

**Business Results for the Second Quarter of the Year Ending December 31, 2019**  
**(Six Months Ended June 30, 2019)**  
**[Japan GAAP] (Consolidated)**

August 7, 2019

Company: **The Pack Corporation** Listed on the TSE1  
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 Expected date of filing of quarterly report: August 9, 2019  
 Expected starting date of dividend payment: September 4, 2019  
 Preparation of supplementary quarterly financial document: Yes  
 Quarterly results briefing: Yes (for institutional investors and securities analysts)  
(Rounded down to million yen)

**1. Consolidated business results for the second quarter of the year ending December 31, 2019**  
**(January 1, 2019 through June 30, 2019)**

(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	%
Six months ended Jun. 30, 2019	44,284	5.3	2,595	(3.7)	2,754	(3.7)	1,804	(6.4)
Six months ended Jun. 30, 2018	42,054	0.8	2,695	(11.7)	2,858	(11.1)	1,927	(8.5)

(Note) Comprehensive income Six months ended Jun. 30, 2019: 1,664 million yen (down 5.7%)  
Six months ended Jun. 30, 2018: 1,765 million yen (down 26.0%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended Jun. 30, 2019	92.41	92.27
Six months ended Jun. 30, 2018	98.22	98.11

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of Jun. 30, 2019	82,327	55,893	67.7
As of Dec. 31, 2018	86,495	56,775	65.5

(Reference) Owner's equity As of Jun. 30, 2019: 55,748 million yen As of Dec. 31, 2018: 56,613 million yen

The Pack has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) from the beginning of the first quarter of 2019 and changed the method of presentation. Figures as of December 31, 2018 have been adjusted retrospectively in accordance with these amendments.

**2. Dividends**

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Dec. 31, 2018	-	25.00	-	25.00	50.00
Year ending Dec. 31, 2019	-	25.00			
Year ending Dec. 31, 2019 (forecasts)			-	25.00	50.00

(Note) Revisions to the most recently announced dividend forecast: None

**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
Full year	95,800	2.9	7,300	5.4	7,600	5.4	5,000	0.6	254.82

(Note) Revisions to the most recently announced consolidated forecast: None

**\* Notes**

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

(2) Applying of specific accounting of the consolidated quarterly financial statements: None

(3) 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

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

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

As of Jun. 30, 2019:	19,900,000 shares	As of Dec. 31, 2018:	19,900,000 shares
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2) Number of treasury shares at the end of fiscal year

As of Jun. 30, 2019:	925,308 shares	As of Dec. 31, 2018:	278,548 shares
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3) Average number of shares

Six months ended Jun. 30, 2019:	19,529,486 shares	Six months ended Jun. 30, 2018:	19,620,748 shares
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**\*The current quarterly financial summary is not subject to quarterly review 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 information that was available when this document was released and incorporates a number of current assumptions about uncertainties that may affect future results of operations. Therefore, actual results may differ significantly from the forecasts due to various factors. Please refer to "Explanation of Consolidated Forecasts and Other Forward-looking Statements" on page 3 for forecast assumptions.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first half of 2019, the overall business confidence has been firm supported by strong corporate earnings and improved employment situation. However, operating expenses have been increasing because of the higher cost of logistics and rising prices of raw materials.

Overseas, the U.S. economy was firm but the U.S.-China trade friction is showing signs of becoming protracted. There are concerns about its effect on the global economy and as a result, the future direction of the global economy remains unclear.

In the first half of 2019, under the slogan of “Bring about change and conquer new challenges,” all group companies were focused on entering new markets, making substantial capital expenditures and improving quality management in order to increase earnings.

Net sales increased 5.3% year-on-year to 44,284 million yen, operating profit decreased 3.7% to 2,595 million yen, ordinary profit decreased 3.7% to 2,754 million yen, and profit attributable to owners of parent decreased 6.4% to 1,804 million yen.

Business segment performance was as follows.

#### (Paper Products)

The paper products segment accounted for 63.3% of consolidated sales in the first half of 2019. Sales of paper bags, which accounted for 30.8% of consolidated sales, increased 3.8% to 13,627 million yen. This was the result of strong sales to specialty retail stores in Japan and higher sales at THE PACK AMERICA CORP. and The Pack (Shanghai) Corporation.

Sales of paper folding cartons, which accounted for 18.8% of consolidated sales, increased 14.2% to 8,308 million yen. The main reasons were firm sales of cartons for food products and the inclusion of sales of Kannaru Printing Co., Ltd. which was acquired in April 2018.

Sales of corrugated boxes, which accounted for 11.4% of consolidated sales, increased 2.3% to 5,049 million yen. This increase was attributable to strong sales of boxes to the e-commerce sector.

Printing sales, which accounted for 2.3% of consolidated sales, increased 6.4% to 1,039 million yen. Sales at Keihin Tokushu Printing Corp. and NIKKO PRINT CORPORATION were favorable.

Overall, sales in this segment increased 6.5% to 28,025 million yen, but operating profit decreased 3.0% to 2,028 million yen due to the higher cost of logistics and raw materials.

#### (Film Packaging)

The film packaging segment accounted for 20.7% of consolidated sales in the first half of 2019. Due to strong sales of products for disposable diapers and higher sales at THE PACK AMERICA, segment sales increased 3.6% to 9,185 million yen. Operating profit was up 12.9% to 410 million yen.

#### (Other Businesses)

Other businesses accounted for 16.0% of consolidated sales in the first half of 2019. Sales increased 3.0% to 7,073 million yen mainly due to the inclusion of the sales of promotional items at Kannaru Printing. Operating profit decreased 5.3% to 585 million yen.

### (2) Explanation of Financial Position

#### 1) Balance sheet position

Assets totaled 82,327 million yen at the end of the second quarter of 2019, down 4,167 million yen from the end of 2018. The main factors were an increase of 2,754 million yen in cash and deposits, and decreases of 5,865 million yen in notes and accounts receivable-trade and 1,061 million yen in investment securities.

Liabilities decreased 3,284 million yen to 26,434 million yen. The main factors were decreases of 2,934 million yen in notes and accounts payable-trade and 412 million yen in electronically recorded obligations-operating.

Net assets decreased 882 million yen to 55,893 million yen. The main factors were an increase of 1,314 million yen in retained earnings and purchase of treasury shares of 2,041 million yen.

## 2) Cash flow position

The balance of cash and cash equivalents at the end of the second quarter of 2019 increased 665 million yen, or 3.4% from the end of the second quarter of 2018 to 20,136 million yen.

### Cash flows from operating activities

Operating activities provided net cash of 4,775 million yen (net cash provided of 5,000 million yen in the first half of 2018). The principal factors were profit before income taxes of 2,658 million yen and a decrease of 5,842 million yen in notes and accounts receivable-trade, while there was a decrease of 3,336 million yen in notes and accounts payable-trade.

### Cash flows from investing activities

Investing activities used net cash of 1,014 million yen (net cash used of 3,171 million yen in the first half of 2018). The principal factors were outlays of 2,500 million yen for the purchase of securities and 114 million yen for the purchase of investment securities, while there were proceeds from sales of securities of 2,000 million yen.

### Cash flows from financing activities

Financing activities used net cash of 2,790 million yen (net cash used of 1,572 million yen in the first half of 2018). This was mainly due to outlays of 2,049 million yen for purchase of treasury shares and 490 million yen for the cash dividends paid.

## **(3) Explanation of Consolidated Forecasts and Other Forward-looking Statements**

The consolidated forecasts announced on February 8, 2019 remain unchanged.

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

(Million yen)

	Previous fiscal year (As of December 31, 2018)	Second quarter of the current fiscal year (As of June 30, 2019)
Assets		
Current assets		
Cash and deposits	12,257	15,011
Notes and accounts receivable-trade	24,589	18,724
Securities	9,499	9,699
Merchandise and finished goods	5,547	5,686
Work in process	835	948
Raw materials and supplies	847	880
Other	912	580
Allowance for doubtful accounts	(33)	(28)
Total current assets	54,455	51,502
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,006	6,704
Machinery, equipment and vehicles, net	5,125	5,150
Tools, furniture and fixtures, net	185	183
Land	8,397	8,397
Construction in progress	31	109
Total property, plant and equipment	20,746	20,546
Intangible assets	162	183
Investments and other assets		
Investment securities	9,441	8,379
Deferred tax assets	876	913
Other	871	868
Allowance for doubtful accounts	(58)	(65)
Total investments and other assets	11,130	10,096
Total non-current assets	32,039	30,825
Total assets	86,495	82,327

(Million yen)

	Previous fiscal year (As of December 31, 2018)	Second quarter of the current fiscal year (As of June 30, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	15,119	12,185
Electronically recorded obligations-operating	5,645	5,232
Short-term loans payable	66	31
Current portion of long-term loans payable	84	21
Income taxes payable	1,138	935
Provision for bonuses	280	310
Provision for directors' bonuses	42	20
Other	2,758	3,408
<b>Total current liabilities</b>	<b>25,136</b>	<b>22,146</b>
<b>Non-current liabilities</b>		
Long-term loans payable	163	51
Deferred tax liabilities	483	466
Net defined benefit liability	3,795	3,647
Other	140	123
<b>Total non-current liabilities</b>	<b>4,582</b>	<b>4,287</b>
<b>Total liabilities</b>	<b>29,719</b>	<b>26,434</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	2,553	2,553
Capital surplus	3,166	3,165
Retained earnings	50,871	52,185
Treasury shares	(723)	(2,764)
<b>Total shareholders' equity</b>	<b>55,867</b>	<b>55,139</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,282	1,167
Deferred gains or losses on hedges	0	(0)
Foreign currency translation adjustment	(249)	(295)
Remeasurements of defined benefit plans	(287)	(262)
<b>Total accumulated other comprehensive income</b>	<b>745</b>	<b>609</b>
Share acquisition rights	81	93
Non-controlling interests	81	50
<b>Total net assets</b>	<b>56,775</b>	<b>55,893</b>
<b>Total liabilities and net assets</b>	<b>86,495</b>	<b>82,327</b>

**(2) Quarterly Consolidated Statement of Income and Comprehensive Income****Quarterly Consolidated Statement of Income****(For the Six-month Period)****(Million yen)**

	First six months of the previous fiscal year (from January 1, 2018 to June 30, 2018)	First six months of the current fiscal year (from January 1, 2019 to June 30, 2019)
Net sales	42,054	44,284
Cost of sales	32,034	33,767
Gross profit	10,019	10,516
Selling, general and administrative expenses		
Freightage and packing expenses	2,031	2,271
Salaries and allowances	1,913	1,992
Directors' compensations	263	257
Provision of allowance for doubtful accounts	(8)	4
Provision for bonuses	137	143
Provision for directors' bonuses	20	19
Retirement benefit expenses	194	141
Depreciation	190	182
Rent expenses	1,164	1,359
Other	1,418	1,548
Total selling, general and administrative expenses	7,324	7,920
Operating profit	2,695	2,595
Non-operating income		
Interest income	40	54
Dividend income	50	51
Rent income	28	27
Foreign exchange gains	33	24
Other	25	19
Total non-operating income	178	176
Non-operating expenses		
Interest expenses	5	2
Cost of lease revenue	5	4
Sales discounts	2	2
Other	1	8
Total non-operating expenses	15	18
Ordinary profit	2,858	2,754
Extraordinary income		
Gain on sales of non-current assets	-	0
Insurance income	-	83
Gain on bargain purchase	54	-
Total extraordinary income	54	84
Extraordinary losses		
Loss on retirement of non-current assets	47	12
Loss on sales of non-current assets	8	3
Impairment loss	-	164
Total extraordinary losses	55	179
Profit before income taxes	2,858	2,658
Income taxes-current	891	869
Income taxes-deferred	44	(15)
Total income taxes	935	854
Profit	1,922	1,804
Loss attributable to non-controlling interests	(4)	(0)
Profit attributable to owners of parent	1,927	1,804

**Quarterly Consolidated Statement of Comprehensive Income**  
**(For the Six-month Period)**

(Million yen)

	First six months of the previous fiscal year (from January 1, 2018 to June 30, 2018)	First six months of the current fiscal year (from January 1, 2019 to June 30, 2019)
Profit	1,922	1,804
Other comprehensive income		
Valuation difference on available-for-sale securities	(151)	(117)
Deferred gains or losses on hedges	(4)	(0)
Foreign currency translation adjustment	(45)	(46)
Remeasurements of defined benefit plans, net of tax	44	25
Total other comprehensive income	(156)	(139)
Comprehensive income	1,765	1,664
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,770	1,668
Comprehensive income attributable to non-controlling interests	(5)	(3)

**(3) Quarterly Consolidated Statement of Cash Flows**

(Million yen)

	First six months of the previous fiscal year (from January 1, 2018 to June 30, 2018)	First six months of the current fiscal year (from January 1, 2019 to June 30, 2019)
Cash flows from operating activities		
Profit before income taxes	2,858	2,658
Depreciation	837	821
Impairment loss	-	164
Gain on bargain purchase	(54)	-
Increase (decrease) in allowance for doubtful accounts	(56)	1
Increase (decrease) in provision for bonuses	(36)	29
Increase (decrease) in provision for directors' bonuses	(22)	(21)
Increase (decrease) in net defined benefit liability	(88)	(110)
Interest and dividend income	(91)	(105)
Interest expenses	5	2
Loss (gain) on sales of non-current assets	8	2
Loss on retirement of non-current assets	47	12
Decrease (increase) in notes and accounts receivable-trade	6,231	5,842
Decrease (increase) in inventories	(391)	(289)
Increase (decrease) in notes and accounts payable-trade	(3,450)	(3,336)
Other, net	331	62
Subtotal	6,128	5,733
Interest and dividend income received	105	104
Interest expenses paid	(5)	(2)
Income taxes paid	(1,227)	(1,060)
Net cash provided by (used in) operating activities	5,000	4,775
Cash flows from investing activities		
Payments into time deposits	(69)	(66)
Proceeds from withdrawal of time deposits	68	66
Purchase of securities	(1,300)	(2,500)
Proceeds from sales of securities	2,900	2,000
Collection of loans receivable	8	8
Purchase of property, plant and equipment	(613)	(389)
Proceeds from sales of property, plant and equipment	3	0
Purchase of intangible assets	(2)	(43)
Purchase of investment securities	(4,090)	(114)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(28)	-
Payments for lease and guarantee deposits	(84)	(13)
Other, net	36	38
Net cash provided by (used in) investing activities	(3,171)	(1,014)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-	(66)
Repayments of long-term loans payable	(672)	(144)
Redemption of bonds	(398)	-
Cash dividends paid	(490)	(490)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(28)
Purchase of treasury shares	(0)	(2,049)
Other, net	(10)	(10)
Net cash provided by (used in) financing activities	(1,572)	(2,790)
Effect of exchange rate change on cash and cash equivalents	(13)	(16)
Net increase (decrease) in cash and cash equivalents	242	955
Cash and cash equivalents at beginning of period	19,228	19,181
Cash and cash equivalents at end of period	19,471	20,136

#### **(4) Notes to Quarterly Consolidated Financial Statements**

##### **Going Concern Assumption**

Not applicable.

##### **Significant Changes in Shareholders' Equity**

The Pack acquired 650,000 treasury shares by means of the tender offer pursuant to the resolution of the Board of Directors on May 8, 2019. As a result, treasury shares increased 2,049 million yen during the first half to 2,764 million yen at the end of the second quarter of 2019.

##### **Additional Information**

###### **Application of the Partial Amendments to Accounting Standard for Tax Effect Accounting**

The Pack has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the beginning of the first quarter of 2019. Accordingly, deferred tax assets and deferred tax liabilities have been presented in the investments and other assets section and the non-current liabilities section of the balance sheet, respectively.

*\* 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.*