

Business Results for the First Quarter of the Year Ending December 31, 2022 [Japan GAAP] (Consolidated)

May 9, 2022

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Expected filing date for quarterly securities report: May 11, 2022
 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 first quarter of the year ending December 31, 2022 (January 1, 2022 through March 31, 2022)

(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	%
First quarter of year ending December 31, 2022	19,098	7.1	908	15.7	1,040	24.2	717	26.3
First quarter of year ended December 31, 2021	17,832	-	785	(17.8)	837	(16.3)	568	(8.1)

(Note) Comprehensive income First quarter of year ending December 31, 2022: 831 million yen (-15.2%)
 First quarter of year ended December 31, 2021: 980 million yen (-%)

	Quarterly basic earnings per share	Quarterly diluted earnings per share
	Yen	Yen
First quarter of year ending December 31, 2022	37.78	37.75
First quarter of year ended December 31, 2021	29.92	29.88

(Note) The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) and related guidance have been applied since the beginning of the first quarter of the consolidated fiscal period under review. Figures for the first quarter of the year ended December 31, 2021 reflect the retroactive application of these standards. As a result, no year-on-year change is shown for net sales in the first quarter of the year ended December 31, 2021.

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
First quarter of year ending December 31, 2022	85,205	62,388	73.2
Year ended December 31, 2021	87,422	62,032	70.9

(Reference) Owner's equity First quarter of year ending December 31, 2022: 62,328 million yen
 Year ended December 31, 2021: 61,955 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, 2021	-	25.00	-	25.00	50.00
Year ending December 31, 2022	-				
Year ending December 31, 2022 (forecast)		30.00	-	30.00	60.00

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

3. Forecast of consolidated results for the year ending December 31, 2022 (January 1, 2022 through December 31, 2022)

(% change from the previous corresponding period)

	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
Second half (accumulated)	38,000	-	1,600	-	1,900	-	1,300	-	68.43
Full year	83,000	-	4,700	-	5,000	-	3,500	-	184.25

(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: Yes
 - 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)	1Q, year ending December 31, 2022	19,900,000 shares	Year ended December 31, 2021	19,900,000 shares
2) Number of treasury shares at the end of fiscal year	1Q, year ending December 31, 2022	899,117 shares	Year ended December 31, 2021	904,917 shares
3) Average number of shares (quarterly cumulative)	1Q, year ending December 31, 2022	18,996,533 shares	1Q, year ended December 31, 2021	18,990,765 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. Overview of Operational Results

(1) Quarterly Operational Results

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; “Revenue Recognition Accounting Standard” hereinafter) and related guidance have been applied since the beginning of the first quarter of the consolidated fiscal period under review. Comparison and analysis with the cumulative period through the same quarter of the previous consolidated fiscal year and with the previous consolidated fiscal year reflect the retroactive application of the Revenue Recognition Accounting Standard and related guidance. For more information, see “2. Quarterly Consolidated Financial Statements and Notes: (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies): (Application of Accounting Standard for Revenue Recognition and Related Guidance).”

In the first quarter of the consolidated fiscal year under review, Japan’s economy resumed a downward trend in consumer spending due to quasi-states of emergency and other priority measures enacted in numerous regions in response to the rapid spread of the COVID-19 omicron variant. Nevertheless, the impact proved milder than that of the state of emergency in the previous year, and the economy witnessed a gradual recovery. Various factors continue to generate uncertainty, including the domestic and international economic impact of new COVID-19 variants; geopolitical issues, including trends in raw material prices resulting from the Ukrainian crisis and other developments; and the impact of US monetary policy.

In the United States, progress with COVID-19 vaccinations prompted more people to venture out of their homes. The resulting recovery in consumer spending, centered on the services industries, led to continuing growth in business activity. While China’s economy got off to a strong start, the effects of the COVID-19 pandemic, including lockdowns in Shanghai based on the nation’s zero-COVID policy, have led to concerns of slowing economic activity.

The COVID-19 pandemic also affected Group business performance. However, based on the slogan “Marking Our 70th Anniversary with Rapid Progress,” group companies worked collectively to increase earnings by venturing into new markets, making substantial capital expenditures, and improving quality management.

During the first quarter of the consolidated fiscal year under review, net sales grew by 7.1% year on year to 19,098 million yen; operating profit rose 15.7% to 908 million yen; ordinary profit grew 24.2% to 1,040 million yen; and profit attributable to owners of parent improved 26.3% to 717 million yen.

The business performance for each segment is given below.

(Paper Products)

The paper products segment accounted for 70.4% of consolidated sales in the first quarter. Sales of paper bags, which accounted for 28.2% of consolidated sales, are recovering from a sales slump attributable to earlier slowing in consumer spending. The overseas subsidiaries The Pack (Shanghai) Corporation and The Pack America Corp. recorded strong performance, with net sales of paper bags growing 11.4% year on year to 5,376 million yen.

Sales of folding paper cartons, which accounted for 24.1% of consolidated sales, grew 9.9% to 4,609 million yen. Sales of cartons for takeout/delivery food products and to the e-commerce sector remained firm. The Pack (Shanghai) Corporation also recorded strong sales to manufacturers.

Driven by solid sales to the manufacturing and e-commerce sectors, sales of corrugated boxes, which accounted for 15.4% of consolidated sales, grew 5.0% to 2,951 million yen.

Printing sales, which accounted for 2.7% of consolidated sales, rose 1.7% to 510 million yen based on strong sales at Keihin Tokushu Printing Corp. and NIKKO PRINT CORPORATION.

Overall, sales in this segment grew 9.1% to 13,448 million yen. Operating profit rose 17.9% to 876 million yen.

(Film Packaging)

The film packaging segment accounted for 14.1% of consolidated sales during the quarter under review. Segment sales were up 4.4% to 2,691 million yen despite declining sales of disposable diaper products. These results reflected strong sales of flexible film packaging for food product packages and strong performance by The Pack America Corp. Operating profit, however, fell 14.6% to 83 million yen.

(Other Businesses)

Other businesses in the quarter under review accounted for 15.5% of consolidated sales. Despite declining sales of miscellaneous supplies to major retailers, Kannaru Printing Co., Ltd. recorded strong sales of miscellaneous supplies to medical institutions. This, combined with the strong performance of The Pack America Corp., resulted in sales growth of 1.2% to 2,959 million yen and 10.2% growth in operating profit to 197 million yen attributable in part to improvements in logistics costs.

(2) Quarterly Financial Position

Assets totaled 85,205 million yen at the end of the quarter under review, down 2,217 million yen from the end of 2021. Major factors included increases of 1,759 million yen in cash and deposits and 1,005 million yen in securities offset by declines of 4,361 million yen in notes and accounts receivable-trade and 942 million yen in investment securities.

Liabilities fell 2,573 million yen to 22,816 million yen. The primary factors were declines of 1,818 million yen in notes and accounts payable-trade and 577 million yen in income taxes payable.

Net assets grew by 356 million yen to 62,388 million yen. The key factors were increases of 242 million yen in retained earnings and 133 million yen in foreign currency translation adjustment.

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

Consolidated business forecasts remain unchanged from the information announced February 7, 2022.

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

(Million yen)

	Previous fiscal year (as of December 31, 2021)	First quarter of current fiscal year (as of March 31, 2022)
Assets		
Current assets		
Cash and deposits	15,077	16,837
Notes and accounts receivable-trade	21,003	16,642
Securities	12,006	13,011
Merchandise and finished goods	4,768	5,199
Work in process	867	921
Raw materials and supplies	794	875
Other	934	783
Allowance for doubtful accounts	(13)	(14)
Total current assets	55,438	54,257
Non-current assets		
Property, plant, and equipment		
Buildings and structures, net	6,169	6,094
Machinery, equipment, and vehicles, net	6,159	5,861
Tools, furniture and fixtures, net	348	380
Land	8,539	8,539
Construction in progress	1,441	1,580
Total property, plant and equipment	22,658	22,456
Intangible assets	643	677
Investments and other assets		
Investment securities	7,405	6,463
Deferred tax assets	416	492
Other	907	906
Allowance for doubtful accounts	(48)	(47)
Total investments and other assets	8,682	7,814
Total non-current assets	31,984	30,948
Total assets	87,422	85,205

(Million yen)

	Previous fiscal year (as of December 31, 2021)	First quarter of current fiscal year (as of March 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	12,235	10,417
Electronically recorded obligations-operating	5,521	5,818
Current portion of long-term loans payable	25	25
Income taxes payable	991	413
Provision for bonuses	267	690
Provision for bonuses for directors (and other officers)	32	14
Other	3,206	2,418
Total current liabilities	22,279	19,797
Non-current liabilities		
Long-term loans payable	60	53
Deferred tax liabilities	440	429
Retirement benefit liability	2,434	2,382
Other	176	153
Total non-current liabilities	3,110	3,019
Total liabilities	25,390	22,816
Net assets		
Shareholders' equity		
Capital stock	2,553	2,553
Capital surplus	3,164	3,163
Retained earnings	57,640	57,883
Treasury shares	(2,704)	(2,686)
Total shareholders' equity	60,654	60,914
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,212	1,192
Deferred gains or losses on hedges	0	4
Foreign currency translation adjustment	(98)	34
Remeasurements of defined benefit plans	185	181
Total accumulated other comprehensive income	1,300	1,414
Share acquisition rights	63	46
Non-controlling interests	13	13
Total net assets	62,032	62,388
Total liabilities and net assets	87,422	85,205

(2) Quarterly Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Quarterly Consolidated Statement of Income

Cumulative period through first quarter

(Million yen)

	Cumulative period through first quarter of previous fiscal year (from January 1, 2021 to March 31, 2021)	Cumulative period through first quarter of current fiscal year (from January 1, 2022 to March 31, 2022)
Net sales	17,832	19,098
Cost of sales	13,578	14,541
Gross profit	4,253	4,557
Selling, general and administrative expenses		
Freightage and packing expenses	882	897
Salaries and allowances	829	837
Director compensation	106	113
Provision of allowance for doubtful accounts	0	(0)
Provision for bonuses	168	208
Provision for director bonuses	7	7
Retirement benefit expenses	69	58
Depreciation	88	90
Rent expenses	622	664
Other	691	771
Total selling, general and administrative expenses	3,468	3,649
Operating profit	785	908
Non-operating income		
Interest income	25	22
Dividend income	0	3
Rent income	13	12
Compensation income	-	65
Foreign exchange gains	6	6
Other	10	25
Total non-operating income	57	137
Non-operating expenses		
Interest expenses	0	0
Cost of lease revenue	2	2
Other	1	2
Total non-operating expenses	4	4
Ordinary profit	837	1,040
Extraordinary income		
Gain on sales of non-current assets	-	0
Total extraordinary income	-	0
Extraordinary losses		
Loss on retirement of non-current assets	3	5
Loss on sales of investment securities	-	21
Total extraordinary losses	3	27
Profit before income taxes	834	1,013
Income taxes-current	359	375
Income taxes-deferred	(92)	(79)
Total income taxes	266	295
Profit	567	717
Profit (loss) attributable to non-controlling interests	(0)	(0)
Profit attributable to owners of parent	568	717

Quarterly Consolidated Statement of Comprehensive Income

Cumulative period through first quarter

(Million yen)

	Cumulative period through first quarter of previous fiscal year (from January 1, 2021 to March 31, 2021)	Cumulative period through first quarter of current fiscal year (from January 1, 2022 to March 31, 2022)
Profit	567	717
Other comprehensive income		
Valuation difference on available-for-sale securities	298	(19)
Deferred gains or losses on hedges	1	3
Foreign currency translation adjustment	108	133
Remeasurements of defined benefit plans, net of tax	4	(3)
Total other comprehensive income	412	114
Comprehensive income	980	831
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	980	831
Comprehensive income attributable to non-controlling interests	0	0

(3) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition and related guidance)

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021) ("Accounting Standard for Revenue Recognition and related guidance" hereinafter) have been applied since the beginning of the first quarter of the consolidated fiscal period under review. Accordingly, revenue is now recognized in the amount expected to be received in exchange for goods or services at the point in time at which control of promised goods or services shift to the customer.

Before, in transactions in which the Group functioned as an agent (i.e., supplying products to customers), all payments received from the customer were recognized as revenues. Now, following this change, revenues are recognized as the net amount after deducting the amount to be paid to our supplier from payments made by the customer.

In principle, the quarterly consolidated financial statements and annual consolidated financial statements herein reflect the retroactive application of this change to quarters in the previous fiscal year and to the previous consolidated fiscal year.

Compared to previous account processing, the change has resulted in a decrease of 138 million yen in each of net sales and cost of sales for the cumulative period through the first quarter of the previous consolidated fiscal year.

(Application of the Accounting Standard for Fair Value Measurement and related standards)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; "Accounting Standard for Fair Value Measurement" hereinafter) and related standards have been applied since the beginning of the first quarter of the consolidated fiscal period under review. Pursuant to the transitional handling described in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policies specified in the Accounting Standard for Fair Value Measurement and related standards will be applied to future accounts. This change does not affect the quarterly consolidated financial statements.