



January 12, 2022

Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending February 28, 2022 (FY2/22)
(Nine Months Ended November 30, 2021)

[Japanese GAAP]

Company name: NAKAMOTO PACKS CO.,LTD.

Listing: TSE 1st Section

Securities code: 7811

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Scheduled date of filing of Quarterly Report:

January 12, 2022

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 FY2/22 (March 1, 2021 – November 30, 2021)**(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, 2021	30,487	14.1	2,057	47.9	2,245	58.0	1,300	17.9
Nine months ended Nov. 30, 2020	26,711	3.9	1,391	16.1	1,421	14.9	1,102	31.2

Note: Comprehensive income

Nine months ended Nov. 30, 2021: 1,610 million yen (up 39.4%)

Nine months ended Nov. 30, 2020: 1,155 million yen (up 56.4%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended Nov. 30, 2021	159.14	-
Nine months ended Nov. 30, 2020	134.94	-

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, 2021	34,049	15,355	41.1	1,714.52
As of Feb. 28, 2021	31,784	14,222	40.9	1,590.02

Reference: Equity capital

As of Nov. 30, 2021: 14,011 million yen

As of Feb. 28, 2021: 12,994 million yen

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2/21	-	28.00	-	29.00	57.00
FY2/22	-	29.00	-	-	-
FY2/22 (forecast)	-	-	-	29.00	58.00

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

3. Consolidated Forecast for FY2/22 (March 1, 2021 – February 28, 2022)

(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	39,500	9.6	2,330	35.8	2,500	42.8	1,470	11.7	179.88

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, 2021: | 8,173,320 shares | As of Feb. 28, 2021: | 8,173,320 shares |
| 2) Number of treasury shares at the end of the period | | | |
| As of Nov. 30, 2021: | 1,067 shares | As of Feb. 28, 2021: | 1,067 shares |
| 3) Average number of shares during the period | | | |
| 3Q FY2/22: | 8,172,253 shares | 3Q FY2/21: | 8,172,284 shares |

* 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 COVID-19 pandemic. In Japan, economic activity started to resume gradually as restrictions on activities were eased following the end of declarations of a state of emergency in October. However, the outlook is still unclear because of the omicron variant and other reasons.

During the first nine months, 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, lowering expenses, manufacturing products more efficiently and improving the quality of products. There were also numerous measures for realigning and optimizing manufacturing operations. We started operating a production line for extruded PET sheets, started operations at the new Vietnam factory, and in China moved the production activities of Langfang Zhongben Package Co., Ltd. from Langfang plant, where the location and environmental regulations make expansion difficult, to Cangzhou Nakamoto Huaxiang New Materials Co., Ltd.

Due to these activities, sales increased 14.1% to 30,487 million yen. Operating profit increased 47.9% to 2,057 million yen, ordinary profit increased 58.0% to 2,245 million yen and profit attributable to owners of parent increased 17.9% to 1,300 million yen.

Results of operations for product categories were as follows.

Food Packaging and Containers

Sales increased in many other categories, including packaging for frozen food, dairy products, prepared food and other food products sold at supermarkets, the result of stable demand for prepared food items and products used for preparing meals at home; materials used in take-out and delivery food containers and trays, which are used in many applications; and food packages for agricultural products. In the convenience store sector, sales of molded containers increased and there was a recovery in sales of some packaging and containers used for food products sold at department stores. As a result, sales in this category increased 8.5% to 19,558 million yen. The gross profit increased 22.6% to 2,399 million yen because of an improvement in production efficiency and higher profit margins at group companies.

IT and Industrial Materials

Sales increased for film used in semiconductor and electronic component production and packaging materials for these components. These films and materials use technologies for adding functions in a clean room environment to various types of films and metal foils. Sales growth is backed by the strong sales of advanced consumer electronics and communication infrastructure equipment and the increasing use of electric and electronic components in automobiles. There was also an increase in sales for performing outsourced processes for mobile communication and display products and, in Japan and China, sales of separation films, chiefly NS separator, a product developed by Nakamoto Packs. Other highlights of this category are development projects utilizing printing technologies and the increasing number of prototypes involving next-generation batteries, substrates and other products. The result was a 23.7% increase in sales to 4,259 million yen and the gross profit was up 35.1% to 1,338 million yen.

Consumer Product Packaging and Materials

There was a big increase in sales of kitchen and hygiene products with significant contributions to growth from new products including a cutting board sheet and kitchen mat. These new products help shorten and simplify the preparation of meals at home, a growing market as people have more meals at home because of the pandemic. Sales of vacuum storage bags increased because of a new customer and strong sales on TV shopping channels. In the home improvement, furniture and eco product category, sales of seasonal products were strong, including “Madopita Sheet,” a thermal insulation sheet placed on windows. As a result, sales increased 38.2% to 3,270 million yen and the gross profit was up 33.3% to 1,053 million yen.

Printing Sheets for Building Materials

In the furniture category, there was a downturn in orders caused by a shortage of processed materials used to make furniture. In the residential construction category, sales of functional building materials used in houses and apartment buildings increased. Sales increased 17.9% to 1,448 million yen and gross profit increased 28.3% to 224 million yen.

Pharmaceuticals and Health Care

Sales to hospitals of packaging materials for transfusions were strong but total sales in the hospital sector were down because there were no orders for pandemic protective apparel that were submitted for bids. In the transdermal patch sector, there was a temporary decline in sales as some customers ended sales of items using Nakamoto Packs materials and the composition of separation film was reexamined. The result was a 15.5% decrease in sales to 1,006 million yen. The gross profit increased 11.7% to 231 million yen because of strong sales of transdermal patches in relatively high price ranges.

Others

Sales of machinery increased and there was an increase in sales of heavy packaging materials at Mikunishiko Co., Ltd., which became a consolidated subsidiary in July 2020. As a result, sales increased 109.8% to 944 million yen and the gross profit increased 23.7% to 187 million yen.

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

Total assets increased 2,265 million yen from the end of the previous fiscal year to 34,049 million yen at the end of the third quarter.

Current assets increased 2,171 million yen to 18,995 million yen. This was mainly due to increases of 1,155 million yen in cash and deposits, 267 million yen in electronically recorded monetary claims-operating and 848 million yen in inventories.

Non-current assets increased 93 million yen to 15,054 million yen. This was mainly due to an increase of 85 million yen in property, plant and equipment resulting from the purchase of equipment for increasing output capacity.

Liabilities

Total liabilities increased 1,132 million yen to 18,694 million yen.

Current liabilities increased 1,029 million yen to 16,005 million yen. This was mainly due to increases in notes and accounts payable-trade of 906 million yen, short-term borrowings of 106 million yen, income taxes payable of 236 million yen and provision for bonuses of 155 million yen, while there was a decrease in current portion of long-term borrowings of 339 million yen.

Non-current liabilities increased 102 million yen to 2,689 million yen. This was mainly due to a 186 million yen increase in long-term borrowings.

Net assets

Net assets increased 1,133 million yen to 15,355 million yen. This was mainly due to an 826 million yen increase in retained earnings due to profit attributable to owners of parent and other items, and increases of 222 million yen in foreign currency translation adjustment and 115 million yen in non-controlling interests.

(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, 2022, which were announced on September 29, 2021. 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)

	FY2/21 (As of Feb. 28, 2021)	Third quarter of FY2/22 (As of Nov. 30, 2021)
Assets		
Current assets		
Cash and deposits	3,723,389	4,878,765
Notes and accounts receivable-trade	7,963,960	7,879,337
Electronically recorded monetary claims-operating	1,692,349	1,959,501
Merchandise and finished goods	1,998,233	2,538,662
Work in process	367,224	503,793
Raw materials and supplies	839,592	1,011,119
Other	244,440	229,735
Allowance for doubtful accounts	(5,557)	(5,669)
Total current assets	16,823,633	18,995,246
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,932,018	6,327,328
Machinery, equipment and vehicles, net	2,963,111	2,750,611
Land	3,140,388	3,140,388
Other, net	943,761	846,945
Total property, plant and equipment	12,979,278	13,065,273
Intangible assets	366,847	378,927
Investments and other assets		
Other	1,642,221	1,637,686
Allowance for doubtful accounts	(27,145)	(27,145)
Total investments and other assets	1,615,075	1,610,540
Total non-current assets	14,961,201	15,054,741
Total assets	31,784,835	34,049,988

	(Thousands of yen)	
	FY2/21 (As of Feb. 28, 2021)	Third quarter of FY2/22 (As of Nov. 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,657,837	4,564,764
Electronically recorded obligations-operating	3,622,878	3,609,639
Short-term borrowings	4,826,012	4,932,742
Current portion of long-term borrowings	1,038,827	699,128
Income taxes payable	250,750	486,916
Provision for bonuses	222,966	378,869
Other	1,356,629	1,333,037
Total current liabilities	14,975,902	16,005,098
Non-current liabilities		
Long-term borrowings	1,818,362	2,005,280
Retirement benefit liability	230,172	210,528
Other	538,282	473,937
Total non-current liabilities	2,586,816	2,689,747
Total liabilities	17,562,718	18,694,846
Net assets		
Shareholders' equity		
Share capital	1,057,468	1,057,468
Capital surplus	1,158,408	1,158,408
Retained earnings	10,360,425	11,186,935
Treasury shares	(1,101)	(1,101)
Total shareholders' equity	12,575,200	13,401,710
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	139,478	109,940
Deferred gains or losses on hedges	(2,382)	587
Foreign currency translation adjustment	275,793	498,349
Remeasurements of defined benefit plans	5,924	921
Total accumulated other comprehensive income	418,812	609,798
Non-controlling interests	1,228,103	1,343,633
Total net assets	14,222,116	15,355,141
Total liabilities and net assets	31,784,835	34,049,988

(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 FY2/21 (Mar. 1, 2020 – Nov. 30, 2020)	First nine months of FY2/22 (Mar. 1, 2021 – Nov. 30, 2021)
Net sales	26,711,162	30,487,894
Cost of sales	22,438,126	25,052,700
Gross profit	4,273,036	5,435,193
Selling, general and administrative expenses	2,881,492	3,377,243
Operating profit	1,391,543	2,057,950
Non-operating income		
Interest income	1,406	4,357
Dividend income	9,880	9,744
Share of profit of entities accounted for using equity method	2,373	-
Rental income from land and buildings	21,060	24,906
Foreign exchange gains	-	101,870
Other	97,872	133,458
Total non-operating income	132,593	274,337
Non-operating expenses		
Interest expenses	53,913	46,690
Foreign exchange losses	25,256	-
Other	23,880	39,724
Total non-operating expenses	103,051	86,414
Ordinary profit	1,421,085	2,245,873
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	11,627	1,789
Impairment loss	-	29,490
Extra retirement payments	-	128,496
Loss on step acquisitions	99,206	-
Total extraordinary losses	110,938	159,775
Profit before income taxes	1,538,581	2,086,098
Income taxes	385,392	701,518
Profit	1,153,188	1,384,579
Profit attributable to non-controlling interests	50,451	84,079
Profit attributable to owners of parent	1,102,737	1,300,500

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

(Thousands of yen)

	First nine months of FY2/21 (Mar. 1, 2020 – Nov. 30, 2020)	First nine months of FY2/22 (Mar. 1, 2021 – Nov. 30, 2021)
Profit	1,153,188	1,384,579
Other comprehensive income		
Valuation difference on available-for-sale securities	37,084	(29,845)
Deferred gains or losses on hedges	(6,988)	5,823
Foreign currency translation adjustment	(20,805)	255,084
Remeasurements of defined benefit plans, net of tax	(4,853)	(5,002)
Share of other comprehensive income of entities accounted for using equity method	(2,377)	-
Total other comprehensive income	2,059	226,059
Comprehensive income	1,155,248	1,610,639
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,104,838	1,491,485
Comprehensive income attributable to non-controlling interests	50,409	119,153

(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

Impact of the spread of the COVID-19 pandemic on accounting estimates

There is no significant change in the “Impact of the spread of the COVID-19 pandemic on accounting estimates” which was presented in additional information in the Annual Securities Report for the previous fiscal year.

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.