



FY2018 (April 2018-March 2019)

# Earnings Presentation

May 29, 2019

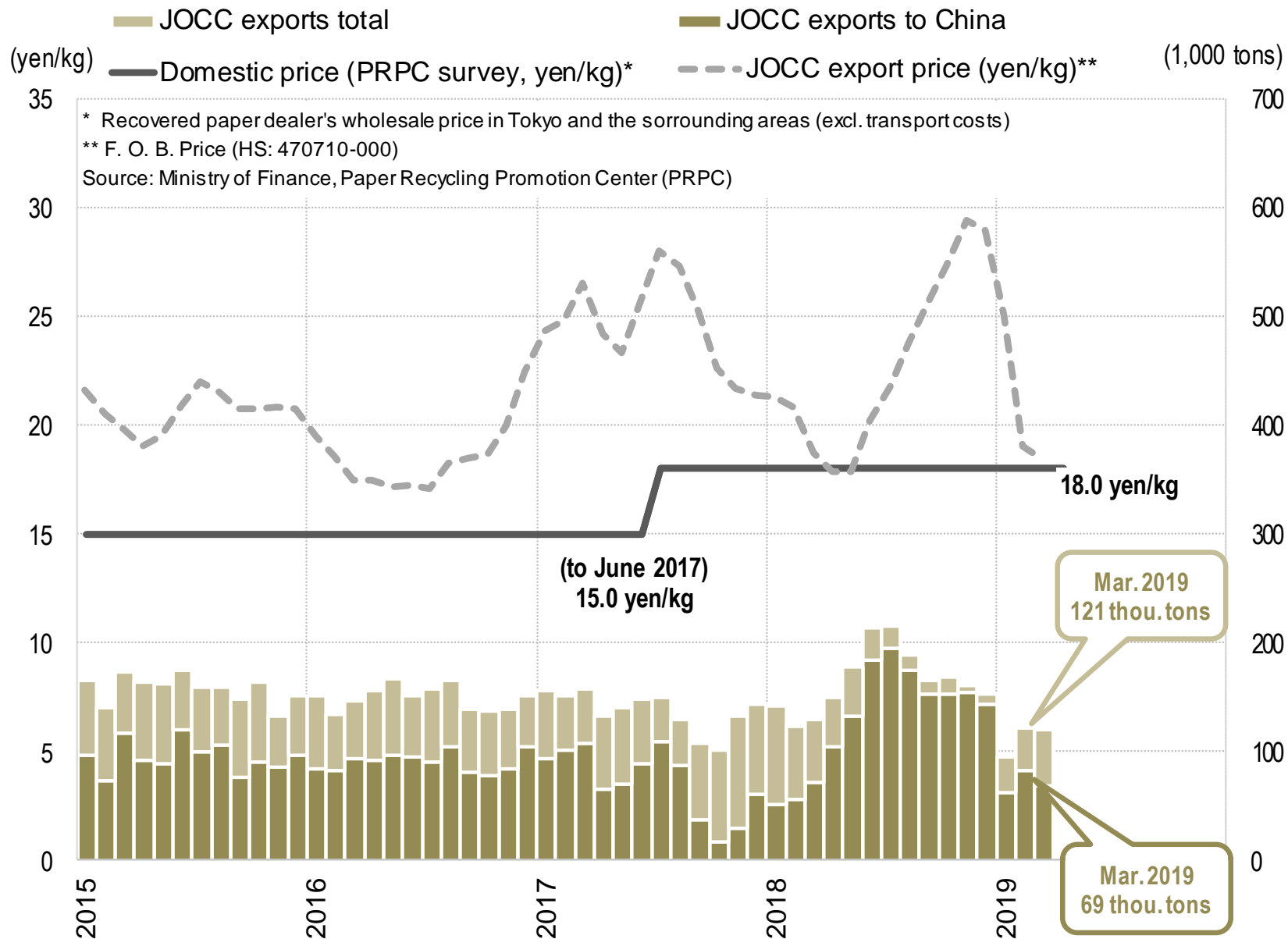
The General Packaging Industry

**RENGO**

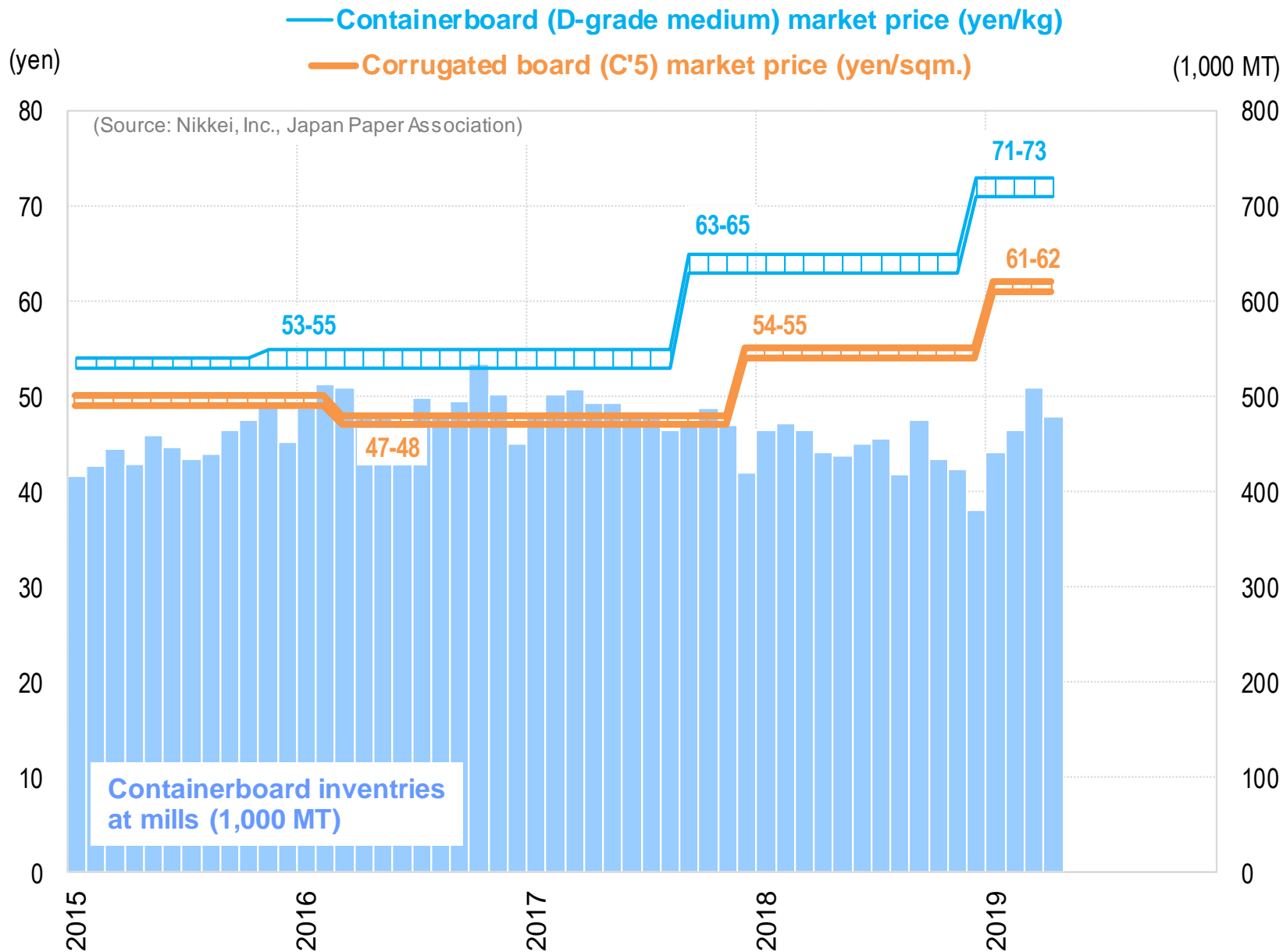
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# 1. Trends in Old Corrugated Containers (OCC)



## 2. Trends in Containerboard and Corrugated Board



# 3. Rengo Group's Measures in FY2018

Capital Investments	Flexible Packaging	<b>Howa Sangyo Co., Ltd.</b> completes its new factory building at <b>Narashino Factory</b> , Narashino-shi, Chiba Pref. (Nov. 2018)	(Fig. 1)
	Transportation	<b>Sanyo Jidosha Unso Co., Ltd.</b> , a transportation subsidiary, completes <b>New Kyoto Branch</b> , Yawata-shi, Kyoto Pref. (Sept. 2018)	(Fig. 2)
		New system for product loading planning and truck guidance starts at the <b>Yashio Logistics Center</b> , Yashio-shi, Saitama Pref. (Jan. 2019)	(Fig. 3)
M & A, Establishments	Corrugated Packaging	Rengo acquires a 100% stake in <b>Sanwa Danboru Co., Ltd.</b> , Kochi-shi, Kochi Pref. (Aug. 2018)	
		Rengo acquires a 60% stake in Toppan Containers Co., Ltd. and changes its name to <b>Rengo Toppan Containers Co., Ltd.</b> (Sept. 2018)	
		Hinode Shiki Kogyo Co., Ltd. (Hioki-shi, Kagoshima Pref.) acquires a 70% stake in <b>Hakata Danboru Co., Ltd.</b> , Kasuya Gun, Fukuoka Pref. (Nov. 2018)	
	Overseas Operations	Tri-Wall acquires a 80% stake in <b>Aldez Containers, LLC</b> , a manufacturer of heavy duty packaging materials in the <b>United States</b> (Apr. 2018)	
		Tri-Wall acquires a 51% stake in <b>Rosewood Manufacturing Holdings Ltd.</b> , a holding company of manufacture and sale of heavy duty packaging materials in the <b>United Kingdom</b> (Oct. 2018)	
Tri-Wall establishes a manufacturing and sales subsidiary for steel racks, <b>Tri-Wall Metal</b> , in <b>Turkey</b> (Feb. 2019)			
Tri-Wall establishes a packaging design and sales subsidiary for heavy duty packaging materials, <b>TW Mexico Packaging Solutions</b> (Feb. 2019)			
Price revision	Paperboard Corrugated	Rengo announces <b>price revision</b> of containerboard and corrugated products (Oct. 2018)	



1. New Factory Building, Narashino, Howa Sangyo



2. New Kyoto Branch, Sanyo Jidosha Unso



3. Yashio Logistics Center

## 4. Consolidated Statement of Income (Year-on-year)

The General Packaging Industry

(billion yen)

	FY2017	FY2018	YoY	Diff.	FY2018 previous forecast*	A/F	Diff.
<b>Net sales</b>	605.7	653.1	107.8%	47.4	662.0	98.7%	-8.9
<b>Operating income</b>	17.1	25.3	148.1%	8.2	23.0	110.0%	2.3
<b>Ordinary income</b>	23.2	27.5	118.5%	4.3	25.0	109.8%	2.5
<b>Extraordinary gain and loss</b>	0.2	-2.4	-	-2.6	-1.3	-	-1.1
<b>Profit attributable to owners of the parent</b>	16.6	17.2	103.3%	0.6	15.0	114.4%	2.2

\*Disclosed on November 2, 2018

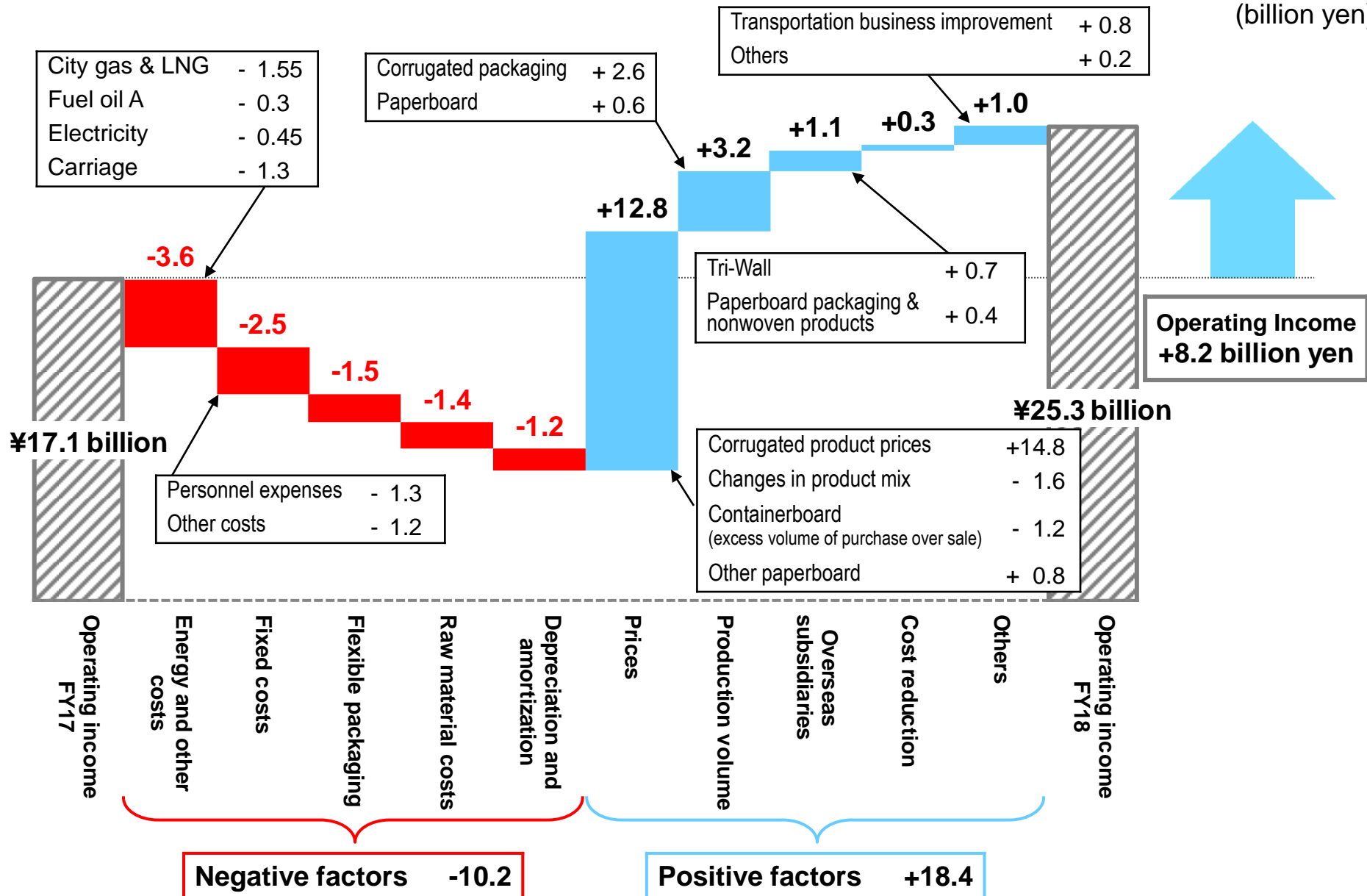
### Main factors underlying extraordinary gain and loss

(billion yen)

	FY2017		FY2018
<b>(Extraordinary gain)</b>		<b>(Extraordinary gain)</b>	
Gain on sales of noncurrent assets	1.6	Insurance income	0.1
Gain on sales of investment securities	1.3		
<b>(Extraordinary loss)</b>		<b>(Extraordinary loss)</b>	
Business structure improvement expenses	1.1	Plant renewal expenses	0.7
Loss on sales/retirement of noncurrent assets	0.7	Loss on sales/retirement of noncurrent assets	0.5
		Loss on plant closing	0.4
		Loss on disaster	0.4
		Loss on liquidation of subsidiaries and associates	0.3

# 5. Breakdown of Changes in Consolidated Operating Income (Year-on-year)

(billion yen)



## 6. Detailed Consolidated Performance (Year-on-year)

		Number of companies*		Net sales (billion yen)				Ordinary income (million yen)				Containerboard production (1,000 MT)			Corrugated board production (million sqm.)		
		FY17	FY18	FY17	FY18	YoY %	Diff.	FY17	FY18	YoY %	Diff.	FY17	FY18	YoY %	FY17	FY18	YoY %
1	Rengo (unconsolidated)	1	1	303.4	324.0	106.8	20.6	6,654	12,569	188.9	5,915	1,814	1,837	101.3	2,094	2,170	103.6
2	Paper manufacturing subsidiaries	2	2	26.3	29.1	110.8	2.8	-278	2,116	-	2,394	382	398	104.2			
3	Paperboard packaging subsidiaries	32	33	181.3	201.5	111.2	20.2	3,281	4,669	142.3	1,388				1,952	2,061	105.6
4	Flexible packaging subsidiaries	1	1	57.6	61.0	105.9	3.4	3,359	1,607	47.8	-1,752						
5	Heavy duty packaging subsidiaries	1	1	41.7	43.6	104.6	1.9	2,633	2,491	94.6	-142						
6	Other subsidiaries	5	5	142.9	158.2	110.7	15.3	2,189	3,168	144.7	979						
<b>Domestic total (1 to 6)</b>		<b>42</b>	<b>43</b>	<b>753.1</b>	<b>817.4</b>	<b>108.5</b>	<b>64.3</b>	<b>17,838</b>	<b>26,620</b>	<b>149.2</b>	<b>8,782</b>	<b>2,196</b>	<b>2,236</b>	<b>101.8</b>	<b>4,045</b>	<b>4,231</b>	<b>104.6</b>
7	Paperboard packaging & nonwoven products Subs.	9	8	24.6	22.7	92.5	-1.9	332	957	288.3	625				308	269	87.3
8	Flexible packaging subsidiaries	3	3	10.2	10.4	102.7	0.2	981	679	69.2	-302						
9	Heavy duty packaging subsidiaries	86	93	48.3	58.9	122.1	10.6	2,636	4,213	159.8	1,577						
<b>Overseas total (7 to 9)</b>		<b>98</b>	<b>104</b>	<b>83.0</b>	<b>92.1</b>	<b>110.9</b>	<b>9.1</b>	<b>3,949</b>	<b>5,849</b>	<b>148.1</b>	<b>1,900</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>308</b>	<b>269</b>	<b>87.3</b>
10	Companies subject to the equity method	15	16					6,272	2,045	32.6	-4,227						
<b>Intersegment eliminations</b>				<b>-230.4</b>	<b>-256.4</b>	<b>-</b>	<b>-26.0</b>	<b>-4,891</b>	<b>-7,060</b>	<b>-</b>	<b>-2,169</b>						
<b>Total</b>		<b>155</b>	<b>163</b>	<b>605.7</b>	<b>653.1</b>	<b>107.8</b>	<b>47.4</b>	<b>23,168</b>	<b>27,454</b>	<b>118.5</b>	<b>4,286</b>	<b>2,196</b>	<b>2,236</b>	<b>101.8</b>	<b>4,353</b>	<b>4,499</b>	<b>103.4</b>

\* Changes in subsidiaries and affiliates compared to the prior year are as follows.

- One company increased in the domestic paperboard packaging subsidiaries (Rengo Toppan Containers Co., Ltd.).
- One company decreased in the overseas paperboard packaging and nonwoven products subsidiaries (Guangdong Rengo Packaging).
- Eight companies increased, and one company decreased in the overseas heavy duty packaging subsidiaries (each of them belongs to the Tri-Wall Group).
- One company, an affiliate in the Tri-Wall Group, increased in the companies subject to the equity method.



# 7. Consolidated Balance Sheet

## Assets

## Liabilities & Net Assets

(billion yen)

747.7

769.4

747.7

769.4

Current Assets  
265.1

Current Assets  
280.2

Current Liabilities  
288.8

Current Liabilities  
290.3

Noncurrent Assets  
482.6

Noncurrent Assets  
489.2

Noncurrent Liabilities  
196.3

Noncurrent Liabilities  
204.4

Net Assets  
262.6

Net Assets  
274.7

<b>Current assets</b>	<b>+15.1</b>	<b>[ 3.3]</b>
Cash and deposits	+ 2.9	[ 1.3]
Notes and accounts receivable-trade	+ 9.6	[ 1.6]
Inventories	+ 2.8	[ 0.3]

<b>Non-current assets</b>	<b>+ 6.6</b>	<b>[ 8.7]</b>
Property, plant and equipment	+10.3	[ 8.6]
Intangible assets	- 1.4	[ 0.1]
Investments and other assets (Investment securities)	- 2.3	- 2.9)

**Total assets** **+21.7** **[12.0]**

<b>Liabilities</b>	<b>+ 9.6</b>	<b>[ 6.8]</b>
Notes and accounts payable-trade	+12.4	[ 4.1]
Long-term and short-term loans payable	- 8.4	
Bonds payable	+ 5.0	

<b>Net assets</b>	<b>+12.1</b>	<b>[ 3.0]</b>
Retained earnings	+14.3	[-0.3]
Valuation difference on available-for-sale securities	- 1.4	
Foreign currency translation adjustment	- 3.9	
Non-controlling interests	+ 3.2	[ 3.3]

Mar. 31, 2018

Mar. 31, 2019

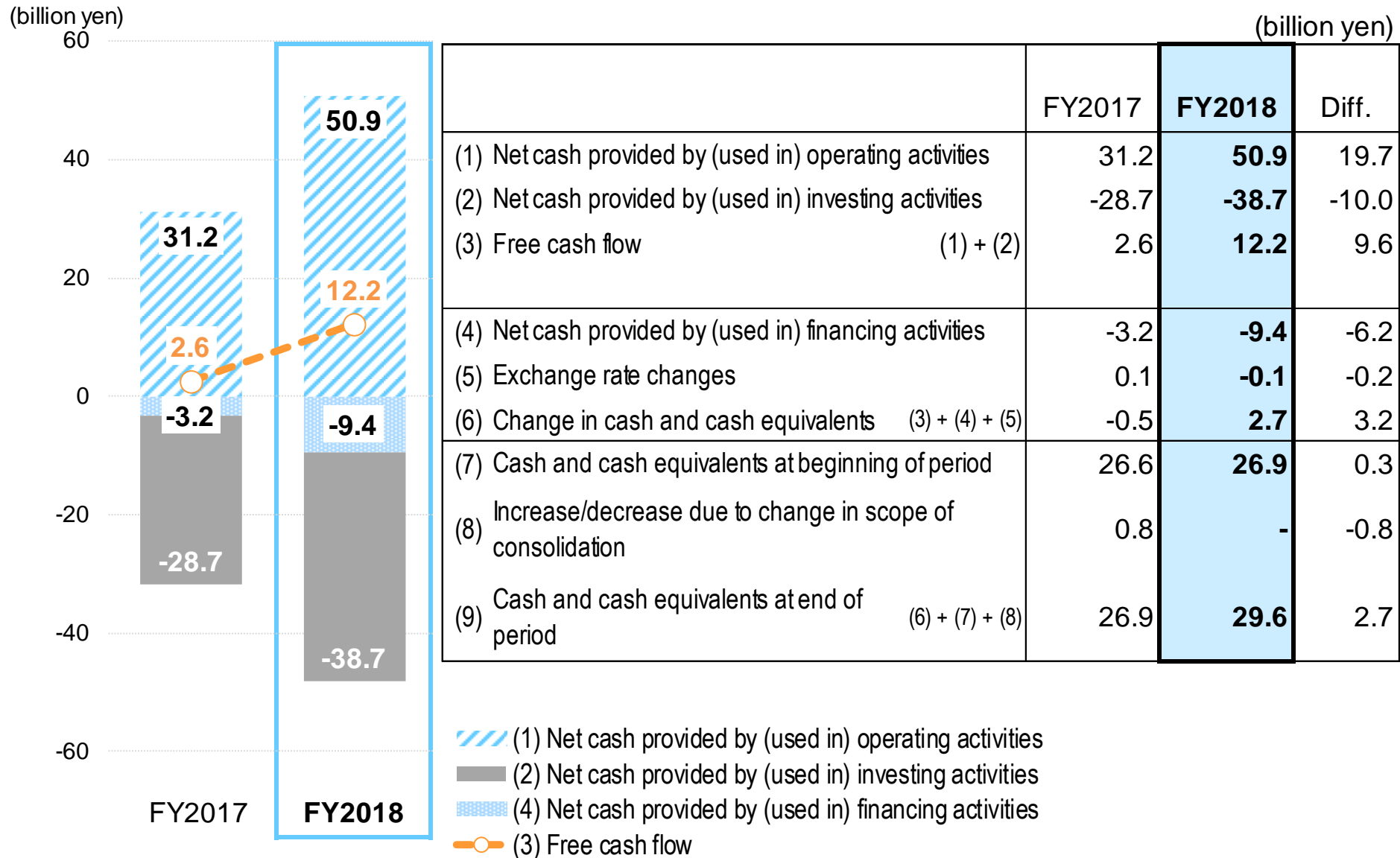
Mar. 31, 2018

Mar. 31, 2019

\* The figures in parenthesis [ ] indicate increase with the acquisition of Rengo Toppan Containers.

	Mar. 31, 2018	Mar. 31, 2019	
Interest-bearing debt	¥287.3 bn	¥283.1 bn	(-4.2 billion yen)
Capital adequacy ratio	34.1 %	34.3 %	(+0.2 pts)
D/E Ratio	1.13 times	1.07 times	(-0.06 pts)
EBITDA	¥49.6 bn	¥59.0 bn	(+9.4 billion yen)

## 8. Consolidated Statement of Cash Flow



## 9. Consolidated Income Statement Forecast for FY2019 (Year-on-year)

(billion yen)

	FY2018	FY2019 Forecasts	YoY	Diff.
<b>Net sales</b>	653.1	700.0	107.2%	46.9
<b>Operating income</b>	25.3	35.0	138.4%	9.7
<b>Ordinary income</b>	27.5	37.0	134.8%	9.5
<b>Profit attributable to owners of the parent</b>	17.2	25.0	145.7%	7.8

### Assumption for the forecast

#### Production volume (domestic) YoY

<b>Containerboard</b>	101.8%	103.5%
<b>Corrugated board</b>	104.6%	105.2%

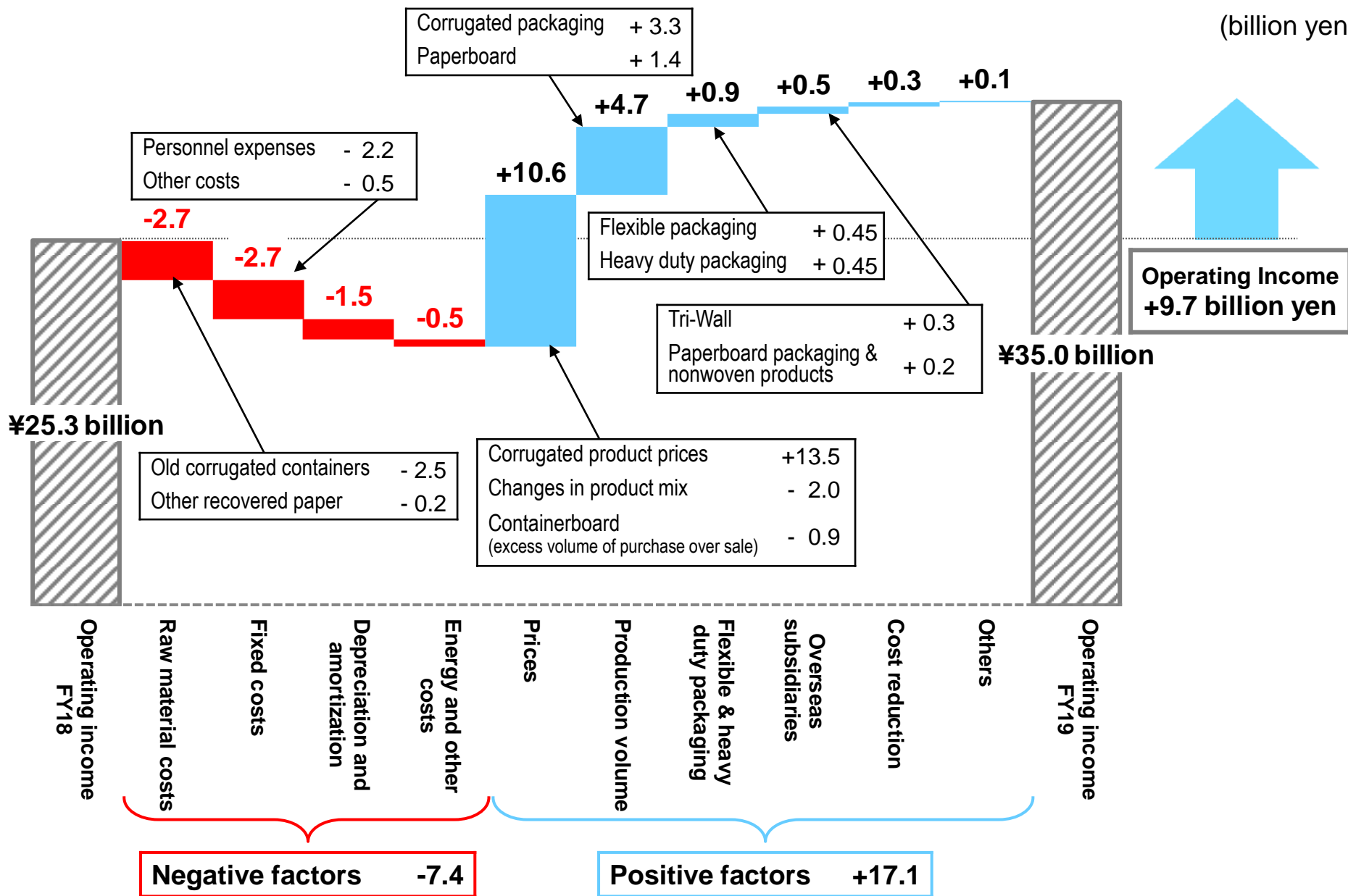
<b>FX rate*</b>	111	110	yen/US\$
<b>Crude oil price (Dubai)</b>	69	65	US\$/bbl

\* 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. Breakdown of Changes in Consolidated Operating Income Forecast (Year-on-year)

(billion yen)



# 11. Major Financial Indicators

(million yen)

		FY2017	<b>FY2018</b>	FY2019 Forecast	
(1) Net sales		605,712	<b>653,107</b>	700,000	
(2) Operating Income		17,082	<b>25,292</b>	35,000	
(3) Ordinary Income		23,168	<b>27,454</b>	37,000	
(4) Profit attributable to owners of the parent		16,622	<b>17,163</b>	25,000	
(5) Total assets		747,700	<b>769,355</b>	795,000	
(6) Total shareholder's equity <sup>*1</sup>		255,015	<b>263,948</b>	285,000	
(7) Net assets		262,580	<b>274,697</b>	297,000	
(8) Interest-bearing debt		287,322	<b>283,071</b>	290,000	
(9) Capital expenditures		41,527	<b>36,512</b>	48,000	
(10) Depreciation and amortization		30,880	<b>32,259</b>	34,000	
*1 Total shareholders' equity = Net assets - non-controlling interests					
(11) Return on equity (ROE) <sup>*2</sup>	%	6.8	<b>6.6</b>	9.1	(4) / (6)
(12) Capital adequacy ratio	%	34.1	<b>34.3</b>	35.8	(6) / (5)
(13) EBITDA	million yen	49,616	<b>59,028</b>	70,000	(2)+(10)+Amortization of goodwill
(14) D/E Ratio	times	1.13	<b>1.07</b>	1.02	(8) / (6)
(15) Ratio of net sales to interest-bearing	%	47.4	<b>43.3</b>	41.4	(8) / (1)
(16) Ordinary income margin	%	3.8	<b>4.2</b>	5.3	(3) / (1)
*2 Calculated with the average of equity at the beginning and the end of the year					
Cash dividends applicable to the period	yen	12	<b>14</b>	16	

# **RENGO co., LTD.**

Nakanoshima Central Tower, 2-2-7 Nakanoshima, Kita-ku,  
Osaka, Japan 530-0005

Tel: +81-6-4706-9648 / 9683

Email: [ir@rengo.co.jp](mailto:ir@rengo.co.jp)

<https://www.rengo.co.jp/english/>

The description of the business plan and the financial forecasts is based on the information currently available.  
Any forward-looking information is not a guarantee of future performance.