

Business Results for the Second Quarter of the Year Ending December 31, 2024
(Six Months)
[Japan GAAP] (Consolidated)

August 6, 2024

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Expected filing date for the six-month period securities report: August 9, 2024
 Expected starting date of dividend payment: September 3, 2024

Supplementary financial documents: Yes
 Results briefing: Yes (for institutional investors and securities analysts)

(Rounded down to million yen)

1. Consolidated business results for the second quarter of the year ending December 31, 2024 (six months)
(January 1, 2024 through June 30, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended June 30, 2024	46,617	3.9	3,525	18.4	3,662	16.3	2,999	40.6
Six months ended June 30, 2023	44,878	13.3	2,976	45.6	3,147	36.9	2,133	50.0

(Note) Comprehensive income Second quarter of year ending December 31, 2024 (six months): 3,002 million yen (2.0%)
 Second quarter of year ended December 31, 2023 (six months): 2,942 million yen (68.7%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2024	157.69	157.60
Six months ended June 30, 2023	112.16	112.08

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
Six months ended June 30, 2024	98,723	72,952	73.9
Year ended December 31, 2023	98,847	71,156	71.9

(Reference) Owner's equity Six months ended June 30, 2024: 72,927 million yen
 Year ended December 31, 2023: 71,111 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, 2023	–	35.00	–	55.00	90.00
Year ending December 31, 2024	–	52.00	–	–	–
Year ending December 31, 2024 (forecast)	–	–	–	66.00	118.00

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

**3. Forecast of consolidated results for the year ending December 31, 2024
(January 1, 2024 through December 31, 2024)**

(Full year %: 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
Full year	101,000	3.4	8,100	4.6	8,400	4.2	6,400	13.2	336.27

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

***Notes**

- (1) Material changes in scope of consolidation during the period: None
- (2) Application of special account processing in preparation of six-month consolidated 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)	Six months ended June 30, 2024	19,900,000 shares	Year ended December 31, 2023	19,900,000 shares
2) Number of treasury shares at the end of fiscal year	Six months ended June 30, 2024	938,817 shares	Year ended December 31, 2023	868,136 shares
3) Average number of shares (cumulative from the beginning of the fiscal year)	Six months ended June 30, 2024	19,024,573 shares	Six months ended June 30, 2023	19,023,178 shares

***The six-month 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 Information Concerning Business Results for the Six-Month Period Under Review

(1) Description of Operational Results

In the six-month period under review, Japan's economy appeared set to depart from deflationary patterns due to progress in passing on higher costs to buyers, supported by robust capital investments, strong spending by foreign visitors, and an overall recovery in consumption attributable to rising wages and fiscal policies. Nevertheless, due to soaring energy costs, the rising cost of imported goods driven by yen devaluation, and an extended period during which prices outstripped wage growth, households became more cautious about spending. Prospects for the economy remain uncertain.

In the United States, an environment supporting consumer spending continued, including strong consumer finances due to positive employment and income conditions, and high stock prices and yields. Thus, the US economy remained firm on the back of strong consumer spending.

In China, the slump in the real estate market continued. Despite the presentation of economic stimulus policies to halt the vicious cycle, consumer spending remained sluggish against a backdrop of discouraging employment and income conditions and declining consumer confidence.

Under these circumstances, the Group adopted "Evolution—Start of purpose-based management and Sustainable Management—" as the slogan for our Medium-Term Management Plan. This plan seeks to achieve consolidated net sales of 107,000 million yen and operating income of 8,300 million yen for the fiscal year ending December 31, 2025. Toward this goal, group companies worked as a team to increase earnings in various ways, including by venturing into new markets, making significant capital expenditures, and improving quality management.

Due to these efforts, during the six-month period under review, net sales grew 3.9% to 46,617 million yen; operating profit grew 18.4% to 3,525 million yen; ordinary profit grew 16.3% to 3,662 million yen; and profit attributable to owners of parent grew 40.6% to 2,999 million yen.

The business performance for each segment is reviewed below.

(Paper Products)

The paper products segment accounted for 71.5% of consolidated net sales for the six-month period under review. Thanks in part to a gradual recovery in consumer spending and booming tourism demand, including inbound tourism, sales of paper bags, which accounted for 30.6% of consolidated sales, grew 9.9% year on year to 14,279 million yen.

Sales of paper cartons, which accounted for 26.0% of consolidated sales, grew 7.6% to 12,120 million yen. Contributing factors included strong sales to the souvenirs market, chiefly in cartons for food products, as well as sales of cartons for takeout/delivery food products.

Despite robust sales to the manufacturing sector, following on from last year, sales of corrugated boxes, which accounted for 12.7% of consolidated sales, fell by 6.6% to 5,926 million yen due to revised package specifications for the e-commerce sector.

Printing sales, which accounted for 2.2% of consolidated sales, fell 12.3% to 995 million yen due to reduced hours of production as facilities were upgraded or replaced.

Overall, sales in this segment grew 5.0% to 33,322 million yen. Operating profit rose 16.5% to 3,164 million yen.

(Film Packaging)

The film packaging segment accounted for 13.6% of consolidated sales for the six-month period under review. Segment sales were down 4.6% year on year to 6,347 million yen due to lower sales of products to the e-commerce segment and to specialty retail stores with the migration from film to paper packaging. Improvements in production efficiency helped soften this decline. Operating profit was up 39.7% to 403 million yen.

(Other Businesses)

Other businesses accounted for 14.9% of consolidated sales for the six-month period under review. Strong sales of sewn products and nonwoven bags to specialty retail stores helped boost sales in this segment by 7.1% to 6,947 million yen. Operating profit rose 7.0% to 519 million yen.

(2) Description of Financial Position

(i) Assets, liabilities, and net assets

Total assets at the end of the six-month period under review were 98,723 million yen, down 124 million yen from the end of the previous fiscal year. Major factors included a decline of 5,569 million yen in notes and accounts receivable-trade, offset by increases of 3,898 million yen in cash and deposits and 888 million yen in machinery, equipment, and vehicles.

Liabilities fell 1,919 million yen to 25,771 million yen. The primary factors were declines of 2,190 million yen in notes and accounts payable-trade and 589 million yen in electronically recorded obligations-operating.

Net assets grew by 1,795 million yen to 72,952 million yen. Key factors included an increase of 2,083 million yen in retained earnings, offset by a decline of 364 million yen in valuation differences on available-for-sale securities.

(ii) Cash flow

The balance of cash and cash equivalents at the end of the six-month period under review was up 25.3%, or 4,491 million yen year on year, to 22,210 million yen.

(Cash flow from operating activities)

Cash flow from operating activities in the six-month period under review stood at 6,301 million yen (compared to cash flow of 5,066 million yen in the preceding six-month period). Factors contributing to this figure include the recording of 4,381 million yen in profit before income taxes, a decrease of 5,703 million yen in notes and accounts receivable-trade, and depreciation of 1,006 million yen. These factors more than offset the decrease of 2,846 million yen in notes and accounts payable-trade and increase of 444 million yen in inventories.

(Cash flow used in investment activities)

Cash flow used in investment activities in the six-month period under review stood at 97 million yen (compared to cash flow used of 5,413 million yen in the preceding six-month period). This figure reflects various factors, including 3,500 million yen used in purchase of securities, 1,958 million yen used in purchase of property, plant and equipment, and 635 million yen used in purchase of intangible assets, despite 5,600 million yen in proceeds from sales of securities.

(Cash flow used in financing activities)

Cash flow used in financing activities in the six-month period under review stood at 2,084 million yen (compared to net cash used of 703 million yen in the preceding six-month period). This figure reflects various factors, including cash dividends paid of 1,046 million yen, an increase of 668 million yen in deposits for purchase of treasury shares, and purchase of treasury shares of 334 million yen.

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

Consolidated business forecasts remain unchanged from the information announced February 9, 2024.

2. Six-month Consolidated Financial Statements and Notes**(1) Six-month Consolidated Balance Sheet**

(Million yen)

	Previous fiscal year (as of December 31, 2023)	Six-month period under review (as of June 30, 2024)
Assets		
Current assets		
Cash and deposits	16,322	20,221
Notes and accounts receivable-trade	24,654	19,084
Securities	8,100	6,499
Merchandise and finished goods	7,038	7,484
Work in process	1,058	1,147
Raw materials and supplies	981	907
Other	936	1,856
Allowance for doubtful accounts	(11)	(15)
Total current assets	59,080	57,186
Non-current assets		
Property, plant, and equipment		
Buildings and structures, net	8,154	8,014
Machinery, equipment, and vehicles, net	6,443	7,332
Tools, furniture, and fixtures, net	347	321
Land	10,823	10,823
Construction in progress	1,632	1,995
Total property, plant, and equipment	27,401	28,488
Intangible assets	2,679	3,290
Investments and other assets		
Investment securities	8,127	8,014
Retirement benefit asset	385	438
Deferred tax assets	106	103
Other	1,116	1,206
Allowance for doubtful accounts	(51)	(4)
Total investments and other assets	9,685	9,758
Total non-current assets	39,766	41,537
Total assets	98,847	98,723

(Million yen)

	Previous fiscal year (as of December 31, 2023)	Six-month period under review (as of June 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	13,890	11,700
Electronically recorded obligations-operating	7,264	6,675
Current portion of long-term loans payable	25	22
Income taxes payable	1,397	1,481
Provision for bonuses	322	320
Provision for bonuses for directors (and other officers)	52	26
Other	3,652	4,557
Total current liabilities	26,605	24,782
Non-current liabilities		
Long-term loans payable	9	-
Retirement benefit liability	343	334
Deferred tax liabilities	664	609
Other	67	43
Total non-current liabilities	1,085	988
Total liabilities	27,691	25,771
Net assets		
Shareholders' equity		
Capital stock	2,553	2,553
Capital surplus	3,156	3,161
Retained earnings	64,975	67,059
Treasury shares	(2,593)	(2,868)
Total shareholders' equity	68,092	69,906
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,417	2,052
Deferred gains or losses on hedges	(2)	1
Foreign currency translation adjustment	235	611
Remeasurements of defined benefit plans	369	355
Total accumulated other comprehensive income	3,018	3,020
Share acquisition rights	45	25
Total net assets	71,156	72,952
Total liabilities and net assets	98,847	98,723

(2) Six-month Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Six-month Consolidated Statement of Income

Six-month period

(Million yen)

	Preceding six-month period (from January 1, 2023 to June 30, 2023)	Six-month period under review (from January 1, 2024 to June 30, 2024)
Net sales	44,878	46,617
Cost of sales	33,587	34,719
Gross profit	11,291	11,898
Selling, general and administrative expenses		
Freightage and packing expenses	2,001	1,948
Salaries and allowances	2,208	2,258
Directors' compensation	265	252
Provision of allowance for doubtful accounts	4	88
Provision for bonuses	178	172
Provision for directors' bonuses	19	25
Retirement benefit expenses	144	99
Depreciation	256	188
Rent expenses	1,479	1,460
Other	1,755	1,878
Total selling, general and administrative expenses	8,314	8,373
Operating profit	2,976	3,525
Non-operating income		
Interest income	74	60
Dividend income	57	69
Rent income	20	19
Foreign exchange gains	14	–
Other	18	11
Total non-operating income	185	160
Non-operating expenses		
Interest expenses	1	1
Cost of lease revenue	2	2
Loss on investment limited partnership	6	–
Foreign exchange losses	–	13
Commission for purchase of treasury shares	–	2
Other	4	3
Total non-operating expenses	14	23
Ordinary profit	3,147	3,662
Extraordinary income		
Gain on sales of investment securities	–	681
Gain on sales of non-current assets	–	56
Government subsidies	49	–
Total extraordinary income	49	737
Extraordinary losses		
Loss on sales on non-current assets	–	10
Loss on retirement of non-current assets	18	7
Loss on reduction of non-current assets	49	–
Total extraordinary losses	67	18
Profit before income taxes	3,129	4,381
Income taxes-current	981	1,290
Income taxes-deferred	14	91
Total income taxes	995	1,381
Profit	2,133	2,999
Profit attributable to owners of parent	2,133	2,999

Six-month Consolidated Statement of Income

Six-month period

(Million yen)

	Preceding six-month period (from January 1, 2023 to June 30, 2023)	Six-month period under review (from January 1, 2024 to June 30, 2024)
Profit	2,133	2,999
Other comprehensive income		
Valuation difference on available-for-sale securities	623	(364)
Deferred gains or losses on hedges	6	3
Foreign currency translation adjustment	183	376
Remeasurements of defined benefit plans, net of tax	(4)	(13)
Total other comprehensive income	808	2
Comprehensive income	2,942	3,002
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,942	3,002

(3) Six-month Consolidated Statement of Cash Flows

(Million yen)

	Preceding six-month period (from January 1, 2023 to June 30, 2023)	Six-month period under review (from January 1, 2024 to June 30, 2024)
Cash flows from operating activities		
Profit before income taxes	3,129	4,381
Depreciation	1,014	1,006
Increase (decrease) in allowance for doubtful accounts	1	(42)
Increase (decrease) in provision for bonuses	42	(2)
Increase (decrease) in provision for bonuses for directors and other officers	(23)	(26)
Increase (decrease) in retirement benefit liability	(49)	(29)
Decrease (increase) in net defined benefit asset	–	(53)
Interest and dividend income	(131)	(129)
Interest expenses	1	1
Loss (gain) on investment limited partnership	6	(0)
Loss (gain) on sales of non-current assets	–	(45)
Government subsidies	(49)	–
Loss on retirement of non-current assets	18	7
Loss (gain) on sales of investment securities	–	(681)
Loss on reduction of non-current assets	49	–
Decrease (increase) in notes and accounts receivable-trade	5,566	5,703
Decrease (increase) in inventories	(738)	(444)
Increase (decrease) in notes and accounts payable-trade	(2,857)	(2,846)
Other, net	162	584
Subtotal	6,143	7,383
Interest and dividend income received	132	137
Interest expenses paid	(1)	(1)
Income taxes paid	(1,208)	(1,218)
Net cash provided by (used in) operating activities	5,066	6,301
Cash flows used in investment activities		
Purchase of securities	(6,000)	(3,500)
Proceeds from sales of securities	6,500	5,600
Purchase of property, plant, and equipment	(4,351)	(1,958)
Proceeds from sales of property, plant, and equipment	–	88
Purchase of intangible assets	(1,465)	(635)
Purchase of investment securities	(18)	(519)
Proceeds from sales of investment securities	6	802
Collection of loans receivable	28	35
Payments for leasehold and guarantee deposits	(200)	(16)
Proceeds from government subsidies	49	–
Other, net	36	8
Net cash provided by (used in) investment activities	(5,413)	(97)
Cash flows used in financing activities		
Repayments of long-term loans payable	(12)	(12)
Cash dividends paid	(664)	(1,046)
Purchase of treasury shares	(0)	(334)
Decrease (increase) in deposits for purchase of treasury shares	–	(668)
Other, net	(26)	(22)
Net cash provided by (used in) financing activities	(703)	(2,084)
Effect of exchange rate change on cash and cash equivalents	117	278
Net increase (decrease) in cash and cash equivalents	(933)	4,398
Cash and cash equivalents at beginning of period	18,653	17,812
Cash and cash equivalents at end of period	17,719	22,210

(4) Notes to Six-month Consolidated Financial Statements

(Going Concern Assumption)

Not applicable

(Significant Changes in Shareholders' Equity)

The Company purchased 89,400 shares of the Company as treasury shares in accordance with a resolution passed by the Board of Directors on February 9, 2024. As a result, the number of treasury shares increased by 331 million yen during the six-month period under review to 2,868 million yen.

(Six-month Consolidated Balance Sheet)

* Notes whose maturity date is the last day of each six-month period are settled on the settlement date for notes.

Since the last day of the six-month period under review was a bank holiday, the balances of notes as of the end of the six-month period under review include the following notes whose maturity date was the last day of that period.

	Previous fiscal year (as of December 31, 2023)	Six-month period under review (as of June 30, 2024)
Notes receivable-trade	257	249
Notes payable-trade	103	80
Electronically recorded obligations-operating	226	190

(Six-month Consolidated Statement of Cash Flows)

* Relationship between the ending balance of cash and cash equivalents and amounts of accounts shown on the six-month consolidated balance sheet:

	Preceding six-month period (from January 1, 2023 to June 30, 2023)	Six-month period under review (from January 1, 2024 to June 30, 2024)
Cash and deposits	16,729	20,221
Time deposits with deposit terms of more than three months	(10)	(10)
Securities redeemable within three months from the date of purchase	1,000	1,999
Cash and cash equivalents	17,719	22,210

(Segment and Other Information)

[Segment information]

I. Preceding six-month period (from January 1, 2023 to June 30, 2023)

1. Net sales and profit or loss and breakdown of profit by reportable segment

(Million yen)

	Reportable segment			Other businesses (Note 1)	Total	Adjustment (Note 2)	Amount posted in the Six-month Consolidated Statement of Income (Note 3)
	Paper Products	Film Packaging	Subtotal				
Net sales							
Paper bags	12,993	–	12,993	–	12,993	–	12,993
Paper cartons	11,262	–	11,262	–	11,262	–	11,262
Corrugated boxes	6,343	–	6,343	–	6,343	–	6,343
Printing	1,135	–	1,135	–	1,135	–	1,135
Film Packaging	–	6,654	6,654	–	6,654	–	6,654
Others	–	–	–	6,489	6,489	–	6,489
Revenue from contracts with customers	31,734	6,654	38,389	6,489	44,878	–	44,878
Other revenue	–	–	–	–	–	–	–
Sales to external customers	31,734	6,654	38,389	6,489	44,878	–	44,878
Intersegment sales and transfers	–	–	–	–	–	–	–
Subtotal	31,734	6,654	38,389	6,489	44,878	–	44,878
Segment profit	2,715	288	3,004	485	3,490	(513)	2,976

- Notes:
1. “Others” includes supplies and other goods.
 2. The adjustment amount of –513 million yen for segment profit includes 6 million yen in elimination of intersegment transactions and –519 million yen in Companywide costs, which are not allocated to individual reportable segments. Companywide costs consist mainly of costs related to parent-company administrative sections.
 3. Segment profit is adjusted against operating profit on the Six-month Consolidated Statement of Income.

II. Six-month period under review (from January 1, 2024 to June 30, 2024)

1. Net sales and profit or loss and breakdown of profit by reportable segment

(Million yen)

	Reportable segment			Other businesses (Note 1)	Total	Adjustment (Note 2)	Amount posted in the Six-month Consolidated Statement of Income (Note 3)
	Paper Products	Film Packaging	Subtotal				
Net sales							
Paper bags	14,279	–	14,279	–	14,279	–	14,279
Paper cartons	12,120	–	12,120	–	12,120	–	12,120
Corrugated boxes	5,926	–	5,926	–	5,926	–	5,926
Printing	995	–	995	–	995	–	995
Film Packaging	–	6,347	6,347	–	6,347	–	6,347
Others	–	–	–	6,947	6,947	–	6,947
Revenue from contracts with customers	33,322	6,347	39,669	6,947	46,617	–	46,617
Other revenue	–	–	–	–	–	–	–
Sales to external customers	33,322	6,347	39,669	6,947	46,617	–	46,617
Intersegment sales and transfers	–	–	–	–	–	–	–
Subtotal	33,322	6,347	39,669	6,947	46,617	–	46,617
Segment profit	3,164	403	3,568	519	4,088	(562)	3,525

- Notes:
1. “Others” includes supplies and other goods.
 2. The adjustment amount of –562 million yen for segment profit includes 6 million yen in elimination of intersegment transactions and –569 million yen in Companywide costs, which are not allocated to individual reportable segments. Companywide costs consist mainly of costs related to parent-company administrative sections.
 3. Segment profit is adjusted against operating profit on the Six-month Consolidated Statement of Income.