

## Business Results for the Year Ended December 31, 2015 [Japan GAAP] (Consolidated)

February 10, 2016

Company: **The Pack Corporation**

Listed on the TSE1

Stock code: 3950

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Expected date of annual shareholders' meeting: March 30, 2016

Expected starting date of dividend payment: March 31, 2016

Expected date of filing of annual securities report: March 30, 2016

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, 2015

(January 1, 2015 through December 31, 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	%
Year ended Dec. 31, 2015	88,043	2.6	6,232	13.8	6,468	13.4	4,067	(5.9)
Year ended Dec. 31, 2014	85,809	1.8	5,478	4.3	5,703	5.8	4,322	30.9

(Note) Comprehensive income Year ended Dec. 31, 2015: 4,502 million yen (down 2.8%)

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

	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, 2015	205.94	205.84	9.2	9.0	7.1
Year ended Dec. 31, 2014	217.26	-	10.5	8.4	6.4

(Reference) Investment earnings/loss on equity-method Year ended Dec. 31, 2015: - million yen

Year ended Dec. 31, 2014: - 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, 2015	73,142	45,412	62.0	2,312.73
As of Dec. 31, 2014	70,304	42,926	61.0	2,156.41

(Reference) Shareholders' equity As of Dec. 31, 2015: 45,365 million yen As of Dec. 31, 2014: 42,898 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, 2015	4,882	(2,840)	(1,744)	11,451
Year ended Dec. 31, 2014	4,930	(2,599)	(1,797)	11,145

### 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, 2014	-	25.00	-	25.00	50.00	994	23.0	2.4
Year ended Dec. 31, 2015	-	25.00	-	25.00	50.00	982	24.3	2.2
Year ending Dec. 31, 2016 (forecasts)	-	25.00	-	25.00	50.00			

### 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)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	41,500	3.1	2,400	6.3	2,500	5.2	1,600	12.8	81.56
Fiscal year	90,500	2.8	6,400	2.7	6,600	2.0	4,200	3.3	214.11

**\* 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 shares)

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

As of Dec. 31, 2015: 19,900,000 shares As of Dec. 31, 2014: 19,900,000 shares

2) Number of treasury shares at the end of the period

As of Dec. 31, 2015: 284,512 shares As of Dec. 31, 2014: 6,672 shares

3) Average number of stock during the period

Year ended Dec. 31, 2015: 19,751,043 shares Year ended Dec. 31, 2014: 19,892,954 shares

**(Reference) Summary of non-consolidated business results**

**1. Non-consolidated business results for the year ended December 31, 2015**

**(January 1, 2015 through December 31, 2015)**

(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, 2015	80,043	1.6	5,661	13.2	5,993	11.5	3,682	36.3
Year ended Dec. 31, 2014	78,784	2.0	5,003	4.3	5,375	5.3	2,701	(14.5)

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended Dec. 31, 2015	186.45	186.37
Year ended Dec. 31, 2014	135.81	-

(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, 2015	67,965	43,184	63.5	2,200.51
As of Dec. 31, 2014	65,409	40,907	62.5	2,056.34

(Reference) Shareholders' equity As of Dec. 31, 2015: 43,164 million yen As of Dec. 31, 2014: 40,907 million yen

**2. Forecast of non-consolidated business results for the year ending December 31, 2016**

**(January 1, 2016 through December 31, 2016)**

(% 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	37,500	2.9	2,400	9.9	1,500	16.6	76.47
Fiscal year	82,000	2.4	6,300	5.1	3,900	5.9	198.82

**\*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 2015, the Japanese economy was stagnant overall despite an improvement in corporate earnings. Consumer sentiment rebounded, but actual consumer spending was lackluster due in part to the effect of warm winter weather. Furthermore, although the number of jobs increased, there was no growth in personal income. Japan's economy was supported by spending by foreign tourists in Japan, which remained strong even though the benefit of the weaker yen has come to an end. Overseas, the outlook is uncertain because of concerns about slowing economic growth in China and other emerging countries, upcoming U.S. financial policy actions and other events.

During 2015, there were many activities to accomplish the goals of the medium-term management 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 2.6% year-on-year to 88,043 million yen, operating income increased 13.8% to 6,232 million yen, ordinary income increased 13.4% to 6,468 million yen, and net income decreased 5.9% to 4,067 million yen.

Business segment performance was as follows.

#### (Paper Products)

The paper products segment accounted for 59.3% of consolidated sales in 2015. Sales of paper bags, which accounted for 32.1% of consolidated sales, increased 3.8% to 28,236 million yen. The main reasons were higher sales of mass-produced paper bags, 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 14.6% of consolidated sales, increased 1.7% to 12,850 million yen mainly because of higher sales of cartons for food products.

Sales of corrugated boxes, which accounted for 10.2% of consolidated sales, increased 2.4% to 9,002 million yen. This increase was attributable to the recovery trend in sales in the manufacturing sector as well as the strong sales in other market sectors.

Printing sales, which accounted for 2.4% of consolidated sales, decreased 4.3% to 2,096 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 52,186 million yen. Operating income was up 15.6% to 4,535 million yen.

#### (Film Packaging)

The film packaging segment accounted for 22.2% of consolidated sales in 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 19,575 million yen. Operating income was up 22.6% to 963 million yen.

#### (Other Businesses)

Other businesses accounted for 18.5% of consolidated sales. 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 1.4% to 16,281 million yen and operating income decreased 1.8% to 1,651 million yen.

## Outlook for 2016

In 2016, corporate earnings in Japan are expected to be generally firm. However, fiscal and monetary measures by the Japanese government have not yet produced growth in personal income and consumer spending is still sluggish. Furthermore, foreign exchange rates continue to be unstable. In the packaging industry, the operating environment will probably remain challenging because of uncertainty about companies in the distribution and specialty store sectors, where performance is greatly affected by changes in consumer spending.

Activities in 2016 are guided by the slogan “Growth and Innovation –Dedicated to progress with unity and vigor–.” We will proactively invest in equipment, strengthen production capacity and efficiency, and expand businesses and enter into new markets in Japan and overseas for a new stage of growth. 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 73,142 million yen at the end of the current fiscal year, up 2,838 million yen from the end of the previous fiscal year. The main factors were increases of 1,341 million yen in cash and deposits and 923 million yen in investment securities, and decreases of 87 million yen in merchandise and finished products and 294 million yen in construction in progress.

Liabilities increased 351 million yen to 27,729 million yen. The main factors were increases of 33 million yen in notes and accounts payable-trade and 692 million yen in net defined benefit liability.

Net assets increased 2,486 million yen to 45,412 million yen. The main factors were increases of 2,764 million yen in retained earnings and 654 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 305 million yen, or 2.7% from the end of the previous fiscal year to 11,451 million yen.

#### Cash flows from operating activities

Operating activities provided net cash of 4,882 million yen (down 1.0% from net cash provided of 4,930 million yen in the previous fiscal year). The principal factor was a depreciation of 1,777 million yen, while there were an increase of 637 million yen in notes and accounts receivable-trade and income taxes paid of 2,338 million yen.

#### Cash flows from investing activities

Investing activities used net cash of 2,840 million yen (net cash used of 2,599 million yen in the previous fiscal year). The principal factors were 1,636 million yen in purchase of property, plant and equipment and 5,400 million yen in purchase of securities, while there were proceeds from sales of securities of 4,100 million yen.

#### Cash flows from financing activities

Financing activities used net cash of 1,744 million yen (net cash used of 1,797 million yen in the previous fiscal year). This was mainly due to the cash dividends paid of 989 million yen.

## Reference: Cash flow indicators

Fiscal years ended	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2015
Shareholders' equity ratio	53.8	55.8	60.7	61.0	62.0
Shareholders' equity ratio based on market prices	35.2	44.0	57.1	64.8	81.7
Interest-bearing debt to cash flow ratio	1.1	0.3	0.2	0.0	0.0
Interest coverage ratio	157.5	340.1	237.6	561.9	5,259.7

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 continuously 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 payments to shareholders 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 2015. This will make the company's total dividend distributions 50 yen per share for Fiscal Year 2015, as planned.

In Fiscal Year 2016, 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 2015. 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 raw materials and merchandise that we procure 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.

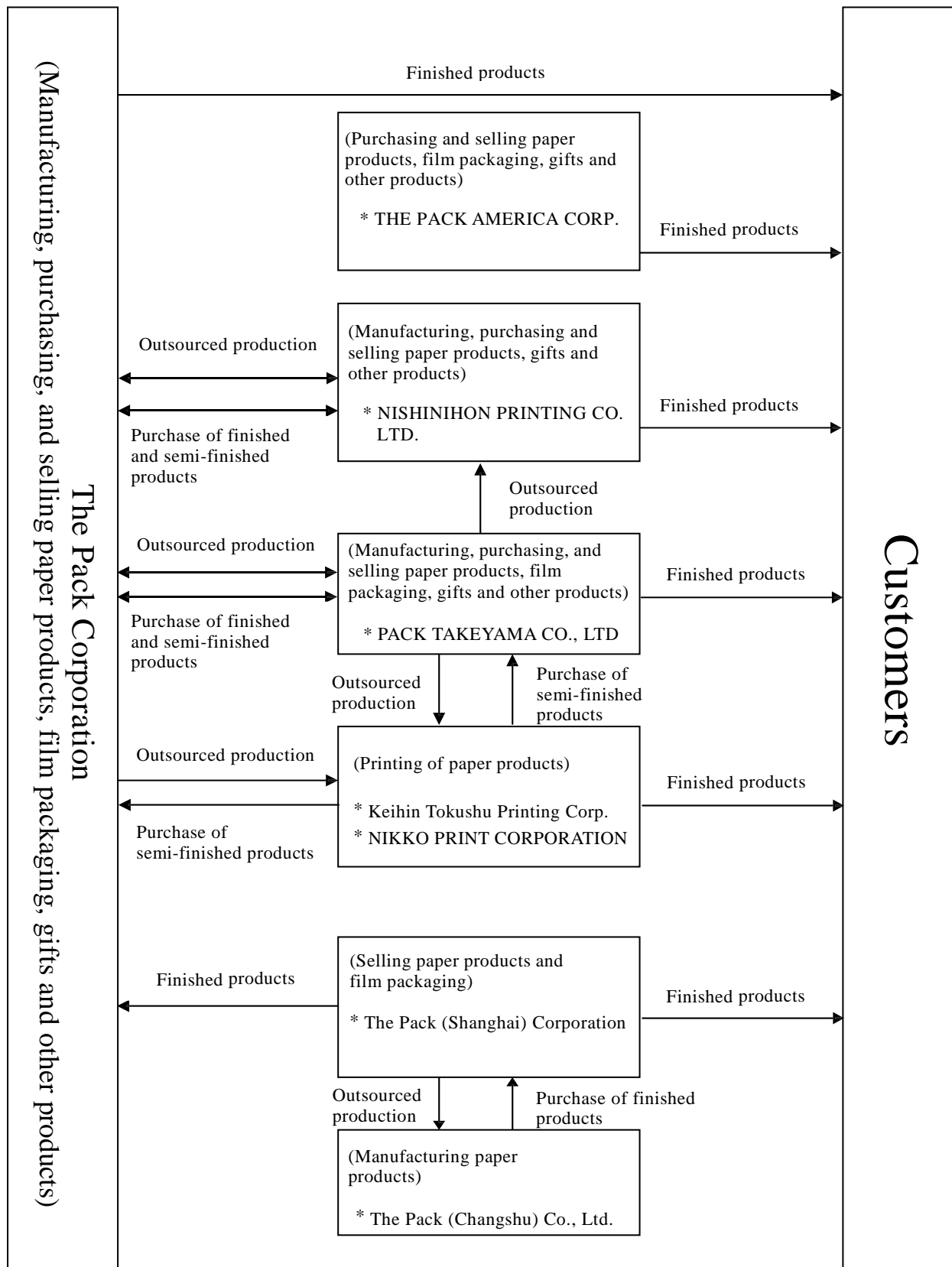
The activities of the Group and information about each business segment are shown in the following table.

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 NISHINIHON 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 NISHINIHON 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.





(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 consolidated 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 Save. 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. Basic Approach for the Selection of Accounting Standards**

The Pack Group will continue to prepare consolidated financial statements using Japanese accounting standards for the time being to permit comparisons with prior years and with the financial data of other companies. We will take suitable actions with regard to the application of International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

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

(Million yen)

	Previous fiscal year (As of December 31, 2014)	Current fiscal year (As of December 31, 2015)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	7,248	8,589
Notes and accounts receivable-trade	22,914	23,506
Securities	6,199	6,399
Merchandise and finished goods	5,232	5,145
Work in process	688	713
Raw materials and supplies	749	748
Deferred tax assets	192	205
Other	453	639
Allowance for doubtful accounts	(11)	(11)
<b>Total current assets</b>	<b>43,667</b>	<b>45,936</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	7,699	7,709
Machinery, equipment and vehicles, net	5,109	5,261
Tools, furniture and fixtures, net	231	185
Land	8,066	8,066
Construction in progress	525	231
<b>Total property, plant and equipment</b>	<b>21,632</b>	<b>21,453</b>
Intangible assets	178	143
<b>Investments and other assets</b>		
Investment securities	3,637	4,561
Deferred tax assets	521	419
Other	732	688
Allowance for doubtful accounts	(66)	(60)
<b>Total investments and other assets</b>	<b>4,825</b>	<b>5,608</b>
<b>Total non-current assets</b>	<b>26,636</b>	<b>27,205</b>
<b>Total assets</b>	<b>70,304</b>	<b>73,142</b>

(Million yen)

	Previous fiscal year (As of December 31, 2014)	Current fiscal year (As of December 31, 2015)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	19,398	14,940
Electronically recorded obligations-operating	-	4,115
Income taxes payable	1,408	1,305
Provision for bonuses	181	186
Provision for directors' bonuses	35	43
Other	2,794	2,879
<b>Total current liabilities</b>	<b>23,818</b>	<b>23,471</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	322	348
Net defined benefit liability	3,034	3,727
Other	202	182
<b>Total non-current liabilities</b>	<b>3,559</b>	<b>4,258</b>
<b>Total liabilities</b>	<b>27,377</b>	<b>27,729</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	39,095
Treasury shares	(6)	(739)
<b>Total shareholders' equity</b>	<b>42,045</b>	<b>44,077</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,108	1,763
Deferred gains or losses on hedges	39	(5)
Foreign currency translation adjustment	(74)	(114)
Remeasurements of defined benefit plans	(220)	(355)
<b>Total accumulated other comprehensive income</b>	<b>852</b>	<b>1,287</b>
Subscription rights to shares	-	20
Minority interests	27	27
<b>Total net assets</b>	<b>42,926</b>	<b>45,412</b>
<b>Total liabilities and net assets</b>	<b>70,304</b>	<b>73,142</b>

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

(Million yen)

	Previous fiscal year (from January 1, 2014 to December 31, 2014)	Current fiscal year (from January 1, 2015 to December 31, 2015)
Net sales	85,809	88,043
Cost of sales	66,442	67,836
Gross profit	19,367	20,207
Selling, general and administrative expenses	13,889	13,975
Operating income	5,478	6,232
Non-operating income		
Interest income	95	100
Dividend income	77	83
Rent income	49	62
Foreign exchange gains	12	-
Other	43	48
Total non-operating income	278	294
Non-operating expenses		
Interest expenses	8	0
Cost of lease revenue	5	9
Loss on sales of accounts receivable	3	3
Foreign exchange losses	-	15
Other	35	29
Total non-operating expenses	52	58
Ordinary income	5,703	6,468
Extraordinary income		
Gain on sales of non-current assets	2	6
Gain on sales of investment securities	-	20
Gain on bargain purchase	1,064	-
Total extraordinary income	1,067	26
Extraordinary losses		
Loss on sales of non-current assets	-	1
Loss on retirement of non-current assets	57	16
Loss on valuation of investment securities	2	-
Impairment loss	175	-
Loss on valuation of membership rights	-	0
Compensation expenses	-	44
Total extraordinary losses	235	63
Income before income taxes and minority interests	6,536	6,432
Income taxes-current	2,275	2,246
Income taxes-deferred	(63)	117
Total income taxes	2,212	2,364
Income before minority interests	4,323	4,068
Minority interests in income (loss)	1	0
Net income	4,322	4,067

**Consolidated Statement of Comprehensive Income**

(Million yen)

	Previous fiscal year (from January 1, 2014 to December 31, 2014)	Current fiscal year (from January 1, 2015 to December 31, 2015)
Income before minority interests	4,323	4,068
Other comprehensive income		
Valuation difference on available-for-sale securities	141	654
Deferred gains or losses on hedges	31	(44)
Foreign currency translation adjustment	136	(41)
Remeasurements of defined benefit plans, net of tax	-	(134)
Total other comprehensive income	309	434
Comprehensive income	4,632	4,502
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,628	4,503
Comprehensive income attributable to minority interests	4	(0)

**(3) Consolidated Statement of Changes in Equity**

Previous 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
Cumulative effects of changes in accounting policies					-
Restated balance	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					Subscription rights to shares	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
Cumulative effects of changes in accounting policies					-			-
Restated balance	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

Current fiscal year (from January 1, 2015 to December 31, 2015)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,553	3,167	36,330	(6)	42,045
Cumulative effects of changes in accounting policies			(314)		(314)
Restated balance	2,553	3,167	36,016	(6)	41,731
Changes of items during period					
Dividends of surplus			(989)		(989)
Net income			4,067		4,067
Change of scope of consolidation					-
Purchase of treasury shares				(732)	(732)
Disposal of treasury shares		0			0
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	0	3,078	(732)	2,345
Balance at end of current period	2,553	3,167	39,095	(739)	44,077

(Million yen)

	Accumulated other comprehensive income					Subscription rights to shares	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	1,108	39	(74)	(220)	852	-	27	42,926
Cumulative effects of changes in accounting policies					-			(314)
Restated balance	1,108	39	(74)	(220)	852	-	27	42,612
Changes of items during period								
Dividends of surplus					-			(989)
Net income					-			4,067
Change of scope of consolidation					-			-
Purchase of treasury shares					-			(732)
Disposal of treasury shares					-			0
Net changes of items other than shareholders' equity	654	(44)	(40)	(134)	435	20	(0)	454
Total changes of items during period	654	(44)	(40)	(134)	435	20	(0)	2,800
Balance at end of current period	1,763	(5)	(114)	(355)	1,287	20	27	45,412



**(4) Consolidated Statement of Cash Flows**

(Million yen)

	Previous fiscal year (from January 1, 2014 to December 31, 2014)	Current fiscal year (from January 1, 2015 to December 31, 2015)
Cash flows from operating activities		
Income before income taxes and minority interests	6,536	6,432
Depreciation	1,852	1,777
Impairment loss	175	-
Amortization of goodwill	0	-
Increase (decrease) in allowance for doubtful accounts	(5)	(5)
Increase (decrease) in provision for bonuses	3	5
Increase (decrease) in provision for directors' bonuses	5	8
Increase (decrease) in net defined benefit liability	39	23
Interest and dividend income	(173)	(183)
Interest expenses	8	0
Loss (gain) on sales of non-current assets	(2)	(4)
Loss on retirement of non-current assets	57	16
Gain on bargain purchase	(1,064)	-
Loss (gain) on sales of investment securities	-	(20)
Loss (gain) on valuation of investment securities	2	-
Compensation expenses	-	44
Decrease (increase) in notes and accounts receivable-trade	(965)	(637)
Decrease (increase) in inventories	(527)	58
Increase (decrease) in notes and accounts payable-trade	(58)	(261)
Other, net	466	(164)
Subtotal	6,349	7,089
Interest and dividend income received	170	177
Interest expenses paid	(8)	(0)
Compensation expenses paid	-	(44)
Income taxes paid	(1,580)	(2,338)
Net cash provided by (used in) operating activities	4,930	4,882
Cash flows from investing activities		
Payments into time deposits	(27)	-
Proceeds from withdrawal of time deposits	-	57
Purchase of securities	(3,300)	(5,400)
Proceeds from sales of securities	2,400	4,100
Purchase of property, plant and equipment	(1,331)	(1,636)
Proceeds from sales of property, plant and equipment	4	8
Purchase of intangible assets	(38)	(25)
Purchase of investment securities	(55)	(48)
Proceeds from sales of investment securities	-	42
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(238)	-
Other, net	(13)	62
Net cash provided by (used in) investing activities	(2,599)	(2,840)

(Million yen)

	Previous fiscal year (from January 1, 2014 to December 31, 2014)	Current fiscal year (from January 1, 2015 to December 31, 2015)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(230)	-
Repayments of long-term loans payable	(562)	-
Cash dividends paid	(994)	(989)
Other, net	(10)	(755)
Net cash provided by (used in) financing activities	(1,797)	(1,744)
Effect of exchange rate change on cash and cash equivalents	31	9
Net increase (decrease) in cash and cash equivalents	564	305
Cash and cash equivalents at beginning of period	10,581	11,145
Cash and cash equivalents at end of period	11,145	11,451

## **(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

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)” 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 from the current fiscal year. 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 number of years approximate to the average remaining service period of employees to the method using multiple discount rates set by the estimated period benefit payment.

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 current fiscal year.

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

Net assets per share for the current fiscal year decreased 16.01 yen. The effect of this change on net income per share is insignificant.

As the effect of these changes on the segment information is insignificant, its description is omitted.

## 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, 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.

Current fiscal year (from January 1, 2015 to December 31, 2015)

(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	52,186	19,575	71,761	16,281	88,043	-	88,043
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	52,186	19,575	71,761	16,281	88,043	-	88,043
Segment income	4,535	963	5,498	1,651	7,150	(917)	6,232
Segment assets	37,052	10,388	47,440	7,642	55,083	18,059	73,142
Other items							
Depreciation	1,522	199	1,722	31	1,754	19	1,773
Increases in property, plant and equipment and intangible assets	1,665	212	1,877	9	1,887	0	1,887

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

2. The adjustments are as follows.

- (1) The -917 million yen adjustment of segment income includes elimination of inter-segment transactions of 12 million yen that are not allocated to reportable segments and -930 million yen in corporate expenses. Corporate expenses are mainly related to the parent company's Administrative Department.
- (2) The 18,059 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 6,589 million yen and securities of 6,399 million yen), long-term investments (investment securities of 4,561 million yen) and the parent company's land of 508 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.

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

Previous 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) Amount for "Elimination or corporate" represents impairment losses for corporate assets that are not attributable to reportable segments.

Current fiscal year (from January 1, 2015 to December 31, 2015)

Not applicable.

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

Previous 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	-	-	-	-	-	-

Current fiscal year (from January 1, 2015 to December 31, 2015)

Not applicable.

**Information related to gain on bargain purchase for each reportable segment**

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

In the segment of Paper products, the Company acquired shares of NISHINIHON 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.

Current fiscal year (from January 1, 2015 to December 31, 2015)

Not applicable.

**Per Share Information**

(Yen)

	Previous fiscal year (from January 1, 2014 to December 31, 2014)	Current fiscal year (from January 1, 2015 to December 31, 2015)
Net assets per share	2,156.41	2,312.73
Net income per share	217.26	205.94
Diluted net income per share	-	205.84

(Notes) 1. Diluted net income per share for the previous fiscal year is not presented since the Company had no outstanding residual securities.

2. The basis of calculating the net income per share and diluted net income per share is as follows.

(Million yen)

Item	Previous fiscal year (from January 1, 2014 to December 31, 2014)	Current fiscal year (from January 1, 2015 to December 31, 2015)
Net income per share		
Net income	4,322	4,067
Amounts unavailable to common shareholders	-	-
Net income related to common shares	4,322	4,067
Average number of shares outstanding during the period (thousand shares)	19,892	19,751
Diluted net income per share		
Adjustment of net income	-	-
Increase in the number of common shares (thousand shares)	-	8
(of which subscription rights to shares (thousand shares))	( - )	( 8 )

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

(Million yen)

Item	Previous fiscal year (As of December 31, 2014)	Current fiscal year (As of December 31, 2015)
Total net assets	42,926	45,412
Deduction on total net assets	27	47
(of which subscription rights to shares)	( - )	( 20 )
(of which minority interests]	( 27 )	( 27 )
Net assets applicable to common shares	42,898	45,365
Number of common shares used in calculation of net assets per share (thousand shares)	19,893	19,615

**Material Subsequent Events**

Not applicable.

\* This financial report is solely a translation of summary of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.