

Consolidated Financial Results for the Three Months Ended June 30, 2022(unaudited) [Japanese GAAP]

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 Listing: Tokyo Stock Exchange
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 Scheduled date to file quarterly securities report: August 10, 2022
 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 Three Months Ended June 30, 2022 (April 1, 2022 – June 30, 2022)

(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	%
Three months ended June 30, 2022	200,139	10.7	7,733	(31.3)	9,116	(27.8)	6,503	(47.3)
June 30, 2021	180,778	9.7	11,262	18.1	12,634	24.4	12,328	77.5

Note: Comprehensive income

Three months ended June 30, 2022: 15,383 million yen (10.2%)

Three months ended June 30, 2021: 17,126 million yen 87.9%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2022	26.26	—
June 30, 2021	49.79	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2022	979,909	366,576	36.1
March 31, 2022	934,345	354,289	36.6

Reference: Shareholders' equity As of June 30, 2022: 353,756 million yen

As of March 31, 2022: 341,909 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, 2022	—	12.00	—	12.00	24.00
Fiscal year ending March 31, 2023	—				
Fiscal year ending March 31, 2023 (Forecast)		12.00	—	12.00	24.00

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

3. Consolidated Financial Forecasts for the Year Ending March 31, 2023 (April 1, 2022-March 31, 2023)

(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
Six months ending September 30, 2022	414,000	13.9	18,000	(11.3)	20,000	(11.1)	14,000	(26.6)	56.53
Full fiscal year	850,000	13.8	35,000	5.2	38,000	3.7	26,000	(7.8)	104.98

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 June 30, 2022 271,056,029 Shares

As of March 31, 2022 271,056,029 Shares

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

As of June 30, 2022 23,397,134 Shares

As of March 31, 2022 23,428,544 Shares

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

Three months ended June 30, 2022 247,651,644 Shares

Three months ended June 30, 2021 247,618,679 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

For the three months ended June 30, 2022, sales increased due to product price revisions that have been taking place since last year and an increase in the number of consolidated subsidiaries. Profit, however, decreased because of the effects of a surge in raw material and fuel prices.

As a result, net sales were ¥200,139 million (110.7% year on year), operating profit was ¥7,733 million (68.7% year on year), ordinary profit was ¥9,116 million (72.2% year on year), and profit attributable to owners of parent was ¥6,503 million (52.7% year on year).

An overview of each segment for the three months ended June 30, 2022 is as follows.

[Paperboard and Packaging-Related Business]

In the Paperboard and Packaging-Related Business, sales increased due to product price revisions, but profit decreased because of the impact of rise in fuel and recovered paper old corrugated containers prices.

As a result, net sales were ¥117,145 million (105.7% year on year) and operating profit was ¥4,626 million (55.7% year on year).

[Flexible Packaging-Related Business]

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

As a result, net sales were ¥28,221 million (123.5% year on year) and operating profit was ¥890 million (109.5% year on year).

[Heavy Duty Packaging-Related Business]

In the Heavy Duty Packaging-Related Business, sales increased due to product price revisions, but profit decreased because of the impact of rise in raw resin price.

As a result, net sales were ¥10,941 million (104.0% year on year) and operating profit was ¥480 million (90.2% year on year).

[Overseas Business]

The Overseas Business reported higher sales and profit supported by brisk automobile-related product orders in Europe and North America.

As a result, net sales were ¥35,337 million (123.5% year on year) and operating profit was ¥1,391 million (123.5% year on year).

[Other Businesses]

Sales from other businesses increased due to price revisions in the nonwoven products business. Profit, however, decreased because of the rise in raw material and fuel prices.

As a result, net sales were ¥8,493 million (106.6% year on year) and operating profit was ¥310 million (64.3% year on year).

(2) Explanation of Financial Position

Total assets as of June 30, 2022 were ¥979,909 million, an increase of ¥45,564 million from the end of the previous fiscal year. The increase was mainly due to increases in notes and accounts receivable - trade; property, plant and equipment; and intangible assets.

Total liabilities amounted to ¥613,333 million, an increase of ¥33,277 million from the end of the previous fiscal year. The increase was mainly due to increases in short-term borrowings and notes and accounts payable - trade.

Net assets were ¥366,576 million, an increase of ¥12,287 million from the end of the previous fiscal year. This was due 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 as a result of exchange rate fluctuation.

As a result, the shareholders' equity ratio declined by 0.5 percentage points from the end of the previous fiscal year to 36.1%.

(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 13, 2022 have not been revised.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	60,308	52,503
Notes and accounts receivable - trade	214,656	231,300
Merchandise and finished goods	32,063	40,149
Work in process	5,117	5,984
Raw materials and supplies	29,056	33,405
Other	9,702	12,451
Allowance for doubtful accounts	(691)	(764)
Total current assets	350,213	375,031
Non-current assets		
Property, plant and equipment		
Buildings and structures	296,063	305,794
Accumulated depreciation	(180,695)	(186,110)
Buildings and structures, net	115,368	119,683
Machinery, equipment and vehicles	605,807	618,111
Accumulated depreciation	(489,908)	(501,973)
Machinery, equipment and vehicles, net	115,899	116,137
Land	125,462	129,703
Construction in progress	12,269	17,545
Other	42,344	48,739
Accumulated depreciation	(27,311)	(32,611)
Other, net	15,033	16,128
Total property, plant and equipment	384,032	399,199
Intangible assets		
Goodwill	18,806	29,529
Other	16,109	16,551
Total intangible assets	34,915	46,080
Investments and other assets		
Investment securities	139,366	131,989
Long-term loans receivable	575	572
Retirement benefit asset	3,168	2,961
Deferred tax assets	2,023	2,181
Other	21,162	23,005
Allowance for doubtful accounts	(1,114)	(1,111)
Total investments and other assets	165,183	159,598
Total non-current assets	584,131	604,878
Total assets	934,345	979,909

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	129,484	137,922
Short-term borrowings	114,096	134,228
Current portion of bonds payable	5,061	5,030
Accrued expenses	28,811	26,864
Income taxes payable	6,183	5,559
Provision for bonuses for directors (and other officers)	239	-
Other	26,925	31,632
Total current liabilities	310,802	341,237
Non-current liabilities		
Bonds payable	80,000	80,000
Long-term borrowings	143,641	142,822
Deferred tax liabilities	21,379	23,321
Provision for retirement benefits for directors (and other officers)	649	683
Provision for share awards for directors (and other officers)	409	466
Factory move cost reserve	-	296
Retirement benefit liability	13,070	13,456
Other	10,102	11,049
Total non-current liabilities	269,254	272,096
Total liabilities	580,056	613,333
Net assets		
Shareholders' equity		
Share capital	31,066	31,066
Capital surplus	33,358	33,388
Retained earnings	238,185	241,705
Treasury shares	(12,218)	(12,192)
Total shareholders' equity	290,392	293,968
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	31,739	31,778
Foreign currency translation adjustment	15,830	24,237
Remeasurements of defined benefit plans	3,946	3,772
Total accumulated other comprehensive income	51,516	59,788
Non-controlling interests	12,379	12,820
Total net assets	354,289	366,576
Total liabilities and net assets	934,345	979,909

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Three Months Ended June 30

(Millions of yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Net sales	180,778	200,139
Cost of sales	144,425	165,234
Gross profit	36,352	34,905
Selling, general and administrative expenses		
Freight and packing costs	6,239	6,907
Salaries and allowances	7,812	8,349
Amortization of goodwill	533	583
Other	10,504	11,331
Total selling, general and administrative expenses	25,089	27,171
Operating profit	11,262	7,733
Non-operating income		
Interest income	95	48
Dividend income	842	925
Foreign exchange gains	78	639
Share of profit of entities accounted for using equity method	654	95
Other	621	616
Total non-operating income	2,293	2,325
Non-operating expenses		
Interest expenses	402	420
Other	519	522
Total non-operating expenses	921	943
Ordinary profit	12,634	9,116
Extraordinary income		
Compensation income	-	3,301
Gain on sale of non-current assets	4,483	23
Other	646	777
Total extraordinary income	5,130	4,101
Extraordinary losses		
Loss on tax purpose reduction entry of non-current assets	12	1,966
Environmental expenses	264	-
Other	134	1,191
Total extraordinary losses	411	3,157
Profit before income taxes	17,352	10,060
Income taxes - current	3,055	2,924
Income taxes - deferred	1,671	343
Total income taxes	4,727	3,268
Profit	12,625	6,792
Profit attributable to non-controlling interests	296	289
Profit attributable to owners of parent	12,328	6,503

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Millions of yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Profit	12,625	6,792
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,466)	75
Foreign currency translation adjustment	4,532	5,715
Remeasurements of defined benefit plans, net of tax	(120)	(170)
Share of other comprehensive income of entities accounted for using equity method	2,555	2,970
Total other comprehensive income	4,501	8,591
Comprehensive income	17,126	15,383
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	16,628	14,774
Comprehensive income attributable to non-controlling interests	497	608

(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.

(Business combinations, etc.)

Business combination through acquisition

Acquisition of equity of THIMM Packaging Systems GmbH & Co.KG

1. Summary of the combination

(1) Name and main business of the company acquired

Name: THIMM Packaging Systems GmbH & Co.KG

Business: Manufacturing and sales of heavy-duty packaging materials (corrugated boards, wood packaging and pallets, pulp-based and plastic-based packaging materials, etc.)

(2) Reason for the combination

The addition of THIMM Packaging Systems GmbH & Co.KG will help the Rengo Group expand its product portfolio and enhance supply system in order to respond quickly to various needs for packaging in the heavy-duty packaging industry in Germany and surrounding areas.

(3) Date of the combination

June 30, 2022

(4) Legal form of the combination

Acquisition of equity shares for cash consideration

(5) Post-combination name of the acquired company

TRICOR Packaging Systems GmbH

(6) Percentage of voting rights acquired

100%

(7) Basis for determining acquiring company

Rengo Europe GmbH and TRICOR Packaging & Logistics AG, consolidated subsidiaries of Rengo, acquired the equity in consideration of cash.

2. Period for financial results of the acquired company included in the quarterly consolidated statements of income for the period under review

Financial results of the acquired company are not included in the quarterly consolidated statements of income for the three months ended June 30, 2022 because only the balance sheets are consolidated.

3. Acquisition cost and type of consideration paid

The acquisition cost and consideration are not to be disclosed based on confidentiality obligations between the parties.

4. Amount, cause of occurrence, method and period of amortization of goodwill arising from the acquisition

(1) Amount of goodwill

¥10,049 million

The amount of goodwill was calculated on a tentative basis because the allocation of the acquisition cost was not completed.

(2) Cause of occurrence

Excess earning capacity expected in future business development

(3) Method and period of amortization

The goodwill will be amortized on a straight-line basis over a period in which the economic benefits are realized. The amortization period will be decided based on the allocation of the acquisition cost.

(Segment information, etc.)

(Segment information)

For the three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

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	110,826	22,857	10,517	28,609	172,812	7,965	—	180,778
Intersegment sales and transfers	672	119	795	1,082	2,669	6,919	(9,588)	—
Total sales	111,499	22,977	11,313	29,691	175,481	14,885	(9,588)	180,778
Segment profit	8,299	813	532	1,126	10,772	482	8	11,262

*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 ¥8 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 three months ended June 30, 2022 (from April 1, 2022 to June 30, 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	117,145	28,221	10,941	35,337	191,645	8,493	—	200,139
Intersegment sales and transfers	450	183	986	1,308	2,927	7,061	(9,989)	—
Total sales	117,595	28,404	11,927	36,645	194,573	15,555	(9,989)	200,139
Segment profit	4,626	890	480	1,391	7,388	310	33	7,733

*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 ¥33 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 impairment loss of non-current assets or goodwill, etc. by reportable segment

(Significant change in the amount of goodwill)

In the “Overseas Business,” the Rengo Group acquired equity of THIMM Packaging Systems GmbH & Co.KG and included the company and its subsidiaries in the scope of consolidation. This event increased the amount of goodwill by ¥10,049 million yen for the three months ended June 30, 2022.

The amount of goodwill was calculated on a tentative basis because the allocation of the acquisition cost has not been completed.