

February 4, 2025

Consolidated Financial Results for the Nine Months Ended December 31, 2024(unaudited) [Japanese GAAP]

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 Listing: Tokyo Stock Exchange
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 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on financial results: None
 Holding of financial results briefing: None

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2024 (April 1, 2024 – December 31, 2024)

(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, 2024	741,486	7.2	33,364	(22.0)	35,277	(21.8)	26,352	(20.1)
December 31, 2023	691,742	7.2	42,748	81.0	45,089	73.3	32,981	88.9

Note: Comprehensive income

Nine months ended December 31, 2024: 33,807 million yen (41.9%)

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

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2024	106.34	—
December 31, 2023	133.15	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2024	1,254,324	486,598	35.9
March 31, 2024	1,172,515	438,978	36.3

Reference: Shareholders' equity As of December 31, 2024: 450,560 million yen

As of March 31, 2024: 425,293 million yen

2. Cash Dividends

	Annual dividends per share				
	1st Quarter-end	2nd Quarter-end	3rd Quarter-end	Fiscal year-end	Total
Fiscal year ended March 31, 2024	Yen —	Yen 12.00	Yen —	Yen 18.00	Yen 30.00
Fiscal year ending March 31, 2025	—	15.00	—		
Fiscal year ending March 31, 2025(Forecast)				15.00	30.00

Note: 1. Revisions to the cash dividend forecast from the latest announcement: None

2. The year-end dividends for the year ended March 31, 2024 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, 2025 (April 1, 2024 - March 31, 2025)

(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	1,000,000	11.0	38,000	(22.2)	40,000	(16.6)	28,000	(15.2)	112.99

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

4. Notes

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: 13 companies RM TOHCELLO CO., LTD.
OASIS Inc.
OASIS EXPRESS Inc.
J-Pack Co., Ltd.,
Fengyuan Tri-Wall Packaging (Shandong) Co., Ltd.
Tri-Wall Hongjiang Packaging (Shanghai) Co., Ltd. and 7 other companies.

Excluded: 4 companies Sun-Tox Co., Ltd.
Nitto Shiki Kogyo Co., Ltd.
Tachikawa Danboru Kogyo Co., Ltd. and 1 other company.

(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: Yes
- (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, 2024 271,056,029 Shares
As of March 31, 2024 271,056,029 Shares

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

As of December 31, 2024 23,241,418 Shares
As of March 31, 2024 23,355,661 Shares

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

Nine months ended December 31, 2024 247,806,347 Shares
Nine months ended December 31, 2023 247,700,642 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.

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* 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, 2024, net sales increased to ¥741,486 million (107.2% year on year) supported by the increase in the number of consolidated subsidiaries and product price revisions. However, operating profit decreased to ¥33,364 million (78.0% year on year), ordinary profit decreased to ¥35,277 million (78.2% year on year), and profit attributable to owners of parent decreased to ¥26,352 million (79.9% year on year), mainly due to rising raw material prices and higher fixed costs.

An overview of each segment for the nine months ended December 31, 2024 is as follows.

[Paperboard and Packaging-Related Business]

In the Paperboard and Packaging-Related Business, net sales remained at the same level as the previous fiscal year, but profit decreased mainly due to higher fixed costs and increased prices for raw materials and fuels.

As a result, net sales were ¥393,017 million (100.3% year on year) and operating profit was ¥21,034 million (68.2% year on year).

[Flexible Packaging-Related Business]

The Flexible Packaging-Related Business reported higher sales and profit mainly due to product price revisions and the increase in the number of consolidated subsidiaries.

As a result, net sales were ¥137,190 million (149.0% year on year) and operating profit was ¥4,084 million (103.2% year on year).

[Heavy Duty Packaging-Related Business]

In the Heavy Duty Packaging-Related Business, sales and profit increased due to strong sales of industrial resins despite a decline in petrochemical-related demand.

As a result, net sales were ¥34,675 million (103.2% year on year) and operating profit was ¥1,331 million (159.6% year on year).

[Overseas Business]

In the Overseas Business, net sales remained at the same level as the previous fiscal year. However, profit decreased mainly due to worsening profitability in the heavy duty packaging business in Europe.

As a result, net sales were ¥148,141 million (100.1% year on year) and operating profit was ¥5,191 million (87.7% year on year).

[Other Business]

In the Other Businesses, net sales and profit increased due to the increase in the number of consolidated subsidiaries, improved profitability in the transport business, and other factors.

As a result, net sales were ¥28,461 million (109.0% year on year) and operating profit was ¥1,467 million (144.1% year on year).

(2) Explanation of Financial Position

Total assets as of December 31, 2024 were ¥1,254,324 million, an increase of ¥81,809 million from the end of the previous fiscal year. The increase was mainly due to increases in notes and accounts receivable - trade and property, plant and equipment following the inclusion of RM TOHCELLO CO., LTD. and its subsidiaries in the scope of consolidation.

Total liabilities amounted to ¥767,726 million, an increase of ¥34,189 million from the end of the previous fiscal year. The increase was mainly due to increases in notes and accounts payable – trade and long- and short-term borrowings.

Net assets were ¥486,598 million, an increase of ¥47,620 million from the end of the previous fiscal year. This was primarily due to an increase in non-controlling interests resulting from the inclusion of RM TOHCELLO CO., LTD. and its subsidiaries in the scope of consolidation, 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 the weaker yen.

As a result, the shareholders' equity ratio decreased by 0.4 percentage points from the end of the previous fiscal year to 35.9%.

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

We have revised the consolidated financial forecasts for the full fiscal year ending March 31, 2025 announced on May 10, 2024.

	Fiscal year ended March 31, 2024	Fiscal year ending March 31, 2025 (Forecast)	Year-on-year
Net sales (millions of yen)	900,791	1,000,000	111.0%
Operating profit (millions of yen)	48,855	38,000	77.8%
Ordinary profit (millions of yen)	47,984	40,000	83.4%
Profit attributable to owners of parent (millions of yen)	33,025	28,000	84.8%
Profit per share (yen)	133.33	112.99	(20.34) yen
Capital expenditures (millions of yen)	73,833	101,500	137.5%
Depreciation and amortization (millions of yen)	48,761	53,000	108.7%

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	117,588	90,201
Notes and accounts receivable - trade	271,408	307,831
Merchandise and finished goods	43,668	55,304
Work in process	5,563	6,749
Raw materials and supplies	35,872	41,591
Other	11,078	13,224
Allowance for doubtful accounts	(982)	(974)
Total current assets	484,196	513,927
Non-current assets		
Property, plant and equipment		
Buildings and structures	337,538	370,413
Accumulated depreciation	(199,581)	(219,081)
Buildings and structures, net	137,956	151,332
Machinery, equipment and vehicles	681,054	745,215
Accumulated depreciation	(542,226)	(605,248)
Machinery, equipment and vehicles, net	138,828	139,967
Land	135,892	151,558
Leased assets	34,221	37,523
Accumulated depreciation	(16,312)	(20,287)
Leased assets, net	17,909	17,236
Construction in progress	19,387	31,300
Other	28,099	33,166
Accumulated depreciation	(21,606)	(25,102)
Other, net	6,493	8,064
Total property, plant and equipment	456,467	499,460
Intangible assets		
Goodwill	27,075	25,124
Other	21,333	20,415
Total intangible assets	48,408	45,539
Investments and other assets		
Investment securities	151,144	160,939
Long-term loans receivable	740	754
Retirement benefit asset	5,423	5,428
Deferred tax assets	2,414	2,095
Other	24,628	27,084
Allowance for doubtful accounts	(909)	(904)
Total investments and other assets	183,442	195,397
Total non-current assets	688,318	740,397
Total assets	1,172,515	1,254,324

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	152,857	172,333
Short-term borrowings	131,820	161,563
Current portion of bonds payable	5,010	10
Lease liabilities	5,512	5,675
Accrued expenses	37,786	37,948
Income taxes payable	13,958	5,396
Provision for bonuses for directors (and other officers)	440	-
Other	44,895	43,479
Total current liabilities	392,280	426,406
Non-current liabilities		
Bonds payable	95,055	95,050
Long-term borrowings	188,061	183,333
Lease liabilities	12,209	11,870
Deferred tax liabilities	30,258	32,465
Provision for retirement benefits for directors (and other officers)	784	823
Provision for share awards for directors (and other officers)	800	993
Retirement benefit liability	10,928	13,928
Other	3,159	2,855
Total non-current liabilities	341,257	341,319
Total liabilities	733,537	767,726
Net assets		
Shareholders' equity		
Share capital	31,066	31,066
Capital surplus	33,663	34,641
Retained earnings	279,627	297,904
Treasury shares	(12,556)	(12,457)
Total shareholders' equity	331,801	351,154
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	44,310	46,741
Foreign currency translation adjustment	41,976	46,139
Remeasurements of defined benefit plans	7,204	6,524
Total accumulated other comprehensive income	93,491	99,406
Non-controlling interests	13,684	36,037
Total net assets	438,978	486,598
Total liabilities and net assets	1,172,515	1,254,324

(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, 2023	For the nine months ended December 31, 2024
Net sales	691,742	741,486
Cost of sales	553,917	602,483
Gross profit	137,824	139,003
Selling, general and administrative expenses		
Freight and packing costs	22,287	24,461
Salaries and allowances	29,061	32,729
Amortization of goodwill	2,671	2,573
Other	41,055	45,875
Total selling, general and administrative expenses	95,075	105,639
Operating profit	42,748	33,364
Non-operating income		
Interest income	276	689
Dividend income	1,987	2,198
Share of profit of entities accounted for using equity method	1,699	1,771
Other	2,607	3,030
Total non-operating income	6,571	7,689
Non-operating expenses		
Interest expenses	2,392	2,995
Other	1,838	2,780
Total non-operating expenses	4,230	5,776
Ordinary profit	45,089	35,277
Extraordinary income		
Gain on bargain purchase	-	5,448
Gain on sale of investment securities	3,631	83
Other	593	448
Total extraordinary income	4,224	5,980
Extraordinary losses		
Loss on sale and retirement of non-current assets	724	1,045
Renewal expenses of plants	263	930
Other	178	1,262
Total extraordinary losses	1,166	3,238
Profit before income taxes	48,148	38,020
Income taxes - current	14,366	8,975
Income taxes - deferred	(105)	1,387
Total income taxes	14,261	10,363
Profit	33,886	27,656
Profit attributable to non-controlling interests	905	1,303
Profit attributable to owners of parent	32,981	26,352

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Millions of yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Profit	33,886	27,656
Other comprehensive income		
Valuation difference on available-for-sale securities	4,825	2,424
Deferred gains or losses on hedges	0	-
Foreign currency translation adjustment	13,583	3,127
Remeasurements of defined benefit plans, net of tax	(410)	(686)
Share of other comprehensive income of entities accounted for using equity method	6,255	1,284
Total other comprehensive income	24,255	6,150
Comprehensive income	58,142	33,807
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	56,656	32,273
Comprehensive income attributable to non-controlling interests	1,486	1,534

(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.

(Changes in accounting policies)

(Notes regarding changes in accounting policies)

(Application of "Accounting Standard for Current Income Taxes," etc.)

The Rengo Group has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter the "2022 Revised Accounting Standard") and other standards from the beginning of the first quarter of the fiscal year. This does not affect the quarterly consolidated financial statements.

Regarding the revision to accounting classification of income taxes (taxation on other comprehensive income), the Rengo Group follows the transitional treatment stipulated in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment stipulated in the proviso to Paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; hereinafter the "2022 Revised Guidance").

(Business combinations)

Business combination through acquisition

1. Summary of the combination

(1) Name and business of the company acquired

Name: Mitsui Chemicals Tohcello, Inc.

Business: Manufacturing and sales of packaging-use polyolefin film and foam-molded sheets

(2) Reason for the combination

By making a subsidiary of the Company through after the management integration of Sun·Tox Co., Ltd. and Mitsui Chemicals Tohcello, Inc., the Rengo Group will respond flexibly to changes in the business environment surrounding the plastic packaging materials industry, promote high profitability in the polyolefin film and foamed sheets business, accelerate the development of environment-friendly new products and expand overseas business, which will lead to achieving its sustainable growth strategy.

(3) Date of the combination

April 1, 2024

(4) Legal form of the combination

Acquisition of equity shares for cash consideration

(5) Post-combination name of the acquired company

RM TOHCELLO CO., LTD.

(6) Percentage of voting rights acquired

51.0%

(7) Basis for determining acquiring company

The Company acquired shares of Mitsui Chemicals Tohcello, Inc. from Mitsui Chemicals, Inc. so that the Company will own 51.0% of voting rights of the acquired company after Mitsui Chemicals Tohcello, Inc. absorbed Sun·Tox Co., Ltd.

2. Acquisition cost and type of consideration paid

Consideration paid for acquisition	Cash	¥10,929 million
Acquisition cost		¥10,929 million

3. Principal acquisition related expenses

Advisory fees, etc.: ¥305 million

4. Amount and cause of gain on bargain purchase arising from the acquisition

(1) Amount of gain on bargain purchase

¥5,448 million

As the allocation of acquisition cost has not been completed, the amount of gain on bargain purchase is a provisionally calculated amount.

(2) Cause

Because the fair value of net assets of the acquired company at the time of the business combination exceeded the acquisition cost, the difference is recorded as gain on bargain purchase.

(Segment information, etc.)

(Segment information)

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.

For the nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)

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	393,017	137,190	34,675	148,141	713,025	28,461	—	741,486
Intersegment sales and transfers	1,796	572	2,584	5,842	10,795	25,433	(36,228)	—
Total sales	394,813	137,762	37,259	153,983	723,820	53,894	(36,228)	741,486
Segment profit	21,034	4,084	1,331	5,191	31,641	1,467	255	33,364

*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 ¥255 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 shares of Mitsui Chemicals Tohcello, Inc. (new company name: RM TOHCELLO CO., LTD.) and included the company and its subsidiaries in the scope of consolidation during the first quarter of the fiscal year under review, the segment assets of “Flexible Packaging-Related Business” for the third quarter of the fiscal year under review increased by ¥58,250 million from the end of the previous fiscal year.

As the allocation of acquisition cost has not been completed, the amount of segment assets is a provisionally calculated amount.

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

(Significant gain on bargain purchase)

As the Rengo Group acquired shares of Mitsui Chemicals Tohcello, Inc. (new company name: RM TOHCELLO CO., LTD.) and included the company and its subsidiaries in the scope of consolidation during the first quarter of the fiscal year under review, gain on bargain purchase of ¥5,448 million was recognized in the “Flexible Packaging-Related Business” segment.

As the allocation of acquisition cost has not been completed, the amount of gain on bargain purchase is a provisionally calculated amount. In addition, gain on bargain purchase is not included in segment profit in the above table as it is an extraordinary income item.

(Notes regarding statements of cash flows)

Quarterly consolidated statements of cash flows were not prepared for the nine months ended December 31, 2024. Depreciation (including amortization of intangible assets other than goodwill), amortization of goodwill, and amortization of negative goodwill for the nine months ended December 31 are as follows.

	(Millions of yen)	
	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Depreciation	35,990	39,967
Amortization of goodwill	2,671	2,573
Amortization of negative goodwill	12	12