

Business Results for the Third Quarter of the Year Ending December 31, 2021 [Japan GAAP] (Consolidated)

November 5, 2021

Company: **The Pack Corporation**
 Stock code: 3950
 Representative: Mitsuo Inada, President & CEO
 Contact: Michihisa Fujii, Managing Director, Corporate Division
 TEL: +81-6-4967-1221

Listed on TSE, First Section
 URL: <https://www.thepack.co.jp>

Expected filing date for quarterly securities report: November 9, 2021
 Expected starting date of dividend payment: –
 Quarterly supplementary financial documents: None
 Quarterly results briefing: None

(Rounded down to million yen)

1. Consolidated business results for the third quarter of the year ending December 31, 2021 (January 1, 2021 through September 30, 2021)

(1) Consolidated operational results (cumulative) (% change from same quarter of previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Third quarter of year ending December 31, 2021	55,061	1.7	2,047	29.3	2,245	25.1	1,512	35.8
Third quarter of year ended December 31, 2020	54,165	(18.7)	1,582	(60.8)	1,795	(57.8)	1,113	(57.6)

(Note) Comprehensive income Third quarter of year ending December 31, 2021: 2,138 million yen (-%)
 Third quarter of year ended December 31, 2020: 96 million yen (-96.3%)

	Quarterly basic earnings per share	Quarterly diluted earnings per share
	Yen	Yen
Third quarter of year ending December 31, 2021	79.62	79.52
Third quarter of year ended December 31, 2020	58.65	58.57

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
Third quarter of year ending December 31, 2021	81,897	60,845	74.2
Year ended December 31, 2020	83,556	59,739	71.4

(Reference) Owner's equity Third quarter of year ending December 31, 2021: 60,760 million yen
 Year ended December 31, 2020: 59,651 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2020	–	30.00	–	30.00	60.00
Year ending December 31, 2021	–	25.00	–		
Year ending December 31, 2021 (forecast)				25.00	50.00

(Note) Revision from most recently announced dividends forecast: None

**3. Forecast of consolidated results for the year ending December 31, 2021
(January 1, 2021 through December 31, 2021)**

(% change from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	81,000	3.3	3,800	16.0	4,000	10.9	2,700	12.9	142.17

(Note) Revision from most recently announced forecast of results: None

***Notes**

- (1) Material changes in subsidiaries during this quarterly cumulative period (changes in scope of consolidations resulting from change in subsidiaries): None
- (2) Application of special account processing in preparation of quarterly financial statements: None
- (3) Changes in accounting policies, accounting estimates, and retrospective restatement
 - 1) Changes in accounting policies based on revisions of the accounting standard: None
 - 2) Changes in accounting policies other than ones based on revisions of the accounting standard: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None

(4) Number of issued and outstanding shares (common stock)

1) Number of issued and outstanding shares at the end of fiscal year (including treasury shares)	3Q, year ending December 31, 2021	19,900,000 shares	Year ended December 31, 2020	19,900,000 shares
2) Number of treasury shares at the end of fiscal year	3Q, year ending December 31, 2021	904,897 shares	Year ended December 31, 2020	909,347 shares
3) Average number of shares (quarterly cumulative)	3Q, year ending December 31, 2021	18,993,368 shares	3Q, year ended December 31, 2020	18,984,873 shares

***The quarterly financial summary is not subject to audits by certified public accountants or auditing firms.**

***Explanation regarding appropriate use of business forecasts and other special instructions**

Forward-looking statements regarding future performance are based on assumptions regarding various factors affecting business performance and information available to the Company's management as of the date the materials were prepared. Actual results may differ significantly from forecasts.

Also see "Explanation Regarding Consolidated Business Forecasts and Other Forward-Looking Statements" on p. 3 of the Attachments concerning forward-looking statements.

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1. Qualitative Summary of Business Results for the Period Under Review

(1) Description of Operational Results

In the cumulative period through the third quarter of the consolidated fiscal year under review, the Japanese economy saw a gradual and sustained recovery in consumer spending despite the emergence of various mutant strains of COVID-19, but the fifth wave of the pandemic significantly constrained activity, leading to a drop in personal consumption.

Business activity continues to strengthen in the United States. Progress with COVID-19 vaccinations boosted both opportunities for consumers to venture out and a recovery in personal consumption, centered on service industries. China's economy maintained a steady overall recovery, founded on the country's success in containing COVID-19; however, future prospects remain clouded by factors such as policies intended to rectify disparities and stronger regulation of electricity.

While the COVID-19 pandemic continued to affect business performance, under the "Refreshed and Moving Forward" slogan, group companies worked collectively to increase earnings by venturing into new markets, making substantial capital expenditures, and improving quality management.

During the quarter under review, net sales grew 1.7% year on year to ¥55,061 million; operating profit increased 29.3% to ¥2,047 million; ordinary profit rose 25.1% to ¥2,245 million; and profit attributable to owners of parent rose 35.8% to ¥1,512 million.

The business performance for each segment is given below.

(Paper Products)

The paper products segment accounted for 68.8% of consolidated sales in the third quarter. Sales of paper bags, which accounted for 26.2% of consolidated sales, declined due to slowing consumer spending attributable to the COVID-19 pandemic and the decision by certain customers to begin charging fees for paper bags. However, the overseas subsidiaries The Pack (Shanghai) Corporation and The Pack America Corp. recorded strong performance. Paper bag net sales grew 0.7% year on year to ¥14,414 million.

Sales of folding paper cartons, which accounted for 24.1% of consolidated sales, grew 16.5% to ¥13,282 million. Sales of cartons for takeout/delivery food products remained firm.

Sales of corrugated boxes, which accounted for 15.7% of consolidated sales, grew 13.3% to ¥8,641 million, driven by solid sales to manufacturers and the e-commerce sector.

Printing sales, which accounted for 2.8% of consolidated sales, rose 4.2% to ¥1,535 million. Both Keihin Tokushu Printing Corp. and NIKKO PRINT CORPORATION recorded strong sales.

Overall, sales in this segment rose 8.8% to ¥37,874 million. Operating profit grew 27.6% to ¥2,113 million.

(Film Packaging)

The film packaging segment accounted for 14.4% of consolidated sales in the period under review. Segment sales fell 20.5% to ¥7,959 million due to declining sales of disposable diaper products, lower sales to specialty retail stores in Japan due to the spread of COVID-19, and the impact of a mandatory charge for plastic shopping bags that went into effect on July 1 last year. Operating profit fell 24.3% to ¥229 million.

(Other Businesses)

Other businesses accounted for 16.8% of consolidated sales in the period under review. Sales in this segment fell 1.2% to ¥9,228 million due to lower sales at NISHINIHON PRINTING Co., Ltd. and The Pack America Corp., despite signs of recovery in sales of miscellaneous supplies to large retailers and strong sales by Kannaru Printing Co., Ltd. Operating profit for Other Businesses rose 21.0% to ¥500 million, due in part to improvement in distribution costs.

(2) Description of Financial Position

Assets totaled ¥81,897 million at the end of the period under review, down ¥1,658 million from the end of 2020.

Major factors included increases of ¥3,839 million in cash and deposits and ¥755 million in investment securities, along with declines of ¥6,424 million in notes and accounts receivable-trade and ¥899 million in securities.

Liabilities fell ¥2,764 million to ¥21,052 million. The primary factors were decreases of ¥1,939 million in notes and accounts payable-trade and ¥514 million in electronically recorded obligations-operating.

Net assets grew ¥1,106 million to ¥60,845 million. The key factors were increases of ¥467 million in retained earnings and ¥469 million in valuation difference on available-for-sale securities.

(3) Explanation Regarding Consolidated Business Forecasts and Other Forward-Looking Statements

Consolidated business forecasts remain unchanged from the information announced February 5, 2021.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

(Million yen)

	Previous fiscal year (As of December 31, 2020)	Third quarter of this fiscal year (As of September 30, 2021)
Assets		
Current assets		
Cash and deposits	13,234	17,073
Notes and accounts receivable – trade	20,731	14,307
Securities	9,099	8,200
Merchandise and finished goods	4,958	5,300
Work in process	763	886
Raw materials and supplies	830	814
Other	555	680
Allowance for doubtful accounts	(13)	(21)
Total current assets	50,160	47,242
Non-current assets		
Property, plant, and equipment		
Buildings and structures, net	6,284	6,232
Machinery, equipment, and vehicles, net	6,989	6,537
Tools, furniture and fixtures, net	355	347
Land	8,302	8,539
Construction in progress	616	1,238
Total property, plant and equipment	22,547	22,894
Intangible assets	190	577
Investments and other assets		
Investment securities	9,104	9,859
Deferred tax assets	583	463
Other	1,022	908
Allowance for doubtful accounts	(53)	(48)
Total investments and other assets	10,657	11,182
Total non-current assets	33,395	34,655
Total assets	83,556	81,897

(Million yen)

	Previous fiscal year (As of December 31, 2020)	Third quarter of this fiscal year (As of September 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	11,183	9,244
Electronically recorded obligations – operating	5,330	4,815
Current portion of long-term loans payable	30	25
Income taxes payable	55	396
Allowance for bonuses	230	660
Allowance for bonuses for directors (and other officers)	18	26
Other	3,506	2,619
Total current liabilities	20,356	17,787
Non-current liabilities		
Long-term loans payable	-	66
Deferred tax liabilities	485	453
Retirement benefit liability	2,758	2,574
Other	214	169
Total non-current liabilities	3,459	3,264
Total liabilities	23,816	21,052
Net assets		
Shareholders' equity		
Capital stock	2,553	2,553
Capital surplus	3,164	3,164
Retained earnings	55,860	56,328
Treasury shares	(2,717)	(2,703)
Total shareholders' equity	58,861	59,342
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	987	1,457
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	(310)	(164)
Remeasurements of defined benefit plans	112	125
Total accumulated other comprehensive income	790	1,418
Share acquisition rights	65	63
Non-controlling interests	22	20
Total net assets	59,739	60,845
Total liabilities and net assets	83,556	81,897

(2) Quarterly Consolidated Statement of Income and Consolidated Statement of Comprehensive IncomeQuarterly Consolidated Statement of Income
Cumulative period through third quarter

(Million yen)

	Cumulative period through third quarter of previous fiscal year (from January 1, 2020 to September 30, 2020)	Cumulative period through third quarter of this fiscal year (from January 1, 2021 to September 30, 2021)
Net sales	54,165	55,061
Cost of sales	41,652	42,251
Gross profit	12,513	12,810
Selling, general and administrative expenses		
Freightage and packing expenses	2,782	2,663
Salaries and allowances	2,769	2,782
Director compensation	328	318
Provision of allowance for doubtful accounts	15	4
Provision of allowance for bonuses	309	340
Provision of allowance for bonuses for directors (and other officers)	28	24
Retirement benefit expenses	240	207
Depreciation	259	282
Rent expenses	2,097	1,943
Other	2,099	2,195
Total selling, general and administrative expenses	10,930	10,763
Operating profit	1,582	2,047
Non-operating income		
Interest income	75	79
Dividend income	66	60
Rent income	40	40
Foreign exchange gains	28	14
Other	26	25
Total non-operating income	238	220
Non-operating expenses		
Interest expenses	1	1
Cost of lease revenue	7	6
Sales discounts	3	2
Other	13	10
Total non-operating expenses	26	22
Ordinary profit	1,795	2,245
Extraordinary income		
Gain on sales of investment securities	3	5
Gain on sales of non-current assets	25	5
Total extraordinary income	28	11
Extraordinary losses		
Loss on sales on non-current assets	0	-
Loss on retirement of non-current assets	31	5
Loss on valuation of investment securities	55	-
Total extraordinary losses	88	5
Profit before income taxes	1,734	2,251
Income taxes-current	556	862
Income taxes-deferred	67	(119)
Total income taxes	624	742
Profit	1,110	1,509
Profit (loss) attributable to non-controlling interests	(2)	(3)
Profit attributable to owners of parent	1,113	1,512

Quarterly Consolidated Statement of Comprehensive Income
Cumulative period through third quarter

(Million yen)

	Cumulative period through third quarter of previous fiscal year (from January 1, 2020 to September 30, 2020)	Cumulative period through third quarter of this fiscal year (from January 1, 2021 to September 30, 2021)
Profit	1,110	1,509
Other comprehensive income		
Valuation difference on available-for-sale securities	(620)	469
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustment	(32)	147
Remeasurements of defined benefit plans, net of tax	(361)	12
Total other comprehensive income	(1,013)	629
Comprehensive income	96	2,138
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	100	2,140
Comprehensive income attributable to non-controlling interests	(3)	(1)

(3) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.