



January 12, 2021

Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending February 28, 2021 (FY2/21)
(Nine Months Ended November 30, 2020)

[Japanese GAAP]

Company name: NAKAMOTO PACKS CO.,LTD.

Listing: TSE 1st Section

Securities code: 7811

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

Representative: Jun Kawata, President

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Scheduled date of filing of Quarterly Report:

January 12, 2021

Scheduled date of payment of dividend:

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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 FY2/21 (March 1, 2020 – November 30, 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	%
Nine months ended Nov. 30, 2020	26,711	3.9	1,391	16.1	1,421	14.9	1,102	31.2
Nine months ended Nov. 30, 2019	25,711	(0.6)	1,198	(10.5)	1,236	(9.8)	840	(6.3)

Note: Comprehensive income
 Nine months ended Nov. 30, 2020: 1,155 million yen (up 56.4%)
 Nine months ended Nov. 30, 2019: 738 million yen (down 2.6%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended Nov. 30, 2020	134.94	-
Nine months ended Nov. 30, 2019	102.87	-

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 Nov. 30, 2020	31,532	13,939	40.4	1,558.53
As of Feb. 29, 2020	27,568	12,419	43.9	1,479.33

Reference: Equity capital As of Nov. 30, 2020: 12,736 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 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

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, 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 Nov. 30, 2020:	1,067 shares	As of Feb. 29, 2020:	1,028 shares
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3) Average number of shares during the period

3Q FY2/21:	8,172,284 shares	3Q FY2/20:	8,172,301 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, the operating environment was challenging due to the effects of the COVID-19 outbreak, and although there are signs of a rebound in some categories of consumer spending, corporate earnings continued to plummet. The outlook for both the food industry and the electronic components and devices sector in which the Nakamoto Packs Group operates, is expected to remain extremely difficult for the time being, with companies cutting back production in response to the renewed outbreak of the COVID-19 pandemic.

During the first nine months, one priority was sales of products developed by the 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.

Due to these activities, sales increased 3.9% to 26,711 million yen. Operating profit increased 16.1% to 1,391 million yen, ordinary profit increased 14.9% to 1,421 million yen and profit attributable to owners of parent increased 31.2% to 1,102 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 3.4% to 18,029 million yen. Although improvement in production efficiency at our affiliated companies contributed, the gross profit was down 3.2% to 1,957 million yen due to a 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

In addition to steady sales of film for electronic component production processes and materials used in smartphones, sales of automobile interior materials also started to pick up as automobile production began to recover, mainly in developed countries and China. Although the production of prototypes decreased due to restrictions on the visitors to Nakamoto Packs factories imposed as a countermeasure against COVID-19, there were still some projects that proceeded to mass production. Nakamoto Packs also focused on improving production efficiency for products with repeat orders and of NS Separator, a product developed by Nakamoto Packs in-house. The result was a 4.6% increase in sales to 3,444 million yen and the gross profit was up 26.3% to 991 million yen.

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 15.5% to 1,190 million yen and the gross profit increased 2.0% to 207 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 14.4% to 1,229 million yen and gross profit increased 33.6% to 175 million yen.

Consumer Product Packaging and Materials

Due to the impact of the COVID-19 outbreak, sales declined from April through May because of the adoption of measures such as temporary closures and reduced opening hours in shopping malls and other retail facilities, but the introduction of new eco-related items such as kitchen-related products featuring heat shielding and thermal insulation resulted in an increase in new customers. Sales decreased 1.9% to 2,365 million yen and gross profit increased 9.5% to 789 million yen.

Others

Sales of plastic films of various types and other products were lower. In addition, there was a reactionary decline in machinery sales from the same period of the previous year. On the other hand, sales of heavy packaging materials increased due to closer partnership with Mikunishiko Co., Ltd., which became a consolidated subsidiary. As a result, sales decreased 4.3% to 450 million yen and the gross profit increased 36.4% to 151 million yen.

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

Total assets increased 3,964 million yen from the end of the previous fiscal year to 31,532 million yen at the end of the third quarter.

Current assets increased 2,618 million yen to 17,007 million yen. This was mainly due to increases of 219 million yen in notes and accounts receivable-trade, 232 million yen in electronically recorded monetary claims-operating and 654 million yen in inventories chiefly as a result of the consolidation of a former equity-method affiliate Mikunishiko Co., Ltd., and a 1,630 million yen increase in cash and deposits due to an increase in short-term borrowings and other items.

Non-current assets increased 1,346 million yen to 14,525 million yen. This was mainly due to increases of 1,131 million yen in property, plant and equipment resulting primarily from the consolidation of a former equity-method affiliate Mikunishiko Co., Ltd. and 178 million yen in investments and other assets.

Liabilities

Total liabilities increased 2,444 million yen to 17,592 million yen.

Current liabilities increased 2,335 million yen to 14,481 million yen. This was mainly due to a 1,064 million yen increase in notes and accounts payable-trade chiefly as a result of the consolidation of a former equity-method affiliate Mikunishiko Co., Ltd., and increases of 995 million yen in short-term borrowings and 165 million yen in provision for bonuses.

Non-current liabilities increased 109 million yen to 3,110 million yen. This was mainly due to a 93 million yen increase in retirement benefit liability resulting primarily from the consolidation of a former equity-method affiliate Mikunishiko Co., Ltd. and a 92 million yen increase in long-term borrowings.

Net assets

Net assets increased 1,519 million yen to 13,939 million yen. This was mainly due to an increase of 872 million yen in non-controlling interests chiefly as a result of the consolidation of a former equity-method affiliate Mikunishiko Co., Ltd., and a 645 million yen increase in retained earnings 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, 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)	Third quarter of FY2/21 (As of Nov. 30, 2020)
Assets		
Current assets		
Cash and deposits	2,558,645	4,188,718
Notes and accounts receivable-trade	7,459,399	7,679,174
Electronically recorded monetary claims-operating	1,357,278	1,590,273
Merchandise and finished goods	1,756,580	2,168,861
Work in process	357,538	427,064
Raw materials and supplies	605,369	777,963
Other	298,883	183,887
Allowance for doubtful accounts	(4,539)	(8,625)
Total current assets	14,389,156	17,007,320
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,485,812	5,621,952
Machinery, equipment and vehicles, net	2,019,335	2,299,222
Land	2,928,210	3,140,388
Other, net	960,703	1,464,274
Total property, plant and equipment	11,394,061	12,525,836
Intangible assets	339,088	375,107
Investments and other assets		
Other	1,472,882	1,651,374
Allowance for doubtful accounts	(27,145)	(27,145)
Total investments and other assets	1,445,736	1,624,228
Total non-current assets	13,178,886	14,525,172
Total assets	27,568,043	31,532,492

	(Thousands of yen)	
	FY2/20 (As of Feb. 29, 2020)	Third quarter of FY2/21 (As of Nov. 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,871,952	3,935,958
Electronically recorded obligations-operating	3,625,117	3,597,952
Short-term borrowings	3,711,360	4,707,001
Current portion of long-term borrowings	777,462	768,792
Income taxes payable	207,975	213,353
Provision for bonuses	214,602	379,866
Other	738,445	879,039
Total current liabilities	12,146,915	14,481,965
Non-current liabilities		
Long-term borrowings	2,200,319	2,292,970
Retirement benefit liability	176,610	269,632
Other	624,318	548,149
Total non-current liabilities	3,001,248	3,110,751
Total liabilities	15,148,163	17,592,717
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	10,147,544
Treasury shares	(1,039)	(1,101)
Total shareholders' equity	11,717,292	12,362,319
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	102,517	135,546
Deferred gains or losses on hedges	3,305	(3,683)
Foreign currency translation adjustment	276,306	257,220
Remeasurements of defined benefit plans	(9,881)	(14,734)
Total accumulated other comprehensive income	372,247	374,349
Non-controlling interests	330,339	1,203,106
Total net assets	12,419,879	13,939,774
Total liabilities and net assets	27,568,043	31,532,492

(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 FY2/20 (Mar. 1, 2019 – Nov. 30, 2019)	First nine months of FY2/21 (Mar. 1, 2020 – Nov. 30, 2020)
Net sales	25,711,602	26,711,162
Cost of sales	21,737,217	22,438,126
Gross profit	3,974,385	4,273,036
Selling, general and administrative expenses	2,775,825	2,881,492
Operating profit	1,198,560	1,391,543
Non-operating income		
Interest income	1,403	1,406
Dividend income	9,861	9,880
Share of profit of entities accounted for using equity method	4,795	2,373
Rental income from land and buildings	20,713	21,060
Other	117,732	97,872
Total non-operating income	154,506	132,593
Non-operating expenses		
Interest expenses	57,921	53,913
Foreign exchange losses	38,786	25,256
Other	20,056	23,880
Total non-operating expenses	116,764	103,051
Ordinary profit	1,236,302	1,421,085
Extraordinary income		
Gain on sales of non-current assets	-	449
Gain on bargain purchase	-	227,983
Total extraordinary income	-	228,433
Extraordinary losses		
Loss on sales of non-current assets	-	104
Loss on retirement of non-current assets	1,297	11,627
Loss on valuation of investment securities	24,874	-
Loss on step acquisitions	-	99,206
Total extraordinary losses	26,172	110,938
Profit before income taxes	1,210,130	1,538,581
Income taxes	366,029	385,392
Profit	844,100	1,153,188
Profit attributable to non-controlling interests	3,416	50,451
Profit attributable to owners of parent	840,683	1,102,737

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

(Thousands of yen)

	First nine months of FY2/20 (Mar. 1, 2019 – Nov. 30, 2019)	First nine months of FY2/21 (Mar. 1, 2020 – Nov. 30, 2020)
Profit	844,100	1,153,188
Other comprehensive income		
Valuation difference on available-for-sale securities	29,151	37,084
Deferred gains or losses on hedges	(7,412)	(6,988)
Foreign currency translation adjustment	(115,099)	(20,805)
Remeasurements of defined benefit plans, net of tax	(11,830)	(4,853)
Share of other comprehensive income of entities accounted for using equity method	(249)	(2,377)
Total other comprehensive income	(105,440)	2,059
Comprehensive income	738,660	1,155,248
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	753,412	1,104,838
Comprehensive income attributable to non-controlling interests	(14,752)	50,409

(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

(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.