

Business Results for the First Quarter of the Year Ending December 31, 2023 [Japan GAAP] (Consolidated)

May 9, 2023

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

Listed on TSE, Prime Market
 URL: <https://www.thepack.co.jp>

Expected filing date for quarterly securities report: May 11, 2023
 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, 2023 (January 1, 2023 through March 31, 2023)

(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, 2023	21,424	12.2	1,422	56.6	1,493	43.5	1,001	39.5
First quarter of year ended December 31, 2022	19,098	7.1	908	15.7	1,040	24.2	717	26.3

(Note) Comprehensive income First quarter of year ending December 31, 2023: 1,189 million yen (43.0%)
 First quarter of year ended December 31, 2022: 831 million yen (-15.2%)

	Quarterly basic earnings per share	Quarterly diluted earnings per share
	Yen	Yen
First quarter of year ending December 31, 2023	52.64	52.60
First quarter of year ended December 31, 2022	37.78	37.75

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
First quarter of year ending December 31, 2023	91,698	65,926	71.8
Year ended December 31, 2022	94,365	65,371	69.2

(Reference) Owner's equity First quarter of year ending December 31, 2023: 65,881 million yen
 Year ended December 31, 2022: 65,324 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, 2022	-	30.00	-	35.00	65.00
Year ending December 31, 2023	-	-	-	-	-
Year ending December 31, 2023 (forecast)	-	35.00	-	35.00	70.00

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

**3. Forecast of consolidated results for the year ending December 31, 2023
(January 1, 2023 through December 31, 2023)**

(% 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)	43,000	8.5	2,300	12.5	2,500	8.8	1,700	19.5	89.42
Full year	94,000	5.5	6,400	7.2	6,800	7.0	4,400	8.4	231.46

(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)	1Q, year ending December 31, 2023	19,900,000 shares	Year ended December 31, 2022	19,900,000 shares
2) Number of treasury shares at the end of fiscal year	1Q, year ending December 31, 2023	876,472 shares	Year ended December 31, 2022	890,661 shares
3) Average number of shares (quarterly cumulative)	1Q, year ending December 31, 2023	19,016,433 shares	1Q, year ended December 31, 2022	18,996,533 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.

Contents of Attachments

1.	Overview of Operational Results	2
(1)	Quarterly Operational Results	2
(2)	Quarterly Financial Position	3
(3)	Explanation Regarding Consolidated Business Forecasts and Other Forward-Looking Statements	3
2.	Quarterly Consolidated Financial Statements and Notes	4
(1)	Quarterly Consolidated Balance Sheet	4
(2)	Quarterly Consolidated Statement of Income and Consolidated Statement of Comprehensive Income	6
(3)	Notes to Quarterly Consolidated Financial Statements	8
	(Going Concern Assumption)	8
	(Significant Changes in Shareholders' Equity)	8

1. Overview of Operational Results

(1) Quarterly Operational Results

In the first quarter of the consolidated fiscal year under review, Japan's economy showed signs of a modest recovery. Economic activity continued to return to normal in response to the lifting of COVID-19 restrictions as well as the effects of the economic stimulus measures. Nevertheless, prospects remain uncertain for various reasons, including exchange rate fluctuations and the soaring cost of raw materials and energy, attributable to international instability.

In the United States, despite signs of recovery in consumer spending, concerns emerged for the dampening effects on consumer spending of continuing high inflation and sharp increases in interest rates adopted to counter inflation. In China, with the easing of COVID-19 restrictions, consumer spending showed signs of recovery in food service, travel, and other industries. Recovery has been slower for sales at brick-and-mortar stores.

Under such conditions, in the period ending December 2025, the Group seeks to achieve net sales of 107,000 million yen and operating profit of 7,000 million yen under the slogan of its Medium-Term Management Plan: "Evolution: Start of Purpose-Based Management and Sustainable Management." The entire Group is working as one to boost business results through efforts including new market development, proactive capital investment, and improved quality control.

During the first quarter of the consolidated fiscal year under review, net sales grew by 12.2% year on year to 21,424 million yen; operating profit rose 56.6% to 1,422 million yen; ordinary profit grew 43.5% to 1,493 million yen; and profit attributable to owners of parent improved 39.5% to 1,010 million yen.

The business performance for each segment is given below.

(Paper Products)

The paper products segment accounted for 70.3% of consolidated sales in the first quarter. Thanks in part to recovering consumer spending and tourism demand in Japan, sales of paper bags, which accounted for 29.2% of consolidated sales, grew by 16.4% year on year to 6,256 million yen.

Sales of folding paper cartons, which accounted for 24.4% of consolidated sales, grew by 13.4% to 5,228 million yen, thanks to higher sales to the souvenirs market, chiefly in cartons for food products, and the positive effects of post-COVID demand recovery. Sales of cartons for takeout/delivery food products and to the e-commerce sector remained firm.

Driven by ongoing robust sales to the e-commerce and manufacturing sectors, sales of corrugated boxes, which accounted for 14.3% of consolidated sales, grew by 3.7% to 3,059 million yen.

Printing sales, which accounted for 2.4% of consolidated sales, rose 3.2% to 527 million yen based on strong sales at Keihin Tokushu Printing Corp. and NIKKO PRINT CORPORATION.

Overall, sales in this segment grew 12.1% to 15,072 million yen. Operating profit rose 44.4% to 1,265 million yen.

(Film Packaging)

The film packaging segment accounted for 15.7% of consolidated sales during the quarter under review. Segment sales were up 24.8% to 3,357 million yen thanks to strong sales of products to the e-commerce segment for apparel and other products and to specialty retail stores, in addition to positive trends in sales of disposable diaper products and flexible film packaging for food product packages. Operating profit was up 77.5% to 148 million yen.

(Other Businesses)

Other businesses in the quarter under review accounted for 14.0% of consolidated sales. Despite declining sales of products related to COVID-19 vaccines, strong sales of sewn products and nonwoven bags to specialty retail stores helped boost sales in this segment by 1.2% to 2,994 million yen. Operating profit rose by 14.8% to 226 million yen.

(2) Quarterly Financial Position

Assets totaled 91,698 million yen at the end of the quarter under review, down 2,667 million yen from the end of 2022. Major factors included increases of 683 million yen in cash and deposits and 1,740 million yen in land, offset by a decline of 5,376 million yen in notes and accounts receivable-trade.

Liabilities fell 3,222 million yen to 25,771 million yen. The primary factors were declines of 2,359 million yen in notes and accounts payable-trade and 689 million yen in income taxes payable.

Net assets grew by 555 million yen to 65,926 million yen. The key factors were increases of 335 million yen in retained earnings and 153 million yen 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 6, 2023.

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

(Million yen)

	Previous fiscal year (as of December 31, 2022)	First quarter of current fiscal year (as of March 31, 2023)
Assets		
Current assets		
Cash and deposits	16,163	16,847
Notes and accounts receivable-trade	23,886	18,510
Securities	12,500	12,100
Merchandise and finished goods	6,015	6,513
Work in process	1,032	1,161
Raw materials and supplies	1,108	1,076
Other	792	653
Allowance for doubtful accounts	(14)	(14)
Total current assets	61,484	56,848
Non-current assets		
Property, plant, and equipment		
Buildings and structures, net	6,132	6,026
Machinery, equipment, and vehicles, net	5,641	5,975
Tools, furniture and fixtures, net	348	332
Land	8,539	10,279
Construction in progress	3,068	2,886
Total property, plant and equipment	23,729	25,500
Intangible assets	1,044	1,152
Investments and other assets		
Investment securities	6,746	6,859
Deferred tax assets	421	420
Other	992	970
Allowance for doubtful accounts	(53)	(53)
Total investments and other assets	8,106	8,197
Total non-current assets	32,881	34,849
Total assets	94,365	91,698

(Million yen)

	Previous fiscal year (as of December 31, 2022)	First quarter of current fiscal year (as of March 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	14,370	12,010
Electronically recorded obligations-operating	6,689	6,710
Current portion of long-term loans payable	25	25
Income taxes payable	1,349	659
Provision for bonuses	291	757
Provision for bonuses for directors (and other officers)	45	19
Other	3,283	2,768
Total current liabilities	26,054	22,952
Non-current liabilities		
Long-term loans payable	34	28
Deferred tax liabilities	431	416
Retirement benefit liability	2,294	2,270
Other	178	103
Total non-current liabilities	2,939	2,819
Total liabilities	28,994	25,771
Net assets		
Shareholders' equity		
Capital stock	2,553	2,553
Capital surplus	3,166	3,156
Retained earnings	60,654	60,990
Treasury shares	(2,661)	(2,618)
Total shareholders' equity	63,713	64,081
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,391	1,544
Deferred gains or losses on hedges	(3)	0
Foreign currency translation adjustment	89	122
Remeasurements of defined benefit plans	134	132
Total accumulated other comprehensive income	1,611	1,800
Share acquisition rights	46	45
Total net assets	65,371	65,926
Total liabilities and net assets	94,365	91,698

(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, 2022 to March 31, 2022)	Cumulative period through first quarter of current fiscal year (from January 1, 2023 to March 31, 2023)
Net sales	19,098	21,424
Cost of sales	14,541	16,055
Gross profit	4,557	5,369
Selling, general and administrative expenses		
Freightage and packing expenses	897	975
Salaries and allowances	837	894
Directors' compensation	113	113
Provision of allowance for doubtful accounts	△0	0
Provision for bonuses	208	232
Provision for directors' bonuses	7	9
Retirement benefit expenses	58	57
Depreciation	90	118
Rent expenses	664	735
Other	771	809
Total selling, general and administrative expenses	3,649	3,946
Operating profit	908	1,422
Non-operating income		
Interest income	22	39
Dividend income	3	7
Rent income	12	10
Compensation income	65	-
Foreign exchange gains	6	13
Other	25	9
Total non-operating income	137	80
Non-operating expenses		
Interest expenses	0	0
Cost of lease revenue	2	1
Loss on investments in partnership	-	6
Other	2	1
Total non-operating expenses	4	9
Ordinary profit	1,040	1,493
Extraordinary income		
Gain on sales of non-current assets	0	-
Total extraordinary income	0	-
Extraordinary losses		
Loss on retirement of non-current assets	5	3
Loss on sales of investment securities	21	-
Total extraordinary losses	27	3
Profit before income taxes	1,013	1,489
Income taxes-current	375	558
Income taxes-deferred	(79)	(69)
Total income taxes	295	488
Profit	717	1,001
Profit (loss) attributable to non-controlling interests	(0)	-
Profit attributable to owners of parent	717	1,001

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, 2022 to March 31, 2022)	Cumulative period through first quarter of current fiscal year (from January 1, 2023 to March 31, 2023)
Profit	717	1,001
Other comprehensive income		
Valuation difference on available-for-sale securities	(19)	153
Deferred gains or losses on hedges	3	4
Foreign currency translation adjustment	133	32
Remeasurements of defined benefit plans, net of tax	(3)	(2)
Total other comprehensive income	114	188
Comprehensive income	831	1,189
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	831	1,189
Comprehensive income attributable to non-controlling interests	0	-

(3) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.