

Business Results for the Year Ended December 31, 2014 [Japan GAAP] (Consolidated)

February 12, 2015

Company: **The Pack Corporation**

Listed on the TSE1

Stock code: 3950

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Expected date of annual shareholders' meeting: March 27, 2015

Expected starting date of dividend payment: March 30, 2015

Expected date of filing of annual securities report: March 27, 2015

Preparation of supplementary financial document: Yes

Results briefing: Yes (for institutional investors and securities analysts)

(Rounded down to million yen)

1. Consolidated business results for the year ended December 31, 2014

(January 1, 2014 through December 31, 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	%
Year ended Dec. 31, 2014	85,809	1.8	5,478	4.3	5,703	5.8	4,322	30.9
Year ended Dec. 31, 2013	84,315	(0.3)	5,253	4.3	5,391	2.5	3,301	9.7

(Note) Comprehensive income Year ended Dec. 31, 2014: 4,632 million yen (up 17.8%)

Year ended Dec. 31, 2013: 3,932 million yen (up 13.5%)

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended Dec. 31, 2014	217.26	-	10.5	8.4	6.4
Year ended Dec. 31, 2013	165.98	-	8.7	8.3	6.2

(Reference) Investment earnings/loss on equity-method Year ended Dec. 31, 2014: - million yen

Year ended Dec. 31, 2013: - million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2014	70,304	42,926	61.0	2,156.41
As of Dec. 31, 2013	65,091	39,507	60.7	1,984.74

(Reference) Shareholders' equity As of Dec. 31, 2014: 42,898 million yen As of Dec. 31, 2013: 39,483 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Year ended Dec. 31, 2014	4,930	(2,599)	(1,797)	11,145
Year ended Dec. 31, 2013	3,736	39	(2,310)	10,581

2. Dividends

	Annual dividend					Total dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of total dividend to net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended Dec. 31, 2013	-	25.00	-	25.00	50.00	994	30.1	2.6
Year ended Dec. 31, 2014	-	25.00	-	25.00	50.00	994	23.0	2.4
Year ending Dec. 31, 2015 (forecasts)	-	25.00	-	25.00	50.00			

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)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	40,800	3.8	2,200	3.8	2,300	2.9	1,400	(41.6)	70.37
Fiscal year	89,000	3.7	5,700	4.1	5,900	3.4	3,600	(16.7)	180.96

*** Notes**

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

(2) 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

(3) Shares outstanding (common stock)

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

As of Dec. 31, 2014: 19,900,000 shares As of Dec. 31, 2013: 19,900,000 shares

2) Number of treasury shares at the end of period

As of Dec. 31, 2014: 6,672 shares As of Dec. 31, 2013: 6,602 shares

3) Average number of stock during period

Year ended Dec. 31, 2014: 19,892,954 shares Year ended Dec. 31, 2013: 19,893,431 shares

(Reference) Summary of non-consolidated business results

1. Non-consolidated business results for the year ended December 31, 2014

(January 1, 2014 through December 31, 2014)

(1) Non-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	%
Year ended Dec. 31, 2014	78,784	2.0	5,003	4.3	5,375	5.3	2,701	(14.5)
Year ended Dec. 31, 2013	77,236	(0.8)	4,798	1.2	5,103	(0.4)	3,159	5.3

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended Dec. 31, 2014	135.81	-
Year ended Dec. 31, 2013	158.80	-

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2014	65,409	40,907	62.5	2,056.34
As of Dec. 31, 2013	63,577	39,027	61.4	1,961.84

(Reference) Shareholders' equity As of Dec. 31, 2014: 40,907 million yen As of Dec. 31, 2013: 39,027 million yen

2. Forecast of non-consolidated business results for the year ending December 31, 2015

(January 1, 2015 through December 31, 2015)

(% change from the previous corresponding period)

	Net sales		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
First half	36,800	1.5	2,200	2.3	1,300	(13.9)	65.34
Fiscal year	80,500	2.2	5,500	2.3	3,300	22.1	165.88

***Implementation status of auditing procedure**

This financial summary is not subject to auditing procedure pursuant to the Financial Instruments and Exchange Act. At the time of disclosure of this report, the auditing procedure of 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**

Note concerning forward-looking statements

Forecasts regarding future performance in these materials are based on assumptions judged to be valid and information available to the Company's management at the time the materials were prepared. These materials are not promises by the Company regarding future performance. Therefore, actual results may differ significantly from the forecasts due to various factors. Please refer to "1. Analysis of Results of Operations and Financial Position, (1) Analysis of Results of Operations" on page 2 for forecast assumptions and notes of caution for usage.

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1. Analysis of Results of Operations and Financial Position

(1) Analysis of Results of Operations

In 2014, lackluster consumer spending following the April 2014 consumption tax hike and the drop in demand after this tax increase impacted for Japanese economy for a long time. However, the economy continued to recover slowly during the year because of growth in earnings and jobs.

There are still concerns about an economic downturn in Japan due to the rising cost of imported products and raw materials caused by the weaker yen, the trends in overseas economies and other reasons. As a result, prospects for a full-scale economic recovery are still unclear.

Under these circumstances, The Pack Group aimed at enlarging its manufacturing and sales network, strengthening quality control and upgrading 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, 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 2014, net sales increased 1.8% year-on-year to 85,809 million yen, operating income increased 4.3% to 5,478 million yen, and ordinary income increased 5.8% to 5,703 million yen. Net income increased 30.9% to 4,322 million yen because of the posting of gain on bargain purchase of 1,064 million yen as an extraordinary income following the acquisition of Nishinohon Printing Co., Ltd. making it a wholly owned subsidiary in the second quarter.

Business segment performance was as follows.

(Paper Products)

The paper products segment accounts for 59.2% of total sales. Sales of paper bags, which account for 31.7% of total sales, increased 5.2% to 27,199 million yen. The main reasons were strong sales of high-end bags, the inclusion of sales of Nishinohon Printing, which became a subsidiary in April 2014, and higher sales at The Pack (Shanghai) Corporation due to a large volume of new orders.

Sales of paper folding cartons, which account for 14.7% of total sales, increased 2.1% to 12,631 million yen mainly because of higher sales of cartons for food products used in fast food restaurants and convenience stores.

Sales of corrugated boxes, which account for 10.2% of total sales, increased 2.5% to 8,789 million yen. This increase was attributable to the recovery in sales in the major customers and an increase in new orders mainly from the manufacturing sector.

Printing sales, which account for 2.6% of total sales, increased 9.4% to 2,191 million yen as both Keihin Tokushu Printing Corp. and NIKKO PRINT CORPORATION received strong orders.

Overall, sales in this segment increased 4.1% to 50,811 million yen. Operating income was up 7.0% to 3,922 million yen due mainly to a decline in depreciation at The Tokyo plant.

(Film Packaging)

The film packaging segment accounts for 21.5% of total sales. Sales benefited from a high volume of plastic bag orders for disposable diapers throughout the year. In addition, sales were generally strong for products used in the distribution sector, with an increase in sales of flexible packaging used for food. As a result, sales increased 5.9% to 18,486 million yen. However, operating income was down 14.0% to 785 million yen due to the rising raw material prices.

(Other Businesses)

Other businesses account for 19.3% of total sales. Sales of gift products used in the distribution sector were strong. However, in addition to the discontinuance of unprofitable operations relating to clothing products in 2013, 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 8.6% to 16,511 million yen and operating income increased 1.2% to 1,682 million yen.

Outlook for 2015

In 2015, a slow recovery is anticipated in consumer spending and the economy following the weakness caused by the April 2014 consumption tax hike. But the outlook for earnings at companies in the distribution and manufacturing sectors, which are the main sources of sales for The Pack and its group companies, is unclear. Furthermore, in the packaging industry, the operating environment will probably remain challenging because of higher prices of raw materials and imported products due to the effects of the weaker yen in Japan.

Activities in 2015 are guided by the slogan “We achieve the medium-term goals through group power –With a positive attitude, speed and accuracy.” We aim to continue developing markets and expanding our operation in Japan and other countries by strengthening and utilizing facilities and production capability, the sources of the group power. Furthermore, we are dedicated to improving customer satisfaction by focusing on developing products and services and on quality management. At the same time, we will further streamline our operations. The goal of all of these measures is more growth in sales and earnings.

As we take these actions, we ask for the continued support and understanding of our shareholders.

(2) Analysis of Financial Position

1) Balance sheet position

Assets totaled 70,304 million yen at the end of the current fiscal year, up 5,212 million yen from the end of the previous fiscal year. The main factors were increases of 1,462 million yen in notes and accounts receivable-trade, and 2,499 million yen in securities, and a decrease of 943 million yen in cash and deposits.

Liabilities increased 1,793 million yen to 27,377 million yen. The main factors were increases of 237 million yen in notes and accounts payable-trade, and 458 million yen in net defined benefit liability (provision for retirement benefits in the previous fiscal year).

Net assets increased 3,419 million yen to 42,926 million yen. The main factors were increases of 3,327 million yen in retained earnings and 141 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 current fiscal year increased 564 million yen, or 5.3% from the end of the previous fiscal year to 11,145 million yen.

Cash flows from operating activities

Operating activities provided net cash of 4,930 million yen (up 32.0% from net cash provided of 3,736 million yen in the previous fiscal year). The principal factor was a depreciation of 1,852 million yen, while there were an increase of 965 million yen in notes and accounts receivable-trade and income taxes paid of 1,580 million yen.

Cash flows from investing activities

Investing activities used net cash of 2,599 million yen (net cash provided of 39 million yen in the previous fiscal year). The principal factors were 1,331 million yen in purchase of property, plant and equipment, 3,300 million yen in purchase of securities, while there were proceeds from sales of securities of 2,400 million yen.

Cash flows from financing activities

Financing activities used net cash of 1,797 million yen (net cash used of 2,310 million yen in the previous fiscal year). This was mainly due to the cash dividends paid of 994 million yen and the repayment of long-term loans payable of 562 million yen.

Reference: Cash flow indicators

Fiscal years ended	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2014
Shareholders' equity ratio	49.5	53.8	55.8	60.7	61.0
Shareholders' equity ratio based on market prices	44.4	35.2	44.0	57.1	64.8
Interest-bearing debt to cash flow ratio	1.1	1.1	0.3	0.2	0.0
Interest coverage ratio	282.6	157.5	340.1	237.6	561.9

Notes: 1. Cash flow indices are calculated, using consolidated financial figures, as follows:

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market prices: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows

Interest coverage ratio: Operating cash flows / Interest payments

2. Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of shares issued and outstanding at the end of the period, net of treasury shares.

3. Interest-bearing debt includes all liabilities on the consolidated balance sheet that incur interest.

4. Operating cash flows and interest payments are taken from "Net cash provided by (used in) operating activities" and "Interest expenses paid" on the consolidated statement of cash flows, respectively.

(3) Basic Policy Concerning the Distribution of Profits and Dividend Distributions for the Fiscal Year Under Review and the Subsequent Fiscal Year

The fundamental policy on dividend payments is to pay a stable dividend while taking into consideration each year's performance as well as the need to retain earnings to expand businesses and build a sound base for growth.

Retained earnings are used to sustain and increase the dividend by funding initiatives that are expected to increase earnings in the future, such as strengthening the financial position and paying for production facilities, R&D programs and other activities.

The Pack Group intends to pay a year-end dividend of 25 yen per share for Fiscal Year 2014. This will make the company's total dividend distributions for Fiscal Year 2014 50 yen per share, as planned.

In Fiscal Year 2015, we plan to pay an interim dividend of 25 yen per share and a year-end dividend of 25 yen per share, resulting in an annual dividend of 50 yen.

(4) Business Risks

The following risk factors could have a material effect on decisions by investors. Forward-looking statements in this section are based on the judgments of management as of the end of 2014. The Pack Group is aware that the following events may occur and has taken actions to avoid these problems or respond properly.

1) Decline in domestic demand or lower market prices

Since our operations rely mainly on demand within Japan, sales are greatly influenced by the health of the Japanese economy. If domestic demand shrinks or market prices fall due to a major recession in Japan, there could be an adverse impact on the financial position or performance of the Group.

2) Impact of a disaster

We have done everything possible to minimize the impact of a disaster, but there is no guarantee that the effects of a disaster can be prevented or minimized. If the Group is unable to prevent or minimize the effects of a disaster, there could be an adverse impact on the financial position or performance of the Group caused by a reduction in the Group's production capacity or an increase in manufacturing costs.

3) Risks involving legal and regulatory requirements or litigation

Our business activities are subject to a variety of legal and regulatory requirements, including environmental regulations and intellectual property law, and there could be a risk of litigation in connection with these legal and regulatory requirements.

There could be an adverse impact on the financial position or performance of the Group based on the outcome of

such litigation.

4) Product liability

In connection with its products, the Group is subject to claims for damages based on product liability.

At present the Group has not received any major claim for damages, but there could be a claim in the future.

The Group has product liability insurance, but it is conceivable that this insurance could be insufficient to a liability payment that the Group may be required to make.

5) Procuring raw materials and merchandise

We constantly work on maintaining stable supplies and prices for the raw materials and merchandise that we procures by using a variety of Japanese and foreign manufacturers. Nevertheless, if a surge in the price of oil upset the balance of supply and demand, there could be an adverse impact on the financial position or performance of the Group.

6) Impairment accounting

There may be asset impairment losses that result from how the Group uses non-current assets.

7) Counterparty credit risk

There are risks associated with the payments received by the Group from counterparties. We use commercial credit insurance and other measures to manage credit risk. However, if the financial soundness of a major customer deteriorated, there could be an adverse impact on the financial position or performance of the Group.

2. The Pack Corporation Group

There are eight companies in The Pack Group: the parent company and seven consolidated subsidiaries. The primary business activities are the manufacturing and marketing of paper products, film packaging and other products, as well as research, distribution and services associated with these businesses.

The activities of the Group and information about each business segment are shown in the following table.

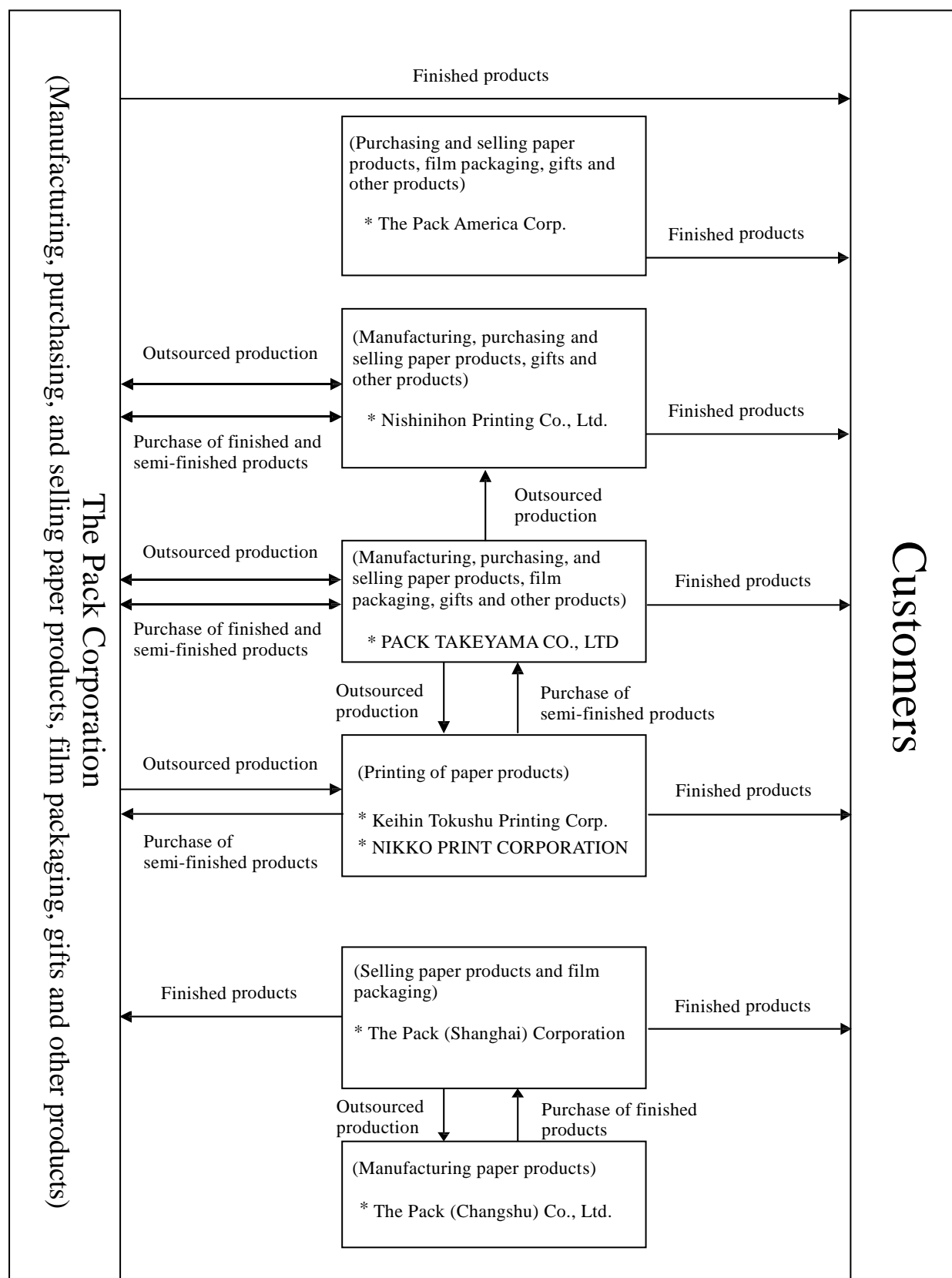
Name of business segment	Businesses	Company name
Paper products	Manufacturing, purchasing, and selling paper bags, printed paper folding cartons, corrugated boxes and other products	The Pack Corporation Keihin Tokushu Printing Corp. NIKKO PRINT CORPORATION PACK TAKEYAMA CO., LTD Nishinohon Printing Co., Ltd. The Pack America Corp. The Pack (Shanghai) Corporation The Pack (Changshu) Co., Ltd.
Film packaging	Manufacturing, purchasing, and selling plastic bags, garment bags and other products	The Pack Corporation PACK TAKEYAMA CO., LTD The Pack America Corp. The Pack (Shanghai) Corporation
Other businesses	Manufacturing, purchasing, and selling gifts, clothing, supplies, price tags, calendars, designer creations, promotional goods and other products	The Pack Corporation PACK TAKEYAMA CO., LTD Nishinohon Printing Co., Ltd. The Pack America Corp.

The Pack America Corp. is incorporated in the United States. Sales are mainly within the United States and Canada.

The Pack (Shanghai) Corporation mainly sells products to customers in China and the parent company in Japan. The Pack (Changshu) Co., Ltd. manufactures paper bags for sale in China. Both companies are incorporated in China.

THE NICOLS CORP. was absorbed by the Company, which is the surviving company, on January 1, 2014.

In the second quarter of 2014, the Company acquired shares of Nishinohon Printing Co., Ltd. and made this company a wholly owned subsidiary.



(Note) * Consolidated subsidiaries

3. Management Principles

(1) Fundamental Management Principles

With "management that values and nurtures people" as our guiding principle, we aim to create "a management culture that is capable of adapting to any type of change in our markets." Furthermore, while keeping in mind our responsibilities to society, such as addressing global environment issues, as an integrated packaging company we will strive to achieve even better performance and meet the expectations of our shareholders while contributing to the development and prosperity of society.

(2) Goals and Performance Indicators

We are committed to building a sound financial base in order to increase profitability in each business and maintain stable relationships with all of our stakeholders, including business partners, employees and, foremost, shareholders. For this reason, our current goal is to increase our shareholders' equity ratio and return on equity. We also place emphasis on the dividend yield and dividend payout ratio.

(3) Medium-term Business Strategy

The Pack Group has established a medium-term management plan with the goals of raising sales to 100 billion yen, ordinary income to 10 billion yen and the shareholders' equity ratio to 70%. To accomplish these goals, we are pursuing the 3S Vision, which consists of Scale, Speed and Saving. All employees have established their own targets in order to contribute to reaching the overall goals of the medium-term management plan.

(4) Important Issues

The packaging industry is viewed as a mature industry that has no prospects for major growth in sales and earnings just by relying on the current customer base and product lineup. Due to this situation, we have been taking numerous actions to expand operations beyond our traditional core products. We have entered new markets and added more products. Examples include rice bags, products for disposable diapers and cartons for food products. We will continue to target new markets and develop products where there is a potential for solid demand and will make substantial investments in the equipment required to achieve this growth.

Prices of raw materials and imported materials have continued to rise during the past few years in Japan due to the weaker yen and other reasons. In response, we have been working on selling products at adequate prices by improving customer satisfaction. This involves using sales activities that include offering ideas to customers and making quality management even more rigorous. At the same time, we plan to build a more powerful profit structure by using reforms to further streamline operations. By taking these actions, we are determined to make steady progress in line with our medium-term management goals and to continue increasing sales and earnings.

4. Consolidated Financial Statements**(1) Consolidated Balance Sheet**

(Million yen)

	Previous fiscal year (As of December 31, 2013)	Current fiscal year (As of December 31, 2014)
Assets		
Current assets		
Cash and deposits	8,191	7,248
Notes and accounts receivable-trade	21,452	22,914
Securities	3,699	6,199
Merchandise and finished goods	4,761	5,232
Work in process	605	688
Raw materials and supplies	606	749
Deferred tax assets	167	192
Other	592	453
Allowance for doubtful accounts	(16)	(11)
Total current assets	40,059	43,667
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,704	7,699
Machinery, equipment and vehicles, net	5,281	5,109
Tools, furniture and fixtures, net	253	231
Land	7,146	8,066
Construction in progress	59	525
Total property, plant and equipment	20,445	21,632
Intangible assets	187	178
Investments and other assets		
Investment securities	3,365	3,637
Deferred tax assets	456	521
Other	638	732
Allowance for doubtful accounts	(62)	(66)
Total investments and other assets	4,398	4,825
Total non-current assets	25,031	26,636
Total assets	65,091	70,304

(Million yen)

	Previous fiscal year (As of December 31, 2013)	Current fiscal year (As of December 31, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	19,161	19,398
Short-term loans payable	792	-
Income taxes payable	703	1,408
Provision for bonuses	166	181
Provision for directors' bonuses	30	35
Other	2,069	2,794
Total current liabilities	22,923	23,818
Non-current liabilities		
Provision for retirement benefits	2,576	-
Net defined benefit liability	-	3,034
Other	84	524
Total non-current liabilities	2,661	3,559
Total liabilities	25,584	27,377
Net assets		
Shareholders' equity		
Capital stock	2,553	2,553
Capital surplus	3,165	3,167
Retained earnings	33,003	36,330
Treasury shares	(6)	(6)
Total shareholders' equity	38,716	42,045
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	967	1,108
Deferred gains or losses on hedges	7	39
Foreign currency translation adjustment	(207)	(74)
Remeasurements of defined benefit plans	-	(220)
Total accumulated other comprehensive income	766	852
Minority interests	23	27
Total net assets	39,507	42,926
Total liabilities and net assets	65,091	70,304

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income**(Consolidated Statement of Income)**

(Million yen)

	Previous fiscal year (from January 1, 2013 to December 31, 2013)	Current fiscal year (from January 1, 2014 to December 31, 2014)
Net sales	84,315	85,809
Cost of sales	65,270	66,442
Gross profit	19,045	19,367
Selling, general and administrative expenses	13,792	13,889
Operating income	5,253	5,478
Non-operating income		
Interest income	79	95
Dividend income	72	77
Rent income	21	49
Foreign exchange gains	-	12
Other	34	43
Total non-operating income	208	278
Non-operating expenses		
Interest expenses	15	8
Loss on sales of accounts receivable	4	3
Compensation expenses	2	11
Foreign exchange losses	30	-
Other	17	29
Total non-operating expenses	70	52
Ordinary income	5,391	5,703
Extraordinary income		
Gain on sales of non-current assets	1	2
Gain on sales of investment securities	110	-
Gain on bargain purchase	-	1,064
Total extraordinary income	112	1,067
Extraordinary losses		
Loss on sales of non-current assets	0	-
Loss on retirement of non-current assets	4	57
Loss on valuation of investment securities	2	2
Impairment loss	-	175
Total extraordinary losses	7	235
Income before income taxes and minority interests	5,496	6,536
Income taxes-current	1,908	2,275
Income taxes-deferred	285	(63)
Total income taxes	2,193	2,212
Income before minority interests	3,302	4,323
Minority interests in income (loss)	0	1
Net income	3,301	4,322

Consolidated Statement of Comprehensive Income

(Million yen)

	Previous fiscal year (from January 1, 2013 to December 31, 2013)	Current fiscal year (from January 1, 2014 to December 31, 2014)
Income before minority interests	3,302	4,323
Other comprehensive income		
Valuation difference on available-for-sale securities	435	141
Deferred gains or losses on hedges	7	31
Foreign currency translation adjustment	186	136
Total other comprehensive income	629	309
Comprehensive income	3,932	4,632
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,927	4,628
Comprehensive income attributable to minority interests	4	4

(3) Consolidated Statement of Changes in Equity

Previous fiscal year (from January 1, 2013 to December 31, 2013)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,553	3,165	30,696	(6)	36,409
Changes of items during period					
Dividends of surplus			(994)		(994)
Net income			3,301		3,301
Change of scope of consolidation					
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares					
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	2,307	(0)	2,307
Balance at end of current period	2,553	3,165	33,003	(6)	38,716

(Million yen)

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	531	-	(390)	-	141	18	36,569
Changes of items during period							
Dividends of surplus							(994)
Net income							3,301
Change of scope of consolidation							-
Purchase of treasury shares							(0)
Disposal of treasury shares							-
Net changes of items other than shareholders' equity	435	7	182		625	4	630
Total changes of items during period	435	7	182	-	625	4	2,937
Balance at end of current period	967	7	(207)	-	766	23	39,507

Current fiscal year (from January 1, 2014 to December 31, 2014)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,553	3,165	33,003	(6)	38,716
Changes of items during period					
Dividends of surplus			(994)		(994)
Net income			4,322		4,322
Change of scope of consolidation				(8)	(8)
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		2		8	10
Net changes of items other than shareholders' equity					
Total changes of items during period	-	2	3,327	(0)	3,329
Balance at end of current period	2,553	3,167	36,330	(6)	42,045

(Million yen)

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	967	7	(207)	-	766	23	39,507
Changes of items during period							
Dividends of surplus							(994)
Net income							4,322
Change of scope of consolidation							(8)
Purchase of treasury shares							(0)
Disposal of treasury shares							10
Net changes of items other than shareholders' equity	141	31	133	(220)	85	4	89
Total changes of items during period	141	31	133	(220)	85	4	3,419
Balance at end of current period	1,108	39	(74)	(220)	852	27	42,926

(4) Consolidated Statement of Cash Flows

(Million yen)

	Previous fiscal year (from January 1, 2013 to December 31, 2013)	Current fiscal year (from January 1, 2014 to December 31, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	5,496	6,536
Depreciation	2,012	1,852
Impairment loss	-	175
Amortization of goodwill	8	0
Increase (decrease) in allowance for doubtful accounts	(13)	(5)
Increase (decrease) in provision for bonuses	(1)	3
Increase (decrease) in provision for directors' bonuses	2	5
Increase (decrease) in provision for retirement benefits	44	-
Increase (decrease) in net defined benefit liability	-	39
Interest and dividend income	(152)	(173)
Interest expenses	15	8
Loss (gain) on sales of non-current assets	(0)	(2)
Loss on retirement of non-current assets	4	57
Gain on bargain purchase	-	(1,064)
Loss (gain) on sales of investment securities	(110)	-
Loss (gain) on valuation of investment securities	2	2
Decrease (increase) in notes and accounts receivable-trade	83	(965)
Decrease (increase) in inventories	(27)	(527)
Increase (decrease) in notes and accounts payable-trade	(1,108)	(58)
Other, net	121	466
Subtotal	6,377	6,349
Interest and dividend income received	148	170
Interest expenses paid	(15)	(8)
Income taxes paid	(2,774)	(1,580)
Net cash provided by (used in) operating activities	3,736	4,930
Cash flows from investing activities		
Payments into time deposits	(2)	(27)
Purchase of securities	(1,201)	(3,300)
Proceeds from sales of securities	2,200	2,400
Purchase of property, plant and equipment	(1,116)	(1,331)
Proceeds from sales of property, plant and equipment	140	4
Purchase of intangible assets	(31)	(38)
Purchase of investment securities	(67)	(55)
Proceeds from sales of investment securities	208	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(238)
Other, net	(90)	(13)
Net cash provided by (used in) investing activities	39	(2,599)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(70)	(230)
Repayments of long-term loans payable	(1,245)	(562)
Cash dividends paid	(994)	(994)
Other, net	(0)	(10)
Net cash provided by (used in) financing activities	(2,310)	(1,797)
Effect of exchange rate change on cash and cash equivalents	63	31
Net increase (decrease) in cash and cash equivalents	1,529	564
Cash and cash equivalents at beginning of period	9,051	10,581
Cash and cash equivalents at end of period	10,581	11,145

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Accounting Policies

Application of the accounting standard for retirement benefits

Following the application of the “Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012; excluding the provisions set forth in Clause 35)” and “Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012; excluding the provisions set forth in Clause 67),” the Company has changed its accounting treatment to record the retirement benefit obligations as a net defined benefit liability after deducting plan assets, and recorded the unrecognized actuarial differences and the unrecognized past service costs as a net defined benefit liability from the end of the current fiscal year.

For the application of these accounting standards, etc. in accordance with the transitional accounting treatments set forth in Clause 37 of the Accounting Standard for Retirement Benefits, the monetary effect of these changes has been included in the remeasurements of defined benefit plans of accumulated other comprehensive income at the end of the current fiscal year.

The result was a net defined benefit liability of 3,034 million yen, and a decrease of 220 million yen in accumulated other comprehensive income at the end of the current fiscal year.

The effect of these changes on per share information is shown in the corresponding section.

Segment and Other Information

Segment Information

1. Segment overview

The reportable segments of The Pack Group are the smallest units for which separate financial information can be obtained and for which regular examinations are performed by the Board of Directors in order to allocate resources and evaluate results of operations.

The Group is engaged primarily in the manufacture and sale of paper bags, paper folding cartons, corrugated boxes and plastic bags.

Therefore, based on the nature of products, there are two reportable segments: “Paper products” and “Film packaging.”

The Group’s major products are paper bags, paper folding cartons, corrugated boxes and printing in the “Paper products” segment and plastic bags and garment bags in the “Film packaging” segment.

2. Method to determine net sales, income or loss, assets, liabilities and other items by reportable segment

Accounting methods used for the reportable segments are generally the same as the methods used for the preparation of the consolidated financial statements with the exception of the standard for the valuation of inventories.

Profit for reportable segments is stated on an operating income basis.

3. Information concerning net sales, income or loss, assets, liabilities and other items by reportable segment

Previous fiscal year (from January 1, 2013 to December 31, 2013)

(Million yen)

	Reportable segment			Other businesses (Note) 1	Total	Adjustment (Note) 2	Amount posted in the consolidated financial statements (Note) 3
	Paper products	Film packaging	Subtotal				
Net sales							
Sales to external customer	48,794	17,465	66,259	18,056	84,315	-	84,315
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	48,794	17,465	66,259	18,056	84,315	-	84,315
Segment income	3,664	913	4,577	1,662	6,240	(986)	5,253
Segment assets	33,981	9,062	43,044	7,150	50,195	14,896	65,091
Other items							
Depreciation	1,728	236	1,964	27	1,992	28	2,020
Increases in property, plant and equipment and intangible assets	1,101	222	1,323	92	1,416	19	1,435

(Notes) 1. “Other businesses” includes clothing, supplies and other goods.

2. The adjustments are as follows.

- (1) The -986 million yen adjustment of segment income includes elimination of inter-segment transactions of 28 million yen that are not allocated to reportable segments and -1,015 million yen in corporate expenses. Corporate expenses are mainly related to the parent company’s Administrative Department.
- (2) The 14,896 million yen adjustment of segment assets is corporate assets that are not allocated to reportable segments. Corporate assets mainly include the parent company’s surplus assets under management (cash and deposits of 7,288 million yen and securities of 3,699 million yen), long-term investments (investment securities of 3,365 million yen) and the parent company’s land of 543 million yen.
- (3) The adjustment of depreciation and adjustment of increases in property, plant and equipment and intangible assets are related to the parent company’s head office assets.

3. Segment income is adjusted for consistency with operating income in the consolidated statement of income.

Current fiscal year (from January 1, 2014 to December 31, 2014)

(Million yen)

	Reportable segment			Other businesses (Note) 1	Total	Adjustment (Note) 2	Amount posted in the consolidated financial statements (Note) 3
	Paper products	Film packaging	Subtotal				
Net sales							
Sales to external customer	50,811	18,486	69,298	16,511	85,809	-	85,809
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	50,811	18,486	69,298	16,511	85,809	-	85,809
Segment income	3,922	785	4,707	1,682	6,390	(912)	5,478
Segment assets	36,557	9,700	46,258	7,628	53,886	16,417	70,304
Other items							
Depreciation	1,565	222	1,788	43	1,832	21	1,853
Increases in property, plant and equipment and intangible assets	1,341	176	1,518	98	1,616	2	1,618

(Notes) 1. "Other businesses" includes clothing, supplies and other goods.

2. The adjustments are as follows.

- (1) The -912 million yen adjustment of segment income includes elimination of inter-segment transactions of 12 million yen that are not allocated to reportable segments and -924 million yen in corporate expenses. Corporate expenses are mainly related to the parent company's Administrative Department.
 - (2) The 16,417 million yen adjustment of segment assets is corporate assets that are not allocated to reportable segments. Corporate assets mainly include the parent company's surplus assets under management (cash and deposits of 5,813 million yen and securities of 6,199 million yen), long-term investments (investment securities of 3,637 million yen) and the parent company's land of 766 million yen.
 - (3) The adjustment of depreciation and adjustment of increases in property, plant and equipment and intangible assets are related to the parent company's head office assets.
3. Segment income is adjusted for consistency with operating income in the consolidated statement of income.
4. Increases in property, plant and equipment and intangible assets do not include the amount increased from the new consolidation.

Information related to impairment losses on non-current assets for each reportable segment

Previous fiscal year (from January 1, 2013 to December 31, 2013)

Not applicable.

Current fiscal year (from January 1, 2014 to December 31, 2014)

(Million yen)

	Reportable segment			Other businesses (Note)	Elimination or corporate	Total
	Paper products	Film packaging	Subtotal			
Impairment loss	13	-	13	-	162	175

(Note) "Other businesses" includes clothing, supplies and other goods.

Information related to goodwill amortization and the unamortized balance for each reportable segment

Previous fiscal year (from January 1, 2013 to December 31, 2013)

(Million yen)

	Reportable segment			Other businesses	Elimination or corporate	Total
	Paper products	Film packaging	Subtotal			
Amortization for the period	8	-	8	-	-	8
Balance at end of period	0	-	0	-	-	0

Current fiscal year (from January 1, 2014 to December 31, 2014)

(Million yen)

	Reportable segment			Other businesses	Elimination or corporate	Total
	Paper products	Film packaging	Subtotal			
Amortization for the period	0	-	0	-	-	0
Balance at end of period	-	-	-	-	-	-

Information related to gain on bargain purchase for each reportable segment

Previous fiscal year (from January 1, 2013 to December 31, 2013)

Not applicable.

Current fiscal year (from January 1, 2014 to December 31, 2014)

In the segment of Paper products, the Company acquired shares of Nishinohon Printing Co., Ltd., making it a wholly owned subsidiary in the second quarter. We have posted the resulting gain on bargain purchase of 1,064 million yen, but not allocated to the reportable segment as it is an extraordinary income.

Per Share Information

(Yen)

	Previous fiscal year (from January 1, 2013 to December 31, 2013)	Current fiscal year (from January 1, 2014 to December 31, 2014)
Net assets per share	1,984.74	2,156.41
Net income per share	165.98	217.26

(Notes) 1. Diluted net income per share is not presented since the Company has no outstanding residual securities.

2. As noted in the section "Changes in Accounting Policies," the Company has started to apply the Accounting Standard for Retirement Benefits, etc. based on the transitional accounting treatments set forth in Clause 37 of the Accounting Standard for Retirement Benefits.

The result was a decrease of 11.1 yen in net assets per share in the current fiscal year.

3. The basis of calculating the net income per share is as follows

(Million yen)

Item	Previous fiscal year (from January 1, 2013 to December 31, 2013)	Current fiscal year (from January 1, 2014 to December 31, 2014)
Net income per share		
Net income	3,301	4,322
Amounts unavailable to common shareholders	-	-
Net income related to common shares	3,301	4,322
Average number of shares outstanding during the period (thousand shares)	19,893	19,892

4. The basis of calculating the net assets per share is as follows

(Million yen)

Item	Previous fiscal year (As of December 31, 2013)	Current fiscal year (As of December 31, 2014)
Total net assets	39,507	42,926
Deduction on total net assets	23	27
[of which minority interests]	(23)	(27)
Net assets applicable to common shares	39,483	42,898
Number of common shares used in calculation of net assets per share (thousand shares)	19,893	19,893

Material Subsequent Events

Not applicable.

5. Other

(1) Changes in Executives

1) Change in representative

Not applicable.

2) Change in other executives (effective March 27, 2015)

1. Candidate for director

External Director	Hirofumi Hayashi (currently External Corporate Auditor)
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2. Candidates for corporate auditors

Standing Corporate Auditor	Seiji Sato (currently Corporate Officer, General Manager of General Affairs and Legal Dept.)
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External Corporate Auditor	Uichiro Nishio (currently Professor of Institute of Business and Accounting, Professional Graduate School, Kwansai Gakuin University, Certified Public Accountant, Tax Accountant)
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External Corporate Auditor	Hisayoshi Tamakoshi (currently President of Tamakoshi Law Office, Attorney)
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3. Retiring corporate auditor

Standing Corporate Auditor	Kiyoichi Yamamoto
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External Corporate Auditor	Yutaka Maeda
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External Corporate Auditor	Hirofumi Hayashi (to be appointed as External Director of The Pack Corporation)
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** 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.*