

**Business Results for the Second Quarter of the Year Ending December 31, 2015**  
**(Six Months Ended June 30, 2015)**  
**[Japan GAAP] (Consolidated)**

August 6, 2015

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, Senior Managing Director, General Manager of Administration HQ

TEL: +81-6-6972-1221

Expected date of filing of quarterly report: August 11, 2015

Expected starting date of dividend payment: September 9, 2015

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, 2015**  
**(January 1, 2015 through June 30, 2015)**

(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, 2015	40,239	2.4	2,257	6.5	2,375	6.3	1,418	(40.8)
Six months ended Jun. 30, 2014	39,311	2.3	2,120	6.6	2,234	9.6	2,397	86.9

(Note) Comprehensive income Six months ended Jun. 30, 2015: 1,890 million yen (down 20.1%)

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

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Jun. 30, 2015	71.50	71.47
Six months ended Jun. 30, 2014	120.50	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2015	66,542	43,459	65.2
As of Dec. 31, 2014	70,304	42,926	61.0

(Reference) Shareholders' equity As of Jun. 30, 2015: 43,411 million yen As of Dec. 31, 2014: 42,898 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, 2014	-	25.00	-	25.00	50.00
Year ending Dec. 31, 2015	-	25.00			
Year ending Dec. 31, 2015 (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, 2015**  
**(January 1, 2015 through December 31, 2015)**

(% 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
	89,000	3.7	5,700	4.1	5,900	3.4	3,600	(16.7)	181.51

(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: Yes

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

3) Changes in accounting estimates: None

4) Restatements: None

(4) Shares outstanding (common shares)

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

As of Jun. 30, 2015:	19,900,000 shares	As of Dec. 31, 2014:	19,900,000 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2015:	224,582 shares	As of Dec. 31, 2014:	6,672 shares
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3) Average number of stock during the period

Six months ended Jun. 30, 2015:	19,832,981 shares	Six months ended Jun. 30, 2014:	19,892,598 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 3 for forecast assumptions.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Forecasts and Other Forward-looking Statements	3
2. Matters Related to Summary Information (Notes)	3
(1) Changes in Significant Subsidiaries during the Period	3
(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements	3
(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements	4
3. Quarterly Consolidated Financial Statements	5
(1) Quarterly Consolidated Balance Sheet	5
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	7
(3) Quarterly Consolidated Statement of Cash Flows	9
(4) Notes to Quarterly Consolidated Financial Statements	11
Going Concern Assumption	11
Significant Changes in Shareholders' Equity	11

## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first half of 2015, the yen weakened and stock prices rose along with economic stimulus measures by the Japanese government and monetary easing by the Bank of Japan. The result was a recovery in corporate earnings, mainly at exporting companies, and an increase in the number of jobs. In addition, spending by foreign tourists in Japan remained high.

On the other hand, consumer spending remained lackluster because of rising prices caused by the yen's decline. In addition, the Greek debt problem continued and economic growth slowed in China. As a result, prospects for a full-scale economic recovery are still unclear.

During the first half, there were many activities to accomplish the goals of the medium-term plan under the slogan of "with a positive attitude, speed and accuracy." All group companies were focused on entering new markets and selling products at suitable prices, and engaged in activities such as proactive capital expenditures, developing new products and improving product quality in order to grow earnings.

Net sales increased 2.4% year-on-year to 40,239 million yen, operating income increased 6.5% to 2,257 million yen, ordinary income increased 6.3% to 2,375 million yen, and net income decreased 40.8% to 1,418 million yen.

Business segment performance was as follows.

#### (Paper Products)

The paper products segment accounted for 59.4% of consolidated sales in the first half of 2015. Sales of paper bags, which accounted for 32.0% of consolidated sales, increased 5.1% to 12,865 million yen. The main reasons were the inclusion of sales of NISHINIHON PRINTING CO., LTD., which became a subsidiary in April 2014, and higher sales at THE PACK AMERICA CORP.

Sales of paper folding cartons, which accounted for 14.3% of consolidated sales, increased 1.0% to 5,757 million yen mainly because of higher sales of cartons for food products used in convenience stores.

Sales of corrugated boxes, which accounted for 10.7% of consolidated sales, increased 0.2% to 4,321 million yen. Although there were signs of a recovery due to higher sales to some customers in the manufacturing sector, sales in all other market sectors were sluggish.

Printing sales, which accounted for 2.4% of consolidated sales, decreased 6.2% to 970 million yen as orders were weak at both Keihin Tokushu Printing Corp. and NIKKO PRINT CORPORATION.

Overall, sales in this segment increased 2.7% to 23,915 million yen. Operating income was up 3.3% to 1,665 million yen.

#### (Film Packaging)

The film packaging segment accounted for 22.1% of consolidated sales in the first half of 2015. Segment performance benefited from strong orders for plastic bags for disposable diapers, supported in part by sales of these diapers to foreign tourists in Japan. As a result, sales increased 5.9% to 8,883 million yen. Operating income was up 14.5% to 363 million yen.

#### (Other Businesses)

Other businesses accounted for 18.5% of consolidated sales in the first half of 2015. 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 2.5% to 7,440 million yen and operating income increased 6.2% to 615 million yen due to cost reductions and other factors.

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

### **1) Balance sheet position**

Assets totaled 66,542 million yen at the end of the second quarter of 2015, down 3,761 million yen from the end of 2014. The main factors were increases of 4,317 million yen in cash and deposits, 619 million yen in investment securities, and decreases of 5,771 million yen in notes and accounts receivable-trade, and 2,799 million yen in securities.

Liabilities decreased 4,294 million yen to 23,082 million yen. The main factors were decreases of 4,104 million yen in notes and accounts payable-trade, and 572 million yen in income taxes payable.

Net assets increased 533 million yen to 43,459 million yen. The main factors were increases of 608 million yen in retained earnings and 465 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 2015 decreased 818 million yen, or 6.2% from the end of the second quarter of 2014 to 12,319 million yen.

#### **Cash flows from operating activities**

Operating activities provided net cash of 3,198 million yen (net cash provided of 4,343 million yen in the first half of 2014). The principal factors were income before income taxes and minority interests of 2,353 million yen and a decrease of 4,113 million yen in notes and accounts payable-trade, while there was a decrease of 5,787 million yen in notes and accounts receivable-trade.

#### **Cash flows from investing activities**

Investing activities used net cash of 965 million yen (net cash used of 824 million yen in the first half of 2014). The principal factors were outlays of 681 million yen for the purchase of property, plant and equipment and 2,000 million yen for the purchase of securities, while there were proceeds from sales of securities of 1,600 million yen.

#### **Cash flows from financing activities**

Financing activities used net cash of 1,064 million yen (net cash used of 948 million yen in the first half of 2014). This was mainly due to outlays of 497 million yen for the cash dividends paid and 556 million yen for the purchase of treasury shares.

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

The consolidated forecasts announced on February 12, 2015 remain unchanged.

## **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**

#### Changes in Accounting Policies

##### Application of the Accounting Standard for Retirement Benefits

The Company has applied the “Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012)” and the “Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015)” from the first quarter of 2015, for provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits. Accordingly, the Company reviewed the methods for calculating retirement benefit obligations and service costs, and revised the method of attributing estimated retirement benefit obligations to periods from the straight-line basis to the benefit formula basis, and revised the method of determining the discount rate from the method using the approximate number of years of expected average length of the remaining service period of employees to the method using a single weighted average discount rate.

For the application of these accounting standards, etc. in accordance with the transitional accounting treatments set forth in Paragraph 37 of the Accounting Standard for Retirement Benefits, the adjustments associated with the change in calculation methods of retirement benefit obligations and service costs are recorded in retained earnings at the beginning of the first half of 2015.

The result was an increase of 487 million yen in net defined benefit liability and a decrease of 314 million yen in retained earnings at the beginning of the first half of 2015. The effect of this change on operating income, ordinary income and income before income taxes and minority interests in the first half of 2015 is insignificant.

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

(Million yen)

	Previous fiscal year (As of December 31, 2014)	Second quarter of the current fiscal year (As of June 30, 2015)
<b>Assets</b>		
Current assets		
Cash and deposits	7,248	11,566
Notes and accounts receivable-trade	22,914	17,143
Securities	6,199	3,399
Merchandise and finished goods	5,232	5,260
Work in process	688	748
Raw materials and supplies	749	705
Deferred tax assets	192	155
Other	453	788
Allowance for doubtful accounts	(11)	(9)
Total current assets	43,667	39,759
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,699	7,864
Machinery, equipment and vehicles, net	5,109	4,810
Tools, furniture and fixtures, net	231	211
Land	8,066	8,066
Construction in progress	525	414
Total property, plant and equipment	21,632	21,366
Intangible assets	178	153
Investments and other assets		
Investment securities	3,637	4,256
Deferred tax assets	521	443
Other	732	629
Allowance for doubtful accounts	(66)	(66)
Total investments and other assets	4,825	5,263
Total non-current assets	26,636	26,783
Total assets	70,304	66,542

(Million yen)

	Previous fiscal year (As of December 31, 2014)	Second quarter of the current fiscal year (As of June 30, 2015)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	19,398	15,293
Income taxes payable	1,408	835
Provision for bonuses	181	161
Provision for directors' bonuses	35	17
Other	2,794	2,769
<b>Total current liabilities</b>	<b>23,818</b>	<b>19,078</b>
<b>Non-current liabilities</b>		
Net defined benefit liability	3,034	3,501
Deferred tax liabilities	322	316
Other	202	186
<b>Total non-current liabilities</b>	<b>3,559</b>	<b>4,004</b>
<b>Total liabilities</b>	<b>27,377</b>	<b>23,082</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	2,553	2,553
Capital surplus	3,167	3,167
Retained earnings	36,330	36,939
Treasury shares	(6)	(562)
<b>Total shareholders' equity</b>	<b>42,045</b>	<b>42,098</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,108	1,574
Deferred gains or losses on hedges	39	14
Foreign currency translation adjustment	(74)	(54)
Remeasurements of defined benefit plans	(220)	(221)
<b>Total accumulated other comprehensive income</b>	<b>852</b>	<b>1,312</b>
Subscription rights to shares	-	20
Minority interests	27	28
<b>Total net assets</b>	<b>42,926</b>	<b>43,459</b>
<b>Total liabilities and net assets</b>	<b>70,304</b>	<b>66,542</b>



**(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, 2014 to June 30, 2014)	First six months of the current fiscal year (from January 1, 2015 to June 30, 2015)
Net sales	39,311	40,239
Cost of sales	30,467	31,231
Gross profit	8,844	9,007
Selling, general and administrative expenses		
Freightage and packing expenses	1,813	1,818
Salaries and allowances	1,853	1,825
Directors' compensations	191	234
Provision of allowance for doubtful accounts	(2)	(0)
Provision for bonuses	90	86
Provision for directors' bonuses	14	17
Retirement benefit expenses	205	214
Depreciation	323	290
Rent expenses	1,082	1,102
Other	1,152	1,161
Total selling, general and administrative expenses	6,724	6,750
Operating income	2,120	2,257
Non-operating income		
Interest income	41	47
Dividend income	37	45
Other	47	63
Total non-operating income	126	156
Non-operating expenses		
Interest expenses	4	0
Loss on sales of accounts receivable	1	1
Foreign exchange losses	-	17
Other	5	18
Total non-operating expenses	11	37
Ordinary income	2,234	2,375
Extraordinary income		
Gain on sales of investment securities	-	20
Gain on sales of non-current assets	0	6
Gain on bargain purchase	1,064	-
Total extraordinary income	1,065	26
Extraordinary losses		
Loss on sales of non-current assets	-	1
Loss on retirement of non-current assets	12	3
Loss on valuation of investment securities	0	-
Compensation expenses	-	44
Total extraordinary losses	13	49
Income before income taxes and minority interests	3,286	2,353
Income taxes-current	897	807
Income taxes-deferred	(8)	127
Total income taxes	888	935
Income before minority interests	2,397	1,418
Minority interests in income (loss)	0	(0)
Net income	2,397	1,418

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

(Million yen)

	First six months of the previous fiscal year (from January 1, 2014 to June 30, 2014)	First six months of the current fiscal year (from January 1, 2015 to June 30, 2015)
Income before minority interests	2,397	1,418
Other comprehensive income		
Valuation difference on available-for-sale securities	27	465
Deferred gains or losses on hedges	(7)	(24)
Foreign currency translation adjustment	(51)	20
Remeasurements of defined benefit plans, net of tax	-	10
Total other comprehensive income	(31)	471
Comprehensive income	2,365	1,890
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,366	1,889
Comprehensive income attributable to minority interests	(1)	0

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

(Million yen)

	First six months of the previous fiscal year (from January 1, 2014 to June 30, 2014)	First six months of the current fiscal year (from January 1, 2015 to June 30, 2015)
Cash flows from operating activities		
Income before income taxes and minority interests	3,286	2,353
Depreciation	901	838
Gain on bargain purchase	(1,064)	-
Amortization of goodwill	0	-
Increase (decrease) in allowance for doubtful accounts	(3)	(2)
Increase (decrease) in provision for bonuses	3	(19)
Increase (decrease) in provision for directors' bonuses	(15)	(17)
Increase (decrease) in provision for retirement benefits	50	-
Increase (decrease) in net defined benefit liability	-	(4)
Interest and dividend income	(78)	(93)
Interest expenses	4	0
Loss (gain) on sales of non-current assets	(0)	(4)
Loss on retirement of non-current assets	12	3
Loss (gain) on sales of investment securities	-	(20)
Loss (gain) on valuation of investment securities	0	-
Decrease (increase) in notes and accounts receivable-trade	5,468	5,787
Decrease (increase) in inventories	(550)	(41)
Increase (decrease) in notes and accounts payable-trade	(3,561)	(4,113)
Other, net	512	(182)
Subtotal	4,967	4,482
Interest and dividend income received	72	89
Interest expenses paid	(4)	(0)
Income taxes paid	(691)	(1,373)
Net cash provided by (used in) operating activities	4,343	3,198
Cash flows from investing activities		
Purchase of securities	(1,200)	(2,000)
Proceeds from sales of securities	1,400	1,600
Payments of loans receivable	(37)	(6)
Collection of loans receivable	14	11
Purchase of property, plant and equipment	(698)	(681)
Proceeds from sales of property, plant and equipment	0	8
Purchase of intangible assets	(16)	(6)
Purchase of investment securities	(26)	(22)
Proceeds from sales of investment securities	-	42
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(238)	-
Other, net	(20)	89
Net cash provided by (used in) investing activities	(824)	(965)

(Million yen)

	First six months of the previous fiscal year (from January 1, 2014 to June 30, 2014)	First six months of the current fiscal year (from January 1, 2015 to June 30, 2015)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(100)	-
Repayments of long-term loans payable	(375)	-
Cash dividends paid	(484)	(497)
Purchase of treasury shares	-	(556)
Proceeds from sales of treasury shares	11	-
Other, net	-	(11)
Net cash provided by (used in) financing activities	(948)	(1,064)
Effect of exchange rate change on cash and cash equivalents	(14)	4
Net increase (decrease) in cash and cash equivalents	2,556	1,173
Cash and cash equivalents at beginning of period	10,581	11,145
Cash and cash equivalents at end of period	13,137	12,319

**(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.*