



January 15, 2024

Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending February 29, 2024 (FY2/24)
(Nine Months Ended November 30, 2023)

[Japanese GAAP]

Company name: NAKAMOTO PACKS CO.,LTD.

Listing: Tokyo Stock Exchange

Securities code: 7811

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

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Scheduled date of filing of Quarterly Report: January 15, 2024

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 Third Quarter of FY2/24 (March 1, 2023 – November 30, 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	%
Nine months ended Nov. 30, 2023	33,757	2.4	1,400	(15.7)	1,592	(21.2)	844	(34.2)
Nine months ended Nov. 30, 2022	32,960	8.1	1,660	(19.3)	2,020	(10.1)	1,283	(1.3)

Note: Comprehensive income Nine months ended Nov. 30, 2023: 1,360 million yen (down 25.1%)

Nine months ended Nov. 30, 2022: 1,817 million yen (up 12.8%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended Nov. 30, 2023	103.37		-	
Nine months ended Nov. 30, 2022	157.11		-	

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 Nov. 30, 2023	37,449	17,235	43.0	1,971.99
As of Feb. 28, 2023	34,578	16,469	44.5	1,884.69

Reference: Equity capital

As of Nov. 30, 2023: 16,115 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 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: | 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 Nov. 30, 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 Nov. 30, 2023:	1,067 shares	As of Feb. 28, 2023:	1,067 shares
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3) Average number of shares during the period

3Q FY2/24:	8,172,253 shares	3Q 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.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first nine months 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 pandemic were eased and foreigners were allowed to enter Japan. Despite these positive trends, the outlook for the Japanese economy remains uncertain. The main reasons are concerns about numerous crises worldwide, the yen's weakness, and pressure on consumer spending due to rising prices caused by the high cost of raw materials and resources. The Nakamoto Packs Group's business activities have also been adversely affected by rising manufacturing costs caused by the high cost of energy and disruptions to its supply chain.

The activities of the Nakamoto Packs 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.

As part of activities to use M&A for the growth of corporate value, Nakamoto Packs has submitted a takeover bid for the acquisition of MICS Chemical Co., Ltd. (securities code 7899). As a producer of plastic film and bags, this company is involved with the upstream and downstream processes for gravure printing and lamination, which are core technologies of Nakamoto Packs. As a result, there were expenses in the third quarter for fees for the tender offer for MICS Chemical stock.

Due to these activities, sales increased 2.4% to 33,757 million yen. Operating profit decreased 15.7% to 1,400 million yen, ordinary profit decreased 21.2% to 1,592 million yen and profit attributable to owners of parent decreased 34.2% to 844 million yen.

Results of operations for product categories were as follows.

Food Packaging and Containers

Sales of food packaging were strong mainly for agricultural products and frozen foods. The demand for container molding and processing for convenience stores also increased and orders of trays for prepared food (bento) and catering were higher. As a result, sales increased 5.3% to 21,821 million yen and gross profit increased 0.9% to 2,219 million yen.

IT and Industrial Materials

Orders for automotive interior materials are recovering, but total orders were significantly lower due to weak market conditions, especially products used in electronic components, and inventory adjustments by customers. Although the company continued to conduct sales activities to acquire new customers, the result was a 3.8% decrease in sales to 4,959 million yen and a 16.4% decrease in gross profit to 1,111 million yen.

Consumer Product Packaging and Materials

Sales increased 3.9% to 3,675 million yen and gross profit increased 29.6% to 1,309 million yen because of higher sales of vacuum storage bags and other storage products on TV shopping and e-commerce channels. There were also strong sales of seasonal products such as heat shield cover for air conditioners and thermal insulation sheets due to requests from the government to conserve energy.

Printing Sheets for Building Materials

Sales decreased 0.1% to 1,570 million yen and gross profit decreased 8.9% to 230 million yen because of sluggish sales of functional surface coatings processing for houses and apartment buildings and production adjustments 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 10.9% increase in sales to 1,104 million yen. The gross profit decreased 0.6% to 202

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

Others

Sales decreased 35.6% to 626 million yen and the gross profit decreased 59.4% to 50 million yen since there were one-time sales of machinery in the same period of the previous fiscal year.

(2) Explanation of Financial Position

Assets

Total assets increased 2,870 million yen from the end of the previous fiscal year to 37,449 million yen at the end of the third quarter.

Current assets increased 1,648 million yen to 21,528 million yen. This was mainly due to increases of 1,271 million yen in cash and deposits, 574 million yen in notes and accounts receivable-trade, and contract assets, and 114 million yen in electronically recorded monetary claims-operating, while there was a decrease of 413 million yen in inventories.

Non-current assets increased 1,222 million yen to 15,921 million yen mainly due to increases of 130 million yen in intangible assets and 1,115 million yen in investments and other assets mainly resulting from acquisition of stock of MICS Chemical, which became an equity-method affiliate.

Liabilities

Total liabilities increased 2,104 million yen to 20,214 million yen.

Current liabilities increased 2,010 million yen to 17,627 million yen. This was mainly due to increases of 400 million yen in notes and accounts payable-trade, 1,319 million yen in short-term borrowings, 162 million yen in provision for bonuses and 239 million yen in others, while there was a decrease of 147 million yen in income taxes payable.

Non-current liabilities increased 93 million yen to 2,586 million yen. This was mainly due to an increase in long-term borrowings of 324 million yen, while there was a decrease of 195 million yen in others.

Net assets

Net assets increased 766 million yen to 17,235 million yen. This was mainly due to a 338 million yen increase in retained earnings due to profit attributable to owners of parent and other items and a 262 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)	Third quarter of FY2/24 (As of Nov. 30, 2023)
Assets		
Current assets		
Cash and deposits	5,103,102	6,374,817
Notes and accounts receivable-trade, and contract assets	7,767,557	8,341,748
Electronically recorded monetary claims-operating	2,239,944	2,354,760
Merchandise and finished goods	2,831,398	2,746,494
Work in process	370,671	364,127
Raw materials and supplies	1,335,623	1,013,794
Other	238,316	337,809
Allowance for doubtful accounts	(6,567)	(5,095)
Total current assets	19,880,046	21,528,457
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,139,207	6,322,193
Machinery, equipment and vehicles, net	2,509,777	2,537,083
Land	3,138,364	3,215,554
Other, net	1,042,823	731,220
Total property, plant and equipment	12,830,173	12,806,051
Intangible assets	369,514	500,055
Investments and other assets		
Other	1,526,384	2,642,232
Allowance for doubtful accounts	(27,245)	(27,245)
Total investments and other assets	1,499,138	2,614,987
Total non-current assets	14,698,826	15,921,094
Total assets	34,578,872	37,449,551

	(Thousands of yen)	
	FY2/23 (As of Feb. 28, 2023)	Third quarter of FY2/24 (As of Nov. 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,160,916	4,561,428
Electronically recorded obligations-operating	3,925,329	3,900,173
Short-term borrowings	5,312,693	6,632,214
Current portion of long-term borrowings	673,316	734,912
Income taxes payable	349,242	201,342
Provision for bonuses	204,334	366,728
Other	990,733	1,230,454
Total current liabilities	15,616,566	17,627,253
Non-current liabilities		
Long-term borrowings	1,802,455	2,127,014
Retirement benefit liability	186,682	151,710
Other	503,968	308,028
Total non-current liabilities	2,493,106	2,586,753
Total liabilities	18,109,673	20,214,006
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	12,483,196
Treasury shares	(1,101)	(1,101)
Total shareholders' equity	14,509,626	14,868,895
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	92,953	180,896
Deferred gains or losses on hedges	4,826	14,489
Foreign currency translation adjustment	807,556	1,069,610
Remeasurements of defined benefit plans	(12,833)	(18,325)
Total accumulated other comprehensive income	892,503	1,246,670
Non-controlling interests	1,067,068	1,119,978
Total net assets	16,469,199	17,235,544
Total liabilities and net assets	34,578,872	37,449,551

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****(For the Nine-month Period)**

	(Thousands of yen)	
	First nine months of FY2/23 (Mar. 1, 2022 – Nov. 30, 2022)	First nine months of FY2/24 (Mar. 1, 2023 – Nov. 30, 2023)
Net sales	32,960,736	33,757,615
Cost of sales	27,840,168	28,633,054
Gross profit	5,120,567	5,124,561
Selling, general and administrative expenses	3,460,250	3,724,306
Operating profit	1,660,317	1,400,254
Non-operating income		
Interest income	7,020	9,058
Dividend income	13,210	11,271
Rental income from land and buildings	26,033	19,282
Foreign exchange gains	262,488	117,696
Other	135,113	146,074
Total non-operating income	443,866	303,383
Non-operating expenses		
Interest expenses	53,726	45,480
Share of loss of entities accounted for using equity method	-	8,070
Depreciation of inactive non-current assets	-	30,032
Other	30,354	27,226
Total non-operating expenses	84,080	110,810
Ordinary profit	2,020,102	1,592,826
Extraordinary income		
Gain on sale of non-current assets	74,853	154
Gain on bargain purchase	-	59,140
Total extraordinary income	74,853	59,294
Extraordinary losses		
Loss on retirement of non-current assets	49,352	76,870
Loss on valuation of investment securities	-	47,558
Total extraordinary losses	49,352	124,428
Profit before income taxes	2,045,603	1,527,693
Income taxes	664,794	554,631
Profit	1,380,809	973,061
Profit attributable to non-controlling interests	96,881	128,267
Profit attributable to owners of parent	1,283,927	844,794

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

(Thousands of yen)

	First nine months of FY2/23 (Mar. 1, 2022 – Nov. 30, 2022)	First nine months of FY2/24 (Mar. 1, 2023 – Nov. 30, 2023)
Profit	1,380,809	973,061
Other comprehensive income		
Valuation difference on available-for-sale securities	(26,566)	90,152
Deferred gains or losses on hedges	28,539	18,947
Foreign currency translation adjustment	445,322	284,112
Remeasurements of defined benefit plans, net of tax	(10,798)	(5,492)
Total other comprehensive income	436,497	387,719
Comprehensive income	1,817,306	1,360,781
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,667,454	1,198,961
Comprehensive income attributable to non-controlling interests	149,852	161,819

(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

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.

MICS Chemical Co., Ltd. is included in the scope of application of the equity method from the third quarter of the current fiscal year due to the acquisition of the company's stock by Nakamoto Packs.

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.

Additional Information

Exchange of stock making MICS Chemical a wholly owned subsidiary

On October 17, 2023, the Nakamoto Packs Board of Directors approved a resolution for an exchange of Nakamoto Packs stock and the stock of MICS Chemical Co., Ltd. for the purpose of making Nakamoto Packs the sole parent company and MICS Chemical a wholly owned subsidiary. On the same day, Nakamoto Packs and MICS Chemical signed an agreement for this exchange of stock.

No shareholders meeting is required at Nakamoto Packs because this is a short-form exchange of stock in accordance with the provisions of Article 796, Paragraph 2 of the Companies Act (Law No. 86 of 2005, including subsequent amendments, same hereafter). The exchange of stock was approved by the shareholders of MICS Chemical at an extraordinary shareholders meeting held on December 27, 2023. Consequently, the exchange of stock is to take place on February 1, 2024.

Prior to the planned exchange of stock on February 1, 2024, the shares of MICS Chemical are to be delisted from the Tokyo Stock Exchange Standard Market on January 30, 2024. As a result, the final day of trading is expected to be January 29, 2024.

1. Outline of the exchange of stock

(1) Schedule

Resolution of the Board of Directors (Nakamoto Packs and MICS Chemical)	Tuesday, October 17, 2023
Signing of stock exchange agreement (Nakamoto Packs and MICS Chemical)	Tuesday, October 17, 2023
Notification of setting record date for the extraordinary shareholders meeting (MICS Chemical)	Monday, November 6, 2023
Record date for the extraordinary shareholders meeting (MICS Chemical)	Tuesday, November 21, 2023
Approval of exchange of stock at the extraordinary shareholders meeting (MICS Chemical)	Wednesday, December 27, 2023
Last trading day (MICS Chemical)	Monday, January 29, 2024 (tentative)
Delisting of stock (MICS Chemical)	Tuesday, January 30, 2024 (tentative)
Planned date of the exchange of stock (effective date)	Thursday, February 1, 2024 (tentative)

- Notes: 1. The exchange of stock between Nakamoto Packs and MICS Chemical will be a short-form exchange of stock that does not require approval by shareholders in accordance with Article 796, Paragraph 2 of the Companies Act.
2. This schedule may be revised by the mutual agreement of Nakamoto Packs and MICS Chemical if necessary due to progress with procedures required for the exchange of stock or for some other reason. An announcement will be made promptly if this schedule is revised.

(2) Method of the exchange of stock

This is an exchange of stock in which Nakamoto Packs is the sole parent company and MICS Chemical is a wholly owned subsidiary. The approval of Nakamoto Packs shareholders is not required because this is a short-form exchange of stock in accordance with the provisions of Article 796, Paragraph 2 of the Companies Act. The exchange of stock is expected to approve by the shareholders of MICS Chemical at an extraordinary shareholders meeting.

(3) Allotment of the exchange of stock

	Nakamoto Packs (Sole parent company)	MICS Chemical (Wholly owned subsidiary)
Exchange ratio	1	0.28
The number of shares allotted	Nakamoto Packs common stock: 747,471 shares (tentative)	

- Notes: 1. Exchange ratio
Nakamoto Packs will exchange 0.28 shares of its stock for one share of MICS Chemical stock. The exchange ratio shown in the table may be revised by the mutual agreement of Nakamoto Packs and MICS Chemical if there is a significant change in the terms and assumptions used as the basis to determine this ratio.
2. The number of shares allotted
For this exchange of stock, Nakamoto Packs plans to distribute to MICS Chemical shareholders (however, it shall mean the shareholders excluding Nakamoto Packs after the retirement of treasury shares described below) the number of shares of Nakamoto Packs stock determined by multiplying by the exchange ratio the number of MICS Chemical shares held on the record date, which is immediately prior to the time that Nakamoto Packs purchases all of the stock issued by MICS Chemical. Based on a resolution by its Board of Directors prior to the day of the exchange of stock, MICS Chemical plans to retire all of its treasury shares held as of the record date. These treasury shares include shares purchased in response to purchase requests by dissenting shareholders as provided for in Article 785, Paragraph 1 of the Companies Act concerning an exchange of stock. The total number of shares of Nakamoto Packs stock to be exchanged for MICS Chemical stock may be revised due to the acquisition and retirement of treasury stock by MICS Chemical or for some other reason.
3. Handling of holdings of less than one trading unit (tangen)
MICS Chemical shareholders who hold less than one tangen (fewer than 100 shares) of Nakamoto

Packs stock due to this exchange of stock can use the following system for this stock. A holding smaller than one tangen cannot be sold on a financial instruments market.

- Purchase of shares constituting less than one tangen (sale of shares constituting less than one tangen (fewer than 100 shares)

Under this system, pursuant to Article 192, Paragraph 1 of the Companies Act, shareholders holding less than one tangen of Nakamoto Packs stock may request the Company to purchase the shares less than one tangen they own.

4. Adjustment for fractional shares

MICS Chemical shareholders who receive a fraction of one share of Nakamoto Packs stock due to this exchange of stock will receive a cash payment for this fractional holding. These payments will be funded by the sale of a number of shares of Nakamoto Packs stock equal to the sum of all these fractional shares (with any fraction in the total discarded) as provided for in Article 234 of the Companies Act and associated laws and regulations.

2. Basis of the allotment for the exchange of stock

For the purpose of ensuring the fairness and suitability of the exchange ratio, Nakamoto Packs selected Nomura Securities Co., Ltd. to serve as the financial adviser and third-party calculation institution and MICS Chemical selected SMBC Nikko Securities Inc. to serve as the financial adviser and Tokyo Kyodo Accounting Office to serve as the third-party calculation institution. In addition, Nakamoto Packs selected Ohe, Tanaka, Oya Law Office and MICS Chemical selected Nishimura & Asahi (current Nishimura & Asahi Gaikokuho Kyodo Jigyō) as legal advisers.

Nakamoto Packs and MICS Chemical used the results of calculations of the exchange ratio by their respective third-party calculation institutions, the advice of their respective legal advisers, their own due diligence concerning each other and other information to conduct thorough studies. These studies also incorporated the financial condition, assets, outlook and other characteristics of the two companies. After taking into consideration all of these factors, Nakamoto Packs and MICS Chemical held thorough discussions and negotiations.

This process led to the conclusion that the exchange ratio used for this exchange of stock will be beneficial to the shareholders of Nakamoto Packs and MICS Chemical. Based on this conclusion, on October 17, 2023, the boards of directors of the two companies approved the exchange of stock using this exchange ratio.

3. Profile of MICS Chemical

	MICS Chemical (As of January 15, 2024)
(1) Name	MICS Chemical Co., Ltd.
(2) Location	158-89 Kitayama, Morowa, Togo-cho, Aichi-gun, Aichi
(3) Representative	Shigeki Ohtsuka, President
(4) Business	Manufacture and sales of multilayer tube film
(5) Capital	100 million yen
(6) Establishment	April 1971

4. Overview of accounting methods

For accounting purposes, this exchange of stock is an “acquisition” as prescribed by Accounting Standard for Business Combinations (ASBJ Statement No. 21). Consequently, Nakamoto Packs plans to use the purchasing method with Nakamoto Packs as the acquiring company as the accounting treatment. This exchange of stock may result in positive or negative goodwill. The amount of goodwill has not yet been 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.