Business Results for the Year Ended December 31, 2016
[Japan GAAP] (Consolidated)

February 10, 2017

Company: **The Pack Corporation** Listed on the TSE1
Stock code: 3950 URL: http://www.thepack.co.jp
Representative: Yoshikazu Nakao, President & CEO
Contact: Keiji Kimori, Senior Managing Director, General Manager of Administration HQ
TEL: +81-6-6972-1221

Expected date of annual shareholders' meeting: March 30, 2017
Expected starting date of dividend payment: March 31, 2017
Expected date of filing of annual securities report: March 30, 2017
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, 2016
(January 1, 2016 through December 31, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Dec. 31, 2016	89,174	1.3	6,484	4.0	6,825	5.5	4,540	11.6
Year ended Dec. 31, 2015	88,043	2.6	6,232	13.8	6,468	13.4	4,067	(5.9)

(Note) Comprehensive income Year ended Dec. 31, 2016: 4,148 million yen (down 7.8%)
Year ended Dec. 31, 2015: 4,502 million yen (down 2.8%)

	Basic earnings per share	Diluted earnings 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, 2016	231.47	231.25	9.7	9.1	7.3
Year ended Dec. 31, 2015	205.94	205.84	9.2	9.0	7.1

(Reference) Investment earnings/loss on equity-method Year ended Dec. 31, 2016: - million yen
Year ended Dec. 31, 2015: - million yen

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2016	76,291	48,603	63.6	2,474.25
As of Dec. 31, 2015	73,142	45,412	62.0	2,312.73

(Reference) Owner's equity As of Dec. 31, 2016: 48,533 million yen As of Dec. 31, 2015: 45,365 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, 2016	6,597	(4,144)	(995)	12,900
Year ended Dec. 31, 2015	4,882	(2,840)	(1,744)	11,451

2. Dividends

	Dividend per share					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, 2015	-	25.00	-	25.00	50.00	982	24.3	2.2
Year ended Dec. 31, 2016	-	25.00	-	25.00	50.00	980	21.6	2.1
Year ending Dec. 31, 2017 (forecasts)	-	25.00	-	25.00	50.00			

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
First half	42,000	1.6	2,600	3.0	2,800	2.7	1,700	2.0	86.67
Full year	91,000	2.0	6,700	3.3	7,000	2.6	4,700	3.5	239.61

*** Notes**

(1) Material changes in subsidiaries during this period (Changes in scope of consolidations resulting from changes in subsidiaries): None

(2) Changes in accounting policies, accounting estimates and retrospective restatement

1) Changes in accounting policies based on revisions of accounting standard: Yes

2) Changes in accounting policies other than ones based on revisions of accounting standard: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(3) Number of issued and outstanding shares (common stock)

1) Number of issued and outstanding shares at the end of year (including treasury shares)

As of Dec. 31, 2016:	19,900,000 shares	As of Dec. 31, 2015:	19,900,000 shares

2) Number of treasury shares at the end of year

As of Dec. 31, 2016:	284,592 shares	As of Dec. 31, 2015:	284,512 shares

3) Average number of shares

Year ended Dec. 31, 2016:	19,615,465 shares	Year ended Dec. 31, 2015:	19,751,043 shares

(Reference) Summary of non-consolidated business results

1. Non-consolidated business results for the year ended December 31, 2016 (January 1, 2016 through December 31, 2016)

(1) Non-consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Dec. 31, 2016	80,912	1.1	5,959	5.3	6,395	6.7	4,150	12.7
Year ended Dec. 31, 2015	80,043	1.6	5,661	13.2	5,993	11.5	3,682	36.3

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Year ended Dec. 31, 2016	211.57	211.37
Year ended Dec. 31, 2015	186.45	186.37

(2) Non-consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2016	71,209	46,247	64.9	2,355.51
As of Dec. 31, 2015	67,965	43,184	63.5	2,200.51

(Reference) Owner's equity As of Dec. 31, 2016: 46,204 million yen As of Dec. 31, 2015: 43,164 million yen

2. Forecast of non-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		Ordinary income		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
First half	38,000	1.5	2,600	0.1	1,500	(1.5)	76.47
Full year	82,500	2.0	6,600	3.2	4,300	3.6	219.21

***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 for the consolidated financial statements pursuant to the Financial Instruments and Exchange Act has not been completed.

***Explanation regarding appropriate use of business forecasts and other special instructions**

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.

Contents of Attachments

1. Analysis of Results of Operations and Financial Position

(1) Analysis of Results of Operations

In 2016, the Japanese economy failed to break out of a period of no growth. Government economic stimulus measures produced no significant benefits. Although the income of employees increased because of Japan's labor shortage, consumer spending remained lackluster and people were very reluctant to spend their money. At large retail stores, sales were slow, particularly for apparel, and the upturn in demand from foreign tourists in Japan peaked.

In the United States, there have been growing expectations regarding a big tax cut and substantial infrastructure investments following the victory of Donald Trump in the presidential election in November. These hopes have pushed up stock prices and had other positive effects. However, if the United States implements protectionist policies, there may be a negative impact on the global economy, including Japan.

During 2016, there were many activities to accomplish the goals of the medium-term management plan under the slogan of "Growth and Innovation." All group companies were focused on entering new markets and on activities such as proactive capital expenditures, developing new products and improving quality management in order to increase earnings.

Net sales increased 1.3% year-on-year to 89,174 million yen, operating income increased 4.0% to 6,484 million yen, ordinary income increased 5.5% to 6,825 million yen, and profit increased 11.6% to 4,540 million yen.

Business segment performance was as follows.

(Paper Products)

The paper products segment accounted for 60.6% of consolidated sales in 2016. Sales of paper bags, which accounted for 31.9% of consolidated sales, increased 0.9% to 28,488 million yen. The main reasons were higher sales of high-end bags to major specialty stores and growth in sales at Chinese subsidiaries.

Sales of paper folding cartons, which accounted for 15.5% of consolidated sales, increased 7.4% to 13,807 million yen mainly due to sales activities that placed emphasis on raising sales of the paper folding cartons.

Sales of corrugated boxes, which accounted for 10.6% of consolidated sales, increased 5.5% to 9,494 million yen. This increase was attributable to firm demand for boxes and growth in sales to large manufacturers and direct sale (Internet and catalog) retail companies.

Printing sales, which accounted for 2.5% of consolidated sales, increased 6.1% to 2,224 million yen as orders were strong at both Keihin Tokushu Printing Corp. and NIKKO PRINT CORPORATION.

Overall, sales in this segment increased 3.5% to 54,015 million yen. Operating income was up 7.4% to 4,869 million yen.

(Film Packaging)

The film packaging segment accounted for 21.6% of consolidated sales in 2016. Orders for products for disposable diapers were sluggish in part because the contribution of sales to foreign tourists to demand in this product category has largely come to an end. As a result, sales decreased 1.4% to 19,301 million yen. Operating income was up 9.8% to 1,058 million yen.

(Other Businesses)

Other businesses accounted for 17.8% of consolidated sales in 2016. There was a decline in sales of products used in conjunction with the Pack Assortment Service system, which is a comprehensive outsourcing vendor system that covers everything from manufacturing and procuring packaging materials and other products to inventory control and delivery. As a result, sales decreased 2.6% to 15,857 million yen and operating income decreased 8.7% to 1,508 million yen.

Outlook for 2017

In Japan, establishing a cycle in which "growth of consumer spending fuels more spending that, in turn, produces higher corporate earnings" will continue to be a difficult task in 2017. Furthermore, there is increasing uncertainty about the global economy due to the new Trump administration in the United States. The effects of this environment on Japan are also difficult to predict.

Activities in 2017 are guided by the slogan "Strong Growth through Group Solidarity –Always Cheerful and Appreciative–." We will proactively invest in equipment, strengthen production capacity and efficiency, and expand businesses and enter into new markets in Japan and overseas for further 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.

(2) Analysis of Financial Position

1) Balance sheet position

Assets totaled 76,291 million yen at the end of the current fiscal year, up 3,149 million yen from the end of 2015. The main factors were increases of 1,105 million yen in cash and deposits and 2,901 million yen in securities, and decreases of 447 million yen in buildings and structures and 278 million yen in investment securities.

Liabilities decreased 41 million yen to 27,688 million yen. The main factors were a decrease of 606 million yen in notes and accounts payable-trade, and an increase of 383 million yen in electronically recorded obligations-operating.

Net assets increased 3,190 million yen to 48,603 million yen. The main factor was an increase of 3,559 million yen in retained earnings.

2) Cash flow position

The balance of cash and cash equivalents at the end of the current fiscal year increased 1,448 million yen, or 12.7% from the end of previous fiscal year to 12,900 million yen.

Cash flows from operating activities

Operating activities provided net cash of 6,597 million yen (up 35.1 % from net cash provided of 4,882 million yen in the previous fiscal year). The principal factors were profit before income taxes of 6,800 million yen and depreciation of 1,784 million yen.

Cash flows from investing activities

Investing activities used net cash of 4,144 million yen (net cash used of 2,840 million yen in the previous fiscal year). The principal factors were outlays of 1,624 million yen for the purchase of property, plant and equipment and 10,202 million yen for the purchase of securities, while there were proceeds from sales of securities of 7,601 million yen.

Cash flows from financing activities

Financing activities used net cash of 995 million yen (net cash used of 1,744 million yen in the previous fiscal year). This was mainly due to outlays of 980 million yen for the cash dividends paid.

Reference: Cash flow indicators

Fiscal years ended	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016
Capital adequacy ratio	55.8	60.7	61.0	62.0	64.3
Capital adequacy ratio based on market prices	44.0	57.1	64.8	81.7	67.1
Interest-bearing debt to cash flow ratio	0.3	0.2	0.0	0.0	0.0
Interest coverage ratio	340.1	237.6	561.9	5,259.7	7,883.0

(Notes): 1. Cash flow indices are calculated, using consolidated financial figures, as follows:
Capital adequacy ratio: Owner's equity / Total assets
Capital adequacy 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 issued and outstanding shares at the end of the fiscal year, 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 the fiscal year ended December 31, 2016. This will make the total dividend distributions 50 yen per share for the fiscal year ended December 31, 2016, as planned.

In the fiscal year ending December 31, 2017, we plan to pay an interim dividend of 25 yen per share and a year-end dividend of 25 yen per share, resulting in a dividend per share 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 2016. 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 laws, 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 large customer deteriorated, there could be an adverse impact on the financial position or performance of the Group.

2. The Pack Corporation Group

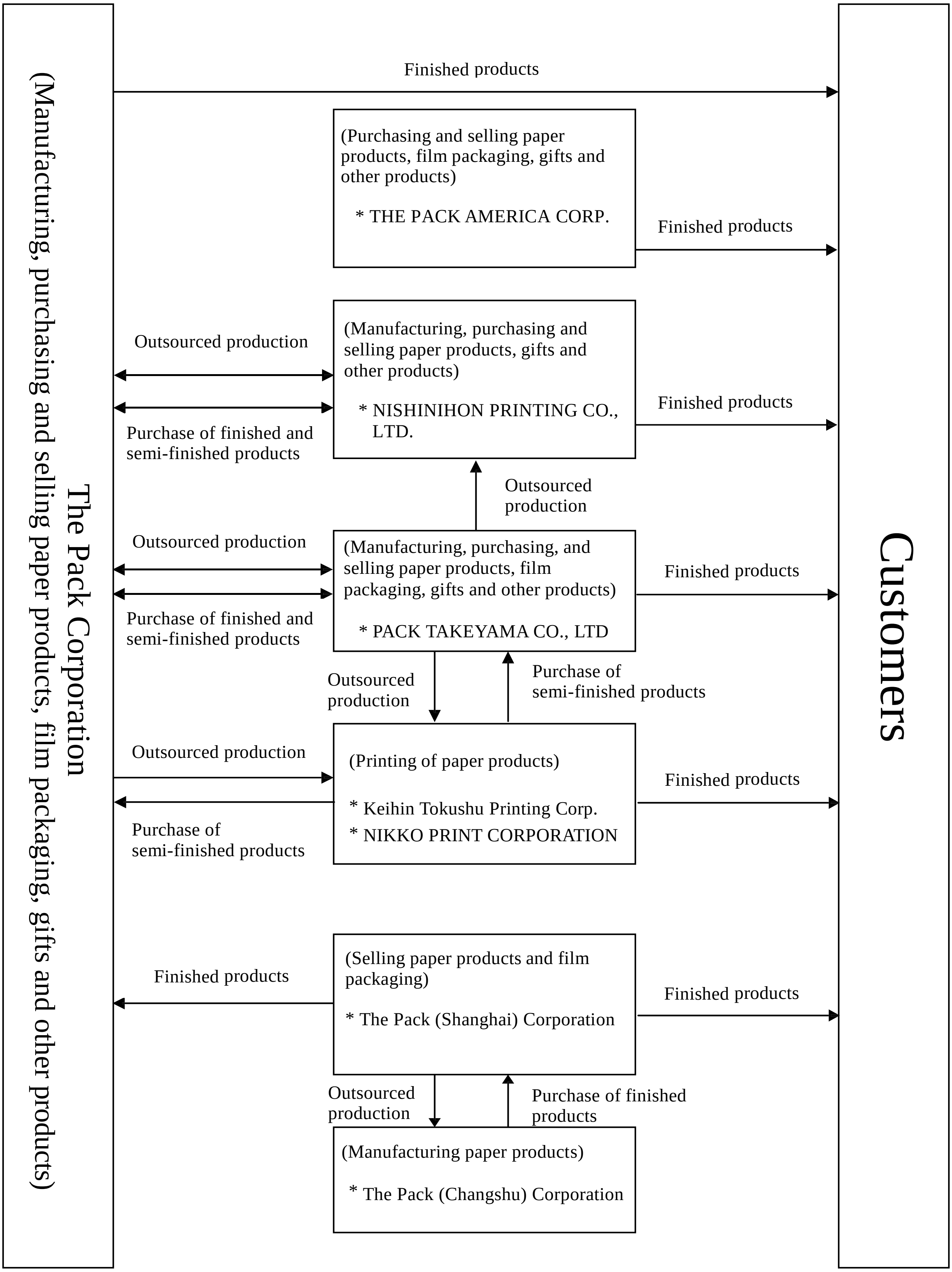
There are eight companies in the Pack Group: the parent company and seven consolidated subsidiaries. The primary business activities are the manufacturing and selling of paper products, film packaging and other products, as well as research, distribution and services associated with these businesses.

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) Corporation
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) Corporation 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 capital adequacy ratio and return on equity. We also place emphasis on the dividend yield and dividend payout ratio.

(3) Medium-term Business Strategy

We have 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 capital adequacy 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 to long-term management principles 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, 2015)	Current fiscal year (As of December 31, 2016)
Assets		
Current assets		
Cash and deposits	8,589	9,695
Notes and accounts receivable-trade	23,506	23,562
Securities	6,399	9,300
Merchandise and finished goods	5,145	5,149
Work in process	713	787
Raw materials and supplies	748	660
Deferred tax assets	205	263
Other	639	474
Allowance for doubtful accounts	(11)	(27)
Total current assets	45,936	49,868
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,709	7,262
Machinery, equipment and vehicles, net	5,261	5,044
Tools, furniture and fixtures, net	185	163
Land	8,066	8,066
Construction in progress	231	267
Total property, plant and equipment	21,453	20,804
Intangible assets	143	124
Investments and other assets		
Investment securities	4,561	4,283
Deferred tax assets	419	647
Other	688	684
Allowance for doubtful accounts	(60)	(120)
Total investments and other assets	5,608	5,494
Total non-current assets	27,205	26,423
Total assets	73,142	76,291

(Million yen)

	Previous fiscal year (As of December 31, 2015)	Current fiscal year (As of December 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	14,940	14,334
Electronically recorded obligations-operating	4,115	4,499
Income taxes payable	1,305	1,303
Provision for bonuses	186	269
Provision for directors' bonuses	43	47
Other	2,879	2,664
Total current liabilities	23,471	23,119
Non-current liabilities		
Deferred tax liabilities	348	314
Net defined benefit liability	3,727	4,077
Other	182	177
Total non-current liabilities	4,258	4,568
Total liabilities	27,729	27,688
Net assets		
Shareholders' equity		
Capital stock	2,553	2,553
Capital surplus	3,167	3,167
Retained earnings	39,095	42,654
Treasury shares	(739)	(739)
Total shareholders' equity	44,077	47,636
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,763	1,595
Deferred gains or losses on hedges	(5)	33
Foreign currency translation adjustment	(114)	(190)
Remeasurements of defined benefit plans	(355)	(541)
Total accumulated other comprehensive income	1,287	896
Subscription rights to shares	20	43
Non-controlling interests	27	26
Total net assets	45,412	48,603
Total liabilities and net assets	73,142	76,291

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

Consolidated Statement of Income

(Million yen)

	Previous fiscal year (from January 1, 2015 to December 31, 2015)	Current fiscal year (from January 1, 2016 to December 31, 2016)
Net sales	88,043	89,174
Cost of sales	67,836	68,158
Gross profit	20,207	21,015
Selling, general and administrative expenses	13,975	14,531
Operating income	6,232	6,484
Non-operating income		
Interest income	100	109
Dividend income	83	88
Rent income	62	62
Foreign exchange gains	-	72
Other	48	46
Total non-operating income	294	379
Non-operating expenses		
Interest expenses	0	0
Cost of lease revenue	9	15
Loss on sales of accounts receivable	3	4
Foreign exchange losses	15	-
Other	29	17
Total non-operating expenses	58	38
Ordinary income	6,468	6,825
Extraordinary income		
Gain on sales of non-current assets	6	0
Gain on sales of investment securities	20	0
Total extraordinary income	26	0
Extraordinary losses		
Loss on sales of non-current assets	1	0
Loss on retirement of non-current assets	16	12
Loss on valuation of investment securities	-	0
Loss on valuation of membership	0	12
Compensation expenses	44	-
Total extraordinary losses	63	25
Profit before income taxes	6,432	6,800
Income taxes-current	2,246	2,392
Income taxes-deferred	117	(134)
Total income taxes	2,364	2,257
Profit	4,068	4,542
Profit attributable to non-controlling interests	0	1
Profit attributable to owners of parent	4,067	4,540

Consolidated Statement of Comprehensive Income

(Million yen)

	Previous fiscal year (from January 1, 2015 to December 31, 2015)	Current fiscal year (from January 1, 2016 to December 31, 2016)
Profit	4,068	4,542
Other comprehensive income		
Valuation difference on available-for-sale securities	654	(167)
Deferred gains or losses on hedges	(44)	38
Foreign currency translation adjustment	(41)	(78)
Remeasurements of defined benefit plans, net of tax	(134)	(186)
Total other comprehensive income	434	(393)
Comprehensive income	4,502	4,148
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,503	4,149
Comprehensive income attributable to non-controlling interests	(0)	(0)

(3) Consolidated Statement of Changes in Equity

Previous 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)
Profit attributable to owners of parent			4,067		4,067
Purchase of treasury shares				(732)	(732)
Disposal of treasury shares		0		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					Subscrip-tion rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments 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)
Profit attributable to owners of parent					-			4,067
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

Current fiscal year (from January 1, 2016 to December 31, 2016)

(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	39,095	(739)	44,077
Cumulative effects of changes in accounting policies					-
Restated balance	2,553	3,167	39,095	(739)	44,077
Changes of items during period					
Dividends of surplus			(980)		(980)
Profit attributable to owners of parent			4,540		4,540
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares					-
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	3,559	(0)	3,559
Balance at end of current period	2,553	3,167	42,654	(739)	47,636

(Million yen)

	Accumulated other comprehensive income					Subscrip-tion rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	1,763	(5)	(114)	(355)	1,287	20	27	45,412
Cumulative effects of changes in accounting policies					-			-
Restated balance	1,763	(5)	(114)	(355)	1,287	20	27	45,412
Changes of items during period								
Dividends of surplus					-			(980)
Profit attributable to owners of parent					-			4,540
Purchase of treasury shares					-			(0)
Disposal of treasury shares					-			-
Net changes of items other than shareholders' equity	(167)	38	(76)	(186)	(391)	23	(0)	(368)
Total changes of items during period	(167)	38	(76)	(186)	(391)	23	(0)	3,190
Balance at end of current period	1,595	33	(190)	(541)	896	43	26	48,603

(4) Consolidated Statement of Cash Flows

(Million yen)

	Previous fiscal year (from January 1, 2015 to December 31, 2015)	Current fiscal year (from January 1, 2016 to December 31, 2016)
Cash flows from operating activities		
Profit before income taxes	6,432	6,800
Depreciation	1,777	1,784
Increase (decrease) in allowance for doubtful accounts	(5)	75
Increase (decrease) in provision for bonuses	5	82
Increase (decrease) in provision for directors' bonuses	8	3
Increase (decrease) in net defined benefit liability	23	98
Interest and dividend income	(183)	(198)
Interest expenses	0	0
Loss (gain) on sales of non-current assets	(4)	0
Loss on retirement of non-current assets	16	12
Loss (gain) on sales of investment securities	(20)	(0)
Loss (gain) on valuation of investment securities	-	0
Compensation expenses	44	-
Decrease (increase) in notes and accounts receivable-trade	(637)	(143)
Decrease (increase) in inventories	58	3
Increase (decrease) in notes and accounts payable-trade	(261)	(169)
Other, net	(161)	505
Subtotal	7,089	8,855
Interest and dividend income received	177	188
Interest expenses paid	(0)	(0)
Payments for compensation	(44)	-
Income taxes paid	(2,338)	(2,445)
Net cash provided by (used in) operating activities	4,882	6,597
Cash flows from investing activities		
Payments into time deposits	-	(83)
Proceeds from withdrawal of time deposits	57	114
Purchase of securities	(5,400)	(10,202)
Proceeds from sales of securities	4,100	7,601
Payments of loans receivable	(7)	(4)
Collection of loans receivable	17	126
Purchase of property, plant and equipment	(1,636)	(1,624)
Proceeds from sales of property, plant and equipment	8	6
Purchase of intangible assets	(25)	(30)
Purchase of investment securities	(48)	(28)
Proceeds from sales of investment securities	42	0
Other, net	52	(19)
Net cash provided by (used in) investing activities	(2,840)	(4,144)
Cash flows from financing activities		
Cash dividends paid	(989)	(980)
Other, net	(755)	(14)
Net cash provided by (used in) financing activities	(1,744)	(995)
Effect of exchange rate change on cash and cash equivalents	9	(8)
Net increase (decrease) in cash and cash equivalents	305	1,448
Cash and cash equivalents at beginning of period	11,145	11,451
Cash and cash equivalents at end of period	11,451	12,900

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Accounting Policies

Application of the Accounting Standard for Business Combinations, etc.

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

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

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

There is no impact on the consolidated financial statements and per-share information for 2016.

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

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

The effect of this change on the consolidated financial statements for 2016 is insignificant.

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

The Company has applied the "Implementation Guidance on Recoverability of Deferred Assets" (ASBJ Statement No. 26, March 28, 2016) from 2016 because the application of this guidance is allowed starting with consolidated financial statements as of the end of 2016. As a result, parts of the accounting method for determining the recoverability of deferred tax assets have been revised.

The application of this guidance had no effect on the amount of deferred tax assets and retained earnings at the beginning of 2016.

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 determine resource allocation 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, profit 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, profit or loss, assets, liabilities and other items by reportable segment

Previous 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 profit	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	1,526	199	1,726	31	1,758	19	1,777
Increases in property, plant and equipment and intangible assets	1,471	212	1,684	9	1,694	-	1,694

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

2. The adjustments are as follows.

(1) The -917 million yen adjustment to segment profit includes elimination of inter-segment transactions of 12 million yen that are not allocated to reportable segments and corporate expenses of -930 million yen. Corporate expenses are mainly related to the parent company's Administrative Department.

(2) The 18,059 million yen adjustment to 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 adjustments to depreciation and increases in property, plant and equipment and intangible assets are related to the parent company's head office assets.

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

Current fiscal year (from January 1, 2016 to December 31, 2016) (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	54,015	19,301	73,316	15,857	89,174	-	89,174
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	54,015	19,301	73,316	15,857	89,174	-	89,174
Segment profit	4,869	1,058	5,927	1,508	7,435	(951)	6,484
Segment assets	37,530	9,813	47,344	6,802	54,147	22,144	76,291
Other items							
Depreciation	1,549	200	1,749	29	1,779	5	1,784
Increases in property, plant and equipment and intangible assets	990	119	1,110	14	1,124	0	1,124

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

2. The adjustments are as follows.

(1) The -951 million yen adjustment to segment profit includes elimination of inter-segment transactions of 12 million yen that are not allocated to reportable segments and corporate expenses of -964 million yen. Corporate expenses are mainly related to the parent company's Administrative Department.

(2) The 22,144 million yen adjustment to 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 7,999 million yen and securities of 9,300 million yen), long-term investments (investment securities of 4,283 million yen) and the parent company's land of 560 million yen.

(3) The adjustments to depreciation and increases in property, plant and equipment and intangible assets are related to the parent company's head office assets.

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

Per Share Information

(Yen)

	Previous fiscal year (from January 1, 2015 to December 31, 2015)	Current fiscal year (from January 1, 2016 to December 31, 2016)
Net assets per share	2,312.73	2,474.25
Basic earnings per share	205.94	231.47
Diluted earnings per share	205.84	231.25

(Notes) 1. The basis of calculating the basic earnings per share and diluted earnings per share is as follows.

(Million yen)

Item	Previous fiscal year (from January 1, 2015 to December 31, 2015)	Current fiscal year (from January 1, 2016 to December 31, 2016)
Basic earnings per share		
Profit attributable to owners of parent	4,067	4,540
Amounts unavailable to common shareholders	-	-
Profit attributable to owners of parent related to common shares	4,067	4,540
Average number of shares outstanding during the period (thousand shares)	19,751	19,615
Diluted earnings per share		
Adjustment to profit attributable to owners of parent	-	-
Increase in the number of common shares (thousand shares)	8	18
(of which subscription rights to shares (thousand shares))	(8)	(18)

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

(Million yen)

Item	Previous fiscal year (As of December 31, 2015)	Current fiscal year (As of December 31, 2016)
Total net assets	45,412	48,603
Deduction on total net assets	47	70
(of which subscription rights to shares)	(20)	(43)
(of which non-controlling interests)	(27)	(26)
Net assets applicable to common shares	45,365	48,533
Number of common shares used in calculation of net assets per share (thousand shares)	19,615	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.*