



October 15, 2019

**Consolidated Financial Results**  
**for the Second Quarter of the Fiscal Year Ending February 29, 2020 (FY2/20)**  
**(Six Months Ended August 31, 2019)**

[Japanese GAAP]

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Scheduled date of filing of Quarterly Report: October 15, 2019  
 Scheduled date of payment of dividend: November 11, 2019  
 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 FY2/20 (March 1, 2019 – August 31, 2019)**

(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, 2019	17,197	0.3	761	(14.4)	794	(13.9)	554	(7.9)
Six months ended Aug. 31, 2018	17,141	5.1	889	24.8	922	13.0	602	15.2

Note: Comprehensive income Six months ended Aug. 31, 2019: 432 million yen (down 13.4%)  
 Six months ended Aug. 31, 2018: 499 million yen (down 13.3%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended Aug. 31, 2019	67.87	-
Six months ended Aug. 31, 2018	73.71	-

Note: 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, 2019	27,650	12,183	42.9	1,450.96
As of Feb. 28, 2019	26,928	11,984	43.3	1,425.81

Reference: Equity capital As of Aug. 31, 2019: 11,857 million yen As of Feb. 28, 2019: 11,652 million yen

Note: Effective from the beginning of the first quarter of the current fiscal year, Nakamoto Packs has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018). Figures as of February 28, 2019 have been adjusted retroactively to conform with this accounting standard.

**2. Dividends**

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2/19	-	27.50	-	28.50	56.00
FY2/20	-	28.00	-	-	-
FY2/20 (forecast)	-	-	-	28.00	56.00

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

**3. Consolidated Forecast for FY2/20 (March 1, 2019 – February 29, 2020)**

(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	36,200	6.6	1,780	8.2	1,850	9.8	1,270	9.8	155.40

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): None

Newly added: - Excluded: -

(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, 2019:  | 8,173,320 shares | As of Feb. 28, 2019: | 8,173,320 shares |
| 2) Number of treasury shares at the end of the period                           |                  |                      |                  |
| As of Aug. 31, 2019:  | 1,028 shares     | As of Feb. 28, 2019: | 983 shares       |
| 3) Average number of shares during the period                                   |                  |                      |                  |
| 2Q FY2/20:  | 8,172,305 shares | 2Q FY2/19:           | 8,172,403 shares |

\* 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 securities analysts on Monday, October 28, 2019.

Materials to be distributed at this event will be available on the Nakamoto Packs 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, the Japanese economy was stagnant as the labor market and income situations improved but exports slowed and investment in machinery and equipment was weak. The economic outlook remains uncertain because of rising tension involving U.S.-China trade friction and other trade issues.

In the market sectors where the Nakamoto Packs Group operates, the smartphone market was sluggish and shipments of electronic components declined in the IT and Industrial Materials sectors. This year, temperatures rose later than normal because of the late end of the rainy season. As a result, in the Food Packaging and Containers, and Consumer Product Packaging Materials sectors the pattern of sales of seasonal products differed from normal, affecting some of our production plans.

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.” All of the group’s resources were focused on sales of products developed by group companies and designed to lower the environmental load of these products, capturing more orders from key customers and receiving orders from new customers.

Due to these activities sales increased 0.3% to 17,197 million yen as new projects in the Printing Sheets for Building Materials segment helped offset the decline in the IT and Industrial Materials segment. Despite this, the difference in profit margins could not be bridged. Operating profit decreased 14.4% to 761 million yen, ordinary profit decreased 13.9% to 794 million yen and profit attributable to owners of parent decreased 7.9% to 554 million yen.

Results of operations for product categories were as follows.

#### Food Packaging and Containers

In the convenience store sector, there were inventory adjustments around the consecutive holidays in May and August, in addition to unusual seasonal summer weather in July. Consequently, sales of summer merchandise declined sharply. In response we focused on winning orders early for autumn merchandise but were unable to offset the shortfall. However, performance benefited from orders from new customers due to proposals using N brand and other products and from firm sales of packaging and containers used for processed food, dairy products and prepared food items. As a result, sales increased 0.1% to 11,671 million yen. The gross profit was down 0.1% to 1,345 million yen.

#### IT and Industrial Materials

Orders declined due to sluggish smartphone and electronic component markets, and inventory adjustments by customers caused by the U.S.-China trade friction and the Huawei issue. We worked on the development of prototypes for several projects to compensate the decline but were unable to manufacture efficiently as planned. Sales decreased 15.6% to 2,215 million yen and the gross profit decreased 24.1% to 522 million yen.

#### Pharmaceuticals and Health Care

Orders were solid mainly for products involving generic drugs, but there was a decline in selling prices due to negative effects of drug price revisions and intense competition. Sales increased 2.4% to 651 million yen and the gross profit decreased 12.1% to 132 million yen.

#### Printing Sheets for Building Materials

The performance of this category was backed by stable orders in the residential renovation and remodeling sector and the start of new projects involving functional building materials using a newly purchased coater. Sales increased 87.4% to 709 million yen and gross profit increased 28.7% to 82 million yen.

## **Consumer Product Packaging and Materials**

Sales decreased 2.3% to 1,620 million yen because of the end of a period of firm demand in the home improvement sector and of lower sales through wholesale channels. Although sales declined, the gross profit increased 18.3% to 499 million yen. This was primarily the result of a relatively high profit margin due to an increase in sales of products made by Nakamoto Packs Group companies, chiefly items that were sold to new customers.

### **Others**

Food companies adopted the packaging machines recommended by Nakamoto Packs Group companies. In addition, sales of machinery components and test fees also increased. Sales increased 77.5% to 329 million yen and the gross profit increased 10.7% to 65 million yen.

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

Effective from the beginning of the first quarter of the current fiscal year, Nakamoto Packs has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018). Prior-year figures for assets, liabilities and net assets have been adjusted retroactively to conform with this accounting standard in order to facilitate comparisons and analysis.

### **1) Assets, liabilities and net assets**

#### **Assets**

Total assets increased 721 million yen from the end of the previous fiscal year to 27,650 million yen at the end of the second quarter under review.

Current assets increased 699 million yen to 14,478 million yen. This was mainly due to increases in notes and accounts receivable-trade of 646 million yen and electronically recorded monetary claims-operating of 251 million yen as the balance sheet date for the second quarter under review was a bank holiday, and inventories of 80 million yen, while there was a decrease in cash and deposits of 339 million yen.

Non-current assets increased 22 million yen to 13,171 million yen. This was mainly due to an increase in investments and other assets of 72 million yen, while there was a decrease in property, plant and equipment of 54 million yen mainly due to depreciation.

#### **Liabilities**

Total liabilities increased 521 million yen to 15,466 million yen.

Current liabilities increased 233 million yen to 12,439 million yen. This was mainly due to increases in notes and accounts payable-trade of 173 million yen, short-term loans payable of 58 million yen and provision for bonuses of 78 million yen, while there were decreases in electronically recorded obligations-operating of 70 million yen and income taxes payable of 58 million yen.

Non-current liabilities increased 288 million yen to 3,026 million yen. This was mainly due to an increase in other of 349 million yen.

#### **Net assets**

Net assets increased 199 million yen to 12,183 million yen. This was mainly due to an increase in retained earnings of 321 million yen due to profit attributable to owners of parent and other items, while there were decreases in valuation difference on available-for-sale securities of 52 million yen and foreign currency translation adjustment of 53 million yen.

## 2) Cash flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the second quarter under review were 2,621 million yen, down 394 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 used in operating activities was 6 million yen (compared with net cash provided of 724 million yen in the same period of the previous fiscal year). Positive factors include profit before income taxes of 788 million yen, depreciation of 483 million yen, an increase in provision for bonuses of 78 million yen and an increase in notes and accounts payable-trade of 54 million yen. Negative factors include an increase in notes and accounts receivable-trade of 912 million yen mainly due to the balance sheet date for the second quarter under review being a bank holiday, and an increase in inventories of 96 million yen and income taxes paid of 300 million yen.

### Cash flows from investing activities

Net cash used in investing activities was 591 million yen (compared with net cash used of 1,080 million yen in the same period of the previous fiscal year). Although there were positive factors including collection of loans receivable of 1 million yen, there were negative factors including the payment for the purchase of property, plant and equipment (production processing equipment, etc.) of 384 million yen, purchase of investment securities of 128 million yen and payments into time deposits of 54 million yen.

### Cash flows from financing activities

Net cash provided by financing activities was 229 million yen (compared with net cash used of 75 million yen in the same period of the previous fiscal year). Positive factors include a net increase in short-term loans payable of 80 million yen, proceeds from long-term loans payable of 400 million yen and proceeds from sales and leasebacks of 404 million yen. Negative factors include repayments of long-term loans payable of 415 million yen and cash dividends paid of 232 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 29, 2020, which was announced on April 12, 2019.

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)

	FY2/19 (As of Feb. 28, 2019)	Second quarter of FY2/20 (As of Aug. 31, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	3,031,479	2,691,626
Notes and accounts receivable-trade	6,937,992	7,584,070
Electronically recorded monetary claims-operating	987,126	1,239,022
Merchandise and finished goods	1,753,572	1,708,515
Work in process	317,461	426,524
Raw materials and supplies	602,738	618,777
Other	153,286	214,072
Allowance for doubtful accounts	(4,469)	(4,150)
Total current assets	13,779,188	14,478,458
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,302,762	5,224,962
Machinery, equipment and vehicles, net	1,961,257	2,094,585
Land	2,928,210	2,928,210
Other, net	1,228,278	1,118,519
Total property, plant and equipment	11,420,508	11,366,277
Intangible assets	345,611	350,110
Investments and other assets		
Other	1,410,495	1,482,540
Allowance for doubtful accounts	(27,095)	(27,095)
Total investments and other assets	1,383,399	1,455,444
Total non-current assets	13,149,520	13,171,832
Total assets	26,928,708	27,650,291

	(Thousands of yen)	
	FY2/19 (As of Feb. 28, 2019)	Second quarter of FY2/20 (As of Aug. 31, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	2,822,117	2,995,343
Electronically recorded obligations-operating	3,717,250	3,646,783
Short-term loans payable	3,678,236	3,736,395
Current portion of long-term loans payable	764,011	787,012
Income taxes payable	319,121	260,302
Provision for bonuses	201,424	279,828
Other	703,993	733,807
<b>Total current liabilities</b>	<b>12,206,155</b>	<b>12,439,472</b>
<b>Non-current liabilities</b>		
Long-term loans payable	2,349,411	2,310,605
Net defined benefit liability	149,274	127,362
Other	239,740	589,017
<b>Total non-current liabilities</b>	<b>2,738,426</b>	<b>3,026,985</b>
<b>Total liabilities</b>	<b>14,944,581</b>	<b>15,466,457</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	1,057,468	1,057,468
Capital surplus	1,158,408	1,158,408
Retained earnings	8,878,553	9,200,308
Treasury shares	(970)	(1,039)
<b>Total shareholders' equity</b>	<b>11,093,460</b>	<b>11,415,145</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	165,131	112,482
Deferred gains or losses on hedges	2,275	(72)
Foreign currency translation adjustment	332,968	279,592
Remeasurements of defined benefit plans	58,390	50,503
<b>Total accumulated other comprehensive income</b>	<b>558,765</b>	<b>442,505</b>
<b>Non-controlling interests</b>	<b>331,901</b>	<b>326,182</b>
<b>Total net assets</b>	<b>11,984,126</b>	<b>12,183,833</b>
<b>Total liabilities and net assets</b>	<b>26,928,708</b>	<b>27,650,291</b>



**(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 FY2/19 (Mar. 1, 2018 – Aug. 31, 2018)	First six months of FY2/20 (Mar. 1, 2019 – Aug. 31, 2019)
Net sales	17,141,210	17,197,465
Cost of sales	14,409,923	14,549,051
Gross profit	2,731,286	2,648,414
Selling, general and administrative expenses	1,841,404	1,887,092
Operating profit	889,882	761,322
Non-operating income		
Interest income	947	1,424
Dividend income	7,550	9,565
Share of profit of entities accounted for using equity method	2,931	1,396
Land and house rent received	15,622	13,637
Other	67,281	77,881
Total non-operating income	94,335	103,905
Non-operating expenses		
Interest expenses	31,794	40,195
Foreign exchange losses	19,035	16,652
Other	10,624	13,626
Total non-operating expenses	61,454	70,474
Ordinary profit	922,763	794,753
Extraordinary income		
Gain on sales of non-current assets	2,976	-
Total extraordinary income	2,976	-
Extraordinary losses		
Loss on sales of non-current assets	3,214	-
Loss on retirement of non-current assets	579	1,056
Impairment loss	2,183	-
Loss on valuation of investment securities	-	4,774
Total extraordinary losses	5,976	5,831
Profit before income taxes	919,763	788,922
Income taxes	314,741	230,484
Profit	605,022	558,438
Profit attributable to non-controlling interests	2,629	3,772
Profit attributable to owners of parent	602,393	554,665

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

(Thousands of yen)

	First six months of FY2/19 (Mar. 1, 2018 – Aug. 31, 2018)	First six months of FY2/20 (Mar. 1, 2019 – Aug. 31, 2019)
Profit	605,022	558,438
Other comprehensive income		
Valuation difference on available-for-sale securities	(40,350)	(52,363)
Deferred gains or losses on hedges	(3,746)	(2,348)
Foreign currency translation adjustment	(58,542)	(62,866)
Remeasurements of defined benefit plans, net of tax	(3,728)	(7,887)
Share of other comprehensive income of entities accounted for using equity method	1,062	(285)
Total other comprehensive income	(105,304)	(125,750)
Comprehensive income	499,717	432,687
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	508,797	438,406
Comprehensive income attributable to non-controlling interests	(9,080)	(5,718)

**(3) Quarterly Consolidated Statement of Cash Flows**

(Thousands of yen)

	First six months of FY2/19 (Mar. 1, 2018 – Aug. 31, 2018)	First six months of FY2/20 (Mar. 1, 2019 – Aug. 31, 2019)
Cash flows from operating activities		
Profit before income taxes	919,763	788,922
Depreciation	425,573	483,298
Amortization of goodwill	-	14,319
Impairment loss	2,183	-
Share of (profit) loss of entities accounted for using equity method	(2,931)	(1,396)
Increase (decrease) in allowance for doubtful accounts	(626)	(295)
Increase (decrease) in provision for bonuses	68,501	78,590
Increase (decrease) in net defined benefit liability	(24,405)	(33,276)
Interest and dividend income	(8,498)	(10,990)
Interest expenses	31,794	40,195
Foreign exchange losses (gains)	21,547	20,609
Loss (gain) on valuation of investment securities	-	4,774
Loss on retirement of non-current assets	579	1,056
Loss (gain) on sales of non-current assets	237	-
Decrease (increase) in notes and accounts receivable-trade	(319,548)	(912,782)
Decrease (increase) in inventories	(65,772)	(96,954)
Increase (decrease) in notes and accounts payable-trade	(60,284)	54,256
Increase (decrease) in accrued consumption taxes	42,132	14,490
Other, net	(103,428)	(123,716)
Subtotal	926,816	321,102
Interest and dividend income received	10,323	12,815
Interest expenses paid	(31,756)	(40,231)
Income taxes paid	(180,696)	(300,124)
Net cash provided by (used in) operating activities	724,687	(6,438)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,052,048)	(384,333)
Proceeds from sales of property, plant and equipment	12,650	-
Payments for retirement of property, plant and equipment	(438)	(384)
Purchase of intangible assets	(21,981)	(29,238)
Purchase of investment securities	(8,794)	(128,985)
Payments of loans receivable	(3,000)	-
Collection of loans receivable	1,269	1,309
Payments into time deposits	-	(54,413)
Payments for guarantee deposits	(605)	(312)
Proceeds from collection of guarantee deposits	129	115
Other, net	(7,569)	4,461
Net cash provided by (used in) investing activities	(1,080,389)	(591,782)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	60,000	80,000
Proceeds from long-term loans payable	530,000	400,000
Repayments of long-term loans payable	(434,490)	(415,805)
Repayments of lease obligations	(6,006)	(6,925)
Proceeds from sales and leasebacks	-	404,786
Purchase of treasury shares	(47)	(69)
Cash dividends paid	(225,074)	(232,851)
Net cash provided by (used in) financing activities	(75,619)	229,135
Effect of exchange rate change on cash and cash equivalents	(20,940)	(25,181)
Net increase (decrease) in cash and cash equivalents	(452,261)	(394,266)
Cash and cash equivalents at beginning of period	3,585,164	3,015,479
Cash and cash equivalents at end of period	3,132,903	2,621,213

#### **(4) Notes to Quarterly Consolidated Financial Statements**

##### **Going Concern Assumption**

Not applicable.

##### **Significant Changes in Shareholders' Equity**

Not applicable.

##### **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.

##### **Additional Information**

Application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting"

Effective from the beginning of the first quarter of the current fiscal year, Nakamoto Packs has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). Accordingly, deferred tax assets and deferred tax liabilities have been presented in the investments and other assets section and the non-current liabilities section of the consolidated balance sheet, respectively.

*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.*