

# **THE PACK CORPORATION**

## **Briefing Materials on Business Results for the Year Ended December 31, 2022 and the New Medium-Term Management Plan (FY2023 to FY2025)**

February 27, 2023

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\*The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), etc. has been applied since the beginning of the consolidated fiscal year under review. This standard and the associated provisions have been applied retroactively to figures for the fiscal year ended December 31, 2021. They have not been applied to figures for the fiscal year ended December 31, 2020 or preceding fiscal years.

# Topics

## Business results

- Alongside recovering consumer spending, overall business trends were positive.
  - Consumer spending increased at brick-and-mortar stores, and tourism and inbound demand also improved
- Sales were strong for packages for the e-commerce sector (mainly corrugated boxes and delivery bags) and packages for the food delivery and takeout market (mainly primary food containers).
  - Sector growth attributable to changing lifestyles in response to COVID-19 continued.

## Market conditions and management policies

- Continuing trend toward reduced use of plastics and use of plastic alternatives
  - Develop and actively propose paper and other eco-friendly materials.
- Trend toward modifying packages practices to reduce CO<sub>2</sub> emissions and optimizing supply chains
  - Strengthen proposals to boost transport efficiency.
  - Respond to shift from overseas to domestic production.
- The downward trend in demand for external packages for disposable diapers is bottoming out. Demand for film packaging for food products and everyday use items is trending up.
  - Cultivate customers through eco-friendly proposals. Examples include waste material utilization and paper migration. Develop eco-friendly film packaging.
- The e-commerce sector continues to expand.
  - Increase sales on a sustained basis by formulating solutions and proposals for customers, including for labor and energy savings, and promote mechanization.

## Medium- to long-term management strategies

- Formulated new Medium-Term Management Plan (FY2023 to FY2025)

# 1. Business Results of the Year Ended December 31, 2022



# Summary of Business Results

Major increase in sales and profits thanks in part to improved consumer spending and economic activity

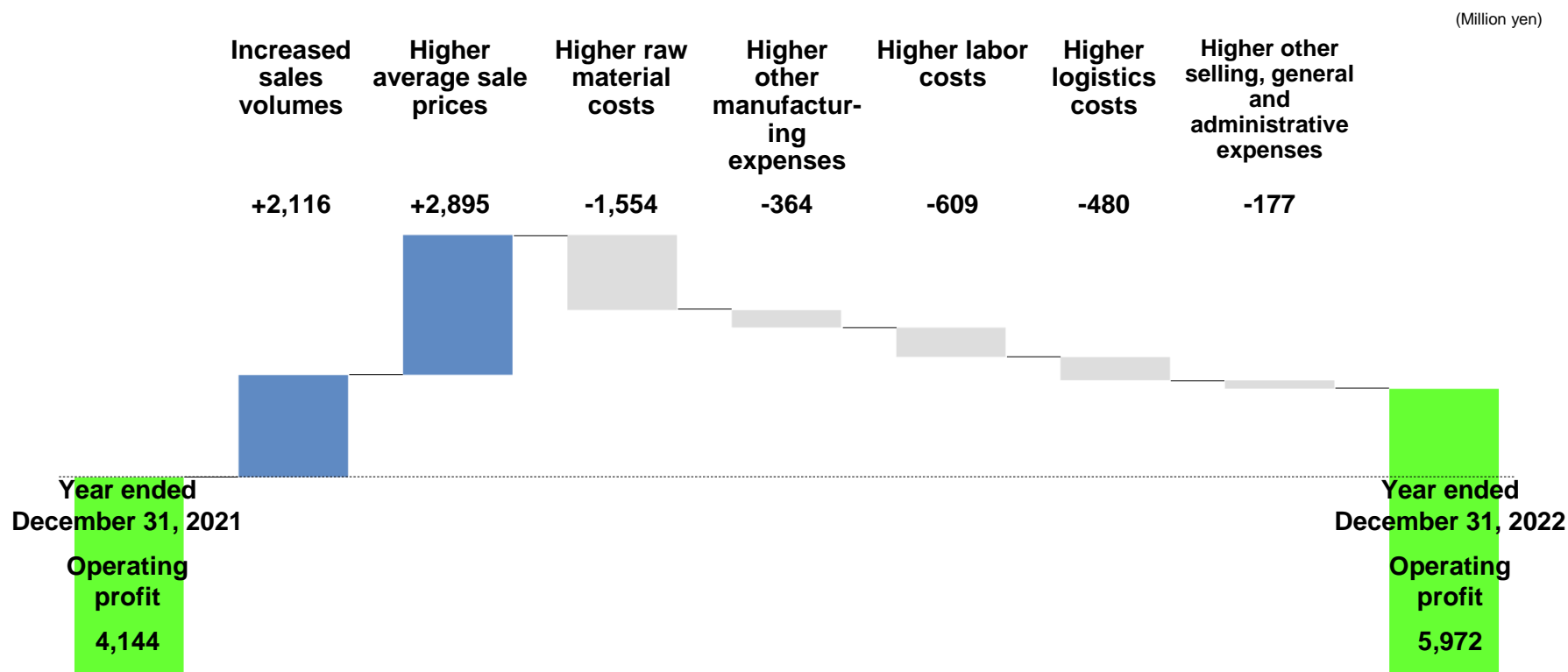
(Million yen)

	Year ended December 31, 2021	Year ended December 31, 2022	
	Actual	Actual	YoY change
Net sales	79,690	89,060	11.8%
Operating profit	4,144	5,972	44.1%
Ordinary profit	4,422	6,353	43.6%
Profit attributable to owners of parent	2,824	4,058	43.7%

- ◆ Consumer spending grew as more people ventured out following the lifting of restrictions.
- ◆ Sales grew thanks to the development and expanded sales of eco-friendly products, as well as to an increase in orders driven by solutions proposals.
- ◆ While costs increased, operating profits recorded major growth thanks to increased sales volumes and higher average sale prices.

# Factors Underlying Changes in Operating Profit

Operating profit grew due to growing sales volumes and rising average sale prices.



- ◆ Sales volumes grew due to the recovery in consumer spending, centering on paper bags (up 10.5%).
- ◆ Average sale prices rose due to changes in product structures, efforts to optimize prices, and proposal-based sales for high value added products (paper bags up 7.8%, paper cartons up 15.8%, corrugated boxes up 8.8%, plastic bags up 2.1%)
- ◆ Manufacturing costs rose due mainly to higher utilities and power costs (352 million yen) accompanying rising electricity charges and heavy oil prices.
- ◆ Logistics costs increased due mainly to rising warehouse storage costs (211 million yen) and transportation charges (265 million yen) driven by growth in manufacturing and shipping volumes.

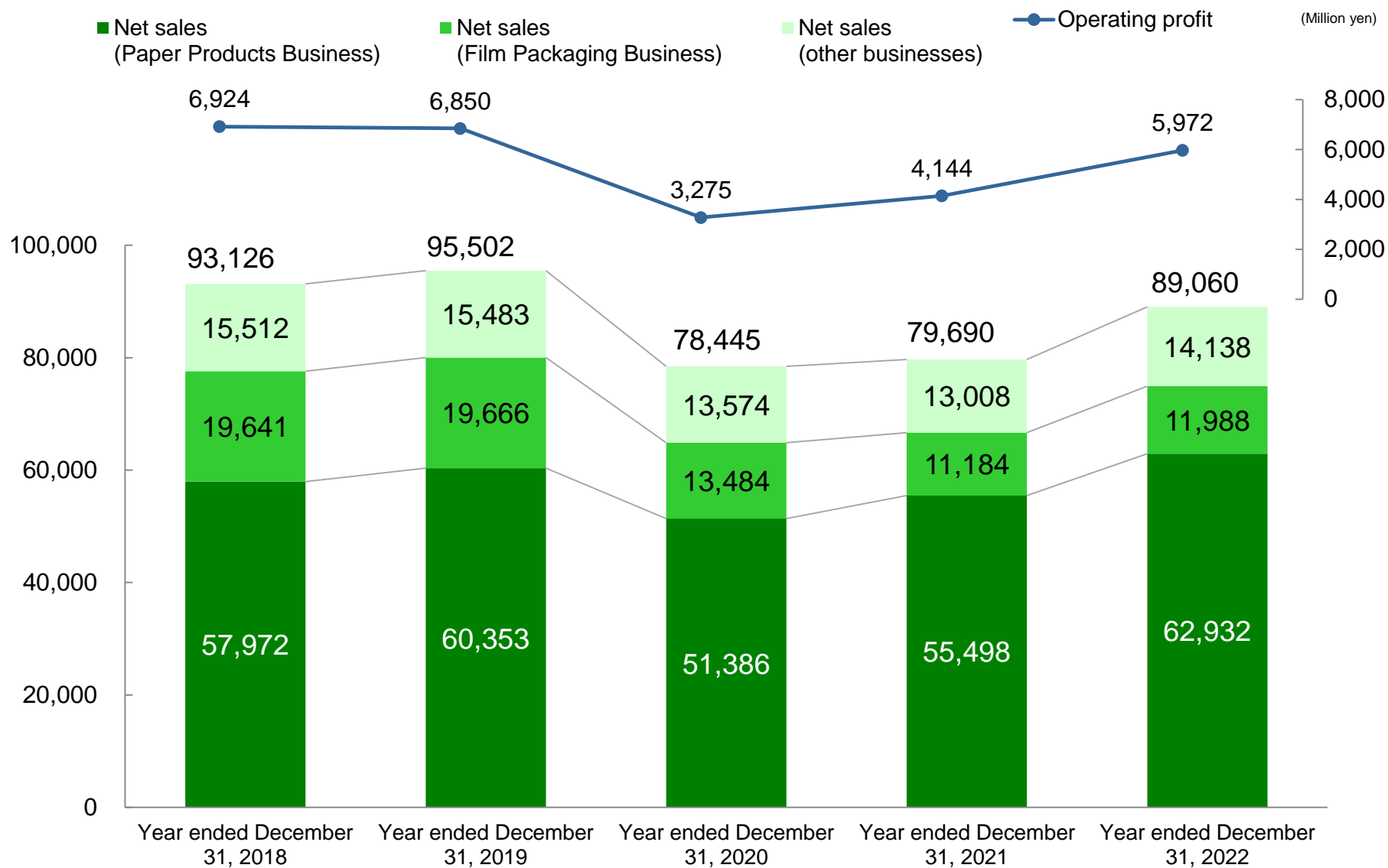
# Results by Segment

(Million yen)

		Year ended December 31, 2021		Year ended December 31, 2022		
		Actual	Share	Actual	Share	YoY change
Net sales		79,690	100.0%	89,060	100.0%	11.8%
	Paper Products	55,498	69.7%	62,932	70.7%	13.4%
	Paper bags	22,032	27.7%	26,252	29.5%	19.2%
	Paper cartons	19,497	24.5%	22,283	25.0%	14.3%
	Corrugated boxes	11,850	14.9%	12,210	13.7%	3.0%
	Printing	2,117	2.7%	2,186	2.5%	3.2%
	Film Packaging	11,184	14.0%	11,988	13.4%	7.2%
	Others	13,008	16.3%	14,138	15.9%	8.7%
Operating profit		4,144	100.0%	5,972	100.0%	44.1%
	Paper Products	3,958	95.5%	5,333	89.3%	34.7%
	Film Packaging	397	9.6%	583	9.8%	47.0%
	Others	882	21.3%	1,059	17.7%	20.0%
	Adjustments	-1,093	-26.4%	-1,004	-16.8%	-

- ◆ The Paper Products Business recorded sales and profit growth thanks to growth in consumer spending and tourism demand as well as strong sales of paper cartons for delivery and takeout foods and strong sales of paper cartons and corrugated boxes for the e-commerce sector.
- ◆ Strong sales of paper bags at overseas Group companies
- ◆ The Film Packaging Business saw higher sales and profits as the result of energetic sales of film packaging for food products, cultivation of existing customers, and price revisions.

# Trends by Segment





# Sales Composition

## Net sales by business



(Million yen)	Year ended December 31, 2021		Year ended December 31, 2022		
	Actual	Share	Actual	Share	YoY change
Food products	20,869	26.2%	24,149	27.1%	15.7%
Apparel	12,293	15.4%	14,709	16.5%	19.7%
Department stores	4,060	5.1%	4,449	5.0%	9.6%
Supermarkets and drug stores	5,484	6.9%	5,390	6.1%	-1.7%
Convenience stores	976	1.2%	890	1.0%	-8.8%
Pharmaceuticals and cosmetics	4,234	5.3%	4,331	4.9%	2.3%
e-commerce *	2,060	2.6%	2,520	2.8%	22.3%
Sundries	1,696	2.1%	1,859	2.1%	9.6%
Home electronics and home installations	2,961	3.7%	2,982	3.3%	0.7%
Life care	3,035	3.8%	2,985	3.4%	-1.6%
Automotive	312	0.4%	327	0.4%	4.8%
Other	21,704	27.2%	24,461	27.5%	10.2%

- ◆ In the food products segment, sales were strong for delivery and takeout foods due to the impact of growth in the home meal replacement market and to recovery in sales of packages for the souvenir market.
- ◆ Sales related to apparel and sundries grew due to stronger consumer spending after restrictions were lifted and the increase in e-commerce rates.
- ◆ Department store sales remained firm, as more people ventured out and inbound demand improved.
- ◆ In the supermarket and drug store segment, sales of items supplied by the Company were sluggish due to a rebound from special COVID-19-related demand and higher prices.
- ◆ The volumes used of some of our products in the convenience store segment (mainly primary paper containers) decreased due to new product introductions and the promotion cycle.
- ◆ The e-commerce sector and e-commerce sales grew significantly.
- ◆ In the life care segment, the decline in sales of external packages for disposable diapers ran its course.

\* e-commerce refers to the e-commerce platform segment. e-commerce sales on vendor sites are counted as part of their individual business segments.

# Paper Products Segment

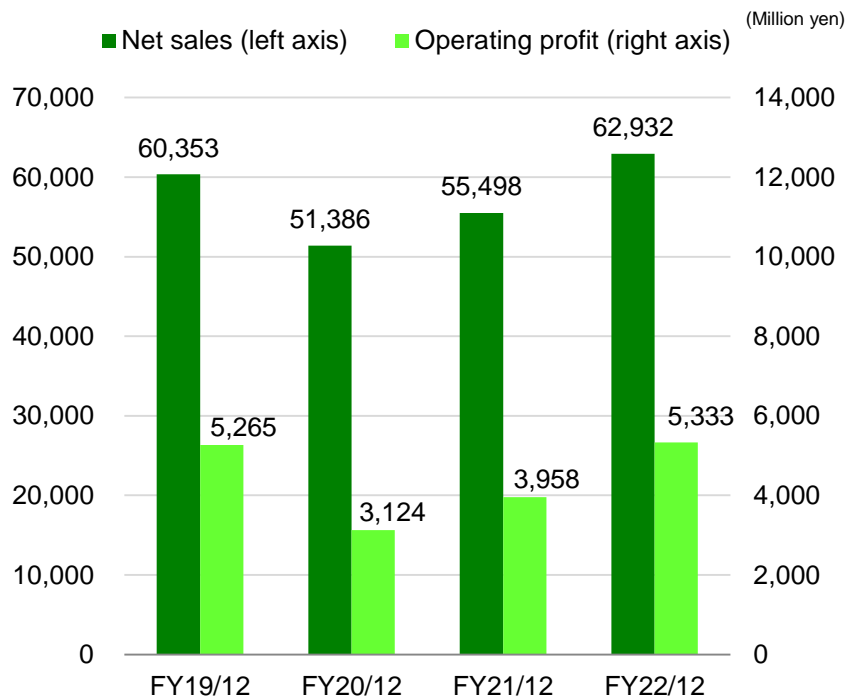
## Industry environment

- ◆ Demand for packages at stores is growing as more people venture out following the end of restrictions.
- ◆ The e-commerce rate continues to increase in various categories, including apparel, food and cosmetics, generating growing demand for packages for the e-commerce sector.
- ◆ Demand rose for delivery and takeout food packages alongside continuing growth in the home meal replacement market.
- ◆ Thanks to the development of high-performance paper materials driven by growing environmental awareness, the range of paper package applications continues to expand.

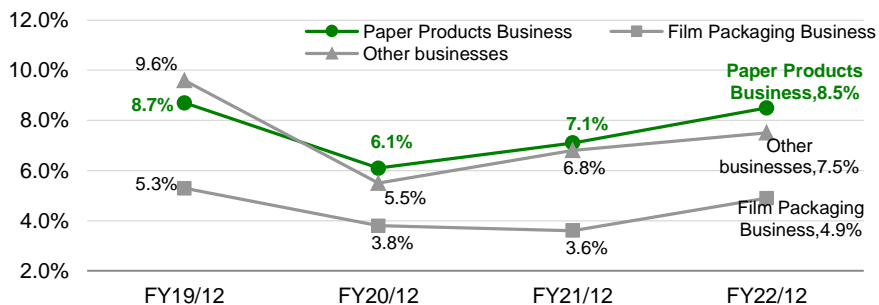
## Initiatives

- ◆ Ongoing efforts to make proactive proposals involving paper packages and eco-friendly products for the e-commerce sector and food delivery and takeout market
- ◆ Promoting improvements in packaging material forms and specifications and labor-saving, energy-saving, and mechanization solutions for automation of operation lines
- ◆ Strengthening initiatives to develop new eco-friendly materials and processes and paper materials with advanced functions

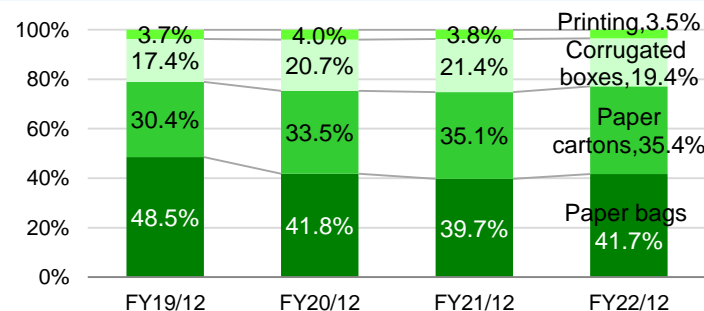
## Trends in net sales and operating profits



## Trends in operating profit margins



## Trends in the Paper Products Business's share of net sales



# Paper Products Segment (Paper Bags)

## Industry environment

- ◆ Demand for takeout paper cartons improving with more people venturing out
- ◆ Growing demand for paper bags thanks to growing environmental awareness
  - Increasing cases of customers changing from conventional materials to more eco-friendly materials
- ◆ Growing use of delivery bags with the expanding e-commerce market

## Initiatives

- ◆ Developing new shapes, centering on delivery bags, and formulating proposals to allow customers to achieve labor and energy savings and implement mechanization
- ◆ Strengthening proposals for high value added products centering on eco-friendly products
  - Making proposals in line with the businesses and needs of customers, including effective use of waste materials generated in customers' product manufacturing processes

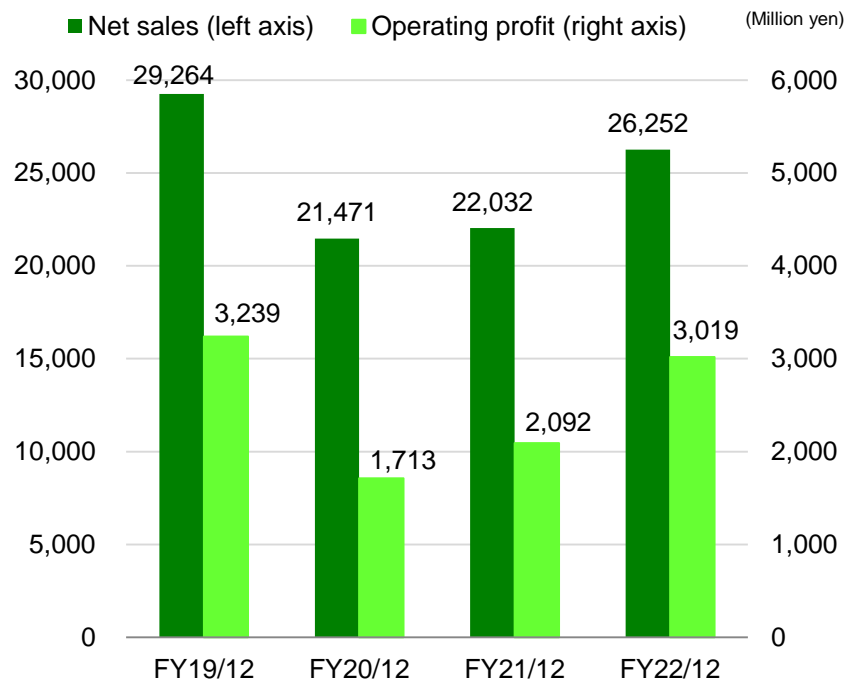
## ◆ Examples of developed products



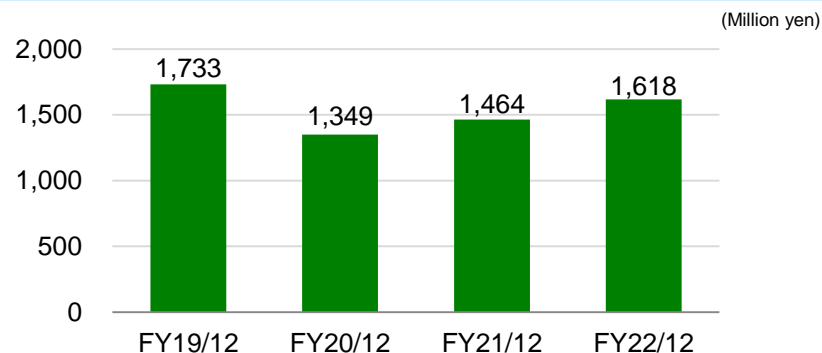
▲ Mixed paper with used clothes

▲ Paper delivery bag compatible with automatic packaging machines

## Trends in operating profit margins



## Trends in sales volumes



# Paper Products Segment (Paper Cartons)

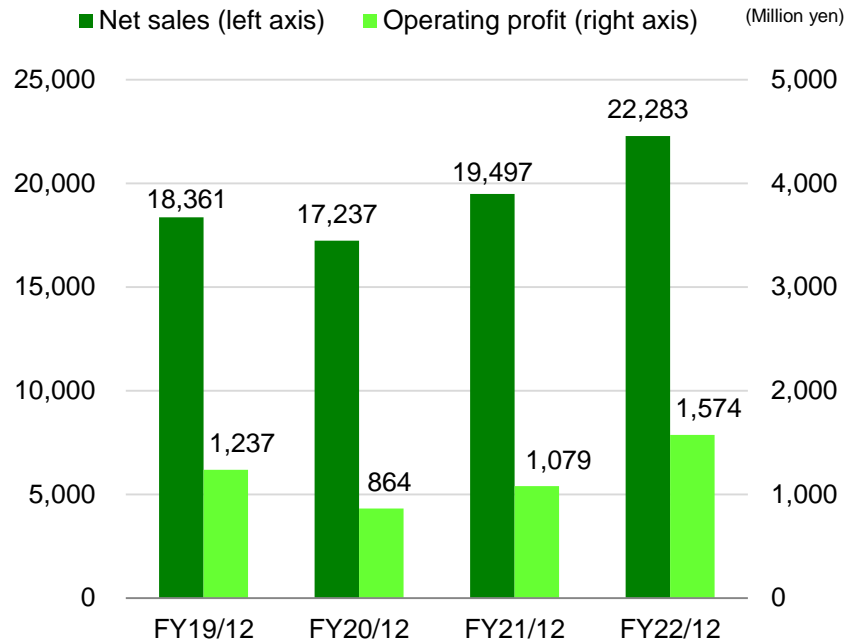
## Industry environment

- ◆ Growing demand for primary paper cartons for food products thanks to growth in the home meal replacement market and growing environmental awareness
- ◆ Recovery in consumer spending for travel and leisure after decline due to COVID-19 restrictions; inbound demand also improving  
→ Strong sales of paper cartons for the souvenir market

## Initiatives

- ◆ Strengthening capital investment and new product development initiatives to bolster sales of primary paper containers for food products
- ◆ Strengthening proposals for paper carton engineering and design, and molded carton shapes via 3D printers, 3D computer graphics, and other technologies

## Trends in operating profit margins



## ◆ Examples of developed products



▲ Kome-kami TP-FS, a paperboard made with waste rice, developed jointly with Papal Co., Ltd.

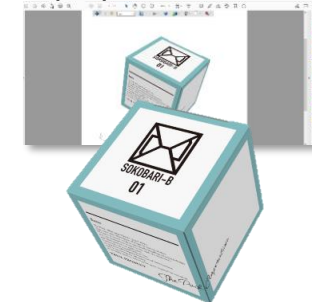


▲ Molded tray packages sealed with paper lids



▲ Tapered paper trays

## ◆ Examples of technologies used in proposals



▲ Design/shape proposal tool using 3D computer graphics



▲ 3D printer

# Paper Products Segment (Corrugated Boxes)

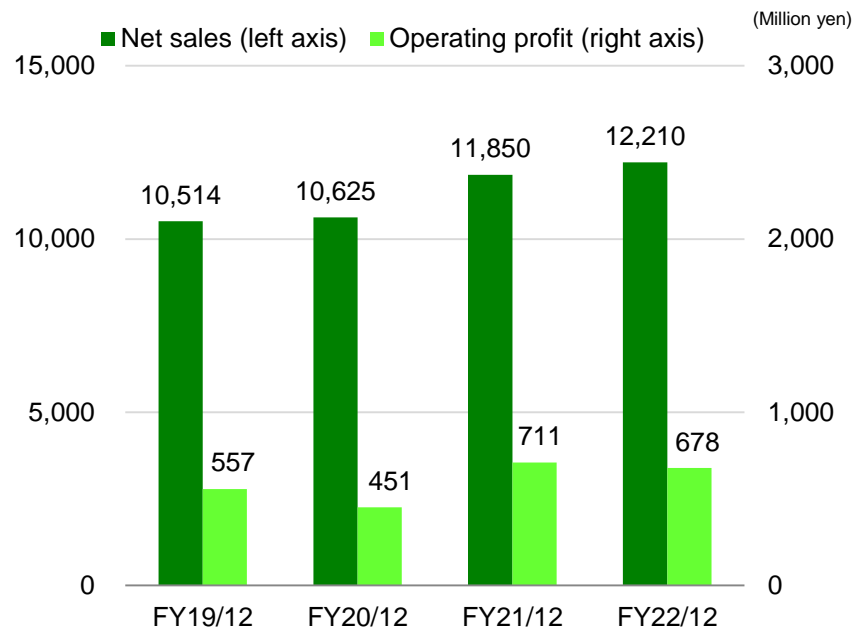
## Industry environment

- ◆ Slight increase in production in the corrugated box industry overall (up 0.3% YoY)\*  
→ By use, consumption for e-commerce/delivery/moving was up 2.6% YoY.\*
- ◆ Growing demand for corrugated boxes for delivery with growth in e-commerce market  
→ Growing need for delivery boxes that fit inside mailboxes and delivery boxes with simple packaging, opening, and disposal  
→ Expanding e-commerce gift market  
\*Reference: "Corrugated Box Statistics," Japan Corrugated Case Association

## Initiatives

- ◆ Proposing added value based on special reinforced corrugated box materials, large-format printers, decorative printers, and design capabilities  
→ Numbers of patent and design applications for corrugated box-related materials: 7 patents, 5 designs (cumulative 2019-2022)

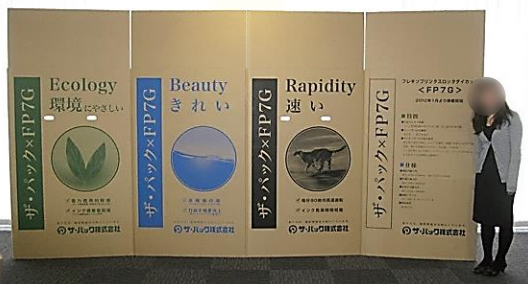
## Trends in operating profit margins



## ◆ Examples of developed products



▲ Eco Rack  
corrugated containers



▲ Extra-large corrugated boxes—among the  
largest corrugated products in Japan



▲ CC-PACK cushioned packages featuring  
flexibility and cushioning achieved using  
thicker materials



▲ OK!BOX is easily opened  
without a cutter



# Film Packaging Segment

## Industry environment

- ◆ Declining use of disposable diapers for children. Use of adult diapers is growing as the population continues to age.  
→ Overall production in the diaper industry is projected to increase.
- ◆ Growing demand for microwavable food and food products with long shelf life  
→ Growing need for high-performance materials (with barrier properties, etc.)
- ◆ Growing numbers of requests for proposals related to eco-friendliness  
(Recycling of factory scraps, eco-friendly materials, CO<sub>2</sub> reductions, etc.)

## Initiatives

- ◆ Making energetic proposals involving eco-friendly film packaging for food, beverage, and e-commerce markets focusing on combined sales of paper cartons and corrugated boxes
- ◆ Growing sales by leveraging eco-friendly multicolor printing with the latest 10-color flexographic printers (introduced in FY2022)
- ◆ Developing paper film packaging and other eco-friendly products

## ◆ Examples of developed products



▲ Craft Clear, see-through paper film packaging

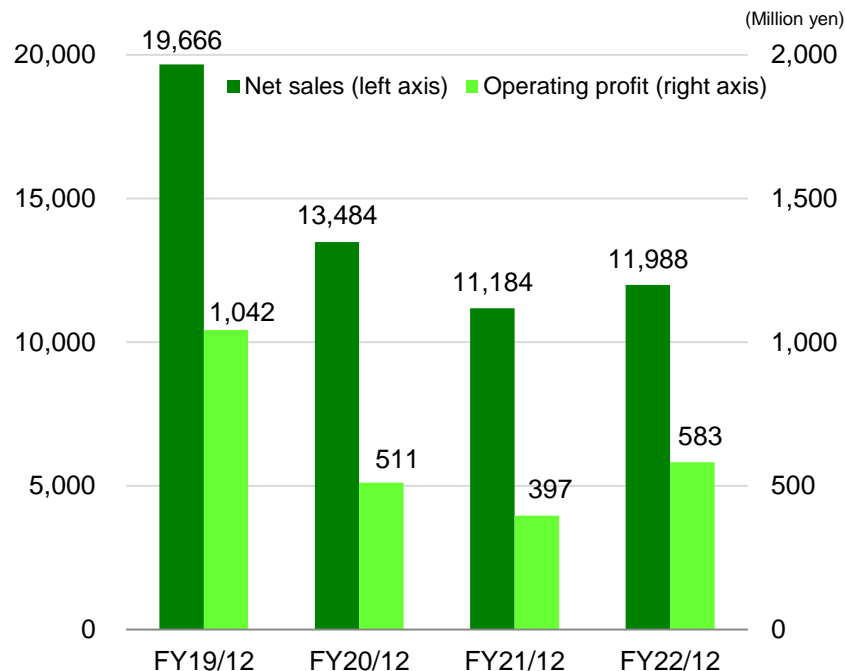


▲ Craft VM Barrier, paper film packaging with light shielding and high barrier properties

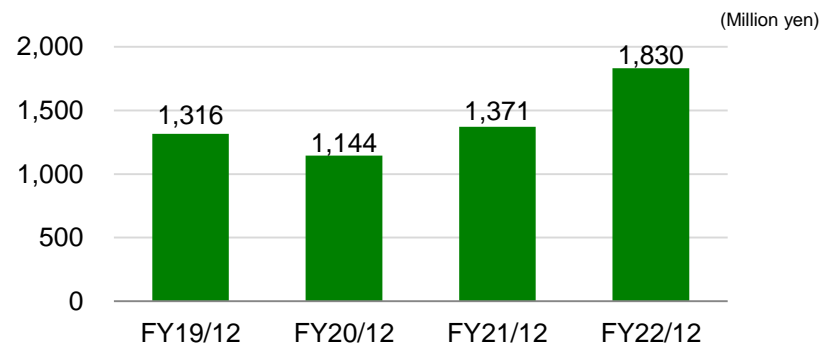


▲ Water-resistant paper Craft Pouch suitable for boiling

## Trends in operating profit margins



## Trends in sales of film packaging



# Other Businesses

## Industry environment

- ◆ Declining demand for in-store supplies and office supplies due to changing formats in the department store industry  
→ Recovering from COVID-19 sales downturns
- ◆ Growing demand for reusable soft bags (made using materials such as cotton, polyester, and nonwovens)
- ◆ Growing need for eco-friendly migration of plastic packaging (food trays, etc.)

## Initiatives

- ◆ Review of transaction details and products, and streamlining efforts, in the Pack Assortment Service System (PAS)
- ◆ Solution sales of accessories such as price tags and labels and sales promotion materials suited to market needs
- ◆ Strengthening new product development initiatives, including food trays made of eco-friendly materials and soft bags with recycled materials

## ◆ Examples of developed products

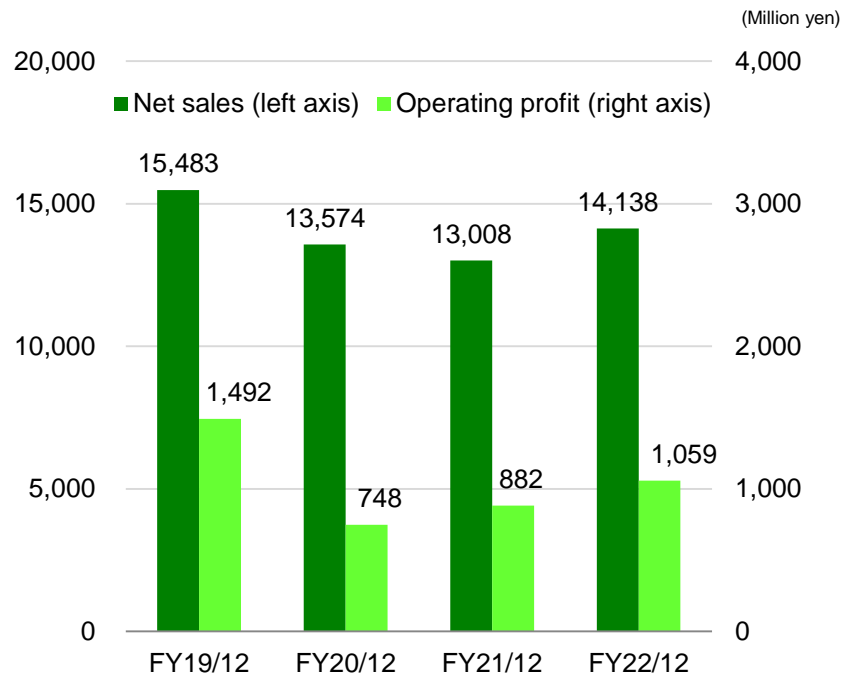


▲ ecoKARA™ tray, a biomass tray containing eggshells

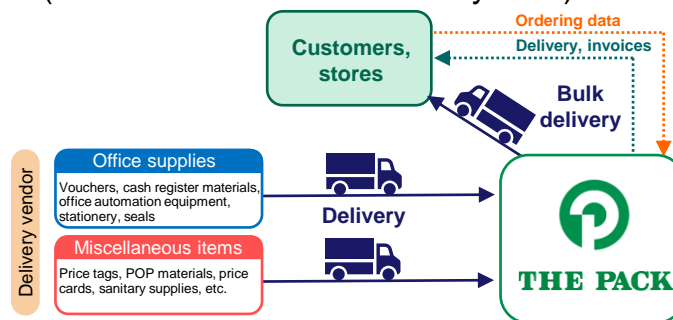


▲ Recycled Tetron Cotton, a material made by recycling materials such as cotton and polyester scraps from factories

## Trends in operating profit margins



## ◆ PAS (Pack Assortment Service System)



▲ Streamlining logistics via bulk delivery also helps reduce CO<sub>2</sub> emissions.

# Balance Sheet

(Million yen)

		Year ended December 31, 2021	Year ended December 31, 2022
		Actual	Actual
<b>Assets</b>		<b>87,422</b>	<b>94,365</b>
Current assets		55,438	61,484
Non-current assets		31,984	32,881
Property, plant, and equipment		22,658	23,729
Intangible assets		643	1,044
Investments and other assets		8,682	8,106
<b>Liabilities</b>		<b>25,390</b>	<b>28,994</b>
Current liabilities		22,279	26,054
Non-current liabilities		3,110	2,939
<b>Net assets</b>		<b>62,032</b>	<b>65,371</b>
Shareholders' equity		60,654	63,713
Accumulated other comprehensive income		1,300	1,611
Share acquisition rights		63	46
Non-controlling interests		13	-



# Cash Flow

(Million yen)

Main items	Year ended December 31, 2021	Year ended December 31, 2022
	Actual	Actual
<b>Cash flows from operating activities</b>	<b>7,217</b>	<b>5,380</b>
Profit before income taxes	4,214	5,925
Depreciation and impairment losses	2,138	2,315
<b>Cash flows used in investment activities</b>	<b>-3,460</b>	<b>-3,762</b>
Purchase of property, plant, and equipment	-3,219	-3,109
Purchase of intangible assets	-514	-433
Purchase of investment securities	-136	-2,357
Proceeds from sales of investment securities	135	204
<b>Cash flows used in financing activities</b>	<b>-1,029</b>	<b>-1,124</b>
Cash dividends paid	-1,045	-1,043
<b>Cash and cash equivalents at end of period</b>	<b>18,067</b>	<b>18,653</b>

- ◆ Depreciation and impairment losses include 323 million yen in impairment losses on fixed assets at the Tokyo Plant and The Pack (Changshu) Co., Ltd.
- ◆ Purchases of investment securities increased, including investments in long-term investment bonds and renewable energy funds.

## **2. Forecasts of Business Results for the Year Ending December 31, 2023**



# Forecasts of Business Results

Growth in sales and profit driven by providing value to the environment, society and economy in response to changing markets

(Million yen)

	Year ended December 31, 2022	Year ending December 31, 2023	
	Actual	Forecast of business results	Forecast YoY change
Net sales	89,060	94,000	5.5%
Operating profit	5,972	6,400	7.2%
Ordinary profit	6,353	6,800	7.0%
Profit ttributable to owners of parent	4,058	4,400	8.4%

- ◆ In FY2023, economic activity is expected to proceed alongside the COVID-19 pandemic, whose impact is expected to persist.
- ◆ Continuing growth is expected in the e-commerce and food takeout and delivery markets. Steady trends are projected for related products.
- ◆ As a total packaging solutions company, we will target sales and profit growth by energetically formulating and proposing proposals for eco-friendly packaging as well as labor and energy savings and mechanization to solve issues facing customers and society.

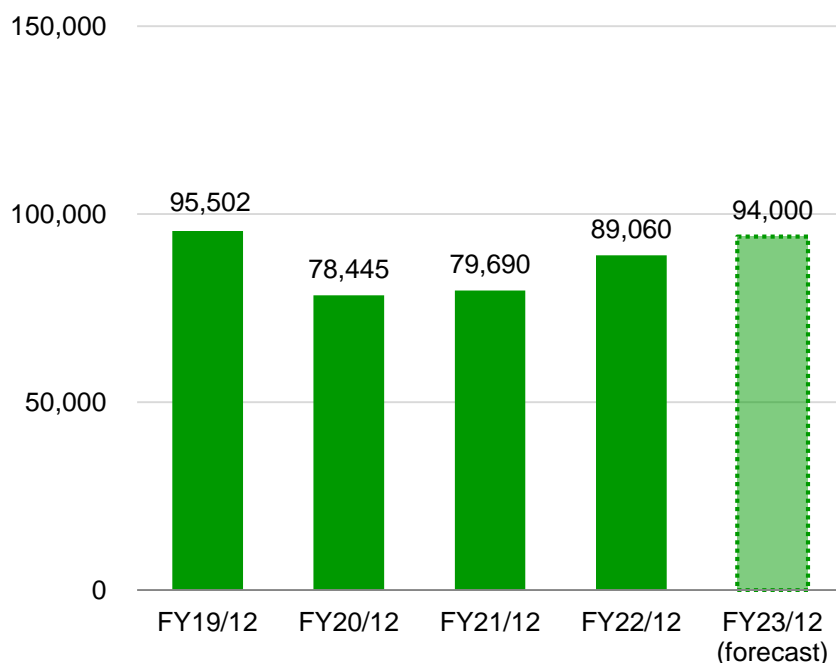
# Trends in Consolidated Business Results

(Million yen)

	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2022	Year ending December 31, 2023 (forecast)
Net sales	95,502	78,445	79,690	89,060	94,000
Operating profit	6,850	3,275	4,144	5,972	6,400

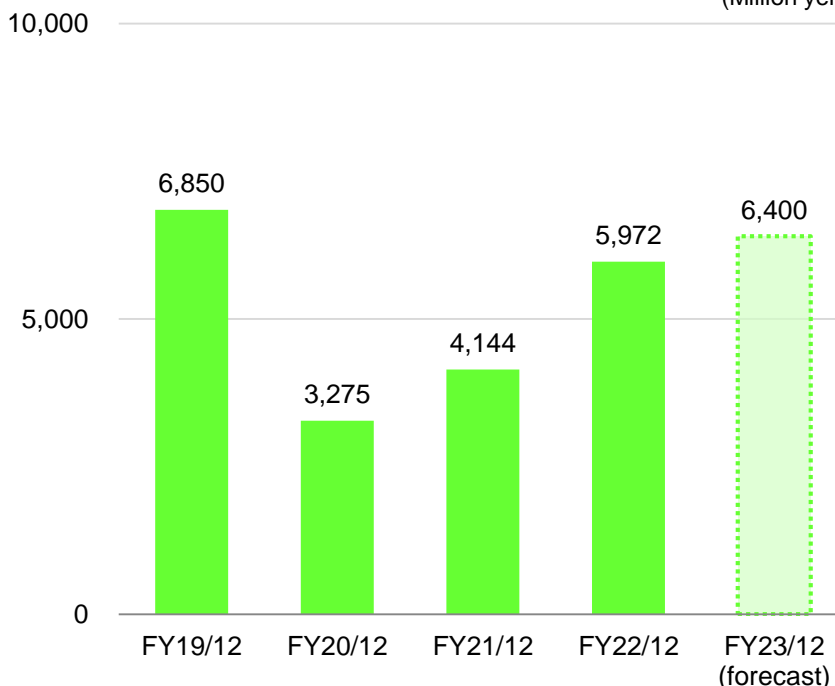
Trends in net sales

(Million yen)



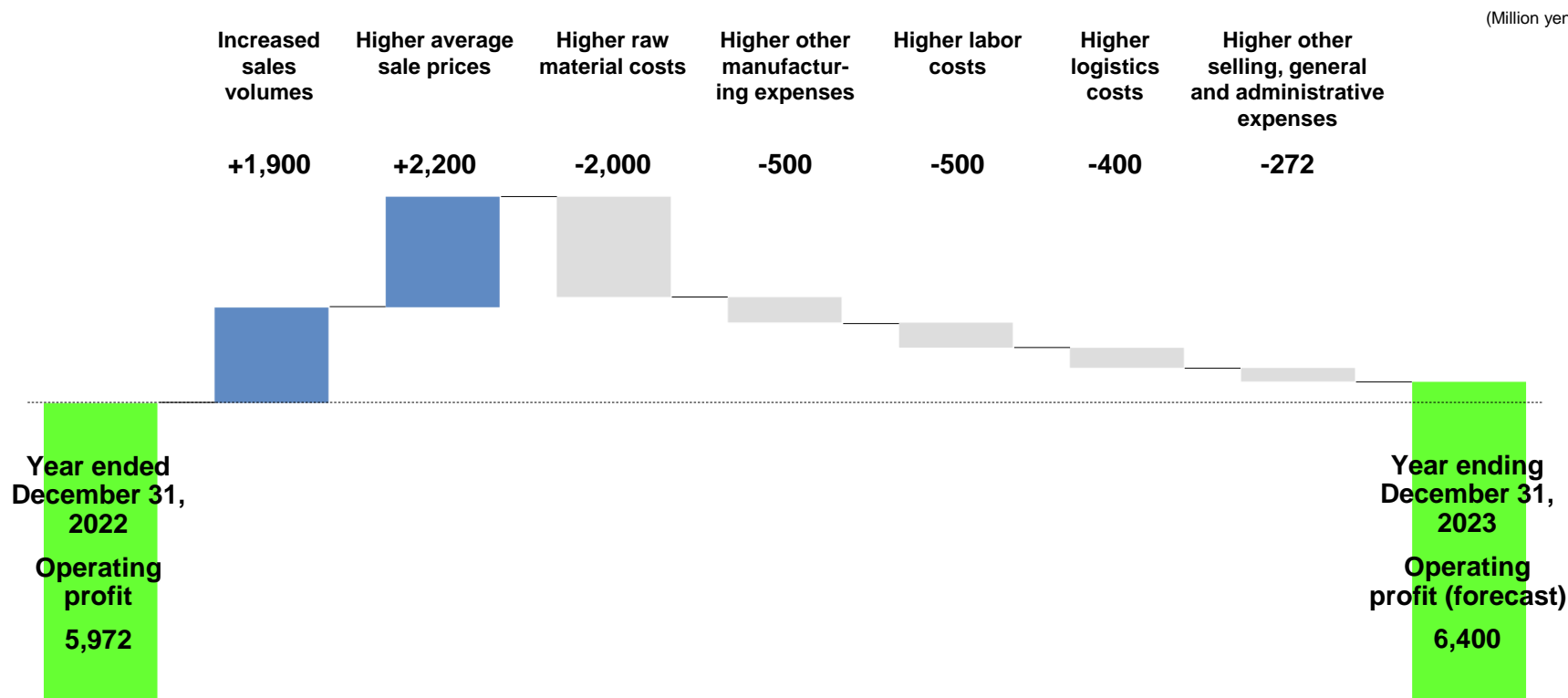
Trends in operating profit

(Million yen)



# Major Factors Underlying Projected Changes in Operating Profit

Growth in profit mainly from increased paper product sales volumes and improved sales



- ◆ Growth in sales volumes centering on paper bags and paper cartons thanks to recovering consumer spending associated with inbound demand and in connection with leisure and travel
- ◆ Increased sales volumes for corrugated boxes, paper cartons, and related products for the e-commerce market and food delivery market, which continue to grow
- ◆ Higher sale prices achieved through proactive proposals involving eco-friendly products and high value added products, starting with paper materials, as well as price optimization
- ◆ Responding to increases in raw material prices by cutting logistics and other costs and shifting higher prices to sale prices through proposals to change item specifications, etc.

### 3. New Medium-Term Management Plan (FY2023 to FY2025)

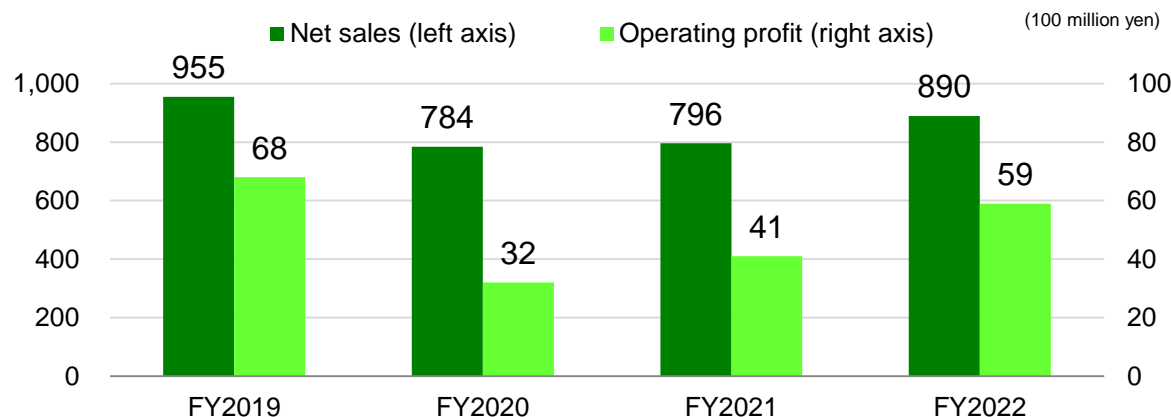


# Review of Previous Medium-Term Management Plan (FY2020 to FY2022)

	Strategy		Assessment	Results
Paper cartons	◆ Strengthen sales of paper cartons. From brick-and-mortar stores to accommodating e-commerce Promote proposal-based sales activities.	●Markets of special interest  Food products market Pharmaceutical market Cosmetics market Health foods market E-commerce market	◎	◆ Sales growth in the food products market, a market of special interest ◆ Sales growth through acquiring new customers and initiatives for new demand ◆ Increased new orders through paper migration ◆ Increased development and sales of eco-friendly products ◆ Growth in orders of paper delivery bags for e-commerce and expanded sales of related supplies ◆ Increases orders through solutions proposals ◆ Maintained dividend payout ratio of 25% or higher ◆ Investment-related <ul style="list-style-type: none"><li>• Investments to augment paper carton capacity (2.5 billion yen)</li><li>• Completed construction of new headquarters building, March 2023</li><li>• New system launch, scheduled for July 2024</li><li>• Introduced automated conveyance system for products/semifinished products (100 million yen)</li></ul>
Paper bags	◆ Initiatives related to the migration to paper Increase sales of easy-to-recycle products. Increase sales of Forest® and FSC® products.		○	
Corrugated boxes	◆ Strengthen sales. From brick-and-mortar stores to accommodating e-commerce Promote proposal-based sales.		◎	
Other	◆ Expand business domains. Initiatives for new businesses Enter ASEAN markets, increase sales in Chinese market.		△	
	◆ Increase productivity. Backbone systems + manufacturing line labor and energy savings		△	
	◆ Shareholder returns Target dividend payout ratio of 25% or higher		○	
	◆ Growth investment Increase paper manufacturing capacity (7.0 billion yen) New businesses (6.0 billion yen) Rebuild headquarters building (1.6 billion yen)	System renovations (1.5 billion yen) (5-year plan) Rebuild Osaka Plant Augment Nara Plant	△	

# Review of Previous Medium-Term Management Plan (FY2020 to FY2022)

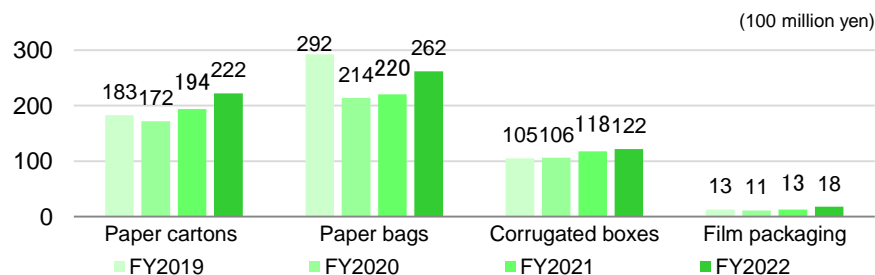
## Trends in operating profit margins



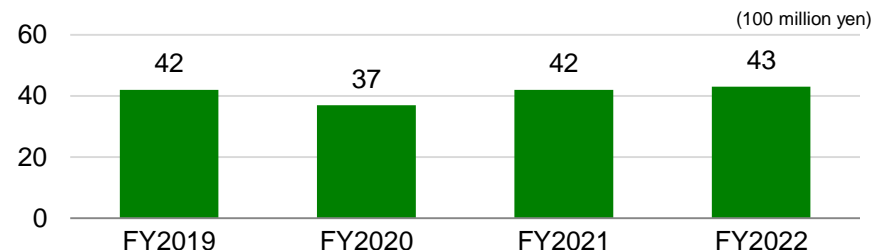
- ◆ The Company was affected by declining results in the distribution and retail industry, a major customer base, due to the impact of state of emergency declarations and stay-at-home requests during the COVID-19 pandemic. Current results are steadily recovering alongside the gradual resumption of economic activity.
- ◆ Product sales to new markets in line with lifestyle changes and business growth through solution proposals contributed to results.

Note: The targets for consolidated net sales, operating profit, EBITDA and ROE, which were among the targets for the fiscal year ended December 31, 2022 in the previous Medium-Term Management Plan, were rescinded by the Board of Directors at the meeting held on August 30, 2021.

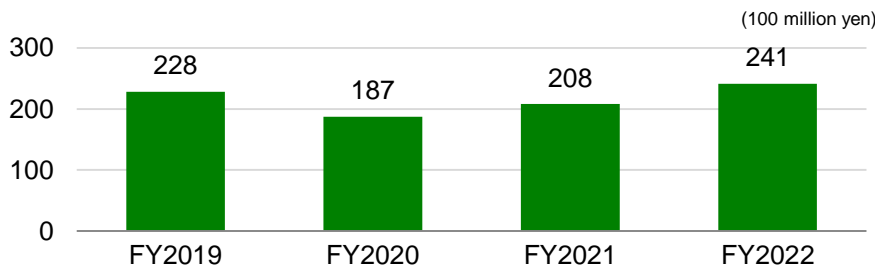
## Net sales by product type



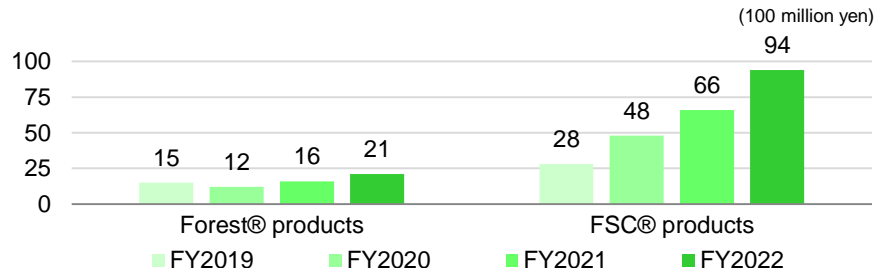
## Sales to the pharmaceutical and cosmetics markets



## Sales to the food products market



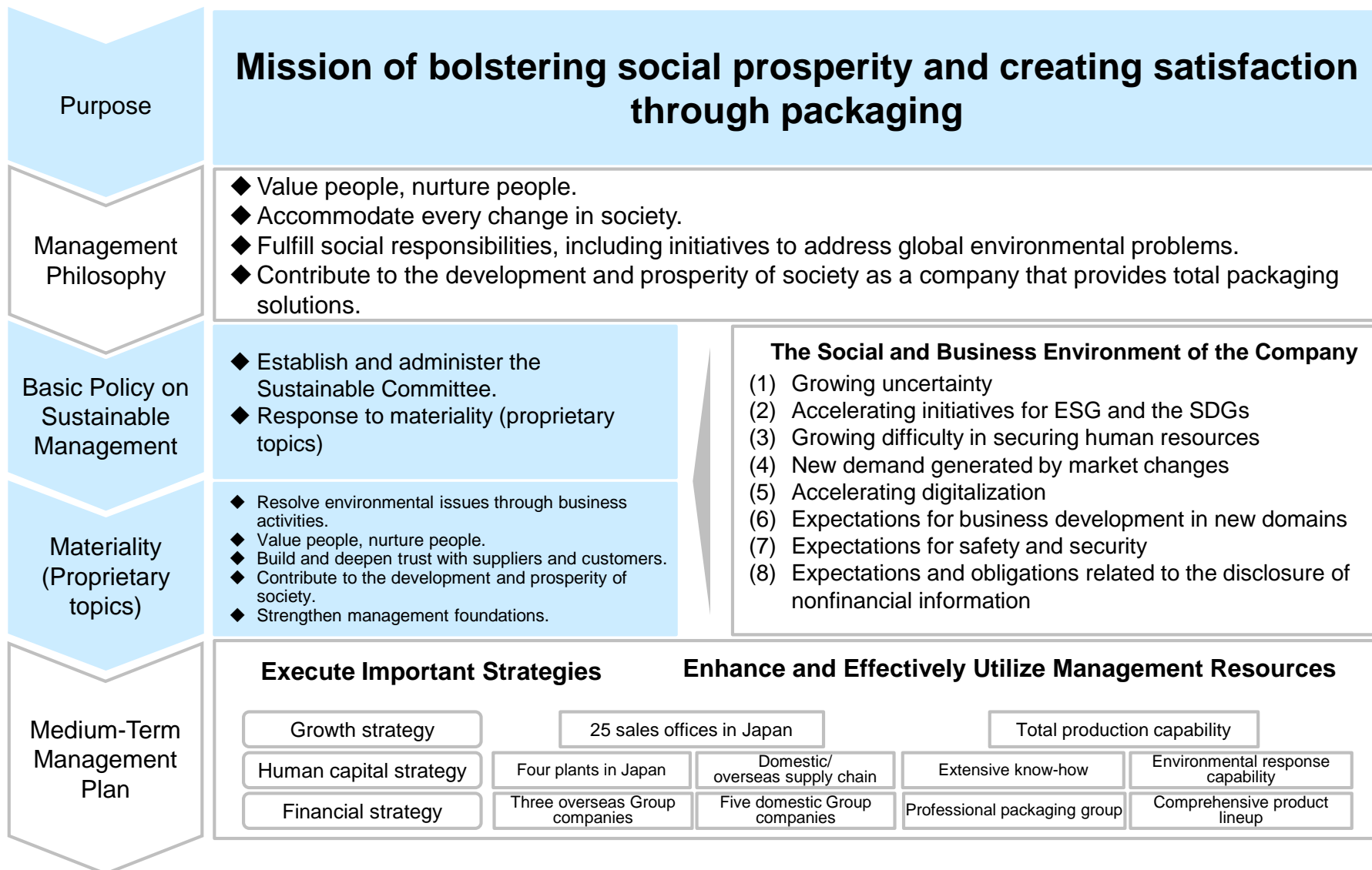
## Sales of eco-friendly materials





# The Pack Group's Management Policy

In 2023, the Company established its Purpose and Basic Policy on Sustainable Management and established a new management policy that reflects the social and business environment.



# Promotion of Sustainable Management

## Basic Policy on Sustainable Management

Based on its Company Motto—Passionate and Dedicated to Our Partnerships—the Group will practice sustainable management and has established an official Purpose: Mission of bolstering social prosperity and creating satisfaction through packaging. As a total packaging solutions company, for the sake of the environment, society, and the economy, we will create new value for packaging to solve the various issues of stakeholders and to contribute to a more prosperous society that is both sustainable and full of smiles. To this end, we will maintain systems that allow us to accommodate any changes in society and grow in a sustainable manner to provide value unique to the Group.

## Sustainable Committee Establishment and Administration

The Sustainable Committee (chaired by the president & CEO) has been established to promote sustainable management at the Group. The committee will deliberate and make decisions on the formulation of policies related to the execution and promotion of sustainable management and important themes, progress management for initiatives, and incorporation into the Medium-Term Management Plan. The committee's secretariat will coordinate with each division and Group company to promote action plans and manage key performance indicators, etc.



## Response to Materiality (Priority Topics)

### Environment

#### Solve environmental issues through business activities.

- ◆ Plan products and develop technologies that reflect environmental awareness.
- ◆ Reduce overall environmental impact of business activities.
- ◆ Contribute to nature protection and environmental preservation.

### Social

#### Value people, nurture people.

- ◆ Promote employee health and ensure their safety.
- ◆ Nurture and cultivate total packaging solutions capabilities.
- ◆ Promote diverse work styles that allow employees to thrive.

#### Build and deepen trust with suppliers and customers.

- ◆ Co-create brand value with customers.
- ◆ Maintain and improve quality through collaboration with suppliers.

#### Contribute to the development and prosperity of society.

- ◆ Contribute to the development of the next generation and raise awareness of the environment.
- ◆ Solve diversifying social issues.

### Governance

#### Strengthen management foundations.

- ◆ Maintain management soundness, transparency, and efficiency.
- ◆ Promote supply chain risk management.

# Summary of New Medium-Term Management Plan (FY2023 to FY2025)

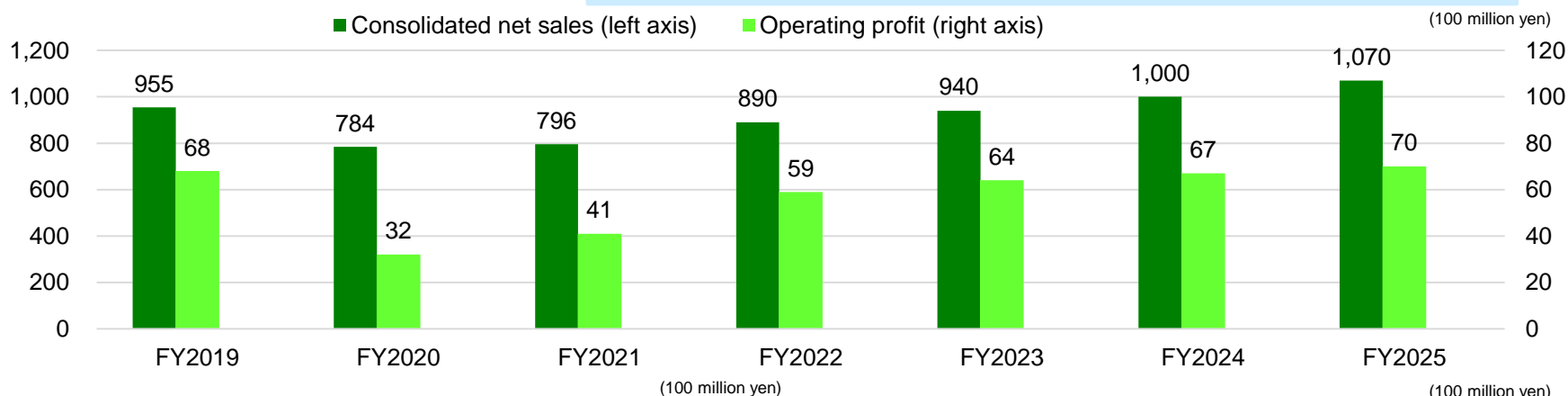
**Slogan**

**Evolution: Start of Purpose-Based Management and Sustainable Management**

**FY2025 Targets**

**Consolidated net sales: 10.7 billion yen**  
**Operating profits: 7.0 billion yen ROE: 8% or higher ROIC: 8% or higher**

## New Medium-Term Management Plan Targets (FY2023 – FY2025)



	FY2022 Result	FY2025 Target		
			FY2022 Difference	FY2022 Change
Food products(*)	250	320	+ 70	28.0%
E-commerce, mail order, logistics	140	180	+ 40	28.6%
General distribution, retail, etc.	500	570	+ 70	14.0%
<b>Total</b>	<b>890</b>	<b>1,070</b>	<b>+ 180</b>	<b>20.2%</b>

	FY2022 Result	FY2025 Target
<b>ROE</b>	<b>6.4%</b>	<b>8% or higher</b>
<b>ROIC</b>	<b>6.4%</b>	<b>8% or higher</b>

	FY2022 Result	FY2025 Target		
			FY2022 Difference	FY2022 Change
Paper bags	262	315	+ 53	20.2%
Paper cartons	222	270	+ 48	21.6%
Corrugated boxes	122	150	+ 28	23.0%
Film packaging	119	145	+ 26	21.8%
Other	162	190	+ 28	17.3%
<b>Total</b>	<b>890</b>	<b>1,070</b>	<b>+180</b>	<b>20.2%</b>

\* The food products category includes packages for food products at convenience stores, supermarkets, etc.

# Growth Strategies

## Food products market (including convenience stores and fast food)

- ◆ Increase sales of primary food containers.
- ◆ Develop materials and processes that help reduce environmental impact; increase sales of FSC® products (FSC® C020517).
- ◆ Combined sales of paper bags and paper cartons with labels, films (film packaging), etc.
- ◆ Promote solution proposals that contribute to labor savings, streamlining, and automation at customers.
- ◆ Expand lineup of paper carton products.
- ◆ Initiatives for trays and molded containers, etc.



▲ Craft Clear, see-through paper film packaging



▲ Craft VM Barrier, paper film packaging with light shielding and high barrier properties



▲ Water-resistant paper Craft Pouch suitable for boiling



▲ Trays for food products

# Growth Strategies

## E-commerce, mail order market, logistics industry

- ◆ Strengthen sales of delivery bags that increase transport efficiency for customers.
- ◆ Strengthen proposal-based sales that can help reduce labor requirements at customer facilities.
  - Proposals for product designs that reduce work hours
  - Proposals for solutions for automating work processes
- ◆ Develop materials and processes for automatic packaging and increase related sales.
- ◆ Further increase sales of reinforced corrugated boxes for heavy objects.



▲ Delivery bags for e-commerce



▲ Paper delivery bag compatible with automatic packaging machines; automatic packaging machine



▲ Reinforced corrugated box for heavy objects

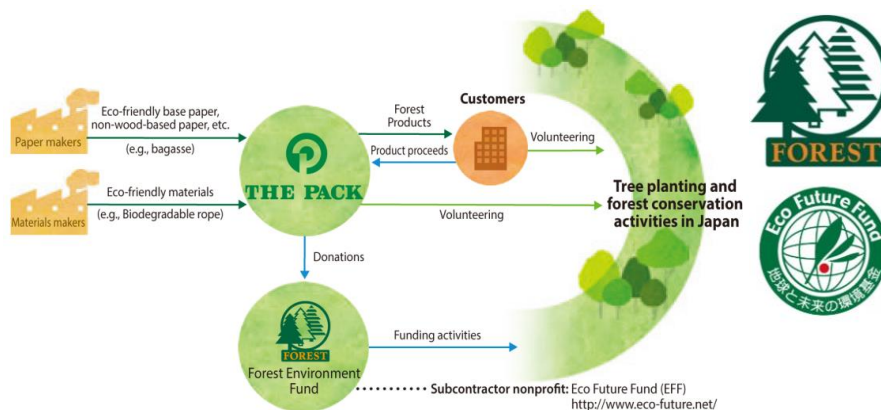
# Growth Strategies

## General distribution and retail market, other markets

- ◆ Increase paper bag share and continue pursuing proposal-based sales to promote paper migration.
- ◆ Along with product sales, combined sales with assembly and setup work
- ◆ Develop sales channels in ASEAN region.
- ◆ Product sales aligned with the 3 Rs (reduce, reuse, recycle)
  - Increase sales of eco paper, upcycled materials, and FSC® paper.
  - Increase sales of eco bags and mono-material products.
  - Develop original paper and films with 100% recycled materials.
- ◆ Promote social contributions with customers.
  - Apply a portion of sales proceeds from eco-friendly products to promote forest conservation via The Pack Forest Environment Fund and an NPO.



▲Eco paper, upcycled materials (Mixed Paper with used clothes)



▲Flowchart for The Pack Forest Environment Fund



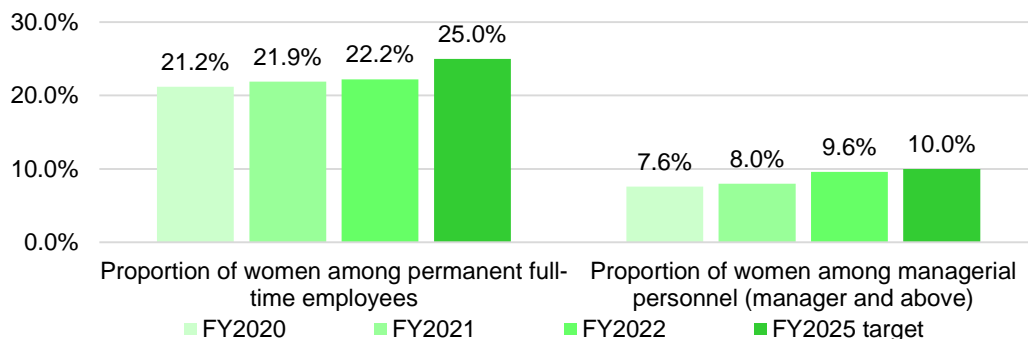
# Human Capital Strategy

## Growth and vitalization of individuals and the company

Secure diverse human resources.	<ul style="list-style-type: none"> <li>◆ Strengthen mid-career hiring.</li> <li>◆ Promote active participation of women (full-time employee and manager ratios).</li> <li>◆ Expand employment of people with disabilities.</li> </ul>
Develop human resources.	<ul style="list-style-type: none"> <li>◆ Enhance training programs.</li> <li>◆ Support for self-initiated skill improvement and retraining</li> </ul>
Optimize personnel assignments.	<ul style="list-style-type: none"> <li>◆ Make effective use of the talent management system.</li> <li>◆ Expand hiring opportunities (referrals, re-hires).</li> </ul>
Develop optimal working environments.	<ul style="list-style-type: none"> <li>◆ Diverse work formats and program enhancements</li> <li>◆ Well-being (promote health and productivity management)</li> </ul>
Maximize employee engagement.	<ul style="list-style-type: none"> <li>◆ Appropriate wage structure, enhancements to benefits</li> <li>◆ Raise management participation awareness by joining stock ownership association.</li> <li>◆ Energize employee interactions and communications.</li> <li>◆ Conduct engagement surveys.</li> </ul>

## Personnel Plan (consolidated)

FY2022 result	1,797 * Including full-time employees, contract employees, and part-time employees
FY2025 plan	1,920 (+123)



# Financial Strategy

## Supporting efficient, continuous growth through optimal fund usage planning

Growth investment	<b>◆ Priority allocation of funds for growth investment</b> (1) Capital investment (2) Investment in new businesses (3) Human investment (4) Investment for system upgrading (5) R&D
Shareholder returns	<b>◆ Maintain dividend payout ratio of 30% or higher</b> <b>◆ Flexible share buybacks</b>

### ◆ Nara Plant rebuild

- Plan to acquire new land in Nara Prefecture and build corrugated box plant

### ◆ Osaka Plant rebuild

- Plan to rebuild through scrap-and-build on the current Osaka Plant site

## Fund usage plan (FY2023 – FY2025 total)

Cash inflows	Cash outflows	
<b>Cash on hand</b>	<b>Capital investment</b>	Augment paper carton manufacturing capacity 2.0 billion yen
		Augment paper bag manufacturing capacity 3.0 billion yen
	6.5 billion yen	Rationalization, labor savings 1.1 billion yen
		Energy savings, resource savings 200 million yen
		Other 200 million yen
<b>Operating cash flow</b>	<b>Strategy investment</b>	M&A 10.0 billion yen
		Backbone system upgrades 2.0 billion yen
	14.0 billion yen	Human investment 2.0 billion yen
20.0 billion yen	<b>Shareholder returns</b>	
	4.0 billion yen	



## 4. Reference Materials



# Corporate Overview

<b>Name</b>	THE PACK CORPORATION
<b>Founded</b>	May 1952 (shares listed September 1991; listed on TSE Prime Market April 2022)
<b>Headquarters</b>	OAP Tower 20F, 1-8-30 Temmabashi, Kita-ku, Osaka City, Osaka 530-6020, Japan
<b>Lines of business</b>	Planning, manufacturing and sale of paper bags, folding paper cartons, corrugated boxes, film packaging, etc.
<b>Executives</b>	Hideaki Yamashita, President and CEO, eight other directors (including three outside directors), and four auditors (including two outside auditors)
<b>Number of employees</b>	1,186 consolidated, 835 nonconsolidated
<b>Group companies</b>	Eight consolidated subsidiaries (in Japan, the United States, and China)
<b>Main banks</b>	MUFG Bank, Sumitomo Mitsui Banking Corporation, Mitsubishi UFJ Trust and Banking Corporation, Sumitomo Mitsui Trust Bank, Mizuho Bank
<b>Main shareholders</b>	Morita Memorial Welfare Foundation 10.95%, The Master Trust Bank of Japan (trust account) 7.85%, BBH for Fidelity Low-Priced Stock Fund (principle all-sector sub-portfolio) 6.60%, partner companies' stock ownership program 6.56%, Custody Bank of Japan (trust account) 4.61%, Custody Bank of Japan (trust account) 4.61%, Custody Bank of Japan (Resona re-trust account/Hokuetsu Corporation retirement benefits trust account) 3.28%, Daio Paper Corporation 3.02%, MUFG Bank 2.60%, Shichijo Paper Trading 2.49%

(As of the end of December 2022)

# The Pack Group (Eight Consolidated Subsidiaries)

## The Pack Corporation

Headquarters (Osaka)



\* Relocating to new building in May 2023

Tokyo Head Office Building



Osaka Plant



Nara Plant



Tokyo Plant



Ibaraki Plant



(All sites have earned ISO 9001 and ISO 14001 certification.)

## Domestic subsidiaries

Keihin Tokushu Printing Corp.



Nikko Print Corporation



Offset printing machine

Pack Takeyama Co., Ltd.



Nishinihon Printing Co., Ltd.



Kannaru Printing Co., Ltd.



## Overseas subsidiaries

Consolidated subsidiaries in China  
The Pack (Changshu) Co., Ltd.



The Pack  
(Shanghai)  
Corporation

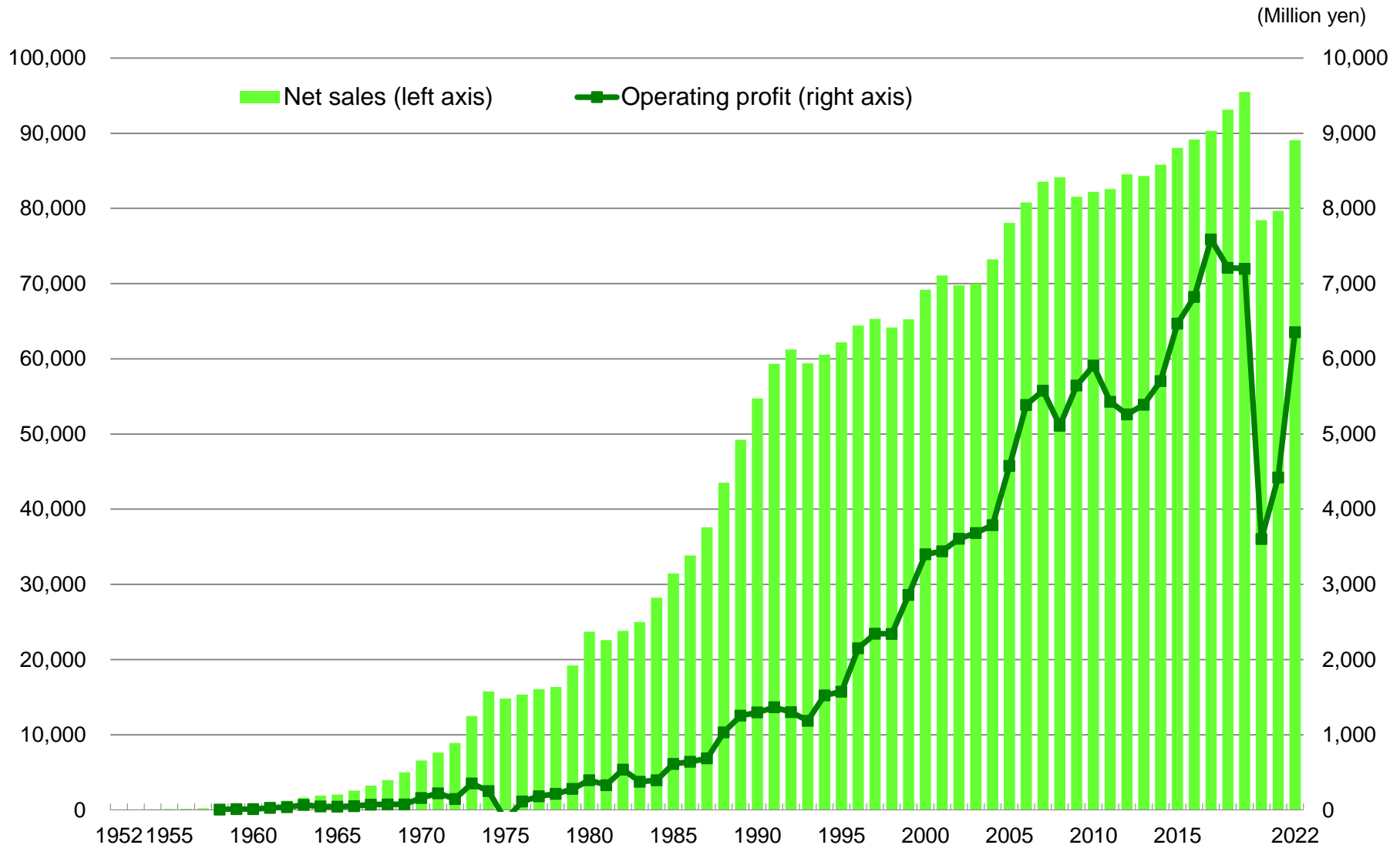


U.S. consolidated subsidiary

The Pack  
America  
Corporation




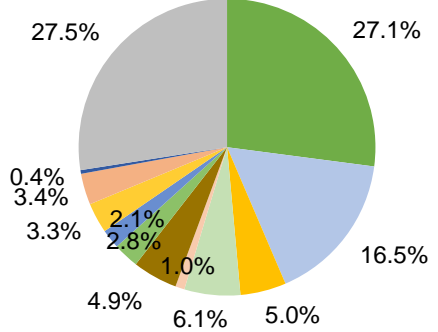


# Trends in Net Sales and Ordinary Profit (Consolidated) from the Company's Founding (1952) through 2022



# Distribution Structure for Major Products



# The Pack's Strengths (1)

Strength	Specifics																								
<p>1. A wide-ranging customer base</p>  <p>Apparel and other goods</p>  <p>e-commerce</p>	<p>◆ Transaction counterparties: approx. 14,000 companies</p> <p>Food products, department stores, specialty stores, large retailers, general retailers, convenience stores, fast food, apparel, home electronics manufacturers, e-commerce, etc.</p> <p>⇒ <u>A customer base resistant to the negative effects of downturns in specific industries</u></p> <div>  <p>Year ended December 31, 2022</p> <table border="1"> <thead> <tr> <th>Industry</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Food products</td> <td>27.1%</td> </tr> <tr> <td>Apparel</td> <td>16.5%</td> </tr> <tr> <td>Department stores</td> <td>27.5%</td> </tr> <tr> <td>Supermarkets and drug stores</td> <td>6.1%</td> </tr> <tr> <td>Sundries</td> <td>5.0%</td> </tr> <tr> <td>e-commerce (mail order)</td> <td>4.9%</td> </tr> <tr> <td>Automotive</td> <td>3.4%</td> </tr> <tr> <td>Other</td> <td>3.3%</td> </tr> <tr> <td>Pharmaceuticals and cosmetics</td> <td>2.8%</td> </tr> <tr> <td>Life care</td> <td>2.1%</td> </tr> <tr> <td>Home electronics and home installations</td> <td>0.4%</td> </tr> </tbody> </table> </div>  <p>Food products</p>  <p>Consumer industries</p>	Industry	Percentage	Food products	27.1%	Apparel	16.5%	Department stores	27.5%	Supermarkets and drug stores	6.1%	Sundries	5.0%	e-commerce (mail order)	4.9%	Automotive	3.4%	Other	3.3%	Pharmaceuticals and cosmetics	2.8%	Life care	2.1%	Home electronics and home installations	0.4%
Industry	Percentage																								
Food products	27.1%																								
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Other	3.3%																								
Pharmaceuticals and cosmetics	2.8%																								
Life care	2.1%																								
Home electronics and home installations	0.4%																								



# The Pack's Strengths (1)

Strength	Specifics
2. A total packaging solutions provider	<ul style="list-style-type: none"> <li>◆ (Full support structure) Solutions proposed by joint efforts of the sales, research and planning, engineering, and design sections</li> <li>◆ (Thorough expertise and access to large body of information) Operating one of Japan's largest packaging labs</li> </ul> <p>⇒ <u>Delivering consulting-based solutions in response to the wide-ranging needs of customers</u></p>

Packaging lab



### Web Packaging Lab

Images of the packaging lab were captured with a 360-degree 3D camera to generate 3D data. The Web Packaging Lab is a 3D space that can be explored virtually.

**WEB**  
Access to dedicated site

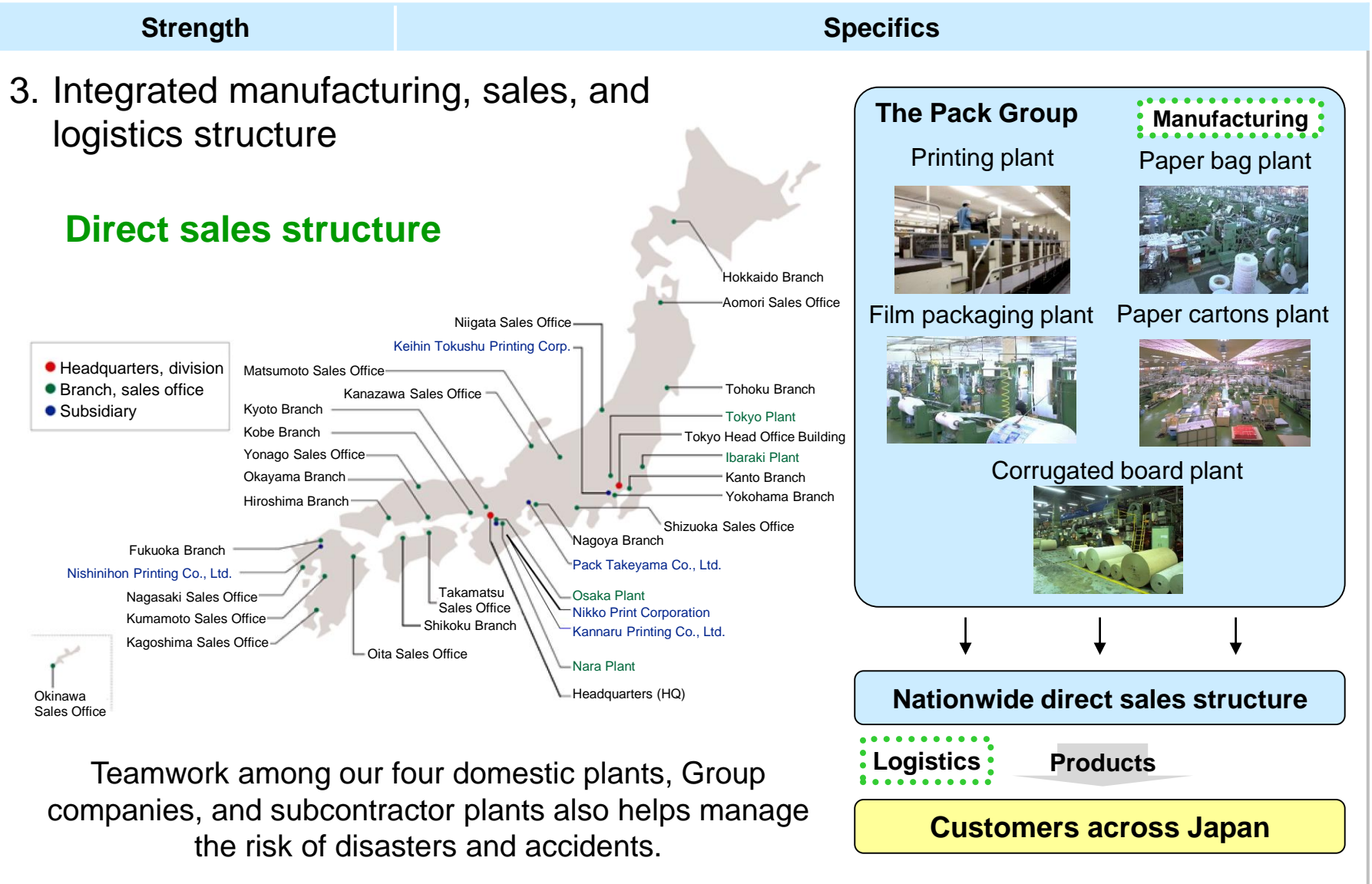
### Online Package Lab

The floor can be selected (1F, 2F). Tap on the circle to proceed in that direction.

**zoom**  
Real-time streaming

Streaming our office and packaging lab. Local staff serve as tour guides in real-time while filming.

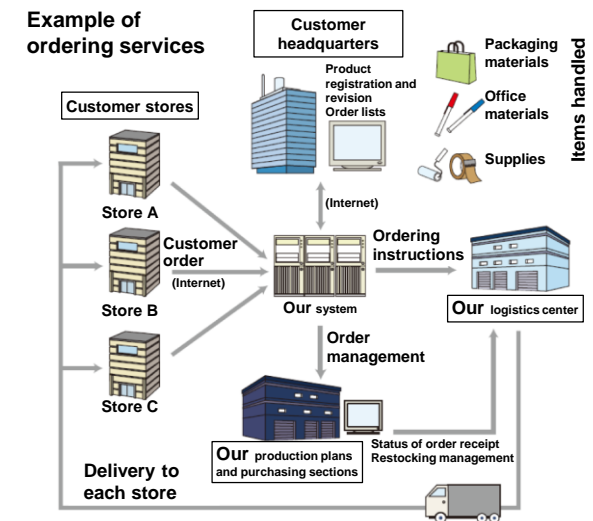
# The Pack's Strengths (3)




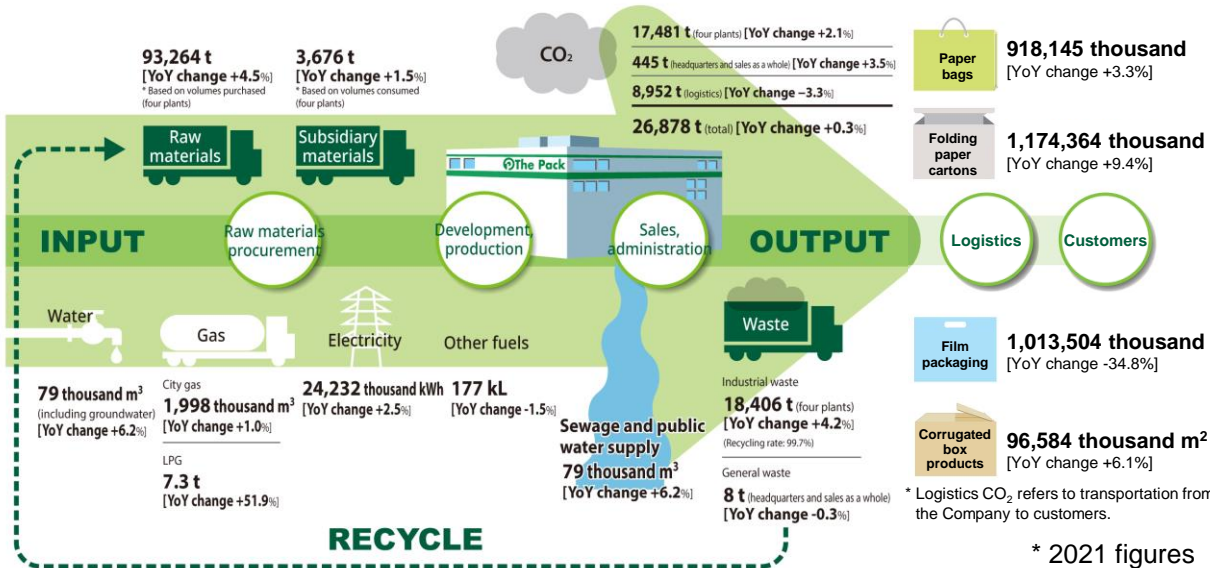


# The Pack's Strengths (4)

Strength	Specifics
4. Quality control structure	<ul style="list-style-type: none"> <li>◆ Groupwide quality management systems are ISO 9001-certified.</li> <li>◆ The Tokyo and Osaka plants               <ul style="list-style-type: none"> <li>⇒ <u>have earned FSSC 22000 international food-safety management system certification.</u></li> </ul> </li> <li>◆ Based on a policy of improving customer satisfaction through enhanced quality, we strive to earn customer trust by delivering safe, reliable products.</li> </ul>
5. IT-driven customer networks	<ul style="list-style-type: none"> <li>◆ Delivering packaging materials, supplies, and other products as an integrated service               <ul style="list-style-type: none"> <li>⇒ <u>Streamlined logistics based on bulk deliveries also helps cut CO<sub>2</sub> emissions.</u></li> </ul> </li> <li>◆ Offering Pack-Web web-ordering services               <ul style="list-style-type: none"> <li>⇒ <u>Streamlining customers' ordering operations</u></li> </ul> </li> </ul>



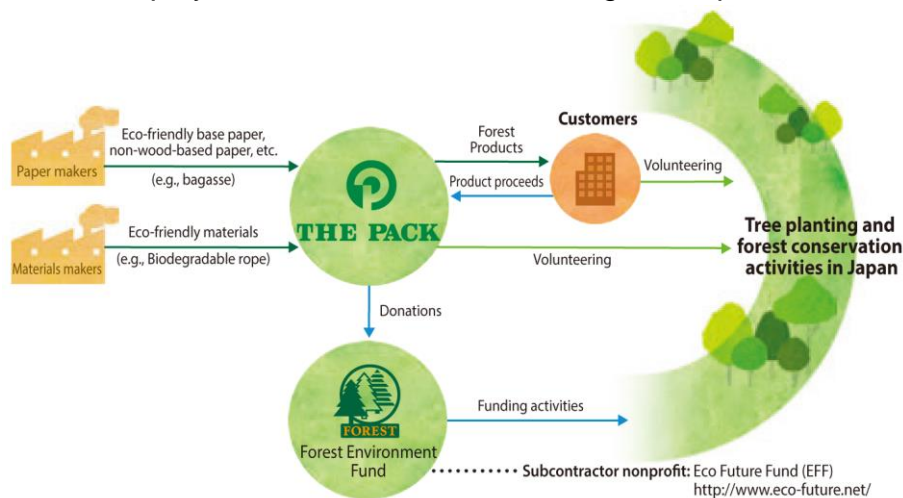
# ESG Initiatives (1)

Initiatives	Specifics
<p>1. Environmental Initiatives</p> <p>Relationship to the SDGs</p> 	<ul style="list-style-type: none"> <li>◆ All plants and sites in Japan had earned ISO 14001 certification as of 2006.</li> <li>◆ We are implementing a wide range of initiatives, including measures to cut CO<sub>2</sub> emissions and waste volumes and to develop eco-friendly products.</li> <li>◆ We fulfill our obligations as a core member of the Japan Clean Ocean Material Alliance, which promotes activities across the economy to develop and promote innovative substitutes based on public-private partnerships to reduce ocean plastic waste.</li> <li>◆ Support the spread and growth of renewable energy through investment in renewable energy funds.</li> </ul> <p><b>Overview of environmental impact</b></p> <p>We're striving to ascertain and lessen the environmental impact of production activities as a whole.</p> <p><small>* The data shown below are for the four plants (the Osaka Plant, Nara Plant, Tokyo Plant, and Ibaraki Plant) and the headquarters and sales groups.</small></p>  <p><b>INPUT</b></p> <ul style="list-style-type: none"> <li>Raw materials: 93,264 t [YoY change +4.5%] <small>* Based on volumes purchased (four plants)</small></li> <li>Subsidiary materials: 3,676 t [YoY change +1.5%] <small>* Based on volumes consumed (four plants)</small></li> <li>Water: 79 thousand m<sup>3</sup> (including groundwater) [YoY change +6.2%]</li> <li>City gas: 1,998 thousand m<sup>3</sup> [YoY change +1.0%]</li> <li>LPG: 7.3 t [YoY change +51.9%]</li> <li>Electricity: 24,232 thousand kWh [YoY change +2.5%]</li> <li>Other fuels: 177 kL [YoY change -1.5%]</li> </ul> <p><b>CO<sub>2</sub></b></p> <ul style="list-style-type: none"> <li>17,481 t (four plants) [YoY change +2.1%]</li> <li>445 t (headquarters and sales as a whole) [YoY change +3.5%]</li> <li>8,952 t (logistics) [YoY change -3.3%]</li> <li>26,878 t (total) [YoY change +0.3%]</li> </ul> <p><b>OUTPUT</b></p> <ul style="list-style-type: none"> <li>Paper bags: 918,145 thousand [YoY change +3.3%]</li> <li>Folding paper cartons: 1,174,364 thousand [YoY change +9.4%]</li> <li>Film packaging: 1,013,504 thousand [YoY change -34.8%]</li> <li>Corrugated box products: 96,584 thousand m<sup>2</sup> [YoY change +6.1%]</li> <li>Industrial waste: 18,406 t (four plants) [YoY change +4.2%] <small>(Recycling rate: 99.7%)</small></li> <li>General waste: 8 t (headquarters and sales as a whole) [YoY change -0.3%]</li> <li>Sewage and public water supply: 79 thousand m<sup>3</sup> [YoY change +6.2%]</li> </ul> <p><b>RECYCLE</b></p> <p><b>Logistics</b> → <b>Customers</b></p> <p><small>* Logistics CO<sub>2</sub> refers to transportation from the Company to customers.</small></p> <p><small>* 2021 figures</small></p>

# ESG Initiatives (2)

## 2. Activities of The Pack Forest Environment Fund (forest conservation activities)

- ◆ In 2000, we established an independent Forest Environment Fund and launched volunteer activities to plant and thin forested areas.
- ◆ We contribute a portion of the sales from eco-friendly products to the Forest Environment Fund.
- ◆ Operation of the Fund is subcontracted to the nonprofit Eco Future Fund (EFF).
- ◆ We carry out forest conservation activities with the participation of not just The Pack employees, but customers and the general public.



The Pack Forest Mark



Eco Future Fund

Relationship to the SDGs



(Activities)

Funds contributed	1.77 million yen
Trees planted	21,078
Total participants	7,075
Planted land area	17.99 Ha
CO <sub>2</sub> emissions absorbed	1,838.91 t

(Totals as of the end of December 2022)

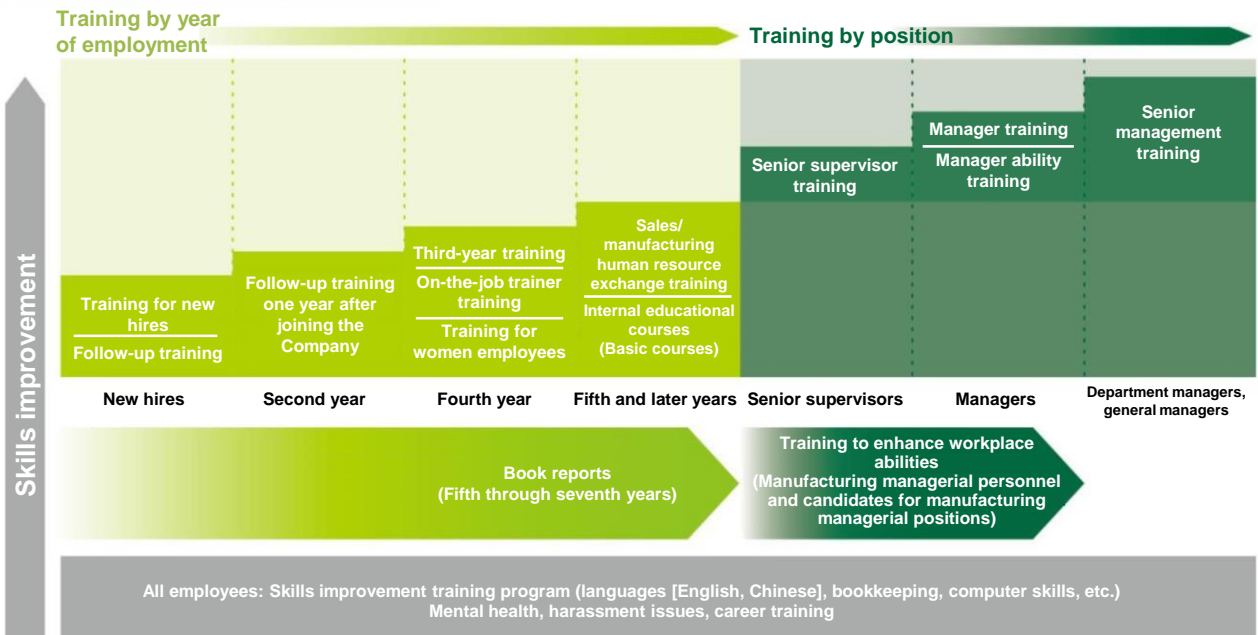
# ESG Initiatives (3)

## 3. Human Resource Development and Workplace Development

- ◆ In accordance with our Company Motto, “Passionate and Dedicated to Our Partnerships,” and our Corporate Philosophy, “We Value and Nurture People,” we are implementing initiatives to contribute to employee welfare, including human resource development, support for childcare and long-term care, and employment stability. We are enhancing our human resource development structure in various ways, including training that accounts for year of employment, training by position, and training to enhance abilities in the workplace.
- ◆ Recognized as a 2022 Certified Health & Productivity Management Outstanding Organization  
We strive to maintain and improve employee health and raise individual health consciousness



### Educational structural diagram



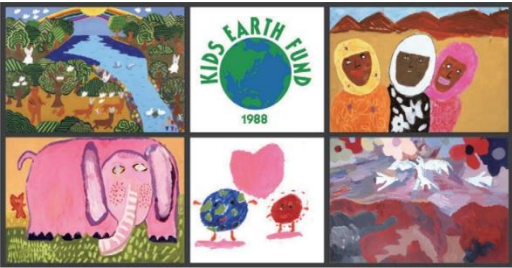




Relationship to the SDGs





# ESG Initiatives (4)

Initiatives	Specifics
<p>4. Social Contribution Activities</p>	<p>◆ As part of our environmental education initiatives, in cooperation with the city of Higashi-Osaka, we organize hands-on manufacturing classes at elementary schools.</p> 
<p>Relationship to the SDGs</p> 	<div> <p>◆ Sponsorship of the Kansai Philharmonic Orchestra</p> <p>◆ Support for the scholarship program of the Japan Student Services Organization</p> <p>◆ Support for the Kids Earth Fund</p>  <p>The Kids Earth Fund undertakes support activities for children around the world who have suffered psychological trauma. The Company is registered as a corporate member. When requested by customers, pictures from the Kids Earth Fund are used in the graphic design of packaging.</p> </div> <div> <p>◆ Contributing to human resource development for the future</p>  <p>Display using kome-kamiTPFS (Mitsui Outlet Park Osaka Tsurumi)</p>  <p>Online Social Studies Field Trip Shigoto no Tobira (Job Door) (Gakken Kids Net)</p> <p><b>The packaging mission</b></p> </div>

**Note**

This document is intended to provide information on management policies and business results for the second quarter of the year ended December 31, 2022. It is not intended to solicit investment in securities issued by the Company. In addition, this document was prepared based on data as of the end of December 2022.

Views, forecasts, and other information contained in this document are based on the Company's judgments at the time the document was prepared. No guarantees are made concerning the accuracy or completeness of such information. The contents of this document are subject to change without notice.

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