



July 12, 2019

Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending February 29, 2020 (FY2/20)
(Three Months Ended May 31, 2019)

[Japanese GAAP]

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Scheduled date of filing of Quarterly Report: July 12, 2019
 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 FY2/20 (March 1, 2019 – May 31, 2019)

(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, 2019	8,616	1.1	426	(3.0)	471	1.0	325	8.7
Three months ended May 31, 2018	8,520	5.7	439	28.1	466	24.7	299	27.6

Note: Comprehensive income
 Three months ended May 31, 2019: 309 million yen (up 40.4%)
 Three months ended May 31, 2018: 220 million yen (up 7.6%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 31, 2019	39.79	-
Three months ended May 31, 2018	36.59	-

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, 2019	27,442	12,060	42.7	1,434.32
As of Feb. 28, 2019	26,928	11,984	43.3	1,425.81

Reference: Equity capital
 As of May 31, 2019: 11,721 million yen
 As of Feb. 28, 2019: 11,652 million yen
 Note: Effective from the beginning of the first quarter of the current fiscal year, Nakamoto Packs has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018). Figures as of February 28, 2019 have been adjusted retroactively to conform with this accounting standard.

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2/19	-	27.50	-	28.50	56.00
FY2/20	-	-	-	-	-
FY2/20 (forecast)	-	28.00	-	28.00	56.00

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

3. Consolidated Forecast for FY2/20 (March 1, 2019 – February 29, 2020)

(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	17,900	4.4	890	0.0	930	0.8	640	6.2	78.31
Full year	36,200	6.6	1,780	8.2	1,850	9.8	1,270	9.8	155.40

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

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes

Note: Please refer to page 8 “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements” for details.

(3) Changes in accounting policies and accounting-based estimates, and restatements

- | | |
|---|------|
| 1) Changes in accounting policies due to revisions in accounting standards, others: | None |
| 2) Changes in accounting policies other than 1) above: | None |
| 3) Changes in accounting-based estimates: | None |
| 4) Restatements: | None |

(4) Number of issued shares (common stock)

1) Number of shares issued at the end of the period (including treasury shares)

As of May 31, 2019:	8,173,320 shares	As of Feb. 28, 2019:	8,173,320 shares
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2) Number of treasury shares at the end of the period

As of May 31, 2019:	1,028 shares	As of Feb. 28, 2019:	983 shares
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3) Average number of shares during the period

1Q FY2/20:	8,172,319 shares	1Q FY2/19:	8,172,408 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 quarter of the current fiscal year, the Japanese economy remained healthy as the labor market improved but growth has generally come to a stop. The economic outlook remains uncertain because of U.S.-China trade friction, problems involving Brexit and other issues that are affecting overseas economies.

In the market sectors where the Nakamoto Packs Group operates, sales were higher than one year earlier in the convenience store sector but smartphone sales are sluggish as consumers wait for the full-scale launch of 5G services.

The Nakamoto Packs Group took many actions during the first quarter based on the theme of “Using modifying ecological technologies to alter the world of packaging, increasing sales of N brand products, and retaining a commitment to environmental responsibility.” All of the group’s resources were focused on increasing sales of products developed by group companies, capturing more orders from key customers and receiving orders from new customers. Group companies are also working on increasing productivity to become more profitable and on reinforcing quality assurance programs in order to achieve more growth of sales and earnings.

Due to these activities, sales increased 1.1% to 8,616 million yen. Operating profit decreased 3.0% to 426 million yen, ordinary profit increased 1.0% to 471 million yen and profit attributable to owners of parent increased 8.7% to 325 million yen.

Results of operations for product categories were as follows.

Food Packaging and Containers

Sales in the convenience store sector were strong despite inventory adjustments around the Golden Week series of holidays in early May. Performance also benefited from orders from new customers due to proposals using N brand and other products and from firm sales of packaging and containers used for agricultural products, dairy products and prepared food items. As a result, sales increased 3.3% to 5,990 million yen. The gross profit was up 11.1% to 741 million yen mainly because of a higher profit margin caused by the improved productivity for unprofitable products and reductions in product losses and customer complaints.

IT and Industrial Materials

Orders for films used to produce electronic components were unchanged from one year earlier but sales were negatively impacted by the completion in the previous fiscal year of a large project involving mobile phones, the inability of some customers to receive orders as expected, and smartphone inventory adjustments in response to the weak worldwide demand for these phones. Sales decreased 19.5% to 1,037 million yen and the gross profit decreased 26.4% to 249 million yen.

Pharmaceuticals and Health Care

Orders were solid from some customers but they were mainly for products involving generic drugs. There were also negative effects of intense competition sparked by drug price revisions and customers’ inventory adjustments. Sales decreased 7.8% to 282 million yen and the gross profit decreased 25.8% to 57 million yen.

Printing Sheets for Building Materials

The performance of this category was backed by stable orders in the residential renovation and remodeling sector and the start of new product development projects with sanitary appliance and other manufacturers using a newly purchased spray coater. Sales increased 102.2% to 352 million yen and gross profit increased 29.9% to 33 million yen.

Consumer Product Packaging and Materials

Sales decreased 2.5% to 820 million yen because of the end of a period of firm demand in the home improvement sector and of lower sales through wholesale channels. Although sales declined, the gross profit increased 21.1% to 239 million yen. This was primarily the result of a higher profit margin caused by an increase in sales of products made by Nakamoto Packs Group companies, chiefly items that were sold to new customers.

Others

There was a high volume of processing of the imaging layer of thermal cash register paper, ink jet printing paper and other paper. Higher sales from shopping bag testing and printing plate production and an increase in sales of plastic materials also contributed to sales and earnings. Sales increased 19.0% to 131 million yen and the gross profit increased 21.2% to 34 million yen.

(2) Explanation of Financial Position

Effective from the beginning of the first quarter of the current fiscal year, Nakamoto Packs has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018). Prior-year figures have been adjusted retroactively to conform with this accounting standard in order to facilitate comparisons and analysis.

Assets

Total assets increased 513 million yen from the end of the previous fiscal year to 27,442 million yen at the end of the first quarter under review.

Current assets increased 400 million yen to 14,179 million yen. This was mainly due to increases in cash and deposits of 175 million yen and inventories of 267 million yen, while there was a decrease in electronically recorded monetary claims-operating of 89 million yen.

Non-current assets increased 113 million yen to 13,263 million yen. This was mainly due to increases in property, plant and equipment of 37 million yen for the purchase of equipment for increasing output capacity and other under investments and other assets of 66 million yen.

Liabilities

Total liabilities increased 437 million yen to 15,382 million yen.

Current liabilities decreased 62 million yen to 12,143 million yen. This was mainly due to decreases in electronically recorded obligations-operating of 292 million yen and income taxes payable of 159 million yen, while there were increases in notes and accounts payable-trade of 103 million yen and provision for bonuses of 151 million yen.

Non-current liabilities increased 500 million yen to 3,239 million yen. This was mainly due to increases in long-term loans payable of 147 million yen and other of 364 million yen.

Net assets

Net assets increased 76 million yen to 12,060 million yen. This was mainly due to an increase in retained earnings of 92 million yen due to profit attributable to owners of parent and other items, while there was a decrease in valuation difference on available-for-sale securities of 44 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, 2020, which was announced on April 12, 2019.

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

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

(Thousands of yen)

	FY2/19 (As of Feb. 28, 2019)	First quarter of FY2/20 (As of May 31, 2019)
Assets		
Current assets		
Cash and deposits	3,031,479	3,207,245
Notes and accounts receivable-trade	6,937,992	6,925,075
Electronically recorded monetary claims-operating	987,126	897,421
Merchandise and finished goods	1,753,572	1,911,350
Work in process	317,461	395,951
Raw materials and supplies	602,738	634,148
Other	153,286	212,475
Allowance for doubtful accounts	(4,469)	(4,257)
Total current assets	13,779,188	14,179,411
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,302,762	5,323,432
Machinery, equipment and vehicles, net	1,961,257	2,109,941
Land	2,928,210	2,928,210
Other, net	1,228,278	1,096,306
Total property, plant and equipment	11,420,508	11,457,890
Intangible assets	345,611	355,303
Investments and other assets		
Other	1,410,495	1,477,143
Allowance for doubtful accounts	(27,095)	(27,095)
Total investments and other assets	1,383,399	1,450,047
Total non-current assets	13,149,520	13,263,241
Total assets	26,928,708	27,442,652

	(Thousands of yen)	
	FY2/19 (As of Feb. 28, 2019)	First quarter of FY2/20 (As of May 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,822,117	2,926,009
Electronically recorded obligations-operating	3,717,250	3,424,449
Short-term loans payable	3,678,236	3,723,305
Current portion of long-term loans payable	764,011	801,292
Income taxes payable	319,121	159,216
Provision for bonuses	201,424	352,591
Other	703,993	756,497
Total current liabilities	12,206,155	12,143,362
Non-current liabilities		
Long-term loans payable	2,349,411	2,496,608
Net defined benefit liability	149,274	138,121
Other	239,740	604,351
Total non-current liabilities	2,738,426	3,239,081
Total liabilities	14,944,581	15,382,443
Net assets		
Shareholders' equity		
Capital stock	1,057,468	1,057,468
Capital surplus	1,158,408	1,158,408
Retained earnings	8,878,553	8,970,822
Treasury shares	(970)	(1,039)
Total shareholders' equity	11,093,460	11,185,659
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	165,131	120,275
Deferred gains or losses on hedges	2,275	1,608
Foreign currency translation adjustment	332,968	359,657
Remeasurements of defined benefit plans	58,390	54,446
Total accumulated other comprehensive income	558,765	535,988
Non-controlling interests	331,901	338,561
Total net assets	11,984,126	12,060,209
Total liabilities and net assets	26,928,708	27,442,652

(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 FY2/19 (Mar. 1, 2018 – May 31, 2018)	First three months of FY2/20 (Mar. 1, 2019 – May 31, 2019)
Net sales	8,520,551	8,616,354
Cost of sales	7,184,244	7,260,110
Gross profit	1,336,307	1,356,244
Selling, general and administrative expenses	896,645	929,952
Operating profit	439,661	426,292
Non-operating income		
Interest income	516	480
Dividend income	468	529
Share of profit of entities accounted for using equity method	897	-
Land and house rent received	7,574	6,902
Foreign exchange gains	-	14,592
Other	41,486	50,745
Total non-operating income	50,944	73,250
Non-operating expenses		
Interest expenses	15,849	22,319
Share of loss of entities accounted for using equity method	-	185
Foreign exchange losses	3,000	-
Other	5,199	5,994
Total non-operating expenses	24,049	28,500
Ordinary profit	466,556	471,042
Extraordinary income		
Gain on sales of non-current assets	301	-
Total extraordinary income	301	-
Extraordinary losses		
Loss on retirement of non-current assets	141	16
Impairment loss	2,183	-
Loss on valuation of investment securities	-	4,774
Total extraordinary losses	2,324	4,791
Profit before income taxes	464,533	466,251
Income taxes	165,854	139,672
Profit	298,679	326,579
Profit (loss) attributable to non-controlling interests	(377)	1,398
Profit attributable to owners of parent	299,057	325,180

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

(Thousands of yen)

	First three months of FY2/19 (Mar. 1, 2018 – May 31, 2018)	First three months of FY2/20 (Mar. 1, 2019 – May 31, 2019)
Profit	298,679	326,579
Other comprehensive income		
Valuation difference on available-for-sale securities	(28,356)	(45,164)
Deferred gains or losses on hedges	(8,310)	(667)
Foreign currency translation adjustment	(39,920)	31,951
Remeasurements of defined benefit plans, net of tax	(1,864)	(3,943)
Share of other comprehensive income of entities accounted for using equity method	(129)	308
Total other comprehensive income	(78,581)	(17,515)
Comprehensive income	220,097	309,063
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	227,393	302,403
Comprehensive income attributable to non-controlling interests	(7,296)	6,660

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

The tax expense was calculated by first estimating the effective tax rate after the application of tax effect accounting with respect to profit before income taxes during the fiscal year, and multiplying that rate by the quarterly profit before income taxes.

Income taxes-deferred were included in and displayed with income taxes.

Additional Information

Application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting"

Effective from the beginning of the first quarter of the current fiscal year, Nakamoto Packs has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). Accordingly, deferred tax assets and deferred tax liabilities have been presented in the investments and other assets section and the non-current liabilities section of the consolidated balance sheet, respectively.

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.