

FY2015 (Apr. 2015-Mar.2016)

Earnings Presentation



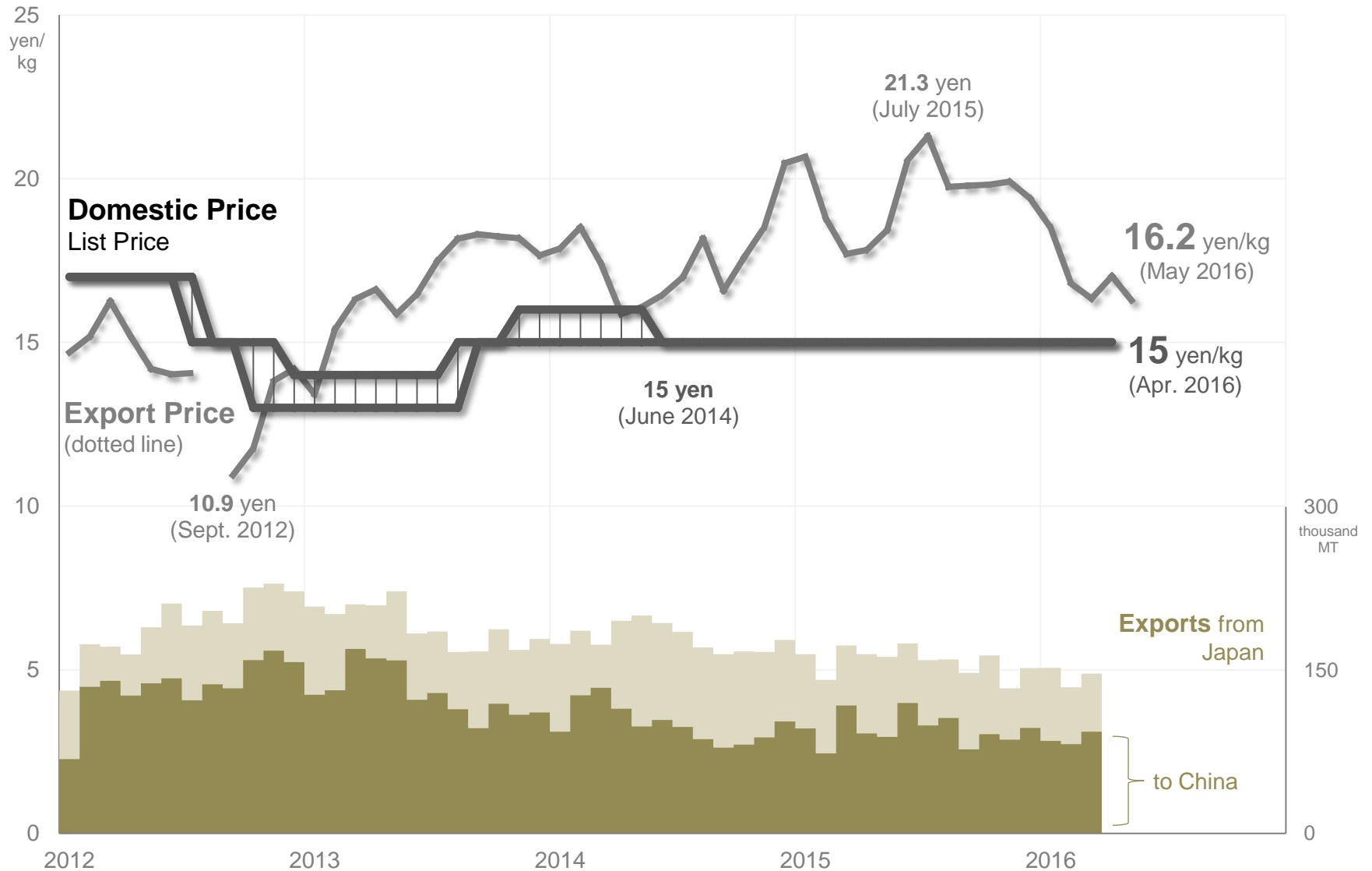
May 26, 2016

Rengo Co., Ltd.

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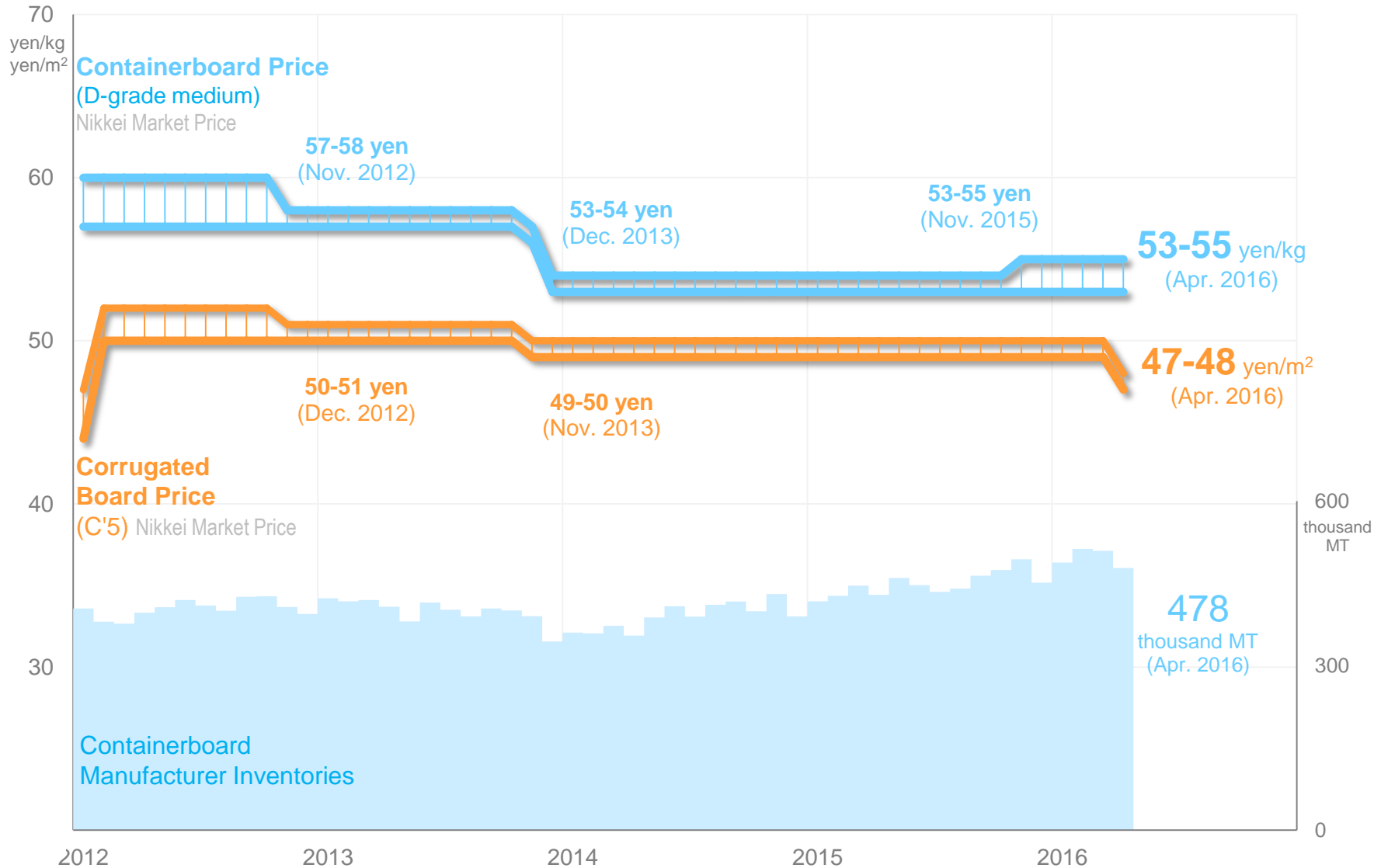
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1. Trends in Old Corrugated Containers (OCC) Prices



(Source) Domestic price: Paper Recycling Promotion Center
 Export price: Kanto Paper Manufacturing Material Direct Delivery Commerce
 Exports: Trade Statistics, Ministry of Finance

2. Trends in Containerboard and Corrugated Board Prices



(Source) Containerboard price and Corrugated board price: Nikkei, Inc.

Containerboard manufacturer inventories:

Japan Paper Association

3. Rengo Group's Activities in Fiscal 2015

Restructuring of Production System	Paperboard	Rengo announced intention to restructure the containerboard production system, including the closure of its Yodogawa Mill at the end of March 2018 (Feb. 2016)	(Fig. 1)
		Osaka Paper Co., Ltd. withdrew from the newsprint and printing paper business, focusing resources into boxboard (Mar. 2016)	
M & A	Corrugated Packaging	Rengo acquired 60% shares in Kato Corrugated Paper Co., Ltd., a corrugated board and corrugated box manufacturer (Mar. 2016)	
	Flexible Packaging	Rengo acquired 20% shares in Sun-Tox Co., Ltd., a plastic film manufacturer (Oct. 2015)	
	Overseas Operations	TC Flexible Packaging Co., Ltd., a JV in Thailand, acquired 80% shares in Tin Thanh Packing Joint Stock Company (BATICO), a flexible packaging manufacturer in Vietnam (June 2015)	
CapEx, etc.	Paperboard	Rengo Kanazu Mill completed a steam turbine generator facility and commenced electricity sale (Sept. 2015)	(Fig. 2)
		Rengo Yashio Mill commenced operation of its new wood chip biomass power plant (Jan. 2016)	
		Rengo Amagasaki Mill completed new gas turbine power plant to replace a deteriorated facility (Jan. 2016)	
	Corrugated Packaging	Settsu Carton Co., Ltd. commenced construction work of its Shin-Tokyo Plant to move operation in aged Tokyo Plant in August 2016 (June 2015)	
	Flexible Packaging	Howa Sangyo Co., Ltd. expanded its Hikata Plant with an automated warehouse for the expected demand increase (Jan. 2016)	
	Others	Rengo Logistics Co., Ltd. commenced the Yashio Logistics Center in Yashio-shi, Saitama Prefecture (May 2015)	
	Paperboard	Rengo acquired FSC® certification for all products from containerboard to corrugated packaging	(Fig. 3)
	Corrugated Packaging		



1. Disclosed restructuring plan, including closure of the Yodogawa Mill



2. New biomass generator at the Yashio Mill started up on Jan. 2016



責任ある森林管理
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3. All the plants and mills of Rengo received FSC certification

4. Consolidated Statements of Income

Year-on-year

		(billion yen)			(billion yen)		
	FY2014	FY2015	YOY (%)	Difference	FY2015 Forecast*	A/F (%)	Difference
Net sales	522.7	532.5	101.9	9.8	536.0	99.4	-3.5
Operating income	5.6	15.7	282.5	10.1	14.0	112.3	1.7
Ordinary income	7.1	16.6	233.0	9.5	14.5	114.7	2.1
Extraordinary gain and loss	4.9	-0.4	-	-5.3	-0.2	-	-0.2
Profit attributable to owners of the parent	5.7	9.8	171.7	4.1	8.5	115.5	1.3

*Disclosed on November 2, 2015

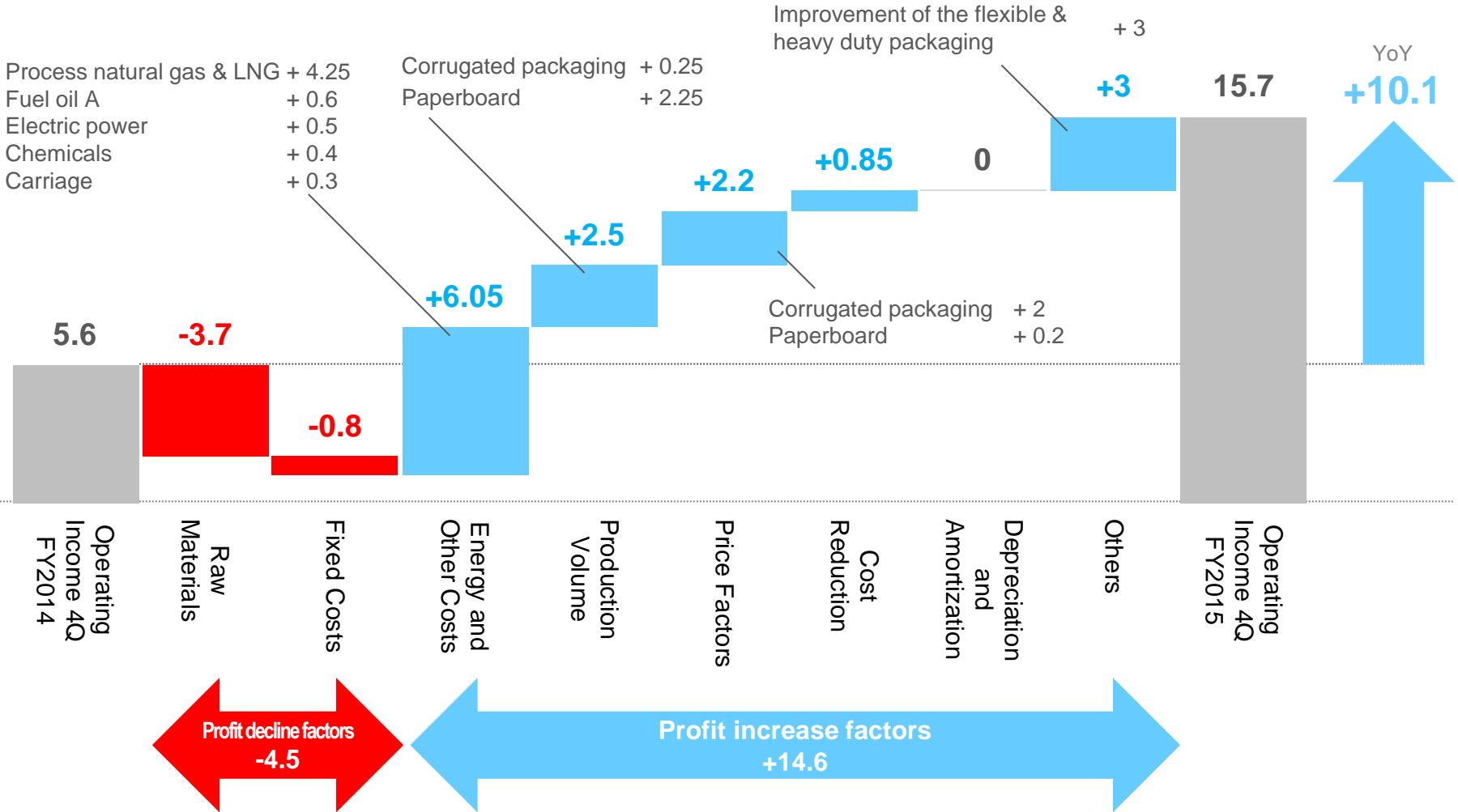
Main factors underlying extraordinary gain and loss

	FY2014		FY2015
(Extraordinary gain)		(Extraordinary gain)	
Gain on sales of noncurrent assets	10.5	Subsidy income	11.8
Gain on sales of investment securities	1.2	Gain on sales of investment securities	1.1
Subsidy income	0.4	Insurance income	0.4
		Compensation income	0.3
(Extraordinary loss)		(Extraordinary loss)	
Loss on reduction of noncurrent assets	3.1	Loss on reduction of noncurrent assets	11.1
Business structure improvement expenses	1.4	Loss on business withdrawal	1.3
Plant renewal expenses	0.7	Loss on sales/retirement of noncurrent assets	0.9
Loss on sales/retirement of noncurrent assets	0.5	Impairment loss	0.4
Loss on plant closing	0.5	Loss on valuation of investment securities	0.1

5. Factors Contributing to Change in Consolidated Operating Income

Year-on-year

(billion yen)



Process natural gas & LNG + 4.25
 Fuel oil A + 0.6
 Electric power + 0.5
 Chemicals + 0.4
 Carriage + 0.3

Corrugated packaging + 0.25
 Paperboard + 2.25

Improvement of the flexible & heavy duty packaging + 3

Corrugated packaging + 2
 Paperboard + 0.2

Profit decline factors
-4.5

Profit increase factors
+14.6

6. Detailed Consolidated Performance

Year-on-year

	No. of companies		(billion yen)				(million yen)				(1,000 MT)			(million sqm.)		
	No. of companies		Net sales				Ordinary income				Containerboard production			Corrugated board production		
	4Q15	4Q16	4Q15	4Q16	YoY%	Diff.	4Q15	4Q16	YoY%	Diff.	4Q15	4Q16	YoY%	4Q15	4Q16	YoY%
1 Rengo (unconsolidated)	1	1	273.4	274.2	100.3	0.8	1,689	3,532	209.1	1,843	1,578	1,683	106.7	1,985	1,892	95.3
2 Paper manufacturing subsidiaries	2	2	21.6	24.2	112.1	2.6	-1,339	-2,594	-	-1,255	264	314	118.9			
3 Paperboard packaging subsidiaries	31	29	158.3	163.2	103.1	4.9	4,545	7,675	168.9	3,130				1,655	1,772	107.1
4 Flexible packaging subsidiary	1	1	53.2	54.2	101.8	1.0	1,675	3,764	224.7	2,089						
5 Heavy duty packaging subsidiaries	2	1	42.7	42.2	98.9	-0.5	1,555	2,368	152.3	813						
6 Other subsidiaries	5	5	119.0	123.9	104.1	4.9	1,425	2,072	145.4	647						
Consolidated totals for Japan (1 to 6)	42	39	668.3	682.0	102.1	13.7	9,550	16,817	176.1	7,267	1,842	1,998	108.5	3,640	3,665	100.7
7 Paperboard packaging and nonwoven products subsidiaries	9	9	19.7	18.5	93.9	-1.2	-358	-86	-	272				256	247	96.5
8 Flexible packaging subsidiary	1	1	7.3	7.5	103.2	0.2	614	987	160.7	373						
9 Heavy duty packaging subsidiaries	3	3	7.6	6.5	85.8	-1.1	3	80	2666.7	77						
Consolidated totals for overseas (7 to 9)	13	13	34.6	32.5	94.0	-2.1	259	981	378.8	722	-	-	-	256	247	96.5
10 Companies subject to the equity method	8	9					1,010	1,319	130.6	309						
Intersegment elimination			-180.2	-182.0	-	-1.8	-3,680	-2,484	-	1,196						
Total	63	61	522.7	532.5	101.9	9.8	7,139	16,633	233.0	9,494	1,842	1,998	108.5	3,895	3,912	100.4

* Changes in subsidiaries and affiliates compared to the prior year are as follows.
(Consolidated subsidiaries)

- Settsu Carton Co., Ltd. and Saito Shiki Co., Ltd. had been merged.
- Kyoei Danboru Co., Ltd. and Chuo Danboru Co., Ltd. had been merged.
- Nihon Matai Co., Ltd. and Morishita Inc. had been merged.

(Companies subject to the equity method)

- Zhongshan Rengo Hung Hing Paper Mfg. and Zhongshan Ren Hing Paper Mfg. had been merged.
- TC Flexible Packaging Co., Ltd. became an affiliated company.
- Sun·Tox Co., Ltd. became an affiliated company.

7. Consolidated Balance Sheets

Consolidated Assets

655.7	644.7		
Current Assets 209.5	Current Assets 214.5	Current assets	+ 5.0
		Notes and accounts receivable-trade	+ 6.5
Non-current Assets 446.2	Non-current Assets 430.2	Non-current assets	- 16.0
		Property, plant and equipment	- 10.8
		Intangible assets	- 2.2
		Investments and other assets	- 3.0
		(Investment securities)	- 2.5)
		Total assets	- 11.0

Mar. 31, 2015 Mar. 31, 2016

Consolidated Liabilities and Net Assets

(billion yen)

655.7	644.7		
Current Liabilities 243.6	Current Liabilities 251.3	Liabilities	- 10.3
		Notes and accounts payable-trade	+ 3.4
		Long/short-term loans payable	- 11.1
Non-current Liabilities 189.7	Non-current Liabilities 171.7		
Net Assets 222.4	Net Assets 221.7	Net assets	- .7
		Retained earnings	+ 6.8
		Valuation difference on available-for-sale securities	- 2.7
		Foreign currency translation adjustment	- 3.0

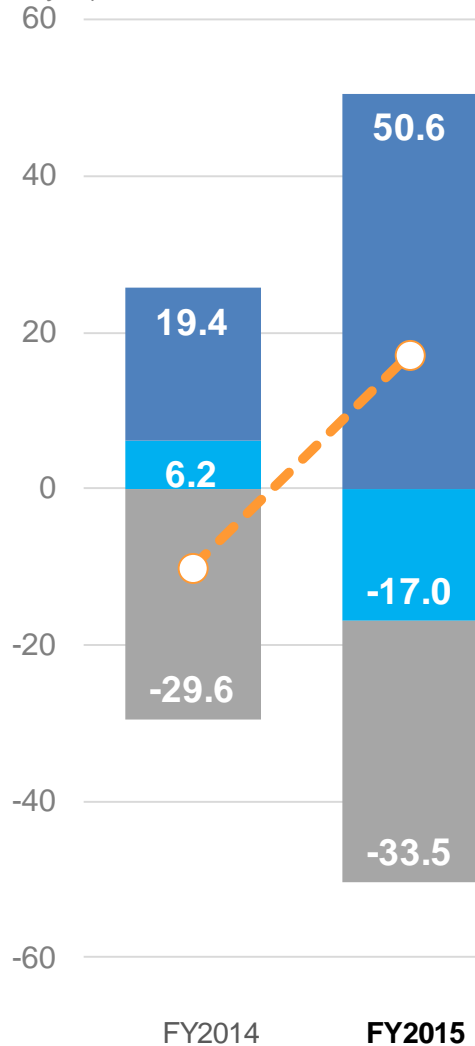
Mar. 31, 2015 Mar. 31, 2016

	Mar. 31, 2015	Mar. 31, 2016	
Interest-bearing debt*	¥276.9 bn	¥264.7 bn	(-12.2 billion yen)
Capital adequacy ratio*	33.0 %	33.5 %	(+0.5 pts)
D/E Ratio	1.28 times	1.23 times	(-0.05 pts)
EBITDA	¥35.2 bn	¥46.5 bn	(+11.3 billion yen)

*Including discounted bills.

8. Consolidated Statements of Cash Flows

(billion yen)



	FY2014	FY2015	Difference
(1) Net cash provided by (used in) operating activities	19.4	50.6	31.2
(2) Net cash provided by (used in) investing activities	-29.6	-33.5	-3.9
(3) Free cash flow (1) + (2)	-10.2	17.1	27.3
(4) Net cash provided by (used in) financing activities	6.2	-17.0	-23.2
(5) Exchange rate changes	0.8	-0.2	-1.0
(6) Change in cash and cash equivalents (3) + (4) + (5)	-3.1	-0.1	3.0
(7) Cash and cash equivalents at beginning of period	22.1	19.5	-2.6
(8) Increase/decrease due to inclusion/ exclusion of subsidiaries in consolidation	0.5	.	-0.5
(9) Cash and cash equivalents at end of period (6) + (7) + (8)	19.5	19.4	-0.1
Interest coverage ratio (times)	9.4	28.2	18.8

- (1) Net cash provided by (used in) operating activities
- (2) Net cash provided by (used in) investing activities
- (4) Net cash provided by (used in) financing activities
- (3) Free cash flow

9. Forecasts for Consolidated Statements of Income for Fiscal 2016

Year-on-year

		(billion yen)		
	FY2015	FY2016 Forecast	YOY (%)	Difference
Net sales	532.5	558.0	104.8	25.5
Operating income	15.7	24.0	152.6	8.3
Ordinary income	16.6	24.0	144.3	7.4
Extraordinary gain and loss	-0.4	-0.4	-	.
Profit attributable to owners of the parent	9.8	14.5	147.7	4.7

Assumption for the forecast

Production volume (domestic) YOY

Containerboard	108.5	103.7 %
Corrugated board	100.7	107.0 %

Unit price (domestic) YOY

Containerboard	stay	stay
Corrugated board	stay	stay

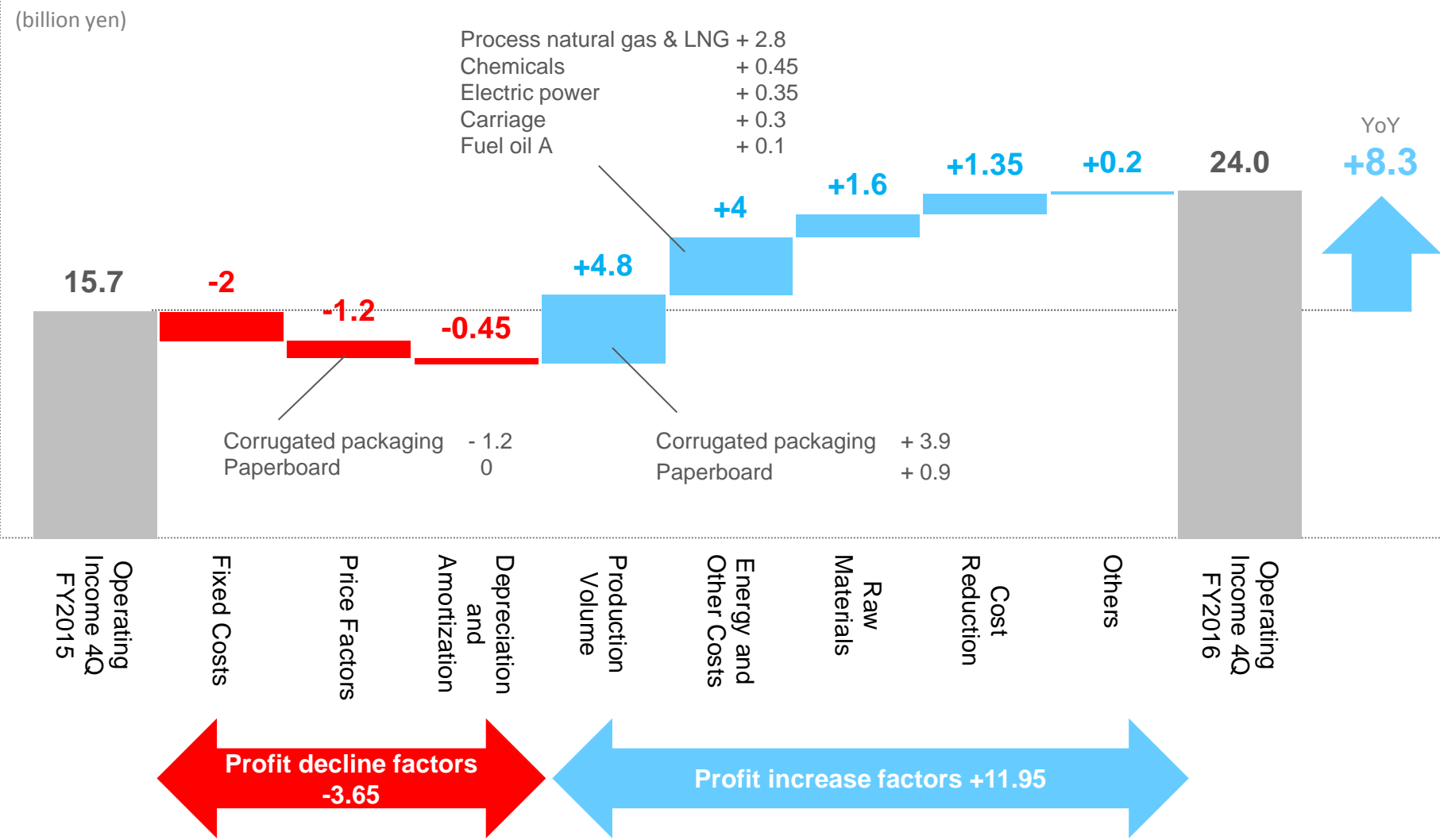
FX rate	120*	110 yen/US\$
Crude oil price (Dubai)	46	40 US\$/bbl

* Annual average of the spot rate at 17:00 in JST, Tokyo Market

The forecast of the financial results described in this material is based on the information currently available. The figures indicated above do not constitute a guarantee of future performance.

10. Factors Contributing to Change in Consolidated Operating Income Forecast

Year-on-year



The forecast of the financial results described in this material is based on the information currently available. The figures indicated above do not constitute a guarantee of future performance.

11. Major Financial Indicators

The forecast of the financial results described in this material is based on the information currently available. The figures indicated above do not constitute a guarantee of future performance.

		(million yen)		
		FY2014	FY2015	FY2016 (Forecast)
(1) Net sales		522,671	532,534	558,000
(2) Operating Income		5,567	15,727	24,000
(3) Ordinary Income		7,139	16,633	24,000
(4) Profit attributable to owners of the parent		5,718	9,816	14,500
(5) Total assets		655,674	644,689	656,000
(6) Total shareholder's equity*		216,353	215,962	227,000
(7) Net assets		222,390	221,733	233,000
(8) Interest-bearing debt		276,926	264,748	265,000
(9) Capital expenditures		39,982	29,657	30,500
(10) Depreciation and amortization		29,612	29,333	30,000
*Total shareholders' equity = Net assets - Minority interests				
(11) Return on equity (ROE)*	%	2.8	4.5	6.5
(12) Capital adequacy ratio	%	33.0	33.5	34.6
(13) EBITDA	million yen	35,179	46,454	54,000
(14) D/E Ratio	times	1.28	1.23	1.17
(15) Ratio of net sales to interest-bearing debt	%	53.0	49.7	47.5
(16) Recurring profit margin	%	1.4	3.1	4.3
*Average of the equity capital at the beginning and the end of the year				
Cash dividends applicable to the year	円	12	12	12



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The General Packaging Industry



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