

**Business Results for the Second Quarter of the Year Ending December 31, 2016**  
**(Six Months Ended June 30, 2016)**  
**[Japan GAAP] (Consolidated)**

August 5, 2016

Company: **The Pack Corporation**

Listed on the TSE1

Stock code: 3950

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Expected date of filing of quarterly report: August 10, 2016

Expected starting date of dividend payment: September 7, 2016

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, 2016**  
**(January 1, 2016 through June 30, 2016)**

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Jun. 30, 2016	41,320	2.7	2,524	11.9	2,726	14.8	1,666	17.5
Six months ended Jun. 30, 2015	40,239	2.4	2,257	6.5	2,375	6.3	1,418	(40.8)

(Note) Comprehensive income Six months ended Jun. 30, 2016: 926 million yen (down 51.0%)

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended Jun. 30, 2016	84.96	84.87
Six months ended Jun. 30, 2015	71.50	71.47

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of Jun. 30, 2016	69,381	45,871	66.0
As of Dec. 31, 2015	73,142	45,412	62.0

(Reference) Owner's equity As of Jun. 30, 2016: 45,805 million yen As of Dec. 31, 2015: 45,365 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, 2015	-	25.00	-	25.00	50.00
Year ending Dec. 31, 2016	-	25.00			
Year ending Dec. 31, 2016 (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, 2016**  
**(January 1, 2016 through December 31, 2016)**

(% change from the previous corresponding period)

Fiscal year	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	90,500	2.8	6,400	2.7	6,600	2.0	4,200	3.3	214.11

(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 change 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: Yes

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 stock)

As of Jun. 30, 2016:	19,900,000 shares	As of Dec. 31, 2015:	19,900,000 shares
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2) Number of treasury stock at the end of fiscal year

As of Jun. 30, 2016:	284,522 shares	As of Dec. 31, 2015:	284,512 shares
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3) Average number of shares

Six months ended Jun. 30, 2016:	19,615,485 shares	Six months ended Jun. 30, 2015:	19,832,981 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.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first half of 2016, the yen appreciated against foreign currencies, consumer spending lacked vigor and corporate earnings continued to stagnate, factors that led to suppressed capital expenditures and wage growth. Meanwhile, the cycle of government-targeted growth and distribution remained a work in progress, and new problems arose from factors such as Britain's exit from the EU. Overall, the economy was manifestly unstable. Nevertheless, America's economic indicators were robust, China has begun to recover from its slowdown, and crude oil prices have rallied, leading to a sense of anticipation that these will become elements in a strong-performing global economy.

During the first half, there were many activities to accomplish the goals of the medium-term management plan under the slogan of "Growth and Innovation." All group companies were focused on entering new markets and engaged in activities such as proactive capital expenditures, developing new products and improving product quality in order to grow earnings.

Net sales increased 2.7% year-on-year to 41,320 million yen, operating income increased 11.9% to 2,524 million yen, ordinary income increased 14.8% to 2,726 million yen, and profit attributable to owners of parent increased 17.5% to 1,666 million yen.

Business segment performance was as follows.

#### (Paper Products)

The paper products segment accounted for 60.5% of consolidated sales in the first half of 2016. Sales of paper bags, which accounted for 31.9% of consolidated sales, increased 2.4% to 13,174 million yen. The main reasons were higher sales of mass-produced paper bags and high-end bags.

Sales of paper folding cartons, which accounted for 15.0% of consolidated sales, increased 7.8% to 6,207 million yen mainly due to the success of positive efforts in sales expansion.

Sales of corrugated boxes, which accounted for 11.1% of consolidated sales, increased 6.2% to 4,587 million yen. This increase was attributable to sales to new customers and strong cultivation of major clients.

Printing sales, which accounted for 2.5% of consolidated sales, increased 7.8% to 1,046 million yen as orders were strong at both Keihin Tokushu Printing Corp. and NIKKO PRINT CORPORATION.

Overall, sales in this segment increased 4.6% to 25,015 million yen. Operating income was up 15.1% to 1,918 million yen.

#### (Film Packaging)

The film packaging segment accounted for 21.6% of consolidated sales in the first half of 2016. Distribution segment sales were strong despite weak orders for disposable diaper products. As a result, sales increased 0.3% to 8,913 million yen. Operating income was up 5.8% to 384 million yen.

#### (Other Businesses)

Other businesses accounted for 17.9% of consolidated sales in the first half of 2016. 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 0.7% to 7,390 million yen and operating income increased 3.0% to 633 million yen due to cost reductions and other factors.

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

### 1) Balance sheet position

Assets totaled 69,381 million yen at the end of the second quarter of 2016, down 3,760 million yen from the end of 2015. The main factors were an increase of 4,884 million yen in cash and deposits, and decreases of 6,293 million yen in notes and accounts receivable-trade, 1,599 million yen in securities and 814 million yen in investment securities.

Liabilities decreased 4,219 million yen to 23,510 million yen. The main factors were decreases of 3,480 million yen in notes and accounts payable-trade, and 196 million yen in income taxes payable.

Net assets increased 459 million yen to 45,871 million yen. The main factors were an increase of 1,175 million yen in retained earnings and a decrease of 535 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 2016 increased 1,667 million yen, or 13.5% from the end of the second quarter of 2015 to 13,986 million yen.

#### Cash flows from operating activities

Operating activities provided net cash of 4,884 million yen (net cash provided of 3,198 million yen in the first half of 2015). The principal factors were profit before income taxes of 2,725 million yen and a decrease of 3,535 million yen in notes and accounts payable-trade, while there was a decrease of 6,124 million yen in notes and accounts receivable-trade.

#### Cash flows from investing activities

Investing activities used net cash of 1,776 million yen (net cash used of 965 million yen in the first half of 2015). The principal factors were outlays of 1,129 million yen for the purchase of property, plant and equipment and 4,200 million yen for the purchase of securities, while there were proceeds from sales of securities of 3,400 million yen.

#### Cash flows from financing activities

Financing activities used net cash of 490 million yen (net cash used of 1,064 million yen in the first half of 2015). This was mainly due to outlays of 482 million yen for the cash dividends paid.

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

The consolidated forecasts announced on February 10, 2016 remain unchanged.

## **2. Matters Related to Summary Information (Notes)**

### **(1) Material Changes in Subsidiaries during this Period**

Not applicable.

### **(2) Applying of Specific Accounting of the Consolidated Quarterly Financial Statements**

Not applicable.

### **(3) Changes in Accounting Policies, Accounting Estimates and Retrospective Restatement**

#### Changes in Accounting Policies

Application of the Accounting Standard for Business Combinations, etc.

The Company has applied the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. from the first quarter of 2016. Accordingly, difference arising from changes in the Company’s ownership interests in subsidiaries in cases where control is retained is recognized in capital surplus, and the costs associated with the acquisition of shares are recognized as expenses in the fiscal year in which they arise. Regarding business combinations that take place on or after the beginning of the first quarter of 2016, the Company has revised the method to reflect reviewed allocation of the acquisition costs arising from determination of the provisional accounting treatment on the consolidated financial statements to which the date of the business combination belongs. In addition, the presentation of net income and other items has been revised, and the minority interests item has been renamed non-controlling interests. For consistency with these changes, the consolidated financial statements for the first half and full year of 2015 have been revised.

In the quarterly consolidated statement of cash flows of the first half of 2016, cash flows associated with purchase or sales of shares of subsidiary not resulting in changes in the scope of consolidation are included in cash flows from financing activities. On the other hand, cash flows associated with acquisition costs of shares of subsidiary resulting in changes in the scope of consolidation or expenses arisen from purchase or sales of shares of subsidiary not resulting in changes in the scope of consolidation are included in cash flows from operating activities.

The Company has adopted these accounting standards, etc. from the beginning of the first quarter of 2016 fiscal year, in accordance with the transitional accounting treatments set forth in Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of the Accounting Standard for Business Divestitures.

There is no impact on the quarterly consolidated financial statements for the first half of 2016.

#### Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Following the revision of the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the second quarter of 2016, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

This change has no effect on the results of operations in the first half of 2016.

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

(Million yen)

	Previous fiscal year (As of December 31, 2015)	Second quarter of the current fiscal year (As of June 30, 2016)
Assets		
Current assets		
Cash and deposits	8,589	13,474
Notes and accounts receivable-trade	23,506	17,213
Securities	6,399	4,799
Merchandise and finished goods	5,145	5,445
Work in process	713	789
Raw materials and supplies	748	663
Deferred tax assets	205	189
Other	639	675
Allowance for doubtful accounts	(11)	(8)
Total current assets	45,936	43,242
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,709	7,487
Machinery, equipment and vehicles, net	5,261	5,320
Tools, furniture and fixtures, net	185	170
Land	8,066	8,066
Construction in progress	231	15
Total property, plant and equipment	21,453	21,060
Intangible assets	143	116
Investments and other assets		
Investment securities	4,561	3,746
Deferred tax assets	419	690
Other	688	650
Allowance for doubtful accounts	(60)	(123)
Total investments and other assets	5,608	4,963
Total non-current assets	27,205	26,139
Total assets	73,142	69,381

(Million yen)

	Previous fiscal year (As of December 31, 2015)	Second quarter of the current fiscal year (As of June 30, 2016)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	14,940	11,460
Electronically recorded obligations-operating	4,115	3,966
Income taxes payable	1,305	1,109
Provision for bonuses	186	194
Provision for directors' bonuses	43	21
Other	2,879	2,547
<b>Total current liabilities</b>	<b>23,471</b>	<b>19,298</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	348	292
Net defined benefit liability	3,727	3,733
Other	182	185
<b>Total non-current liabilities</b>	<b>4,258</b>	<b>4,211</b>
<b>Total liabilities</b>	<b>27,729</b>	<b>23,510</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	2,553	2,553
Capital surplus	3,167	3,167
Retained earnings	39,095	40,270
Treasury shares	(739)	(739)
<b>Total shareholders' equity</b>	<b>44,077</b>	<b>45,253</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,763	1,227
Deferred gains or losses on hedges	(5)	(33)
Foreign currency translation adjustment	(114)	(310)
Remeasurements of defined benefit plans	(355)	(331)
<b>Total accumulated other comprehensive income</b>	<b>1,287</b>	<b>552</b>
Subscription rights to shares	20	43
Non-controlling interests	27	23
<b>Total net assets</b>	<b>45,412</b>	<b>45,871</b>
<b>Total liabilities and net assets</b>	<b>73,142</b>	<b>69,381</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, 2015 to June 30, 2015)	First six months of the current fiscal year (from January 1, 2016 to June 30, 2016)
Net sales	40,239	41,320
Cost of sales	31,231	31,768
Gross profit	9,007	9,551
Selling, general and administrative expenses		
Freightage and packing expenses	1,818	1,867
Salaries and allowances	1,825	1,910
Directors' compensations	234	257
Provision of allowance for doubtful accounts	(0)	60
Provision for bonuses	86	105
Provision for directors' bonuses	17	20
Retirement benefit expenses	214	225
Depreciation	290	240
Rent expenses	1,102	1,094
Other	1,161	1,243
Total selling, general and administrative expenses	6,750	7,026
Operating income	2,257	2,524
Non-operating income		
Interest income	47	61
Dividend income	45	48
Foreign exchange gains	-	47
Other	63	65
Total non-operating income	156	222
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	17	-
Other	20	20
Total non-operating expenses	37	21
Ordinary income	2,375	2,726
Extraordinary income		
Gain on sales of investment securities	20	-
Gain on sales of non-current assets	6	0
Total extraordinary income	26	0
Extraordinary losses		
Loss on sales of non-current assets	1	0
Loss on retirement of non-current assets	3	0
Loss on valuation of investment securities	-	0
Compensation expenses	44	-
Total extraordinary losses	49	0
Profit before income taxes	2,353	2,725
Income taxes-current	807	1,088
Income taxes-deferred	127	(29)
Total income taxes	935	1,058
Profit	1,418	1,666
Loss attributable to non-controlling interests	(0)	(0)
Profit attributable to owners of parent	1,418	1,666

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

(Million yen)

	First six months of the previous fiscal year (from January 1, 2015 to June 30, 2015)	First six months of the current fiscal year (from January 1, 2016 to June 30, 2016)
Profit	1,418	1,666
Other comprehensive income		
Valuation difference on available-for-sale securities	465	(535)
Deferred gains or losses on hedges	(24)	(28)
Foreign currency translation adjustment	20	(200)
Remeasurements of defined benefit plans, net of tax	10	23
Total other comprehensive income	471	(740)
Comprehensive income	1,890	926
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,889	930
Comprehensive income attributable to non-controlling interests	0	(4)

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

(Million yen)

	First six months of the previous fiscal year (from January 1, 2015 to June 30, 2015)	First six months of the current fiscal year (from January 1, 2016 to June 30, 2016)
Cash flows from operating activities		
Profit before income taxes	2,353	2,725
Depreciation	838	881
Increase (decrease) in allowance for doubtful accounts	(2)	59
Increase (decrease) in provision for bonuses	(19)	7
Increase (decrease) in provision for directors' bonuses	(17)	(22)
Increase (decrease) in net defined benefit liability	(4)	55
Interest and dividend income	(93)	(110)
Interest expenses	0	0
Loss (gain) on sales of non-current assets	(4)	(0)
Loss on retirement of non-current assets	3	0
Loss (gain) on sales of investment securities	(20)	-
Loss (gain) on valuation of investment securities	-	0
Decrease (increase) in notes and accounts receivable-trade	5,787	6,124
Decrease (increase) in inventories	(41)	(312)
Increase (decrease) in notes and accounts payable-trade	(4,113)	(3,535)
Other, net	(182)	210
Subtotal	4,482	6,083
Interest and dividend income received	89	108
Interest expenses paid	(0)	(0)
Income taxes paid	(1,373)	(1,306)
Net cash provided by (used in) operating activities	3,198	4,884
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	58	33
Purchase of securities	(2,000)	(4,200)
Proceeds from sales of securities	1,600	3,400
Payments of loans receivable	(6)	-
Collection of loans receivable	11	113
Purchase of property, plant and equipment	(681)	(1,129)
Proceeds from sales of property, plant and equipment	8	4
Purchase of intangible assets	(6)	(0)
Purchase of investment securities	(22)	(13)
Proceeds from sales of investment securities	42	-
Other, net	31	16
Net cash provided by (used in) investing activities	(965)	(1,776)
Cash flows from financing activities		
Cash dividends paid	(497)	(482)
Purchase of treasury shares	(556)	(0)
Other, net	(11)	(7)
Net cash provided by (used in) financing activities	(1,064)	(490)
Effect of exchange rate change on cash and cash equivalents	4	(82)
Net increase (decrease) in cash and cash equivalents	1,173	2,535
Cash and cash equivalents at beginning of period	11,145	11,451
Cash and cash equivalents at end of period	12,319	13,986

**(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.*