

Consolidated Financial Results for the Nine Months Ended December 31, 2023(unaudited) [Japanese GAAP]

Company name: **Rengo Co., Ltd.**
 Listing: Tokyo Stock Exchange
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 Scheduled date to file quarterly securities report: February 14, 2024
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

(Amounts are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2023 (April 1, 2023 - December 31, 2023)

(1) Consolidated Operating Results (cumulative)

(Percentages indicate changes from the same period of previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2023	691,742	7.2	42,748	81.0	45,089	73.3	32,981	88.9
December 31, 2022	645,294	15.5	23,616	(20.5)	26,017	(20.1)	17,463	(32.5)

Note: Comprehensive income

Nine months ended December 31, 2023: 58,142 million yen 39.5%

Nine months ended December 31, 2022: 41,691 million yen 29.6%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
December 31, 2023	133.15	—
December 31, 2022	70.51	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of			
December 31, 2023	1,166,436	437,335	36.3
March 31, 2023	1,053,138	385,732	35.4

Reference: Shareholders' equity As of December 31, 2023: 423,282 million yen

As of March 31, 2023: 372,795 million yen

2. Cash Dividends

	Annual dividends per share				
	1st Quarter-end	2nd Quarter-end	3rd Quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	12.00	—	12.00	24.00
Fiscal year ending March 31, 2024	—	12.00	—		
Fiscal year ending March 31, 2024 (Forecast)				18.00	30.00

Note: 1. Revisions to the cash dividend forecast from the latest announcement: Yes

2. The year-end dividends (Forecast) include commemorative dividends of 3.0 yen to mark the 115th anniversary of the Company's foundation.

3. Consolidated Financial Forecasts for the Year Ending March 31, 2024 (April 1, 2023 - March 31, 2024)

(Percentages indicate changes from the same period of previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full fiscal year	930,000	9.9	47,000	81.1	49,000	70.8	32,000	56.7	129.19

Note: Revisions to the consolidated financial forecasts from the latest announcement: None

4. Notes

(1) Changes in significant subsidiaries during the period

(changes in specified subsidiaries resulting in the change in scope of consolidation): None

New: – (Company name:)

Excluded: – (Company name:)

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies other than (i) above: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2023 271,056,029 Shares

As of March 31, 2023 271,056,029 Shares

(ii) Number of treasury shares at the end of the period

As of December 31, 2023 23,355,127 Shares

As of March 31, 2023 23,365,876 Shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2023 247,700,652 Shares

Nine months ended December 31, 2022 247,675,445 Shares

(Note)The Company has introduced a stock compensation plan using a Trust for Directors and executive officers, and its shares held by the Trust are included in the number of treasury shares.

* This report is not subject to quarterly review procedures by certified public accountants or audit corporations.

* Explanation for the appropriate use of financial forecasts and other notes:

Any statement in this document regarding the forecasts is based on the information currently available to the Company and certain assumptions the Company considers reasonable. The actual results may differ significantly from these forecasts due to various factors.

* This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months ended December 31, 2023, as a result of product price revisions, net sales were ¥691,742 million (107.2% year on year), operating profit was ¥42,748 million (181.0% year on year), ordinary profit was ¥45,089 million (173.3% year on year), and profit attributable to owners of parent was ¥32,981 million (188.9% year on year). This resulted in higher sales and profit.

An overview of each segment for the nine months ended December 31, 2023 is as follows.

[Paperboard and Packaging-Related Business]

The Paperboard and Packaging-Related Business reported higher sales and profit due to product price revisions despite decreased sales volume.

As a result, net sales were ¥391,895 million (106.8% year on year) and operating profit was ¥30,849 million (238.3% year on year).

[Flexible Packaging-Related Business]

The Flexible Packaging-Related Business reported higher sales and profit due to product price revisions.

As a result, net sales were ¥92,093 million (105.9% year on year) and operating profit was ¥3,957 million (151.3% year on year).

[Heavy Duty Packaging-Related Business]

In the Heavy Duty Packaging-Related Business, sales and profit decreased, resulting from a decline in petrochemical-related demand.

As a result, net sales were ¥33,614 million (98.2% year on year) and operating profit was ¥834 million (91.1% year on year).

[Overseas Business]

The Overseas Business reported higher sales supported by the increase in the number of consolidated subsidiaries; however, as a result of an increase in fixed costs and other factors, profit decreased.

As a result, net sales were ¥148,021 million (112.9% year on year) and operating profit was ¥5,922 million (97.9% year on year).

[Other Businesses]

In the Other Businesses, sales and profit increased due to steady sales of packaging machines and other products.

As a result, net sales were ¥26,118 million (100.6% year on year) and operating profit was ¥1,018 million (106.3% year on year).

(2) Explanation of Financial Position

Total assets as of December 31, 2023 were ¥1,166,436 million, an increase of ¥113,298 million from the end of the previous fiscal year. The increase was mainly due to increases in notes and accounts receivable - trade; cash and deposits; property, plant and equipment; and intangible assets.

Total liabilities amounted to ¥729,101 million, an increase of ¥61,696 million from the end of the previous fiscal year. The increase was mainly due to increases in long- and short-term borrowings and notes and accounts payable - trade.

Net assets were ¥437,335 million, an increase of ¥51,603 million from the end of the previous fiscal year. This was due in part to an increase in retained earnings as a result of reporting profit attributable to owners of parent and an increase in foreign currency translation adjustment resulting from exchange rate fluctuation.

As a result, the shareholders' equity ratio increased by 0.9 percentage points from the end of the previous fiscal year to 36.3%.

(3) Explanation of Consolidated Financial Forecasts and Other Forward-Looking Information

In light of a number of uncertainties at the moment, the consolidated financial forecasts announced on May 12, 2023 have not been revised.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	72,532	109,180
Notes and accounts receivable - trade	242,862	285,605
Merchandise and finished goods	43,293	44,014
Work in process	5,980	5,501
Raw materials and supplies	37,980	36,196
Other	11,852	10,029
Allowance for doubtful accounts	(938)	(1,050)
Total current assets	413,564	489,478
Non-current assets		
Property, plant and equipment		
Buildings and structures	312,926	334,388
Accumulated depreciation	(190,992)	(197,856)
Buildings and structures, net	121,933	136,531
Machinery, equipment and vehicles	646,134	667,597
Accumulated depreciation	(519,417)	(537,992)
Machinery, equipment and vehicles, net	126,716	129,605
Land	132,570	135,479
Leased assets	29,132	35,014
Accumulated depreciation	(12,501)	(17,655)
Leased assets, net	16,631	17,358
Construction in progress	19,077	22,306
Other	26,368	27,873
Accumulated depreciation	(20,334)	(21,336)
Other, net	6,034	6,537
Total property, plant and equipment	422,964	447,819
Intangible assets		
Goodwill	27,215	28,216
Other	21,265	21,378
Total intangible assets	48,480	49,594
Investments and other assets		
Investment securities	138,850	149,026
Long-term loans receivable	548	741
Retirement benefit asset	3,385	3,389
Deferred tax assets	2,234	1,796
Other	24,037	25,530
Allowance for doubtful accounts	(927)	(939)
Total investments and other assets	168,129	179,544
Total non-current assets	639,574	676,958
Total assets	1,053,138	1,166,436

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	143,950	157,194
Short-term borrowings	134,539	130,836
Current portion of bonds payable	10,110	5,010
Lease liabilities	4,761	5,507
Accrued expenses	33,728	34,351
Income taxes payable	5,058	10,634
Provision for bonuses for directors (and other officers)	274	-
Other	35,809	43,467
Total current liabilities	368,231	387,002
Non-current liabilities		
Bonds payable	80,065	95,060
Long-term borrowings	162,774	187,312
Lease liabilities	12,027	12,350
Deferred tax liabilities	25,793	27,884
Provision for retirement benefits for directors (and other officers)	812	761
Provision for share awards for directors (and other officers)	599	833
Factory move cost reserve	363	174
Retirement benefit liability	13,542	14,511
Other	3,195	3,211
Total non-current liabilities	299,174	342,099
Total liabilities	667,405	729,101
Net assets		
Shareholders' equity		
Share capital	31,066	31,066
Capital surplus	33,597	33,887
Retained earnings	252,677	279,587
Treasury shares	(12,167)	(12,555)
Total shareholders' equity	305,174	331,986
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	35,467	40,278
Deferred gains or losses on hedges	-	0
Foreign currency translation adjustment	28,325	47,596
Remeasurements of defined benefit plans	3,827	3,419
Total accumulated other comprehensive income	67,621	91,295
Non-controlling interests	12,937	14,053
Total net assets	385,732	437,335
Total liabilities and net assets	1,053,138	1,166,436

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Nine Months Ended December 31

(Millions of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Net sales	645,294	691,742
Cost of sales	534,380	553,917
Gross profit	110,913	137,824
Selling, general and administrative expenses		
Freight and packing costs	22,053	22,287
Salaries and allowances	26,614	29,061
Amortization of goodwill	2,160	2,671
Other	36,469	41,055
Total selling, general and administrative expenses	87,296	95,075
Operating profit	23,616	42,748
Non-operating income		
Interest income	158	276
Dividend income	1,820	1,987
Share of profit of entities accounted for using equity method	1,221	1,699
Other	2,291	2,607
Total non-operating income	5,491	6,571
Non-operating expenses		
Interest expenses	1,406	2,392
Other	1,683	1,838
Total non-operating expenses	3,090	4,230
Ordinary profit	26,017	45,089
Extraordinary income		
Gain on sale of investment securities	793	3,631
Compensation income	3,325	20
Other	306	572
Total extraordinary income	4,425	4,224
Extraordinary losses		
Loss on sale and retirement of non-current assets	473	724
Renewal expenses of plants	460	263
Loss on tax purpose reduction entry of non-current assets	2,002	6
Other	1,555	171
Total extraordinary losses	4,492	1,166
Profit before income taxes	25,950	48,148
Income taxes - current	7,588	14,366
Income taxes - deferred	177	(105)
Total income taxes	7,765	14,261
Profit	18,184	33,886
Profit attributable to non-controlling interests	721	905
Profit attributable to owners of parent	17,463	32,981

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Millions of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Profit	18,184	33,886
Other comprehensive income		
Valuation difference on available-for-sale securities	301	4,825
Deferred gains or losses on hedges	-	0
Foreign currency translation adjustment	15,571	13,583
Remeasurements of defined benefit plans, net of tax	(476)	(410)
Share of other comprehensive income of entities accounted for using equity method	8,109	6,255
Total other comprehensive income	23,506	24,255
Comprehensive income	41,691	58,142
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	40,380	56,656
Comprehensive income attributable to non-controlling interests	1,310	1,486

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Segment information, etc.)

(Segment information)

For the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

1. Information on sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segment					Other Businesses *1	Adjustments *2	Total *3
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal			
Sales								
Sales to third parties	366,972	86,998	34,235	131,126	619,332	25,961	—	645,294
Intersegment sales and transfers	1,634	505	2,418	5,545	10,104	21,349	(31,453)	—
Total sales	368,607	87,503	36,653	136,671	629,436	47,310	(31,453)	645,294
Segment profit	12,945	2,615	915	6,050	22,526	958	131	23,616

*1 "Other Businesses" are businesses which are not included in reportable segments and include domestic manufacturing and sales of nonwoven products, paper packaging machinery and other businesses such as transport, insurance agency, leasing and real estate.

*2 The adjustment of segment profit of ¥131 million was from the elimination of intersegment transactions.

*3 The segment profit was reconciled with operating profit in the quarterly consolidated statements of income.

2. Information on assets by reportable segment

(Significant increase in assets due to acquisition of subsidiaries)

As the Rengo Group acquired equity of THIMM Packaging Systems GmbH & Co.KG (new company name: TRICOR Packaging Systems GmbH) and included the company and its subsidiaries in the scope of consolidation during the first quarter, the segment assets of "Overseas Business" for the third quarter of the fiscal year under review increased by ¥76,895 million from the end of the previous fiscal year.

3. Information on impairment loss of non-current assets or goodwill, etc. by reportable segment

(Significant change in the amount of goodwill)

In the "Overseas Business," as the Rengo Group acquired equity of THIMM Packaging Systems GmbH & Co.KG (new company name: TRICOR Packaging Systems GmbH) and included the company and its subsidiaries in the scope of consolidation during the first quarter, the amount of goodwill had been calculated

on a tentative basis. The allocation of the acquisition cost was completed at the end of the previous fiscal year, therefore, the amount of goodwill is recorded as ¥6,427 million.

For the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

Information on sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segment					Other Businesses *1	Adjustments *2	Total *3
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal			
Sales								
Sales to third parties	391,895	92,093	33,614	148,021	665,624	26,118	—	691,742
Intersegment sales and transfers	2,065	400	2,523	4,488	9,477	21,449	(30,927)	—
Total sales	393,960	92,494	36,138	152,509	675,102	47,567	(30,927)	691,742
Segment profit	30,849	3,957	834	5,922	41,563	1,018	166	42,748

*1 “Other Businesses” are businesses which are not included in reportable segments and include domestic manufacturing and sales of nonwoven products, paper packaging machinery and other businesses such as transport, insurance agency, leasing and real estate.

*2 The adjustment of segment profit of ¥166 million was from the elimination of intersegment transactions.

*3 The segment profit was reconciled with operating profit in the quarterly consolidated statements of income.