



January 15, 2019

Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending February 28, 2019 (FY2/19)
(Nine Months Ended November 30, 2018)

[Japanese GAAP]

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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 FY2/19 (March 1, 2018 – November 30, 2018)

(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, 2018	25,869	3.8	1,339	16.2	1,371	7.7	897	11.2
Nine months ended Nov. 30, 2017	24,918	5.9	1,152	(4.6)	1,273	11.3	806	30.2

Note: Comprehensive income Nine months ended Nov. 30, 2018: 758 million yen (down 17.9%)

Nine months ended Nov. 30, 2017: 923 million yen (up 168.8%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended Nov. 30, 2018	109.84	-
Nine months ended Nov. 30, 2017	98.74	-

Notes: 1. Nakamoto Packs conducted a 2-for-1 common stock split effective on March 1, 2018. Earnings per share is calculated as if this stock split had taken place at the beginning of the previous fiscal year.

2. 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, 2018	27,676	11,820	41.5	1,403.83
As of Feb. 28, 2018	25,935	11,509	43.0	1,363.58

Reference: Equity capital As of Nov. 30, 2018: 11,472 million yen As of Feb. 28, 2018: 11,143 million yen

Note: Nakamoto Packs conducted a 2-for-1 common stock split effective on March 1, 2018. Net assets per share is calculated as if this stock split had taken place at the beginning of the previous fiscal year.

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2/18	-	55.00	-	55.00	110.00
FY2/19	-	27.50	-		
FY2/19 (forecast)				27.50	55.00

Notes: 1. Revision to the most recently announced dividend forecast: None

2. Nakamoto Packs conducted a 2-for-1 common stock split effective on March 1, 2018. Dividends per share for FY2/18 are the actual amounts before the stock split.

3. Breakdown of dividend for FY2/18: 2Q-end: Ordinary dividend of 50.00 yen, commemorative dividend of 5.00 yen
Year-end: Ordinary dividend of 50.00 yen, commemorative dividend of 5.00 yen

3. Consolidated Forecast for FY2/19 (March 1, 2018 – February 28, 2019)

(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	4.6	1,500	12.6	1,600	7.6	1,000	1.9	122.36

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: 2 (Nakamoto Packs USA, Inc., Cangzhou Nakamoto Huaxiang New Materials Co., Ltd.) Excluded: -

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

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

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|---|------|
| 1) Changes in accounting policies due to revisions in accounting standards, others: | 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 Nov. 30, 2018:	8,173,320 shares	As of Feb. 28, 2018:	8,173,320 shares
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2) Number of treasury shares at the end of the period

As of Nov. 30, 2018:	983 shares	As of Feb. 28, 2018:	912 shares
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3) Average number of shares during the period

3Q FY2/19:	8,172,388 shares	3Q FY2/18:	8,172,562 shares
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Note: Nakamoto Packs conducted a 2-for-1 common stock split effective on March 1, 2018. The number of shares issued (common stock) is calculated as if this stock split had taken place at the beginning of the previous fiscal year.

* 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 current fiscal year, large natural disasters had a negative effect on some sectors of the economy. However, Japan's economy continued to recover slowly due to improvements in corporate earnings and the labor market. The outlook is uncertain because of the U.S. trade policies, labor shortage and other factors.

The Nakamoto Packs Group took many actions during the first nine months 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." One priority was strengthening sales activities across the entire group in order to increase sales of products developed by the group and capture more orders from key customers. There were also measures to raise productivity, upgrade quality assurance programs and make other improvements.

Due to these activities, sales increased 3.8% to 25,869 million yen. Operating profit increased 16.2% to 1,339 million yen, ordinary profit increased 7.7% to 1,371 million yen and profit attributable to owners of parent increased 11.2% to 897 million yen.

Results of operations for product categories were as follows.

Food Packaging and Containers

As in the second quarter, printing-related orders for films used mainly for products sold at convenience stores were firm. Sheet printing orders which peak in summer were steady. In addition, orders in the dairy and prepared food sectors were favorable. The result was a 3.7% increase in sales to 17,777 million yen.

Although profits continue to be under pressure due to intensifying competition, we focused on a strategy of differentiation with proposals for weight reduction and environment-friendly printing. In addition, price negotiations and proposals for replacement of some films also contributed to gross profit increase, which was up 11.7% to 2,080 million yen.

IT and Industrial Materials

In the electronic components and devices sector, development and production of products targeting the Internet of Things (IoT) is active. In the functional film processing sector, orders related to mobile communications and for films used in electronic component production processes stayed robust in the second quarter. Sales increased 27.2% to 3,798 million yen and the gross profit increased 40.2% to 958 million yen.

Pharmaceuticals and Health Care

Although orders for products for generic drugs were strong, there was a decline in sales of products for patented and brand-name drugs. In addition, sales of transdermal patches were impacted by inventory adjustments and price competition resulting from national health insurance drug price revisions. Sales decreased 10.4% to 983 million yen and the gross profit decreased 16.7% to 222 million yen.

Printing Sheets for Building Materials

Orders for printed sheets used for houses, apartment buildings, rental housing, residential renovation and furniture were favorable. We also responded to the disaster recovery demand in the Sanyo region through express delivery. Sales increased 8.2% to 588 million yen. However, gross profit declined 4.0% to 92 million yen as manufacturing costs increased due to development of prototypes for new projects.

Consumer Product Packaging and Materials

Demand for home improvement products was favorable. However, demand for vacuum storage bags continued to be affected by inventory adjustments at some customers since the second quarter. Sales of high value-added products also declined. Sales decreased 14.7% to 2,429 million yen and the gross profit decreased 22.3% to 621 million yen.

Others

The processing of the imaging layer of thermal cash register paper, ink jet printing paper and other paper was strong. But there was a decline in selling prices of recycled pellets. Although sales decreased 1.5% to 290 million yen, gross profit increased 10.2% to 94 million yen due to higher productivity and lower costs.

(2) Explanation of Financial Position**Assets**

Total assets increased 1,740 million yen from the end of the previous fiscal year to 27,676 million yen at the end of the third quarter under review.

Current assets increased 719 million yen to 14,874 million yen. This was mainly due to increases in notes and accounts receivable-trade of 542 million yen, electronically recorded monetary claims-operating of 293 million yen and inventories of 243 million yen, while there was a decrease in cash and deposits of 428 million yen.

Non-current assets increased 1,020 million yen to 12,801 million yen. This was mainly due to an increase in property, plant and equipment of 1,056 million yen for the purchase of equipment for increasing output capacity.

Liabilities

Total liabilities increased 1,430 million yen to 15,855 million yen.

Current liabilities increased 1,291 million yen to 12,955 million yen. This was mainly due to increases in notes and accounts payable-trade of 682 million yen, electronically recorded obligations-operating of 232 million yen and provision for bonuses of 195 million yen.

Non-current liabilities increased 138 million yen to 2,900 million yen. This was mainly due to an increase in long-term loans payable of 169 million yen.

Net assets

Net assets increased 310 million yen to 11,820 million yen. This was mainly due to an increase in retained earnings of 449 million yen due to profit attributable to owners of parent and other items.

(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, 2019, which was announced on April 13, 2018.

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)

	FY2/18 (As of Feb. 28, 2018)	Third quarter of FY2/19 (As of Nov. 30, 2018)
Assets		
Current assets		
Cash and deposits	3,601,164	3,172,300
Notes and accounts receivable-trade	6,884,040	7,426,722
Electronically recorded monetary claims-operating	899,632	1,193,535
Merchandise and finished goods	1,568,348	1,684,013
Work in process	338,548	424,265
Raw materials and supplies	608,893	651,215
Other	259,770	327,459
Allowance for doubtful accounts	(5,836)	(5,390)
Total current assets	14,154,561	14,874,122
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,659,792	4,488,276
Machinery, equipment and vehicles, net	2,182,999	2,055,066
Land	2,845,829	2,928,210
Other, net	609,450	1,883,223
Total property, plant and equipment	10,298,071	11,354,776
Intangible assets	173,684	160,024
Investments and other assets		
Other	1,336,447	1,314,173
Allowance for doubtful accounts	(27,095)	(27,095)
Total investments and other assets	1,309,351	1,287,077
Total non-current assets	11,781,107	12,801,878
Total assets	25,935,669	27,676,001

	(Thousands of yen)	
	FY2/18 (As of Feb. 28, 2018)	Third quarter of FY2/19 (As of Nov. 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,814,014	3,496,274
Electronically recorded obligations-operating	3,486,910	3,718,973
Short-term loans payable	3,414,524	3,489,609
Current portion of long-term loans payable	779,841	787,234
Income taxes payable	225,258	295,503
Provision for bonuses	189,098	384,256
Other	754,413	783,929
Total current liabilities	11,664,061	12,955,782
Non-current liabilities		
Long-term loans payable	2,365,512	2,535,414
Net defined benefit liability	172,692	142,384
Other	223,498	222,243
Total non-current liabilities	2,761,702	2,900,041
Total liabilities	14,425,763	15,855,824
Net assets		
Shareholders' equity		
Capital stock	1,057,468	1,057,468
Capital surplus	1,158,408	1,158,408
Retained earnings	8,171,483	8,621,118
Treasury shares	(838)	(970)
Total shareholders' equity	10,386,521	10,836,024
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	247,405	197,051
Deferred gains or losses on hedges	3,778	1,085
Foreign currency translation adjustment	428,704	366,682
Remeasurements of defined benefit plans	77,345	71,752
Total accumulated other comprehensive income	757,233	636,571
Non-controlling interests	366,149	347,580
Total net assets	11,509,905	11,820,176
Total liabilities and net assets	25,935,669	27,676,001

(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 FY2/18 (Mar. 1, 2017 – Nov. 30, 2017)	First nine months of FY2/19 (Mar. 1, 2018 – Nov. 30, 2018)
Net sales	24,918,045	25,869,106
Cost of sales	21,123,743	21,799,783
Gross profit	3,794,301	4,069,323
Selling, general and administrative expenses	2,641,712	2,729,598
Operating profit	1,152,588	1,339,724
Non-operating income		
Interest income	1,365	1,411
Dividend income	7,981	7,883
Share of profit of entities accounted for using equity method	5,324	5,747
Land and house rent received	25,539	23,599
Foreign exchange gains	14,843	-
Other	143,383	94,591
Total non-operating income	198,438	133,232
Non-operating expenses		
Interest expenses	47,207	48,425
Expense of a transformation to the first section of the Tokyo Stock Exchange	19,000	-
Foreign exchange losses	-	33,674
Other	11,241	19,740
Total non-operating expenses	77,448	101,840
Ordinary profit	1,273,578	1,371,116
Extraordinary income		
Gain on sales of non-current assets	15,401	2,973
Total extraordinary income	15,401	2,973
Extraordinary losses		
Loss on sales of non-current assets	7,981	3,214
Loss on retirement of non-current assets	1,235	2,680
Impairment loss	12,960	2,183
Total extraordinary losses	22,177	8,077
Profit before income taxes	1,266,802	1,366,011
Income taxes	415,918	469,917
Profit	850,884	896,093
Profit (loss) attributable to non-controlling interests	43,931	(1,583)
Profit attributable to owners of parent	806,952	897,677

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

(Thousands of yen)

	First nine months of FY2/18 (Mar. 1, 2017 – Nov. 30, 2017)	First nine months of FY2/19 (Mar. 1, 2018 – Nov. 30, 2018)
Profit	850,884	896,093
Other comprehensive income		
Valuation difference on available-for-sale securities	66,517	(50,421)
Deferred gains or losses on hedges	(9,638)	(2,693)
Foreign currency translation adjustment	14,737	(79,008)
Remeasurements of defined benefit plans, net of tax	(783)	(5,592)
Share of other comprehensive income of entities accounted for using equity method	1,972	68
Total other comprehensive income	72,805	(137,647)
Comprehensive income	923,689	758,445
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	877,251	777,014
Comprehensive income attributable to non-controlling interests	46,437	(18,569)

(3) 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

Nakamoto Packs USA, Inc. and Cangzhou Nakamoto Huaxiang New Materials Co., Ltd. were included in the scope of consolidation because they were newly established during the first quarter of the current fiscal year.

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.

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.