

## Consolidated Financial Results for the Six Months Ended September 30, 2022(unaudited) [Japanese GAAP]

Company name: **Rengo Co., Ltd.**  
 Listing: Tokyo Stock Exchange  
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 Scheduled date to file quarterly securities report: November 14, 2022  
 Scheduled date to commence dividend payments: December 2, 2022  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

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

### 1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (April 1, 2022 – September 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	%
Six months ended September 30, 2022	413,506	13.7	15,528	(23.5)	17,849	(20.7)	12,041	(36.9)
September 30, 2021	363,575	10.4	20,295	13.8	22,504	16.4	19,078	46.9

Note: Comprehensive income

Six months ended September 30, 2022: 34,283 million yen 20.3%

Six months ended September 30, 2021: 28,502 million yen 79.2%

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2022	48.62	—
September 30, 2021	77.05	—

#### (2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2022	1,016,584	385,384	36.6
March 31, 2022	934,345	354,289	36.6

Reference: Shareholders' equity As of September 30, 2022: 372,256 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
Fiscal year ended March 31, 2022	Yen	Yen	Yen	Yen	Yen
	—	12.00	—	12.00	24.00
Fiscal year ending March 31, 2023	—	12.00			
Fiscal year ending March 31, 2023 (Forecast)			—	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
Full fiscal year	850,000	13.8	35,000	5.2	38,000	3.7	26,000	(7.8)	104.97

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 September 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 September 30, 2022 23,364,758 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)

Six months ended September 30, 2022 247,667,683 Shares

Six months ended September 30, 2021 247,623,676 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 six months ended September 30, 2022, although the Japanese economy faced various issues including responses to COVID-19, the surge in global commodity prices following Russia's incursion into Ukraine in February this year, and the securing of a stable supply of energy, there were signs of recovery mainly in personal consumption and capital investment thanks in part to the effect of various policies implemented by the Japanese Government.

In such an economic environment, the production volume in the paperboard industry was higher than in the previous fiscal year, supported by the signs of economic recovery.

The production volume in the corrugated packaging industry was on par with the previous fiscal year due to favorable sales of products for foods, e-commerce and parcel delivery which offset the stagnant sales for industrial products and electrical appliances and machinery.

The production volume in the folding carton industry was higher than in the previous fiscal year due to strong sales of processed foods for individuals.

The production volume in the flexible packaging industry was higher than in the previous fiscal year supported by robust demand mainly for foods, despite a movement to reduce plastics.

The production volume in the heavy duty packaging industry was lower than in the previous fiscal year due to a decline in petrochemical-related demand affected by the slowdown in the Chinese economy, among other factors.

Under such circumstances, the Rengo Group worked diligently to expand business and increase earning capacity with strengthened marketing capabilities as well as active capital investment and mergers and acquisitions as "General Packaging Industry (GPI) Rengo," offering innovative solutions that meet all the packaging needs of various industries.

In addition, in response to the worldwide surge in raw material and fuel prices and other issues, the Rengo Group has been revising the prices of various products including containerboard, paperboard, corrugated board, cellophane, polypropylene film, and flexible packaging since the previous year. However, as it has become extremely difficult to absorb the further rising costs caused by even higher resource prices against the backdrop of the Russia-Ukraine situation and other matters, as well as by the depreciation of the yen, the Rengo Group is continuing to push forward with efforts to establish a price system that enables reproduction.

In June of this year, the Rengo Group made equity participation in FCL Co., Ltd., an industrial machinery manufacturer in Nagakute City, Aichi, to improve the capability to develop facilities that support the Group's production technology. In July, the Rengo Group established a new plant for Viscop Pearl<sup>®</sup>, biodegradable micro-sized spherical cellulose beads which are made from wood pulp within the Kanazu Mill in Awara City, Fukui, to contribute to solving the problem of ocean pollution caused by plastic waste. In September, the Rengo Group made Marufuku Co., Ltd. in Hakusan City, Ishikawa a subsidiary to strengthen our folding cartons and flexible packaging businesses.

Overseas, in May of this year, the Rengo Group established Rengo Europe GmbH in Germany to further focus on business development in Europe. In June, the Rengo Group made THIMM Packaging Systems GmbH & Co.KG, a German heavy-duty packaging materials manufacturer, a subsidiary (new company name: TRICOR Packaging Systems GmbH) through Rengo Europe GmbH and TRICOR Packaging & Logistics AG in Germany. Meanwhile, Tri-Wall Limited in Hong Kong made a U.K. corrugated board manufacturer a subsidiary in August and acquired a business of a U.S. heavy-duty packaging materials manufacturer in September. As exemplified by the foregoing, the Rengo Group further enhanced its heavy-duty packaging materials business which is promoting expansion on a global scale.

Environmental initiatives as part of ESG management are top priority issues for the Rengo Group which advocates "Less is more." as its key phrase. In October of this year, the Rengo Group commenced the operation of a biomass boiler for power generation at Tonegawa Division in Bando City, Ibaraki, as the second boiler following one at Yashio Mill in Yashio City, Saitama, to achieve the CO<sub>2</sub> emission reduction target "46%

reduction compared to FY2013” by FY2030.

As a result, for the six months ended September 30, 2022, net sales were ¥413,506 million (113.7% year on year), operating profit was ¥15,528 million (76.5% year on year), ordinary profit was ¥17,849 million (79.3% year on year), and profit attributable to owners of parent was ¥12,041 million (63.1% year on year).

An overview of each segment for the six months ended September 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 prices.

As a result, net sales were ¥239,083 million (108.3% year on year) and operating profit was ¥9,053 million (61.5% year on year).

The production volume of main products was as follows.

(Paperboard products)

The paperboard production volume was 1,302 thousand tons (100.9% year on year), supported by an upward trend in the economy.

(Corrugated packaging)

With regard to corrugated packaging, the production volume was 2,205 million square meters (101.1% year on year) in corrugated board, and 1,846 million square meters (102.2% year on year) in corrugated boxes, due to robust sales of products for foods, e-commerce, and parcel delivery.

#### [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 ¥56,861 million (123.4% year on year) and operating profit was ¥1,590 million (122.1% 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 material prices.

As a result, net sales were ¥22,745 million (108.3% year on year) and operating profit was ¥624 million (68.3% year on year).

#### [Overseas Business]

The Overseas Business reported higher sales and profit supported by the increase in the number of consolidated subsidiaries and price revisions promoted in Europe.

As a result, net sales were ¥77,391 million (131.5% year on year) and operating profit was ¥3,526 million (148.5% 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 ¥17,424 million (102.6% year on year) and operating profit was ¥686 million (70.1% year on year).

(2) Explanation of Financial Position

Total assets as of September 30, 2022 were ¥1,016,584 million, an increase of ¥82,239 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 ¥631,199 million, an increase of ¥51,143 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 ¥385,384 million, an increase of ¥31,095 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 stood at 36.6%, on par with the end of the previous fiscal year.

(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 September 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	60,308	57,609
Notes and accounts receivable - trade	214,656	237,811
Merchandise and finished goods	32,063	41,308
Work in process	5,117	6,114
Raw materials and supplies	29,056	36,444
Other	9,702	11,225
Allowance for doubtful accounts	(691)	(909)
Total current assets	350,213	389,603
Non-current assets		
Property, plant and equipment		
Buildings and structures	296,063	310,778
Accumulated depreciation	(180,695)	(189,271)
Buildings and structures, net	115,368	121,506
Machinery, equipment and vehicles	605,807	629,282
Accumulated depreciation	(489,908)	(511,808)
Machinery, equipment and vehicles, net	115,899	117,473
Land	125,462	130,136
Construction in progress	12,269	20,060
Other	42,344	61,941
Accumulated depreciation	(27,311)	(39,744)
Other, net	15,033	22,196
Total property, plant and equipment	384,032	411,373
Intangible assets		
Goodwill	18,806	31,054
Other	16,109	17,016
Total intangible assets	34,915	48,071
Investments and other assets		
Investment securities	139,366	137,811
Long-term loans receivable	575	571
Retirement benefit asset	3,168	2,900
Deferred tax assets	2,023	2,359
Other	21,162	24,973
Allowance for doubtful accounts	(1,114)	(1,080)
Total investments and other assets	165,183	167,535
Total non-current assets	584,131	626,980
Total assets	934,345	1,016,584

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	129,484	141,706
Short-term borrowings	114,096	136,773
Current portion of bonds payable	5,061	33
Accrued expenses	28,811	32,506
Income taxes payable	6,183	8,035
Provision for bonuses for directors (and other officers)	239	-
Other	26,925	30,178
Total current liabilities	310,802	349,233
Non-current liabilities		
Bonds payable	80,000	80,170
Long-term borrowings	143,641	146,738
Deferred tax liabilities	21,379	22,951
Provision for retirement benefits for directors (and other officers)	649	773
Provision for share awards for directors (and other officers)	409	496
Factory move cost reserve	-	296
Retirement benefit liability	13,070	13,629
Other	10,102	16,909
Total non-current liabilities	269,254	281,965
<b>Total liabilities</b>	<b>580,056</b>	<b>631,199</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	31,066	31,066
Capital surplus	33,358	33,534
Retained earnings	238,185	247,244
Treasury shares	(12,218)	(12,166)
Total shareholders' equity	290,392	299,679
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	31,739	32,659
Foreign currency translation adjustment	15,830	36,298
Remeasurements of defined benefit plans	3,946	3,618
Total accumulated other comprehensive income	51,516	72,576
Non-controlling interests	12,379	13,128
<b>Total net assets</b>	<b>354,289</b>	<b>385,384</b>
<b>Total liabilities and net assets</b>	<b>934,345</b>	<b>1,016,584</b>



(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
Quarterly Consolidated Statements of Income  
Six Months Ended September 30

(Millions of yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Net sales	363,575	413,506
Cost of sales	293,072	341,954
Gross profit	70,502	71,552
Selling, general and administrative expenses		
Freight and packing costs	12,408	14,260
Salaries and allowances	15,633	17,148
Amortization of goodwill	1,066	1,268
Other	21,099	23,344
Total selling, general and administrative expenses	50,207	56,023
Operating profit	20,295	15,528
Non-operating income		
Interest income	198	112
Dividend income	1,067	1,172
Share of profit of entities accounted for using equity method	1,465	797
Other	1,323	2,237
Total non-operating income	4,054	4,318
Non-operating expenses		
Interest expenses	791	883
Other	1,054	1,114
Total non-operating expenses	1,845	1,997
Ordinary profit	22,504	17,849
Extraordinary income		
Compensation income	-	3,325
Gain on sale of non-current assets	4,487	28
Other	840	907
Total extraordinary income	5,327	4,261
Extraordinary losses		
Loss on tax purpose reduction entry of non-current assets	12	1,966
Environmental expenses	264	-
Other	432	1,888
Total extraordinary losses	708	3,855
Profit before income taxes	27,123	18,256
Income taxes - current	7,383	6,491
Income taxes - deferred	30	(861)
Total income taxes	7,413	5,630
Profit	19,710	12,626
Profit attributable to non-controlling interests	631	584
Profit attributable to owners of parent	19,078	12,041

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Millions of yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Profit	19,710	12,626
Other comprehensive income		
Valuation difference on available-for-sale securities	1,489	919
Foreign currency translation adjustment	5,244	13,707
Remeasurements of defined benefit plans, net of tax	(218)	(319)
Share of other comprehensive income of entities accounted for using equity method	2,277	7,350
Total other comprehensive income	8,792	21,657
Comprehensive income	28,502	34,283
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	27,609	33,101
Comprehensive income attributable to non-controlling interests	893	1,181

(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 six months ended September 30, 2021 (from April 1, 2021 to September 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	220,676	46,081	20,997	58,833	346,588	16,986	—	363,575
Intersegment sales and transfers	1,258	213	1,602	2,275	5,350	13,622	(18,972)	—
Total sales	221,935	46,294	22,599	61,109	351,938	30,609	(18,972)	363,575
Segment profit	14,727	1,302	913	2,374	19,319	978	(2)	20,295

\*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 ¥(2) 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 six months ended September 30, 2022 (from April 1, 2022 to September 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	239,083	56,861	22,745	77,391	396,082	17,424	—	413,506
Intersegment sales and transfers	1,013	355	1,597	3,437	6,403	14,110	(20,513)	—
Total sales	240,097	57,216	24,342	80,829	402,485	31,534	(20,513)	413,506
Segment profit	9,053	1,590	624	3,526	14,794	686	47	15,528

\*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 ¥47 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)

The segment assets of the “Overseas Business” for the second quarter of the fiscal year under review increased by ¥70,922 million from the end of the previous fiscal year due in part to the acquisition of equity of THIMM Packaging Systems GmbH & Co.KG (new company name: TRICOR Packaging Systems GmbH) and the inclusion of the said company and its subsidiaries in the scope of consolidation during the first quarter.

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

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,” 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. This event increased the amount of goodwill by ¥10,133 million for the six months ended September 30, 2022.

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