



July 10, 2023

Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending February 29, 2024 (FY2/24)
(Three Months Ended May 31, 2023)

[Japanese GAAP]

Company name: NAKAMOTO PACKS CO.,LTD.

Listing: Tokyo Stock Exchange

Securities code: 7811

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Scheduled date of filing of Quarterly Report: July 10, 2023

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 FY2/24 (March 1, 2023 – May 31, 2023)

(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, 2023	11,046	1.5	514	(14.8)	529	(29.1)	272	(41.3)
Three months ended May 31, 2022	10,882	9.1	603	(14.4)	747	(9.2)	463	(15.3)

Note: Comprehensive income Three months ended May 31, 2023: 362 million yen (down 42.7%)

Three months ended May 31, 2022: 632 million yen (down 17.8%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended May 31, 2023	33.31		-	
Three months ended May 31, 2022	56.77		-	

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, 2023	34,726		16,569		44.6	1,895.23		
As of Feb. 28, 2023	34,578		16,469		44.5	1,884.69		

Reference: Equity capital

As of May 31, 2023: 15,488 million yen

As of Feb. 28, 2023: 15,402 million yen

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2/23	-	31.00	-	31.00	62.00
FY2/24	-	-	-	-	-
FY2/24 (forecast)	-	31.00	-	31.00	62.00

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

3. Consolidated Forecast for FY2/24 (March 1, 2023 – February 29, 2024)

(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	22,441	2.8	841	(23.0)	892	(35.9)	594	(35.1)	72.70
Full year	44,800	3.9	1,805	(4.6)	1,900	(13.9)	1,253	(2.5)	153.32

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

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|---|------|
| 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 8 “2. Quarterly Consolidated Financial Statements and Notes, (3) 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 May 31, 2023:	8,173,320 shares	As of Feb. 28, 2023:	8,173,320 shares
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2) Number of treasury shares at the end of the period

As of May 31, 2023:	1,067 shares	As of Feb. 28, 2023:	1,067 shares
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3) Average number of shares during the period

1Q FY2/24:	8,172,253 shares	1Q FY2/23:	8,172,253 shares
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* 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.

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	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
Quarterly Consolidated Statement of Income	
For the Three-month Period	6
Quarterly Consolidated Statement of Comprehensive Income	
For the Three-month Period	7
(3) Notes to Quarterly Consolidated Financial Statements	8
Going Concern Assumption	8
Significant Changes in Shareholders' Equity	8
Changes in the Scope of Consolidation or Application of the Equity Method	8
Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements	8
Changes in Accounting Policies	8

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first three months of the fiscal year, economic activities started returning to normal in Japan because of a significant increase in movements of people as the restrictions on social activities and the entry of foreigners due to the COVID-19 pandemic were eased. However, inflation caused by the rising cost of resources is impacting consumer spending and there is a risk of an economic downturn because of the prolonged 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 “environmental responsibility, activities for improvements and the maximization of 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 1.5% to 11,046 million yen. Operating profit decreased 14.8% to 514 million yen, ordinary profit decreased 29.1% to 529 million yen and profit attributable to owners of parent decreased 41.3% to 272 million yen.

Results of operations for product categories were as follows.

Food Packaging and Containers

In May, sales of packaging materials for products sold in the food sections of department stores and confectionery packaging materials experienced a decline despite a recovery trend driven by increased customer traffic. This drop was attributed to inventory adjustments. Conversely, there were notable areas of growth in sales during this period. We successfully secured new orders for various projects, including packaging materials for frozen foods. Additionally, there were strong sales in existing packaging materials for yogurt, dairy products, frozen foods, and tofu. The demand for container molding and processing for convenience stores also saw an upswing, along with increased orders of trays for prepared food (bento), all contributing to the overall increase in sales. As a result, sales increased 4.3% to 7,274 million yen. Gross profit increased 2.9% to 792 million yen due to higher profit margin at subsidiaries and affiliates.

IT and Industrial Materials

Orders for automotive interior materials are on a recovery trend, but total orders were significantly lower due to weak market conditions, especially products used in electronic material, and inventory adjustments on the part of customers. Although the company worked on many prototype materials to make up for the decline, it was unable to offset the decline. The result was a 2.6% decrease in sales to 1,633 million yen and a 23.6% decrease in gross profit to 354 million yen.

Consumer Product Packaging and Materials

Sales increased 7.6% to 1,103 million yen and gross profit increased 29.6% to 374 million yen because of higher sales of vacuum storage bags and other storage products on TV shopping and e-commerce channels as well as strong sales of seasonal products such as thermal insulation sheets due to the request from the government for power saving.

Printing Sheets for Building Materials

Sales experienced a decline of 5.6% to 493 million yen due to the production adjustment of printing for interior materials for houses. This reduction in sales subsequently led to a decrease in gross profit by 4.5%, to 71 million yen.

Pharmaceuticals and Health Care

Sales to hospitals of packaging materials for transfusions were firm, and overseas sales of transdermal patches increased. The result was a 11.4% increase in sales to 377 million yen. The gross profit decreased 17.9% to 67

million yen as a result of a sharp rise in prices of raw materials for some products.

Others

Sales decreased 52.0% to 163 million yen and the gross profit decreased 71.3% to 16 million yen since there were one-off sales of machinery in the same period of the previous fiscal year.

(2) Explanation of Financial Position

Assets

Total assets increased 148 million yen from the end of the previous fiscal year to 34,726 million yen at the end of the first quarter.

Current assets decreased 77 million yen to 19,802 million yen. This was mainly due to a decrease of 165 million yen in cash and deposits, while there was an increase of 88 million yen in inventories.

Non-current assets increased 225 million yen to 14,924 million yen due to increases of 129 million yen in intangible assets and 155 million yen in investments and other assets, while there was a decrease of 59 million yen in property, plant and equipment mainly due to depreciation.

Liabilities

Total liabilities increased 47 million yen to 18,157 million yen.

Current liabilities increased 25 million yen to 15,642 million yen. This was mainly due to increases of 114 million yen in provision for bonuses and 256 million yen in others, while there were decreases of 94 million yen in notes and accounts payable-trade, 120 million yen in short-term borrowings and 138 million yen in income taxes payable.

Non-current liabilities increased 21 million yen to 2,514 million yen. This was mainly due to an increase in long-term borrowings of 226 million yen, while there was a decrease of 197 million yen in others.

Net assets

Net assets increased 100 million yen to 16,569 million yen. This was mainly due to a 37 million yen increase in valuation difference on available-for-sale securities and a 36 million yen increase in 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 29, 2024, which were announced on April 10, 2023.

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)

	FY2/23 (As of Feb. 28, 2023)	First quarter of FY2/24 (As of May 31, 2023)
Assets		
Current assets		
Cash and deposits	5,103,102	4,937,811
Notes and accounts receivable-trade, and contract assets	7,767,557	7,767,441
Electronically recorded monetary claims-operating	2,239,944	2,227,842
Merchandise and finished goods	2,831,398	2,984,991
Work in process	370,671	432,851
Raw materials and supplies	1,335,623	1,208,199
Other	238,316	249,412
Allowance for doubtful accounts	(6,567)	(5,739)
Total current assets	19,880,046	19,802,812
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,139,207	6,196,498
Machinery, equipment and vehicles, net	2,509,777	2,475,096
Land	3,138,364	3,138,364
Other, net	1,042,823	961,165
Total property, plant and equipment	12,830,173	12,771,124
Intangible assets	369,514	498,537
Investments and other assets		
Other	1,526,384	1,681,721
Allowance for doubtful accounts	(27,245)	(27,245)
Total investments and other assets	1,499,138	1,654,475
Total non-current assets	14,698,826	14,924,138
Total assets	34,578,872	34,726,950

	(Thousands of yen)	
	FY2/23 (As of Feb. 28, 2023)	First quarter of FY2/24 (As of May 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,160,916	4,066,204
Electronically recorded obligations-operating	3,925,329	3,894,007
Short-term borrowings	5,312,693	5,192,680
Current portion of long-term borrowings	673,316	712,779
Income taxes payable	349,242	210,333
Provision for bonuses	204,334	318,694
Other	990,733	1,247,700
Total current liabilities	15,616,566	15,642,401
Non-current liabilities		
Long-term borrowings	1,802,455	2,028,603
Retirement benefit liability	186,682	179,780
Other	503,968	306,279
Total non-current liabilities	2,493,106	2,514,663
Total liabilities	18,109,673	18,157,065
Net assets		
Shareholders' equity		
Share capital	1,057,468	1,057,468
Capital surplus	1,308,179	1,308,179
Retained earnings	12,145,081	12,163,957
Treasury shares	(1,101)	(1,101)
Total shareholders' equity	14,509,626	14,528,502
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	92,953	130,360
Deferred gains or losses on hedges	4,826	155
Foreign currency translation adjustment	807,556	843,938
Remeasurements of defined benefit plans	(12,833)	(14,664)
Total accumulated other comprehensive income	892,503	959,791
Non-controlling interests	1,067,068	1,081,590
Total net assets	16,469,199	16,569,884
Total liabilities and net assets	34,578,872	34,726,950

(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 FY2/23 (Mar. 1, 2022 – May 31, 2022)	First three months of FY2/24 (Mar. 1, 2023 – May 31, 2023)
Net sales	10,882,395	11,046,700
Cost of sales	9,143,956	9,370,020
Gross profit	1,738,438	1,676,679
Selling, general and administrative expenses	1,134,573	1,161,981
Operating profit	603,864	514,698
Non-operating income		
Interest income	3,299	3,702
Dividend income	625	344
Rental income from land and buildings	8,344	6,856
Dividend income of insurance	3,324	2,484
Foreign exchange gains	96,107	-
Other	58,267	33,512
Total non-operating income	169,967	46,900
Non-operating expenses		
Interest expenses	18,736	14,194
Foreign exchange losses	-	11,650
Other	7,812	5,995
Total non-operating expenses	26,548	31,839
Ordinary profit	747,283	529,758
Extraordinary losses		
Loss on retirement of non-current assets	1,263	3,829
Loss on valuation of investment securities	-	47,558
Total extraordinary losses	1,263	51,388
Profit before income taxes	746,020	478,370
Income taxes	272,670	182,817
Profit	473,349	295,553
Profit attributable to non-controlling interests	9,430	23,338
Profit attributable to owners of parent	463,919	272,215

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

(Thousands of yen)

	First three months of FY2/23 (Mar. 1, 2022 – May 31, 2022)	First three months of FY2/24 (Mar. 1, 2023 – May 31, 2023)
Profit	473,349	295,553
Other comprehensive income		
Valuation difference on available-for-sale securities	(44,503)	38,043
Deferred gains or losses on hedges	870	(9,158)
Foreign currency translation adjustment	206,300	39,876
Remeasurements of defined benefit plans, net of tax	(3,599)	(1,830)
Total other comprehensive income	159,067	66,930
Comprehensive income	632,416	362,484
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	598,578	339,502
Comprehensive income attributable to non-controlling interests	33,837	22,981

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in the Scope of Consolidation or Application of the Equity Method

Significant change in the scope of application of the equity method

RN Smart Packaging Co., Ltd. is included in the scope of application of the equity method from the first quarter of the current fiscal year due to its establishment.

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 the Implementation Guidance on Accounting Standard for Fair Value Measurement

Nakamoto Packs has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies set forth by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures prescribed in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. 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.