



January 12, 2023

Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending February 28, 2023 (FY2/23)
(Nine Months Ended November 30, 2022)

[Japanese GAAP]

Company name: NAKAMOTO PACKS CO.,LTD.

Listing: Tokyo Stock Exchange

Securities code: 7811

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

Representative: Jun Kawata, President

Contact: Hidehiko Habuchi, Director, General Manager of Administration Division

Tel: +81-6-6762-0431

Scheduled date of filing of Quarterly Report: January 12, 2023

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 FY2/23 (March 1, 2022 – November 30, 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	%
Nine months ended Nov. 30, 2022	32,960	8.1	1,660	(19.3)	2,020	(10.1)	1,283	(1.3)
Nine months ended Nov. 30, 2021	30,487	14.1	2,057	47.9	2,245	58.0	1,300	17.9

Note: Comprehensive income
 Nine months ended Nov. 30, 2022: 1,817 million yen (up 12.8%)
 Nine months ended Nov. 30, 2021: 1,610 million yen (up 39.4%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended Nov. 30, 2022	157.11	-
Nine months ended Nov. 30, 2021	159.14	-

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 (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020). All figures for the nine months ended November 30, 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 Nov. 30, 2022	35,367	16,732	44.2	1,912.91
As of Feb. 28, 2022	33,934	15,676	42.2	1,753.79

Reference: Equity capital
 As of Nov. 30, 2022: 15,632 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 November 30, 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	-	31.00	-	-	-
FY2/23 (forecast)	-	-	-	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
Full year	43,000	6.2	1,800	(22.8)	2,150	(16.9)	1,220	(17.0)	149.29

Note: Revision to the most recently announced consolidated forecast: Yes

For more information about revisions to the consolidated forecast, see the January 12, 2023 press release titled "Notice of Revision to the Consolidated Forecast" (Japanese version only).

*** 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

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|---|------|
| 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 |

Note: Please refer to page 8 “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” for details.

(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, 2022:	8,173,320 shares	As of Feb. 28, 2022:	8,173,320 shares
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2) Number of treasury shares at the end of the period

As of Nov. 30, 2022:	1,067 shares	As of Feb. 28, 2022:	1,067 shares
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3) Average number of shares during the period

3Q FY2/23:	8,172,253 shares	3Q FY2/22:	8,172,253 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

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 nine months of the fiscal year, economic activities started returning to normal in Japan as the restrictions on social activities due to the COVID-19 pandemic were eased. However, inflation caused by the rising cost of resources is impacting consumer spending and there is a risk of an economic downturn because of the Ukraine crisis and financial market volatility. As a result, the outlook for the economy remains unclear. 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 8.1% to 32,960 million yen. Operating profit decreased 19.3% to 1,660 million yen, ordinary profit decreased 10.1% to 2,020 million yen and profit attributable to owners of parent decreased 1.3% to 1,283 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 dairy products, prepared food, and tofu have been strong. In addition, there has been a recovery in packaging for products sold in department stores and confectionery packaging as customer traffic is up, as well as an increase in demand for printing, laminating, and coating on paper containers and for prototypes using biodegradable gas barrier coated paper due to growing demand for paper packaging. As a result, sales increased 6.0% to 20,729 million yen. As for profits, soaring prices of inks, solvents, electricity, fuel, auxiliary materials, and logistics services pushed up almost all manufacturing-related costs. Although we progressively increased prices to compensate for higher costs, gross profit declined 8.3% to 2,198 million yen.

IT and Industrial Materials

Sales of some products decreased because of weakness in markets for electronics and optical applications caused by excessive inventories of components and other reasons. Sales of production process films used in smartphones and electronic component packaging materials increased mainly due to new orders, while sales of materials for e-commerce applications and heavy-duty bags for the manufacturing industry remained strong. Production of prototype materials for next-generation batteries and renewable energy-related materials was also higher. The result was a 21.0% increase in sales to 5,153 million yen. Gross profit was down 0.7% to 1,329 million yen as the gross profit margin declined due to higher manufacturing costs and changes in the product mix due to market conditions.

Consumer Product Packaging and Materials

Sales were steady for vacuum storage bags-related products and kitchen-related products such as cutting board sheets and kitchen mats. As a result, sales increased 8.2% to 3,538 million yen. Gross profit decreased 4.1% to 1,009 million yen as profit margins on sales of imported products in Japan were squeezed due to the yen’s depreciation.

Printing Sheets for Building Materials

Sales of building materials with functional surface coatings for houses and apartment buildings were firm and printing sales for wallpaper increased. As a result, sales were up 8.5% to 1,572 million yen and the gross profit increased 12.7% to 252 million yen.

Pharmaceuticals and Health Care

Although sales to hospitals of packaging materials for transfusions were firm, total sales in this category decreased. The main reasons are a decrease in prices of products because of a decline in the use of transdermal patches of original suppliers as sales shifted to generic products and drug price revisions. In addition, prices of raw materials for some products rose sharply. The result was a 1.1% decrease in sales to 995 million yen. The gross profit decreased 11.8% to 204 million yen.

Others

There were some one-off sales of machinery to chemical manufacturers. As a result, sales increased 2.9% to 971 million yen and the gross profit decreased 33.4% to 125 million yen.

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

Total assets increased 1,433 million yen from the end of the previous fiscal year to 35,367 million yen at the end of the third quarter.

Current assets increased 1,510 million yen to 20,311 million yen. This was mainly due to increases of 1,146 million yen in notes and accounts receivable-trade, and contract assets, 368 million yen in electronically recorded monetary claims-operating, and 675 million yen in inventories. There was a decrease of 743 million yen in cash and deposits.

Non-current assets decreased 76 million yen to 15,055 million yen. An increase in non-current assets due to capital expenditures to raise production capacity was offset by the sale of non-current assets resulting from the approval on October 8, 2021, by the Board of Directors of a resolution to shut down and liquidate consolidated subsidiary Langfang Zhongben Package Co., Ltd. in China.

Liabilities

Total liabilities increased 377 million yen to 18,635 million yen.

Current liabilities increased 296 million yen to 15,971 million yen. This was mainly due to increases of 517 million yen in notes and accounts payable-trade, 445 million yen in electronically recorded obligations-operating and 156 million yen in provision for bonuses. There were decreases of 318 million yen in short-term borrowings, 278 million yen in income taxes payable and 246 million yen in other current liabilities.

Non-current liabilities increased 81 million yen to 2,664 million yen. This was mainly due to an increase in long-term borrowings of 121 million yen.

Net assets

Net assets increased 1,055 million yen to 16,732 million yen. This was mainly due to a 786 million yen increase in retained earnings from profit attributable to owners of parent and other items, a 129 million yen increase in capital surplus and a 404 million yen increase in foreign currency translation adjustment. There was a decrease of 244 million yen in non-controlling interests mainly due to additional purchase of consolidated subsidiary stock.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

We have revised our consolidated earnings forecast for the fiscal year ending February 28, 2023, which was announced on April 8, 2022, after reviewing our business performance trends, business environment, and other factors. For more information, see the January 12, 2023 press release titled "Notice of Revision to the Consolidated Forecast" (Japanese version only).

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)	Third quarter of FY2/23 (As of Nov. 30, 2022)
Assets		
Current assets		
Cash and deposits	4,881,766	4,138,438
Notes and accounts receivable-trade	7,445,477	-
Notes and accounts receivable-trade, and contract assets	-	8,591,756
Electronically recorded monetary claims-operating	1,938,071	2,307,017
Merchandise and finished goods	2,592,447	3,029,869
Work in process	591,295	468,241
Raw materials and supplies	1,109,095	1,469,875
Other	249,493	312,430
Allowance for doubtful accounts	(6,151)	(6,001)
Total current assets	18,801,496	20,311,627
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,422,501	6,378,476
Machinery, equipment and vehicles, net	2,633,976	2,628,176
Land	3,138,364	3,138,364
Other, net	952,780	968,291
Total property, plant and equipment	13,147,623	13,113,308
Intangible assets	378,068	367,065
Investments and other assets		
Other	1,634,253	1,602,701
Allowance for doubtful accounts	(27,245)	(27,245)
Total investments and other assets	1,607,007	1,575,455
Total non-current assets	15,132,699	15,055,830
Total assets	33,934,195	35,367,457

	(Thousands of yen)	
	FY2/22 (As of Feb. 28, 2022)	Third quarter of FY2/23 (As of Nov. 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,237,559	4,754,806
Electronically recorded obligations-operating	3,743,291	4,188,492
Short-term borrowings	5,005,923	4,686,941
Current portion of long-term borrowings	677,386	698,953
Income taxes payable	588,636	310,453
Provision for bonuses	221,977	378,120
Other	1,200,077	953,435
Total current liabilities	15,674,852	15,971,203
Non-current liabilities		
Long-term borrowings	1,845,177	1,966,507
Retirement benefit liability	171,153	164,752
Other	566,471	532,873
Total non-current liabilities	2,582,802	2,664,133
Total liabilities	18,257,655	18,635,336
Net assets		
Shareholders' equity		
Share capital	1,057,468	1,057,468
Capital surplus	1,166,402	1,296,351
Retained earnings	11,356,927	12,143,794
Treasury shares	(1,101)	(1,101)
Total shareholders' equity	13,579,696	14,496,513
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	126,580	101,363
Deferred gains or losses on hedges	(89)	14,466
Foreign currency translation adjustment	607,472	1,012,458
Remeasurements of defined benefit plans	18,785	7,986
Total accumulated other comprehensive income	752,748	1,136,274
Non-controlling interests	1,344,095	1,099,332
Total net assets	15,676,540	16,732,120
Total liabilities and net assets	33,934,195	35,367,457

(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 FY2/22 (Mar. 1, 2021 – Nov. 30, 2021)	First nine months of FY2/23 (Mar. 1, 2022 – Nov. 30, 2022)
Net sales	30,487,894	32,960,736
Cost of sales	25,052,700	27,840,168
Gross profit	5,435,193	5,120,567
Selling, general and administrative expenses	3,377,243	3,460,250
Operating profit	2,057,950	1,660,317
Non-operating income		
Interest income	4,357	7,020
Dividend income	9,744	13,210
Rental income from land and buildings	24,906	26,033
Foreign exchange gains	101,870	262,488
Other	133,458	135,113
Total non-operating income	274,337	443,866
Non-operating expenses		
Interest expenses	46,690	53,726
Other	39,724	30,354
Total non-operating expenses	86,414	84,080
Ordinary profit	2,245,873	2,020,102
Extraordinary income		
Gain on sale of non-current assets	-	74,853
Total extraordinary income	-	74,853
Extraordinary losses		
Loss on retirement of non-current assets	1,789	49,352
Impairment losses	29,490	-
Extra retirement payments	128,496	-
Total extraordinary losses	159,775	49,352
Profit before income taxes	2,086,098	2,045,603
Income taxes	701,518	664,794
Profit	1,384,579	1,380,809
Profit attributable to non-controlling interests	84,079	96,881
Profit attributable to owners of parent	1,300,500	1,283,927

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

(Thousands of yen)

	First nine months of FY2/22 (Mar. 1, 2021 – Nov. 30, 2021)	First nine months of FY2/23 (Mar. 1, 2022 – Nov. 30, 2022)
Profit	1,384,579	1,380,809
Other comprehensive income		
Valuation difference on available-for-sale securities	(29,845)	(26,566)
Deferred gains or losses on hedges	5,823	28,539
Foreign currency translation adjustment	255,084	445,322
Remeasurements of defined benefit plans, net of tax	(5,002)	(10,798)
Total other comprehensive income	226,059	436,497
Comprehensive income	1,610,639	1,817,306
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,491,485	1,667,454
Comprehensive income attributable to non-controlling interests	119,153	149,852

(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 (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 decreased 270 million yen, cost of sales decreased 235 million yen. Operating profit, ordinary profit and profit before income taxes declined 35 million yen each in the first nine months of the current fiscal year. Notes and accounts receivable-trade, and contract assets increased 11 million yen, merchandise and finished goods increased 48 million yen, other under current assets increased 3 million yen, other under current liabilities increased 59 million yen and retained earnings increased 25 million yen at the beginning of the current fiscal year. There were decreases of 8 million yen in work in process and 3 million yen in non-controlling interests.

Due to the application of the Accounting Standard for Revenue Recognition, “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 from 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 nine months 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.