

Business Results for the Year Ended December 31, 2018 [Japan GAAP] (Consolidated)

February 8, 2019

Company: **The Pack Corporation**

Listed on the TSE1

Stock code: 3950

URL: <http://www.thepack.co.jp>

Representative: Mitsuo Inada, President & CEO

Contact: Michihisa Fujii, Managing Director, Divisional General Manager of Administration Division

TEL: +81-6-6972-1221

Expected date of annual shareholders' meeting: March 28, 2019

Expected starting date of dividend payment: March 29, 2019

Expected date of filing of annual securities report: March 28, 2019

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, 2018

(January 1, 2018 through December 31, 2018)

(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, 2018 | 93,126 | 3.1 | 6,924 | (4.8) | 7,212 | (5.0) | 4,968 | (4.6) |
| Year ended Dec. 31, 2017 | 90,313 | 1.3 | 7,273 | 12.2 | 7,589 | 11.2 | 5,209 | 14.7 |

(Note) Comprehensive income Year ended Dec. 31, 2018: 4,208 million yen (down 27.6%)
Year ended Dec. 31, 2017: 5,811 million yen (up 40.1%)

| | 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, 2018 | 253.25 | 252.91 | 9.0 | 8.6 | 7.4 |
| Year ended Dec. 31, 2017 | 265.56 | 265.29 | 10.2 | 9.6 | 8.1 |

(Reference) Investment earnings/loss on equity-method Year ended Dec. 31, 2018: - million yen
Year ended Dec. 31, 2017: - 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, 2018 | 86,521 | 56,775 | 65.4 | 2,885.27 |
| As of Dec. 31, 2017 | 81,928 | 53,457 | 65.1 | 2,720.34 |

(Reference) Owner's equity As of Dec. 31, 2018: 56,613 million yen As of Dec. 31, 2017: 53,372 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, 2018 | 6,742 | (4,705) | (2,059) | 19,181 |
| Year ended Dec. 31, 2017 | 6,873 | 452 | (992) | 19,228 |

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 | | | |
| Year ended Dec. 31, 2017 | - | 25.00 | - | 25.00 | 50.00 | 980 | 18.8 | 1.9 |
| Year ended Dec. 31, 2018 | - | 25.00 | - | 25.00 | 50.00 | 980 | 19.7 | 1.8 |
| Year ending Dec. 31, 2019 (forecasts) | - | 25.00 | - | 25.00 | 50.00 | | 19.6 | |

3. Forecast of consolidated business results for the year ending December 31, 2019

(January 1, 2019 through December 31, 2019)

(% 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 | 43,700 | 3.9 | 2,900 | 7.6 | 3,100 | 8.4 | 2,000 | 3.8 | 101.93 |
| Full year | 95,800 | 2.9 | 7,300 | 5.4 | 7,600 | 5.4 | 5,000 | 0.6 | 254.82 |

*** 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 fiscal year (including treasury stock)

As of Dec. 31, 2018: 19,900,000 shares As of Dec. 31, 2017: 19,900,000 shares

2) Number of treasury stock at the end of fiscal year

As of Dec. 31, 2018: 278,548 shares As of Dec. 31, 2017: 280,247 shares

3) Average number of shares

Year ended Dec. 31, 2018: 19,621,078 shares Year ended Dec. 31, 2017: 19,618,564 shares

(Reference) Summary of non-consolidated business results

1. Non-consolidated business results for the year ended December 31, 2018

(January 1, 2018 through December 31, 2018)

(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, 2018 | 82,573 | 1.0 | 6,386 | (4.1) | 6,724 | (4.6) | 4,607 | (5.2) |
| Year ended Dec. 31, 2017 | 81,783 | 1.1 | 6,661 | 11.8 | 7,051 | 10.3 | 4,858 | 17.1 |

| | Basic earnings per share | Diluted earnings per share |
|--------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Year ended Dec. 31, 2018 | 234.82 | 234.50 |
| Year ended Dec. 31, 2017 | 247.66 | 247.40 |

(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, 2018 | 79,432 | 53,482 | 67.2 | 2,721.60 |
| As of Dec. 31, 2017 | 76,129 | 50,551 | 66.3 | 2,573.66 |

(Reference) Owner's equity As of Dec. 31, 2018: 53,401 million yen As of Dec. 31, 2017: 50,494 million yen

2. Forecast of non-consolidated business results for the year ending December 31, 2019

(January 1, 2019 through December 31, 2019)

(% change from the previous corresponding period)

| | Net sales | | Ordinary profit | | Profit | | Basic earnings per share |
|------------|-------------|-----|-----------------|-----|-------------|-------|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Yen |
| First half | 38,400 | 2.1 | 2,800 | 1.9 | 1,700 | (6.7) | 86.64 |
| Full year | 84,200 | 2.0 | 6,800 | 1.1 | 4,500 | (2.3) | 229.34 |

***The current financial summary is not subject to audit by certified public accountants or auditing firms.**

***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.

Notice of head office relocation

The Company plans to move its head office to the following location on February 12, 2019.

OAP Tower 20th Floor, 1-8-30 Tenmanbashi, Kita-ku, Osaka City

Contact: TEL +81-6-4967-1221

Contents of Attachments

| | |
|--|----|
| 1. Analysis of Results of Operations and Financial Position | 2 |
| (1) Analysis of Results of Operations | 2 |
| (2) Analysis of Financial Position | 3 |
| (3) Basic Policy Concerning the Distribution of Profits and Dividend Distributions for the Fiscal Year Under Review and the Subsequent Fiscal Year | 4 |
| (4) Business Risks | 4 |
| 2. The Pack Group | 5 |
| 3. Basic Approach for the Selection of Accounting Standards | 7 |
| 4. Consolidated Financial Statements and Notes | 8 |
| (1) Consolidated Balance Sheet | 8 |
| (2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income | 10 |
| (3) Consolidated Statement of Changes in Equity | 12 |
| (4) Consolidated Statement of Cash Flows | 14 |
| (5) Notes to Consolidated Financial Statements | 15 |
| Going Concern Assumption | 15 |
| Changes in Accounting Policies | 15 |
| Segment and Other Information | 15 |
| Per Share Information | 17 |
| Material Subsequent Events | 17 |

1. Analysis of Results of Operations and Financial Position

(1) Analysis of Results of Operations

In 2018, companies in Japan generally reported strong earnings as the economy was supported by the government's economic and monetary policies. The labor market continued to improve and the job openings-to-applicants ratio was high. However, companies had to deal with increasing operating expenses because of rising prices of raw materials, the increasing wages of temporary workers caused by Japan's labor shortage, the higher cost of logistics, and other reasons. In addition, heavy rain and typhoons that began in July had a severe impact on business activity, including the suspension of operation of some factories.

The U.S. economy continued to grow but the pace of economic growth in China is slowing. The economic outlook remained uncertain because of slowing global economic growth due to U.S.-China trade friction, concerns about Britain's departure from the European Union, geopolitical risk involving East Asia and the Middle East, and other events.

In 2018, there were many activities to accomplish the goals of the medium-term management plan under the slogan of "Adapt to Changes and Advance with Vigor—Become an Even More Powerful Group—." 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 3.1% year-on-year to 93,126 million yen, operating profit decreased 4.8% to 6,924 million yen, ordinary profit decreased 5.0% to 7,212 million yen, and profit attributable to owners of parent decreased 4.6% to 4,968 million yen.

Business segment performance was as follows.

(Paper Products)

The paper products segment accounted for 62.2% of consolidated sales in 2018. Sales of paper bags, which accounted for 31.1% of consolidated sales, increased 0.6% to 29,001 million yen. This was the result of lower sales to specialty retail stores in Japan and higher sales at The Pack (Shanghai) Corporation.

Sales of paper folding cartons, which accounted for 17.6% of consolidated sales, increased 11.0% to 16,384 million yen. Sales of cartons for food products were firm. Sales to the e-commerce sector were also favorable. Sales of Kannaru Printing Co., Ltd., a new subsidiary included in the consolidation from the current fiscal year, contributed to higher segment sales.

Sales of corrugated boxes, which accounted for 11.2% of consolidated sales, increased 6.2% to 10,443 million yen. This increase was attributable to strong sales of boxes to manufacturers and e-commerce sector.

Printing sales, which accounted for 2.3% of consolidated sales, decreased 0.1% to 2,142 million yen. Sales at Keihin Tokushu Printing Corp. and NIKKO PRINT CORPORATION were about the same as in 2017.

Overall, sales in this segment increased 4.3% to 57,972 million yen. Operating profit decreased 4.5% to 5,244 million yen.

(Film Packaging)

The film packaging segment accounted for 21.1% of consolidated sales in 2018. Segment sales increased 0.4% to 19,641 million yen. While sales were about the same as in 2017, operating profit decreased 17.1% to 996 million yen due to the higher cost of raw materials and an increase in depreciation.

(Other Businesses)

Other businesses accounted for 16.7% of consolidated sales in 2018. There was a decline in sales of products used in conjunction with the Pack Assortment Service system, which is The Pack's comprehensive outsourcing vendor system that covers everything from manufacturing and procuring packaging materials and other products to inventory control and delivery. This decline was offset by the inclusion of the sales of promotional items at Kannaru Printing, which was newly consolidated in 2018. As a result, sales increased 2.2% to 15,512 million yen. Operating profit increased 8.8% to 1,511 million yen.

Outlook for 2019

The Japanese economy is expected to remain healthy in 2019 with consumer spending likely to continue recovering slowly as the number of jobs increases. However, the economy may be negatively affected by the impact of the consumption tax hike on consumer spending, U.S.-China trade friction and other events.

Activities in 2019 are guided by the slogan “Bring about change and conquer new challenges.” All group companies are dedicated to taking on new challenges by adapting to change as well as by taking the initiative to create change. Group companies are making substantial capital expenditures and investments in IT systems while implementing working style reforms in order to improve productivity and use people more efficiently. New environmentally responsible products and quality management are also priorities. The goal of these activities is earning greater customer satisfaction as a company that is a source of solutions in order to achieve more growth of sales and earnings.

(2) Analysis of Financial Position

1) Balance sheet position

Assets totaled 86,521 million yen at the end of 2018, up 4,592 million yen from the end of 2017. The main factor was an increase of 4,496 million yen in investment securities.

Liabilities increased 1,274 million yen to 29,745 million yen. The main factors were increases of 633 million yen in notes and accounts payable-trade and 398 million yen in electronically recorded obligations-operating.

Net assets increased 3,318 million yen to 56,775 million yen. The main factors were an increase of 3,987 million yen in retained earnings and a decrease of 740 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 2018 decreased 47 million yen, or 0.2% from the end of 2017 to 19,181 million yen.

Cash flows from operating activities

Operating activities provided net cash of 6,742 million yen (down 1.9 % from net cash provided of 6,873 million yen in 2017). The principal factors were profit before income taxes of 7,305 million yen and depreciation of 1,761 million yen.

Cash flows from investing activities

Investing activities used net cash of 4,705 million yen (net cash provided of 452 million yen in 2017). The principal factors were outlays of 3,300 million yen for the purchase of securities and 5,104 million yen for the purchase of investment securities, while there were proceeds from sales of securities of 4,900 million yen.

Cash flows from financing activities

Financing activities used net cash of 2,059 million yen (net cash used of 992 million yen in 2017). This was mainly due to 981 million yen for the cash dividends paid and outlays of 715 million yen for repayments of long-term loans payable.

Reference: Cash flow indicators

| Fiscal years ended | Dec. 31, 2014 | Dec. 31, 2015 | Dec. 31, 2016 | Dec. 31, 2017 | Dec. 31, 2018 |
|---|---------------|---------------|---------------|---------------|---------------|
| Capital adequacy ratio | 61.0 | 62.0 | 63.6 | 65.1 | 65.4 |
| Capital adequacy ratio based on market prices | 64.8 | 81.7 | 67.1 | 87.2 | 69.1 |
| Interest-bearing debt to cash flow ratio | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| Interest coverage ratio | 561.9 | 5,259.7 | 7,883.0 | 8,274.9 | 833.2 |

(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 2018. This will make the total dividend distributions 50 yen per share for 2018, as planned.

In 2019, 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 2018. 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 constant measures for monitoring the financial soundness of counterparties in order to reduce exposure to credit risk as much as possible. However, a decline in the financial condition of a large customer could have an adverse impact on the financial position or performance of the Group.

2. The Pack Group

There are nine companies in the Pack Group: the parent company and eight 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.

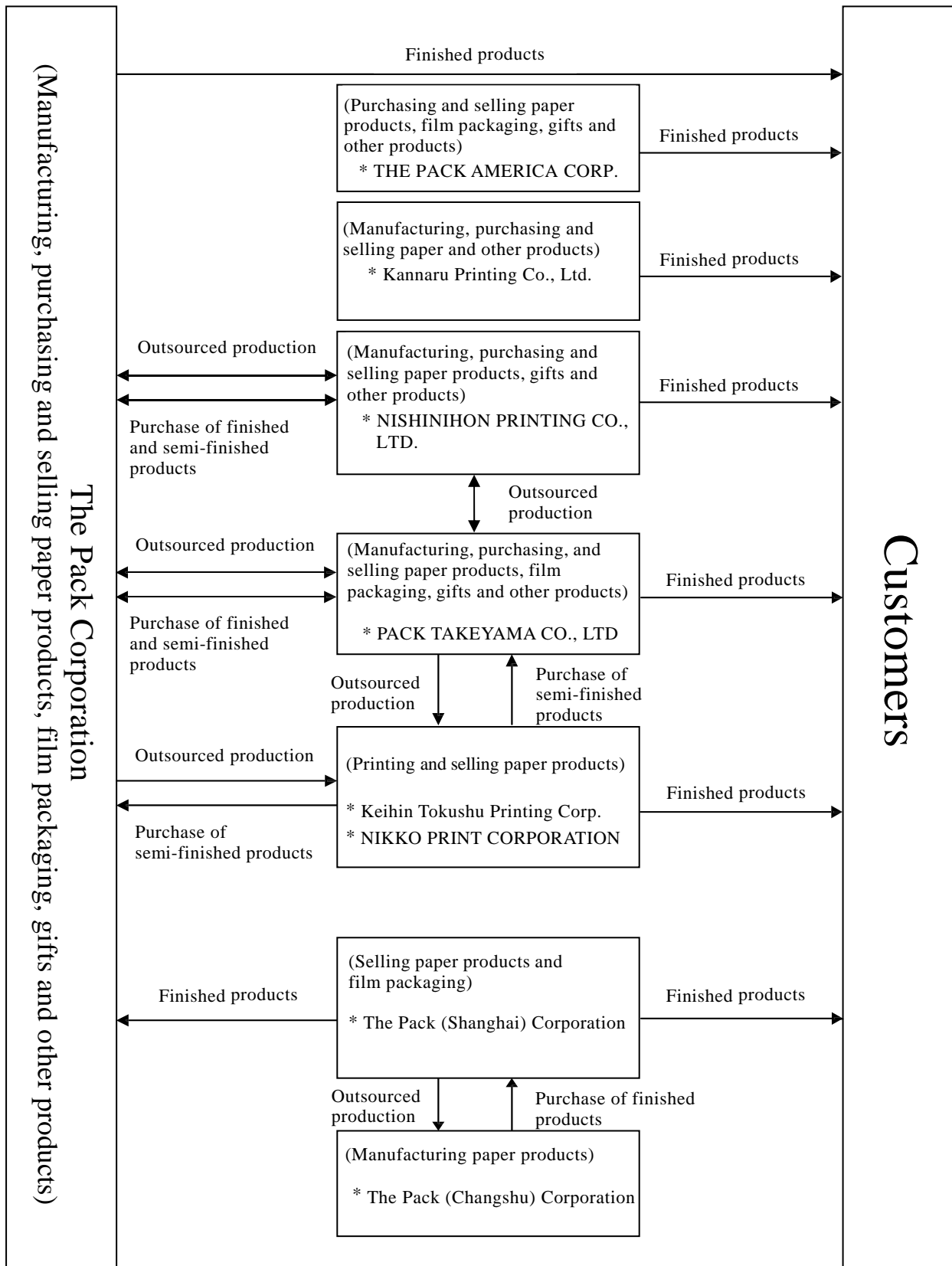
The activities of the Group and information about each business segment are shown in the following table.

| 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. Kannaru 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. Kannaru 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 The Pack in Japan. The Pack (Changshu) Corporation manufactures paper bags for sale in China. Both companies are incorporated in China.

The Pack acquired the shares of Kannaru Printing Co., Ltd. and made it a subsidiary on April 2, 2018.



(Note) * Consolidated subsidiaries

3. 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.

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

(Million yen)

| | Previous fiscal year (As of December 31, 2017) | Current fiscal year (As of December 31, 2018) |
|--|---|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 13,308 | 12,257 |
| Notes and accounts receivable-trade | 24,227 | 24,589 |
| Securities | 10,099 | 9,499 |
| Merchandise and finished goods | 5,232 | 5,547 |
| Work in process | 761 | 835 |
| Raw materials and supplies | 759 | 847 |
| Deferred tax assets | 260 | 255 |
| Other | 613 | 912 |
| Allowance for doubtful accounts | (28) | (33) |
| Total current assets | 55,235 | 54,710 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 6,878 | 7,006 |
| Machinery, equipment and vehicles, net | 5,132 | 5,125 |
| Tools, furniture and fixtures, net | 199 | 185 |
| Land | 8,122 | 8,397 |
| Construction in progress | 272 | 31 |
| Total property, plant and equipment | 20,606 | 20,746 |
| Intangible assets | 186 | 162 |
| Investments and other assets | | |
| Investment securities | 4,944 | 9,441 |
| Deferred tax assets | 423 | 647 |
| Other | 637 | 871 |
| Allowance for doubtful accounts | (106) | (58) |
| Total investments and other assets | 5,899 | 10,901 |
| Total non-current assets | 26,692 | 31,810 |
| Total assets | 81,928 | 86,521 |

(Million yen)

| | Previous fiscal year (As of December 31, 2017) | Current fiscal year (As of December 31, 2018) |
|---|---|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 14,486 | 15,119 |
| Electronically recorded obligations-operating | 5,246 | 5,645 |
| Short-term loans payable | - | 66 |
| Current portion of long-term loans payable | - | 84 |
| Income taxes payable | 1,353 | 1,138 |
| Provision for bonuses | 289 | 280 |
| Provision for directors' bonuses | 44 | 42 |
| Other | 2,567 | 2,758 |
| Total current liabilities | 23,987 | 25,136 |
| Non-current liabilities | | |
| Long-term loans payable | - | 163 |
| Deferred tax liabilities | 326 | 509 |
| Net defined benefit liability | 4,009 | 3,795 |
| Other | 146 | 140 |
| Total non-current liabilities | 4,483 | 4,608 |
| Total liabilities | 28,470 | 29,745 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 2,553 | 2,553 |
| Capital surplus | 3,166 | 3,166 |
| Retained earnings | 46,883 | 50,871 |
| Treasury shares | (728) | (723) |
| Total shareholders' equity | 51,875 | 55,867 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,023 | 1,282 |
| Deferred gains or losses on hedges | 7 | 0 |
| Foreign currency translation adjustment | (181) | (249) |
| Remeasurements of defined benefit plans | (353) | (287) |
| Total accumulated other comprehensive income | 1,496 | 745 |
| Share acquisition rights | 56 | 81 |
| Non-controlling interests | 28 | 81 |
| Total net assets | 53,457 | 56,775 |
| Total liabilities and net assets | 81,928 | 86,521 |

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

(Million yen)

| | Previous fiscal year (from January 1, 2017 to December 31, 2017) | Current fiscal year (from January 1, 2018 to December 31, 2018) |
|---|--|---|
| Net sales | 90,313 | 93,126 |
| Cost of sales | 68,368 | 70,808 |
| Gross profit | 21,944 | 22,318 |
| Selling, general and administrative expenses | 14,671 | 15,393 |
| Operating profit | 7,273 | 6,924 |
| Non-operating income | | |
| Interest income | 93 | 96 |
| Dividend income | 94 | 118 |
| Rent income | 59 | 56 |
| Foreign exchange gains | 54 | 0 |
| Other | 41 | 53 |
| Total non-operating income | 342 | 325 |
| Non-operating expenses | | |
| Interest expenses | 0 | 8 |
| Cost of lease revenue | 13 | 11 |
| Loss on sales of accounts receivable | 5 | - |
| Sales discounts | - | 4 |
| Other | 8 | 12 |
| Total non-operating expenses | 27 | 37 |
| Ordinary profit | 7,589 | 7,212 |
| Extraordinary income | | |
| Gain on sales of investment securities | 0 | 119 |
| Gain on sales of non-current assets | 0 | 0 |
| Gain on bargain purchase | - | 54 |
| Total extraordinary income | 1 | 174 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | - | 8 |
| Loss on retirement of non-current assets | 16 | 58 |
| Loss on valuation of investment securities | 0 | 3 |
| Loss on valuation of membership | - | 0 |
| Loss on disaster | - | 11 |
| Total extraordinary losses | 16 | 81 |
| Profit before income taxes | 7,574 | 7,305 |
| Income taxes-current | 2,394 | 2,267 |
| Income taxes-deferred | (31) | 75 |
| Total income taxes | 2,363 | 2,343 |
| Profit | 5,210 | 4,962 |
| Profit (loss) attributable to non-controlling interests | 0 | (6) |
| Profit attributable to owners of parent | 5,209 | 4,968 |

Consolidated Statement of Comprehensive Income

(Million yen)

| | Previous fiscal year (from January 1, 2017 to December 31, 2017) | Current fiscal year (from January 1, 2018 to December 31, 2018) |
|--|--|---|
| Profit | 5,210 | 4,962 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 428 | (742) |
| Deferred gains or losses on hedges | (25) | (7) |
| Foreign currency translation adjustment | 10 | (69) |
| Remeasurements of defined benefit plans, net of tax | 187 | 65 |
| Total other comprehensive income | 600 | (754) |
| Comprehensive income | 5,811 | 4,208 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 5,810 | 4,217 |
| Comprehensive income attributable to non-controlling interests | 1 | (9) |

(3) Consolidated Statement of Changes in Equity

Previous 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 | | | | | Share acquisition rights | 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 |

Current fiscal year (from January 1, 2018 to December 31, 2018)

(Million yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 2,553 | 3,166 | 46,883 | (728) | 51,875 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | (981) | | (981) |
| Profit attributable to owners of parent | | | 4,968 | | 4,968 |
| Purchase of treasury shares | | | | (0) | (0) |
| Disposal of treasury shares | | (0) | | 4 | 4 |
| Net changes of items other than shareholders' equity | | | | | - |
| Total changes of items during period | - | (0) | 3,987 | 4 | 3,992 |
| Balance at end of current period | 2,553 | 3,166 | 50,871 | (723) | 55,867 |

(Million yen)

| | Accumulated other comprehensive income | | | | | Share acquisition rights | 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 | 2,023 | 7 | (181) | (353) | 1,496 | 56 | 28 | 53,457 |
| Changes of items during period | | | | | | | | |
| Dividends of surplus | | | | | - | | | (981) |
| Profit attributable to owners of parent | | | | | - | | | 4,968 |
| Purchase of treasury shares | | | | | - | | | (0) |
| Disposal of treasury shares | | | | | - | | | 4 |
| Net changes of items other than shareholders' equity | (740) | (7) | (67) | 65 | (751) | 24 | 53 | (673) |
| Total changes of items during period | (740) | (7) | (67) | 65 | (751) | 24 | 53 | 3,318 |
| Balance at end of current period | 1,282 | 0 | (249) | (287) | 745 | 81 | 81 | 56,775 |

(4) Consolidated Statement of Cash Flows

(Million yen)

| | Previous fiscal year (from January 1, 2017 to December 31, 2017) | Current fiscal year (from January 1, 2018 to December 31, 2018) |
|--|--|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 7,574 | 7,305 |
| Depreciation | 1,645 | 1,761 |
| Gain on bargain purchase | - | (54) |
| Increase (decrease) in allowance for doubtful accounts | (13) | (50) |
| Increase (decrease) in provision for bonuses | 19 | (35) |
| Increase (decrease) in provision for directors' bonuses | (2) | (3) |
| Increase (decrease) in net defined benefit liability | 198 | (193) |
| Interest and dividend income | (187) | (215) |
| Interest expenses | 0 | 8 |
| Loss (gain) on sales of non-current assets | (0) | 8 |
| Loss on retirement of non-current assets | 16 | 58 |
| Loss (gain) on sales of investment securities | (0) | (119) |
| Loss (gain) on valuation of investment securities | 0 | 3 |
| Decrease (increase) in notes and accounts receivable-trade | (645) | 199 |
| Decrease (increase) in inventories | (151) | (339) |
| Increase (decrease) in notes and accounts payable-trade | 884 | 857 |
| Other, net | (247) | (240) |
| Subtotal | 9,089 | 8,948 |
| Interest and dividend income received | 184 | 248 |
| Interest expenses paid | (0) | (8) |
| Income taxes paid | (2,399) | (2,446) |
| Net cash provided by (used in) operating activities | 6,873 | 6,742 |
| Cash flows from investing activities | | |
| Payments into time deposits | (67) | (68) |
| Proceeds from withdrawal of time deposits | 84 | 67 |
| Purchase of securities | (6,101) | (3,300) |
| Proceeds from sales of securities | 8,002 | 4,900 |
| Collection of loans receivable | 21 | 9 |
| Purchase of property, plant and equipment | (1,368) | (1,224) |
| Proceeds from sales of property, plant and equipment | 15 | 6 |
| Purchase of intangible assets | (99) | (21) |
| Purchase of investment securities | (30) | (5,104) |
| Proceeds from sales of investment securities | 1 | 146 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | - | (28) |
| Payments for lease and guarantee deposits | (13) | (162) |
| Other, net | 6 | 76 |
| Net cash provided by (used in) investing activities | 452 | (4,705) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | - | 66 |
| Repayments of long-term loans payable | - | (715) |
| Redemption of bonds | - | (398) |
| Cash dividends paid | (980) | (981) |
| Other, net | (12) | (31) |
| Net cash provided by (used in) financing activities | (992) | (2,059) |
| Effect of exchange rate change on cash and cash equivalents | (5) | (25) |
| Net increase (decrease) in cash and cash equivalents | 6,328 | (47) |
| Cash and cash equivalents at beginning of period | 12,900 | 19,228 |
| Cash and cash equivalents at end of period | 19,228 | 19,181 |

(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, 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 | 37,972 | 10,589 | 48,562 | 6,839 | 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 | 886 | 616 | 1,502 | 32 | 1,535 | 8 | 1,543 |

(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.

Current fiscal year (from January 1, 2018 to December 31, 2018)

(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 | 57,972 | 19,641 | 77,613 | 15,512 | 93,126 | - | 93,126 |
| Inter-segment sales and transfers | - | - | - | - | - | - | - |
| Total | 57,972 | 19,641 | 77,613 | 15,512 | 93,126 | - | 93,126 |
| Segment profit | 5,244 | 996 | 6,241 | 1,511 | 7,752 | (828) | 6,924 |
| Segment assets | 39,604 | 10,626 | 50,230 | 8,005 | 58,236 | 28,285 | 86,521 |
| Other items | | | | | | | |
| Depreciation | 1,428 | 304 | 1,732 | 23 | 1,756 | 5 | 1,761 |
| Increases in property, plant and equipment and intangible assets | 1,006 | 206 | 1,213 | 4 | 1,218 | - | 1,218 |

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

2. The adjustments are as follows.

(1) The -828 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 -840 million yen. Corporate expenses are mainly related to the parent company's Administrative Department.

(2) The 28,285 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 9,255 million yen and securities of 9,499 million yen), long-term investments (investment securities of 8,971 million yen) and the parent company's land of 558 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, 2017 to December 31, 2017) | Current fiscal year (from January 1, 2018 to December 31, 2018) |
|----------------------------|--|---|
| Net assets per share | 2,720.34 | 2,885.27 |
| Basic earnings per share | 265.56 | 253.25 |
| Diluted earnings per share | 265.29 | 252.91 |

(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, 2017 to December 31, 2017) | Current fiscal year (from January 1, 2018 to December 31, 2018) |
|--|--|---|
| Basic earnings per share | | |
| Profit attributable to owners of parent | 5,209 | 4,968 |
| Amounts unavailable to common shareholders | - | - |
| Profit attributable to owners of parent related to common shares | 5,209 | 4,968 |
| Average number of shares outstanding during the period (thousand shares) | 19,618 | 19,621 |
| Diluted earnings per share | | |
| Adjustment to profit attributable to owners of parent | - | - |
| Increase in the number of common shares (thousand shares) | 20 | 26 |
| (of which share acquisition rights (thousand shares)) | (20) | (26) |

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

(Million yen)

| Item | Previous fiscal year (As of December 31, 2017) | Current fiscal year (As of December 31, 2018) |
|---|---|--|
| Total net assets | 53,457 | 56,775 |
| Deduction on total net assets | 84 | 162 |
| (of which share acquisition rights) | (56) | (81) |
| (of which non-controlling interests) | (28) | (81) |
| Net assets applicable to common shares | 53,372 | 56,613 |
| Number of common shares used in calculation of net assets per share (thousand shares) | 19,619 | 19,621 |

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.