



October 12, 2020

Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending February 28, 2021 (FY2/21)
(Six Months Ended August 31, 2020)

[Japanese GAAP]

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Scheduled date of filing of Quarterly Report: October 12, 2020
 Scheduled date of payment of dividend: November 10, 2020
 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 FY2/21 (March 1, 2020 – August 31, 2020)

(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, 2020	17,161	(0.2)	784	3.1	807	1.6	683	23.2
Six months ended Aug. 31, 2019	17,197	0.3	761	(14.4)	794	(13.9)	554	(7.9)

Note: Comprehensive income
 Six months ended Aug. 31, 2020: 660 million yen (up 52.6%)
 Six months ended Aug. 31, 2019: 432 million yen (down 13.4%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended Aug. 31, 2020	83.63	-
Six months ended Aug. 31, 2019	67.87	-

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, 2020	30,833	13,673	40.6	1,530.37
As of Feb. 29, 2020	27,568	12,419	43.9	1,479.33

Reference: Equity capital
 As of Aug. 31, 2020: 12,506 million yen
 As of Feb. 29, 2020: 12,089 million yen

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2/20	-	28.00	-	28.00	56.00
FY2/21	-	28.00	-	-	-
FY2/21 (forecast)	-	-	-	28.00	56.00

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

3. Consolidated Forecast for FY2/21 (March 1, 2020 – February 28, 2021)

(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	34,500	1.2	1,629	6.2	1,650	2.6	1,148	5.7	140.47

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): Yes

Newly added: 1 (NAKAMOTO PACKS VIETNAM COMPANY LIMITED) Excluded: -

Note: Please refer to page 10 “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements, Changes in Significant Subsidiaries during the Period” for details.

(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: 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 Aug. 31, 2020:	8,173,320 shares	As of Feb. 29, 2020:	8,173,320 shares
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2) Number of treasury shares at the end of the period

As of Aug. 31, 2020:	1,028 shares	As of Feb. 29, 2020:	1,028 shares
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3) Average number of shares during the period

2Q FY2/21:	8,172,292 shares	2Q FY2/20:	8,172,305 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 securities analysts on Monday, October 19, 2020.

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 current fiscal year, the COVID-19 outbreak caused the Japanese economy to decline rapidly, resulting in an extremely challenging business climate. Although there are signs of a rebound in some categories of consumer spending, the Japanese economy remains lackluster and corporate earnings are plummeting. This unusually difficult environment will probably continue for the time being.

During the first half, one priority was sales of products developed by the Nakamoto Packs Group with the aim of lowering the environmental burden of these products. These activities 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.” In addition, group companies are taking many actions for maintaining a stable supply of products, manufacturing products more efficiently and improving the quality of products.

First half sales decreased 0.2% to 17,161 million yen. Operating profit increased 3.1% to 784 million yen, ordinary profit increased 1.6% to 807 million yen and profit attributable to owners of parent increased 23.2% to 683 million yen.

Results of operations for product categories were as follows.

Food Packaging and Containers

Sales of food packaging and containers for convenience stores and department stores and of commercial-use packaging for restaurants decreased because of lower number of visitors as people stayed home and more people worked at home. On the other hand, sales of packaging and containers for frozen food, dairy products, tofu and other items sold at supermarkets were strong because of the increasing demand for prepared food items and products used for preparing meals at home. Sales were also strong for materials for making containers and trays used for many types of take-out food products. As a result, sales increased 0.5% to 11,734 million yen. The gross profit was down 7.2% to 1,249 million yen due to a big decrease in sales of materials for making food containers and trays used for outing occasions and at other events, which is a product category with relatively high prices.

IT and Industrial Materials

Sales of film for electronic component production processes and materials used in smartphones increased. Sales were negatively affected by lower sales of automobile interior materials because of the global decline in automobile sales and by the downturn in customers visiting Nakamoto Packs factories to watch the production of prototypes due to restrictions on factory visitors caused by COVID-19. The result was a 5.9% decrease in sales to 2,085 million yen. The gross profit was up 14.2% to 596 million yen due to activities for manufacturing products more efficiently, chiefly for products for which orders are received repeatedly and for NS Separator, a product developed by Nakamoto Packs.

Pharmaceuticals and Health Care

Orders from hospitals for transfusion-related packaging materials increased. There was also an increase in orders involving protective apparel, face shields and other items used to prevent COVID-19 infections. In transdermal patches category, orders remained firm for generic patches. Sales increased 26.4% to 823 million yen and the gross profit increased 5.3% to 139 million yen.

Printing Sheets for Building Materials

Sales of printed sheets used for furniture were slow but there were firm sales of functional building materials made using a new coating machine purchased in 2019 and this machine also improved production efficiency. Sales increased 11.8% to 793 million yen and gross profit increased 43.6% to 117 million yen.

Consumer Product Packaging and Materials

The performance of this category was affected by losses of sales opportunities such as the temporary closures and reduced hours of shopping malls and other stores, by the postponement of television shopping channel studio

operations and by other effects of the COVID-19 crisis. Sales decreased 5.9% to 1,524 million yen and gross profit decreased 0.7% to 496 million yen.

Others

Sales of thermal cash register papers and plastic films were lower. In addition, sales decreased because there were machinery sales in the first half of the previous fiscal year. Sales decreased 39.1% to 200 million yen and the gross profit decreased 25.7% to 48 million yen.

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Assets

Total assets increased 3,265 million yen from the end of the previous fiscal year to 30,833 million yen at the end of the second quarter.

Current assets increased 2,447 million yen to 16,836 million yen. This was mainly due to increases of 106 million yen in electronically recorded monetary claims-operating and 546 million yen in inventories chiefly as a result of the consolidation of a former equity-method affiliate Mikunishiko Co., Ltd., and a 1,606 million yen increase in cash and deposits due to an increase in short-term borrowings and other items.

Non-current assets increased 817 million yen to 13,996 million yen. This was mainly due to an increase of 784 million yen in property, plant and equipment resulting primarily from the consolidation of a former equity-method affiliate Mikunishiko Co., Ltd.

Liabilities

Total liabilities increased 2,011 million yen to 17,159 million yen.

Current liabilities increased 1,965 million yen to 14,112 million yen. This was mainly due to increases of 614 million yen in notes and accounts payable-trade, 165 million yen in electronically recorded obligations-operating and 95 million yen in provision for bonuses chiefly as a result of the consolidation of a former equity-method affiliate Mikunishiko Co., Ltd., and a 1,017 million yen increase in short-term borrowings.

Non-current liabilities increased 46 million yen to 3,047 million yen. This was mainly due to a 106 million yen increase in retirement benefit liability resulting primarily from the consolidation of a former equity-method affiliate Mikunishiko Co., Ltd.

Net assets

Net assets increased 1,253 million yen to 13,673 million yen. This was mainly due to an increase of 836 million yen in non-controlling interests chiefly as a result of the consolidation of a former equity-method affiliate Mikunishiko Co., Ltd., and a 454 million yen increase in retained earnings due to profit attributable to owners of parent and other items.

2) Cash flows

Cash and cash equivalents (hereinafter "net cash") at the end of the second quarter were 4,149 million yen, up 1,606 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 1,632 million yen (compared with net cash used of 6 million yen in the same period of the previous fiscal year). Positive factors include profit before income taxes of 929 million yen, depreciation of 479 million yen, loss on step acquisitions of 99 million yen, a decrease in trade receivables of 567 million yen and an increase in trade payables of 339 million yen, which offset negative factors including gain on bargain purchase of 227 million yen, an increase in inventories of 335 million yen and income taxes paid of 170 million yen.

Cash flows from investing activities

Net cash used in investing activities was 778 million yen (compared with net cash used of 591 million yen in the same period of the previous fiscal year). Although there were positive factors including proceeds of 72 million yen from purchase of shares of subsidiaries resulting in change in scope of consolidation, there were negative factors including payments of 767 million yen for the purchase of property, plant and equipment (production processing equipment, etc.).

Cash flows from financing activities

Net cash provided by financing activities was 766 million yen (compared with net cash provided of 229 million yen in the same period of the previous fiscal year). Positive factors include a net increase in short-term borrowings of 1,030 million yen and proceeds from long-term borrowings of 429 million yen, which offset negative factors including repayments of long-term borrowings of 430 million yen and dividends paid of 228 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, 2021, which were announced on April 13, 2020. An announcement will be made promptly if a revision to the forecasts is required due to the effects of COVID-19 and upcoming changes in the operating environment.

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

(Thousands of yen)

	FY2/20 (As of Feb. 29, 2020)	Second quarter of FY2/21 (As of Aug. 31, 2020)
Assets		
Current assets		
Cash and deposits	2,558,645	4,165,362
Notes and accounts receivable-trade	7,459,399	7,411,957
Electronically recorded monetary claims-operating	1,357,278	1,463,663
Merchandise and finished goods	1,756,580	2,158,143
Work in process	357,538	353,535
Raw materials and supplies	605,369	754,792
Other	298,883	538,006
Allowance for doubtful accounts	(4,539)	(8,893)
Total current assets	14,389,156	16,836,567
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,485,812	5,484,268
Machinery, equipment and vehicles, net	2,019,335	2,274,069
Land	2,928,210	3,140,388
Other, net	960,703	1,280,191
Total property, plant and equipment	11,394,061	12,178,917
Intangible assets	339,088	383,704
Investments and other assets		
Other	1,472,882	1,461,214
Allowance for doubtful accounts	(27,145)	(27,145)
Total investments and other assets	1,445,736	1,434,068
Total non-current assets	13,178,886	13,996,690
Total assets	27,568,043	30,833,258

	(Thousands of yen)	
	FY2/20 (As of Feb. 29, 2020)	Second quarter of FY2/21 (As of Aug. 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,871,952	3,486,220
Electronically recorded obligations-operating	3,625,117	3,791,050
Short-term borrowings	3,711,360	4,728,390
Current portion of long-term borrowings	777,462	774,222
Income taxes payable	207,975	266,184
Provision for bonuses	214,602	310,105
Other	738,445	756,006
Total current liabilities	12,146,915	14,112,180
Non-current liabilities		
Long-term borrowings	2,200,319	2,201,833
Retirement benefit liability	176,610	283,180
Other	624,318	562,368
Total non-current liabilities	3,001,248	3,047,381
Total liabilities	15,148,163	17,159,562
Net assets		
Shareholders' equity		
Share capital	1,057,468	1,057,468
Capital surplus	1,158,408	1,158,408
Retained earnings	9,502,455	9,957,058
Treasury shares	(1,039)	(1,039)
Total shareholders' equity	11,717,292	12,171,895
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	102,517	113,810
Deferred gains or losses on hedges	3,305	382
Foreign currency translation adjustment	276,306	233,670
Remeasurements of defined benefit plans	(9,881)	(13,117)
Total accumulated other comprehensive income	372,247	334,746
Non-controlling interests	330,339	1,167,054
Total net assets	12,419,879	13,673,696
Total liabilities and net assets	27,568,043	30,833,258

(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 FY2/20 (Mar. 1, 2019 – Aug. 31, 2019)	First six months of FY2/21 (Mar. 1, 2020 – Aug. 31, 2020)
Net sales	17,197,465	17,161,773
Cost of sales	14,549,051	14,513,522
Gross profit	2,648,414	2,648,250
Selling, general and administrative expenses	1,887,092	1,863,570
Operating profit	761,322	784,680
Non-operating income		
Interest income	1,424	947
Dividend income	9,565	9,491
Share of profit of entities accounted for using equity method	1,396	2,373
Rental income from land and buildings	13,637	13,539
Other	77,881	69,227
Total non-operating income	103,905	95,579
Non-operating expenses		
Interest expenses	40,195	36,379
Foreign exchange losses	16,652	22,642
Other	13,626	13,537
Total non-operating expenses	70,474	72,560
Ordinary profit	794,753	807,699
Extraordinary income		
Gain on sales of non-current assets	-	149
Gain on bargain purchase	-	227,983
Total extraordinary income	-	228,133
Extraordinary losses		
Loss on retirement of non-current assets	1,056	6,692
Loss on valuation of investment securities	4,774	-
Loss on step acquisitions	-	99,206
Total extraordinary losses	5,831	105,898
Profit before income taxes	788,922	929,934
Income taxes	230,484	223,956
Profit	558,438	705,978
Profit attributable to non-controlling interests	3,772	22,551
Profit attributable to owners of parent	554,665	683,427

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

(Thousands of yen)

	First six months of FY2/20 (Mar. 1, 2019 – Aug. 31, 2019)	First six months of FY2/21 (Mar. 1, 2020 – Aug. 31, 2020)
Profit	558,438	705,978
Other comprehensive income		
Valuation difference on available-for-sale securities	(52,363)	13,671
Deferred gains or losses on hedges	(2,348)	(2,922)
Foreign currency translation adjustment	(62,866)	(50,829)
Remeasurements of defined benefit plans, net of tax	(7,887)	(3,235)
Share of other comprehensive income of entities accounted for using equity method	(285)	(2,377)
Total other comprehensive income	(125,750)	(45,694)
Comprehensive income	432,687	660,283
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	438,406	646,497
Comprehensive income attributable to non-controlling interests	(5,718)	13,785

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY2/20 (Mar. 1, 2019 – Aug. 31, 2019)	First six months of FY2/21 (Mar. 1, 2020 – Aug. 31, 2020)
Cash flows from operating activities		
Profit before income taxes	788,922	929,934
Depreciation	483,298	479,239
Amortization of goodwill	14,319	14,319
Gain on bargain purchase	-	(227,983)
Loss (gain) on step acquisitions	-	99,206
Share of (profit) loss of entities accounted for using equity method	(1,396)	(2,373)
Increase (decrease) in allowance for doubtful accounts	(295)	(205)
Increase (decrease) in provision for bonuses	78,590	57,422
Increase (decrease) in retirement benefit liability	(33,276)	(19,973)
Interest and dividend income	(10,990)	(10,439)
Interest expenses	40,195	36,379
Foreign exchange losses (gains)	20,609	16,552
Loss (gain) on valuation of investment securities	4,774	-
Loss on retirement of non-current assets	1,056	6,692
Loss (gain) on sales of non-current assets	-	(149)
Decrease (increase) in trade receivables	(912,782)	567,792
Decrease (increase) in inventories	(96,954)	(335,228)
Increase (decrease) in trade payables	54,256	339,727
Increase (decrease) in accrued consumption taxes	14,490	(10,404)
Other, net	(123,716)	(114,152)
Subtotal	321,102	1,826,355
Interest and dividends received	12,815	12,994
Interest paid	(40,231)	(36,626)
Income taxes paid	(300,124)	(170,103)
Net cash provided by (used in) operating activities	(6,438)	1,632,620
Cash flows from investing activities		
Purchase of property, plant and equipment	(384,333)	(767,483)
Proceeds from sales of property, plant and equipment	-	150
Payments for retirement of property, plant and equipment	(384)	(2,513)
Purchase of intangible assets	(29,238)	(66,505)
Purchase of investment securities	(128,985)	(9,336)
Collection of loans receivable	1,309	1,272
Payments into time deposits	(54,413)	-
Payments for guarantee deposits	(312)	(2,209)
Proceeds from collection of guarantee deposits	115	378
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	72,605
Other, net	4,461	(4,736)
Net cash provided by (used in) investing activities	(591,782)	(778,378)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	80,000	1,030,582
Proceeds from long-term borrowings	400,000	429,000
Repayments of long-term borrowings	(415,805)	(430,726)
Repayments of lease obligations	(6,925)	(33,437)
Proceeds from sale and leaseback transactions	404,786	-
Purchase of treasury shares	(69)	-
Dividends paid	(232,851)	(228,670)
Net cash provided by (used in) financing activities	229,135	766,747
Effect of exchange rate change on cash and cash equivalents	(25,181)	(14,272)
Net increase (decrease) in cash and cash equivalents	(394,266)	1,606,717
Cash and cash equivalents at beginning of period	3,015,479	2,542,645
Cash and cash equivalents at end of period	2,621,213	4,149,362

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Significant Subsidiaries during the Period

(1) Important changes in the scope of consolidation

Nakamoto Packs Vietnam Company Limited, which was established in the first quarter of the current fiscal year, was included in the scope of consolidation in the second quarter due to the completion of investments in this company.

In the second quarter of the current fiscal year, Mikunishiko Co., Ltd., formerly an equity-method affiliate, was included in the scope of consolidation because Nakamoto Packs acquired additional Mikunishiko stock. This transaction did not involve a change in a specified subsidiary.

(2) Important changes in the scope of application of the equity method

In the second quarter of the current fiscal year, Mikunishiko Co., Ltd. was excluded from the scope of application of the equity method as it became a consolidated subsidiary because of the acquisition of additional 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.

Additional Information

There is considerable uncertainty about the outlook concerning the severity of the COVID-19 pandemic and when this crisis will end.

Initially, the effects of this crisis were expected to affect the performance of the Nakamoto Packs Group until about the end of the summer of 2020. However, predicting the end of this crisis is still impossible. Consequently, accounting estimates for the impairment of non-current assets, recoverability of deferred tax assets and other items are now based on the revised assumption that this crisis will continue to affect the group's performance to some extent in the next fiscal year as well.

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.