



July 11, 2022

Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending February 28, 2023 (FY2/23)
(Three Months Ended May 31, 2022)

[Japanese GAAP]

Company name: NAKAMOTO PACKS CO.,LTD.

Listing: Tokyo Stock Exchange

Securities code: 7811

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Scheduled date of filing of Quarterly Report:

July 11, 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 First Quarter of FY2/23 (March 1, 2022 – May 31, 2022)**(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	%
Three months ended May 31, 2022	10,882	9.1	603	(14.4)	747	(9.2)	463	(15.3)
Three months ended May 31, 2021	9,973	18.6	705	97.6	823	126.8	548	137.0

Note: Comprehensive income Three months ended May 31, 2022: 632 million yen (down 17.8%)

Three months ended May 31, 2021: 768 million yen (up 278.1%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 31, 2022	56.77	-
Three months ended May 31, 2021	67.06	-

Notes: 1. Diluted earnings per share is not presented since there is no dilutive share.

2. Beginning with the first quarter of the fiscal year ending February 28, 2023, Nakamoto Packs is applying Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). All figures for the three months ended May 31, 2022 incorporate this accounting standard.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of May 31, 2022	34,963	16,000	42.2	1,807.04
As of Feb. 28, 2022	33,934	15,676	42.2	1,753.79

Reference: Equity capital As of May 31, 2022: 14,767 million yen As of Feb. 28, 2022: 14,332 million yen

Note: Beginning with the first quarter of the fiscal year ending February 28, 2023, Nakamoto Packs is applying Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). All figures as of May 31, 2022 incorporate this accounting standard.

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2/22	-	29.00	-	33.00	62.00
FY2/23	-	-	-	-	-
FY2/23 (forecast)	-	31.00	-	31.00	62.00

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

3. Consolidated Forecast for FY2/23 (March 1, 2022 – February 28, 2023)

(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
First half	21,186	4.7	1,267	(8.2)	1,307	(14.8)	818	(4.6)	100.18
Full year	42,500	5.0	2,546	9.2	2,600	0.6	1,529	4.0	187.16

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: | Yes |
| 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 May 31, 2022: | 8,173,320 shares | As of Feb. 28, 2022: | 8,173,320 shares |
| 2) Number of treasury shares at the end of the period | | | |
| As of May 31, 2022: | 1,067 shares | As of Feb. 28, 2022: | 1,067 shares |
| 3) Average number of shares during the period | | | |
| 1Q FY2/23: | 8,172,253 shares | 1Q FY2/22: | 8,172,253 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

Nakamoto Packs has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter of the fiscal year ending February 28, 2023. For details, please refer to “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies”.

(1) Explanation of Results of Operations

During the first three months of the fiscal year, the Japanese economy showed some signs of recovery as it gradually normalized from the impact of the Covid-19 pandemic. But households are becoming more cautious about consumption against the backdrop of high prices due to soaring resource prices, as well as downside risks such as the situation in Ukraine and volatility in financial and capital markets. The Nakamoto Packs Group's business activities have also been adversely affected by rising manufacturing costs because of spiraling energy prices and disruptions to its supply chain.

The activities of the Group 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.” Priorities include developing and selling products with a lower environmental burden, lowering expenses, manufacturing products more efficiently, and improving the quality of products.

Due to these activities, sales increased 9.1% to 10,882 million yen. Operating profit decreased 14.4% to 603 million yen, ordinary profit decreased 9.2% to 747 million yen and profit attributable to owners of parent decreased 15.3% to 463 million yen.

Results of operations for product categories were as follows.

Food Packaging and Containers

As the effect of the Covid-19 pandemic eased, demand for materials used in take-out and delivery food containers and trays, which are used in many applications, has stabilized, and sales of packaging materials for frozen foods, dairy products, and tofu have been strong. Moreover, since the lifting of priority measures to prevent the spread of the Covid-19 pandemic, there has been a recovery in packaging for products sold at department stores and confectionery packaging, as well as an increase in demand for printing, laminating, and coating on paper and for prototypes using biodegradable gas barrier coated paper due to growing demand for paper packaging. As a result, sales increased by 7.2% to 6,977 million yen. As for profits, soaring electricity and fuel costs and higher ink and solvent prices have led to higher manufacturing costs. Although we progressively increased prices to compensate for higher costs, gross profit declined by 6.0% to 769 million yen.

IT and Industrial Materials

Although the shortage of semiconductors and the impact of the lockdowns in China caused a decline in sales of some products, such as films used in electronic component production processes, sales of production process films used in smartphones and electronic component packaging materials remained strong, while sales of materials for e-commerce applications and heavy-duty bags for the manufacturing industry increased. Production of prototype materials for next-generation batteries and renewable energy-related materials also higher. The result was a 23.3% increase in sales to 1,676 million yen and the gross profit was up 14.7% to 464 million yen.

Consumer Product Packaging and Materials

Sales increased 2.7% to 1,026 million yen due to steady sales of vacuum storage bags-related products and kitchen-related products such as cutting board sheets and kitchen mats, as well as an increase in sales of adhesive cleaners and labels for daily necessities. The gross profit decreased 14.1 % to 288 million yen as production efficiency deteriorated due to the impact of factors such as the restrictions on operations and logistical issues due to the Beijing Olympics and the lockdown caused by the impact of the Covid-19 pandemic in China, which is a major manufacturing base.

Printing Sheets for Building Materials

Sales of functional building materials for detached houses and apartment buildings were firm, and printing for wallpaper and fusuma paper (a traditional Japanese paper made from mulberry bark fiber) increased. As a result, sales were up 6.9% to 522 million yen. However, the profit margin declined due to the high cost of raw materials caused by material shortages and the large number of printed products with a relatively small number of colors. The gross profit declined 4.5% to 74 million yen.

Pharmaceuticals and Health Care

Sales to hospitals of packaging materials for transfusions were strong and orders for transdermal patches in relatively high price ranges as well as for generics were stable. The result was a 1.7% increase in sales to 339 million yen. The gross profit increased 17.9% to 82 million yen.

Others

There were also some one-off sales of machinery to chemical manufacturers. As a result, sales increased 18.7% to 340 million yen and the gross profit decreased 25.8% to 58 million yen.

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

Total assets increased 1,029 million yen from the end of the previous fiscal year to 34,963 million yen at the end of the first quarter.

Current assets increased 905 million yen to 19,707 million yen. This was mainly due to increases of 822 million yen in notes and accounts receivable-trade, and contract assets and 173 million yen in inventories, while there was a decrease of 140 million yen in cash and deposits.

Non-current assets increased 123 million yen to 15,256 million yen. This was mainly due to an increase of 169 million yen in property, plant and equipment resulting from the purchase of equipment for increasing output capacity.

Liabilities

Total liabilities increased 705 million yen to 18,963 million yen.

Current liabilities increased 524 million yen to 16,199 million yen. This was mainly due to increases in notes and accounts payable-trade of 190 million yen, electronically recorded obligations-operating of 187 million yen, short-term borrowings of 129 million yen, provision for bonuses of 127 million yen and other of 152 million yen, while there was a decrease in income taxes payable of 291 million yen.

Non-current liabilities increased 181 million yen to 2,764 million yen. This was mainly due to an increase of 185 million yen in long-term borrowings.

Net assets

Net assets increased 323 million yen to 16,000 million yen. This was mainly due to a 220 million yen increase in retained earnings due to profit attributable to owners of parent and other items and a 181 million yen increase in foreign currency translation adjustment, while there was a decrease of 111 million yen in non-controlling interests mainly due to change in ownership interest of parent due to transactions with 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, 2023, which were announced on April 8, 2022.

An announcement will be made promptly if a revision to the forecasts is required due to upcoming changes in the operating environment and other factors.

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

(Thousands of yen)

	FY2/22 (As of Feb. 28, 2022)	First quarter of FY2/23 (As of May 31, 2022)
Assets		
Current assets		
Cash and deposits	4,881,766	4,741,141
Notes and accounts receivable-trade	7,445,477	-
Notes and accounts receivable-trade, and contract assets	-	8,267,561
Electronically recorded monetary claims-operating	1,938,071	2,019,888
Merchandise and finished goods	2,592,447	2,733,322
Work in process	591,295	434,878
Raw materials and supplies	1,109,095	1,298,505
Other	249,493	217,570
Allowance for doubtful accounts	(6,151)	(5,512)
Total current assets	18,801,496	19,707,355
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,422,501	6,570,477
Machinery, equipment and vehicles, net	2,633,976	2,593,581
Land	3,138,364	3,138,364
Other, net	952,780	1,014,742
Total property, plant and equipment	13,147,623	13,317,166
Intangible assets	378,068	376,439
Investments and other assets		
Other	1,634,253	1,590,110
Allowance for doubtful accounts	(27,245)	(27,245)
Total investments and other assets	1,607,007	1,562,864
Total non-current assets	15,132,699	15,256,470
Total assets	33,934,195	34,963,825

	(Thousands of yen)	
	FY2/22 (As of Feb. 28, 2022)	First quarter of FY2/23 (As of May 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,237,559	4,428,519
Electronically recorded obligations-operating	3,743,291	3,930,587
Short-term borrowings	5,005,923	5,135,255
Current portion of long-term borrowings	677,386	705,405
Income taxes payable	588,636	296,842
Provision for bonuses	221,977	349,695
Other	1,200,077	1,352,877
Total current liabilities	15,674,852	16,199,182
Non-current liabilities		
Long-term borrowings	1,845,177	2,030,661
Retirement benefit liability	171,153	167,947
Other	566,471	565,649
Total non-current liabilities	2,582,802	2,764,258
Total liabilities	18,257,655	18,963,440
Net assets		
Shareholders' equity		
Share capital	1,057,468	1,057,468
Capital surplus	1,166,402	1,246,677
Retained earnings	11,356,927	11,577,125
Treasury shares	(1,101)	(1,101)
Total shareholders' equity	13,579,696	13,880,169
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	126,580	83,237
Deferred gains or losses on hedges	(89)	354
Foreign currency translation adjustment	607,472	788,630
Remeasurements of defined benefit plans	18,785	15,185
Total accumulated other comprehensive income	752,748	887,408
Non-controlling interests	1,344,095	1,232,805
Total net assets	15,676,540	16,000,384
Total liabilities and net assets	33,934,195	34,963,825

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****(For the Three-month Period)**

	(Thousands of yen)	
	First three months of FY2/22 (Mar. 1, 2021 – May 31, 2021)	First three months of FY2/23 (Mar. 1, 2022 – May 31, 2022)
Net sales	9,973,986	10,882,395
Cost of sales	8,186,731	9,143,956
Gross profit	1,787,254	1,738,438
Selling, general and administrative expenses	1,081,917	1,134,573
Operating profit	705,336	603,864
Non-operating income		
Interest income	1,154	3,299
Dividend income	580	625
Rental income from land and buildings	8,245	8,344
Dividend income of insurance	10,807	3,324
Foreign exchange gains	69,850	96,107
Other	55,596	58,267
Total non-operating income	146,235	169,967
Non-operating expenses		
Interest expenses	13,918	18,736
Other	14,588	7,812
Total non-operating expenses	28,507	26,548
Ordinary profit	823,064	747,283
Extraordinary losses		
Loss on retirement of non-current assets	30	1,263
Total extraordinary losses	30	1,263
Profit before income taxes	823,034	746,020
Income taxes	234,246	272,670
Profit	588,788	473,349
Profit attributable to non-controlling interests	40,779	9,430
Profit attributable to owners of parent	548,008	463,919

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

(Thousands of yen)

	First three months of FY2/22 (Mar. 1, 2021 – May 31, 2021)	First three months of FY2/23 (Mar. 1, 2022 – May 31, 2022)
Profit	588,788	473,349
Other comprehensive income		
Valuation difference on available-for-sale securities	201	(44,503)
Deferred gains or losses on hedges	5,653	870
Foreign currency translation adjustment	176,019	206,300
Remeasurements of defined benefit plans, net of tax	(1,667)	(3,599)
Total other comprehensive income	180,206	159,067
Comprehensive income	768,994	632,416
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	702,807	598,578
Comprehensive income attributable to non-controlling interests	66,186	33,837

(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.

Changes in Accounting Policies**Application of Accounting Standard for Revenue Recognition**

Nakamoto Packs has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) from the beginning of the first quarter of the current fiscal year. Based on these standards, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers. The major revisions due to the application of this new standard are as follows.

(1) Revenue recognition for agent transactions

In previous years, the entire amount received from customers for products purchased for resale was recognized as revenue. Revenue, net of payments to suppliers, is now recognized for transactions where the company is determined to be functioning as (the principal or an agent) an agent for the provision of goods and services to customers.

(2) Revenue recognition related to variable consideration

Variable consideration, such as rebates on product sales, was previously deducted from sales revenue when the sales amount was finalized, but the method has now been changed to estimate the amount of the variable portion of the consideration for the transaction and include it in the transaction price only to the extent that it is probable that a significant reduction in the recognized revenue will not occur.

(3) Revenue recognition on sales with right of return

For transactions involving sales of products where a right of return exists, the Group has changed to a method that does not recognize revenue at the time of sale, in accordance with the provisions regarding variable consideration, for the portion of the product that is expected to be returned

(4) Revenue recognition for performance obligations to be fulfilled over a specified period of time

Previously, the Group recognized revenue from construction contracts based on the completed-contract method. Now the Group has changed its method of accounting for contracts where the performance obligation is to be fulfilled over a certain period of time. The Group now estimates the percentage of completion in fulfilling the performance obligation and recognizes revenue over a certain period based on the percentage of completion. The method of estimating the degree of progress in meeting performance obligations is based on the proportion of the construction costs incurred by the end of each reporting period to the total expected construction costs. For construction contracts with a very short period of time from the start date to the point when the performance obligation is expected to be fully satisfied, an alternative treatment is applied and revenue is recognized when the performance obligation is fully satisfied, instead of recognizing revenue based on the percentage of completion.

(5) Revenue recognition for paid-in payments

Previously, the Group recognized the extinguishment of the paid-in supplies, but has now changed the method to not recognize the extinguishment of such supplies when it is obliged to repurchase the supplied goods

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional measures in the proviso to Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings.

As a result, net sales increased 3 million yen, cost of sales increased 10 million yen. Operating profit, ordinary profit and profit before income taxes declined 7 million yen each in the first three months of the current fiscal year. Notes and accounts receivable-trade, and contract assets increased 247 million yen, merchandise and finished goods increased 42 million yen, other under non-current assets increased 2 million yen, other under non-current liabilities increased 48 million yen and retained earnings increased 25 million yen at the beginning of the current fiscal year. There were decreases of 218 million yen in work in process and 3 million yen in non-controlling interests.

Due to the application of the Revenue Recognition Accounting Standard, “Notes and accounts receivable- trade” presented under “Current assets” in the consolidated balance sheet for the previous fiscal year has now been included in “Notes and accounts receivable-trade, and contract assets” in the consolidated balance sheet for the first quarter of the current fiscal year. In accordance with the transitional measures prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to the prior year’s consolidated financial statements. Furthermore, in accordance with the transitional measures prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), the Company has not presented information on revenue from contracts with customers broken down for the first quarter of the previous fiscal year.

Application of the Accounting Standard for Fair Value Measurement

Nakamoto Packs has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies set forth by the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application of this standard has no effect on the quarterly consolidated financial statements.

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.