

Business Results for the Second Quarter of the Year Ending December 31, 2014
(Six Months Ended June 30, 2014)
[Japan GAAP] (Consolidated)

August 7, 2014

Company: **The Pack Corporation** Listed on the TSE1
 Stock code: 3950 URL: <http://www.thepack.co.jp>
 Representative: Yoshikazu Nakao, President & CEO
 Contact: Keiji Kimori, Managing Director, General Manager of Administration HQ TEL: +81-6-6972-1221
 Expected date of filing of quarterly report: August 12, 2014
 Expected starting date of dividend payment: September 10, 2014
 Preparation of supplementary quarterly financial document: Yes
 Quarterly 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, 2014
(January 1, 2014 through June 30, 2014)

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Jun. 30, 2014	39,311	2.3	2,120	6.6	2,234	9.6	2,397	86.9
Six months ended Jun. 30, 2013	38,445	(1.4)	1,988	4.4	2,039	1.0	1,282	14.0

(Note) Comprehensive income Six months ended Jun. 30, 2014: 2,365 million yen (up 42.3%)

Six months ended Jun. 30, 2013: 1,662 million yen (up 27.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Jun. 30, 2014	120.50	-
Six months ended Jun. 30, 2013	64.46	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2014	64,386	41,375	64.2
As of Dec. 31, 2013	65,091	39,507	60.7

(Reference) Shareholders' equity As of Jun. 30, 2014: 41,353 million yen As of Dec. 31, 2013: 39,483 million yen

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Dec. 31, 2013	-	25.00	-	25.00	50.00
Year ending Dec. 31, 2014	-	25.00			
Year ending Dec. 31, 2014 (forecasts)			-	25.00	50.00

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

3. Forecast of consolidated business results for the year ending December 31, 2014

(January 1, 2014 through December 31, 2014) (% change from the previous corresponding period)

Fiscal year	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	86,000	2.0	5,700	8.5	5,800	7.6	4,300	30.2	216.15

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

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): None

(2) Application of special accounting methods in the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, accounting estimates and restatements

1) Changes in accounting policies associated with revision of accounting standards: None

2) Changes in accounting policies other than 1): None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Shares outstanding (common stock)

1) Number of shares outstanding at the end of period (treasury shares included)

As of Jun. 30, 2014:	19,900,000 shares	As of Dec. 31, 2013:	19,900,000 shares
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2) Number of treasury shares at the end of period

As of Jun. 30, 2014:	6,602 shares	As of Dec. 31, 2013:	6,602 shares
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3) Average number of stock during period

Six months ended Jun. 30, 2014:	19,892,598 shares	Six months ended Jun. 30, 2013:	19,893,438 shares
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***Implementation status of quarterly review procedure**

This quarterly financial summary is not subject to the quarterly review procedure pursuant to the Financial Instruments and Exchange Act. At the time of disclosure of this report, the review procedure of quarterly consolidated financial statements pursuant to the Financial Instruments and Exchange Act has not been completed.

***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 4 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 2014, the Japanese economy continued to recover slowly. Corporate earnings are increasing because the weaker yen has improved the environment for exports and government economic stimulus measures are producing various benefits. Higher earnings are contributing to steady improvements in capital expenditures and jobs. However, prospects for a full-scale economic recovery are still unclear. One reason is concerns about the impact on consumer spending of the April 2014 consumption tax hike and the higher cost of imports due to the weaker yen.

In the packaging industry, to which The Pack Group belongs, costs increased because of higher prices of imported products and raw materials, the higher cost of electricity, and other reasons. More time will be needed for packaging companies to raise selling prices to reflect these higher costs. However, production and sales activities have been generally solid as the drop in demand following the consumption tax hike was no larger than expected.

The Group acquired Nishinohon Printing Co., Ltd. in April 2014. Making this company a subsidiary will enlarge the Group's manufacturing and sales network and upgrade technologies. In addition, based on the slogan "Let's boldly move forward- spiritedly, powerfully, relentlessly," the Group continued to work on increasing solidarity among group companies, including this new subsidiary, developing new markets, and selling products at suitable prices. There were also actions aimed at improving earnings, such as reexamining and improving unprofitable operations.

In the first half of 2014, net sales increased 2.3% year-on-year to 39,311 million yen, operating income increased 6.6% to 2,120 million yen, and ordinary income increased 9.6% to 2,234 million yen. Net income increased 86.9% to 2,397 million yen because of the posting of gain on bargain purchase of 1,064 million yen as an extraordinary income following the completion of purchase in the second quarter of all shares of Nishinohon Printing to make it a wholly owned subsidiary.

Business segment performance was as follows.

(Paper Products)

The paper products segment accounts for 59.2% of total sales in the first half of 2014. Sales of paper bags, which account for 31.1% of total sales, increased 4.4% to 12,237 million yen. There was a big increase in sales of high-end bags and the inclusion of sales of Nishinohon Printing, which became a subsidiary in April 2014, also contributed to sales growth.

Sales of paper folding cartons, which account for 14.5% of total sales, increased 5.0% to 5,702 million yen mainly because of higher sales of cartons for food products.

Sales of corrugated boxes, which account for 11.0% of total sales, increased 4.0% to 4,314 million yen. This increase was attributable to the recovery in sales in the consumer electronics industry, which is a major source of demand for the Group's corrugated boxes, developing new customers and new markets, and demand created by the rush to make purchases prior to the April 2014 consumption tax hike.

Printing sales, which account for 2.6% of total sales, increased 10.5% to 1,034 million yen mainly because of the receipt of new orders and stronger ties with current customers.

Overall, sales in this segment increased 4.7% to 23,289 million yen. Operating income was up 18.0% to 1,611 million yen due mainly to a decline in depreciation at The Tokyo plant.

(Film Packaging)

The film packaging segment accounts for 21.3% of total sales in the first half of 2014. Sales increased 5.6% to 8,388 million yen as there was a recovery in demand in the manufacturing sector and sales to companies in the distribution sector were generally strong, too. However, operating income was down 20.5% to 317 million yen because of higher costs due to surging raw material prices.

(Other Businesses)

Other businesses account for 19.5% of total sales in the first half of 2014. Sales of gift products to companies in the distribution sector were strong. However, in addition to the discontinuance of unprofitable operations relating to clothing products, there was a decline in sales of products used in conjunction with the Pack Assortment Service system, which is a comprehensive outsourcing vendor system that covers everything from manufacturing and procuring packaging materials and other products to inventory control and delivery. As a result, sales decreased 7.6% to 7,633 million yen and operating income decreased 13.6% to 579 million yen.

(2) Explanation of Financial Position

1) Balance sheet position

Assets totaled 64,386 million yen at the end of the second quarter of 2014, down 705 million yen from the end of 2013. The main factors were increases of 2,834 million yen in cash and deposits, 1,080 million yen in land, and decreases of 5,134 million yen in notes and accounts receivable-trade, and 399 million yen in securities.

Liabilities decreased 2,573 million yen to 23,010 million yen. The main factors were decreases of 3,345 million yen in notes and accounts payable-trade, and 475 million yen in short-term loans payable.

Net assets increased 1,868 million yen to 41,375 million yen. The main factors were increases of 1,897 million yen in retained earnings and 27 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 2014 increased 2,556 million yen, or 24.2% from the end of 2013 to 13,137 million yen.

Cash flows from operating activities

Operating activities provided net cash of 4,343 million yen (up 60.0% from net cash provided of 2,715 million yen in the first half of 2013). The principal factors were a decrease of 5,468 million yen in notes and accounts receivable-trade, while there were an increase of 550 million yen in inventories, a decrease of 3,561 million yen in notes and accounts payable-trade.

Cash flows from investing activities

Investing activities used net cash of 824 million yen (net cash provided of 1,397 million yen in the first half of 2013). The principal factors were 698 million yen in purchase of property, plant and equipment, 238 million yen in purchase of shares of subsidiaries resulting in change in scope of consolidation, and 1,200 million yen in purchase of securities, while there were proceeds from sales of securities of 1,400 million yen.

Cash flows from financing activities

Financing activities used net cash of 948 million yen (net cash used of 1,370 million yen in the first half of 2013). This was mainly due to the repayment of long-term loans payable of 375 million yen and the cash dividends paid of 484 million yen.

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

The outlook is unclear for the effects of the consumption tax hike and rising prices on overall market sentiment and consumer spending in Japan. In the packaging industry as well, the high cost of raw materials and imported products and price-based competition are expected to continue. As a result, a full-scale recovery in the business climate is unlikely to occur soon.

To overcome these challenges, we will make substantial investments for the equipment that we require in order to target markets in Japan and other countries and expand our operations. In addition, we will review our business activities and enact business reforms to streamline our operations with the goal of building a stronger profit structure. Another goal is to reinforce our commitment to developing new products and services and improve the quality of our products and services. We also aim to set our prices at suitable levels. All of these initiatives are aimed at improving our performance.

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Not applicable.

(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

Not applicable.

(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements

Not applicable.

3. Quarterly Consolidated Financial Statements**(1) Quarterly Consolidated Balance Sheet**

(Million yen)

	Previous fiscal year (As of December 31, 2013)	Second quarter of the current fiscal year (As of June 30, 2014)
Assets		
Current assets		
Cash and deposits	8,191	11,025
Notes and accounts receivable-trade	21,452	16,317
Securities	3,699	3,299
Merchandise and finished goods	4,761	5,285
Work in process	605	739
Raw materials and supplies	606	648
Deferred tax assets	167	171
Other	592	544
Allowance for doubtful accounts	(16)	(14)
Total current assets	40,059	38,018
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,704	7,612
Machinery, equipment and vehicles, net	5,281	5,168
Tools, furniture and fixtures, net	253	245
Land	7,146	8,227
Construction in progress	59	227
Leased assets	-	130
Total property, plant and equipment	20,445	21,610
Intangible assets	187	190
Investments and other assets		
Investment securities	3,365	3,433
Deferred tax assets	456	450
Other	638	746
Allowance for doubtful accounts	(62)	(63)
Total investments and other assets	4,398	4,566
Total non-current assets	25,031	26,368
Total assets	65,091	64,386

(Million yen)

	Previous fiscal year (As of December 31, 2013)	Second quarter of the current fiscal year (As of June 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	19,161	15,816
Short-term loans payable	792	317
Income taxes payable	703	914
Provision for bonuses	166	181
Provision for directors' bonuses	30	15
Other	2,069	2,505
Total current liabilities	22,923	19,750
Non-current liabilities		
Provision for retirement benefits	2,576	2,703
Other	84	556
Total non-current liabilities	2,661	3,260
Total liabilities	25,584	23,010
Net assets		
Shareholders' equity		
Capital stock	2,553	2,553
Capital surplus	3,165	3,167
Retained earnings	33,003	34,901
Treasury shares	(6)	(6)
Total shareholders' equity	38,716	40,616
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	967	994
Deferred gains or losses on hedges	7	0
Foreign currency translation adjustment	(207)	(258)
Total accumulated other comprehensive income	766	736
Minority interests	23	22
Total net assets	39,507	41,375
Total liabilities and net assets	65,091	64,386

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of 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, 2013 to June 30, 2013)	First six months of the current fiscal year (from January 1, 2014 to June 30, 2014)
Net sales	38,445	39,311
Cost of sales	29,814	30,467
Gross profit	8,630	8,844
Selling, general and administrative expenses		
Freightage and packing expenses	1,752	1,813
Salaries and allowances	1,816	1,853
Directors' compensations	194	191
Provision of allowance for doubtful accounts	(7)	(2)
Provision for bonuses	89	90
Provision for directors' bonuses	13	14
Retirement benefit expenses	199	205
Depreciation	347	323
Rent expenses	1,043	1,082
Other	1,192	1,152
Total selling, general and administrative expenses	6,642	6,724
Operating income	1,988	2,120
Non-operating income		
Interest income	39	41
Dividend income	34	37
Other	27	47
Total non-operating income	101	126
Non-operating expenses		
Interest expenses	7	4
Loss on sales of accounts receivable	2	1
Foreign exchange losses	33	-
Other	7	5
Total non-operating expenses	50	11
Ordinary income	2,039	2,234
Extraordinary income		
Gain on sales of investment securities	97	-
Gain on sales of non-current assets	-	0
Gain on bargain purchase	-	1,064
Total extraordinary income	97	1,065
Extraordinary losses		
Loss on retirement of non-current assets	-	12
Loss on valuation of investment securities	-	0
Total extraordinary losses	-	13
Income before income taxes and minority interests	2,136	3,286
Income taxes-current	560	897
Income taxes-deferred	294	(8)
Total income taxes	854	888
Income before minority interests	1,282	2,397
Minority interests in income (loss)	(0)	0
Net income	1,282	2,397

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

(Million yen)

	First six months of the previous fiscal year (from January 1, 2013 to June 30, 2013)	First six months of the current fiscal year (from January 1, 2014 to June 30, 2014)
Income before minority interests	1,282	2,397
Other comprehensive income		
Valuation difference on available-for-sale securities	258	27
Deferred gains or losses on hedges	1	(7)
Foreign currency translation adjustment	119	(51)
Total other comprehensive income	379	(31)
Comprehensive income	1,662	2,365
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,662	2,366
Comprehensive income attributable to minority interests	(0)	(1)

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	First six months of the previous fiscal year (from January 1, 2013 to June 30, 2013)	First six months of the current fiscal year (from January 1, 2014 to June 30, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	2,136	3,286
Depreciation	972	901
Gain on bargain purchase	-	(1,064)
Amortization of goodwill	4	0
Increase (decrease) in allowance for doubtful accounts	(9)	(3)
Increase (decrease) in provision for bonuses	(5)	3
Increase (decrease) in provision for directors' bonuses	(13)	(15)
Increase (decrease) in provision for retirement benefits	20	50
Interest and dividend income	(74)	(78)
Interest expenses	7	4
Loss (gain) on sales of non-current assets	-	(0)
Loss on retirement of non-current assets	-	12
Loss (gain) on sales of investment securities	(97)	-
Loss (gain) on valuation of investment securities	-	0
Decrease (increase) in notes and accounts receivable-trade	5,317	5,468
Decrease (increase) in inventories	(311)	(550)
Increase (decrease) in notes and accounts payable-trade	(4,483)	(3,561)
Other, net	578	512
Subtotal	4,043	4,967
Interest and dividend income received	68	72
Interest expenses paid	(7)	(4)
Income taxes paid	(1,389)	(691)
Net cash provided by (used in) operating activities	2,715	4,343
Cash flows from investing activities		
Purchase of securities	(1)	(1,200)
Proceeds from sales of securities	1,700	1,400
Payments of loans receivable	(10)	(37)
Collection of loans receivable	19	14
Purchase of property, plant and equipment	(610)	(698)
Proceeds from sales of property, plant and equipment	138	0
Purchase of intangible assets	(10)	(16)
Purchase of investment securities	(29)	(26)
Proceeds from sales of investment securities	169	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(238)
Other, net	32	(20)
Net cash provided by (used in) investing activities	1,397	(824)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-	(100)
Repayments of long-term loans payable	(870)	(375)
Cash dividends paid	(500)	(484)
Proceeds from sales of treasury shares	-	11
Net cash provided by (used in) financing activities	(1,370)	(948)
Effect of exchange rate change on cash and cash equivalents	43	(14)
Net increase (decrease) in cash and cash equivalents	2,786	2,556
Cash and cash equivalents at beginning of period	9,051	10,581
Cash and cash equivalents at end of period	11,837	13,137

(4) Notes to Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Business Combinations

Business combination through acquisition

1. Summary of business combination

(1) Name of company acquired and its business activity

Name of company acquired: Nishinohon Printing Co., Ltd.

Business activity: Printing business, and manufacture and sales of paper products

(2) Reason for business combination

The Pack Group provides manufacturing, sales and other comprehensive services involving packaging products. In Japan, the Group has factories in Ibaraki, Saitama, Kanagawa, Aichi, Osaka and Nara prefectures.

Acquiring Nishinohon Printing gives the Group's manufacturing bases in Kyushu and adds the outstanding technologies and other expertise of this company to the Group. We believe these resources are necessary to expand and strengthen our business operations and supply network. The decision to acquire Nishinohon Printing was made for these reasons.

(3) Date of business combination

May 7, 2014 (assumed date of business combination was April 1, 2014)

(4) Method of business combination

Acquisition of stock with cash

(5) Name of the company after business combination

There is no change.

(6) Ratio of ownership

100%

(7) Main reason for choosing the company to acquire

Because the Company purchased the stock of Nishinohon Printing with cash, and acquired 100% of its voting rights.

2. Period of business results of the acquired company included in the quarterly consolidated financial statements

From April 1, 2014 to June 30, 2014

3. Acquisition cost and other particulars

(Million yen)

Purchase price	Cash	554
Acquisition cost		554

4. Negative goodwill resulting from the acquisition

(1) Value of negative goodwill

1,064 million yen

(2) Source of goodwill

Since the market value of net assets exceeded the acquisition cost at the time of the business combination, the difference was recognized as negative goodwill.

Subsequent Events

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.*