

**Business Results for the Second Quarter of the Year Ending December 31, 2020**  
**(Six Months Ended June 30, 2020)**  
**[Japan GAAP] (Consolidated)**

August 6, 2020

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 Preparation of supplementary quarterly financial document: Yes  
 Quarterly results briefing: None

Listed on the TSE1  
 URL: <https://www.thepack.co.jp>

*(Rounded down to million yen)*

**1. Consolidated business results for the second quarter of the year ending December 31, 2020**  
**(January 1, 2020 through June 30, 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	%
Six months ended Jun. 30, 2020	36,046	(18.6)	1,229	(52.6)	1,375	(50.1)	863	(52.1)
Six months ended Jun. 30, 2019	44,284	5.3	2,595	(3.7)	2,754	(3.7)	1,804	(6.4)

(Note) Comprehensive income  
 Six months ended Jun. 30, 2020: 254 million yen (down 84.7%)  
 Six months ended Jun. 30, 2019: 1,664 million yen (down 5.7%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended Jun. 30, 2020	45.51	45.45
Six months ended Jun. 30, 2019	92.41	92.27

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of Jun. 30, 2020	81,031	58,195	71.7
As of Dec. 31, 2019	88,446	58,495	66.0

(Reference) Owner's equity As of Jun. 30, 2020: 58,107 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
	Yen	Yen	Yen	Yen	Yen
Year ended Dec. 31, 2019	-	25.00	-	30.00	55.00
Year ending Dec. 31, 2020	-	30.00	-	-	-
Year ending Dec. 31, 2020 (forecasts)	-	-	-	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)**

There is no forecast for the year ending December 31, 2020 because it is not possible to establish an appropriate and reliable forecast at this time due to COVID-19. An announcement will be made promptly once it becomes possible to determine a reliable forecast. For more information, please refer to the July 27, 2020 press release "Revision of the first half and full-year consolidated forecast for the year ending December 31, 2020" (Japanese version only).

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

**\* 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 Jun. 30, 2020:	19,900,000 shares	As of Dec. 31, 2019:	19,900,000 shares
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2) Number of treasury shares at the end of fiscal year

As of Jun. 30, 2020:	909,347 shares	As of Dec. 31, 2019:	925,347 shares
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3) Average number of shares

Six months ended Jun. 30, 2020:	18,982,396 shares	Six months ended Jun. 30, 2019:	19,529,486 shares
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**\*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. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first half of 2020, the spread of the COVID-19 pandemic seriously affected people's lives, employment, and corporate activities, resulting in a very difficult operating environment in Japan. Although economic activities have now resumed following the complete lifting of the government's emergency declaration, the outlook remains uncertain.

The U.S. economy has been recovering thanks to the resumption of economic activity. However, in some states and regions where the number of new cases of new coronavirus infections is increasing, the pace of recovery has been sluggish as the authorities in these regions have ordered temporary suspension of the reopening of businesses and tightened regulations. The GDP growth rate of the Chinese economy recovered in the period from April to June, quickly exiting the worst period of the COVID-19 crisis. Although consumption remains sluggish, it is on a gradual recovery path led by increase in capital investments.

In the first half 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. However, the continuing spread of the COVID-19 pandemic has forced our main customers to close their businesses, which has consequently affected our business performance.

Net sales decreased 18.6% year-on-year to 36,046 million yen, operating profit decreased 52.6% to 1,229 million yen, ordinary profit decreased 50.1% to 1,375 million yen, and profit attributable to owners of parent decreased 52.1% to 863 million yen.

Business segment performance was as follows.

#### (Paper Products)

The paper products segment accounted for 63.6% of consolidated sales in the first half of 2020. Sales of paper bags, which accounted for 26.4% of consolidated sales, decreased 30.2% to 9,512 million yen. The main reason was a big decrease in sales because people were asked to stay home as much as possible and stores were requested to close. The impact of the spread of COVID-19 also brought down paper bag sales of overseas subsidiaries.

Sales of paper folding cartons, which accounted for 20.7% of consolidated sales, decreased 10.1% to 7,470 million yen. This was the result of lower sales to specialty retail stores in Japan despite firm sales of cartons for food products and to the e-commerce sector.

Sales of corrugated boxes, which accounted for 13.7% of consolidated sales, decreased 2.6% to 4,919 million yen. This decrease was attributable to lower sales to large manufacturers although sales of boxes to the e-commerce sector were strong.

Printing sales, which accounted for 2.8% of consolidated sales, decreased 1.8% to 1,021 million yen. Sales at NIKKO PRINT CORPORATION were weak.

Overall, sales in this segment decreased 18.2% to 22,923 million yen, and operating profit decreased 41.1% to 1,194 million yen.

#### (Film Packaging)

The film packaging segment accounted for 19.6% of consolidated sales in the first half of 2020. Due to a decrease in orders for products for disposable diapers and lower sales to specialty retail stores in Japan, segment sales decreased 23.0% to 7,074 million yen. Operating profit was down 40.1% to 246 million yen.

#### (Other Businesses)

Other businesses accounted for 16.8% of consolidated sales in the first half of 2020. Sales decreased 14.5% to 6,048 million yen due to a decrease in sales of miscellaneous supplies to large retailers. Operating profit decreased 55.5% to 260 million yen.

## **(2) Explanation of Financial Position**

### 1) Balance sheet position

Assets totaled 81,031 million yen at the end of the second quarter of 2020, down 7,415 million yen from the end of 2019. The main factors were increases of 1,275 million yen in merchandise and finished goods, 518 million yen in machinery, equipment and vehicles and 360 million yen in cash and deposits, and a decrease of 9,796 million yen in notes and accounts receivable-trade.

Liabilities decreased 7,115 million yen to 22,835 million yen. The main factors were decreases of 5,084 million yen in notes and accounts payable-trade, 1,240 million yen in electronically recorded obligations-operating and 719 million yen in income taxes payable.

Net assets decreased 299 million yen to 58,195 million yen. The main factors were an increase of 294 million yen in retained earnings and a decrease of 606 million yen in valuation difference on available-for-sale securities.

### 2) Cash flow position

The balance of cash and cash equivalents at the end of the second quarter of 2020 decreased 968 million yen, or 4.8% from the end of the second quarter of 2019 to 19,168 million yen.

#### Cash flows from operating activities

Operating activities provided net cash of 2,903 million yen (net cash provided of 4,775 million yen in the first half of 2019). The principal factors were profit before income taxes of 1,305 million yen and a decrease of 9,778 million yen in trade receivables, while there was a decrease of 6,314 million yen in trade payables and an increase of 1,146 million yen in inventories.

#### Cash flows from investing activities

Investing activities used net cash of 1,414 million yen (net cash used of 1,014 million yen in the first half of 2019). The principal factors were outlays of 3,500 million yen for the purchase of securities and 1,456 million yen for the purchase of property, plant and equipment, while there were proceeds from sales of securities of 4,500 million yen.

#### Cash flows from financing activities

Financing activities used net cash of 608 million yen (net cash used of 2,790 million yen in the first half of 2019). This was mainly due to 568 million yen for the cash dividends paid.

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

At this point, it is difficult to reasonably forecast the consolidated financial results for the fiscal year ending December 31, 2020 as the COVID-19 pandemic will affect our business performance. There is no unified view on the outlook for the spread of the COVID-19 pandemic or the timing of a return to normality. It is therefore difficult to make any reliable forecast for the effects of such factors at present. Consequently, we are temporarily withdrawing the forecast announced on February 7, 2020. It will be disclosed once it becomes possible to determine a reliable forecast.

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

(Million yen)

	Previous fiscal year (As of December 31, 2019)	Second quarter of the current fiscal year (As of June 30, 2020)
Assets		
Current assets		
Cash and deposits	14,317	14,678
Notes and accounts receivable-trade	24,717	14,921
Securities	10,000	9,499
Merchandise and finished goods	5,675	6,951
Work in process	931	889
Raw materials and supplies	887	796
Other	501	566
Allowance for doubtful accounts	(13)	(10)
Total current assets	57,017	48,292
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,523	6,383
Machinery, equipment and vehicles, net	5,468	5,986
Tools, furniture and fixtures, net	164	172
Land	8,397	8,397
Construction in progress	226	1,020
Total property, plant and equipment	20,781	21,960
Intangible assets	169	150
Investments and other assets		
Investment securities	8,842	8,917
Deferred tax assets	774	862
Other	911	907
Allowance for doubtful accounts	(50)	(59)
Total investments and other assets	10,478	10,628
Total non-current assets	31,429	32,739
Total assets	88,446	81,031

(Million yen)

	Previous fiscal year (As of December 31, 2019)	Second quarter of the current fiscal year (As of June 30, 2020)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	15,005	9,920
Electronically recorded obligations-operating	5,763	4,523
Current portion of long-term borrowings	48	46
Income taxes payable	1,055	336
Provision for bonuses	283	272
Provision for bonuses for directors (and other officers)	43	20
Other	3,449	3,694
Total current liabilities	25,648	18,814
Non-current liabilities		
Long-term borrowings	30	3
Deferred tax liabilities	504	475
Retirement benefit liability	3,648	3,468
Other	118	73
Total non-current liabilities	4,302	4,021
Total liabilities	29,951	22,835
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,553	2,553
Capital surplus	3,164	3,164
Retained earnings	54,607	54,902
Treasury shares	(2,765)	(2,717)
Total shareholders' equity	57,560	57,902
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,462	856
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	(283)	(321)
Remeasurements of defined benefit plans	(367)	(329)
Total accumulated other comprehensive income	811	205
Share acquisition rights	93	65
Non-controlling interests	29	23
Total net assets	58,495	58,195
Total liabilities and net assets	88,446	81,031

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

(Million yen)

	First six months of the previous fiscal year (from January 1, 2019 to June 30, 2019)	First six months of the current fiscal year (from January 1, 2020 to June 30, 2020)
Net sales	44,284	36,046
Cost of sales	33,767	27,549
Gross profit	10,516	8,496
Selling, general and administrative expenses		
Freight and packing costs	2,271	1,864
Salaries and allowances	1,992	1,939
Remuneration for directors (and other officers)	257	220
Provision of allowance for doubtful accounts	4	12
Provision for bonuses	143	121
Provision for bonuses for directors (and other officers)	19	19
Retirement benefit expenses	141	142
Depreciation	182	171
Rent expenses	1,359	1,376
Other	1,548	1,396
Total selling, general and administrative expenses	7,920	7,266
Operating profit	2,595	1,229
Non-operating income		
Interest income	54	51
Dividend income	51	51
Rental income	27	27
Foreign exchange gains	24	15
Other	19	20
Total non-operating income	176	165
Non-operating expenses		
Interest expenses	2	0
Rental costs	4	4
Sales discounts	2	2
Other	8	11
Total non-operating expenses	18	19
Ordinary profit	2,754	1,375
Extraordinary income		
Gain on sales of non-current assets	0	15
Insurance claim income	83	-
Total extraordinary income	84	15
Extraordinary losses		
Loss on retirement of non-current assets	12	29
Loss on sales of non-current assets	3	0
Loss on valuation of investment securities	-	55
Impairment loss	164	-
Total extraordinary losses	179	86
Profit before income taxes	2,658	1,305
Income taxes-current	869	307
Income taxes-deferred	(15)	135
Total income taxes	854	443
Profit	1,804	861
Loss attributable to non-controlling interests	(0)	(2)
Profit attributable to owners of parent	1,804	863



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

(Million yen)

	First six months of the previous fiscal year (from January 1, 2019 to June 30, 2019)	First six months of the current fiscal year (from January 1, 2020 to June 30, 2020)
Profit	1,804	861
Other comprehensive income		
Valuation difference on available-for-sale securities	(117)	(606)
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	(46)	(38)
Remeasurements of defined benefit plans, net of tax	25	38
Total other comprehensive income	(139)	(607)
Comprehensive income	1,664	254
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,668	257
Comprehensive income attributable to non-controlling interests	(3)	(2)

**(3) Quarterly Consolidated Statement of Cash Flows**

(Million yen)

	First six months of the previous fiscal year (from January 1, 2019 to June 30, 2019)	First six months of the current fiscal year (from January 1, 2020 to June 30, 2020)
<b>Cash flows from operating activities</b>		
Profit before income taxes	2,658	1,305
Depreciation	821	830
Impairment loss	164	-
Increase (decrease) in allowance for doubtful accounts	1	5
Increase (decrease) in provision for bonuses	29	(10)
Increase (decrease) in provision for bonuses for directors (and other officers)	(21)	(23)
Increase (decrease) in retirement benefit liability	(110)	(126)
Interest and dividend income	(105)	(103)
Interest expenses	2	0
Loss (gain) on sales of non-current assets	2	(15)
Loss on retirement of non-current assets	12	29
Loss (gain) on valuation of investment securities	-	55
Decrease (increase) in trade receivables	5,842	9,778
Decrease (increase) in inventories	(289)	(1,146)
Increase (decrease) in trade payables	(3,336)	(6,314)
Other, net	62	(463)
Subtotal	5,733	3,804
Interest and dividends received	104	102
Interest paid	(2)	(0)
Income taxes paid	(1,060)	(1,002)
Net cash provided by (used in) operating activities	4,775	2,903
<b>Cash flows from investing activities</b>		
Payments into time deposits	(66)	-
Proceeds from withdrawal of time deposits	66	-
Purchase of securities	(2,500)	(3,500)
Proceeds from sales of securities	2,000	4,500
Collection of loans receivable	8	2
Purchase of property, plant and equipment	(389)	(1,456)
Proceeds from sales of property, plant and equipment	0	28
Purchase of intangible assets	(43)	(4)
Purchase of investment securities	(114)	(1,014)
Payments of leasehold and guarantee deposits	(13)	(13)
Other, net	38	43
Net cash provided by (used in) investing activities	(1,014)	(1,414)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(66)	-
Repayments of long-term borrowings	(144)	(28)
Dividends paid	(490)	(568)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(28)	(4)
Purchase of treasury shares	(2,049)	-
Other, net	(10)	(6)
Net cash provided by (used in) financing activities	(2,790)	(608)
Effect of exchange rate change on cash and cash equivalents	(16)	(20)
Net increase (decrease) in cash and cash equivalents	955	860
Cash and cash equivalents at beginning of period	19,181	18,307
Cash and cash equivalents at end of period	20,136	19,168

**(4) 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.*