



October 10, 2023

Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending February 29, 2024 (FY2/24)
(Six Months Ended August 31, 2023)

[Japanese GAAP]

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Securities code: 7811

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Scheduled date of filing of Quarterly Report:

October 10, 2023

Scheduled date of payment of dividend:

November 10, 2023

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 FY2/24 (March 1, 2023 – August 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	%
Six months ended Aug. 31, 2023	22,279	2.1	1,020	(6.5)	1,213	(12.9)	685	(25.1)
Six months ended Aug. 31, 2022	21,823	7.9	1,091	(20.9)	1,392	(9.2)	915	6.7

Note: Comprehensive income Six months ended Aug. 31, 2023: 1,055 million yen (down 23.0%)

Six months ended Aug. 31, 2022: 1,369 million yen (up 18.7%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended Aug. 31, 2023	83.88	-
Six months ended Aug. 31, 2022	112.04	-

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, 2023	35,299	17,183	45.7	1,973.13
As of Feb. 28, 2023	34,578	16,469	44.5	1,884.69

Reference: Equity capital

As of Aug. 31, 2023: 16,124 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	-	31.00	-	-	-
FY2/24 (forecast)	-	-	-	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
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 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, 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 Aug. 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

2Q FY2/24:	8,172,253 shares	2Q 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 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 Wednesday, October 11, 2023. 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 fiscal year, the Japanese economy continued to recover as economic activities returned to normal because of a significant increase in movements of people as the restrictions on social activities due to the COVID-19 pandemic were eased and the entry of foreigners were lifted. 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 2.1% to 22,279 million yen. Operating profit decreased 6.5% to 1,020 million yen, ordinary profit decreased 12.9% to 1,213 million yen. Profit attributable to owners of parent decreased 25.1% to 685 million yen mainly due to the recognition of a gain on sales of non-current assets in the first half of the previous fiscal year.

Results of operations for product categories were as follows.

Food Packaging and Containers

Sales of packaging materials for products sold in the food sections of department stores are recovering as customer traffic increases. We successfully secured new orders for various projects, including packaging materials for frozen foods. Additionally, there were strong sales in food packaging mainly for agricultural 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 5.3% to 14,352 million yen and gross profit increased 2.0% to 1,454 million yen.

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 component, and inventory adjustments on the part of customers. Although the company continued to conduct sales activities to acquire new customers, the result was a 5.9% decrease in sales to 3,215 million yen and a 22.8% decrease in gross profit to 695 million yen.

Consumer Product Packaging and Materials

Sales increased 7.9% to 2,488 million yen and gross profit increased 34.6% to 865 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 heat shield cover for air conditioner and thermal insulation sheets due to the request from the government for power saving.

Printing Sheets for Building Materials

Sales increased 2.0% to 1,025 million yen due to steady growth in sheet processing for construction materials. Gross profit decreased 4.2% to 153 million yen because of sluggish sales of functional surface coatings processing for houses and apartment buildings and the production adjustment of printing for interior materials for houses.

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 9.8% increase in sales to 729 million yen. The gross profit decreased 9.8% to 130 million yen as a result of a sharp rise in prices of raw materials for some products.

Others

Sales decreased 41.6% to 465 million yen and the gross profit decreased 62.7% to 45 million yen since there were one-off sales of machinery in the same period of the previous fiscal year.

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

Total assets increased 720 million yen from the end of the previous fiscal year to 35,299 million yen at the end of the second quarter.

Current assets increased 249 million yen to 20,129 million yen. This was mainly due to increases of 195 million yen in cash and deposits, 95 million yen in notes and accounts receivable-trade, and contract assets, and 158 million yen in others, while there was a decrease of 249 million yen in inventories.

Non-current assets increased 471 million yen to 15,170 million yen due to increases of 100 million yen in property, plant and equipment resulting from the purchase of equipment for increasing output capacity, 128 million yen in intangible assets and 242 million yen in investments and other assets.

Liabilities

Total liabilities increased 6 million yen to 18,116 million yen.

Current liabilities increased 166 million yen to 15,783 million yen. This was mainly due to increases of 54 million yen in electronically recorded obligations-operating, 51 million yen in income taxes payable, 59 million yen in provision for bonuses and 131 million yen in others, while there was a decrease of 107 million yen in short-term borrowings.

Non-current liabilities decreased 160 million yen to 2,332 million yen. This was mainly due to a decrease of 202 million yen in others, while there was an increase in long-term borrowings of 60 million yen.

Net assets

Net assets increased 714 million yen to 17,183 million yen. This was mainly due to a 432 million yen increase in retained earnings due to profit attributable to owners of parent and other items, a 106 million yen increase in valuation difference on available-for-sale securities and a 165 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 5,209 million yen, up 189 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 1,515 million yen (compared with net cash provided of 271 million yen in the same period of the previous fiscal year). Positive factors include profit before income taxes of 1,157 million yen and depreciation of 625 million yen, a decrease in inventories of 313 million yen, which offset negative factors including an increase in trade receivables of 110 million yen, other of 202 million yen and income taxes paid of 333 million yen.

Cash flows from investing activities

Net cash used in investing activities was 983 million yen (compared with net cash used of 120 million yen in the same period of the previous fiscal year). Although there were positive factors including proceeds from collection of loans receivable of 0 million yen, there were negative factors including payments of 814 million yen for the purchase of non-current assets (production processing equipment, etc.) and purchase of investment securities of

162 million yen.

Cash flows from financing activities

Net cash used in financing activities was 435 million yen (compared with net cash used of 783 million yen in the same period of the previous fiscal year). Although there were positive factors including proceeds from long-term borrowings of 450 million yen, there were negative factors including a net decrease in short-term borrowings of 125 million yen, repayments of long-term borrowings of 375 million yen, and dividends paid of 253 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, 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)	Second quarter of FY2/24 (As of Aug. 31, 2023)
Assets		
Current assets		
Cash and deposits	5,103,102	5,298,905
Notes and accounts receivable-trade, and contract assets	7,767,557	7,863,395
Electronically recorded monetary claims-operating	2,239,944	2,287,351
Merchandise and finished goods	2,831,398	2,867,976
Work in process	370,671	404,982
Raw materials and supplies	1,335,623	1,015,117
Other	238,316	397,078
Allowance for doubtful accounts	(6,567)	(5,087)
Total current assets	19,880,046	20,129,719
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,139,207	6,346,949
Machinery, equipment and vehicles, net	2,509,777	2,574,384
Land	3,138,364	3,215,554
Other, net	1,042,823	793,612
Total property, plant and equipment	12,830,173	12,930,500
Intangible assets	369,514	497,777
Investments and other assets		
Other	1,526,384	1,769,004
Allowance for doubtful accounts	(27,245)	(27,245)
Total investments and other assets	1,499,138	1,741,758
Total non-current assets	14,698,826	15,170,036
Total assets	34,578,872	35,299,755

	(Thousands of yen)	
	FY2/23 (As of Feb. 28, 2023)	Second quarter of FY2/24 (As of Aug. 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,160,916	4,124,174
Electronically recorded obligations-operating	3,925,329	3,980,079
Short-term borrowings	5,312,693	5,205,214
Current portion of long-term borrowings	673,316	688,123
Income taxes payable	349,242	400,656
Provision for bonuses	204,334	263,337
Other	990,733	1,121,858
Total current liabilities	15,616,566	15,783,445
Non-current liabilities		
Long-term borrowings	1,802,455	1,863,332
Retirement benefit liability	186,682	167,639
Other	503,968	301,782
Total non-current liabilities	2,493,106	2,332,754
Total liabilities	18,109,673	18,116,199
Net assets		
Shareholders' equity		
Share capital	1,057,468	1,057,468
Capital surplus	1,308,179	1,329,332
Retained earnings	12,145,081	12,577,227
Treasury shares	(1,101)	(1,101)
Total shareholders' equity	14,509,626	14,962,926
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	92,953	199,697
Deferred gains or losses on hedges	4,826	5,770
Foreign currency translation adjustment	807,556	972,981
Remeasurements of defined benefit plans	(12,833)	(16,495)
Total accumulated other comprehensive income	892,503	1,161,955
Non-controlling interests	1,067,068	1,058,674
Total net assets	16,469,199	17,183,556
Total liabilities and net assets	34,578,872	35,299,755

(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 FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)	First six months of FY2/24 (Mar. 1, 2023 – Aug. 31, 2023)
Net sales	21,823,620	22,279,097
Cost of sales	18,425,971	18,934,764
Gross profit	3,397,649	3,344,333
Selling, general and administrative expenses	2,305,865	2,323,878
Operating profit	1,091,784	1,020,454
Non-operating income		
Interest income	5,188	6,001
Dividend income	12,834	11,262
Rental income from land and buildings	17,282	13,451
Foreign exchange gains	216,040	100,423
Other	109,834	108,923
Total non-operating income	361,179	240,062
Non-operating expenses		
Interest expenses	38,643	29,348
Share of loss of entities accounted for using equity method	-	2,869
Other	21,381	14,409
Total non-operating expenses	60,025	46,627
Ordinary profit	1,392,938	1,213,889
Extraordinary income		
Gain on sales of non-current assets	74,155	-
Gain on bargain purchase	-	59,140
Total extraordinary income	74,155	59,140
Extraordinary losses		
Loss on retirement of non-current assets	3,183	68,129
Loss on valuation of investment securities	-	47,558
Total extraordinary losses	3,183	115,687
Profit before income taxes	1,463,910	1,157,342
Income taxes	491,555	385,636
Profit	972,355	771,705
Profit attributable to non-controlling interests	56,730	86,219
Profit attributable to owners of parent	915,625	685,486

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

(Thousands of yen)

	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)	First six months of FY2/24 (Mar. 1, 2023 – Aug. 31, 2023)
Profit	972,355	771,705
Other comprehensive income		
Valuation difference on available-for-sale securities	(27,928)	107,919
Deferred gains or losses on hedges	5,832	1,851
Foreign currency translation adjustment	426,771	177,638
Remeasurements of defined benefit plans, net of tax	(7,199)	(3,661)
Total other comprehensive income	397,477	283,747
Comprehensive income	1,369,832	1,055,453
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,269,903	954,937
Comprehensive income attributable to non-controlling interests	99,929	100,516

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)	First six months of FY2/24 (Mar. 1, 2023 – Aug. 31, 2023)
Cash flows from operating activities		
Profit before income taxes	1,463,910	1,157,342
Depreciation	643,033	625,772
Amortization of goodwill	14,319	14,319
Gain on bargain purchase	-	(59,140)
Share of (profit) loss of entities accounted for using equity method	-	2,869
Increase (decrease) in allowance for doubtful accounts	(425)	(1,479)
Increase (decrease) in provision for bonuses	73,206	59,003
Increase (decrease) in retirement benefit liability	(14,054)	(24,319)
Interest and dividend income	(18,022)	(17,264)
Interest expenses	38,643	29,348
Foreign exchange losses (gains)	(166,460)	(97,342)
Loss (gain) on valuation of investment securities	-	47,558
Loss on retirement of non-current assets	3,183	68,129
Loss (gain) on sale of non-current assets	(74,155)	-
Decrease (increase) in trade receivables	(948,797)	(110,305)
Decrease (increase) in inventories	(423,528)	313,581
Increase (decrease) in trade payables	504,241	18,016
Increase (decrease) in accrued consumption taxes	(91,034)	37,074
Other, net	(152,962)	(202,541)
Subtotal	851,098	1,860,622
Interest and dividends received	18,129	16,566
Interest paid	(38,222)	(28,946)
Income taxes paid	(559,074)	(333,173)
Net cash provided by (used in) operating activities	271,930	1,515,068
Cash flows from investing activities		
Purchase of non-current assets	(525,769)	(814,941)
Proceeds from sale of non-current assets	363,775	-
Payments for retirement of non-current assets	(541)	(6,926)
Purchase of investment securities	(11,779)	(162,792)
Proceeds from collection of loans receivable	963	956
Proceeds from withdrawal of time deposits	11,752	-
Payments of guarantee deposits	(657)	(711)
Proceeds from refund of guarantee deposits	2,376	460
Other, net	39,663	186
Net cash provided by (used in) investing activities	(120,216)	(983,767)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(429,798)	(125,000)
Proceeds from long-term borrowings	400,000	450,000
Repayments of long-term borrowings	(376,822)	(375,016)
Repayments of lease liabilities	(45,638)	(44,372)
Dividends paid	(270,279)	(253,244)
Dividends paid to non-controlling interests	(10,999)	(8,460)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(50,000)	(79,100)
Net cash provided by (used in) financing activities	(783,537)	(435,193)
Effect of exchange rate change on cash and cash equivalents	188,051	93,503
Net increase (decrease) in cash and cash equivalents	(443,771)	189,611
Cash and cash equivalents at beginning of period	4,792,381	5,019,542
Cash and cash equivalents at end of period	4,348,610	5,209,153

(4) 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.