



July 13, 2020

Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending February 28, 2021 (FY2/21)
(Three Months Ended May 31, 2020)

[Japanese GAAP]

Company name: NAKAMOTO PACKS CO.,LTD.

Listing: TSE 1st Section

Securities code: 7811

URL: <http://www.npacks.co.jp/>

Representative: Jun Kawata, President

Contact: Isao Yoshi, Executive Managing Director, General Manager of Administration Division

Tel: +81-6-6762-0431

Scheduled date of filing of Quarterly Report: July 13, 2020

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 FY2/21 (March 1, 2020 – May 31, 2020)

(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, 2020	8,407	(2.4)	357	(16.2)	362	(22.9)	231	(28.9)
Three months ended May 31, 2019	8,616	1.1	426	(3.0)	471	1.0	325	8.7

Note: Comprehensive income Three months ended May 31, 2020: 203 million yen (down 34.2%)

Three months ended May 31, 2019: 309 million yen (up 40.4%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 31, 2020	28.29	-
Three months ended May 31, 2019	39.79	-

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 May 31, 2020	28,600	12,394	42.2	1,476.96
As of Feb. 29, 2020	27,568	12,419	43.9	1,479.33

Reference: Equity capital

As of May 31, 2020: 12,070 million yen

As of Feb. 29, 2020: 12,089 million yen

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2/20	-	28.00	-	28.00	56.00
FY2/21	-	-	-	-	-
FY2/21 (forecast)	-	28.00	-	28.00	56.00

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

3. Consolidated Forecast for FY2/21 (March 1, 2020 – February 28, 2021)

(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	16,960	(1.4)	735	(3.5)	755	(5.0)	530	(4.4)	64.85
Full year	34,500	1.2	1,629	6.2	1,650	2.6	1,148	5.7	140.47

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 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, 2020: | 8,173,320 shares | As of Feb. 29, 2020: | 8,173,320 shares |
| 2) Number of treasury shares at the end of the period | | | |
| As of May 31, 2020: | 1,028 shares | As of Feb. 29, 2020: | 1,028 shares |
| 3) Average number of shares during the period | | | |
| 1Q FY2/21: | 8,172,292 shares | 1Q FY2/20: | 8,172,319 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 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

During the first quarter of the current fiscal year, the COVID-19 outbreak caused the Japanese economy to decline rapidly, resulting in an extremely challenging business climate. Although there are signs of a rebound in some categories of consumer spending, the Japanese economy remains lackluster and corporate earnings have plummeted. This unusually difficult environment will probably continue for the time being.

The COVID-19 crisis has affected the operations of the Nakamoto Packs Group, such as by temporarily suspending factory operations in China. During the first quarter, one priority was sales of products developed by group companies with the aim of lowering the environmental burden of these products. These activities are guided by the themes of “using modified ecological technologies to alter the world of packaging, increasing sales of N brand products, retaining a commitment to environmental responsibility and maximizing customer satisfaction by going back to the basics.” In addition, group companies are taking many actions for maintaining a stable supply of products, manufacturing products more efficiently and improving the quality of products.

First quarter sales decreased 2.4% to 8,407 million yen. Operating profit decreased 16.2% to 357 million yen, ordinary profit decreased 22.9% to 362 million yen and profit attributable to owners of parent decreased 28.9% to 231 million yen.

Results of operations for product categories were as follows.

Food Packaging and Containers

Sales of packaging and containers for frozen food, dairy products, tofu and other items sold at supermarkets were strong because of the increasing demand for prepared food items and products used for preparing meals at home. On the other hand, sales of commercial-use packaging, mainly for food souvenirs sold to tourists and food products sold at department stores and used at restaurants, decreased as people stayed home and more people worked at home. Sales were strong for materials for making containers and trays used for many types of take-out food products. However, there was a big decrease in sales of materials for making food containers and trays used for outing occasions and at other events, which is a product category with relatively high prices. As a result, sales decreased 4.0% to 5,752 million yen. The gross profit was down 14.8% to 631 million yen.

IT and Industrial Materials

Sales of automobile interior materials decreased because of the global decline in automobile sales but sales of film for electronic component production processes and materials used in smartphones increased. The result was a 0.4% increase in sales to 1,041 million yen. The gross profit was up 14.9% to 286 million yen due to activities for manufacturing products more efficiently, chiefly for products for which orders are received repeatedly and for NS Separator, a product developed by Nakamoto Packs.

Pharmaceuticals and Health Care

Orders from hospitals for transfusion-related packaging materials increased. In transdermal patches category, orders remained firm for generic patches. Sales increased 27.3% to 360 million yen and the gross profit increased 9.8% to 63 million yen.

Printing Sheets for Building Materials

Sales of printed sheets used for furniture were slow but there were firm sales of functional building materials made using a new coating machine purchased in 2019 and this machine also improved production efficiency. Sales increased 24.6% to 439 million yen and gross profit increased 82.7% to 61 million yen.

Consumer Product Packaging and Materials

The major production bases in China temporarily suspended operations because of COVID-19 and there were lost sales opportunities as shopping malls and other businesses reduced hours or temporarily closed. Sales decreased 13.4% to 710 million yen and gross profit decreased 20.8% to 189 million yen.

Others

Sales decreased 21.4% to 103 million yen and the gross profit decreased 17.8% to 28 million yen because of lower sales of thermal cash register papers and plastic films.

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

Total assets increased 1,032 million yen from the end of the previous fiscal year to 28,600 million yen at the end of the first quarter.

Current assets increased 814 million yen to 15,203 million yen. This was mainly due to increases of 611 million yen in cash and deposits and 242 million yen in inventories. Notes and accounts receivable-trade decreased 127 million yen.

Non-current assets increased 218 million yen to 13,397 million yen. This was mainly due to an increase of 139 million yen in property, plant and equipment resulting from the purchase of equipment for increasing output capacity.

Liabilities

Total liabilities increased 1,057 million yen to 16,206 million yen.

Current liabilities increased 961 million yen to 13,108 million yen. This was mainly due to increases of 241 million yen in notes and accounts payable-trade, 599 million yen in short-term borrowings and 108 million yen in provision for bonuses.

Non-current liabilities increased 96 million yen to 3,097 million yen. This was mainly due to a 154 million yen increase in long-term borrowings.

Net assets

Net assets decreased 25 million yen to 12,394 million yen. This was mainly due to a 37 million yen decrease in the foreign currency translation adjustment.

(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, 2021, which was announced on April 13, 2020.

The effect on consolidated sales and earnings of the conversion of Mikunishiko Co., Ltd. from an equity-method affiliate to a subsidiary is currently being examined. An announcement will be made promptly if there is a need to disclose information about this effect.

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

(Thousands of yen)

	FY2/20 (As of Feb. 29, 2020)	First quarter of FY2/21 (As of May 31, 2020)
Assets		
Current assets		
Cash and deposits	2,558,645	3,170,471
Notes and accounts receivable-trade	7,459,399	7,331,495
Electronically recorded monetary claims-operating	1,357,278	1,397,564
Merchandise and finished goods	1,756,580	1,821,613
Work in process	357,538	403,622
Raw materials and supplies	605,369	736,849
Other	298,883	345,838
Allowance for doubtful accounts	(4,539)	(4,073)
Total current assets	14,389,156	15,203,381
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,485,812	5,452,309
Machinery, equipment and vehicles, net	2,019,335	2,064,363
Land	2,928,210	2,928,210
Other, net	960,703	1,088,582
Total property, plant and equipment	11,394,061	11,533,465
Intangible assets	339,088	392,844
Investments and other assets		
Other	1,472,882	1,497,882
Allowance for doubtful accounts	(27,145)	(27,145)
Total investments and other assets	1,445,736	1,470,736
Total non-current assets	13,178,886	13,397,047
Total assets	27,568,043	28,600,428

	(Thousands of yen)	
	FY2/20 (As of Feb. 29, 2020)	First quarter of FY2/21 (As of May 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,871,952	3,113,133
Electronically recorded obligations-operating	3,625,117	3,654,506
Short-term borrowings	3,711,360	4,310,962
Current portion of long-term borrowings	777,462	803,872
Income taxes payable	207,975	145,022
Provision for bonuses	214,602	323,176
Other	738,445	757,433
Total current liabilities	12,146,915	13,108,105
Non-current liabilities		
Long-term borrowings	2,200,319	2,354,656
Retirement benefit liability	176,610	168,612
Other	624,318	574,632
Total non-current liabilities	3,001,248	3,097,901
Total liabilities	15,148,163	16,206,006
Net assets		
Shareholders' equity		
Share capital	1,057,468	1,057,468
Capital surplus	1,158,408	1,158,408
Retained earnings	9,502,455	9,504,829
Treasury shares	(1,039)	(1,039)
Total shareholders' equity	11,717,292	11,719,666
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	102,517	120,477
Deferred gains or losses on hedges	3,305	2,900
Foreign currency translation adjustment	276,306	238,600
Remeasurements of defined benefit plans	(9,881)	(11,499)
Total accumulated other comprehensive income	372,247	350,480
Non-controlling interests	330,339	324,274
Total net assets	12,419,879	12,394,421
Total liabilities and net assets	27,568,043	28,600,428

(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 FY2/20 (Mar. 1, 2019 – May 31, 2019)	First three months of FY2/21 (Mar. 1, 2020 – May 31, 2020)
Net sales	8,616,354	8,407,058
Cost of sales	7,260,110	7,145,705
Gross profit	1,356,244	1,261,353
Selling, general and administrative expenses	929,952	904,330
Operating profit	426,292	357,022
Non-operating income		
Interest income	480	473
Dividend income	529	542
Share of profit of entities accounted for using equity method	-	1,797
Rental income from land and buildings	6,902	6,819
Dividend income of insurance	13,330	11,082
Foreign exchange gains	14,592	-
Other	37,414	23,371
Total non-operating income	73,250	44,086
Non-operating expenses		
Interest expenses	22,319	18,061
Share of loss of entities accounted for using equity method	185	-
Foreign exchange losses	-	13,914
Other	5,994	6,163
Total non-operating expenses	28,500	38,138
Ordinary profit	471,042	362,970
Extraordinary losses		
Loss on retirement of non-current assets	16	1,129
Loss on valuation of investment securities	4,774	-
Total extraordinary losses	4,791	1,129
Profit before income taxes	466,251	361,840
Income taxes	139,672	129,751
Profit	326,579	232,089
Profit attributable to non-controlling interests	1,398	890
Profit attributable to owners of parent	325,180	231,198

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

(Thousands of yen)

	First three months of FY2/20 (Mar. 1, 2019 – May 31, 2019)	First three months of FY2/21 (Mar. 1, 2020 – May 31, 2020)
Profit	326,579	232,089
Other comprehensive income		
Valuation difference on available-for-sale securities	(45,164)	19,469
Deferred gains or losses on hedges	(667)	(404)
Foreign currency translation adjustment	31,951	(44,660)
Remeasurements of defined benefit plans, net of tax	(3,943)	(1,617)
Share of other comprehensive income of entities accounted for using equity method	308	(1,509)
Total other comprehensive income	(17,515)	(28,722)
Comprehensive income	309,063	203,366
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	302,403	209,431
Comprehensive income attributable to non-controlling interests	6,660	(6,064)

(3) 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

There is considerable uncertainty about the outlook concerning the severity of the COVID-19 pandemic and when this crisis will end. Accounting estimates for impairment of non-current assets, recoverability of deferred tax assets and other items are based on the assumption that this crisis will continue to impact the Nakamoto Packs Group's performance until the end of the summer of 2020.

Subsequent Events

Business combination through acquisition

The Nakamoto Packs Board of Directors approved a resolution on July 13, 2020 to purchase the entire third-party allocation of stock by equity-method affiliate Mikunishiko Co., Ltd. in order to make this company a subsidiary.

(1) Summary of business combination**1) Name of company acquired and its business activities**

Name of company: Mikunishiko Co., Ltd.

Business activities: Lamination of paper, plastic film and others and manufacture and sales of coating products

2) Major reason for business combination

Mikunishiko has expertise involving extrusion lamination technologies for paper and many other types of materials. Nakamoto Packs believes that the acquisition of Mikunishiko will contribute to the development of products that have a lower environmental impact and strengthen the group's lineup of processed paper products, thereby further strengthening the ability to supply environmentally responsible products.

3) Date of business combination

July 15, 2020 (tentative)

4) Method of business combination

Acquisition of shares with cash

5) Name of the company after business combination

Mikunishiko Co., Ltd.

6) Ownership

Ratio of voting rights held immediately before the business combination: 22.0%

Ratio of voting rights additionally acquired on the business combination date: 28.1%

Ratio of voting rights held after the business combination: 50.1%

7) Basis for choosing the company acquired

For the purpose of acquiring shares with cash

(2) Acquisition cost of acquired company and type of consideration

Payment for the acquisition:	Cash and deposits	430,100 thousand yen (tentative)
Acquisition cost:		430,100 thousand yen (tentative)

(3) Goodwill resulting from the acquisition

Not yet determined.

(4) Summary of assets acquired and liabilities assumed on the date of business combination

Not yet determined.

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.