

Business Results for the Year Ended December 31, 2017 [Japan GAAP] (Consolidated)

February 9, 2018

Company: **The Pack Corporation**

Listed on the TSE1

Stock code: 3950

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Expected date of annual shareholders' meeting: March 29, 2018

Expected starting date of dividend payment: March 30, 2018

Expected date of filing of annual securities report: March 29, 2018

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, 2017 (January 1, 2017 through December 31, 2017)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Dec. 31, 2017	90,313	1.3	7,273	12.2	7,589	11.2	5,209	14.7
Year ended Dec. 31, 2016	89,174	1.3	6,484	4.0	6,825	5.5	4,540	11.6

(Note) Comprehensive income Year ended Dec. 31, 2017 5,811 million yen (up 40.1%)

Year ended Dec. 31, 2016 4,148 million yen (down 7.8%)

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Year ended Dec. 31, 2017	265.56	265.29	10.2	9.6	8.1
Year ended Dec. 31, 2016	231.47	231.25	9.7	9.1	7.3

(Reference) Investment earnings/loss on equity-method Year ended Dec. 31, 2017: - million yen

Year ended Dec. 31, 2016: - 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, 2017	81,928	53,457	65.1	2,720.34
As of Dec. 31, 2016	76,291	48,603	63.6	2,474.25

(Reference) Owner's equity As of Dec. 31, 2017: 53,372 million yen As of Dec. 31, 2016: 48,533 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, 2017	6,873	452	(992)	19,228
Year ended Dec. 31, 2016	6,597	(4,144)	(995)	12,900

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, 2016	-	25.00	-	25.00	50.00	980	21.6	2.1
Year ended Dec. 31, 2017	-	25.00	-	25.00	50.00	980	18.8	1.9
Year ending Dec. 31, 2018 (forecasts)	-	25.00	-	25.00	50.00		18.2	

3. Forecast of consolidated business results for the year ending December 31, 2018

(January 1, 2018 through December 31, 2018) (% change from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	42,900	2.8	3,100	1.5	3,300	2.6	2,200	4.4	112.13
Full year	94,000	4.1	7,400	1.7	7,700	1.5	5,400	3.6	275.23

*** 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: None

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

3) Changes in accounting estimates: None

4) Retrospective restatement: None

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

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

As of Dec. 31, 2017: 19,900,000 shares As of Dec. 31, 2016: 19,900,000 shares

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

As of Dec. 31, 2017: 280,247 shares As of Dec. 31, 2016: 284,592 shares

3) Average number of shares

Year ended Dec. 31, 2017: 19,618,564 shares Year ended Dec. 31, 2016: 19,615,465 shares

(Reference) Summary of non-consolidated business results

1. Non-consolidated business results for the year ended December 31, 2017

(January 1, 2017 through December 31, 2017)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Dec. 31, 2017	81,783	1.1	6,661	11.8	7,051	10.3	4,858	17.1
Year ended Dec. 31, 2016	80,912	1.1	5,959	5.3	6,395	6.7	4,150	12.7

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Year ended Dec. 31, 2017	247.66	247.40
Year ended Dec. 31, 2016	211.57	211.37

(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, 2017	76,129	50,551	66.3	2,573.66
As of Dec. 31, 2016	71,209	46,247	64.9	2,355.51

(Reference) Owner's equity As of Dec. 31, 2017: 50,494 million yen As of Dec. 31, 2016: 46,204 million yen

2. Forecast of non-consolidated business results for the year ending December 31, 2018

(January 1, 2018 through December 31, 2018)

(% change from the previous corresponding period)

	Net sales		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
First half	38,100	1.1	3,000	0.0	2,100	2.2	107.03
Full year	83,400	2.0	7,100	0.7	4,900	0.9	249.75

***The current financial summary is not subject to audit procedures.**

***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 2017, companies in Japan reported higher earnings and unemployment declined amid the country's labor shortage. There was also a gradual recovery in consumer spending as personal income increased and stock prices rebounded. The U.S. economy was healthy and the Chinese economy is showing signs of an upturn as the slowdown in the economic growth rate has ended. However, the outlook is uncertain because there are no indications of a decline in geopolitical risk involving North Korea and other countries.

In Japan's distribution and retail sectors, which are the primary markets for products of The Pack, sales at some department stores and other retailers continue to be supported by the purchases of foreign tourists in Japan. But the average purchase price is declining as customers shift from high-end merchandise to everyday household items. Market conditions for general merchandise stores continued to be challenging. The convenience store category, which has completed a major realignment, is about to become the primary component of Japan's retail sector. Furthermore, the growth of e-commerce and other new trends are significantly altering how consumers purchase goods.

During 2017, there were many activities to accomplish the goals of the medium-term management plan under the slogan of "Strong Growth through Group Solidarity." All group companies were focused on entering new markets and selling products at adequate prices. Group companies are also engaged in activities such as making substantial capital expenditures, developing new products and improving quality management in order to increase earnings.

Net sales increased 1.3% year-on-year to 90,313 million yen, operating profit increased 12.2% to 7,273 million yen, ordinary profit increased 11.2% to 7,589 million yen, and profit attributable to owners of parent increased 14.7% to 5,209 million yen.

Business segment performance was as follows.

(Paper Products)

The paper products segment accounted for 61.5% of consolidated sales in 2017. Sales of paper bags, which accounted for 31.9% of consolidated sales, increased 1.2% to 28,835 million yen. Sales were strong at The Pack, NISHINIHON PRINTING CO., LTD. and subsidiaries in China.

Sales of paper folding cartons, which accounted for 16.3% of consolidated sales, increased 6.9% to 14,762 million yen. Sales of cartons for food products were higher in part because of measures to strengthen sales activities in this product category. There were also extensive e-commerce sales activities.

Sales of corrugated boxes, which accounted for 10.9% of consolidated sales, increased 3.6% to 9,834 million yen. This increase was attributable to higher sales of boxes to manufacturers and e-commerce companies.

Printing sales, which accounted for 2.4% of consolidated sales, decreased 3.6% to 2,144 million yen as sales were weak at Keihin Tokushu Printing Corp.

Overall, sales in this segment increased 2.9% to 55,577 million yen. Operating profit was up 12.8% to 5,492 million yen.

(Film Packaging)

The film packaging segment accounted for 21.7% of consolidated sales in 2017. Sales to specialty retail stores in Japan were slow but there was an increase in orders for products for disposable diapers. As a result, sales increased 1.3% to 19,557 million yen. Operating profit was up 13.6% to 1,202 million yen.

(Other Businesses)

Other businesses accounted for 16.8% of consolidated sales in 2017. There was a decline in sales of products used in conjunction with the Pack Assortment Service system, which is a comprehensive outsourcing vendor system that covers everything from manufacturing and procuring packaging materials and other products to inventory control and delivery. As a result, sales decreased 4.3% to 15,178 million yen. Operating profit decreased 7.9% to 1,389 million yen.

Outlook for 2018

Economies in Japan and other countries were stronger than initially expected in 2017. But prices did not rise even though much of the world appeared to be enjoying a “Goldilocks economy.” No change in the economic environment is anticipated in 2018. Reaching the 2% inflation target of the Bank of Japan will not be easy. Also, there will be risk associated with concerns about a bubble economy in the United States due to rising prices of stocks and other assets.

Activities in 2018 are guided by the slogan “Adapt to Changes and Advance with Vigor—Become an Even More Powerful Group—.” We will make substantial investments in equipment, use many initiatives to implement work-style reforms, strengthen production capacity and efficiency, and expand businesses and enter 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. 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 81,928 million yen at the end of 2017, up 5,636 million yen from the end of 2016. The main factors were increases of 3,613 million yen in cash and deposits, 665 million yen in notes and accounts receivable-trade, 798 million yen in securities, and 661 million yen in investment securities.

Liabilities increased 782 million yen to 28,470 million yen. The main factors were increases of 152 million yen in notes and accounts payable-trade and 746 million yen in electronically recorded obligations-operating.

Net assets increased 4,853 million yen to 53,457 million yen. The main factors were increases of 4,229 million yen in retained earnings and 428 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 2017 increased 6,328 million yen, or 49.1% from the end of 2016 to 19,228 million yen.

Cash flows from operating activities

Operating activities provided net cash of 6,873 million yen (up 4.2 % from net cash provided of 6,597 million yen in 2016). The principal factors were profit before income taxes of 7,574 million yen and depreciation of 1,645 million yen.

Cash flows from investing activities

Investing activities provided net cash of 452 million yen (net cash used of 4,144 million yen in 2016). The principal factor was proceeds from sales of securities of 8,002 million yen, while there were outlays of 1,368 million yen for the purchase of property, plant and equipment, and 6,101 million yen for the purchase of securities.

Cash flows from financing activities

Financing activities used net cash of 992 million yen (net cash used of 995 million yen in 2016). This was mainly due to outlays of 980 million yen for the cash dividends paid.

Reference: Cash flow indicators

Fiscal years ended	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017
Capital adequacy ratio	60.7	61.0	62.0	63.6	65.1
Capital adequacy ratio based on market prices	57.1	64.8	81.7	67.1	87.2
Interest-bearing debt to cash flow ratio	0.2	0.0	0.0	0.0	0.0
Interest coverage ratio	237.6	561.9	5,259.7	7,883.0	8,274.9

(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, 2017. This will make the total dividend distributions 50 yen per share for the fiscal year ended December 31, 2017, as planned.

In the fiscal year ending December 31, 2018, 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 2017. 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 Group

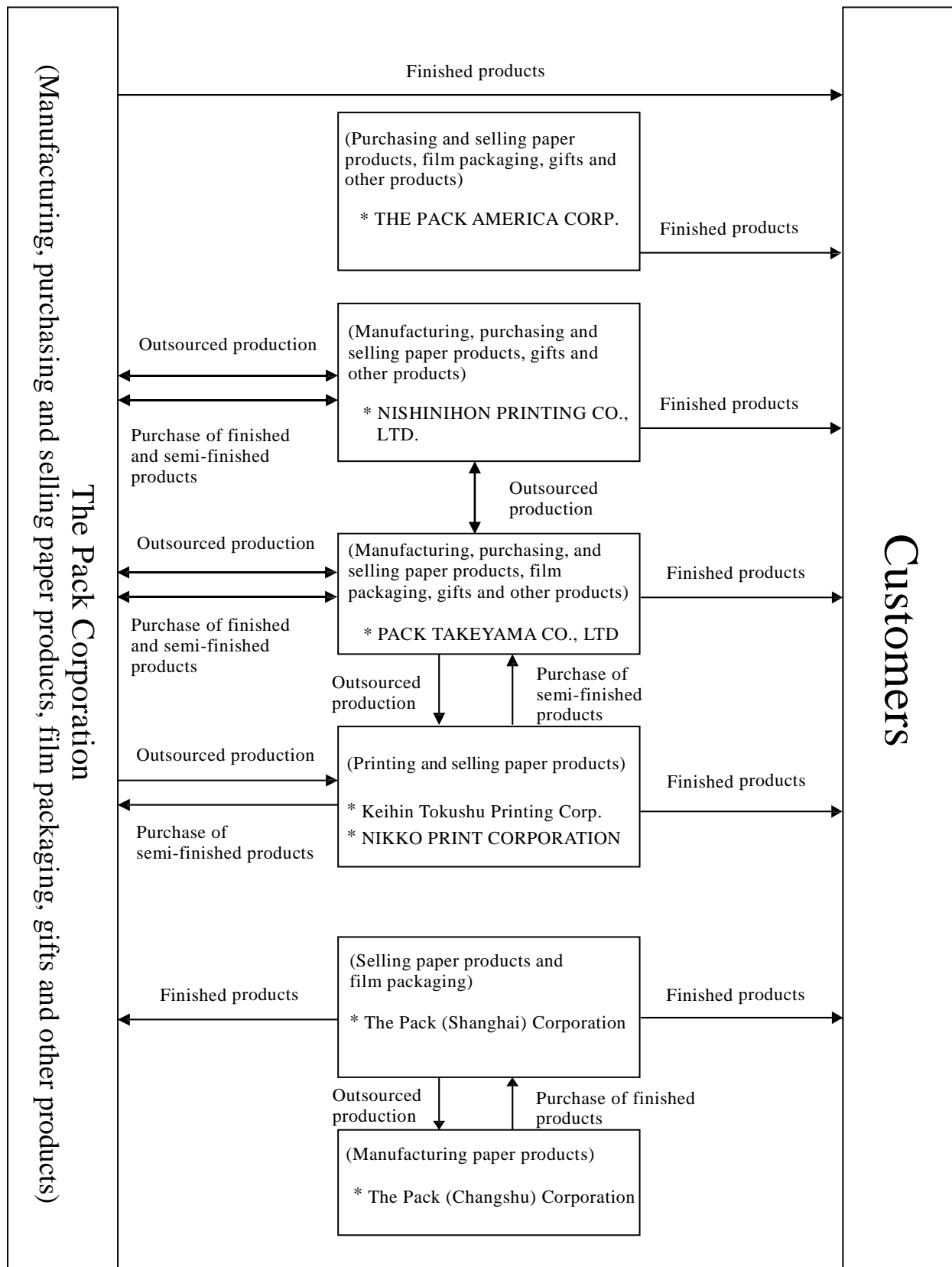
There are eight companies in the Pack Group: the parent company and seven consolidated subsidiaries. The primary business activities are the manufacturing and selling of paper products, film packaging and other products, as well as research, distribution and services associated with these businesses.

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, we will implement work-style reforms while keeping in mind our responsibilities to society, such as addressing global environment issues. In addition, as an integrated packaging company we will aim for 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 all our businesses 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 stability of dividend payments.

(3) Medium-term Business Strategy

We have established a medium-term management plan with the goals of raising consolidated sales (before eliminations for consolidation) to 100 billion yen, ordinary profit 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 significant growth in sales and earnings by relying only 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.

Another important issue is the outlook for higher operating expenses caused by the rising cost of raw materials and imported products as well as the higher cost of distribution and other logistics activities. 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.

(5) Other Important Business Matters

The Board of Directors of The Pack approved a resolution on December 18, 2017 to purchase the stock of Kannaru Printing Co., Ltd. (3-4-23, Jyusohonmachi, Yodogawa-ku, Osaka). A contract to purchase this stock was signed on the same day. Kannaru Printing specializes in the production and sale of packaging for drugs.

Due to the purchase of this stock, Kannaru Printing is expected to become a consolidated subsidiary of The Pack on April 2, 2018.

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 and Notes**(1) Consolidated Balance Sheet**

(Million yen)

	Previous fiscal year (As of December 31, 2016)	Current fiscal year (As of December 31, 2017)
Assets		
Current assets		
Cash and deposits	9,695	13,308
Notes and accounts receivable-trade	23,562	24,227
Securities	9,300	10,099
Merchandise and finished goods	5,149	5,232
Work in process	787	761
Raw materials and supplies	660	759
Deferred tax assets	263	260
Other	474	759
Allowance for doubtful accounts	(27)	(28)
Total current assets	49,868	55,381
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,262	6,878
Machinery, equipment and vehicles, net	5,044	5,132
Tools, furniture and fixtures, net	163	199
Land	8,066	8,122
Construction in progress	267	126
Total property, plant and equipment	20,804	20,460
Intangible assets	124	186
Investments and other assets		
Investment securities	4,283	4,944
Deferred tax assets	647	423
Other	684	637
Allowance for doubtful accounts	(120)	(106)
Total investments and other assets	5,494	5,899
Total non-current assets	26,423	26,546
Total assets	76,291	81,928

(Million yen)

	Previous fiscal year (As of December 31, 2016)	Current fiscal year (As of December 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	14,334	14,486
Electronically recorded obligations-operating	4,499	5,246
Income taxes payable	1,303	1,353
Provision for bonuses	269	289
Provision for directors' bonuses	47	44
Other	2,664	2,567
Total current liabilities	23,119	23,987
Non-current liabilities		
Deferred tax liabilities	314	326
Net defined benefit liability	4,077	4,009
Other	177	146
Total non-current liabilities	4,568	4,483
Total liabilities	27,688	28,470
Net assets		
Shareholders' equity		
Capital stock	2,553	2,553
Capital surplus	3,167	3,166
Retained earnings	42,654	46,883
Treasury shares	(739)	(728)
Total shareholders' equity	47,636	51,875
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,595	2,023
Deferred gains or losses on hedges	33	7
Foreign currency translation adjustment	(190)	(181)
Remeasurements of defined benefit plans	(541)	(353)
Total accumulated other comprehensive income	896	1,496
Subscription rights to shares	43	56
Non-controlling interests	26	28
Total net assets	48,603	53,457
Total liabilities and net assets	76,291	81,928

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

(Million yen)

	Previous fiscal year (from January 1, 2016 to December 31, 2016)	Current fiscal year (from January 1, 2017 to December 31, 2017)
Net sales	89,174	90,313
Cost of sales	68,158	68,368
Gross profit	21,015	21,944
Selling, general and administrative expenses	14,531	14,671
Operating profit	6,484	7,273
Non-operating income		
Interest income	109	93
Dividend income	88	94
Rent income	62	59
Foreign exchange gains	72	54
Other	46	41
Total non-operating income	379	342
Non-operating expenses		
Interest expenses	0	0
Cost of lease revenue	15	13
Loss on sales of accounts receivable	4	5
Other	17	8
Total non-operating expenses	38	27
Ordinary profit	6,825	7,589
Extraordinary income		
Gain on sales of investment securities	0	0
Gain on sales of non-current assets	0	0
Total extraordinary income	0	1
Extraordinary losses		
Loss on sales of non-current assets	0	-
Loss on retirement of non-current assets	12	16
Loss on valuation of investment securities	0	0
Loss on valuation of membership	12	-
Total extraordinary losses	25	16
Profit before income taxes	6,800	7,574
Income taxes-current	2,392	2,394
Income taxes-deferred	(134)	(31)
Total income taxes	2,257	2,363
Profit	4,542	5,210
Profit attributable to non-controlling interests	1	0
Profit attributable to owners of parent	4,540	5,209

Consolidated Statement of Comprehensive Income

(Million yen)

	Previous fiscal year (from January 1, 2016 to December 31, 2016)	Current fiscal year (from January 1, 2017 to December 31, 2017)
Profit	4,542	5,210
Other comprehensive income		
Valuation difference on available-for-sale securities	(167)	428
Deferred gains or losses on hedges	38	(25)
Foreign currency translation adjustment	(78)	10
Remeasurements of defined benefit plans, net of tax	(186)	187
Total other comprehensive income	(393)	600
Comprehensive income	4,148	5,811
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,149	5,810
Comprehensive income attributable to non-controlling interests	(0)	1

(3) Consolidated Statement of Changes in Equity

Previous 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
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					Subscription 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	Remeasurements 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
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

Current fiscal year (from January 1, 2017 to December 31, 2017)

(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	42,654	(739)	47,636
Changes of items during period					
Dividends of surplus			(980)		(980)
Profit attributable to owners of parent			5,209		5,209
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(1)		11	10
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(1)	4,229	11	4,238
Balance at end of current period	2,553	3,166	46,883	(728)	51,875

(Million yen)

	Accumulated other comprehensive income					Subscription 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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	1,595	33	(190)	(541)	896	43	26	48,603
Changes of items during period								
Dividends of surplus					-			(980)
Profit attributable to owners of parent					-			5,209
Purchase of treasury shares					-			(0)
Disposal of treasury shares					-			10
Net changes of items other than shareholders' equity	428	(25)	9	187	600	13	1	614
Total changes of items during period	428	(25)	9	187	600	13	1	4,853
Balance at end of current period	2,023	7	(181)	(353)	1,496	56	28	53,457

(4) Consolidated Statement of Cash Flows

(Million yen)

	Previous fiscal year (from January 1, 2016 to December 31, 2016)	Current fiscal year (from January 1, 2017 to December 31, 2017)
Cash flows from operating activities		
Profit before income taxes	6,800	7,574
Depreciation	1,784	1,645
Increase (decrease) in allowance for doubtful accounts	75	(13)
Increase (decrease) in provision for bonuses	82	19
Increase (decrease) in provision for directors' bonuses	3	(2)
Increase (decrease) in net defined benefit liability	98	198
Interest and dividend income	(198)	(187)
Interest expenses	0	0
Loss (gain) on sales of non-current assets	0	(0)
Loss on retirement of non-current assets	12	16
Loss (gain) on sales of investment securities	(0)	(0)
Loss (gain) on valuation of investment securities	0	0
Decrease (increase) in notes and accounts receivable-trade	(143)	(645)
Decrease (increase) in inventories	3	(151)
Increase (decrease) in notes and accounts payable-trade	(169)	884
Other, net	505	(247)
Subtotal	8,855	9,089
Interest and dividend income received	188	184
Interest expenses paid	(0)	(0)
Income taxes paid	(2,445)	(2,399)
Net cash provided by (used in) operating activities	6,597	6,873
Cash flows from investing activities		
Payments into time deposits	(83)	(67)
Proceeds from withdrawal of time deposits	114	84
Purchase of securities	(10,202)	(6,101)
Proceeds from sales of securities	7,601	8,002
Collection of loans receivable	126	21
Purchase of property, plant and equipment	(1,624)	(1,368)
Proceeds from sales of property, plant and equipment	6	15
Purchase of intangible assets	(30)	(99)
Purchase of investment securities	(28)	(30)
Proceeds from sales of investment securities	0	1
Other, net	(23)	(6)
Net cash provided by (used in) investing activities	(4,144)	452
Cash flows from financing activities		
Cash dividends paid	(980)	(980)
Other, net	(14)	(12)
Net cash provided by (used in) financing activities	(995)	(992)
Effect of exchange rate change on cash and cash equivalents	(8)	(5)
Net increase (decrease) in cash and cash equivalents	1,448	6,328
Cash and cash equivalents at beginning of period	11,451	12,900
Cash and cash equivalents at end of period	12,900	19,228

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Accounting Policies

Not applicable.

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 profit basis.

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

Previous 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	37,347	10,002	47,349	6,797	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	807	307	1,115	9	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 profit in the consolidated statement of income.

Current fiscal year (from January 1, 2017 to December 31, 2017)

(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	55,577	19,557	75,135	15,178	90,313	-	90,313
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	55,577	19,557	75,135	15,178	90,313	-	90,313
Segment profit	5,492	1,202	6,694	1,389	8,083	(810)	7,273
Segment assets	37,939	10,613	48,553	6,848	55,402	26,526	81,928
Other items							
Depreciation	1,405	207	1,613	23	1,636	8	1,645
Increases in property, plant and equipment and intangible assets	743	616	1,359	32	1,392	8	1,400

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

2. The adjustments are as follows.

- (1) The -810 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 -822 million yen. Corporate expenses are mainly related to the parent company's Administrative Department.
 - (2) The 26,526 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 10,917 million yen and securities of 10,099 million yen), long-term investments (investment securities of 4,944 million yen) and the parent company's land of 563 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 profit in the consolidated statement of income.

Per Share Information

(Yen)

	Previous fiscal year (from January 1, 2016 to December 31, 2016)	Current fiscal year (from January 1, 2017 to December 31, 2017)
Net assets per share	2,474.25	2,720.34
Basic earnings per share	231.47	265.56
Diluted earnings per share	231.25	265.29

(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, 2016 to December 31, 2016)	Current fiscal year (from January 1, 2017 to December 31, 2017)
Basic earnings per share		
Profit attributable to owners of parent	4,540	5,209
Amounts unavailable to common shareholders	-	-
Profit attributable to owners of parent related to common shares	4,540	5,209
Average number of shares outstanding during the period (thousand shares)	19,615	19,618
Diluted earnings per share		
Adjustment to profit attributable to owners of parent	-	-
Increase in the number of common shares (thousand shares)	18	20
(of which subscription rights to shares (thousand shares))	(18)	(20)

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

(Million yen)

Item	Previous fiscal year (As of December 31, 2016)	Current fiscal year (As of December 31, 2017)
Total net assets	48,603	53,457
Deduction on total net assets	70	84
(of which subscription rights to shares)	(43)	(56)
(of which non-controlling interests)	(26)	(28)
Net assets applicable to common shares	48,533	53,372
Number of common shares used in calculation of net assets per share (thousand shares)	19,615	19,619

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.