

Business Results for the Second Quarter of the Year Ending December 31, 2017
(Six Months Ended June 30, 2017)
[Japan GAAP] (Consolidated)

August 7, 2017

Company: **The Pack Corporation**

Listed on the TSE1

Stock code: 3950

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Expected date of filing of quarterly report: August 10, 2017

Expected starting date of dividend payment: September 6, 2017

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, 2017
(January 1, 2017 through June 30, 2017)

(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, 2017	41,729	1.0	3,053	20.9	3,217	18.0	2,107	26.5
Six months ended Jun. 30, 2016	41,320	2.7	2,524	11.9	2,726	14.8	1,666	17.5

(Note) Comprehensive income
Six months ended Jun. 30, 2017 2,384 million yen (up 157.3%)
Six months ended Jun. 30, 2016 926 million yen (down 51.0%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended Jun. 30, 2017	107.42	107.31
Six months ended Jun. 30, 2016	84.96	84.87

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of Jun. 30, 2017	75,678	50,521	66.6
As of Dec. 31, 2016	76,291	48,603	63.6

(Reference) Owner's equity As of Jun. 30, 2017: 50,437 million yen As of Dec. 31, 2016: 48,533 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, 2016	-	25.00	-	25.00	50.00
Year ending Dec. 31, 2017	-	25.00			
Year ending Dec. 31, 2017 (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, 2017
(January 1, 2017 through December 31, 2017)

(% change from the previous corresponding period)

	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
Full year	91,000	2.0	6,700	3.3	7,000	2.6	4,700	3.5	239.61

(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 the period (including treasury shares)

As of Jun. 30, 2017:	19,900,000 shares	As of Dec. 31, 2016:	19,900,000 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2017:	280,137 shares	As of Dec. 31, 2016:	284,592 shares
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3) Average number of shares

Six months ended Jun. 30, 2017:	19,617,519 shares	Six months ended Jun. 30, 2016:	19,615,485 shares
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***The current quarterly financial summary is not subject to quarterly review procedures.**

***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 2017, the gradual recovery of the Japanese economy continued and companies reported strong earnings, mainly in the manufacturing sector. Although consumer sentiment is improving along with a recovery in wage income, consumer spending is still lackluster.

Overseas, economies are generally healthy despite concerns about the Chinese economy and the uncertainty of government policies in Europe and the United States.

During the first half, there were many activities to accomplish the goals of the medium-term management plan under the slogan of “Strong Growth through Group Solidarity.” All group companies were focused on entering new markets and selling products at adequate prices, and engaged in activities such as proactive capital expenditures, developing new products and improving quality management in order to increase earnings.

Net sales increased 1.0% year-on-year to 41,729 million yen, operating income increased 20.9% to 3,053 million yen, ordinary income increased 18.0% to 3,217 million yen, and profit attributable to owners of parent increased 26.5% to 2,107 million yen.

Business segment performance was as follows.

(Paper Products)

The paper products segment accounted for 61.8% of consolidated sales in the first half of 2017. Sales of paper bags, which accounted for 31.8% of consolidated sales, increased 1.1% to 13,316 million yen. Although domestic sales were about the same as one year earlier, sales at Chinese subsidiaries were strong.

Sales of paper folding cartons, which accounted for 16.1% of consolidated sales, increased 7.9% to 6,700 million yen mainly due to higher sales of cartons for food products and the success of activities aimed at sales growth.

Sales of corrugated boxes, which accounted for 11.5% of consolidated sales, increased 4.2% to 4,778 million yen. This increase was attributable to higher sales of boxes to manufacturers and direct sale (Internet and catalog) retail companies.

Printing sales, which accounted for 2.4% of consolidated sales, decreased 4.1% to 1,003 million yen as sales were weak at Keihin Tokushu Printing Corp.

Overall, sales in this segment increased 3.1% to 25,799 million yen. Operating income was up 17.5% to 2,252 million yen.

(Film Packaging)

The film packaging segment accounted for 21.5% of consolidated sales in the first half of 2017. Sales to specialty retail stores in Japan were slow but there was an increase in orders for products for disposable diapers. As a result, sales increased 0.7% to 8,973 million yen. Operating income was up 32.0% to 507 million yen.

(Other Businesses)

Other businesses accounted for 16.7% of consolidated sales in the first half of 2017. 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 5.9% to 6,956 million yen. Operating income increased 2.9% to 651 million yen.

(2) Explanation of Financial Position

1) Balance sheet position

Assets totaled 75,678 million yen at the end of the second quarter of 2017, down 613 million yen from the end of 2016. The main factors were an increase of 7,290 million yen in cash and deposits, and decreases of 5,704 million yen in notes and accounts receivable-trade and 2,600 million yen in securities.

Liabilities decreased 2,531 million yen to 25,156 million yen. The main factors were decreases of 2,939 million yen in notes and accounts payable-trade and 176 million yen in income taxes payable.

Net assets increased 1,918 million yen to 50,521 million yen. The main factors were increases of 1,616 million yen in retained earnings and 274 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 2017 increased 7,104 million yen, or 50.8% from the end of the second quarter of 2016 to 21,091 million yen.

Cash flows from operating activities

Operating activities provided net cash of 5,498 million yen (net cash provided of 4,884 million yen in the first half of 2016). The principal factors were profit before income taxes of 3,215 million yen and a decrease of 5,680 million yen in notes and accounts receivable-trade, while there was a decrease of 2,961 million yen in notes and accounts payable-trade.

Cash flows from investing activities

Investing activities provided net cash of 3,191 million yen (net cash used of 1,776 million yen in the first half of 2016). The principal factor was proceeds from sales of securities of 6,002 million yen, while there were outlays of 279 million yen for the purchase of property, plant and equipment and 2,501 million yen for the purchase of securities.

Cash flows from financing activities

Financing activities used net cash of 485 million yen (net cash used of 490 million yen in the first half of 2016). This was mainly due to outlays of 490 million yen for the cash dividends paid.

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

The consolidated forecasts announced on February 10, 2017 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

Not applicable.

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

(Million yen)

	Previous fiscal year (As of December 31, 2016)	Second quarter of the current fiscal year (As of June 30, 2017)
Assets		
Current assets		
Cash and deposits	9,695	16,985
Notes and accounts receivable-trade	23,562	17,858
Securities	9,300	6,700
Merchandise and finished goods	5,149	5,438
Work in process	787	755
Raw materials and supplies	660	659
Deferred tax assets	263	242
Other	474	636
Allowance for doubtful accounts	(27)	(20)
Total current assets	49,868	49,256
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,262	7,050
Machinery, equipment and vehicles, net	5,044	4,857
Tools, furniture and fixtures, net	163	157
Land	8,066	8,066
Construction in progress	267	362
Total property, plant and equipment	20,804	20,493
Intangible assets	124	167
Investments and other assets		
Investment securities	4,283	4,703
Deferred tax assets	647	532
Other	684	645
Allowance for doubtful accounts	(120)	(120)
Total investments and other assets	5,494	5,760
Total non-current assets	26,423	26,421
Total assets	76,291	75,678

(Million yen)

	Previous fiscal year (As of December 31, 2016)	Second quarter of the current fiscal year (As of June 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	14,334	11,394
Electronically recorded obligations-operating	4,499	4,468
Income taxes payable	1,303	1,126
Provision for bonuses	269	281
Provision for directors' bonuses	47	23
Other	2,664	3,197
Total current liabilities	23,119	20,492
Non-current liabilities		
Deferred tax liabilities	314	396
Net defined benefit liability	4,077	4,118
Other	177	149
Total non-current liabilities	4,568	4,664
Total liabilities	27,688	25,156
Net assets		
Shareholders' equity		
Capital stock	2,553	2,553
Capital surplus	3,167	3,166
Retained earnings	42,654	44,271
Treasury shares	(739)	(727)
Total shareholders' equity	47,636	49,263
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,595	1,869
Deferred gains or losses on hedges	33	15
Foreign currency translation adjustment	(190)	(225)
Remeasurements of defined benefit plans	(541)	(486)
Total accumulated other comprehensive income	896	1,173
Subscription rights to shares	43	56
Non-controlling interests	26	27
Total net assets	48,603	50,521
Total liabilities and net assets	76,291	75,678

(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, 2016 to June 30, 2016)	First six months of the current fiscal year (from January 1, 2017 to June 30, 2017)
Net sales	41,320	41,729
Cost of sales	31,768	31,590
Gross profit	9,551	10,139
Selling, general and administrative expenses		
Freightage and packing expenses	1,867	1,923
Salaries and allowances	1,910	1,863
Directors' compensations	257	254
Provision of allowance for doubtful accounts	60	(5)
Provision for bonuses	105	148
Provision for directors' bonuses	20	21
Retirement benefit expenses	225	221
Depreciation	240	199
Rent expenses	1,094	1,123
Other	1,243	1,335
Total selling, general and administrative expenses	7,026	7,086
Operating income	2,524	3,053
Non-operating income		
Interest income	61	47
Dividend income	48	50
Rent income	31	30
Foreign exchange gains	47	26
Other	34	26
Total non-operating income	222	180
Non-operating expenses		
Interest expenses	0	0
Cost of lease revenue	5	6
Other	15	9
Total non-operating expenses	21	16
Ordinary income	2,726	3,217
Extraordinary income		
Gain on sales of investment securities	-	0
Gain on sales of non-current assets	0	0
Total extraordinary income	0	1
Extraordinary losses		
Loss on retirement of non-current assets	0	3
Loss on sales of non-current assets	0	-
Loss on valuation of investment securities	0	-
Total extraordinary losses	0	3
Profit before income taxes	2,725	3,215
Income taxes-current	1,088	1,033
Income taxes-deferred	(29)	74
Total income taxes	1,058	1,107
Profit	1,666	2,108
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	1,666	2,107

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

(Million yen)

	First six months of the previous fiscal year (from January 1, 2016 to June 30, 2016)	First six months of the current fiscal year (from January 1, 2017 to June 30, 2017)
Profit	1,666	2,108
Other comprehensive income		
Valuation difference on available-for-sale securities	(535)	274
Deferred gains or losses on hedges	(28)	(17)
Foreign currency translation adjustment	(200)	(35)
Remeasurements of defined benefit plans, net of tax	23	55
Total other comprehensive income	(740)	276
Comprehensive income	926	2,384
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	930	2,383
Comprehensive income attributable to non-controlling interests	(4)	0

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	First six months of the previous fiscal year (from January 1, 2016 to June 30, 2016)	First six months of the current fiscal year (from January 1, 2017 to June 30, 2017)
Cash flows from operating activities		
Profit before income taxes	2,725	3,215
Depreciation	881	790
Increase (decrease) in allowance for doubtful accounts	59	(6)
Increase (decrease) in provision for bonuses	7	11
Increase (decrease) in provision for directors' bonuses	(22)	(24)
Increase (decrease) in net defined benefit liability	55	115
Interest and dividend income	(110)	(97)
Interest expenses	0	0
Loss (gain) on sales of non-current assets	(0)	(0)
Loss on retirement of non-current assets	0	3
Loss (gain) on sales of investment securities	-	(0)
Loss (gain) on valuation of investment securities	0	-
Decrease (increase) in notes and accounts receivable-trade	6,124	5,680
Decrease (increase) in inventories	(312)	(260)
Increase (decrease) in notes and accounts payable-trade	(3,535)	(2,961)
Other, net	210	150
Subtotal	6,083	6,618
Interest and dividend income received	108	100
Interest expenses paid	(0)	(0)
Income taxes paid	(1,306)	(1,219)
Net cash provided by (used in) operating activities	4,884	5,498
Cash flows from investing activities		
Payments into time deposits	-	(83)
Proceeds from withdrawal of time deposits	33	83
Purchase of securities	(4,200)	(2,501)
Proceeds from sales of securities	3,400	6,002
Collection of loans receivable	113	0
Purchase of property, plant and equipment	(1,129)	(279)
Proceeds from sales of property, plant and equipment	4	1
Purchase of intangible assets	(0)	(60)
Purchase of investment securities	(13)	(14)
Proceeds from sales of investment securities	-	1
Other, net	16	42
Net cash provided by (used in) investing activities	(1,776)	3,191
Cash flows from financing activities		
Cash dividends paid	(482)	(490)
Other, net	(8)	4
Net cash provided by (used in) financing activities	(490)	(485)
Effect of exchange rate change on cash and cash equivalents	(82)	(13)
Net increase (decrease) in cash and cash equivalents	2,535	8,190
Cash and cash equivalents at beginning of period	11,451	12,900
Cash and cash equivalents at end of period	13,986	21,091

(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.*