



October 11, 2022

**Consolidated Financial Results**  
**for the Second Quarter of the Fiscal Year Ending February 28, 2023 (FY2/23)**  
**(Six Months Ended August 31, 2022)**

[Japanese GAAP]

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Scheduled date of filing of Quarterly Report: October 11, 2022  
 Scheduled date of payment of dividend: November 10, 2022  
 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 FY2/23 (March 1, 2022 – August 31, 2022)**

(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, 2022	21,823	7.9	1,091	(20.9)	1,392	(9.2)	915	6.7
Six months ended Aug. 31, 2021	20,234	17.9	1,380	76.0	1,534	90.0	858	25.6

Note: Comprehensive income Six months ended Aug. 31, 2022: 1,369 million yen (up 18.7%)  
Six months ended Aug. 31, 2021: 1,154 million yen (up 74.8%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended Aug. 31, 2022	112.04	-
Six months ended Aug. 31, 2021	105.00	-

Notes: 1. Diluted earnings per share is not presented since there is no dilutive share.

2. Beginning with the first quarter of the fiscal year ending February 28, 2023, Nakamoto Packs is applying Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). All figures for the six months ended August 31, 2022 incorporate this accounting standard.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Aug. 31, 2022	35,257	16,737	43.8	1,889.19
As of Feb. 28, 2022	33,934	15,676	42.2	1,753.79

Reference: Equity capital As of Aug. 31, 2022: 15,438 million yen As of Feb. 28, 2022: 14,332 million yen

Note: Beginning with the first quarter of the fiscal year ending February 28, 2023, Nakamoto Packs is applying Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020). All figures as of August 31, 2022 incorporate this accounting standard.

**2. Dividends**

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2/22	-	29.00	-	33.00	62.00
FY2/23	-	31.00	-	-	-
FY2/23 (forecast)	-	-	-	31.00	62.00

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

**3. Consolidated Forecast for FY2/23 (March 1, 2022 – February 28, 2023)**

(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	42,500	5.0	2,546	9.2	2,600	0.6	1,529	4.0	187.16

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: | Yes  |
| 2) Changes in accounting policies other than 1) above:                              | None |
| 3) Changes in accounting-based estimates:   | None |
| 4) Restatements:  | None |

Note: Please refer to page 10 “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” for details.

(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, 2022:	8,173,320 shares	As of Feb. 28, 2022:	8,173,320 shares
2) Number of treasury shares at the end of the period			
As of Aug. 31, 2022:	1,067 shares	As of Feb. 28, 2022:	1,067 shares
3) Average number of shares during the period			
2Q FY2/23:	8,172,253 shares	2Q FY2/22:	8,172,253 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 analysts on Friday, October 14, 2022. Materials to be distributed at this event will be available on the Nakamoto Packs website immediately thereafter.

## Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	4
2. Quarterly Consolidated Financial Statements and Notes	5
(1) Quarterly Consolidated Balance Sheet	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
Quarterly Consolidated Statement of Income	
For the Six-month Period	7
Quarterly Consolidated Statement of Comprehensive Income	
For the Six-month Period	8
(3) Quarterly Consolidated Statement of Cash Flows	9
(4) Notes to Quarterly Consolidated Financial Statements	10
Going Concern Assumption	10
Significant Changes in Shareholders' Equity	10
Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements	10
Changes in Accounting Policies	10

## 1. Qualitative Information on Quarterly Consolidated Financial Performance

Nakamoto Packs has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter of the fiscal year ending February 28, 2023. For details, please refer to “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies.”

### (1) Explanation of Results of Operations

During the first half of the fiscal year, there were signs of a return to normal economic and social activities in Japan. However, difficulties continued mainly because of an upturn in COVID-19 infections due to the emergence of a highly contagious new variant. In addition, inflation caused by the rising cost of resources is impacting consumer spending and there is a risk of an economic downturn because of the Ukraine crisis and financial market volatility. As a result, the outlook for the economy remains unclear. The Nakamoto Packs Group’s business activities have also been adversely affected by rising manufacturing costs because of spiraling energy prices and disruptions to its supply chain.

The activities of the Group 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.” Priorities include developing and selling products with a lower environmental burden, lowering expenses, manufacturing products more efficiently, and improving the quality of products.

Due to these activities, sales increased 7.9% to 21,823 million yen. Operating profit decreased 20.9% to 1,091 million yen, ordinary profit decreased 9.2% to 1,392 million yen and profit attributable to owners of parent increased 6.7% to 915 million yen.

Results of operations for product categories were as follows.

#### Food Packaging and Containers

As the effect of the COVID-19 pandemic eased, demand for materials used in take-out and delivery food containers and trays, which are used in many applications, has stabilized, and sales of packaging materials for frozen foods, dairy products, prepared food, and tofu have been strong. Moreover, there has been a recovery in packaging for products sold at department stores and confectionery packaging, as well as an increase in demand for printing, laminating, and coating on paper and for prototypes using biodegradable gas barrier coated paper due to growing demand for paper packaging. As a result, sales increased 5.9% to 13,629 million yen. As for profits, soaring electricity and fuel costs have led to higher manufacturing costs. Although we progressively increased prices to compensate for higher costs, gross profit declined 8.2% to 1,426 million yen.

#### IT and Industrial Materials

Although the shortage of semiconductors and the impact of the lockdowns in China caused a decline in sales of some products, sales of production process films used in electronic materials, smartphones and electronic component packaging materials remained strong, while sales of materials for e-commerce applications and heavy-duty bags for the manufacturing industry increased. Production of prototype materials for next-generation batteries and renewable energy-related materials was also higher. The result was a 22.5% increase in sales to 3,418 million yen and the gross profit was up 8.5% to 901 million yen.

#### Consumer Product Packaging and Materials

Sales were steady for vacuum storage bags-related products and kitchen-related products such as cutting board sheets and kitchen mats, but sales of seasonal products were lower. Moreover, there is a slow recovery in China, which is the main location for manufacturing products in this category, but production efficiency decreased due to the weak performance in the first quarter. As a result, sales decreased 2.4% to 2,307 million yen and the gross profit decreased 14.9% to 642 million yen.

**Printing Sheets for Building Materials**

Sales of building materials with functional surface coatings for houses and apartment buildings were firm and printing sales for wallpaper and residential furniture increased. As a result, sales were up 4.1% to 1,005 million yen and the gross profit increased 2.3% to 160 million yen.

**Pharmaceuticals and Health Care**

Although sales to hospitals of packaging materials for transfusions were firm, total sales in this category decreased. The main reasons are a decrease in prices of products because of a decline in the use of transdermal patches of original suppliers as sales shifted to generic products and drug price revisions. In addition, prices of raw materials for some products rose sharply. The result was a 5.1% decrease in sales to 664 million yen. The gross profit decreased 6.7% to 144 million yen.

**Others**

There were some one-off sales of machinery to chemical manufacturers. As a result, sales increased 44.6% to 798 million yen and the gross profit decreased 15.4% to 122 million yen.

**(2) Explanation of Financial Position****1) Assets, liabilities and net assets****Assets**

Total assets increased 1,323 million yen from the end of the previous fiscal year to 35,257 million yen at the end of the second quarter of the current fiscal year.

Current assets increased 1,355 million yen to 20,157 million yen. This was mainly due to increases of 1,055 million yen in notes and accounts receivable-trade, and contract assets, 242 million yen in electronically recorded monetary claims-operating, and 432 million yen in inventories. There was a decrease of 443 million yen in cash and deposits.

Non-current assets decreased 32 million yen to 15,100 million yen. An increase in non-current assets due to capital expenditures to raise production capacity was offset by the sale of non-current assets resulting from the approval on October 8, 2021, by the Board of Directors of a resolution to shut down and liquidate consolidated subsidiary Langfang Zhongben Package Co., Ltd. in China.

**Liabilities**

Total liabilities increased 261 million yen to 18,519 million yen.

Current liabilities increased 257 million yen to 15,932 million yen. This was mainly due to increases of 329 million yen in notes and accounts payable-trade and 363 million yen in electronically recorded obligations-operating. There were decreases in short-term borrowings of 317 million yen and other current liabilities of 137 million yen.

Non-current liabilities increased 4 million yen to 2,587 million yen. This was mainly due to an increase in long-term borrowings of 22 million yen.

**Net assets**

Net assets increased 1,061 million yen to 16,737 million yen. This was mainly due to a 671 million yen increase in retained earnings from profit attributable to owners of parent and other items and a 385 million yen increase in foreign currency translation adjustment.

## 2) Cash flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the second quarter of the current fiscal year were 4,348 million yen, down 443 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 271 million yen (compared with net cash provided of 1,950 million yen in the same period of the previous fiscal year). Positive factors include profit before income taxes of 1,463 million yen, depreciation of 643 million yen, and an increase in trade payables of 504 million yen, which offset negative factors including foreign exchange gains of 166 million yen, an increase in trade receivables of 948 million yen, an increase in inventories of 423 million yen, a decrease in accrued consumption tax of 91 million yen, other of 152 million yen and income taxes paid of 559 million yen.

### Cash flows from investing activities

Net cash used in investing activities was 120 million yen (compared with net cash used of 1,064 million yen in the same period of the previous fiscal year). Although there were positive factors including proceeds from sale of non-current assets of 363 million yen, there were negative factors including payments of 525 million yen for the purchase of non-current assets (production processing equipment, etc.).

### Cash flows from financing activities

Net cash used in financing activities was 783 million yen (compared with net cash used of 449 million yen in the same period of the previous fiscal year). Although there were positive factors including proceeds from long-term borrowings of 400 million yen, there were negative factors including a net decrease in short-term borrowings of 429 million yen, repayments of long-term borrowings of 376 million yen, and dividends paid of 270 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, 2023, which were announced on April 8, 2022.

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

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

	(Thousands of yen)	
	FY2/22 (As of Feb. 28, 2022)	Second quarter of FY2/23 (As of Aug. 31, 2022)
Assets		
Current assets		
Cash and deposits	4,881,766	4,438,060
Notes and accounts receivable-trade	7,445,477	-
Notes and accounts receivable-trade, and contract assets	-	8,500,754
Electronically recorded monetary claims-operating	1,938,071	2,181,045
Merchandise and finished goods	2,592,447	2,798,358
Work in process	591,295	451,653
Raw materials and supplies	1,109,095	1,475,416
Other	249,493	317,521
Allowance for doubtful accounts	(6,151)	(5,725)
Total current assets	18,801,496	20,157,084
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,422,501	6,448,253
Machinery, equipment and vehicles, net	2,633,976	2,625,223
Land	3,138,364	3,138,364
Other, net	952,780	942,211
Total property, plant and equipment	13,147,623	13,154,053
Intangible assets	378,068	367,143
Investments and other assets		
Other	1,634,253	1,606,356
Allowance for doubtful accounts	(27,245)	(27,245)
Total investments and other assets	1,607,007	1,579,111
Total non-current assets	15,132,699	15,100,308
Total assets	33,934,195	35,257,392

	(Thousands of yen)	
	FY2/22 (As of Feb. 28, 2022)	Second quarter of FY2/23 (As of Aug. 31, 2022)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	4,237,559	4,567,316
Electronically recorded obligations-operating	3,743,291	4,106,693
Short-term borrowings	5,005,923	4,688,115
Current portion of long-term borrowings	677,386	681,014
Income taxes payable	588,636	531,649
Provision for bonuses	221,977	295,184
Other	1,200,077	1,062,391
<b>Total current liabilities</b>	<b>15,674,852</b>	<b>15,932,365</b>
<b>Non-current liabilities</b>		
Long-term borrowings	1,845,177	1,867,846
Retirement benefit liability	171,153	167,472
Other	566,471	551,908
<b>Total non-current liabilities</b>	<b>2,582,802</b>	<b>2,587,227</b>
<b>Total liabilities</b>	<b>18,257,655</b>	<b>18,519,592</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	1,057,468	1,057,468
Capital surplus	1,166,402	1,246,677
Retained earnings	11,356,927	12,028,832
Treasury shares	(1,101)	(1,101)
<b>Total shareholders' equity</b>	<b>13,579,696</b>	<b>14,331,876</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	126,580	99,482
Deferred gains or losses on hedges	(89)	2,885
Foreign currency translation adjustment	607,472	993,072
Remeasurements of defined benefit plans	18,785	11,586
<b>Total accumulated other comprehensive income</b>	<b>752,748</b>	<b>1,107,026</b>
<b>Non-controlling interests</b>	<b>1,344,095</b>	<b>1,298,897</b>
<b>Total net assets</b>	<b>15,676,540</b>	<b>16,737,800</b>
<b>Total liabilities and net assets</b>	<b>33,934,195</b>	<b>35,257,392</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 FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)
Net sales	20,234,871	21,823,620
Cost of sales	16,638,090	18,425,971
Gross profit	3,596,780	3,397,649
Selling, general and administrative expenses	2,216,037	2,305,865
Operating profit	1,380,743	1,091,784
Non-operating income		
Interest income	2,725	5,188
Dividend income	9,438	12,834
Rental income from land and buildings	16,762	17,282
Foreign exchange gains	80,119	216,040
Other	100,414	109,834
Total non-operating income	209,460	361,179
Non-operating expenses		
Interest expenses	30,190	38,643
Other	25,709	21,381
Total non-operating expenses	55,900	60,025
Ordinary profit	1,534,302	1,392,938
Extraordinary income		
Gain on sale of non-current assets	-	74,155
Total extraordinary income	-	74,155
Extraordinary losses		
Loss on retirement of non-current assets	1,644	3,183
Impairment losses	28,121	-
Extra retirement payments	122,389	-
Total extraordinary losses	152,155	3,183
Profit before income taxes	1,382,147	1,463,910
Income taxes	467,329	491,555
Profit	914,817	972,355
Profit attributable to non-controlling interests	56,717	56,730
Profit attributable to owners of parent	858,100	915,625

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

(Thousands of yen)

	First six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)
Profit	914,817	972,355
Other comprehensive income		
Valuation difference on available-for-sale securities	12,153	(27,928)
Deferred gains or losses on hedges	8,514	5,832
Foreign currency translation adjustment	222,224	426,771
Remeasurements of defined benefit plans, net of tax	(3,335)	(7,199)
Total other comprehensive income	239,556	397,477
Comprehensive income	1,154,374	1,369,832
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,064,316	1,269,903
Comprehensive income attributable to non-controlling interests	90,058	99,929

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

(Thousands of yen)

	First six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)
Cash flows from operating activities		
Profit before income taxes	1,382,147	1,463,910
Depreciation	634,521	643,033
Amortization of goodwill	14,319	14,319
Impairment losses	28,121	-
Increase (decrease) in allowance for doubtful accounts	590	(425)
Increase (decrease) in provision for bonuses	73,912	73,206
Increase (decrease) in retirement benefit liability	(13,952)	(14,054)
Interest and dividend income	(12,163)	(18,022)
Interest expenses	30,190	38,643
Foreign exchange losses (gains)	(78,779)	(166,460)
Loss on retirement of non-current assets	1,644	3,183
Loss (gain) on sale of non-current assets	-	(74,155)
Decrease (increase) in trade receivables	138,967	(948,797)
Decrease (increase) in inventories	(105,379)	(423,528)
Increase (decrease) in trade payables	(79,786)	504,241
Increase (decrease) in accrued consumption taxes	149,759	(91,034)
Other, net	41,526	(152,962)
Subtotal	2,205,638	851,098
Interest and dividends received	12,163	18,129
Interest paid	(28,203)	(38,222)
Income taxes paid	(239,477)	(559,074)
Net cash provided by (used in) operating activities	1,950,121	271,930
Cash flows from investing activities		
Purchase of non-current assets	(981,833)	(525,769)
Proceeds from sale of non-current assets	-	363,775
Payments for retirement of non-current assets	-	(541)
Purchase of investment securities	(9,891)	(11,779)
Loan advances	(6,000)	-
Proceeds from collection of loans receivable	1,341	963
Payments into time deposits	(84,070)	-
Proceeds from withdrawal of time deposits	-	11,752
Payments of guarantee deposits	(542)	(657)
Proceeds from refund of guarantee deposits	5,227	2,376
Other, net	11,077	39,663
Net cash provided by (used in) investing activities	(1,064,692)	(120,216)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	95,772	(429,798)
Proceeds from long-term borrowings	419,381	400,000
Repayments of long-term borrowings	(691,906)	(376,822)
Repayments of lease obligations	(32,852)	(45,638)
Dividends paid	(236,350)	(270,279)
Dividends paid to non-controlling interests	(3,623)	(10,999)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	(50,000)
Net cash provided by (used in) financing activities	(449,579)	(783,537)
Effect of exchange rate change on cash and cash equivalents	92,451	188,051
Net increase (decrease) in cash and cash equivalents	528,300	(443,771)
Cash and cash equivalents at beginning of period	3,707,389	4,792,381
Cash and cash equivalents at end of period	4,235,689	4,348,610

**(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.

**Changes in Accounting Policies****Application of Accounting Standard for Revenue Recognition**

Nakamoto Packs has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter of the current fiscal year. Based on these standards, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers. The major revisions due to the application of this new standard are as follows.

**(1) Revenue recognition for agent transactions**

In previous years, the entire amount received from customers for products purchased for resale was recognized as revenue. Revenue, net of payments to suppliers, is now recognized for transactions where the company is determined to be functioning as (the principal or an agent) an agent for the provision of goods and services to customers.

**(2) Revenue recognition related to variable consideration**

Variable consideration, such as rebates on product sales, was previously deducted from sales revenue when the sales amount was finalized, but the method has now been changed to estimate the amount of the variable portion of the consideration for the transaction and include it in the transaction price only to the extent that it is probable that a significant reduction in the recognized revenue will not occur.

**(3) Revenue recognition on sales with right of return**

For transactions involving sales of products where a right of return exists, the Group has changed to a method that does not recognize revenue at the time of sale, in accordance with the provisions regarding variable consideration, for the portion of the product that is expected to be returned.

**(4) Revenue recognition for performance obligations to be fulfilled over a specified period of time**

Previously, the Group recognized revenue from construction contracts based on the completed-contract method. Now the Group has changed its method of accounting for contracts where the performance obligation is to be fulfilled over a certain period of time. The Group now estimates the percentage of completion in fulfilling the performance obligation and recognizes revenue over a certain period based on the percentage of completion. The method of estimating the degree of progress in meeting performance obligations is based on the proportion of the construction costs incurred by the end of each reporting period to the total expected construction costs. For construction contracts with a very short period of time from the start date to the point when the performance obligation is expected to be fully satisfied, an alternative treatment is applied and revenue is recognized when the performance obligation is fully satisfied, instead of recognizing revenue based on the percentage of completion.

#### (5) Revenue recognition for paid-in payments

Previously, the Group recognized the extinguishment of the paid-in supplies, but has now changed the method to not recognize the extinguishment of such supplies when it is obliged to repurchase the supplied goods.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional measures in the proviso to Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings.

As a result, net sales decreased 248 million yen, cost of sales decreased 214 million yen. Operating profit, ordinary profit and profit before income taxes declined 34 million yen each in the first six months of the current fiscal year. Notes and accounts receivable-trade, and contract assets increased 10 million yen, merchandise and finished goods increased 40 million yen, other under current assets increased 2 million yen, other under current liabilities increased 48 million yen and retained earnings increased 25 million yen at the beginning of the current fiscal year. There were decreases of 8 million yen in work in process and 3 million yen in non-controlling interests.

Due to the application of the Accounting Standard for Revenue Recognition, “Notes and accounts receivable-trade” presented under “Current assets” in the consolidated balance sheet for the previous fiscal year has now been included in “Notes and accounts receivable-trade, and contract assets” in the consolidated balance sheet from the first quarter of the current fiscal year. In accordance with the transitional measures prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to the prior year’s consolidated financial statements. Furthermore, in accordance with the transitional measures prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), the Company has not presented information on revenue from contracts with customers broken down for the first half of the previous fiscal year.

#### **Application of the Accounting Standard for Fair Value Measurement**

Nakamoto Packs has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies set forth by the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application of this standard has no effect on the quarterly consolidated financial statements.

*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.*