

Business Results for the First Quarter of the Year Ending December 31, 2020
(Three Months Ended March 31, 2020)
[Japan GAAP] (Consolidated)

May 8, 2020

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Expected date of filing of quarterly report: May 11, 2020
 Expected starting date of dividend payment: -
 Preparation of supplementary quarterly financial document: None
 Quarterly results briefing: None

(Rounded down to million yen)

1. Consolidated business results for the first quarter of the year ending December 31, 2020
(January 1, 2020 through March 31, 2020)

(1) Consolidated results of operations (% change from the previous corresponding period)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|----------------------------------|-------------|-------|------------------|--------|-----------------|--------|---|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Three months ended Mar. 31, 2020 | 19,565 | (7.1) | 955 | (12.1) | 1,001 | (12.9) | 618 | (13.0) |
| Three months ended Mar. 31, 2019 | 21,069 | 6.0 | 1,087 | (11.4) | 1,149 | (11.7) | 710 | (18.0) |

(Note) Comprehensive income Three months ended Mar. 31, 2020: (15) million yen (-%)
 Three months ended Mar. 31, 2019: 888 million yen (up 30.1%)

| | Basic earnings per share | | Diluted earnings per share | |
|----------------------------------|--------------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Three months ended Mar. 31, 2020 | 32.59 | | 32.54 | |
| Three months ended Mar. 31, 2019 | 36.22 | | 36.17 | |

(2) Consolidated financial position

| | Total assets | | Net assets | | Capital adequacy ratio |
|---------------------|--------------|--|-------------|--|------------------------|
| | Million yen | | Million yen | | % |
| As of Mar. 31, 2020 | 83,656 | | 57,904 | | 69.1 |
| As of Dec. 31, 2019 | 88,446 | | 58,495 | | 66.0 |

(Reference) Owner's equity As of Mar. 31, 2020: 57,815 million yen As of Dec. 31, 2019: 58,371 million yen

2. Dividends

| | Dividend per share | | | | |
|---------------------------------------|--------------------|--------------|-----------|--------------|--------------|
| | End of 1Q | End of 2Q | End of 3Q | Year-end | Total |
| Year ended Dec. 31, 2019 | Yen - | Yen 25.00 | Yen - | Yen 30.00 | Yen 55.00 |
| Year ending Dec. 31, 2020 | - | - | - | - | - |
| Year ending Dec. 31, 2020 (forecasts) | - | 30.00 | - | 30.00 | 60.00 |

(Note) Revisions to the most recently announced dividend forecast: None

3. Forecast of consolidated business results for the year ending December 31, 2020

(January 1, 2020 through December 31, 2020) (% 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 |
| First half | 34,800 | (21.4) | 900 | (65.3) | 1,000 | (63.7) | 600 | (66.8) | 31.60 |
| Full year | 96,800 | 1.4 | 7,000 | 2.2 | 7,300 | 1.4 | 4,900 | 4.2 | 258.23 |

(Note) Revisions to the most recently announced consolidated forecast: Yes

Regarding revisions to the first half consolidated forecast, please refer to the May 8, 2020 press release "Revision of the first half consolidated forecast" (Japanese version only).

*** Notes**

(1) Material changes in subsidiaries during this period (Changes in scope of consolidations resulting from changes in subsidiaries): None

(2) Applying of specific accounting of the consolidated quarterly financial statements: None

(3) Changes in accounting policies, accounting estimates and retrospective restatement

1) Changes in accounting policies based on revisions of accounting standard: None

2) Changes in accounting policies other than ones based on revisions of 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)

| | | | |
|----------------------|-------------------|----------------------|-------------------|
| As of Mar. 31, 2020: | 19,900,000 shares | As of Dec. 31, 2019: | 19,900,000 shares |
|----------------------|-------------------|----------------------|-------------------|

2) Number of treasury shares at the end of fiscal year

| | | | |
|----------------------|----------------|----------------------|----------------|
| As of Mar. 31, 2020: | 915,347 shares | As of Dec. 31, 2019: | 925,347 shares |
|----------------------|----------------|----------------------|----------------|

3) Average number of shares

| | | | |
|-----------------------------------|-------------------|-----------------------------------|-------------------|
| Three months ended Mar. 31, 2020: | 18,977,703 shares | Three months ended Mar. 31, 2019: | 19,621,497 shares |
|-----------------------------------|-------------------|-----------------------------------|-------------------|

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

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

Forecasts regarding future performance in these materials are based on information that was available when this document was released and incorporates a number of current assumptions about uncertainties that may affect future results of operations. Therefore, actual results may differ significantly from the forecasts due to various factors. Please refer to "Explanation of Consolidated Forecasts and Other Forward-looking Statements" on page 3 for forecast assumptions.

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1. Overview of Results of Operations

(1) Results of Operations

In the first quarter of 2020, there were measures by the Japanese government and Bank of Japan to support the economy. However, the spread of the novel coronavirus disease had a severe impact on people's lives, jobs and the activities of companies. The economic outlook in Japan is currently unclear.

In the United States, the economy continued to grow slowly with the backing of a strong labor market from the beginning of 2020. However, economic activity fell sharply in March because of lower consumer spending as people stayed home and other effects of the coronavirus crisis. In China, this crisis caused internal demand to drop starting around the Lunar New Year holiday because of factory shutdowns, restrictions on travel and other events. Although the resumption of economic activity slowly began in March, economic growth in China plummeted.

In the first quarter of 2020, under the slogan "Gather the strengths of our group, and progress forward with tenacity," all group companies were focused on entering new markets, making substantial capital expenditures and improving quality management in order to increase earnings.

Net sales decreased 7.1% year-on-year to 19,565 million yen, operating profit decreased 12.1% to 955 million yen, ordinary profit decreased 12.9% to 1,001 million yen, and profit attributable to owners of parent decreased 13.0% to 618 million yen.

Business segment performance was as follows.

(Paper Products)

The paper products segment accounted for 64.6% of consolidated sales in the first quarter of 2020. Sales of paper bags, which accounted for 28.2% of consolidated sales, decreased 16.4% to 5,508 million yen. One reason was lower sales to specialty retail stores in Japan because people were asked to stay home as much as possible. Government orders to stay at home also brought down paper bag sales of THE PACK AMERICA CORP. and The Pack (Shanghai) Corporation.

Sales of paper folding cartons, which accounted for 21.1% of consolidated sales, increased 4.7% to 4,118 million yen. The main reasons were firm sales of cartons for food products and to the e-commerce sector.

Sales of corrugated boxes, which accounted for 12.6% of consolidated sales, increased 0.5% to 2,467 million yen. This increase was attributable to strong sales of boxes to the e-commerce sector.

Printing sales, which accounted for 2.7% of consolidated sales, increased 5.6% to 536 million yen. Sales at Keihin Tokushu Printing Corp. were strong.

Overall, sales in this segment decreased 6.3% to 12,631 million yen, and operating profit decreased 5.1% to 831 million yen.

(Film Packaging)

The film packaging segment accounted for 19.1% of consolidated sales in the first quarter of 2020. Due to lower sales to specialty retail stores in Japan, segment sales decreased 10.5% to 3,742 million yen. Operating profit was down 31.9% to 162 million yen due to an increase in depreciation resulting from capital expenditures.

(Other Businesses)

Other businesses accounted for 16.3% of consolidated sales in the first quarter of 2020. Sales decreased 6.3% to 3,191 million yen due to a decrease in sales of miscellaneous supplies to large retailers. Operating profit decreased 5.9% to 150 million yen.

(2) Financial Position

Assets totaled 83,656 million yen at the end of the first quarter of 2020, down 4,789 million yen from the end of 2019. The main factors were increases of 1,409 million yen in cash and deposits, 447 million yen in construction in progress and 307 million yen in deferred tax assets, and a decrease of 7,382 million yen in notes and accounts receivable-trade.

Liabilities decreased 4,199 million yen to 25,752 million yen. The main factors were decreases of 3,412 million yen in notes and accounts payable-trade and 638 million yen in income taxes payable.

Net assets decreased 590 million yen to 57,904 million yen. The main factor was a decrease of 627 million yen in valuation difference on available-for-sale securities.

(3) Explanation of Consolidated Forecasts and Other Forward-looking Statements

The first half consolidated forecast announced on February 7, 2020 has been revised to reflect the effects of the spread of novel coronavirus disease. For more information, please refer to the May 8, 2020 press release “Revision of the first half consolidated forecast” (Japanese version only).

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

(Million yen)

| | Previous fiscal year (As of December 31, 2019) | First quarter of the current fiscal year (As of March 31, 2020) |
|--|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 14,317 | 15,726 |
| Notes and accounts receivable-trade | 24,717 | 17,335 |
| Securities | 10,000 | 10,000 |
| Merchandise and finished goods | 5,675 | 6,038 |
| Work in process | 931 | 1,124 |
| Raw materials and supplies | 887 | 865 |
| Other | 501 | 483 |
| Allowance for doubtful accounts | (13) | (11) |
| Total current assets | 57,017 | 51,562 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 6,523 | 6,448 |
| Machinery, equipment and vehicles, net | 5,468 | 5,410 |
| Tools, furniture and fixtures, net | 164 | 165 |
| Land | 8,397 | 8,397 |
| Construction in progress | 226 | 674 |
| Total property, plant and equipment | 20,781 | 21,096 |
| Intangible assets | 169 | 160 |
| Investments and other assets | | |
| Investment securities | 8,842 | 8,891 |
| Deferred tax assets | 774 | 1,082 |
| Other | 911 | 912 |
| Allowance for doubtful accounts | (50) | (50) |
| Total investments and other assets | 10,478 | 10,836 |
| Total non-current assets | 31,429 | 32,094 |
| Total assets | 88,446 | 83,656 |

(Million yen)

| | Previous fiscal year (As of December 31, 2019) | First quarter of the current fiscal year (As of March 31, 2020) |
|--|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 15,005 | 11,592 |
| Electronically recorded obligations-operating | 5,763 | 5,929 |
| Current portion of long-term borrowings | 48 | 48 |
| Income taxes payable | 1,055 | 417 |
| Provision for bonuses | 283 | 708 |
| Provision for bonuses for directors (and other officers) | 43 | 17 |
| Other | 3,449 | 2,932 |
| Total current liabilities | 25,648 | 21,647 |
| Non-current liabilities | | |
| Long-term borrowings | 30 | 14 |
| Deferred tax liabilities | 504 | 477 |
| Retirement benefit liability | 3,648 | 3,535 |
| Other | 118 | 78 |
| Total non-current liabilities | 4,302 | 4,104 |
| Total liabilities | 29,951 | 25,752 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 2,553 | 2,553 |
| Capital surplus | 3,164 | 3,161 |
| Retained earnings | 54,607 | 54,656 |
| Treasury shares | (2,765) | (2,735) |
| Total shareholders' equity | 57,560 | 57,636 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,462 | 834 |
| Deferred gains or losses on hedges | 0 | 2 |
| Foreign currency translation adjustment | (283) | (309) |
| Remeasurements of defined benefit plans | (367) | (348) |
| Total accumulated other comprehensive income | 811 | 178 |
| Share acquisition rights | 93 | 65 |
| Non-controlling interests | 29 | 24 |
| Total net assets | 58,495 | 57,904 |
| Total liabilities and net assets | 88,446 | 83,656 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statement of Income
(For the Three-month Period)

(Million yen)

| | First three months of the previous fiscal year (from January 1, 2019 to March 31, 2019) | First three months of the current fiscal year (from January 1, 2020 to March 31, 2020) |
|--|--|---|
| Net sales | 21,069 | 19,565 |
| Cost of sales | 16,126 | 14,836 |
| Gross profit | 4,942 | 4,728 |
| Selling, general and administrative expenses | | |
| Freight and packing costs | 1,090 | 1,022 |
| Salaries and allowances | 819 | 859 |
| Remuneration for directors (and other officers) | 120 | 112 |
| Provision of allowance for doubtful accounts | 4 | 1 |
| Provision for bonuses | 209 | 214 |
| Provision for bonuses for directors (and other officers) | 9 | 9 |
| Retirement benefit expenses | 81 | 73 |
| Depreciation | 90 | 85 |
| Rent expenses | 672 | 685 |
| Other | 755 | 709 |
| Total selling, general and administrative expenses | 3,854 | 3,773 |
| Operating profit | 1,087 | 955 |
| Non-operating income | | |
| Interest income | 26 | 27 |
| Dividend income | 0 | 0 |
| Rental income | 13 | 13 |
| Foreign exchange gains | 19 | 4 |
| Other | 10 | 6 |
| Total non-operating income | 71 | 52 |
| Non-operating expenses | | |
| Interest expenses | 1 | 0 |
| Rental costs | 2 | 2 |
| Sales discounts | 1 | 1 |
| Other | 3 | 2 |
| Total non-operating expenses | 8 | 6 |
| Ordinary profit | 1,149 | 1,001 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 0 | - |
| Insurance claim income | 83 | - |
| Total extraordinary income | 84 | - |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 2 | 0 |
| Loss on sales of non-current assets | 3 | 0 |
| Loss on valuation of investment securities | - | 55 |
| Impairment loss | 164 | - |
| Total extraordinary losses | 170 | 56 |
| Profit before income taxes | 1,063 | 944 |
| Income taxes-current | 491 | 402 |
| Income taxes-deferred | (138) | (75) |
| Total income taxes | 352 | 326 |
| Profit | 710 | 617 |
| Profit (loss) attributable to non-controlling interests | 0 | (1) |
| Profit attributable to owners of parent | 710 | 618 |

Quarterly Consolidated Statement of Comprehensive Income
(For the Three-month Period)

(Million yen)

| | First three months of the previous fiscal year (from January 1, 2019 to March 31, 2019) | First three months of the current fiscal year (from January 1, 2020 to March 31, 2020) |
|--|--|---|
| Profit | 710 | 617 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 149 | (627) |
| Deferred gains or losses on hedges | (0) | 1 |
| Foreign currency translation adjustment | 16 | (26) |
| Remeasurements of defined benefit plans, net of tax | 11 | 19 |
| Total other comprehensive income | 177 | (633) |
| Comprehensive income | 888 | (15) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 886 | (13) |
| Comprehensive income attributable to non-controlling interests | 1 | (1) |

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

** This financial report is solely a translation of summary of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*