



January 14, 2020

Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending February 29, 2020 (FY2/20)
(Nine Months Ended November 30, 2019)

[Japanese GAAP]

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Listing: TSE 1st Section
 URL: <http://www.npacks.co.jp/>

Scheduled date of filing of Quarterly Report: January 14, 2020
 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 FY2/20 (March 1, 2019 – November 30, 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	%
Nine months ended Nov. 30, 2019	25,711	(0.6)	1,198	(10.5)	1,236	(9.8)	840	(6.3)
Nine months ended Nov. 30, 2018	25,869	3.8	1,339	16.2	1,371	7.7	897	11.2

Note: Comprehensive income
 Nine months ended Nov. 30, 2019: 738 million yen (down 2.6%)
 Nine months ended Nov. 30, 2018: 758 million yen (down 17.9%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended Nov. 30, 2019	102.87	-
Nine months ended Nov. 30, 2018	109.84	-

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, 2019	28,264	12,260	42.3	1,461.50
As of Feb. 28, 2019	26,928	11,984	43.3	1,425.81

Reference: Equity capital
 As of Nov. 30, 2019: 11,943 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	-	28.00	-	-	-
FY2/20 (forecast)	-	-	-	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
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 Nov. 30, 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 Nov. 30, 2019:	1,028 shares	As of Feb. 28, 2019:	983 shares
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3) Average number of shares during the period

3Q FY2/20:	8,172,301 shares	3Q FY2/19:	8,172,388 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 current fiscal year, personal income growth slowed, corporate earnings were lower, and exports were weak. The economic outlook also remains uncertain because of the effects of typhoons and other natural disasters, U.S.-China trade friction and other trade issues and the direction of the Chinese economy.

In the market sectors where the Nakamoto Packs Group operates, shipments of electronic components declined in the IT and Industrial Materials sectors as the global IT cycle remained in a correction phase. In the Food Packaging and Containers segment, food loss, environmental response and work style reforms have become pressing issues for convenience stores and supermarkets. This calls for a response in the context of changing social needs.

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.” All of the group’s resources were focused on sales of products developed by group companies and designed to lower the environmental load of these products, capturing more orders from key customers and receiving orders from new customers.

Due to these activities sales decreased 0.6% to 25,711 million yen. Operating profit decreased 10.5% to 1,198 million yen, ordinary profit decreased 9.8% to 1,236 million yen and profit attributable to owners of parent decreased 6.3% to 840 million yen.

Results of operations for product categories were as follows.

Food Packaging and Containers

Orders were unstable as growth slowed in the convenience store sector due to the various problems facing the sector. In addition, unusual seasonal weather, typhoons, heavy rain and several other issues affected this sector. However, performance benefited from orders from new customers due to proposals using N brand for plastic waste reduction and from firm sales of packaging and containers used for dairy products, frozen food and prepared food items. As a result, sales decreased 2.0% to 17,430 million yen. The gross profit was down 2.8% to 2,022 million yen.

IT and Industrial Materials

Orders declined due to worsening conditions in the smartphone market and decline in production of electronic components due to prolonged inventory adjustments by customers. Sales of prototypes for new projects increased but were unable to compensate the decline in orders from the mobile communications and semiconductor sectors. Sales decreased 13.3% to 3,294 million yen and the gross profit decreased 18.1% to 784 million yen.

Pharmaceuticals and Health Care

New orders from hospitals were higher and demand was strong for generic transdermal patches. On the other hand, negative effects of decline in selling prices due to drug price revisions and intense competition continued. Sales increased 4.8% to 1,030 million yen and the gross profit decreased 8.7% to 203 million yen.

Printing Sheets for Building Materials

Although orders for printing sheets for furniture were sluggish, the performance of this category was backed by stable orders in the residential renovation sector and contributed from new projects involving functional building materials using a newly purchased coater. Sales increased 82.6% to 1,074 million yen and gross profit increased 41.9% to 131 million yen.

Consumer Product Packaging and Materials

Sales decreased 0.8% to 2,411 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 16.1% to 721 million yen. This was primarily the result of a relatively high profit margin due to an increase in sales of products made by Nakamoto Packs Group companies, chiefly items that were sold to new customers.

Others

Food companies adopted the packaging machines recommended by Nakamoto Packs Group companies. In addition, sales of machinery components and test fees also increased. Sales increased 61.7% to 470 million yen and the gross profit increased 17.8% to 111 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 for assets, liabilities and net assets have been adjusted retroactively to conform with this accounting standard in order to facilitate comparisons and analysis.

Assets

Total assets increased 1,335 million yen from the end of the previous fiscal year to 28,264 million yen at the end of the third quarter under review.

Current assets increased 1,338 million yen to 15,117 million yen. This was mainly due to increases in notes and accounts receivable-trade of 1,021 million yen and electronically recorded monetary claims-operating of 283 million yen as the balance sheet date for the third quarter under review was a bank holiday, and inventories of 416 million yen, while there was a decrease in cash and deposits of 434 million yen.

Non-current assets decreased 2 million yen to 13,146 million yen. This was mainly due to a decrease in property, plant and equipment of 149 million yen mainly due to depreciation, while there was an increase in investments and other assets of 147 million yen.

Liabilities

Total liabilities increased 1,058 million yen to 16,003 million yen.

Current liabilities increased 729 million yen to 12,936 million yen. This was mainly due to increases in notes and accounts payable-trade of 640 million yen, electronically recorded obligations-operating of 100 million yen and provision for bonuses of 173 million yen, while there were decreases in short-term loans payable of 106 million yen and income taxes payable of 172 million yen.

Non-current liabilities increased 329 million yen to 3,067 million yen. This was mainly due to an increase in other of 334 million yen.

Net assets

Net assets increased 276 million yen to 12,260 million yen. This was mainly due to an increase in retained earnings of 378 million yen due to profit attributable to owners of parent and other items, while there was a decrease in foreign currency translation adjustment of 96 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)	Third quarter of FY2/20 (As of Nov. 30, 2019)
Assets		
Current assets		
Cash and deposits	3,031,479	2,597,408
Notes and accounts receivable-trade	6,937,992	7,959,662
Electronically recorded monetary claims-operating	987,126	1,270,644
Merchandise and finished goods	1,753,572	1,905,965
Work in process	317,461	497,976
Raw materials and supplies	602,738	686,497
Other	153,286	204,072
Allowance for doubtful accounts	(4,469)	(4,376)
Total current assets	13,779,188	15,117,850
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,302,762	5,524,375
Machinery, equipment and vehicles, net	1,961,257	2,118,067
Land	2,928,210	2,928,210
Other, net	1,228,278	700,560
Total property, plant and equipment	11,420,508	11,271,213
Intangible assets	345,611	344,150
Investments and other assets		
Other	1,410,495	1,558,404
Allowance for doubtful accounts	(27,095)	(27,095)
Total investments and other assets	1,383,399	1,531,309
Total non-current assets	13,149,520	13,146,672
Total assets	26,928,708	28,264,523

	(Thousands of yen)	
	FY2/19 (As of Feb. 28, 2019)	Third quarter of FY2/20 (As of Nov. 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,822,117	3,463,051
Electronically recorded obligations-operating	3,717,250	3,817,754
Short-term loans payable	3,678,236	3,571,864
Current portion of long-term loans payable	764,011	811,012
Income taxes payable	319,121	147,120
Provision for bonuses	201,424	374,594
Other	703,993	750,650
Total current liabilities	12,206,155	12,936,047
Non-current liabilities		
Long-term loans payable	2,349,411	2,379,182
Net defined benefit liability	149,274	113,982
Other	239,740	574,329
Total non-current liabilities	2,738,426	3,067,494
Total liabilities	14,944,581	16,003,541
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	9,257,501
Treasury shares	(970)	(1,039)
Total shareholders' equity	11,093,460	11,472,338
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	165,131	194,033
Deferred gains or losses on hedges	2,275	(5,136)
Foreign currency translation adjustment	332,968	236,037
Remeasurements of defined benefit plans	58,390	46,559
Total accumulated other comprehensive income	558,765	471,493
Non-controlling interests	331,901	317,149
Total net assets	11,984,126	12,260,981
Total liabilities and net assets	26,928,708	28,264,523

(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 FY2/19 (Mar. 1, 2018 – Nov. 30, 2018)	First nine months of FY2/20 (Mar. 1, 2019 – Nov. 30, 2019)
Net sales	25,869,106	25,711,602
Cost of sales	21,799,783	21,737,217
Gross profit	4,069,323	3,974,385
Selling, general and administrative expenses	2,729,598	2,775,825
Operating profit	1,339,724	1,198,560
Non-operating income		
Interest income	1,411	1,403
Dividend income	7,883	9,861
Share of profit of entities accounted for using equity method	5,747	4,795
Land and house rent received	23,599	20,713
Other	94,591	117,732
Total non-operating income	133,232	154,506
Non-operating expenses		
Interest expenses	48,425	57,921
Foreign exchange losses	33,674	38,786
Other	19,740	20,056
Total non-operating expenses	101,840	116,764
Ordinary profit	1,371,116	1,236,302
Extraordinary income		
Gain on sales of non-current assets	2,973	-
Total extraordinary income	2,973	-
Extraordinary losses		
Loss on sales of non-current assets	3,214	-
Loss on retirement of non-current assets	2,680	1,297
Impairment loss	2,183	-
Loss on valuation of investment securities	-	24,874
Total extraordinary losses	8,077	26,172
Profit before income taxes	1,366,011	1,210,130
Income taxes	469,917	366,029
Profit	896,093	844,100
Profit (loss) attributable to non-controlling interests	(1,583)	3,416
Profit attributable to owners of parent	897,677	840,683

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

(Thousands of yen)

	First nine months of FY2/19 (Mar. 1, 2018 – Nov. 30, 2018)	First nine months of FY2/20 (Mar. 1, 2019 – Nov. 30, 2019)
Profit	896,093	844,100
Other comprehensive income		
Valuation difference on available-for-sale securities	(50,421)	29,151
Deferred gains or losses on hedges	(2,693)	(7,412)
Foreign currency translation adjustment	(79,008)	(115,099)
Remeasurements of defined benefit plans, net of tax	(5,592)	(11,830)
Share of other comprehensive income of entities accounted for using equity method	68	(249)
Total other comprehensive income	(137,647)	(105,440)
Comprehensive income	758,445	738,660
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	777,014	753,412
Comprehensive income attributable to non-controlling interests	(18,569)	(14,752)

(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.

Subsequent Events

Establishment of subsidiary

The Nakamoto Packs Board of Directors approved a resolution on December 13, 2019 to establish a subsidiary in the Socialist Republic of Vietnam.

(1) Purpose of establishment

Nakamoto Packs has decided to establish a subsidiary in the Socialist Republic of Vietnam in order to support the global supply chain in the automotive sector and to increase the percentage of overseas sales which is one of our management strategies.

(2) Outline of the subsidiary

- | | |
|--|---|
| 1) Name | NAKAMOTO PACKS VIETNAM COMPANY LIMITED (tentative) |
| 2) Head office location | Chan May Industrial Zone, Thua Thien Hue, the Socialist Republic of Vietnam |
| 3) Representative | Jun Kawata, President of NAKAMOTO PACKS CO.,LTD.
Seiichi Okude, General Manager of NAKAMOTO PACKS CO.,LTD. |
| 4) Business | Manufacture and sales of industrial materials (automobiles) and consumer product packaging and materials |
| 5) Capital | US\$4 million (tentative) |
| 6) Establishment | March 2020 (tentative) |
| 7) Major shareholders and shareholding ratio | NAKAMOTO PACKS CO.,LTD.: 100% (tentative) |

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.