinary profit	1,486 (4.5%)	1,684 (5.0%)	+197	+13.3%	1,600 (4.6%)	+84	+5.3%
Profit attributable to owners of parent	981 (3.0%)	1,156 (3.4%)	+174	+17.8%	1,000 (2.9%)	+156	+15.7%
R&D expenses	76	67	(8)	(11.6)%	80	(12)	(15.6)%
Capital expenditures*	1,156	1,560	+403	+34.9%	2,450	(890)	(36.3)%
Depreciation	940 (2.9%)	872 (2.6%)	(68)	(7.3)%	968 (2.8%)	(96)	(10.0)%

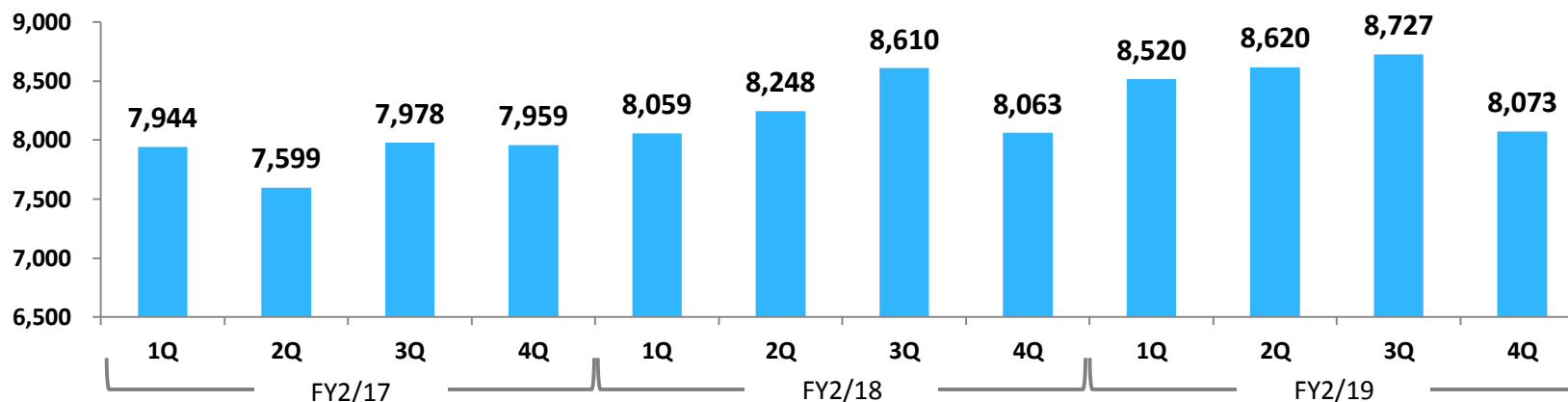
\* Construction in progress is not included in capital expenditures.

Note: Exchange rate for FY2/19: 16.16 yen/yuan

# Quarterly Results

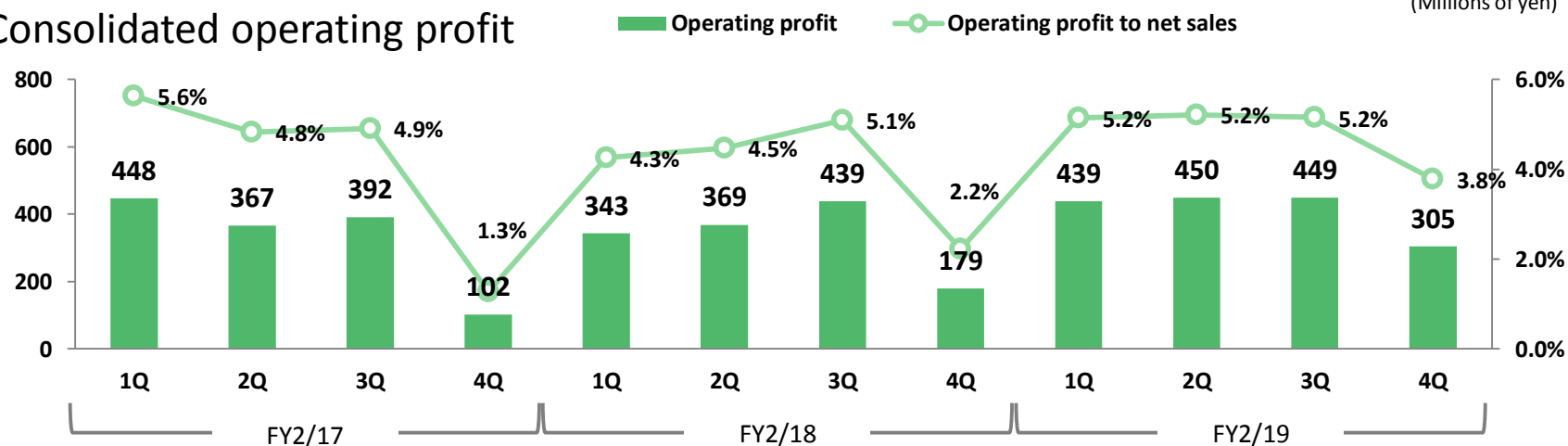
## Consolidated sales

(Millions of yen)

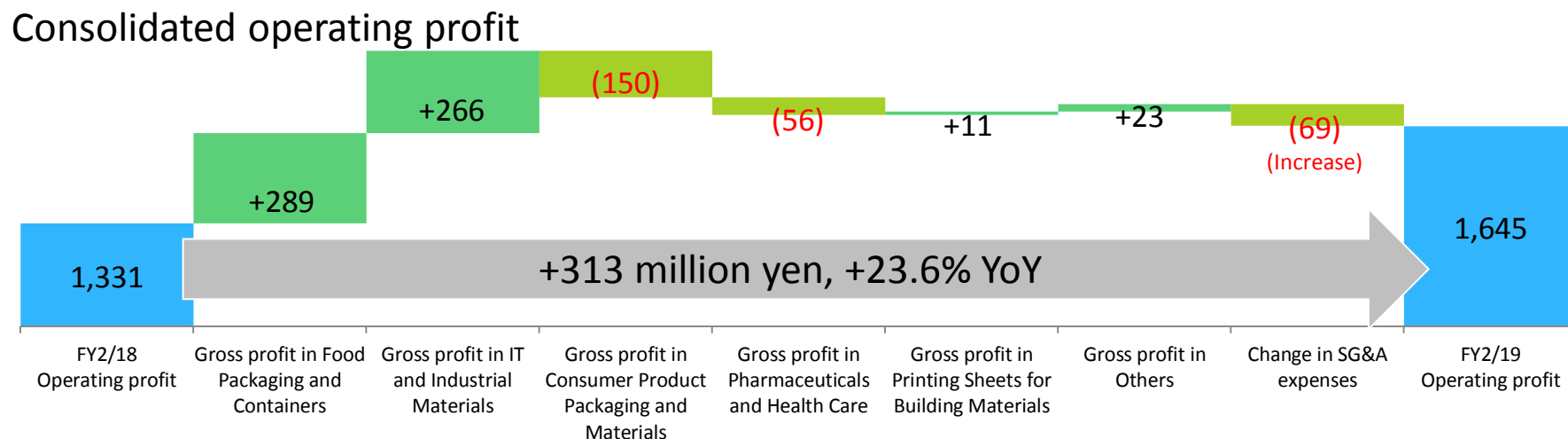
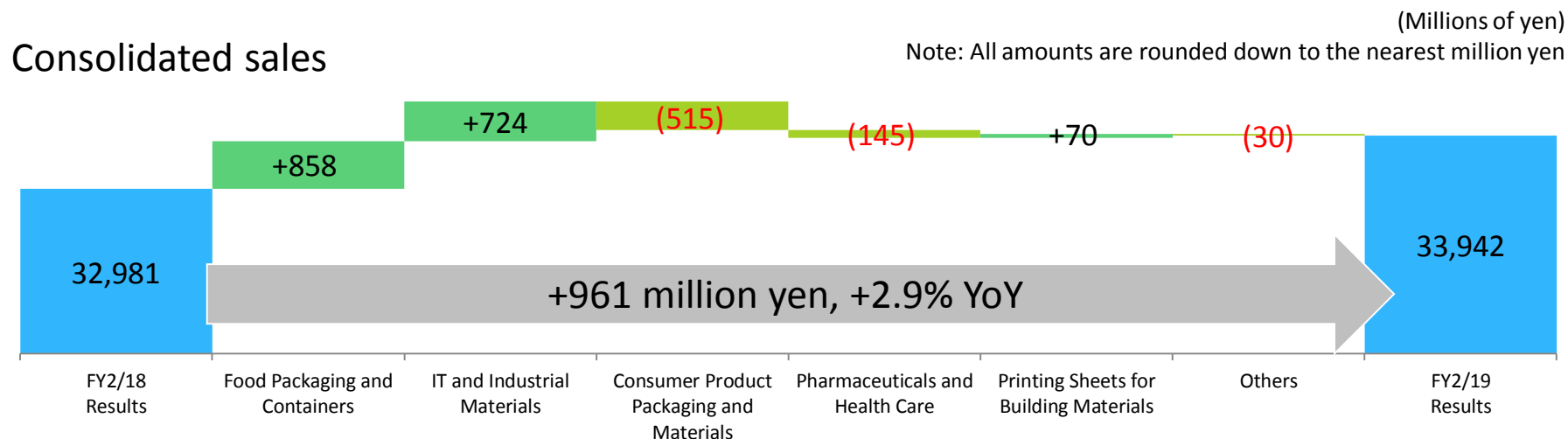


## Consolidated operating profit

(Millions of yen)



# Change in Net Sales and Operating Profit (YoY)

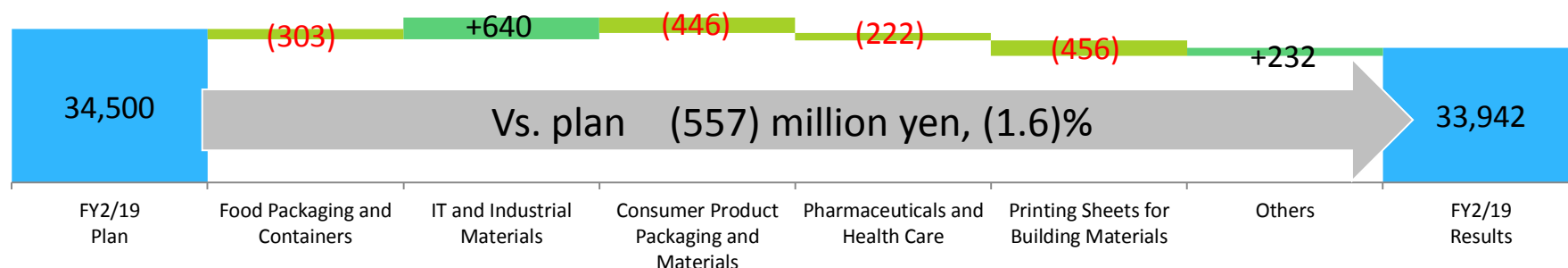


# Change in Net Sales and Operating Profit (Vs. Plan)

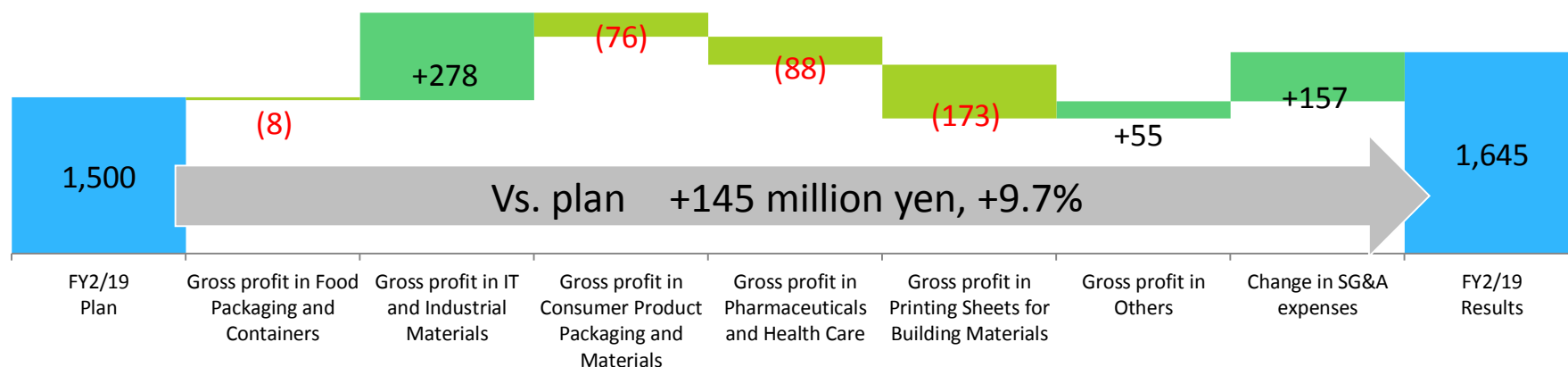
(Millions of yen)

## Consolidated sales

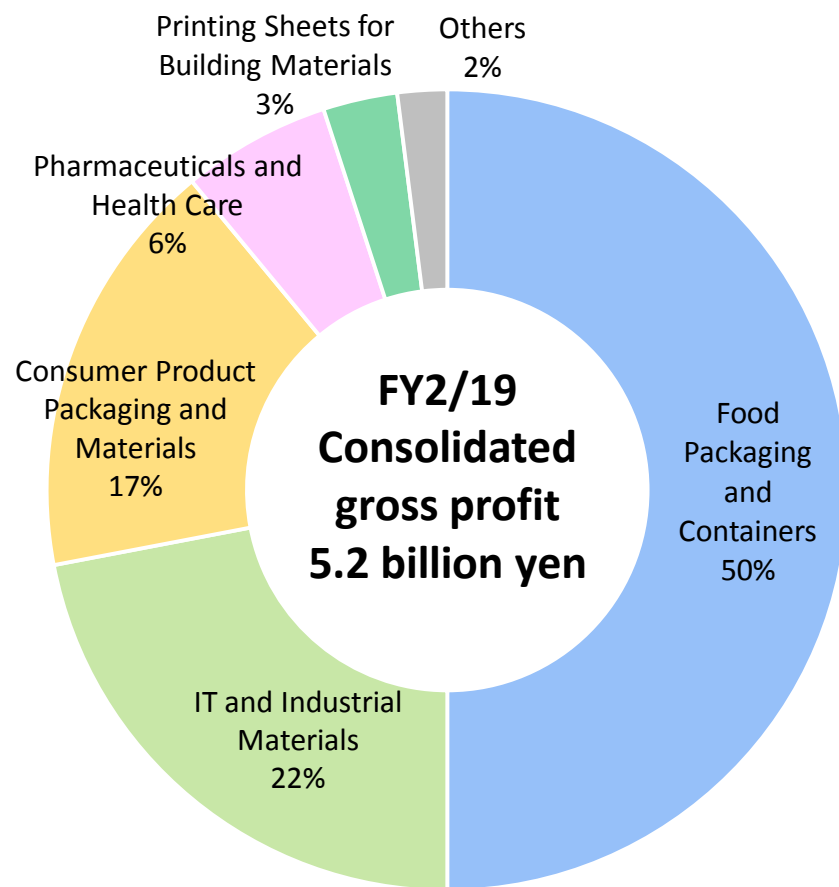
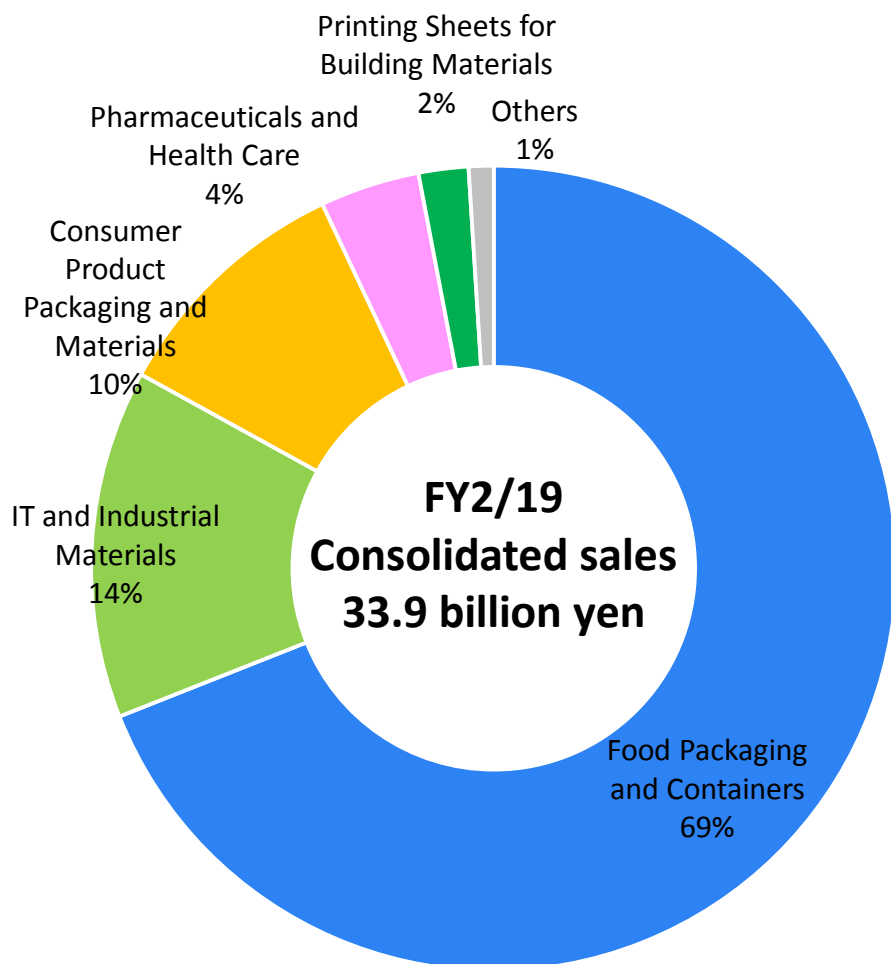
Note: All amounts are rounded down to the nearest million yen



## Consolidated operating profit

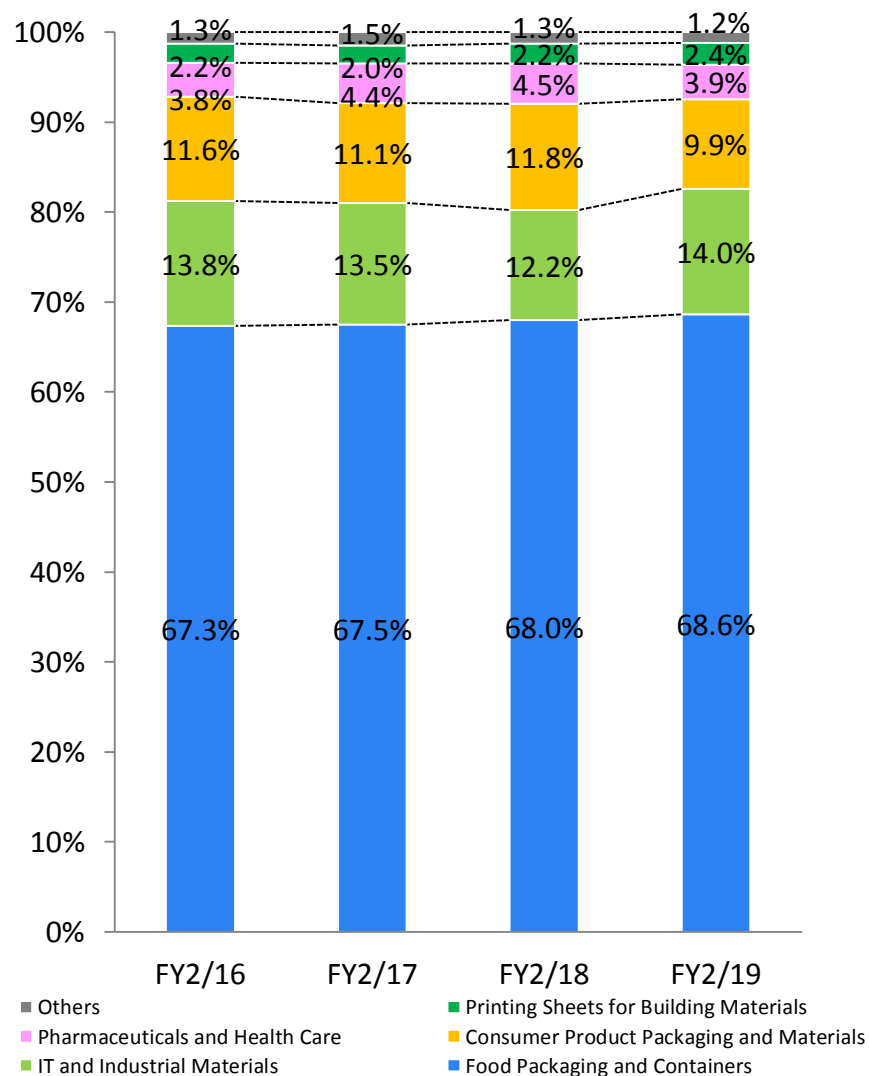


# Sales and Gross Profit Composition for Product Applications

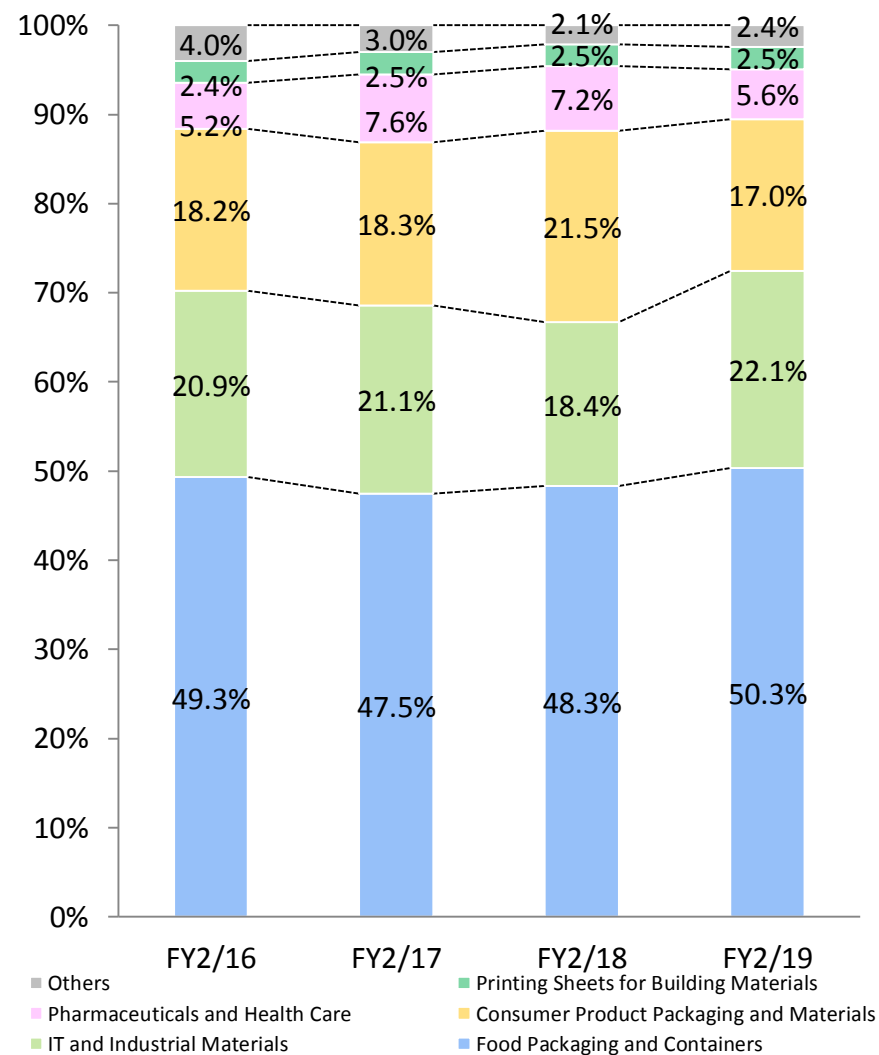


# Trends in Sales and Gross Profit Composition for Product Applications

## Consolidated sales



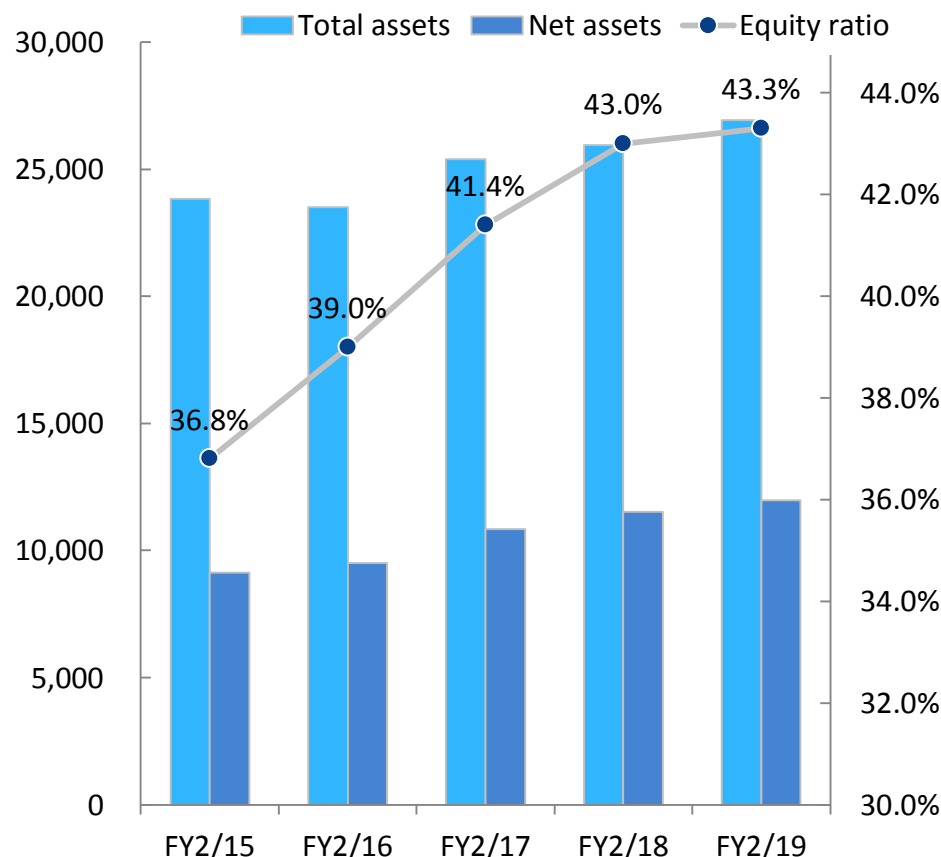
## Consolidated gross profit



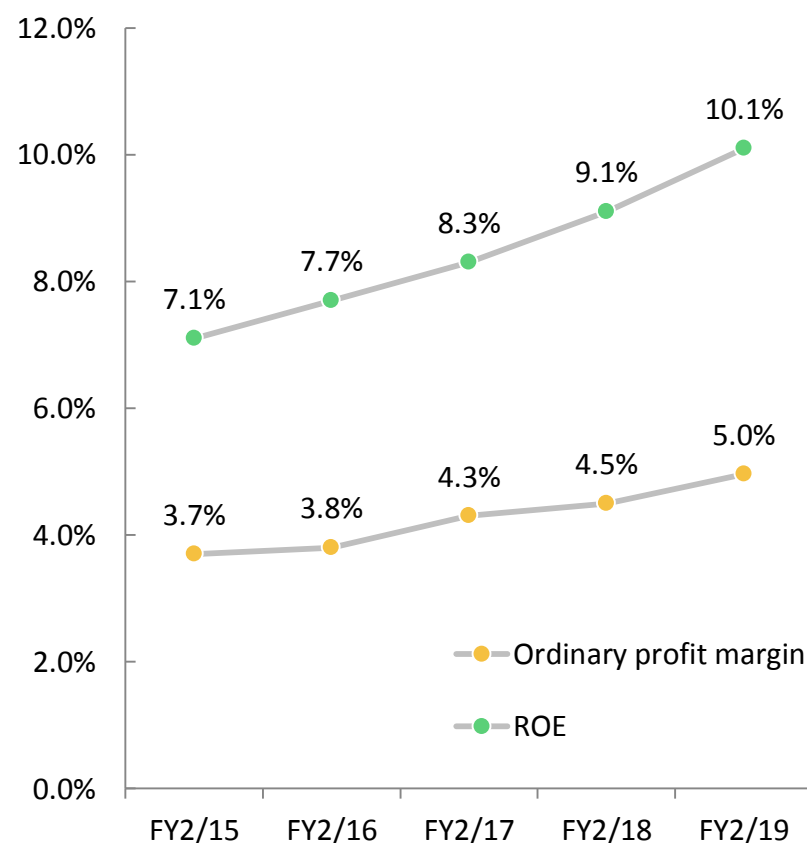
Financial soundness continues to improve, backed by strong sales and earnings

## Total assets, net assets and equity ratio

(Millions of yen)

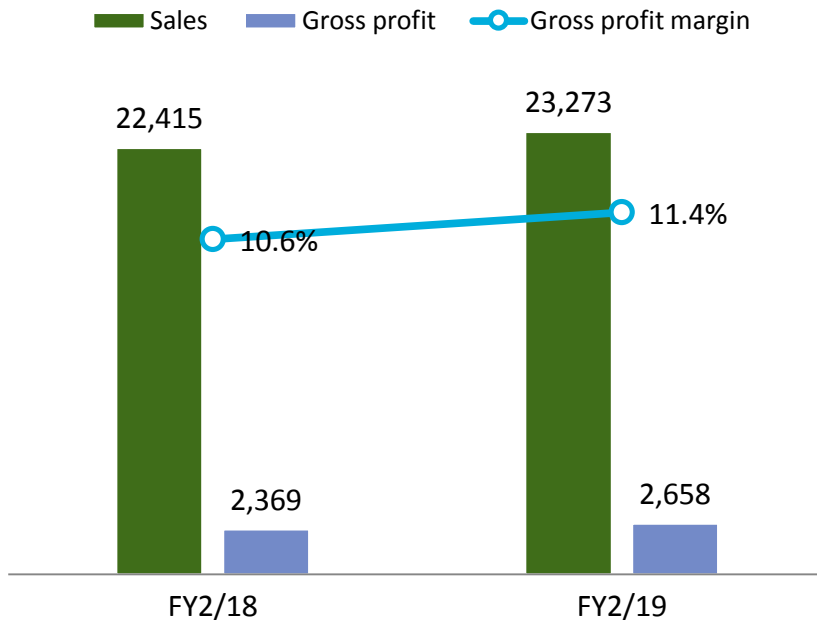


## Ordinary profit margin and ROE



## Food Packaging and Containers

(Millions of yen)



### Examples of final products



Pasta container



Prepared food container (bento)

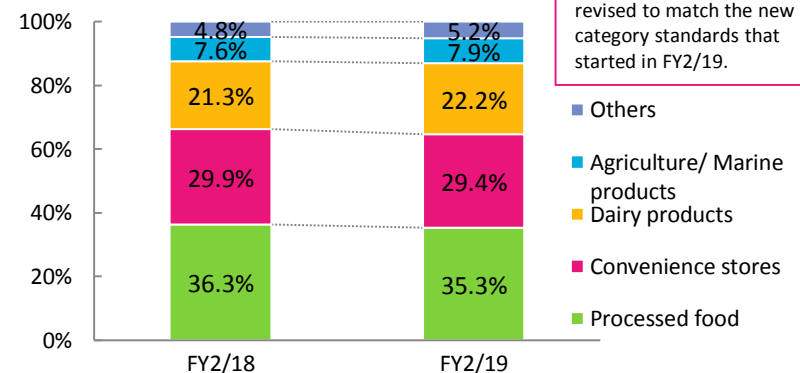


Beverage container lid

### Sales in major product categories

Processed food	<ul style="list-style-type: none"> <li>Strong sales for packaging materials for tofu and frozen food</li> </ul>
Convenience stores	<ul style="list-style-type: none"> <li>Large volume of orders for pasta and bento containers as convenience store sales increased</li> </ul>
Dairy products	<ul style="list-style-type: none"> <li>Firm sales for yogurt and cheese packaging</li> </ul>
Agriculture/ Marine products	<ul style="list-style-type: none"> <li>Received orders as planned for packaging for tomatoes, kiwis and other agricultural products</li> </ul>

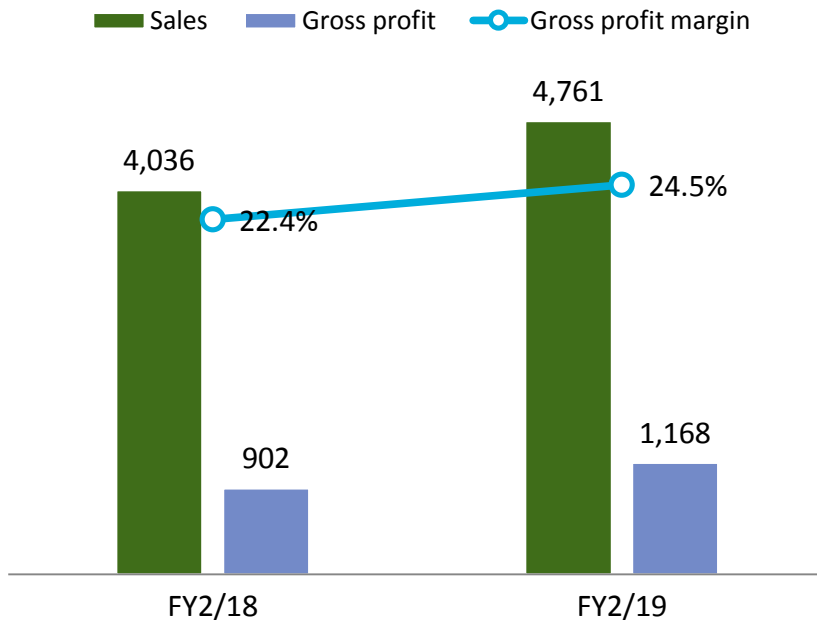
### Sales composition for major categories (Consolidated)



Note:  
FY2/18 sales have been revised to match the new category standards that started in FY2/19.

## IT and Industrial Materials

(Millions of yen)



### Examples of final products



Films for production processes

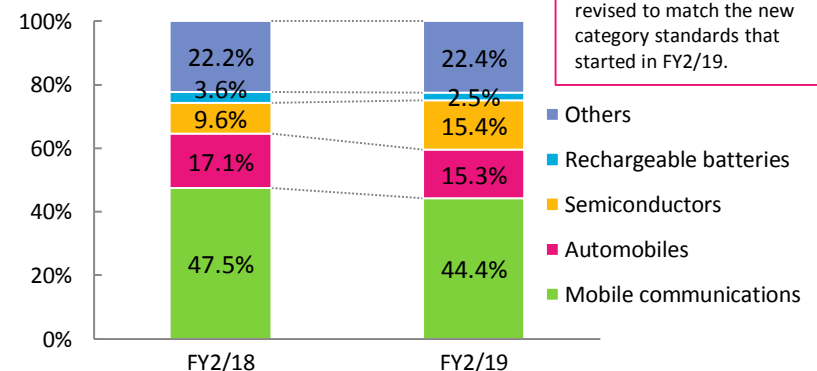


NS Separator

### Sales in major product categories

Mobile communications	<ul style="list-style-type: none"> <li>Received a larger order for smartphone products in the first half</li> <li>Strong sales of light blocking film printing</li> </ul>
Automobiles	<ul style="list-style-type: none"> <li>Orders for current products are consistently firm</li> </ul>
Semiconductors	<ul style="list-style-type: none"> <li>Firm orders for films used in electronic component production processes</li> </ul>
Rechargeable batteries	<ul style="list-style-type: none"> <li>Orders down mainly because of the introduction of new battery models</li> </ul>
Others	<ul style="list-style-type: none"> <li>No change in sales of electricity conductivity processes, electric wire covering film, industrial tape and other products</li> </ul>

### Sales composition for major categories (Consolidated)

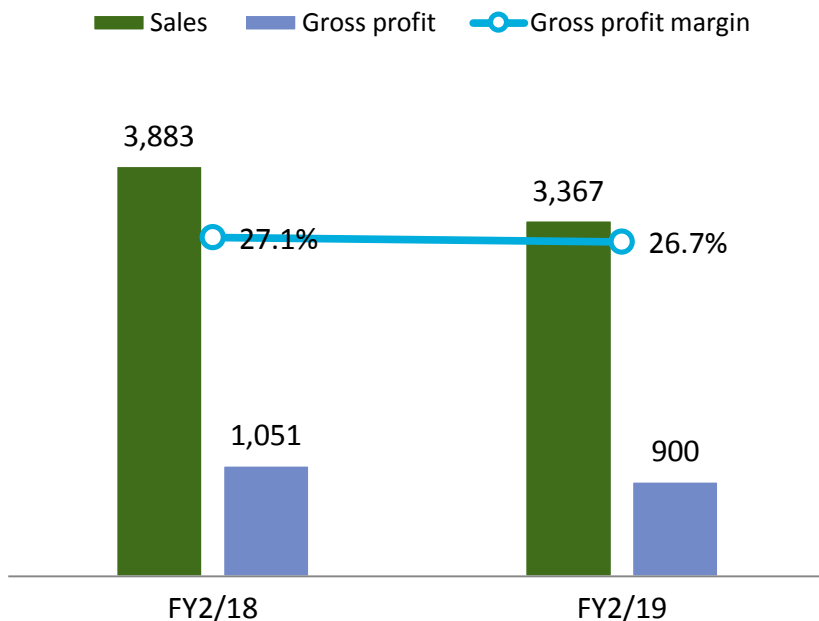


Note:  
FY2/18 sales have been revised to match the new category standards that started in FY2/19.



### Consumer Product Packaging and Materials

(Millions of yen)



### Examples of final products



Insecticide vacuum storage bags

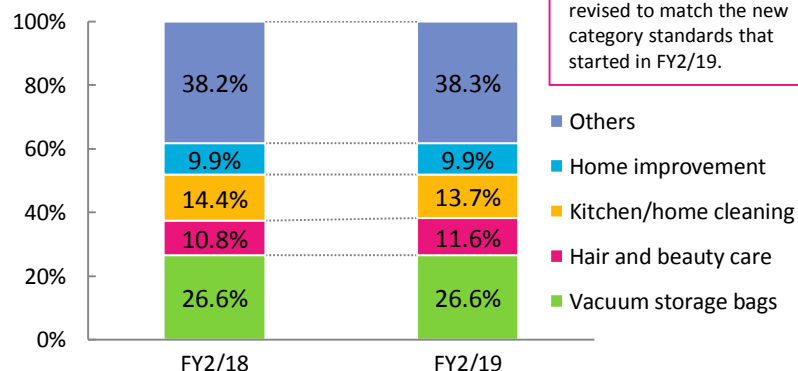


Home improvement product  
Mosaic tile

### ■ Sales in major product categories

Vacuum storage bags	• Sluggish sales throughout the fiscal year, but signs of a recovery are emerging, including a new customer near the end of the fiscal year
Hair and beauty care	• Steady sales of materials for hair dyeing process (combs, gloves)
Kitchen/home cleaning	• Sales down because most kitchen material sales are lower-priced products
Home improvement	• No change in sales as a period of strong mosaic tile sales has ended
Others	• Firm sales of label film for a variety of consumer products • Slight increase in sales of seasonal products due to new product lines

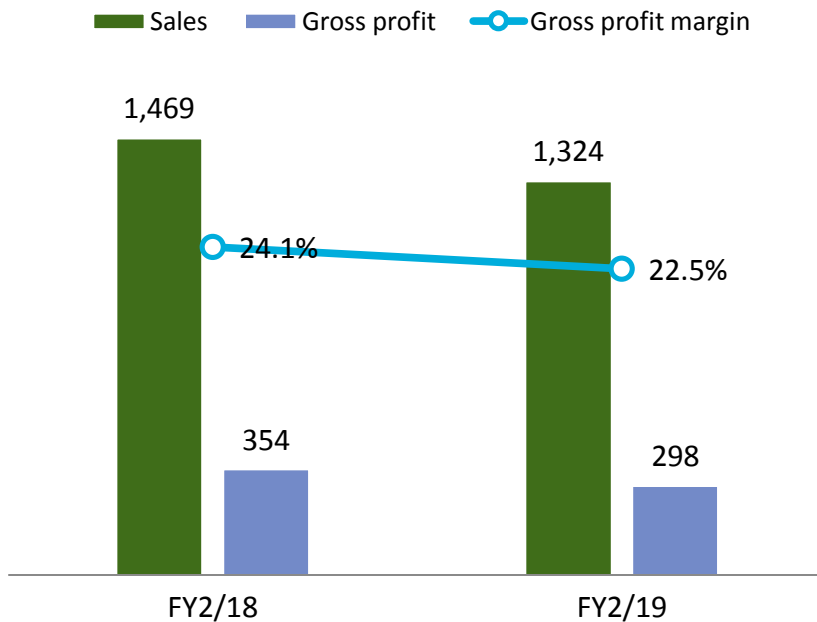
### ■ Sales composition for major categories (Consolidated)



Note:  
FY2/18 sales have been revised to match the new category standards that started in FY2/19.

## Pharmaceuticals and Health Care

(Millions of yen)



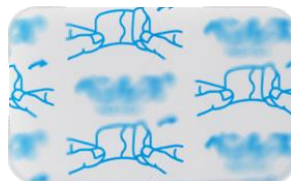
### Examples of final products



External bag for transdermal patch



Bandage

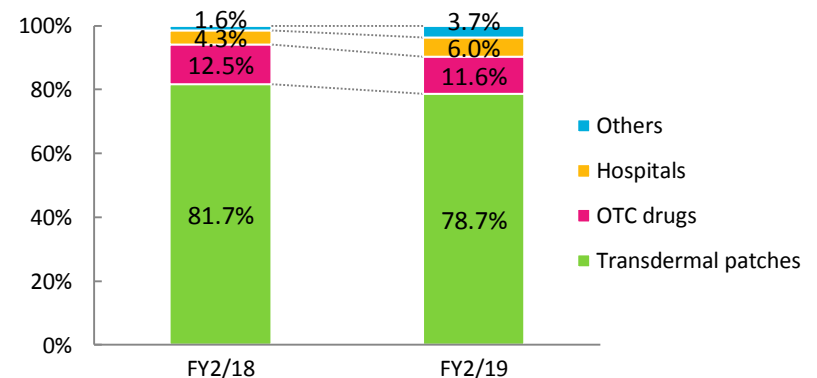


Anesthesia tape

### Sales in major product categories

Transdermal patches	<ul style="list-style-type: none"> <li>Higher sales of separation film for generic drug transdermal patches but sales and earnings decreased because of weakness involving brand-name drugs due to the increasing use of generic drugs, but sales volume was unchanged</li> </ul>
OTC drugs	<ul style="list-style-type: none"> <li>Sales of packaging for OTC drugs decreased</li> </ul>
Hospitals	<ul style="list-style-type: none"> <li>Small sales increase mainly for packaging for hospital supplies</li> </ul>

### Sales composition for major categories (Consolidated)



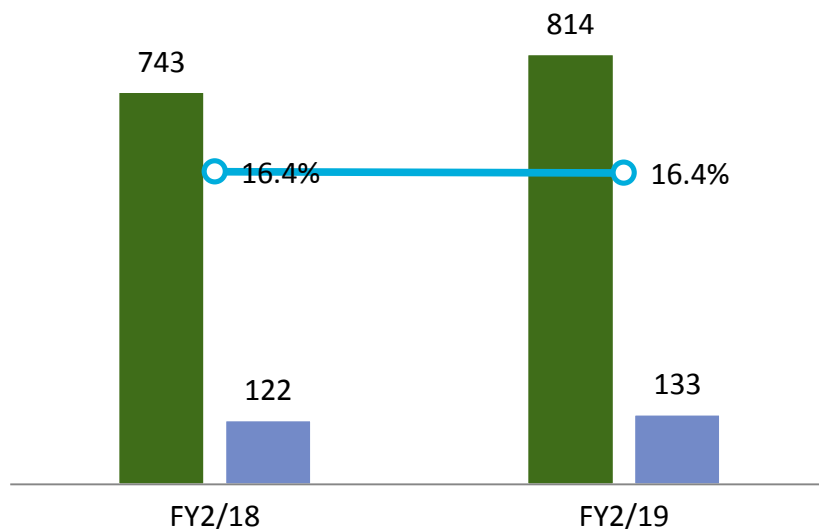
# Applications

## – Printing Sheets for Building Materials

### Printing Sheets for Building Materials

(Millions of yen)

■ Sales ■ Gross profit ○ Gross profit margin



### Examples of final products



Kitchen



Closet

### ■ Sales in major product categories

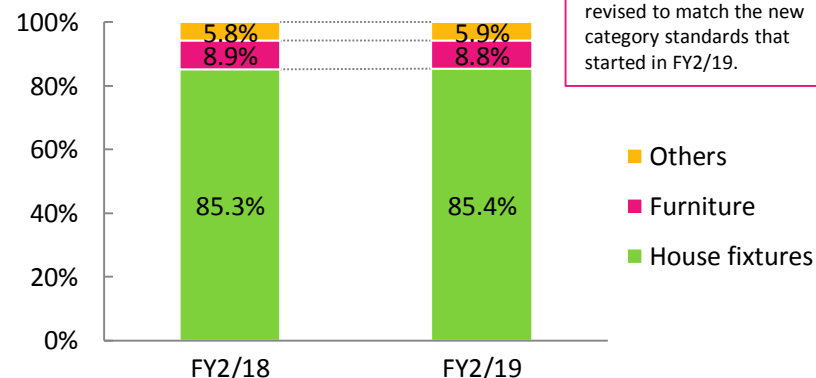
House fixtures	<ul style="list-style-type: none"> <li>For wallpaper and kitchen products, strong sales of decorative sheets and of decorative films using Nakamoto Packs' N coat synthetic paper</li> <li>Slow sales of products used in Japanese-style rooms, such as for sliding partitions and shoji paper</li> </ul>
Furniture	<ul style="list-style-type: none"> <li>Received new orders for materials used in furniture for the catalog/e-commerce market</li> <li>Sales (exports) of materials for overseas furniture rebounded following a downturn</li> </ul>

### ■ N coat

N coat is a polypropylene-based synthetic paper. Due to its excellent resistance to water, N coat is used primarily for vending machine labels and floor materials.



### ■ Sales composition for major categories (Consolidated)



Note:  
FY2/18 sales have been revised to match the new category standards that started in FY2/19.

# Assets and Liabilities

(Consolidated)

(Millions of yen; (% to total liabilities and net assets))

		As of Feb. 28, 2018		As of Feb. 28, 2019	
				YoY change	Major factors
	Current assets	14,154 (54.6%)	13,912 (51.7%)	(242)	Cash and deposits (569) Electronically recorded monetary claims-operating +87 Notes and accounts receivable-trade +53 Inventories +157
	Non-current assets	11,781 (45.4%)	13,016 (48.3%)	+1,235	Property, plant and equipment +1,122 Intangible assets +171
Total assets		25,935 (100.0%)	26,929 (100.0%)	+993	
	Current liabilities	11,664 (45.0%)	12,227 (45.4%)	+563	Electronically recorded obligations-operating +230 Short-term loans payable +263 Income taxes payable +93
	Non-current liabilities	2,761 (10.6%)	2,717 (10.1%)	(43)	Long-term loans payable (16) Net defined benefit liability (23)
Total liabilities		14,425 (55.6%)	14,945 (55.5%)	+519	
Total net assets		11,509 (44.4%)	11,984 (44.5%)	+474	Retained earnings +707 Valuation difference on available-for-sale securities (82) Foreign currency translation adjustment (95)
Total liabilities and net assets		25,935 (100.0%)	26,929 (100.0%)	+993	
Net interest-bearing debt		2,987 (11.5%)	3,787 (14.1%)	+800	Cash and deposits (569) Short-term loans payable +263 Long-term loans payable (16)

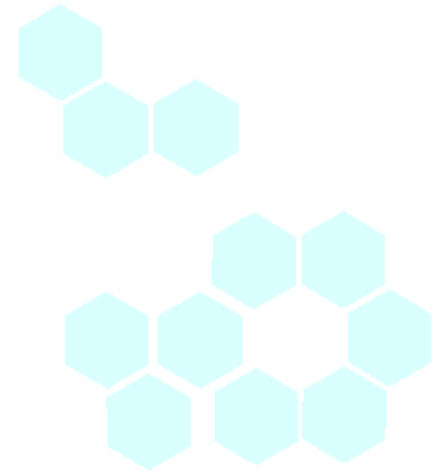
Net interest-bearing debt = Interest-bearing debt – Cash and deposits

# Cash Flows

(Consolidated)

(Millions of yen)

		FY2/18 Results	Results	FY2/19 Components
	Cash flows from operating activities	1,499	2,029	Profit before income taxes 1,642 Depreciation 872 Decrease (increase) in working capital (97) Income taxes paid (375)
	Cash flows from investing activities	(1,199)	(2,348)	Proceeds from sales of property, plant and equipment 15 Purchase of property, plant and equipment (2,118) Purchase of intangible assets (214)
Free cash flows		299	(318)	
Cash flows from financing activities		(492)	(213)	Net increase in short-term loans payable 279 Proceeds from long-term loans payable 830 Repayments of long-term loans payable (861) Cash dividends paid (449)
Effect of exchange rate change on cash and cash equivalents		7	(37)	
Net increase (decrease) in cash and cash equivalents		(184)	(569)	
Cash and cash equivalents at beginning of period		3,769	3,585	
Cash and cash equivalents at end of period		3,585	3,015	



## FY2/20 Outlook

(Consolidated)

(Millions of yen; (% to sales))

	FY2/19 Results	Plan	FY2/20	
			YoY change	
			Amount	%
Net sales	33,942 (100.0%)	36,200 (100.0%)	+2,257	+6.6%
Gross profit	5,287 (15.6%)	5,800 (16.0%)	+512	+9.7%
Selling, general and administrative expenses	3,642 (10.7%)	4,020 (11.1%)	+377	+10.4%
Operating profit	1,645 (4.8%)	1,780 (4.9%)	+134	+8.2%
Ordinary profit	1,684 (5.0%)	1,850 (5.1%)	+165	+9.8%
Profit attributable to owners of parent	1,156 (3.4%)	1,270 (3.5%)	+113	+9.8%

Projected exchange rate: 16.3 yen/yuan

# Plan for Capital Expenditures and Depreciation Expenses

(Consolidated)

(Millions of yen; (% to sales))

	FY2/19 Results	Plan	FY2/20	
			YoY change	
			Amount	%
Capital expenditures	1,560 (4.6%)	1,179 (3.3%)	(381)	(24.4)%
Depreciation	872 (2.5%)	1,160 (3.2%)	+288	+33.1%
R&D expenses	67 (0.2%)	101 (0.3%)	+33	+49.7%

Major capital expenditures in FY2/20

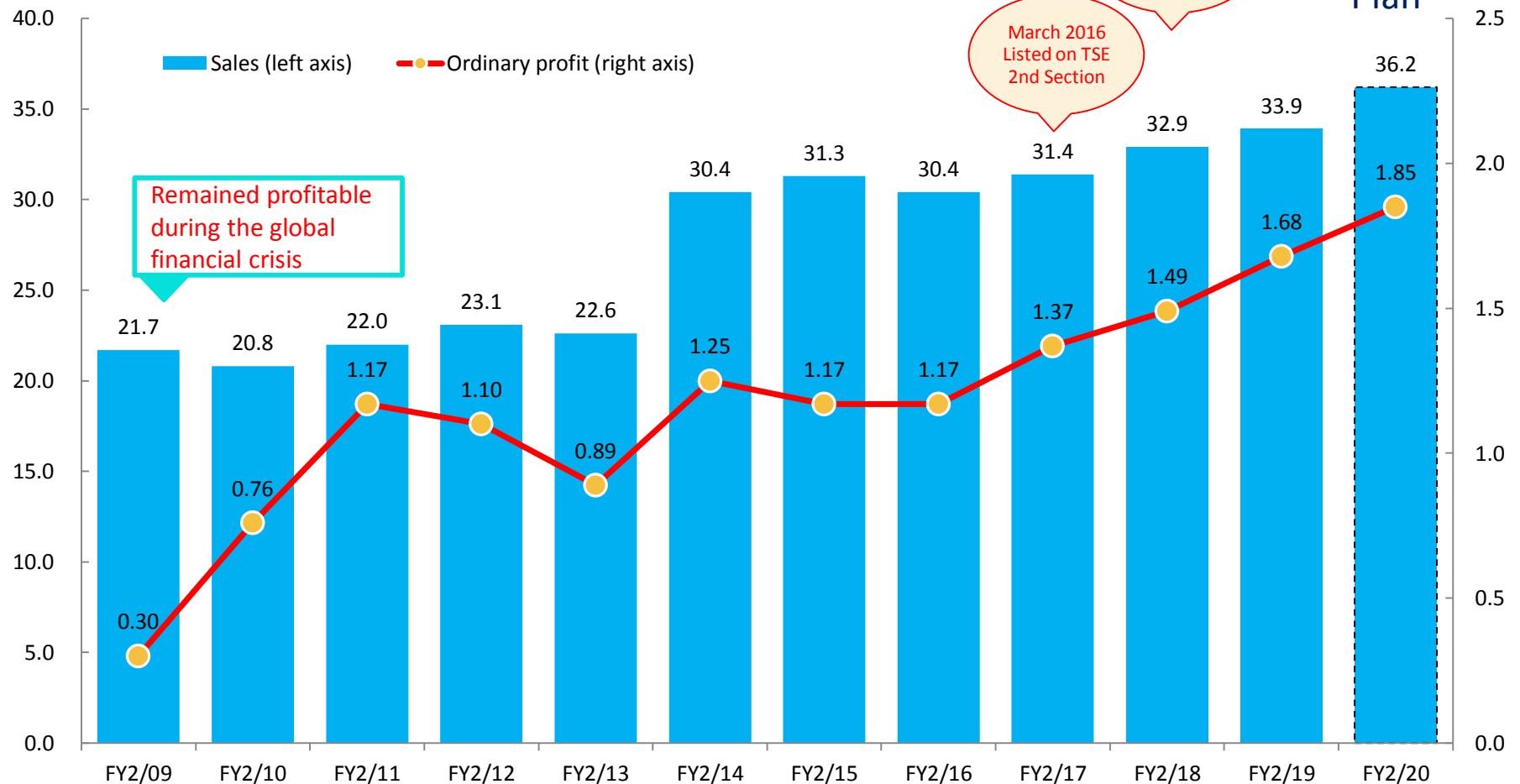
Project	Description	Investment (Millions of yen)
Factory equipment update/replacement	Dry lamination unit (Tsukuba), updates/improvements (Tsukuba, Suzhou)	About 300
Inspection/control equipment	Inspection equipment (Saitama, Nabari, Development Technology Dept.)	About 110
Air conditioning equipment	Air conditioning equipment, filters and others (Saitama, Kashiwara, Ryugasaki, printing plate factory)	About 110
IT/material handling equipment	Inventory management, production control, material transport equipment (Saitama, Nabari)	About 60
Others	New production equipment and other equipment	About 600

# A Business Model Capable of Steady Growth in All Market Conditions

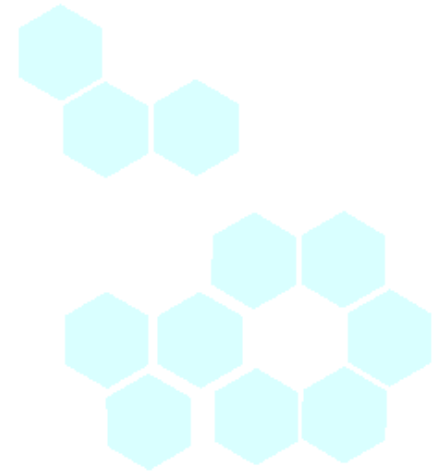
## Growth of sales and earnings at the Nakamoto Packs Group

(Billions of yen)

(Billions of yen)



Note: Non-consolidated sales and earnings for FY2/09-FY2/13 and consolidated in the following years.

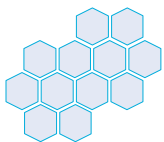


## Business Climate and Key Initiatives in FY2/20

1. Japan's aging and declining population as the population ages and the number of children falls
2. Global warming, air pollution, ocean plastic pollution and other environmental problems
3. Risk of disruption of factory operations in China caused by Chinese government environmental measures
4. Potential global economic downturn caused by U.S.-China trade friction and political instability



The need for higher earnings and consistent growth by using a business model that can succeed in all market conditions



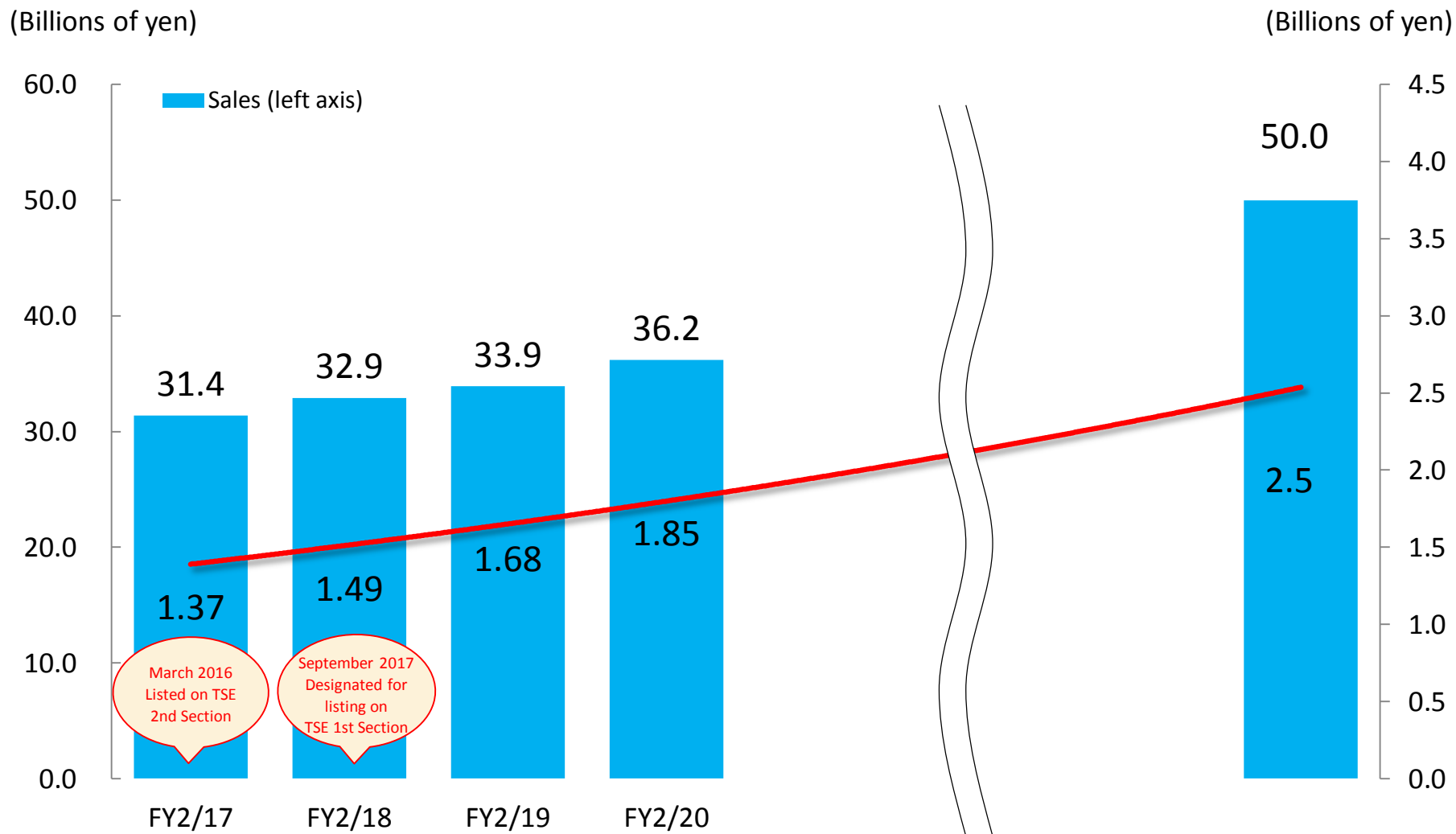
1. Use higher profitability for growth and the soundness of business operations
2. A commitment to environmental responsibility and higher sales of N brand products
3. Use the new Engineering Department to make business operations stronger and faster
4. More growth of overseas operations (China plus one strategy, strengthening of sales activities in North America)
5. Use M&A for growth by acquiring new businesses, people, facilities, technologies and time
6. Start using a new IT system to reduce the need for people, cut costs and boost efficiency



Use Higher Profitability for Growth and the  
Soundness of Business Operations

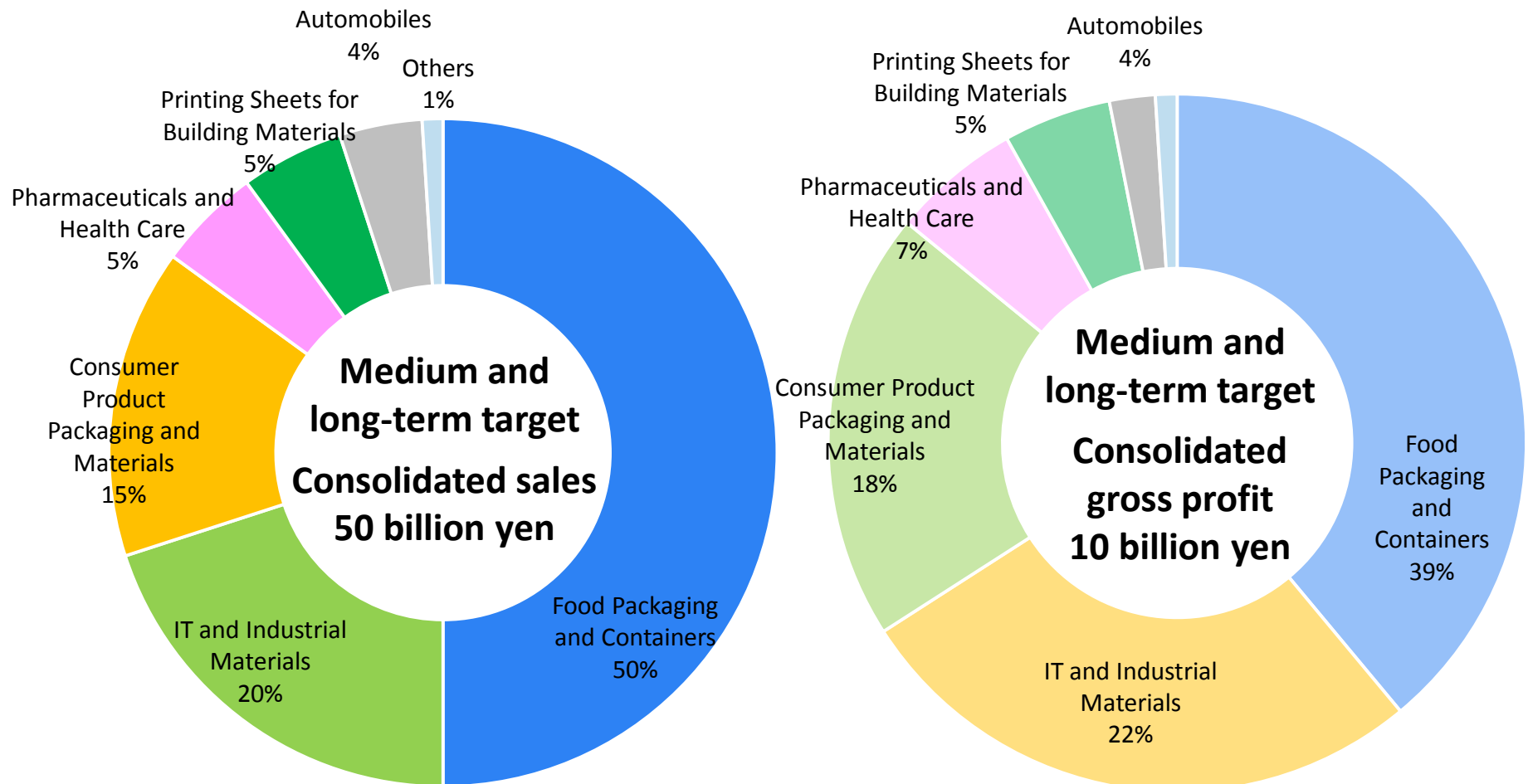
# Use Higher Profitability for Growth

Medium and long-term target: Sales of 50 billion yen and ordinary profit of 2.5 billion yen



# Reinforce Ability to Succeed in All Market Conditions

Build a more balanced profit structure through growth in many categories while continuing to grow in the core food packaging and containers sector





# A Commitment to Environmental Responsibility and Higher Sales of N Brand Products

## ■ More applications that utilize the features of each product

### NAK-A-PET

#### Food Packaging and Containers

- Features**
- (1) Thinner products (trays, etc.) due to high rigidity; conserves resources and reduces cost
  - (2) More heat resistant than conventional A-PET (70°C to 100°C)
  - (3) Recyclable material; designed for reduced environmental impact, food hygiene requirements and other characteristics

**Applications** Trays mainly for confectionery products and agricultural products

**Strategy** Extensive sales activities for NAK-A-PET, which can make thin yet rigid items, as a replacement for oriented polystyrene (OPS) sheets



### NC-PET

#### Food Packaging and Containers

- Features**
- (1) Outstanding heat resistance (220°C, if molded as needed)
  - (2) Outstanding resistance to cold, retention of aromas and rigidity

**Applications** Containers mainly for baked food items like gratin dishes and in-flight meals

**Strategy** Many sales activities for the use of NC-PET for in-flight meal packaging and containers



### NS-PET

#### Food Packaging and Containers

#### Pharmaceuticals and Health Care

- Features**
- (1) Heat sealing possible even with PET film
  - (2) Retains aromas, creating a barrier for coffee and other items with a strong fragrance
  - (3) Microwave-safe due to heat resistance

**Applications** Take-out bags mainly for deep-fried food items, insecticide packaging

**Strategy** Increase sales activities for the use of NS-PET for insecticide packaging, which requires resistance to chemicals

#### Conventional packaging



#### NS-PET packaging



## ■ More applications that utilize the features of each product

### NS Separator

IT and Industrial  
Materials

Pharmaceuticals  
and Health Care

Features	(1) Manufactured using a fully integrated production line in a cleanroom environment (2) A lineup of products suitable for a broad array of applications (3) Unmatched level of customization, such as for peel adhesions and types of film
Applications	Mainly film used in electronic material production processes and film for transdermal patches
Strategy	Enlarge the product lineup, meet customer needs for small lots/fast deliveries



Industrial materials

Transdermal patches



### N coat (Synthesized paper)

Food Packaging and  
Containers

Printing Sheets for  
Building Materials

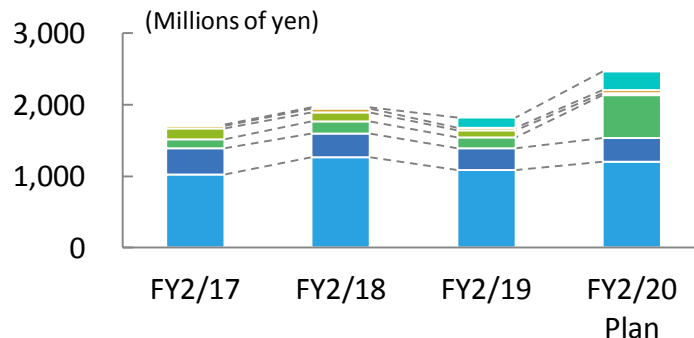
Consumer Product  
Packaging and Materials

Features	(1) Water resistant (2) Brilliant white and glossy finish (3) Outstanding smoothness and strength
Applications	Mainly bottle labels, wallpaper and adhesive labels
Strategy	Use N coat's synthetic paper properties to sell this product in a broad range of market sectors

Labels



Building materials



Medium and  
long-term target  
N brand products sales  
5 billion yen/year



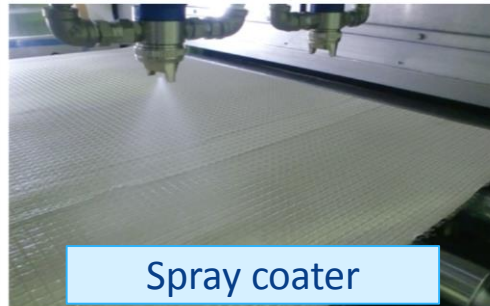
Use the New Engineering Department to Make  
Business Operations Stronger and Faster

# Establishment of the Engineering Department (March 2019)



NAKAMOTO PACKS CO.,LTD.

Added engineers by acquiring part of the operations of a partner machinery manufacturer



Results in comprehensive machinery in-house operations, including design, manufacture, modification and maintenance

The Engineering Dept. differentiates us from competitors, allows responding to customers' demands quickly and reduces the size of initial investments.



# More Growth of Overseas Operations

# More Growth of Overseas Operations (China Plus One)



NAKAMOTO PACKS CO.,LTD.

## Step 1

Cangzhou Nakamoto Huaxiang New Materials Co., Ltd.

Apr. 2018: Established company and started plant construction

Jan. 2019: Finished plant construction

Mar. 2019: Started trial operation of machinery

Jun. 2019: Plan to start full-scale operations

With sheet printing the core business, the goal is becoming profitable quickly



Relocation of production from  
Langfang to Cangzhou

## Step 2

Nashville Sales Office in the United States

Jul. 2018: Operations started at sales office and warehouse

Feb. 2019: Added two warehouses as orders continue to climb

Goal is new customers in the automotive interior materials, food packaging materials and functional materials categories



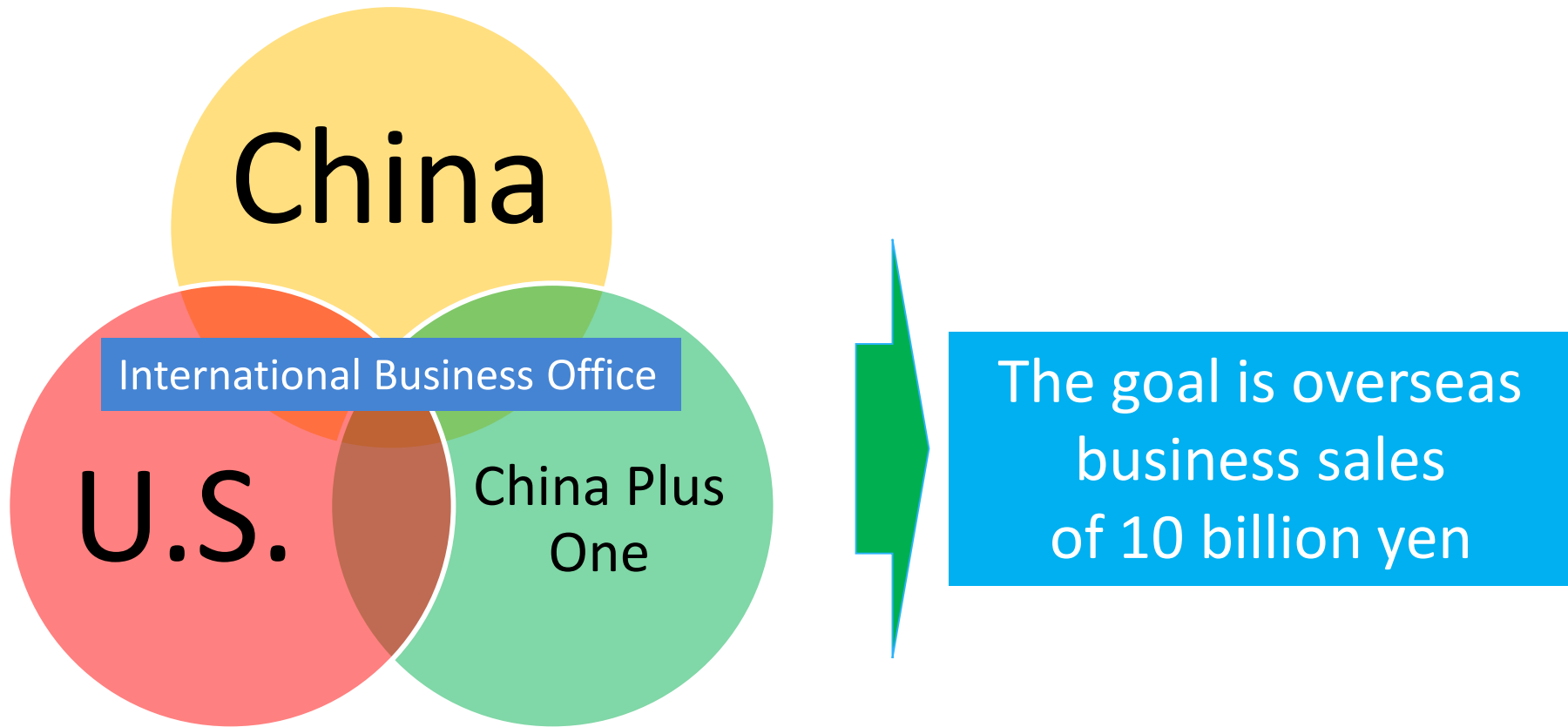
Nashville Sales Office

## Step 3

Start China plus one surveys and studies, mainly in Southeast Asia

We are currently at the stage of collecting information and visiting potential locations for growth other areas outside Japan. During this fiscal year, we plan to start studies concerning the establishment of an overseas subsidiary.





- Continue growing in the world's two largest markets: United States (sales office) and China (four plants, one trading company).
- Regarding China plus one, we are currently studying various opportunities, chiefly in Southeast Asia.



# A Foundation for Growth

- Use M&A for growth by acquiring new businesses, people, facilities, technologies and time
- Start using a new IT system to reduce the need for people, cut costs and boost efficiency

- Use M&A for growth
- Plan to complete replacement of the primary IT system in Sep. 2020  
(This project started in 2018 and is proceeding on schedule.)

## M&A studies primarily by the Corporate Planning Office

### Potential M&A candidates

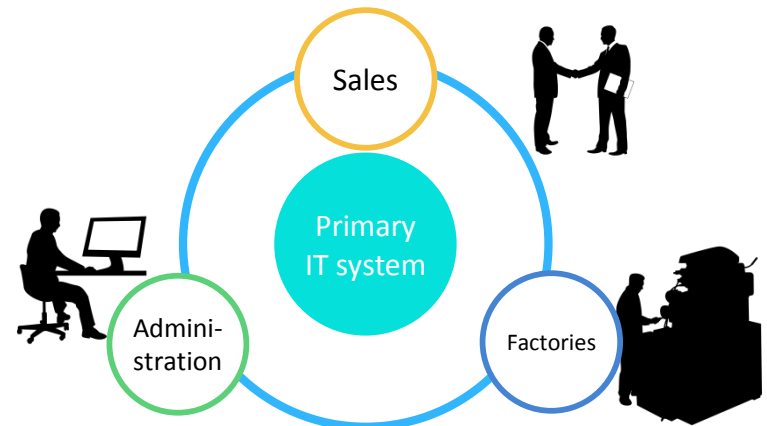
- Companies in Japan
- Businesses related to current operations
- Businesses that can supplement or improve the efficiency of current operations
- Businesses in new categories unrelated to any current operations

The objective is to use M&A for acquiring people, facilities, time and technologies in order to achieve rapid growth quickly.

## Objectives of replacing the primary IT system (Targets for September 2020)

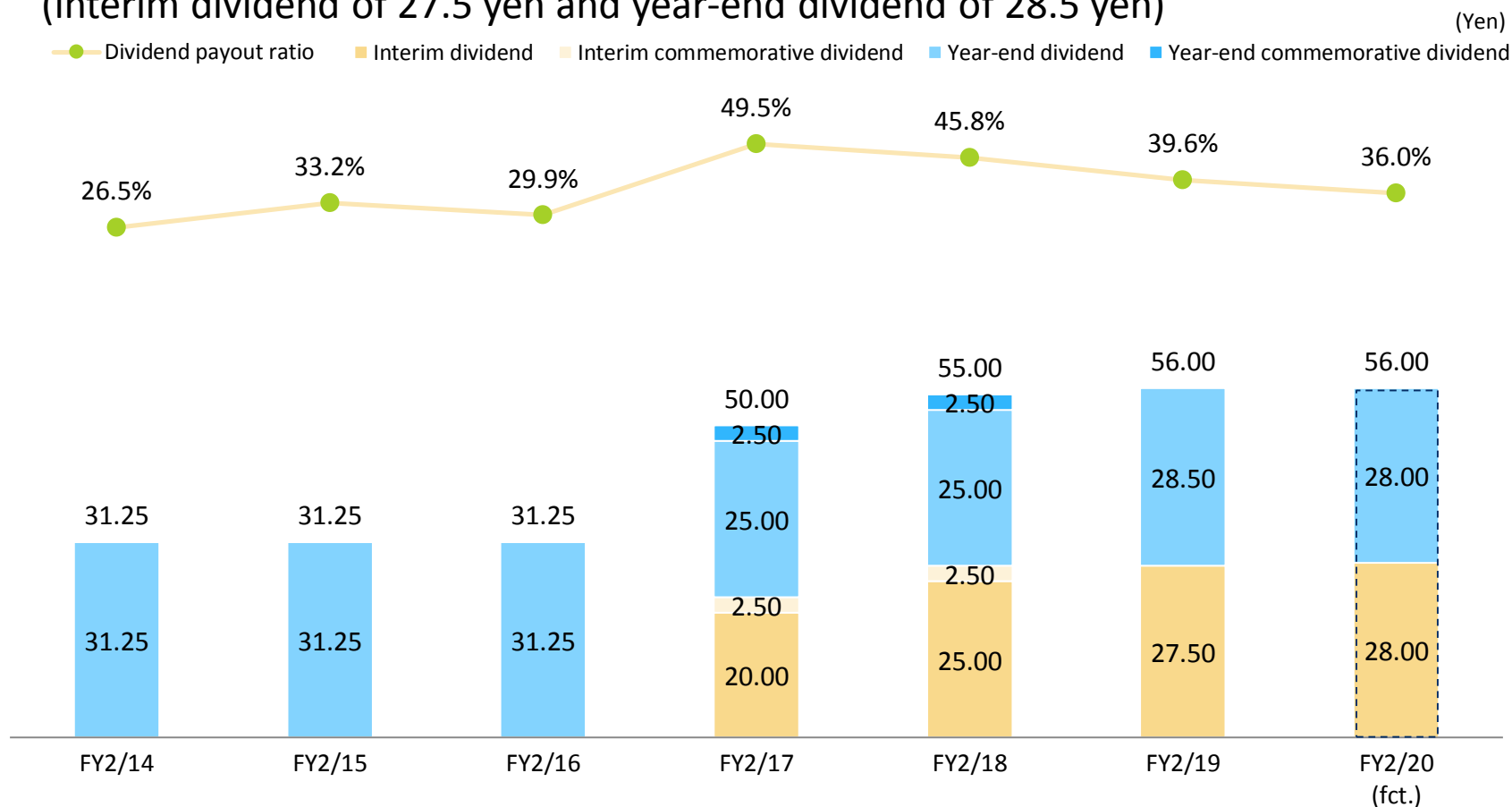
(Major elements of the IT system update (under consideration))

- Faster management decisions by quickly monitoring all performance indicators
- Use of supply chain management for efficient manufacturing and suitable inventory levels
- More efficient sales activities and quality improvement by effectively utilizing data
- Improve efficiency of business processes and realize labor saving by reexamining tasks performed on a regular basis
- Reinforce management of the Nakamoto Packs Group

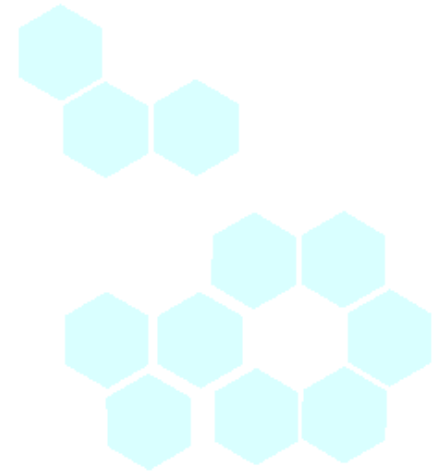


# Policy for Shareholder Distributions

- Maintain a stable dividend while retaining earnings as needed
- Plan to pay a FY2/19 dividend of 56 yen  
(interim dividend of 27.5 yen and year-end dividend of 28.5 yen)



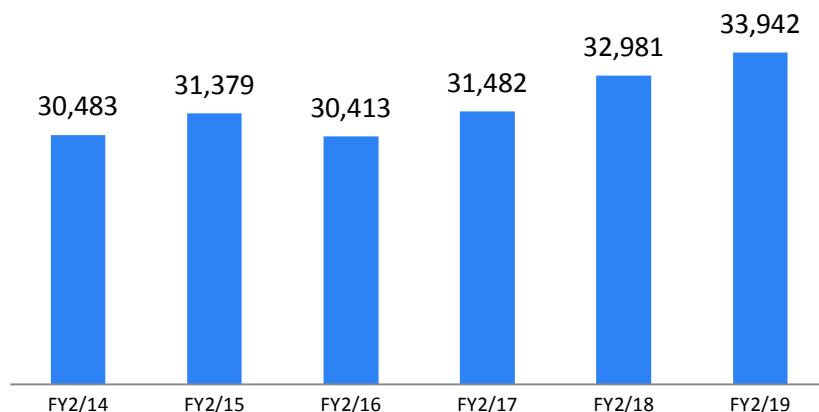
Note: There were stock splits of 1-to-200 in June 2015 and 1-to-2 in March 2018. The dividend per share in prior years has been adjusted to reflect these stock splits.



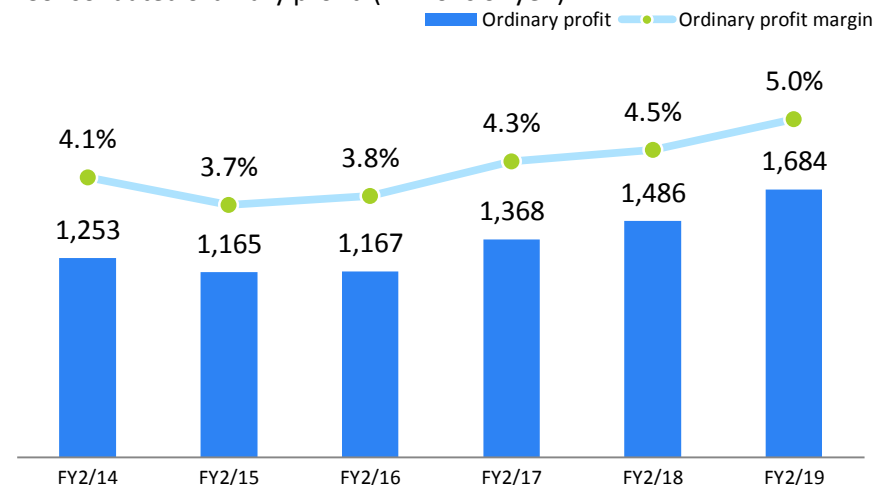
# Reference

# Trends and Results 1/2

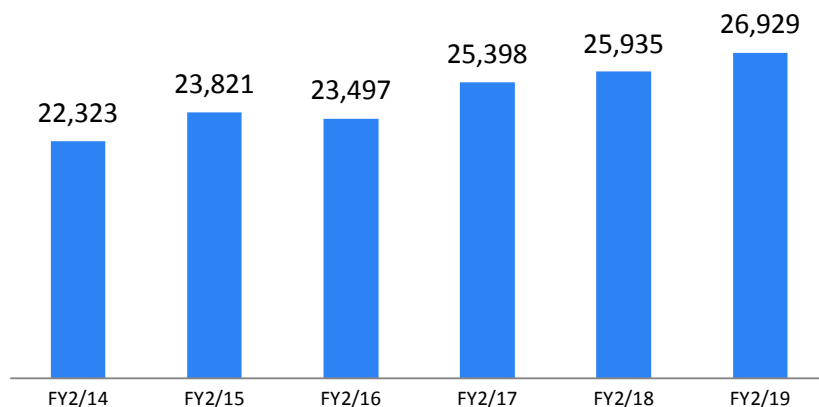
Consolidated net sales (Millions of yen)



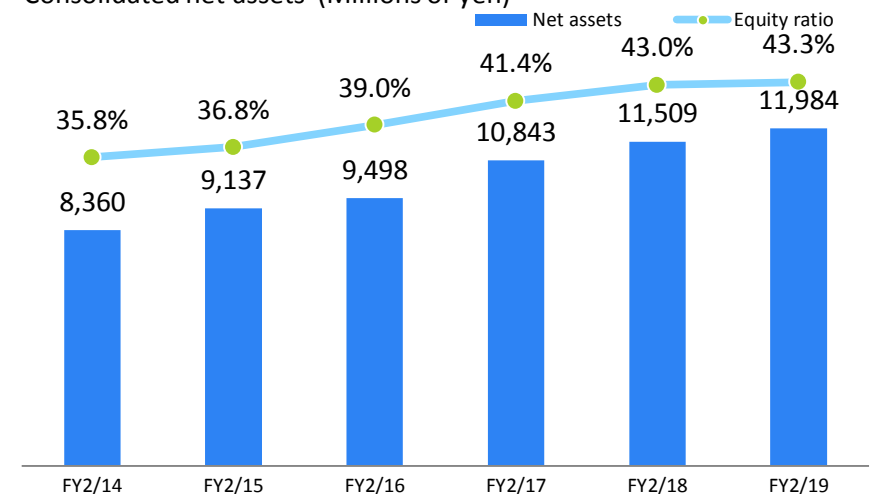
Consolidated ordinary profit (Millions of yen)



Consolidated total assets (Millions of yen)

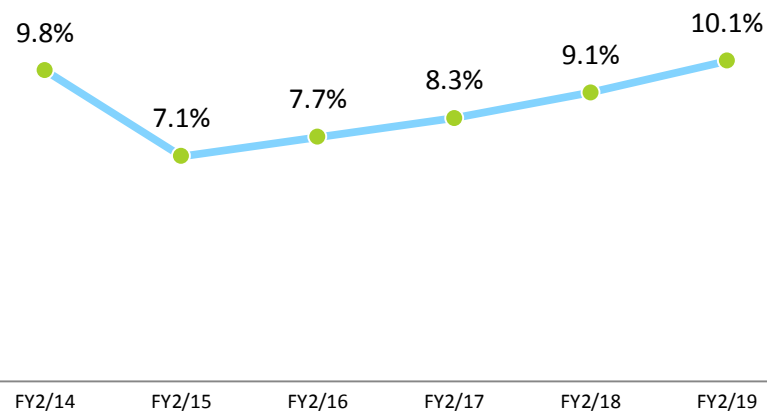


Consolidated net assets (Millions of yen)

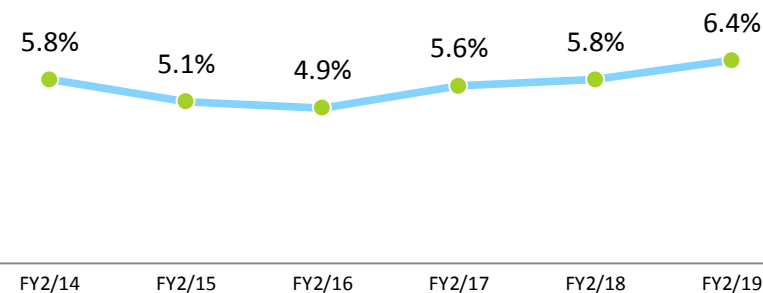


# Trends and Results 2/2

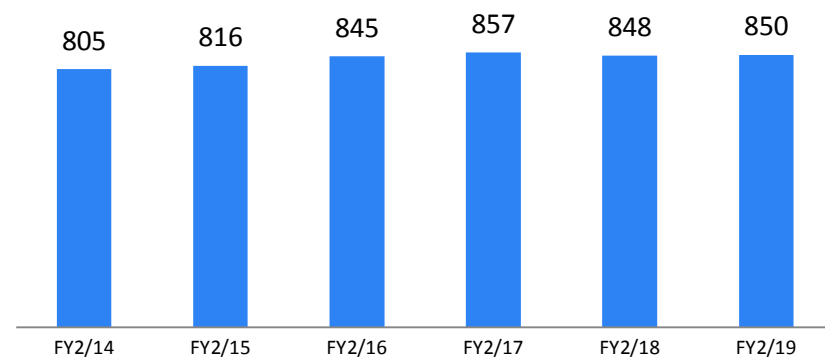
Consolidated ROE



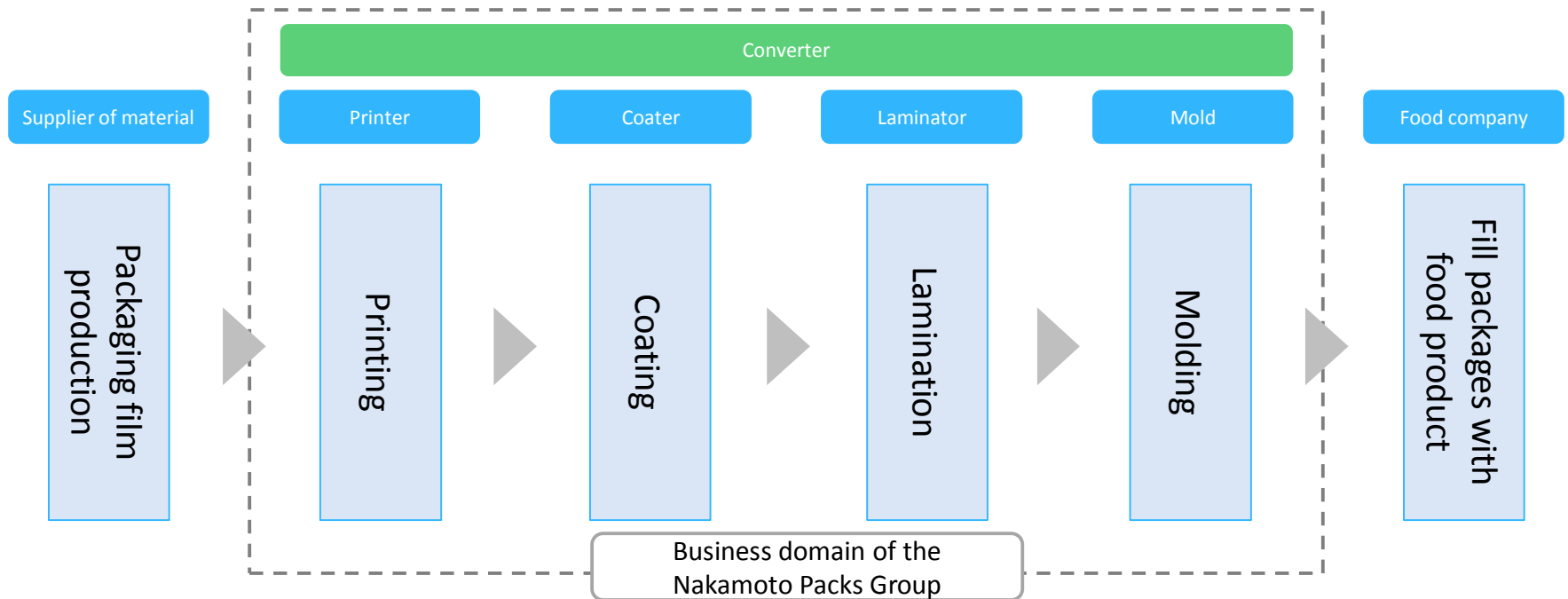
Consolidated ROA



Number of consolidated employees (persons)



# Packaging Material Printing Process (Example)



Process	Explanation
Gravure printing	A form of intaglio printing (a plate with text, patterns and other items engraved in reverse is used for printing) produces very fine differences in color gradations.
Lamination (dry and thermal)	Adhesives are used to bond multiple layers of materials for the purpose of strengthening and adding functions to packaging materials.
Coating	A material is coated with a thin layer of a resin or other substance to protect the material and give it specific functions.
Molding	A plastic sheet is heated to alter its shape (for making a food container, tray, lid or other item) or the inflation method is used to fabricate a plastic film or sheet.

Dedicated to being a company that is kind to people and the environment  
-Clean & Safety-

## The Nakamoto Packs Motto

Our business depends on people. People depend on their hearts. An enjoyable company is the sum of diligence, dedication to serving others, and people.

## Our Code of Conduct

Use sincerity to earn even greater trust

Use perseverance to create innovative ideas

Always improve yourself and cooperate with others

Contribute to society through the spirit of co-existence and mutual prosperity

Be dedicated to improving technologies and overcoming challenges

Make good behavior and the spirit of gratitude a source of happiness

## Our Six Missions

We will listen with open minds to what our customers say

We will constantly acquire new technologies for printing, packaging and containers

We will maintain close internal and external lines of communication and deliver goods and services on time with speed and in good faith

We will be responsible for maintaining co-existence and mutual prosperity with our customers

We will attract more dedicated fans of our group by using work and systems that generate strong impressions

We will make the Nakamoto Packs Group an organization guided by the same destiny



### Precautions

This presentation was prepared for the purpose of providing information about Nakamoto Packs and is not a solicitation to buy or sell any particular security. All or part of the contents of this presentation may be corrected or revised without prior notice. This presentation contains statements about future performance. These statements are not guarantees concerning future performance and actual performance may differ from these statements due to a change in market conditions or some other reason.

